



YULON

人·車·生活

TW : 2201

# **YULON MOTOR CO., LTD.**

## **Investor Conference**

2016/05/18



# Disclaimer Statement

人 · 車 · 生活

1. This document is provided by Yulon Motor Co., Ltd. (the "Company"). Except for the numbers and information included in the Company's financial statements, the information contained in this document has not been audited or reviewed by any accountant or independent expert. The Company makes no express or implied representations or warranties as to the fairness, accuracy, completeness, or correctness of such information or opinions. This document is provided as of the date herein and will not be updated to reflect any changes hereafter. The Company, its affiliates and their representatives do not accept any responsibility or liability for any damage caused by their negligence or any other reasons, nor do they accept responsibility or liability for any loss or damages arising from the use of this document or the information contained herein or anything related to this document.
2. This document may contain forward-looking statements, including but not limited to all statements that address activities, events or developments that the Company expects or anticipates to take place in the future based on the projections of the Company toward the future, and various factors and uncertainty beyond the Company's control. Therefore, the actual results may differ materially from those contained in the forward-looking statements.
3. This document is not and cannot be construed as an offer to purchase or sell securities or other financial products or solicitation of an offer. ‡
4. The copyright of this document is owned by the Company and / or our affiliates and may not be directly or indirectly reproduced, redistributed or forwarded to any other person and may not be published in whole or in part for any purpose.



**YULON**

# Agenda

人 · 車 · 生活

<b>Agenda</b>	<b>Time</b>	<b>Speaker</b>
<b>Opening</b>	<b>5 min</b>	<b>Chen Hsiang Yao -President</b>
<b>Financial Results &amp; Future Prospects</b>	<b>20 min</b>	<b>Ming Hui Chiu –Vice President</b>
<b>Q&amp;A</b>	<b>25 min</b>	<b>Chen Hsiang Yao -President</b>



YULON

人·車·生活

# Financial Results



# 2016/1~4 Sales Volume in Taiwan

人·車·生活

YULON

2016/1~4	Domestic cars and Imported cars									
	Domestic /Imported	Sales volume				Growth rate		Market share %		
		2015/1~4		2016/1~4		2016/1~4	Total	2016/1~4	2015/1~4	%
		Units	Total	Units	Total					
YULON Nissan Co.	Domestic	13,261	14,558	13,721	14,645	3.47%	0.6%	10.5%	10.5%	0.0%
	Imported	1,297		924		-28.76%				
LUXGEN	Domestic	5,417	5,417	4,930	4,930	-8.99%	-9.0%	3.5%	3.9%	-0.4%
	Imported	-		-						
MITSUBISHI	Domestic	14,385	14,607	15,703	15,848	9.16%	8.5%	11.4%	10.5%	0.9%
	Imported	222		145		-34.68%				
YULON GROUP subtotal	Domestic	33,063	34,582	34,354	35,423	3.90%	2.4%	25.5%	25.0%	0.5%
	Imported	1,519		1,069		-29.62%				
TOYOTA	Domestic	33,481	45,076	32,109	44,831	-4.10%	-0.5%	32.3%	32.6%	-0.3%
	Imported	11,595		12,722		9.72%				
FORD	Domestic	6,618	7,612	5,207	6,153	-21.32%	-19.2%	4.4%	5.5%	-1.1%
	Imported	994		946		-4.83%				
MAZDA	Domestic	1,270	6,486	966	7,895	-23.94%	21.7%	5.7%	4.7%	1.0%
	Imported	5,216		6,929		32.84%				
HONDA	Domestic	8,860	9,038	8,397	9,361	-5.23%	3.6%	6.7%	6.5%	0.2%
	Imported	178		964		441.57%				
HYUNDAI	Domestic	4,577	4,970	3,651	4,026	-20.23%	-19.0%	2.9%	3.6%	-0.7%
	Imported	393		375		-4.58%				
BENZ&BMW	Domestic	-	14,534	-	15,102	0.00%	3.9%	10.9%	10.5%	0.4%
	Imported	14,534		15,102		3.91%				
OTHERS	Domestic	291	16,167	592	16,159	103.44%	0.0%	11.6%	11.7%	0.0%
	Imported	15,876		15,567		-1.95%				
Total market	Domestic	88,160	138,465	85,276	138,950	-3.27%	0.4%	100%	100%	
	Imported	50,305		53,674		6.70%				

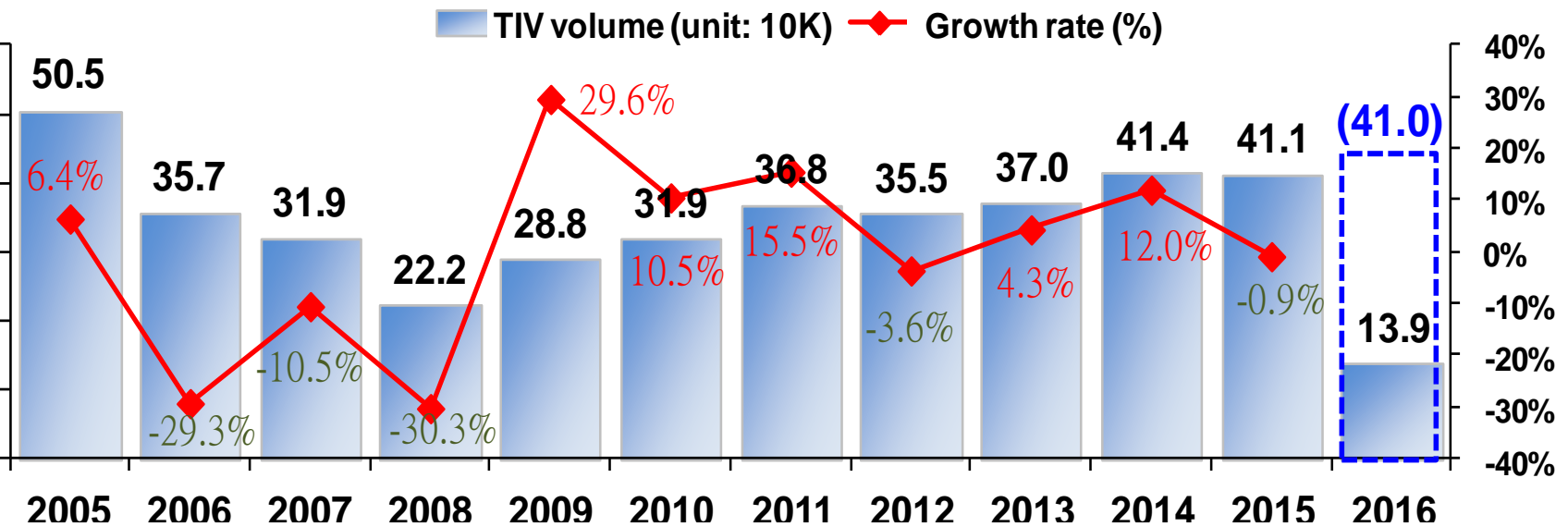
## Notes:

The sales volume in 2016/1~4 increased by 0.4% year on year, including 3.27% decrease of domestic cars and 6.7% increase of imported cars, accounting for domestic cars and imported cars of 61%:39%. The market shrinking reasons include (1) the price gap between domestic cars and imported cars is shrinking (2) there are more marketing resources in imported cars.



# Auto Sales in Taiwan Through the Years

人·車·生活



※The heavy trucks are excluded in TIV calculation

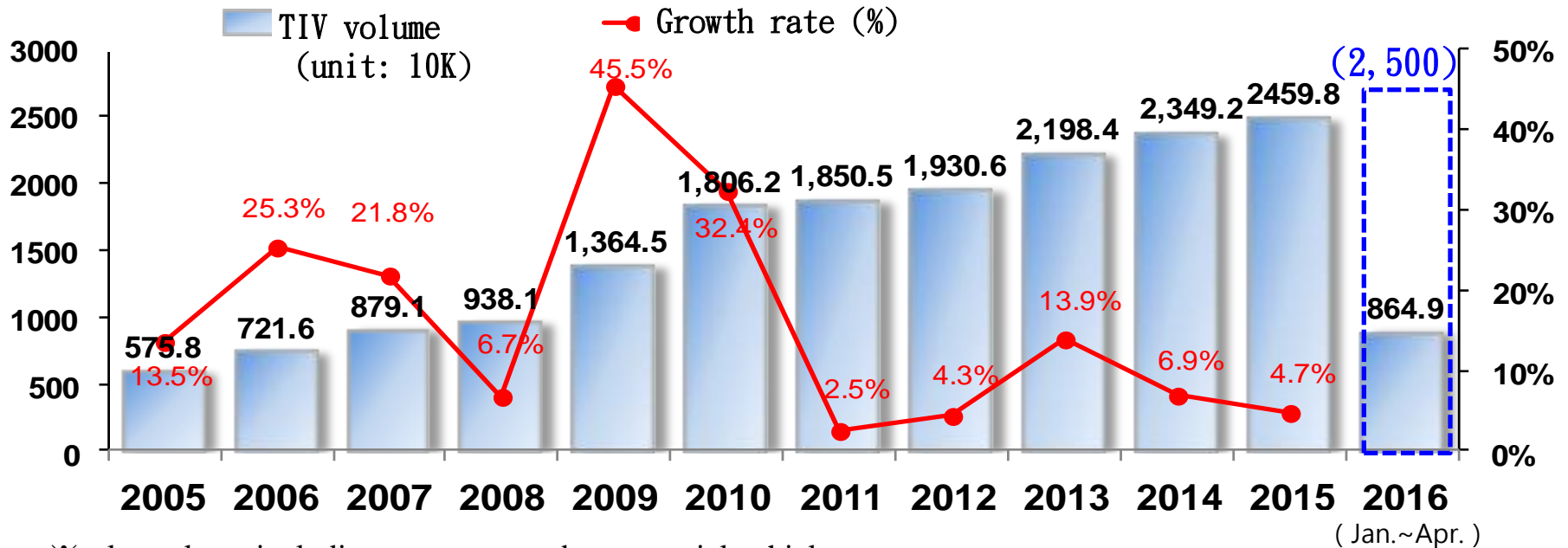
- Several analysts have downgraded its forecast for global economic since this year ; moreover, the underperforming of China and emerging markets has a negative impact on global economic and lead to 15 months decline in Taiwan exports . The “Chung-Hua Institution for Economic Research “and “Taiwan institute of Economic Research” predicted economic growth rate of Taiwan are 1.36% and 1.27% in 2016,respectively. The “Directorate General of Budget” forecast the economic growth rate of Taiwan is -0.84% in the first quarter of 2016.
- Although the economic growth is not optimistic, the advantage of commodity tax subsidy policy and going with the sales promotion from vehicle vendors in this year, Taiwan’s overall auto market sales volume in 2016 are expected to reach 410,000 units.



# Auto Sales in China Through the Years

人·車·生活

YULON



※sales volume including passenger and commercial vehicles

Notes:

1. The sales volume in 2016/1~4 of China is 8,649K units, and 6.19% growth rate year on year.
2. Although the economic growth rate of the first quarter in 2016 in China is 6.7%, being the lowest period since the global financial crisis. Recently, China implement to reduce capacities and stocks, the economic growth could be slowdown quarter by quarter in 2016.
3. The Continental overall auto market forecast is expected to reach 25.00 million units in 2016, increased by 0.402 million compared to 2015 (24.598 million units), the growth rate is about 1.63%.



# Consolidated Comprehensive Income Statements

人·車·生活

(NT \$ Million)

	2016 Q1		2015 Q1		Difference	
	Amount	%	Amount	%	Amount	%
Operating revenue	29,462	100%	31,665	100%	(2,203)	-7%
Gross profit	4,833	16%	4,798	15%	35	1%
<b>Operating income</b>	<b>656</b>	<b>2%</b>	<b>751</b>	<b>2%</b>	<b>(95)</b>	<b>-13%</b>
Nonoperating income and expense	477	2%	853	3%	(376)	-44%
Consolidated income before income tax	1,133	4%	1,603	5%	(470)	-29%
<b>Consolidated net income</b>	<b>786</b>	<b>3%</b>	<b>1,317</b>	<b>4%</b>	<b>(531)</b>	<b>-40%</b>
Other comprehensive income, net	(298)	-1%	(449)	-1%	151	34%
<b>Total comprehensive income</b>	<b>488</b>	<b>2%</b>	<b>868</b>	<b>3%</b>	<b>(380)</b>	<b>-44%</b>
EPS	0.43		0.60			

1. The operating income decreased 95 millions compared with last year, due to the decreasing of sales volume and the increasing of promotion fee in Dongfeng Yulon.
2. The non-operating net income decreased 376 million compared with last year is mainly due to the decreasing profits of Dongfeng Yulon and TAI YUEN TEXTILE CO.
3. Other comprehensive gain 151 million compared with last year is mainly due to the favorable factors for the conversion of foreign exchange differences of financial statements of foreign operations 193 million and unrealized losses on available-for-sale financial assets 23 million.



# Consolidated Balance Sheets

人·車·生活

(NT \$ Million)

	2016 Q1		2014 Q4		Difference	
	Amount	%	Amount	%	Amount	%
Current assets	126,099	58%	122,158	58%	3,941	3.23%
Noncurrent assets	89,482	42%	89,844	42%	(362)	-0.40%
<b>Total Assets</b>	<b>215,581</b>	<b>100%</b>	<b>212,002</b>	<b>100%</b>	3,579	1.69%
Current liabilities	122,370	57%	118,623	56%	3,747	3.16%
Noncurrent liabilities	11,466	5%	12,197	6%	(731)	-5.99%
<b>Total Liabilities</b>	<b>133,836</b>	<b>62%</b>	<b>130,820</b>	<b>62%</b>	<b>3,016</b>	<b>2.31%</b>
<b>Total Equity</b>	<b>81,744</b>	<b>38%</b>	<b>81,182</b>	<b>38%</b>	<b>562</b>	<b>0.69%</b>

1. The Debt to Assets ratio of the first quarter of 2016 is 62%, and would decrease to 29% with deduction of short-term borrowings and short-term bills payable 71,693 millions for TAC and dealers. (Comparing with the fourth quarter of 2015, this ratio after deducting of debt mentioned above for TAC and dealers was 29%.)

2. The financial structure of Yulon Motor:

- The current debt ration is 11%, mainly for the payments for subcontractor's materials.
- The ratio of the stockholders equity to the total assets is 89% (71.9 billion to 81.2 billion).
- The book value per share is NT\$ 45.7
- The company's financial structure is fairly good.



# Luxgen Sales Volume in China and Taiwan

YULON

人·車·生活

(in units)

Brand Company	2014 Actual	2015 Actual	2015 growth rate	2015/1~4 Actual	2016/1~4 Actual	2016/1~4 growth rate
Luxgen	16,687	15,563	-6.7%	5,417	4,930	-9.0%
Dongfeng Yulon Motor	52,203	60,400	15.7%	19,846	15,047	-24.2%
Total	68,890	75,963	10.3%	25,263	19,977	-20.9%

## 1. Luxgen

- A. In 2015, Luxgen continued improving fuel consumption and quality, fulfilling differentiated consumer demand, and continue constructing differentiated sales and service, the total sales volume reached annual sales of 15,563 units in 2015
- B. Because the new models had not yet be introduced, there is a slight year recession of sales volume in 2016 /1~4 .In the future, driven by introducing new models(S3、Welcab) and enhancing customer satisfaction, the sales volume estimated to increase in 2016.

## 2. Dongfeng Yulon Motor

- A. Driven by the introduction of new models, Dongfeng Yulon keep improving product and service quality in 2015,increasing 15.7% compared with 2014.
- B. There is a year recession in 2016/1~4, driven by the intensive competition in China ,and introduction of new model is in the next half year. Dongfeng Yulon will committed to enhance the Cost-Performance and introduction of new model(S3),the total sales volume estimated to increase in 2016.



## 1. Estimated progress of commercial district development :

- Design development is now in progress, expected to completed in May 2016 ,then contract out the construction design.
- Getting approval letter of capacity transfer in 2016Q2, then progress in urban design and environmental impact assessment.
- Getting construction permit and begin construction in 2017Q1.
- Getting building use permit in 2020Q2 and began operation in 2020Q4.

## 2. Estimated progress of park district development:

- Applying for environmental impact assessment and construction permit in 2016Q2, then contract out the construction design.



# The Corporate Governance Evaluation

## 1. Origin:

The Financial Supervisory Commission (FSC) launched the 5-year "Corporate Governance Roadmap" in December 2013. In particular, the implementation of corporate governance evaluation is one of the major projects with the goal to assist investors and companies in better understanding the performance of corporate governance by comparing the evaluation result among companies.

## 2. Rating:

The score of Yulon Motor Co. is **94.7** and **97.78** in 2014 and 2015, also being the **top 5%** company. The evaluation details are as below:

Index	Index numbers	Rating proportion	Score index	Not applicable index	Score
1 Protect shareholders' equity	14	15%	12	2	15.00
2 Equal treatment for every shareholders	13	13%	12	1	13.00
3 Strengthen operation and structure of the board	33	32%	29	3	30.93
4 Enhance the transparency of information	23	22%	18	4	20.84
5 Implement the corporate social responsibility	15	18%	13	2	18.00
<b>The final rating score</b>					<b>97.78</b>

## 3. Future Prospects:

Yulon Motor Co. will continue upgrading the improvement of the corporate governance, also fulfilling our greatest efforts and responsibilities.



YULON

人·車·生活

Q & A