# 2013Q3 Update

October 31st 2013

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# Disclaimer Statement

This presentation and release may contain 'forward-looking statements' which may include projections on future results of operations, financial condition and business prospects based on our own information and other sources.

The actual results of operations, financial condition and business prospects may differ from those explicitly or implicitly indicated in those forward-looking statements for a variety of reasons, including but not limited to market demand, price fluctuations, competition, supply chain issues, global economic conditions, exchange rate fluctuation and other risks and factors beyond TPK's controls.

The forward-looking statements in this presentation, if any, only reflect the current view of TPK Holding Co., Ltd. as of the date of its release. TPK undertakes no obligation to update those forward-looking statements for events or circumstances that occur subsequently.

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# Disclosure Notice

## 公告原則

- All financial numbers are prepared in accordance with IFRS which is approved by regulators in Taiwan
- All financial numbers are unaudited
- 本公司財務報表係依照臺灣主管機關認可之國際財務報導準則編製
- 所有財務數字均為本公司自結數

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# 3Q13 Result Summary

## 2013年第三季營運簡報

### Operational Results

- 3Q13 Sales: NT$29,467 mm, 3Q13 Net Profits: NT$1,013 mm
- 3Q13 EPS: NT$3.06, YT3Q2013 EPS: NT$25.28

### Strategies Ahead

- **Product differentiation**
  Further optimize TOL solution and accelerate the commercialization of SNW
- **Organization re-engineering**
  Restructuring BUs to maximize cost saving and efficiency
- **Capacity rationalization**
  Defer G5.5 OGS capacity ramp-up schedule

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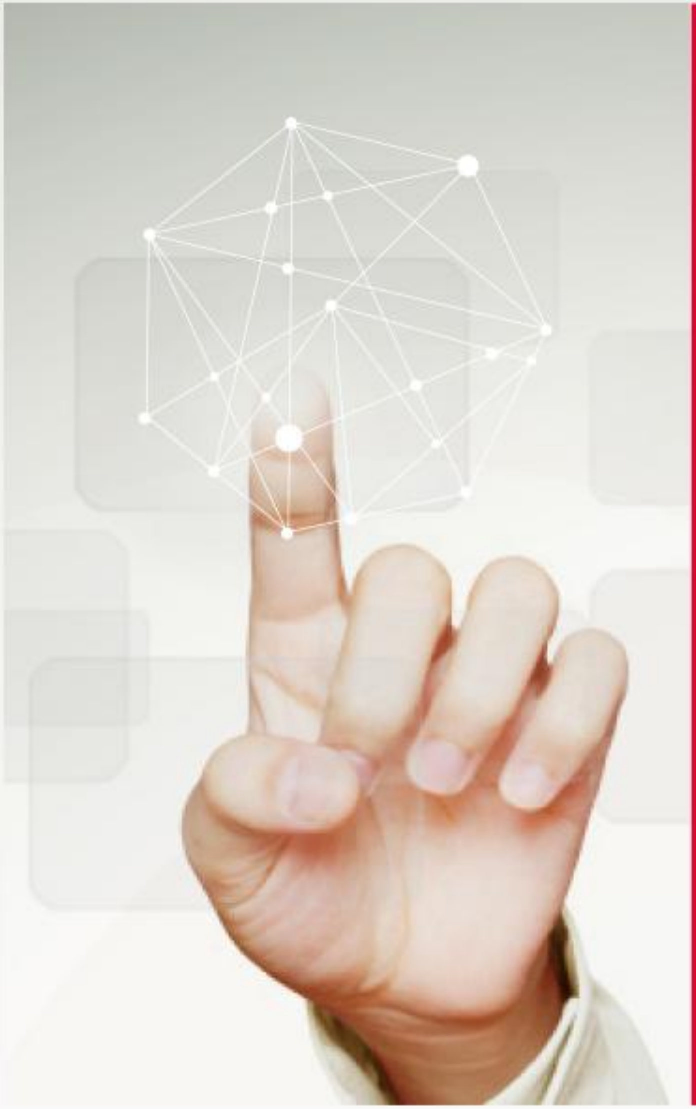

# Financials

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# 3Q13 Profit & Loss

## 損益表

| Profit & Loss | 3Q13 | 2Q13 | QoQ | 3Q12 | YoY |
|---|---|---|---|---|---|
| (NT$ million) | | | | | |
| **Revenues** | **29,467** | **38,285** | **(23.0%)** | **37,936** | **(22.3%)** |
| COGS | (25,802) | (32,821) | | (31,045) | |
| **Gross Profits** | **3,664** | **5,463** | **(32.9%)** | **6,892** | **(46.8%)** |
| Operating Expenses | (2,498) | (2,906) | | (2,639) | |
| SG&A | (1,098) | (1,426) | | (1,315) | |
| R&D | (1,400) | (1,480) | | (1,324) | |
| **Operating Profits** | **1,166** | **2,557** | **(54.4%)** | **4,252** | **(72.6%)** |
| Non-Op Inc/(Exp) | (174) | 327 | | (36) | |
| *Int Inc/(Exp)* | *(74)* | *(62)* | | *(80)* | |
| *FX Gain/(Loss)* | *(96)* | *(15)* | | *43* | |
| *Invest Inc/(Loss)* | *(232)* | *(131)* | | *(115)* | |
| *Others* | *227* | *534* | | *116* | |
| **Earnings Before Tax** | **992** | **2,884** | **(65.6%)** | **4,216** | **(76.5%)** |
| Income Tax | 106 | 340 | | (757) | |
| **Net Income (Parent)** | **1,013** | **3,140** | **(67.7%)** | **3,274** | **(69.0%)** |
| **EPS (Parent)** | **3.06** | **9.02** | **(66.1%)** | **10.23** | **(70.1%)** |
| **Margin:** | | | | | |
| GM | 12.4% | 14.3% | | 18.2% | |
| OM | 4.0% | 6.7% | | 11.2% | |
| NM | 3.4% | 8.2% | | 8.6% | |
| Op Exp | (8.5%) | (7.6%) | | (7.0%) | |

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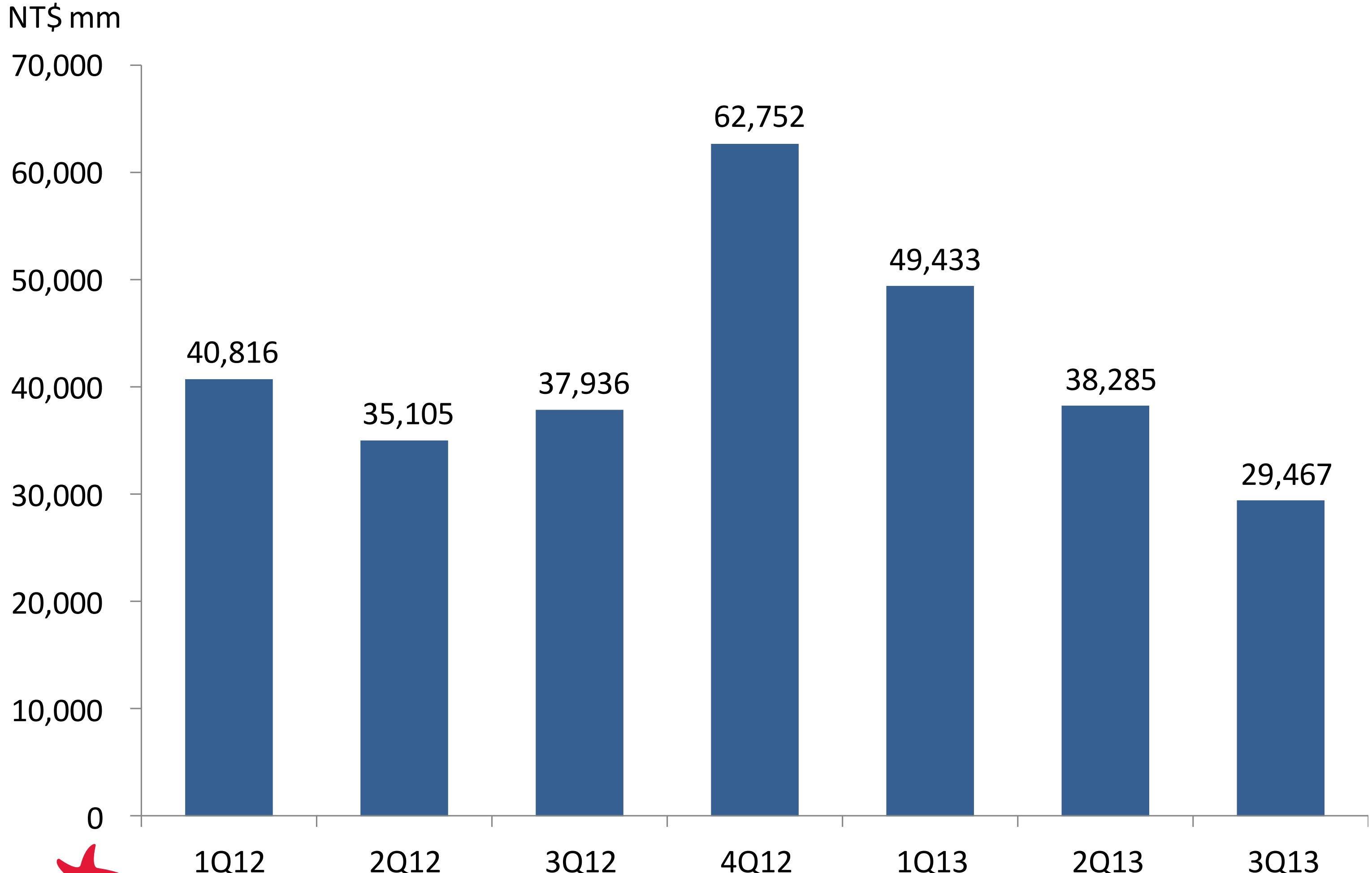
# Quarterly Sales

## 季營收

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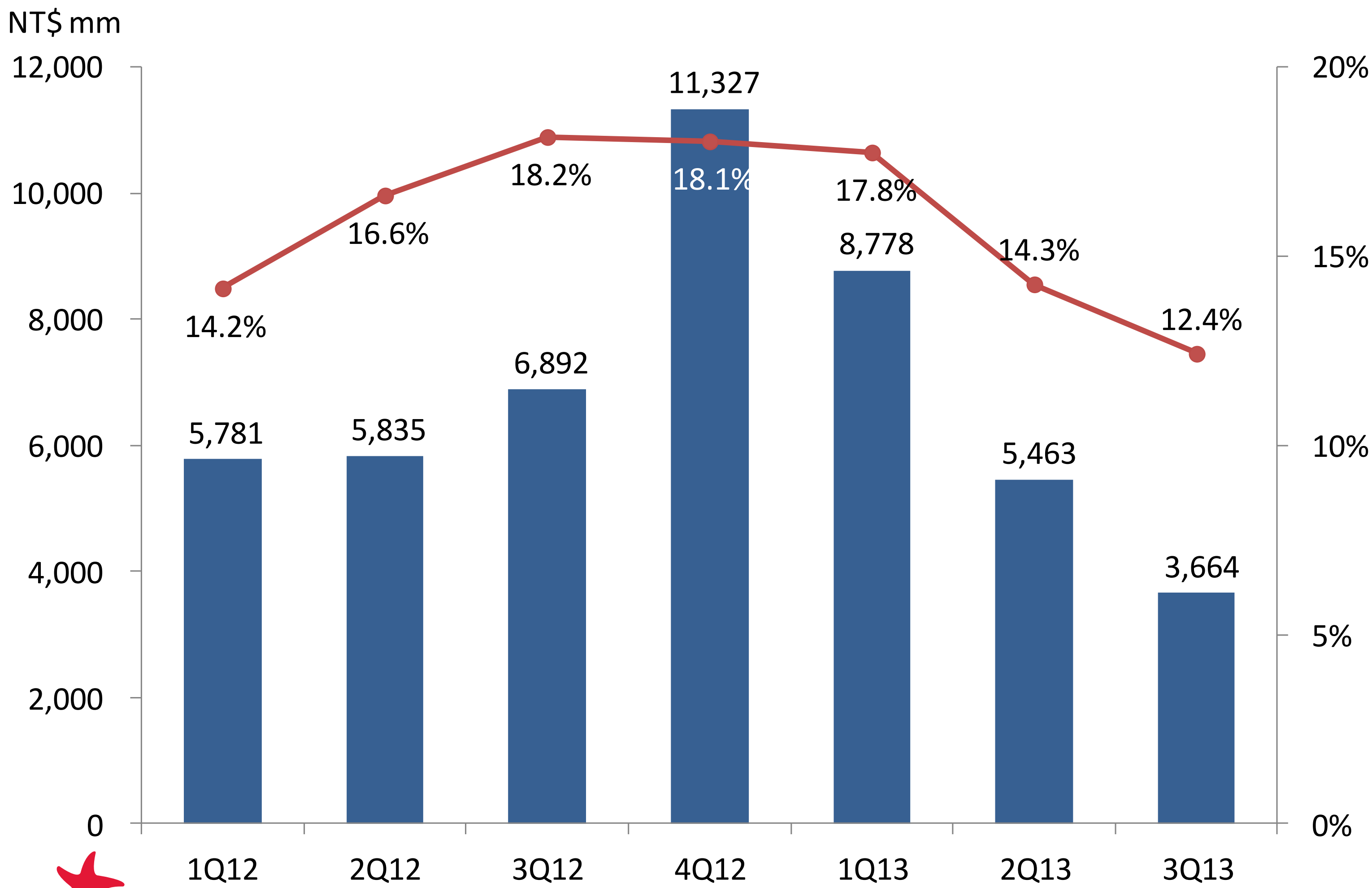
# Gross Profits

## 營業毛利

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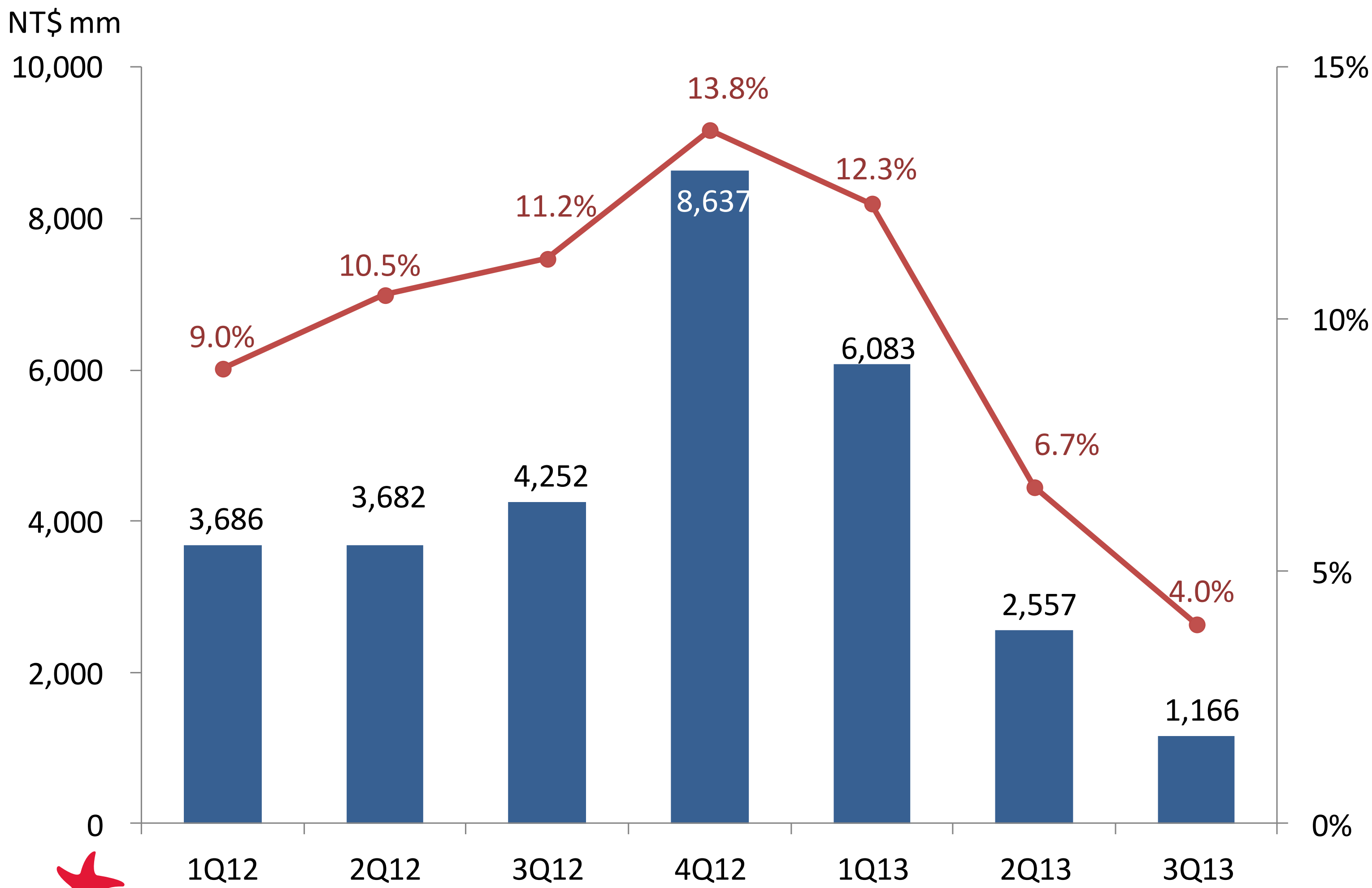
# Operating Profits

## 營業利益

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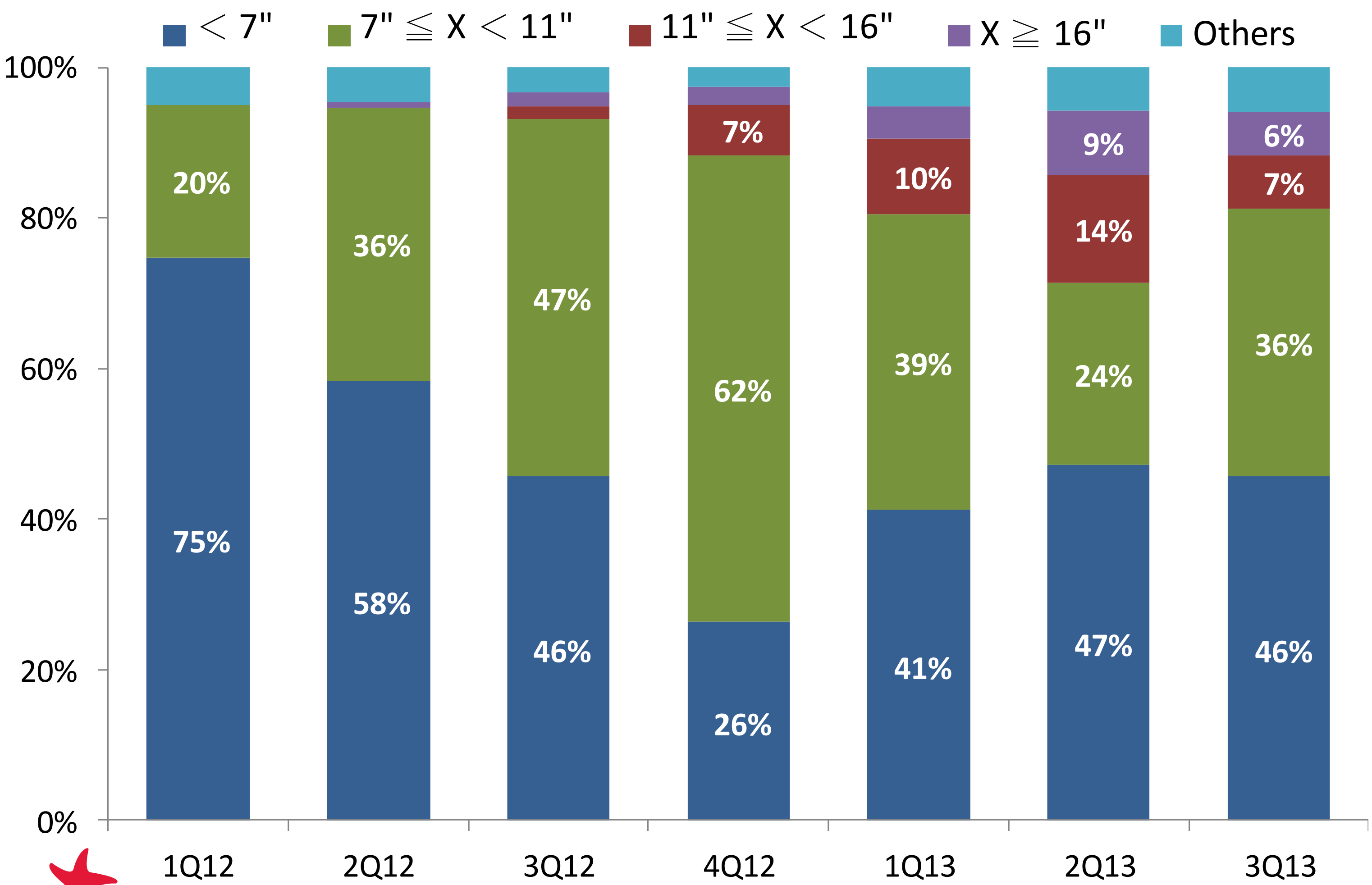
# Sales by Form Factors

## 營收結構

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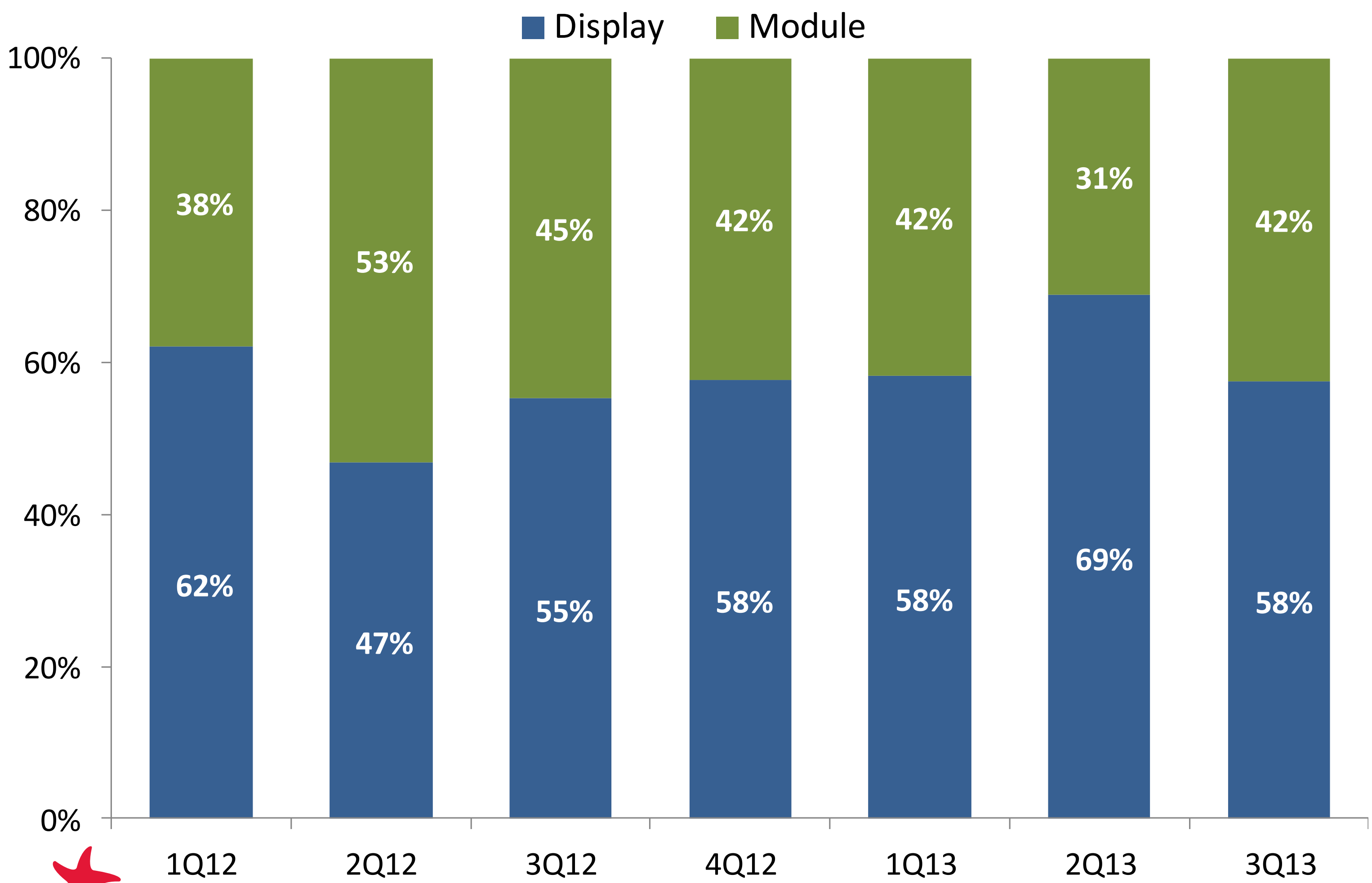
# Sales by Products

## 產品組合

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# 3Q13 Balance Sheet

## 資產負債表

| Balance Sheet | 2013/9/30 | 2013/6/30 |
|---|---|---|
| (NT$ million) | | |
| Cash Equivalents | 40,164 | 28,454 |
| Receivables | 15,011 | 20,781 |
| Inventories | 12,617 | 9,262 |
| **Current Assets** | **75,202** | **67,339** |
| **Long-term Investments** | **3,106** | **3,367** |
| **Property, Plant and Equipment** | **63,250** | **60,365** |
| **Total Assets** | **145,043** | **134,438** |
| ST Loans | 49,598 | 33,964 |
| Payables | 18,997 | 18,905 |
| **Current Liabilities** | **80,724** | **73,854** |
| **Convertible Bonds** | **6,228** | **6,288** |
| **LT Loans** | **8,583** | **5,321** |
| **Total Liabilities** | **99,096** | **89,147** |
| Common Shares | 3,291 | 3,286 |
| Minority Interest | 685 | 607 |
| **Total Shareholder's Equities** | **45,947** | **45,291** |
| **Ratio Analysis:** | | |
| Quick Ratio | 0.78 | 0.79 |
| Current Ratio | 0.93 | 0.91 |
| ROE (YTD Annualized) | 27% | 36% |
| Net Debt to Equity | 0.53 | 0.38 |

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# 3Q13 Cash Flow

## 現金流量表

| Cashflow Statement | 3Q13 | 2Q13 |
|---|---|---|
| (NT$ million) | | |
| **Operating Cashflows:** | | |
| Earning Before Tax | 992 | 2,884 |
| Depreciation & Amortization | 1,716 | 1,596 |
| Net Inc/(Dec) Working Capital | 1,011 | (73) |
| Other Operating Cash Flow | (445) | (810) |
| **Cash Flow from Operations** | **3,274** | **3,597** |
| **Investing Cashflows:** | | |
| Capital Expenditures | (5,155) | (6,433) |
| Acquisitions | (3) | 207 |
| Others | 1,464 | (4,508) |
| **Cash Flow from Investments** | **(3,695)** | **(10,733)** |
| **Financing Cashflows:** | | |
| Inc/(Dec) in Debts | 19,485 | 9,682 |
| Others | (7,006) | (44) |
| **Cash Flow from Financing** | **12,479** | **9,638** |
| Cash from Acquisition | - | - |
| FX Adjustments | (348) | 201 |
| **Total Cash Flow** | **11,710** | **2,702** |

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*FOR IMMEDIATE RELEASE*

# TPK REPORTS UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER OF 2013

Taipei, Taiwan, ROC., October 31, 2013 – TPK Holding Co., Ltd. (TWSE: 3673) ("TPK" or "the Company") today reported unaudited consolidated financial results for the third quarter of 2013. Net income for the quarter totaled NT$1,013 million, down 67.7% sequentially and down 69.0% yoy. Fully diluted earnings per share (EPS) for the quarter were NT$3.06. For the first 9 months of 2013, EPS reached NT$25.28.

**3Q13 RESULTS HIGHLIGHTS**

Revenues in 3Q13 were down 23.0% sequentially and down 22.3% year-on-year. The sequential revenues decline was mainly attributed to product transitions prior to peak season and sluggish demand for touch notebook. Small-size (7-inch below) revenues decreased 26% quarter-on-quarter. Revenues from tablets (7- to 11-inch) increased 13% sequentially as new products started to ramp up towards end of the quarter. On the backdrop of weak notebook demand, revenues from notebook touch (11- to 16-inch) decreased 63% quarter-on-quarter. In addition, a vast number of AIO PC touch products reached end of product life cycle in Q3 and therefore, caused 49% qoq decline in super large-sized revenue category (larger than 16-inch).

As a result of unfavorable pricing environment and lower operating scale, profitability was also adversely affected in Q3. Gross profit declined from NT$5,463 million in the previous quarter to NT$3,664 million, and gross margin decreased from 14.3% to 12.4%. Among Cost-of-Goods-Sold items, raw material cost amounted to NT$20.8 billion in 3Q13 (approximately 70.7% of sales), lower than 71.4% in 2Q13. Labor cost totaled NT$2.3 billion during the quarter, representing 7.7% of total net revenues, up from 6.5% in 2Q13. COGS related depreciation and amortization expenses were NT$1.3 billion for the quarter, up from NT$1.2 billion in 2Q13.

Operating expenses were NT$2,498 million, down from NT$2,906 million in 2Q13. As a percentage of revenues, total operating expenses were 8.5% in this quarter, up from 7.6% in the second quarter of 2013, given lower operating leverage.

Investment loss for the quarter were NT$232 million, mostly reflecting Cando's operational performance in 3Q13. Net interest expense was NT$74 million for the quarter, up from NT$62 million in 2Q13. We recorded foreign exchange loss of NT$96 million in 3Q13.

**3Q13 CAPITAL RESOURCE AND LIQUIDITY**

Capital expenditures for the quarter totaled NT$5.1 billion. For the first nine months of 2013, Company's capital expenditure amounted to NT$17.0 billion. As of September 30, 2013, TPK employed a total of 44,794 employees, down from 49,523 in the previous quarter.

As of end of 3Q13, the Company had cash on hand of NT$40.2 billion. Total bank debt was NT$47.5 billion, of which NT$38.9 billion was short-term debt and NT$8.6 billion was long term debt, in addition to outstanding ECB of NT$16.9 billion (of which NT$10.6 bn was current portion). We had available banking facilities of NT$ 109.3 billion as of September 30, 2013.

Note: All financial numbers are prepared in accordance with IFRS which is approved by regulators in Taiwan

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Kevin Wang, Director
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ir@tpk.com

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**ABOUT TPK**

TPK was founded solely for touch solutions in 2003. We are the inventor of transparent glass-based projected capacitive (P-Cap) touch solutions and the first company for mass production. TPK has currently five major product categories: 1) cover glass, 2) touch sensor, 3) touch module, 4) touch display, and 5) touch system. Glass-based P-Cap touch solutions are our main focus. We also have PET-film production since 2Q 2010. Our production sites are located in Xiamen City of Fujian Province, China. TPK is completely and vertically integrated for one-stop shopping for touch solutions.

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### 3Q 2013 PROFIT & LOSS

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