



2016 Q1 Investor Conference

Accountability • Innovation • Dedication • Customer Orientation

Aerospace Industrial Development Corporation

April 22, 2016



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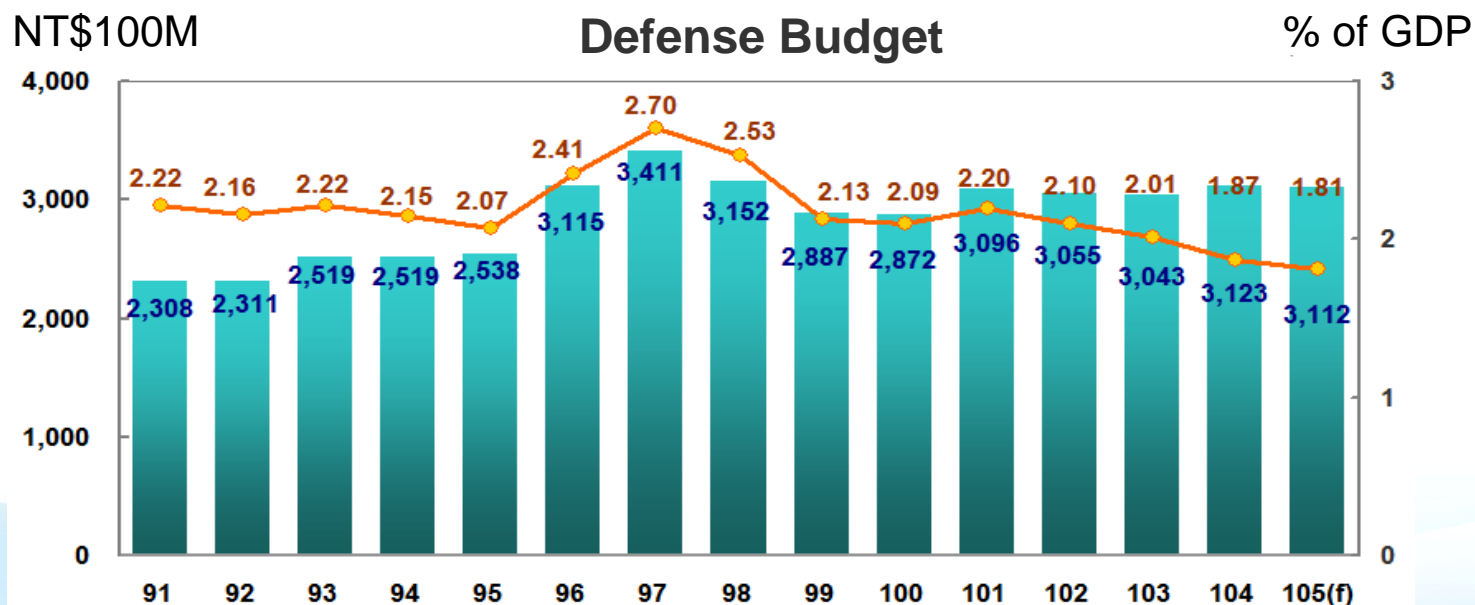
I. Markets – Defense Segment

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1. Defense Business

(1) ROC Air Force is AIDC's major customer. Its requirements depend on the scope of defense budget and its plan of budget allocation.

(2) The defense budget was approx. 2% of GDP in the last 5 years. Possible future growth toward 3% of GDP was stated by the Democratic Progressive Party in its Defense Policy Blue Paper #7.



Source: Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. 2



I. Markets – Defense Segment

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1. Defense Business (cont.)

Current requirements :

NextGen Military Aircraft

◆ Advanced Trainer:

- MND plans to spend 69 billion NT dollars between 2017 and 2022 to procure 66 advanced trainers.
- The President-elect Tsai, Ing-wen stated her expectations to the indigenously-built advanced trainer program on March 28, 2016:
 - 1) Fulfill ROCAF's requirements; increase the A/C's made-in-Taiwan ratio.
 - 2) Hand down experiences and expertise through the development of the advanced trainer program and lay down the foundation for the Next Gen Fighter.
 - 3) Accomplish the prototype ASAP.

◆ Next Generation Fighter: Opportunities for R&D, international cooperation, production, and logistic support.



I. Markets – Defense Segment

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1. Defense Business (cont.)

Current requirements :

Military Aircraft Upgrade

Upgrade on aging A/C becomes a favorable option in consideration of budgetary constraints.

Military Aircraft MRO

As MND continues its lean military approach, release of fleet management and logistic businesses are anticipated.



I. Markets – Defense Segment (cont.)

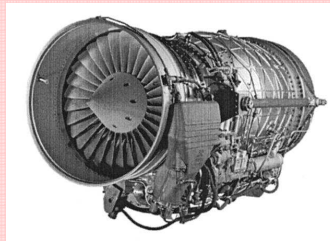
2. Business Updates (on major projects)

◆ New Advanced Trainer – In pursuit

Committed to giving full support to ROCAF's acquisition of indigenously-built trainers, which is expected to greatly favor Taiwan in terms of enhancing overall industrial capabilities and sustaining pool of human resources.

◆ Military Engine – In Progress

TFE-1042



Applied on IDF

F124



Applied on M346 Advanced Trainer
by Alenia Aermacchi (Italy)



I. Markets – Defense Segment (cont.)

2. Business Updates (on major projects)

◆ IDF and F-16A/B Upgrade – In Progress

IDF Upgrade



F-16A/B Upgrade



◆ Military Aircraft MRO – In Progress

UH-1H Helicopter



2nd AFLC GOCO



Air Force Academy A/C Maintenance GOCO



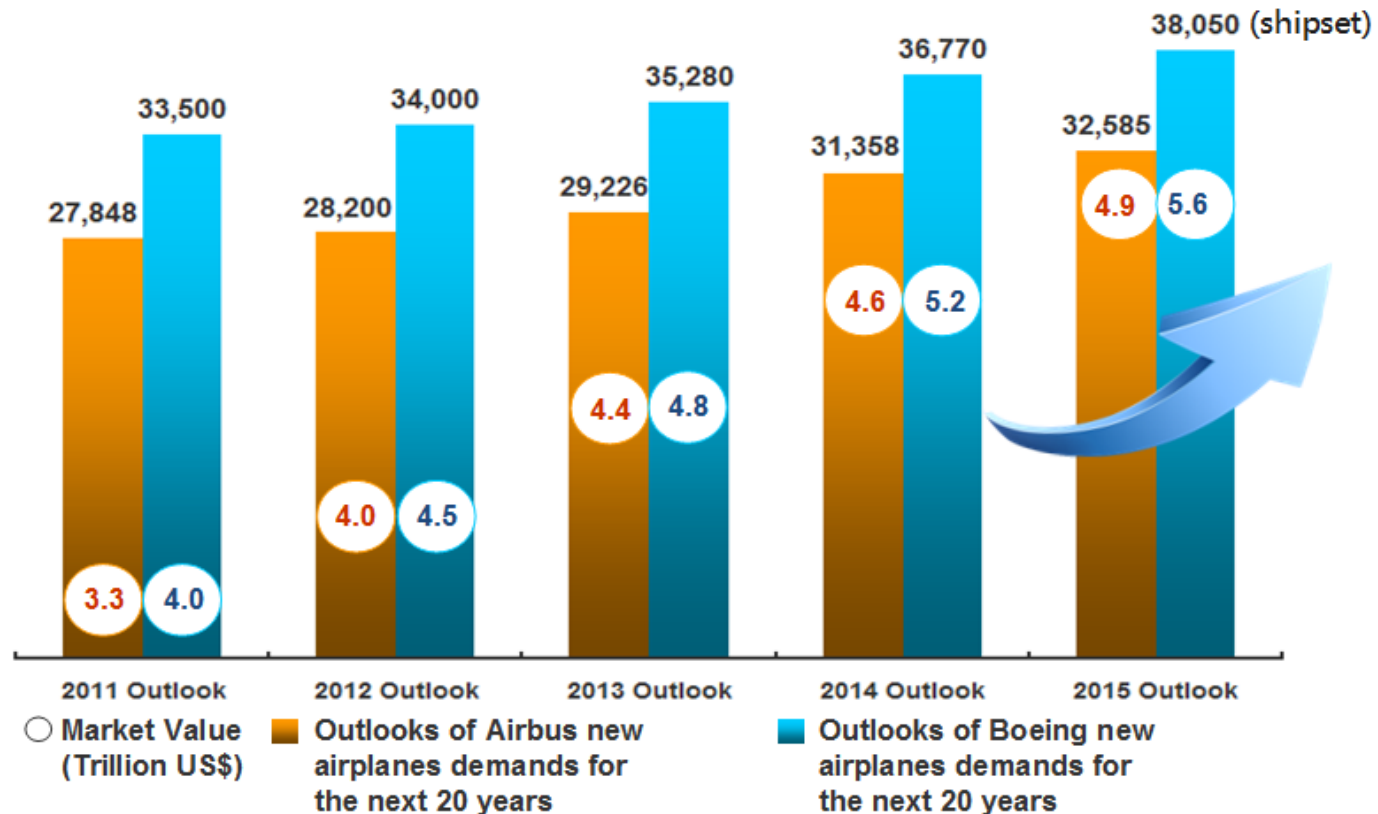


I. Markets – Commercial Aviation

1. Commercial Aviation Industry

(1) Continued growth in global air transportation:

Airbus and Boeing predict average growth of Revenue Passenger Kilometer to be 4.6~4.9% annually in the next 20 years with market value of 4.9~5.6 trillion US dollars for 32,000~38,000 new aircraft.





I. Markets – Commercial Aviation 2634

1. Commercial Aviation Industry (cont.)

(2) Huge amount of backlog:

Currently Airbus and Boeing have unfilled orders of 5000~6000+ jets, which may take at least 7~8 years to digest. Both companies have planned to boost their productions on their popular jets, A320neo and B737MAX, which will challenge suppliers' ability to cope with the plans.

Through Feb. 2016

Airbus		Boeing	
Unfilled Orders (Backlog)		Unfilled Orders (Backlog)	
A320 series	5,531	737 series	4,378
others	1,243	others	1,380
Total Shipset	6,774	Total Shipset	5,758

Source: Airbus & Boeing Websites; Compiled by AIDC

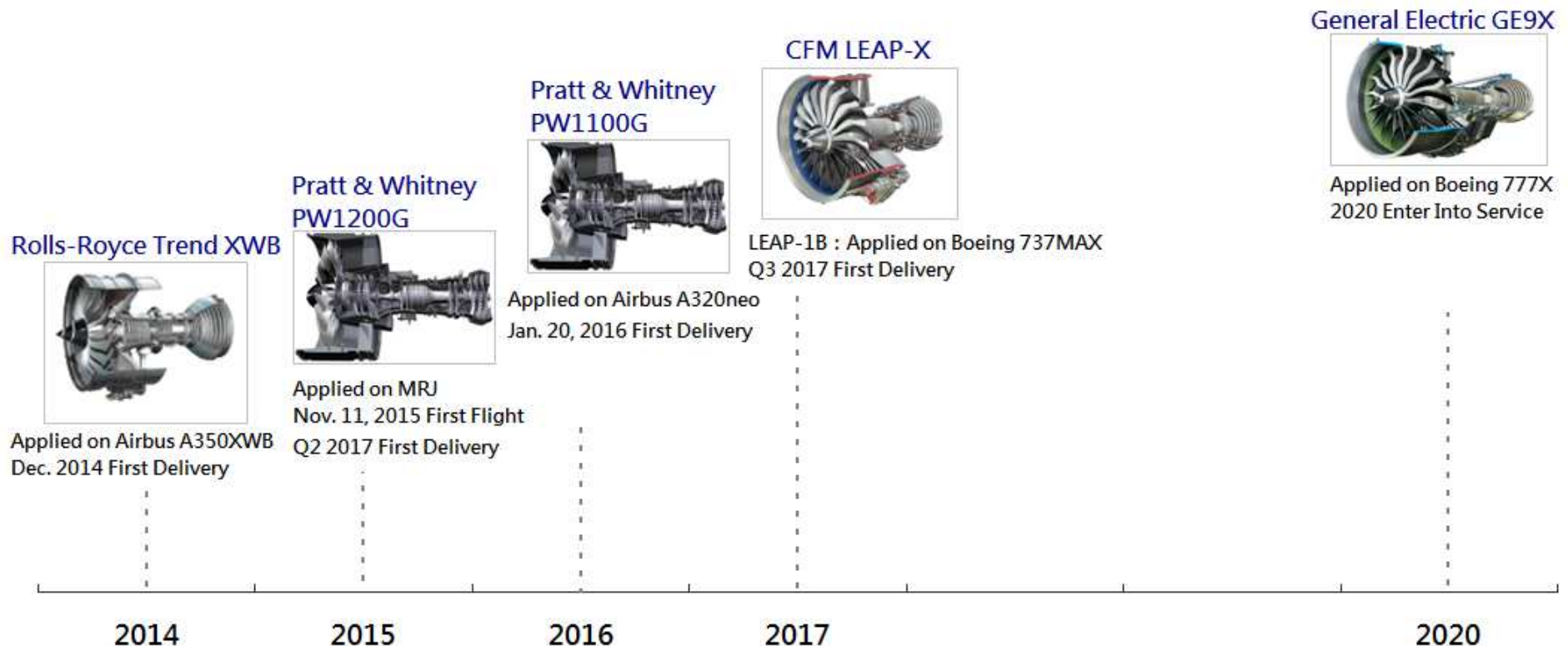


I. Markets – Commercial Aviation

1. Commercial Aviation Industry (cont.)

(3) Engine demand grows with new jet requirements:

According to Teal Group, engine delivery in the next 10 years is 120 thousand shipset in 480 billion US dollars. Green engine is mainstream.

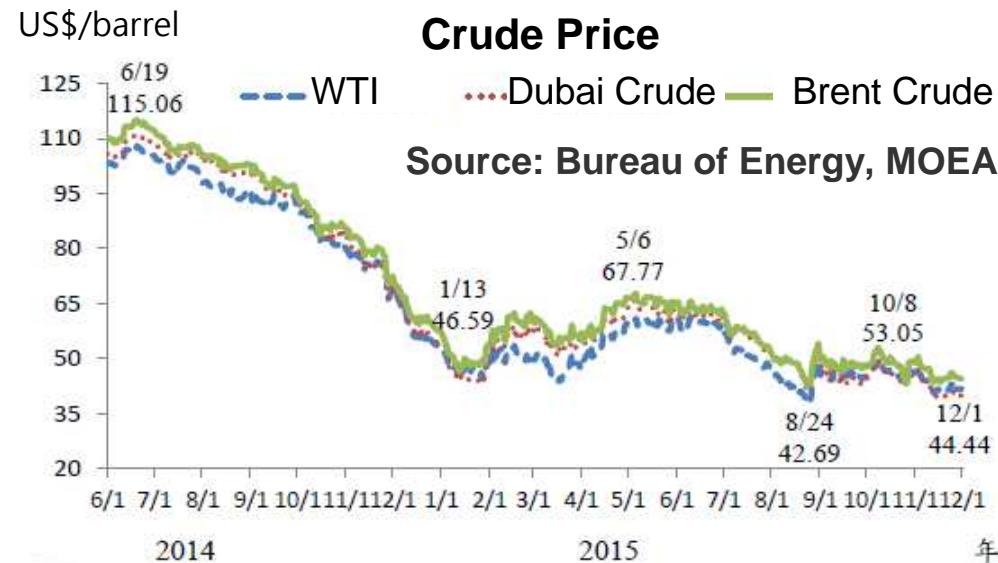


I. Markets – Commercial Aviation

1. Commercial Aviation Industry (cont.)

(4) Uncertainties arise as oil price plummets

- ◆ Demands on commercial jet blurred
 - Advantage: Cheaper airfare stimulates air travel.
 - Disadvantage: Falling oil price prolongs fleet renewal.
- ◆ Demands on commercial helicopter drop
 - Downscale of offshore oil drilling cuts demand for helicopter.



Average Brent Crude price in 2015 was US\$54/barrel and 2016 could be US\$56/barrel with minor increase.

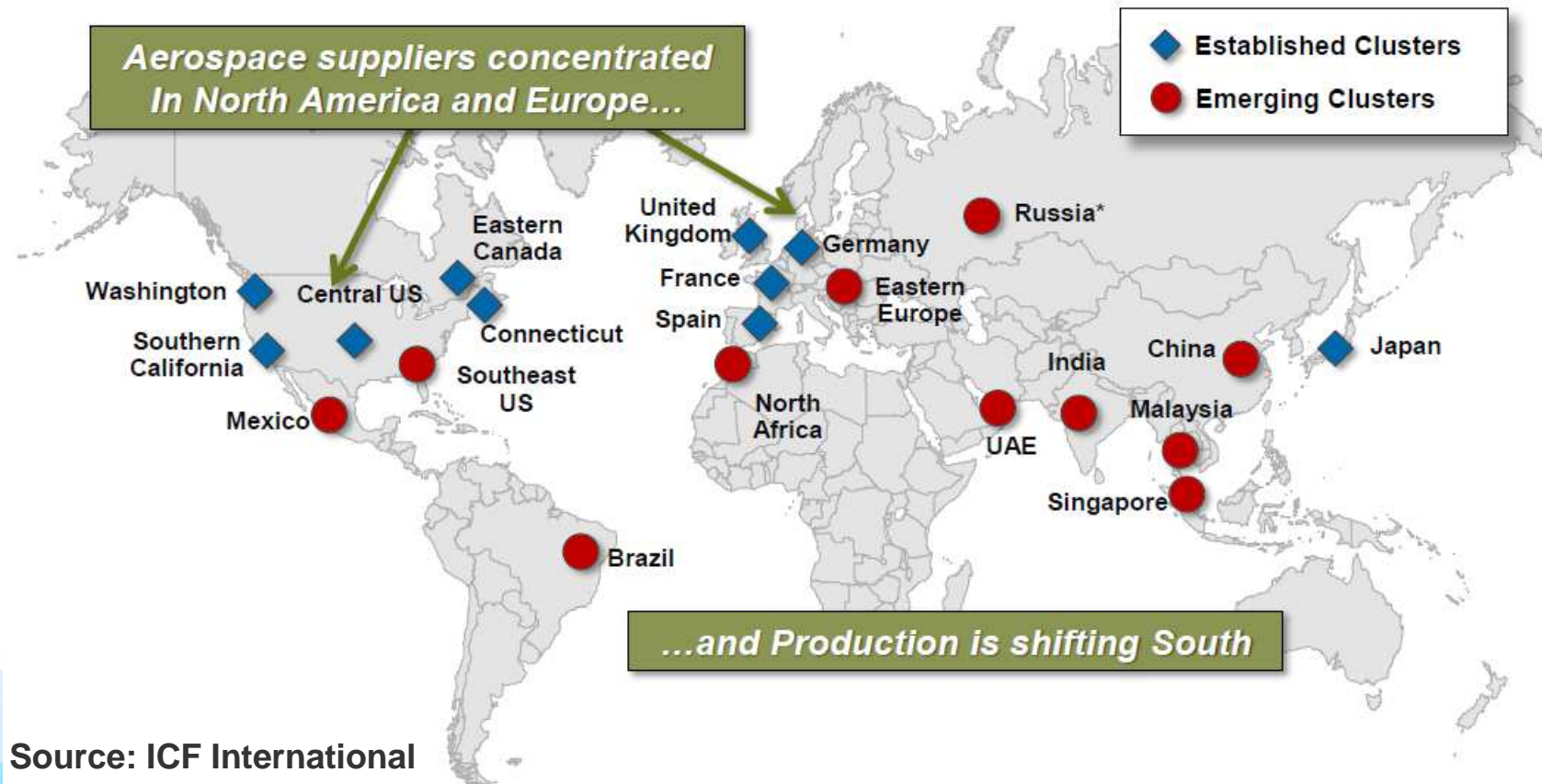


I. Markets – Commercial Aviation

1. Commercial Aviation Industry (cont.)

(5) Emerging countries take up market shares with support of governmental resources.

Global Aviation Industry Communities





I. Markets – Commercial Aviation

1. Commercial Aviation Industry (cont.)

(6) Major A/C makers press harder on price cutting. Suppliers are challenged by risk of losing orders.

 **BOEING**
Supplier Strategy
Partnering for Success
Excluding suppliers who fail to meet price-cutting demand.

 **AIRBUS**
AN EADS COMPANY
Supplier Strategy
Scope+
Taking advantage of A320's popular sales to request at least 10% price reduction by 2019.

BOMBARDIER
Supplier Strategy
Transformation Initiative
Reviewing overall supply chain cost and requesting consecutive price cutting every year.

Compiled by AIDC

AIDC implements LEAN production to trim off cost, and practices digital manufacturing, assists supply chain upgrade in positive response to the challenge from industrial environment change.



I. Markets – Commercial Aviation

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2. Programs (on major projects)

◆ Popular A/C & Engines



Airbus Single-Aisle A/C A320



Sikorsky S-92 Helicopter

GE Aviation
Top 2 Supplier in Asia



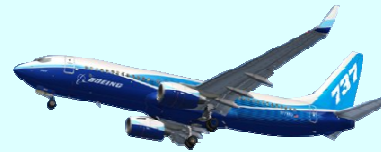
CFM56



GE90

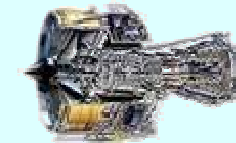


Airbus Giant A/C A380

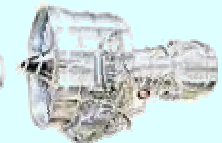


Boeing Single-Aisle A/C 737

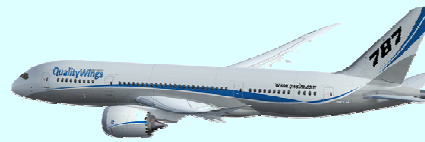
Rolls-Royce
Long-Term Supply
Chain Partner



TRENT 800



V2500



Boeing Dreamliner 787

◆ NextGen A/C & Engines



A320neo



B737MAX



C-Series



MRJ



CFM LEAP-X



Trent XWB



GE Enx



II. Financial Review

1. Income Statement

Unit: NT\$ in Millions

ITEM	Y2015		Y2014	
	Amount	%	Amount	%
Revenue	26,878	100	24,924	100
Cost of Goods Sold	23,626	88	22,159	89
Gross Profit	3,252	12	2,765	11
Operating Expenses	1,098	4	1,310	5
Operating Income	2,154	8	1,455	6
Non-operating Income	328	1	384	2
Pre-tax Income	2,482	9	1,839	8
Income Tax Expenses	453	1	(33)	0
Net Income	2,029	8	1,872	8
EPS(NT\$)	2.23		2.06	
* Cash dividend/share	1.36		0.92	

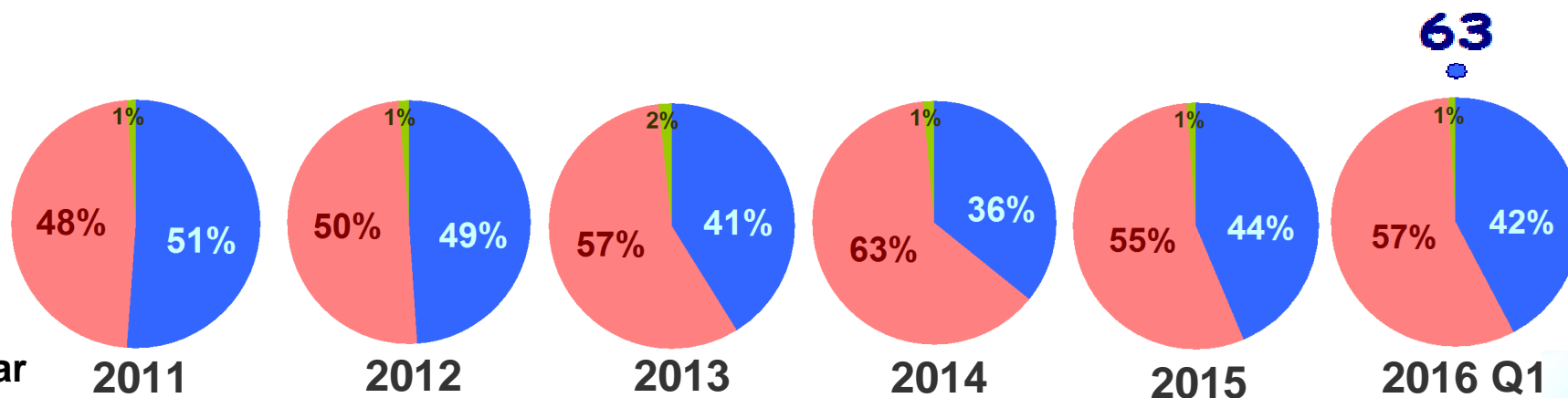
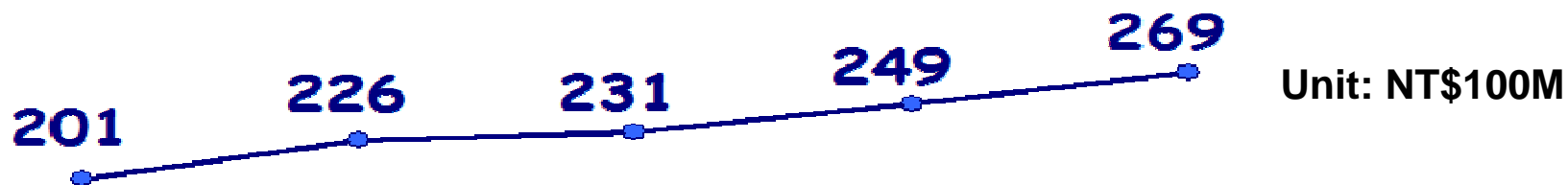
* Earning distribution of 2015 to be adopted by Annual Shareholders' Meeting.



II. Financial Review

2. Revenues

With military and commercial businesses developing in tandem, it may compensate possible risks in either sector and help to secure steady growth.



◆ Revenue
 ■ Defense
 ■ Commercial
 ■ Tech. Service

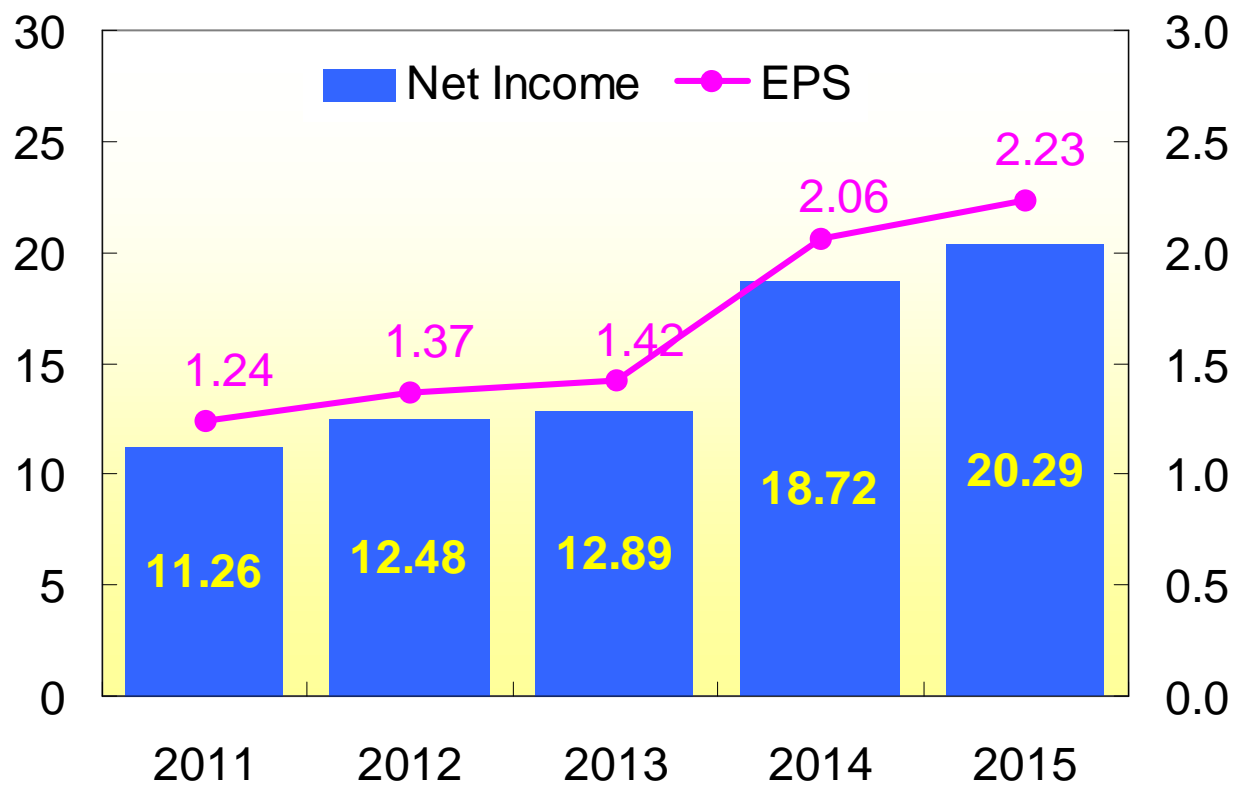


II. Financial Review

3. Net Income & EPS

Net Income in NT\$100M

EPS in NT\$/share



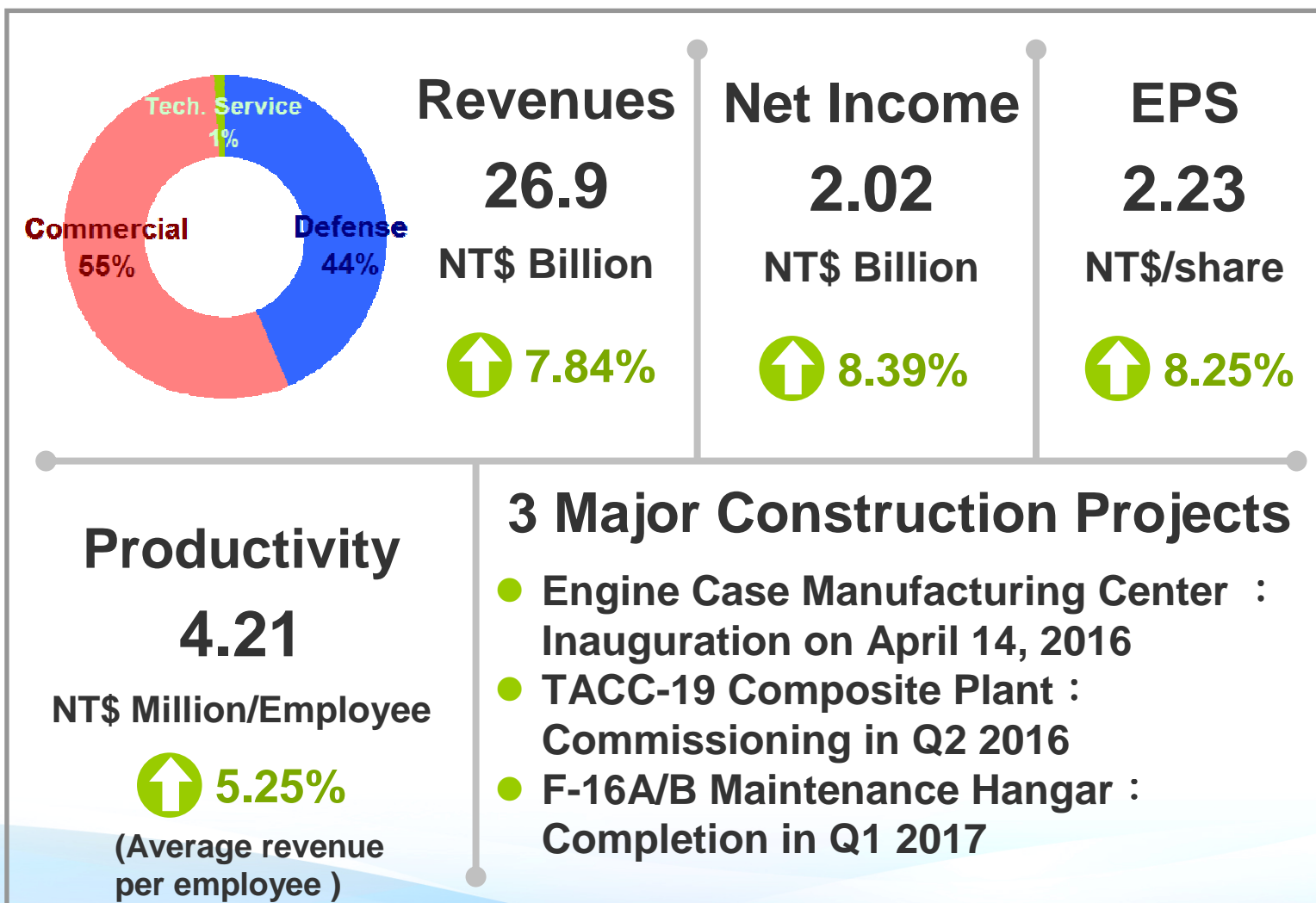
Note : 2011-2012 ROC GAAP were observed; the IFRS was adopted since 2013.



III. Summary and Outlook

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1. Operation Performance in 2015





III. Summary and Outlook

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2. Current Operation and Perspectives

- (1) Revenues through March 2016 is 6.3 Billion NT dollars. Although it meets the expectation, risks remain as the emerging countries offer low labor cost; and the developed countries take automation measures to reduce their cost. Taiwan is caught between these situations.
- (2) AIDC has embarked on a campaign to integrate the industry in terms of businesses, supply chain, and human resources, in a combined effort to bring related industries up to a new level with the strengths Taiwan has to offer to the world.



- ◆ Defense: Indigenously built military A/C
- ◆ Commercial: International cooperation for aerostructure and engine system

◆ Information sharing; participation; international interaction



- ◆ Enlarge pool of HR with colleges.

Cross-industry Integration

- ◆ Material, Machinery Equipment, Production, Transportation





Q & A