



# AIDC Business Status

(ISIN Code : 2634)

**Accountability • Innovation • Dedication • Customer Orientation**

**Aerospace Industrial Development Corporation**

**August 29, 2016**



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# I. Market Status - Defense

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## 1. Defense Market

1. According to a new report released by the Stockholm International Peace Research Institute (SIPRI), global military expenditures topped US\$1.68 trillion in 2015, an increase of about 1% from the previous year. That represents the first increase in global military spending since 2011. (Source: SIPRI report, April 4, 2016)
2. Due to tensions in the regions of South China Sea, Eastern Europe and the Middle East coupled with terrorist attacks, Taiwan increased its military budget by 0.7% in 2015, so did the neighboring countries.
3. Taiwan Government has chosen five innovative industries to drive the growth of Taiwan's next-generation industries. Defense industry, being one of the five, is expected to lead the investment momentum of the industries and upgrade the development of Taiwan's defense industry.

### Military spending increase rate of Taiwan and neighboring countries in 2015

Taiwan	Japan	S. Korea	China	India	Singapore	Malaysia
						
+ 0.7%	+ 1.0%	+ 3.6%	+ 7.4%	+ 0.4%	+ 5.6%	+ 7.7%

## 2. Defense Business Updates (on major projects)

### ◆ IDF 、 F-16A/B Upgrade

IDF Upgrade



F-16A/B Upgrade



### ◆ Military Aircraft MRO

UH-1H Helicopter



2nd AFLC GOCO



Air Force Academy A/C  
Maintenance GOCO



## 2. Defense Business Updates (on major projects)

### ◆ Advanced Jet Trainer – In Pursuit

In accordance with National Defense Act Article 22, to establish an autonomous national defense infrastructure, AIDC 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, sustaining pool of human resources and boosting production values.

### ◆ Military Engines

TFE-1042



Applied on the IDF

F124



Applied on M346 Advanced Trainer  
by Leonardo-Finmeccanica (Italy)



# I. Market Status – Commercial

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## 1. Commercial aviation market updates

### 1. Market outlook : Global market forecast of commercial airplane demand for the next 20 years:

- ◆ Annual growth rate of RPK: 4.5%~4.8%
- ◆ New airplane demand: 33,000~39,000
- ◆ Market value: US\$5.2~5.9 trillion



○ Annual growth rate of RPK (Revenue Passenger Kilometer)

Sources: Airbus GMF (2016-2035); Boeing CMO (2016-2035)

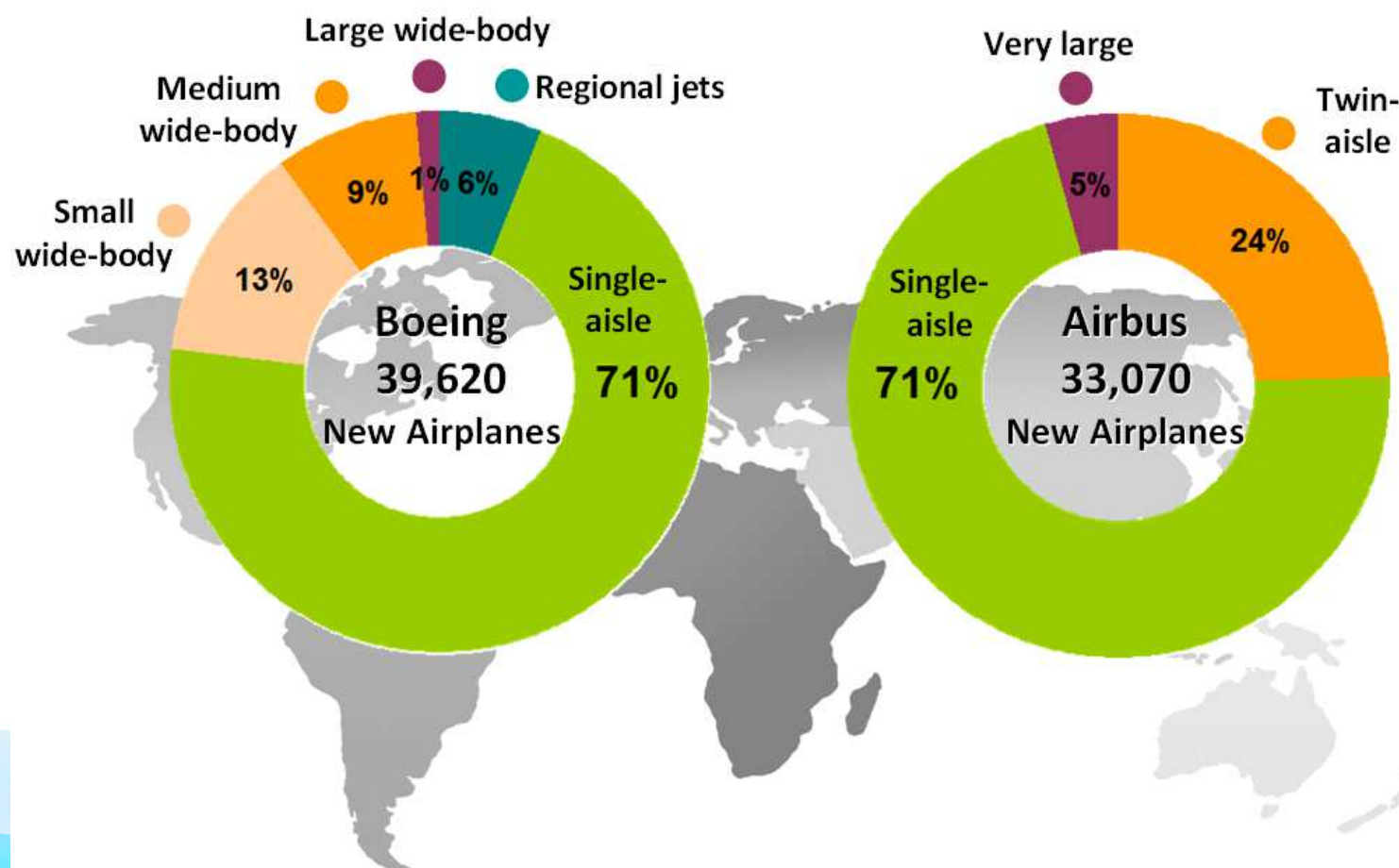


# I. Market Status – Commercial (cont'd)

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## 1. Commercial aviation market updates

2. Major demand: strong demands from the emerging markets and low cost carriers have made single-aisle airplane the most popular model.

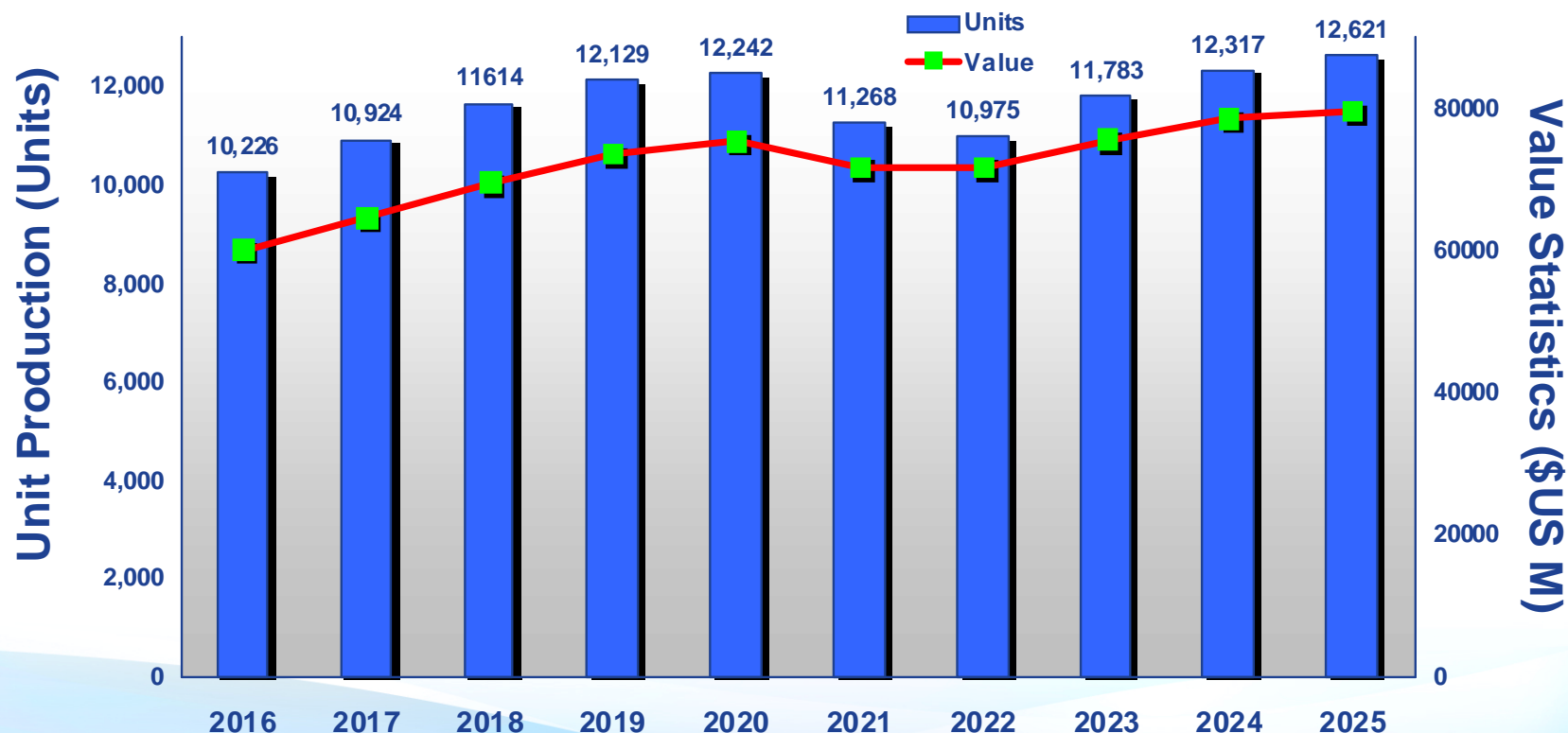




# I. Market Status – Commercial (cont'd) <sup>2634</sup>

## 1. Commercial aviation industry Updates

3. Engine demand: Per Forecast International 2016 Q2 report, global engine requirement for the next ten years (2016-2025) will reach 12,000 units, a total value of US\$720 billion.



Source: Forecast International\_2016 Q2



# I. Market Status – Commercial (cont'd)

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## 2. Commercial Aviation Programs (on major projects)

### ◆ Popular A/C & Engines



Airbus Single-Aisle A320  
Aft Belly Fairing Composite Panels



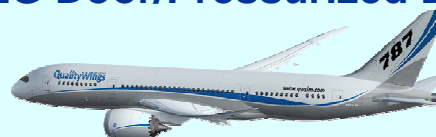
Airbus Giant A380  
HTP Tip



Sikorsky S-92 Cockpit



Boeing Single-Aisle B737  
MLG Door/Pressurized Door



Boeing Dreamliner B787  
HT Leading Edge

GE Aviation  
Top 2 Supplier in Asia



CFM56



GE90

Rolls-Royce  
Long-Term Supply  
Chain Partner



TRENT 800



V2500

### ◆ NextGen A/C & Engines



A320neo



B737MAX



MRJ



C-Series



CFM LEAP-X



Trent XWB



GEnx



## II. Financial Review

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### 1. Income Statement

Unit: NT\$ in Millions

ITEM	Q2				Q1~Q2			
	Y2016		Y2015		Y2016		Y2015	
Revenue	7,480	100%	6,921	100%	13,809	100%	12,761	100%
Cost of Goods Sold	6,333	85%	6,016	87%	11,685	85%	11,089	87%
Gross Profit	1,147	15%	905	13%	2,123	15%	1,672	13%
Operating Expenses	321	4%	259	4%	572	4%	450	4%
Operating Income	826	11%	645	9%	1,551	11%	1,222	9%
Non-operating Income	(51)	-1%	(115)	-2%	(203)	-1%	(181)	-1%
Pre-tax Income	775	10%	530	7%	1,348	10%	1,041	8%
Income Tax Expenses	194	2%	86	1%	283	2%	173	1%
Net Income	581	8%	445	6%	1,065	8%	868	7%
EPS(NT\$)	0.64		0.49		1.17		0.96	

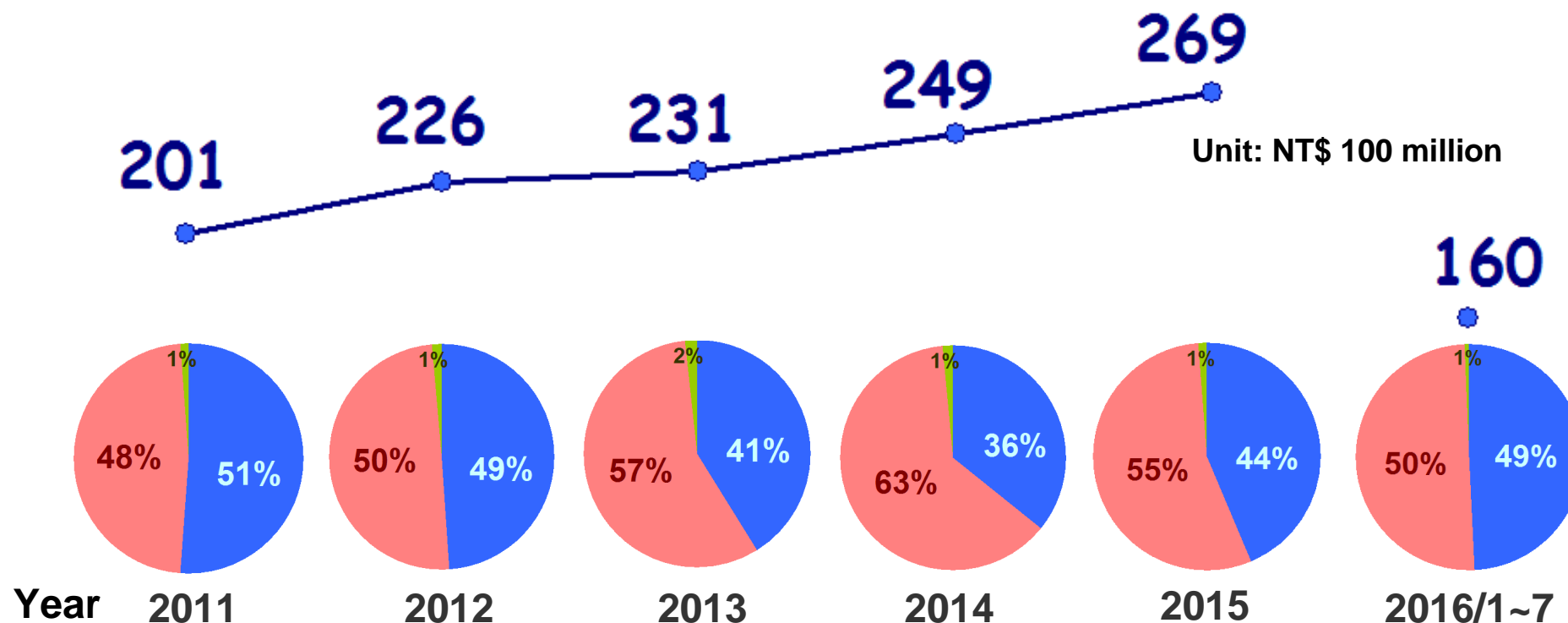


## II. Financial Review (cont'd)

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### 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



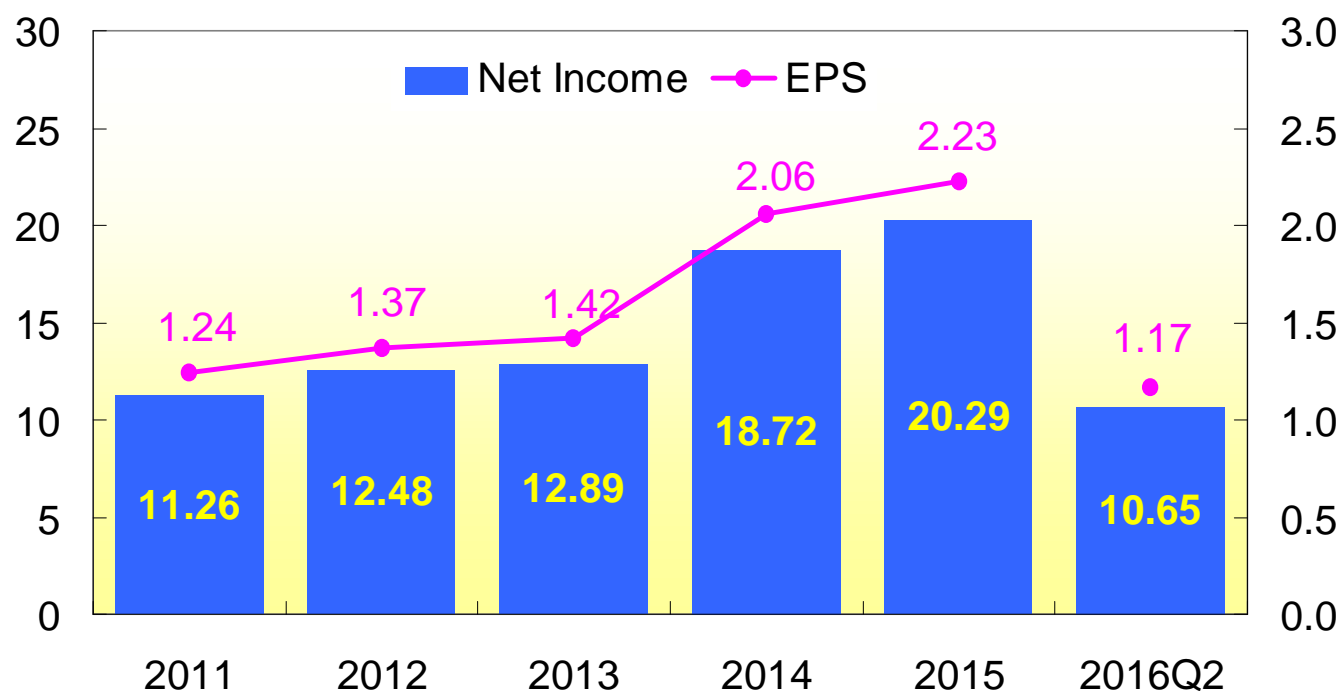
## II. Financial Review (cont'd)

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### 3. Net Income and EPS for the last 5 years

Net Income in NT\$ 100M Dollars

EPS in NT\$/share



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



# III. Achievements & Prospects

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## 1. Recent Achievements (I)

### ◆ Three Major Facility Investment:

1. Engine Case Manufacturing Center (ECMC) : Inaugurated on April 14, 2016



2. TACC-19 Composite Plant : Inaugurated on July 1, 2016



3. F-16A/B Upgrade & Maintenance Building: to be completed in Q1 of 2017

#23 Hangar (under construction)



#15A Spraying Plant (under construction)



## 2. Recent Achievements (II)

- ◆ AIDC ranks 120th in “2015 Top 2000 Survey: Manufacturing” conducted by the Commonwealth Magazine.

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
AIDC Ranking	201	200	184	151	188	173	155	145	140	120

Source: Commonwealth Magazine, No. 597, May 11, 2016

- ◆ Won Global Views Magazine CSR Award in the “Traditional Manufacturers” category



- ◆ Established Taiwan Aerospace A-Team 4.0, integrating 220 companies.



- ◆ Grand opening of US subsidiary, AIDC USA LLC





# III. Achievements & Prospects (cont'd)

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## 1. Recent Achievements (III)

### ◆Corporate Social Responsibility



Planting trees for Environment Protection

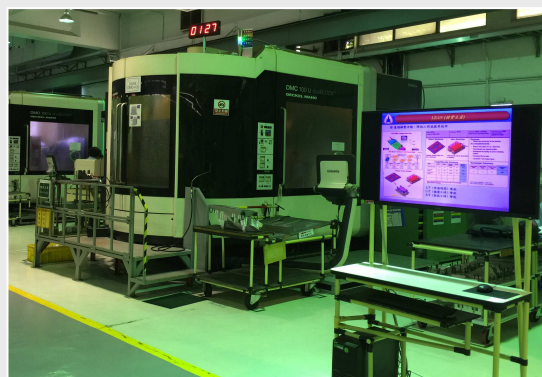


Education and Care for disadvantaged children



Fulfilling teenagers' dream of round-the-island ride

### ◆Invest Industry 4.0 – Intelligent Machine Monitoring System





# III. Achievements & Prospects (cont'd) 2634

## 2. Prospects

As of July 31, 2016 AIDC revenue reached NT\$16 billion, which meets our expectation. AIDC shall continue its efforts from the perspectives of business, Industry and talent cultivation, and shall use the edge of Taiwan aerospace A-Team to expand Taiwan's aerospace production values while working persistently for the national security and industry development.



- ◆Defense: Fully support indigenously-built aircraft policy
- ◆Commercial: Pursue high value-added a/c segment and engine components business

◆With three objectives of TAIA, i.e. information sharing, industry involvement and international exchange to lead industry upgrade.



- ◆Industry-university cooperation to cultivate talents

—Thank you for your attention —