

AIDC Investor Conference (2634)

Aerospace Industrial Development Corporation
April 15, 2020



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Outline

1 FY 2019 Business Results

2 Aerospace Market Status & Response

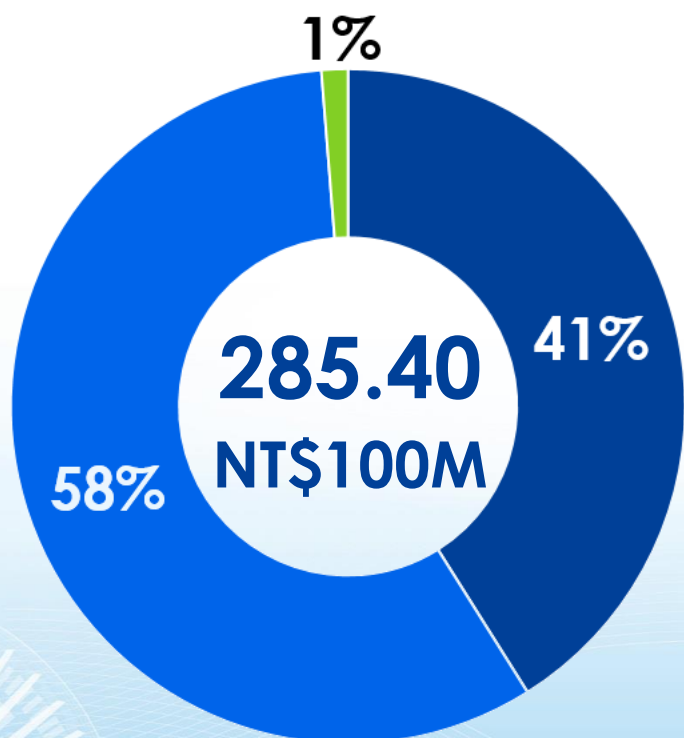
3 Business Development

4 Financial Performance

5 Endeavors & Prospects

FY 2019 Business Results

In FY 2019, AIDC's balanced focus on military and commercial businesses delivered record high revenue.



■ Defense ■ Commercial ■ Tech. Service



Net
Income
18.74
NT\$100M



Net Profit
Margin
6.57
%



EPS
1.99
NT\$/share

Aerospace Market Status & Response

737MAX Groundings

- After two deadly crashes, Boeing 737Max was grounded. Boeing then decided to suspend the 737Max production since January 2020.
- To ease the labor burden during 737Max production suspension, Boeing reassigned about 3,000 employees to other jobs.

Nearly 400 undelivered 737MAX planes are in storage in facilities in Washington and other locations



Source: Stephen Brashear/Getty Images

Aerospace Market Status & Response

737MAX Groundings

- Spirit AeroSystems, a major Boeing supplier in Kansas, laid off 2,800 employees which represented about 16% of its workforce.
- FAA expects the flight test of 737Max to take place in April. Boeing plans to restart 737Max production by May and to bring the plane back to service in mid-2020.

Boeing estimates 737MAX will return to service in mid-2020



Source: Boeing

Aerospace Market Status & Response

Impact of COVID-19 Outbreak

COVID-19 pandemic has affected global aviation industry in the following ways:



1. Drastic decline in global demand for air transportation has a devastating effect on the aviation industry. The International Air Transport Association (IATA) forecasts that the global airline industry will face revenue losses of up to \$252 billion due to border management measures taken by several countries.



2. Airlines seek to delay aircraft delivery or cancel orders.

As the COVID-19 outbreak worsens, Embraer received requests from some customers to defer delivery of aircrafts. Boeing also saw order cancellations.

Aerospace Market Status & Response

Impact of COVID-19 Outbreak

COVID-19 pandemic has affected global aviation industry in the following ways:

3. Large aerospace manufacturers suspend/reduce production



- 1) Boeing announced on April 2 to close its manufacturing facility outside Philadelphia for two weeks. It has also halted all production operations at its Washington state facilities until further notice.
- 2) Airbus declared on April 8 to reduce its production rate by roughly one third to adapt to the evolving COVID-19 market environment.

Aerospace Market Status & Response

Impact of COVID-19 Outbreak

COVID-19 pandemic has affected global aviation industry in the following ways:

4. Aerospace sectors face risks of supply chain disruption.



- 1) Logistics concern: Outbreak control measures, such as city and nationwide lock down, restrict the transportation of goods.
- 2) Workforce concern: Lockheed Martin has paused production of F-35 at a Japan factory and directed employees in Italy to work from home.

Aerospace Market Status & Response

Responses from AIDC



- As a leading aerospace manufacturer in Taiwan, AIDC has proposed that government agencies develop programs to lessen the impact on the industry and to create a better business environment, including:
 1. reduce rent for aerospace manufacturers;
 2. provide aerospace manufacturers with loans at favorable interest rate;
 3. assist aerospace manufacturers in improving technology capacity;
 4. offer investment tax credits to aerospace manufacturers for purchasing equipment;
 5. provide business opportunities with limited competitive bidding.

Aerospace Market Status & Response

Responses from AIDC



- 737Max groundings and COVID-19 pandemic have a growing impact on the global economy and are expected to significantly affect AIDC's revenue. AIDC will continue closely monitoring the situation and planning risk responses.
- AIDC explores business opportunities and manages all levels of risks in potential businesses in an effort to expand its operation. Executives meet every morning at 8:10 a.m. to review business status to timely correct business expansion strategy so as to pursue business opportunities to compensate for revenue and profit gaps.

Business Development

Commercial Aviation-Entering cockpit interiors market

- AIDC's commercial aviation sector successfully entered the global aircraft interiors supply chain and was awarded with contracts for A220 cockpit assembly.
- AIDC's self-developed airline seats were awarded the Letter of Design Approval by the FAA in 2019, granting the product access to international markets. The achievement also enhanced AIDC's product lineup.
- With strong support from the MOTC and the MOEA, AIDC and China Airlines signed a Letter of Intent (LOI) in November 2019 to pave the way for domestic cabin interiors business.

AIDC and China Airlines signed a LOI



Business Development

Engine-Authorized of hot section assembly

- In addition to manufacturing various types of green engines such as Leap-X, GEnx, Trent XWB and Pearl 15, AIDC also received the business to manufacture hot section assembly, making it the first certified manufacturer in Asia to manufacture high precision hot section module for GE LEAP engine and bringing its engine business to high value-added areas.



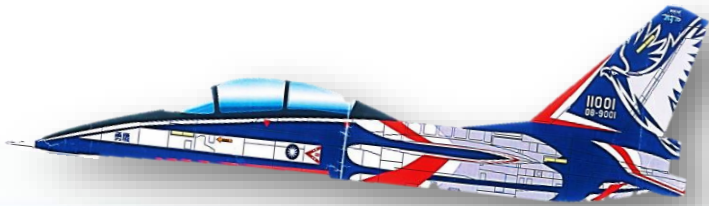
Case line 4



Case line 5

Business Development

National Defense-Generating steady revenues



A prototype of Taiwan's new indigenous advanced jet trainer (AJT) was rolled out on Sep. 24, 2019. The first flight of the AJT will take place in June, 2020.



F-16A/B upgrade program is on schedule to improve ROCAF's defense capabilities, bringing in a steady stream of maintenance business.

Business Development

Striving for the business of F-16 maintenance center



- By 2026, Taiwan will operate over 200 F-16s, including a new purchase of 66 F-16Vs and the F-16A/Bs to be upgraded, which will generate a considerable need for maintenance with economies of scale.
- Through the F-16A/B upgrade program, AIDC has been equipped with facilities, equipment and personnel certified by Lockheed Martin(LM). AIDC has further signed a strategic alliance MOU with LM in an effort to incorporate Taiwan's aerospace supply chain to strive for the business of F-16 maintenance center.

Business Development

Committed in R&D to facilitate upgrades of aerospace technology



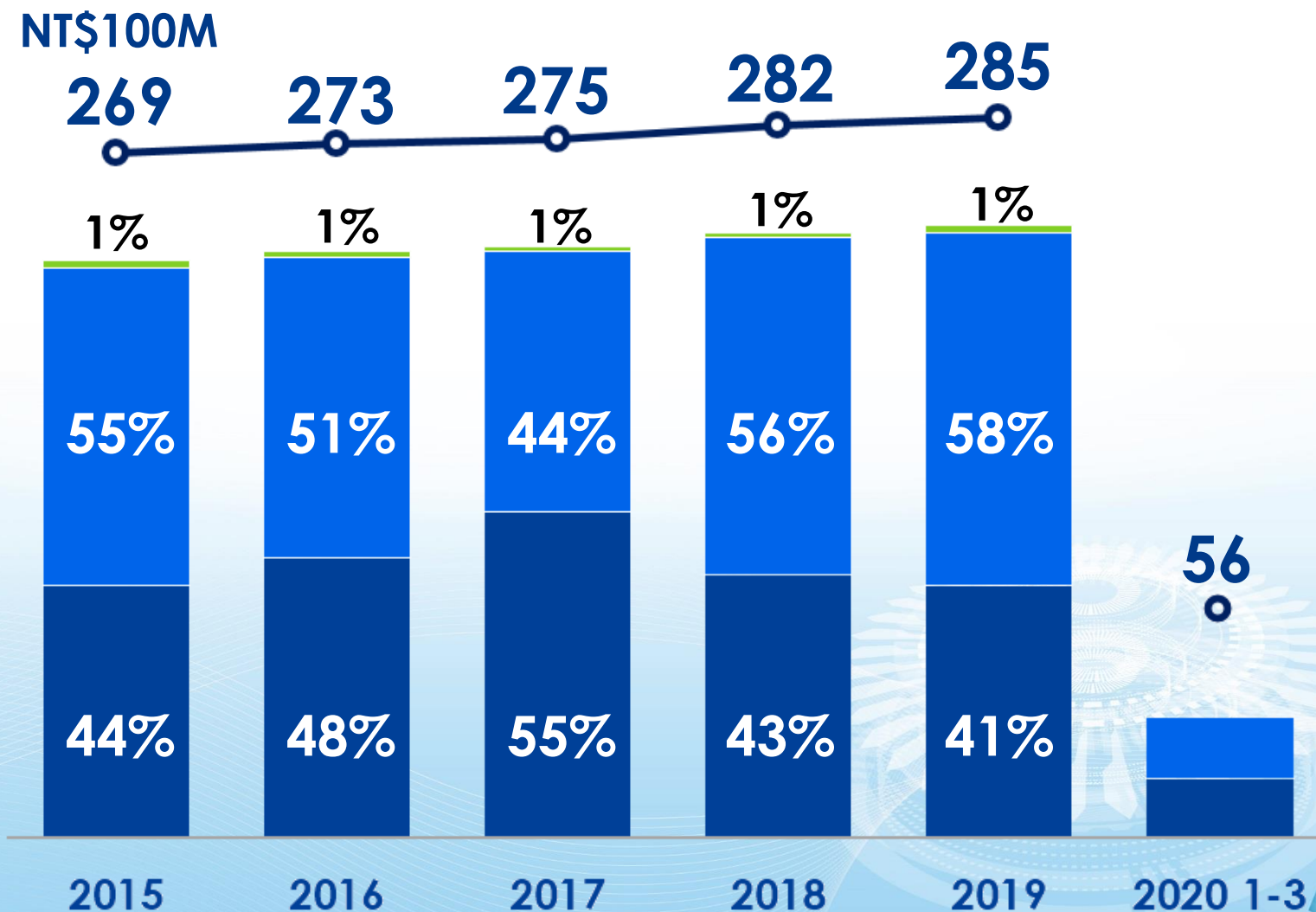
- The level of technology determines the capacity to take orders. AIDC is developing several technological upgrade and integration projects in the hope that products and services with greater profits will be expanded through high value-added aerospace technology.
- AIDC has set development goals for each professional areas in order to establish high ranking position among domestic aerospace systems service providers:
 1. Advancement of military aircraft full scale R&D
 2. Aerospace key components development
 3. Sophisticated measures for mass production
 4. Expansion of commercial aircraft OEM/ODM businesses and related technologies

Financial review



Steady growth in revenue

Revenue Commercial
Defense Tech. Service



Financial review

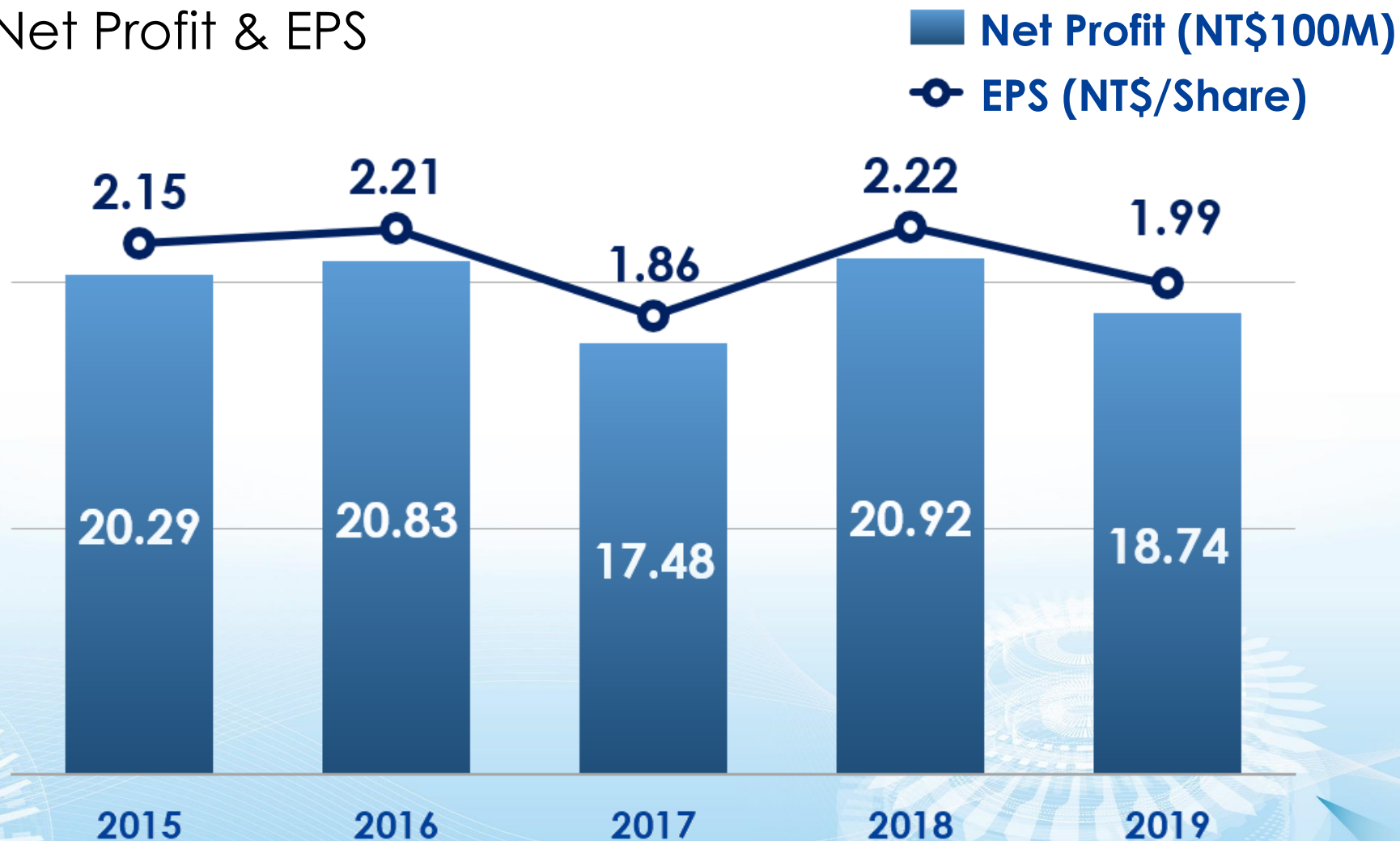
2018 & 2019 Comparison

in 100M NTD

ITEM	2018		2019	
Sales	282	100%	285	100%
Cost Of Goods Sold	245	87%	247	87%
Gross Profit	36	13%	38	13%
Operating Expenses	13	5%	14	5%
Profit From Operations	23	8%	24	8%
Non-operating Income And Expenses	3	1%	-1	0%
Profit Before Income Tax	27	9%	24	8%
Net Profit For The Year	21	7%	19	6%
EPS(NTD/Share)	2.22		1.99	

Financial review

Net Profit & EPS



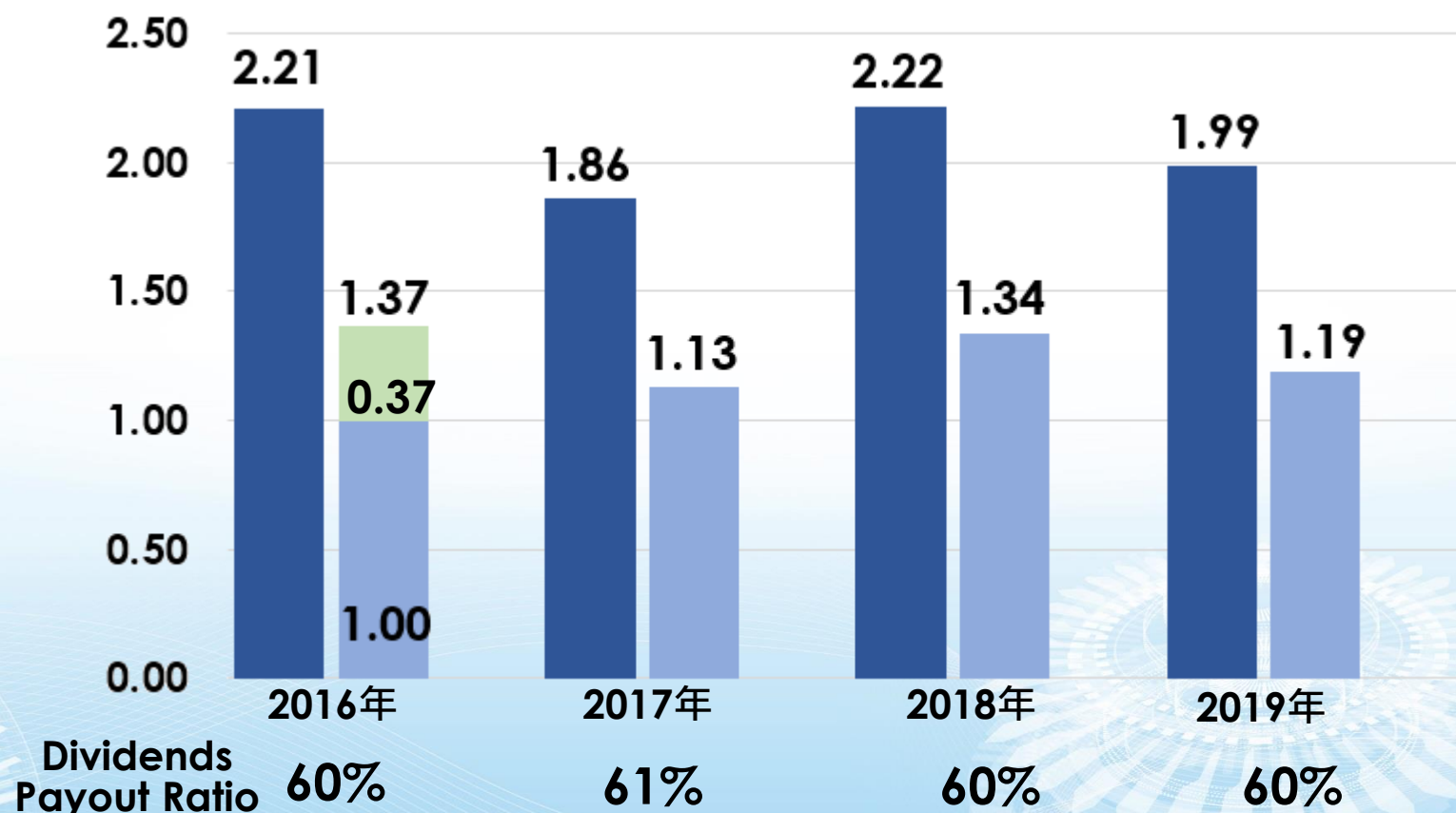
Remarks: Denominator of 2017 EPS includes stock dividend. 2015-2016 were retrospectively adjusted.

Financial review

Dividend Distribution

NT\$/share

■ EPS ■ Cash Dividends ■ Stock Dividends



Remark: 1. Calculation base of 2017 EPS includes the number of stock dividend shares. EPS of 2016 were retrospectively adjusted.
2. Cash dividend in 2019 is to be distributed after having approval of the next Shareholders Meeting.

Endeavors and Prospects

- Amidst global trade tensions, including supply chain disruption caused by 737Max groundings, worldwide economy devastated by COVID-19 pandemic and aircraft orders reduced due to flight cuts, the aerospace manufacturing sector is faced with multiple challenges.
- While impact on AIDC's revenue may be inevitable, AIDC will continue monitoring the situation and planning risk responses.
- AIDC's business portfolio consists of national defense, commercial aviation and technology service. When entering into mass production, the AJT program will become a driver of growth which will be tapped to compensate for the affected businesses in order to reach AIDC's goal of sustainable business operation and development.

AIDC 50th Anniversary

For the past half-century, AIDC has been strictly attached to its corporate philosophy of “Accountability, Innovation, Dedication, Customer Orientation” and will continue to do so to embrace the next glorious 50 years!



The background is a deep blue with a subtle pattern of glowing circuit lines and a faint globe. The globe shows the continents of North and South America. The circuit lines are light blue and form a grid-like pattern across the background. There are also some small, bright white dots scattered throughout, resembling stars or data points.

Thank you

漢翔航空工業股份有限公司
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