

Ticker Symbol: 2633



Taiwan High Speed Rail Corporation

1Q 2018 Operating Results



Transportation 運輸
安全運輸 拉近距離



Technology 科技
創新低碳 暖心服務



Taiwan 在地
繁榮在地 暢遊台灣



Touch 關懷
創造價值 關懷社會



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AGENDA

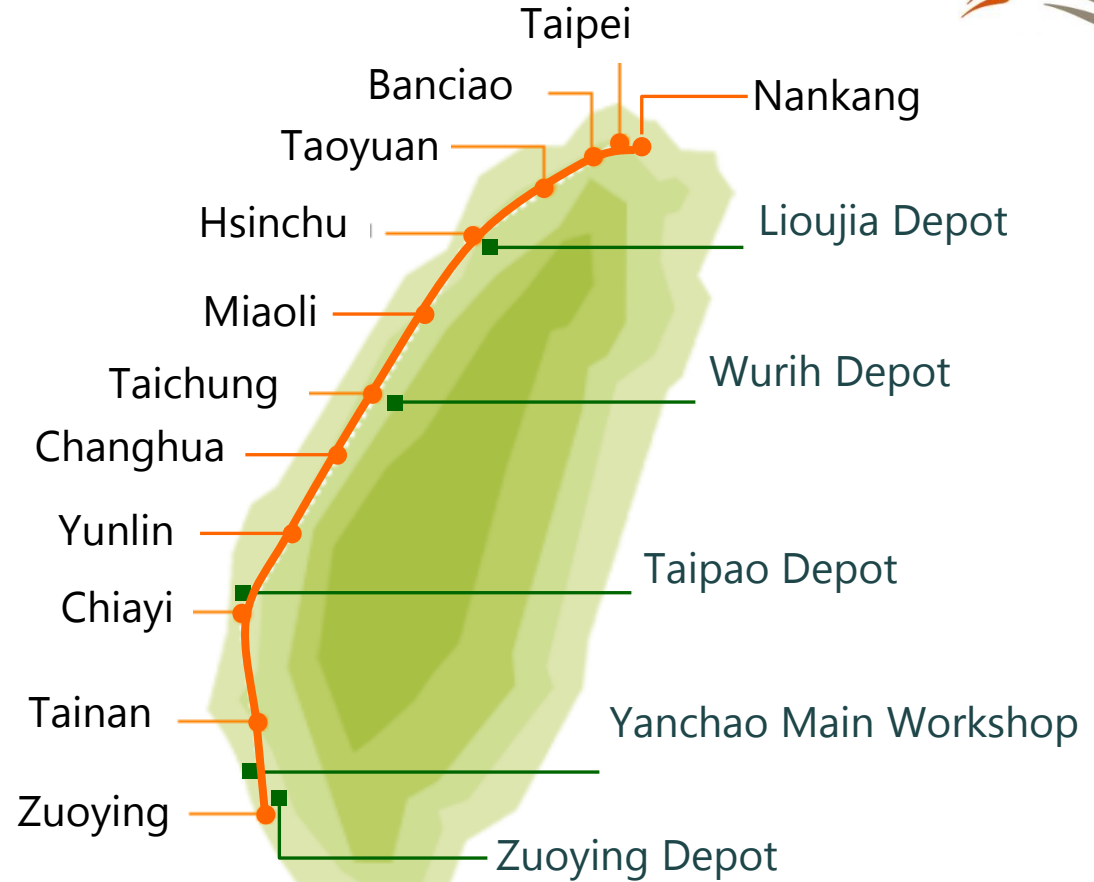
- I、 BUSINESS OVERVIEW
- II、 FINANCIALS OVERVIEW
- III、 MARKET OVERVIEW



I、BUSINESS OVERVIEW

1. Operational Bases
2. Operational Performance

1、Operational Bases



Total Route Length: 350 km
Peak Speed: 300km/hr

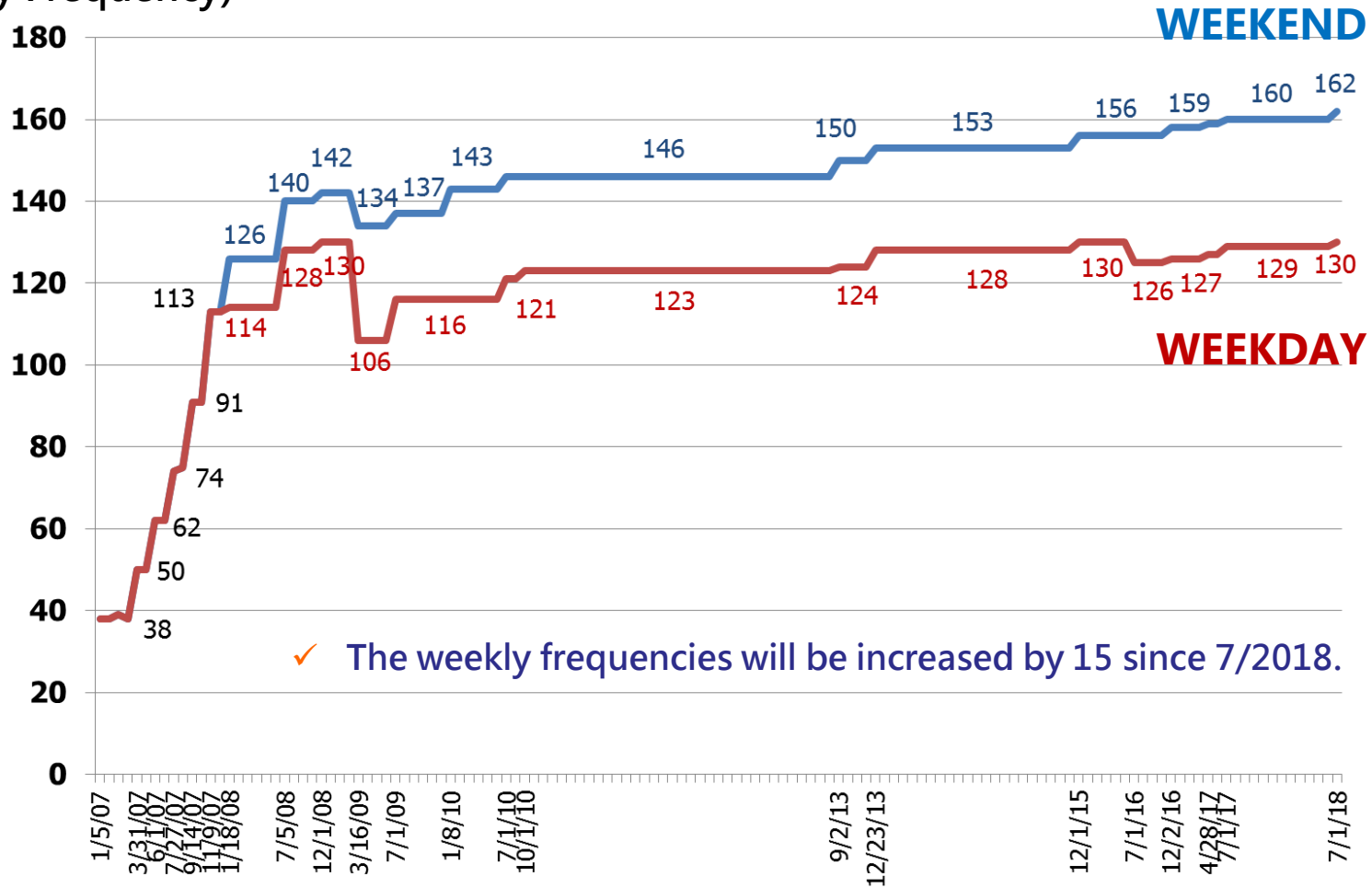


2、Operational Performance



1. Train Frequency

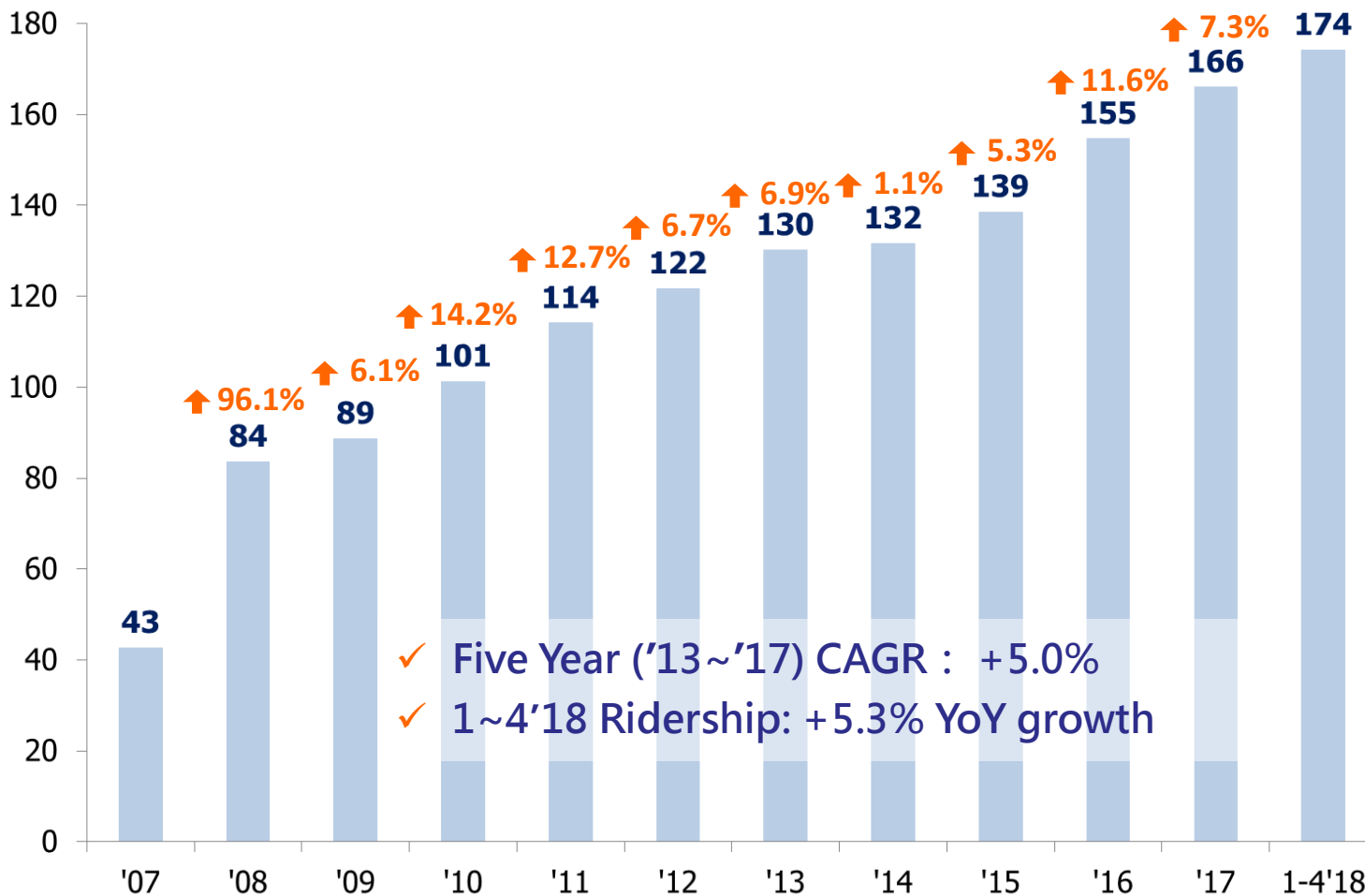
(Daily Frequency)





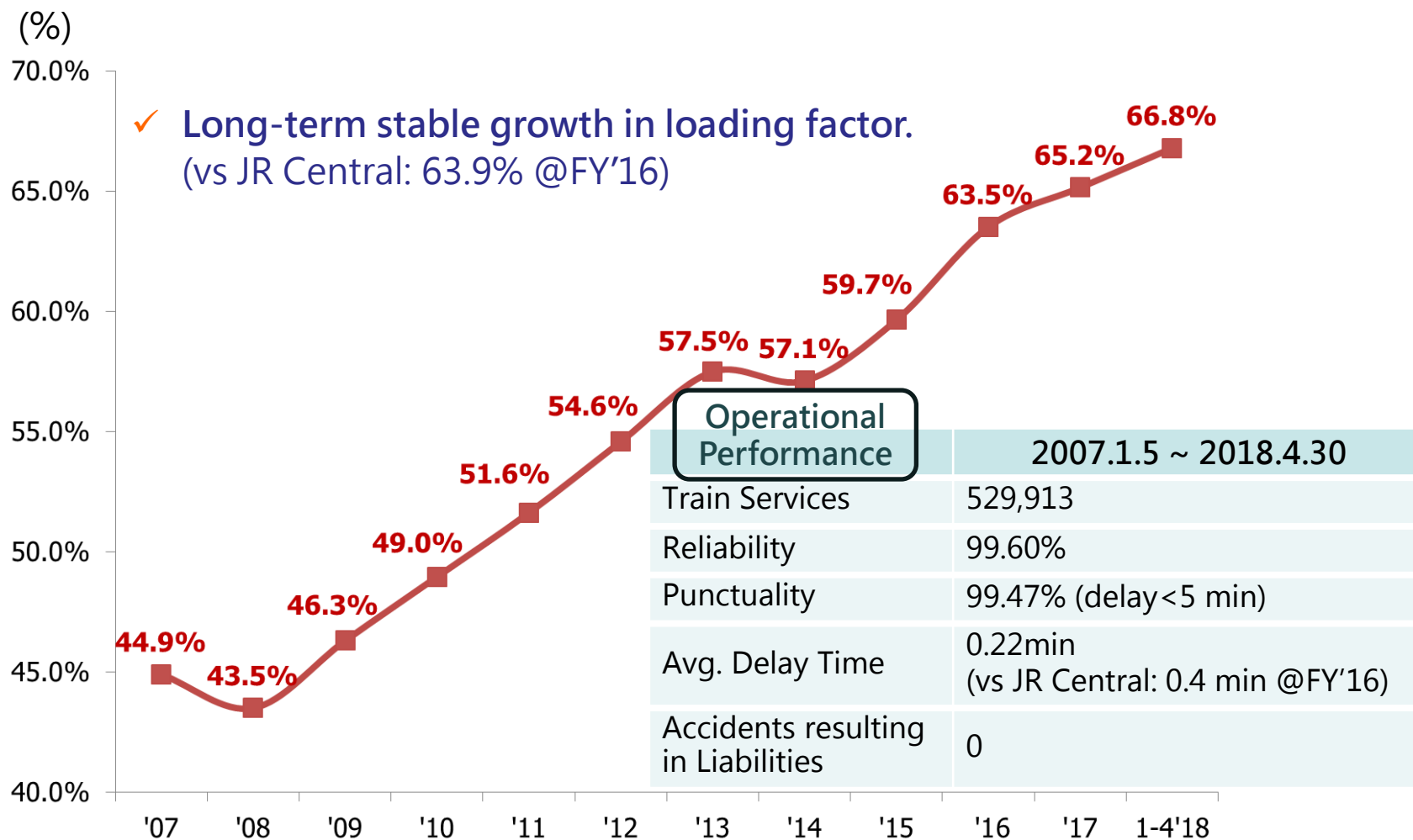
2. Ridership

('000/day)





3. Loading Factor





II 、 FINANCIALS OVERVIEW

1. Financial Performance
2. Financial Risk Management
3. Earnings Distribution
4. Corporate Credit Rating & Market Cap
5. Recent Major Events and Activities

1、 Financial Performance



1. Income Statement

1) 1Q'2018 vs 1Q'2017

(NT\$m)	1Q'2018		1Q'2017		Variance Amount	Variance %
Operating revenues	11,039	100.0%	10,805	100.0%	234	2.2%
Operating costs	(6,004)	-54.4%	(5,868)	-54.3%	(136)	2.3%
Gross Profit	5,035	45.6%	4,938	45.7%	98	2.0%
Operating expenses	(265)	-2.4%	(227)	-2.1%	(38)	16.7%
Net Operating Income	4,770	43.2%	4,710	43.6%	60	1.3%
Non-operating income and expenses						
Interest expenses	(1,666)	-15.1%	(1,950)	-18.0%	284	-14.6%
Stabilization reserve	(1,164)	-10.5%	(798)	-7.4%	(366)	45.8%
Others	69	0.6%	(10)	-0.1%	79	789.2%
Net Income before Tax	2,010	18.2%	1,952	18.1%	57	2.9%
Income tax	389	3.5%	(332)	-3.1%	721	-217.3%
Net Income	2,399	21.7%	1,621	15.0%	779	48.0%
EPS	0.43		0.29			



1. Income Statement

2) 2017 vs 2016

(NT\$m)	2017		2016		Variance Amount	Variance %
Operating revenues	43,435	100.0%	40,611	100.0%	2,824	7.0%
Operating costs	(24,614)	-56.7%	(25,973)	-64.0%	1,360	-5.2%
Gross Profit	18,821	43.3%	14,638	36.0%	4,184	28.6%
Operating expenses	(1,066)	-2.5%	(938)	-2.3%	(128)	13.7%
Net Operating Income	17,755	40.9%	13,699	33.7%	4,055	29.6%
Non-operating income and expenses						
Interest expenses	(7,463)	-17.2%	(8,376)	-20.6%	912	-10.9%
Stabilization reserve	(3,866)	-8.9%	(280)	-0.7%	(3,585)	1279.1%
Others	52	0.1%	(46)	-0.1%	98	213.7%
Net Income before Tax	6,479	14.9%	4,998	12.3%	1,481	29.6%
Income tax	(1,139)	-2.6%	(848)	-2.1%	(290)	34.2%
Net Income	5,340	12.3%	4,149	10.2%	1,191	28.7%
EPS	0.95		0.74			

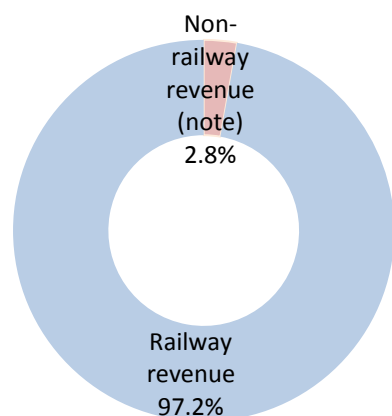


2. Net Profits & Operating Revenues

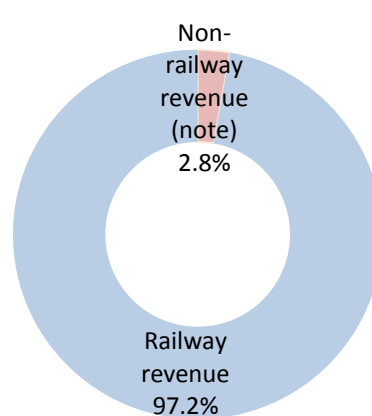
1) Revenue Mix

(NT\$bn)	1Q'18	1Q'17	YoY
Railway revenues	10.7	10.5	+2.2%
Non-railway revenues	0.3	0.3	+1.9%
Total	11.0	10.8	+2.2%

1Q 2018 Revenue Mix



1Q 2017 Revenue Mix



Note: Non-railway revenues mainly include rental incomes, advertising revenues, and onboard sales.

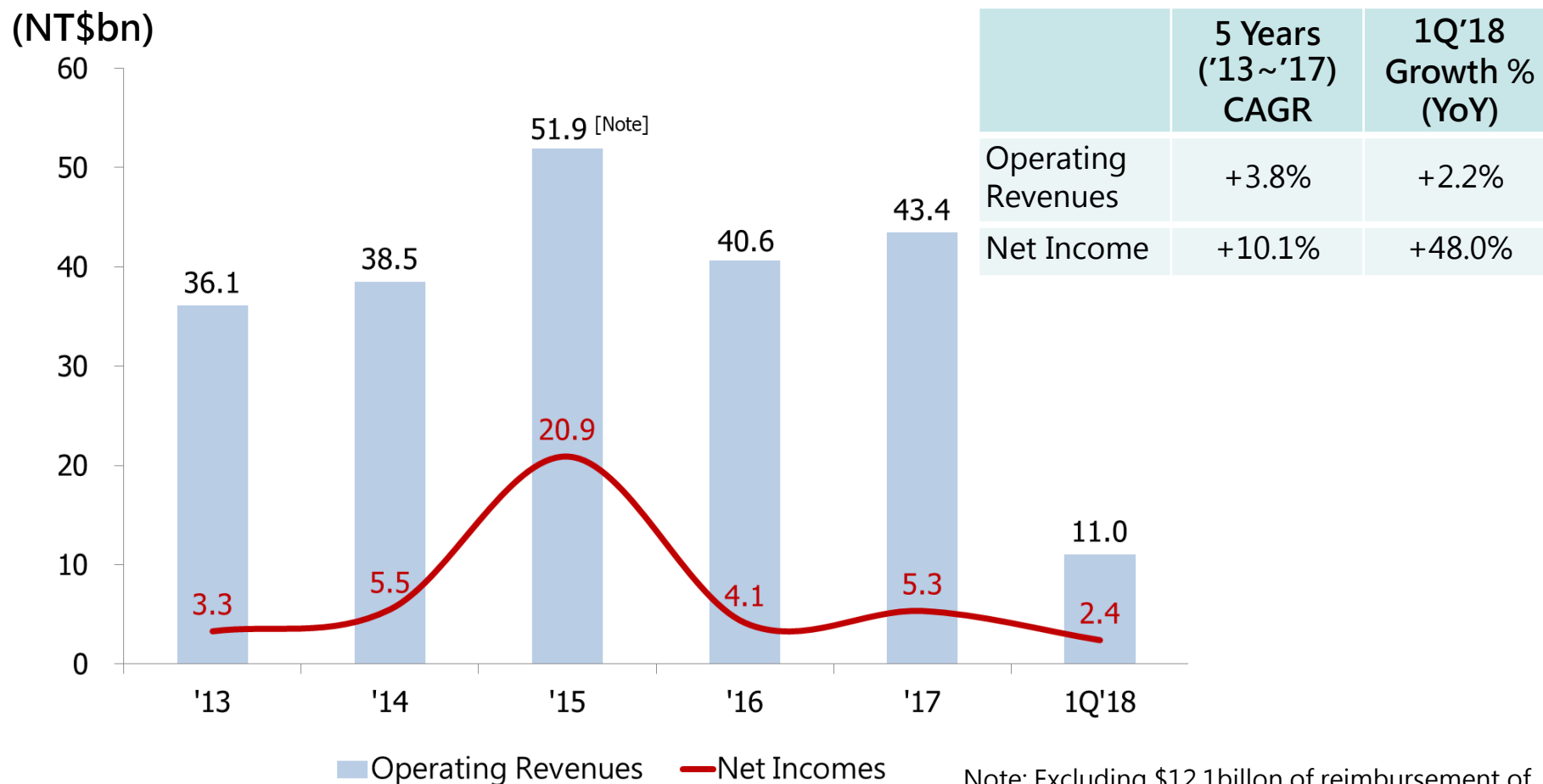
Strategy to Increase Revenues

- ✓ **Sustain Revenue Growth Drivers**
 - Diversify Product Lineup to Increase Off-Peak Ridership and Revenues.
 - Apply Innovative Technology to Digitize Ticketing Channels and Provide Convenient Ticket Services.
 - Integrate Local Tourism Resources and Create a Mass Transit Tourism Environment Based on High-speed Rail.
 - Apply Big Data to Promote Membership Efficiency.
- ✓ **Assess the Development of Non-railway Investment Opportunities**



2. Net Profits & Operating Revenues

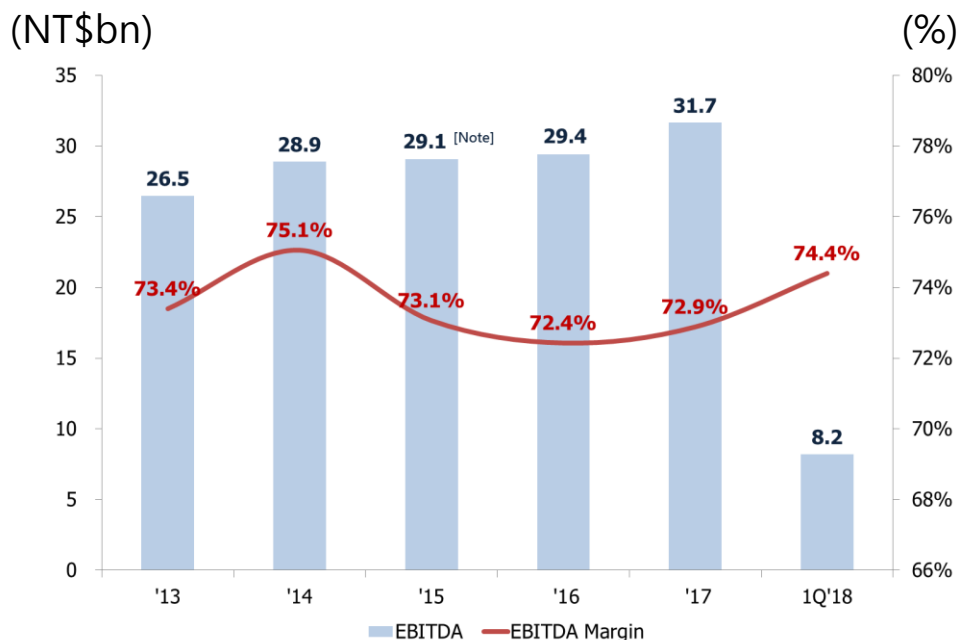
2) Operating Revenues and Net Income



Note: Excluding \$12.1billion of reimbursement of statutory discount tickets, revenues would have been \$39.8 billion in 2015.



3. Operational Performance : EBITDA & EBITDA Margin



Build Autonomous and Innovative Operational Maintenance Capabilities

✓ Enhance Self-maintenance Capabilities

- Cooperate with domestic universities and research institutions to establish railway equipment laboratories.
- Cooperate with Japan Railways to accelerate technology transfer.
- Establish electronics, machinery, welding and other factories to strengthen THSRC's self-maintenance capabilities.

✓ Implement Material Localization

- THSRC works with national top R&D institutes to assist qualified local suppliers in carrying out HSR material development and technology transfers while maintaining standards of traffic safety. To shorten delivery period for materials, reduced procurement costs.
- The current in-house maintenance ratio is over 80% and continues to grow.
- The Company hopes to achieve railway materials localization ratios at 30% in 2022 (the current ratio is around 15%).

✓ EBITDA

- 5-Year CAGR ('13~'17) : +3.6%
- 1Q'18: YoY+1.3%

✓ EBITDA Margin

- Over the last 5 years : 72%~75%
(vs JR Central _ Railway: 58.4% @FY'16)

Note: One-time compensation of \$12.1bn on statutory discount tickets is excluded in the EBITDA for the year 2015.

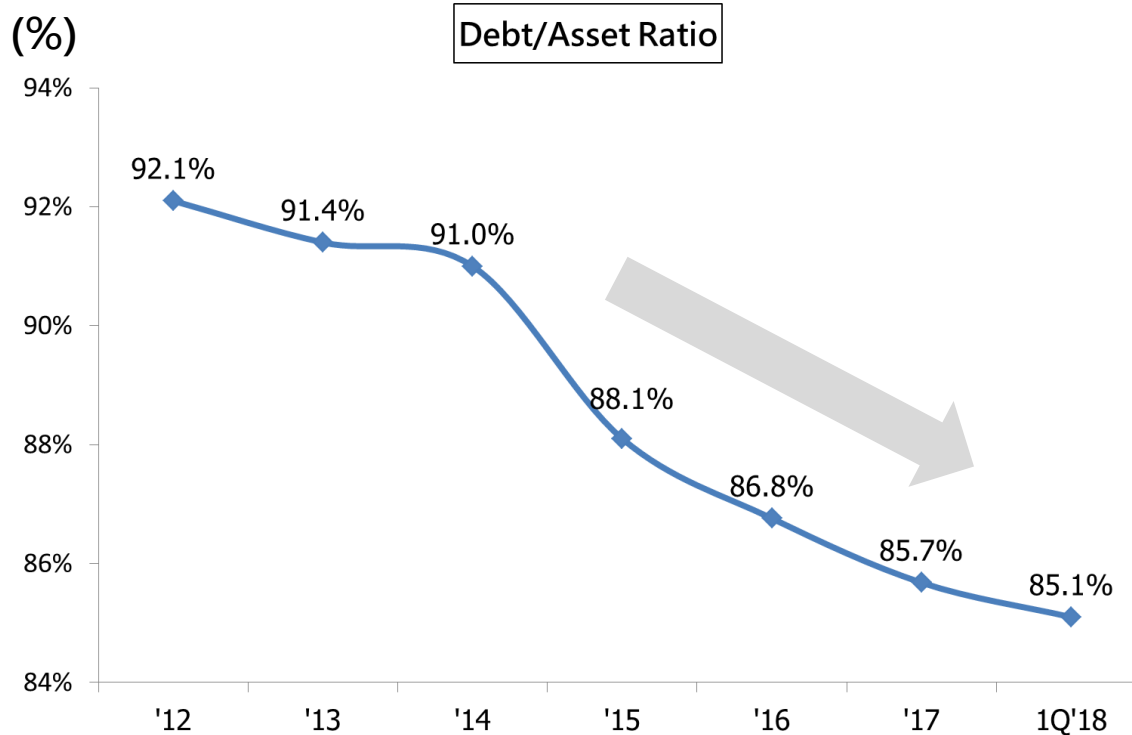


4. Statement of Cash Flows

(NT\$m)	1Q'18	1Q'17	差異金額	2017	2016	差異金額
Cash & cash equivalents at the beginning of the period	7,188	237	6,951	237	2,146	(1,909)
Cash flows from operating activities	6,817	6,404	413	21,606	5,930 ^[1]	15,676
Cash flows from investing activities	(2,764)	3,638	(6,402)	13,878	27,341	(13,462)
Cash flows from financing activities	(3,930)	(5,132)	1,202	(28,534)	(35,177)	6,643
Effects of exchange rate changes on the balance of cash held in foreign currencies	-	-	-	0	(3)	3
Net increase in cash & cash equivalents	123	4,910	(4,897)	6,950	(1,909)	8,859
Cash & cash equivalents at the end of the period	7,311	5,148	2,163	7,188	237	6,950

^[1] Including one-time preferred shares compensation expenditure of \$15.2bn.

2. Financial Risk Management



Establish Long-Term Stable Financial Structure

- ✓ Considering L/T & S/T finance/operation funding demands and financial risks, **make early retirement of syndicated loans.**

Early Retirement of Syndicated Loans since '16

(NT\$bn)	Amount
4/'16及7/'16	21.0
3/'17	21.2
7/'17	20.0
Total	62.2

- ✓ **Issue direct financial instruments** (i.e., corporate bonds, commercial papers) to ensure appropriate L/T & S/T capital allocation and to enhance profitability.



3. Earnings Distribution

① Dividend Policy

Taking into consideration current and future developments, investment environments, funding demands, domestic and international competition, shareholder interests, and other relevant factors, the Company has adopted a stable and balanced dividend policy as summarized below:

- ✓ The Company shall pay out at least 60% of the earnings available for distribution to shareholders.
- ✓ Of this, cash dividends shall exceed 50% of total distribution in any given fiscal year.

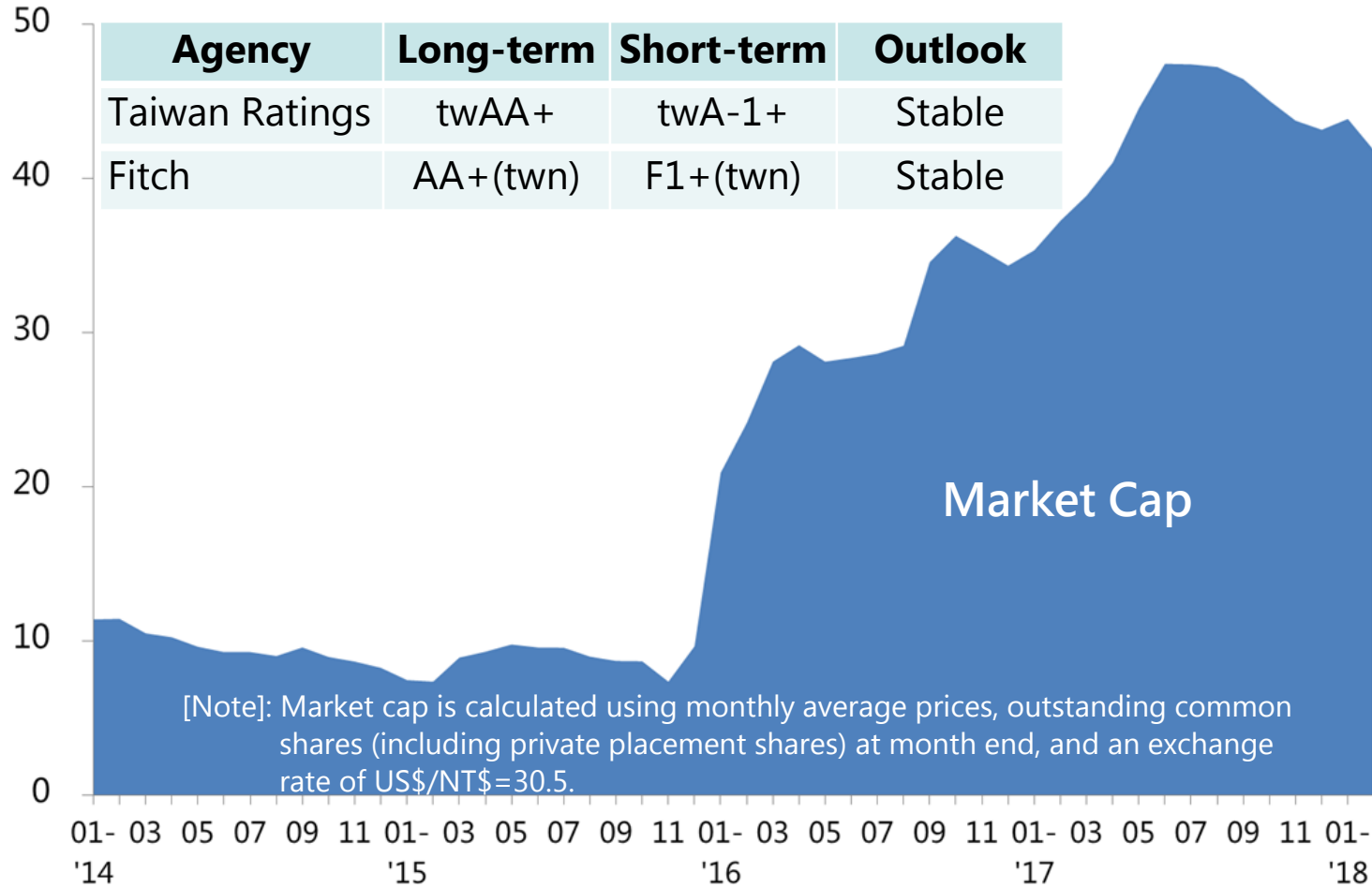
② Dividend History

	2015	2016	2017
Cash dividend (NT\$/share)	0.65	0.60	0.75
Cash dividend over earnings available for distribution (%)	98.5%	89.9%	81.8%



4. Corporate Credit Ratings & Market Cap

(US\$bn)



5. Recent Major Events and Activities



Date	Event
Jul, 2017	✓ Early retirement of syndicated loans totaling NT\$20 bn.
Oct, 2017	✓ Starting from the 9th year until the 30th year of the first drawdown date, the markup interest rates of syndicated loan were reduced from 1.08% to 0.92%.
Apr, 2018	<ul style="list-style-type: none">✓ Receive approval from the Ministry of Finance for exemption of enterprise income tax over a period of five years started from Jan. 1, 2017.✓ Be ranked top 5% in 2018 Corporate Governance Evaluation by Taiwan Stock Exchange
May, 2018	✓ Hold 2018 general shareholders' meeting. The board of directors approved a proposal to distribute cash dividend of NT\$0.75 per common share.



III 、 MARKET OVERVIEW

1. Inter-city Transportation
2. Domestic Tourism Market
3. Domestic Railway Infrastructure Projects

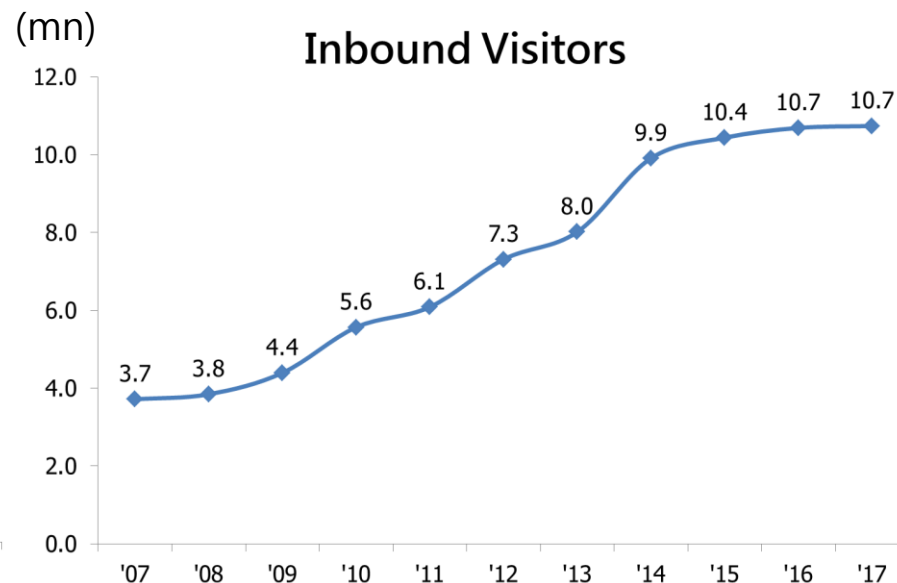
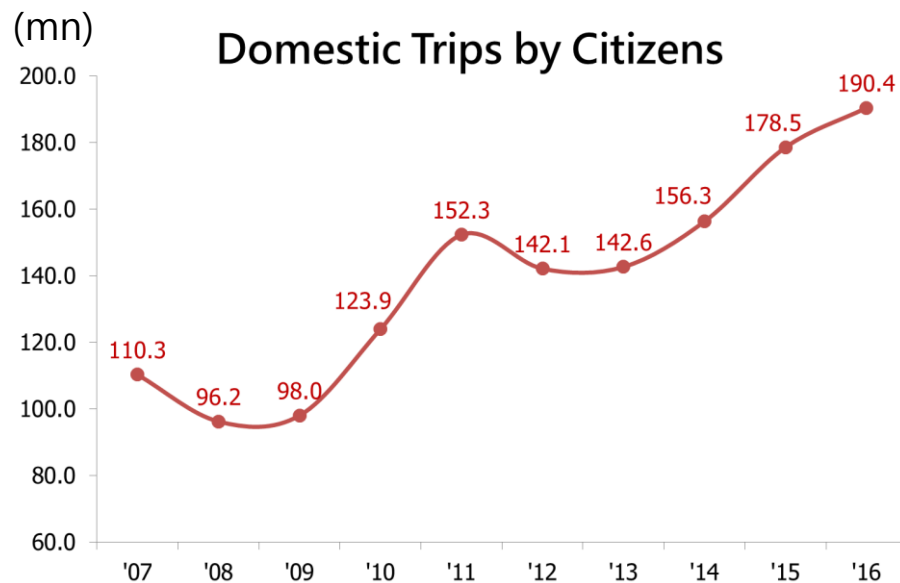
1、 Inter-city Transportation



2016	Short Distance (20~100km)	Medium Distance (100~200km)	Long Distance (>200km)
Week-day	<p>THSRC 7.1%</p> <p>TRA 55.8%</p> <p>Freeway Bus 37.1%</p>	<p>THSRC 38.1%</p> <p>TRA 41.2%</p> <p>Freeway Bus 20.6%</p>	<p>THSRC 57.7%</p> <p>TRA 22.7%</p> <p>Freeway Bus 19.6%</p>
Week-end	<p>THSRC 6.6%</p> <p>TRA 59.3%</p> <p>Freeway Bus 34.1%</p>	<p>THSRC 28.6%</p> <p>TRA 44.4%</p> <p>Freeway Bus 27.0%</p>	<p>THSRC 54.6%</p> <p>TRA 21.7%</p> <p>Freeway Bus 23.7%</p>

Data Source: Changes in the Market Shares for Intercity Public Transportation after the Operation of High Speed Rail (2016); Institute of Transportation, Ministry of Transportation and Communications; March 2018.

2. Domestic Tourism Market

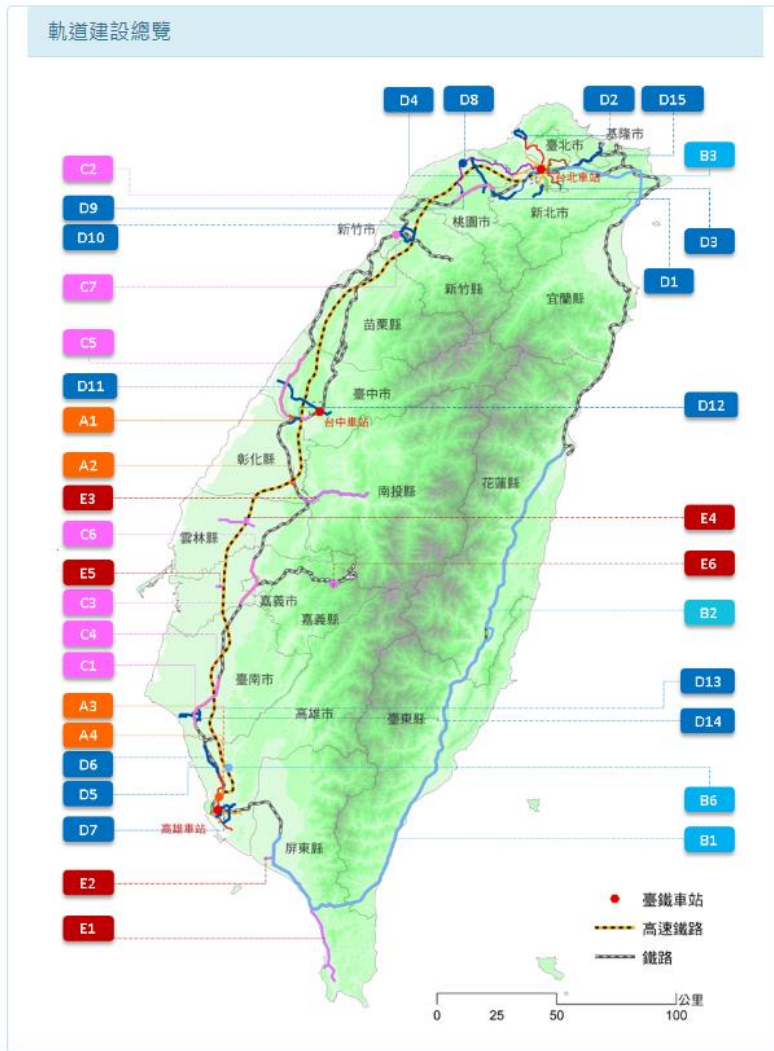


- **Over the last 5 years ('12~'16) CAGR: +6.0%**
- **Year 2016: +6.6% YoY**

- **Over the last 5 years ('13~'17) CAGR: +6.0%**
- **Year 2017: +0.5% YoY**

Source: Tourism Bureau, MoTC

3. Domestic Railway Infrastructure Projects



- ✓ Broaden domestic rail network and industry value-chain.
- ✓ HSR-related projects include enhancing connection and accessibility services.

- A. Integrate the high speed rail and conventional rail systems.
- B. Upgrade and improve conventional rail services in Eastern Taiwan.
- C. Move rail tracks above- or under-ground to speed up commuter services.
- D. Promote urban mass rapid transit.
- E. Build tourism-oriented rail systems for Central and Southern Taiwan.

Conclusion



Vision : THSRC seeks to be a platform for progress and life improvement

Mission

THSRC strives to be a top ten Taiwanese brand

Strategy

Intelligent Transportation

Strengthen station and train operating facilities and improve service quality

Medium and long-term train procurement planning and ensure existing operational capacity

Provide a variety of products to increase the off-peak ridership and revenues

Strengthen equipment maintenance to ensure system stability, safety and reliability

Innovative Technology

Digitize ticketing channels

Apply big data to promote membership efficiency

Using information technology to strengthen operational services and increase efficiency

Localized in Taiwan

Improve local development capabilities and equipment/material supply ratio

Promote the localization of the rail industry

Integrate railway technology resources and conduct reinvestment or technology export assessment

Sustained Social Care

Build corporate governance culture and responsible for corporate social responsibility

Promote environmental protection, energy conservation and carbon reduction

Promote talents cultivation



Appendix.

Integrate Local Tourist Networks & Make THSR the Backbone of Transit Oriented Tourism

Hakka Romantic Avenue (the Provincial Highway 3):
Old Town and New Experience

<https://www.youtube.com/watch?v=-l6ibC0UCok>

Take Dual Rails (THSR & TRC) to JiJi:
The Perfect Viewing Angle of the Trip

<https://www.youtube.com/watch?v=JQD2ef8vBAU>



Thank You For Your Attention

