Lucky Cement Corporation

Earnings Conference
2018/12/11

Disclaimer

The contents of this presentation are based on the financial statements reviewed or audited by the accountants. The financial statements are prepared in accordance with IFRS. Please refer to the financial statements of Lucky Cement Co., (the Company) for the complete contents and data.

The forward-looking statements contained in this presentation are subject to risks and uncertainties and actual results may be different. This presentation is not expressly or implicitly expressed or warranted to be correct and complete, nor does it represent a complete discussion of the Company's subsequent or consequential significant developments.

The Company is not responsible for the updating and revising of any forward-looking statements.

Agenda

- Company Profile
- Products & Business
- Market
- Performance
- CSR
- Future Development
- Q&A

Logo Story

Mr. Chen Liang-Chuan, the founder started his business in housing construction. He hopes that every young person who wants to get married could have a house, and their life could feel warm and happy. Therefore, the life's goal of Mr. Chen Liang-Chuan is to produce cement with high quality and reasonable price to build a house.

Company Profile

- Stock Code : 1108
- Company Name : Lucky Cement Corporation
- Date of Establishment : May 7, 1974
- Listed Date : June, 1990
- Paid-in Capital ： NT$4,047,380,490
- Chairman ： Mr. Chen Liang-Chuan
- Head Office : 15F, 237 Songjiang Rd., Taipei, Taiwan
- Plants ： Dongao Plant , Puxin Plant, Horen Plant
- Employee ：411

Company Milestone

- Lucky Cement Co., established in May 7, 1974
- Dongao Plant started to operate in 1981
- Lucky Cement Co., listed on TWSE in 1990
- Merged Puxin Plant in 1992
- Slag Powder launched on the market in 1996
- Started Circular Economy business in 2000
- Horen plant Completed phase 2 expansion in 2008
- ISO9001:2008 Certified in 2008

Subsidiaries

Luckicon Ready-mixed Concrete Factory Co., Ltd

Dasheng Enterprise Co., Ltd.

Fuyu Development Company

Lucky Cement Corp., Japan

Luckyship Marine Co., Ltd

Production Base

Dongao Plant
Product:
Clinker & cement

Production Capacity:
Clinker 2 million tons

Puxin Plant
Product:
Cement & slag powder

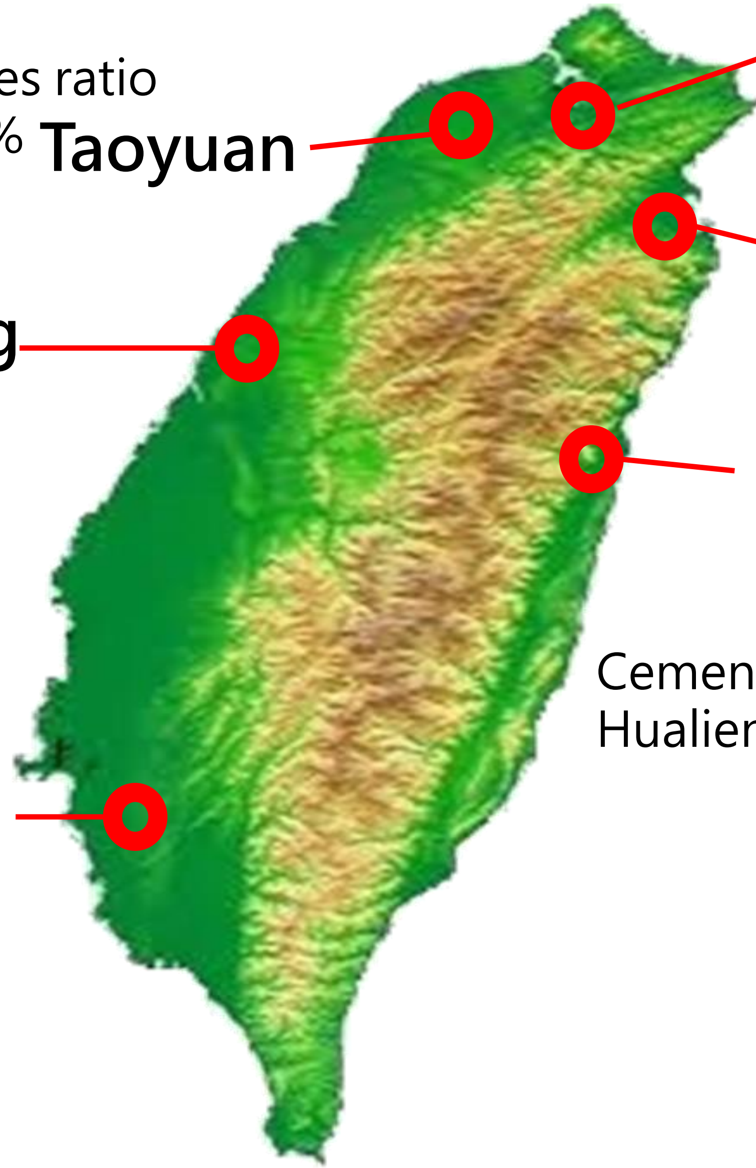
Production Capacity:
1.4 million tons

Horen Plant
Product: Limestone, aggregates and stones

Production Capacity:
6.2 million tons

Branch Office

Cement sales ratio
North：66%



Cement sales ratio
Central：16.2%

Cement sales ratio
Hualien & Taitung ：16.2%

Cement sales ratio
South：1.6%

Products & Business

limestone

Stone

Aggregates

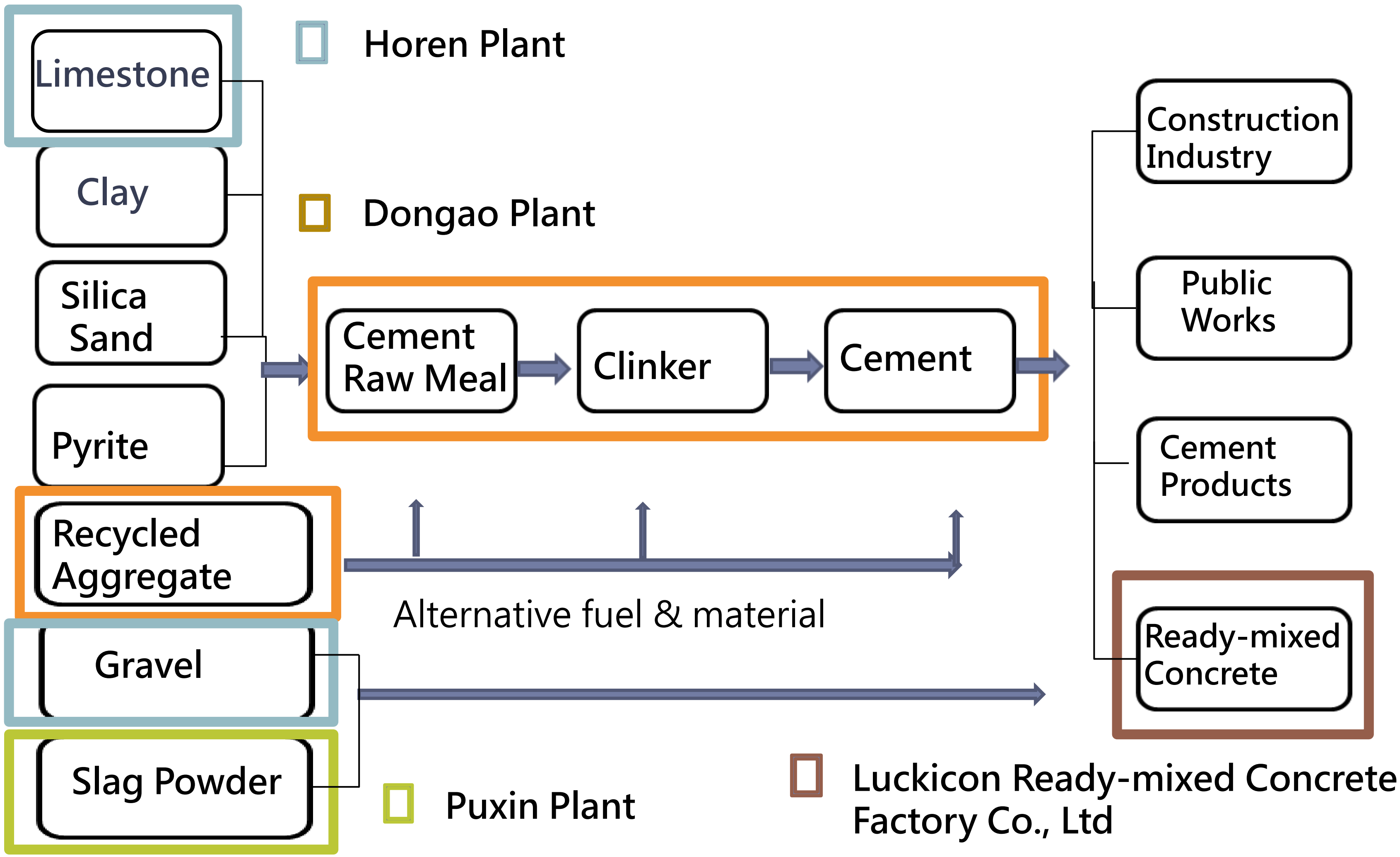
Cement: Portland I & II

Slag Powder

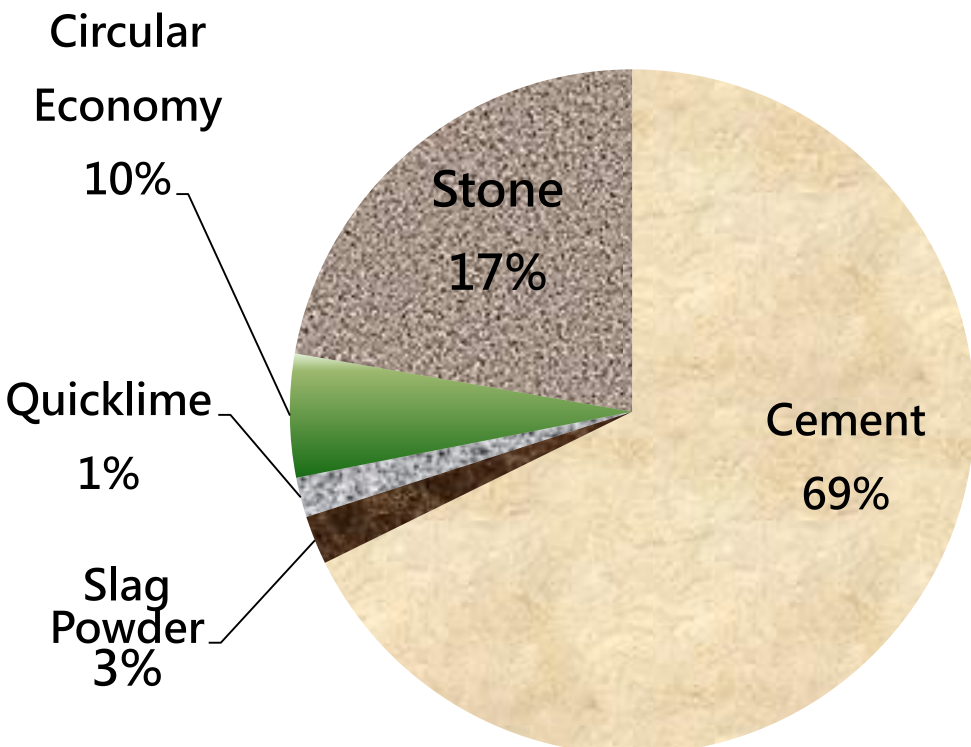
Quicklime

Circular Economy : Replace fuel and raw materials

Cement Industry

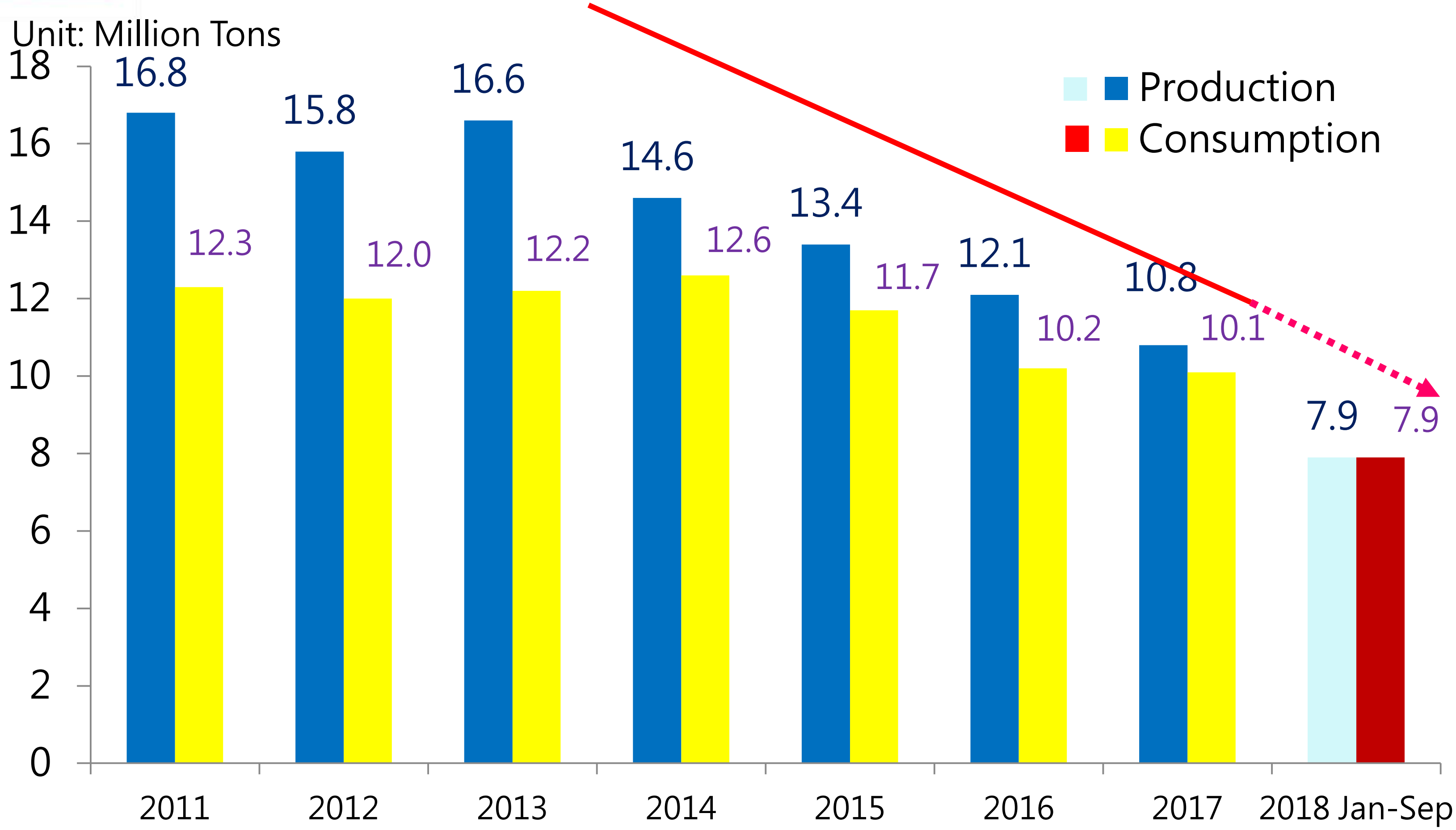


Sales Revenue Proportion



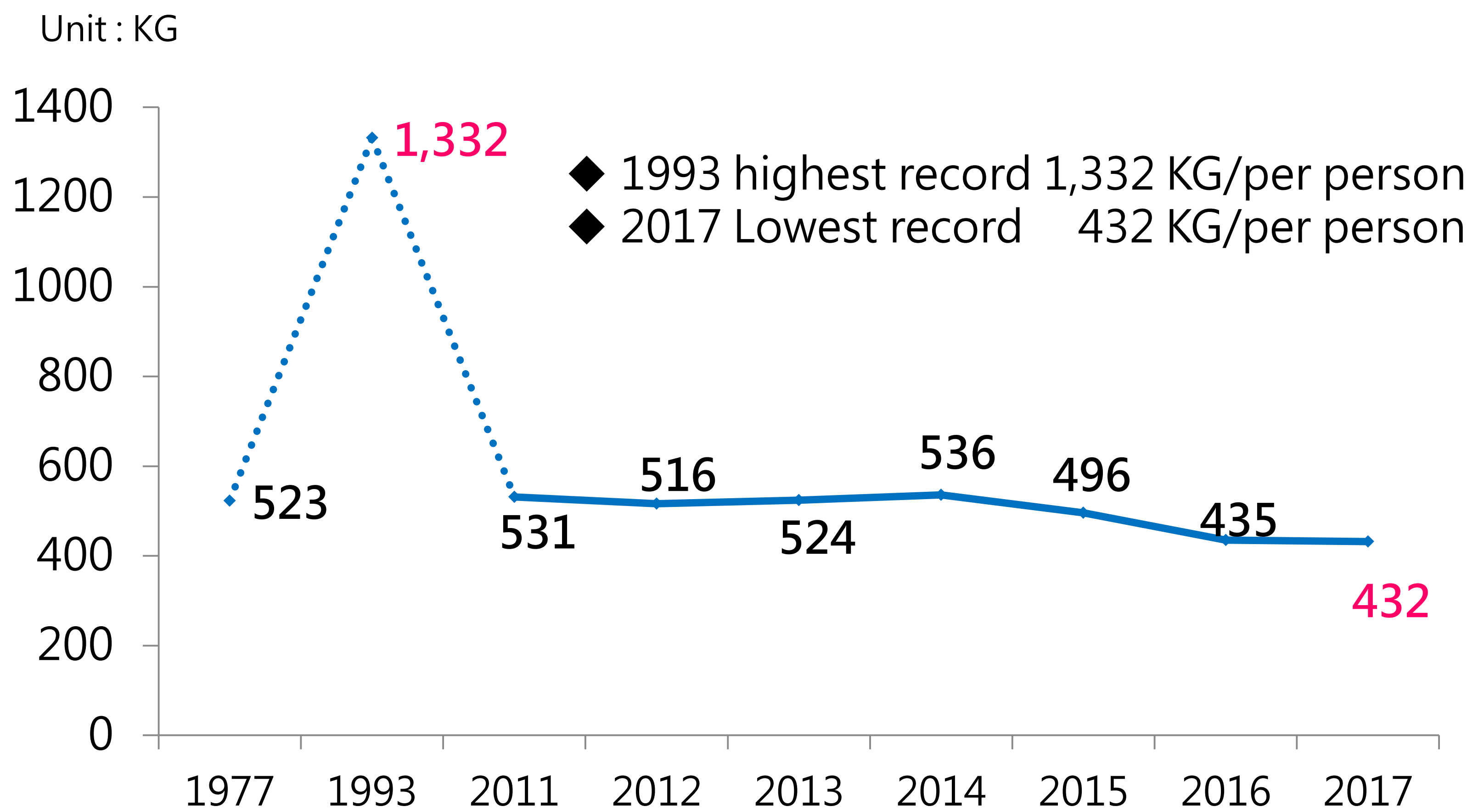
Resource: Sales Revenue for nine months ended on September 30, 2018

Cement Supply & Demand



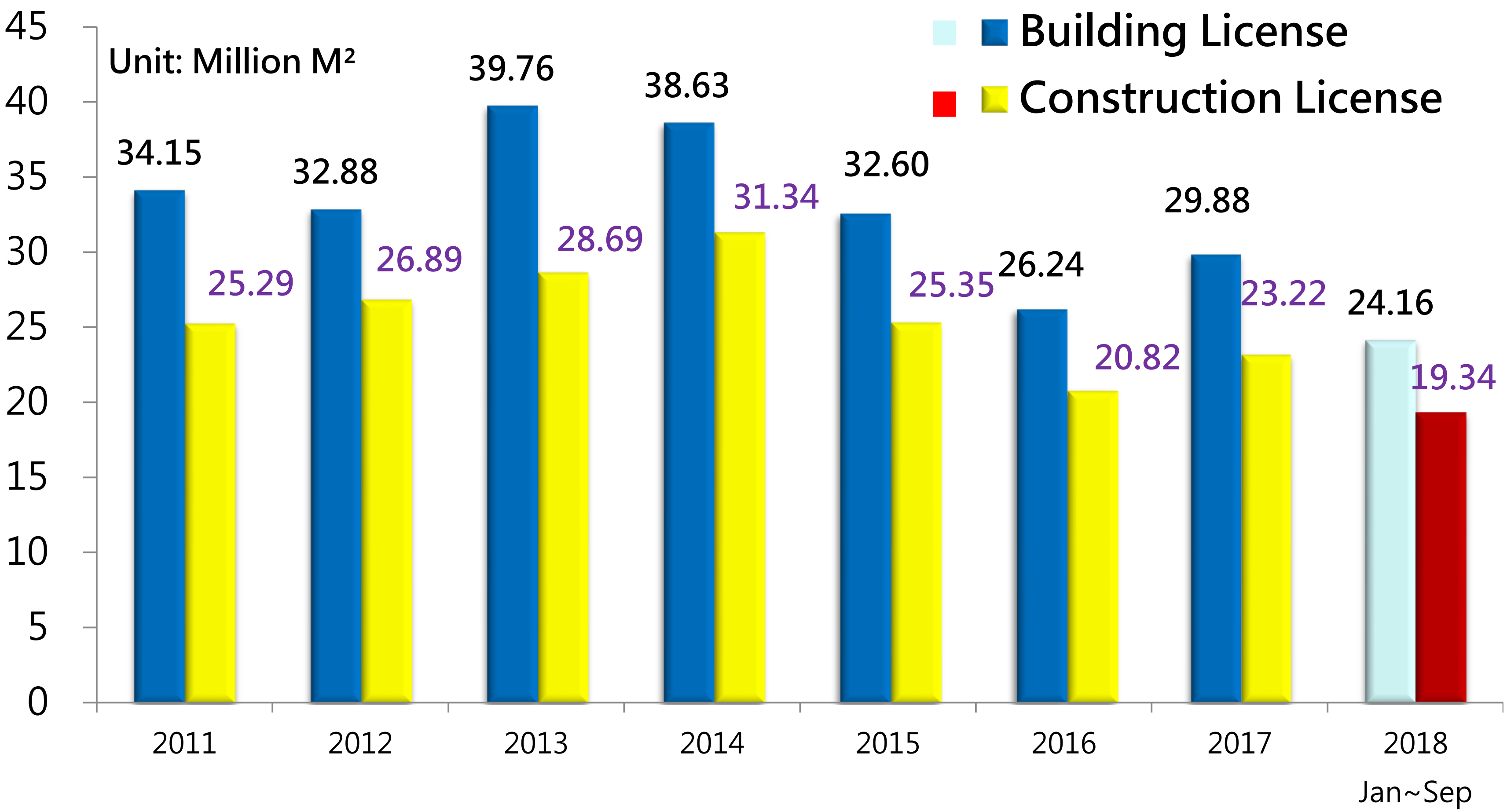
Resource : Taiwan Cement Manufacturers' Association

Average Cement Consumption



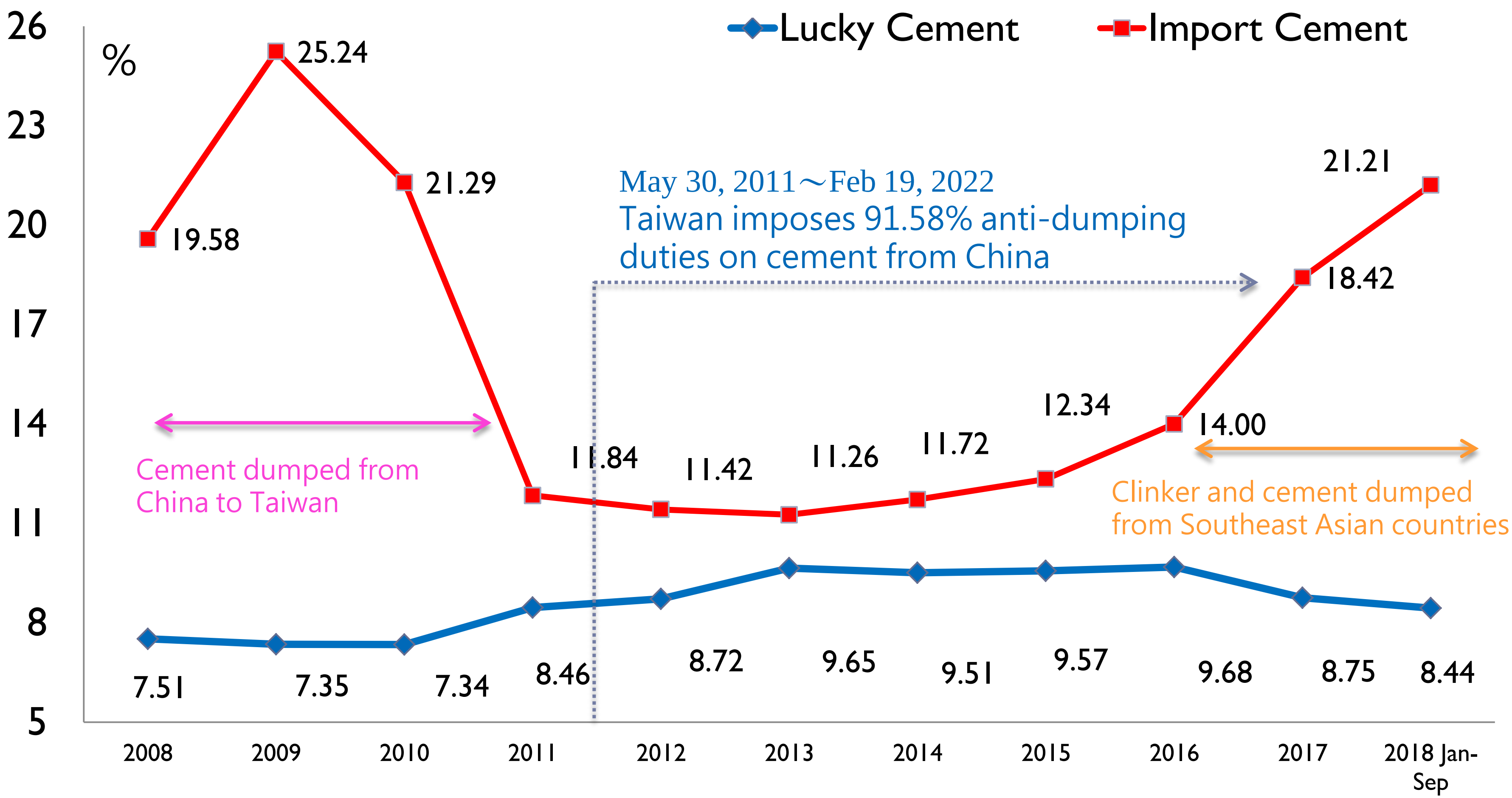
Resource : Taiwan Cement Manufacturers' Association

The Statistics of Building License and Construction License



Resource : Construction and Planning Agency, Ministry of the Interior

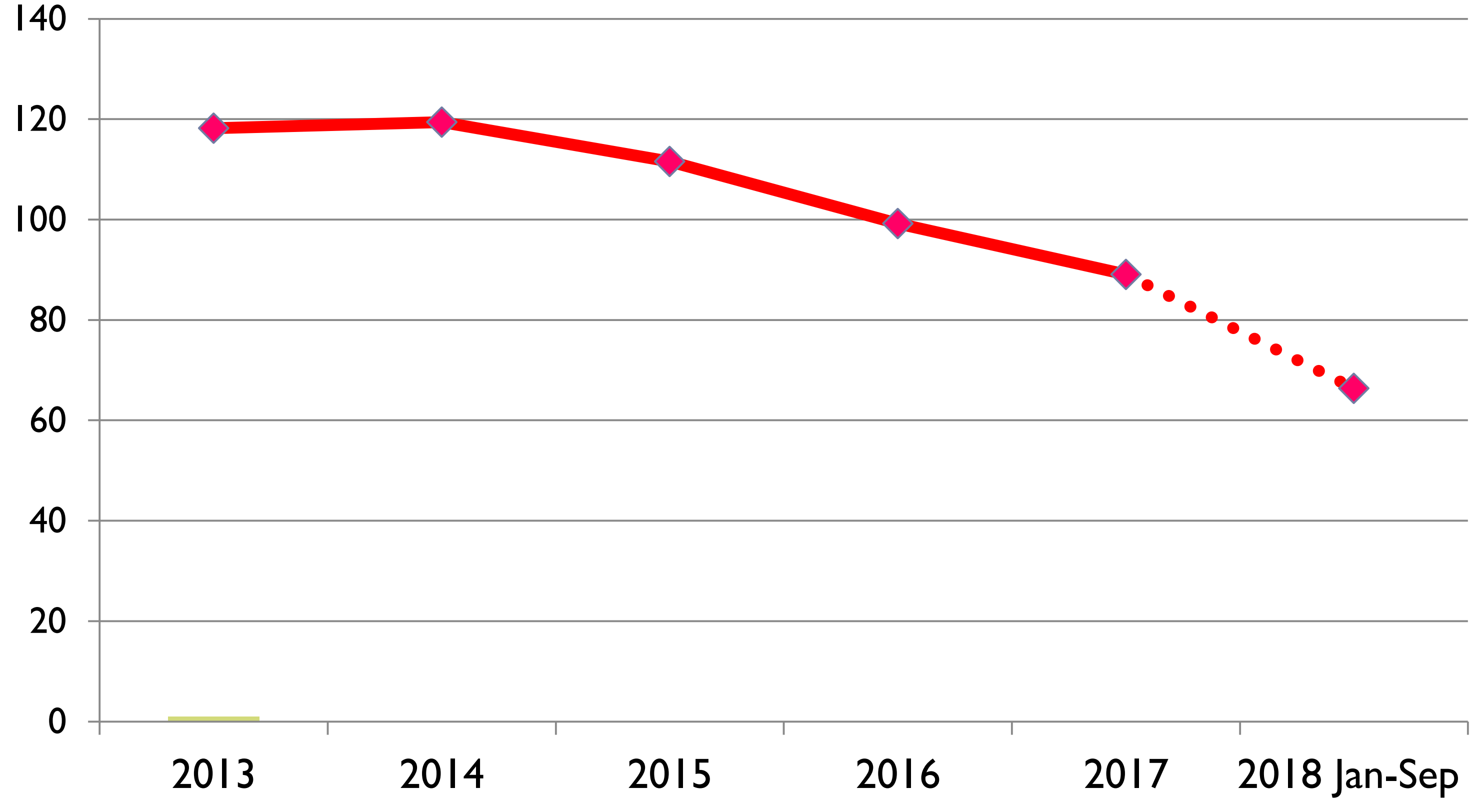
Cement Market Share



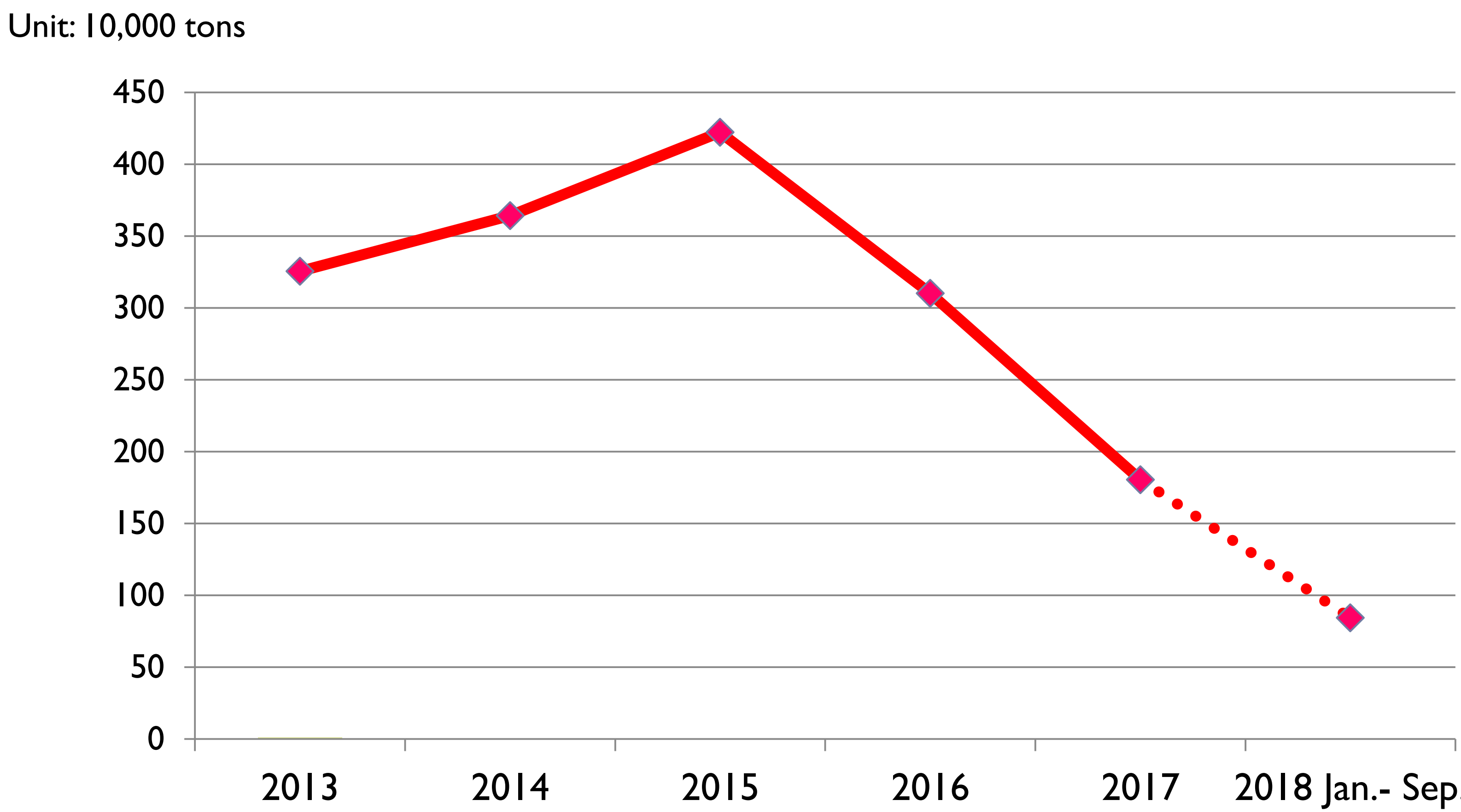
Resource : Taiwan Cement Manufacturers' Association

Sales Volume of Cement

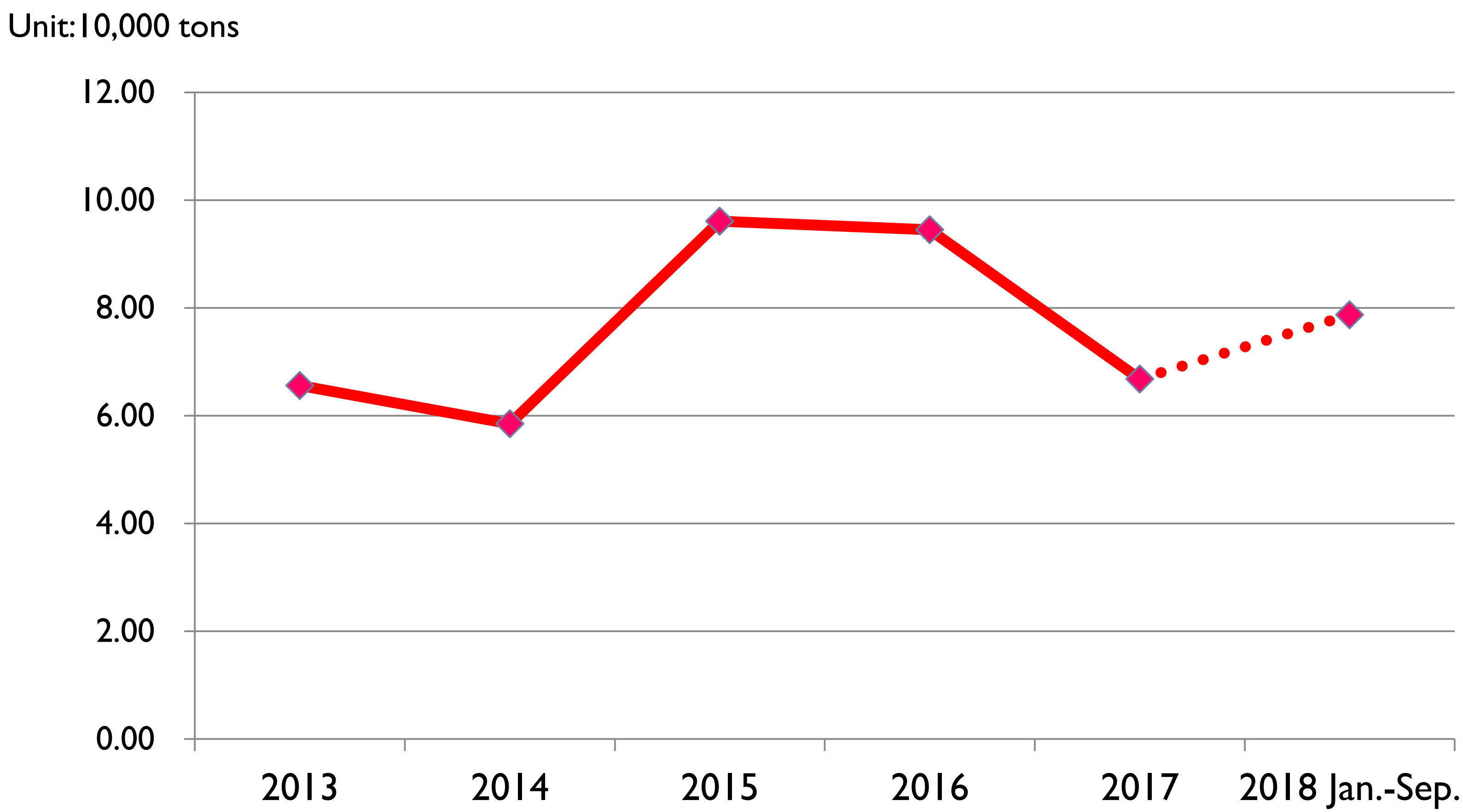
Unit: 10,000 tons



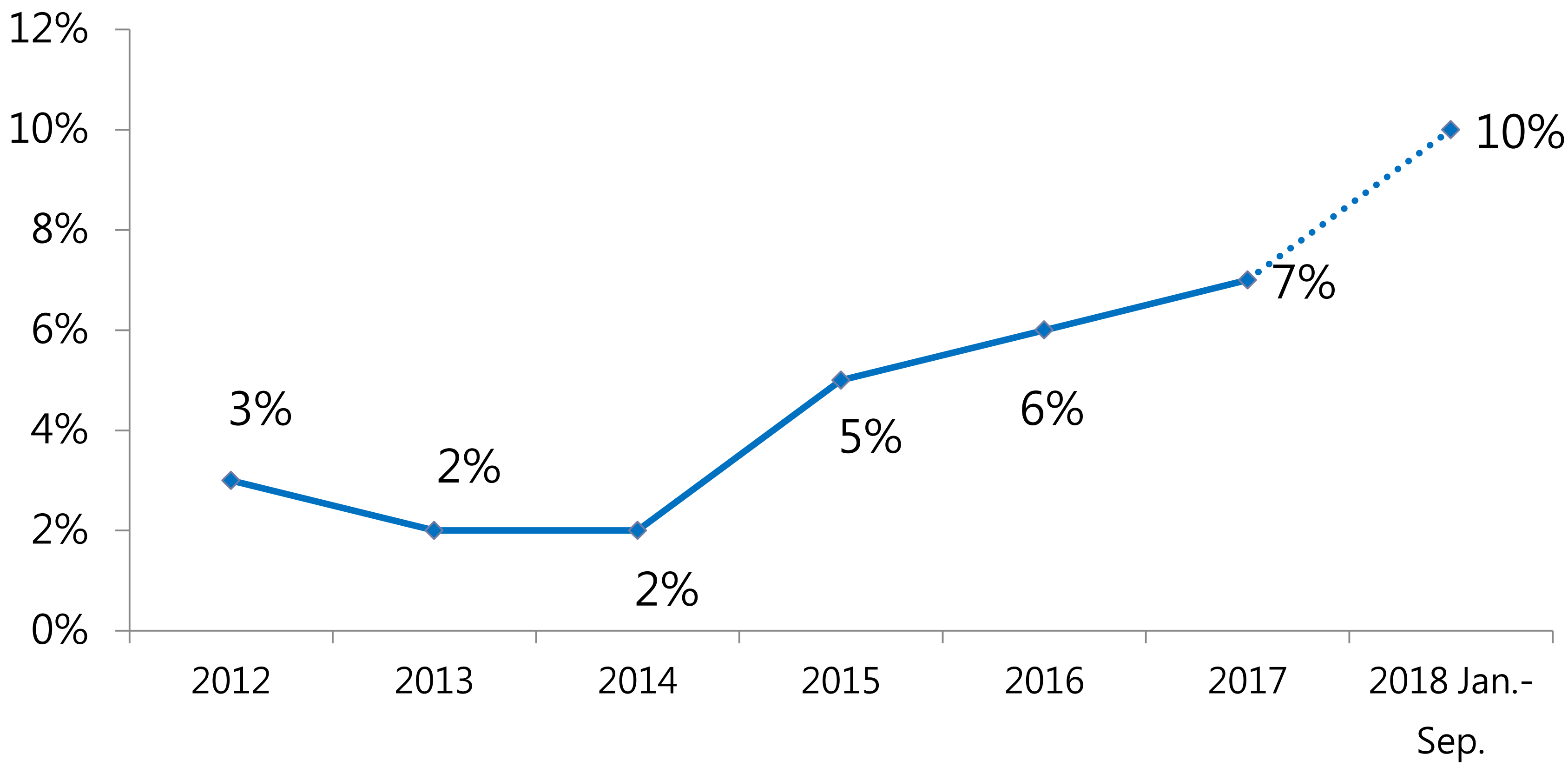
Sales Volume of Stone



Sales Volume of Recycling Business



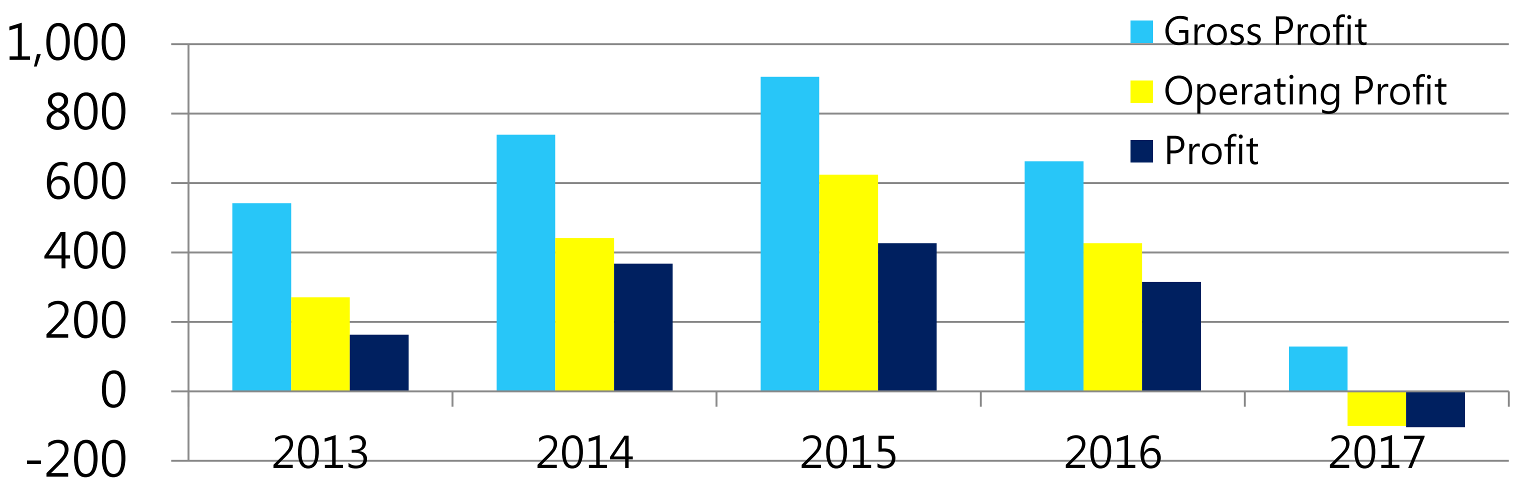
Recycling Business as a Percentage of Total Revenue



Operating performance

Consolidated Statements of Comprehensive Income

Unit :NT$ Millions



Unit: NT$ Millions

	2013	2014	2015	2016	2017
Revenue	4,870	5,099	5,021	4,251	3,434
Gross profit	542	739	906	662	129
Operating Income	271	441	624	426	-100
Profit	163	367	463	315	-103

Operating performance

Consolidated Balance Sheets

Unit: NT$ Millions

	2015	%	2016	%	2017	%
Current Assets	5,213	66%	5,361	66%	5,121	71%
Property, Plant, and Equipment	2,157	27%	1,900	25%	1,649	23%
Total Assets	7,856	100%	7,753	100%	7,237	100%
Current Liabilities	1,825	23%	2,605	34%	1,925	27%
Total Liabilities	3,010	38%	2,951	38%	2,808	39%
Total Equity	4,846	62%	4,802	62%	4,429	61%

Operating performance

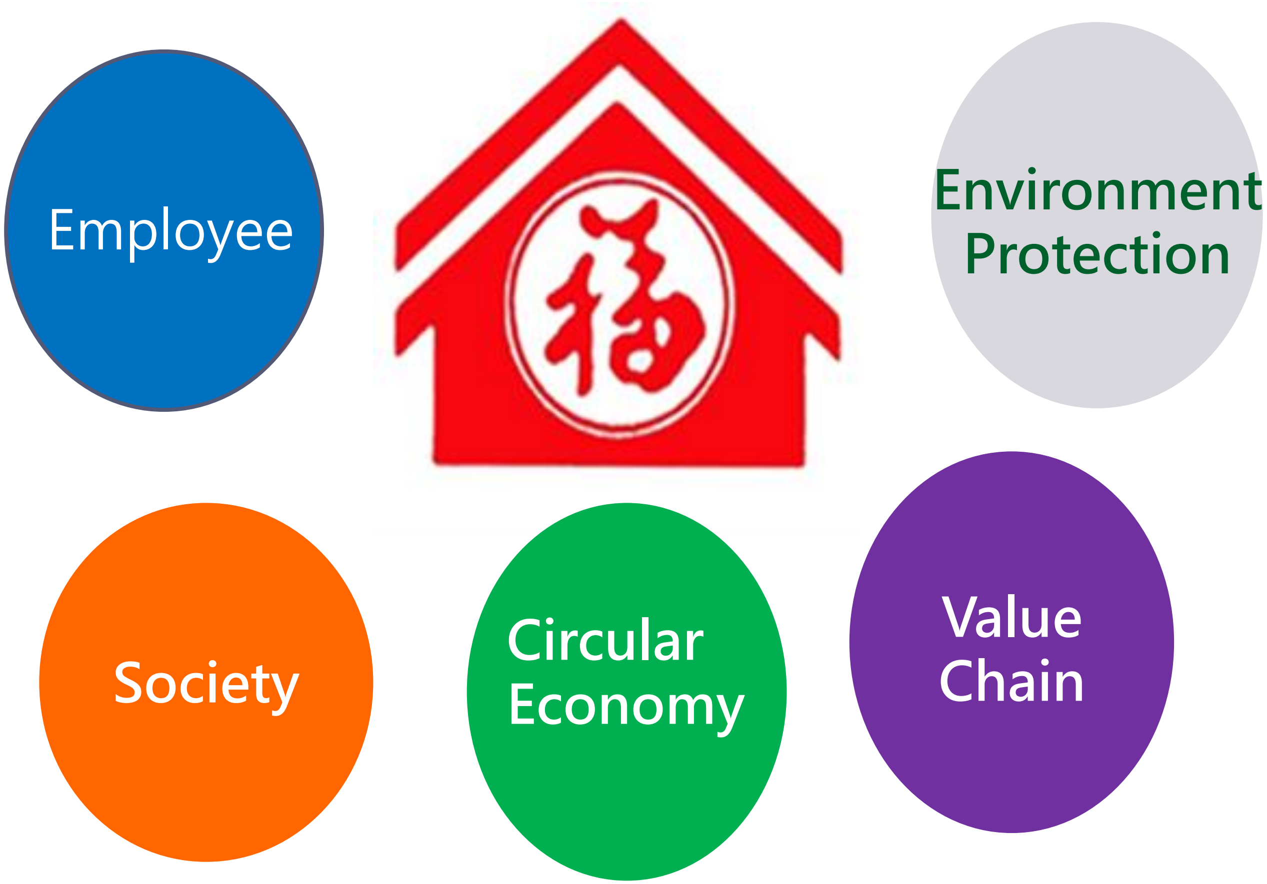
Consolidated Statements of Comprehensive Income

2018

Unit: NT$ Millions, Except earning per share

	For nine months ended on September 30, 2018
Revenue	2,460
Operating Costs	2,391
Gross Profit	70
Operating Expenses	160
Operating Income	(74)
Non-Operating Income and Expenses	(8)
Profit before Tax	(83)
Tax Expense	33
Profit	(50)
Other Comprehensive Income	3
Total Comprehensive Income	(47)
EPS	(0.12)

CSR



Top 20 % in Corporate Governance Evaluation

CSR

Employee

1. The Company has fair salary system, employee benefits policies, labor safety and health system, and implements the concept ,"respect for life and pursuit Zero disaster ", to create a harmonious labor relations. ISO-45001 is introduced to production system and will be expected to be certified in June 2019.
2. Various staff education and training, enhance staff skills, and fulfill human resource development.
3. Diverse complaints mechanism ensure labor rights

CSR

Society

1. Assist local resident and native people in employment
2. Provide Lucky cement scholarship and sponsor a variety of school activities
3. Emergency assistance for villagers
4. Volunteer for community services including road maintenance and beach clean
5. Assist community building activities

CSR

Society

Certificate of recognition from our sponsored groups

CSR

Environment Protection

1. Greening in plants

2. Improve air pollution Prevention by replacing old equipment

3. Implement energy-saving policies by upgrading production equipment.

4 Use recycling water in production process and carwash.

CSR

Value Chain

Suppliers :

We work with suppliers to improve corporate social responsibility, promote sustainable development of the environment, improve labor rights, safety and health, to safeguard basic human rights.

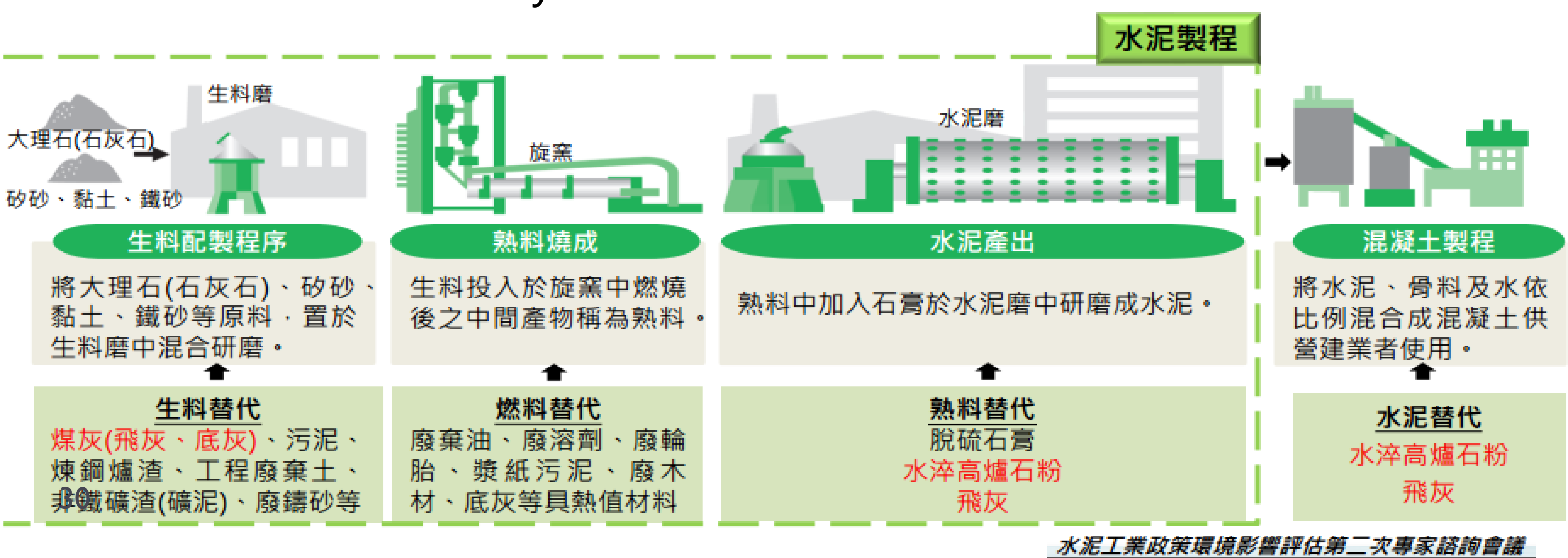
Customers :

With professional services and excellent product quality, we establish customer-oriented quality system to pursue a win-win goal for customers and the Company.

Customer Service Satisfaction is 93.73 % in 2017.

CSR-Circular Economy

Cement industry is the heart of circular economy. Through 1450℃ of high temperature and other characteristics, the production process can reduce Toxic gas (such as dioxin). It will be helpful to reduced Greenhouse effect. That Waste of resources replace raw materials becomes possible through investing in R&D and managing in production process. We can not only reduce natural resource consumption but also keep product quality. This will be helpful to achieve circular economy.



CSR-Circular Economy

Circular Economy

Results of Circular Economy for nine months ended on September 30, 2018

1. Reduce 1,010 tons of carbon dioxide emissions.

2. Using flue gas desulfurization gypsum from power plants can reduce the imported natural gypsum 18,970 tons

3. The use of waste oil and organic sludge instead of fuel use reduces coal consumption by approximately 1,113 tons.

4. Soil from construction, contaminated farmland soil, water treatment sludge, coal ash, slag powder and waste cast sand can replace part of clay. It reduces clay consumption by approximately 40,820 tons. It is helpful to ensure the recycling of material resources, restrain natural resource consumption, reduce the environmental load, and make the industrial economy sustainable.

Future Development

Cement industry has become an important role in circular economy. We must do our best to fulfill the responsibility of citizens of the world. Through the reuse of resources and energy, we will achieve a win-win goal for both enterprises and the environment , and contribute ourselves to protect sustainable environment.

Future Development

The Legislative Yuan approved the Forward-looking Infrastructure Development Program, the program will last four years and be planned to spend NT$420 billion (US$13.7 billion) in five major construction projects including light railways, water projects, green energy, digital infrastructure, and rural and urban construction. The infrastructure projects will be helpful to drive the cement demand, and the Company will seize this opportunity.

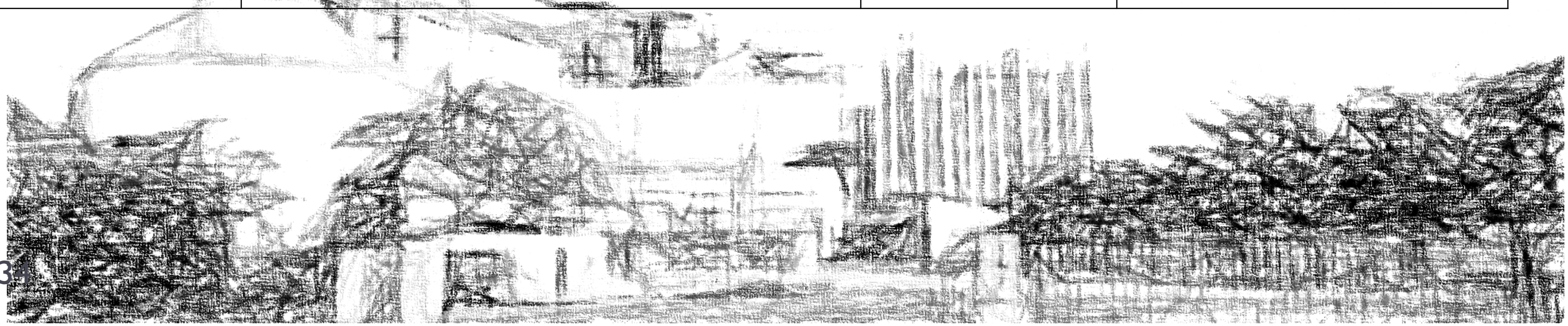
➢ 前瞻性基礎建設計畫各年度水泥增量估計表

年度	2018	2019	2020	2021	2022	2023	2024	2025
前瞻性基礎建設計畫5%水泥預算 (億元)	11.45	44.8	60.48	73.05	52.1	63.85	77.09	58.35
水泥需求增量 (萬公噸)	50	195	263	318	227	278	335	254

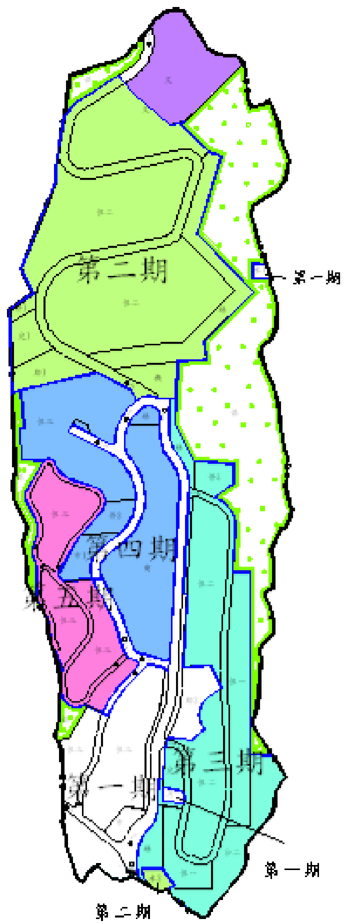
註：以國內水泥價格約2,300元/公噸換算水泥需求增量
資料來源：行政院前瞻性基礎建設(2017)。

Asset activation

Assets	Location	Area (Ping)	Zoning
Puxin Plant	Yangmei District,, Taoyuan City	8,929.25	Industrial land
Puxin Plant	Yangmei District,, Taoyuan City	4,011.19	Industrial land
Puxin Plant	Yangmei District,, Taoyuan City	64.73	Residential area
	Yangmei District,, Taoyuan City	5.14	Land used for railways
Total		13,010.31	



Land Development



分期分區

Lucky Cement established Dasheng Building Enterprise Co., Ltd. in 1987 and changed its name to Dasheng Enterprise Co., Ltd. in 1989.

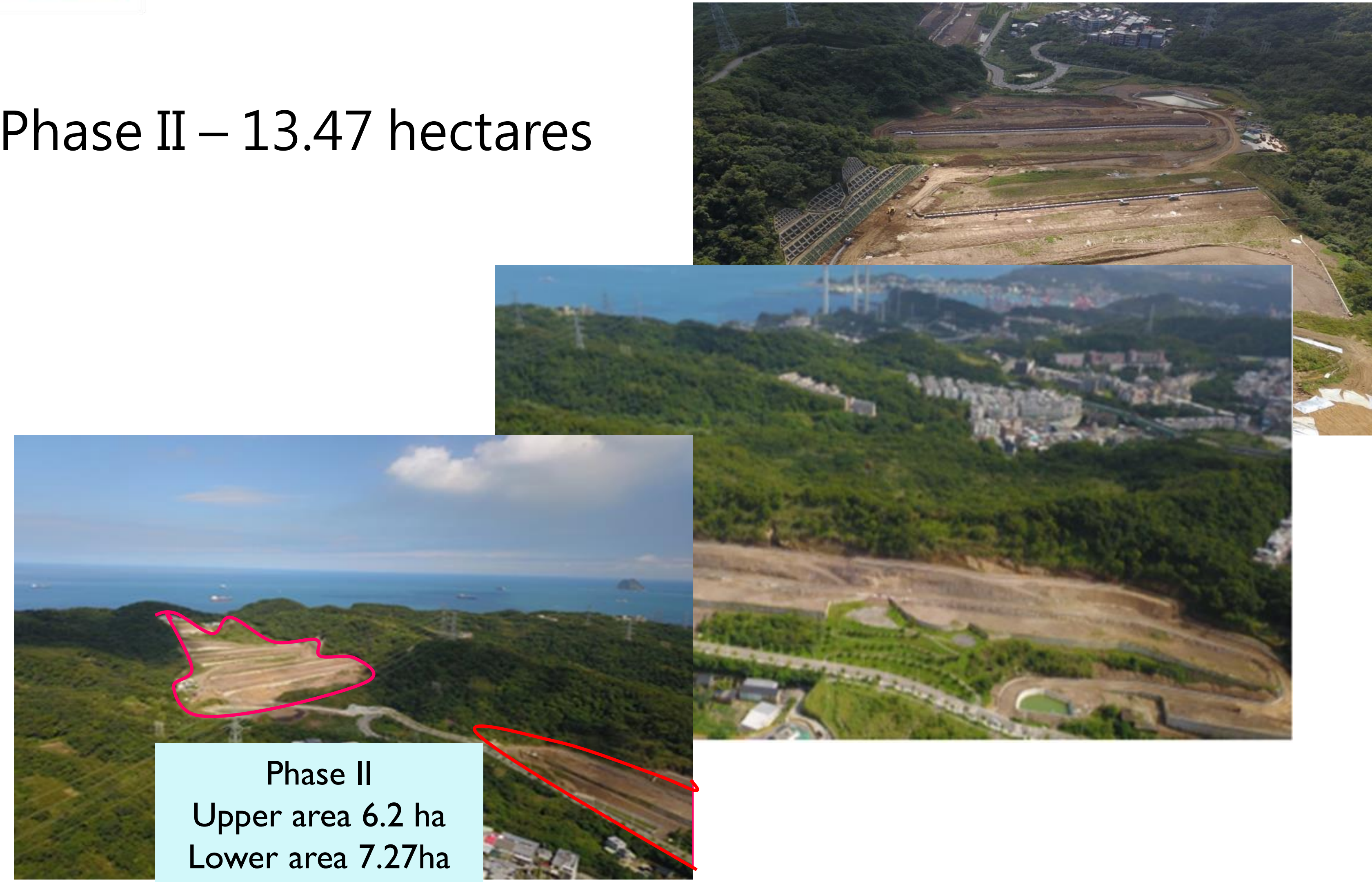
Dasheng Enterprise mainly focuses on the land in the Da Gan Lin area of Keelung City (located in the Anle District of Keelung City) it is about 5 minutes drive from exit Zhonghe of the Formosa Freeway.

Land Development

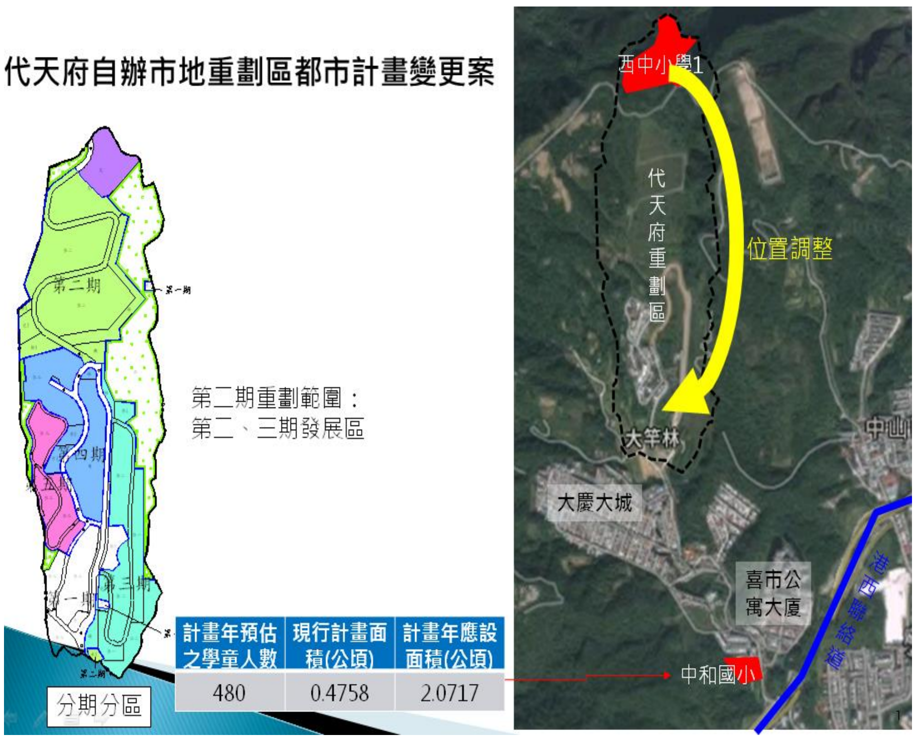
Phase I - 4.04 hectares

Land Development

Phase II – 13.47 hectares



Land Development



The Keelung City Government held a rezoning conference in December 6, 2018. They plan to change the location of land used for school from the north area to the south area. This will lead to a reduction in the construction land of the Dasheng Enterprise and an increase in the cost of land readjustment. Due to the major project changes, which should be approved by the Ministry of the Interior, the approval process will delay the development schedule.

Thanks for Listening