

Ticker Symbol: 2633



Taiwan High Speed Rail Corporation



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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- For the convenience of readers, this presentation has been translated into English from an original Chinese version. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, information in the Chinese-language presentation shall prevail.



AGENDA

- I. ABOUT THE COMPANY
- II. CURRENT OPERATIONS OVERVIEW
- III. MARKET OVERVIEW
- IV. PROSPECTS



I. ABOUT THE COMPANY

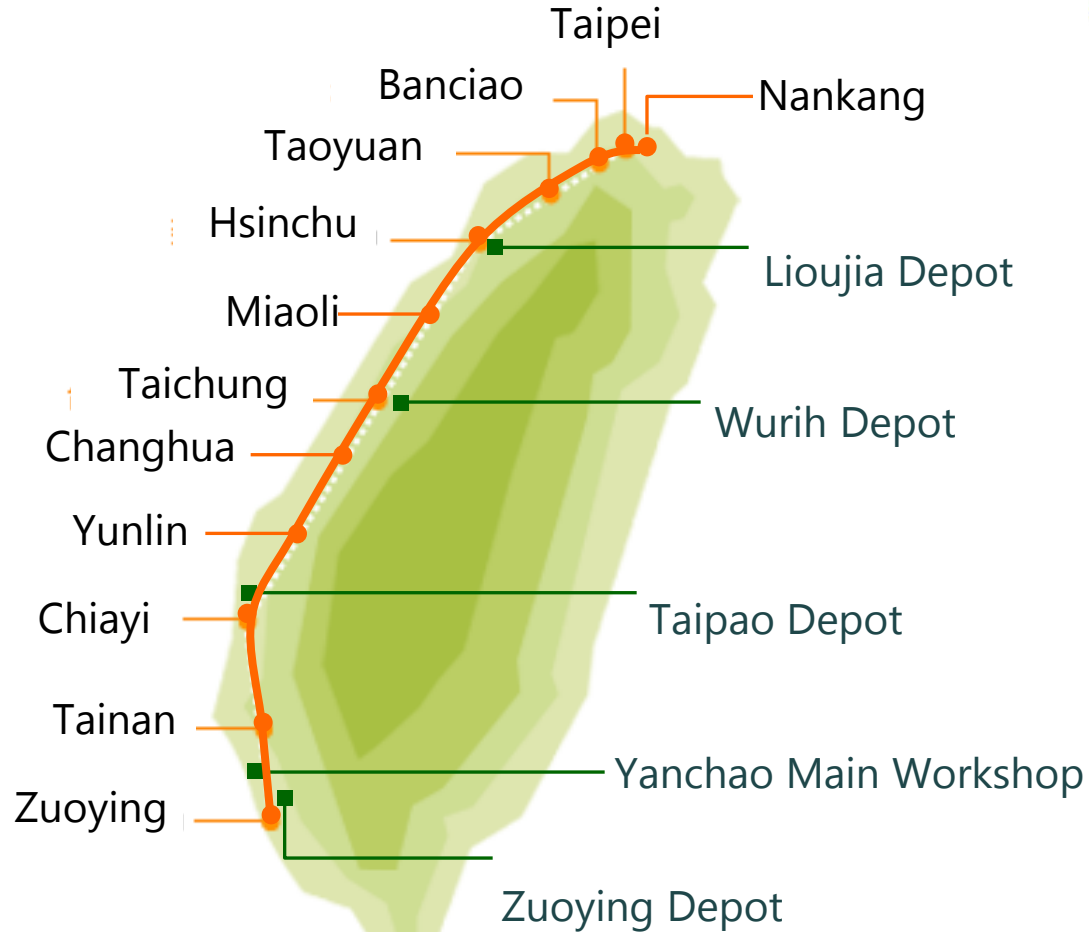
1. Company History
2. System Map

1. Company History



- Established in May 1998.
- Signed Construction and Operation Agreement (“C&OA”) with the MoTC in July 1998:
 - 35 years for construction and operation.
- Commenced construction in Q1 2000 and commenced operations in Jan 2007.
- Signed a NT\$382bn refinancing contract with 8 local banks in Jan 2010.
- Extended the concession period from 35 years to 70 years, effective Oct 2015.
- Established 3 new stations (Miaoli, Changhua, and Yunlin) on HSR route in Dec 2015.
- Established Nangang station in July 2016.
- Went public in Oct 2016.

2. System Map



- 12 stations, 4 depots and 1 workshop.
- Total route length: around 350 km
- Peak speed: 300 km/hour





II. CURRENT OPERATION OVERVIEW

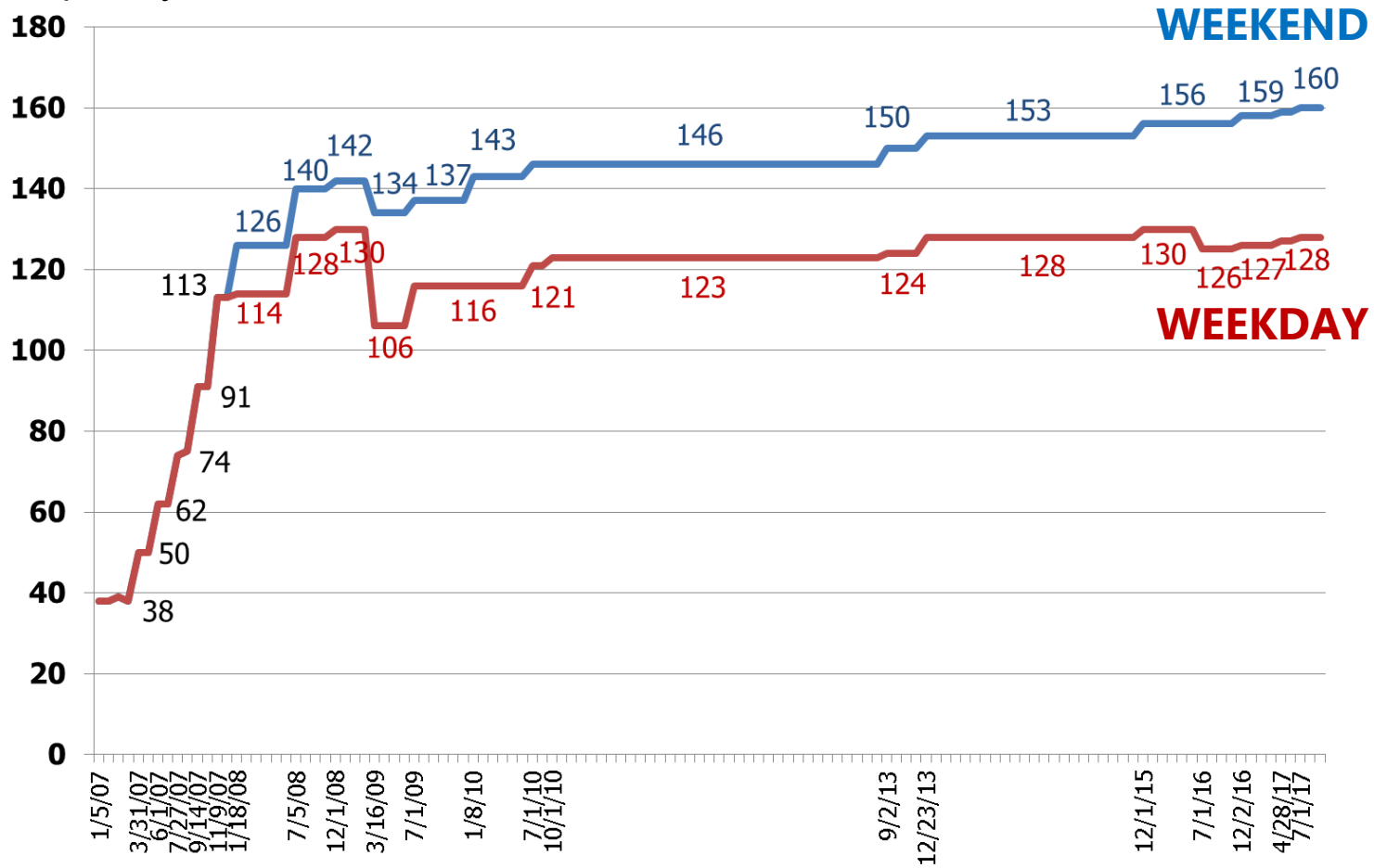
1. Operational Performance
2. Financial Performance
3. Recent Major Events and Activities

1. Operational Performance



1) Train Frequency

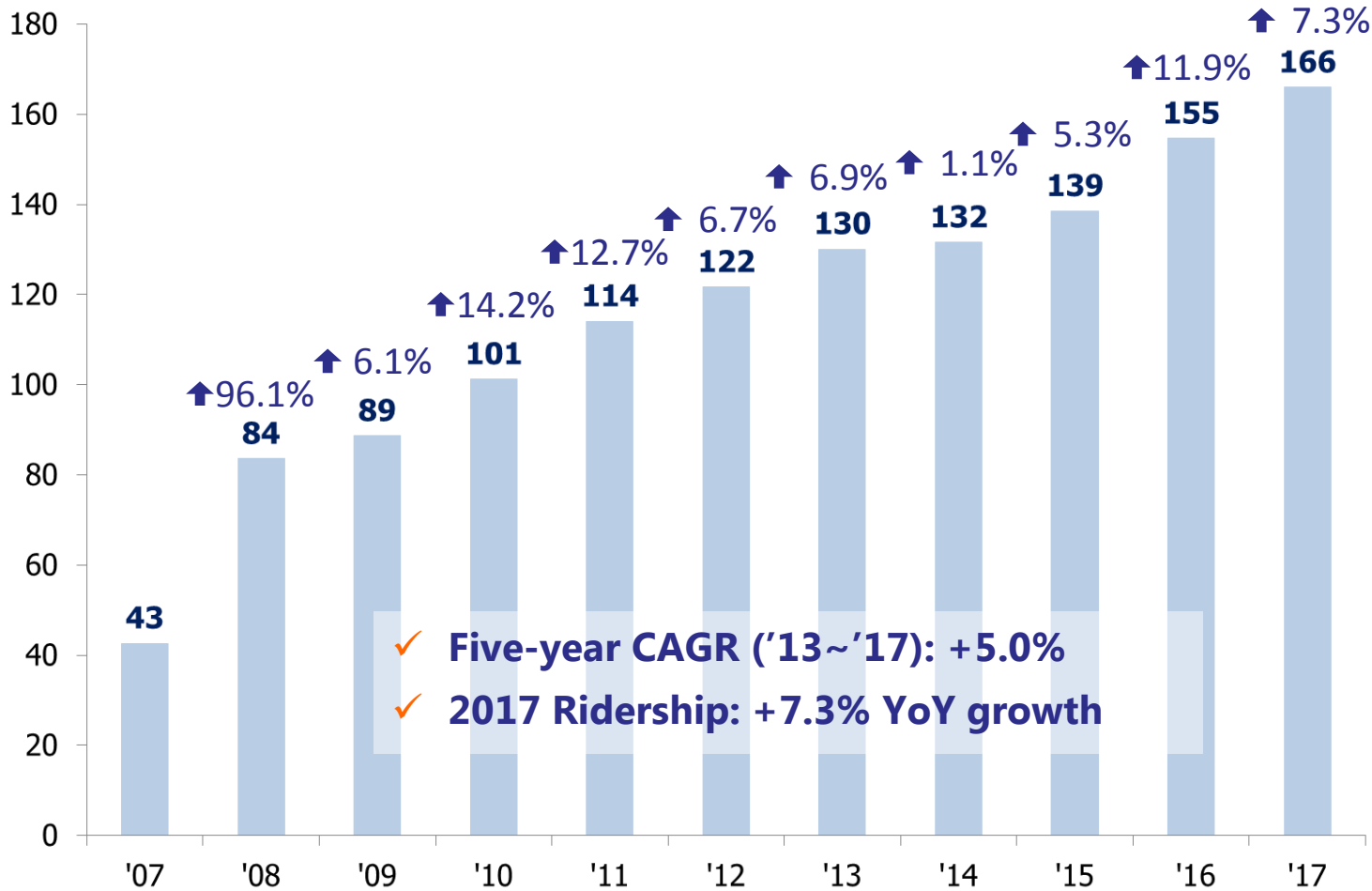
(Daily Frequency)





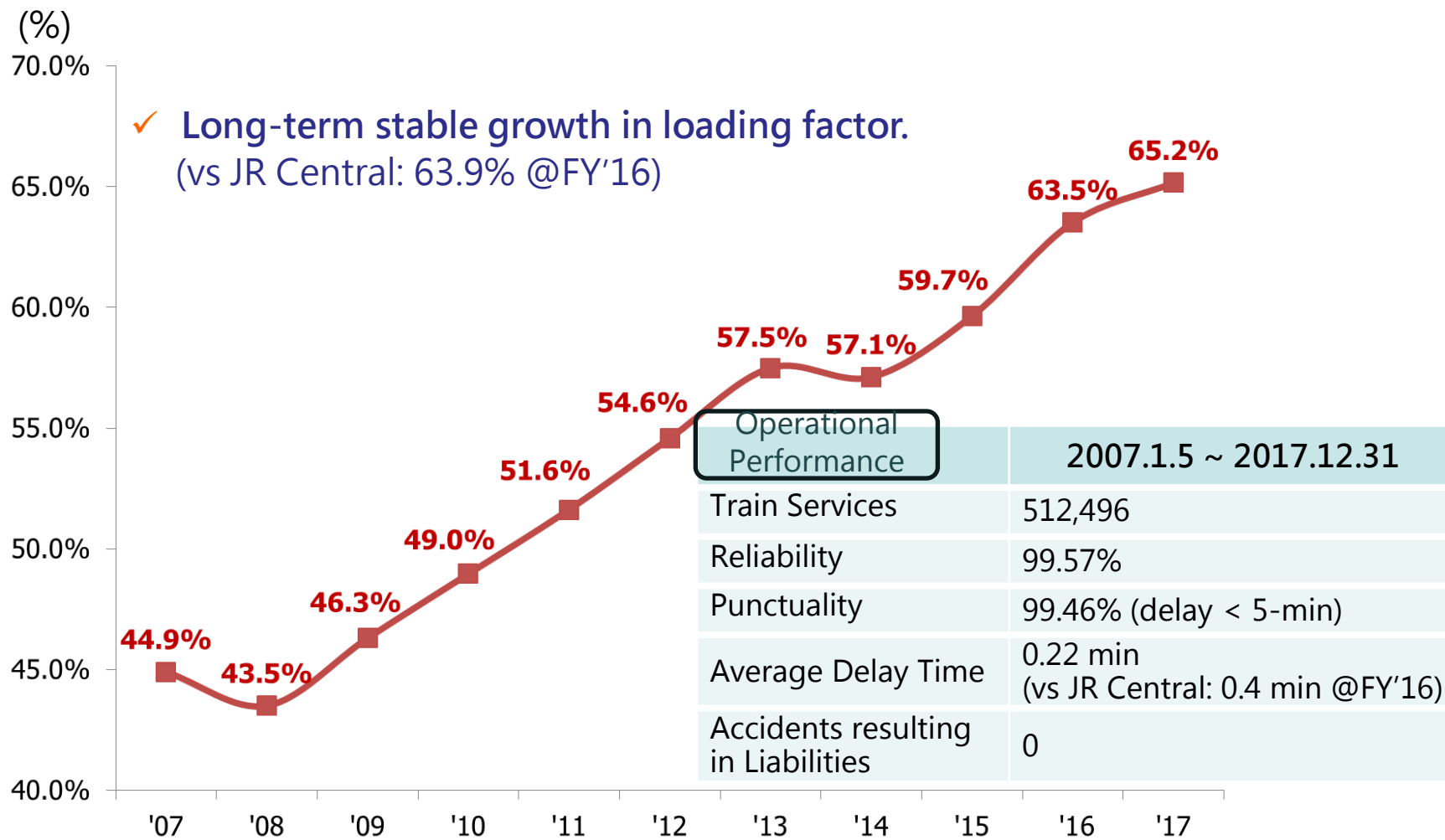
2) Ridership

('000/day)





3) Loading Factor



2. Financial Performance



1) Financial Reporting

① Income Statement

(NT\$mn)	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			



1) Financial Reporting

② Balance Sheet

(NT\$m)	2017.12.31	2016.12.31
Current assets	20,091	28,728
Operating concession assets	413,166	426,020
Other non-current assets	6,803	6,459
TOTAL ASSETS	440,060	461,207
Current Liabilities	6,549	19,815
Long-term debt	286,083	316,280
Long-term bills payable	15,964	-
Operating concession liabilities	54,542	53,990
Other non-current liabilities	13,904	10,058
Total Liabilities	377,042	400,144
Common stock	56,283	56,283
Capital surplus	173	173
Retained earnings & others	6,562	4,608
Total Equities	63,018	61,064
TOTAL LIABILITIES & EQUITIES	440,060	461,207



1) Financial Reporting

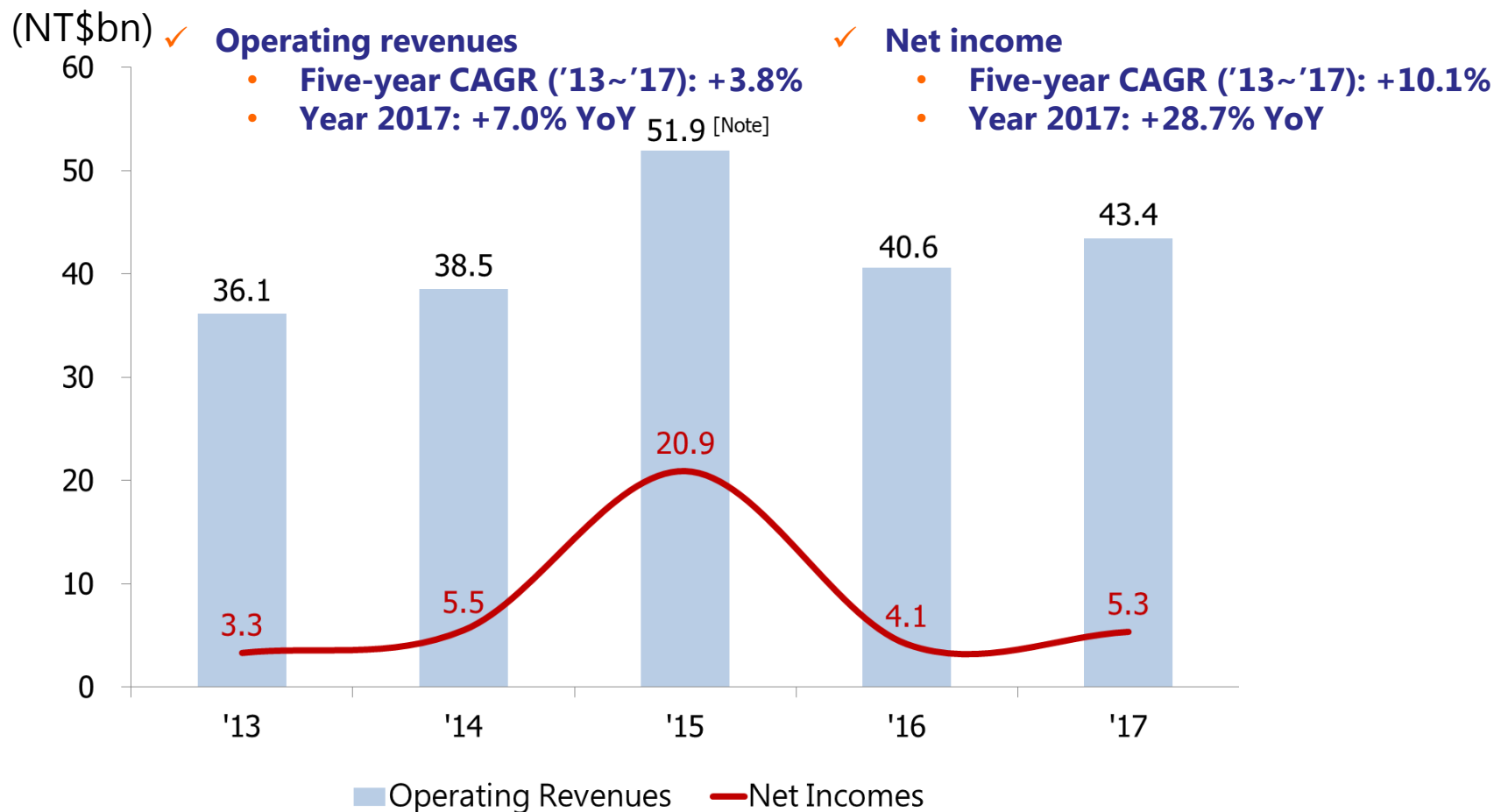
③ Statement of Cash Flows

(NT\$m)	2017	2016	Variance Amount
Cash & cash equivalents at the beginning of the period	237	2,146	(1,909)
Cash flows from operating activities	21,606	5,930	15,676
Cash flows from investing activities	13,878	27,341	(13,462)
Cash flows from financing activities	(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	6,950	(1,909)	8,859
Cash & cash equivalents at the end of the period	7,188	237	6,950



2) Net Profits & Operating Revenues

① Historical Operating Revenues and Net Income



Note: If compensation on statutory discount tickets are excluded, operating revenues for FY 2015 would total \$39.8bn.

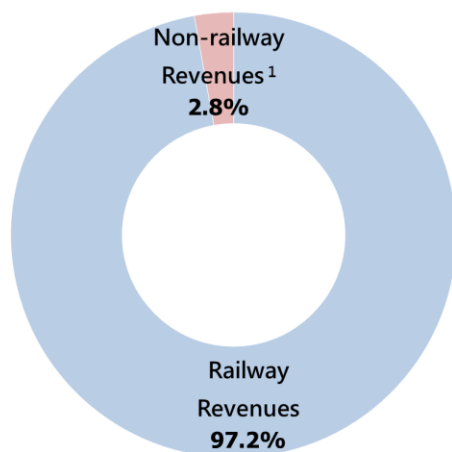


2) Net Profits & Operating Revenues

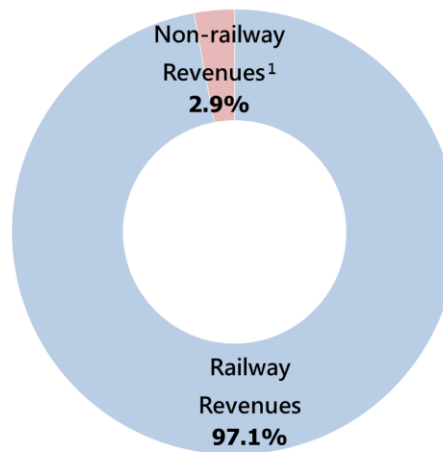
② Revenue Mix

(NT\$bn)	2017	2016	YoY
Railway revenues	42.2	39.4	+7.1%
Non-railway revenues	1.2	1.2	+3.1%
Total	43.4	40.6	+7.0%

2017 Revenue Mix



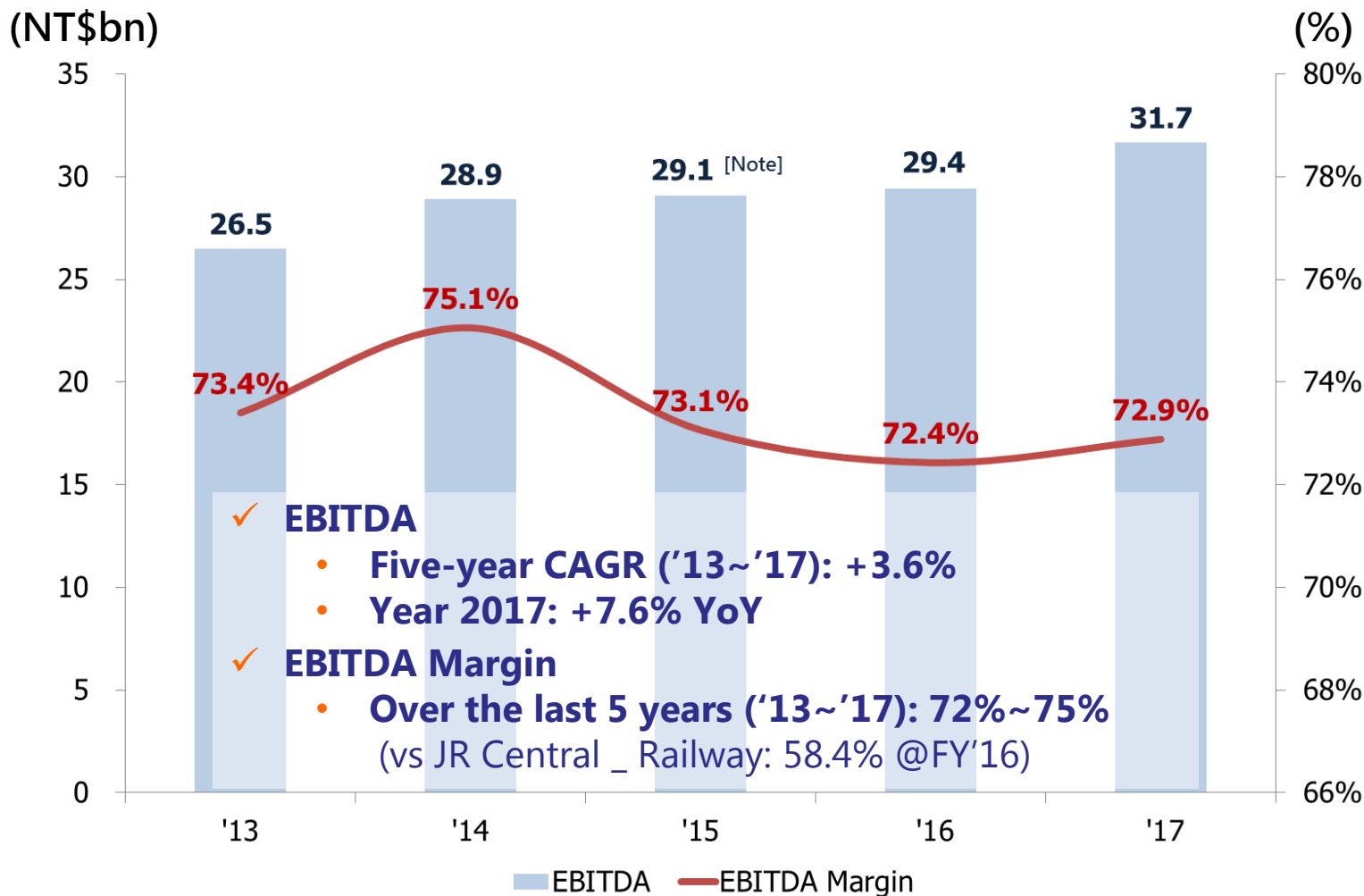
2016 Revenue Mix



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



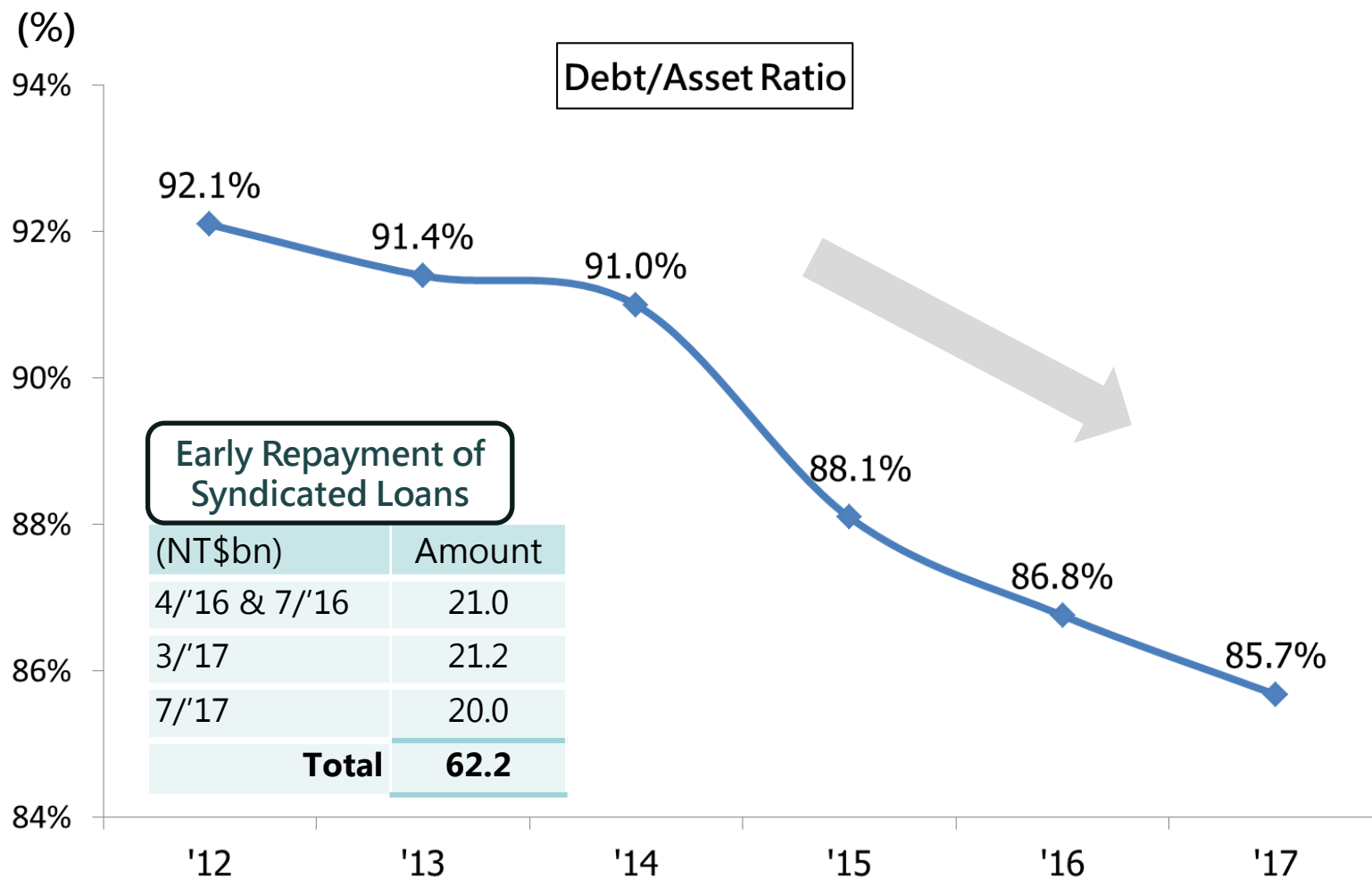
3) Management Efficiency: EBITDA & EBITDA Margin



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



4) Financial Risk Management





5) 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

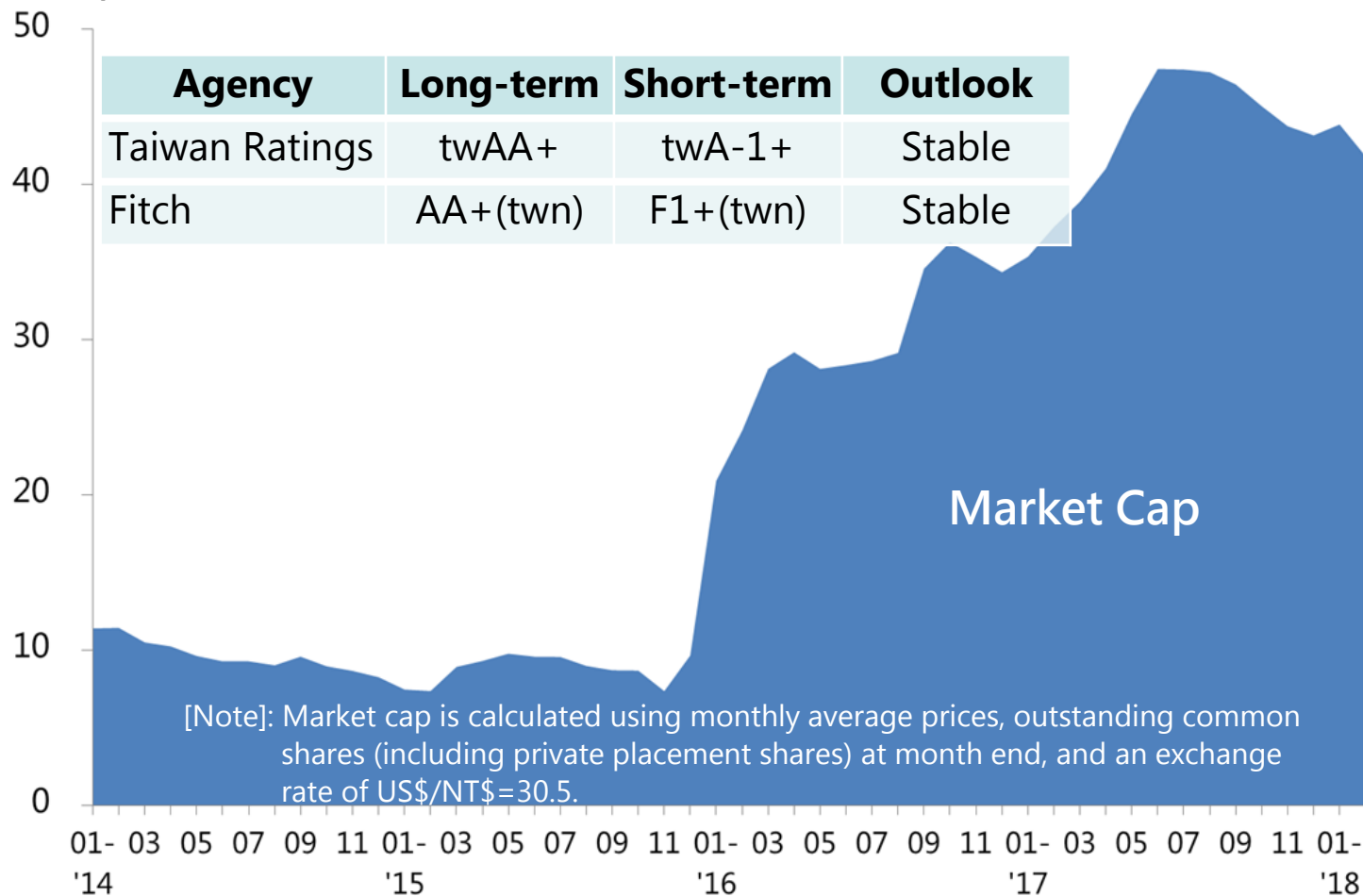
	2015	2016	2017 [Note]
Cash dividend (NT\$/share)	0.65	0.60	0.75
Cash dividend over earnings available for distribution (%)	98.5%	89.9%	81.8%

Note: Board of Directors resolved to distribute the Year 2017 earnings on 3/13/'18, and such proposal remains to be resolved by the shareholders' meeting on 5/24/'18.



6) Corporate Credit Ratings & Market Cap

(US\$bn)



3. Recent Major Events and Activities



Date	Event
Jul 4, 2017	Early repayment of syndicated loans totaling NT\$20 bn.
Oct 13, 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%.
Mar 13, 2018	The board of directors approved a proposal to distribute cash dividend of NT\$0.75 per common share.
May 24, 2018	Hold 2018 general shareholders' meeting.



III. MARKET OVERVIEW

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

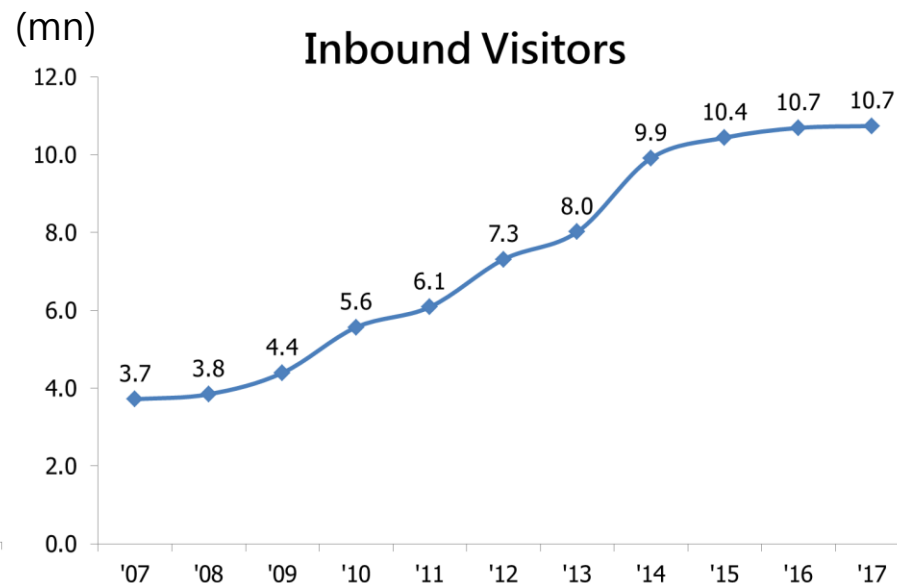
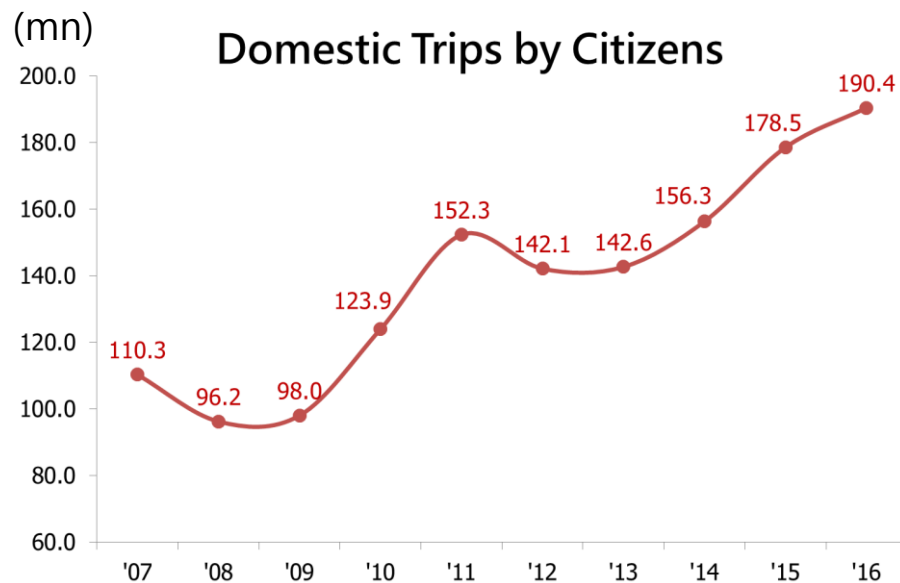
1. Inter-City Transportation



Year 2013	Short Distance (20~100km)	Medium Distance (100~200km)	Long Distance (200km+)
Weekday	<p>THSRC 1.7%</p> <p>TRA 13.9%</p> <p>Freeway Bus 7.8%</p> <p>Private Car 76.6%</p>	<p>THSRC 13%</p> <p>TRA 6%</p> <p>Freeway Bus 6%</p> <p>Private Car 75%</p>	<p>THSRC 31%</p> <p>Private Car 57%</p> <p>Freeway Bus 9%</p> <p>TRA 3%</p>
Weekend & Holiday	<p>THSRC 1.4%</p> <p>TRA 13.0%</p> <p>Freeway Bus 5.9%</p> <p>Private Car 79.7%</p>	<p>THSRC 9%</p> <p>TRA 7%</p> <p>Freeway Bus 7%</p> <p>Private Car 77%</p>	<p>THSRC 27%</p> <p>Private Car 59%</p> <p>Freeway Bus 11%</p> <p>TRA 3%</p>

Source: The 5th Taiwan Area Comprehensive Transportation Planning Research Series - Intercity Travel Survey and Preliminary Analysis, Institute of Transportation, MOTC

2. Domestic Tourism Market

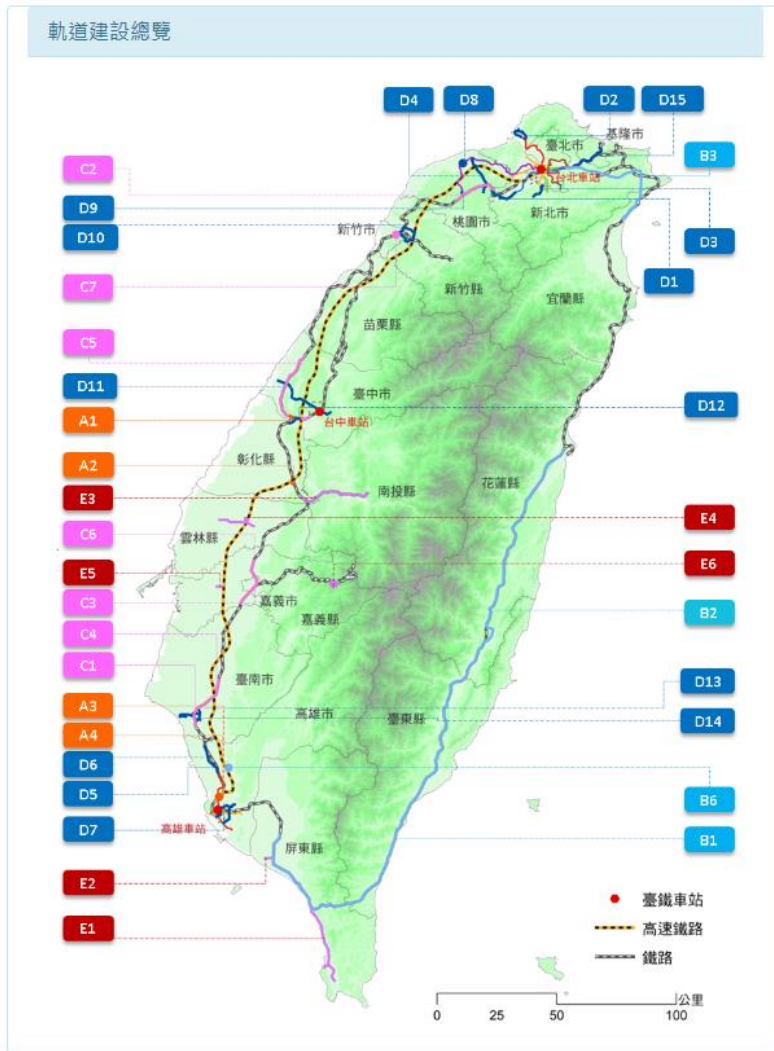


- Over the last 5 years ('12~'16) CAGR: +6.0%
- Year 2016: +6.6% YoY

- 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.

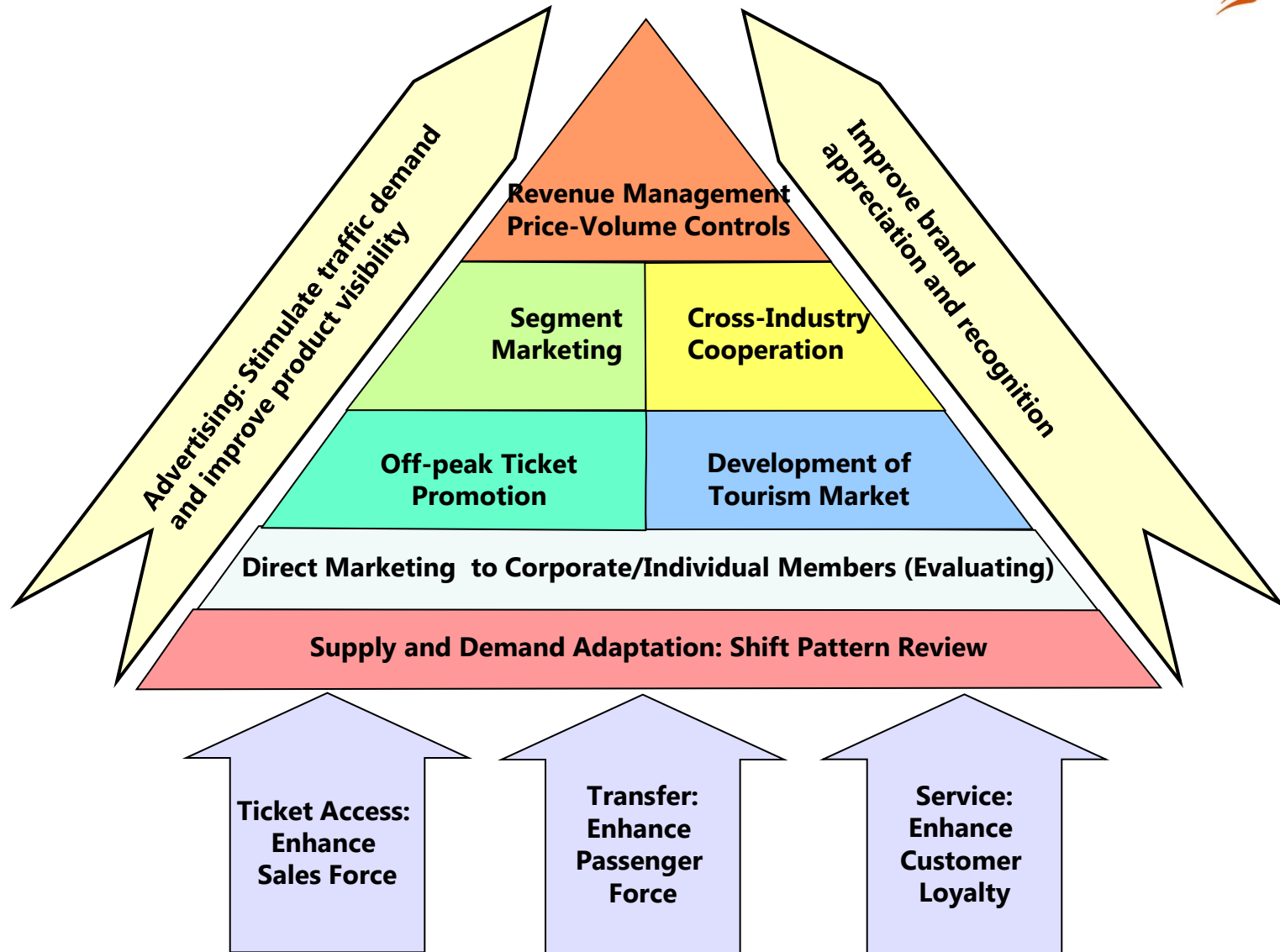
E. Build tourism-oriented rail systems for Central and Southern Taiwan.



IV. PROSPECTS

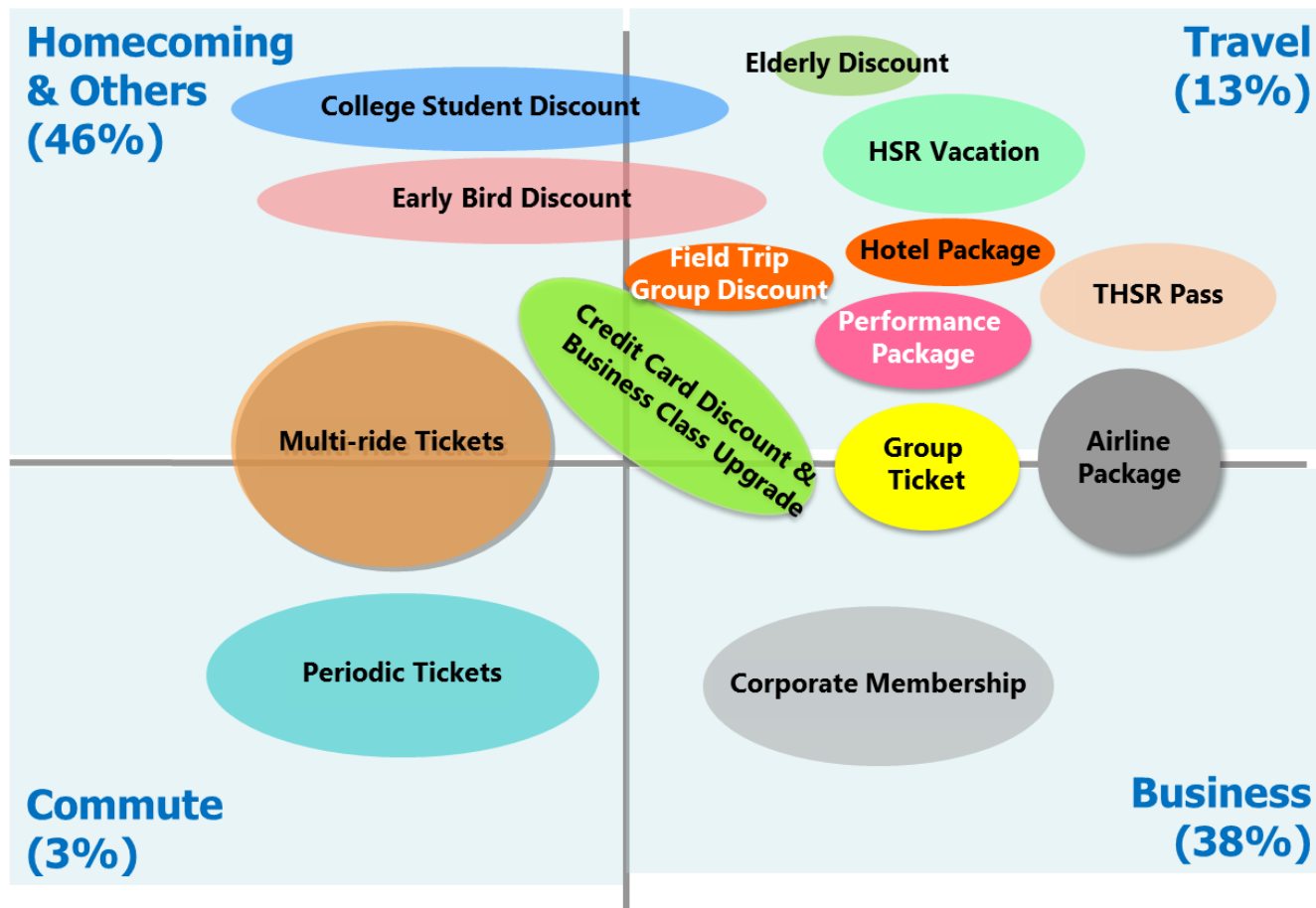
1. Sustain Revenue Growth Drivers
2. Optimize Company Financial Structure
3. Strengthen In-House Maintenance and Innovative Capabilities
4. Facilitate International Technical Exchanges

1. Sustain Revenue Growth Drivers





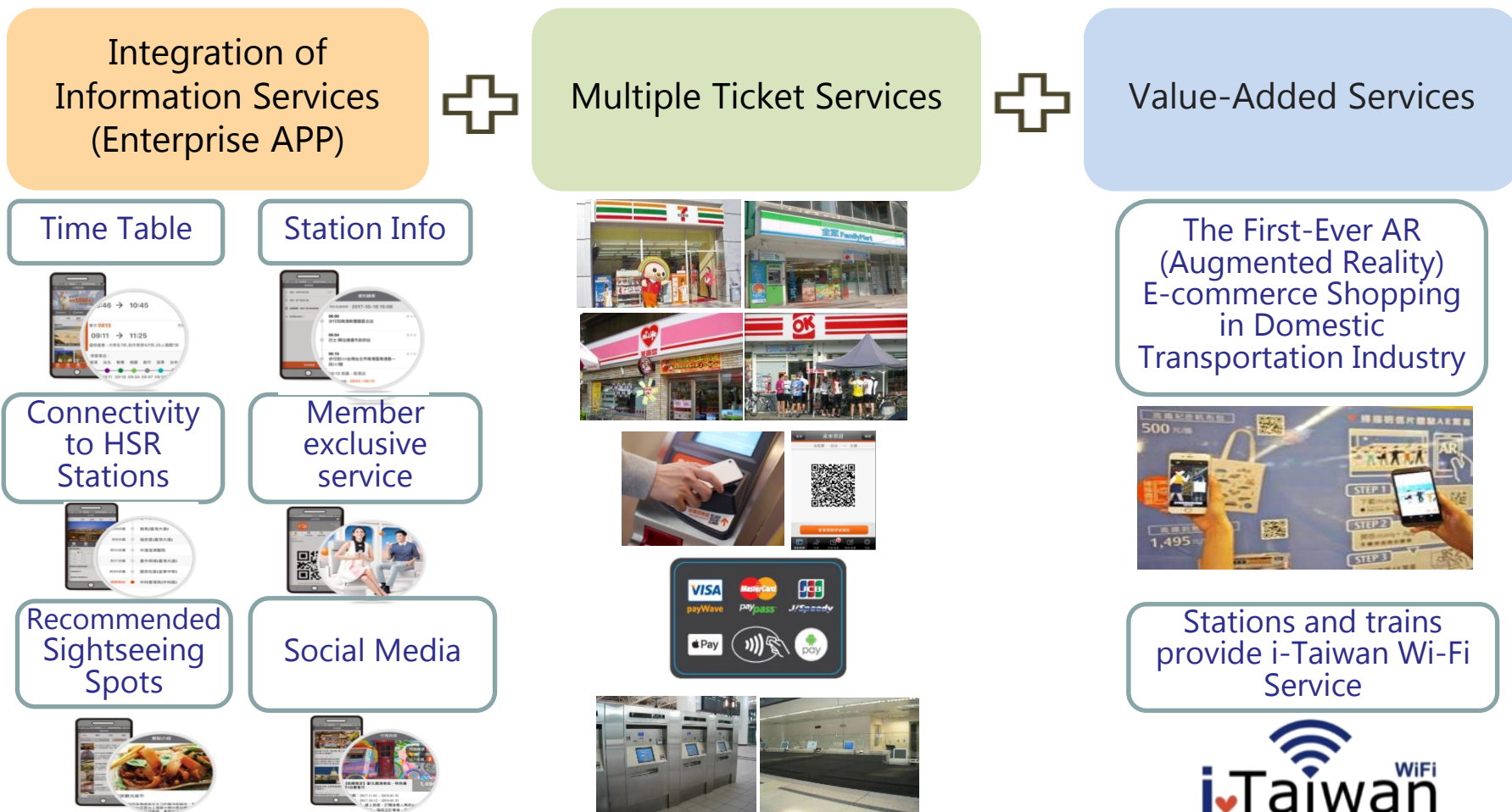
1) Diversify Product Lineup to Increase Off-Peak Ridership and Revenues



Source: High-speed rail passenger satisfaction survey conducted in 2015.



2) Apply Innovative Technology to Digitize Ticketing Channels and Provide Convenient Ticket Services





3. Integrate Local Tourism Resources and Create a Mass Transit Tourism Environment Based on High-speed Rail



高鐵假期

南北超值專案

搭高鐵·春遊趣

車票+住宿一次搞定 輕鬆體驗春旅行

台北 ⇌ 台南 台北 ⇌ 左營

2天1夜超值價 往返車票金額+10元起

立即GO



4. Apply Big Data to Promote Membership Efficiency

累點兌換計畫
輕鬆累積享優惠!

購票金額每20元累積1點紅利點數，可兌換或折抵車票票價!
*每次累積達 500 點 (含) 以上即可進行兌換或折抵，500 點 可折抵 100 元票價

指定車次優惠
樂享折價省更多!

平日指定車次，享 96 折優惠!
*適用車次請參閱適用車次表

專屬生日禮
兩倍點數好禮贈!

會員生日當日搭乘高鐵，享紅利點數 2 倍贈!

台灣高鐵 App 會員專區
行動服務最便利!

App 在手，輕鬆完成申請、優惠訂票、車票兌換!

7 高鐵會員獨享 大會員權益

車販商品優惠
尊榮禮遇優游行!

歡慶高鐵會員上線，享列車全商品 95 折! (車站內便當櫃台販售商品 同享 95 折)
*須出示台灣高鐵 App 會員畫面，活動至 2018/3/31 止
*特價商品恕不適用

嚴選商家優惠
購物消費最好康!

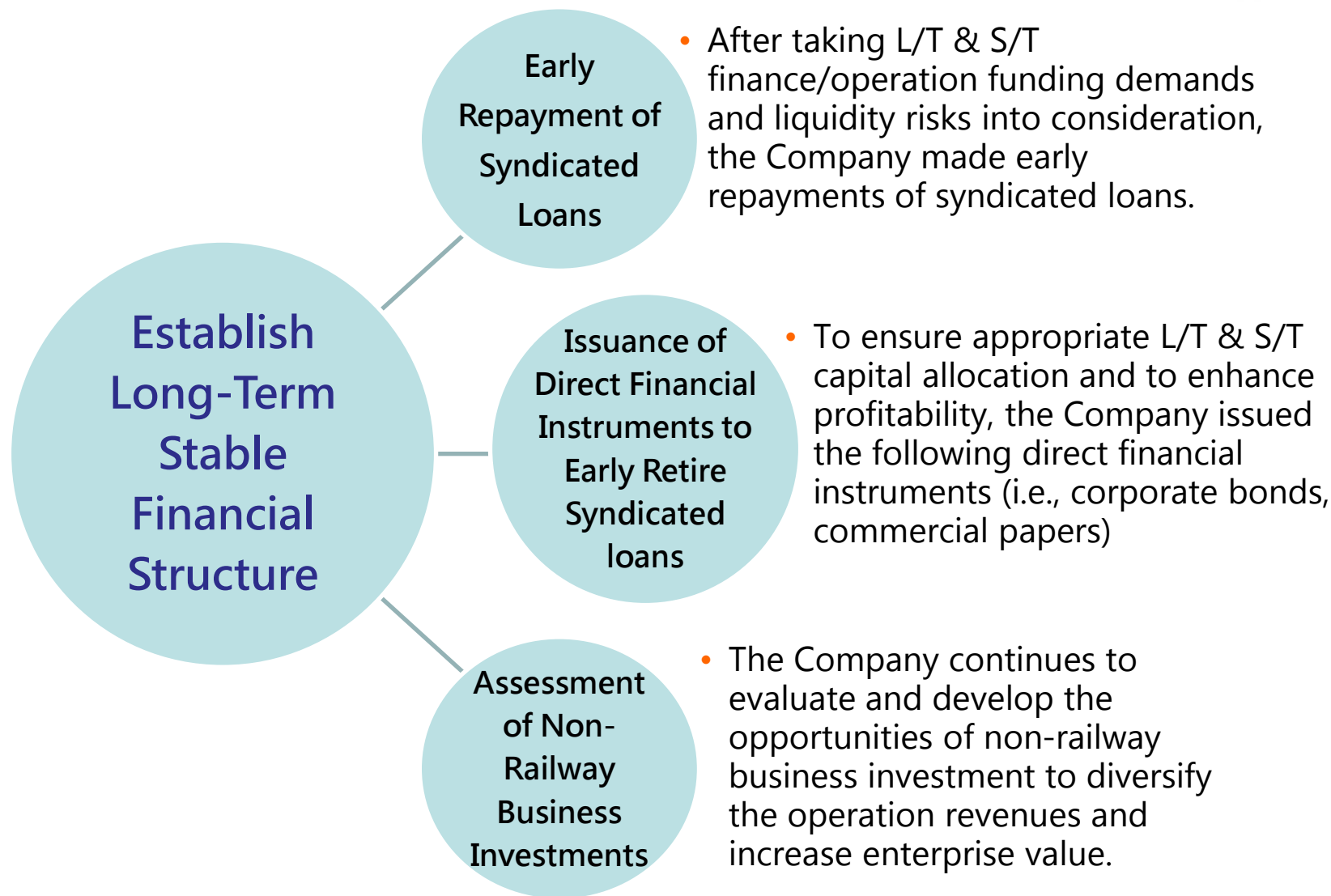
歡慶高鐵會員上線，享逾多間精選商家優惠!
*須出示台灣高鐵 App 會員畫面，活動至 2018/3/31 止

不定期優惠方案
神秘優惠不錯過!

不定期指定車次優惠方案!

- "High Speed Rail Member TGo" formally launched on 10/26/'17
- The number of members has exceeded 500,000.

2、Optimize Financial Structure



3、Build Autonomous and Innovative Operational Maintenance Capabilities



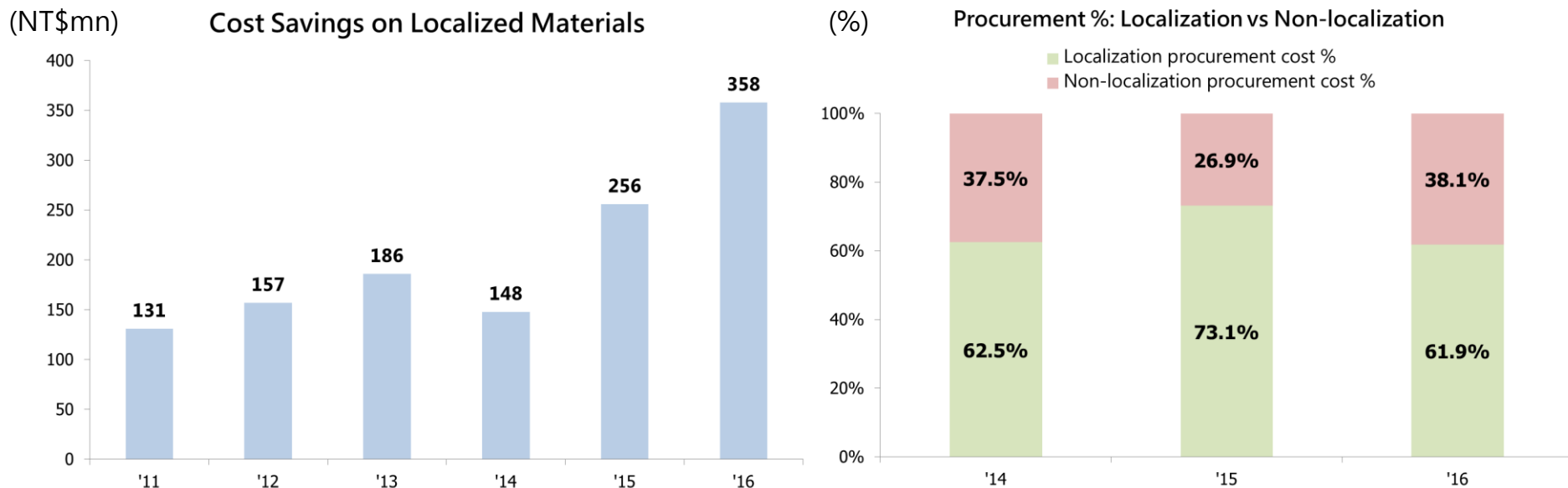
1. Enhance Self-maintenance Capabilities

- 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.





2) Implement Material Localization



- ✓ THSRC works with national top R&D institutes (i.e. National Chung-Shan Institute of Science and Technology, Industrial Technology Research Institute, etc.) to assist qualified local suppliers in carrying out HSR material development and technology transfers while maintaining standards of traffic safety. The benefits for the Company include shortened delivery period for materials, reduced procurement costs, and fulfillment of corporate social responsibilities while supporting domestic enterprises.
- ✓ During the period from 2011 to 2016, 88 alternative manufacturers were identified; cost savings were more than NT\$1.2 bn, and savings continue to increase every year.



3. Promote the Localization of the Rail Industry



- ✓ The Company hosted a seminar to promote local business opportunities for the Taiwanese railway industry in Aug 2017, and proposed future procurements totaling around NT\$17 bn over the next decade.
- ✓ 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%).



5. Facilitate International Technical Exchanges



✓ International Railway Union (UIC)

- In April 2012, THSRC held "Maintenance on HSR Meeting in April 2012."
- In May 2014, THSRC and UIC jointly hosted [the 1st UIC Conference on Natural Disaster Management of Railway Systems](#) to establish innovative benchmarks for natural disaster responses in the railway industry.



✓ International High Speed Railway Association (IHRA)

- In April 2014, THSRC became the members of IHRA.
- In May 2016, [the annual meeting of the International High Speed Railway Association \(IHRA\)](#) was held in Taipei for the first time. This was a significant breakthrough for future international cooperation and exportation of operational know-how and maintenance technologies.



✓ Rail Engineering Society of Taiwan

- In June 2017, [the Rail Engineering Society of Taiwan](#) partnered with THSRC to host [the 2017 Annual Conference](#) to enhance technical and service quality of domestic railways, and to assist the government in future track development projects.



Conclusion

[VISION]: To Become a Progressive Platform that Makes Life Better for All

MISSION

To be ranked as one of the top 10 Taiwanese outstanding brands.

STRATEGY

**Intelligent
Transportation**

**Innovative
Technology**

**Localized
in Taiwan**

**Sustained
Social Care**



Thank You For Your Attention

