

Power your life  
**LONG**



*Kung Long Batteries—  
Performance and future' s outlook*

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**KUNG LONG**

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<b>Established date</b>	<b>Jan. 25, 1990</b>
<b>Listed date</b>	<b>Jan. 22, 2002 (TWSE : <b>1537</b>)</b>
<b>HQ address</b>	<b>No.6 Tzu-Li 3 Rd, Nantou city</b>
<b>Plant</b>	<b>Taiwan-Kung Long(1990) 、 Le Long(1995) Vietnam-Ben Luc(1996) 、 Duc Hoa(2007)</b>
<b>Capital</b>	<b>NTD 815,853,940</b>
<b>Main activity</b>	<b>Batteries for renewable energy and storage system, batteries for telecom and switch stations, UPS batteries 、 EV batteries 、 Starting batteries</b>
<b>Numbers of employees</b>	<b>About 3,500 people</b>



# Main products

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*UPS batteries*



*Telecom batteries*



*Stationary batteries*



*Automotive batteries*



*EV batteries*

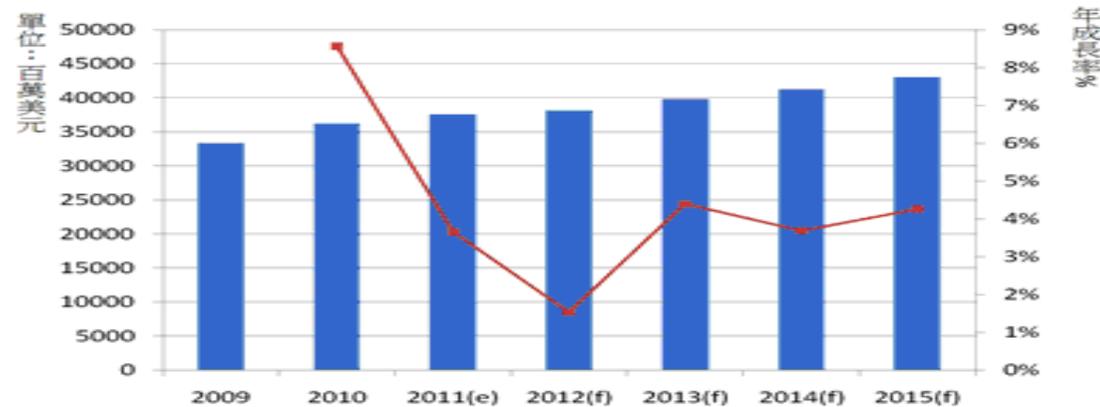


*Gel batteries*



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資料來源：工研院IEK(2011/05)

圖一 全球鉛酸電池市場規模成長

In terms of current market size of lead-acid batteries, it was USD 32.6 billion in 2010, which was 8.6% more than the year of 2009. With the market growth in the future on automotive, motorcycle, and power storage applications, the yearly growth rate of 2% -5% can be expected up to 2015. Compared with the market size of Ni batteries being at USD 2.8 billion and Lithium batteries being at around USD 10 billion, lead-acid batteries still take the largest shares in electricity storage sectors.



# The strength of lead-acid batteries

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## 1. High C/P ratio

The high C/P ratio of lead-acid batteries has been standing for long time.

## 2. Wide applications

Lead-acid batteries can be used for starting, energy storage, telecom, transportation purposes.

**Strength**

## 3. Safety

Compared with other batteries, lead-acid batteries are more stable and of higher performance.

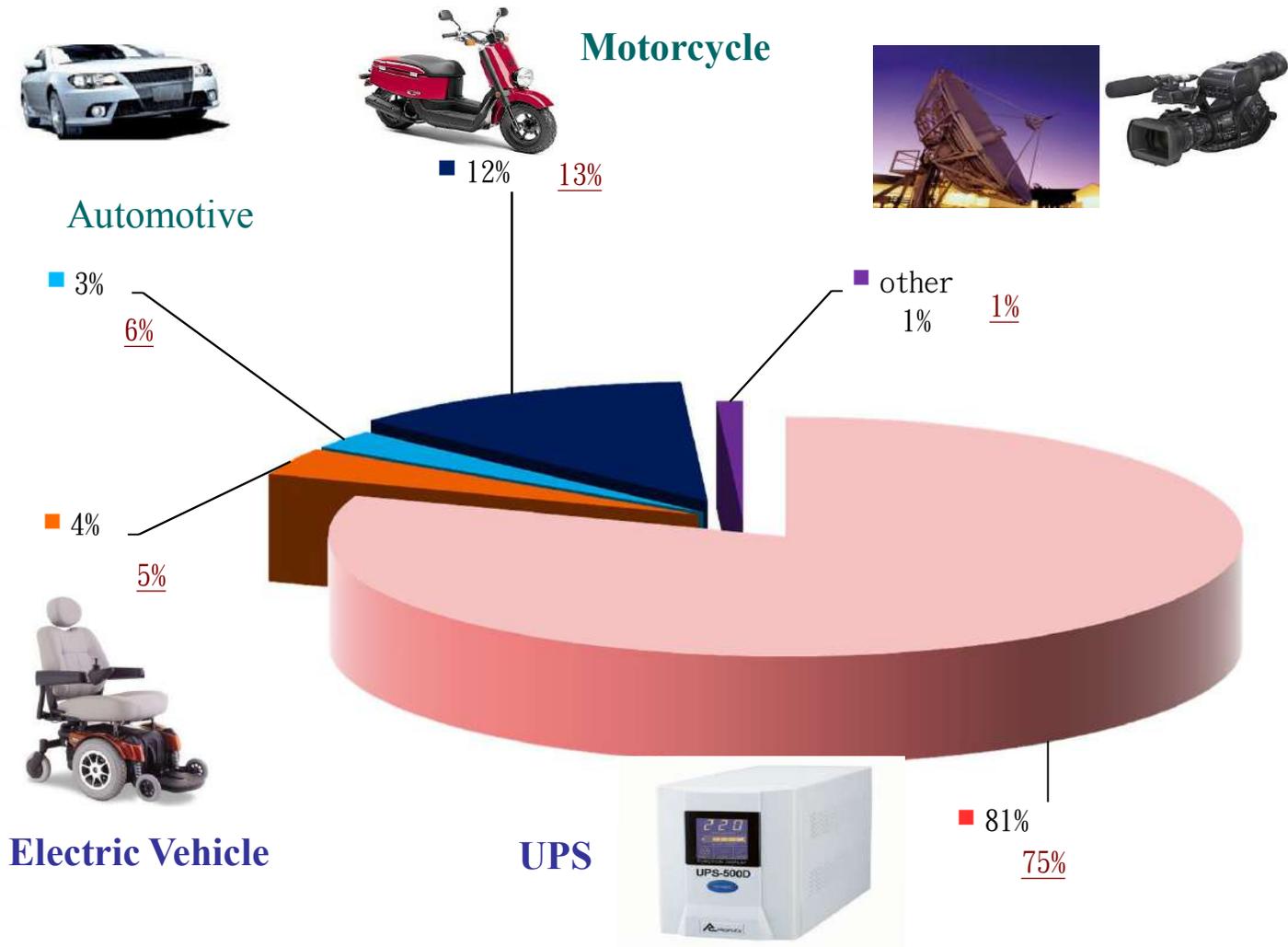
## 4. Recyclable and reusable

Wasted lead-acid batteries can be recycled. They are also the only battery product whose raw materials can be reused.



# 2012 Sales Profile by application -consolidated

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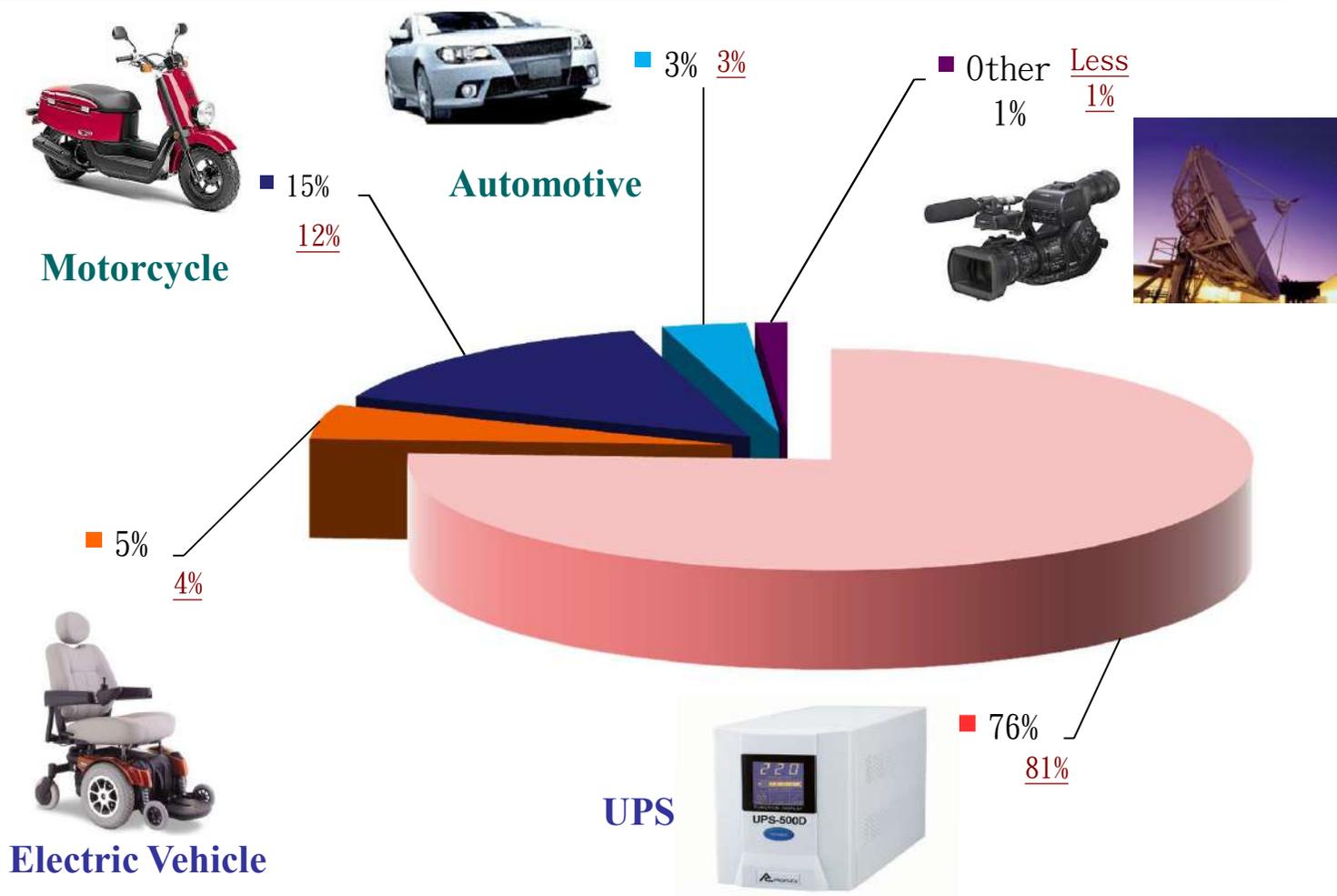


PS Letters highlighted in red stand for the numbers of 2011



# 2013 1H Sales Profile by application -consolidated

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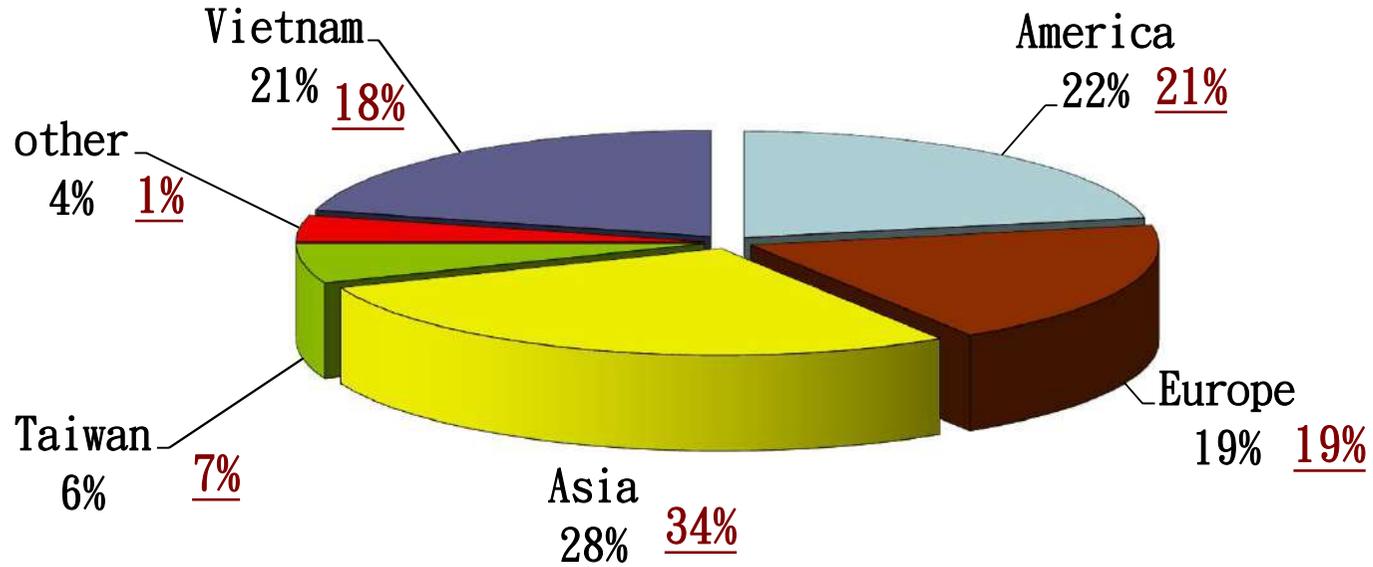


PS Letters highlighted in red stand for the numbers of 2012



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PS Letters highlighted in red stand for the numbers of 2012

Currency: thousand NTD

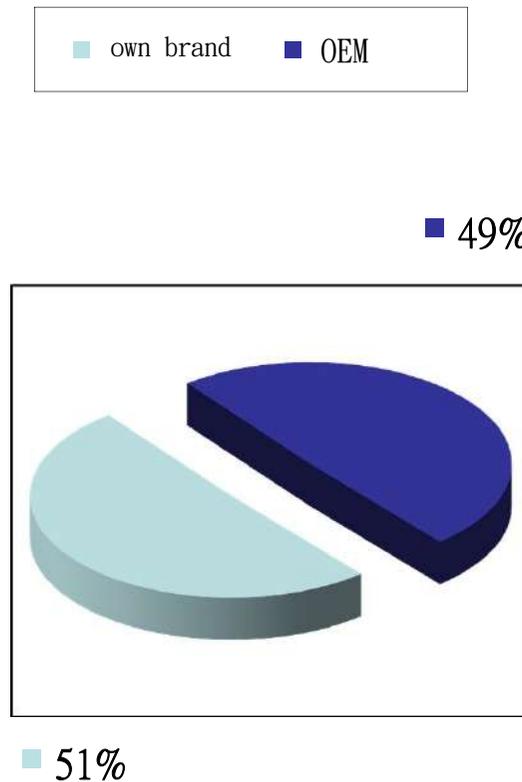
Area	America	Europe	Asia	Taiwan	Others	Vietnam
2Q, 2013	574,071	509,078	743,634	178,362	113,769	547,596
%	22%	19%	28%	6%	4%	21%
2Q, 2012	591,102	511,753	949,366	202,730	19,108	495,018
%	21%	19%	34%	7%	1%	18%
2012	1,321,727	1,065,132	1,861,302	385,213	200,652	1,064,427
%	22%	18%	32%	7%	3%	18%



# Sales by brand-consolidated

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Percentage of own brand and OEM brand in 2Q, 2012



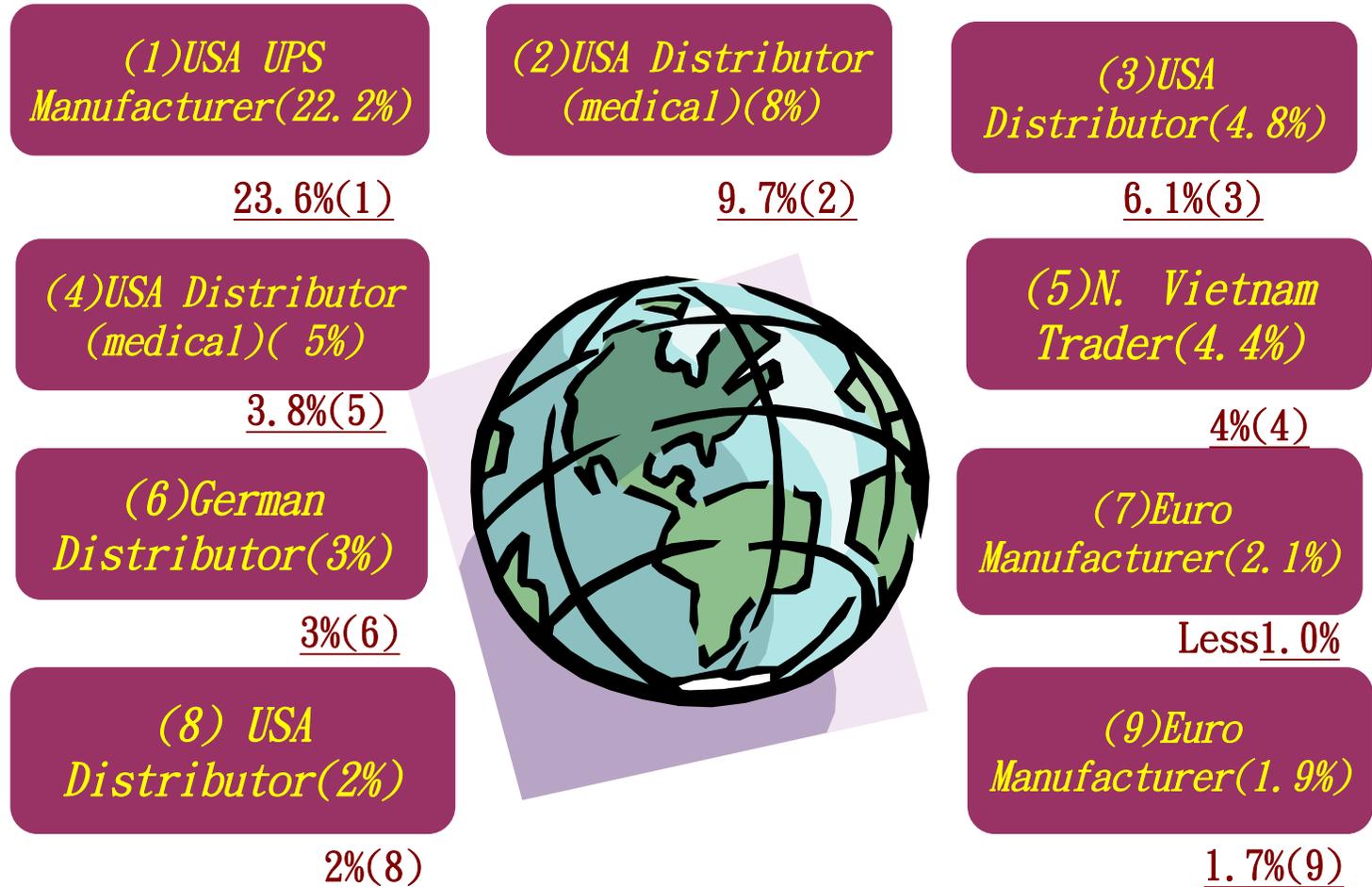
**Two own brands :**  
**LONG (worldwide)**  
**Globe (Vietnam)**





# Customer Profile of 2013 1H -consolidated

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## Marketing Worldwide

PS Letters highlighted in red stand for the numbers of 2Q 2012



# Financials -consolidated

## Consolidated income statement

Currency : Thousand NTD

category	2009	2010	2011	2012	2Q 2013
Operating revenue	3,823,685	4,396,736	4,830,316	5,901,072	2,666,925
Gross profit	812,717	1,026,640	725,777	1,270,871	562,361
Gross profit rate	21%	23%	15%	21%	21%
Operating profit	427,848	659,125	361,079	836,428	370,410
Profit from continuing operations before tax	435,515	661,444	404,515	848,832	403,965
Income from Discontinued Operations	341,784	517,040	324,275	631,076	315,849
Profit attributable to former owner of business combination under common control	345,128	513,219	315,035	618,112	313,875
EPS(NTD)	5.07	6.82	3.90	7.58	3.85
Average LEAD price(USD/ton)	1,719	2,148	2,402	2,062	2,177

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# Profit Margin in 1H 2013-consolidated

Currency : Thousand NTD

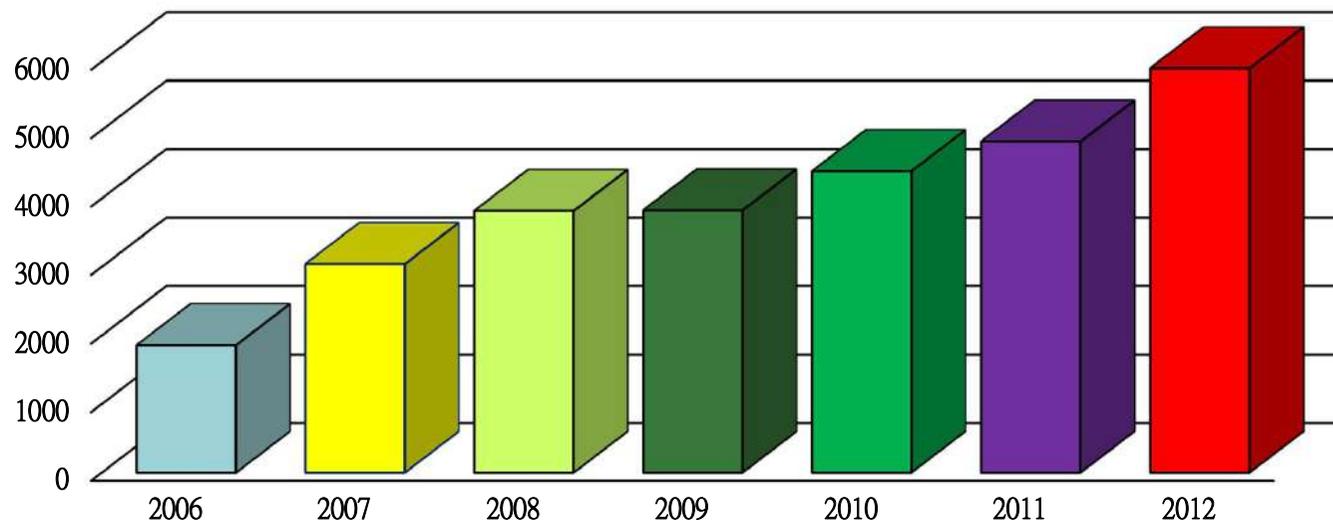
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category	2012 in 1H	2013 in 1H	<p>Though the consolidated revenue of 1H 2013 slightly decreases by 2.83% compared with 1H of 2012, gross profit and net profit rise by 3.07% and 26.94% instead.</p> <p>Analysis:            Since the economics in Europe and America haven't recovered and customers still have sufficient inventory in stocks, our revenues drop a little in 1H 2013. But after we introduce automatic equipment and develop lightweight models, lead waste materials and labor cost are decreased. And, we continue enlarging the sales in more profitable Vietnam market, which enables our profit to grow up.</p>
Operating revenue	2,744,757	2,666,925	
Gross profit	545,585	562,361	
Gross profit rate	20%	21%	
Operating profit	337,561	370,410	
Profit from continuing operations before tax	351,346	403,965	
Income from Discontinued Operations	248,824	315,849	
Profit attributable to former owner of business combination under common control	243,606	313,875	
EPS(NTD)	2.99	3.85	
Average LEAD price(USD/ton)	1,972	2,177	



# Consolidated Sales

Currency: million NTD



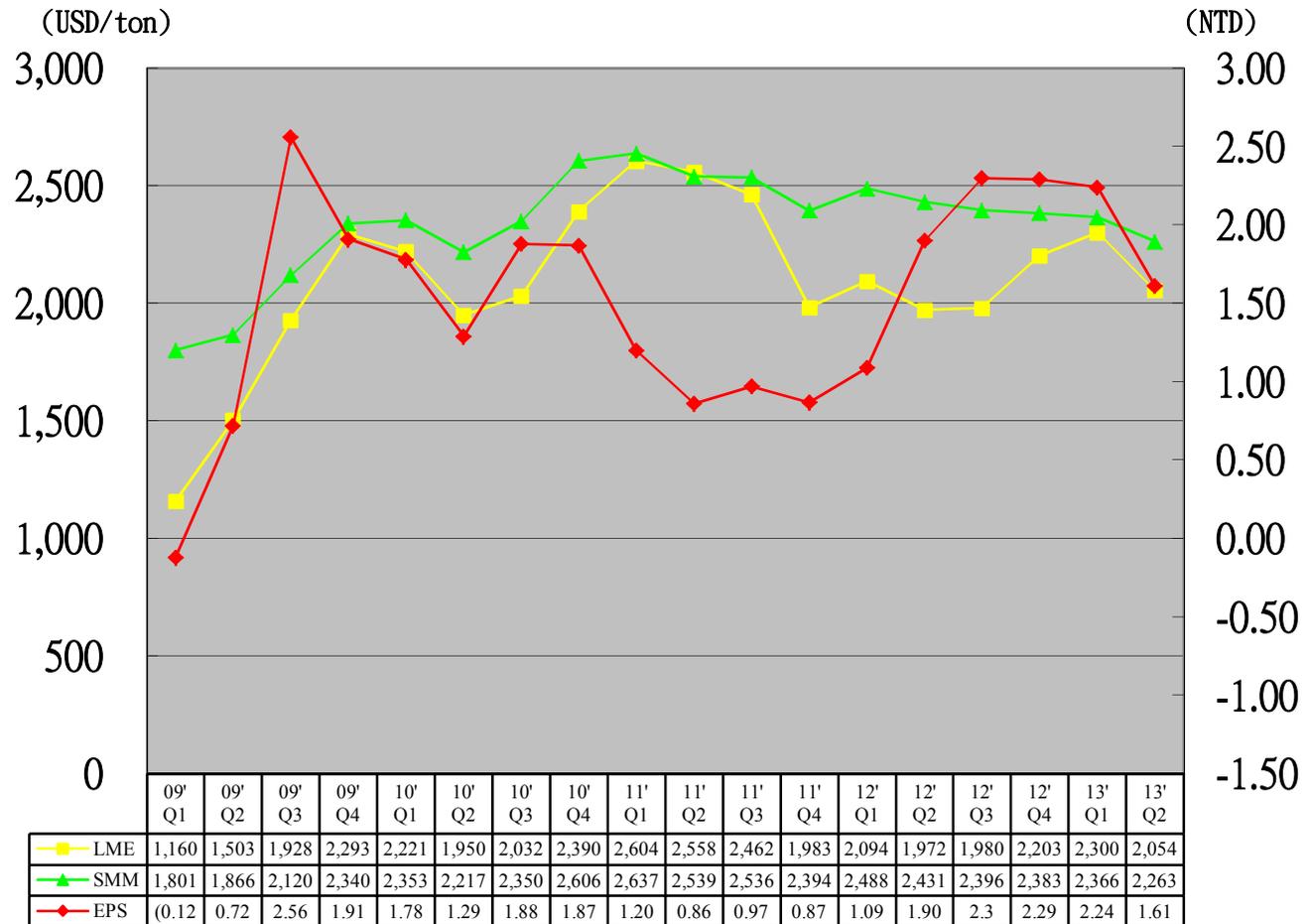
Consolidates turnover	1,856	3,040	3,816	3,824	4,396	4,830	5,901
Growth rate	-	65%	26%	0.2%	15%	10%	22%
LME average price(USD/MT)	1,290	2,580	2,091	1,719	2,146	2,401	2,062
Change by %	-	100%	-19%	-18%	25%	12%	-14%
Gross profit rate	20%	19%	12%	21%	23%	15%	21%
After-tax EPS	1.35	3.38	0.50	5.07	6.82	3.90	7.58

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# Comparison chart of LME, SMM, and EPS

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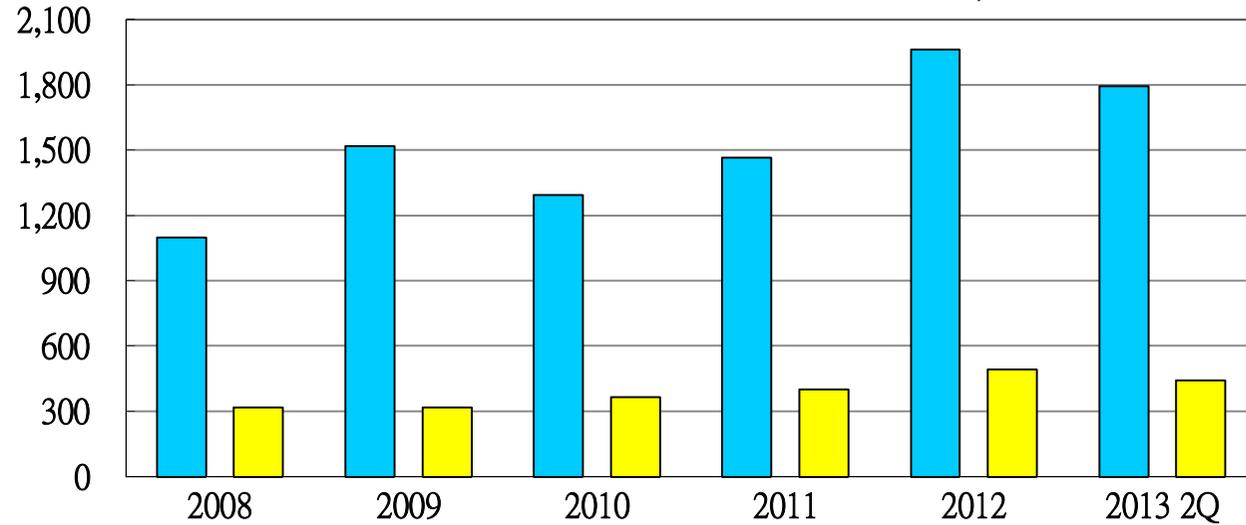




# Sales Quantity by KL group

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■ Monthly shipping q'ty(thousand pcs)
 ■ Monthly turnover(million NT dollars)



Monthly shipping q'ty	<b>1,099</b>	<b>1,519</b>	<b>1,294</b>	<b>1,466</b>	<b>1,962</b>	<b>1,795</b>
Growth rate of shipping q'ty	-	38%	-15%	13%	34%	-9%
Monthly turnover	<b>318</b>	<b>319</b>	<b>366</b>	<b>403</b>	<b>492</b>	<b>444</b>
Growth rate of turnover	-	1%	15%	10%	22%	-10%



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# Turnover of Le Long Vietnam

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Category	2009	2010	2011	2012	2Q 2013
Domestic sales	28,412	30,182	32,155	34,046	16,838
Domestic sales monthly avg.	2,368	2,515	2,680	2,837	2,806
Compared with former year	+190	+147	+165	+157	-31
Growth rate	+9%	+6%	+7%	+6%	-1%



# Overview of Vietnam plant

## *Ben Luc plant*

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**36,500 square meters**



# Overview of Vietnam plant

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**36,500 square meters**



# Overview of Vietnam plant

## *Duc Hoa plant*

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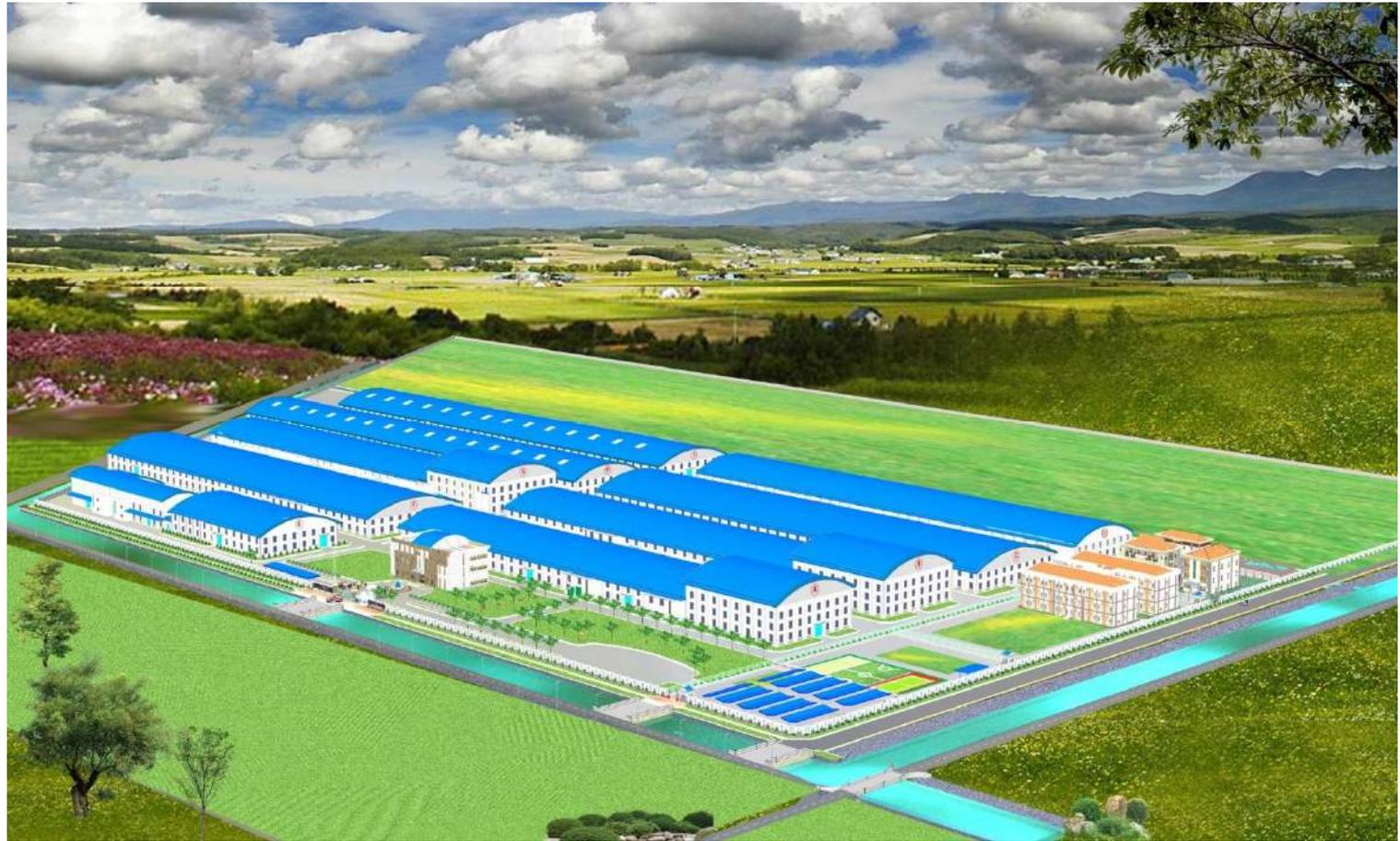
**350,000 square meters (200,000 square meters are developed)**



# Overview of Vietnam plant

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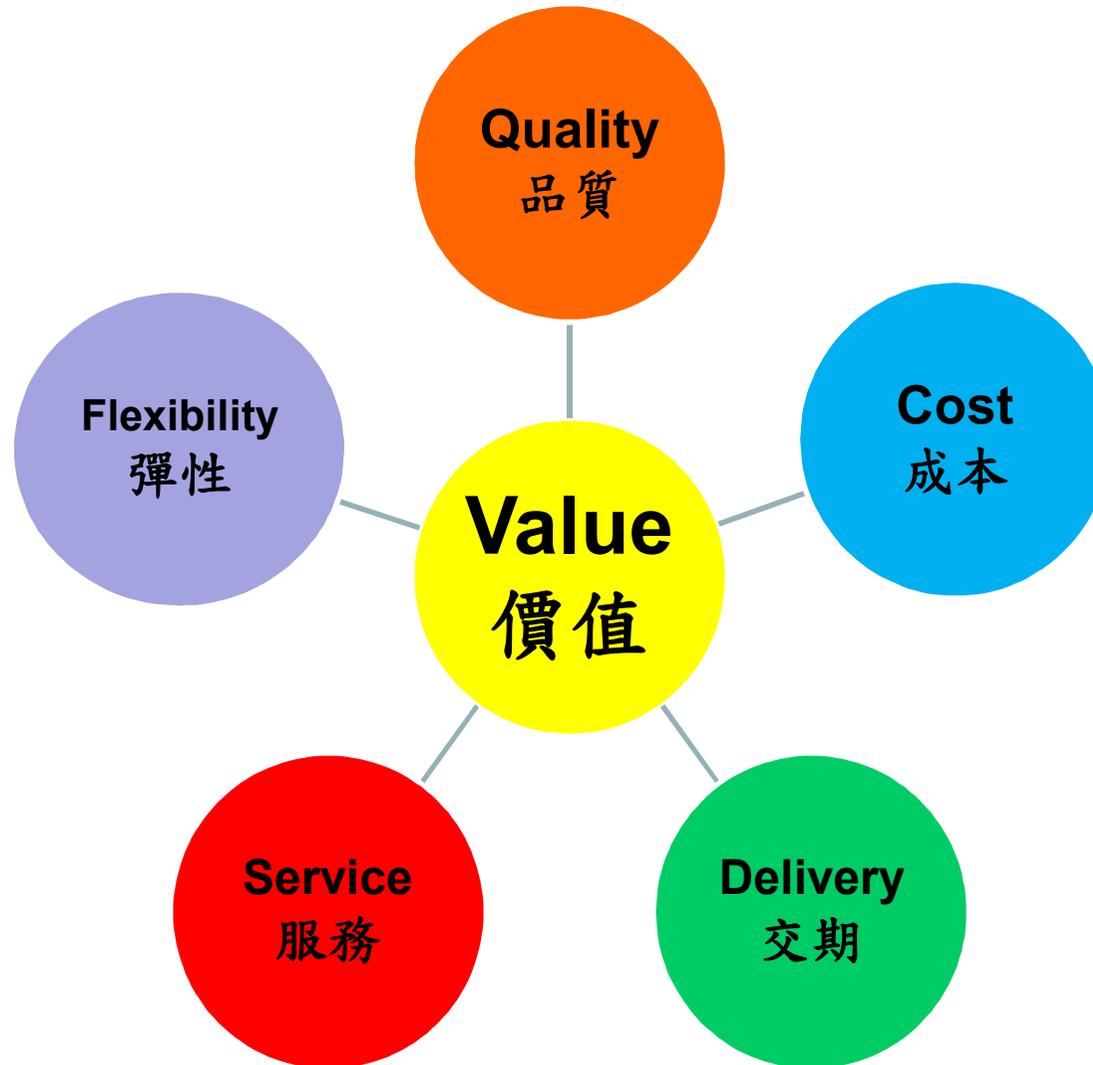


**350,000 square meters (200,000 square meters are developed)**



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## KL B' s strength

### 1. More flexible pricing policy

Some clients' price base has been switched from LME to SMM since 2012.

### 2. Lower production cost

Low building cost, low labor cost, increasing efficiency and decreasing waste materials & maintenance cost.

### 3. High entrance barrier

Industrial UPS batteries need longer time to approve, so customers don't often change suppliers. Besides, we are able to develop suitable products to meet customers' requirement.

### 4. Stable quality and lead time

The lead time of Chinese batteries is usually unstable, which makes it difficult for customers to plan their production. Also, we have got many international certifications, our quality is reliable.



# Strength

## Our benefits of external environment

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Our main competitors are in China. After the “Lead-acid battery admittance clause” is announced in 2012 to limit the development of this industry and eliminate outdated production, we as the largest UPS battery manufacturer in south east Asia, are able to take more orders from our competitors.

The main production bases of small & medium sized lead-acid batteries are in China and Vietnam. With the uplift of Chinese labor cost, the appreciation of RMB, and the limitation of the development of lead-acid battery industry, Chinese lead-acid battery manufacturers are forced to move to other countries. However, it's not easy to find suitable places. While we're manufacturing in Vietnam and can easily expand our scale, so we can keep our competitiveness in the short term.



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## 1. Continuous introduction of automatic equipment:

Introduce automatic equipment to enhance efficiency, decrease waste materials & maintenance cost, and reduce the dependence on manpower.

## 2. Continuous development on lightweight models :

Keep developing lightweight models to meet market needs and raise gross profits.

## 3. The promotion of new products and market:

Develop large sized SLA batteries for industrial and telecom applications so as to segment current models in mass production, which increases the turnover.



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# Thank you



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