



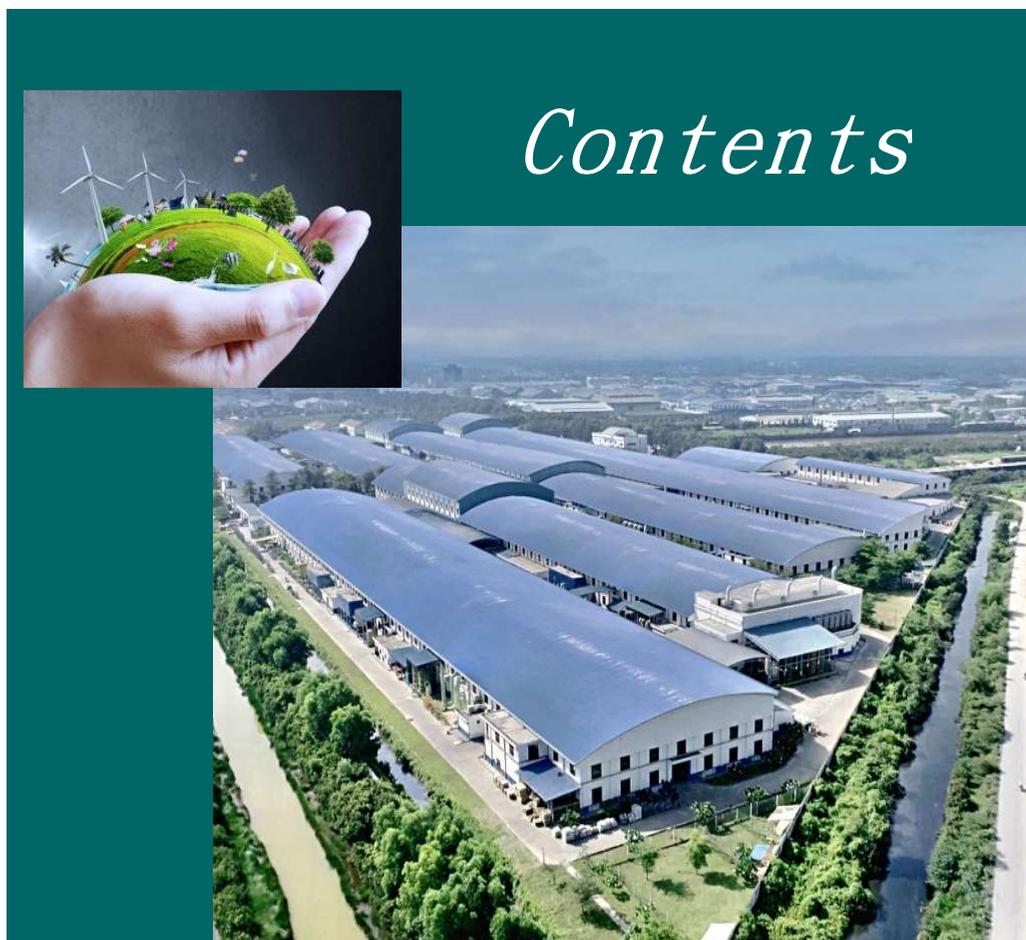
廣隆光電科技股份有限公司

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.

Performance and future outlook

Stock Code : 1537





- Company introduction
- Industry overview
- Sale Profile
- Financials
- Performance of Vietnam plant
- Our strength and outlook



Kung Long Batteries

Established date	Jan. 25, 1990
Listed date	Jan. 22, 2002 (TWSE : 1537)
HQ address	No.6 Tzu-Li 3 Rd, Nantou city
Plant	Taiwan-Kung Long(1990) 、 Le Long(1995) Vietnam-Ben Luc(1996) 、 Duc Hoa(2007)
Capital	NTD 817,853,940
Main activity	Batteries for renewable energy and storage system, batteries for telecom and switch stations, UPS batteries 、 EV batteries 、 Starting batteries
Numbers of employees	About 4,109 people

Main products



Backup Power

For UPS, Security, Fire Alarm System



High Power

For Telecommunication,
UPS System



Green Power

For Solar and Renewable Energy,
Deep Cycle



Electric Vehicle Power

For Mobility Scooter, Electric Vehicle,
Golf Trolley, Medical



Long Life Power

For Telecommunication,
UPS System



Cyclic Power

For Multi-Purpose

Main products

UPS



Automotive



Motorcycle



Electric Tools



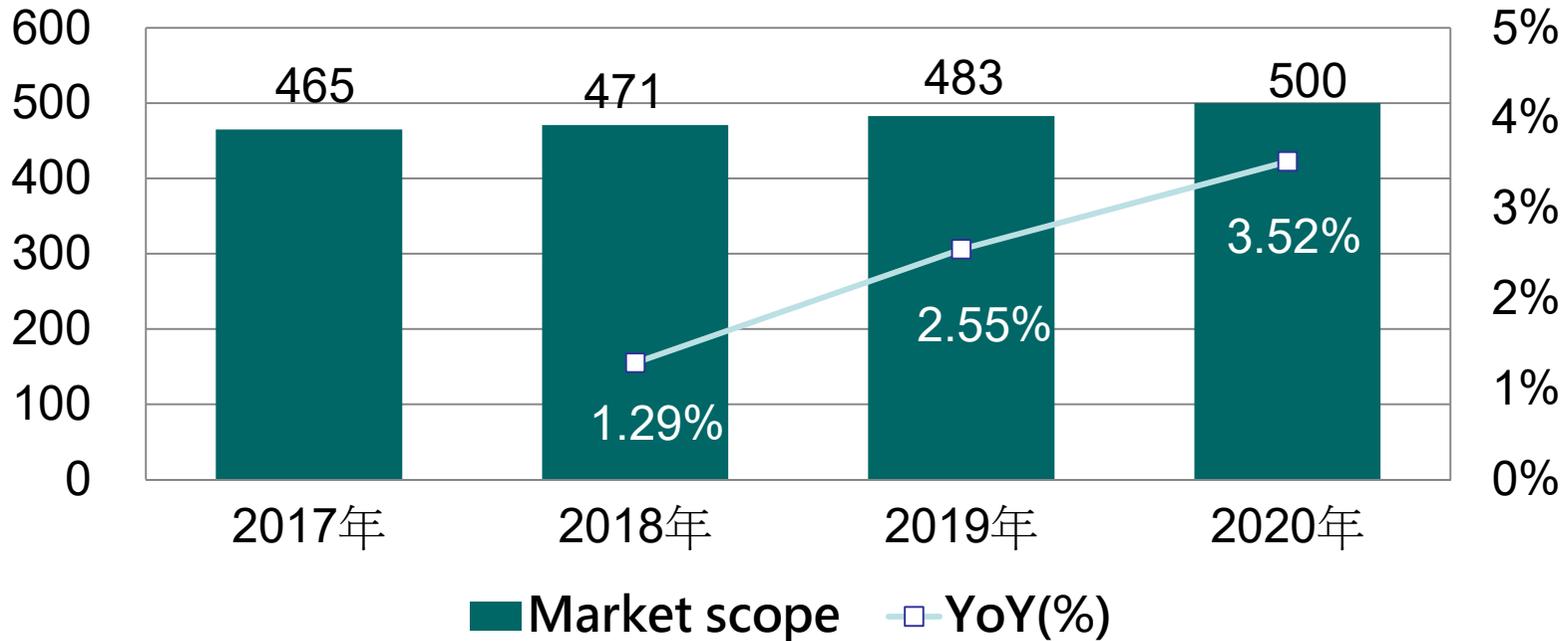
Electric Vehicle



Telecom



Market outlook



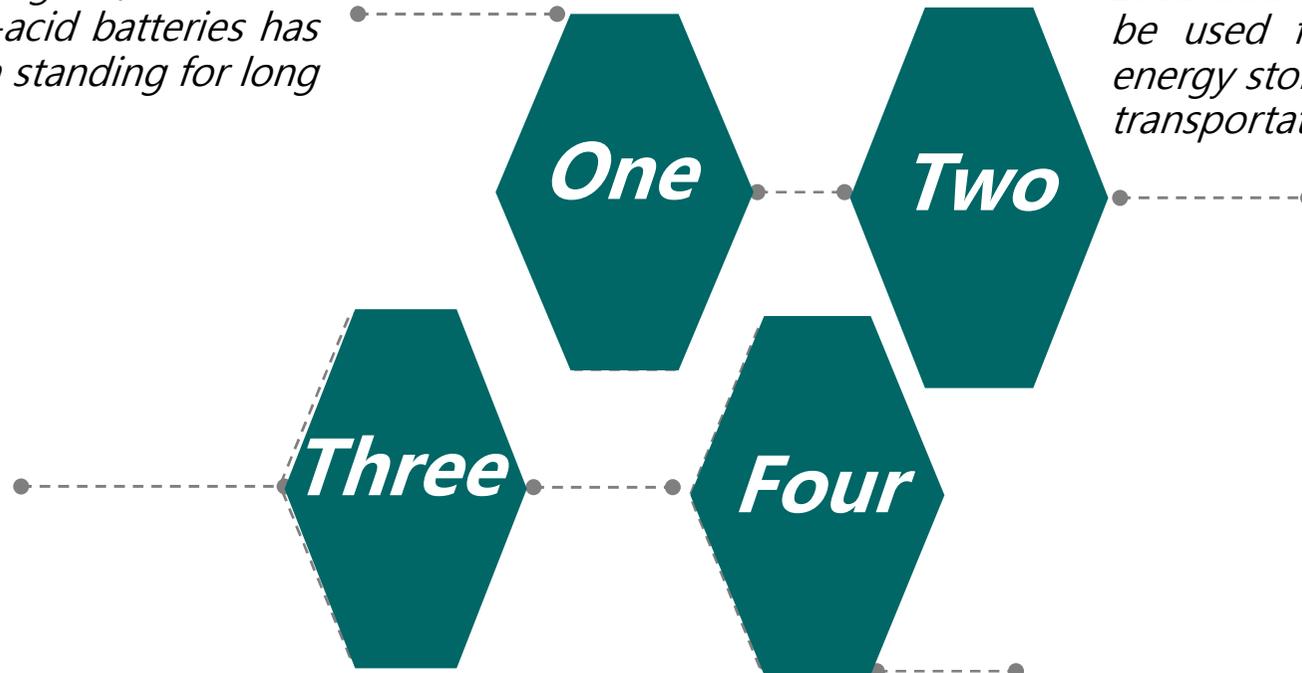
Lead-acid Batteries Market Scope Forecast (Unit: Million USD\$)
Sources- IEKof ITRI (Dec/2017)

In terms of current market size of lead-acid batteries, it is USD 46.5 billion globally in year 2017. With the development of automobiles, motorcycles, and energy storage applications in the future, it is expected that future' s market growth will be 1%~3%.In comparison with the market size of Nickel secondary batteries being USD 2.3 billion, and that of Lithium batteries being USD 25.7 billion, lead-acid batteries are still the electricity storage products with the biggest shares.

The strength of lead-acid batteries

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

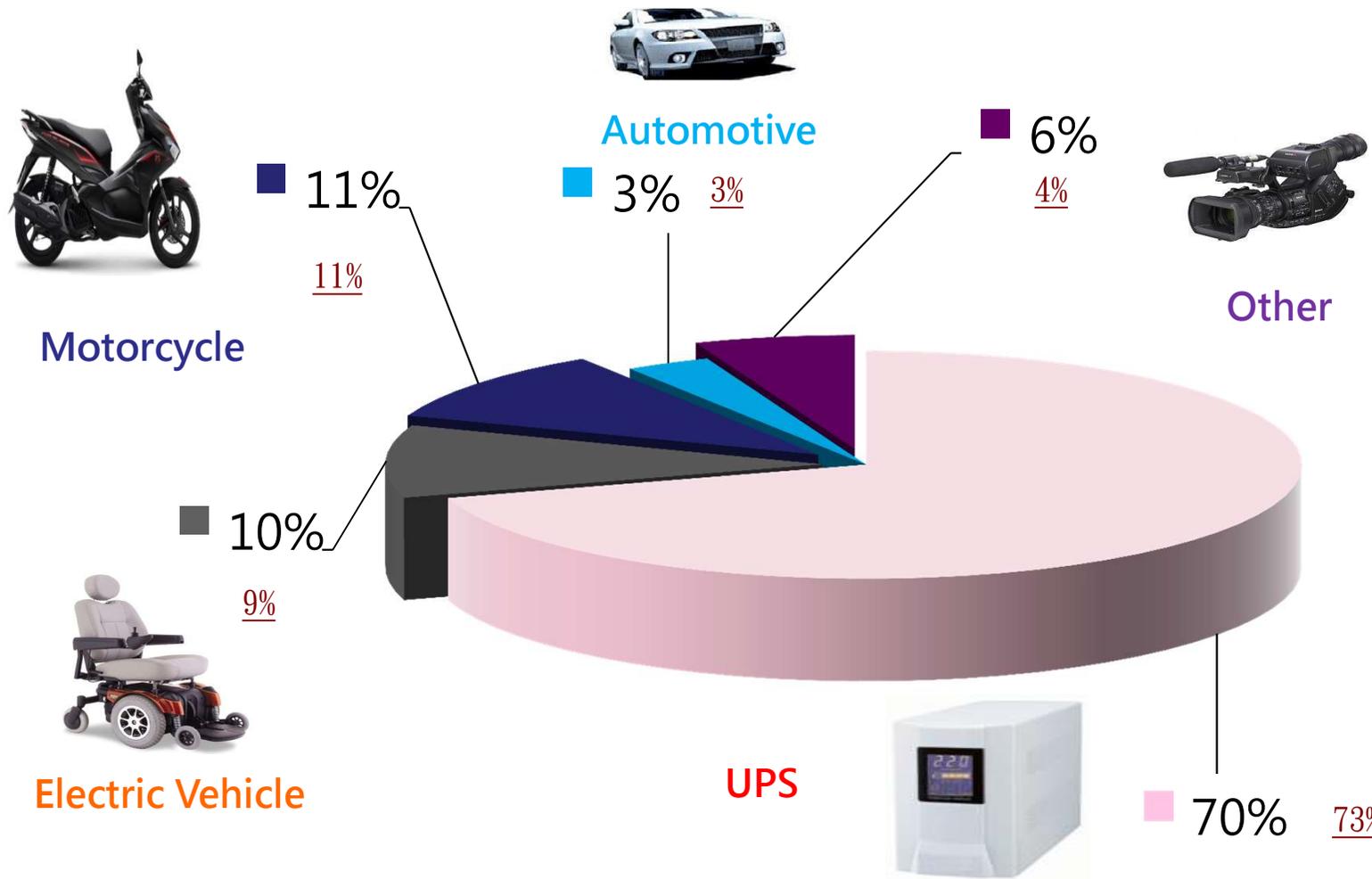
Wide applications
Lead-acid batteries can be used for starting, energy storage, telecom, transportation purposes.



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

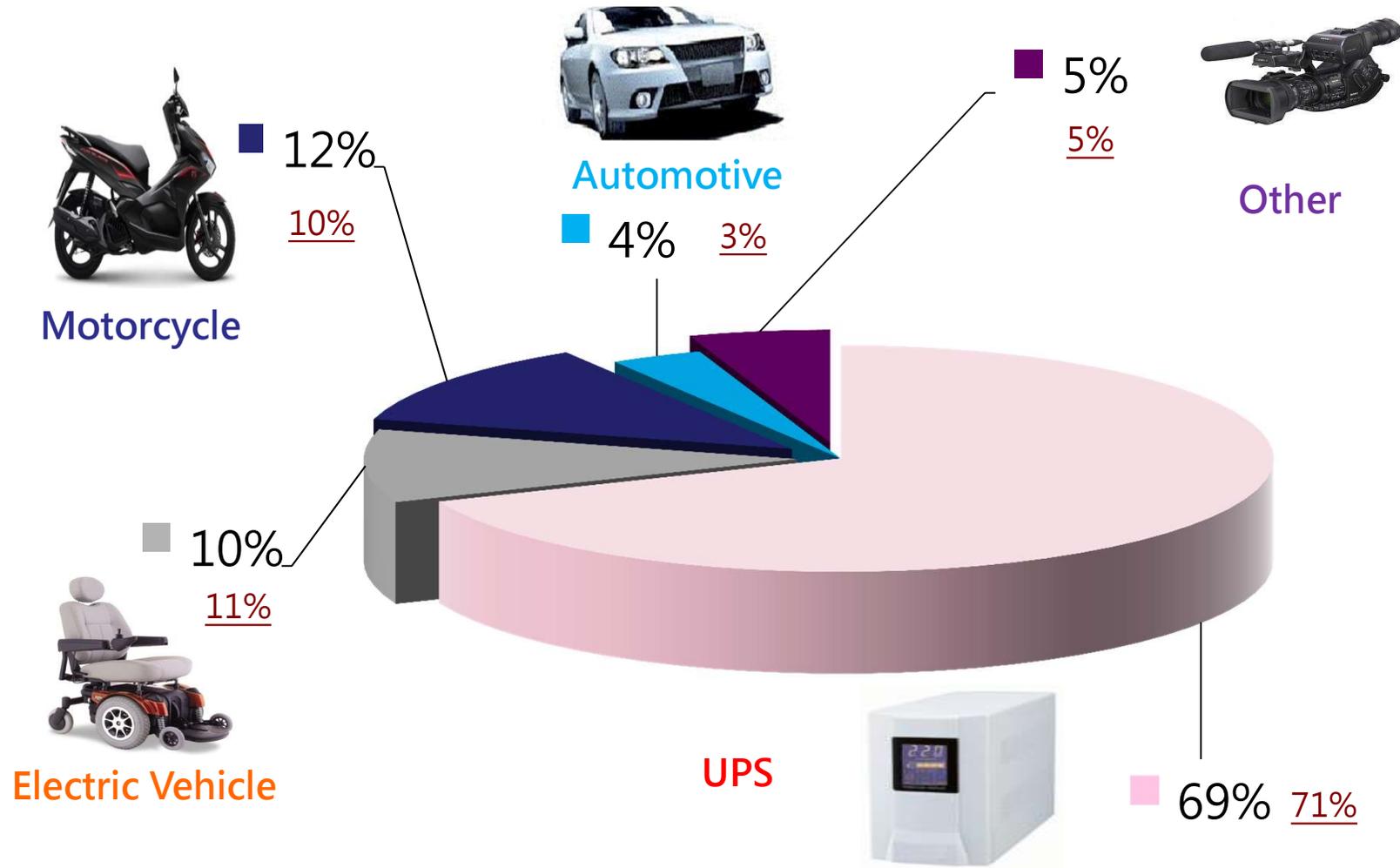
Recyclable and reusable
Wasted lead-acid batteries can be recycled. They are also the only battery product whose raw materials can be reused.

2017 Sales Profile by application



PS Letters highlighted in red stand for the numbers of 2016

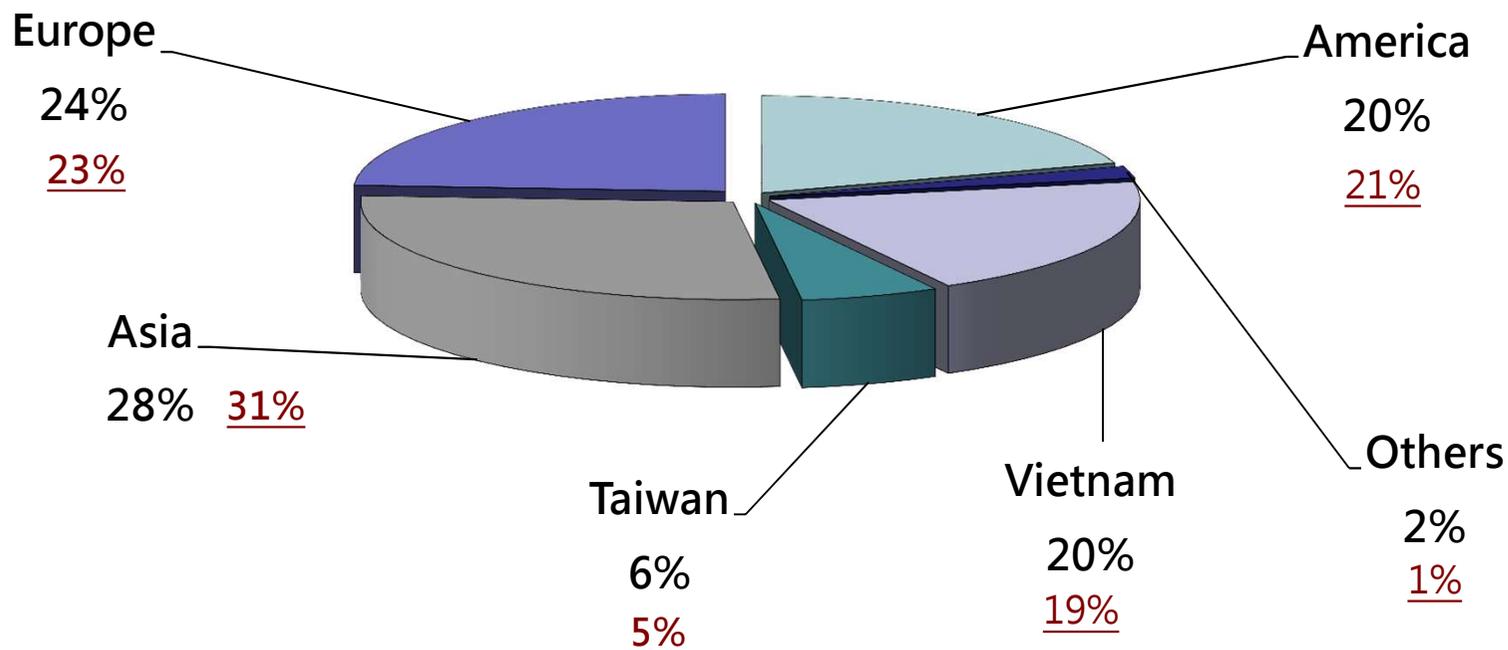
2018 3Q Sales Profile by application



PS Letters highlighted in red stand for the numbers of 2017



2017 Sales Profile by geography



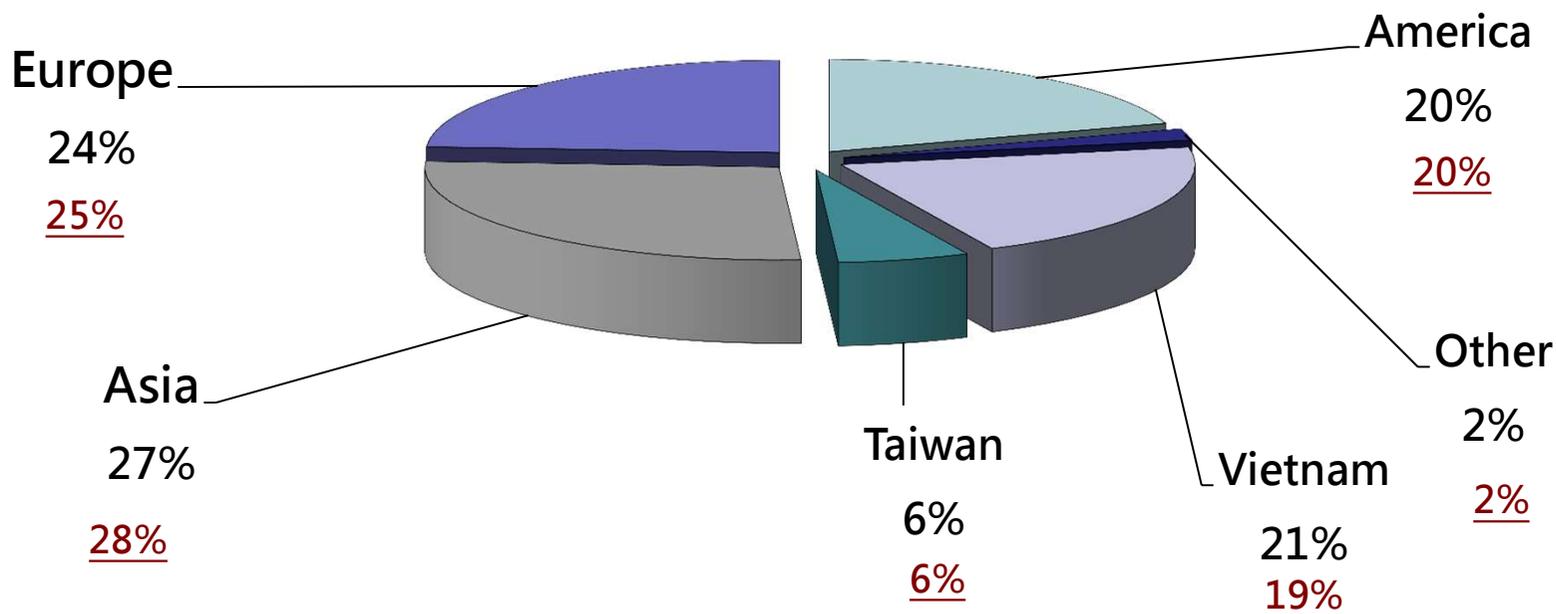
PS Letters highlighted in red stand for the numbers of 2016

Currency: thousand NTD

Area	America	Europe	Asia	Taiwan	Vietnam	Others
2017	1,587,412	1,874,993	2,175,850	437,418	1,555,729	141,429
%	20%	24%	28%	6%	20%	2%
2016	1,454,697	1,601,437	2,181,717	349,320	1,320,321	116,390
%	21%	23%	31%	5%	19%	1%



2018 3Q Sales Profile by geography



PS Letters highlighted in red stand for the numbers of 2017

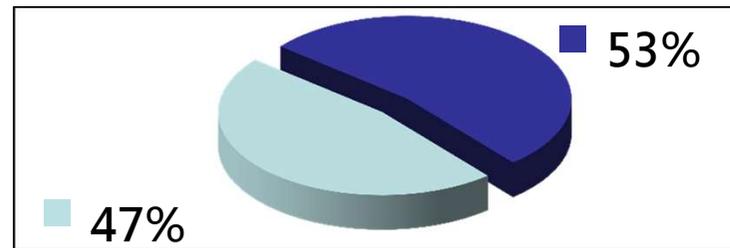
Currency: thousand NTD

Area	America	Europe	Asia	Taiwan	Vietnam	Others
2018 3Q	1,292,291	1,542,671	1,716,391	359,272	1,339,459	129,073
%	20%	24%	27%	6%	21%	2%
2017 3Q	1,175,993	1,423,976	1,573,781	328,269	1,069,402	110,347
%	20%	25%	28%	6%	19%	2%



Sales by brand-consolidated

- Percentage of own brand and OEM brand in 2018 3Q



■ own brand ■ OEM



worldwide

Vietnam



Financials - consolidated

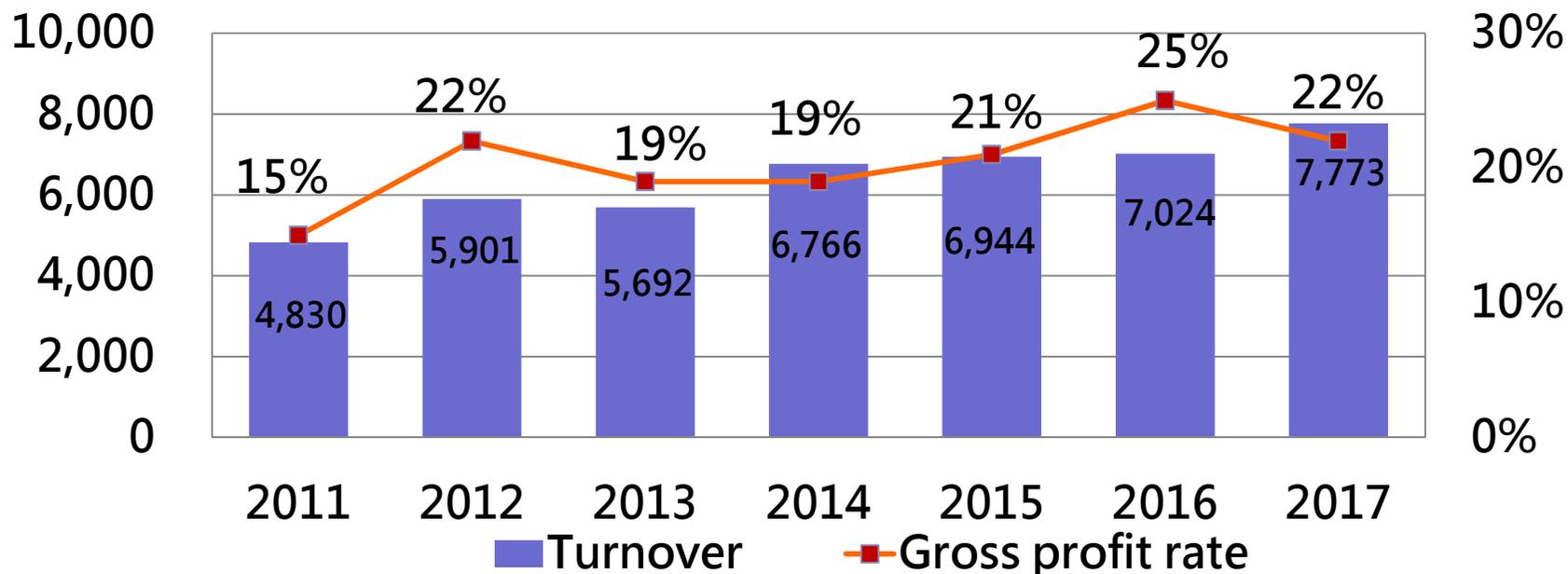
Consolidated income statement

Currency: million NTD

category	2012	2013	2014	2015	2016	2017	2018 3Q
Operating revenue	5,901	5,695	6,766	6,944	7,024	7,773	6,379
Gross profit	1,271	1,109	1,299	1,430	1,732	1,755	1,350
Gross Margin	22%	19%	19%	21%	25%	22%	21%
Operating profit	837	710	841	968	1,229	1,261	957
Pre-tax Profit	847	753	898	1,052	1,251	1,198	1,036
After-tax profit	629	579	676	802	948	906	785
Profit attributable to former owner of business combination under common control	616	573	660	769	923	901	785
EPS(NTD)	7.55	7.02	8.09	9.42	11.31	11.04	9.61
						Average 9.07	
Average LEAD price(USD/ton)	2,062	2,142	2,096	1,786	1,871	2,318	2,337



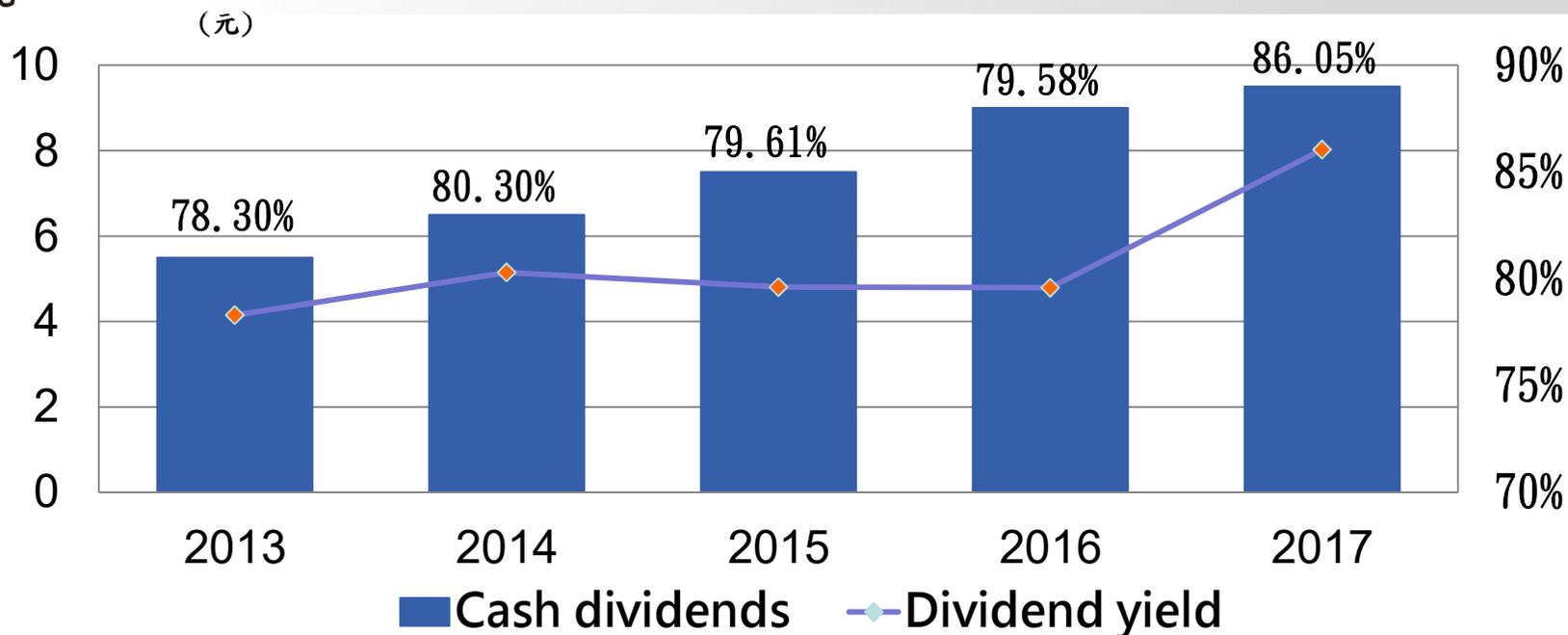
Consolidated Sales



Consolidated Turnover	4,830	5,901	5,695	6,766	6,944	7,024	7,773
LME average price(USD/MT)	2,402	2,062	2,142	2,096	1,786	1,871	2,318
Gross Profit Margin	15%	22%	19%	19%	21%	25%	22%
After-tax EPS	3.90	7.55	7.02	8.09	9.42	11.31	11.04



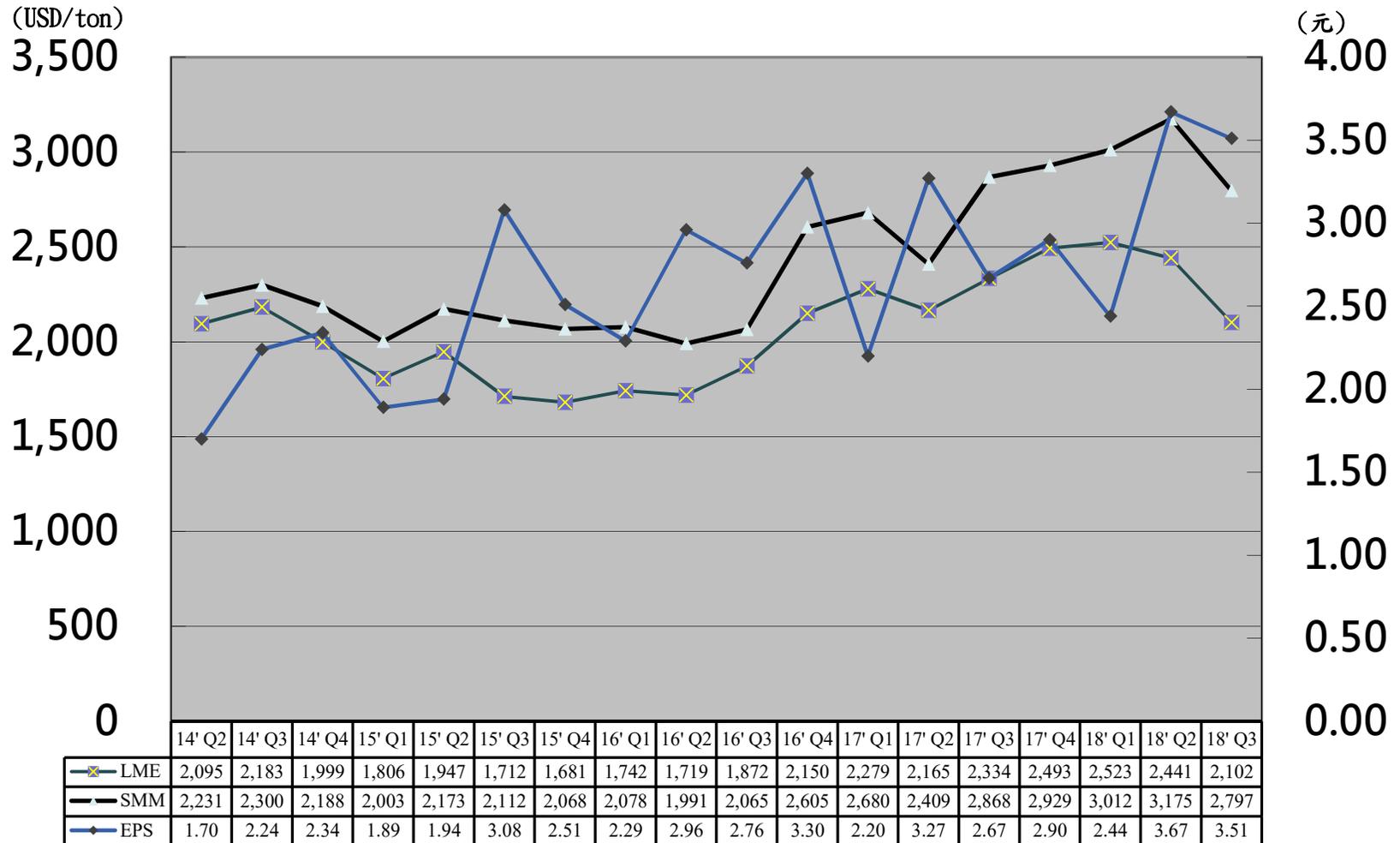
Dividend policy



		2013	2014	2015	2016	2017
EPS		7.02	8.09	9.42	11.31	11.04
Dividend distribution	Cash dividends	5.50	6.50	7.50	9.00	9.50
	Stock dividends	-	-	-	-	-
Dividend yield		78.3%	80.3%	79.61%	79.58%	86.05%

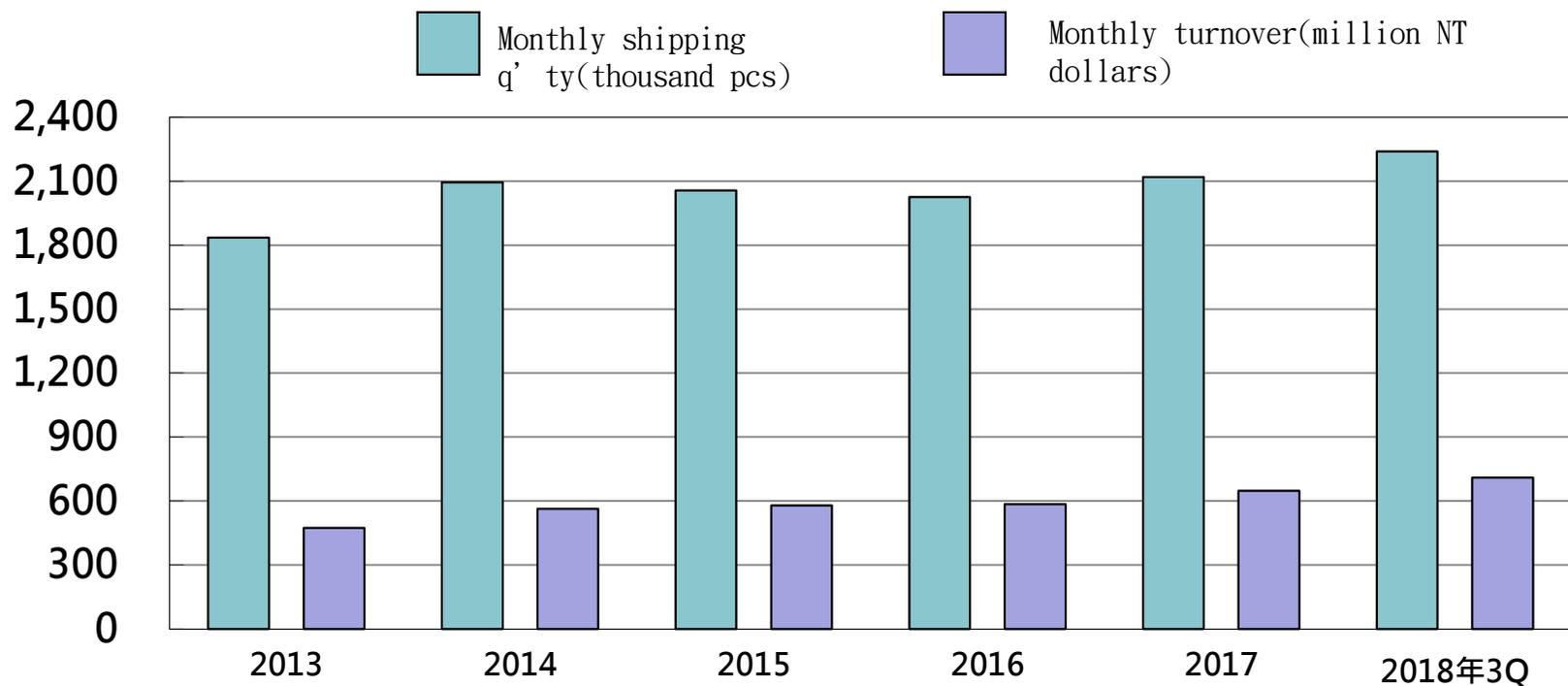


Comparison chart of LME, SMM, and EPS





Sales Quantity by KL group



Monthly shipping q'ty	1,835	2,095	2,057	2,026	2,119	2,240
Growth rate of shipping q'ty	-3%	14%	-2%	-2%	5%	6%
Monthly turnover	474	564	579	585	648	709
Growth rate of turnover	-4%	19%	3%	1%	11%	9%



Location



Ho Chi Minh Sale Office

Duc Hoa Factory(2007)

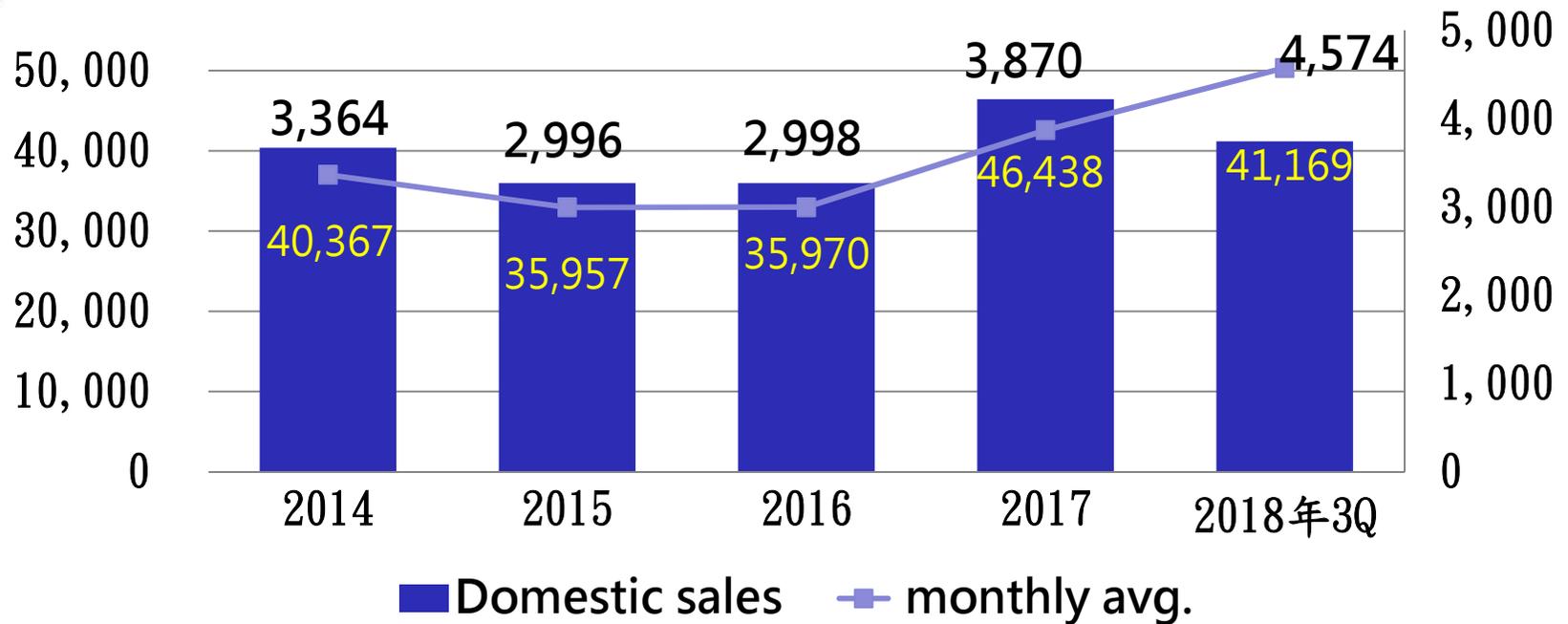
Ben Luc Factory(1996)

Location





Turnover of Le Long Vietnam



currency : thousand USD

Category	2014	2015	2016	2017	2018 3Q
Domestic sales	40,367	35,957	36,918	46,438	41,169
Domestic sales monthly avg.	3,364	2,996	3,077	3,870	4,574



Overview of Vietnam plant

Ben Luc plant



36,500 square meters



Turnover of Le Long Vietnam

Ben Luc plant



36,500 square meters



Overview of Vietnam plant

Duc Hoa plant



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



Turnover of Le Long Vietnam

Duc Hoa plant



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



Core value





Strength

Excellent quality

The production of lead-acid batteries comprises the know-how of electrochemistry and complex system of manufacturing & management. It is not easy to produce quality batteries stably for the long term.

High Entry Barrier

With more and more people realizing the importance of environmental protection, China has imposed lots of restrictions on the manufacturing of lead-acid batteries including the production scale, facilities, and environmental protection...etc. This standard is also considered by many other countries, and therefore there' s no new comer for many years. And besides China, there' re few manufacturers in other Asian.

Qualified Standard

It takes long time to test individual battery performance and service life. The most important is that the incoming inspection can not determine the service life of batteries. Thus, quality customers will set up high qualification procedure and field audit for new comers. We are able to develop the products meeting customer needs.

Strength

Localization

All our supervisors are Vietnamese, and Taiwanese management people can communicate with them in Vietnamese language without problem. By the way, we enter Vietnam market early and take high shares in M/C AM market. Our batteries have been recognized as high quality. Our brand images is also well established. All of these are very helpful for our profits. Also, the investment environment in Vietnam is good and government seldom interferes.

R&D ability

We' re devoted to the upgrade and diversity of lead-acid batteries. Through the enhancement of battery performance, we not only make more profits but also develop lower-end products to help customers take more market shares. Our program has been extended from current small sized SLA to medium/large sized ones. We also develop star stop batteries to expend client bases.

Quality client

Our customers include leading companies in each industries, thus the importers in each areas are willing to distribute our products. Moreover, as the sales territories and customers are properly diversified, we can avoid the huge impacts resulted by single industry and economic factors.



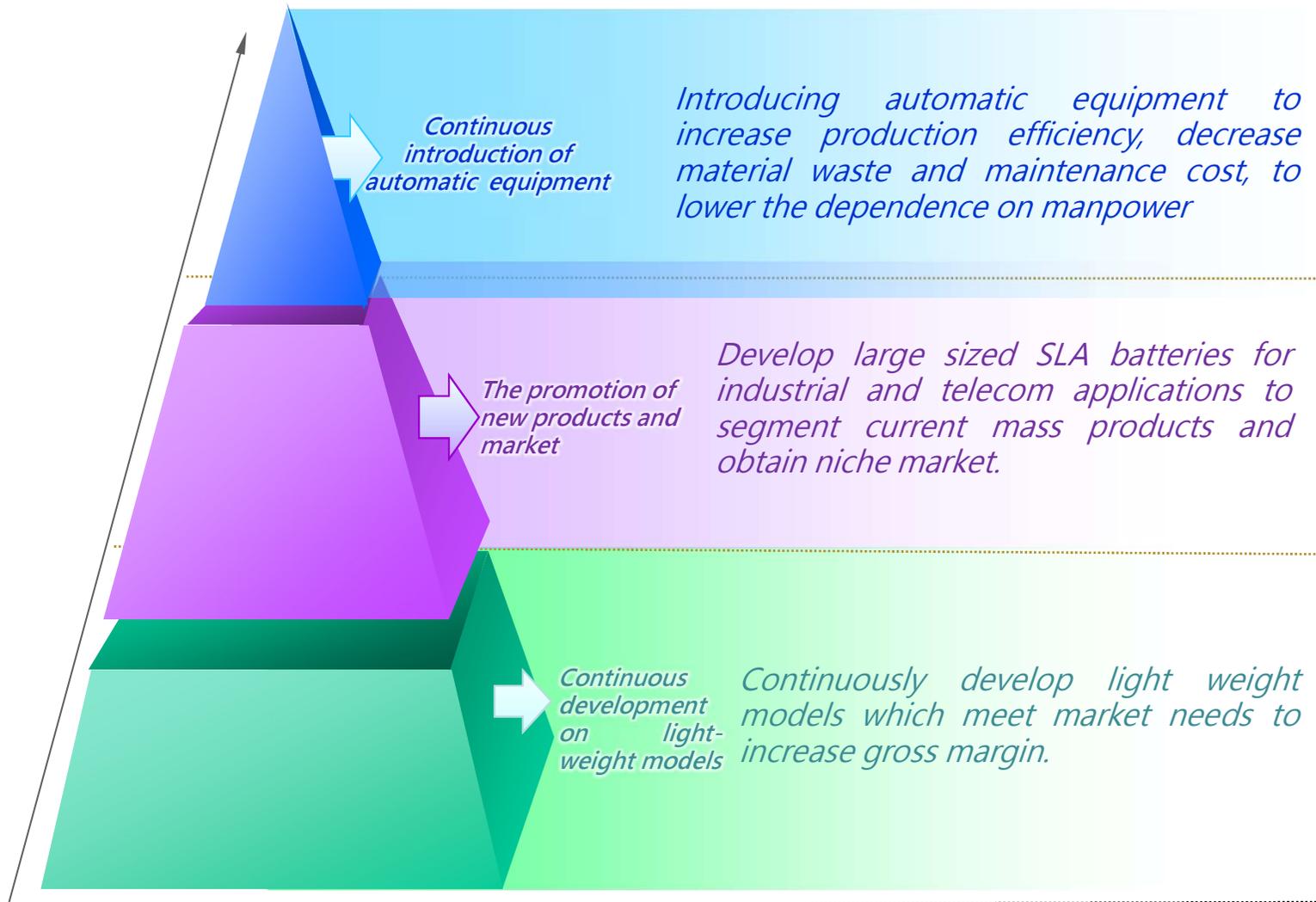
Strength

Most of our competitors has factory in China. But the issuance of “manufacturing permission of SLA batteries ” in 2011 has limited the development of SLA industry and eliminated lagging production. We’ re the professional UPS battery manufacturer with biggest capacity in Southeast Asia, and it can help us to take more orders than our competitors.

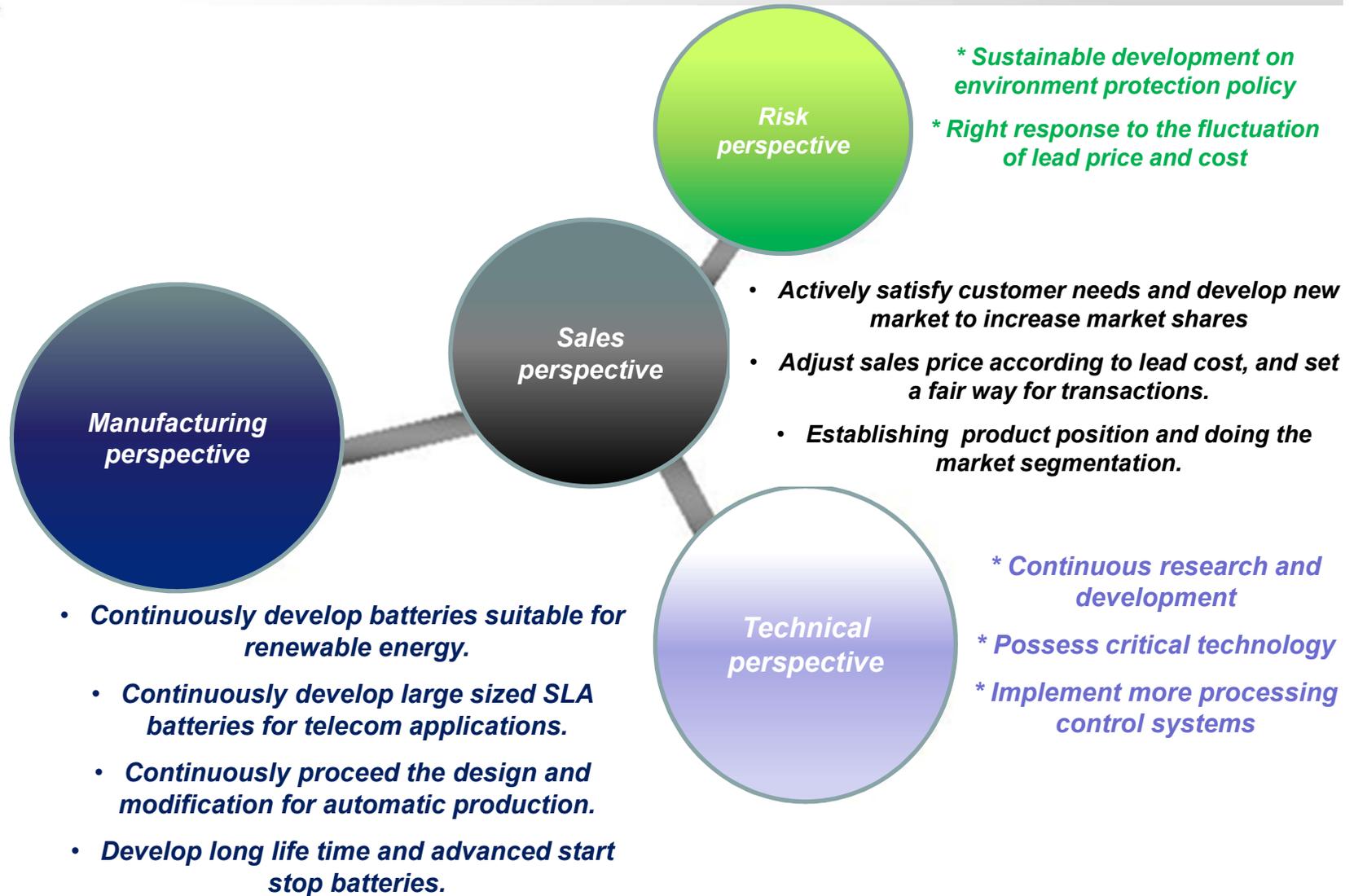
Main production bases of small/ medium sized SLA batteries are located in China and Vietnam. When Chinese labor costs keep rising, RMB is under pressure for appreciation, and SLA industry is limited, Chinese battery manufacturers are forced to move to outside. However it’ s difficult to find a suitable location. While we’ re producing in Vietnam and we can expand our capacities to maintain our advantages

China publishes the notice for imposing consuming tax on batteries and pasting – starting from 1//1/2016, 4% consuming tax will be imposed on lead-acid battery manufacturing, OEM, and import. This bring significant burden to Chinese lead-acid battery factories.

Future outlook



Future outlook





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