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## **TPK REPORTS UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER OF 2016**

Taipei, Taiwan, February 16<sup>th</sup>, 2017 – TPK Holding Co., Ltd (TWSE: 3673) (“TPK” or the “Company”) today announced 2016 fourth quarter operating results. Company reported net profit of NT\$296 million, or earnings per share of NT\$0.89 for the quarter. For the full year 2016, total revenues were NT\$89.2 billion, and loss per share was NT\$4.27.

### **4Q2016 Operating Results**

Consolidated revenues in 4Q16 were NT\$24,724 million, down 5.5% quarter-on-quarter and down 28.2% versus same period last year. The decline in Q4 revenues was primarily attributable to seasonality, but less than historical pattern due to rather mild ramp-up in Q3 and healthy demand in end market. Gross profit amounted to NT\$1,349 million and gross margin was 5.5% due to unfavorable product mix change, cost of terminating non-profitable business and price adjustment for end-of-life-cycle products.

Within the cost-of-goods-sold items, raw material cost was NT\$18.1 billion, down from NT\$18.7 billion in the previous quarter. Labor cost was NT\$2.1 billion, up from NT\$2.0 billion in 3Q16, due to increased headcount and special incentive program in Q4. Depreciation expenses remained flat qoq at NT\$2.1 billion in the fourth quarter.

Fourth quarter operating expenses totaled NT\$1.4 billion, up from NT\$1.2 billion in 3Q16, primarily due to expense accruals and year-end bonus. Net interest expenses for the quarter totaled NT\$245 million and foreign exchange gain of NT\$232 million was recorded for the quarter. In 4Q16, the Company also realized disposal gain on TES investment of NT\$506 million, receiving of insurance claims for NT\$237 million related to damages caused by Typhoon Meranti on September 15 2016 and others minor one-time items. In addition, TPK also accrued bad debts of NT\$291 million on Company's loans to Hallys. As of December 31 2016, total number of employees was 28,158, up from 27,490 in the previous quarter.

## 2016 Full Year Operating Results

2016 full year unaudited consolidated revenues were NT\$89,216 million, down 26.5% year-on-year. Revenues from small-sized products (below 7-inch) accounted for 41% of total revenues and reduced 47% YoY. Tablet-sized products (7 to 11 inch) contributed 23% of total revenues and declined 16% compared with 2015. With popularity for large-sized tablet and 2-in-1 NB continues, revenues from 11 to 16 inch products increased 15% yoy, representing 28% of total revenues, up from 18% in 2015, despite shipment remained relatively flat year-on-year due to fewer conventional NB touch shipments.

During the year of 2016, TPK has gone through the process of corporate re-engineering and organization restructuring to focus on key customers, scalable and competitive businesses that leverages on our core competence of technology and manufacturing excellence. The new organization is now much more lean and mean. As a result, operating expenses as a percentage of sales successfully reduced to 5.8% in 2016.

TPK will continue the strategy of enhancing our core business and divesting non-core business and investment. As indicated on the public announcement on January 26 2017, TPK had entered the agreement with Rayxin Investment to sell the under-utilized property (Jinshunxin Development) in Pingtan at the end of January, 2017, and sale of the remaining stake in TES will also be completed during the first quarter of 2017.

## Balance Sheet and Cash Flow

Capital expenditures during the fourth quarter amounted to NT\$480 million on accrual basis, the lowest quarter in 2016. Total Capex in 2016 reached NT\$2.8 billion down from NT\$3.9 billion in 2015. Total EBITDA in 2016 was NT\$8.7 billion. As of December 31, 2016, Company had cash or cash equivalent of NT\$20.5 billion, up from NT\$16.4 billion in the year earlier. Total bank borrowings, including RMB bonds, totaled NT\$31.7 billion, down significantly from NT\$51.6 billion at the end of 2015. After buying back approximately US\$43 million par value of convertible bond in 2016, NT\$6.6 billion worth of convertible bond due in 2020 remains outstanding. Net debt to equity ratio improved from 1.36 as of December 31 2015 to 0.60 on December 31 2016.

Note: All financial numbers are prepared in accordance with IFRS which is approved by regulators in Taiwan.

IR Contact:  
Freddie Liu, Chief Financial Officer  
Kevin Wang, Director  
Tel: +886.2.7727.1196  
[ir@tpk.com](mailto:ir@tpk.com)

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#### **ABOUT TPK**

TPK was founded solely for touch solutions in 2003. We are the inventor of transparent glass-based projected capacitive (P-Cap) touch solutions and the first company for mass production. Since 2Q 2010, TPK has expanded its touch product offering into PET-film based solutions. Our production sites are located in Xiamen City of Fujian Province, China. TPK is completely and vertically integrated for one-stop shopping for touch solutions.

#### 4Q16 PROFIT & LOSS

Profit & Loss	4Q16	3Q16	QoQ	4Q15	YoY
(NT\$ million)					
<b>Revenues</b>	<b>24,724</b>	<b>26,168</b>	<b>(5.5%)</b>	<b>34,438</b>	<b>(28.2%)</b>
COGS	(23,375)	(23,654)		(32,123)	
<b>Gross Profits</b>	<b>1,349</b>	<b>2,514</b>		<b>2,314</b>	
Operating Expenses	(1,394)	(1,240)		(1,964)	
SG&A	(1,141)	(1,015)		(1,745)	
R&D	(253)	(226)		(218)	
<b>Operating Profits</b>	<b>(45)</b>	<b>1,274</b>		<b>350</b>	
Non-Op Inc/(Exp)	564	(284)		(615)	
<i>Int Inc/(Exp)</i>	(245)	(230)		(119)	
<i>FX Gain/(Loss)</i>	232	(52)		(232)	
<i>Invest Inc/(Loss)</i>	49	56		67	
<i>Others</i>	528	(58)		(330)	
<b>Earnings Before Tax</b>	<b>519</b>	<b>990</b>		<b>(265)</b>	
Income Tax	(215)	(299)		1,268	
<b>Net Income (Parent)</b>	<b>296</b>	<b>684</b>		<b>1,016</b>	
<b>EPS (Parent)</b>	<b>0.89</b>	<b>1.97</b>		<b>2.12</b>	
<b>EBITDA</b>	<b>3,035</b>	<b>3,444</b>		<b>2,172</b>	
<b>Margin:</b>					
GM	5.5%	9.6%		6.7%	
OM	(0.2%)	4.9%		1.0%	
NM	1.2%	2.6%		2.9%	
Op Exp	(5.6%)	(4.7%)		(5.7%)	

#### 2016 PROFIT & LOSS

Profit & Loss	2016	2015	YoY
(NT\$ million)			
<b>Revenues</b>	<b>89,216</b>	<b>121,364</b>	<b>(26.5%)</b>
COGS	(85,950)	(127,925)	
<b>Gross Profits</b>	<b>3,266</b>	<b>(6,561)</b>	
Operating Expenses	(5,138)	(11,793)	
SG&A	(4,229)	(10,467)	
R&D	(909)	(1,326)	
<b>Operating Profits</b>	<b>(1,872)</b>	<b>(18,354)</b>	
Non-Op Inc/(Exp)	629	(2,665)	
<i>Int Inc/(Exp)</i>	(849)	(358)	
<i>FX Gain/(Loss)</i>	127	(322)	
<i>Invest Inc/(Loss)</i>	226	(89)	
<i>Impairment</i>	(171)	(2,170)	
<i>Others</i>	1,297	274	
<b>Earnings Before Tax</b>	<b>(1,243)</b>	<b>(21,019)</b>	
Income Tax	(261)	943	
<b>Net Income (Parent)</b>	<b>(1,467)</b>	<b>(20,007)</b>	
<b>EPS (Parent)</b>	<b>(4.27)</b>	<b>(57.86)</b>	
<b>Margin:</b>			
GM	3.7%	(5.4%)	
OM	(2.1%)	(15.1%)	
NM	(1.6%)	(16.5%)	
Op Exp	(5.8%)	(9.7%)	

#### 4Q16 BALANCE SHEET

Balance Sheet	2016/12/31	2015/12/31
(NT\$ million)		
Cash Equivalents	20,490	16,393
Debt Inv with no active market	1,387	16,787
Receivables	7,646	12,270
Inventories	7,816	8,737
<b>Current Assets</b>	<b>40,881</b>	<b>61,034</b>
<b>Long-term Investments</b>	<b>346</b>	<b>326</b>
<b>Property, Plant and Equipment</b>	<b>42,052</b>	<b>49,282</b>
<b>Total Assets</b>	<b>87,683</b>	<b>115,228</b>
ST Loans	30,534	46,740
Payables	12,125	14,956
<b>Current Liabilities</b>	<b>48,472</b>	<b>68,417</b>
<b>Convertible Bonds</b>	<b>6,575</b>	<b>7,850</b>
<b>LT Loans</b>	<b>1,122</b>	<b>4,829</b>
<b>Total Liabilities</b>	<b>58,271</b>	<b>83,701</b>
Common Shares	3,466	3,516
Non-Controlling Interest	239	423
<b>Total Shareholder's Equities</b>	<b>29,412</b>	<b>31,527</b>
<b>Ratio Analysis:</b>		
Quick Ratio	0.68	0.76
Current Ratio	0.84	0.89
ROE (YTD Annualized)	(4.9%)	(52.3%)
Net Debt to Equity	0.60	1.36

Note: PP&E includes prepayments.