

FOR IMMEDIATE RELEASE

TPK REPORTS UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER OF 2018

Taipei, Taiwan, February 15th, 2019 – TPK Holding Co., Ltd (TWSE: 3673) (“TPK” or the “Company”) today announced 2018 fourth quarter operating results. Company reported net profits of NT\$192 million, or earnings per share of NT\$0.47 for the quarter. For the full year of 2018, total revenues amounted to NT\$113.5 billion with net profit of NT\$224 million, and earnings per share were NT\$0.55.

4Q18 Operating Results

The Company’s fourth quarter revenues were NT\$42,645 million, up 32.5% quarter-on-quarter and up 29.7% year-on-year. The strong sequential growth in revenues was primarily driven by new product ramp-ups and seasonal demand for smartphones and large-sized tablets. Despite the robust growth in revenue, the increment in profitability was unproportional mainly due to unfavorable product mix change. 4Q18 gross profit amounted to NT\$1,572 million, up 27.1% qoq and gross margin remained flattish quarter-on-quarter at 3.7%.

In terms of COGS in the fourth quarter, the unfavorable smartphone product mix weighed further on raw material cost. Alongside price competition, it lifted the percentage raw material cost to sales from 81.4% to a record-high of 84.1% since 2012. On the other hand, enlarged business scale continued to alleviated depreciation and labor cost as percentages of revenues, from 5.2% and 6.6% in 3Q18, to 4.4% and 5.6% in this quarter, respectively.

In conjunction with strong revenue growth, operating expenses also increased from NT\$1,037 million in the third quarter, to NT\$1,300 million in 4Q18, reflecting the accrual of annual bonus and higher AR factoring cost, which in return reduced the use of short-term bank facilities and consequently lowered net interest expenses from NT\$58 million in 3Q18 to NT\$37 million in this quarter. The Company recorded foreign exchange loss of NT\$42 million in the fourth quarter, caused by Reminbi appreciation versus US dollar. As of December 31st 2018, total number of employees was 23,942, down from 29,177 at the end of third quarter as new product ramp-up and seasonal demand came to an end.

2018 Full Year Operating Results

Despite heightened competition and weaker-than-expected end demand, 2018 marked the start of transformational phase for the Company with re-engagement on significant smartphone out-cell touch



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solution and meaningful SNW product joint-development with key customers. 2018 full year unaudited consolidated revenues were NT\$113,482 million, up 5.9% year-on-year. Total shipment reached 151 million units, down 10% compared to 2017. Gross profit was NT\$4,213 million, down from NT\$7,535 million for 2017, mainly due to severe price competition and unfavorable product mix. Operating expenses reduced 10% year-on-year to NT\$4,412 million, transferred to 3.9% of 2018 revenue, compared to 4.6% in 2017. Effective use of AR factoring and cash management enabled meaningful reduction on net interest expenses, from NT\$700 million to NT\$176 million for 2018.

Balance Sheet & Cash Flow

As of December 31st 2018, Company had cash and cash equivalent of NT\$17.1 billion, up from NT\$12.8 billion at the end of third quarter. On accrual basis, capital expenditure for the quarter was NT\$230 million with 2018 total CAPEX of NT\$6,080 million. Total bank borrowings, as end of 4Q18, totaled NT\$17.3 billion, down from NT\$19.4 billion in the previous quarter. 4Q18 EBITDA amounted to NT\$2.7 billion and EBITDA for full year of 2018 totaled to NT\$8.7 billion.

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

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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.

4Q18 PROFIT & LOSS

Profit & Loss	4Q18	3Q18	QoQ	4Q17	YoY
(NT\$ million)					
Revenues	42,645	32,192	32.5%	32,873	29.7%
COGS	(41,073)	(30,955)		(30,664)	
Gross Profits	1,572	1,237	27.1%	2,209	
Operating Expenses	(1,300)	(1,037)		(1,491)	
SG&A	(1,049)	(778)		(1,195)	
R&D	(251)	(259)		(295)	
Operating Profits	272	201		718	
Non-Op Inc/(Exp)	283	178		137	
<i>Int Inc/(Exp)</i>	<i>(37)</i>	<i>(58)</i>		<i>(53)</i>	
<i>FX Gain/(Loss)</i>	<i>(42)</i>	<i>4</i>		<i>(64)</i>	
<i>Others</i>	<i>362</i>	<i>232</i>		<i>254</i>	
Earnings Before Tax	555	379		855	
Income Tax	(291)	(149)		(242)	
Net Income (Parent)	192	191		591	
EPS (Parent)	0.47	0.47		1.53	
EBITDA	2,705	2,337		2,969	
Margin:					
GM	3.7%	3.8%		6.7%	
OM	0.6%	0.6%		2.2%	
NM	0.5%	0.6%		1.8%	
Op Exp	(3.0%)	(3.2%)		(4.5%)	

2018 PROFIT & LOSS

Profit & Loss	2018	2017	YoY
(NT\$ million)			
Revenues	113,482	107,208	5.9%
COGS	(109,269)	(99,674)	
Gross Profits	4,213	7,535	(44.1%)
Operating Expenses	(4,412)	(4,924)	
SG&A	(3,433)	(3,939)	
R&D	(979)	(985)	
Operating Profits	(199)	2,611	
Non-Op Inc/(Exp)	895	665	
<i>Int Inc/(Exp)</i>	<i>(176)</i>	<i>(700)</i>	
<i>FX Gain/(Loss)</i>	<i>86</i>	<i>(420)</i>	
<i>Others</i>	<i>985</i>	<i>1,785</i>	
Earnings Before Tax	696	3,276	
Income Tax	(331)	(890)	
Net Income (Parent)	224	2,404	
EPS (Parent)	0.55	6.63	
EBITDA	8,725	12,666	
Margin:			
GM	3.7%	7.0%	
OM	(0.2%)	2.4%	
NM	0.2%	2.2%	
Op Exp	(3.9%)	(4.6%)	

4Q18 BALANCE SHEET

Balance Sheet	12/31/2018	12/31/2017
(NT\$ million)		
Cash Equivalents	17,064	19,402
Debt Inv with no active market	4,129	5,535
Receivables	10,452	5,331
Inventories	10,810	7,298
Current Assets	45,589	44,680
Long-term Investments	109	256
PP&E	34,388	34,211
Total Assets	83,968	82,978
ST Loans	8,032	14,046
Payables	19,418	18,513
Current Liabilities	34,369	39,908
LT Loans	9,239	3,500
Total Liabilities	46,726	45,808
Common Shares	4,067	4,067
Total Shareholder's Equities	37,242	37,171
Ratio Analysis:		
Quick Ratio	1.01	0.94
Current Ratio	1.33	1.12
ROE (YTD Annualized)	0.6%	7.3%
Net Debt to Equity	0.01	(0.05)

Note: PP&E includes prepayments.