

USI Corporation Investor Conference 2017

DATE: 2017/04/20



Agenda

Sessions	Presenter
Introduction/Market Review & Outlook	Mark Wu, Vice President Sales & Marketing Dept.
Finance Information	Amy Kuo, Accounting Manager
Q & A	Jerry Chang, General Manager

Disclaimer

This presentation includes the Company's current information and any development or adjustments thereof will be published according to laws, regulations or rulings.

The Company is not obligated to update or revise this presentation.

The information in this presentation is not for investment advices.

Introduction

Established	May 26, 1965
Capital	NTD 11,426 million (Apr. 20, 2017)
Employees	452 (Mar. 31, 2017)
Revenue in 2016	Parent Company Only : NTD 11.5 billion Consolidated Sales : NTD 53.1 billion
Products	Low Density Polyethylene (LDPE), Ethylene-Vinyl Acetate Copolymers (EVA), High Density Polyethylene (HDPE), Linear Low Density Polyethylene (LLDPE)

Locations



Linkou R&D Center



Taipei Office



Kaohsiung Plant



UNITHENE® HDPE

Main applications

Injection molding, casting, fine monofilament, injection molding for crate, extrusion coating, flat yarn, coarse monofilament, and film & sheet extrusion.

Final products

Bottle caps, monofilament, flat yarn, pallets, crate, and industrial containers.



Bottle Caps
Bottle Caps



Woven Bags
Woven Bags

LINATHENE® LLDPE

Main applications

Blown film extrusion, casting, injection molding, rotation molding.

Final products

Flexible packaging, water tanks, industrial containers, and traffic barricades.



Tanks
TSUK2



Woven bags
MAAGU DS82

PAXOTHENE® LDPE

Main applications

Blown film extrusion, lamination, extrusion coating, injection molding, thin gauge blown film extrusion, and powder coating.

Final products

Artificial flowers, covers, packaging films, and foaming products.



Plastic Flowers
PLASTIC FLOWERS



Covers
COVERS

EVATHENE® EVA

Main applications

Wire & cable, hot melt, shoe sole foaming, powder hot melt (for hot melt adhesive of non-woven fabric), injection foam, compression molding (foam), and general compounding.

Final products

Hot melt adhesives, shoe soles, solar cell encapsulants, sheets, and wire and cables.



Hot melt adhesives



Shoe soles



Solar cell encapsulant films

Major Improvements – Equipment Improvements

Item	Completion Date	Expected Benefits
FKC Water Recovery	2016/06	Water saving Cost: 3.6 million \$NTD Saving: 0.72 million \$NTD/year ROI: 5 years
Plant 1 & Plant 2 Steam Condensate Recovery	2016/10	Water saving, energy saving and carbon reduction Cost: 2.6 million \$NTD Saving: 0.92 million \$NTD/year ROI: 3 years
Silo Blower Cooler Renewal	2016/11	Quality improvement Cost: 5 million \$NTD
Modifier Recovery System	2016/12	Quality improvement and increasing production Cost: 67 million \$NTD

Major Improvements – Equipment Improvements

Item	Completion Date	Expected Benefits
Cooling Tower Fan Variable Frequency	2017/06	energy saving & carbon reduction Cost: 2.5 million \$NTD Saving: 0.31 million \$NTD/year ROI: 8 years
Plant 1 EPT Improvement	2017/06	Quality improvement & cost down Cost: 2.9 million \$NTD
Air Compressor Renewal	2017/08	energy saving & carbon reduction Cost: 6.5 million \$NTD Saving: 0.91 million \$NTD/year ROI: 8 years
Natural Gas Boiler	2017/12	carbon reduction Cost: 9.8 million \$NTD Saving: 1.71 million \$NTD/year ROI: 6 years

Major Improvements – Equipment Expansion

Item	Completion Date	Expected Benefits
Automated Warehouse	2015/06	Environmental Protection Cost: 499 million \$NTD Saving: 44.1 million \$NTD/year ROI: 11 years
New EVA Production Line	2016/05	increasing production Cost: 3000 million \$NTD
New Boiler	2016/08	Water saving, energy saving and carbon reduction Cost: 99 million \$NTD
CBC Project	2017/09	High-Valued Product Cost: 2700 million \$NTD

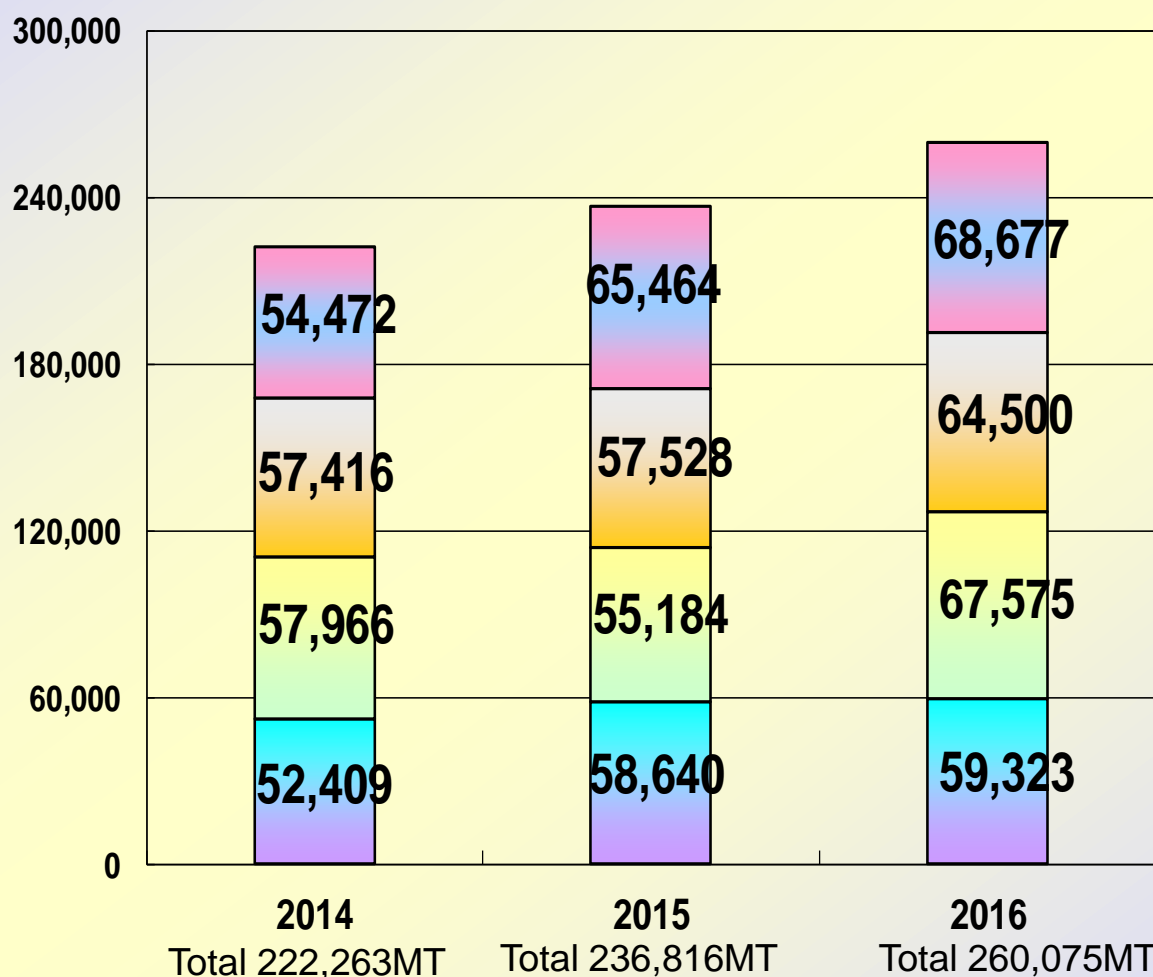
2016 Review

1. High ethylene price over 2016 due to tight supply supported the PE/EVA price.
2. HDPE, LLDPE, and EVA for foam/HMA businesses maintained stable.
3. China lowered FIT from June 30. Demand of PV grade surged in H1, dropped in Q3, and recovered in Q4.
4. New EVA line started up in May, and the quality was recognized by customers. Totally, 25,241 MT was produced in this new line in 2016.
5. Total sales volume reached 260,075 MT increased by 23,259 MT compared to 2015.

Sales Volume 2014~2015

Unit: MT	2014	2015	2016	Variance (2016-2015)	%
Total volume	222,263	236,816	260,075	+23,259	+9.8%
Plant#1 LD+EVA	108,784	111,770	132,591	+20,821	+18.6%
Plant#2 HD+LLD	113,479	125,046	127,484	+2,438	+1.9%

Sales Volume 2014~2016



PV Grade EVA Sales Volume

Unit: MT	Domestic Sales	Export Sales	Total
2012	59	28,682	28,741
2013	145	46,583	46,728
2014	33	47,613	47,646
2015	285	42,796	43,081
2016	477	65,713	66,190

Domestic / Export Sales 2016

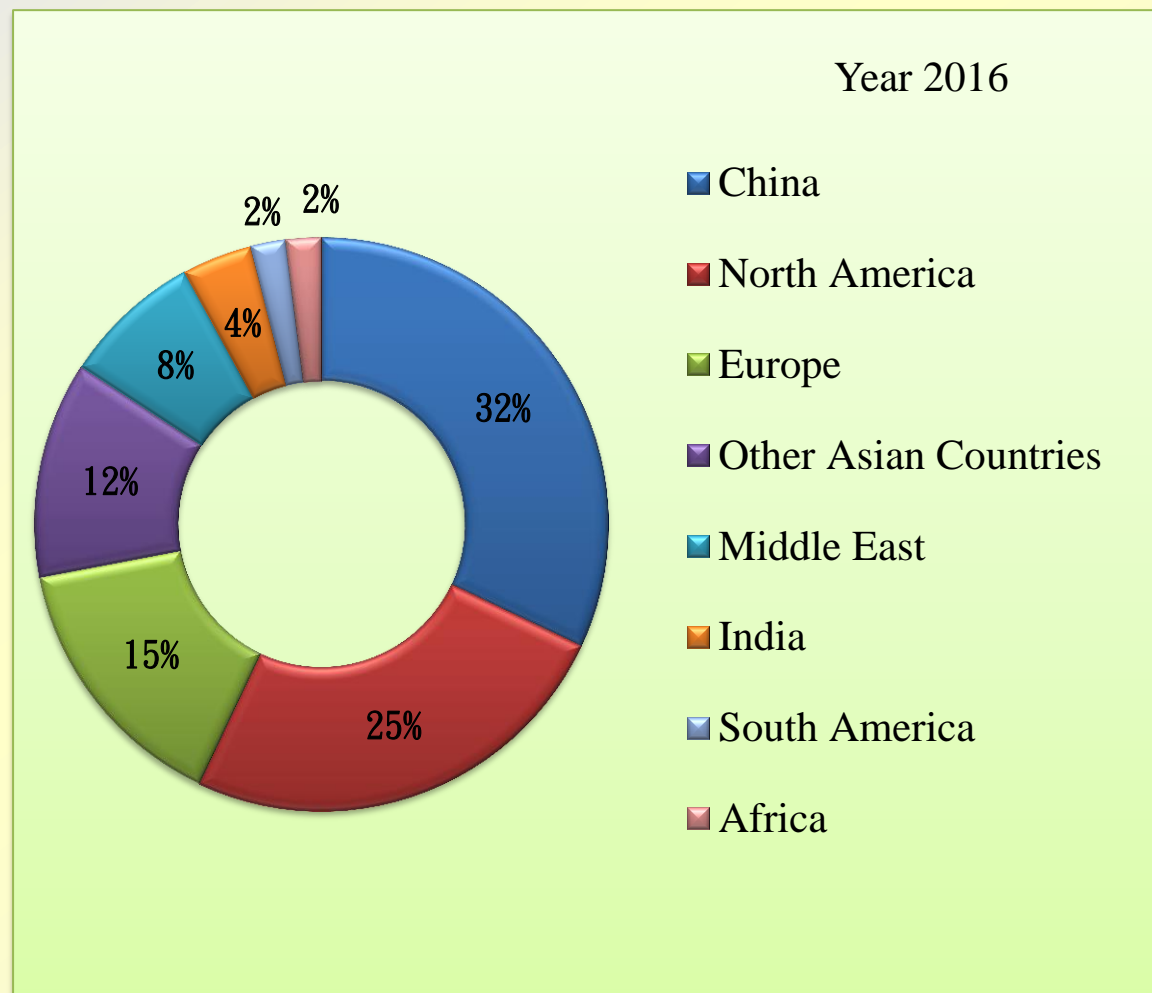
	Domestic Sales		Export Sales		Total (MT)
	Qty (MT)	%	Qty (MT)	%	
EVA	19,007	15.3%	105,301	84.7%	124,308
LDPE	6,930	83.7%	1,353	16.3%	8,283
LLDPE	20,489	91.4%	1,916	8.6%	22,405
HDPE	73,425	69.9%	31,654	30.1%	105,079
TOTAL	119,851	46.1%	140,224	53.9%	260,075

2017 Outlook

1. Ethylene price turned from the peak. PE/EVA sales will suffer the pressure of price adjustment in Q2.
2. PV grade demand seems optimistic in H1 2017. However, H2 depends on China's FIT policy.
3. Sales of EVA new capacity are no problem. Next target is to optimize the products mix and develop more profitable products.
4. Start-up of new capacity consumes more spot ethylene. Higher spot ethylene cost will force dynamically adjustment on product portfolio as market needs.

EVA Demand-Worldwide

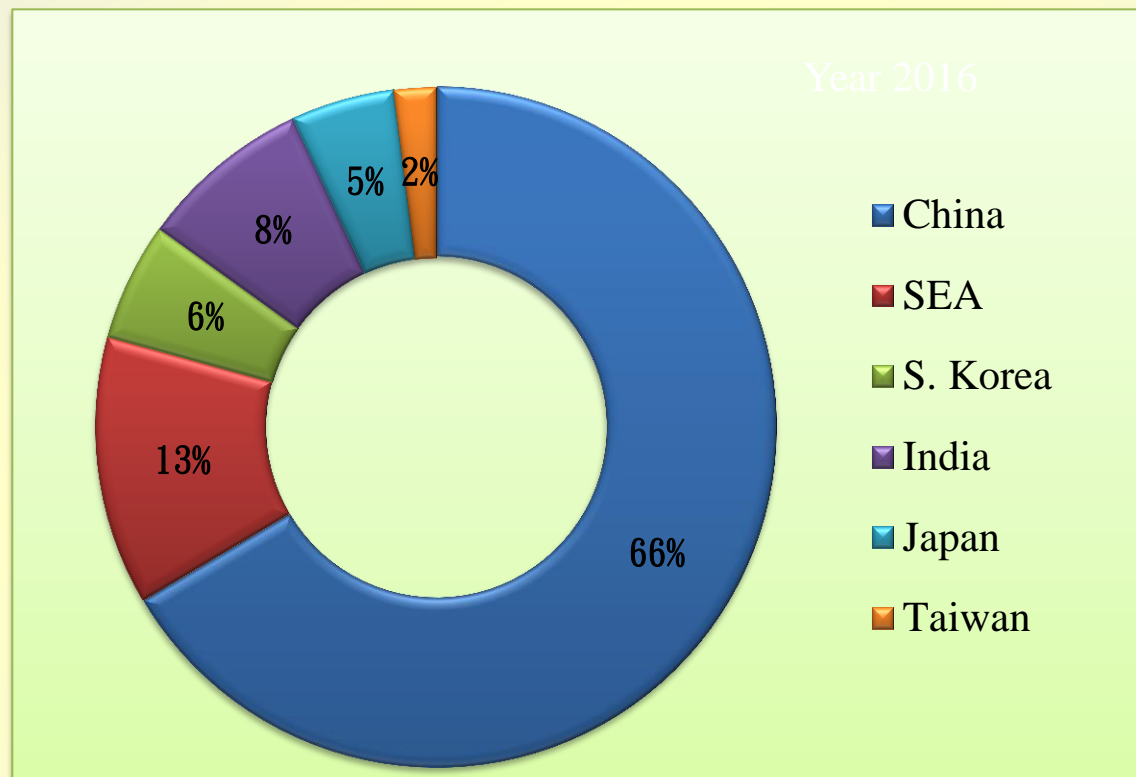
Region	Demand (kMT)
China	1300
North America	1015
Europe	609
Other Asian Countries	495
Middle East	319
India	160
South America	81
Africa	81
Total	4,060



Reference: Townsend、ICIS、SCI、Taiwan Customs

EVA Demand-Asia

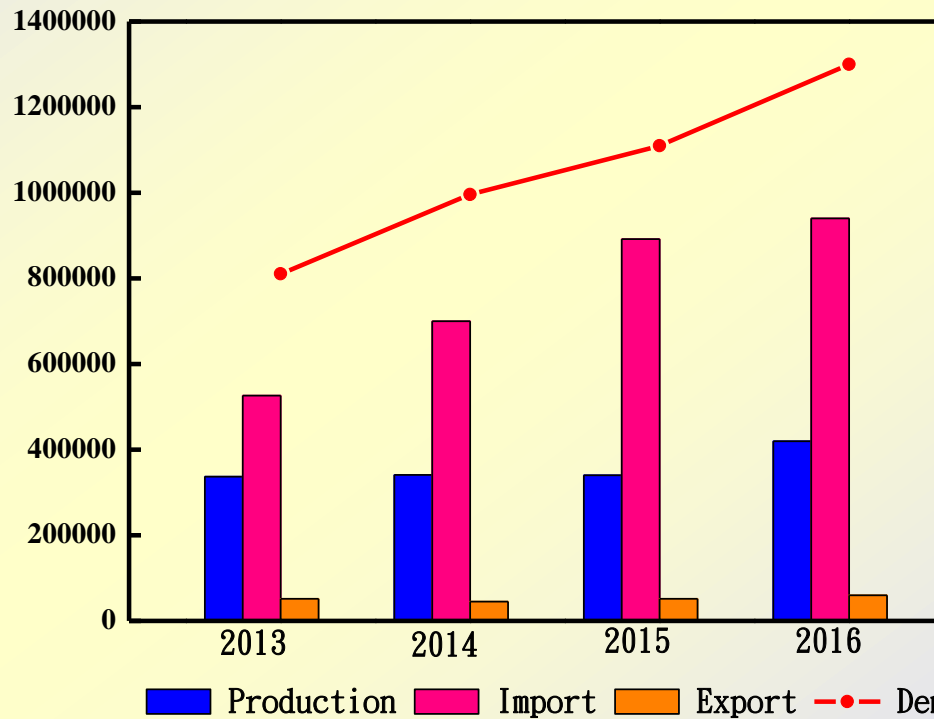
Region	Production (kMT)	Demand (kMT)
China	420	1,300
SEA	218	250
S. Korea	640	110
India	3	160
Japan	200	96
Taiwan	350	39
Total	1,831	1,955



Reference: Townsend 、 ICIS 、 SCI 、 Taiwan Customs

EVA Demand-China

Year	Production	Import	Export	Demand	Self-sufficiency rate
2013	337	526	52	811	0.42
2014	341	700	45	996	0.34
2015	340	892	52	1,110	0.30
2016	420	940	60	1,300	0.32



Unit: kMT

Reference: SCI、Taiwan Customs

Puratan™ (CBC) – Cyclic Block Copolymer (CBC)

- Puratan™ is a family of novel cyclic block copolymers (CBC), which are fully hydrogenated polymers based on styrene and conjugated dienes via anionic polymerization. This advanced material has remarkable thermal stability, excellent UV durability, extra-high transparency, low water absorption, low density and extreme purity. These features offer the users of Puratan™ with superior design flexibility, easy processing capability for extrusion , injection and blow molding with low life-cycle costs.
- Design nameplate capacity : 5,000 MT
- Total investment cost : US\$ 88.5 million (NT\$ 2.7 billion)
- Construction progress: 63% (till end of March, 2017)
- Proposed commissioning time: 2017Q4



Application of Puratran™ (CBC)

The overall marketing strategy is as follows:

Short-term goal: Seize the following markets: food packaging, baby bottle, light guide plate, and biomedical microplate.

Medium-term goal: Focus on applications with special requirement, such as optical films (including LCD optical film), substrate material for transparent conducting films, soft materials (emphasizing elasticity and bendability), and medical devices.

Long-term goal: This is extension of the medium-term goal of developing new applications and new markets featured with the special properties of CBC.



Optical Applications



Medical Applications



Food Packaging Applications

Gulei Petrochemical Project

Items

Ethylene、Propylene、Butadiene、Ethylene Vinyl Acetate copolymers (EVA)、Ethylene Oxide (EO)、Ethylene Glycol (EG), etc.

Fujian Gulei Petrochemical Co. Ltd.

Taiwan and China each holds 50 % of the joint venture company's shares.

Investment

- Total investment (Taiwan and China) : approximately 27.38 billion RMB
- According to USI Board's FID (March 2016), USI will indirectly invest the Gulei Project in Fujian Province, China, via a third place. The amount of investment will not exceed NT \$ 8 billion. Capital will be in place consecutively after government's approval.

Milestone

- Shareholders of Taiwan and China co-signed the JV agreement and corporate charter in May 2016.
- Registration of Fujian Gulei Petrochemical Co. Ltd. was complete in Xiamen on November 7, 2016.



Finance Information

Reporter :Amy Kuo Manager
Date : 2017, Apr.20

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Parent Company Only Statements Of Income

(In millions of NTD, except per share data)

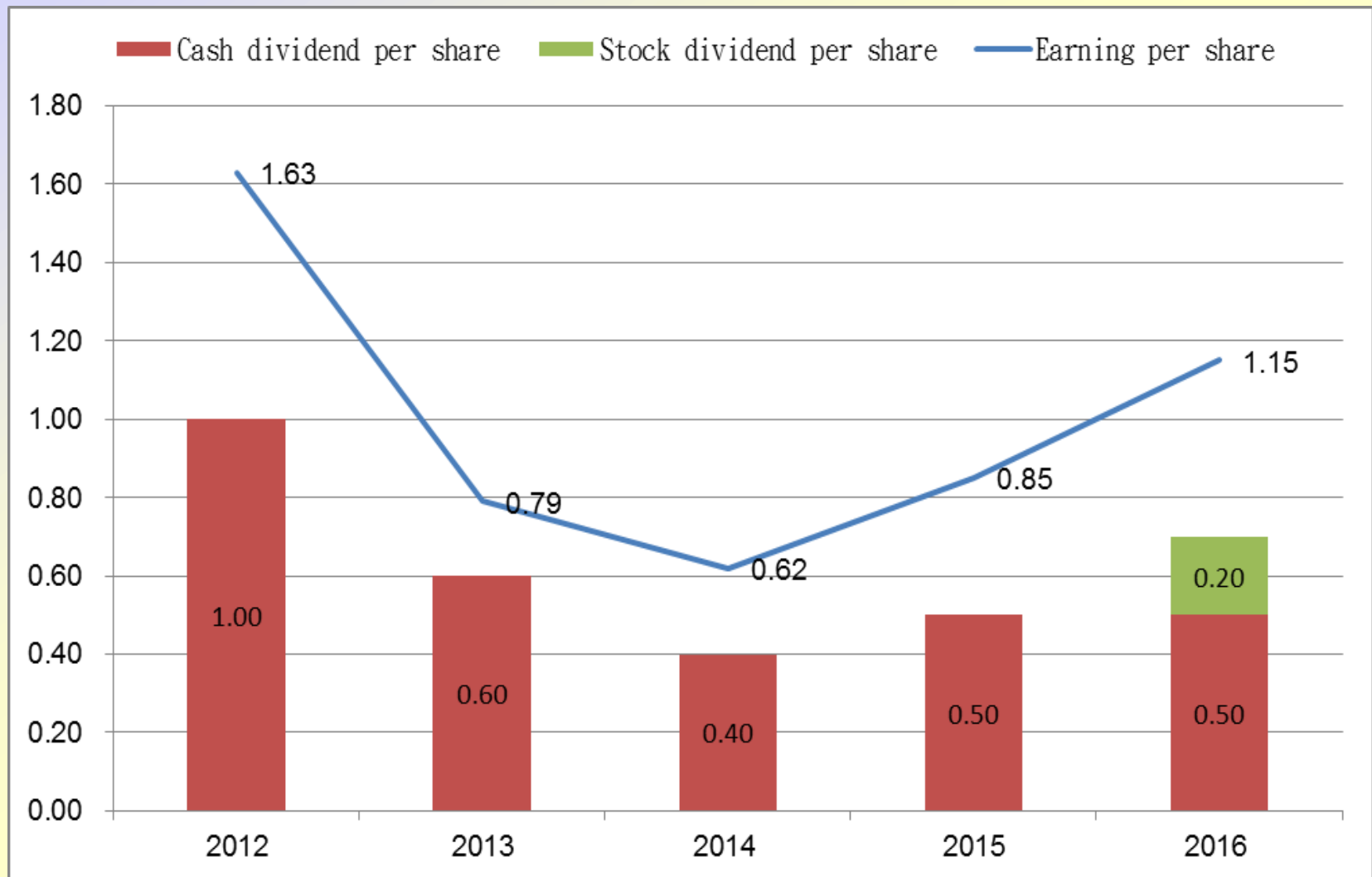
	2016	2015	YoY%
Sales	11,458	10,798	6.1%
Cost of goods sold	9,879	9,403	5.1%
Gross profit	1,579	1,395	13.2%
gross profit ratio	14%	13%	
Selling and administrative expenses	534	495	7.9%
R&D expenses	221	177	25.3%
Operating income	824	724	13.8%
operating income ratio	7%	7%	
Non-operating income	459	288	59.4%
Income before income taxes	1,283	1,012	26.8%
Income taxes	93	132	-29.5%
Net income	1,190	880	35.2%
net income ratio	10%	8%	
Earnings per share	1.15	0.85	

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Financial ratio analysis-Parent company only

	2016	2015	2014	2013	2012
Operating income margin(%)	7.2	6.7	4.0	2.3	7.4
Net income margin(%)	10.4	8.2	5.3	7.4	15.7
Debt ratio(%)	27	24	20	20	21
Current ratio(%)	442	329	342	673	695
Quick ratio(%)	376	277	270	579	613
Accounts receivable turnover days	33	35	28	22	23
Inventory turnover days	43	50	45	42	51

EPS vs DPS



Thank You!!

Q & A