

USI Corporation

(Stock Code : 1304)

Investor Conference

2019.09.06

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The information in this presentation is not for investment advices.

Presentation Outline



**General Information of USI
Business Review and Outlook**

Finance Information

Q&A

General Information of USI

Reported By: Mark Wu, Vice President of Sales & Marketing Dept.

Established Date

May 26, 1965

Capital

NT\$11,888M (up to Jun. 30, 2019)

No. of Employees

470 (up to Jun. 30, 2019)

Revenue (2018)

**Individual : NT\$11,800M
Consolidated : NT\$60,900M**

High Pressure LDPE/EVA Plant

Production Facility

- 4 sets of High-Pressure Autoclave Production Lines

Annual Capacity

- LDPE/EVA Total at 150KMT

Main Products

- Low Density Polyethylene Resin (Injection/Film Grades)
- Ethylene Vinyl Acetate Copolymer Resin (Foaming/HMA/PV Grades)

Low Pressure HDPE/LLDPE Plant

Production Facility

- 1 set of Gas Phase Production Line

Annual Capacity

- HDPE/LLDPE Total at 130KMT

Main Products

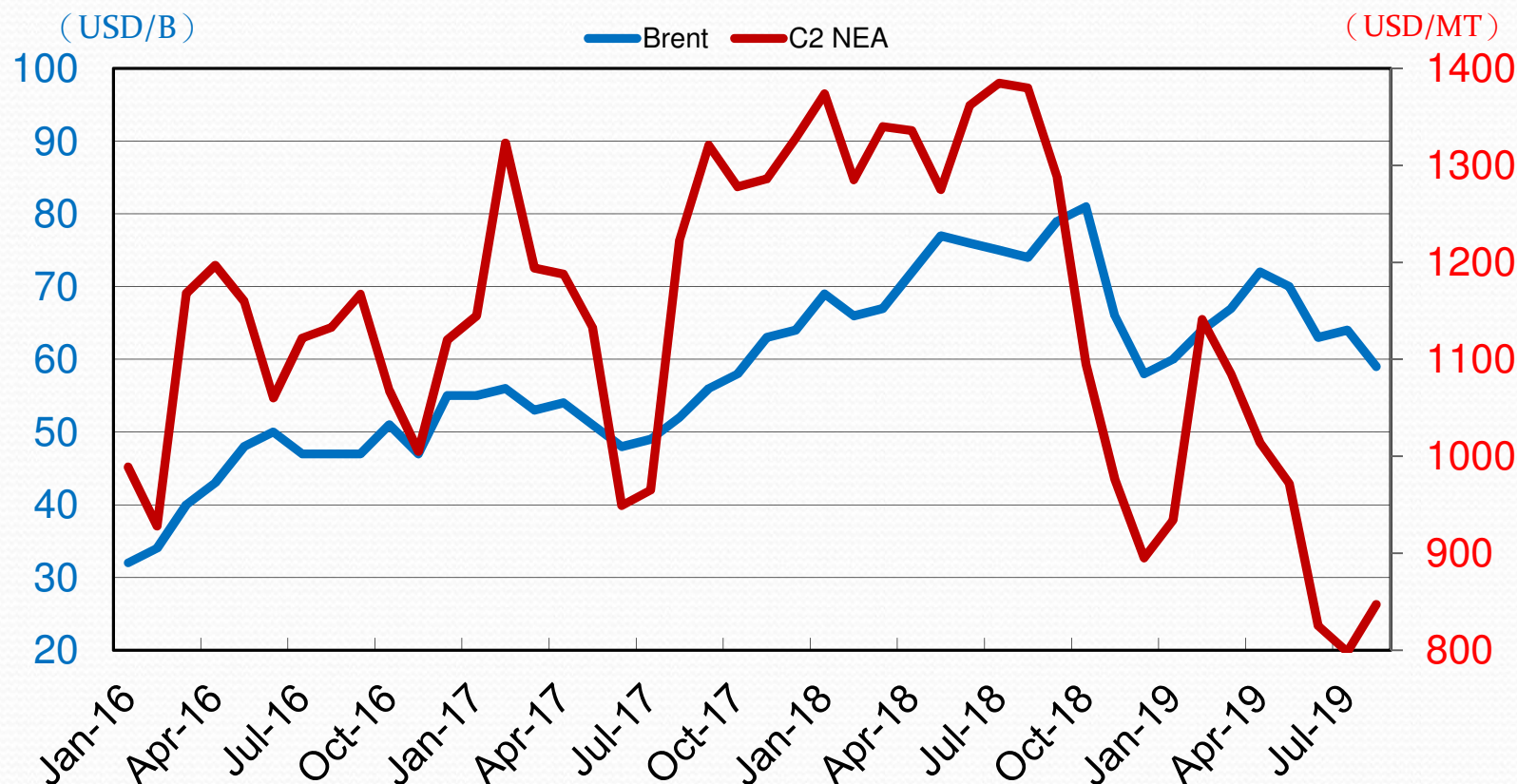
- High Density Polyethylene Resin (Injection/Yarn/Rotation Grades)
- Linear Low Density Polyethylene Resin (Blown Film/Casting Grades)

Business Review and Outlook

Reported By: Mark Wu, Vice President of Sales & Marketing Dept.

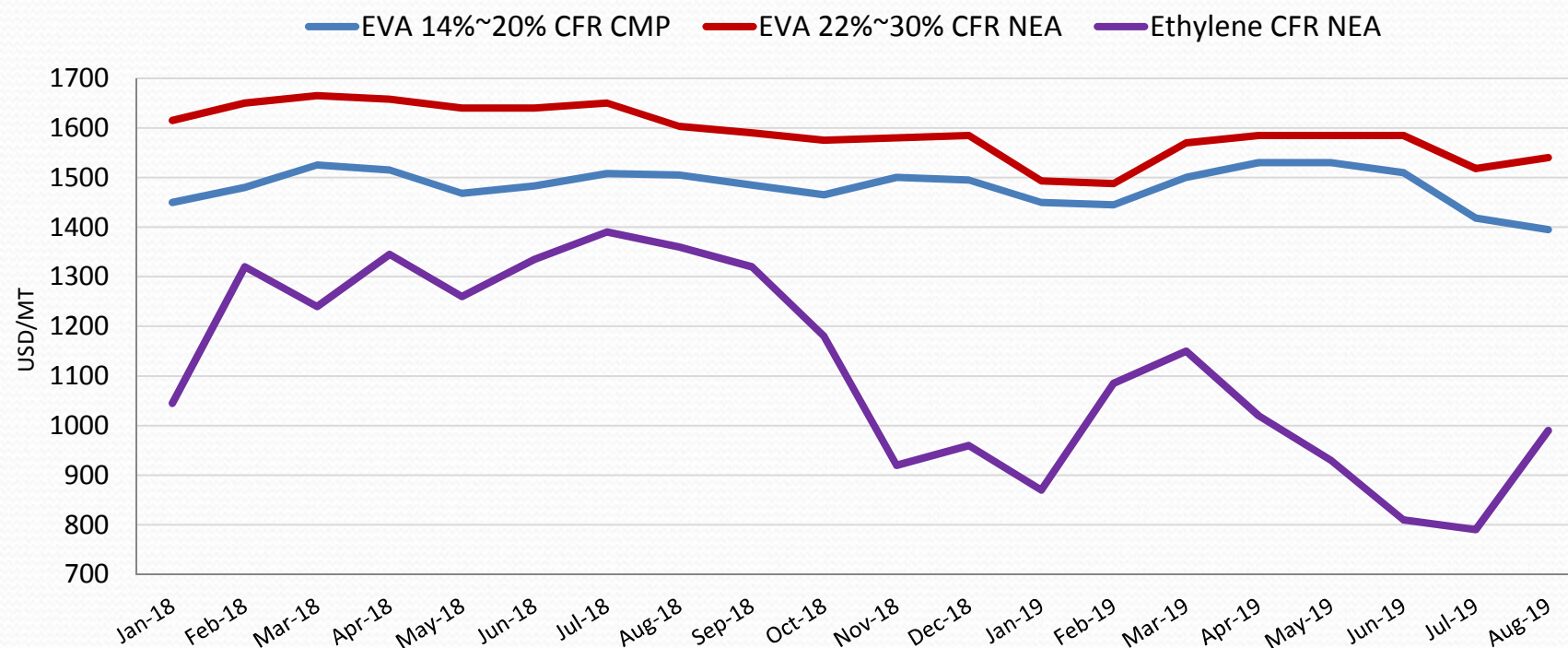
Crude oil / Ethylene Monomer

- Ethylene : Ethylene supply was tight globally in 2018. Other ethylene derivatives demand exuberated in Asia. Ethylene price was strong in Q1-Q3. The price went down in Q4 due to US-China trade war tension and new capacity commissioning in the US. Ethylene supply is relatively ample in 2019 and its price is cheaper as well.



EVA Prices Review

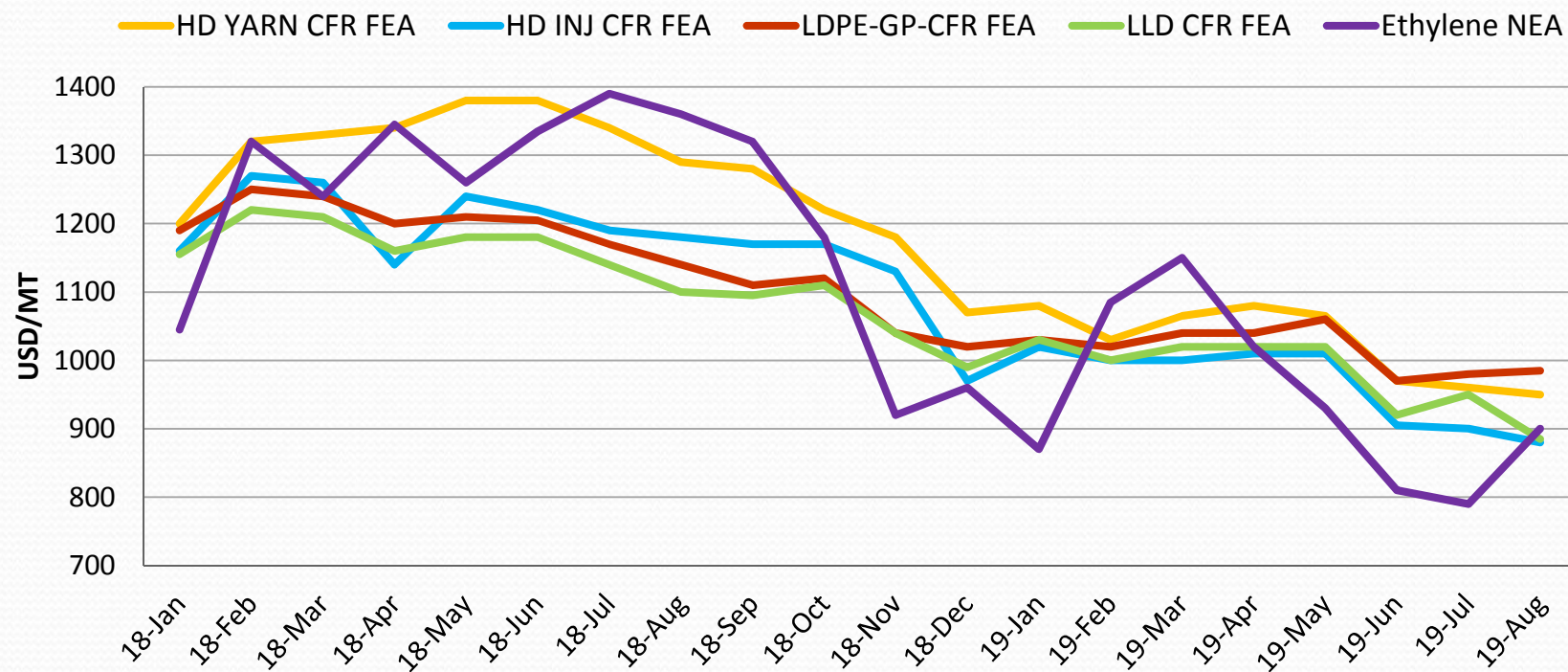
EVA Price Trend



Source from: ICIS, Platts

PE Prices Review

PE Price Trend



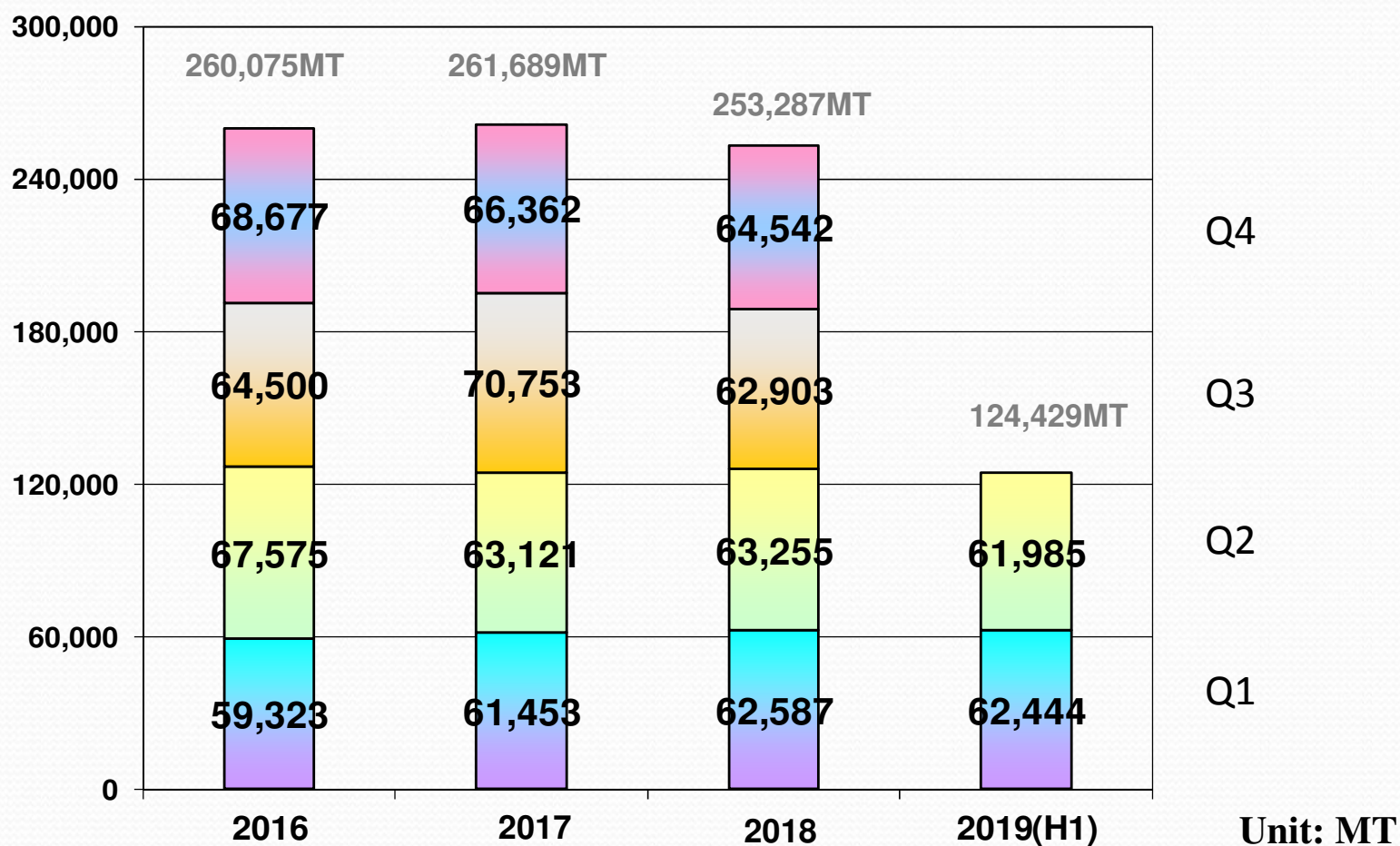
Source from: ICIS, Platts

Business Review of 2016 to H1, 2019

Comparison of Sales Volume

Sales Volume (KMT)	2016	2017	2018	Jan.~Jun., 2019
LDPE	8	9	8	4
EVA	124	140	137	72
HDPE	105	103	97	45
LLDPE	22	10	11	4
Total	260	262	253	125

Sales Volume of 2016 to H1, 2019



H1 of 2018 & 2019

Sales Volume Comparison

(Unit: MT)	Jan.~Jun., 2018	Jan.~Jun., 2019	Variance
TOTAL	125,842	124,429	-1,413
LDPE	4,230	3,466	-764
EVA	67,595	71,603	4,008
HDPE	48,117	45,253	-2,864
LLDPE	5,900	4,107	-1,793

EVA Business Review : H1, 2019

- Due to the unpredictable shutdown of the Korea supplier and the annual maintenance season, EVA supply was tight in the market. Although the ethylene price dropped after Chinese New Year, EVA price went up against the ethylene price. The sales volume of H1, 2019 increased by 6% comparing to that of H1, 2018.
- Foam grade EVA supply was getting tighter after Chinese New Year. The price and the inquiries were both increased significantly. The price trend was backward a bit in May.
- The trend of sports shoes / walking shoes development was to pursue softness, high bounce, and great comfort. The mass production of high-end foam grade EVA came out successively.
- Solar grade EVA was in short supply due to strong demand.
- Hot melt grade EVA was in balanced demand and supply. Small amount yet multiple grades met the operation strategy.

LDPE/HDPE/LLDPE Business Review : H1, 2019

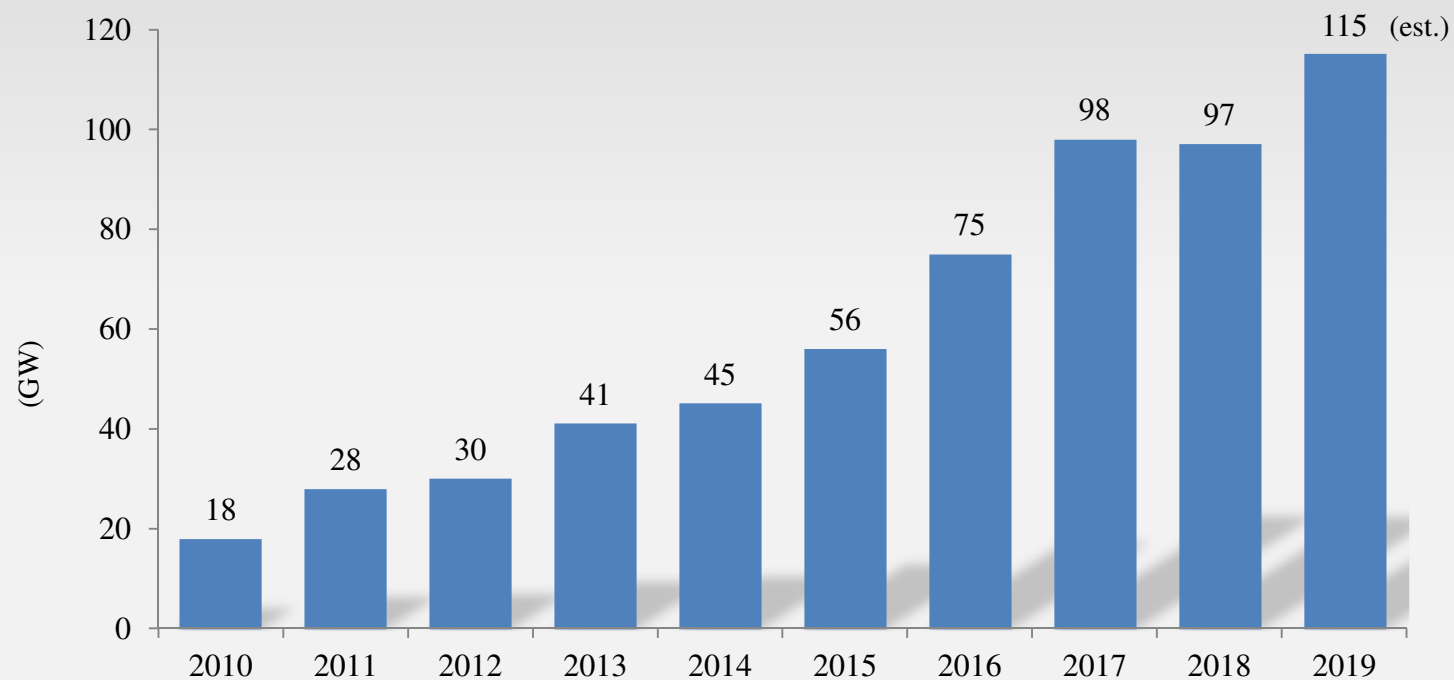
- Ethylene price dropped after Chinese New Year, and the price trend of HDPE / LLDPE / LDPE went downward correspondingly. Under the influence of US-China trade war, the purchasing scale was conservative.
- HDPE: Ample supply but dull demand in the market. The sales volume of H1, 2019 decreased by 6% comparing to that of H1, 2018.
- LLDPE : Poor spread. In order to maintain only regular customers, a price system implemented to balance supply and demand. The sales volume of H1, 2019 decreased by 30% comparing to that of H1, 2018.
- LDPE : Very limited quantity to supply to regular customers. The OEM production was provide by affiliated company APC. The sales volume of H1, 2019 decreased by 18% comparing to that of H1, 2018.

PV Grade EVA Sales Volume

	Dom. (MT)	Exp. (MT)	Total (MT)
2014	30	2,329	2,359
2015	248	33,879	34,127
2016	210	64,549	64,759
2017	60	76,928	76,988
2018	21	66,858	66,879
2019 Q1~Q2	10	37,764	37,774

Global PV Demand

2010~2019 Global PV Installations



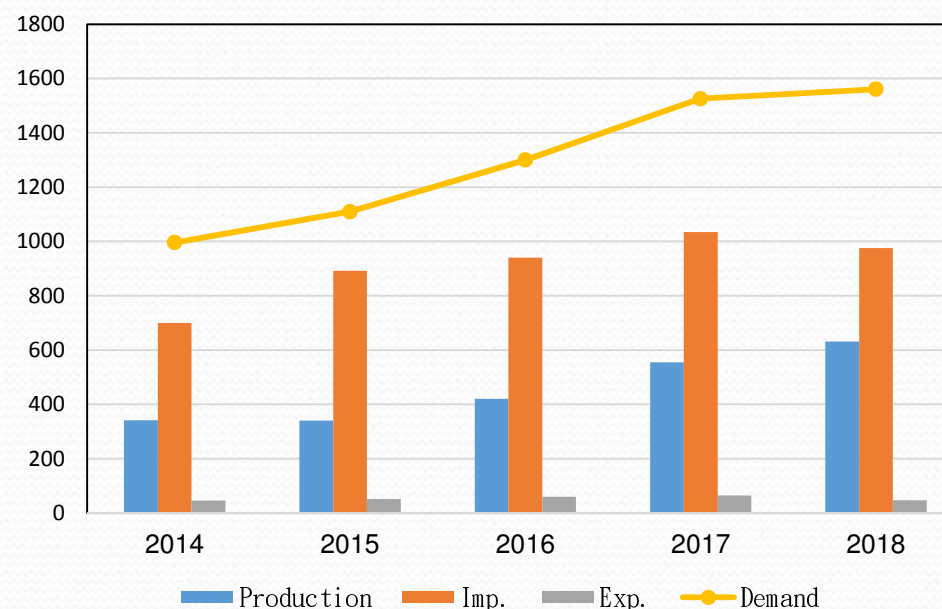
Source from:

1. IEA (International Energy Association)
2. Energy trend
3. SOLARSTAR
4. Bloomberg New Energy Finance

China EVA Demand

Unit: KMT

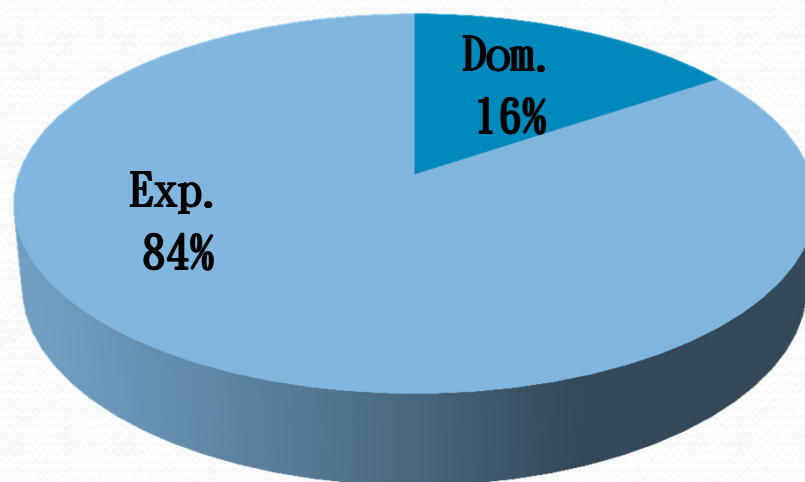
Year	Production	Import	Export	Demand	Self-sufficiency rate
2014	341	700	45	996	34%
2015	340	892	52	1,110	30%
2016	420	940	60	1,300	32%
2017	555	1,035	64	1,526	36%
2018	631	976	48	1,558	40%



Reference: Chem99,
China Customs Data

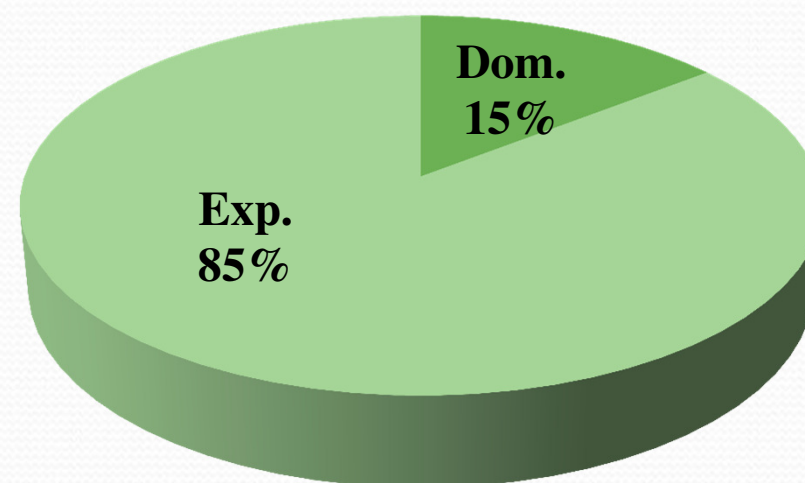
Ratio of EVA Dom./Exp. Sales

2018



Exp.: 115.6KMT; Dom.: 21.4KMT

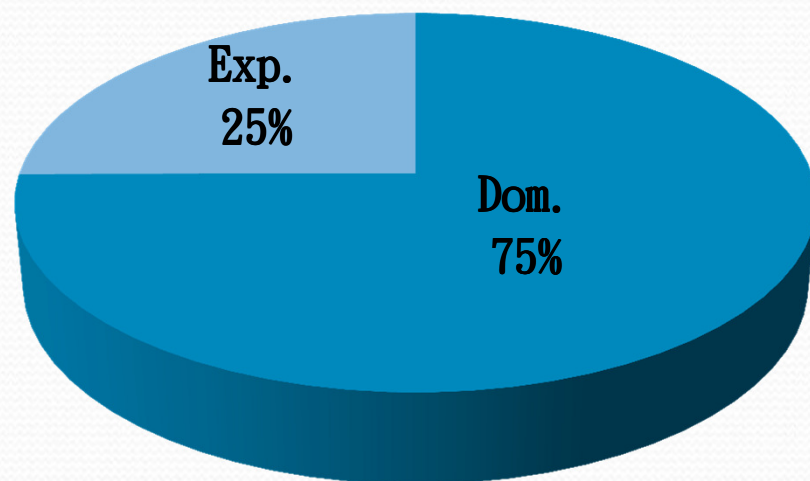
Jan.~Jun., 2019



Exp.: 61.2KMT; Dom.: 10.4KMT

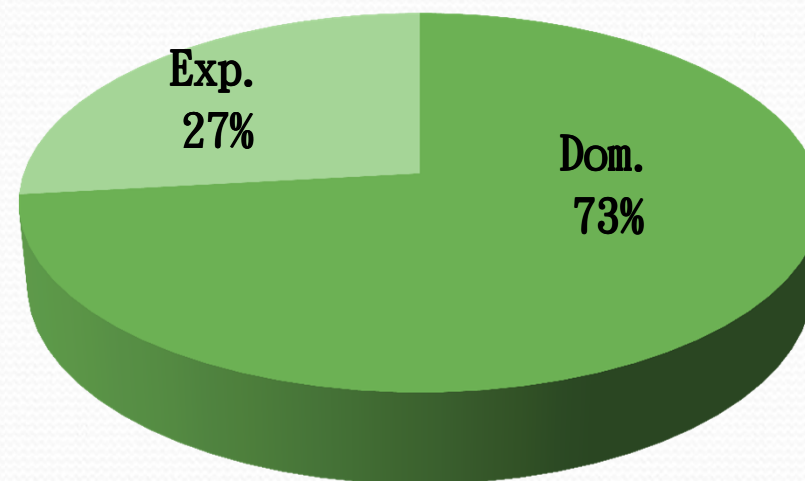
Ratio of HDPE Dom./Exp. Sales

2018



Exp.: 24.4KMT; Dom.: 73.0KMT

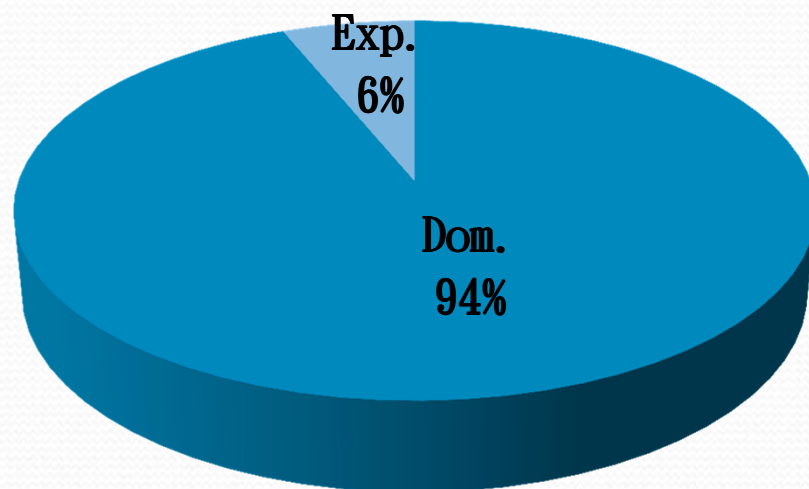
Jan.~Jun., 2019



Exp.: 12.1KMT; Dom.: 33.1KMT

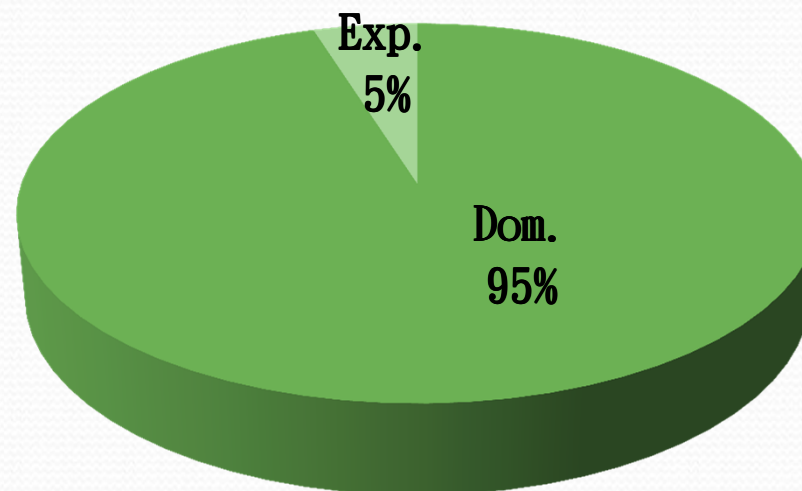
Ratio of LLDPE Dom./Exp. Sales

2018



Exp.: 0.7KMT; Dom.: 10.0KMT

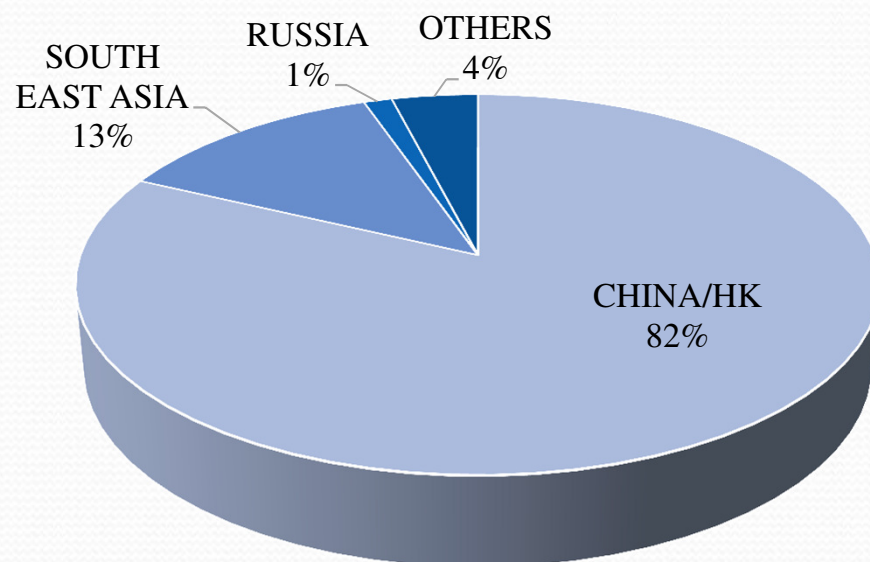
Jan.~Jun., 2019



Exp.: 0.2KMT; Dom.: 3.9KMT

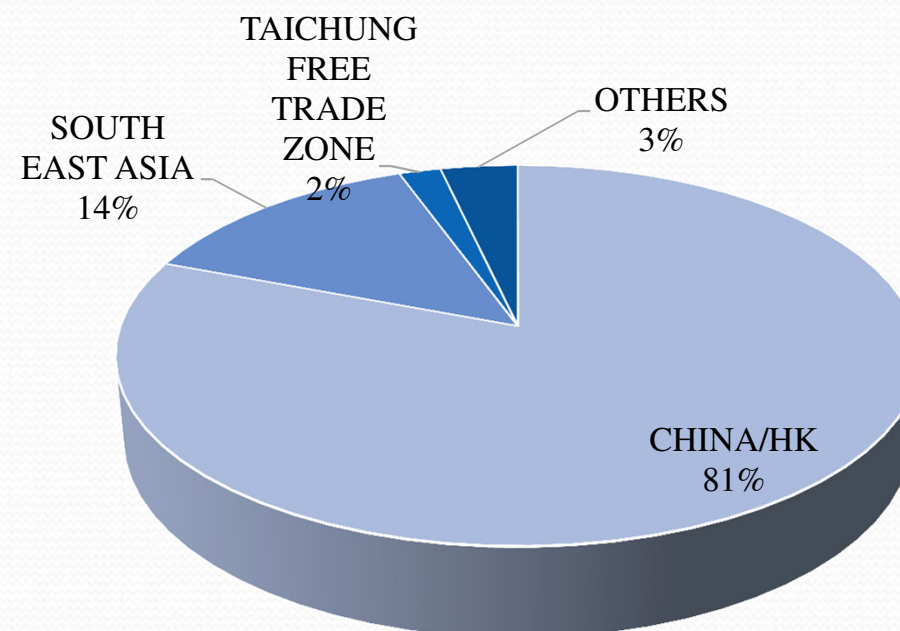
EVA Export Sales by Area

2018



CHINA/HK: 94.8KMT
SOUTH EAST ASIA: 14.6KMT

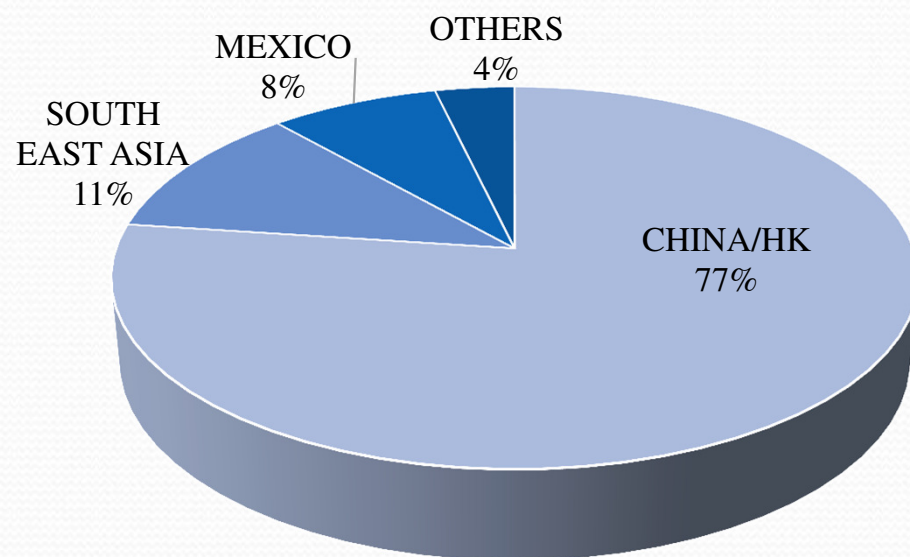
Jan.~Jun., 2019



CHINA/HK: 49.4KMT
SOUTH EAST ASIA: 8.4KMT

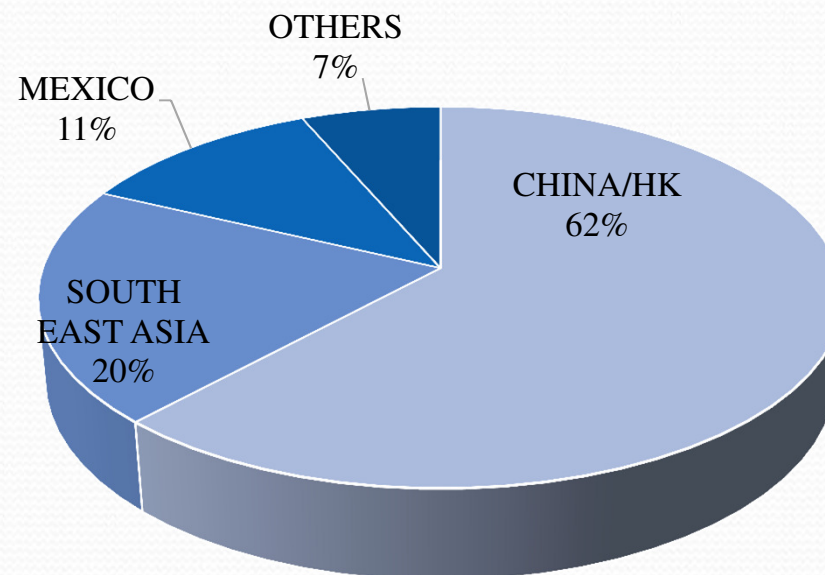
HDPE Export Sales by Area

2018



CHINA/HK: 18.8KMT
SOUTH EAST ASIA: 2.8KMT

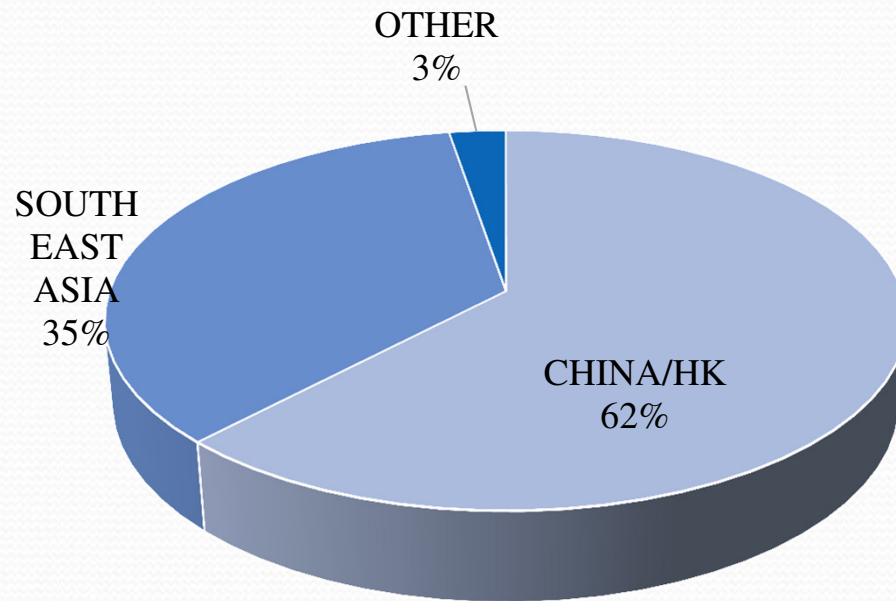
Jan.~Jun., 2019



CHINA/HK: 7.5KMT
SOUTH EAST ASIA: 2.4KMT

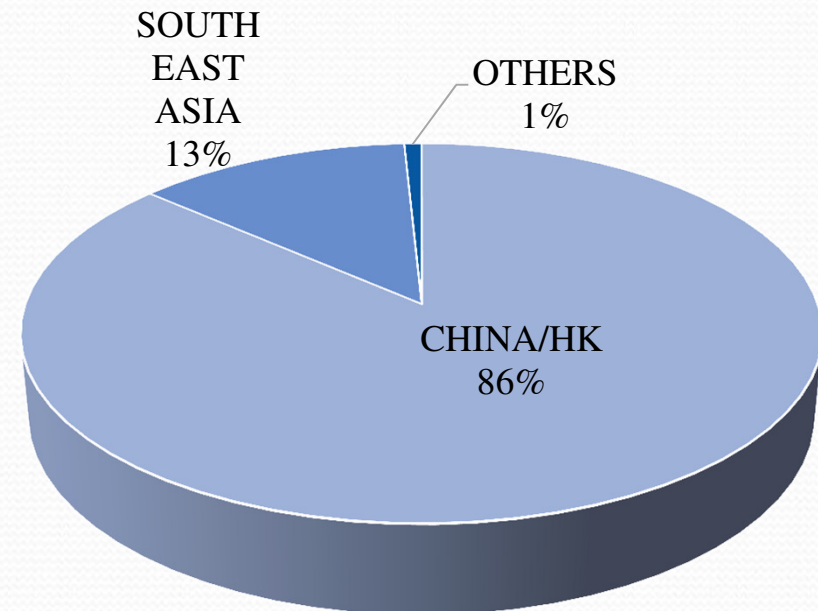
LLDPE Export Sales by Area

2018



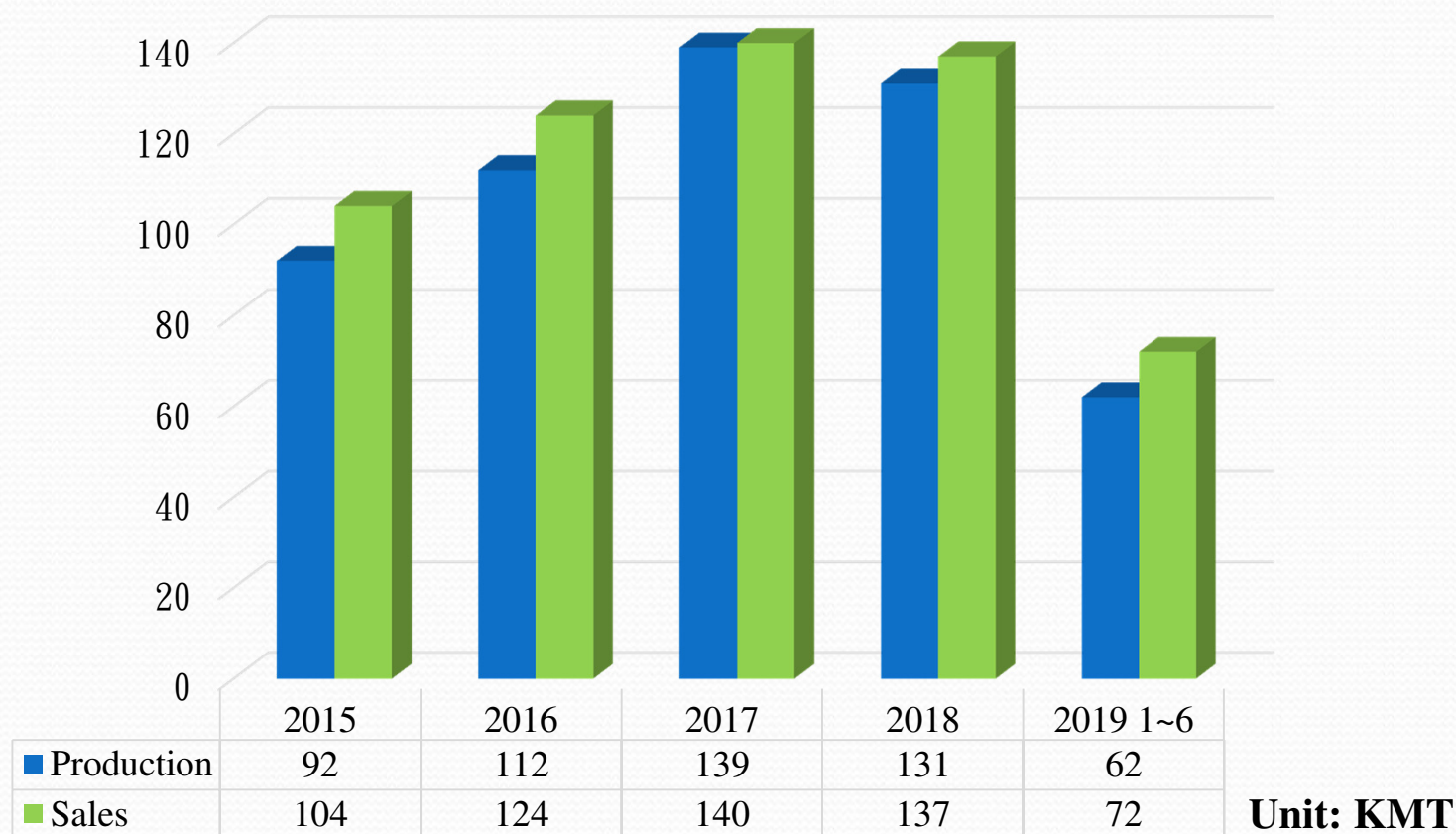
CHINA/HK: 0.4KMT
SOUTH EAST ASIA: 0.2KMT

Jan.~Jun., 2019



CHINA/HK: 0.2KMT
SOUTH EAST ASIA: 0.02KMT

EVA Production & Sales Volume

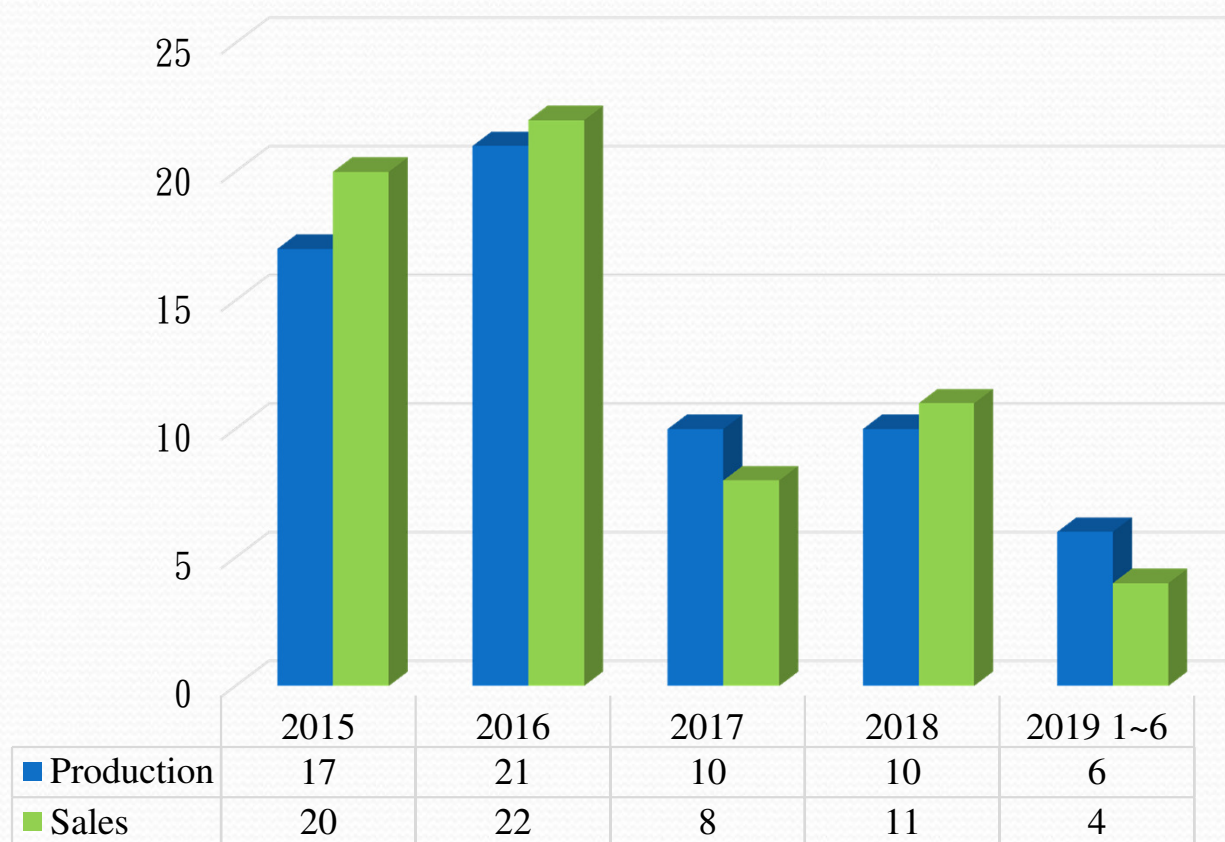


HDPE Production & Sales Volume



Unit: KMT

LLDPE Production & Sales Volume



Unit: KMT

Business Outlook of 2019

■ Crude oil :

From late 2018 till the first half of 2019, the crude oil price tendency went upward due to OPEC's reduced supply and relatively stable labor market in the US. In the second half of 2019, the intensified trade war between China and the US weakens the economic demand which also pulls down the oil price. The oil price tendency is possibly going soft and conservative.

■ Ethylene :

Although there was a period of annual maintenance from March to May in Asia, the higher end price dropped due to the increase of distant cargo. In the second half of 2019, as new capacities are expected to join the market in China and Korea, and the US-China trade war intensifies, the higher & lower ends of price may both go downwards.

Business Outlook of 2019

■ PE & EVA :

- In the first half of 2019, the supply was tight due to maintenance season and some accident shutdown. Although the ethylene price dropped after Chinese New Year, EVA price went up against the ethylene price.
- Solar grade EVA has strong demand in Q1 to Q3 which the heat will possibly last in Q4.
- The mass production of EVA for high-end or special applications is produced successively.
- New capacity of PE made from shale gas in North America joins the market continuously. PE may be over supplied. Under the influence of US-China trade war, it is needful to pay attention to the price cutting competition in domestic market brought by imported cargoes.
- Not only consistently developing niche products but also tailor-made new products meets the needs of customers.

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 30.39 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

- Registration of Fujian Gulei Petrochemical Co. Ltd. was complete in November 2016.
- Opening ceremony of Fujian Gulei Petrochemical Co. Ltd. was launched in December 2017.
- Overall design of Gulei Petrochemical Project was approval in August 2018.
- The Land Usage Proposal and Infrastructure Plan were reviewed and approved by the Gulei Committee in May and July 2019 respectively.



Progress in Cyclic block copolymers (CBC)

- **Production Status:** Commercial production has been started. In the meantime, we are working on process improvement to make final products with optimal cleanness and optical properties.
- **Main Application Market:**
We are focusing on optical, bio-diagnostics, medical devices, food packaging, deep ultraviolet device, and eyewear applications. In each sector, we have arranged sample for testing. We will follow up the testing result and conclude the business gradually.



Vivion™ Website

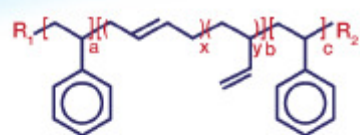


Complete Hydrogenation

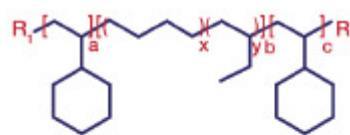
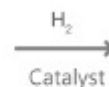
- Ensured product quality

Anionic Polymerization

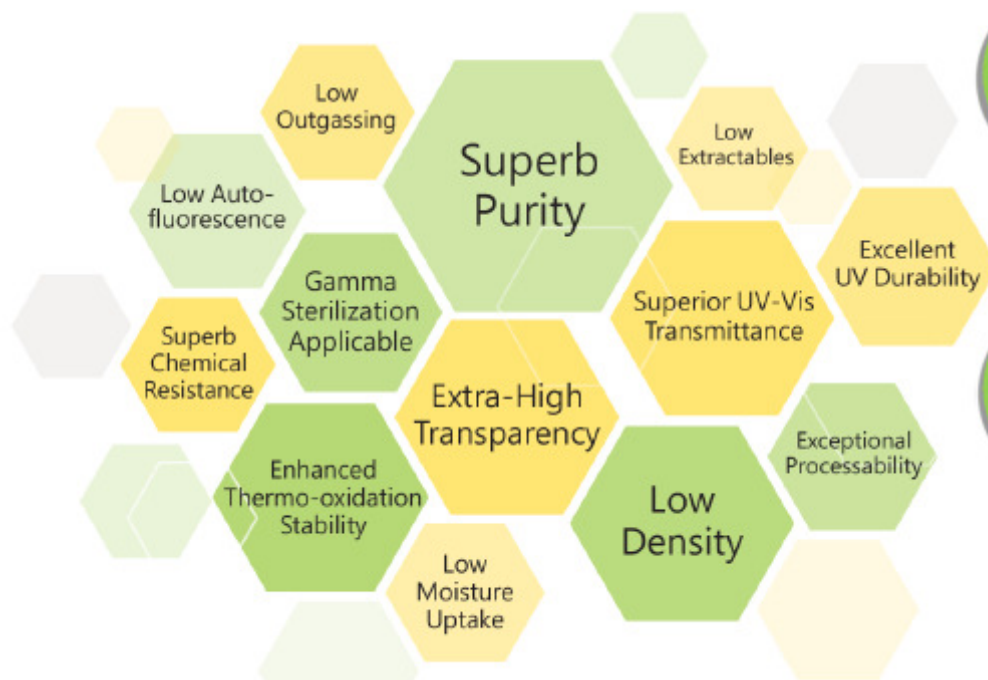
- Extremely high cleanliness



Styrene-Butadiene Copolymers



Cyclic Block Copolymers



Optics

Superior high transparency
Super high flow



Deep Ultraviolet (UVC) Device

High UVC transmittance
Low color shift
Exceptional processability



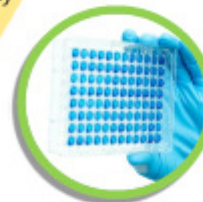
Medical Device

Extreme cleanliness
Anti-Gamma



Food Packaging

Superb purity, High clarity,
Increase stiffness,
retain transparency, &
create Easy-tear properties
(blend to PE/PP film)



Bio-diagnostics

High UV transparency
Low autofluorescence



Wearable Device

Light weight
Super high transparency

USI Corporation and Subsidiaries

Consolidated Financial Information

Reported by: Amy Kuo, Manager of Accounting Dept.

USI Corporation

Consolidated Statements of Income



(In millions of NTD, except per share data)

	2019 1/1-6/30	2018 1/1-6/30	YoY%	2018 FY	2017 FY	2016 FY
Sales	27,995	30,332	-7.7%	60,893	58,134	53,102
Cost of goods sold	24,855	26,618	-6.6%	55,098	51,007	46,221
Gross profit	3,140	3,714	-15.5%	5,795	7,127	6,881
gross profit ratio	11%	12%		10%	12%	13%
Selling and administrative expenses	1,697	1,701	-0.2%	3,440	3,360	3,248
R&D expenses	216	200	8.4%	422	389	471
Operating income	1,226	1,814	-32.4%	1,933	3,378	3,161
operating income ratio	4%	6%		3%	6%	6%
Non-operating income(loss) *	491	385	27.6%	597	108	(68)
Income before income taxes	1,717	2,199	-21.9%	2,530	3,486	3,093
Income taxes	429	530	-19.0%	654	776	714
Net income	1,288	1,668	-22.8%	1,876	2,710	2,379
net income ratio	5%	5%		3%	5%	4%
Net income attributable to						
- USI Corporation	696	527	32.0%	540	1,111	1,189
- non-controlling interests	592	1,141	-48.1%	1,336	1,599	1,190
Earnings per share	0.65	0.49	32.7%	0.50	1.06	1.15
adjusted					1.04	1.13

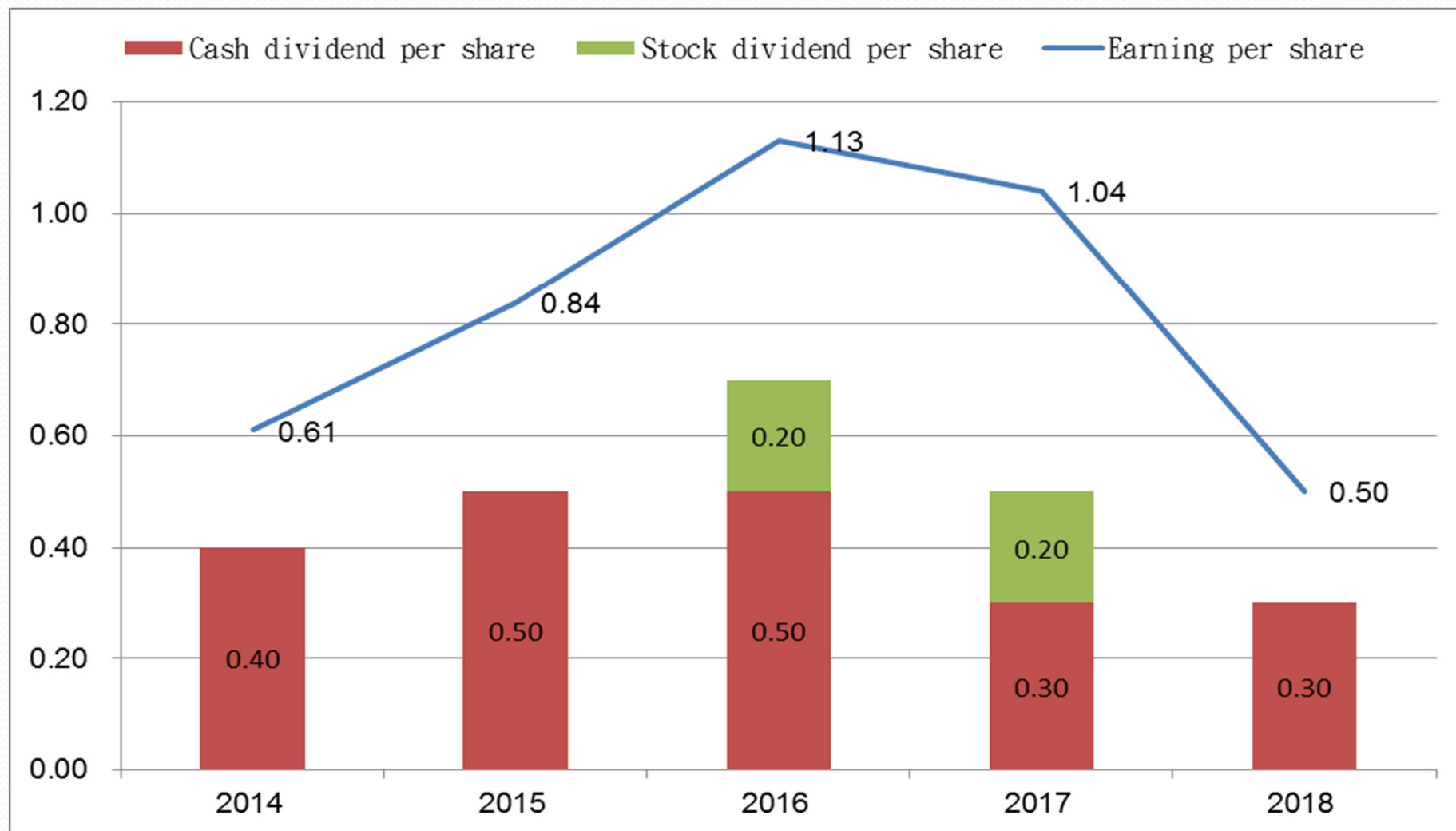
*Note:Non-operating income(loss) included discontinued operations income(loss)

USI Corporation

Financial ratio analysis-Consolidated

	2019 1/1-6/30	2018 1/1-6/30	2018 FY	2017 FY	2016 FY
Operating income margin(%)	4.4	6.0	3.2	5.8	6.0
Net income margin(%)	4.6	5.5	3.1	4.7	4.5
Debt ratio(%)	47	46	47	46	48
Current ratio(%)	217	232	205	237	237
Quick ratio(%)	169	174	155	178	185
Accounts receivable turnover days	53	49	50	48	49
Inventory turnover days	46	48	45	48	54

EPS vs DPS





Thanks for attending the conference and your kind support

Company Website : <http://www.usife.com.tw>