

USI CORPORATION

(Stock Code : 1304)

Investor Conference

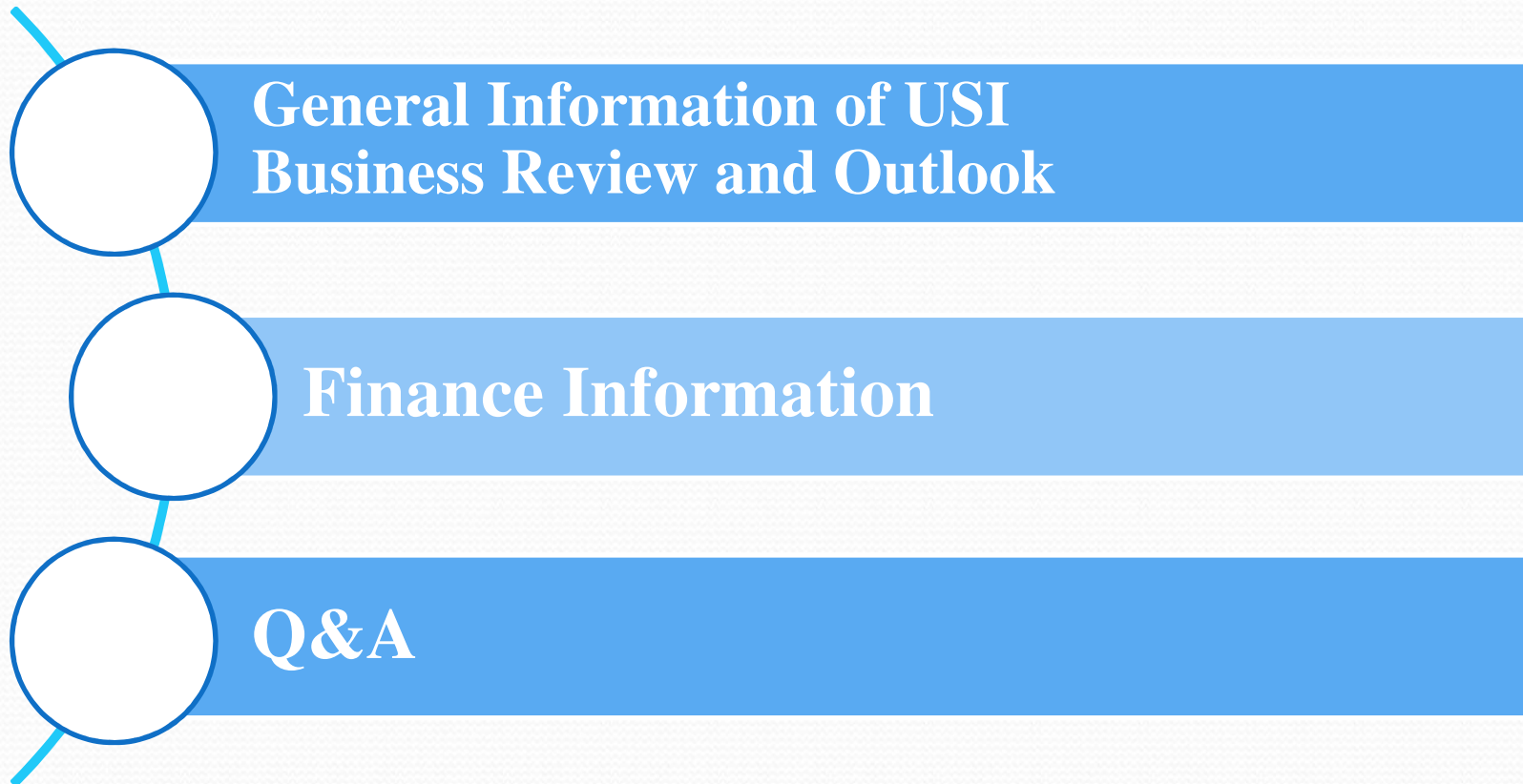
2019.12.09

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The information in this presentation is not for investment advices.

Presentation Outline



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 Sep. 30, 2019)

No. of Employees

468 (up to Sep. 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 Resins (Injection/Film Grades)
- Ethylene Vinyl Acetate Copolymer Resins (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 Resins (Injection/Yarn/Rotation Grades)
- Linear Low Density Polyethylene Resins (Blown Film/Casting Grades)

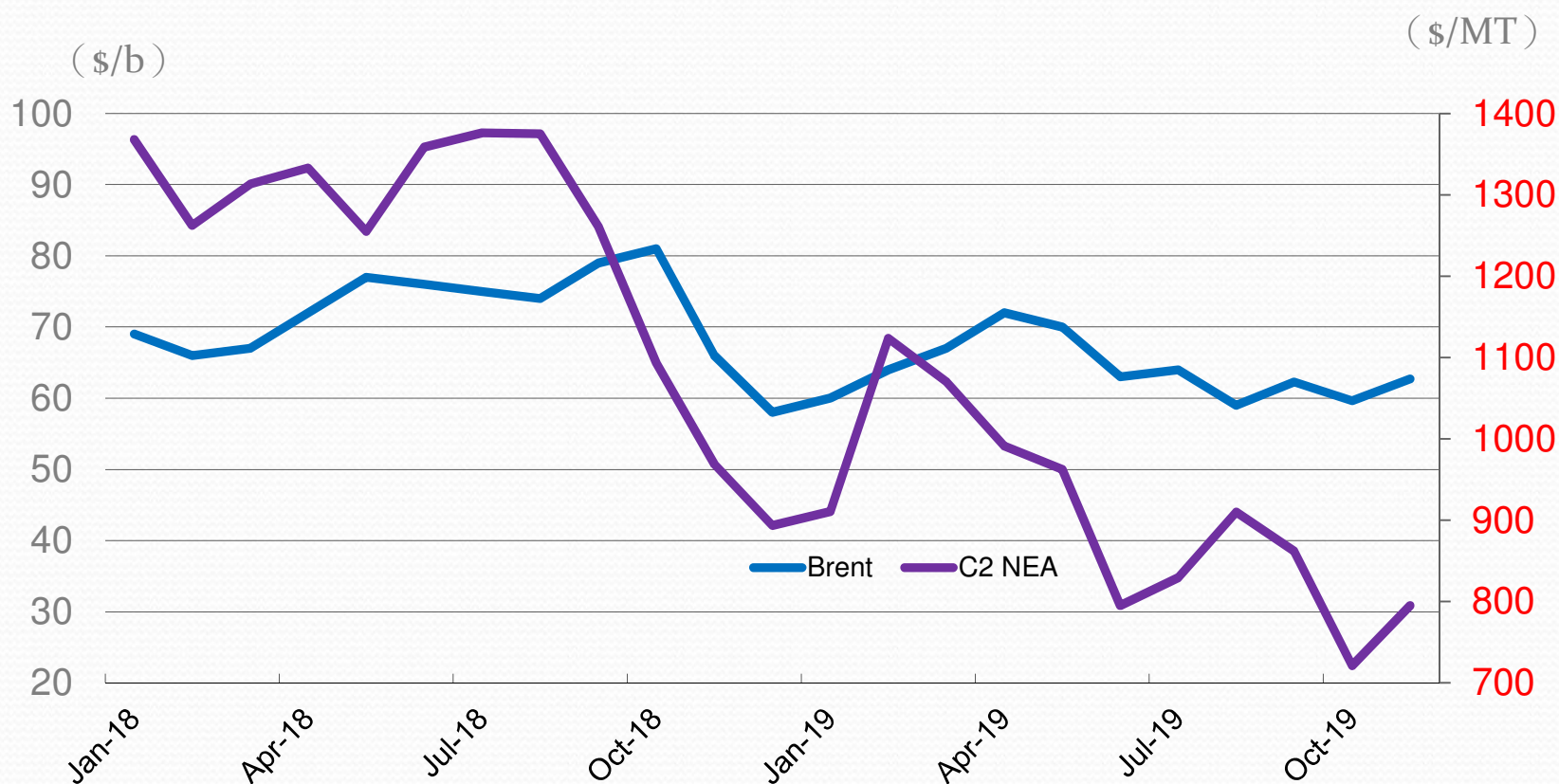
Business Review and Outlook

Reported By: Mark Wu

(Vice President of Sales & Marketing Dept.)

Crude oil / Ethylene Monomer

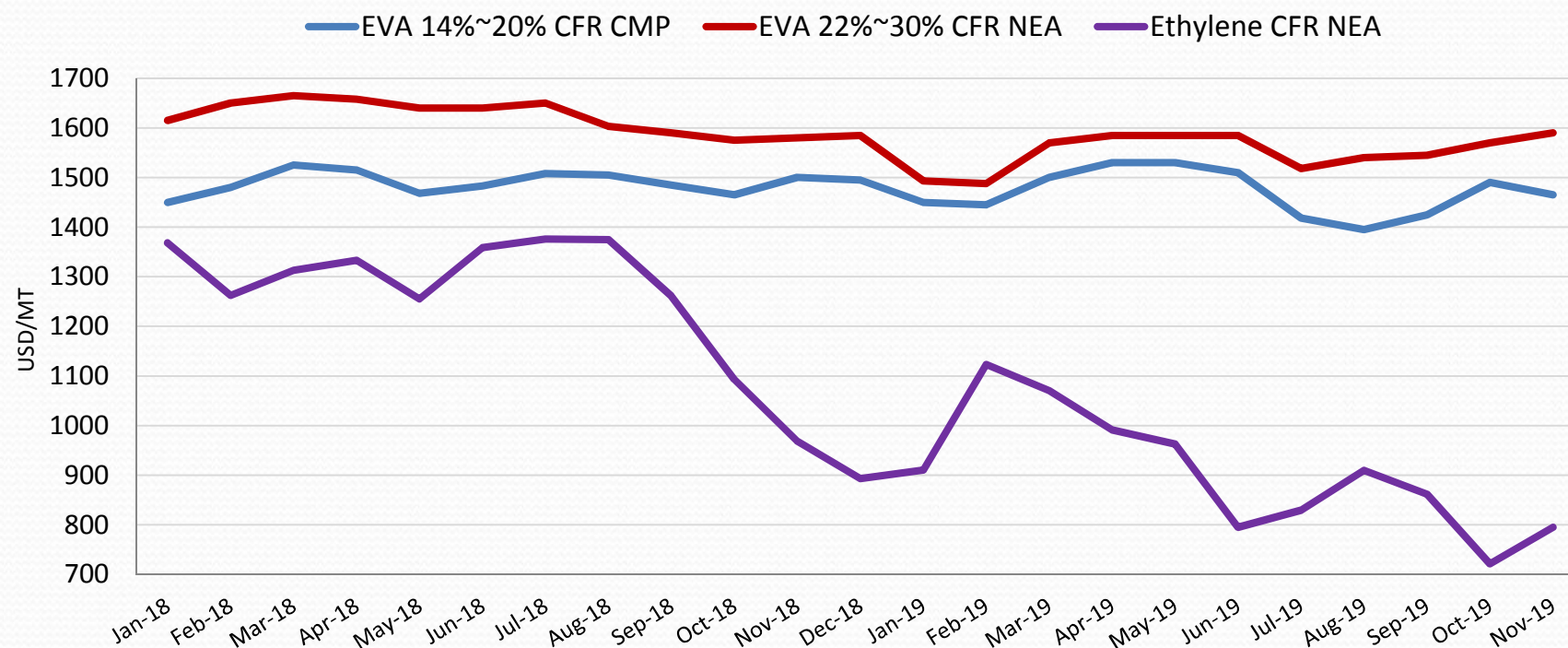
- Asia crackers intent to increase Ethylene price due to cost which supports from Crude price, however, deep sea Ethylene and downward derivative make Ethylene price bumpy in the low end.



Source from: ICIS

EVA Prices Review

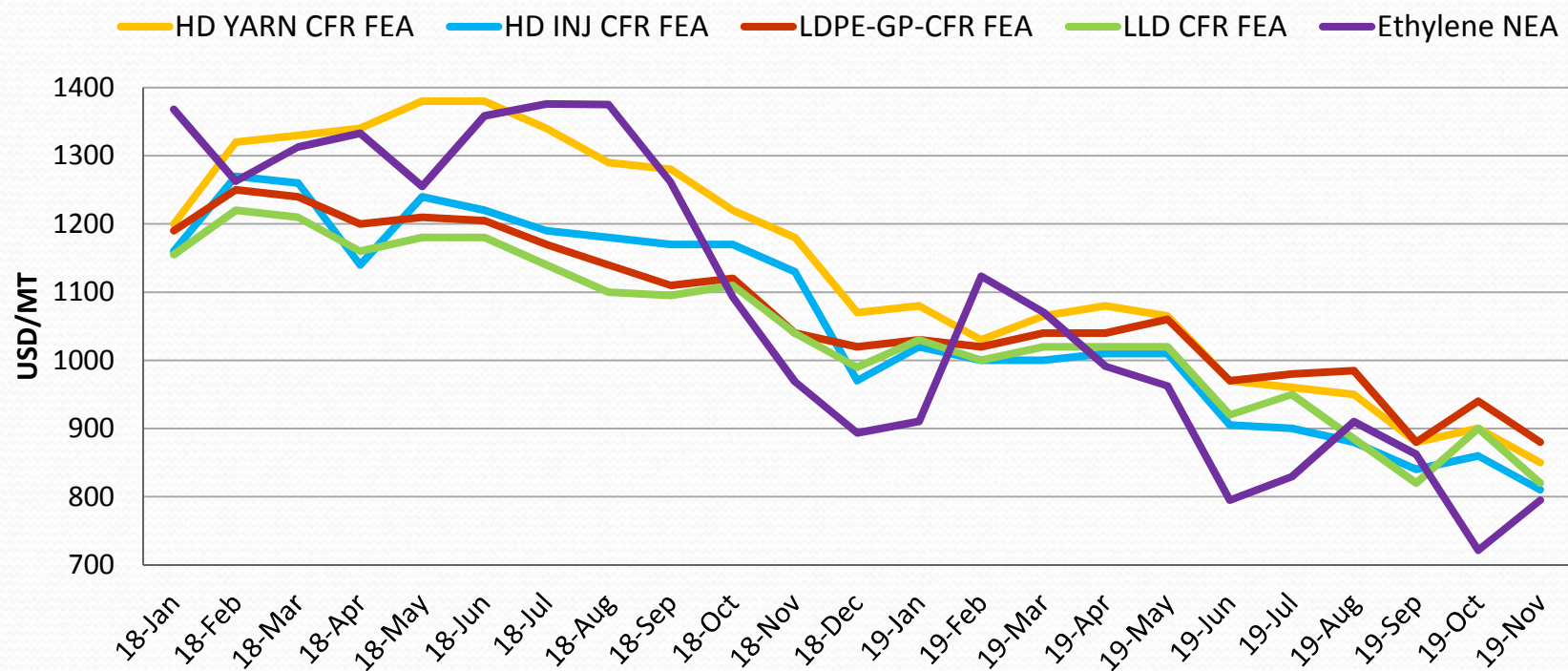
EVA Price Trend



Source from: ICIS, Platts

PE Prices Review

PE Price Trend



Source from: ICIS, Platts

Business Review of 2016 to Q3, 2019

Comparison of Sales Volume

Sales Volume	2016	2017	2018	Jan.~Sep., 2019
LDPE/EVA	133	149	145	115
HDPE/LLDPE	127	113	108	77
TOTAL	260	262	253	192

Unit: KMT

Q1-Q3 of 2018 & 2019 Sales Volume Comparison

	Jan.~Sep., 2018	Jan.~Sep., 2019	Variance
TOTAL	188,745	191,738	2,993
LDPE / EVA	108,049	114,454	6,405
HDPE / LLDPE	80,696	77,284	-3,412

Unit: MT

EVA Business Review : Q1-Q3, 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 until May, but bounced upward in late July. The sales volume of Q1~Q3, 2019 increased by 7% comparing to that of Q1~Q3, 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, but bounced upward in late July.
- 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 : Q1-Q3, 2019

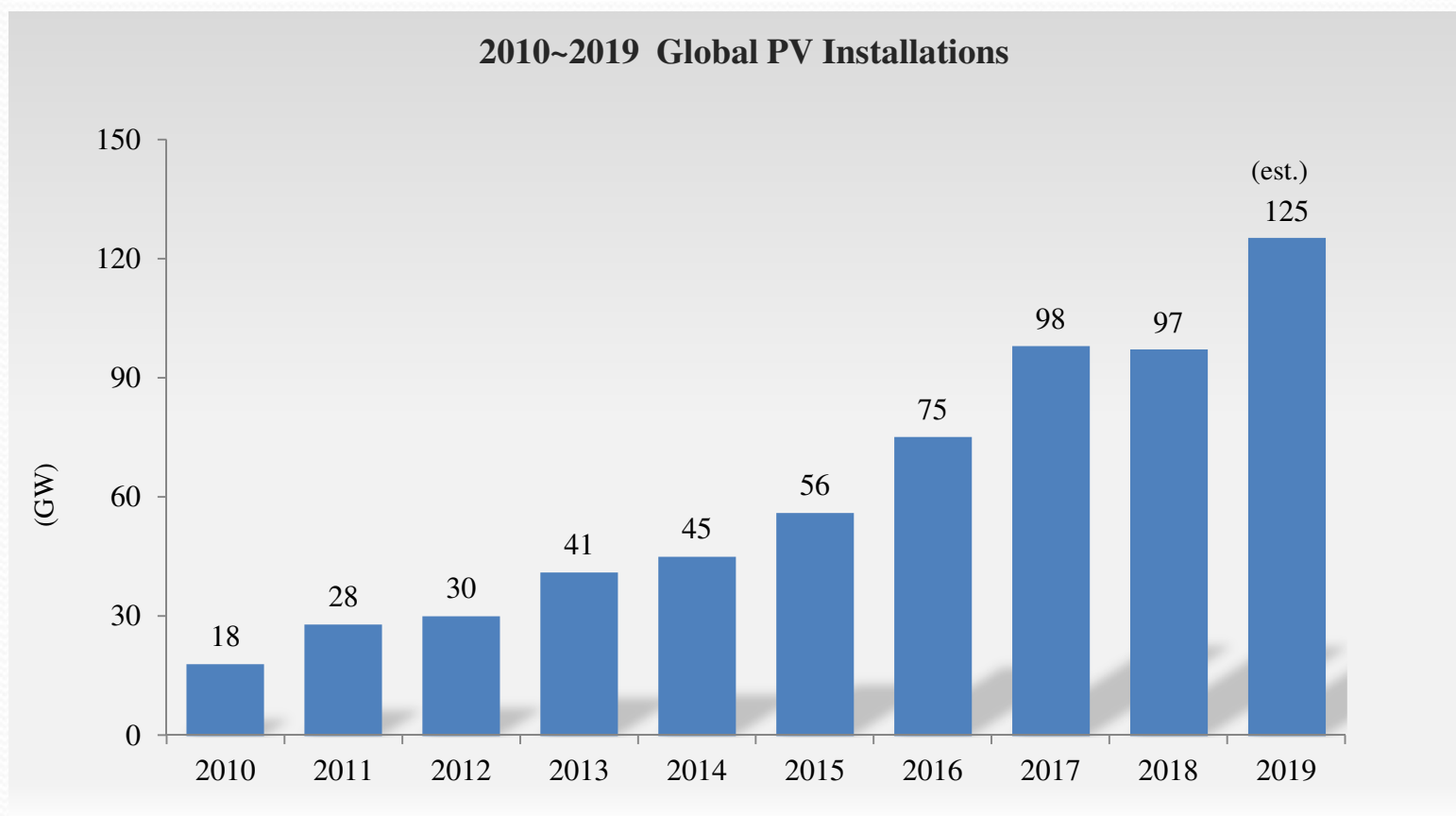
- Ethylene price dropped after Chinese New Year, and the price trend of HDPE / LLDPE / LDPE went downward correspondingly. Under the influence of US-China trade war, the purchasing scale was conservative.
- HDPE: Ample supply but dull demand in the market. The sales volume of Q1-Q3, 2019 decreased by 2% comparing to that of Q1-Q3, 2018.
- LLDPE : Poor spread. In order to maintain only regular customers, a price system implemented to balance supply and demand. The sales volume of Q1-Q3, 2019 decreased by 25% comparing to that of Q1-Q3, 2018.
- LDPE : Very limited quantity to supply to regular customers. The OEM production was provide by affiliated company APC. The sales volume of Q1-Q3, 2019 decreased by 16% comparing to that of Q1-Q3, 2018.

PV Grade EVA Sales Volume

YEAR	Total (MT)
2014	2,359
2015	34,127
2016	64,759
2017	76,988
2018	66,879
2019 Q1~Q3	57,152

Unit: MT

Global PV Demand



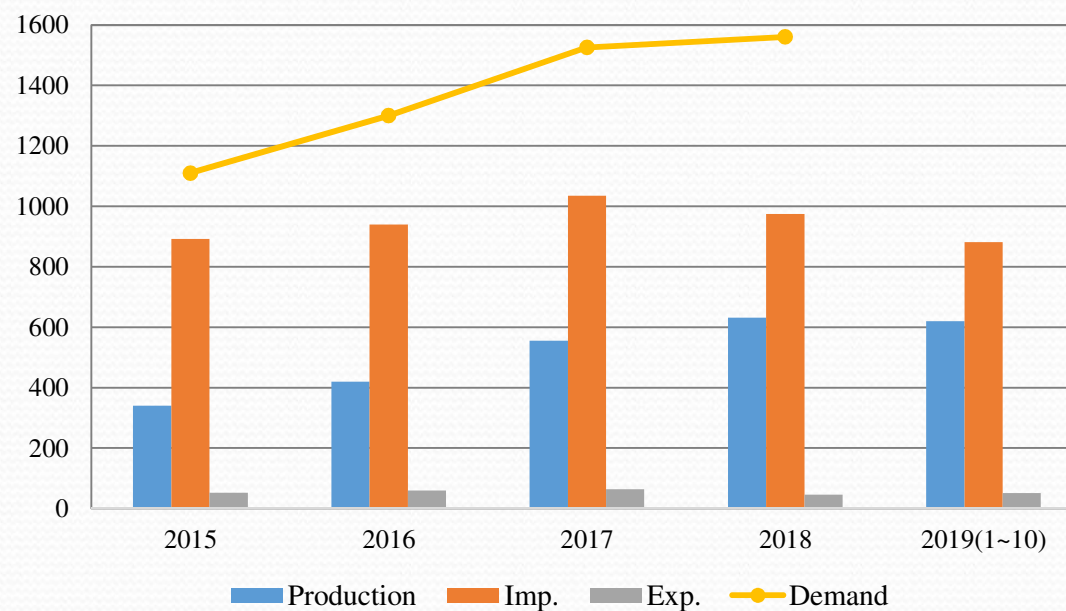
Source from:

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

China EVA Demand

Year	Production	Import	Export	Demand	Self-sufficiency rate
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%
2019(Jan.~Oct.)	620	882	51	1,478	42%

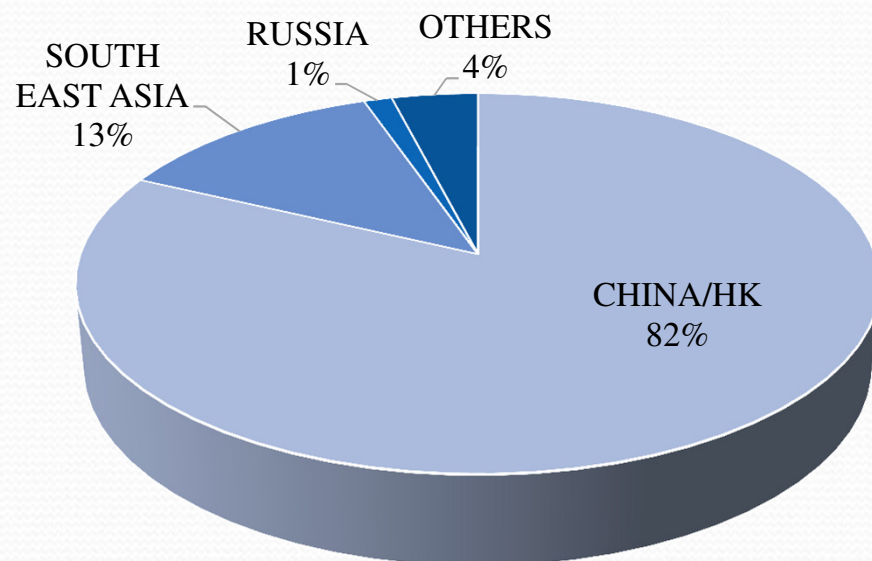
Unit: KMT



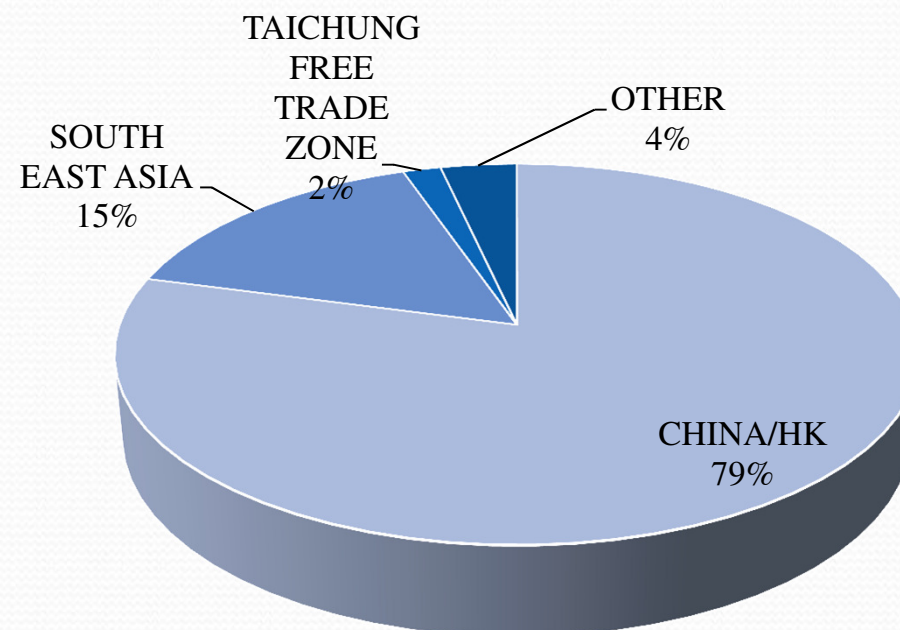
Reference: Chem99,
China Customs Data

EVA Export Sales by Area

2018

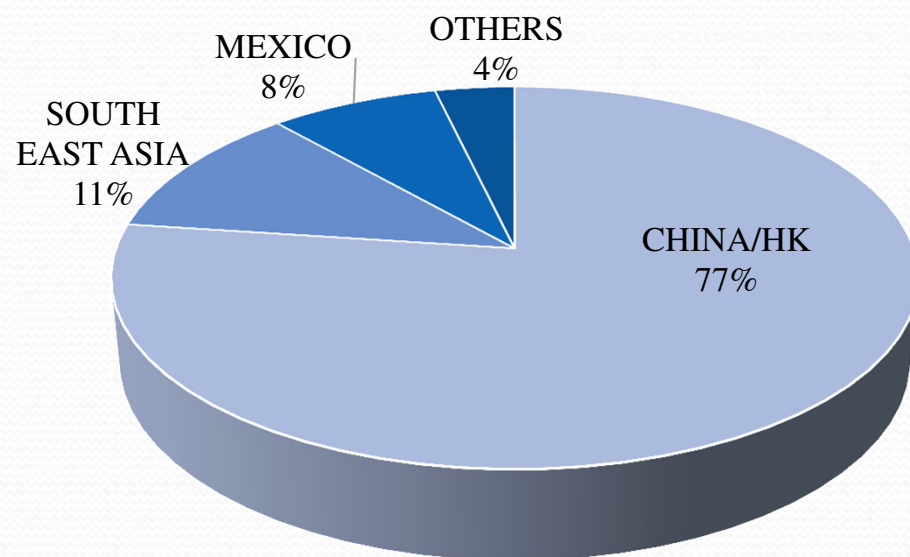


Jan.~Sep., 2019

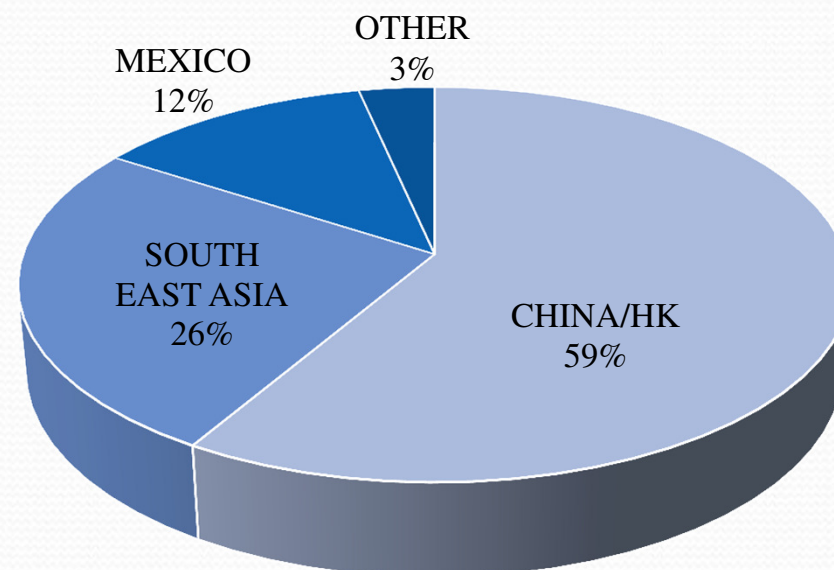


HDPE Export Sales by Area

2018



Jan.~Sep., 2019



Business Outlook of 2019

■ Crude oil :

Besides a few armed conflicts in Middle East making crude price choppy in a short term during 2019, the market atmosphere is mostly down due to the trade war as well as the slow economics growth. The crude price forecast is expected and revised lower.

■ Ethylene :

The ethylene price in H1 2019 walked at the lower end as it of the end of 2018. Along with the new capacities in Korea and China and the lower demand brought by US-China trade war, the price in H2 2019 keeps dropping. There will be more annual maintenances for NEA crackers in 2020. Yet the enhanced supply ability in the US and EU will suppress the ethylene price in asia.

Business Outlook of 2019

■ PE & EVA :

- With more annual maintenances and unexpected shutdown incidents taking place, the EVA supply is slightly tight overall. By which the EVA price is supported.
- 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.

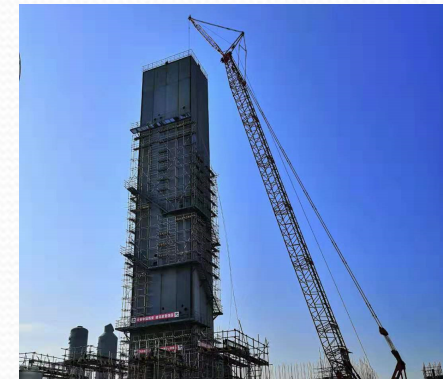
Milestone

- 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.



Gulei Petrochemical Project Progress

- Long lead time equipment order completion rate > 98 %
 - Sub-long lead time equipment order completion > 87 %
 - Bulk and general materials have been released for tender, and the tender completion rate > 99 %
-
- Steam Crack Chiller Installation
 - 110 kV Transformer Substation Equipment Installation
 - Air Separation Cold Box Installation



* Long lead time equipment refers to equipment with a delivery period of more than 1 year; sub-long lead time equipment refers to equipment with a delivery period of 6 to 12 months.

Gulei Petrochemical Project Site Overview



- Major projects under construction > 86 %
- The plant's primary pipelines and roads have been completed

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 product 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

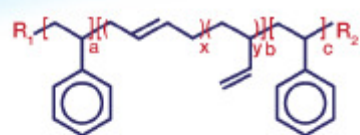


Complete Hydrogenation

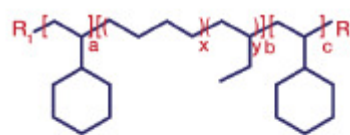
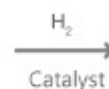
- Ensured product quality

Anionic Polymerization

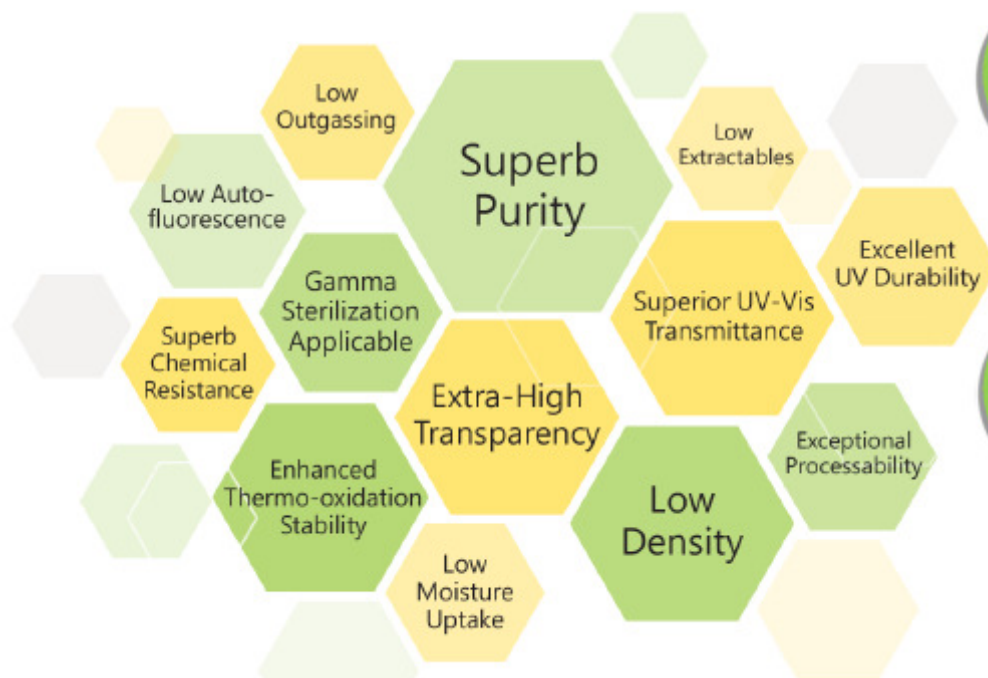
- Extremely high cleanliness



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



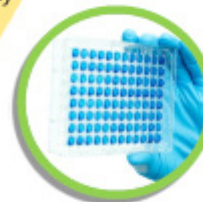
Medical Device

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

Reporter : Amy Kuo, Manager of Accounting Dept.

Date : 2019,Dec.09

USI Corporation

Consolidated Statements of Income

(In millions of NTD, except per share data)

	2019 1/1-9/30	2018 1/1-9/30	YoY%	2018 FY	2017 FY	2016 FY
Sales	41,985	45,648	-8.0%	60,893	58,134	53,102
Cost of goods sold	37,195	40,719	-8.7%	55,098	51,007	46,221
Gross profit	4,790	4,929	-2.8%	5,795	7,127	6,881
gross profit ratio	12%	11%		10%	12%	13%
Selling and administrative expenses	2,502	2,473	1.2%	3,440	3,360	3,248
R&D expenses	325	310	4.9%	422	389	471
Operating income	1,963	2,146	-8.5%	1,933	3,378	3,161
operating income ratio	5%	5%		3%	6%	6%
Non-operating income(loss) *	482	499	-3.5%	597	108	(68)
Income before income taxes	2,445	2,645	-7.6%	2,530	3,486	3,093
Income taxes	587	622	-5.7%	654	776	714
Net income	1,858	2,023	-8.1%	1,876	2,710	2,379
net income ratio	4%	4%		3%	5%	4%
Net income attributable to						
- USI Corporation	998	641	55.6%	540	1,111	1,189
- non-controlling interests	860	1,382	-37.7%	1,336	1,599	1,190
Earnings per share	0.93	0.60		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 1/1-9/30	2018 1/1-9/30	2018 FY	2017 FY	2016 FY
Operating income margin(%)	4.7	4.7	3.2	5.8	6.0
Net income margin(%)	4.4	4.4	3.1	4.7	4.5
Debt ratio(%)	46	47	47	46	48
Current ratio(%)	212	238	205	237	237
Quick ratio(%)	168	174	155	178	185
Accounts receivable turnover days	53	48	50	48	49
Inventory turnover days	44	52	45	48	54



Thanks for attending the conference and your kind support

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