

USI CORPORATION

(Stock Code : 1304)

Investor Conference

2022.03.23

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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 Dec. 31, 2021)

No. of Employees

462 (up to Feb. 28, 2022)

Revenue (2021)

**Individual : NT\$16,030M
Consolidated : NT\$71,760M**

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)

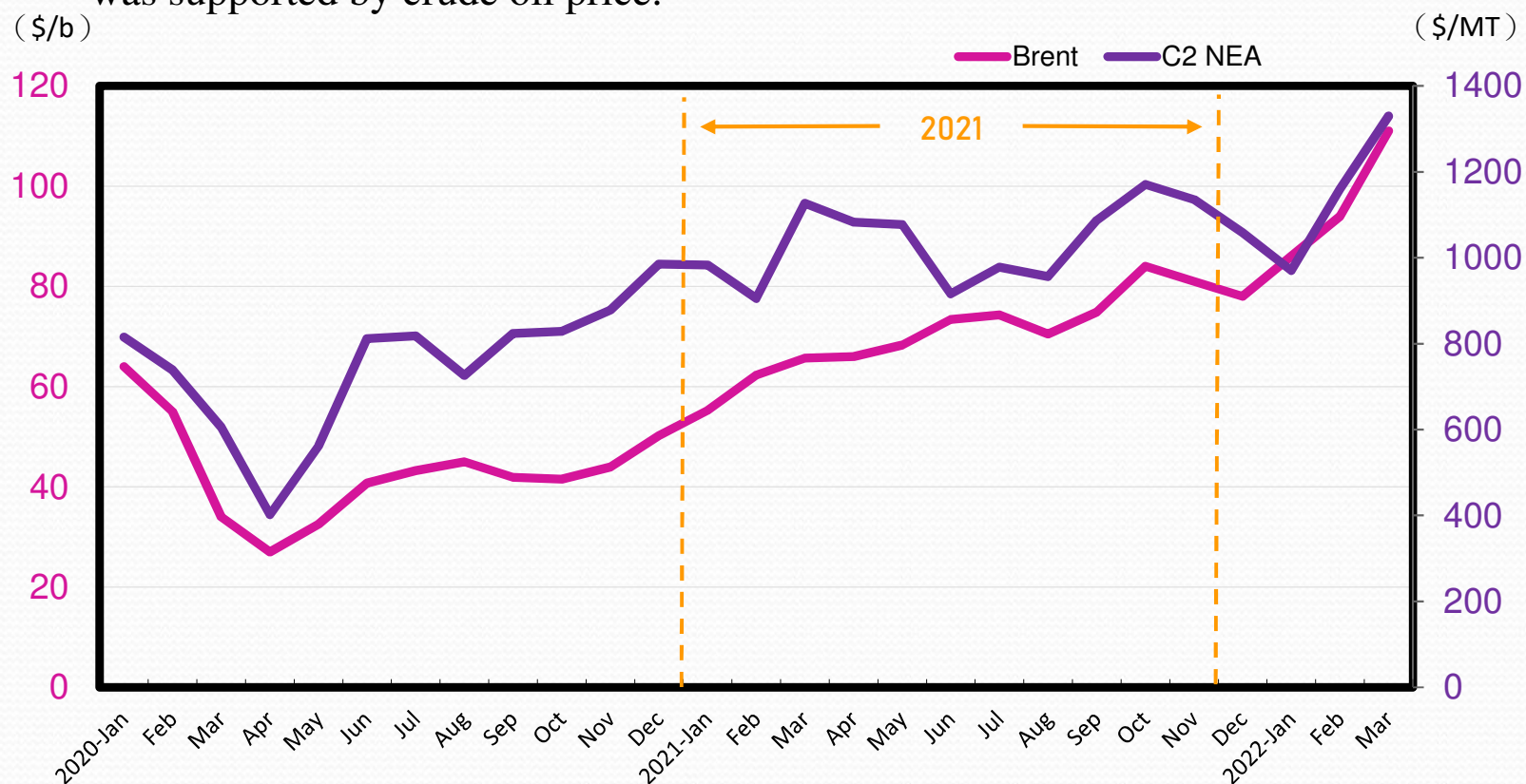
Business Review and Outlook

Reported By: Mark Wu

(Vice President of Sales & Marketing Dept.)

Crude/Ethylene Prices Review

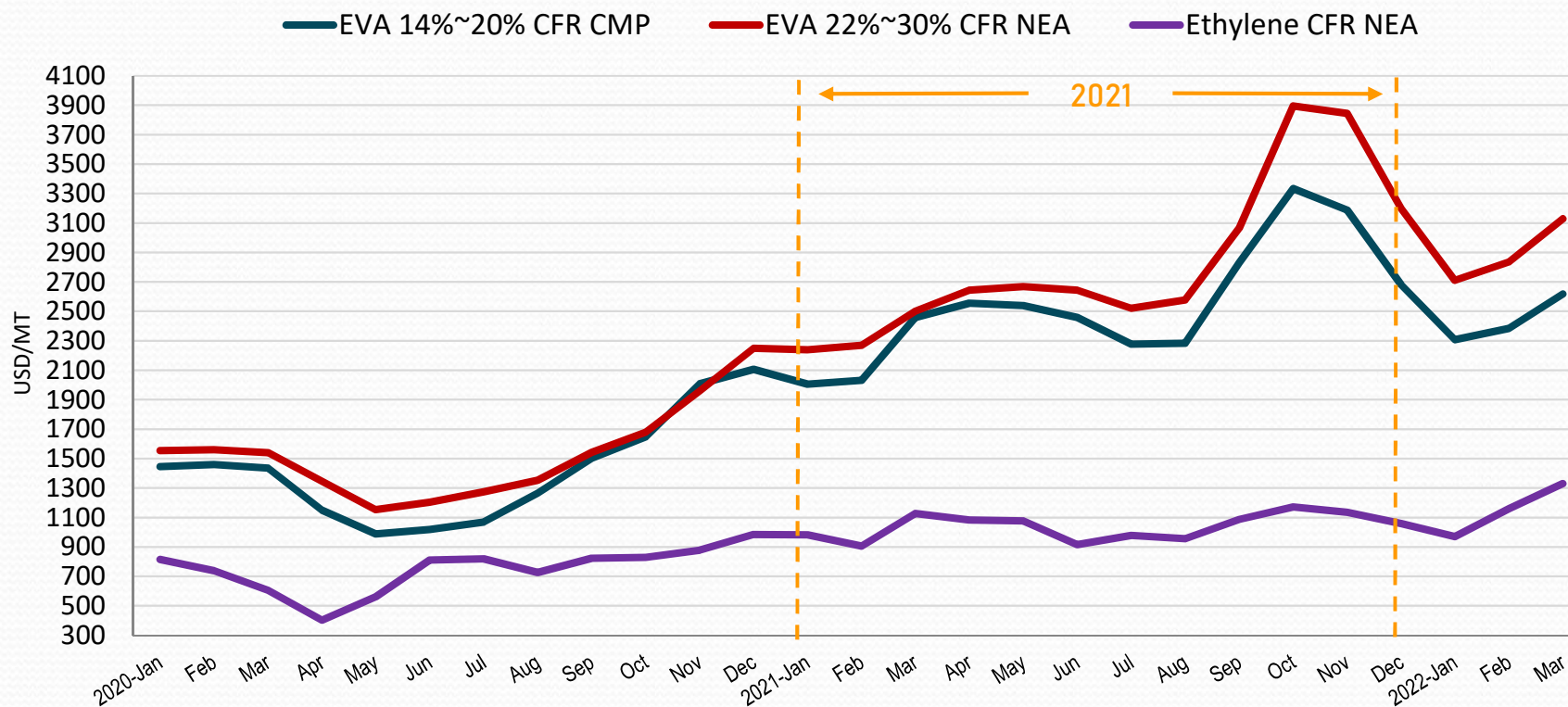
- In H1 of 2021, ethylene price fluctuated due to annual maintenance of naphtha cracking plants. In H2 of 2021, the upward price trend of ethylene was supported by crude oil price.



Source from: Platts

EVA Prices Review

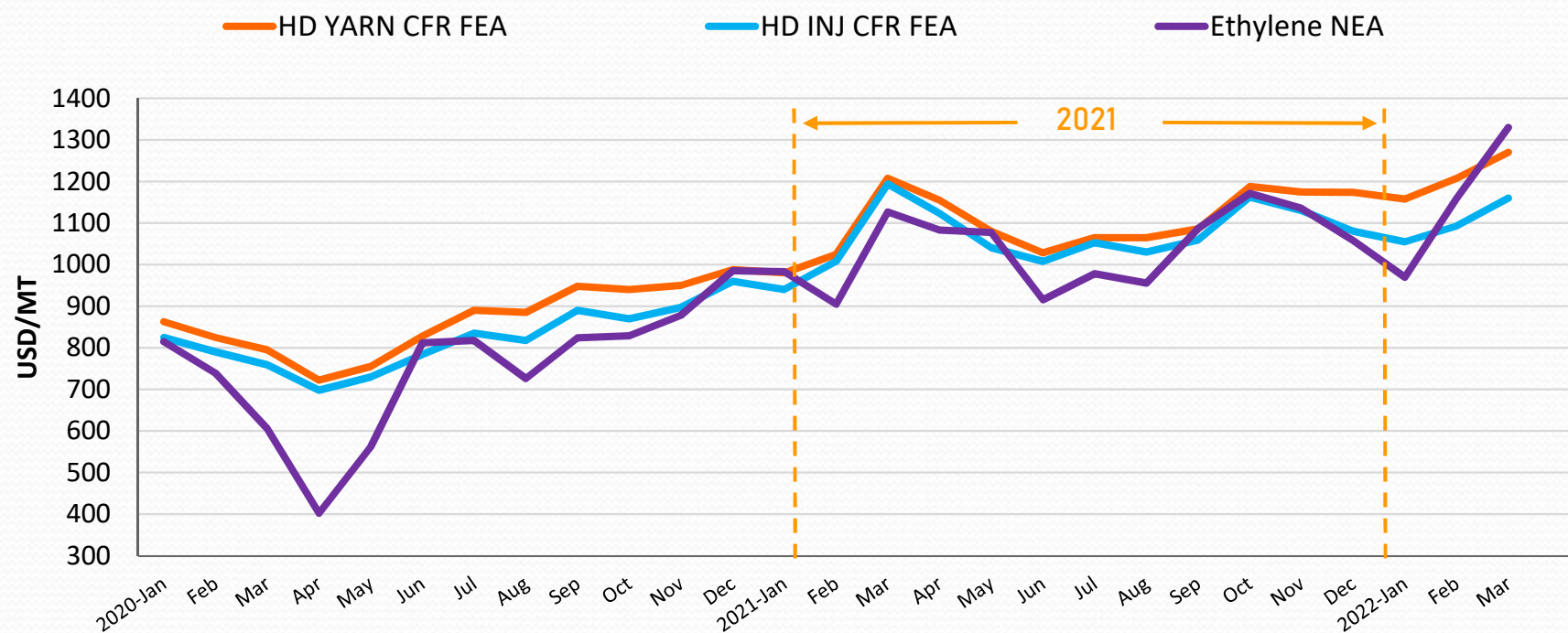
EVA Price Trend



Source from: ICIS

PE Prices Review

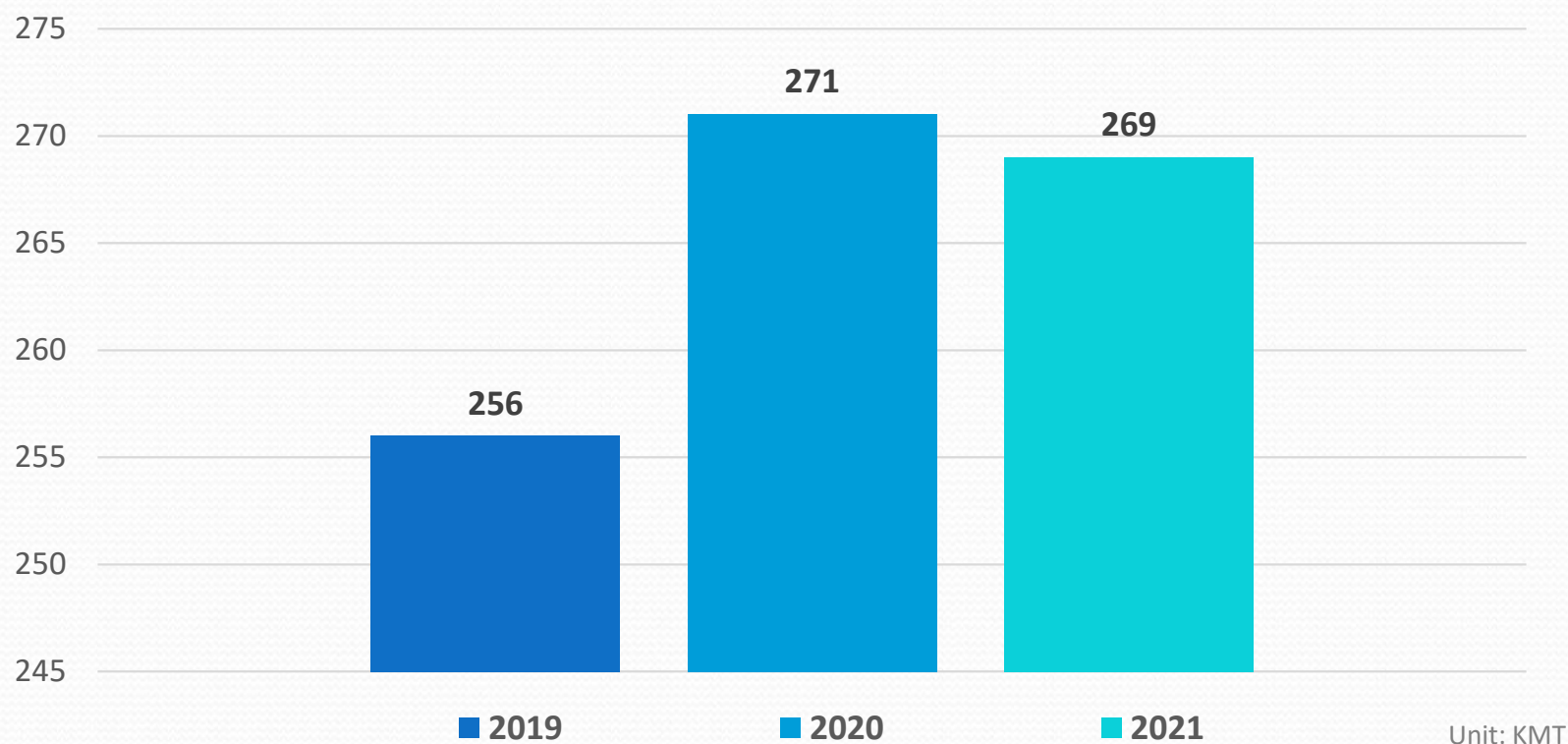
PE Price Trend



Source from: Platts

Business Review of 2019 to 2021

Comparison of Sales Volume



2020 & 2021 Sales Volume Comparison

	2020	2021	Variance
Total	270,919	269,093	-1,826

Unit: MT

EVA Operation Review : Jan. ~ Dec. 2021

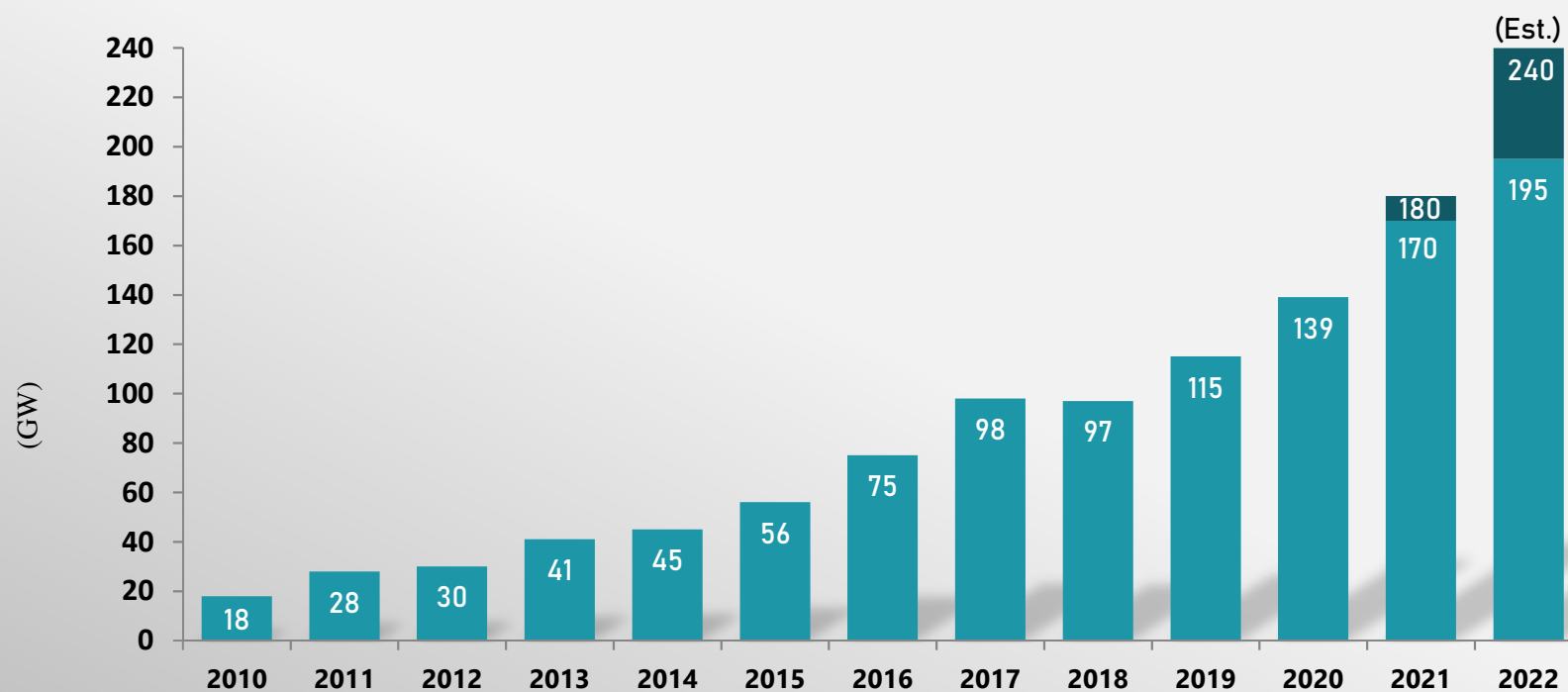
- The supply and demand of EVA changed greatly in year 2021. In Q1, a server cold hit petrochemical plants in the Gulf Coast of the US which resulted in a global supply and demand imbalance and thus prices soared sky high. In Q2, the demand of PV turned weak. Coupled with the supply increased by the release of several new EVA plants in China, the market prices were adjusted lower. In H2 of 2021, PV demand revived and the price rose sharply again from Aug. till the end of Oct. due to extremely tight supply of EVA which led the prices hit a record high.
- In H2 of year 2021, not only the PV demand improved but the deepsea cargos for shoe sole foaming grades were in limited availability so the OEM plants for branded shoes turned to local procurement which caused EVA sales further increased compared with 2020. The sales for HMA kept stable.
- EVA total sales in 2021 increased by 9 % compared with 2020.

PE Operation Review : Jan. ~ Dec. 2021

- Due to the slowdown of the COVID-19 epidemic, the supply of masks returned to normal so its demand was greatly reduced and the same for HDPE supply. Since August, the crude oil and ethylene prices had reversed from its bottom lows but PE prices were relatively hard to pass on forward thus profits shrunk. Throughout the whole year in 2021, HD/LLD total sales were lower than year 2020.
- HDPE: Affected by the slowdown of the epidemic, hygienic prevention market demand for both domestic and foreign sales decreased. In 2021, its sales dropped by 13% against 2020.
- LLDPE: Strengthening the sales to downstream customers led the sales volume increased. In 2021, its sales increased by 30% compared with 2020.
- LDPE: Kept sales to existing regular customers through APC's OEM. The sales volume in 2021 decreased by 9% to that of year 2020.

Global PV Demand

2010~2022 Global PV Installations

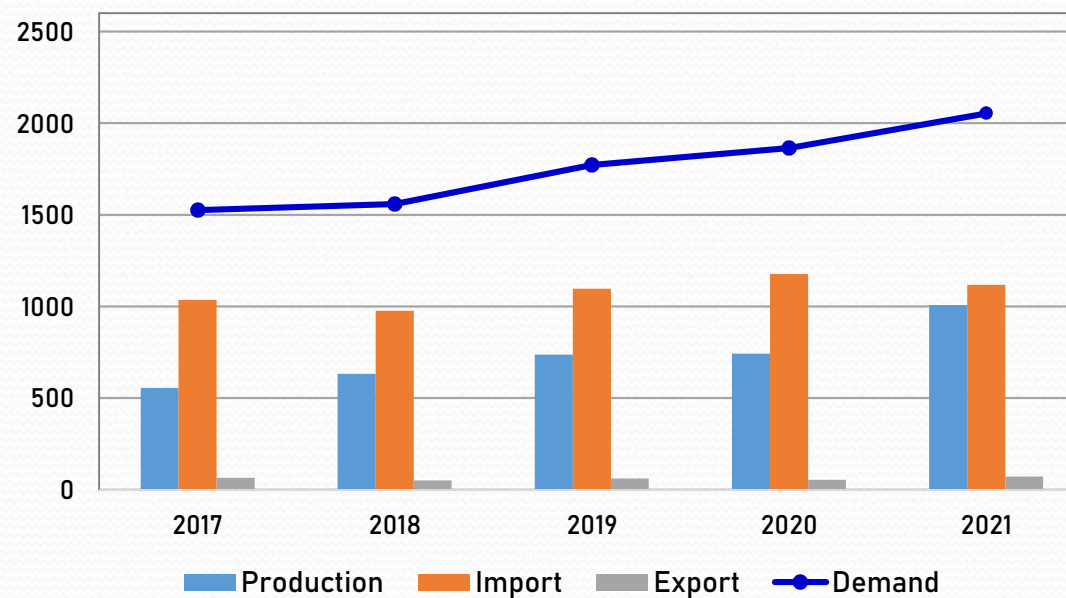


Source from:
IHS、北極星、Trend Force、SPE、CPIA、
BNEF、Wood Mackenzie

China EVA Demand

Year	Production	Import	Export	Demand	Self-sufficiency rate (%)
2017	555	1,035	64	1,526	36%
2018	631	976	49	1,558	40%
2019	736	1096	60	1,771	42%
2020	741	1177	54	1,864	40%
2021	1007	1117	71	2,053	49%

Unit: KMT



Reference: Chem99,
China Customs Data

CHINA EVA CAPACITY

Company	Annual Capacity	Start Date	Product Application
BEIJING DONGFANG PC	40	1995	film/packaging
BEIJING HUA MEI POLYMER COMPANY LIMITED	60	2010	HMA
SINOPEC YANSHAN COMPANY	200	2011	film/foam/lamination
BASF-YPC COMPANY LIMITED	200	2005	film/foam(contain high VA)/W&C
LEVIMA ADVANCED MATERIALS TECHNOLOGY	100	2015	foam(contain high VA)/W&C/PV
FORMOSA PLASTICS CORP.NINGBO	72	2016	foam(contain high VA)/W&C/PV
JIANGSU SAILBOAT PETROCHEMICAL	300	2017	foam(contain high VA)/W&C/PV/HMA
SHAANXI YANCHANG COAL YULIN EN. AND CH.	300	2021	film/foam/W&C/PV
SINOPEC YANGZI PC	100	2021	foam(contain high VA)/PV/HMA
SINOCHEM QUANZHOU PETROCHEMICAL	100	2021	foam/W&C
ZHEJIANG PETROLEUM & CHEMICAL CO., LTD.	300	2021	PV
SINOPEC ZHONGKE (GUANGDONG) REF.& CH.	100	2022	
Total	1872 (already start-up)		
FUJIAN GULEI PETROCHEMICAL	300	2022	
XINJIANG DUSHANZI TIANLI HIGH&NEW TECH	200	2022	
SHENHUA NINGXIA COAL INDUSTRY - SABIC BASIC INDUSTRY	100	2022	
LEVIMA ADVANCED MATERIALS TECHNOLOGY (DEBOTTLENECK)	50	2022	
FORMOSA PLASTICS CORP.NINGBO (DEBOTTLENECK)	28	2022	
NINGXIA BAOFENG ENERGY	250	2023	
ABUNDANT DRAGON GROUP	300	2024	
JIANGSU SAILBOAT PETROCHEMICAL (二期)	200	2025	
Total (New Capacity)	1428		

UNIT : KMT

2021 ESG Performance



Environment Aspect

- Recovery of 12.87MT of plastics through promotion of the plastic resin pellet leakage prevention and management program.
- Implementation of the ISO 46001:2019 Water Efficiency Management System and completion of external certification in February 2022.
- Implementation of ISO 14067:2018 Carbon Footprint of Products and completion of external certification in January 2022.
- Constant implementation of ISO 14064 Greenhouse Gases Inventory and scope 3 inventory.
- Regulator electricity saved 1%, corporate energy saved 1.2%, carbon saved 1.5%, water saved 1%
 - 2021 performance: Electricity saved 0.75% (average 1.38% between 2015 and 2021), Energy saved 5.1%, Carbon saved 2.39%, Water saved 4.26%
 - 2022 targets: Electricity saved 1.71%, Energy saved 7.36%, Carbon saved 4.07%, Water saved 3.63%
- No non-compliance with environmental protection regulations (5 cases in 2020)
- 2021 environmental expenditure was about NT\$135.3 million, increased by 16.5% from 2020.
- Completion of investments in 3 rooftop solar sites in central Taiwan with capacity of about 5MW.

2021 ESG Performance

Social Aspect

- Implemented training on process safety management (PSM) 329 persons, totaling 1,902 hours.
- Epidemic control with local communities, donation for building epidemic quick test station, employee blood donation, adoption of air purification zones, and sponsoring USI Education Foundation.
- Zero job-related injuries
- Promotion of AI safety protection and recognition
- Organizing the 2nd (2021) USI Cup Charity Softball Competition to integrate sports with charity.

2021 ESG Performance

Governance Aspect

- Development of high-liquidity injection HDPE products
- EVA sales increased by 12,107MT from 2020 to 147,000MT, a new high in history.
- Promotion by Taiwan Ratings to twA/twA-1 with a “steady” outlook.
- Commercial operations of the Fujian Gulei Petrochemical Project in December 2021.
- Awards
 - Top 5% in the 7th (2020) Corporate Governance Evaluation.
 - TCIA Industrial Contribution Award 2021
 - Bronze Award, TSAA Taiwan Sustainable Action Award
 - “Top 50 Corporate Sustainability Awards” and “Platinum Corporate Sustainability Report Award” at the Taiwan Corporate Sustainability Awards (TCSA).
 - GCSA Sustainability Reporting – Bronze Class

Operation Outlook In 2022

■ OIL :

During the global economy and worldwide demand recovery, it is now affected by the short term of Ukraine-Russia war with economic sanctions against Russia conducted by multiple countries. The oil price is forecasted to be fluctuating at its high end.

■ ETHYLENE :

In H1 2022, due to annual maintenance of crackers in various places and the reduced production under economic considerations global ethylene supply is lower than expected. However, in H2, after the release of new production capacity in China and the lifting of geopolitical war crisis, its supply is expected to increase.

Operation Outlook In 2022

■ PE and EVA :

- Affected by the war between Ukraine and Russia, crude oil prices fluctuated heavily which caused raw materials like ethylene rose. Market is still full of variables such as persisting containers shortage and ports congestion while COVID-19 virus continued mutations resulting in slow demand as well as economy uncertainties such as global carbon reduction and carbon border taxes charge.
- Carbon reduction and green energy issues are catching global concerns and will be gradually implemented surely. For long-term demand, the PV market still looks optimistic. It is estimated in 2022, the installation capacity will be around 195-240 GW. Although there will be estimated 700-1000 thousand tons of new EVA capacity released in 2022, the market is still very optimistic for long-term PV encapsulant film demand.

Operation Outlook In 2022

■ PE and EVA :

- In year 2022, the global new production capacity of PE will be about 9 million tons of which China will account for about 4.5-4.9 million tons while North America will account for about 2.2-3 million tons.
- This new global PE capacity increased in 2022 may be a new high in recent years. China's demand accounts for more than one-third of the world's total but its demand growth rate reached a new low in recent years. It is difficult for Asian PE to sell to EU and US markets due to expensive freight costs. The operating rate of PE in Asia is likely to hit a record low.
- Continuously promoting high-performance EVA products and improving the quality of HD/LLD products in order to develop niche market customers.

Gulei Petrochemical Project

Shareholders

- Taiwan and China each holds 50%
- Total investment (Taiwan & China) : 30.39 Billion RMB

Items

Sales and production of Ethylene, Propylene, Butadiene, Ethylene Vinyl Acetate copolymers (EVA), Ethylene Oxide (EO), Ethylene Glycol (EG), etc.

Developments

- 2016/11 Fujian Gulei Petrochemical Co. Ltd. was established.
- 2017/12 Opening ceremony of Fujian Gulei Petrochemical Co. Ltd. was launched.
- 2018/08 Overall design of Gulei Petrochemical Project was approval.
- 2019/05 The Land Usage Proposal and Infrastructure Plan were reviewed.
- 2019/06 Project construction was started
- 2021/03 Test-run of PP item was successfully performed
- 2021/08 Test-run of Steam cracker、SM、EO/EG item was successfully performed
- 2021/10 Test-run of SBS item was successfully performed
- 2021/12 Fujian Gulei Petrochemical Co. Ltd. started commercial operations

USI Corporation and Subsidiaries

Consolidated Financial Information

Reporter : Amy Kuo, Manager of Accounting Dept.

Date : 2022, Mar. 23

USI Corporation Consolidated Statements of Income

(In millions of NTD, except per share data)

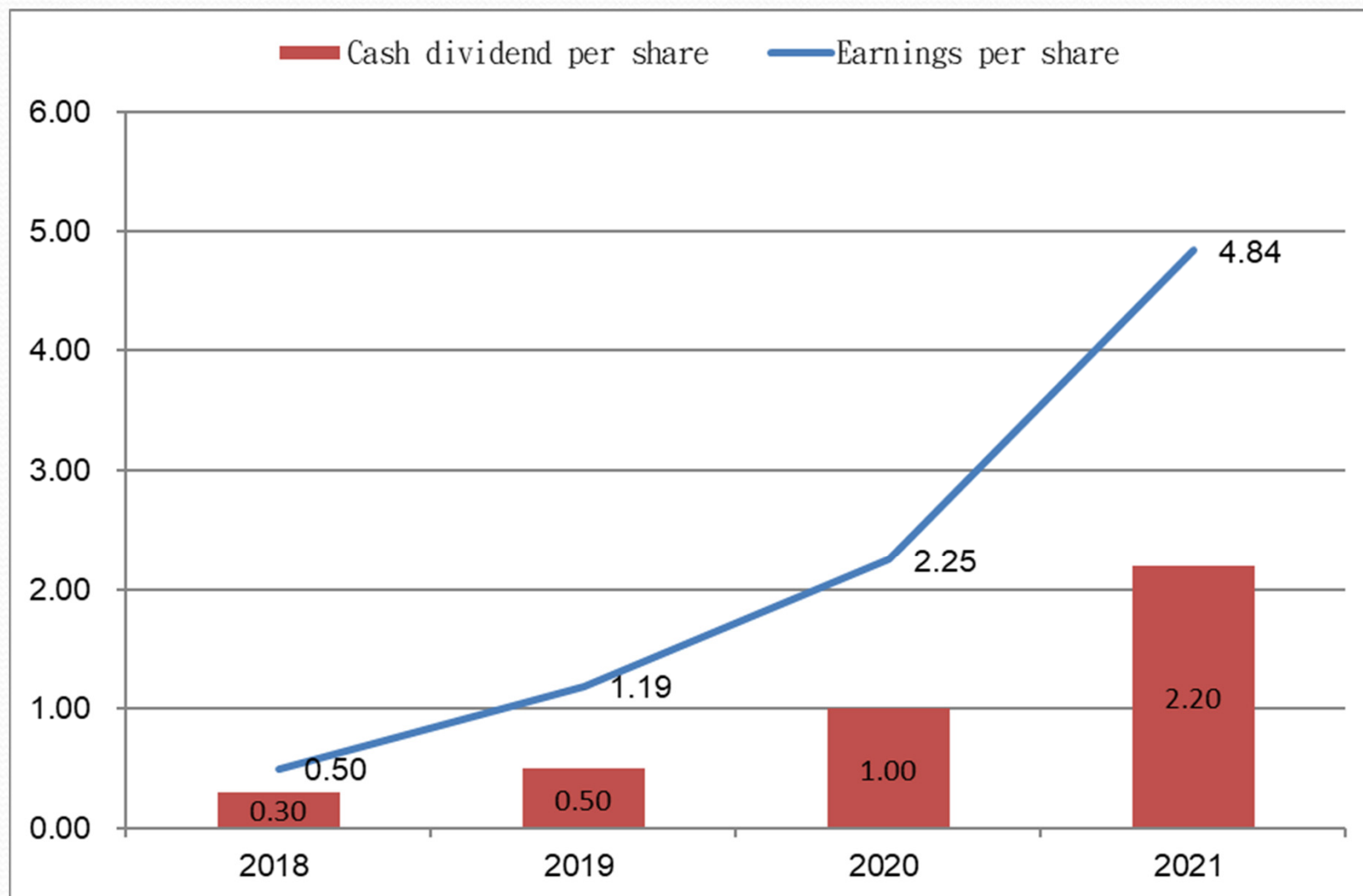
	2021 FY	2020 FY	YoY%	2019 FY	2018 FY
Sales	71,756	50,201	42.9%	55,657	60,893
Cost of goods sold	54,002	39,721	36.0%	48,924	55,098
Gross profit	17,754	10,480	69.4%	6,732	5,795
gross profit ratio	25%	21%		12%	10%
Selling and administrative expenses	4,441	3,230	37.5%	3,385	3,440
R&D expenses	430	363	18.4%	416	422
Operating income	12,883	6,887	87.1%	2,932	1,933
operating income ratio	18%	14%		5%	3%
Non-operating income(loss)	(130)	236	-155.2%	434	597
Income before income taxes	12,752	7,123	79.0%	3,366	2,530
Income taxes	2,673	1,440	85.6%	820	654
Net income	10,079	5,683	77.4%	2,545	1,876
net income ratio	14%	11%		5%	3%
Net income attributable to					
- USI Corporation	5,191	2,410	115.4%	1,281	540
- non-controlling interests	4,888	3,273	49.4%	1,264	1,336
Basic Earnings Per Share	4.84	2.25		1.19	0.50

USI Corporation

Financial ratio analysis-Consolidated

	2021 FY	2020 FY	2019 FY	2018 FY
Operating income margin(%)	18	14	5	3
Net income margin(%)	14	11	5	3
Debt ratio(%)	34	37	45	47
Current ratio(%)	227	225	222	205
Quick ratio(%)	172	185	177	155
Accounts receivable turnover days	43	54	52	50
Inventory turnover days	40	42	43	45

EPS vs DPS





Thanks for attending the conference and your kind support.

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