

USI CORPORATION

(Stock Code : 1304)

Investor Conference

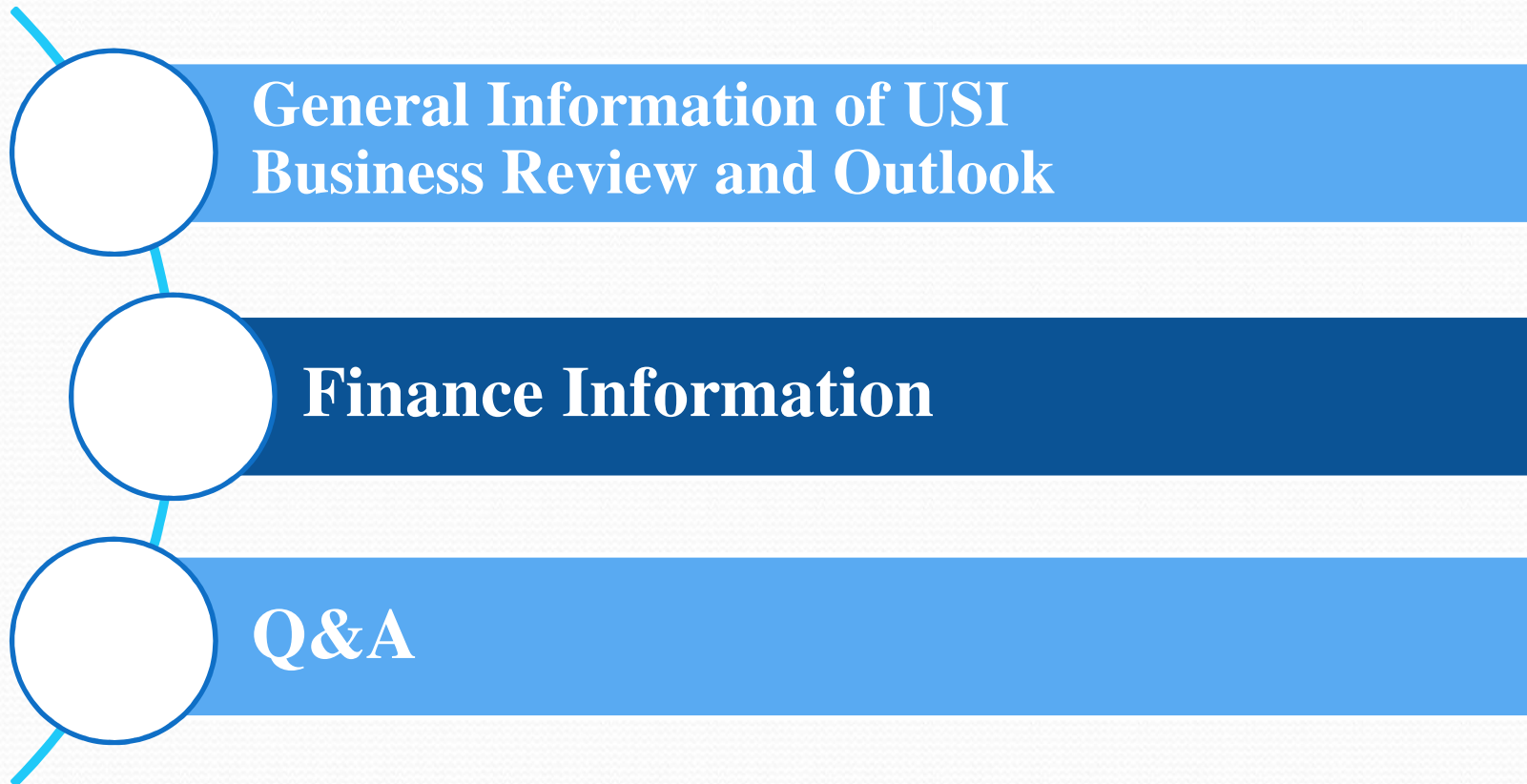
2022.11.17

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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 Dec. 31, 2021)

No. of Employees

456 (up to Sep. 30, 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)

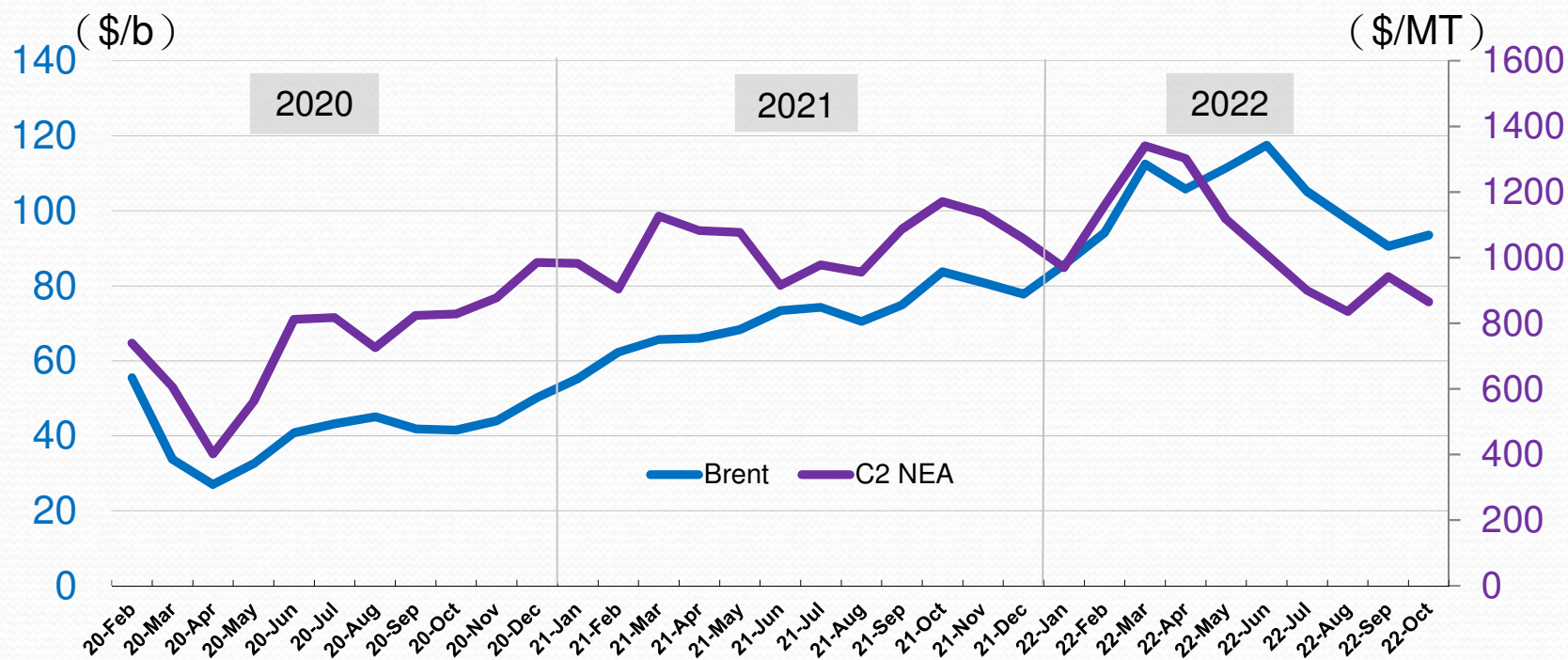
Business Review and Outlook

Reported By: Mark Wu

(Vice President of Sales & Marketing Dept.)

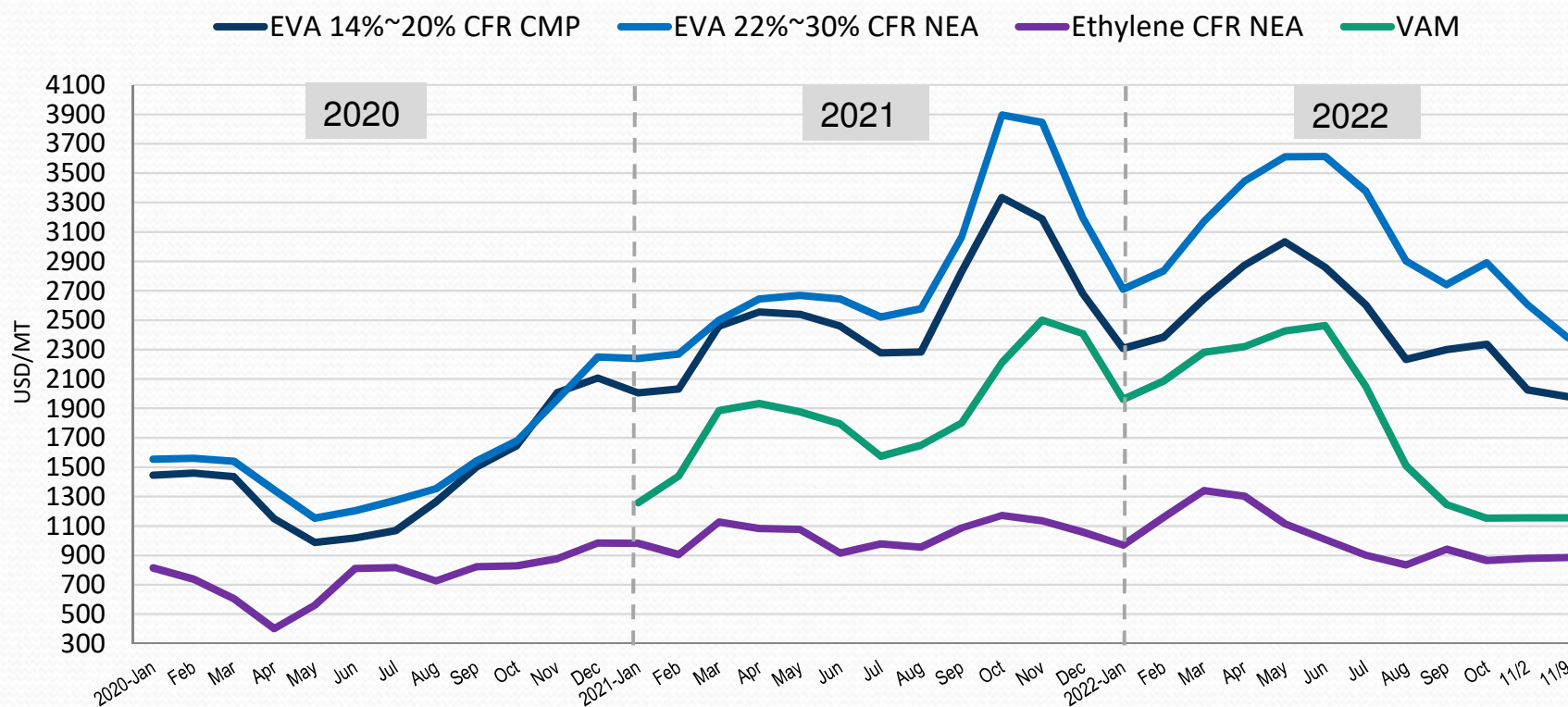
Oil / Ethylene Market Review

In Q1'22, affected by the Ukraine-Russia war, crude oil and ethylene prices rose at the same slope. From Q2, the price of ethylene fell due to weak demand of derivatives. In H2' 22, inflation and interest rates both hiking while demand shrunk caused crude oil and ethylene fell simultaneously.



EVA Prices Review

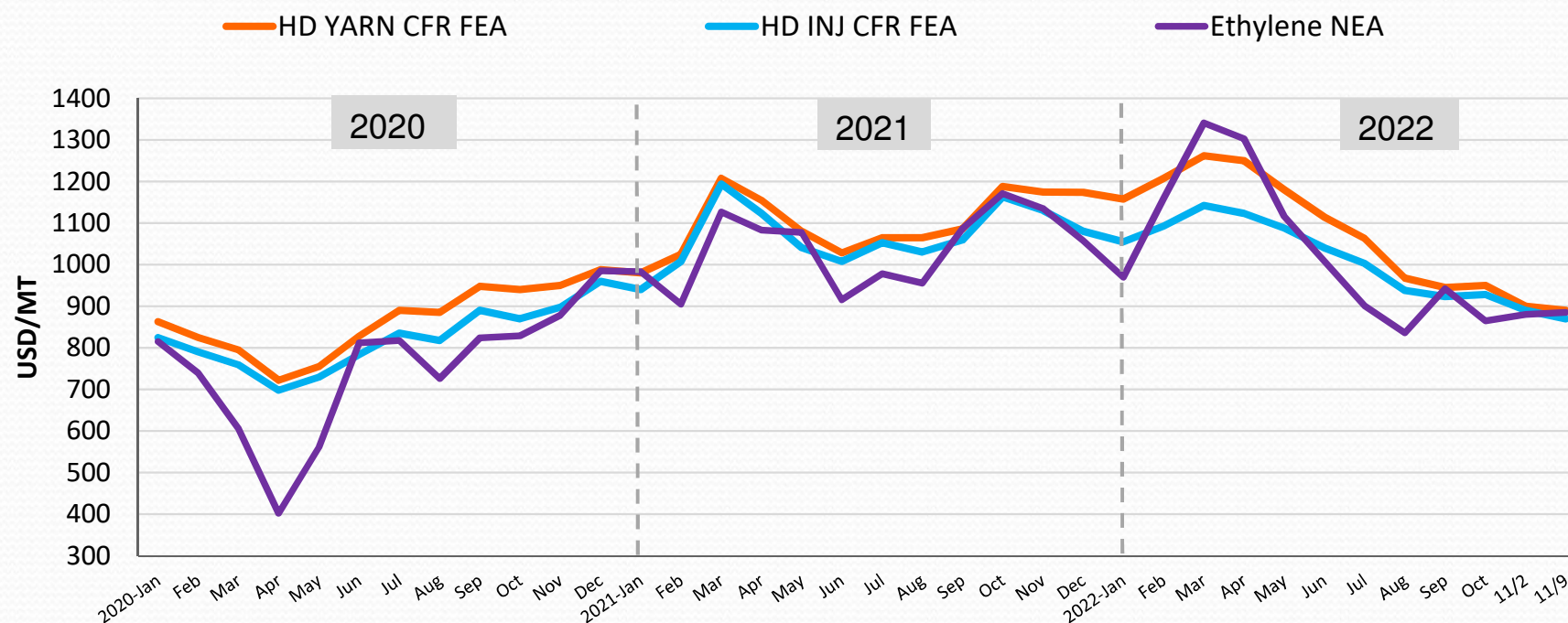
EVA Price Trend



Source from: ICIS

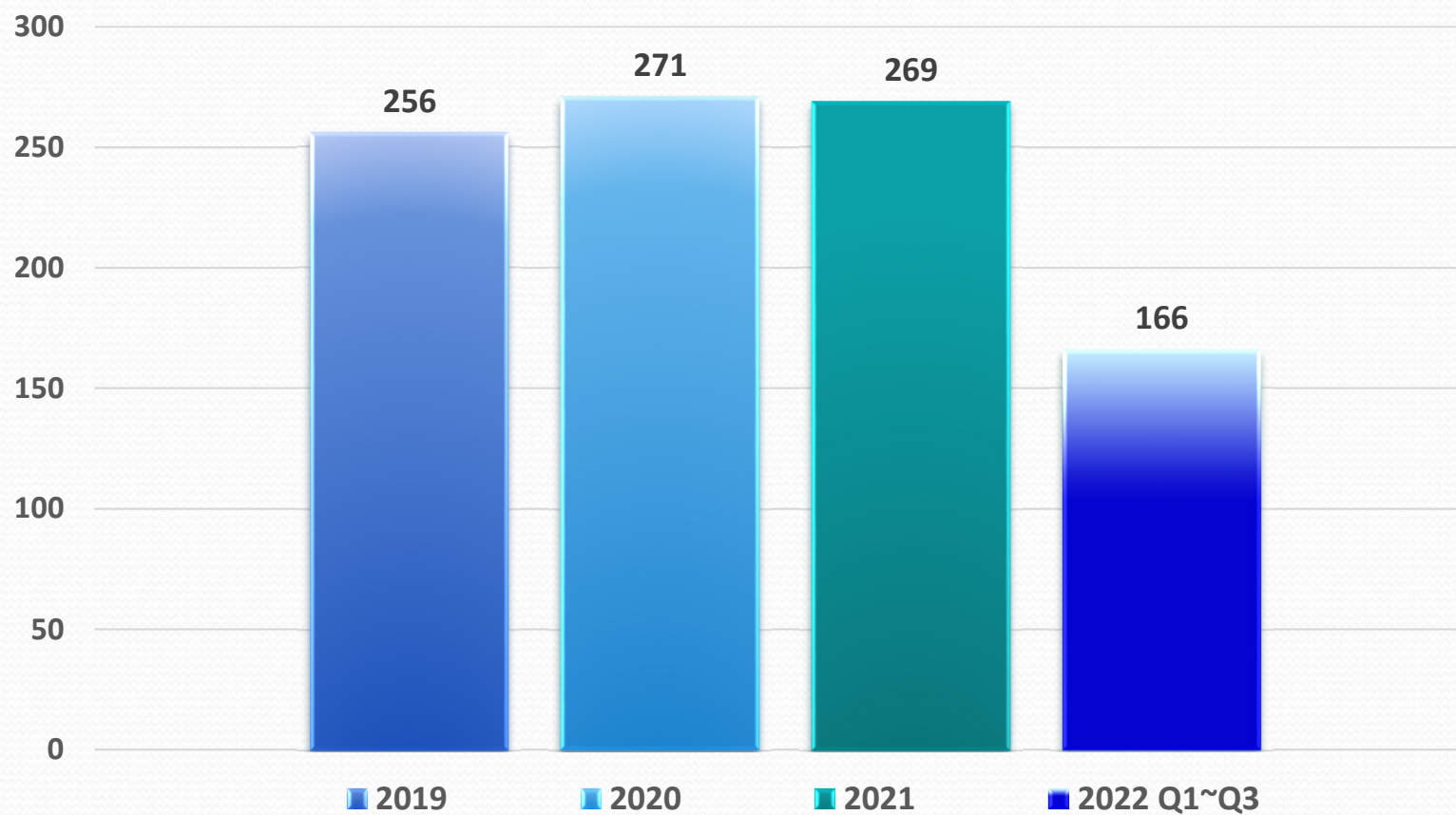
PE Prices Review

PE Price Trend



Source from: Platts

Business Review of 2019 to Q3 2022



Unit: KMT

Operation Review : Jan. – Sep. 2022

- Affected by factors such as high inflation, tightening monetary policy, economic slowdown, the ongoing COVID epidemic, and the war between Russia and Ukraine, market demand was sluggish. Upstream raw materials fell simultaneously in the second half of the year.
- Strong demand for solar energy in H1 of the year pushed EVA market to the highest point in May. Later, due to surging raw material costs, the demand of module factories became weaker. In addition, the demand from shoe factories reduced caused the market price of EVA dropped in June. Though market once rebounded in September, the following demand did not improve thus. Therefore, price reversed and fell again from the mid of October.

Operation Review : Jan. – Sep. 2022

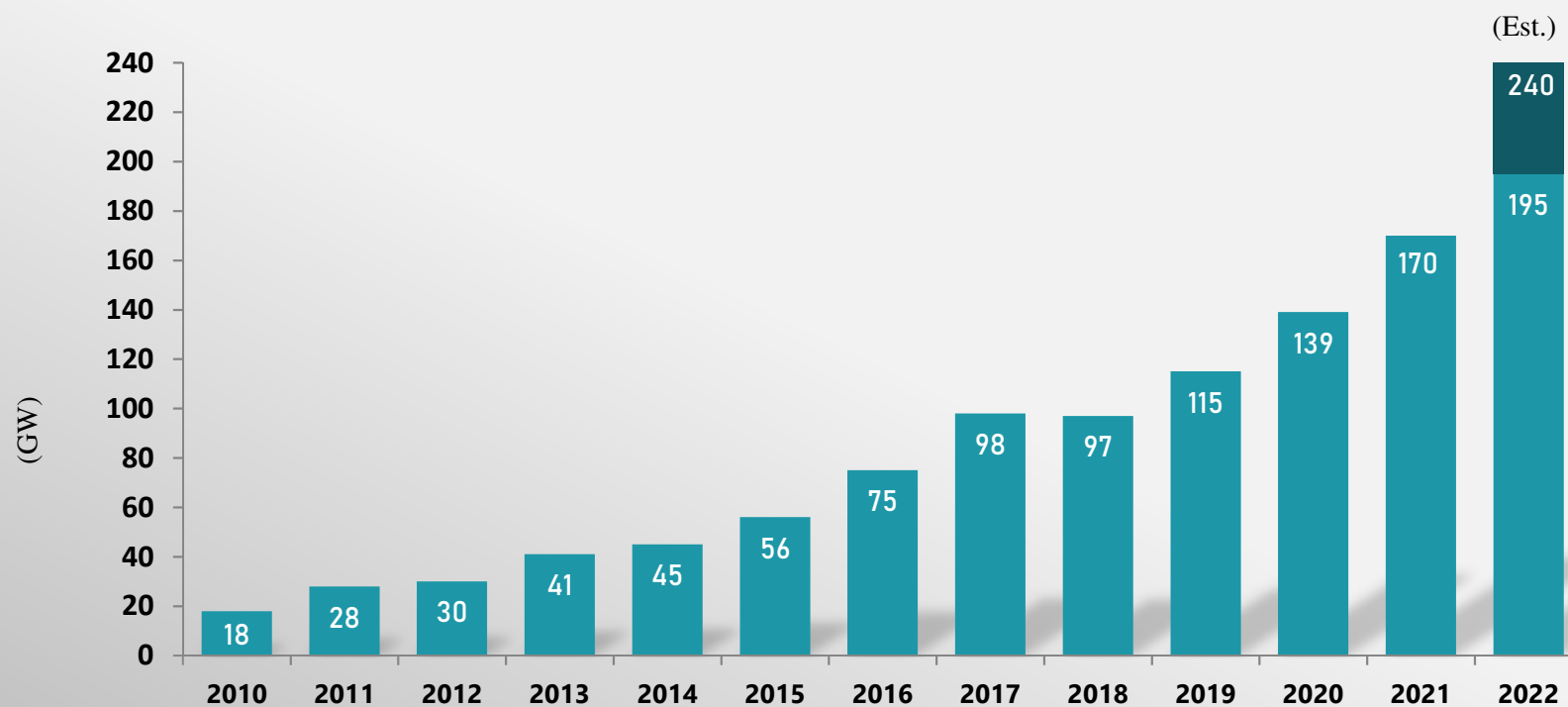
- Crude oil remained on high level due to the influence of the Ukrainian-Russian war. Downstream demand for PE both from domestic and export markets had dropped significantly affected by COVID epidemics and inflation.
- Macro economy is not good thus overall market demand reduced. Additionally, our factories shutdown in March and July caused the sales volume dropped in the first three quarters of 2022 by 18% compared with the same period of last year.

	Jan.~Sep., 2021	Jan.~Sep., 2022	Variance
Total	201,787	165,809	-35,978

Unit : MT

Global PV Demand

2010~2022 Global PV Installations

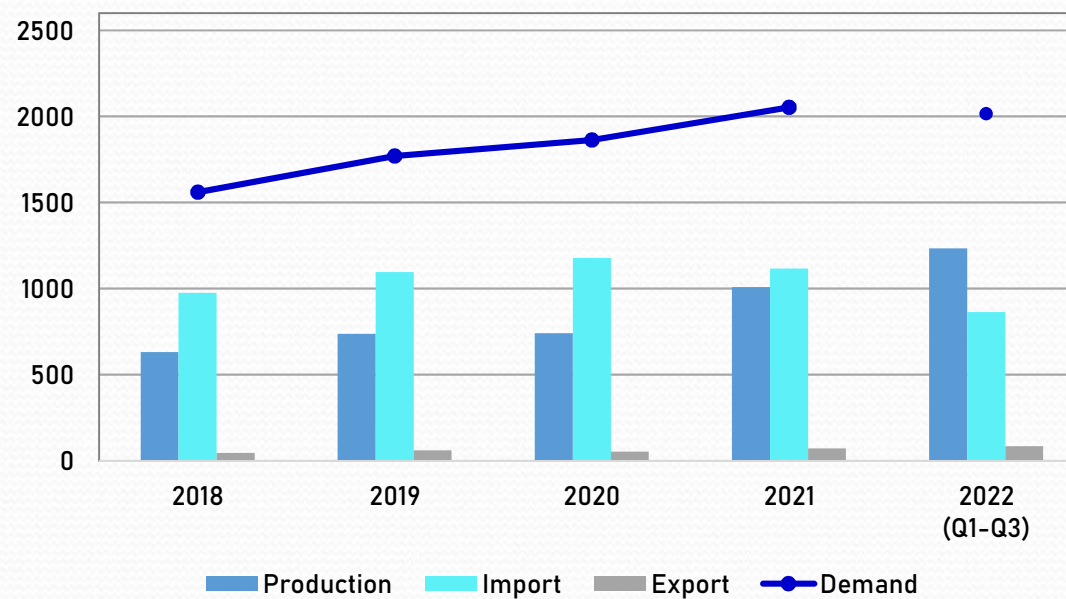


Source from:
IHS、北極星、Trend Force、SPE、CPIA、
BNEF、Wood Mackenzie

China EVA Demand

Year	Production	Import	Export	Apparent Demand	Self-sufficiency rate (%)
2018	632	975	46	1561	40%
2019	736	1096	60	1,771	42%
2020	741	1177	54	1,864	40%
2021	1007	1117	71	2,053	49%
2022 Q1~Q3	1234	864	85	2,014	61%

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
SINOCHM QUANZHOU PETROCHEMICAL	100	2021	foam/W&C
ZHEJIANG PETROLEUM & CHEMICAL CO., LTD.	300	2021	PV
SINOPEC ZHONGKE (GUANGDONG) REF.& CH.	100	2022	foam/W&C/PV
LEVIMA ADVANCED MATERIALS TECHNOLOGY (DEBOTTLENECK)	50	2022	foam(contain high VA)/W&C/PV
XINJIANG DUSHANZI TIANLI HIGH&NEW TECH	200	2022	foam/PV
FORMOSA PLASTICS CORP.NINGBO (DEBOTTLENECK)	28	2022	foam(contain high VA)/W&C/PV
Total	2150 (already start-up)		
FUJIAN GULEI PETROCHEMICAL	300	2023	
NINGXIA BAOFENG ENERGY	250	2023	
ABUNDANT DRAGON GROUP	300	2024	
JIANGSU SAILBOAT PETROCHEMICAL (Phase II)	700	2024~2025	
LEVIMA GREEN(SHANDONG) NEW MATERIALS CO., LTD	200	2025	
GUANGXI PETROCHEMICAL OF CHINA PETROLEUM	400	2025	
Total (New Capacity)	2150		

Unit : KMT

Operation Outlook in Q4

■ Oil :

Demand is reduced by poor macro economy but supply is supported by OPEC+ production cuts. It is estimated that crude oil prices will stay fluctuating on high side in the short term.

■ Ethylene :

MTO manufacturers could not bear high methanol cost which were forced them to cut production rate and purchase ethylene instead. Thus supporting the price of ethylene between \$850 and \$950 while U.S. ethylene is continuously shipped to Asia.

■ VAM :

Downstream demand is sluggish. Compared with the spot price in Q3, the spot price will be adjusted significantly lower. Currently Europe does not need Asian spot support. Overall supply in Asia is relatively stable and the price fluctuation is not large.

Operation Outlook in Q4

■ PE and EVA :

- Market uncertainty remained high as the ongoing war between Russia and Ukraine, high inflation and interest rate hiking. Besides, there was no favorable economic policy after the 20th National Congress of China which intensified the wait-and-see stance.
- EVA price mainly affected by photovoltaic demand. In Q4, its demand is not as good as expected. Demand for both footwear and hot melt adhesive industries are also weak. While Xinjiang Tianli's new capacity of 200 KTA joined at the end of September. With increasing supply, EVA prices are easy to fall but difficult to rise.
- Under global inflation and interest rates hiking, PE market demand remained sluggish. Due to fierce price competition, PE sales volume will be difficult to break through in the short term.
- Continuously promote high-performance EVA products and improve the quality of HD/LLD products as well. Keep on developing 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.
- **2022/10 EVA item achieved mechanical completion.**

USI Corporation and Subsidiaries

Consolidated Financial Information

(For the Nine Months Ended Sep 30, 2022)

Reporter :Amy Kuo,
(Manager of Accounting Dept.)

USI Corporation

Consolidated Statements of Income

(In millions of NTD, except per share data)

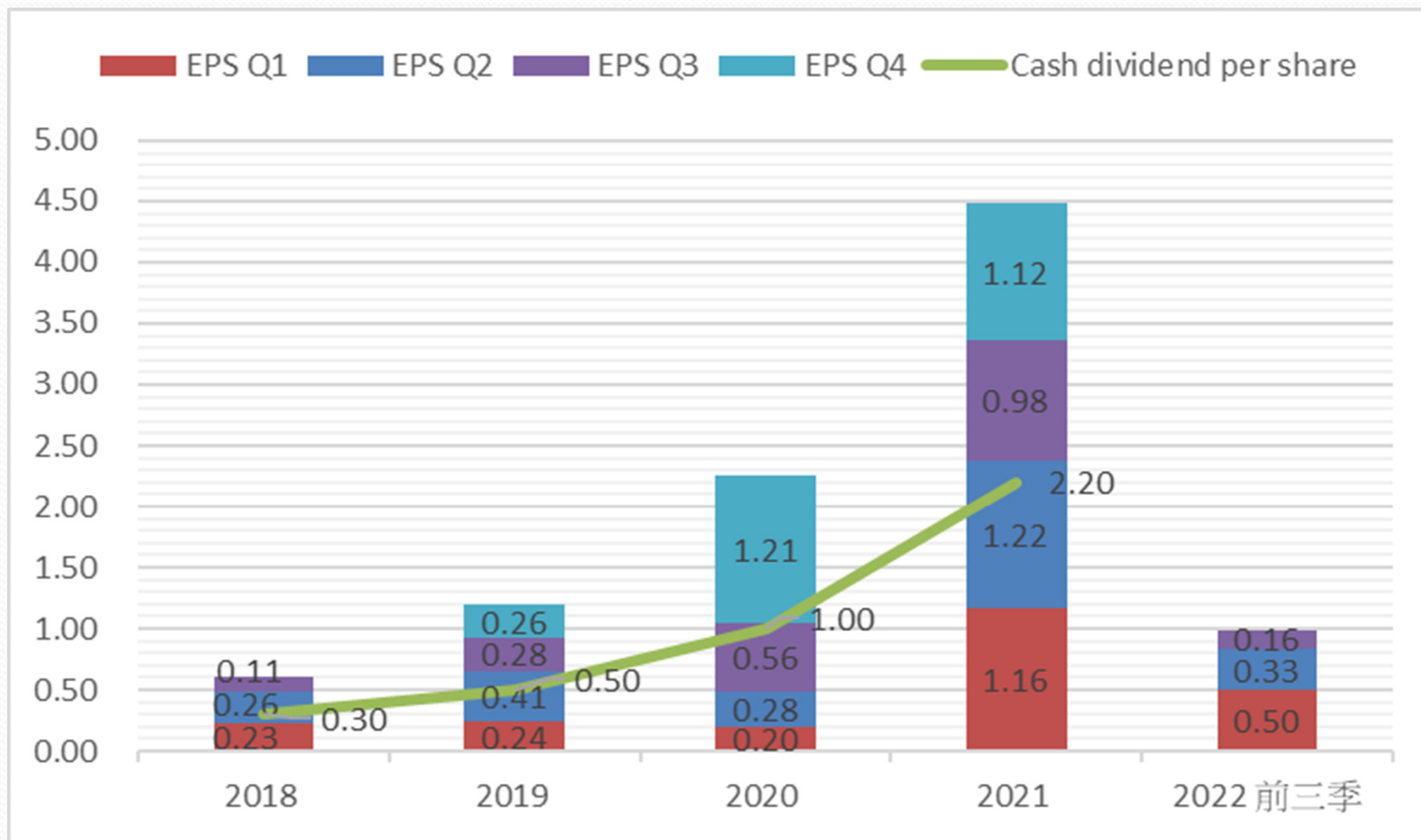
	2022 1/1-9/30	2021 1/1-9/30	YoY%	2021 FY	2020 FY	2019 FY
Sales	51,288	52,405	-2.1%	71,756	50,201	55,657
Cost of goods sold	43,166	39,883	8.2%	54,002	39,721	48,924
Gross profit	8,122	12,522	-35.1%	17,754	10,480	6,732
gross profit ratio	16%	24%		25%	21%	12%
Selling and administrative expenses	3,793	3,297	15.0%	4,441	3,221	3,385
R&D expenses	315	319	-1.2%	430	363	416
Operating income	4,014	8,906	-54.9%	12,883	6,896	2,932
operating income ratio	8%	17%		18%	14%	5%
Non-operating income(loss)	(3,340)	448	-846.0%	(130)	227	434
Income before income taxes	675	9,354	-92.8%	12,752	7,123	3,366
Income taxes	672	1,984	-66.1%	2,673	1,440	820
Net income	2	7,370	-100.0%	10,079	5,683	2,545
net income ratio	0%	14%		14%	11%	5%
Net income attributable to						
- USI Corporation	1,063	3,600	-70.5%	5,191	2,410	1,281
- non-controlling interests	(1,061)	3,770	-128.1%	4,888	3,273	1,264
Earnings per share	0.99	3.36		4.84	2.25	1.19

USI Corporation

Financial ratio analysis-Consolidated

	2022 1/1-9/30	2021 1/1-9/30	2021 FY	2020 FY	2019 FY
Operating income margin(%)	8	17	18	14	5
Net income margin(%)	0	14	14	11	5
Debt ratio(%)	36	37	34	37	45
Current ratio(%)	258	199	227	225	222
Quick ratio(%)	184	156	172	185	177
Accounts receivable turnover days	45	44	43	54	52
Inventory turnover days	49	36	40	42	43

EPS vs DPS





Thanks for attending the conference and your kind support.

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