

FORMOSA CHEMICALS & FIBRE CORPORATION

The first quarter of 2023 and the year of 2022
Result Conference

FCFC



April 27, 2023

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Consolidated Financial Performance

(Amount: NT\$ billion)	<u>2022</u>	<u>2021</u>	YoY	<u>1Q2023*</u>	<u>4Q2022</u>	QoQ
Sales Revenue	379.9	365.8	3.9%	83.0	86.0	(3.5%)
COGS	(367.2)	(312.4)		81.6	(87.3)	
Gross Profits	12.7	53.4	(76.0%)	1.4	(1.3)	(207.7%)
Gross Margin	3.3%	14.6%		1.7%	(1.5%)	
Operating Expense	(18.0)	(19.0)		(3.7)	(4.0)	
Operating Profit	(5.3)	34.4	(115.4%)	(2.3)	(5.3)	(56.6%)
Operating Margin	(1.4%)	9.4%		(2.8%)	(6.2%)	
Non-Operating Profit (Loss)	14.9	15.7	(5.7%)	1.2	(3.5)	(134.3%)
Profit Before Tax	9.6	50.1	(80.9%)	(1.1)	(8.8)	(87.5%)
Net Profit	9.2	42.7	(78.5%)	(1.2)	(7.9)	(84.8%)
Net Profit Margin	2.4%	11.7%		(1.4%)	(9.2%)	
EPS(NTD)	1.26	6.56		(0.13)	(1.28)	

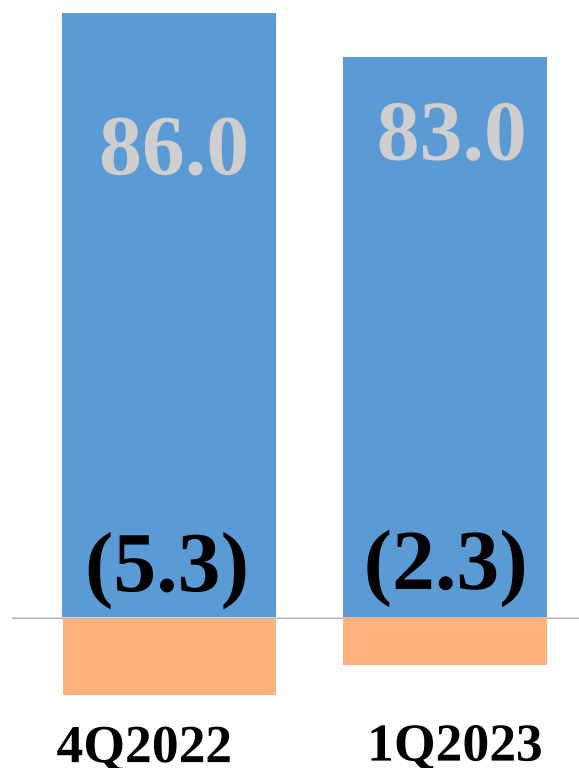
*The figures of 1Q2023 are not yet been reviewed by CPAs.



Change in Consolidated Revenue –QoQ

(In NT\$ billion)

- Sales Revenue
- Operating Income



Consolidated revenue decreased 3 billion in 1Q2023, with a decline rate of 3.5% compared to 4Q2022.

■ Price variance -2.95 billion:

As inflation and interest rate hikes, market consumption was dented. Demand remained sluggish despite the lifting of lockdowns in China, and inventories of downstream products are still to be reduced. Along with the expanded production capacity, a decline in product prices came as a consequence.

■ Volume variance +0.01 billion:

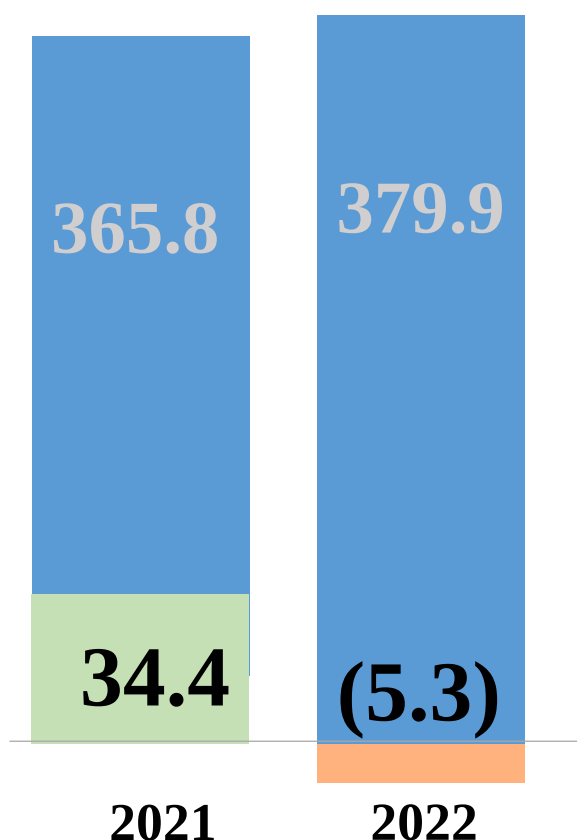
Production and sales were adjusted as SM plant in Mailiao resumed normal production from overhaul this quarter. Sales of OX, phenol, PS, and PC were enhanced due to increased profit margin and inventory adjustment, while that of PX, acetone, acetic acid, PTA, PIA, ABS, and PP were reduced.



Change in Consolidated Revenue –YoY

(In NT\$ billion)

- Sales Revenue
- Operation Income



Consolidated revenue in 2022 increased by **14.1 billion** compared with 2021, with an annual growth rate of **3.9%**.

■ Price variance +34.3 billion

Supply chain imbalance, coupled with the impact of the Russia-Ukraine war, pushed up oil and raw material prices. Prices of petrochemical products, electricity and steam also rose to reflect the increased cost in coal prices. However, prices of acetone, ABS, PP, PC and acetic acid dropped instead, due to weak demand caused by lockdown measures in China and competition from the expanded supply.

■ Volume variance -20.2 billion

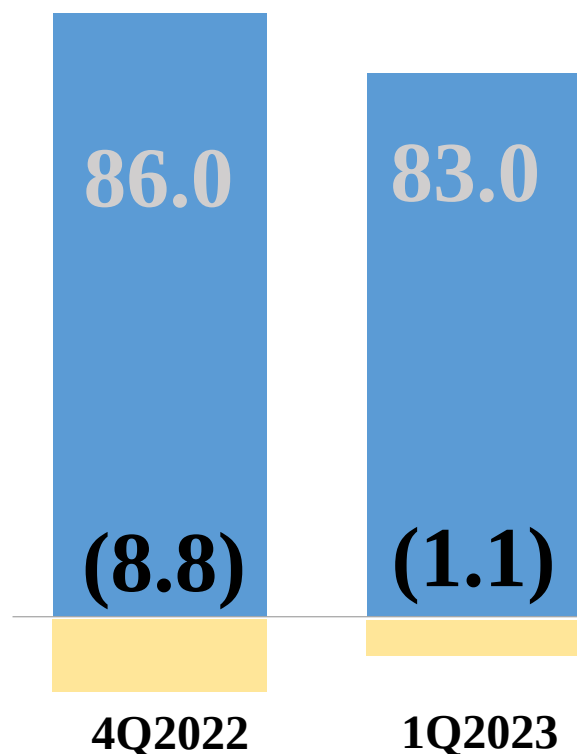
Affected by inflation and the Chinese lockdown, demand was dented, production of PX and electricity were reduced due to the low processing margin and high coal price, thus decrease in sales came as a consequence. In fact, sales volume of most products, with SM excluded, have decreased. Since SM was put more into sales and less in production, and that acetic acid underwent overhaul in 2021, sales volume increased relatively in 2022.



Change in Profit Before Tax - QoQ

(In NT\$ billion)

- Sales Revenue
- Profit Before Tax



Loss Before Tax decreased 7.7 billion in 1Q2023 compared to 4Q2022

■ Operating income +2.94 billion

Market demand remained sluggish, yet supply was expanded with the new production capacity, leading to decline in prices and profit margins. However, as the company continues to boost sales under market prices and reduce low-margin products, high-cost inventories were gradually depleted, and operating loss decreased on a seasonal basis.

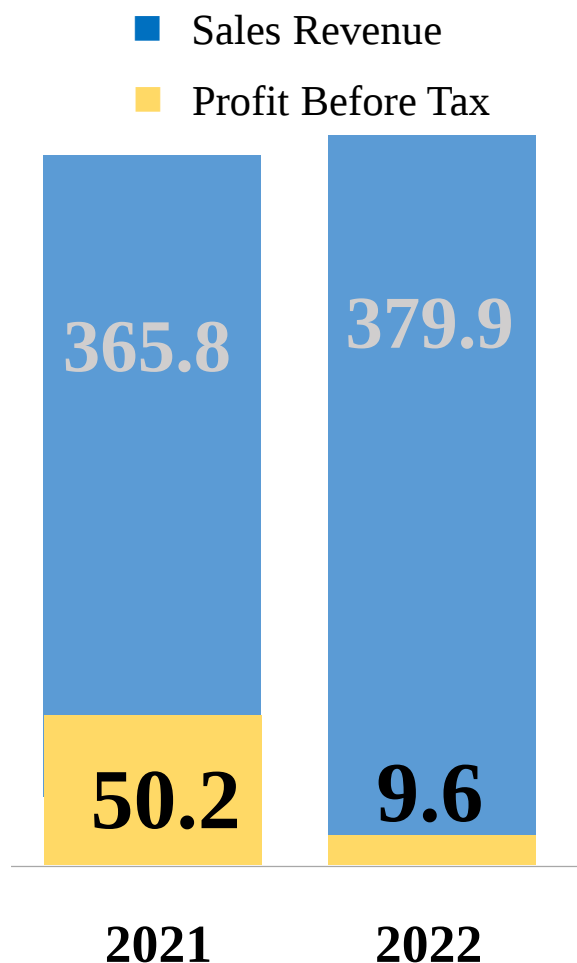
■ Non-Operating income +4.77 billion

- 1) Investment profit from Equity Method increased by 4.38 billion.
(FPCC 3.59 billion, MLPC 0.75 billion)
- 2) Foreign currency exchange profit decreased by 0.27 billion.



Change in Profit Before Tax - YoY

(In NT\$ billion)



Profit Before Tax was 9.6 billion in 2022 , decreasing 40.6 billion compared with 2021, representing 80.9% decline rate.

■ Operating income -39.7 billion

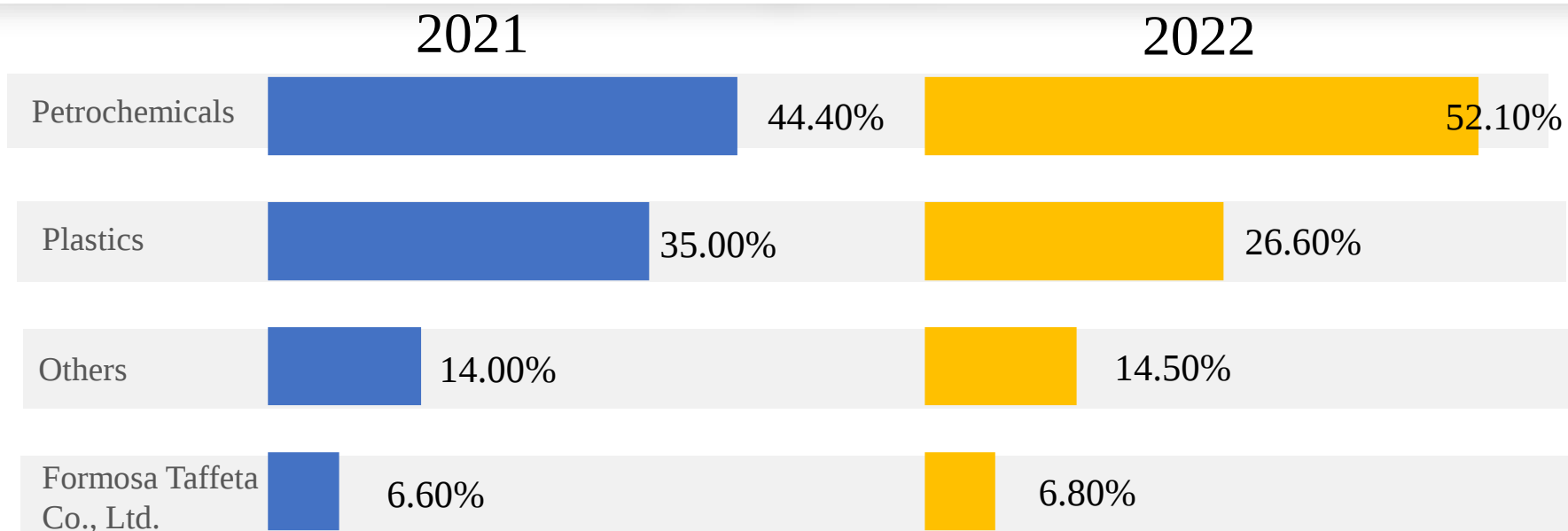
In terms of the impact on product prices, supply was increased by the competitors' new production capacity, while demand slowed down due to inflation and China's lockdown measures. Downstream customers have become more conservative in their material purchases, and while the price of petrochemical plastics has increased, it has not risen to the same extent as raw materials. This has led to a narrowing of profit margins and a reduction in operating profits.

■ Non-Operating income -0.9 billion

- 1) Investment profit from Equity Method decreased by 10.3 billion.
- 2) Interest expenses increased by 0.75 billion.
- 3) Dividend income increased by 7.33 billion.
- 4) Foreign currency exchange profit increased by 2.47 billion.



Revenue Breakdown by Segment



Petrochemical The company's petrochemical product revenue in 2022 was 198 billion, an increase of NT\$35.5 billion compared to the same period in 2021, with a growth rate of 22%. The main cause was the increased oil prices owing to the Russia-Ukraine war, which furthermore drove up the prices of petrochemical products. Petrochemical products accounted for 52.1% of total revenue, more than that in 2021, which was 44.40%.

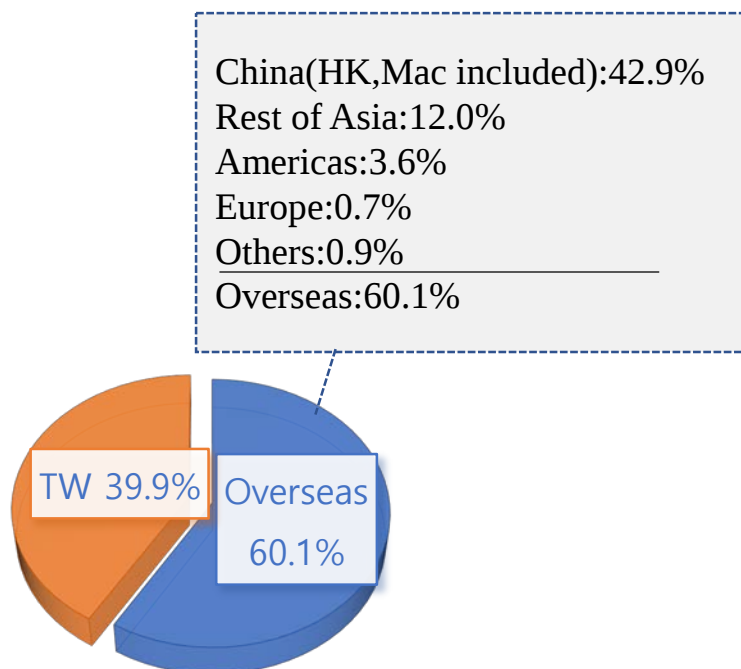
Plastics: In 2022, the revenue was NT\$101.2 billion. Despite the increase in raw material prices, the demand slowdown and expanded production capacity led to a simultaneously decline in both price and volume. Revenue decreased by 26.8 billion compared to 2021, which was NT\$128 billion, representing a 21% decline. Plastic products accounted for 26.6% of total revenue, which also shrank compared to 35% in the same period of 2021.



Revenue Breakdown by Geography

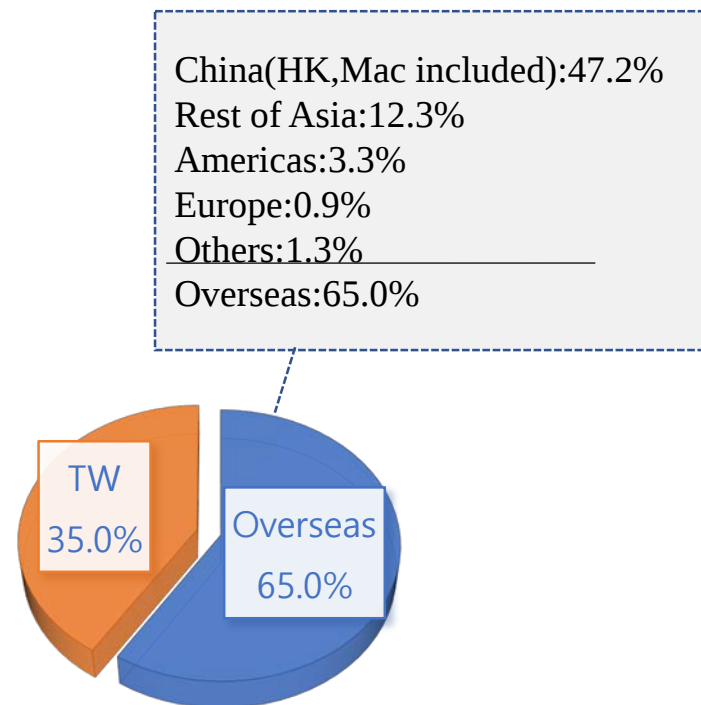
2021

Sales Revenue: NT\$365.8billion



2022

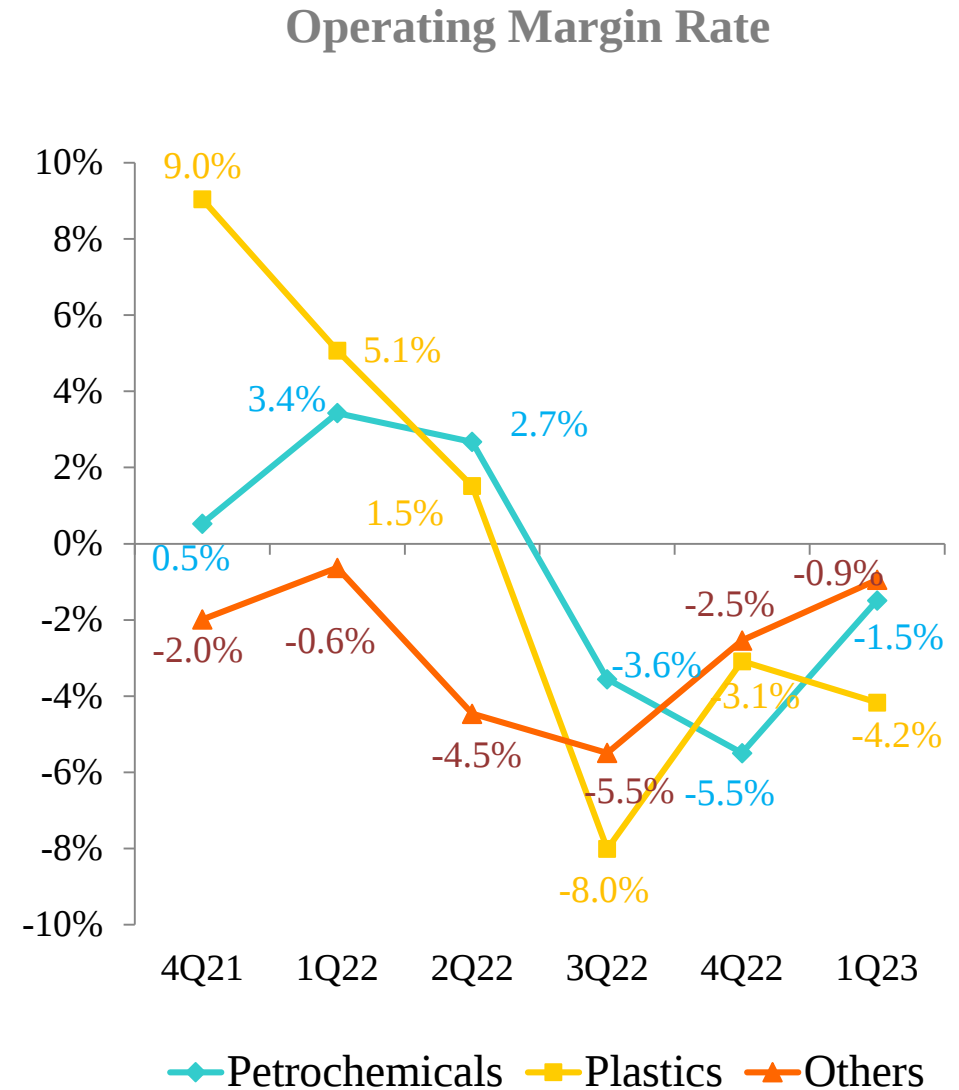
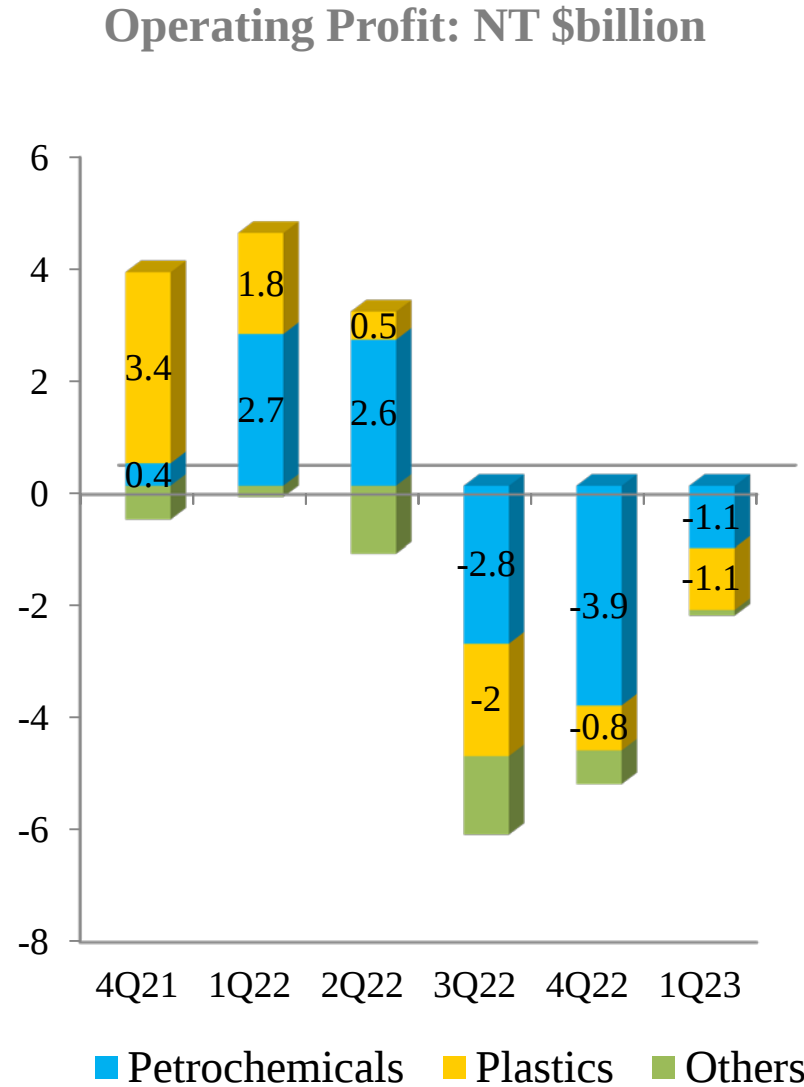
Sales Revenue: NT\$379.9billion



- China(Hong Kong and Macau included) is the primary market, whose percentage of sales revenue increased from 42.9% in 2021 to 47.2% in 2022(domestic sales particularly from subsidiaries in China accounted for 29.2%).



Operating Profits Breakdown by Division





Capacity Expansion Plans

► Taiwan(Chiayi)

Product Line	Addition	Current (Group wide)	Capacity Expanded	Expected Completion date
Compound II	36KT	36KT	100%	2024Q1
PS IV	100KT	640KT	15%	2024Q4

► China(Ningbo)

Product Line	Addition	Current (Group wide)	Capacity Expanded	Expected Completion date
ABS	250KT	950KT	26%	2023Q3
PTA#6	1,500KT	2,900KT	52%	2023Q3



ESG Investment Projects

Carbon reduction strategy

Projects	Expected investment amount	Descriptions
Energy Conservation and Carbon Reduction	NTD 10.91 billion (NTD 7.98 billion/Taiwan, NTD 2.71 billion/Ningbo NTD 0.22 billion/Vietnam)	Optimize production process, recover waste heat and improve heat integration, enhance energy efficiency.
Renewable Energy	2.98 billion NTD (2.05 billion NTD/Taiwan, 0.06 billion NTD/Ningbo, 0.87 billion NTD/Vietnam)	Install solar panels on rooftops of factories in Taiwan, Ningbo, and Vietnam, generate hydroelectricity from water pipelines in Shalu and wind power in the southwest corner of the Mailiao plant.

Circular economy

- ❑ Solid waste recycling system - NTD 0.84 billion
6,000 tons of nylon waste recycled from the ocean per year
- ❑ Recycled plastic pellets production system - NTD 0.5 billion
- ❑ Waste PET bottles recycled into polyester fiber and yarn.

Digital transformation

- ❑ Factory simulation
- ❑ Digitalization of production and operations management
- ❑ Comprehensive digital optimization and transformation

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