FORMOSA CHEMICALS & FIBRE CORPORATION

1H2023 Result Conference

FCFC

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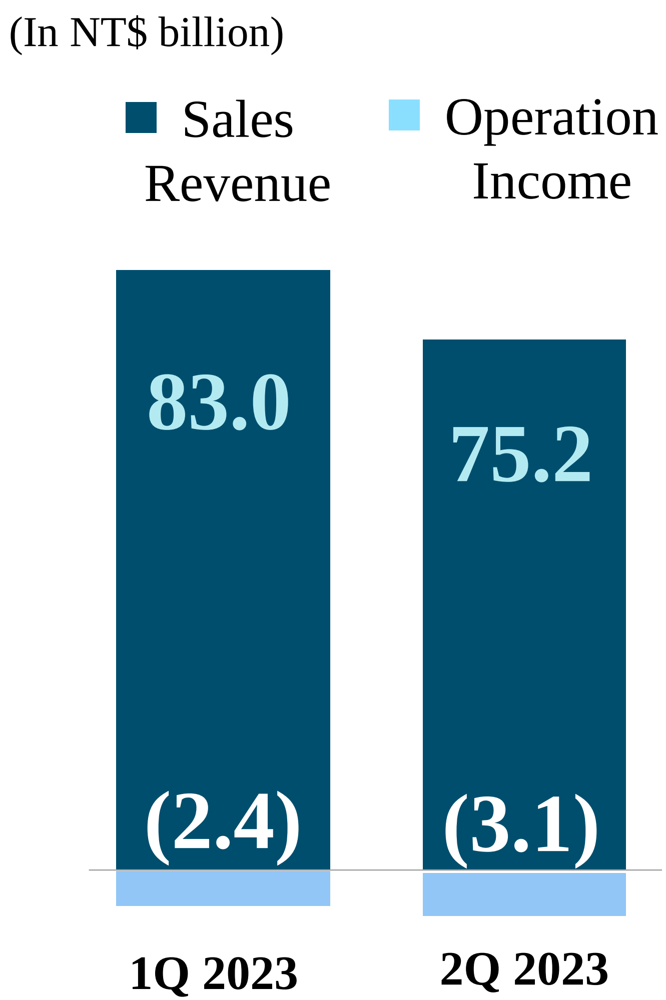
Consolidated Financial Performance

(Amount: NT$ billion)	1H2023	1H2022	HoH	2Q2023	1Q2023	QoQ
Sales Revenue	**158.2**	**203.2**	**(22.1%)**	**75.2**	**83.0**	**(9.4%)**
COGS	(156.4)	(187.3)		74.8	81.6	
Gross Profits	**1.8**	**15.9**	**(88.7%)**	**0.4**	**1.4**	**(71.4%)**
Gross Margin	**1.1%**	**7.8%**		**0.5%**	**1.7%**	
Operating Expense	(7.3)	(9.7)		(3.5)	(3.8)	
Operating Profit	**(5.5)**	**6.2**	**(188.7%)**	**(3.1)**	**(2.4)**	**-**
Operating Margin	**(3.5%)**	**3.1%**		**(4.1%)**	**(2.9%)**	
Non-Operating Profit (Loss)	5.9	10.5	**(43.8%)**	4.7	1.2	**291.7%**
Profit Before Tax	**0.4**	**16.7**	**(97.6%)**	**1.6**	**(1.2)**	**-**
Net Profit	**0.5**	**14.8**	**(96.6%)**	**1.7**	**(1.2)**	**-**
Net Profit Margin	**0.3%**	**7.3%**		**2.3%**	**(1.4%)**	
EPS(NTD)	**0.16**	**2.11**		**0.29**	**(0.13)**	

Change in Consolidated Revenue -QoQ



Consolidated revenue in 2Q2023 decreased by 7.8 billion compared with 1Q2023, representing a decline rate of 9.4% on a QoQ basis.

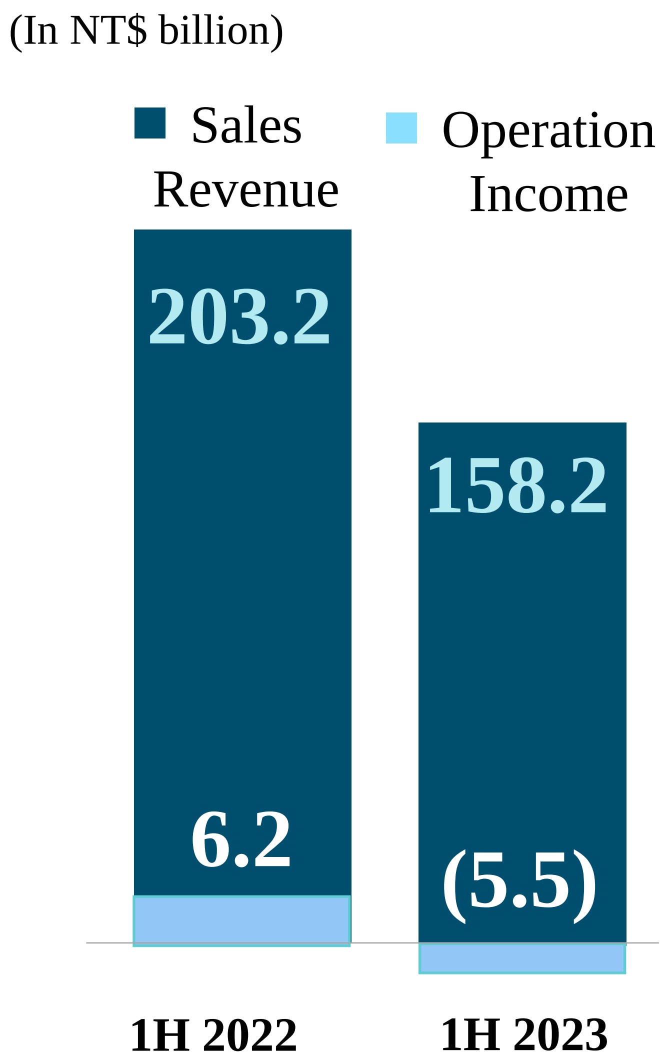
- **Volume variance -5.2 billion:**

ARO-3 and SM-3 scheduled for maintenance in the second quarter, thus sales of PX, SM and raffinate oil decreased. PIA, ABS and PP cut off product lines with low margins or reduced load in response to depressed market condition.

- **Price variance-2.6 billion:**

Downstream market consumption remained weak, stocks require depletion, and recovery of China's export sales was below expectation. Along with the expanded production capacity, raw materials and products prices continues to decline.

Change in Consolidated Revenue -HoH



Consolidated revenue in 1H2023 decreased by 45.0 billion compared with 1H2022, representing a decline rate of 22.1% on a HoH basis.

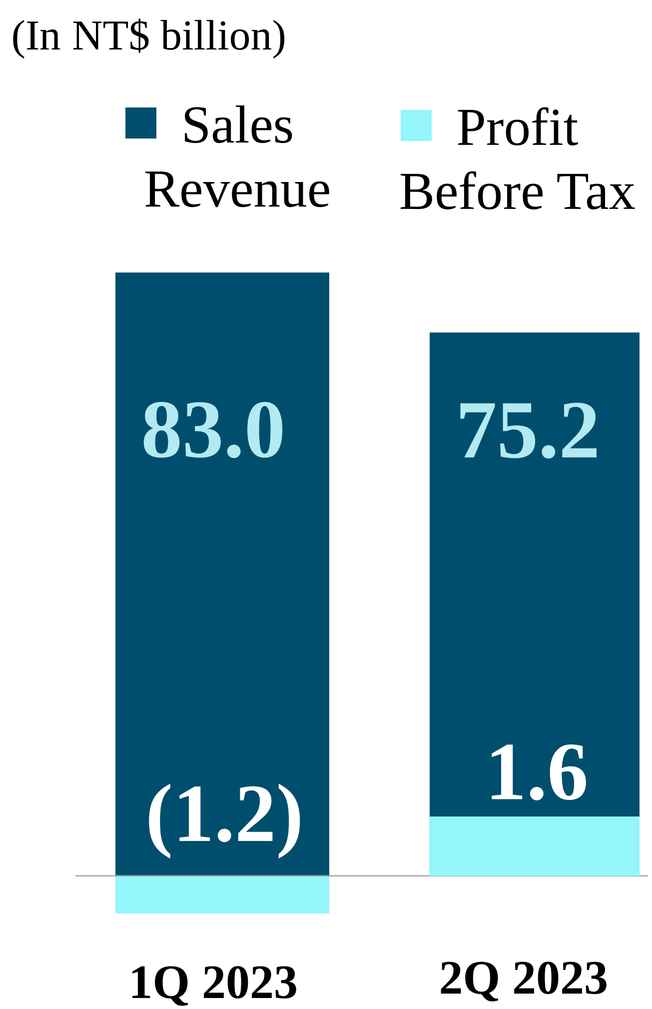
- **Price variance -24.4 billion**

Crude oil and energy prices escalated last year, pushing the prices of major products up. This year, however, market conditions and weak demand led to a downward adjustment in raw material prices. Furthermore, competitors launched new production lines, which caused an oversupply in the market, and price drop of the products came as a consequence.

- **Volume variance -20.6 billion**

Product lines with low margin were cut off, and SM-3 underwent overhaul in the second quarter, leading to decrease in revenue. Other than that, sales were increased since phenol underwent overhaul last year but ran normal production this year, while OX also increased sales since profit margins were improved.

Change in Profit Before Tax - QoQ



Profit Before Tax was 1.6 billion in 2Q2023, which turned from loss into gain by 2.8 billion,

- **Non-operating income +3.6 billion**

(1)Dividend income increased by **4.44 bn**. (FPC 2.05 bn, NC 1.24 bn, NTC 0.71 bn)

(2)Foreign currency exchange profit increased by **0.28 bn**.

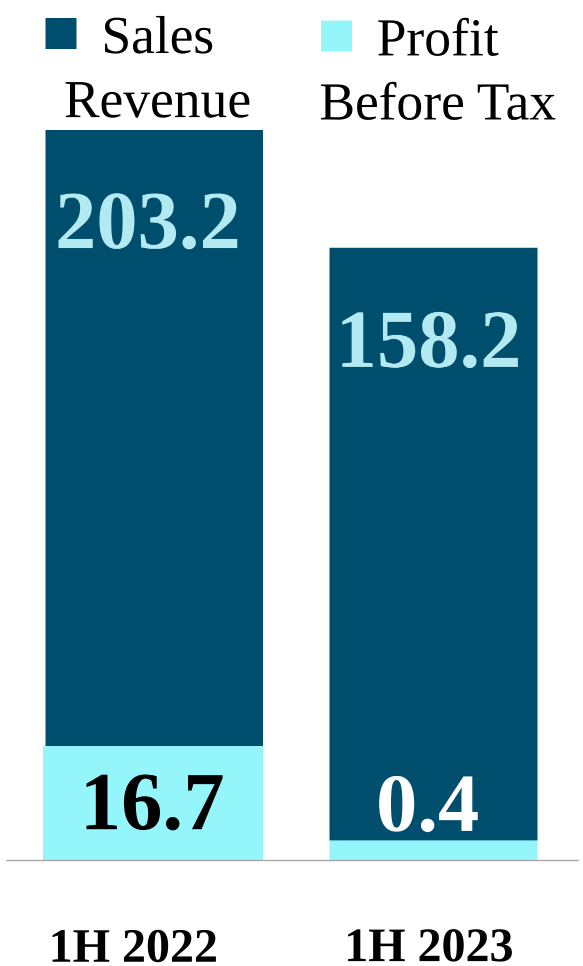
(3)Investment profit from Equity Method decreased by **1.15 bn**. (FPCC -1.19 bn)

- **Operating income -0.8 billion**

As market remained sluggish, clients inclined to adopt a wait-and-see attitude on purchases. Meanwhile, overhaul in ARO-3、SM-3 reduced production and sales, which furthermore led to a decrease in operating income.

Change in Profit Before Tax - HoH

(In NT$ billion)



Profit Before Tax was 0.4 billion in 1H2023, decreasing by 16.3 billion compared with 1H2022.

■ **Operating income -11.6 billion**

U.S. and EU raise interest rates frequently to curb inflation and suppress market demand. Meanwhile, despite the ease of pandemic restrictions, China's economic condition not only did not rebound, but faced deflationary pressure instead. Expanded production capacity by competitors led to oversupply, narrowing profit margins for products and decreasing operating profit.

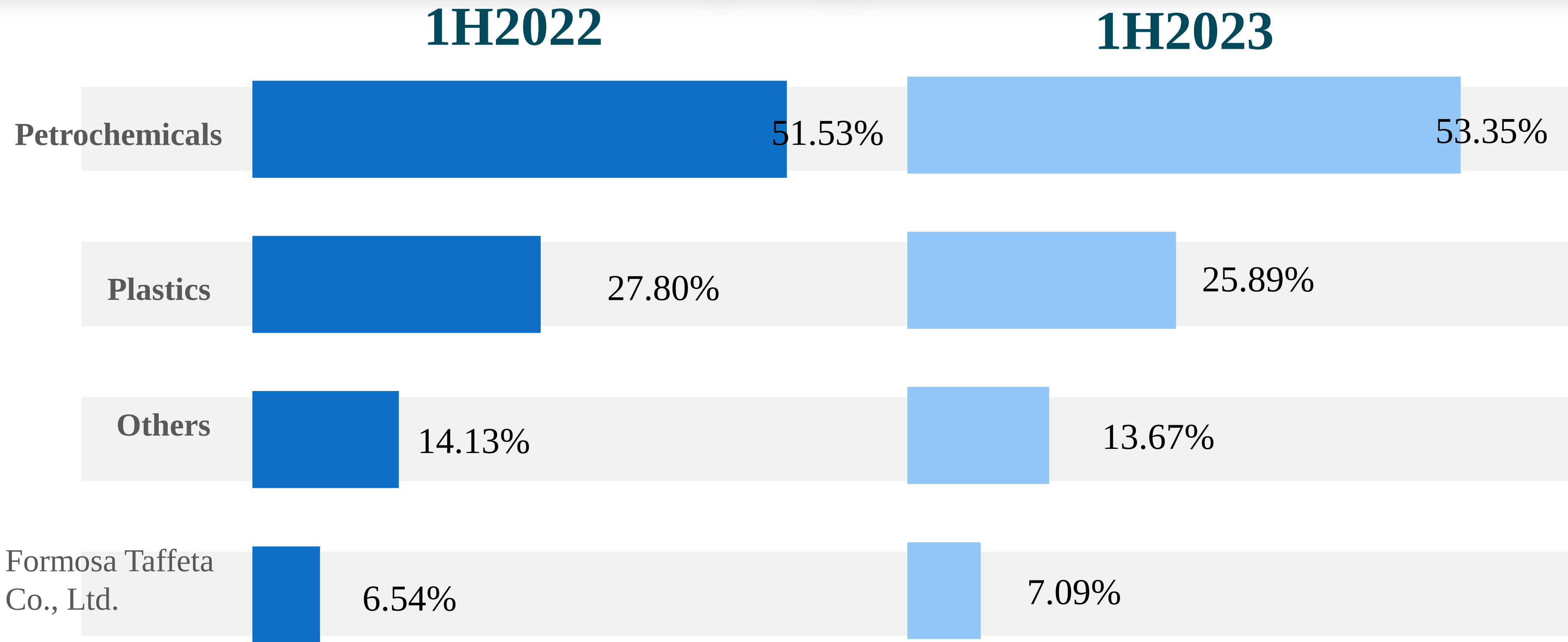
■ **Non-Operating income -4.7 billion**

(1) Investment profit from Equity Method decreased by **4.56 bn**. (FPCC -6.42 bn, MLPC 2.3 bn)

(2) Foreign currency exchange profit decreased by **1.1 bn**.

(3) Dividend income increased by **1.57 bn**. (FPC 2.05 bn, NC 1.24 bn, FPCC -0.99 bn, NTC -0.53 bn)

Revenue Breakdown by Segment



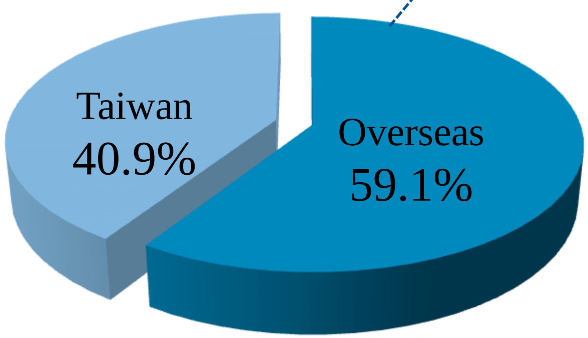
- **Petrochemical:** The revenue of petrochemical product in 1H2023 was 84.4 billion, a decrease of 20.3 billion on a HoH basis, representing a decline rate of 19.4%. This is mainly caused by global inflation, which dented demand, brought down product prices, and narrowed profit margin. As a response, production and sales were adjusted. Petrochemical products accounted for 53.35% of total revenue, more than that in 2022, which was 51.53%.
- **Plastics:** The revenue of petrochemical product in 1H2023 was 41 billion. Downstream demand remains weak, and clients tend to deplete inventory. Along with price competition aroused by industry peers, both sales price and volume dropped compared to 2022, which was 56.5 billion, representing a 28% decline. Plastic products accounted for 25.89% of total revenue, which shrank compared to 27.80% in the same period of 2022.

Revenue Breakdown by Geography

1H2022

Sales Revenue:NT$203.2 billion

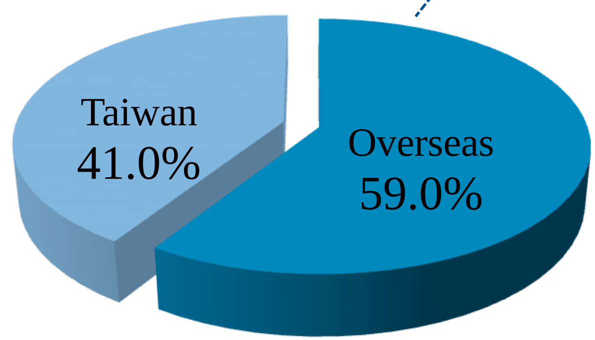
China(HK,Mac included):40.1%
Rest of Asia:13.2%
Americas:3.1%
Europe:1.1%
Others:1.6%
Overseas:59.1%



1H2023

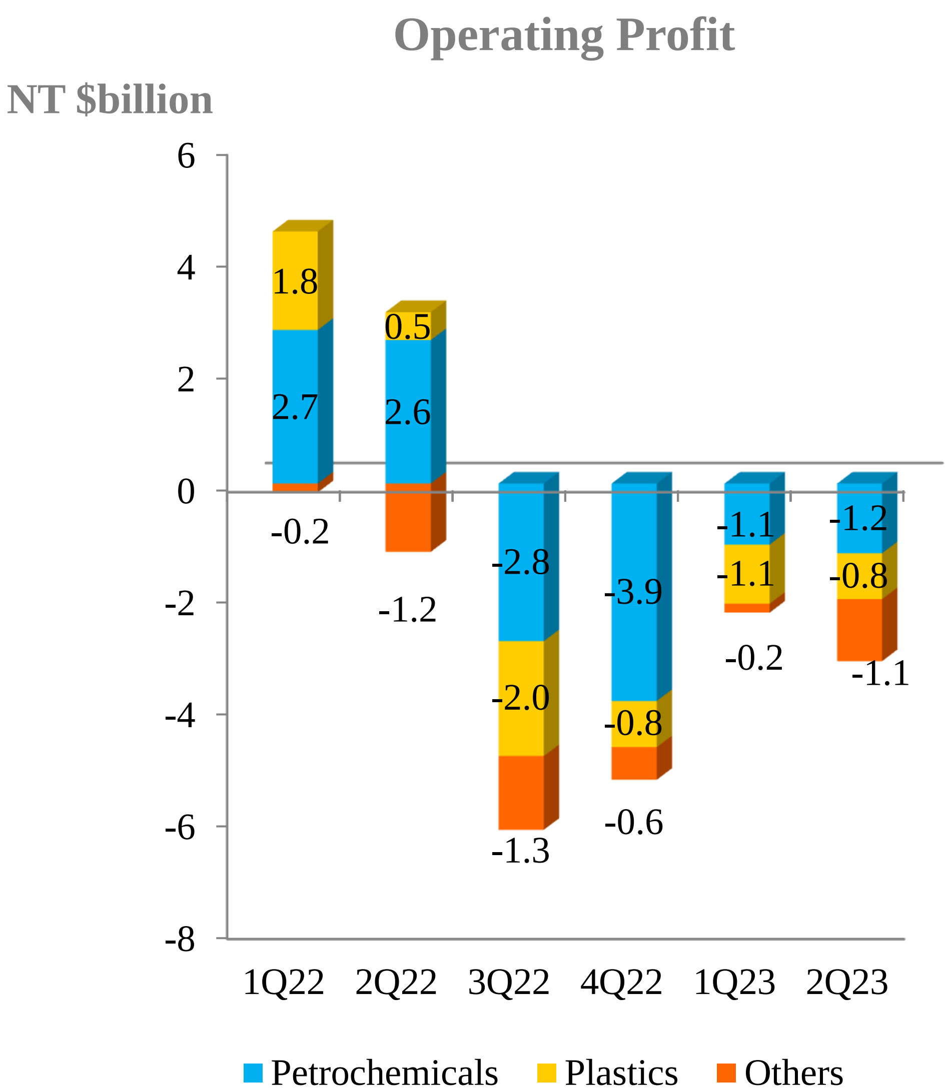
Sales Revenue:NT$158.2 billion

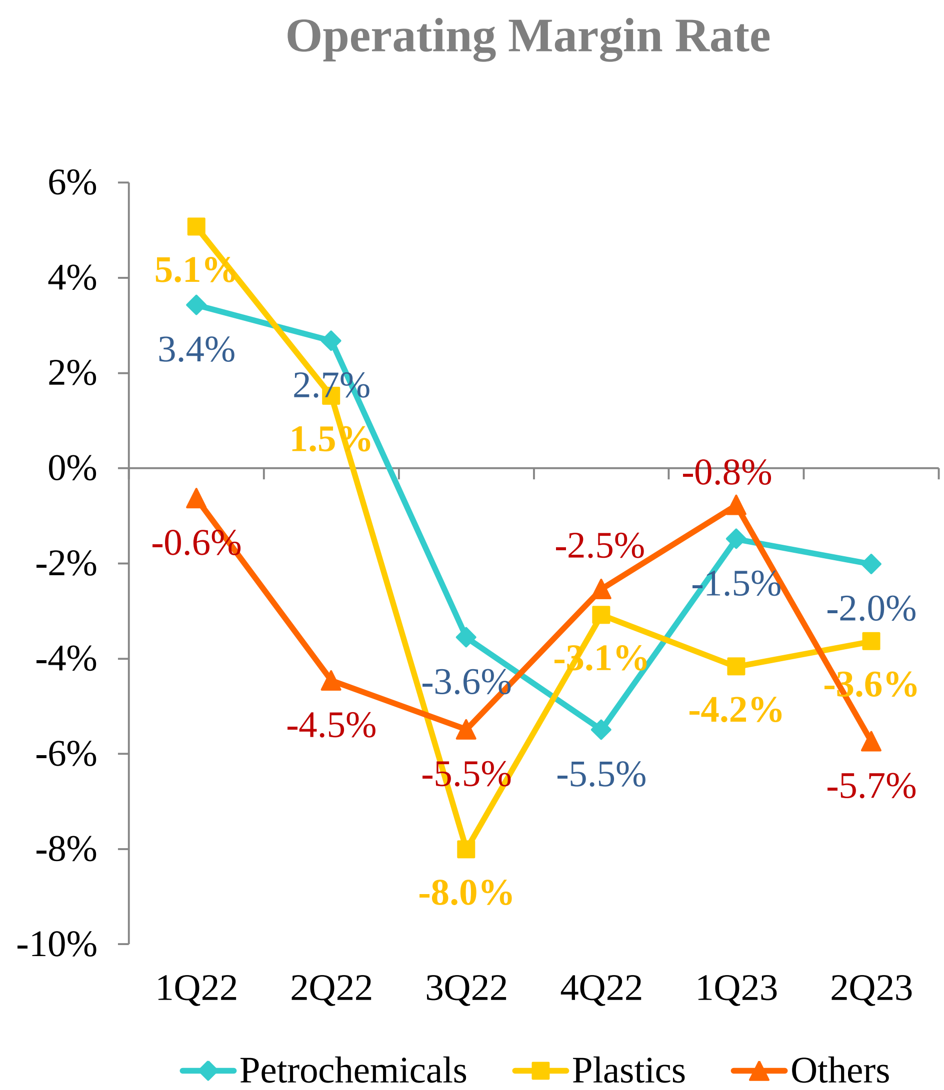
China(HK,Mac included):43.1%
Rest of Asia: 10.5%
Americas: 3.1%
Europe:1.6%
Others:0.7%
Overseas:59.0%



- **China(Hong Kong and Macau included) is the primary market, whose percentage of sales revenue increased from 40.1% in 2022 to 43.1% in 2023(domestic sales particularly from subsidiaries in China accounted for 32.6% in 2023 and 27.7% in 2022).**

Operating Profits Breakdown by Division





Capacity Expansion Plans

Taiwan(Chiayi)

Product Line	Addition	Current (Group wide)	Capacity Expanded	Expected Completion date
PS IV	100KT	640KT	15%	2025Q1

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%	2023Q4

ESG-Carbon Performance in 2022

Annual carbon reduction
289 kt
CO_2e

Energy Efficiency Strategy

- **Optimized production process, reclaimed waste heat, and enhanced energy efficiency.**
- Completed **288** process improvement projects in 2022.
- Saved thermal energy by **100.2** tons/hr; electricity consumption by **7.3** MWh/hr; fuel usage by **0.5** tons/hour. Total carbon reduction for the year was **289** kt CO_2e.

Annual carbon reduction
503 kt
CO_2e

Energy Transition Strategy

- **Coal Reduction:** Replaced coal-based electricity with CHP, reducing **339** kt CO_2e per year.
- **Low-Carbon Energy:** Converted 4 oil-fired boilers to natural gas, reducing **129** kt CO_2e per year.
- **Green Power:** Generated 67,547 MWh of solar and hydro energy, reducing **35** kt CO_2e per year.

Annual carbon reduction
14 kt
CO_2e

Circular Economy Strategy

- **Eco-Friendly Products:** Recycled PET bottles into polyester fibers and offer them to clothing manufacturers, reducing **10** kt CO_2e per year.
- **Recycling Plastics:** Developed 100% recycled PCR pellets with third-party certification, reducing **2** kt CO_2e per year.
- **Recycling Nylon:** Recycled marine waste such as fishing nets and oyster ropes into eco-friendly, reducing **2** kt CO_2e per year.

Q&A

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