

FORMOSA CHEMICALS & FIBRE CORPORATION

4Q2019 Result Conference

FCFC



APR 30, 2020

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Consolidated Financial Performance

(Amount: NT\$ billion)	<u>2019</u>	<u>2018</u>	YoY	<u>4Q 2019</u>	<u>3Q 2019</u>	QoQ
Sales Revenue	315.5	399.1	-20.9%	71.2	75.4	-5.6%
COGS	(283.4)	(347.3)		(66.1)	(69.3)	
Gross Profits	32.1	51.8	-30.8%	5.1	6.1	-16.4%
Gross Margin	10.2%	13.0%		7.2%	8.1%	
Operating Expense	(15.6)	(15.0)		(3.9)	(4.0)	
Operating Profit	16.5	36.8	-55.2%	1.2	2.1	-42.9%
Operating Margin	5.2%	9.2%		1.7%	2.8%	
Non-Operating Profit (Loss)	20.6	25.2	-18.3%	3.0	11.3	-73.5%
Profit Before Tax*	37.1	62.0	-40.2%	4.2	13.4	-68.7%
Net Income	34.4	55.4	-37.9%	4.0	13.4	-70.1%
Net Profit Margin	10.9%	13.9%		5.6%	17.8%	
EPS(NTD)	4.89	8.36		0.26	2.18	

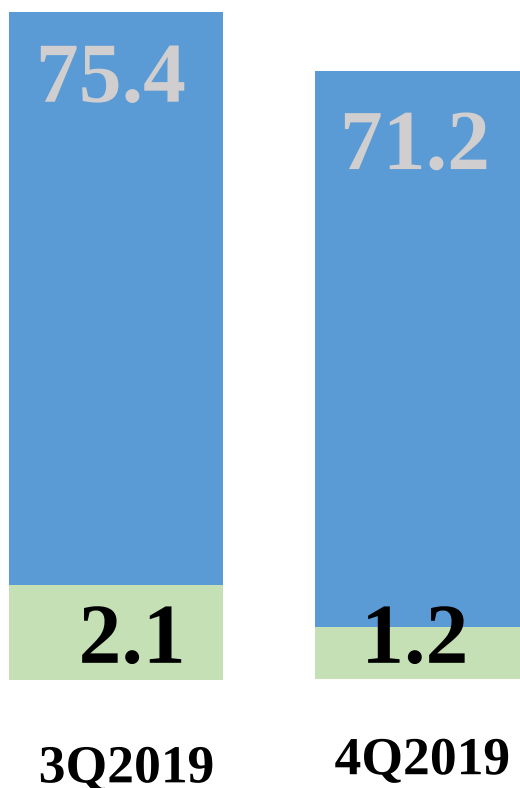
*Exempted the Income from Formosa Advanced Tech(as Formosa Taffeta lose its control on Dec.14, 2019), which is reclassified as NI from the discontinued segment and included in company's total NI set out above.



Change in Consolidated Revenue –QoQ

(In NT\$ billion)

- Sales Revenue
- Operation Income



Consolidated revenue decreased 4.2 bn in 4Q2019 compared with 3Q2019, representing 5.6% decline rate.

■ **Price variance-4.14bn:**

Prices continued to soften in 4Q2019 as escalating trade war between China and the US along with the new capacities coming online in China have seriously damaged market confidence.

■ **Volume variance-0.06bn:**

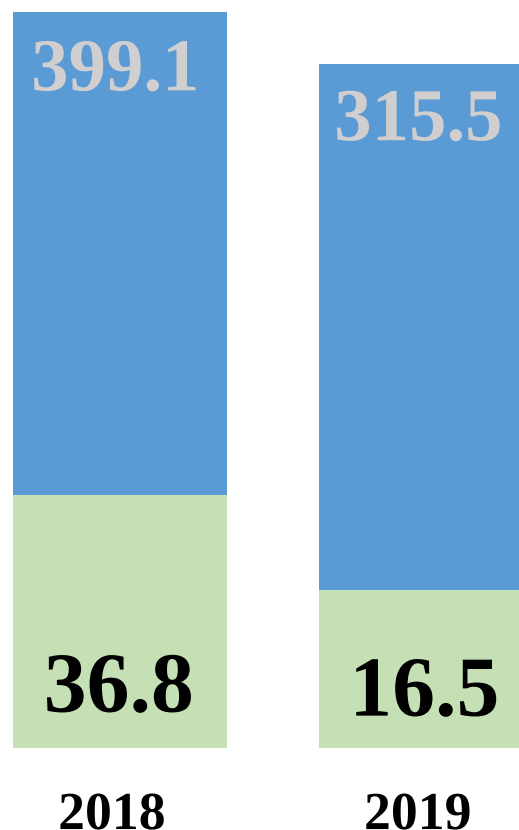
Supply reduction agreements due to ARO-3's suspension with PX contract buyers was the major factor of the decline in sales volume during the quarter.



Change in Consolidated Revenue –YoY

(In NT\$ billion)

- Sales Revenue
- Operation Income



Consolidated revenue decreased 836 bn in 2019 compared with 2018, representing 20.9% decline rate.

■ Price variance -50.04bn

The US-China trade dispute and expectation of new start-ups unit in China weaken the market confident and threaten the price of petrochemicals and plastics products.

■ Volume variance-33.56bn

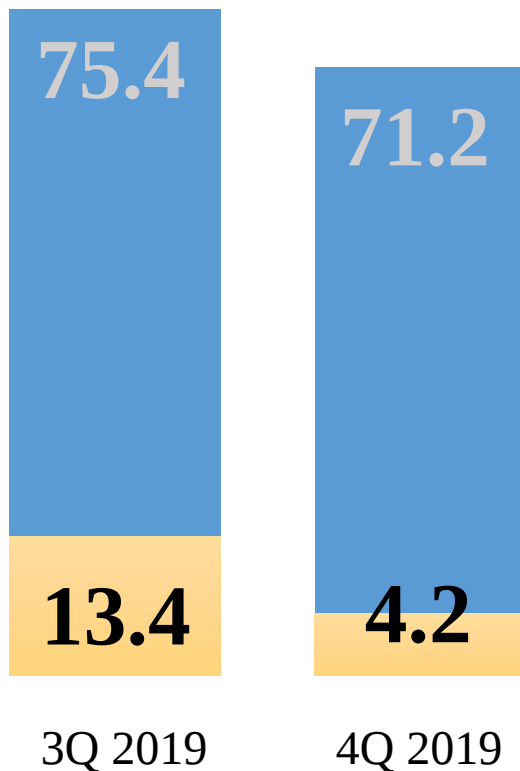
Large-scale turnarounds of facilities, such as ARO-1, ARO-2, SM, Phenol and PP plant, were scheduled in 2019, and the impact of the explosion incident at ARO-3 caused volume to drop during 2019.



Change in Profit Before Tax - QoQ

(In NT\$ billion)

- Sales Revenue
- Profit Before Tax



Profit Before Tax decreased 9.2 bn in 4Q2019 compared with the previous quarter, representing 68.7% decline rate.

■ Operating income decreased 0.9 bn

With the expectation of new start-ups petrochemicals capacities of China in early 2020, the spread of most petrochemicals and plastics product continued to be squeezed and caused operating income to decrease in Q4.

■ Non-Operating income decreased 8.3 bn

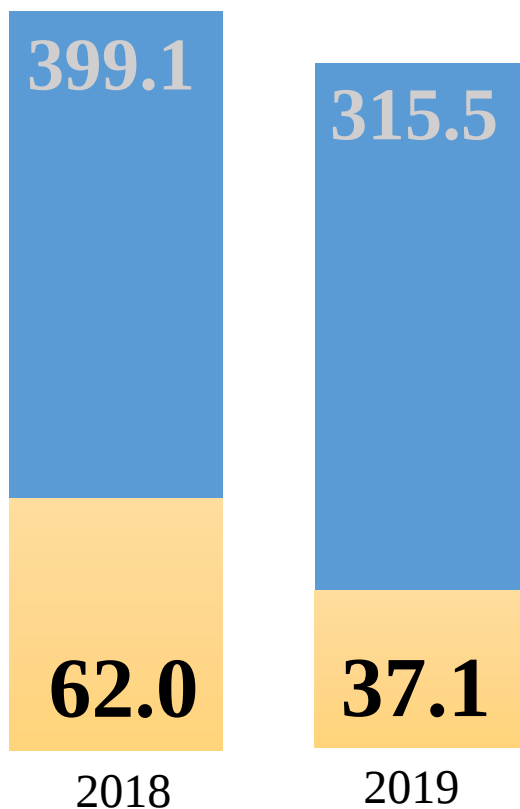
1. Cash dividend decreased 8.1 bn.
2. Equity income decreased 1.9 bn.
3. Gain from disposal of inv. increased 2 bn.



Change in Profit Before Tax - YoY

(In NT\$ billion)

- Sales Revenue
- Profit Before Tax



Profit Before Tax decreased 24.9 bn in 2019 compared with 2018, representing 40.2% decline rate.

■ Operating income decreased 20.3 bn

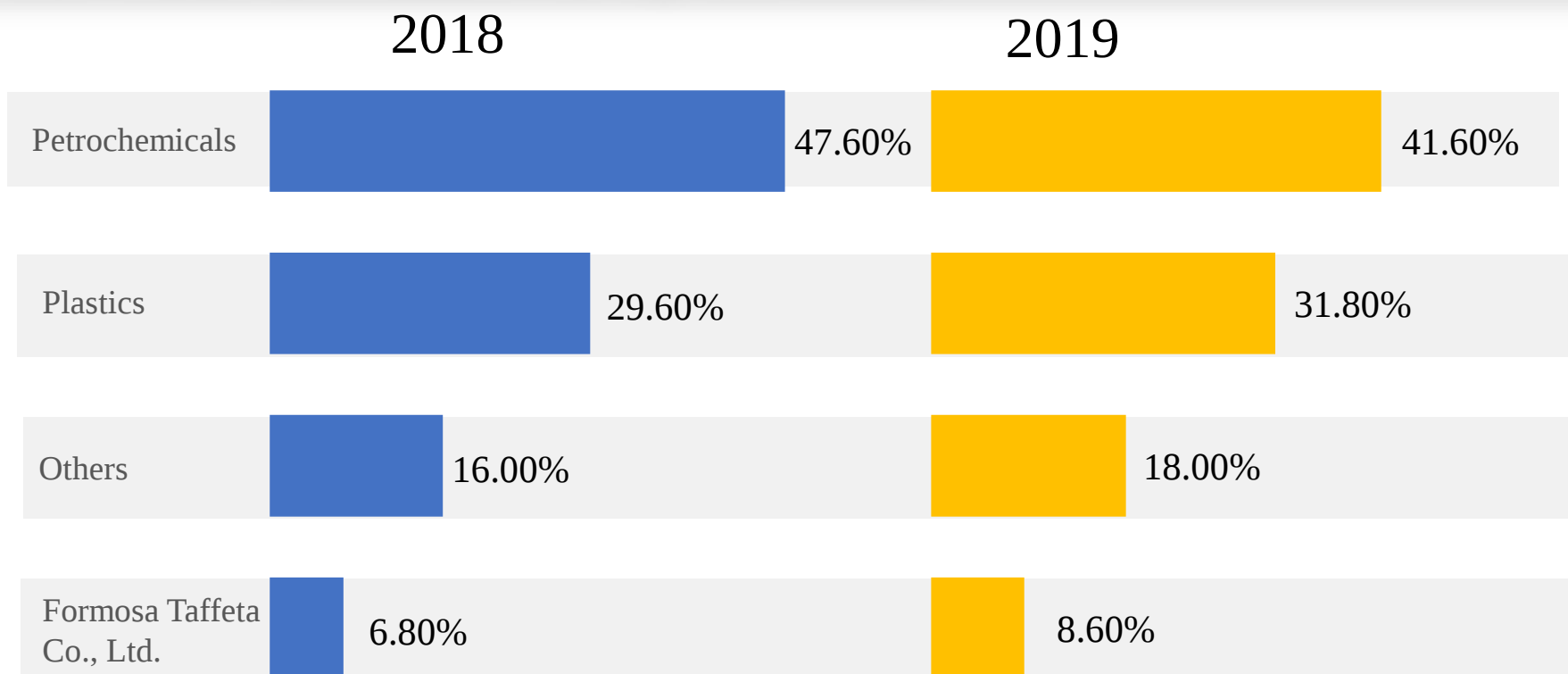
Operating income decreased in 2019 caused by downward pressures on oil price, new capacities coming online from several mega complexes in China and ARO-3 explosion incident.

■ Non-Operating income decreased 4.6bn

1. Equity income decreased 5.8 bn.
2. Gain from disposals of asset decreased 0.8 bn.
3. Impairment loss of PP&E decreased 0.3 bn.
4. Gain from disposal of inv. increased 2 bn.
5. Dividends income increased 0.37 bn.



Revenue Breakdown by Division



■ Petrochemical :

Sales of petrochemical products accounted for 41.6% of revenue, which was 131.25 bn in 2019. The ARO-3 explosion incident and decline both in price and sales volume of PX、SM and PHENOL were the main factors to the falling revenue in 2019.

■ **Plastics:** Under the impact of trade war, sales revenue decreased 21.2 bn in 2019 YoY.

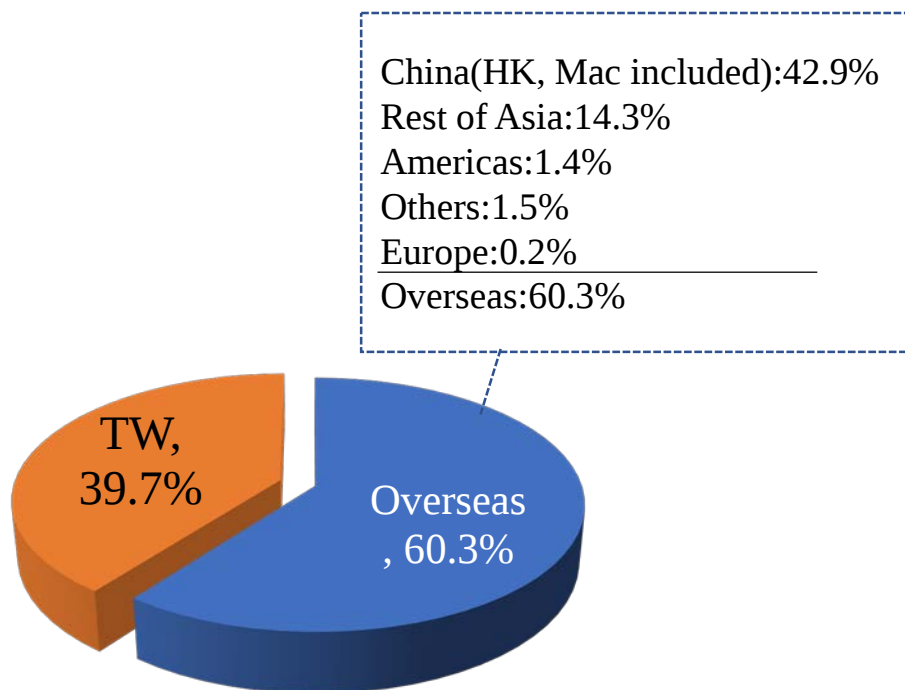
■ **Sales of petrochemical and plastics products remains the major revenue source of the company ,which accounted for 73.4% of consolidated revenue in 2019.**



Revenue Breakdown by Geography

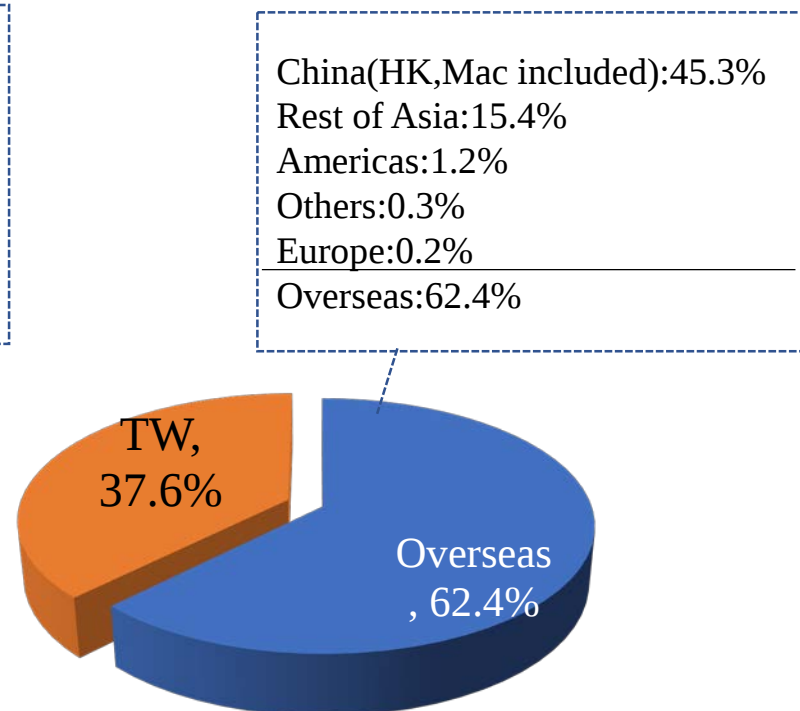
2018

Sales Revenue: NT\$399.1 billion



2019

Sales Revenue: NT\$315.5 billion

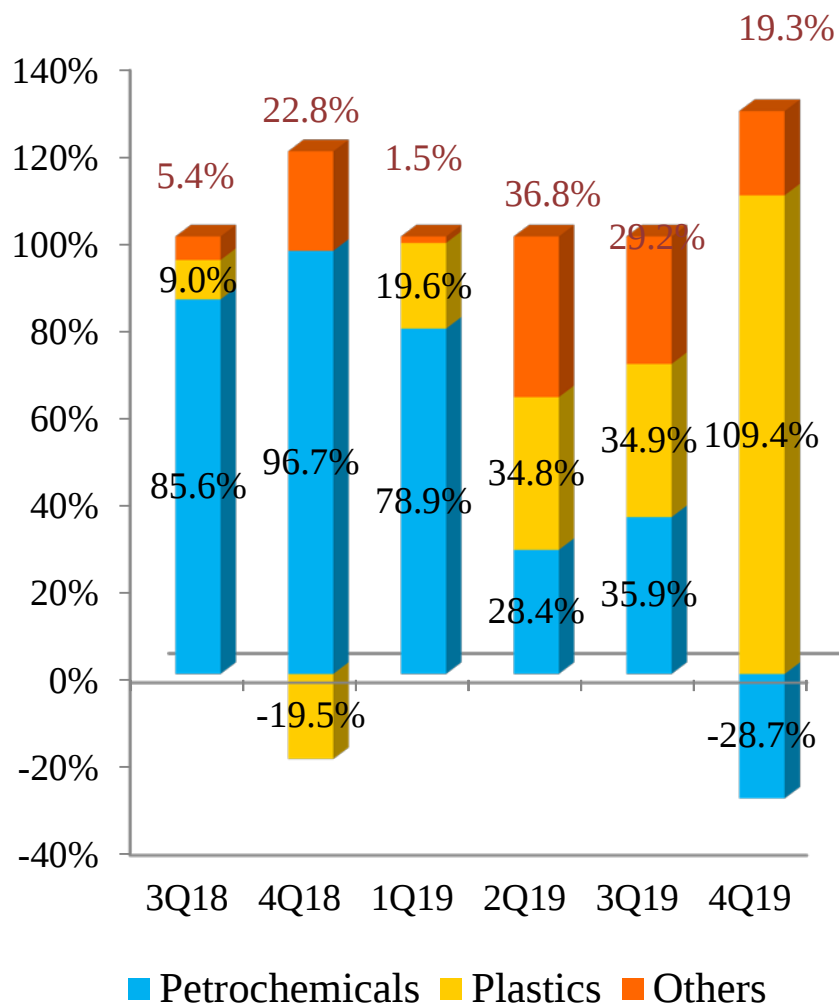


- **China(Hong Kong and Macau included) is still our primary market and accounted for 42.9% in 2018 and 45.3% in 2019 of total sales.**

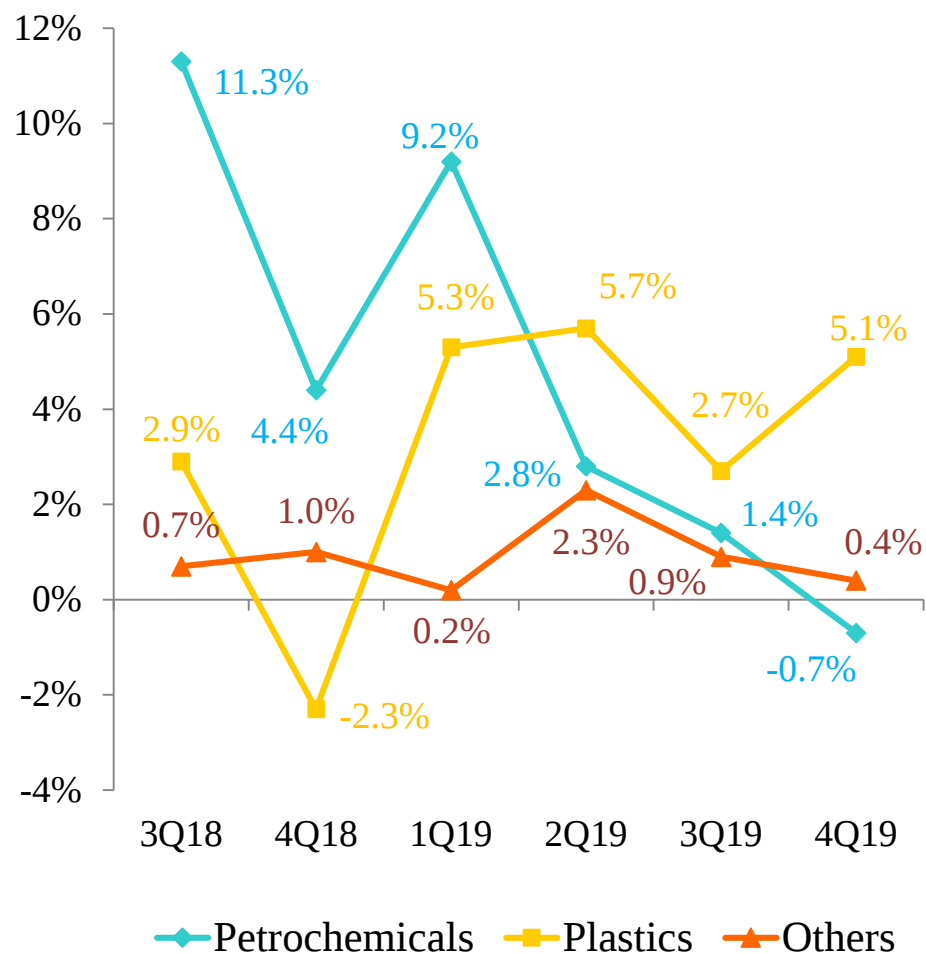


Operating Profits Breakdown by Division

Operating Profit %

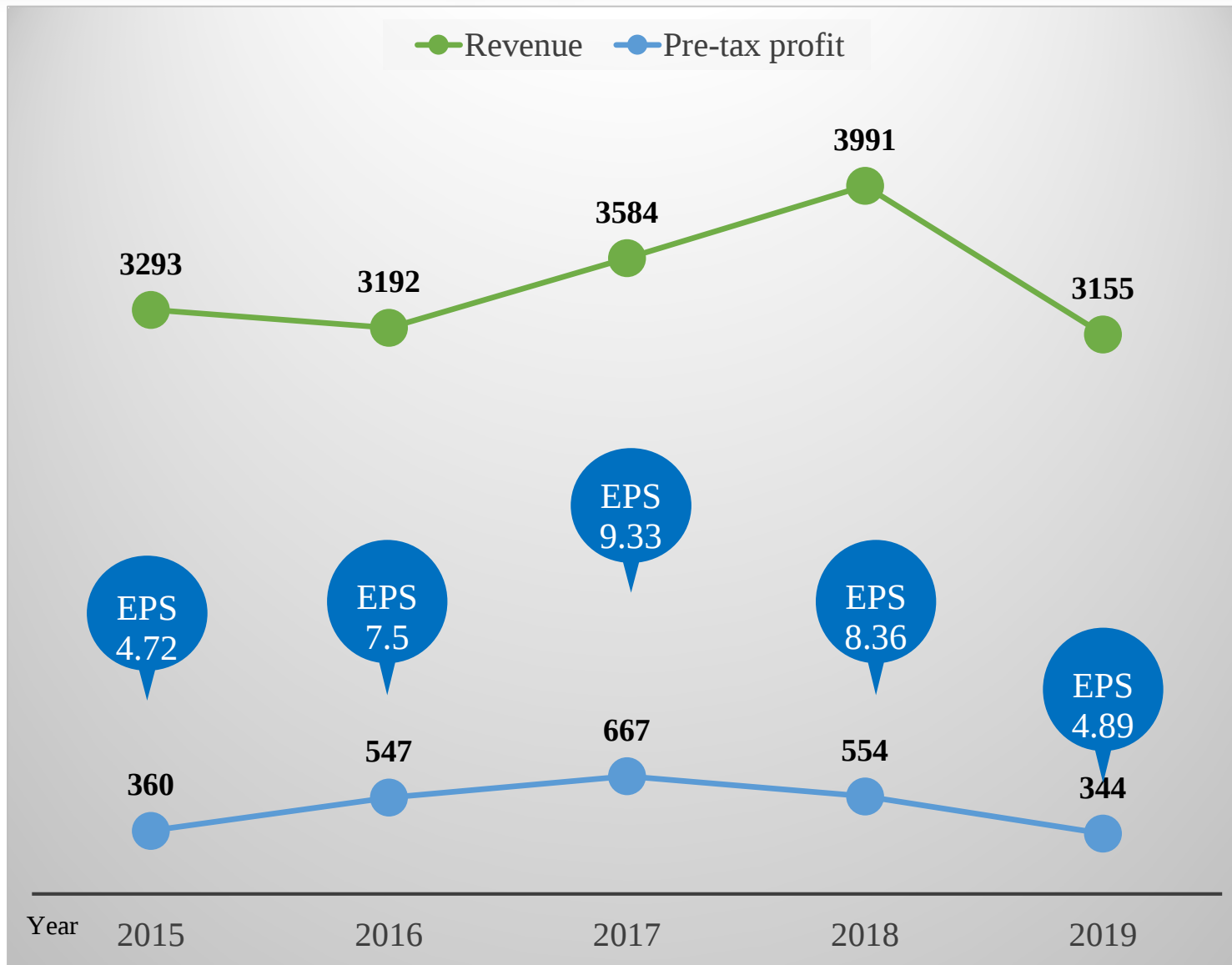


% change in Operating Margin





Financial Highlight



*Revenue & Pre-tax profit of the year 2015 to 2017 include income from FTAC, which were reclassified as NI from discontinued segment of the year 2018 and 2019 .





Capacity Expansion Plans

► China(Ningbo)

MX/PIA

Capacity:
Addition
135 KT/200 KT
Completion date:2020/Q2

Phenol/Acetone

Capacity:
Current 300 KT/185KT
Addition 100KT/ 61KT
Completion date:2020/Q3

PTA

Capacity:
Current 1,200 KT
Addition 1,500 KT
Completion date:2022/Q1

ABS

Capacity:
Current 500 KT
Addition 250 KT
Completion date:2021/Q4



Q&A

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