

China Petrochemical Development Corporation

中國石油化學工業開發股份有限公司 (TWSE: 1314)

December 2014

Respect

Achievement

Care

Sustainability



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- Company Profile
- Investment Highlights
- Business Strategy
- Financial Summary

Company Profile



Company Profile

Investment Highlights

Business Strategy

Financial Summary

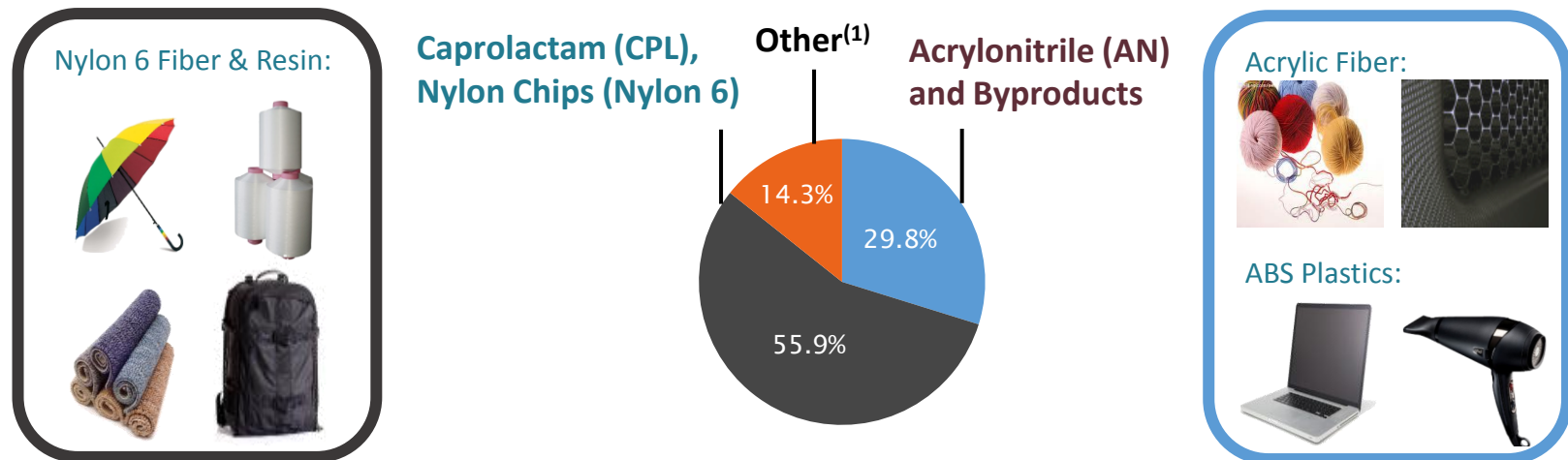
Company Overview

- Major products: caprolactam (CPL), acrylonitrile (AN), and nylon chip
- Principal raw materials: cyclohexane, phenol, propylene and ammonia
- Manufacturing sites: 3 in Taiwan (Tou-Fen, Da-Sheh and Hsiaokang)
- Headquarters: Taipei, Taiwan
- Employees: 1,186 as of October 31, 2014

Key Milestones

- Apr 1969: Established as a State-Owned-Enterprise
- July 1991: Listed on the Taiwan Stock Exchange (TWSE: 1314)
- Jun 1994: Privatized CPDC (Core Pacific Group assumes control)
- Sep 1999: Started nylon chip production
- Apr 2012: Established cyclohexanone work at Hsiaokang plant
- Jun 2012: Expanded AN capacity at Da-Sheh plant
- Oct 2012: Implemented 2nd CPL plant at Tou-Fen
- Nov 2012: Ceased acetic acid production

2013 Product Mix



1. Other products include electricity, hydrogen cyanide, ammonium sulfate, industrial/refined/fuming sulfuric acid

Plants & Capacities



Headquarters



Tou-Fen Plant

CPL Capacity: 200,000 tonnes / yr
Nylon Chip Capacity: 36,000 tonnes / yr



Da-Sheh Plant

AN Capacity: 224,000 tonnes / yr



Hsiaokang Plant

CPL Capacity: 200,000 tonnes / yr

Capacity, Production and Sales

| Product | Volume (M.T.) | | | | Value (NTD mn) | |
|-----------------------|---------------|------------|---------|--------|----------------|--------|
| | Capacity | Production | Sales | % Sold | Production | Sales |
| 2013 | | | | | | |
| CPL, NL6 | 416,000 | 299,294 | 278,765 | 93.1% | 33,135 | 35,339 |
| AN | 230,000 | 195,934 | 197,907 | 101.0% | | |
| 2012 | | | | | | |
| CPL, NL6 | 336,000 | 319,884 | 282,234 | 88.2% | 35,223 | 38,353 |
| AN, AC ⁽¹⁾ | 370,000 | 196,805 | 222,039 | 112.8% | | |

1. Ceased production of acetic acid in November 2012 due to market conditions

Investment Highlights



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Investment Highlights

#1

Sustainable leading position with long-term customer relationships

#2

Strong end market growth

#3

Efficient cost base to benefit from market dynamics

#4

Strong reputation for high quality products and research and development capabilities

#5

Experienced management team with proven track record

Sustainable Leading Position with Long-Term Customer Relationships



ONLY

CPL manufacturer in Taiwan

TOP 2

AN manufacturer in Taiwan

TOP 5

CPL manufacturer in the world

TOP 10

AN manufacturer in the world

Global CPL market is forecast to grow at a CAGR of 3.1%⁽¹⁾ driven by its key end markets

CPL

General Textile Fiber

- Stockings, material for clothing
- Umbrella, parachute, air bag
- Curtains, carpets



Engineering Plastics

- Auto parts, gear
- Packaging film
- High pressure resistant tube



Industrial Fiber

- Tire cord
- Conveyor belt, rope
- Fishnet, fishline



1. Source: 2013 World PA6 & PA66 Supply/Demand Report by PCI Nylon. Represents growth from 2011-2020

Global AN market is forecast to grow at a CAGR of 4.0%⁽¹⁾ driven by its key end markets

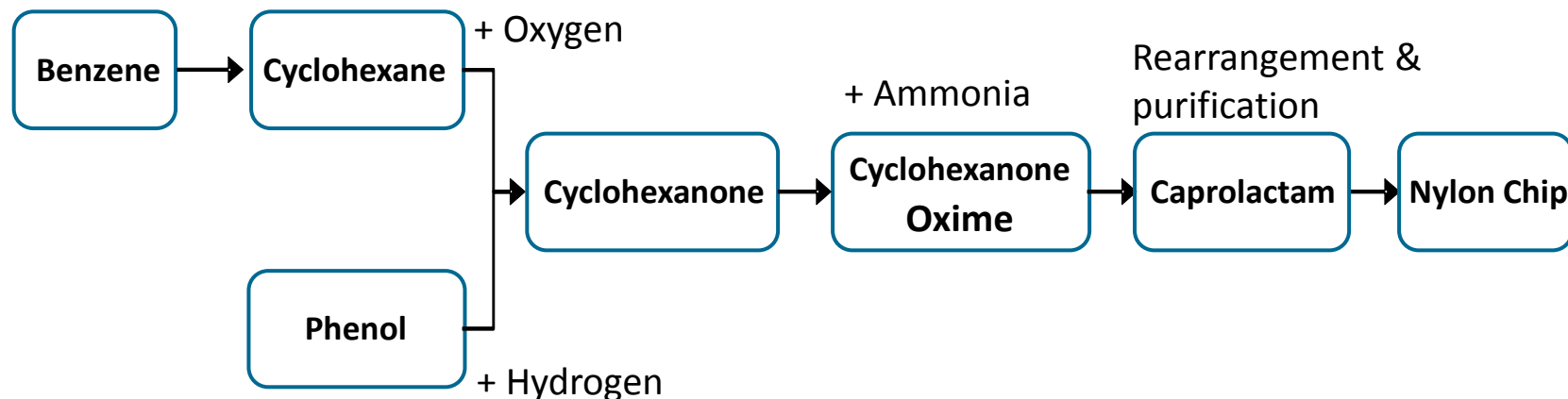


1. Source: Acrylonitrile and Derivatives World Supply/Demand Report 2013 by PCI Acrylonitrile. Represents growth from 2011-2020

Efficient Cost Base to Benefit from Market Dynamics

- Cost advantage as a result of process improvement
- Development of proprietary production process using alternative feedstock, phenol, to produce CPL as benzene prices are increasing but phenol prices are dropping

Caprolactam Production Processes



Strong Reputation for High Quality Products and R&D Capabilities

• Commitment to R&D Leading to High Quality Products

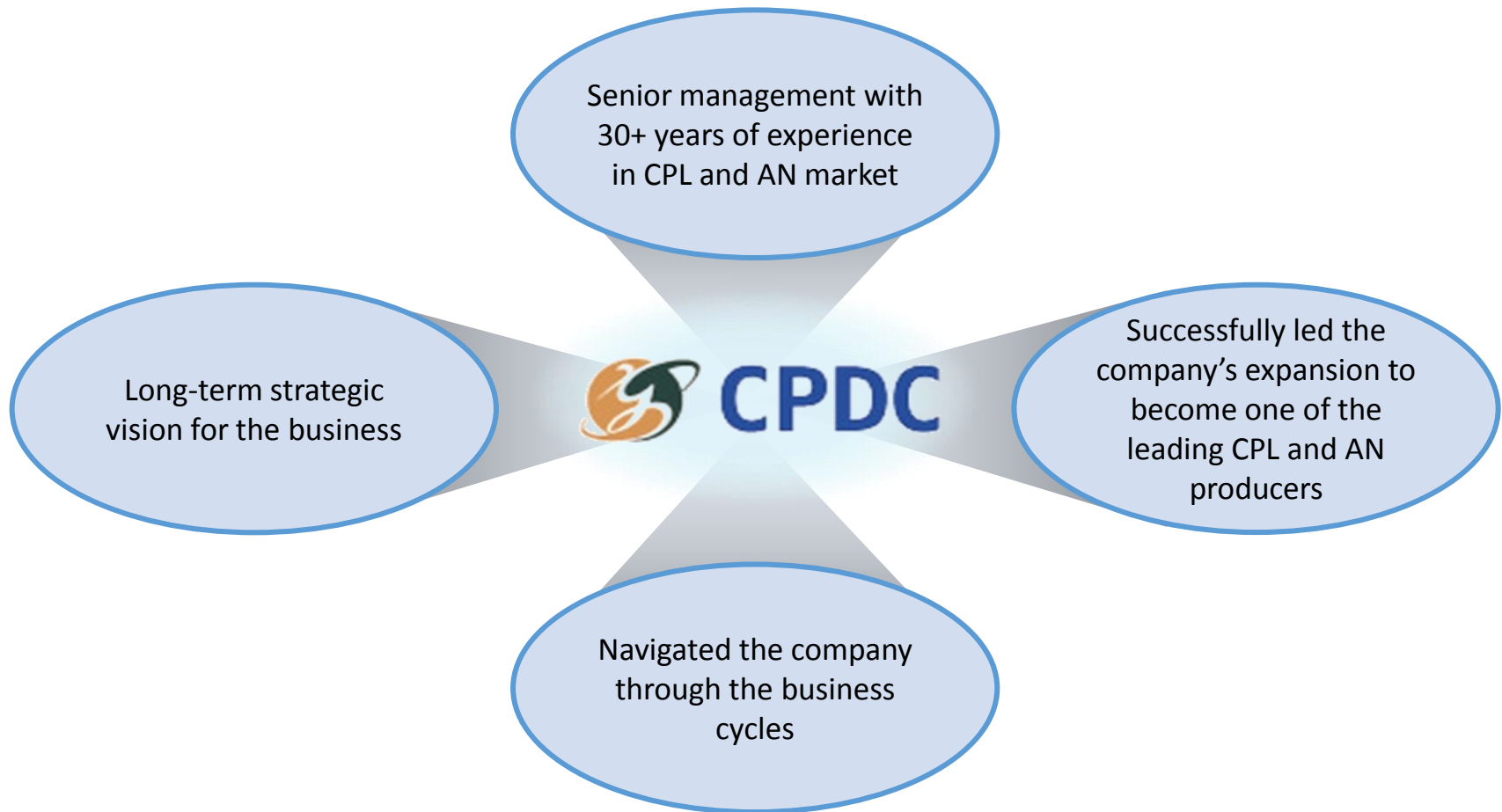
- R&D team consist of 52 dedicated staff, among which 40 have a master or doctorate degree in the related fields
- R&D spending of NTD1.4 billion in the last five years
- 133 patents awarded, 66 patents in process (with patent number), and 13 patents application submitted
- Stable production driven by advanced production techniques, e.g. less coking by using unique continuous evaporator
- High quality products for high speed spinning applications in textile

• Quality Commitment

- Quality control measures: 5S, TPM, TQM, HAZOP, SHAPE-UP
- International standardization: ISO9001, ISO14001
- Industrial safety: OHSAS 18001, CNS 15506



Experienced Management with Proven Track Record



Business Strategy



Company Profile

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Business Strategy

Financial Summary

Improve Manufacturing Efficiency

Pursue Vertical Integration

Capture Strong Growth of China Market

Continued Focus to Lower Costs

Leverage Existing Land Bank for Ancillary Revenue

Greenfield production facility in China scheduled to begin construction in 2015 and complete in 2016

- Estimated investment of NTD5.9 billion
- Add additional capacity of 100,000 tonnes of crude benzol hydro-refining and annual production capacity of 150,000 tonnes of cyclohexanone and 50,000 tonnes of nylon chips
- Pursue vertical integration (upstream and downstream of CPL)
- Close to the core end-market in China
- Access to cheaper feedstock
- Lower energy consumption
- Reduce costs (tariffs, logistics)



Financials Summary



Company Profile

Investment Highlights

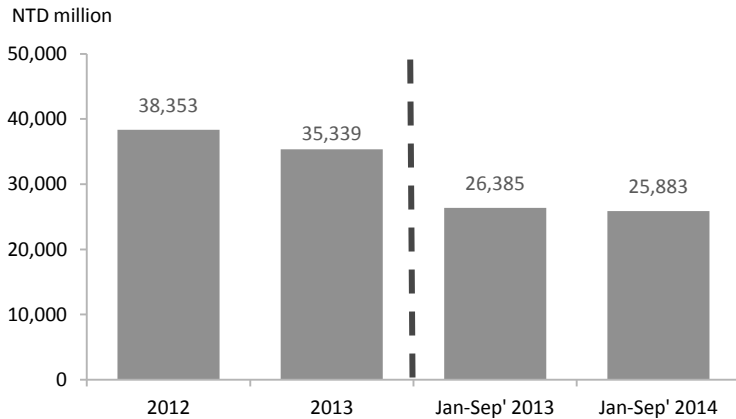
Business Strategy

Financial Summary

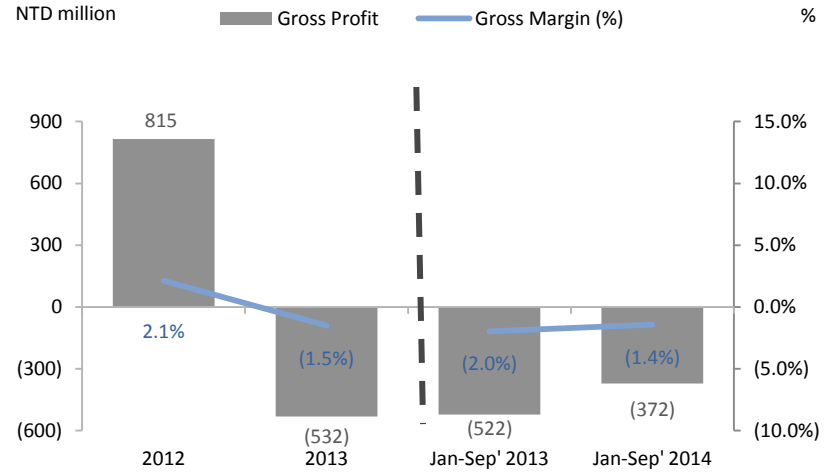


Financial Performance

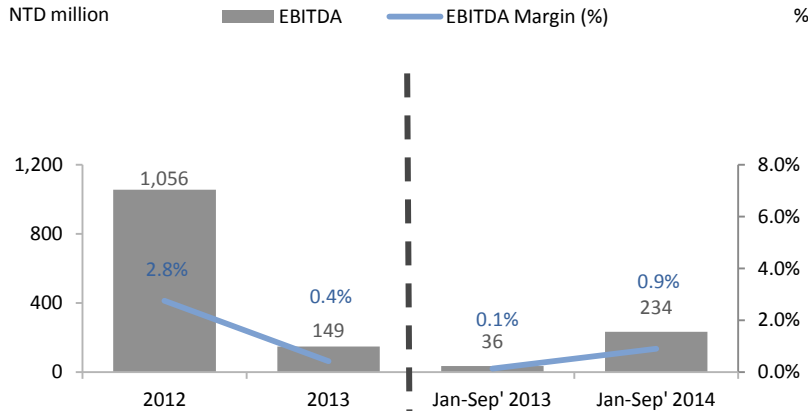
Revenue



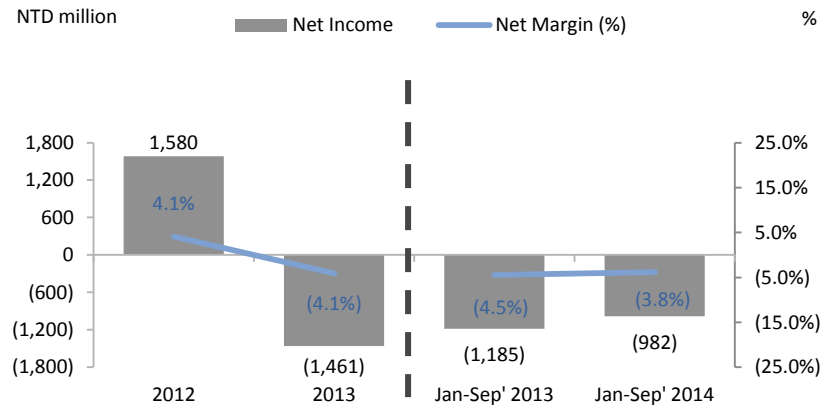
Gross Profit



EBITDA



Net Income



EBITDA = Income (Loss) from Operations + Depreciation + Amortization



Healthy Balance Sheet

| NTD million | September 30, 2014 |
|---|--------------------|
| Cash & Short Term Investment ⁽¹⁾ | 8,065 |
| Debt ⁽²⁾ | 5,885 |
| Net Cash ⁽³⁾ | 2,180 |
| Net Working Capital ⁽⁴⁾ | 9,834 |
| Total Assets | 45,644 |
| Total Liabilities | 14,852 |
| Total Shareholders' Equity | 30,792 |

(1) Cash & Short Term Investment = Cash & Cash equivalents + Short Term Investment

(2) Debt = Short Term Loans + Long Term Loans + Long Term Notes + Preferred Stock Liability

(3) Net Cash = Cash – Debt

(4) Net Working Capital = Current Assets – Current Liabilities

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