



# 2022 Outlook Presentation

April 2023



濟南大自然新材料股份有限公司  
Jinan Acetate Chemical Co., LTD.

# AGENDA

- 1. Introduction
- 2. ESG/  
Sustainable Environment
- 3. 4Q22 Results
- 4. Outlook

# Jinan Acetate Chemical @ a Glance

- **Ticker:** 4763 TT
- **Market Cap – 31 March 2023:** NT\$24,824 mn
- **2023 Revenue:** NT\$4,269 mn
- **ROE:** Averaged 29% in 2018 through 2022
- **2022 Cash Dividend&Stock Dividend:**  
NT\$9.7&NT\$1.5per share
- **Business Scope:** Exports to more than 50 countries

Jinan Acetate



- Jinan, Shandong
- Acetate Tow Production
- Employees: 226

Acetek Environmental



- Jinan, Shandong (Started production in March 2023)
- Acetate Tow Production
- Employees: 59

Acetek Material



- Zaozhung, Shandong
- Acetate Flake Production
- Employees: 157

Acetek Momentun



- Zaozhung, Shandong
- Cellulose Anhydride
- Employees: 44

## Products - Applications

Fiber Grade  
Diacetate  
Flake

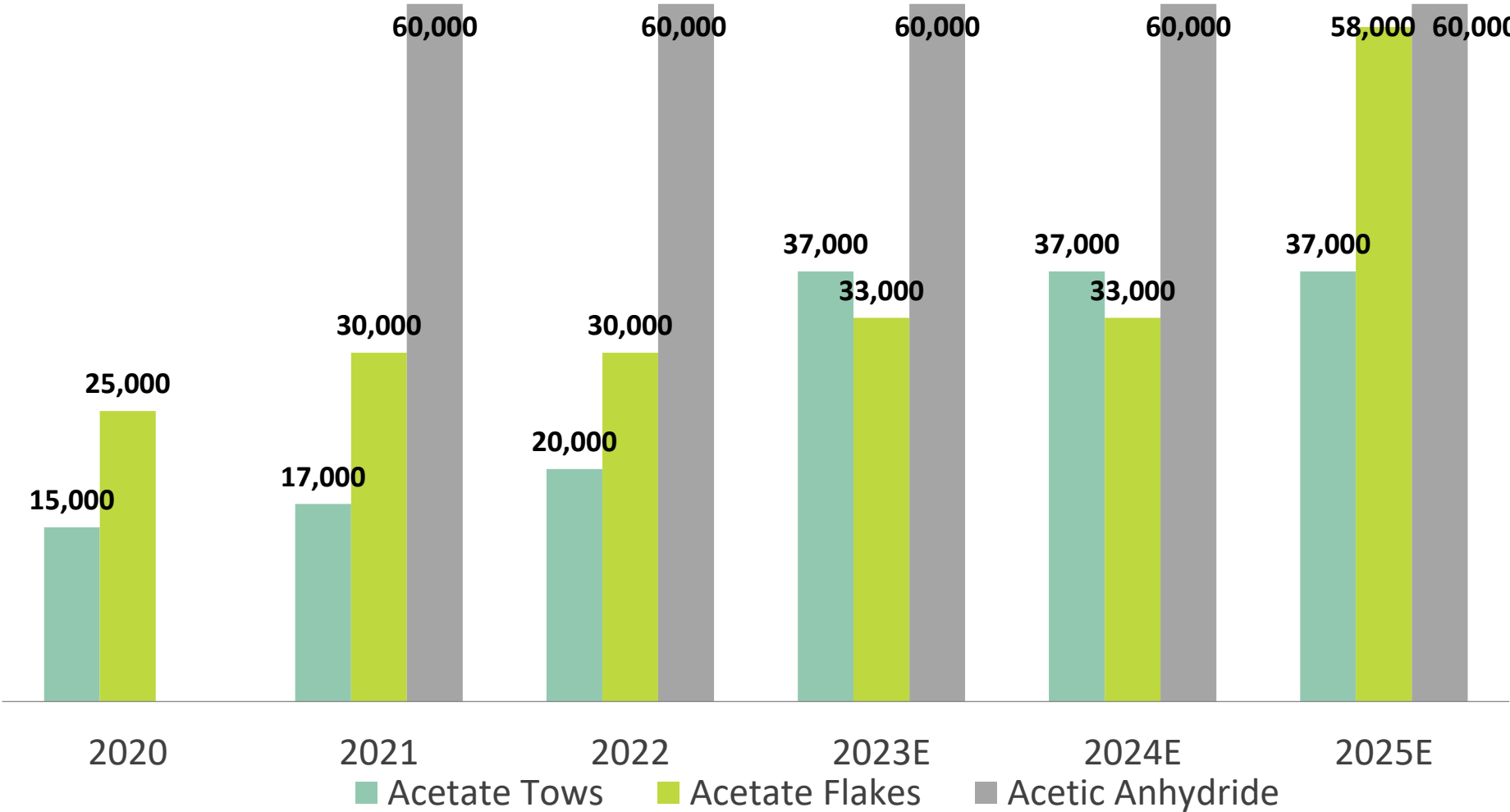
Acetate  
Tow

Filter

Plastic Grade  
Diacetate Flake

Optical Frames

## Capacity Growth through New Lines and Debottleneck



Note: the capacity refers on this page is actual capacity.

# Key Highlights

## ✓ **The double-digit growth momentum expected to extend to next year**

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With strong demand and continuous capacity expansion, Optimistic about 2023 annual revenue reaching a new high. Revenue growth expected. Growing above industry average leads to market share gain and strengthens our position in the industry.

## ✓ **Structurally improved margins**

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With falling raw material costs, 4Q22 gross margin was around 48%, higher than the average level in the past five years of 28% due to vertical integration. Vertical integration into the production of acetic anhydride should improve our cost structure. Due to the supply and demand issues, we will continue to communicate with customers to adjust the price. We also continue to communicate with clients to further share the increase costs and to change to FOB prices. The substantial expansion of our production capacity over the past several years has helped Acetek achieve greater economies of scale. We expect 2023 core business profitability be better than 2022.

## ✓ **Taking advantage of the circular-economy opportunities while aiming to be more vertically integrated**

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We will increase investment in research and development of green, environmentally friendly materials. We see some encouraging results in the biodegradable fibers that we are developing. We are promoting the products and evaluating the investment for production expansion. We also aim to increase our exposure to alternative cigarette products and continue to look for opportunities to integrate vertically further.

## ✓ Environmental management

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Our company introduced and established the ISO14001 environmental management system, and passed the verification of the third-party Shanghai Ingle Certification Co., Ltd. in 2018, demonstrating its determination to spare no effort in environmental management. Among them, the cost of wastewater treatment and the cost of new and renovated environmental protection facilities are the most important, and these two items account for 97.7% of the environmental protection expenditure, which shows that the Company attaches great importance to environmental management.

## ✓ Water Resources and Wastewater Treatment

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Our company's recycled water volume in 2021 will reach 378,449 tons, accounting for 64.24% of the total annual water consumption; in the use of water resources, the water consumption in 2021 will drop significantly compared with the previous year, mainly due to the water storage of Jinan Acetate and Acetek Material. The measures are mature. Only when the amount of recycled water reaches the expected effect can the water consumption in the company's operations be effectively reduced.

## ✓ Raw material management/recycling

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Instructions for the recovery of acetic acid by Acetek Material : 30% dilute acid is produced in the production process of the finished product line of acetate, which is fed into the acetic acid recovery system. After filtration, extraction and rectification, 99.5% acetic acid is obtained into the storage tank, and enters the cellulose acetate as a raw material The production line is reused to reduce material consumption.



# ESG-Sustainable Environment

**DIN CERTCO**  
Gesellschaft für Konformitätsbewertung mbH

**REGISTRIERBESCHEID**

**Inhaber** JINAN ACETATE CHEMICAL CO., LTD  
Room 409, Unit 2, Building 7  
Shangang Xintiandi  
No.61 Gongye South Road, Lixia District  
Jinan City  
250101 SHANDONG  
CHINA

**Produkt** Kompostierbare Halbzeuge

**Typ, Modell** Diacetate

**Prüfgrundlage(n)** DIN EN 13432:2000-12  
ASTM D 6400:2019-01  
Zertifizierungsprogramm Produkte aus kompostierbaren Werkstoffen (2020-01)

**Konformitätszeichen** 

**Registernummer** 7H0157


**Gültig bis** 2027-04-30

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Weitere Angaben siehe Anhang.

2021-04-01   
Dipl.-Phys. Carlo Seiser  
Leiter der Zertifizierungsstelle


  

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*Ministero dello Sviluppo Economico*

Ricevuta di presentazione  
per  
Brevetto per invenzione industriale

Domanda numero: 102022[REDACTED]55  
Data di presentazione: 11/11/2022

  
*Ministero dello Sviluppo Economico*

Ricevuta di presentazione  
per  
Brevetto per invenzione industriale

Domanda numero: 102022[REDACTED]52  
Data di presentazione: 11/11/2022

• ESG-Sustainable Environment  
Photovoltaic power station

表 4-1 本项目屋顶光伏电站节能减排计算表

年限	运行 25 年				年平均值			
厂区名称	济南厂	孟玄厂	中峰厂	汇总	济南厂	孟玄厂	中峰厂	汇总
发电量 (万 kWh)	1066.46	589.43	1382.90	3038.79	42.66	23.58	55.32	121.56
节省标煤 (吨)	3476.67	1921.55	4508.25	9906.47	139.07	76.86	180.33	396.26
减排 SO <sub>2</sub> (吨)	319.94	176.83	414.87	911.64	12.80	7.07	16.59	36.46
减排 Nox (吨)	159.97	88.41	207.43	455.81	6.40	3.54	8.30	18.24
减排 CO <sub>2</sub> (吨)	10632.62	5876.64	13787.49	30296.75	425.31	235.07	551.50	1211.88
减排碳粉尘 (吨)	2900.77	1603.25	3761.48	8265.50	116.03	64.13	150.46	330.62

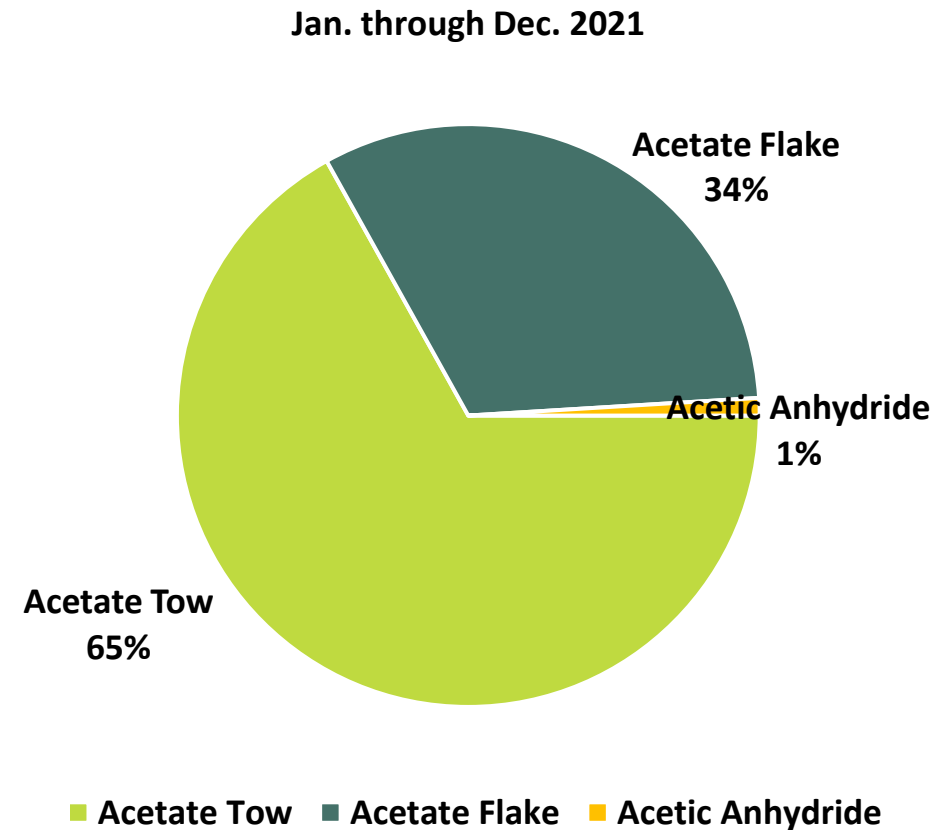
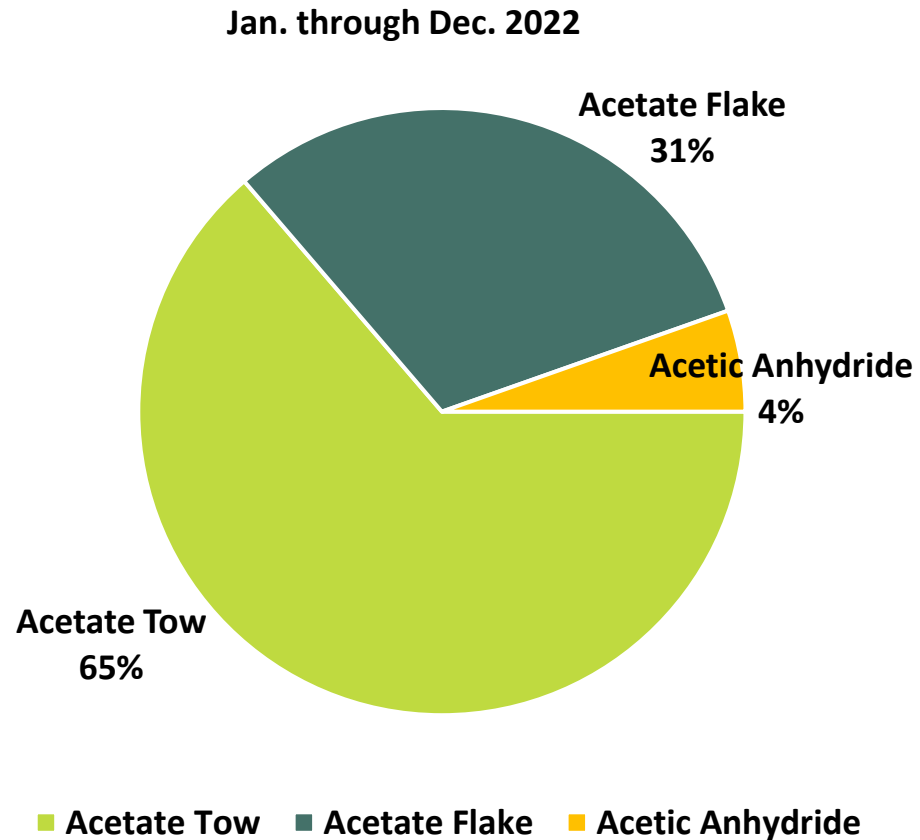
表 5-6 光伏电站在寿命期内各厂区每年的发电量统计表

运行年份	济南厂光伏电站 发电量 (万 kWh)	孟玄厂光伏电站 发电量 (万 kWh)	中峰厂光伏 电站发电量 (万 kWh)	汇总
第 1 年	45.72	25.27	59.29	130.28
第 2 年	45.45	25.12	58.94	129.51
第 3 年	45.20	24.98	58.61	128.79
第 4 年	44.94	24.84	58.28	128.06
第 5 年	44.69	24.70	57.95	127.34
第 6 年	44.43	24.56	57.62	126.61
第 7 年	44.18	24.42	57.29	125.89
第 8 年	43.93	24.28	56.96	125.17
第 9 年	43.67	24.14	56.63	124.44
第 10 年	43.42	24.00	56.30	123.72
第 11 年	43.16	23.86	55.97	122.99
第 12 年	42.91	23.72	55.64	122.27
第 13 年	42.66	23.58	55.32	121.56
第 14 年	42.40	23.44	54.99	120.83
第 15 年	42.15	23.30	54.66	120.11
第 16 年	41.90	23.16	54.33	119.39
第 17 年	41.64	23.02	54.00	118.66
第 18 年	41.39	22.88	53.67	117.94
第 19 年	41.13	22.73	53.34	117.20
第 20 年	40.88	22.59	53.01	116.48
第 21 年	40.63	22.45	52.68	115.76
第 22 年	40.37	22.31	52.35	115.03
第 23 年	40.12	22.17	52.02	114.31
第 24 年	39.86	22.03	51.69	113.58
第 25 年	39.61	21.89	51.36	112.86
总计	1066.46	589.43	1382.90	3038.79
平均值	42.66	23.58	55.32	121.56



# Sales Breakdown

Sales in 2022 was **NT\$4,269 million**, better **57%** than 2021



## Key 2022 Performance Metrics

- ✓ Revenue in 2022 will be NT\$4,269 million, a record high for the same period in history, an increase of 57% over the same period last year.
- ✓ 2022 Tow sales grew 56% YoY and Acetate Flake sales grew 46% YoY.
- ✓ Key Performance Highlights were:
  - 2022 gross profit grew 107% YoY to NT\$1,684m.
  - 2022 gross margin was 39.4%, higher than the average of about 30% in the last year.
  - Net profit was NT\$1,274m, and net profit margin was 30%.
  - Earnings per share were NT\$20.72

## Key Observations

- ✓ The sales in 2022 was due to the substantial increase in acetate tow revenue, and the demand for spinning-grade vinegar tablets and plastic-grade vinegar tablets for eyeglasses remained strong.
- ✓ Capacity expansion of 4,000 tons of tow to 20,000 tons per year.
- ✓ The construction of the acetic anhydride plant will be completed in September 2021, and the production will start in October and Shipping.
- ✓ In September 2021, the production capacity of acetate flakes will be increased by 5,000 tons, and the annual production capacity will be 30,000 tons.
- ✓ The gross profit margin rebounded in 2022, Because
  - The price of raw material acetic acid continued to decline, and the average price of acetic acid in the third quarter of 2022 was about RMB3,500/ton.
  - Adjust the selling price.
  - USD/RMB exchange rate continued to rise.

# Outlook: Revenue in the 4Q is better than that in the 3Q, and the growth momentum can be extended to the full year of 2023

## Acetate tow

2022 4Q Tow sales grew 83% YoY. As the US and many European countries have started to ease down lockdown restrictions, duty-free shops affected by travel restrictions are expected to gradually recover, driving demand for tows. In addition, Tow is expected to continue to benefit from the trade war and changing geopolitical conditions. Due to the reordering of the global supply chain, the current material orders in 2023 have exceeded the existing production capacity. In order to meet customer demand, Acetek Momentun was completed in March 2023, and the production capacity of 8,000 tons and 9,000 tons of tow was launched in March and April respectively, with an annual production capacity of 37,000 tons. The long-term trend of supply chain changes is expected to continue to support the company growing up.

## Acetate Flake

2022 Q4 Flake revenues grew 32% YoY. Mainly due to the gradual unblocking of Europe and the United States, the terminal demand for frames will remain strong, and the reorganization of the industrial chain will intensify due to the escalation of the trade war. We are optimistic about the domestic demand market for vinegar films in China, and new vinegar film production capacity has begun mass production. The total designed annual production capacity of vinegar slices is 30,000 tons. At present, the production Acetate Flake is fully loaded, and the prices of some takeaways have been gradually adjusted.

## Acetic anhydride

Acetic anhydride revenue was stable in 2022, accounting for 4% of consolidated revenue. The new acetic anhydride plant has a designed production capacity of 60,000 tons. In addition to reducing and stabilizing production costs for self-use, batch take-out has been started.

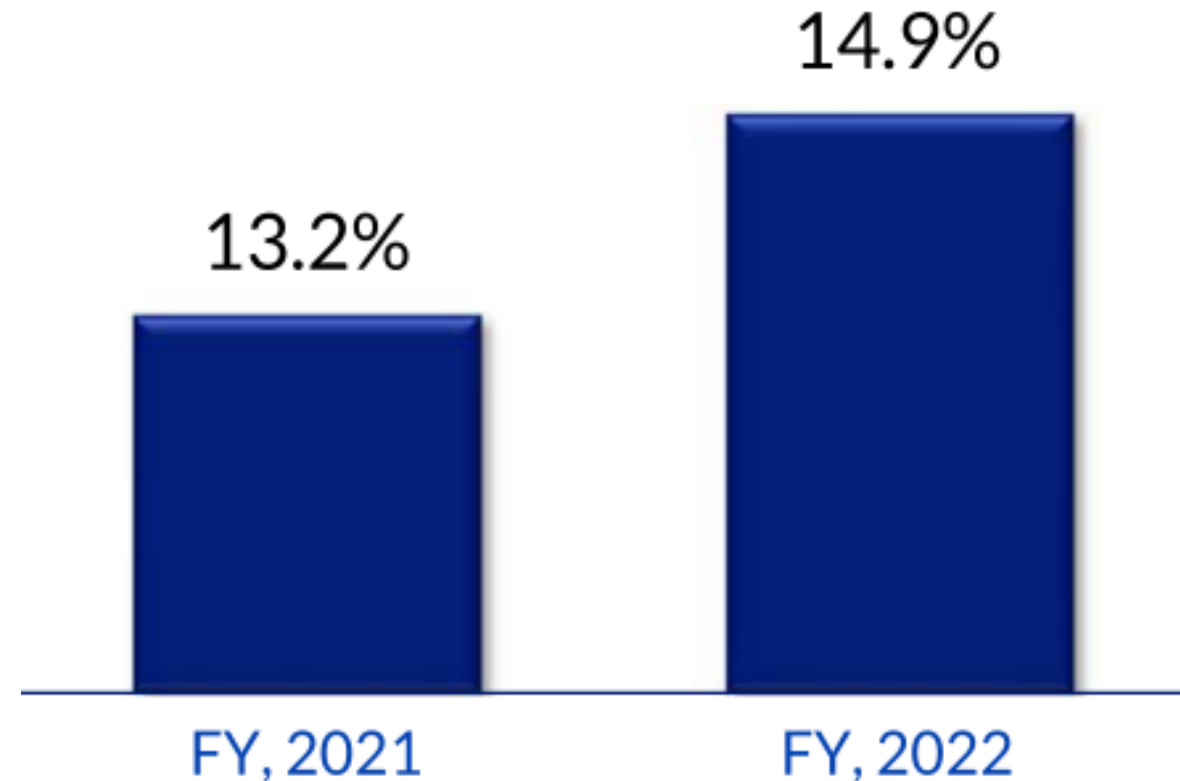
### **Sales Growth & Profitability**

- Demand for tows and flakes is strong. Since the third quarter of last year, the product price adjustment with customers has been carried out. With the continuous increase in production capacity, the economic scale has been expanded, and upstream integration has been carried out. Optimizing the cost structure will help alleviate the pressure of rising costs such as raw materials and freight.
- All the world's four major tobacco manufacturers have become our customers, so it is expected to complete another 8,000 tons in March 2023 and 9,000 tons in April 2023. The production capacity of ton of tow has been expanded to meet the needs of the four major tobacco manufacturers. It is also expected to complete 3,000 tons of flakes capacity expansion in June 2023 and 15,000 tons in September 2024. In addition, the subsidiaries of Hubei China Tobacco and Henan China Tobacco have placed additional orders of 3,000 tons of spinning flakes, which will be delivered from the third quarter of this year. The orders for the company's flakes are full, and at the same time, the annual revenue and profit are guaranteed; Generally speaking, we are optimistic that the revenue in 2023 will reach a new high!

# HNB(IQOS) Prospects

- The output of FY2021 heat-not-burn pods was about 95 billion, accounting for about 13.2% of the total shipments.
- The output of FY2022 heat-not-burn pods was about 109.2billion, accounting for about 14.9% of the total shipments.
- According to data from the PMI market research institute, heated tobacco units (HTU, Heated Tobacco Units) are the category with the highest user conversion rate among harm-reduced tobacco products, and the IQOS series of heated tobacco equipment and related pods are the largest market share in the multi-country heated tobacco market.
- According to a new research report, the global e-cigarette market is valued at US\$17.301 billion and is expected to reach US\$94.317 billion in 2031, with a CAGR of 16.8% from 2022 to 2031.

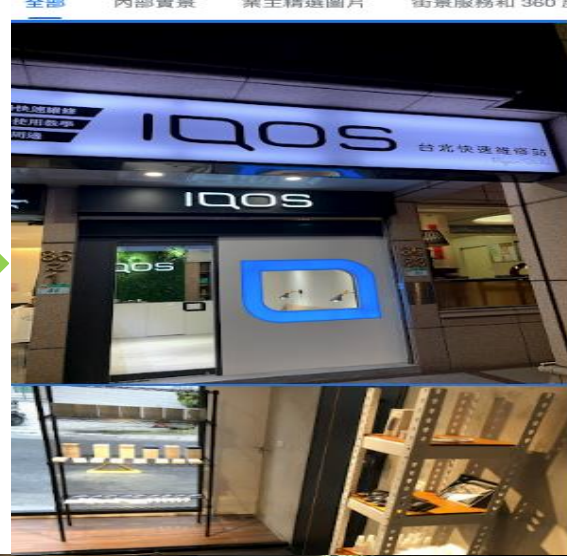
## HTU Volume Contribution<sup>(a)</sup> (As a % of PMI Total Shipment Volume)



Source : PMI



HNB(IQOS)  
There are many stores  
in Taipei



## Outlook—Prospects of Cullulose Acetate

### To diversify product categories and expand the downstream customer base

- Acetate women's clothing continues to increase and brand advantage.
- Biodegradable use of consumer goods and packaging materials.
- New applications for electronic products (Inculding HNB and cooperation with first-tier mobile phone manufacturers).

### Construction Status and Investment Plan-Acetate Tow

- In the first quarter of 2022, the project will be approved by the local government.
- Land acquisition in the first quarter of 2022.
- Construction of the plant in the second half of 2022 is expected to start production in March 2023 with a capacity of 8,000 tons and an additional 9,000 tons in April of the same year
- The total investment is about 100 million RMB (plant + equipment).



# Our 5-Year Targets



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# 4Q22 Financial Performance

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# Consolidated Statements of Income - Quarterly

Unit: NTD million	4Q22	3Q22	4Q21	QoQ (%)	YoY (%)
<b>Net Revenue</b>	1,230	1,196	769	3	60
Gross Profit	592	461	233	28	165
Gross Margin	48.1%	38.6%	29.0%		
Operating Expenses	167	174	158	(4)	6
OPEX/Sales	13.6%	14.5%	20.6%		
<b>Operating Income</b>	425	287	65	48	554
Operating Margin	34.6%	24.0%	8.4%		
MTM Gain (Loss) on CB (non-cash)	3	3	(4)		
Other Non-Operating Income (Loss), Net	(15)	59	(2)		
Pre-Tax Income	413	348	59	19	600
Income Tax Expense	52	36	(1)		
Minority Interest	10	6	(1)		
<b>Net Income to Parent</b>	351	306	61	15	475
Net Margin	29.36%	26.14%	7.86%		
<b>EPS (NT\$)</b>	5.25	5.23	1.07	-	391
Depreciation	46	45	40		
CAPEX	256	168	113		



# Consolidated Statements of Income – 2022

Unit: NTD million	2022	2021	YoY (%)
<b>Net Revenue</b>	4,269	2,715	57
Gross Profit	1684	815	107
Gross Margin	39.4%	30.0%	
Operating Expenses	607	463	31
OPEX/Sales	14.2%	17.0%	
<b>Operating Income</b>	1,077	352	206
Operating Margin	25.2%	13.0%	
MTM Gain (Loss) on CB (non-cash)	(2)	31	-106
Other Non-Operating Income (Loss), Net	339	(18)	
Pre-Tax Income	1,414	365	287
Income Tax Expense	139	5	
Minority Interest	25	3	
<b>Net Income to Parent</b>	1,250	357	250
Net Margin	29.8%	13.3%	
<b>EPS (NT\$)</b>	20.72	6.23	233
Depreciation	180	135	
CAPEX	650	502	

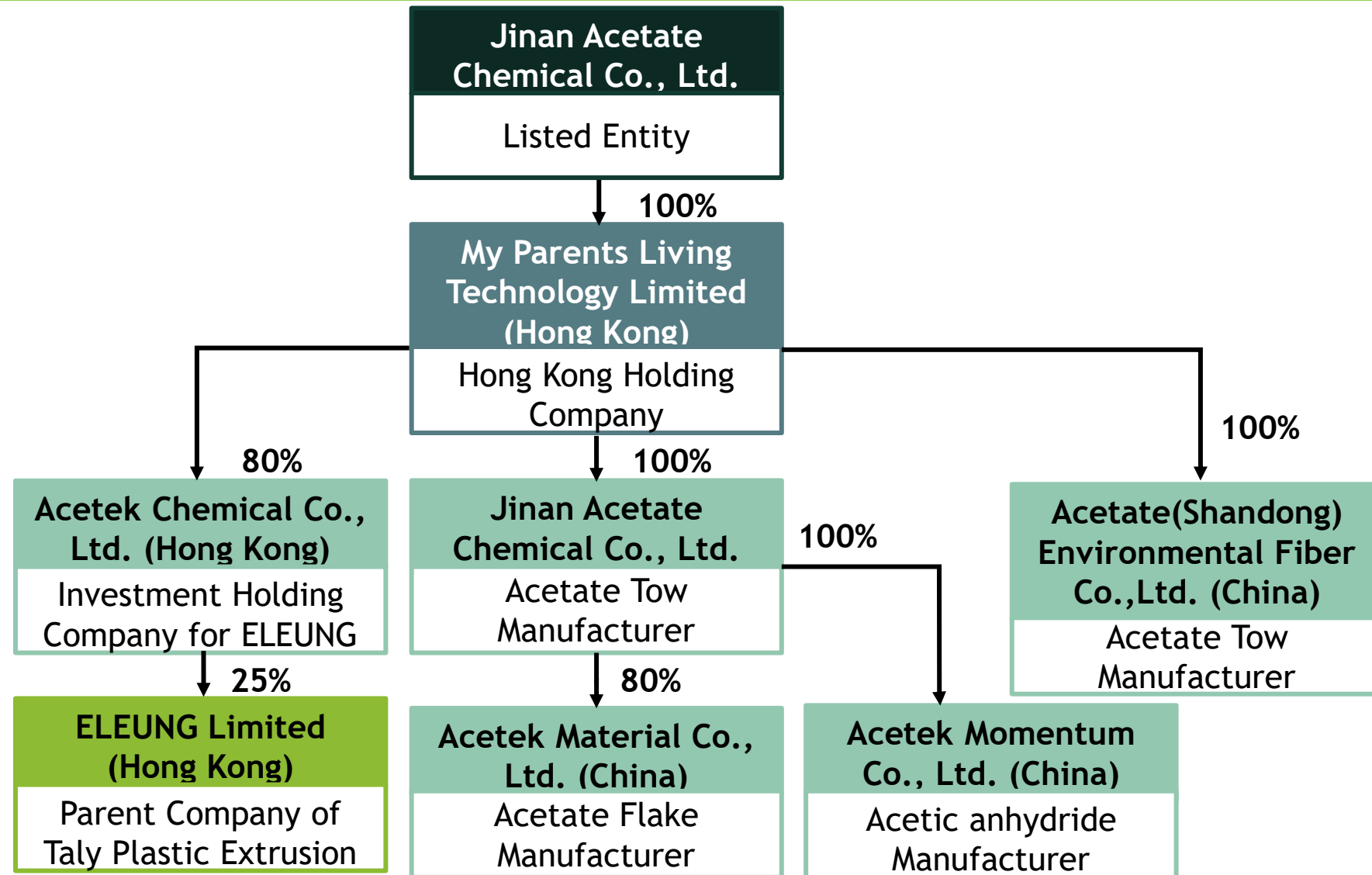
# Consolidated Balance Sheet – 4Q22

Unit: NT\$ million	2022/12/31		2022/9/30		2021/12/31	
	\$	%	\$	%	\$	%
Cash and Cash Equivalents	1,941	38	1,604	33	646	18
Notes and Accounts Receivable, Net	220	4	537	11	444	12
Inventories	375	6	347	7	383	7
Other Current Assets	870	16	518	11	673	15
Fixed Assets	1,508	27	1,482	30	1,265	36
Other Long-term Assets	498	9	366	8	224	6
<b>Total Assets</b>	<b>5,412</b>	<b>100</b>	<b>4,854</b>	<b>100</b>	<b>3,635</b>	<b>100</b>
Current CB Payable	87	2	381	8	349	10
Other Current Liabilities	1,618	30	1,385	28	1,023	26
Non-Current CB Payable	55	1	212	5	531	16
Other Non-Current Liabilities	-	-	1	-	95	1
<b>Total Liabilities</b>	<b>1,759</b>	<b>33</b>	<b>1,979</b>	<b>41</b>	<b>1,998</b>	<b>53</b>
Common Stock	703		655		586	
<b>Total Equity</b>	<b>3,653</b>	<b>67</b>	<b>2,875</b>	<b>59</b>	<b>1,637</b>	<b>47</b>
Book Value per Share (NT\$)	52.0		43.9		25.9	
<b>Key Indices</b>						
Current Ratio ( Current Assets / Current Liabilities)	200%		170%		156%	

# Appendix



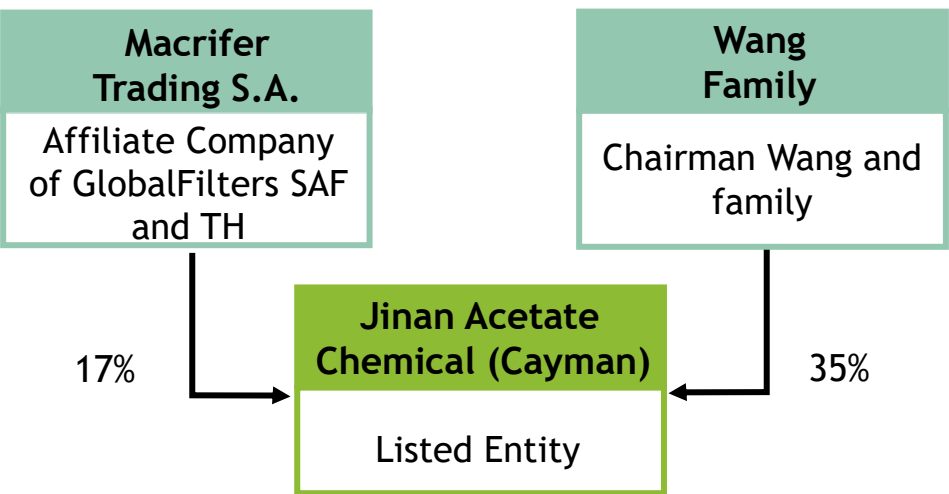
# Jinan Acetate Chemical Corporate Structure





# Acetate Tow Strategic Alliances

## Marketing & Distribution Strategic Alliances



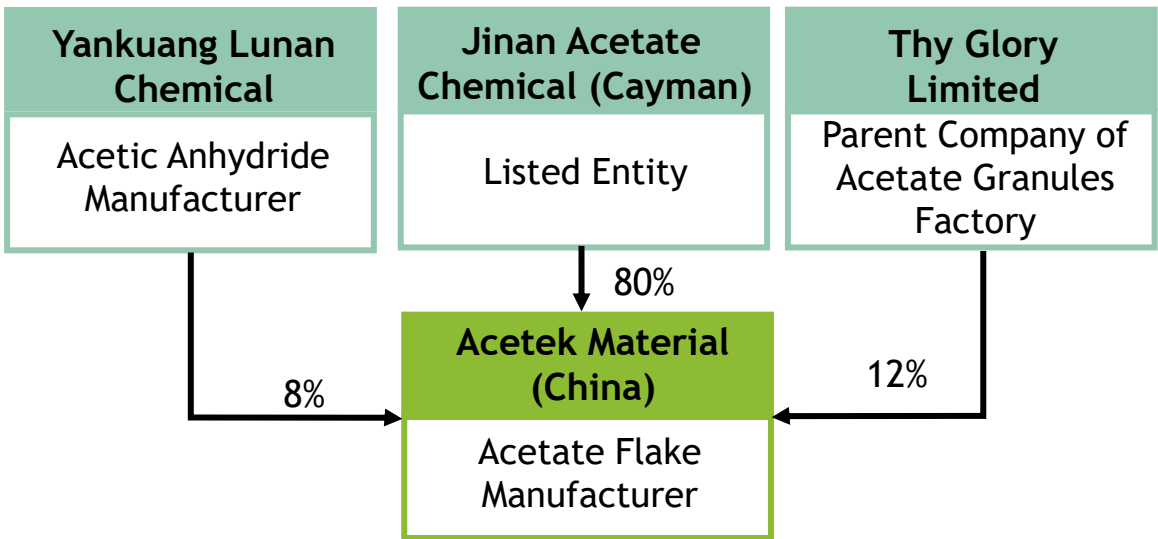
### ✓ South America Market:

The owner of Macrifer owns GlobalFilters and Tabacalera Hernandarias (TH). GlobalFilters is the largest cigarette filter producer in South America. TH is a Top 5, branded cigarette producer in South America. Both are customers of Acetek.

### ✓ Market Expansion:

GlobalFilters is expanding geographically and will begin production in Argentina and Miami, Florida (USA) in 2020. TH is developing products for Asia and the Middle East.

## Vertical Integration Strategic Alliances



### ✓ Upstream:

Yankuang Lunan, an upstream supplier of acetic anhydride, contributed the land on which Acetek Material is built.

### ✓ Downstream:

Thy Glory owns an acetate granules factory which is Acetek's customer.

### ✓ Vertical Integration – 100% self-sufficient in flakes for tow:

70% of the acetate flake that Acetek Material produces is supplied to Jinan Acetate for production of acetate tow.



# Plastic Grade Flake Strategic Alliances

## ✓ Strike Alliances with Downstream Acetate Granule and Plate Manufacturers

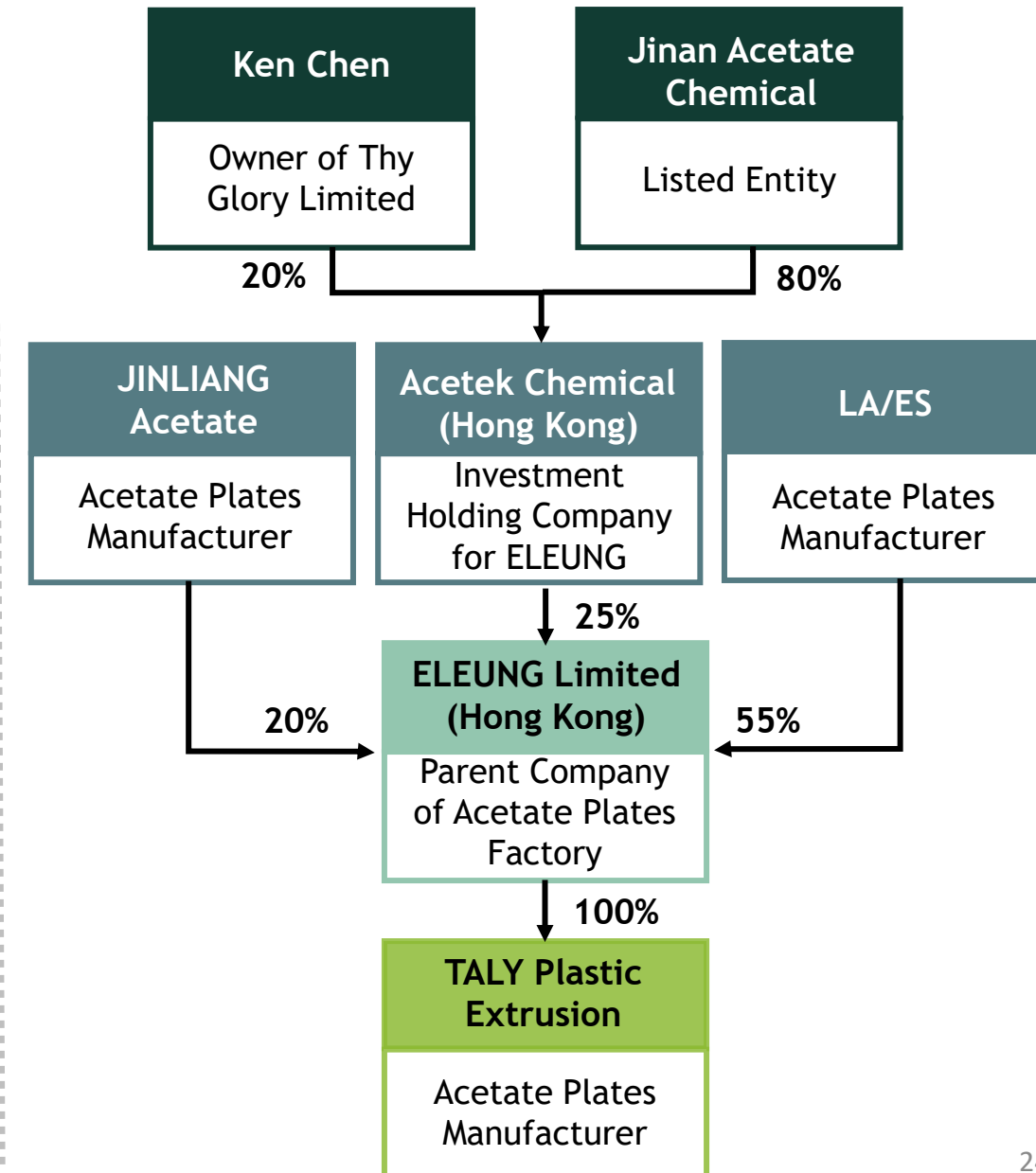
Thy Glory, JINLIANG, and TALY are cellulose acetate plate and granules manufacturers. All are downstream customers of Acetek's plastic grade acetate flake.

## ✓ Access to Tier 1 Suppliers to Luxury Optical Frame Brands

LA/ES is a strategic partner of Acetek. It supplies cellulose acetate plates to Luxottica and Safilo, who between them hold a dominant market share for all luxury optical frame brands. Luxottica's share amongst luxury optical frame and sunglass brands is 80%. Safilo is the No. 2 player.

## ✓ Order Commitments

70% of granules Taly buys are made from Acetek flake.



# CB-2 Terms and Trading Information

Issue Date	2020/09/25
Maturity Date	2025/09/25
Maturity Term	5 years
Coupon Rate	0.00%
Issue Amount	NT\$ 600,000,000
Issue Price	NT\$ 101.0
Latest Conversion Price	NT\$ 101.7
Conversion Premium	102%
Trading Price (2023/03/31)	NT\$ 330.00

CB Holder Redemption Option		
Date	Put Price (NT\$)	Yield to Put
2023/09/25	100.75	0.25%
2024/09/25	101.00	0.50%

# CB-3 Terms and Trading Information

Issue Date	2022/05/11
Maturity Date	2027/05/11
Maturity Term	5 years
Coupon Rate	0.00%
Issue Amount	NT\$ 500,000,000
Issue Price	NT\$ 101.0
Latest Conversion Price	NT\$ 95.9
Conversion Premium	102%
Trading Price (2023/03/31)	NT\$ 352.00

CB Holder Redemption Option		
Date	Put Price (NT\$)	Yield to Put
2025/05/11	100.75	0.25%
2026/05/11	101.00	0.50%

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Thank You

