



中鋼公司



# China Steel Corporation

June 28, 2013



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# Company overview: Business snapshot (CSC standalone)

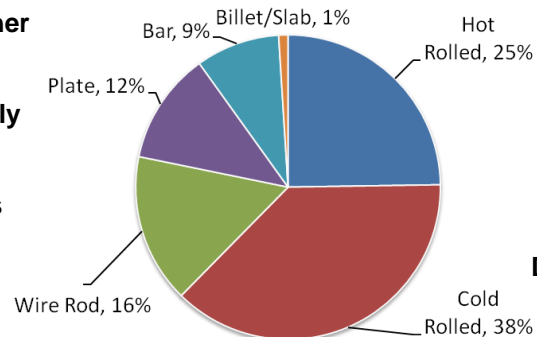
## Overview

- Leading Taiwanese steel manufacturer with integrated production capabilities
- Headquartered in Kaohsiung with major production sites located in Kaohsiung
- Annual capacity of 9.9 mmt as of Dec 31, 2012

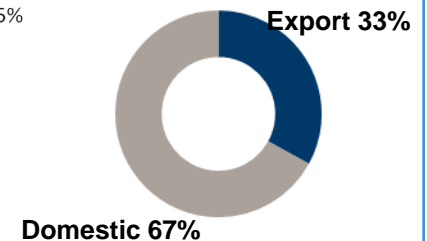
## Major business

- Leading manufacturer of flat steel products
- Continuously upgrading towards higher value-added products
- Dominant market position domestically
- Continue to capture rapid growth in South East Asia and China markets

Steel Sales revenue  
breakdown by products  
(Year 2012)



Domestic/Export by revenue  
(Year 2012)





# Company overview: Business snapshot (CSC Group)

## Major business

### Steel Core Businesses

- China Steel Corporation
- Chung Hung Steel Corporation
- Dragon Steel Corporation
- CSC Steel Sdn. Bhd.
- China Steel Sumikin Vietnam (CSVC)
- China Steel Precision Materials
- China Steel Corporation India Pvt. Ltd (CSCI)

### Other Group Businesses

#### Engineering Businesses

- China Steel Machinery Corporation
- China Steel Structure Co., Ltd.
- China Ecotek Corporation

#### Logistic Businesses

- China Steel Express Corporation
- China Steel Global Trading Corporation

#### Industrial Materials Businesses

- C. S. Aluminum Corporation
- China Steel Chemical Corporation
- CHC Resources Corporation
- Himag Magnetic Corporation

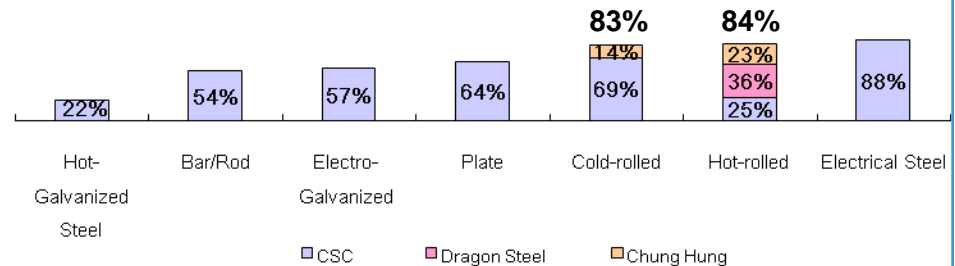
#### Service and Investments Businesses

- Gains Investment Corporation
- China Steel Security Corporation
- Info-Champ Systems Corporation
- China Prosperity Development Corporation

## Capacity & market share

- Our group crude steel capacity reached 16.1 mmt as of March 31, 2013(combining China Steel Corporation and Dragon Steel's EAF and No.1&2 blast furnace).

CSC Group domestic market share (2012)



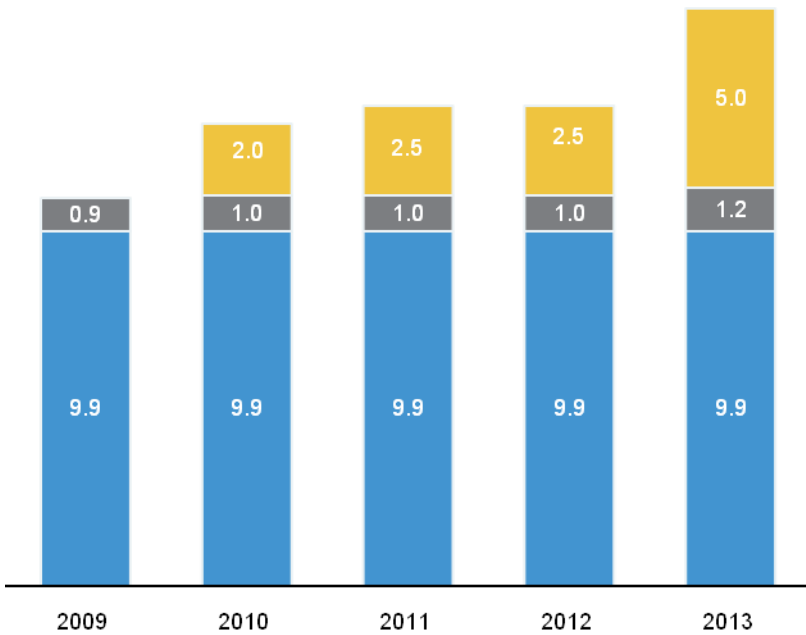


# Company overview: Group capacity & Production lines

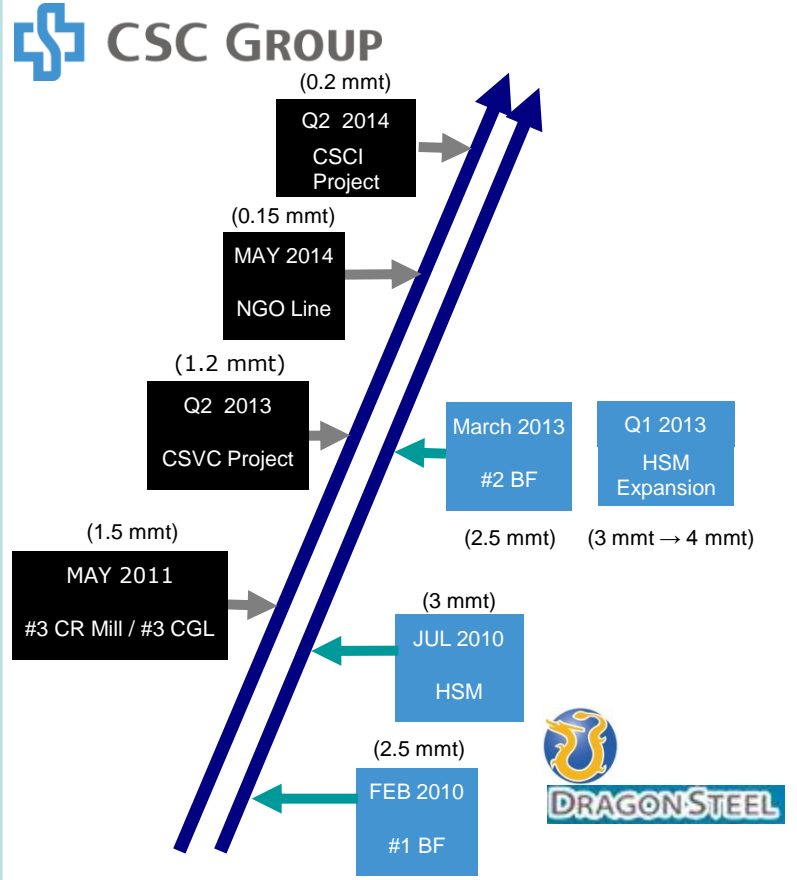
## Group capacity

### Crude steel capacity (mmt)

■ Dragon Blast Furnace ■ Dragon Electric Arc Furnace ■ China Steel



## Commencement of new capacity/production lines: CSC group





## Performance- Consolidated operating results

Amount: NT\$ million

Item	*2013 Q1	**May 2013	Accumulated of 2013
Consolidated Operating Revenue	88,461	29,192	147,281
Consolidated Operating Income	5,910	2,241	11,175
Consolidated Income Before Income Tax	5,679	2,101	10,641

\*audited result

\*\*preliminary result



# Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2013 Q1	May, 2013	Accumulated of 2013
1	Steel products	74,206,821	24,086,748	123,072,789
2	Non-steel industry materials	8,455,444	3,000,890	14,389,677
3	Construction	3,405,076	1,467,550	6,006,673
4	Transportation and service	1,256,446	386,399	2,041,464
5	Others	1,136,728	250,484	1,770,024
Less	Sales returns and allowances	0	0	0
	Total	88,460,515	29,192,071	147,280,627



# Performance-CSC group

## Segment revenues and operating results

Unit : NTD Thousands

2013/Q1	Steel	Ocean Freight Forwarding	CSCC	Others	Adjustment and Elimination	Total
Revenues from external customers	\$ 73,246,211	\$ 587,070	\$ 2,034,649	\$ 12,592,585	\$ -	\$88,460,515
Inter-segment revenues	<u>10,329,158</u>	<u>3,476,148</u>	<u>24,228</u>	<u>8,193,637</u>	<u>-22,023,171</u>	<u>-</u>
Segment revenues	<u>\$ 83,575,369</u>	<u>\$ 4,063,218</u>	<u>\$ 2,058,877</u>	<u>\$ 20,786,222</u>	<u>\$-22,023,171</u>	<u>\$ 88,460,515</u>
Segment profit	\$ 3,427,290	\$ 844,572	\$ 554,947	\$ 1,070,249	\$ 13,045	\$ 5,910,103
Interest income	47,175	3,586	2,749	38,976	320	92,806
Interest expense	- 610,040	- 6,462	- 524	- 45,996	7	- 663,015
Share of the profit (loss) of associates and joint ventures	2,228,825	481,530	27,070	600,004	- 3,299,437	37,992
Other non-operating income and expenses	<u>95,757</u>	<u>249,125</u>	<u>30,695</u>	<u>69,086</u>	<u>- 143,896</u>	<u>300,767</u>
Profit before income tax	5,189,007	1,572,351	614,937	1,732,319	- 3,429,961	5,678,653
Income tax expense (benefit)	<u>399,944</u>	<u>124,840</u>	<u>88,420</u>	<u>197,783</u>	<u>- 9,900</u>	<u>801,087</u>
Net profit for the period	<u>\$ 4,789,063</u>	<u>\$ 1,447,511</u>	<u>\$ 526,517</u>	<u>\$ 1,534,536</u>	<u>\$- 3,420,061</u>	<u>\$ 4,877,566</u>



**Performance- consolidated basis****Consolidated Income Statement**

Units: NT\$ millions

R.O.C GAAP

IFRS

	2011	2012		2012.1Q	2013.1Q
Revenues	401,027	358,537	Revenues	93,862	88,461
Gross profit	36,597	19,375	Gross profit	2,878	9,087
Gross margins	9.13%	5.40%	Gross margins	3.07%	10.27%
Profit before tax	23,365	7,681	Profit before tax	(365)	5,679
<u>Net income</u>	<u>20,830</u>	<u>6,390</u>	<u>Net profit</u>	<u>(308)</u>	<u>4,878</u>
Attributable to			Attributable to		
The Corporation's Stockholders	19,494	5,811	Owners of the corporation	(703)	3,793
Minority Interests	1,337	578	Non-controlling interests	395	1,085



# Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	03/31/2013※
Debt	207,128	206,337	255,206	299,578	312,393	332,923
Debt/Equity	81.23%	78.22%	88.43%	95.99%	102.26%	107.37%
Asset	462,111	470,126	543,808	611,686	617,892	642,982
Debt / Asset	45%	44%	47%	49%	51%	52%
Net Debt *	167,289	167,867	227,035	273,421	283,402	307,697
Net Debt /Asset	36%	36%	42%	45%	46%	48%

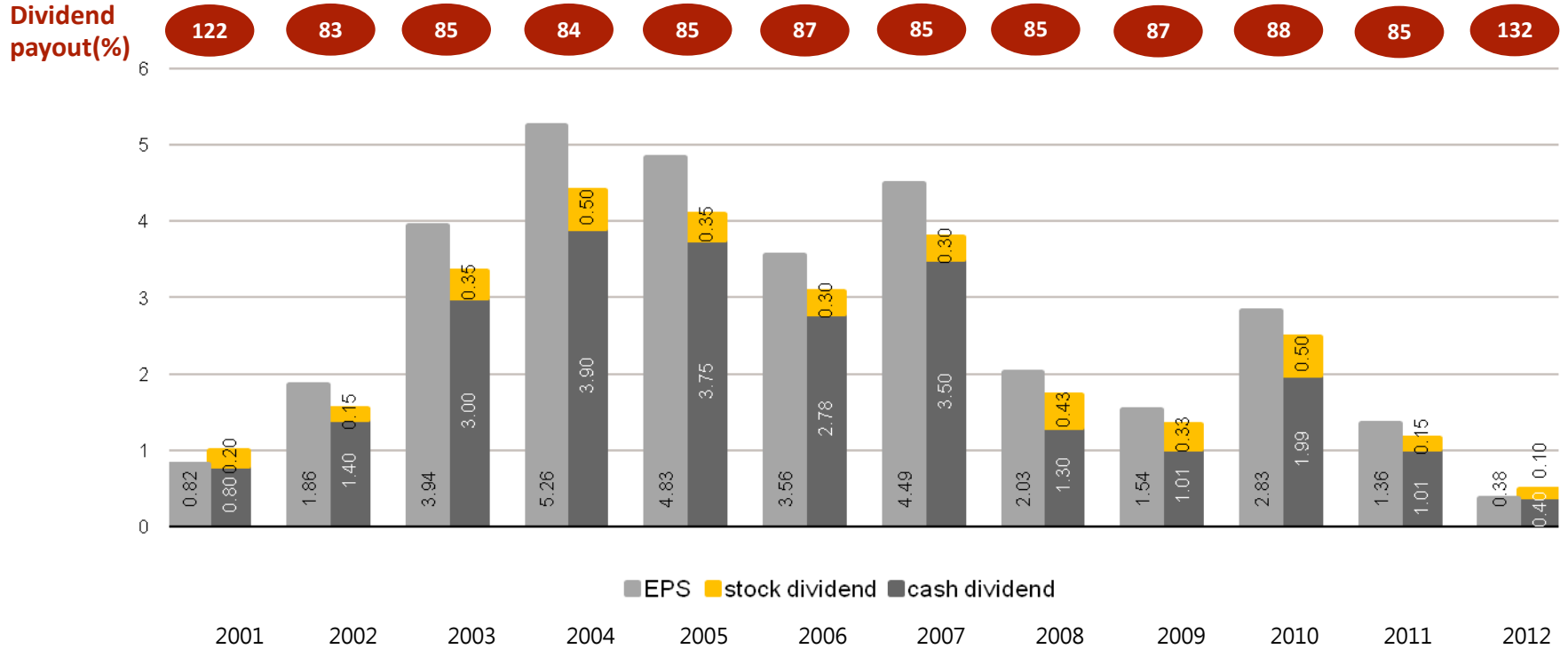
\* Net debt = debt - cash&cash equivalents – ( *financial assets at fair value through profit or loss + available-for-sale financial assets+ Derivative financial assets for hedging-current* )

※IFRS basis



# Performance- Historical EPS and dividends paid

(in NTD per share)



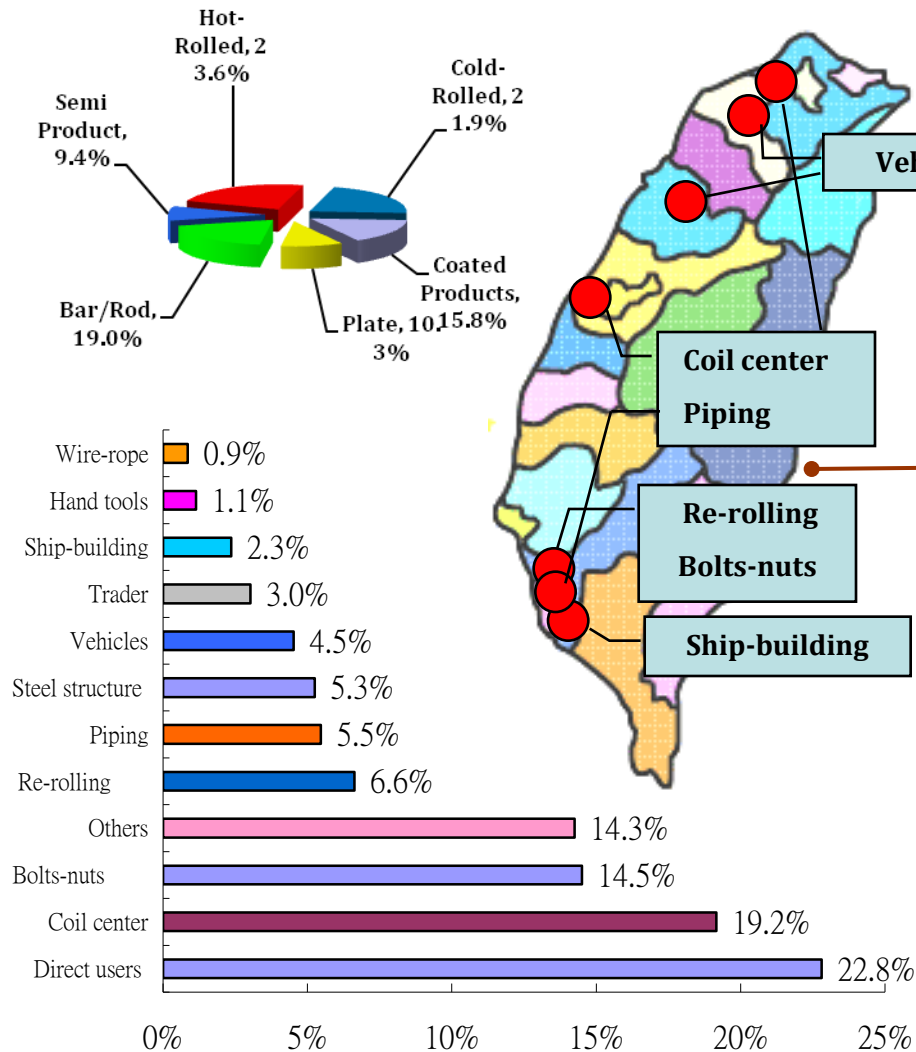
We maintain a high cash dividend policy to our investors and have consistently paid out 80% to 90% over the last ten years



# Sales (CSC standalone)

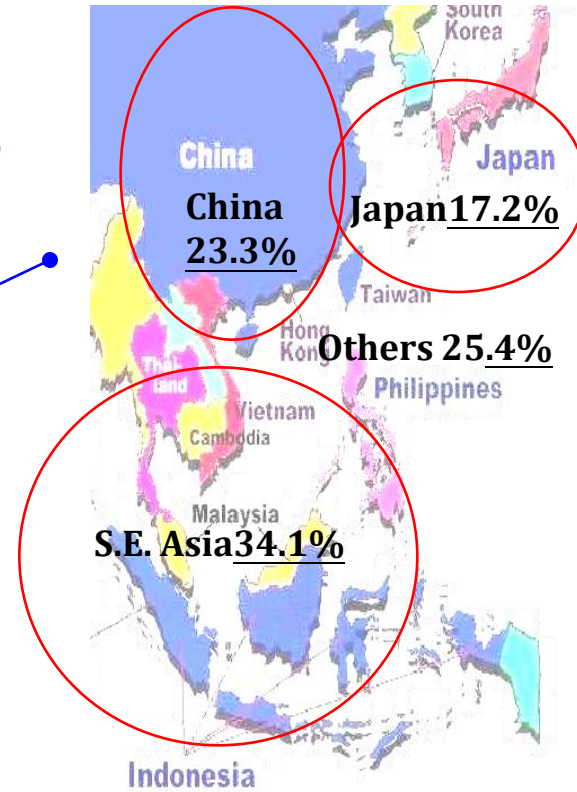
2013.Q1 CSC sales volume totaled 2.51 million metric tons

## Domestic/Export sales volume breakdown of 2013.Q1



Export 33.58% (0.84 million metric tons)

Domestic 66.42% (1.66 million metric tons)

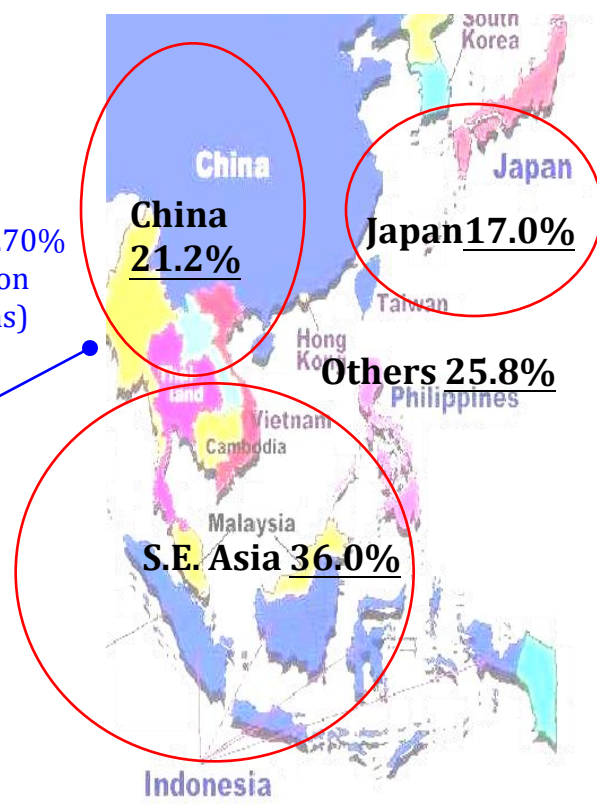
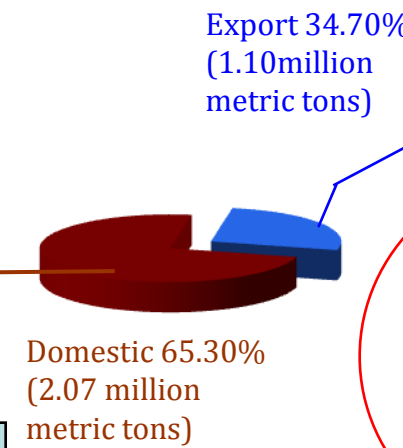
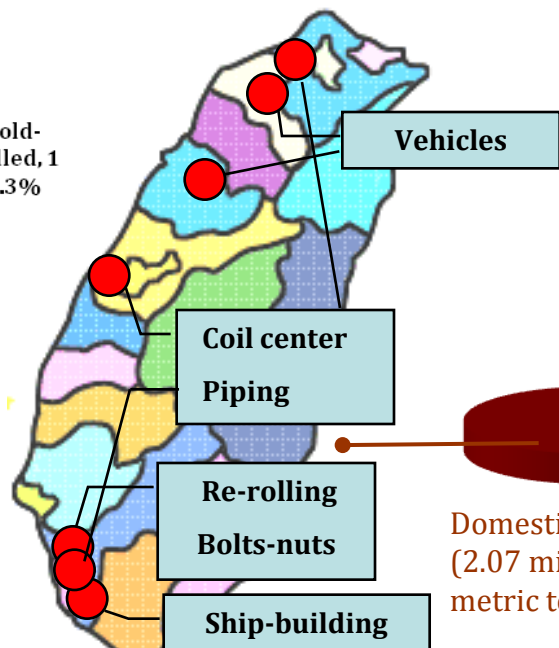
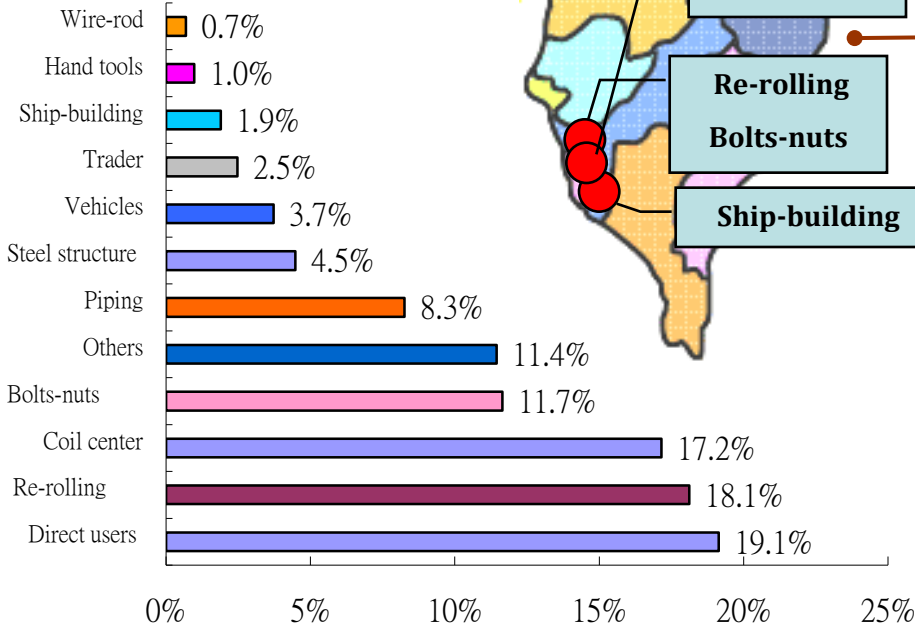
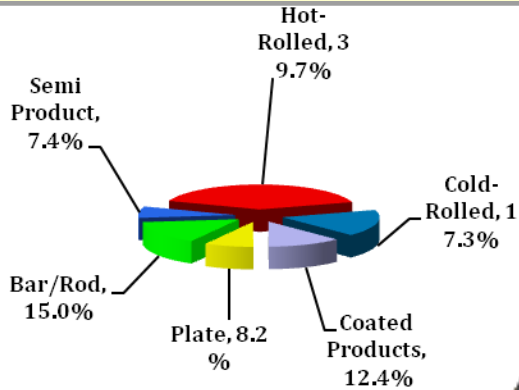




# Sales (CSC +DSC:HRC)

2013.Q1 sales volume (CSC & HRC of DSC) totaled 3.17 million metric tons

## Domestic/Export sales volume breakdown of 2013.Q1





# Key strategies to achieve the vision

1

Secure self-sufficiency in raw materials through strategic upstream investment

2

Strengthen sales channels through overseas investment

3

Increase the supply chain value of steel-related industries by developing and trying out new product

4

Enhance corporate culture handing-down, reinforce human resources training & development, and solidify plans for management succession

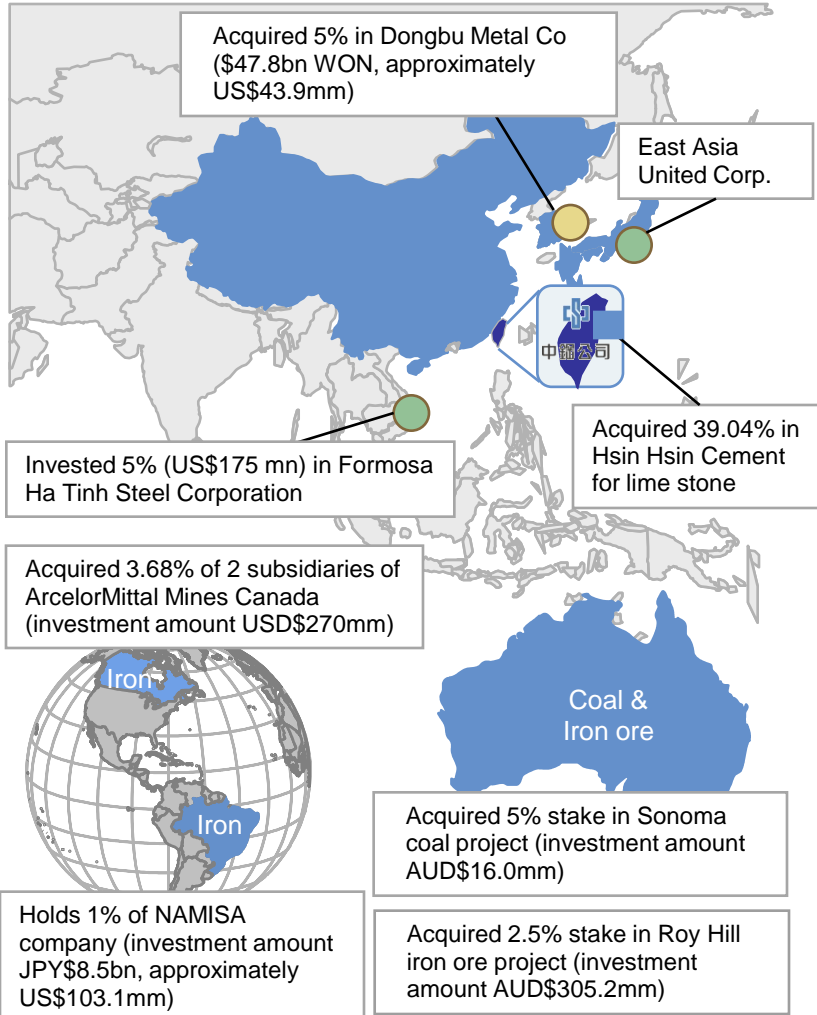
5

Enhance client relationships and networks through engineering, technical, and information management services

With the key strategies implemented, China Steel Corporation aims to become a trustworthy steel partner pursuing growth, environmental protection, energy saving and value-innovation

# Secure self-sufficiency in raw materials through strategic upstream investment

Major raw materials    Semi-products    Ferro alloy



## Major raw materials

- Iron ore and coking coals are secured by long-term contract (volume)
- Partner with parties in Japan, South Korea, Mainland China, Australia and Brazil
- Secure lime stone - acquired 39.04%(group shareholding) in Hsin Hsin Cement

## Semi-products

- Secure supplies from strategic partnerships and JV's
- East Asia United Steel Corp.
  - Utilize Sumitomo's Wakayama plant to produce slab steel
  - A reliable supply source for slab
- Vietnam investment with Formosa Plastics Group
  - Access to semi-finished steel with lower transportation costs and market risks

## Ferro-alloy

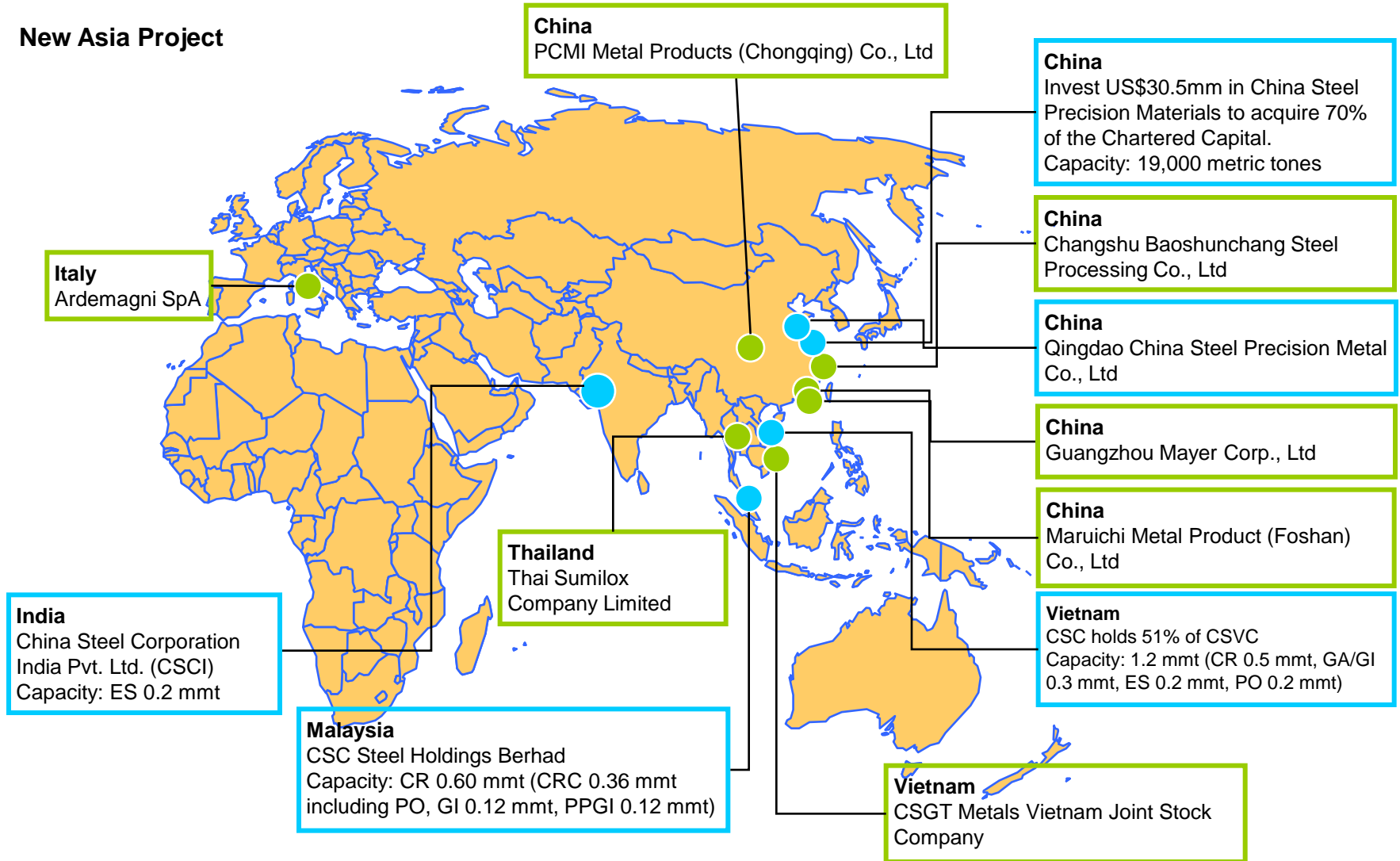
- Long-term contract to reduce market risks
- Purchased 5% stake in Dongbu Metal, Korea's largest ferro-alloys producer
  - Ensures a long-term stable supply of medium and low carbon manganese ferro-alloy

To secure 30% of major raw materials through investments in mines and find multiple sources of semi-products



# Strengthen sales channels through overseas investment

## New Asia Project



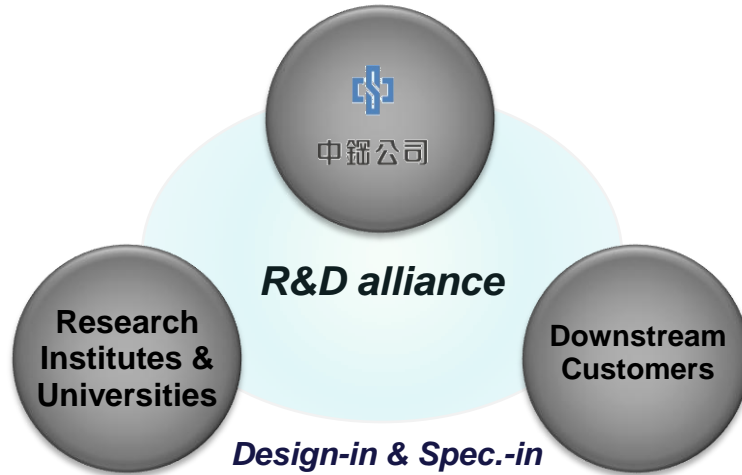
● Overseas Investments of CSC group    ● Co-invest in coil centers with peers and customers through China Steel Global Trading Co.





# Increase the supply chain value of steel-related industries by developing and trying out new product

## Co-development for value-added products



- Aim for further growth and success with downstream customers
- Close collaboration with our customers, research institutions, and universities for higher value-added products
- Increase end market's demand for higher value-added products

## R&D alliances

Industry	R & D Alliance	Total est. expenditure (US\$mm)
Fasteners	High value-added fasteners	2.4
Motors	Development of high value-added technologies for the motor industry	6.8
Auto structure parts	R&D alliance for AHSS and forming technology for automobile	2.2
	R&D alliance for tube hydro-forming technology for automobile	4.1
Auto panel and inner parts	R&D alliance for advanced molding technology for automobile panels	3.2
Wire	CTRA for wafer-cutting electroplated diamond wire saws	3.1
Steel plate	Preliminary R&D plan for high precision stamp-formed needle roller bearings made of locally-made low-alloy steel plate	0.1
<b>Total</b>		<b>21.9</b>

China Steel Corporation has committed significant efforts/developments in downstream higher value-added, higher margin steel products alongside its customers



## Enhance client relationship and networks through value-added services



### Engineering services

- Expansion project stage II phase II of DSC
- Formosa Ha Tinh Steel Corporation
- Vietnam cold rolling mill "New Asia" projects

### Technical services

- Mega Steel in Malaysia
- Formosa Ha Tinh Steel Corporation
- Vietnam cold rolling mill

### Customer services

- Real-time information services of order status
- Applied technology services
- Early vender involvement

### Others

- Domestic and oversea consulting services regarding environmental protection and energy saving