



CHINA STEEL

China Steel Corporation

November 28 & 29, 2013



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Company overview: Business snapshot (CSC standalone)

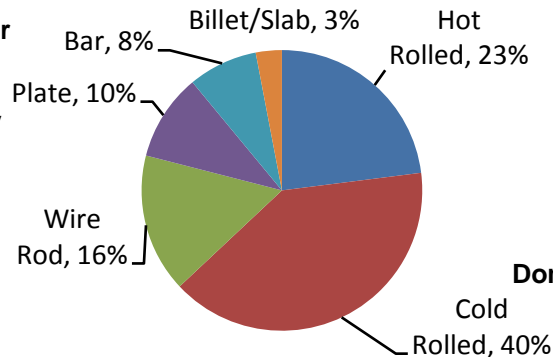
Overview

- 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

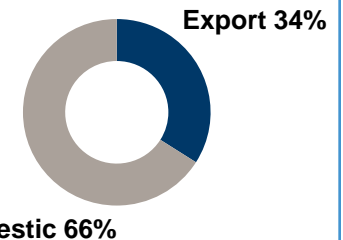
Major business

- 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
(2013 1~3Q)



Domestic/Export by revenue
(2013 1~3Q)



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

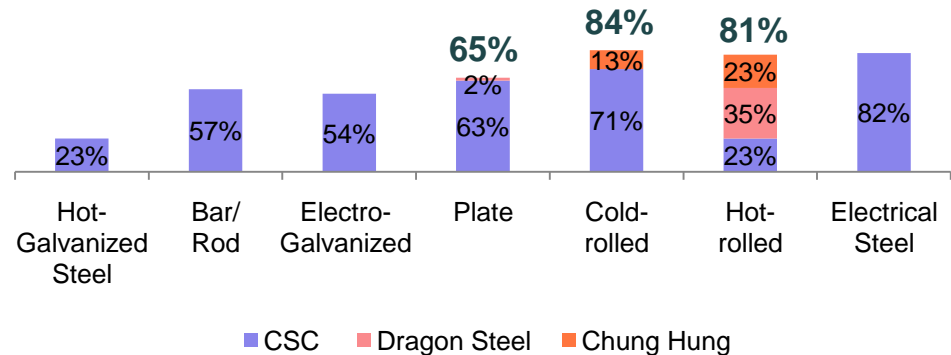
Service and Investments Businesses

- 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 in 2013 (combining China Steel Corporation and Dragon Steel's EAF and No.1&2 blast furnace).

CSC Group domestic market share (2013.1~3Q)



*Plate product of DSC is Flat steel.

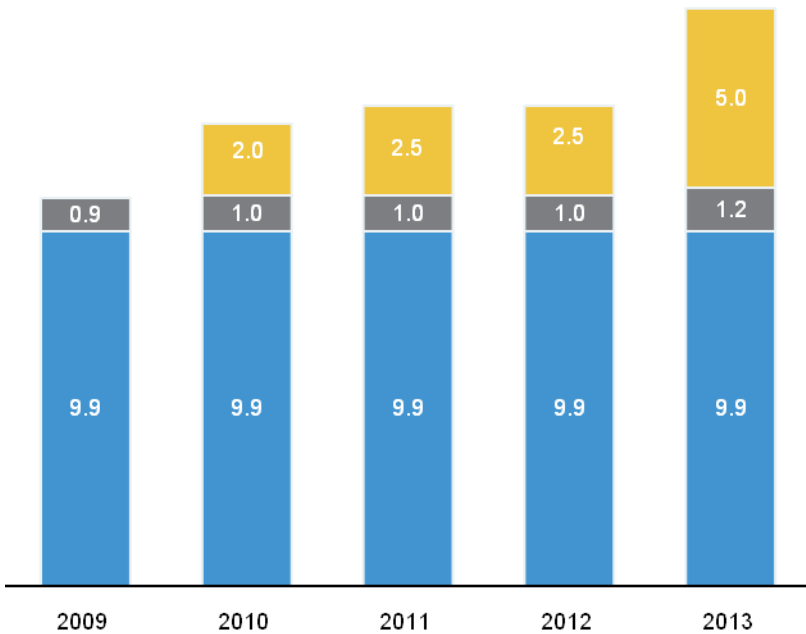


Company overview: Group capacity & Production lines

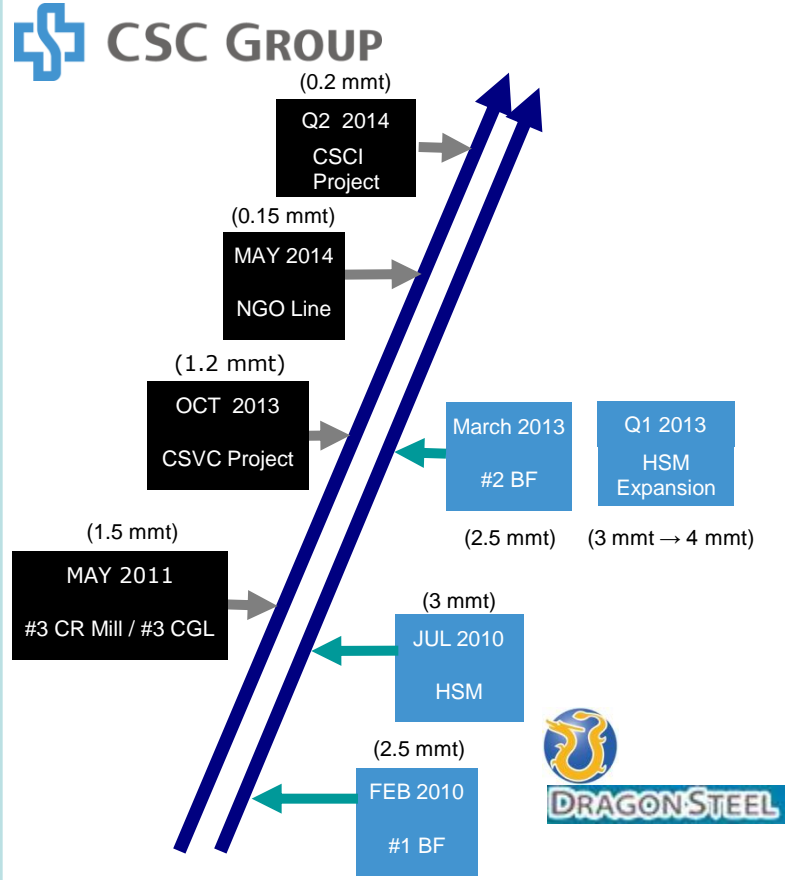
Group capacity

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 1~3Q	**October 2013	**Accumulated of 2013
Consolidated Operating Revenue	260,416	29,691	290,107
Consolidated Operating Income	18,552	2,445	20,997
Consolidated Income Before Income Tax	18,039	2,251	20,290

*reviewed result

**preliminary result



Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2013 1~3Q	October, 2013	Accumulated of 2013
1	Steel products	215,322,513	24,696,741	240,019,254
2	Non-steel industry materials	26,037,973	2,978,194	29,016,167
3	Construction	12,234,146	1,323,130	13,557,276
4	Transportation and service	3,520,193	333,046	3,853,239
5	Others	3,301,017	359,684	3,660,701
Less	Sales returns and allowances	0	0	0
	Total	260,415,842	29,690,795	290,106,637

Performance-CSC group

Segment revenues and operating results

Unit : NTD Thousands

2013/1~3Q	Steel	Ocean Freight Forwarding	CSCC	Others	Adjustment and Elimination	Total
Revenues from external customers	\$ 212,184,125	\$ 1,372,340	\$ 6,673,123	\$ 40,186,254	\$ -	\$ 260,415,842
Inter-segment revenues	36,832,139	11,133,826	71,592	24,478,006	- 72,515,563	-
Segment revenues	<u>\$ 249,016,264</u>	<u>\$ 12,506,166</u>	<u>\$ 6,744,715</u>	<u>\$ 64,664,260</u>	<u>\$ -72,515,563</u>	<u>\$ 260,415,842</u>
Segment profit	\$ 11,770,229	\$ 2,343,892	\$ 1,856,306	\$ 3,535,631	\$ - 954,190	\$ 18,551,868
Interest income	193,698	6,452	8,837	131,854	- 7,743	333,098
Interest expense	- 1,956,594	- 16,219	- 1,636	- 131,325	5,386	- 2,100,388
Share of the profit (loss) of associates and joint ventures	6,476,066	1,373,938	96,614	1,324,612	- 9,006,750	264,480
Other non-operating income and expenses	925,664	261,614	45,491	362,090	- 605,288	989,571
Profit before income tax	17,409,063	3,969,677	2,005,612	5,222,862	- 10,568,585	18,038,629
Income tax expense (benefit)	2,475,595	270,399	288,079	628,798	- 143,756	3,519,115
Net profit for the period	<u>\$ 14,933,468</u>	<u>\$ 3,699,278</u>	<u>\$ 1,717,533</u>	<u>\$ 4,594,064</u>	<u>\$ -10,424,829</u>	<u>\$ 14,519,514</u>

Performance- consolidated basis

Consolidated Income Statement

Units: NT\$ millions

IFRS	2013.Q3	2012.Q3	2013.1~3Q	2012.1~3Q
Revenues	87,260	83,812	260,416	274,421
Gross profit	8,931	4,273	27,948	13,920
Gross margins	10.23%	5.10%	10.73%	5.07%
Profit before tax	5,828	1,647	18,039	4,914
<u>Net profit</u>	<u>4,284</u>	<u>1,234</u>	<u>14,519</u>	<u>3,980</u>
Attributable to				
Owners of the corporation	3,779	1,875	12,457	3,835
Non-controlling interests	505	-641	2,062	145



Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	09/30/2013※
Debt	206,337	255,206	299,578	312,393	360,788
Debt/Equity	78.22%	88.43%	95.99%	102.26%	115.81%
Asset	470,126	543,808	611,686	617,892	672,309
Debt / Asset	44%	47%	49%	51%	54%
Net Debt *	167,867	227,035	273,421	283,402	335,455
Net Debt /Asset	36%	42%	45%	46%	50%※

Since 2009, CSC group have issued corporate bonds and signed syndicated loans for DSC's expansion project and overseas raw material investments.

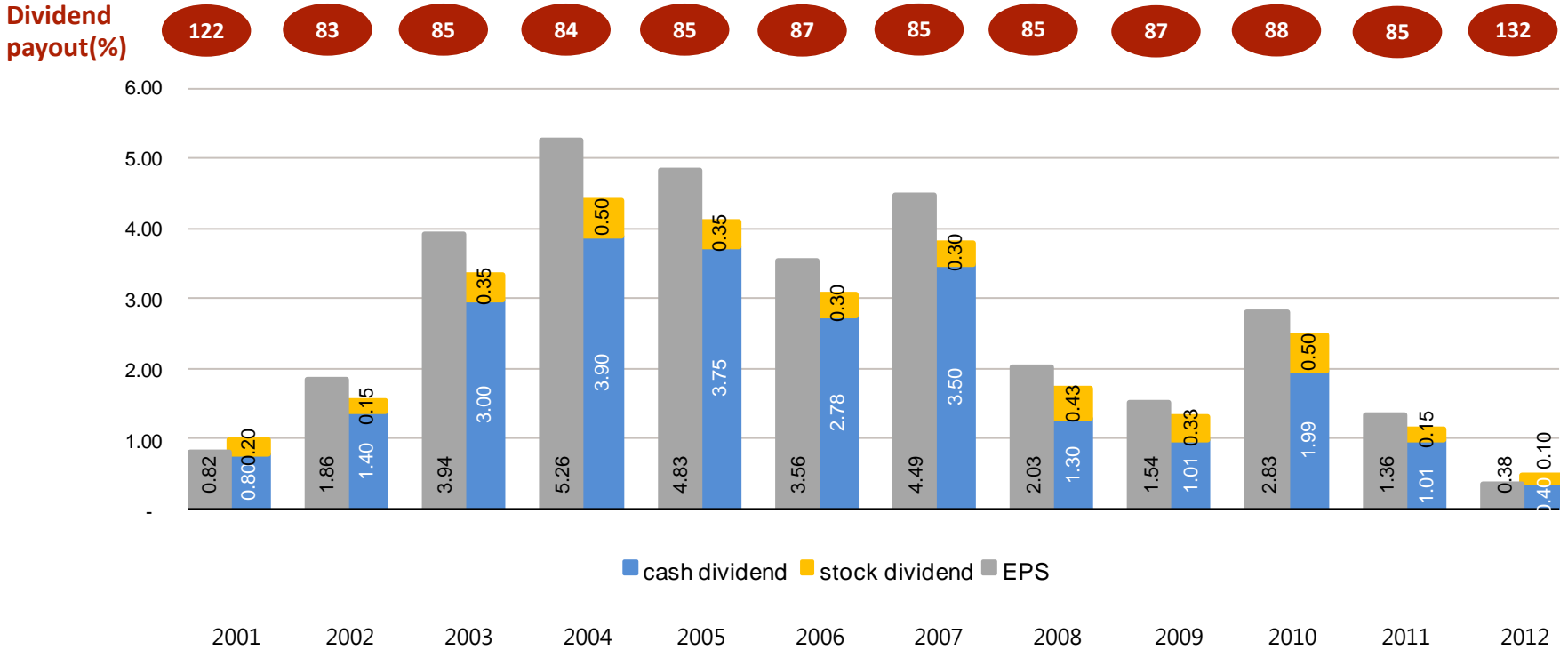
* Net debt = debt - cash&cash equivalents – (*financial assets at fair value through profit or loss-current*+ *available-for-sale financial assets-current* + *Derivative financial assets for hedging-current*)

※IFRS basis



Performance- Historical EPS and dividends paid

(in NTD per share)

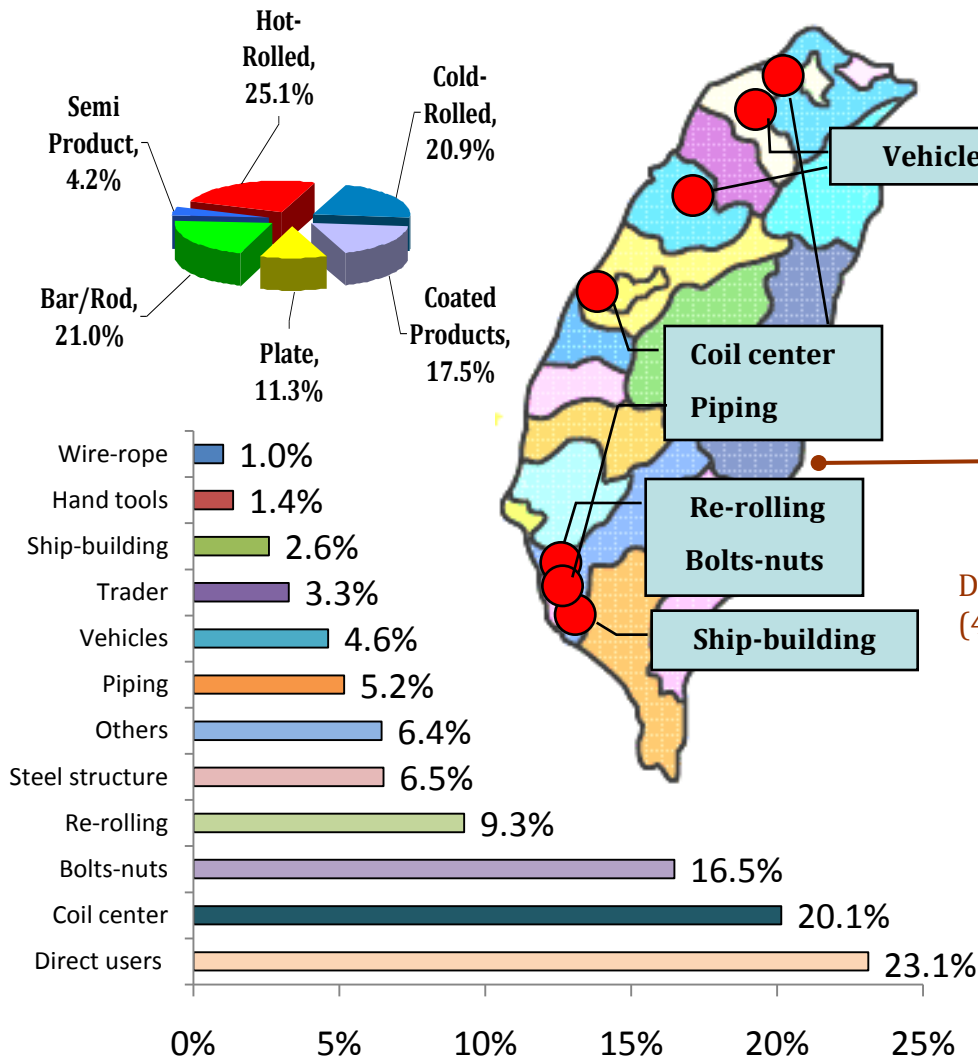


We maintain a high cash dividend policy to our investors and have consistently paid out 80% to 90% over the last ten years

Sales (CSC standalone)

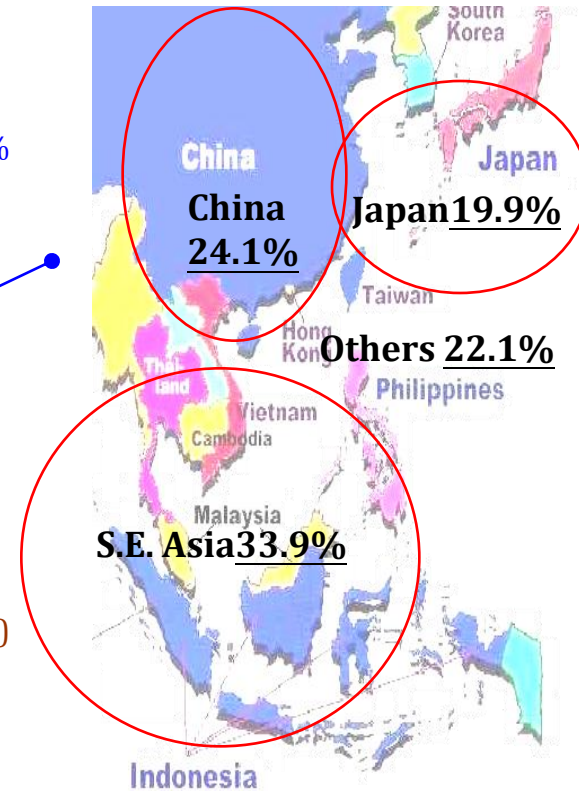
2013.1~3Q CSC sales volume totaled 7.15 million metric tons

Domestic/Export sales volume breakdown of 2013.1~3Q



Export 34.76%
(2.49 million metric tons)

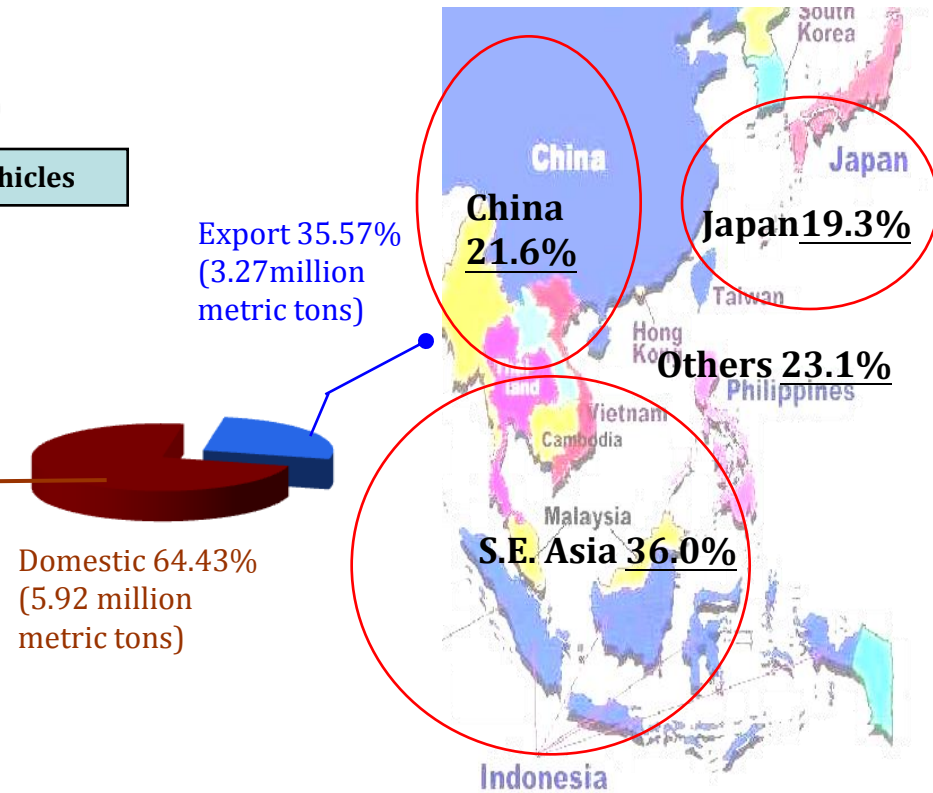
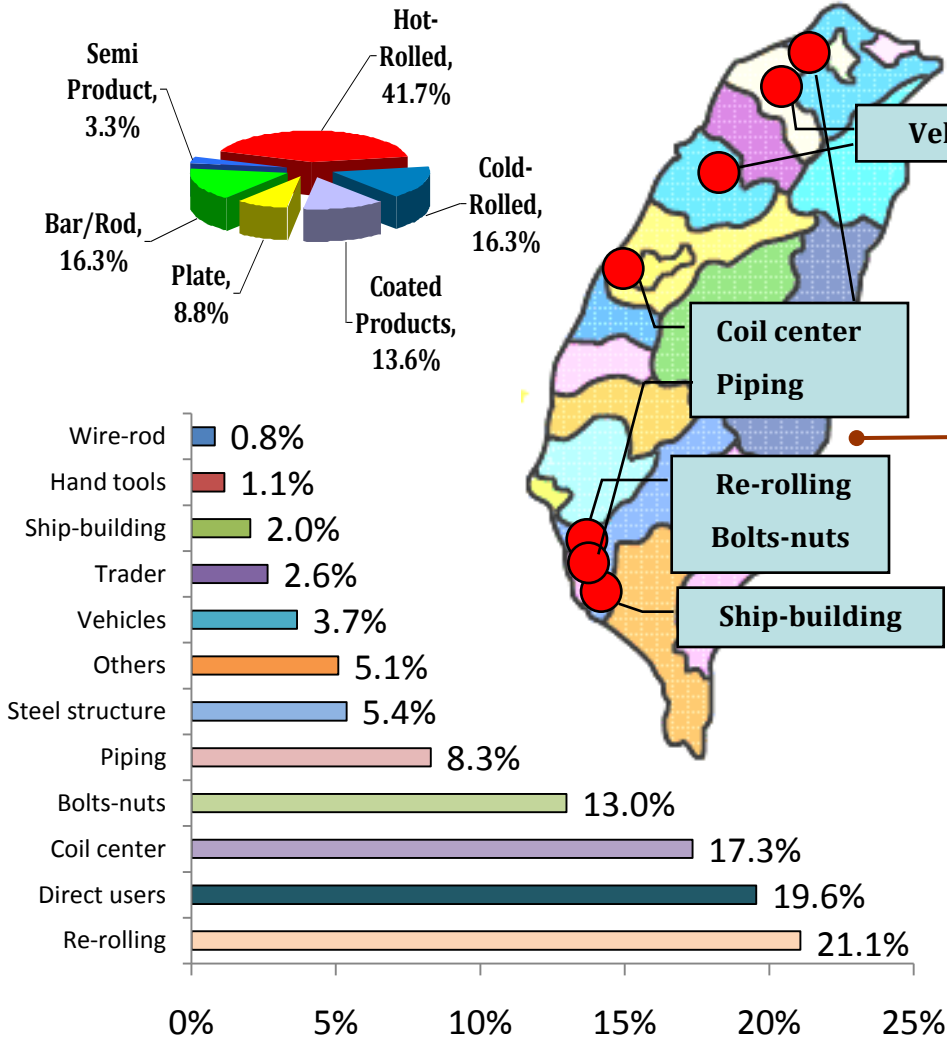
Domestic 65.24%
(4.66 million metric tons)



Sales (CSC +DSC:HRC)

2013.1~3Q sales volume (CSC & HRC of DSC) totaled 9.19 million metric tons

Domestic/Export sales volume breakdown of 2013. 1~3Q



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

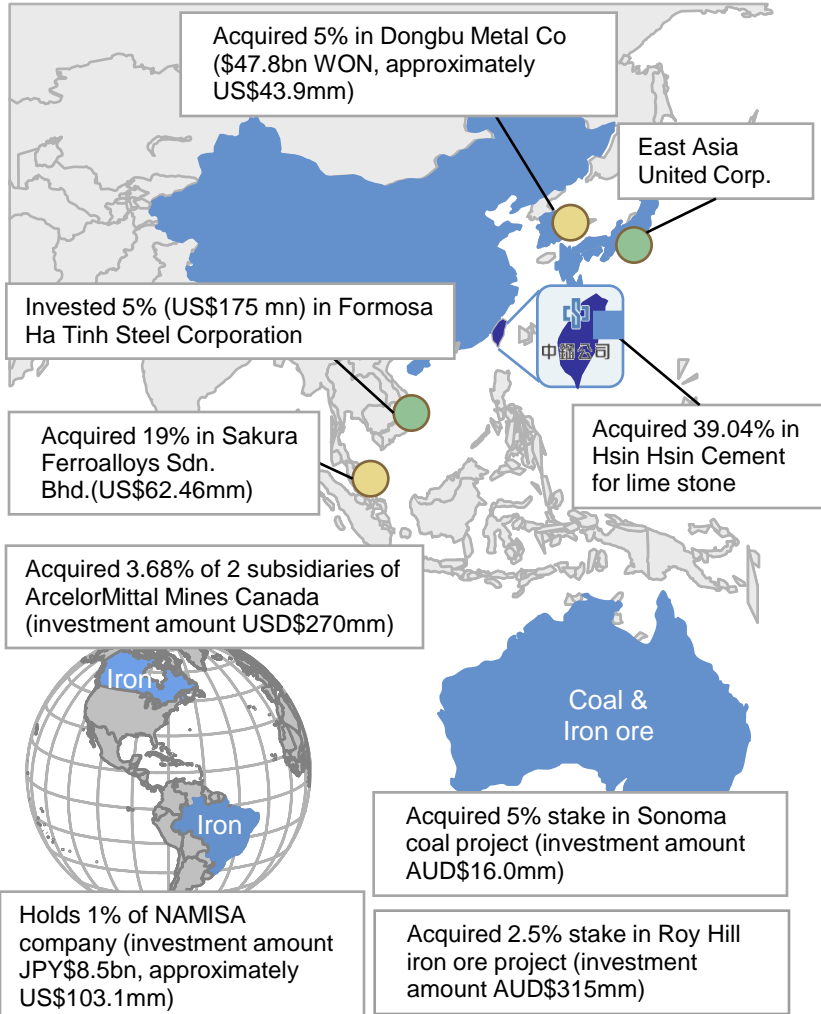
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Enhance client relationships and networks through engineering, technical, and information management services

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 Ferroalloy



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
- Purchased 19% stake in Sakura Ferroalloys Sdn. Bhd.
 - Ensures a long-term stable supply of ferro-alloy, and lowers the acquisition cost.

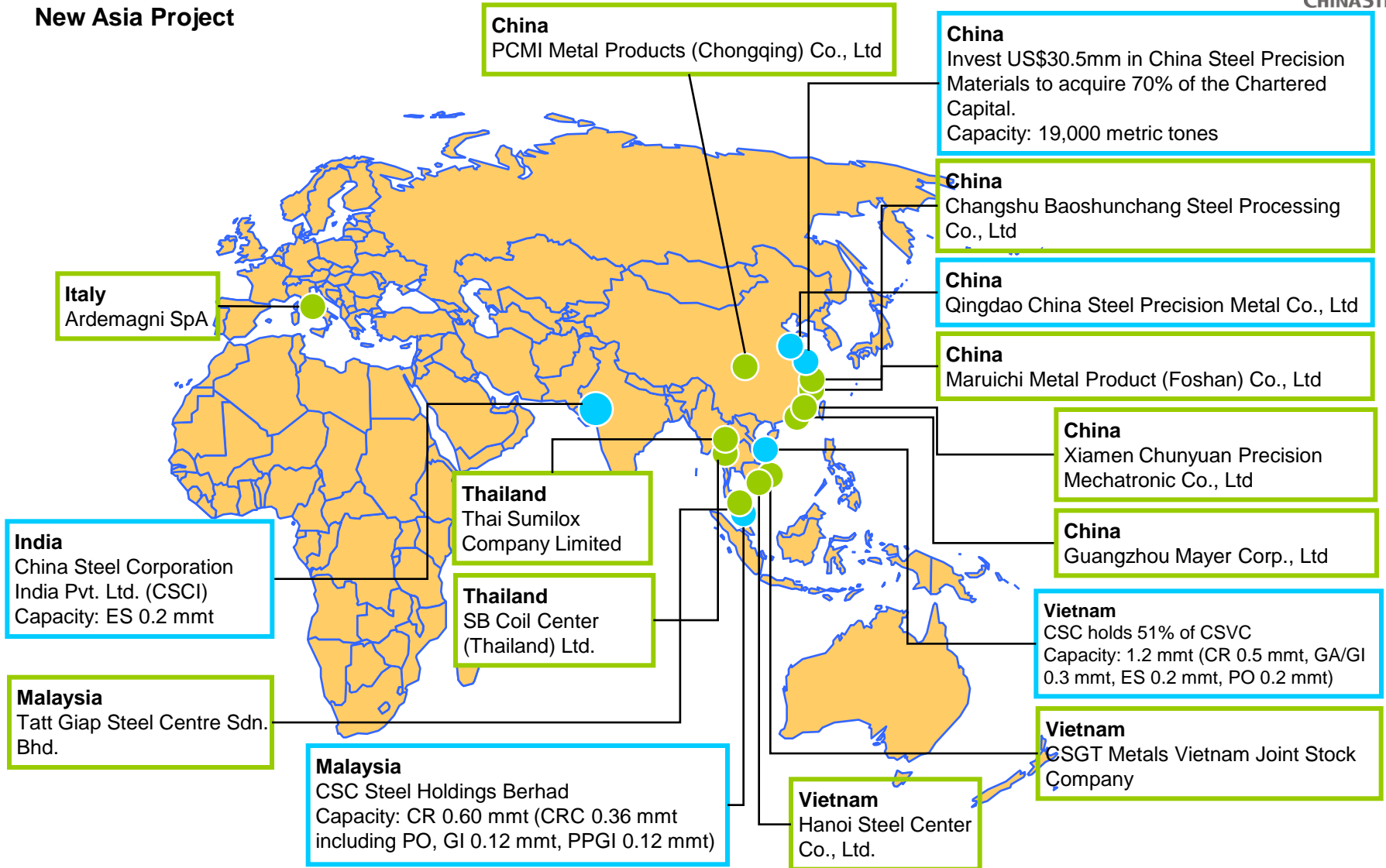
To secure 30% of major raw materials through investments in mines and find multiple sources of semi-products

Strengthen sales channels through overseas investment



CHINA STEEL

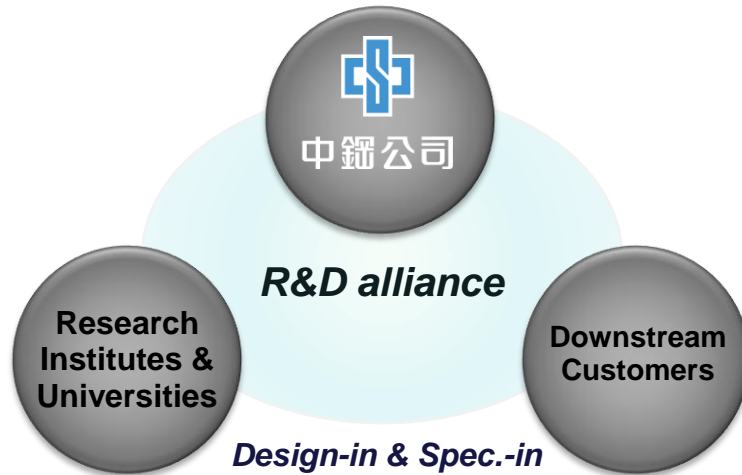
New Asia Project



● 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
Total		21.9

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 and Technical services

- Plant Construction
- Technical Consulting
- Environmental Engineering
- Railway and Rapid Transit System Engineering
- Industrial Air Conditioner

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