



中鋼公司



# China Steel Corporation

September 13, 2013



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# Company overview: Business snapshot (CSC standalone)

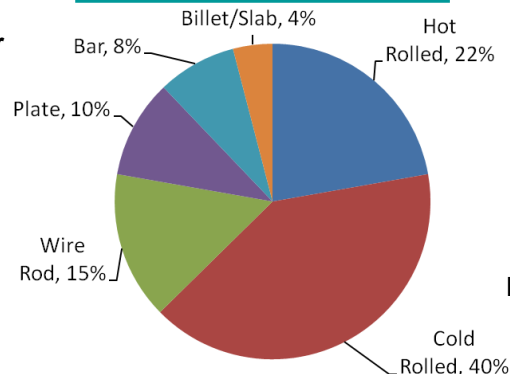
## Overview

- 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

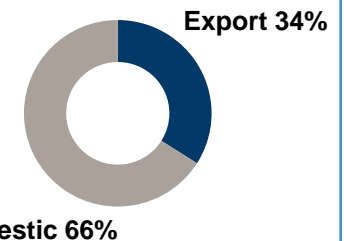
## Major business

- 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 1H)



Domestic/Export by revenue  
(2013 1H)





# 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

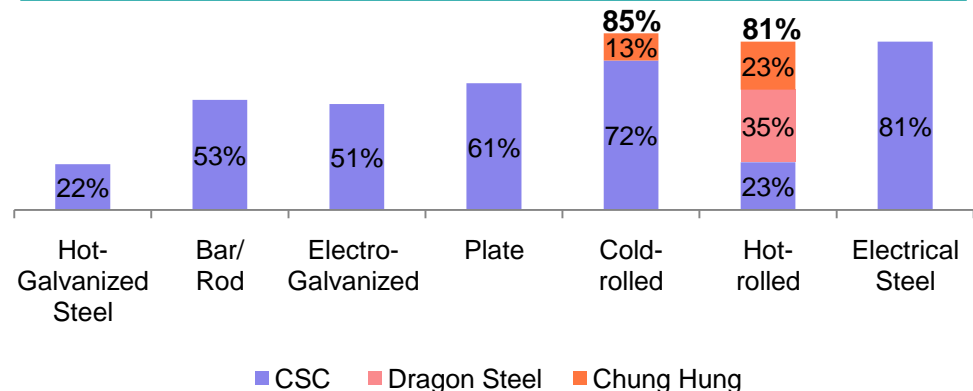
#### Service and Investments Businesses

- 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 (2013.1H)



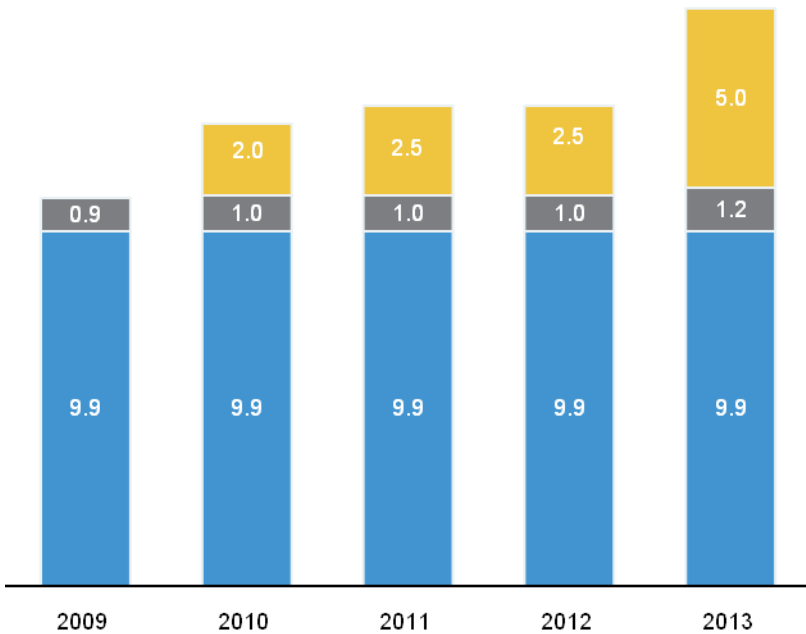


# Company overview: Group capacity & Production lines

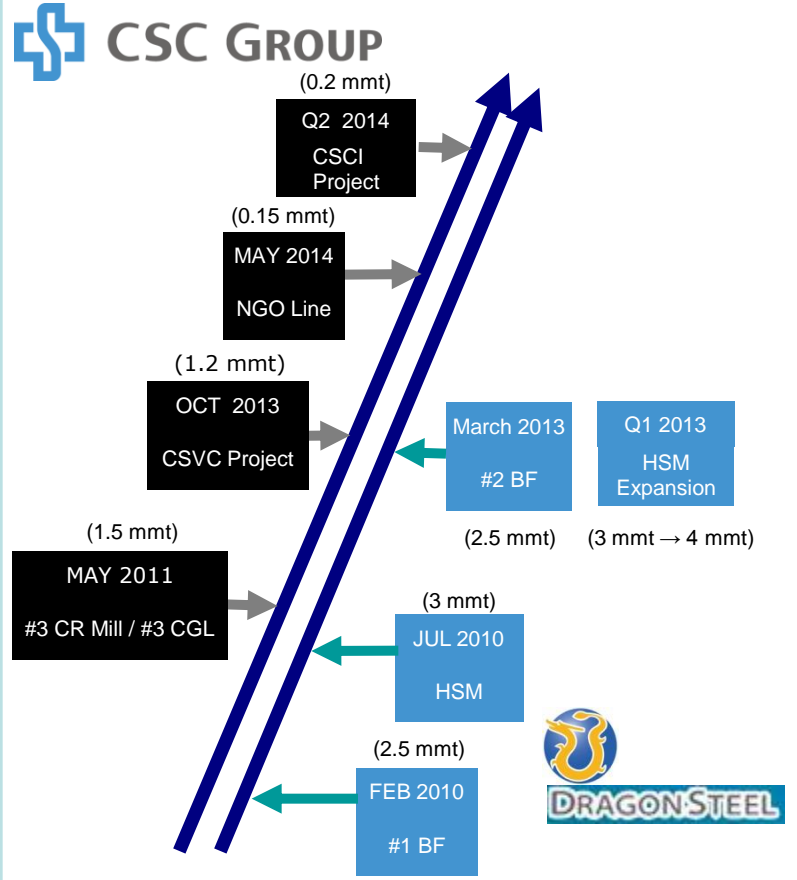
## Group capacity

### 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 1H	**July 2013	**Accumulated of 2013
Consolidated Operating Revenue	173,156	29,446	202,602
Consolidated Operating Income	12,508	1,650	14,158
Consolidated Income Before Income Tax	12,210	1,829	14,039

\*reviewed result

\*\*preliminary result



# Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2013 1H	July, 2013	Accumulated of 2013
1	Steel products	143,629,614	24,042,553	167,672,167
2	Non-steel industry materials	17,153,823	2,862,714	20,016,537
3	Construction	7,588,061	1,724,630	9,312,691
4	Transportation and service	2,472,295	329,835	2,802,130
5	Others	2,312,009	486,074	2,798,083
Less	Sales returns and allowances	0	0	0
	Total	173,155,802	29,445,806	202,601,608



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# 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	\$ 141,907,981	\$ 1,018,407	\$ 4,411,365	\$ 25,818,049	\$ -	\$ 173,155,802
Inter-segment revenues	<u>24,162,251</u>	<u>7,296,676</u>	<u>46,041</u>	<u>16,516,639</u>	<u>-48,021,607</u>	<u>-</u>
Segment revenues	<u>\$ 166,070,232</u>	<u>\$ 8,315,083</u>	<u>\$ 4,457,406</u>	<u>\$ 42,334,688</u>	<u>\$-48,021,607</u>	<u>\$ 173,155,802</u>
Segment profit	\$ 7,869,656	\$ 1,547,879	\$ 1,184,415	\$ 2,085,630	\$- 179,383	\$ 12,508,197
Interest income	117,177	5,664	5,934	88,400	- 14	217,161
Interest expense	- 1,215,901	- 13,421	- 1,177	- 94,486	14	- 1,324,971
Share of the profit (loss) of associates and joint ventures	4,707,190	872,352	50,297	995,889	- 6,392,296	233,432
Other non-operating income and expenses	<u>421,320</u>	<u>252,332</u>	<u>39,296</u>	<u>258,415</u>	<u>- 394,879</u>	<u>576,484</u>
Profit before income tax	11,899,442	2,664,806	1,278,765	3,333,848	- 6,966,558	12,210,303
Income tax expense (benefit)	<u>1,243,634</u>	<u>194,813</u>	<u>182,733</u>	<u>416,433</u>	<u>- 62,507</u>	<u>1,975,106</u>
Net profit for the period	<u>\$ 10,655,808</u>	<u>\$ 2,469,993</u>	<u>\$ 1,096,032</u>	<u>\$ 2,917,415</u>	<u>\$- 6,904,051</u>	<u>\$ 10,235,197</u>





# Performance- consolidated basis

## Consolidated Income Statement

Units: NT\$ millions

IFRS	2013.2Q	2012.2Q	2013.1H	2012.1H
Revenues	84,695	96,747	173,156	190,610
Gross profit	9,930	6,769	19,017	9,647
Gross margins	11.72%	6.99%	10.98%	5.06%
Profit before tax	6,532	3,632	12,210	3,267
<u>Net profit</u>	<u>5,358</u>	<u>3,054</u>	<u>10,235</u>	<u>2,746</u>
Attributable to				
Owners of the corporation	4,886	2,662	8,678	1,960
Non-controlling interests	472	392	1,557	786



# Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	06/30/2013※
Debt	206,337	255,206	299,578	312,393	354,769
Debt/Equity	78.22%	88.43%	95.99%	102.26%	115.74%
Asset	470,126	543,808	611,686	617,892	661,287
Debt / Asset	44%	47%	49%	51%	54%
Net Debt *	167,867	227,035	273,421	283,402	332,703
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.

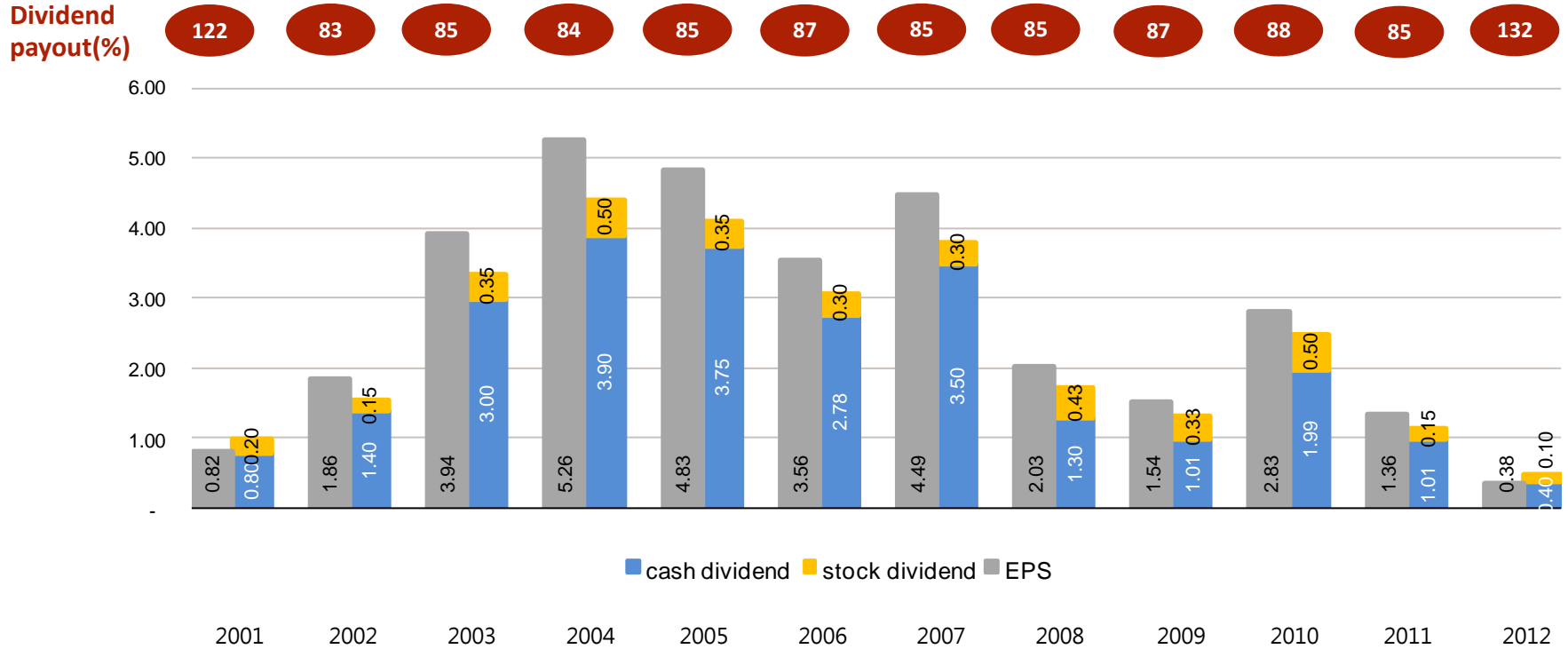
\* Net debt = debt - cash&cash equivalents – ( *financial assets at fair value through profit or loss-current*+ *available-for-sale financial assets-current* + *Derivative financial assets for hedging-current*)

※IFRS basis



# Performance- Historical EPS and dividends paid

(in NTD per share)



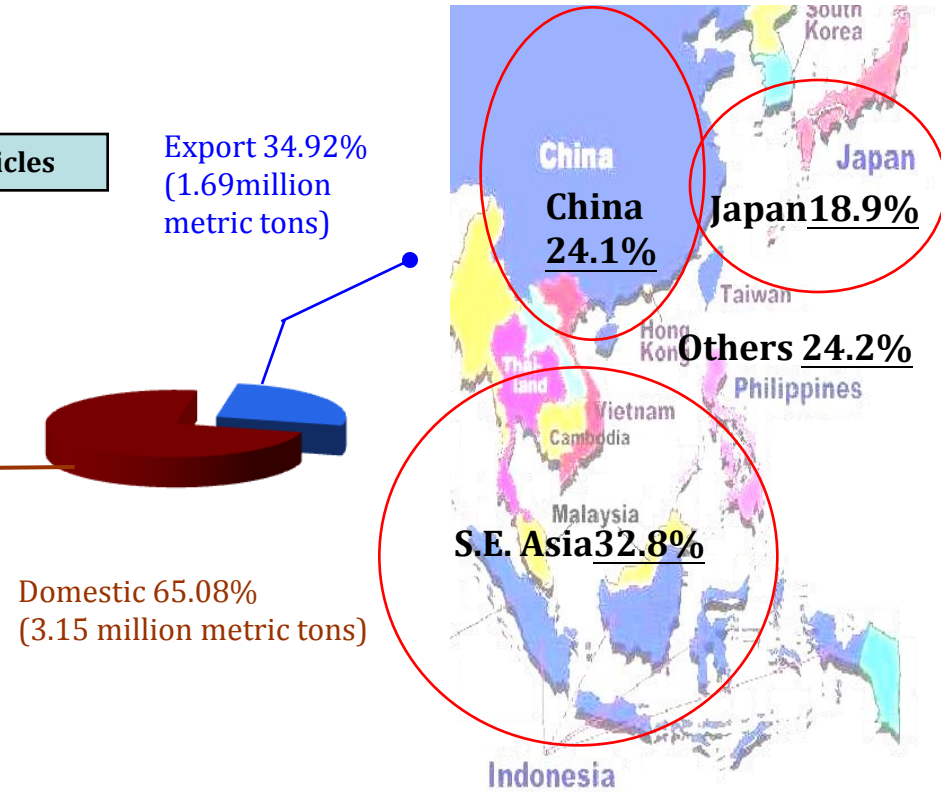
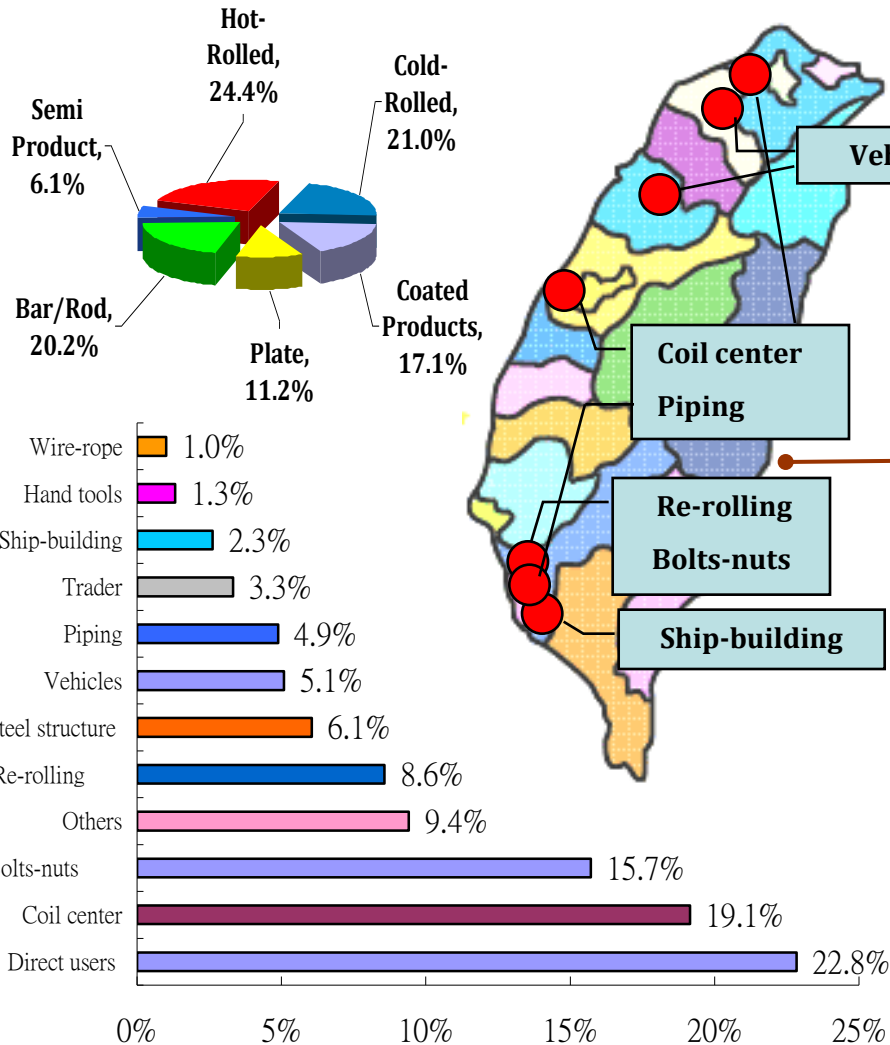
We maintain a high cash dividend policy to our investors and have consistently paid out 80% to 90% over the last ten years



# Sales (CSC standalone)

2013.1H CSC sales volume totaled 4.84 million metric tons

## Domestic/Export sales volume breakdown of 2013.1H

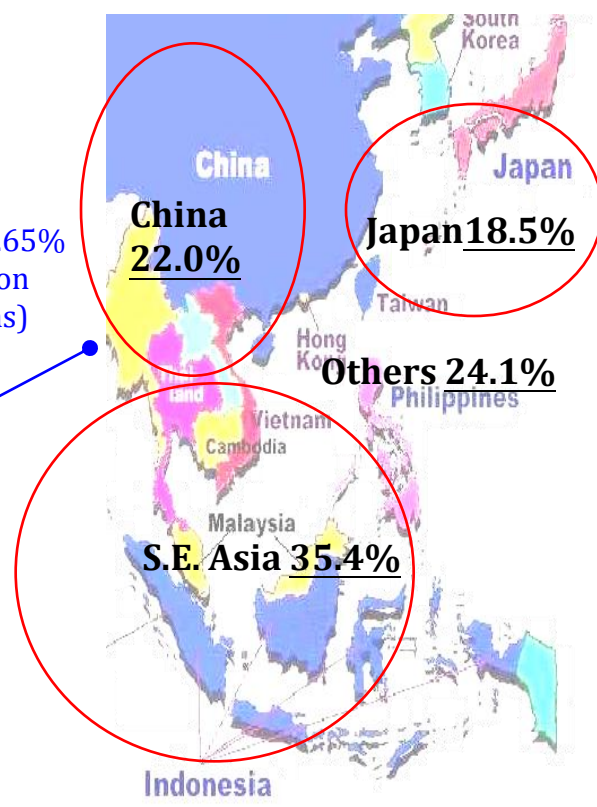
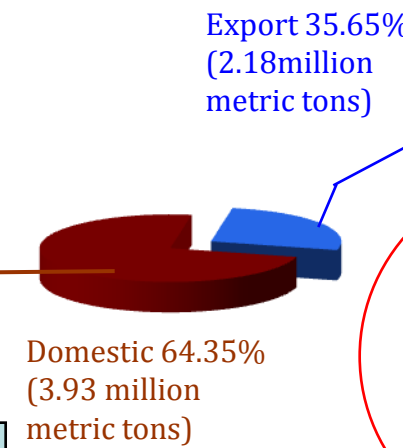
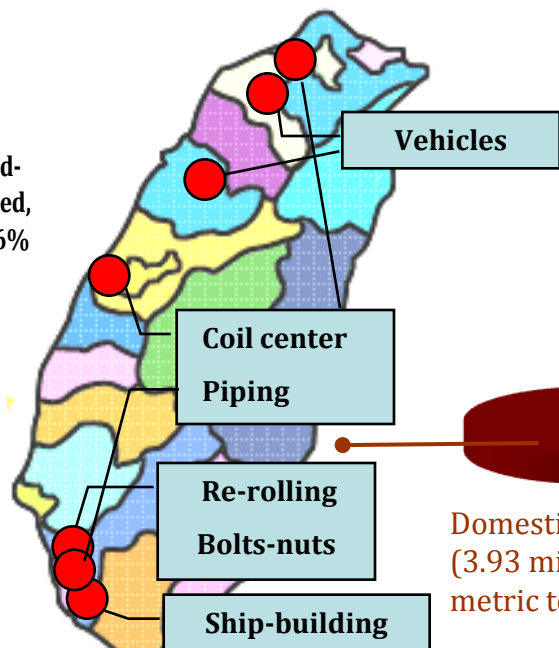
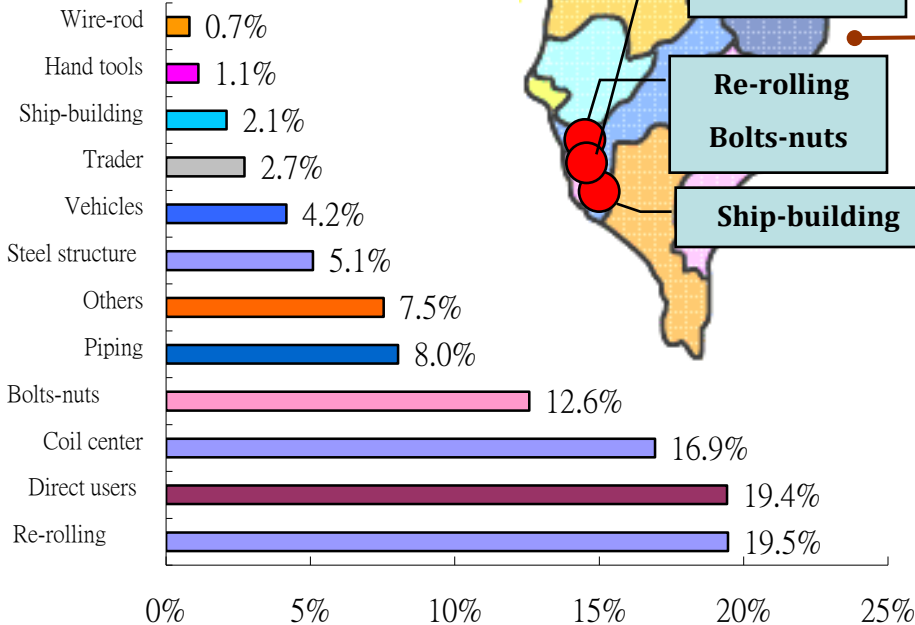
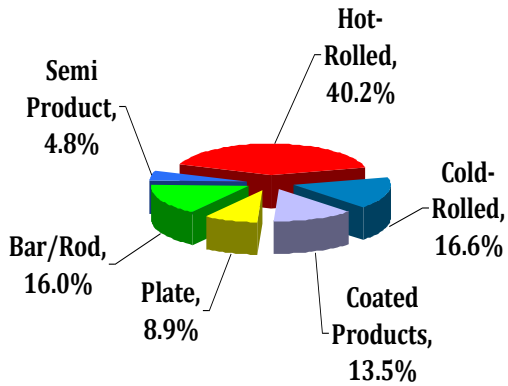




# Sales (CSC +DSC:HRC)

2013.1H sales volume (CSC & HRC of DSC) totaled 6.11 million metric tons

## Domestic/Export sales volume breakdown of 2013. 1H





# 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

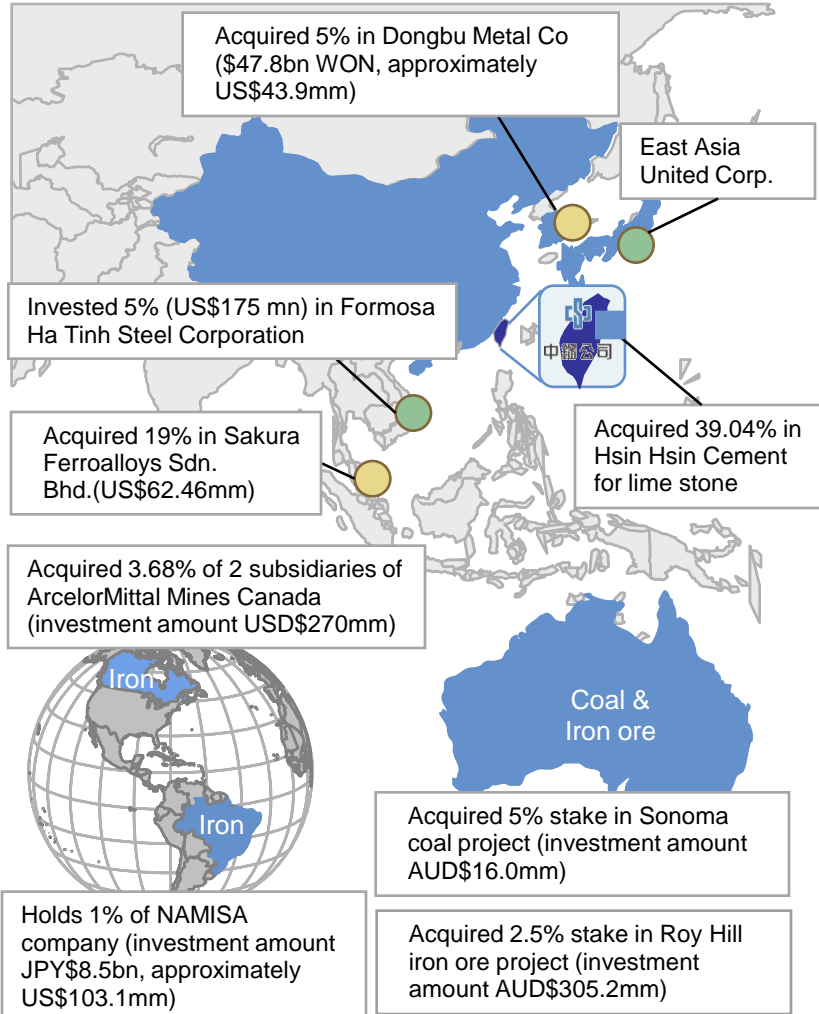
5

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   ● 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

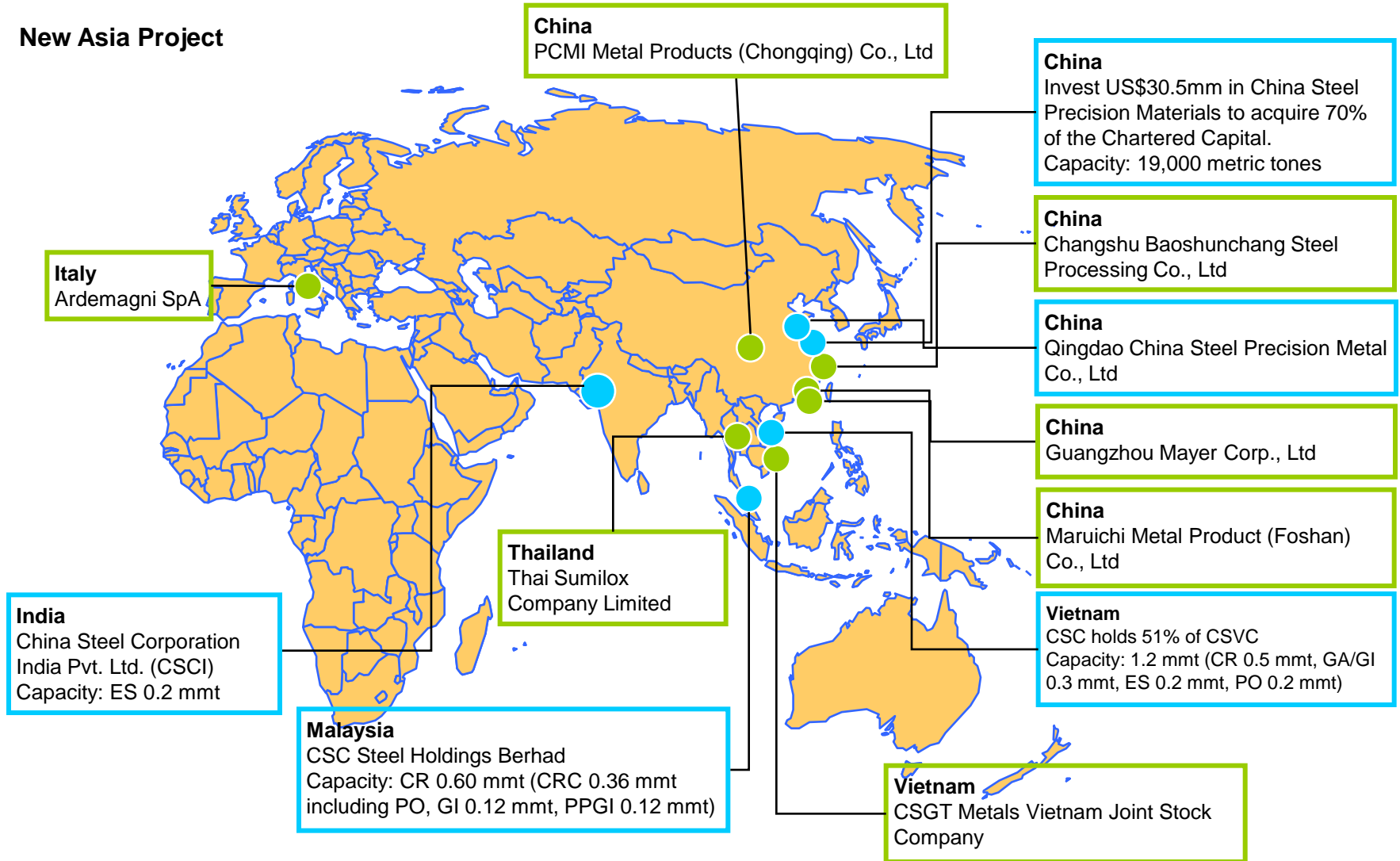
- Long-term contract to reduce market risks
- Purchased 5% stake in Dongbu Metal, Korea's largest ferro-alloys producer
- Purchased 19% stake in Sakura Ferroalloys Sdn. Bhd.
  - Ensures a long-term stable supply of ferro-alloy, and lowers the acquisition cost.

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



# Strengthen sales channels through overseas investment

## New Asia Project



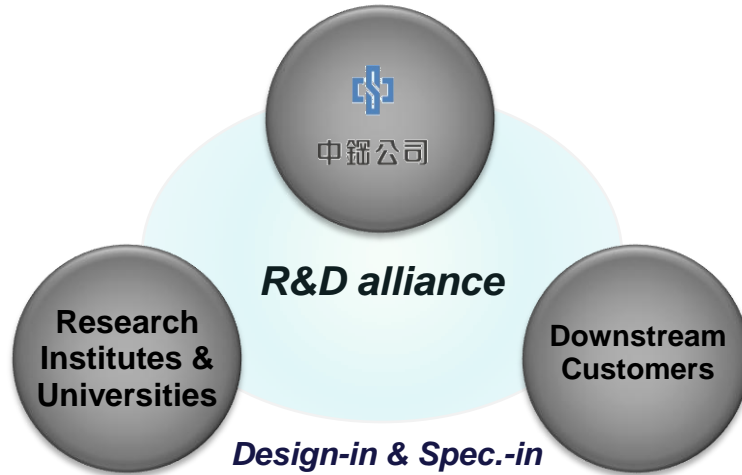
● Overseas Investments of CSC group    ● Co-invest in coil centers with peers and customers through China Steel Global Trading Co.





# 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