



CHINA STEEL

China Steel Corporation

March 26 & 27, 2014



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Company overview: Business snapshot (CSC standalone)

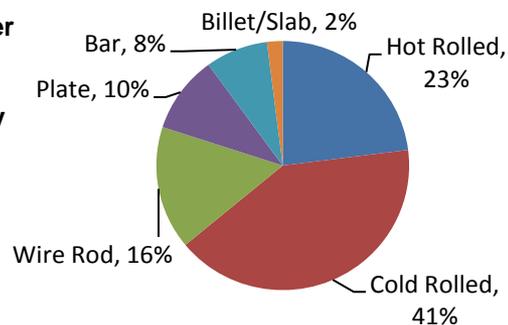
Overview

- 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, 2013

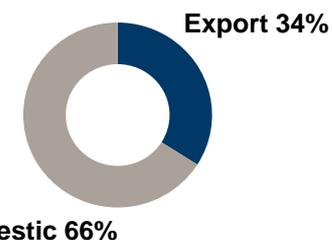
Major business

- 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)



Domestic/Export by revenue (2013)



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

Industrial Materials Businesses

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

Logistic Businesses

- China Steel Express Corporation
- China Steel Global Trading Corporation

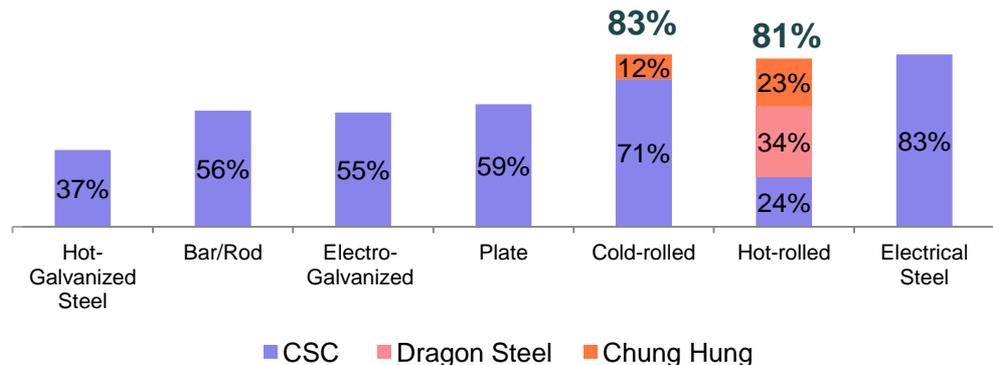
Service and Investments Businesses

- 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 2014 (combining China Steel Corporation and Dragon Steel's EAF and No.1&2 blast furnace).

CSC Group domestic market share (2013)



Company Overview: Awards and Honors

1

- 2013.11 The ROC Enterprise Environmental Protection Award, EPA, Executive Yuan. Only 19 enterprises received the Award.

2

- 2013.11 CSC's 2012 CSR report receives the "Best Report Award of the Manufacturing Industry" by TAISE. Also CSC's sustainable development performance is recognized in fields including "Climate Leadership", "Sustainable Innovation", "Transparency and Integrity", and "Creativity in Communication".

3

- 2013.09 CSC was elected for inclusion in the DJSI-World and DJSI-Emerging Markets. In 2013, with only three steel making corporations being included in the Dow Jones Sustainability Indexes, CSC was selected as the Industry Leader in sustainable development.

4

- 2013.08 CSR Green Growth Award, British Standards Institution.

5

- 2013.04 CSC is an accredited member of the 2012-2013 Climate Action Program by worldsteel. CSC's efforts for fulfilling its commitment to take part in the worldsteel CO₂ data collection program are highly recognized.

6

- 2013.03 China Steel Building is the winner of *Architizer* A+ Award, U.S.A.

Company overview: Group capacity & Production lines

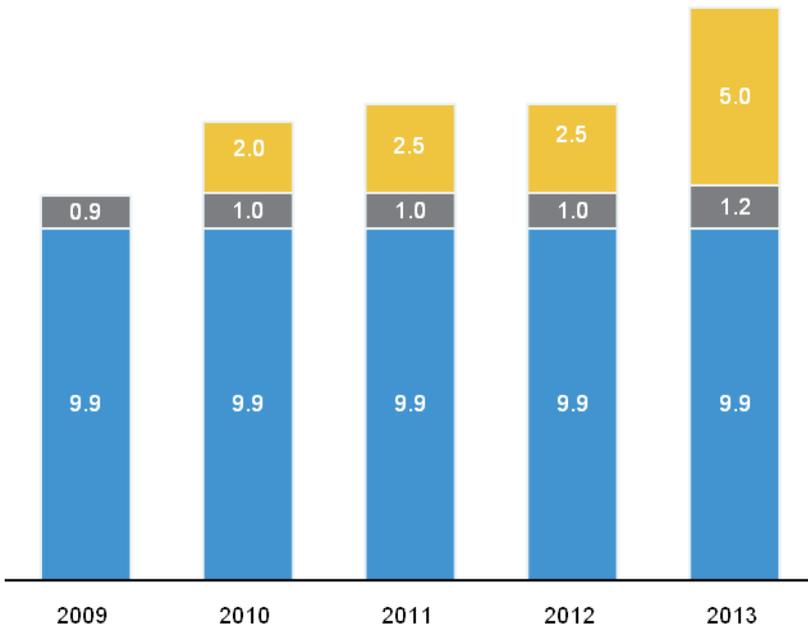


CHINA STEEL

Group capacity

Crude steel capacity (mmt)

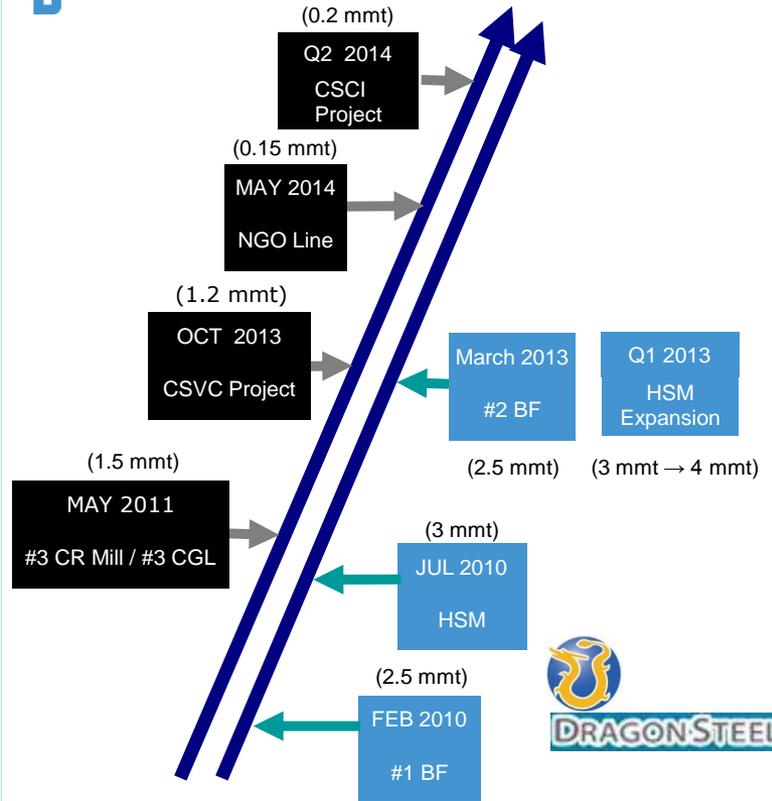
■ Dragon Blast Furnace ■ Dragon Electric Arc Furnace ■ China Steel



Commencement of new capacity/production lines: CSC group



CSC GROUP





Performance- Consolidated operating results

Amount: NT\$ million

Item	*2013	*February 2014	*Accumulated of 2014
Consolidated Operating Revenue	347,829	28,559	60,872
Consolidated Operating Income	24,553	1,264	2,943
Consolidated Income Before Income Tax	23,207	1,510	3,009

*preliminary result



Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2013	February, 2014	Accumulated of 2014
1	Steel products	287,827,717	23,727,131	50,439,754
2	Non-steel industry materials	34,435,437	2,732,950	5,773,396
3	Construction	16,219,774	1,432,845	3,078,759
4	Transportation and service	5,042,379	500,244	1,086,978
5	Others	4,301,744	166,093	493,571
Less	Sales returns and allowances	0	0	0
	Total	347,827,051	28,559,263	60,872,458

Performance-CSC group

Segment revenues and operating results



CHINA STEEL

Unit : NTD Thousands

2013	Steel	Ocean Freight Forwarding	CSCC	Others	Adjustment and Elimination	Total
Revenues from external customers	\$ 283,845,656	\$ 1,830,309	\$ 8,658,428	\$ 53,494,445	\$ -	\$ 347,828,838
Inter-segment revenues	51,994,267	15,564,357	97,755	32,363,710	-100,020,089	-
Segment revenues	<u>\$ 335,839,923</u>	<u>\$ 17,394,666</u>	<u>\$ 8,756,183</u>	<u>\$ 85,858,155</u>	<u>\$ -100,020,089</u>	<u>\$ 347,828,838</u>
Segment profit	\$ 15,600,474	\$ 3,130,410	\$ 2,379,688	\$ 4,693,718	\$ - 1,251,340	\$ 24,552,950
Interest income	262,618	7,685	11,428	207,266	- 16,703	472,294
Interest expense	- 2,776,676	- 18,518	- 2,301	- 199,491	11,616	- 2,985,370
Share of the profit (loss) of associates and joint ventures	8,526,072	1,896,011	126,022	1,723,972	- 11,991,284	280,793
Other non-operating income and expenses	<u>961,956</u>	<u>264,292</u>	<u>66,487</u>	<u>83,710</u>	<u>- 488,060</u>	<u>888,385</u>
Profit before income tax	22,574,444	5,279,880	2,581,324	6,509,175	- 13,735,771	23,209,052
Income tax expense (benefit)	<u>3,350,792</u>	<u>360,600</u>	<u>371,413</u>	<u>939,111</u>	<u>- 167,331</u>	<u>4,854,585</u>
Net profit for the year	<u>\$ 19,223,652</u>	<u>\$ 4,919,280</u>	<u>\$ 2,209,911</u>	<u>\$ 5,570,064</u>	<u>\$- 13,568,440</u>	<u>\$ 18,354,467</u>
Depreciation	<u>\$ 28,527,419</u>	<u>\$ 896,224</u>	<u>\$ 234,167</u>	<u>\$ 1,768,962</u>	<u>\$- 81,371</u>	<u>\$ 31,345,401</u>
Amortization	<u>\$ 123,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,195</u>	<u>\$ 77,712</u>	<u>\$ 293,117</u>

Performance- consolidated basis

Consolidated Income Statement

Units: NT\$ millions

IFRS	2013	2012
Revenues	347,829	358,337
Gross profit	37,280	19,346
Gross margins	10.72%	5.40%
Profit before tax	23,209	7,739
<u>Net profit</u>	<u>18,354</u>	<u>6,434</u>
Attributable to		
Owners of the corporation	15,981	5,895
Non-controlling interests	2,373	539

Performance- CSC Only

Income Statement

Units: NT\$ millions

IFRS	2013	2012
Revenues	200,726	207,193
Gross profit	16,570	8,964
Gross margins	8.26%	4.33%
Profit before tax	17,507	6,221
<u>Net profit</u>	<u>15,981</u>	<u>5,895</u>



Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013※
Debt	206,337	255,206	299,578	312,393	362,630
Debt/Equity	78.22%	88.43%	95.99%	102.26%	113.55%
Asset	470,126	543,808	611,686	617,892	681,999
Debt / Asset	43.89%	46.93%	48.98%	50.56%	53.17%
Net Debt *	167,867	227,035	273,421	283,402	338,593
Net Debt /Asset	35.71%	41.75%	44.70%	45.87%	49.65%

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 +Held-to-maturity financial assets-current+ Derivative financial assets for hedging-current*)

※IFRS basis



Performance: financial review (CSC Only)

Units: NT\$ millions

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013※
Debt	98,948	116,437	133,348	148,914	167,593
Debt/Equity	40.66%	43.78%	46.21%	53.50%	57.85%
Asset	342,307	382,387	421,935	427,266	457,281
Debt / Asset	28.91%	30.45%	31.60%	34.85%	36.65%
Net Debt *	87,759	112,198	130,434	145,502	163,659
Net Debt /Asset	25.64%	29.34%	30.91%	34.05%	35.79%

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

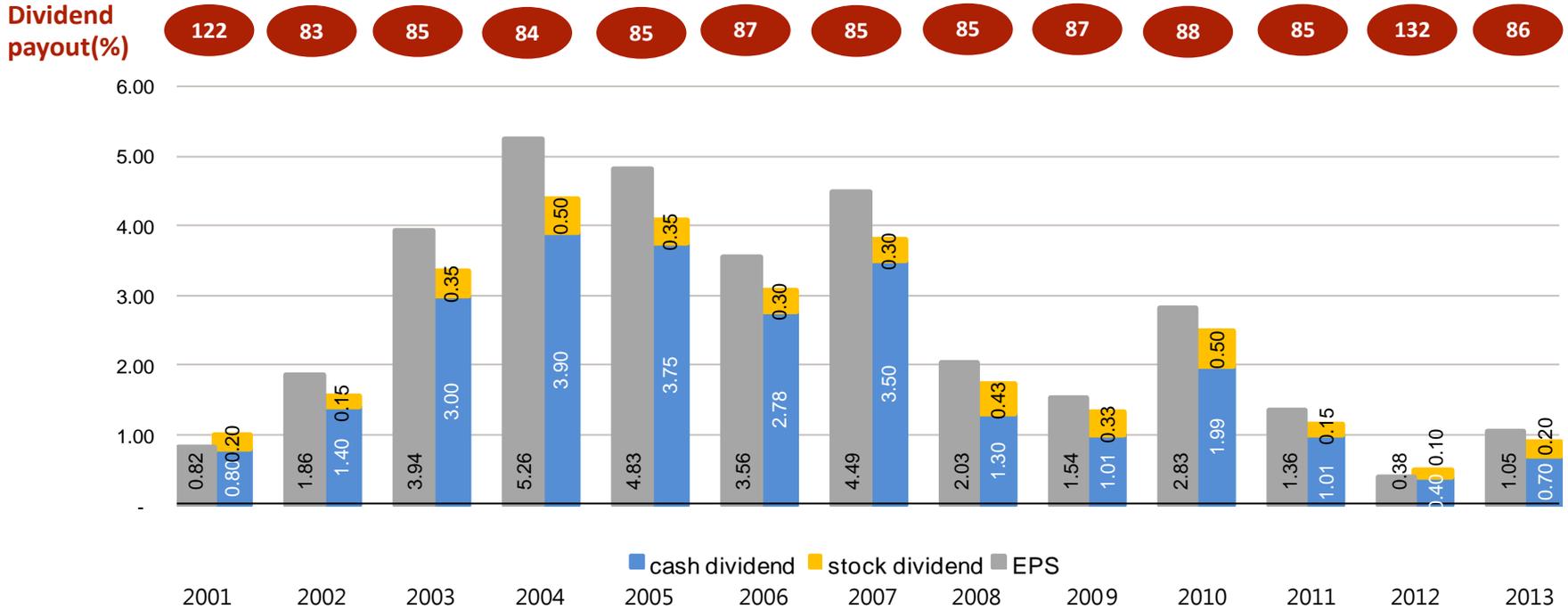
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※IFRS basis



Performance- Historical EPS and dividends paid

(in NTD per share)

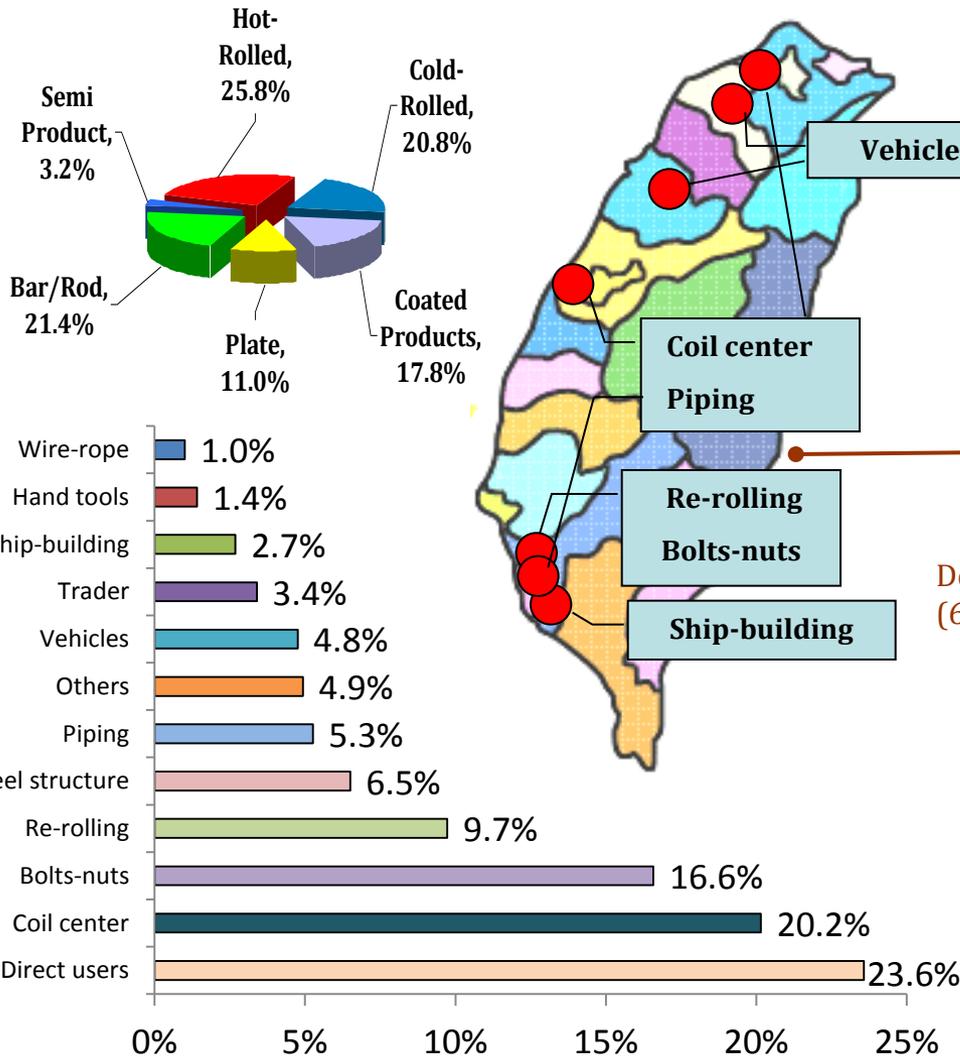


We maintain a high cash dividend policy to our investors and have consistently paid out 80% to 90% over the last ten years

Sales (CSC standalone)

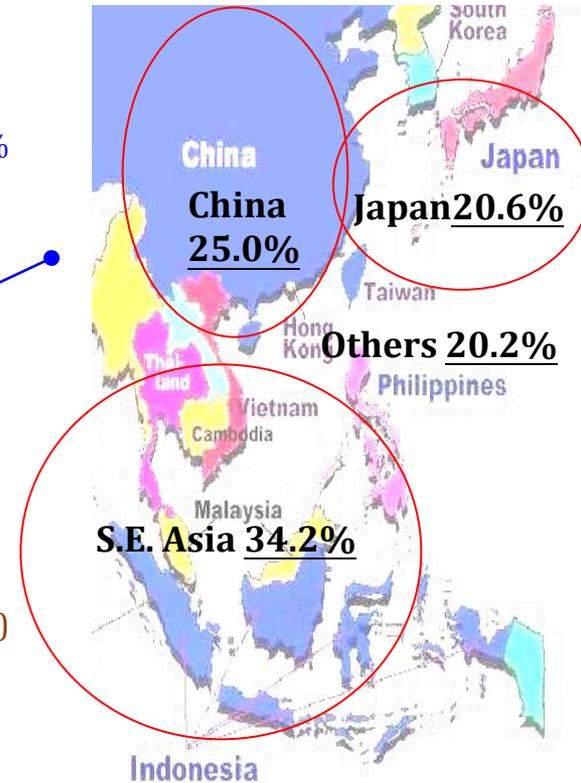
2013 CSC sales volume totaled 9.48 million metric tons

Domestic/Export sales volume breakdown of 2013



Export 34.97%
(3.32 million metric tons)

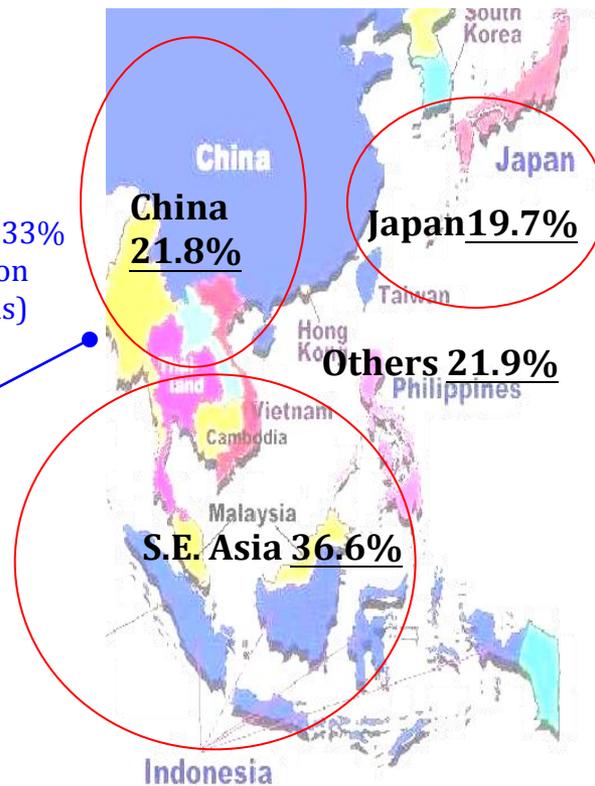
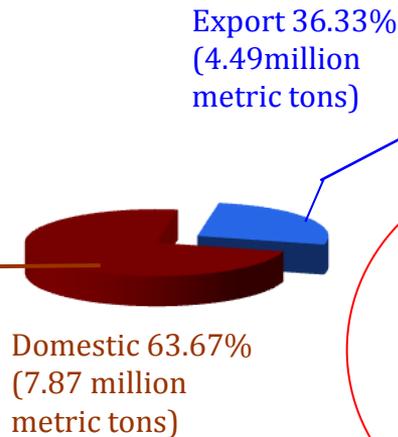
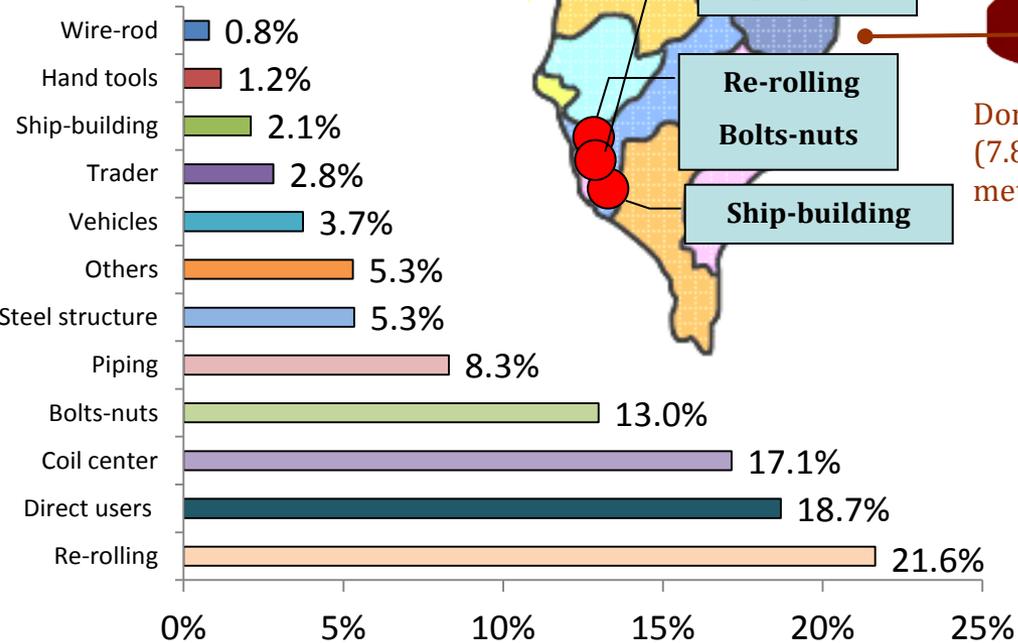
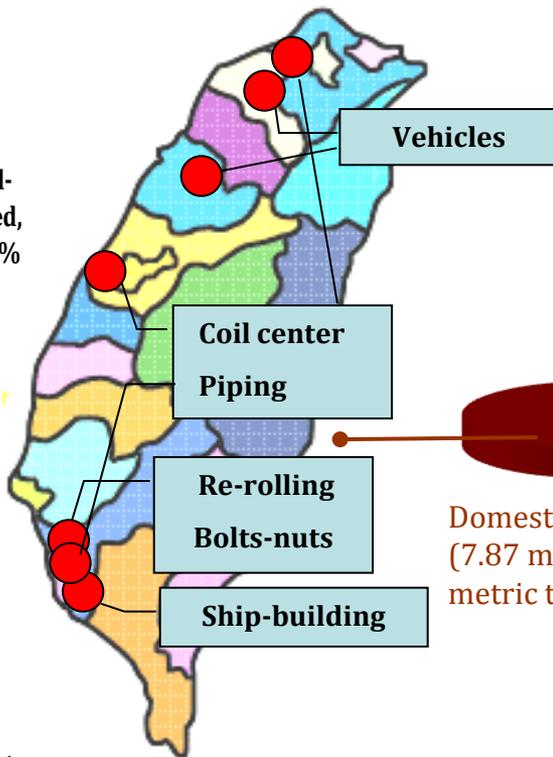
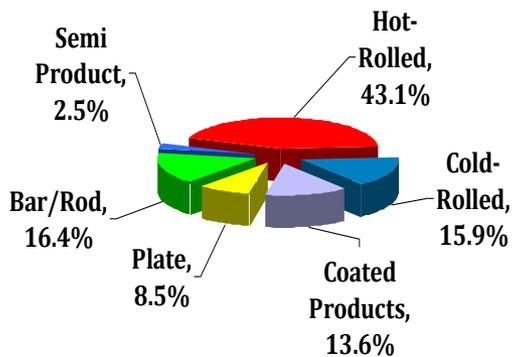
Domestic 65.03%
(6.16 million metric tons)



Sales (CSC +DSC:HRC)

2013 sales volume (CSC & HRC of DSC) totaled 12.36 million metric tons

Domestic/Export sales volume breakdown of 2013



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 advanced products & technology and green manufacturing process

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

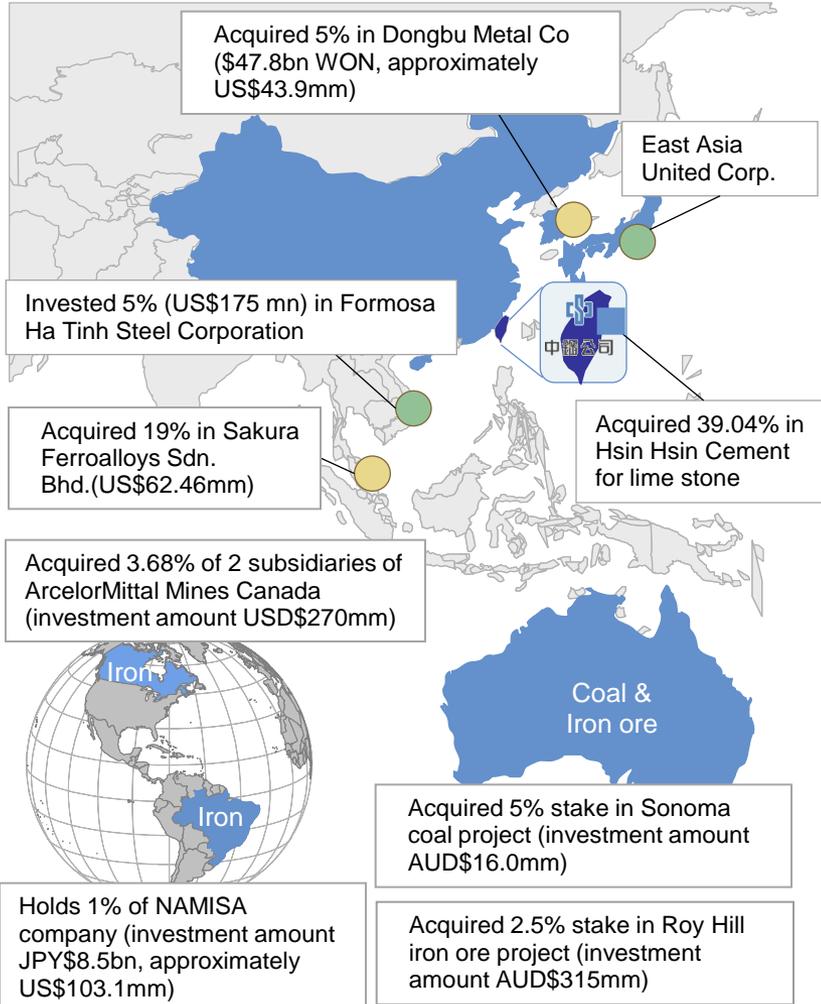
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Implement cost reduction measures, enhance energy-saving & environmental protection, and strengthen workplace safety

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.

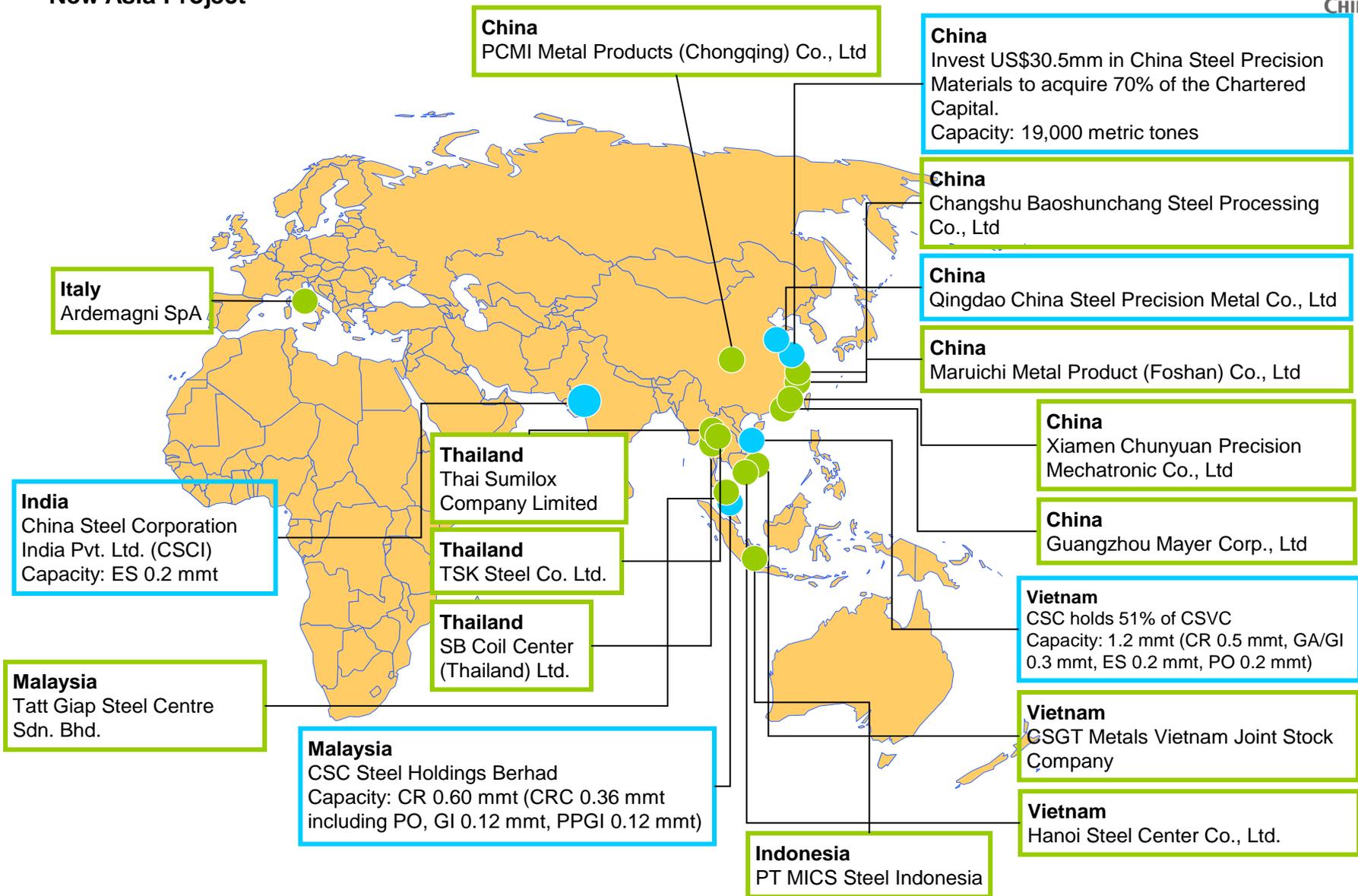
To secure 30% of major raw materials through investments in mines and find multiple sources of semi-products

Strengthen sales channels through overseas investment



CHINA STEEL

New Asia Project



Increase the supply chain value of steel-related industries by developing advanced products and technology and green manufacturing process

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 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

Implement cost reduction measures, enhance energy-saving & environmental protection, and strengthen workplace safety

Cost Reduction Performance

2012

6.03 billion
NTD

- 2.07 billion: Use of low cost raw material and reduction of procurement cost
- 1.47 billion: Cogeneration/ Provide saturated steam and industrial gas to nearby plants with heat demands
- 0.9 billion : Nationalization of manufacturing system, equipment, replacement parts and spare parts

2013

5.52 billion
NTD

- 1.45 billion: Provide saturated steam and industrial gas to nearby plants with heat demands
- 1.03 billion: Expense saving from nationalization of equipment and replacement parts
- 0.71 billion: Improvement of manufacturing process, use of low price raw material, and reduction of alloy cost