



CHINA STEEL

China Steel Corporation

November 13 & 14, 2014





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Company overview: Business snapshot (CSC standalone)

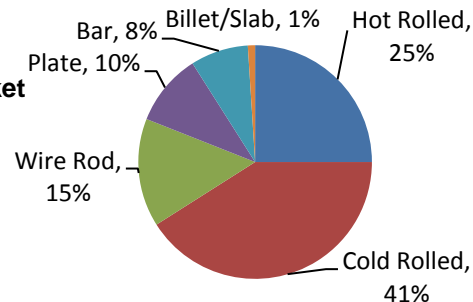
Overview

- 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

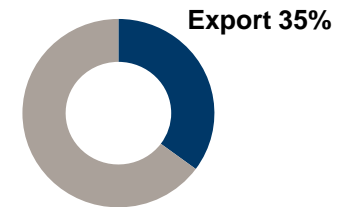
Major business

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

Steel Sales revenue breakdown by products (2014.1~3Q)



Domestic/Export by revenue (2014.1~3Q)



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 (CSVN)
- China Steel Corporation India Pvt. Ltd (CSCI)

Other Group Businesses

Engineering Businesses

- China Steel Machinery Corporation
- China Steel Structure Co., Ltd.
- China Ecotek Corporation
- Info-Champ Systems Corporation

Logistic Businesses

- China Steel Express Corporation
- China Steel Global Trading Corporation
- Qingdao China Steel Precision Metals Co.

Industrial Materials Businesses

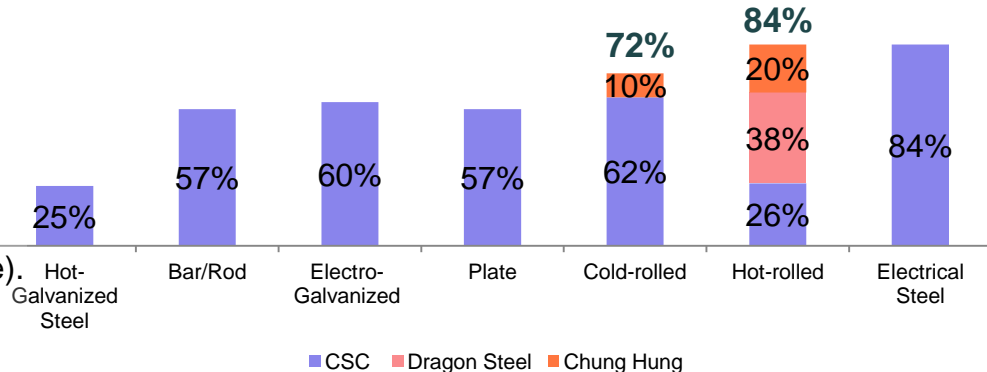
- C. S. Aluminum Corporation
- China Steel Chemical Corporation
- CHC Resources Corporation
- Himag Magnetic Corporation
- China Steel Precision Materials

Service and Investments Businesses

- Gains Investment Corporation
- China Steel Security Corporation
- China Prosperity Development Corporation

CSC Group domestic market share (2014.1~3Q)

- 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).



Capacity & market share

Company Overview: Awards and Honours



CHINA STEEL

1

- 2014.01 CSC was awarded RobecoSAM Steel Industry Leader and ranked as Gold Class Sustainability leaders.

2

- 2013.11 CSC was included in CDP 's (Carbon Disclosure Project) 2013 Climate Disclosure Leadership Index for Asia ex-Japan, and ranked 5th in Materials Sector.

3

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

4

- 2013.11 CSC's 2012 CSR report received 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".

5

- 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.

6

- 2013.08 CSR Green Growth Award, British Standards Institution.

7

- 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.

8

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

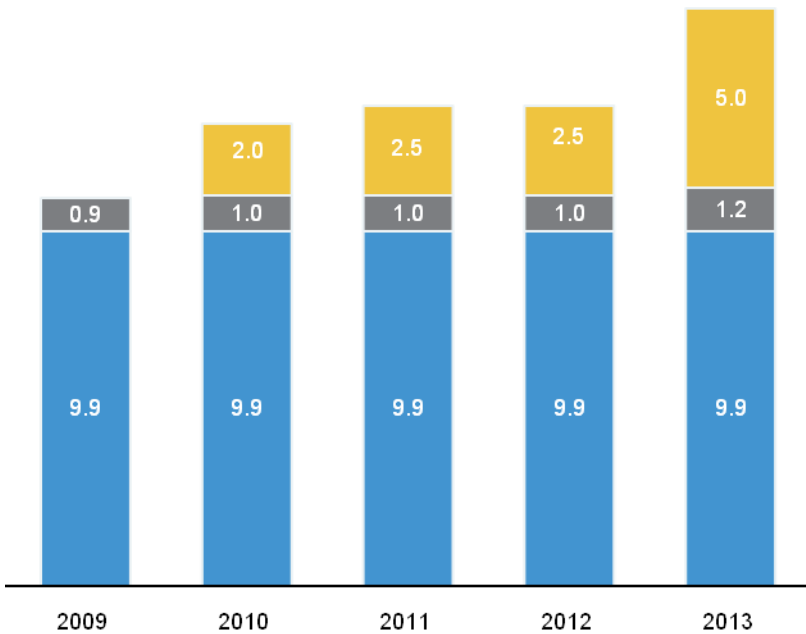


Company overview: Group capacity & Production lines

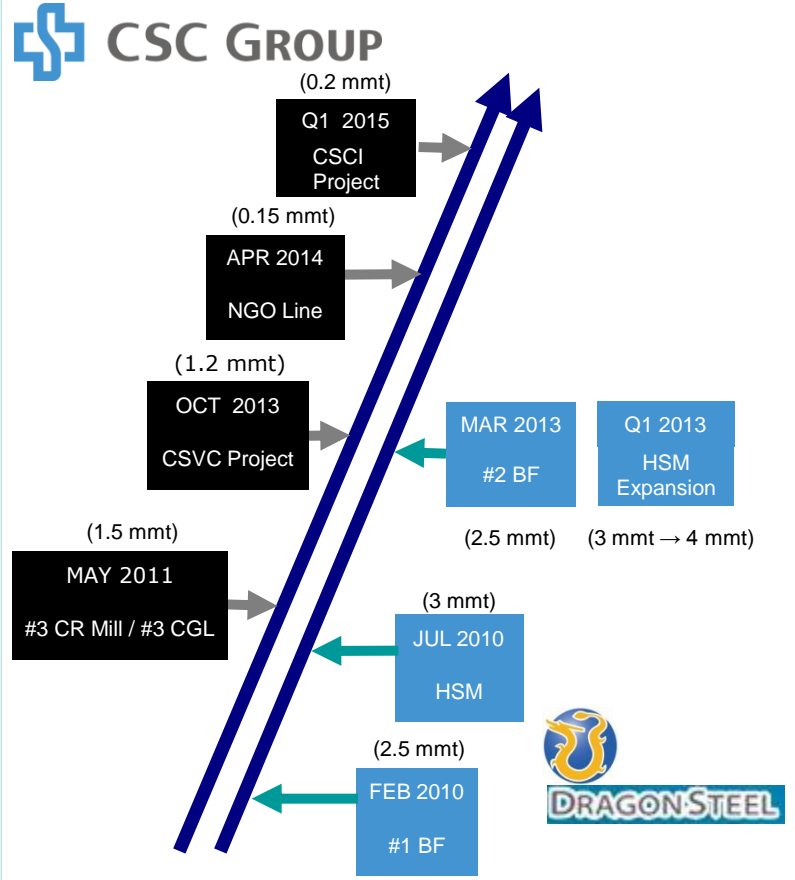
Group capacity

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	*2014.9	*2014.3Q	*2014.1~3Q
Consolidated Operating Revenue	30,857	92,268	276,846
Consolidated Operating Income	2,687	8,580	20,260
Consolidated Income Before Income Tax	2,966	8,572	20,265

*preliminary result

Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2014.3Q	2014.1~3Q
1	Steel products	76,109,033	228,001,869
2	Non-steel industry materials	9,445,845	27,134,849
3	Construction	4,267,873	13,828,158
4	Transportation and service	1,641,962	5,054,544
5	Others	803,685	2,826,154
Less	Sales returns and allowances	0	0
	Total	92,268,398	276,845,574

Performance-CSC group

Segment revenues and operating results



CHINASTEEL

Unit : NTD Thousands

2014.1H	Steel	Others	Adjustment and Elimination	Total
Revenues from external customers	\$ 149,502,605	\$ 35,074,572	\$ -	\$ 184,577,177
Inter-segment revenues	32,328,753	22,104,885	(54,433,638)	-
Segment revenues	<u>\$ 181,831,358</u>	<u>\$ 57,179,457</u>	<u>(\$ 54,433,638)</u>	<u>\$ 184,577,177</u>
Segment profit	\$ 6,285,081	\$ 4,914,341	\$ 480,307	\$ 11,679,729
Interest income	175,692	121,221	(28,812)	268,101
Interest expense	(1,770,692)	(156,277)	18,468	(1,908,501)
Share of the profit (loss) of associates and joint ventures	5,943,611	1,821,679	(7,443,332)	321,958
Other non-operating income and expenses	<u>871,255</u>	<u>757,910</u>	<u>(296,638)</u>	<u>1,332,527</u>
Profit before income tax	11,504,947	7,458,874	(7,270,007)	11,693,814
Income tax expense	<u>798,985</u>	<u>860,626</u>	<u>61,468</u>	<u>1,721,079</u>
Net profit for the period	<u>\$ 10,705,962</u>	<u>\$ 6,598,248</u>	<u>(\$ 7,331,475)</u>	<u>\$ 9,972,735</u>

Performance- consolidated basis

Consolidated Income Statement

Units: NT\$ millions

IFRSs	Units: NT\$ millions	
	2013.1H	2014.1H
Revenues	173,156	184,577
Gross profit	19,017	18,532
Gross margins	10.98%	10.04%
Profit before tax	12,210	11,694
<u>Net profit</u>	<u>10,235</u>	<u>9,973</u>
Attributable to		
Owners of the corporation	8,678	8,782
Non-controlling interests	1,557	1,191



Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013※	06/30/2014※
Debt	206,337	255,206	299,578	312,393	362,630	376,939
Debt/Equity	78.22%	88.43%	95.99%	102.26%	113.55%	118.87%
Asset	470,126	543,808	611,686	617,892	681,999	694,046
Debt / Asset	43.89%	46.93%	48.98%	50.56%	53.17%	54.31%
Net Debt *	167,867	227,035	273,421	283,402	338,593	337,667
Net Debt /Asset	35.71%	41.75%	44.70%	45.87%	49.65%	48.65%

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

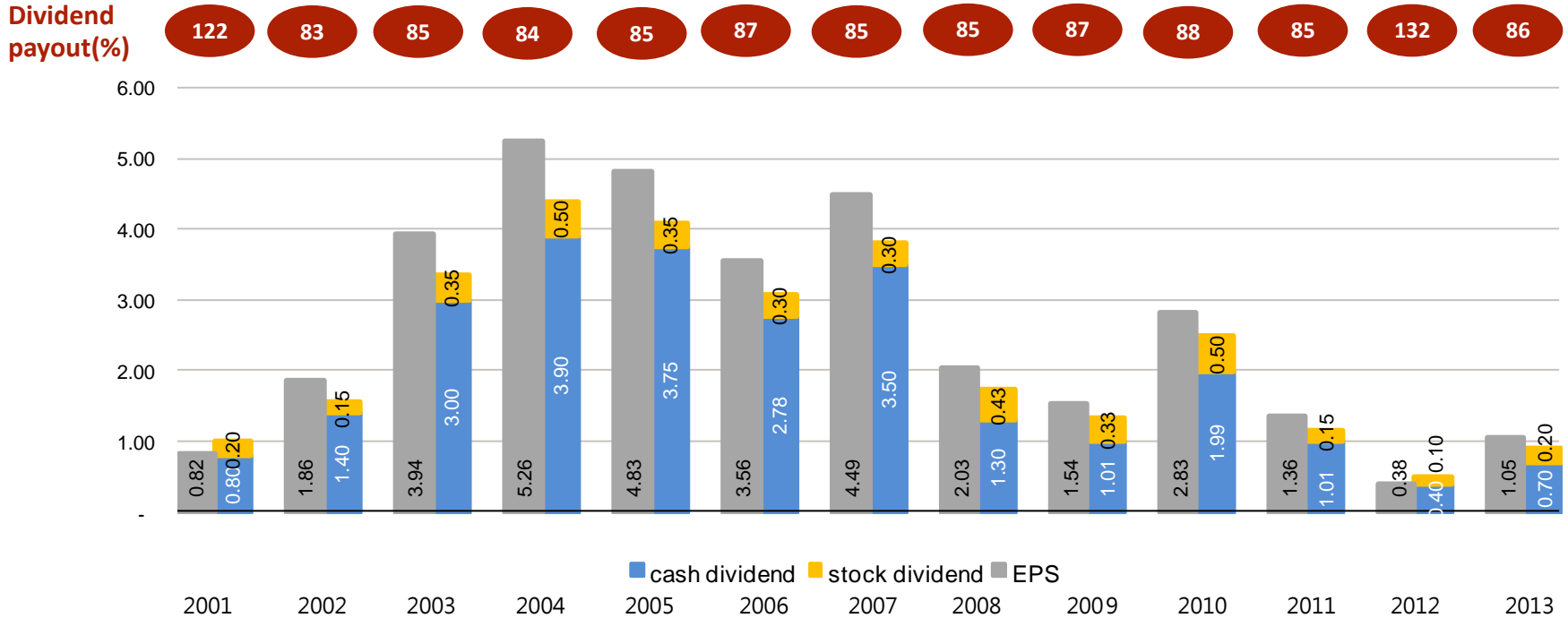
* Net debt = debt – cash & cash equivalents – (*financial assets at fair value through profit or loss-current+ available-for-sale financial assets-current +held-to-maturity financial assets-current+ derivative financial assets for hedging-current*)

※IFRSs basis



Performance- Historical EPS and dividends paid

(in NTD per share)

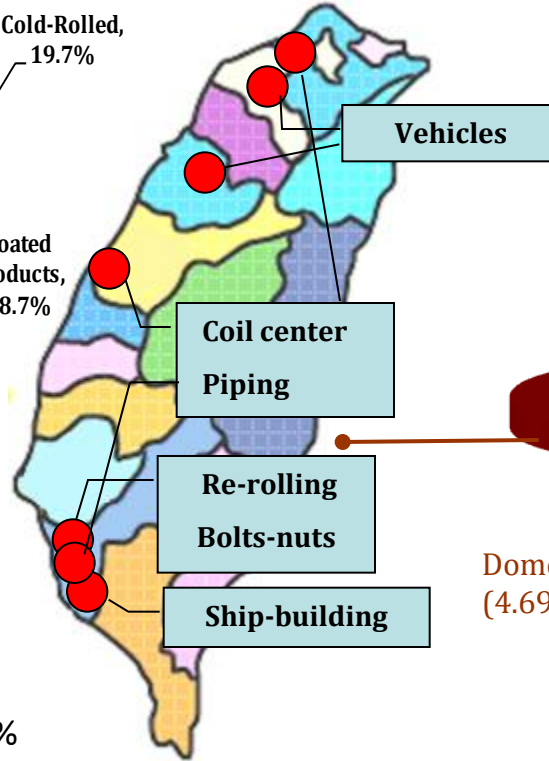
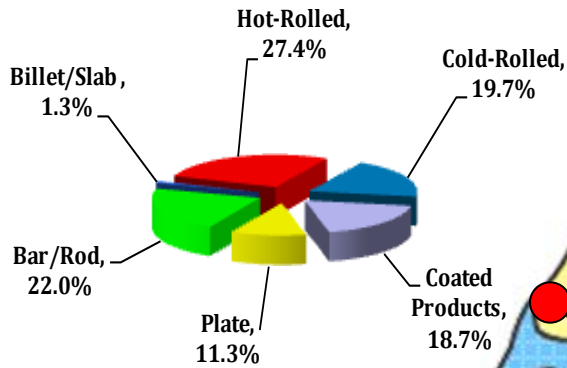


We maintain a high cash dividend policy to our investors and have consistently paid out 80% to 90% over the last ten years

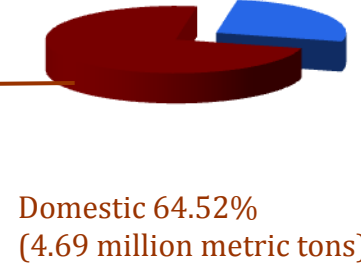
Sales (CSC standalone)

2014.1~3Q CSC sales volume totaled 7.27 million metric tons

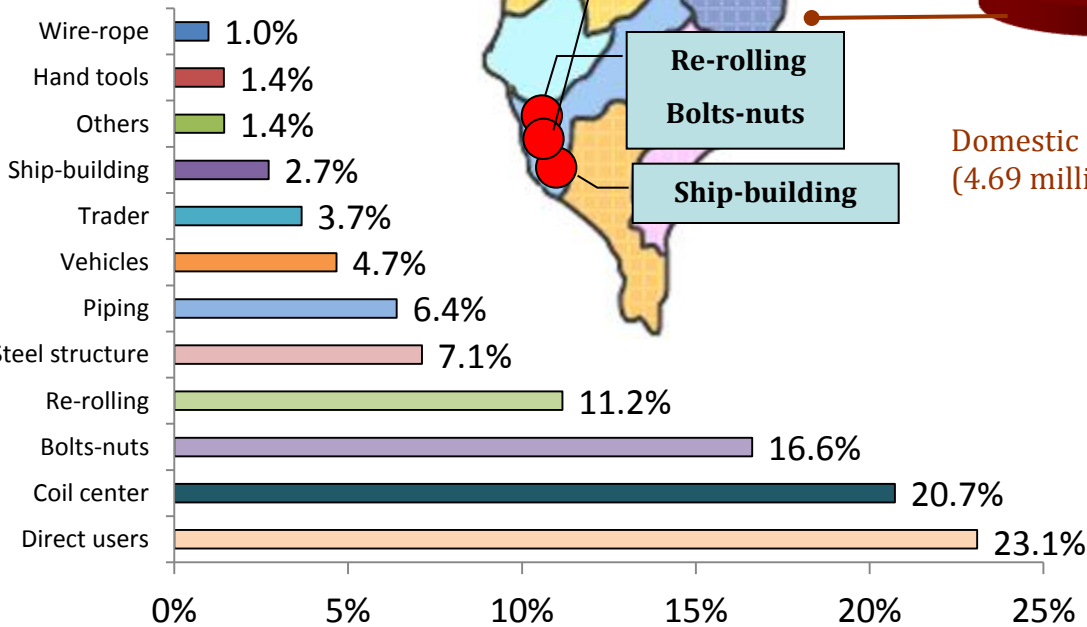
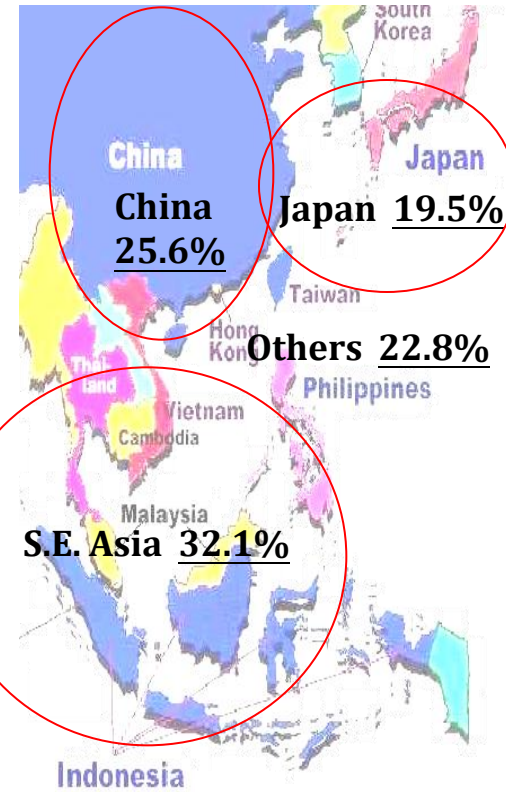
Domestic/Export sales volume breakdown of 2014.1~3Q



Export 35.48%
(2.58 million metric tons)



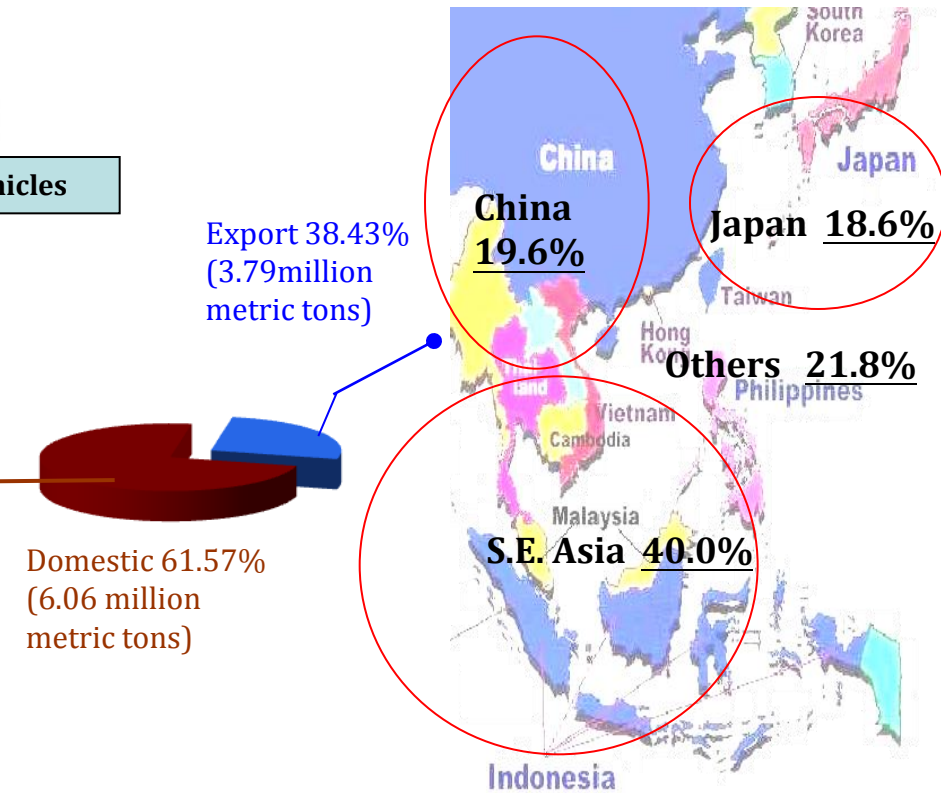
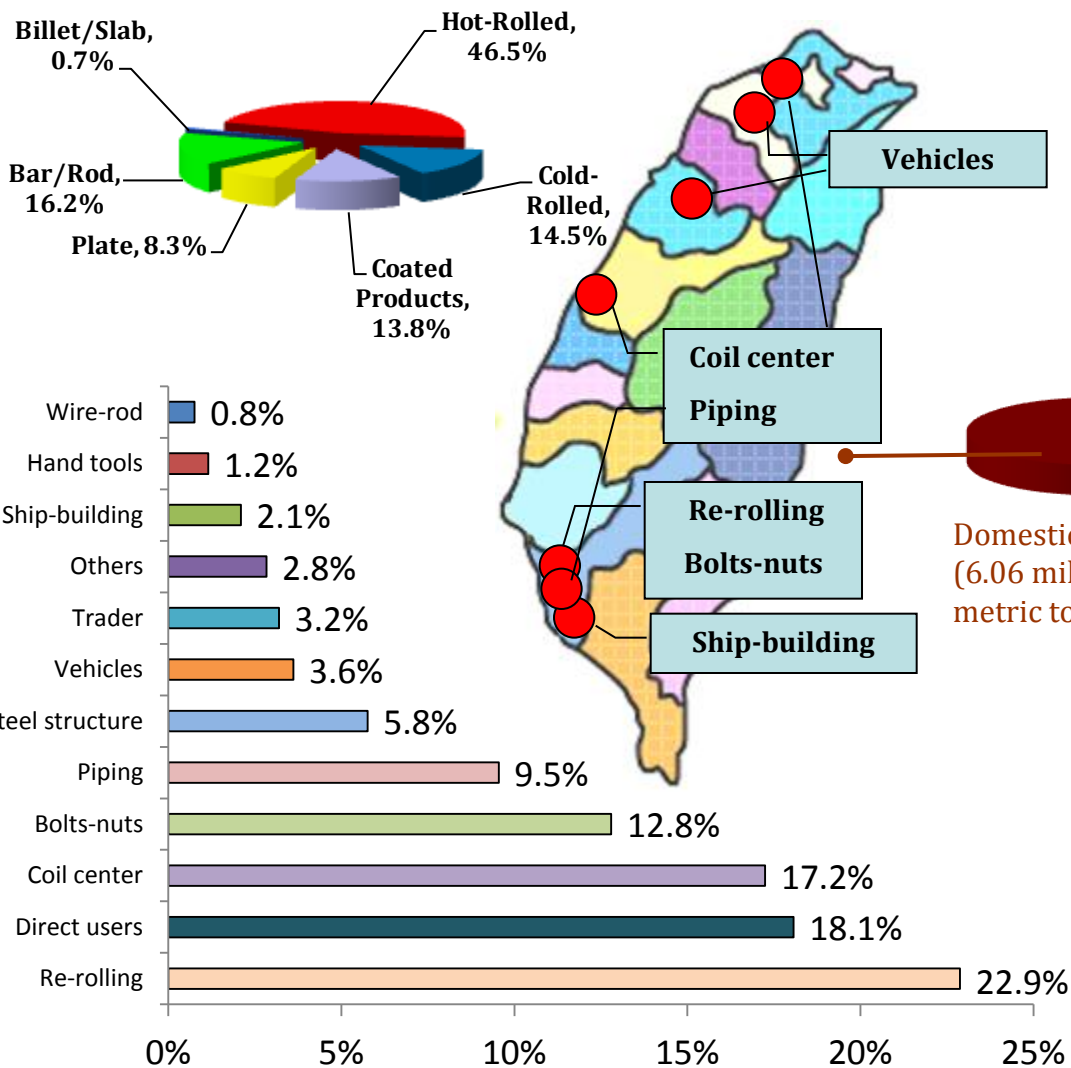
Domestic 64.52%
(4.69 million metric tons)



Sales (CSC +DSC:HRC)

2014.1~3Q sales volume (CSC & HRC of DSC) totaled 9.85 million metric tons

Domestic/Export sales volume breakdown of 2014.1~3Q



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 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

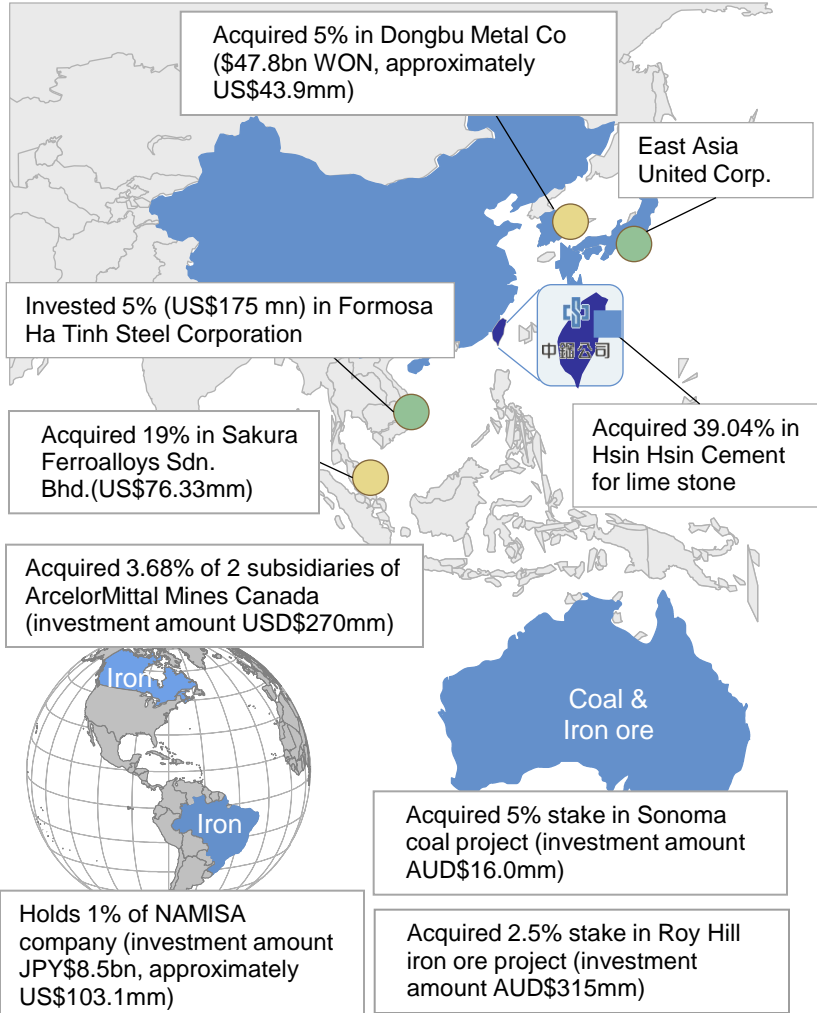
6

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 NSSMC's Wakayama plant to produce slab
 - 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.

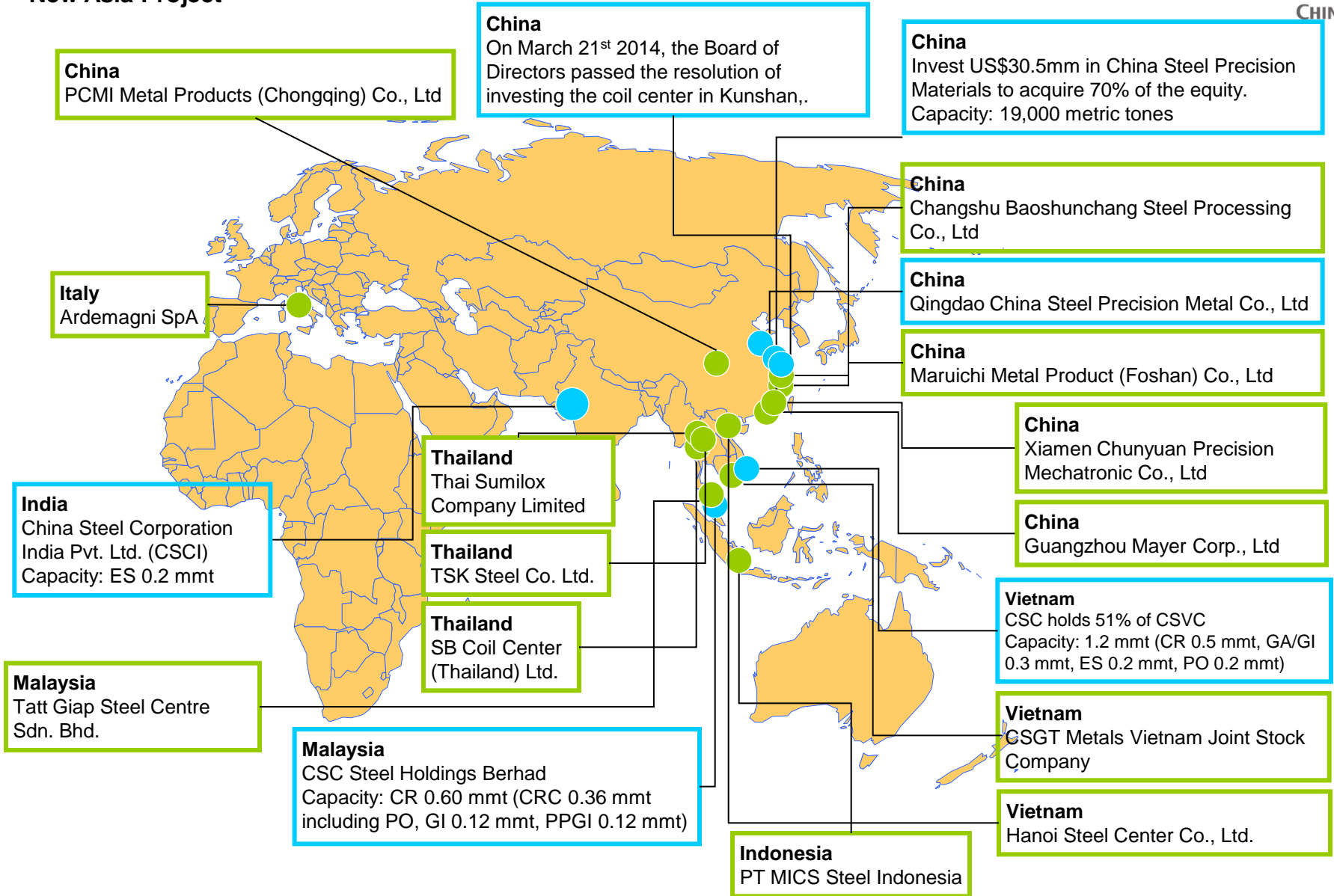
To secure 30% of major raw materials through investments in mines and find multiple sources of semi-products

Strengthen sales channels through overseas investment



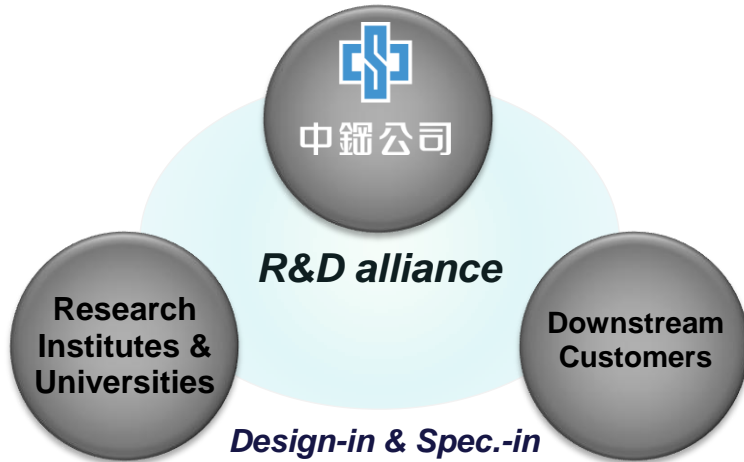
CHINA STEEL

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 vendor 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