



CHINA STEEL

China Steel Corporation

June 22, 2015



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Company overview: Business snapshot (CSC standalone)

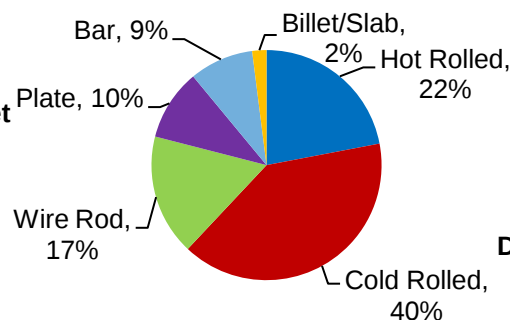
Overview

- 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, 2014

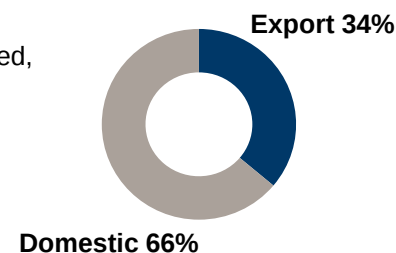
Major business

- 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
(2015.1Q)



Domestic/Export by revenue
(2015.1Q)



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 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
- China Steel Precision Metals Qingdao Co., Ltd.
- United Steel Engineering and Construction Co., Ltd (Kunshan coil center)

Industrial Materials Businesses

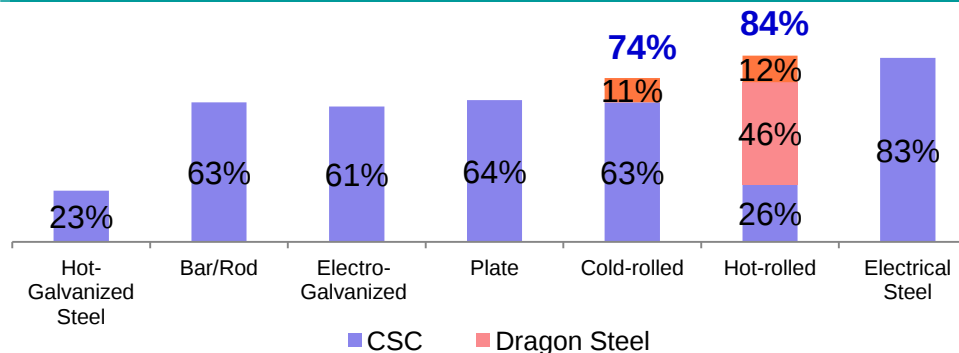
- C. S. Aluminum Corporation
- China Steel Chemical Corporation
- CHC Resources Corporation
- Himag Magnetic Corporation
- China Steel Precision Materials
- China Steel Resources Corporation
- CSC Precision Metal Industrial Corporation

Service and Investments Businesses

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

CSC Group domestic market share (2015.1Q)

- Our group crude steel capacity reached 16.1 mmt in 2015(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

- 2015.05 CSC was ranked as RobecoSAM 2015 Steel Industry Bronze Class Sustainability leaders.

2

- 2014.12 Sustainable Governance Award, British Standards Institution.

3

- 2014.11 CSC received "Ten Most Sustainable Company Award", "Growth through Innovation Award", "Climate Leadership Award", and "Taiwan Top 50 Corporate Sustainability Report Award-Best Report of the Year in Manufacturing Sector" by TAISE.

4

- 2014.10 CSC received "Excellence in Corporate Social Responsibility Award" and awarded "Taiwan Most Admired Company - Steel Industry" by Common Wealth magazine.

5

- 2014.10 CSC was included in CDP 's (Carbon Disclosure Project) 2014 Climate Disclosure Leadership Index for Asia ex-Japan.

6

- 2014.09 CSC was elected for inclusion in the DJSI-World and DJSI-Emerging Markets.

7

- 2014.01 CSC was awarded RobecoSAM 2014 Steel Industry Leader and ranked as Gold Class Sustainability leaders.

Company overview: Group capacity & Production lines

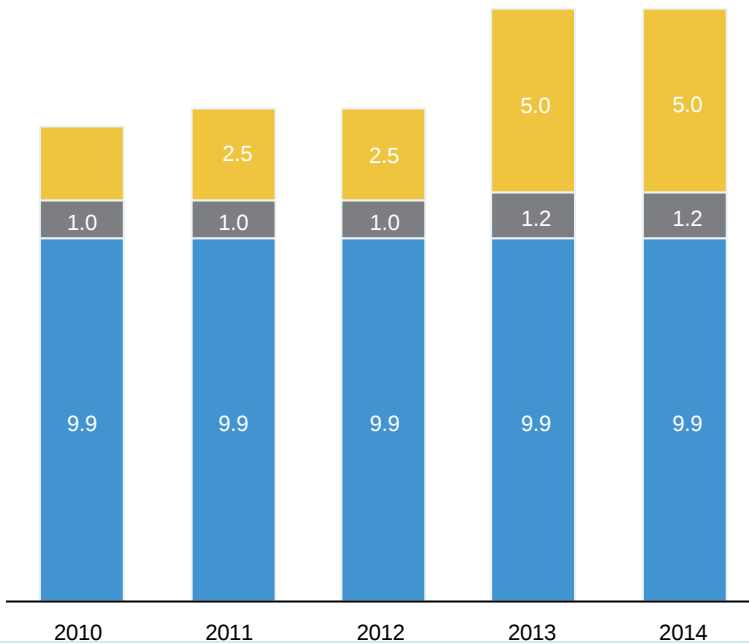


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Group capacity

Crude steel capacity (mmt)

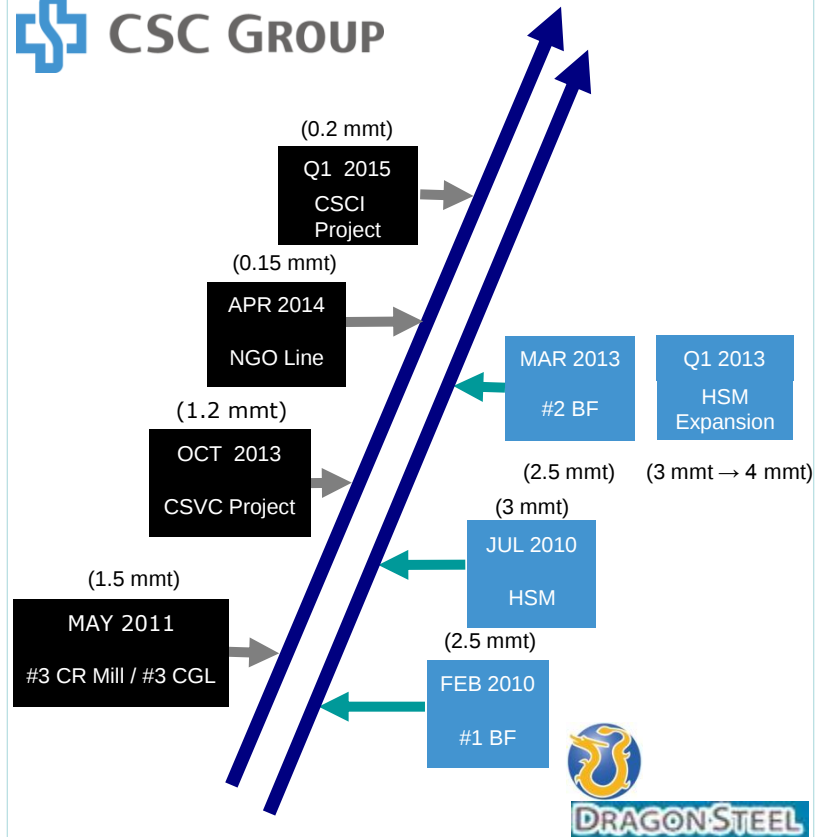
■ Dragon Blast Furnace ■ Dragon Electric Arc Furnace ■ China Steel



Commencement of new capacity/production lines: CSC group



CSC GROUP



Performance- Consolidated operating results

Amount: NT\$ million

Item	2014	2015.1Q	*2015.1~4
Consolidated Operating Revenue	366,511	80,804	106,156
Consolidated Operating Income	29,792	6,412	7,398
Consolidated Income Before Income Tax	28,576	6,039	7,814

*preliminary result

Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2014	2015.1Q	2015.1~4
1	Steel products	299,972,630	65,291,756	85,664,447
2	Non-steel industry materials	36,525,002	8,121,375	10,858,880
3	Construction	19,659,886	4,987,868	6,309,498
4	Transportation and service	6,779,874	1,489,419	2,062,069
5	Others	3,587,075	913,284	1,261,441
Less	Sales returns and allowances	0	0	0
	Total	366,524,467	80,803,702	106,156,335

Performance-CSC group

Segment revenues and operating results

Unit : NTD Thousands

2015. Q1	Steel	Ocean Freight Forwarding	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 64,274,984	\$ 227,346	\$ 16,301,372	\$ -	\$ 80,803,702
Inter-segment revenues	13,734,426	3,442,078	6,784,583	(23,961,087)	-
Segment revenues	<u>\$ 78,009,410</u>	<u>\$ 3,669,424</u>	<u>\$ 23,085,955</u>	<u>(\$ 23,961,087)</u>	<u>\$ 80,803,702</u>
Segment profit	\$ 5,009,845	\$ 500,236	\$ 1,458,695	(\$ 556,997)	\$ 6,411,779
Interest income	70,255	1,250	65,670	(18,071)	119,104
Financial costs	(834,503)	(21,036)	(63,134)	10,216	(908,457)
Share of the profit of associates	1,647,736	(14,322)	502,750	(1,959,147)	177,017
Other non-operating income and expenses	319,476	5,693	86,561	(171,854)	239,876
Profit before income tax	6,212,809	471,821	2,050,542	(2,695,853)	6,039,319
Income tax	1,124,192	4,436	224,049	(107,987)	1,244,690
Net profit for the period	<u>\$ 5,088,617</u>	<u>\$ 467,385</u>	<u>\$ 1,826,493</u>	<u>(\$ 2,587,866)</u>	<u>\$ 4,794,629</u>

Performance- consolidated basis

Consolidated Income Statement

Units: NT\$ millions

IFRSs	2014	2014.1Q	2015.1Q
Revenues	366,511	92,416	80,804
Gross profit	43,888	8,110	9,865
Gross margins	11.97%	8.78%	12.21%
Profit before tax	28,576	5,065	6,039
<u>Net profit</u>	<u>24,197</u>	<u>4,271</u>	<u>4,795</u>
Attributable to			
Owners of the corporation	22,160	3,621	5,526
Non-controlling interests	2,037	650	-731

Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2010	12/31/2011	12/31/2012	12/31/2013※	12/31/2014※	3/31/2015※
Debt	255,206	299,578	312,393	362,630	348,049	343,879
Debt/Equity	88.43%	95.99%	102.26%	113.55%	103.99%	101.56%
Asset	543,808	611,686	617,892	681,999	682,737	682,475
Debt / Asset	46.93%	48.98%	50.56%	53.17%	50.98%	50.39%
Net Debt *	227,035	273,421	283,402	338,593	322,284	316,620
Net Debt /Asset	41.75%	44.70%	45.87%	49.65%	47.20%	46.39%

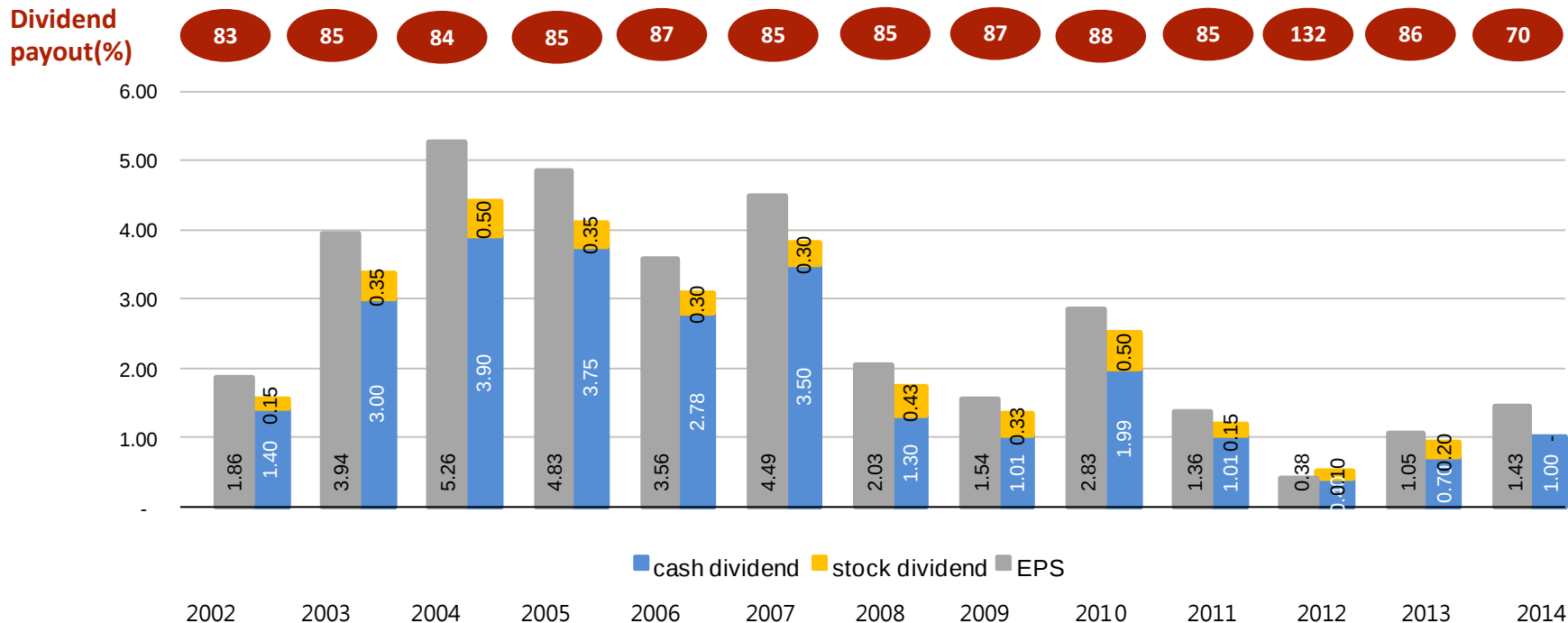
Since 2009, CSC group have issued corporate bonds and signed syndicated loans for DSC's expansion project and overseas raw material investments.

* 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

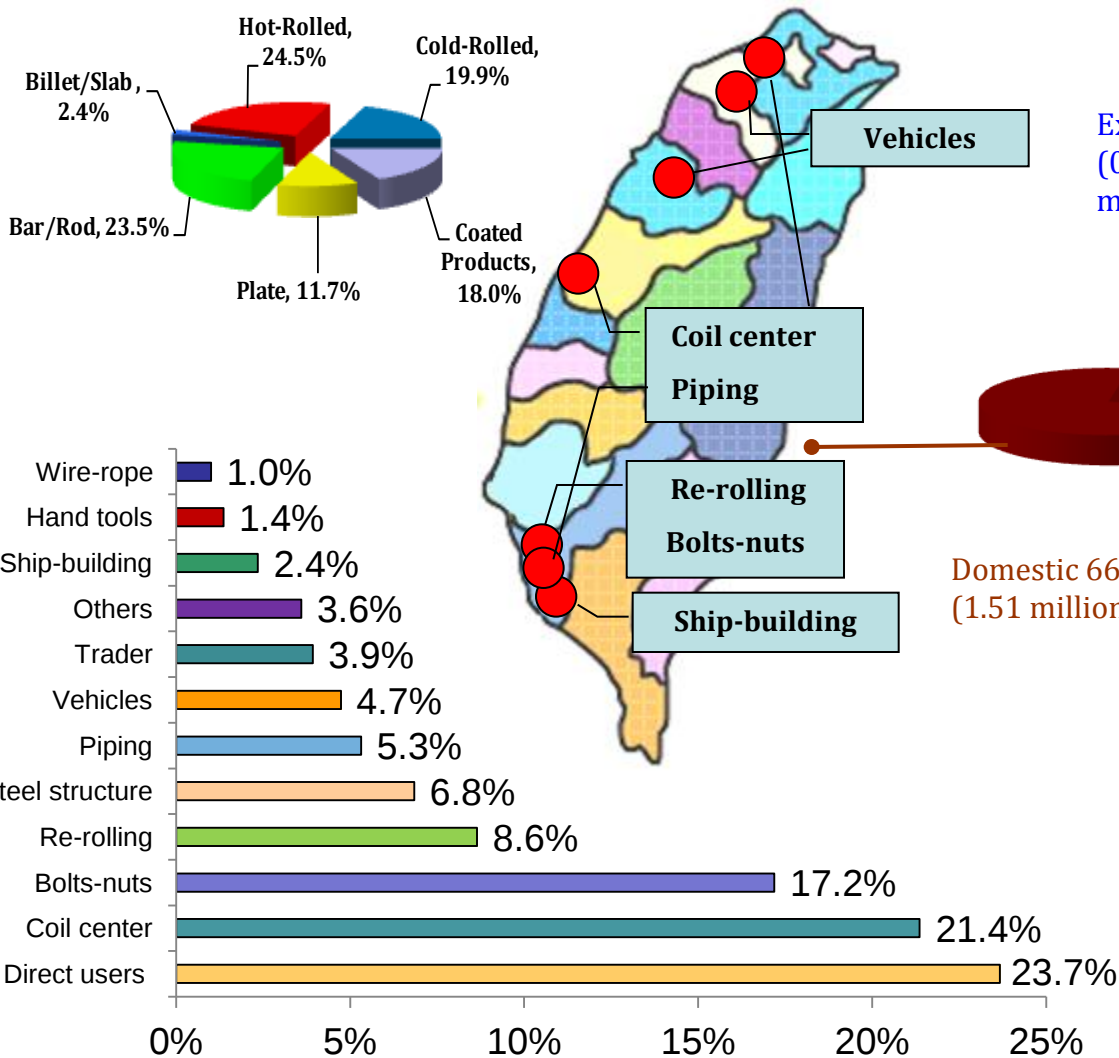
Sales (CSC standalone)



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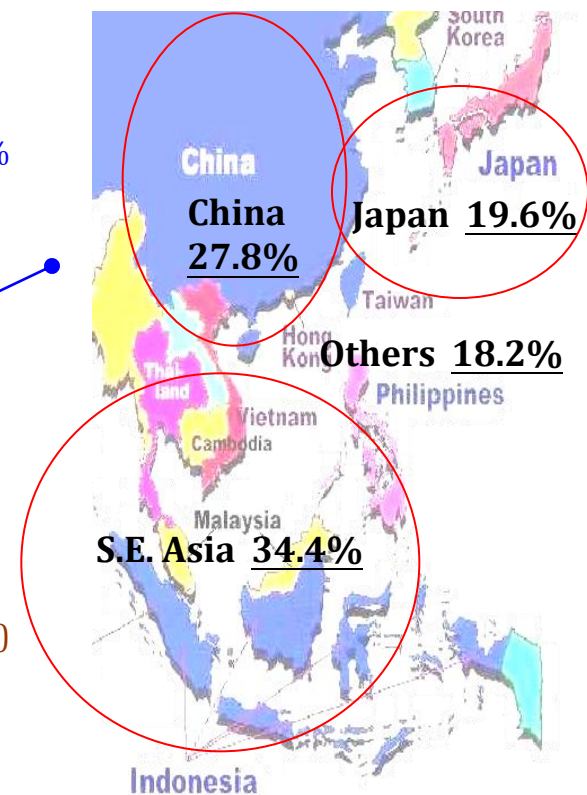
2015.1Q CSC sales volume totaled 2.28 million metric tons

Domestic/Export sales volume breakdown of 2015.1Q



Export 33.87%
(0.77 million metric tons)

Domestic 66.13%
(1.51 million metric tons)



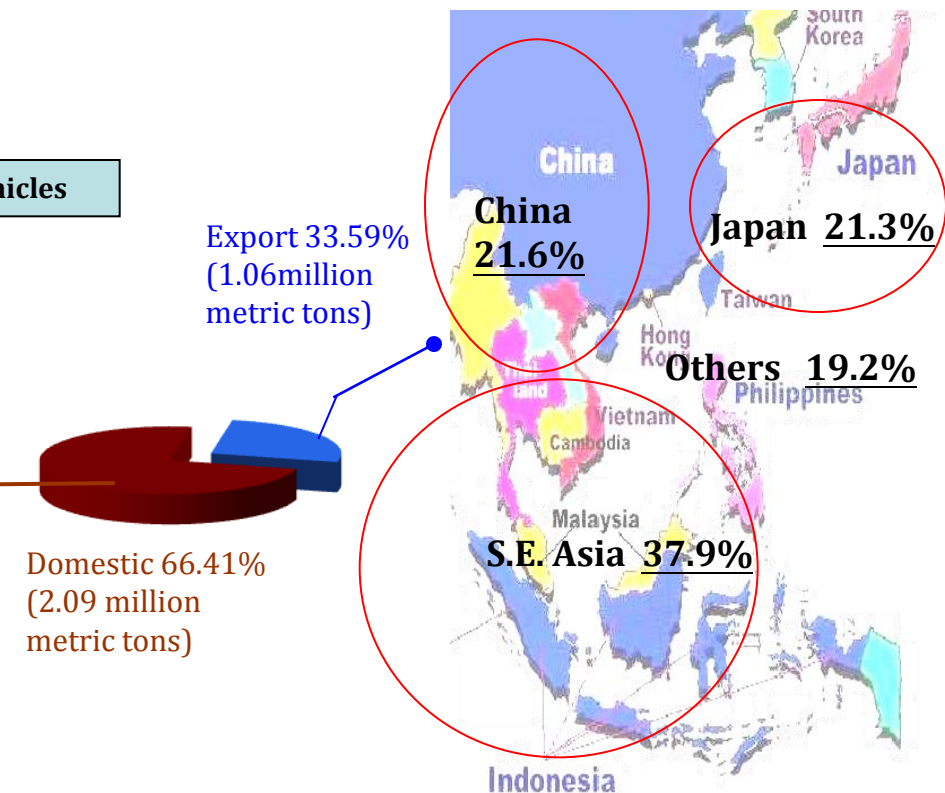
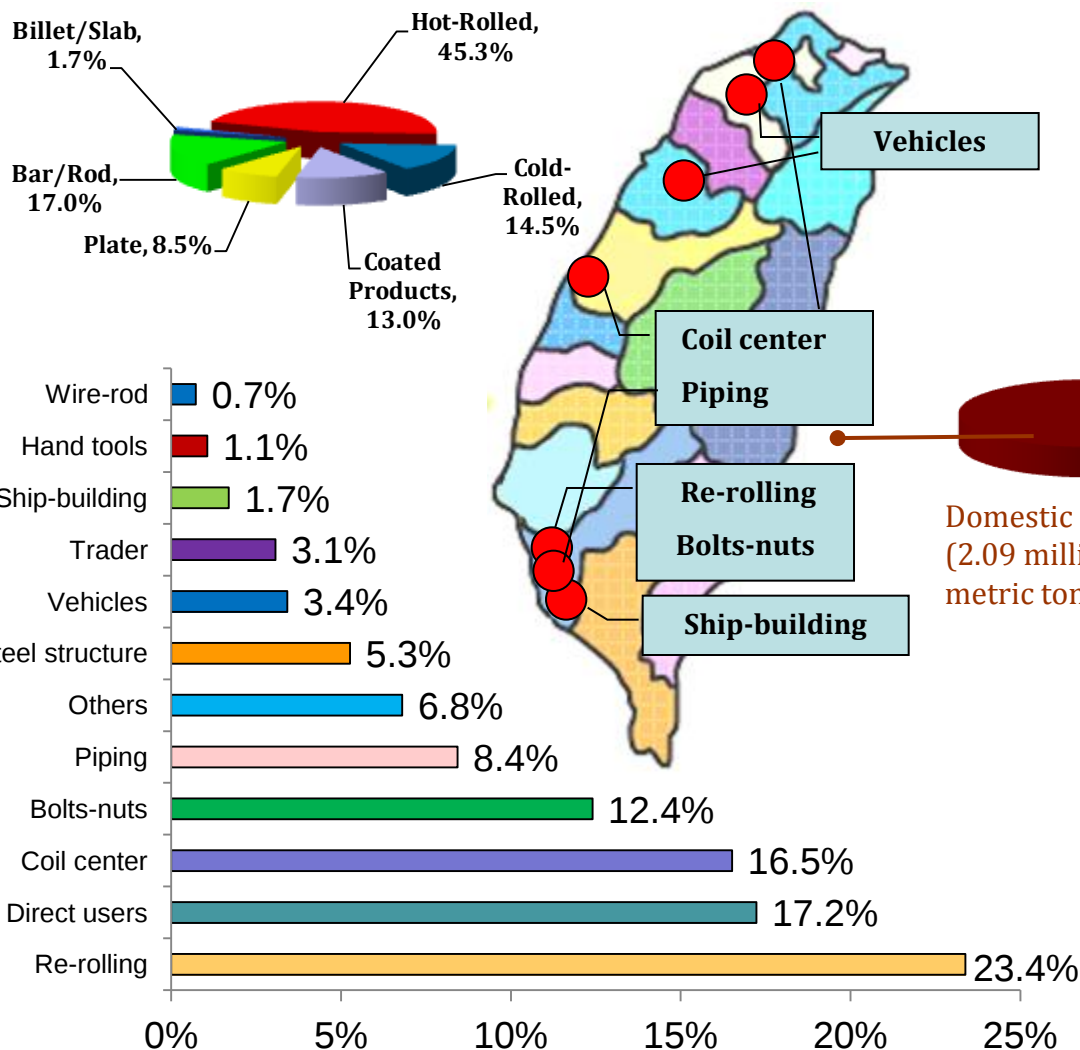
Sales (CSC +DSC:HRC)



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2015.1Q sales volume (CSC & HRC of DSC) totaled 3.15 million metric tons

Domestic/Export sales volume breakdown of 2015.1Q



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

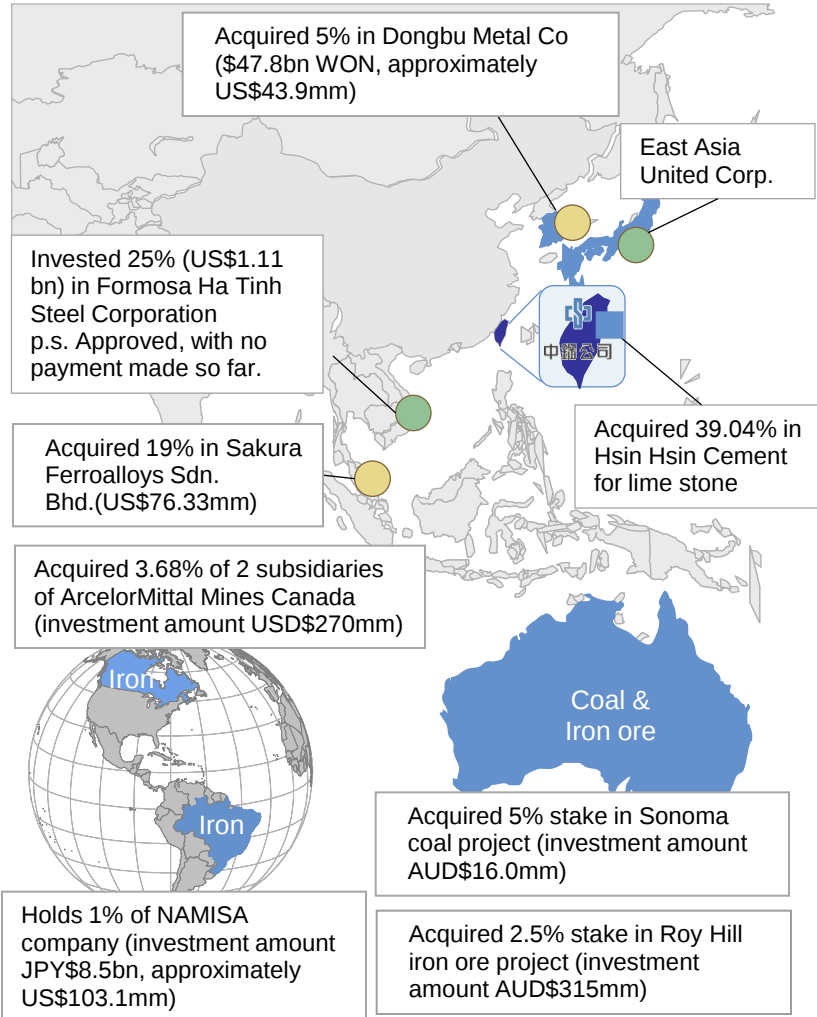
6

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.

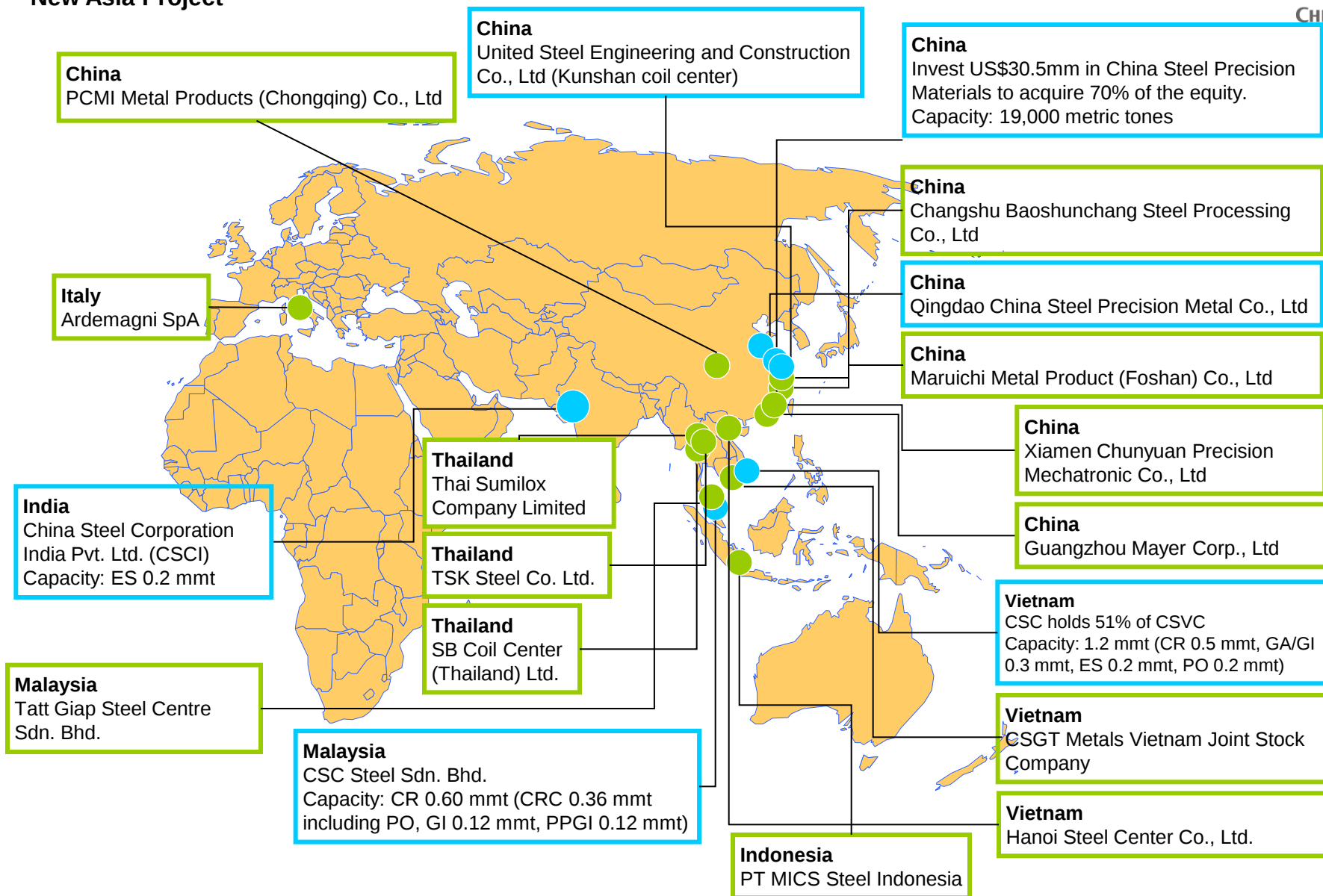
To secure 30% of major raw materials through investments in mines and find multiple sources of semi-products

Strengthen sales channels through overseas investment



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New Asia Project



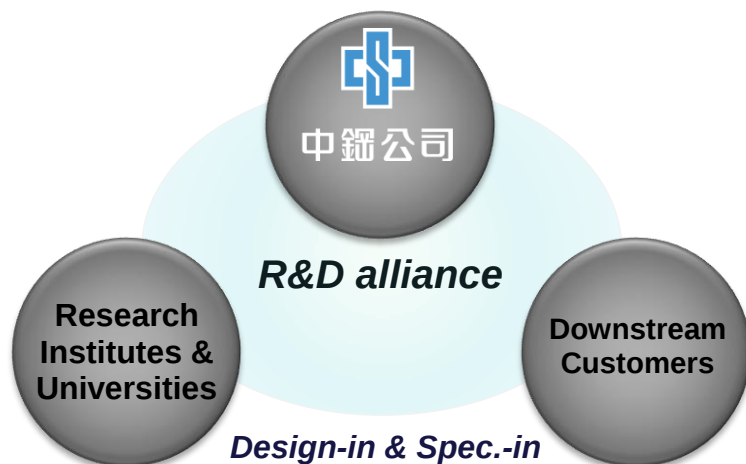
Overseas Investments of CSC group



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 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

2013

5.52
billion
NTD

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

2014

4.39
billion
NTD

- 1.14 bn: Use of low cost raw material and reduction of procurement cost through negotiation
- 1.81 bn: Energy saving/ Provide saturated steam and industrial gas to nearby plants
- 0.70 bn: Expense saving from nationalization of equipment, replacement parts and spare parts
- 0.24 bn: Establishment of Facility On-line Monitoring and Diagnosis System and automatic gain control systems.