China Synthetic Rubber Corporation

2Q/2014
Investors' Conference

August 18, 2014

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Disclaimer

The forward-looking statements contained in this presentation are subject to risks and uncertainties and actual results may differ materially from those expressed or implied in these forward-looking statements.

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Agenda

- Company Snapshot
- 2Q/2014 Financial Results
- CB Industry Status
- Business Outlook/Strategy

- **Company Snapshot**
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Company Snapshot

Established in Taiwan	June, 1973
Headquarter	Taipei, Taiwan
IPO in TWSE	July, 1986
Market Cap (as of August 11, 2014)	NT$ 16,257 million **(US$ 542 million)** Share price at NT$29.60 (USD/NTD=29.995)
Number of employees of CSRC's Carbon Black Business (as of June 30, 2014)	135 in Taiwan 349 in China 271 in USA 201 in India
Major Investment	Synpac-Biotech Research E-One Moli Energy- Lithium-ion Battery

Production Capacity of CSRC's Carbon Black Business	
Taiwan	Lin-Yuan 120K MT
China	Maanshan 125K MT Ashan 130K MT Chong Qing 30K MT
USA	Phenix 90K MT Ponca 135K MT Sunray 75K MT
India	Deli 85K MT
Total	**790 K MT**

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CSRC Group Carbon Black Business Overview

- Company Snapshot
- **2Q/2014 Financial Results**
- CB Industry Status
- Business Outlook/Strategy

2Q/2014 Results Highlights

(In NT Millions except otherwise noted)	2Q/14	1Q/14	2Q/13	QoQ/%	YoY/%
Net Sales_Carbon Black	4,782	4,465	4,592	7.1	4.1
EBITDA_Carbon Black	186	137	88	35.8	111.4
Net Income[(1)]	189	199	76	(5.0)	148.7
EPS (NT$)	0.35	0.37	0.14	(5.4)	150.0
Gross Margin(%)__Carbon Black	6.1%	4.7%	4.2%	1.4	1.9
ROE(%)	1.1%	1.1%	0.5%	(0.0)	0.6
ROA(%)	0.6%	0.6%	0.1%	(0.0)	0.5
Free Cash Flow[(2)]	(9)	213	78	(104.2)	(111.5)

(1) Attributable to Shareholders of the parent company

(2) Free Cash Flow = Operating Cash Flow - Capex - L/T Investment

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1H / 2014 Results Highlights

(In NT Millions except otherwise noted)	1H/14	1H/13	YoY/%
Net Sales_Carbon Black	9,247	9,044	2.2
EBITDA_Carbon Black	323	319	1.3
Net Income[(1)]	389	280	38.9
EPS (NT$)	0.72	0.52	38.5
Gross Margin(%)__Carbon Black	5.5%	5.4%	0.1
ROE(%)	2.2%	1.7%	0.5
ROA(%)	1.2%	0.7%	0.5
Total Assets	32,568	31,708	2.7
Total Liabilities	13,732	14,425	-4.8
Total Shareholders' Equity	18,836	17,283	9.0
Free Cash Flow[(2)]	204	473	(56.9)

(1) Attributable to Shareholders of the parent company

(2) Free Cash Flow = Operating Cash Flow - Capex - L/T Investment

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2Q/2014 Statement of Comprehensive Income

(In NT Millions except otherwise noted)	2Q/14	1Q/14	2Q/13	QoQ/%	YoY/%
Net Sales	5,841	5,468	5,690	6.8	2.7
COGS	4,809	4,541	4,820	5.9	(0.2)
Gross Profit	1,032	927	870	11.3	18.6
Gross Margin	17.7%	17.0%	15.3%	0.7	2.4
Operating Expense	437	387	431	12.9	1.4
Operating Income	595	540	439	10.2	35.5
Operating Margin	10.2%	9.9%	7.7%	0.3	2.5
Non-operating Income / (Expense)	(77)	(87)	(100)	11.5	23.0
Income Before Tax	518	453	339	14.3	52.8
Income Tax Benefit / (Expense)	(326)	(257)	(319)	(26.8)	(2.2)
Net Income	192	196	20	(2.0)	860.0
Net Margin	3.3%	3.6%	0.4%	(0.3)	2.9

2Q/2014 Statement of Comprehensive Income

(In NT Millions except otherwise noted)	2Q/14	1Q/14	2Q/13	QoQ/%	YoY/%
Net Income	192	196	20	(2.0)	860.0
Other Comprehensive Income (Loss)	(93)	320	(45)	(129.1)	(106.7)
Total Comprehensive Income	99	516	(25)	(80.8)	496.0
Net income attributed to:					
Owners of the Company	189	199	76	(5.0)	148.7
Non-Controlling Interests	3	(3)	(56)	200.0	105.4
Total	192	196	20	(2.0)	860.0
Total Comprehensive Income					
Owners of the Company	109	510	40	(78.6)	172.5
Non-Controlling Interests	(10)	6	(65)	(266.7)	84.6
Total	99	516	(25)	(80.8)	496.0
Basic EPS (NT$)	0.35	0.37	0.14	(5.4)	150.0

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1H / 2014 Statement of Comprehensive Income

(In NT Millions except otherwise noted)	1H/14	1H/13	YoY/%
Net Sales	11,309	11,113	1.8
COGS	9,350	9,331	0.2
Gross Profit	1,959	1,782	9.9
Gross Margin	17.3%	16.0%	1.3
Operating Expense	824	826	(0.2)
Operating Income	1,135	956	18.7
Operating Margin	10.0%	8.6%	1.4
Non-operating Income / (Expense)	(164)	(175)	6.3
Income Before Tax	971	781	24.3
Income Tax Benefit / (Expense)	(583)	(560)	(4.1)
Net Income	388	221	75.6
Net Margin	3.4%	2.0%	1.4

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1H / 2014 Statement of Comprehensive Income

(In NT Millions except otherwise noted)	1H/14	1H/13	YoY/%
Net Income	388	221	75.6
Other Comprehensive Income (Loss)	227	198	14.6
Total Comprehensive Income	615	419	46.8
Net income attributed to:			
Owners of the Company	389	280	38.9
Non-Controlling Interests	(1)	(59)	98.3
Total	388	221	75.6
Total Comprehensive Income			
Owners of the Company	619	467	32.5
Non-Controlling Interests	(4)	(48)	91.7
Total	615	419	46.8
Basic EPS (NT$)	0.72	0.52	38.5

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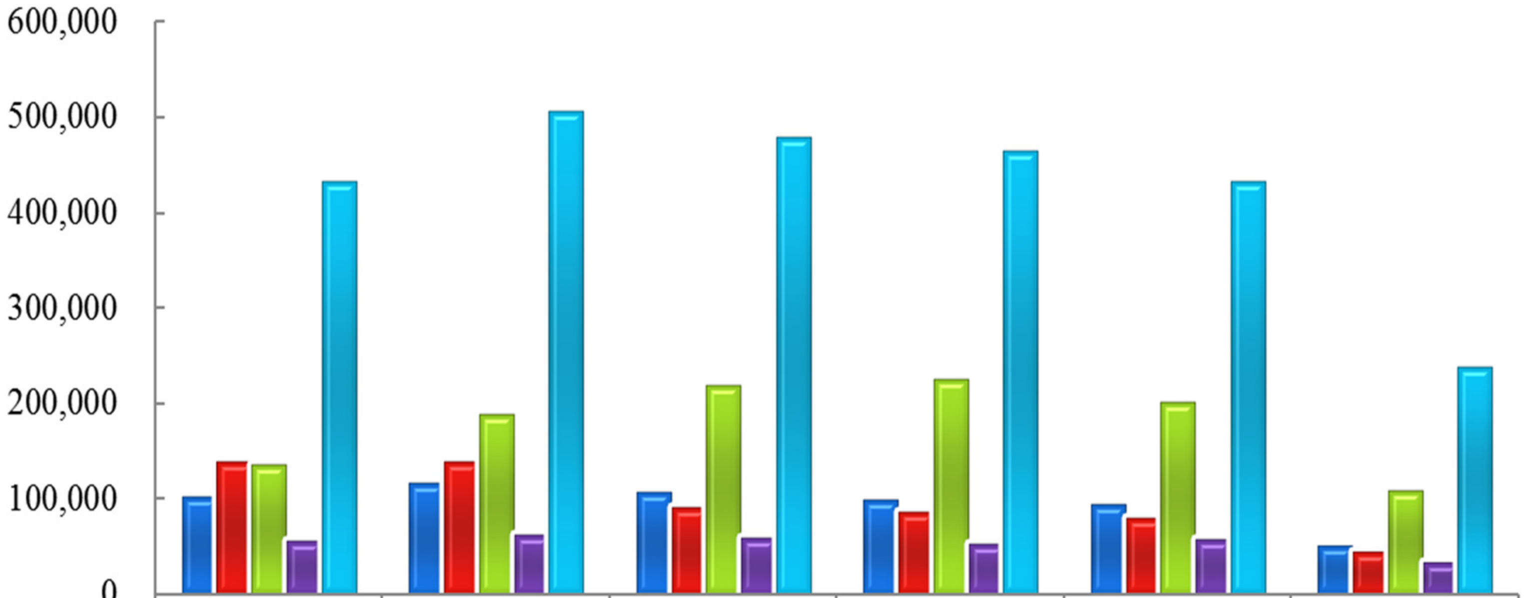
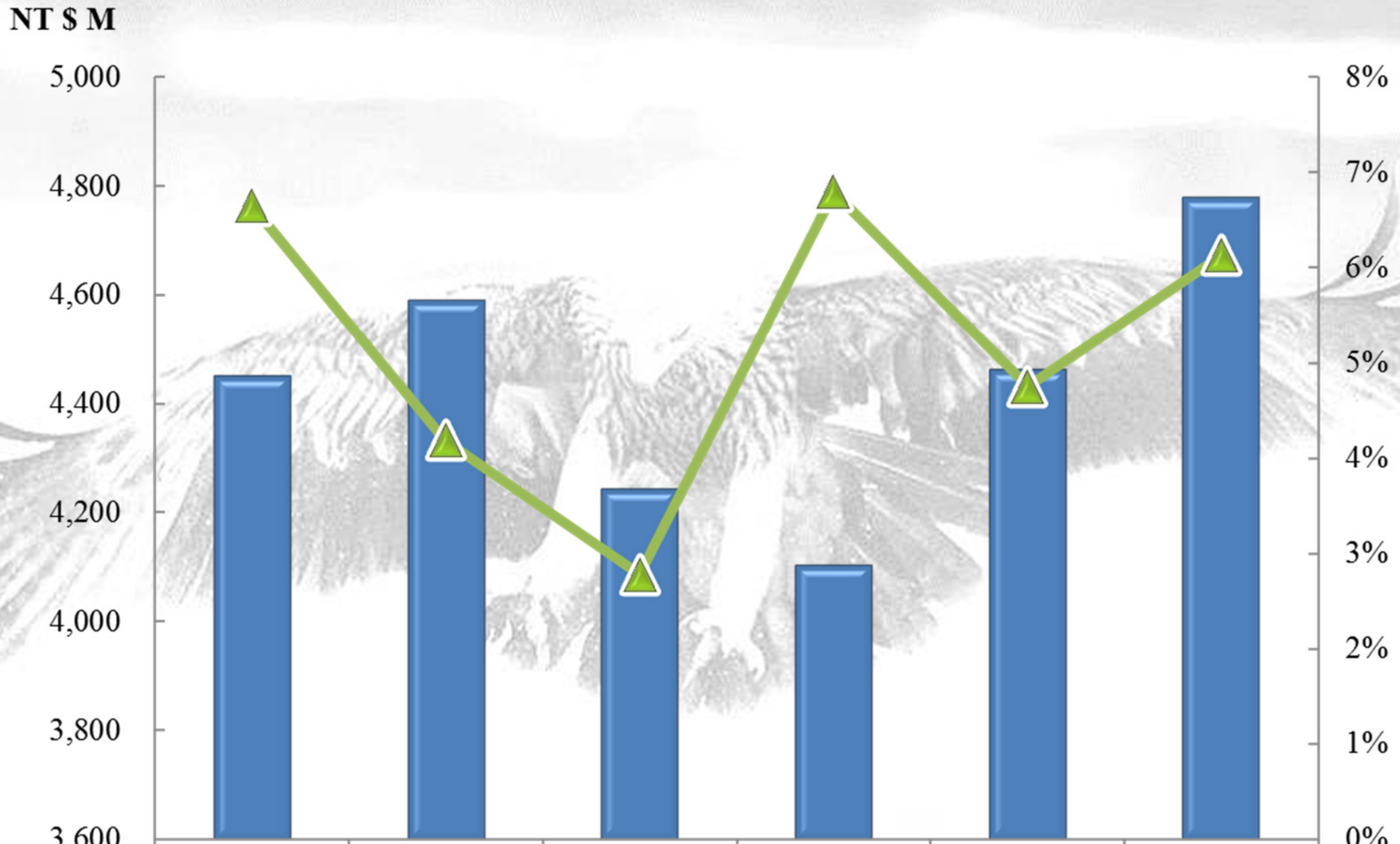
Carbon Black Sales Volume in Recent 5 Years

MT



	2009	2010	2011	2012	2013	1H/2014
Taiwan	102,775	116,430	107,973	99,608	94,639	50,976
China	138,809	139,122	90,968	86,959	80,707	44,340
USA	135,787	188,438	220,000	225,573	201,037	109,018
India	56,396	63,053	60,045	53,285	57,597	33,446
Total	433,767	507,043	478,986	465,425	433,980	237,780

Carbon Black Sales / GM



	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Sales	4,452	4,592	4,245	4,105	4,465	4,782
GM %	6.6%	4.2%	2.8%	6.8%	4.7%	6.1%

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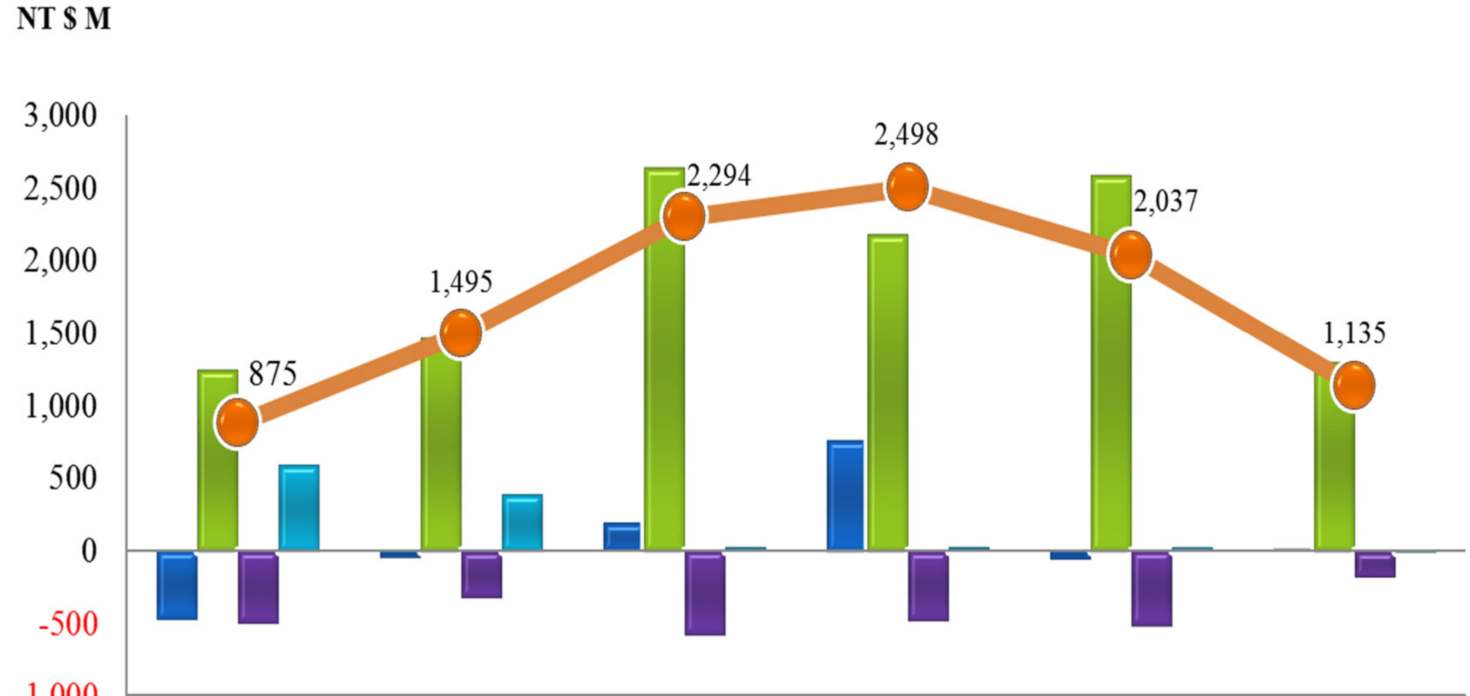
Operating Income by Business Units



	2009	2010	2011	2012	2013	1H/2014
Carbon Black	-471	-46	198	765	-61	16
Biotech	1,251	1,464	2,644	2,180	2,589	1,300
Energy	-496	-318	-578	-476	-518	-178
Others	591	395	30	29	27	-3
Total	875	1,495	2,294	2,498	2,037	1,135

2Q/2014 Statement of Cash flow

(In NT Millions except otherwise noted)	2Q/14	1Q/14	2Q/13
Cash Flows From Operating Activities			
Income Before Tax	518	453	339
Adjustments to reconcile income to net cash provided by operating activities :	(340)	(152)	23
Net Cash generated from Operating Activities	**178**	**301**	**362**
Cash Flows From Investing Activities	1,104	(65)	(200)
Cash Flows From Financing Activities	(459)	(375)	187
Effect of Foreign Exchange Rate Changes	(13)	17	(25)
Net Increase (Decrease) In Cash and Cash Equiva	**810**	**(122)**	**324**
Cash And Cash Equivalents-Beginning of Period	3,041	3,163	3,275
Cash And Cash Equivalents-End of Period	**3,851**	**3,041**	**3,599**

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1H / 2014 Statement of Cash flow

(In NT Millions except otherwise noted)	1H/14	1H/13
Cash Flows From Operating Activities		
Income Before Tax	971	781
Adjustments to reconcile income to net cash provided by operating activities :	(492)	60
Net Cash generated from Operating Activities	**479**	**841**
Cash Flows From Investing Activities	1,039	(387)
Cash Flows From Financing Activities	(834)	789
Effect of Foreign Exchange Rate Changes	4	(2)
Net Increase (Decrease) In Cash and Cash Equivalents	**688**	**1,241**
Cash And Cash Equivalents-Beginning of Period	3,163	2,358
Cash And Cash Equivalents-End of Period	**3,851**	**3,599**

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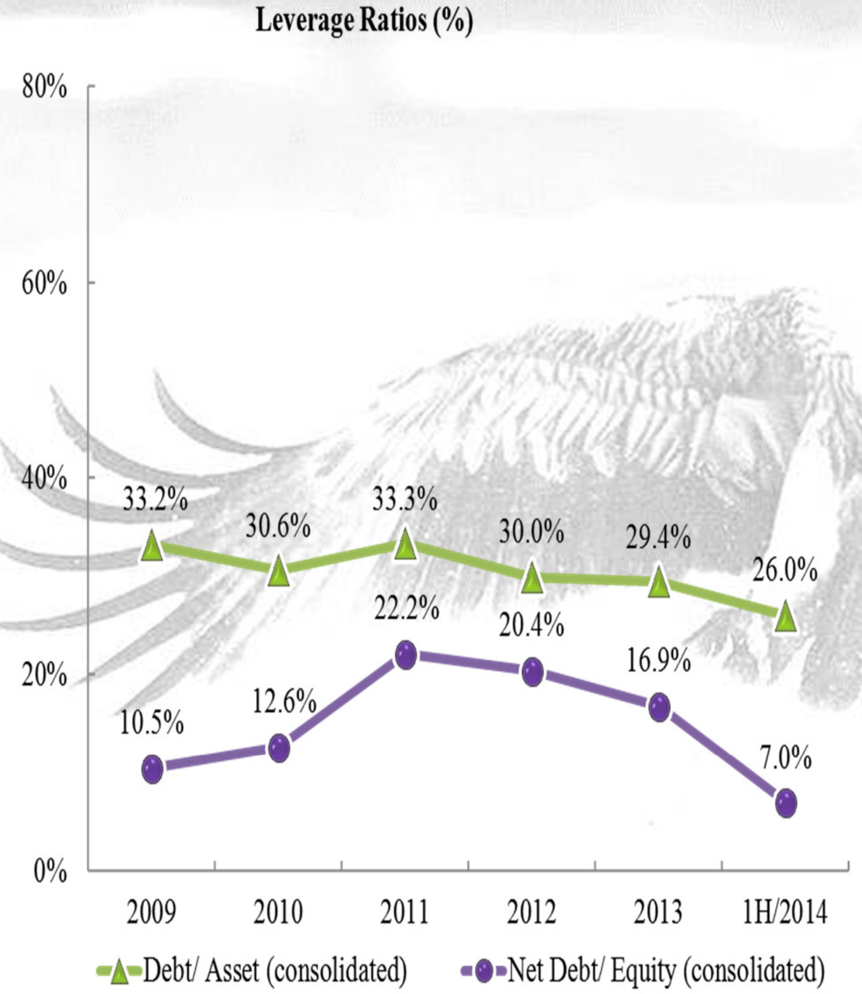
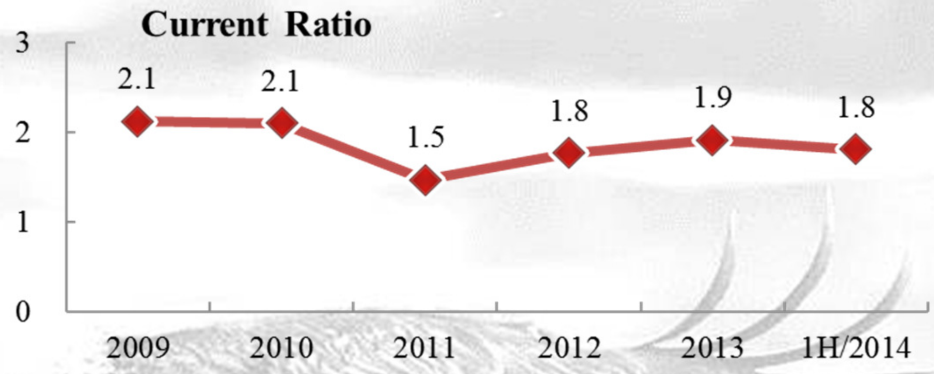
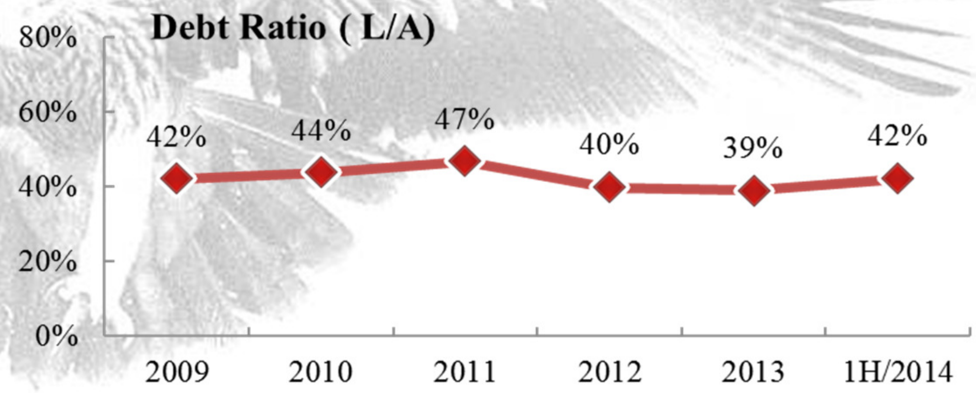
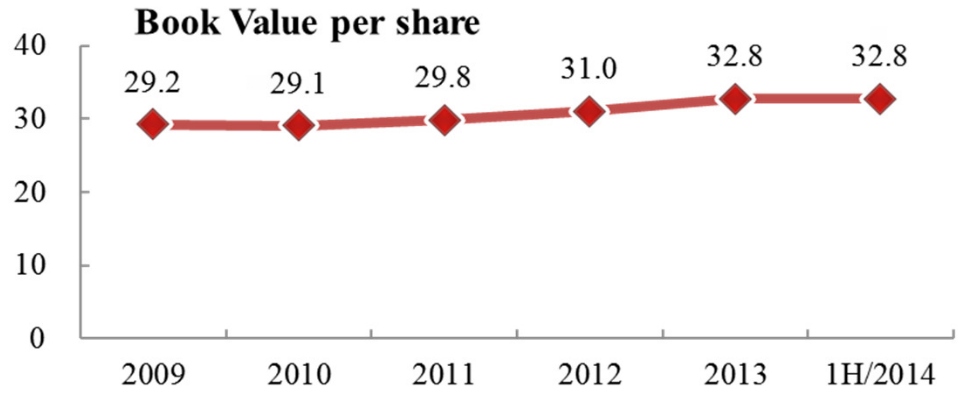
Solid Financial Structure









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- Company Snapshot
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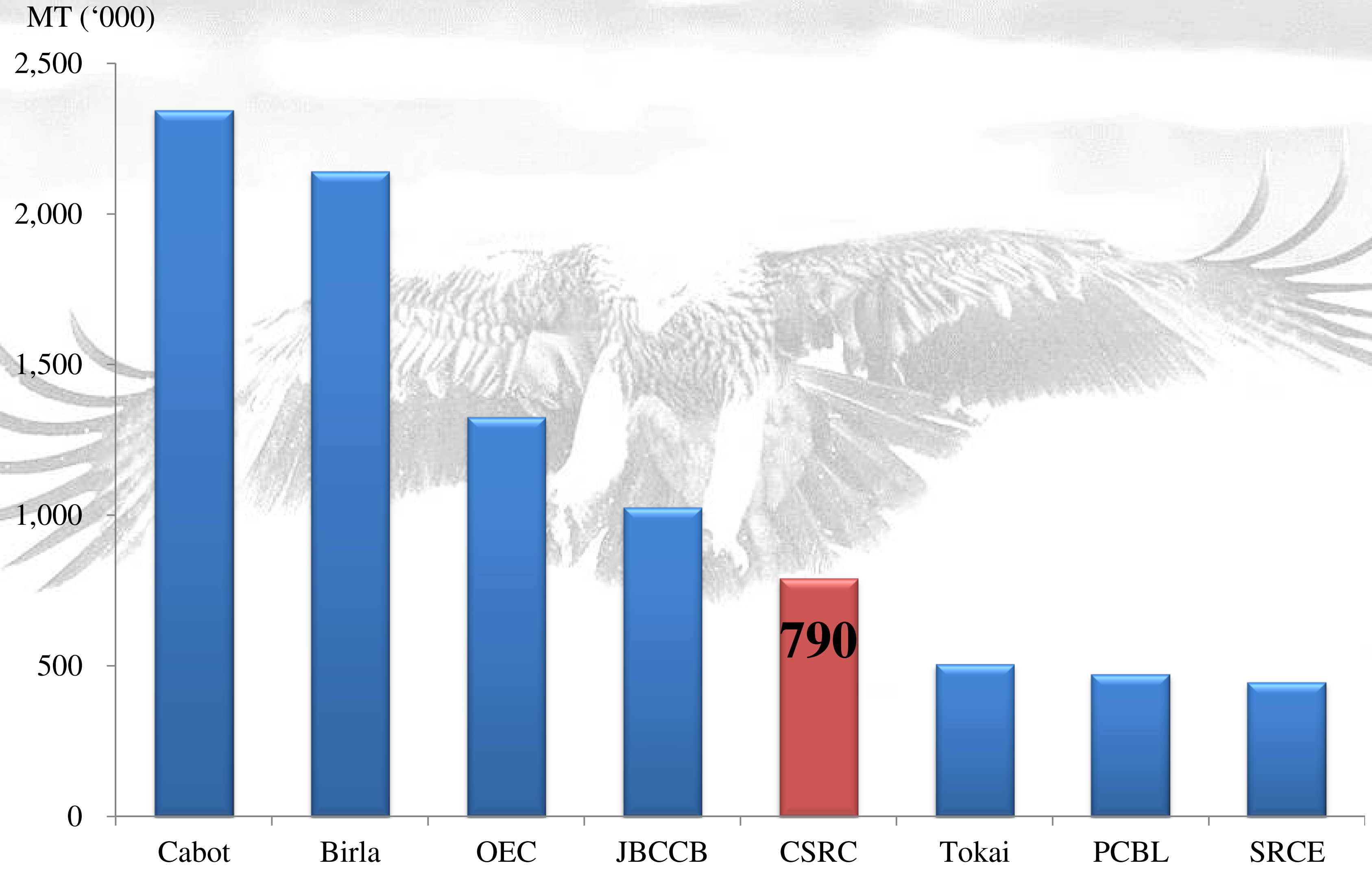
- Business Outlook/Strategy

Global Major Carbon Black Makers' Capacity



Source : Notch Consulting Group, 2013

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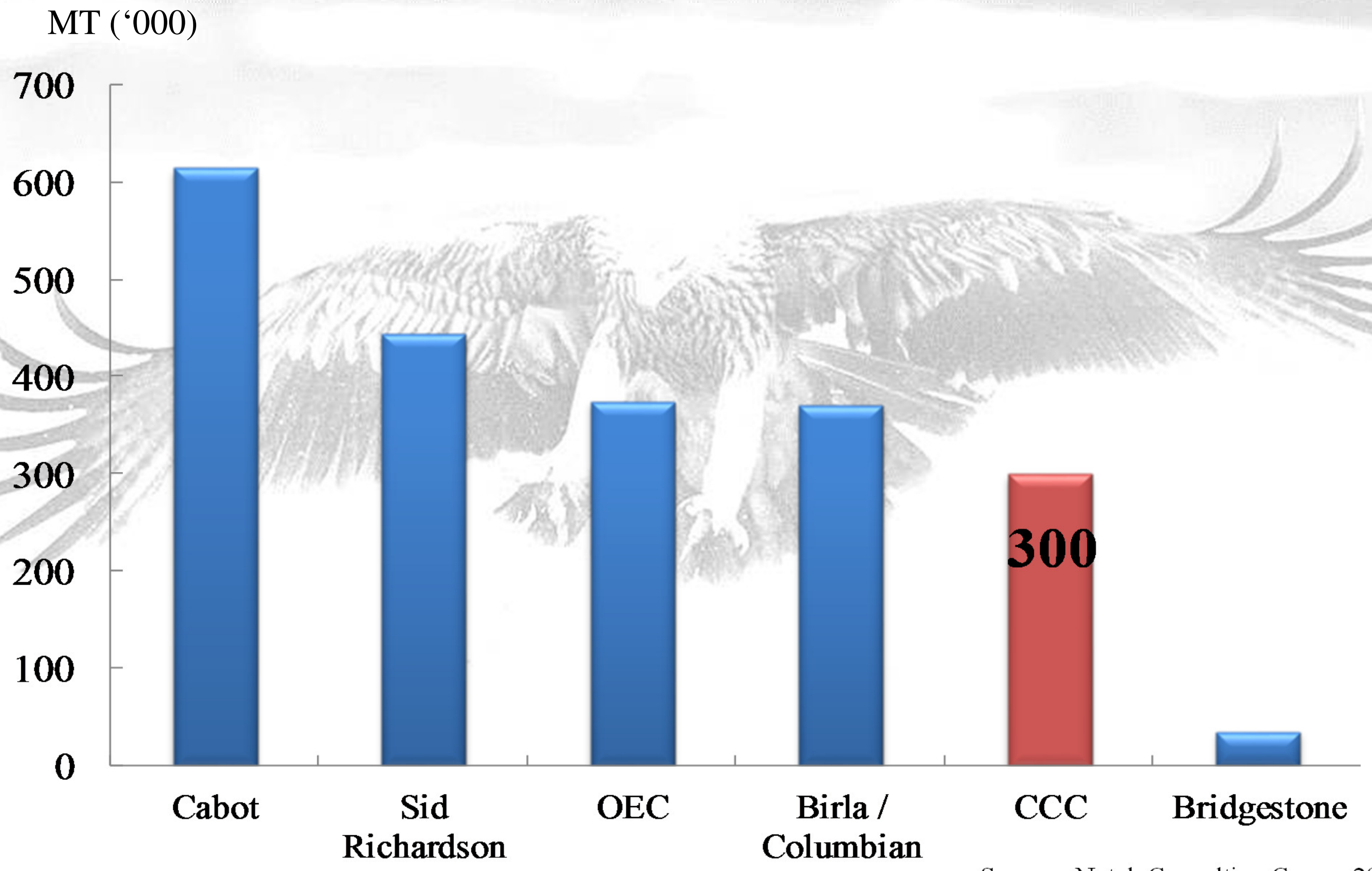
Major Carbon Black Makers in NA



Source : Notch Consulting Group, 2013

Business Outlook – NA

- Carbon Black Demand and Supply in NA

Unit: 000'MT

	2012(A)	2013(A)	2014(F)	2015(F)	Growth
CB Demand	1,690	1,637	1,690	1,730	0.8%
CB Effective Capacity	2,100	2,100	2,145	2,145	0.7%
Surplus	410	463	455	415	
%	20%	22%	21%	19%	

Source : Notch Consulting Group, 2013

- Replacement tire market continues to be negatively impacted by resurgence of Chinese tire imports after tariffs expired.
- USW filed anti-dumping charges against Chinese PVLT imports could be re-implemented by late 2014. And, the imported carbon black also expected to increase thus the impact is still unclear.
- 2nd half of 2014 expected to be similar as compared to 1st half with no indications of improvements.

PVLT: Passenger Vehicle and Light Truck

USW: United Steel Workers

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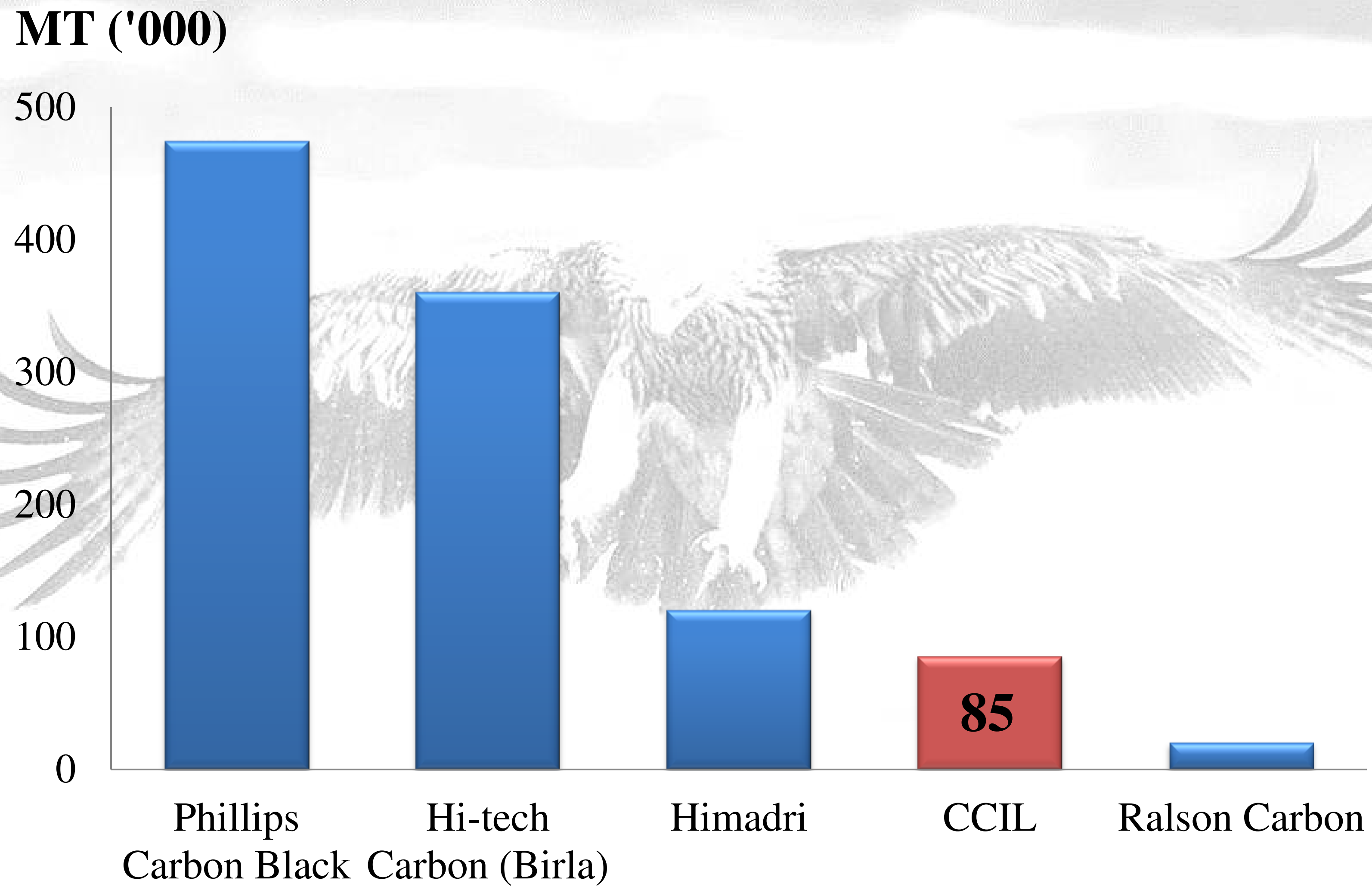
Major Carbon Black Makers in India



Business Outlook – India

- Carbon Black Demand and Supply in India

Unit: 000'MT

	2012(A)	2013(A)	2014(F)	2015(F)	Growth
CB Demand	660	696	744	807	6.9%
CB Effective Capacity	980	1,059	1,059	1,059	2.6%
Import	97	118	120	130	
Surplus	417	481	435	382	
%	39%	41%	37%	32%	

Source： Company information

- Demand increases by 5.5% in 2013, expected to grow 7% in 2014 and 8% in 2015.
- Import carbon black from China & Korea continues keeping capacity utilization under pressure.

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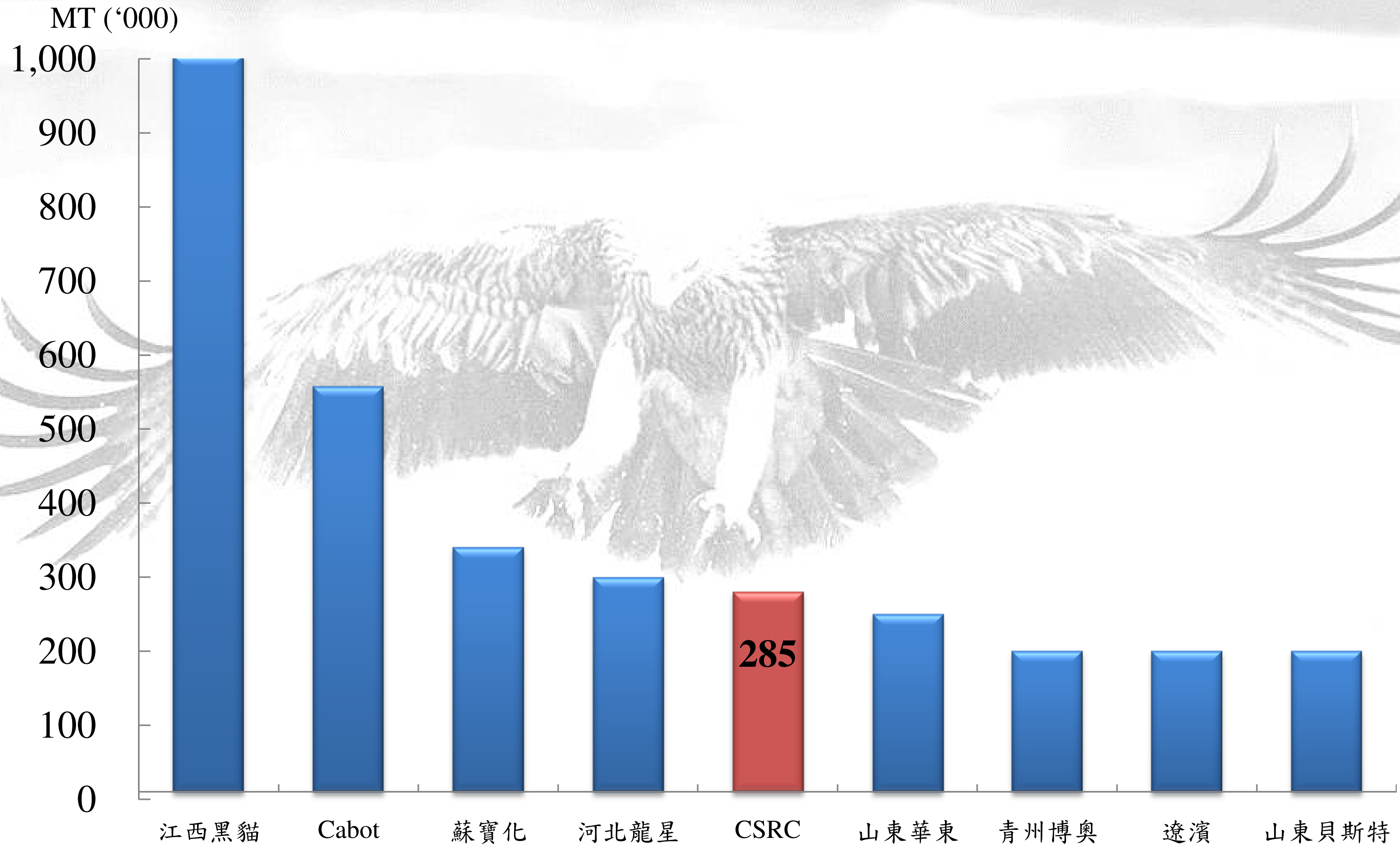
Major Carbon Black Makers in China



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Business Outlook – China

- Carbon Black Demand & Supply in China

Unit: 000'MT

	2012(A)	2013(A)	2014(F)	2015(F)	Growth
CB Demand	3,735	4,144	4,220	4,500	6.4%
CB Effective Capacity	6,040	6,400	6,800	7,100	5.5%
Surplus	2,305	2,256	2,580	2,600	
%	38%	35%	38%	37%	
Export	658	720			9%

Source：Notch Consulting Group, 2013.

- Carbon black demand is estimated to rise 1.8% in 2014.
- The average industry utilization rate is around 72%.
- The export is estimated to increase by 17.4% compared to the same period of 2013.

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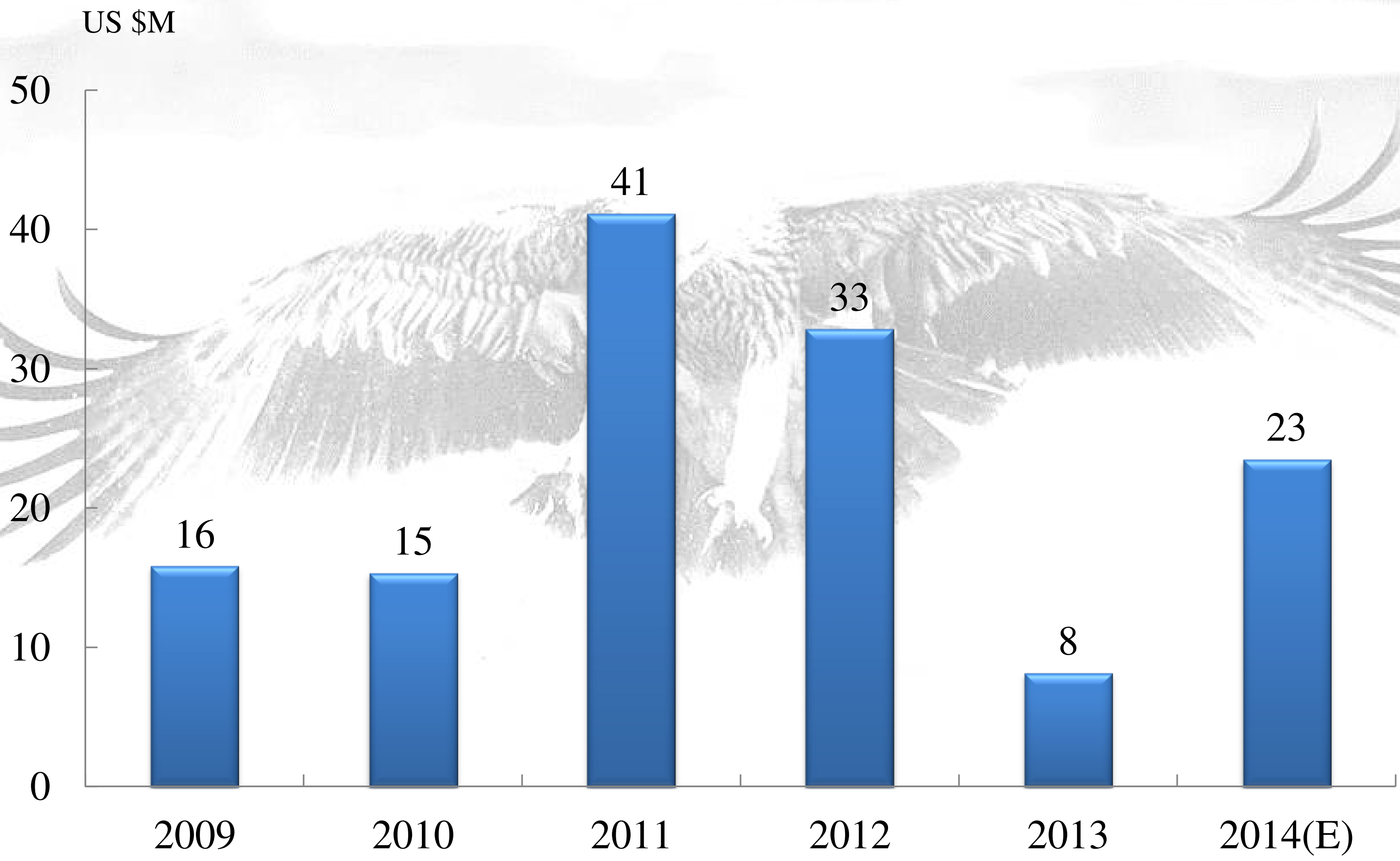
Expansion Capital Expenditures



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Business Outlook/Strategy

Carbon black

1. Streamline China production operation to standardize specific niched products of each plant.
2. Consolidate group technology.
3. Source for more competitive feedstock.
4. Further expand export market and non-tire products.
5. More focus on and develop Tier I customers.

Biotech and Pharmacy

1. Complete pharmaceutical plant by end of 2013 and will be verified PICS to enhance competence.
2. Expand overseas market for new plant capacity.
3. Cooperate with ITRI to develop new formulation of drugs.

Energy (Li-ion-battery)

1. Develop product with key characteristics (low temp. discharge, long cycle life) to enhance competence and business opportunity.
2. Pack development focus on power tool, medical, ESS and LEV.
3. Cooperate with system customer to develop new cell and increase production capacity and revenue.

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Thank You

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