

# **Australian Metallurgical Coal Industry - China Steel's Closest Partner**

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# Briefings of CSC Group



# China Steel Group – China Steel and Dragon Steel

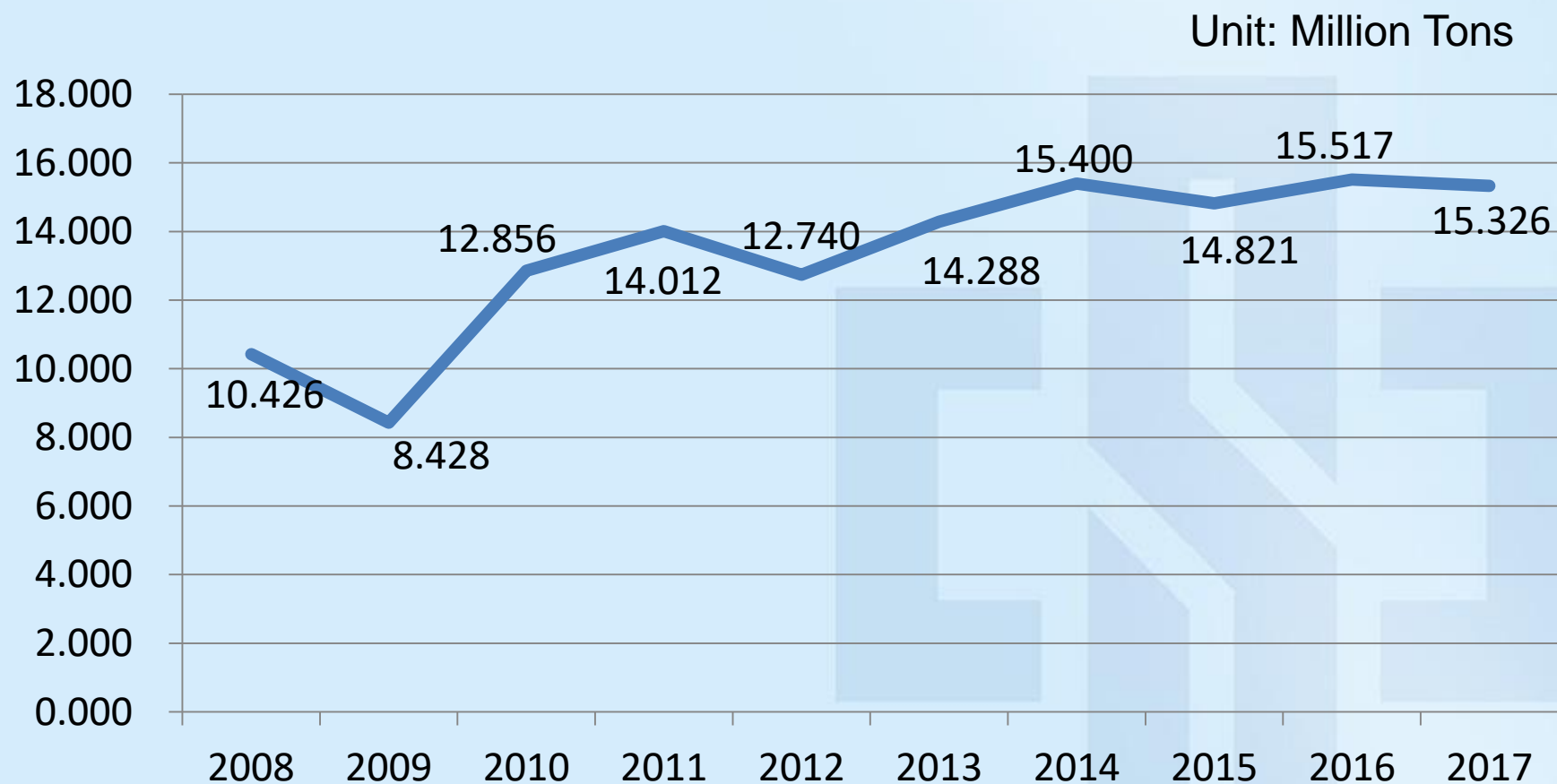




- The only integrated Steel Mill in Taiwan
- Founded in 1971
- First Blast Furnace started up in 1977
- Privatized in 1995
- Completed its 6<sup>th</sup> Blast Furnace in 2003
- Total Crude Steel Production Capacity 16 Million Tons



# China Steel Group's Crude Steel Production



# Steel Works of CSC Group

- China Steel Corporation  
Location: Kaohsiung  
4 x BF
- Dragon Steel Corporation  
Location: Taichung  
2 x BF + 1 x EAF
- Invest 25% of FHS in Vietnam



# Raw Material Requirement

- Coal Requirement: 12 million tons
- Iron Ore Requirement: 24 million tons



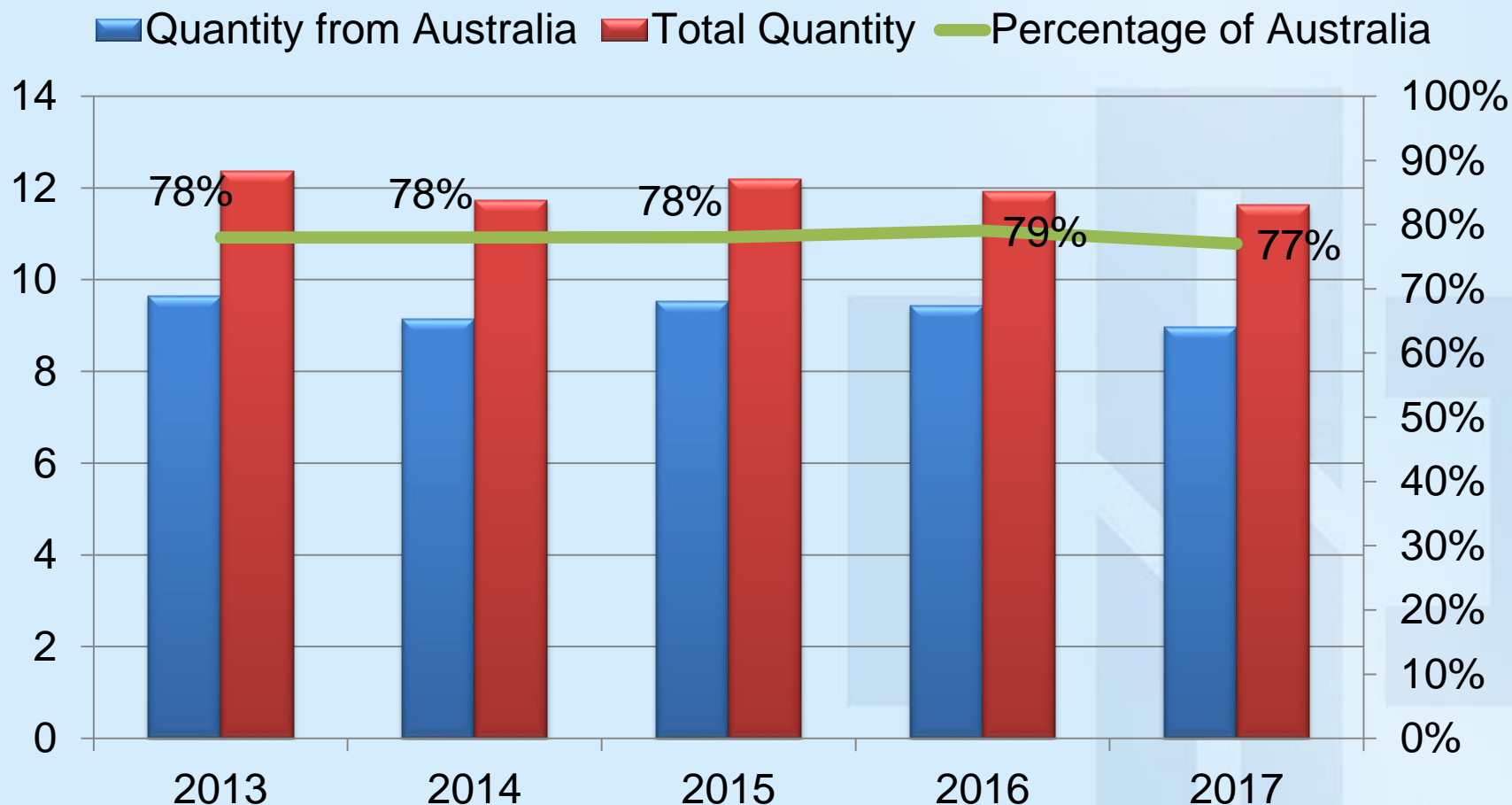
# Raw Materials Procurement Strategy

- Balance of cost vs. quality
- Mostly covered by Long-Term contracts, while maintaining a certain portion for spot purchasing
- Self-sufficiency ratio: 30% as target



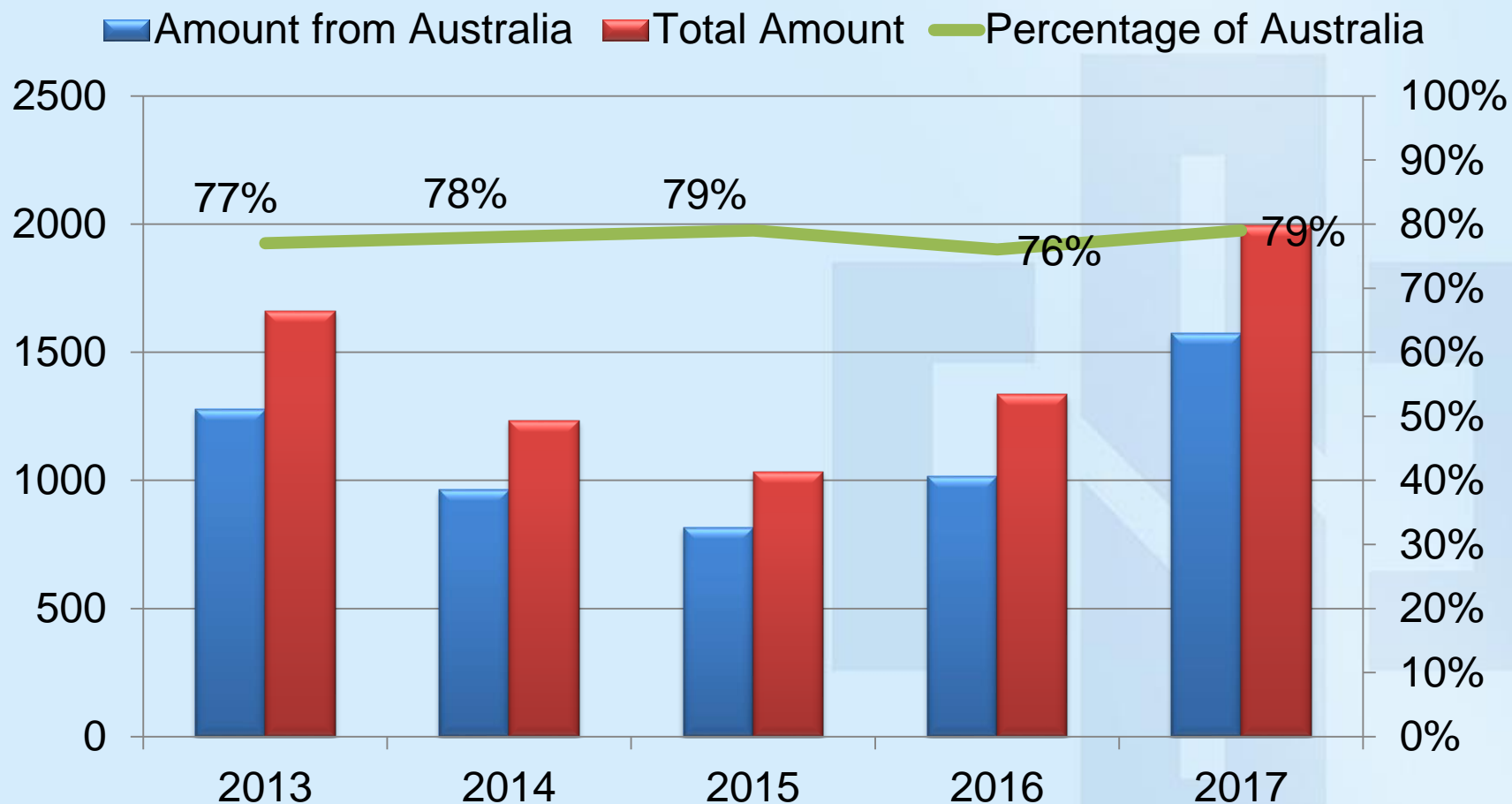
# China Steel's Coal Import from Australia (1/2)

Unit: Million Tons



# China Steel's Coal Import from Australia (2/2)

Unit: Million US Dollars



# High Dependency of Australian Coal in CSC

- Abundant Reserves and Stable Supply
- Consistent Quality
- Short Transportation Distance
- Transparent Technical Communications



# Challenges/Risks in front of Us

- Fewer Development of Coal Mining Projects.
- Volatility on Coal Price
- Weather/Safety Factors Affecting Coal Production.
- Uncertainty on Future Infrastructure Capacity.
- Deteriorate Quality for Next Generation.



# Raw Materials Investment Strategy

- **Quality** shall meet CSC's requirement
- **Off-take** on a pro rata basis according to shareholding ratio
- **Shorter Distance** is preferred
- **Minority Shareholding**: usually 5 to 20%
- **Profitable!**



# Conclusion

- Australian Metallurgical Coal Industry is the closest business partner of CSC, and such relationship will be certainly maintained in future.
- Australian coal miners are making every efforts to reach the optimized and efficient operation, in order to maintain their cost competitiveness.
- China Steel appreciate the continuous cooperation and support from the Australian coal industry for the past 40 years and look forward to further strengthening the business tie.

# THANK YOU