



# China Synthetic Rubber Corp.

## 1Q 2011 Investors' Conference

*April 29, 2011*

# 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**
- **FY10 & FY09, 1Q11 & 1Q10 Financial Results**
- **CB Industry Status**
- **Business Outlook/Strategy**
- **Q&A**



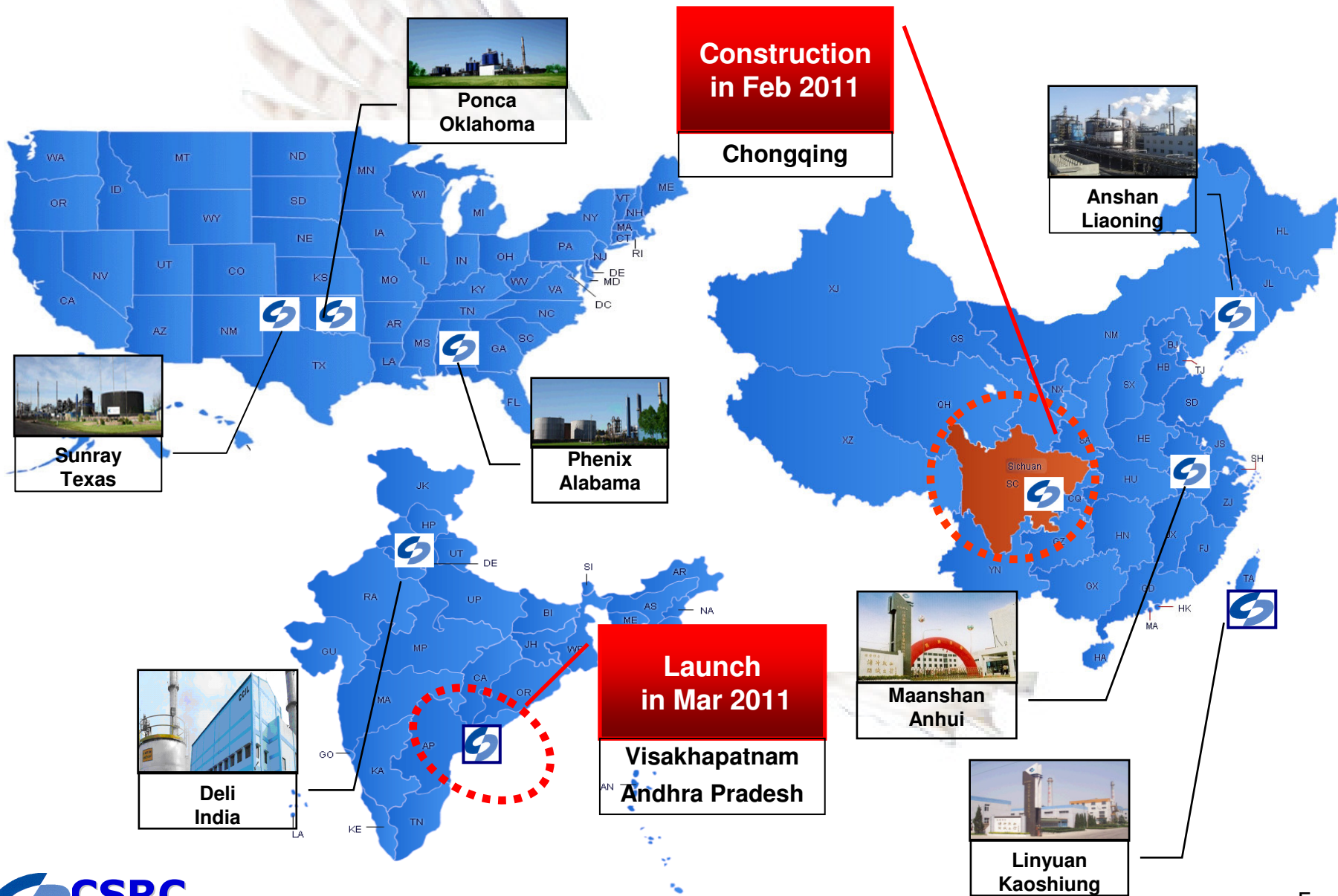
- **Company Snapshot**

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# Company Snapshot

<b>Established in Taiwan</b>	June, 1973	<b>Production Capacity</b>	
<b>Headquarter</b>	Taipei, Taiwan	Taiwan	Lin-Yuan 120K MT
<b>IPO in Taiwan</b>	July, 1986	China	Maanshan 125K MT Ashan 70K MT
<b>Market cap</b> (as of April 26, 2011)	<b>NT\$16,751million</b> <b>(US\$580million)</b> Share price at NT\$30.5	USA	Phenix 90K MT Ponca 135K MT Sunray 75K MT
<b>Employees</b> (as of March 31, 2011)	127 in Taiwan 314 in China 289 in USA 214 in India	India	Deli 65K MT
<b>Major Investment</b>	Synpac-Biotech Research E-one Moli Energy- Lithium-ion Battery	<b>Total</b>	<b>680 K MT</b>

# CSRC Carbon Black Business Overview



- 
- Company Snapshot
  - **FY10 & FY09, 1Q11 & 1Q10 Financial Results**
  - CB Industry Status
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# FY10 Result Highlights

(In NT Millions except otherwise noted)

	<b>FY10</b>	<b>FY09</b>	<b>YoY</b>
<b>Net Sales_CB(consolidated)</b>	<b>16,708</b>	<b>12,894</b>	<b>30%</b>
<b>EBITDA_CB(consolidated)</b>	<b>560</b>	<b>188</b>	<b>198%</b>
<b>Net Income</b>	<b>1,081</b>	<b>813</b>	<b>33%</b>
<b>EPS (NT\$)</b>	<b>2.01</b>	<b>1.85</b>	<b>9%</b>
<b>Gross Margin(%)_CB(consolidated)</b>	<b>6.0%</b>	<b>5.4%</b>	<b>0.6 ppt</b>
<b>ROA(%)</b>	<b>5.6%</b>	<b>4.7%</b>	<b>0.9 ppt</b>
<b>ROE(%)</b>	<b>6.9%</b>	<b>6.0%</b>	<b>0.9 ppt</b>
<b>Total Assets</b>	<b>18,910</b>	<b>20,435</b>	<b>-7%</b>
<b>Total Liabilities</b>	<b>3,256</b>	<b>4,703</b>	<b>-31%</b>
<b>Total Shareholders' Equity</b>	<b>15,654</b>	<b>15,732</b>	<b>0%</b>
<b>Free Cash Flow</b>	<b>810</b>	<b>(884)</b>	<b>192%</b>

# FY10 Income Statements (Stand alone)

(In NT Millions except otherwise noted)

	FY10	FY09	YoY
Net Sales	5,723	4,341	32%
COGS	(4,144)	(3,307)	25%
Gross Profit	1,579	1,034	53%
Gross Margin	27.6%	23.8%	3.8 ppt
Operating Expense	(413)	(404)	2%
Operating Income	1,166	630	85%
Operating Margin	20.4%	14.5%	5.9 ppt
Non-operating Income	371	114	225%
Income Before Tax	1,537	744	107%
Income Tax Benefit (Expense)	(456)	69	-761%
Net Income	1,081	813	33%
Net Margin	18.9%	18.7%	0.2 ppt
Diluted EPS (NT\$)	2.01	1.85	9%

# 1Q11 Result Highlights

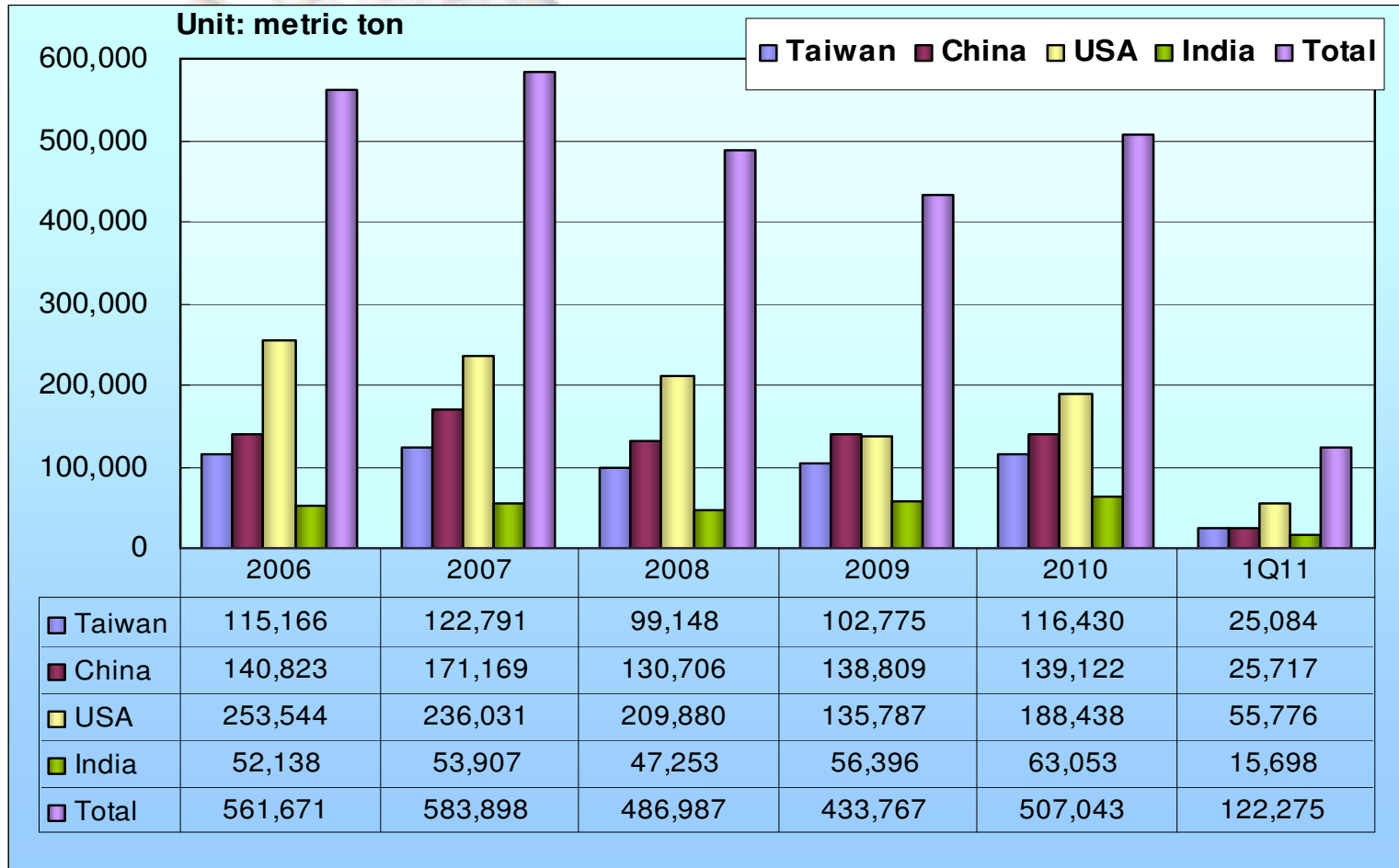
(In NT Millions except otherwise noted)	1Q11	4Q10	1Q10	QoQ	YoY
Net Sales_CB (consolidated)	4,172	4,076	4,002	2%	4%
EBITDA_CB (consolidated)	86	63	143	37%	-40%
Net Income	167	398	220	-58%	-24%
EPS (NT\$)	0.31	0.74	0.41	-58%	-24%
Gross Margin(%)_CB (consolidated)	3.7%	4.6%	5.8%	-0.9 ppt	-2.1 ppt
ROA(%)	3.5%	5.6%	4.6%	-2.1 ppt	-1.1 ppt
ROE(%)	4.1%	6.9%	5.6%	-2.8 ppt	-1.5 ppt
Total Assets	20,300	18,910	18,624	7%	9%
Total Liabilities	3,626	3,256	3,025	11%	20%
Total Shareholders' Equity	16,674	15,654	15,599	7%	7%
Free Cash Flow	(8)	247	175	-103%	-105%

# 1Q11 Income Statements (Stand alone)

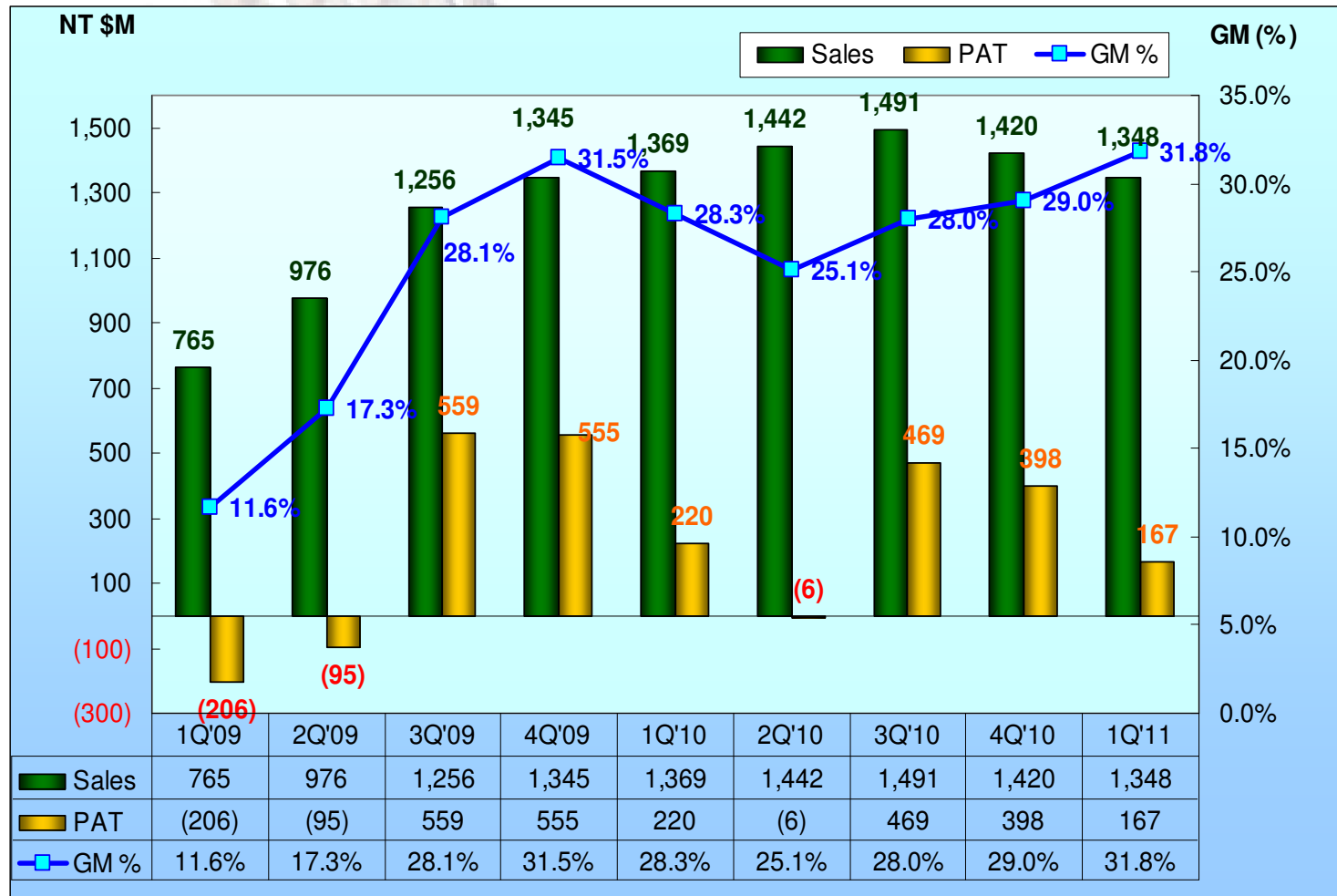
(In NT Millions except otherwise noted)

	1Q11	4Q10	1Q10	QoQ	YoY
Net Sales	1,348	1,420	1,369	-5%	-2%
COGS	(919)	(1,008)	(982)	-9%	-6%
Gross Profit	429	412	387	4%	11%
Gross Margin	31.8%	29.0%	28.3%	2.8 ppt	3.5 ppt
Operating Expense	(98)	(75)	(118)	31%	-17%
Operating Income	331	337	269	-2%	23%
Operating Margin	24.6%	23.7%	19.6%	0.9 ppt	5.0 ppt
Non-operating Income(Expense)	(32)	226	46	-114%	-170%
Income Before Tax	299	563	315	-47%	-5%
Income Tax	(132)	(165)	(95)	-20%	39%
Net Income	167	398	220	-58%	-24%
Net Margin	12.4%	28.0%	16.1%	-15.6 ppt	-3.7 ppt
Diluted EPS (NT\$)	0.31	0.74	0.41	-58%	-24%

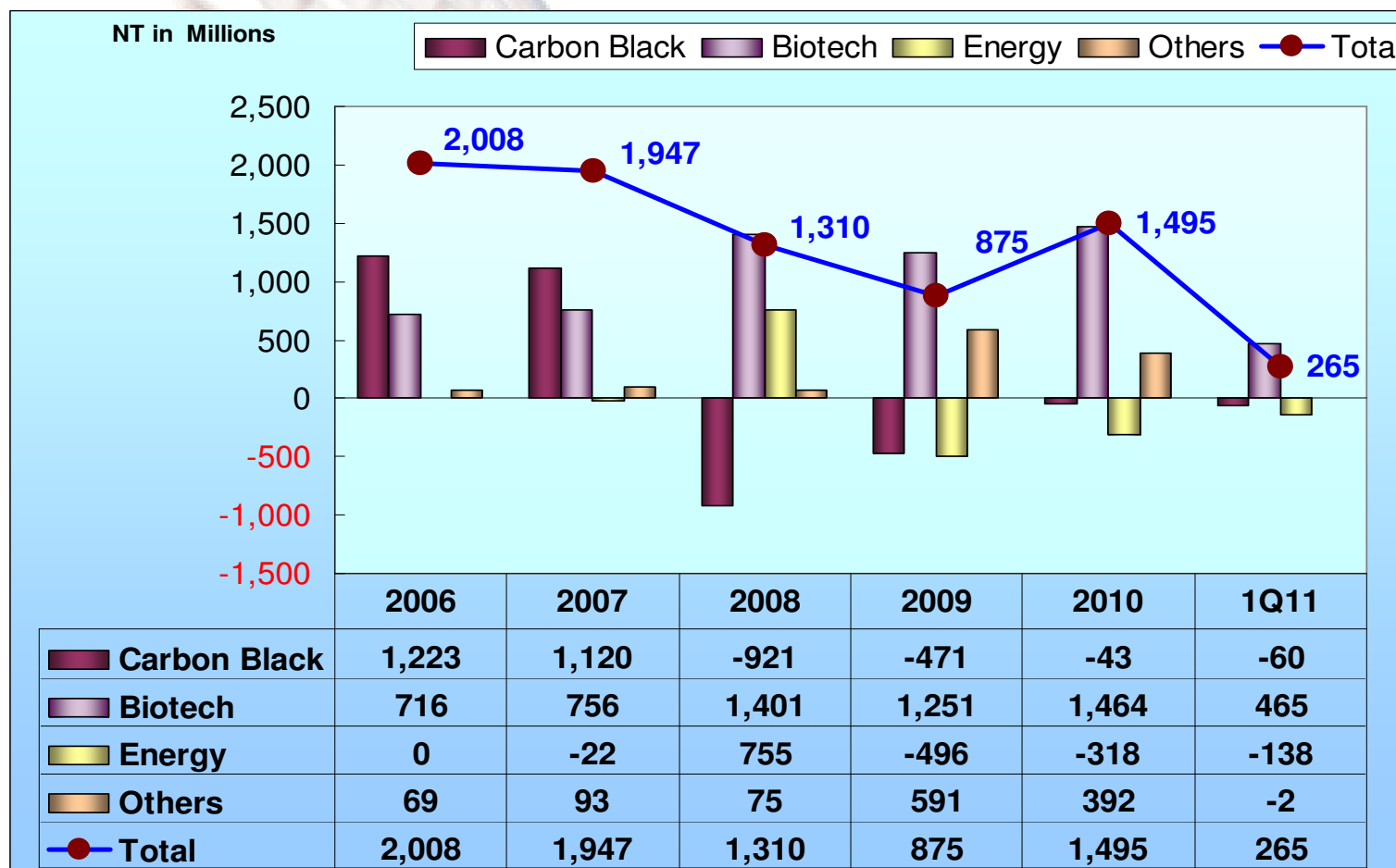
# Carbon Black Sales Volume in Recent 5 Years



# Sales / GM & PAT-Taiwan



# Operating Income by Business Units – Consolidated

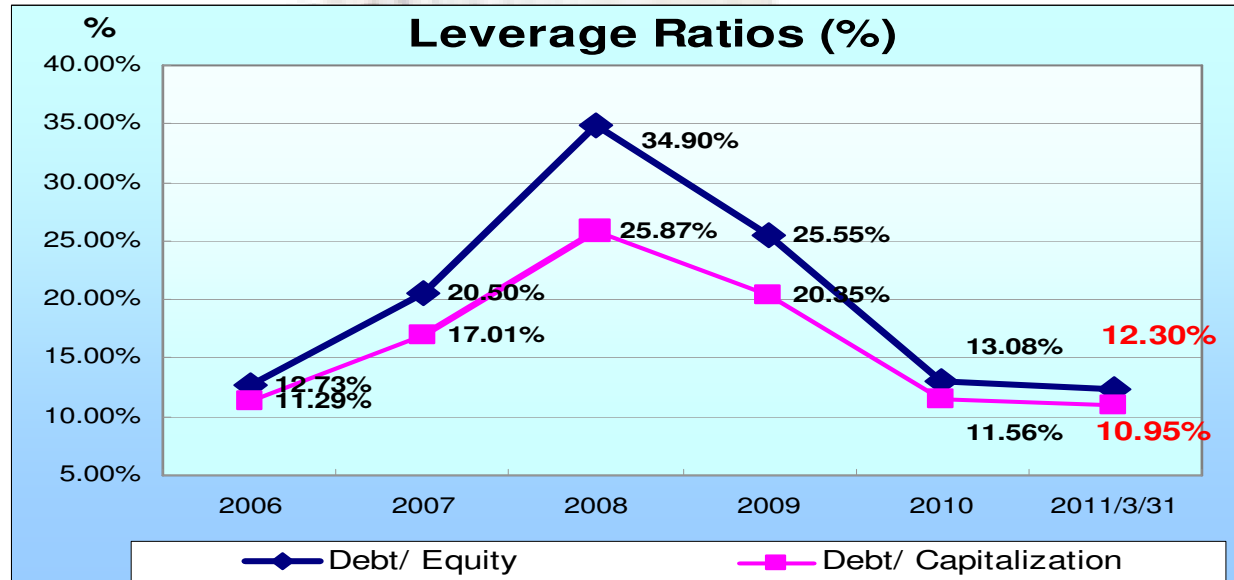
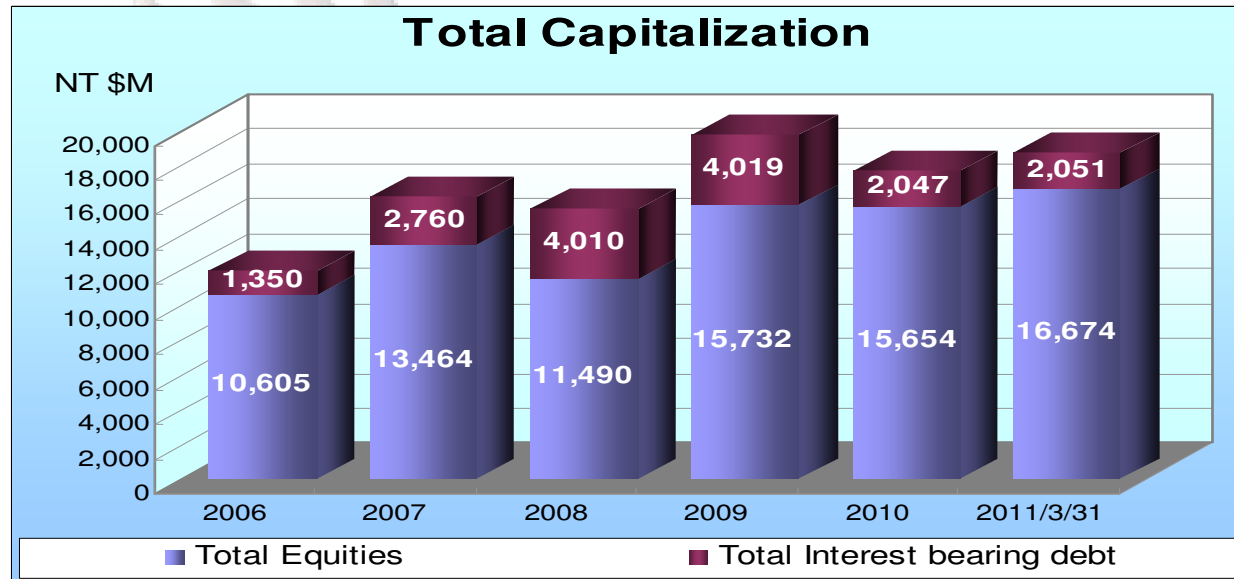


NOTE : Energy business got from E-One, which was combined into CSRC group from December 2007 as CSRC got control from then on.

# 1Q11 Cash flow Statements (Stand alone)

(In NT Millions except otherwise noted)	1Q11	4Q10	1Q10
Cash Flows From Operating Activities			
<b>Net Income</b>	167	398	220
Adjustments to reconcile income to net cash provided by operating activities :	10	314	330
<b>Net Cash Provided By Operating Activities</b>	177	712	550
Cash Flows Used In Investing Activities	(184)	(465)	(370)
Cash Flows Used In Financing Activities	0	(440)	(1,780)
<b>Net Decrease In Cash and Cash Equivalents</b>	(7)	(193)	(1,600)
Cash And Cash Equivalents-Beginning of Period	255	448	2,140
<b>Cash And Cash Equivalents-End of Period</b>	248	255	540

# Solid Financial Structure

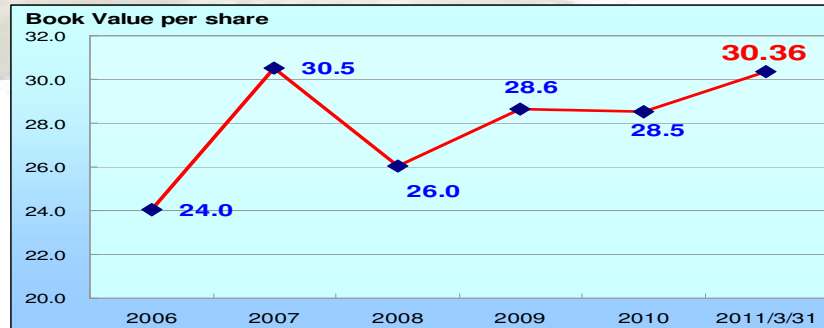
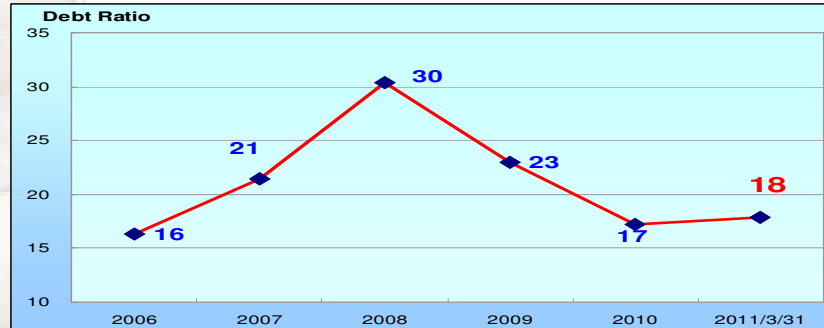
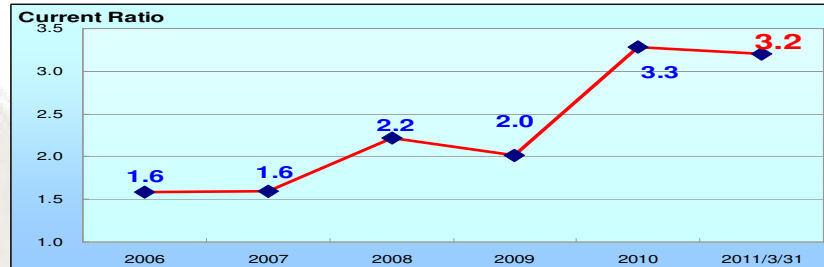
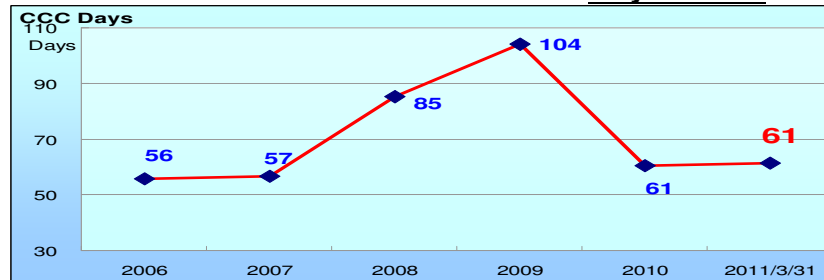
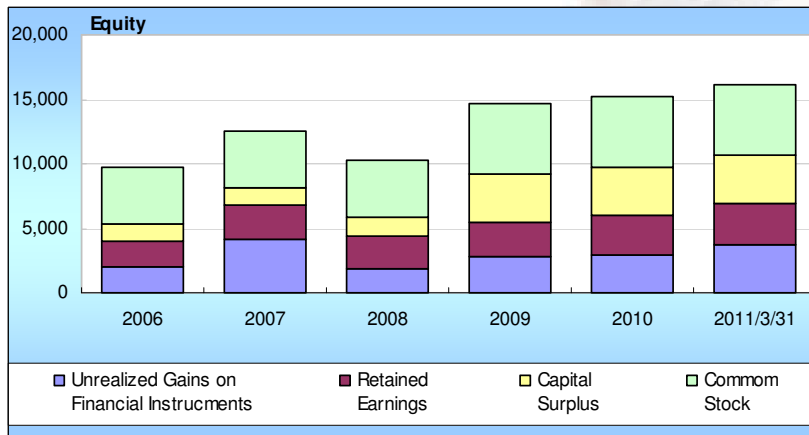
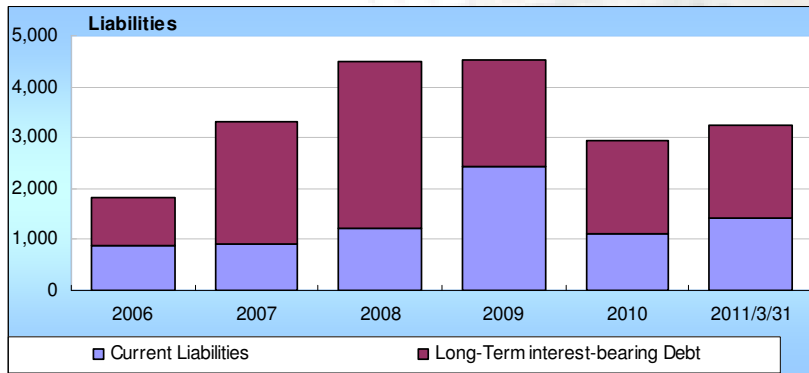
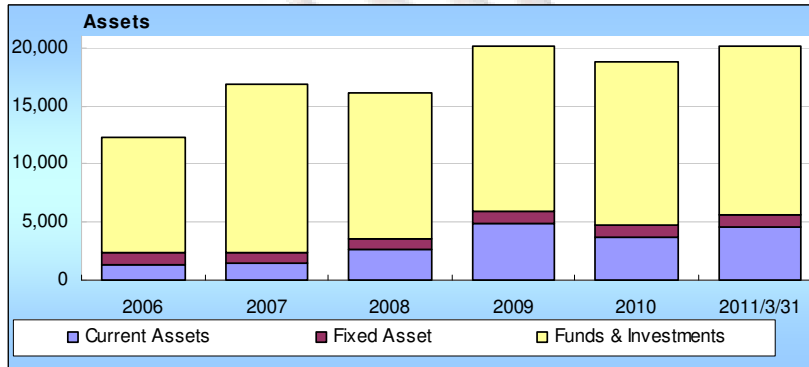


# Solid Balance Sheets & Key Indices

## Balance Sheets

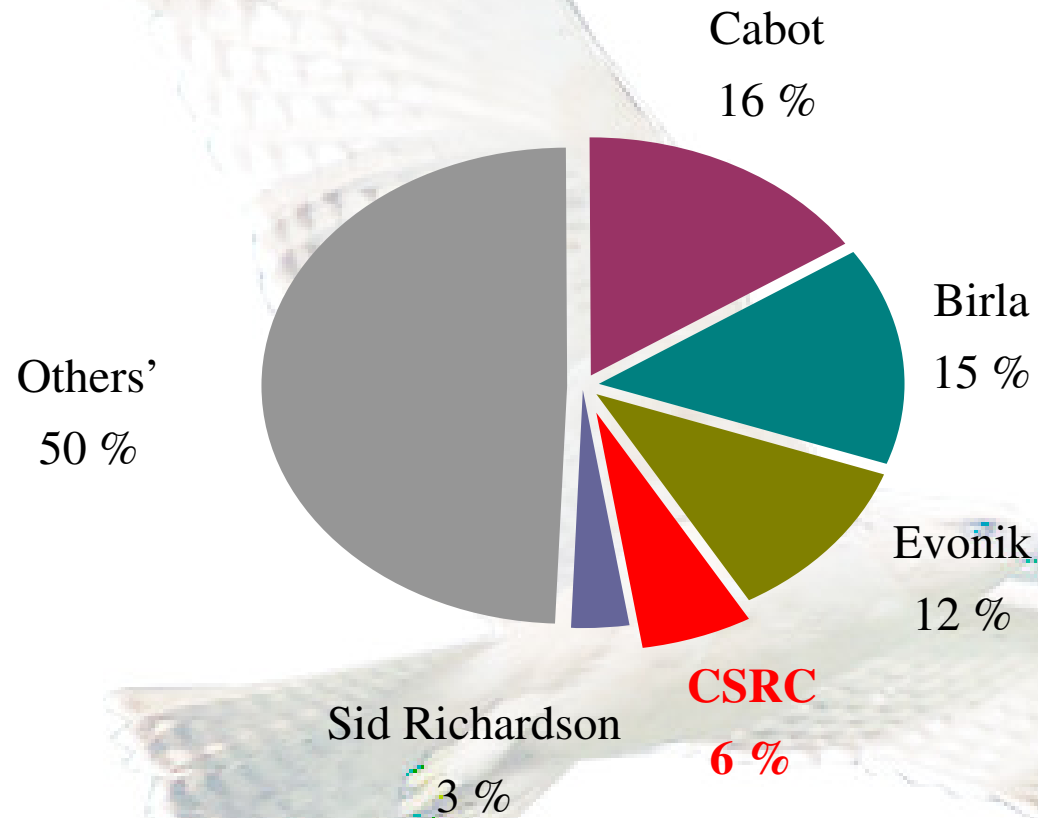
In NT Millions

## Key Indices



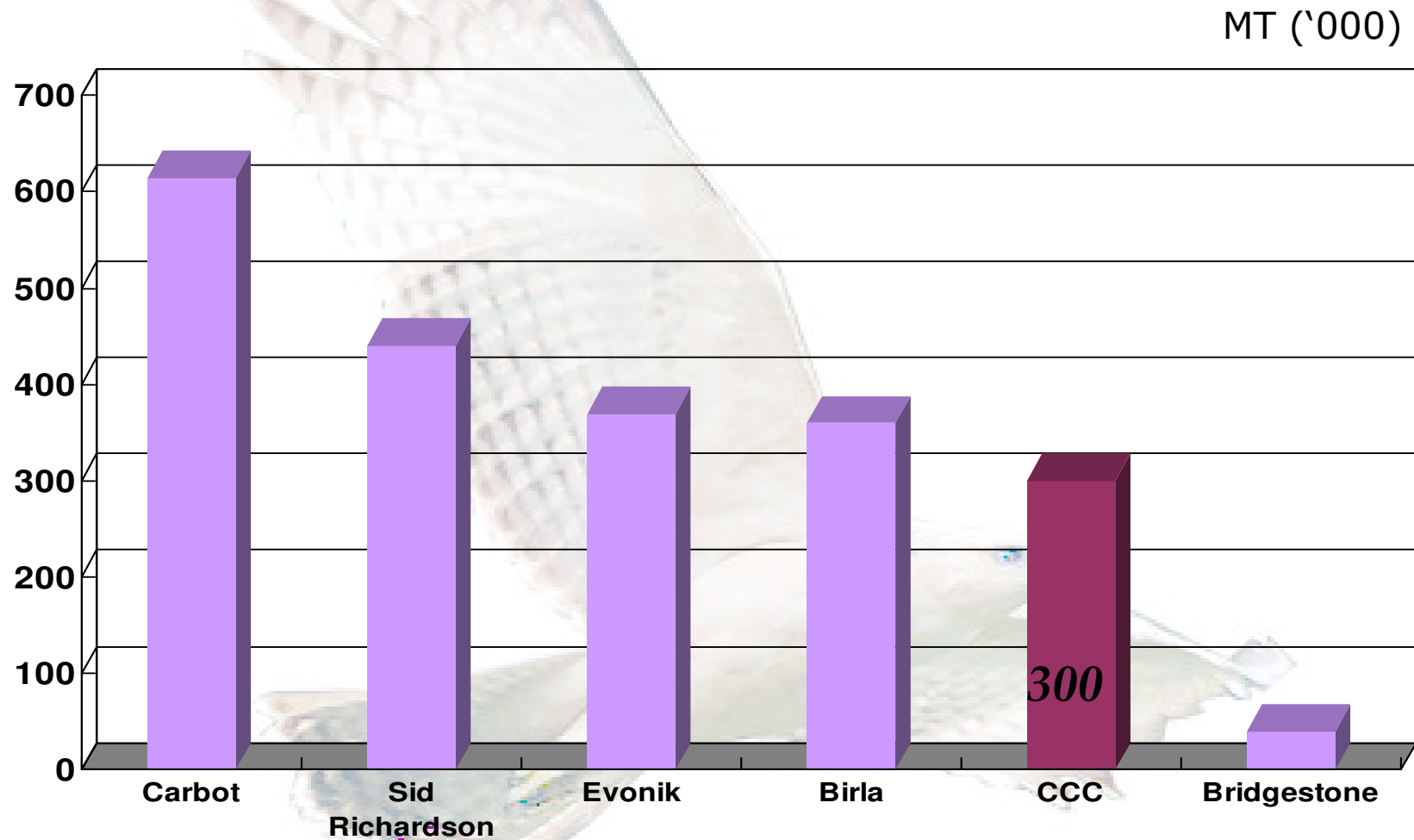
- 
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# Major Carbon Black makers' market share



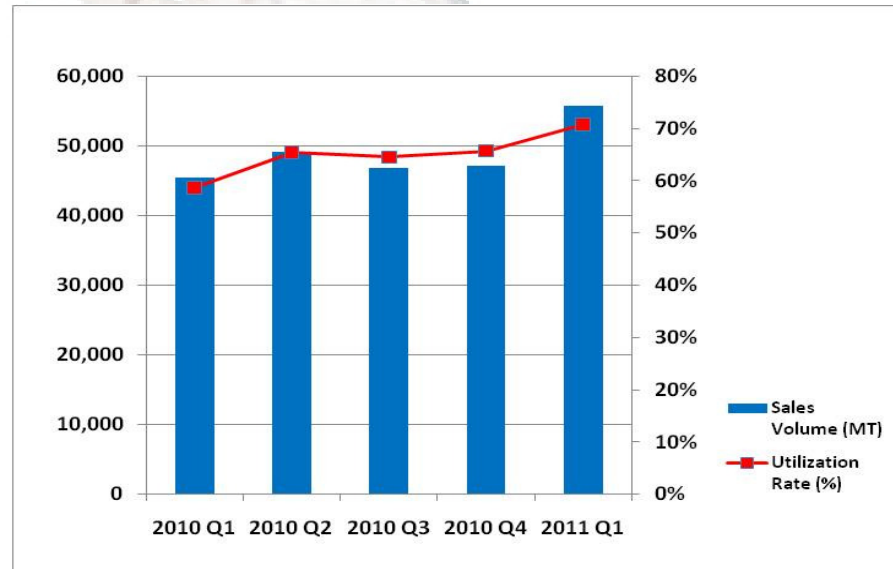
Source : SRI

# Major Carbon Black makers in NA



# Business Outlook – NA

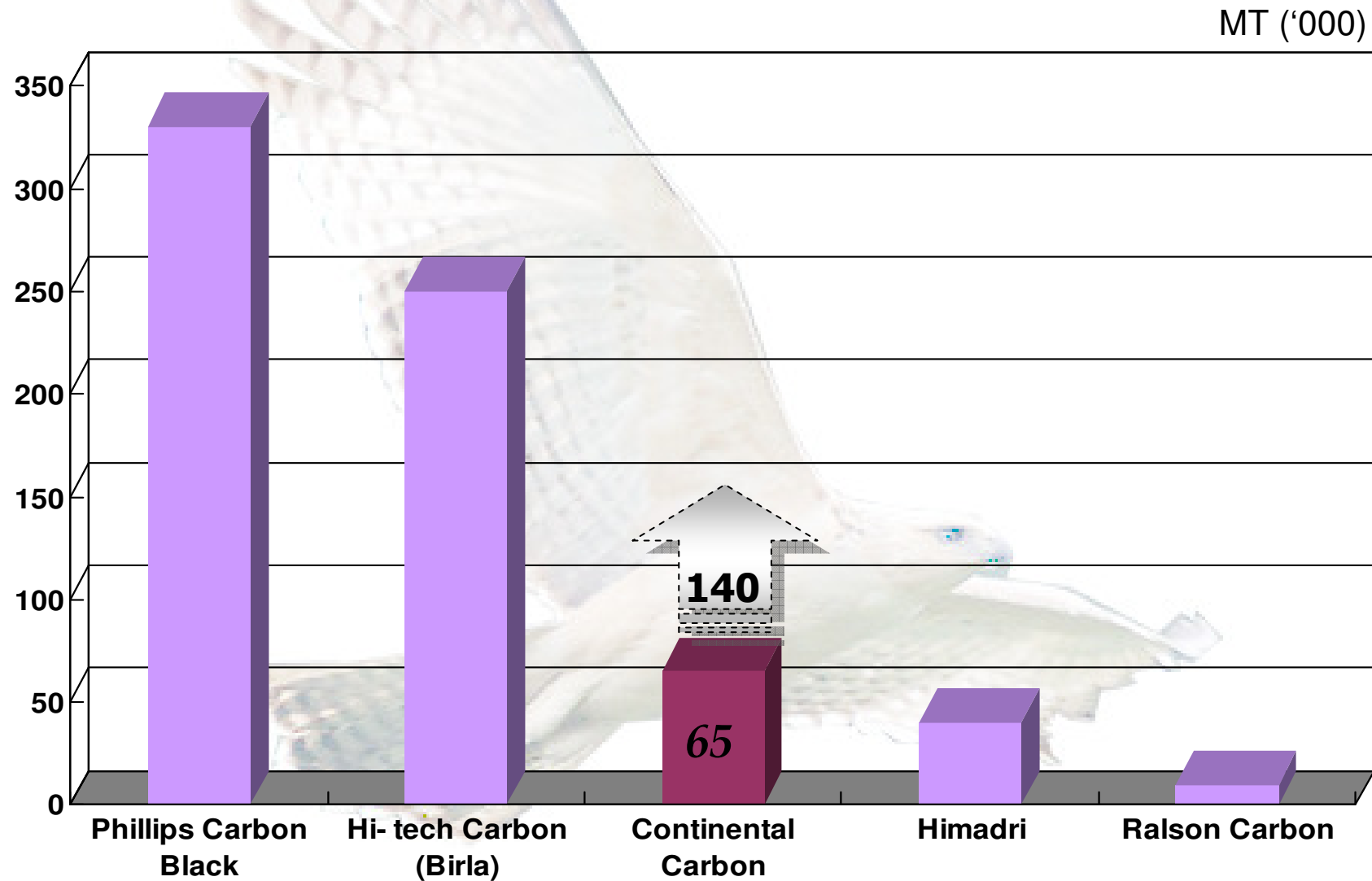
## ■ Utilization rate from 2010Y~2011Y Q1



## Ways to improve profit

- Maintain high utilization
- Negotiate for better pricing
- Carbon Black Production Technology Licensing
- Niche Product development
  - Clean Black 、 Superconductive black 、 Carbon Nano Tubes
- Energy recovery

# Major Carbon Black makers in India



# Business Outlook – India

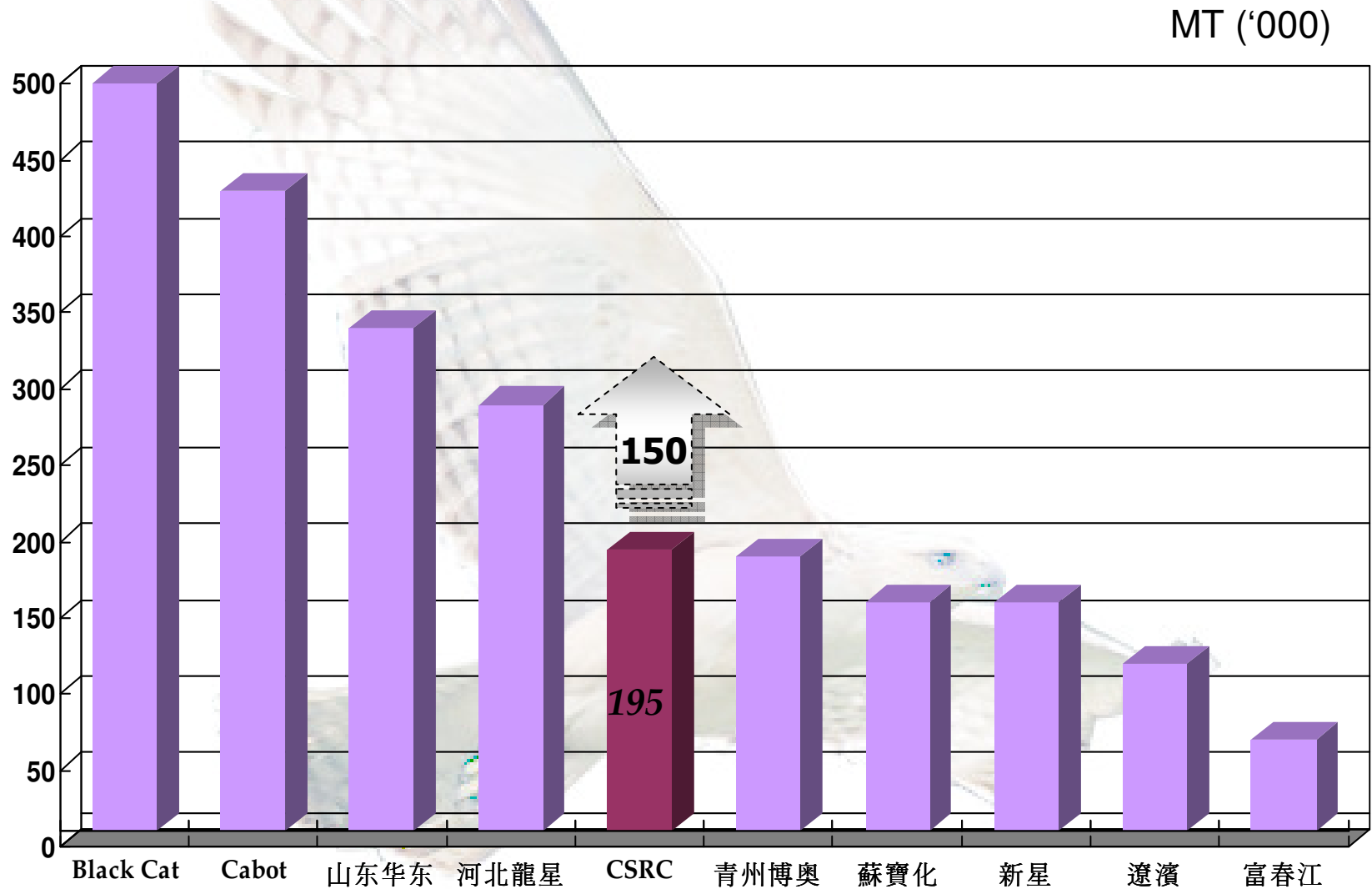
## ■ Carbon Black Demand and Supply in India

*Unit : 000'MT*

	2010	2011	2012	2013
CB India Market Demand	637	722	854	862
CCIL Capacity	65	65	65	175
Market Share %	10%	9%	8%	20%

- Ways to beat the competition
  - Extend capacity to enhance market share
  - Gain more profit through energy recovery from the expansion of CB capacity
  - Manufacturing niche product- superconductive black
  - New efficient reactor technology implementation

# Top 10 Carbon Black makers in China



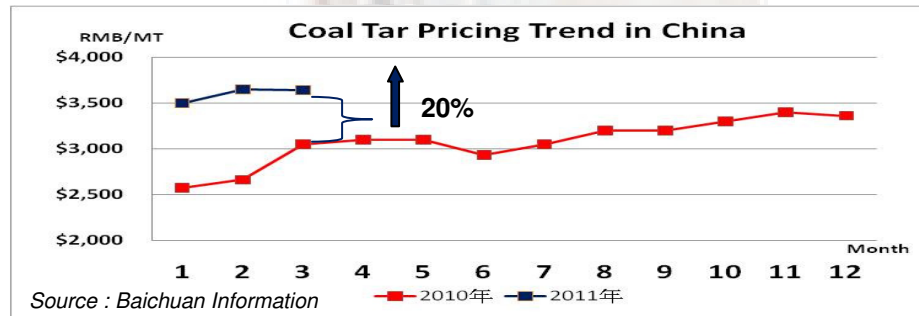
# Business Outlook – China

- CB market demand and supply comparison

	2009Y	2010Y	MT'000/年
			Growth
Demand	2,758	3,239	481
Supply	4,349	5,039	690
Over	1,591	1,800	209
%	37%	36%	

Source : Published by China CB Associate in Apr 2011.

- Expansion output will cause more severe price competition in major East & North China market
- Feedstock pricing trend in China



## Ways to improve profit

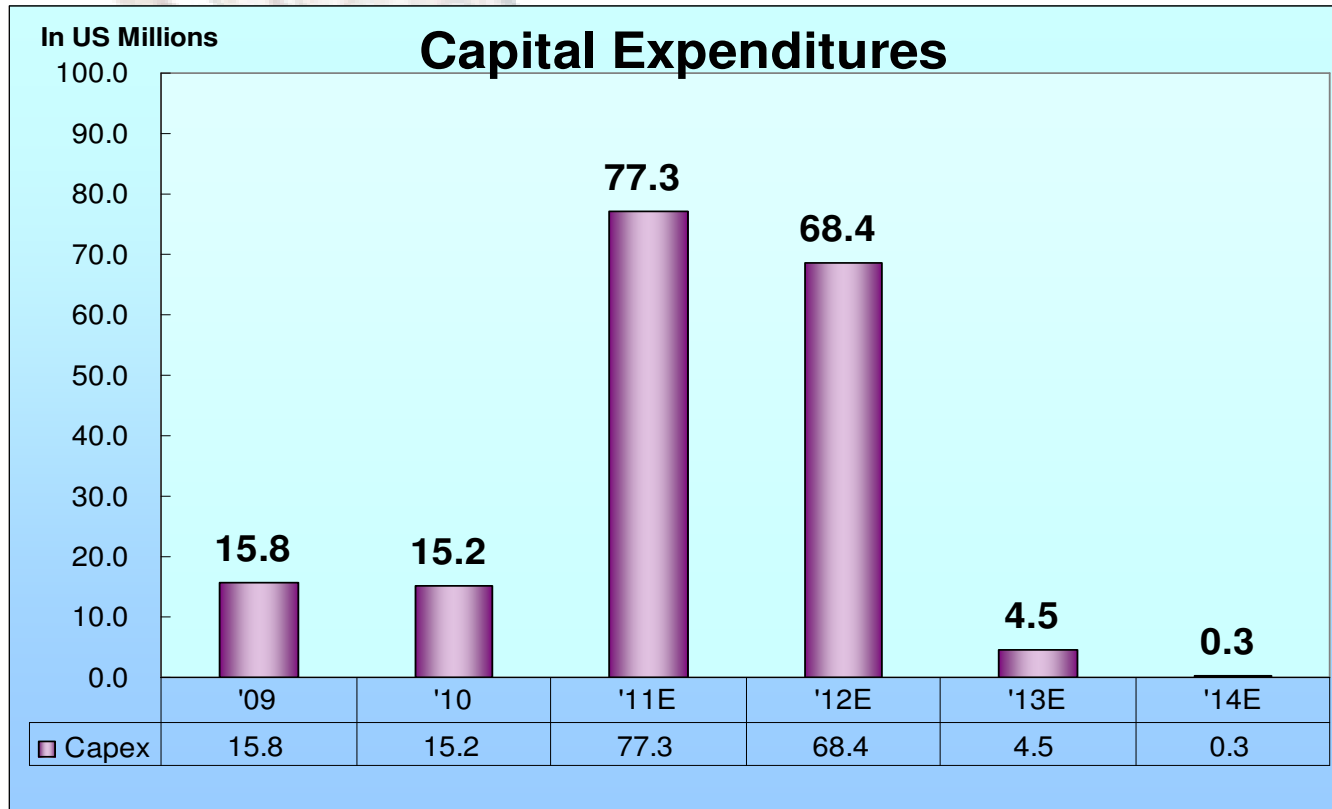
- Maintain high utilization.
- Sourcing for more competitive feedstock.
- Introducing new energy recovery technology and equipment.

# Carbon Black Capacity Expansion Plan

MT('000)

Location	'10	'11E	'12E	'13E	'14E
China	195	280	340	340	340
India	65	65	65	175	205
<b>Total</b>	<b>260</b>	<b>345</b>	<b>405</b>	<b>515</b>	<b>545</b>
<b>Growth</b>	<b>-</b>	<b>85</b>	<b>60</b>	<b>110</b>	<b>30</b>

# Capital Expenditures



- 
- Company Snapshot
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# Business Outlook/Strategy

## Carbon black

1. Maintain high utilization, more profit gains from steam & electricity
2. Develop new technology to beat the competition

## Specialty Black and Carbon Nano Tubes

1. Develop superconductive products for niche market
2. Work with strategic partners/customers to develop new applications

## Energy ( Li-ion-battery)

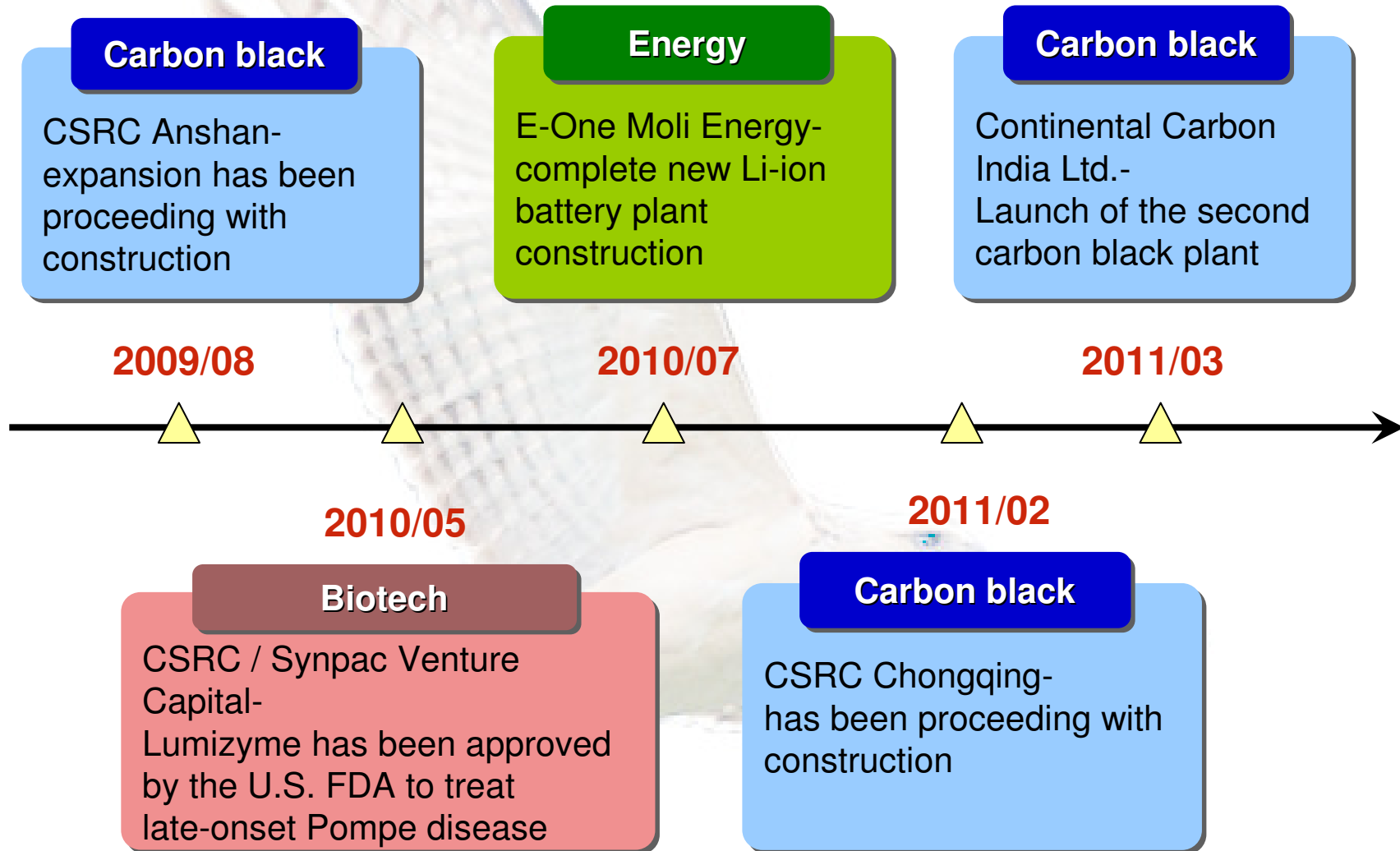
1. Enhance NA sales power to increase short term revenue
2. Develop LEV pack and customer for middle term business
3. Cooperate with EV maker to develop EV pack and have actual run demonstration
4. Implement cost down plan to increase the gross profit

## Biotech

1. SK- meet PICS within 2~3 yrs to enhance competence
2. Myozyme- continuing growth; Lumizyme- has been approved by the U.S. FDA to treat late-onset Pompe disease



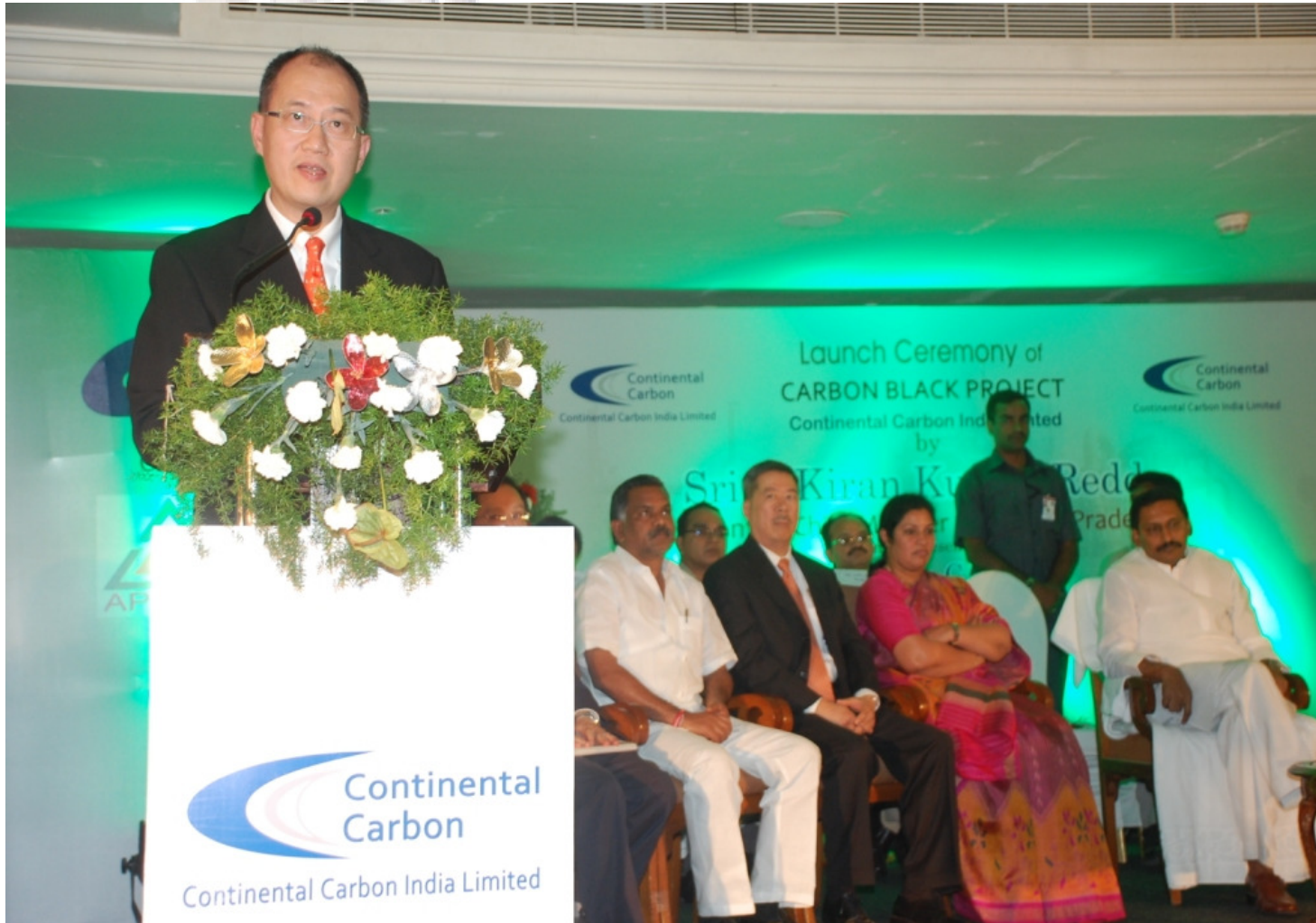
# Recap of Recent Important Events



Anshan expansion



## Launch ceremony in India





**THANK YOU!**  
**Q&A**