



CHINA STEEL

China Steel Corporation

December 15, 2016



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Company overview: Business snapshot (CSC standalone)

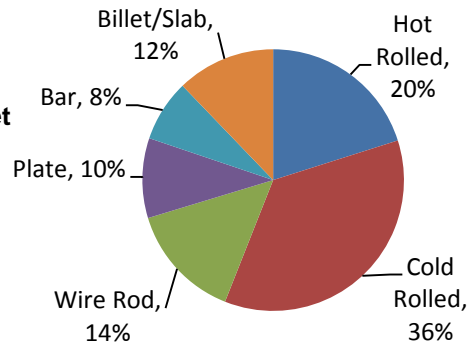
Overview

- 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, 2015

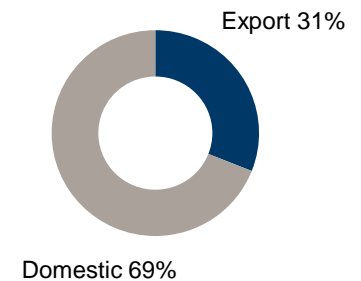
Major business

- 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
(2016.1~3Q)



Domestic/Export by revenue
(2016.1~3Q)



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 (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
- CSC Solar Corporation

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
- CSC Bio-coal Corporation
- White Bio-tech 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)

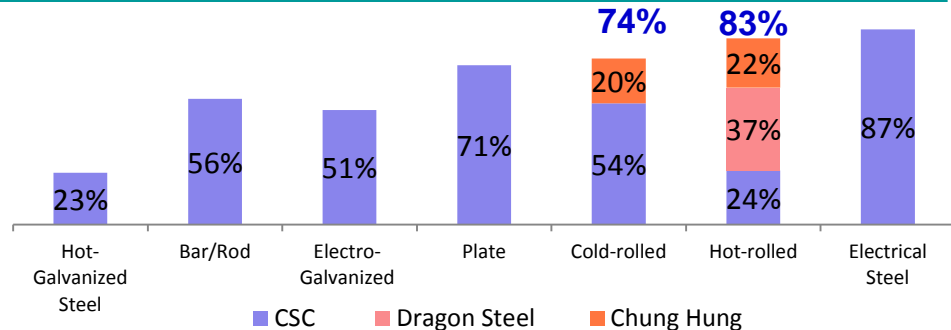
Service and Investments Businesses

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

Capacity & market share

- 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).

CSC Group domestic market share (2016.1~3Q)



Company Overview: Awards and Honours



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1

- 2016.12 CSC received “Ten Most Prestigious Sustainability Award”, “Taiwan Top 50 Corporate Sustainability Report Award”, “Growth through Innovation Award”, “Transparency and Integrity Award”, “Climate Leadership Award”, “Supply Chain Leadership Award”, “Talent Development Award”, and “Sustainable Water Management Award” by TAISE.

2

- 2016.11 Sustainable Group Award, British Standards Institution.

3

- 2016.01 CSC was ranked as RobecoSAM 2016 Steel Industry Silver Class Sustainability leaders.

4

- 2015.12 Green Enterprise Award, British Standards Institution.

5

- 2015.11 CSC received “Ten Most Sustainable Company Award”, “Taiwan Top 50 Corporate Sustainability Report Award”, “Growth through Innovation Award”, “Climate Leadership Award”, and “Sustainable Water Management Award” by TAISE.

6

- 2015.11 CSC was included in CDP ‘s 2015 Climate Disclosure Leadership Index for Hong Kong and South East Asia region and received the highest disclosure score among all Taiwanese companies.

7

- 2015.08 CSC was ranked 10th among large enterprises in the “Excellence in Corporate Social Responsibility Award” by Common Wealth magazine.

Company overview: Group capacity & Production lines

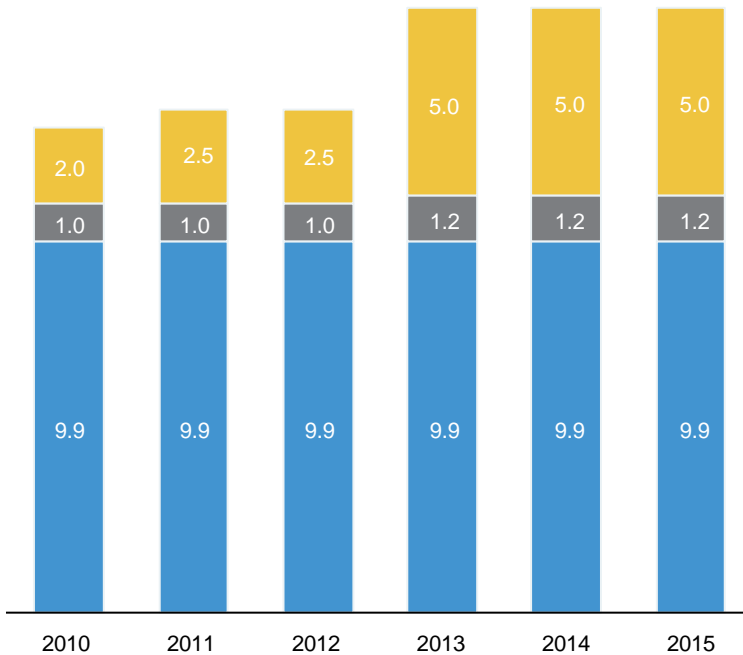


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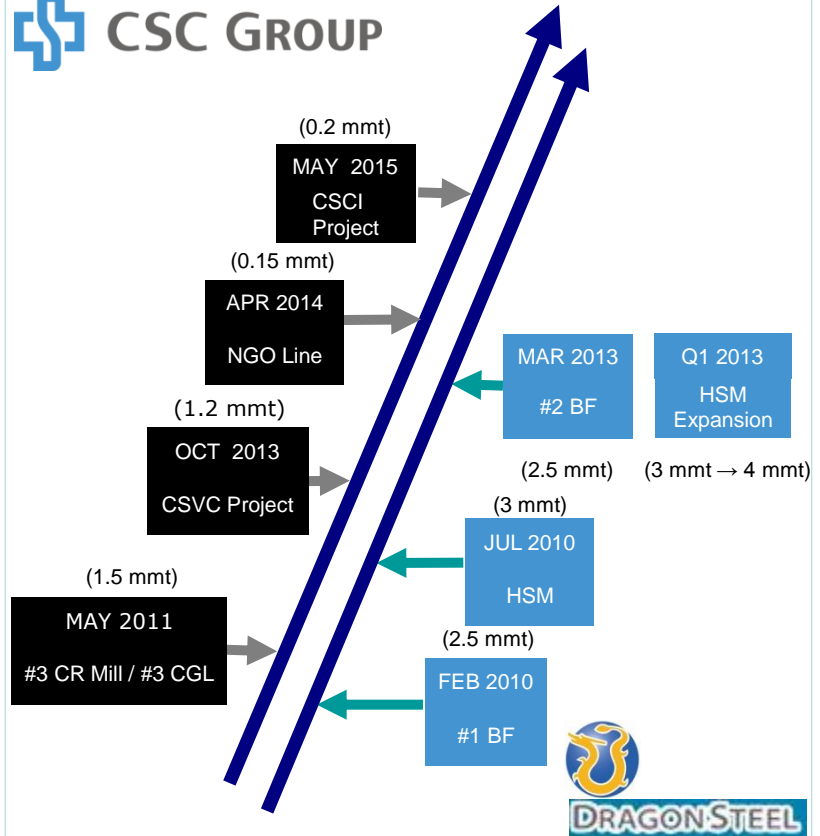
Group capacity

Crude steel capacity (mmt)

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



Commencement of new capacity/production lines: CSC group





Performance- Consolidated operating results

Amount: NT\$ million

Item	*2016.1~3Q	*2016.1~10
Consolidated Operating Revenue	210,884	236,916
Consolidated Operating Income	18,422	21,424
Consolidated Income Before Income Tax	16,674	19,063

*preliminary result



Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2016.1~3Q	2016.1~10
1	Steel products	167,701,254	189,312,974
2	Non-steel industry materials	21,404,390	23,738,006
3	Construction	14,671,603	16,011,482
4	Transportation and service	5,491,148	6,018,826
5	Others	1,616,086	1,834,920
Less	Sales returns and allowances	0	0
	Total	210,884,481	236,916,208

*preliminary result

Performance-CSC group

Segment revenues and operating results



Unit : NTD Thousands

2016. 1~3Q	Steel	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 164,885,474	\$ 45,999,007	\$ -	\$ 210,884,481
Inter-segment revenues	42,187,124	29,207,916	(71,395,040)	-
Segment revenues	\$ 207,072,598	\$ 75,206,923	(\$ 71,395,040)	\$ 210,884,481
Segment profit	\$ 12,713,452	\$ 5,703,009	\$ 5,732	\$ 18,422,193
Interest income	152,242	125,392	(47,117)	230,517
Financial costs	(2,544,035)	(359,716)	27,505	(2,876,246)
Share of the profit of associates	5,217,248	826,529	(6,254,978)	(211,201)
Other non-operating income and expenses	1,353,600	265,502	(510,498)	1,108,604
Profit before income tax	16,892,507	6,560,716	(6,779,356)	16,673,867
Income tax	1,214,998	736,709	11,293	1,963,000
Net profit for the period	\$ 15,677,509	\$ 5,824,007	(\$ 6,790,649)	\$ 14,710,867



Performance- consolidated basis

Consolidated Income Statement

Units: NT\$ millions

IFRSs

	2015.3Q	2016.3Q	2015.1~3Q	2016.1~3Q
Revenues	67,694	73,593	222,060	210,884
Gross profit	4,205	12,846	21,327	28,731
Gross margins	6.21%	17.46%	9.60%	13.62%
Profit before tax	1,295	8,825	11,902	16,674
<u>Net profit</u>	<u>1,141</u>	<u>7,630</u>	<u>9,252</u>	<u>14,711</u>
Attributable to				
Owners of the corporation	744	6,676	9,120	12,438
Non-controlling interests	397	954	132	2,273



Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2011	12/31/2012	12/31/2013※	12/31/2014※	12/31/2015※	9/30/2016※
Debt	299,578	312,393	362,630	348,049	357,414	345,495
Debt/Equity	95.99%	102.26%	113.55%	103.99%	111.44%	106.33%
Asset	611,686	617,892	681,999	682,737	678,139	670,413
Debt / Asset	48.98%	50.56%	53.17%	50.98%	52.71%	51.53%
Net Debt *	273,421	283,402	338,593	322,284	329,674	324,511
Net Debt /Asset	44.70%	45.87%	49.65%	47.20%	48.61%	48.40%

Since 2009, CSC group have issued corporate bonds and signed syndicated bank loans for DSC's expansion project and overseas 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*)

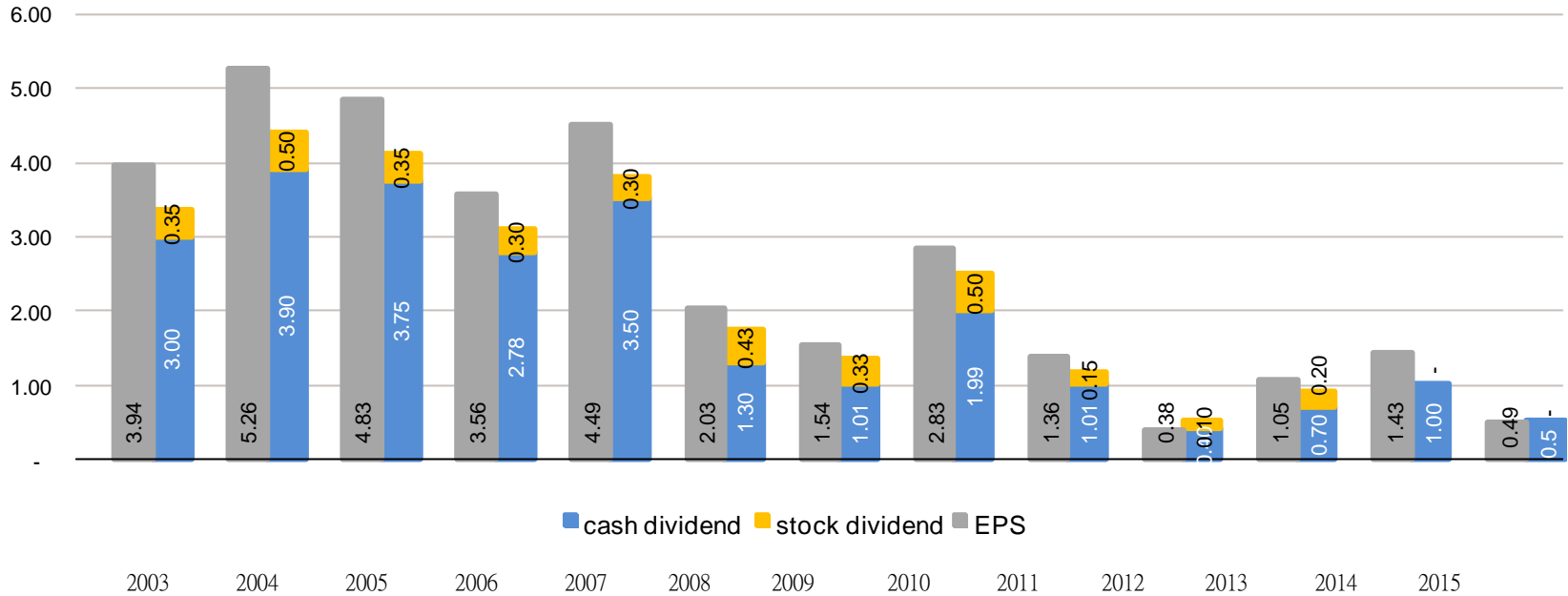
※IFRSs basis



Performance- Historical EPS and dividends paid

(in NTD per share)

Dividend payout(%)	85	84	85	87	85	85	87	88	85	132	86	70	102
Cash Dividend payout(%)	76	74	78	78	78	64	66	70	74	105	67	70	102

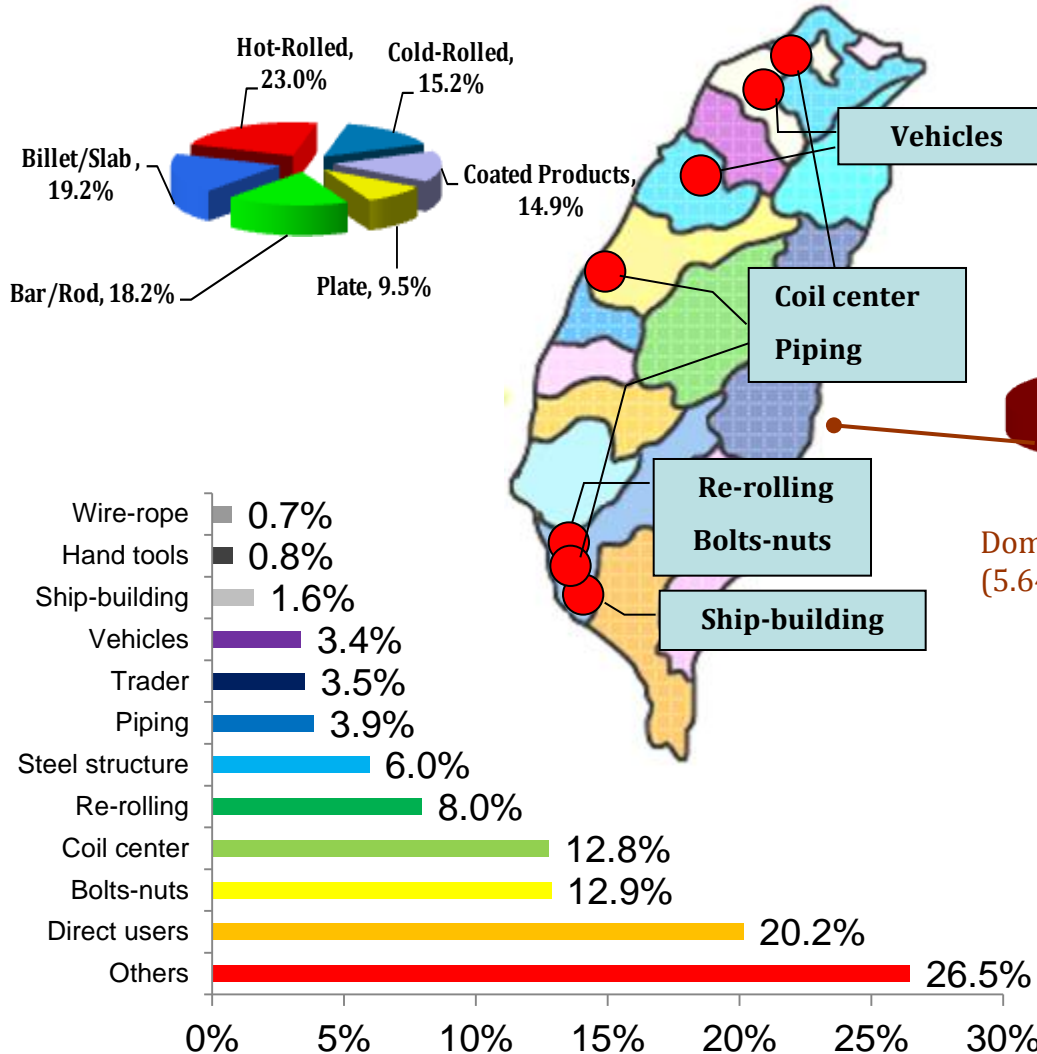




Sales (CSC standalone)

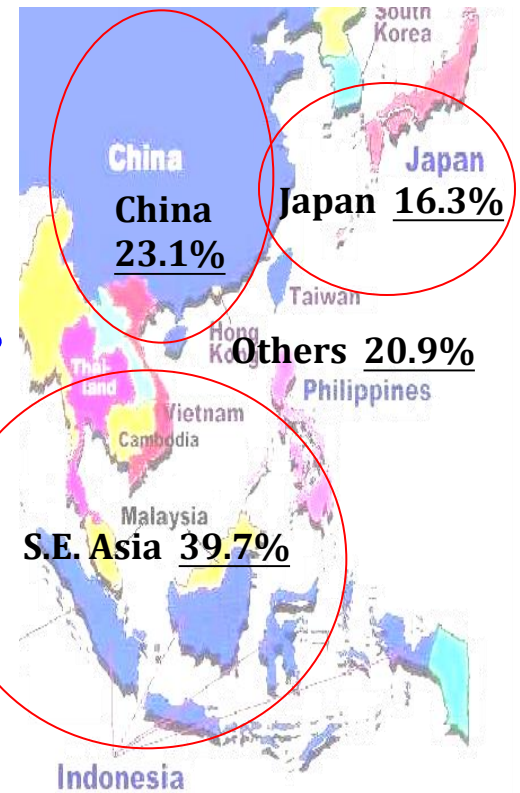
2016.1~3Q CSC sales volume totaled 8.17 million metric tons

Domestic/Export sales volume breakdown of 2016.1~3Q



Export 30.96% (2.53 million metric tons)

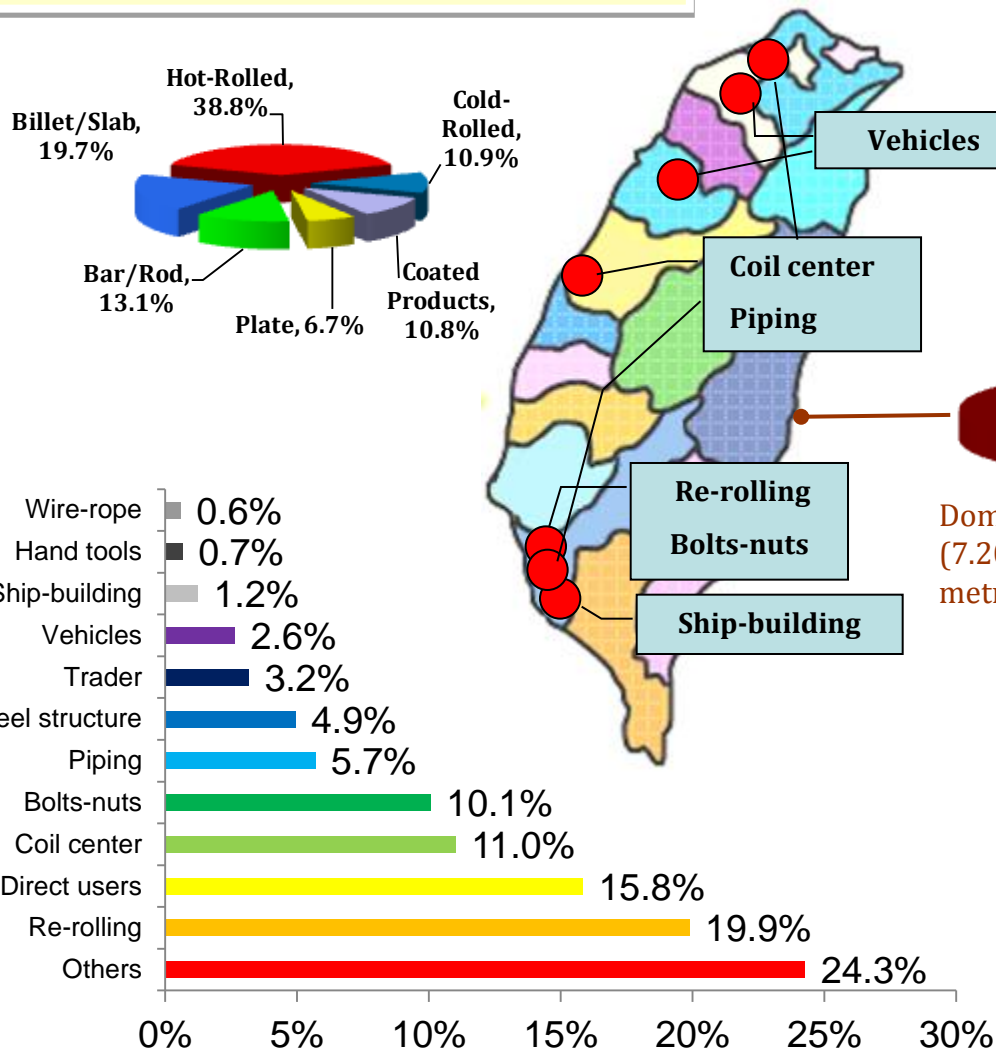
Domestic 69.04% (5.64 million metric tons)



Sales (CSC & BF products of DSC)

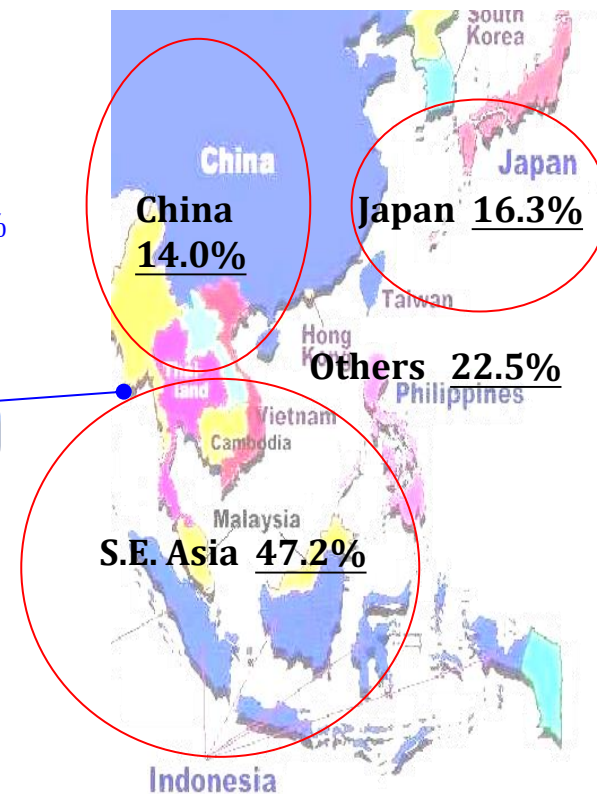
2016.1~3Q sales volume (CSC & BF products of DSC) totaled 11.36 million metric tons

Domestic/Export sales volume breakdown of 2016.1~3Q



Export 36.60%
(4.16million metric tons)

Domestic 63.40%
(7.20million metric tons)



Key strategies to achieve the vision

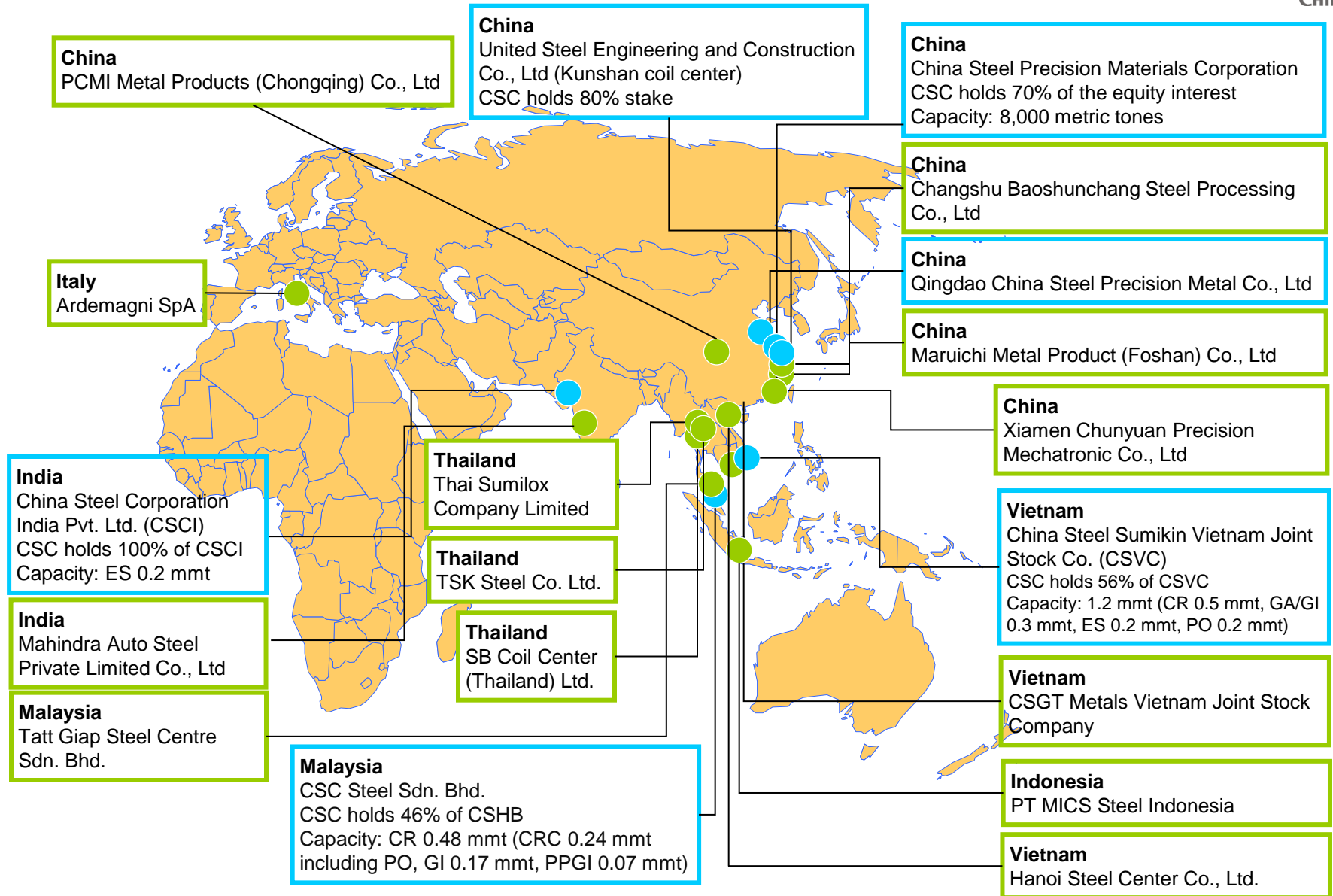
- 1 Pass down corporate culture, implement career planning, create LOHAS environment and promote image of CSC Group
- 2 Improve customer lean service, strengthen strategic partnerships, solidify domestic market and expand sales channels of export
- 3 Integrate resources of CSC Group, map out green industries, invest in deep-processing fields and increase self-sufficiency ratio of raw materials
- 4 Research and develop advanced products, applied technology and green processes for increasing chain value of steel industry
- 5 Enhance engineering capabilities of CSC Group, develop wind power and rail businesses, and expand engineering business proactively
- 6 Expand supply of products, reduce cost continuously, elaborate on energy saving and environmental protection, and strengthen occupational safety and health.

Expand sales channels of export : overseas investment



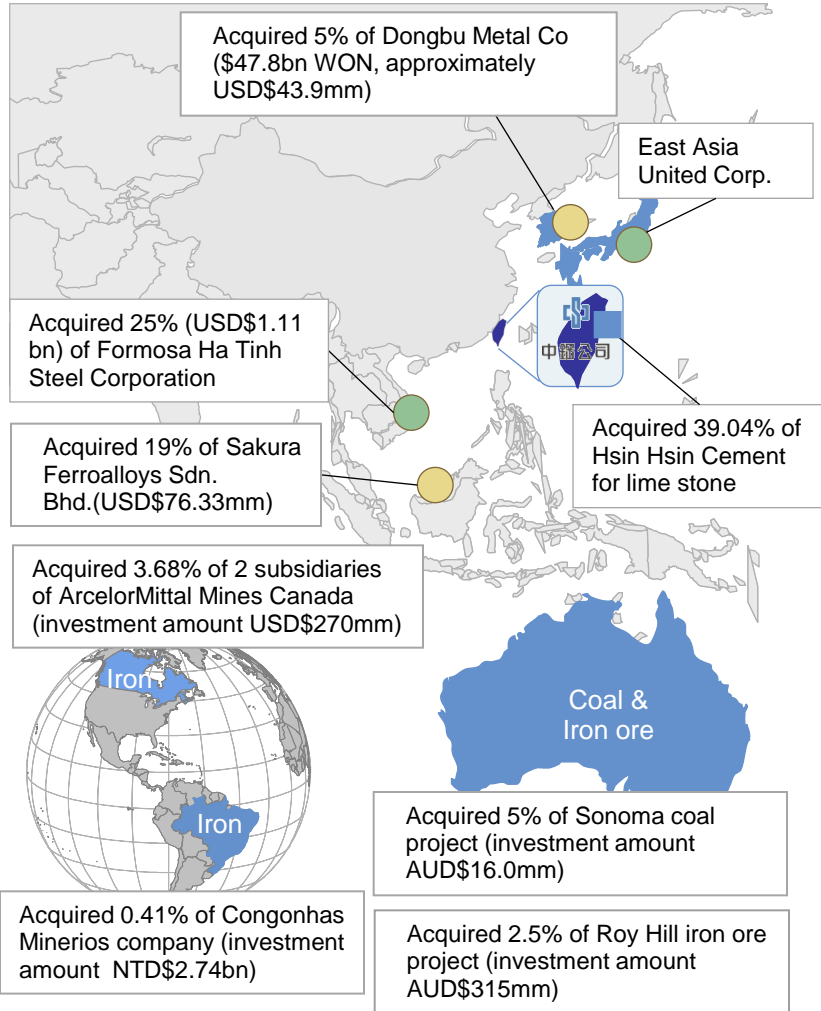
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New Asia Project



Increase self-sufficiency ratio of raw materials

■ 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.
 - NSSMC's Wakayama plant as a reliable supply source for slab
- Formosa Ho-Tinh Steel Corporation
 - As a mutual supply of hot-rolled and slab products.

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.

Increase the supply chain value of steel-related industries by developing advanced products and technology and green manufacturing process



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Engineering Research Center (ERC)

Through an innovative approach, ERCs strategically focus R&D effort on the need of industries and implement systemic, profound, and comprehensive long-term academic researches.

Electric Motor Technology ERC
Physical Properties & Microstructure of Metals ERC
Steel Structure ERC
Advanced Steel Microstructure Control ERC
High-value Metal Industry ERC
Next-Generation Hand Tool ERC
Advanced Special Alloy ERC
Forging Roll Forming ERC

Joint Research Laboratory (JRL)

To win trust and increase business opportunities, CSC establishes JRLs with customers and strives to enhance the suitability of CSC materials with customers' manufacturing processes.

Compressor and Motor JRL
Auto Steel JRL(HAITEC, MIRDC)
Motor JRL
Auto Application JRL
Auto Steel JRL(Engley, Honley)

Alliance for Steel Industries

CSC forms alliances with customers to improve international marketing and service capabilities.

Taiwan Elite Handtool Organization

Improve customer lean service, strengthen strategic partnerships



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

Reduce cost continuously, elaborate on energy saving and environmental protection, and strengthen occupational safety and health

Cost Reduction Performance

2015
4.84
billion
NTD

- 1.53 bn: Expense saving from nationalization of equipment and spare parts
- 0.79 bn: Reduction of raw material procurement cost through negotiation and spot transaction
- 0.78 bn: Provide saturated steam and industrial gas to nearby plants
- 0.84 bn: Use of low cost raw material and reduction of fuel cost for blast furnace
- 0.26 bn: Establishment of On-line Monitoring System and automatic quality inspection system/Improvement of manufacturing process

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 control systems