



CHINASTEEL

# China Steel Corporation

March 16, 2016





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# Company overview: Business snapshot (CSC standalone)

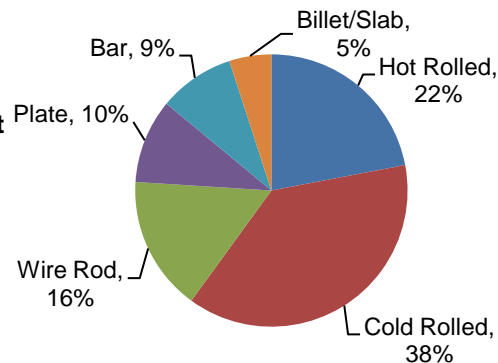
## Overview

- 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

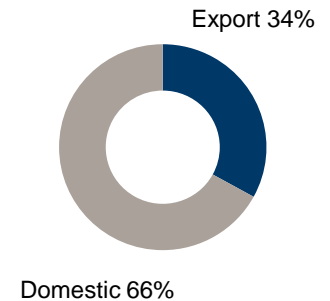
## Major business

- 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  
(2015)



Domestic/Export by revenue  
(2015)



# 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

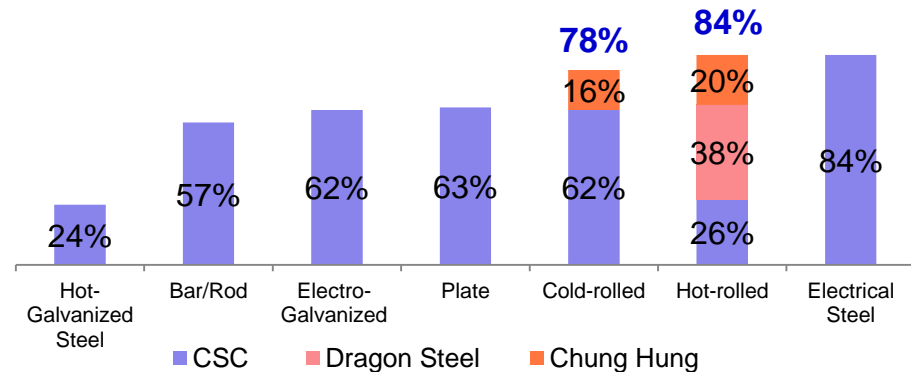
- C. S. Aluminum Corporation
- China Steel Chemical Corporation
- CHC Resources Corporation
- Himag Magnetic Corporation
- China Steel Precision Materials
- China Steel Resources Corporation
- CSC Precision Metal Industrial Corporation

#### 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)

- 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



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1

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

2

• 2015.12 Green Enterprise Award, British Standards Institution.

3

• 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.

4

• 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.

5

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

6

• 2015.01 CSC was ranked as RobecoSAM 2015 Steel Industry Bronze Class Sustainability leaders.

7

• 2014.12 Sustainable Governance Award, British Standards Institution.

# Company overview: Group capacity & Production lines

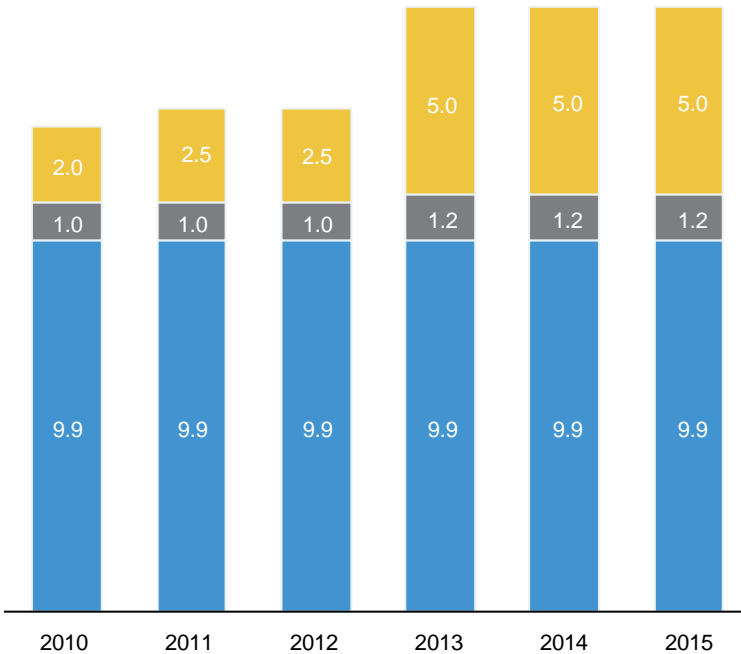


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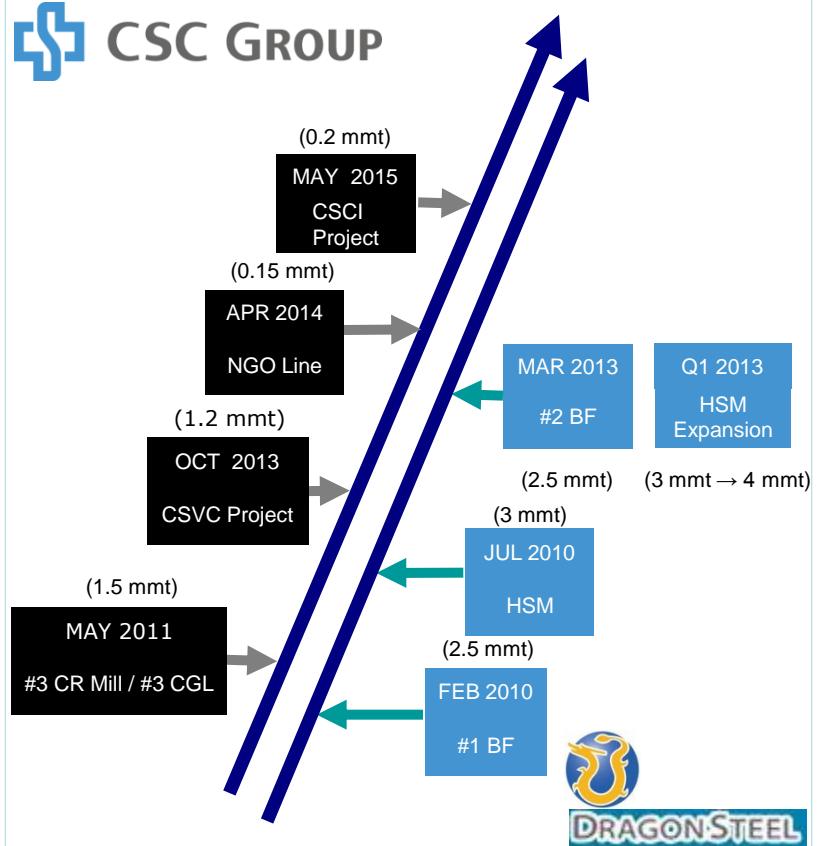
## Group capacity

### 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	*2015	*January 2016
Consolidated Operating Revenue	285,054	22,238
Consolidated Operating Income	8,116	-463
Consolidated Income Before Income Tax	9,506	-318

\*preliminary result



# Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2015	January 2016
1	Steel products	225,756,158	17,055,850
2	Non-steel industry materials	31,316,057	2,437,882
3	Construction	18,147,093	2,184,564
4	Transportation and service	6,718,949	445,252
5	Others	3,142,279	114,580
Less	Sales returns and allowances	0	0
	Total	285,080,536	22,238,128



# Performance-CSC group

## Segment revenues and operating results



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Unit : NTD Thousands

2015. 1~3Q	Steel	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ <u>175,028,527</u>	\$ <u>47,031,528</u>	\$ -	\$ <u>222,060,055</u>
Inter-segment revenues	<u>39,816,519</u>	<u>31,714,026</u>	<u>( 71,530,545)</u>	<u>-</u>
Segment revenues	\$ 214,845,046	\$ 78,745,554	(\$ 71,530,545)	\$ 222,060,055
Segment profit	\$ 7,230,851	\$ 5,779,827	(\$ 1,843,313)	\$ 11,167,365
Interest income	190,568	180,102	( 56,843)	313,827
Financial costs	( 2,537,076)	( 273,344)	33,193	( 2,777,227)
Share of the profit of associates	2,772,331	919,687	( 3,573,983)	118,035
Other non-operating income and expenses	<u>2,926,033</u>	<u>704,037</u>	<u>( 550,450)</u>	<u>3,079,620</u>
Profit before income tax	10,582,707	7,310,309	( 5,991,396)	11,901,620
Income tax	<u>2,151,784</u>	<u>652,956</u>	<u>( 155,037)</u>	<u>2,649,703</u>
Net profit for the period	\$ <u>8,430,923</u>	\$ <u>6,657,353</u>	(\$ <u>5,836,359</u> )	\$ <u>9,251,917</u>

# Performance- consolidated basis

## Consolidated Income Statement

Units: NT\$ millions

IFRSs	2014.3Q	2015.3Q	2014.1~3Q	2015.1~3Q
Revenues	92,268	67,694	276,846	222,060
Gross profit	12,033	4,205	30,568	21,327
Gross margins	13.04%	6.21%	11.04%	9.60%
Profit before tax	8,564	1,295	20,242	11,902
<u>Net profit</u>	<u>7,114</u>	<u>1,141</u>	<u>17,075</u>	<u>9,252</u>
Attributable to				
Owners of the corporation	6,613	744	15,380	9,120
Non-controlling interests	501	397	1,695	132



# Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2010	12/31/2011	12/31/2012	12/31/2013※	9/30/2015※
Debt	255,206	299,578	312,393	362,630	362,475
Debt/Equity	88.43%	95.99%	102.26%	113.55%	112.68%
Asset	543,808	611,686	617,892	681,999	684,148
Debt / Asset	46.93%	48.98%	50.56%	53.17%	52.98%
Net Debt *	227,035	273,421	283,402	338,593	337,242
Net Debt /Asset	41.75%	44.70%	45.87%	49.65%	49.29%

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* )

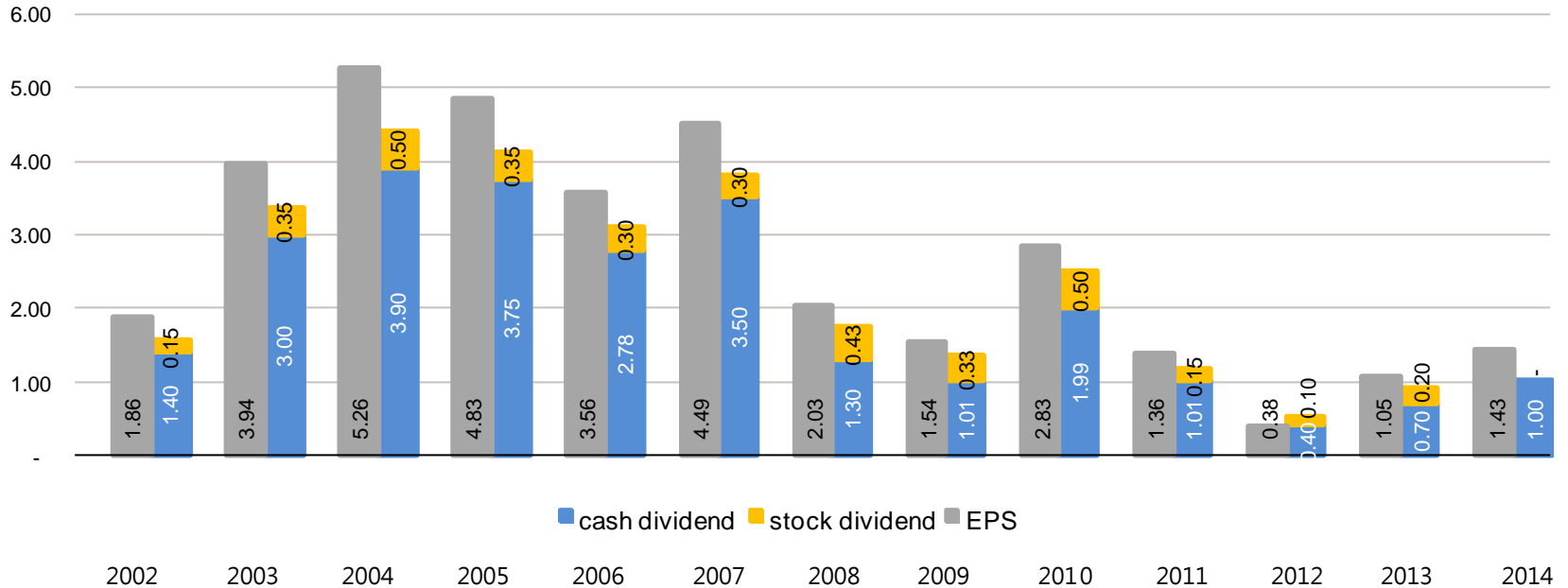
※IFRSs basis



# Performance- Historical EPS and dividends paid

(in NTD per share)

<b>Dividend payout(%)</b>	83	85	84	85	87	85	85	87	88	85	132	86	70
<b>Cash Dividend payout(%)</b>	75	76	74	78	78	78	64	66	70	74	105	67	70

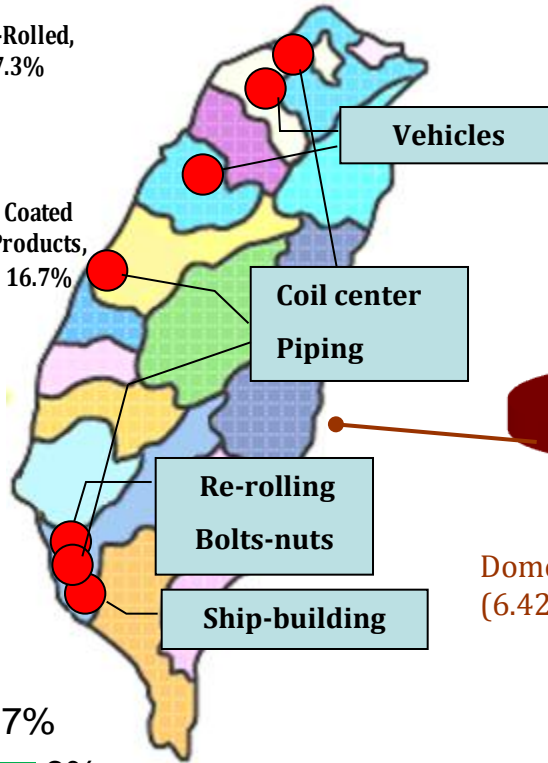
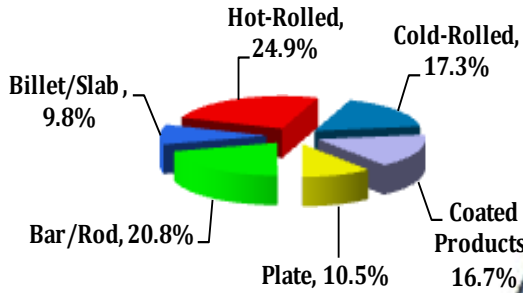




# Sales (CSC standalone)

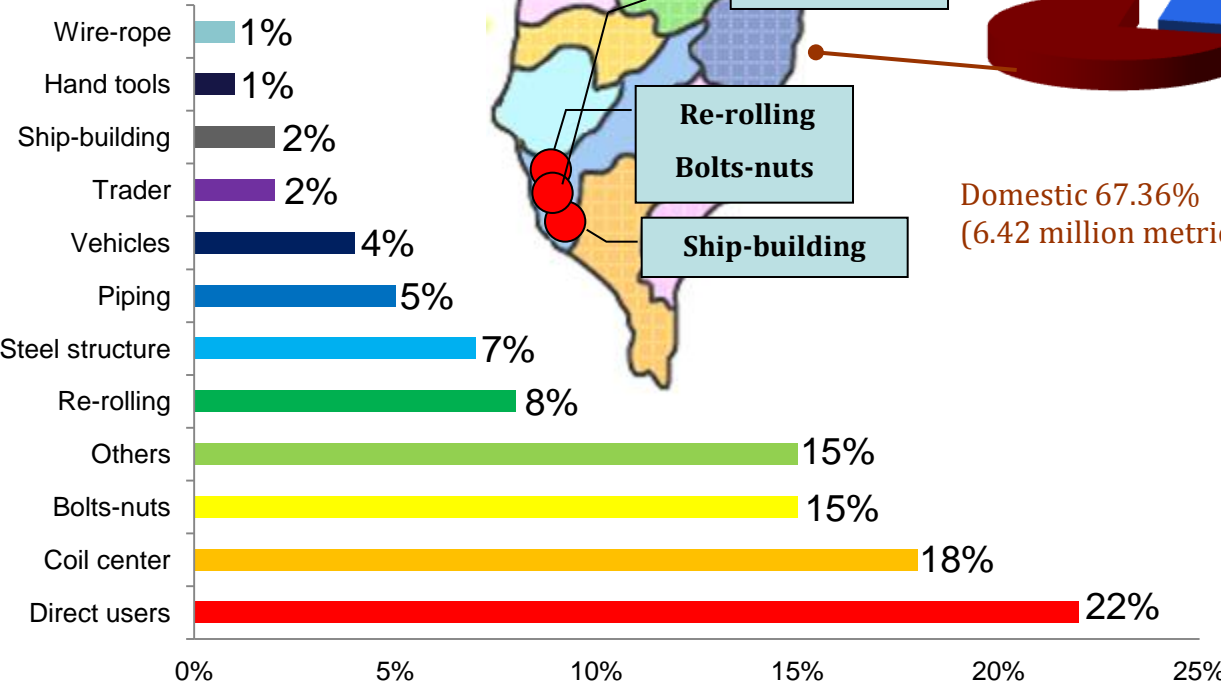
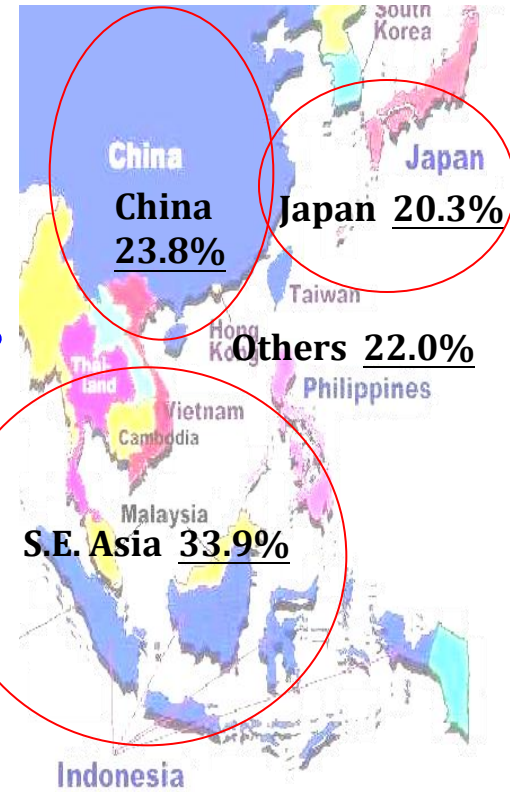
2015 CSC sales volume totaled 9.53 million metric tons

Domestic/Export sales volume breakdown of 2015



Export 32.64% (3.11 million metric tons)

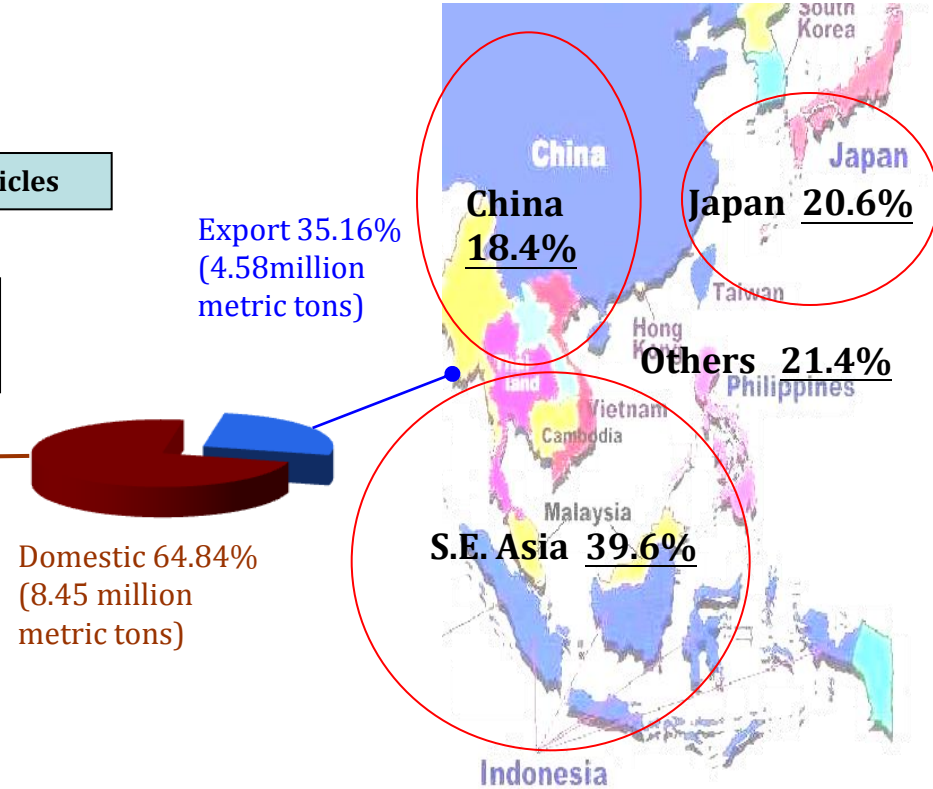
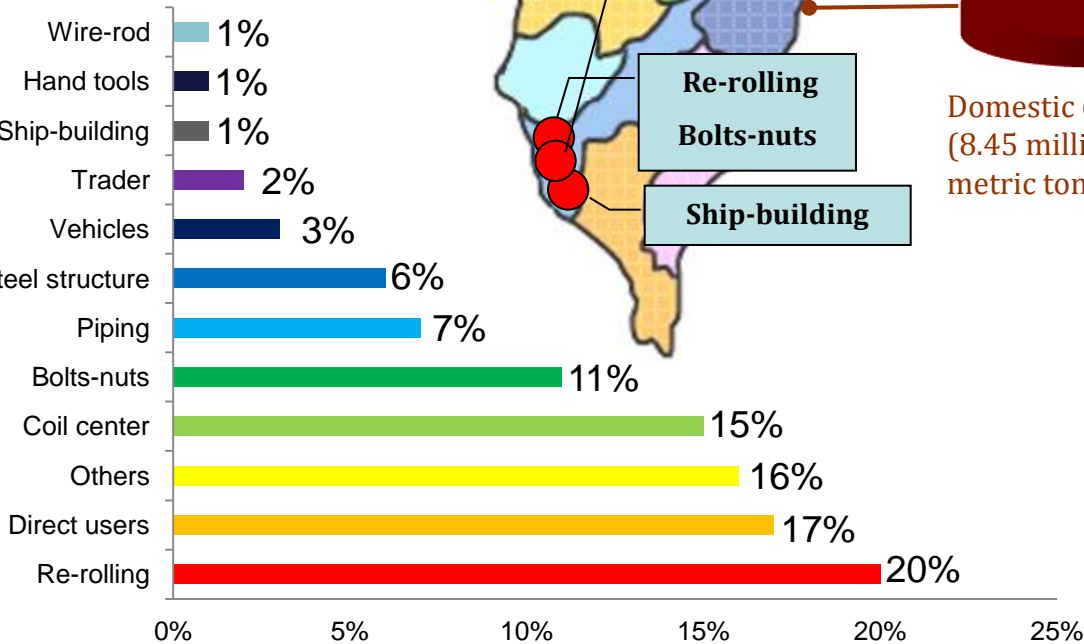
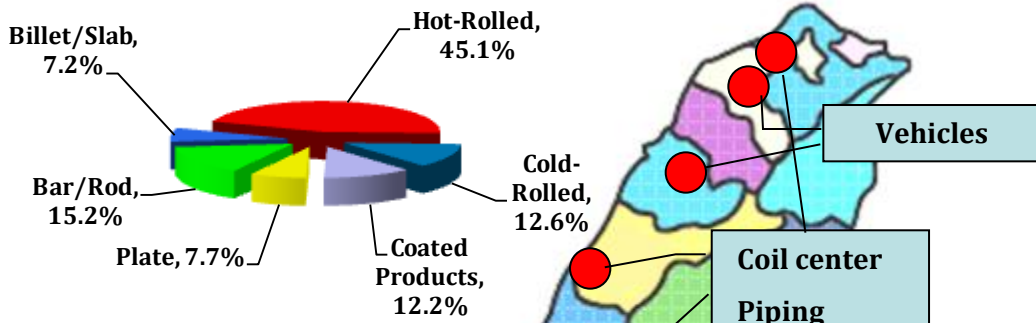
Domestic 67.36% (6.42 million metric tons)



# Sales (CSC +DSC:HRC)

2015 sales volume (CSC & HRC of DSC) totaled 13.03 million metric tons

## Domestic/Export sales volume breakdown of 2015



# Key strategies to achieve the vision

1

Enhance corporate culture handing-down, reinforce human resources training & development, and solidify plans for management succession

2

Strengthen sales channels through overseas investment

3

Secure self-sufficiency in raw materials through strategic upstream investment

4

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

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

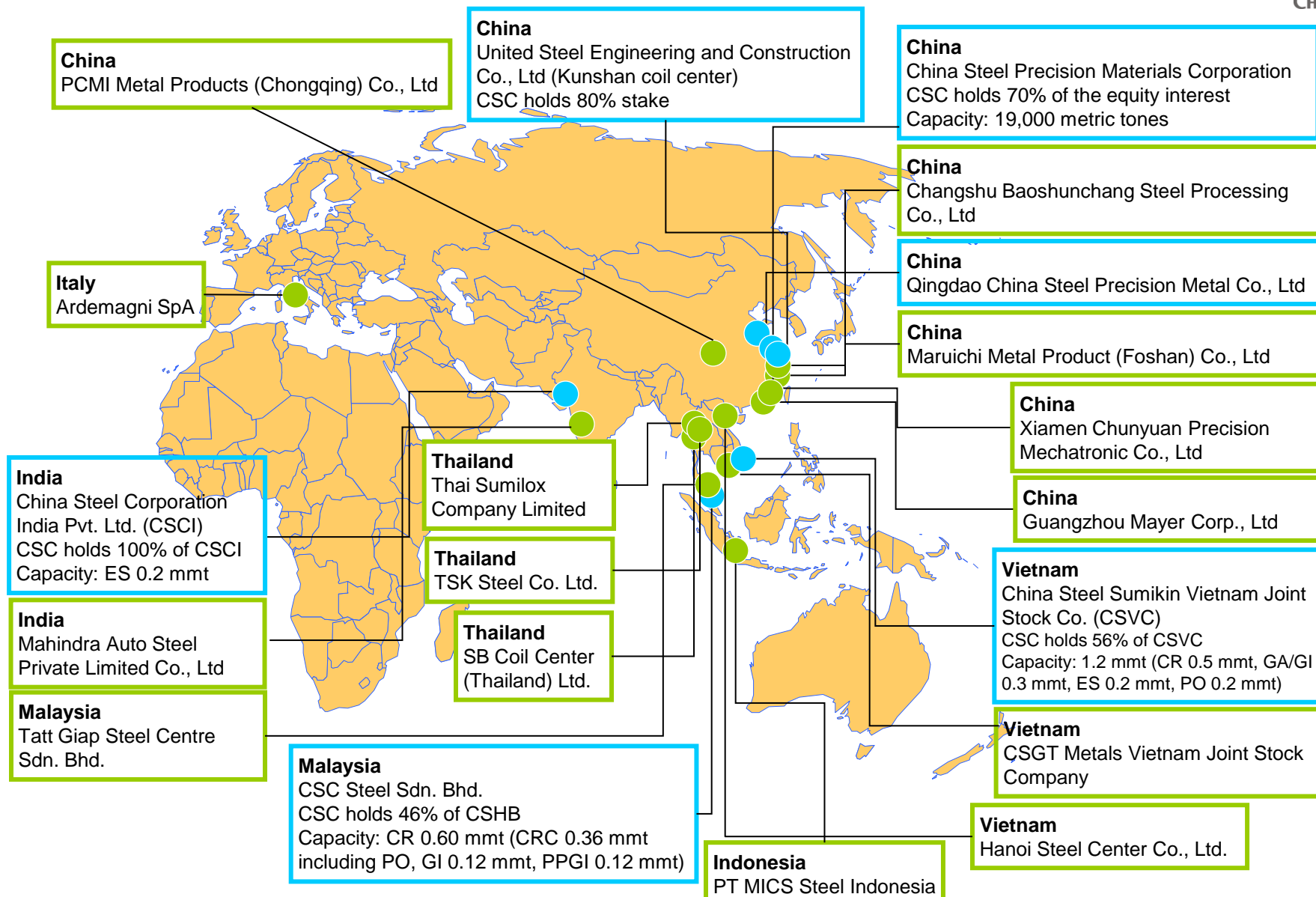
With the key strategies implemented, China Steel Corporation aims to become a trustworthy steel partner pursuing growth, environmental protection, energy saving and value-innovation

# Strengthen sales channels through overseas investment



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## New Asia Project

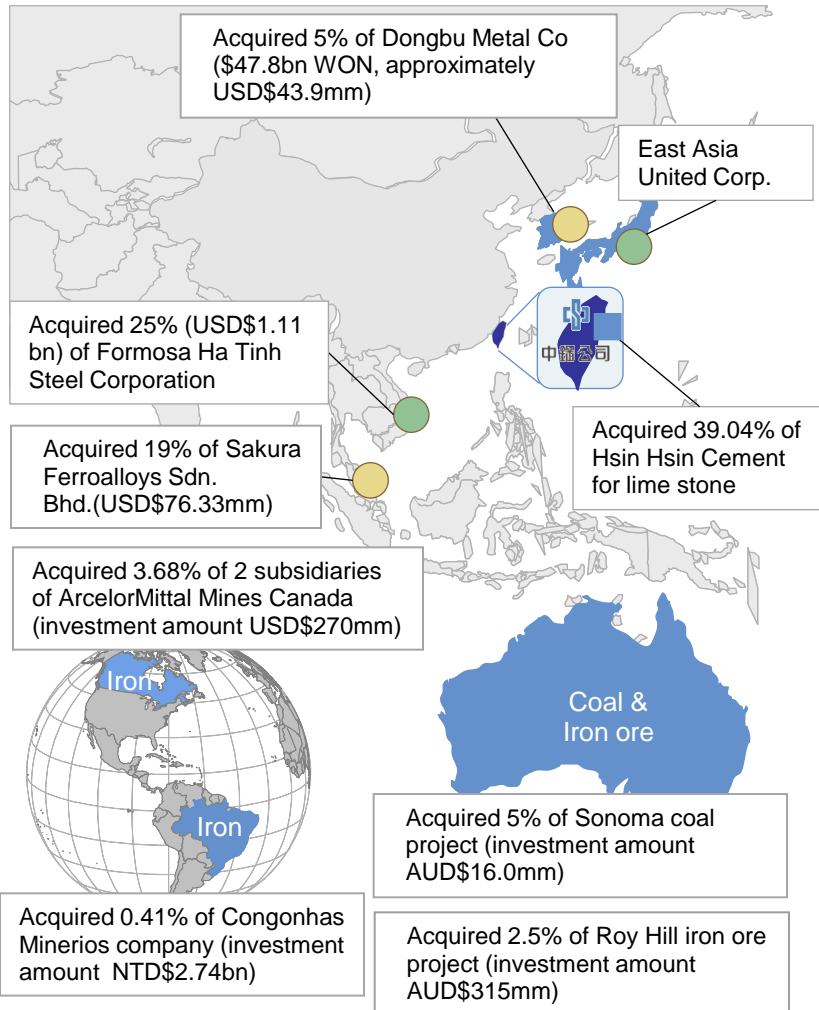


● Overseas Investments of CSC group ● Co-invest in coil centers with peers and customers through China Steel Global Trading Co.



# 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.
  - 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
Alliance for the fastener industry (under planning)

## Enhance client relationships and networks through engineering, technical, and information management 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 vendor 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

**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