



CHINASTEEL

China Steel Corporation

November 15-16, 2017



sustainability, our STEEL commitment.
<http://www.csc.com.tw/csc/hr/csr/index.htm>

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Company overview: Business snapshot (CSC standalone)

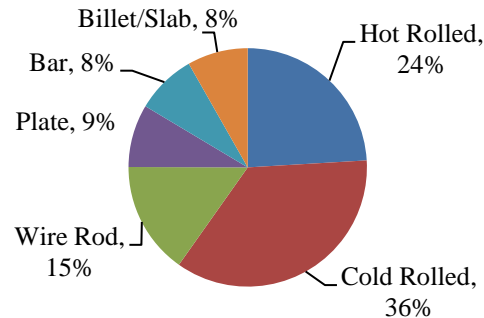
Overview

- 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, 2016

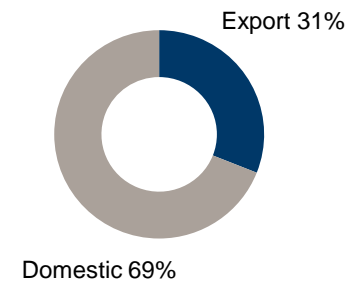
Major business

- Leading manufacturer of flat steel products in Taiwan
- 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
(2017.1~3Q)



Domestic/Export by revenue
(2017.1~3Q)



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

Logistic Businesses

- China Steel Express Corporation
- China Steel Global Trading Corporation
- China Steel Precision Metals Qingdao Co., Ltd.
- China Steel Precision Metals Kunshan Co., Ltd.

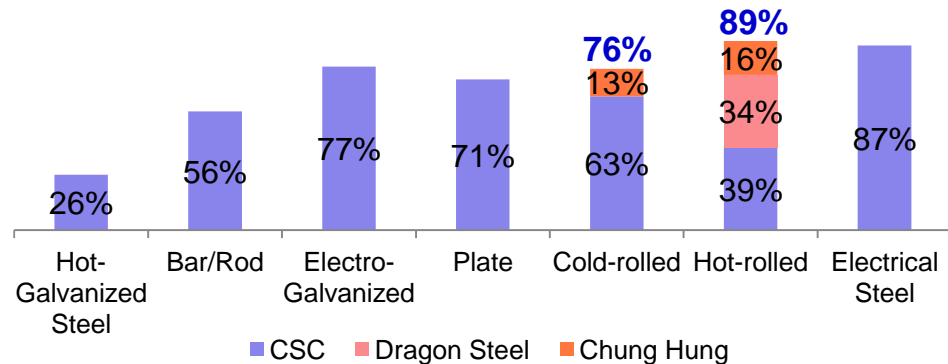
Service and Investments Businesses

- 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 mmt in 2017 (combining China Steel Corporation and Dragon Steel's EAF and No.1&2 blast furnace).

CSC Group domestic market share (2017.1~3Q)





Performance- Consolidated operating results

Amount: NT\$ million

Item	*2017.9	*2017.3Q	*2017.1~3Q
Consolidated Operating Revenue	29,808	88,917	256,767
Consolidated Operating Income	2,006	4,841	16,478
Consolidated Income Before Income Tax	2,281	5,032	14,846

*preliminary result

Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	*2017.3Q	*2017.1~3Q
1	Steel products	73,751,732	211,899,029
2	Non-steel industry materials	8,168,854	24,058,306
3	Construction	4,232,210	13,401,782
4	Transportation and service	1,728,948	4,990,020
5	Others	1,035,755	2,417,627
Less	Sales returns and allowances	0	0
	Total	88,917,499	256,766,764

*preliminary result

Performance-CSC group

Segment revenues and operating results



Unit : NTD Thousands

2017. 1H	Steel	Ocean Freight Forwarding	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 135,535,015	\$ 160,376	\$ 32,153,874	\$ -	\$ 167,849,265
Inter-segment revenues	39,876,318	7,602,695	15,466,007	(62,945,020)	-
Segment revenues	<u>\$ 175,411,333</u>	<u>\$ 7,763,071</u>	<u>\$ 47,619,881</u>	<u>(\$ 62,945,020)</u>	<u>\$ 167,849,265</u>
Segment profit	\$ 8,146,181	\$ 901,790	\$ 2,529,306	\$ 60,260	\$ 11,637,537
Interest income	82,558	5,704	87,108	(37,050)	138,320
Financial costs	(1,573,539)	(101,151)	(204,704)	22,279	(1,857,115)
Share of the profit of associates	2,851,974	37,111	106,455	(3,639,863)	(644,323)
Other non-operating income and expenses	<u>871,056</u>	<u>44,763</u>	<u>(61,768)</u>	<u>(314,650)</u>	<u>539,401</u>
Profit before income tax	10,378,230	888,217	2,456,397	(3,909,024)	9,813,820
Income tax	<u>721,312</u>	<u>23,898</u>	<u>391,556</u>	<u>(8,850)</u>	<u>1,127,916</u>
Net profit for the period	<u>\$ 9,656,918</u>	<u>\$ 864,319</u>	<u>\$ 2,064,841</u>	<u>(\$ 3,900,174)</u>	<u>\$ 8,685,904</u>

Performance- consolidated basis

Consolidated Income Statement

Units: NT\$ millions

IFRSs	2016.1H	2017.1H
Revenues	137,291	167,849
Gross profit	15,885	18,732
Gross margins	11.57%	11.16%
Profit before tax	7,849	9,814
<u>Net profit</u>	<u>7,081</u>	<u>8,686</u>
Attributable to		
Owners of the corporation	5,762	7,087
Non-controlling interests	1,319	1,599
Earnings Per Share(NTD)	\$ 0.37	\$ 0.46



Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2012	12/31/2013※	12/31/2014※	12/31/2015※	12/31/2016※	6/30/2017※
Debt	312,393	362,630	348,049	357,414	346,542	363,420
Debt/Equity	102.26%	113.55%	103.99%	111.44%	105.15%	112.68%
Asset	617,892	681,999	682,737	678,139	676,122	685,954
Debt/Asset	50.56%	53.17%	50.98%	52.71%	51.25%	52.98%
Net Debt *	283,402	338,593	322,284	329,674	324,942	342,697
Net Debt/Asset	45.87%	49.65%	47.20%	48.61%	48.06%	49.96%

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

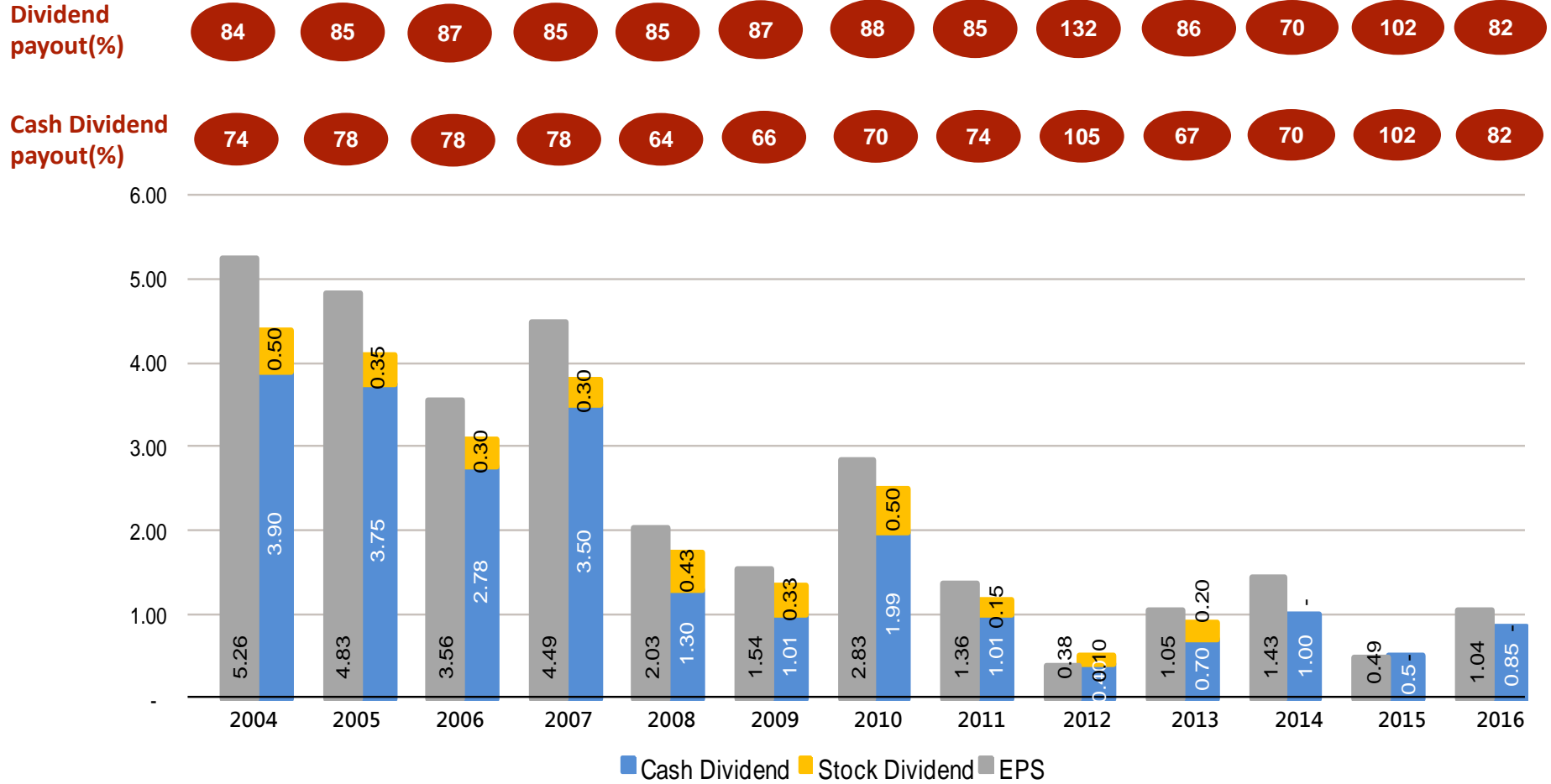
* Net debt = debt – cash & cash equivalents – (*financial assets at fair value through profit or loss-current+ available-for-sale financial assets-current +held-to-maturity financial assets-current+ derivative financial assets for hedging-current*)

※IFRSs basis



Performance- Historical EPS and dividends paid

(in NTD per share)

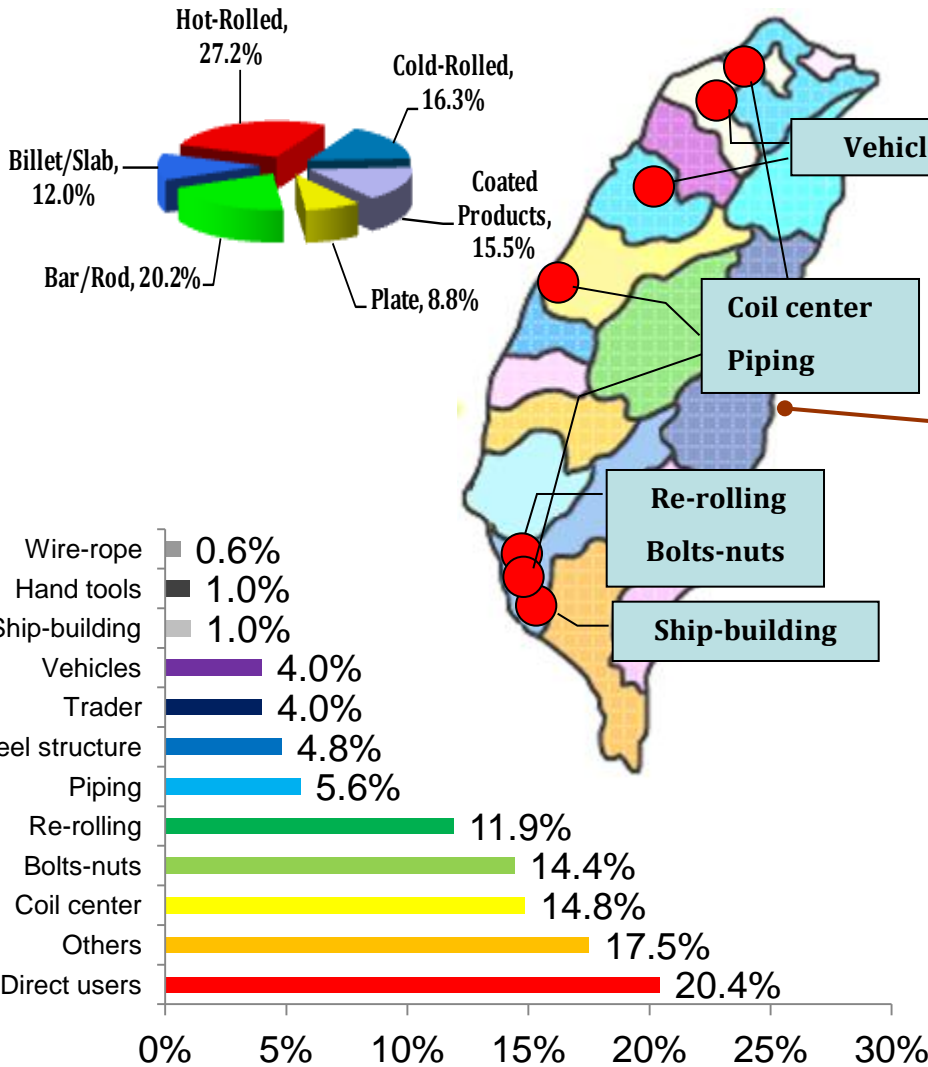




Sales (CSC standalone)

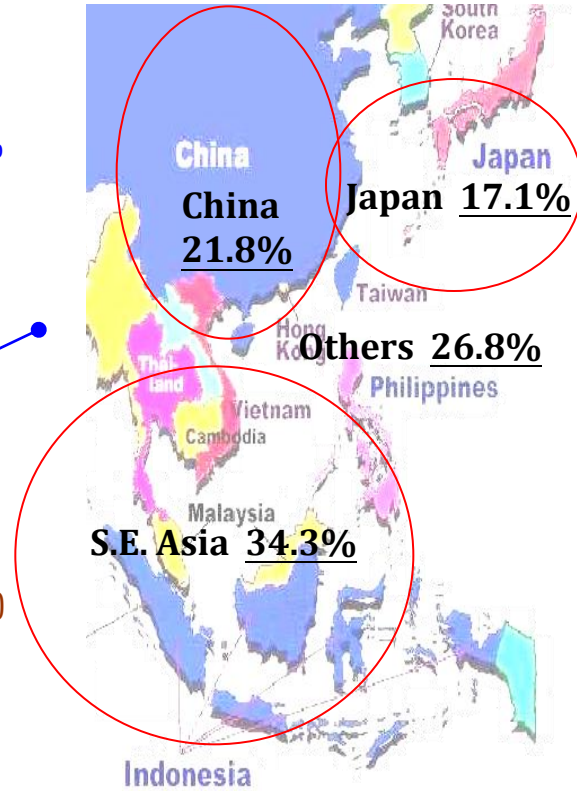
2017.1~3Q CSC sales volume totaled 8.23 million metric tons

Domestic/Export sales volume breakdown of 2017.1~3Q



Export 31.60%
(2.60 million metric tons)

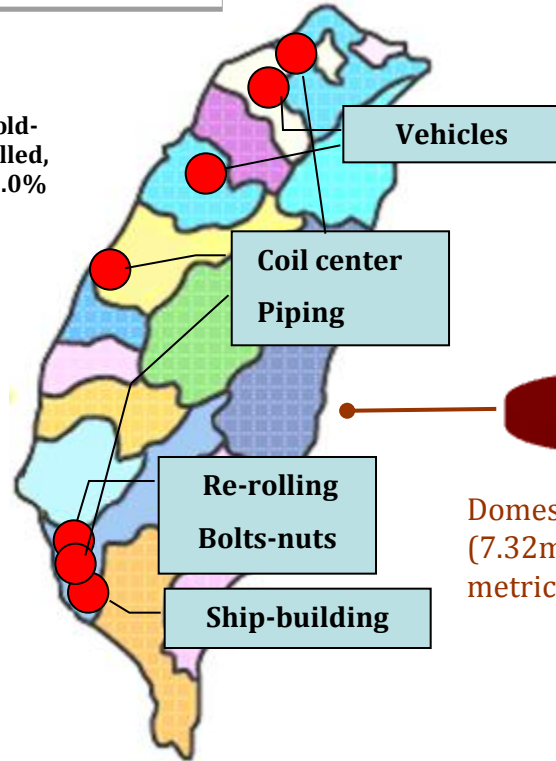
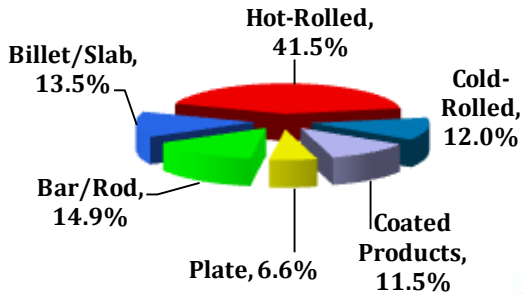
Domestic 68.40%
(5.63 million metric tons)



Sales (CSC & BF products of DSC)

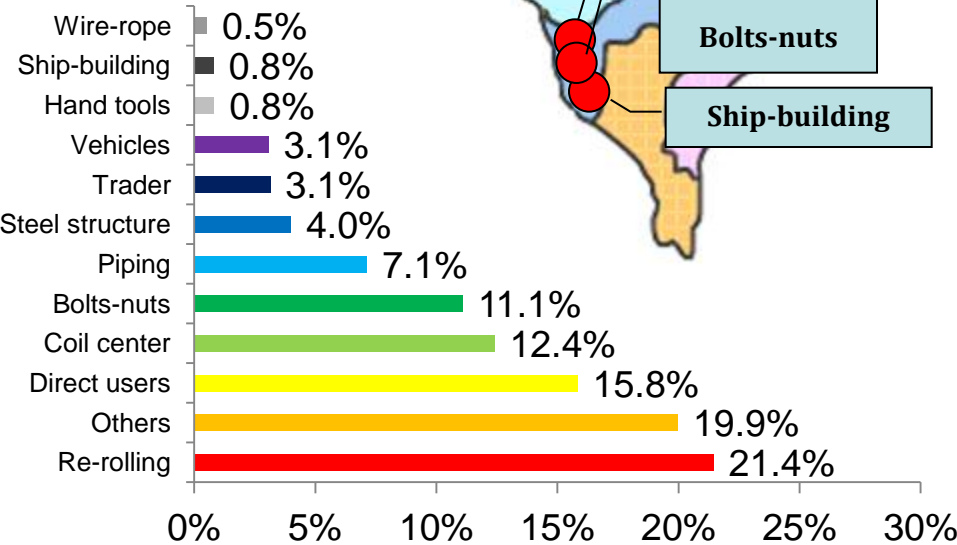
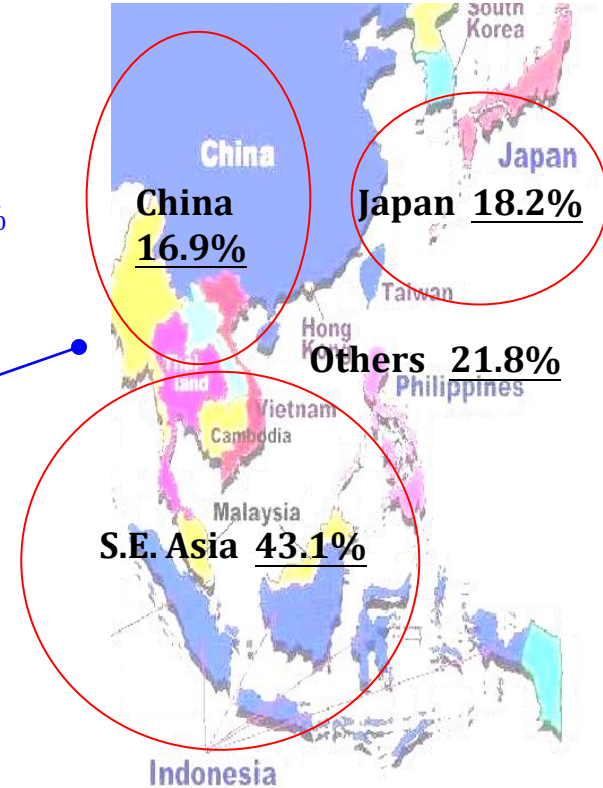
2017.1~3Q sales volume (CSC & BF products of DSC) totaled 11.12 million metric tons

Domestic/Export sales volume breakdown of 2017.1~3Q



Export 34.14%
(3.80million metric tons)

Domestic 65.86%
(7.32million metric tons)



Key Strategies

1

Secure stable sources of raw materials and semi-products through strategic investments and long term contracts

2

Solidify domestic market, expand export sales channels, and develop new market with customers

3

Integrate group resources and develop green energy businesses

4

Research and develop advanced products and applied technology for increasing chain value of steel industry

5

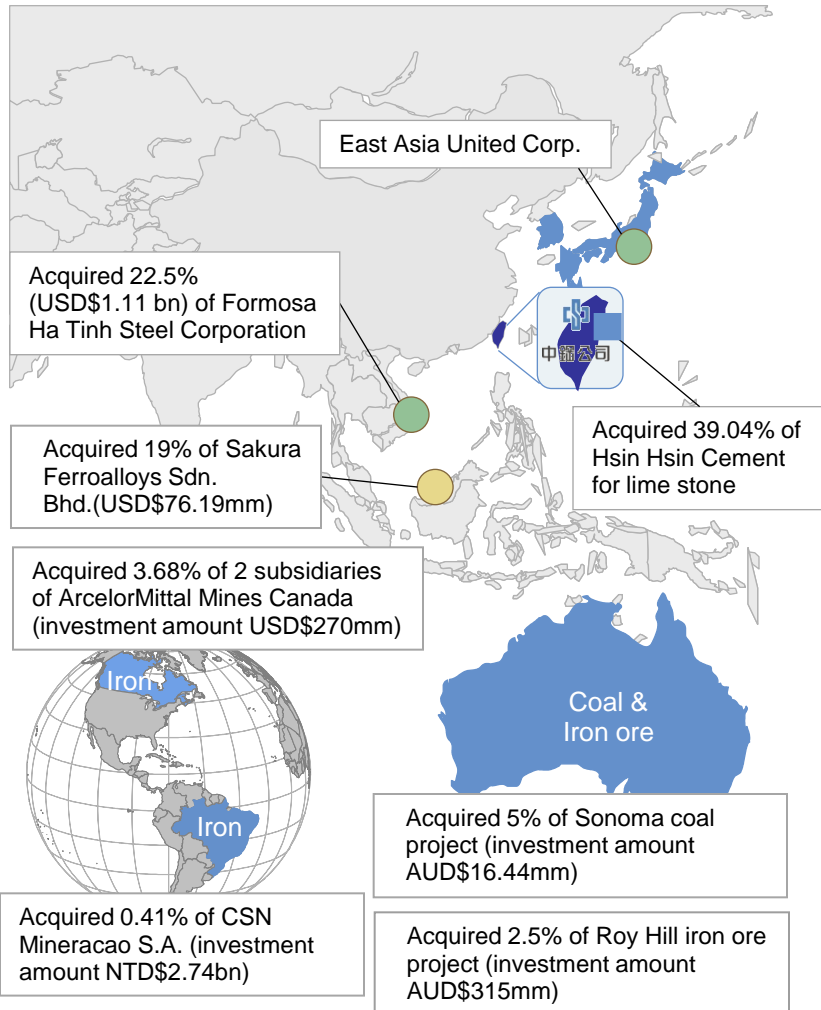
Elaborate on energy saving and reduce cost continuously

6

Value Corporate Social Responsibility and achieve sustainable operation

Secure stable sources of raw materials and semi-products through strategic investments and long term contracts

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, Canada, 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 Ha-Tinh Steel Corporation
 - As a mutual supply of hot-rolled and slab products.

Ferro-alloy

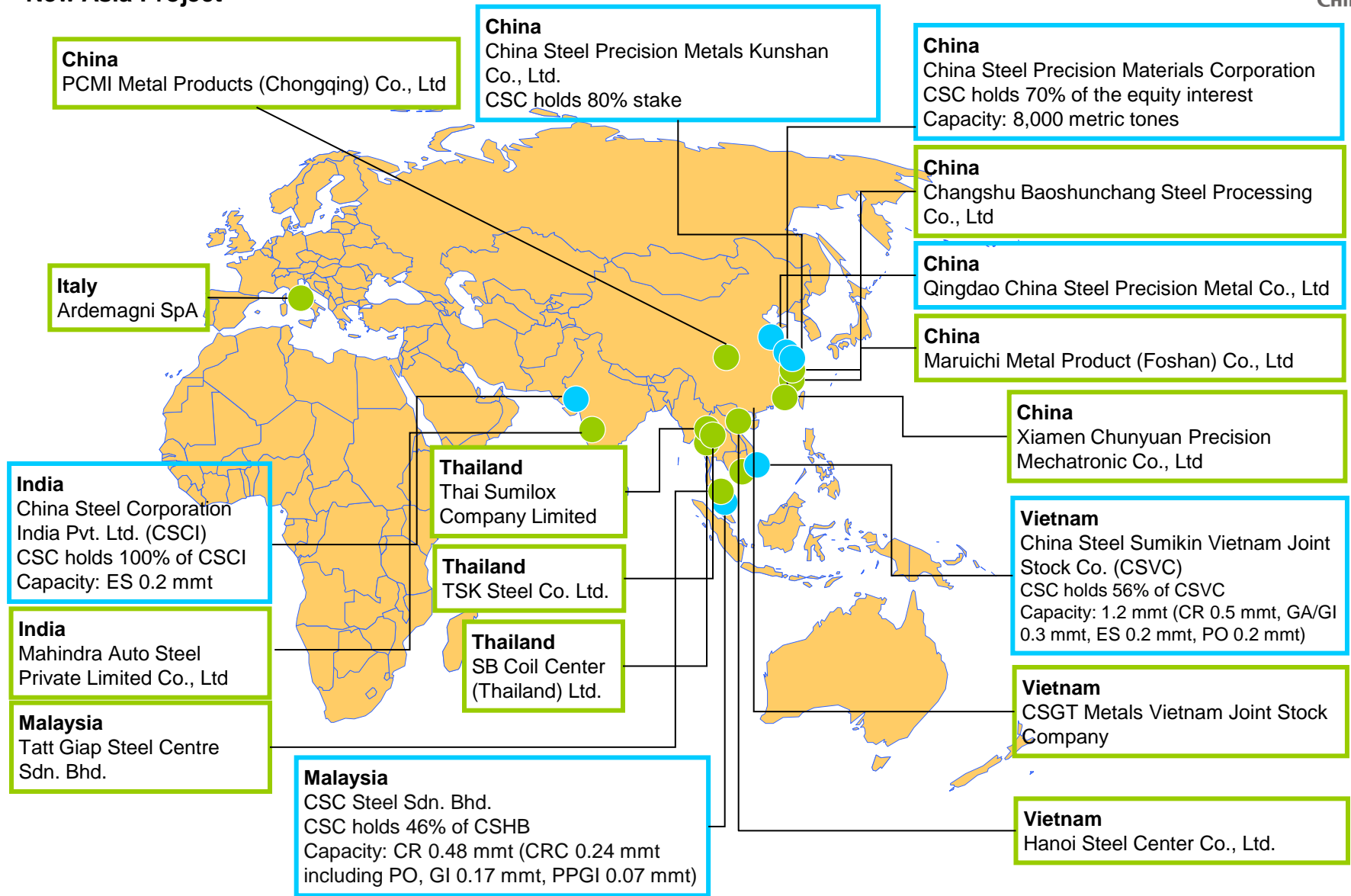
- Long-term contract to reduce market risks
- Purchased 19% stake in Sakura Ferroalloys Sdn. Bhd.
 - Ensures a long-term stable supply of ferro-alloy, and lowers the acquisition cost.

Solidify domestic market, expand export sales channels, and develop new market with customers



CHINA STEEL

New Asia Project



Research and develop advanced products and applied technology for increasing chain value of steel industry

Co-Development
with Academic
Partners

Engineering Research Center (ERC)

CSC has established 8 ERCs.

For example:

- Advanced Specially Alloy ERC, cooperating with National Tsing Hua University
- Forging Roll Forming ERC, cooperating with National Kaohsiung University Of Applied Sciences

Differentiated
Technical
Services to
Customers

Joint Research Laboratory (JRL)

CSC has established 5 JRLs. Through JRLs, CSC provide customized products and services to customers, and further increase business opportunities.

For example:

- The Auto Steel JRL, cooperating with Changchun Engley and Honley Auto Parts, focus on develop hot-stamping auto and motorcycle parts.

International
Marketing through
E-Commerce
Platform

Alliance for Steel Industries

CSC has formed 1 Alliance for Steel Industries.

- Through the e-commerce platform of Ta Chen International, Taiwan Elite Handtool Organization was formed to improve the international marketing and service capabilities of Taiwanese handtool producers.

Elaborate on energy saving and reduce cost continuously

Cost Reduction Performance

2016
4.05
billion
NTD

- 1.06 bn: Expense saving from nationalization of equipment and spare parts
- 1.03 bn: Improvement of manufacturing process and promoting effectiveness and efficiency
- 0.64 bn: Provide saturated steam and industrial gas to nearby plants
- 0.62 bn: Reduction of raw material procurement cost through negotiation
- 0.43 bn: Use of low cost raw material and reduction of utility use

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

Value Corporate Social Responsibility and achieve sustainable operation

Awards and Honours

1

- 2017.06 CSC has become a constituent of the FTSE4Good Index Series.

2

- 2017.01 CSC was ranked as RobecoSAM Silver Class Sustainability leaders 2017 in the steel industry.

3

- 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.

CSR Key Tasks

Elaborate on energy saving / Committed to foster social harmony / Popularize environmental education / Develop green energy

Links

- CSC Corporate Social Responsibility Page :
<http://www.csc.com.tw/csc/hr/csr/index.htm>
- Report Download (2005 ~ 2016) :
<http://www.csc.com.tw/csc/hr/csr/wb/dow.htm>



**Sustainability,
our STEEL commitment.**