China Steel Corporation

October 27, 2017

Sustainability, our STEEL commitment.
http://www.csc.com.tw/csc/hr/csr/index.htm
• CSC Group Overview
• Operation and Development Strategies
• Sales Analysis
• Dividend Policy
• Appendixes: Financial Status & Performance
CSC Overview

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)
- Hot Rolled, 36%
- Cold Rolled, 24%
- Wire Rod, 15%
- Plate, 9%
- Bar, 8%
- Billet/Slab, 8%

Domestic/Export by revenue (2017.1~3Q)
- Domestic 69%
- Export 31%
## CSC Group Overview

### 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
  - **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.
  - **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

### 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).**

### Graph: CSC Group domestic market share (2017.1~3Q)

- **Hot-Galvanized Steel:** 26%
- **Bar/Rod:** 56%
- **Electro-Galvanized:** 77%
- **Plate:** 71%
- **Cold-rolled:** 63%
- **Hot-rolled:** 34%
- **Electrical Steel:** 39%

<table>
<thead>
<tr>
<th>Material</th>
<th>CSC</th>
<th>Dragon Steel</th>
<th>Chung Hung</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hot-Galvanized</td>
<td>26%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bar/Rod</td>
<td>56%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electro-Galvanized</td>
<td>77%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plate</td>
<td>71%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cold-rolled</td>
<td>63%</td>
<td></td>
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</tr>
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</tr>
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</table>

- **CSC**
- **Dragon Steel**
- **Chung Hung**
Operation and Development Strategies

To pass down corporate culture, implement career planning, create LOHAS environment and promote image of CSC Group;

To improve customer lean service, strengthen strategic partnerships, solidify domestic market and expand sales channels of export;

To integrate resources of CSC Group, map out green industries, investigate in deep-processing fields and increase self-sufficiency ratio of raw materials;

To research and develop advanced products, materials for defensive, applied technology and green processes for increasing chain value of steel industry;

To enhance engineering capabilities of CSC Group, develop green and rail businesses carefully, and expand engineering business proactively;

To expand supply of CSC Group’s products, reduce cost continuously, elaborate on energy saving and environmental protection, strengthen occupational safety and health, and increase industry chain value with intelligent manufacturing and improving services of industry 4.0.
Overseas Production Sites and Sales Channels

China
- PCMI Metal Products (Chongqing) Co., Ltd
- China Steel Precision Metals Kunshan Co., Ltd
  - CSC holds 80% stake
- China Steel Precision Materials Corporation
  - CSC holds 70% of the equity interest
  - Capacity: 8,000 metric tones

China
- Changshu Baoshunchang Steel Processing Co., Ltd

China
- Qingdao China Steel Precision Metal Co., Ltd

China
- Maruichi Metal Product (Foshan) Co., Ltd

India
- China Steel Corporation India Pvt. Ltd. (CSCI)
  - CSC holds 100% of CSCI
  - Capacity: ES 0.2 mmt

India
- Mahindra Auto Steel Private Limited Co., Ltd

Malaysia
- Tatt Giap Steel Centre Sdn. Bhd.

Thailand
- Thai Sumilox Company Limited

Thailand
- TSK Steel Co. Ltd.

Thailand
- SB Coil Center (Thailand) Ltd.

Vietnam
- Hanoi Steel Center Co., Ltd.

Malaysia
- CSC Steel Sdn. Bhd.
  - CSC holds 46% of CSHB
  - Capacity: CR 0.48 mmt (CRC 0.24 mmt including PO, GI 0.17 mmt, PPGI 0.07 mmt)

Italy
- Ardemagni SpA

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Subsidiary: 5; Representative office: 4
Production Site - CSVC

- Capture potential growth in Vietnam market and expand the sales channel of HR products.
- Build the production site in AFTA, get closer to customers in ASEAN countries, and break through the tariff barriers.
Production Site - CSCI

- Export to Middle Eastern and European countries.
- Use the resources of CSC Group to expand Indian domestic market.
Overseas Investment - FHS

- Establish strategic alliances.
- Capture the growth opportunities in ASEAN steel market.
- Breakthrough the tariff barriers of AFTA.
- Secure long-term supply of semi-products.
Raw Materials Investment

**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.
To meet TESLA’s demand of new MODEL-3 launched in 2017, CSC successfully designed a customized thin-gauged electrical steel sheet, **25CS1250HF**, with high quality and excellent performance. CSC also try to align with several key players (e.g. Fukuta, TECO, Hota and etc.) in Taiwan to setup a EV industrial settlement for consolidating business opportunities of the growing EV global market.
R&D on High-End Products: Hot Stamping

- Hot stamping technology and coils with AO-coating for hot stamping had been developed.
- Constructions in Honley and Changchun CECK Auto. Parts Co. have already completed. Both two companies have received orders from OEMs now and will begin to deliver hot stamping parts to the OEMs in 2018.

*AO: Anti-oxidation
R&D on High-End Products: Development of Ni-Base Superalloys

- Corrosion-Resistant Valves
- *SOFC Components
- Heat-Resistant Parts
- Furnace Bells
- Welding Wires
- High-Temperature Fasteners

*SOFC: Solid Oxide Fuel Cell

- More than 10 products developed for furnaces, fasteners and welding applications.
- Dedicated to developing cost-saving process and high-end energy/aerospace products.
In early 2017, CSC reviewed and revised the definition of high-end product. The high-end product ratio for the past few years is adjusted accordingly.

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Upgrading Steel-using Industries

Strengthening partnerships
- Promoting Joint Research Laboratories
- Cultivating Alliance for Steel Industries

Increasing value of industrial chain
- Enhancing added value of products
- Expanding demand of high grade steel at terminal market

Broadening differentiation of products
- Developing collaboratively customized products
- Strengthening Early Vendor Involvement and technical marketing
In order to put Corporate Social Responsibility into practice and respond to government’s green energy policy, China Steel, together with its’ subsidiaries, including CEC, CSCC, and DSC, has established CSC Solar, a solar energy company. CSC Solar plans to invest TWD 4.36 billion in order to create 80MW electricity capacity.

<table>
<thead>
<tr>
<th>Planning PV System in CSC Group (80MWp 2017-2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity (kWp)</td>
</tr>
<tr>
<td>Annual Energy Output (kWh)</td>
</tr>
<tr>
<td>Require Area (m²)</td>
</tr>
</tbody>
</table>

- 100 million kwh electricity output and NTD 400 million revenue p.a.
- Electricity output is equivalent to the power demand of 1,430 households.
- Reduce CO2 emission by 43,504 tons p.a.
- The effect of CO2 emission reduction equals to the effect of planting 3,973,328 trees.
Sales Analysis (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)

**Regions**
- **Japan**: 17.1%
- **China**: 21.8%
- **S.E. Asia**: 34.3%
- **Others**: 26.8%

**Products**
- **Hot-Rolled**: 27.2%
- **Cold-Rolled**: 16.3%
- **Coated Products**: 15.5%
- **Plate**: 8.8%
- **Bar/Rod**: 20.2%
- **Billet/Slab**: 12.0%

**Other Products**
- **Wire-rope**: 0.6%
- **Hand tools**: 1.0%
- **Ship-building**: 1.0%
- **Steel structure**: 4.8%
- **Piping**: 5.6%
- **Re-rolling**: 11.9%
- **Bolts-nuts**: 14.4%
- **Coil center**: 14.8%
- **Others**: 17.5%
- **Direct users**: 20.4%
Sales Analysis (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

Japan 18.2%
China 16.9%
S.E. Asia 43.1%
Others 21.8%

Export 34.14% (3.80 million metric tons)
Domestic 65.86% (7.32 million metric tons)

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

- Hot-Rolled, 41.5%
- Cold-Rolled, 12.0%
- Coated Products, 11.5%
- Plate, 6.6%
- Bar/Rod, 14.9%
- Billet/Slab, 13.5%

- Wire-rope 0.5%
- Ship-building 0.8%
- Hand tools 0.8%
- Vehicles 3.1%
- Trader 3.1%
- Steel structure 4.0%
- Piping 7.1%
- Bolts-nuts 11.1%
- Coil center 12.4%
- Direct users 15.8%
- Others 19.9%
- Re-rolling 21.4%

Direct users
Coil center
Bolts-nuts
Piping
Vehicles
Ship-building
Re-rolling
Coated Products
Plate
Bar/Rod
Billet/Slab
Hot-Rolled
Cold-Rolled

Dividend Policy

(in NTD per share)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Dividend payout(%)</th>
<th>Stock Dividend payout(%)</th>
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<tbody>
<tr>
<td>2004</td>
<td>5.26</td>
<td>0.50</td>
</tr>
<tr>
<td>2005</td>
<td>4.83</td>
<td>3.90</td>
</tr>
<tr>
<td>2006</td>
<td>3.56</td>
<td>3.75</td>
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<tr>
<td>2007</td>
<td>4.49</td>
<td>3.50</td>
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<tr>
<td>2008</td>
<td>2.03</td>
<td>1.30</td>
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<tr>
<td>2009</td>
<td>1.54</td>
<td>1.01</td>
</tr>
<tr>
<td>2010</td>
<td>2.83</td>
<td>0.38</td>
</tr>
<tr>
<td>2011</td>
<td>1.36</td>
<td>1.01</td>
</tr>
<tr>
<td>2012</td>
<td>0.38</td>
<td>0.16</td>
</tr>
<tr>
<td>2013</td>
<td>0.70</td>
<td>0.20</td>
</tr>
<tr>
<td>2014</td>
<td>1.43</td>
<td>1.00</td>
</tr>
<tr>
<td>2015</td>
<td>0.49</td>
<td>0.50</td>
</tr>
<tr>
<td>2016</td>
<td>1.04</td>
<td>0.85</td>
</tr>
</tbody>
</table>
Closing Remarks
Thank you!
**Appendix 1: Consolidated Operating Results**

<table>
<thead>
<tr>
<th>Item</th>
<th>2017.1H</th>
<th>*2017.1~8</th>
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<tbody>
<tr>
<td>Consolidated Operating Revenue</td>
<td>167,849</td>
<td>226,959</td>
</tr>
<tr>
<td>Consolidated Operating Income</td>
<td>11,638</td>
<td>14,472</td>
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<tr>
<td>Consolidated Income Before Income Tax</td>
<td>9,814</td>
<td>12,565</td>
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Unit: NTD millions

*preliminary result*
## Appendix2: Consolidated Income Statement

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

Unit: NTD millions
### Appendix3: Consolidated Financial Status

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>312,393</td>
<td>362,630</td>
<td>348,049</td>
<td>357,414</td>
<td>346,542</td>
<td>363,420</td>
</tr>
<tr>
<td>Debt/Equity</td>
<td>102.26%</td>
<td>113.55%</td>
<td>103.99%</td>
<td>111.44%</td>
<td>105.15%</td>
<td>112.68%</td>
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<tr>
<td>Asset</td>
<td>617,892</td>
<td>681,999</td>
<td>682,737</td>
<td>678,139</td>
<td>676,122</td>
<td>685,954</td>
</tr>
<tr>
<td>Debt/Asset</td>
<td>50.56%</td>
<td>53.17%</td>
<td>50.98%</td>
<td>52.71%</td>
<td>51.25%</td>
<td>52.98%</td>
</tr>
<tr>
<td>Net Debt *</td>
<td>283,402</td>
<td>338,593</td>
<td>322,284</td>
<td>329,674</td>
<td>324,942</td>
<td>342,697</td>
</tr>
<tr>
<td>Net Debt/Asset</td>
<td>45.87%</td>
<td>49.65%</td>
<td>47.20%</td>
<td>48.61%</td>
<td>48.06%</td>
<td>49.96%</td>
</tr>
</tbody>
</table>

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