

# 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

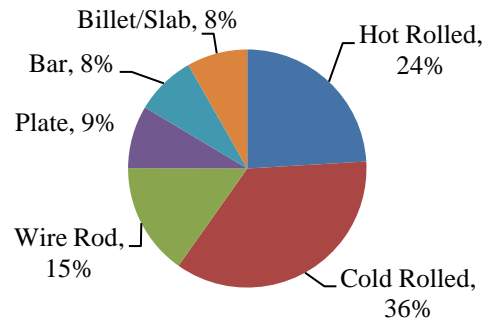
## Overview

- 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

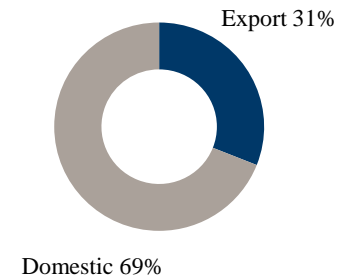
## Major business

- 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)



Domestic/Export by revenue (2017.1~3Q)





# 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

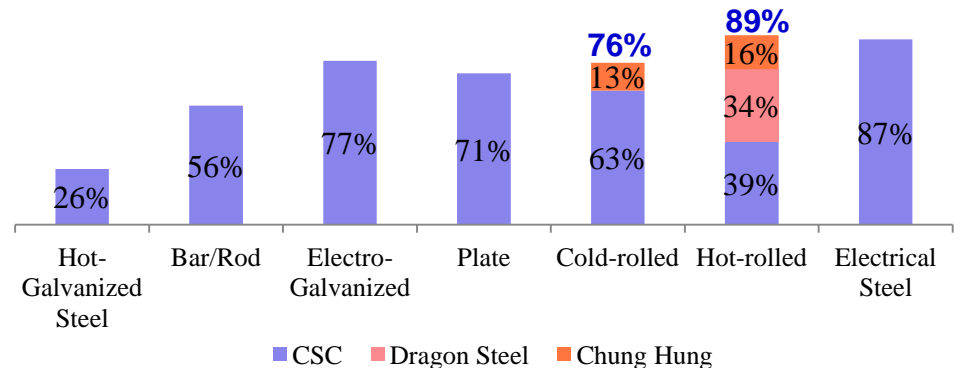
#### Service and Investments Businesses

- 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).

CSC Group domestic market share (2017.1~3Q)





# **Operation and Development Strategies**

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

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

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

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

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

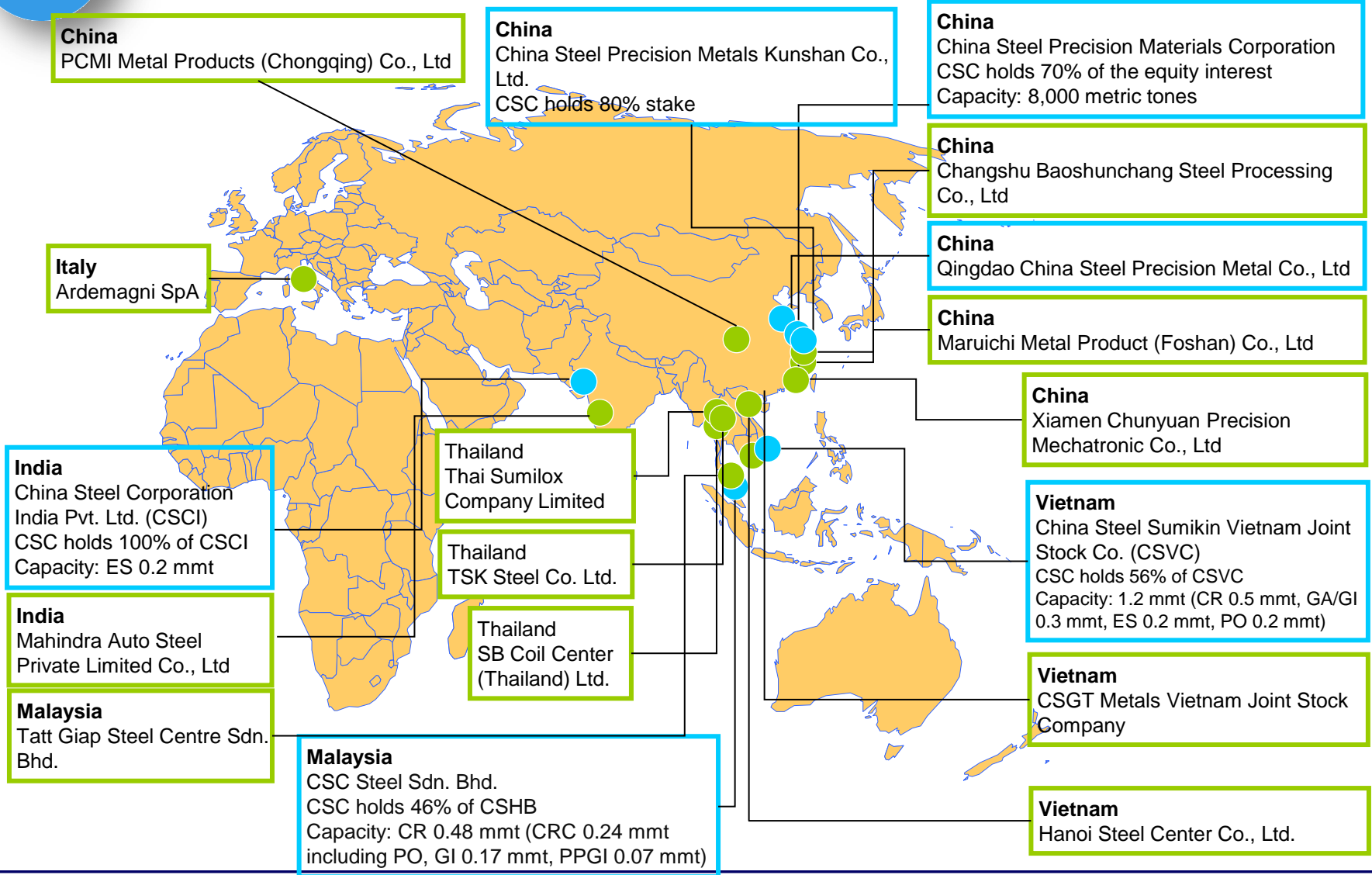
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**To expand supply of CSC Group's products, reduce cost continuously, elaborate on energy saving and environmental protection, strengthen occupational safety and health, and increase industry chain value with intelligent manufacturing and improving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

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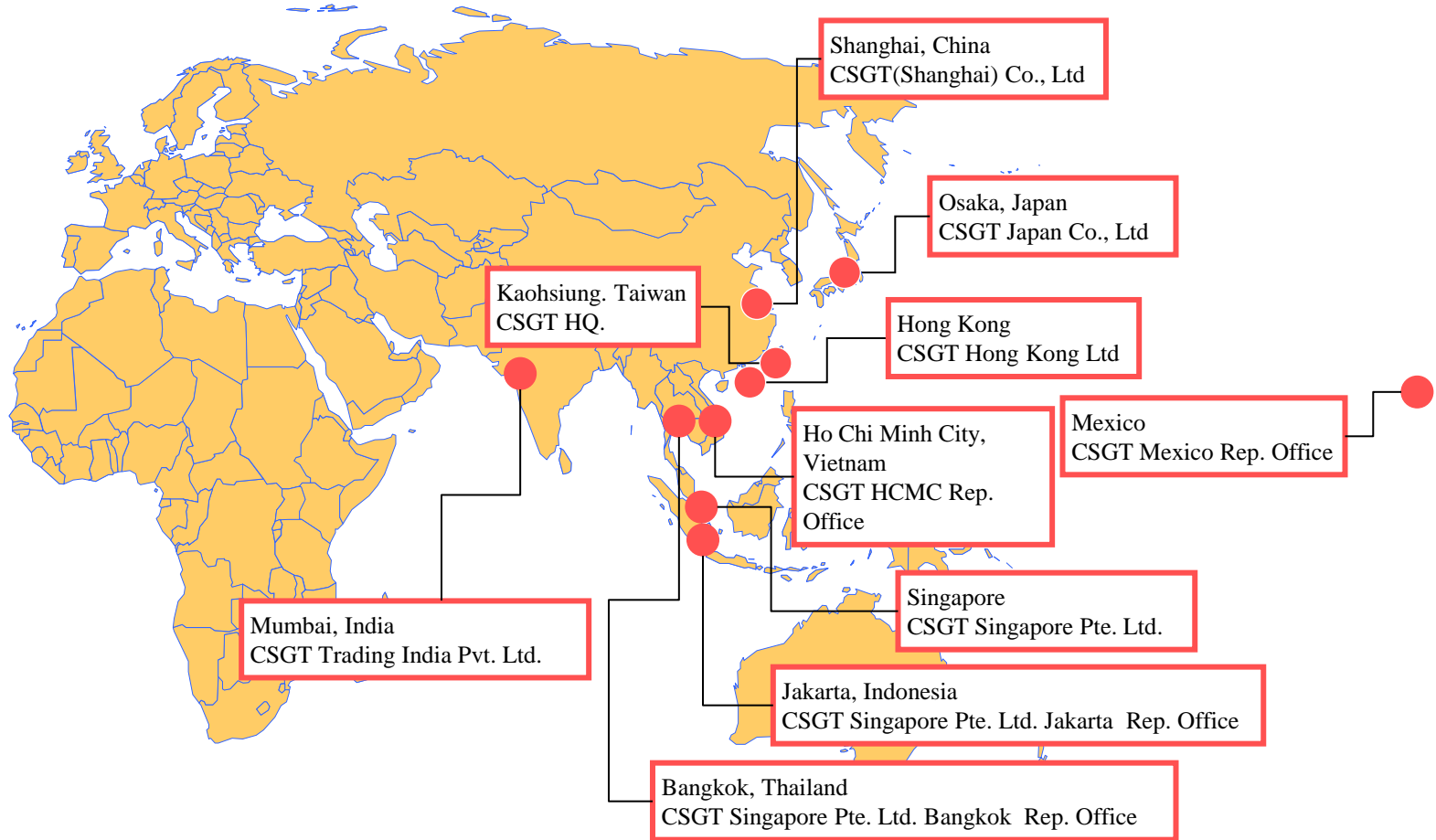


# Overseas Production Sites and Sales Channels





# Sales Channels-CSGT



● 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 .**

**CSVC**







## Production Site - CSCI

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

CSCI





# 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.**

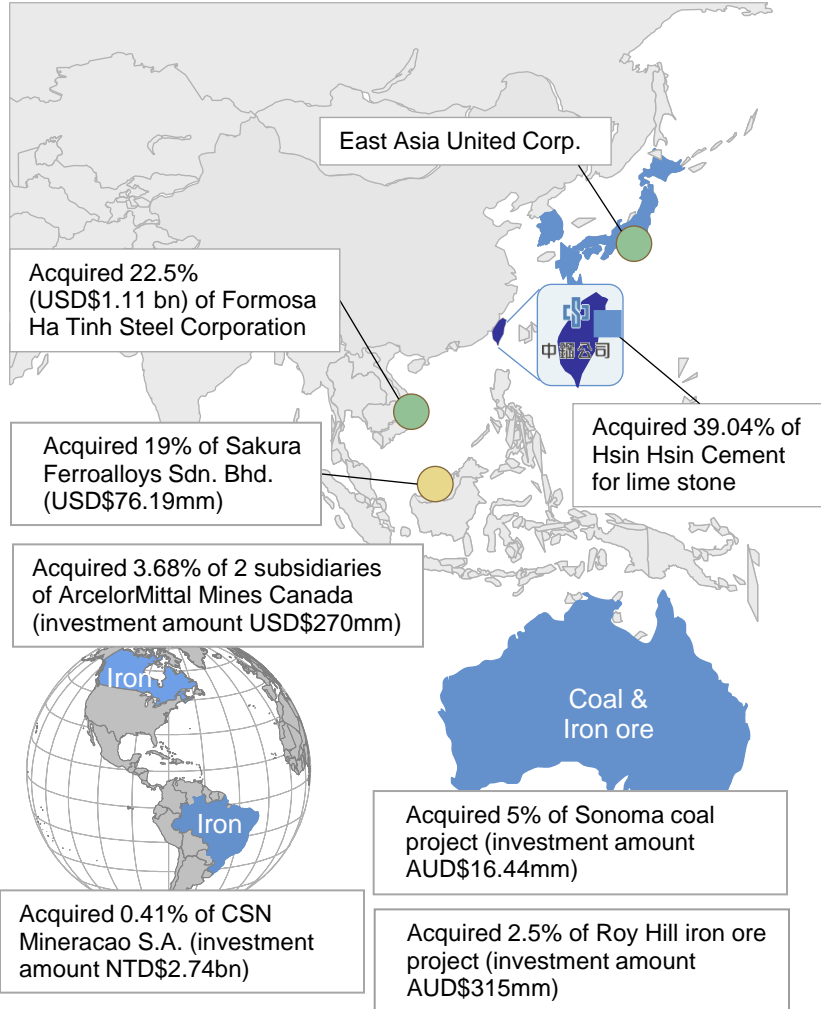
**FHS**





# Raw Materials 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, 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.



# R&D on High-End Products : EV Application

Roadster



MODEL-S



MODEL-X



MODEL-3



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019



500

5k

23k

40k

70k

130k

250k

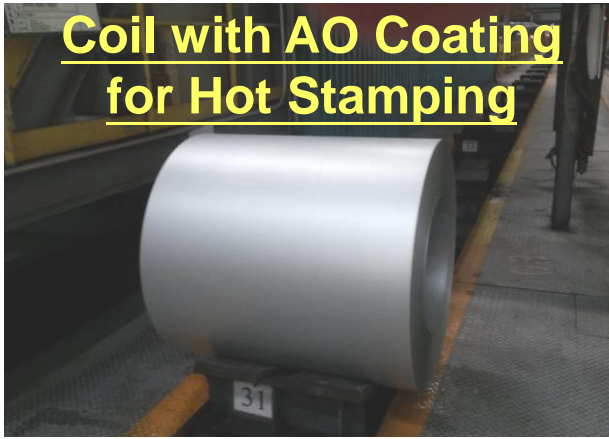
500k

1,000k

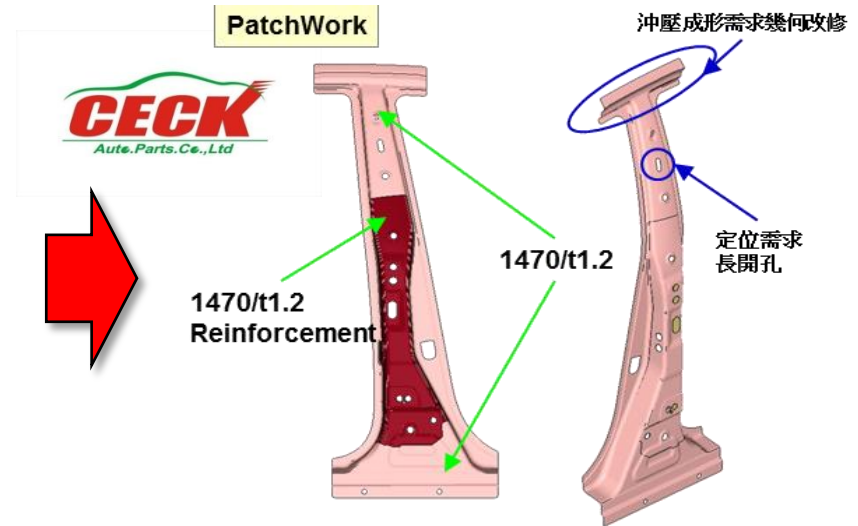
To meet TESLA's demand of new MODEL-3 launched in 2017, CSC successfully designed a customized thin-gauged electrical steel sheet, **25CS1250HF**, with high quality and excellent performance. CSC also try to align with several key players (e.g. Fukuta, TECO, Hota and etc.) in Taiwan to setup a EV industrial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



# R&D on High-End Products : Hot Stamping



\*AO: Anti-oxidation



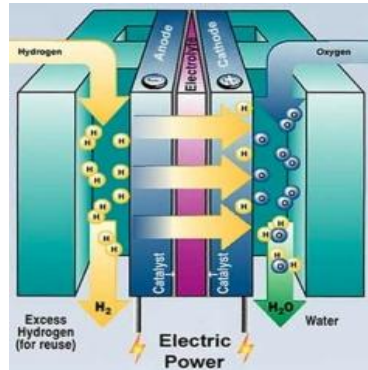
- Hot stamping technology and coils with AO-coating for hot stamping had been developed.
- Constructions in Honley and Changchun CECK Auto. Parts Co. have already completed. Both two companies have received orders from OEMs now and will begin to deliver hot stamping parts to the OEMs in 2018.



# 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.



# Increasing High-End Product Ratio

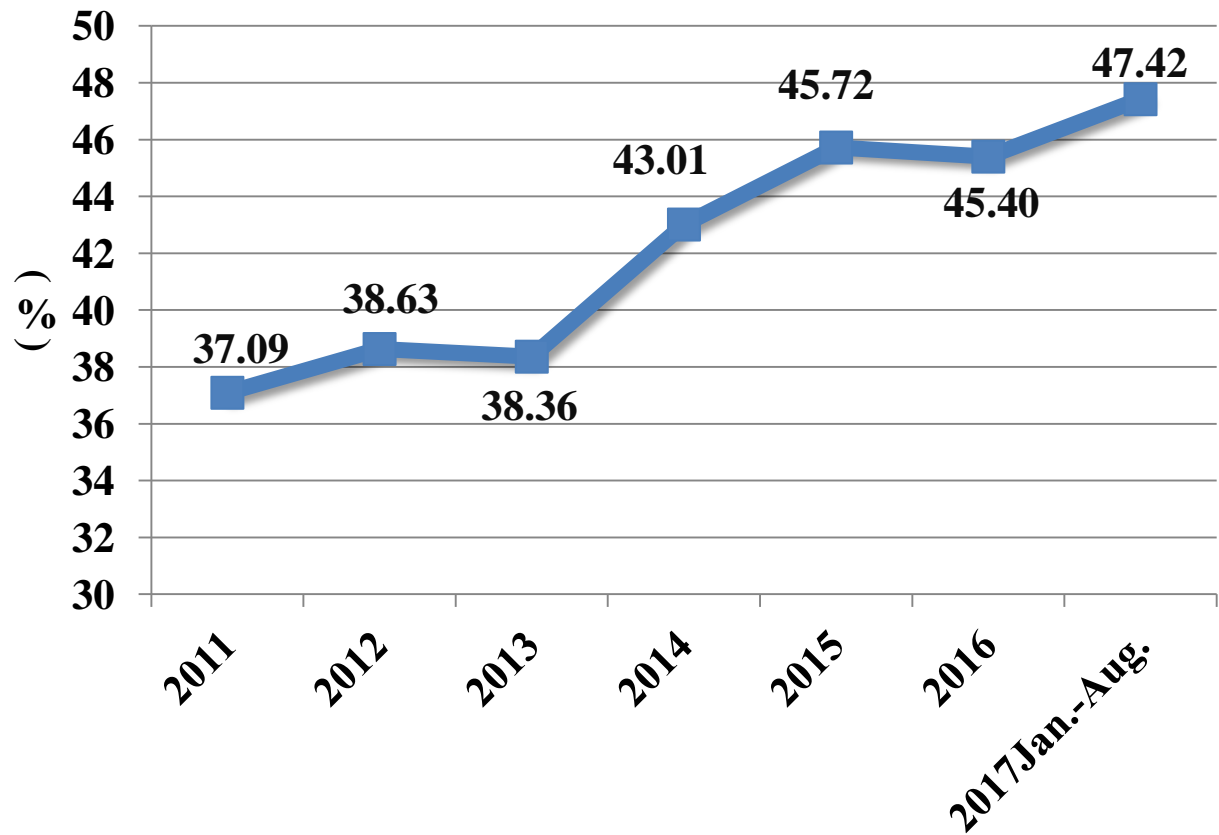
## CATEGORY

HIGH PERFORMANCE

HIGH TECHNICAL CONTENT

HIGH VALUE-ADDED

### High-End Product Ratio



\* 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.





# 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





# Green Energy Business : Solar Power

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 .

Planning PV System in CSC Group (80MWp 2017-2019)	
Capacity(kWp)	81,017.45
Annual Energy Output(kWh)	103,500,000
Require Area(m2)	810,174.50



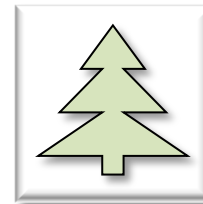
**100 million kwh electricity output and NTD 400 million revenue p.a.**



**Reduce CO2 emission by 43,504 tons p.a.**



**Electricity output is equivalent to the power demand of 1,430 households.**



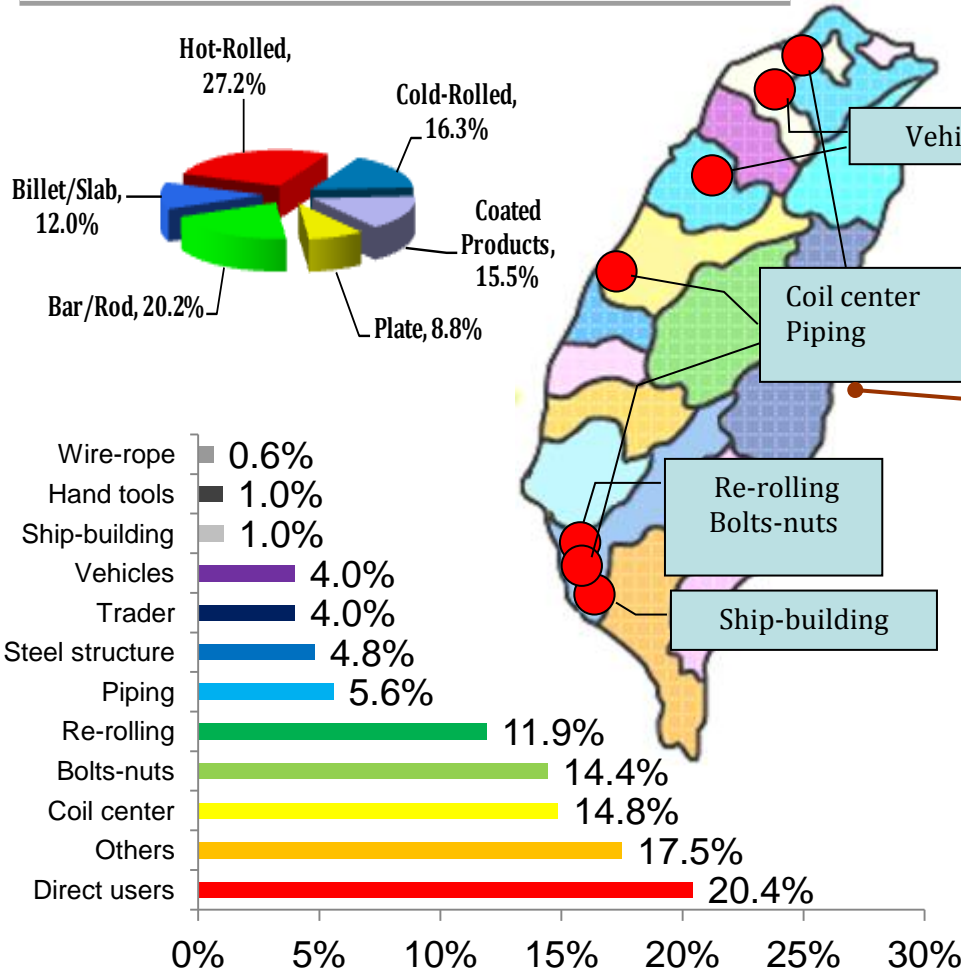
**The effect of CO2 emission reduction equals to the effect of planting 3,973,328 trees.**



# Sales Analysis (CSC Standalone)

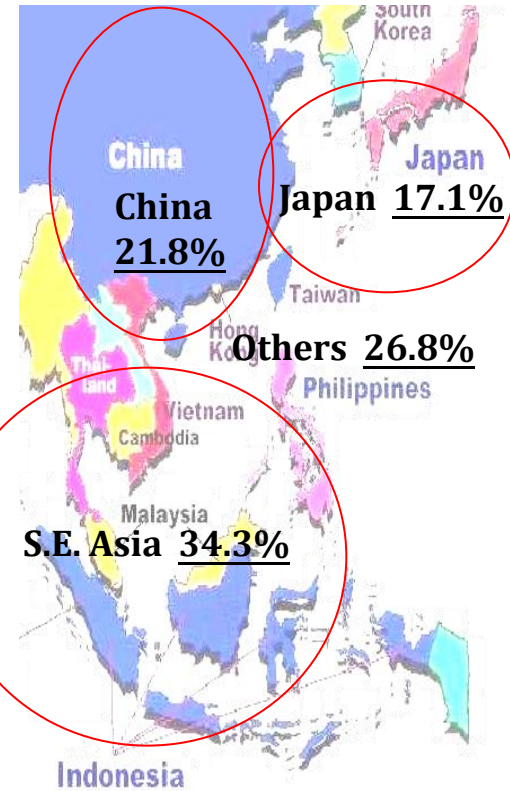
2017.1~3Q CSC sales volume totaled 8.23 million metric tons

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)

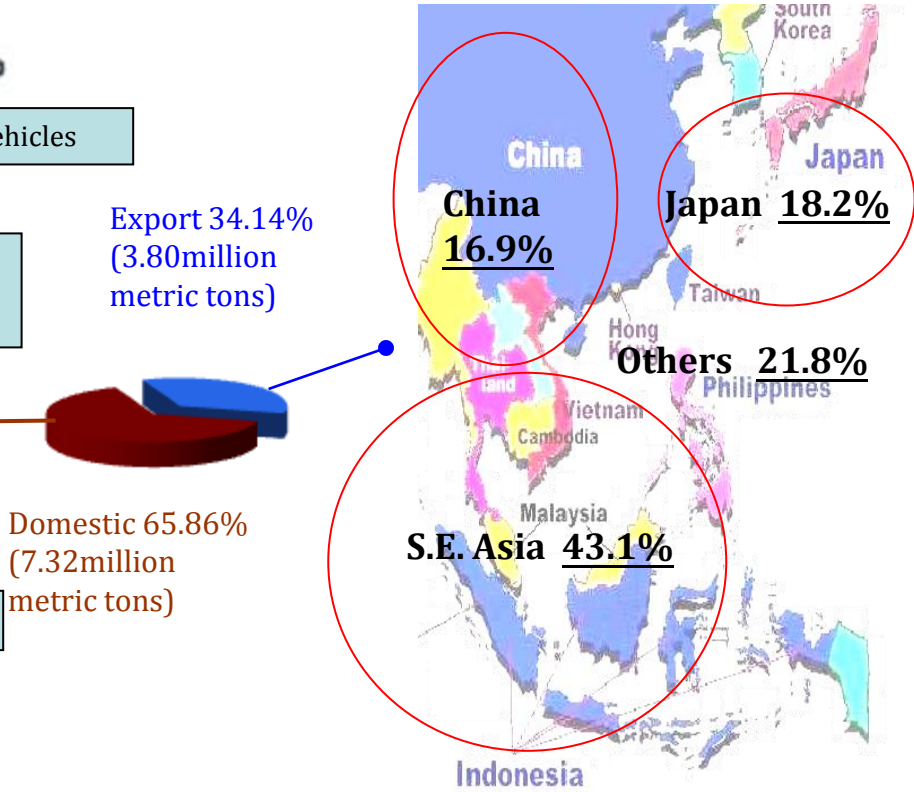
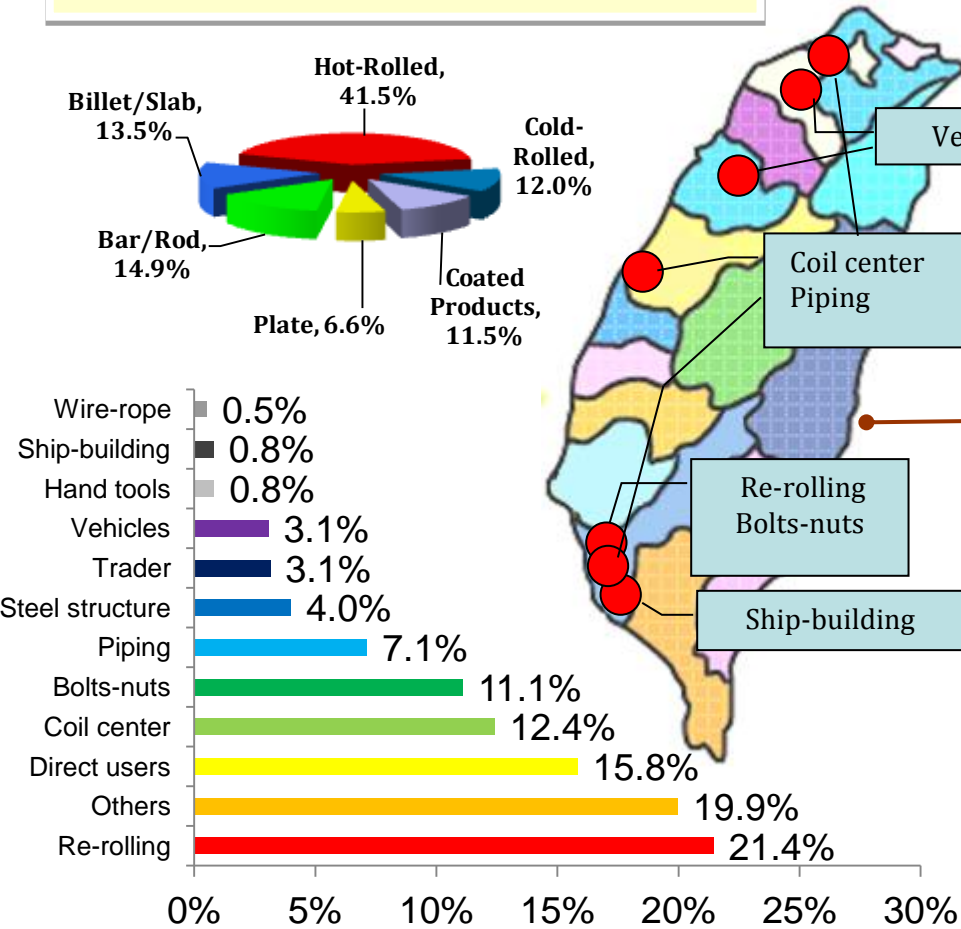




# Sales Analysis (CSC & BF Products of DSC)

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

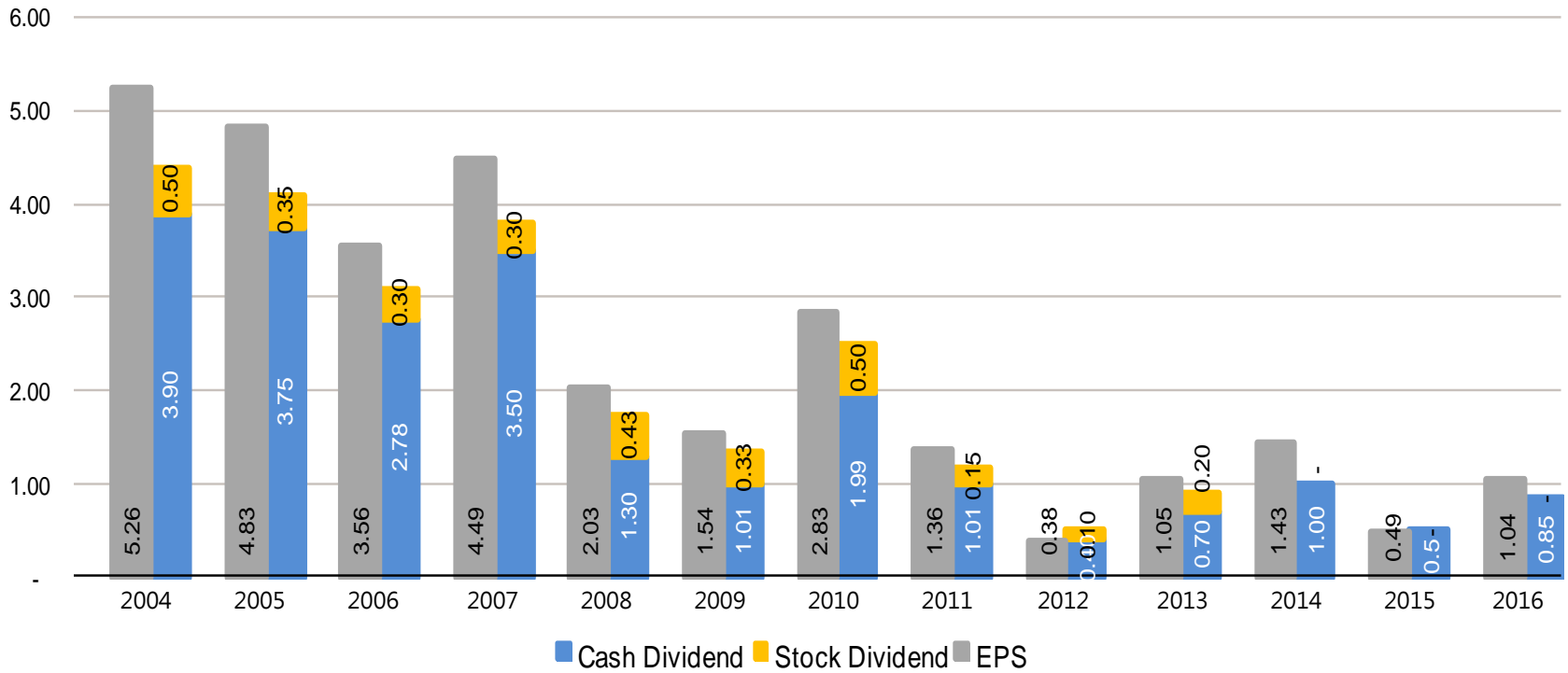
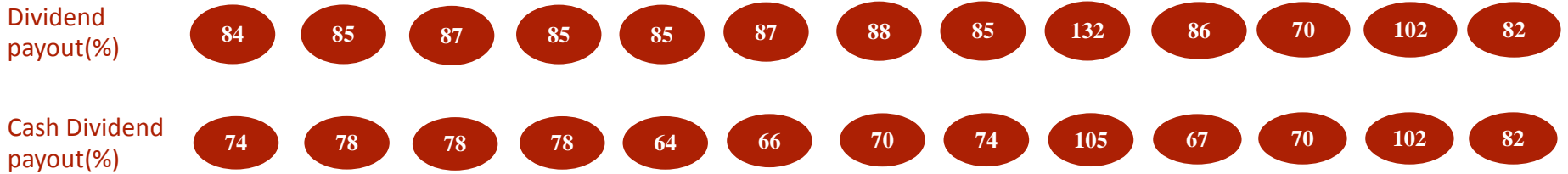
Domestic/Export sales volume breakdown of 2017.1~3Q





# Dividend Policy

(in NTD per share)



# Closing Remarks

**Thank you!**



# Appendix 1: Consolidated Operating Results

Unit: NTD millions

Item	2017.1H	*2017.1~8
Consolidated Operating Revenue	167,849	226,959
Consolidated Operating Income	11,638	14,472
Consolidated Income Before Income Tax	9,814	12,565

\*preliminary result



# Appendix 2:

# Consolidated Income Statement

Unit: NTD 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





# Appendix 3: Consolidated Financial Status

Unit: NTD 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