



CHINASTEEL

# China Steel Corporation

September 8, 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)

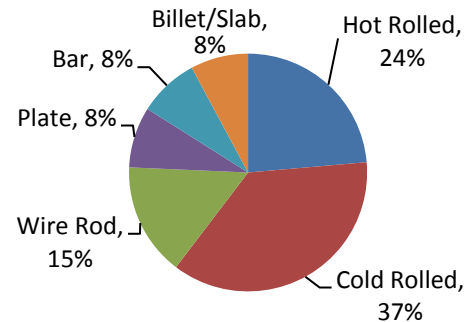
## Overview

- 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

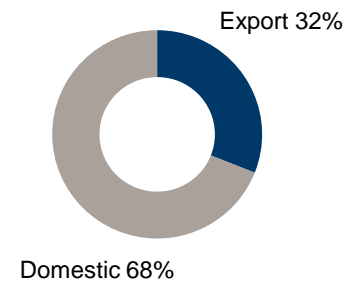
## Major business

- 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 (2017.1H)



Domestic/Export by revenue (2017.1H)



# 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

#### 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)

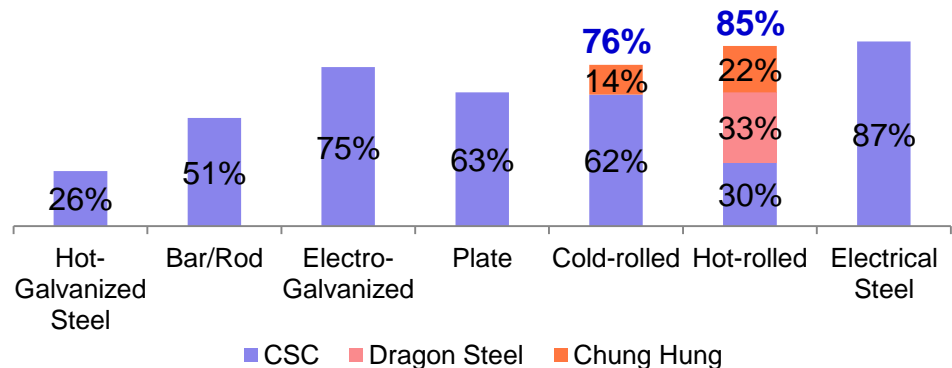
#### Service and Investments Businesses

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

CSC Group domestic market share (2017.1H)



# Company overview: Group capacity & Production lines

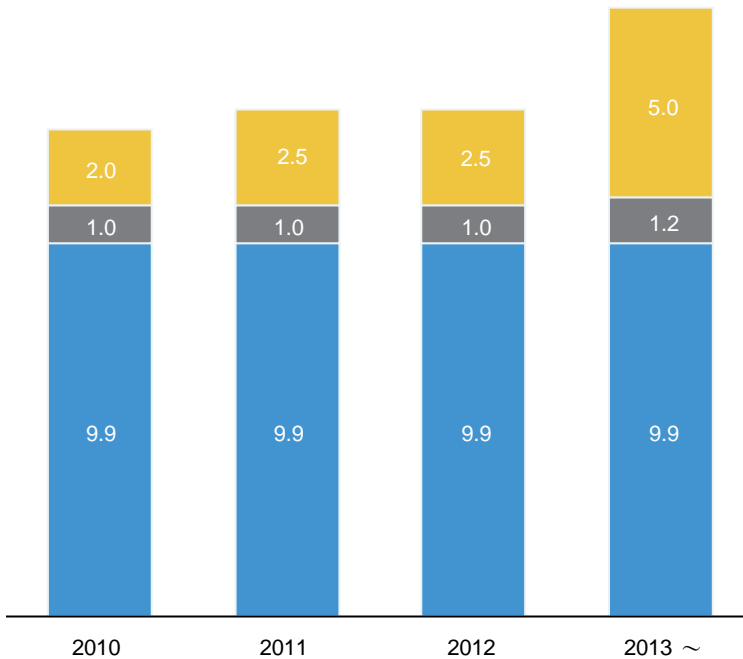


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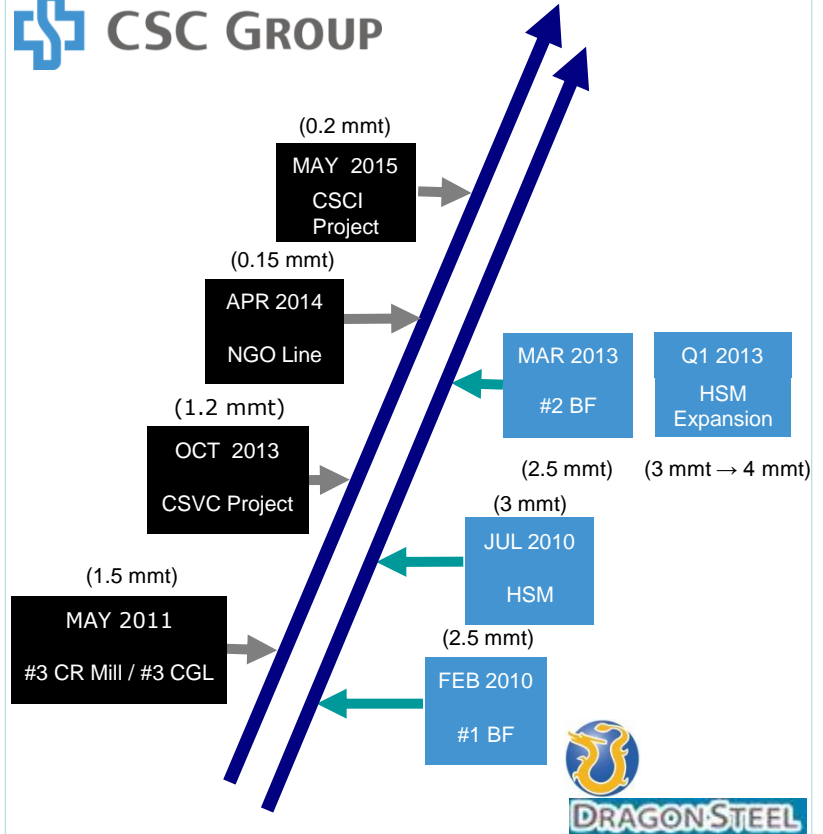
## Group capacity

### 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	2017.1H	*2017.1~7
Consolidated Operating Revenue	167,849	196,328
Consolidated Operating Income	11,638	12,974
Consolidated Income Before Income Tax	9,814	11,118

\*preliminary result



# Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2017.1H	*2017.1~7
1	Steel products	138,147,297	161,767,226
2	Non-steel industry materials	15,889,452	18,468,509
3	Construction	9,169,572	10,672,449
4	Transportation and service	3,261,072	3,671,616
5	Others	1,381,872	1,748,488
Less	Sales returns and allowances	0	0
	Total	167,849,265	196,328,288

\*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

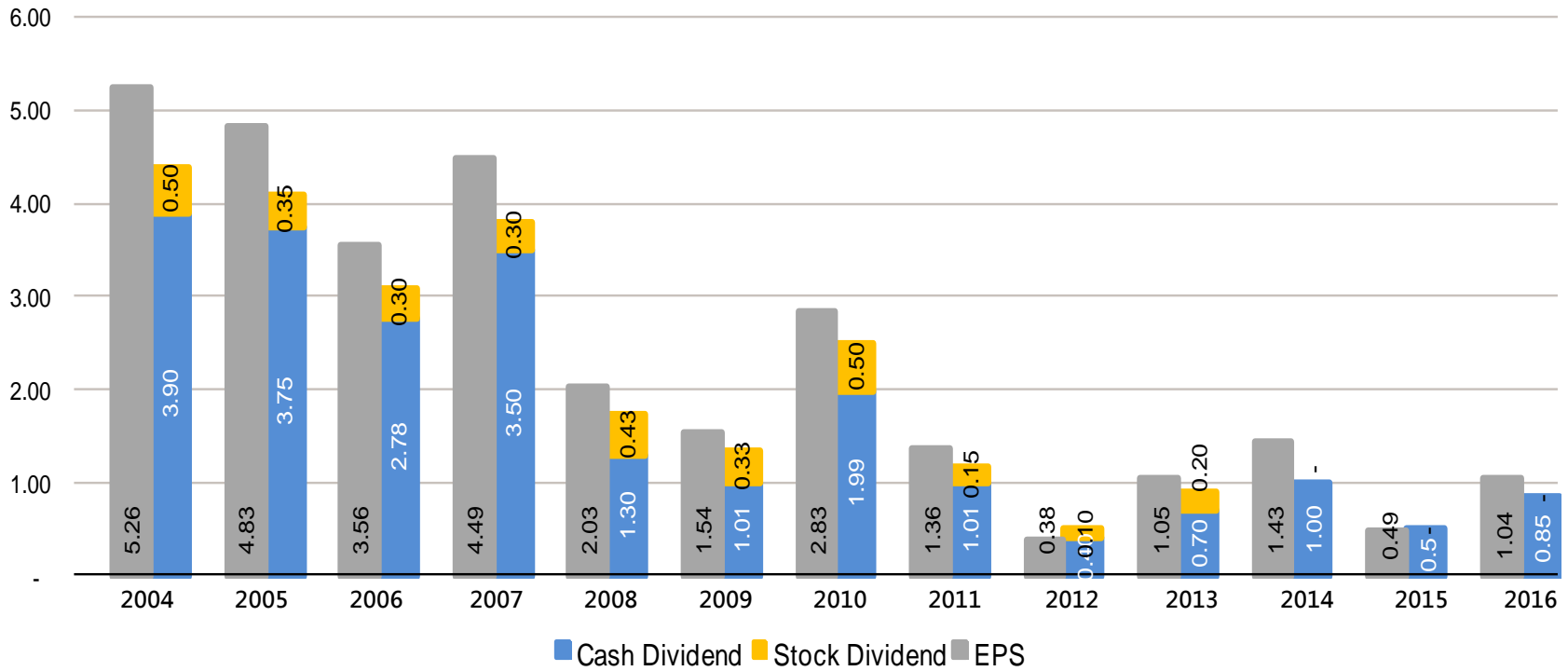
(in NTD per share)

**Dividend payout(%)**

84	85	87	85	85	87	88	85	132	86	70	102	82
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**Cash Dividend payout(%)**

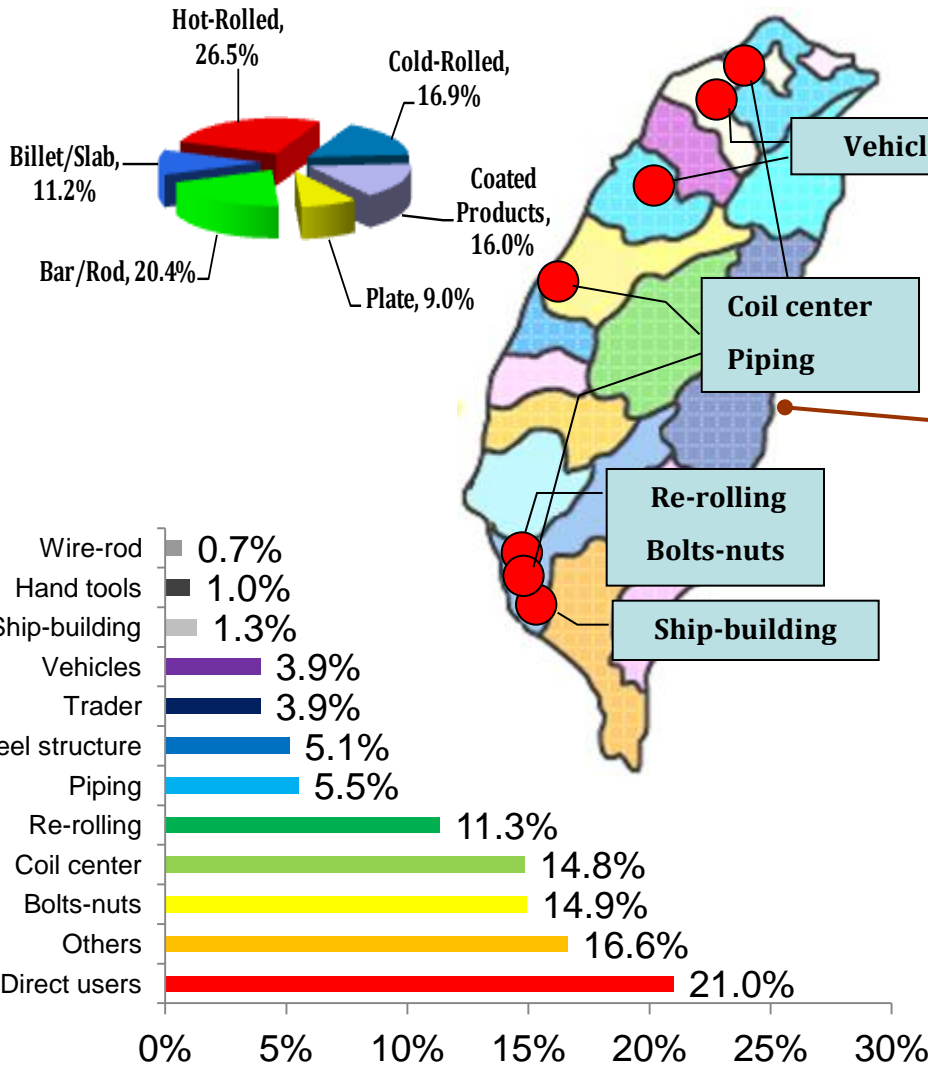
74	78	78	78	64	66	70	74	105	67	70	102	82
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# Sales (CSC standalone)

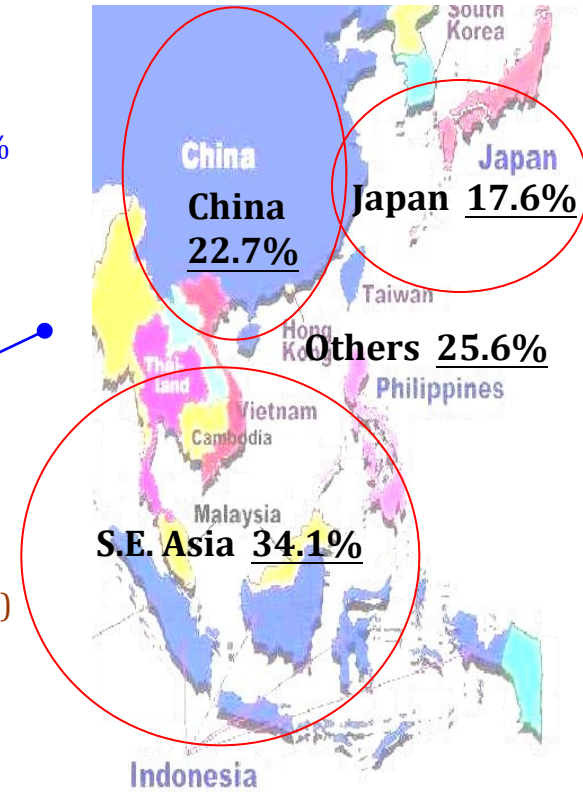
2017.1H CSC sales volume totaled 5.37 million metric tons

Domestic/Export sales volume breakdown of 2017.1H



Export 32.31%  
(1.73 million metric tons)

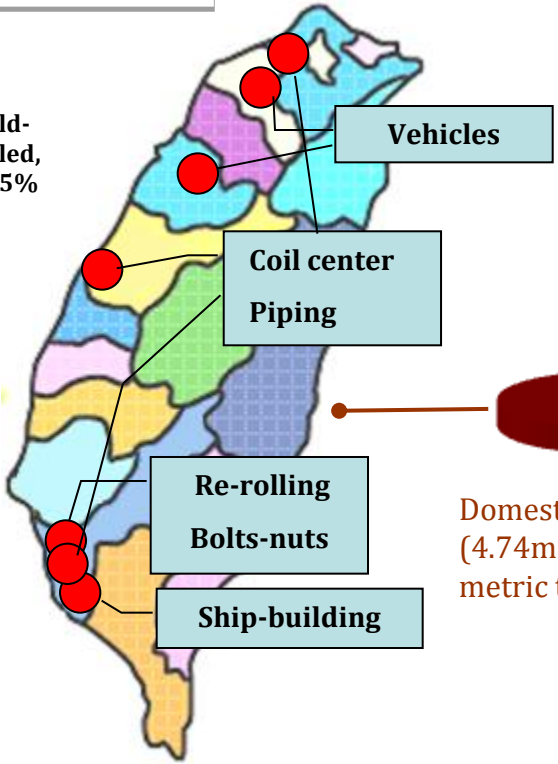
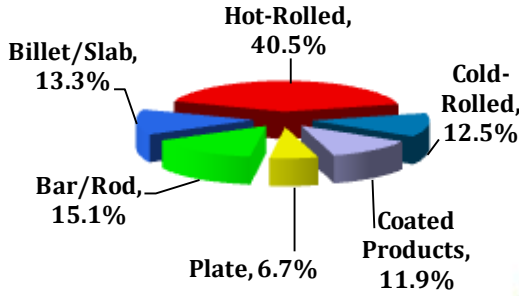
Domestic 67.69%  
(3.64 million metric tons)



# Sales (CSC & BF products of DSC)

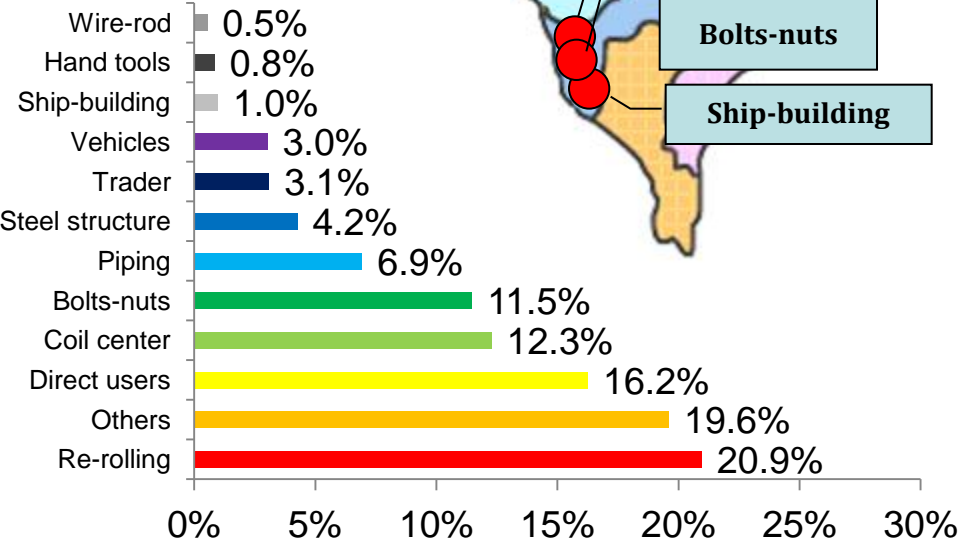
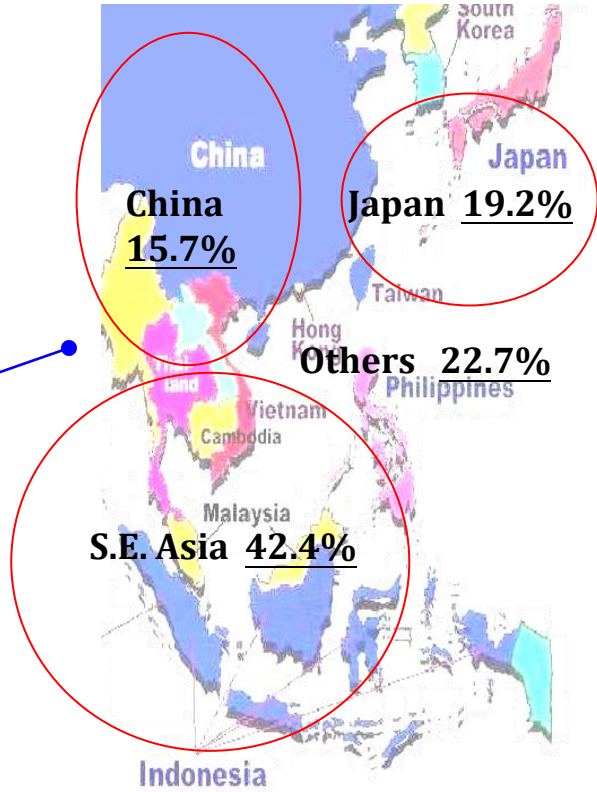
2017.1H sales volume (CSC & BF products of DSC) totaled 7.26 million metric tons

Domestic/Export sales volume breakdown of 2017.1H



Export 34.67%  
(2.52million metric tons)

Domestic 65.33%  
(4.74million 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

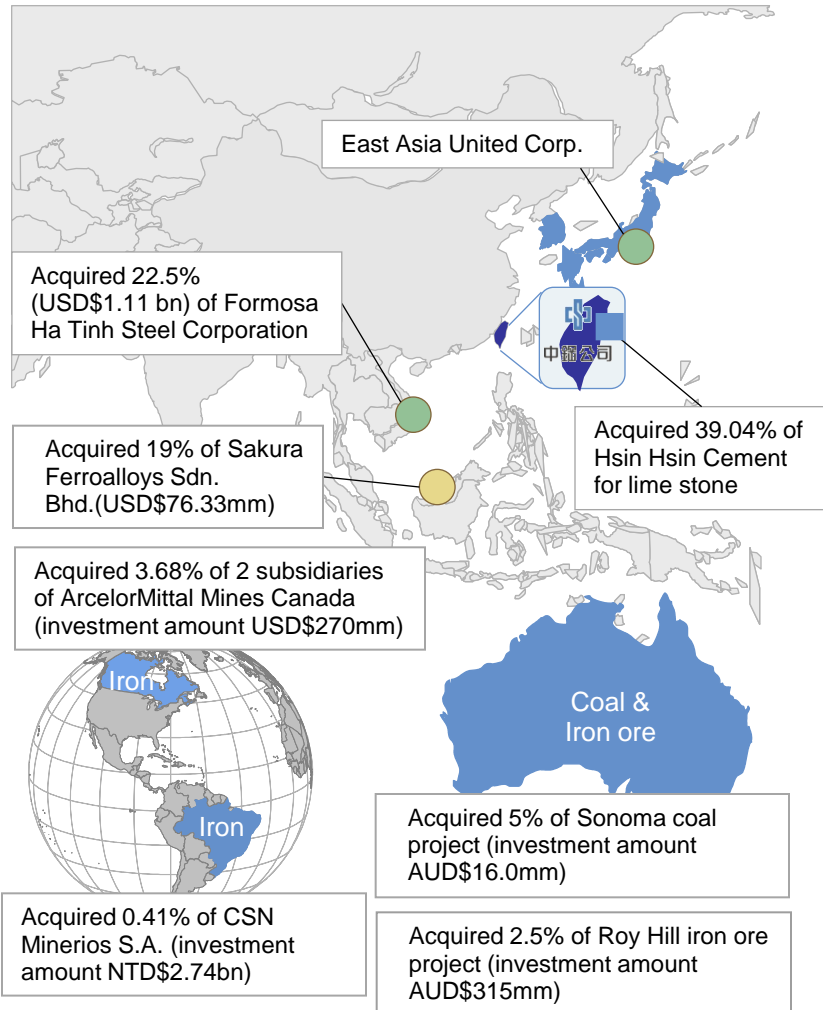
Elaborate on energy saving and reduce cost continuously

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

## Ferro-alloy

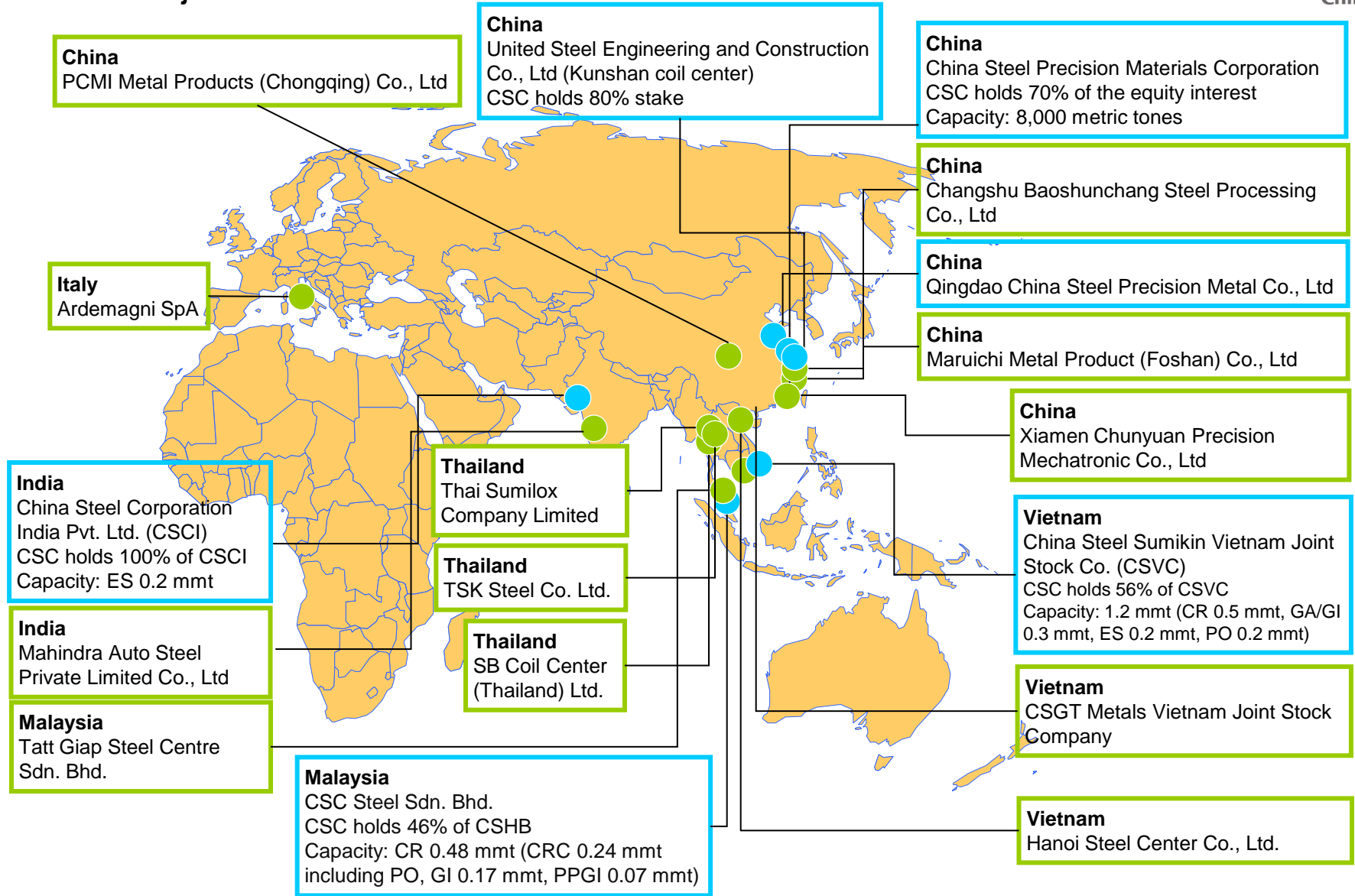
- Long-term contract to reduce market risks
- Purchased 19% stake in Sakura Ferroalloys Sdn. Bhd.
  - Ensures a long-term stable supply of ferro-alloy, and lowers the acquisition cost.

# 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.**