



CHINASTEEL

China Steel Corporation

June 28, 2018



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

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Company overview: Business snapshot (CSC standalone)

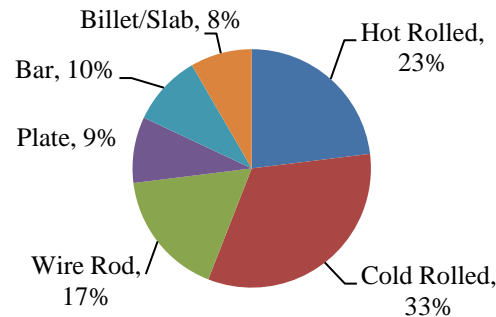
Overview

- 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, 2017

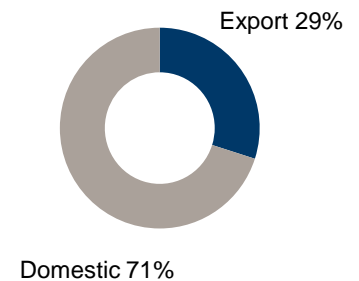
Major business

- 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
(2018.1Q)



Domestic/Export by revenue
(2018.1Q)



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
- Sing Da Marine Structure 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

Trading and Logistics Businesses

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

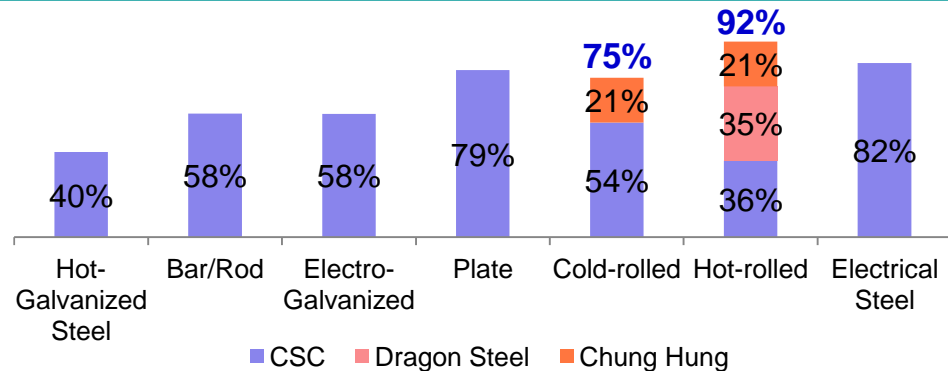
Service and Investments Businesses

- Gains Investment Corporation
- China Steel Security Corporation
- China Prosperity Development Corporation
- China Steel Management Consulting Corporation
- CSC Solar 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 (2018.1Q)



Performance- Consolidated operating results

Amount: NT\$ million

Item	2018.1Q	*2018.5	*2018.1~5
Consolidated Operating Revenue	93,390	35,004	160,328
Consolidated Operating Income	6,041	2,822	11,298
Consolidated Income Before Income Tax	5,735	2,696	10,680

*preliminary result

Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2018.1Q	*2018.5	*2018.1~5
1	Steel products	77,908,515	28,432,946	132,821,710
2	Non-steel industry materials	8,915,040	3,365,402	15,373,557
3	Construction	4,067,249	2,427,635	8,085,113
4	Transportation and service	1,772,296	517,333	2,850,957
5	Others	726,562	260,507	1,197,132
Less	Sales returns and allowances	0	0	0
	Total	93,389,662	35,003,823	160,328,469

*preliminary result

Performance-CSC group

Segment revenues and operating results



Unit : NTD Thousands

2018.1Q	Steel	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 75,351,150	\$ 18,038,512	\$ -	\$ 93,389,662
Inter-segment revenues	<u>23,229,876</u>	<u>13,016,111</u>	<u>(36,245,987)</u>	<u>-</u>
Segment revenues	\$ 98,581,026	\$ 31,054,623	(\$ 36,245,987)	\$ 93,389,662
Segment profit	\$ 4,172,138	\$ 1,718,391	\$ 150,514	\$ 6,041,043
Interest income	33,456	39,552	(16,972)	56,036
Financial costs	(735,398)	(145,659)	11,493	(869,564)
Share of the profit of associates	2,510,825	373,799	(2,660,821)	223,803
Other non-operating income and expenses	<u>417,692</u>	<u>22,587</u>	<u>(156,505)</u>	<u>283,774</u>
Profit before income tax	6,398,713	2,008,670	(2,672,291)	5,735,092
Income tax	<u>23,627</u>	<u>282,913</u>	<u>16,457</u>	<u>275,743</u>
Net profit for the period	<u>\$ 6,422,340</u>	<u>\$ 1,725,757</u>	<u>(\$ 2,688,748)</u>	<u>\$ 5,459,349</u>

Performance- consolidated basis

Consolidated Income Statement

Units: NT\$ millions

IFRSs	2017	2017.1Q	2018.1Q
Revenues	347,012	82,984	93,390
Gross profit	39,339	9,952	9,610
Gross margins	11.34%	11.99%	10.29%
Profit before tax	23,403	5,390	5,735
<u>Net profit</u>	<u>20,431</u>	<u>4,681</u>	<u>5,439</u>
Attributable to			
Owners of the corporation	16,905	3,705	4,609
Non-controlling interests	3,526	976	851
Earnings Per Share(NTD)	\$ 1.09	\$ 0.24	\$ 0.30



Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	3/31/2018
Debt	362,630	348,049	357,414	346,542	335,764	328,888
Debt/Equity	113.55%	103.99%	111.44%	105.15%	101.15%	97.79%
Asset	681,999	682,737	678,139	676,122	667,716	665,221
Debt/Asset	53.17%	50.98%	52.71%	51.25%	50.29%	49.44%
Net Debt *	264,285	250,540	269,034	254,390	238,426	232,555
Net Debt/Asset	49.51%	46.88%	39.67%	37.62%	35.71%	34.96%

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

* 2013~2017 :

Net debt = Interest Bearing 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*)

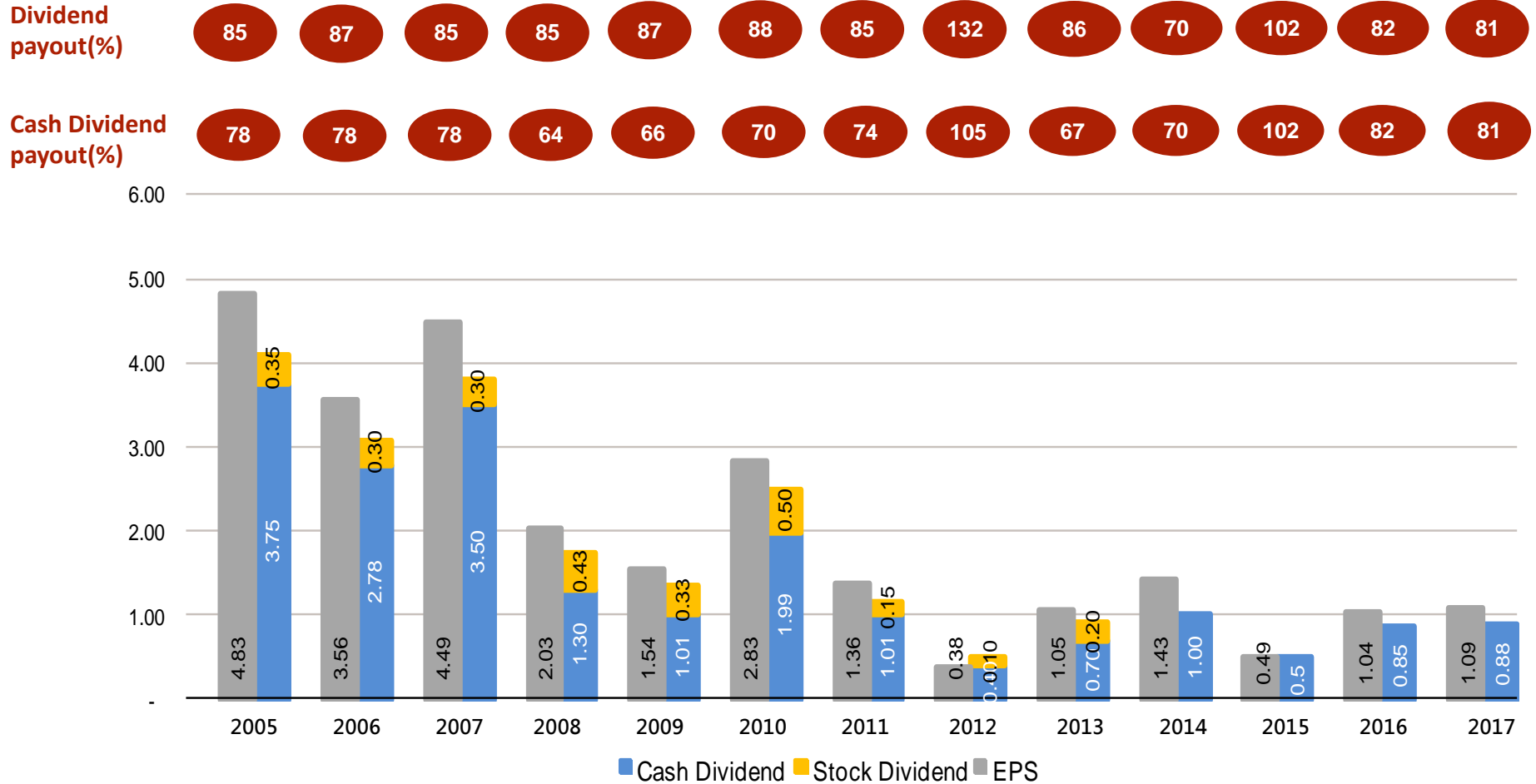
* 2018~ :

Net debt = Interest Bearing Debt – cash & cash equivalents – (*financial assets at fair value through profit or loss-current+ financial assets at fair value through other comprehensive income-current*)



Performance- Historical EPS and dividends paid

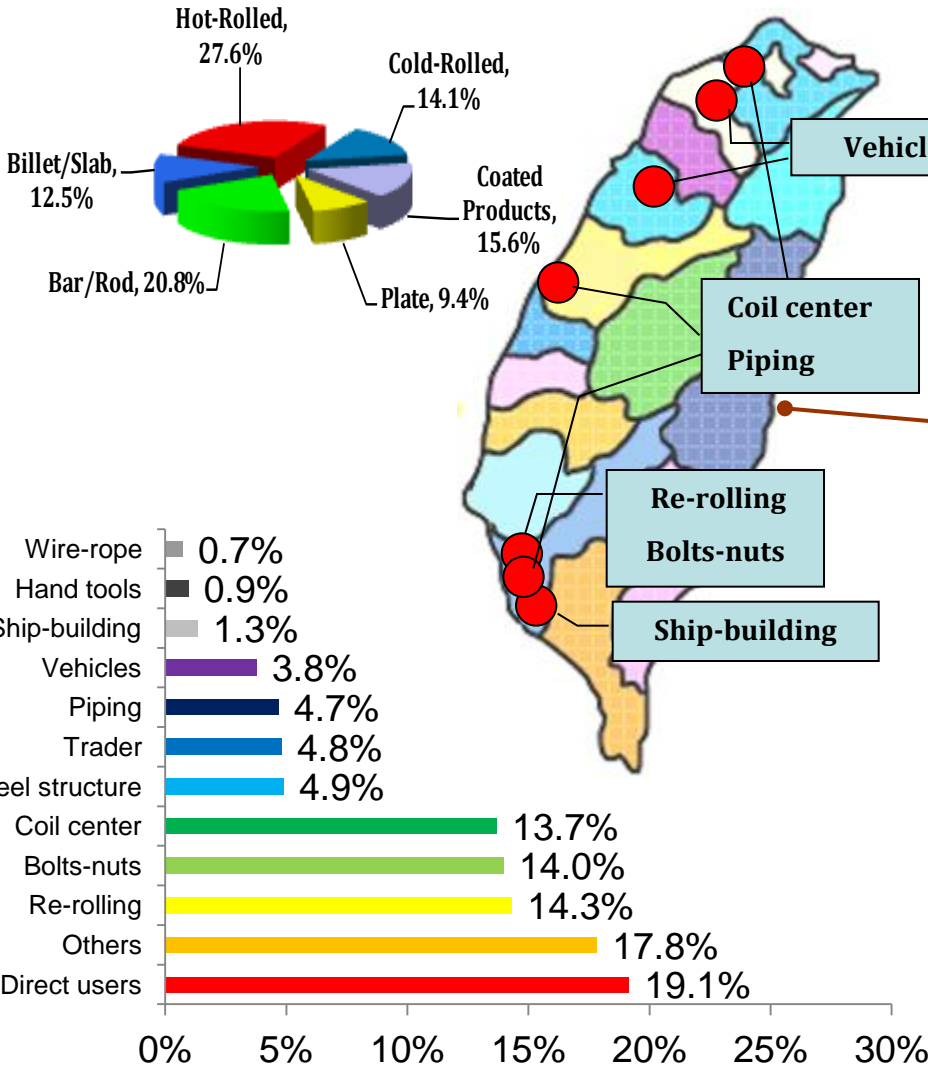
(in NTD per share)



Sales (CSC standalone)

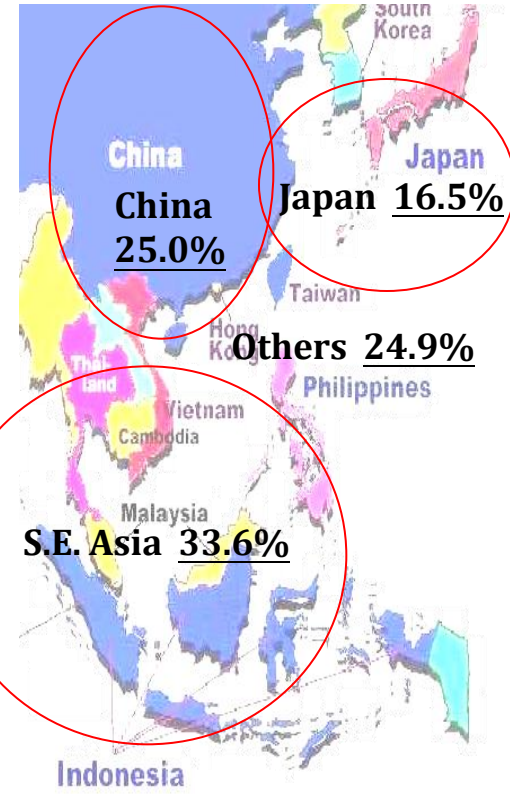
2018.1Q CSC sales volume totaled 2.70 million metric tons

Domestic/Export sales volume breakdown of 2018.1Q



Export 29.88%
(0.81 million metric tons)

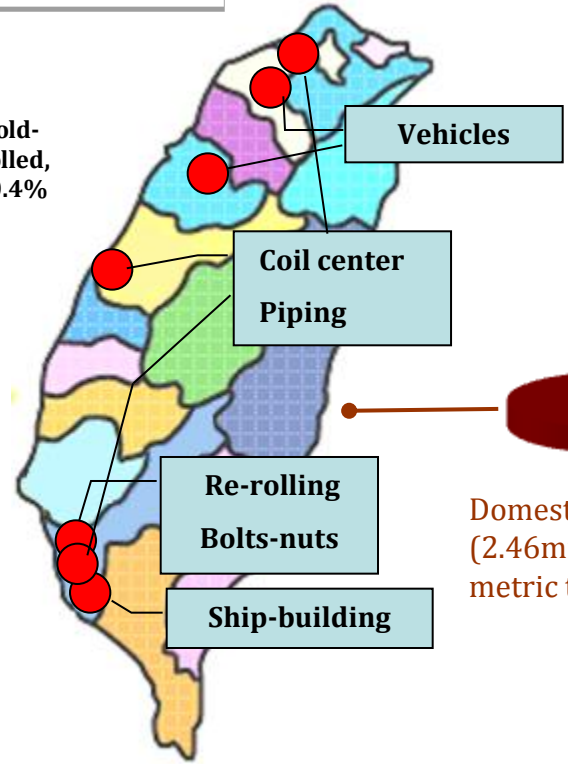
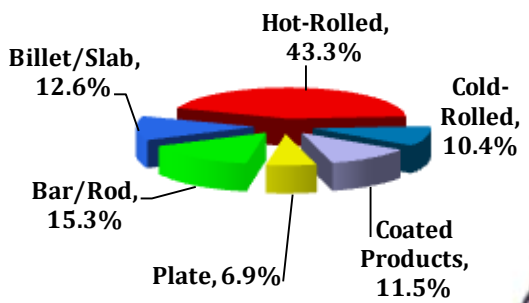
Domestic 70.12%
(1.89 million metric tons)



Sales (CSC & BF products of DSC)

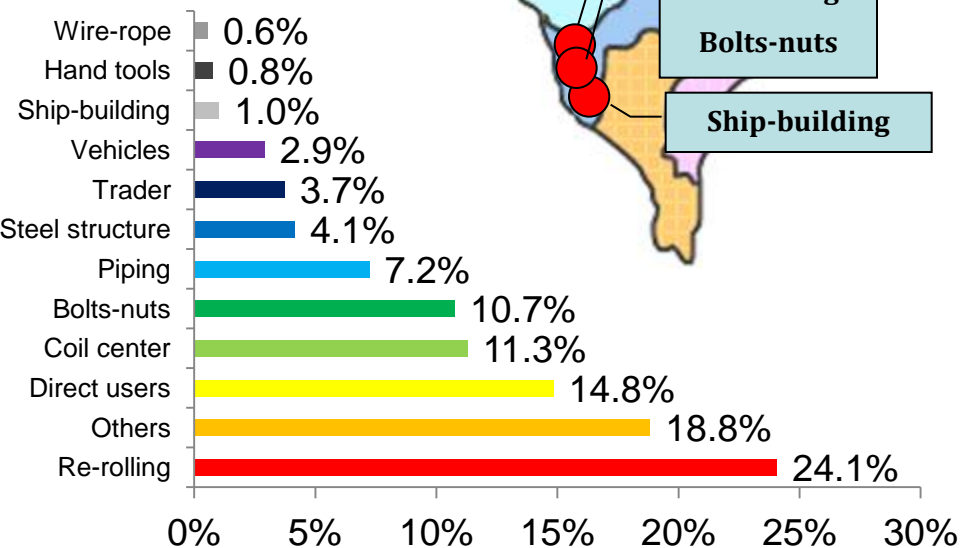
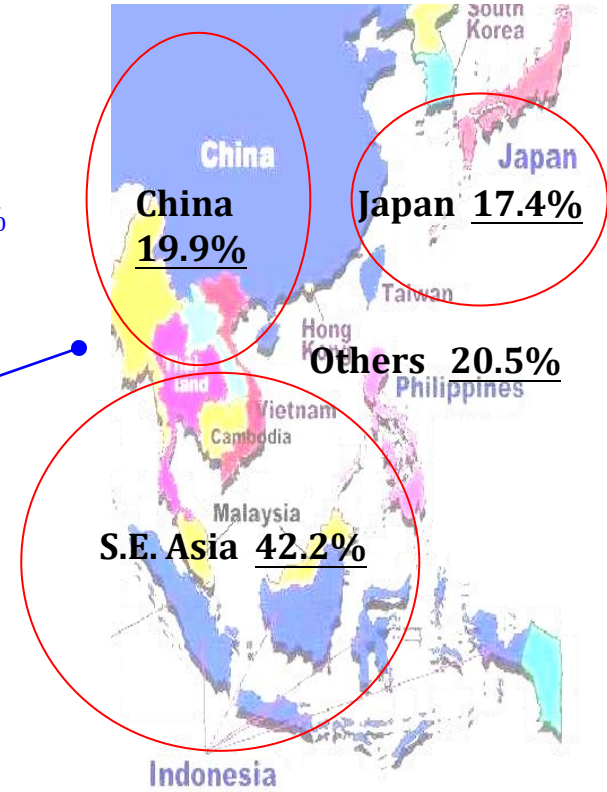
2018.1Q sales volume (CSC & BF products of DSC) totaled 3.67 million metric tons

Domestic/Export sales volume breakdown of 2018.1Q



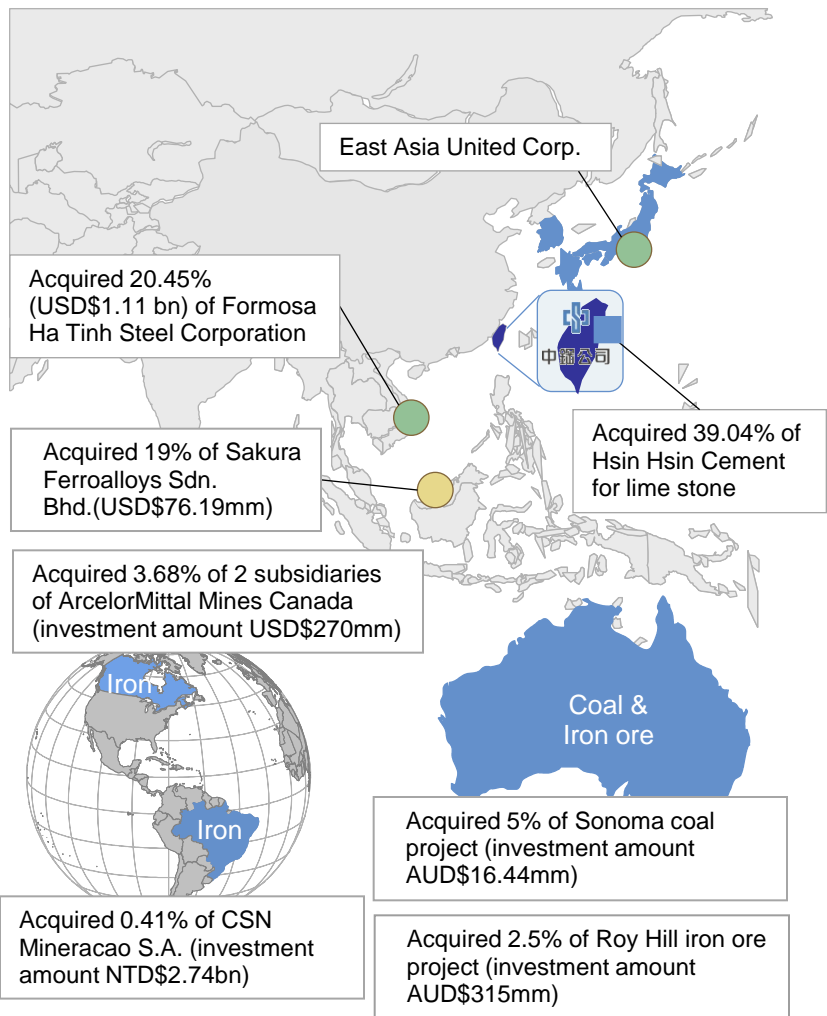
Export 32.91%
(1.21million metric tons)

Domestic 67.09%
(2.46million metric tons)



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.

Key Strategies

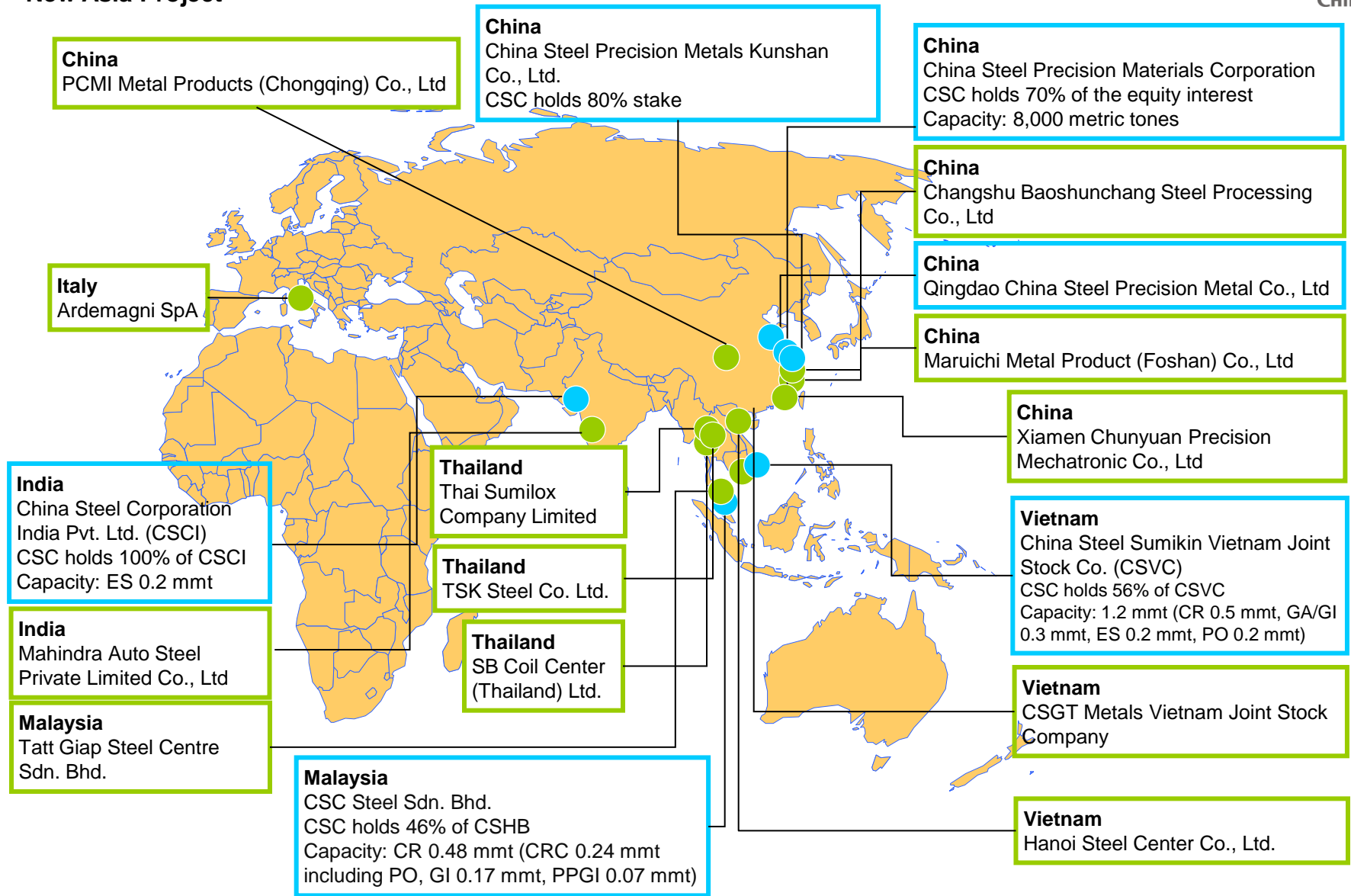
- 1 Solidify domestic market, expand export sales channels, and develop new market with customers
- 2 Integrate group resources and develop green energy businesses
- 3 Research and develop advanced products and applied technology for increasing chain value of steel industry
- 4 Elaborate on energy saving and reduce cost continuously
- 5 Value Corporate Social Responsibility and achieve sustainable operation

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



CHINA STEEL

New Asia Project



Sing Da Marine Structure Corporation

- Capacity: 50 jacket substructures/year.
- Schedule: to finish the construction at the end of 2019 and start production in 2020.
- Capital: NTD\$6.842 billion with D/E ratio 50%, CSC holds 100% of shares.

#29 Offshore Wind Farm

- Developers: China Steel Corporation, CIP and DGA.
- Plan: Got distribution of 300MW grid capacity for installation in 2024.

Taiwan International Windpower Training Corporation Ltd.

- JV partners: Taiwan International Ports Corporation, Taiwan Power Company, CWind Taiwan, China Ship Building Corporation and Swancor.
- Business: Provide certified construction, operation and maintenance training for developing offshore wind industry in Taiwan.
- Capital: NTD\$100 million, CSC will hold 15% of shares (NTD\$15 million).

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

2017
3.96
billion
NTD

- 0.87 bn: Expense saving from nationalization of equipment and spare parts
- 1.14 bn: Improvement of manufacturing process and promoting effectiveness and efficiency
- 0.61 bn: Reduction of energy consumption and optimization of production scheduling
- 0.80 bn: Provide saturated steam and industrial gas to nearby plants
- 0.50 bn: Reduction of raw material procurement cost through negotiation

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

Value Corporate Social Responsibility and achieve sustainable operation

Awards and Honours

1

- 2018.05 CSC was ranked **top 5%** in TWSE listed companies in the 4th (2017) Corporate Governance Evaluation.

2

- 2018.02 CSC was ranked as RobecoSAM Gold Class Sustainability leaders 2018 in the steel industry.

3

- 2017.12 CSC was the winner of best IR in materials sector of IR Magazine Awards – Greater China 2017.

4

- 2017.12 CSC was one of the winner of 2017 Outstanding Energy Saving Performance Award.

5

- 2017.11 CSC has won The Most Prestigious Sustainability Awards-Top Ten Domestic Corporate of Taiwan Corporate Sustainability Awards (TCSA).

6

- 2017.11 CSC achieved "Leadership A-" CDP score in the fields of Climate Change and Water.

7

- 2017.09 CSC was included in the Dow Jones Sustainability Index (DJSI) for the 6th consecutive year, and named as Industry leader in the steel sector for the 2nd time.

8

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



**Sustainability,
our STEEL commitment.**