



CHINASTEEL

China Steel Corporation

March 20, 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)

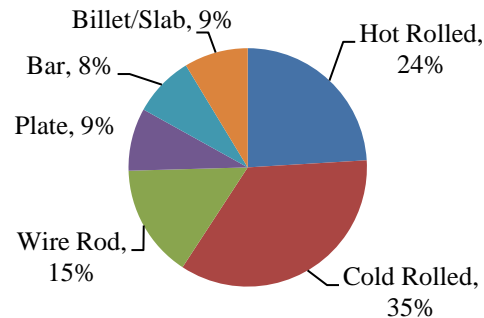
Overview

- 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

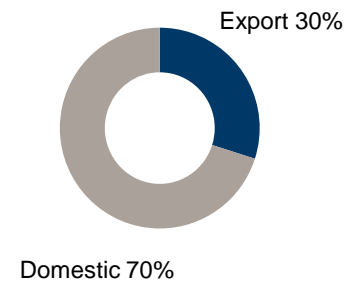
Major business

- 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 (2017)



Domestic/Export by revenue (2017)



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

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.

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

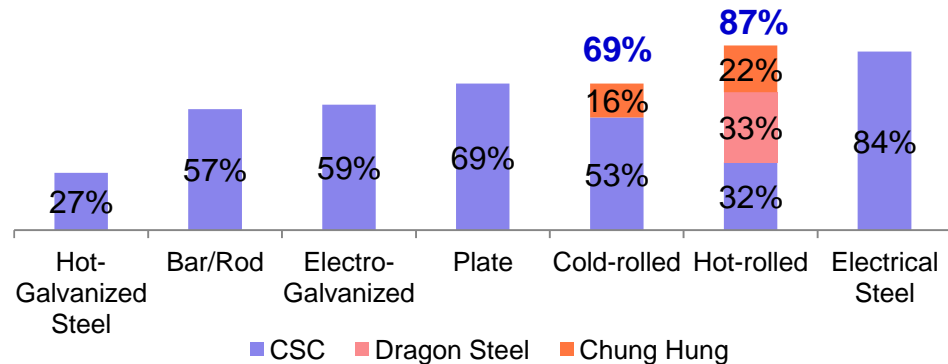
Service and Investments Businesses

- 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 (2017)





Performance- Consolidated operating results

Amount: NT\$ million

Item	*2017	*2018.1
Consolidated Operating Revenue	347,012	32,820
Consolidated Operating Income	24,922	2,480
Consolidated Income Before Income Tax	23,403	2,325

*preliminary result



Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	*2017	*2018.2	*Accumulated of 2018
1	Steel products	287,137,194	22,193,022	49,523,450
2	Non-steel industry materials	32,256,205	2,431,884	5,539,907
3	Construction	17,496,736	1,381,572	2,760,879
4	Transportation and service	6,935,731	512,872	1,117,257
5	Others	3,186,136	146,570	544,339
Less	Sales returns and allowances	0	0	0
	Total	347,012,002	26,665,920	59,485,832

*preliminary result

Performance-CSC group

Segment revenues and operating results



Unit : NTD Thousands

2017. 1~3Q	Steel	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 207,844,578	\$ 48,922,186	\$ -	\$ 256,766,764
Inter-segment revenues	60,863,488	35,375,728	(96,239,216)	-
Segment revenues	\$ 268,708,066	\$ 84,297,914	(\$ 96,239,216)	\$ 256,766,764
Segment profit	\$ 11,242,718	\$ 5,511,312	(\$ 275,612)	\$ 16,478,418
Interest income	127,664	133,781	(55,607)	205,838
Financial costs	(2,369,580)	(468,752)	34,280	(2,804,052)
Share of the profit of associates	4,895,694	1,150,136	(6,322,653)	(276,823)
Other non-operating income and expenses	1,469,119	324,700	(551,259)	1,242,560
Profit before income tax	15,365,615	6,651,177	(7,170,851)	14,845,941
Income tax	1,212,009	694,008	5,255	1,911,272
Net profit for the period	\$ 14,153,606	\$ 5,957,169	(\$ 7,176,106)	\$ 12,934,669

Performance- consolidated basis

Consolidated Income Statement

Units: NT\$ millions

IFRSs	2016.3Q	2017.3Q	2016.1~3Q	2017.1~3Q
Revenues	73,593	88,917	210,884	256,767
Gross profit	12,846	8,405	28,731	27,137
Gross margins	17.46%	9.45%	13.62%	10.57%
Profit before tax	8,825	5,032	16,674	14,846
<u>Net profit</u>	<u>7,630</u>	<u>4,249</u>	<u>14,711</u>	<u>12,935</u>
Attributable to				
Owners of the corporation	6,676	3,564	12,438	10,651
Non-controlling interests	954	685	2,273	2,284
Earnings Per Share(NTD)	\$ 0.43	\$ 0.23	\$ 0.80	\$ 0.69



Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2012	12/31/2013※	12/31/2014※	12/31/2015※	12/31/2016※	9/30/2017※
Debt	312,393	362,630	348,049	357,414	346,542	345,919
Debt/Equity	102.26%	113.55%	103.99%	111.44%	105.15%	105.75%
Asset	617,892	681,999	682,737	678,139	676,122	673,016
Debt/Asset	50.56%	53.17%	50.98%	52.71%	51.25%	51.40%
Net Debt *	229,740	271,576	256,051	275,033	261,334	260,012
Net Debt/Asset	37.18%	43.59%	37.50%	40.56%	38.65%	38.63%

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

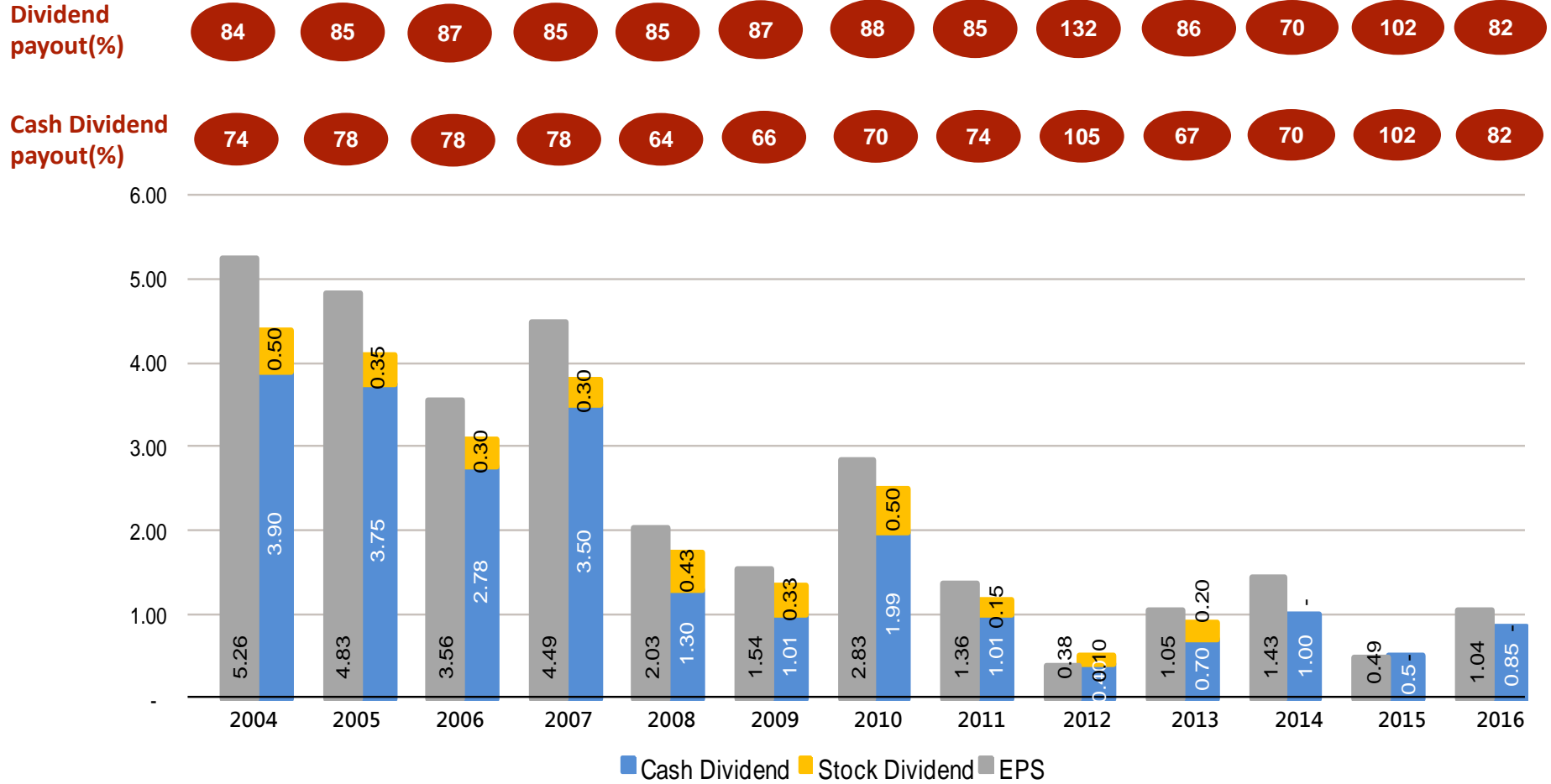
* Net debt = Interest Bearing Debt – cash & cash equivalents – (*financial assets at fair value through profit or loss-current+ available-for-sale financial assets-current +held-to-maturity financial assets-current+ derivative financial assets for hedging-current*)

※IFRSs basis



Performance- Historical EPS and dividends paid

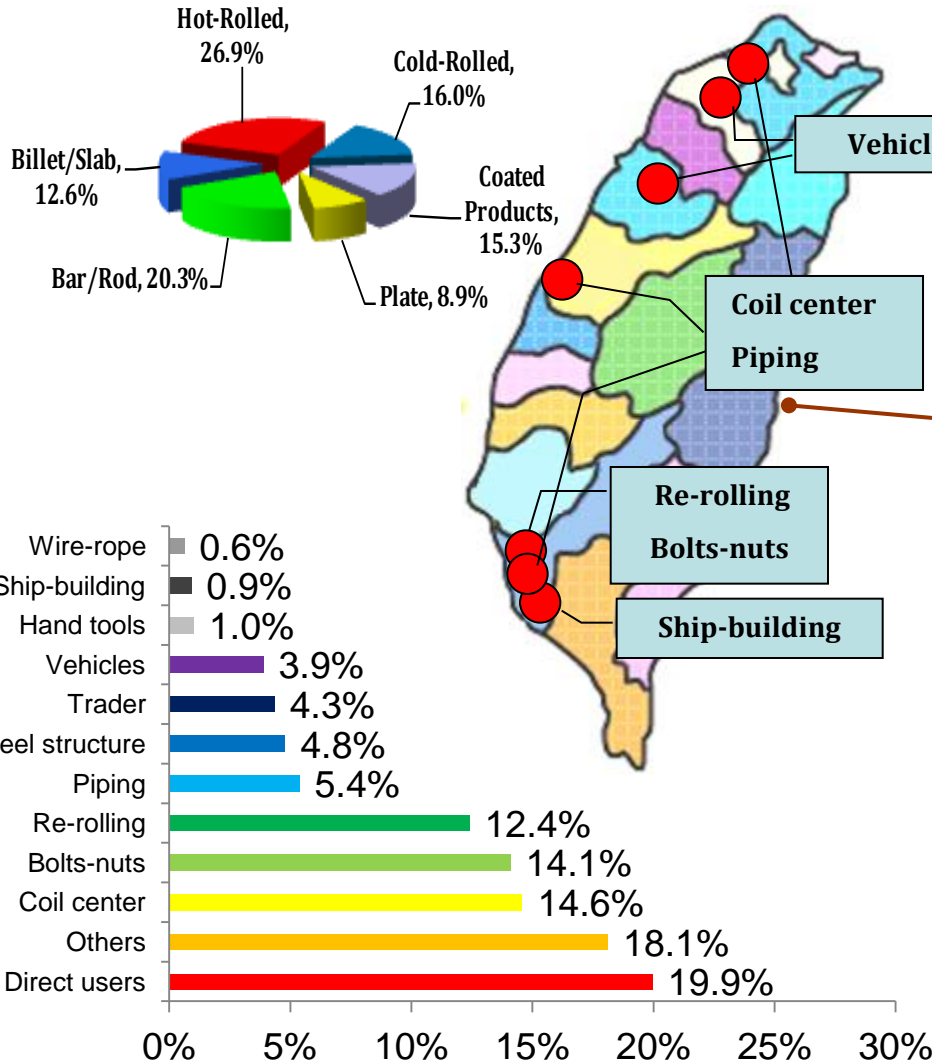
(in NTD per share)



Sales (CSC standalone)

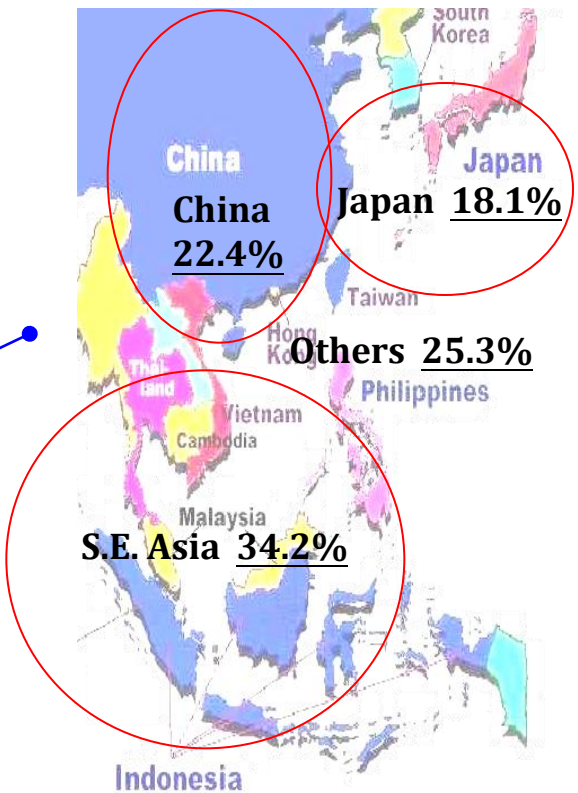
2017 CSC sales volume totaled 10.85 million metric tons

Domestic/Export sales volume breakdown of 2017



Export 30.57%
(3.32 million metric tons)

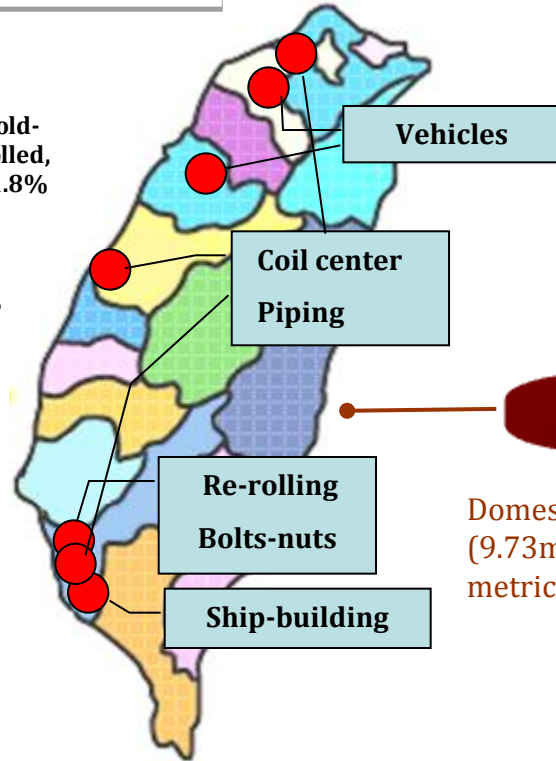
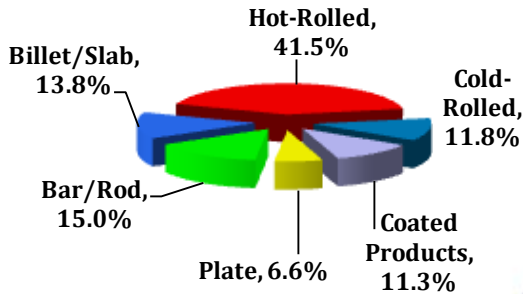
Domestic 69.43%
(7.53 million metric tons)



Sales (CSC & BF products of DSC)

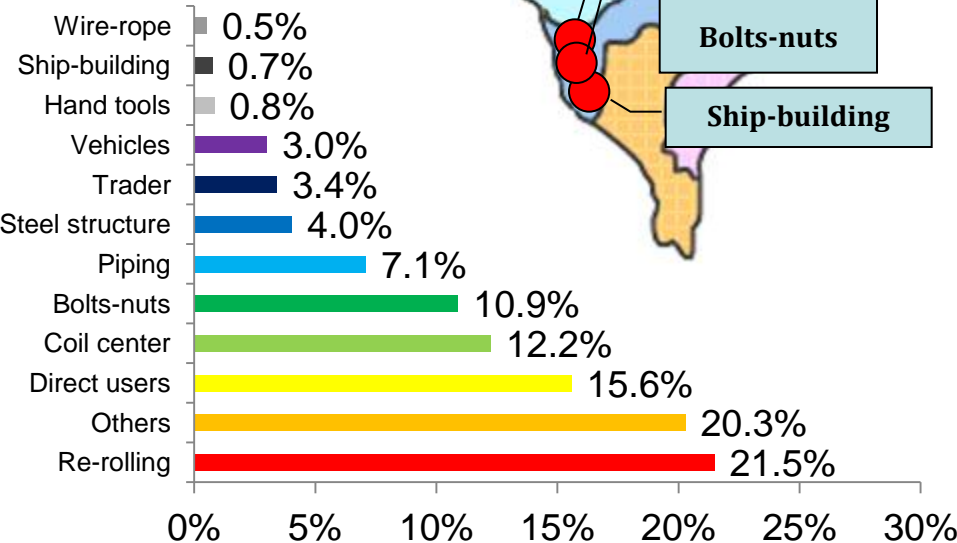
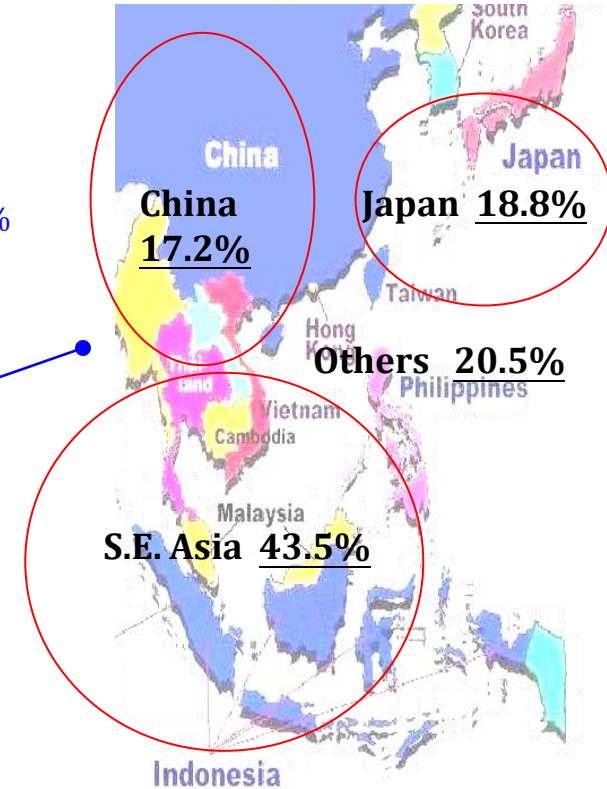
2017 sales volume (CSC & BF products of DSC) totaled 14.66 million metric tons

Domestic/Export sales volume breakdown of 2017



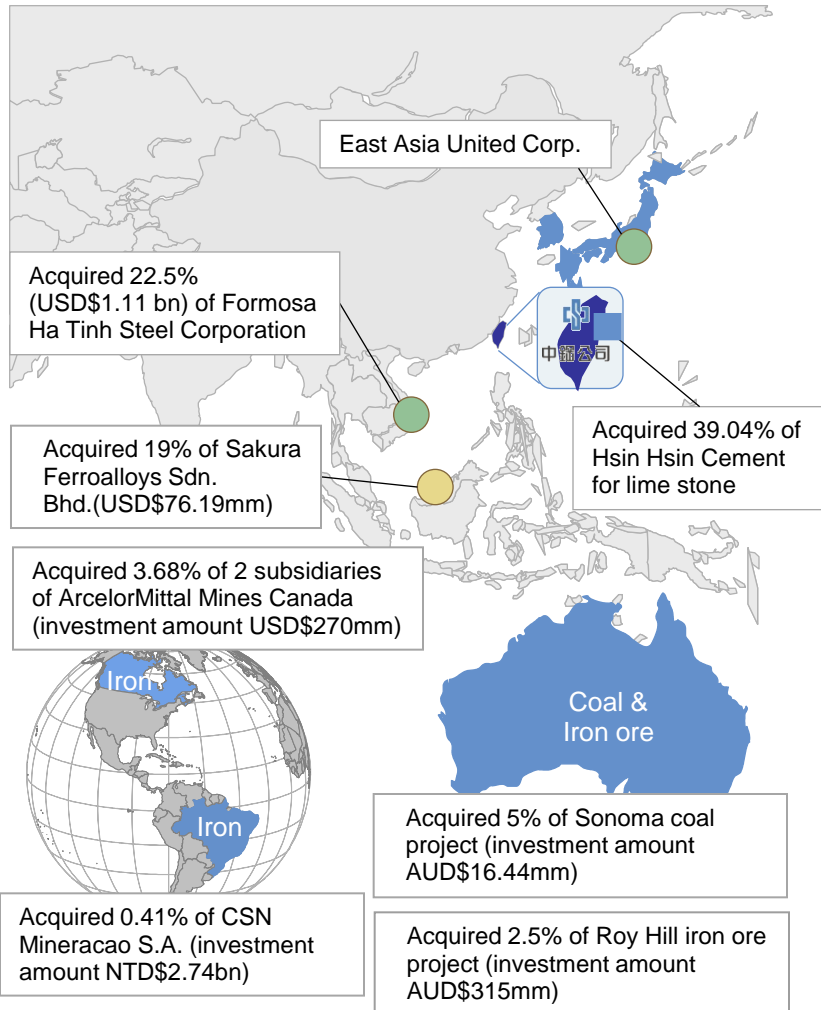
Export 33.63%
(4.93million metric tons)

Domestic 66.37%
(9.73million 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

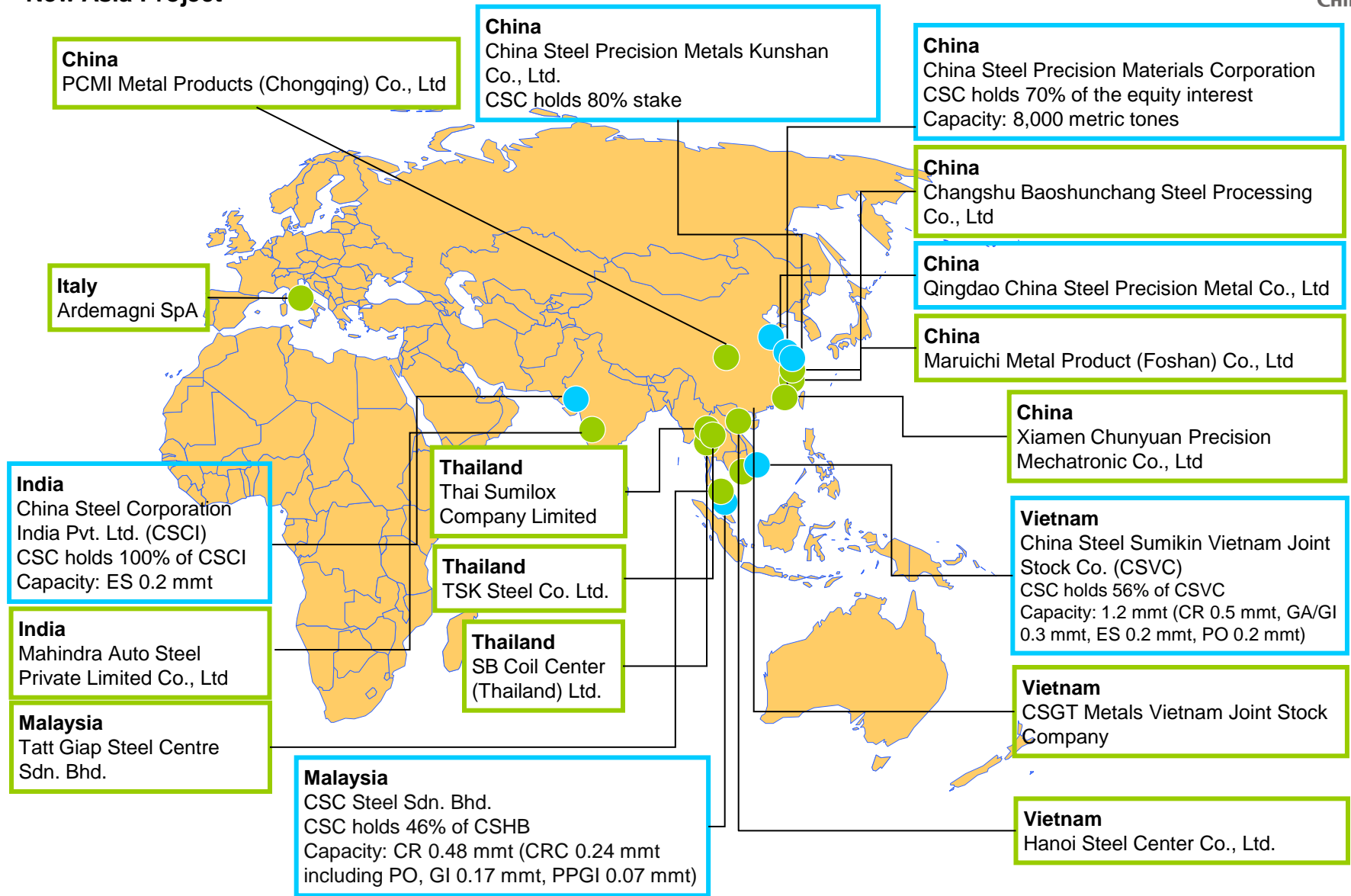
- 1 Solidify domestic market, expand export sales channels, and develop new market with customers
- 2 Integrate group resources and develop green energy businesses
- 3 Research and develop advanced products and applied technology for increasing chain value of steel industry
- 4 Elaborate on energy saving 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



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

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

2

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

3

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

4

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

5

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

6

• 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.

7

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

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.**