



CHINA STEEL

# China Steel Corporation

May 15, 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)

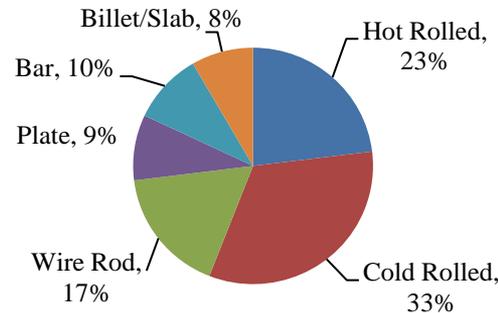
## Overview

- 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

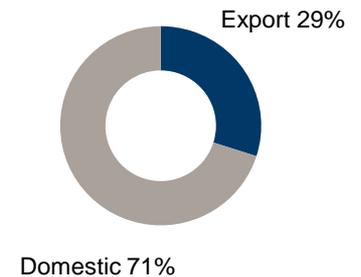
## Major business

- 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.

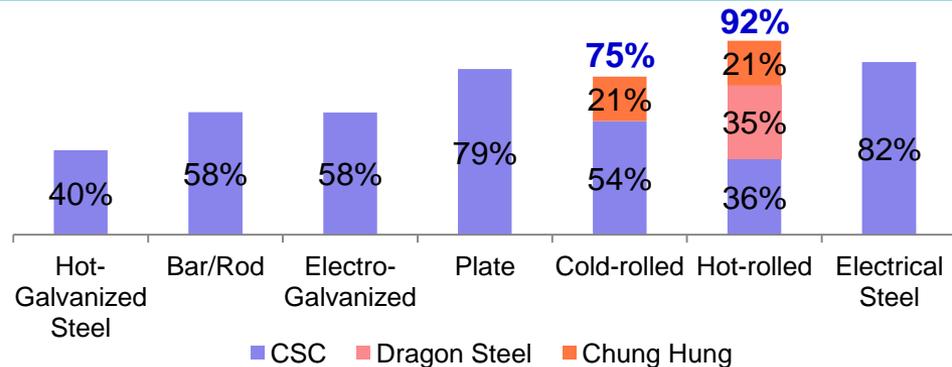
#### Service and Investments Businesses

- 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	2017.4Q	*2018.3	*2018.1Q
Consolidated Operating Revenue	90,245	33,904	93,390
Consolidated Operating Income	8,443	1,917	6,041
Consolidated Income Before Income Tax	8,557	1,994	5,735

\*preliminary result

# Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2017.4Q	*2018.3	*2018.1Q
1	Steel products	75,238,165	28,385,065	77,908,515
2	Non-steel industry materials	8,197,899	3,375,133	8,915,040
3	Construction	4,094,954	1,306,370	4,067,249
4	Transportation and service	1,945,711	655,039	1,772,296
5	Others	768,509	182,223	726,562
Less	Sales returns and allowances	0	0	0
	Total	90,245,238	33,903,830	93,389,662

\*preliminary result

# Performance-CSC group

## Segment revenues and operating results



Unit : NTD Thousands

2017	Steel	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 280,433,594	\$ 66,578,408	\$ -	\$ 347,012,002
Inter-segment revenues	<u>83,222,397</u>	<u>49,759,201</u>	<u>( 132,981,598)</u>	<u>-</u>
Segment revenues	\$ 263,655,991	\$ 116,337,609	(\$ 132,981,598)	\$ 347,012,002
Segment profit	\$ 17,909,851	\$ 7,304,089	(\$ 292,311)	\$ 24,921,629
Interest income	179,938	181,117	( 70,837)	290,218
Financial costs	( 3,141,382)	( 620,430)	43,919	( 3,717,893)
Share of the profit of associates	7,438,653	1,947,849	( 9,710,817)	( 324,315)
Other non-operating income and expenses	<u>2,394,578</u>	<u>558,787</u>	<u>( 719,707)</u>	<u>2,233,658</u>
Profit before income tax	24,781,638	9,371,412	( 10,749,753)	23,403,297
Income tax	<u>1,984,831</u>	<u>997,609</u>	<u>10,333</u>	<u>2,972,107</u>
Net profit for the period	<u>\$ 22,796,807</u>	<u>\$ 8,373,803</u>	<u>(\$ 10,739,420)</u>	<u>\$ 20,431,190</u>

# 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	9/30/2017	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* )

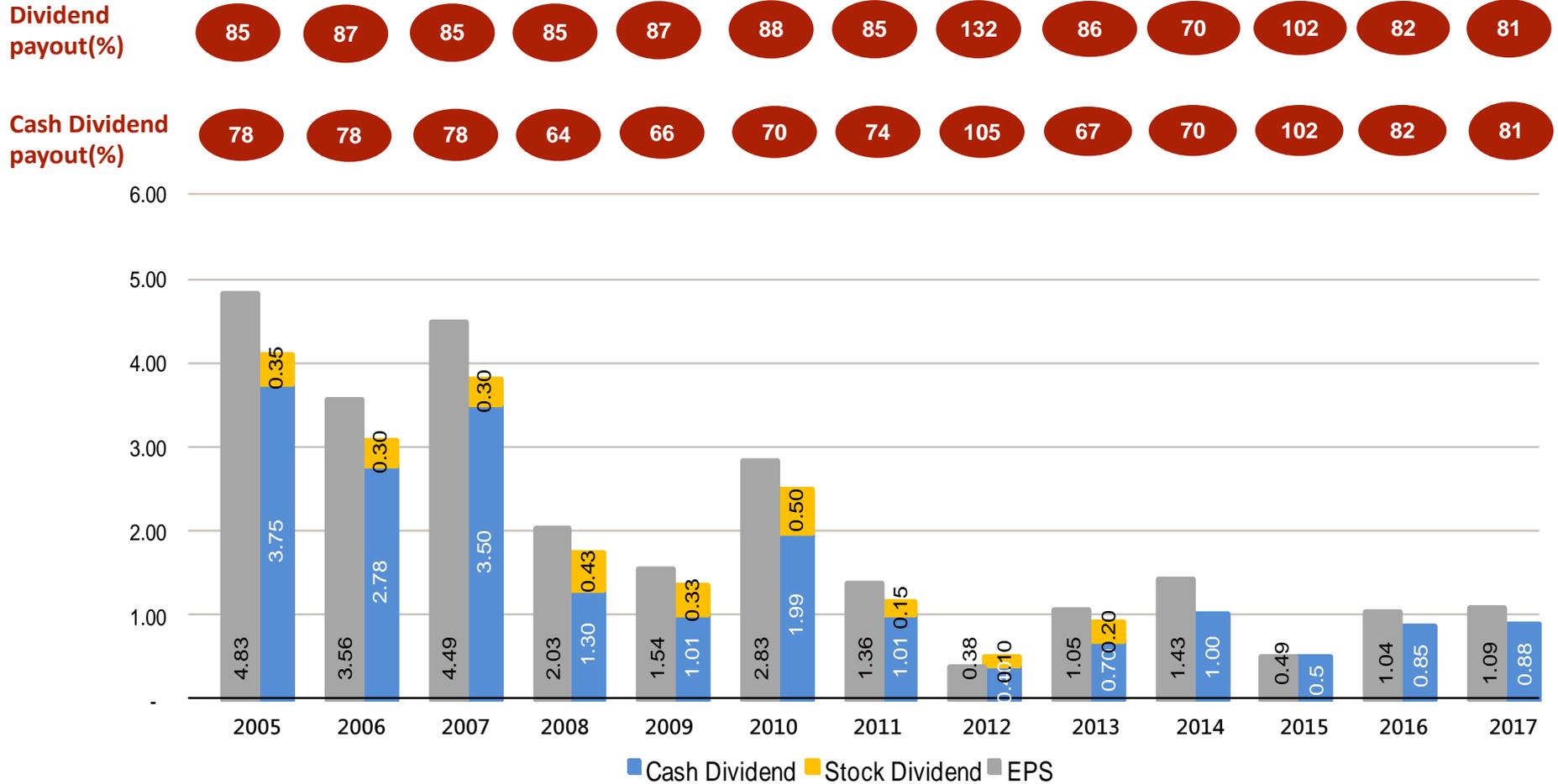
\* 2018~ :

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

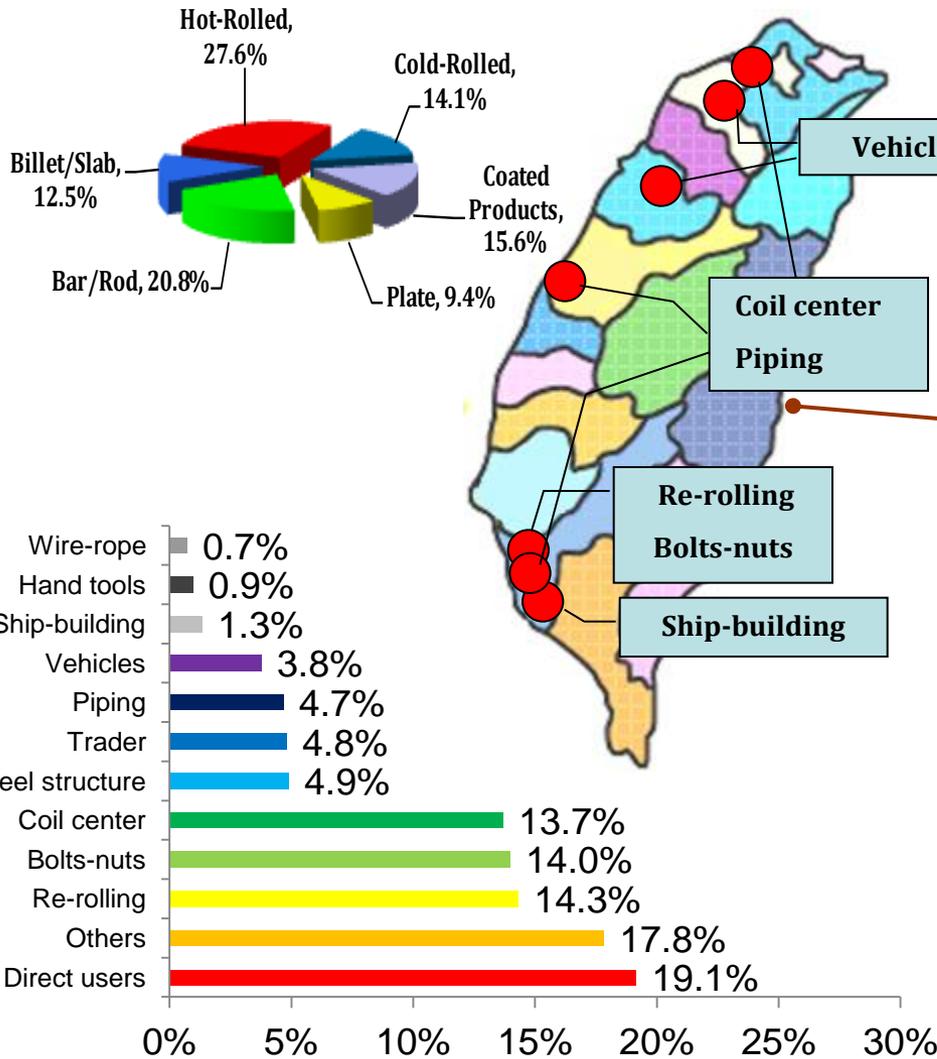
(in NTD per share)



# Sales (CSC standalone)

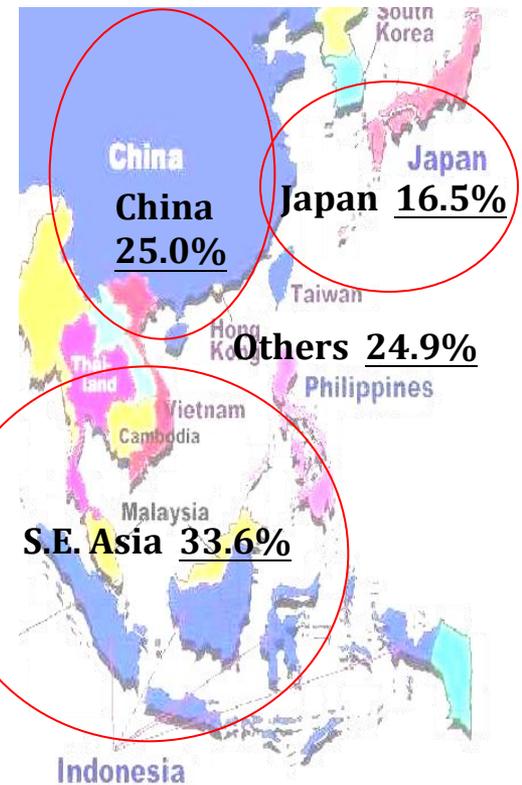
2018.1Q CSC sales volume totaled 2.70 million metric tons

Domestic/Export sales volume breakdown of 2018.1Q



Export 29.88%  
(0.81 million metric tons)

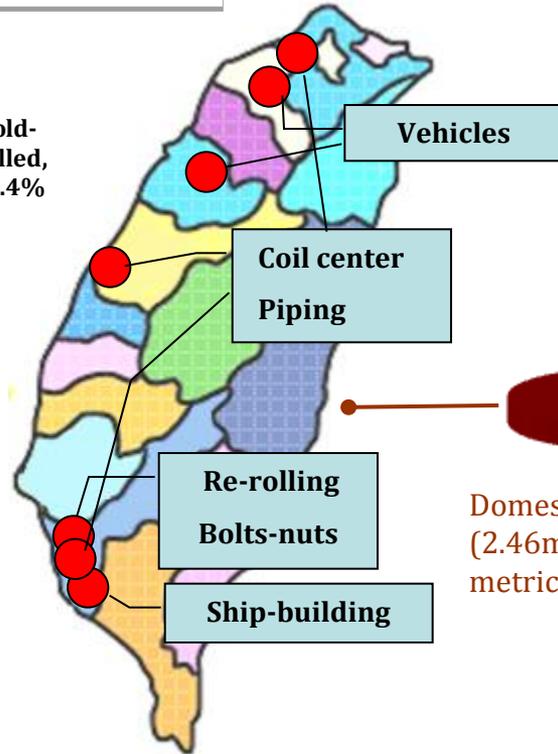
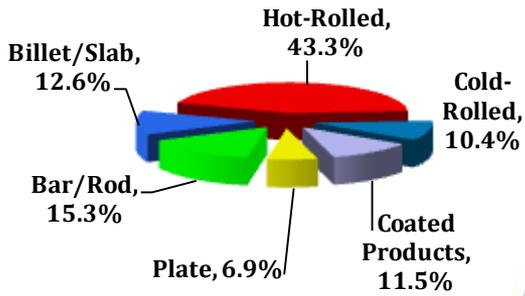
Domestic 70.12%  
(1.89 million metric tons)



# Sales (CSC & BF products of DSC)

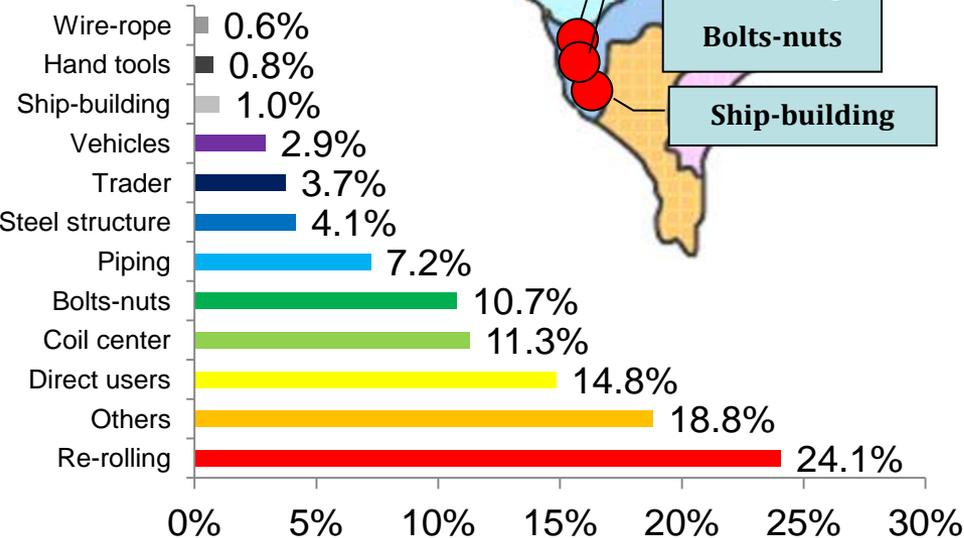
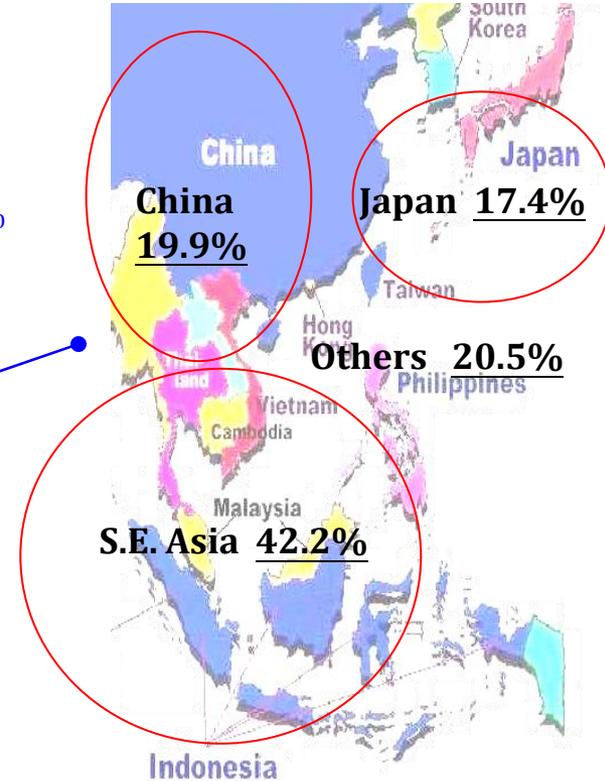
2018.1Q sales volume (CSC & BF products of DSC) totaled 3.67 million metric tons

Domestic/Export sales volume breakdown of 2018.1Q



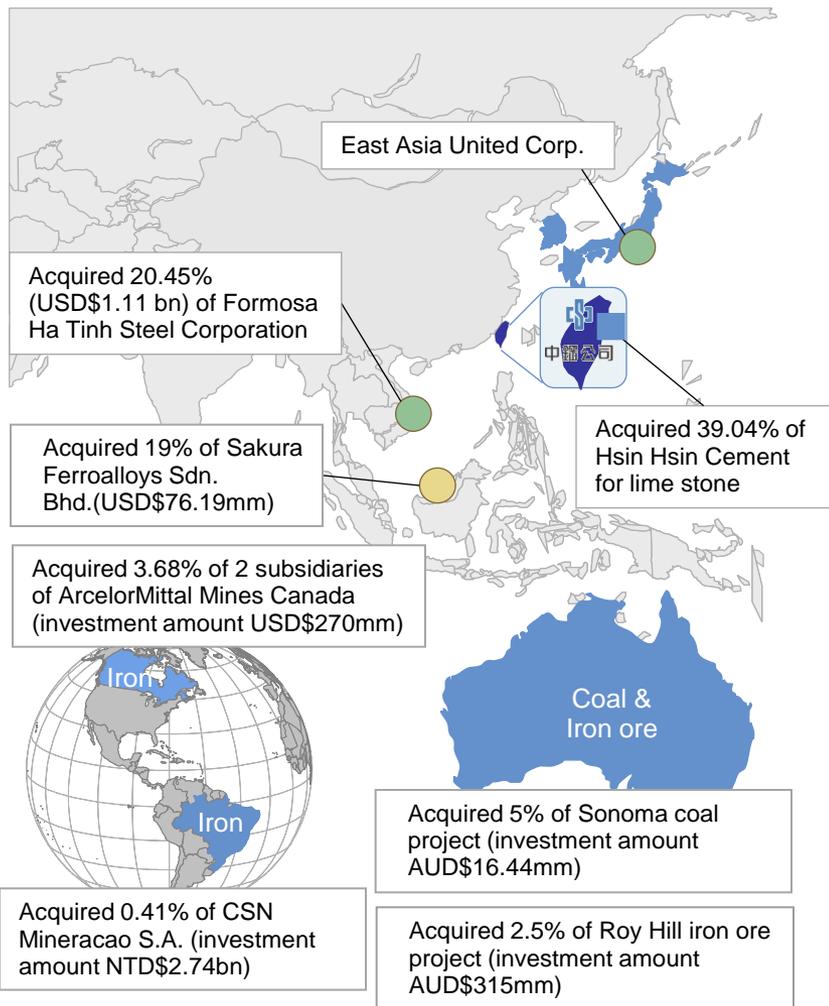
Export 32.91%  
(1.21million metric tons)

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

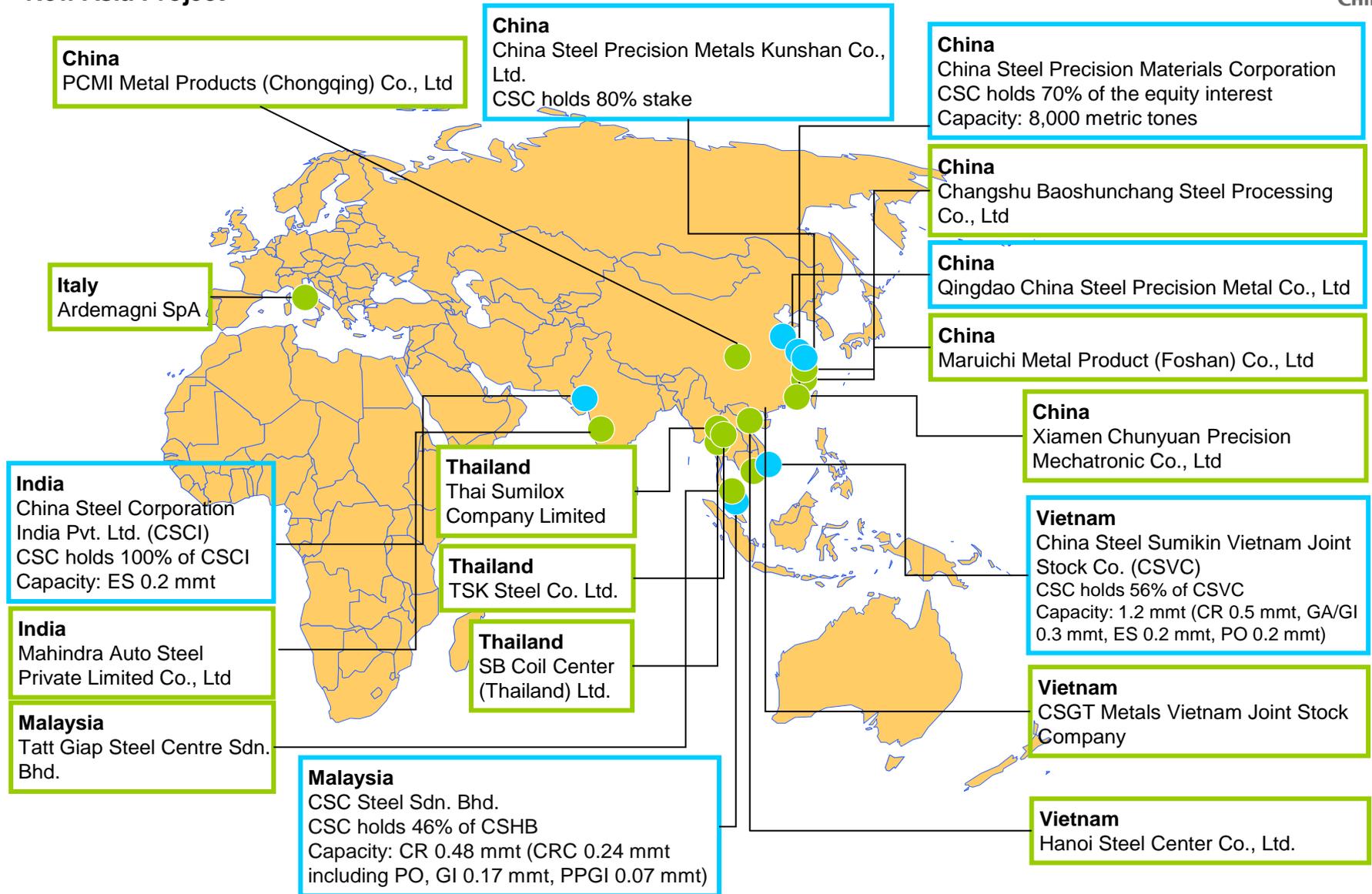
- 1 Solidify domestic market, expand export sales channels, and develop new market with customers
- 2 Integrate group resources and develop green energy businesses
- 3 Research and develop advanced products and applied technology for increasing chain value of steel industry
- 4 Elaborate on energy saving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



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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.**