



CHINA STEEL

# China Steel Corporation

November 28-29, 2018



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

# Table of Contents

•Company Overview	2
•Performance	4
•Financial Review	8
•EPS & Dividends (common stock)	9
•Sales	10
•Key Strategies	13

# Company overview: Business snapshot (CSC standalone)

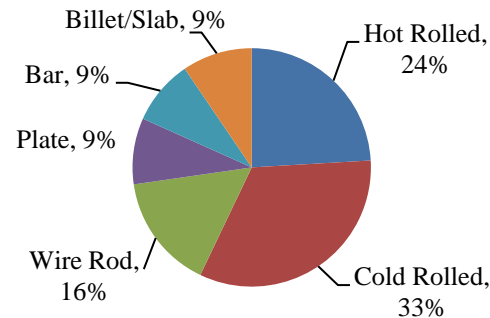
## Overview

- 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

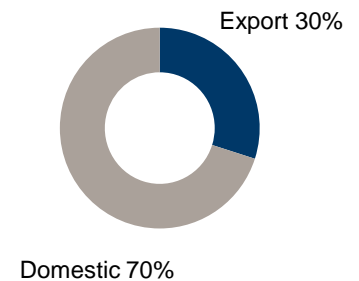
## Major business

- 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  
(2018.1~3Q)



Domestic/Export by revenue  
(2018.1~3Q)



# 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.

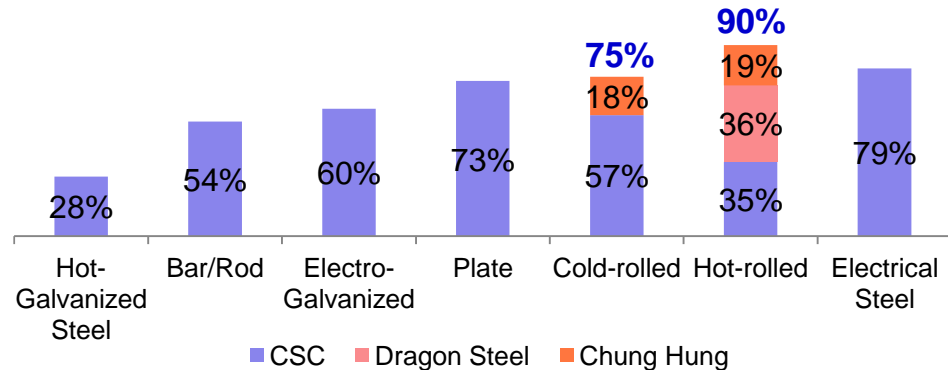
#### Service and Investments Businesses

- Gains Investment Corporation
- China Steel Security Corporation
- China Prosperity Development Corporation
- China Steel Management Consulting Corporation
- CSC Solar Corporation
- China Steel Power Holding 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 (2018.1~3Q)



# Performance- Consolidated operating results

Amount: NT\$ million

Item	2018.1~9	2017.1~9	YoY
Consolidated Operating Revenue	296,446	256,767	+15%
Consolidated Operating Income	25,032	16,478	+52%
Consolidated Operating Income Margin	8.44%	6.42%	
Consolidated Income Before Income Tax	23,594	14,846	+59%

# Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	*2018.1~10	2017.1~10
1	Steel products	276,759,044	236,824,218
2	Non-steel industry materials	31,795,158	26,693,832
3	Construction	16,013,125	14,711,569
4	Transportation and service	5,887,549	5,519,233
5	Others	2,428,325	2,621,075
Less	Sales returns and allowances	0	0
	Total	332,883,201	286,369,927

\*preliminary result

# Performance-CSC group

## Segment revenues and operating results



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Unit : NTD Thousands

2018.1~3Q	Steel	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 238,118,685	\$ 58,327,004	\$ -	\$ 296,445,689
Inter-segment revenues	72,327,939	39,898,164	( 112,226,103)	-
Segment revenues	<u>\$ 310,446,624</u>	<u>\$ 98,225,168</u>	<u>(\$ 112,226,103)</u>	<u>\$ 296,445,689</u>
Segment profit	\$ 19,241,213	\$ 5,802,091	(\$ 11,415)	\$ 25,031,889
Interest income	178,008	142,828	( 56,516)	264,320
Financial costs	( 2,146,735)	( 449,314)	38,677	( 2,557,372)
Share of the profit of associates	8,040,439	1,222,670	( 8,920,503)	342,606
Other non-operating income and expenses	720,143	381,076	( 588,287)	512,932
Profit before income tax	26,033,068	7,099,351	( 9,538,044)	23,594,375
Income tax	1,447,088	866,737	47,240	2,361,065
Net profit for the period	<u>\$ 24,585,980</u>	<u>\$ 6,232,614</u>	<u>(\$ 9,585,284)</u>	<u>\$ 21,233,310</u>

# Performance- consolidated basis

## Consolidated Income Statement

Units: NT\$ millions

IFRSs	2018.1~3Q	2017.1~3Q	YoY
Revenues	296,446	256,767	+15%
Gross profit	36,351	27,137	+34%
Gross margins	12.26%	10.57%	
Profit before tax	23,594	14,846	+59%
<u>Net profit</u>	<u>21,233</u>	<u>12,935</u>	+64%
Attributable to			
Owners of the corporation	18,407	10,651	+73%
Non-controlling interests	2,826	2,284	+24%
Earnings Per Share(NTD)	\$ 1.19	\$0.69	+72%





# Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	9/30/2018
Debt	362,630	348,049	357,414	346,542	335,764	334,217
Debt/Equity	113.55%	103.99%	111.44%	105.15%	101.15%	98.04%
Asset	681,999	682,737	678,139	676,122	667,716	675,110
Debt/Asset	53.17%	50.98%	52.71%	51.25%	50.29%	49.51%
Net Debt *	264,285	250,540	269,034	254,390	238,426	224,642
Net Debt/Asset	49.51%	46.88%	39.67%	37.62%	35.71%	33.27%

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* )

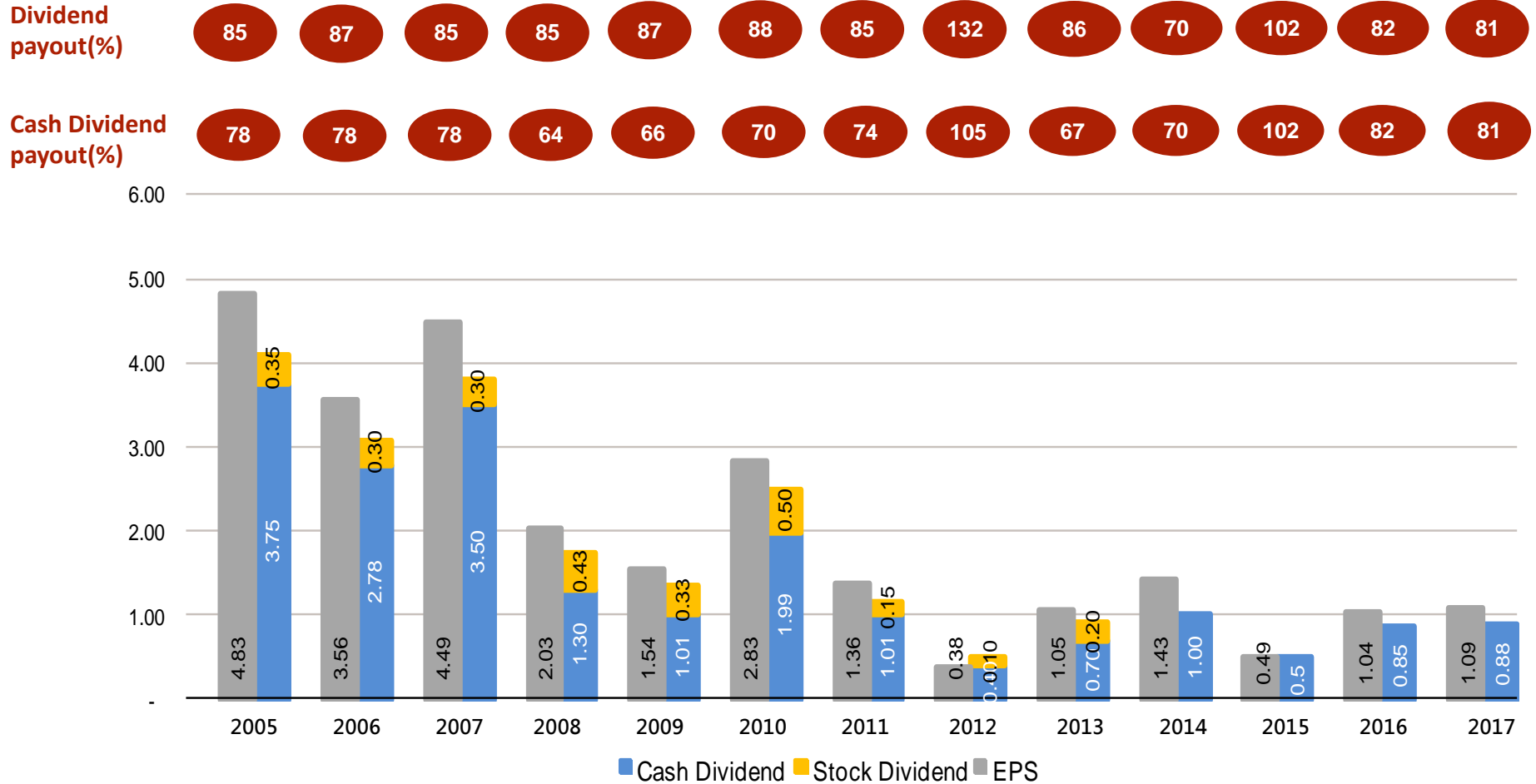
\* 2018~ :

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

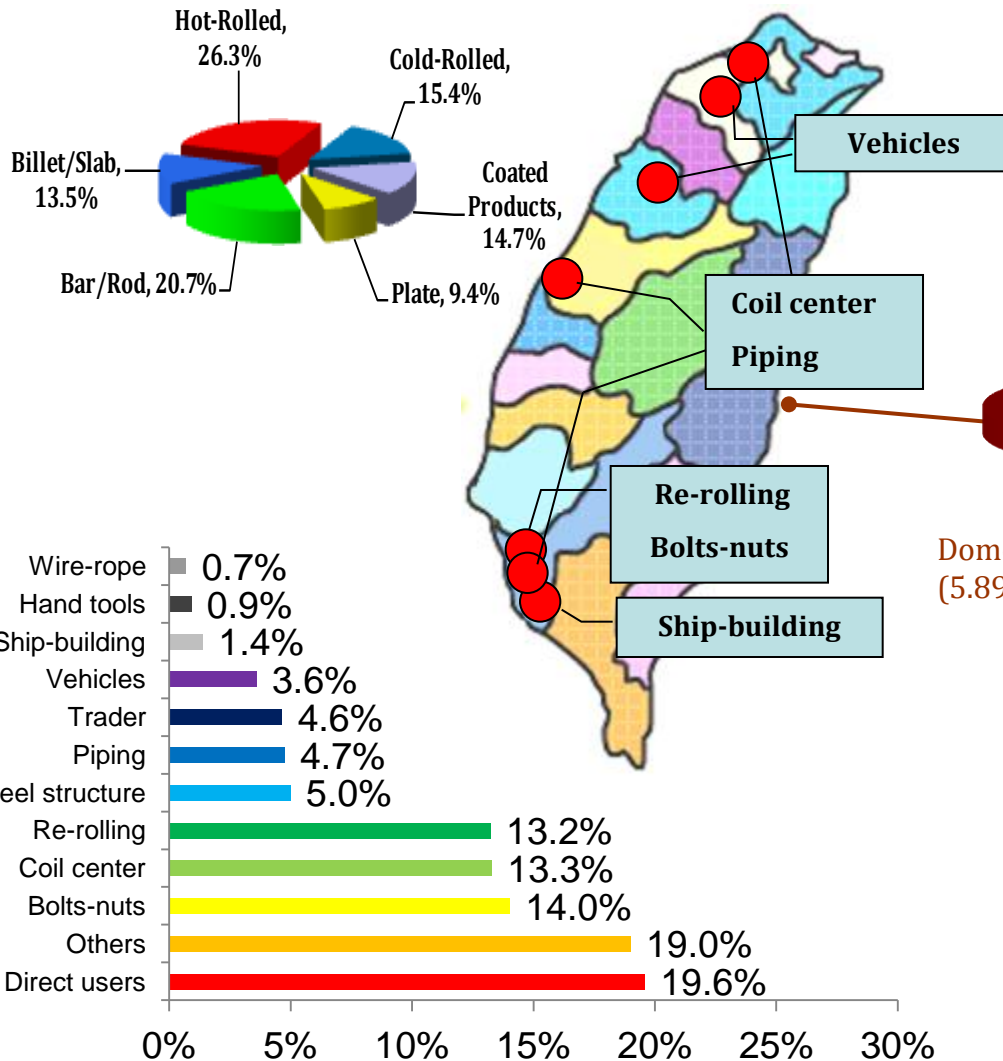
(in NTD per share)



# Sales (CSC standalone)

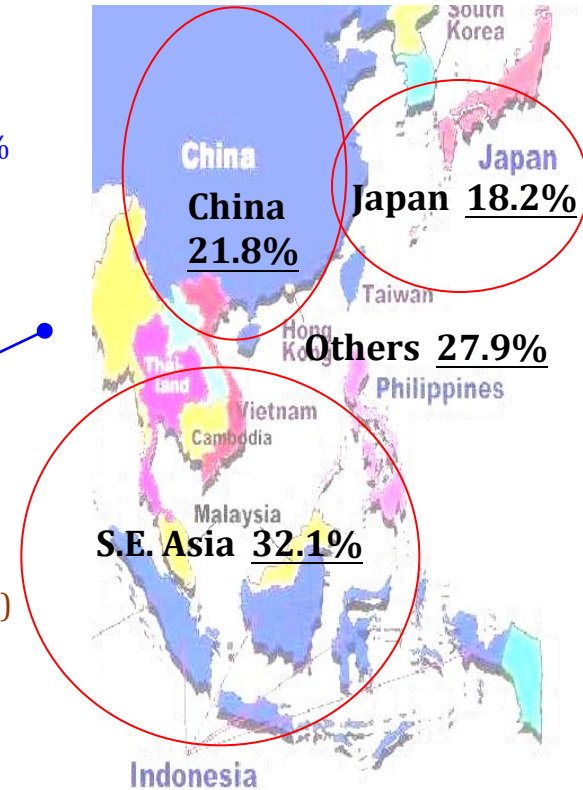
2018.1~3Q CSC sales volume totaled 8.34 million metric tons

Domestic/Export sales volume breakdown of 2018.1~3Q



Export 29.36%  
(2.45 million metric tons)

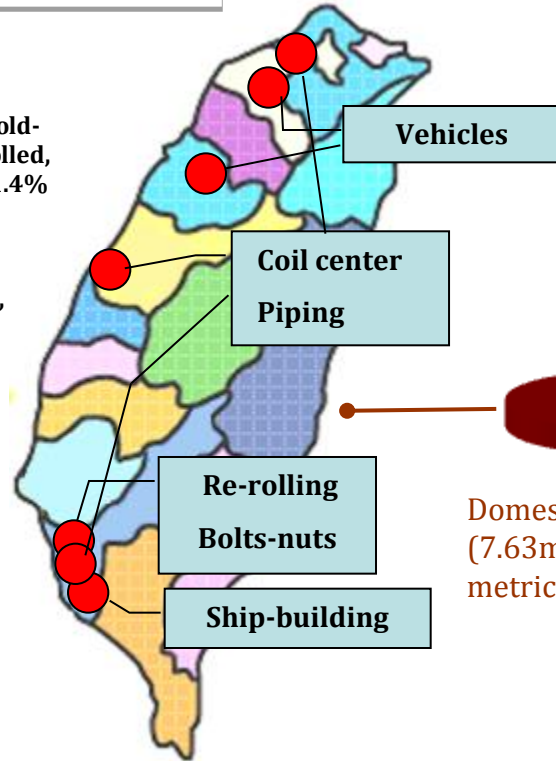
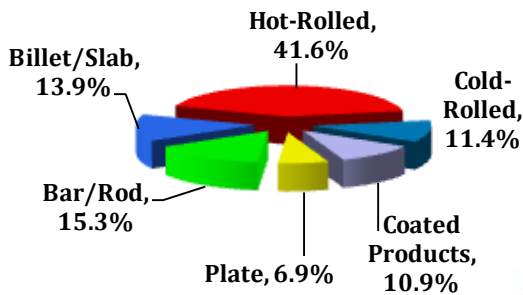
Domestic 70.64%  
(5.89 million metric tons)



# Sales (CSC & BF products of DSC)

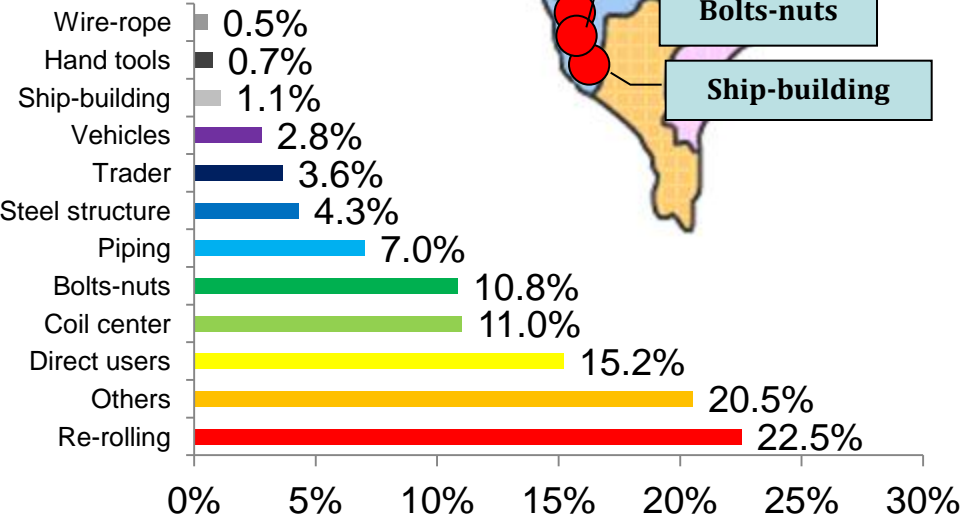
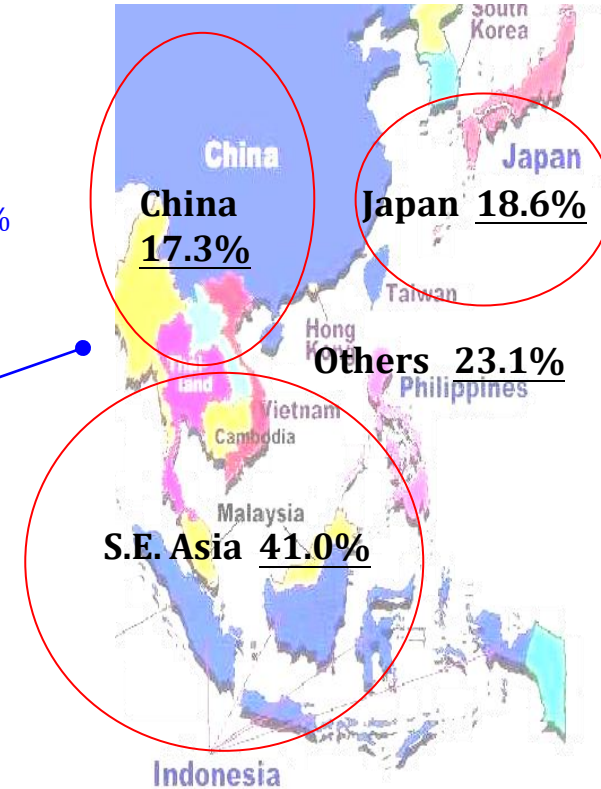
2018.1~3Q sales volume (CSC & BF products of DSC) totaled 11.29 million metric tons

Domestic/Export sales volume breakdown of 2018.1~3Q



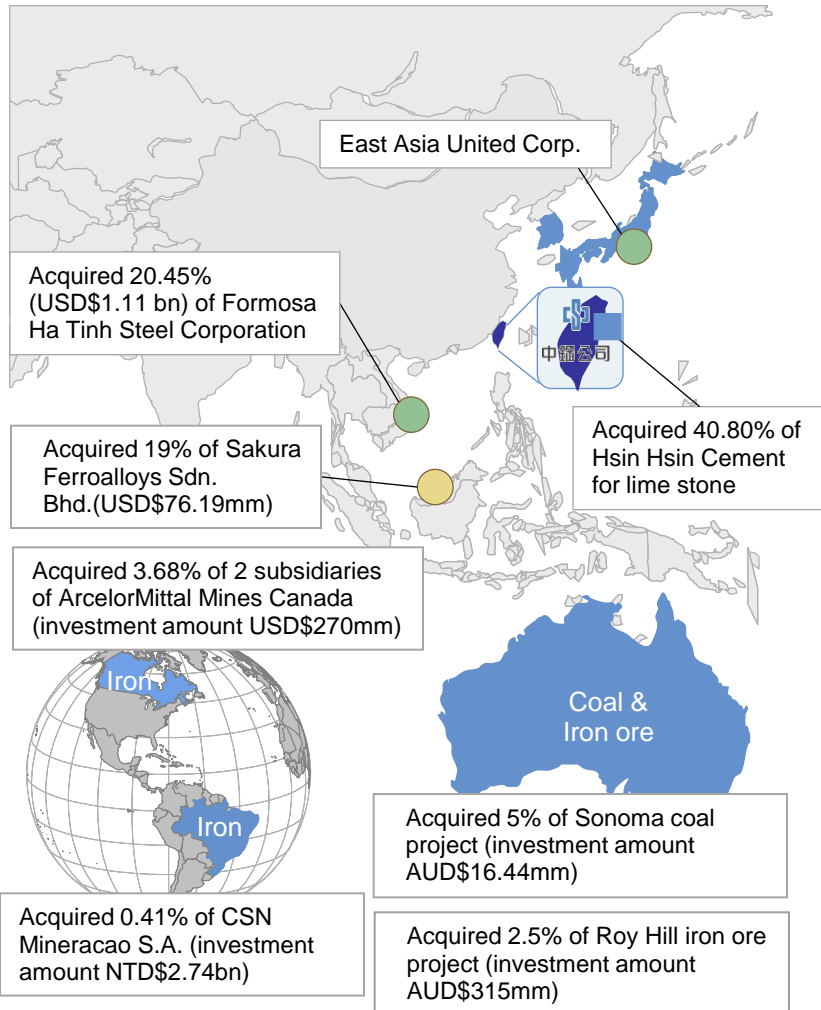
Export 32.43%  
(3.66million metric tons)

Domestic 67.57%  
(7.63million 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 40.80%(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

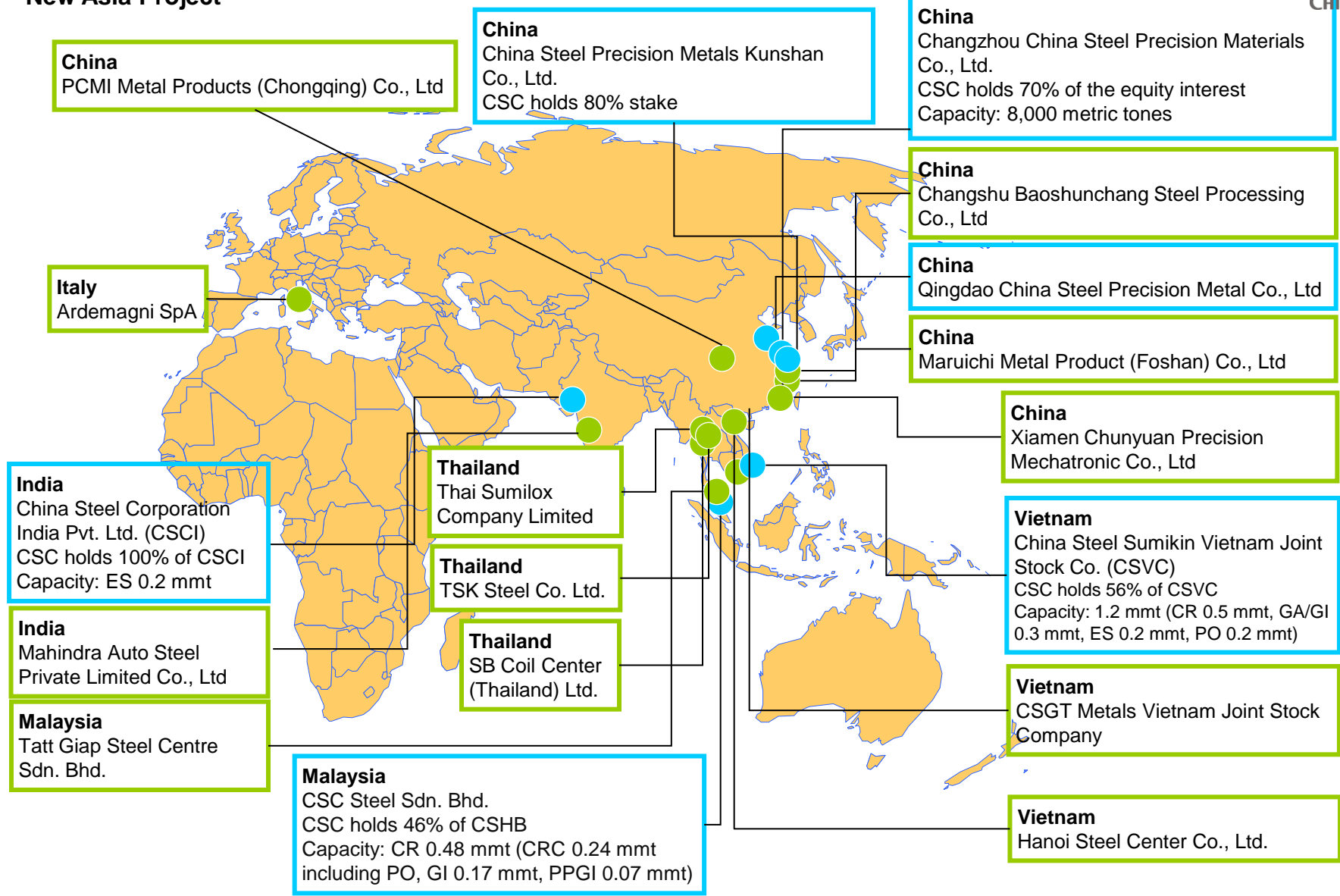
- 1 Solidify domestic market, expand export sales channels, and develop new market with customers
- 2 Integrate group resources and develop green energy businesses
- 3 Research and develop advanced products and applied technology for increasing chain value of steel industry
- 4 Elaborate on energy saving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



● Overseas Investments of CSC group ● Co-invest in coil centers with peers and customers through China Steel Global Trading Co.



### 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 equity 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

## Industry and Academia Alliance

CSC has been developing products and technologies with National Cheng Kung University.

- Results of Phase 1: Products like AHSS automotive steel and marine steel, and processing technologies such as hot-stamping and 3D roll forming.
- Targets of Phase 2: Key steel products and technologies for electric vehicles.

Differentiated  
Technical  
Services to  
Customers

## Joint Research Laboratory (JRL)

CSC has been working 4 JRLs. Through JRLs, CSC provide customized products and services to customers, and further increase business opportunities.

- The Auto Steel JRL, cooperating with Changchun Engley and Honley Auto Parts, has developed hot-stamping auto parts, which was certified by a domestic auto manufacturer and has started mass production.

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



中鋁公司

## Awards and Honours

1

• 2018.09 CSC was included in the Emerging Market Index of Dow Jones Sustainability Index (DJSI) for the 7th consecutive year.

2

• 2018.05 CSC was ranked **top 5%** in TWSE listed companies in the 4<sup>th</sup> (2017) Corporate Governance Evaluation.

3

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

4

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

5

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

6

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

7

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

8

• 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.



**Sustainability,**  
**our STEEL commitment.**