



CHINASTEEL

# China Steel Corporation

September 6, 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)

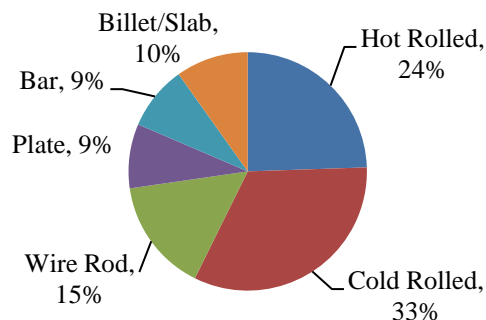
## Overview

- 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

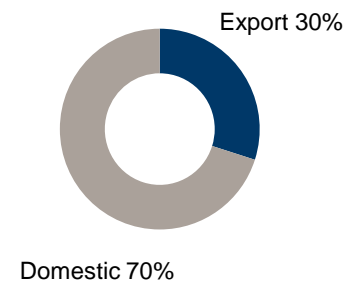
## Major business

- 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  
(2018.1H)



Domestic/Export by revenue  
(2018.1H)



# 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
- 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.

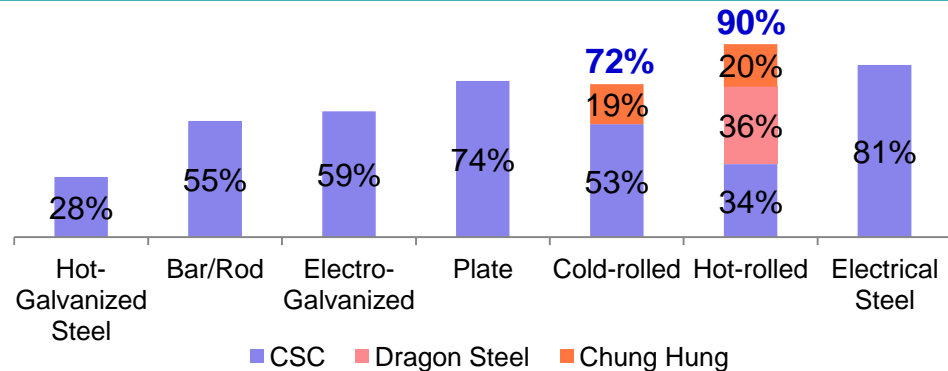
#### Service and Investments Businesses

- 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 (2018.1H)





## Performance- Consolidated operating results

Amount: NT\$ million

| Item                                  | 2018.1H | *2018.7 | *2018.1~7 |
|---------------------------------------|---------|---------|-----------|
| Consolidated Operating Revenue        | 193,714 | 35,015  | 228,729   |
| Consolidated Operating Income         | 14,807  | 3,180   | 17,986    |
| Consolidated Income Before Income Tax | 13,880  | 3,180   | 17,060    |

\*preliminary result

# Performance-Sales Revenue Breakdown

Unit : NTD Thousands

|      | Item                         | 2018.1H     | *2018.7    | *2018.1~7   |
|------|------------------------------|-------------|------------|-------------|
| 1    | Steel products               | 160,872,260 | 28,780,097 | 189,652,357 |
| 2    | Non-steel industry materials | 18,473,614  | 3,199,747  | 21,673,361  |
| 3    | Construction                 | 9,493,961   | 2,007,591  | 11,501,552  |
| 4    | Transportation and service   | 3,438,449   | 617,579    | 4,056,028   |
| 5    | Others                       | 1,435,793   | 410,032    | 1,845,825   |
| Less | Sales returns and allowances | 0           | 0          | 0           |
|      | Total                        | 193,714,077 | 35,015,046 | 228,729,123 |

\*preliminary result

# Performance-CSC group

## Segment revenues and operating results



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Unit : NTD Thousands

| 2018.1H                                 | Steel                 | Others               | Adjustment & Elimination | Total                 |
|---|-----------------------|----------------------|--------------------------|-----------------------|
| Revenues from external customers        | \$ 155,069,002        | \$ 38,645,075        | \$ -                     | \$ 193,714,077        |
| Inter-segment revenues                  | 47,090,937            | 25,706,739           | ( 72,797,676)            | -                     |
| Segment revenues                        | <u>\$ 202,159,939</u> | <u>\$ 64,351,814</u> | <u>(\$ 72,797,676)</u>   | <u>\$ 193,714,077</u> |
| Segment profit                          | \$ 11,144,125         | \$ 3,367,622         | \$ 294,984               | \$ 14,806,731         |
| Interest income                         | 106,623               | 91,115               | ( 36,876)                | 160,862               |
| Financial costs                         | ( 1,462,075)          | ( 294,003)           | 26,250                   | ( 1,729,828)          |
| Share of the profit of associates       | 5,123,575             | 554,339              | ( 5,472,969)             | 204,945               |
| Other non-operating income and expenses | 542,359               | 218,403              | ( 323,159)               | 437,603               |
| Profit before income tax                | 15,454,607            | 3,937,476            | ( 5,511,770)             | 13,880,313            |
| Income tax                              | 215,191               | 583,019              | 29,042                   | 827,252               |
| Net profit for the period               | <u>\$ 15,239,416</u>  | <u>\$ 3,354,457</u>  | <u>(\$ 5,540,812)</u>    | <u>\$ 13,053,061</u>  |

# Performance- consolidated basis

## Consolidated Income Statement

Units: NT\$ millions

| IFRSs                     | 2017          | 2017.1H      | 2018.1H       |
|---------------------------|---------------|--------------|---------------|
| Revenues                  | 347,012       | 167,849      | 193,714       |
| Gross profit              | 39,339        | 18,732       | 22,133        |
| Gross margins             | 11.34%        | 11.16%       | 11.43%        |
| Profit before tax         | 23,403        | 9,814        | 13,880        |
| <u>Net profit</u>         | <u>20,431</u> | <u>8,686</u> | <u>13,053</u> |
| Attributable to           |               |              |               |
| Owners of the corporation | 16,905        | 7,087        | 11,168        |
| Non-controlling interests | 3,526         | 1,599        | 1,885         |
| Earnings Per Share(NTD)   | \$ 1.09       | \$ 0.46      | \$ 0.72       |





# Performance: financial review (Consolidated Basis)

Units: NT\$ millions

|                | 12/31/2013 | 12/31/2014 | 12/31/2015 | 12/31/2016 | 12/31/2017 | 6/30/2018 |
|----------------|------------|------------|------------|------------|------------|-----------|
| Debt           | 362,630    | 348,049    | 357,414    | 346,542    | 335,764    | 355,004   |
| Debt/Equity    | 113.55%    | 103.99%    | 111.44%    | 105.15%    | 101.15%    | 107.06%   |
| Asset          | 681,999    | 682,737    | 678,139    | 676,122    | 667,716    | 686,598   |
| Debt/Asset     | 53.17%     | 50.98%     | 52.71%     | 51.25%     | 50.29%     | 51.70%    |
| Net Debt *     | 264,285    | 250,540    | 269,034    | 254,390    | 238,426    | 228,869   |
| Net Debt/Asset | 49.51%     | 46.88%     | 39.67%     | 37.62%     | 35.71%     | 33.33%    |

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* )

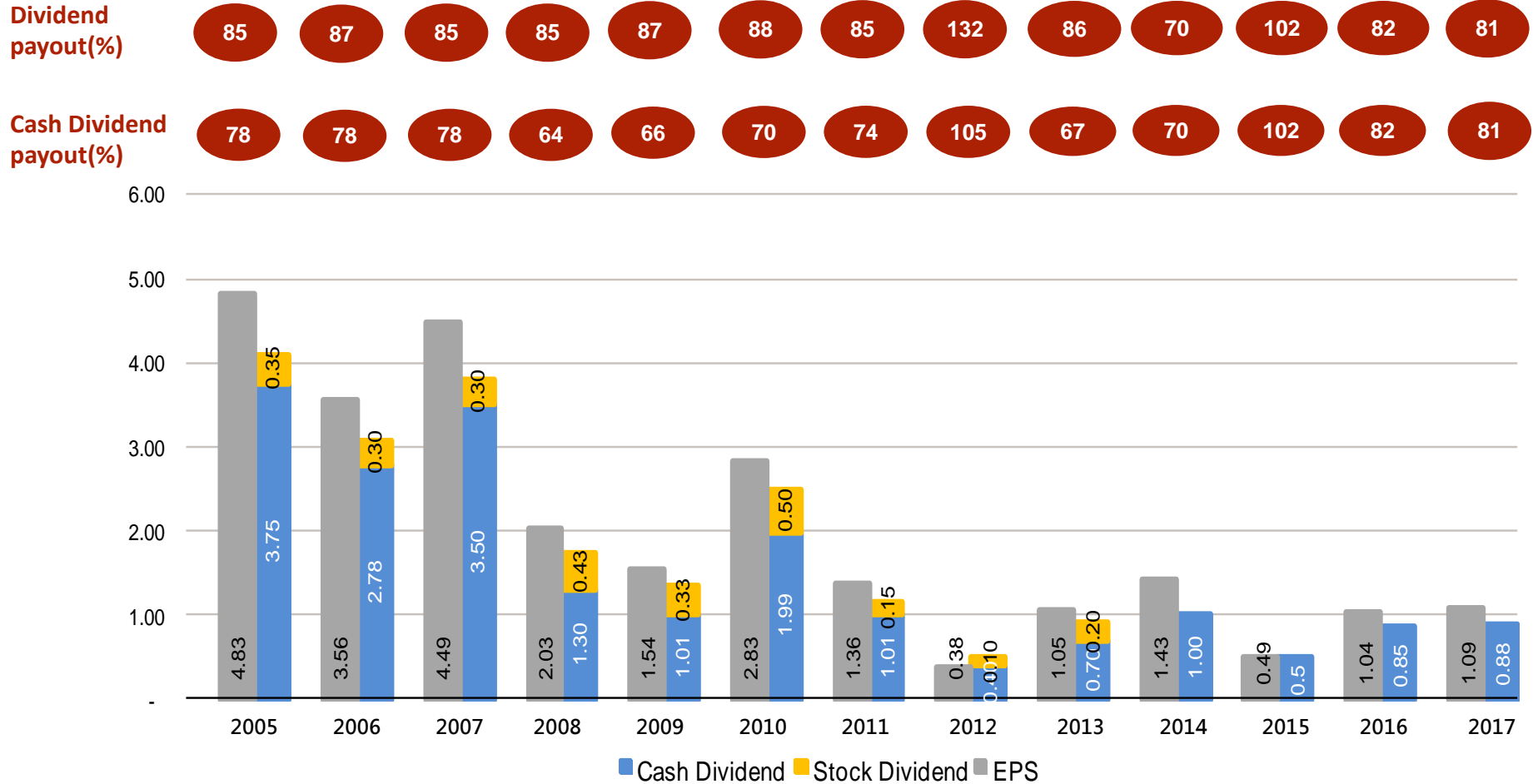
\* 2018~ :

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

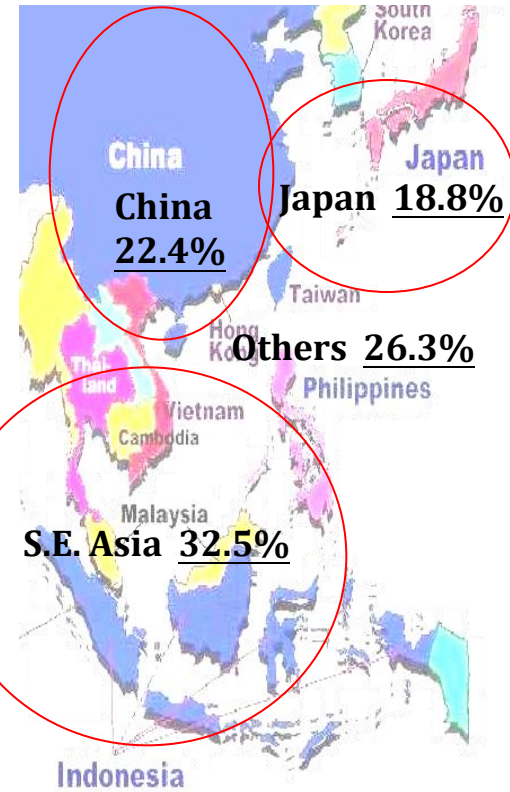
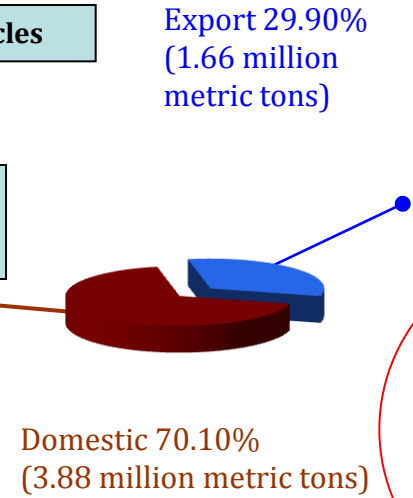
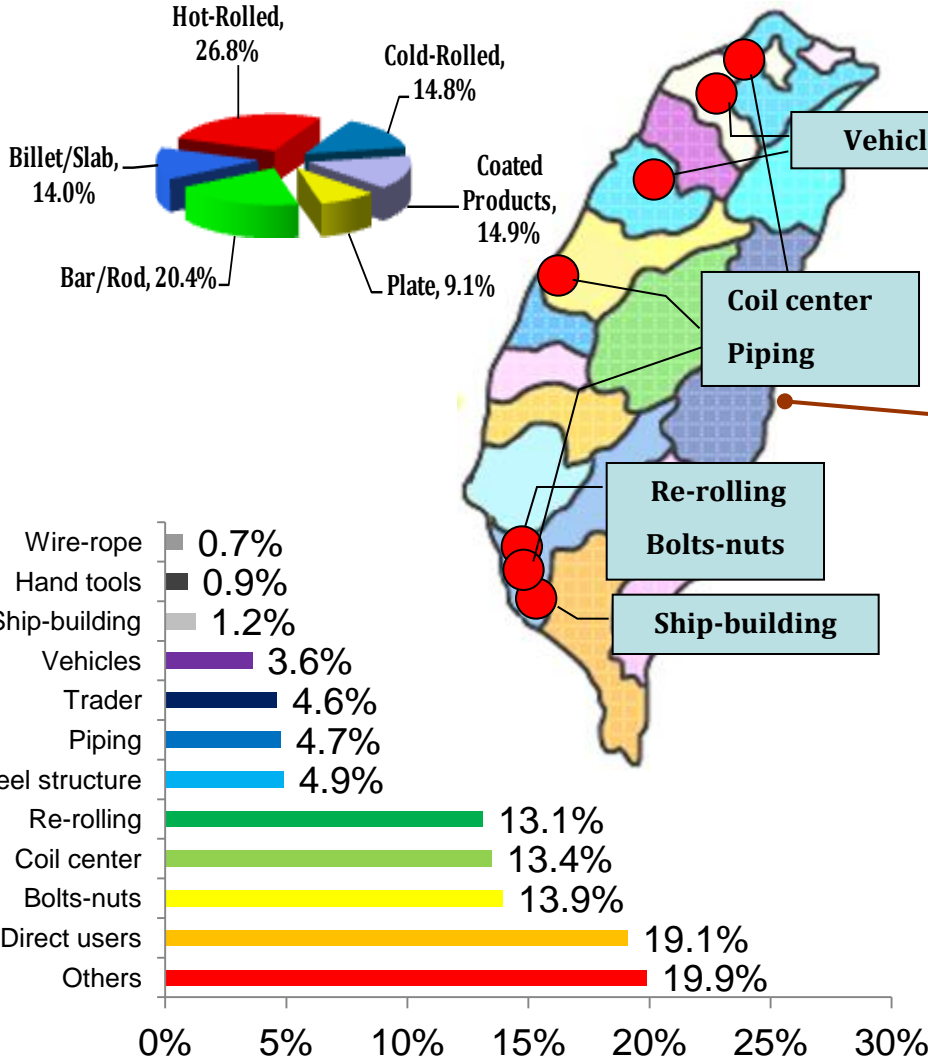
(in NTD per share)



# Sales (CSC standalone)

2018.1H CSC sales volume totaled 5.54 million metric tons

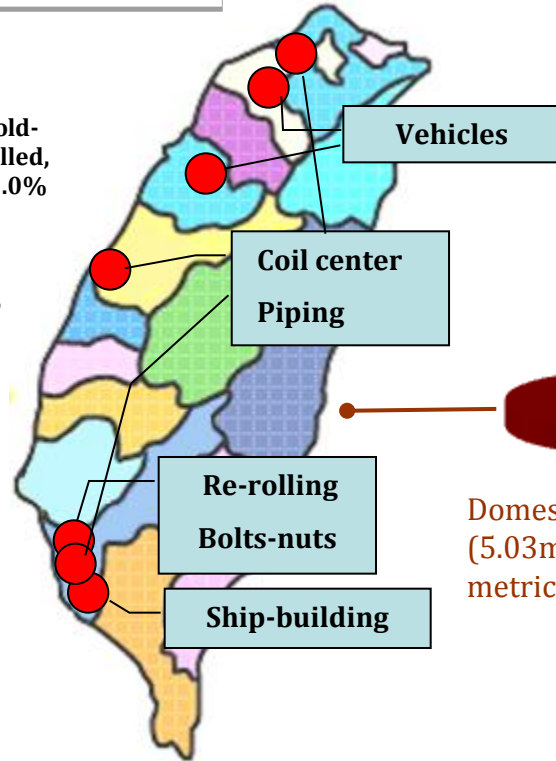
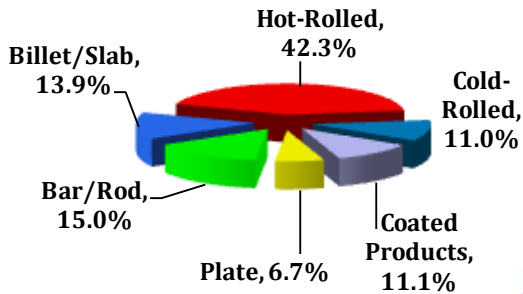
Domestic/Export sales volume breakdown of 2018.1H



# Sales (CSC & BF products of DSC)

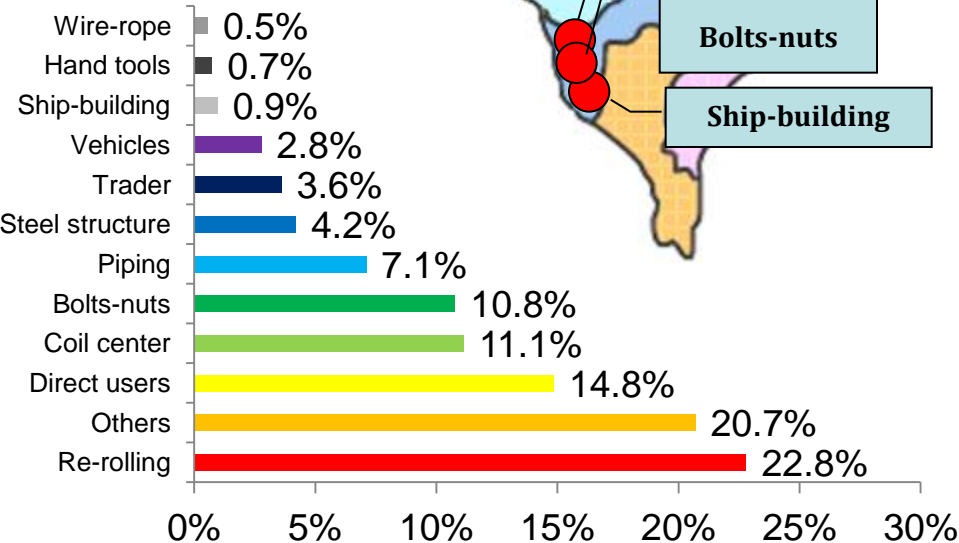
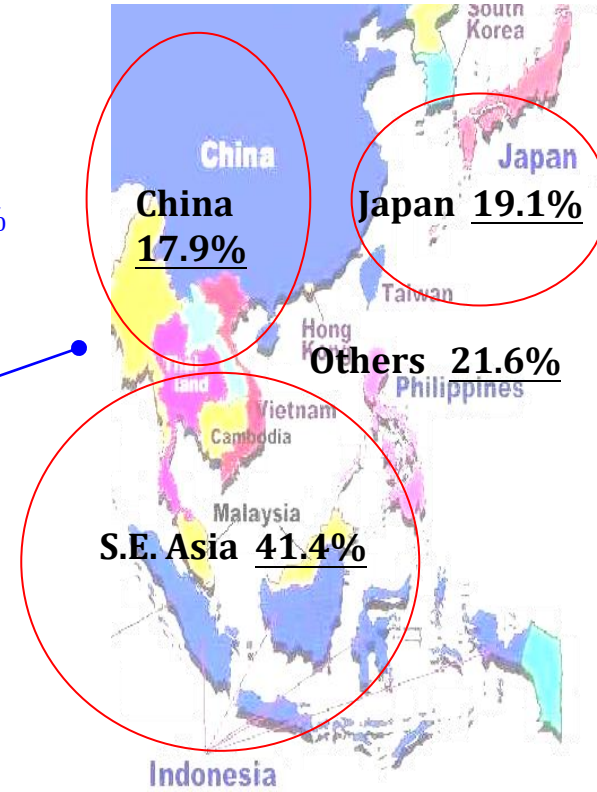
2018.1H sales volume (CSC & BF products of DSC) totaled 7.50 million metric tons

Domestic/Export sales volume breakdown of 2018.1H



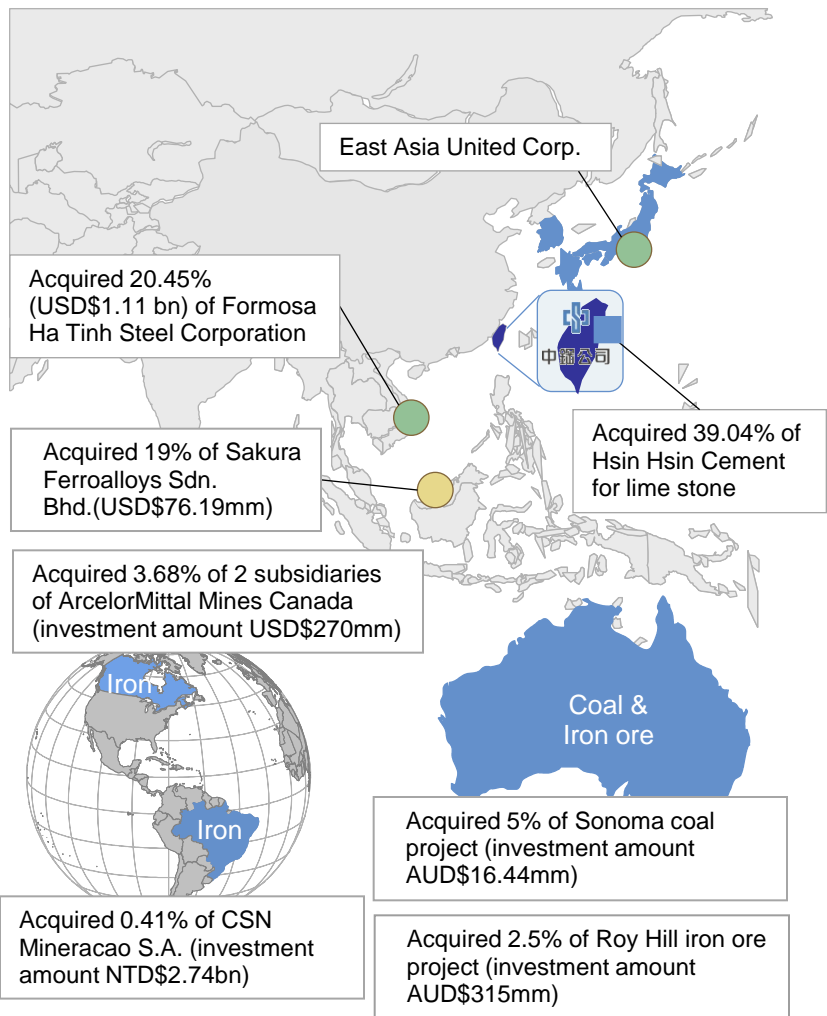
Export 32.95%  
(2.47million metric tons)

Domestic 67.05%  
(5.03million 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

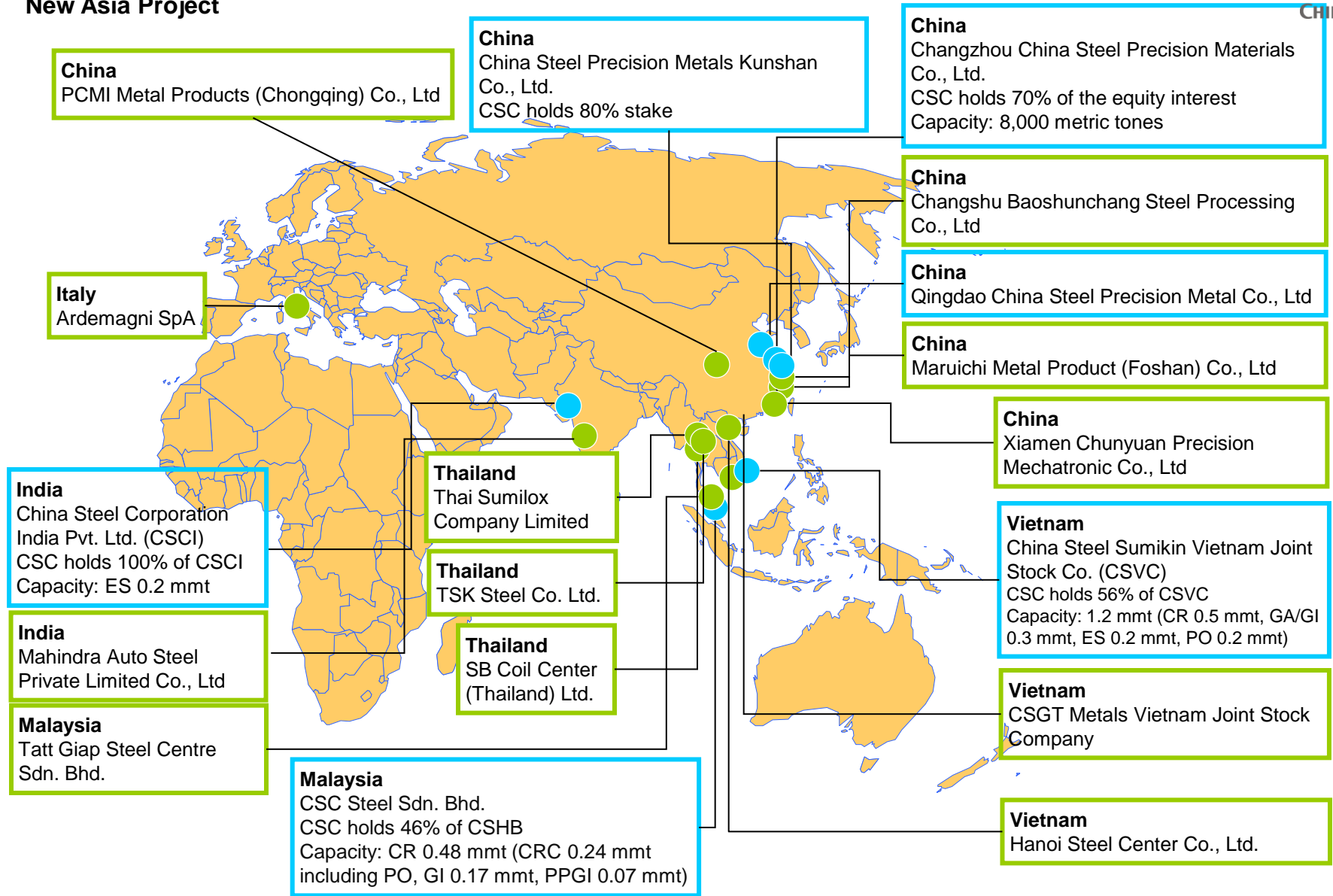
- 1 Solidify domestic market, expand export sales channels, and develop new market with customers
- 2 Integrate group resources and develop green energy businesses
- 3 Research and develop advanced products and applied technology for increasing chain value of steel industry
- 4 Elaborate on energy saving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



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## 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.

- 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 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

## Awards and Honours

1

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