



CHINA STEEL

China Steel Corporation

March 5, 2019



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



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Company overview: Business snapshot (CSC standalone)

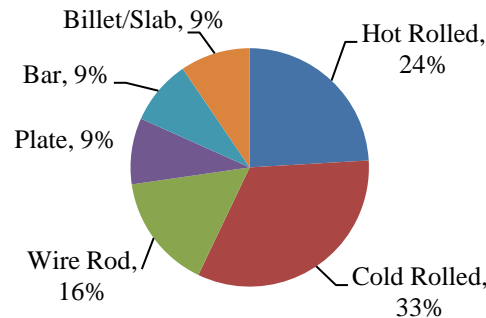
Overview

- 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, 2018

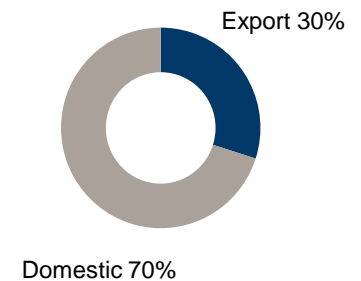
Major business

- 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)



Domestic/Export by revenue
(2018)



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.

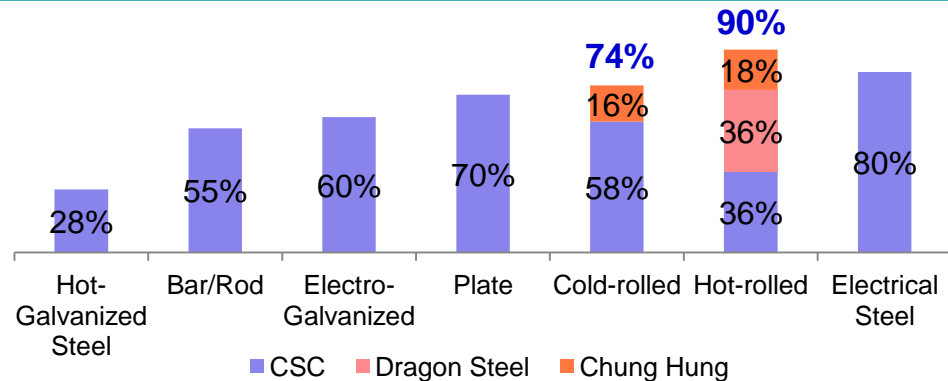
Service and Investments Businesses

- 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 about 16 mmt
- ✓ China Steel: 9.9 mmt
- ✓ Dragon Steel: EAF & No.1&2 BF around 6 mmt

CSC Group domestic market share (2018)



Performance- Consolidated operating results

Amount: NT\$ million

Item	*2019.1	*2018	2017	YoY
Consolidated Operating Revenue	36,078	400,665	347,012	+15%
Consolidated Operating Income	2,359	33,579	24,921	+35%
Consolidated Operating Income Margin	6.54%	8.38%	7.18%	
Consolidated Income Before Income Tax	2,162	31,922	23,403	+36%

*preliminary result

Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	*2018	2017	YoY
1	Steel products	332,216,772	287,137,194	+16%
2	Non-steel industry materials	38,470,811	32,256,205	+19%
3	Construction	19,944,606	17,496,736	+14%
4	Transportation and service	7,138,111	6,935,731	+3%
5	Others	2,894,757	3,186,136	-9%
Less	Sales returns and allowances	0	0	
	Total	332,883,201	286,369,927	+15%

*preliminary result

Performance-Sales Revenue Breakdown

※Revenue category is adjusted since 2019.

Unit : NTD Thousands

	Item	*2019.1	*2018.1 (prepared solely for comparative purposes using new category)	YoY
1	Steel products	28,059,141	26,187,516	+7%
2	Non-steel industry materials	3,742,320	3,108,023	+20%
3	Construction	2,309,316	1,379,307	+67%
4	Trading and Logistics	1,250,333	1,174,460	+6%
5	Services and others	716,701	970,606	-26%
Less	Sales returns and allowances	0	0	
	Total	36,077,811	32,819,912	+10%

*preliminary result

Performance-CSC group

Segment revenues and operating results



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*)

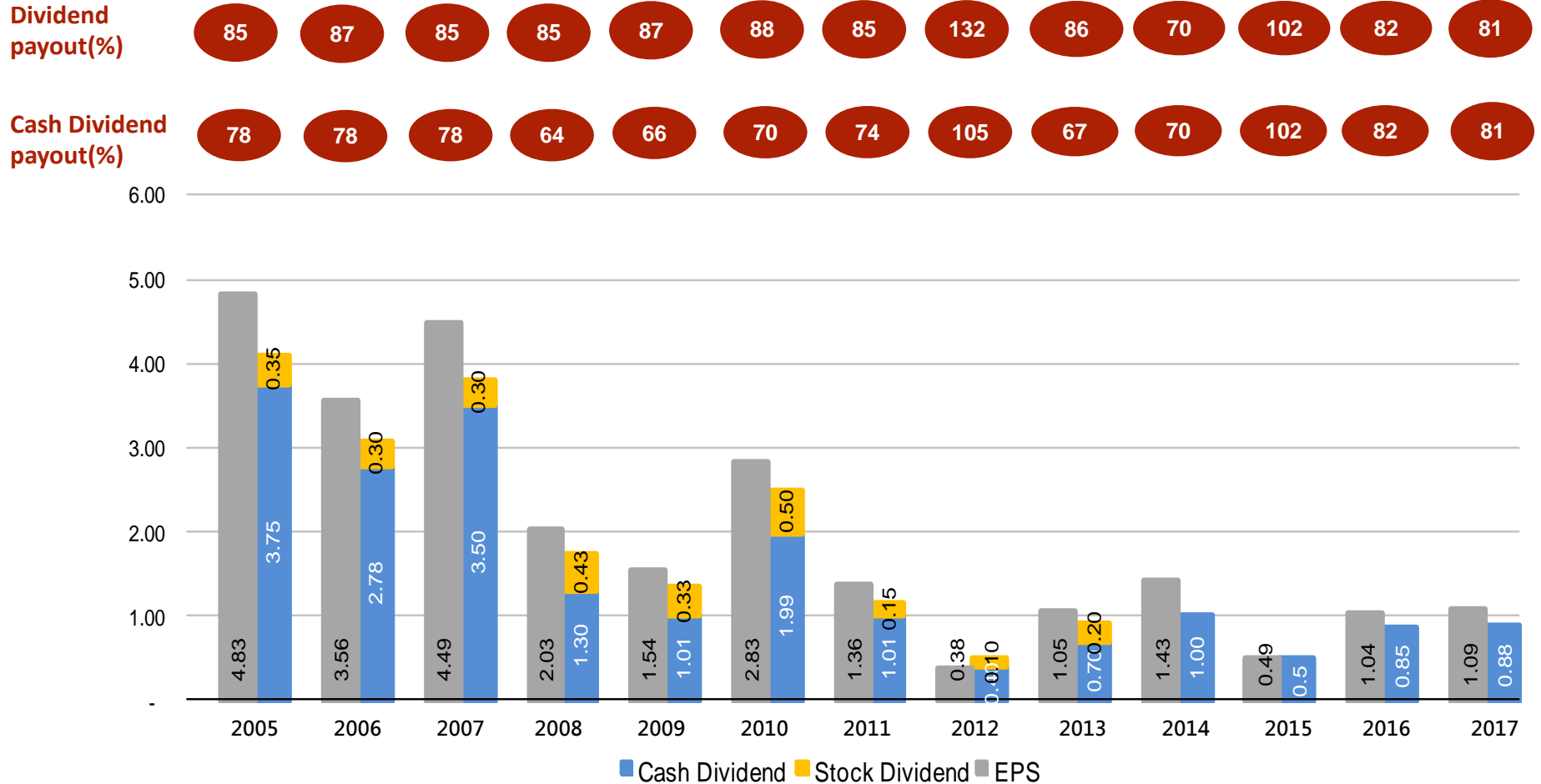
* 2018~ :

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

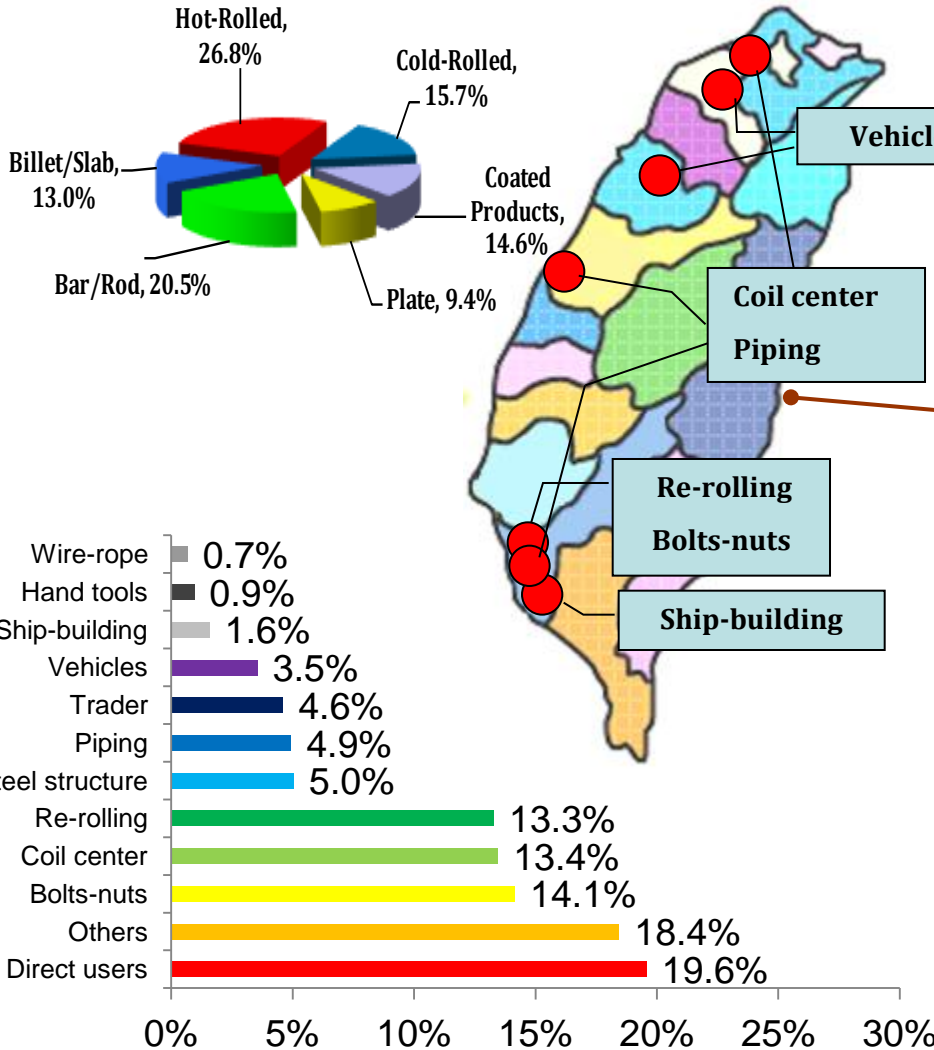
(in NTD per share)



Sales (CSC standalone)

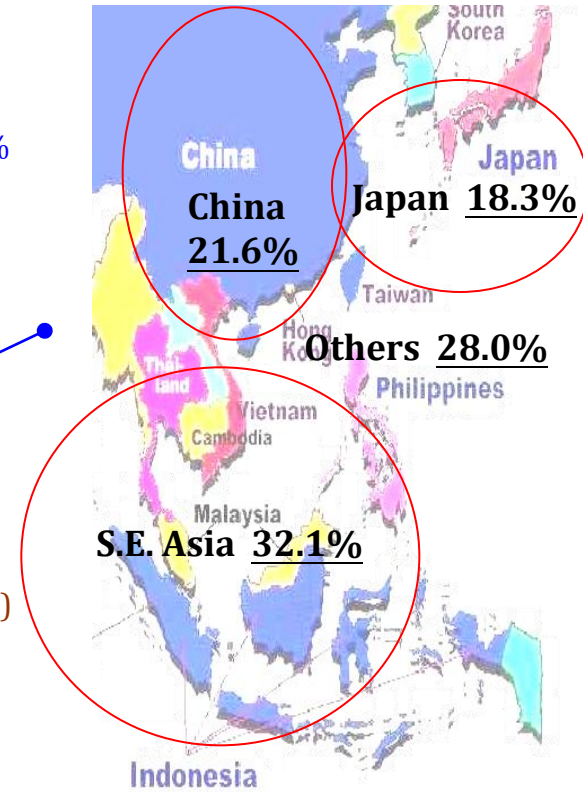
2018 CSC sales volume totaled 11.24 million metric tons

Domestic/Export sales volume breakdown of 2018



Export 29.72%
(3.34 million metric tons)

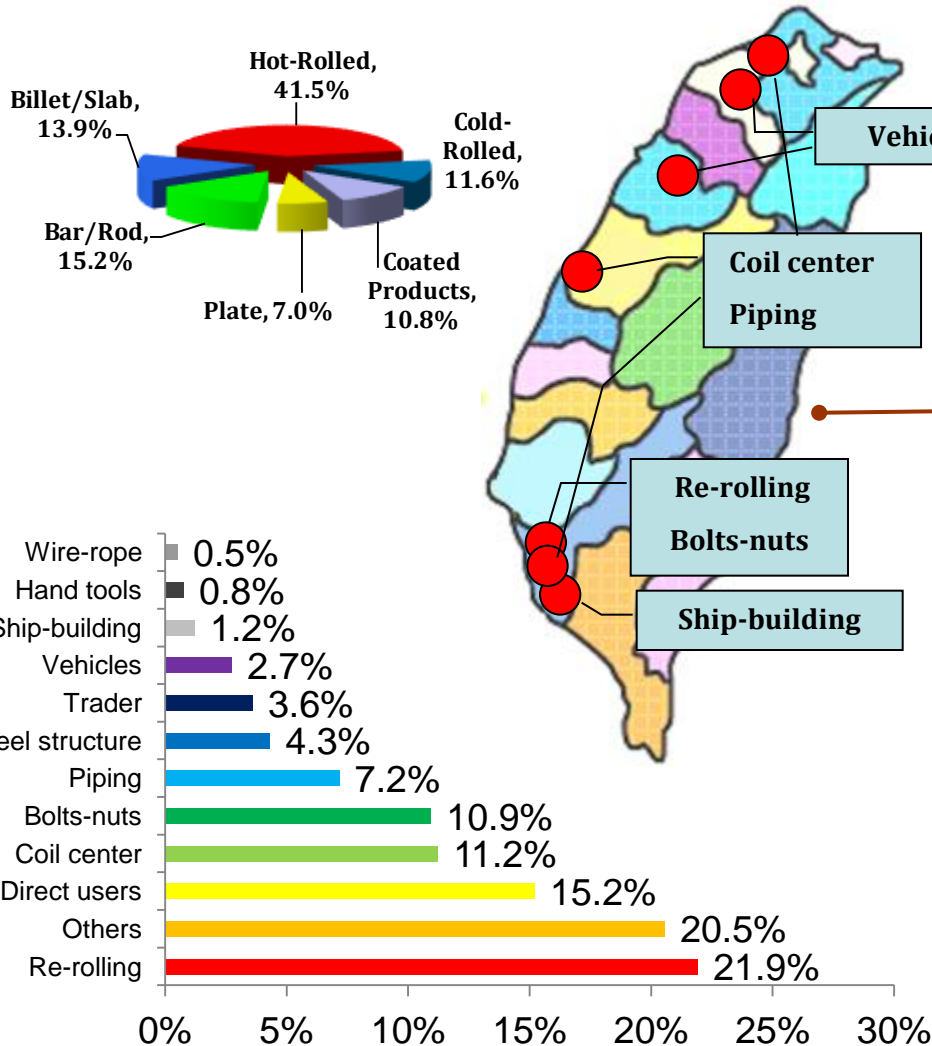
Domestic 70.28%
(7.90 million metric tons)



Sales (CSC & BF products of DSC)

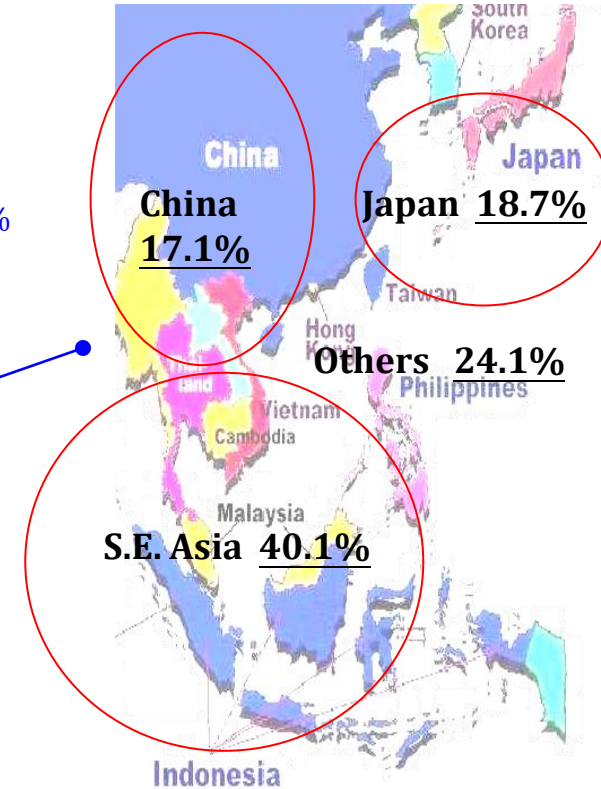
2018 sales volume (CSC & BF products of DSC) totaled 15.18 million metric tons

Domestic/Export sales volume breakdown of 2018



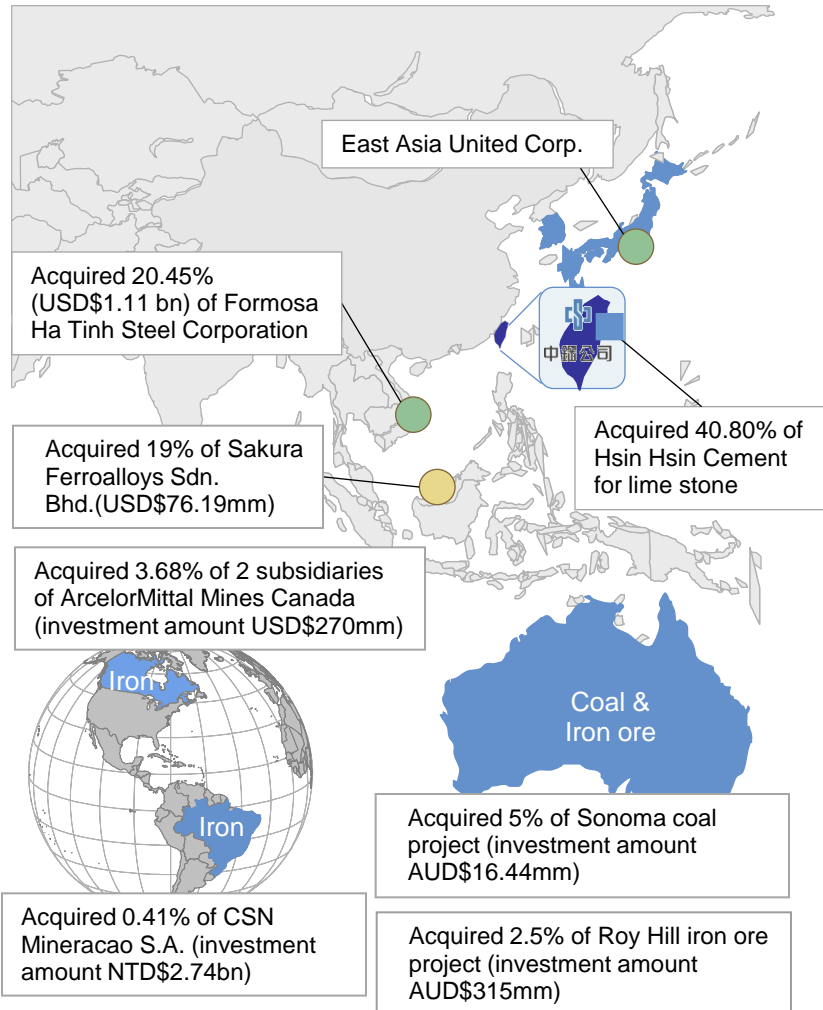
Export 32.68%
(4.96million metric tons)

Domestic 67.32%
(10.22million 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

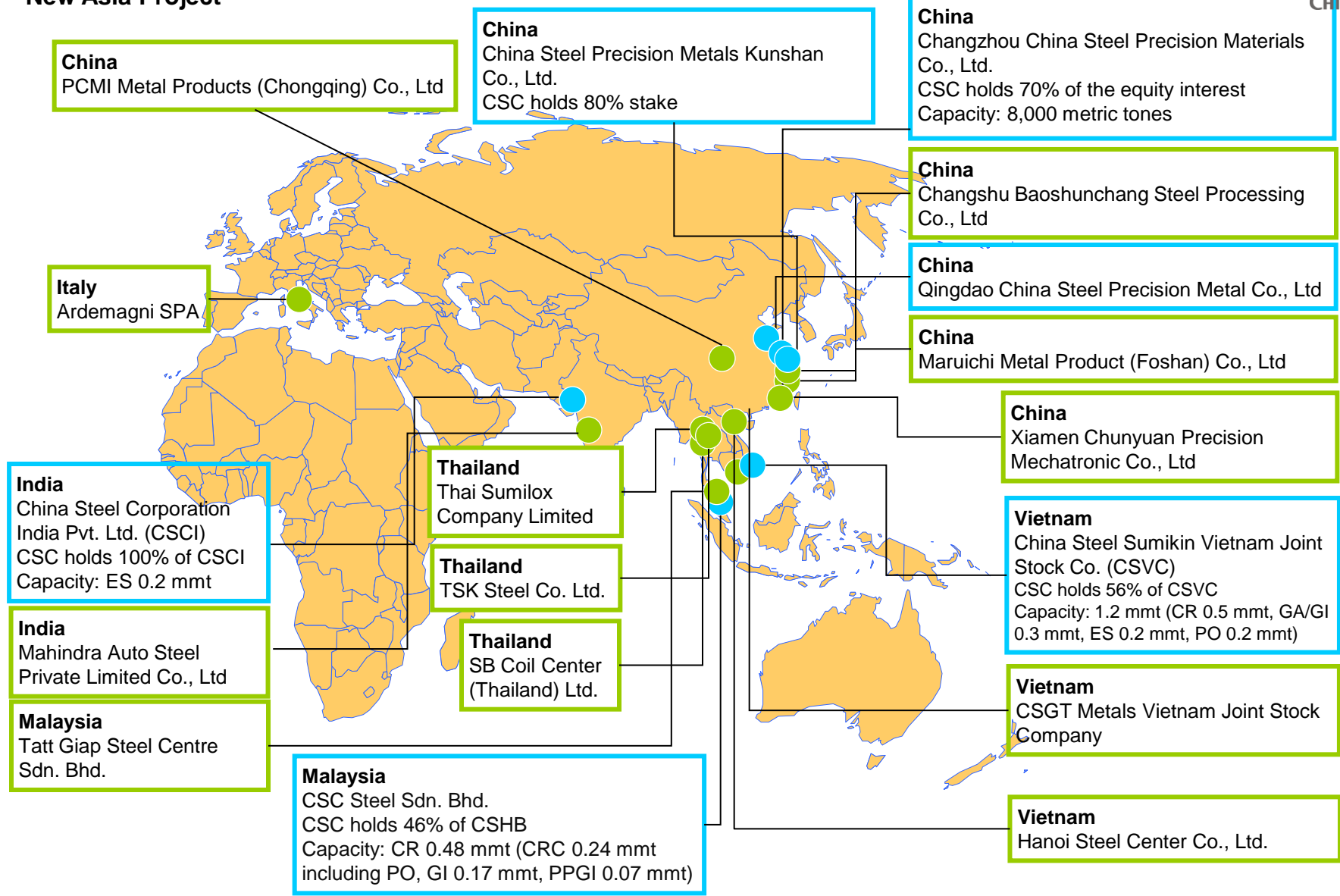
- 1 Solidify domestic market, expand export sales channels, and develop new market with customers
- 2 Integrate group resources and develop green energy businesses
- 3 Research and develop advanced products and applied technology for increasing chain value of steel industry
- 4 Elaborate on energy saving 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.
- Progress:
- Got distribution of 300MW grid capacity for installation in 2024
Obtained the establishment permit and signed power purchase agreement (PPA) with Taipower.

Research and develop advanced products and applied technology for increasing chain value of steel industry



CHINA STEEL

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.

High Grade ES Applications

Electrical vehicles

thickness:
0.35~0.25 mm

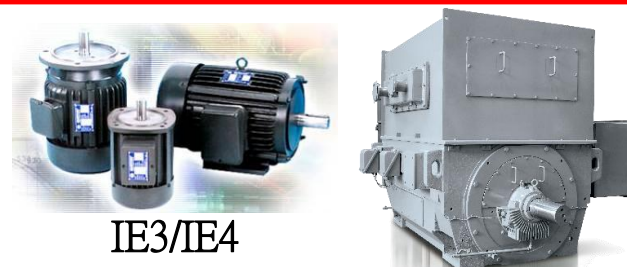


Tesla-model S, X, 3

37,000 MT shipments in 2018 Volkswagen-
(40,000 MT expected in 2019) Passat
(Hybrid)



High efficiency motors



IE3/IE4

thickness:
0.50~0.35 mm

Ultra high
power
industrial
motors

High-value home appliance



Blender

High speed vacuum
thickness:

0.35~0.20 mm



Inverter
compressors

High-end applications



High speed spindle
motors

thickness:
0.35~0.15 mm



Servo motors



Unmanned
Aerial
Vehicle

Transformer



Commercial
transformers



Reactor



thickness:

0.35~0.15 mm

Elaborate on energy saving and reduce cost continuously

Cost Reduction Performance

2018
4.69
billion
NTD

- 0.91 bn: Expense saving from nationalization of equipment and spare parts
- 1.10 bn: Improve operating efficiency and yield rate
- 0.37 bn: Automation of equipment and technology improvement
- 0.37 bn: Reduction of energy consumption and optimization of production scheduling
- 0.97 bn: Provide saturated steam and industrial gas to nearby plants
- 0.81 bn: Reduction of raw material procurement cost through negotiation

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

Value Corporate Social Responsibility and achieve sustainable operation

Awards and Honours

1

• 2018.11 CSC won the “Leader in Sustainability Award” by British Standards Institution (BSI).

2

• 2018.11 CSC won the “Silver Class of 2018 Outstanding Energy Saving Performance Award”.

3

• 2018.11 CSC received “The Most Prestigious Sustainability Awards -Top Ten Domestic Corporates” by Taiwan Corporate Sustainability Awards (TCSA).

4

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

5

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

6

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

7

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

8

• 2017.12 CSC won the “Gold Class of 2017 Outstanding Energy Saving Performance Award”.



**Sustainability,
our STEEL commitment.**