



CHINA STEEL

# China Steel Corporation

May 21, 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)

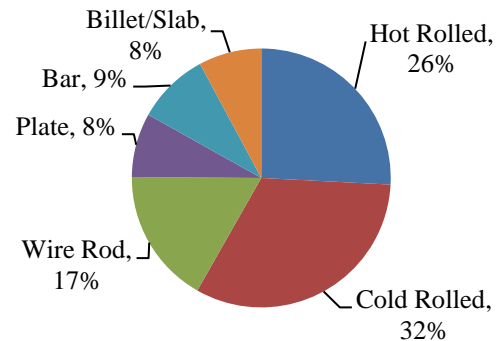
## Overview

- 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

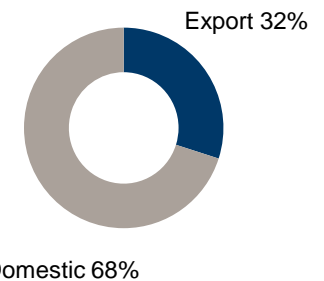
## Major business

- 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  
(2019.1Q)



Domestic/Export by revenue  
(2019.1Q)





# 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

#### 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

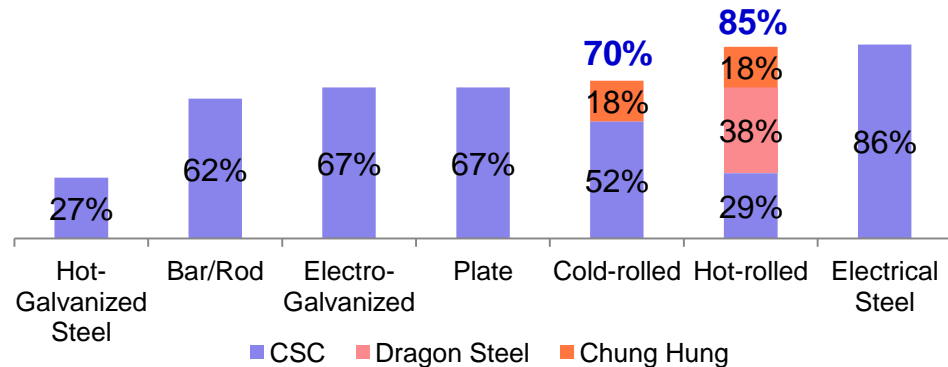
#### Service and Investments Businesses

- Gains Investment Corporation
- China Steel Security Corporation
- China Prosperity Development Corporation
- China Steel Management Consulting Corporation
- CSC Solar Corporation
- 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 (2019.1Q)





## Performance- Consolidated operating results

Amount: NT\$ million

Item	2019.3	2019.1Q	2018.1Q	YoY
Consolidated Operating Revenue	32,939	96,230	93,390	+3%
Consolidated Operating Income	1,426	5,254	6,041	-13%
Consolidated Operating Income Margin	4.33%	5.46%	6.47%	
Consolidated Income Before Income Tax	1,681	5,134	5,735	-10%

# Performance-Sales Revenue Breakdown

※Revenue category is adjusted since 2019.

Unit : NTD Thousands

	Item	*2019.4	*2019.1~4	2018.1~4 (prepared solely for comparative purposes using new category)	YoY
1	Steel products	24,872,799	99,637,255	100,830,694	-1%
2	Non-steel industry materials	3,019,049	12,556,524	12,008,155	+5%
3	Construction	3,404,772	9,969,341	5,657,478	+76%
4	Trading and Logistics	1,180,928	4,478,412	3,558,069	+26%
5	Services and others	689,834	2,755,481	3,270,250	-16%
Less	Sales returns and allowances	0	0	0	
	Total	33,167,382	129,397,013	125,324,646	+3%

\*preliminary result

# Performance-CSC group

## Segment revenues and operating results



CHINASTEEL

Unit : NTD Thousands

2018	Steel	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 320,953,624	\$ 79,711,433	\$ -	\$ 400,665,057
Inter-segment revenues	97,055,990	55,513,806	( 152,569,796)	-
Segment revenues	<u>\$ 418,009,614</u>	<u>\$ 135,225,239</u>	<u>(\$ 152,569,796)</u>	<u>\$ 400,665,057</u>
Segment profit	\$ 26,566,133	\$ 7,247,876	(\$ 234,998)	\$ 33,579,011
Interest income	232,942	211,411	( 74,406)	369,947
Financial costs	( 2,781,137)	( 599,087)	52,997	( 3,327,227)
Share of the profit of associates	10,367,283	1,208,746	( 11,389,794)	186,235
Other non-operating income and expenses	1,420,846	479,359	( 786,426)	1,113,779
Profit before income tax	35,806,067	8,548,305	( 12,432,627)	31,921,745
Income tax	2,786,827	1,269,853	( 21,544)	4,035,136
Net profit for the period	<u>\$ 33,019,240</u>	<u>\$ 7,278,452</u>	<u>(\$ 12,411,083)</u>	<u>\$ 27,886,609</u>

# Performance-CSC group

## Segment revenues and operating results



Unit : NTD Thousands

2019.1Q	Steel	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 74,828,315	\$ 21,401,316	\$ -	\$ 96,229,631
Inter-segment revenues	22,280,838	12,020,633	( 34,301,471)	-
Segment revenues	\$ 97,109,153	\$ 33,421,949	(\$ 34,301,471)	\$ 96,229,631
Segment profit	\$ 3,708,243	\$ 1,978,230	(\$ 432,544)	\$ 5,253,929
Interest income	46,916	53,038	( 19,974)	79,980
Financial costs	( 666,399)	( 196,140)	40,211	( 822,328)
Share of the profit of associates	1,318,971	247,241	( 1,383,955)	182,257
Other non-operating income and expenses	451,830	155,134	( 167,054)	439,910
Profit before income tax	4,859,561	2,237,503	( 1,963,316)	5,133,748
Income tax	721,794	368,702	( 99,852)	990,644
Net profit for the period	\$ 4,137,767	\$ 1,868,801	(\$ 1,863,464)	\$ 4,143,104



# Performance- consolidated basis

## Consolidated Income Statement

Units: NT\$ millions

IFRSs	2018	2017	YoY
Revenues	400,665	347,012	+15%
Gross profit	48,838	39,339	+24%
Gross margins	12.19%	11.34%	
Profit before tax	31,922	23,403	+36%
<u>Net profit</u>	<u>27,887</u>	<u>20,431</u>	+36%
Attributable to			
Owners of the corporation	24,454	16,905	+45%
Non-controlling interests	3,433	3,526	-3%
Earnings Per Share(NTD)	\$ 1.58	\$1.09	+45%

# Performance- consolidated basis

## Consolidated Income Statement

Units: NT\$ millions

IFRSs	2019.1Q	2018.1Q	YoY
Revenues	96,230	93,390	+3%
Gross profit	9,271	9,610	-4%
Gross margins	9.63%	10.29%	
Profit before tax	5,134	5,735	-10%
<u>Net profit</u>	<u>4,143</u>	<u>5,459</u>	-24%
Attributable to			
Owners of the corporation	3,608	4,608	-22%
Non-controlling interests	535	851	-37%
Earnings Per Share(NTD)	\$ 0.23	\$0.30	-23%



# Performance: financial review (Consolidated Basis)

Units: NT\$ millions

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	3/31/2019
Debt	348,049	357,414	346,542	335,764	331,729	337,829
Debt/Equity	103.99%	111.44%	105.15%	101.15%	96.77%	97.18%
Asset	682,737	678,139	676,122	667,716	674,527	685,464
Debt/Asset	50.98%	52.71%	51.25%	50.29%	49.18%	49.28%
Net Debt *	250,540	269,034	254,390	238,426	212,949	205,628
Net Debt/Asset	46.88%	39.67%	37.62%	35.71%	31.57%	30.00%

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

\* 2014~2017 :

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* )

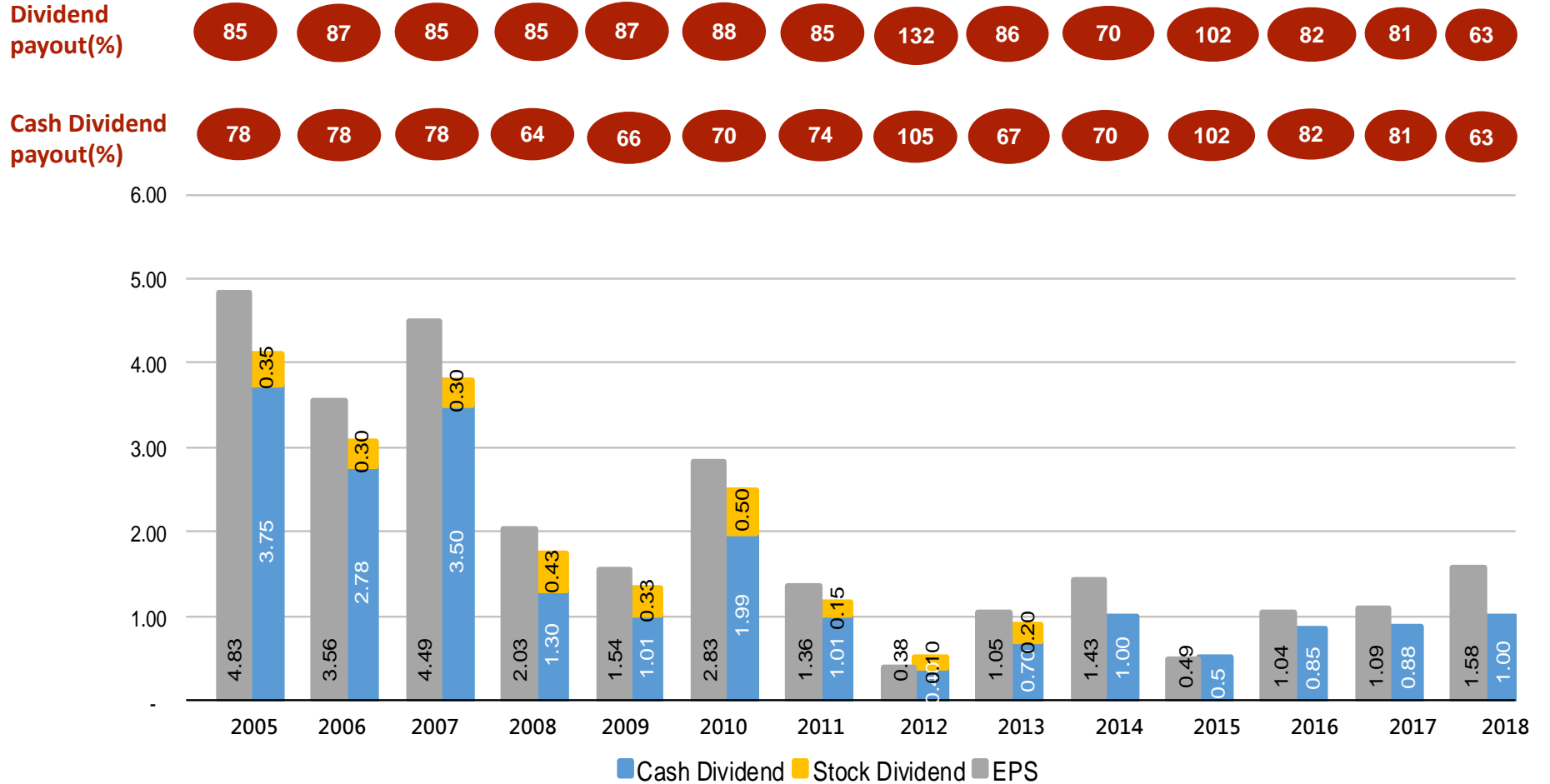
\* 2018~ :

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)

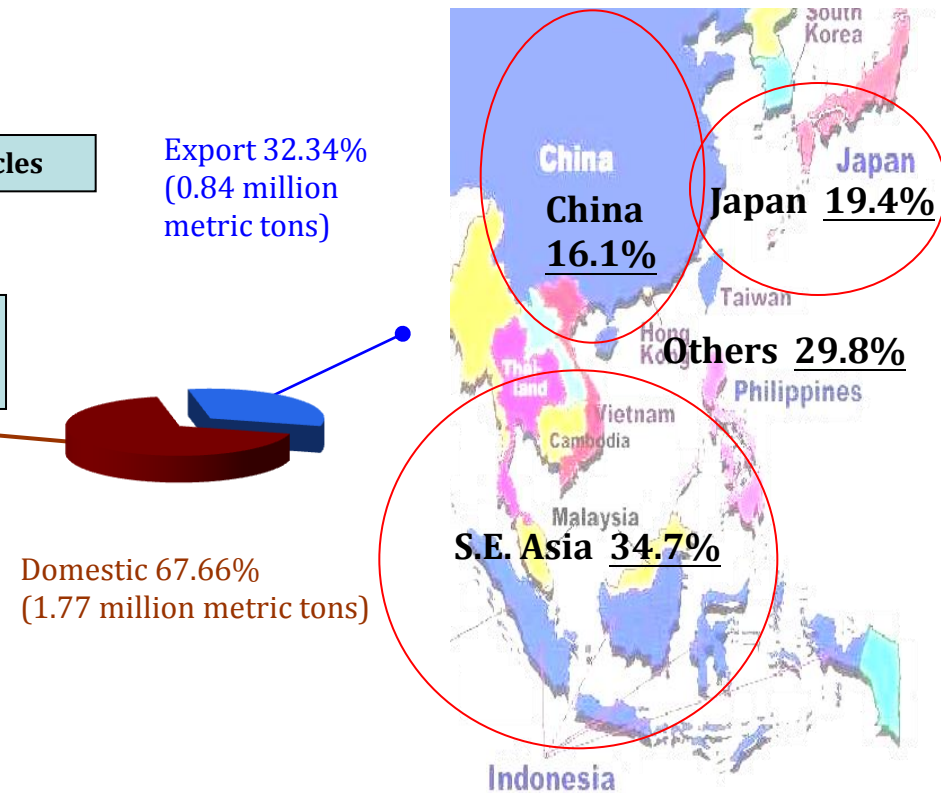
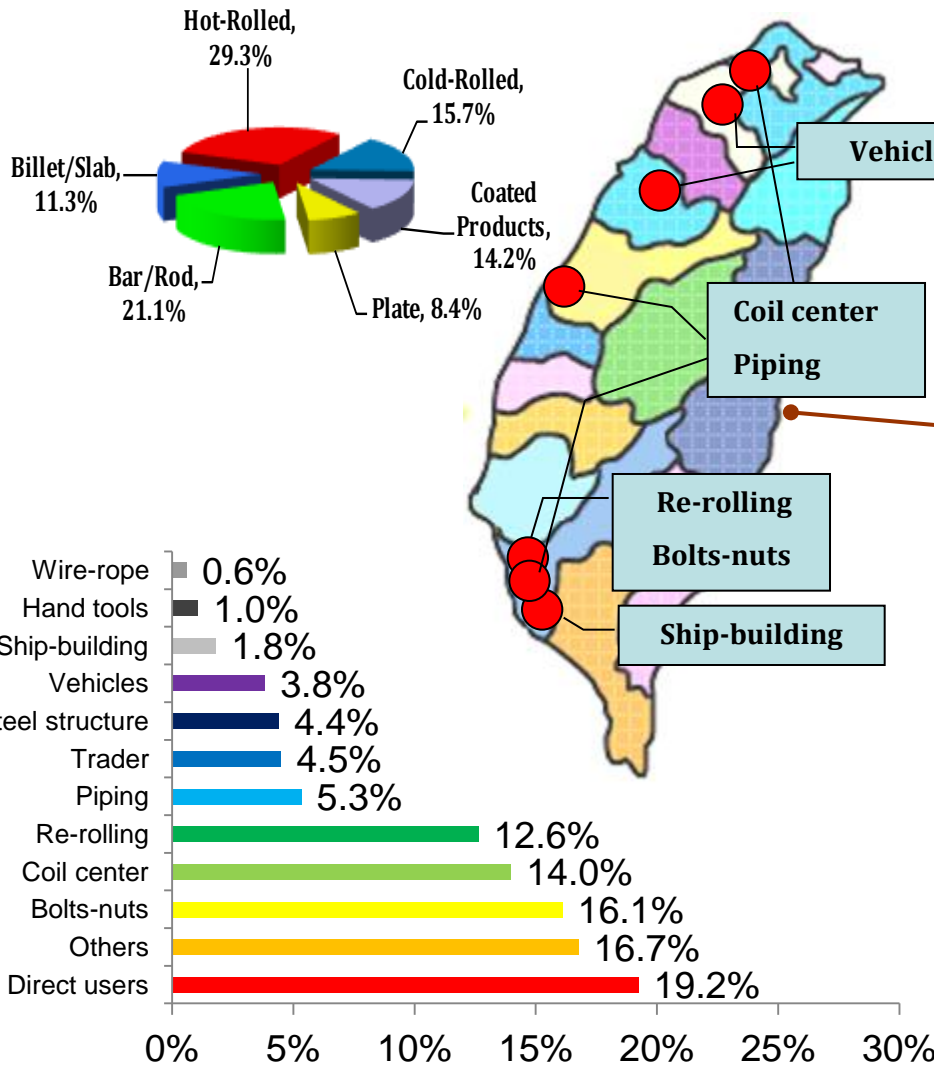




# Sales (CSC standalone)

2019.1Q CSC sales volume totaled 2.61 million metric tons

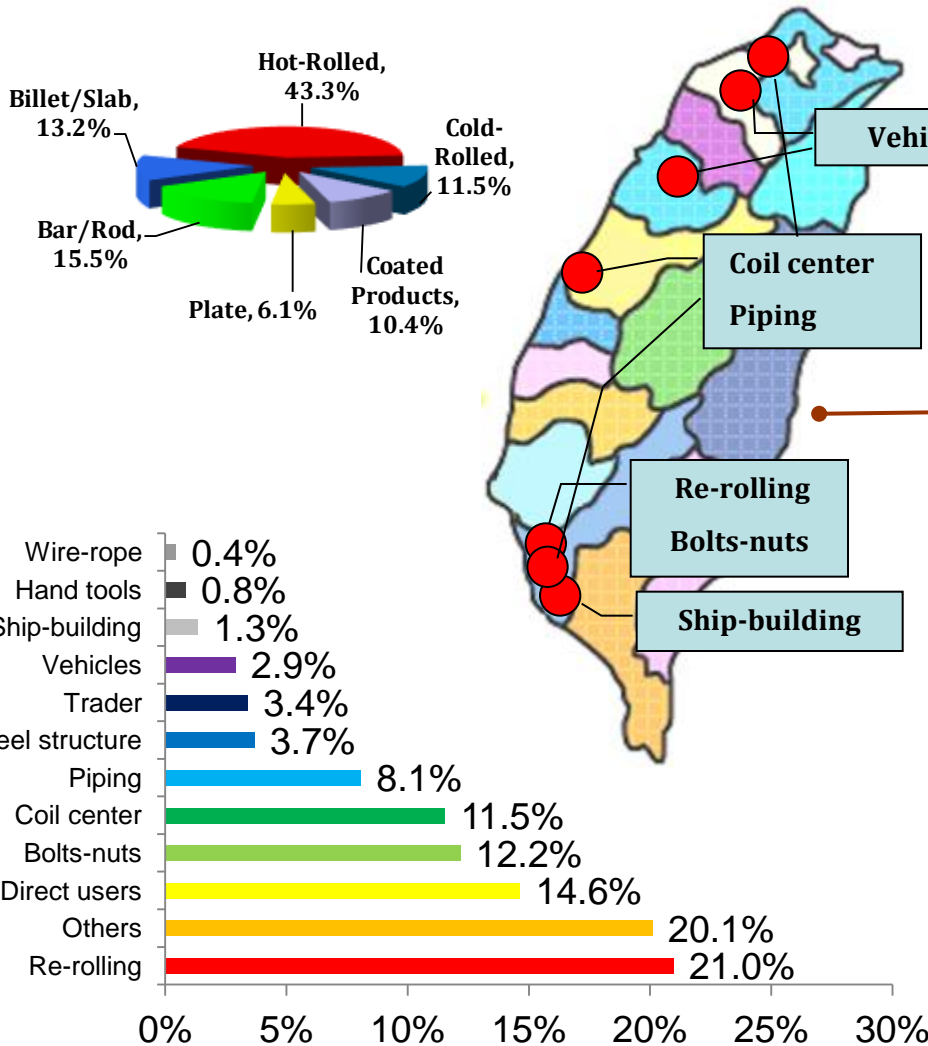
Domestic/Export sales volume breakdown of 2019.1Q



# Sales (CSC & BF products of DSC)

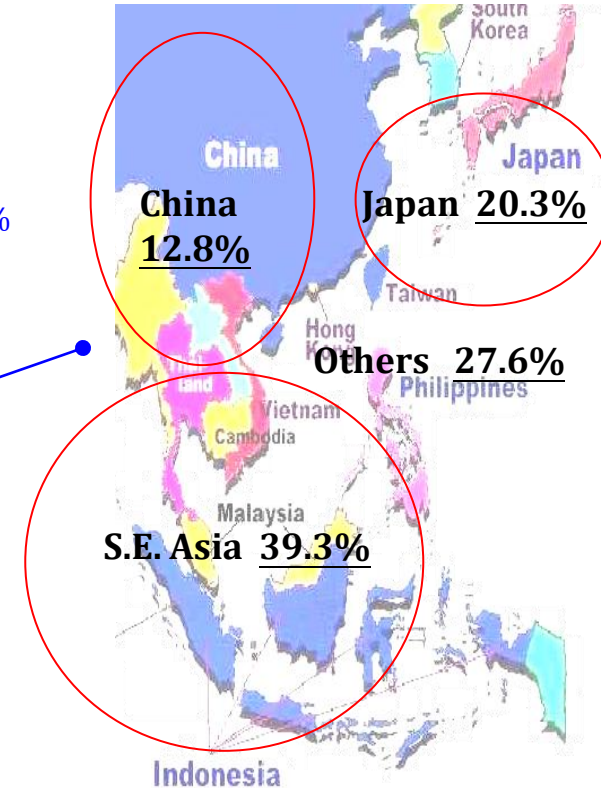
2019.1Q sales volume (CSC & BF products of DSC) totaled 3.56 million metric tons

Domestic/Export sales volume breakdown of 2019.1Q



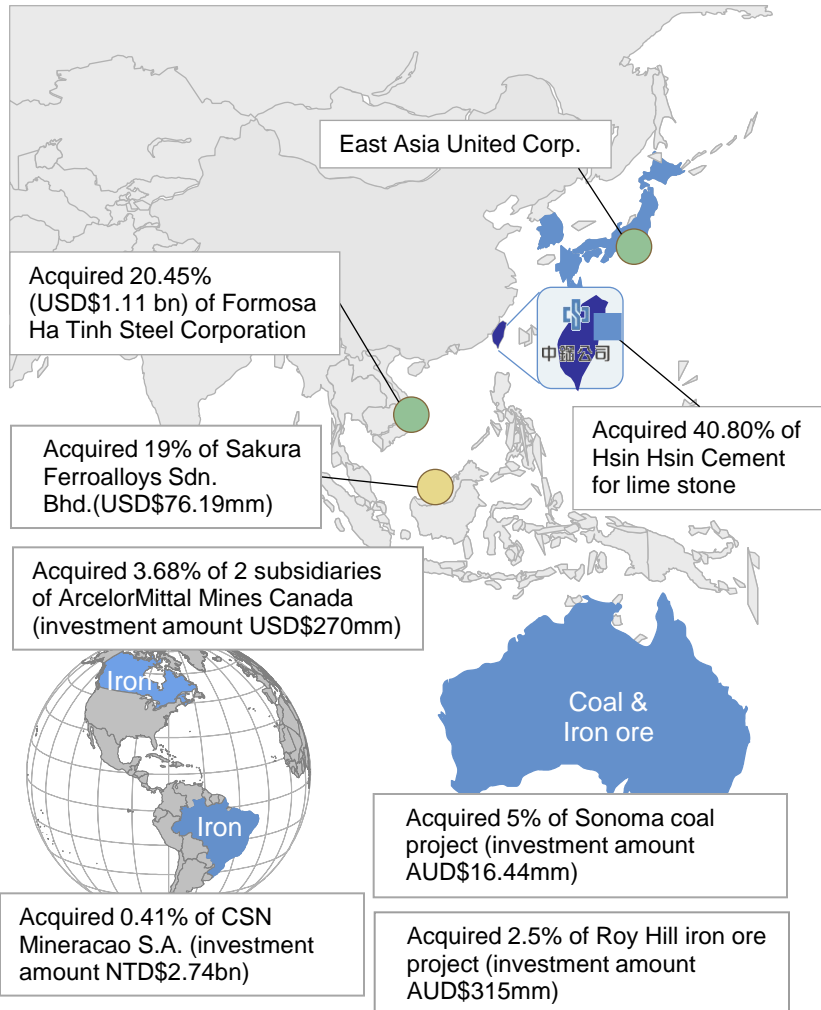
Export 34.43%  
(1.23 million metric tons)

Domestic 65.57%  
(2.33 million 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.
  - Nippon Steel'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

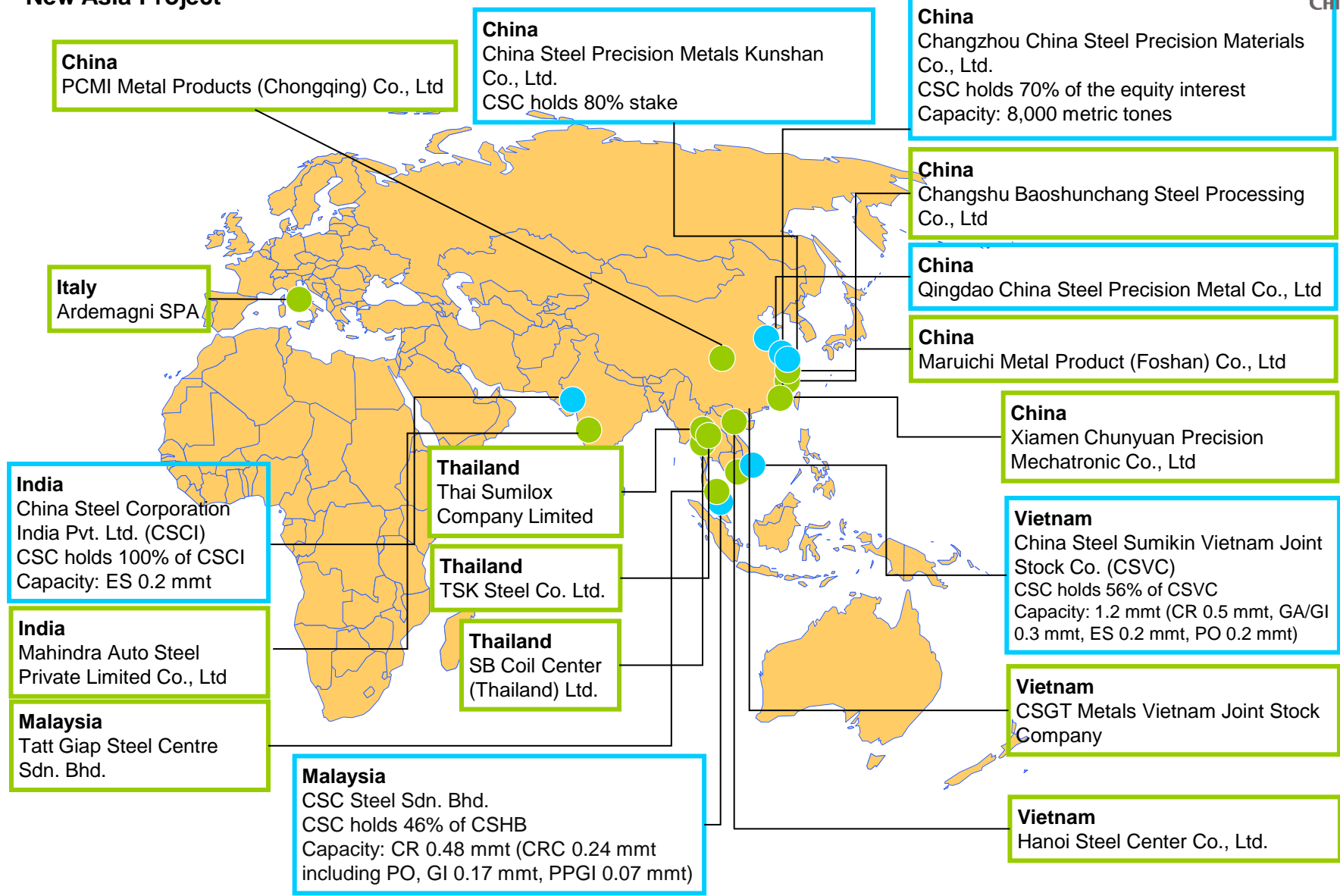


# Solidify domestic market, expand export sales channels, and develop new market with customers



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 and other international offshore wind farm developer.
- Progress:  
Got distribution of 300MW grid capacity for installation with operation expected to commence in 2025.  
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



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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.

## High Grade ES Applications

### Electrical vehicles

thickness:  
0.35~0.25 mm

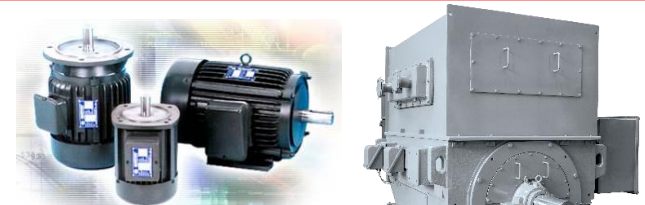


Tesla-model S, X, 3

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



### High efficiency motors



IE3/IE4

thickness:  
0.50~0.35 mm

Ultra high  
power  
industrial  
motors

### High-value home appliance

### High-end applications

### Transformer



Blender

High speed vacuum  
thickness:

0.35~0.20 mm

Inverter  
compressors



High speed spindle  
motors

Servo motors

thickness:  
0.35~0.15 mm



Unmanned  
Aerial  
Vehicle



Commercial  
transformers

Reactor



thickness:  
0.35~0.15 mm

# Elaborate on energy saving and reduce cost continuously

## 2019 target: 3.8 billion NTD

**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

• 2019.03 CSC was ranked as RobecoSAM Bronze Class (top 10%) Sustainability leaders in the steel industry.

2

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

3

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

4

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

5

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

6

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

7

• 2018.02 CSC was ranked as RobecoSAM Gold Class (top 1%) Sustainability leaders in the steel industry.

8

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



**Sustainability,  
our STEEL commitment.**