



CHINA STEEL

China Steel Corporation

August 7, 2020



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

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Company overview: Business snapshot (CSC standalone)

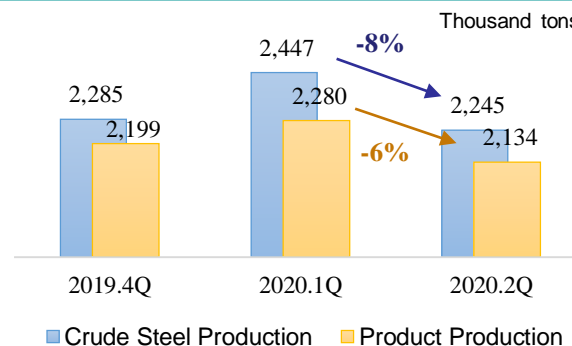


CHINA STEEL

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, 2019

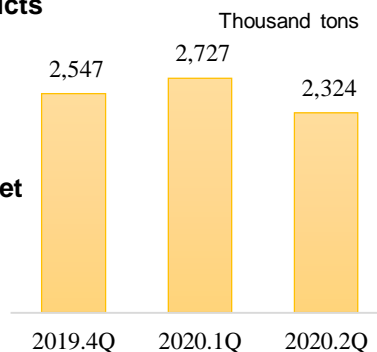
Production Analysis (2019.4Q~2020.2Q)



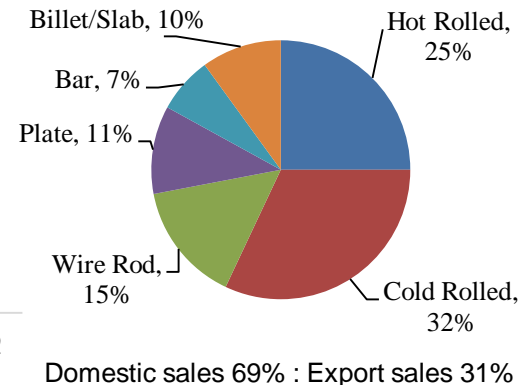
Major business

- 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

Sales Volume Analysis (2019.4Q~2020.2Q)



Sales Value Breakdown by products (2020.1H)



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 and Nippon Steel Vietnam Joint Stock Company (CSVC)
- China Steel Corporation India Pvt. Ltd. (CSCI)

Other Group Businesses

Engineering Businesses

- China Steel Structure Co., Ltd.
- China Ecotek Corporation
- China Steel Machinery Corporation
- Info-Champ Systems Corporation
- Sing Da Marine Structure Corporation

Industrial Materials Businesses

- China Steel Chemical Corporation
- CHC Resources Corporation
- C.S.Aluminum 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.

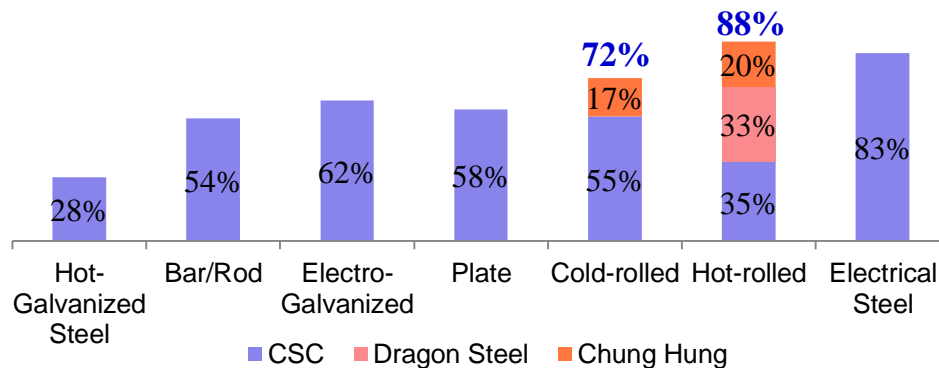
Service and Investments Businesses

- Gains Investment Corporation
- China Steel Security Corporation
- China Prosperity Development Corporation
- China Steel Management Consulting Corporation
- CSC Solar Corporation
- China Steel Power 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 (2020.1H)



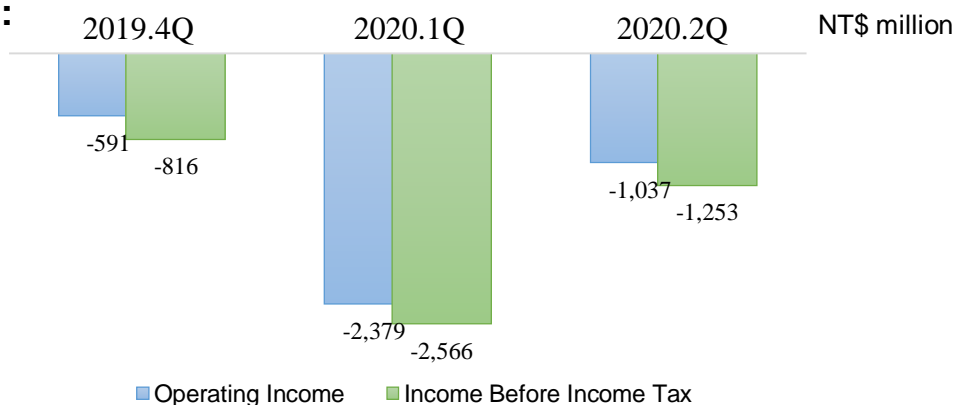
Financial Performance- Consolidated operating results

Latest operating result:

Amount: NT\$ million

Item	2020.6	2020.1H	2019.1H	YoY
Consolidated Operating Revenue	23,918	150,528	191,111	-21%
Consolidated Operating Income	(464)	(3,416)	10,561	-132%
Consolidated Operating Income Margin	-1.94%	-2.27%	5.53%	
Consolidated Income Before Income Tax	(225)	(3,819)	10,528	-136%

Quarterly profit analysis:



Financial Performance-Sales Revenue Breakdown

Unit : NTD Thousands

	Item	2019.6	2020.1~6	2019.1~6	YoY
1	Steel products	19,069,988	119,259,418	146,747,464	-19%
2	Non-steel industry materials	2,384,577	14,681,823	18,531,224	-21%
3	Construction	1,230,597	7,015,819	15,246,084	-54%
4	Trading and Logistics	252,948	5,425,592	6,378,414	-15%
5	Services and others	979,745	4,145,636	4,207,394	-1%
Less	Sales returns and allowances	0	0	0	
	Total	23,917,855	150,528,288	191,110,580	-21%

Performance-CSC group

Segment revenues and operating results



CHINASTEEL

Unit : NTD Thousands

2020. 1H	Steel Department	Construction Department	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 119,761,859	\$ 5,228,546	\$ 25,537,883	\$ -	\$ 150,528,288
Inter-segment revenues	35,747,347	5,519,445	17,708,658	(58,975,450)	-
Segment revenues	<u>\$ 155,509,206</u>	<u>\$ 10,747,991</u>	<u>\$ 43,246,541</u>	<u>(\$ 58,975,450)</u>	<u>\$ 150,528,288</u>
Segment profit (loss)	(\$ 5,231,525)	\$ 243,911	\$ 2,110,903	(\$ 539,305)	(\$ 3,416,016)
Interest income	71,198	34,097	79,433	(42,253)	142,475
Financial costs	(1,111,028)	(27,814)	(326,111)	93,168	(1,371,785)
Share of the profit (loss) of associates	(2,664,267)	423,807	589,160	1,959,641	308,341
Other non-operating income and expenses	580,903	(3,370)	353,781	(413,777)	517,537
Profit (loss) before income tax	(8,354,719)	670,631	2,807,166	1,057,474	(3,819,448)
Income tax (benefit)	(789,850)	226,432	314,347	(156,760)	(405,831)
Net profit (loss) for the period	<u>(\$ 7,564,869)</u>	<u>\$ 444,199</u>	<u>\$ 2,492,819</u>	<u>\$ 1,214,234</u>	<u>(\$ 3,413,617)</u>

Financial Performance- Consolidated Income Statement

IFRSs

Units: NT\$ millions

	2020.1H	2019.1H	YoY
Revenues	150,528	191,111	-21%
Gross profit	2,830	18,504	-85%
Gross margins	1.88%	9.68%	
Profit (loss) before tax	(3,819)	10,528	-136%
<u>Net profit (loss)</u>	<u>(3,414)</u>	<u>8,378</u>	-141%
Attributable to			
Owners of the corporation	(3,664)	7,181	-151%
Non-controlling interests	250	1,197	-79%
Earnings Per Share (NTD)	(\$ 0.24)	\$ 0.46	-152%

Financial Position (Consolidated Basis)

Units: NT\$ millions

	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	6/30/2020
Debt	357,414	346,542	335,764	331,729	334,417	331,953
Debt/Equity	111.44%	105.15%	101.15%	96.77%	100.66%	105.03%
Asset	678,139	676,122	667,716	674,527	666,632	648,018
Debt/Asset	52.71%	51.25%	50.29%	49.18%	50.17%	51.23%
Net Debt *	269,034	254,390	238,426	212,949	229,965	223,004
Net Debt/Asset	39.67%	37.62%	35.71%	31.57%	34.50%	34.41%

*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*)

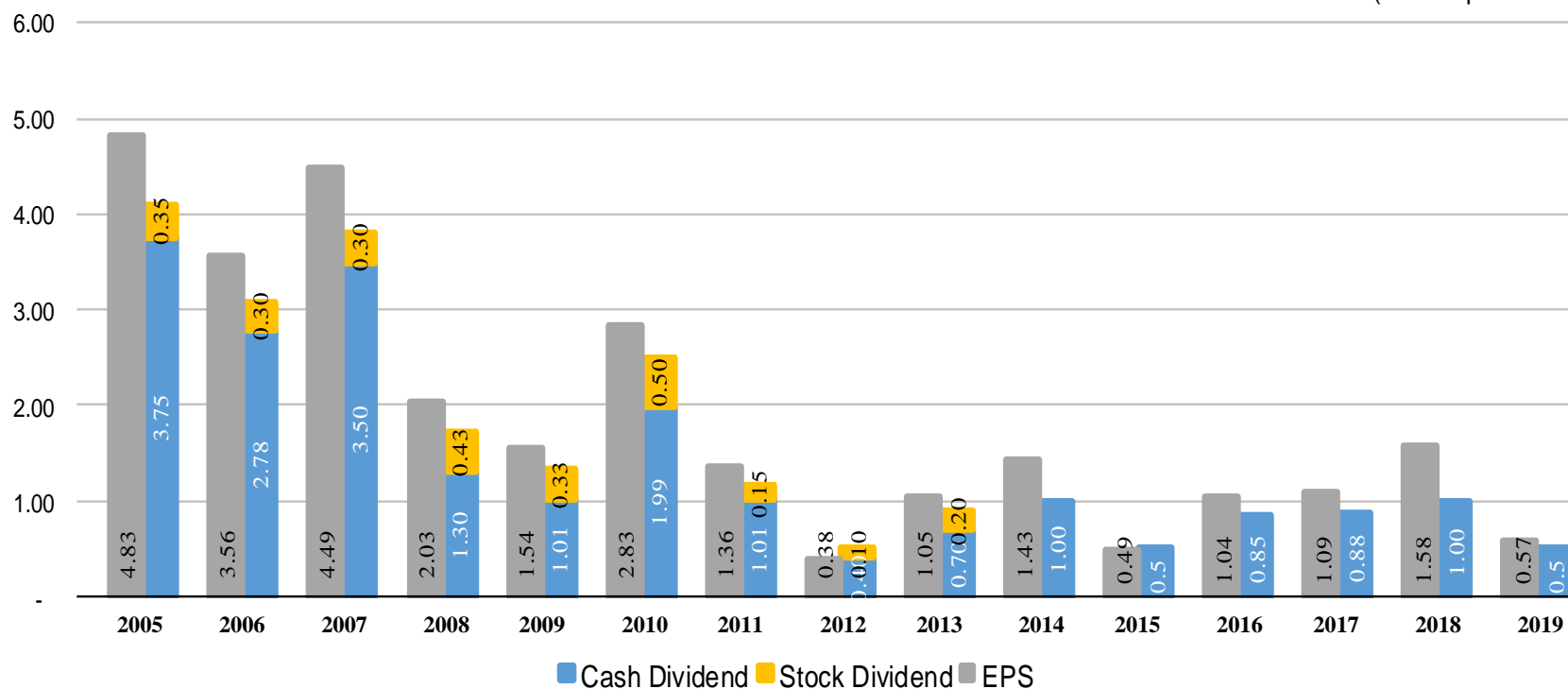
*2018~ :

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Dividend payout(%)	85	87	85	85	87	88	85	132	86	70	102	82	81	63	88
Cash Dividend payout(%)	78	78	78	64	66	70	74	105	67	70	102	82	81	63	88

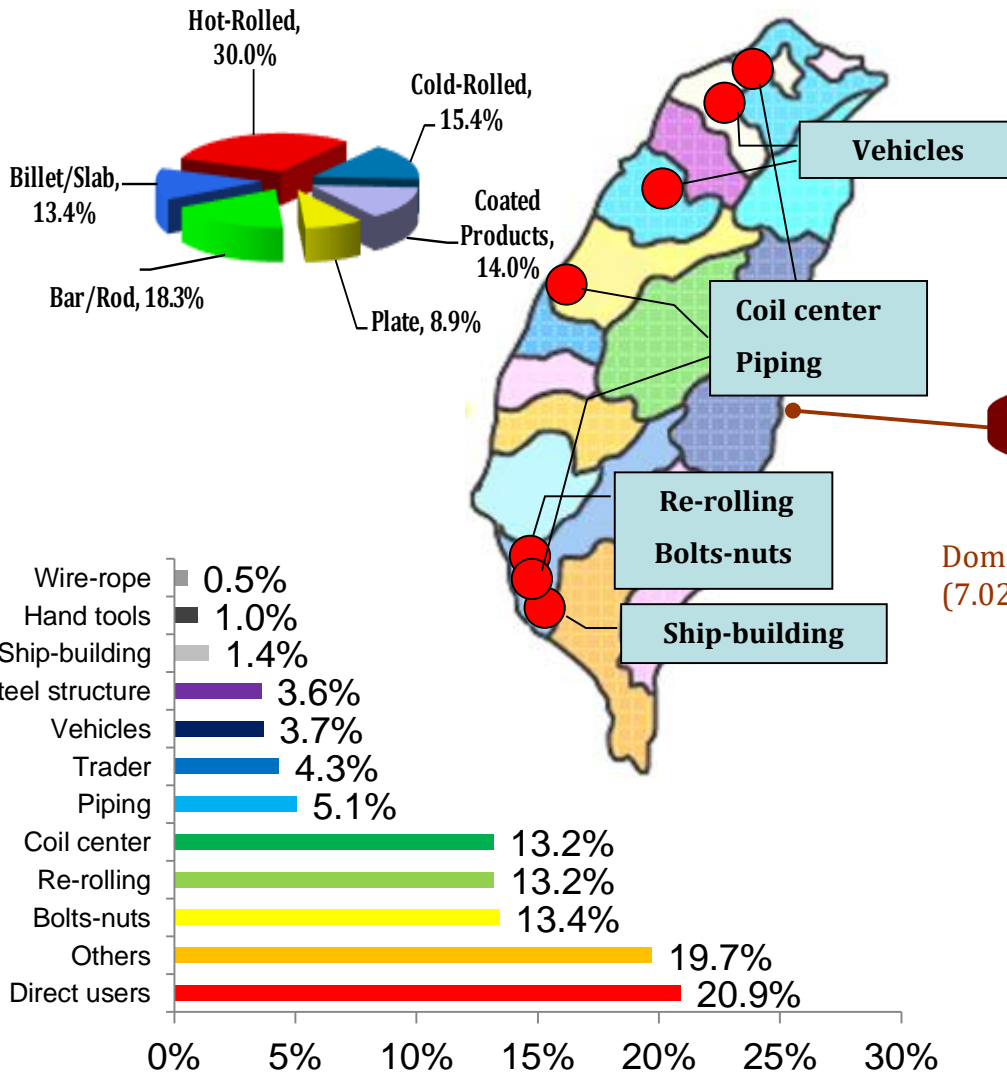
(in NTD per share)



2019 Sales Analysis (CSC standalone)

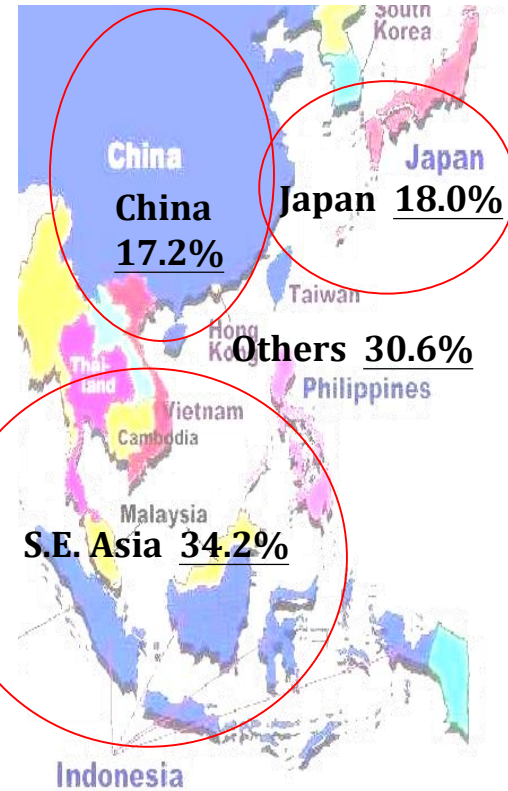
2019 CSC sales volume totaled 10.29 million metric tons

Domestic/Export sales volume breakdown of 2019



Export 31.75%
(3.27 million metric tons)

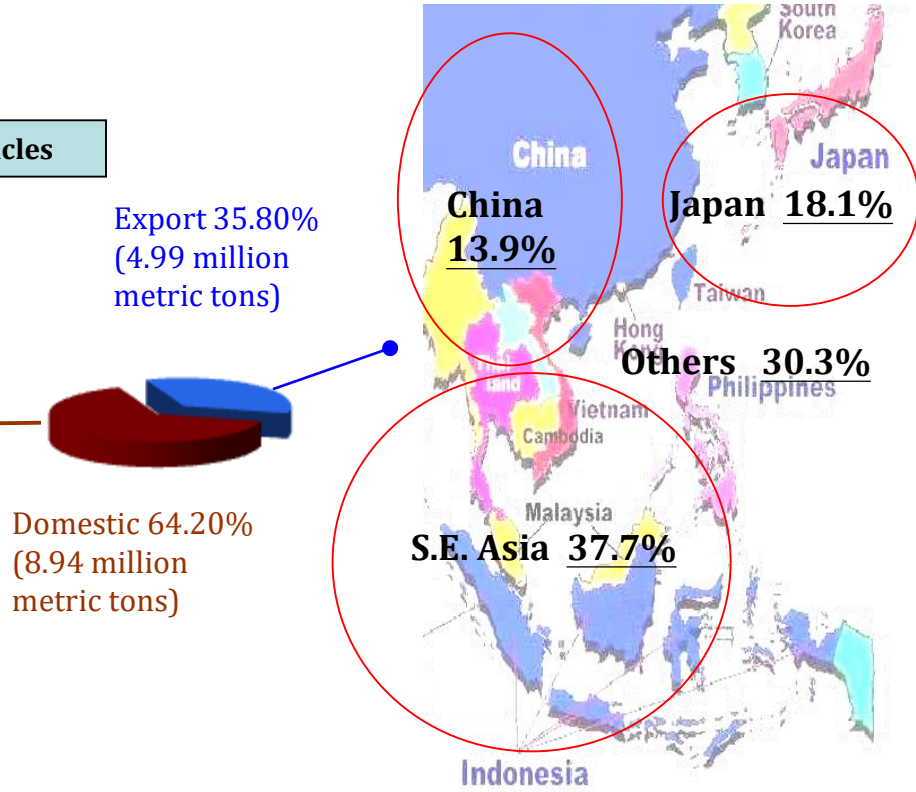
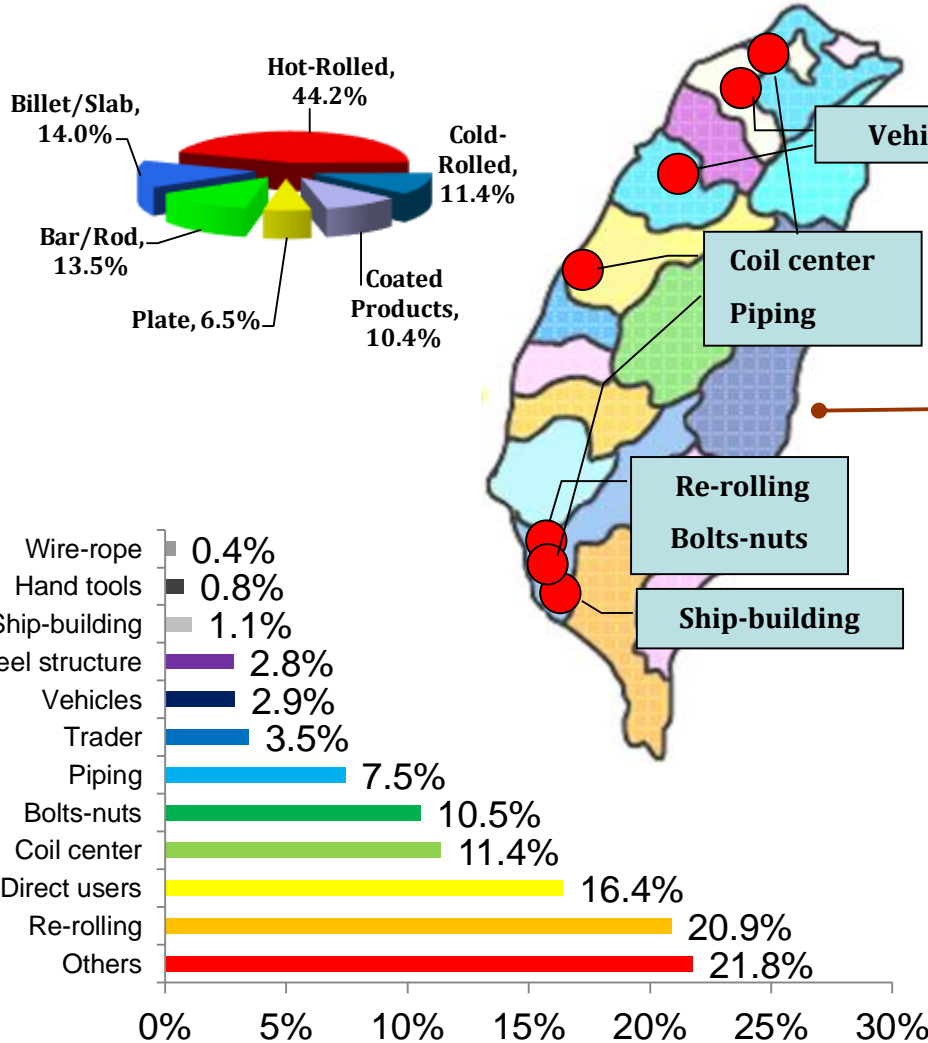
Domestic 68.25%
(7.02 million metric tons)



2019 Sales Analysis (CSC & BF products of DSC)

2019 sales volume (CSC & BF products of DSC) totaled 13.93 million metric tons

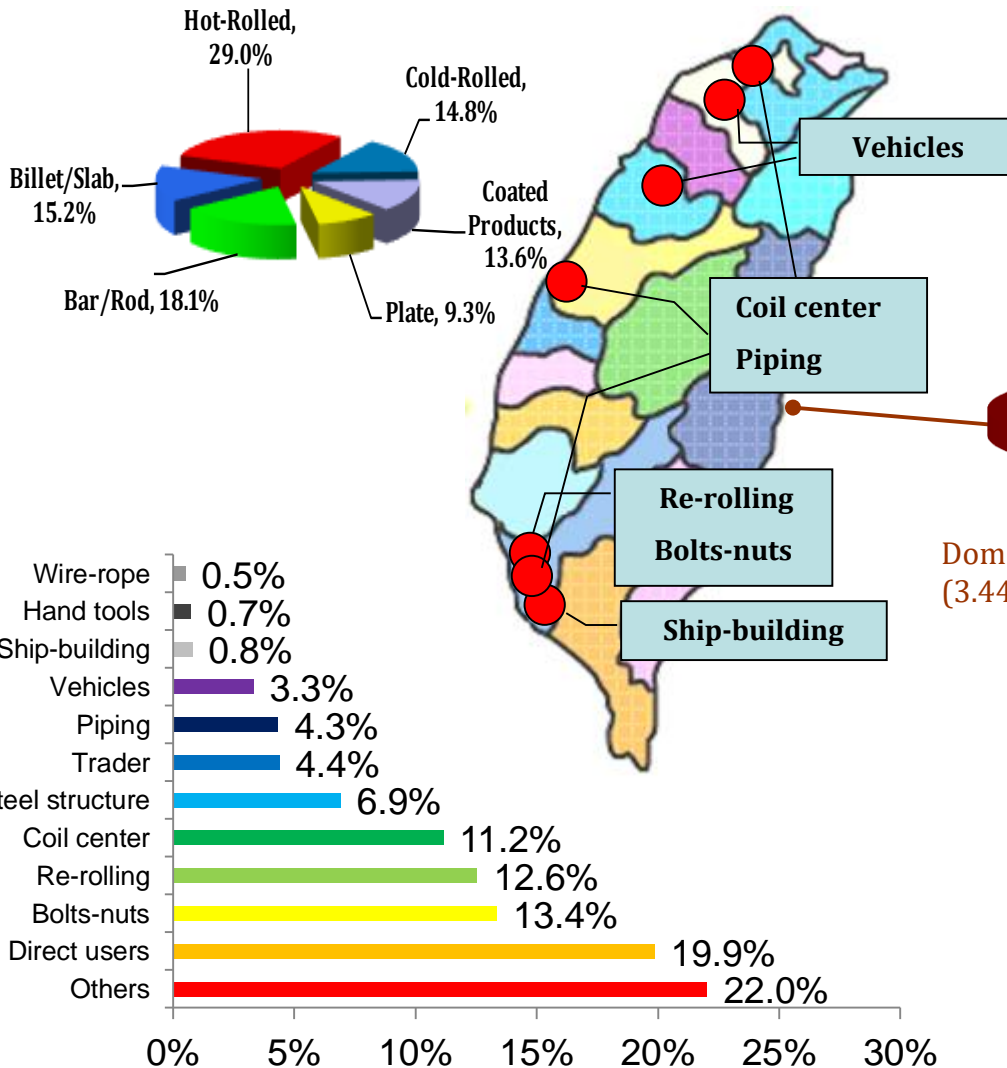
Domestic/Export sales volume breakdown of 2019



2020.1H Sales Analysis (CSC standalone)

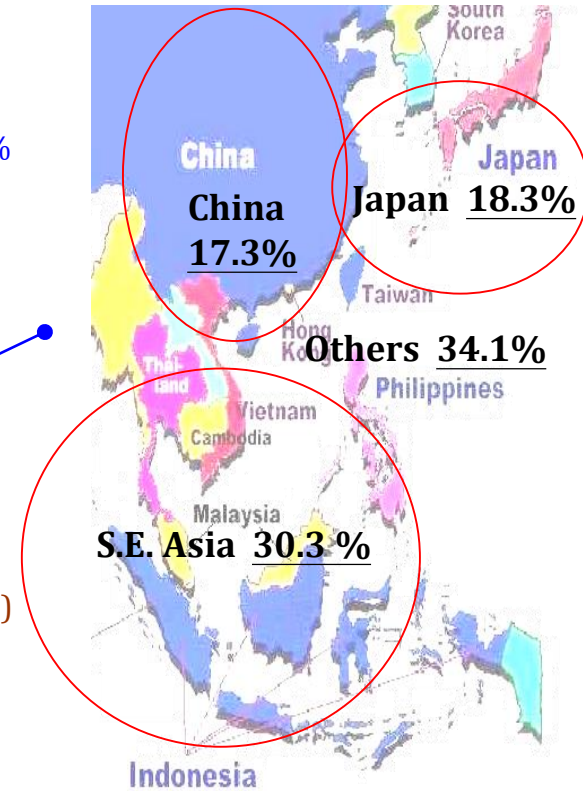
2020.1H CSC sales volume totaled 5.05 million metric tons

Domestic/Export sales volume breakdown of 2020.1H



Export 31.82%
(1.61 million metric tons)

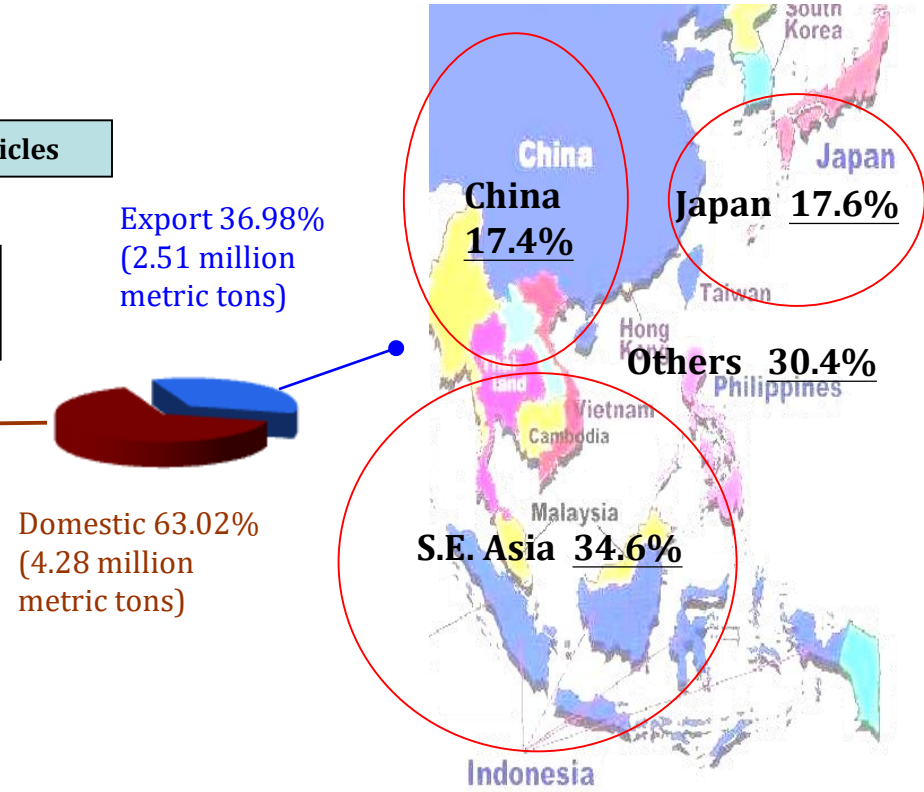
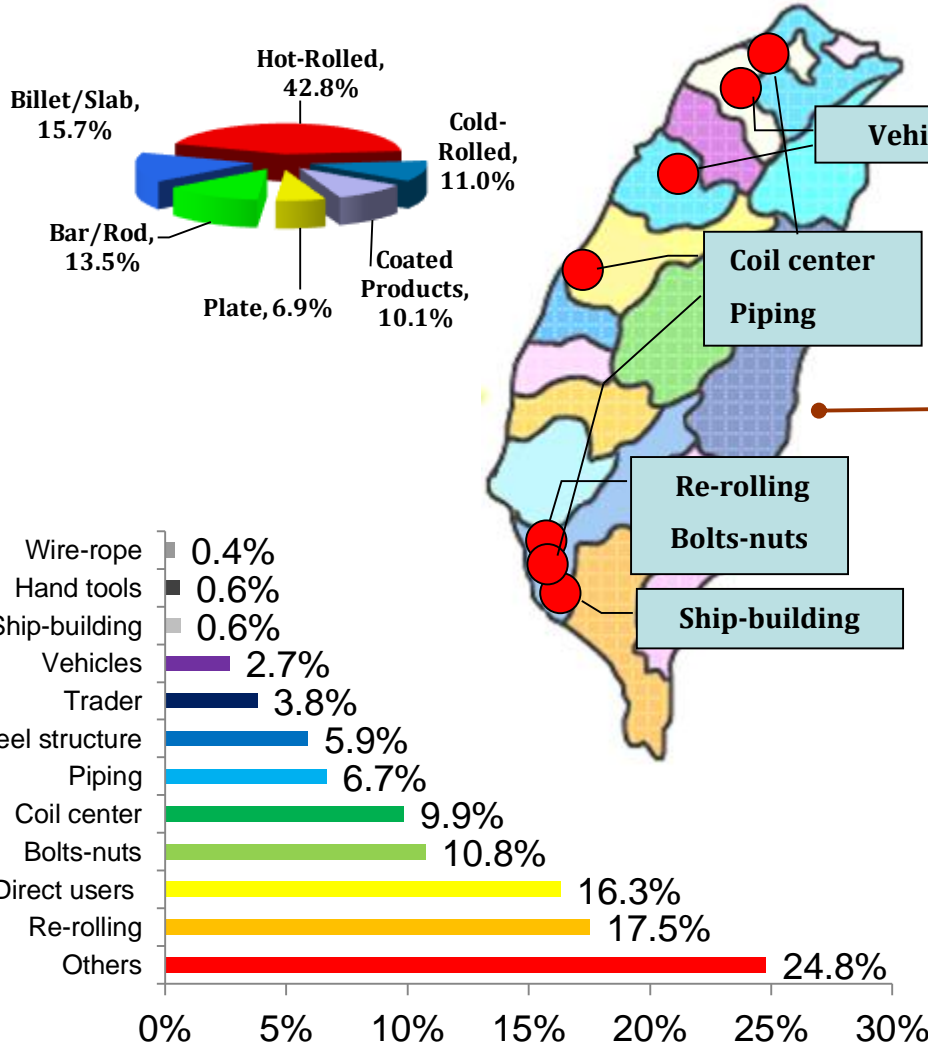
Domestic 68.18%
(3.44 million metric tons)



2020.1H Sales Analysis (CSC & BF products of DSC)

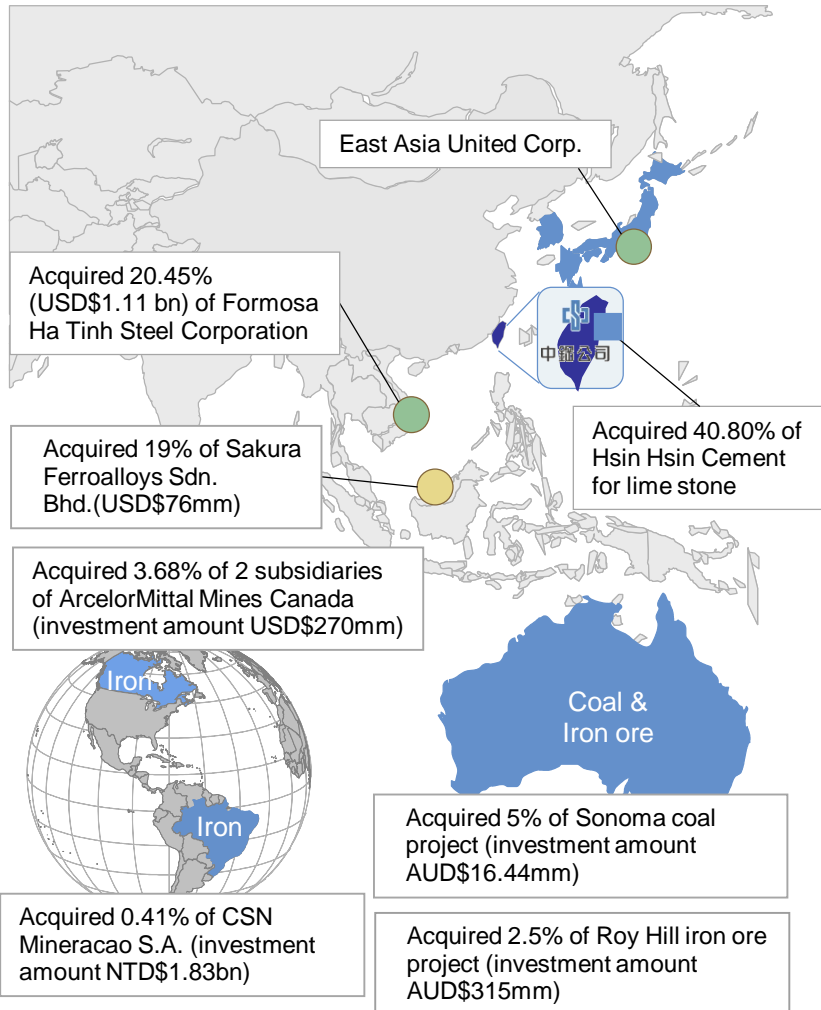
2020.1H sales volume (CSC & BF products of DSC) totaled 6.79 million metric tons

Domestic/Export sales volume breakdown of 2020.1H



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.

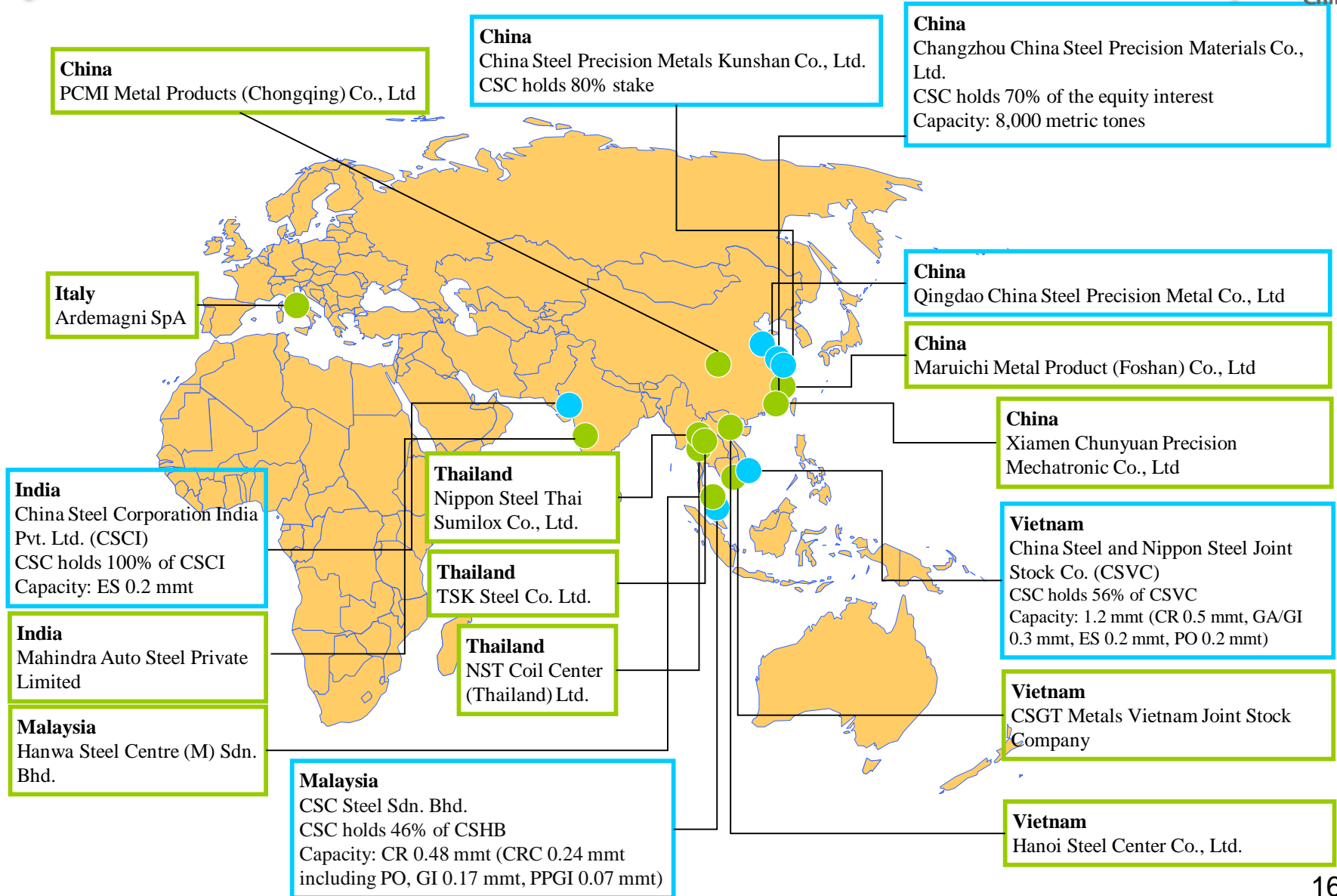
Key Strategies

- 1 Refine overseas distribution and optimally allocate our global production and sales bases.
- 2 Research and develop highly competitive products and value added application technologies for strengthening industrial service.
- 3 Carry out intelligent manufacturing and marketing to refine manufacturing process and reduce costs.
- 4 Toughen engineering capabilities of CSC Group and develop green energy businesses
- 5 Value Corporate Social Responsibility and achieve sustainable operation

Refine overseas distribution and optimally allocate our global production and sales bases.



CHINA STEEL



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

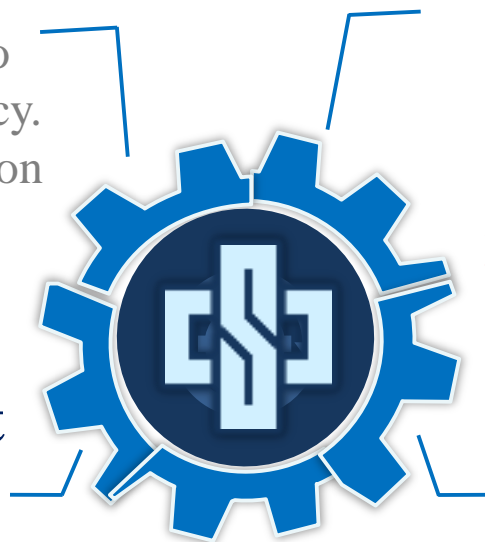
Research and develop highly competitive products and application technologies for strengthening industrial service.

Facilitating industry 4.0

- **Constructing industry cloud** to enhance cross-factory efficiency.
- Introducing **AI**-based production and marketing.

EVI-based Concurrent Engineering

Establishing **JRL** to **proceed overall researches** from materials to end products and **enhancing the effect of industry chain**.



Cultivating core technologies

Integrating the resources from government, academia and research institutes to **execute the collaborative programs** such as power system of EV.

Promoting industry service teams

Providing multi-program of process technology, quality control, logistics management, etc. to cultivate medium-sized enterprises

**Promoting Integrated Innovation
Facilitating Upgrade and Transformation**

Research and develop highly competitive products and application technologies for strengthening industrial service.



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 such as vehicle powertrain and energy storage system.

Differentiated
Technical
Services to
Customers

Joint Research Laboratory (JRL)

CSC has been working 5 JRLs. Through JRLs, CSC provide customized products and services to customers, and further increase business opportunities.

- The Refractory JRL was established with Calderys in 2019 to jointly develop high-quality refractory material.

Competitiveness
enhancement of
the Steel Industry

Steel Industry Service Teams

Conduct industry survey and provide individual customers a full range of services including tailor-made diagnosis and assistance to promote growth.

- Assisted a customer who produces high-pressure gas cylinders to improve its yield rate and increase orders from CSC by adjusting its mechanical properties of materials and increasing the number of processing steps.

Toughen engineering capabilities of CSC Group and develop green energy businesses

Sing Da Marine Structure Corporation - Substructures

- Capacity: 36~48 jacket substructures/year.
- Construction Schedule: Finished the construction at the end of 2019 and started production in 2020.
- Capital: NTD\$6.842 billion with equity ratio 50%, CSC holds 100% of shares.
- Progress: Producing the substructures for Orsted - Greater Changhua Offshore Wind Farm Project. The first 100% domestically made substructure will be produced in the 2H of this year.

China Steel Power Corporation - Offshore Wind Farm

- Capacity: Got distribution of 300MW grid capacity for installation with operation expected to commence in 2025.
- Developers: China Steel Corporation and Copenhagen Infrastructure Partners (CIP) jointly established China Steel Power Corporation to develop #29 offshore wind farm. CSC holds 51% of shares.
- Progress: Obtained the establishment permit and signed power purchase agreement (PPA) with Taipower. Currently doing the research of the geological and wind power condition of the selected site.

Value Corporate Social Responsibility and achieve sustainable operation

Awards and Honours

1

- 2020.06 CSC won the 2019 Sustainability Champions of World Steel Association (worldsteel).

2

- 2020.04 CSC was ranked **top 5%** in TWSE listed companies in the 6th (2019) Corporate Governance Evaluation.

3

- 2019.11 CSC won the Top 50 Corporate Sustainability Awards by Taiwan Corporate Sustainability Awards (TCSA).

4

- 2019.11 CSC won the “Leader in Sustainability Award” by British Standards Institution (BSI).

5

- 2019.10 CSC was included in the Emerging Market Index of Dow Jones Sustainability Index (DJSI) for the 8th consecutive year.

6

- 2019.08 CSC won the top 20 of 2019 Taiwan’s Excellence in Corporate Social Responsibility Award.

7

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

Corporate Governance and Sustainability Committee

Powers

- Promote and strengthen corporate governance organization and system.
- Promote and implement ethical corporate management-related work.
- Promote and develop CSR policies and matters related to sustainable management.