

China Steel Corporation

March 25, 2021



Agenda

- 1 Company Overview** 3
- 2 Operating Performance** 6
- 3 Key Strategies** 15
- 4 Appendix** 23

Safe Harbor Statement

This presentation may contains forward-looking statements. All statements other than historical and current fact, without limitation, including business outlook, predictions, estimates, are forward-looking statements.

Such statements are based upon management's current beliefs and expectations and are subject to various risks, uncertainties and other factors that could cause actual outcomes and results to differ materially.

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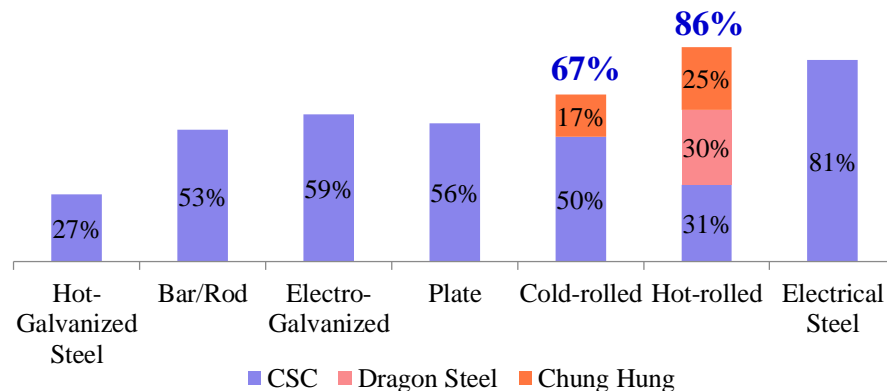
Part 1

Company Overview

Company overview - Business snapshot

- CSC is the leading Taiwanese steel manufacturer with integrated production capabilities. Crude steel capacity of CSC Group reached about 16 mmt.
 - ✓ CSC: 9.9 mmt
 - ✓ DSC: EAF & No.1&2 BF around 6 mmt
- Dominant position in the domestic market
- Focus on Leading-edge Steel Mill & green energy business. Improve the percentage of high-end and high-margin products.

CSC Group domestic market share (2020)



Steel

- CSC
- CHS
- DSC
- CSC Steel Sdn. Bhd.
- CSVC
- CSCI

Engineering

- CSSC
- China Ecotek
- CSMC
- Info-Champ Systems
- SDMS

Industrial Materials

- CSCC
- CHC Resources
- CSAC
- Himag Magnetic
- CSPM
- China Steel Resources

Trading and Logistics

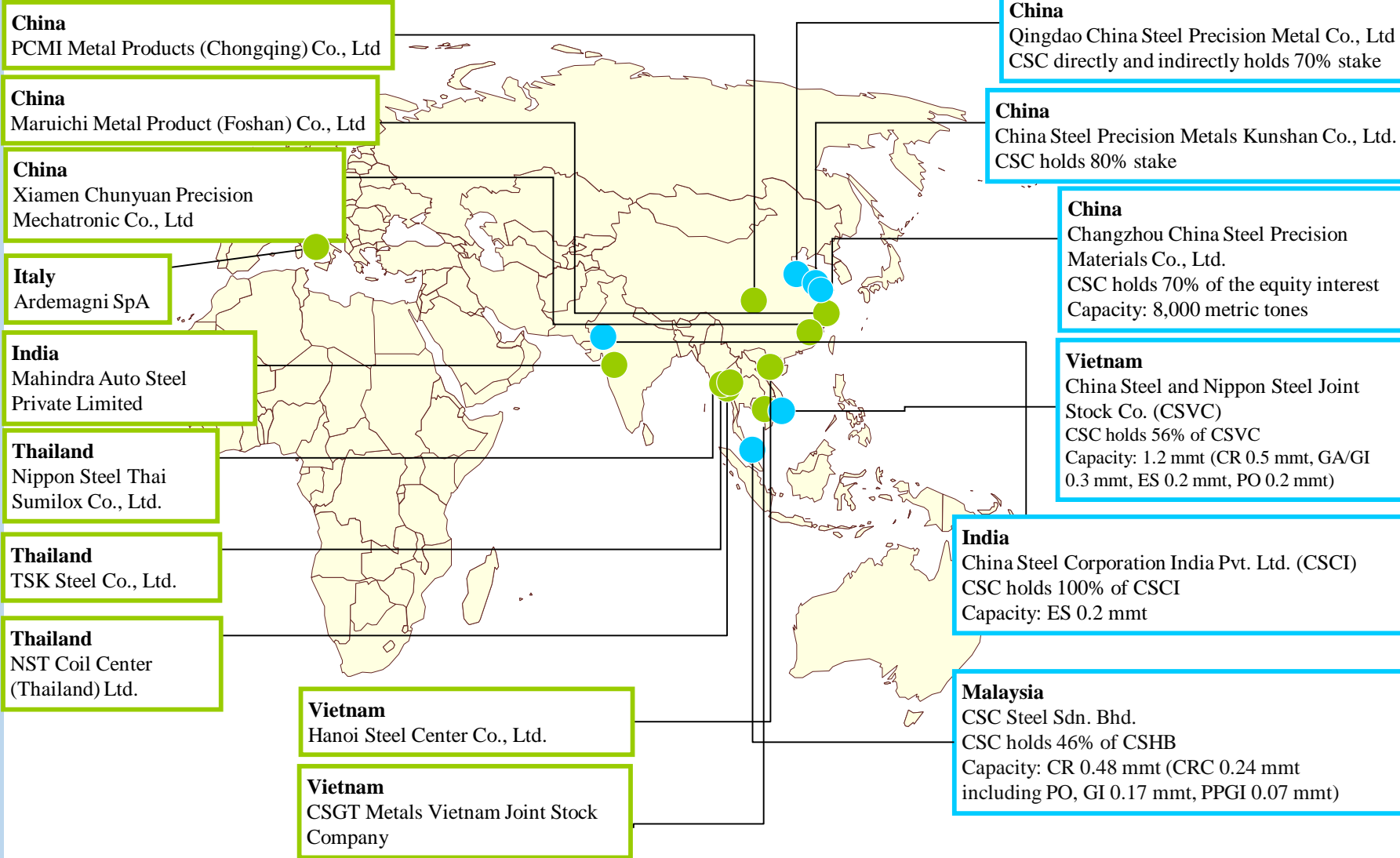
- CSE
- CSGT
- CSMQ
- CSMK

Service and Investments

- Gains Investment
- China Steel Security
- CPDC
- CSC Solar
- China Steel Power
- KRTC

Company overview – Overseas production sites and sales channels

Established southbound overseas production sites and sales channels to breakthrough tariff barriers.



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

Part 2

Operating Performance

Consolidated Financial Performance

Latest sales revenue breakdown

Unit : NTD Thousands

	Item	2021.2	2021.1~2	2020.1~2	YoY
1	Steel products	24,538,377	49,197,413	40,149,749	23%
2	Non-steel industry materials	2,420,306	5,229,687	4,601,337	14%
3	Construction	1,274,467	2,845,232	2,014,901	41%
4	Trading and Logistics	1,277,962	2,504,262	2,190,024	14%
5	Services and others	597,158	1,150,064	1,208,024	-5%
Less	Sales returns and allowances	0	0	0	
	Total	30,108,270	60,926,658	50,164,035	21%

- ✓ Revenues from steel products takes around 80% of the consolidated operating revenues. With steel market warming up in 2021, the price of steel products has increased as compared with last year .
- ✓ Revenues from construction in 2021 increases as compared with last year because of the sales of residential building from China Prosperity Development Corporation and new construction projects of China Steel Structure Co., Ltd.

Consolidated Financial Performance

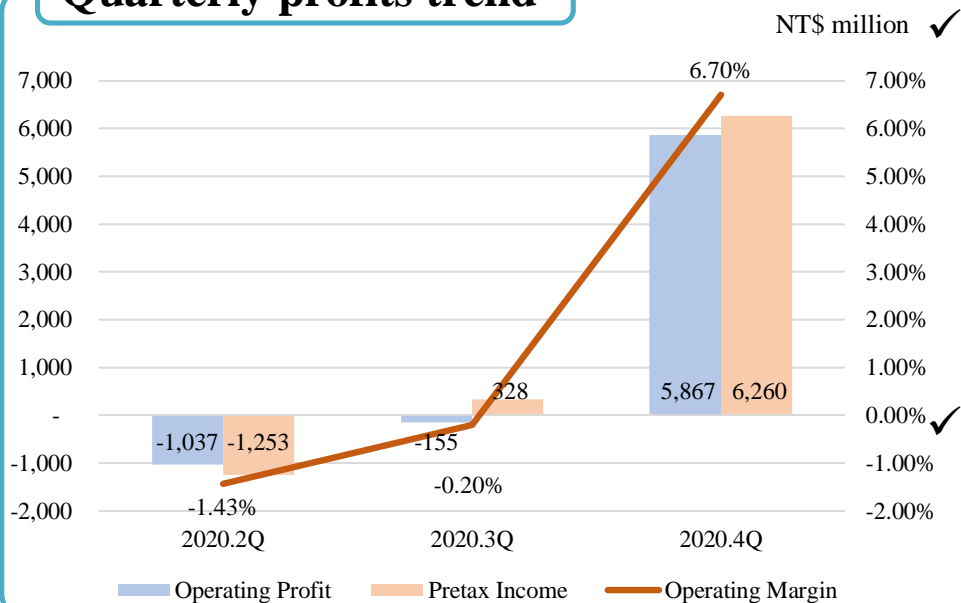
Latest operating results

Amount: NT\$ million

Item	*2021.2	*2021.1	MoM	*2021.1~2	2020.1~2	YoY
Operating Revenue	30,108	30,818	-2%	60,927	50,164	21%
Operating Income	3,866	3,235	20%	7,101	(1,681)	523%
Operating Income Margin	12.84%	10.50%		11.66%	-3.35%	
Income Before Income Tax	3,851	3,610	7%	7,462	(2,057)	463%

*preliminary result

Quarterly profits trend

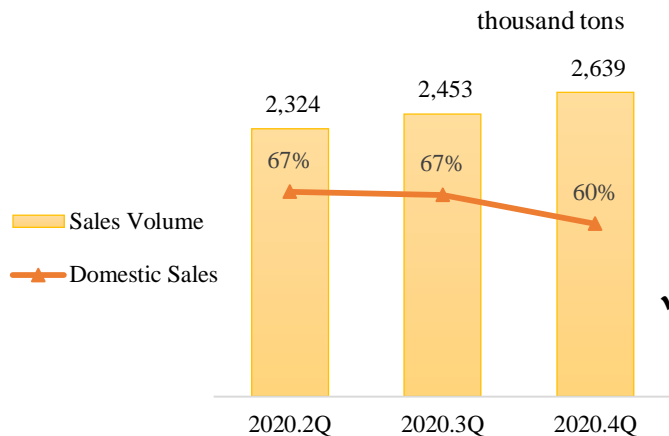


In 2020H1, the steel price decreased because of Covid-19. After that, downstream industries gradually resumed the production and pushed up the steel market as countries worldwide lifted restrictions. The profit has turned positive since August.

CSC has been increasing the monthly and quarterly pricing since Q4. The profit grows with the increase of both sales volume and list price.

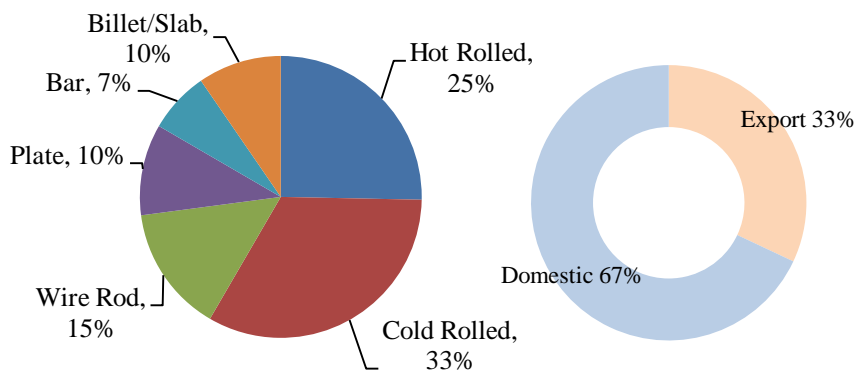
Standalone Production / Sales Performance

Sales analysis

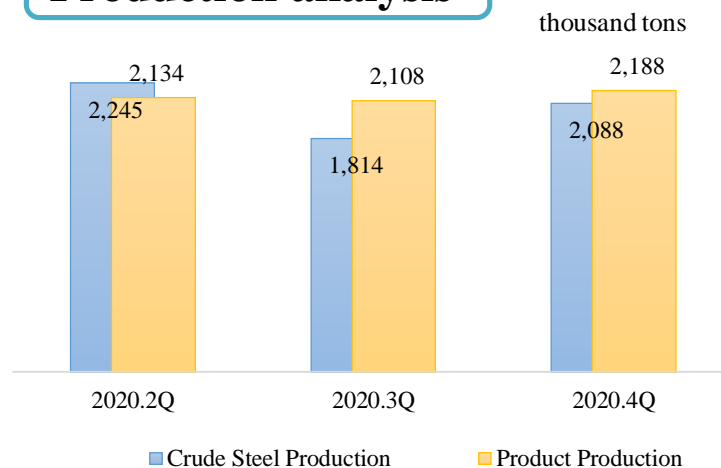


- ✓ Steel demand dropped significantly in Q2 & Q3 because of the pandemic. Downstream customers cut down on orders and kept destocking. As a result, CSC adjusted the production level and brought forward the revamping of No.2 blast furnace to Q3 in accordance with the market condition.
- ✓ The sales volume rebounded significantly from Q4 as global downstream industries resumed production and steel demand recovered. Demand outlook for 2021H1 remains positive.

2020 Sales value breakdown

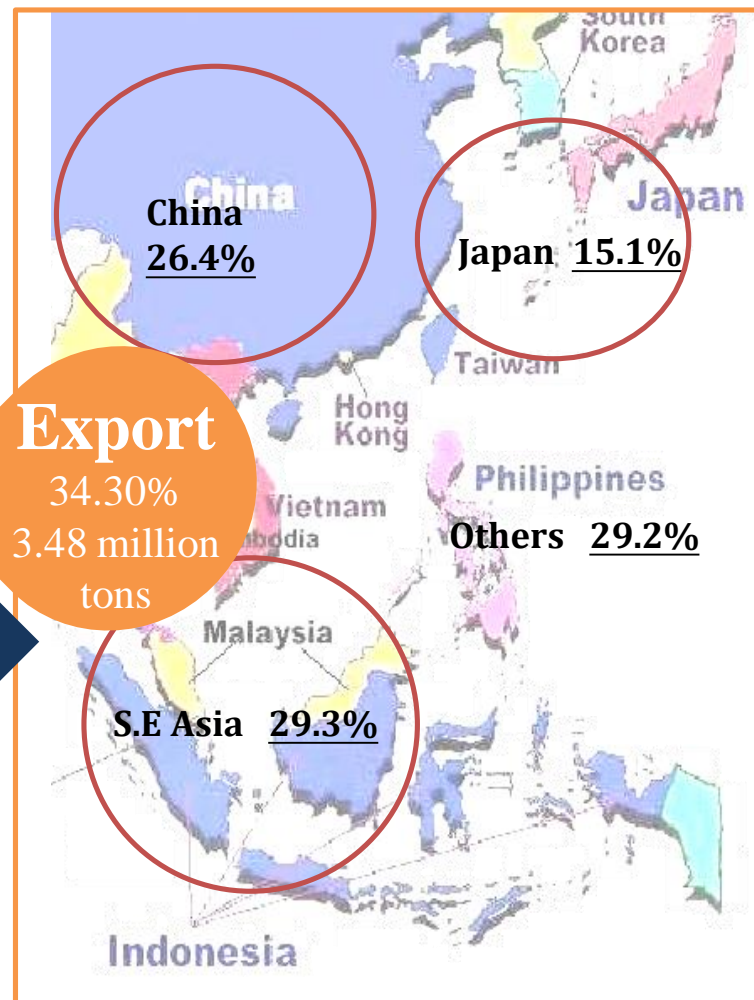
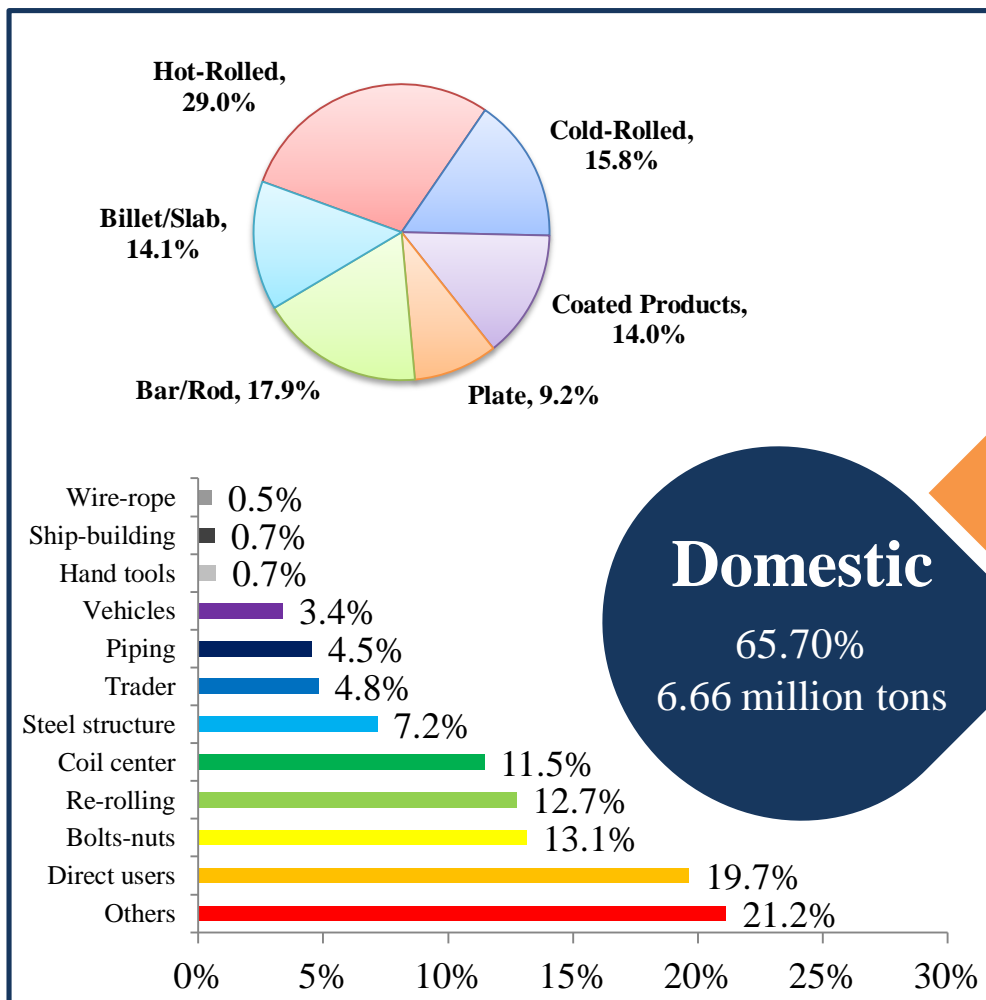


Production analysis



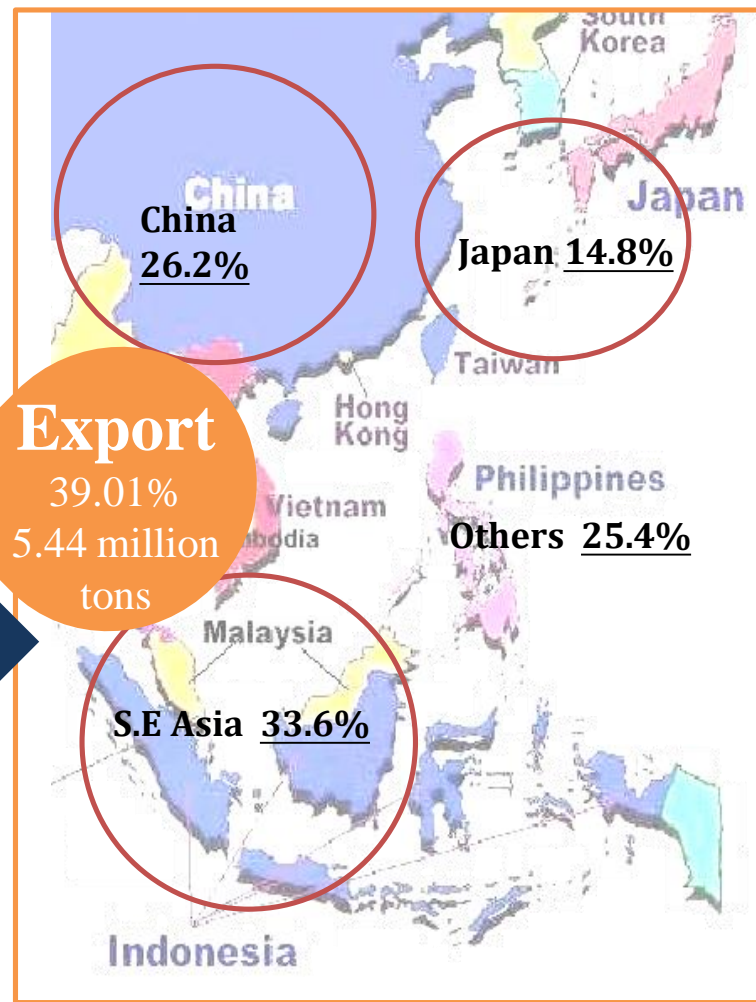
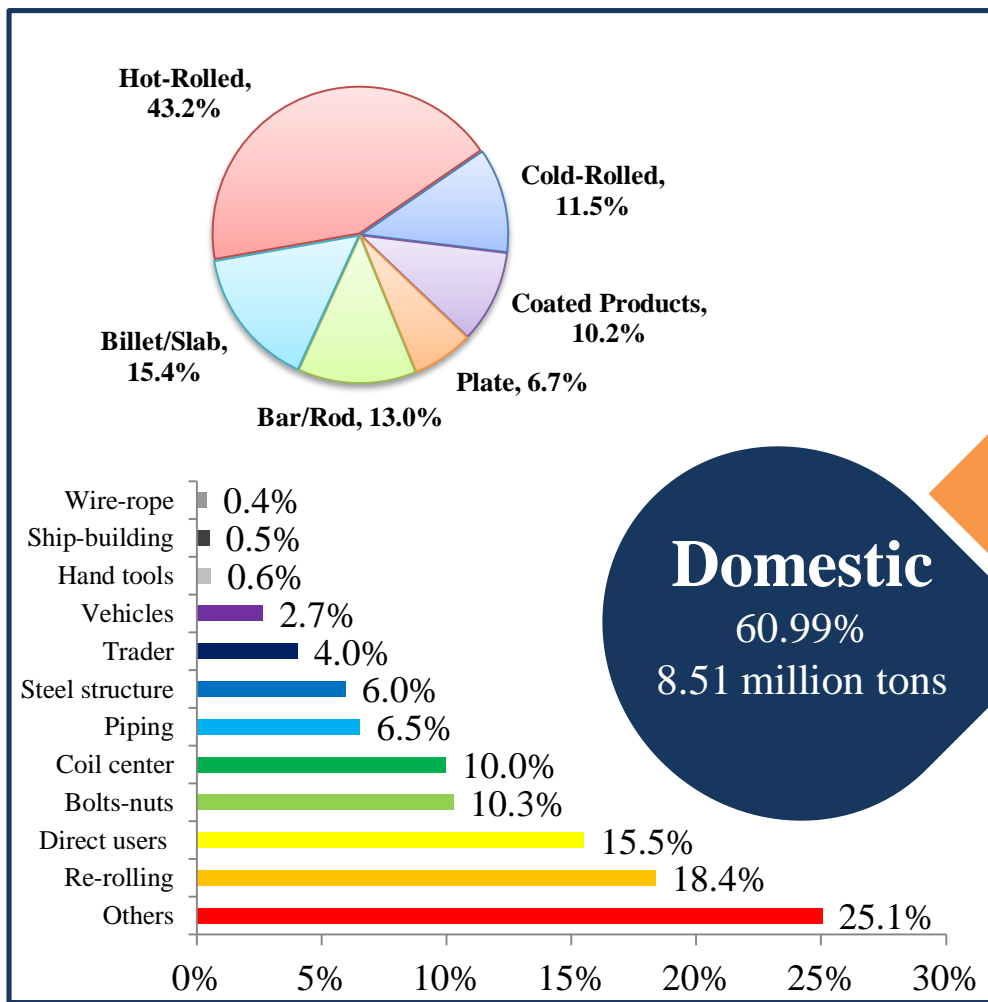
2020 Sales Analysis – CSC standalone

2020 sales volume totaled 10.14 million tons – Sales Breakdown



2020 Sales Analysis - CSC & BF products of DSC

2020 sales volume totaled 13.95 million tons – Sales Breakdown



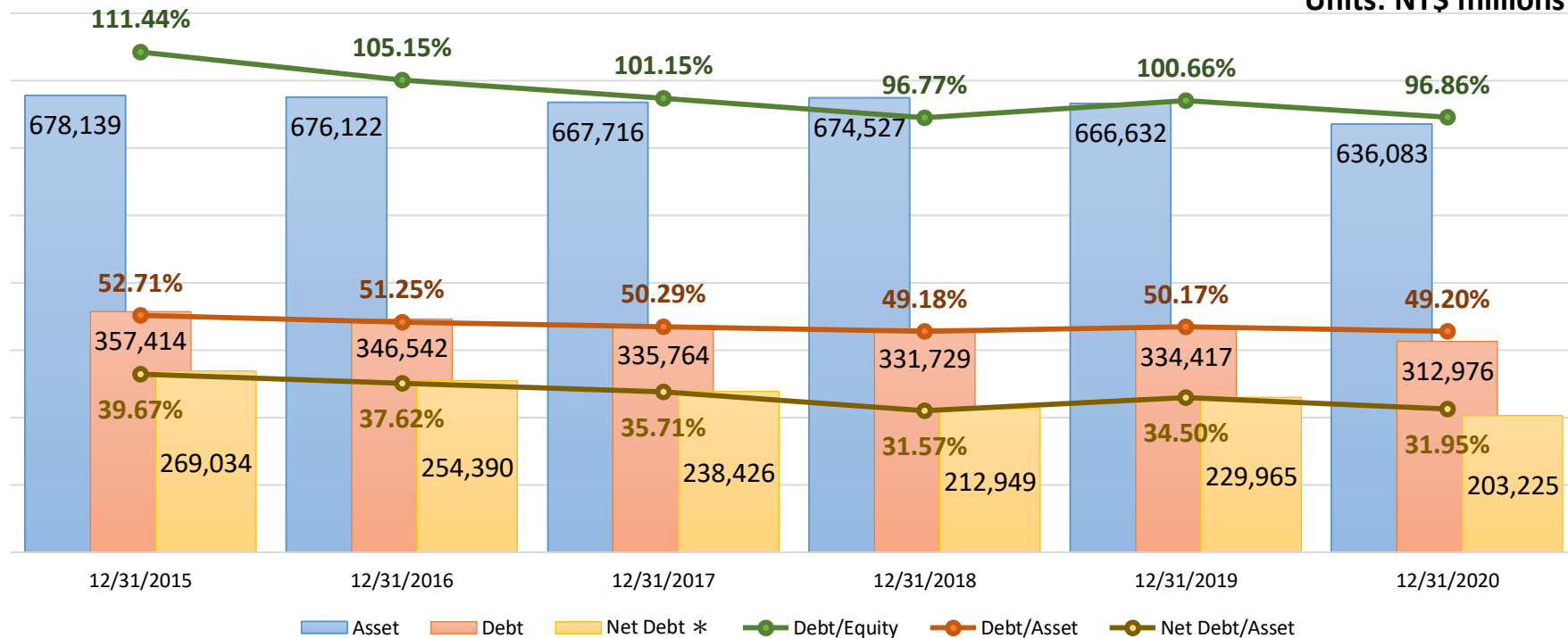
Consolidated Income Statement

Units: NT\$ millions

IFRSs	2020	2019	YoY
Revenues	314,783	366,241	-14%
Gross profit	15,118	27,828	-46%
Gross margins	4.80%	7.60%	
Profit (loss) before tax	2,768	12,802	-78%
<u>Net profit (loss)</u>	<u>2,258</u>	<u>10,330</u>	-78%
Attributable to			
Owners of the corporation	886	8,809	-90%
Non-controlling interests	1,372	1,521	-10%
Earnings Per Share (NTD)	\$ 0.05	\$ 0.57	-91%

Consolidated Financial Position

Units: NT\$ millions



- ✓ Cash flows from operating activities remains steady; keep paying back debts and reducing debt ratio.
- ✓ Keep reducing financial costs by issuing corporate bonds and paying back US dollar-denominated debt in recent years.
- ✓ Credit rating: Taiwan Ratings twAA- ; Outlook Negative (2020.04.16)
Fitch Ratings AA-(tw); Outlook Stable (2020.12.23)

* 2014~2017 :

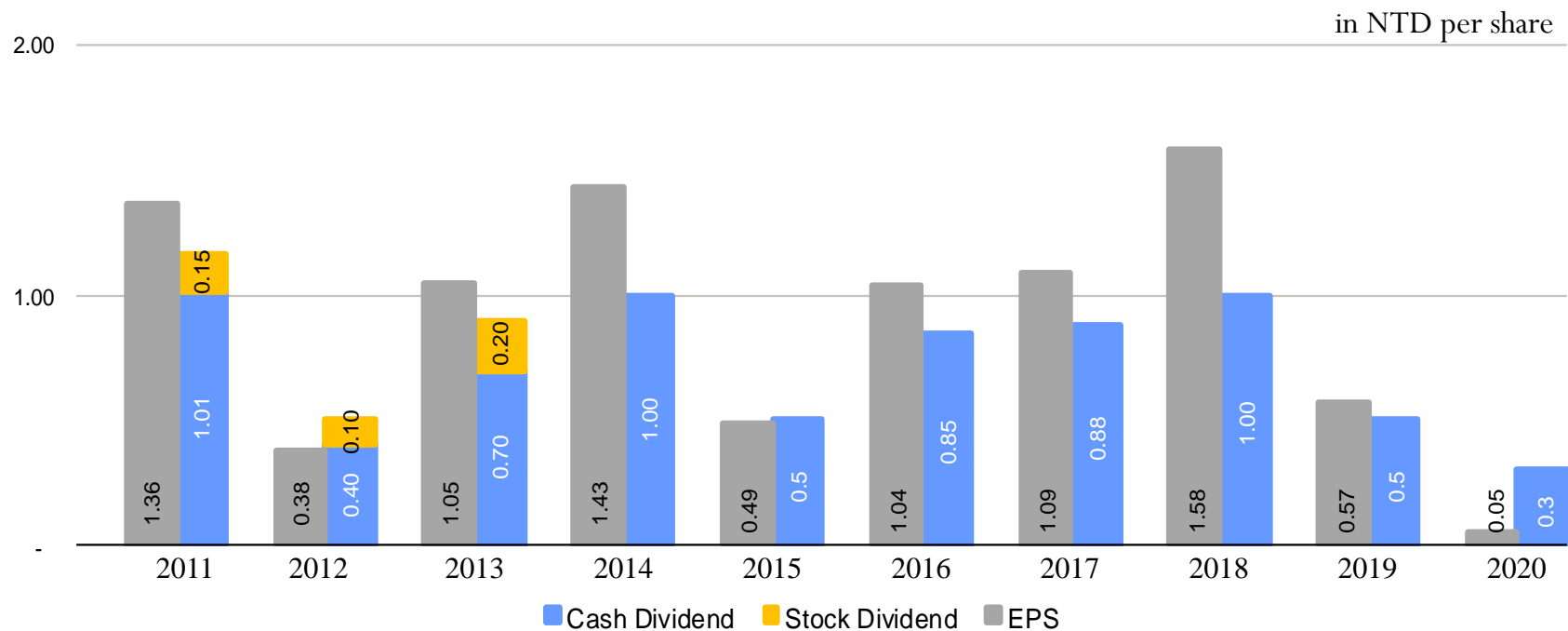
Net debt = Interest Bearing Debt – cash & cash equivalents – (*financial assets at fair value through profit or loss-current+ available-for-sale financial assets-current +held-to-maturity financial assets-current+ derivative financial assets for hedging-current*)

* 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*)

Historical EPS and Dividends Paid

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Dividend payout(%)	85	132	86	70	102	82	81	63	88	600
Cash Dividend payout(%)	74	105	67	70	102	82	81	63	88	600



Part 3

Key Strategies

10 Measures

1. Develop Advanced Premium Steel
2. Establish Excellent Manufacturing Capability
3. Improve Marketing Capability
4. Deepen the Upgrade of Steel-using Industry
5. Introduce the Application of AIoT
6. Build up Highly Efficient Business Systems and Processes
7. Move towards High Productivity
8. Pass on and Enhance Corporate Culture
9. Explore and Cultivate in the Green Industry Business
10. Mitigate Coal Phase-out and Carbon Reduction Pressure

- Transform into a high value-added steel mill through **intelligent innovation**.
- Expand new business opportunity in promising industry through engagement in the **green energy** field.

Develop Advanced Premium Steel

Definition of Advanced Premium Steel

Products with "High Technical Content, High Profitability, High Industrial Benefit," creating over 20% gross profit margin.

Focus on 8 items(Meet customers' needs & Follow industry trend)

High-Quality Forging Steels	Superior Hand Tool Steels	High Performance Structural Steels	Steel for Green Energy	Ultra-High Strength and Toughness Steels	Advanced Alloy Steels	Cross-Generational Automotive Steels	Ultra-High Efficiency Electrical Steels
Year			2021	2022	2023	2024	2025
Advanced Premium Steel volume target			35.0	46.2	58.5	71.3	85.2
Total sales volume target (Not including leeways, secondary and salvage products, and semi-products)			833	840	848	849	852
Advanced Premium Steel proportion target (%)			4.2%	5.5%	6.9%	8.4%	10.0%

(Unit: 10 thousand tons)

➤ Sales volume of advanced premium steel to achieve **10% in 2025** and **20% in 2030**.

Deepen the Upgrade of Steel-using Industry

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
Generating Demand and Benefits from Advanced Premium Steel

Explore and Cultivate in the Green Industry Business

Sing Da Marine Structure Corporation - Substructures

- Officially commenced operation in January, 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 1H of this year.

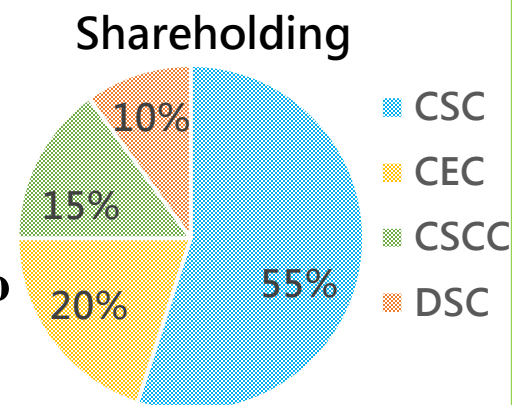
China Steel Power Corporation - Offshore Wind Farm

- Capacity: Got distribution of 300MW grid capacity for installation.
- 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, signed power purchase agreement (PPA) with Taipower, and passed the 2nd environmental impact assessment. The wind farm is expected to **connect to the grid in 2024** and generate an estimated **110 million kwh** annual output at the rate of TWD 6.2795/kWh and TWD 4.1422/kWh for the first and second 10-year periods of the 20-year PPA, respectively.

Explore and Cultivate in the Green Industry Business

CSC Solar Corporation

- Invested NTD 4.36 billion in setting up **84.8MW** PV panels on the roof of factories in CSC group.
- Continue to deploy the rooftop photovoltaic power station in CSC group related industries, and enter into the ground-mounted PV projects when opportunities arise.



Year	2017	2018	2019	2020	2021	Total
Estimated Capacity Installed (MW)	30	30	20	--	--	80
Actual Capacity Installed (MW)	31.16	30.01	22.04	1.59		84.8
Electricity Output (100m kwh)	0.04	0.47	0.74	1.04	0.17 (until Feb.)	2.46

- As of Feb. 2021, the **accumulated electricity output of solar power** in CSC group reached **246 million kwh**. Revenues from electricity sales reached 1.13 billion. Carbon reduction reached **125 thousand tons**, equivalent to the CO2 absorption of **322 Taipei Daan Park**.

(Estimated based on the 2019 Taipower electricity carbon emission factor, 0.509 kg CO2e/kwh)

Key ESG actions and performance

Key ESG actions

- ✓ Became a TCFD supporter and adopted the TCFD framework.
- ✓ Plan to disclose sustainability metrics following SASB standards for iron & steel producers.
- ✓ Set up the “Task Force on Energy Saving & Carbon Reduction and Carbon Neutrality” under the Corporate Governance and Sustainability Committee to take practical actions on climate change.
- ✓ To invest 44.714 billion in air quality improvement projects from 2020~2026, and to expand the use of reclaimed water.

ESG Performance

- ✓ 2020.11 CSC received the highest honor - “Top 10 Domestic Companies Sustainability Model Awards (Manufacturing Industry)” by Taiwan Corporate Sustainability Awards (TCSA).
- ✓ 2020.11 CSC won the “Leader in Sustainability Resilience Award” by British Standards Institution (BSI).
- ✓ 2020.11 CSC was included in the Emerging Market Index of Dow Jones Sustainability Index (DJSI) for the 9th consecutive year.
- ✓ 2020.10 CSC was ranked 50th in the 100 Most Sustainably Managed Companies in the World by Wall Street Journal, and became one of the five Taiwanese companies awarded.
- ✓ 2020.08 CSC was selected as one of the Top 50 Large Enterprises (ranking No. 17) of 2020 Excellence in Corporate Social Responsibility Award by CommonWealth Magazine.
- ✓ 2020.06 CSC won the 2019 Sustainability Champions of World Steel Association (worldsteel).
- ✓ 2020.04 CSC was ranked **top 5%** in TWSE listed companies in the 6th (2019) Corporate Governance Evaluation.

Thank you!

Part 4

Appendix

Segment revenues and operating results

Unit : NTD Thousands

2020	Steel Department	Construction Department	Shipping Department	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 248,698,696	\$ 11,517,864	\$ 3,147,615	\$ 51,419,126	\$ -	\$ 314,783,301
Inter-segment revenues	74,466,424	11,982,456	12,839,078	22,739,467	(122,027,425)	-
Segment revenues	<u>\$ 323,165,120</u>	<u>\$ 23,500,320</u>	<u>\$ 15,986,693</u>	<u>\$ 74,158,593</u>	<u>(\$122,027,425)</u>	<u>\$ 314,783,301</u>
Segment profit (loss)	(\$ 1,297,784)	\$ 875,449	\$ 2,138,395	\$ 3,025,326	(\$ 2,445,149)	\$ 2,296,237
Interest income	158,114	75,769	22,983	116,227	(70,205)	302,888
Financial costs	(1,987,616)	(46,273)	(164,085)	(437,459)	175,355	(2,460,078)
Share of the profit (loss) of associates	(411,996)	764,733	635,106	1,123,563	(1,528,156)	583,250
Other non-operating income and expenses	<u>2,347,885</u>	<u>49,118</u>	<u>(13,243)</u>	<u>598,178</u>	<u>(936,073)</u>	<u>2,045,865</u>
Profit (loss) before income tax	(1,191,397)	1,718,796	2,619,156	4,425,823	(4,804,228)	2,768,162
Income tax (benefit)	(205,580)	352,960	86,363	783,072	(506,486)	510,329
Net profit (loss) for the period	<u>(\$ 985,817)</u>	<u>\$ 1,365,836</u>	<u>\$ 2,532,793</u>	<u>\$ 3,642,763</u>	<u>(\$ 4,297,742)</u>	<u>\$ 2,257,833</u>