

# CSC

**November 18-19, 2021**



# Agenda

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## 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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This cautionary statement is applicable to all forward-looking statements contained in this presentation.

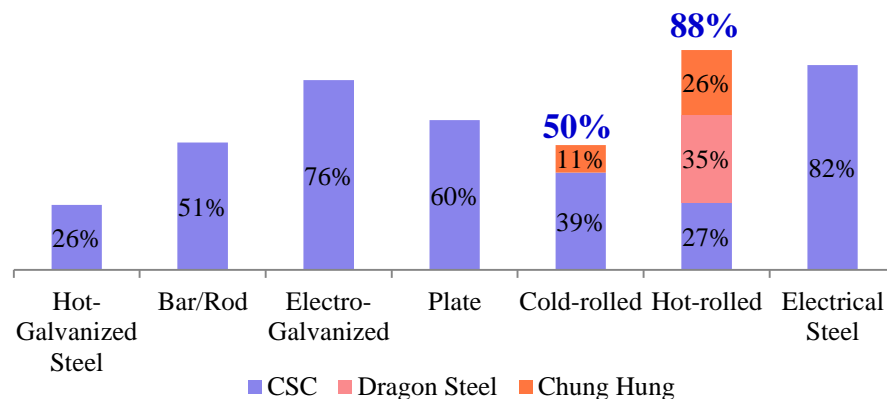
**Part 1**

# **Company Profile**

# 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 (2021.1~3Q)



## 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

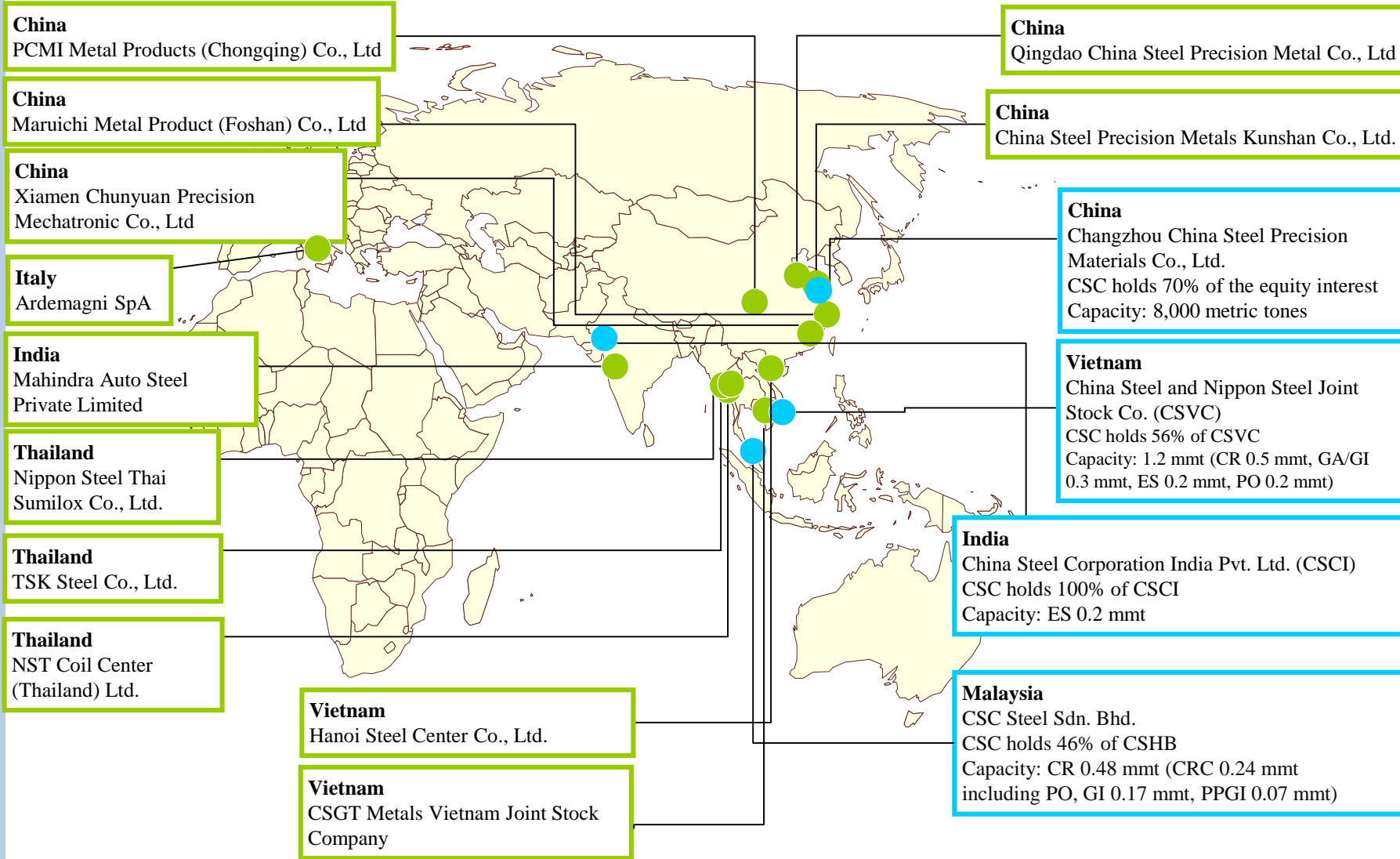
- CSE
- CSGT
- CSMQ
- CSMK

## Service and Investments

- Gains Investment
- China Steel Security
- CPDC
- CMC
- 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

# Raw material price trend

Percentage change of incoming raw material price  
(compared to Dec. 2020)





# Consolidated Financial Performance

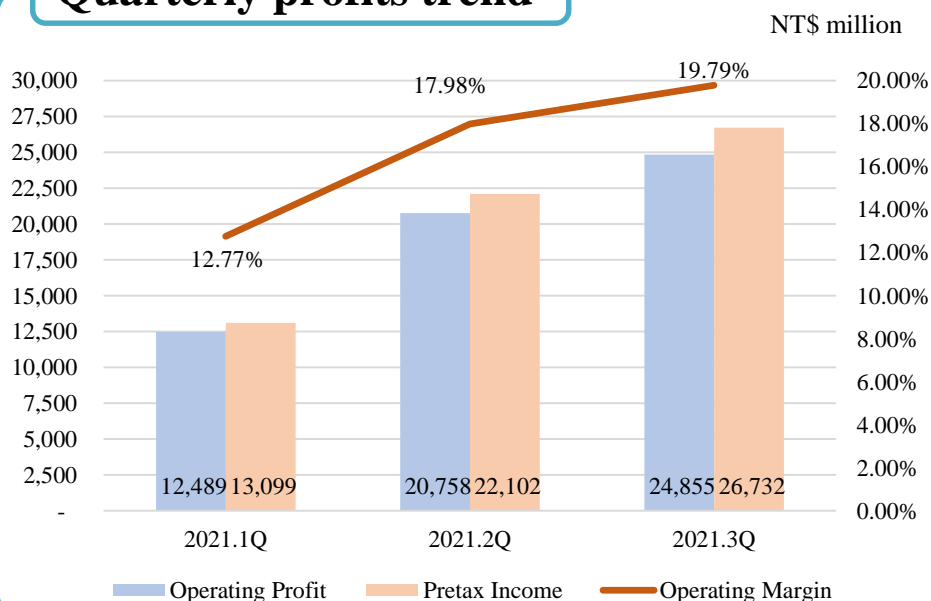
## Latest operating results

Amount: NT\$ million

Item	2021.9	2021.8	MoM	2021.1~9	2020.1~9	YoY
Operating Revenue	41,982	41,713	1%	338,848	227,177	49%
Operating Income	8,200	8,495	-3%	58,102	(3,571)	1727%
Operating Income Margin	19.53%	20.37%		17.15%	-1.57%	
Income Before Income Tax	8,936	8,711	3%	61,933	(3,492)	1874%

\*preliminary result

## Quarterly profits trend

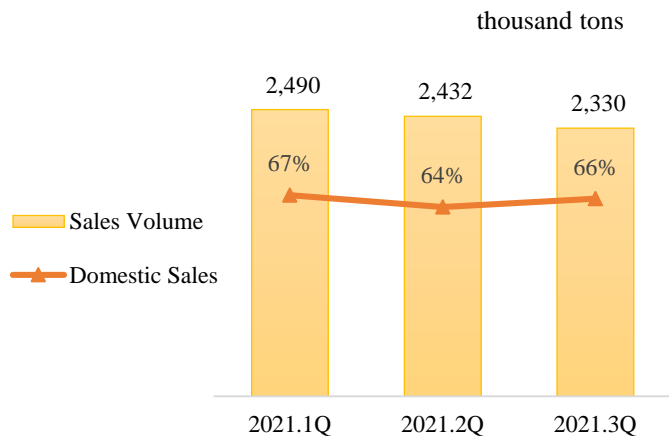


✓ As countries lifted restrictions in 2020H2, the rapid recovery in demand contributed to the hot market and rising steel price.

✓ Thanks to the increase of both monthly and quarterly pricing, especially the significant price increase in Q2, the ASP increase was larger than that of ASC in the same period. As a result, the profit keeps growing from 2020Q4 to 2021Q3.8

# Standalone Production / Sales Performance

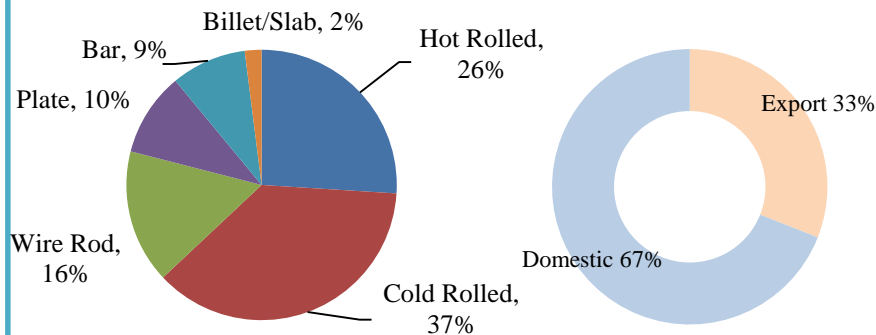
## Sales analysis



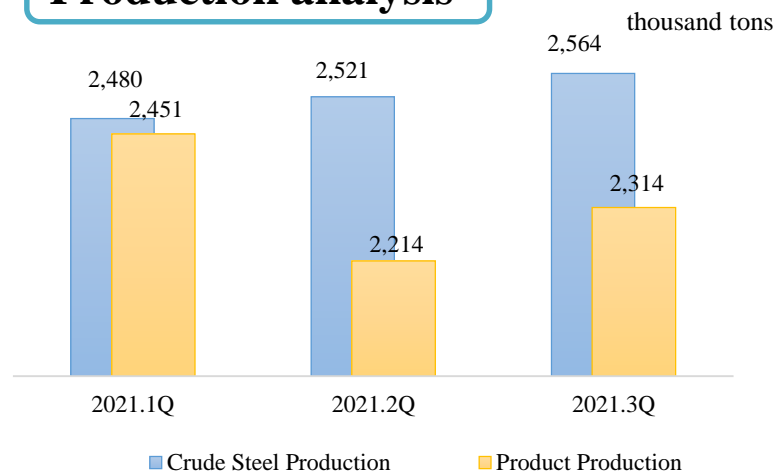
- ✓ CSC completed the revamping of No.2 blast furnace in advance at the end of 2020 and caught up with a wave of strong demand.
- ✓ CSC operated at full capacity because of the strong market demand in Q1 and Q2.
- ✓ The sales volume in Q3 declined slightly, partly because of the rainy season and delay of the export shipping schedule.

2020.1Q sales volume (outsourced slab excluded) is around 2.3 million tons.

## 2021.1~3Q Sales value breakdown

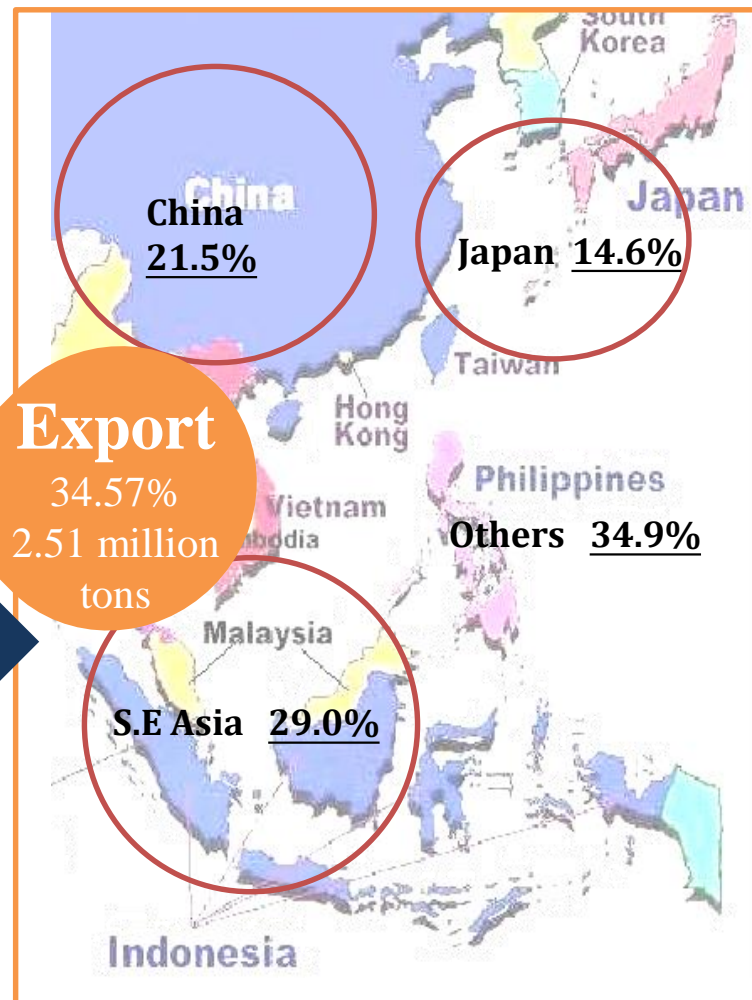
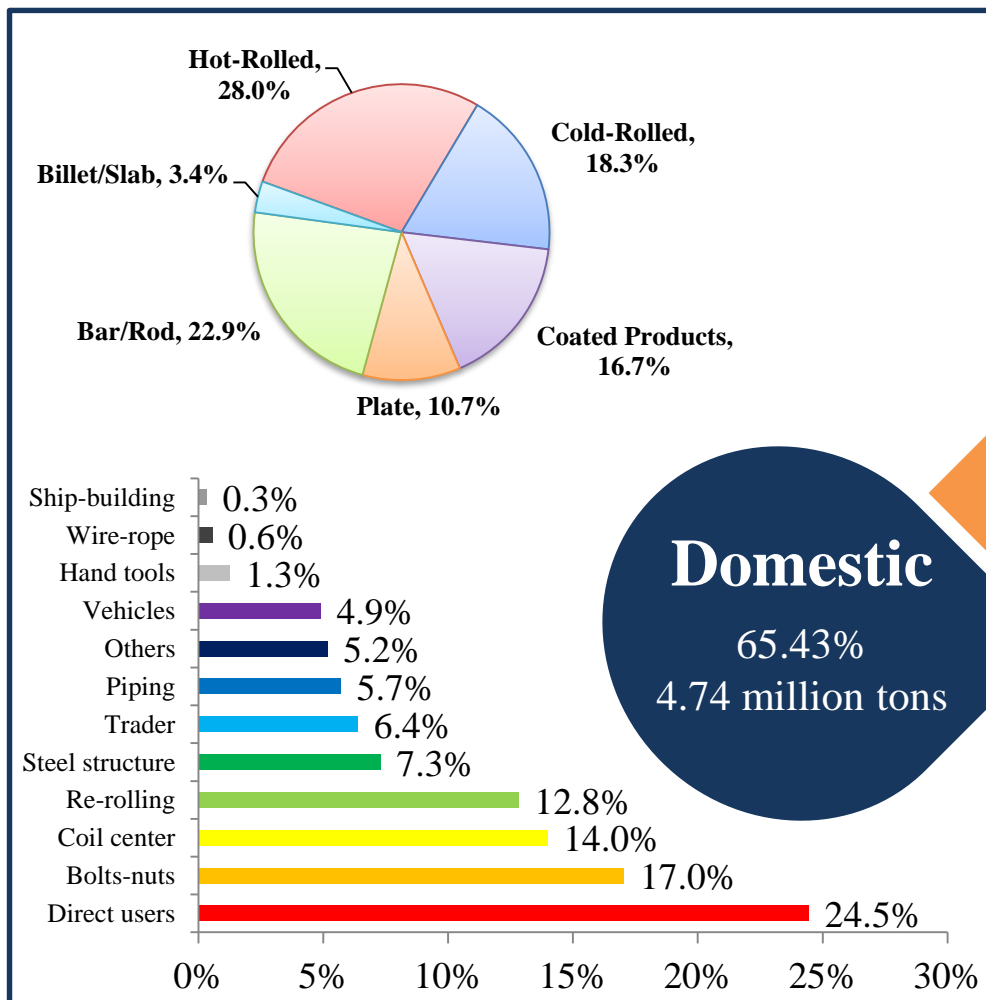


## Production analysis



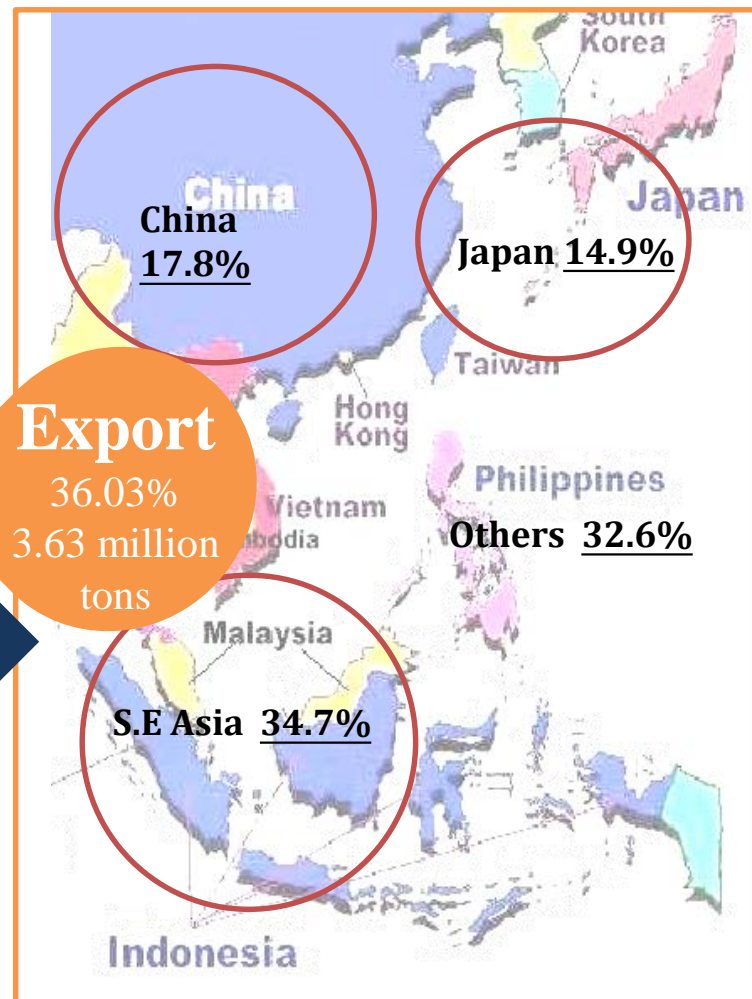
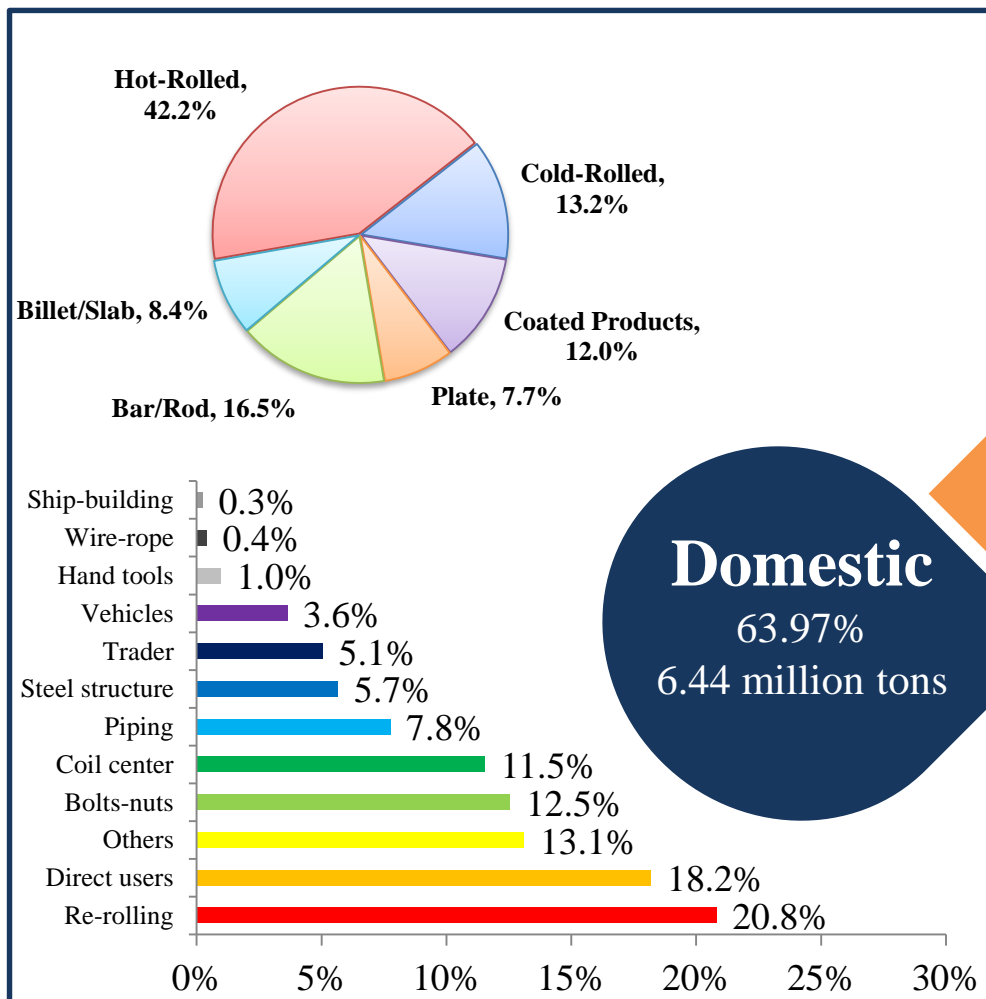
# Sales Analysis – CSC standalone

2021.1~3Q sales volume totaled 7.25 million tons – Sales Breakdown



# Sales Analysis - CSC & BF products of DSC

2021.1~3Q sales volume totaled 10.07 million tons - Sales Breakdown



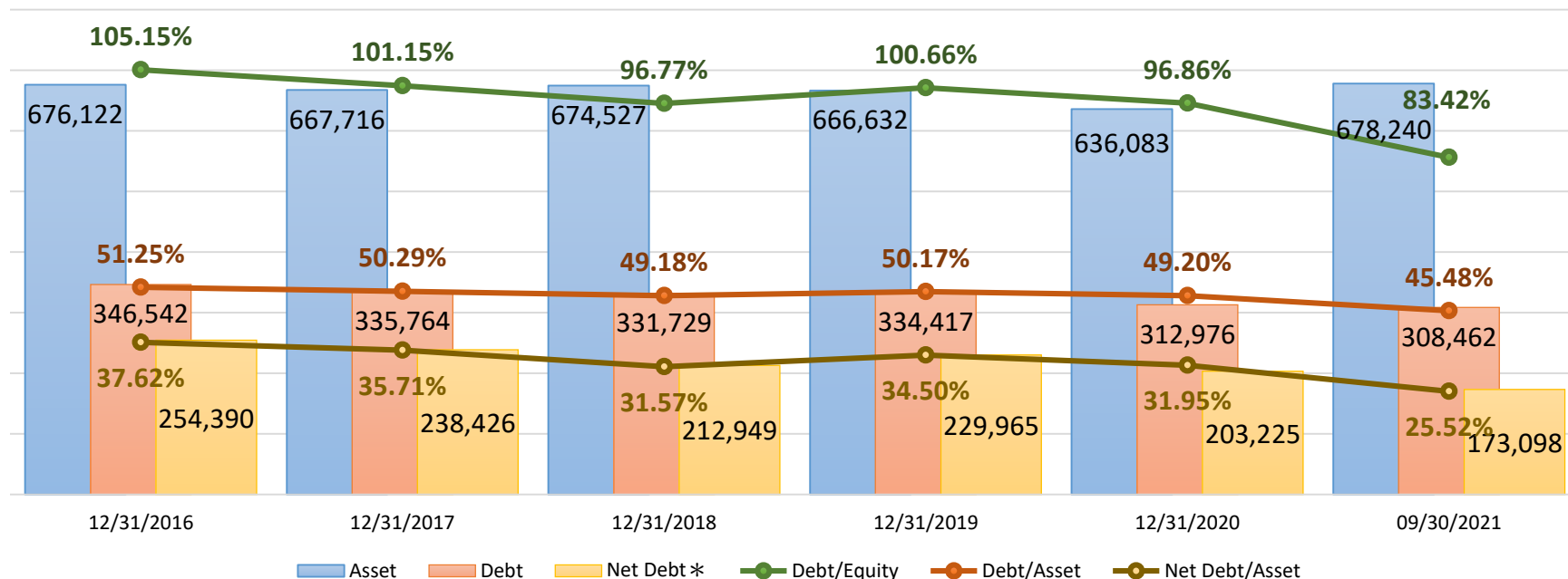
# Consolidated Income Statement

Units: NT\$ millions

IFRSs	2021.1~3Q	2020.1~3Q	YoY
Revenues	338,848	227,177	+49%
Gross profit	69,246	5,860	+1082%
Gross margins	20.44%	2.58%	
Profit (loss) before tax	61,933	(3,492)	+1874%
<u>Net profit (loss)</u>	50,125	<u>(3,823)</u>	+1411%
Attributable to			
Owners of the corporation	44,498	(4,360)	+1121%
Non-controlling interests	5,627	537	+948%
Earnings Per Share (NTD)	\$ 2.88	(\$ 0.28)	+1129%

# 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 Stable (2021.04.23)  
Fitch Ratings AA (tw); Outlook Stable (2021.10.18)

\* 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* )

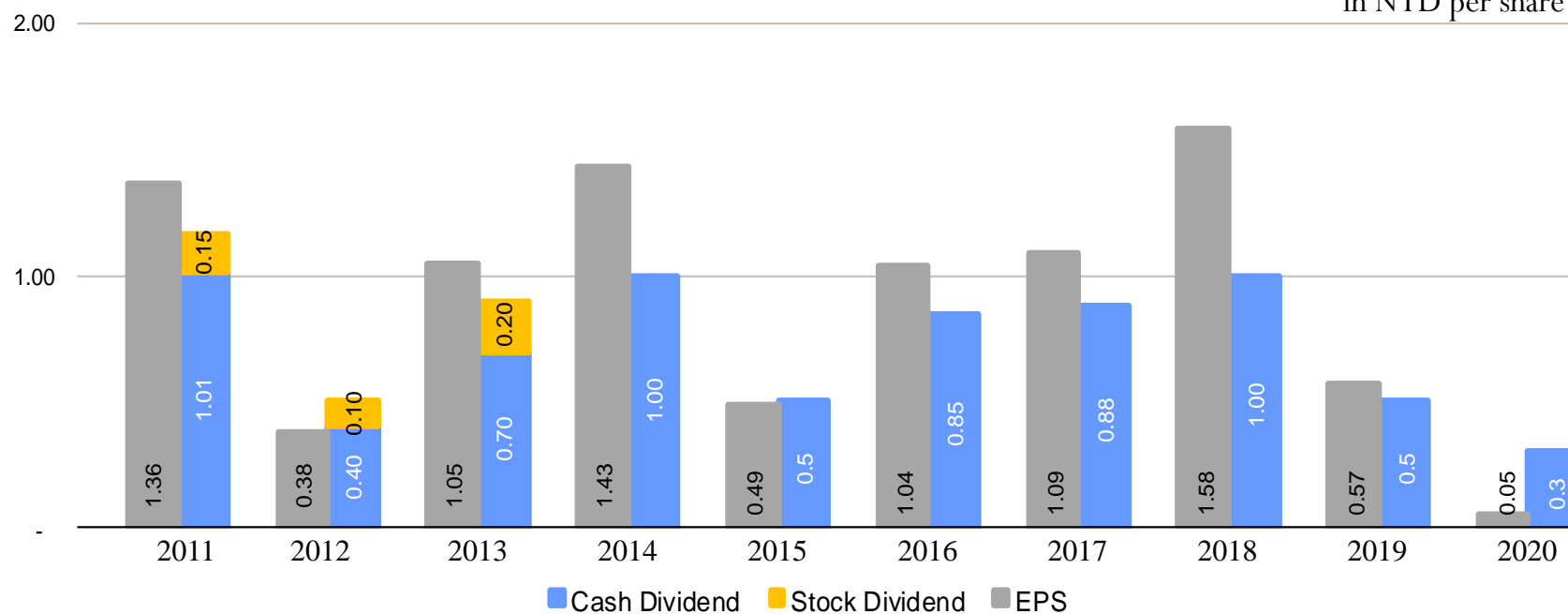
\* 2018~ :

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

in NTD per share



## Part 3

# Key Strategies



## 2 Operating 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

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



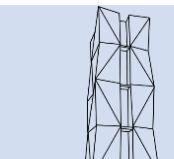


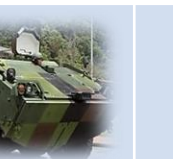
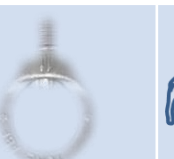

# Develop Advanced Premium Steel

## Definition of Advanced Premium Steel (APS)

Products with

”High Technical Content, High Profitability, High Industrial Benefit.”

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
<b>Advanced Premium Steel proportion target (%)</b> <small>(APS sales volume target divided by total sales volume target, which does not include leeways, secondary and salvage products, and semi-products)</small>			4.2%	5.5%	6.9%	8.4%	10.0%

- Sales volume of the 8 items of **APS** to achieve **10% in 2025** and **20% in 2030**.
- **In 2021Q1~Q3**, the sales volume of APS reached 461.1 thousand tons, accounting for **7.31%** of total orders (target 4.2%), **9.00%** of sales revenues, and **12.83%** of gross profits.

# 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**

# Cultivate in the Green Industry Business – Wind Farm & Infrastructure

CSC shareholding: **51%** (CIP 49%)

Total investment(e): **NTD 50~55 billion**

Power generation(e): **1.1 billion kwh/yr**

Progress:

- Obtained the establishment permit, signed power purchase agreement (PPA) with Taipower, and being expected to **connect to the grid in 2024**.
- Signed the contract with Sing Da Marine Structure to procure jacket substructures needed in the wind farm.
- A syndicated loan will be signed with banks recently to ensure the funds for wind farm development.

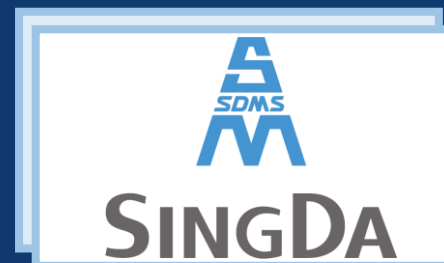


CSC Shareholding: **100%**

Total investment: **NTD 6.842 billion**

Progress:

- Officially commenced operation in Jan, 2020.
- Currently producing the substructures for Orsted - Greater Changhua Offshore Wind Farm Project.



**The first 100% domestically made substructure** was completed in July, 2021. 4 substructures are completed and 2 sets of upper and lower jackets are being welded.

Future order: Signed a contract to produce **31**

**substructures for Zhongneng Wind Farm.**

Started production of components in Oct.




# Cultivate in the Green Industry Business – Solar Power


- **CSC group shareholding: 100%**
- **Total investment: NTD 4.36 billion** (until the end of 2021)
- **Capacity Installed: 84.8MW** (until the end of 2020)
- **Operating performance:** (until the end of Sep, 2021)


■ CSC 55%    ■ CSCC 15%  
■ CEC 20%    ■ DSC 10%



  
**Electricity output**  
**308**  
**million kwh**

  
**Revenues from electricity sales**  
**1.418 billion**

  
**Carbon reduction**  
**around**  
**155k tons**

  
**Equivalent to the CO2 absorption of**  
**397**  
**Taipei Daan Park**

\*Estimated based on the 2020 Taipower electricity carbon emission factor, 0.502 kg CO2e/kwh

Year	2017~2019	2020	2021	Total
Actual Capacity Installed (MW)	83.2	1.6	Under installation	<b>84.8</b>
Electricity Output (100m kwh)	1.25	1.04	0.79(until Sep.)	<b>3.08</b>

- **Future installation: 3~5MW / yr ; installation target: over 100MW**
- Keep developing rooftop PV Systems in CSC group supply chain based on the regulation on users with high power consumption in Renewable Energy Development Act.
- Transform from Type III to Type I renewable energy facility to obtain a license for selling green energy, increasing renewable energy usage of CSC group companies.

# Decarbonization Pathway

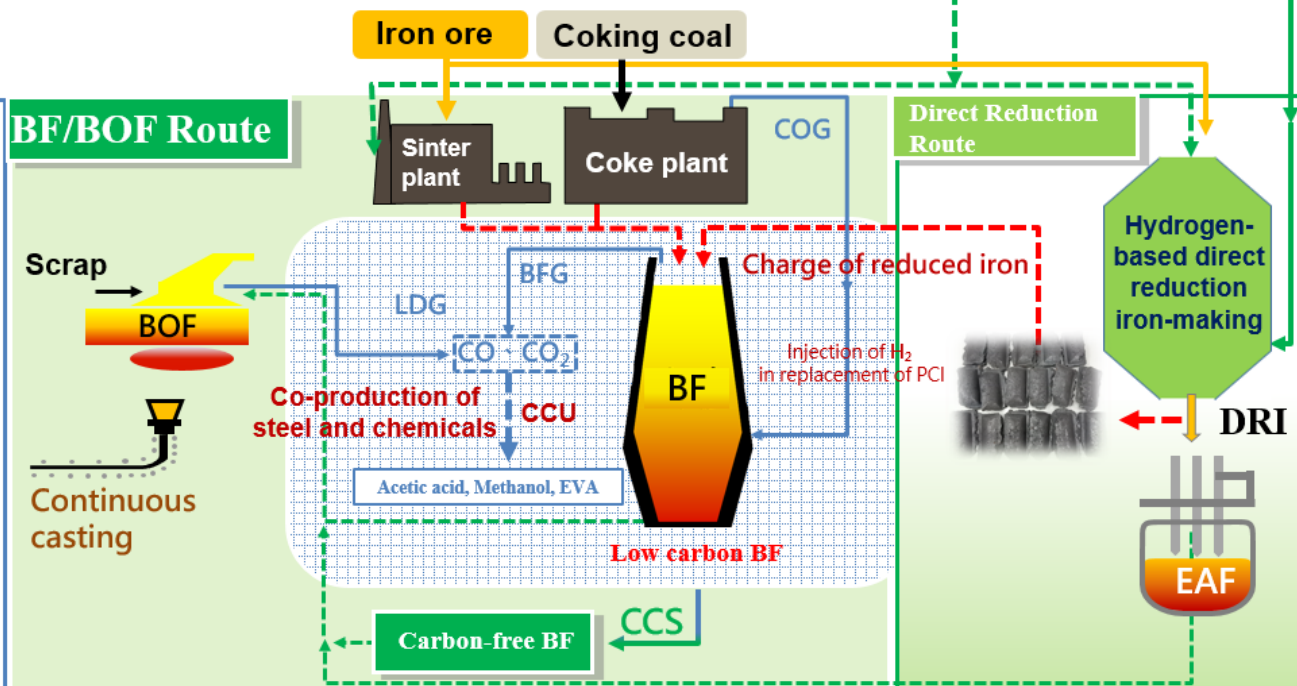


Ultimate pathway: Green power + Substitute hydrogen for carbon + CCUS

Required external support: Green Power

Green Hydrogen

- 2030 : Low carbon BF**
- Substitute  $H_2$ -rich gas for PCI as the auxiliary fuel for BF
  - Charge hydrogen-reduced iron with ferrous burden.
  - Convert CO and  $CO_2$  from steel production process into chemicals.
- 2050 : Carbon Neutrality**
- Shift BF from low carbon operation into net zero using CCS
  - Adopt DRI/ EAF route with hydrogen metallurgy



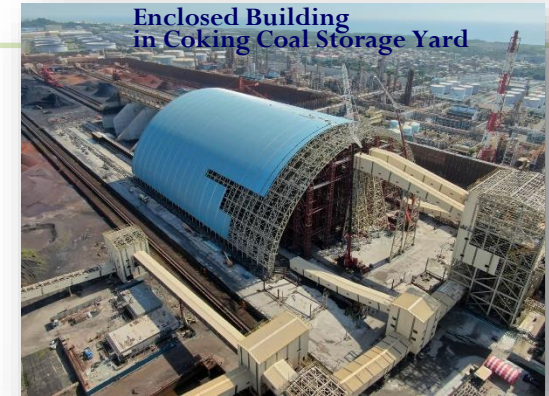
- Facing the challenges of **technology, resource, and capital**, resulted from the lack of mature technology and green hydrogen resources, as well as the required equipment modification.
- Currently evaluating the possibility of investment in the production of **hot briquetted iron (HBI) through green hydrogen in Australia** in order to cut  $CO_2$  emissions.

# Environmental Protection Action

Became a TCFD supporter & adopted the TCFD framework.

## Investment on environmental protection

- ✓ Accumulated investment in environmental protection equipment reached **76.3 billion**.
- ✓ Investment on air quality improvement projects in the recent 5 years reached **4.756 billion**.
- ✓ To **invest 43.68 billion** in air quality improvement projects from 2021~2026.

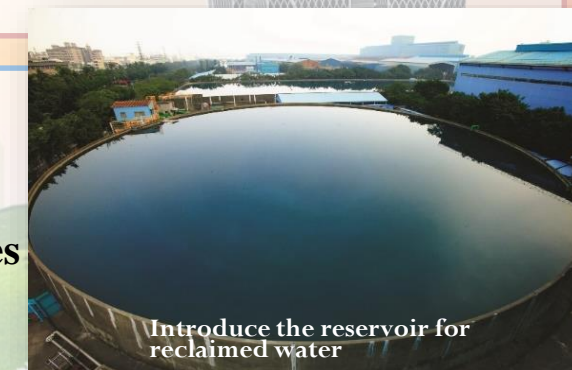


## Reduction of greenhouse gas

- ✓ Participate in the **GHG voluntary reduction** program held by Industrial Development Bureau since 2005. From 2011 to 2020, **accumulated carbon reduction** reached **1.451 million tons CO<sub>2</sub>e**, equivalent to the CO<sub>2</sub> absorption of **3,732 Taipei Daan Park**, through **1,182** implemented reduction projects.
- ✓ **Terminated** three boilers earlier before the end of Aug, 2021. CSC group **no longer** has **coal combustion boiler**.

## Water resources development

- ✓ Water recycled rate is **98.4%**. (higher than the 65% required by the government)
- ✓ Won **16 Water Conservation awards** from the Water Resources Administration of Ministry of Economic Affairs .
- ✓ **The first company in Taiwan to use domestic reclaimed water.**
  - Fengshan Creek reclaimed water was introduced in 2018.
  - Linhai reclaimed water will be introduced by the end of 2021.



## ESG Performance

- ✓ 2021.10 CSC won the Gold Class of Sustainable Cities and Communities and the Bronze Class of Decent Work and Economic Growth in the 1st Taiwan Sustainable Action Award by Taiwan Institute for Sustainable Energy (TAISE).
- ✓ 2021.09 CSC won the Silver Award of 2020 Greenhouse Gas Reduction Evaluation for Enterprises in Kaohsiung City.
- ✓ 2021.05 CSC was ranked **top 5%** in TWSE listed companies in the 7th (2020) Corporate Governance Evaluation.
- ✓ 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.



*Thank you!*

## Part 4

# Appendix

# Segment revenues and operating results

Unit : NTD Thousands

2021.1~3Q	Steel	Shipping	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 274,052,117	\$ 1,653,719	\$ 63,142,085	\$ -	\$ 338,847,921
Inter-segment revenues	72,501,321	16,109,776	26,792,841	( 115,403,938)	-
Segment revenues	<u>\$ 346,553,438</u>	<u>\$ 17,763,495</u>	<u>\$ 89,934,926</u>	<u>(\$ 115,403,938)</u>	<u>\$ 338,847,921</u>
Segment profit	\$ 53,915,888	\$ 2,216,234	\$ 4,822,502	(\$ 2,852,270)	\$ 58,102,354
Interest income	90,007	8,545	103,878	( 27,647)	174,783
Financial costs	( 1,040,999)	( 85,771)	( 335,167)	104,749	( 1,357,188)
Share of the profit (loss) of associates	22,669,351	422,327	2,777,059	( 24,750,285)	1,118,452
Other non-operating income and expenses	793,076	84,385	2,556,411	460,700	3,894,572
Profit before income tax	76,427,323	2,645,720	9,924,683	( 27,064,753)	61,932,973
Income tax	10,886,278	110,694	1,161,958	( 351,074)	11,807,856
Net profit for the period	<u>\$ 65,541,045</u>	<u>\$ 2,535,026</u>	<u>\$ 8,762,725</u>	<u>(\$ 26,713,679)</u>	<u>\$ 50,125,117</u>