

CSC

March 24, 2022



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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.

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

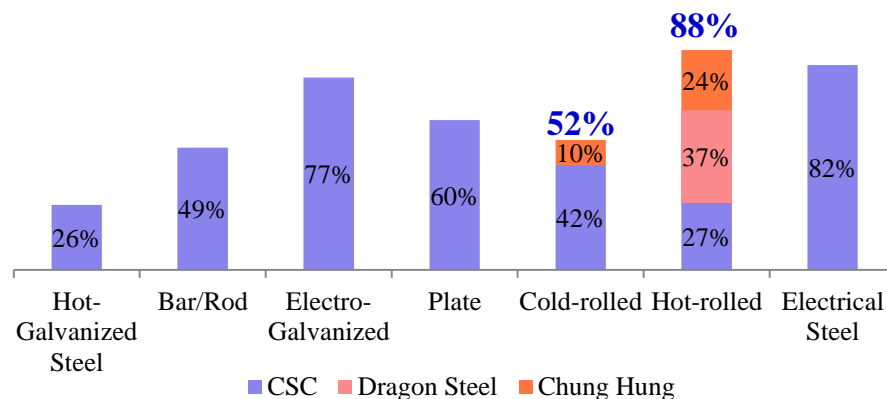
Part 1

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)



Steel

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

Engineering

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

Industrial Materials

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

Logistics & Investment

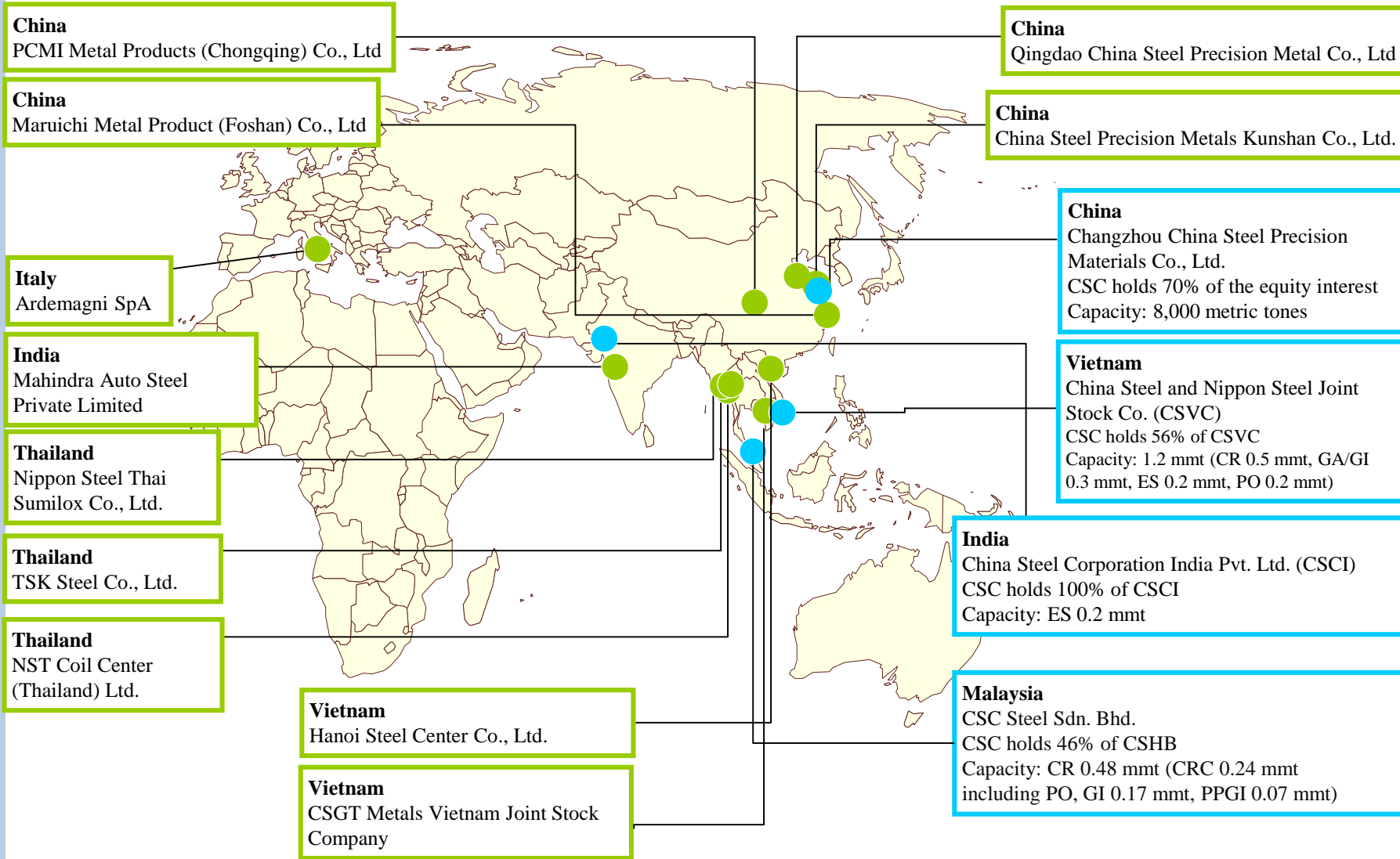
- CSE
- CSGT
- Gains Investment
- China Steel Security
- CPDC

Green Energy

- SDMS
- 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.

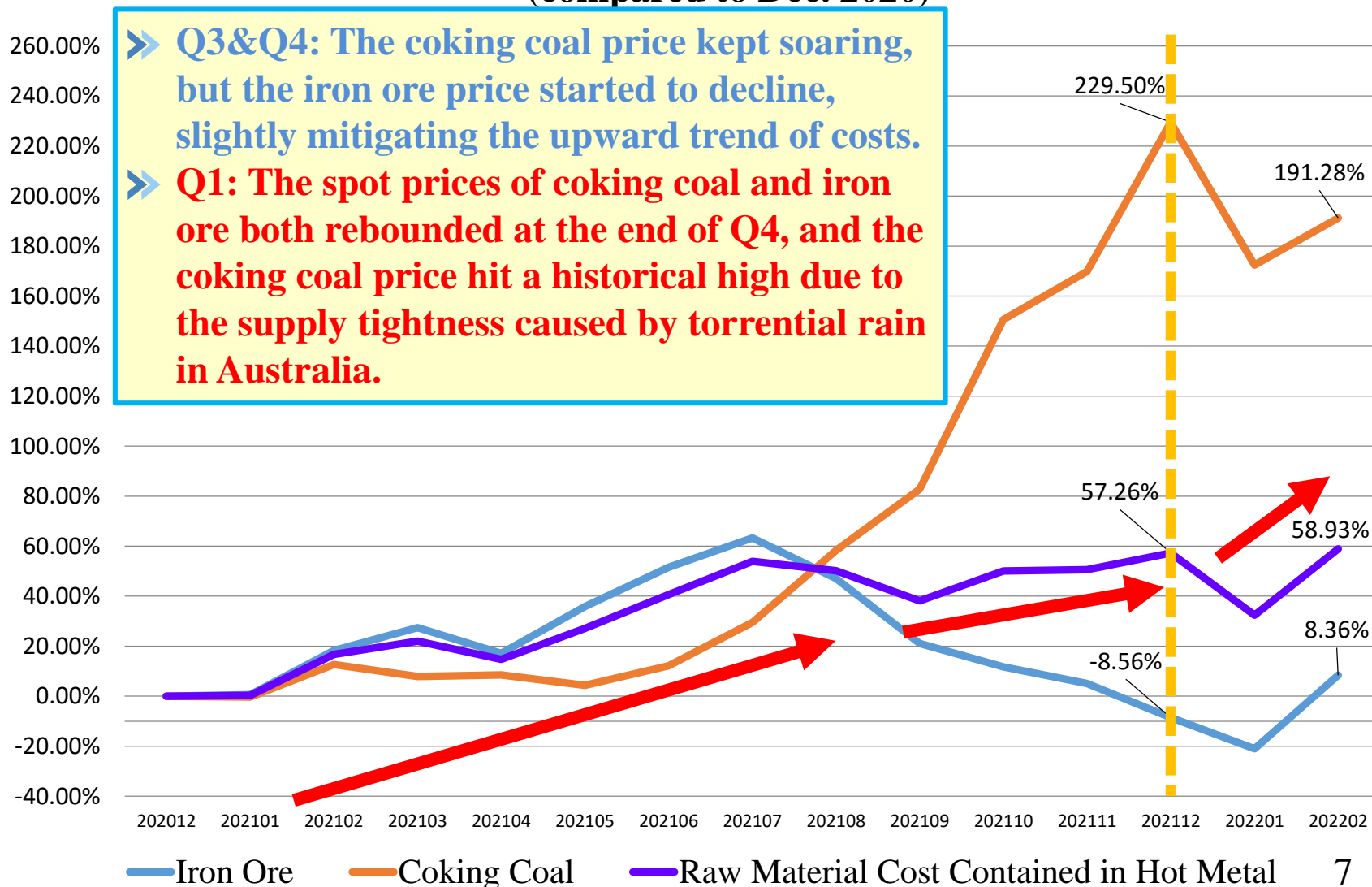
● Overseas Investments of CSC group

Part 2

Operating Performance

Raw material price trend

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



Consolidated Financial Performance

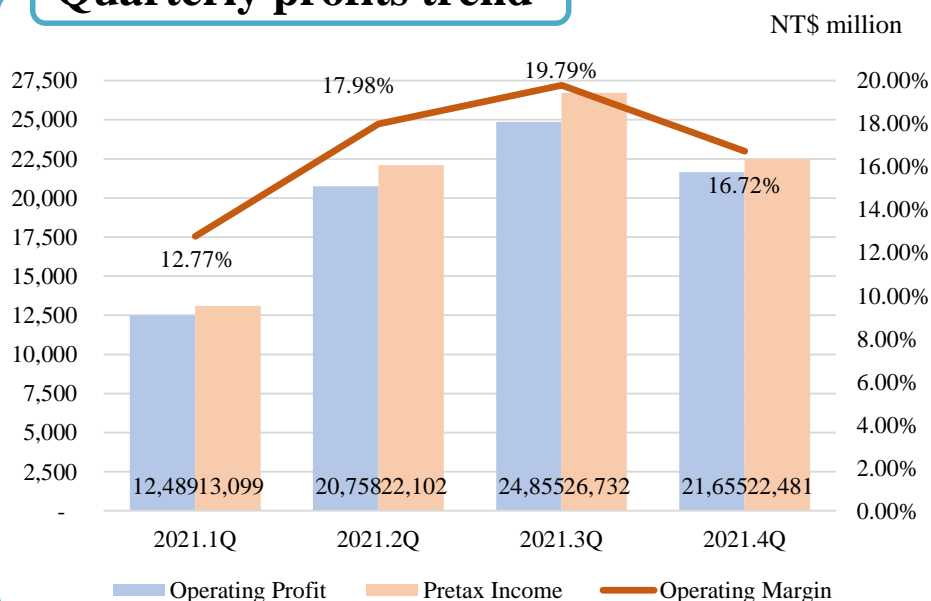
Latest operating results

Amount: NT\$ million

Item	*2022.2	*2022.1	MoM	*2022.1~2	2021.1~2	YoY
Operating Revenue	33,522	40,028	-16%	73,549	60,927	21%
Operating Income	4,165	5,247	-21%	9,413	7,101	33%
Operating Income Margin	12.43%	13.11%		12.80%	11.66%	
Income Before Income Tax	4,196	5,487	-24%	9,683	7,462	30%

*preliminary result

Quarterly profits trend

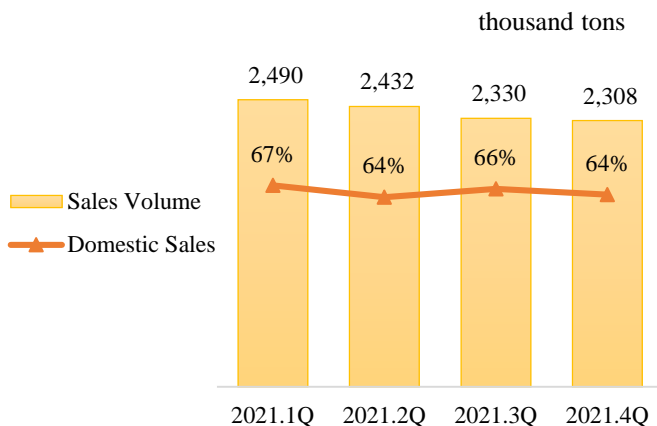


✓ Though the cost of raw material kept climbing, the profit remained growing in the first three quarters of 2021, thanks to the increase of both monthly and quarterly price, which was larger than that of ASC.

✓ In 2021H2, supply chain bottlenecks gradually affected downstream shipments and production. Steel demand trended down slightly comparing with the boom in H1. The international steel price adjusted while the cost kept increasing, squeezing the profit slightly in 2021Q4.

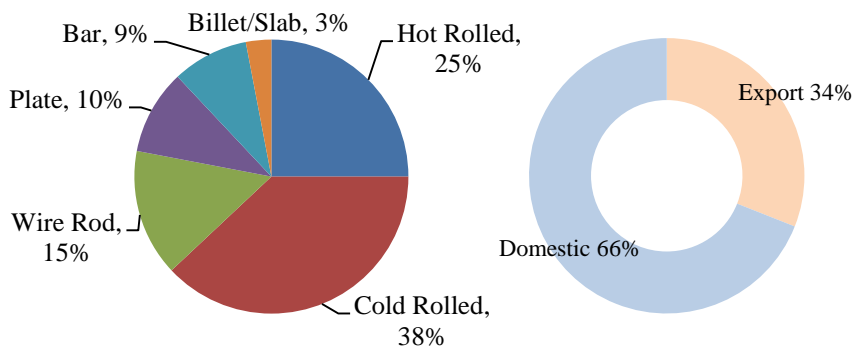
Standalone Production / Sales Performance

Sales analysis

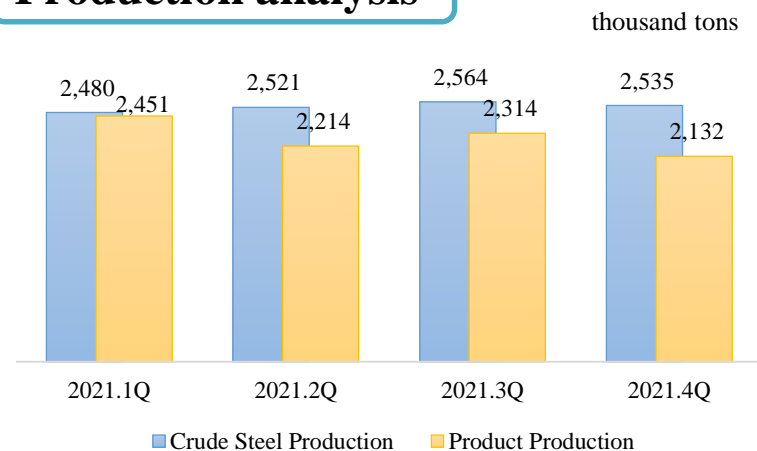


- ✓ CSC operated at full capacity because of the strong market demand in 2021H1.
- ✓ Downstream customers' product shipments were delayed because of the rainy season and port congestion in Q3 and Q4. As a result, customers reduced their orders to adjust inventory levels, contributing to the slightly lower sales volume in Q3 and Q4.

2021 Sales value breakdown

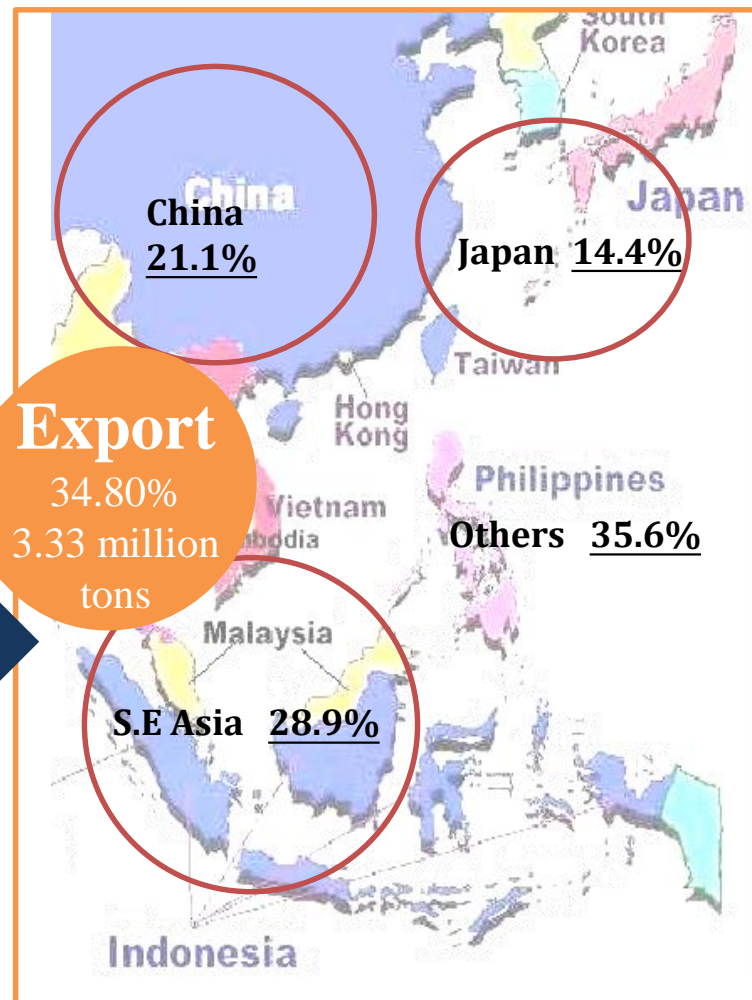
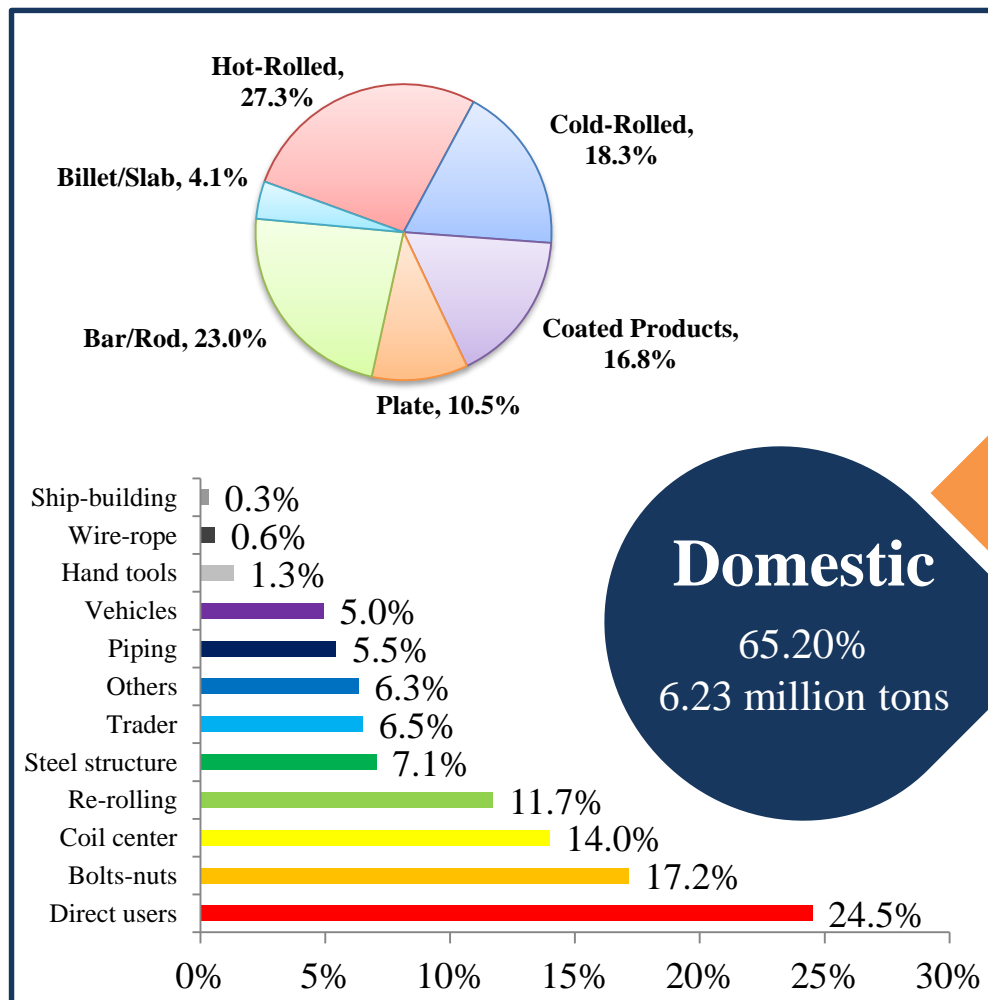


Production analysis



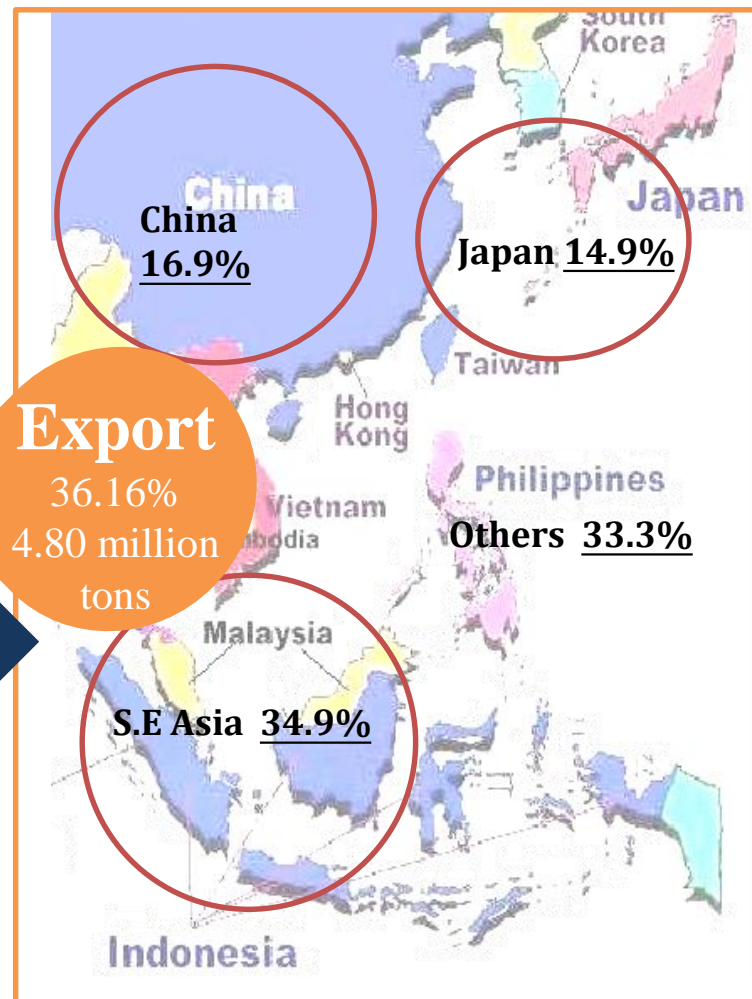
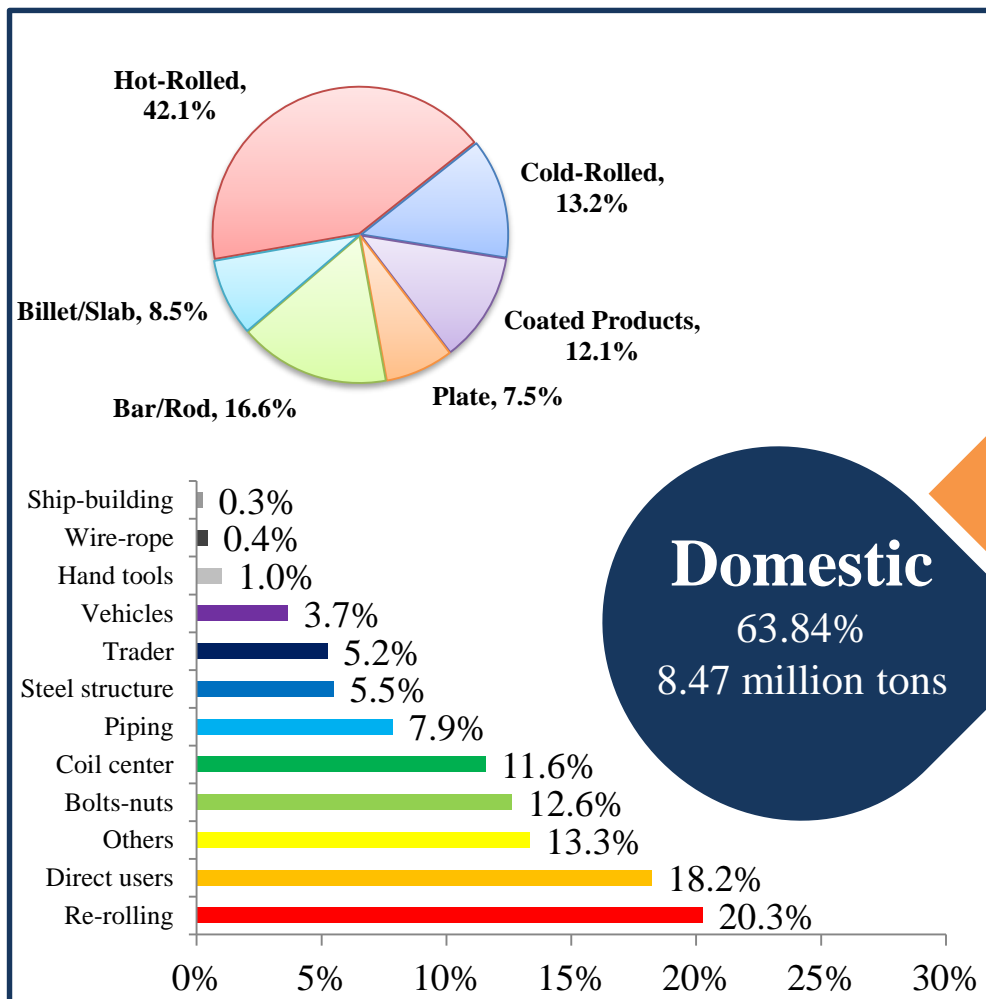
Sales Analysis – CSC standalone

2021 sales volume totaled 9.56 million tons – Sales Breakdown



Sales Analysis - CSC & BF products of DSC

2021 sales volume totaled 13.27 million tons – Sales Breakdown



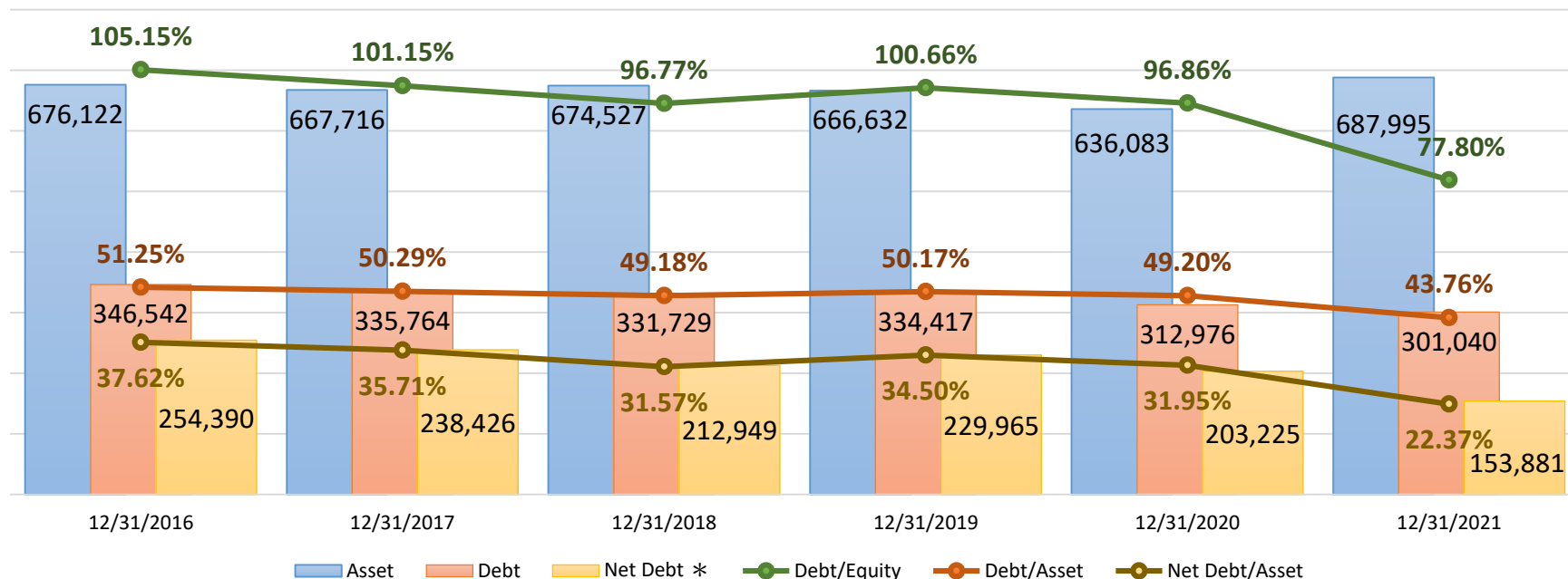
Consolidated Income Statement

Units: NT\$ millions

IFRSs	2021	2020	YoY
Revenues	468,328	314,783	+49%
Gross profit	95,315	15,118	+530%
Gross margins	20.35%	4.80%	
Profit (loss) before tax	84,414	2,768	+2950%
<u>Net profit (loss)</u>	<u>68,906</u>	<u>2,258</u>	+2952%
Attributable to			
Owners of the corporation	62,053	886	+6904%
Non-controlling interests	6,853	1,372	+399%
Earnings Per Share (NTD)	\$ 4.02	\$ 0.05	+7940%

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*)

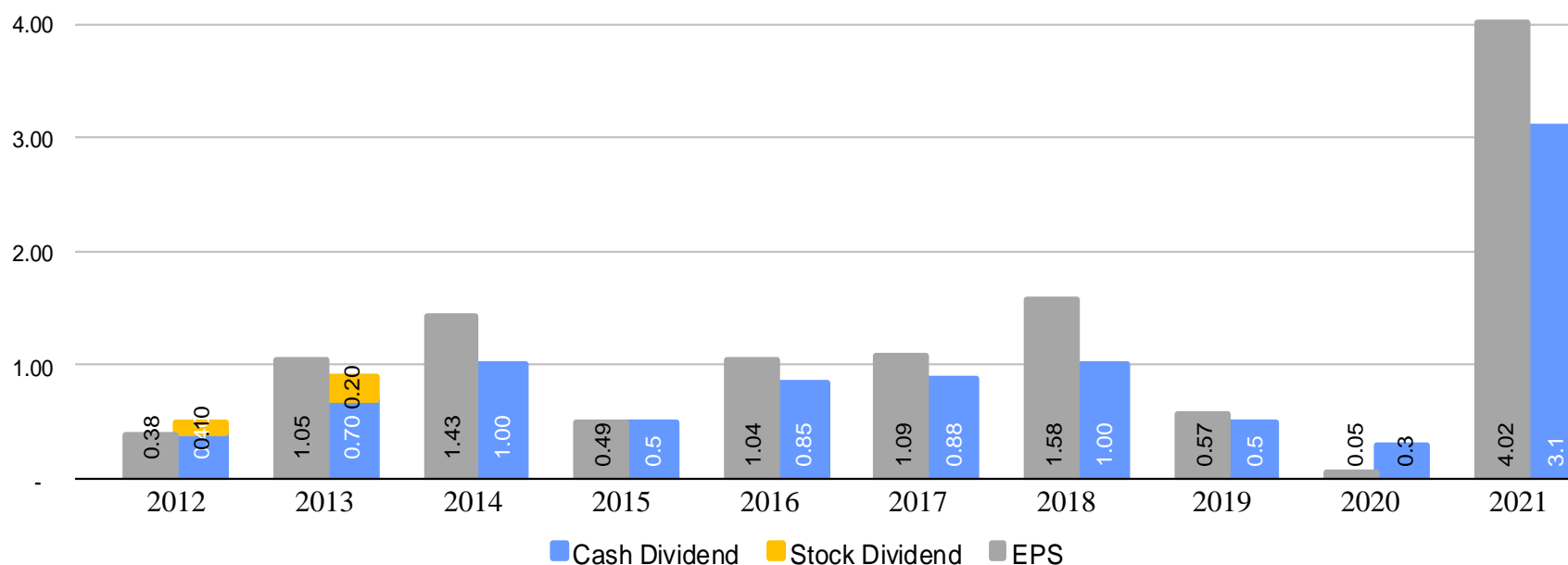
* 2018~ :

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Dividend payout(%)	132	86	70	102	82	81	63	88	600	77
Cash Dividend payout(%)	105	67	70	102	82	81	63	88	600	77

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. Develop and enhance carbon reduction technologies

- **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.**

Form core competencies, build an environment with competitive advantage, and break through the economic cycle. 16



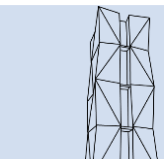





Develop Advanced Premium Steel

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
Advanced Premium Steel proportion target (%) (APS shipments target divided by total shipments target, which does not include leeways, secondary and salvage products, and semi-products)			4.2%	7.5%	8.0%	9.0%	10.0%

- Sales volume of the 8 items of **APS** to achieve **10% in 2025** and **20% in 2030**.
- The APS shipments of orders in 2021 reached 635.7 thousand tons, accounting for **7.63%** of total volume (target 4.2%), **9.38%** of sales revenues, and **13.11%** of gross profits.

Deepen the Upgrade of Steel-using Industry

Facilitating industry 4.0

- **Constructing industry cloud:** To connect via cloud services and assist steel-using industries in enhancing capabilities of **smart manufacturing and marketing.**
- **Integrating** three cloud platforms of **the fastener industry** (CSC, MIRDC and NKUST)



EVI-based Concurrent Engineering

- Adapting to the **end demand** and developing **customized steel materials** and **manufacturing technology** with customers to offer differentiated technical services.

Cultivating core technologies

- Integrating the resources from government, academia and research institutes to execute projects such as **A+ Industrial Innovative R&D Program** and **Academia-Industry Collaboration** to develop relevant **core technology.**

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 & Substructure

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**.
- A syndicated loan has been signed at the end of 2021 and financial close was completed, ensuring the funds for wind farm development.
- Relevant supply chains/contractors have started construction in this year.

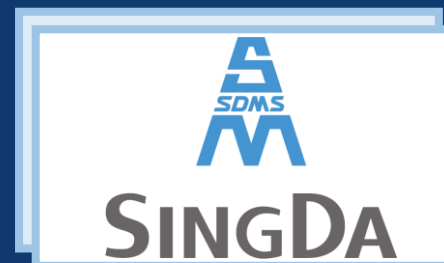


CSC Shareholding: **46.71%**

Capital: **NTD 2.627 billion**

Progress:

- **The first 100% domestically made substructure** was completed in July, 2021.
- The first contract of 6 substructures for Orsted - Greater Changhua Offshore Wind Farm Project was completed in Dec, 2021.
- The contract of 31 substructures for Zhongneng Offshore Wind Farm Project has been signed and the production has started in Oct, 2021.




Cultivate in the Green Industry Business – Solar Power


- CSC group shareholding: **100%**
- Capital: **NTD 1.744 billion**
- Capacity Installed: **87.3MW** (until the end of Feb, 2022)
- Operating performance: (until the end of Feb, 2022)


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




Electricity output
342
million kwh


Revenues from electricity sales
1.572 billion


Carbon reduction
around
172k tons


Equivalent to the CO2 absorption of
441
Taipei Daan Park

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

Year	2017~2019	2020	2021	2022	Total
Actual Capacity Installed (MW)	83.2	1.6	2.5	Under installation	87.3
Electricity Output (100m kwh)	1.25	1.04	1.01	0.12(until Feb.)	3.42

- **Future installation: 3~5MW / yr ; installation target: over 100MW until 2026**
- 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

Base year: 2018(Scope 1+2)

2025

2030

2050

7% reduction

22% reduction

Carbon Neutrality

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

Required external support: Green Power

Green Hydrogen

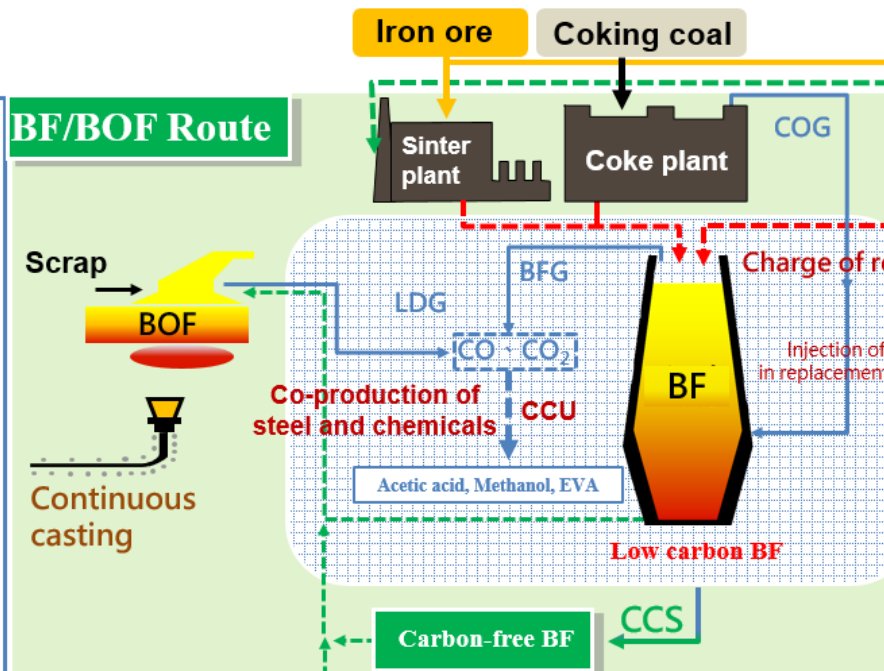
2030 : Low carbon BF

- ① Substitute H_2 -rich gas for PCI as the auxiliary fuel for BF
- ② Charge hydrogen-reduced iron with ferrous burden.
- ③ Convert CO and CO_2 from steel production process into chemicals.

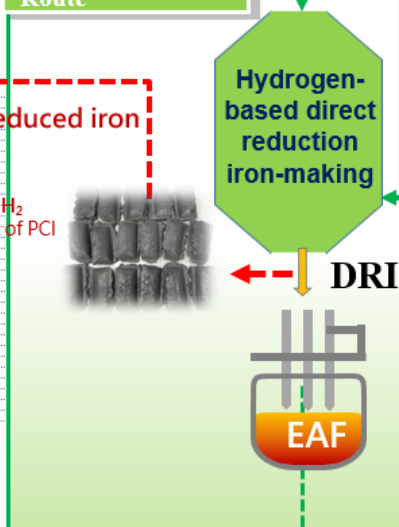
2050 : Carbon Neutrality

- ① Shift BF from low carbon operation into net zero using CCS
- ② Adopt DRI/ EAF route with hydrogen metallurgy

BF/BOF Route



Direct Reduction Route



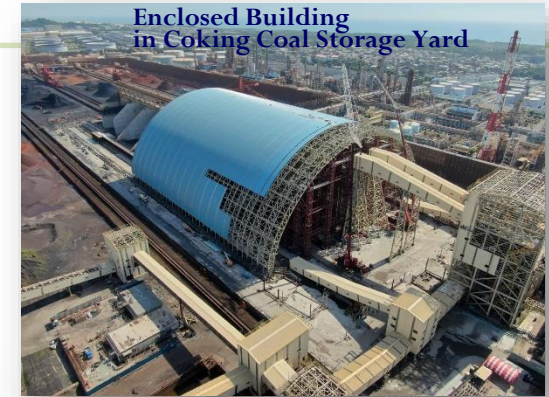
- Facing the challenges of **technology, resource, and capital**, resulted from the lack of mature technology and green hydrogen resources, as well as the required equipment modification.
- Currently evaluating the possibility of investment in the production of **hot briquetted iron (HBI) through green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

- ✓ Investment on air quality improvement projects in 2017~2021 reached **12.926 billion**.
- ✓ To **invest 35.508 billion** in air quality improvement projects from 2022~2027.

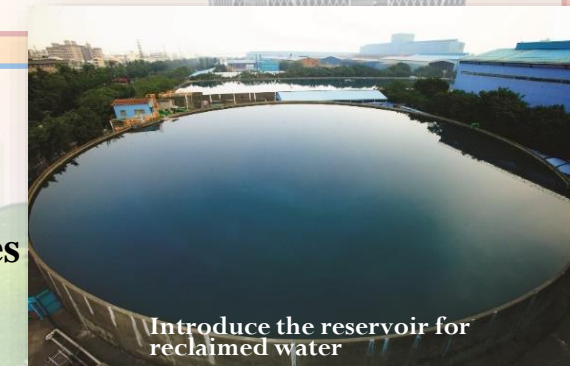


Reduction of greenhouse gas

- ✓ 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 CO₂e**, equivalent to the CO₂ absorption of **3,732 Taipei Daan Park**, through **1,182** implemented reduction projects.
- ✓ **Terminated** three boilers in 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 **17 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 was introduced at the end of 2021.



ESG Performance

- ✓ 2022.03 CSC was recognized as a member of worldsteel's New Sustainability Charter.
- ✓ 2021.11 CSC was selected as one of the Excellent Manufacturers for Voluntary Reduction of Industrial Greenhouse Gas by the Industrial Bureau of the MOEA.
- ✓ 2021.11 CSC was included in the Emerging Market Index of Dow Jones Sustainability Index (DJSI) for the 10th consecutive year.
- ✓ 2021.11 CSC won 6 awards such as the Top 50 Corporate Sustainability Awards by Taiwan Corporate Sustainability Awards (TCSA).
- ✓ 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 won the "Leader in Sustainability Resilience Award" by British Standards Institution (BSI).

Thank you!

Part 4

Appendix

Segment revenues and operating results

Unit : NTD Thousands

2021	Steel	Shipping	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 378,777,988	\$ 2,178,375	\$ 87,371,138	\$ -	\$ 468,327,501
Inter-segment revenues	100,436,390	23,562,563	36,539,203	(160,538,156)	-
Segment revenues	<u>\$ 479,214,378</u>	<u>\$ 25,740,938</u>	<u>\$ 123,910,341</u>	<u>(\$ 160,538,156)</u>	<u>\$ 468,327,501</u>
Segment profit	\$ 73,308,117	\$ 3,302,462	\$ 5,531,116	(\$ 2,384,422)	\$ 79,757,273
Interest income	116,805	11,060	137,828	(37,104)	228,589
Financial costs	(1,339,913)	(115,824)	(444,938)	139,534	(1,761,141)
Share of the profit (loss) of associates	29,733,503	753,026	3,637,850	(32,946,525)	1,177,854
Other non-operating income and expenses	2,287,950	97,066	3,415,209	(789,152)	5,011,073
Profit before income tax	104,106,462	4,047,790	12,277,065	(36,017,669)	84,413,648
Income tax	14,358,523	135,612	1,496,720	(483,279)	15,507,576
Net profit for the period	<u>\$ 89,747,939</u>	<u>\$ 3,912,178</u>	<u>\$ 10,780,345</u>	<u>(\$ 35,534,390)</u>	<u>\$ 68,906,072</u>