

CSC

June 6, 2023



Agenda

1	Steel and Raw Material Dynamics	3
2	Operating Performance	8
3	Key Strategies	16
4	Appendixes	26

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.

We caution readers not to place undue reliance on forward-looking statements as these statements speak only as of the date they are made, and we disclaim any obligation to, update or alter any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law or regulation.

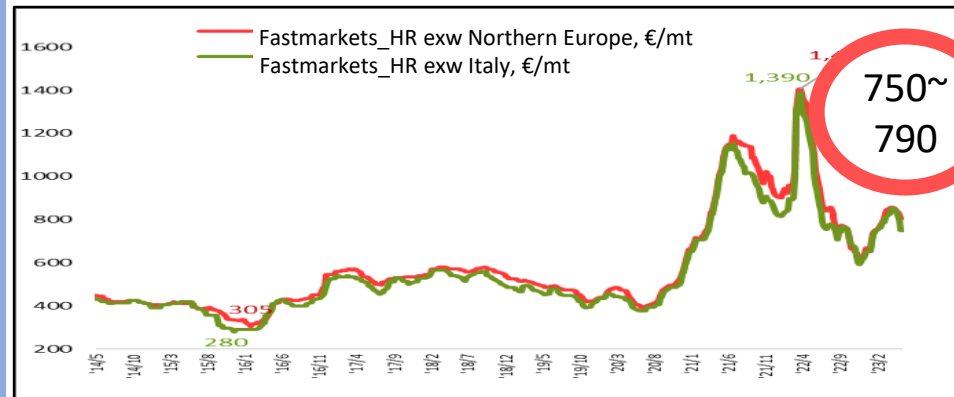
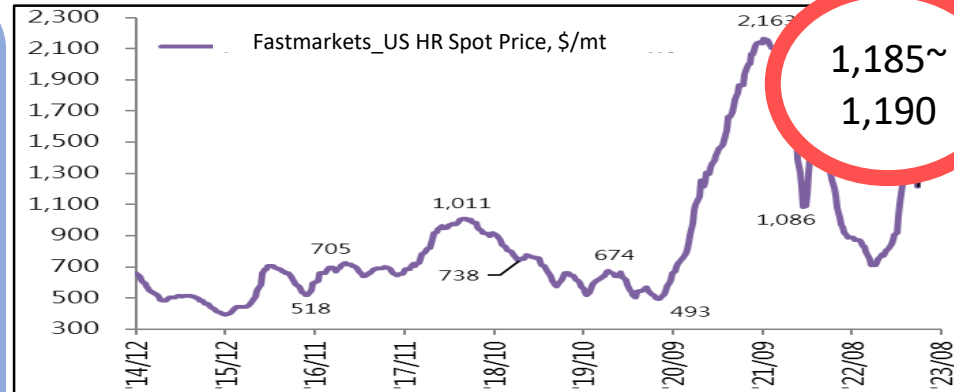
This cautionary statement is applicable to all forward-looking statements contained in this presentation.

Part 1

Steel and Raw Material Dynamics

Major steel market dynamics

- **US:** The slowdown in economy growth has affected the purchasing activities in steel market, while market supply gradually recovered after mills finished their maintenance with the current lead time about 6~7 weeks. The low-priced imported steel also hit the market, resulting in a poor market outlook and weak transaction.
- **EU:** High interest rates has depressed its economic activities. According to Eurofer forecast, EU steel consumption in 2023 will decrease by 1.0% to 138 million tons. Though mills continue to control their output may help stabilize HR spot prices, with gloomy economic outlook, steel demand and import quotations still remain downward.
- **ASEAN:** ASEAN estimates that the regional economic growth rate will reach 4.7% in 2023, still lower than the pre-epidemic level. local steel mills keep cutting their price in response to the decline of raw materials and lower demand in global market and major export markets such as EU and the US.



Major steel market dynamics

➤ **China**

- ✓ China saw a post-epidemic restocking in the first quarter this year, but it did not last long enough. The PMI index fell below 50 in April at 49.2. According China National Bureau of Statistics, China's crude steel output grew by 6.1% year-on-year in the first quarter, showing that supply has not yet been restrained while downstream steel demand has weakened. Recently, CISA called on steel mills to take the initiative to reduce production. Some steel mills in Tangshan have also received official requests to reduce production. Therefore, crude steel output is expected to shrink in the second half of the year.
- ✓ As the current social inventory has dropped to the lowest compared with the same timing of the past three years, coupled with the economy boost by stimulus policies, such as promoting electrical cars in rural areas, and the expected reduction in steel supply, the steel market is expected to pick up in the second half of this year.

➤ **Taiwan**

- ✓ Although the export momentum of Taiwanese steel-using industry has weakened because of the global environment, private consumption in retail and tourism has provided relatively strong momentum benefited from the post-pandemic recovery. With the destocking activity of manufacturing industries reaching an end, global trade momentum is expected to gradually recover and provide better future export performance.
- ✓ The Taiwanese government has set a record-high budget of nearly NT\$600 billion for public infrastructure construction in 2023. The government has also allocated a special budget to strengthen the economy after the pandemic and actively supported domestic economic development, which is conducive to the stable growth of Taiwan's steel demand.

Global steel market outlook: Every cloud has a silver lining

Export might recover in the 2nd half.

As the **destocking activity of manufacturing inventories reaches an end**, export performance is expected to be better.

Positive outlook for China steel demand

Stimulus package for **infrastructure and new energy vehicles** in China could increase the construction of charging piles and urban parking facilities and push up the steel demand.

Production cut in China will benefit supply-demand equilibrium

Chinese authority is **calling on steel mills to cut production** which will help ease the current supply-demand imbalance. About 21 blast furnaces will be under maintenance in May.



The Era of Global Carbon Neutrality

The trends of the **Green Pricing and Carbon Neutrality** will result in the age of high steel prices in the future. CSC will continue to develop **green steels**.

Prospects for Potential Reconstruction Demand

The cessation of war will benefit the global economy and the manufacturing sector. **The reconstruction demand can be a positive factor to the steel market.**

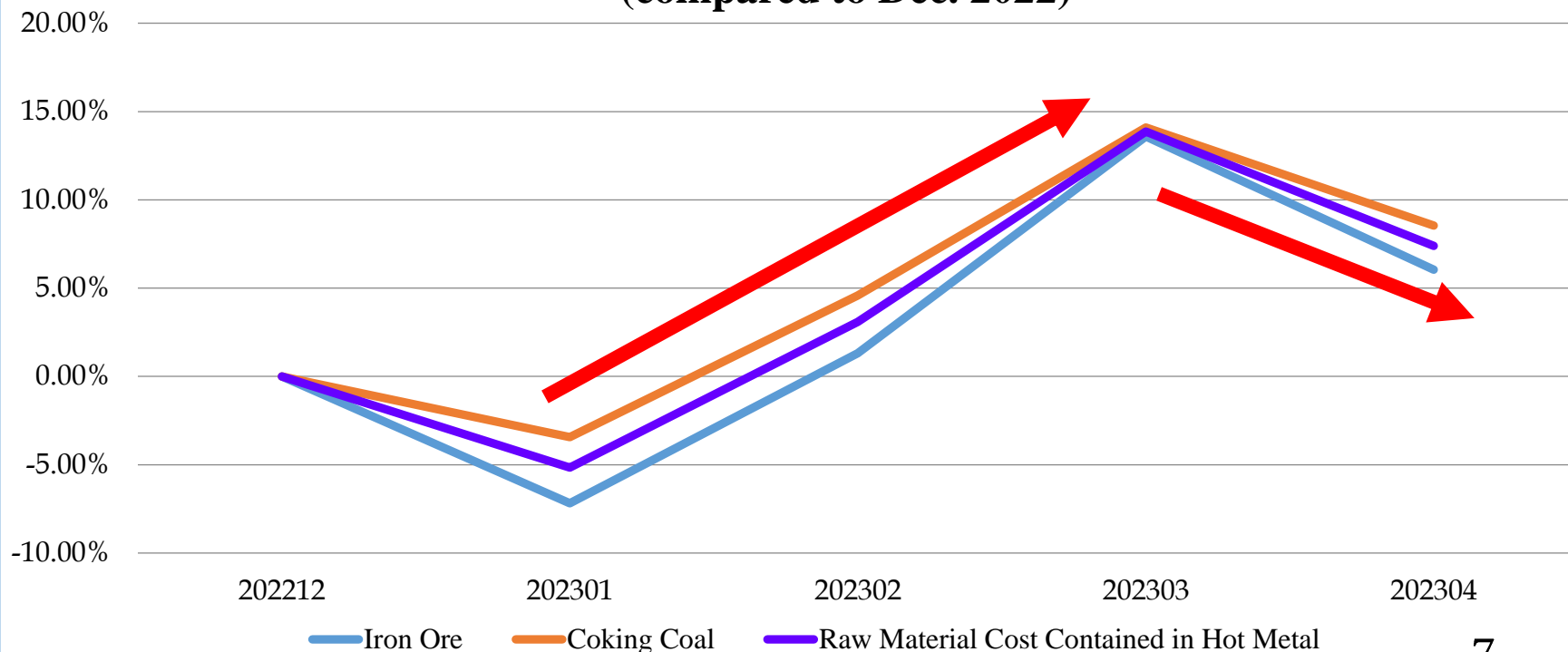
WSA revised up 2023 steel demand

Worldsteel revised up the growth rate of 2023 steel demand from 1% to 2.3%, reaching 1.822 billion MT.

Raw material price trend

- Prices of coking coal and iron ore both rose in Q1 due to the tight supply caused by the rainy season in Australia and the better demand in steel market compared with that of 2022H2.
- Starting from late March to Q2, as the rainy season in Australia came to an end, the supply of raw materials became sufficient. The production cut from Chinese steel mills due to the lower-than-expected recovery of steel demand in Q2 also drove down the prices of coking coal and iron ore.

**Percentage change of incoming raw material price
(compared to Dec. 2022)**



Part 2

Operating Performance

Consolidated Financial Performance

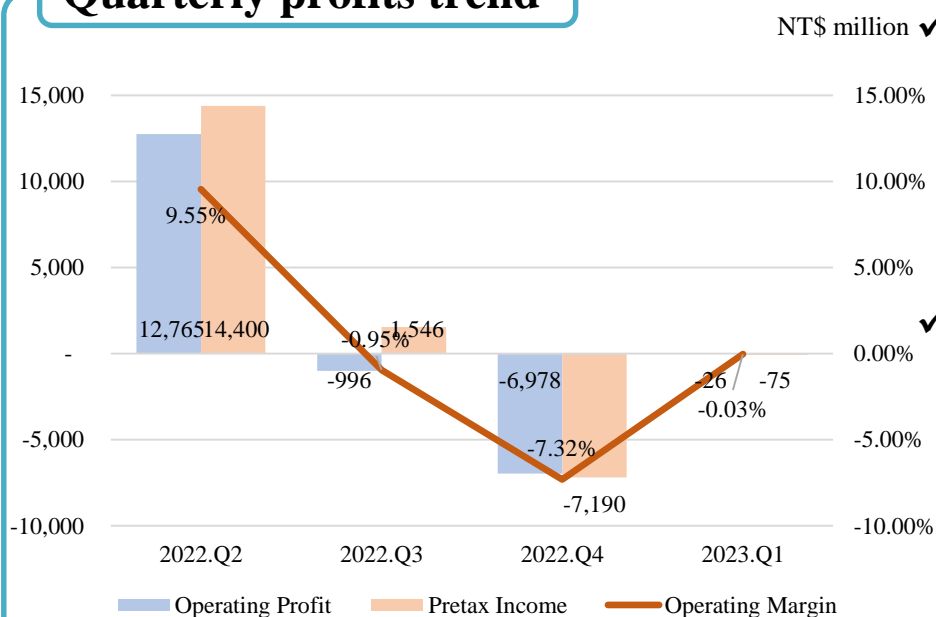
Latest operating results

Amount: NT\$ million

Item	*2023.4	2023.3	MoM	2023.1~3	2022.1~3	YoY
Operating Revenue	32,379	33,847	-4%	123,725	160,622	-23%
Operating Income	788	938	-16%	762	18,060	-96%
Operating Income Margin	2.43%	2.77%		0.62%	11.24%	
Income Before Income Tax	943	948	-1%	868	20,163	-96%

*preliminary result

Quarterly profits trend

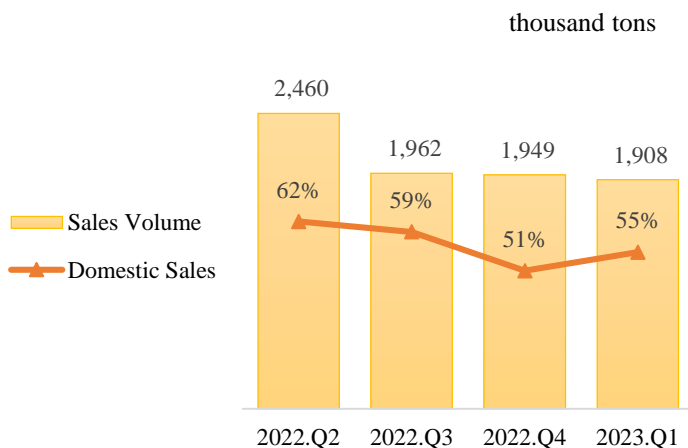


NT\$ million ✓ In 2022H2, the manufacturing industry declined due to China's zero-COVID policy, US interest rate hike, and rising energy cost in Europe. Steel demand shrank sharply and steel price decreased, which significantly squeezed the profit .

✓ In 2023Q1, with the complete lifting of restriction in China and the improvement of demand in Europe and the U.S, steel demand has gradually increased, driving the steel price to rebound. CSC's consolidated profit has turned positive since February.

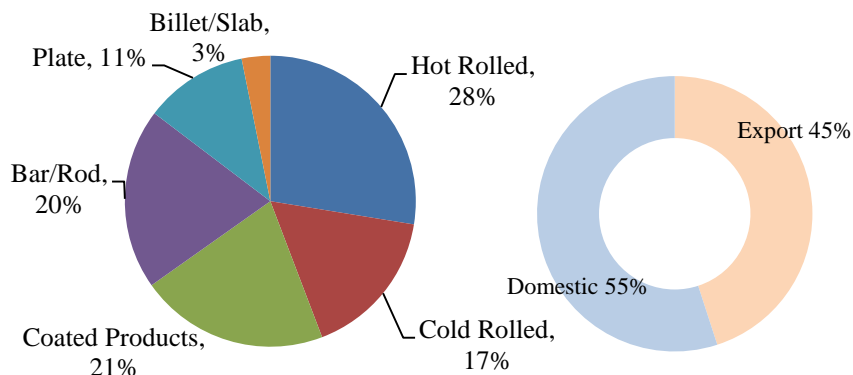
Standalone Production / Sales Performance

Sales analysis

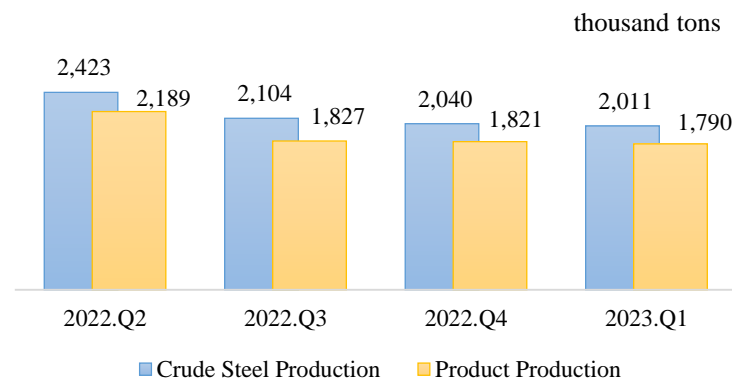


- ✓ In 2022H2, the steel demand was lower than expected as a result of the interest rate hike in the US and China's zero-COVID policy, and the downstream customers destocked, bringing sales volume down significantly.
- ✓ In 2023Q1, although there are fewer working days due to the Lunar New Year, as steel demand improved and customers' demand for restocking increased, sales volumes remained stable in Q1.

2023.Q1 Sales value breakdown

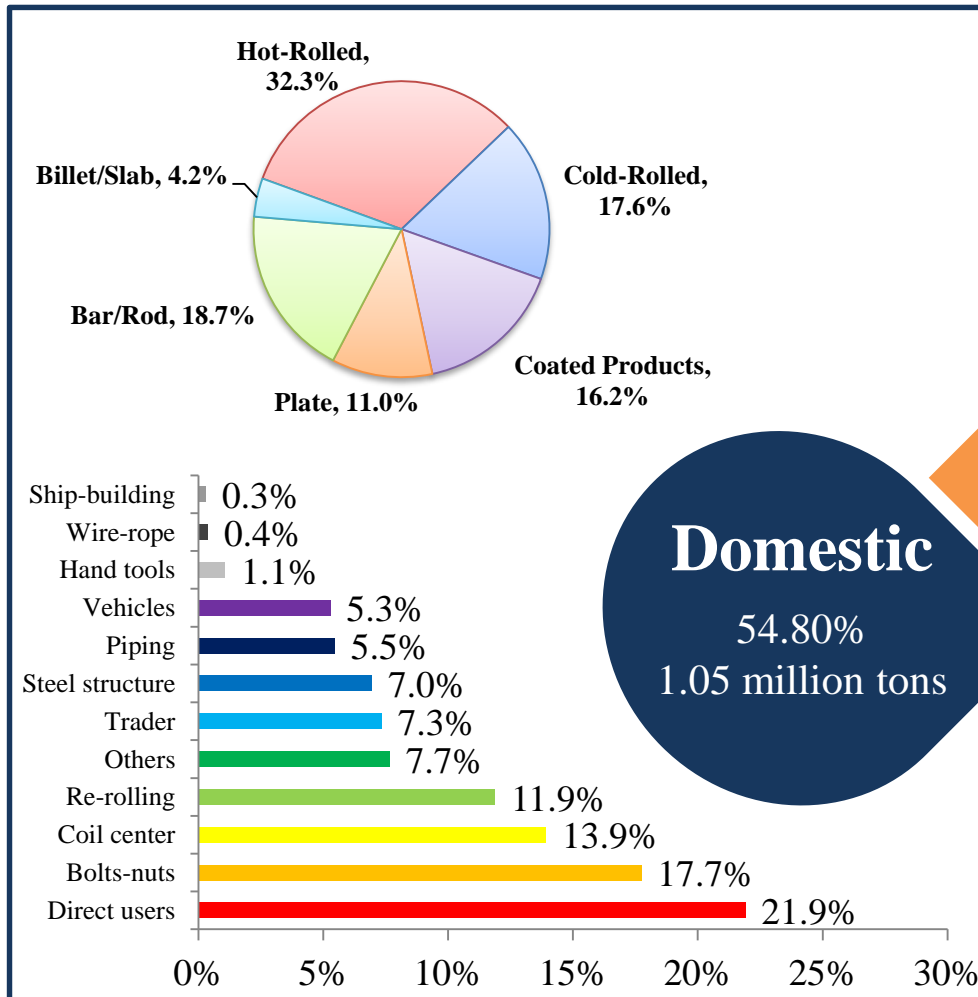


Production analysis



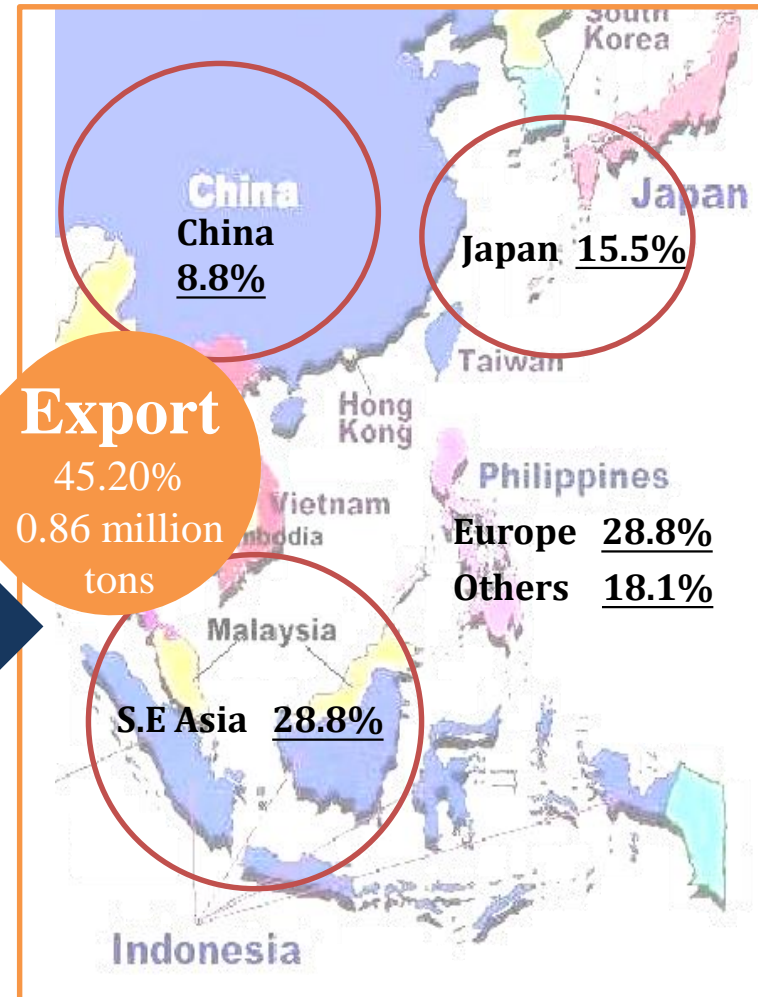
Sales Analysis – CSC standalone

2023.Q1 sales volume totaled 1.91 million tons – Sales Breakdown



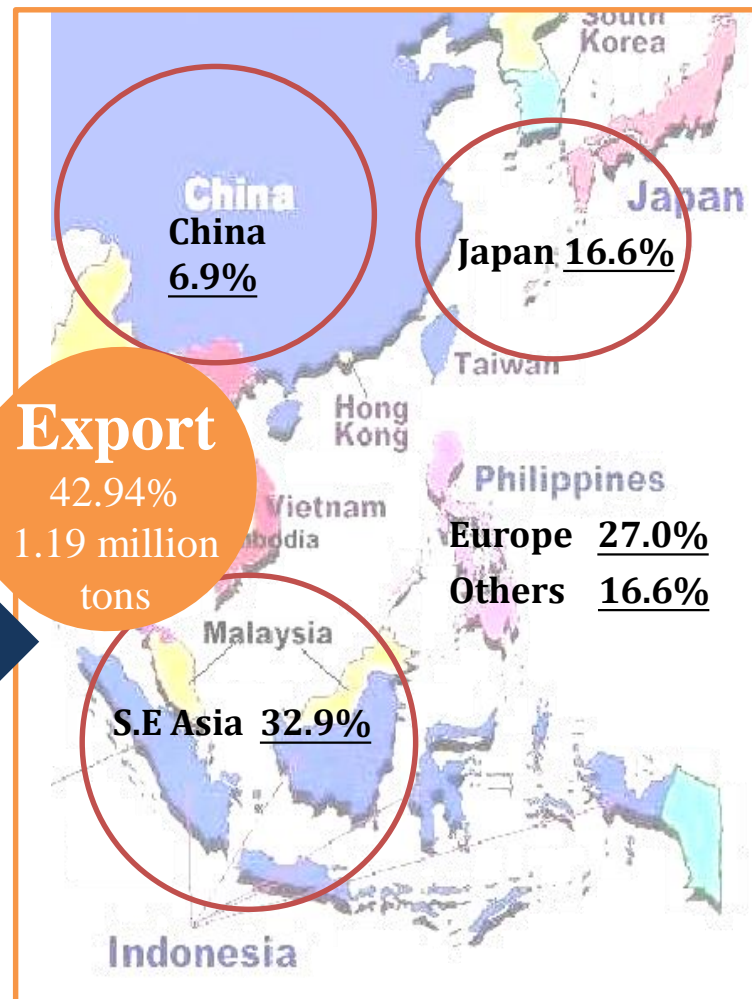
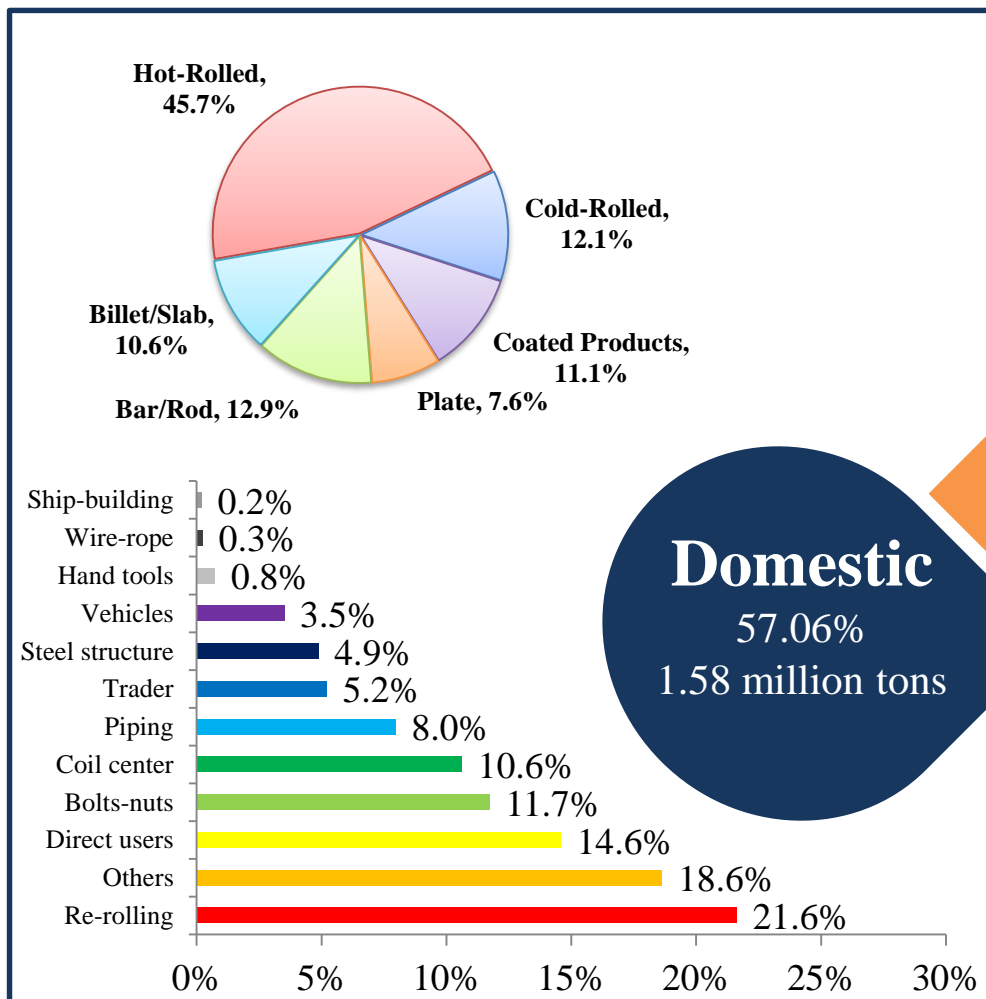
Domestic
54.80%
1.05 million tons

Export
45.20%
0.86 million tons



Sales Analysis - CSC & BF products of DSC

2023.Q1 sales volume totaled 2.77 million tons - Sales Breakdown



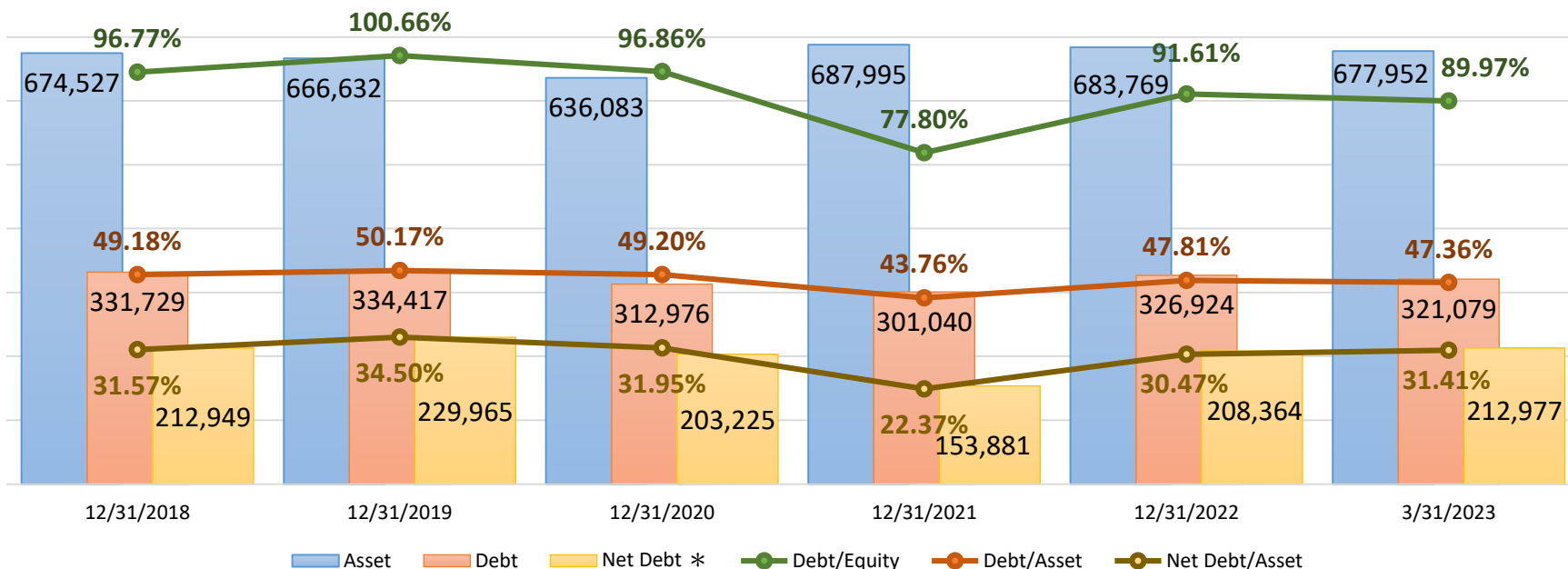
Consolidated Income Statement

Units: NT\$ millions

IFRSs	2023.Q1	2022.Q1	YoY
Revenues	91,346	115,212	-21%
Gross profit	3,388	16,778	-80%
Gross margins	3.71%	14.56%	
Profit (loss) before tax	(75)	14,502	-101%
<u>Net profit (loss)</u>	<u>(93)</u>	<u>11,708</u>	-101%
Attributable to			
Owners of the corporation	(725)	10,771	-107%
Non-controlling interests	632	937	-33%
Earnings Per Share (NTD)	(\$ 0.05)	\$ 0.70	-107%

Consolidated Financial Position

Units: NT\$ millions



- ✓ In response to the environment of rising interest rates, multiple domestic financing channels, such as issuing corporate bonds, are used to reduce the impact of rising financial costs.
- ✓ Credit rating: Taiwan Ratings twAA- ; Outlook Stable (2023.04.28)
Fitch Ratings AA (tw); Outlook Stable (2022.12.07)

* 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*)

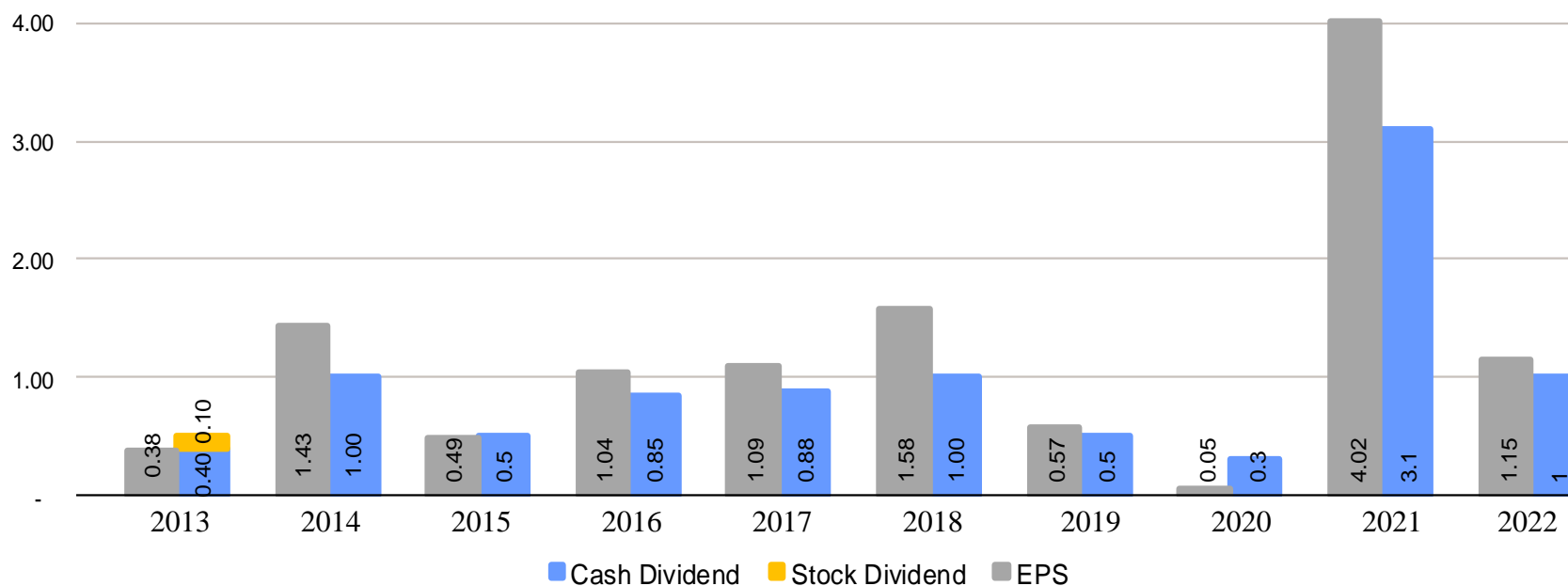
* 2018~ :

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Dividend payout(%)	86	70	102	82	81	63	88	600	77	87
Cash Dividend payout(%)	67	70	102	82	81	63	88	600	77	87

Unit: NTD per share



Part 3

Key Strategies

2 Core Strategies, 10 Operating Strategies

Vision	We aspire to be a sustainable growth enterprise that distinguishes itself through a firm commitment to smart innovation, green energy, carbon reduction, and value co-creation.	
Core	Promote to High Value-added Steel Mill	Develop Green Energy Business

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

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		2023		2024		2025	
APS proportion target (%) (sales volume without semi-product)		7.4%		9.0%		10.0%	

- Sales volume of the 8 items of **APS** to achieve **10% in 2025** and **20% in 2030**.
- The APS sales volume in 2022 reached 526.7 thousand tons, accounting for **6.8%** of total volume, **9.5%** of sales revenues, and **22.1%** of gross profits.
- The APS sales volume in 2023Q1 reached 108.9 thousand tons, accounting for **6.0%** of total volume, and **9.8%** of sales revenues. the gross profits of APS reached around **742 million**.

Deepen the Upgrade of Steel-using Industry

Facilitating industry 4.0

- **Constructing industry cloud:** To increase the **efficiency of production and sales** among factories in the industrial clusters.
- **Introducing AI technology:** To enhance smart manufacturing, production and marketing capabilities.



EVI-based Concurrent Engineering

- Establishing **Joint Research Laboratories** to conduct **integrated research** from materials to end products to **improve the innovative effect** of the industrial chain.

Cultivating core technologies

- Integrating the resources from government, academia and research institutes to execute projects such as **Technology Development Program, Academia-Industry Collaboration and Industrial Technology Foresight Research Program** to develop technologies, such as **core technology for electric vehicle power system.**
- **Industry service work**
- Providing multi-program of **process technology, quality control, logistics management, etc.** and helping customers to build their **carbon control capability .**

Integrating resources from industries, government and academia to facilitate upgrade and transformation of steel industry and generating industrial demand and application benefits for Advanced Premium Steel.

Cultivate in the Green Industry Business – Wind Farm & Substructure

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

Total investment: **around NTD 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**.
- The main work in this year is continuing the construction of the onshore substation and the installation of substructures and part of submarine cables.



CSC Shareholding: **46.71%**

Capital: **NTD 2.627 billion**

Progress:

- The first contract of 6 substructures for Orsted - Greater Changhua Offshore Wind Farm Project was delivered in August, 2022.
- The contract of 31 substructures for Zhongneng Offshore Wind Farm Project has been signed and the delivery of all substructures is expected to be completed in 2023.




Cultivate in the Green Industry Business – Solar Power


- **CSC group shareholding: 100%**
- **Capital: NTD 1.744 billion**
- **Capacity Installed: 92.5MW** (until the end of April 2023)
- **Operating performance:** (until the end of April 2023)


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




Electricity output
468 million kwh


Revenues from electricity sales
2.19 billion


Carbon reduction
around 238k tons

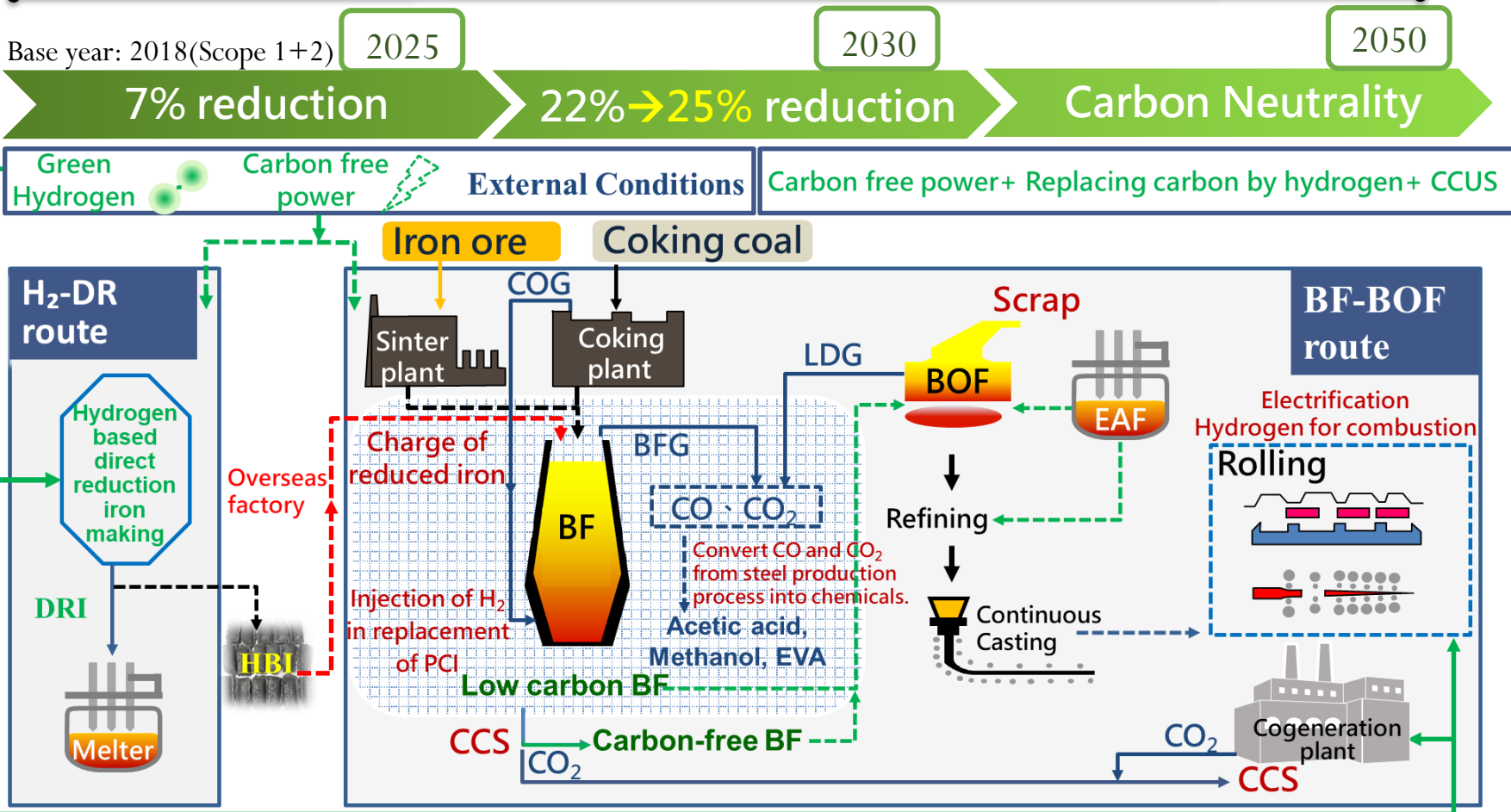

Equivalent to the CO2 absorption of
611 Taipei Daan Park

*Estimated based on the 2021 Taipower electricity carbon emission factor, 0.509 kg CO2e/kwh

Year	2017~2020	2021	2022	2023	Total
Actual Capacity Installed (MW)	84.8	2.5	5.1	0.1 (until April)	92.5
Electricity Output (100m kWh)	2.29	1.01	1.05	0.33 (until April)	4.68

- **Future installation: 3~5MW / yr ; installation target: over 100MW until 2025 (may reach the target in advance by the end of 2023)**
- 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.
- To increase renewable energy usage of CSC group companies, transform from Type III to Type I renewable energy facility to obtain a license for selling green energy. Currently 51.5MW of electrical business license has been obtained.

Decarbonization Pathway

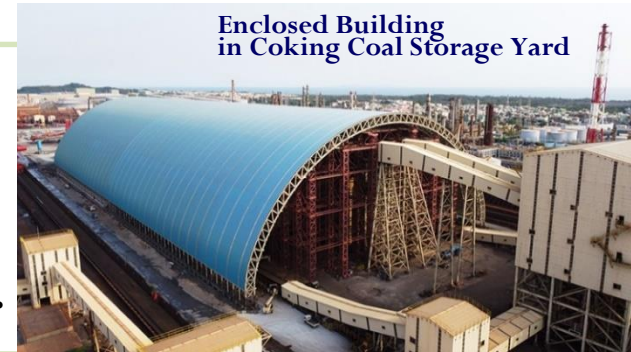


- Facing the challenges of **technology**, **resource**, and **capital**, resulted from the lack of mature technology and green hydrogen resources, as well as required equipment modification.
- Established the **Product Carbon Intensity System** to calculate the carbon emissions of each process, production line and product, which can meet carbon reporting requirements and customers' need, and help **select a production path with the lowest carbon footprint**.
- Developed the galvanized steel products with a steel scrap proportion of 12%, 20%, and 40% or more, which have also obtained the UL 2809 certification.

Environmental Protection Action

Investment on environmental protection

- ✓ Investment on air quality improvement projects in 2018~2022 reached **12.475 billion**.
- ✓ Keep doing air quality improvement projects with the amount of **35.508 billion** from 2023~2026.



Reduction of greenhouse gas

- ✓ Participate in the **GHG voluntary reduction** program held by Industrial Development Bureau since 2005. From 2011 to 2022, **accumulated carbon reduction** reached **1.531 million tons CO₂e**, equivalent to the CO₂ absorption of **3,938 Taipei Daan Park**, through **1,318** implemented reduction projects.
- ✓ **Terminated** three boilers in 2021. CSC group **no longer** has **coal combustion boiler**.



Water resources development

- ✓ Water recycled rate is **98.5%**. (higher than the 65% required by the government)
- ✓ **The first company in Taiwan to use domestic reclaimed water.** Reclaimed water reaches **around half of the total water usage.**
 - Fengshan reclaimed water Creek reclaimed water was introduced in 2018.
 - Linhai reclaimed water was introduced at the end of 2021.
- ✓ Establish a desalination experimental production line for the development of low-cost desalination technology.



ESG Performance

- ✓ 2023.04 CSC was ranked **top 5%** in TWSE listed companies in the Corporate Governance Evaluation **for 4 consecutive years** (latest 9th session of 2022).
- ✓ 2022.12 CSC was included in the Emerging Market Index of Dow Jones Sustainability Index (DJSI) for the 11th consecutive year.
- ✓ 2022.11 CSC was selected as one of the Excellent Manufacturers for Voluntary Reduction of Industrial Greenhouse Gas by the Industrial Bureau of the MOEA.
- ✓ 2022.11 CSC won the “Top 10 Most Prestigious Sustainability Awards-Domestic Corporates” and 7 awards in specific categories by Taiwan Corporate Sustainability Awards (TCSA).
- ✓ 2022.08 CSC won 2 Gold Awards, 1 Silver Award and 1 Bronze Award in the Taiwan Sustainability Action Award by Taiwan Institute for Sustainable Energy (TAISE) with sustainable projects such as co-production of steel and chemicals.
- ✓ 2022.03 CSC was recognized as a member of worldsteel’s New Sustainability Charter.

Thank you!

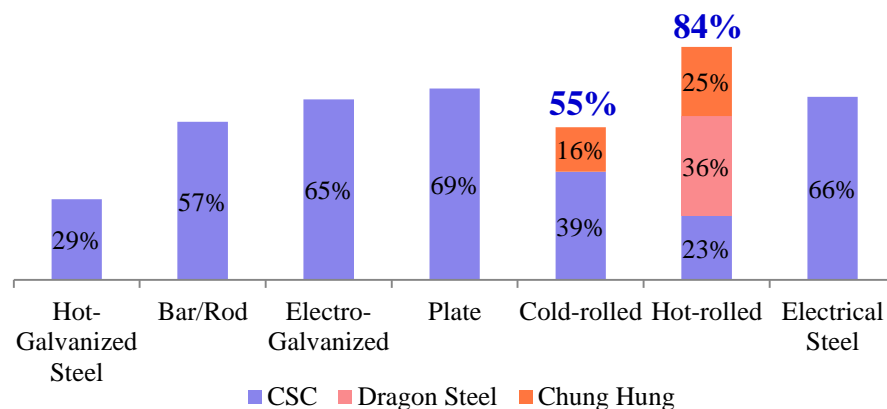
Part 4

Appendixes

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 (2023.Q1)



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

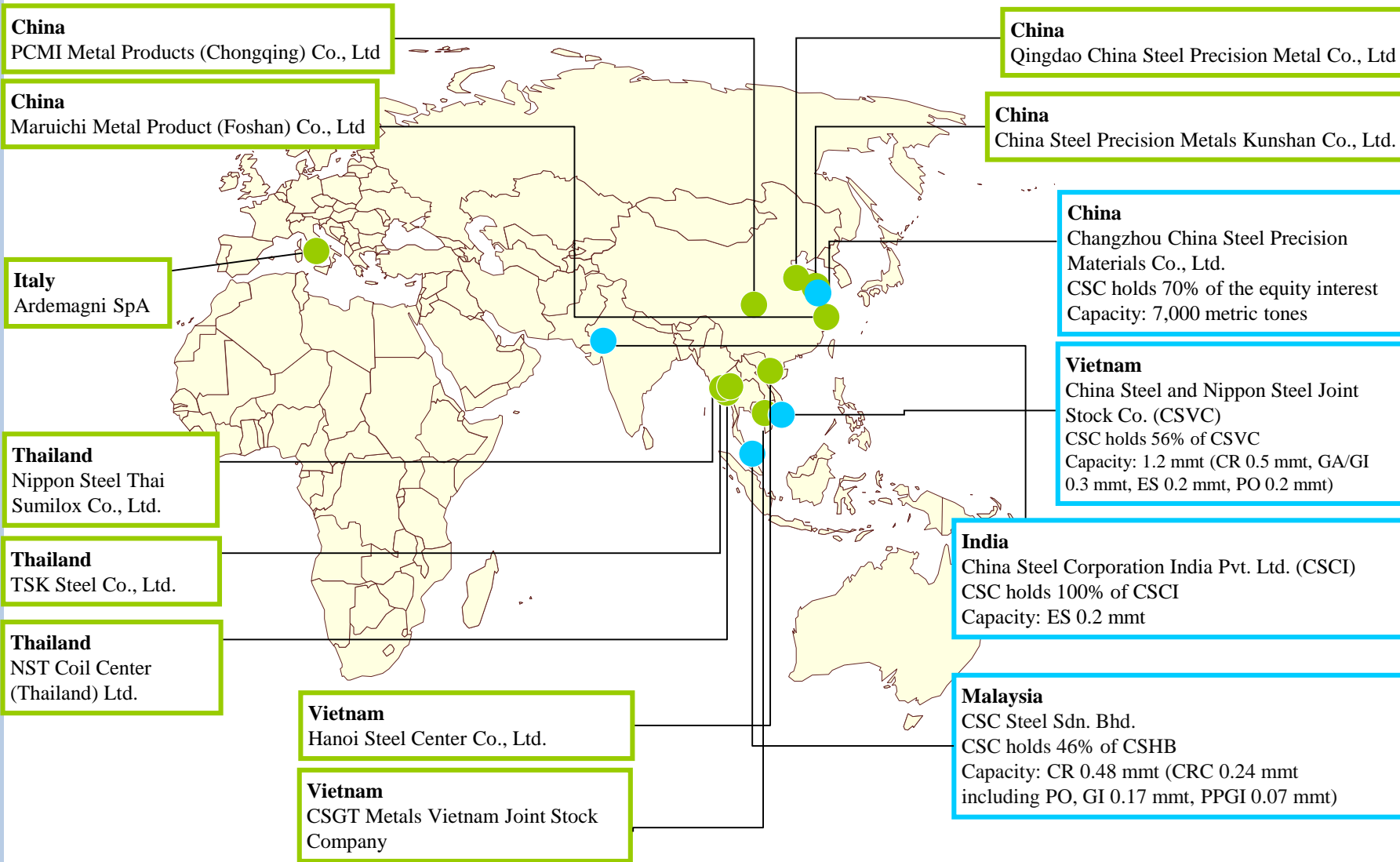
- CSE
- CSGT
- Gains Investment
- China Steel Security
- CPDC

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

Segment revenues and operating results

Unit : NTD Thousands

2023.Q1	Steel	Shipping	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 71,114,854	\$ 1,392,755	\$ 18,838,343	\$ -	\$ 91,345,952
Inter-segment revenues	15,677,811	3,823,259	10,420,486	(29,921,556)	-
Segment revenues	<u>\$ 86,792,665</u>	<u>\$ 5,216,014</u>	<u>\$ 29,258,829</u>	<u>(\$ 29,921,556)</u>	<u>\$ 91,345,952</u>
Segment profit	(\$ 2,833,190)	\$ 1,054,310	\$ 1,559,707	\$ 193,143	(\$ 26,030)
Interest income	64,804	9,570	132,289	(28,021)	178,642
Financial costs	(661,216)	(87,016)	(208,687)	54,515	(902,404)
Share of the profit (loss) of associates	632,073	66,926	655,586	(1,088,655)	265,930
Other non-operating income and expenses	325,217	(3,376)	263,398	(176,349)	408,890
Profit before income tax	(2,472,312)	1,040,414	2,402,293	(1,045,367)	(74,972)
Income tax	(518,943)	162,028	351,991	23,081	18,157
Net profit for the period	<u>(\$ 1,953,369)</u>	<u>\$ 878,386</u>	<u>\$ 2,050,302</u>	<u>(\$ 1,068,448)</u>	<u>(\$ 93,129)</u>