

CSC

March 7, 2023



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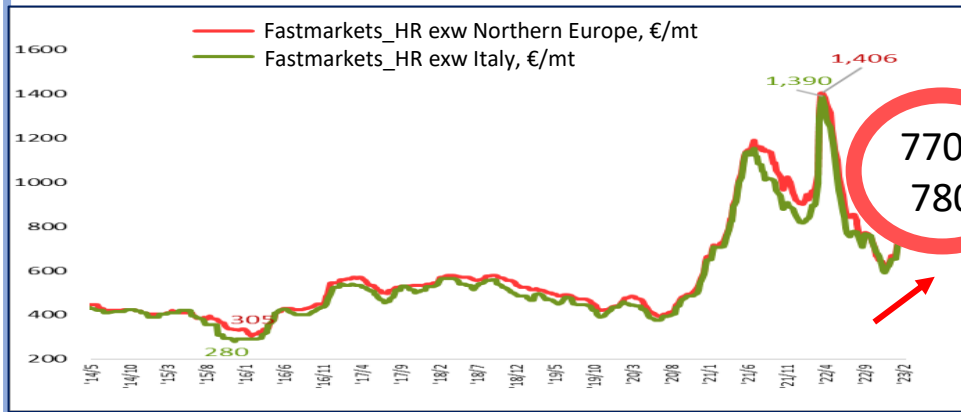
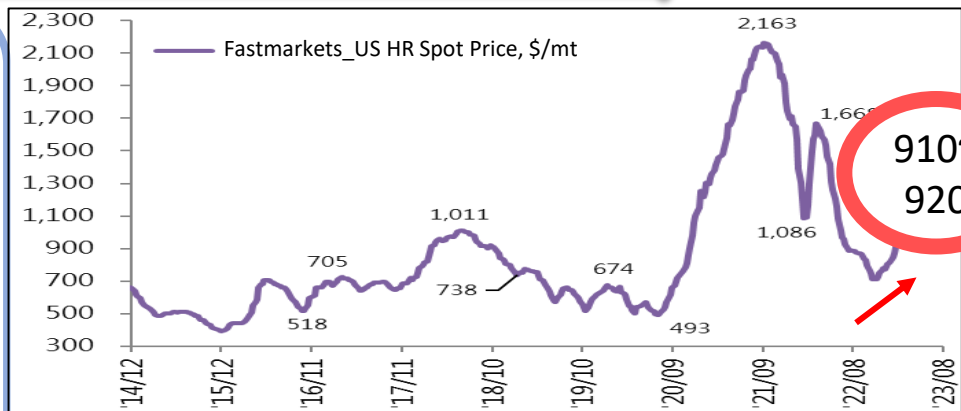
This cautionary statement is applicable to all forward-looking statements contained in this presentation.

Part 1

Steel and Raw Material Dynamics

Major steel market dynamics

- **US:** The IMF predicts that GDP growth rate will be 1.4% in 2023. The slowdown in inflation could help stabilize economic activities. Local steel mills have successively raised price and the scheduled maintenance also tightened the supply, which may continue to push up the price.
- **EU:** Although the inflation has eased compared to last year, the pressure on durable goods consumption (such as houses, vehicles and home appliances) as well as investment remains. The upward trend of imported steel price and improved order book compared with the bottom in Q4 may support domestic steel price to increase.
- **ASEAN:** Considering the easing inflation and China's reopening, the IMF predicts that ASEAN GDP growth rate will be 4.3% in 2023. Following the increase of raw material and global steel price and the restocking demand from downstream customers, local steel mills are actively raising prices.



Major steel market dynamics

➤ **China**

- ✓ China's manufacturing PMI in January was 50.1%, a MoM 3.1 percentage point increase, indicating a gradual economic recover. The steel price showed a rangebound upward trend in January on the back of high costs, low inventory, and positive market expectations. After the Lantern Festival, construction sites resumed work and the end demand has been gradually released.
- ✓ Market expectations have strengthened with the easing of pandemic control, the introduction of policies to ensure timely delivery of presold house and the central government's focus on the economy. The upcoming two sessions of the Communist Party of China in early March are expected to propose a series of measures to stabilize the economy. China's focus on the economy this year will help boost steel demand.

➤ **Taiwan**

- ✓ With the lifting of COVID-19 restrictions and the rebound of the economy, downstream customers is ending their destocking and may increase their orders in Q2. The steel construction work was delayed due to the economic slowdown last year. However, there is a sign of demand recovery after the Lunar New Year. Furthermore, the government has budgeted approximately NT\$ 600 billion for infrastructure this year, which is expected to drive steel demand.
- ✓ Recently, the international steel prices and raw material prices such as iron ore and scrap have continued to rise. The increasing steelmaking cost and the release of restocking demand pushed up the imported steel quotes and domestic spot prices.

Global steel market outlook



3 headwinds reverse, global price sees U-shaped rebound



Inflation eased



China lifted
COVID restrictions



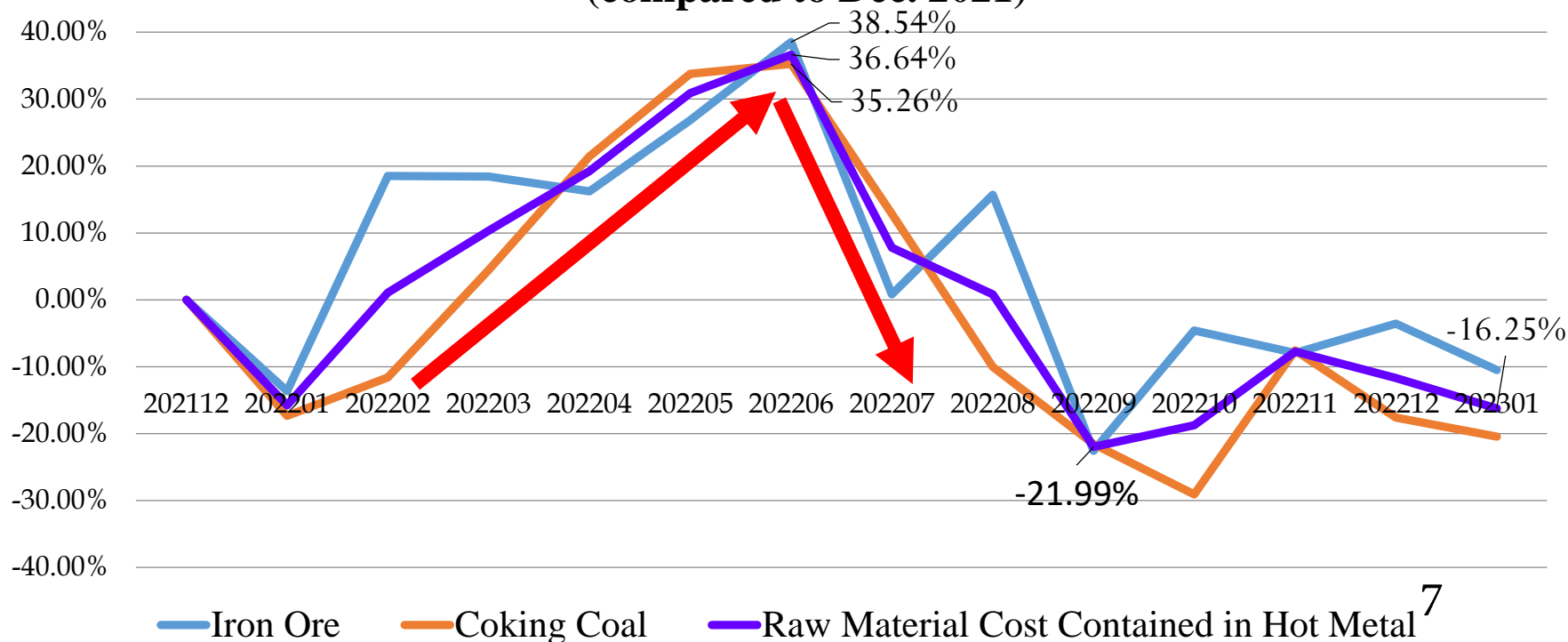
Less impact from
Russo-Ukrainian War

- ✓ China's crude steel output reduction policy remains unchanged, and the global steel supply is still restricted by the dramatic production cuts from global steel mills. Benefiting from China's lift on COVID-19 restrictions and the recovery of US and Europe manufacturing industry, the steel-using industry started restocking actively. Along with the tightness on global steel supply and rising raw material cost, it's expected that the international steel price is highly possible to rise further.
- ✓ The US and Europe steel prices rebounded sharply. From the bottom in Nov. 2022, HRC price have increased by more than US\$ 210/ton in the US and US\$ 160/ton in Europe respectively.
- ✓ Overall, due to tightened monetary policies and geopolitical instability, the global steel market is at a downturn in 2022H2. However, with the 3 headwinds showing signs of reversing, **the steel market is now under an U-shaped recovery. The upward trend is expected to maintain in 2023H1.**

Raw material price trend

- As the panic buying caused by the Russo-Ukrainian War subsided, the coking coal price fell significantly after hitting a record high in March 2022. Entering into Q4, the expectation that Australia may experience consecutive La Niña in 2023 has pushed up the coking coal price. The market price further soared recently due to the tight supply and China's potential easing of Australian coal ban.
- In the second half of 2022, the iron ore price turned down because steel mills worldwide cut production in response to the weak demand in global steel market, but it has rebounded since Q4 as steel price bottoming out.

**Percentage change of incoming raw material price
(compared to Dec. 2021)**



Part 2

Operating Performance

Consolidated Financial Performance

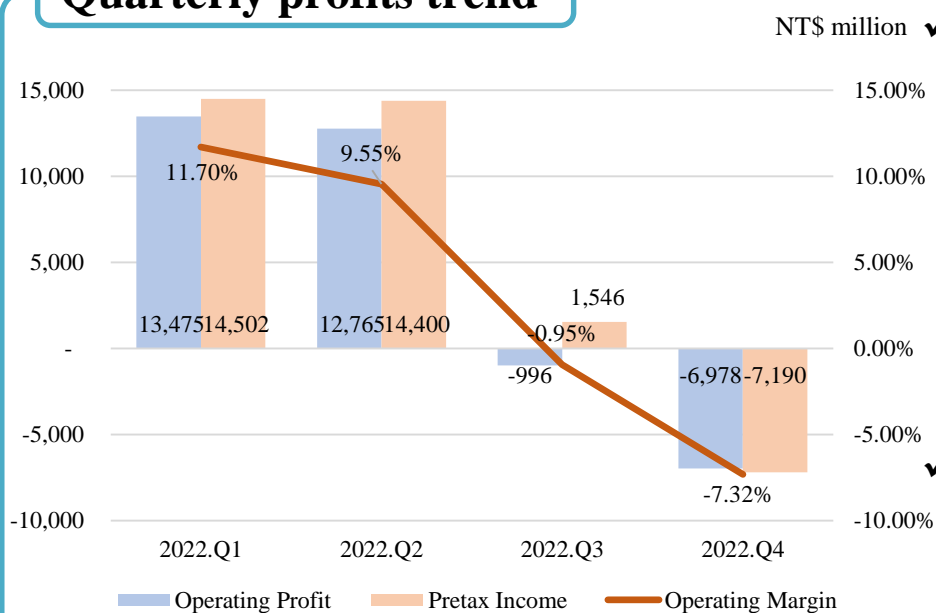
Latest operating results

Amount: NT\$ million

Item	*2023.01	2022.12	MoM	2022.01	YoY
Operating Revenue	26,245	30,971	-15%	40,028	-34%
Operating Income	(1,031)	(2,882)	64%	5,247	-120%
Operating Income Margin	-3.93%	-9.31%		13.11%	
Income Before Income Tax	(1,092)	(2,974)	63%	5,487	-120%

*preliminary result

Quarterly profits trend

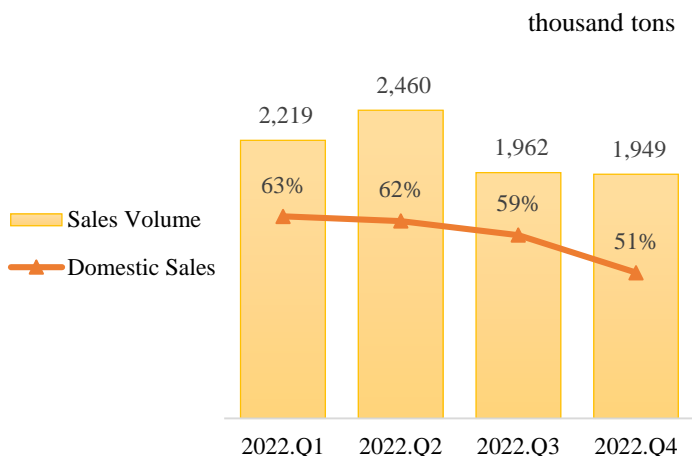


✓ From 2022Q3, the manufacturing industry declined due to China's zero-COVID policy, US interest rate hike, and rising energy cost in Europe. When the steel demand shrank sharply and steel price decreased, the cost was still high reflecting the peak of coking coal and iron ore price in Q2 and the profit was significantly squeezed.

✓ Although the cost of raw materials has begun to fall in Q4, the selling price is still in the bottoming stage, and the profit continues to decline.

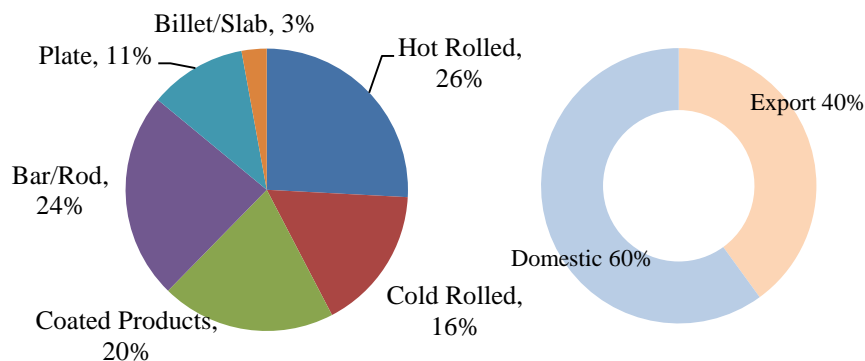
Standalone Production / Sales Performance

Sales analysis

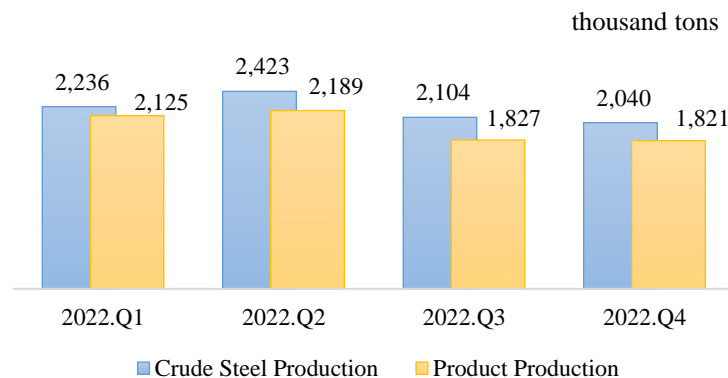


✓ In 2022Q2, the sales volume increased significantly with the improved market sentiment. However, the steel demand was lower than expected as a result of the interest rate hike in the US and China's zero-COVID policy, and the downstream customers destocked, bringing sales volume down significantly in 2022H2.

2022 Sales value breakdown

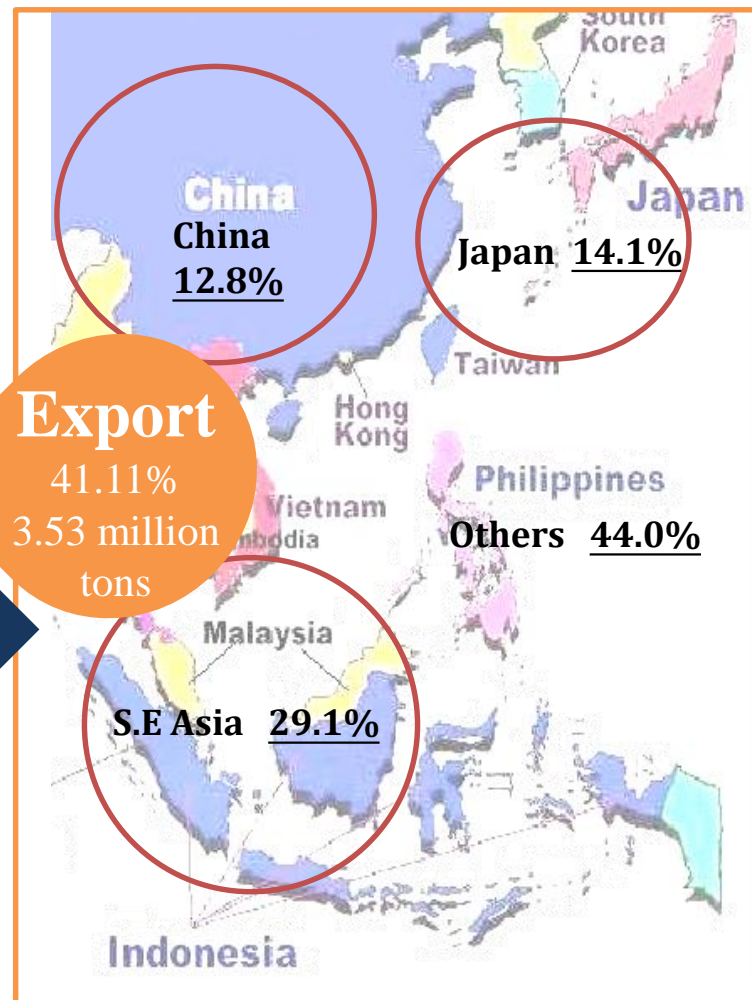
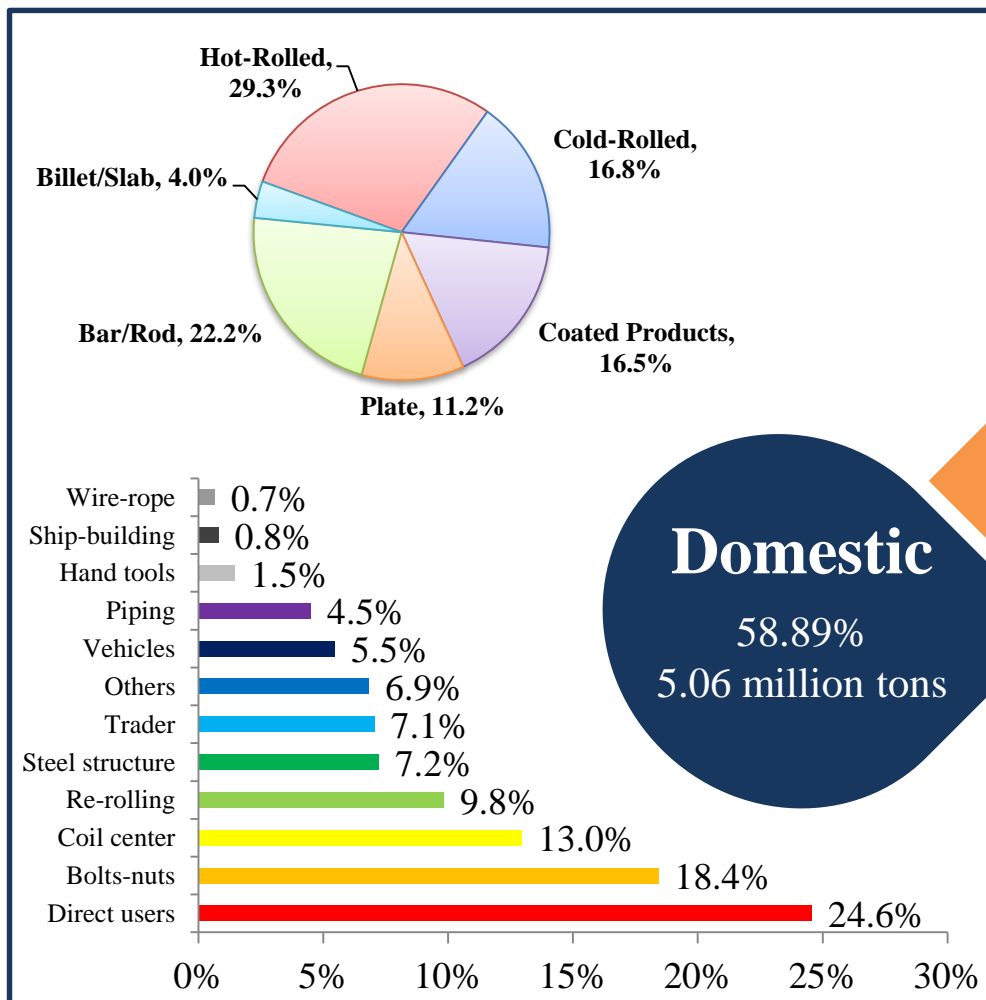


Production analysis



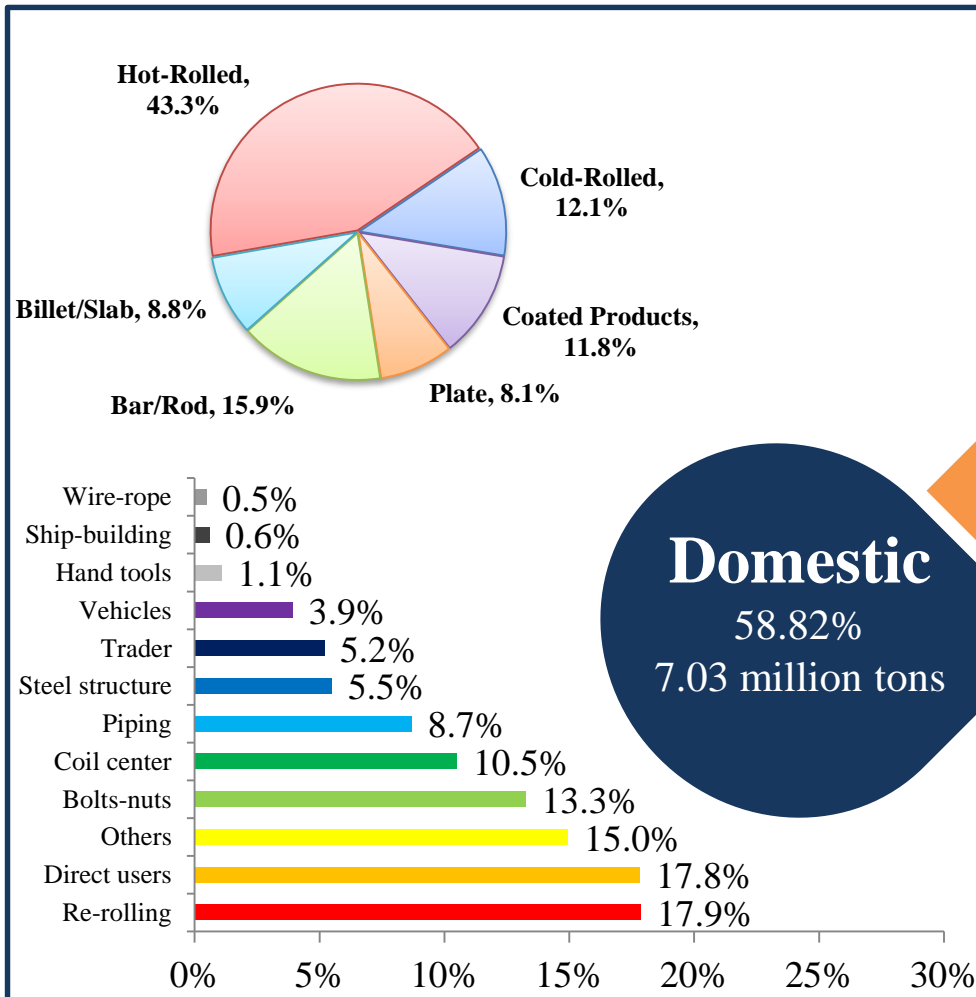
Sales Analysis – CSC standalone

2022 sales volume totaled 8.59 million tons – Sales Breakdown



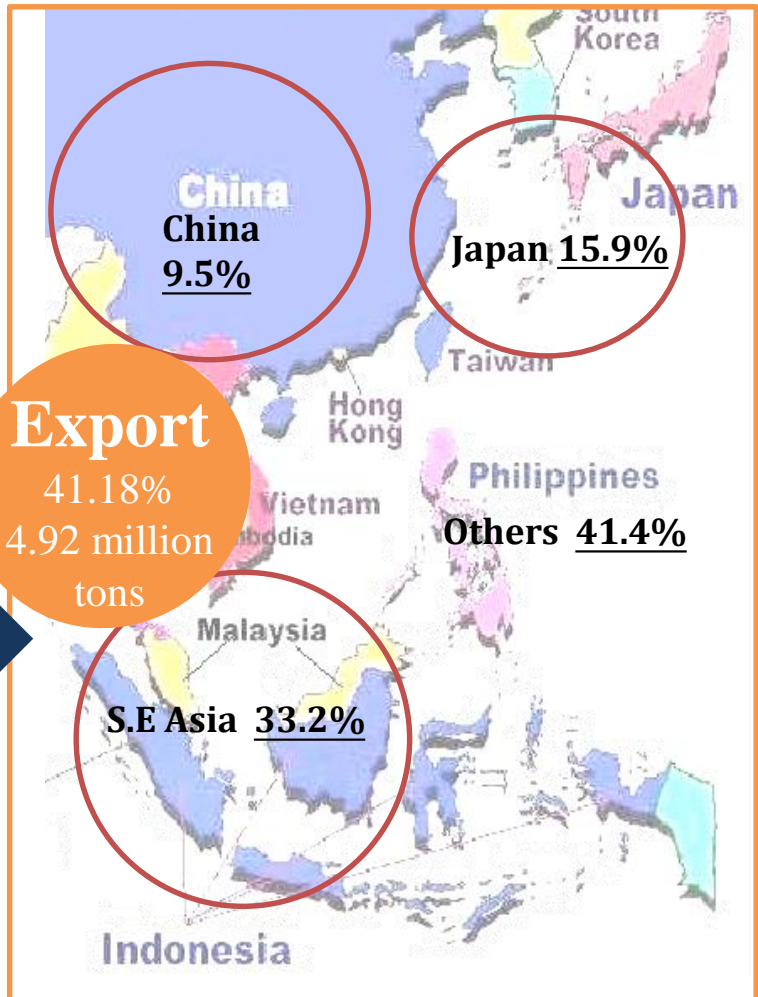
Sales Analysis - CSC & BF products of DSC

2022 sales volume totaled 11.95 million tons – Sales Breakdown



Domestic
58.82%
7.03 million tons

Export
41.18%
4.92 million tons



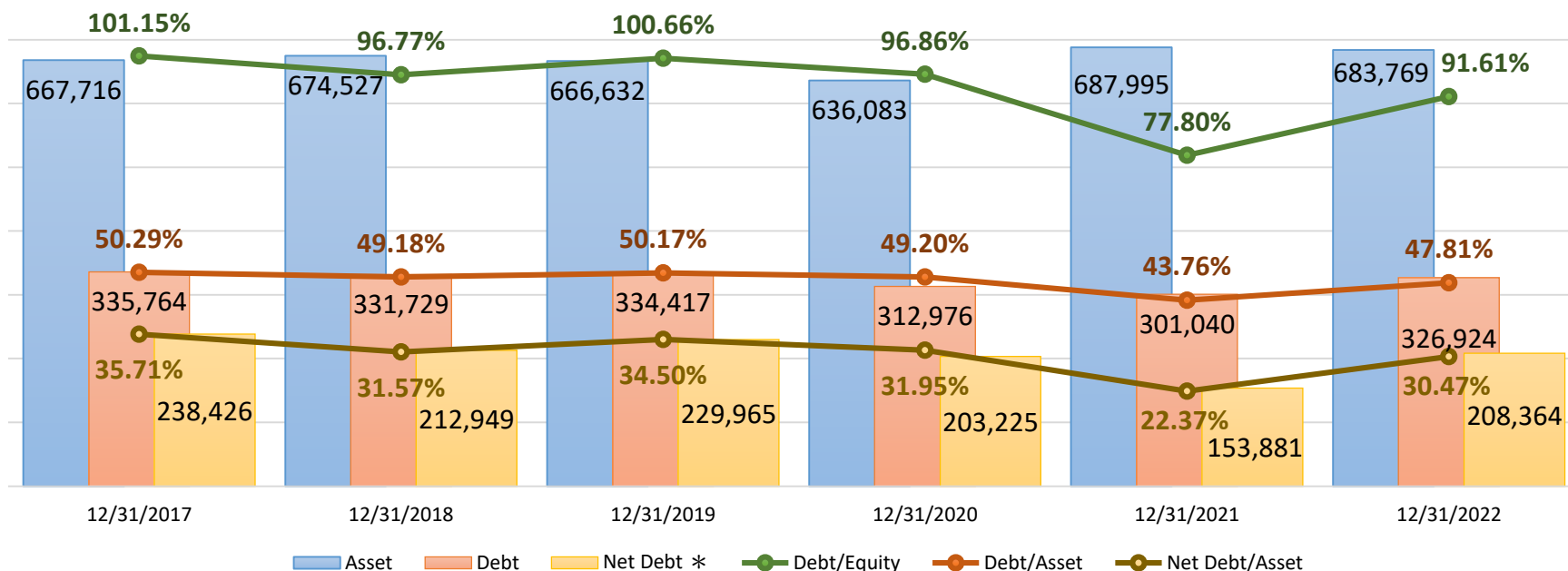
Consolidated Income Statement

Units: NT\$ millions

IFRSs	2022	2021	YoY
Revenues	449,567	468,328	-4%
Gross profit	31,902	95,315	-67%
Gross margins	7.10%	20.35%	
Profit (loss) before tax	23,259	84,414	-72%
<u>Net profit (loss)</u>	<u>17,995</u>	<u>68,906</u>	-74%
Attributable to			
Owners of the corporation	17,784	62,053	-71%
Non-controlling interests	211	6,853	-97%
Earnings Per Share (NTD)	\$ 1.15	\$ 4.02	-71%

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 Positive (2022.04.28)
Fitch Ratings AA (tw); Outlook Stable (2022.12.07)

* 2014~2017 :

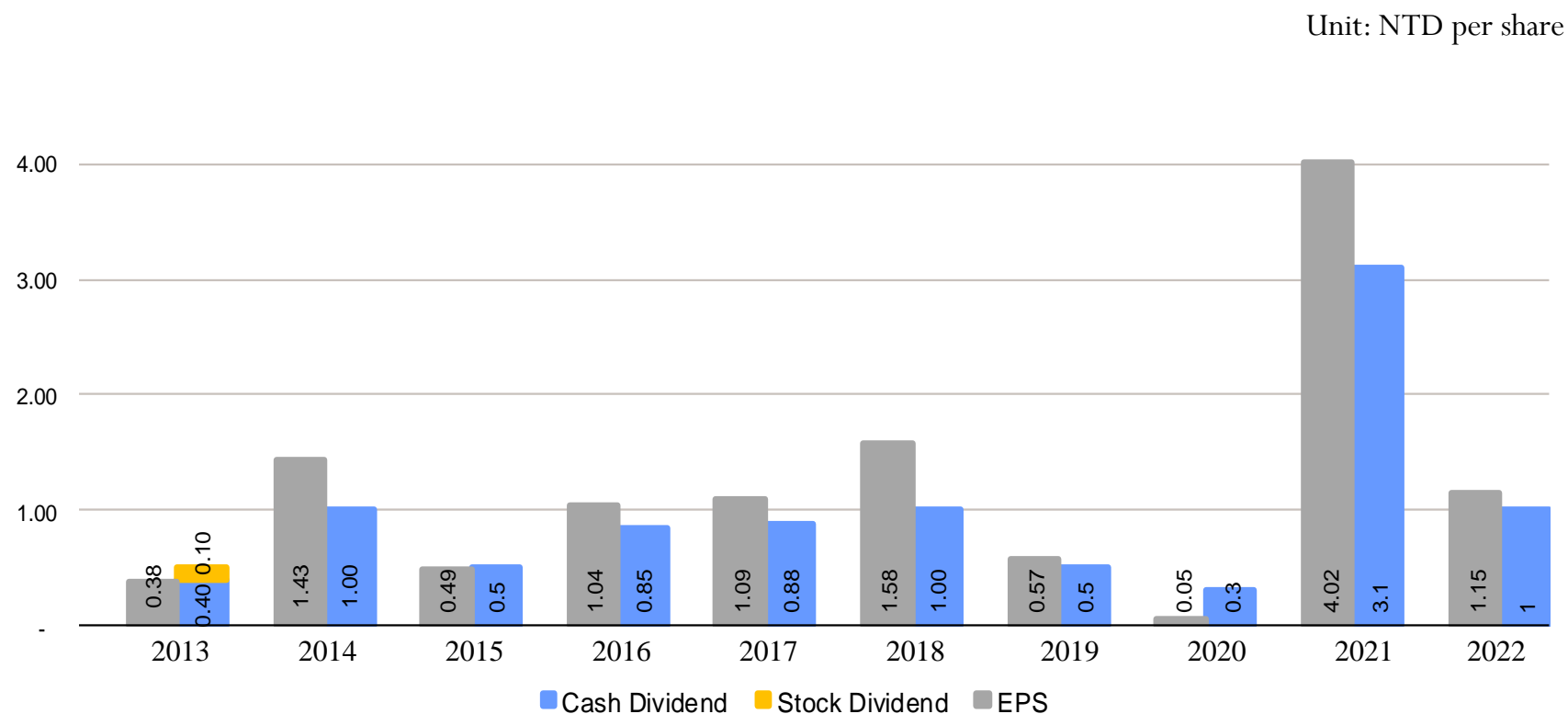
Net debt = Interest Bearing Debt – cash & cash equivalents – (*financial assets at fair value through profit or loss-current+ available-for-sale financial assets-current +held-to-maturity financial assets-current+ derivative financial assets for hedging-current*)

* 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



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 18 profits.

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: **92.4MW** (until the end of 2022)
- Operating performance: (until the end of 2022)

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




Electricity output
435 million kwh


Revenues from electricity sales
1.995 billion


Carbon reduction
around 221k tons

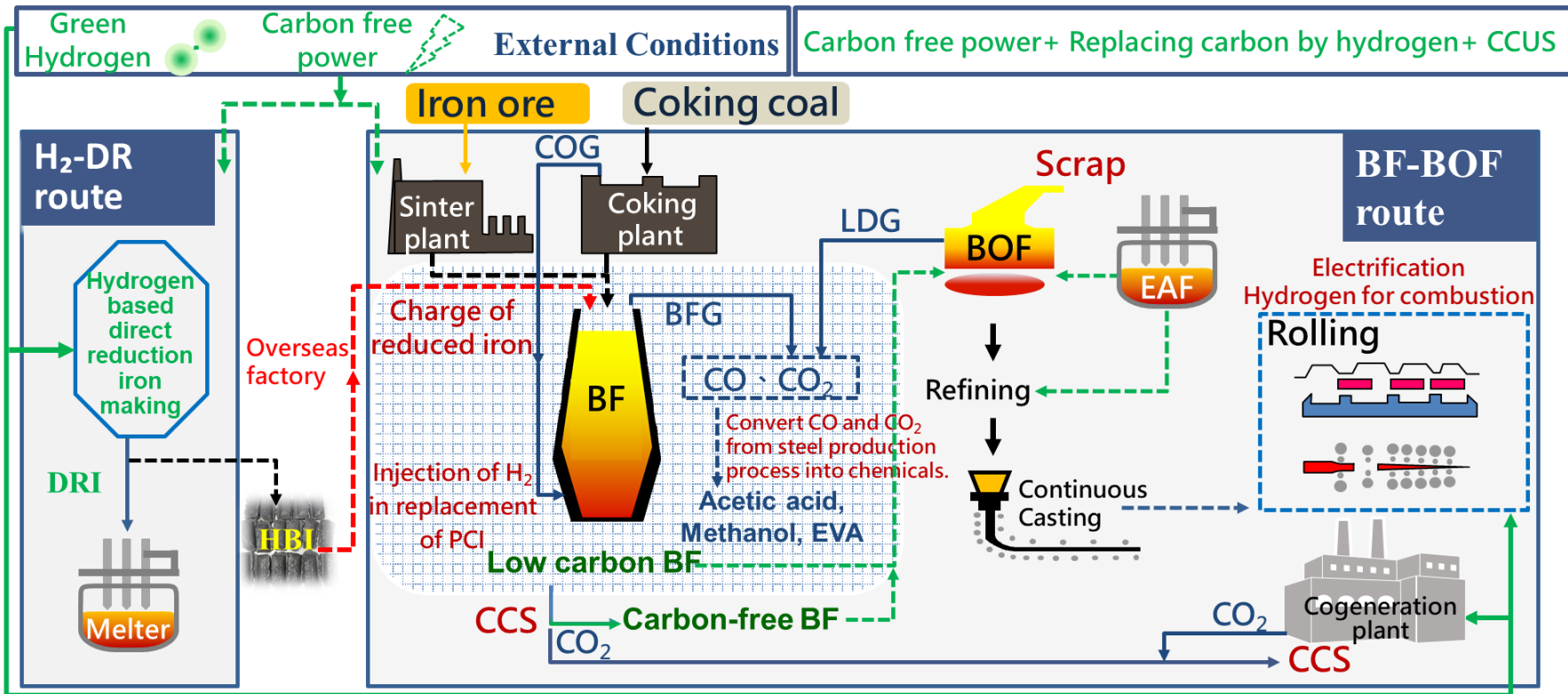

Equivalent to the CO2 absorption of
569 Taipei Daan Park

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

Year	2017~2019	2020	2021	2022	Total
Actual Capacity Installed (MW)	83.2	1.6	2.5	5.1	92.4
Electricity Output (100m kWh)	1.25	1.04	1.01	1.05	4.35

- **Future installation: 3~5MW / yr ; installation target: over 100MW until 2025**
- 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, 43.5MW of electrical business license has been obtained.

Decarbonization Pathway

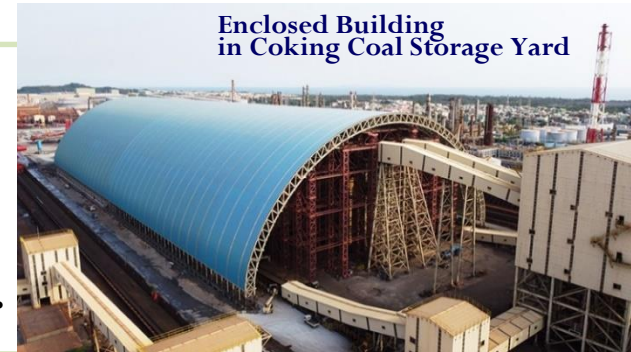


- Facing the challenges of **technology**, **resource**, and **capital**, resulted from the lack of mature technology and green hydrogen resources, as well as the required equipment modification.
- Currently evaluating the investment of **Direct Reduced Iron (DRI) plant** with strategic partners in areas rich in **green hydrogen** and **blue hydrogen** to obtain the required hot briquetted iron (HBI).

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 **98.4%**. (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

- ✓ 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.
- ✓ 2022.04 CSC was ranked **top 5%** in TWSE listed companies in the Corporate Governance Evaluation **for 3 consecutive years** (latest 8th session of 2021).
- ✓ 2022.03 CSC was recognized as a member of worldsteel’s New Sustainability Charter.

Thank you!

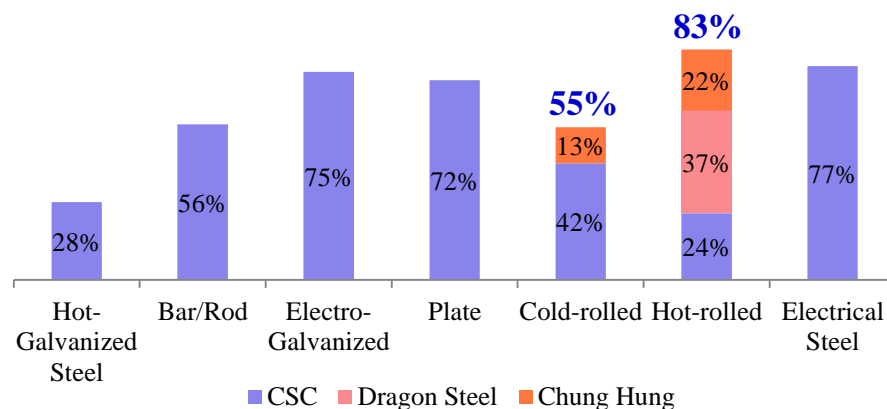
Part 4

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 (2022)



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

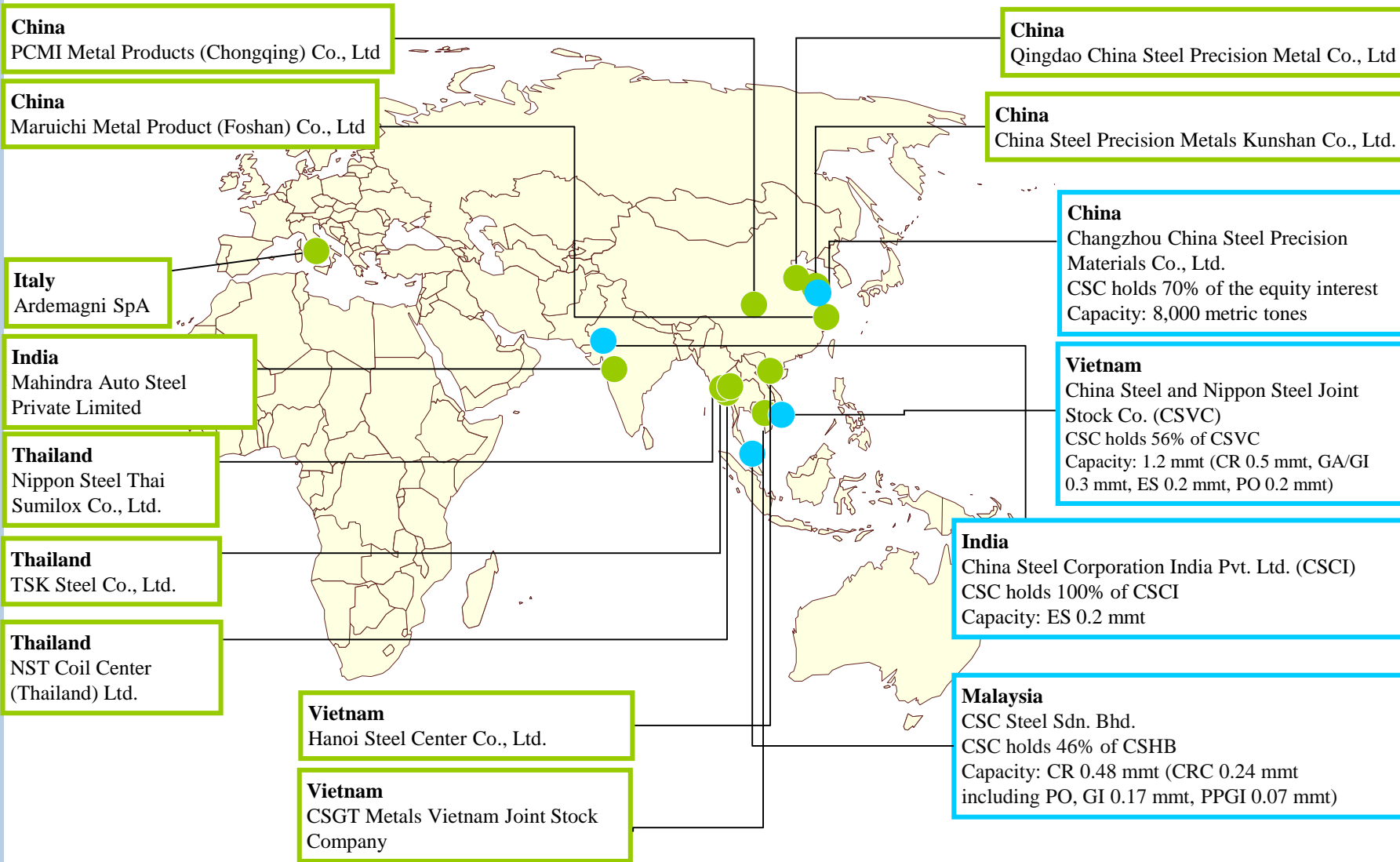
- CSE
- CSGT
- Gains Investment
- China Steel Security
- CPDC

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

2022	Steel	Others	Adjustment & Elimination	Total
Revenues from external customers	\$ 354,287,315	\$ 95,280,173	\$ -	\$ 449,567,488
Inter-segment revenue	<u>87,117,466</u>	<u>67,576,573</u>	<u>(154,694,039)</u>	<u>-</u>
Segment revenue	<u>\$ 441,404,781</u>	<u>\$ 162,856,746</u>	<u>(\$ 154,694,039)</u>	<u>\$ 449,567,488</u>
Segment profit (loss)	\$ 9,893,030	\$ 9,519,809	(\$ 1,147,486)	\$ 18,265,353
Interest income	285,215	256,704	(72,346)	469,573
Financial costs	(1,855,350)	(811,267)	173,210	(2,493,407)
Share of the profit (loss) of associates	8,591,652	4,288,297	(11,301,216)	1,578,733
Other non-operating income and expenses	<u>2,463,769</u>	<u>3,720,012</u>	<u>(745,437)</u>	<u>5,438,344</u>
Profit (loss) before income tax	19,378,316	16,973,555	(13,093,275)	23,258,596
Income tax	<u>2,759,144</u>	<u>2,394,252</u>	<u>110,141</u>	<u>5,263,537</u>
Net profit (loss) for the period	<u>\$ 16,619,172</u>	<u>\$ 14,579,303</u>	<u>(\$ 13,203,416)</u>	<u>\$ 17,995,059</u>