

CSC

September 21, 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.

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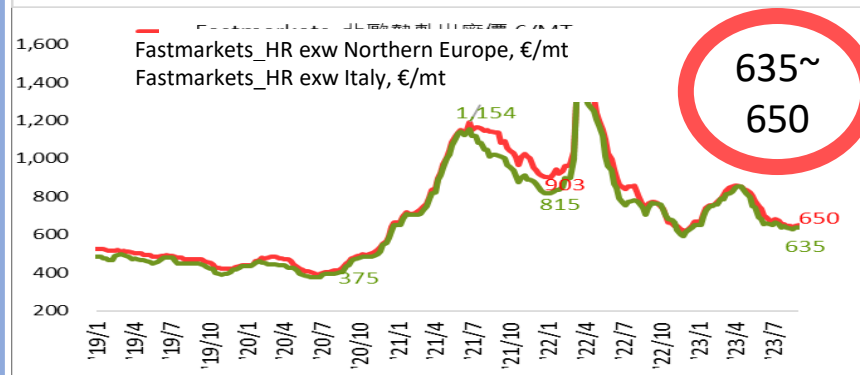
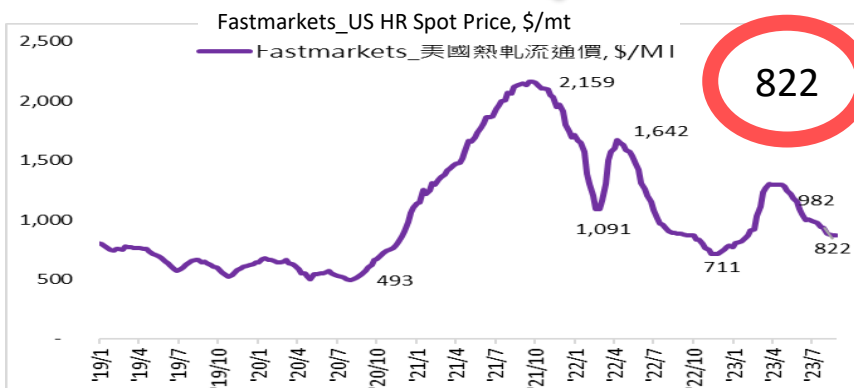
This cautionary statement is applicable to all forward-looking statements contained in this presentation.

Part 1

Steel and Raw Material Dynamics

Major steel market dynamics

- **US:** Possibility of United Auto Workers (UAW) strike is putting downward pressure on steel prices and customers are purchasing only on an as needed basis. Price sinks to a nine-month low. It's expected that the end of the strike will help release the deferred demand.
- **EU:** The end of summer vacation and the shrinking supply following with the safeguard quota running out make steel mills confident about the future recovery of market demand and the price hike. Some mills have already raised their prices. However, buyers are still bearish on the market outlook because the demand has not improved yet. Prices between buyers and sellers are seeing a tug of war.
- **ASEAN:** Sluggish export demand, rising interest rates, and reduced investment have impacted the construction industry. However, as the destocking cycle is ending, if Chinese mills do implement production cuts, the export of Chinese steel to ASEAN will be limited. The demand in Thailand, Malaysia and Philippines are still robust, which is expected to further help supply and demand back to balance.



Major steel market dynamics

➤ **China**

- ✓ China's manufacturing PMI was 49.7 in August (49.3 in July), which was still below 50 boom-bust line but has been rising for three consecutive months, indicating the sign of stabilization in the manufacturing sector. Regarding the steel-using industries, infrastructure, automotive and home appliance are showing robustness while real estate sector is still under performed. The steel mills are changing from expected production cut into actual production cut.
- ✓ Despite the deflation concerns and problems caused by property developers like Country Garden and Zhongzhi Enterprise Group in China, steel demand is expected to gradually be released with a number of stimulus policies launched by the Chinese government. On the supply side, some steel mills have received production restriction notices, and the market expects steel supply to shrink then. The recovery in demand will help push up the steel prices.

➤ **Taiwan**

- ✓ Affected by the fluctuations in the international geopolitical situation, Taiwan's domestic demand is better than export and Taiwan's export has fallen for 11 consecutive months in July. Regarding domestic steel-using industry, steel structure industry is expecting a recovered construction demand in public projects and factories in Q4. The demand of wire rods is still low due to decrease in export orders. Automotive and motorbikes industries continue to perform well. API export is under pressure due to destocking activities from US oil pipe customers.
- ✓ The manufacturing indicators announced by Taiwan Institute of Economic Research (TIER) have shifted from a sequence of four consecutive blue lights to a yellow-blue light, primarily due to a rebound in new orders for the manufacturing sector. Coupled with the upcoming strong sales season for tech products in the fourth quarter and the increasing demand for inventory stocking, exports and production performance have all shown signs of warming. This implies a bottoming-out and subsequent rebound in manufacturing sector.

Global steel market outlook

Risk in China's real estate market is under control

With the government's policies to spur the real estate markets, **the spillover risk in China's real estate market is under control.**

Release of deferred demand in China

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

Expected production cut turns to actual production cut

Chinese authority is calling on steel mills to cut production which will help ease the current supply-demand imbalance. Many local governments have already announced its annual **maximum crude steel production.**



The impact of interest rate hikes has faded, and the US economy is better than expected

The interest rate hike cycle is coming to the end in Europe and the US, and its **impact on real economy is expected to gradually fade.** The US labor market and economy perform better than expected.

Expected recovery in Taiwan's export

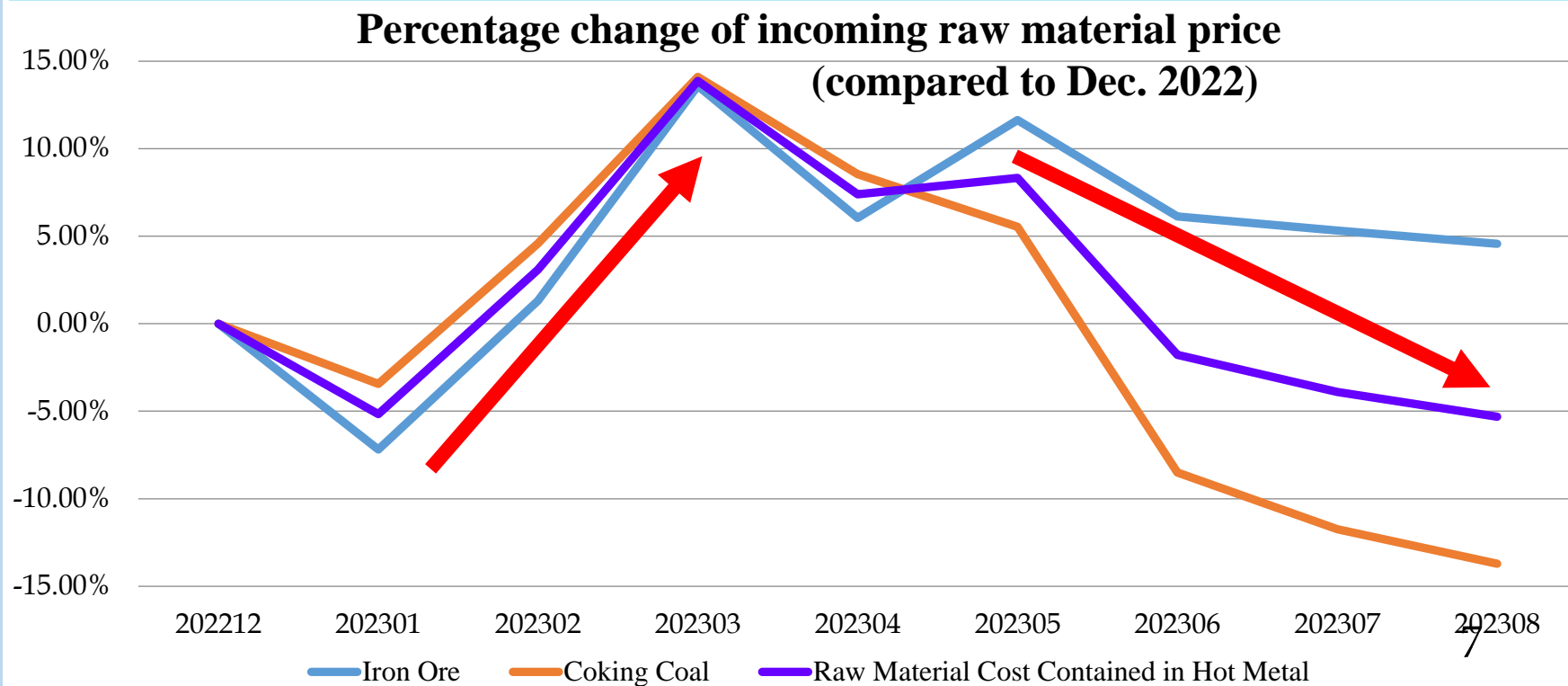
As the **destocking activity of manufacturing sector might reach an end in late Q4**, export performance is expected to be better.

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.**

Raw material price trend

- From late March to Q2, the supply of raw materials became looser as Australia's rainy season came to an end. The lower-than-expected recovery of steel demand also pushed down the steel prices. Loose supply and weakening purchasing demand for raw materials have caused coking coal price to fall sharply, and iron ore price have also fallen gradually.
- Entering August, the spot price of coking coal greatly rebounded because of the supply-side strikes and restocking demand after the rainy season in India, and the iron ore price also gradually increased due to the restocking activities from China, which was not yet reflected in CSC's purchase price.



Part 2

Operating Performance

Consolidated Financial Performance

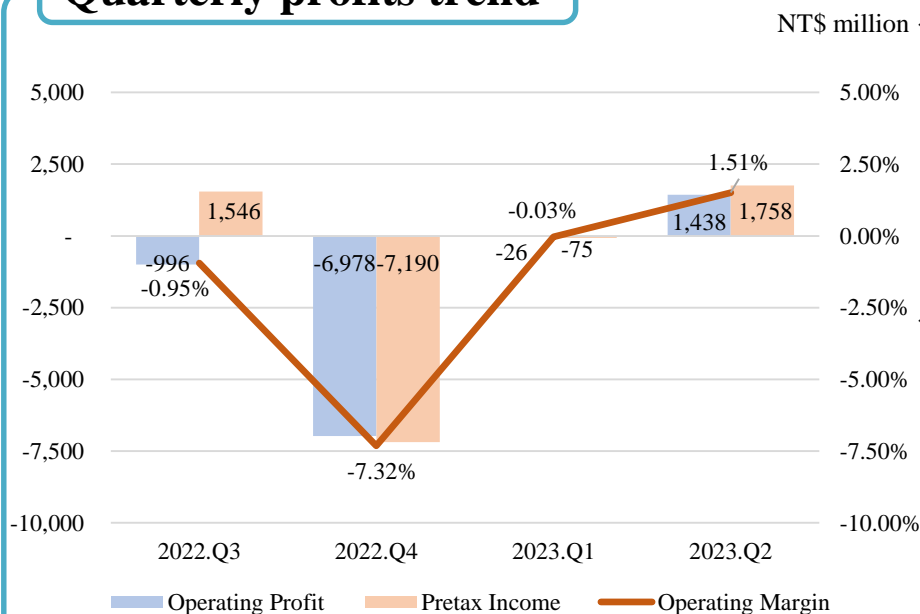
Latest operating results

Amount: NT\$ million

Item	*2023.8	*2023.7	MoM	*2023.1~8	2022.1~8	YoY
Operating Revenue	30,550	28,221	8%	245,474	324,278	-24%
Operating Income	285	-1,145	125%	552	28,914	-98%
Operating Income Margin	0.93%	-4.06%		0.22%	8.92%	
Income Before Income Tax	42	-401	110%	1,324	31,859	-96%

*preliminary results

Quarterly profits trend

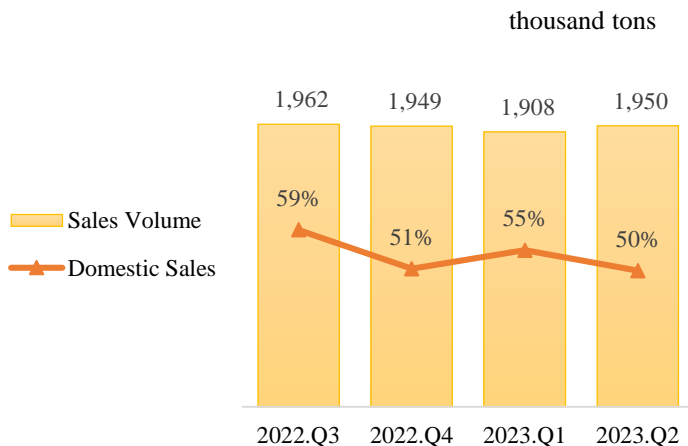


NT\$ million ✓ In 2023Q1, with the complete lifting of restriction in China and the improvement of demand in Europe and the U.S, steel demand had gradually increased, driving the steel price to rebound. CSC's consolidated profit had turned positive since February.

✓ In 2023Q2, with the increase of CSC's pricing in April/Q2, price of steel products and profit kept returning. Even though the international steel market fell sharply afterward, which led to the price downturn and net loss from June, but the profit still remained positive in Q2.

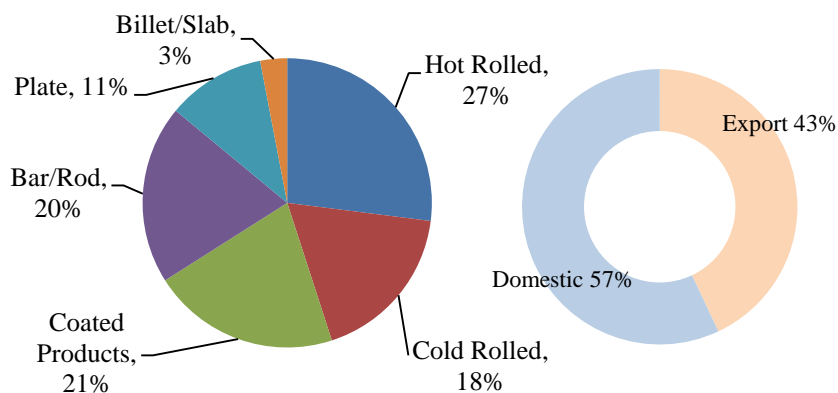
Standalone Production / Sales Performance

Sales analysis

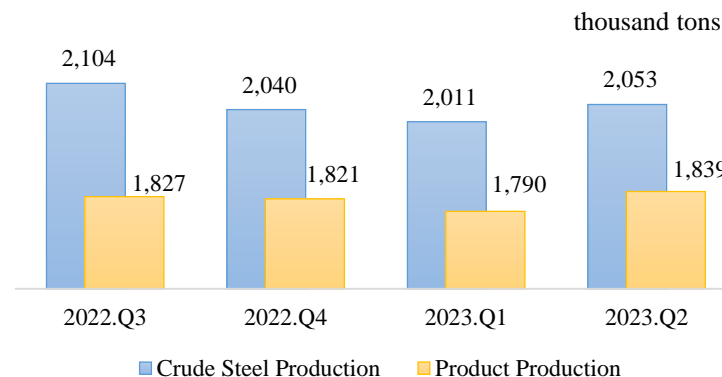


- ✓ In 2023Q1, although there were fewer working days due to the Lunar New Year, as steel demand improved and customers' demand for restocking increased, sales volumes remained stable in Q1.
- ✓ In 2023Q2, owing to the downturn of international market, customers became conservative and the sales volumes fell back slowly since March, the relatively high point this year. Overall, sales volumes remained stable from Q1 to Q2.

2023.H1 Sales value breakdown

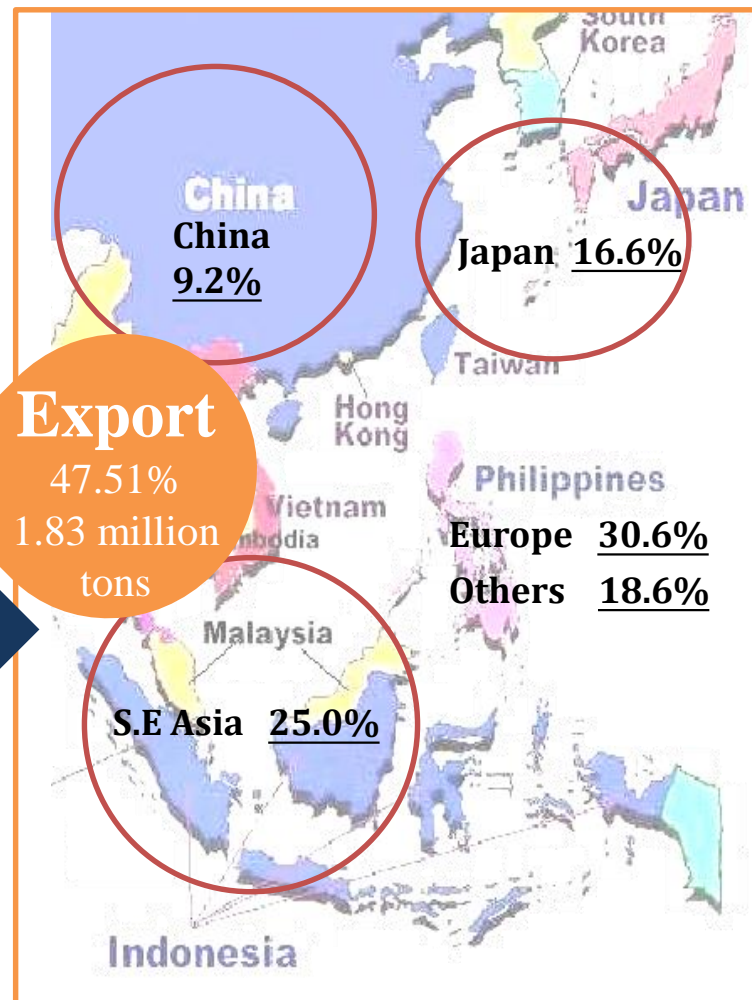
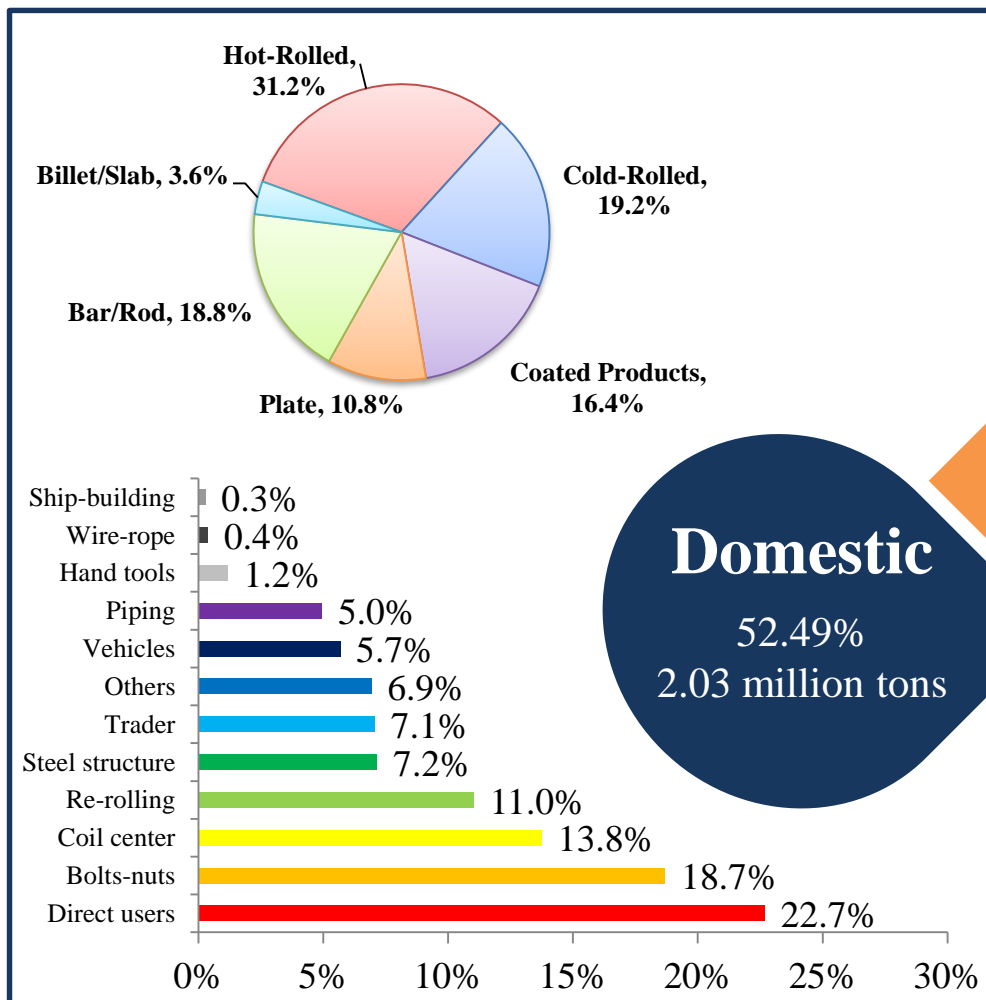


Production analysis



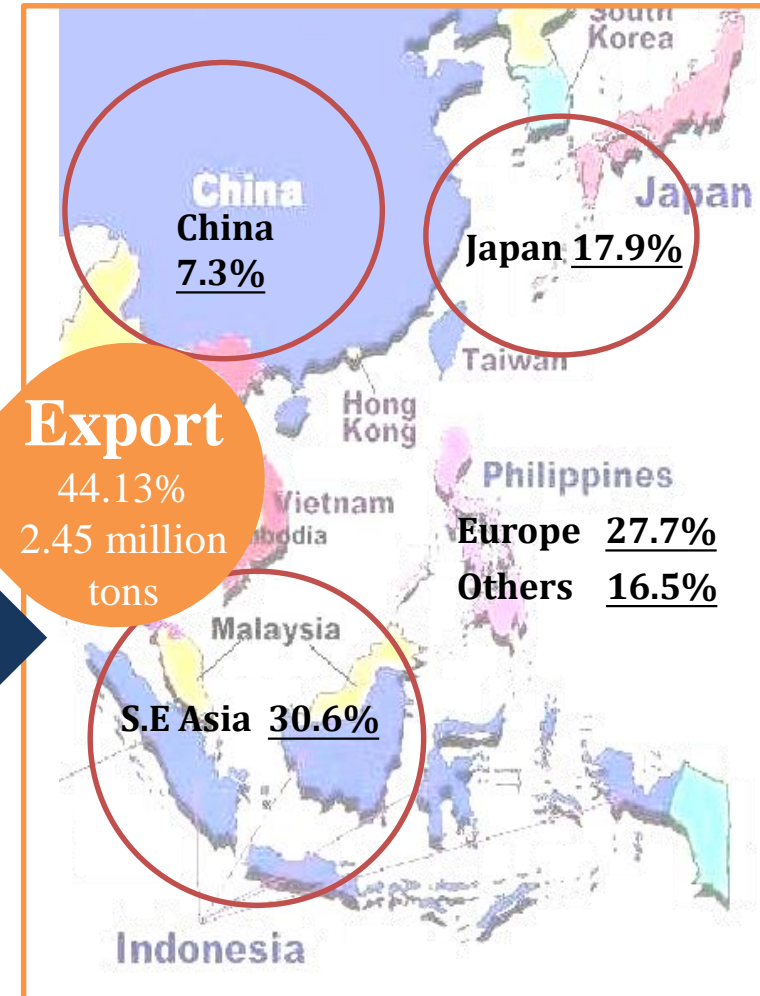
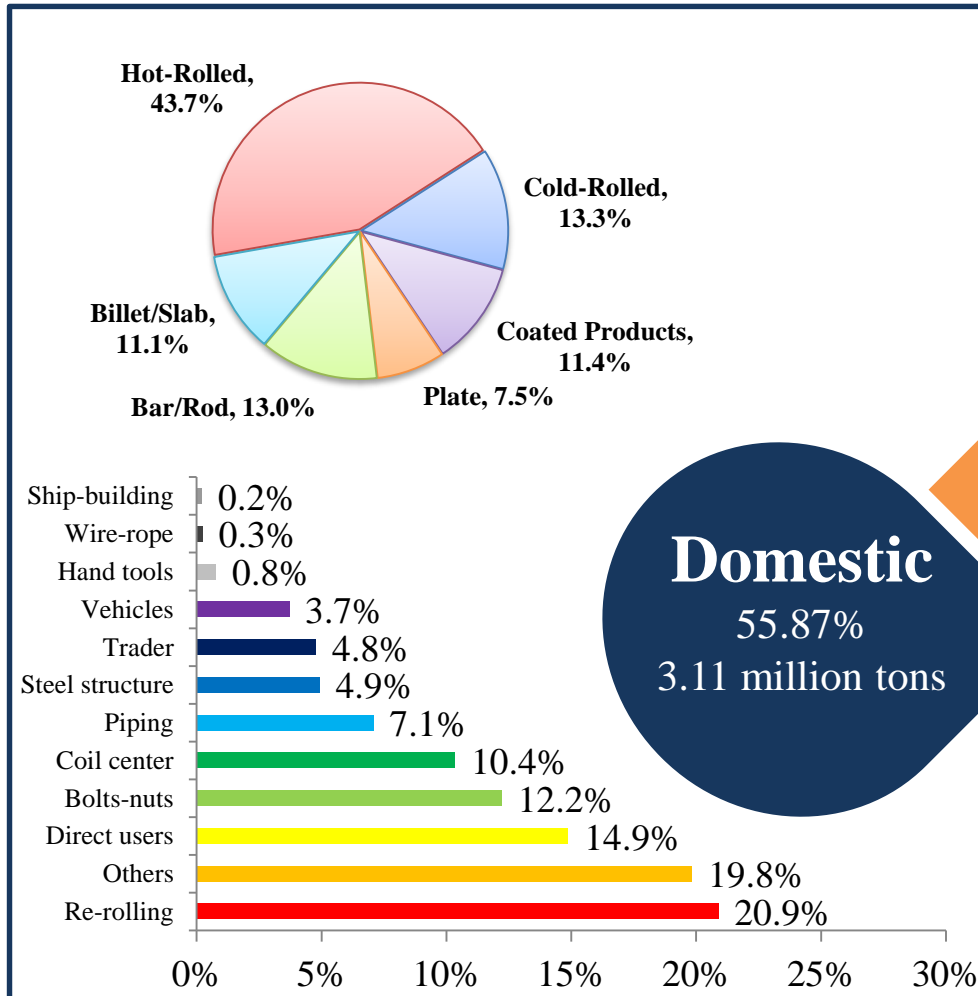
Sales Analysis – CSC standalone

2023.H1 sales volume totaled 3.86 million tons – Sales Breakdown



Sales Analysis - CSC & BF products of DSC

2023.H1 sales volume totaled 5.56 million tons - Sales Breakdown



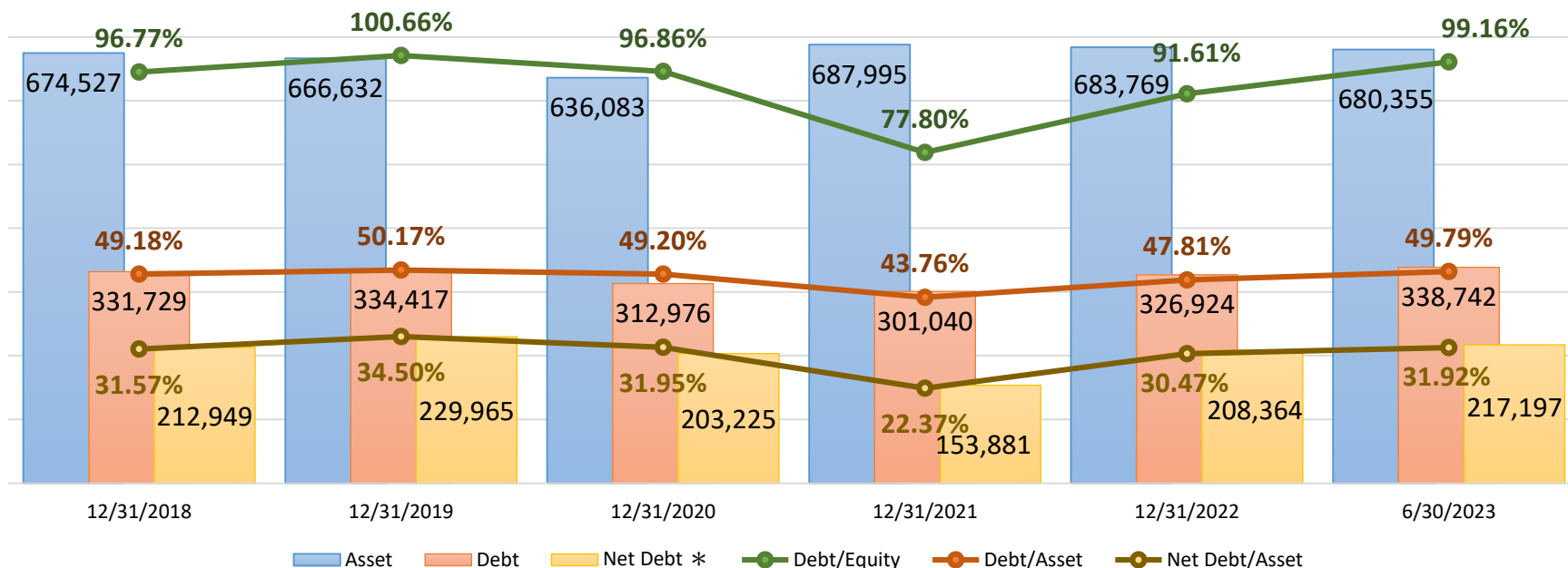
Consolidated Income Statement

Units: NT\$ millions

IFRSs	2023.H1	2022.H1	YoY
Revenues	186,703	248,850	-25%
Gross profit	8,185	33,084	-75%
Gross margins	4.38%	13.29%	
Profit (loss) before tax	1,683	28,902	-94%
<u>Net profit (loss)</u>	<u>1,376</u>	<u>22,737</u>	-94%
Attributable to			
Owners of the corporation	268	20,855	-99%
Non-controlling interests	1,108	1,882	-41%
Earnings Per Share (NTD)	\$ 0.02	\$ 1.35	-99%

Consolidated Financial Position

Units: NT\$ millions

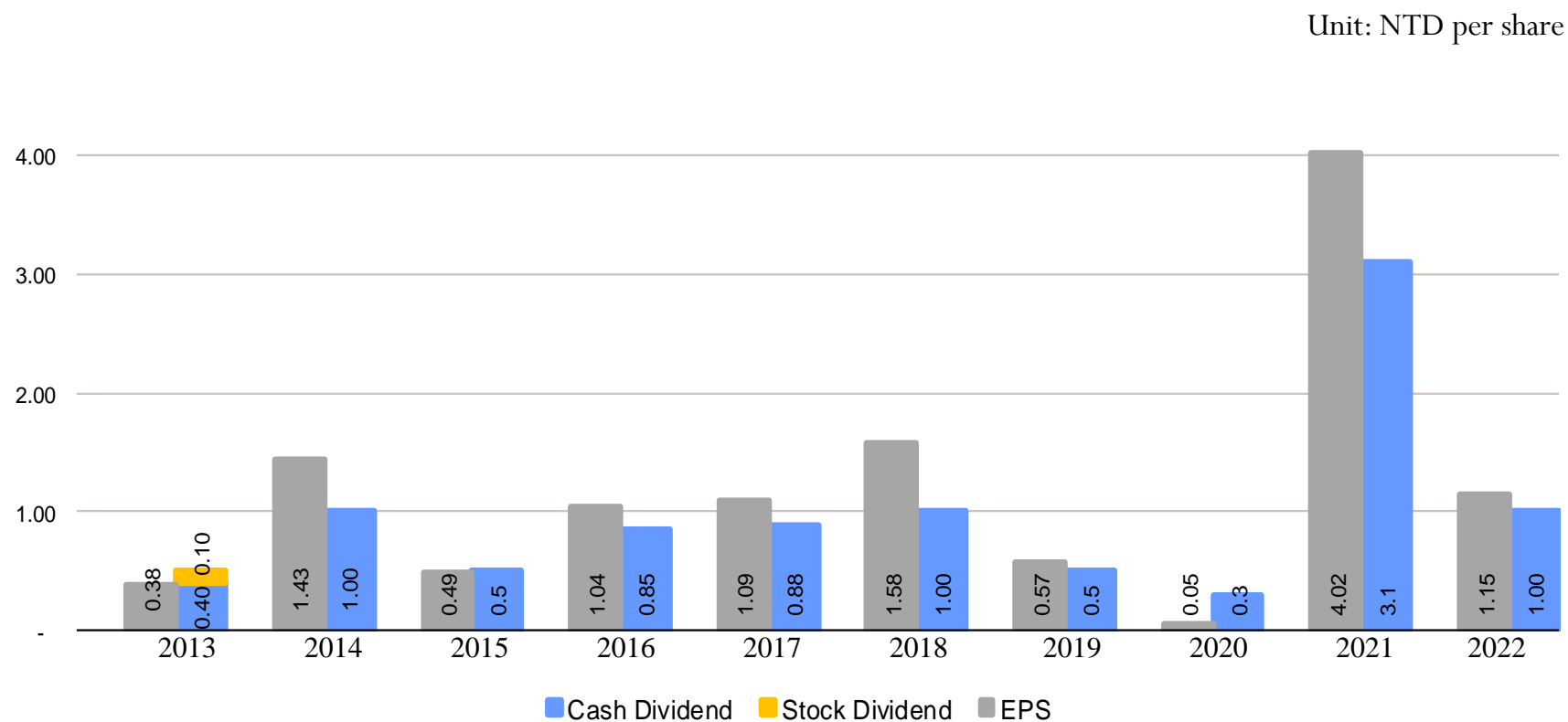


- ✓ In response to the environment of rising interest rates, multiple domestic financing channels, such as issuing corporate bonds, are used to reduce the impact of rising financial costs.
- ✓ Credit rating: Taiwan Ratings twAA- ; Outlook Stable (2023.04.28)
Fitch Ratings AA (tw); Outlook Stable (2022.12.07)

* 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 & Home Appliance	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 2023H1 reached 256.5 thousand tons, accounting for **7.0%** of total volume, **10.8%** of sales revenues, and **73.0%** of gross 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 resources from industries, government, academia and research institutes to execute projects like **Technology Development Program, Academia-Industry Collaboration and Industrial Technology Foresight Research Program** to develop technologies, like **core technologies for electric vehicle power system.**

Industry service work

- Providing multi-programs of **process technology, quality control, logistics management**, etc. and helping customers to build their **carbon control capability**.

Integrating resources from industries, government, academia and research institutes to facilitate upgrade and transformation of steel industry and generating industry 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.

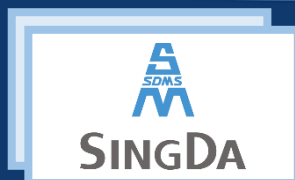


CSC Shareholding: **46.71%**

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.
- 31 substructures for Zhongneng Offshore Wind Farm Project has been accepted by the owner, and the delivery began in August, 2023.




Cultivate in the Green Industry Business – Solar Power


- CSC group shareholding: **100%**
- Capital: **NTD 1.744 billion**
- Capacity Installed: **96.1MW** (until the end of August 2023)
- Operating performance: (until the end of August 2023)

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




Electricity output
509
million kWh


Revenues from electricity sales
2.36 billion


Carbon reduction
around
252k tons

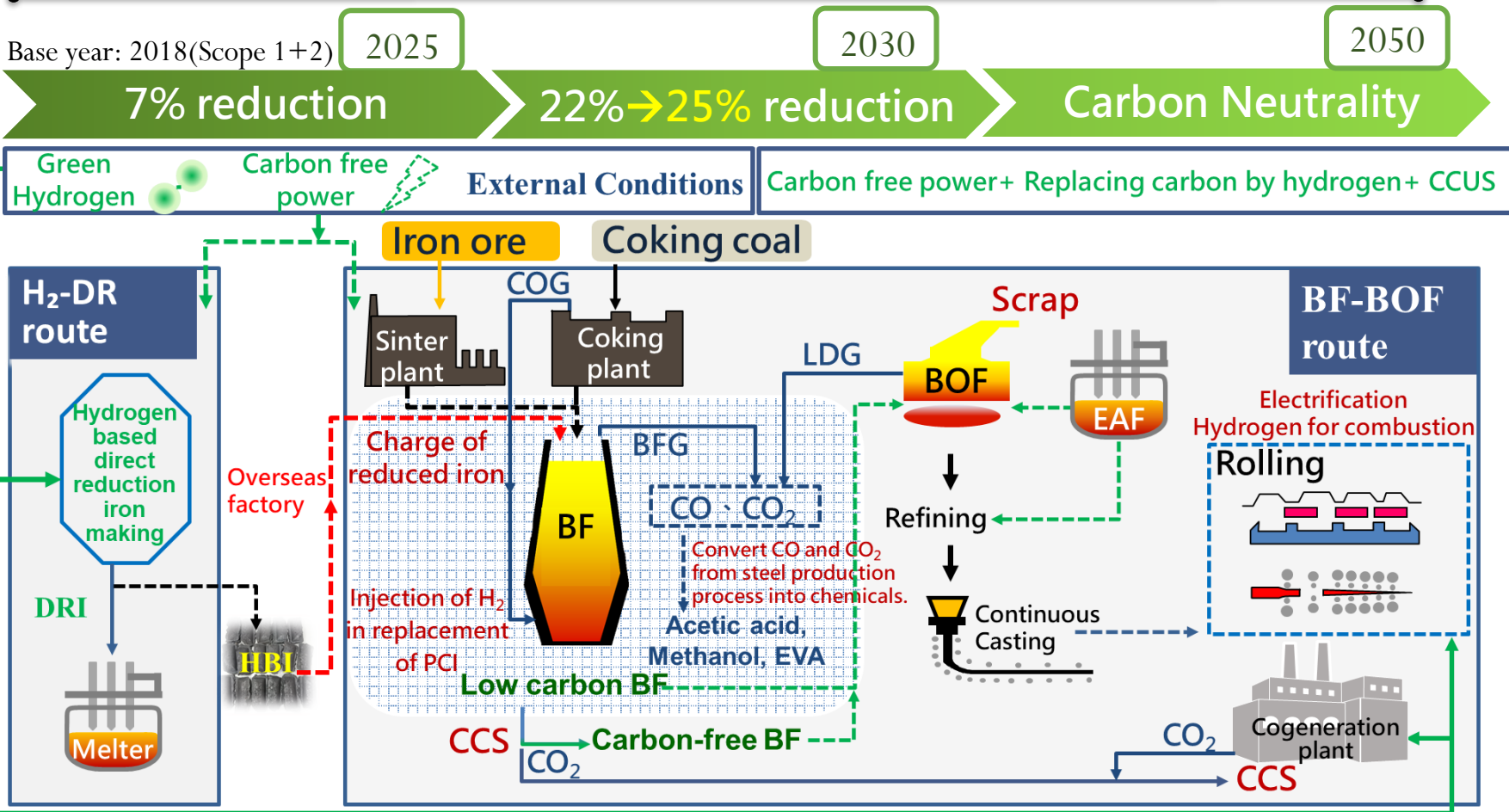

 Equivalent to the CO2 absorption of
646
Taipei Daan Park

*Estimated based on the 2022 Taipower electricity carbon emission factor, 0.495 kg CO2e/kwh

Year	2017~2020	2021	2022	2023	Total
Actual Capacity Installed (MW)	84.8	2.5	5.1	3.7 (until August)	96.1
Electricity Output (100m kWh)	2.29	1.01	1.05	0.74 (until August)	5.09

- **Future installation: 2~3MW / yr ; target: over 100MW by 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.
- Electrical business license (**accumulated 60.0MW**) has been obtained to gradually increase the proportion of renewable energy used by the group companies. In 2023, the green energy supplied to the group will reach more than **52.4 million kWh**, and **more than 52,400 green energy certificates** will be obtained.

Decarbonization Pathway

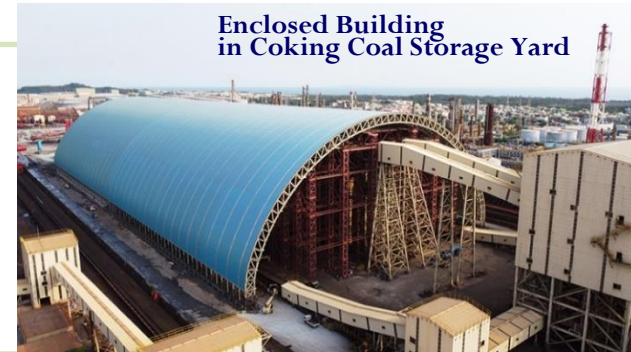


- Facing the challenges of **technology**, **resource**, and **capital**, resulted from the lack of mature technology and green hydrogen resources, as well as required equipment modification.
- Established the **Product Carbon Intensity System** to calculate the carbon emissions of each process, production 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 **NTD 12.475 billion**.
- ✓ Keep doing air quality improvement projects with the amount of **NTD 35.508 billion** from 2023~2026.

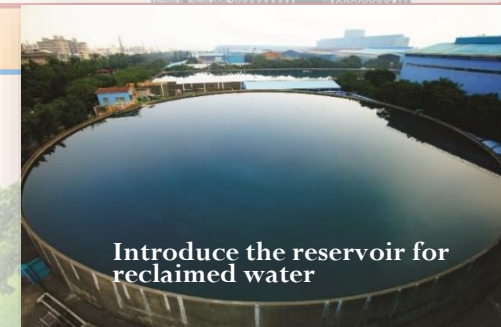


Reduction of greenhouse gas

- ✓ Participate in the **GHG voluntary reduction** program held by Industrial Development Bureau. 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 implementation of **1,318** 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 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

- ✓ 2023.07 CSC won 1 Gold Award, 2 Silver Awards and 1 Bronze Award in the Asia-Pacific Sustainability Action Award and the Taiwan Sustainability Action Award by Taiwan Institute for Sustainable Energy (TAISE).
- ✓ 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 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!

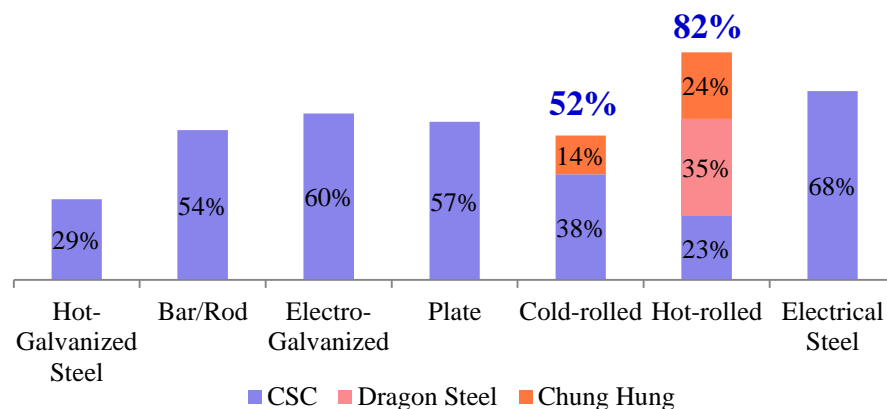
Part 4

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.H1)



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

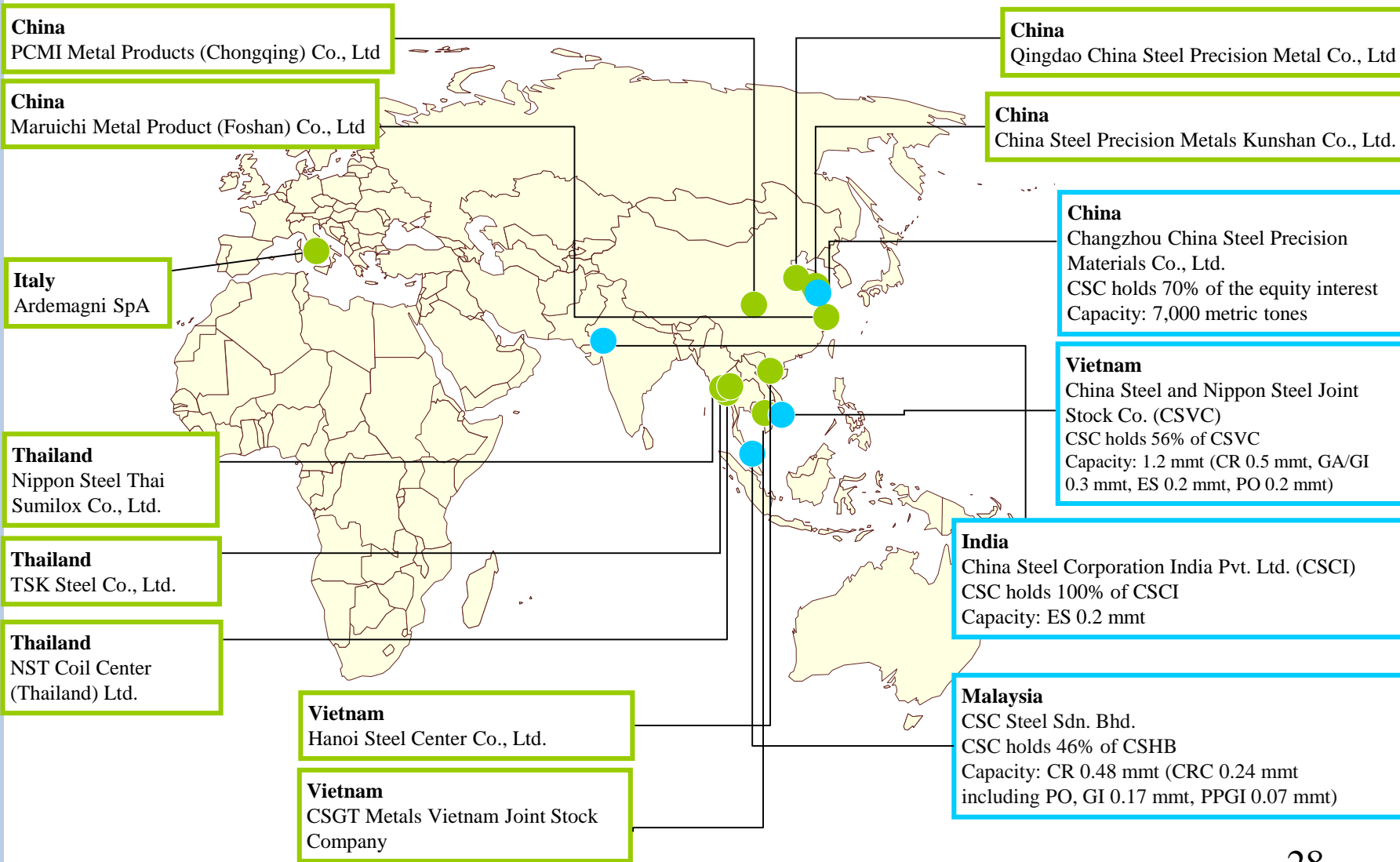
- CSE
- CSGT
- Gains Investment
- China Steel Security
- CPDC

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.



Segment revenues and operating results

Unit : NTD Thousands

2023.H1	Steel Department	Non-steel Department	Adjustment and Elimination	Total
Revenue from external customers	\$ 146,999,444	\$ 39,703,426	\$ -	\$ 186,702,870
Inter-segment revenue	<u>32,501,776</u>	<u>29,955,753</u>	<u>(62,457,529)</u>	<u>-</u>
Segment revenue	<u>\$ 179,501,220</u>	<u>\$ 69,659,179</u>	<u>(\$ 62,457,529)</u>	<u>\$ 186,702,870</u>
Segment profit (loss)	(\$ 3,677,410)	\$ 5,143,662	(\$ 54,460)	\$ 1,411,792
Interest income	217,767	264,329	(55,230)	426,866
Financial costs	(1,312,184)	(592,845)	108,599	(1,796,430)
Share of the profit (loss) of associates	1,307,760	1,720,136	(2,669,213)	358,683
Other non-operating income and expenses	<u>838,728</u>	<u>789,503</u>	<u>(345,739)</u>	<u>1,282,492</u>
Profit (loss) before income tax	(2,625,339)	7,324,785	(3,016,043)	1,683,403
Income tax (benefit)	<u>(672,599)</u>	<u>1,012,694</u>	<u>(32,911)</u>	<u>307,184</u>
Net profit (loss) for the period	<u>(\$ 1,952,740)</u>	<u>\$ 6,312,091</u>	<u>(\$ 2,983,132)</u>	<u>\$ 1,376,219</u>