

CSC

June 27, 2024



Agenda

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

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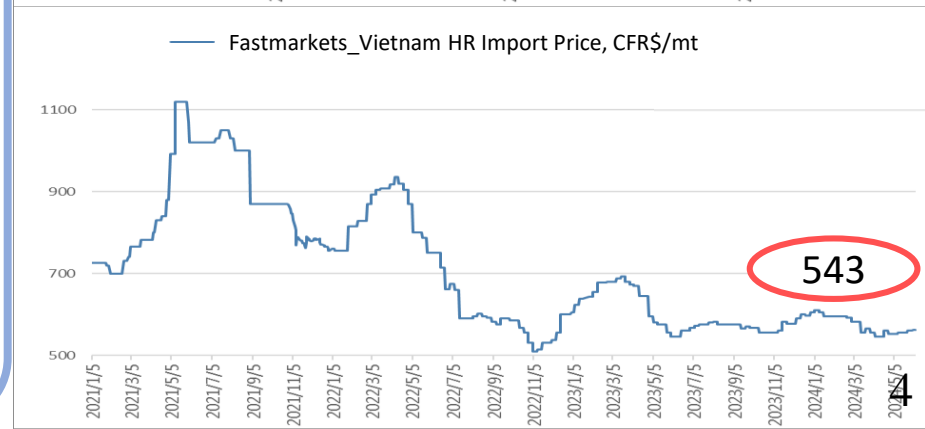
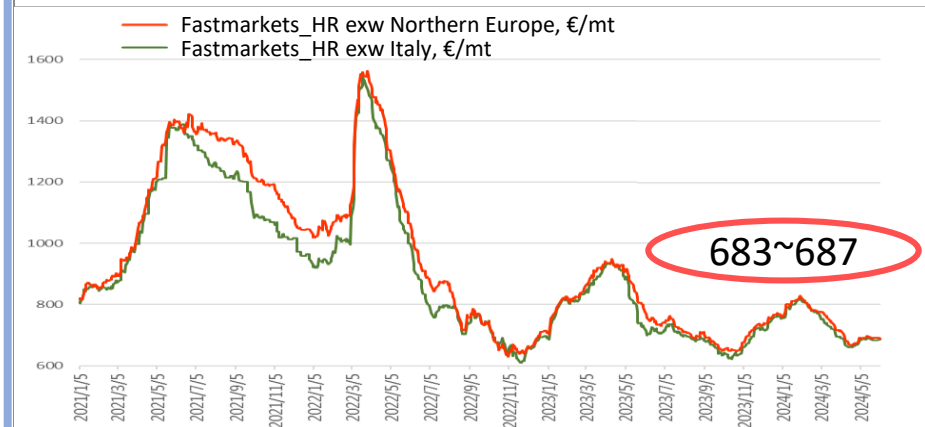
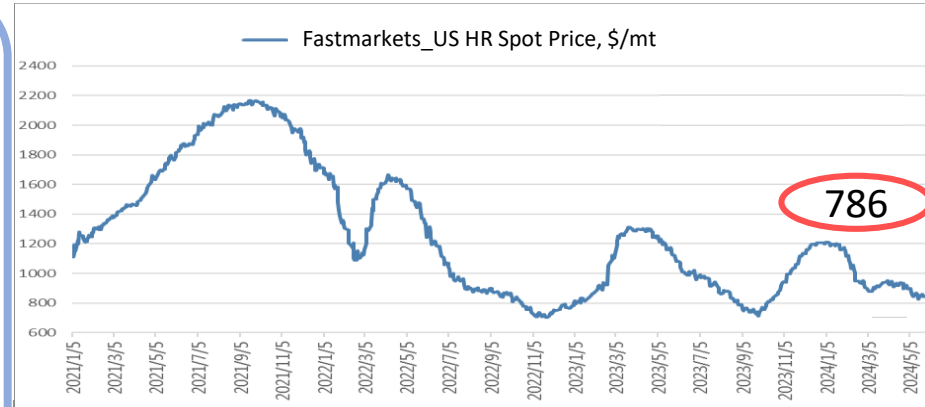
This cautionary statement is applicable to all forward-looking statements contained in this presentation.

Part 1

Steel and Raw Material Dynamics

Major steel market dynamics

- **US:** Due to weak demand and imminent off-season, price kept falling and purchasing is expected to be limited in the short term. Buyers anticipated that Nucor's CSP(Consumer Spot Price) would serve as the starting point for negotiations and hoped to purchase at a price lower than CSP.
- **EU:** Trading activity was sluggish and traders were only filling inventory gaps, which drove prices lower. However, EU steel safeguard has been extended for two years, and a 15% cap on residual quotas for HRC has been imposed. The limited supply of imported steel products may help stabilize local prices.
- **ASEAN:** Demand for auto, motorcycle, and construction has yet to fully recover. End users replenished inventory in a small amount. In Vietnam, FHS and Hoa Phat cut prices, and the import quotes from China also revised down slightly. Steel prices stayed rangebound in the short-term.



Major steel market dynamics

➤ China

- ✓ China's CPI increased by 0.3% YoY in May. Although it remained flat compared to April, there were still concerns about deflation. The May official manufacturing PMI declined to 49.5, dropping below the boom-bust line of 50 again after two months, while the Caixin Manufacturing PMI (mainly SMEs) increased by 0.3 to 51.7, the highest since July 2022. The divergence in economic indicators implied that China's economic recovery is still fragile. More policies were needed to stimulate consumption and boost market confidence.
- ✓ The Chinese government continues to implement controls on crude steel output this year. Steel supply is expected to be suppressed. In addition, stimulus policies have been launched recently, such as a basket of real estate policies that were introduced on May 17th to boost market confidence. Market activity is expected to pick up, and real estate sales are expected to improve, thereby driving steel demand.

➤ Taiwan

- ✓ As the demand for AI boosted exports and private consumption remained healthy, the Directorate-General of Budget, Accounting and Statistics (DGBAS) significantly revised up the annual economic growth rate by 0.51 percentage point to 3.94%. The National Development Council's economic indicator for April flashed a yellow-red signal for the first time since March 2022. Moreover, the leading and coincident indicators continued to rise, indicating that the domestic economy was recovering steadily.
- ✓ Regarding the domestic steel-using industry, the machinery industry continued to face challenges such as the depreciation of JPY and China's termination of the ECFA tariff reductions. The demand for steel structure industry continued to benefit from building and public constructions. The demand for wire rods experienced a slow recovery. Demand for the automotive and motorcycle industry remained stable. API exports were under pressure due to weak demand and competition from other countries.

Global steel market outlook

Steel prices rangebound in the US and EU

US steel mills adjusted spot prices, and European demand has yet to recover. The downstream purchasing remained conservative, waiting for supply and demand adjustments and interest rate cuts to take effect.

Rebalance of steel supply and demand is in progress

The crude steel production in **China** from January to April this year reduced by 3% YOY. **Steel supply is curbed. Along with worldsteel's estimation that steel demand will grow 1.7% YoY in 2024** (about 30 million tons), steel supply and demand had shown positive improvement.

Tightening of tariff measures had led to a reduction in trade momentum

Tightening of global tariff measures, such as the US imposing tariffs on China under Section 301, multiple countries planning trade remedies against China, the EU extending safeguards and limiting steel quotas, and China canceling ECFA tariff reductions for Taiwan, **could potentially slow down the overall trade momentum.**

Steady recovery of the economy and manufacturing industry

The **IMF** estimated that the global economic growth rate will be 3.2% this year, **and recently revised up China's growth rate to 5% (from 4.6%)**. Manufacturing PMI in the US, Europe, and China are gradually recovering, favoring the release of steel demand.

Continued expansion of stimulus policies in China

China is extending its stimulus measures to boost real estate (through the May 17th policy) and new energy vehicles, **encouraging construction and consumption to alleviate supply-demand imbalances.**

Interest rate cuts would help support steel prices

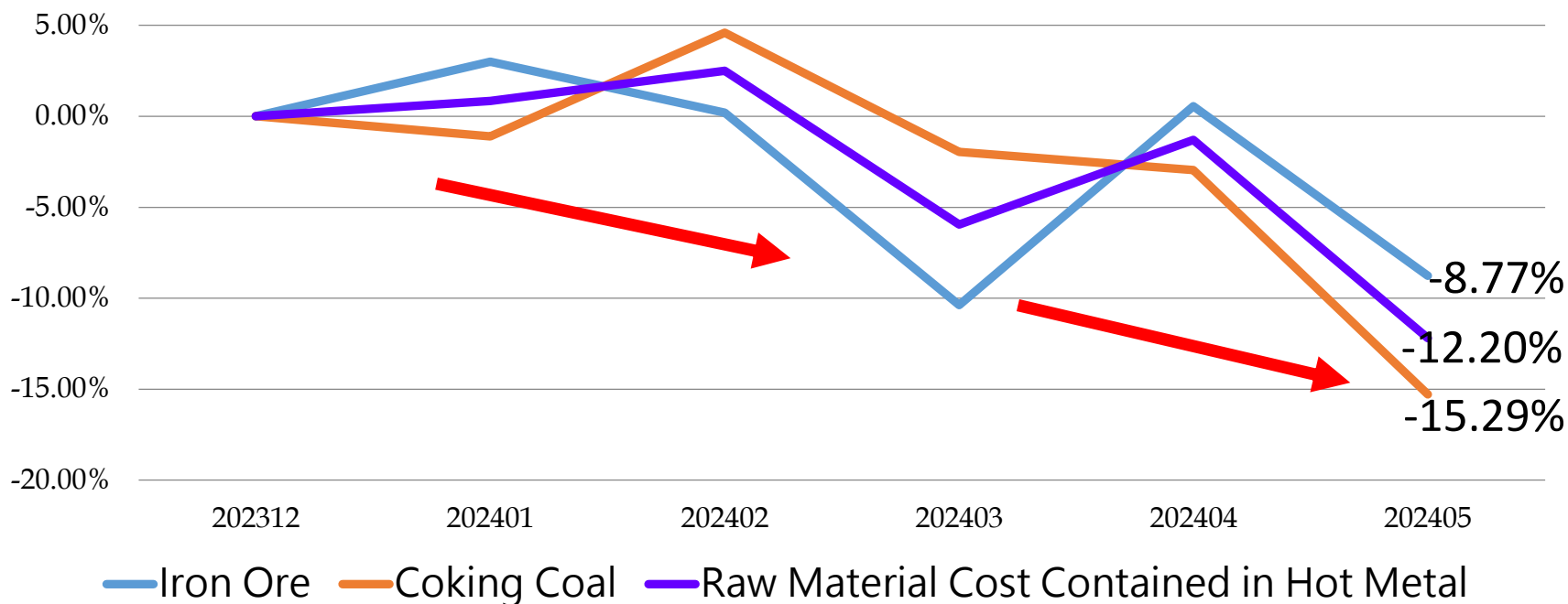
The EU cut interest rates by 25 basis points in June 2024, and the market **expects the Fed to start interest rates cut in the third quarter**. At that time, the monetary easing is **expected to support the steel sales volume and price in the second half of the year, making the trend better than that in the first half.**



Raw material price trend

- Although the supply in Australia was not smooth in early 2024, demand for Australian coking coal fell as Indian buyers sought alternative sources. Moreover, demand lost steam after China's restocking completed before the CNY. Coking coal and iron ore prices fell.
- Since March, coking coal prices had fallen rapidly because of sufficient spot supply from Australia and weaker demand as Indian buyers being cautious ahead of general election. For iron ore, the combined influence of China's stimulus policies and weaker-than-expected demand caused prices to rise and then fall.

**Percentage change of incoming raw material price
(compared to Dec. 2023)**



Part 2

Operating Performance

Consolidated Financial Performance

Latest operating results

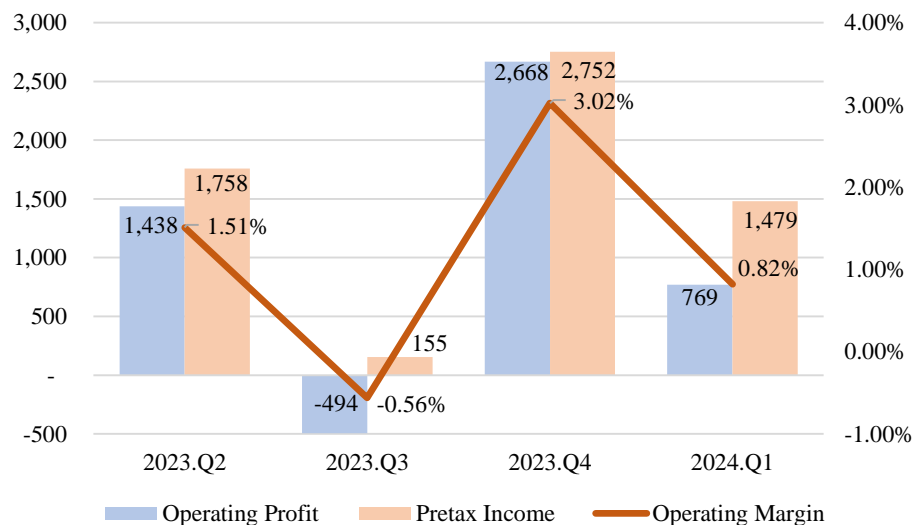
Amount: NT\$ million

Item	*2024.5	*2024.4	MoM	*2024.1~5	2023.1~5	YoY
Operating Revenue	31,914	32,702	-2%	158,370	156,486	1%
Operating Income	687	248	177%	1,704	1,570	9%
Operating Income Margin	2.15%	0.76%		1.08%	1.00%	
Income Before Income Tax	672	667	1%	2,817	1,718	64%

*preliminary results

Quarterly profits trend

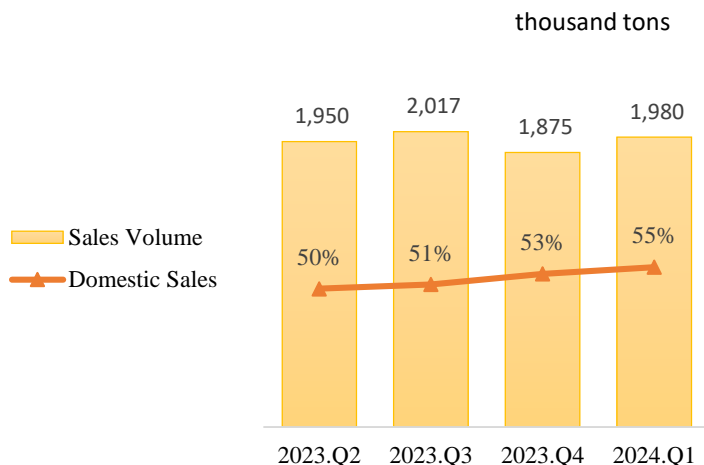
NT\$ million



- ✓ In 2023Q4, steel prices had increased, and the average cost had decreased. As a result, profits rebounded significantly.
- ✓ Steel prices rose in 2024Q1 while costs gradually increased, squeezing the profit.

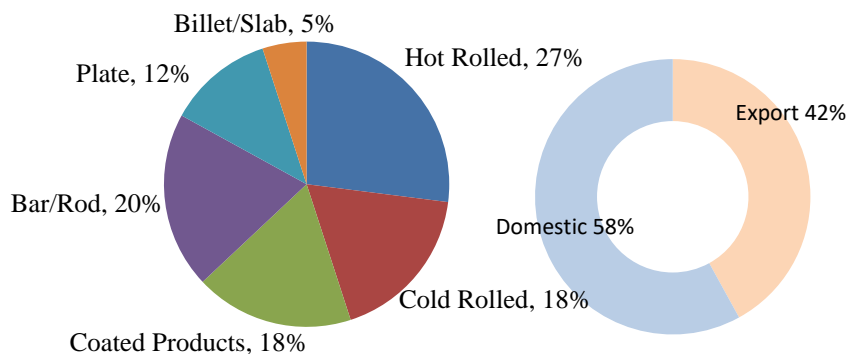
Standalone Production / Sales Performance

Sales analysis

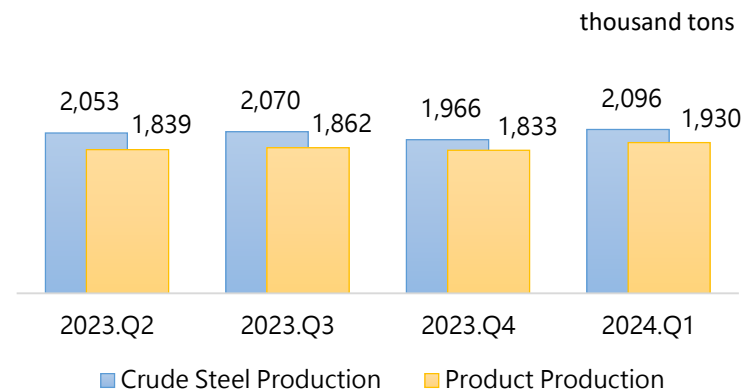


- ✓ In 2023Q4, the steel market turned to recovery from the trough. As buyers remain cautious in purchasing and run with low inventories, sales volume in each month had declined from the relative highs in 2023Q3.
- ✓ The steel market recovered moderately in 2024Q1, and buyers' restocking demand has increased. Even with fewer working days because of the CNY, sales volume still increased.

2024.Q1 Sales value breakdown

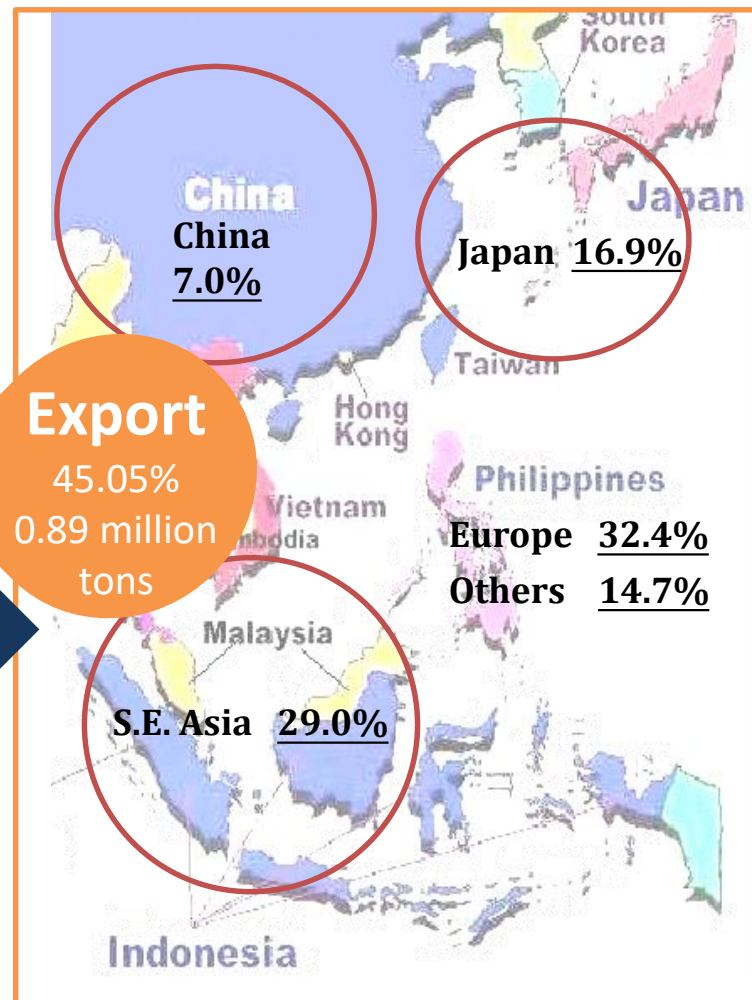
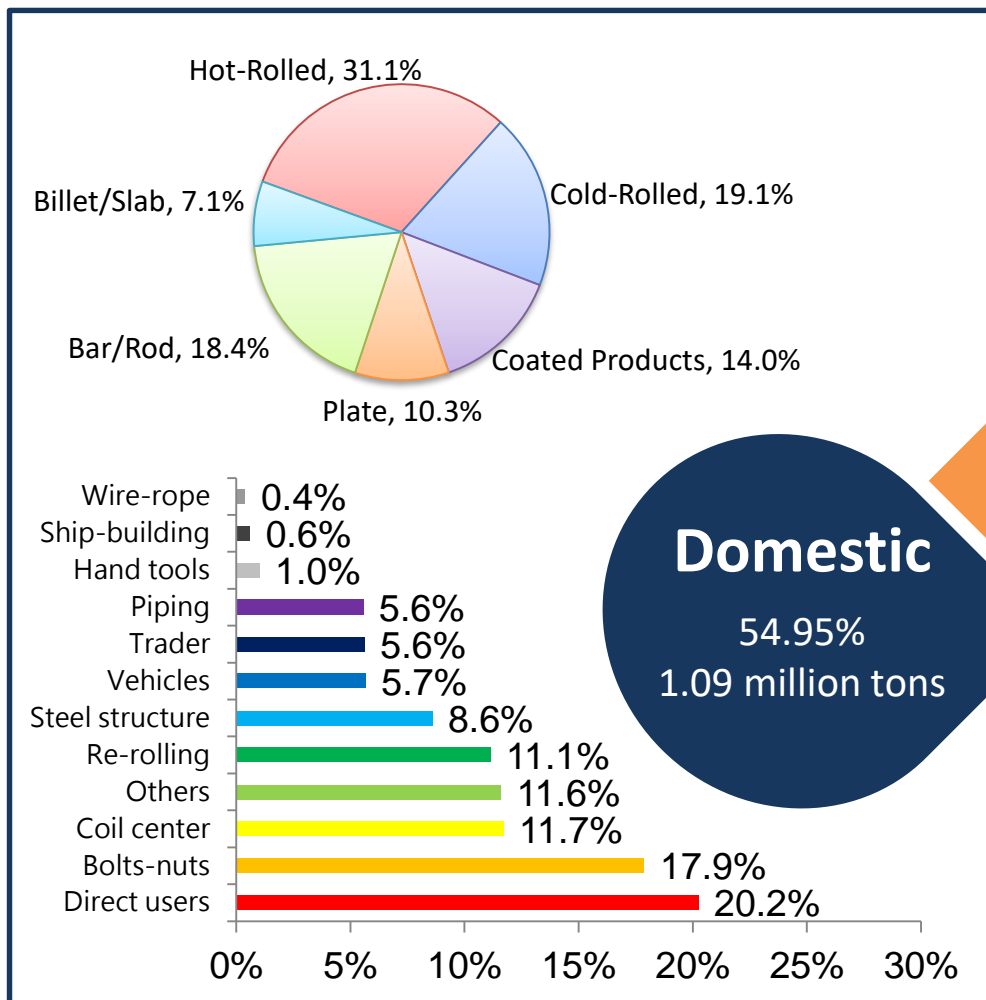


Production analysis



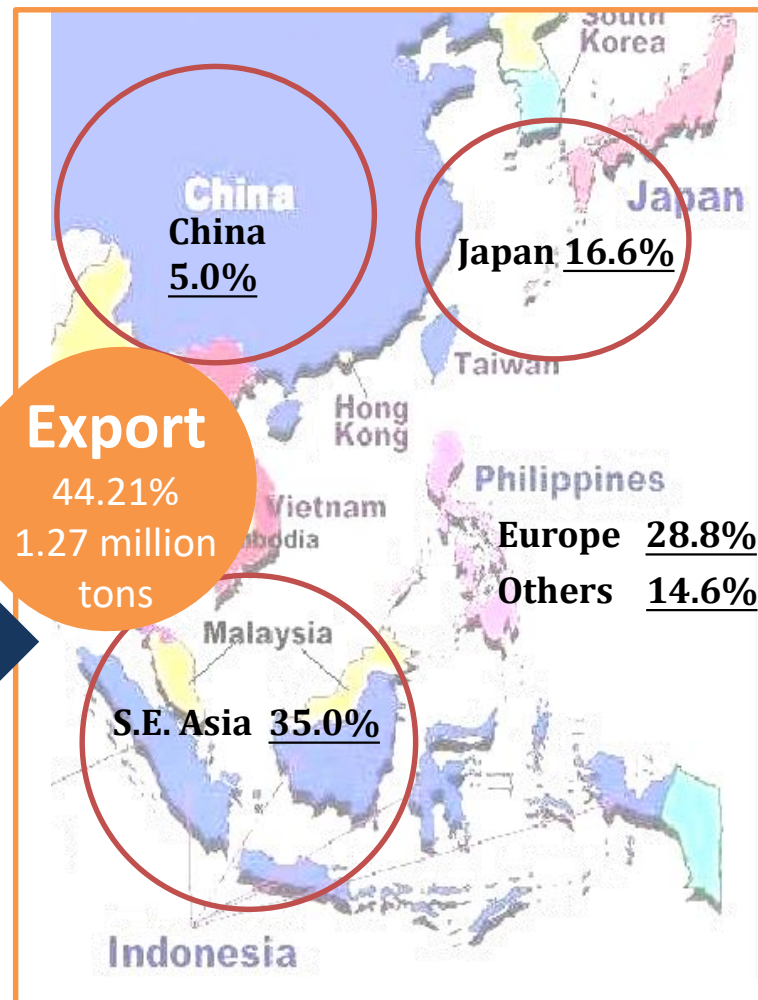
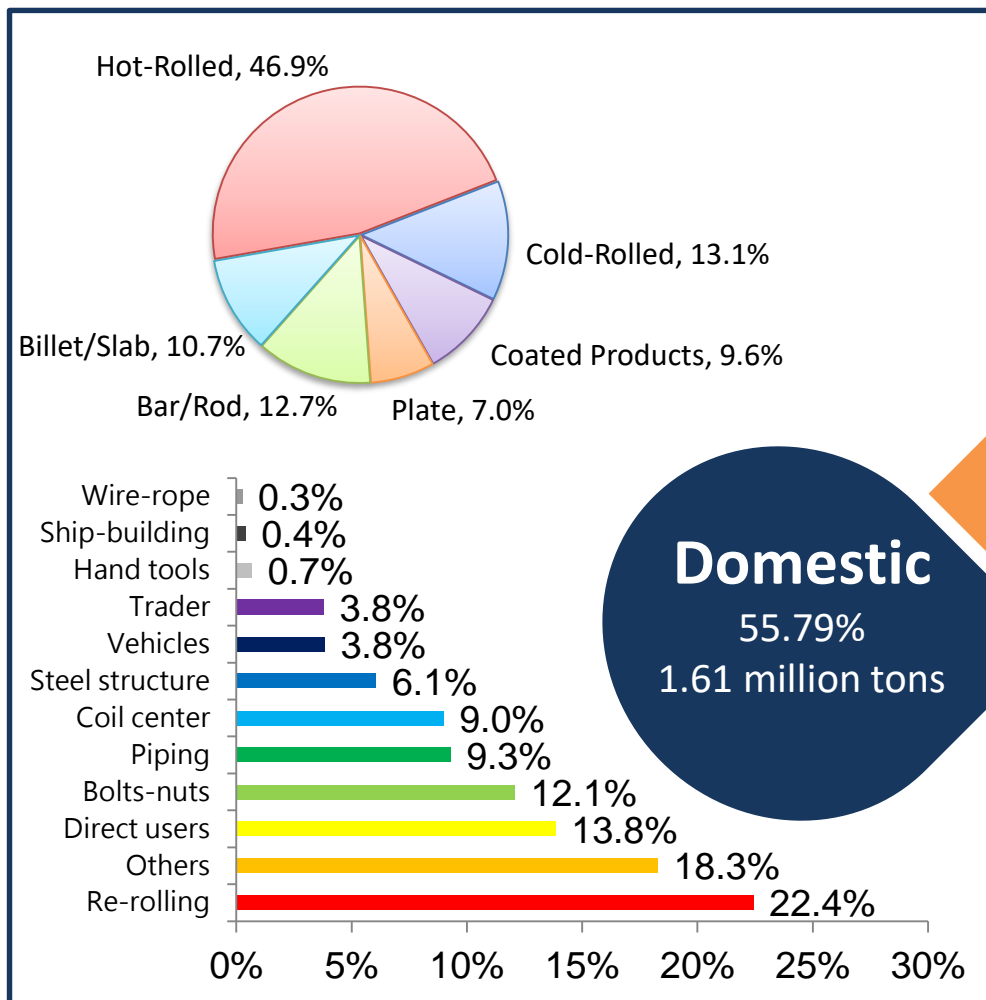
Sales Analysis – CSC standalone

2024.Q1 sales volume totaled 1.98 million tons – Sales Breakdown



Sales Analysis - CSC & BF products of DSC

2024.Q1 sales volume totaled 2.88 million tons – Sales Breakdown



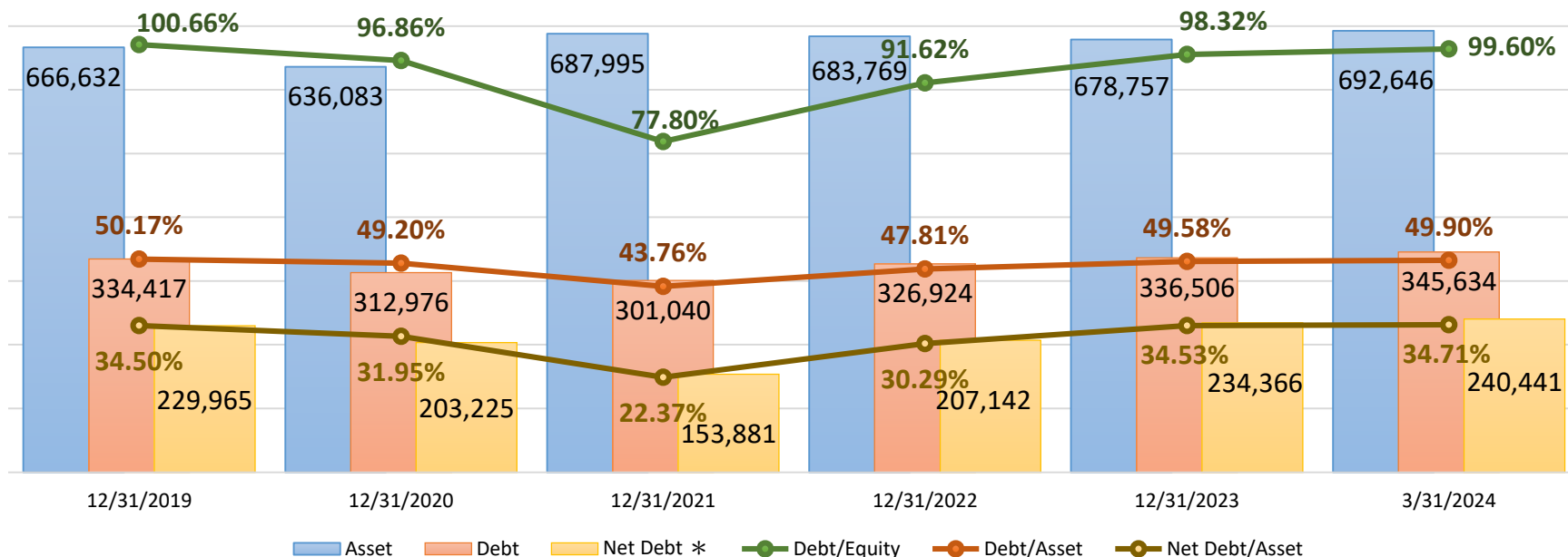
Consolidated Income Statement

Units: NT\$ millions

IFRSs	2024.Q1	2023.Q1	YoY
Revenues	93,754	91,346	3%
Gross profit	4,107	3,388	21%
Gross margins	4.38%	3.71%	
Profit before tax	1,479	(75)	2072%
<u>Net profit</u>	<u>1,132</u>	<u>(93)</u>	1317%
Attributable to			
Owners of the corporation	641	(725)	188%
Non-controlling interests	491	632	-22%
Earnings Per Share (NTD)	\$0.04	(\$0.05)	180%

Consolidated Financial Position

Units: NT\$ millions



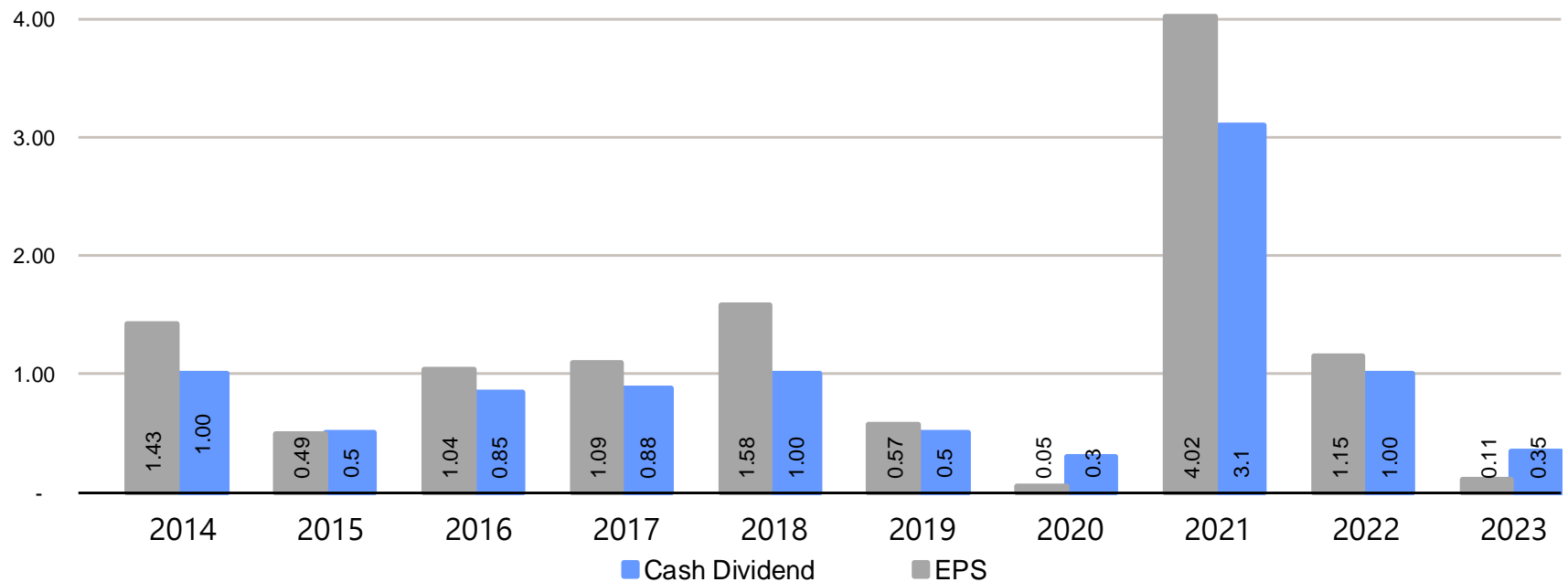
- ✓ In response to the environment of rising interest rates, multiple domestic financing channels, such as issuing corporate bonds, are used to reduce the impact of rising financial costs.
- ✓ Credit rating: Taiwan Ratings twAA- ; Outlook Stable (2024.04.29)
Fitch Ratings AA (tw); Outlook Stable (2024.04.16)

* 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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cash Dividend payout(%)	70	102	82	81	63	88	600	77	87	318

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



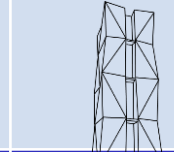





Develop Advanced Premium Steel

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)

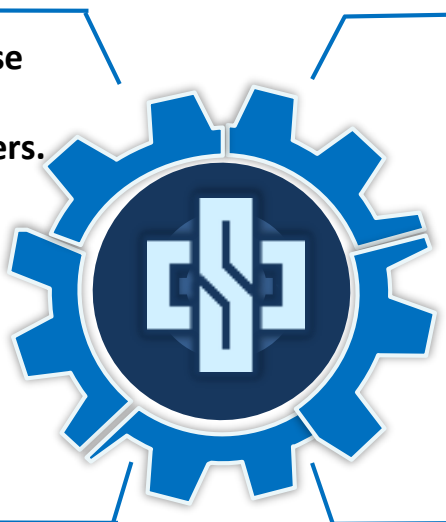
High-Quality Forging Steels	Superior Hand Tool Steels	High Performance Structural Steels	Steel for Green Energy & Home Appliance	Ultra-High Strength and Toughness Steels	Advanced Alloy Steels	Cross-Generational Automotive Steels	Ultra-High Efficiency Electrical Steels
							
Year	2024		2025		2026		
APS proportion target (%) <small>(sales volume without semi-product)</small>	9.5%		11.3%		13.1%		

- Sales volume of the 8 items of APS to achieve **11.3% in 2025** and **20.3% in 2030**.
- The APS sales volume in 2023 reached 582.9 thousand tons, accounting for **8.05%** of total volume, **12.23%** of sales revenues, and **71.56%** of gross profits.
- The APS sales volume in 2024Q1 reached 177.6 thousand tons, accounting for **9.70%** of total volume, **14.19%** of sales revenues, and **57.43%** 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.



Cultivating core technologies

- Integrating resources from industries, government, academia and research institutes to execute projects like **Industry and Academia Alliance** and **Forward-Looking Technology and Industry-Academia Collaboration**, such as **developing low carbon iron making technologies** suitable for Taiwan and **promoting the development of motors for drones and high-end electric vehicles** in NCKU Electric Motor Technology Research Center.

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, such as developing **Hand tool digital aided design system** and **Automobile integrated door ring hot stamping technology**, in order to create a win-win situation for both customers and us.

Industry service work

- Providing manufacturers with multiple solutions such as **lean management** and **process technology**, and forming a **Carbon Management Demonstration Team** to assist the **industry chain in low-carbon and sustainable transformation**.

Integrating resources from industries, government, academia and research institutes to facilitate Supply Chain Transformation, and generating Demand and Industrial Application Benefits for Advanced Premium Steel.

Cultivate in the Green Industry Business – Wind Farm & Substructure

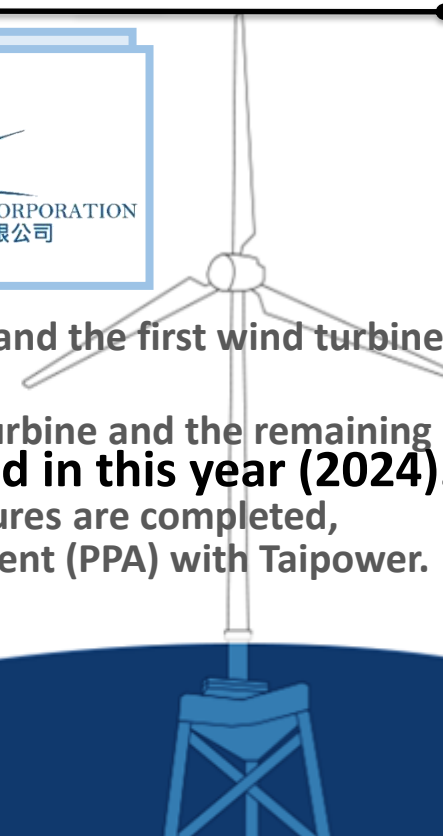
CSC shareholding: **51%** (CIP 49%)

Total investment: **around NTD 55 billion**

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

Progress:

- The installation of the substructure has been completed in March 2024, and the first wind turbine was installed in May 2024.
- The progress of the project in this year is to install the tower, the wind turbine and the remaining inter-array submarine cables. **It is expected to connect to the grid in this year (2024).** After the wind farm is completed and tested, and administrative procedures are completed, electricity can be officially sold according to the power purchase agreement (PPA) with Taipower.



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 completed in February 2024.
- Continue to contact various wind farm developers in the third stage of zonal development.




Cultivate in the Green Industry Business – Solar Power

- **CSC group shareholding: 100%**
- **Capital: NTD 1.744 billion**
- **Capacity Installed: 99.4MW** (until the end of May 2024)
- **Operating performance:** (until the end of May 2024)


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

Electricity output
587
million kWh



Revenues from electricity sales
2.75 billion



Carbon reduction
around
296k tons



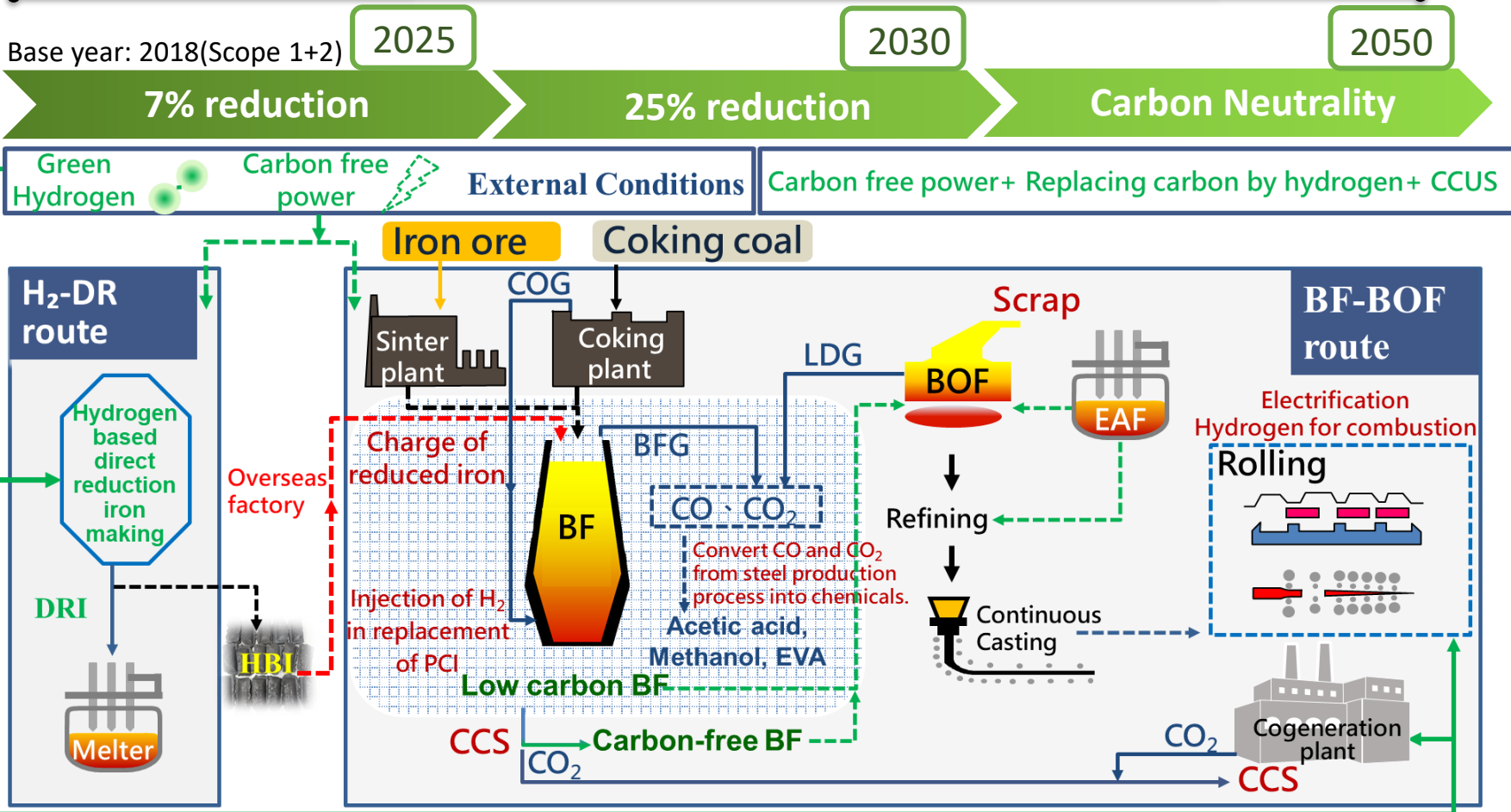
Equivalent to the CO2 absorption of
758
Taipei Daan Park

Note: Estimated based on each year's Taipower electricity carbon emission factor

Year	2017~2021	2022	2023	2024	Total
Actual Capacity Installed (MW)	87.3	5.1	5.5	1.5 (until May)	99.4
Electricity Output (100m kWh)	3.30	1.05	1.05	0.47 (until May)	5.87

- **Future installation: 2~3MW/yr ; the 2025 target of 100MW will be achieved earlier in 2024.**
- Keep developing rooftop PV Systems in CSC group industry chain based on the regulation on users with high power consumption in Renewable Energy Development Act and Local Self-governing Green Building Regulations.
- Electrical business license (**accumulated 63.5MW**) 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 reached more than **52.46 million kWh**, and **more than 52,460 green energy certificates** were obtained.

Decarbonization Pathway

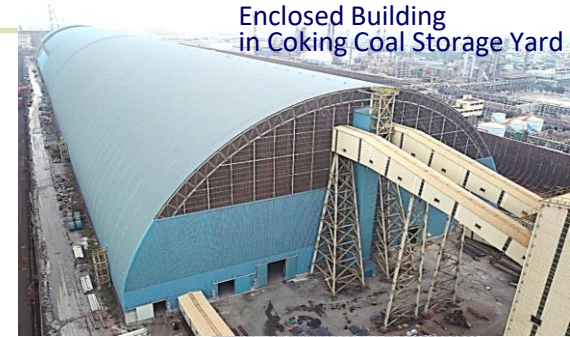


- Facing the challenges of **technology**, **resource**, and **capital**, resulted from the lack of mature technology and green hydrogen resources, as well as required equipment modification.
- Established the **Product Carbon Intensity System** to calculate the carbon emissions of each process, production line and product, which can meet carbon reporting requirements and customers' need, and help **select a production path with the lowest carbon emission**.
- 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

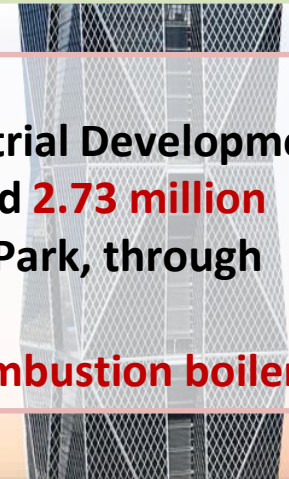
Investment on environmental protection

- ✓ Investment on air quality improvement projects in 2019~2023 reached **NTD 10.086 billion**.
- ✓ Keep doing air quality improvement projects with the amount of **NTD 35.508 billion** from 2024~2026.



Reduction of greenhouse gas

- ✓ Participate in the **GHG voluntary reduction** program held by Industrial Development Bureau. From 2011 to 2023, **accumulated carbon reduction** reached **2.73 million tons CO₂e**, equivalent to the CO₂ absorption of **7,018** Taipei Daan Park, through implementation of **1,877** reduction projects.
- ✓ **Terminated** three boilers in **2021**. CSC group **no longer** has **coal combustion boiler**.



Water resources development

- ✓ Water recycled rate is **98.57%**. (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

- ✓ 2024.04 CSC was ranked **top 5%** in TWSE listed companies in the Corporate Governance Evaluation **for 5 consecutive years** (latest 10th session of 2023).
- ✓ 2024.04 CSC was recognized as “Steel Sustainability Champions” by worldsteel.
- ✓ 2024.02 CSC achieved "Leadership A-" CDP score in the fields of Climate Change.
- ✓ 2023.12 CSC won the Resource Circulation Outstanding Enterprise Gold Award by the Ministry of Environment.
- ✓ 2023.11 CSC was selected as one of the Excellent Manufacturers for Voluntary Reduction of Industrial Greenhouse Gas by the Industrial Development Administration, MOEA.
- ✓ 2023.11 CSC won the “Top 100 Most Prestigious Sustainability Awards-Domestic Corporates” and 7 awards in specific categories of Taiwan Corporate Sustainability Awards (TCSA).
- ✓ 2023.12 CSC won the BSI "Sustainable Resilience Excellence Group Award"
- ✓ 2023.07 CSC won 1 Gold Award, 2 Silver Awards and 1 Bronze Award in the Sustainability Action Award and the Taiwan Sustainability Action Award by Taiwan Institute for Sustainable Energy (TAISE).



Thank you!

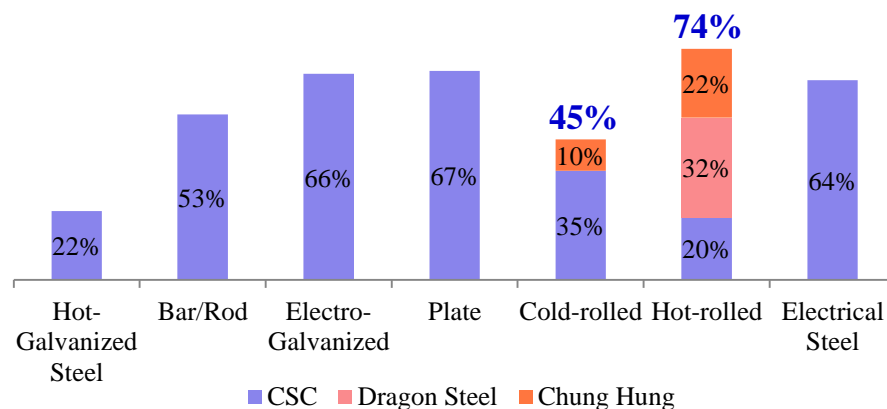
Part 4

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 (2024.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

Logistics & Investment

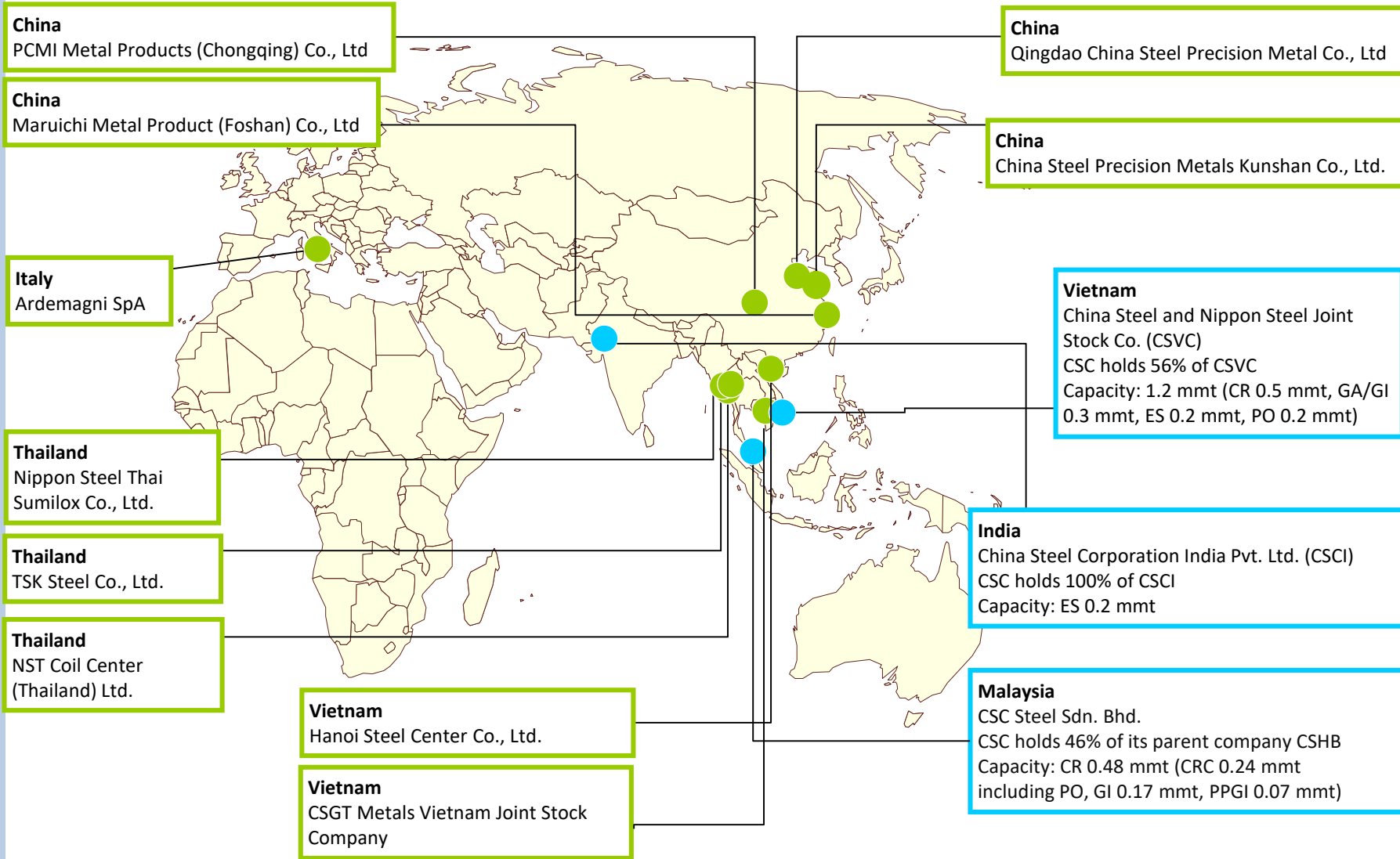
- CSE
- CSGT
- Gains Investment
- China Steel Security
- CPDC

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

2024.Q1	Steel Department	Non-steel Department	Adjustment and Elimination	Total
Revenue from external customers	\$ 75,121,126	\$ 18,632,790	\$ -	\$ 93,753,916
Inter-segment revenue	16,766,819	12,955,311	(29,722,130)	-
Segment revenue	<u>\$ 91,887,945</u>	<u>\$ 31,588,101</u>	<u>(\$ 29,722,130)</u>	<u>\$ 93,753,916</u>
Segment profit (loss)	(\$ 786,881)	\$ 2,008,092	(\$ 452,667)	\$ 768,544
Interest income	71,550	208,344	(25,408)	254,486
Financial costs	(687,361)	(283,203)	52,331	(918,233)
Share of the profit (loss) of associates	(236,635)	891,432	(262,501)	392,296
Other non-operating income and expenses	422,004	723,255	(163,805)	981,454
Profit (loss) before income tax	(1,217,323)	3,547,920	(852,050)	1,478,547
Income tax (benefit)	(8,480)	459,707	(104,258)	346,969
Net profit (loss) for the period	<u>(\$ 1,208,843)</u>	<u>\$ 3,088,213</u>	<u>(\$ 747,792)</u>	<u>\$ 1,131,578</u>