

CSC

March 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 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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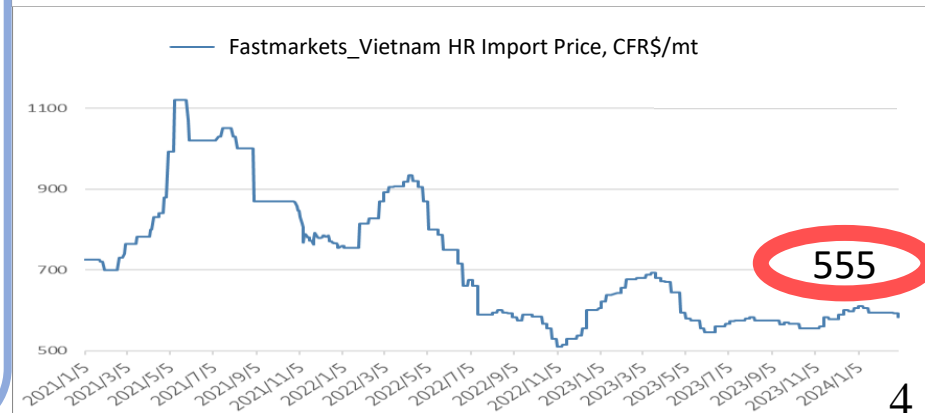
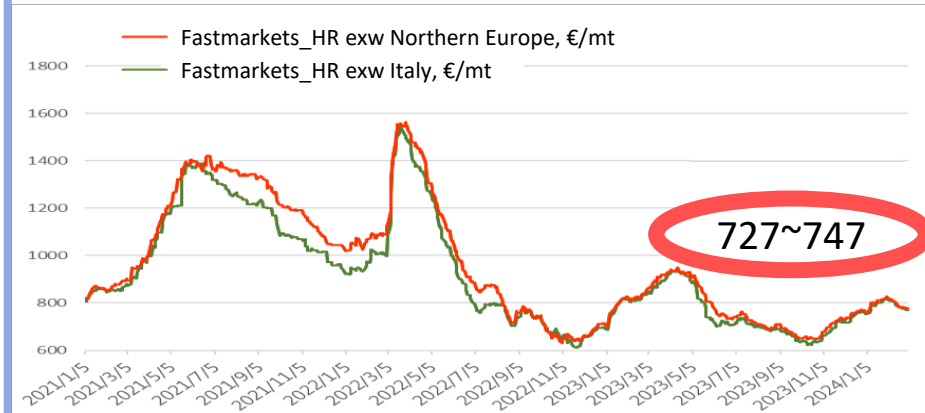
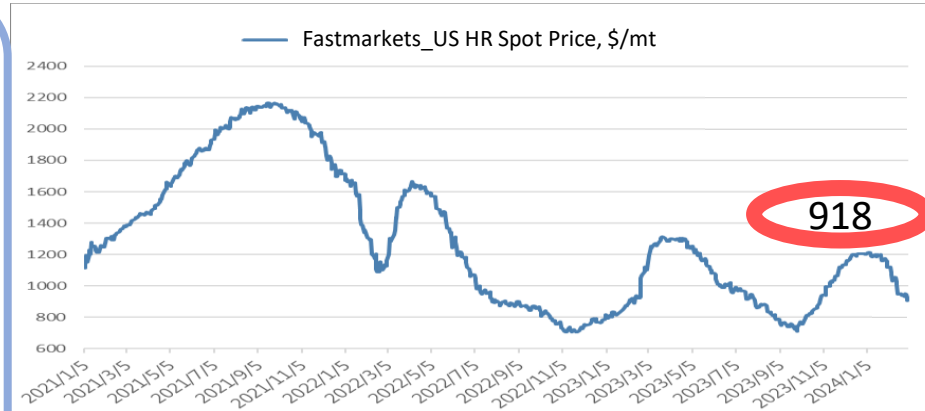
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Part 1

Steel and Raw Material Dynamics

Major steel market dynamics

- **US:** After two steel mills in the U.S. raised HR base price in early March, buyers had attempted to purchase more steel than their allocated quantity. The surge in purchasing activity was seen as an indicator of improved buyer sentiment.
- **EU:** Constrained by rising energy costs and alloy prices, European steel mills began to reduce steel production. Additionally, due to EU HR quota restrictions, price quotation of HR import had decreased. Therefore, European domestic steel mills had no intention to lower steel prices.
- **ASEAN:** Steel demand in the manufacturing industry was warming up. Resurgence in demand from downstream clients in Europe and the U.S. led to the release of restocking demand after the CNY in Southeast Asia. However, due to increased pressure from China's export, there had been significant short-term volatility in steel prices. After this period of adjustment, steel prices are expected to rise in the future.



Major steel market dynamics

➤ China

- ✓ The February Caixin Manufacturing PMI (mainly SMEs) of 50.9 was above the boom-bust line of 50 for the fourth consecutive month. It is suggested that the atmosphere in the manufacturing sector had improved and the worst may be over.
- ✓ Recently, China launched a number of stimulus policies, including cutting interest rates and encouraging equipment renewal vigorously, which are expected to increase steel demand and boost steel prices.
- ✓ With the arrival of traditional peak seasons, steel demand is expected to release gradually, but the strength of recovery remains to be observed. In addition, China's two sessions have set a GDP growth rate of 5% this year, launching more powerful revitalization policies and demonstrating the determination to support the economy.

➤ Taiwan

- ✓ Benefited from the improvement of global economic situation, Taiwan's economy is expected to shift from "domestic sales are better than export sales" to "both domestic and export sales are good" this year. Boosted by AI demand, export growth reached 18.1% in January. Regarding domestic steel-using industry, the recovery of the machinery industry is relatively slow, while residential buildings and public projects continue to drive demand for the steel structure industry. The demand of wire rods is still low due to the decrease in export orders. Demand from the automotive and motorbikes industry remains stable. API export is under pressure due to destocking activities in the U.S.
- ✓ The manufacturing indicator announced by Taiwan Institute of Economic Research (TIER) had shifted from the "yellow-blue light" (represents economic downturn) to the "yellow-red light" (represents economic growth), reaching its highest level in the past two and a half years. This is primarily due to the YoY growth rate increase of exports, new orders and production index, pushing up the performance of demand and raw material input indicators.

Global steel market outlook

Short-term adjustment in steel market

The recent correction of global steel prices is a short-term phenomenon. The steel market is expected **to recover in the late Q2** after rebalance of supply and demand and the negative impact from deferred rate cut diminished.

Decrease in iron ore and coking coal prices

The restocking demand after CNY is deferred. China's steel mills **reduce utilization rate** due to poor profitability. Iron ore inventory at port increases, and iron ore prices drop as a consequence.

Demand release is deferred along with rate cut

The market expects Fed's rate cut **to defer** from Q1 to Q2 (the frequency from 6 times to 4 times this year). The market has to digest the inventories built from the previously over-optimistic expectation. Hence, the steel market recovery is **delayed**.

High tech industry drives the steel demand

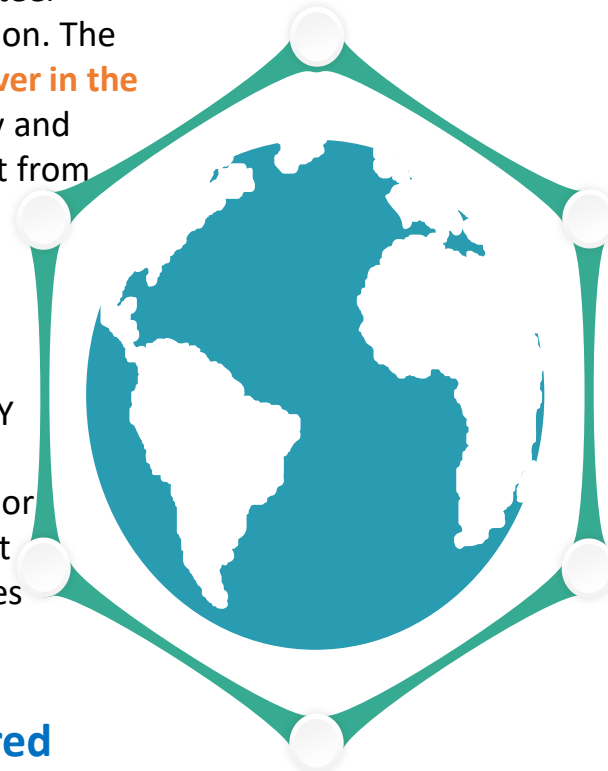
Traditional manufacturing industry is closely linked to China. As China's economy is currently weak and the housing market is sluggish, demand is still waiting for more stimulus policies to take effect. **High tech industry** is leading the market to recover and its expansion activities will help drive steel demand.

US steel prices reaching the bottom

The recent pullback of steel prices in Europe and the U.S. is a reasonable adjustment after 2023 Q4's price surge. US steel mills, Cleveland-Cliffs and Nucor, just announce price increase of **US\$25~40 per short ton** (around US\$28~44/MT).

The benefits of China's revitalization policies

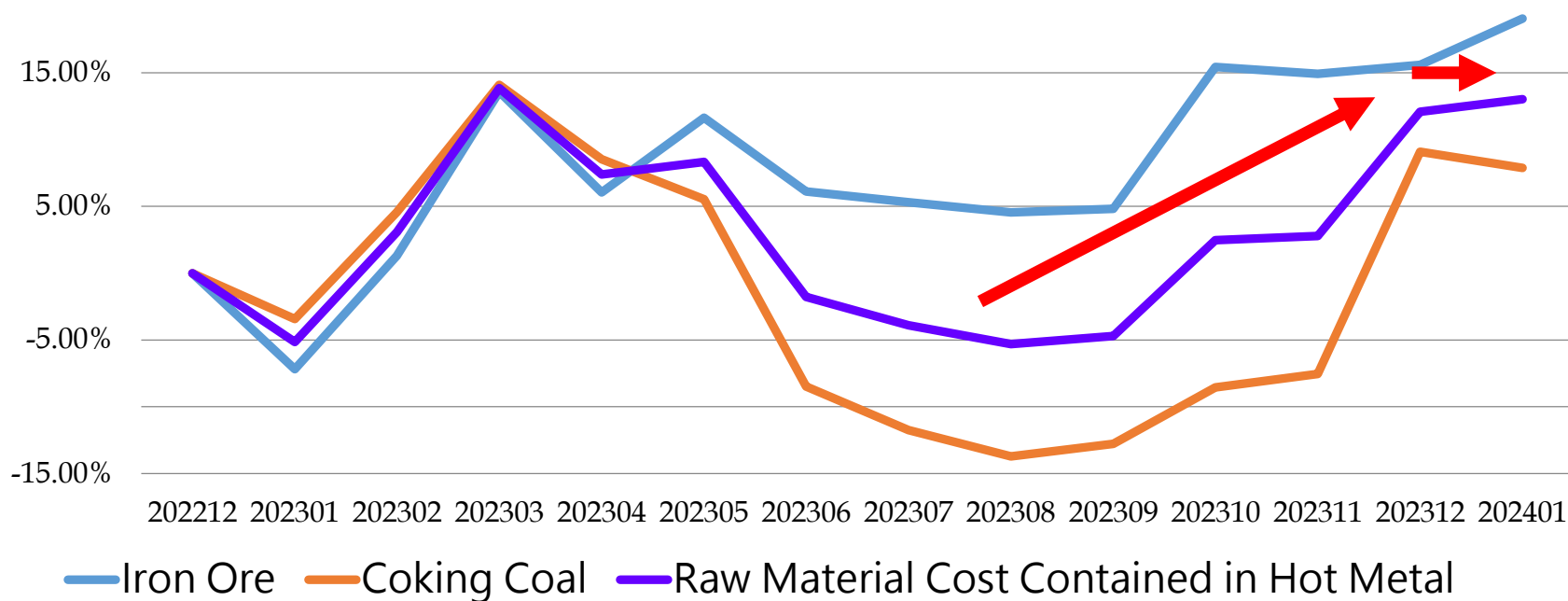
China's two sessions announced favorable policies such as revitalizing the **housing market**, investing special bonds in **infrastructure**, stimulating **auto** and **home appliances** consumption and releasing restrictions on foreign investment in manufacturing, which will help improve supply and demand in the steel market.



Raw material price trend

- Since 2H 2023, the spot price of coking coal soared due to unstable supply in Australia and strong demand from India; China continued to launch stimulus policies and its blast furnace utilization was relatively high, supporting the rise in iron ore prices.
- Entering 2024, although Australian supply is not smooth, demand for Australian coal falls as Indian buyers seek alternative sources; Iron ore prices were weak and rangebound due to the lack of momentum in demand after the replenishment completed before the CNY.

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



Part 2

Operating Performance

Consolidated Financial Performance

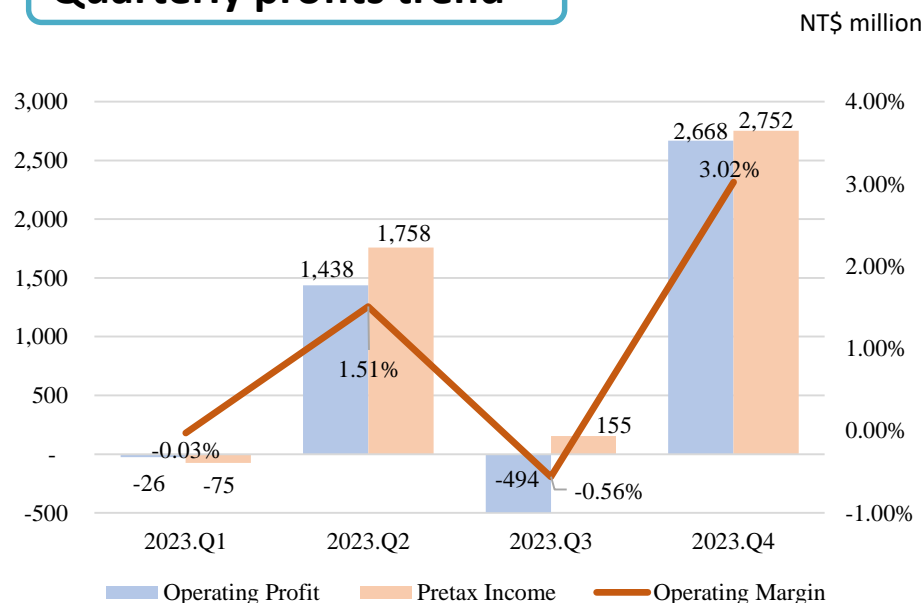
Latest operating results

Amount: NT\$ million

Item	*2024.01	2023.12	MoM	2023.01	YoY
Operating Revenue	31,931	29,479	8%	26,245	22%
Operating Income	129	886	-85%	(1,031)	113%
Operating Income Margin	0.40%	3.01%		-3.93%	
Income Before Income Tax	681	916	-26%	(1,092)	162%

*preliminary results

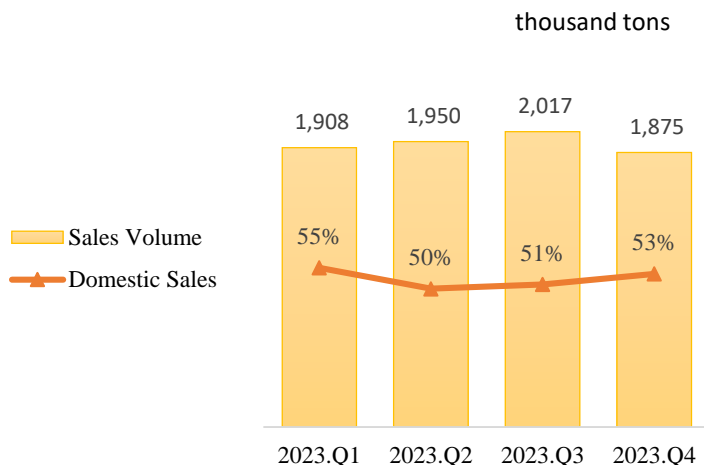
Quarterly profits trend



- ✓ In 2023Q3, as price had fallen deep and the supply side was under control, the global steel market entered a bottoming stage. In addition, benefiting from the decline in raw material costs, profits improved month by month.
- ✓ In 2023Q4, steel prices had increased, and the average cost had decreased. As a result, profits rebounded significantly.

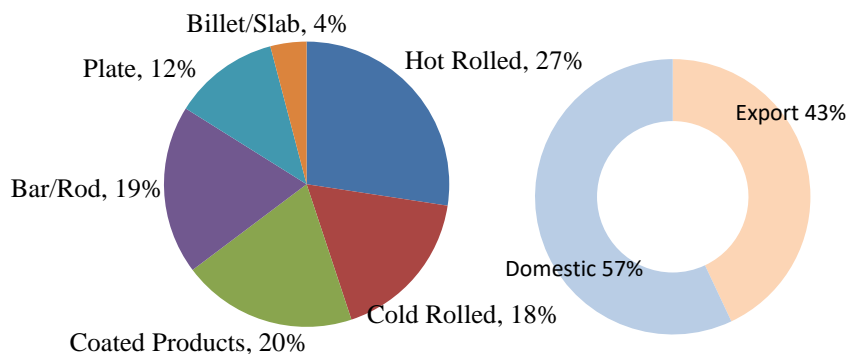
Standalone Production / Sales Performance

Sales analysis

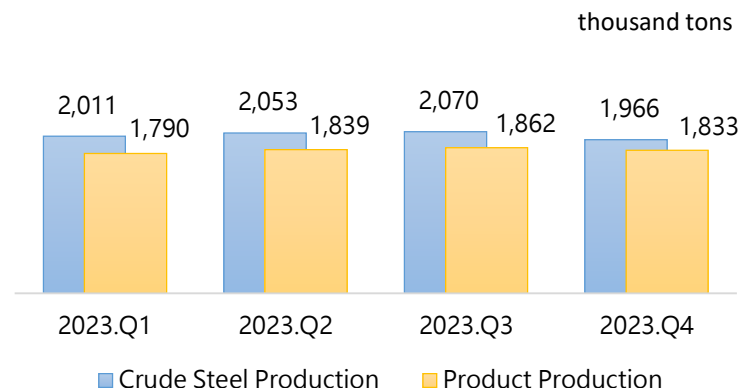


- ✓ As domestic public projects started construction and customers' destocking continued, the sales volume recovered in 2023Q3.
- ✓ In Q4 2023, the steel market turned to recovery from the trough. As buyers remain cautious in purchasing and run with low inventories, sales volume in each month had declined from the relative highs in August.

2023 Sales value breakdown

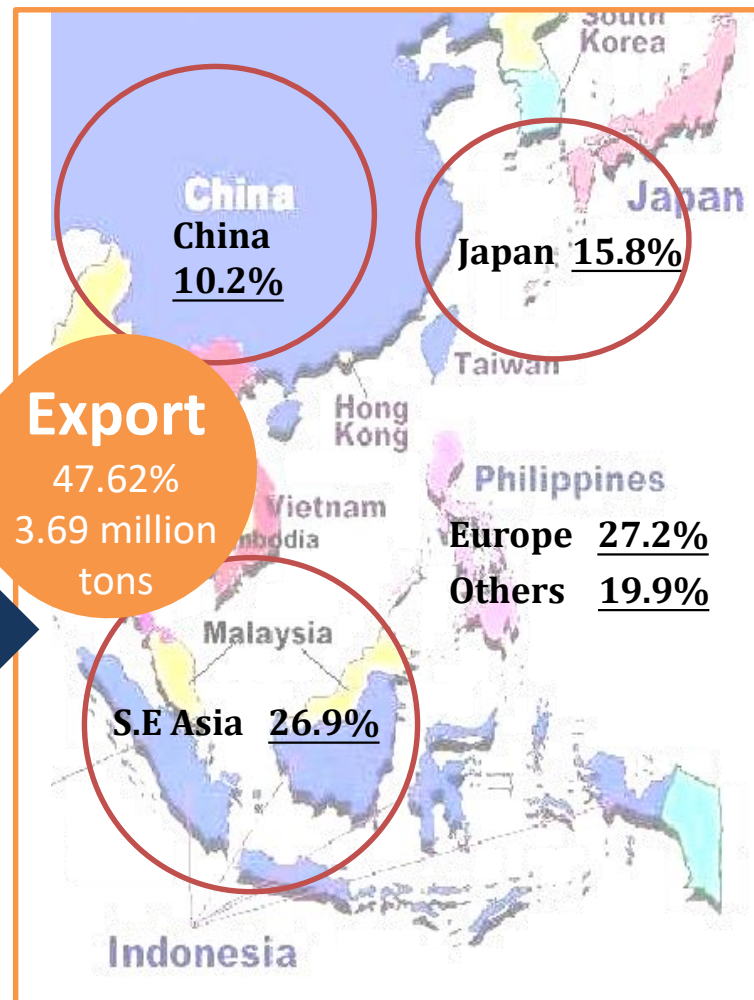
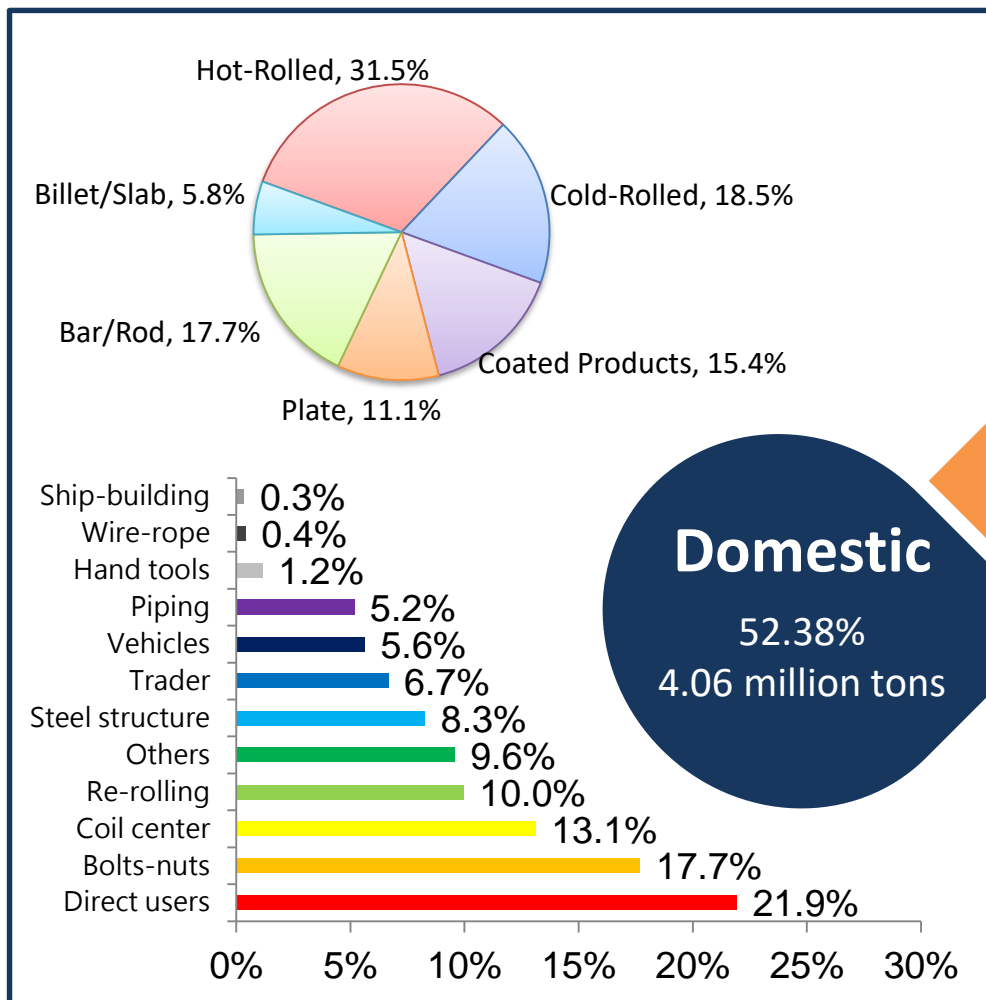


Production analysis



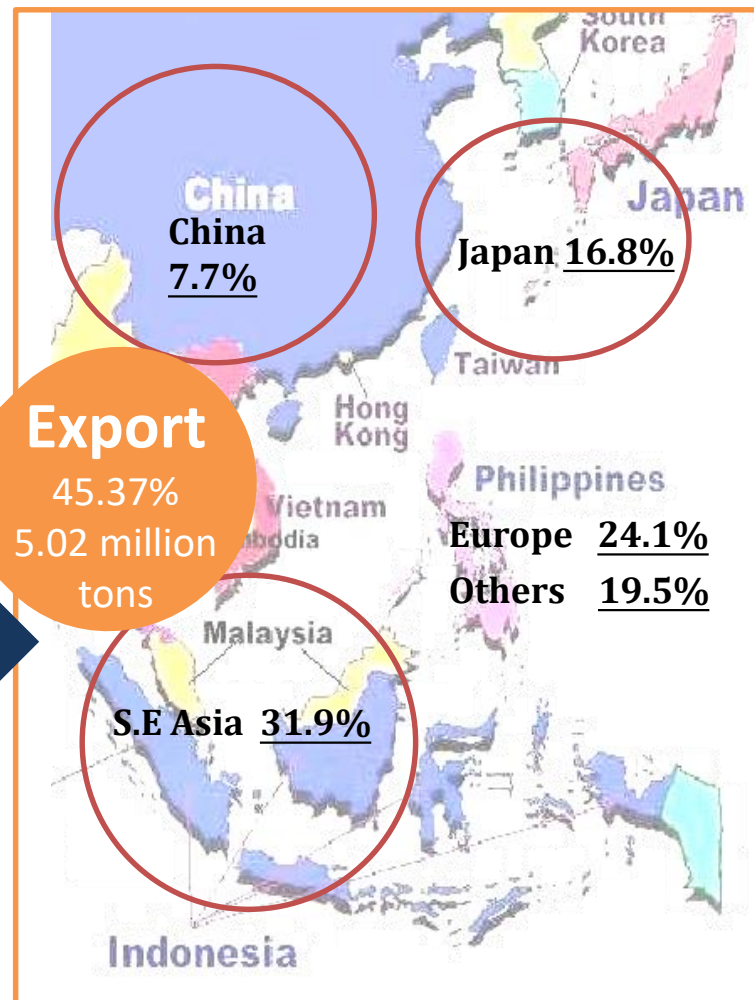
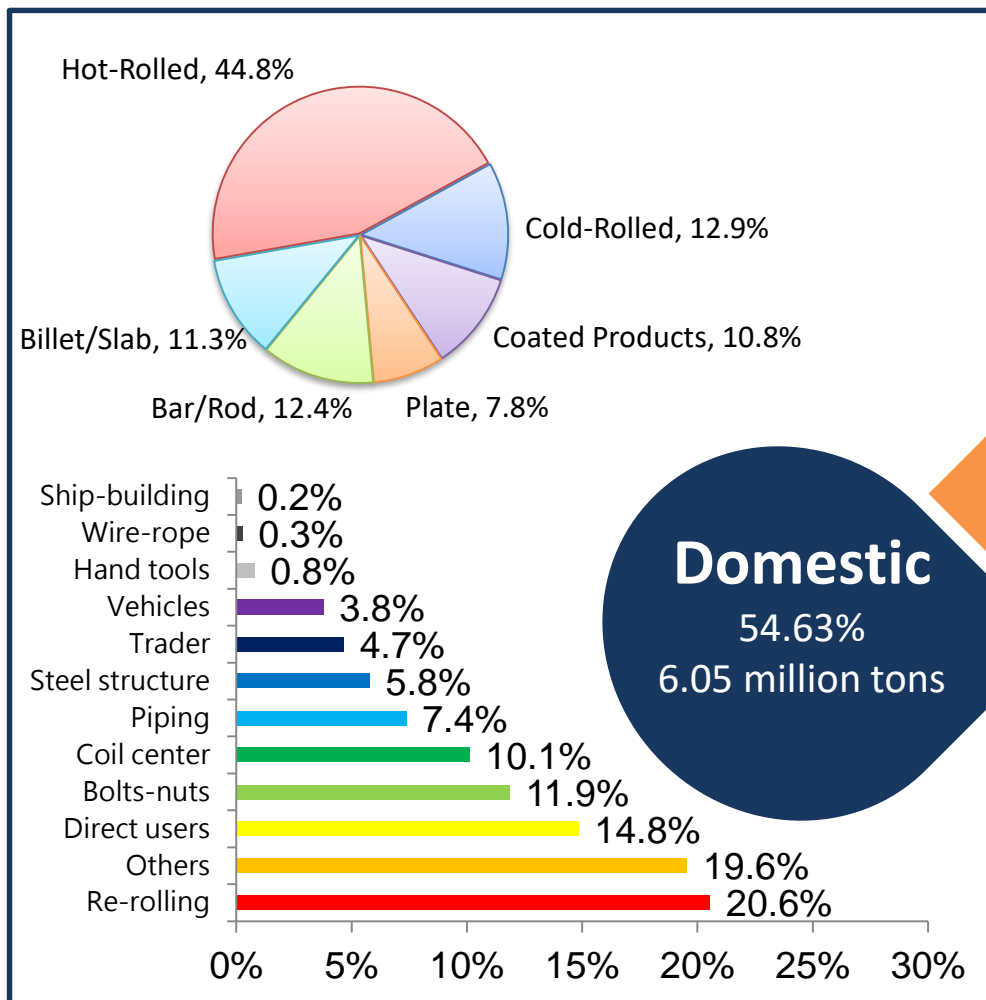
Sales Analysis – CSC standalone

2023 sales volume totaled 7.75 million tons – Sales Breakdown



Sales Analysis - CSC & BF products of DSC

2023 sales volume totaled 11.07 million tons – Sales Breakdown



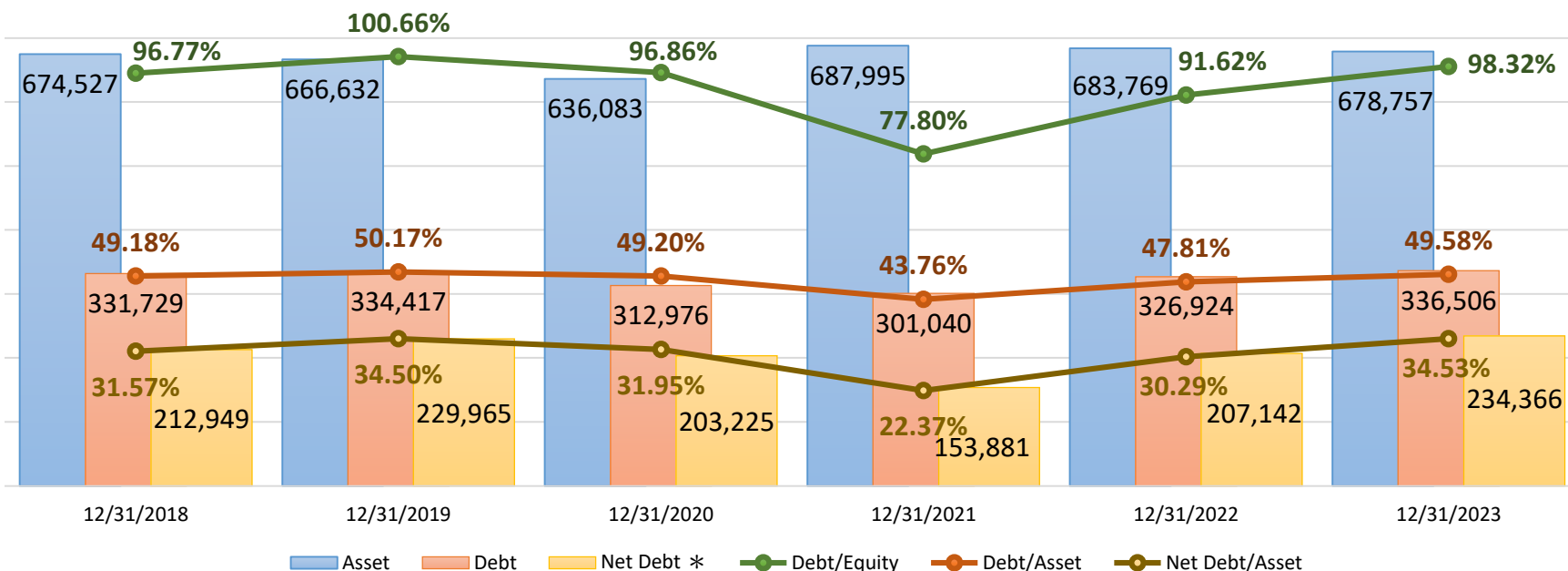
Consolidated Income Statement

Units: NT\$ millions

IFRSs	2023	2022	YoY
Revenues	363,326	449,567	-19%
Gross profit	16,773	31,902	-47%
Gross margins	4.62%	7.10%	
Profit before tax	4,590	23,259	-80%
<u>Net profit</u>	<u>3,531</u>	<u>17,995</u>	-80%
Attributable to			
Owners of the corporation	1,682	17,784	-91%
Non-controlling interests	1,849	211	776%
Earnings Per Share (NTD)	\$0.11	\$1.15	-90%

Consolidated Financial Position

Units: NT\$ millions



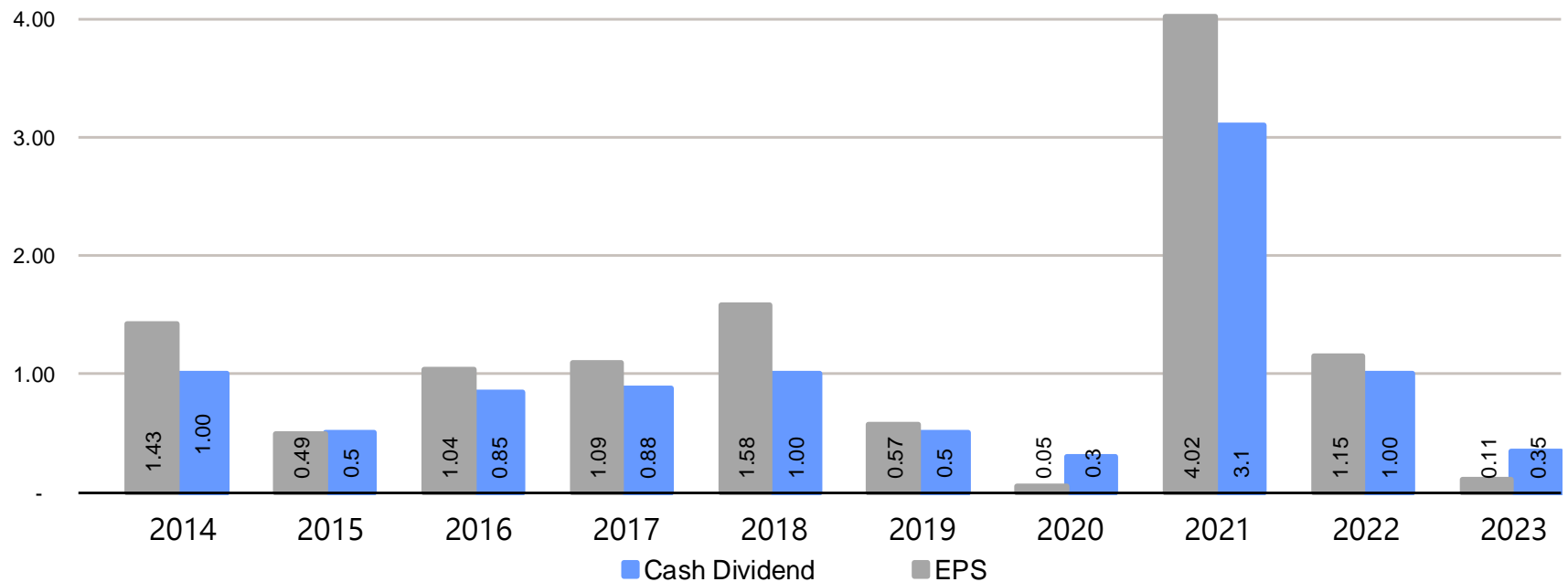
- ✓ In response to the environment of rising interest rates, multiple domestic financing channels, such as issuing corporate bonds, are used to reduce the impact of rising financial costs.
- ✓ Credit rating: Taiwan Ratings twAA- ; Outlook Stable (2023.04.28)
Fitch Ratings AA (tw); Outlook Stable (2023.12.05)

* 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)

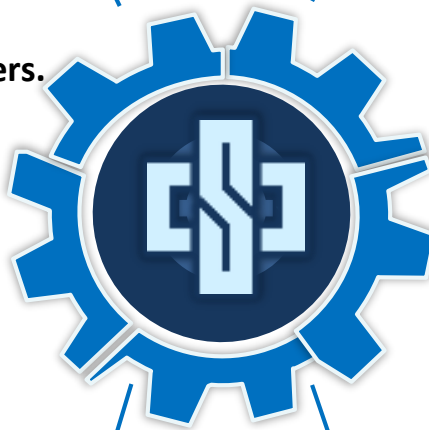
High-Quality Forging Steels	Superior Hand Tool Steels	High Performance Structural Steels	Steel for Green Energy & Home Appliance	Ultra-High Strength and Toughness Steels	Advanced Alloy Steels	Cross-Generational Automotive Steels	Ultra-High Efficiency Electrical Steels
							
Year	2024		2025		2026		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

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:

- Obtained the establishment permit, signed power purchase agreement (PPA) with Taipower, and being expected to **connect to the grid in this year (2024)**.
- The main work in this year is to install the tower, the wind turbine and the remaining inter-array submarine cables. After the wind farm is completed and tested for power generation and transmission, and administrative procedures are completed, electricity can be officially sold.

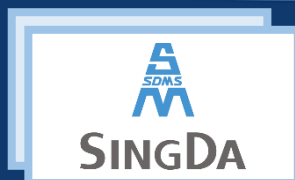


CSC Shareholding: **46.71%**

Capital: **NTD 2.627 billion**

Progress:

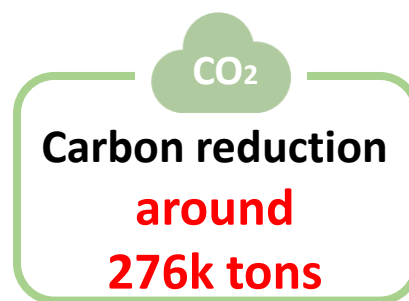
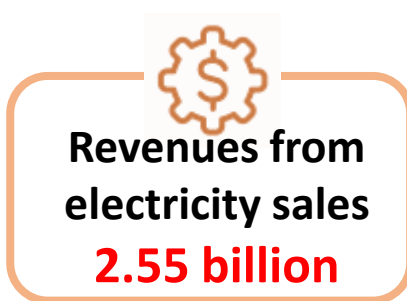
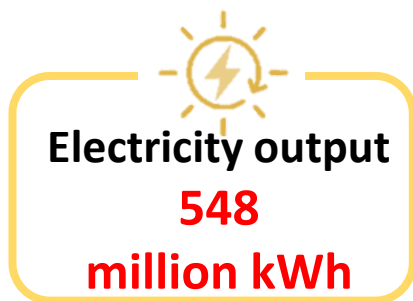
- The first contract of 6 substructures for Orsted - Greater Changhua Offshore Wind Farm Project was delivered in August, 2022.
- 31 substructures for Zhongneng Offshore Wind Farm Project has been accepted by the owner, and the delivery completed in February 2024.
- Continue to contact various wind farm 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: 97.9MW** (until the end of January 2024)
- **Operating performance:** (until the end of January 2024)

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

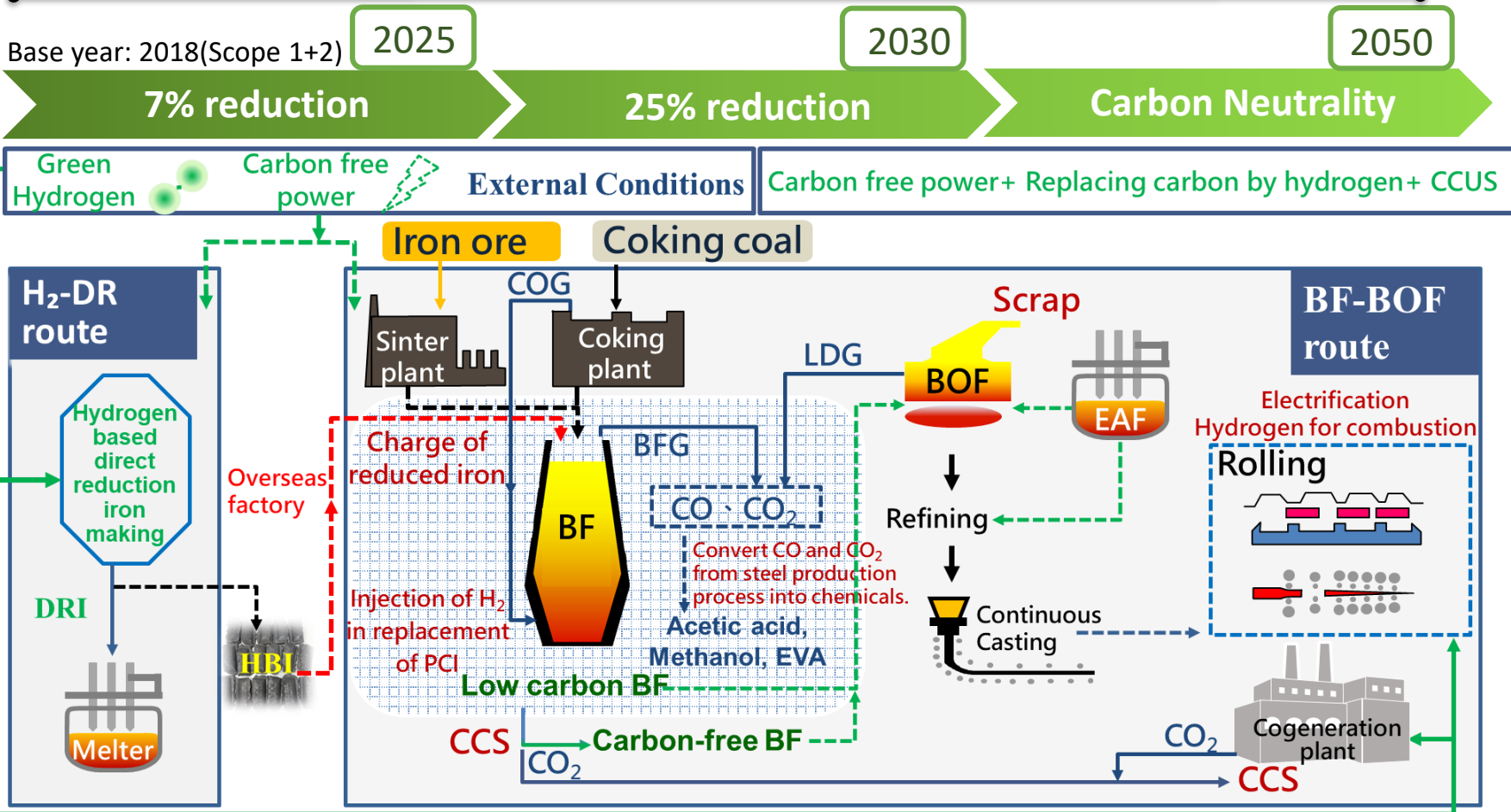


Note: Estimated based on each year's Taipower electricity carbon emission factor

Year	2017~2021	2022	2023	2024	Total
Actual Capacity Installed (MW)	87.3	5.1	5.5	0 (until January)	97.9
Electricity Output (100m kWh)	3.30	1.05	1.05	0.08 (until January)	5.48

- **Future installation: 2~3MW / yr ; the 2025 target of 100MW will be achieved earlier.**
- 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. **The target of 100MW will be achieved earlier in 2024.**
- 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

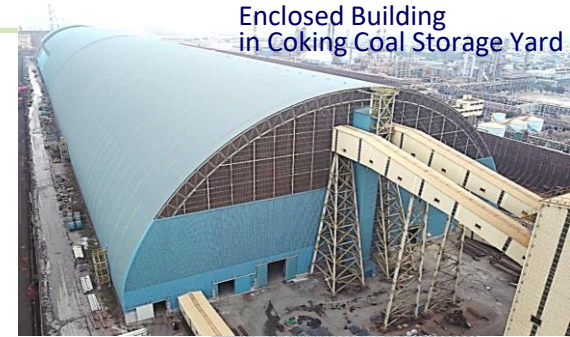


- Facing the challenges of **technology**, **resource**, and **capital**, resulted from the lack of mature technology and green hydrogen resources, as well as required equipment modification.
- Established the **Product Carbon Intensity System** to calculate the carbon emissions of each process, production 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

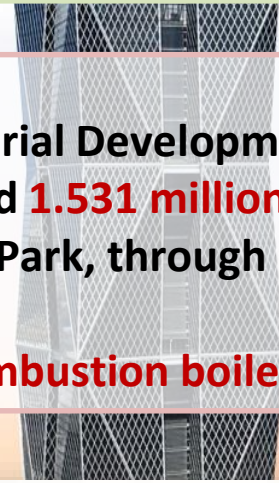
Investment on environmental protection

- ✓ 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 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 **98.57%**. (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

- ✓ 2024.02 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).
- ✓ 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).



Thank you!

Part 4

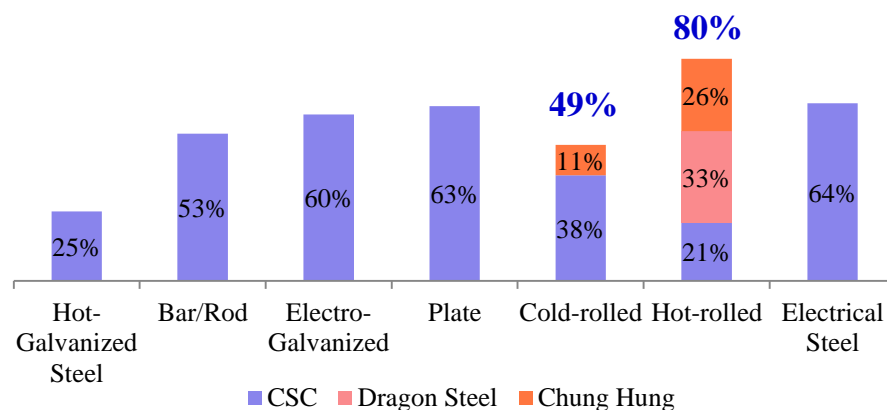
Appendixes

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)



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

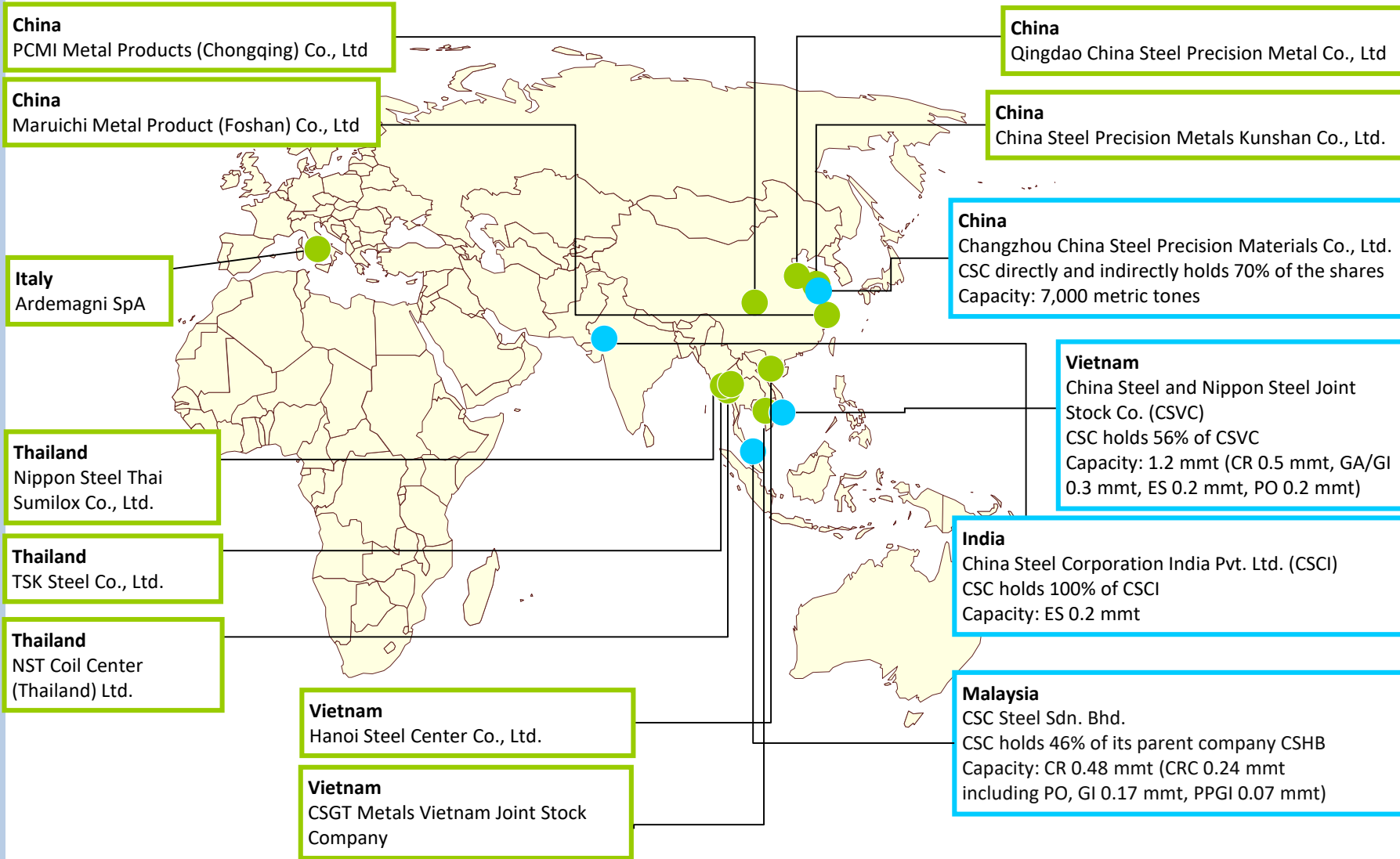
- CSE
- CSGT
- Gains Investment
- China Steel Security
- CPDC

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	Steel Department	Non-steel Department	Adjustment and Elimination	Total
Revenue from external customers	\$ 285,985,427	\$ 77,341,071	\$ -	\$ 363,326,498
Inter-segment revenue	66,716,442	58,110,355	(124,826,797)	-
Segment revenue	<u>\$ 352,701,869</u>	<u>\$ 135,451,426</u>	<u>(\$ 124,826,797)</u>	<u>\$ 363,326,498</u>
Segment profit (loss)	(\$ 6,617,524)	\$ 10,423,254	(\$ 219,788)	\$ 3,585,942
Interest income	410,002	604,055	(107,844)	906,213
Financial costs	(2,678,377)	(1,160,593)	215,309	(3,623,661)
Share of the profit (loss) of associates	2,205,341	3,082,685	(4,720,936)	567,090
Other non-operating income and expenses	1,898,542	2,019,986	(764,018)	3,154,510
Profit (loss) before income tax	(4,782,016)	14,969,387	(5,597,277)	4,590,094
Income tax (benefit)	(780,127)	1,800,298	38,718	1,058,889
Net profit (loss) for the period	<u>(\$ 4,001,889)</u>	<u>\$ 13,169,089</u>	<u>(\$ 5,635,995)</u>	<u>\$ 3,531,205</u>