

CSC

September 19, 2024



Agenda

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

Safe Harbor Statement

This presentation may contains forward-looking statements. All statements other than historical and current fact, without limitation, including business outlook, predictions, estimates, are forward-looking statements.

Such statements are based upon management's current beliefs and expectations and are subject to various risks, uncertainties and other factors that could cause actual outcomes and results to differ materially.

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

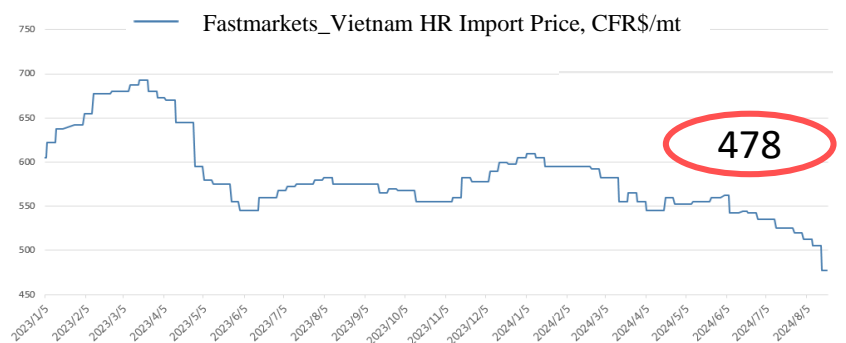
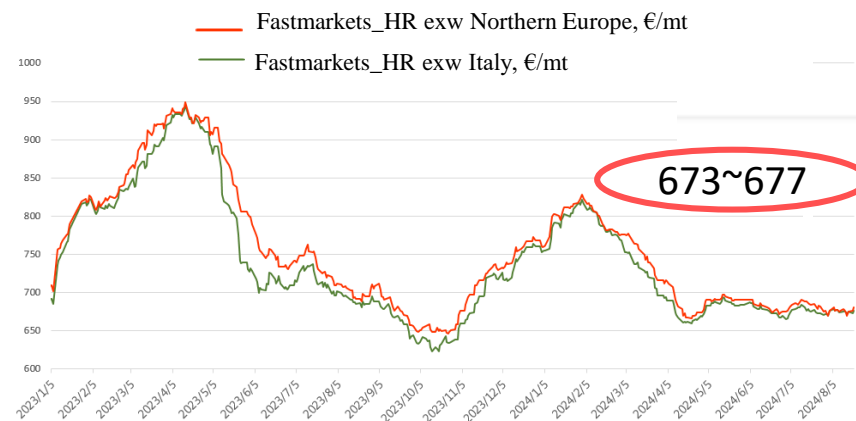
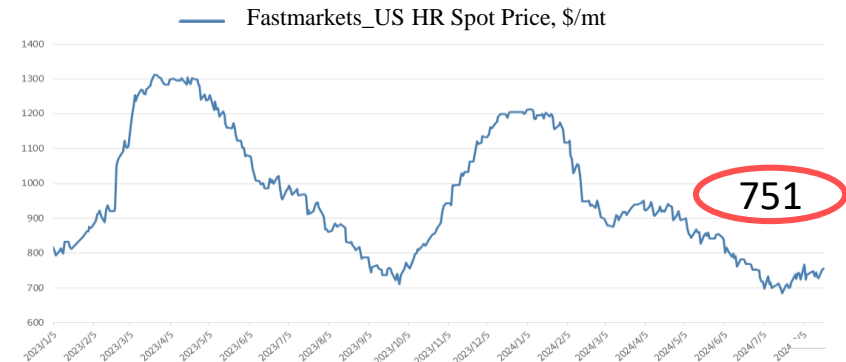
This cautionary statement is applicable to all forward-looking statements contained in this presentation.

Part 1

Steel and Raw Material Dynamics

Major Steel Market Dynamics

- **US:** With sufficient inventory currently, the purchasing momentum hasn't recovered. The market is awaiting the results of presidential election in November, and the purchasing activities remain conservative. However, some steel mills have planned maintenance in fall, which may support steel prices at that time.
- **EU:** Sluggish steel demand in the summer off-season has put the market under pressure. The market fundamentals are weak, and demand momentum remains subdued across end-users such as automotive and construction sectors. However, with EU announcing AD investigation on HRC originating from Vietnam, Japan, India and Egypt, it will lend a positive support for future prices.
- **ASEAN:** China's weak domestic demand prompts it to dump large quantity of low-priced steel products to ASEAN region, where various countries have initiated protective measures against China. Besides, demand in ASEAN countries has affected by national elections and raining seasons, forcing local steel mills to lower their prices continuously.



➤ China

- ✓ China's GDP growth in Q2 fell short of expectations at 4.7% YoY, the worst in the last 5 quarters. China's CPI rose by 0.5% YoY in July, higher than the consensus estimate. The manufacturing PMI in August was 49.1, a MoM decrease of 0.3%. Steel PMI was 40.4, down by 2.1% MoM, marking a one-year low.
- ✓ It is currently the traditional off-season for steel, characterized by weak demand and slow destocking in steel mills. With lower raw material prices and steel supply continues to decrease, steel prices are still restrained. Although the Third Plenum in July concludes without major breakthroughs, the government has expressed its concern over the economic outlook, implying a possible stimulus package from the central government later. Also, previous policies such as special national bonds, replacements for large-scale equipment and consumer goods have been gradually implemented, which will support the recovery momentum of the steel industry going forward.

➤ Taiwan

- ✓ While demand for AI applications continues to drive exports, rising negative factors have led the Directorate General of Budget, Accounting and Statistics (DGBAS) to slightly lower the full-year economic growth forecast by 0.03 percentage point to 3.91%, with further downward adjustments still possible. The improvement in manufacturing exports in Q2 prompted the National Development Council to signal a red light in its June economic indicators, with both leading and coincident indicators continuing to rise. Although the domestic economy remains on a positive trajectory, attention should be paid to the potential risks from U.S. economic trends and regional conflicts.
- ✓ Regarding the domestic steel-using industry, exports of the machinery industry declined slightly in July. Due to the drastic exchange rate fluctuation of JPY, the recovery trend for the machinery industry remains unclear. The steel structure industry continues to experience strong order inflows with visibility extending into next year. The demand for wire rods remained sluggish. Demand for the automotive and motorcycle industry remained stable. API exports were under pressure due to decrease of active drilling rigs in North America and the competition from other countries.

Global Steel Market Outlook

Steel prices rangebound in the US and EU

US steel mills raised prices, but demand was weak and **price increases were limited**. European demand is light, downstream purchasing remained conservative, and market **prices remain constant at low level**.

Global steel oversupply prevails

In July, global crude steel production was **153 million tons, a YoY decrease of 4.7%**, with India and the US growing and China decreasing. In the first seven months of this year, cumulative production was **1,100 million tons, a level close to the same period of last year**.



Tightening tariff measures slow trade momentum

Tightening global tariff measures could potentially slow down the overall trade momentum.

Ongoing tariff measures are as follows:
 US imposing tariffs on China under Section 301; multiple countries planning trade remedies against China; the EU extending safeguards and limiting steel quotas; China canceling ECFA tariff reductions for Taiwan; HR AD investigation by EU against Vietnam, Japan, India and Egypt, and by Vietnam against China and India.

Steady recovery of the economy and manufacturing industry

Global trade is gradually stabilizing. In July, **the IMF released a forecast that global economic growth will be 3.2% this year, unchanged from its previous forecast in April**. However, the impact of high interest rates on investment continues, and the growth momentum in the manufacturing sector remains limited.

China's policies continue to stimulate the economy

China is accelerating the issuance of **special bonds** for infrastructure investment, together with the **monetary easing** and **housing market incentive** policies, to stabilize the housing market and boost steel demand.

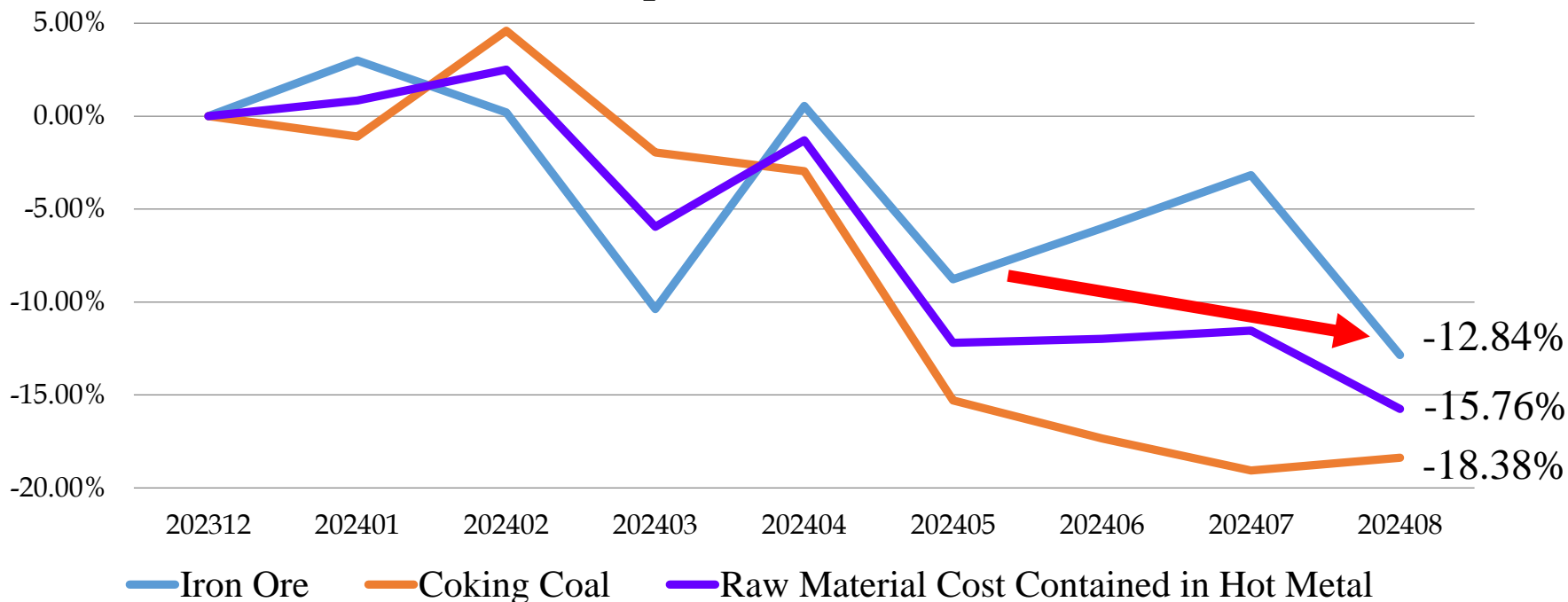
Interest rate cuts would help support steel prices

The EU cut interest rates by 25 basis points in June 2024. **The market expects the Fed to start interest rate cuts in September**, which is expected to help release the consumption of durable goods and investment demand that are suppressed by the high interest rate environment.

Raw Material Price Trend

- » Steel prices rebounded from Q4 2023. Rising demand for raw materials, combined with disruption in coking coal supply, has driven up the quarterly average prices of coking coal and iron ore to the highest level since 2H 2022.
- » The spot supply of Australian coking coal has been relatively sufficient since Q2, and coking coal prices have gradually fallen. Iron ore prices remained rangebound at high levels as a result of the strong Chinese steel output in the 1H, however prices have corrected due to a decline in China's crude steel production starting from July.

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



Part 2

Operating Performance

Consolidated Financial Performance

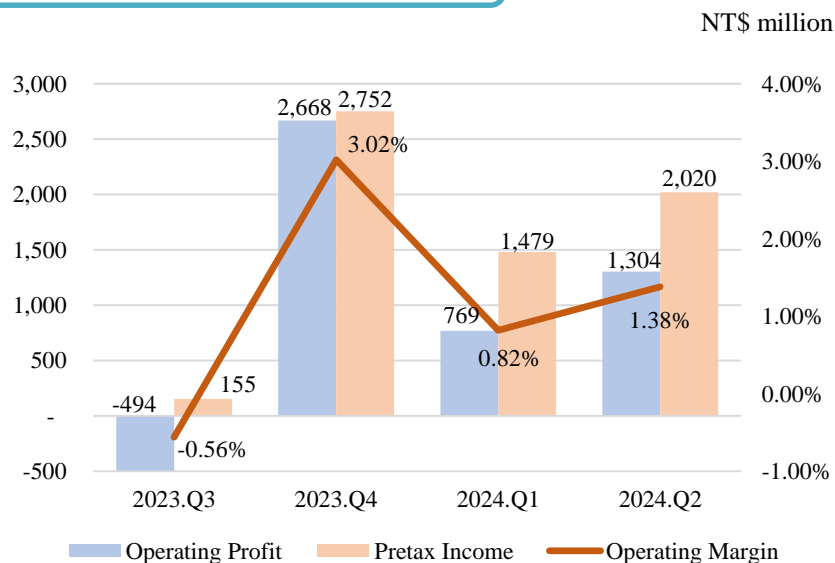
Latest operating results

Amount: NT\$ million

Item	*2024.7	2024.6	MoM	*2024.1~7	2023.1~7	YoY
Operating Revenue	29,273	29,957	-2%	217,599	214,923	1%
Operating Income	178	369	-52%	2,251	267	743%
Operating Income Margin	0.61%	1.23%		1.03%	0.12%	
Income Before Income Tax	582	681	-15%	4,080	1,282	218%

*preliminary results

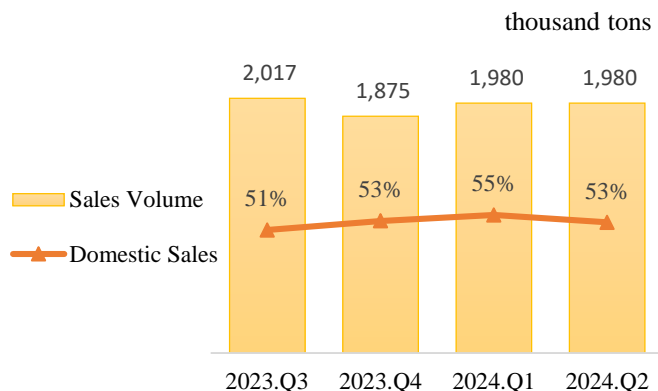
Quarterly profits trend



- ✓ Steel prices rose in Q1 2024 while costs gradually increased, squeezing the profit.
- ✓ The profit increased in Q2 due to the recognition of gains from the construction contract changes, while the cost of raw materials remained high.

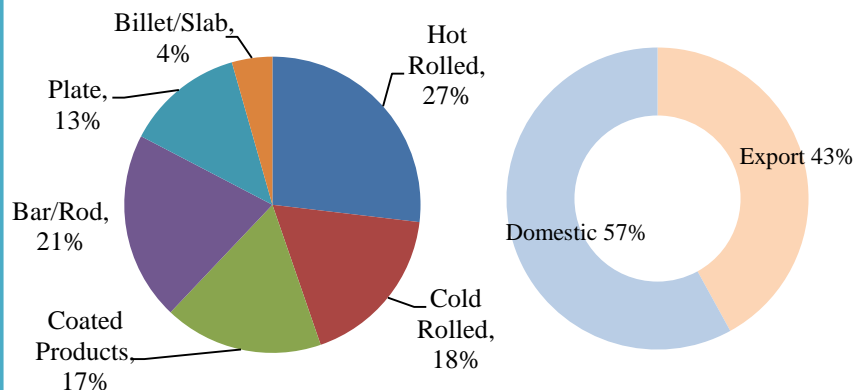
Standalone Production / Sales Performance

Sales analysis

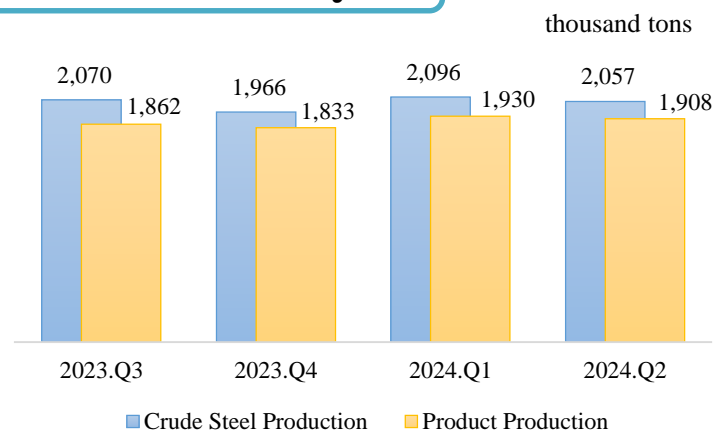


- ✓ The steel market recovered moderately in Q1 2024, and buyers' restocking demand has increased. Even with fewer working days because of the CNY, sales volume still increased.
- ✓ Customers turned conservative in Q2 2024 as the steel market declined globally. However, sales volume remained stable compared to that in the previous quarter.

2024.1H Sales value breakdown

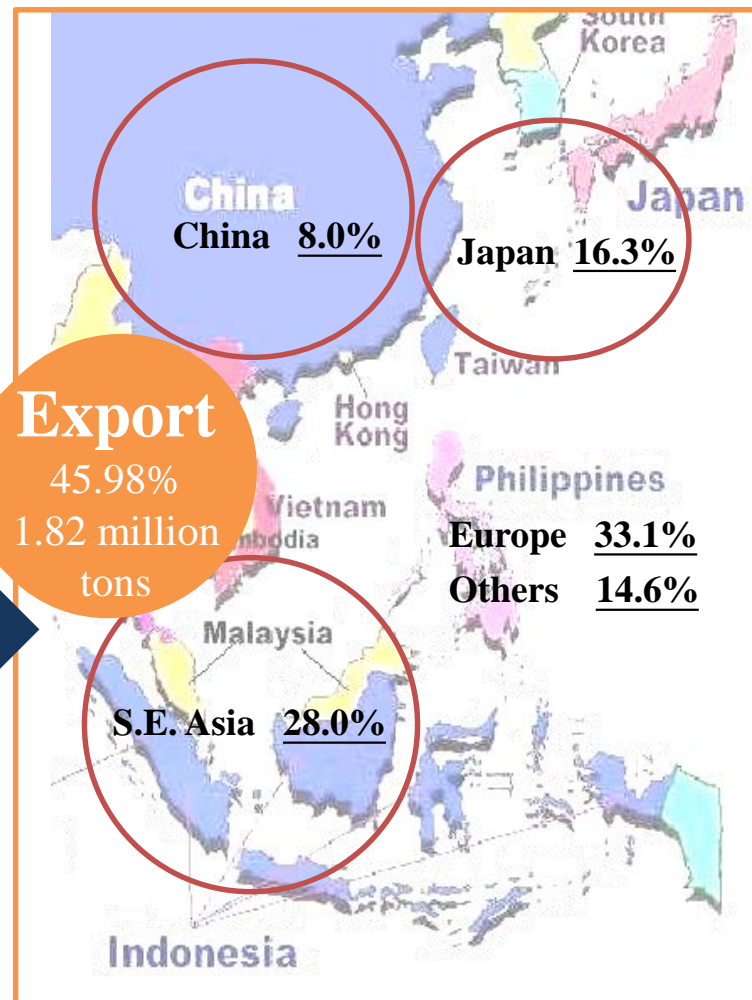
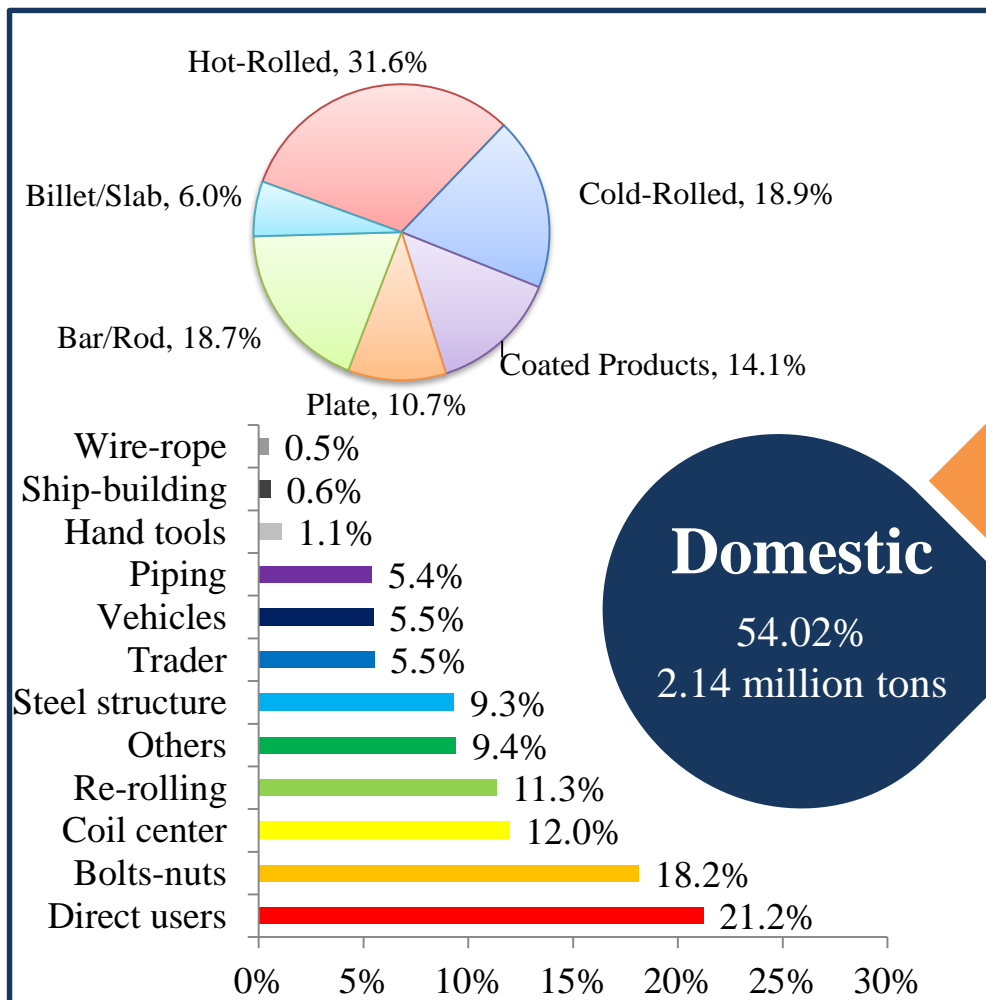


Production analysis



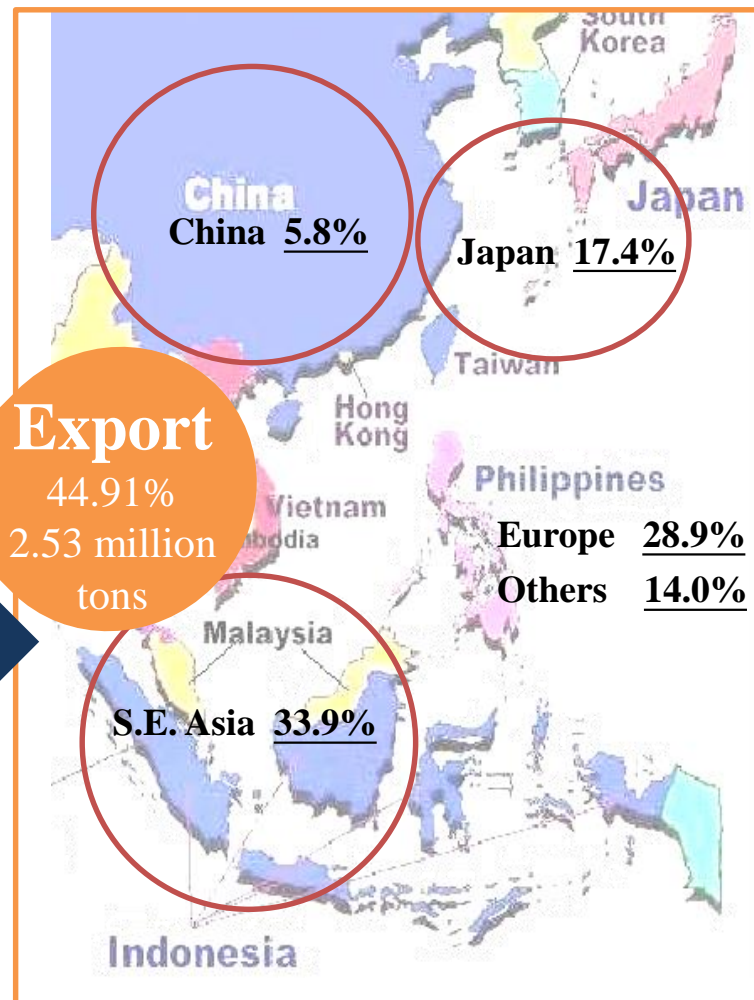
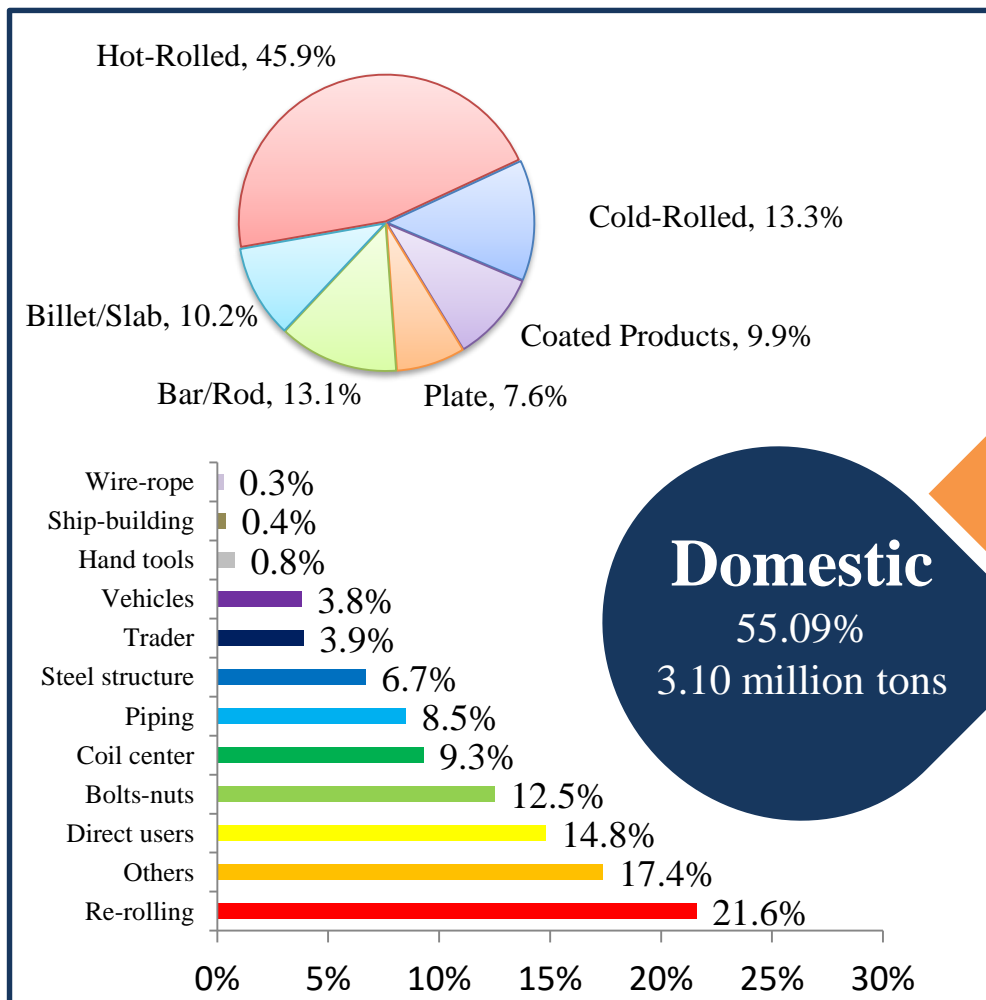
Sales Analysis – CSC Standalone

2024.1H sales volume totaled 3.96 million tons – Sales Breakdown



Sales Analysis - CSC & BF Products of DSC

2024.1H sales volume totaled 5.63 million tons – Sales Breakdown



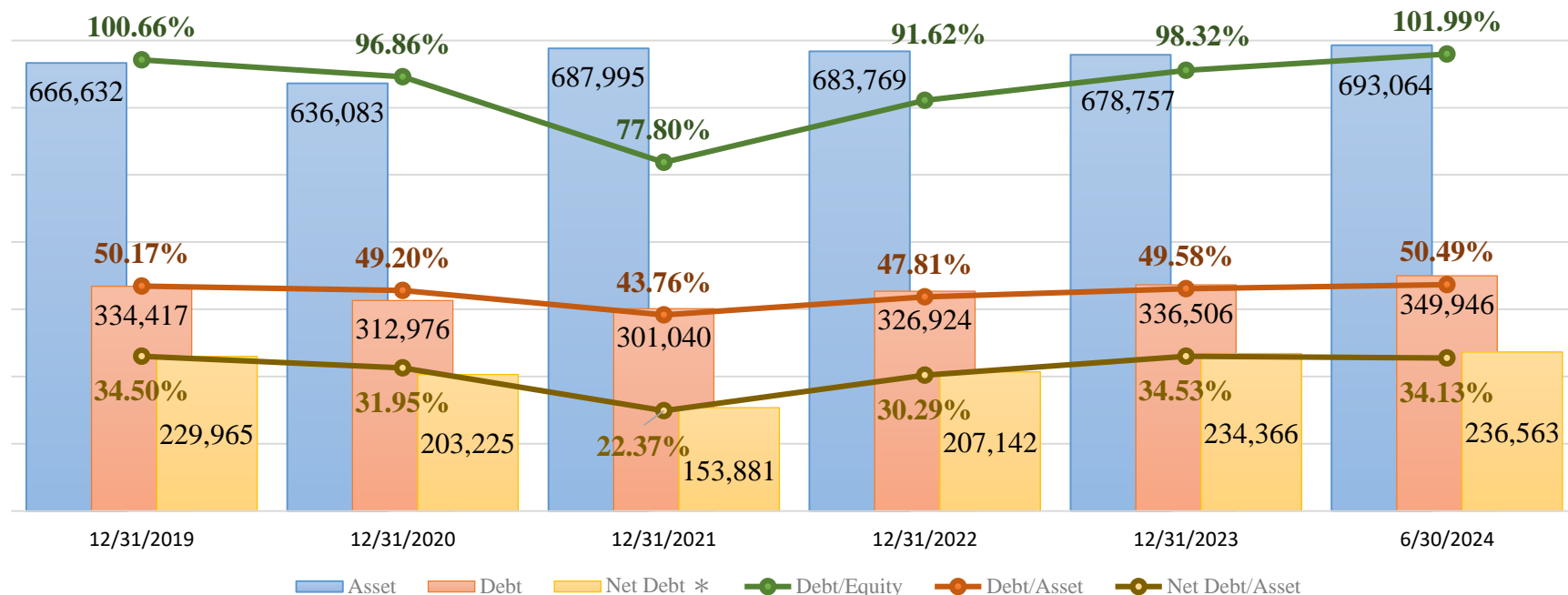
Consolidated Income Statement

Units: NT\$ millions

	2024.1H	2023. 1H	YoY
Revenues	188,326	186,703	+1%
Gross profit	8,871	8,185	+8%
Gross margins	4.71%	4.38%	
Profit before tax	3,498	1,683	+108%
<u>Net profit</u>	<u>2,772</u>	<u>1,376</u>	+101%
Attributable to			
Owners of the corporation	1,965	268	+633%
Non-controlling interests	807	1,108	-27%
Earnings Per Share (NTD)	\$0.13	\$0.02	+550%

Consolidated Financial Position

Units: NT\$ millions

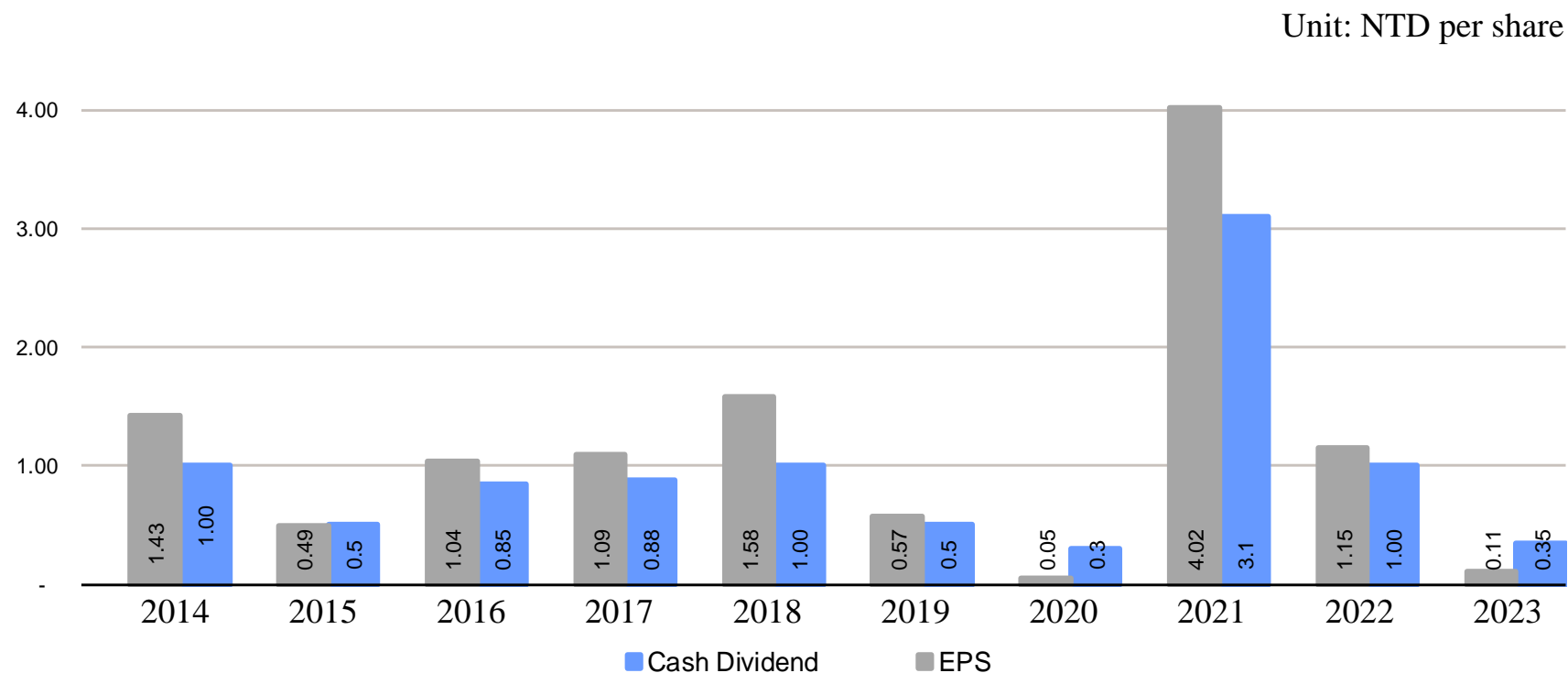


- ✓ In response to the environment of rising interest rates, multiple domestic financing channels, such as issuing corporate bonds, are used to reduce the impact of rising financial costs.
- ✓ Credit rating: Taiwan Ratings twAA- ; Outlook Stable (2024.04.29)
Fitch Ratings AA (tw); Outlook Stable (2024.04.16)

* 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



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



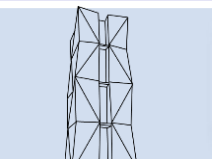


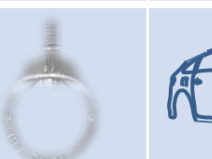
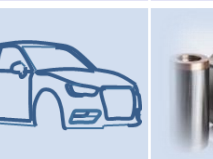

Develop Advanced Premium Steel

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.
- The APS sales volume in 1H 2024 reached 379.7 thousand tons, accounting for **10.26%** of total volume, **14.66%** of sales revenues, and **61.30%** of gross profits.

Deepen the Upgrade of Steel-Using Industry

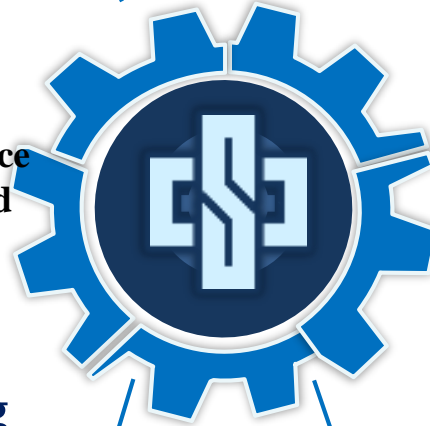
Facilitating industry 4.0

- **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, 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.



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.

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, the first wind turbine was installed in May 2024. Since June 2024, it has started to generate power in stages.
- The last wind turbine has been installed in August 2024. Once the wind farm is finished 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: 100.1MW** (as of August 2024)
- **Operating performance:** (as of August 2024)


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

Electricity output
619
million kWh



Revenues from electricity sales
2.91 billion



Carbon reduction
around
312k tons



Equivalent to the CO2 absorption of
800
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	2.2 (as of August)	100.1
Electricity Output (100m kWh)	3.30	1.05	1.05	0.79 (as of August)	6.19

- **Future installation: 2~3MW/yr ; the 2025 target of 100MW have been achieved earlier in 2024, and the total installed capacity is expected to reach 120MW by 2033.**
- 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

Base year: 2018 (Scope 1+2)

2025

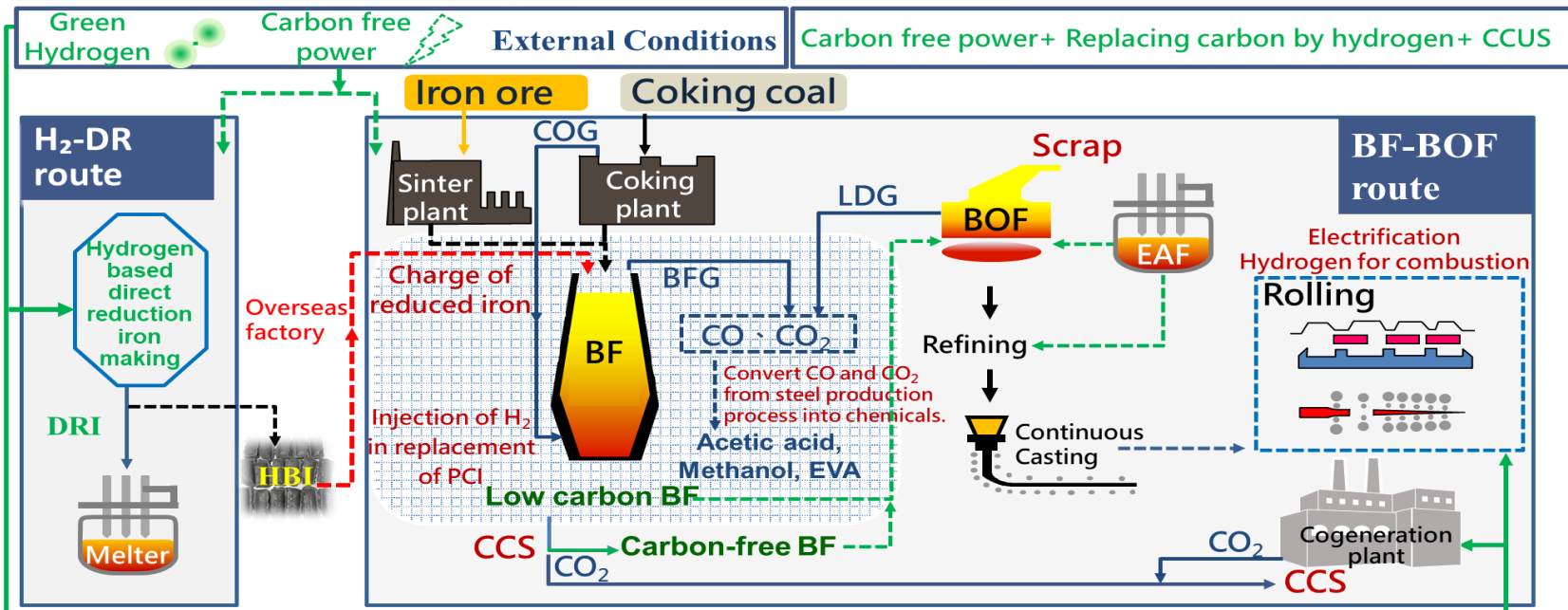
2030

2050

7% reduction

25% reduction

Carbon Neutrality

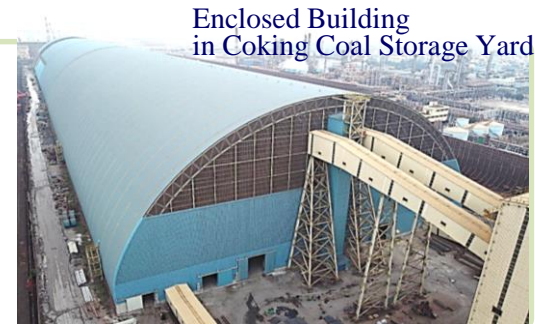


- Facing the challenges of **technology**, **resource**, and **capital**, resulted from the lack of mature technology and green hydrogen resources, as well as required equipment modification.
- Established the **Product Carbon Intensity System** to calculate the carbon emissions of each process, production line and product, which can meet carbon reporting requirements and customers' need, and help **select a production path with the lowest carbon emission**.
- The sales volume of galvanized steel products with a steel scrap proportion of 12%, 20%, and 40% or more, has increased dramatically. The galvanized steel products with a steel scrap proportion of **60%** have been developed in 2024, which are expected to obtain the UL 2809 certification by the end of the year.

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.



Enclosed Building in Coking Coal Storage Yard

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

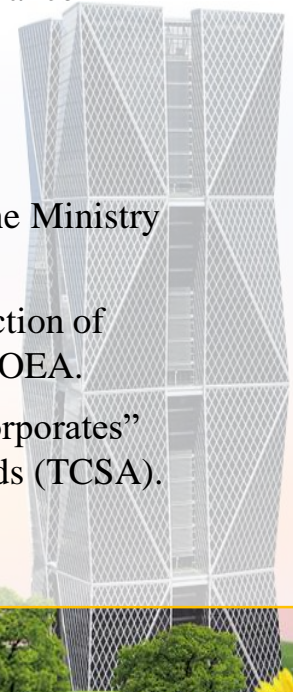
- ✓ Water recycled rate is **98.57%**. (higher than the 65% required by the government)
- ✓ **The first company in Taiwan to use domestic reclaimed water**. Reclaimed water reaches **over half of the total water usage**.
 - Fengshan Creek reclaimed water was introduced in 2018.
 - Linhai reclaimed water was introduced at the end of 2021.
 - Vicarious performance of reclaimed water for Hefa Industrial Parks in 2024.
- ✓ Establish a desalination experimental production line for the development of low-cost desalination technology.



Introduce the reservoir for reclaimed water

ESG Performance

- ✓ 2024.08 CSC won 1 Gold Award and 2 Bronze Awards in the Taiwan Sustainability Action Award by Taiwan Institute for Sustainable Energy (TAISE) with sustainable projects such as digital transformation.
- ✓ 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).
- ✓ 2023.11 CSC won the BSI "Sustainable Resilience Excellence Group Award“.



Thank you!

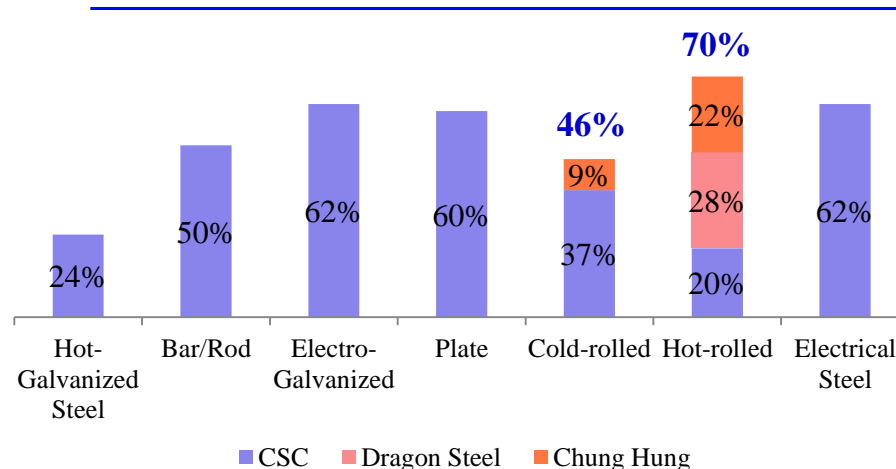
Part 4

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 (2024.1H)



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

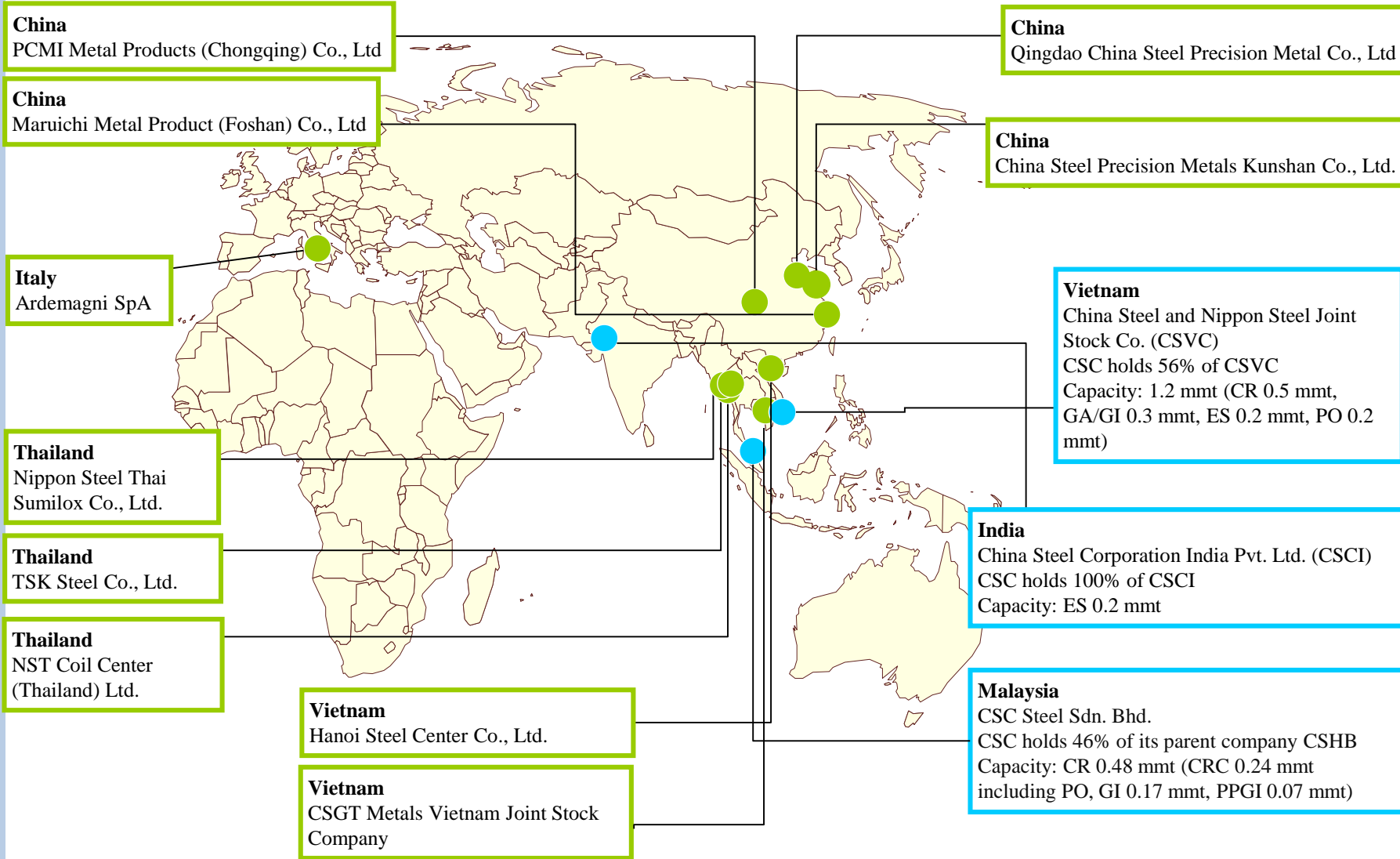
- CSE
- CSGT
- Gains Investment
- China Steel Security
- CPDC

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.



● Co-invest in coil centers with peers and customers through China Steel Global Trading Co.

● Overseas Investments of CSC group 28

Segment Revenues and Operating Results

Unit : NTD Thousands

2024.1H	Steel Department	Non-steel Department	Adjustment and Elimination	Total
Revenue from external customers	\$ 149,210,949	\$ 39,115,181	\$ -	\$ 188,326,130
Inter-segment revenue	31,213,792	27,359,640	(58,573,432)	-
Segment revenue	<u>\$ 180,424,741</u>	<u>\$ 66,474,821</u>	<u>(\$ 58,573,432)</u>	<u>\$ 188,326,130</u>
Segment profit (loss)	(\$ 2,026,899)	\$ 4,258,428	(\$ 158,569)	\$ 2,072,960
Interest income	225,793	566,674	(49,762)	742,705
Financial costs	(1,408,837)	(564,010)	103,446	(1,869,401)
Share of the profit (loss) of associates	(87,423)	1,151,153	(647,510)	416,220
Other non-operating income and expenses	892,289	1,567,910	(324,297)	2,135,902
Profit (loss) before income tax	(2,405,077)	6,980,155	(1,076,692)	3,498,386
Income tax (benefit)	(168,859)	944,156	(48,731)	726,566
Net profit (loss) for the period	<u>(\$ 2,236,218)</u>	<u>\$ 6,035,999</u>	<u>(\$ 1,027,961)</u>	<u>\$ 2,771,820</u>