

Stock Code: **2014**

CHUNG HUNG STEEL CORPORATION

2022.03.24



SOURCE: CHS 2020 CSR

Competence Honesty Service

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Company Profile

Name	Chung Hung Steel Corporation
Date of establishment	September 29, 1983
Address	317, Yu Liao Road, Chiao Tou District, Kaohsiung City 82544, Taiwan (R.O.C.)
Paid-in capital	NTD 14,355,444,460
Chairman of the Board	Min-Hsiung Liu
President	Kuei-Sung Tseng
Main products	Hot-rolled coil, Cold-rolled coil, Steel pipe & Tube, Hot-rolled pickled & oiled coil and galvanized steel coil
Mills	Kaohsiung: Hot Rolling Mill, Cold Rolling Mill, Steel Pipe & Tube mills (Da-fa) and Pickling & Galvanizing Mill Changhua(Zhang-bin Industrial Park): Tube mills (Lu-kang)
Main stockholder	China Steel Corporation(40.59%)

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World Economic Growth Forecast

- The IMF released the “World Economic Outlook” in January 2022, predicting that the global economy will grow by 4.4% in 2022. As the mutant virus Omicron continues to spread, the global economic situation is slightly weaker than expected.
- Inflation has risen more than expected, particularly in the United States and emerging market and developing economies, driven by rising energy prices and supply chain bottlenecks.
- The global economy is expected to grow by 3.8% in 2023, and inflation will moderate as the supply-demand imbalance improves.

Manufacturing PMI

- The manufacturing industry in the United States and Europe has expanded steadily, and the negative impact of epidemic restrictions and supply chain bottlenecks has gradually eased. However, the war between Russia and Ukraine and related economic sanctions may bring uncertainty to the follow-up development.
- The epidemic prevention measures in mainland China still restrict production and transportation. However, with the continuous release of infrastructure demand, the construction industry has gradually recovered, and the overall economy has maintained a recovery trend, and the economy has been stable and rising.
- India, Japan, South Korea and the ASEAN region The mutant virus Omicron led to a sharp increase in the number of cases. The epidemic prevention measures and supply chain delays still restricted economic development. However, market demand continued to recover, and the overall situation remained in the expansion range.

Global Crude Steel Production Forecast

- According to the latest report dated Dec. 16, 2021 from World Steel Dynamic (WSD), global crude steel output is expecting to be 1,921 million tons in 2021, and which will increase 1.5% to 1,950 million tons in 2022.
- In addition, According to WSD data, China' s crude steel output of 2021 is expected to be 1,030 million tons (actual crude steel output is 1,035 million tons, according to China NBS data released in Feb. 2022), with Chinese authority keeps on track of “carbon neutrality policy” in 2022, WSD expects China' s crude steel output will be 1,030 million tons in 2022.

Global Steel Demand Forecasts

- Global steel demand will recover to pre-pandemic level much quicker than expected, increasing 4.5% to 1,855 million tons in 2021, according to World Steel Association announced in Oct. 2021.
- With lots backlogged orders, re-building of stocks, and continuing vaccination progresses in developing countries, steel demand releasing from easing of COVID-19 controlling measures, industry activities are likely to recover gradually, expecting global steel demand will increase 2.2% to 1,896 million tons in 2022.

Steel price trend-Hot Rolled (international market)

2021.4Q-2022.1Q Steel Price Trend Recap and Outlook (International)

2021.4Q : In the fourth quarter of 2021, the global economy is shrouded in the shadow of five shortages (lack of materials, lack of labor, lack of chips, lack of containers, and lack of electricity), resulting in obstacles to supply, slowdown in the depletion of downstream industry inventories, and obviously delayed demand. Coupled with the global spread of "Omicron" COVID-19 variant virus , the international steel market significantly weakened at the end of last year.

Steel price trend-Hot Rolled (international market)

2021.4Q-2022.1Q Steel Price Trend Recap and Outlook (International)

2022.1Q : The conflict between Ukraine and Russia leads to soaring energy and commodity prices, and resulted a huge steel supply gap in the European market, therefore causing local steel prices to soar significantly. Due to the continuous promotion of the policy of "guaranteeing supply and maintaining stable prices" by the Chinese government, the Chinese market price raised slowly. However, as the epidemic has stabilized in other countries and as the manufacturing industry has continued to recover, midstream and downstream firms have also started to replenish inventories due to the continuous rise in the prices of raw materials such as coal and iron, and worried about the subsequent rise in steel costs and the supply shortage caused by the Ukrainian-Russian war, which might led to an overall rise in steel prices. As the conflict continues as of March 12, it is still difficult to estimate whether it will have an impact on the related steel-consuming industries, and subsequent changes in steel prices remain to be observed.

Steel Market Outlook(1/2)

- **According to the latest prediction from WSA, Global steel demand in 2022 will continue to grow 2.2% from 2021' s basis. Moreover, IMF predicted global economic growth in 2022 to be 4.4%; Chung-Hua Institution for Economic Research estimate Taiwanese economic growth rate to reach 3.67%. As countries are turning toward tightening monetary policy, but global economic growth is steel maintaining its momentum, and still demand shall steadily grow.**
- **Conflict between Russia and Ukraine is the major uncertainty to steel market, because both countries are major steel exporting nation. War and economic sanction is currently affecting domestic and export supply, and it is currently unable to estimate the influence to other industries and supply chain, and hence affect steel demand.**

Steel Market Outlook(2/2)

- **Besides, European and American economic sanction have already brought large price fluctuation to certain metals as well as coal and iron ore. This will certainly affect steel makers cost and sales price, and in a relatively higher inflation environment, this will raise central bankers while making interest rate decisions.**
- **Steel supply will maintain tight as carbon neutral and geopolitical conflict continues. In post pandemic era, nations are trying to push economy back on track, some steel demand hold back by pandemic will be released gradually. The relief of chip shortage may potentially bring steel demand back to normal and hence supports steel price.**
- **Forward looking into the future, as the world gradually heading toward carbon neutral, steel supply will maintain tightening, but geopolitical conflict may still bring fluctuation to economy.**

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Financial Overview (1/4)

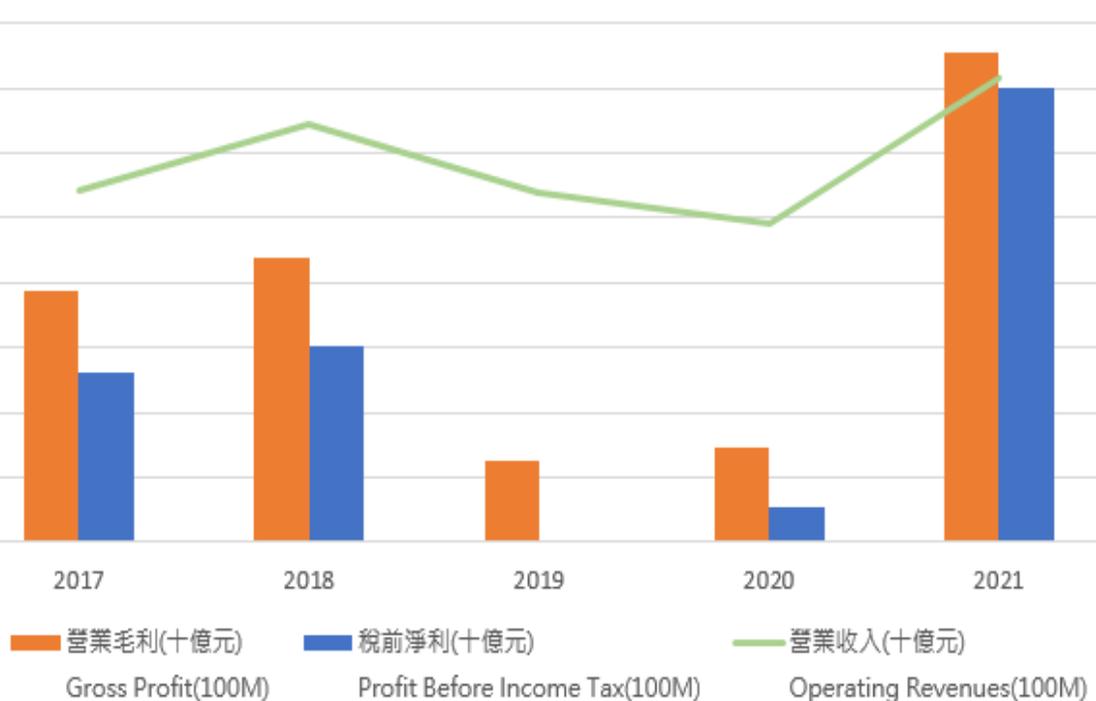
Financial Performance

(In Thousands of New Taiwan Dollars)

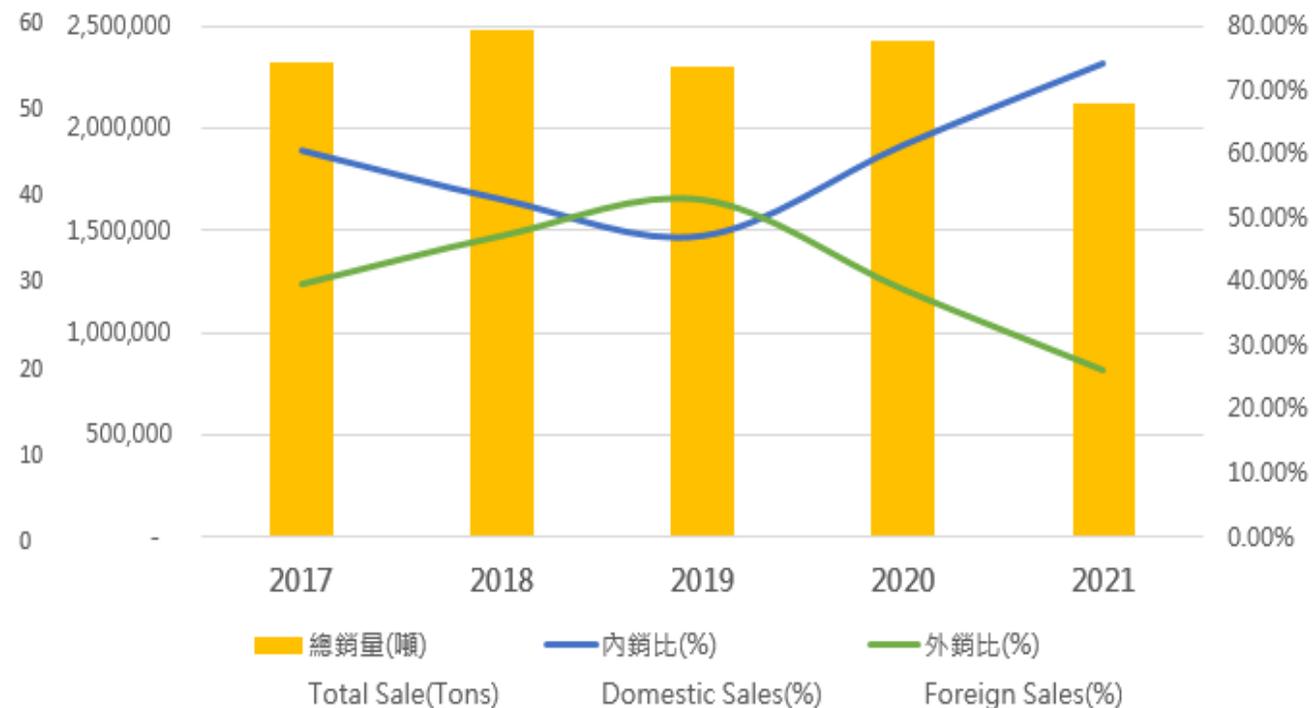
	2017	2018	2019	2020	2021
Operating Revenues	40,792	48,239	40,470	36,790	53,744
Gross Profit	3,889	4,385	1,245	1,455	7,546
Gross Profit Rate	9.53%	9.09%	3.08%	3.95%	14.04%
Profit(Loss) From Operations	2,574	2,876	-218	338	6,524
Profit(Loss) From Operations Rate	6.31%	5.96%	-0.54%	0.92%	12.14%
Profit(Loss) Before Income Tax	2,606	3,034	11	528	7,013
Profit(Loss) Before Income Tax Rate	6.39%	6.29%	0.03%	1.44%	13.05%
Net Profit(Loss) for the Period	2,606	3,033	11	528	6,350
EPS(NTD)	1.82	2.11	0.01	0.37	4.42
Cash Dividend per shares	-	0.1	-	0.3	2.8
Book Value per shares	8.31	10.28	10.15	10.61	15.72

Financial Overview (2/4)

Trend of Quarterly Profit



Quarterly Sales by Products & Domestic and foreign sales ratio



Financial Overview (3/4)

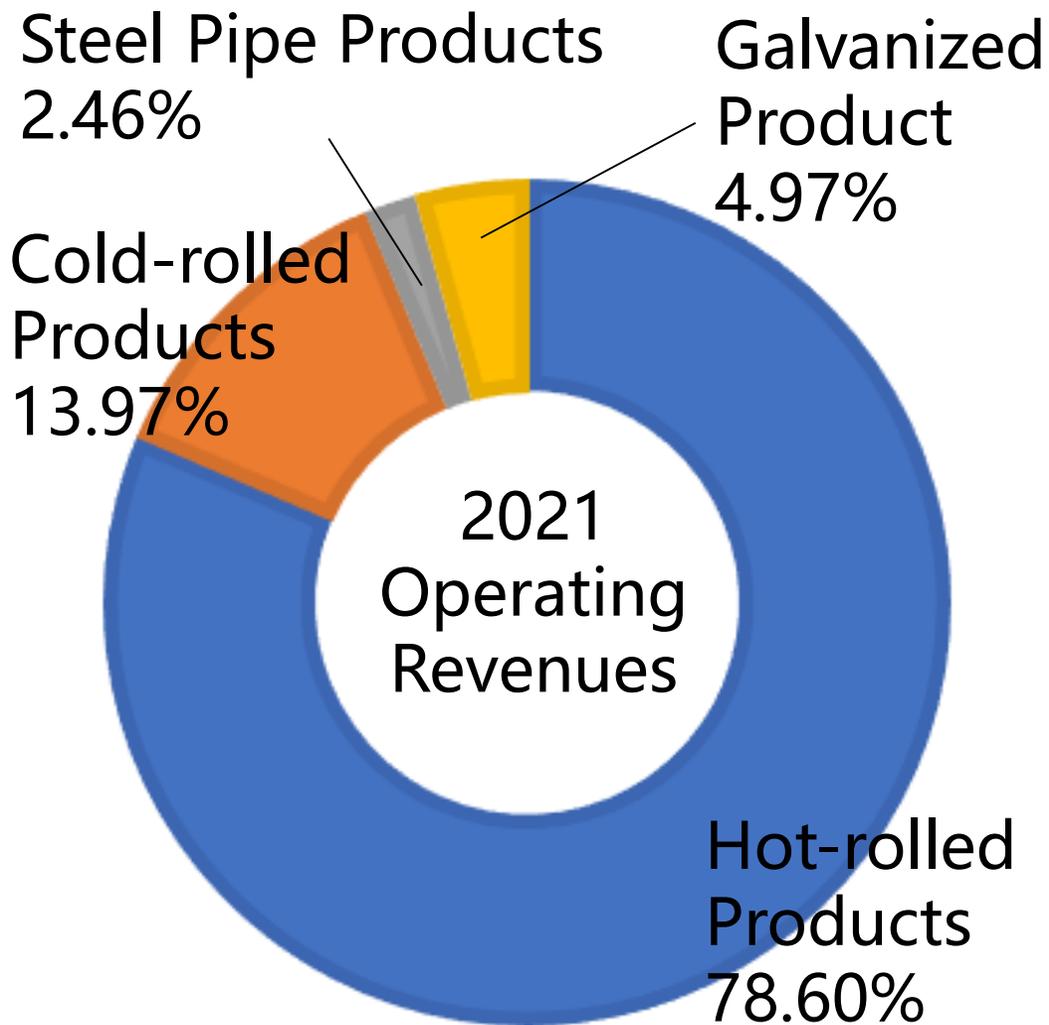
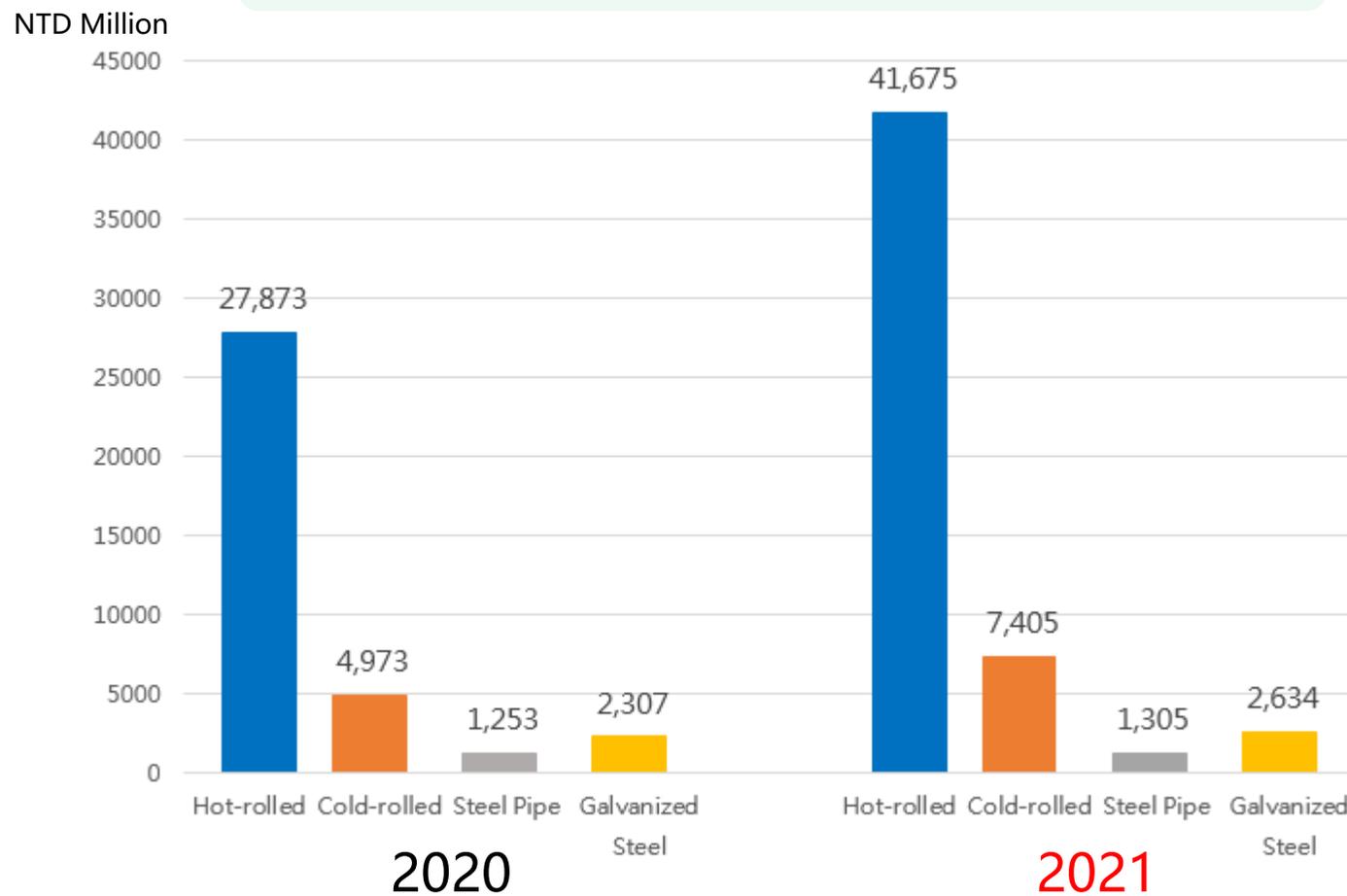
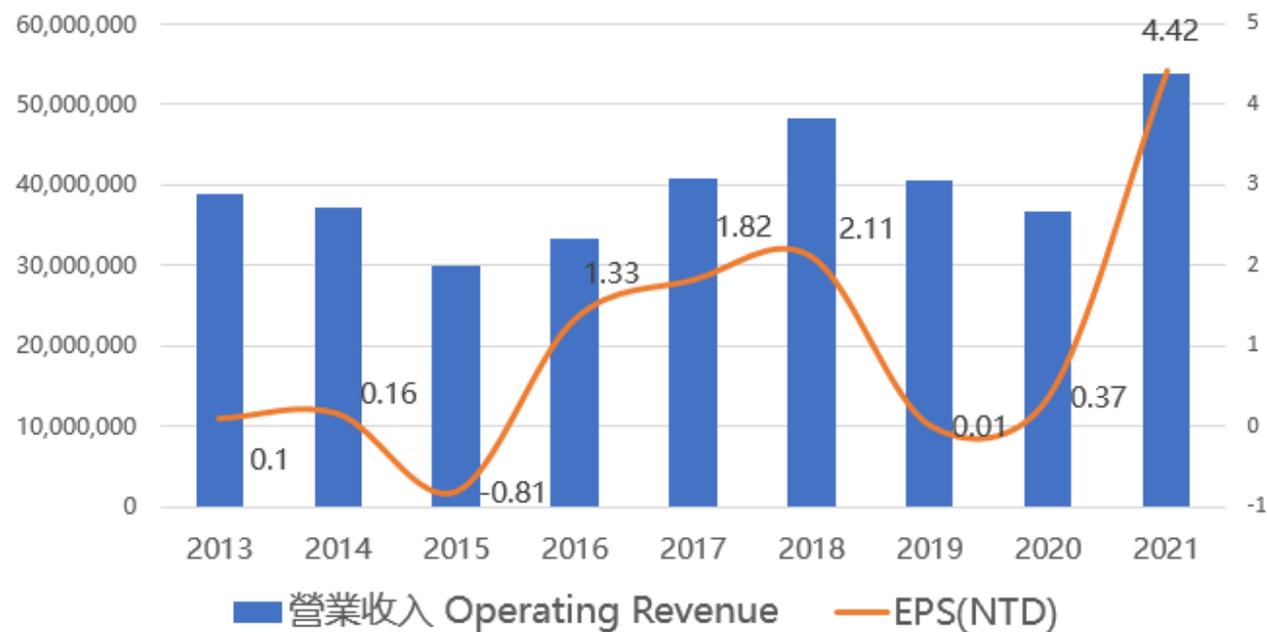


Table of Sales by Products

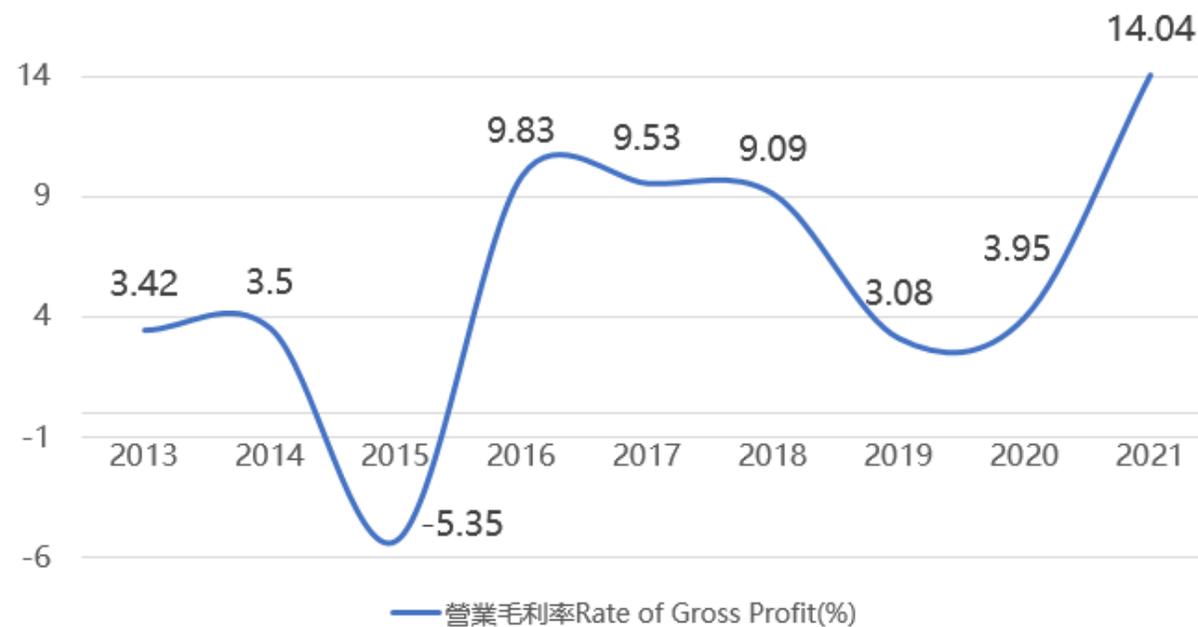


Financial Overview (4/4)

Operating Revenues & EPS



Rate of Gross Profit

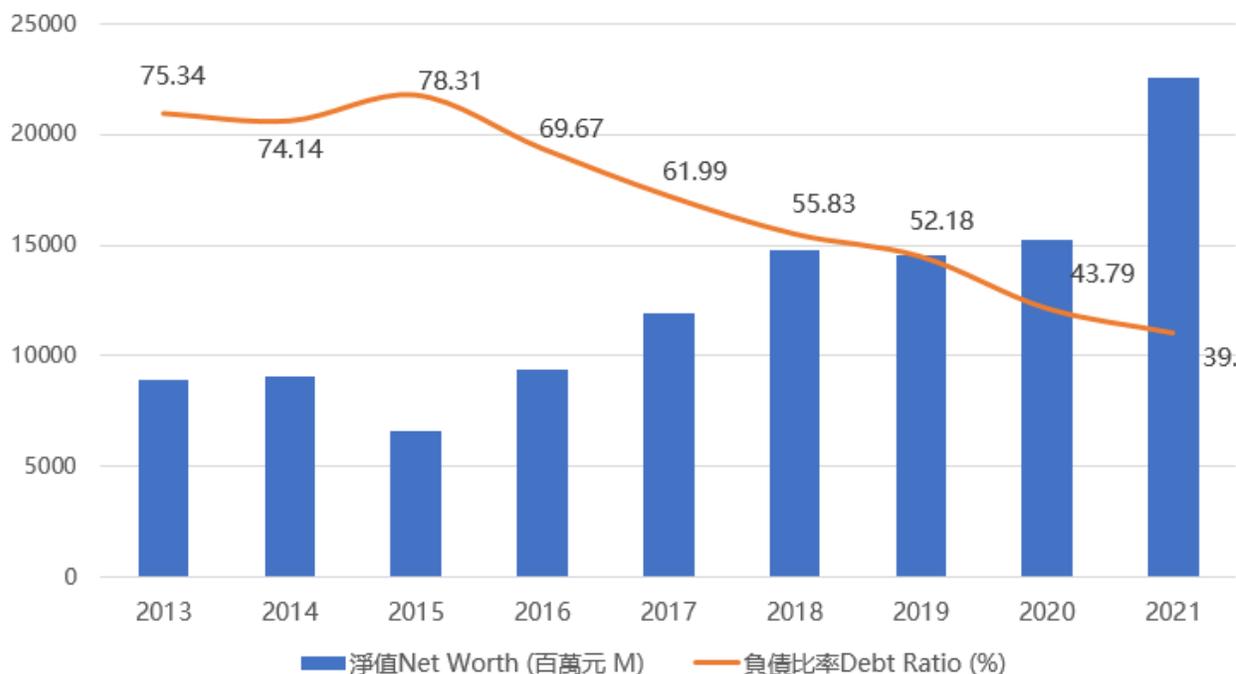


Credit Rating & Financial Performance

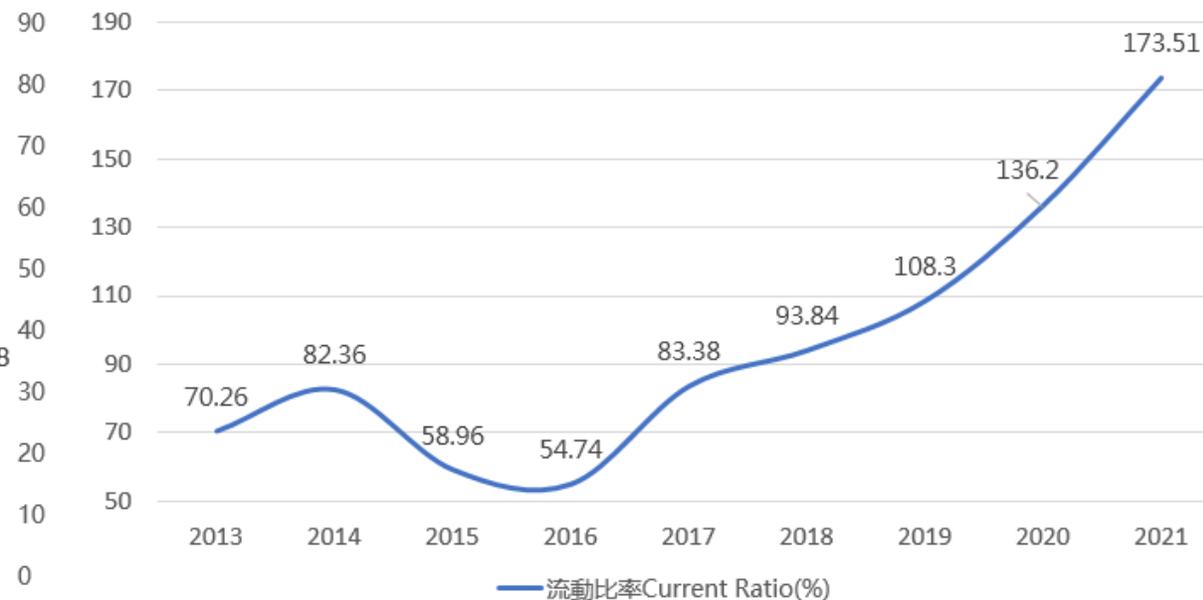
Credit Rating

Rating Agency	Short-term Rating	Long-term Rating	Outlook
Taiwan Ratings	twA	twA-1	Stable

Debt Ratio & Net Worth



Current Ratio



Q&A



CSR Report



CHS Financial Report



THANK YOU!