

Stock Code: **2014**

# CHUNG HUNG STEEL CORPORATION

2022.06.27



SOURCE: CHS 2020 CSR

*Competence Honesty Service*

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# Company Profile

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

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# World Economic Growth Forecast

- The IMF released the World Economic Outlook in April 2022, predicting that the global economic growth in 2022 will decline by 0.8% to 3.6%, but still higher than the level before the epidemic (economic growth in 2019 was 2.8%).
- Affected by the Russian-Ukrainian war, the supply gap of energy, metals and commodities has widened. The sharp rise in inflation has prompted the US Fed to speed up the pace of interest rate hikes. Asia and emerging markets are facing massive capital outflows and currency depreciation.
- The global economy is expected to grow by 3.6% in 2023. The Russian-Ukrainian war has led to a slowdown in the global economic recovery, and high inflation will continue for a longer period of time.

# Manufacturing PMI

- **In the United States and Europe** , affected by the previous Russian-Ukrainian war and China's implementation of epidemic prevention and control, supply chain delays and shortages of raw materials have led to soaring energy and commodity prices, and rising inflation has slowed demand, but **output remains strong and overall remains stable expansion.**
- **In China**, although the epidemic continues in many places in may, manufacturing production and demand have recovered to varying degrees. The production index of the automobile industry is more than 10.0% higher than the previous month, and has risen to the expansion range, **indicating that the production activities of enterprises are accelerating.**
- **India, Japan, South Korea and the ASEAN region.** Supply chain delays and shortages of raw materials have led to rapid increases in costs. Enterprises continue to pass costs on to customers, thus demand has declined. However, the negative impact of the epidemic has gradually subsided, and **the overall situation remains in the expansion range.**

# Global Crude Steel Production Forecast

- According to the latest report dated Jun. 5th, 2022 from World Steel Dynamic (WSD), global crude steel output of 2021 was 1,939 million tons, and expect to fell by 0.9% in 2022 to 1,922 million tons .
- In addition, According to same source, China' s crude steel output of 2021 was 1,031 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 1,031 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)

- The World Steel Association (WSA) forecasts that global steel demand will grow by 0.4% in 2022 to reach 1,840.2 million tons after increasing by 2.7% in 2021. In 2023 steel demand will see further growth of 2.2% to reach 1,881.4 million tons.
- In 2021, recovery from the pandemic shock turned out to be stronger than expected in many regions, despite continuing supply chain issues and COVID waves. For 2022 and 2023, the outlook for steel demand remains highly uncertain. The expectation of a continued and stable recovery from the pandemic has been shaken by the war in Ukraine and rising inflation.

# Steel price trend-Hot Rolled (international market)

## 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.

# Steel price trend-Hot Rolled (international market)

## 2022.2Q Steel Price Trend Recap and Outlook (International)

**2022.2Q** : Long lasting warfare between Ukraine and Russia continue to influence industry supply and demand, and recent panic re-stocking in the downstream industries had already overdraw some demand. With correction in raw material, rainy season in Asia, seasonal factor such as Ramadan, and lock-down in China, international steel market obviously enters into a correction period. However, the lock-down in China have improved since June, with State Council of PRC rolls out 33 measure to stabilize economy, the downstream manufacturing industry is expected to revive at a faster pace. Along with infrastructure plan driving strong demand in various countries, brings promising development in steel market in second half of the year. Further, due to energy supply tension in various countries, price of coal remains high, hence expecting pressure of production cost at steel mill remains high, and the high cost will also provide support to steel price.

# Steel Market Outlook(1/2)

- According to the latest prediction from WSA, Global steel demand in 2022 will continue to grow 0.4% from 2021's basis. Moreover, IMF predicted global economic growth in 2022 to be 3.6%; Chung-Hua Institution for Economic Research estimate Taiwanese economic growth rate to reach 3.96%. It indicates that economy can maintain growth momentum while countries are heading toward tightening monetary policy, and steel demand shall remain stable.
- **Conflict between Russia and Ukraine is still a major uncertainty to steel market.** Despite the disruption of steel directly supplied from both countries, the conflict also cause restructuring of steel supply chain of Europe. As Europe previously released large amount of demand amid panic of supply shortage, it is expected that follow-up demand may be procrastinated after quick re-stocking.

# Steel Market Outlook(2/2)

- On the other hand, the pandemic control measure in China have been lifted on June 1st, given that all downstream industries back to production, and smooth logistic, demand is expected to grow gradually. Meanwhile, heavy rain fall had caused disasters in Southern China, after the rainy season comes to an end, rebuilding will gradually start. Chinese government lowered interest rate and release a bunch of policies to stabilize economy, it will help the fundamentals to reach bottom and bounce.
- Due to high inflation observed globally, governments may limit export of goods in order to stabilize domestic price level, such as India taxing on exporting steel. Also, high energy price not only will raise steel mill's cost, hence providing support to steel price, it may also cause some mills to reduce production due to significant deficit. As countries continue headed toward "carbon neutral" goal, we expect steel supply will continue to be restricted.
- **Forward looking into the future, as high inflation, high energy price and geopolitical conflict inter-influencing, steel supply and demand will tend toward balance, and price will remain high.**

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# Financial Overview (1/4)

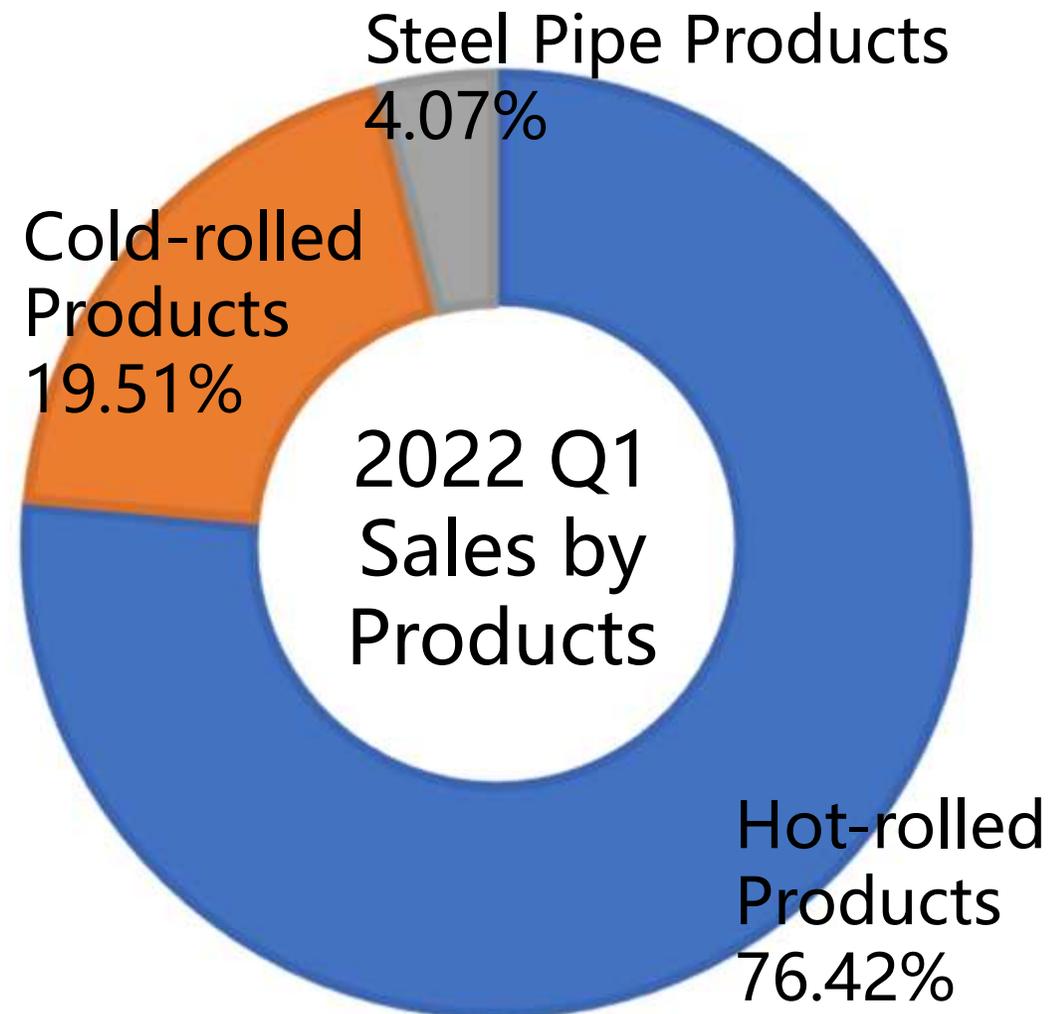
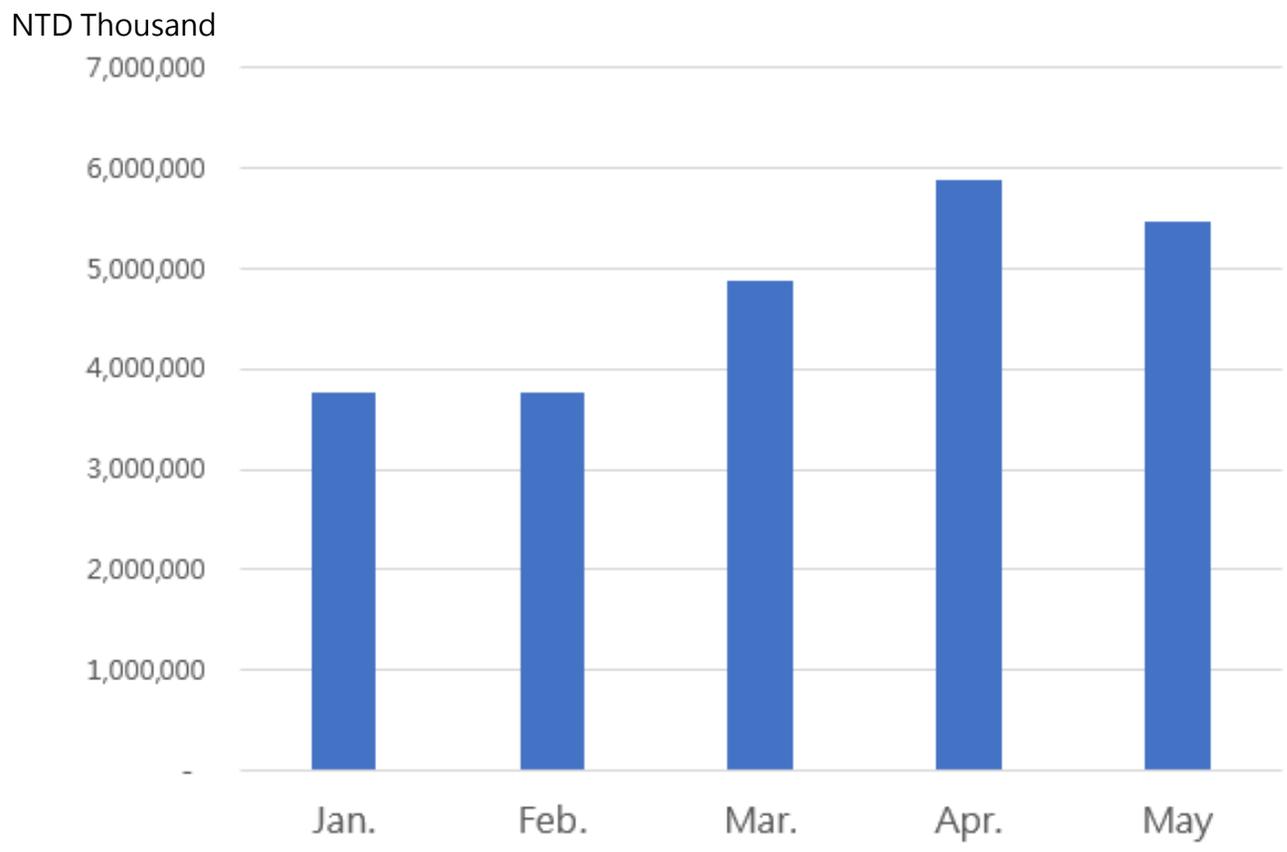
## Financial Performance

(In Millions of New Taiwan Dollars)

	22'Q1	21'Q4	QoQ
Operating Revenues	12,410	13,881	16.70%
Gross Profit	625	1,490	-5.80%
Gross Profit Rate	5.04%	10.74%	
Profit(Loss) From Operations	452	1,133	-4.19%
Profit(Loss) From Operations Rate	3.64%	8.16%	
Profit(Loss) Before Income Tax	505	1,165	-18.55%
Profit(Loss) Before Income Tax Rate	4.07%	8.39%	
Net Profit(Loss) for the Period	502	906	-35.83%
EPS(NTD)	0.35	0.63	

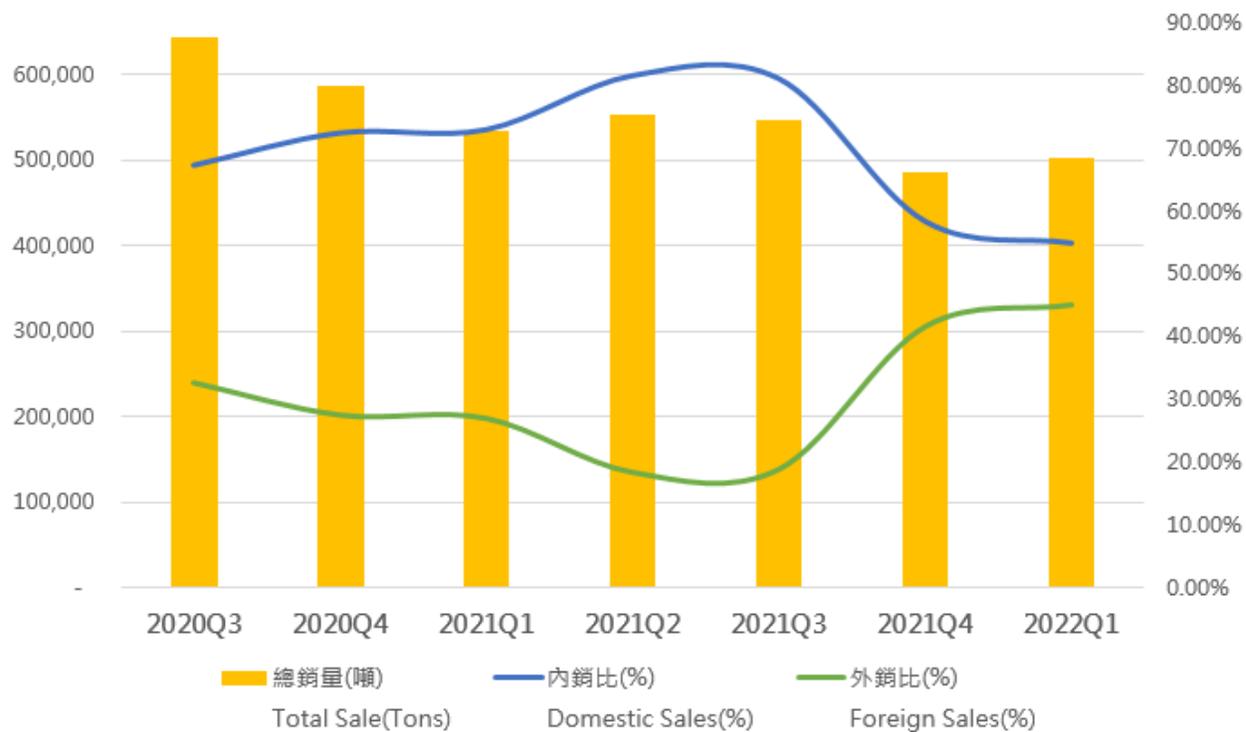
# Financial Overview (324)

## Operating Revenues from Jan. to May

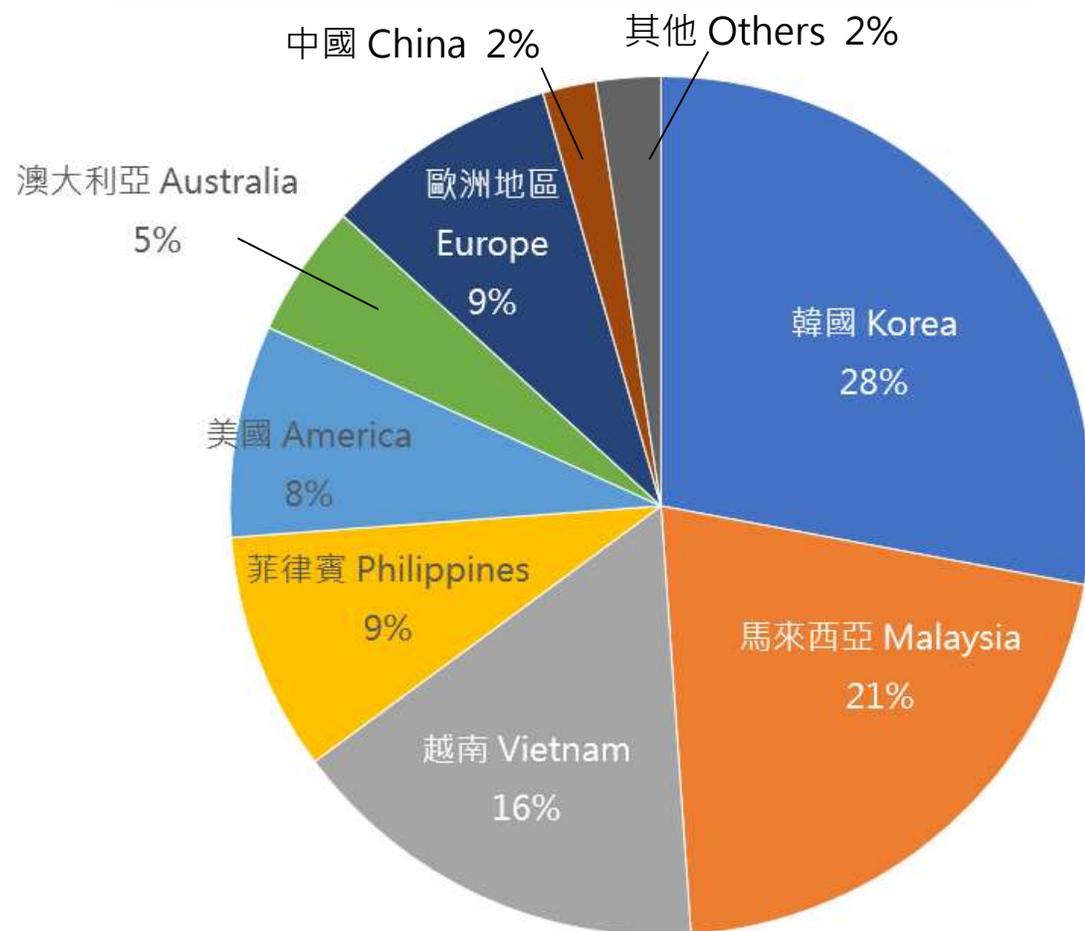


# Financial Overview (2/4)

## Quarterly Sales by Products & Domestic and foreign sales ratio



## Exporting countries in Q1



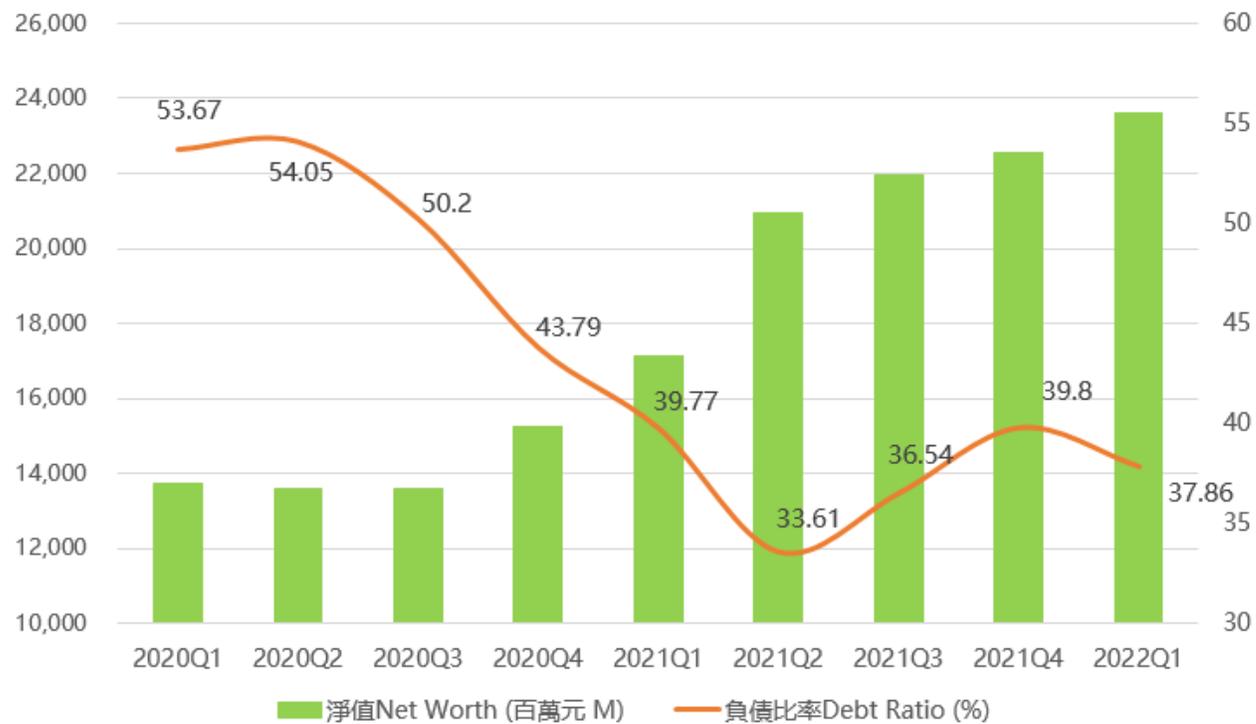
# Financial Overview (4/4)

## Trends of Yearly Profit

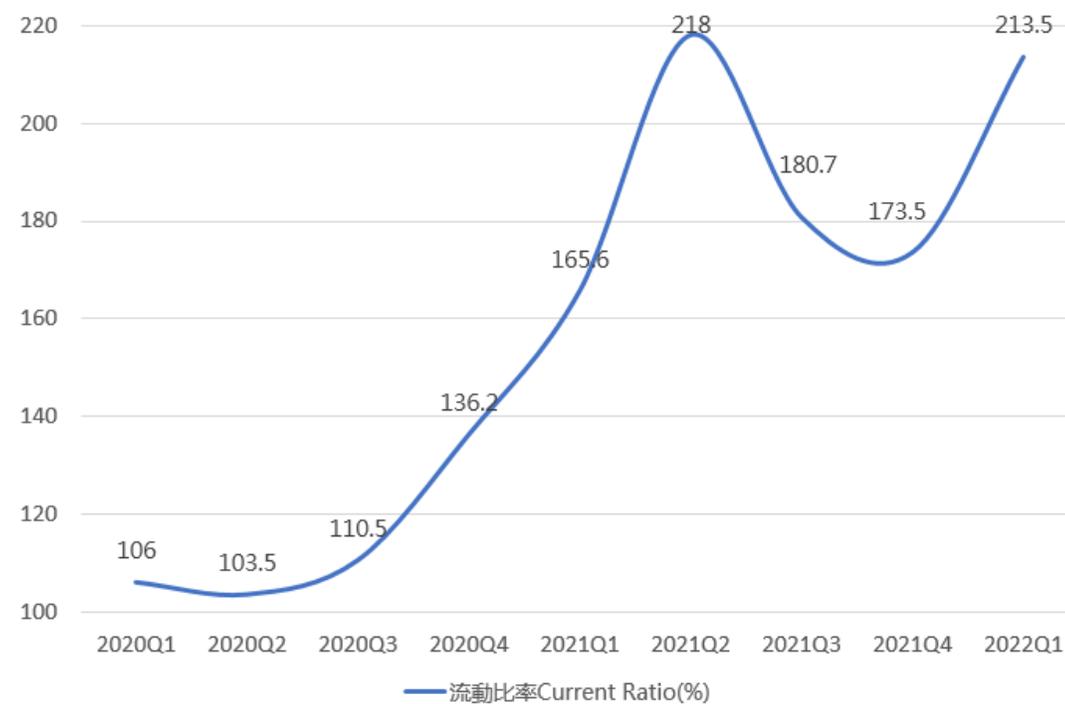


# Financial Performance

## Debt Ratio & Net Worth



## Current Ratio



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# Credit Rating & Financial Performance



## Credit Rating (2022.04)

Rating Agency	Short-term Rating	Long-term Rating	Outlook	ESG credit indicators
Taiwan Ratings	twA	twA-1	Positive	E-2/S-2/G-2

Note : Data of ESG credit indicators are the information from 2021; [indicators 1-5(excellent-inferior)]



## Corporate Governance Evaluation

	Grade	Ranking of non-financial and non-electronics industry with a market value above NT\$10 Billion
8th(2021)	6%~20%	11%~20%
7th(2020)	6%~20%	21%~40%
6 <sup>th</sup> (2019)	6%~20%	21%~40%

Q&A



CSR Report



CHS Financial Report



CHS Annual Report



THANK YOU!