

Stock Code: **2014**

# CHUNG HUNG STEEL CORPORATION

2022.12.20



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# AGENDA

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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>Kuei-Sung Tseng</b>
<b>President</b>	<b>Min Chu</b>
<b>Main products</b>	<b>Hot-rolled coil, Cold-rolled coil, Steel pipe &amp; Tube, Hot-rolled pickled</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 October 2022. It estimated that the global economic growth in 2022 will be the same as previous forecast at 3.2%. Inflation and the Russia-Ukraine War are the biggest uncertainties to the current economic development.
- Global inflation is estimated to hit the top at 8.8% by the end of 2022, and will gradually decline to 6.5% and 4.1% in 2023 and 2024.
- The global economy is estimated to grow by 2.7% in 2023, which is 0.2% lower than previous forecast, but still maintains a moderate increasing.

# Manufacturing PMI

- **United States** : Supply chain bottlenecks are gradually easing, and the pace of raising interest rate by the Fed is expected to gradually slow down from December.
- **Europe** : Russia-Ukraine War and energy crisis have led to a decline in PMI, but inflation has been improved.
- **China** : The Caixin's October PMI contraction slowed down. With the government increasing its financial support to the real economy, it is expected that the prosperity of manufacturing industry will continue to be improved.
- **South Korea** : The decline in output and new orders has slowed, and the PMI has risen to a three-month high.
- **Japan, ASEAN** : PMI is slowing down but still in the expansion range. Due to the easing of supply chain pressure and the slowdown of the epidemic, business confidence has rebounded significantly.
- **India** : PMI is still at high expansion, factory orders and production remain strong.

# Global Crude Steel Production Forecast

- According to WSD's September report, global crude steel output is expecting to be 1,849 million tons in 2022, but dropping by 1.5% on year to 1,822 million tons in 2023.
- In addition, China's crude steel output in 2022 is expected to be 1,007 million tons, with Chinese authority keeps on track of "zero-Covid" in 2023, WSD estimates China's crude steel output will drop by 1.6% to 990 million tons in 2023.

# Global Steel Demand Forecasts

- In October, the World Steel Association (worldsteel) forecasted that steel demand will contract by 2.3% in 2022 to reach 1,796.7 million tons due to high inflation and tight monetary policy.
- The prospect of steel demand in 2023 will be affected by tight monetary policy and the efforts of central banks stabilize inflation. Despite of the difficulties in economic operation in 2022, infrastructure demand will increase steel demand in 2023 slightly.
- **Global steel demand is expecting to see a recovery of 1.0% to reach 1,814.7 million tons in 2023.**

# Taiwan Apparent Steel Consumption

- According to Taiwan Steel and Iron Industries Association, the cumulative apparent steel consumption from January to September 2022 :
  - (1) **Hot-rolled** steel plate and coils were 2,505,291 tons, a year-on-year decrease of 24.1%.
  - (2) **Cold-rolled** steel plate and coils were 920,739 tons, a year-on-year decrease of 39.6%.
  - (3) **Galvanized** steel sheet and coils were 710,946 tons, a year-on-year decrease of 18.0%.

# Taiwan Steel Imports and Exports Overview

- **Imports** : The top five major import countries: Japan, China, Korea, Vietnam and Indonesia are accounted for about 87.8% of the total import quantity from January to October 2022 and are accounted for about 86.9% of import value of the same period. They are also the main threats to domestic steel industries.
- **Exports** : The top five major export countries: Vietnam, Japan, Malaysia, China and the United States are accounted for about 47.0% of total exports from January to October 2022 and are accounted for about 46.3% of export value of the same period.
- **Main export regions** : Among the top 15 countries in export volume, The ASEAN region accounts for 28.2% and is the largest steel export region, including Vietnam, Malaysia, Thailand and the Philippines.
- Asia region : Japan, China, Korea and Bangladesh together accounted for 22.2% as the second largest export volume.
- The European region accounted for 17.49%, mainly are Belgium, Spain and Italy.

# Steel price trend-Hot Rolled (international market)

## 2022.Q3-2022.Q4 Steel Price Trend Recap and Outlook (International)

- **2022.3Q** : International steel market has entered a traditional low season, along with the continuous impact of global inflation, major countries in Europe and the United States have enlarged interest rate hikes, which significantly contain terminal demand and market confidence, and keep steel prices fluctuating at low level.
- **In China**, high temperature resulted in power shortage in Sichuan and the middle and lower streams of the Yangtze River in late August, also the repeated epidemics in many places, resulted in a weak demand of whole manufacturing sector.
- **In Europe**, steel price was affected by soft demand during summer vacation, also continuous rising energy costs forced steel mills to react by trying to increase price or reduce production, steel market kept in a weak condition.

# Steel price trend-Hot Rolled (international market)

## 2022.Q3-2022.Q4 Steel Price Trend Recap and Outlook (International)

- **2022.4Q** : Affecting by the ongoing Russia-Ukraine War, European steel mills have reduced production by nearly 20% due to soaring energy price. In Vietnam, by the end of this year, Hoa Phat Group will stop (or cut) production at four blast furnaces. Formosa (FHS) also plans for the first stage of production cut by 15% are in progress. The average daily output of China crude steel in October also hit a new low of the year.
- Since global steel price has been significant adjusted earlier (during Q2 and Q3), mills in every countries face pressure of sales price lower than production cost, hence choose to reduce production, which is expected to be kind of support to steel price. With the U.S. Federal Reserve (Fed) slowing down the pace of interest rate hikes, coupled with China government gradually ease epidemic prevention policies and the regulation of real estate funds, infrastructure projects in many places continue to start. **It is expected that the supply and demand of steel market will be more balanced in the 1st quarter of 2023 gradually, which is positive to steel market to recover.**

# Steel Market Outlook(1/2)

- IMF adjusts global GDP growth rate in 2022 to 3.2%, and expects a modest growth rate of 2.7% in 2023, despite of existing uncertainty of economic outlook. **The World Steel Association also predicts infrastructure demand is expected to lift 2023 steel demand slightly. Steel demand will see a recovery of 1.0% to reach 1,814.7 million tons in 2023.**
- The ongoing conflict between Russia and Ukraine is still a major variable in the current steel market. In addition to causing energy prices to soar, it also has an impact on global raw material costs. Many energy-intensive industries in Europe (include of aluminum, zinc, chemical fertilizers, paper and steel industries) shut down their factories in succession due to energy crisis. Since the third quarter of 2022, European steel mills have reduced production by nearly 20% in total.
- Furthermore, Vietnam main steelmakers Hoa Phat Group and Formosa (FHS) already cut production recently. Chinese steel mills also reduce output and destock automatically due to high cost and environmental protection concern. **Overall, steel mills in many countries have successively announced to shut down or reduce production at blast furnaces due to unbearable losses, in order to narrow the gap of supply and demand. It is expected that global steel supply will continue to contract in the short term, the supply and demand of the steel market will be balanced gradually in the first quarter of 2023.**

# Steel Market Outlook(2/2)

- On the other hand, according to the Economic Outlook Forecast Report issued by Goldman Sachs on Nov. 17, **there are still some outstanding performances in Asian area, such as India, Vietnam and the Philippines**, with GDP growth rates of 5.9%, 5.8% and 5.8%, respectively. China will also accelerate from 3% this year to 4.5%.
- Under the demonstrators protesting Chinese government' s strict Covid-19 controls (White Paper Movement), China official has accelerated the relaxation of epidemic restrictions and control, which is expected to further drive domestic steel demand. In addition, the government has relaxed the regulation of real estate funds recently, **it is expected to release demand from steel consuming industries, such as construction, automobiles and home appliances.**
- Looking ahead, it is expected that global inflation slows down and interest rate hikes come to an end in 2023, **governments are expected to reduce levy or increase public sector spending to support real economic growth.** In addition, the current cost pressure of steel mills is still at a high level, giving a support to steel prices, also makes steel mills in various countries have successively started to cut production. With countries continue headed toward "carbon neutrality" goal, **we expect the supply-demand imbalance of global steel market will be improved gradually, will good for steel market to rise from the bottom.**

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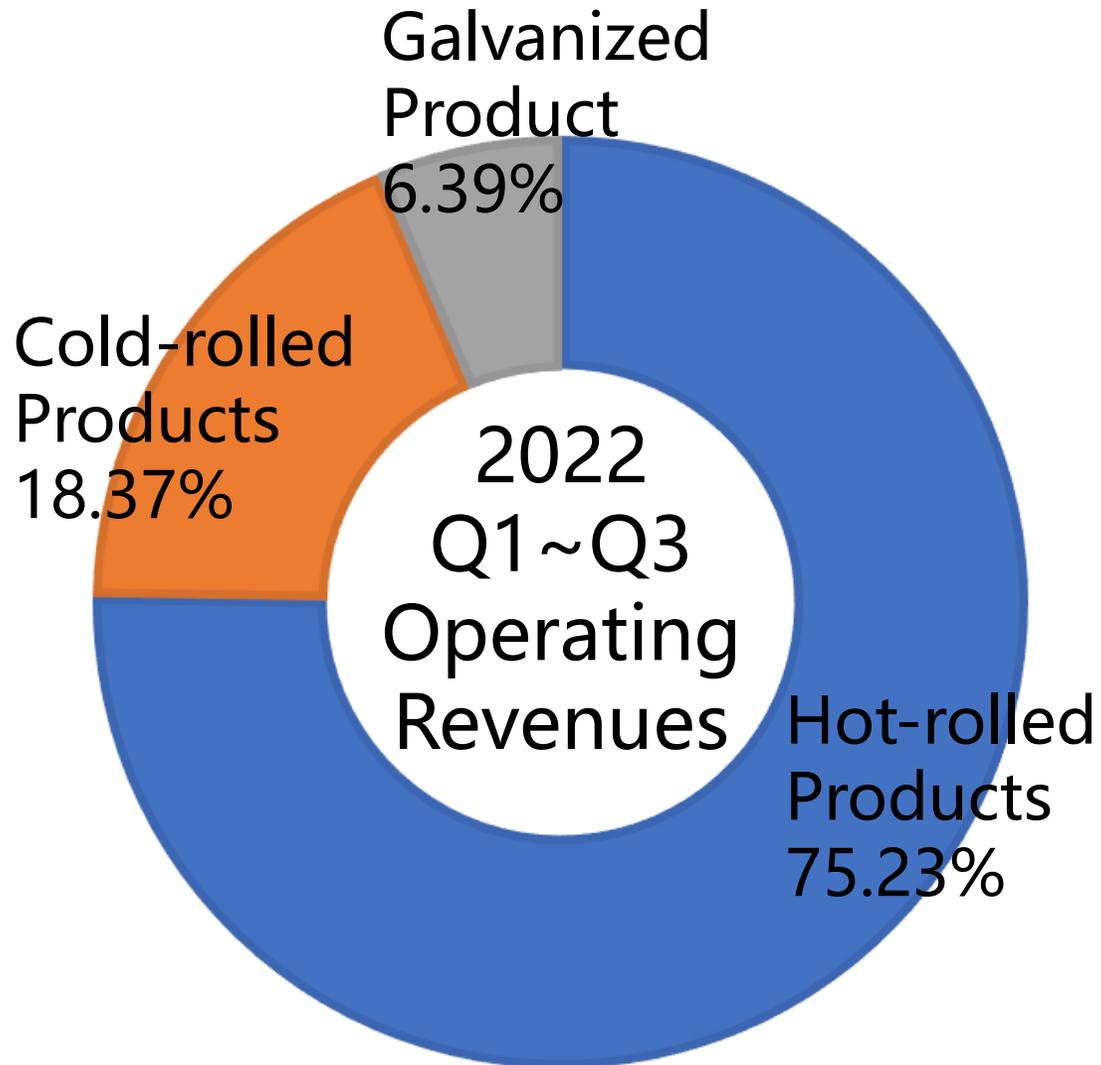
# Financial Overview (1/3)

## Financial Performance

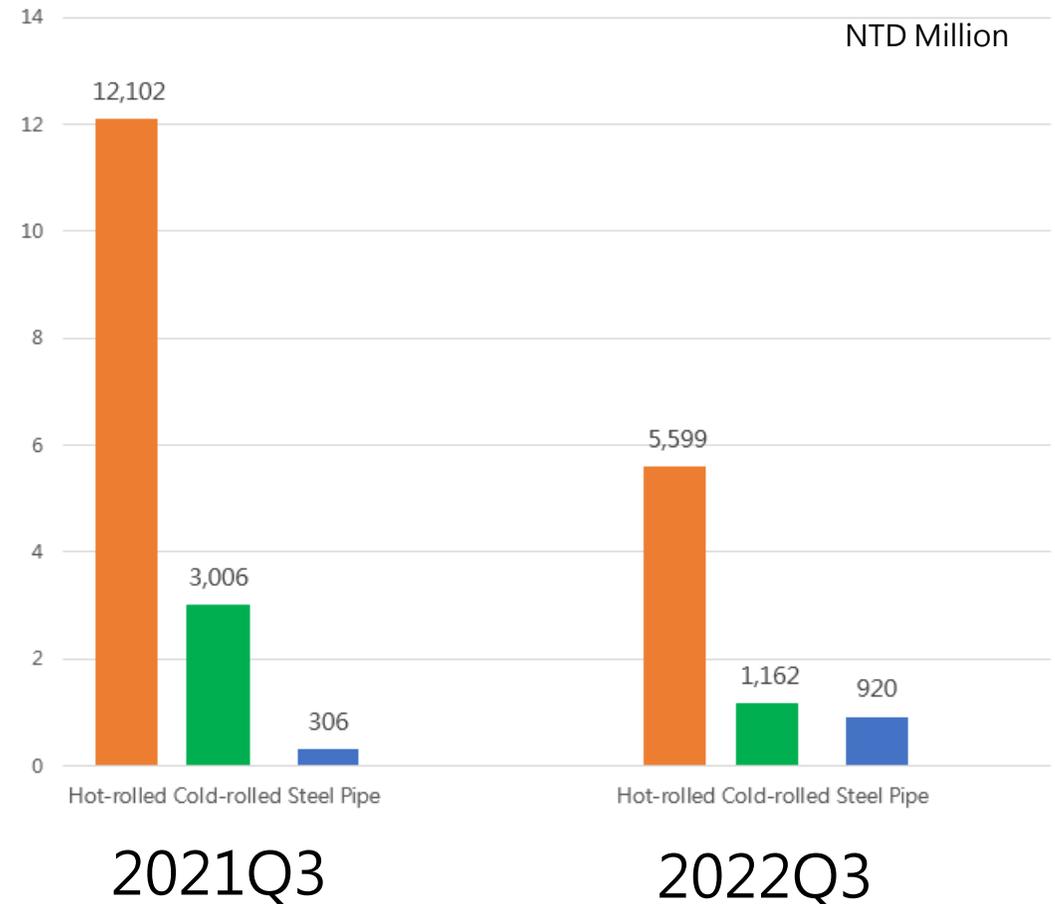
(In Thousands of New Taiwan Dollars)

	<b>22'Q3</b>	<b>22'Q2</b>	<b>QoQ</b>	<b>22'Q1~Q3</b>	<b>21'Q1~Q3</b>	<b>YoY</b>
Operating Revenues	7,879	16,031	-50.85%	36,320	39,863	-8.89%
Gross Profit	-1,931	1,076	-279.46%	-230	6,056	-103.80%
Gross Profit Rate	-24.51%	5.04%		-0.63%	15.19%	
Profit(Loss) From Operations	-2,057	890	-331.12%	-715	5,391	-113.26%
Profit(Loss) From Operations Rate	-26.11%	3.64%		-1.97%	13.52%	
Profit(Loss) Before Income Tax	-1,536	57,222	-102.68%	-83	5,848	-101.42%
Profit(Loss) Before Income Tax Rate	-19.49%	4.07%		-0.23%	14.67%	
Net Profit(Loss) for the Period	-1,126	680	-265.59%	56	5,444	-98.97%
EPS(NTD)	-0.78	0.47		0.04	3.79	

# Financial Overview (2/3)

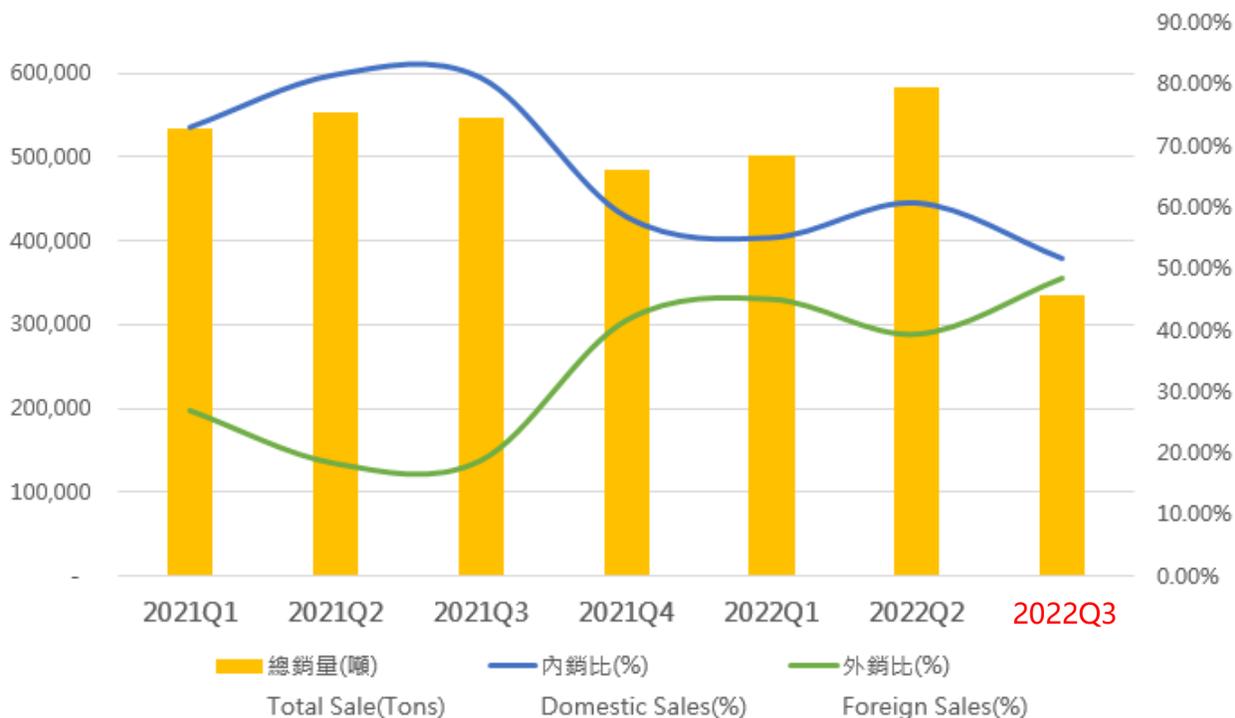


## Table of Sales by Products

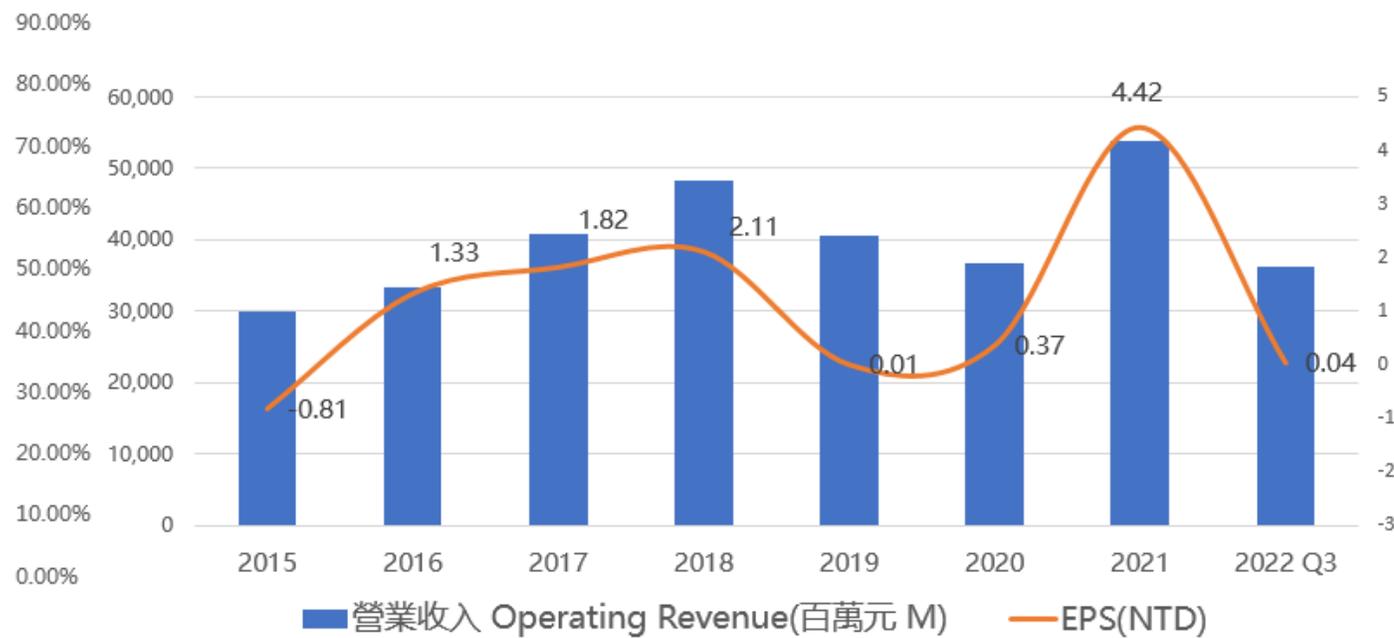


# Financial Overview (3/3)

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



## Operating Revenues & EPS

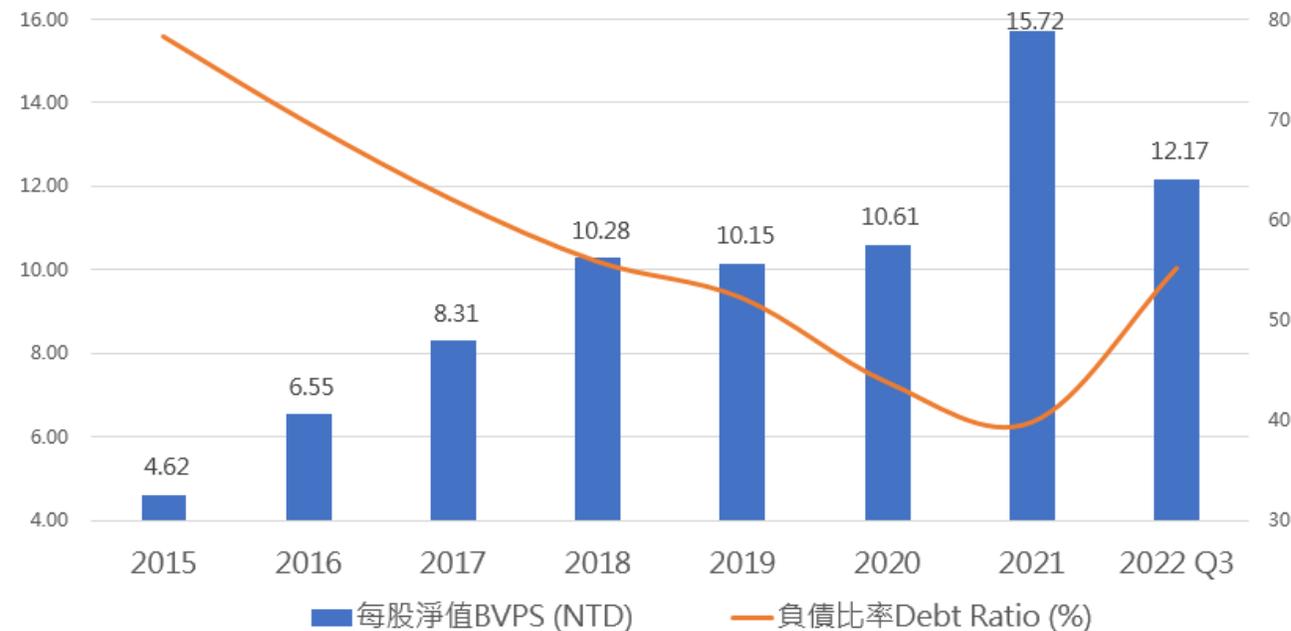


# Credit Rating & Financial Performance

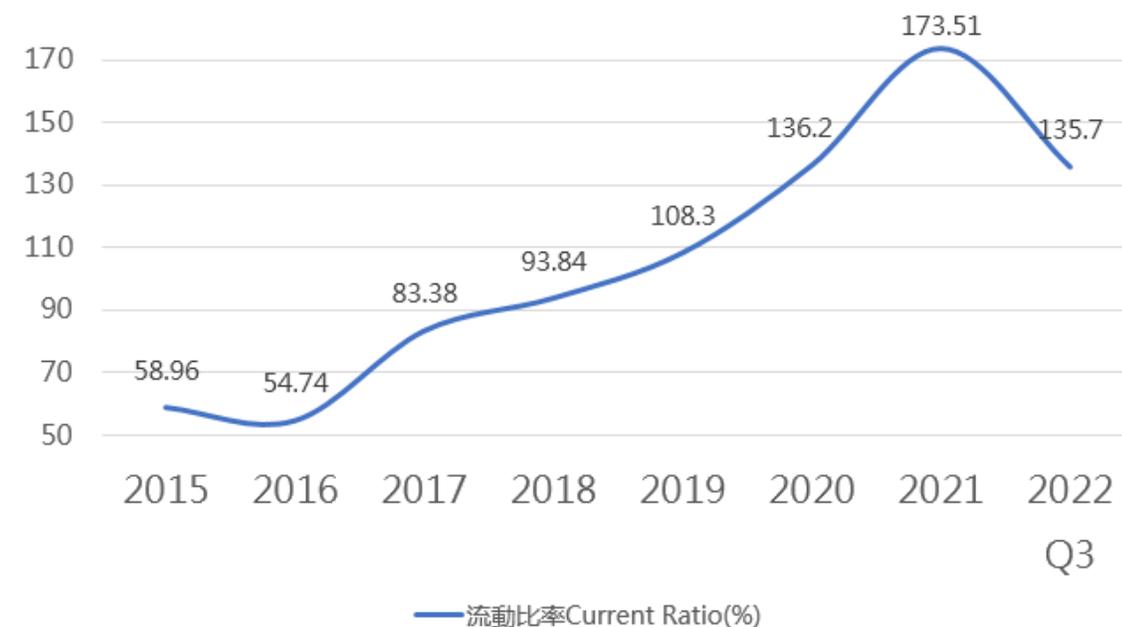
## Credit Rating

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

## Debt Ratio & Net Worth



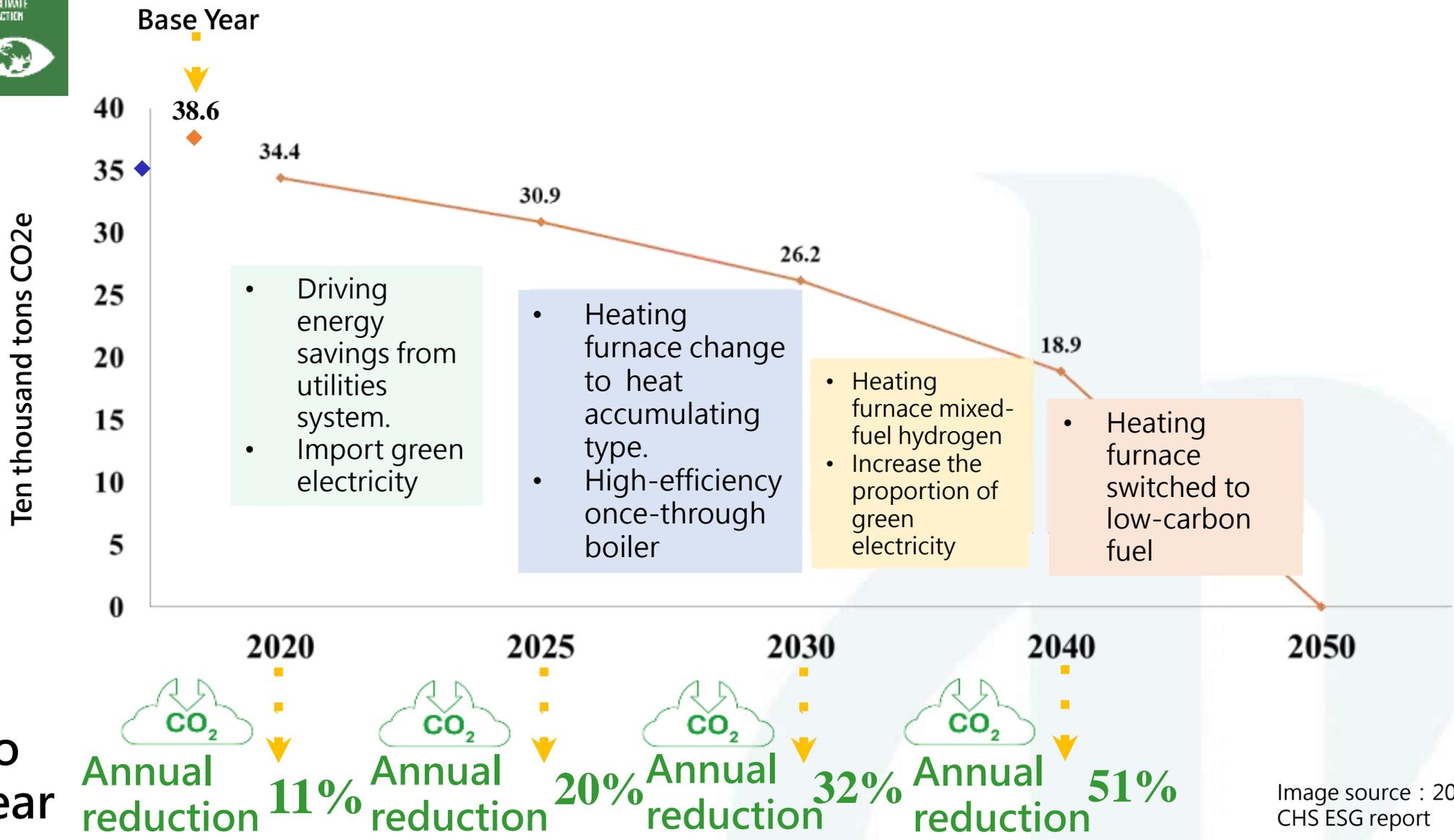
## Current Ratio



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# Pathways to the Net Zero

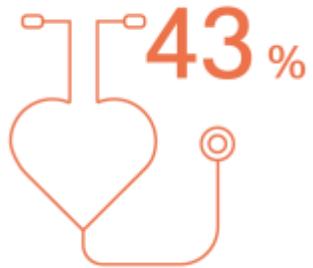


Compare to 2018 base year

# Social

CHS attaches great importance to the health and well-being of employees internally, takes care of colleagues in a practical way, and creates a friendly workplace; externally, it has been deeply involved in social welfare for many years, and improves social welfare through donations and volunteer services.

## 2021 · We did it.



↓ 43%

the number of high-risk employees compared to 2020



ZERO

Zero major work-related safety incidents



↑73.12%、↑70.33%

Average and median salaries of full-time non-managerial employees compared to 2020



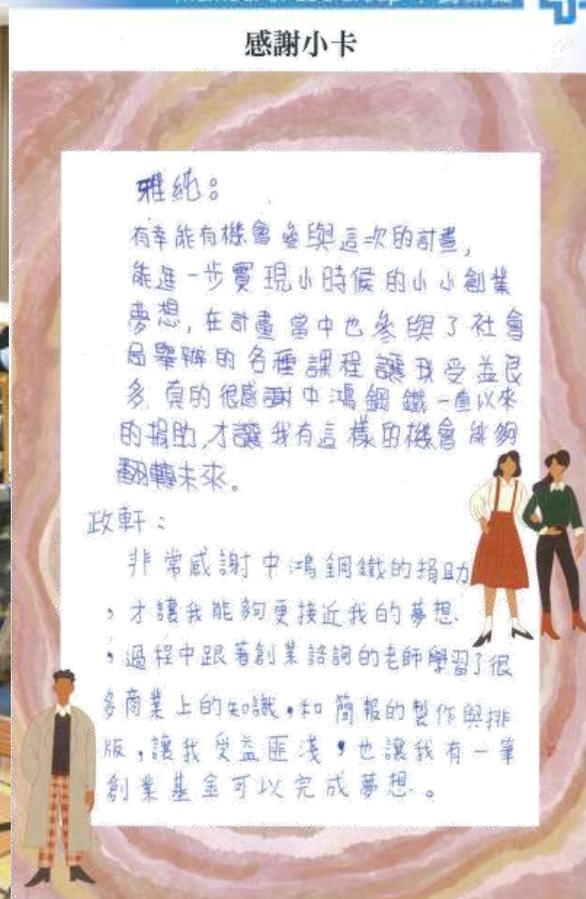
↑ 48%

The amount of charitable donations compared to 2020

# Supporting "Poverty Eradication and Self-Reliance Program"



CHS has been supporting the concept and strategy of the "Poverty Eradication and Self-Reliance Program" initiated by the Social Affairs Bureau, Kaohsiung City Government, including encouraging young people from disadvantaged households to save. Through self-development, work experience, wealth management, and community volunteering services, participating students can learn and grow from the service, further achieving the goal of poverty eradication and self-reliance. Since 2004, the Company has made an annual donation of NT\$1 million to assist children from underprivileged families in achieving the goal of poverty eradication and self-reliance through this project (with the cumulative subsidies amounting to NT\$18 million).

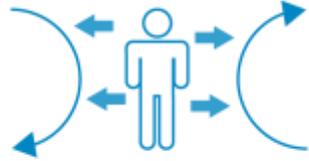


# Governance



**6%~20%**

Corporate  
Governance  
Evaluation



**Full  
compliance  
with the  
avoidance of  
conflict of  
interest**



**0 case  
violates the  
code of  
ethics cases in  
2021**

## twA/twA-1

Credit rating by  
Taiwan Ratings

**Implemented external  
performance  
evaluation of the  
Board of Directors in  
2021.**

**Selected as  
TWSE RAFI Taiwan  
High Compensation  
100 index.**

# Awards



5-star award for the excellent performance in occupational safety and health by Ministry of Labor.



High Performer in Green Procurement by Environmental Protection Bureau, Kaohsiung City Government.



Golden in Corporate Sustainability Report of Taiwan Corporate Sustainability Awards.



Happiest Enterprise 2022 by Labor Affairs Bureau of Kaohsiung City Government



High Distinction Award in TSIIA Safety and Health Management Evaluation .



Q&A



ESG Report



CHS Financial Report



THANK YOU!