

Stock Code: **2014**

CHUNG HUNG STEEL CORPORATION 2023 Q1 INVESTOR CONFERENCE

2023.03.29



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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	Kuei-Sung Tseng
President	Min Chu
Main products	Hot-rolled coil, Cold-rolled coil, Steel pipe & Tube, Hot-rolled pickled
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 2023, predicting that the global economic growth in 2023 will be 2.9%, an increase of 0.2% from the previous forecast.
- Although unfavorable factors such as global inflation and the war between Russia and Ukraine persist, private consumption and investment are stronger than expected due to strong financial support from governments.
- As China fully lifts COVID-19 restrictions and global inflation gradually cools down in 2023, it is expected that the global economic growth will rise to 3.1% in 2024, indicating an overall positive development trend.

Manufacturing PMI

- **United States** : PMI has risen for two consecutive months, with improved production and ongoing inflation relief, the manufacturing industry's outlook is expected to steadily improve.
- **Europe** : Benefiting from the easing energy crisis, production has improved significantly, the industry has gradually recovered from the bottom.
- **China** : The government's economic stabilization policies have worked, and coupled with the subsiding impact of the pandemic, the industry has significantly rebounded.
- **South Korea** : The overall PMI remains low due to the significant decline in semiconductor industry and exports.
- **Japan** : The demand of the automobile and chip industries is weak, so the manufacturing industry remains contracted.
- **ASEAN** : As inflation slows and demand picks up, PMI keeps expanding gradually.
- **India** : Exports slow down but domestic demand remains strong, the PMI consolidated at a high level, the uptrend momentum still strong.

Global Crude Steel Production Forecast

- According to WSD's December report, global crude steel output is expecting to be 1,852 million tons in 2022, but will drop by 0.3% on year to 1,847 million tons in 2023.
- In addition, as China lifted its COVID-19 prevention policies in Q4 2022, the supply and demand of steel have gradually recovered. The crude steel output of China for 2023 is expected to reach 1,015 million tons, an increase of 0.1% year on year.

Global Steel Demand Forecasts

- The outlook for steel demand in 2023 will be influenced by tight monetary policies and the efforts of central banks to stabilize inflation. Despite of the challenges faced in 2022, infrastructure projects are expected to lead to a slight increase in steel demand in 2023.
- **Global steel demand is expected to increase by 1.0% to reach 1,815 million tons in 2023.**

Steel price trend-Hot Rolled (international market)

2022.Q4-2023.Q1 Steel Price Trend Recap and Outlook (International)

- **2022.Q4** : Affecting by the ongoing Russia-Ukraine War, European steel mills have significantly reduced production due to soaring energy price. In Vietnam, Hoa Phat Group shut down four blast furnaces in the end of year, Formosa (FHS) also cut around 15% of production. 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. **The supply and demand of the steel market are gradually becoming balanced.**

Steel price trend-Hot Rolled (international market)

2022.Q4-2023.Q1 Steel Price Trend Recap and Outlook (International)

- **2023.Q1** : Benefiting from a mild winter in Europe that has eased pressure on energy costs, and with China lifting COVID-19 restrictions fully from January, the expectations of a global economic recession have decreased. This has led downstream customers to gradually replenish inventories. Additionally, with the production cuts of global steel mills in the 4th quarter, steel prices have steadily risen in the 1st quarter of 2023.
- However, the costs of raw materials remain high, and steel prices in various countries continue to trend upwards. Although we still need to monitor if the demand continues to recover, the current global steel market remains balanced basically. It is expected that steel prices in the 2nd quarter of 2023 will continue to be supported by high costs.

Steel Market Outlook(1/2)

- In terms of macroeconomics, Europe is benefitting from a mild winter, which is easing energy cost pressures and contributing to a gradual recovery in the manufacturing industry. Additionally, economic activities quickly resumed in China after the government fully lifted COVID-19 restrictions. On Jan. 31st, the International Monetary Fund (IMF) raised its global economic growth forecast for 2023 by 0.2% to 2.9%, **indicating that the global economy is recovering from events such as high inflation and the pandemic. The worry of a global economic recession is also gradually decreasing.**
- Regarding steel supply and demand, the World Steel Dynamics (WSD) report predicts that global crude steel production will be 1,847 million tons in 2023, a year-on-year decrease of 0.3%. However, the World Steel Association (worldsteel) predicts that **infrastructure construction in various countries will still boost global steel demand growth by 1.0% to 1,815 million tons in 2023.**
- Moreover, in February of this year, the Indian government increased the budget for infrastructure spending in the fiscal year 2023-2024 by 36%, and the US Department of Transportation awarded nearly US\$1.2 billion for nine infrastructure projects. **These developments indicate that future rigid demand will continue to be released. As a result, it is expected that global steel supply and demand will continue to develop positively.**

Steel Market Outlook(2/2)

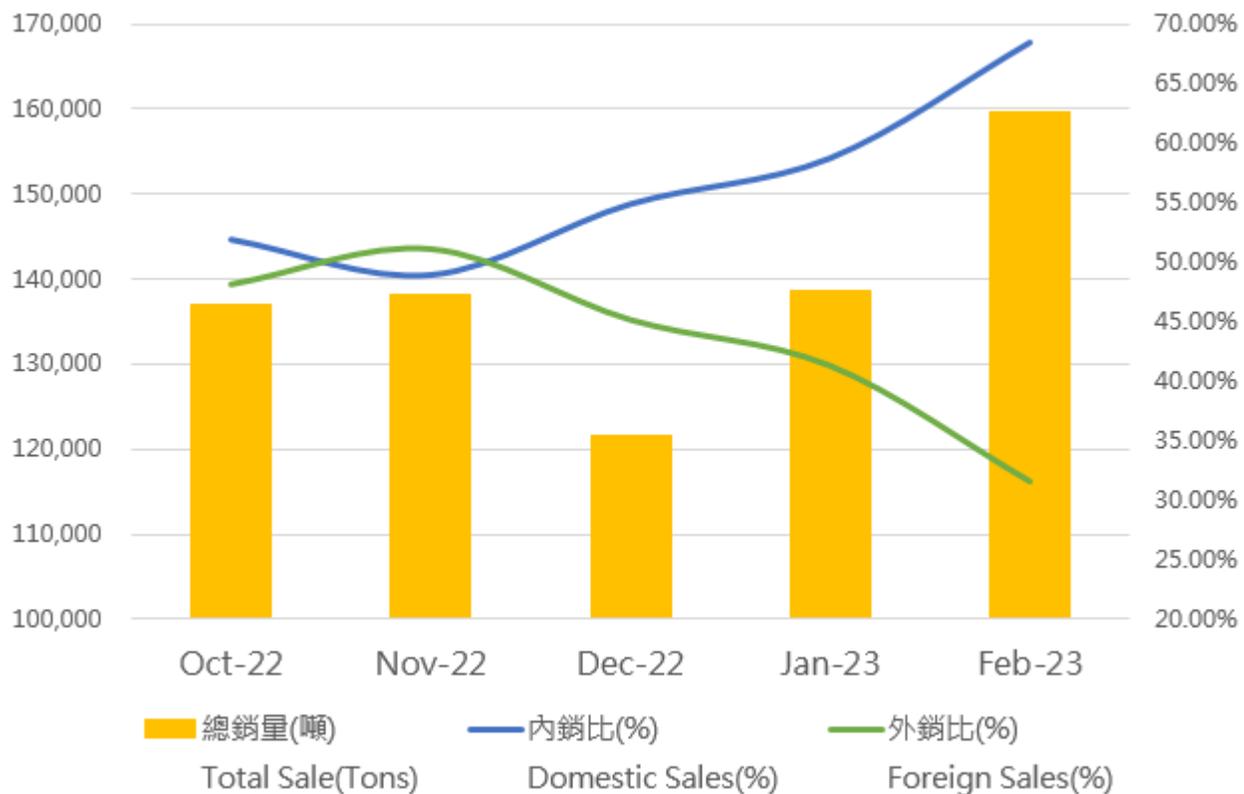
- Besides, according to the 2023 Government Work Report after "Two Sessions" in China, the government will prioritize an increase in consumption, stabilize purchases of cars and home appliances, and set its annual GDP target at 5% to pursue economic recovery. With the acceleration of key infrastructure projects after the Chinese New Year holiday, it is expected that relevant economic stabilization policies will positively impact the stability of the Asian steel market.
- Looking ahead to 2023, it is anticipated that global inflation and interest rate hikes will continue to slow down. Governments may increase public sector spending and encourage consumption to support real economic growth. Furthermore, as raw material costs for steel mills remain high and various countries progress towards their "carbon neutrality" goals, it is expected that steel prices will gain some support. As a result, it is expected that the steel market will maintain stable operations as the supply and demand of steel improves.

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Financial Overview (1/3)

Sales by Products & Domestic and foreign sales ratio

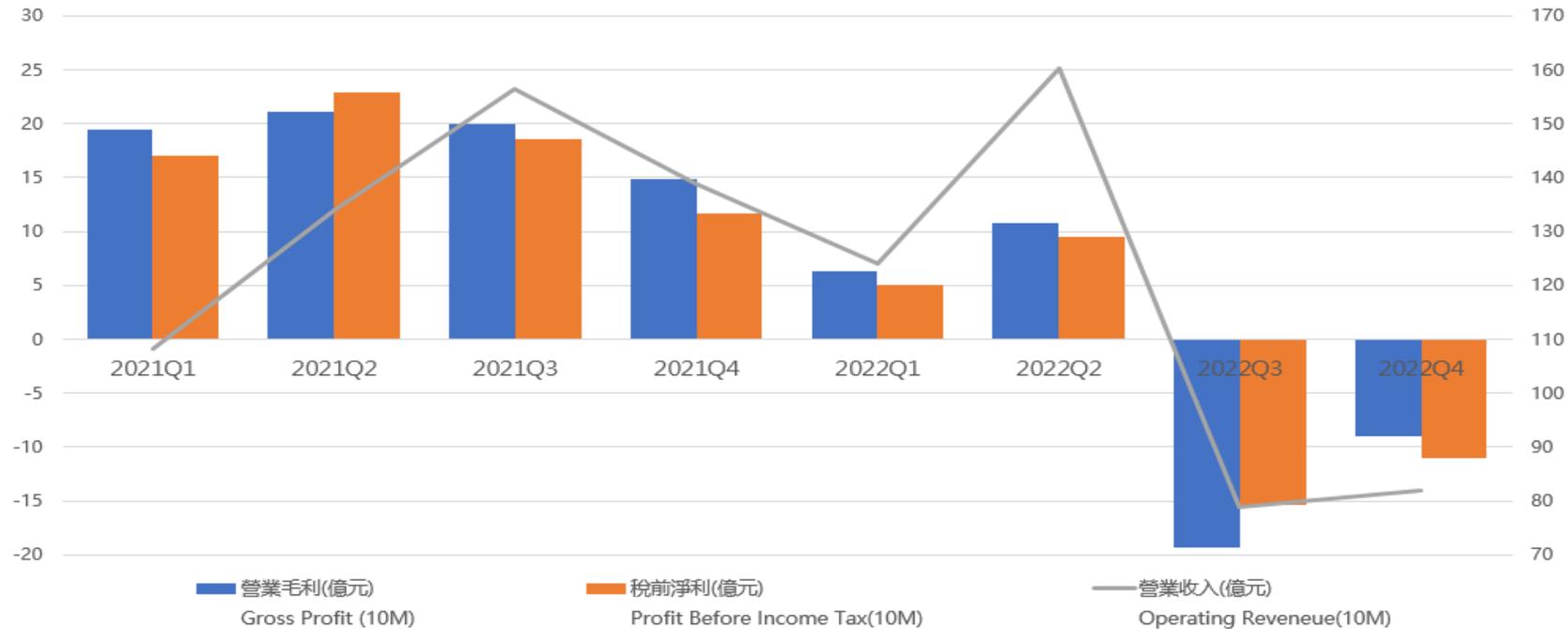


Operating Revenues



Financial Overview (2/3)

Trends of Quarterly Profit



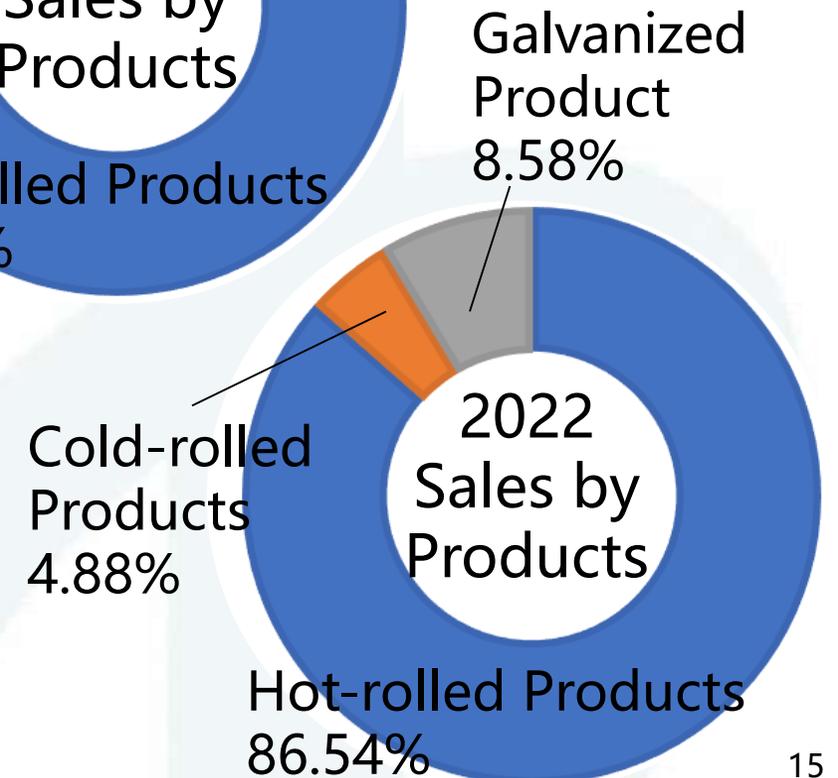
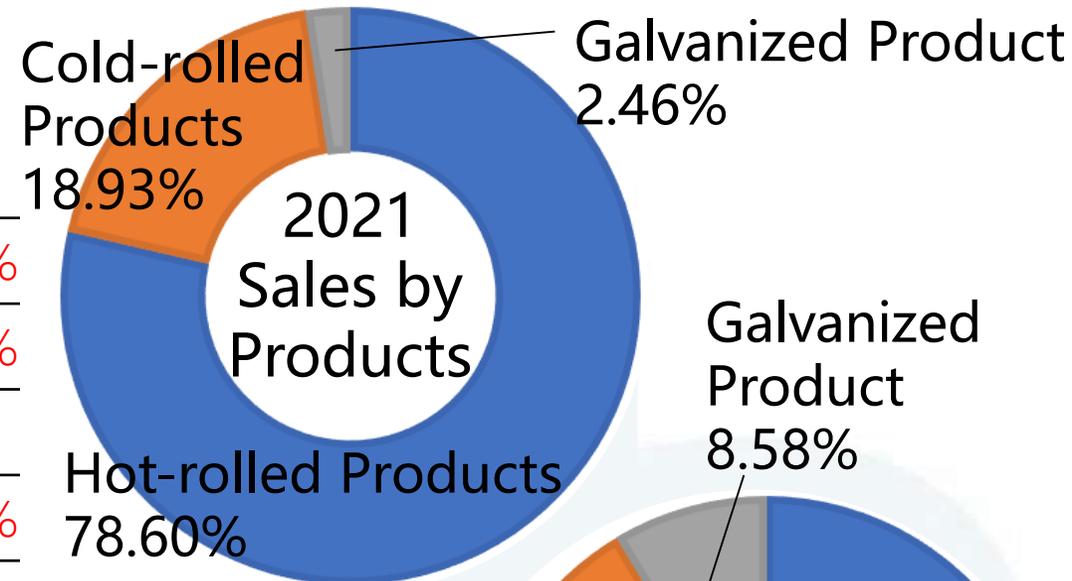
With The Fed and ECB slowing down interest rate, Asian currencies soaring, the prices of raw material and Asian export quotations, and China gradually relaxing the lockdown restrictions to boost market confidence, the global steel market is recovering.

Financial Overview (3/3)

Financial Performance

(In Thousands of New Taiwan Dollars)

	2022	2021	YoY
Operating Revenues	44,503	53,744	-17.19%
Gross Profit	-1,126	7,546	-114.92%
Gross Profit Rate	-2.53%	14.04%	
Profit(Loss) From Operations	-1,761	6,524	-126.99%
Profit(Loss) From Operations Rate	-3.96%	12.14%	
Profit(Loss) Before Income Tax	-1,185	7,013	-116.90%
Profit(Loss) Before Income Tax Rate	-2.66%	13.05%	
Net Profit(Loss) for the Period	-990	6,350	-115.59%
EPS(NTD)	-0.69	4.42	

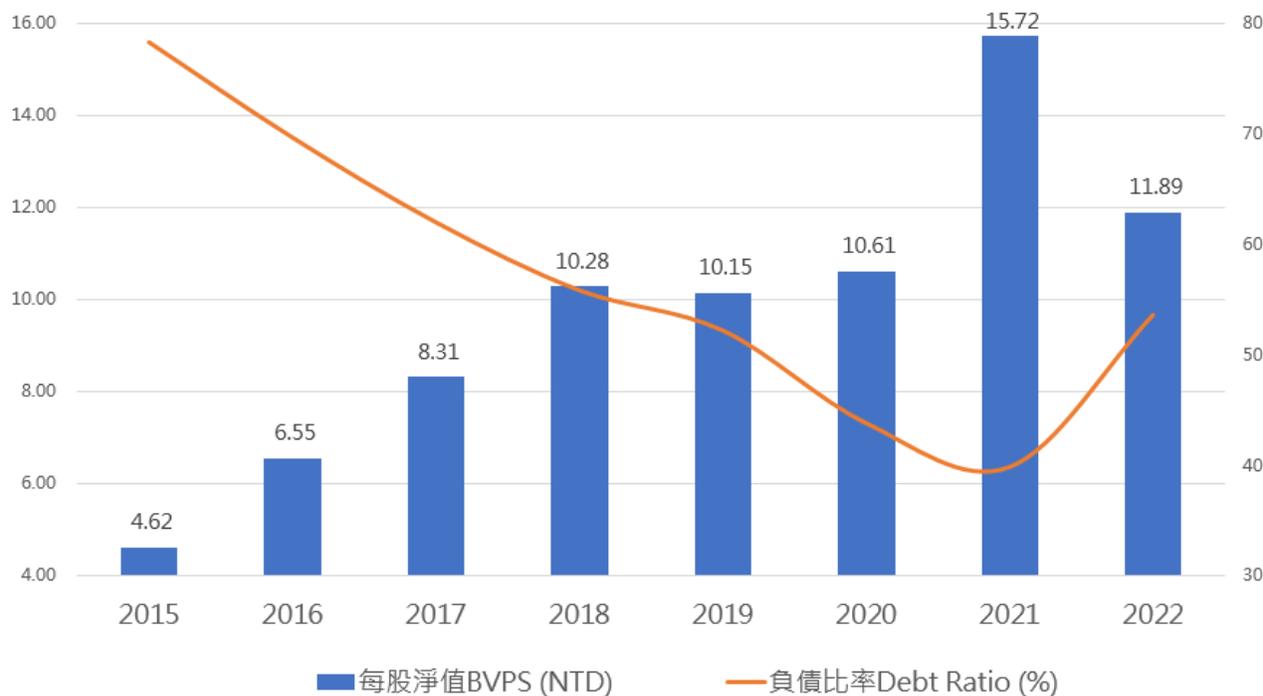


Credit Rating & Financial Performance

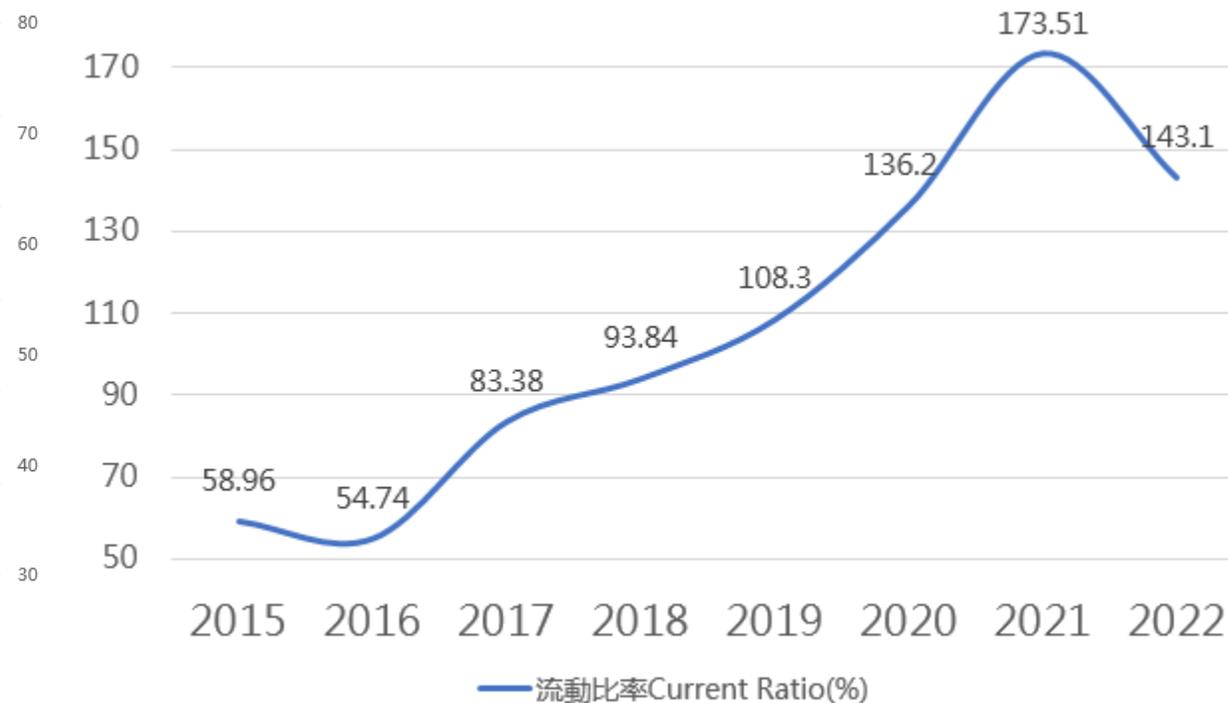
Credit Rating

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

Debt Ratio & Net Worth



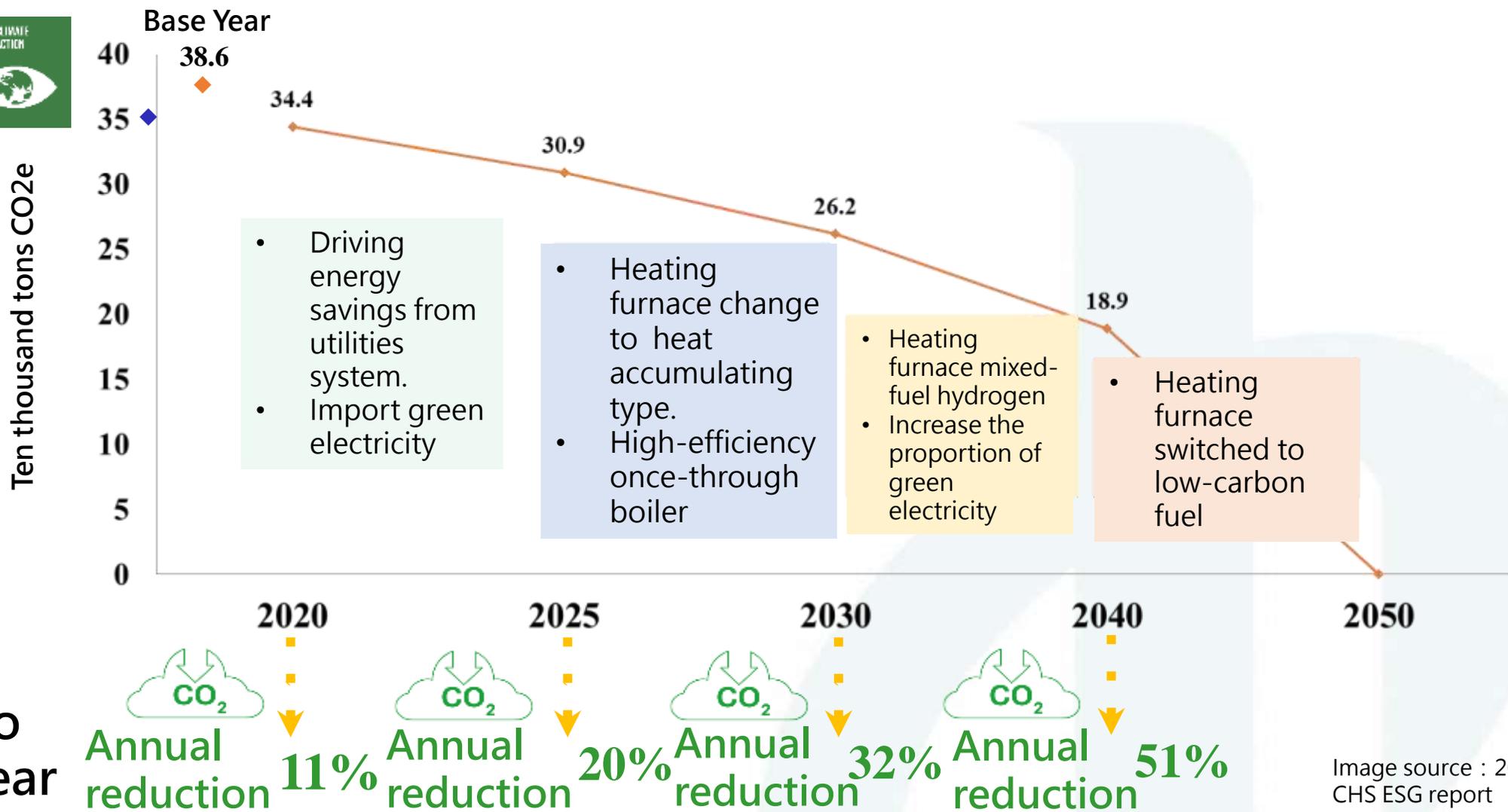
Current Ratio



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Pathways to the Net Zero



Compare to 2018 base year

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!