



中鴻鋁鐵

股票代碼: **2014**

CHUNG HUNG STEEL CORPORATION
2023 Q3 INVESTOR CONFERENCE

2023.09.28



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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 July 2023, predicting that the global economic growth in 2023 will increase by 0.2% from the previous forecast to 3.0%, and it will remain at 3.0% in 2024.
- The report indicates that the banking crises in the US and Switzerland have been brought under control, easing concerns in the financial sector. However, it is still necessary to closely monitor the developments following the Russia-Ukraine war and the economic recovery in China.
- Global inflation is expected to gradually reduce, but core inflation is anticipated to decline at a relatively slower pace. This could result in an extension of global central banks' monetary tightening policies.

Manufacturing PMI

- **United States** : The PMI fell into contraction due to weak demand, but inflation has gradually improved, and the labor market remains strong.
- **Europe** : Continued interest rate hikes have weakened demand, but PMI rebounded from its low point in August. The worst may be over.
- **Japan** : Output and new orders are declining at a slower pace, and business confidence has improved after the epidemic. The overall PMI has been running steadily.
- **South Korea** : The export trade surplus has continued for three consecutive months, and employment has grown steadily. The overall PMI shows an upward trend.
- **China** : The PMI returned to expansion in August as supply and demand gradually improved. The PMI fluctuated upward.
- **India** : Output and new orders remain strong, and the manufacturing sector is growing steadily. PMI is expanding at a high level.
- **ASEAN** : Output and new orders continued to grow, and PMI expanded steadily.

Global Crude Steel Production Forecast

- According to the WSD's report released in August, global crude steel output reached 1,854 million tons in 2022 and will increase by 1.8% year-on-year to reach 1,887 million tons in 2023.
- In addition, China's crude steel output is expected to increase by 3.0% year-on-year to 1,041 million tons in 2023. However, it is expected that the government will continue the production control policy to curb the growth of crude steel output.

Global Steel Demand Forecasts

- According to the World Steel Association's report released in April 2023, global steel demand is expected to increase by 2.3% to reach 1,822 million tons in 2023, 25 million tons higher than the previous forecast made in October.
- In ASEAN, due to the revival of tourism and the resumption of delayed construction projects, steel demand is expected to increase by 6.2% in 2023. In India, strong government spending on infrastructures push the share of investments in GDP to grow up, steel demand is expected to increase by 7.3%.
- Looking forward to 2024, the manufacturing sectors in various countries could lead the recovery of steel demand, it is forecasted global steel demand will continue to grow by 1.7% to 1,854 million tons.

Steel price trend-Hot Rolled (international market)

2023.2Q-2023.3Q Steel Price Trend Recap and Outlook (International)

- **2023.2Q** : Affected by a high-interest-rate environment and inflation, the global economic recovery has slowed down. End demand and market confidence are suppressed. Additionally, although China lifted lockdown restrictions, demand during the peak season is not as strong as expected. With rain season in Asia, seasonal factor such as Ramadan, the price in Asian steel market falls under pressure. Furthermore, in those high-priced markets, Europe and the United States, as production capacity gradually resumes and with demand not showing a significant recovery, coupled with competitive import pricing, the market has also entered an adjustment phase.

Steel price trend-Hot Rolled (international market)

2023.2Q-2023.3Q Steel Price Trend Recap and Outlook (International)

- **2023.3Q** : In the US steel Market, due to the fears of possible strike by UAW, buyers are more cautious on purchasing, causing steel price gradually near the bottom. In Europe, both supply and demand have weakened, but steel prices continue to receive support due to high cost. In China, the authorities have taken measures such as reducing reserve requirements and interest rates to alleviate liquidity pressure and restore market confidence. They have also made timely adjustments to optimize real estate policies. As a result, the steel market has maintained stable operation.
- Overall, the international steel market has clearly hit a bottom after two quarters of adjustment. With the support of high raw materials cost, steel producers are more willing to persist their price. Additionally, downstream customers have actively reduced their inventories, significantly easing the pressure on market inventories. It is anticipated that in the fourth quarter of 2023, as seasonal factors subside, basic manufacturing demand will likely emerge, benefiting the steel market with a potential recovery.

Steel Market Outlook(1/2)

- In terms of macroeconomics, according to the IMF's July 2023 World Economic Outlook, it revised the forecast for global economic growth slightly upward to 3.0%. This revision is due to the resilience exhibited by global economic activities, as well as the easing of inflation and banking system risks in the US and Europe. Furthermore, according to the 2023 Taiwan Economic Forecast released by the Chung-Hua Institution for Economic Research (CIER) in July, the economic growth for the fourth quarter has been revised upward from the previous forecast of 4.51% to 6.11%. This reflects that domestic economic conditions have also passed their lowest point, with a significant rebound expected in the fourth quarter. **It is anticipated that as governments worldwide continue to work towards ensuring financial stability while addressing inflation, the global economy will develop steadily.**
- In terms of steel demand, according to the Short Range Outlook for Steel Demand released by the World Steel Association (worldsteel) in April, global steel demand for 2023 has been revised upward to 2.3%, reaching 1,822 million tons. In 2024, global steel demand is expected to continue growing by 1.7%, reaching 1,854 million tons. The report indicates **that overall negative factors in the steel market for 2023 have reduced compared to the previous year. India and ASEAN countries, in particular, have benefited from government initiatives to promote infrastructure development and attract foreign investment, leading to steel demand growth of 7.3% and 6.2%, respectively. This is expected to contribute to the steady recovery of steel demand in Asia.**

Steel Market Outlook(2/2)

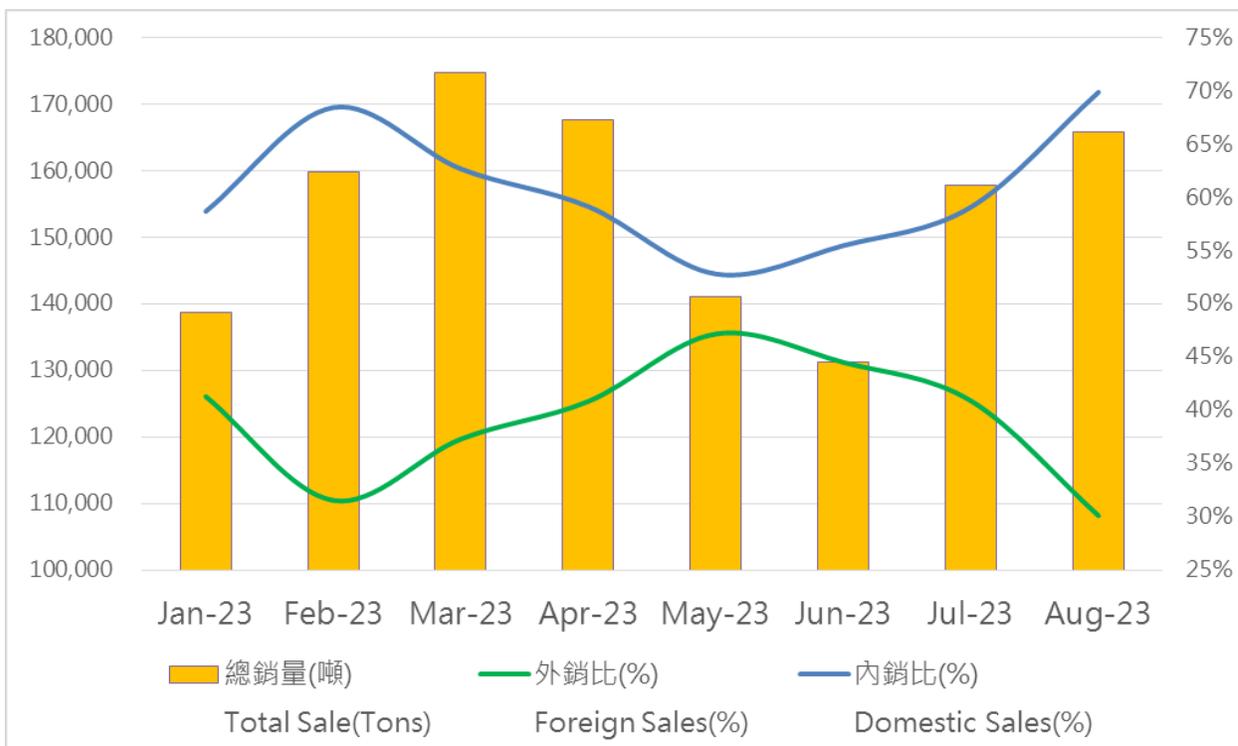
- On the other hand, despite the financial crisis that erupted in the real estate industry in China in August, it is speculated that the systemic risks are not high, and the authorities have accelerated the adjustment of real estate policies. Furthermore, the authorities had previously implemented measures such as reducing reserve requirements and interest rates to alleviate liquidity pressure. They also introduced policies to expand investment, promote consumption, and stabilize the property market to stimulate the economy. **It is expected that as the effects of these policies gradually become evident, overall economic growth will maintain a certain momentum, and the steel market will also continue to operate steadily.**
- Looking ahead, with recent strong support from rising raw material costs, steel producers in various countries are more willing to increase prices. Furthermore, downstream customers have actively reduced their inventories, significantly alleviating market inventory pressure. **It is anticipated that as seasonal factors subside, basic manufacturing demand will gradually emerge. Additionally, the Chinese government continues the 'production control' policy to improve the balance of the supply and demand of steel products, making it possible to see steel prices rise from the bottom.** Furthermore, as the global push for achieving 'carbon neutrality' continues and the era of carbon pricing approaches, it may no longer be possible for steel prices to drop significantly in the future.

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Financial Overview (1/3)

Sales by Products & Domestic and foreign sales ratio

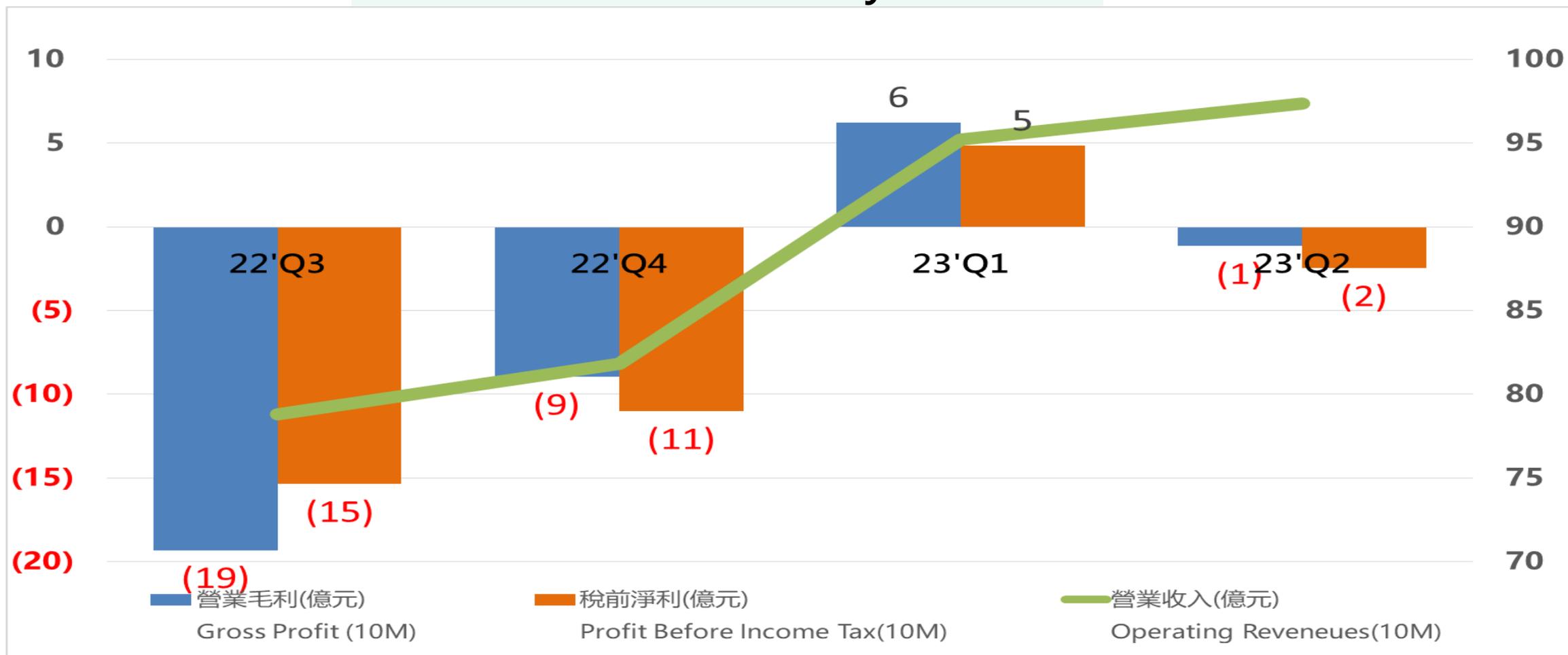


Operating Revenue



Financial Overview (2/3)

Trends of Quarterly Profit



Financial Overview (3/3)

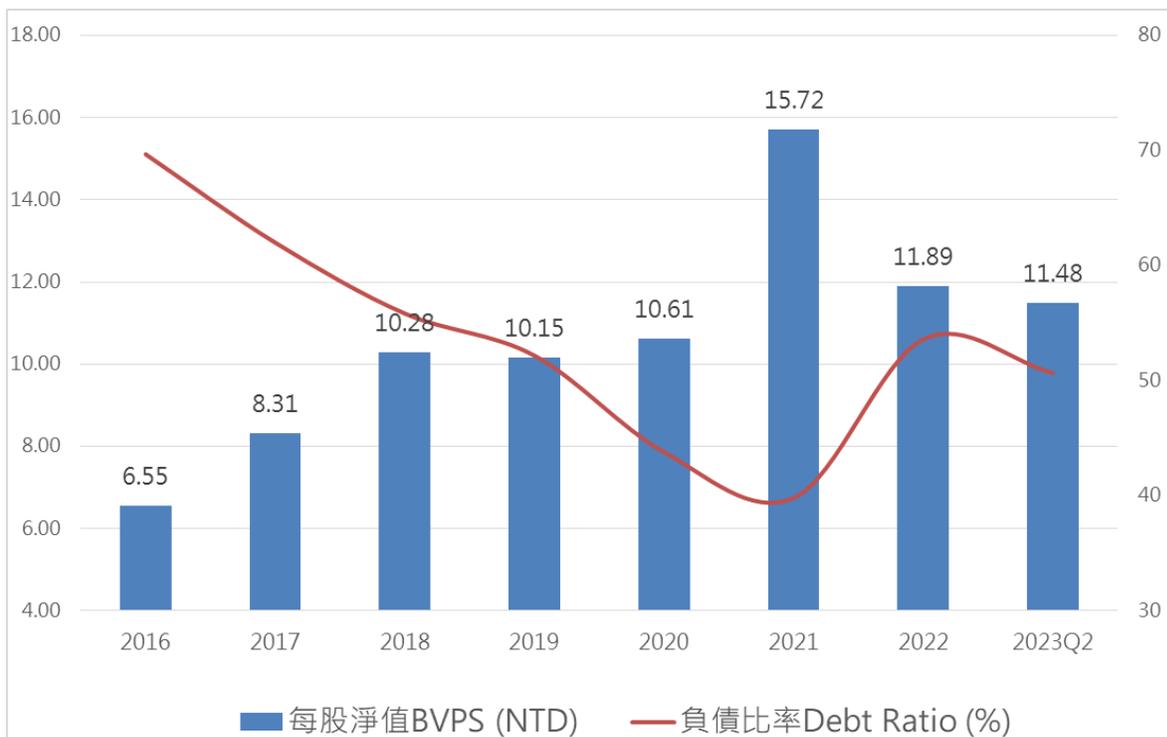
Financial Performance

In Thousands of New Taiwan Dollars

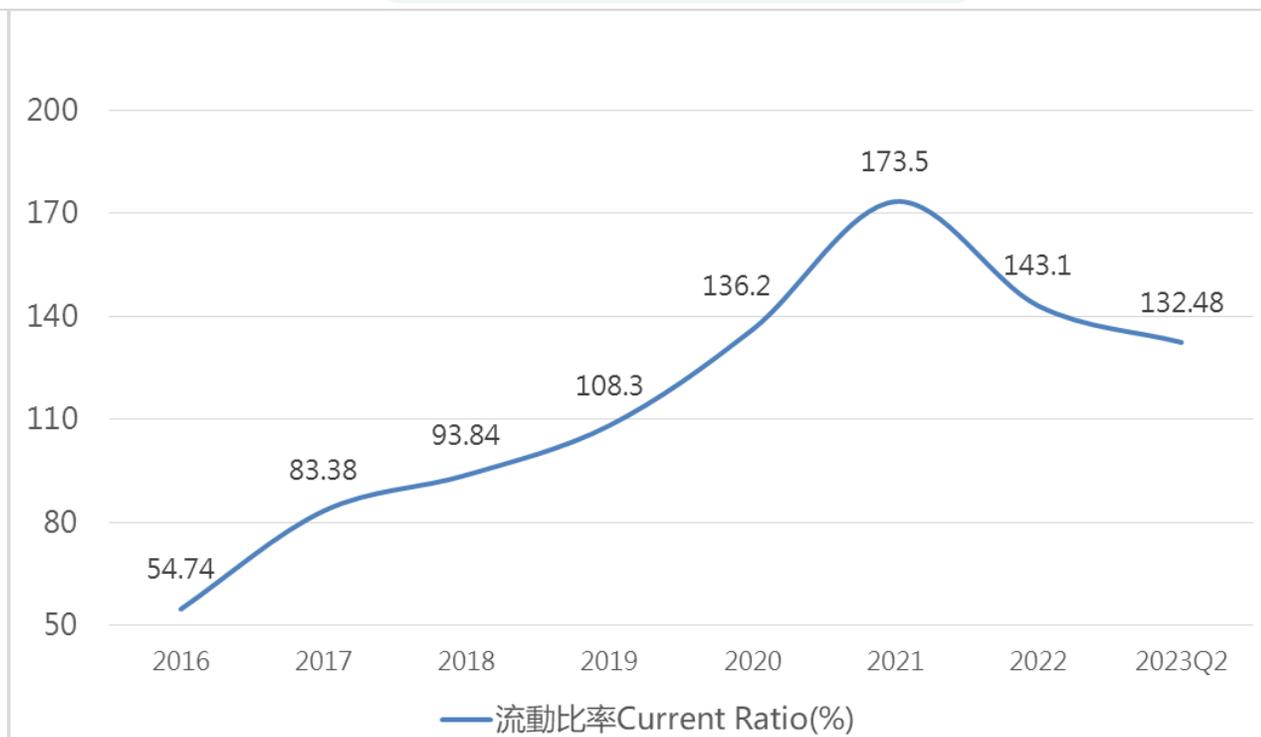
Item/Season	23'Q2	23'Q1	QoQ	23'Q2	22'Q2	QoQ
Operating Revenues	9,735	9,524	2.22%	9,735	16,031	-39.27%
Gross Profit	(115)	623	-118.41%	(115)	1,076	-110.67%
Gross Profit Rate	-1.18%	6.54%		-1.18%	6.71%	
Profit(Loss) From Operations	(251)	471	-153.40%	(251)	890	-128.25%
Profit(Loss) From Operations Rate	-2.58%	4.94%		-2.58%	5.55%	
Profit(Loss) Before Income Tax	(247)	484	-151.11%	(247)	947	-126.11%
Profit(Loss) Before Income Tax Rate	-2.54%	5.08%		-2.54%	5.91%	
Net Profit(Loss) for the Period	(214)	395	-154.23%	(214)	680	-131.50%
EPS(NTD)	(0.15)	0.28		(0.15)	0.47	

Financial Performance

Debt Ratio & Net Worth



Current Ratio



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Credit Rating & Financial Performance



Credit Rating (2023.09)

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

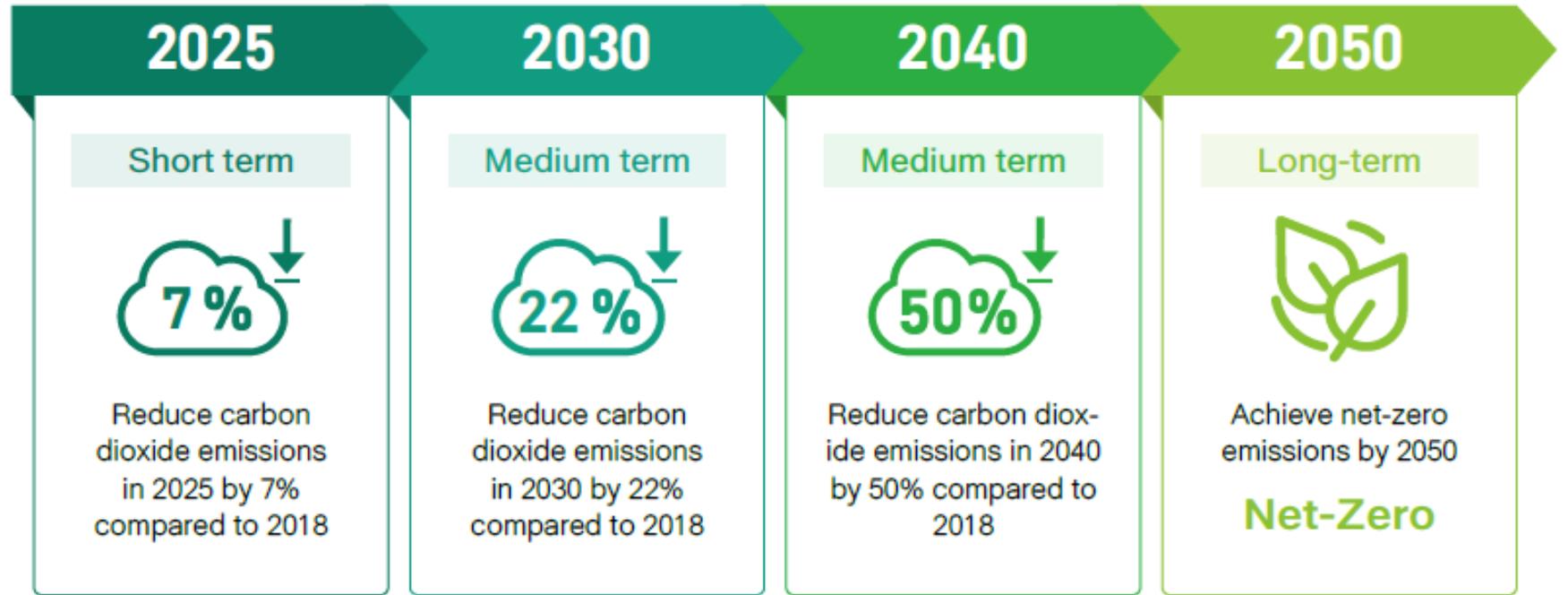
Note : Data of ESG credit indicators are the information from 2021; [indicators 1-5(excellent-inferior)]



Corporate Governance Evaluation

	Grade
9 th (2022)	6%~20%
8 th (2021)	6%~20%
7 th (2020)	6%~20%

Pathways to the Net Zero



- Driving energy savings from utilities system.
- Import green electricity

- Heating furnace change to heat accumulating type.
- High-efficiency once-through boiler

- Heating furnace mixed-fuel hydrogen
- Increase the proportion of green electricity

- Heating furnace switched to low-carbon fuel

Q&A



ESG Report



CHS Financial Report



THANK YOU!