

Stock Code: **2014**

# CHUNG HUNG STEEL CORPORATION 2023 Q1 INVESTOR CONFERENCE

2023.03.29



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# AGENDA

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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 April 2023, predicting that the global economic growth in 2023 will be 2.8%, a decrease of 0.1% from the previous forecast.
- Under the impact of tight monetary policy, the financial sector is experiencing turbulence, and the economic growth rate of advanced countries is slowing down, but emerging markets and developing economies still maintain strong growth.
- As the COVID-19 pandemic subsides, supply chain bottlenecks ease and inflation gradually declines, **global economic growth is expected to rise steadily to 3.0% in 2024.**

# Manufacturing PMI

- **United States** : PMI returned to the expansion territory after rising for 4 consecutive months. As the interest rate hikes come to a possible end, production and demand are gradually improving, and the manufacturing sector is rebounding steadily.
- **Europe** : Affected by slowing demand, manufacturing is still contracting, but energy prices have improved significantly.
- **China** : Lacking of short-term demand momentum, with the government continues to expand domestic demand, the economy is expected to recover steadily.
- **South Korea** : Due to the decline in semiconductor demand and weak export, the overall PMI fluctuated at a low level.
- **Japan** : Demand and employment gradually stabilized, and the manufacturing sector improved continuously.
- **ASEAN** : Inflation has slowed recently, output and new orders have picked up, and PMI has accelerated expansion.
- **India** : The strong domestic demand has driven the growth of production and new orders, and the manufacturing sector has continued to heat up.

# Global Crude Steel Production Forecast

- According to the WSD's report released in April, global crude steel output is expected to be 1,853 million tons in 2022 and **will increase by 1.3% year-on-year to reach 1,877 million tons in 2023.**
- In addition, China's crude steel output is expected to increase by 2.5% year-on-year to 1,036 million tons in 2023. However, some reports indicating that **the government is considering production restrictions, which could potentially limit the growth of production.**

# 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)

## 2023.1Q-2023.2Q Steel Price Trend Recap and Outlook (International)

- **2023.1Q** : Benefiting from a mild winter in Europe that eased pressure on energy costs, and China lifted COVID-19 restrictions from January, market expectations of a global economic recession have diminished. This has led downstream customers to replenish inventories. Additionally, the earlier production cuts by steel mills worldwide contributed to an improvement in supply and demand dynamics, steel price has steadily risen in the 1st quarter of 2023.

# Steel price trend-Hot Rolled (international market)

## 2023.1Q-2023.2Q Steel Price Trend Recap and Outlook (International)

- **2023.2Q** : Under the impact of high interest rates and inflation, the global economy is recovering slowly, end demand and market confidence are also dampened. 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 high-priced markets such as Europe and the US, where production rates are gradually increasing while demand has not yet fully recovered, and aggressive imports are driving prices down, the steel market is entering a correction period.
- However, following the easing of inflation and the end of interest rate hikes in several countries, the global economy is expected to regain momentum. In addition, the Chinese government is committed to increasing domestic demand, and the April manufacturing PMI of several countries such as the US, Japan, South Korea, India and the ASEAN region have improved. This suggests that steel demand is expected to recover steadily, providing a certain level of support to steel prices.

# Steel Market Outlook(1/2)

- In terms of macroeconomics, the IMF's World Economic Outlook report released in April showed a downward revision of global economic growth by 0.1% to 2.8% due to high inflation and rising financial risks. However, global inflation is expected to continue improving as commodity prices decline. The US reported a decrease in the year-on-year CPI growth rate to 4.9% in April, indicating a sustained slowdown and reaching the lowest level since April 2021. In the Euro area, CPI fell from its historical high of 10.6% in October 2022 to 7.0% in April 2023, mainly due to the decline in energy costs. **With the expectation that interest rate hikes in various countries will gradually come to an end, the global economy is expected to recover and operate steadily.**
- Regarding steel demand, the World Steel Association (worldsteel) released its Short Range Outlook report in April, which **revised the global steel demand forecast for 2023 to 2.3%, reaching 1,822 million tons**, and projected a continued growth of 1.7% for 2024, reaching 1,854 million tons. According to the report, the overall negative factors in the steel market have decreased compared to the previous year. Following the lifting of lockdown restrictions in China, the East Asian economy is gradually heating up and driving the recovery of steel demand. Among the regions with significant growth in 2023, ASEAN and India are benefiting from momentum in infrastructure and the resumption of foreign investments, with steel demand expected to grow by 6.2% and 7.3% respectively. Turkiye is also expected to see a 9% growth in steel demand as it benefits from rebuilding and reinforcing efforts in high earthquake-risk areas, driving growth in the construction industry.

# Steel Market Outlook(2/2)

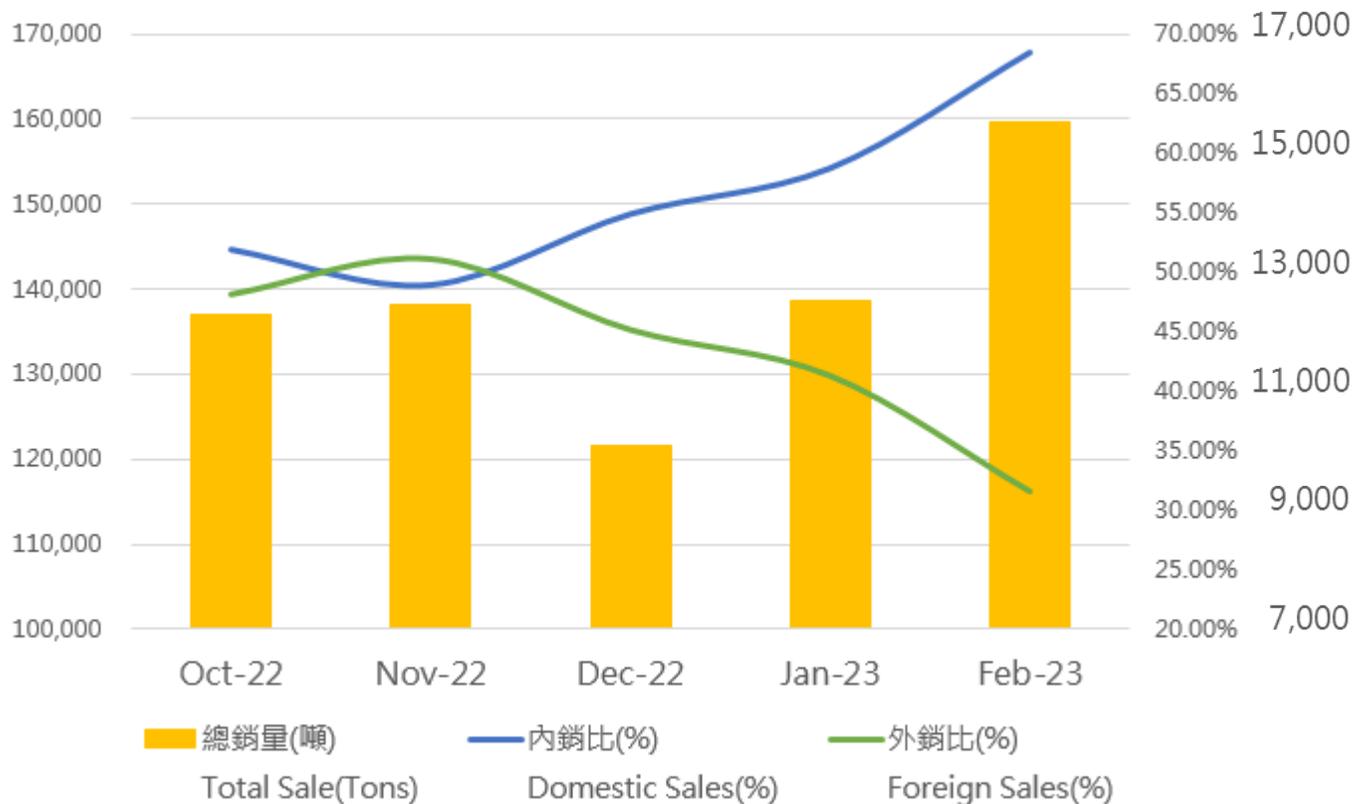
- On the other hand, China's GDP growth in the 1st quarter of this year exceeded market expectations, reaching 4.5%. In light of the stable economic recovery and Chinese government's continuous implementation of policies to support housing demand, ratings agency Moody's changed its outlook on China's property sector to "stable" from "negative" on May 15th. Additionally, the United Nations released its Mid-Year Report on the World Economic Situation and Prospects for 2023 on May 16th, raising its economic growth forecast for China in 2023 from 4.8% to 5.3%. It is anticipated that Chinese government will continue to strengthen infrastructure and expand domestic demand through policy measures. With the implementation of loose monetary policies to boost economic momentum, as well as the steady recovery of domestic demand, it is expected to help reduce steel oversupply and stabilize the Asian steel market.
- Looking ahead, although the steel market is currently going through a short-term correction period, with global inflation easing and a slowdown in interest rate hikes, it is expected that governments will support real economic growth through policies such as expanding public spending and stimulating consumption. Additionally, the world is progressing towards the goal of "carbon neutrality," and in response to the market's downward sentiment resulting from supply and demand mismatches, global steel mills will be more proactive in adjusting production, which will contribute to a rebound in the steel market.

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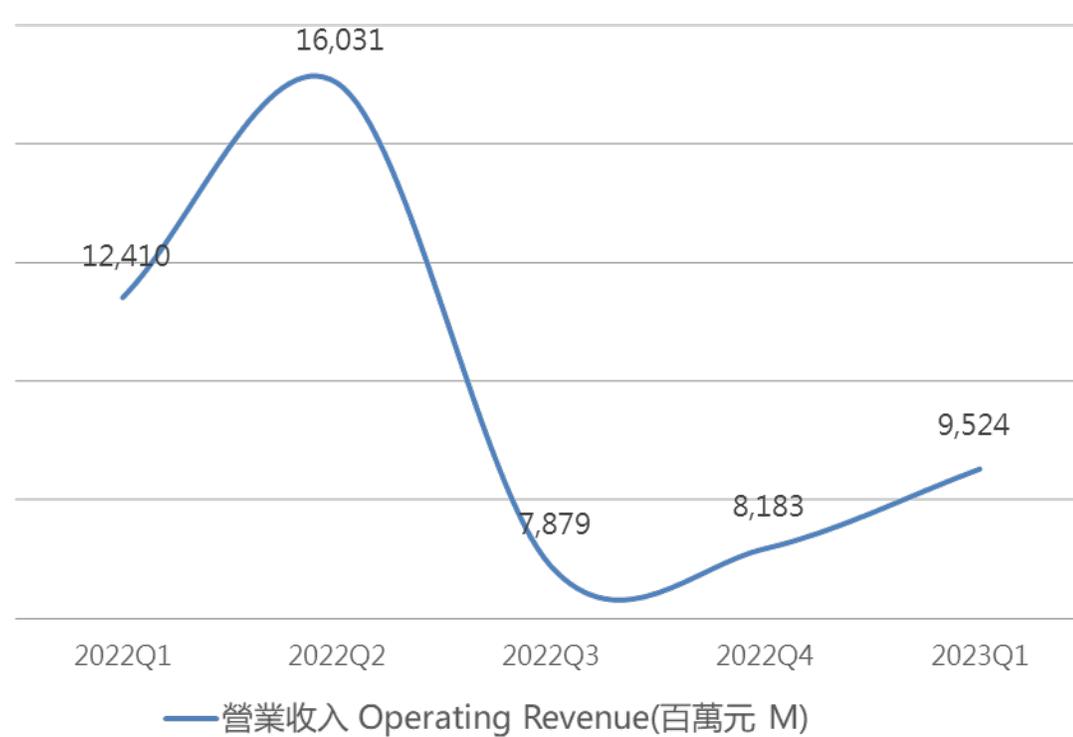
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# Financial Overview (1/3)

## Sales by Products & Domestic and foreign sales ratio

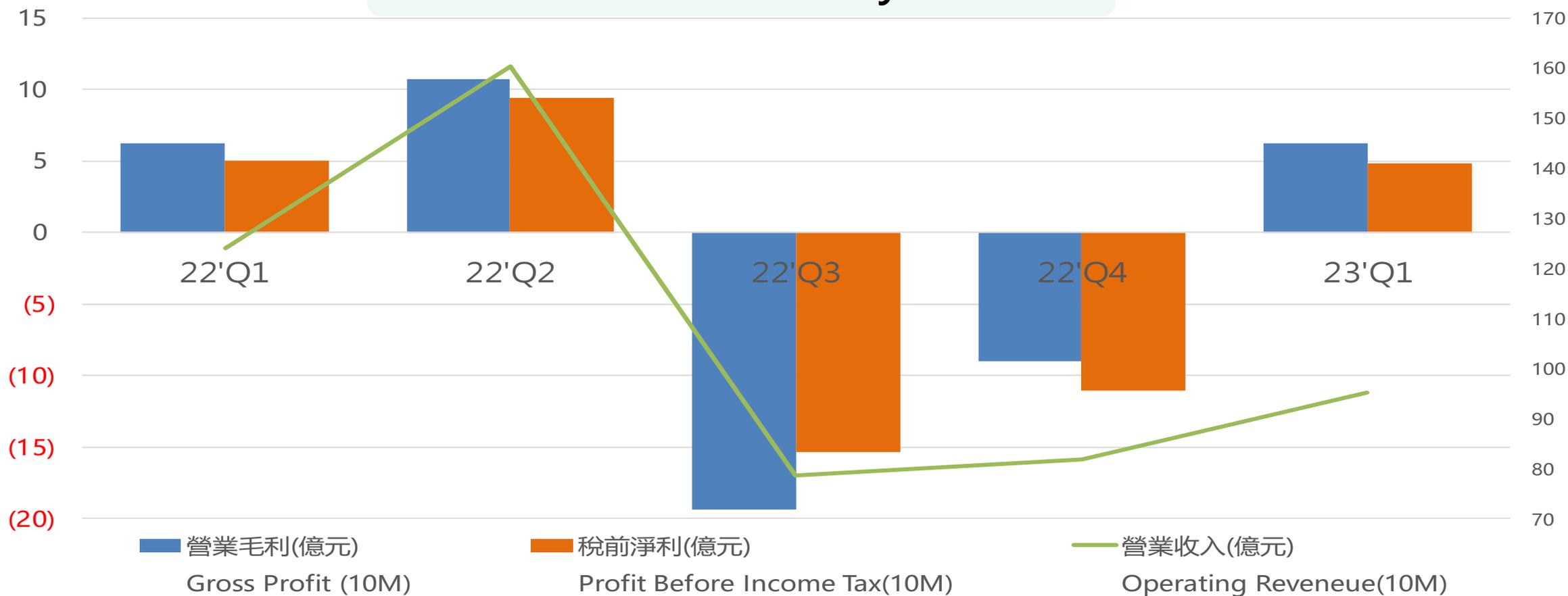


## Operating Revenue



# Financial Overview (2/3)

## Trends of Quarterly Profit



# Financial Overview (3/3)

## Financial Performance

In Thousands of New Taiwan Dollars

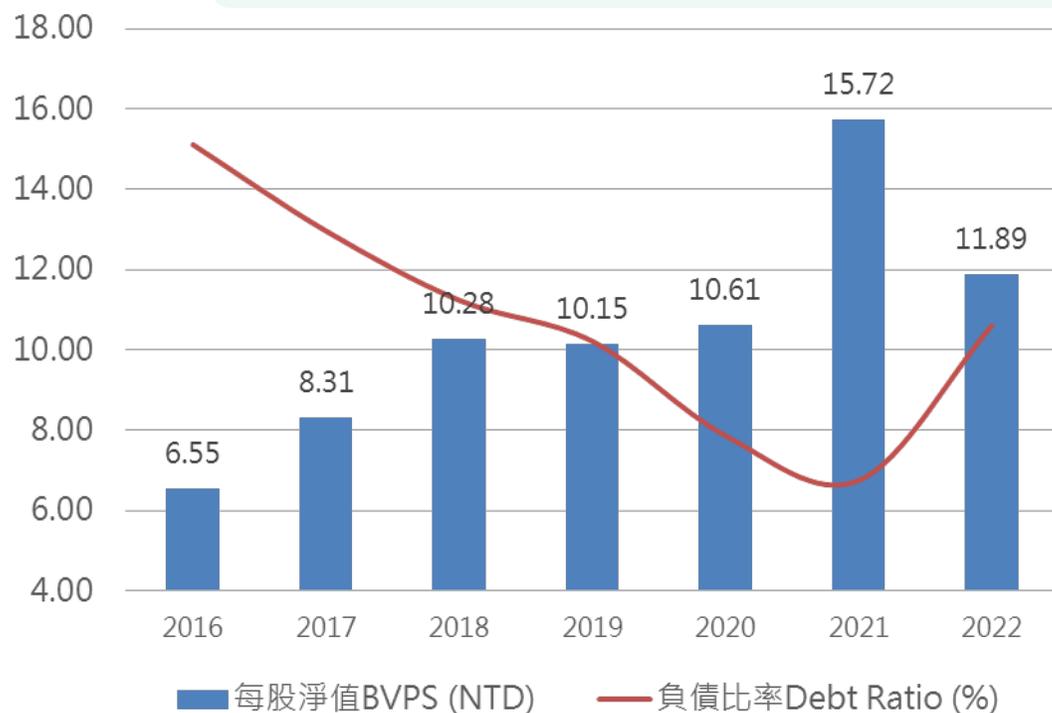
Item/Season	23'Q1	22'Q4	QoQ	23'Q1	22'Q1	QoQ
Operating Revenue	9,524	8,183	16.38%	9,524	12,410	-23.26%
Gross Profit	623	(895)	169.60%	623	625	-0.22%
Gross Profit Rate	6.54%	-10.94%		6.54%	5.03%	
Net Profit(Loss) for the Period	395	(1,046)	137.76%	395	502	-21.33%
EPS(NTD)	0.28	(0.73)		0.28	0.35	

# Credit Rating & Financial Performance

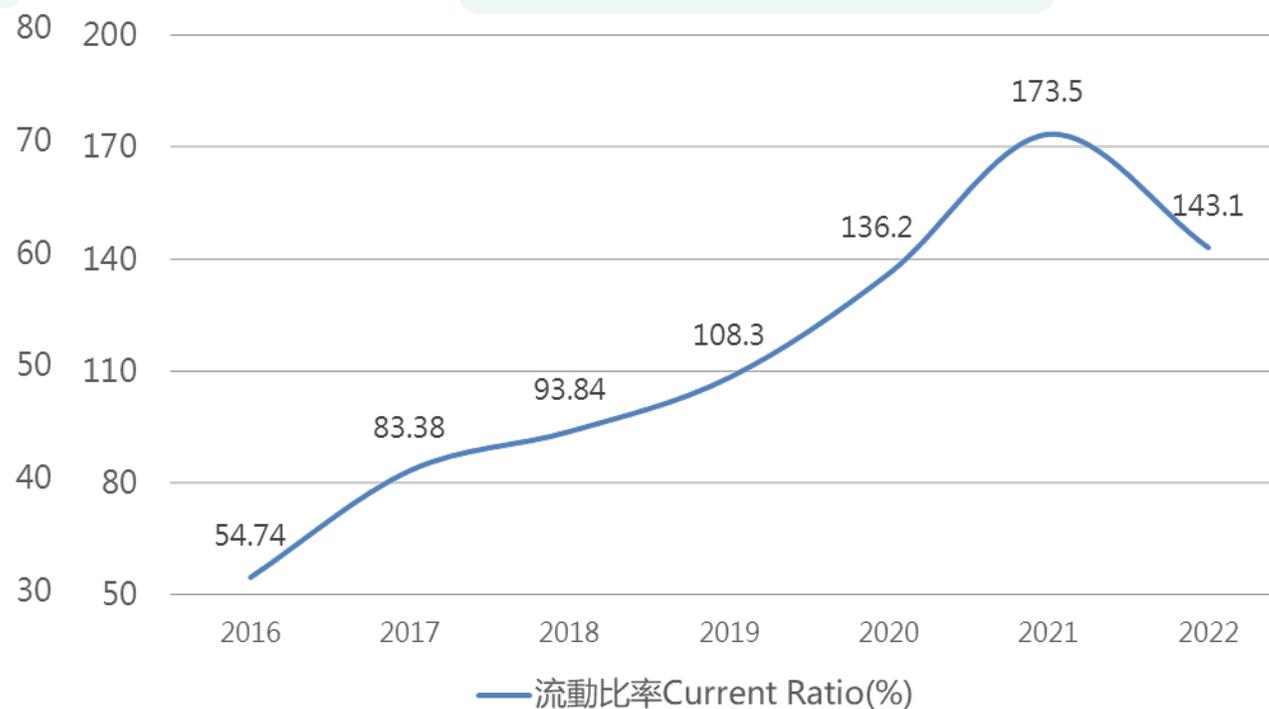
## Credit Rating

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

## Debt Ratio & Net Worth



## Current Ratio



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# Credit Rating & Financial Performance



## Credit Rating (2023.04)

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

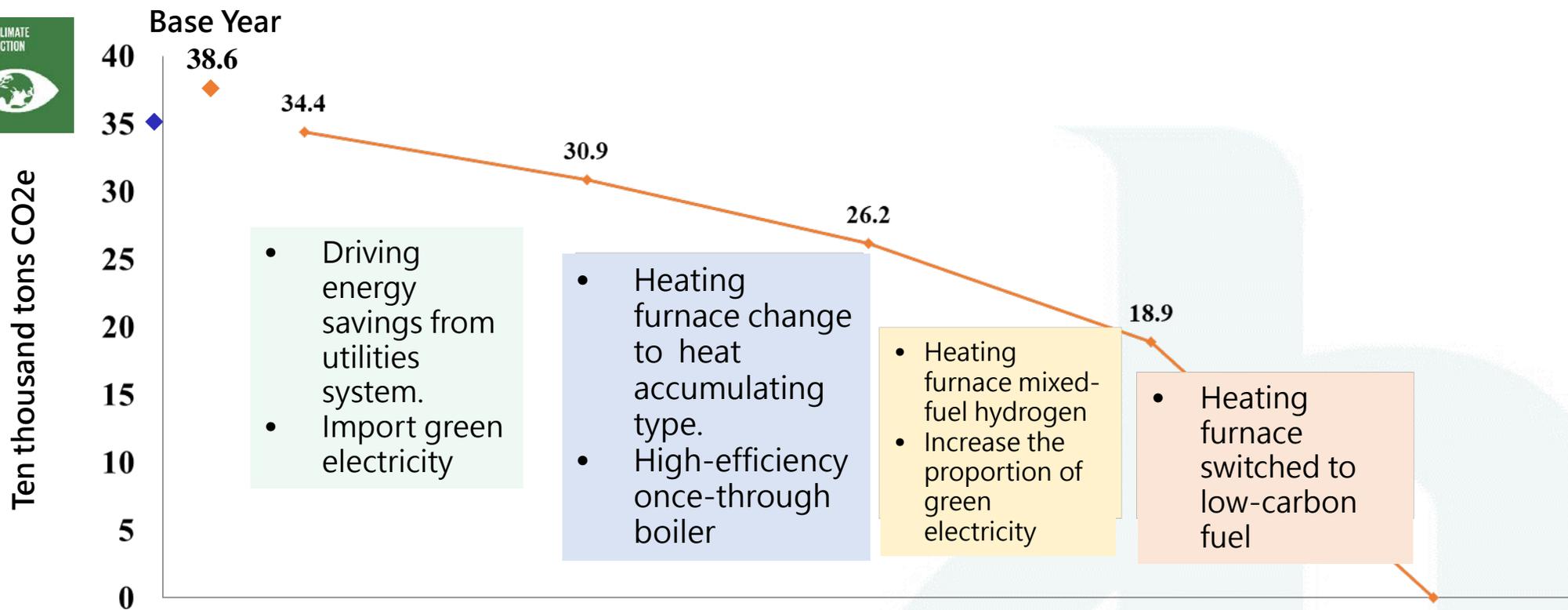
Note : Data of ESG credit indicators are the information from 2022; [indicators 1-5(excellent-inferior)]



## Corporate Governance Evaluation

	Grade
9 <sup>th</sup> (2022)	6%~20%
8 <sup>th</sup> (2021)	6%~20%
7 <sup>th</sup> (2020)	6%~20%

# Pathways to the Net Zero

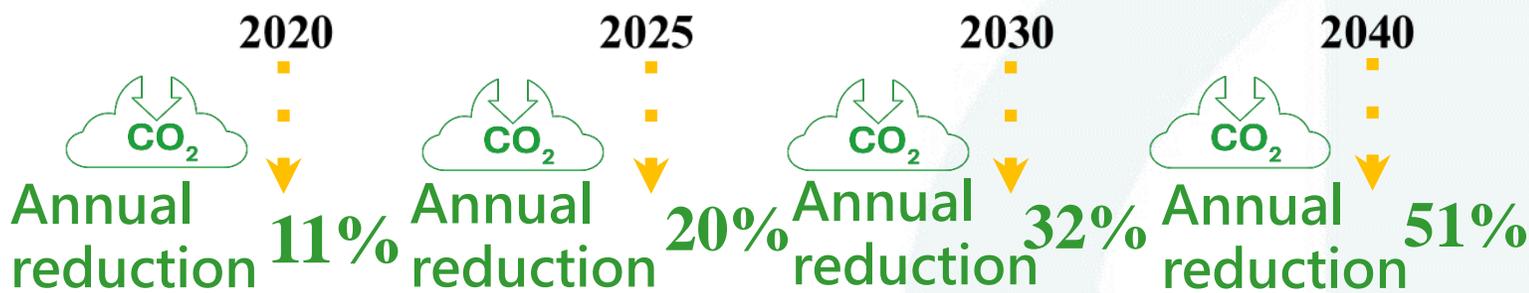


- Driving energy savings from utilities system.
- Import green electricity

- 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



Compare to 2018 base year

Q&A



ESG Report



CHS Financial Report



THANK YOU!