



CHUNG HUNG STEEL

Stock code: **2014**

CHUNG HUNG STEEL CORPORATION
Q1 Conference

2024.03.19



Disclaimer

- ☞ The information contained in this presentation and its accompanying announcements is based on present condition and information available at the time the statements were made. The presentation is run exclusively for the purpose of providing information and not for the purpose of investment advice.
- ☞ The Company's actual operations, financial conditions, and operational performance may differ from forecasted information; this may be due to various factors including but not limited to market demand, changes in policies and regulations and overall economic conditions, and other factors or risks beyond the Company's control.
- ☞ The Company is not responsible for reminding or updating changes or adjustments made to the contents of this presentation, if such changes or adjustments should occur in the future.
- ☞ This presentation has been translated into English from an original Chinese version. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, information in the Chinese-language presentation shall prevail.

AGENDA

1	Company Profile	1
2	Industry Overview	3
3	Financial Overview	12
4	ESG Performance	17

AGENDA

1	Company Profile	1
2	Industry Overview	3
3	Financial Overview	12
4	ESG Performance	17

公司簡介

Date of establishment

1983.09.29

Chairman of the Board

Kuei-Sung Tseng

President

Min Chu

Paid-in capital

**NTD
14,355,444,460**

Address

**317, Yu Liao Rd.,
Chiao Tou
District,
Kaohsiung City
82544**

Main stockholder

**China Steel
Corporation
(40.59%)**

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)**

AGENDA

1	Company Profile	1
2	Industry Overview	3
3	Financial Overview	12
4	ESG Performance	17

World Economic Growth Forecast

- The IMF released the World Economic Outlook in January 2024, predicting that **global economic growth will be 3.1% in 2024, which increases by 0.2% from the previous forecast, and 3.2% in 2025.**
- With disinflation and steady growth, risks to global growth are broadly balanced, and the likelihood of a hard landing has receded, according to the report.
- Furthermore, resilience in the United States and main emerging markets are stronger than expected, as well as constant fiscal supports in China, the global economy is expected to grow steadily.

Manufacturing PMI

- **United States** : Domestic and abroad demand have been improved, PMI rise to one-and-a-half-year high.
- **Europe** : Inflation continues to cool down, while PMI gradually rebounds, the manufacturing industry shows signs of recovery.
- **Japan** : PMI remains weak and volatile, mainly affected by the disruptions of Red Sea routes and the great earthquake on the Noto Peninsula, resulting in supply chain delays.
- **South Korea** : PMI returns to expansion, semiconductor market is picking up, driving a recovery in exports.
- **China** : Policies to stabilize growth continue to work, the manufacturing industry keeps in an upward trend.
- **India** : Domestic and abroad demand are strong, PMI accelerates expansion.
- **ASEAN** : PMI returns to expansion, the manufacturing industry is stabilizing gradually.

Global Crude Steel Production Forecast

- According to the WSD February report, global crude steel production is expected to be 1,864 million tons in 2023, and reach **1,898 million tons in 2024**, with a year-on-year growth of **1.8%**.
- The report pointed out that Southeast Asia and India will benefit from increasing steel demand, which will drive local production to grow. China will be stable basically, as **China's crude steel production in 2024 is expected to reduce slightly by 0.1% to 1,019 million tons.**

Global Steel Demand Forecast

- According to the World Steel Association's October 2023 report, the impact of high inflation gradually subsides, coupled with the recovery of the automobile industry and increased infrastructure investments from governments, **global steel demand is expected to grow by 1.8% in 2023, reaching 1,815 million tons.**
- Looking forward to 2024, steel demands in developed economies and the EU region are expected to rebound as the terminal destocking cycle ends. As the stable growth of infrastructure investments in India and the ASEAN region, **worldsteel anticipates global steel demand will keep growing by 1.9% to 1,849 million tons.**

Steel price trend-Hot Rolled (international market)

2023.Q4-2024.Q1 Steel Price Trend Recap and Outlook (International)

- **2023.Q4** : With the end of the UAW strike and a combination of low inventories and cautious purchasing by downstream customers from the last quarter, steel prices in the U.S. steel market have rebounded sharply from the low level in September. Meanwhile, some European steel mills who faced losses have sequentially idled blast furnaces and start to increase price to reflect production costs. Following by the effect of production cuts, steel price gradually goes up.
- In China, buoyed by the issuance of additional sovereign bonds announced in October, market confidence has significantly revitalized. Coupled with production restrictions due to winter air quality controls and the resilience of downstream demand, the steel market has achieved a balance between supply and demand, leading to a notable uptick in steel prices.

Steel price trend-Hot Rolled (international market)

2023.Q4-2024.Q1 Steel Price Trend Recap and Outlook (International)

- **2024.Q1** : **In the U.S.**, most local buyers rely on earlier inventory restocking, and destocking at end-user side is slow, steel price trims from high level. **In Europe**, although demand is improved, buyers turn to wait-and-see mode due to the impact of imports, steel prices stay rangebound. **In Asia**, trading activities slow, buyers are conservative in purchasing, steel prices fluctuate at a lower range.
- Overall, steel prices in all regions fluctuate and adjust in varying degrees currently. However, the manufacturing PMI of many countries has rebounded recently, indicating that downstream demand still has supports. Meanwhile, steelmaking costs remain high relatively, and the supply side still be contained. It is expected that after seasonal factors gone, steel demand will be released gradually, then become a support to steel price.

Steel Market Outlook

- In terms of macroeconomics, **global economic growth in 2024 is projected to 3.1% (last forecast was 2.9%)** on account of greater-than-expected resilience in the United States and fiscal support in China, **according to the IMF January 2024 World Economic Outlook (WEO)**. In addition, the People's Bank Of China cut reserve ratio requirements for banks by 50 basis points from Feb. 5th, releasing approximately 1 trillion yuan (RMB) capital flow. This shows that Chinese official policies continue to be loose and will motivate consumption and pick-up investment demand. The global economy is expected to maintain a moderate growth trend.
- In terms of steel demand, according to the October Short Range Outlook for Steel Demand released by the World Steel Association (worldsteel), **global steel demand is projected to increase by 1.9% to 1,849.1 million tons in 2024**, amid active infrastructure investments in many countries and the end of destocking cycles in the manufacturing sector. Particularly, growth in India and ASEAN is expected to be 7.7% and 5.2% respectively. Furthermore, World Steel Dynamics also estimates global automobile sales to grow by 3.9% to 77.3 million units in 2024, bringing a continuous growth in steel demand for this year.

鋼市展望(2/2)

- On the other hand, the work report of the two sessions in China continues to focus on economic stability. The official expected goals are GDP growth of about 5%, a fiscal deficit rate of 3%, a deficit scale of 4.06 trillion yuan (RMB), and plan to issue ultra-long-term special treasury bonds for several consecutive years starting from this year, 1 trillion yuan (RMB) will be issued first. It is expected that with the implementation of the official stable growth target and related policies, as well as landing real estate whitelist financing program, the industrial structure will keep improving and drive demand, benefiting the stable development of Asian steel market.
- Looking ahead, taking into account the significant improvement in global inflation and the end of interest rate hikes, governments will focus on economic development and industrial demand growth, which is expected to drive global consumption and investment demand. Furthermore, the world has gradually entered the era of carbon pricing, which will support the footing of steel price. It is anticipated that as the downstream industries continue to recover, the steel market demand will gradually pick up.

AGENDA

1	Company Profile	1
2	Industry Overview	3
3	Financial Overview	12
4	ESG Performance	17

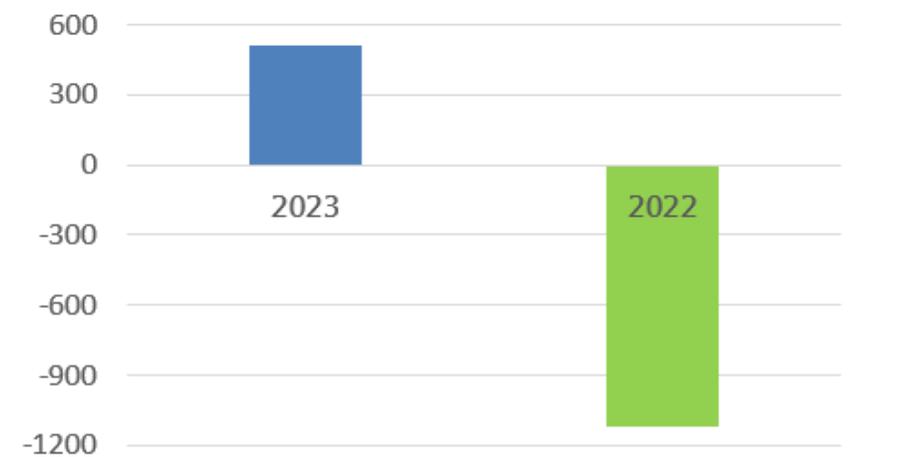
Financial Overview (1/3)

Financial Performance

(In Million of New Taiwan Dollars)

	2023	2022	YoY
Operating Revenues	37,764	44,503	-15.14%
Gross Profit	512	(1,126)	145.47%
Profit(Loss) Before Income Tax	162	(1,185)	113.67%
Net Profit(Loss) for the Period	159	(990)	116.06%
Gross Profit Rate	1.36%	-2.53%	
Profit(Loss) Before Income Tax Rate	0.43%	-2.66%	
EPS(NTD)	0.11	(0.69)	

營業毛利 Gross Profit 單位：百萬元(M)



稅前淨利(損) 單位：百萬元(M)



Financial Overview (2/3)

Proportion of Annual Sales

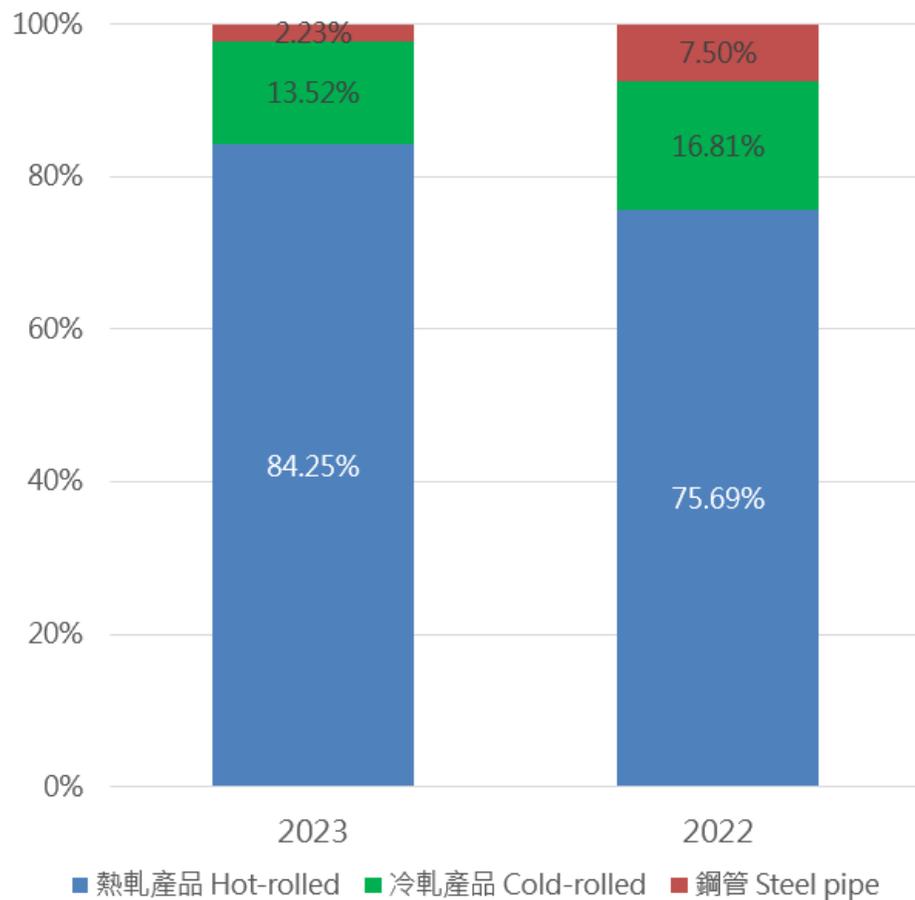
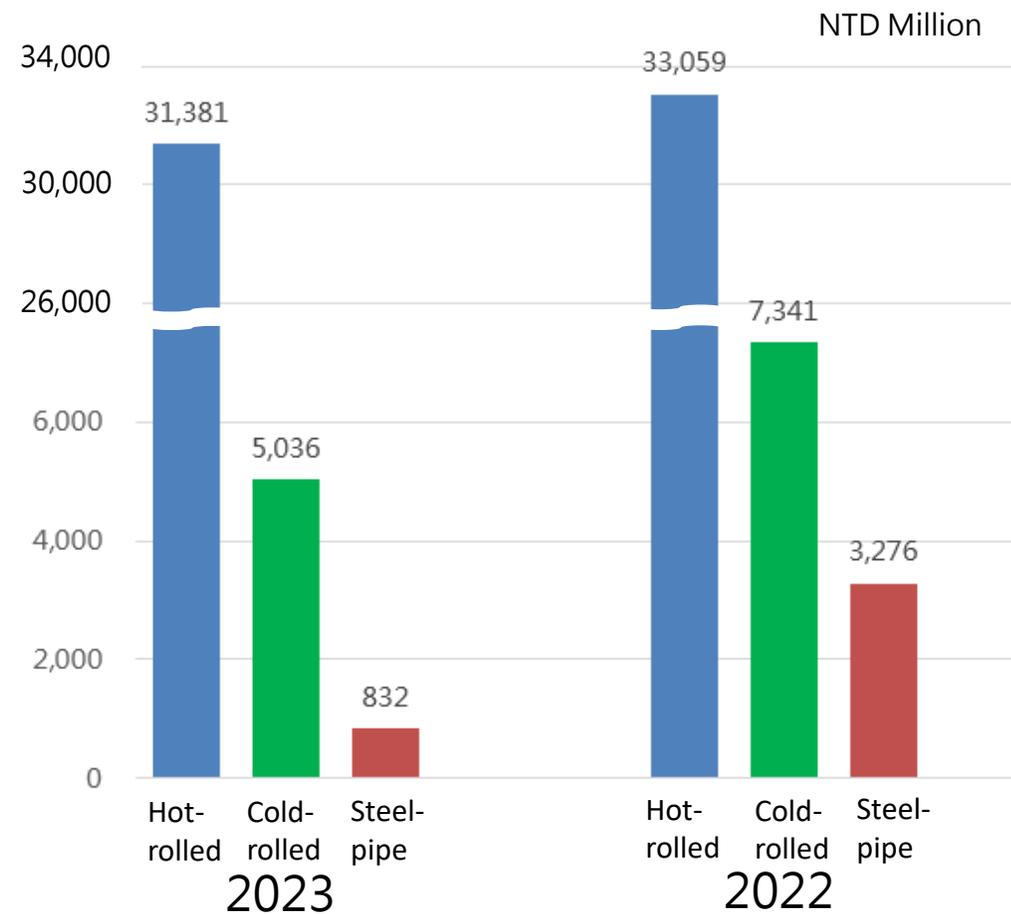
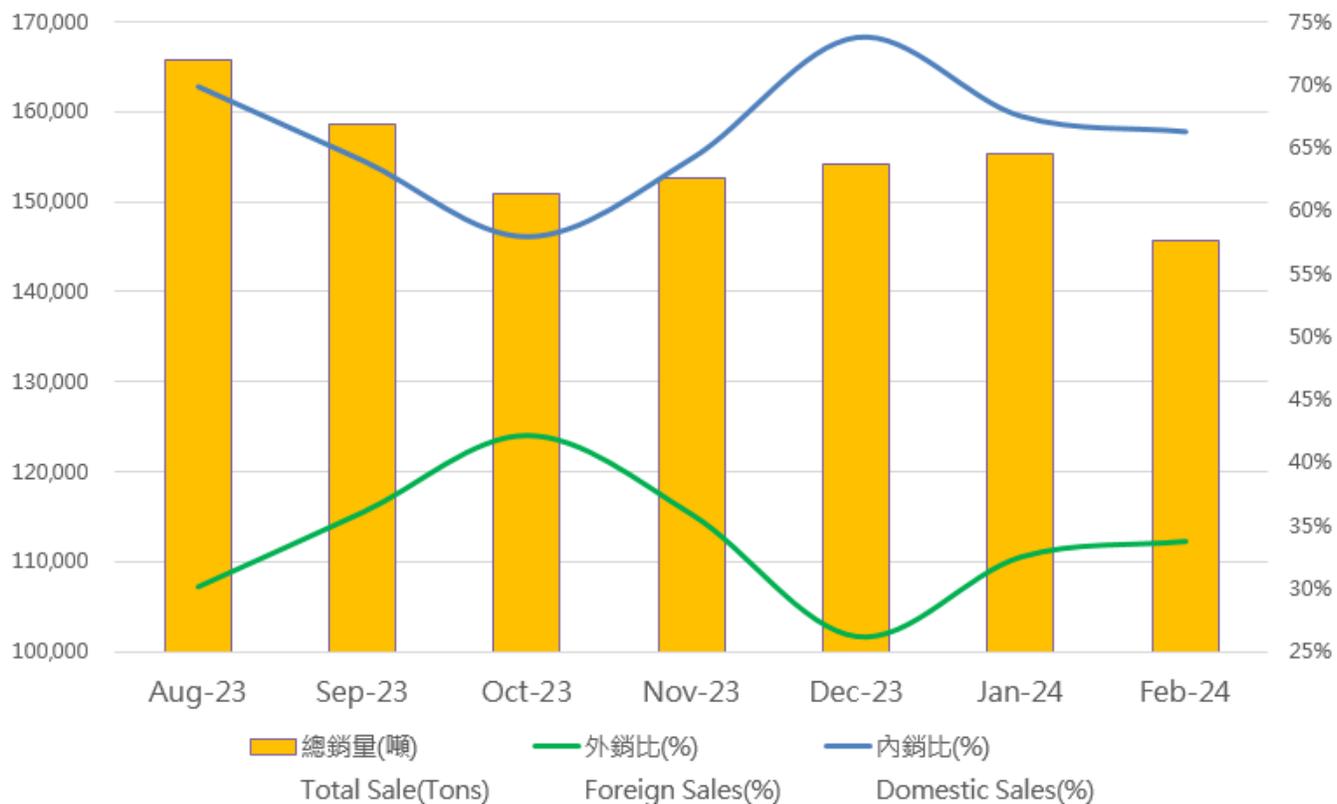


Table of Sales by Products

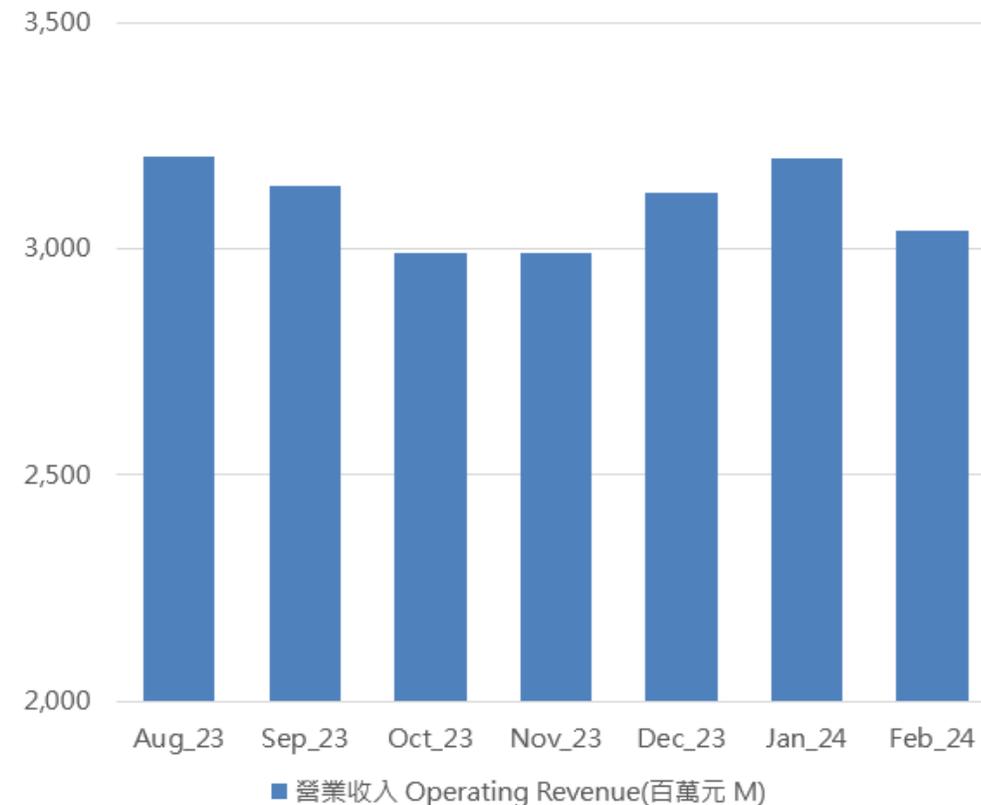


Financial Overview (3/3)

Quarterly Sales by Products & Domestic and foreign sales ratio

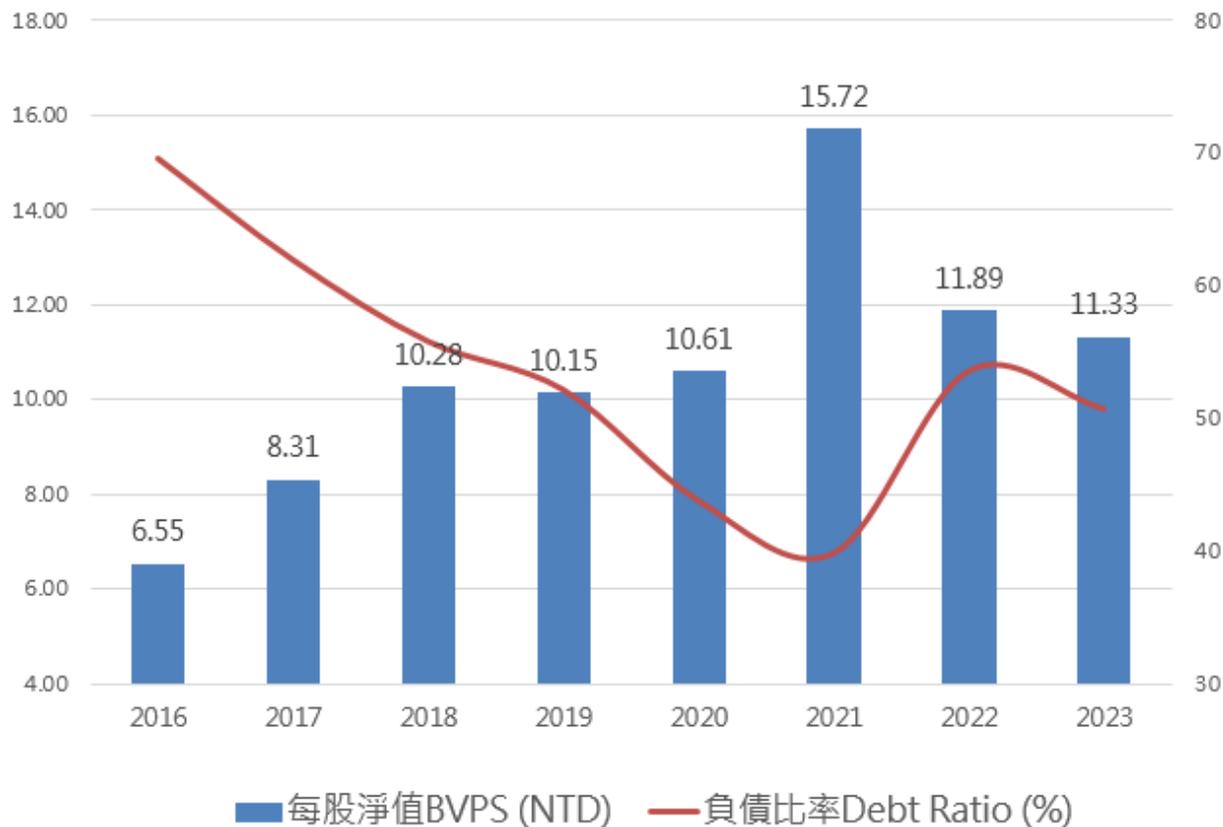


Operating Revenue

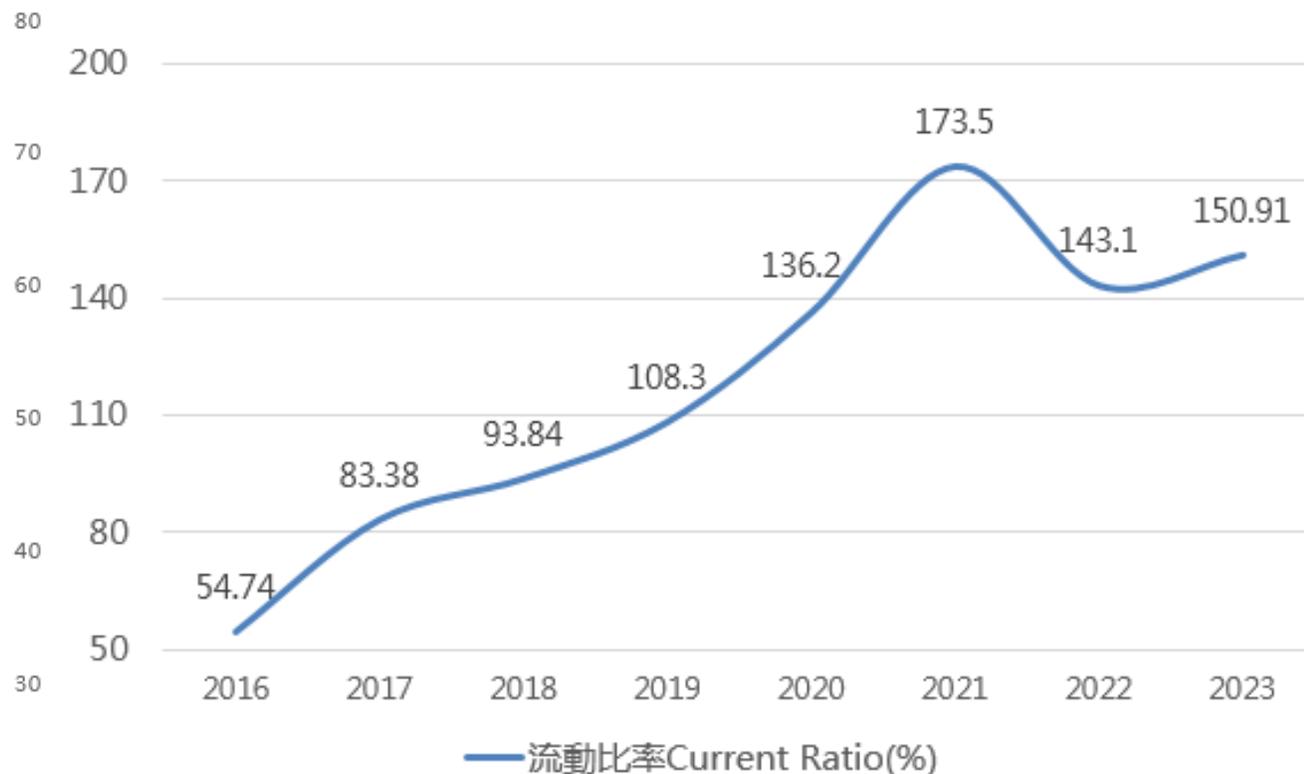


Financial Performance

Debt Ratio & Net Worth



Current Ratio



AGENDA

1	Company Profile	1
2	Industry Overview	3
3	Financial Overview	12
4	ESG Performance	17

ESG Performance

- Hot rolling mill products (HRB, HRC) complete carbon footprint inventory and external verification
- Green house gas emissions reduce 4% compare to 2018 (basic year)
- No environmental fines for three consecutive years

- Follow the TCFD framework for climate-related financial disclosures

- Human right training 525 attendance, total 1,462 hours
- **Zero major work-related safety incidents**
- Happiest Enterprise 2022 by Labor Affairs Bureau of Kaohsiung City Government

- The amount of charitable donations increased 96%

- Second scale (6%~20%) of Corporate Governance Evaluation
- Signed the Sustainability-linked loan with E.SUN Bank and the total of 9 banks
- Credit rating by Taiwan Ratings : twA/twA-1

- Golden in Corporate Sustainability Report of Taiwan Corporate Sustainability Awards.

Q&A



Sustainability Reports



Financial Reports



THANK YOU!