



# **1Q2013 Results**

## **Baoshan Iron & Steel Co.,Ltd.**

**April 2013**



## Disclaimer

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## I. Operation Results

## II. Industry Dynamics

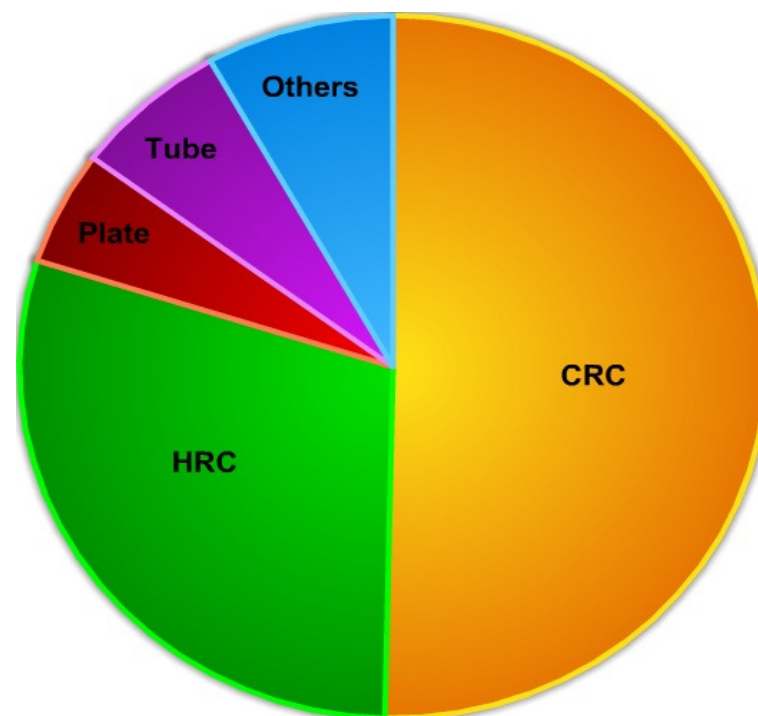
## ➤ Production and Sales

<b>unit: million tons</b>	<b>1Q2012</b>	<b>4Q2012</b>	<b>1Q2013</b>	<b>QoQ</b>	<b>YoY</b>
<b>Crude steel output</b>	<b>6.37</b>	<b>5.52</b>	<b>5.80</b>	<b>5.1%</b>	<b>-8.9%</b>
<b>Sales of finished products</b>	<b>6.36</b>	<b>5.83</b>	<b>5.46</b>	<b>-6.4%</b>	<b>-14.2%</b>
<b>including: domestic</b>	<b>5.86</b>	<b>5.18</b>	<b>4.98</b>	<b>-3.9%</b>	<b>-15.0%</b>
<b>export</b>	<b>0.51</b>	<b>0.65</b>	<b>0.48</b>	<b>-26.3%</b>	<b>-5.6%</b>

## ➤ Sales Volume Breakdown of Finished Products

	Sales	%
HRC	1.63	30%
Plate	0.29	5%
CRC	2.78	50%
Tube	0.37	7%
Others	0.45	8%
<b>Total</b>	<b>5.53</b>	<b>100%</b>

Note: BNA included, unit: million tons



## ➤ Gross Profit--By Product

unit:	million tons billion Yuan	Sales Volumn	Revenue	YoY	Cost	YoY	Gross Margin	YoY
CRC		2.33	12.5	-10.6%	11.0	-13.2%	11.9%	↑ 2.7 pts
HRC		2.01	8.1	-0.9%	7.0	-5.2%	14.2%	↑ 3.9 pts
Plate		0.29	1.3	-51.5%	1.3	-53.5%	-4.7%	↑ 4.5 pts
Tube		0.37	2.4	-10.2%	2.1	-14.0%	13.3%	↑ 3.8 pts
Others		0.45	1.9	-3.3%	1.9	-9.7%	1.7%	↑ 7.0 pts
<b>Total</b>		<b>5.46</b>	<b>26.1</b>	<b>-26.6%</b>	<b>23.2</b>	<b>-31.3%</b>	<b>11.2%</b>	<b>↑ 6.1 pts</b>

## ➤ Income Statement Summary

unit: billion Yuan	1Q2012	4Q2012	1Q2013	QoQ	YoY
Revenue	47.42	45.43	46.44	2.2%	-2.1%
Cost	46.46	46.08	44.25	-4.0%	-4.8%
Gross profit	3.60	3.55	4.19		
<b>Gross margin %</b>	<b>7.6</b>	<b>7.8</b>	<b>9.0</b>	↑ 1.2 pts	↑ 1.4 pts
Operating profit	1.17	-0.54	2.22		
<b>Operating margin %</b>	<b>2.5</b>	<b>-1.2</b>	<b>4.8</b>	↑ 6.0 pts	↑ 2.3 pts
Net profit	1.22	-0.40	1.68		
<b>Net profit margin %</b>	<b>2.6</b>	<b>-0.9</b>	<b>3.6</b>	↑ 4.5 pts	↑ 1.0 pts

**Note:** Negative operating and net profit in 4Q2012 was due to 2.65 billion Yuan impairment loss of Luojing remaining assets.

## ➤ Financial Highlights

unit: Yuan	1Q2012	4Q2012	1Q2013	QoQ	YoY
EPS	0.07	-0.02	0.10	↑ 0.12	↑ 0.03
BVPS	6.15	6.51	6.49	-0.3%	5.5%
Net CFO per share	0.40	0.53	0.11	-78.4%	-72.5%
Gross margin%	7.5	7.8	9.0	↑ 1.2 pts	↑ 1.5 pts
ROE (weighted)%	1.2	-0.4	1.5	↑ 1.9 pts	↑ 0.3 pts



## ➤ Solvency and Liquidity

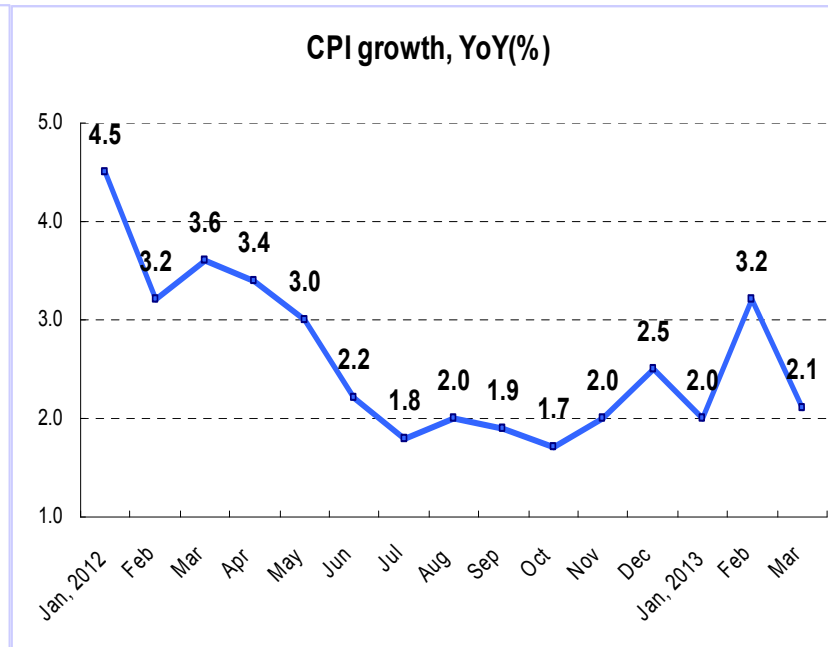
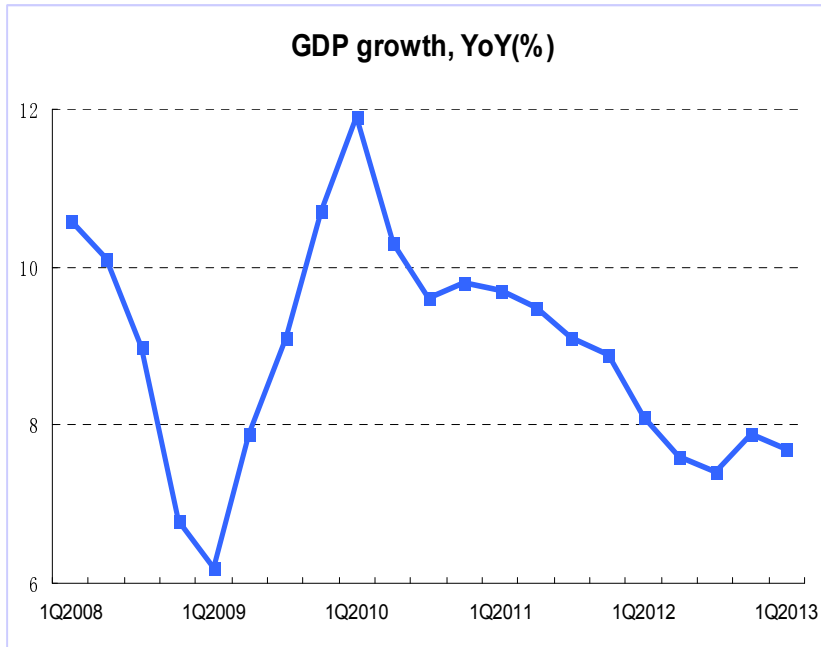
Financial index		unit	2012-12-31	2013-3-31	Change
Solvency	Total debts/ total assets	%	45.26	46.96	↑ 1.70 pts
	Current ratio		0.84	0.84	-
	Quick ratio		0.49	0.49	-

Financial index		unit	2012	1Q2013	Change
Liquidity	Days of receivables	day	19.0	20.0	5.3%
	Days of inventories	day	70.8	65.3	-7.8%
	Cash conversion cycle	day	51.6	43.4	-15.9%

# I. Operation Results

## II. Industry Dynamics

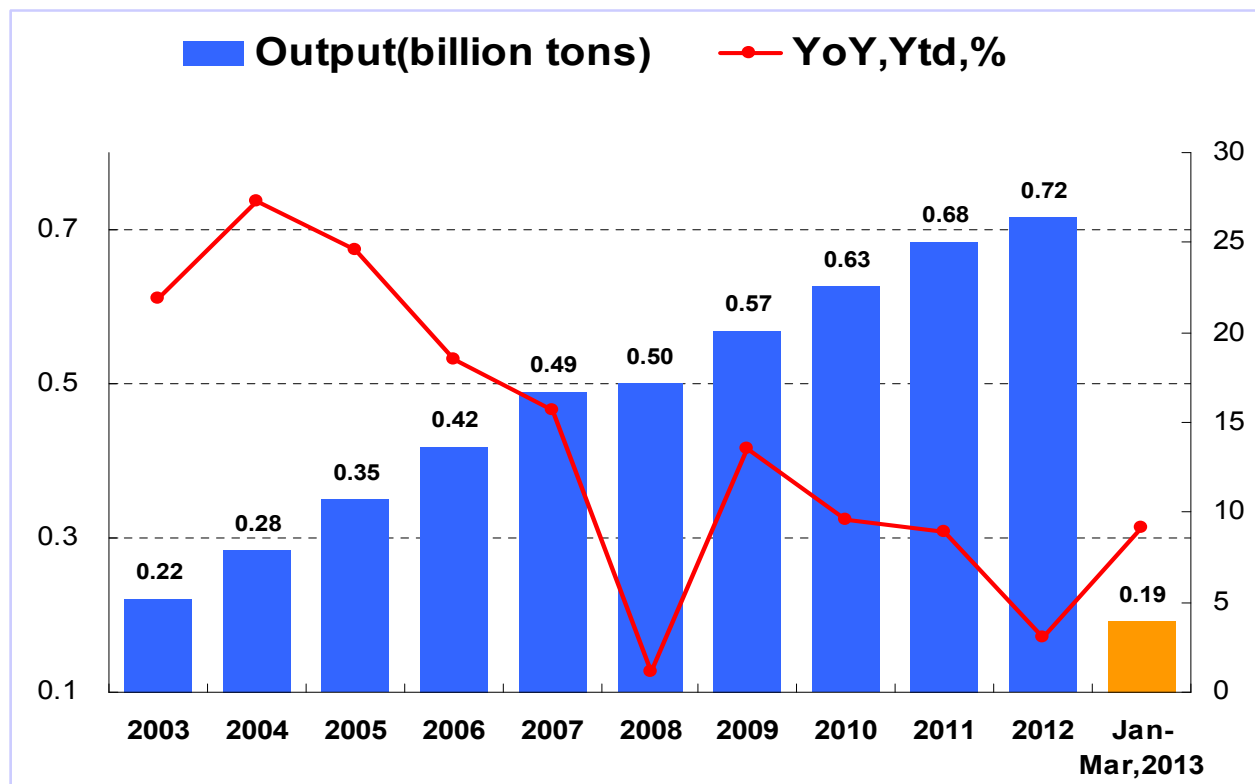
## ➤ Macro Economy



Data source: wind

- Weak recovery in domestic economy in Q1.
- GDP up 7.7% YoY and decreased QoQ.
- CPI growth was 2.1% in March, lower than expectation.

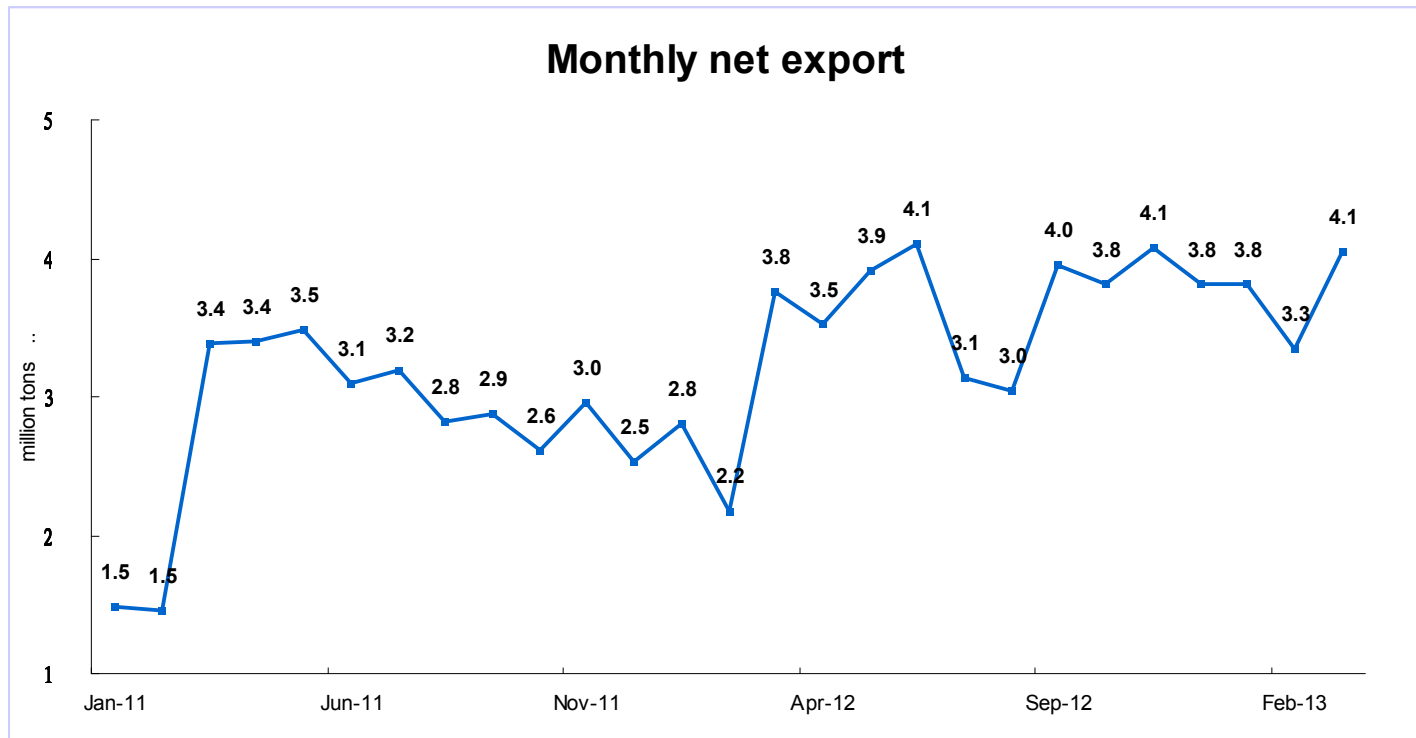
## ➤ Demand and Supply Analysis--Supply(Crude Steel)



Data resource: Wind

- Crude steel output was 0.19 billion tons in Q1, up 9.1% YoY, capacity was over-released.
- Daily output was 2.14 million tons, hit the peak level.

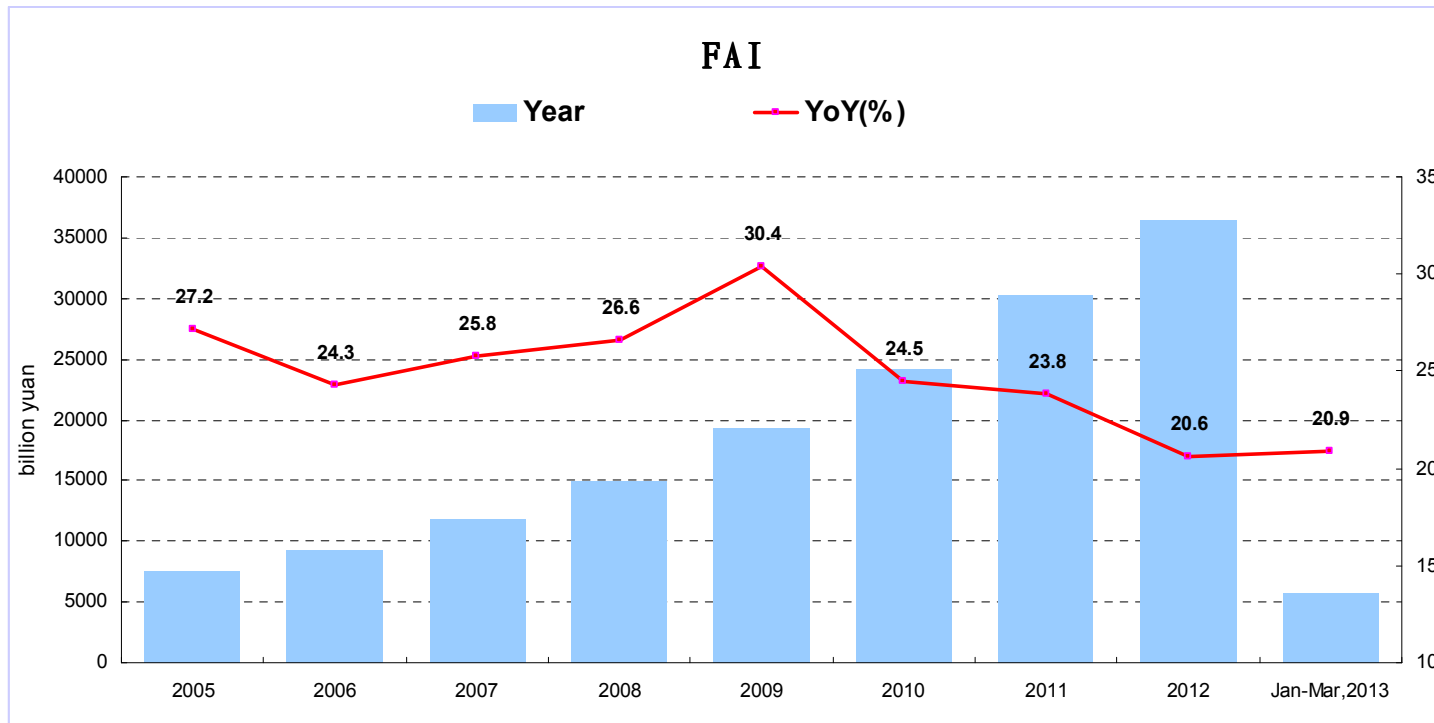
## ➤ Demand and Supply Analysis--Import & Export



Data resource: Wind

- Export 14.43 million tons, up 18.8% YoY, import 3.23 million tons, down 5.3% YoY in Q1.
- Net export rebounded to 4.05 million tons in March.

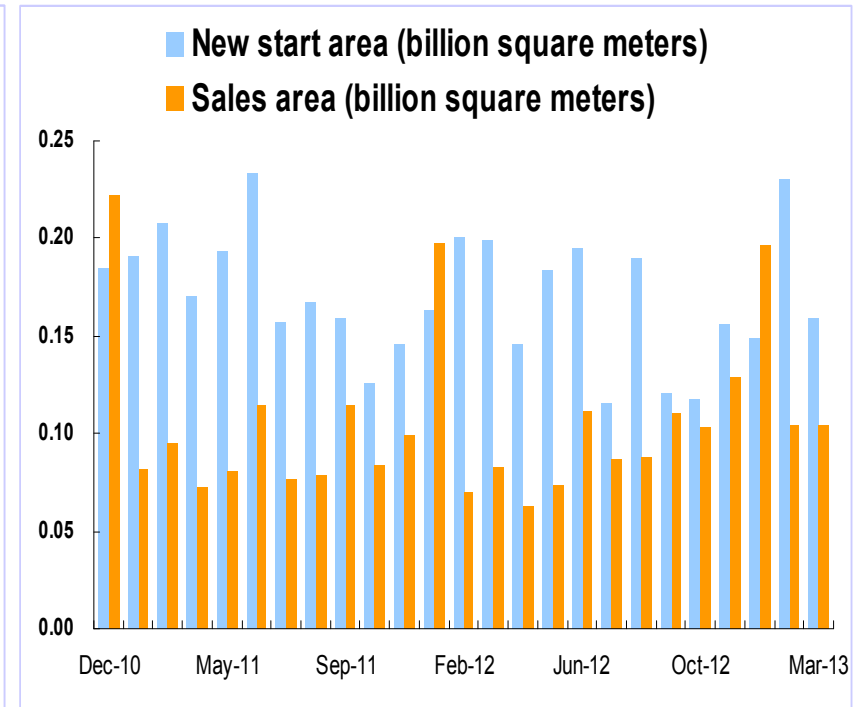
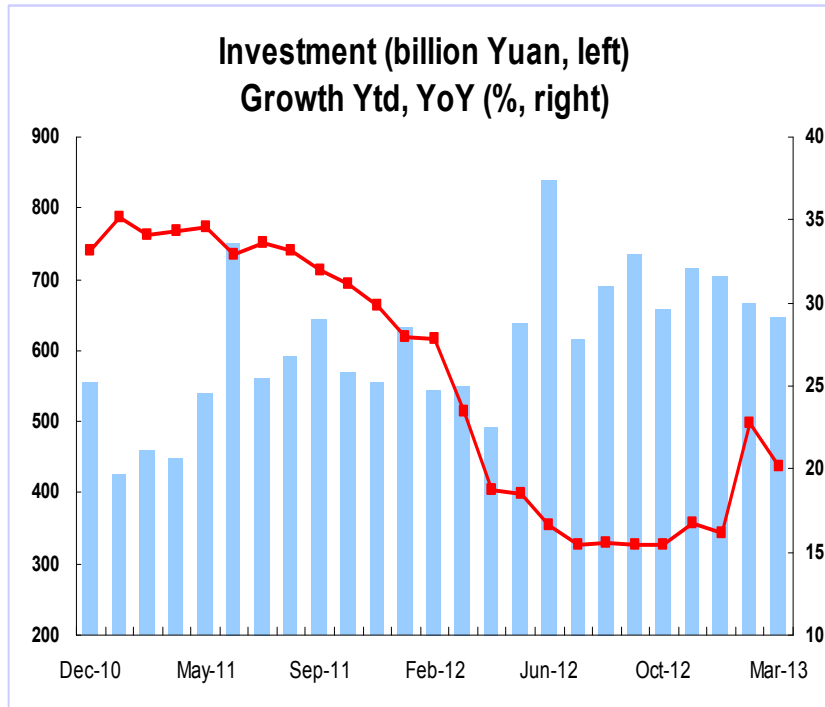
## ➤ Demand and Supply Analysis--Demand(Infrastructure)



Data source: wind

- FAI 5.8 trillion Yuan in Q1, up 20.9% YoY.
- Railway investment was 54.5 billion Yuan, up 28% YoY, remained high growth.

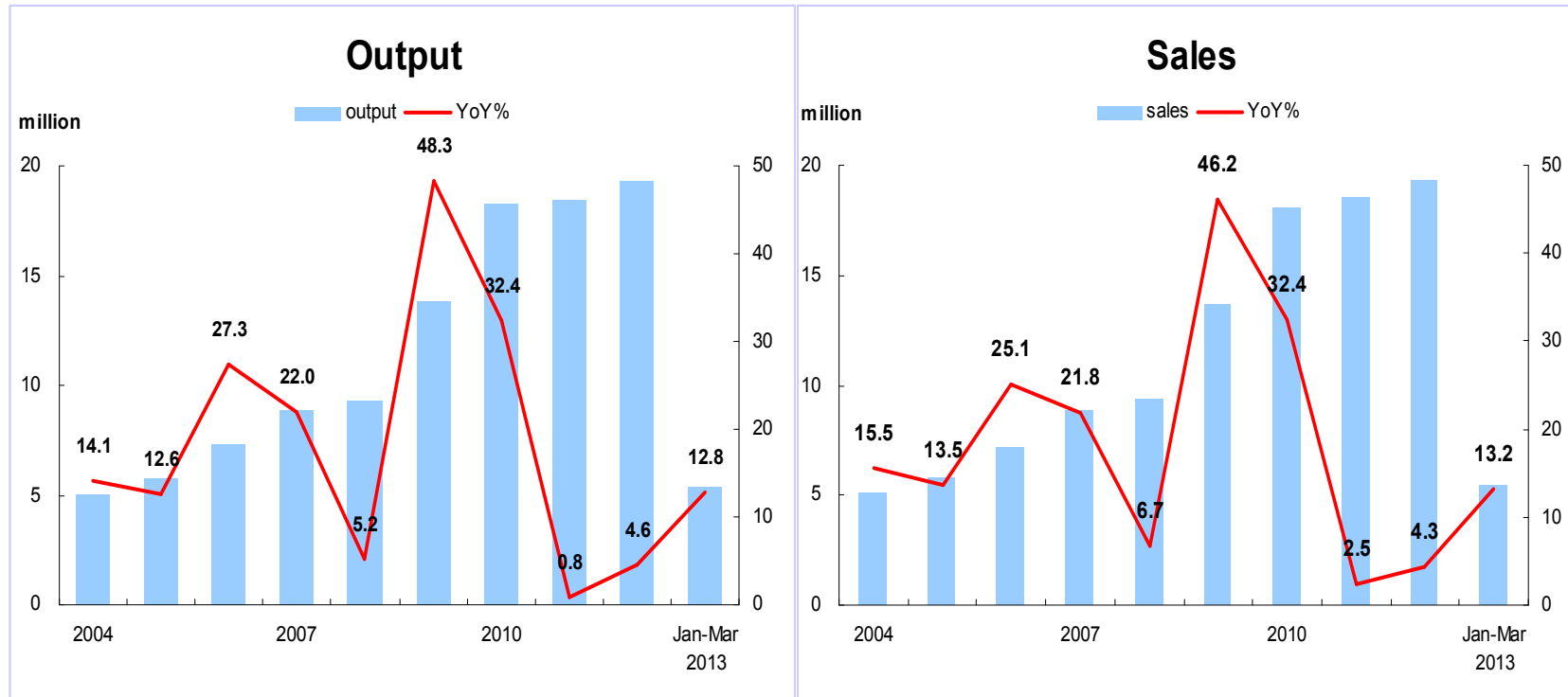
## ➤ Demand and Supply Analysis--Demand(Real Estate)



Data source: wind

- Investment picked up in Q1, investment up 20% YoY.
- Real estate market boomed since 2H2012, sales in upward trend.

## ➤ Demand and Supply Analysis—Demand(Automobile)

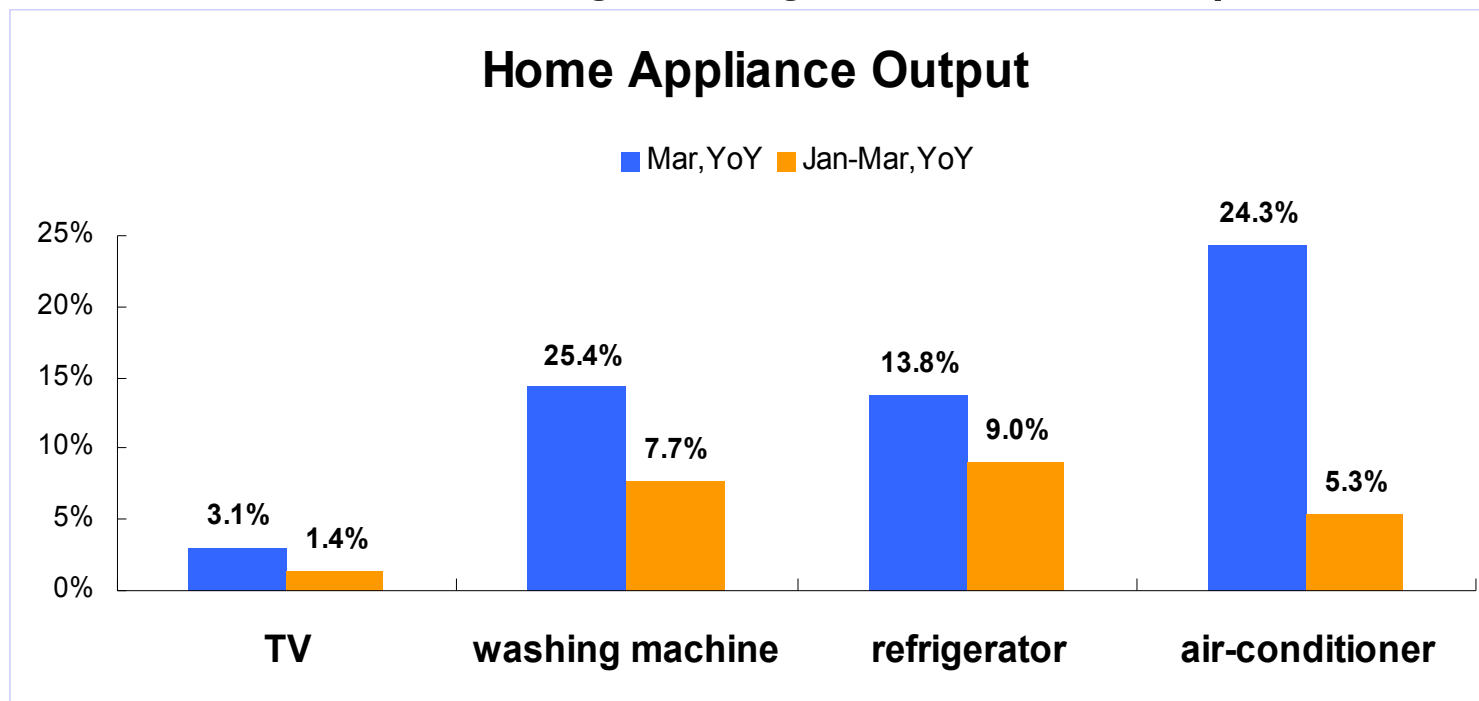


Data source: wind

- Auto output and sales were 5.4 and 5.42 million, up 12.8% and 13.2% YoY respectively.
- Strong recovery in auto sector.



## ➤ Demand and Supply Analysis--Demand(Home Appliance)

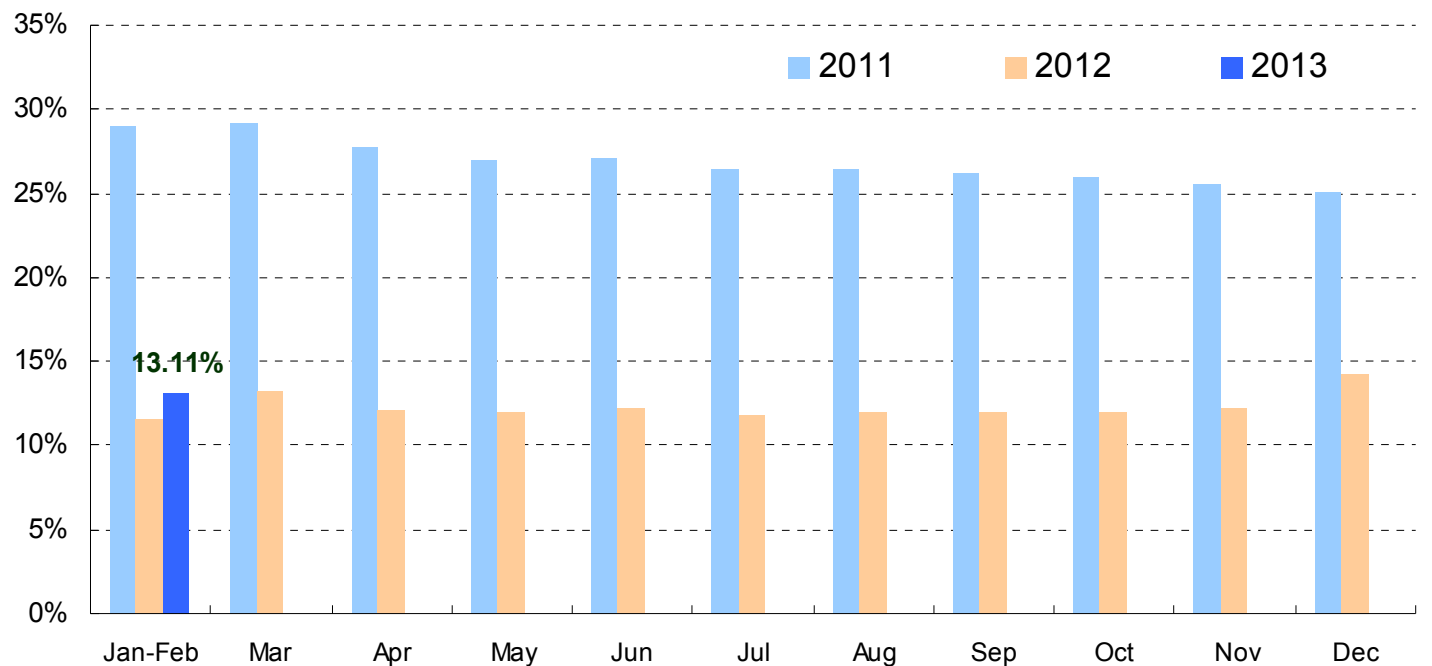


Data source: wind

- Home appliance picked up in Q1.

## ➤ Demand and Supply Analysis--Demand(Machinery)

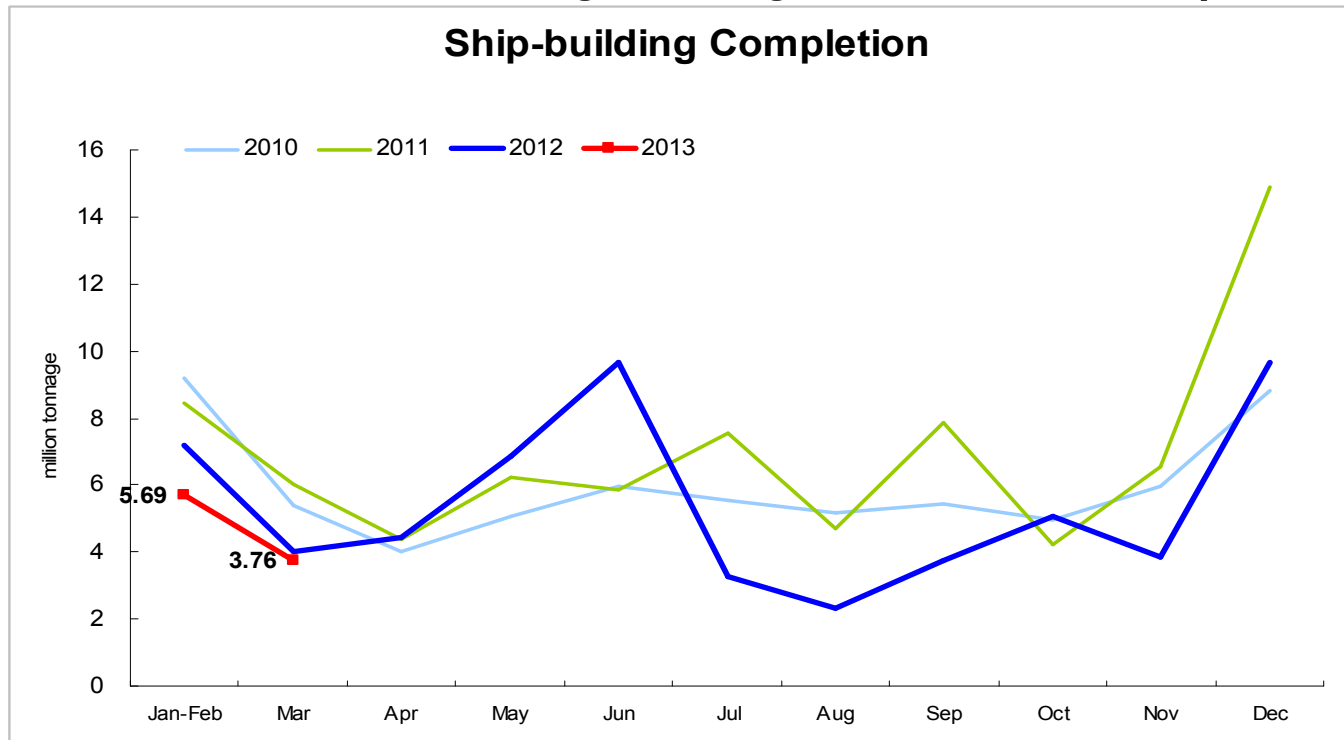
### Machinery industry growth, YoY



Data source: CMIF

- Total production value was 2.65 trillion Yuan in Jan-Feb, up 13.1% YoY. Growth rate was higher YoY.

## ➤ Demand and Supply Analysis--Demand(Ship Building)



Data source: CANSI

- Completion, new order and carrying order were :9.45, 9.57 and 110 million tonnages, down 16%, up 71% and down 25% YoY respectively in Q1.
- New order rebound implied positive expectation for the future.

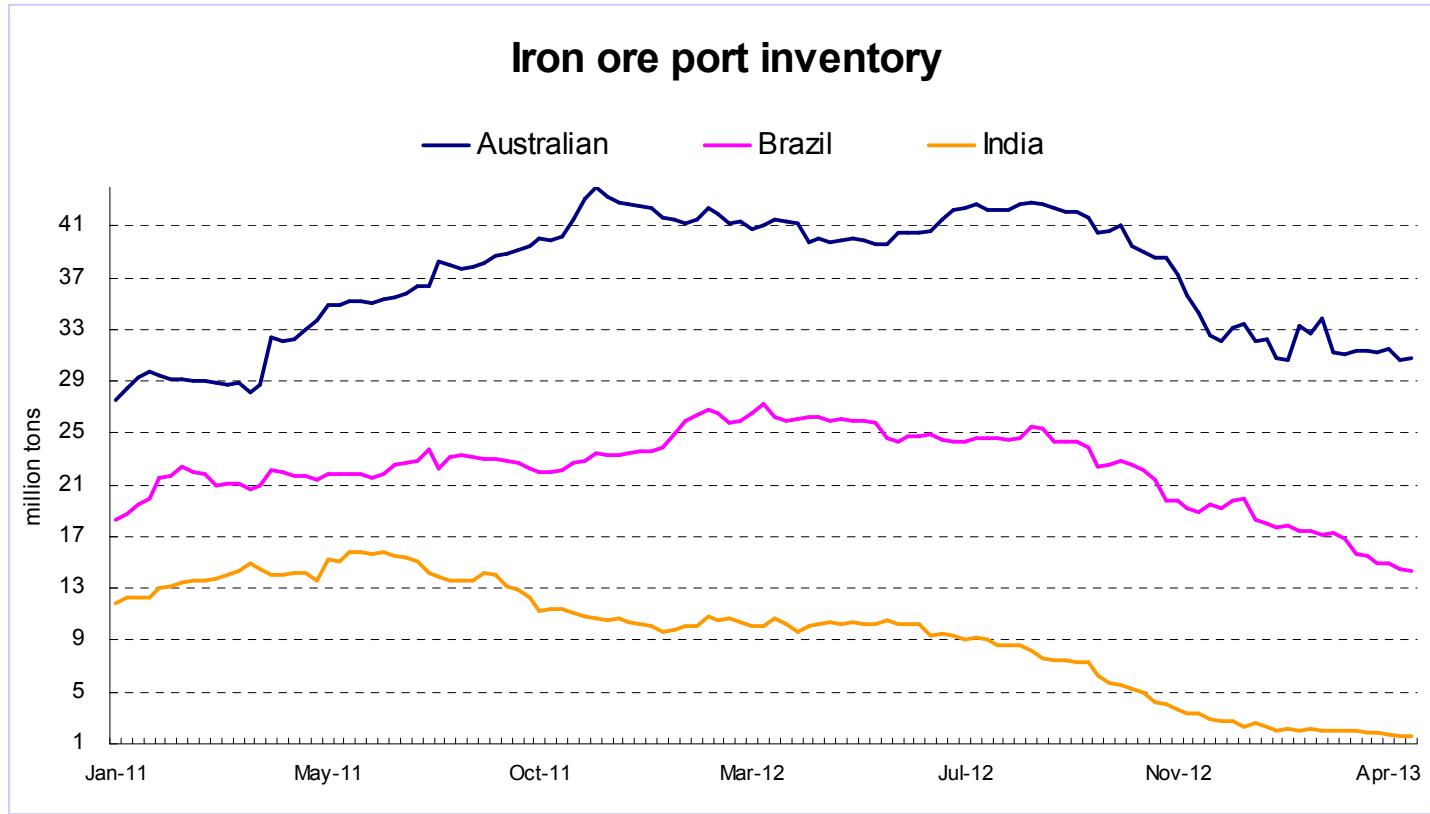
## ➤ Steel Inventory

Unit: million tons	4 Jan	5 Apr	4 May		
	2013	2013	2013	QoQ,%	Ytd,%
Rebar	5.86	10.49	9.40	-10.4	60.4
Wire	1.39	3.05	2.65	-13.1	90.6
HRC	3.43	4.76	4.82	1.3	40.5
CRC	1.55	1.69	1.65	-2.4	6.5
Plate	1.40	1.64	1.54	-6.1	10.0
Long product	7.25	13.54	12.05	-11.0	66.2
Flat product	6.38	8.09	8.01	-1.0	25.5
<b>Total</b>	<b>13.63</b>	<b>21.63</b>	<b>20.06</b>	<b>-7.3</b>	<b>47.2</b>

Data source: Mysteel

- Steel social inventory peaked over 22 million tons in Q1, destocking started since the end of March.

## ➤ Iron Ore Inventory

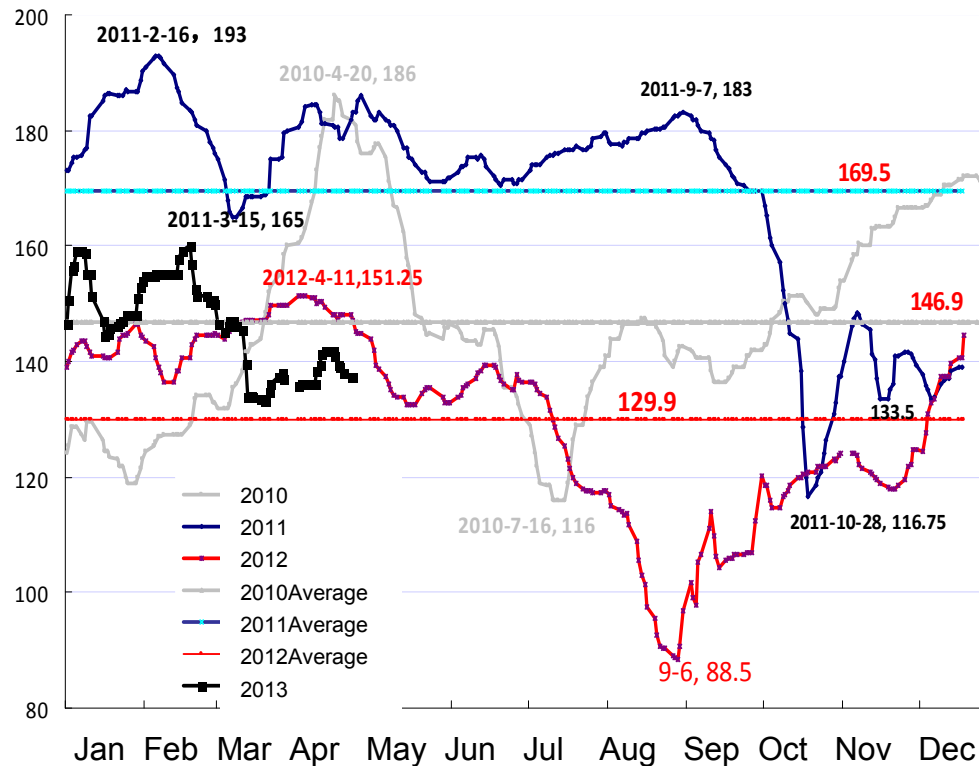


Data source: Mysteel

- Downward trend in iron ore port inventory in Q1, 6.8 million tons by 3 May.

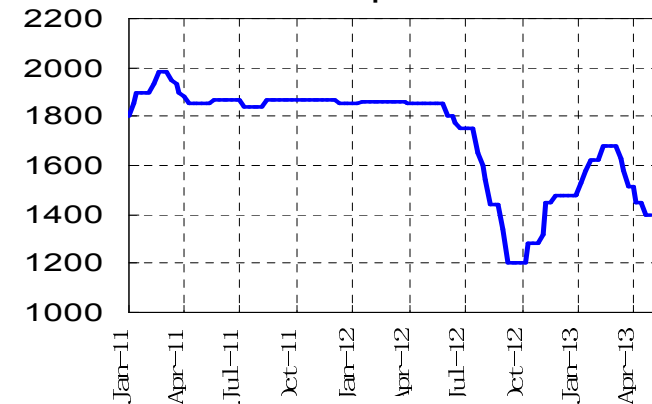
# Raw Material Cost

## Platts (62%Fe)

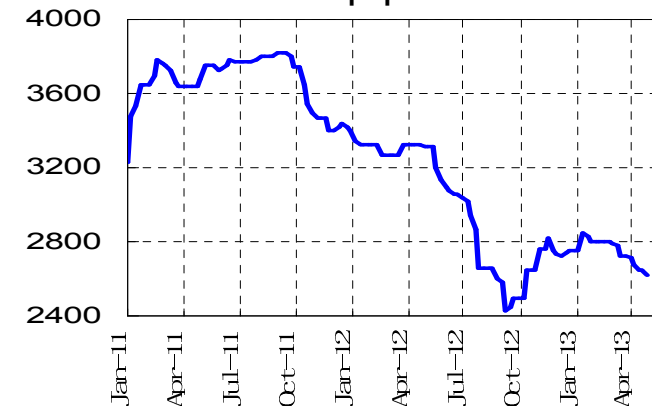


## Coke price

Data source: Mysteel



## Scrap price



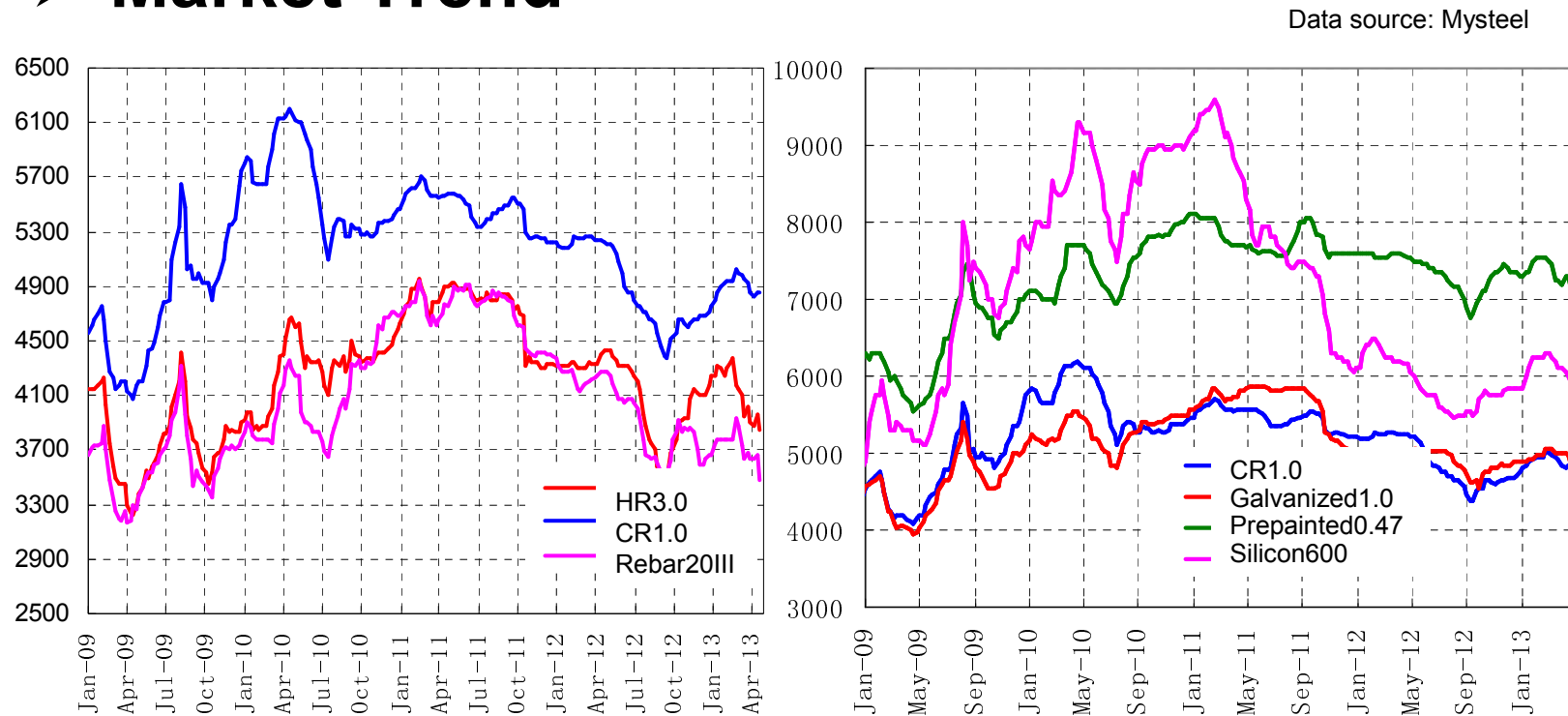
- Iron ore price rebounded in Jan-Feb and climbed to 160 USD, average price was 154.8 USD in Feb.
- Iron ore price decreased since the end of Feb due to depressed steel price, average price in Apr was 137 USD, and 128.75 USD on 6 May.

## ➤ Steel Price

Unit: Yuan/ton	3 May	WoW%	MoM%	YoY%
HRC	3730	-2.4	-3.6	-15.8
CRC	4770	-0.4	-1.0	-8.4
Plate	3780	-1.0	-4.1	-14.9
Wire	3563	0.0	-1.6	-16.7
Rebar	3520	-0.6	-3.3	-17.2

Data source: Mysteel

## ➤ Market Trend



- Supported by demand pick up and cost, steel price remained upward trend in Jan-Feb.
- Due to over released capacity and weak demand recovery, steel price decreased since March.



Thanks!