



**3Q2013 Results**

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

**October 2013**



## Disclaimer

**The following presentation distributed herewith includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Baoshan Iron & Steel Co.,Ltd.(Baosteel) expects or anticipates will or may occur in the future are forward-looking statements.**

**Baosteel's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, competition and other risks and factors beyond our control.**

# I. Operation Results

## II. Industry Dynamics

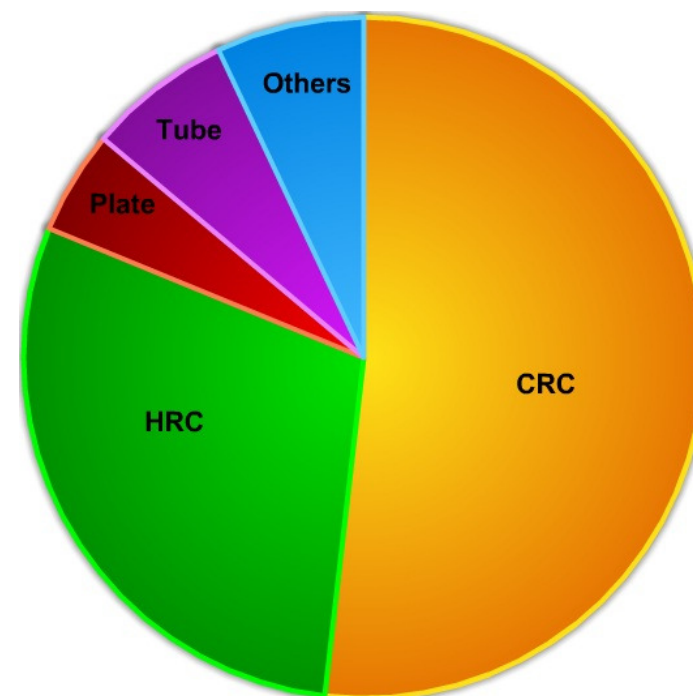
## ➤ Production and Sales

<b>unit: million tons</b>	<b>3Q2012</b>	<b>2Q2013</b>	<b>3Q2013</b>	<b>YoY</b>	<b>QoQ</b>
<b>Crude steel output</b>	<b>5.69</b>	<b>5.61</b>	<b>5.32</b>	<b>-6.5%</b>	<b>-5.2%</b>
<b>Sales of finished products</b>	<b>5.88</b>	<b>5.62</b>	<b>5.56</b>	<b>-5.4%</b>	<b>-1.1%</b>
<b>including: domestic</b>	<b>5.27</b>	<b>5.12</b>	<b>5.08</b>	<b>-3.6%</b>	<b>-0.8%</b>
<b>export</b>	<b>0.61</b>	<b>0.50</b>	<b>0.48</b>	<b>-21.3%</b>	<b>-4.0%</b>

**Note:** Output decreased because of No.3 Blast Furnace overhaul and power rationing in summer

## ➤ Sales Volume Breakdown of Finished Products

	Sales Volumn	%
HRC	1.67	29%
Plate	0.28	5%
CRC	2.95	52%
Tube	0.39	7%
Others	0.40	7%
<b>Total</b>	<b>5.69</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	2.44	13.0	0.5%	11.2	-1.2%	13.4%	↑ 1.4 pts
HRC	2.05	7.6	-8.8%	6.5	-16.1%	13.5%	↑ 7.5 pts
Plate	0.28	1.1	-44.2%	1.3	-49.4%	-9.2%	↑ 11.2 pts
Tube	0.39	2.4	-10.7%	2.4	-3.5%	-1.2%	↓ 7.5 pts
Others	0.40	1.6	-12.8%	1.6	-17.1%	-1.2%	↑ 5.2 pts
<b>Total</b>	<b>5.56</b>	<b>25.6</b>	<b>-12.1%</b>	<b>23.0</b>	<b>-16.1%</b>	<b>10.1%</b>	<b>↑ 4.3 pts</b>

## ➤ Income Statement Summary

unit: billion Yuan	3Q2012	2Q2013	3Q2013	YoY	QoQ	Jan-Sep, 2013	YoY
Revenue	48.0	49.8	46.3	-3.6%	-7.2%	142.5	-2.5%
Cost	47.2	47.2	45.0	-4.7%	-4.7%	136.5	-4.6%
Gross profit	3.09	4.69	3.54			12.4	
<b>Gross margin %</b>	<b>6.43</b>	<b>9.41</b>	<b>7.66</b>	<b>↑1.23 ppts</b>	<b>↓1.75 ppts</b>	<b>8.71</b>	<b>↑1.31 ppts</b>
Operating profit	0.93	2.91	1.49			6.62	
<b>Operating margin %</b>	<b>1.94</b>	<b>5.85</b>	<b>3.23</b>	<b>↑1.29 ppts</b>	<b>↓2.62 ppts</b>	<b>4.65</b>	<b>↑2.15 ppts</b>
Total profit	1.05	2.93	1.39			6.57	
<b>Total profit margin %</b>	<b>2.19</b>	<b>5.88</b>	<b>3.01</b>	<b>↑0.82 ppts</b>	<b>↓2.87 ppts</b>	<b>4.61</b>	<b>↑1.67 ppts</b>

**Note:** 9.58 billion Yuan from assets sale of stainless and special steel in Jan-Sep, 2012 is excluded

## ➤ Financial Highlights

unit: Yuan	3Q2012	2Q2013	3Q2013	YoY	QoQ
EPS	0.07 0.04 *	0.12	0.06	-14.3% 50.0%	-50.0%
Net CFO per share	0.20	0.29	0.19	-5.0%	-34.5%

**Note:** EPS is 0.04 excluding non-recurring gains and losses in 2012.

unit: Yuan	Jan-Sep, 2012	Jan-Sep, 2013	YoY
BVPS	6.47	6.65	2.8%
Gross margin%	7.36	8.68	↑ 1.32 pts
ROE (weighted)%	2.73 <sup>[Note]</sup>	4.22	↑ 1.49 pts

**Note:** 9.58 billion Yuan from assets sale of stainless and special steel is excluded



## ➤ Solvency and Liquidity

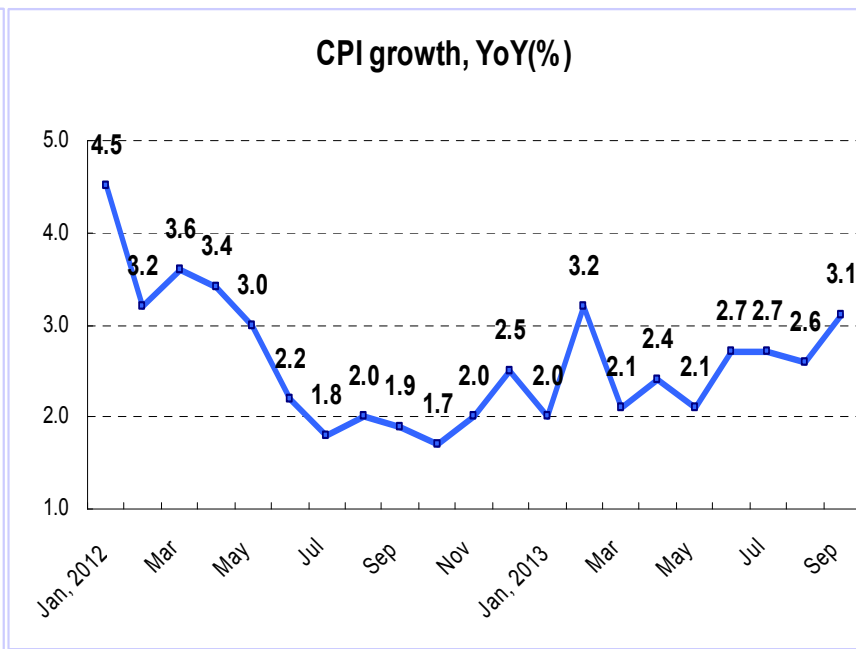
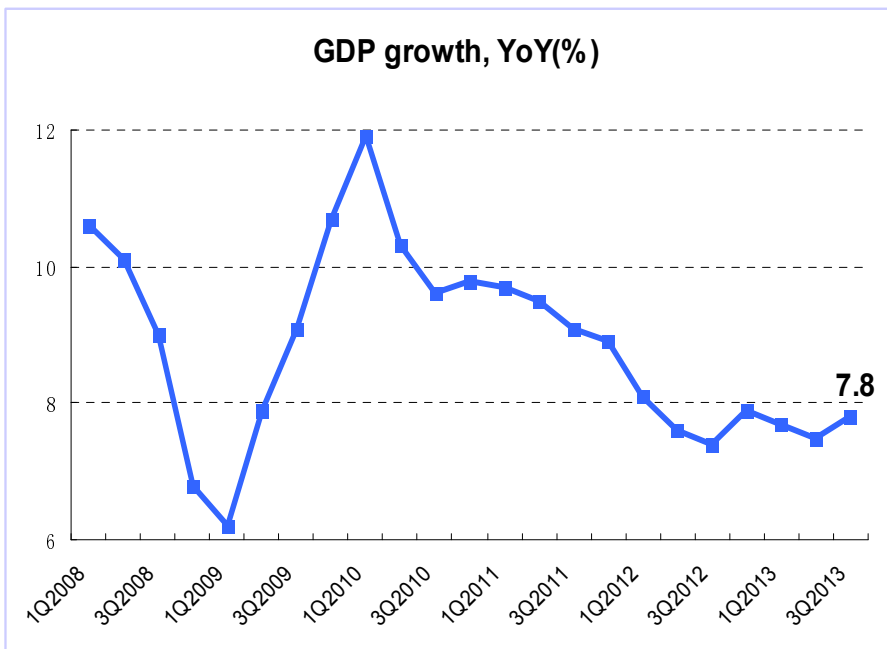
Financial index		unit	2012-12-31	2013-9-30	Change
Solvency	Total debts/ total assets	%	45.7	48.0	↑2.3 pts
	Current ratio		0.83	0.79	-4.8%
	Quick ratio		0.48	0.48	-

Financial index		unit	2012	Jan-Sep, 2013	Change
Liquidity	Days of receivables	day	19.0	19.1	0.5%
	Days of inventories	day	70.8	65.1	-8.1%
	Cash conversion cycle	day	51.6	42.6	-17.4%

# I. Operation Results

## II. Industry Dynamics

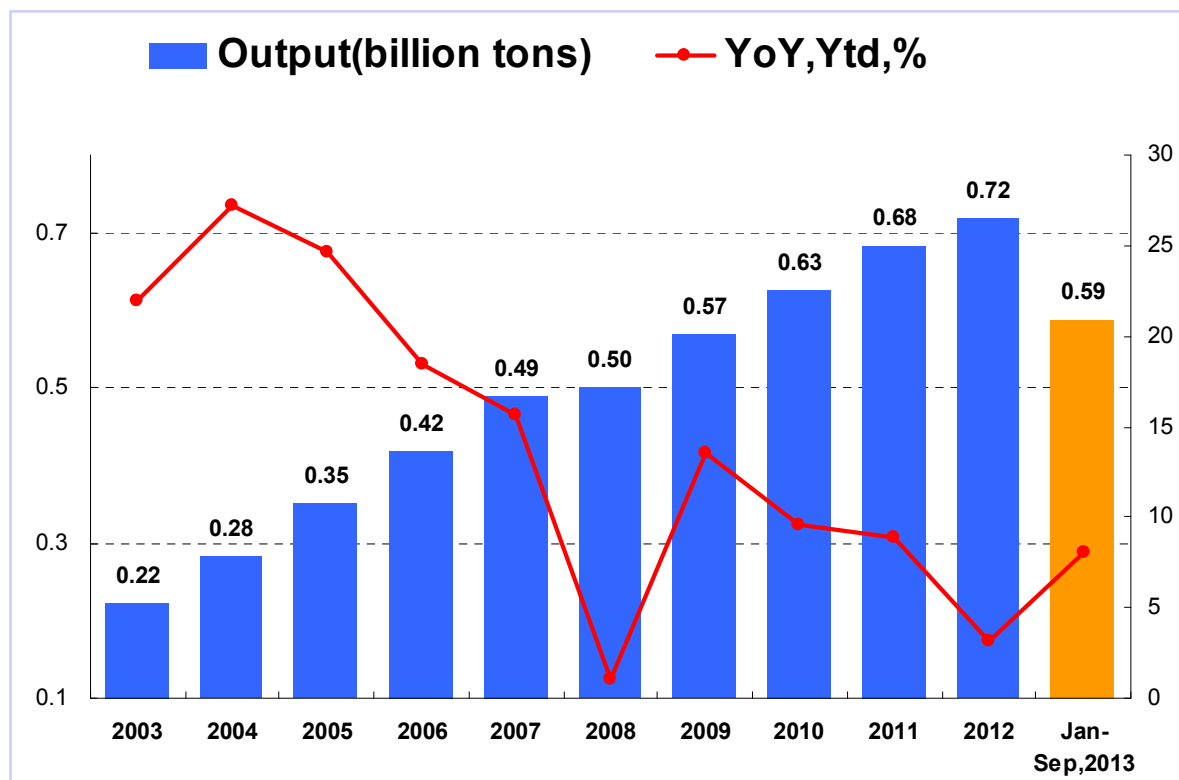
## ➤ Macro Economy



Data source: National Bureau of Statistics

- GDP YoY growth rate rebounded to 7.8% in Q3.
- Q3 economy growth was mainly driven by investment. Economic restructuring and reform still need deepening in the future.
- CPI up 0.8% MoM and up 3.1% YoY in September due to food price's 6.1% YoY growth.
- CPI growth rate increased since June, while up 2.5% in Jan-Sep, which is still within the target.

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



Data resource: Wind

- Crude steel output was 0.59 billion tons in Jan-Sep, up 8% YoY, remained high.
- The state council announced the requirement of industry restructuring, to cut steel capacity of 80 million tons in 5 years.

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

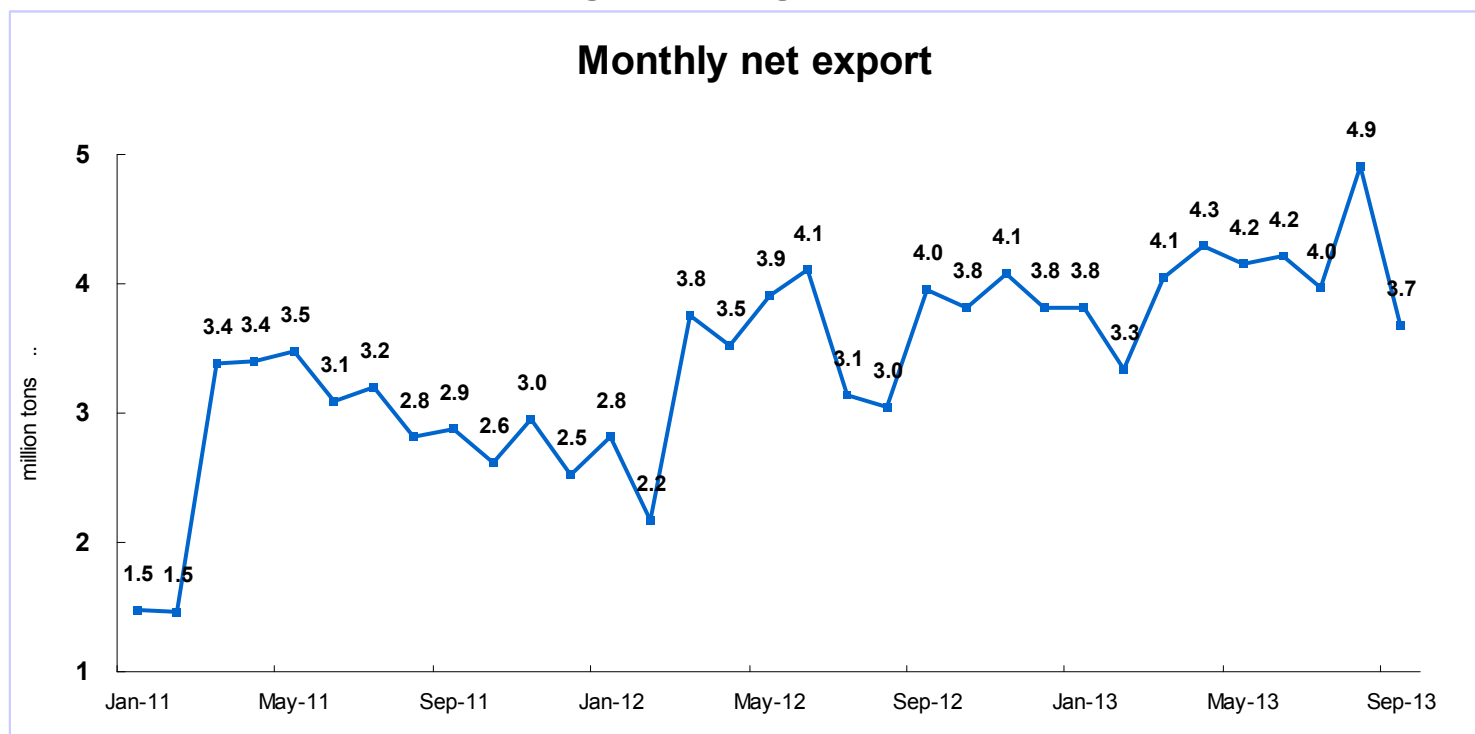
Unit: million tons	2012	Jan-Sep, 2013	2013E	YoY	2014E	YoY
<b>Output</b>	<b>7.31*</b>	<b>5.87</b>	<b>7.84</b>	<b>7.2%</b>	<b>8.11</b>	<b>3.5%</b>
<b>Net export</b>	<b>0.44</b>	<b>0.38</b>	<b>0.52</b>	<b>16.2%</b>	<b>0.57</b>	<b>9.3%</b>
<b>Apparent Consumption</b>	<b>6.87</b>	<b>5.49</b>	<b>7.32</b>	<b>6.6%</b>	<b>7.55</b>	<b>3.1%</b>

**Note:** According to CISA, 2012 output is adjusted

Data source: CISA, Customs statistics, company forecast

- Crude steel capacity is expected to break 1 billion tons in 2013 and 2014, growth will slow down in 2014.
- Export will continue to increase in 2014.
- FAI, which is still the driving force of economic growth in short term and new urbanization will promote steel demand.

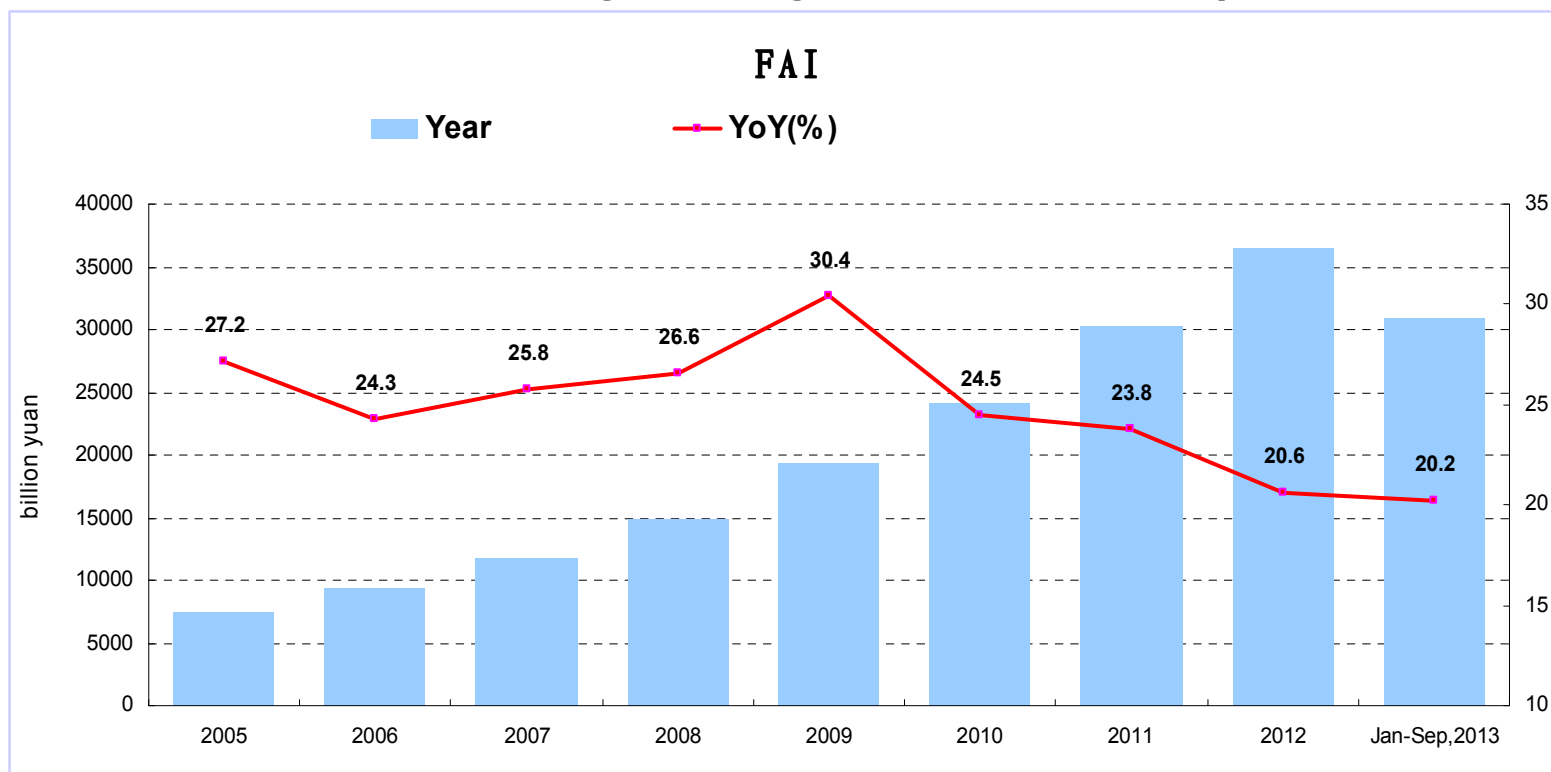
## ➤ Demand and Supply Analysis--Import & Export



Data source: Wind

- Import 10.5 million tons, down 0.4% YoY and export 46.9 million tons, up 14.6% YoY in Jan-Sep.
- Domestic price remained low due to over-release of steel capacity, boost steel export.

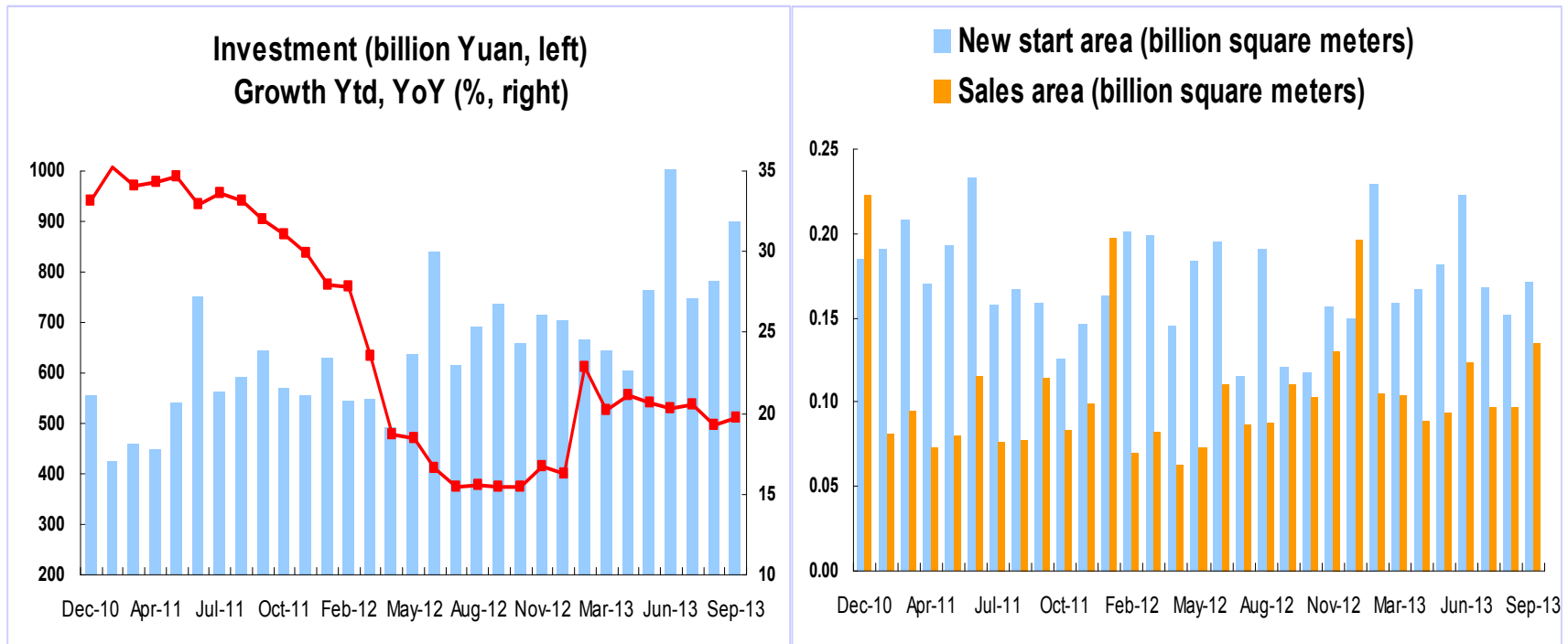
## ➤ Demand and Supply Analysis--Demand(Infrastructure)



Data source: wind

- FAI 31 trillion Yuan in Jan-Sep, up 20.2% YoY.
- Railway FAI 370 billion Yuan, up 7.4% YoY in Jan-Sep, only finished 56% of the annual plan. Investment is expected to accelerate in Q4.

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

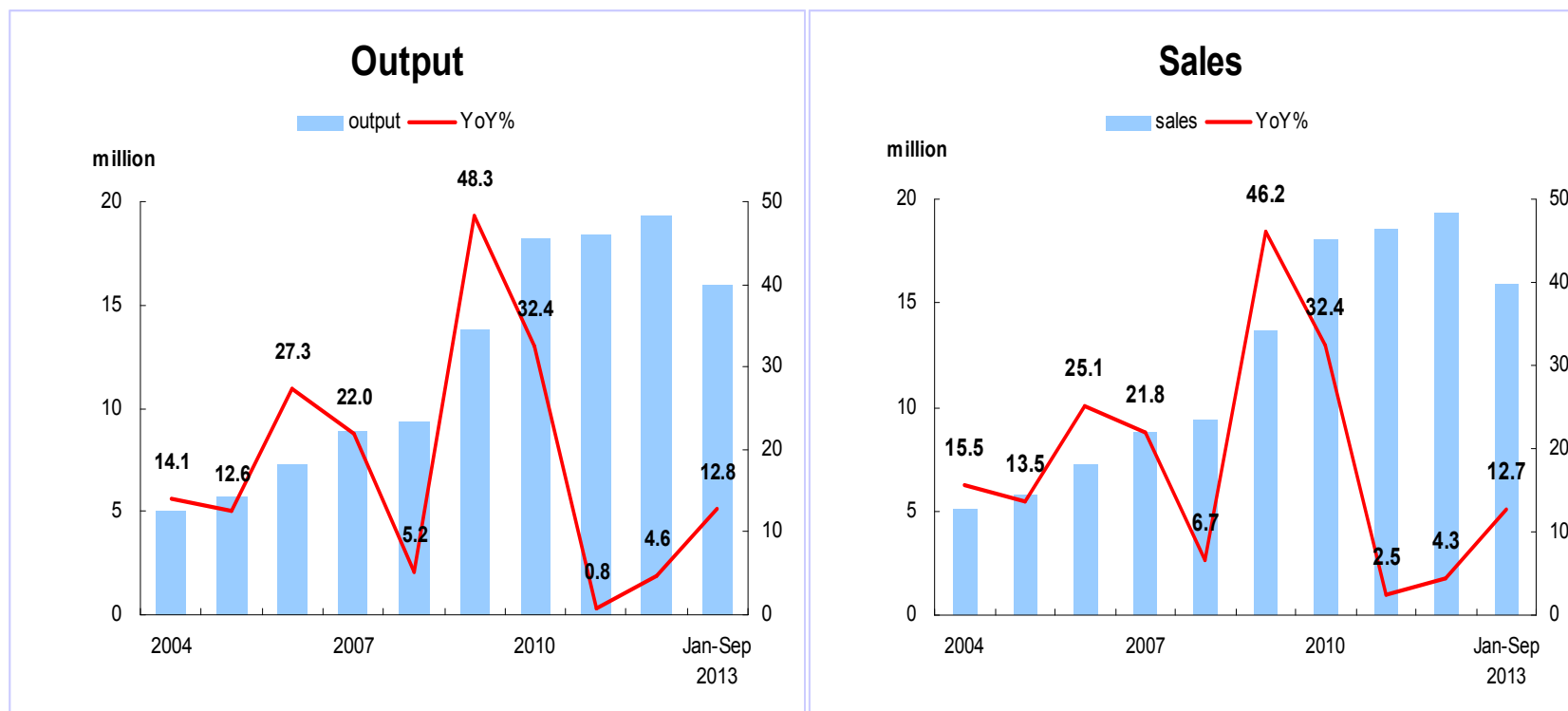


Data source: wind

- Investment up 20% YoY in Jan-Sep, maintained a high growth rate.
- New start and sales picked up.
- Social housing new start 6.2 million sets and finished 4.1 million sets in Jan-Sep, which is 98% and 97% of the annual plan respectively. Investment was 820 billion Yuan.



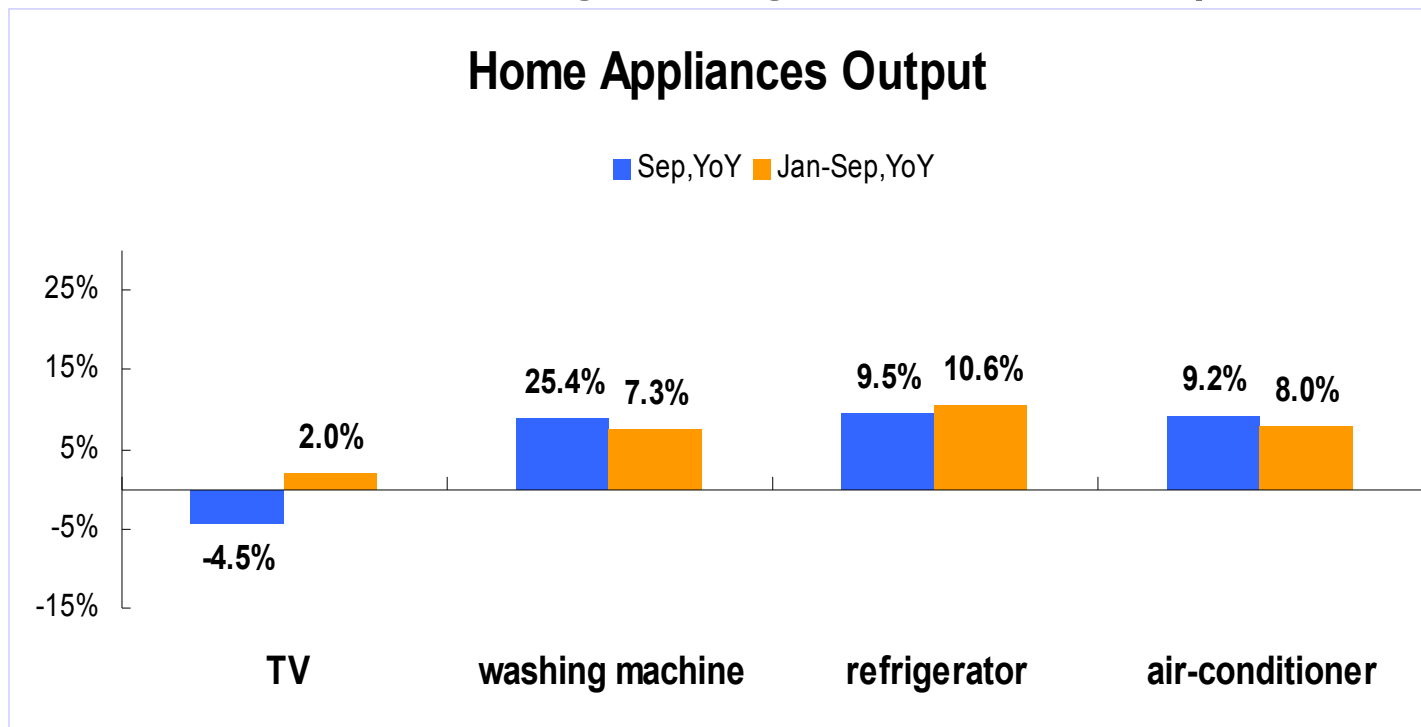
## ➤ Demand and Supply Analysis--Demand(Automobile)



Data source: wind

- Auto output and sales were 15.94 and 15.88 million sets, up 12.8% and 12.7% YoY respectively in Jan-Sep.
- Output and sales up 15% and 20% YoY respectively in September, maintained strong recovery.

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

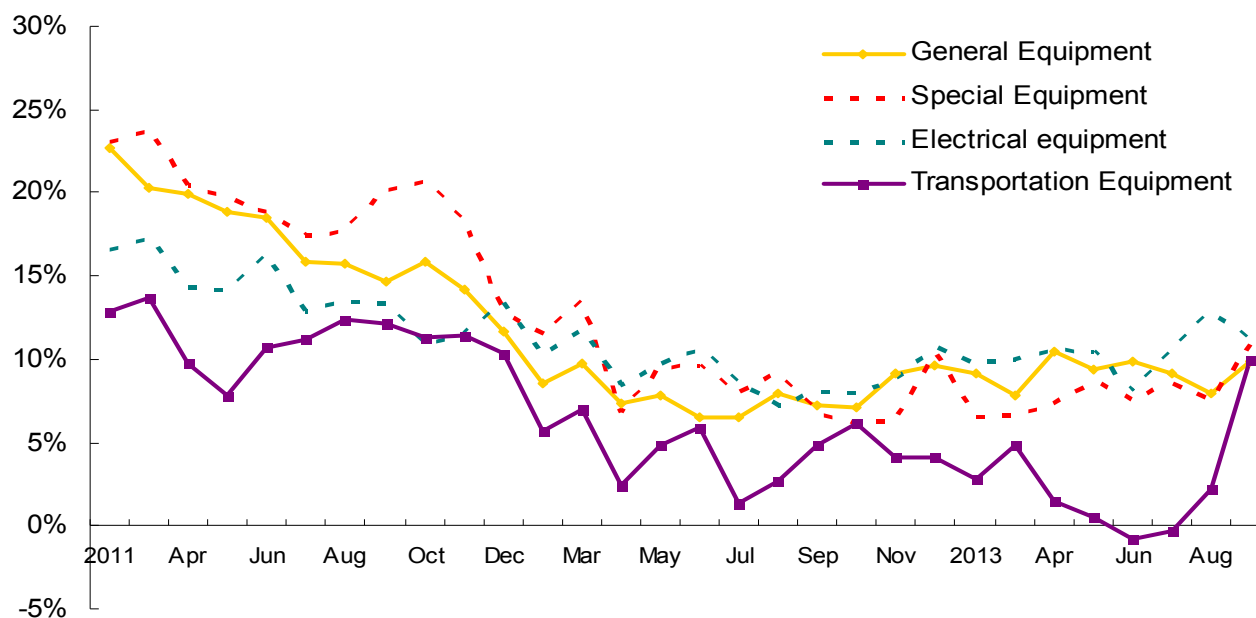


Data source: wind

- Home appliances picked up in Jan-Sep.
- Ministry of Finance launched subsidy to the companies for treatment of abandoned electrical equipment.
- New round of energy saving subsidy is expected in the near future.

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

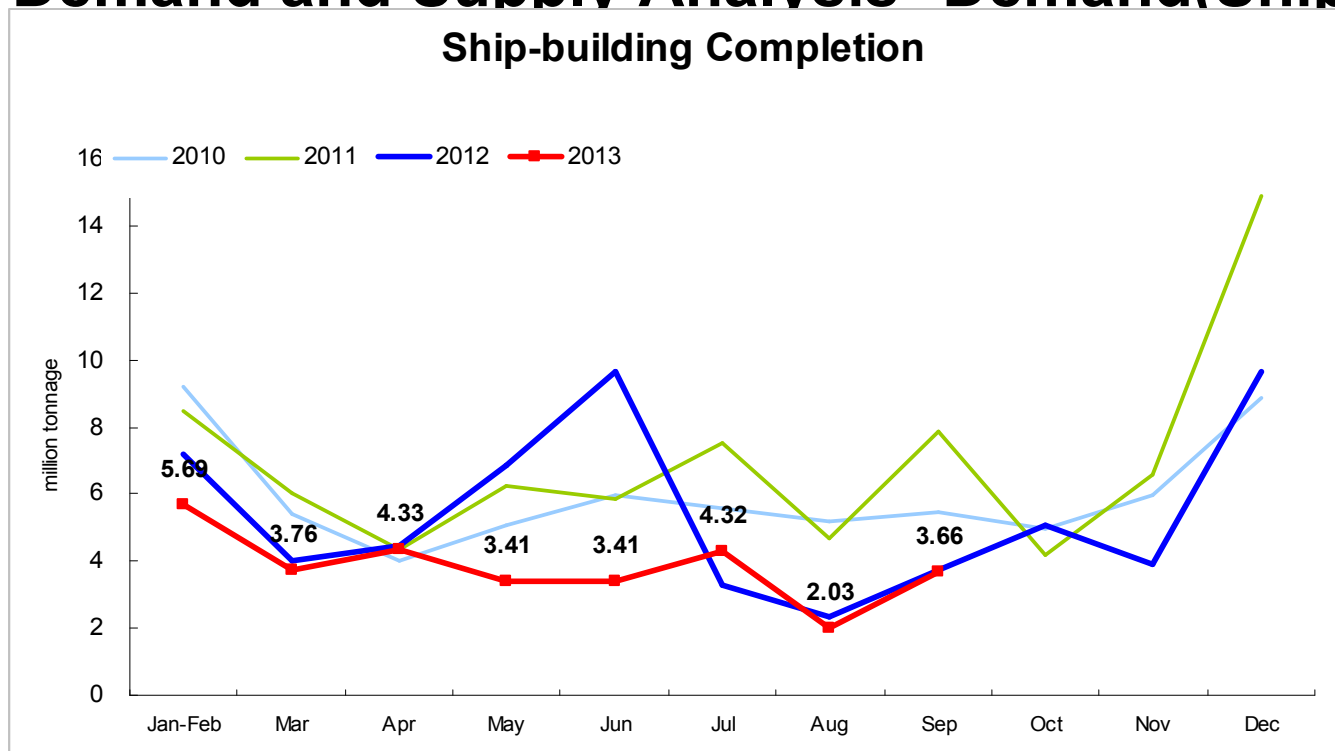
Machinery Industrial Value Added Growth, YoY



Data source: National Bureau of Statistics

- Growth rate of General Equipment, Special Equipment, Electrical Equipment and Transportation Equipment was 9.9%, 10.8%, 11.1% and 10% respectively in September.
- Transportation equipment rebounded because of the recovery of shipping sector.
- Industry shows a slow recovery, mild growth, and stable development.

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



Data source: CANSI

- Completion, new order and carrying order were :31, 38 and 114 million tonnages, down 26%, up 147% and down 6% YoY respectively in Jan-Sep.
- Ship sales rebounded, new order sharply increased, shipping sector was recovering.

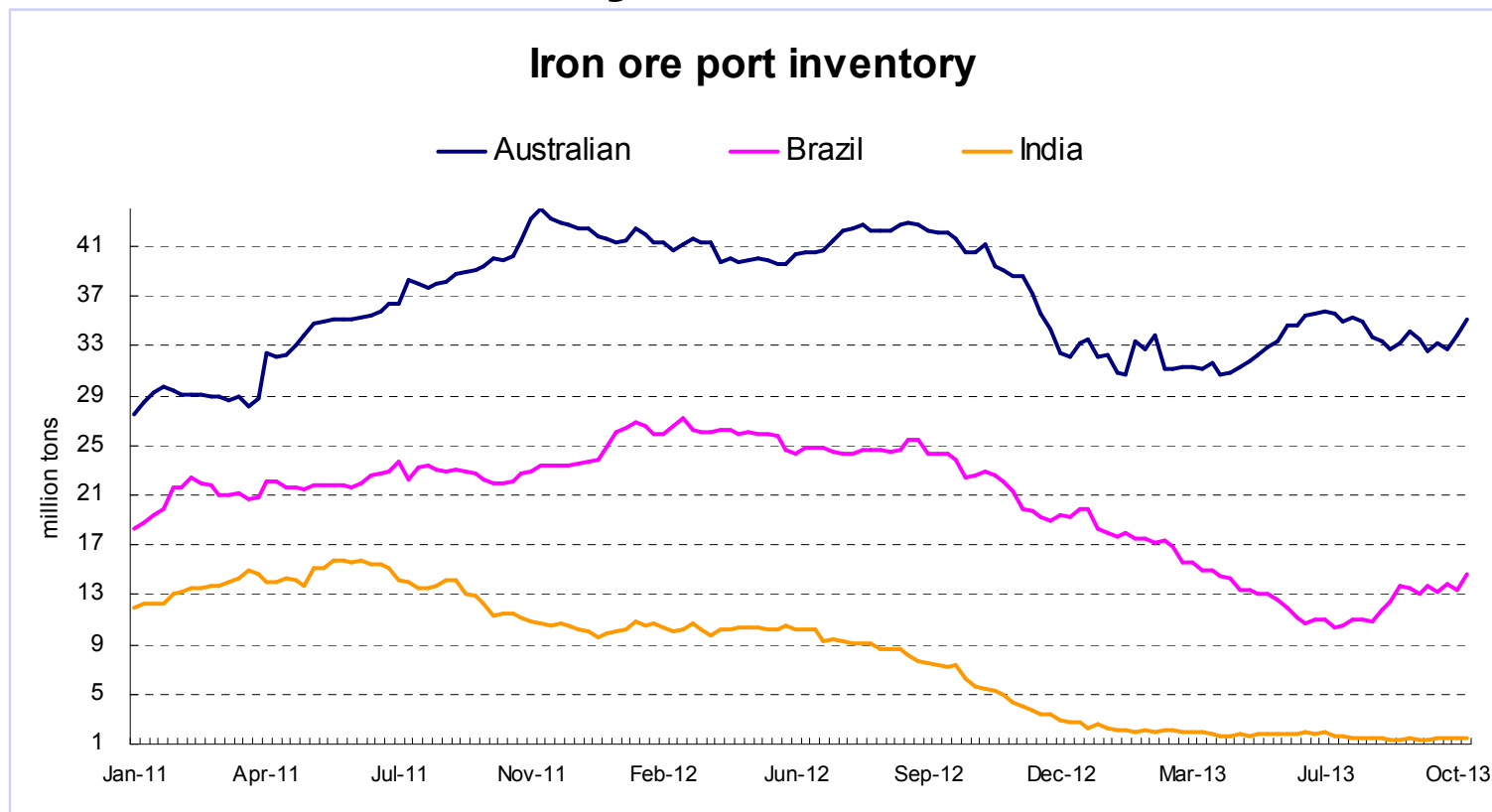
## ➤ Steel Inventory

Unit: million tons	4 Jan 2013	20 Sep 2013	25 Oct 2013	MoM,%	Ytd,%
Rebar	5.86	6.08	5.65	-7.1	-3.6
Wire	1.39	1.49	1.46	-2.0	5.0
HRC	3.43	4.06	4.10	1.0	19.5
CRC	1.55	1.64	1.64	-	5.8
Plate	1.40	1.57	1.60	1.9	14.3
Long product	7.25	7.57	7.10	-6.2	-2.1
Flat product	6.38	7.28	7.33	0.7	14.9
<b>Total</b>	<b>13.63</b>	<b>14.85</b>	<b>14.44</b>	<b>-2.8</b>	<b>5.9</b>

Data source: Mysteel

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

## ➤ Iron Ore Inventory

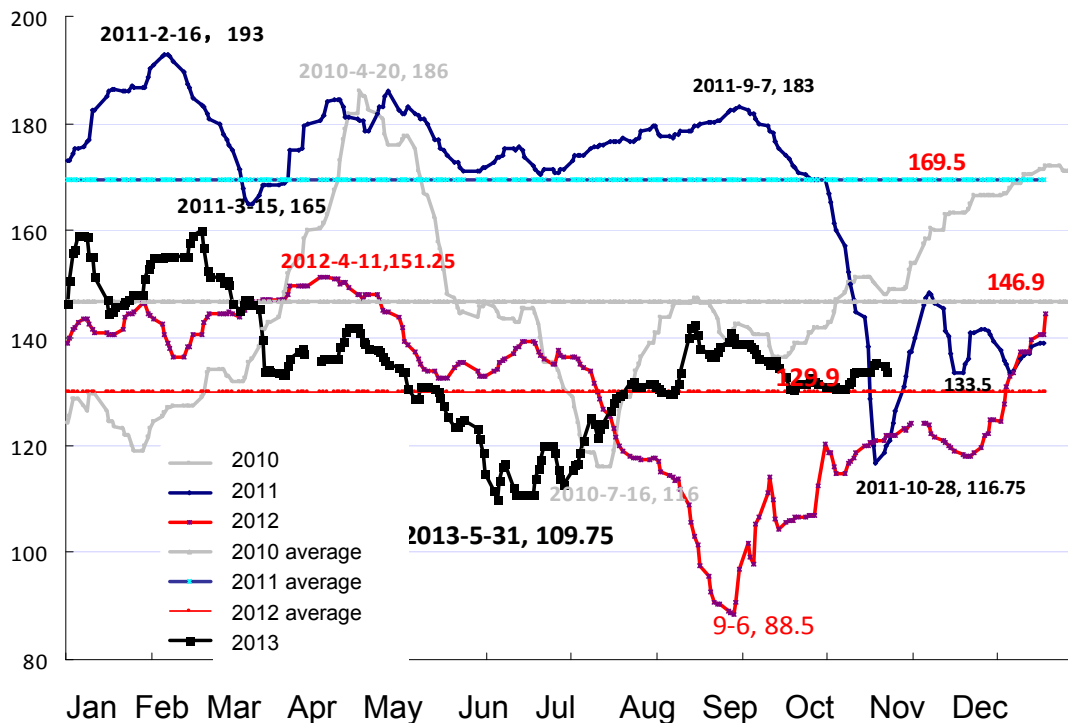


Data source: Mysteel

- Downward trend in iron ore port inventory since beginning of the year and slightly rebounded since May, 76.11 million tons by 25 Oct.

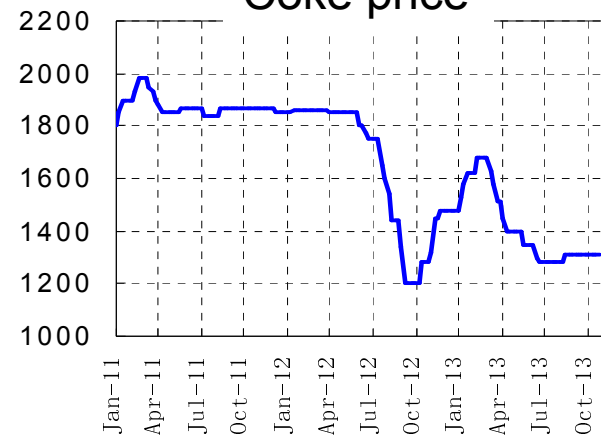
# Raw Material Cost

## Platts(62%Fe)

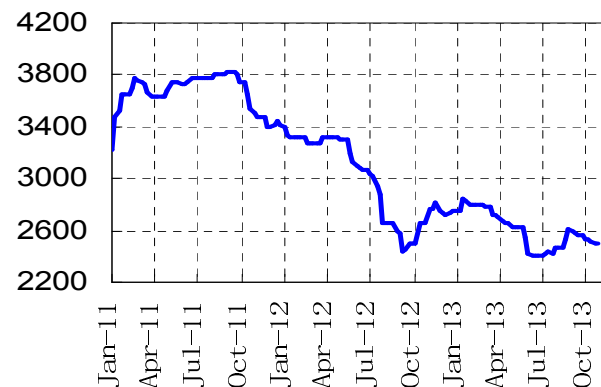


- Iron ore price rebounded in Jan-Feb and climbed to 160 USD, average price was 154.8 USD in Feb.
- After decreasing due to depressed steel price since the end of Feb, iron ore price rebounded again after entering July, 130.75 USD by 28 Oct.
- Iron ore price is expected to fall due to supply release and weak steel market.
- Coal industry was deeply depressed in the first 3 quarters. Recently coal price tended to be stable and showed a slight rebound.

## Coke price



## Scrap price



Data source: Mysteel

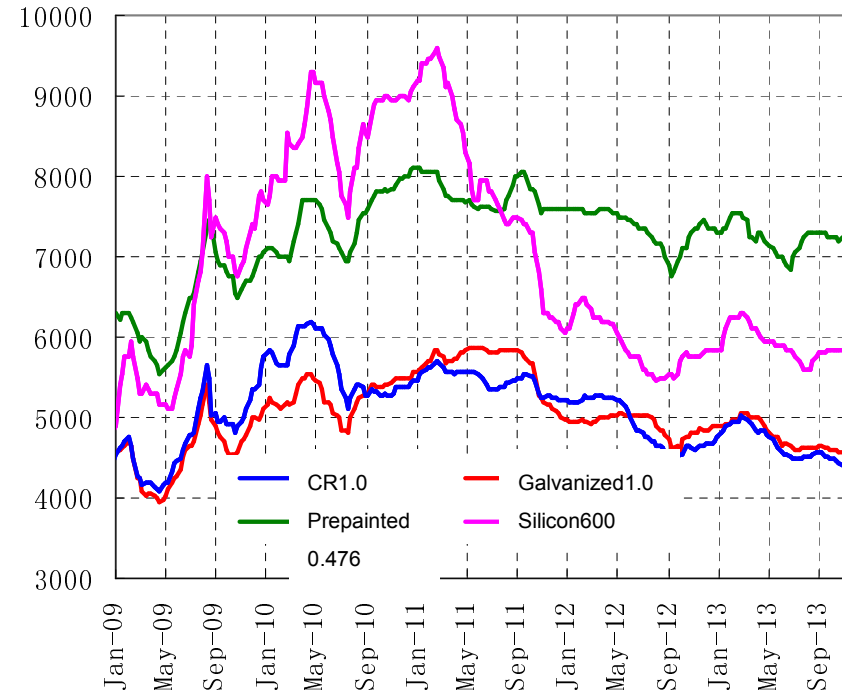
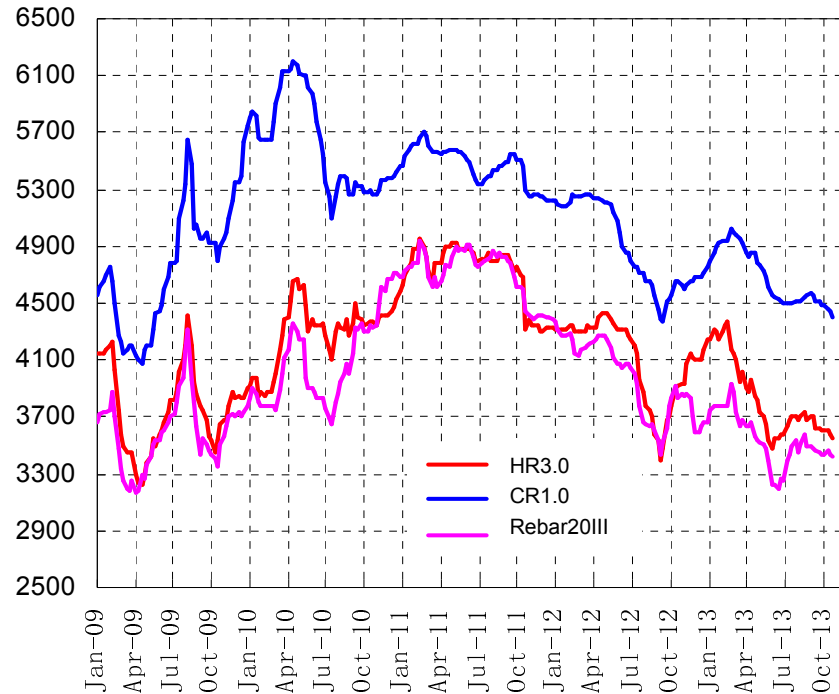
## ➤ Steel Price

Unit: Yuan/ton	25 Oct, 2012	25 Sep, 2013	25 Oct, 2013	YoY	MoM
HRC	3742	3575	3476	-7.1%	-2.8%
CRC	4504	4442	4373	-2.9%	-1.6%
Plate	3614	3516	3435	-5.0%	-2.3%
Wire	3727	3502	3484	-6.5%	-0.5%
Rebar	3767	3504	3480	-7.6%	-0.7%

Data source: Mysteel



## ➤ Market Trend



Data source: mysteel

- Steel price decreased since March and rebounded since June.
- Total profit of large-median size companies was 8.1 billion Yuan in Jan-Aug, up 287% YoY, while sales margin was still 0.34%.
- Steel price decreased again recently because demand became weak.
- In Q4, steel market is expected weak due to high output and weak demand.

Thanks!