



Baoshan Iron & Steel Co., Ltd.

2010 Full Year Results

March 2011





Disclaimer:

中国2010年上海世博会全球合作伙伴
Global Partner of Expo 2010 Shanghai China

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I. 2010 Results

II. Industry Dynamics

III. Outlook



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Production and Shipment

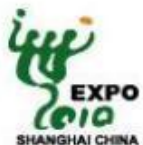
In million tons	2009	2009	2010	YoY
Crude steel output	23.12	23.86	26.45	10.9%
Sales of finished product	22.81	22.43	25.26	12.6%
Incl: Domestic	20.25	20.72	22.93	10.7%
Exports	2.57	1.71	2.33	35.9%



Financial Highlights

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	Unit	2008	2009	2010	YoY
EPS	Yuan	0.39	0.33	0.74	121.6%
BVPS	Yuan	5.25	5.43	5.98	10.1%
Net CFO per share	Yuan	0.95	1.37	1.08	-21.4%
Gross margin	%	12.20	9.43	12.04	Up 2.61 pts
ROE (Weighted)	%	6.99	6.27	12.95	Up 6.68 pts



P&L Summary

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In billion Yuan	2008	2009	2010	YoY
Revenue	200.6	148.5	202.4	36.3%
Cost	193.0	142.1	186.6	31.3%
Gross profit	24.4	14.1	24.3	73.0%
<i>Gross margin</i>	<i>12.20</i>	<i>9.47</i>	<i>12.04</i>	<i>Up 2.6 ppts</i>
Operating profit	8.3	7.3	16.7	129.8%
<i>Operating margin</i>	<i>4.14</i>	<i>4.88</i>	<i>8.24</i>	<i>Up 3.4 ppts</i>
Net income	6.5	5.8	12.9	121.6%
<i>Net profit margin</i>	<i>3.22</i>	<i>3.92</i>	<i>6.38</i>	<i>Up 2.5 ppts</i>



P&L Summary-Quarterly

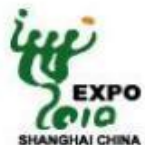
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In billion Yuan	1Q2010	2Q2010	3Q2010	4Q2010
Revenue	44.3	53.6	51.2	53.3
Cost	39.5	48.2	48.3	50.6
Gross profit	6.7	7.8	4.9	4.9
<i>Gross margin</i>	<i>15.2</i>	<i>14.5</i>	<i>9.6</i>	<i>9.3</i>
Operating profit	5.1	5.6	3.0	3.0
<i>Operating margin</i>	<i>11.6</i>	<i>10.4</i>	<i>5.8</i>	<i>5.6</i>
Net income	3.9	4.1	2.6	2.3
<i>Net profit margin</i>	<i>8.9</i>	<i>7.7</i>	<i>5.0</i>	<i>4.3</i>

Solvency & Liquidity Ratios

	Unit	2009-12-31	2010-12-13	Chg%
Total assets/total debts	%	49.68	48.47	Down 1.21 pts
Current ratio		0.74	0.94	26.37
Quick ratio		0.33	0.42	28.44

	Unit	2009	2010	Chg%
Days of receivables	day	5.3	5.6	4.1
Days of inventories	day	81.9	70.7	-13.7
Cash conversion cycle	day	31.4	41.4	31.8

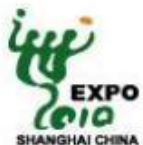


Dividends

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	Unit	2007	2008	2009	2010
Dividend per share	Yuan	0.35	0.18	0.20	0.30
Dividend/unconsolidated net income	%	61.6%	62.1%	69.0%	45.8%
Dividend/consolidated net income	%	48.3%	46.0%	60.2%	40.8%

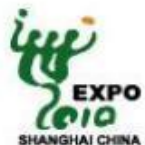
Note: 2010 dividend is subject to approval of shareholders' meeting.



Gross Margin by Sector

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In billion Yuan	Revenue	Cost	Gross margin	Revenue YoY	Cost YoY	Gross margin YoY
Steel	174.4	155.5	10.84%	37.87%	34.75%	Up 2.06 pts
Trade	171.1	167.0	2.42%	31.82%	31.88%	Down 0.04 pts
Others	12.7	10.9	14.07%	30.66%	30.68%	Down 0.01 pts
Total	202.4	178.0	12.07%	36.23%	32.37%	Down 2.57 pts



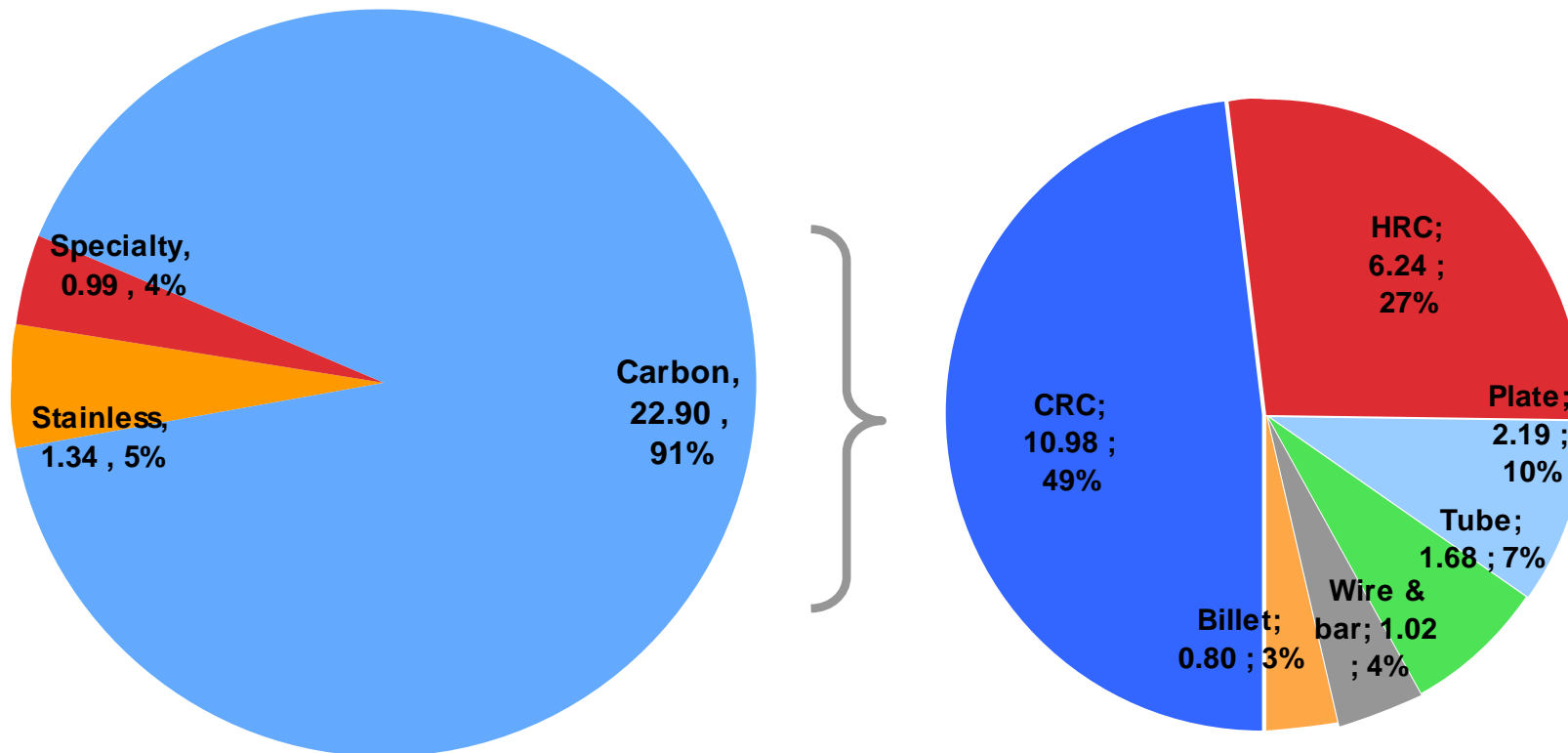
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Annual Gross Margin by Product

In million tons and billion Yuan	Sales volume	Revenue	YoY	Cost	YoY	Gross margin	YoY
CRC	9.16	57.00	54.8%	44.37	46.6%	22.2%	Up 4.38 pts
HRC	8.09	34.86	23.1%	29.16	18.5%	16.3%	Up 3.24 pts
Heavy plate	2.19	10.09	4.8%	10.57	3.6%	-4.7%	Up 1.27 pts
Tube	1.68	10.16	-2.0%	9.72	8.6%	4.4%	Down 9.34 pts
Stainless	1.34	17.69	24.1%	17.54	28.6%	0.9%	Down 3.51 pts
Specialty	0.99	9.80	50.9%	10.10	37.5%	-3.1%	Up 10.03 pts
Others	1.82	7.75	45.4%	7.68	41.5%	0.9%	Up 2.70 pts
Total	25.26	147.34	32.5%	129.13	28.6%	12.4%	Up 2.67 pts

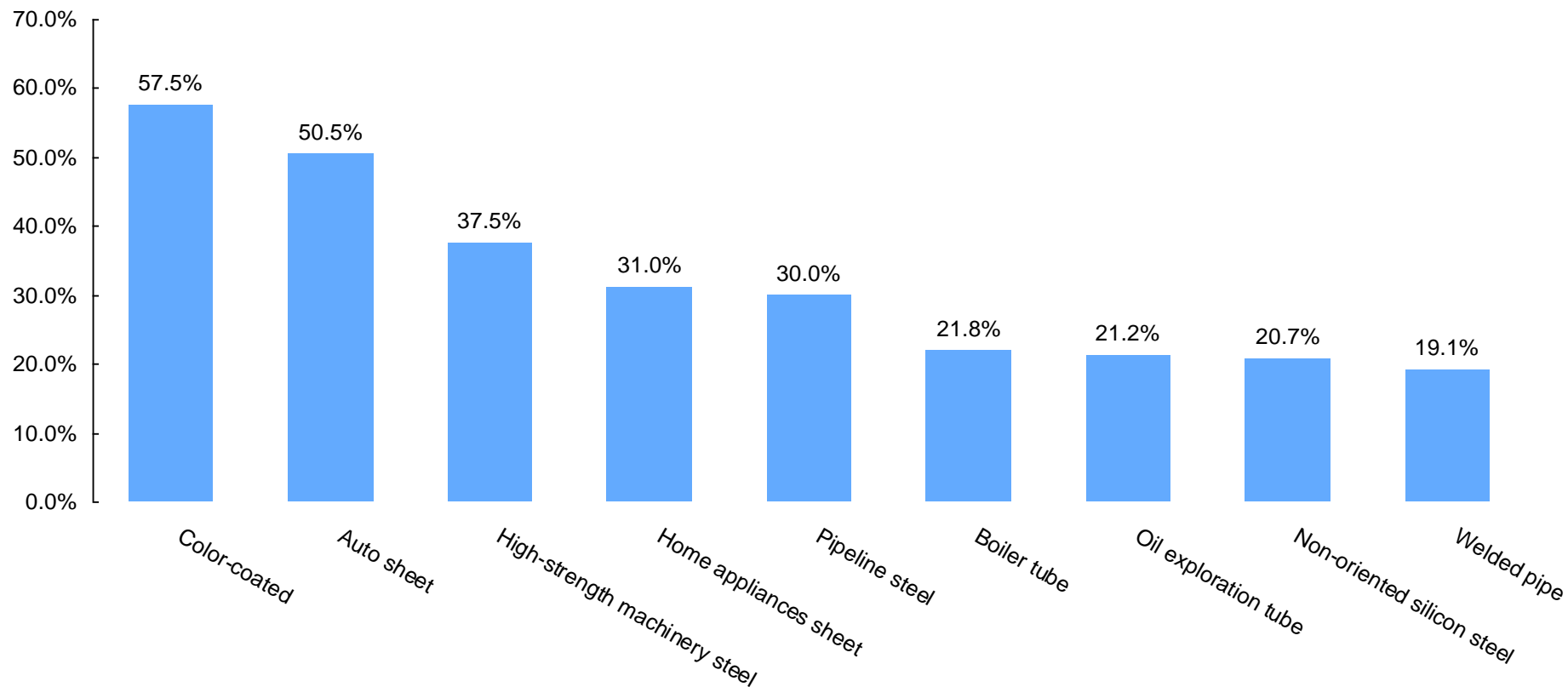
2010 Sales Volume Breakdown

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Note: BNA included. Volumes are in million tons.

Domestic Market Share





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Accomplishments in 2010

Customer-oriented sales and marketing

- Only One & Number One products sales: 11.9 million tons, up 22.9% yoy;
- CRC auto sheet sales: 4.5 million tons, up 35.8% yoy;
- High-grade silicon steel gained certification from The Three Gorges project, a breakthrough import substitution.

Cost control

- Foreign exchange gain: 780 million Yuan;
- Lower financial expense (down by 870 million Yuan yoy).



Accomplishments in 2010

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Management reform

- Heavy Plate Branch was integrated into main operations to boost efficiency.

Investments in fixed assets

- CAPEX totaled 13.99 billion Yuan, down 21% YoY.

Energy conservation

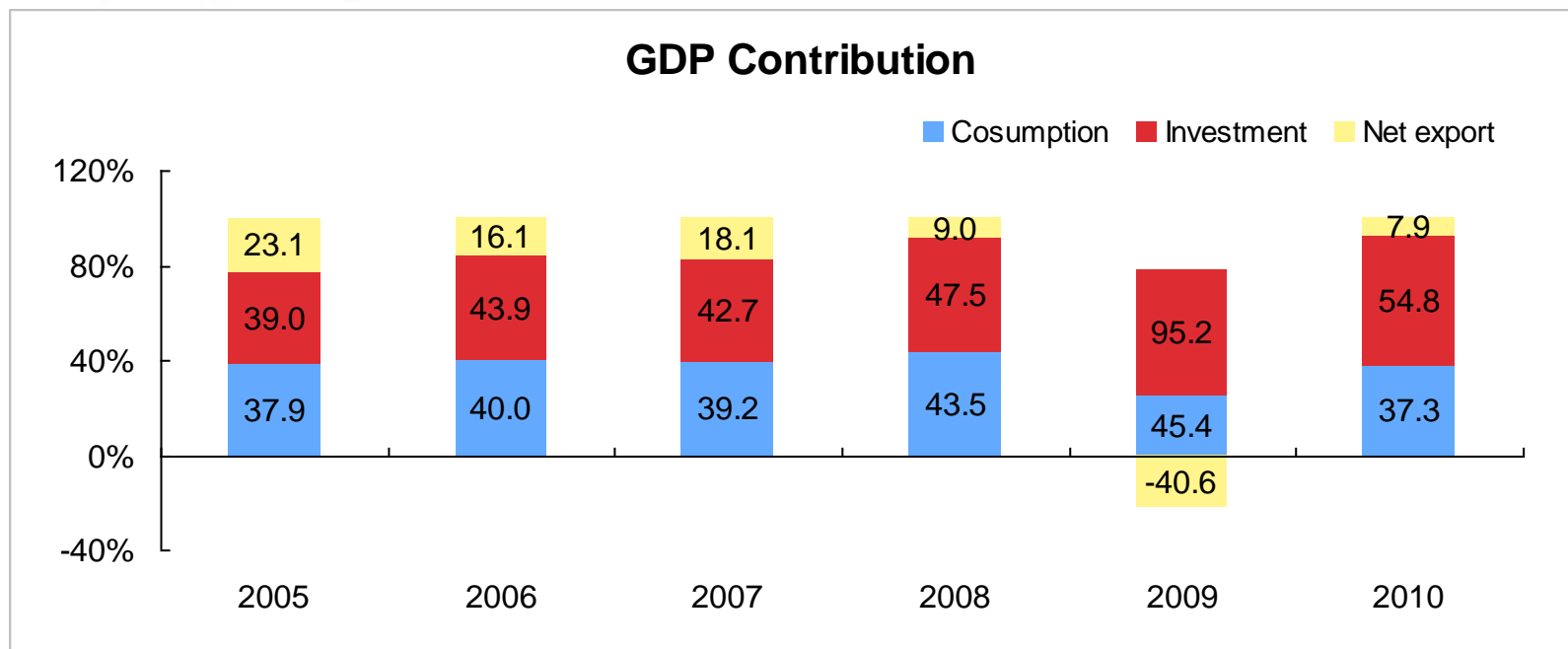
- Baosteel saved 346,000 tons standard coal in 2010;
- The company achieved the goal of saving 1 million tons coal set by 11th 5-Year Plan, running 2 months ahead of schedule;
- Comprehensive energy consumption lowered by 8kg standard coal per ton.

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Macro Economic Trends



Source: Wind

- Proactive fiscal policy and prudent monetary policy will be maintained;
- We expect 8% GDP growth, rising inflation pressure, less than 5% RMB appreciation in 2011.



Demand and Supply Analysis

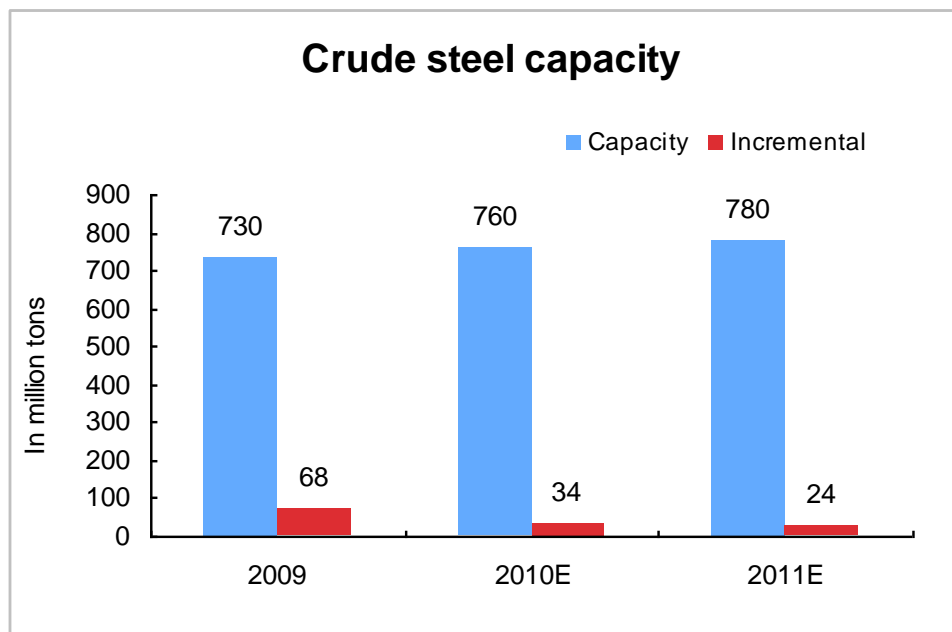
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In million tons	2008	2009	2010	2011E	YoY
Crude steel output	501	573	626	660	5%
Net export	48	3	27	20	-26%
Apparent consumption	453	570	599	640	7%

Source: Company estimates, CISA

- Crude steel production is expected to be 660 million tons, with 20 million tons net export and 640 million tons apparent consumption;
- Some high-end products like CRC remain short-supplied .

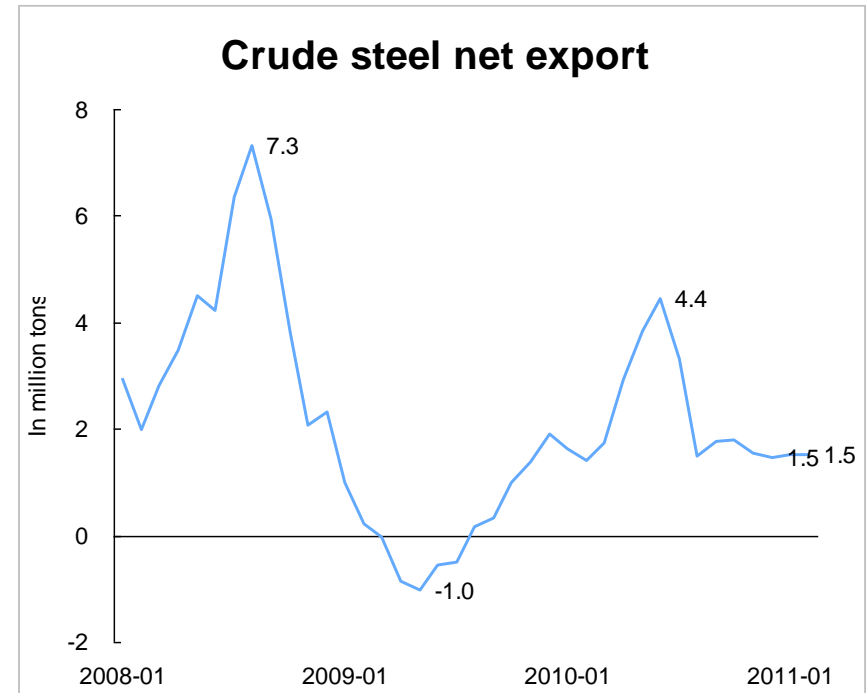
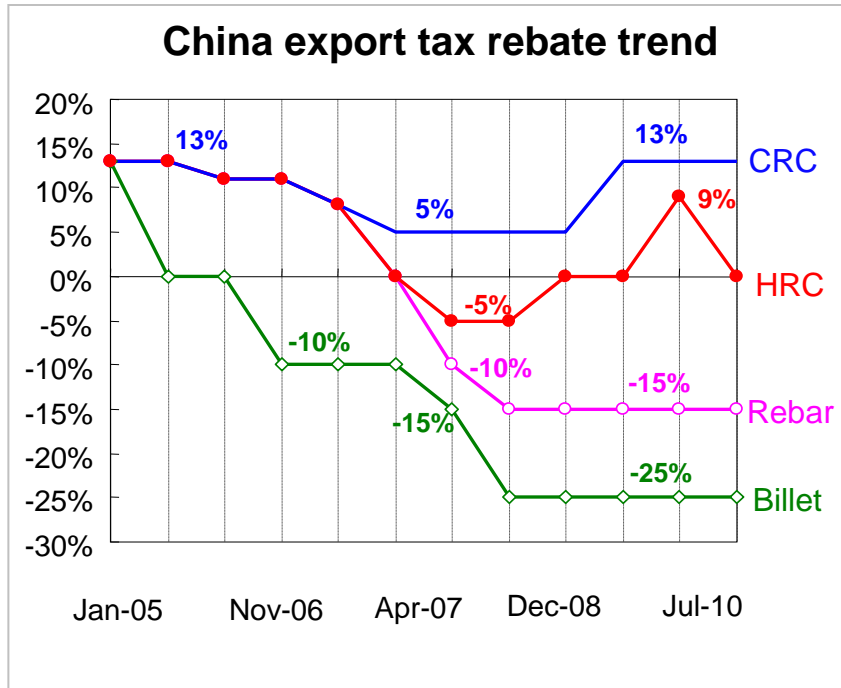
Demand and Supply Analysis



- Crude steel capacity has reached 760 million tons by 2010 with 24 million tons coming out on stream in 2011;
- Incremental supply is declining due to government's stringency in granting expansions;
- Production will be primarily driven by demand rather than capacity.

Source: CISA, Company estimates.

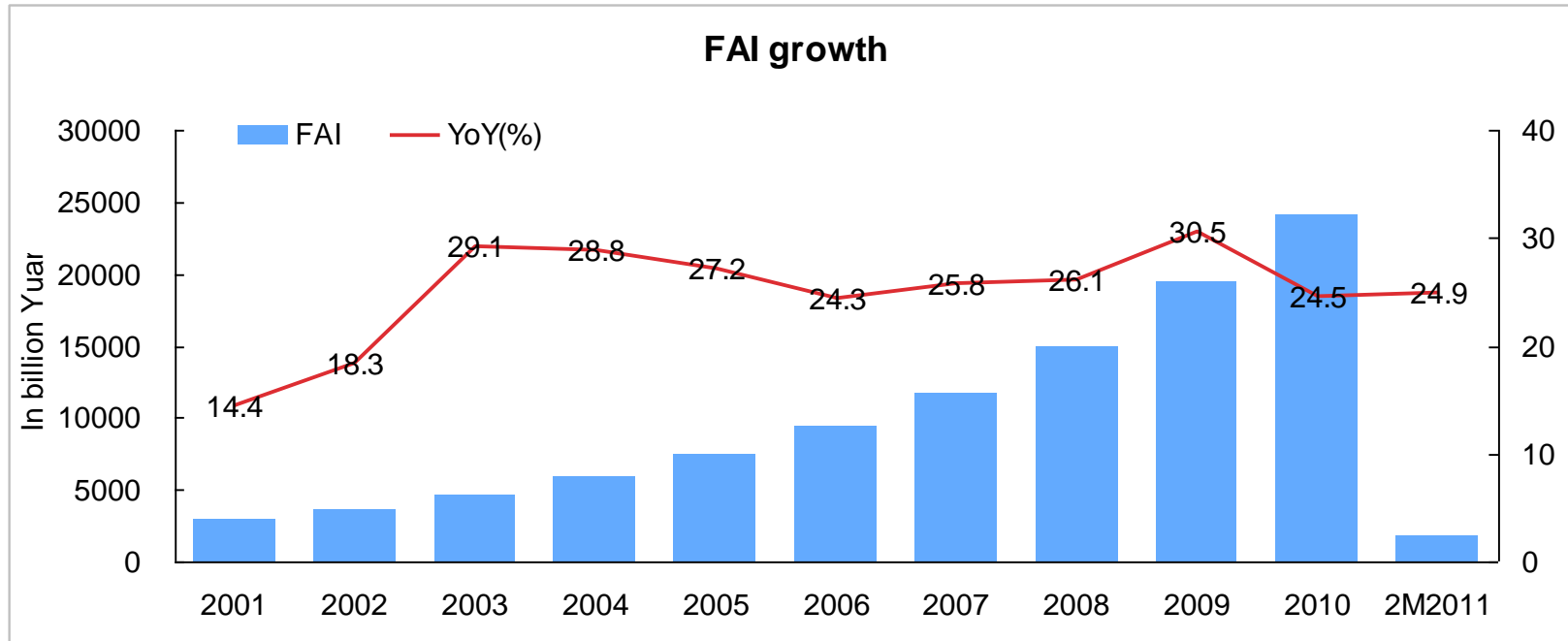
Demand and Supply Analysis



Source: China Custom

- Expected net export in 2011: 20 million tons.

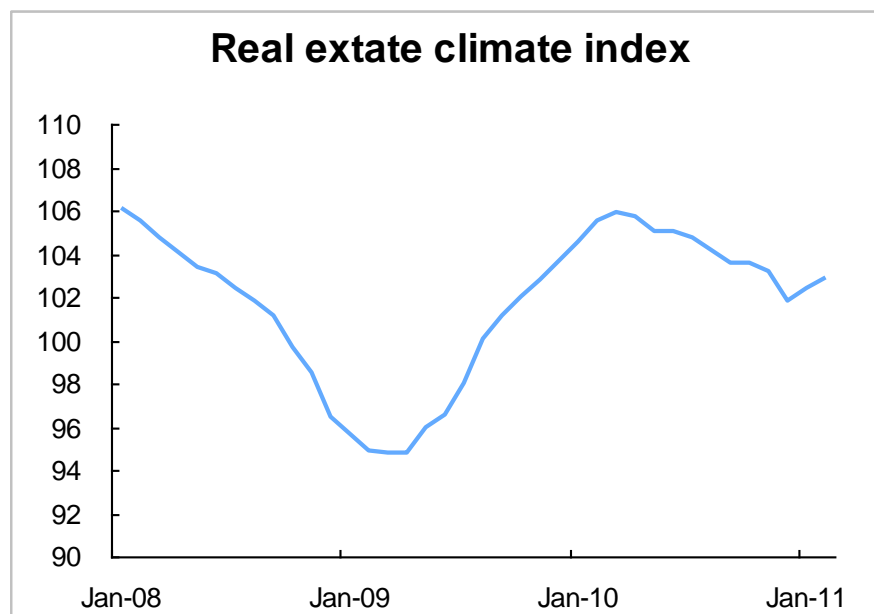
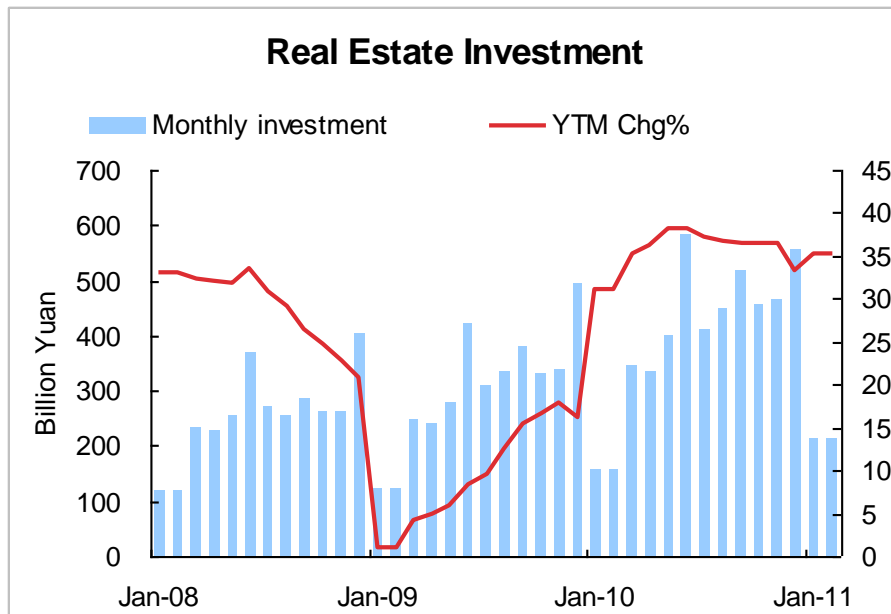
Demand Analysis-Infrastructure



Source: Wind

- FAI is expected to grow by 20-23% in 2011;
- Annual spending on high-speed railway in coming 5 years: 700 billion Yuan;
- 4 trillion Yuan will be spent on water infrastructure in coming decade.

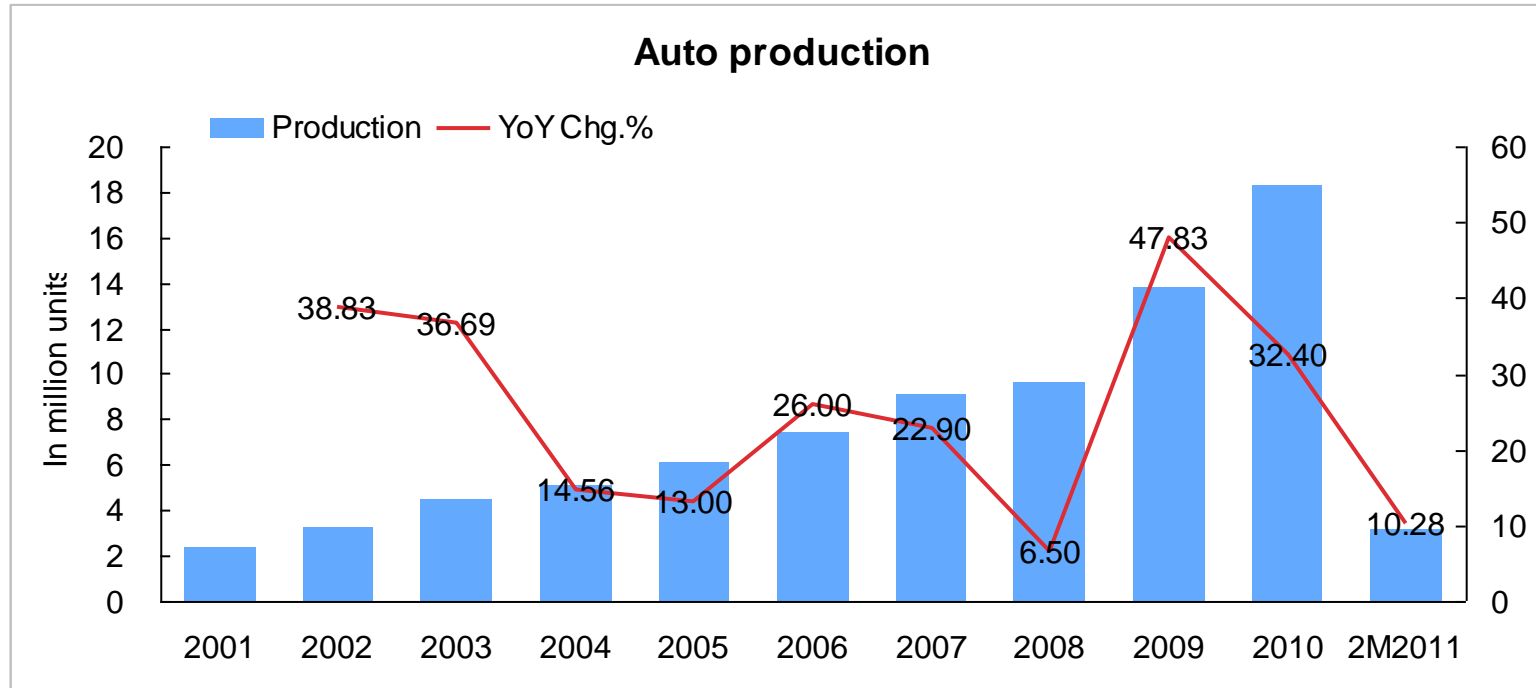
Demand Analysis-Real Estate



Source: Wind

- Investment growth may slowdown to 10% in 2011 due to property curtailment;
- Social housing efforts: government plans to build 36 million units in coming 5 years with 10 million starts in 2011.

Demand Analysis-Auto



Source: CAAM

- Production is expected to reach 20 million units in 2011, growing by 10%.

Demand Analysis-Home Appliance

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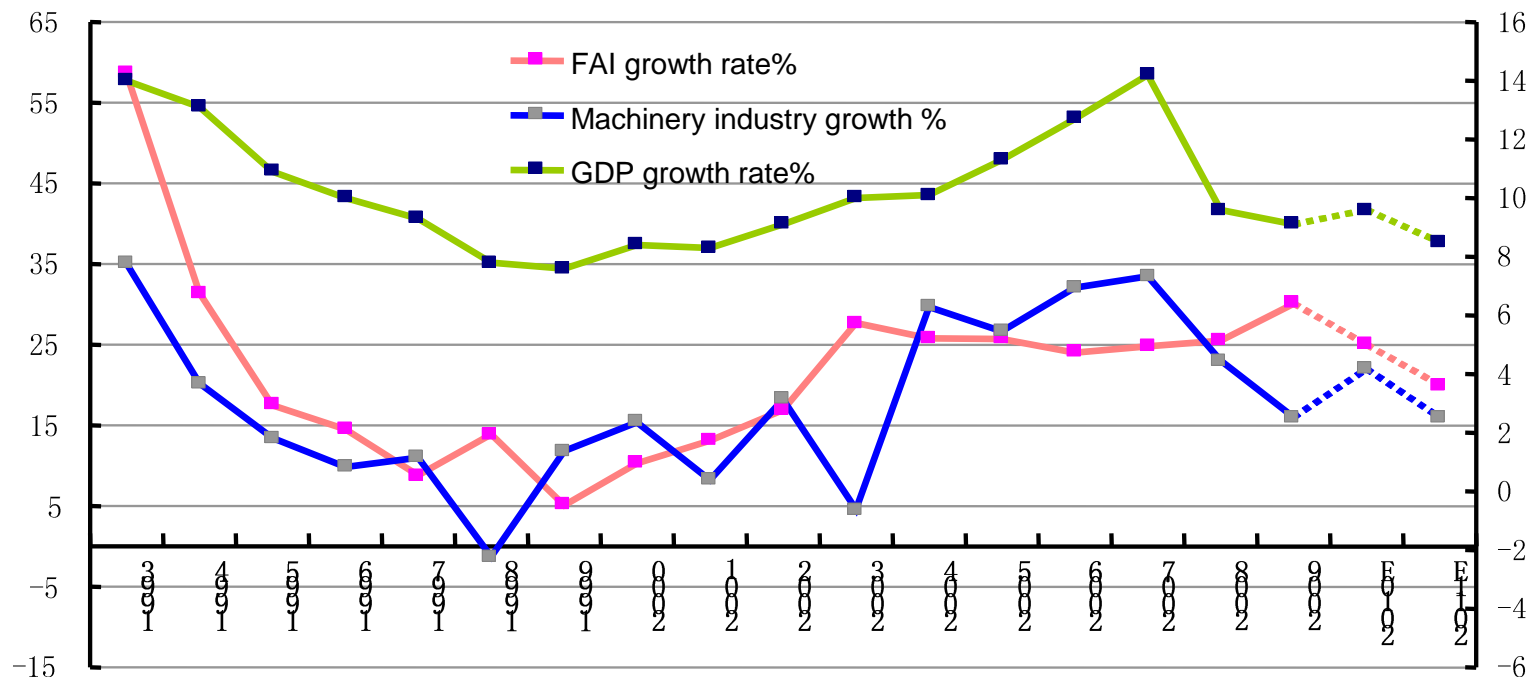
•Home appliance production is expected to grow by 15% in 2011 backed by government's continued efforts in boosting consumption.

In million units	Refrigerator	Washing machine	Air conditioner
2009	59.9	48.9	88.6
2010	76.9~77.9	56.3~57.3	104.1~105.1
2011E	96.7~97.7	62.1~63.1	118.1~119.1

Source: Company estimate

Demand Analysis-Machinery

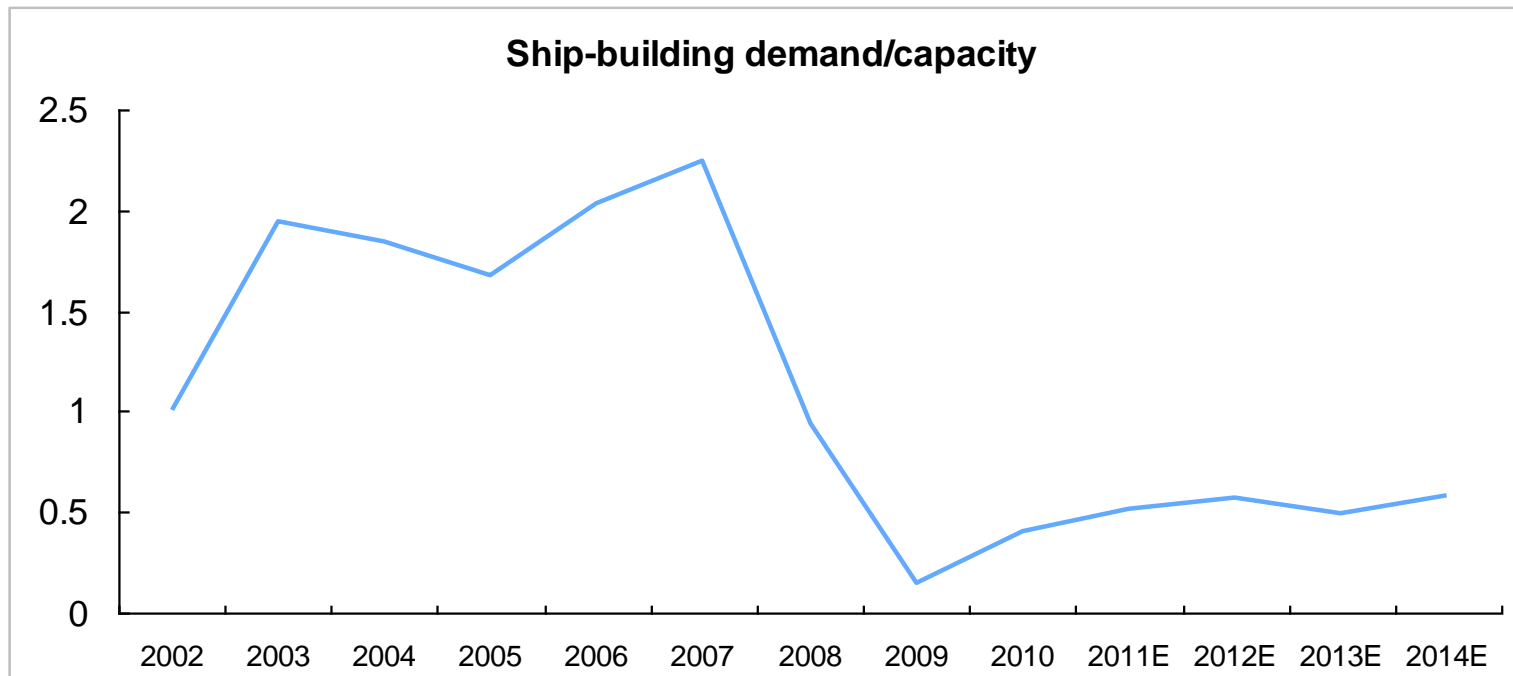
- Machinery industry may face short-term pressure due to FAI growth moderation and property curtailment;
- However, we expect 15% growth into 2011 in the backdrop of ongoing urbanization, regional economic vitalization plans and social housing programs.



Source: Company estimate

Demand Analysis-Ship building

- 2010 has seen 66.99 million DWT completion, up 37% yoy;
- 2011 completion is expected to exceed 55 million DWT.



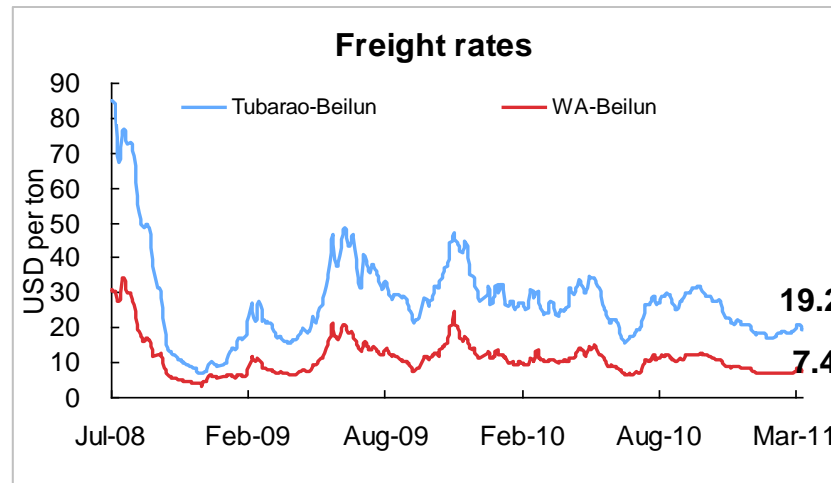
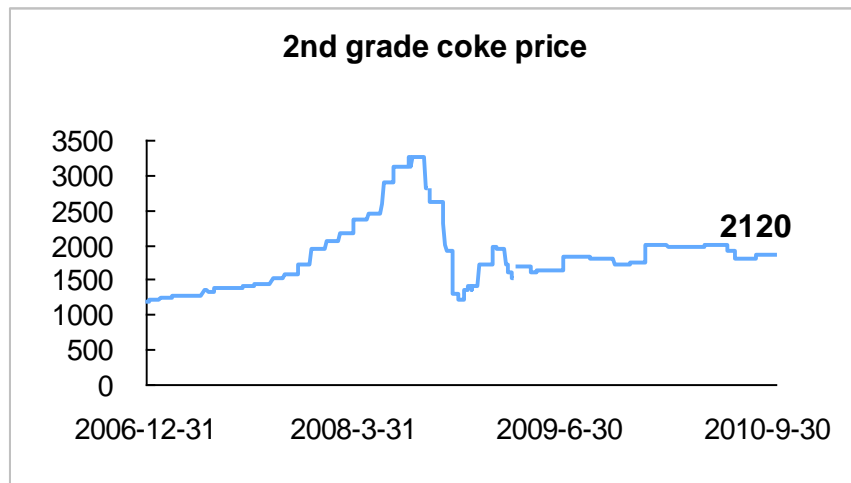
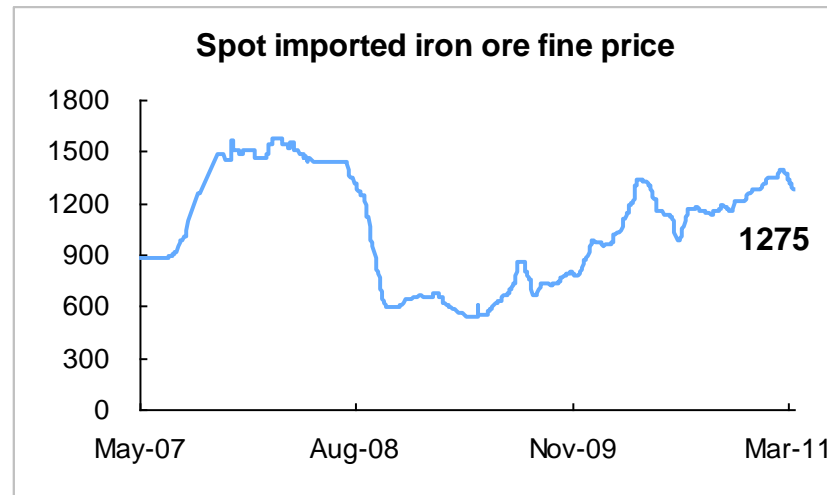
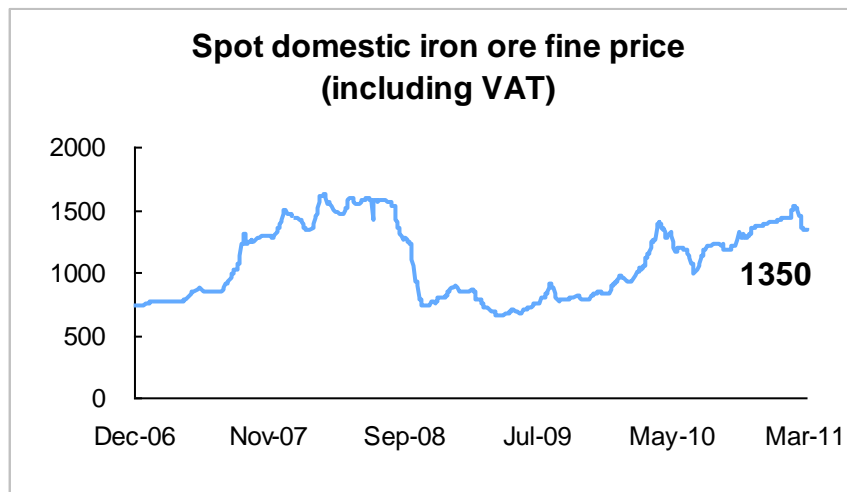
Source: Clarkson

Steel Inventory

Social Inventory					
In million tons	25-Mar	Previous week	WoW	MoM	YoY
Rebar	7.31	7.43	-1.7%	-4.1%	7.6%
Wire	2.38	2.41	-1.2%	-8.1%	13.0%
HRC	4.95	4.98	-0.6%	-2.9%	-10.9%
CRC	1.66	1.68	-1.1%	1.6%	18.0%
Plate	1.59	1.59	-0.2%	-3.7%	10.1%
Total inventory	17.89	18.09	-1.1%	-3.8%	3.4%

Source: Mysteel

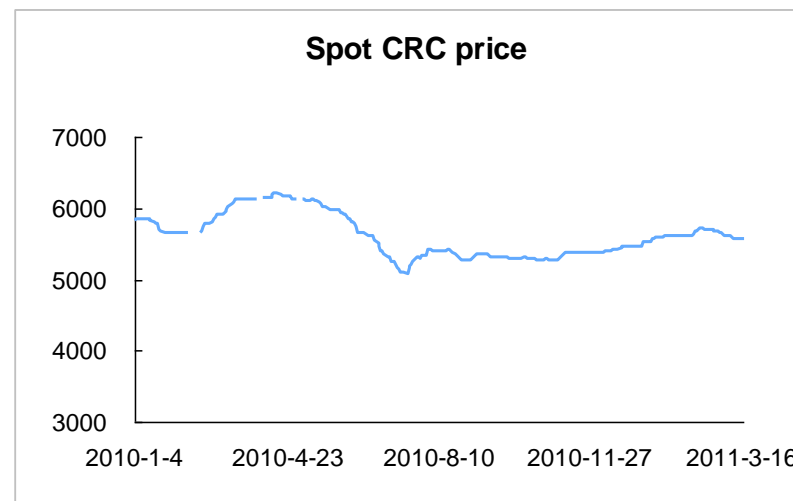
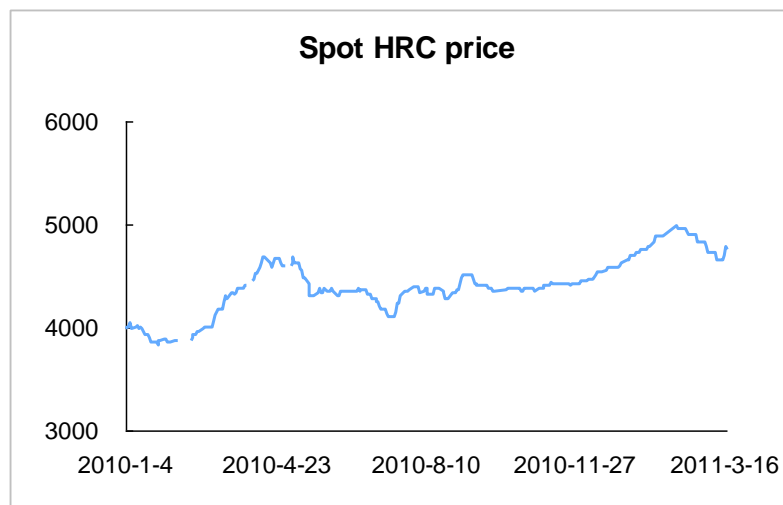
Cost Analysis



Source: Mysteel

Steel Price

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Yuan/ton	25-Mar	Compared with			
		End 2010	Average 2010	Average 2009	Average 2008
Rebar	4699	2%	13%	28%	-1%
Wire	4673	-1%	10%	29%	-4%
Plate	4830	2%	10%	31%	-14%
HRC	4790	3%	10%	27%	-7%
CRC	5580	2%	-1%	18%	-8%

Source: Mysteel

Pricing Discussion

● Short-term catalysts

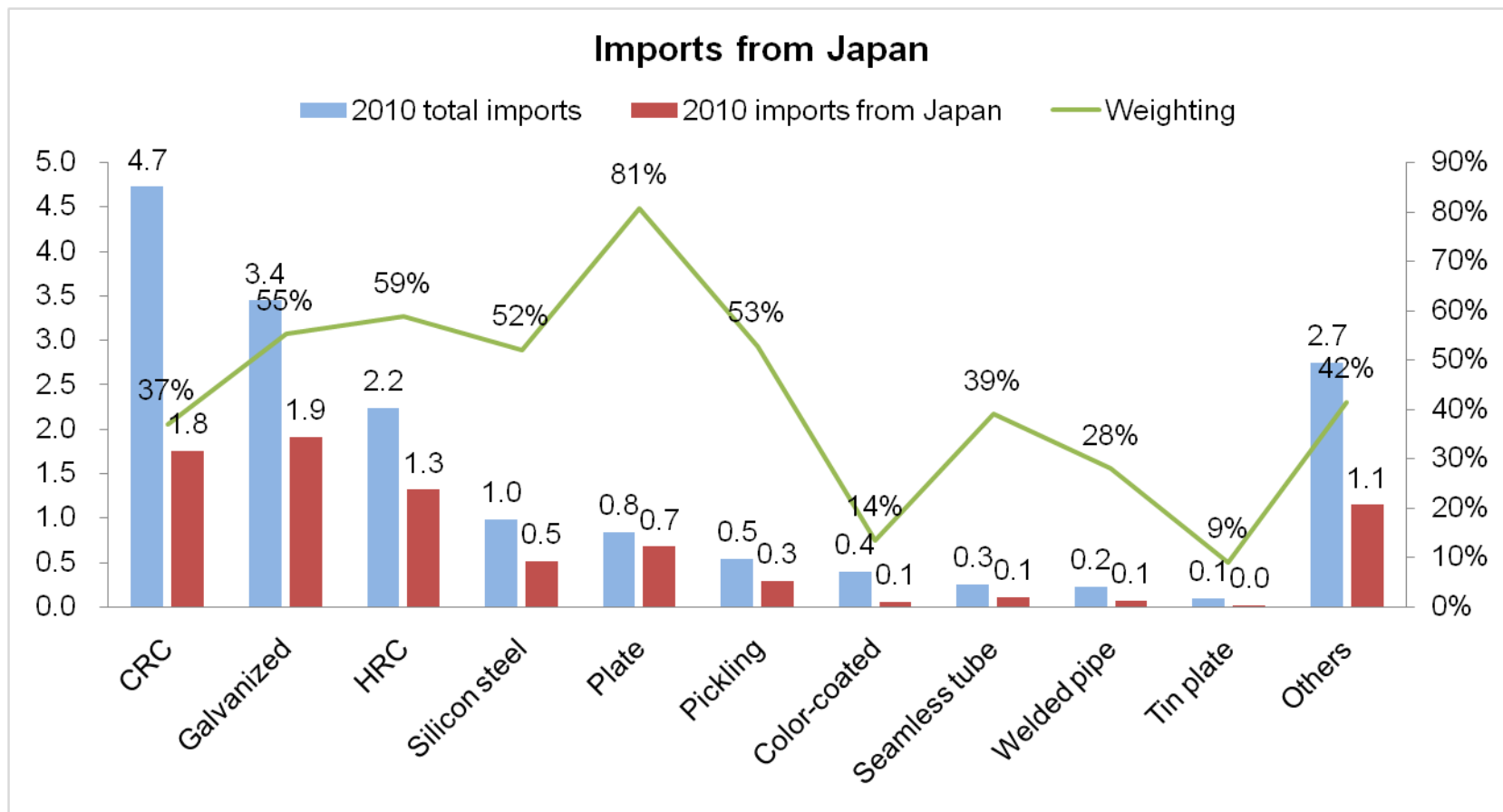
- Policy tightening to curb inflation ↘
- High utilization rate at steel mills ↘
- Restocking rolls out ↘
- Declining iron ore price ↘
- Inventory stands at manageable level ↗
- Steel price on the rise in international markets ↗
- Export may pick up ↗

● 2011 outlook

- 2011 may see higher steel price on average compared with 2010;
- Margins may remain at 2009-2010 level.

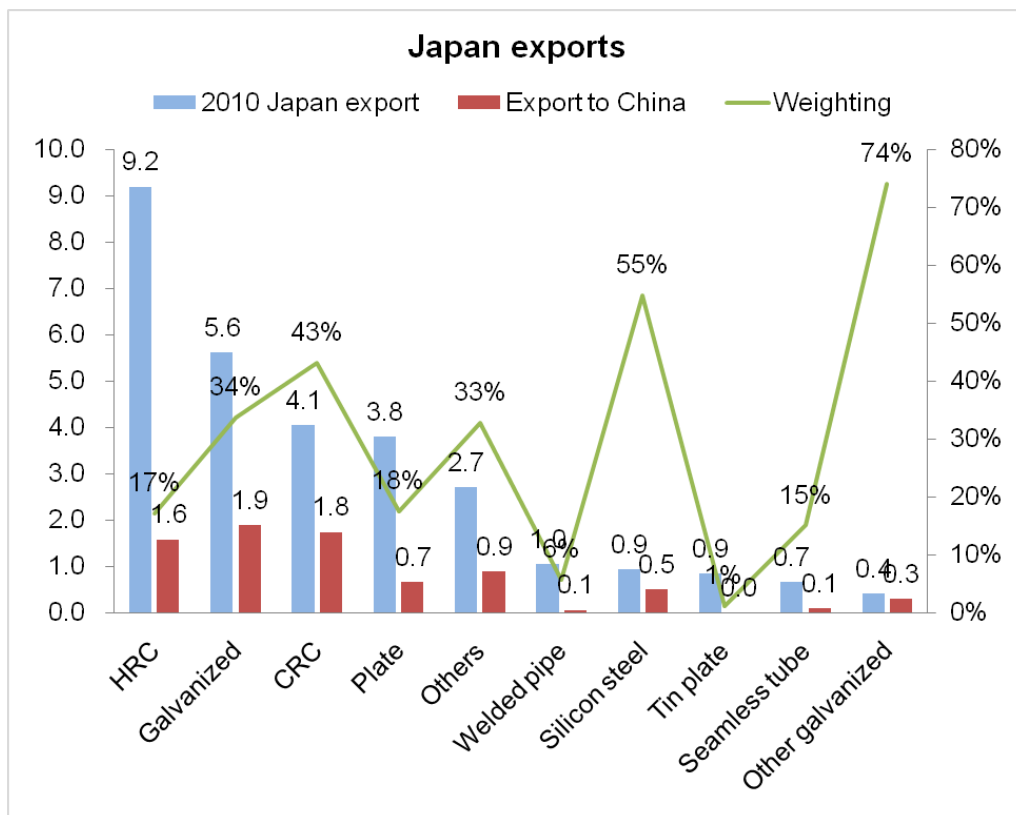
Earthquake Impact

- Japan is No. 1 steel exporter to China: In 2010, China imported 7.78 million tons from Japan, accounting for 47% of China's total imports;



Source: China Custom

Earthquake Impact



- China consumes a significant share of high-end steel made in Japan;
- Due to power rationing and damage to its logistic chain, Japanese steel mills may lose share to their Korean and local Chinese competitors;
- Market may react to the supply cut, resulting in higher prices.

Source: China Custom

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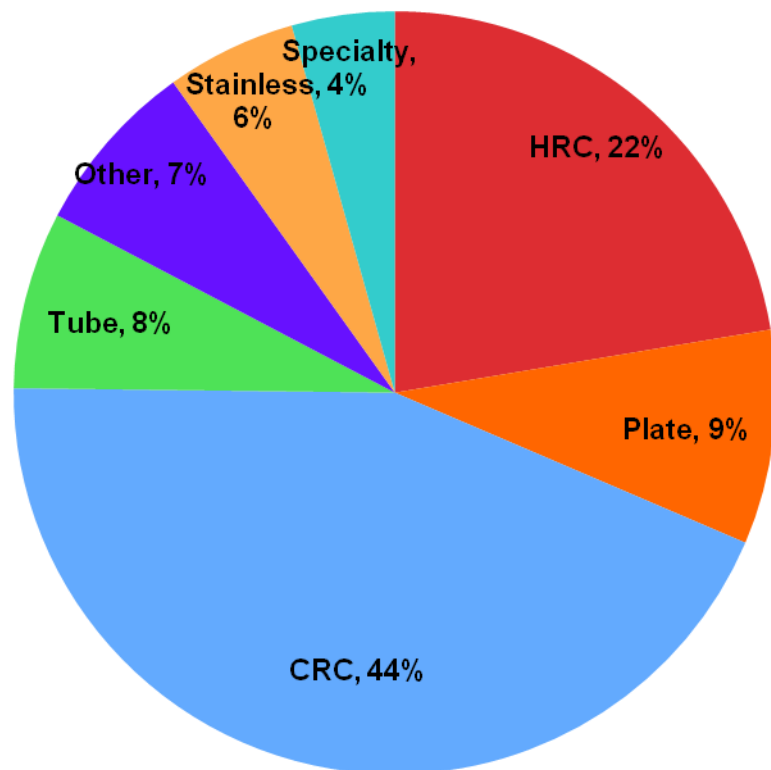
2011 Operational Plan

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2011 Plan

- Production: iron-23.98 million tons, steel-27.47 million tons;
- Sales: 26.12 million tons;
- Total revenue: 210 billion Yuan;
- Cost: 184.7 billion Yuan.

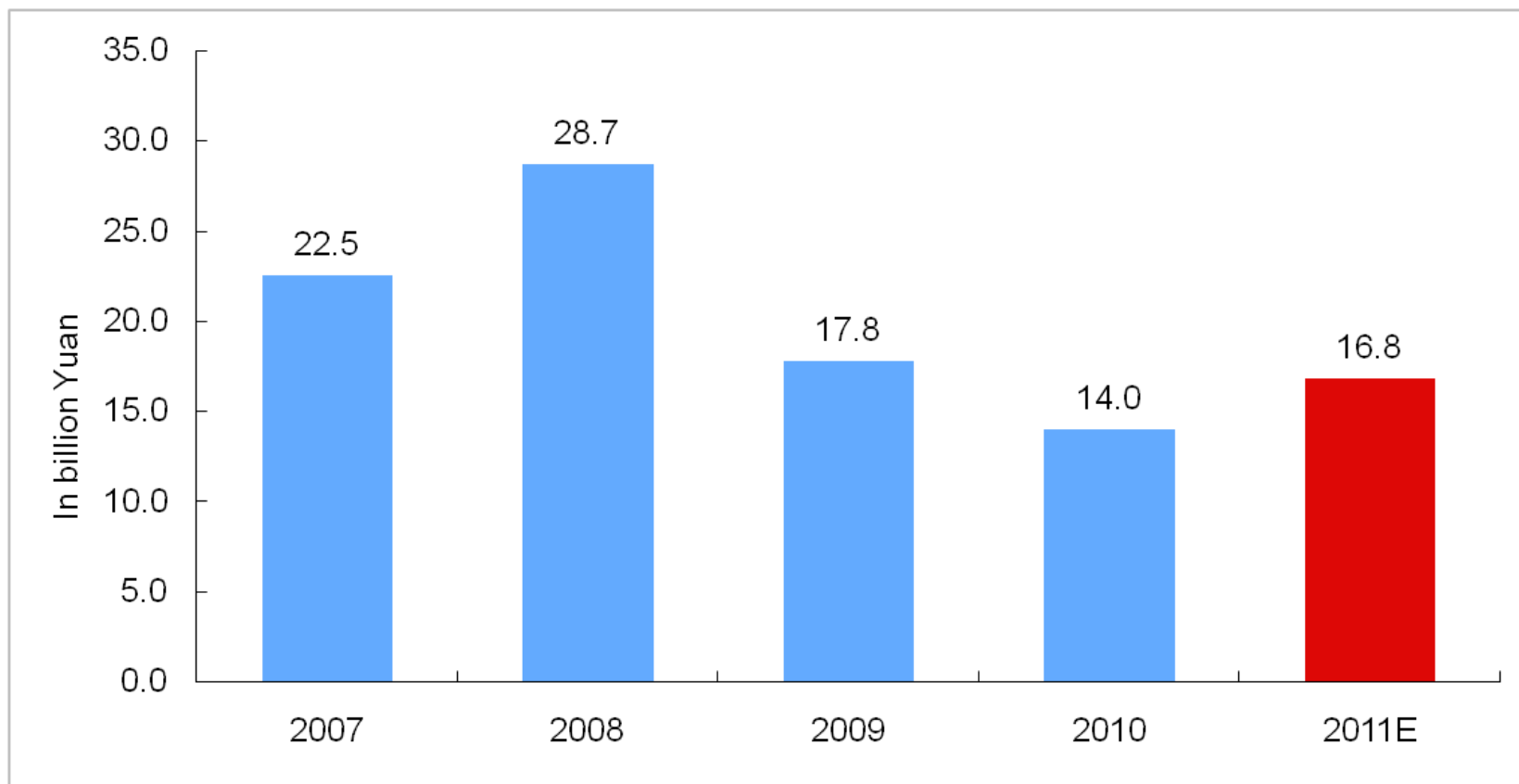
2011 planned sales by product



In million tons	2010	%	2011E	%
HRC	6.24	25%	5.87	22%
Plate	2.19	9%	2.39	9%
CRC	10.98	44%	11.50	44%
Tube	1.68	7%	1.97	8%
Other carbon	1.82	7%	1.95	7%
Stainless	1.34	5%	1.45	6%
Specialty	0.99	4%	1.15	4%
Total	25.23	100%	26.28	100%

Note: BNA included.

CAPEX





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Major expansion projects

Projects	Products	Designed capacity (in million tons)	Investment (in billion Yuan)	Completion
Nantong Baosteel project	Tube billet	0.6	1.5	2011
Luoqing 2nd phase project	Continuous-casting billet	1.3	5.7	Mar/11
Lubao Tube project	High-pressure boiler tube	0.5	4.3	Apr/11
Oriented silicon steel 2nd phase-I	Oriented silicon steel	0.1	1.7	Feb/12
Oriented silicon steel 2nd phase-II		0.1		2013
Meisteel product optimization project	HRC	4	11.5	Jun/12



2010-2015 Strategic Development Plan

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To become the most competitive steel manufacturer in the world

- **Profitability:** 270 billion Yuan revenue by 2015 with systematically improved profit margin and ROE;
- **Competitiveness:** 33 million tons crude steel capacity by 2015 with stronger presence in carbon steel market, greater value addition and higher market share for strategic products;
- **Technology:** To become world-class steel maker and leader in key technologies;
- **Our people:** To promote a co-development mechanism of employees and the company and to build a first-class high-caliber team;
- **Social responsibility:** With environmental management as an integral part of our philosophy, to continuously take the lead in clean operation, environmental protection and in rewarding stakeholders.



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Thanks.