



Baoshan Iron & Steel Co.,Ltd. 2011 Full Year Results

April 2012



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I. Operation Results

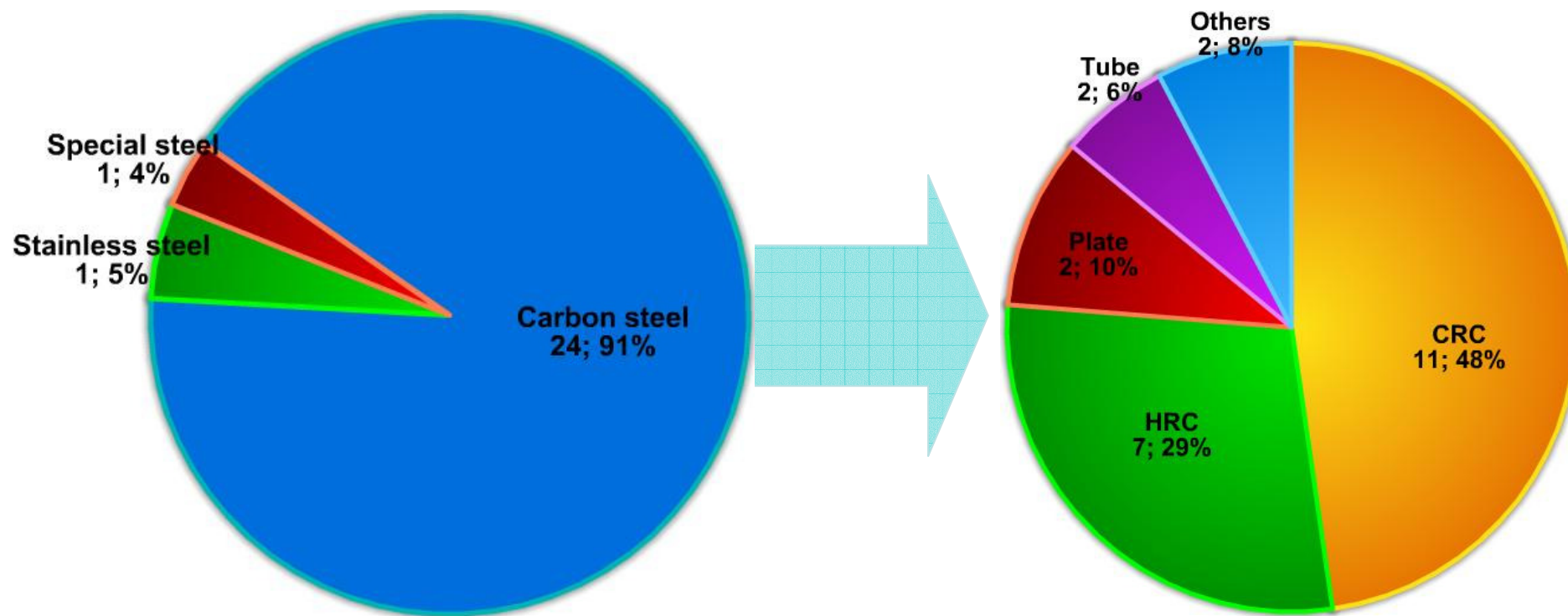
II. Industry Dynamics

III. Company Outlook

➤ Production and Sales

unit: million tons	2009	2010	2011	YoY
Crude steel output	23.86	26.45	26.64	0.72%
Sales of finished products	22.43	25.26	25.80	2.14%
including: domestic	20.72	22.93	23.06	0.57%
export	1.71	2.33	2.74	17.60%

➤ Sales Breakdown of Finished Products

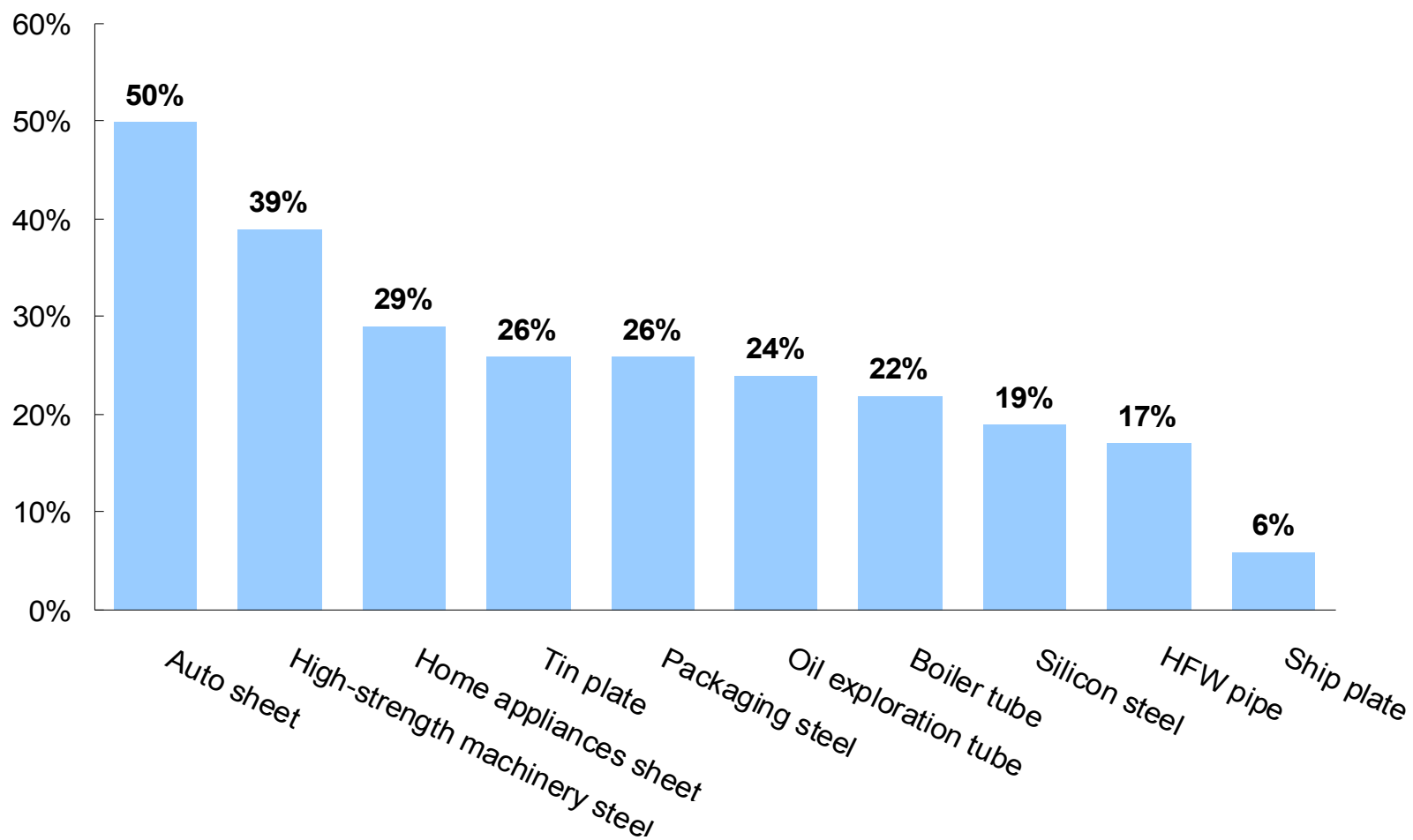


Note: BNA included, unit: million tons

➤ Gross Profit--Products

unit: million tons billion Yuan	Sales	Revenue	YoY	Cost	YoY	Gross margin	YoY
CRC	9.53	59.0	3.5%	51.7	18.3%	12.33%	↓ 11.02 pts
HRC	8.30	38.8	11.4%	34.6	19.4%	10.86%	↓ 6.04 pts
Plate	2.32	11.7	16.4%	12.8	25.0%	-8.86%	↓ 7.48 pts
Tube	1.50	10.8	6.7%	9.8	7.7%	9.45%	↓ 0.82 pts
Stainless steel	1.35	18.0	2.0%	17.8	3.5%	1.37%	↓ 1.40 pts
Special steel	0.96	11.2	14.4%	11.3	15.1%	-0.91%	↓ 0.68 pts
Others	1.84	8.8	12.9%	8.8	13.9%	0.00%	↓ 0.86 pts
Total	25.80	158.4	7.5%	146.8	15.8%	7.33%	↓ 6.67 pts

➤ Domestic Market Share



➤ Income Statement Summary

unit: billion Yuan	2009	2010	2011	YoY
Revenue	148.53	202.41	222.86	10.10%
Cost	142.12	186.59	214.64	15.03%
Gross profit	14.07	24.33	19.61	
Gross margin %	9.47	12.02	8.80	↓ 3.22 pts
Operating profit	7.25	16.67	8.84	
Operating margin %	4.88	8.24	3.97	↓ 4.27 pts
Net profit	5.82	12.89	7.36	
Net profit margin %	3.92	6.37	3.30	↓ 3.07 pts

➤ Dividend Distribution

	unit	2008	2009	2010	2011
Dividend per share	Yuan	0.18	0.20	0.30	0.20
Dividend/Unconsolidated net income	%	62.1	69.0	45.8	69.2
Dividend/Consolidated net income	%	46.0	60.2	40.8	47.6

Note: 2011 dividend is subject to approval of shareholders' meeting.

➤ Financial Highlights

unit: Yuan	2009	2010	2011	YoY
EPS	0.33	0.74	0.42	-43.24%
BVPS	5.43	5.98	6.08	1.67%
Net CFO per share	1.37	1.08	0.69	-36.11%
Gross margin%	9.43	13.25	8.75	↓ 4.50 pts
ROE (weighted)%	6.27	12.95	7.02	↓ 5.93 pts

➤ Solvency and Liquidity

Financial index		unit	2010-12-31	2011-12-31	Change
Solvency	Total debts/ total assets	%	48.47	50.89	↑ 2.42 pts
	Current ratio		0.94	0.80	↓ 0.14
	Quick ratio		0.42	0.42	0

Financial index		unit	2010-12-31	2011-12-31	Change
Liquidity	Days of receivables	day	5.6	8.4	50.0%
	Days of inventories	day	70.7	74.9	5.9%
	Cash conversion cycle	day	41.4	51.1	23.4%

➤ 2011 Accomplishments

Improve Product Profitability

- Auto sheet sales 4.55 million tons, maintaining market share of 50%.

Reduce Cost

- Optimize coal mix and alloy mix to reduce the cost.

Improve Customer Service Ability

- Build customer-oriented sales mechanism.
- Strengthen customer technical support and cooperation.

➤ 2011 Accomplishments

Environment Protection

- Issue the first 《Green Purchasing Guideline》 in domestic steel industry.

Capex

- Capex is 16.6 billion Yuan in 2011.

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➤ **Macro Economy-International**

2011:

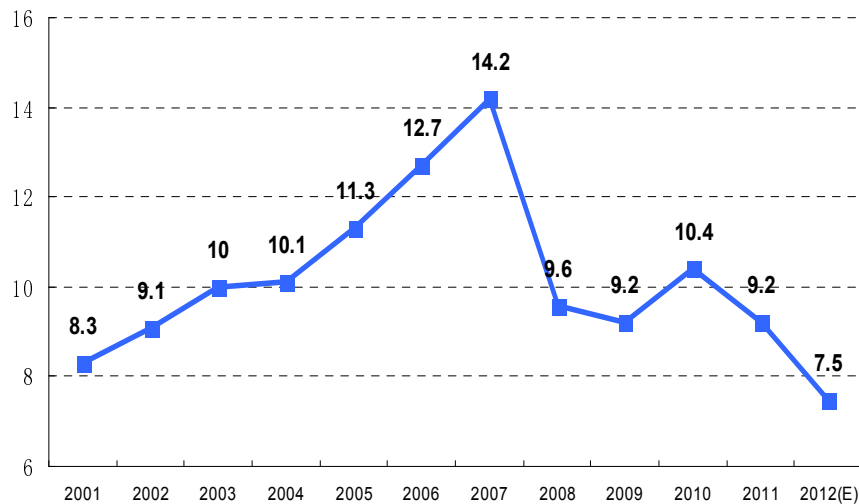
- Developed economies still shadowed in the crisis.
- Domestic demand of emerging economies grew fast.
- Development of main emerging economies slowed down.

2012:

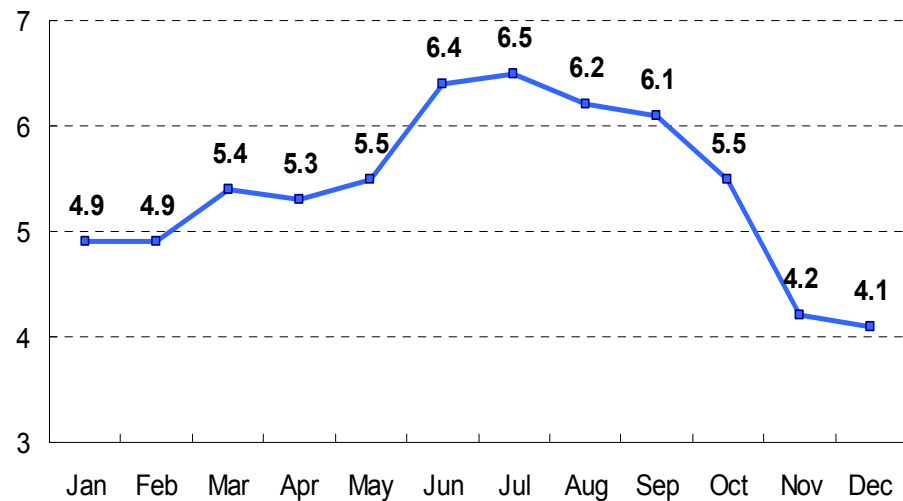
- High possibility of sovereign debt degrading in euro-zone.
- Risk of double-dip recession increases.
- Global economy growth slows down to about 3%.

➤ Macro Economy-Domestic

GDP growth, YoY(%)



CPI growth, YoY(%)



Data source: wind

- GDP up 9.2% in 2011, down 1.2 ppts YoY due to government macro control.
- GDP growth target is 7.5% in 2012.

- CPI up 5.4% in 2011, 1.4 ppts above the target.
- 2H2011 CPI slowed down, targeting 4% in 2012.

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

Unit: million tons	2009	2010	2011	YoY	2012E
Output	568	627	683	8.9%	720
Net export	3	27	35	22.2%	35
Apparent Consumption	565	599	648	5.5%	690

Data resource: CISA

- Crude steel output still grew fast in 2011.
- Daily output peaked nearly 2 million tons in June, while gradually decreased in H2. The lowest level was 1.66 million tons in November.
- 28 million tons capacity was eliminated in 2011, environment compliance will be the main criteria in 2012.
- Output growth is expected to slow down to 6% in 2012.

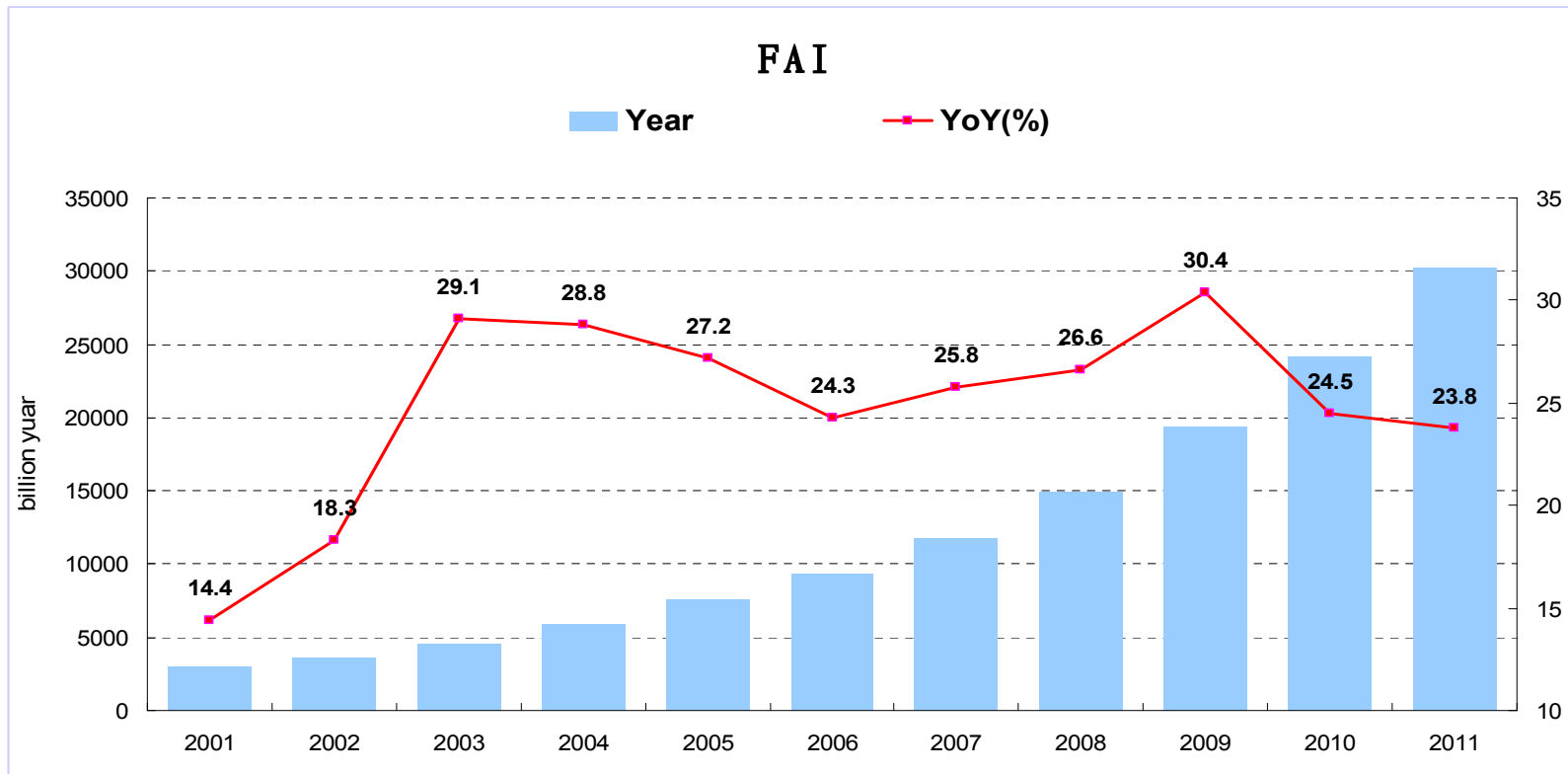
➤ Demand and Supply Analysis--Import & Export



Data resource: Wind, MIIT

- Export 48.9 million tons in 2011, up 15.1% YoY.
- Export and import are expected 50 and 15 million tons respectively in 2012.

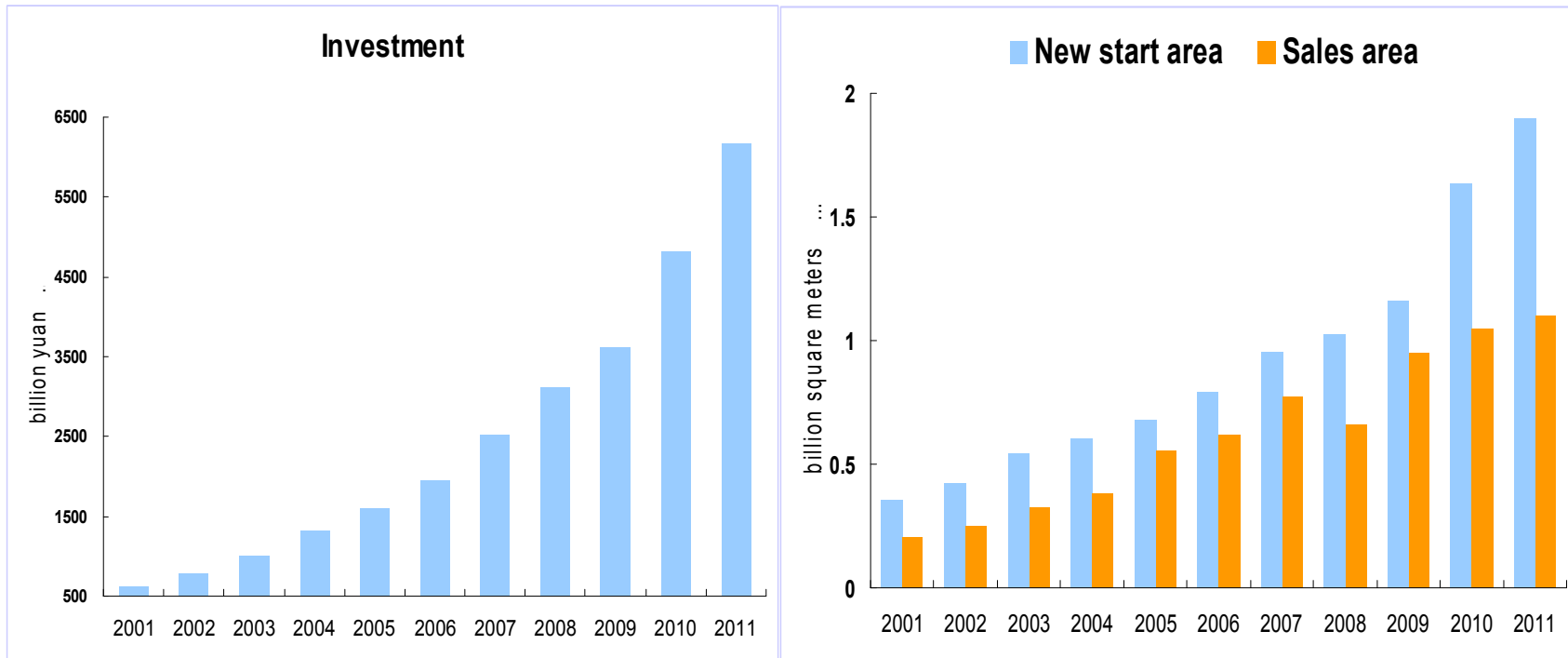
➤ Demand and Supply Analysis--Demand(Infrastructure)



Data source: wind

- FAI 30.2 trillion Yuan in 2011, up 23.8% YoY, growth is expected to slow down in the future.
- Ministry of railways plans 500 billion Yuan FAI in 2012.

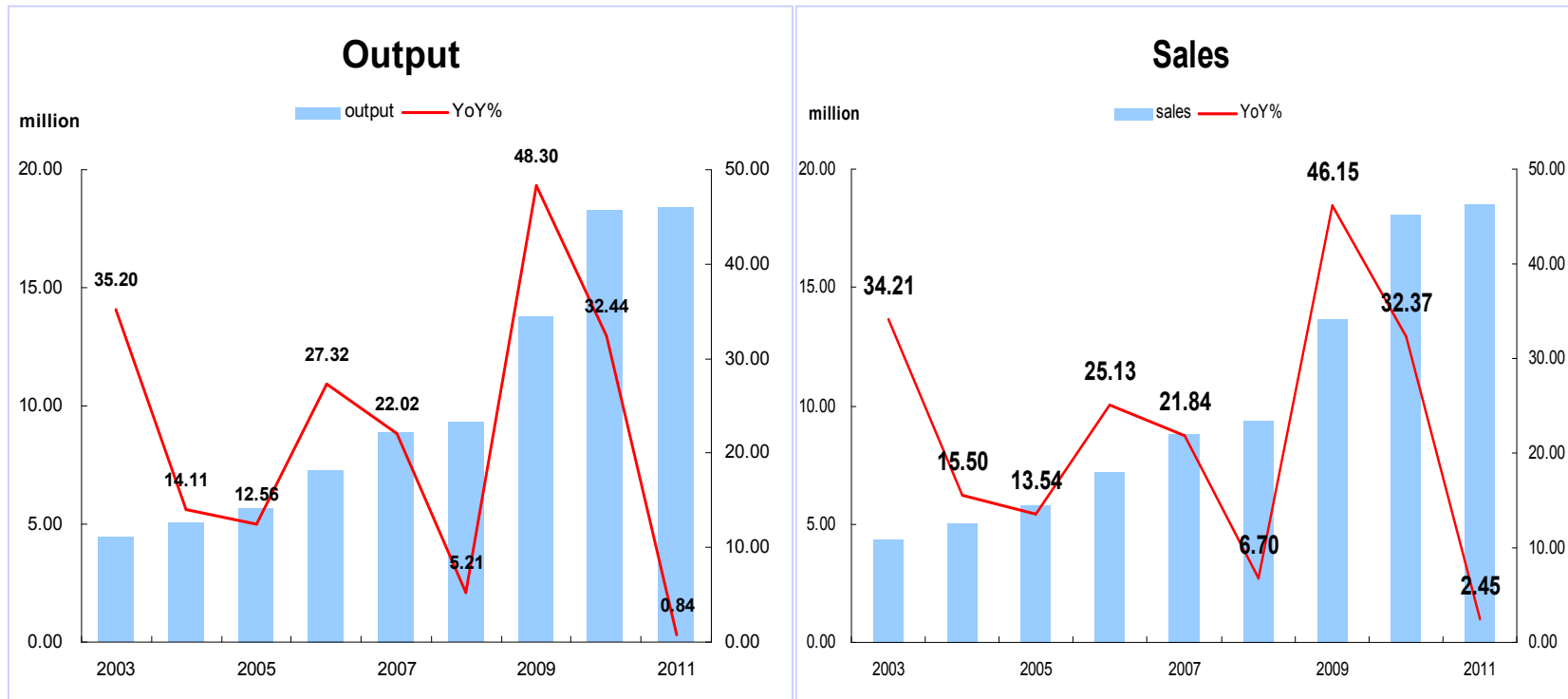
➤ Demand and Supply Analysis--Demand(Real Estate)



Data source: wind

- Due to government policy, growth in housing investment, new start area and sales slowed down.
- Major loosening is unlikely for real estate and monetary policy in 2012.
- 7 million set social housing project forms the major source of demand.

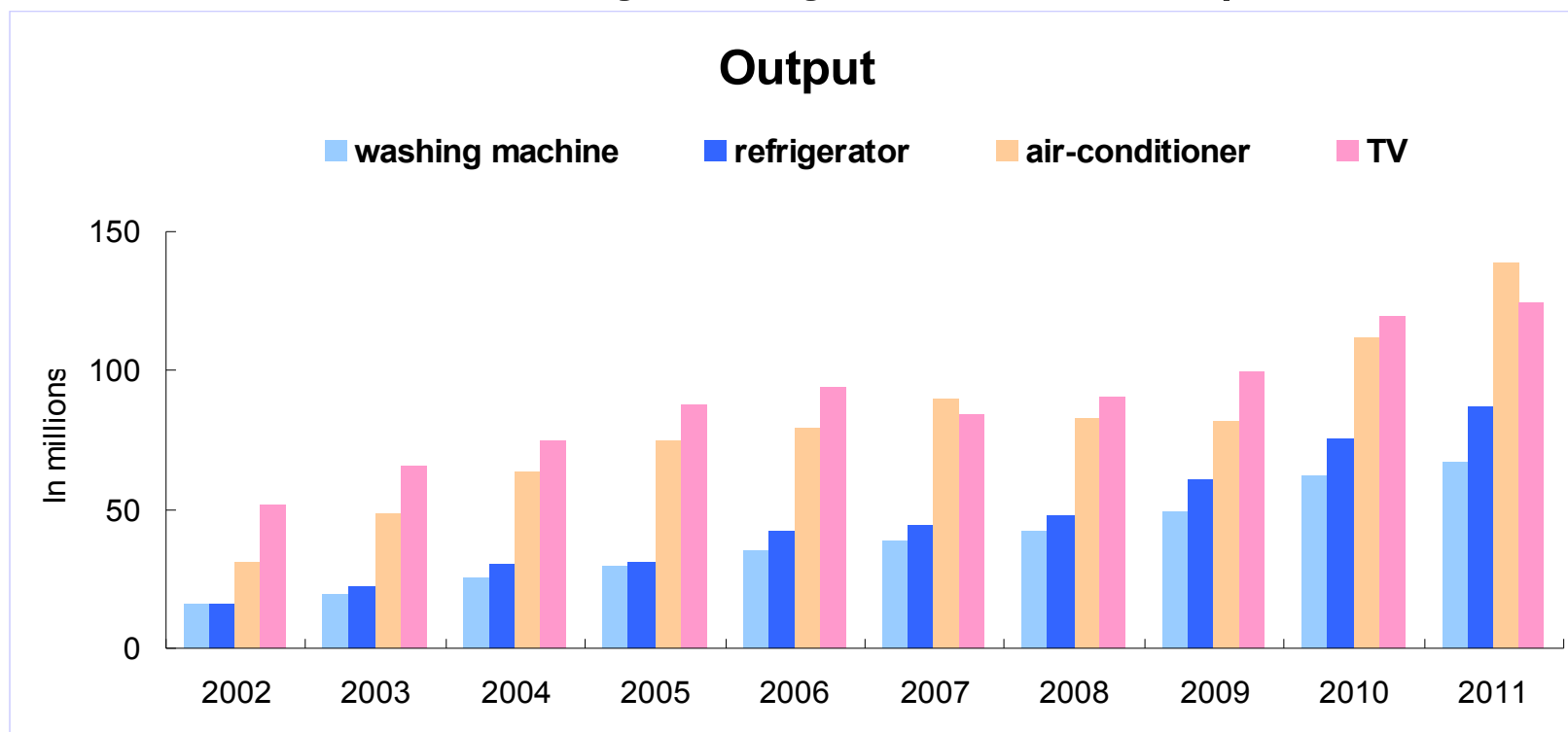
➤ Demand and Supply Analysis—Demand(Automobile)



Data source: wind

- Growth significantly slowed down in 2011.
- Growth will be lower than previous years, expected 8% in 2012.
- Smaller size, lightweight cars, and rigid demand in second and third tier cities still ensure room for growth, but at a lower rate.

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

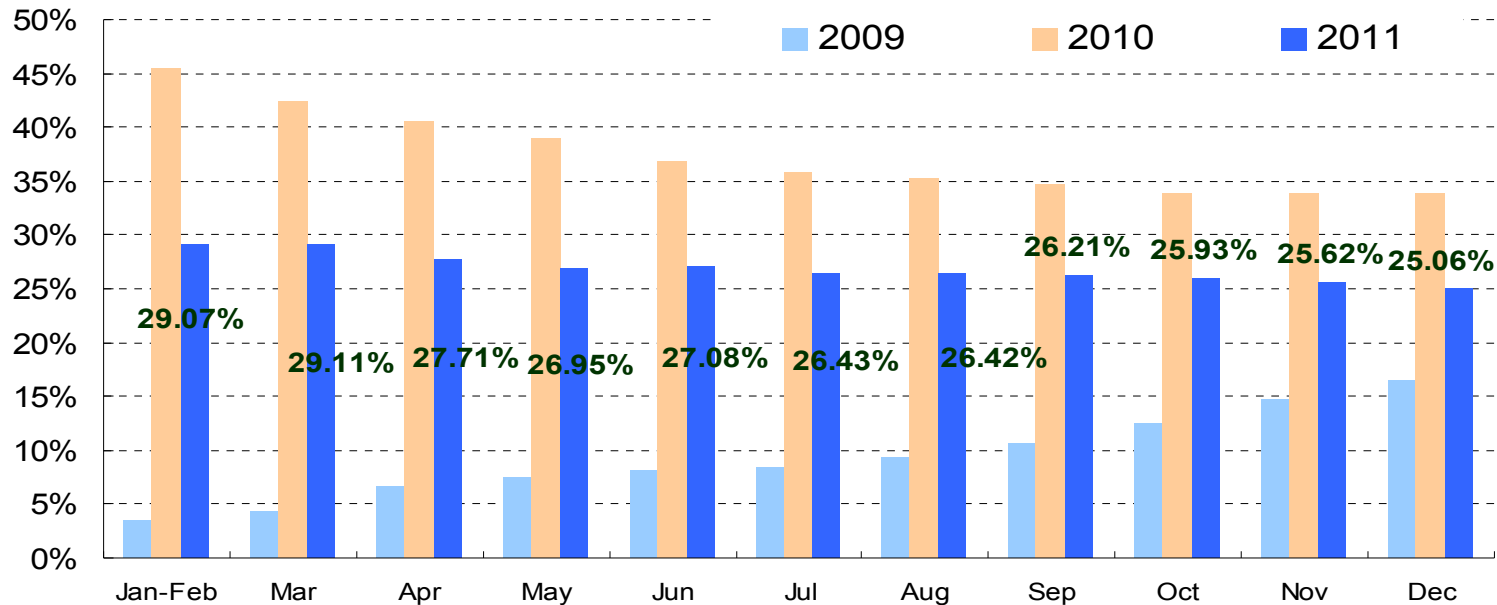


Data source: wind

- Industry growth is stable.
- Demand growth is expected to slow down in 2012 with expiration of subsidy policies .
- Air-conditioner is expected to grow 10%, refrigerator and washing machine 0-5% in 2012.

➤ Demand and Supply Analysis--Demand(Machinery)

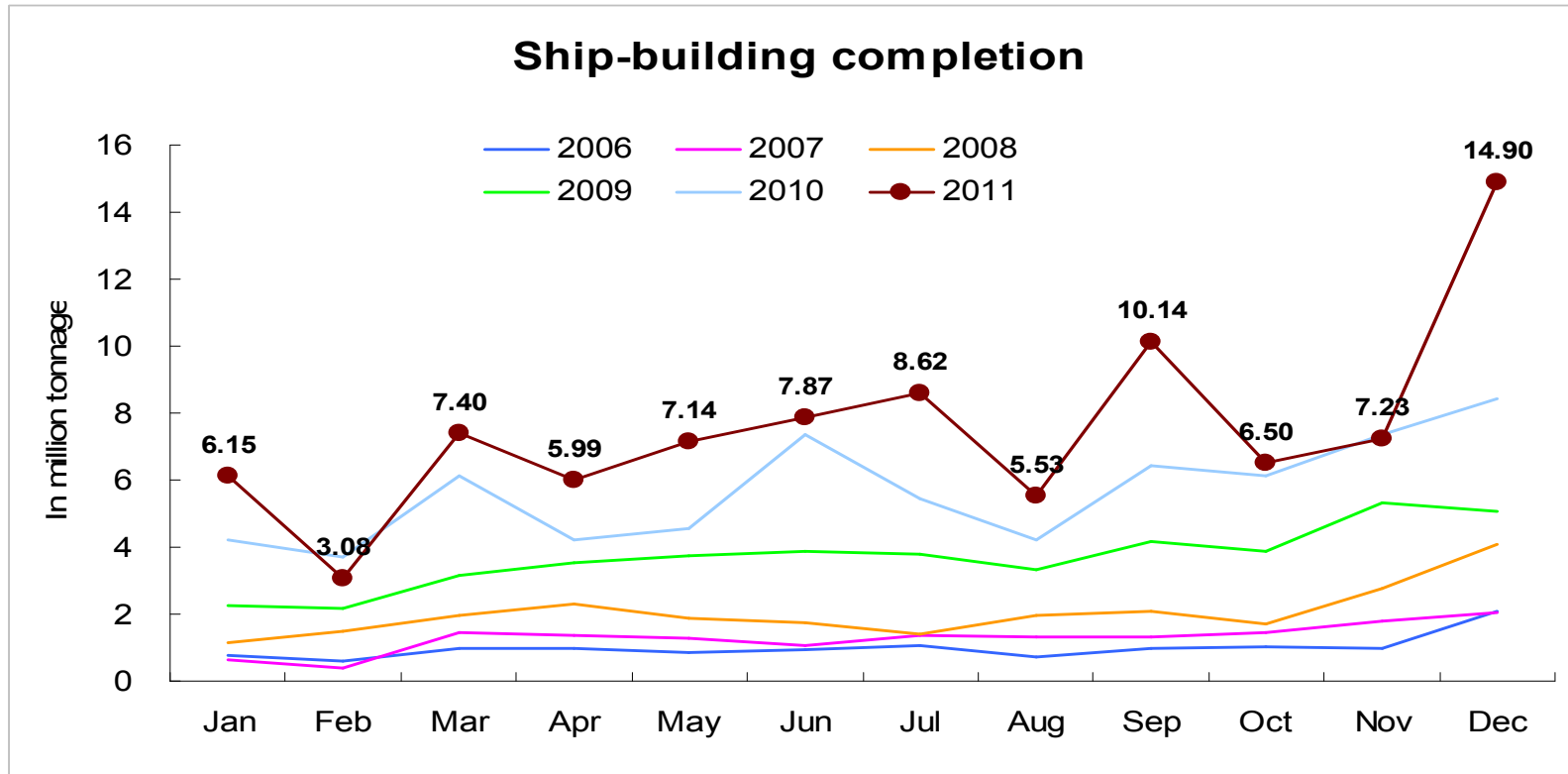
Machinery industry growth, YoY



Data source: CMIF

- Machinery industry has peaked out.
- In the sub-industries: construction machinery and railway equipment downward, ship building in deep recession, import substitution and nuclear power equipment upward, coal mining equipment flat.
- Growth rate is expected 15% in 2012.

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



Data source: wind

- Completion, new order and carrying order were :77, 36 and 150 million tonnages respectively in 2011, new order down 52% YoY, carrying order down 24% YoY.
- Over-supply in ship plates will continue. Industry still in depression, growth rate is expected -5% in 2012.

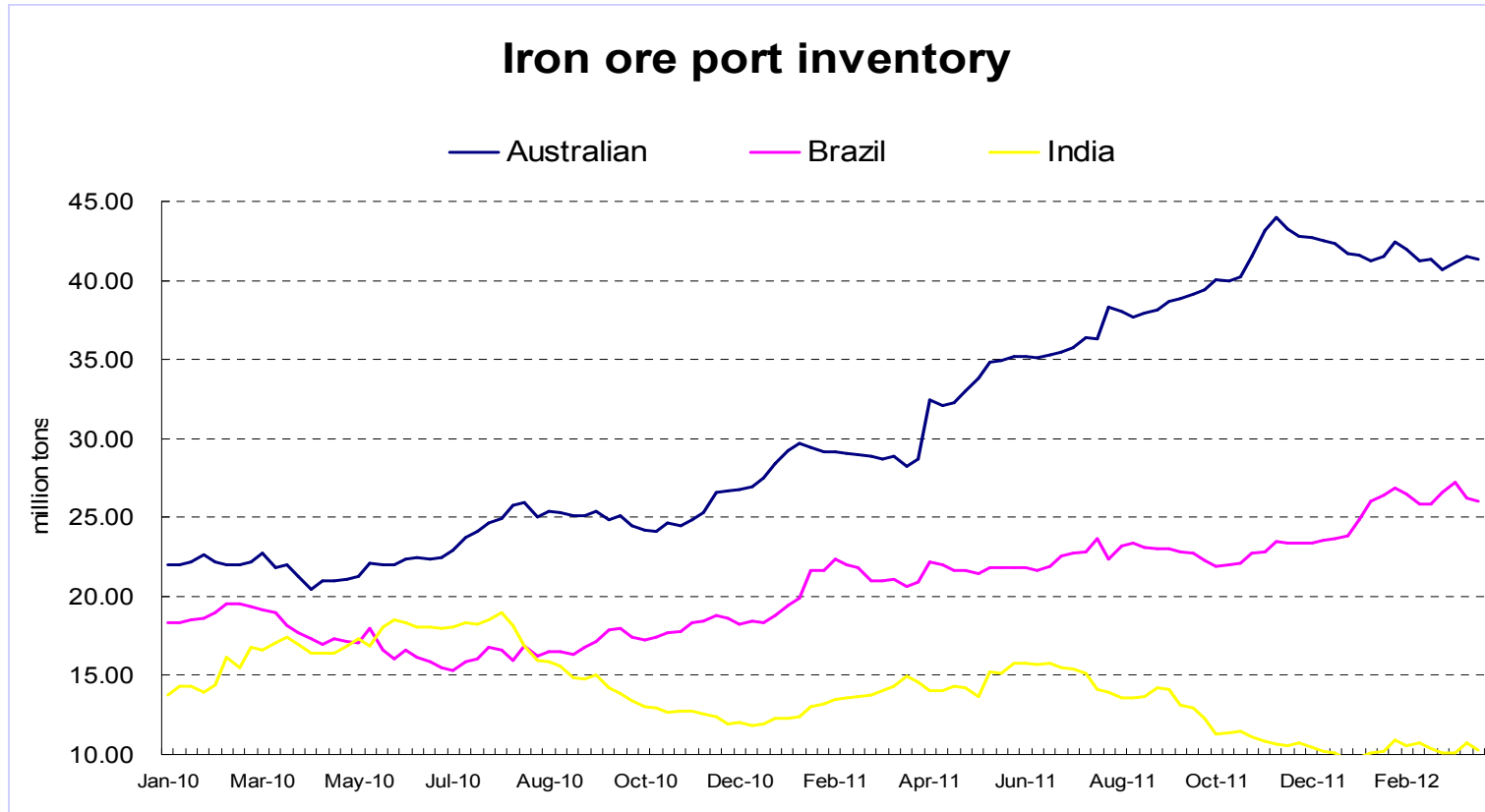
➤ Steel Inventory

Unit: million tons	3-30- 2012	2-24- 2012	1-29- 2012	12-30- 2011	YoY	
					Change	%
Rebar	8.07	8.45	6.66	4.86	0.45	10.2%
Wire	2.19	2.51	1.78	1.12	-0.08	-3.9%
HRC	4.42	4.66	4.30	4.03	-0.78	-16.3%
CRC	1.70	1.71	1.58	1.49	0.02	1.5%
Plate	1.51	1.60	1.52	1.39	0.02	1.3%
Long product	10.26	10.96	8.44	5.98	0.40	7.2%
Flat product	7.63	7.98	7.40	6.91	-0.74	-9.7%
Total	17.89	18.94	15.84	12.90	-0.34	-2.6%

Data source: Mysteel

- Year end inventory down 2.6% YoY.
- Inventory climbed to historical peak of 19 million tons in Feb. 2012, mostly long product.
- Downward trend in the end of Q1.

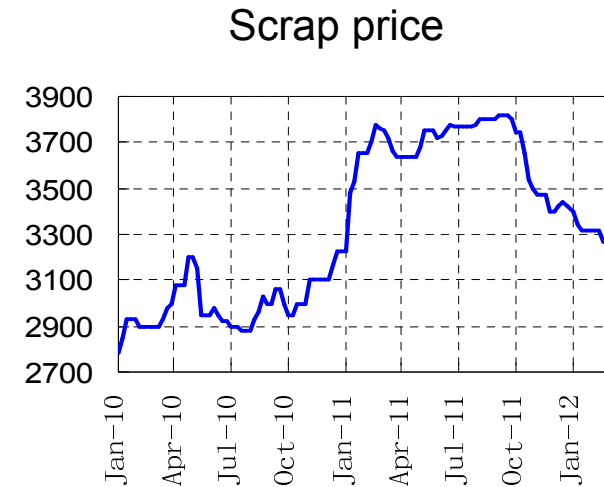
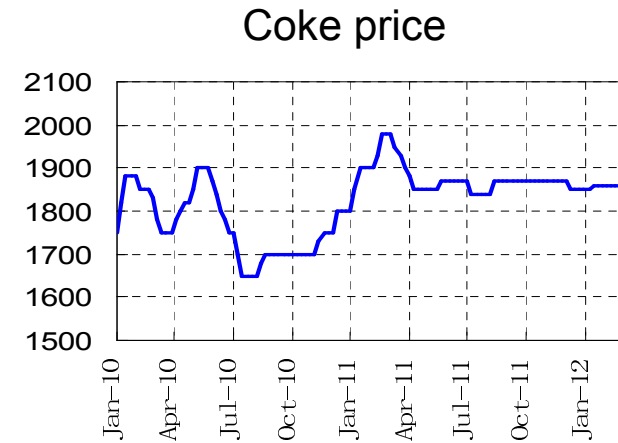
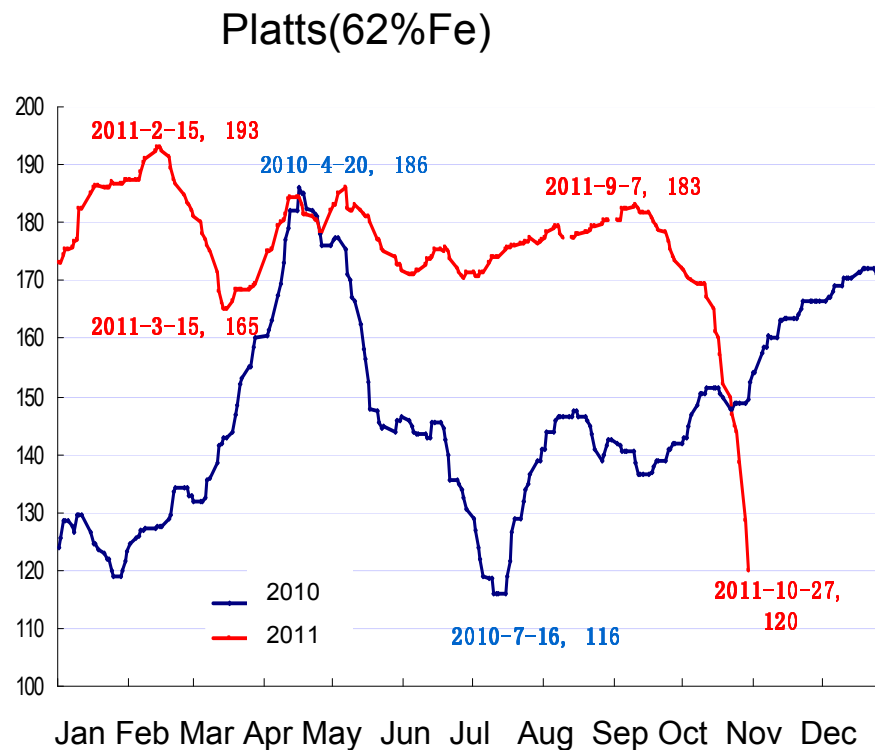
➤ Iron Ore Inventory



Data source: Mysteel

- Iron ore port inventory up 29.3% in 2011.
- Inventory remains a high level in 2012, 98 million tons in 25 main ports by 30th Mar.

➤ Raw Material Cost



Data source: Mysteel

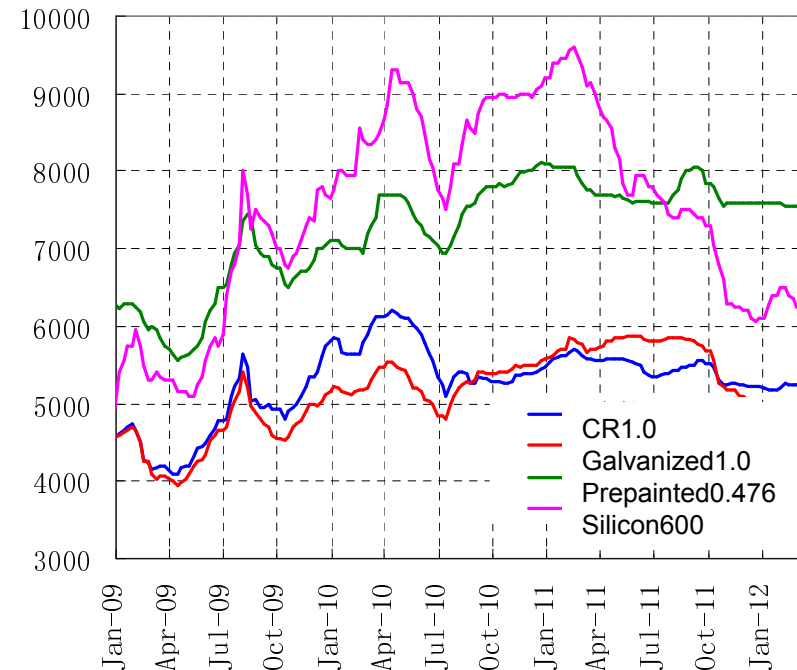
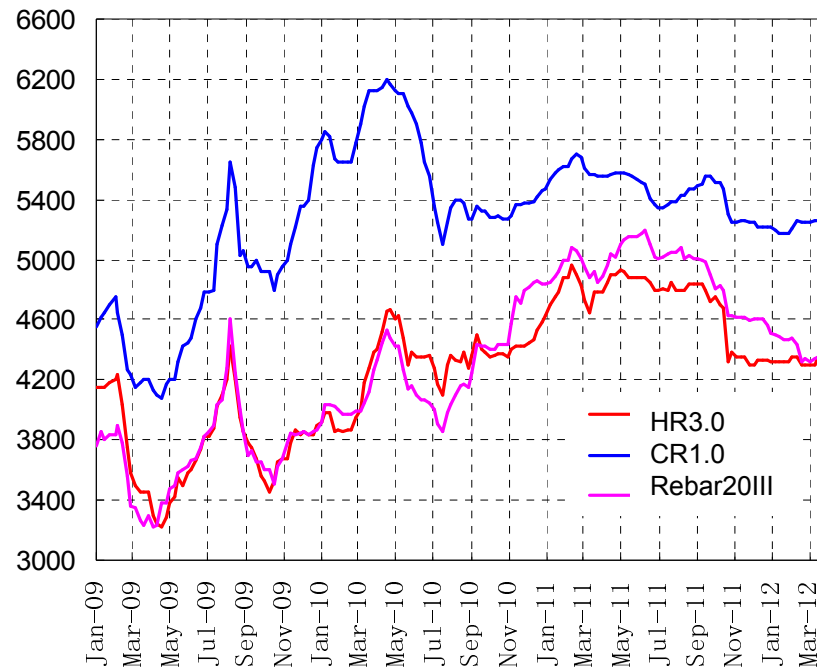
- Iron ore price peaked at 190 USD/ton in 3Q2011, dropped to 120 USD/ton in Q4.
- In 2011, import 686 million tons, average price 164 USD/ton.
- Iron ore price is expected lower in 2012.

➤ Steel Price

Unit: Yuan/ton	30-Mar	MoM%	YoY%	Average 2011	YoY%
HRC	4330	0.7	-7.1	4718	9.6
CRC	5240	-0.2	-5.1	5467	-2.7
Plate	4440	2.1	-8.5	4803	9.9
Wire	4180	4.8	-8.5	4699	11.8
Rebar	4350	0.2	-11.0	4919	15.0

Data source: Mysteel

➤ Market Trend



Data source: Mysteel

- In 2011, steel price declined after rise at first, with more fluctuation of long product.
- Macro economic growth slows down in 2012. Steel consumption growth is expected low. High cost and low profit remain, industry gross margin is expected 2-3%.

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➤ 2012 Company Outlook

2012 Plan

- Production: iron -23.25 million tons, steel-25.25 million tons;
- Sales: 24.25 million tons;
- Total revenue: 216 billion Yuan;
- Cost: 196 billion Yuan.

- General operating target: sales revenue 216 billion Yuan; Number One and Only One products sales 11.6 million tons ; maintain outperformance in the sector.

Highlights

- Promote synergy of production, sales and research;
- Optimize product inventory management;
- Improve manufacturing process to reduce the cost;
- Promote customer technical service system and customer oriented marketing.

➤ 2012 Planned Sales

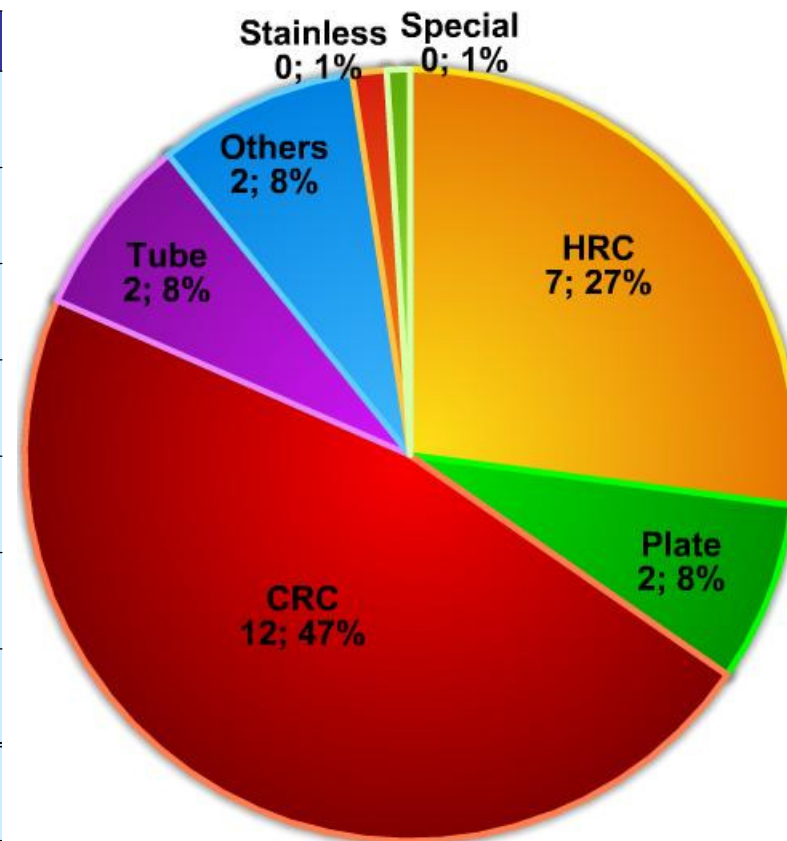
Unit: million tons	2011	%	2012E	%
HRC	6.82	26%	6.67	27%
Plate	2.32	9%	1.86	8%
CRC	11.38	44%	11.56	47%
Tube	1.50	6%	1.88	8%
Others	1.84	7%	2.06	9%
Stainless steel	1.35	5%	0.36	1%
Special steel	0.96	4%	0.24	1%
Total	26.18	100%	24.64	100%

Note: BNA included;

Main changes in 2012 planned sales:

(1) Stainless and special steel assets sale completed on 1st April, which only includes Q1 sales;

(2) Increase from new production line in Meishan Iron&Steel.



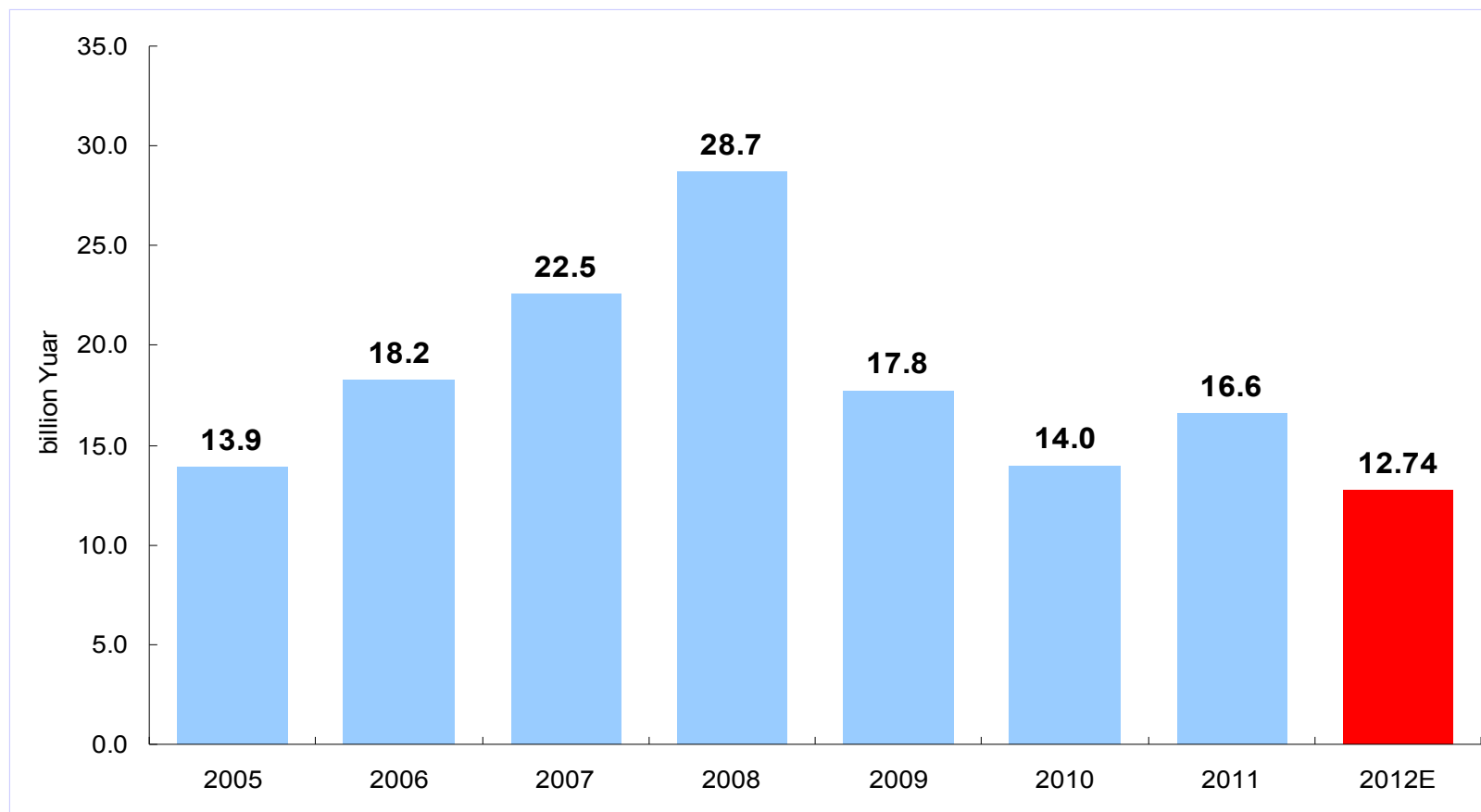
➤ Stainless & Special Steel Asset Sale Impact

- Asset sale profit 9.58 billion Yuan.
- Cash inflow and loan decrease will reduce financial expenses by 1.4 billion Yuan.
- Improve profitability of the company (sold assets loss 1.54 billion Yuan in 2011).

billion Yuan	
Base Price	45.19
Including: Cash	22.69
Installment	22.50
Profit	9.58
Including: land appreciation	7.54

2011	Before the sale	Impact	%
Output (million tons)	26.0	-4.00	-15.38
Total Asset (billion Yuan)	231.1	2.76	1.20
Revenue (billion Yuan)	222.9	-3.13	-1.40
Net Profit (billion Yuan)	7.4	1.54	20.92

Note: Since sale completed on 1st April, 2012, the impact won't be reflected in 2011 full year and 1Q2012 financial reports.



- Company CAPEX is planned 12.74 billion Yuan in 2012. Including: Meishan Iron&Steel product and technical optimization, oriented silicon steel 2nd phase project, new refining facility in steel making mill, etc.

➤ Major Expansion Projects

Project	Product	Designed Capacity (million tons)	Investment (billion Yuan)	Completion
Meishan product optimization	HRC	4.0	11.5	June/2012
Lubao tube project	Tube	0.5	4.9	2H2012
Power plant unit project			1.1	4Q2012
High standard non-oriented silicon steel production line	Silicon steel	0.2	0.7	2Q2013
Oriented silicon steel 2nd phase project		0.1	1.8	3Q2013
2030 GI unit project	GI		1.0	4Q2014

Thanks!