



Baoshan Iron & Steel Co.,Ltd.

2012 Full Year Results

April 2013



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I. Operation Results

II. Industry Dynamics

III. Company Outlook

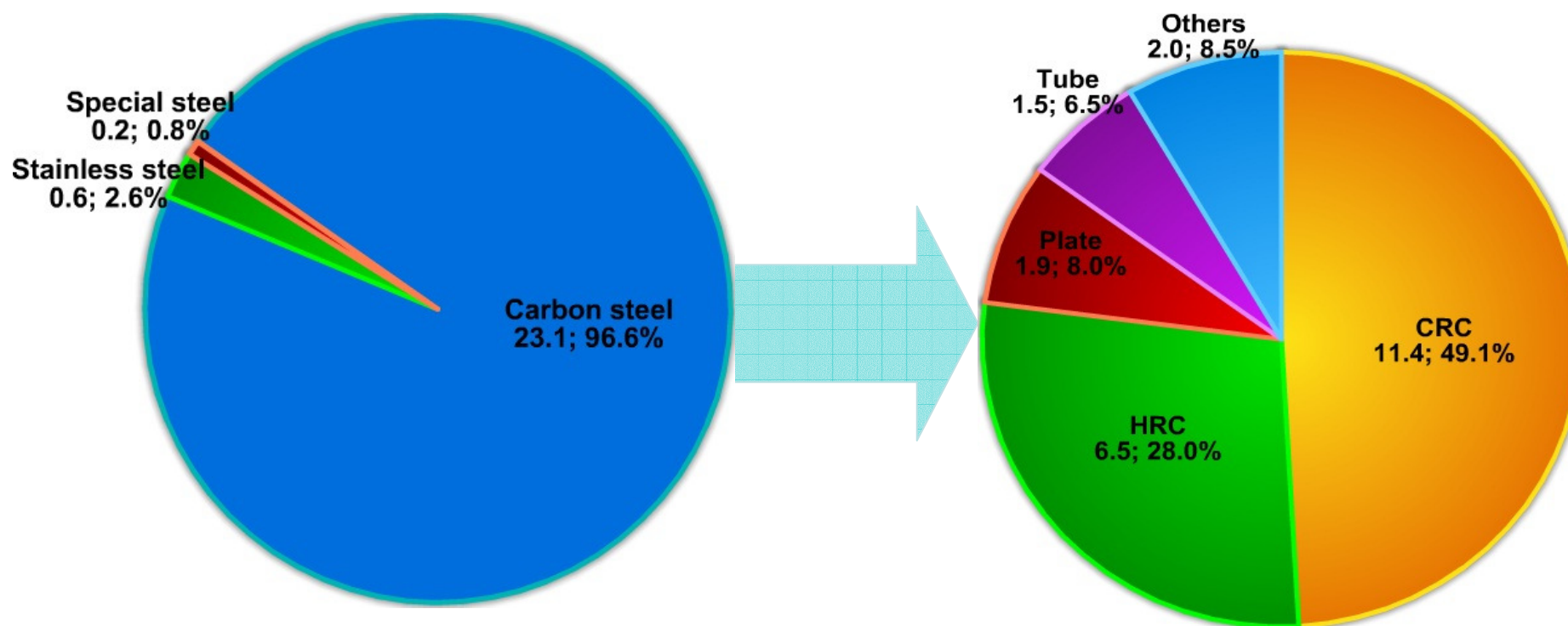
➤ Production and Sales

unit: million tons	2010	2011	2012	YoY
Crude steel output	26.45	26.64	23.00	-13.7%
Sales of finished products	25.26	25.80	23.57	-8.6%
including: domestic	22.93	23.06	21.23	-7.9%
export	2.33	2.74	2.34	-14.6%

Note: Stainless and special steel assets were sold to Baosteel Group corporation on 1 April, 2012;

Only Q1 results of stainless and special steel were included.

➤ Sales Volume Breakdown of Finished Products



Note: BNA included, unit: million tons

➤ Gross Profit--By Product

unit: million tons billion Yuan	Sales	Revenue	YoY	Cost	YoY	Gross margin	YoY
CRC	9.4	52.0	-11.8%	46.2	-10.6%	11.2%	↓ 1.2 pts
HRC	8.0	32.0	-17.7%	29.1	-15.8%	8.8%	↓ 2.1 pts
Plate	1.9	8.5	-27.7%	9.5	-25.8%	-11.7%	↓ 2.8 pts
Tube	1.5	10.3	-5.3%	9.4	-4.8%	9.0%	↓ 0.5 pts
Stainless steel	0.6	7.5	-58.6%	7.5	-57.6%	-1.1%	↓ 2.4 pts
Special steel	0.2	2.2	-80.1%	2.4	-79.0%	-6.3%	↓ 5.4 pts
Others	2.0	8.2	-6.1%	8.5	-2.4%	-3.9%	↓ 3.9 pts
Total	23.6	120.6	-23.8%	112.6	-23.3%	6.6%	↓ 0.7 pts

➤ Income Statement Summary

unit: billion Yuan	2010	2011	2012	YoY
Revenue	202.41	222.86	191.51	-14.1%
Cost	186.59	214.64	189.12	-11.9%
Gross profit	24.33	19.61	14.37	
Gross margin %	12.02	8.80	7.50	↓ 1.30 pts
Operating profit	16.67	8.84	3.60	
Operating margin %	8.24	3.97	1.88	↓ 2.09pts
Net profit	12.89	7.36	10.39	
Net profit margin %	6.37	3.30	5.42	↑ 2.12 pts

Note: Decline in 2012 operating profit was due to 2.65 billion Yuan impairment loss of Luojing remaining assets.

➤ Dividend Distribution

	unit	2009	2010	2011	2012
Dividend per share	Yuan	0.20	0.30	0.20	0.13E (Note)
Dividend/Unconsolidated net income	%	69.0	45.8	69.2	40.0
Dividend/Consolidated net income	%	60.2	40.8	47.6	40.4

Note: According to Shanghai Stock Exchange policy, cash paid in stock buyback was treated as cash dividend;

2012 total dividend to be paid is 4.2 billion Yuan (1.9 billion Yuan paid in stock buyback in 2012 plus 2.3 billion Yuan cash dividend);

Since treasury stocks are not entitled to the profit distribution, and stock buyback is still in progress, dividend per share can't be determined yet. Based on the outstanding stocks by the end of 2012, dividend per share is estimated to be above 0.13 Yuan/share.

➤ Financial Highlights

unit: Yuan	2010	2011	2012	YoY
EPS	0.74	0.42	0.60	42.9%
BVPS	5.98	6.08	6.51	7.1%
Net CFO per share	1.08	0.69	1.30	88.4%
Gross margin%	13.25	8.75	7.46	↓ 1.29 pts
ROE (weighted)%	12.95	7.02	9.52	↑ 2.50 pts

➤ Solvency and Liquidity

Financial index		unit	2011-12-31	2012-12-31	Change
Solvency	Total debts/ total assets	%	50.89	45.26	↓ 5.63 ppts
	Current ratio		0.80	0.84	↑ 0.04
	Quick ratio		0.42	0.49	↑ 0.07

Financial index		unit	2011	2012	Change
Liquidity	Days of receivables	day	8.4	19.0	126.2%
	Days of inventories	day	74.9	70.8	-5.5%
	Cash conversion cycle	day	51.1	51.6	1.0%

➤ 2012 Accomplishments

Stainless and special steel assets sale

- Stainless and special steel assets were sold to Baosteel Group Corporation in April with a profit of 9.58 billion Yuan.

New BF of Meishan Steel

- A new blast furnace of Meishan Steel was put into operation in June, with a designed capacity of 3.27 million tons.

Disposal of Luoqing assets

- Production in Luoqing area was shut down in September.
- Corex assets were sold to Baosteel Group Corporation in November with a loss of 39 million Yuan.
- The company recognized 2.65 billion Yuan impairment loss on remaining assets of Luoqing area in the end of 2012.

➤ 2012 Accomplishments

Zhanjiang Project

- Investment in Zhanjiang Project was approved by the general shareholders' meeting in September. Static investment is expected to be 40 billion Yuan.
- The company purchased 71.8% equity of Zhanjiang Steel with 4.98 billion Yuan in October.
- The company increased the capital of Zhanjiang Steel from 7.093 billion Yuan to 8 billion Yuan in January 2013.

Stock Buyback

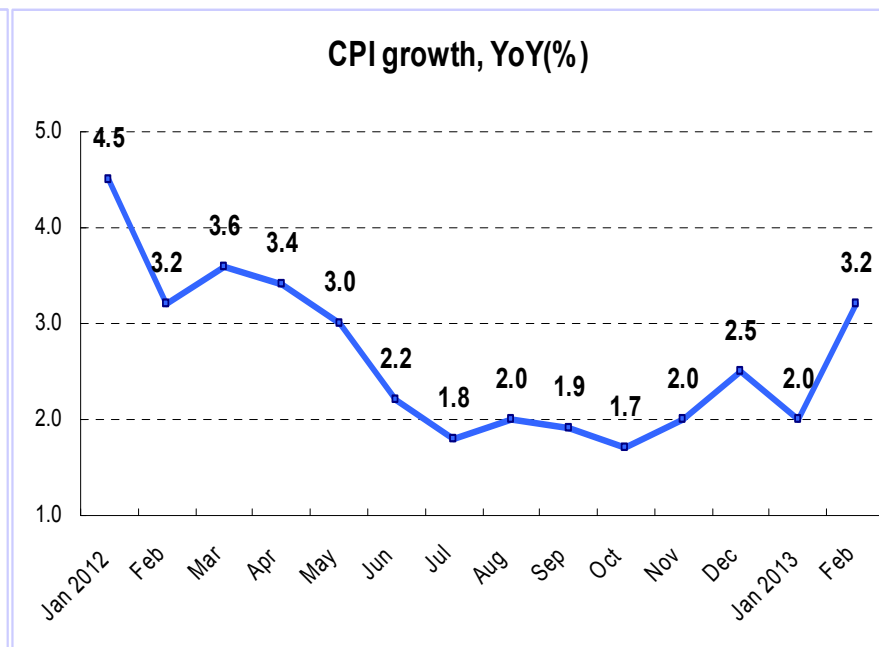
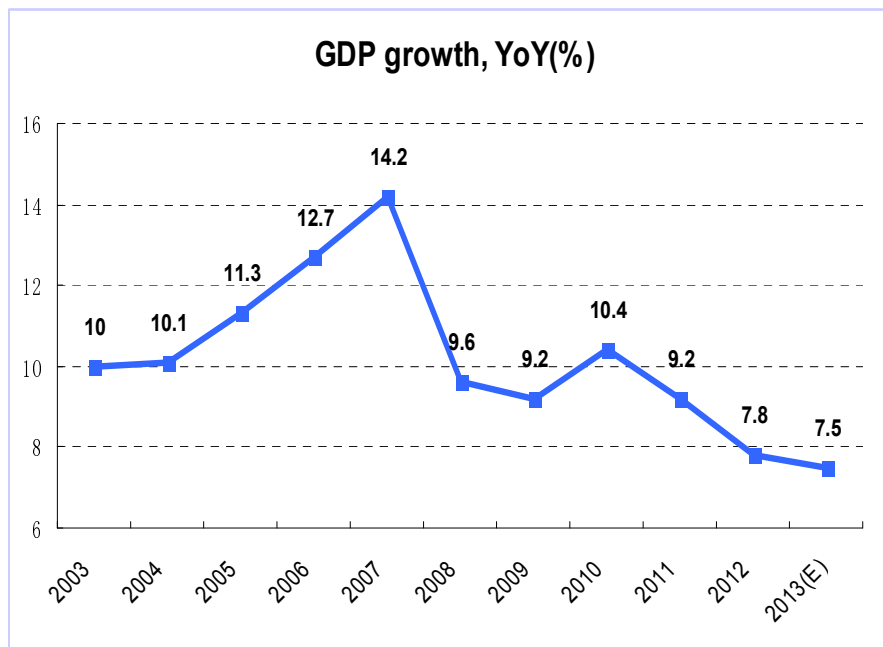
- Stock buyback was approved by the general shareholders' meeting in September. The company decided to use no more than 5 billion Yuan at price no more than 5 Yuan/share.
- The company has paid 2.96 billion Yuan to repurchase 0.625 billion stocks by the end of March 2013.

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➤ Macro Economy



Data source: wind

- GDP up 7.8% in 2012, down 1.4 pts YoY, macro economy growth continued to decrease.
- GDP growth target is 7.5% in 2013.

- CPI up 2.6% in 2012, down 2.8 pts YoY.
- Upward trend began since 4Q2012.

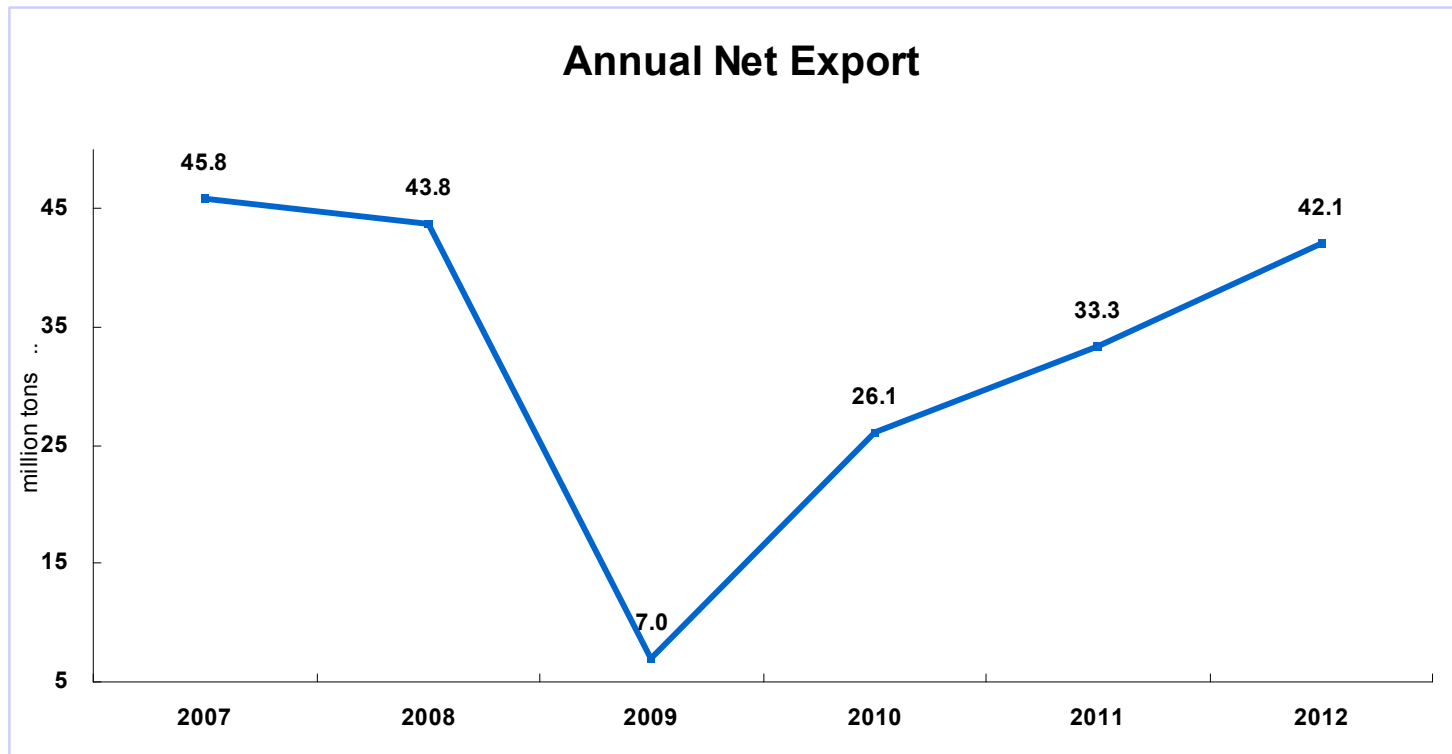
➤ Demand and Supply Analysis--Supply(Crude Steel)

Unit: million tons	2011	YoY	2012	YoY	2013E	YoY
Output	683	8.9%	717	4.9%	737	2.9%
Net export	35	29.6%	44	25.7%	38	-14.2%
Apparent Consumption	648	8.2%	673	3.9%	699	4.0%

Data resource: National Bureau of Statistics, MIIT, Customs statistic and company forecast

- Crude steel output still grew in 2012, while the growth rate slowed down.
- Crude steel output was 589 million tons from member steelmakers in CISA, down 0.6% YoY, and 127 million tons from others, up 24.8% YoY.
- FAI in steel industry was 658 billion Yuan, up 3% YoY. The growth rate was down 12.5 pts YoY.
- Output growth rate was expected a further decrease in 2013.

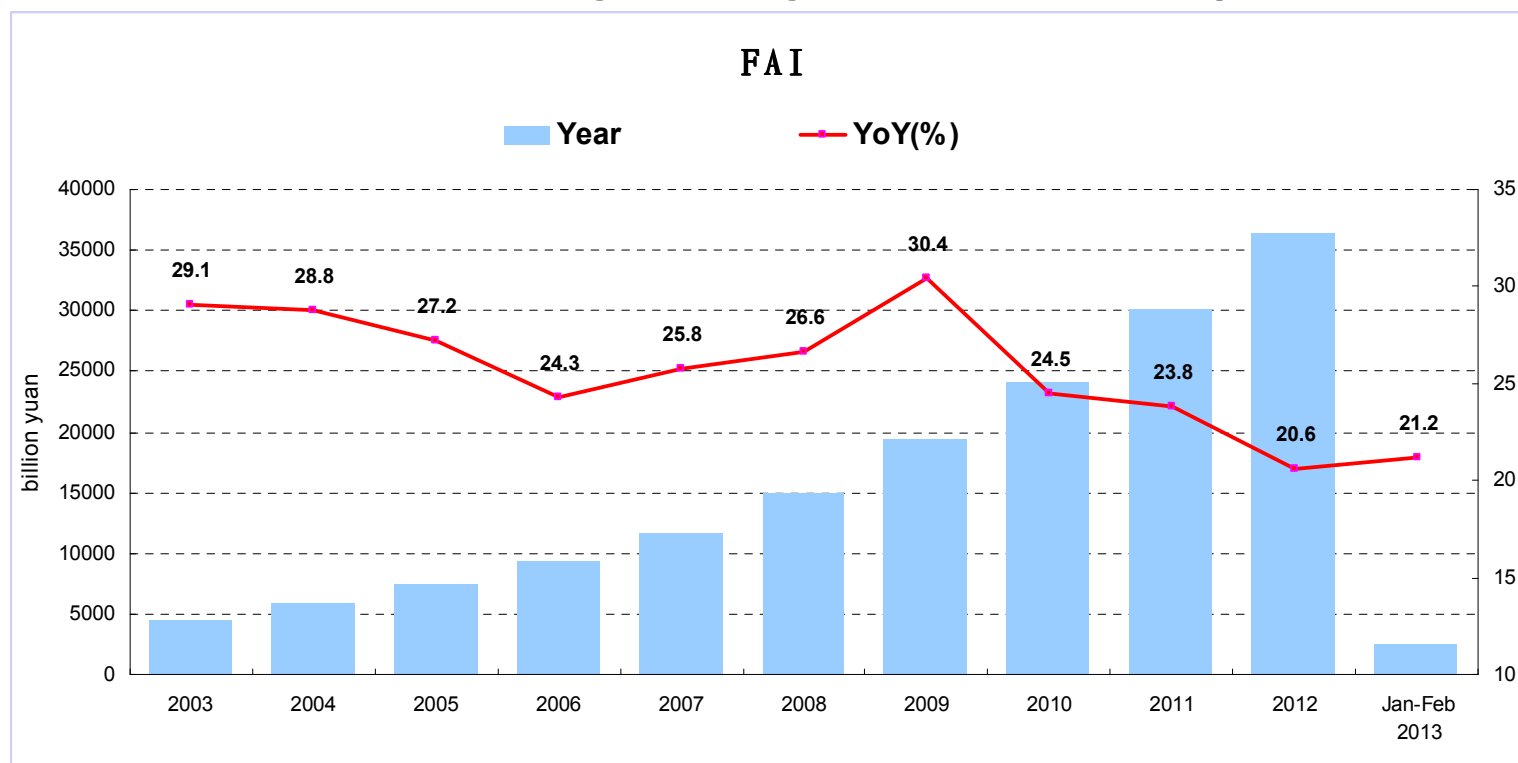
➤ Demand and Supply Analysis--Import & Export



Data resource: Customs statistic

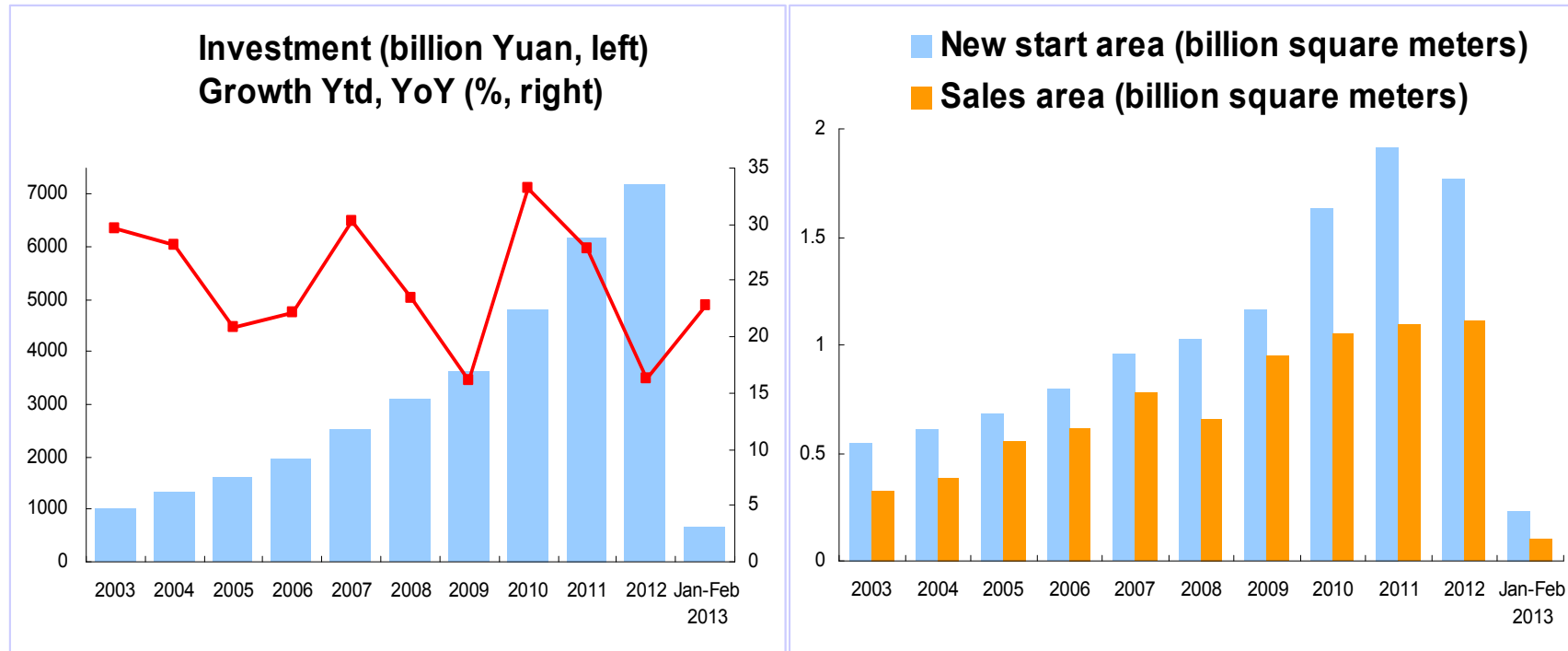
- Export 55.73 million tons, up 14% YoY. Import 13.66 million tons, down 12.3% YoY in 2012. Net export continued to increase.
- Export will face pressure due to trade frictions against steel products from China.

➤ Demand and Supply Analysis--Demand(Infrastructure)



- FAI 36.5 trillion Yuan in 2012, up 20.6% YoY, growth slowed down. Data source: wind
- Ministry of railways plans 530 billion Yuan FAI in 2013, exceeding 516 billion Yuan in 2012.
- Urbanization as a major driving force in FAI growth will bring investment of about 40 trillion Yuan.

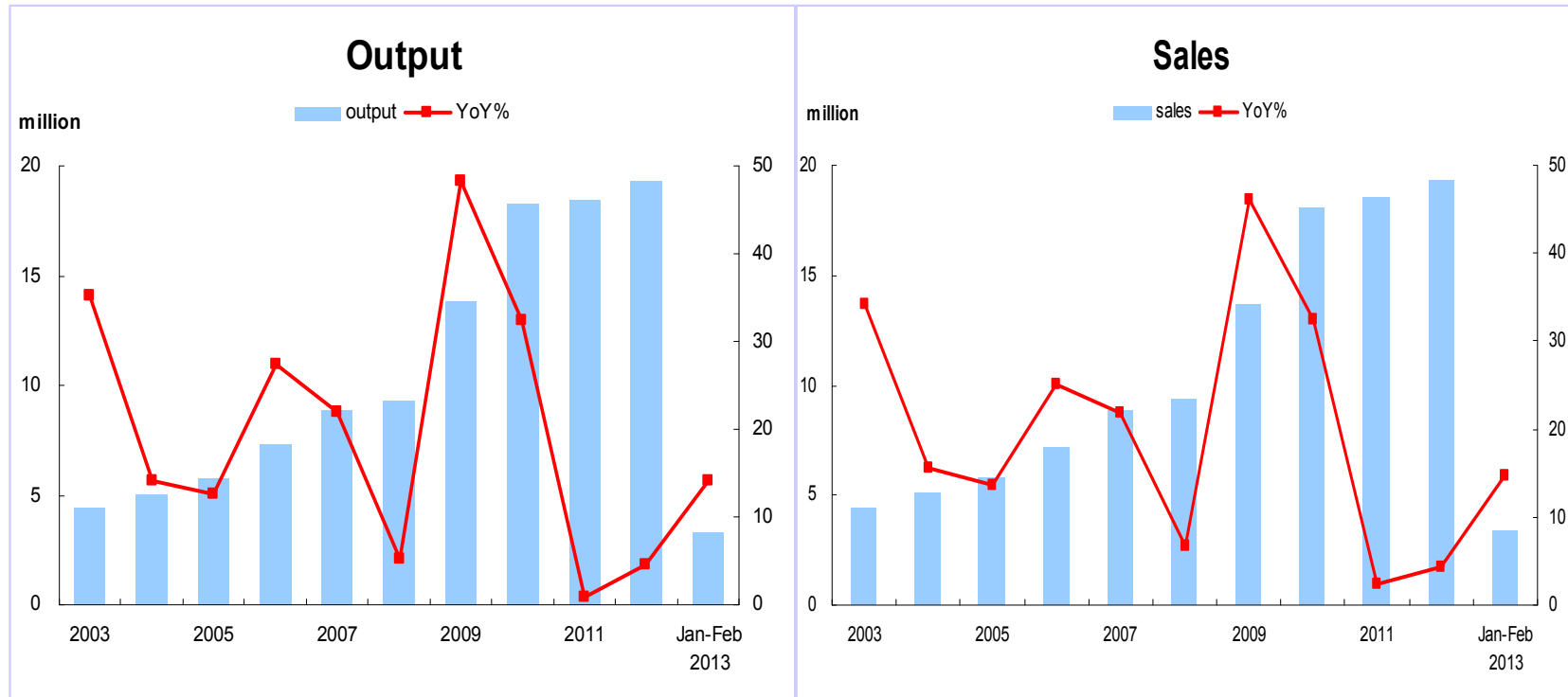
➤ Demand and Supply Analysis--Demand(Real Estate)



Data source: wind

- Investment up 16.2% YoY, new start area down 7.3% YoY, and sales area up 1.8% YoY in 2012.
- Industry began to rebound in the end of 2012, while the recent new control policy brings uncertainty.

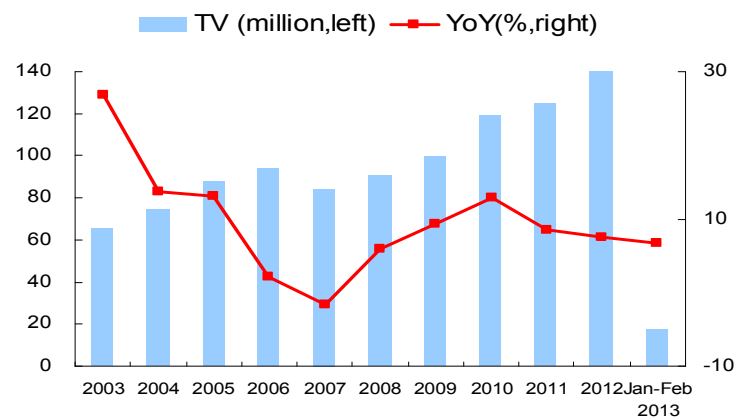
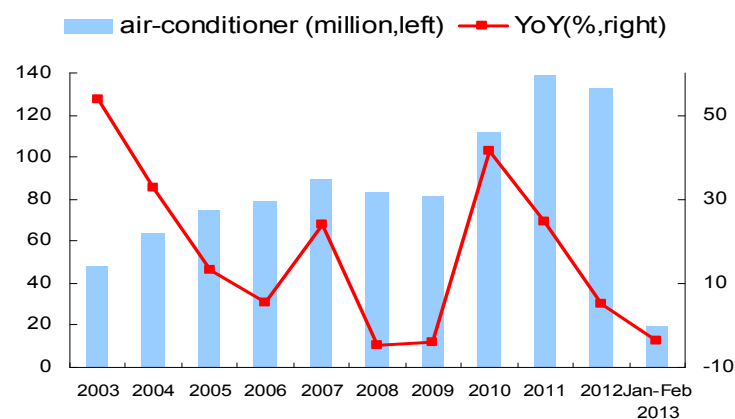
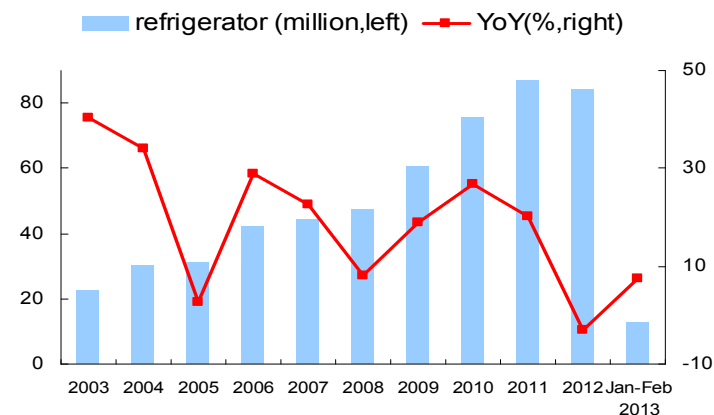
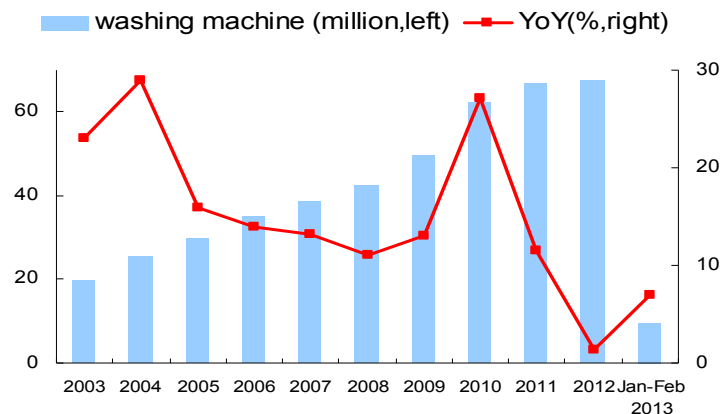
➤ Demand and Supply Analysis—Demand(Automobile)



Data source: wind

- Growth picked up from the low level of 2011.
- Japanese car sales decreased in 2012, while has improved since Dec 2012.
- Subsidy to energy-saving and new energy cars is expected in the near future.
- Growth rate is expected 8% in 2013.

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

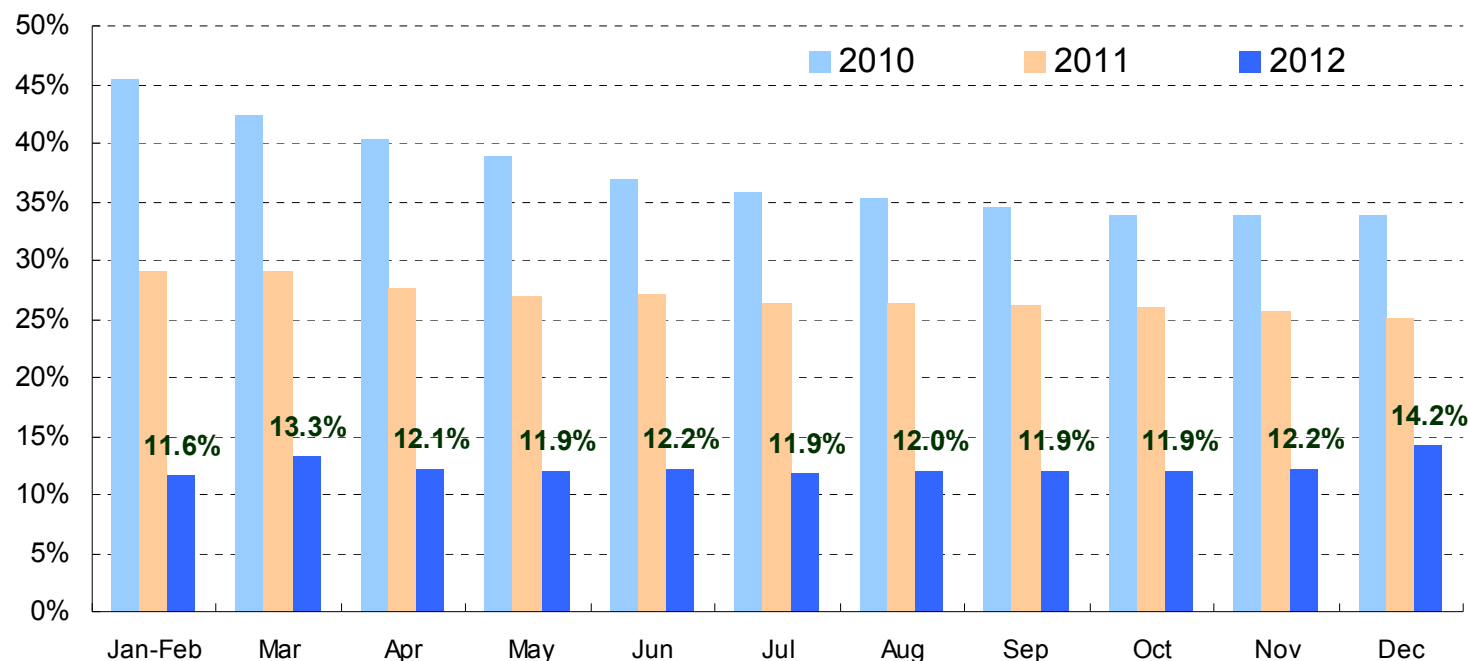


Data source: wind

- Main products output growth rate decreased in 2012.
- Overconsumption under stimulus policies peaked out .
- Demand is expected to improve and industry growth rate is expected 5% in 2013.

➤ Demand and Supply Analysis--Demand(Machinery)

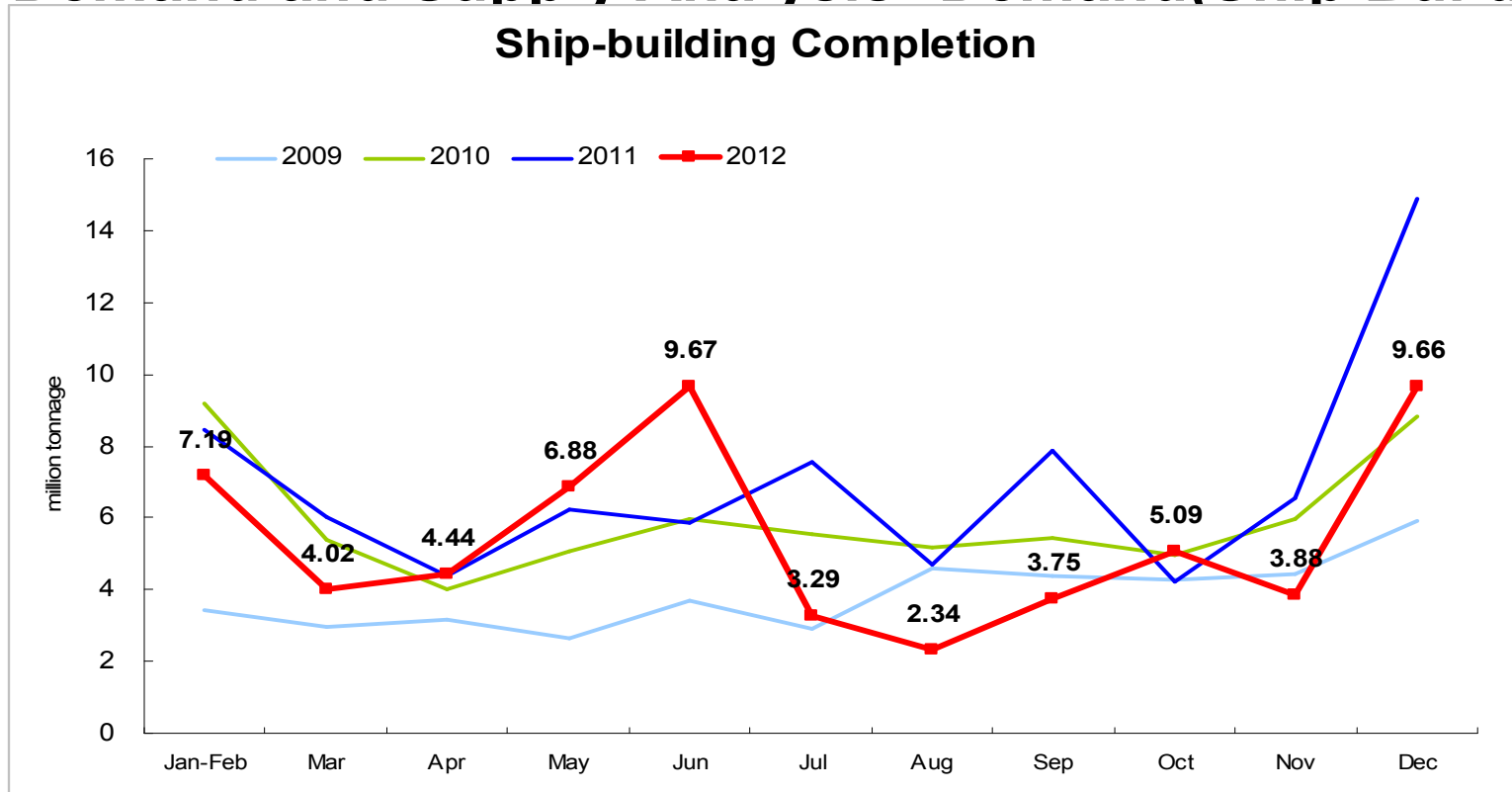
Machinery industry growth, YoY



Data source: CMIF

- Machinery industry was still in downward trend in 2012.
- In 2013, growth will pick up driven by related industries, like infrastructure, real estate and autos. The growth rate is expected 15%.
- In sub-industries: construction machinery is still depressed, railway equipment and agricultural machinery may improve.

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



Data source: CANSI

- Completion, new order and carrying order were :60, 20 and 110 million tonnages, down 21%, 44% and 29% YoY respectively in 2012.
- Industry is still depressed in 2013 and little chance of improvement in a short run.

➤ Steel Inventory

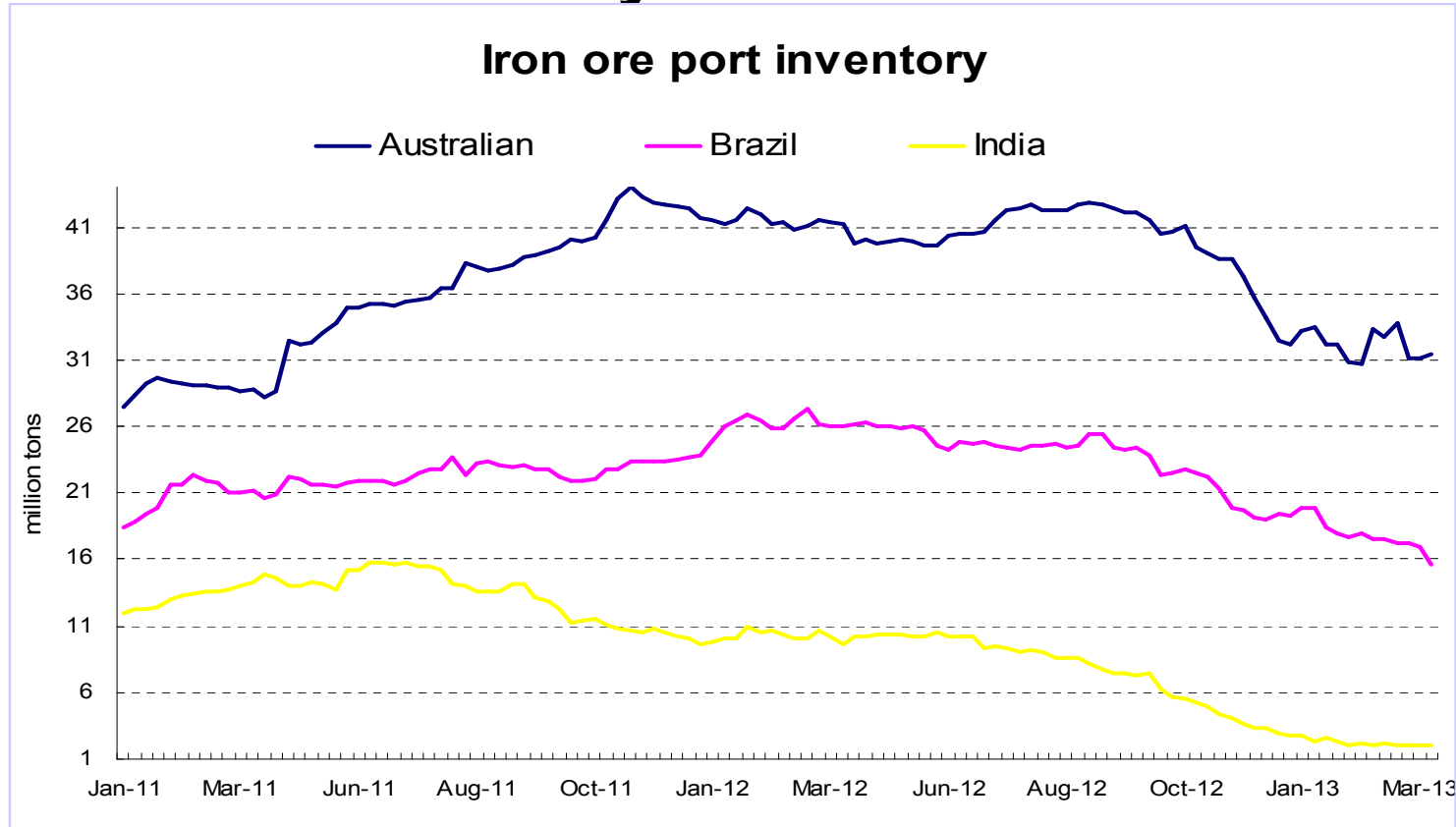
Unit: million tons	22 Mar	1 Mar	1 Feb	28 Dec	YoY	
	2013	2013	2013	2012	Change	%
Rebar	10.80	10.34	7.06	5.20	0.34	6.9%
Wire	3.21	3.16	1.77	1.23	0.11	9.7%
HRC	4.72	4.72	3.65	2.75	-1.28	-31.8%
CRC	1.69	1.71	1.53	1.54	0.05	3.2%
Plate	1.67	1.81	1.48	1.16	-0.23	-16.3%
Long product	14.01	13.51	8.83	6.43	0.45	7.5%
Flat product	8.07	8.24	6.66	5.45	-1.46	-21.2%
Total	22.08	21.75	15.49	11.88	-1.02	-7.9%

Data source: Mysteel

Note: range of social inventory statistics is expanded since 2013

- Year end inventory down 7.9% YoY.
- Inventory increased slowly before Feb 2013. There was a explosive inventory growth after the Spring Festival, with the release of steel output .
- Inventory growth slowed down after mid-March, great pressure of later destocking.

➤ Iron Ore Inventory

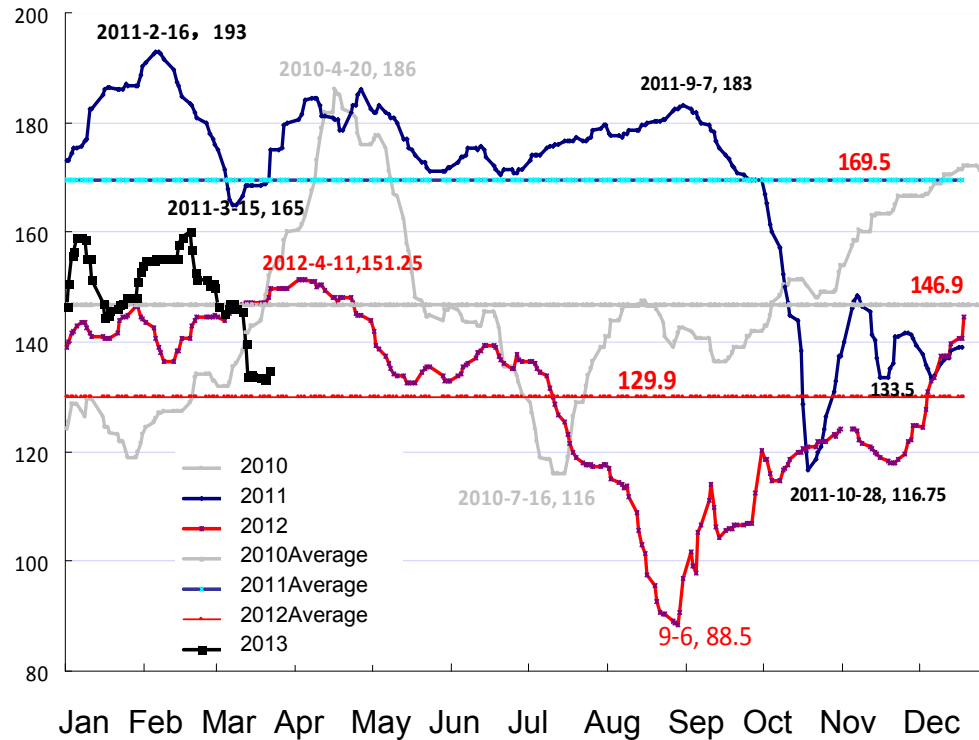


Data source: Mysteel

- Downward trend in iron ore port inventory, down 23.5% YoY.
- Inventory dropped below 90 million tons in Nov 2012 and now 67.92 million tons (29 Mar, 2013).

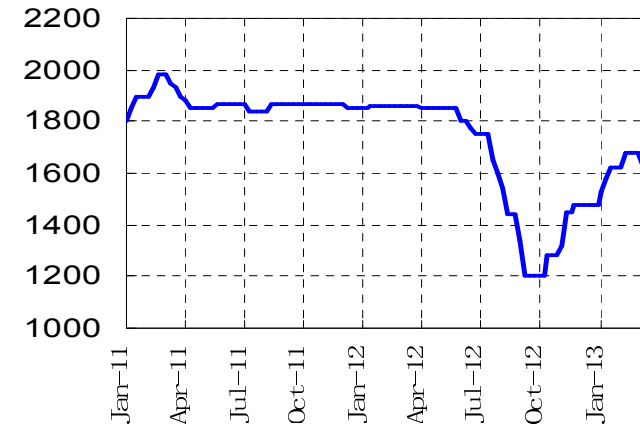
Raw Material Cost

Platts (62%Fe)

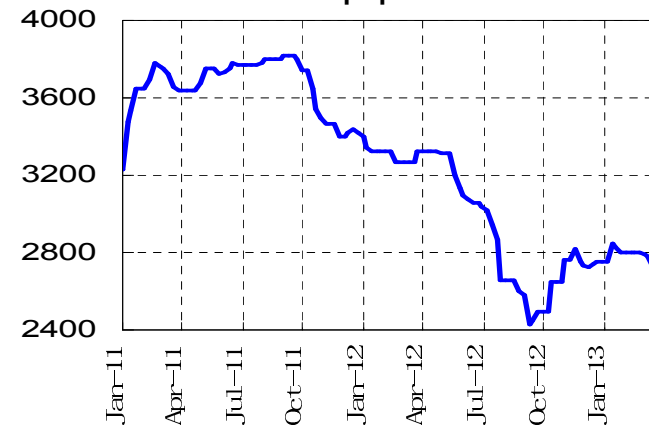


Coke price

Data source: Mysteel



Scrap price



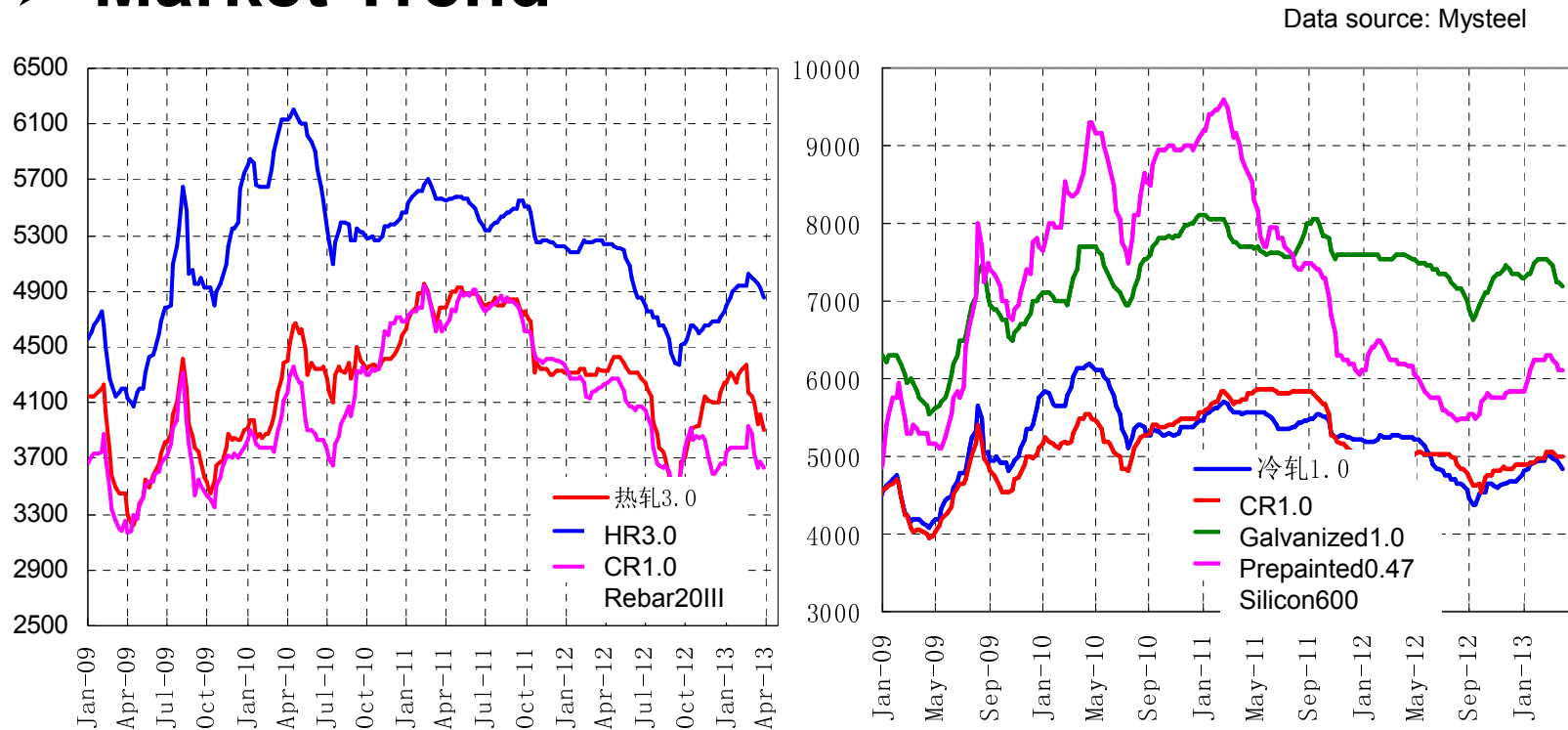
- Iron ore import 740 million tons in 2012, average price 128.6 USD/ton(Custom statistic), down 21% YoY.
- Iron ore output will be released gradually and change the supply-demand pattern.
- Iron ore price is expected downward.

➤ Steel Price

Unit: Yuan/ton	22 Mar	MoM%	YoY%	Average 2012	YoY%
HRC	4020	-3.8	-7.2	4117	-12.7
CRC	4930	-1.8	-6.3	4888	-10.6
Plate	3990	-2.9	-10.1	4007	-16.6
Wire	3490	-5.2	-15.9	3830	-18.5
Rebar	3680	-6.4	-12.8	3954	-15.9

Data source: Mysteel

➤ Market Trend



- Due to economy slow down and weak demand, steel price depressed in 2012. After a continuing sharp decrease from April to June, steel price even dropped close to the level during financial crisis.
- Sales margin of median and large size steel makers was only 0.04% in 2012. Industry lost money during most time of the year and 29% steel makers lost money in 2012.
- Steel industry profit is expected to maintain depressed.

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➤ 2013 Company Outlook

2013 Plan

- Production: iron -21.49 million tons, steel-22.56 million tons;
- Sales: 22.26 million tons;
- Total revenue: 171.5 billion Yuan;
- Cost: 155.9 billion Yuan.

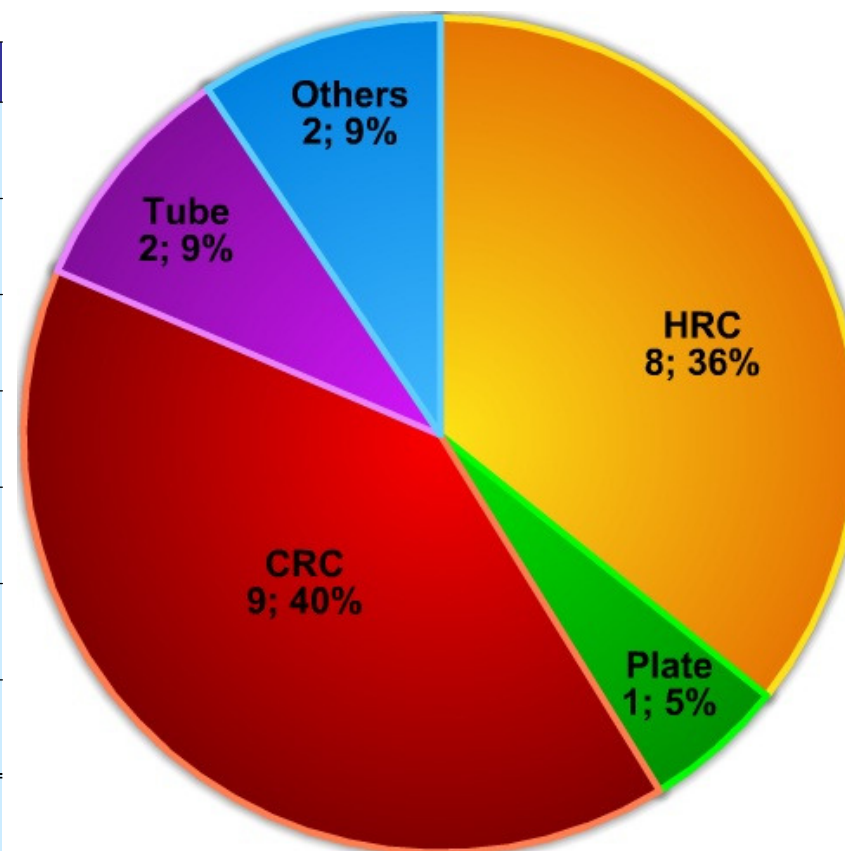
Highlights

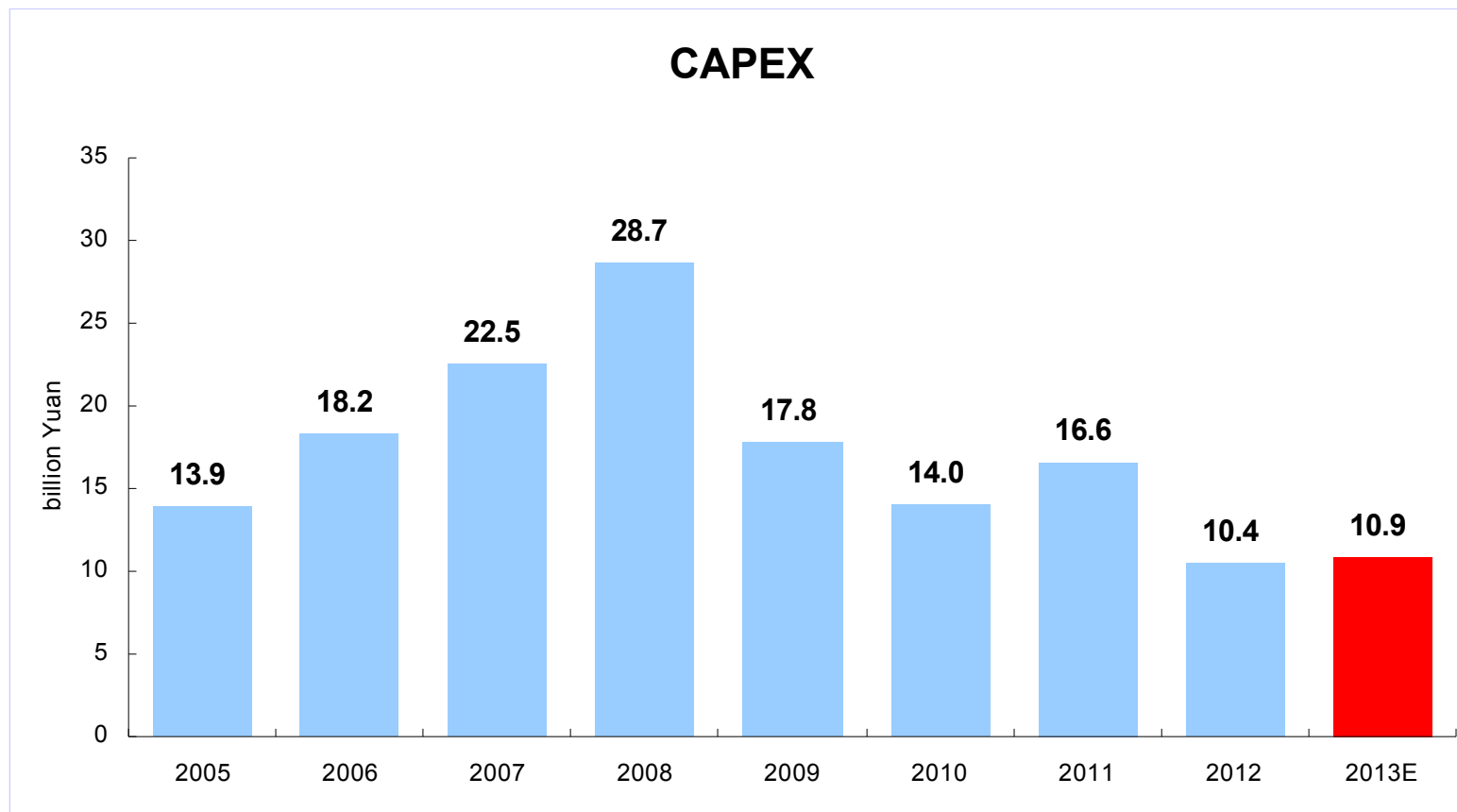
- Strengthen security management;
- Promote customer oriented marketing;
- Upgrade products mix;
- Promote contribution of innovation;
- Zhanjiang Project construction;
- Increase labor force efficiency;
- Increase utilization efficiency of energy and resources.

- General operating target: sales revenue 171.5 billion Yuan; Number One and Only One products sales 11.3 million tons ; cost control down 10% YoY; maintain outperformance in the sector.

➤ 2013 Planned Sales Volume

Unit: million tons	2012	%	2013E	%
HRC	8.02	34%	7.95	36%
Plate	1.85	8%	1.22	5%
CRC	9.43	40%	8.96	40%
Tube	1.50	6%	2.03	9%
Others	1.96	8%	2.10	9%
Stainless steel	0.62	3%	-	-
Special steel	0.20	1%	-	-
Total	23.57	100%	22.26	100%





- Company CAPEX is planned 10.9 billion Yuan in 2013(Zhanjiang project excluded).
- Including: oriented silicon steel 2nd phase project; new refining facility in steel making mill; product mix optimization of steel pipes business unit etc.

Thanks!