



# **1Q2012 Results**

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

**May 2012**



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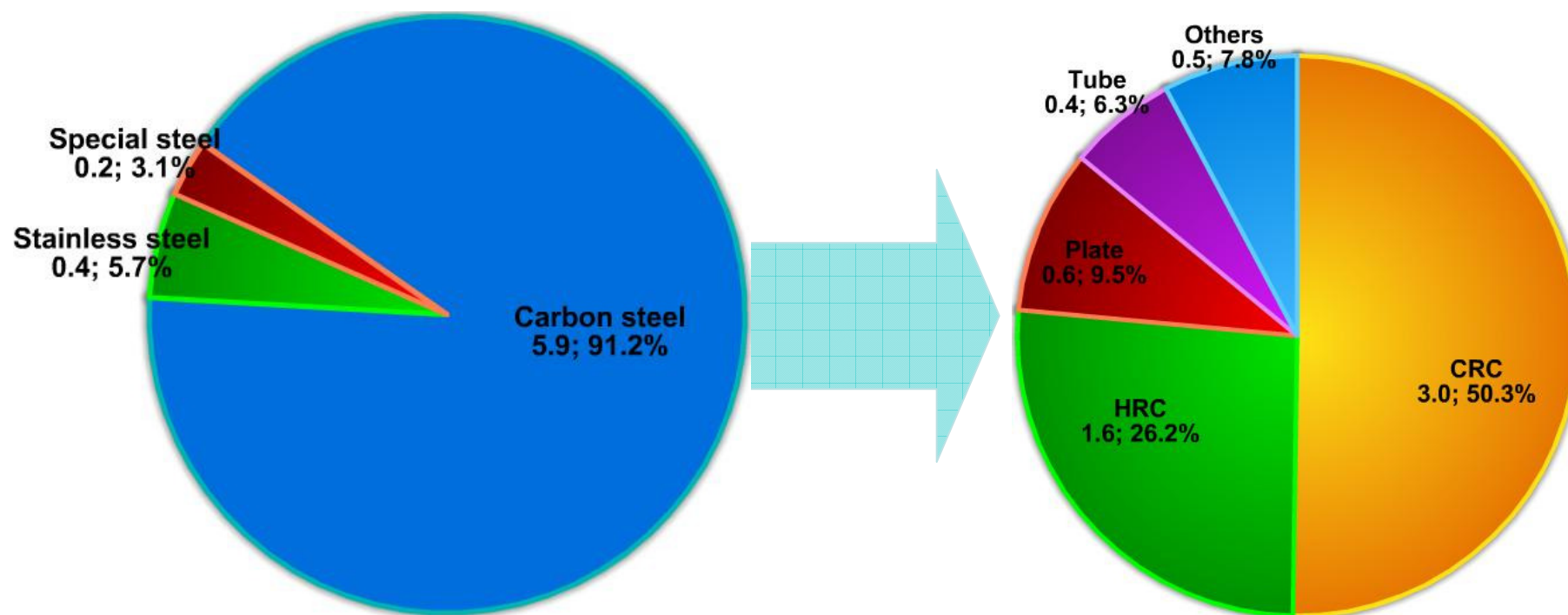
## I. Operation Results

## II. Industry Dynamics

## Production and Sales

unit: million tons	1Q2011	4Q2011	1Q2012	YoY	QoQ
<b>Crude steel output</b>	<b>6.60</b>	<b>6.42</b>	<b>6.37</b>	<b>-3.5%</b>	<b>-0.8%</b>
<b>Sales of finished products</b>	<b>6.28</b>	<b>6.43</b>	<b>6.36</b>	<b>1.3%</b>	<b>-1.1%</b>
including: domestic	<b>5.73</b>	<b>5.75</b>	<b>5.86</b>	<b>2.3%</b>	<b>1.9%</b>
export	<b>0.55</b>	<b>0.68</b>	<b>0.51</b>	<b>-7.3%</b>	<b>-25.0%</b>

# Sales Breakdown of Finished Products



Note: BNA included, unit: million tons

## Income Statement Summary

unit: billion Yuan	1Q2011	4Q2011	1Q2012	YoY	QoQ
Revenue	54.0	55.5	47.4	-12.2%	-14.6%
Cost	50.0	55.1	46.5	-7.1%	-15.7%
Gross profit	6.0	5.9	3.6		
<b>Gross margin %</b>	<b>11.2</b>	<b>10.6</b>	<b>7.6</b>	<b>↓ 3.6 pts</b>	<b>↓ 3.0 pts</b>
Operating profit	4.2	0.8	1.2		
<b>Operating margin %</b>	<b>7.7</b>	<b>1.4</b>	<b>2.5</b>	<b>↓ 5.2 pts</b>	<b>↑ 1.1 pts</b>
Net profit	3.1	1.0	1.2		
<b>Net profit margin %</b>	<b>5.7</b>	<b>1.9</b>	<b>2.6</b>	<b>↓ 3.1 pts</b>	<b>↑ 0.7 pts</b>

## Gross Profit--Products

unit: million tons billion Yuan	Sales	Revenue	YoY	Cost	YoY	Gross margin	YoY
CRC	2.5	13.9	-8.4%	12.6	1.3%	9.2%	↓ 8.7 pts
HRC	1.9	8.2	-13.9%	7.3	-8.1%	10.3%	↓ 5.6 pts
Heavy plate	0.6	2.6	-2.3%	2.8	-4.8%	-9.2%	↑ 2.9 pts
Tube	0.4	2.7	5.2%	2.4	-0.7%	9.5%	↑ 5.4 pts
Stainless steel	0.4	4.0	-14.3%	4.1	-9.5%	-2.5%	↓ 5.4 pts
Special steel	0.2	2.3	-27.7%	2.4	-23.9%	-6.1%	↓ 5.4 pts
Others	0.5	2.0	-5.2%	2.1	2.3%	-5.4%	↓ 7.7 pts
<b>Total</b>	<b>6.4</b>	<b>35.6</b>	<b>-10.5%</b>	<b>33.8</b>	<b>-5.0%</b>	<b>5.0%</b>	<b>↓ 5.5 pts</b>

## Financial Highlights

unit: Yuan	1Q2011	4Q2011	1Q2012	YoY	QoQ
EPS	0.18	0.06	0.07	-61.1%	16.7%
BVPS	6.16	6.08	6.15	-0.2%	1.2%
Net CFO per share	0.15	0.36	0.40	166.7%	11.1%
Gross margin%	11.18	10.52	7.52	↓ 3.66 pts	↓ 3.00 pts
ROE(weighted)%	2.89	0.98	1.14	↓ 1.75 pts	↑ 0.16 pts



## Solvency and Liquidity

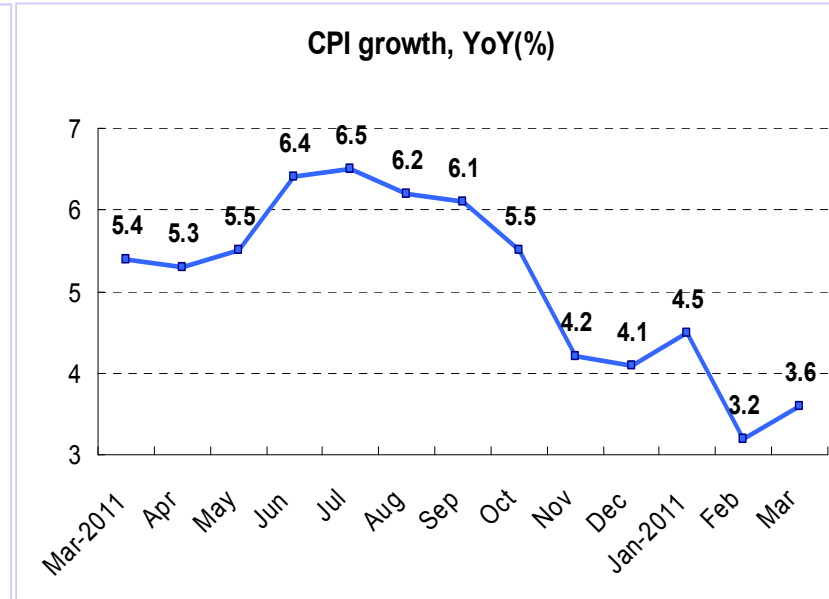
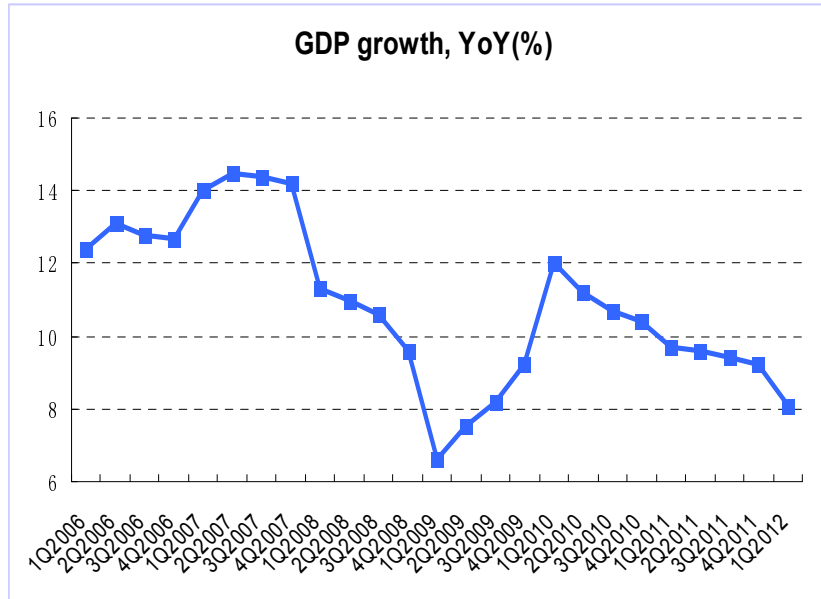
Financial index		unit	2011-12-31	2012-3-31	Chg
Solvency	Total debts/ total assets	%	51.0	52.6	↑ 1.6 pts
	Current ratio		0.9	0.8	-11.1%
	Quick ratio		0.5	0.5	0

Financial index		unit	2011	1Q2012	Chg
Liquidity	Days of receivables	day	9	17	88.9%
	Days of inventories	day	74	82	10.8%
	Cash conversion cycle	day	51	61	19.6%

# I. Operation Results

## II. Industry Dynamics

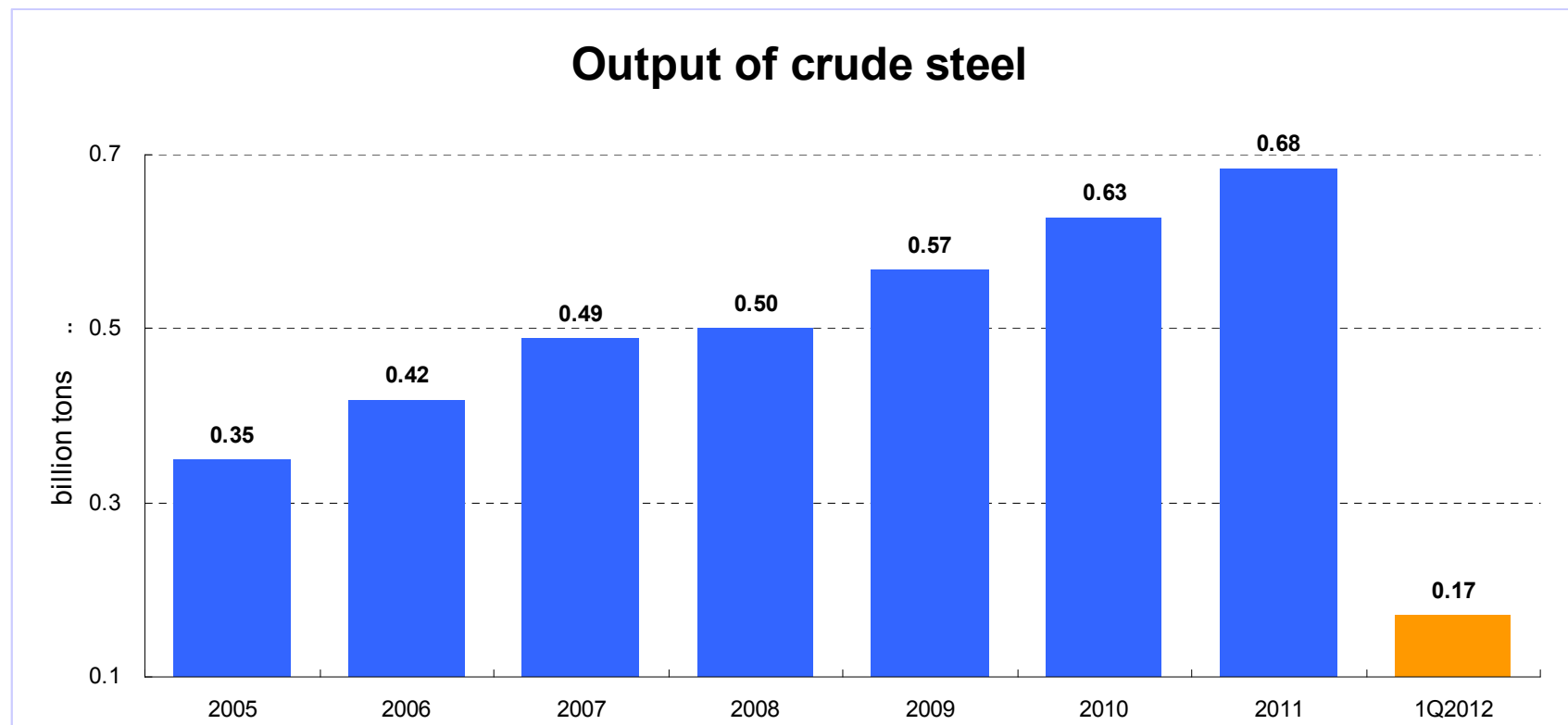
## Domestic Economy



Data source: wind

- GDP up 8.1% YoY, up 1.8% MoM in Q1.
- GDP growth rate was lower than expected, reaching the lowest level since 2Q2009.
- GDP was higher than annual target, economy is expected to grow steadily.
- CPI up 3.6% YoY, up 0.2% MoM in March.
- CPI was a little higher than expected, but inflation growth was stable and expected downward trend.

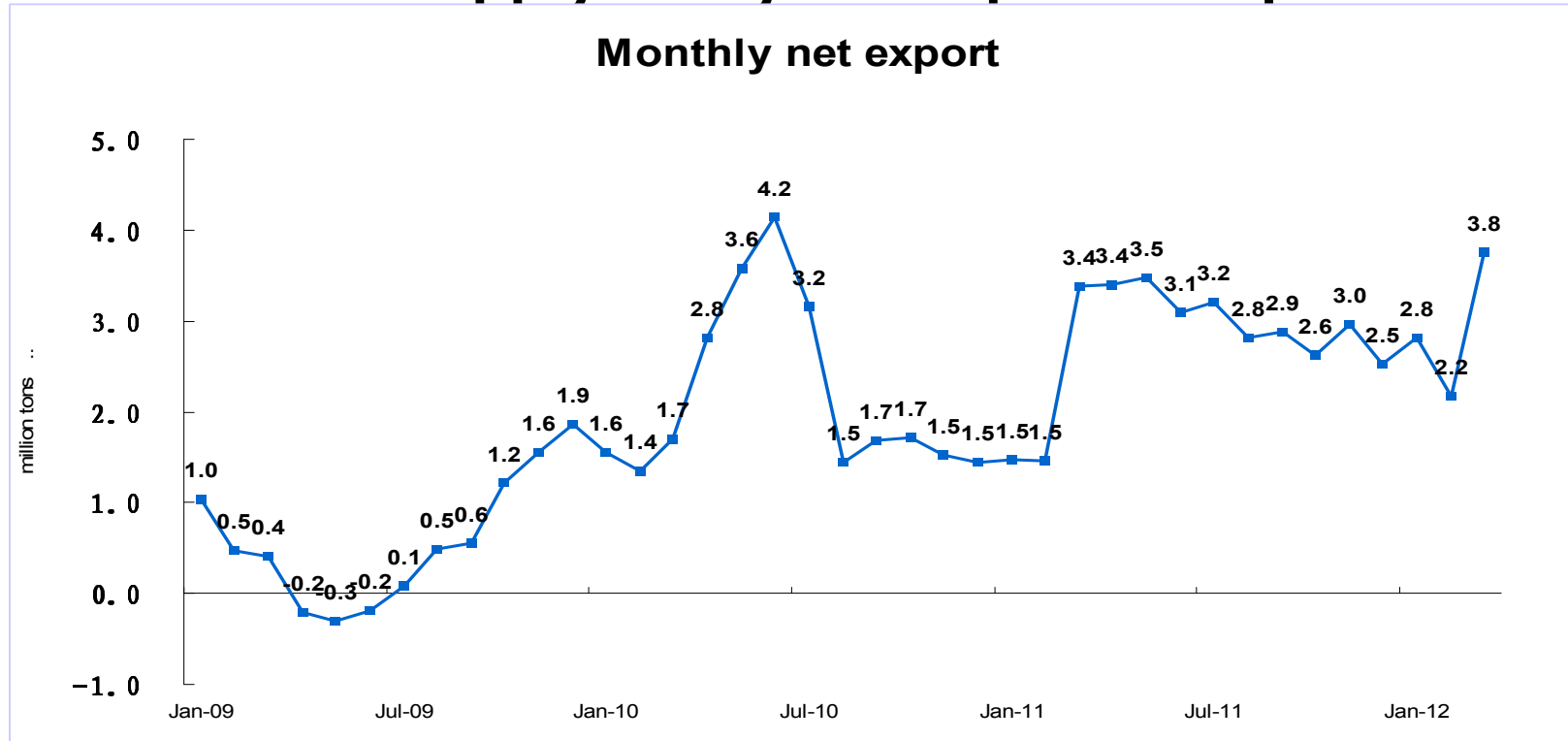
## Demand and Supply Analysis--Supply



Data source: wind

- Output was 0.17 billion tons in Q1, up 2.5% YoY.
- Daily output was 1.99 million tons in March, reaching the second highest level in the history.

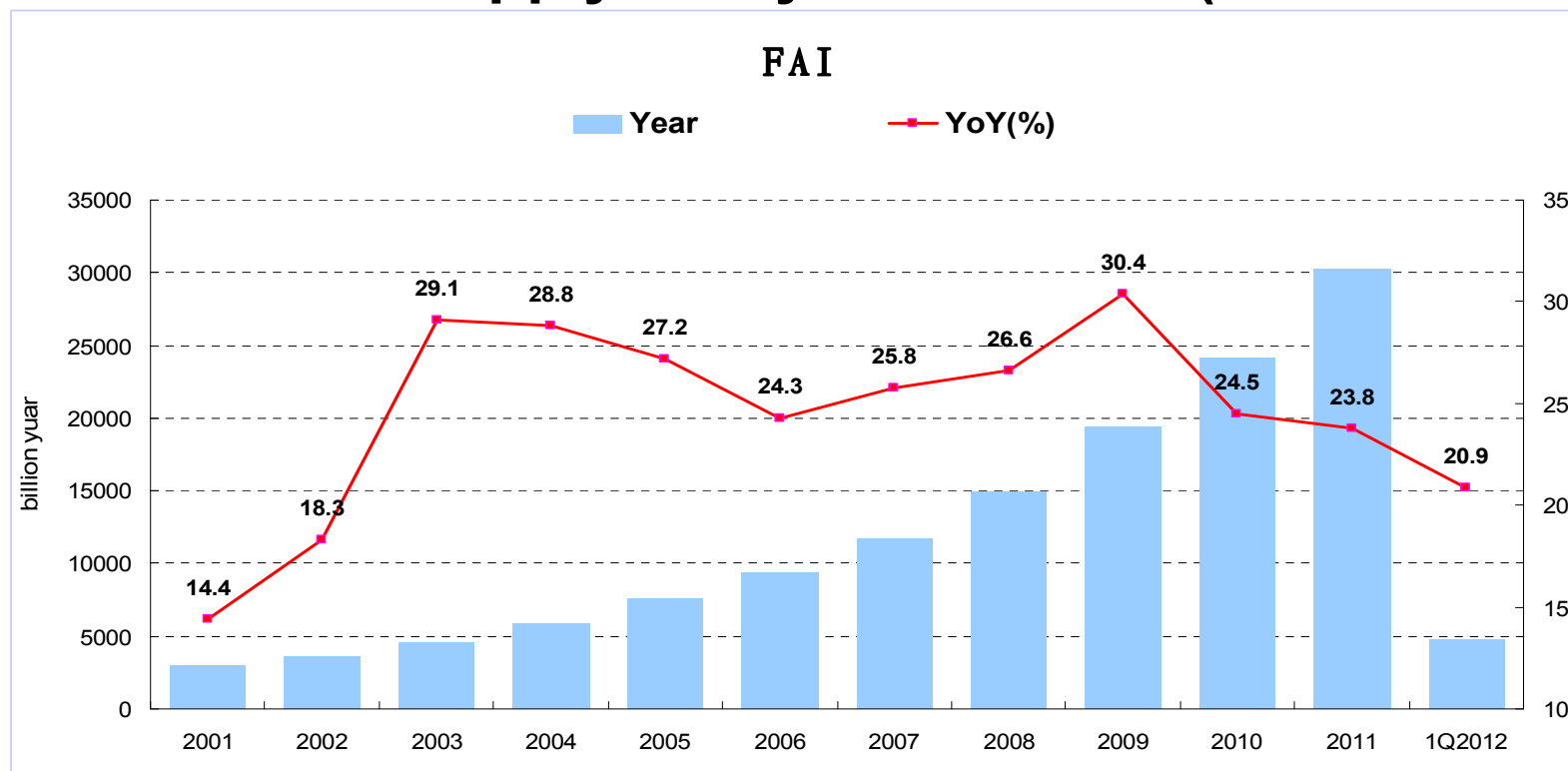
## Demand and Supply Analysis--Import & Export



Data source: wind

- Export 12 million tons in Q1, up 15.8% YoY.
- Net export was 8.7 million tons in Q1, up 38% YoY.
- Net export is expected 35 million tons in 2012.

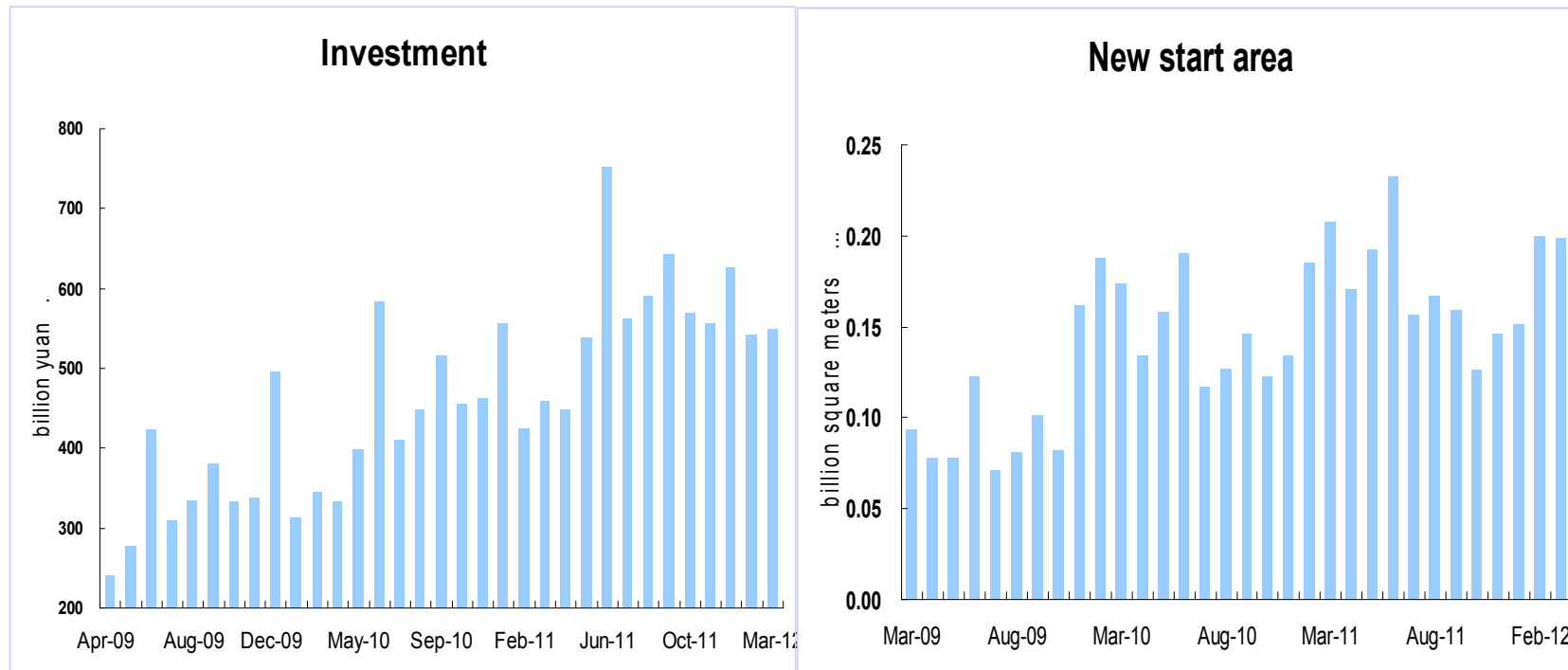
## Demand and Supply Analysis--Demand(Infrastructure)



Data source: wind

- FAI was 4.8 trillion Yuan in Q1, up 20.9% YoY, growth rate was slowing down.

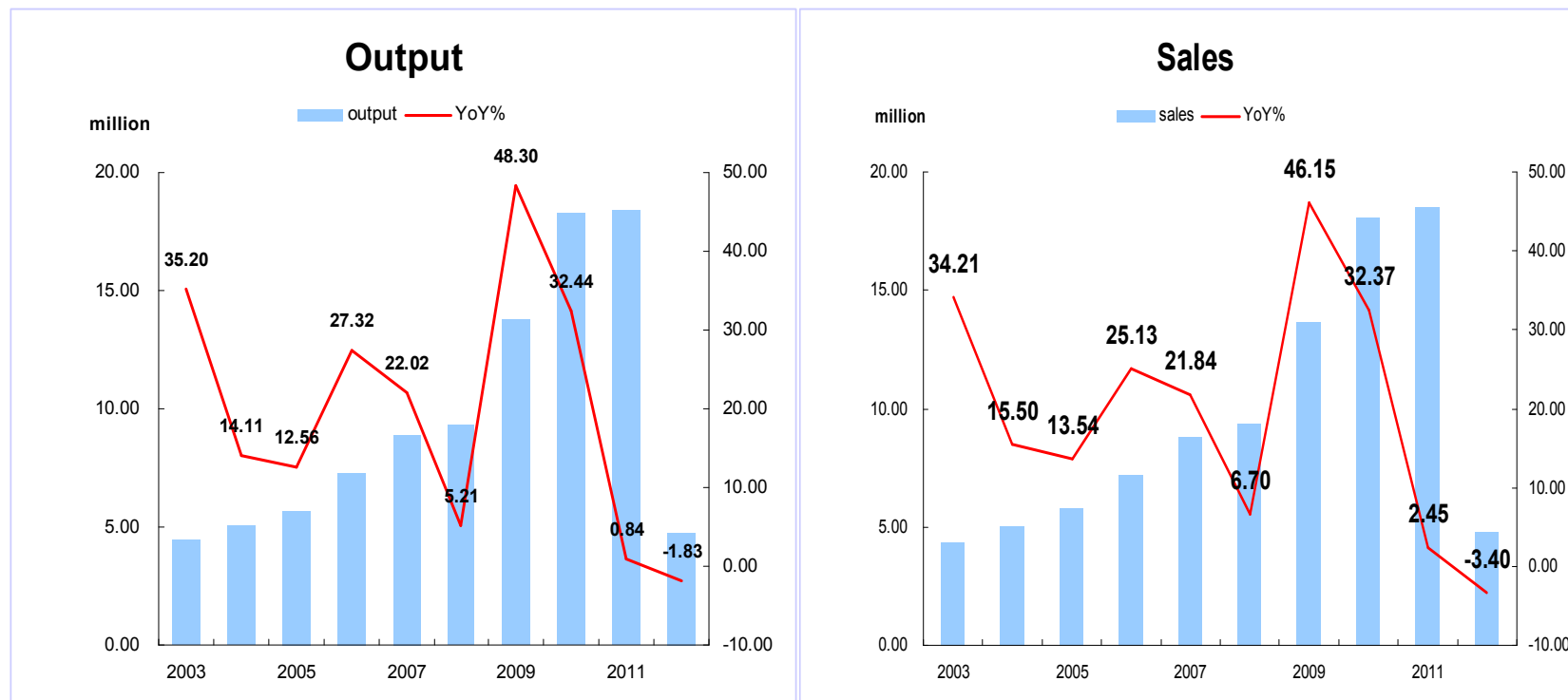
## Demand and Supply Analysis--Demand(Real Estate )



Data source: wind

- Investment in real estate was 1 trillion Yuan in Q1, up 23.5% YoY, growth rate down 11 pts YoY.
- New start area 400 million square meters, up 0.3% YoY, growth rate down 23 pts YoY.

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

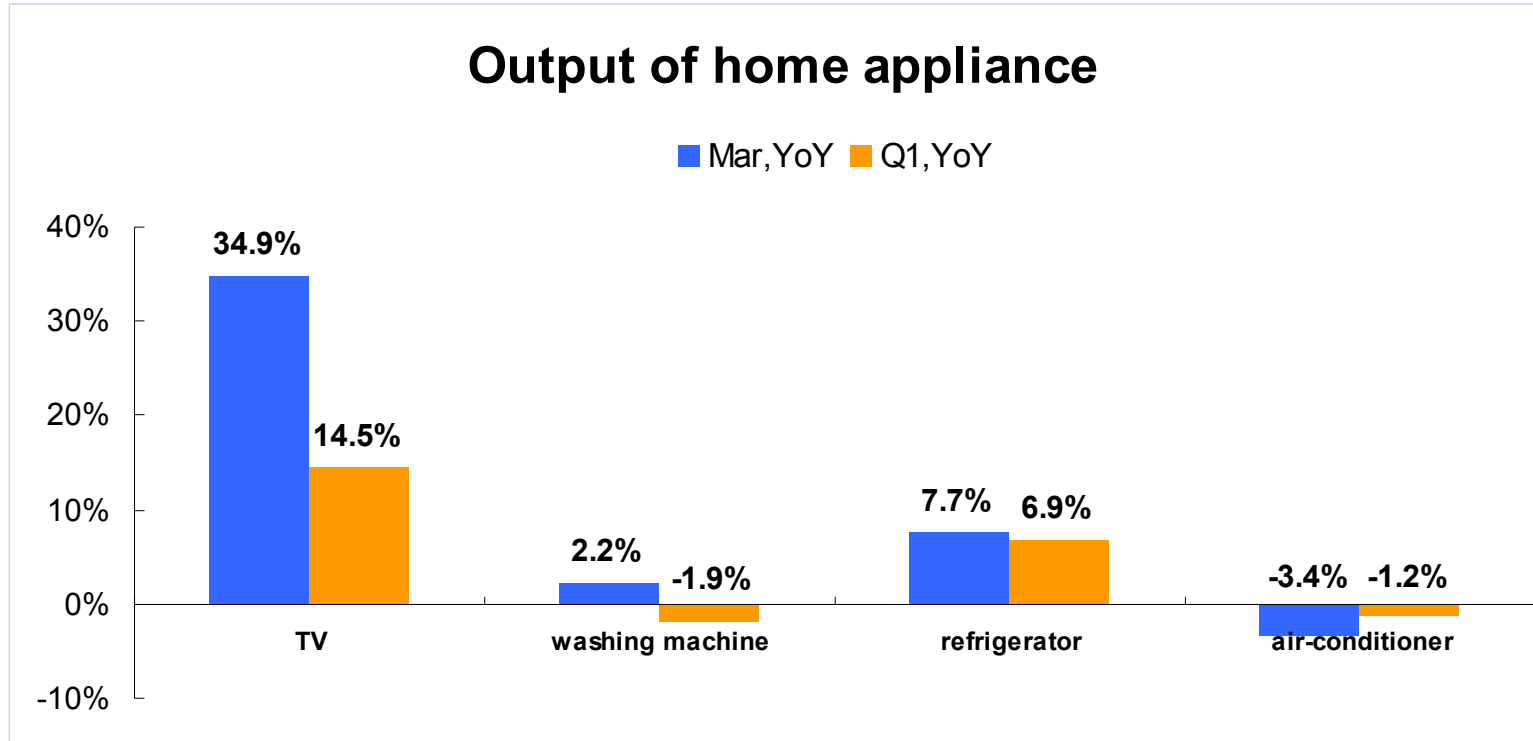


Data source: wind

- Output and sales were 4.78 and 4.79 million sets respectively in Q1, down 1.8% and 3.4% YoY.
- Downward trend in growth rate.



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

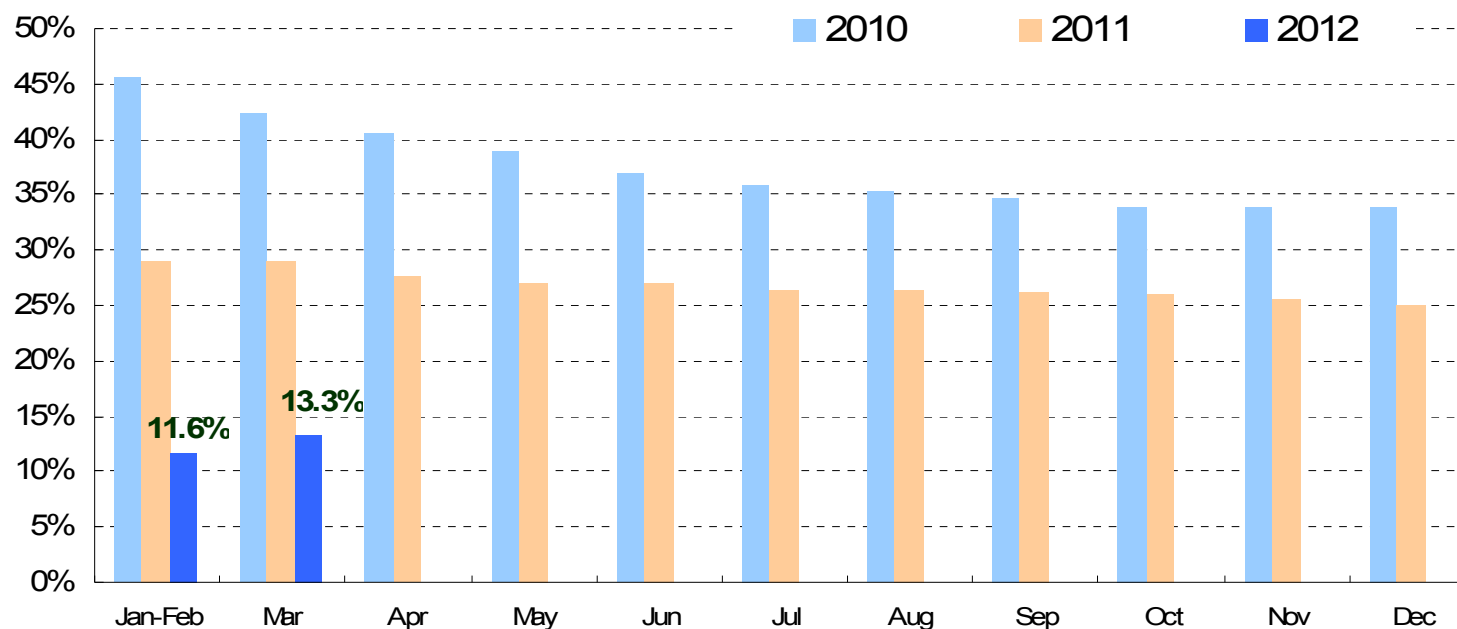


Data source: wind

- Output of TV increased fast while washing machine and air-conditioner decreased in Q1.
- The industry was influenced by the expiration of subsidy policy, especially air-conditioner.

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

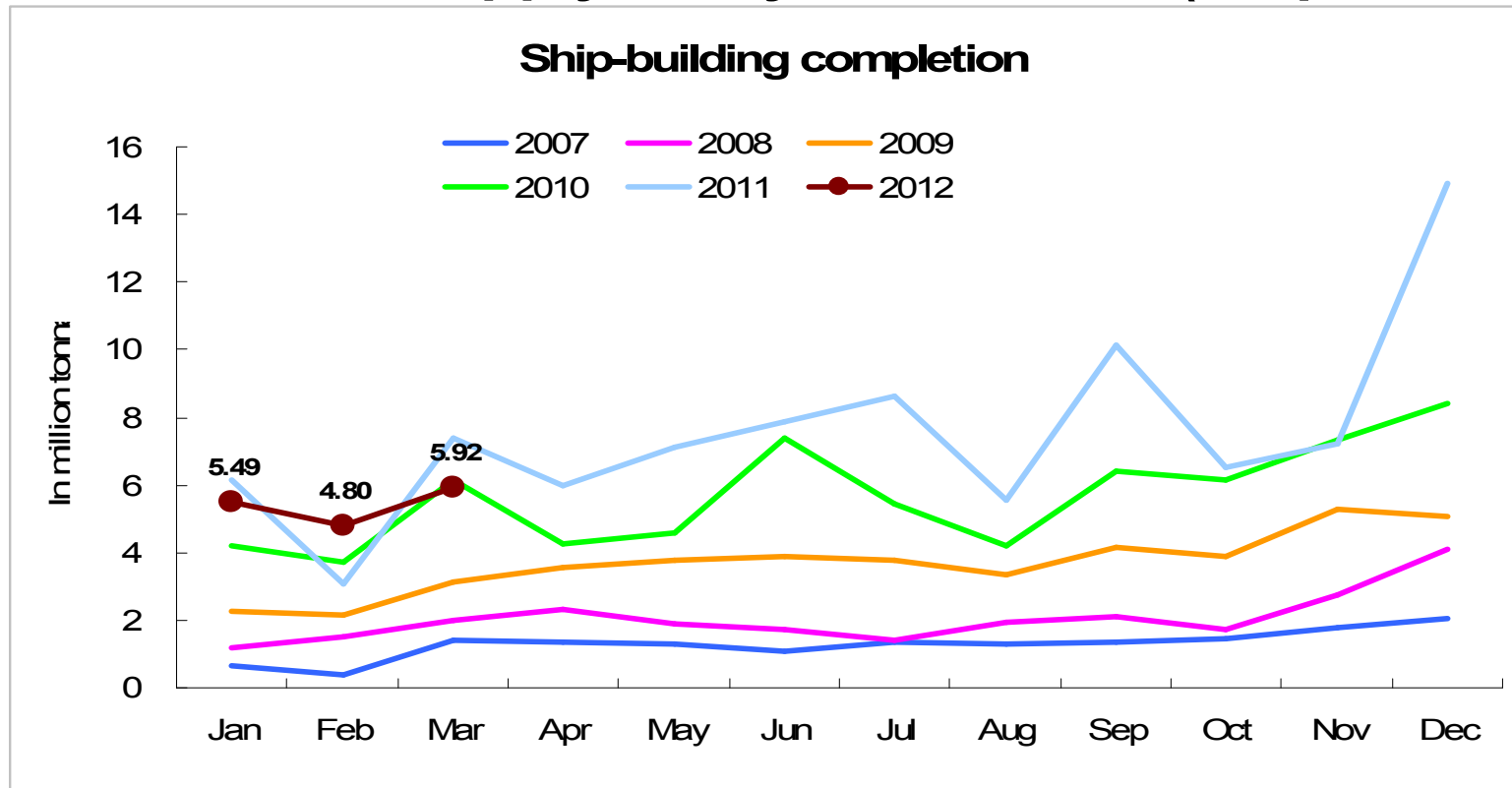
Machinery industry growth, YoY



Data source: CMIF

- Industrial output up 13.3% YoY in Q1, growth rate down 16 pts YoY.
- Downward trend was as expected.

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



Data source: wind

- Domestic ship building industry still suffered from the continuing depression in global shipping market.
- Completion, new order and carrying order down 23%, 49% and 25% YoY respectively in Q1.

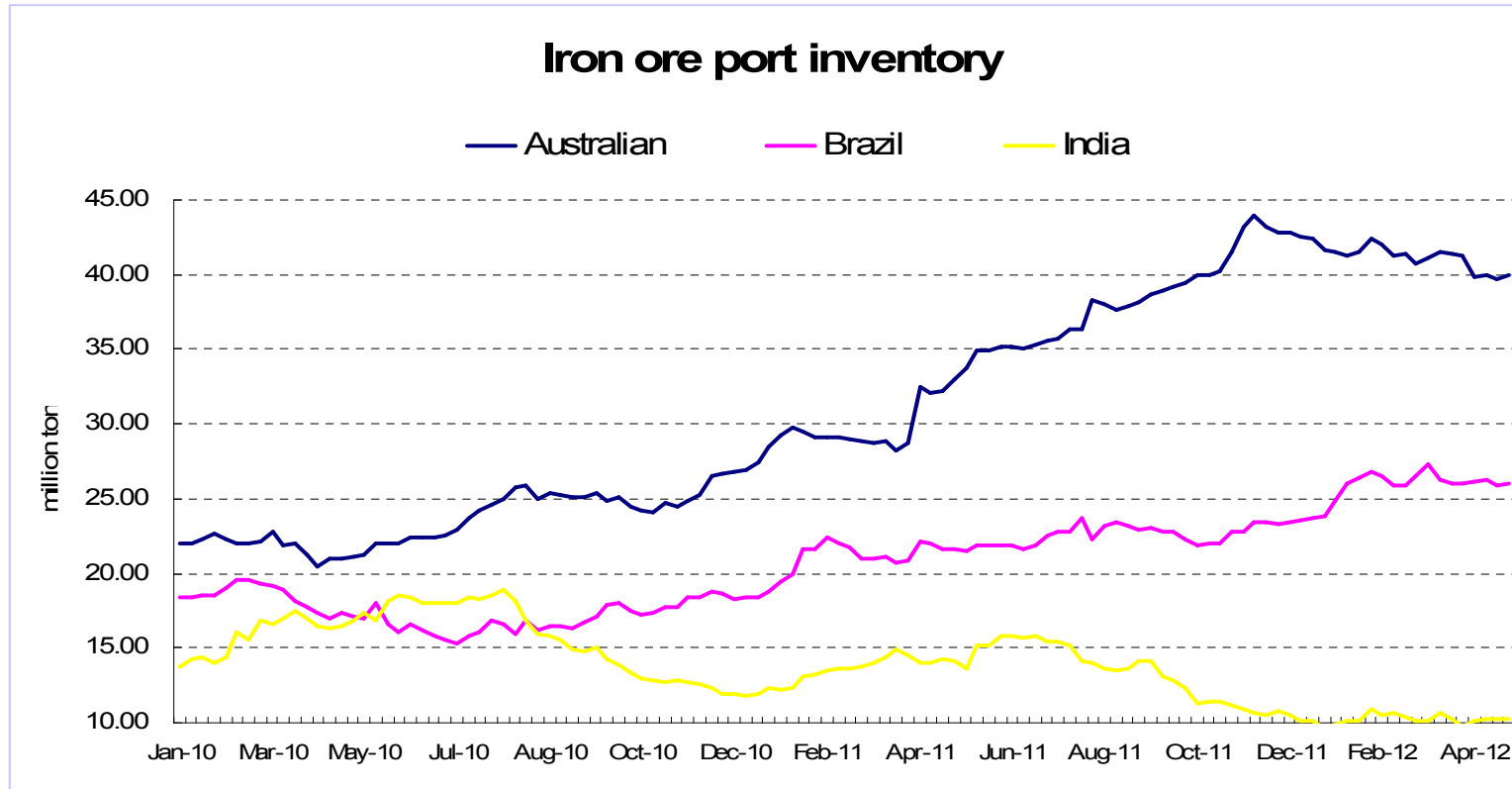
## Steel Inventory

unit: Million tons	1-29	2-24	3-30	5-4	YoY	
					Chg in volumn	%
Rebar	6.7	8.5	8.1	7.4	1.3	21.3%
Wire	1.8	2.5	2.2	2.0	0.3	15.5%
HRC	4.3	4.7	4.4	4.0	-0.4	-9.7%
CRC	1.6	1.7	1.7	1.7	0.1	3.8%
Plate	1.5	1.6	1.5	1.6	0.1	5.5%
Long product	8.4	11.0	10.3	9.4	1.6	20.0%
Flat product	7.4	8.0	7.6	7.2	-0.3	-3.8%
<b>Total</b>	<b>15.8</b>	<b>18.9</b>	<b>17.9</b>	<b>16.6</b>	<b>1.3</b>	<b>8.3%</b>

Data source: Mysteel

- Inventory climbed to historical peak in February, mostly long product.
- Daily output exceeded 2 million tons in April and demand recovery was slow, which resulted in the slow decrease in steel inventory.

## Raw Material Inventory

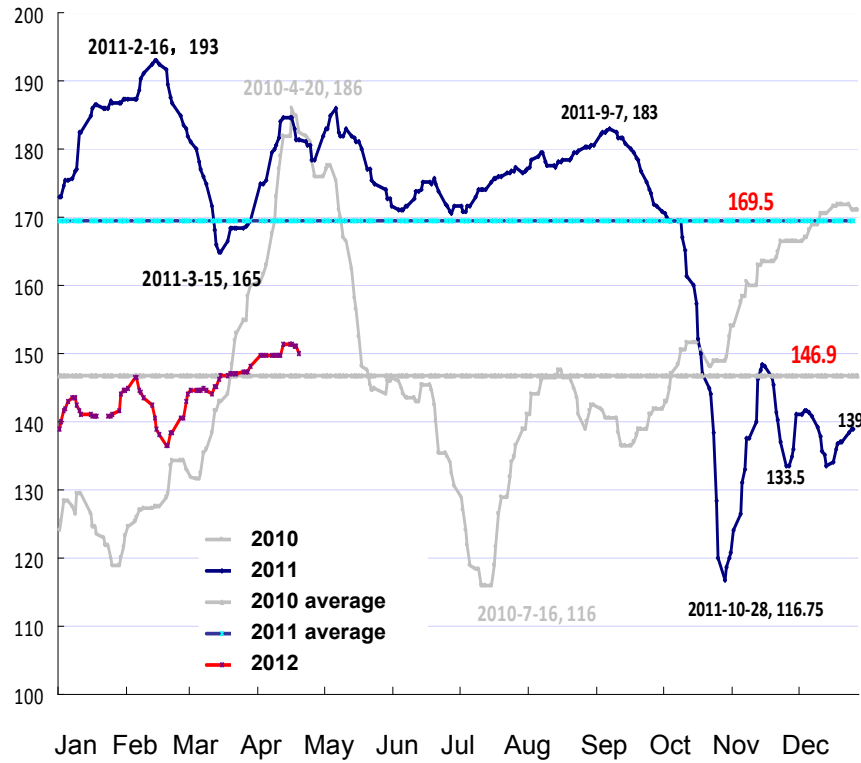


Data source: Mysteel

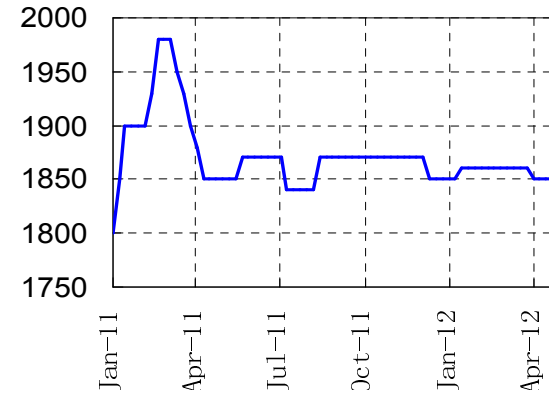
- Iron ore port inventory decreased after exceeding 100 million tons in February.
- The domestic main ports inventory was about 97 million tons by 4th May.

# Raw Material Cost

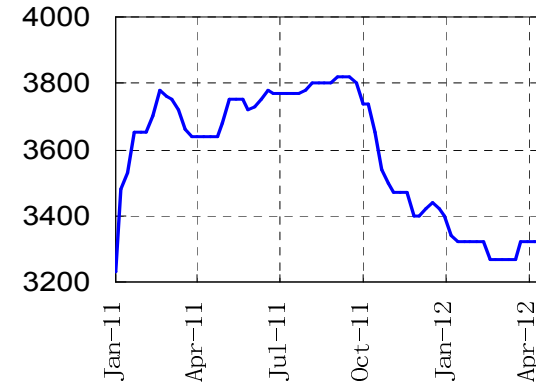
## Platts(62%Fe)



## Coke price



## Scrap price



Data source: Mysteel

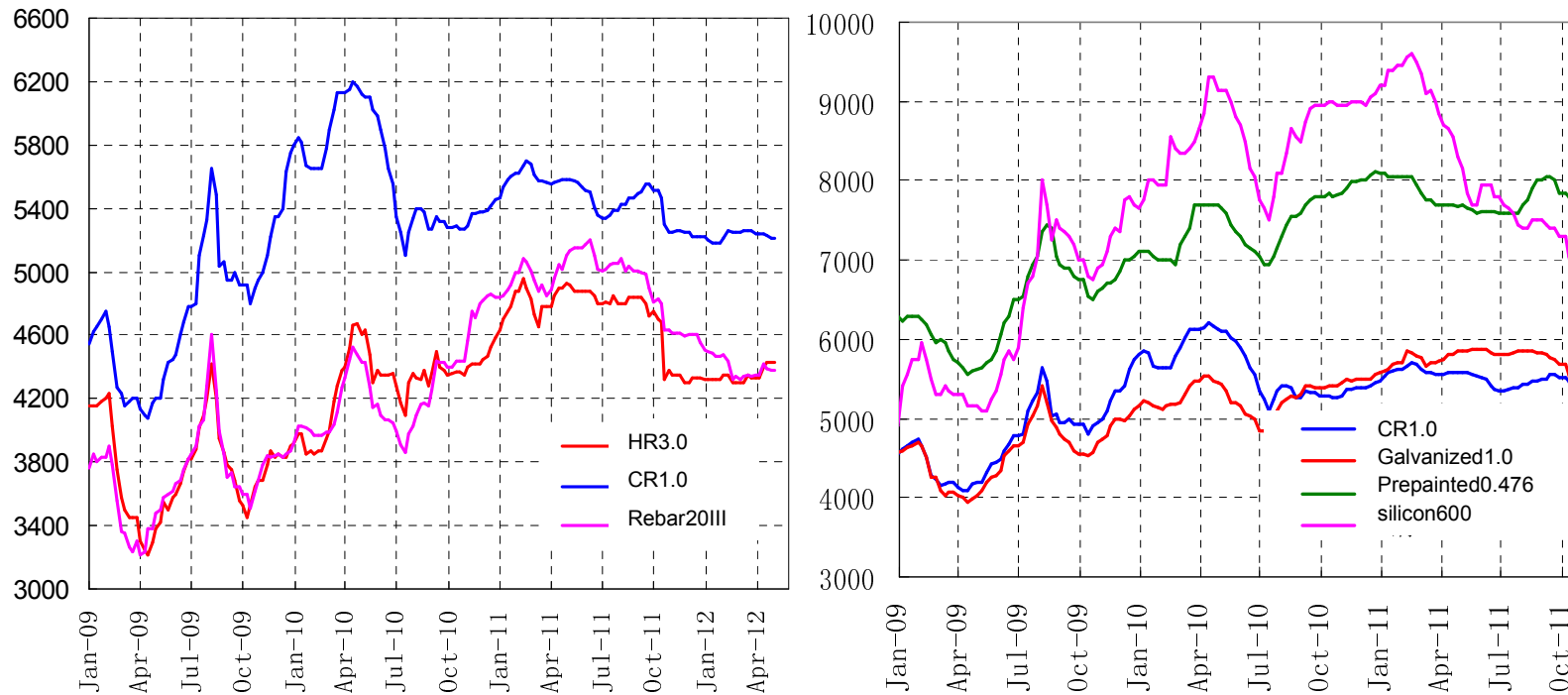
- Average iron ore price was lower than 1Q2011, but has rebounded in Q1.

## Steel Price

unit: Yuan/ton	4-May	Average 2011	WoW%	MoM%	YoY%
HRC	4430	4718	0	2.3	-10.0
CRC	5210	5467	0	-0.6	-6.6
Plate	4440	4803	-0.2	-0.4	-12.1
Wire	4180	4699	-0.9	-1.6	-13.8
Rebar	4380	4919	0	0.7	-14.6

Data source : Mysteel

## Market Trend



Data source : Mysteel

- Daily output has broken historical peak level of 2 million tons in April, high output will bring more uncertainty to the relation between supply and demand.
- Iron ore price still maintains a high position, while recovery of downstream demand is slow, which may lead to weak performance in traditional peak season in Q2.



Thanks!