



1H2011 Results

Baoshan Iron & Steel Co.,Ltd.

August 2011



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I. Operation Results

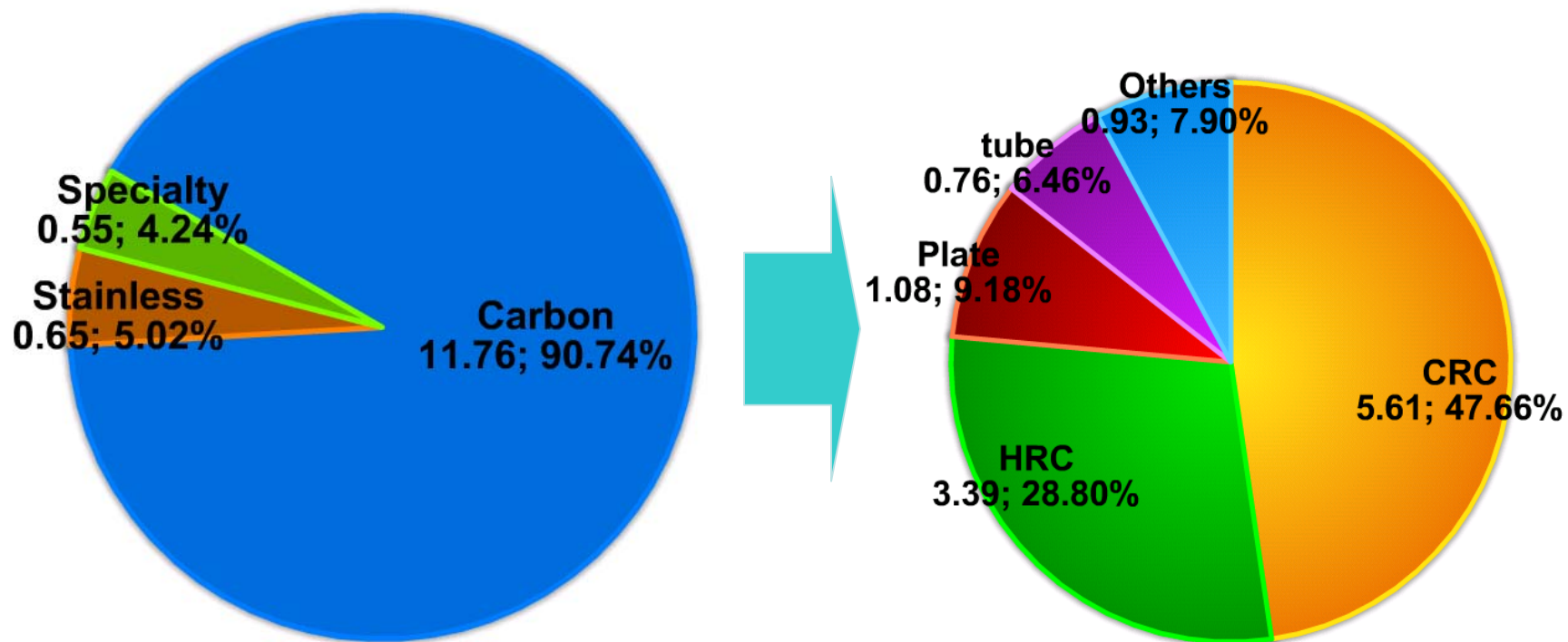
II. Industry Dynamics

III. Operation Outlook

Production and Sales

unit: million tons	1H2010	2H2010	1H2011	YoY	HoH
Crude steel output	13.12	13.33	13.43	2.36%	0.75%
Sales of finished products	12.48	12.78	12.76	2.28%	-0.12%
including: domestic	11.50	11.43	11.45	-0.43%	0.18%
export	0.97	1.35	1.31	35.50%	-2.64%

Sales Breakdown of Finished Products



Note: BNA included, unit: million tons

Income Statement Summary

unit: billion Yuan	1H2010	2H2010	1H2011	YoY	HoH
Revenue	97.94	104.48	111.15	13.49%	6.39%
Cost	87.66	98.93	104.56	19.28%	5.69%
Gross profit	14.48	9.85	10.71	-26.08%	8.69%
Gross margin %	14.79	9.43	9.63	↓ 5.16 pts	↑ 0.20 pts
Operating profit	10.70	5.97	6.76	-36.82%	13.31%
Operating margin %	10.93	5.71	6.08	↓ 4.84 pts	↑ 0.37 pts
Net profit	8.05	4.84	5.08	-36.91%	4.99%
Net profit margin %	8.22	4.63	4.57	↓ 3.65 pts	↓ 0.06 pts

Income Statement Summary--Quarterly

unit: billion Yuan	3Q2010	4Q2010	1Q2011	2Q2011
Revenue	51.21	53.27	54.02	57.15
Cost	48.29	50.64	49.99	54.57
Gross profit	4.90	4.95	6.03	4.67
Gross margin %	9.57	9.29	11.16	8.18
Operating profit	2.96	3.00	4.16	2.60
Operating margin %	5.79	5.64	7.7	4.54
Net profit	2.55	2.29	3.07	2.01
Net profit margin %	4.98	4.29	5.68	3.52

Gross Profit--Products

unit: million tons billion Yuan	Sales	Revenue	YoY	Cost	YoY	Gross margin	YoY
CRC	4.68	30.1	4.6%	25.5	23.3%	15.3%	↓ 12.9 pts
HRC	4.12	19.8	14.6%	17.1	26.4%	13.6%	↓ 8.0 pts
Heavy plate	1.08	5.6	18.3%	6.1	24.9%	-9.5%	↓ 5.8 pts
Tube	0.76	5.4	11.7%	5.2	12.8%	3.5%	↓ 0.9 pts
Stainless steel	0.65	9.3	5.6%	9.2	5.3%	0.9%	↑ 0.3 pts
Special steel	0.55	6.3	36.2%	6.3	26.8%	-0.2%	↑ 7.5 pts
Others	0.93	4.5	18.3%	4.4	20.2%	1.6%	↓ 1.6 pts
Total	12.77	81.0	11.2%	73.9	20.8%	8.8%	↓ 7.3 pts

Financial Highlights

unit: Yuan	1H2010	2H2010	1H2011	YoY	HoH
EPS	0.46	0.28	0.29	-36.96%	3.57%
BVPS	5.68	5.98	5.98	5.28%	0
Net CFO per share	0.57	0.51	0.31	-45.61%	-39.22%
Gross margin%	14.76	9.48	9.59	↓ 5.17 pts	↑ 0.11 pts
ROE(weighted)%	8.17	-	4.81	↓ 3.36 pts	-

Solvency and Liquidity

Financial index		unit	2010-6-30	2011-6-30	YoY %
Solvency	Total debts/ total assets	%	49.94	50.5	↑ 0.56 ppts
	Current ratio		0.88	0.9	2.27
	Quick ratio		0.42	0.4	-4.76

Financial Index		unit	1H2010	1H2011	YoY %
Liquidity	Days of receivables	day	4.2	5.0	19.05
	Days of inventories	day	72.0	76.0	5.56
	Cash conversion cycle	day	37.5	50.0	33.33

Accomplishments in 1H2011

Optimize the structure of products

- Sales volume is 12.77 million tons, 51.49% are Only-One and Number-One products, up 3.49 pts YoY.

Profit distribution

- Cash dividend to shareholders is 3 Yuan (tax included) for every 10 shares, totalling 5.25 billion Yuan.

Stainless and special steel turn better

- Production and sales grew, especially premium products. Stainless steel sales up 16% YoY.
- Energy consumption per ton down 20% YoY.
- Only-One and Number-One products of special steel up 17% YoY, in which Only-One products up 57%.

I. Operation Results

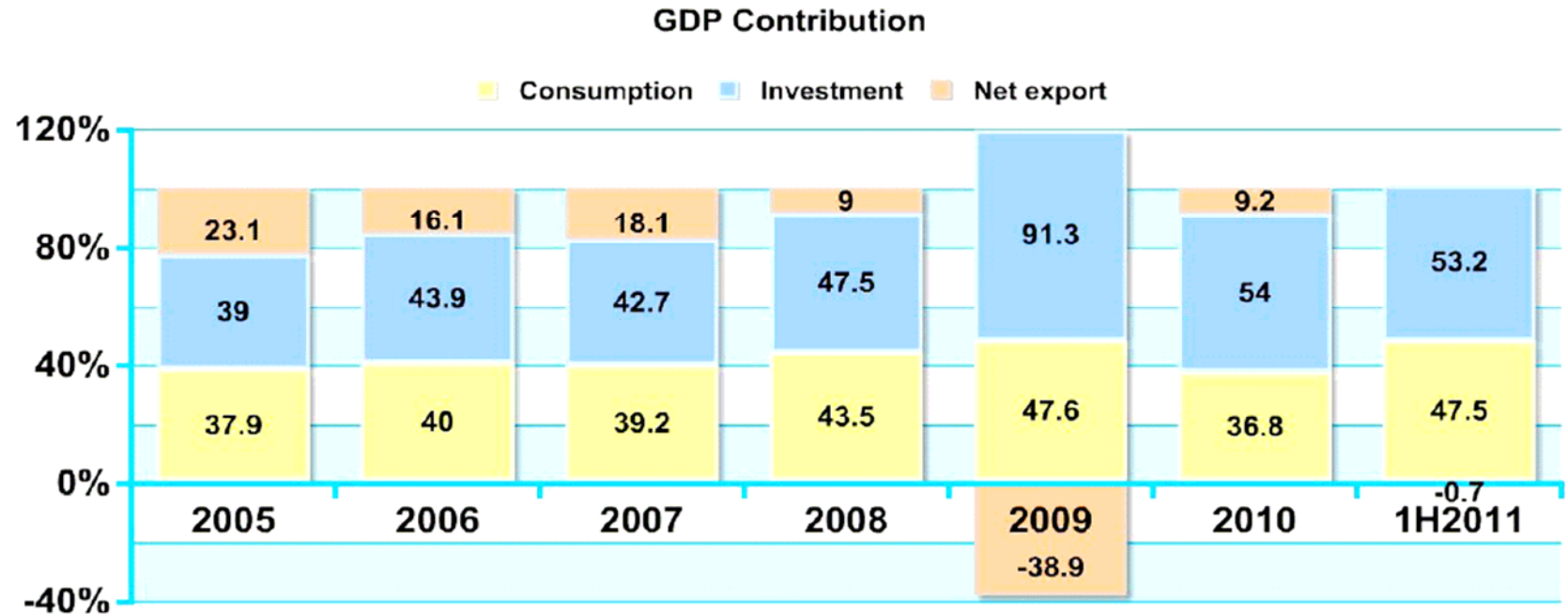
II. Industry Dynamics

III. Operation Outlook

Macro Situation--Global Economy

- ❑ Probability of economic decline and Eurozone disintegration is at least 40%.**
- ❑ Both developed and emerging economies are facing the pressure of inflation.**
- ❑ Europe debt crisis spreads to the core countries in EU.**
- ❑ Downside risk of American economy increases.**
- ❑ Expected by IMF, growth of global economy in 2011 will slow down to 4.3%, while 2.4% in developed countries.**

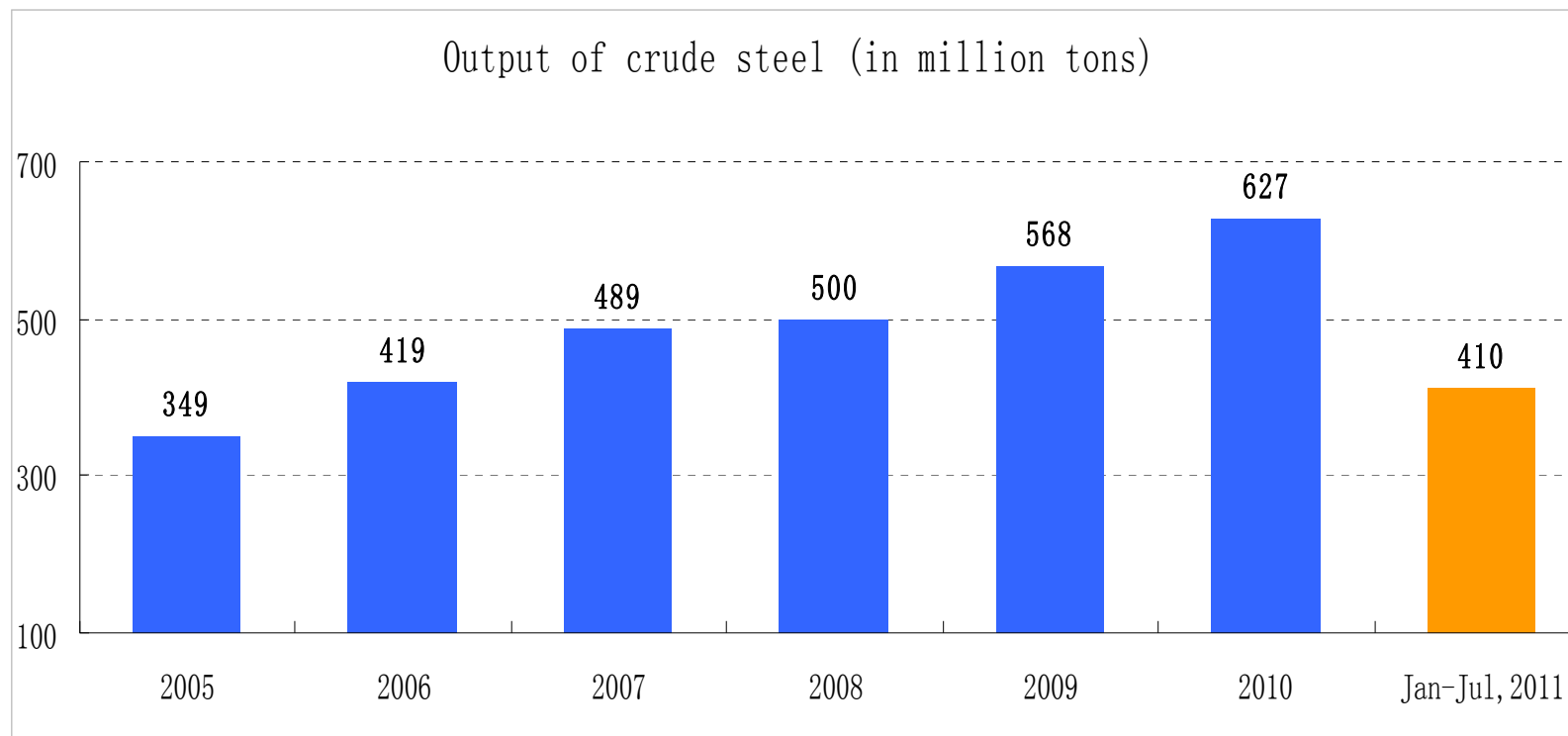
Macro Situation--Domestic Economy



Data resource: wind

- GDP up 9.6% in 1H YoY. GDP is expected up 8.5-9% in 2H, and up 9-9.3% for the whole year.
- Inflation is expected to peak out in July, and CPI in 2011 is expected 5.3%.
- Europe and US economic risk will have some impact on China.
- Monetary policy is more stabilized in 2H.

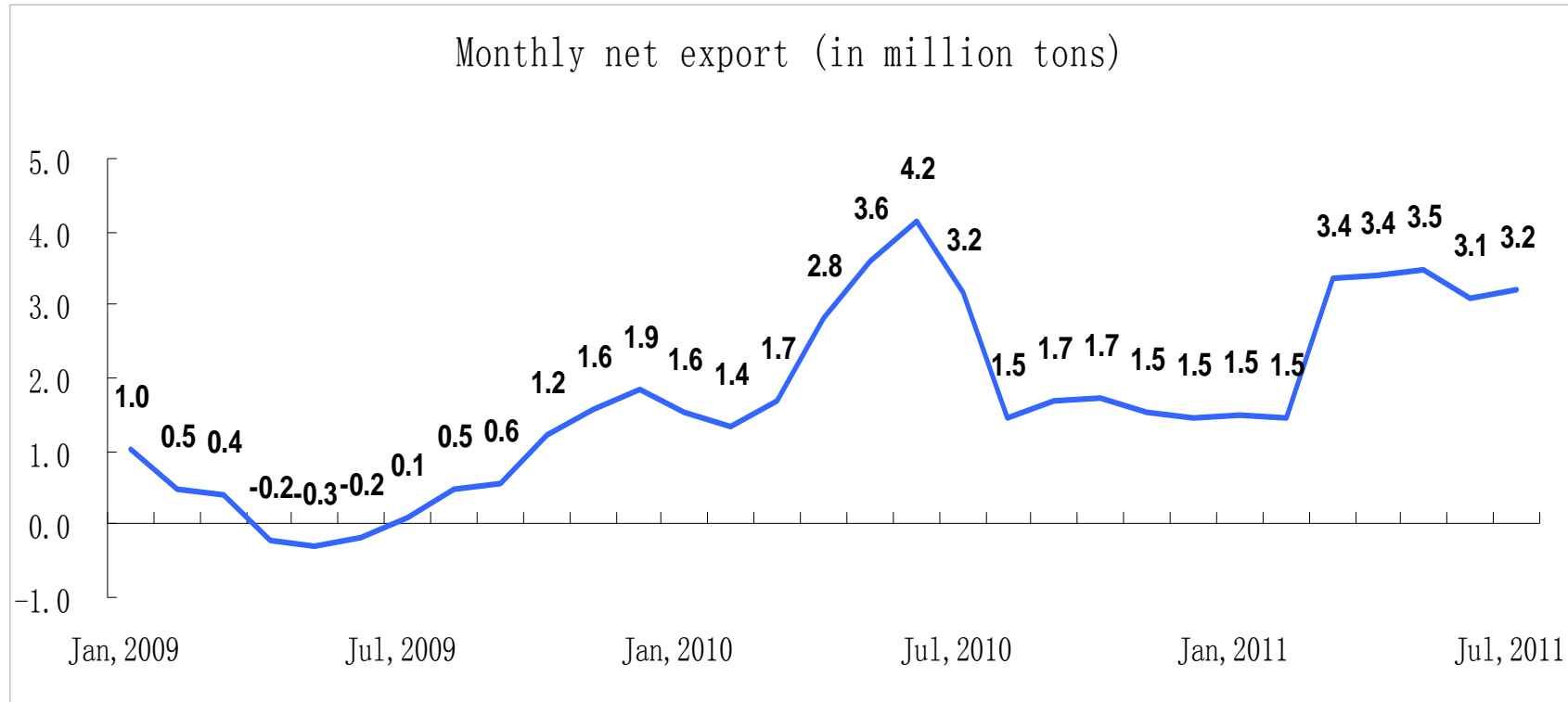
Demand and Supply Analysis--Supply



Data resource: CISA

- Output of crude steel in Jan-Jul is 410 million tons, up 10.3% YoY.
- Peak daily output is 2.02 million tons, annualized yearly output of 736 million tons .
- Output of crude steel is expected to reach 700 million tons this year.

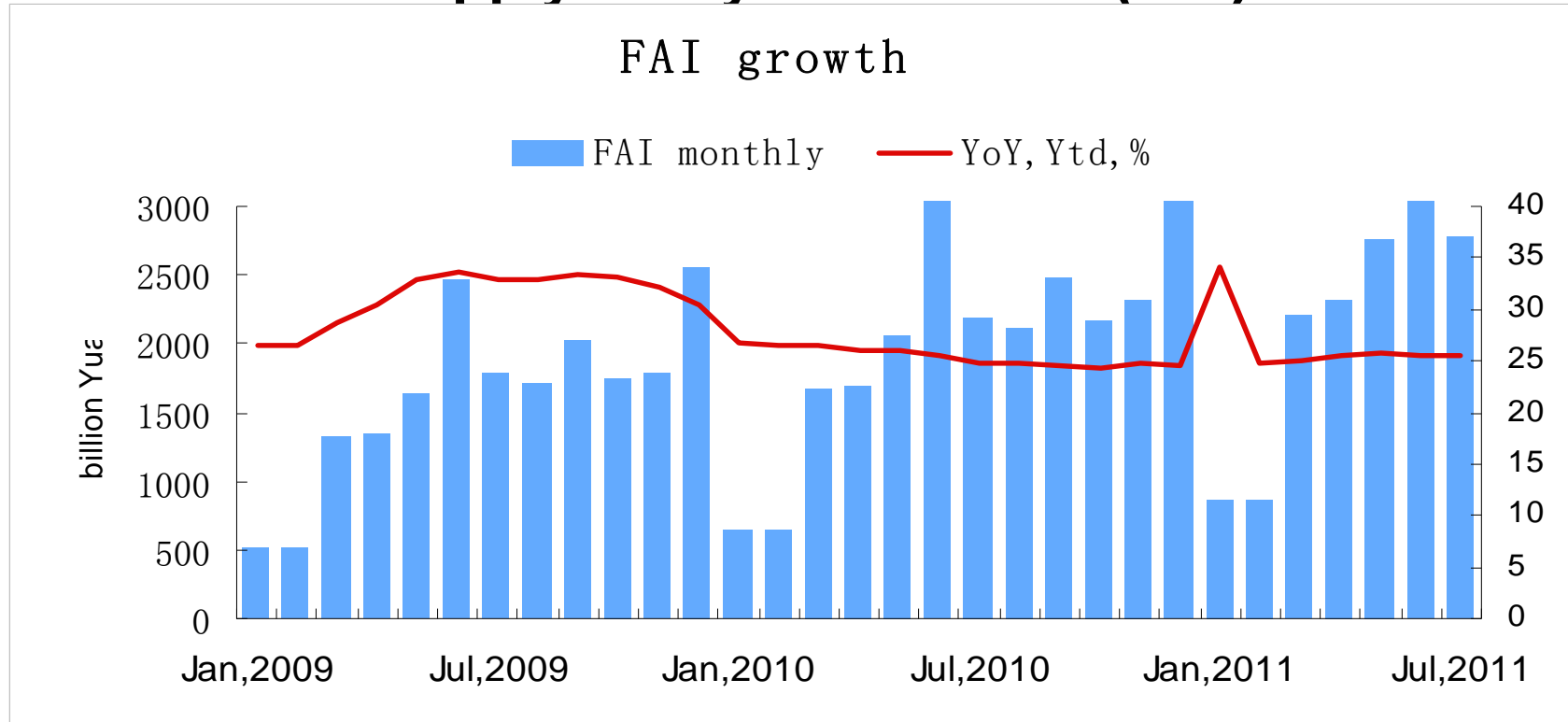
Demand and Supply Analysis--Import & Export



Data resource: Customs data

- Export 28.77 million tons in Jan-Jul, up 2.3%; import 9.27 million tons, down 5.7%.
- Export in H2 is expected to be less than 1H, due to global economic slowdown and RMB appreciation etc.. Net export of this year is expected to hit 30 million tons.

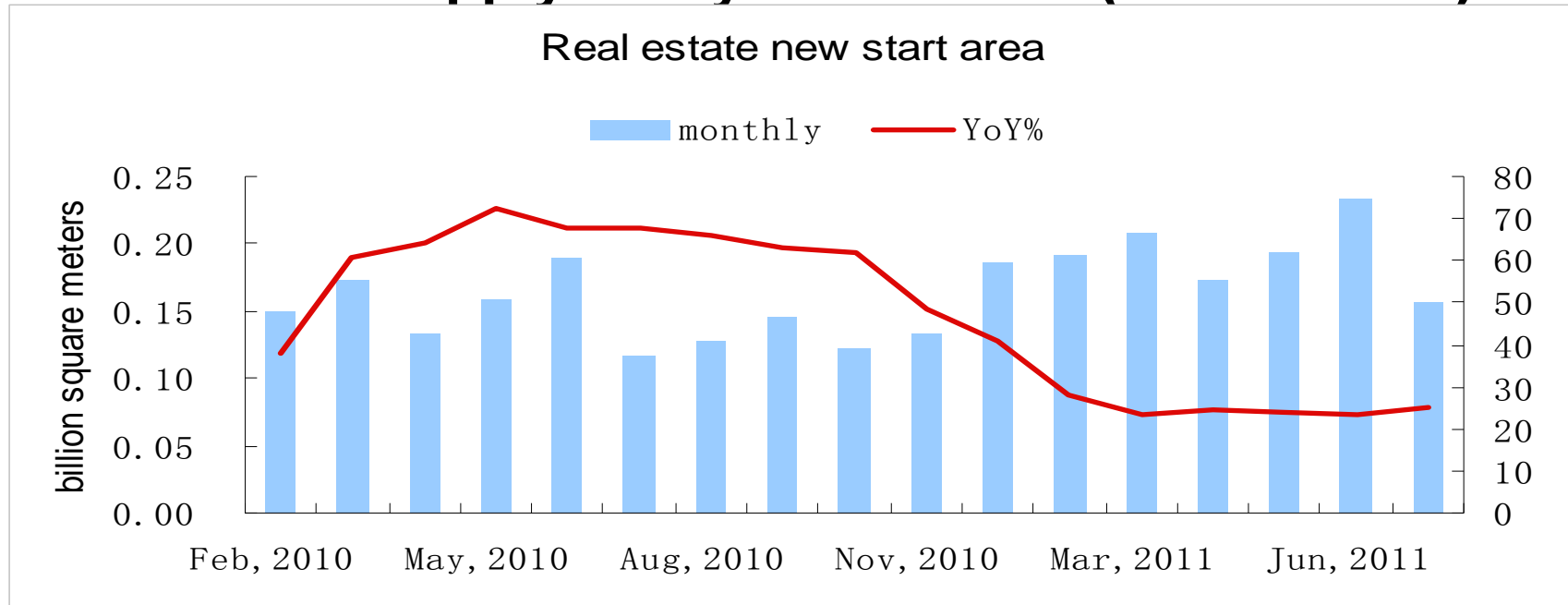
Demand and Supply Analysis--Demand(FAI)



Data resource: NBS

- FAI rapidly grew in 1H, up 25.6% YoY.
- Impact on investment by the credit tightening will be more obvious in 2H.
- Growth in FAI is expected 24% this year.

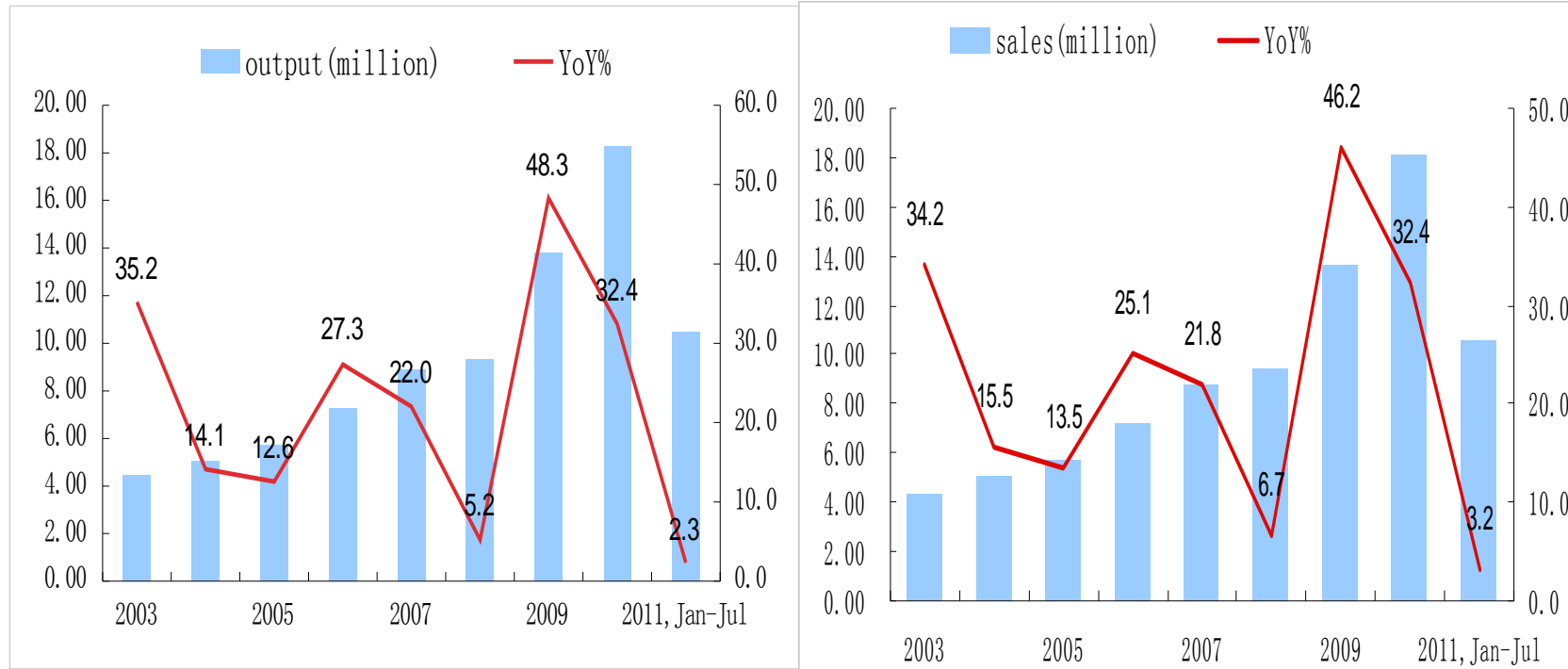
Demand and Supply Analysis--Demand(Real Estate)



Data resource: wind

- In Jan-Jul, real estate accumulated new start area is 1.15 billion square meters, up 24.93% YoY.
- 10 million affordable houses are planned in 2011, creating steel demand of about 30 million tons. 72%, 7.2 million affordable houses started in Jan-Jul.
- Driven by affordable housing, investment growth in real estate is expected 30% or so.

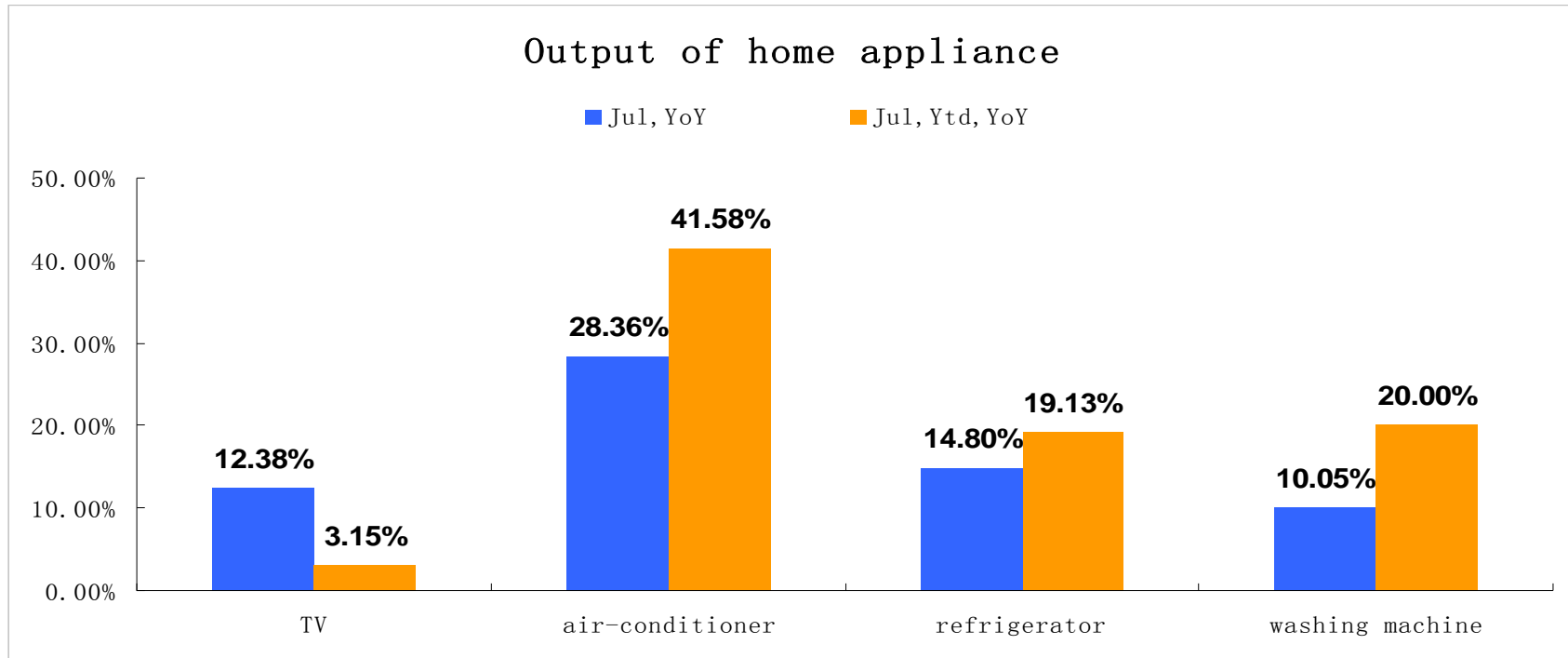
Demand and Supply Analysis--Demand(Automobile)



Data resource: CAAM

- Output and sales of automobile grow slowly, 10.46 million and 10.60 million each, up 2.33% and 3.22% YoY.
- Automobile industry was still depressed in July and August, but may turn better in Q4. Annual sales growth is expected 5-7%.

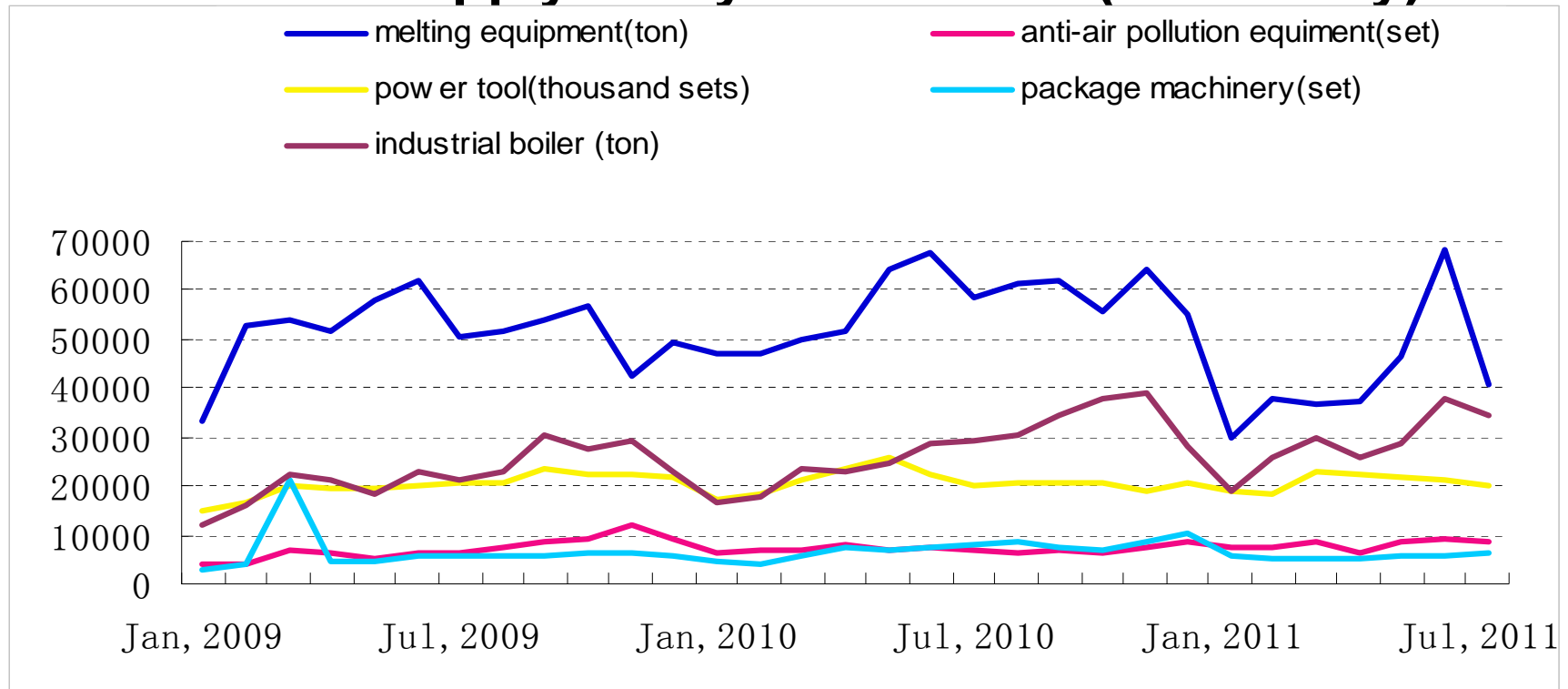
Demand and Supply Analysis--Demand(Home Appliance)



Data resource: wind

- Output grew steadily in 1H. TV, refrigerator and air-conditioner remain largest sales volumn.
- Home appliances sold to the countryside were 7.51 million in July, up 32% MoM and up 12% YoY.
- Growth in home appliance will be transformed from policy-driven to demand-driven, refrigerator and washing machine are expected up 10-15% in 2H.

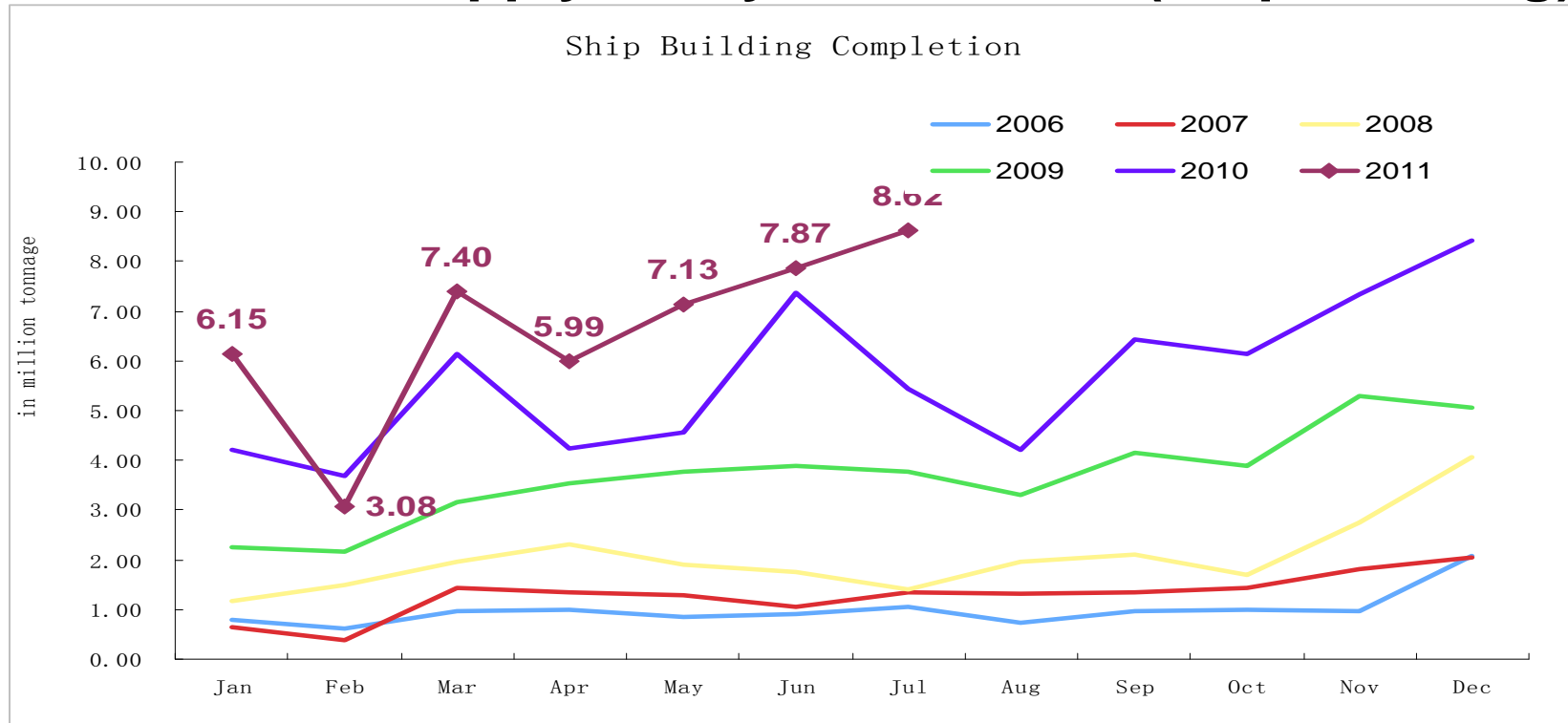
Demand and Supply Analysis--Demand(Machinery)



Data resource: wind

- Due to macro-control and credit tightening, sales went down since June, inventory built up, and steel procurement declined. Domestic machinery structure industry down 50% in Jul-Aug.
- Machinery industry grew by 16% in 1H, is expected up 10-15% up in 2H.

Demand and Supply Analysis--Demand(Ship Building)



Data resource: wind

- Ship building completion in 1H is 30.92 million tonnage, up 4.4% YoY, attributed to the order boom before economic crisis, most of which are due for delivery before 2012.
- Due to the depression of shipping market and economic crisis, new orders are insufficient and operation rate is low.

Steel Inventory

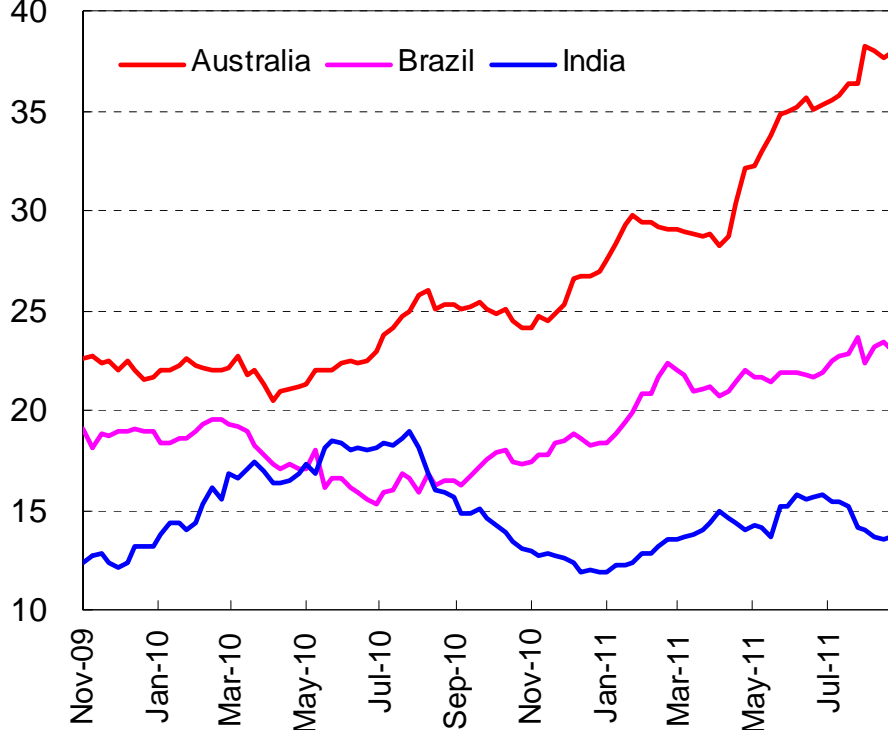
unit: Million tons	5-27	6-24	7-29	8-26	YoY	
					Chg in volumn	%
Rebar	5.62	5.50	5.33	5.43	-0.24	-4.2%
Wire	1.49	1.30	1.10	1.04	-0.33	-24.3%
HRC	4.31	4.29	4.30	4.30	-0.63	-12.7%
CRC	1.69	1.68	1.62	1.59	0.11	7.5%
Plate	1.50	1.55	1.50	1.48	0.03	2.0%
Long product	7.11	6.81	6.43	6.47	-0.57	-8.1%
Flat product	7.50	7.51	7.43	7.37	-0.49	-6.2%
Total	14.61	14.32	13.85	13.84	-1.06	-7.1%

Data resource: Mysteel

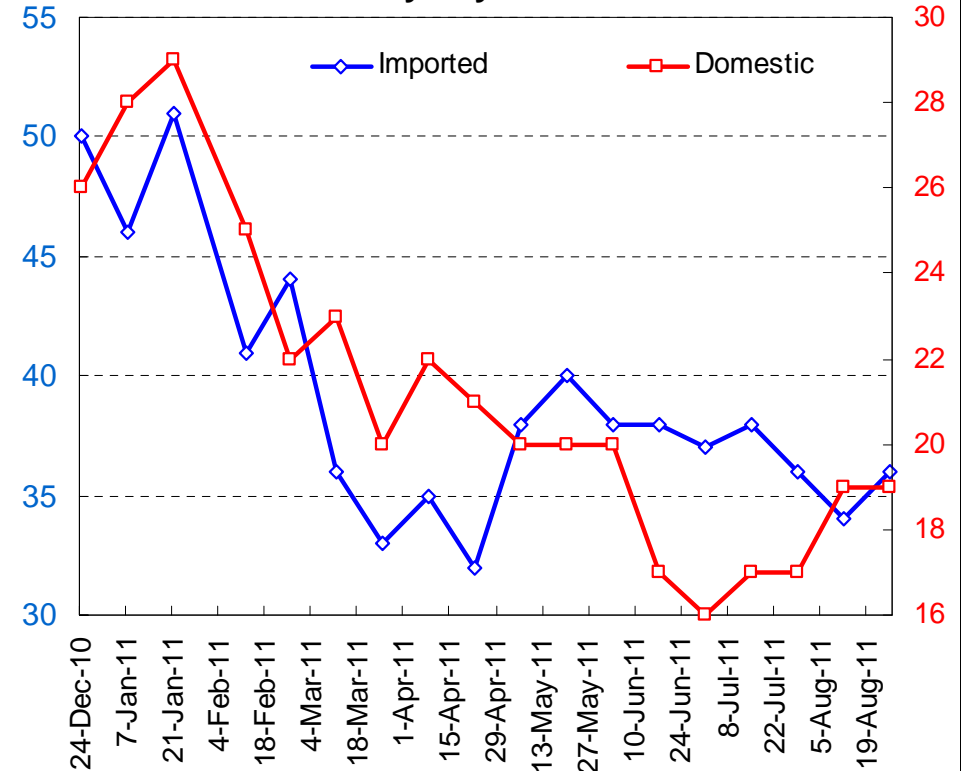
- Steel inventory declined significantly with the decline of steel price in Q3. Until 26th, Aug, inventory was 13.84 million tons, down 7.1% YoY, among which, long product down 8.1%, flat product down 6.2%.

Raw Material Inventory

Iron ore inventory in main ports



Iron ore inventory days of 50 small mills

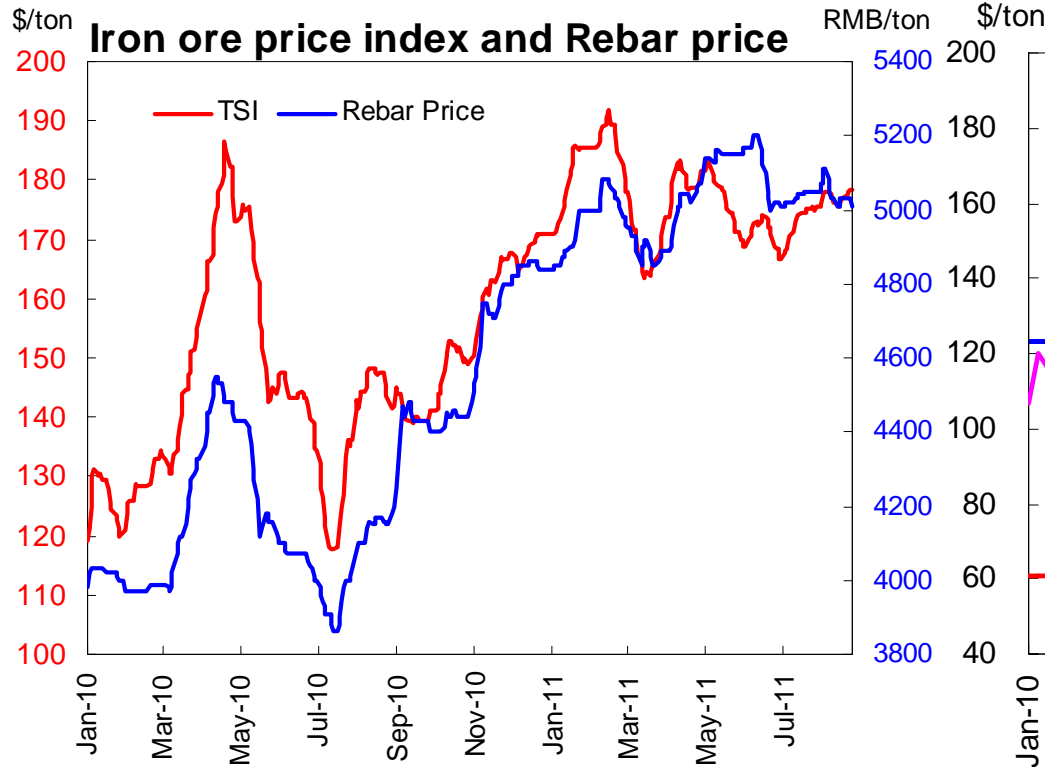


Data resource: Mysteel

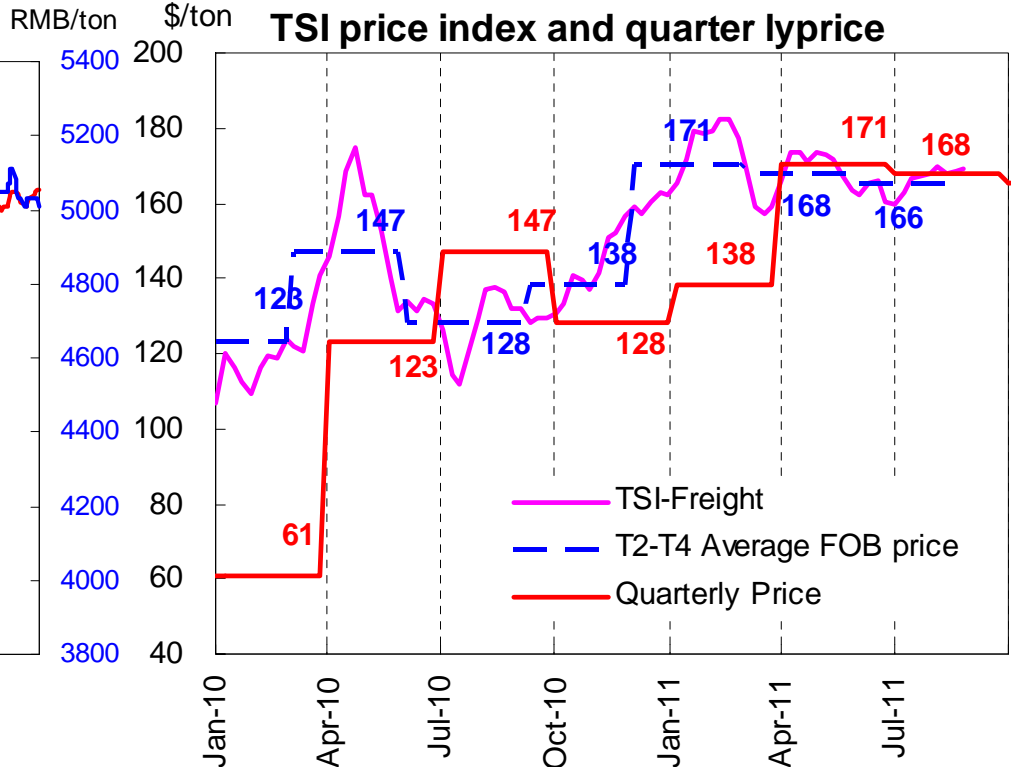
- Inventory in the ports grew while those from India declined; inventory in mills is close to the bottom level. Port inventory will come down as mills start to restock.

Raw Material Cost

Iron ore price index and Rebar price



TSI price index and quarter lyprice



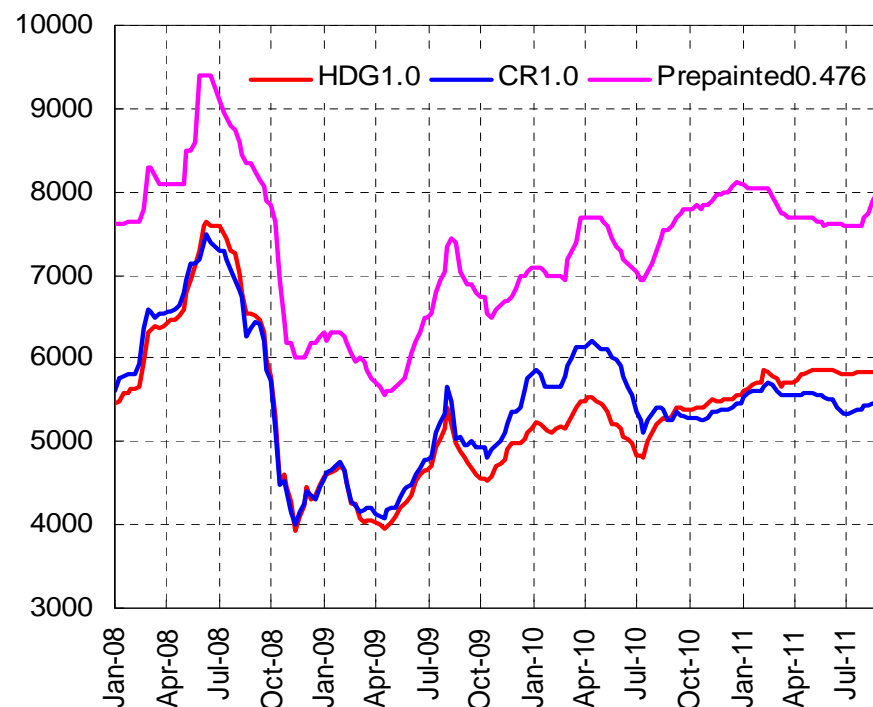
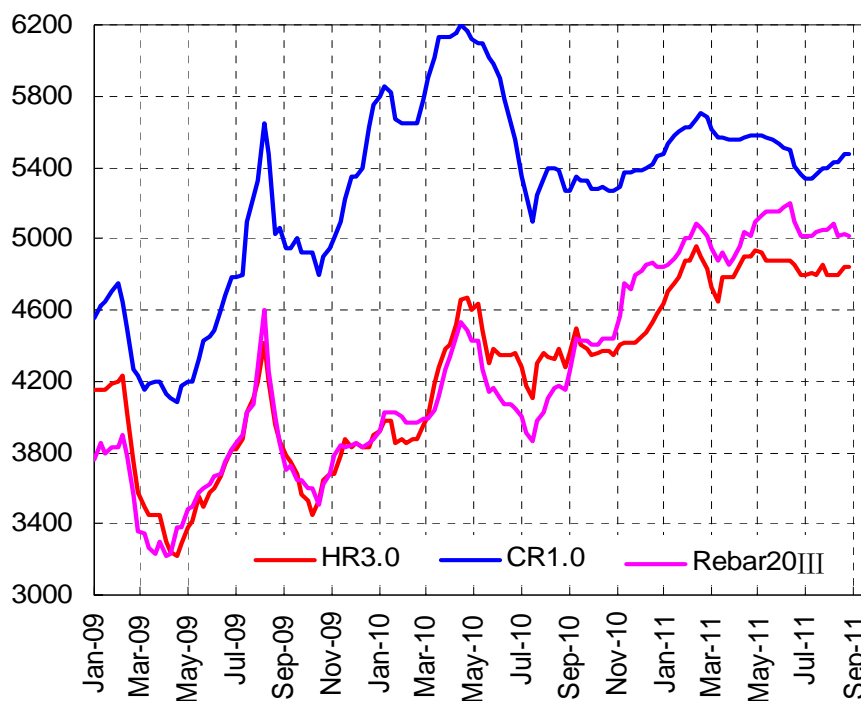
- Iron ore price in Q3 is 2-3 US dollars lower than in Q2 , price in Q4 is expected a limited decline.

Steel Price

unit: Yuan/ton	26-Aug	Average 2010	WoW%	MoM%	YoY%
HRC	4840	4306	0.0	0.8	13.1
CRC	5750	5580	0.9	2.3	5.3
Plate	4870	4372	0.0	0.4	12.0
Wire	5010	4203	-0.6	1.4	21.9
Rebar	5010	4276	-0.4	-0.8	20.7

Data resource : Mysteel

Market Trend



Data resource : Mysteel

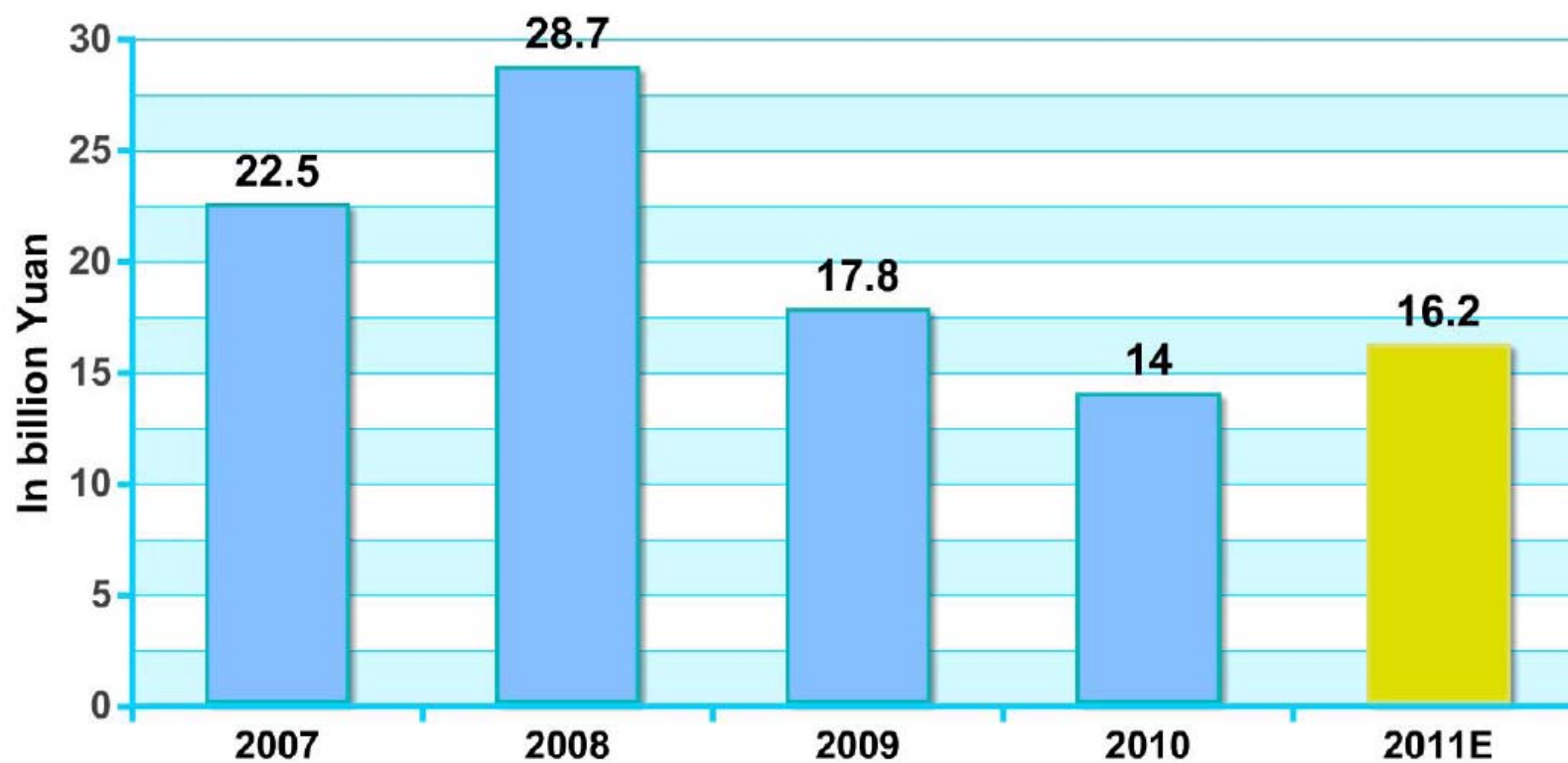
- Crude steel output in 2H may be characterized by high volume and low growth.
- Price of iron ore remains high, with little room to grow, and cost of raw materials tends to be stable.
- Steel price is expected to remain depressed before going up, profit may improve mildly.
- Long product still enjoys more balanced demand and supply.

- I. Operation Results**
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2011 Operational Plan

	Former Plan	Present Plan	Chg%
Iron (million tons)	23.98	23.99	-
Steel (million tons)	27.47	27.12	-1.3%
Sales (million tons)	26.12	25.57	-2.1%
Revenue (billion Yuan)	210.0	217.9	3.8%
Cost (billion Yuan)	184.7	198.6	7.5%

Capex



Major Expansion Projects

Projects	Products	Designed Capacity (million tons)	Investment (billion Yuan)	Completion
Lubao tube project	High-pressure boiler tube	0.5	4.3	2011
Oriented silicon steel 2nd phase-I	Oriented silicon steel	0.1	1.7	Feb/2012
Oriented silicon steel 2nd phase-II		0.1	1.8	2013
Meishan product optimization project	HRC	4	11.5	Jun/2012
High-grade Non-Oriented Silicon Steel project	Non-Oriented Silicon Steel	0.21	0.7	Jun/2013
Maintenance of 3#blast furnace	molten iron	4.11	1.2	2013

Thanks!