



1H2012 Results

Baoshan Iron & Steel Co.,Ltd.

August 2012



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I. Operation Results

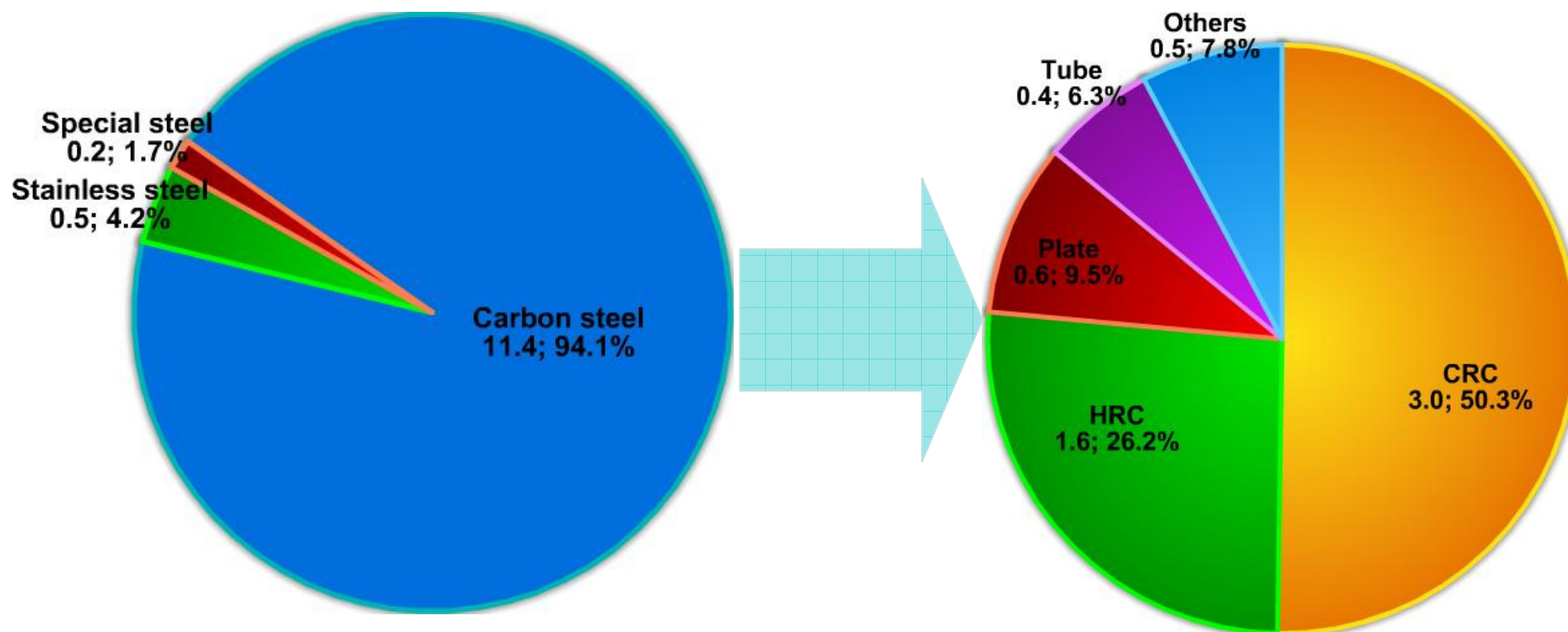
II. Industry Dynamics

III. Company Outlook

➤ Production and Sales

unit: million tons	1H2011	2H2011	1H2012	HoH	YoY
Crude steel output	13.43	13.21	11.79	-10.8%	-12.2%
Sales of finished products	12.76	13.04	11.86	-9.1%	-7.1%
including: domestic	11.45	11.61	10.65	-8.3%	-7.0%
export	1.31	1.43	1.21	-15.4%	-7.6%

➤ 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	4.77	27.4	-9.1%	24.5	-2.4%	10.6%	↓ 6.2 pts
HRC	3.62	15.6	-21.5%	14.0	-17.8%	10.2%	↓ 4.0 pts
Plate	1.01	4.7	-15.2%	5.2	-13.1%	-10.1%	↓ 2.6 pts
Tube	0.73	5.1	-5.3%	4.5	-7.8%	11.1%	↑ 2.5 pts
Stainless steel	0.51	6.0	-34.9%	6.1	-32.2%	-1.1%	↓ 4.1 pts
Special steel	0.20	2.2	-64.5%	2.4	-61.6%	-6.4%	↓ 8.0 pts
Others	1.01	4.4	-1.8%	4.6	4.3%	-4.1%	↓ 6.1 pts
Total	11.86	65.5	-19.2%	61.3	-15.6%	6.4%	↓ 4.0 pts

➤ Income Statement Summary

unit: billion Yuan	1H2011	2H2011	1H2012	HoH	YoY
Revenue	111.15	111.71	98.10	-12.2%	-11.7%
Cost	104.56	110.08	95.82	-13.0%	-8.4%
Gross profit	10.71	8.91	7.73		
Gross margin %	9.63	7.97	7.87	↓ 0.10 pts	↓ 1.76 pts
Operating profit	6.76	2.08	2.72		
Operating margin %	6.08	1.86	2.77	↑ 0.91 pts	↓ 3.31 pts
Net profit	5.08	2.28	9.61		
Net profit margin %	4.57	2.04	9.80	↑ 7.76 pts	↑ 5.23 pts

➤ Assets Sale Profit Impact

Assets Sold	Date of assets sale	Net profit in 1H2012	Pretax profit from assets sale
Stainless Steel Asset	1st April, 2012	-0.47	6.44
Special Steel Asset	1st April, 2012	-0.27	2.65
Total		-0.74	9.09

Unit: billion Yuan

Note: Total profit from assets sale was 9.58 billion Yuan and 9.09 billion Yuan was realized, remaining JVs' shareholdings sale pending approval of Ministry of Commerce

➤ Financial Highlights

unit: Yuan	1H2011	2H2011	1H2012	HoH	YoY
EPS	0.29	0.13	0.55	323.1%	89.7%
BVPS	5.98	6.08	6.43	5.8%	7.5%
Net CFO per share	0.31	0.38	0.57	50.0%	83.9%
Gross margin%	9.59	7.97	7.82	↓ 0.15 pts	↓ 1.77 pts
ROE (weighted)%	4.81	2.03	8.73	↑ 6.70 pts	↑ 3.92 pts

Note: EPS is 0.14 excluding non-recurring gains and losses

➤ Solvency and Liquidity

Financial index		unit	2011-12-31	2012-6-30	Change
Solvency	Total debts/ total assets	%	50.89	47.09	↓ 3.8 pts
	Current ratio		0.80	0.99	23.8%
	Quick ratio		0.42	0.58	38.0%

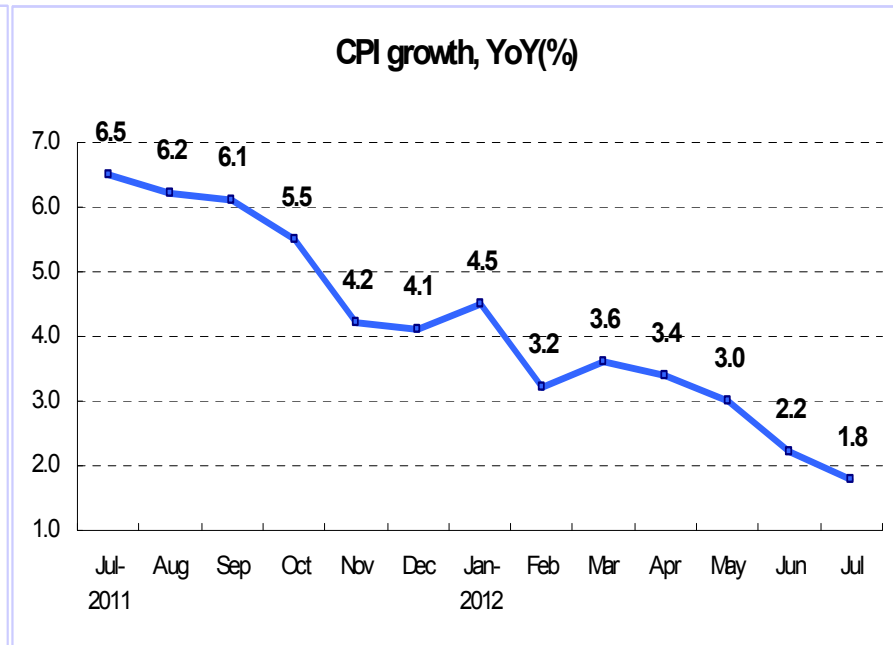
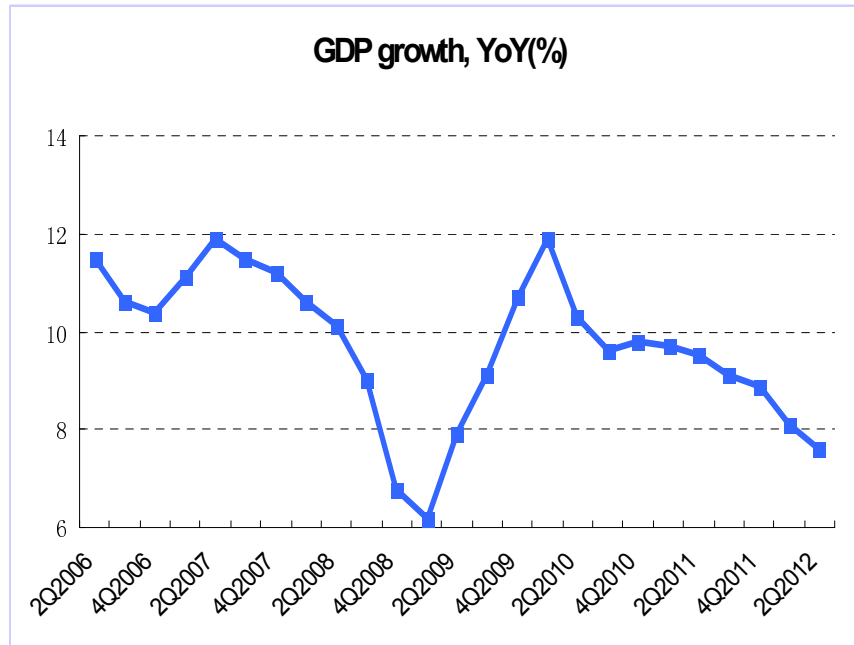
Financial index		unit	2011-12-31	2012-6-30	Change
Liquidity	Days of receivables	day	8.4	17.7	110.7%
	Days of inventories	day	74.9	74.9	-
	Cash conversion cycle	day	51.1	56.3	10.2%

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➤ Macro Economy



Data source: National Bureau of Statistics

- GDP up 7.6% in Q2, lowest level in the past 13 quarters.
- GDP up 7.8% in 1H as expected, slowed down due to economic restructuring.
- CPI up 1.8% in July, lowest in the past 30 months.
- Downward trend in CPI growth due to government control.
- Further room for monetary loosening.

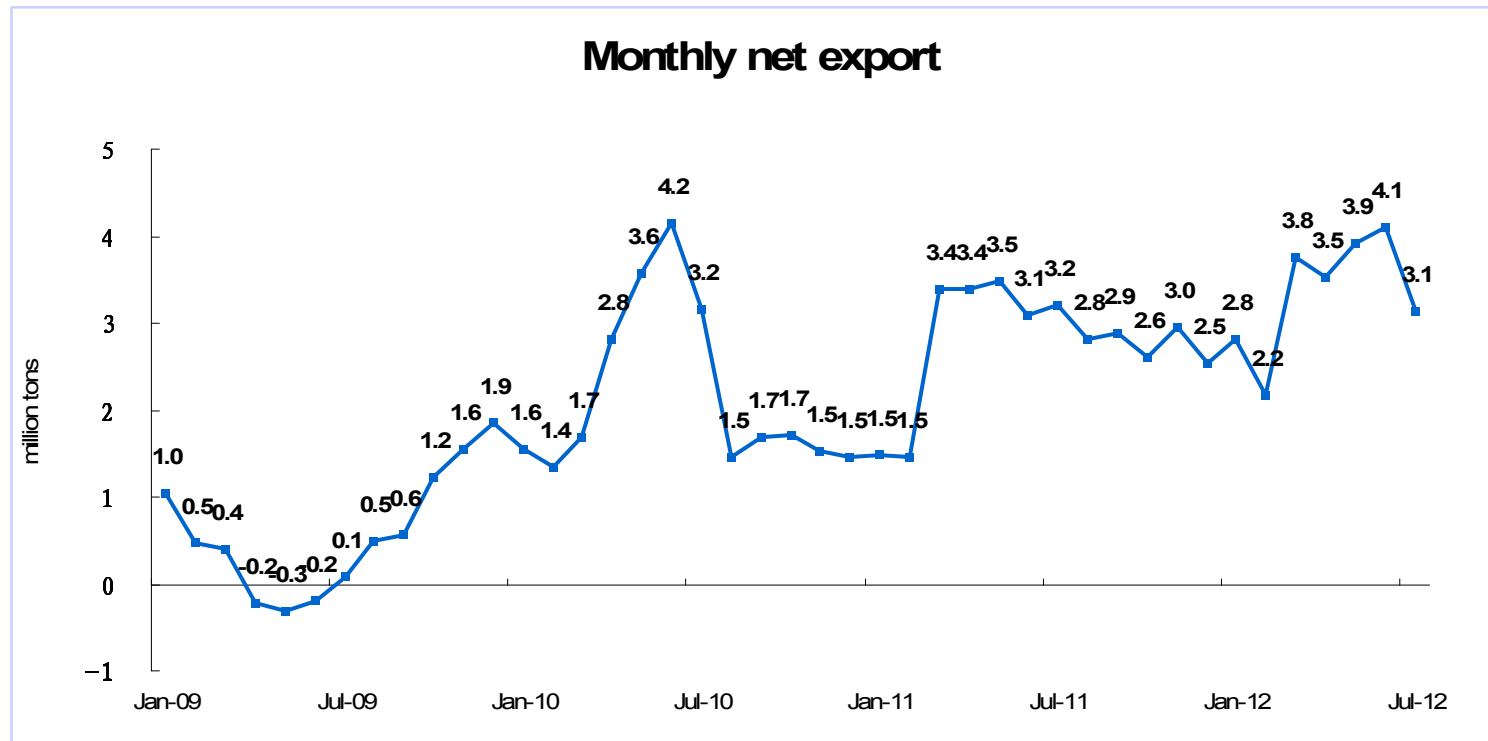
➤ Demand and Supply Analysis--Supply(Crude Steel)

Unit: million tons	1H2011	2H2011	1H2012	HoH	YoY
Output	351	331	357	7.8%	1.7%
Net export	17	18	21	16.6%	23.5%
Apparent Consumption	336	314	336	7.0%	—

Data source: CISA

- Crude steel output was 357 million tons in 1H. Daily output remained high at 1.96 million tons in 1H and 1.99 million tons in July.
- Crude steel output is expected to stay high in 2H, but slow down YoY.
- Net export grew fast in 1H due to less import and more export.

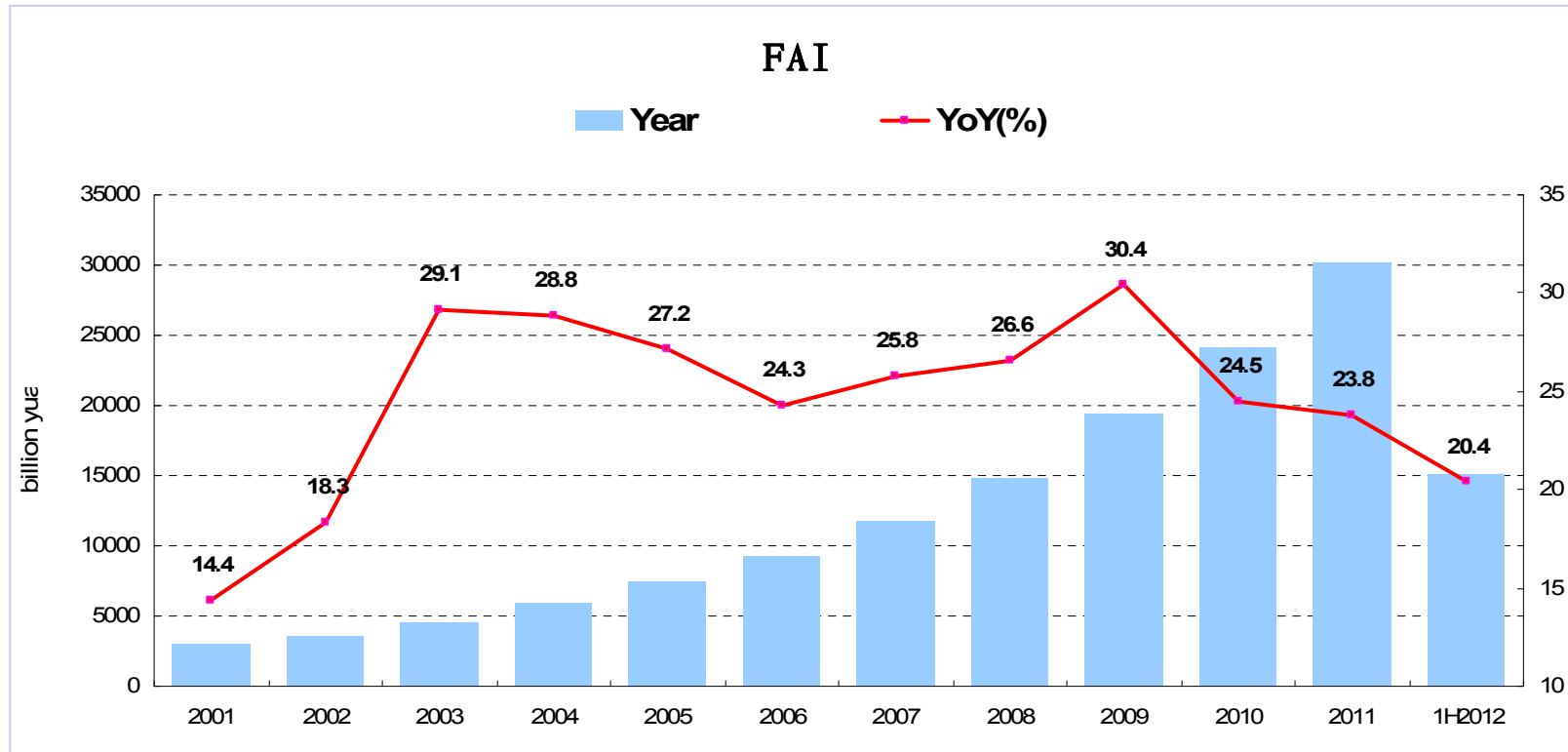
➤ Demand and Supply Analysis--Import & Export



Data source: Wind

- Import 6.9 million tons, down 14% YoY and export 27.2 million tons, up 12% YoY in 1H.
- Steel export and net export slightly decreased in July.

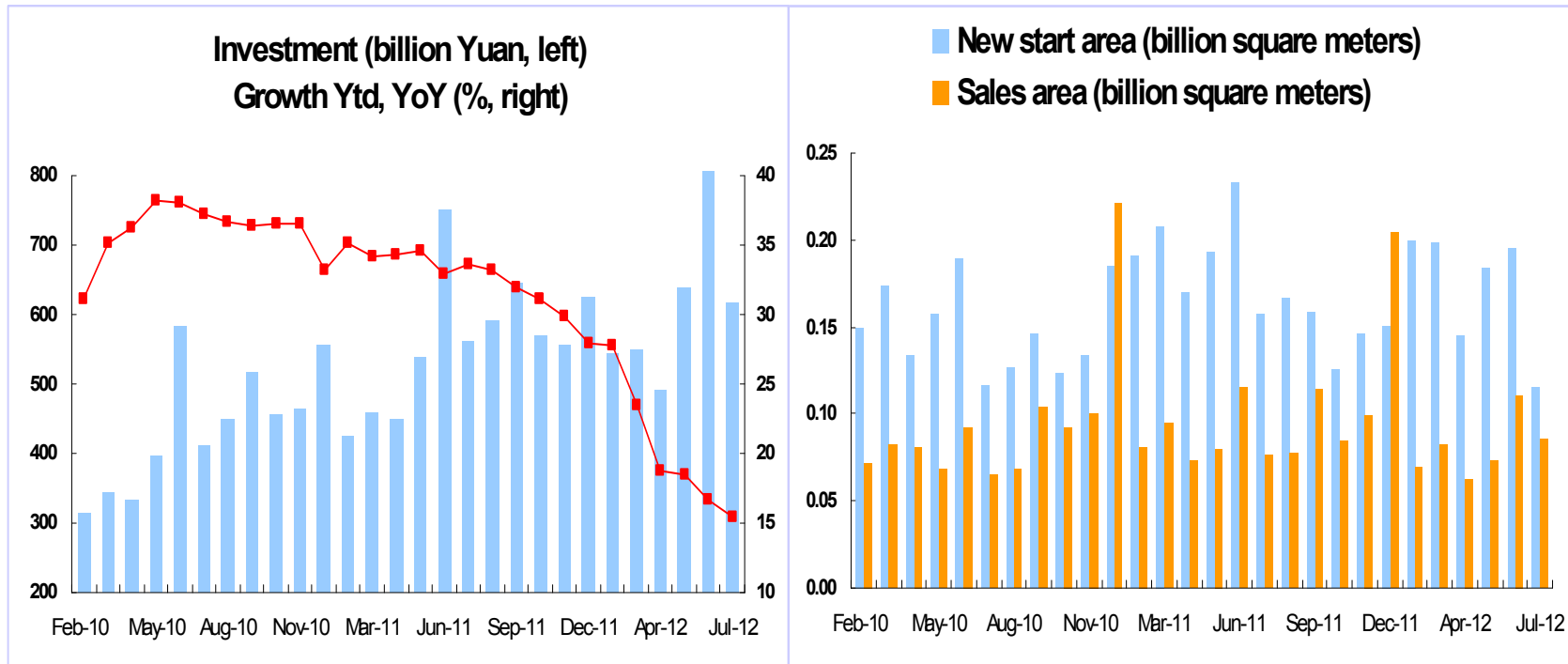
➤ Demand and Supply Analysis--Demand(Infrastructure)



Data source: wind

- FAI 15 trillion Yuan in 1H, up 20.4% YoY, continued to slow down.
- Benefit from several factors (private capital was encouraged in the sector, loosening monetary policy etc.), water project investment speed up and most railway projects resumed.

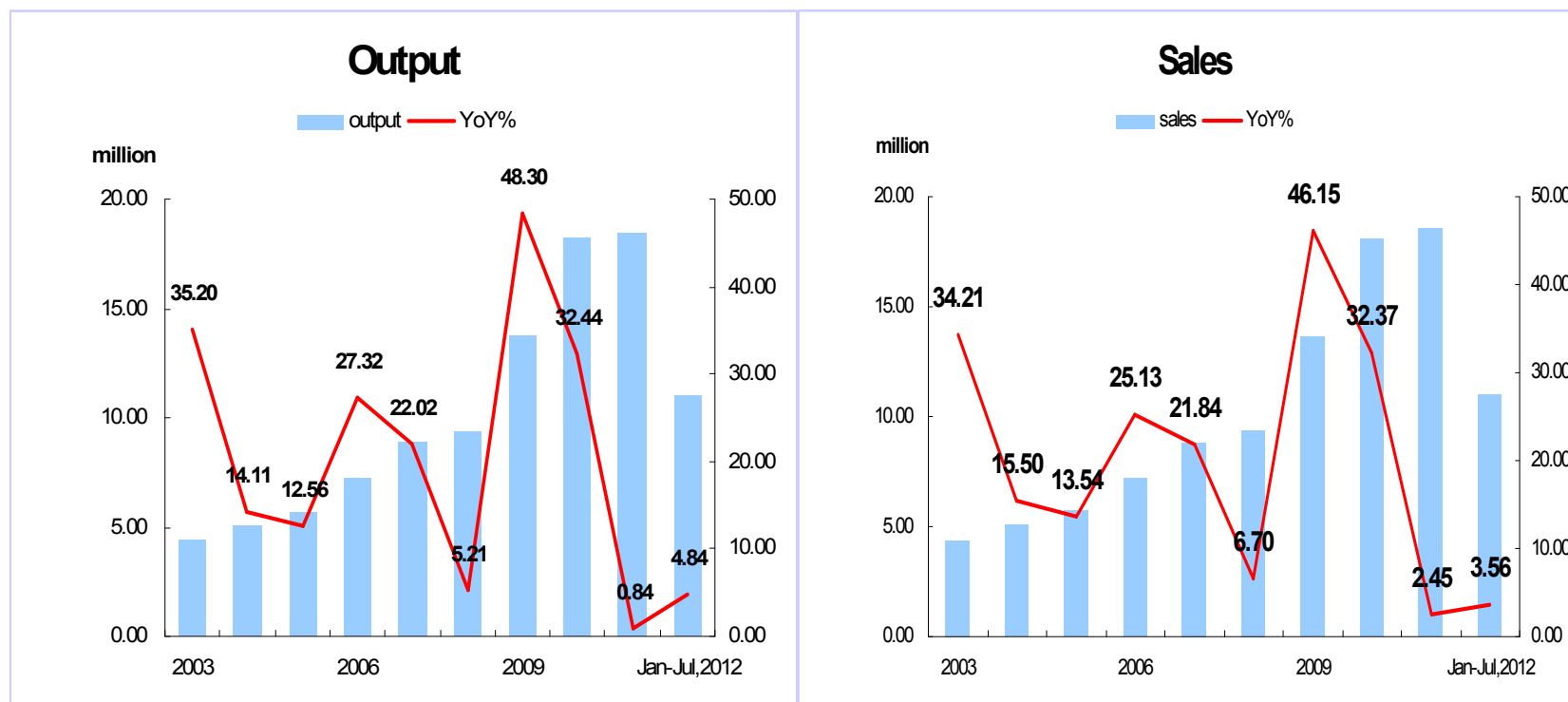
➤ Demand and Supply Analysis--Demand(Real Estate)



Data source: wind

- Downward trend in real estate investment in 1H, sales volume was stable.
- Social housing new start was 5.8 million units, with 3.6 million units finished by July, 72% of annual plan, and 660 billion Yuan invested.

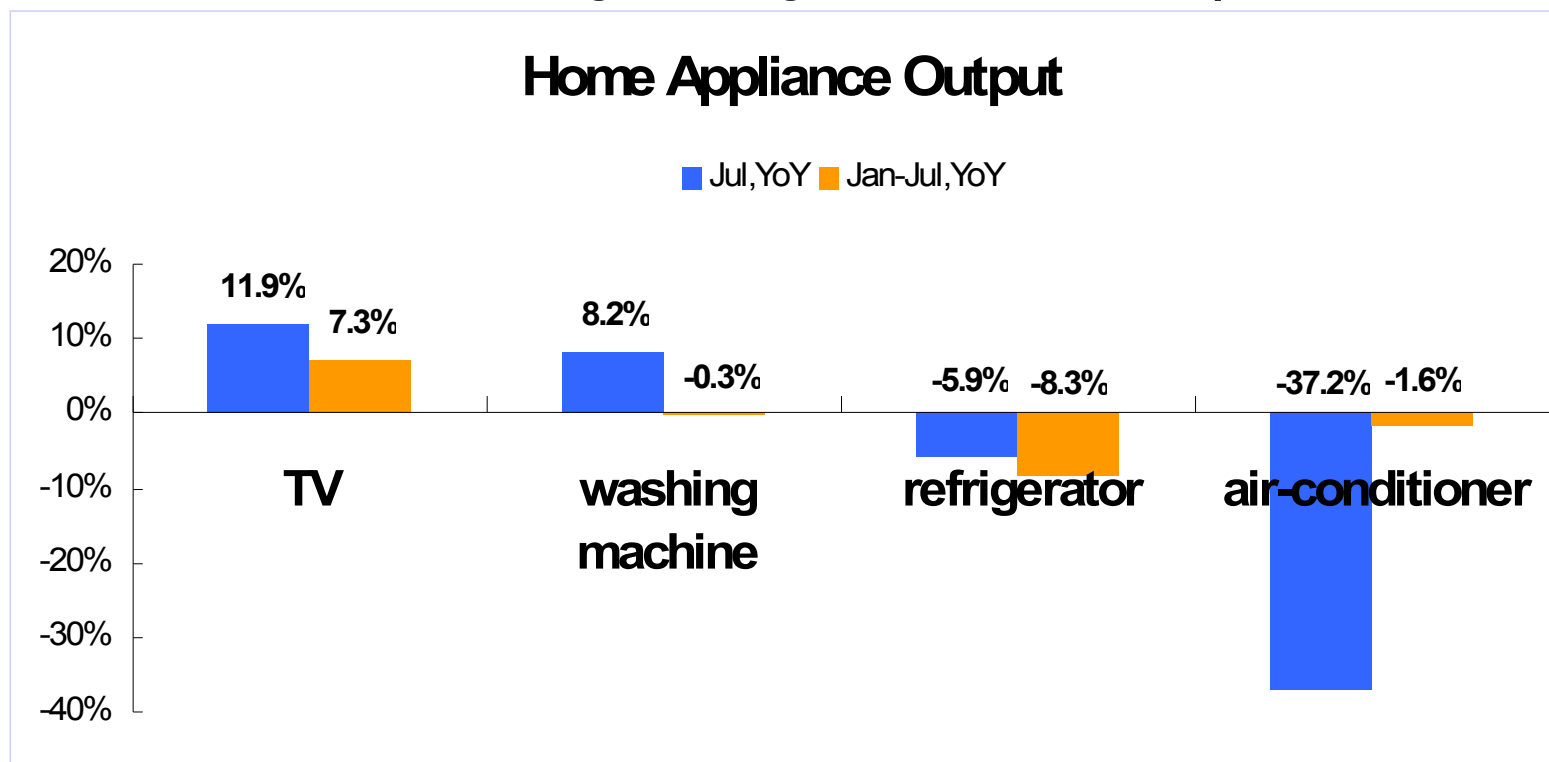
➤ Demand and Supply Analysis—Demand(Automobile)



Data source: wind

- Output and sales recovered YoY by July.
- New stimulus policies (energy-saving subsidy, replacement, sales to the countryside) are expected in 2H.

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

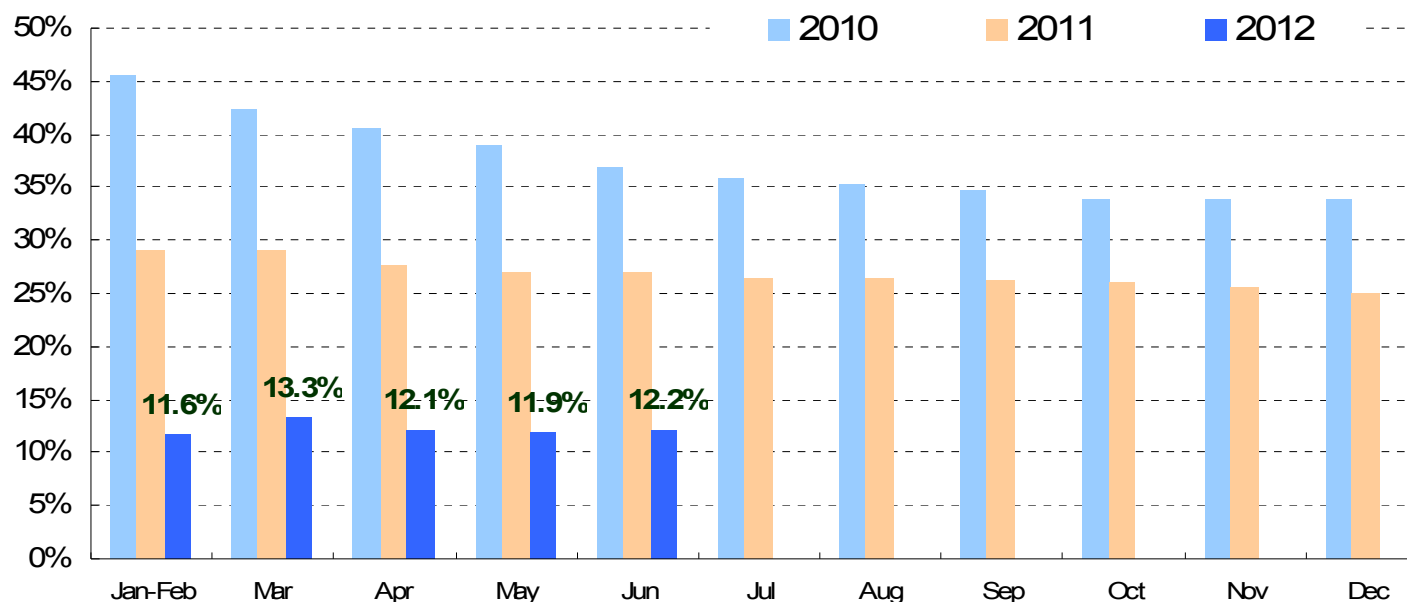


Data source: wind

- Energy saving home appliance subsidy policy speed up industry upgrading and promote consumption.
- Industry is expected to recover in 2H.

➤ Demand and Supply Analysis--Demand(Machinery)

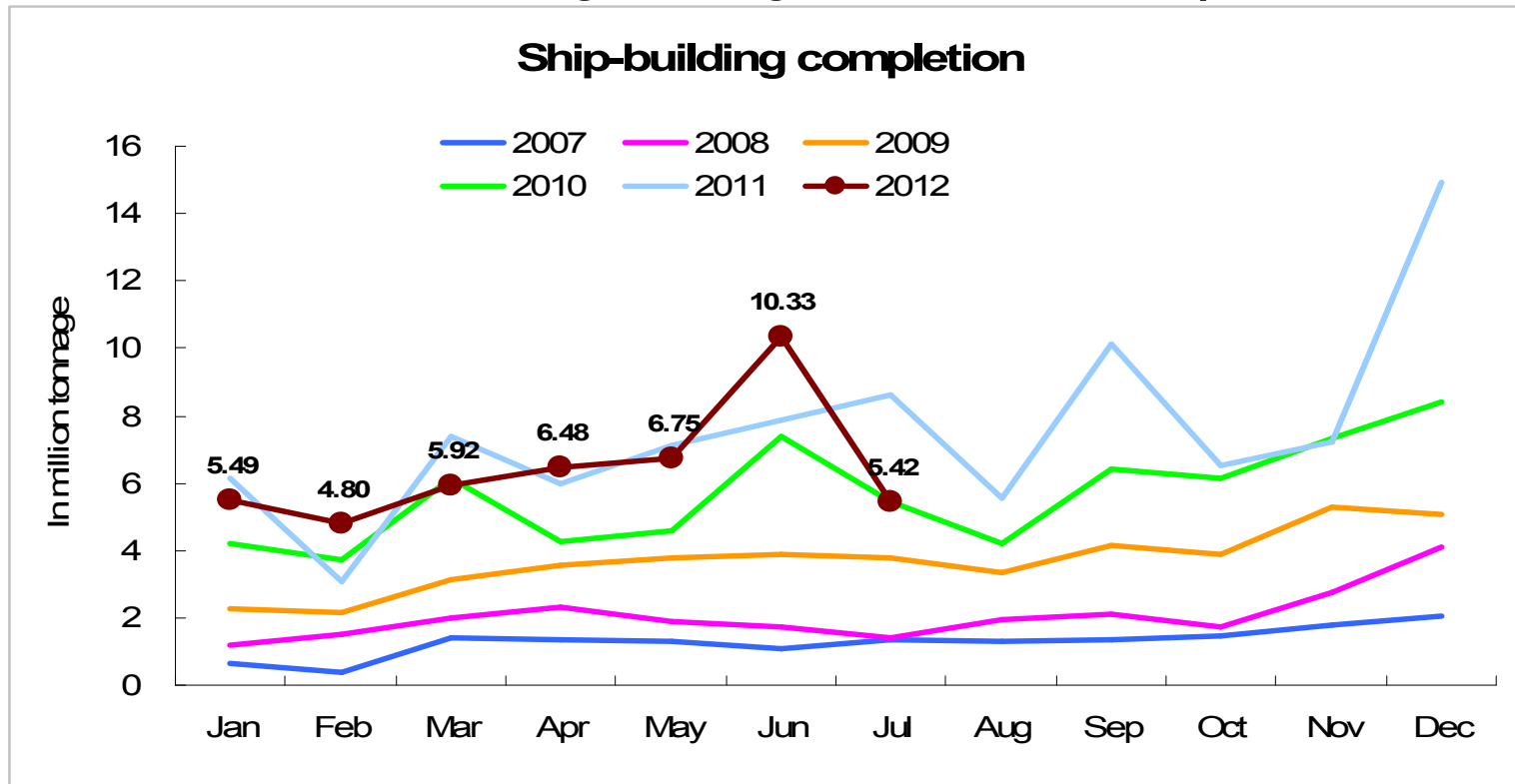
Machinery industry growth, YoY



Data source: CMIF

- Machinery industry growth rate sharply decreased.
- Growth is expected to recover to 15% in 2H due to policy loosening.

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



Data source: wind

- Completion, new order and carrying order were :32.2, 10.7 and 130 million tonnages respectively in 2011, new order down 50.3% YoY, carrying order down 30.7% YoY.
- Shipping market depressed; demand was weak; ship yards were still in difficulties.

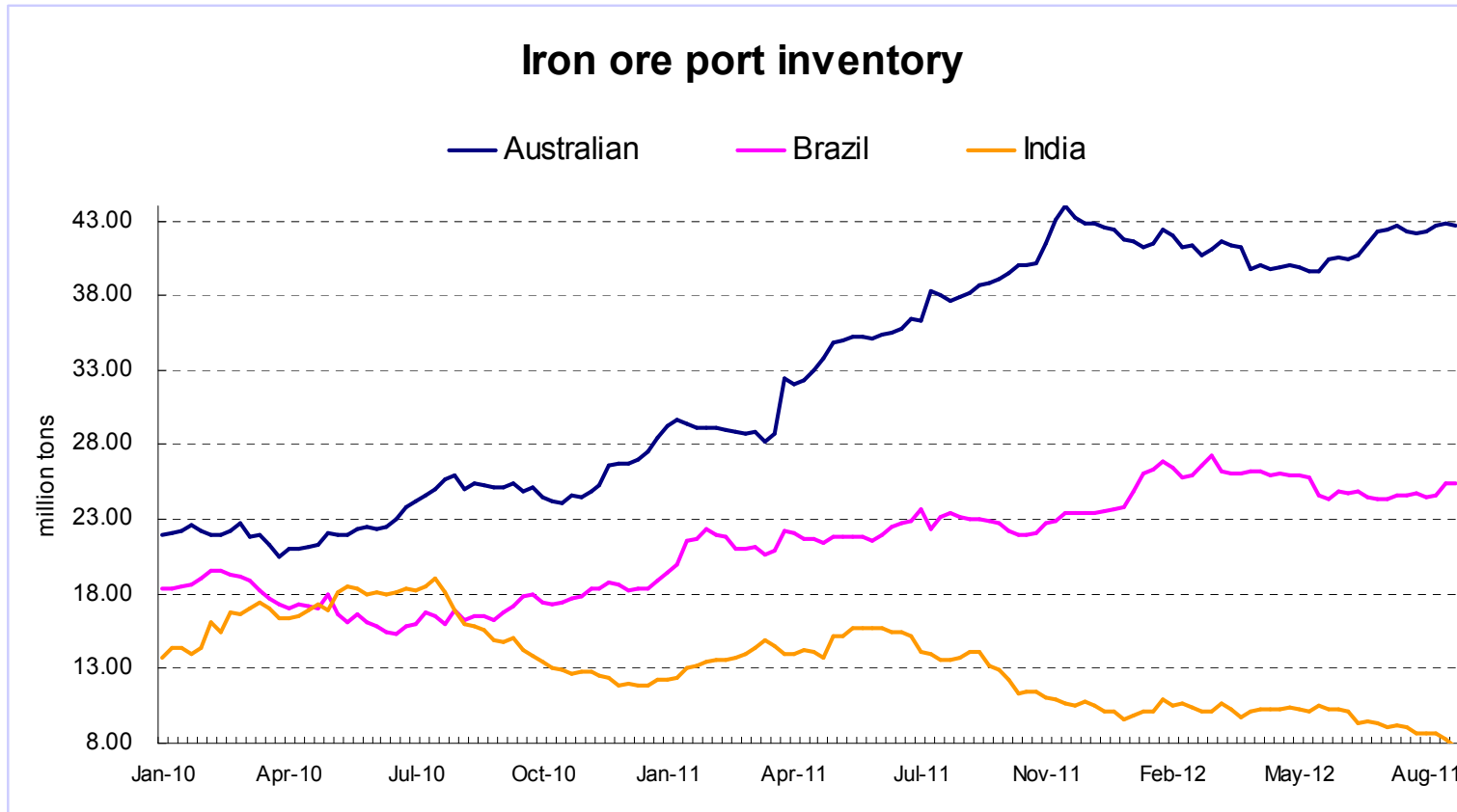
➤ Steel Inventory

Unit: million tons	8-26- 2011	6-29- 2012	7-27- 2012	8-31- 2012	MoM	YoY
Rebar	5.43	6.71	6.62	5.91	-10.7%	8.8%
Wire	1.04	1.78	1.73	1.39	-19.7%	33.7%
HRC	4.30	3.83	3.85	3.90	1.3%	-9.3%
CRC	1.59	1.70	1.68	1.66	-1.2%	4.4%
Plate	1.48	1.63	1.50	1.48	-1.3%	0%
Long product	6.47	8.49	8.35	7.30	-12.6%	12.8%
Flat product	7.37	7.16	7.03	7.03	0%	-4.6%
Total	13.84	15.65	15.38	14.33	-6.8%	3.5%

Data source: Mysteel

- Destocking slowed down, but still grew YoY.
- Steel mill inventory was 12.47 million tons at the end of June, up 34% YoY.
- Output grew fast while steel price depressed, steel mills faced the pressure of destocking.

➤ Iron Ore Inventory

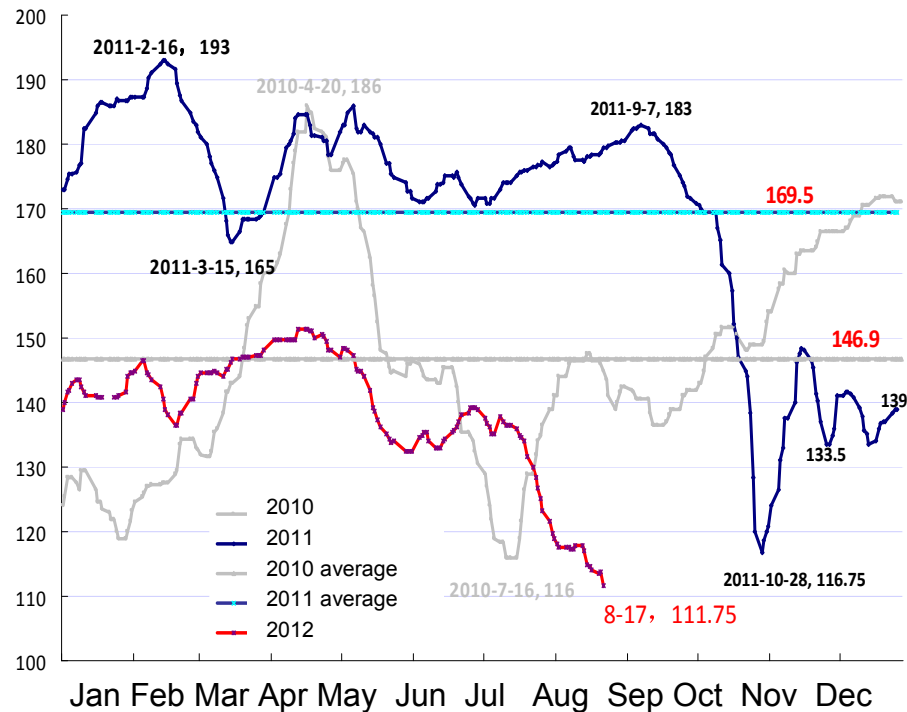


Data source: Mysteel

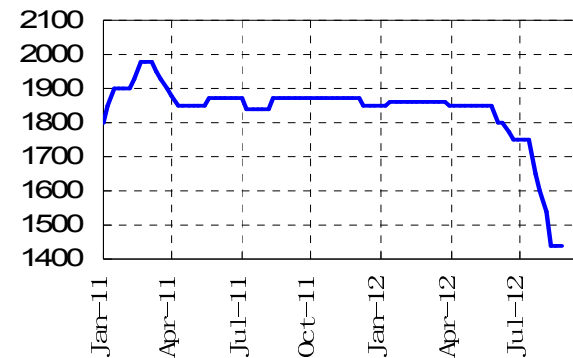
- Port inventory of Indian iron ore went down due to export decrease in India in 1H.
- Inventory remained high, 98.2 million tons in 25 main ports by 31st Aug.

Raw Material Cost

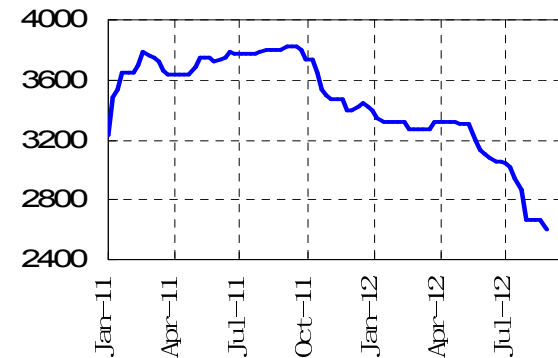
Platts(62%Fe)



Coke price



Scrap price



Data source: Mysteel

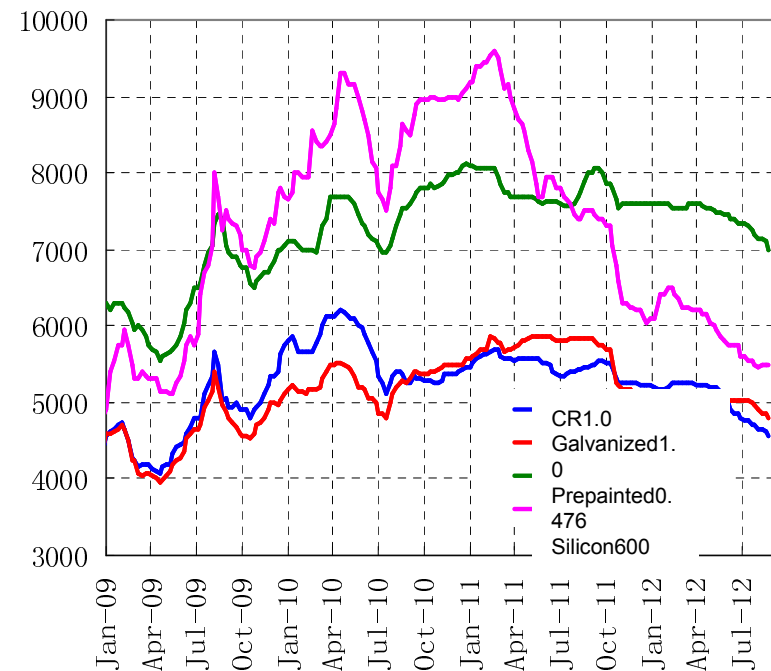
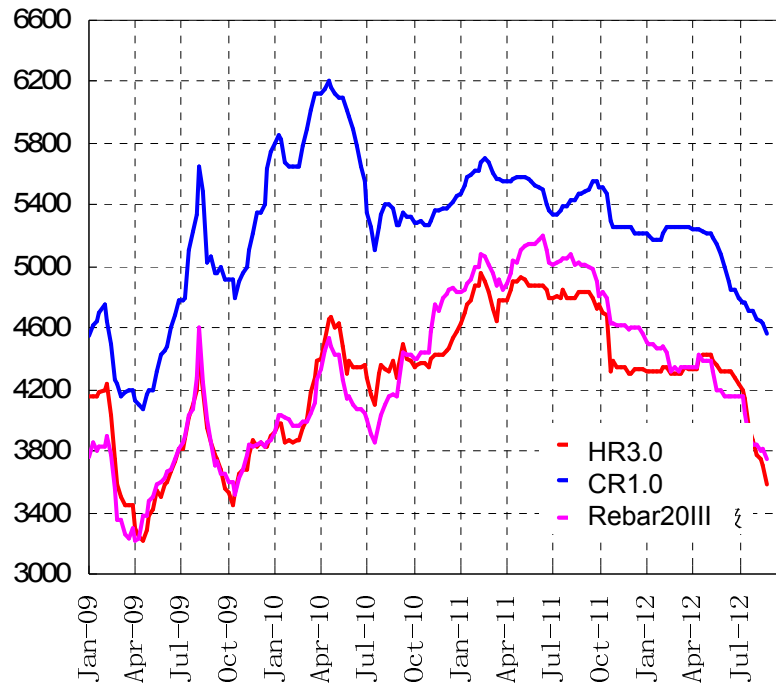
- Imported Iron ore 366 million tons in 1H, up 9.2% YoY.
- Iron ore price sharply decreased with the steel price. Platts fell below USD 100, lowest level in the past 2 years.
- Coke price down 20% YoY in 1H, and is expected to decrease more in 2H.

➤ Steel Price

Unit: Yuan/ton	26 Aug,2011	27 Jul,2012	31 Aug,2012	MoM	YoY
HRC	4840	3870	3530	-8.8%	-27.1%
CRC	5470	4710	4460	-5.3%	-18.5%
Plate	4870	3680	3450	-6.3%	-29.2%
Wire	5010	3560	3370	-5.3%	-32.7%
Rebar	5010	3840	3690	-3.9%	-26.3%

Data source: Mysteel

➤ Market Trend



Data source: Mysteel

- Operating margin of large-median size steel mills was only 0.13% in 1H, with profit of 2.4 billion Yuan, down 95.8% YoY.
- Steel price was weak in 1H, lowest since 2011.
- Limited room for price rebound in 2H, low profit is expected to remain.

I. Operation Results

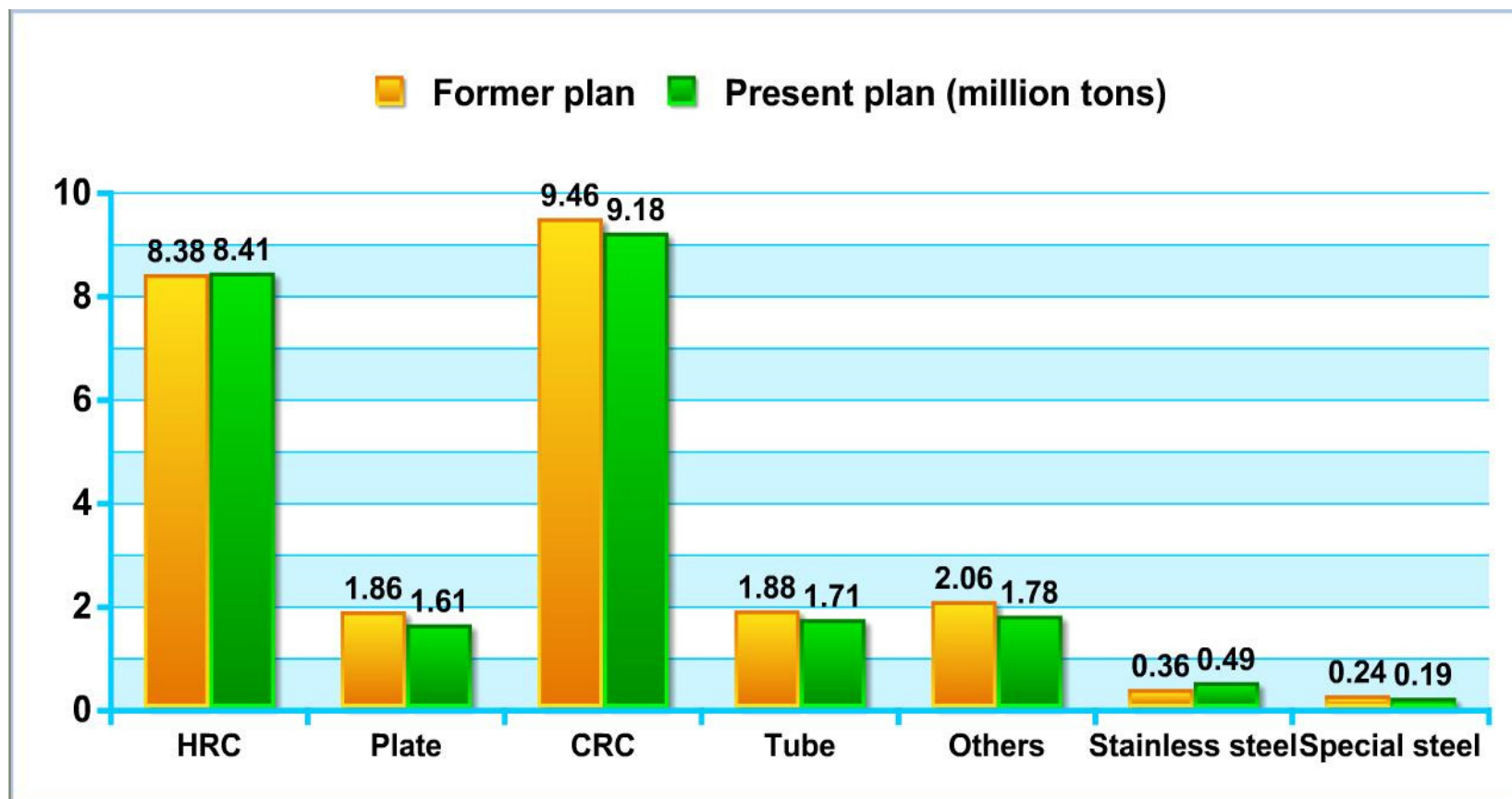
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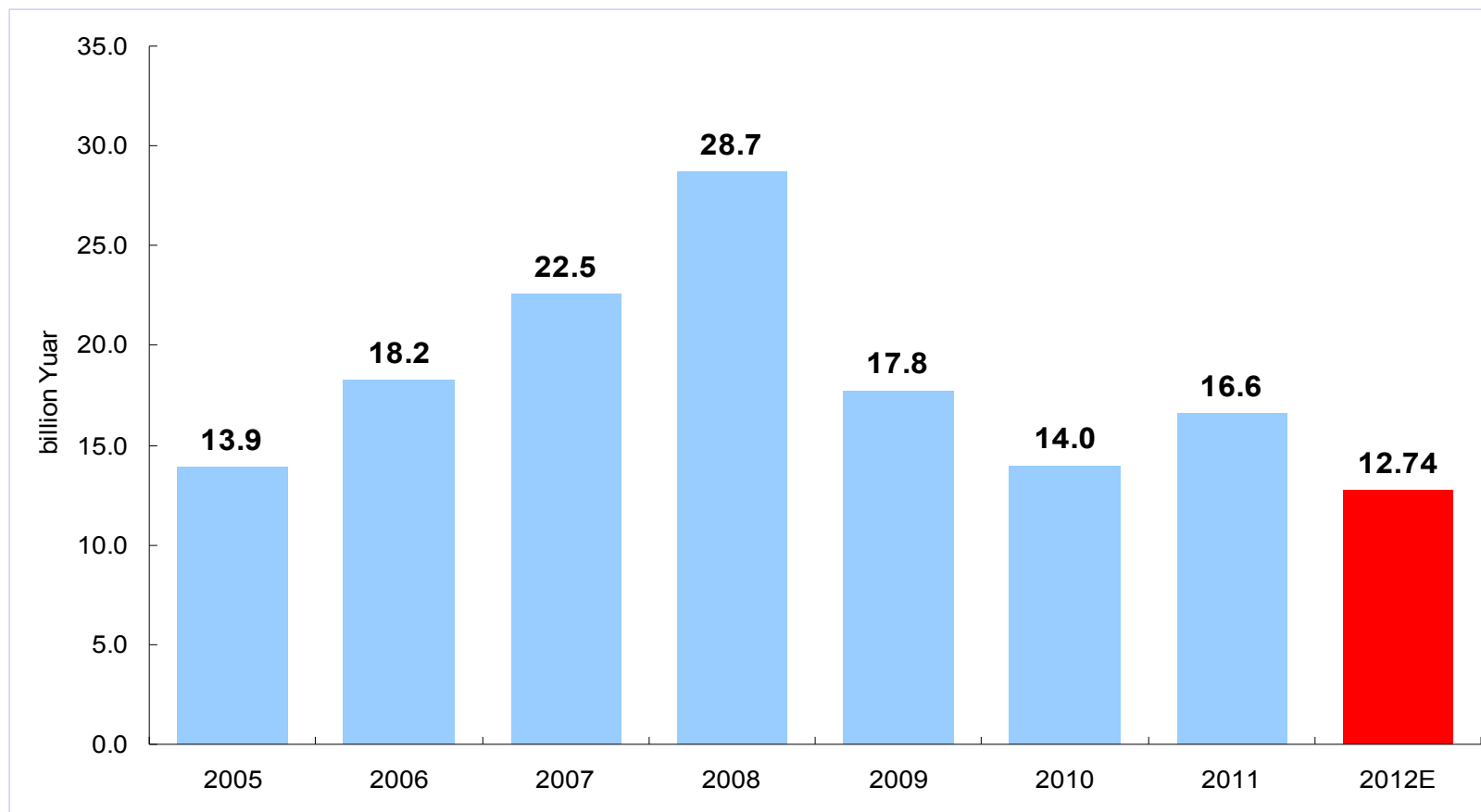
➤ 2012 Plan Adjusted

	Former Plan	Present Plan	Chang
Iron (million tons)	23.25	22.79	-2.0%
Steel (million tons)	25.25	23.98	-5.0%
Sales (million tons)	24.25	23.46	-3.3%
Revenue (billion Yuan)	21.60	19.60	-9.3%
Cost (billion Yuan)	19.60	18.00	-8.2%

➤ 2012 Plan Adjusted--Products Breakdown



Note: BNA CRC sales of 2.1 million tons excluded, 1.78 million tons HRC sold to BNA included



- Company CAPEX was 5.24 billion Yuan in 1H.
- New HRC line with capacity of 4 million tons in Meishan Steel was put into operation.

➤ Zhanjiang Project

Project introduction

- Approved by NDRC on 24th May.
- Opening ceremony on 31st May.
- Static investment is expected 40 billion Yuan.

Designed Capacity in 1st Phase: 8.23 million ton pig iron, 8.71 million ton crude steel, 6.37 million ton finished products.

- Approved by the Board of Directors, pending approval of the general shareholders meeting on 17th Sep.

Investment rationale

- To target at auto and home appliance markets in south China and south-east Asia.
- To strengthen Baosteel's leading position in high quality flat carbon steel products.
- To build dual production bases to safeguard the production.
- To make full utilization of existing advanced managerial and technical resources.

➤ Investment in Zhanjiang Project

Competitive Advantage

- To conduct product positioning and equipment layout design based on market demand.
- To achieve lower manufacturing cost with management innovation, operation efficiency improvement, and technology transfer.
- To shorten the learning curve with integrated operation mechanism with Baosteel Shanghai base, and the advantage in procurement, sales and high quality steel production.

Financing plan

- The project will be financed by bank loans and capital injection (operation cash flow, as well as proceeds from asset sale).

➤ **Stock Buyback**

- To use no more than 5 billion Yuan at price no more than 5 Yuan/share.
- Pending approval of the general shareholders meeting on 17th Sep.

Thanks!