



3Q2012 Results

Baoshan Iron & Steel Co.,Ltd.

October 2012



Disclaimer

The following presentation distributed herewith includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Baoshan Iron & Steel Co.,Ltd.(Baosteel) expects or anticipates will or may occur in the future are forward-looking statements.

Baosteel's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, competition and other risks and factors beyond our control.

I. Operation Results

II. Industry Dynamics

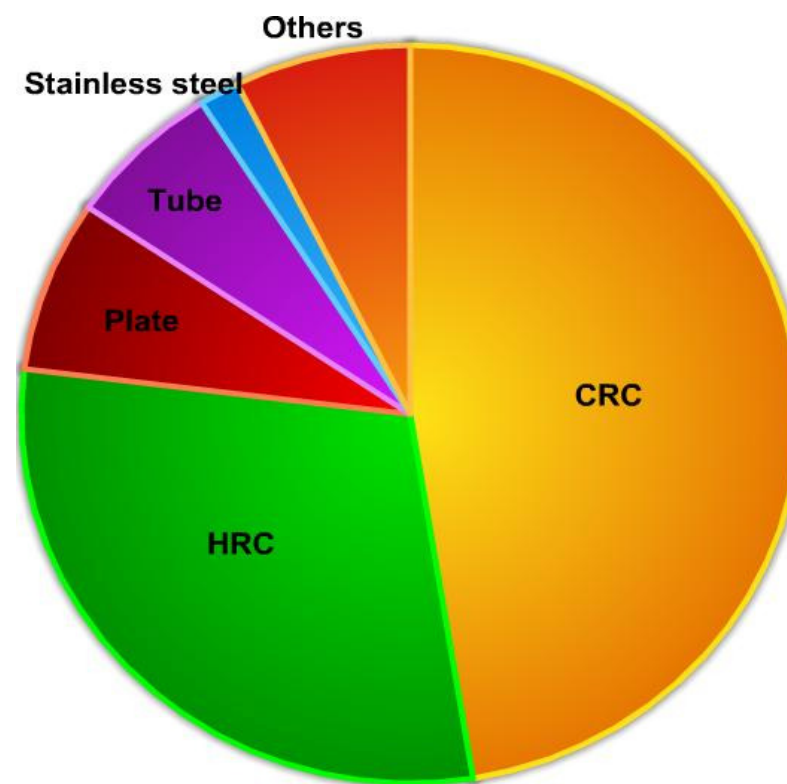
III. Company Outlook

➤ Production and Sales

unit: million tons	3Q2011	2Q2012	3Q2012	QoQ	YoY
Crude steel output	6.79	5.42	5.69	5.0%	-16.2%
Sales of finished products	6.61	5.49	5.88	7.1%	-11.0%
including: domestic	5.86	4.92	5.27	7.1%	-10.1%
export	0.75	0.57	0.61	7.0%	-18.7%

➤ Sales Breakdown of Finished Products in Q3

	Sales	%
HRC	1.77	30%
Plate	0.45	8%
CRC	2.84	47%
Tube	0.39	7%
Stainless steel	0.10	2%
Others	0.44	7%
Total	5.99	100%



Note: BNA included, unit: million tons

➤ Gross Profit in Q3--Products

unit: million tons billion Yuan	Sales	Revenue	YoY	Cost	YoY	Gross margin	YoY
CRC	2.33	12.9	-11.3%	11.3	-17.4%	12.0%	↑ 6.5 pts
HRC	2.16	8.3	-14.1%	7.8	-14.4%	6.0%	↑ 0.3 pts
Plate	0.45	2.1	-38.3%	2.5	-32.0%	-20.4%	↓ 11.1 pts
Tube	0.39	2.7	-7.4%	2.5	-7.6%	6.4%	↑ 0.2 pts
Stainless steel	0.10	1.4	-69.6%	1.4	-70.1%	1.8%	↑ 0.01 pts
Others	0.44	1.8	-20.0%	1.9	-15.2%	-6.4%	↓ 6.0 pts
Total	5.88	29.1	-27.4%	27.4	-29.8%	5.9%	↑ 3.2 pts

➤ Income Statement Summary

unit: billion Yuan	3Q2011	2Q2012	3Q2012	QoQ	YoY
Revenue	56.18	50.68	47.99	-5.3%	-14.6%
Cost	54.95	49.36	47.21	-4.4%	-14.1%
Gross profit	3.04	4.13	3.09		
Gross margin %	5.41	8.14	6.43	↓ 1.71ppts	↑ 1.02ppts
Operating profit	1.32	1.54	1.42		
Operating margin %	2.35	3.05	2.96	↓ 0.09ppts	↑ 0.61ppts
Net profit	1.24	8.39	1.18		
Net profit margin %	2.21	16.55	2.46	↓ 14.1ppts	↑ 0.25ppts

➤ Financial Highlights

unit: Yuan	3Q2011	2Q2012	3Q2012	QoQ	YoY
EPS	0.07	0.48	0.07	-85.4%	0.0%
BVPS	6.04	6.43	6.47	0.6%	7.1%
Net CFO per share	0.02	0.17	0.20	17.7%	900.0%
Gross margin% (accumulated)	8.16	7.82	7.36	↓ 0.46 pts	↓ 0.8 pts
ROE (weighted)% (accumulated)	6.02	8.73	9.82	↑ 1.09 pts	↑ 3.8 pts

➤ Solvency and Liquidity

Financial index		unit	2011-12-31	2012-9-30	Change
Solvency	Total debts/ total assets	%	50.90	47.15	↓ 3.75 pts
	Current ratio		0.80	0.99	23.8%
	Quick ratio		0.42	0.62	47.6%

Financial index		unit	Jan- Sep,2011	Jan- Sep,2012	Change
Liquidity	Days of receivables	day	6.8	18.1	166.2%
	Days of inventories	day	74.8	73.0	-2.4%
	Cash conversion cycle	day	50.2	53.6	6.8%

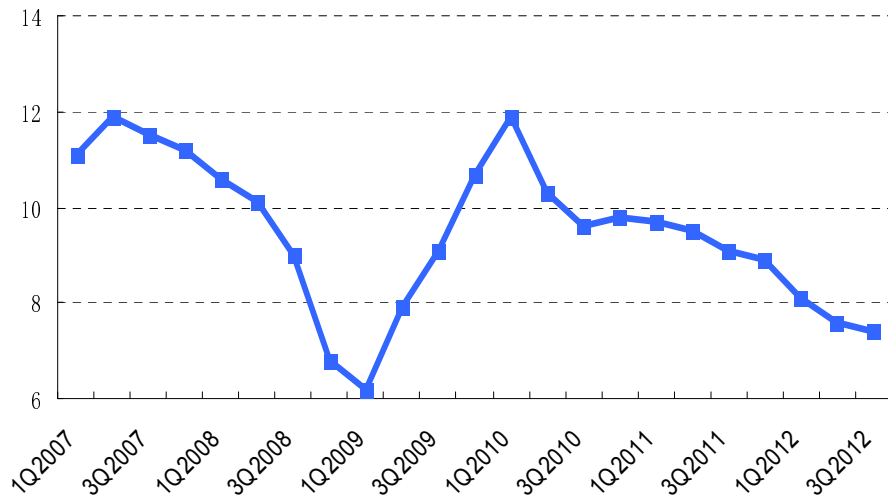
I. Operation Results

II. Industry Dynamics

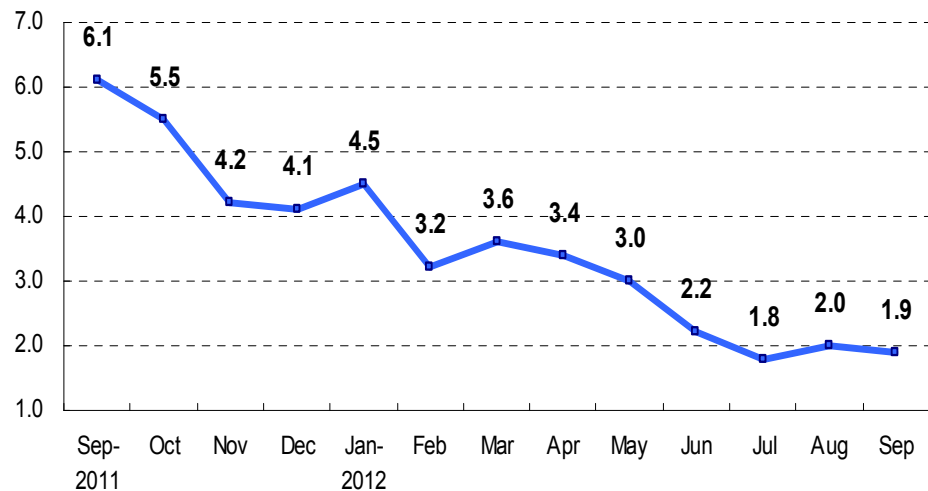
III. Company Outlook

➤ Macro Economy

GDP growth, YoY(%)



CPI growth, YoY(%)

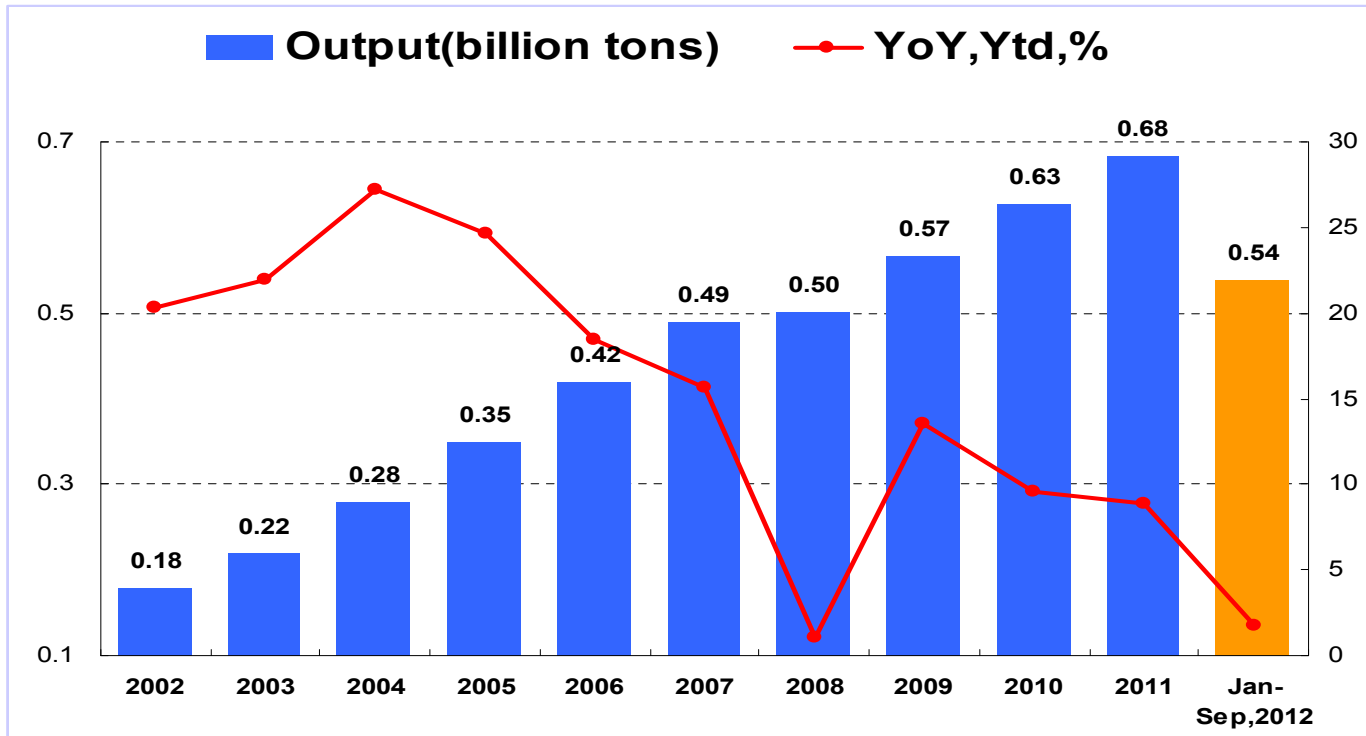


Data source: National Bureau of Statistics

- GDP up 7.4% YoY in Q3, lowest level in the past 14 quarters, economy growth continued to decrease.
- GDP up 7.7% YoY in Q1 to Q3, domestic economy tends to be stable.

- CPI up 1.9% YoY in Sep as expected.
- CPI growth rate below 2%, inflation pressure released.

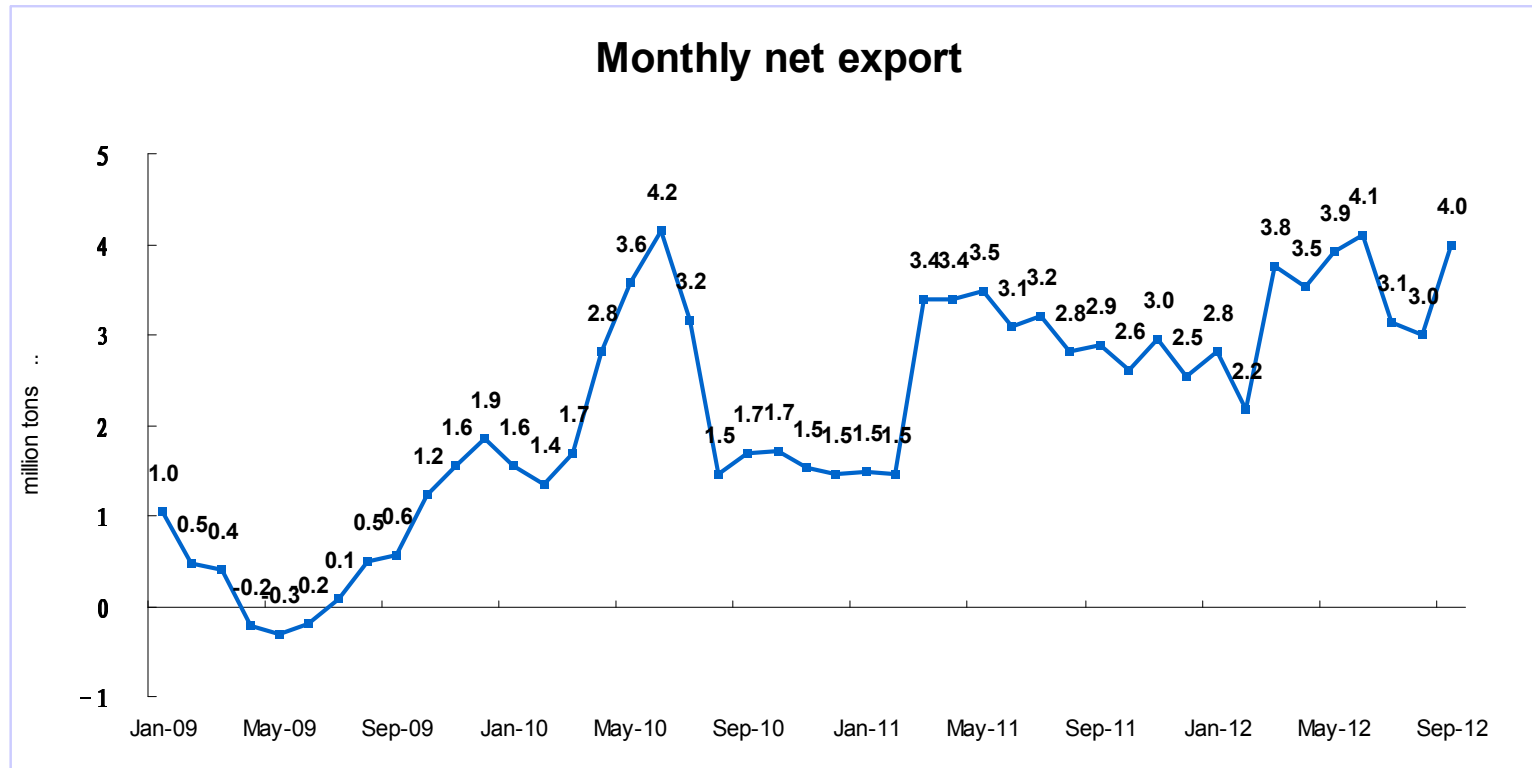
➤ Demand and Supply Analysis--Supply(Crude Steel)



Data source: Wind

- Crude steel output was 0.54 billion tons in Jan-Sep.
- Output up 1.7% YoY in Jan-Sep, growth rate slowed down.

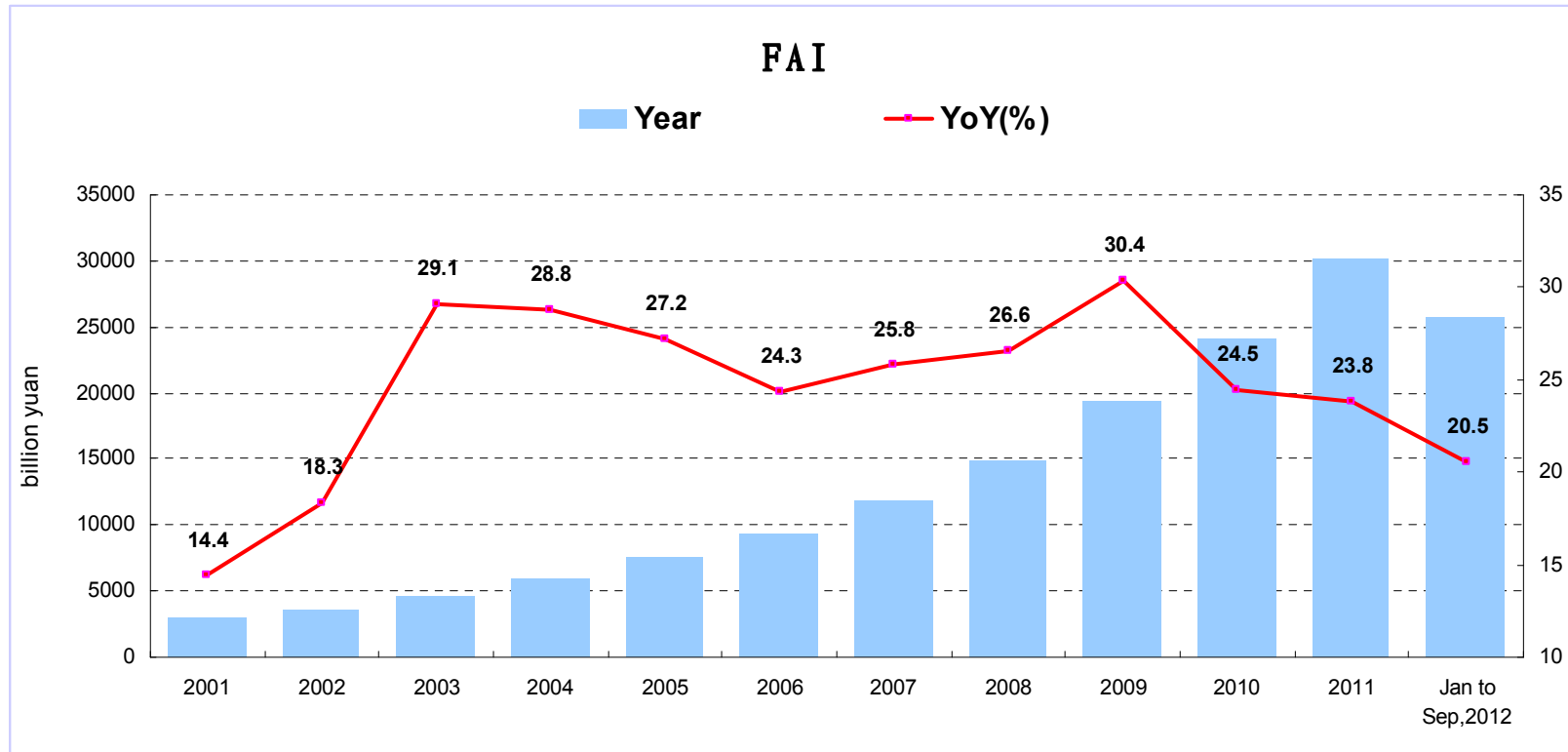
➤ Demand and Supply Analysis--Import & Export



Data source: Wind

- Steel import 10.5 million tons, down 12% YoY and export 40.9 million tons, up 10% YoY in Jan-Sep.
- Export and net export rebounded in Sep.

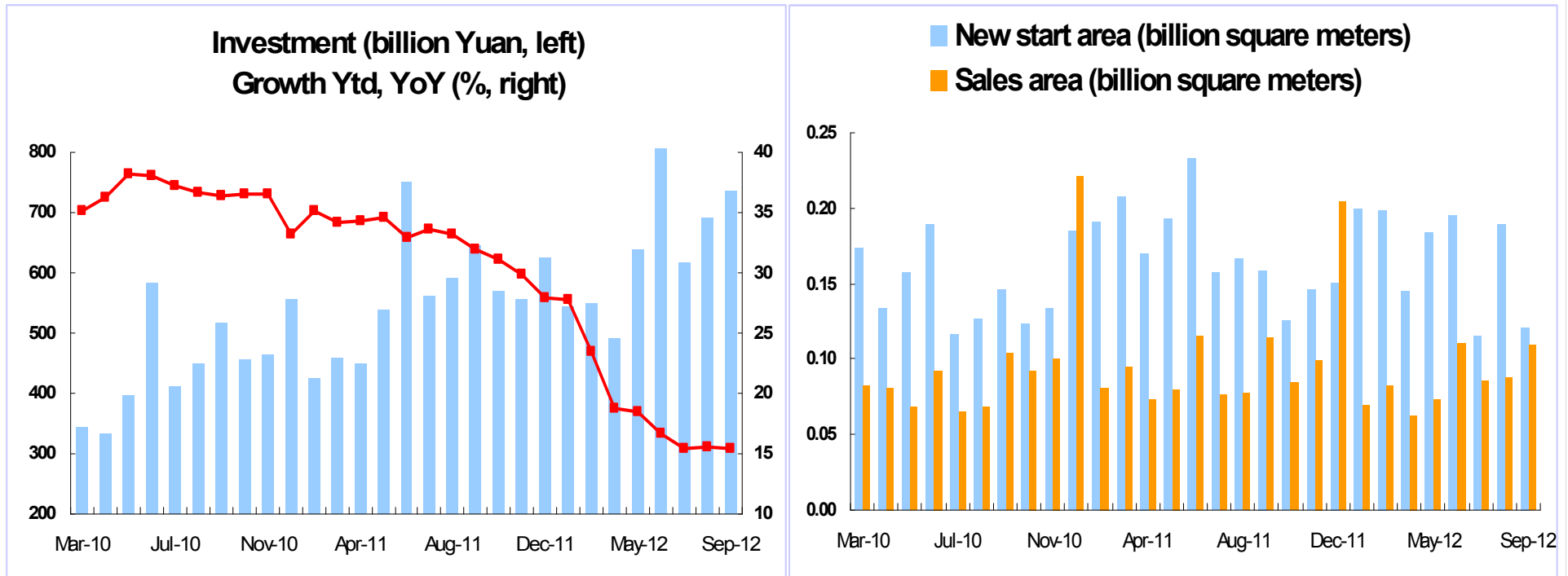
➤ Demand and Supply Analysis--Demand(Infrastructure)



Data source: Wind

- FAI 25.7 trillion Yuan in Jan-Sep, up 20.5% YoY.
- 344 billion Yuan invested in railway in Jan-Sep, down 13% YoY.
- 72.7 billion Yuan invested in Sep, up 92.7% YoY and 52.7% MoM.

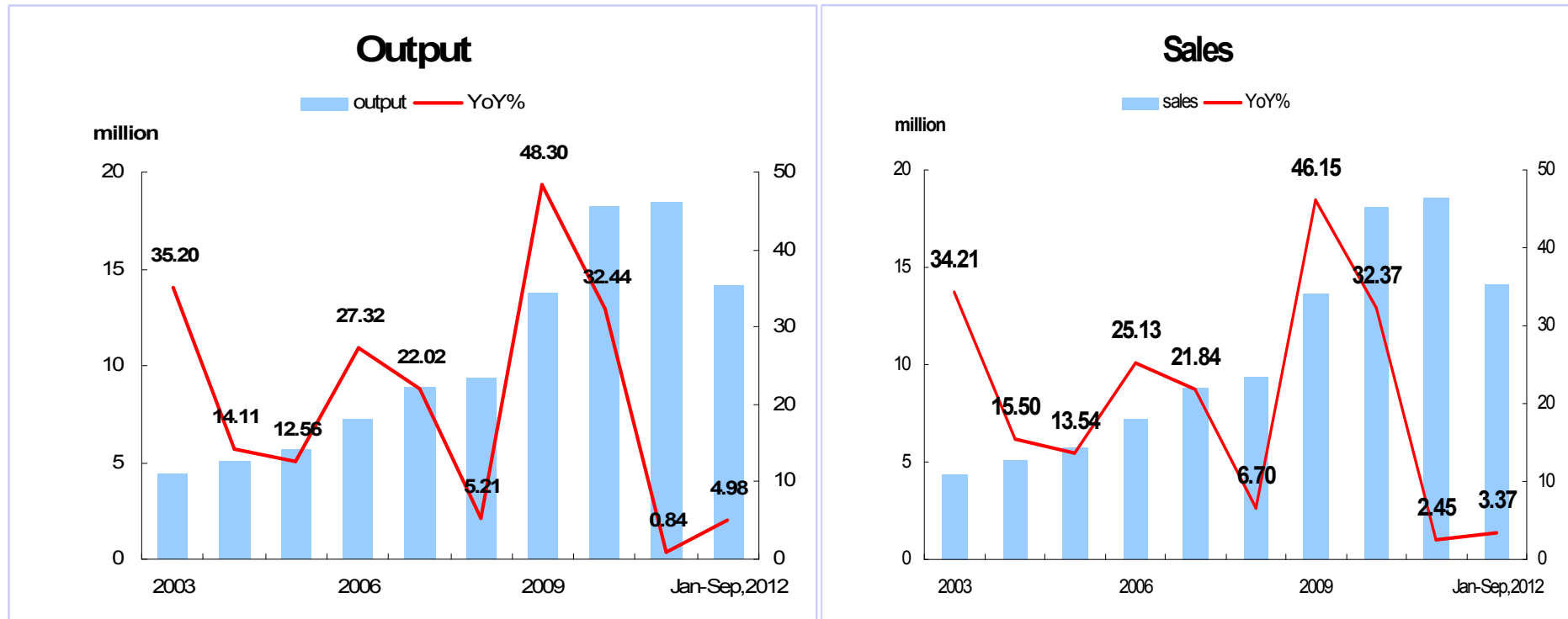
➤ Demand and Supply Analysis--Demand(Real Estate)



Data source: Wind

- Real estate investment growth was stable in Q3, sales volume rose slightly.
- In Jan-Sep, Social housing new start was 7.2 million units, 97% of annual plan with 4.8 million units finished (annual plan 5 million), and 960 billion Yuan invested.

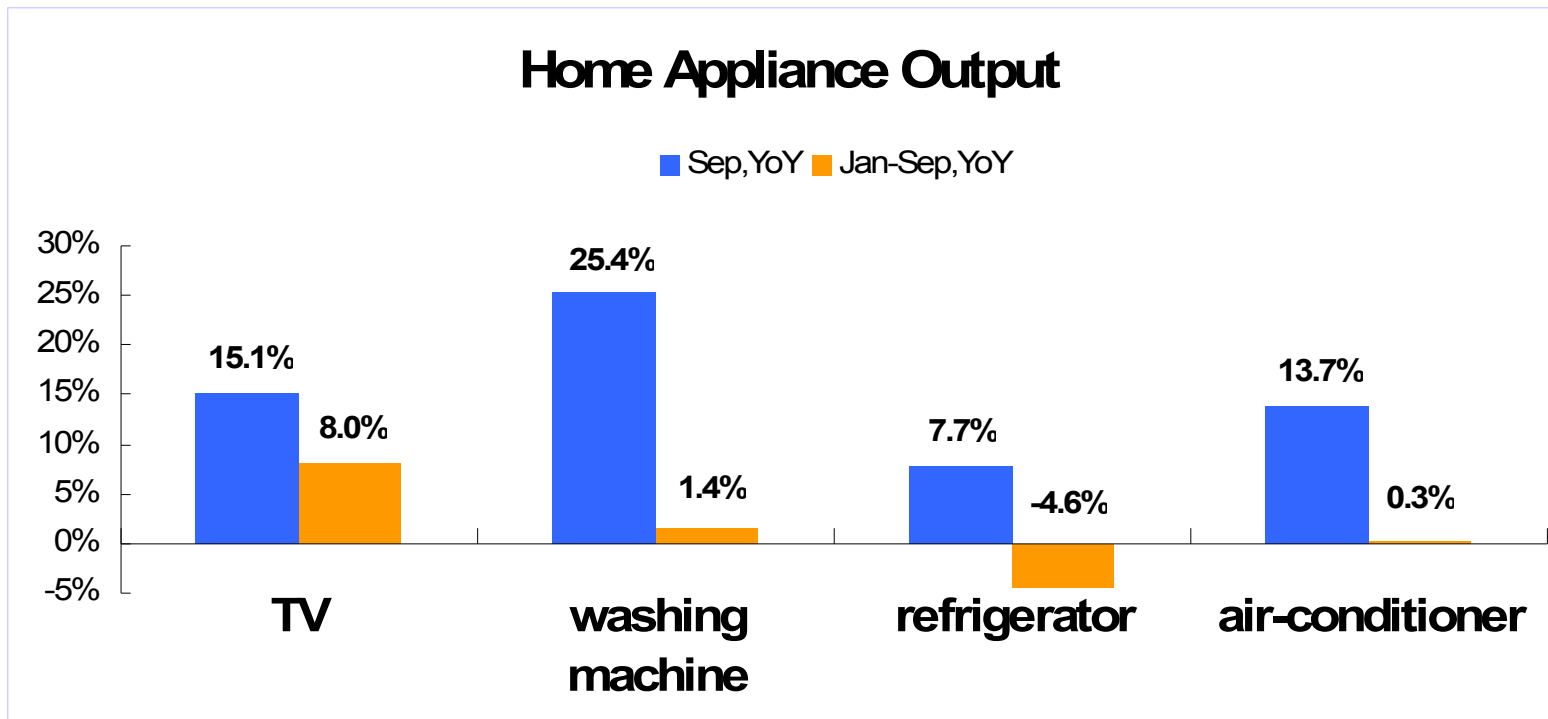
➤ Demand and Supply Analysis--Demand(Automobile)



Data source: Wind

- Output and sales were 14.12 million and 14.09 million units, up 4.98% and 3.37% YoY respectively in Jan-Sep.
- New stimulus policies in progress (sales to the countryside, energy-saving subsidy etc.) .

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

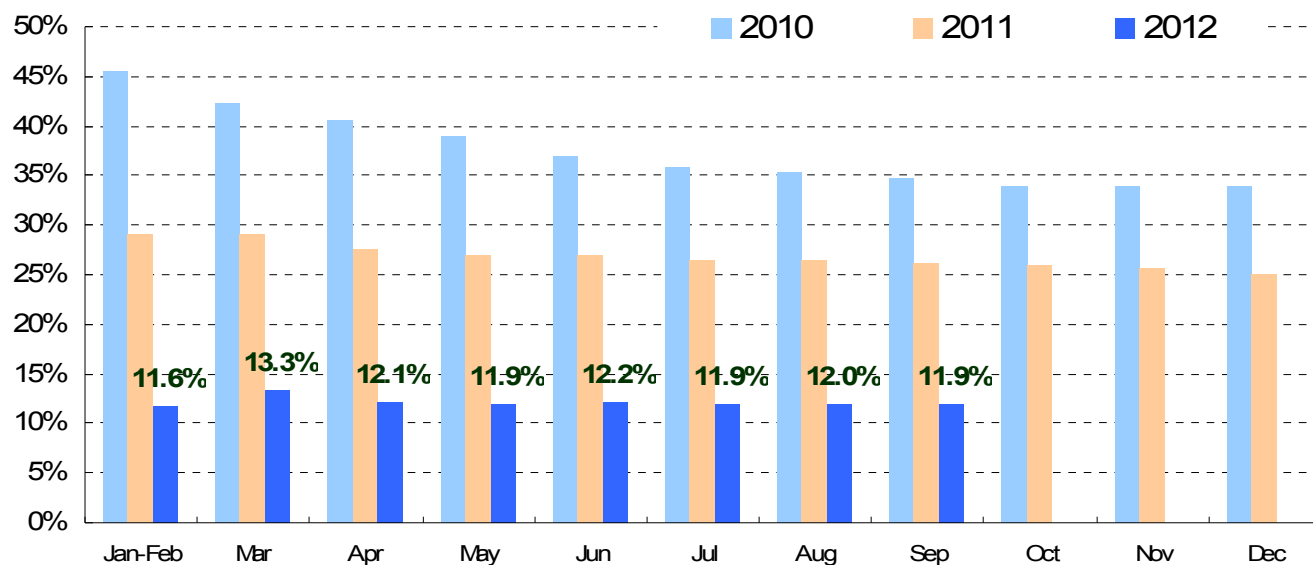


Data source: Wind

- Home appliance outperformed in Q3 than H1.
- Sales to the countryside 573 million units and sales volume was 154 billion Yuan in Jan-Sep, up 12.1% and 21.6% YoY respectively.

➤ Demand and Supply Analysis--Demand(Machinery)

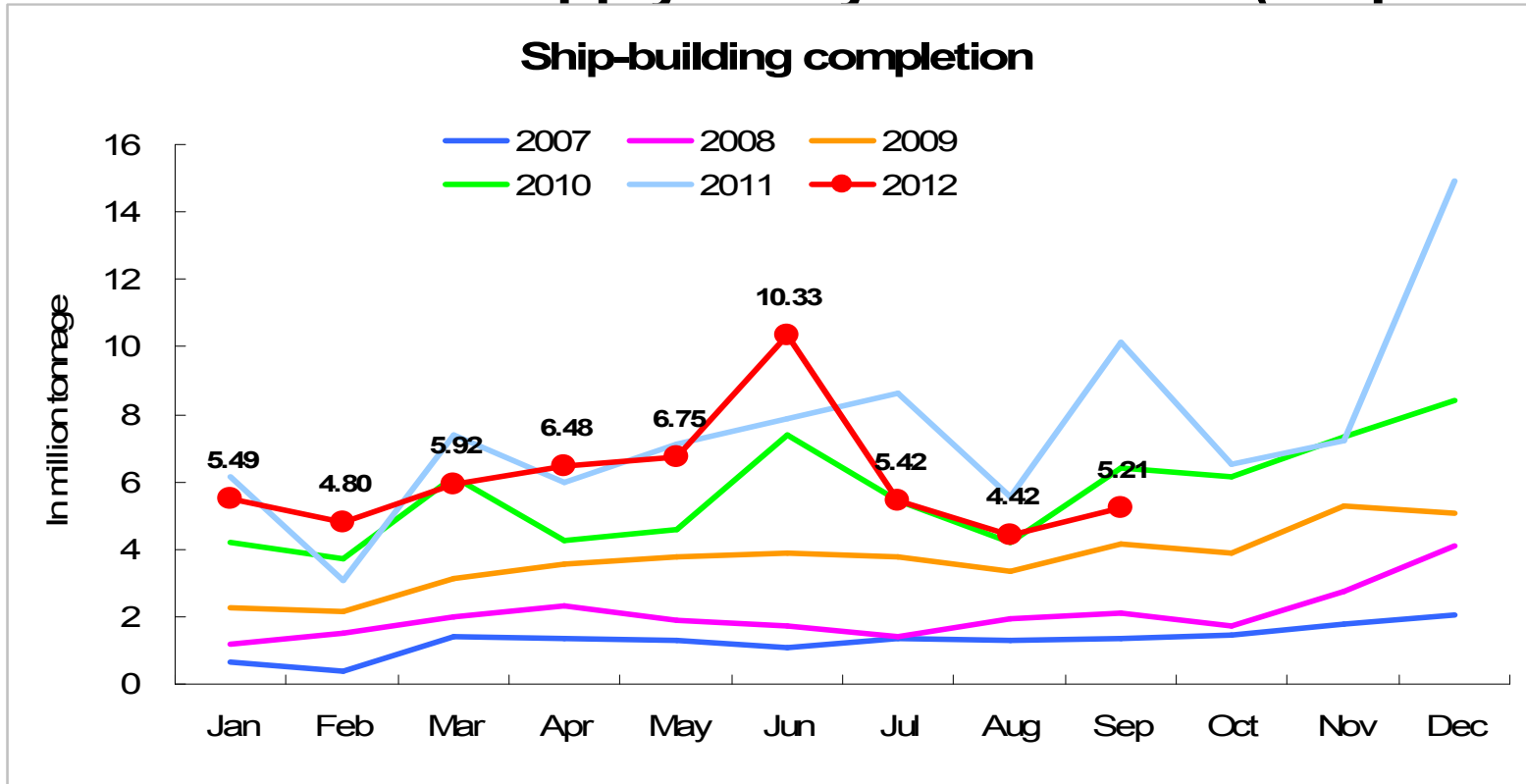
Machinery industry growth, YoY



Data source: CMIF

- Industry growth was lowing down.
- Benefit from credit loosening and new projects, industry growth tends to be stable.

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



Data source: wind

- Completion, new order and carrying order were :41.6, 15.4 and 120 million tonnages, down 18%, 47% and 28% YoY respectively in Jan-Sep.
- Shipping market depressed, profitability in downtrend.

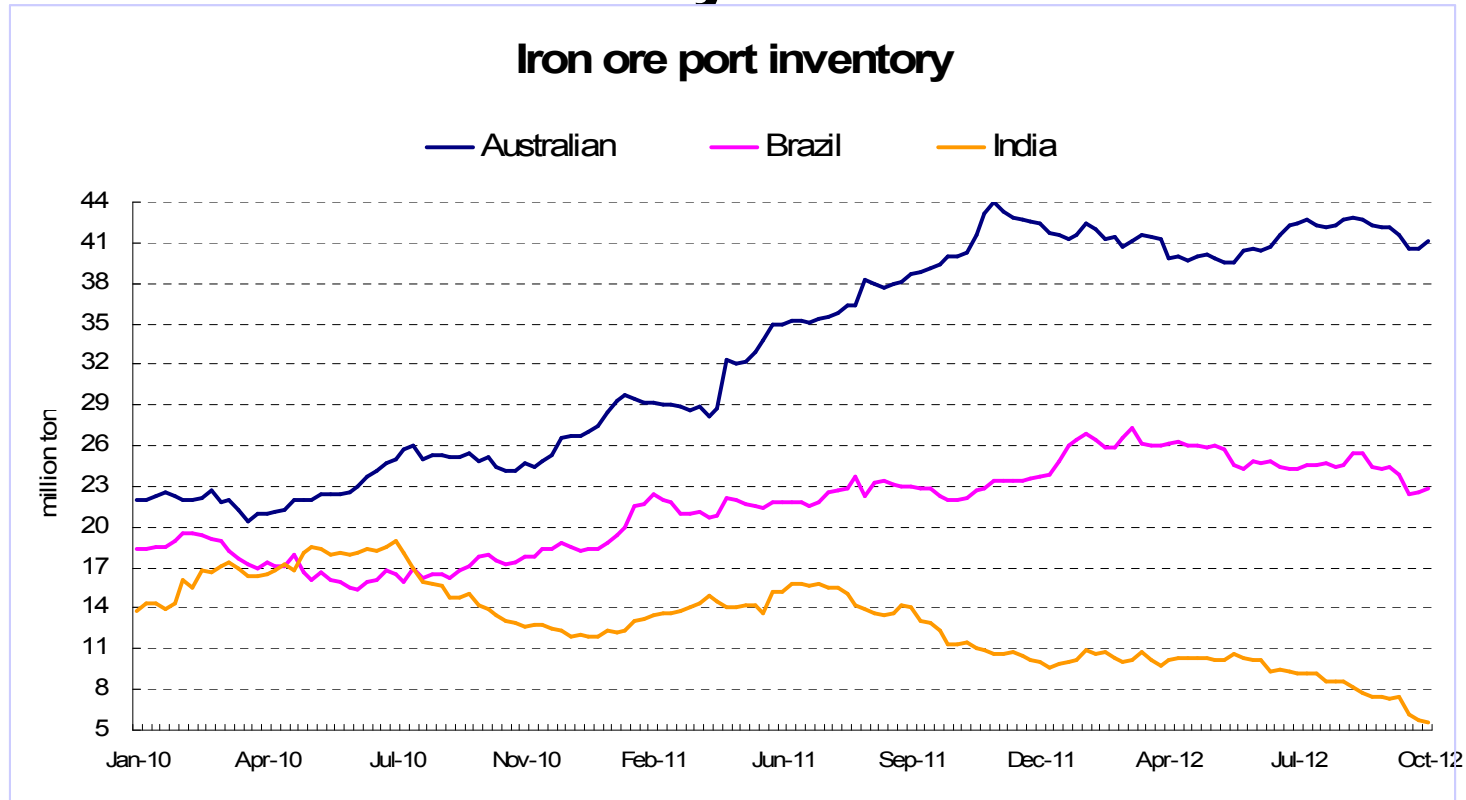
➤ Steel Inventory

Unit: million tons	10-28- 2011	8-31- 2012	9-28- 2012	11-2- 2012	MoM	YoY
Rebar	5.66	5.91	4.99	4.93	-1.2%	-12.9%
Wire	1.12	1.39	1.06	1.15	8.5%	2.7%
HRC	4.57	3.90	3.52	3.26	-7.4%	-28.7%
CRC	1.53	1.66	1.62	1.62	0.0%	5.9%
Plate	1.46	1.48	1.35	1.38	2.2%	-5.5%
Long product	6.78	7.30	6.05	6.08	0.5%	-10.3%
Flat product	7.56	7.03	6.49	6.26	-3.5%	-17.2%
Total	14.34	14.33	12.54	12.34	-1.6%	-13.9%

Data source: Mysteel

- Destocking continued, but was slowing down.
- Social inventory was 12.3 million tons by 2 Nov, lowest level since 2010.

➤ Iron Ore Inventory

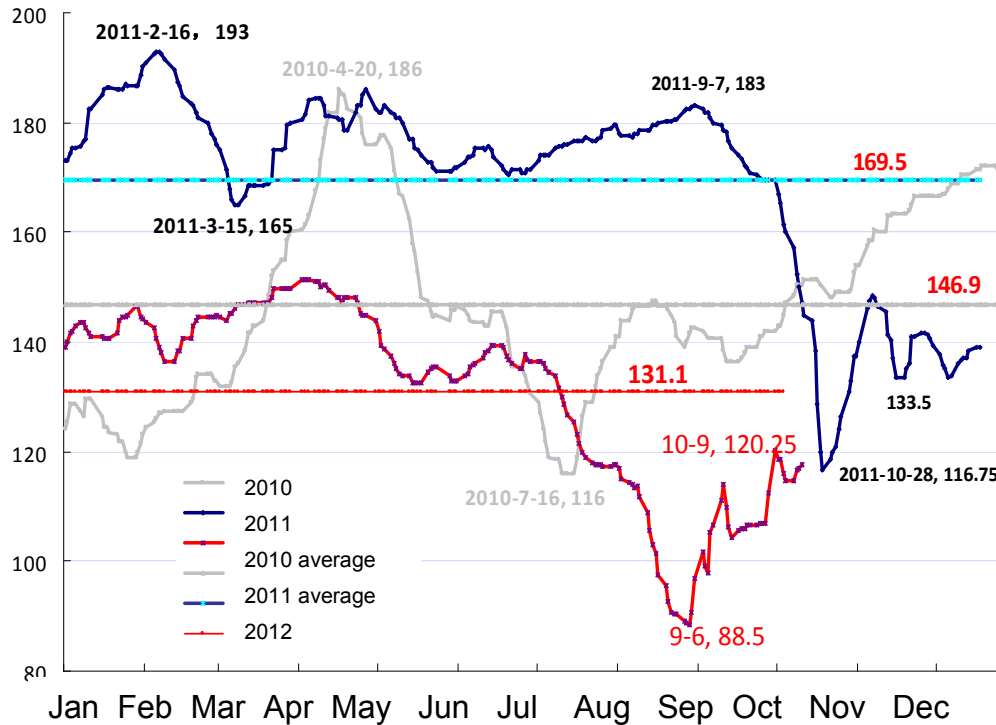


Data source: Mysteel

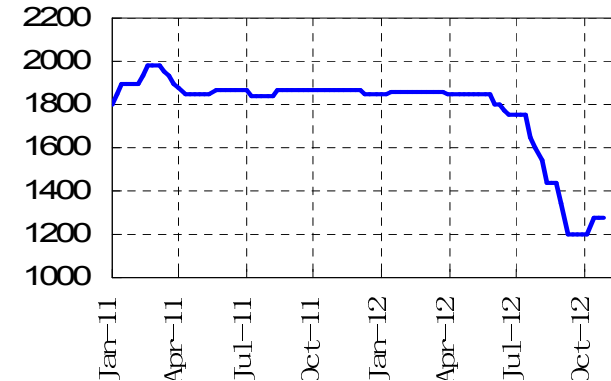
- Port inventory decreased from Sep, close to 90 million tons recently.
- India iron ore inventory continued to decrease sharply.
- Iron ore inventory in downward trend, 88.5 million tons in 25 main ports by 2 Nov.

Raw Material Cost

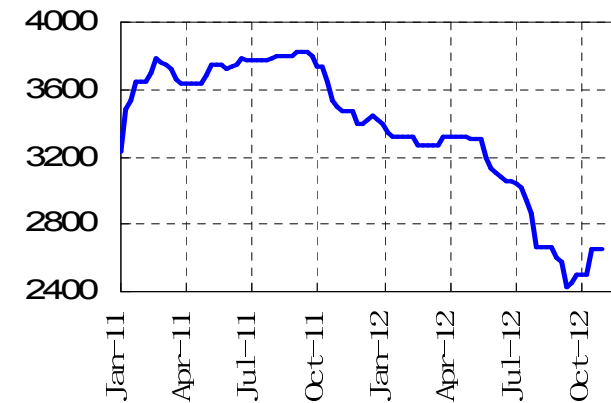
Platts(62%Fe)



Coke price



Scrap price



Data source: Mysteel

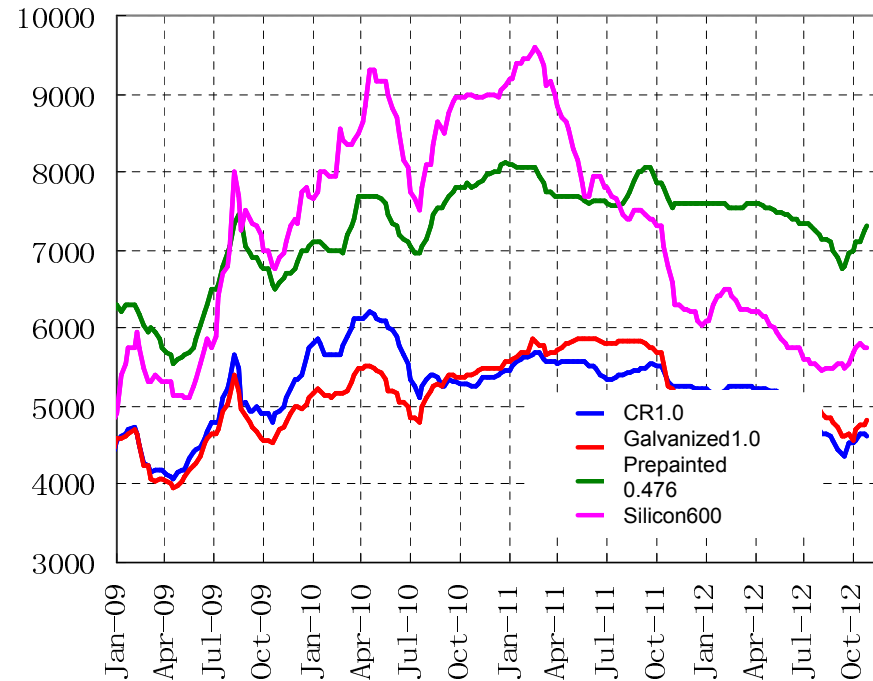
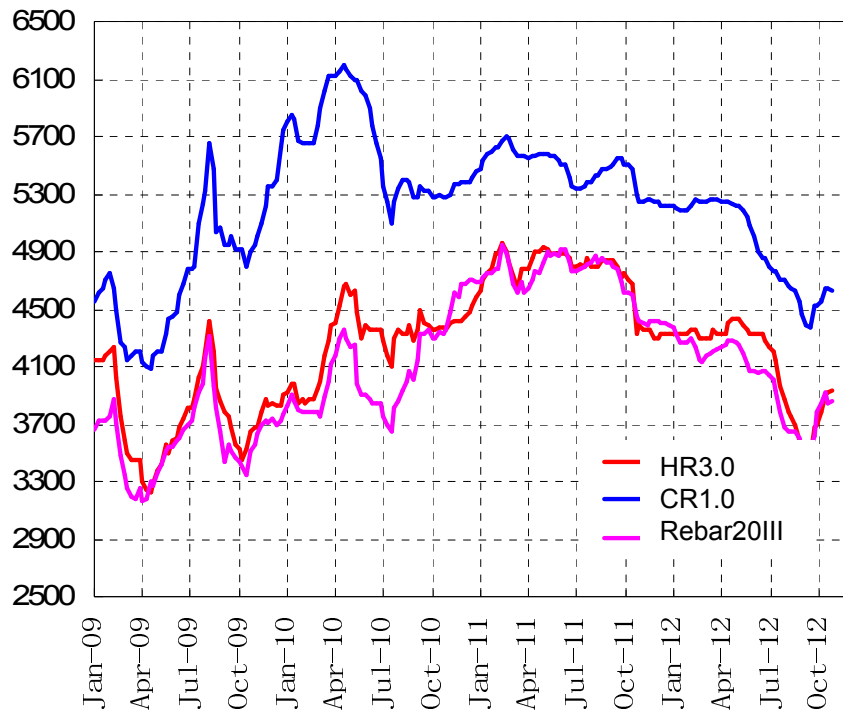
- Imported Iron ore 550 million tons in Jan-Sep, up 8.4% YoY and average price was \$135/t, down 18.8% YoY.
- Platts dropped to \$88.5/t on 6 Sep, lowest level in the past 3 years, after that rose to \$120/t by the end of Oct.
- Coke price picked up with the rebound of steel market, but slowed down recently.

➤ Steel Price

Unit: Yuan/ton	28 Oct,2011	28 Sep,2012	2 Nov,2012	MoM	YoY
HRC	4380	3700	3930	6.2%	-10.3%
CRC	5250	4530	4600	1.5%	-12.4%
Plate	4450	3600	3660	1.7%	-17.8%
Wire	4320	3570	3500	-2.0%	-19.0%
Rebar	4420	3780	3850	1.9%	-12.9%

Data source: Mysteel

➤ Market Trend



Data source: Mysteel

- According to CISA, 36 of 80 median-large size steel makers lost money in Jan-Sep. 42 steel makers lost money in Sep.
- Steel price picked up in the past 2 months and became stable by the end of Oct. The rebound was limited after entering the weak season in winter.

I. Operation Results

II. Industry Dynamics

III. Company Outlook

➤ Q1-Q3 Results

	2012 Plan	Q1-Q3 Result	Completion Ratio
Iron (million tons)	22.79	16.70	73.3%
Steel (million tons)	23.98	17.48	72.9%
Sales (million tons)	23.46	17.39	74.1%
Revenue (billion Yuan)	19.60	14.61	74.5%
Cost (billion Yuan)	18.00	13.51	75.1%

➤ Stock Buyback Update

- The company's initial buyback was on 21 Sep.
- Buyback was 242.57 million stocks, about 1.4% of the company's total stocks and paid 1.12 billion Yuan by 1 Nov.

	21, Sep – 1, Nov		
	Toatal	Buyback	%
Quantity (billion)	0.73	0.24	33.2%
Trade Volumn (billion Yuan)	3.35	1.12	33.3%

➤ **Purchase of Zhanjiang Steel's Stake**

- Investment in Zhanjiang project was approved by the general shareholders' meeting on 17 Sep, 2012.
- The company decided to purchase 71.8% stake hold by Guangzhou SASAC in Zhangjiang Steel.
- Purchasing price: 4.98 billion Yuan (6.93*71.8%).
*Zhanjiang Steel net asset value is 6.93 billion Yuan.
- Stake delivery date: 1 Nov, 2012.

➤ **Disposal of Luoqing Assets**

Disposal Principle

- Considering the industry restructuring of Luoqing area, production has been shut down.
- The company decided to sell Corex assets to Baosteel Group.
- The company will sell the land and affiliated buildings etc. of Luoqing area to Baosteel Group. (pending further approval)
- Other manufacturing facilities are pending feasibility study of moving to Zhanjiang Steel.

Corex Assets Pricing

- Book value: 2.77 billion Yuan.
- Selling price: 2.73 billion Yuan (impairment loss of 37 million Yuan).
- Payment: Cash.
- Delivery Date: 1 Nov, 2012.

➤ Investment in East-West pipeline project

- Board of Directors authorized the company to invest in the east-west pipeline project in August.
- Total length of the pipeline is over 5000 km and designed annual transmission quantity of natural gas is 30 billion cubic meter.
- Gas source from mid-east countries. Project is estimated to be put into operation in 2015.
- Total investment of the project is 116 billion Yuan and a joint venture is founded with 62.5 billion Yuan, in which Baosteel will invest 8 billion Yuan, another subsidiary of Baosteel Group (Huabao Investment) will invest 2 billion Yuan.
- Project IRR: 10%.

Thanks!