



中国金属有限公司  
FERROCHINA LIMITED

**“Global Scale,  
Global Strength”**

## **Financial Results**

**1Q FY2007**

*period ending 31 Mar 2007*

**15 May 2007**



## **Content**

- Key Messages
- 1QFY07 Financial Results
- Transformation of FerroChina
- Growth Strategies Ahead
- Latest Corporate Updates
- Outlook for FY2007

**Building**

**confidence  
& trust**

FerroChina is a leading ***independent global player*** in steel processing...



We are focused on specific ***global growth markets*** with sustainable margins



Led by a dynamic international management team with ***clear vision*** for growth and ***track record*** of delivering results through organic growth and M&A activity

...FerroChina is a **value-added steel processor**, not a steel manufacturer



## Financial Results

1QFY07

Adding

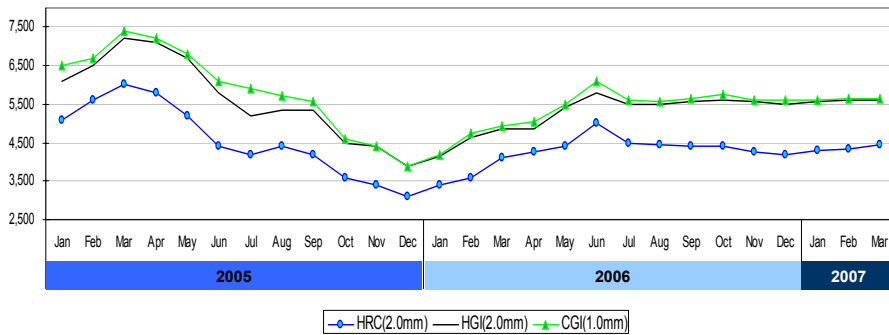
strength

## Financial Summary

	1Q FY2006 (RMB'm)	1Q FY2007 (RMB'm)	Growth (%)
<b>Revenue</b>	784.2	<b>1,123.6</b>	43.3
<b>Gross Profit</b>	76.6	<b>107.7</b>	40.7
<b>Profit from Operation</b>	65.0	<b>83.0</b>	27.8
<b>Share of Assoc. Profit*</b>	-	<b>26.8</b>	NM
<b>Profit after Tax</b>	41.7	<b>72.2</b>	72.9
<b>EBITDA</b>	71.2	<b>89.2</b>	25.3
<b>EPS – Basic</b> (RMB cents)	12.68	<b>18.44</b>	45.4
<b>EPS – Fully Diluted</b> (RMB cents)	12.68	<b>17.98</b>	41.8

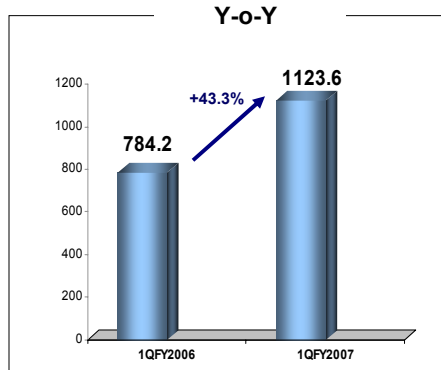
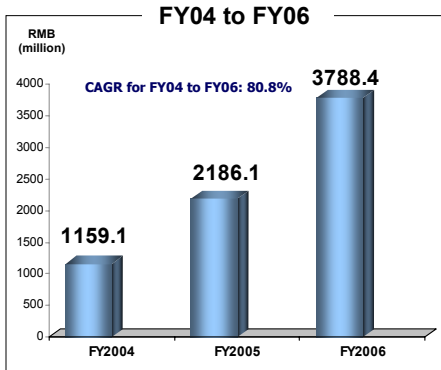
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## Price Trend – Raw Materials



6

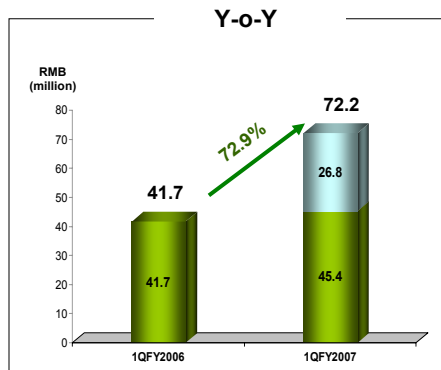
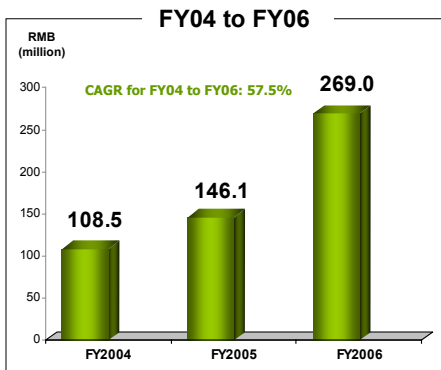
## Revenue



- Revenue grew 43.3% to RMB1,123.6bn, largely due to:
  - Focus on sales of higher-margin products such as galvanised steel;
  - Increased in export sales - 37% of total revenue in 1QFY07 vs 30% of total revenue in 1QFY06

7

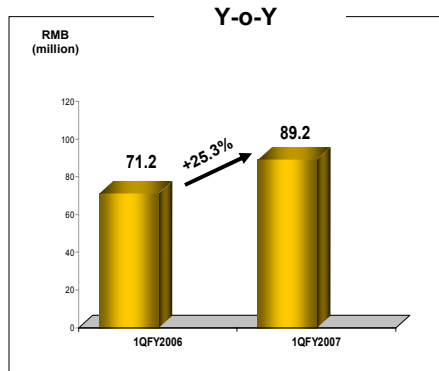
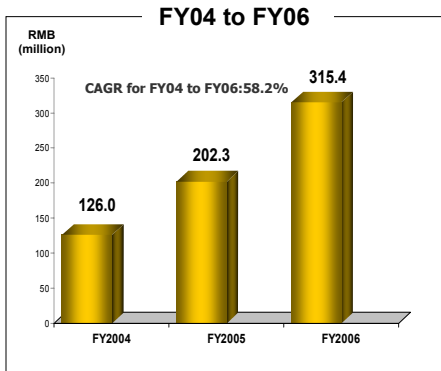
## Net Profit After Tax



- Y-o-Y Net Profit after Tax improved by 72.9% mainly due to the contribution of RMB26.8m from our associates, Superb Team

8

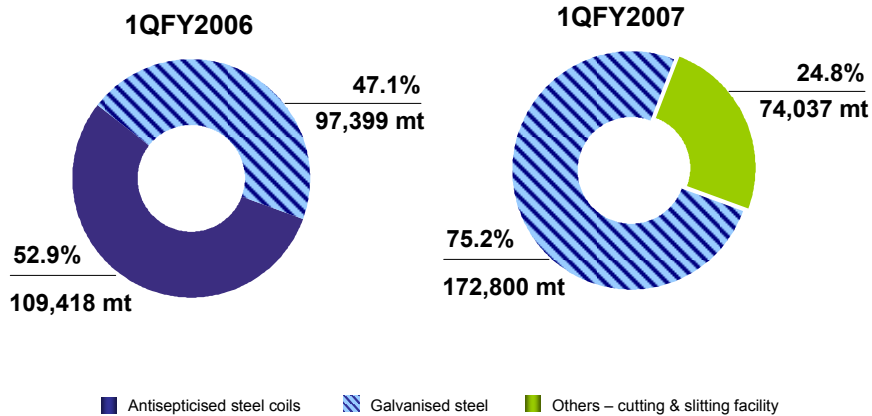
## EBITDA



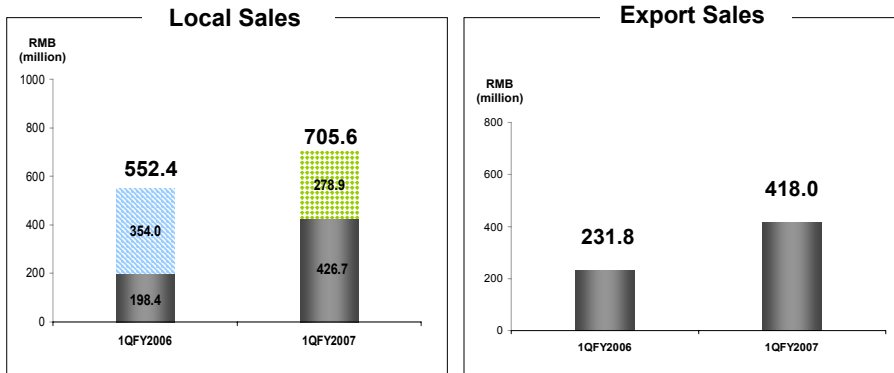
■ **Contributing factors to improved y-o-y performance:**

- 80% increase in export revenue, which generated higher margins as compared to local sales;
- 96% increase in galvanised steel sales, which generated higher margins as compared to antisepticised steel

## Revenue Breakdown By Product Type



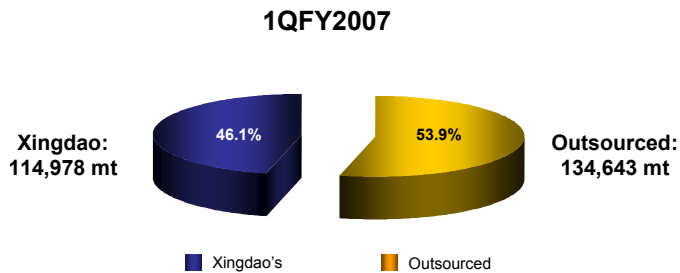
## Revenue Breakdown (Local vs Export)



Our export sales accounted for 37% of our total revenue in 1QFY07 as compared to 30% in 1QFY06.

■ Antisepticised steel coils   
 ■ Galvanised steel   
 ■ Others – cutting & slitting facility

## Production Breakdown



*We look forward to better margins as FerroChina increases its own processing capacity*

## Key Expenses

(RMB million)	1Q FY2006	1Q FY2007	Change
<b>Administrative expenses</b>	6.9	<b>17.1</b>	149.0%
<b>Selling &amp; Distribution expenses</b>	6.5	<b>10.3</b>	57.1%
<b>Finance expenses</b>	16.9	<b>28.7</b>	70.0%

13

## Key Expenses

Items	Details
<b>Administrative expenses</b>	Increase by 149% due to:- - Commission charges of RMB2.2 million incurred on guaranteed notes - Operating expenses for the set-up of Singapore office in FY2006, resulting in an increase in administrative expenses
<b>Selling &amp; Distribution expenses</b>	Increase by 57.1% due to: - Rise in packaging and logistic costs in tandem with higher direct export sales
<b>Financial expenses</b>	Increase by 70% due to: - the increase in bank loans taken up at subsidiaries for working capital and capital expenditure purposes

14

## Key Financial Ratios

As at	As at 31/12/06	As at 31/03/07
<b>Shareholders' Funds (RMB'm)</b>	856.0	<b>1,096.4</b>
<b>*Net Debt / Equity (%)</b>	103.2%	<b>84.6%</b>
<b>Return on Equity (annualised %)</b>	31.4%	<b>26.3%</b>
<b>NAV per share (RMB cents)</b>	239.15	<b>265.52</b>

Note: \*Net debt includes RCPS issue

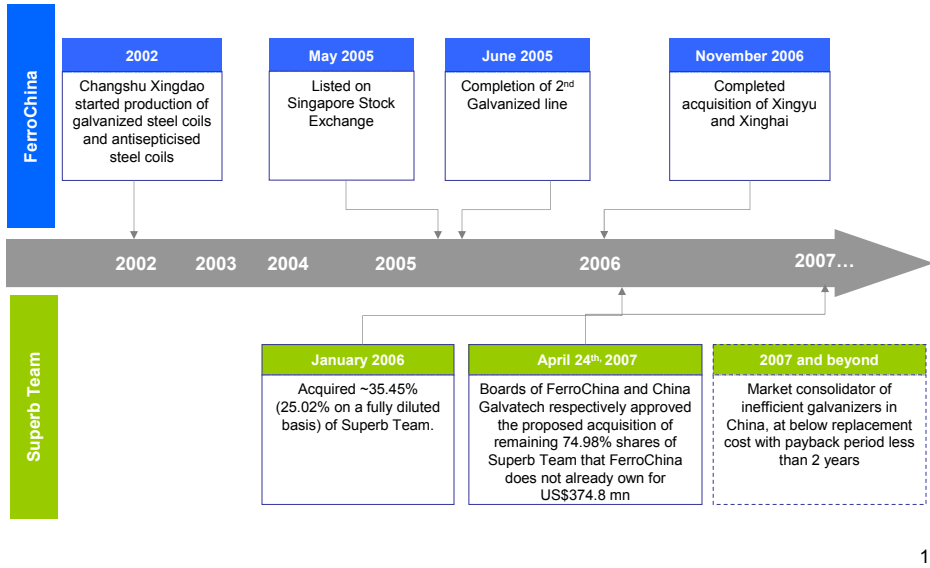


## Transformation of FerroChina

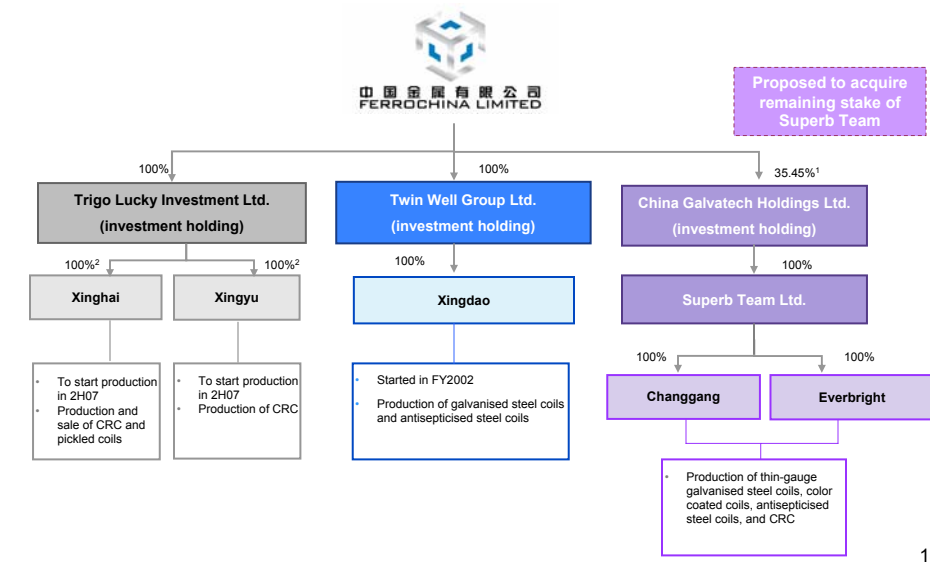
Asia

global player

## Transformation into one of the largest & most efficient global galvanized steel producer



## Enlarged Group Structure



## Enlarged Group Processing Capacity

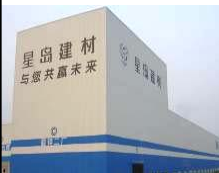
	FY2006	FY2007	FY2008
1 <sup>st</sup> galvanisation production line	150,000*	300,000	350,000
2 <sup>nd</sup> galvanisation production line	400,000	400,000	450,000
Changshu Everbright (35.45%)	350,000	460,000	600,000
XingYu & XingHai	NA	300,000	1,000,000
<b>TOTAL CAPACITY</b>	<b>900,000</b>	<b>1,460,000</b>	<b>2,400,000</b>
<b>GR. CAPACITY (100% EB)</b>	<b>1,450,000</b>	<b>2,300,000</b>	<b>3,500,000</b>

*By 2008, FerroChina will emerge as the **leading global player** in steel processing industry with an estimated capacity of **3.5m mt***

Note: \* Estimated production for FY2006; line has been shut down in May 2006 and will resume operation in Q1FY2007

19

## FerroChina...Going Strong



We are one of the largest **independent flat steel value-added processors** in China with an annual group processing capacity of **900,000 tonnes**

**By 2008** our targeted annual group processing capacity (including Superb Team) is expected to be **3.5 million tonnes**

20



## Growth Strategies Ahead

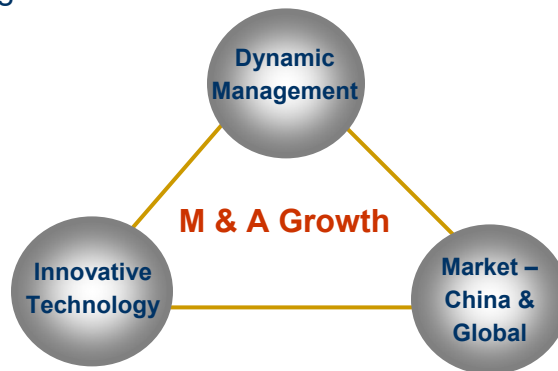
Adding

value



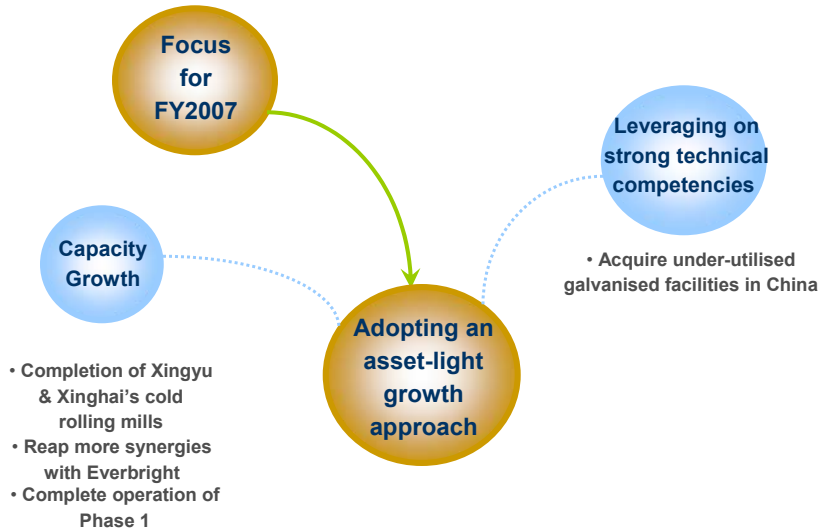
## Our Business Strategy

To leverage on...



...to complement our acquisition-led strategy

## Focus for FY2007



## Key Growth Drivers

### Completion of Xingyu & Xinghai production plants

- ▶ Expanded production capacity which results in enhanced competitiveness
- ▶ Flexibility in raw material sourcing

### Reaping more synergies with Everbright

- ▶ Increased depth and breadth of product range

### Phase 1 expansion completion

- ▶ Greater consistency in quality
- ▶ Lower reject rates
- ▶ Expanded production capabilities

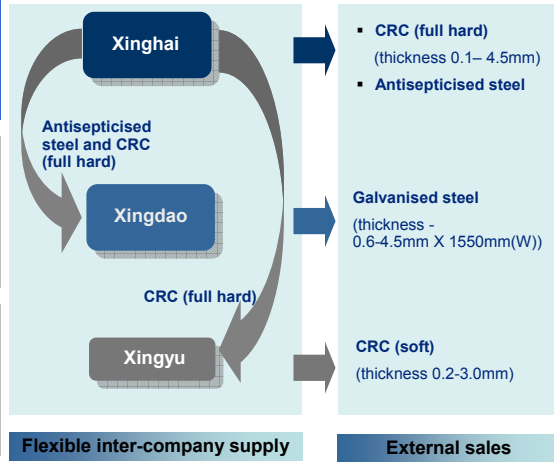
## Key Growth Drivers

### Flexible Inter-company Supply and a Full Range of Steel Products

Completion of Xinghai & Xingyu production plants

Reaping more synergies with Everbright

Phase 1 expansion completion



A full range of steel products

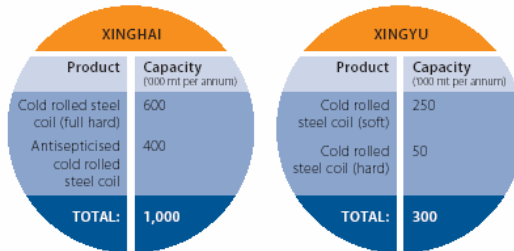
## Key Growth Drivers

Completion of Xinghai & Xingyu production plants

Reaping more synergies with Everbright

Phase 1 expansion completion

- ▶ Xinghai is expected to start operations in 1H FY2008
- ▶ Xingyu is expected to start operations in 2H FY2007



*With a total target capacity of approximately 1 million mt by mid FY2008, Xinghai & Xingyu will enhance FerroChina's competitiveness in the PRC*

## Key Growth Drivers

Completion of Xinghai & Xingyu production plants

Reaping more synergies with Everbright

Phase 1 expansion completion



27

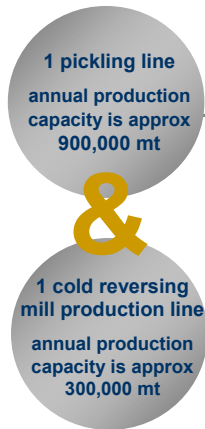
## Key Growth Drivers

Completion of Xinghai & Xingyu production plants

Reaping more synergies with Everbright

Phase 1 expansion completion

Current production capacity of Everbright



FY2006  
FY2007  
Upon completion

Expansion Plan  
(to be completed in 3 phases)

2 additional lines has been in operation since August 2006

4 additional lines to be completed

- Targeted to be by mid FY2007.
- Everbright is expected to achieve annual production capacity of approx 1.7 million mt, comprising of galvanised steel coils and pre-painted galvanised steel coils

28

## Key Growth Drivers

- **Upgrading works have been completed and operations is expected to commence by end of May 2007**

Completion of Xinghai & Xingyu production plants

Reaping more synergies with Everbright

**Phase 1 expansion completion**



## Latest Corporate Developments

### Export Sole Agency Agreements

- Entered into sole agency agreements with various parties to handle its export sales in United Kingdom, Australia, New Zealand, Israel, Italy and South East Asia.
- Export Order as of 30 April 2007 = US\$98 million (RMB760m)
- Total export value for the quarter = US\$54 million (RMB418m)

### Partnership with Baotou Steel Union Co., Ltd

- PRC state-owned
- 1<sup>st</sup> four steel mills founded in the 1950s
- Based in Inner Mongolian Industrial City

- Baotou Steel supplied approximately 50,000 mt of galvanised steel to Xingdao in 1QFY07
- Contributed 20% of total sales volume

### Acquisition of Superb Team

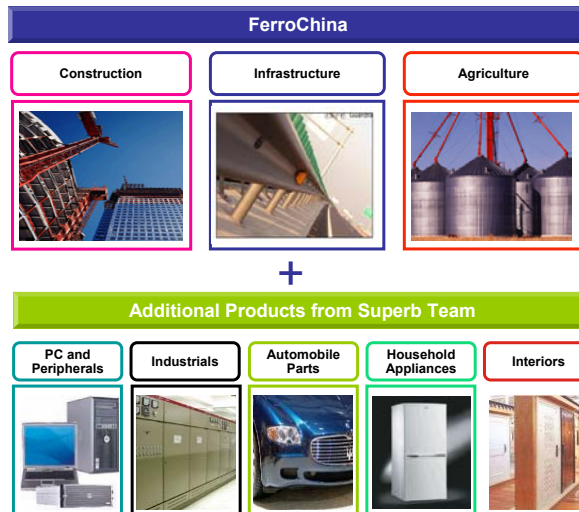


- Wholly-owned subsidiaries of Superb Team - Everbright and Changgang, are engaged in the manufacturing of high-end *thin* gauge galvanised steel coils
- Focuses on business segments including Consumer Electronics, home appliances, computer, automobile and construction
- Group to benefit from acquisition such as:
  - Becoming a dominant galvanised steel processor;
  - Consolidate strategically located operations;
  - Expand product range and customer base;
  - Capitalise on scale efficiencies in the areas of marketing, raw materials procurement, logistics and inventory management;
  - Earnings accretion; and
  - Profit margin enhancements
- Proposed full control of associate company, Superb Team, which controls a total capacity of 1,700,000 mt per annum by 2008
- Going forward, the Group intends to acquire inefficient galvanised steel processors in China at below replacement cost with payback in 3 years

31

## Acquisition of Superb Team

The acquisition is expected to derive substantial cross marketing opportunities. FerroChina's heavy gauged galvanized coil products are highly complimentary with Superb Team's thin gauged products.



32

## Outlook for FY2007

China economy and market fundamentals remain broadly supportive

New streams of recurring income from partnership with Baotou Steel

Stronger sales volume expected from higher export orders

Acquisition of Superb Team will propel FerroChina onto a higher level playing field

FerroChina is entering the new year from a position of strength



**“Global Scale,  
Global Strength”**

**It All Adds Up**

*Thank You*