Baoshan Iron & Steel Co., Ltd.
1H16 Result Briefing

August 2016
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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.
1H Results

Industry Dynamics
NO.1 among domestic steel players

Sales Volume
- Million tons: 10.70 to 11.85, ↑10.8%

Operating Income
- Billion RMB: 80.9 to 78.1, ↓3.5%

Gross Margin
- %: 11.5 to 14.0, ↑2.6ppts

Total Profit
- Billion RMB: 4.40 to 5.02, ↑14.2%

CFO per share
- RMB/share: 0.49 to 0.69, ↑41.0%

EPS
- RMB/share: 0.19 to 0.21, ↑9.3%

BVPS
- RMB/share: 6.85 to 7.02, ↑2.5%

Cash Conversion Cycle
- Days: 31.9 to 14.8, ↓53.6%

Note: The CFO does not contain that of the financial company.
Most profitable among comparable global steel players

Note: Translated at average exchange rate of 1H16.
Cost cut initiatives

Contributing 43% for the reduction of operating cost per ton
Production ramping up smoothly

Products development and certification go as planned

All manufacturing process under stable operation

Cost control of some units better than benchmarks
Technology Innovation

Debut of new products

B27R080, B30R090  
High Efficiency Grain-oriented Electrical Steel

CT110  
For High Grade Coiled Tubing

4# BNA hot dip galvanizing line fully achieved intended targets

Batch production of 1180Mpa Dual Phase steel for auto parts

High-end products
Intelligent Manufacturing

“Baosteel and Siemens Intelligent Manufacturing (Industry 4.0) Strategic Agreement”

Groundbreaking cooperation on 1580 hot rolling pilot project
Will jointly establish China Steel Industry 4.0 Standards
E-commerce in Progress

On-line Trading
- Operating income 8.68 billion RMB 14%
- Sales volume 3.59 million tons 16%

Logistics
- 1000+ nationwide warehouses

Finance
- 5.2 billion RMB loans granted
- more than 1 billion RMB balance of loans
- International on-line trading
- Ouyeel international officially launched
Environment-friendly

Starting a new round of urban steel mill development plan (2016-2021)

Vision
To be the best practitioner of environmental friendliness and better urban steel mill for better life

Action
521 million RMB expenditure on environmental projects
143,500 square meters of new green area
24,700 tons of CO₂ emission reduction per year through Photovoltaic power units
### Output & Sales

<table>
<thead>
<tr>
<th>million tons</th>
<th>1H2016</th>
<th>YoY</th>
<th>HoH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Steel Output</td>
<td>13.27</td>
<td>↑ 20.7%</td>
<td>↑ 13.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>million tons</th>
<th>1H2016</th>
<th>YoY</th>
<th>HoH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of Finished Products</td>
<td>11.85</td>
<td>↑ 10.7%</td>
<td>↑ 3.5%</td>
</tr>
</tbody>
</table>

  including: export | 1.67  | ↑ 45.2% | ↑ 12.9% |
Operating Income and Cost

<table>
<thead>
<tr>
<th>billion RMB</th>
<th>1H16</th>
<th>YoY</th>
<th>HoH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>780</td>
<td>↓ 3.44%</td>
<td>↓ 6.05%</td>
</tr>
<tr>
<td>Operating Cost</td>
<td>671</td>
<td>↓ 6.23%</td>
<td>↓ 13.72%</td>
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</table>
Gross Margins & Sales Breakdown

Gross Margins

<table>
<thead>
<tr>
<th></th>
<th>1H2015</th>
<th>1H2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRC</td>
<td>17.7%</td>
<td>19.7%</td>
</tr>
<tr>
<td>HRC</td>
<td>17.0%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Tube</td>
<td>0.35%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Others</td>
<td>3.7%</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

Sales Breakdown

- CRC: 42%
- HRC: 40%
- Tube: 6%
- Others: 12%
### Steel Making
- **1H2016:** 72.8 billion RMB, **YoY:** ↓ 5.8%, **Gross Margins:** 17.7%, **YoY:** ↑ 5.4ppts

### Distribution
- **1H2016:** 66.9 billion RMB, **YoY:** ↓ 8.1%, **Gross Margins:** 3.6%, **YoY:** ↑ 0.4ppts

### Segment Report

<table>
<thead>
<tr>
<th>Segment</th>
<th>1H2015</th>
<th>1H2016</th>
<th>YoY</th>
<th>Gross Margins</th>
<th>YoY</th>
<th>Gross Margins</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-commerce</td>
<td>7.71</td>
<td>11.98</td>
<td>↑ 55.5%</td>
<td>0.2%</td>
<td>↑ 0.2 ppts</td>
<td>0.2%</td>
<td>↑ 0.2 ppts</td>
</tr>
<tr>
<td>IT</td>
<td>1.61</td>
<td>1.72</td>
<td>↑ 6.7%</td>
<td>28.6%</td>
<td>↑ 2.2 ppts</td>
<td>28.6%</td>
<td>↑ 2.2 ppts</td>
</tr>
<tr>
<td>Chemicals</td>
<td>3.90</td>
<td>3.57</td>
<td>↓ 8.4%</td>
<td>6.5%</td>
<td>↑ 0.3 ppts</td>
<td>6.5%</td>
<td>↑ 0.3 ppts</td>
</tr>
<tr>
<td>Finance</td>
<td>0.32</td>
<td>0.25</td>
<td>↓ 23.2%</td>
<td>50.2%</td>
<td>↓ 3.0 ppts</td>
<td>50.2%</td>
<td>↓ 3.0 ppts</td>
</tr>
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Content

1H Results

Industry Dynamics
• GDP was down to 6.7% in 1H.

• CPI growth was up to 2.1% in 1H.
• Prudent monetary policy is expected to continue.
• Crude steel output was 399mn tons in 1H, down 1.1% YoY. Net export increased 10.7% YoY. And apparent consumption continued to decline.
• Industry FAI increased slightly in 1H, but growth rate declined for several months.

Date source: National Bureau of Statistics, Steelhome, Wind
- Inventory maintained a relatively low level.
After strong rally and sharp correction in 1H, steel prices continued rising.
• Total FAI was 25.8 trillion RMB in 1H, up 9% YoY. Growth rate was down slightly.

• Infrastructure FAI was 6.4 trillion RMB in 1H, up 20.3% YoY.
• Real estate FAI was 6.15 trillion RMB in 1H, up 7.2% YoY. Real estate picked up in 1H remarkably.

• New construction was up 14.9% YoY. Sales was up 42.1%. Real estate market experienced an impressive growth.

Date source: Wind
• Output and sales were up 6.5% and 8.1% YoY respectively in 1H.
• Passenger car sales was up 9.2% YoY, outperforming commercial car (up 1.9% YoY).
• The demand is expected to be strong in 2H.
• Washing machine output grew fast in 1H, while refrigerator and air-conditioner output decreased.
• The demand is expected to revive in 2H.
• The downturn continued in the shipbuilding industry, while the machinery industry growth increased slightly.
• The shipbuilding industry is expected to remain sluggish.
Iron ore price rebounded sharply in 2016, and iron ore port inventories rose to over 100 million tons.

Date source: Wind
Coking coal (from Australia) and coal prices continue recovering to the level at the beginning of 2015.

Date source: Wind
With good demand, supply control and low inventory levels, the steel price is expected to rise steadily in 2H.

De-capacity of steel industry and mining industry is expected to be reinforced.

The steel demand of infrastructure, real estate, automobile and house appliance is expected to maintain a good momentum.

Outlook for 2H2016