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.
Overview 2017
Successful Completion of 2017 Operation Objectives

- Financial results No.1 in China
  Per ton profit: Top 3 globally
- Cost saving over Rmb6bn
- Bao-Wu synergy over Rmb1bn
- Zhanjiang plant turned profitable
- Employee efficiency to improve over 6%

- China No.1
- Per ton profit global No.2
- (among steel mills >=20mtpa)
- Cost saving Rmb6.1bn
- Synergies Rmb1.36bn
- Net profit Rmb2.31bn
- Employee efficiency Up by 8.8%
Operating Performance Hit Record High

1. Steel sales volume
   46.17 mt, +21.5% YoY

2. Revenues
   Rmb 289.1 bn, +17.4% YoY

3. Pretax profit
   Rmb 24.04 bn, +102.2% YoY

4. Net profit
   Rmb 19.17 bn, +111.2% YoY

5. ROE
   12.2%, +6.0 pts YoY

6. EPS
   Rmb 0.86/sh, +109.8% YoY
Operating Performance Hit Record High

7. Gross margin 14.1%, +2.7 ppts YoY
8. EBITDA Rmb46.02bn, +38.1% YoY
9. OCF (excl. finance company) Rmb34.62bn, +41.6% YoY
10. Total liabilities to total assets 50.2%, -5.2 ppts YoY
Remarkable Capital Market Recognition

Highest credit rating in steel industry
- BBB+ by S&P
- Baa1 by Moody’s
- A by Fitch

Index constitute stock
- Inclusion in “SSE 50 Index” in Dec 2017 again
- Inclusion in “FTSE China A50 Index” in June 2017

Awards and honors
- Awards of China Business Top 100
- Gold Round Table Award - Best Board of Directors
Synergies

Rmb 1.36 bn

Wugang 2017
pretax profit
Rmb 1.5 bn

Rmb 486 m, marketing
Rmb 85 m, finance
Rmb 263 m, R&D
Rmb 323 m, raw material purchase
Rmb 198 m, materials & equipment procurement
Cost Reduction

Cost reduction at all levels
Decomposition of cost cutting task, established a mechanism to proceed within different layers, achieved cost reduction alongside the entire system.

Cost reduction running ahead
Cost reduction running ahead of industry average in 2017, industry unit steel COGS spiked 29% in 2017 vs. 2015, whilst Baosteel managed to only increase by 9%.

Performance mechanism
Employee benefits are linked with cost reduction targets, staffs who performed exceptionally in cost reduction contribution are incentivized through compensation scheme.

Everyone’s responsibility
To reward outstanding employees and to stimulate creative cost cutting measures.

- **Rmb 6.1 bn** (Compared to 2015)
  - Manufacturing overhead, Rmb 4.4 bn
  - Procurement optimization, Rmb 670 m
  - Operating expense, Rmb 750 m
  - Others, Rmb 280 m

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Technology Leadership

2017

Four anchor products as global debut: Corrosion resistant martensitic stainless steel composite plate; low-noise oriented silicon steel; ultra-low iron loss oriented silicon steel, super high-strength alloyed hot-dipped galvanized automobile plate

CRC Auto sheet domestic market share over 60%.

- 4 achievements awarded the 1st for progress in metallurgical science and technology;
- 12 achievements were awarded 2nd and 3rd prize for progress in metallurgical science and technology;
- 2 achievements won the Shanghai Science and Technology Progress Award 2nd and 3rd prize.

Two silicon steel products B23R075, B30R090 successfully applied in large scale power transformers
Promoted the **Smart Supply Chain** projects with Great Wall Motors and Dongfeng Nissan to achieve the lean operation of the supply chain.

Continuously carry out sales person technical service qualification **certification** and continue to promote EVI service projects.

Awarded multiple recognition from downstream customers.
In 2017, 62 intelligent equipment projects, 7 smart factory projects, 4 smart connected projects, and 4 IT infrastructure reform projects were launched.

The upgrade of 37 unmanned bridge cranes has been completed, and another 40 cranes are in progress.

The pilot project of the 1580 smart workshop at Baoshan Base completed construction;
The cold-rolled C608/C708 facilities was again qualified as a role model for intelligent manufacturing from MIIT.

Added 116 sets of robots to a total of 398 sets and applied to “3D” (dangerous, dirty, duplicate) jobs.
In 2017, Baosteel's sustainable development practice was awarded the first prize of annual management innovation from CISA.

Promoted the implementation of plant greening projects with an additional green area of 300k square meters.

The company’s plant roof photovoltaic power generation project was nominated by the World Steel Association’s “Sustainable Development Excellence Award”, and the annual power generation capacity could reach more than 70mn kwh, equivalent to 24kt of standard coal saving and reducing carbon dioxide emissions by 60kt.

The “Research and Application of Energy-efficient and Environmentally Friendly Sintering Technologies and Equipment” won the 2nd prize of National Science and Technology Progress Award.

Elected as "China Pioneer Enterprise" for 2 consecutive years by the United Nations Global Compact for achieving the Sustainable Development Goals (SDGs).

“2017 Green Enterprise Management Award” issued by the China Environment News Agency under the MEP.

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02
Out Look 2018
**Demand**

**Infra& Property**
Transformation from high-speed to high-quality development.
Funding could be tighter affected by strengthened financial supervision.
Infra and property growth will likely slow down in an orderly manner.
Rental housing construction may be a sweet surprise.

**Auto**
Influenced by the expiry of the preferential tax policy, demand has declined from the end of last year.
New energy vehicles will likely continue to maintain rapid growth.
Production and sales of the automotive industry will likely increase slightly on a high basis in 2018.

**Machinery**
The uncertainties of infra and real estate may inhibit new demand for construction machinery.
Construction machinery in 2017 benefited from the stock update. The previous cycle was 7 years ago and the stock update will continue this year.
Demand will likely grow steadily in 2018.

**Home Appliances**
The sales of 3rd and 4th tier cities in 2017 will bring a wave of home improvement demand.
Refrigerators and air-conditioners are affected by the high base in 2017 and pressure for growth this year.
The appliance industry is expected to remain flat or slightly increase in 2018.
By adding scrap at the smelting stage and using high-grade ore, should partially hedge the impact of environmental production cut. Winter production cut from Jan~Feb in 2018 was lower than expected and estimated to lead to increase of scrap intake by 4ppt. (China Everbright Securities). In 2018, the scrap consumption volume depends on the price gap between finished steel and scrap.

Currently, Hebei and Henan provinces have introduced new environmental protection production restriction plans, but the policies are subject to uncertainties.

In 2018, the new capacity through swap mainly refers to Shandong Rizhao Steel, which is expected to produce about 3~4mt in 2018.

**Conclusion:**
- Environmental curtailment brings uncertainties to supply;
- Through adding scrap at steelmaking stage enables elasticity from supply side;
- At current scrap prices, the profitability of EAF is not as good as that of BF;
- This part of the EAF production capacity will adjust the volatility of steel prices.
Steel Price

**Volatility**
Due to the elasticity of steel supply in 2018, the output of steel will follow the change of demand to a certain extent. Due to the lagging effect, short-term mismatch between supply and demand may lead to fluctuations in spot steel prices, and steel traders can act as an amplifier.

**Steady decline**
2018 steel price is expected to decline steadily vs. 2017.

**Normalization of Long/Flat margin**
Expecting the situation of "long steel price stronger than flat steel " will be eased in 2018.
**Iron ore:** In 2018, seaborne iron ore is expected to increase by 40mt, and the overall supply will still be larger than demand. Under the constant friction in international trade, the domestic supply side reform, environmental curtailment and the pressure of high inventory at the port, the iron ore market will likely remain weak.

**Coal:** Price may fluctuate at the current high level with price divergence seen for differing coal qualities. High-quality coal with low-sulfur and low-ash resources will be tight hence prices can be firm; while coal with high-ash and high-sulfur are sufficient hence price could fall

**Coke:** Coke price fluctuates alongside steel price volatilities; at the same time, due to impact of the environmental curtailment and coking coal prices, coke prices should generally fluctuate within a certain profit-making range.
03

Action

2018
2018 Objectives

- Cost reduction: Rmb 2bn
- Employee efficiency improvement: +8%
- Financial results: No.1 in China
- EBITDA per ton: Global Top 3
- Bao-Wu synergy: Rmb 2bn
2018 Production Plan

Strategy
One entity armed with two wings; four production bases cooperation; Differential competition; cost reform, and green lean management.

- Pig Iron: 45.63 mt
- Crude Steel: 47.37 mt
- Sales Volume: 45.68 mt
- Revenue: Rmb 278.6 bn
- COGS: Rmb 242.0 bn
2018 Main Task

- Bao-Wu integration
- Multi production base synergies
- Green city steel plant
- Organizational optimization

- Technology leadership
- Cost reduction
- Market leader
- Smart manufacturing
2018 Main Task

Bao-Wu Integration

- Complete the transplantation of 7 information systems, and to largely complete the Bao-Wu information integration task in 2018;
- Deepening the “three-unified” management of procurement, sales, and R&D, and achieving substantial results.
- Through the implementation of embedded management projects, to further promote the integration.
Adheres to the path of differentiated new product development and does a good job of proactive product planning and layout.

Closely follow the direction and industrial trends of advanced technologies. Promote the improvement of regional technological level with landmark breakthroughs.

Fully exert the role of a systematic R&D organization structure, plan ahead the direction, goals, paths, and initiatives for leading technology, and share innovative achievements and experiences.
Multi Production Base Synergies

To improve multi-base consistency management and control capabilities.

The manufacturing management system "centralized management + territorial management" at each base.

To strengthen the de-bottleneck processes and work-in-process inventory management at each site.

 Improve key product resource support capabilities to ensure timely delivery of contracts.

2018 Main Task
**Cost Reduction**

**Baoshan Base:** Further solidifies the results of cost reduction and absorbs the unfavorable factors of cost increases.

**Meishan Base:** Further improve its cost performance evaluation mechanism and continue to promote collaborative cost reduction.

**Qingshan Base:** Insists on benchmarking, deepens cost-effective system procurement, and seeks low-cost financing through multiple channels.

**Dongshan Base:** Continued to consolidate its cost advantage through lean manufacturing, cost reduction, economic operation, and efficiency enhancement.
2018 Main Task

Green City Steel Plant

**Qingshan Base**
Accelerate the construction of environmental protection projects, implement the projects for the treatment of raw material yards, flue gas desulphurization and denitrification and other projects to enhance ability to meet standards.

**Dongshan Base**
Strengthen the control of the source of waste water, strengthen the monitoring of environmental protection facilities throughout the plant and the monitoring of environmental emissions, and ensure that the environmental discharges meet the standards.

**Meishan Base**
Intensify the implementation of the 4# sintering head denitrification reform, 5# sintering head electrostatic precipitator renovation, 1# coke oven coke dust removal transformation, 8# material yard environmental protection renovation and other environmental protection projects.

**Baoshan Base**
Solidly promote the seventh round of the three-year environmental protection plan and clean air plan, and continue to promote urban service functions.
2018 Main Task

Market Leadership

Strengthen multi-site mutual supply and synergy, strengthen production and marketing synergy, improve the company's overall production organization's flexibility and risk-prevention ability, and quickly adapt to market changes.

Increase the market development and continue to maintain the market share of the variety steel. We will fully implement the domestic marketing integration of WISCO and promote the cooperation of multi-base automotive panels.

Further explore the smart service model, promote the construction of smart supply chain and information projects, and carry out the construction and pilot application of the DTC platform of Huichuang.
Optimize the configuration of functions of multi-manufacturing bases, deepen centralized and unified management of procurement, sales, and R&D.

Continuously promote the centralized sharing of technical personnel and establish a multi-base human resources sharing mechanism.

Advance the multi-manufacturing base management model, deepen integrated operation coordination mechanism, and gradually realize same quality, same service, same brand and same price.

Empower smart manufacturing to carry out job redesign.
2018 Main Task

Smart Manufacturing

Baoshan Base:
Promote the 1580mm hot-rolling plant smart manufacturing results, kick-off the build-up of cold-rolled C008 smart workshops; start smart factory and smart interconnection transformation application projects, and enhance the company’s business management digitalization and intelligence level.

Dongshan Base:
Fully utilize the advantages of information and intelligence in new production lines, and promote smart manufacturing.

Qingshan Base:
Fully initiate the preparation of the 2019-2021 information-wise three-year rolling plan and smart manufacturing.

Meishan Base:
Focus on smart logistics, promote the process of the smart logistics blueprint for Meishan Base, and strive to promote 13 unmanned bridge crane and steel making logistics control projects.