

Corporation code: 600019

Corporation abbreviation: Baosteel

**Baoshan Iron & Steel Co., Ltd.**  
**The First Quarter Report of 2018**

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## I. Important Notices

1.1 The Board of Directors, Board of Supervisors, Directors, Supervisors and Senior Executives of the Company hereby guarantee that the quarterly report is authentic, accurate and complete, and there is no misstatement, misleading representation or important omission in this Quarter Report and shall assume individual and joint legal liability .

### 1.2 Information of Absent Directors

Name of absent directors	Position of absent directors	Causes of absence of director	Name of entrusted person
Dai Zhihao	Chairman	work	Zou Jixin
Liu Wenbo	Director	work	Huang Yuchang

1.3 Dai Zhihao, Chairman of the Company, Wu Kunzong, CFO in charge of the accounting affairs, and Wang Juan, Director of the Finance Department, attest to the truthfulness, correctness and completeness of the financial statements in this Report

1.4 The First Quarter Report of the company was unaudited.

## II. General information of the company

### 2.1 Highlights of Operation

- Its operating performance was good. By stabilizing manufacturing process and continuous cost reduction, in the first quarter, the company realized a total profit of RMB 6.92 billion, with a year-on-year increase of 37%. It has achieved a good performance in the first quarter with the highest single-season profit and top 3 single-quarter profit in history.
- Cost reduction started well. The company promoted the implementation of the new three-year cost reduction plan, determined the cost reduction plan of RMB 10 billion during 2018-2020 (compared with 2017), and achieved seamless joint of the two rounds of cost-reduction planning. In the first quarter, cost reduction exceeded the progress of the annual target deadline.
- Vigorously promoted smart manufacturing. The first large-scale blast furnace control center in the world was built and started up. It successfully achieved centralized operation control and production management for the four blast furnaces in the Baoshan base, and provided remote technical support for blast furnaces at other bases; The first two spans (four-span) of the newly constructed unmanned tidal flat warehouse were put into use in advance; Unmanned driving and automatic operation rate of driving operation steadily increased.
- Continue to deepen reforms comprehensively. The “new seven” measures to deepen reform were introduced, and the “new seven” highlighted innovation guidance, development incentive, and integration to fully support the company’s industry leader position.

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- Continue to promote environmental management. The world's first sintering flue gas dry synergy ultra-clean equipment passed the operation evaluation of early stage in Meishan Steel No. 3 sintering machine and entered the formal operation stage.

2.2 Main financial data

Unit: Million Yuan    Currency: RMB

	The end of the report period	At the end of last year	The increase/decrease of the end of the report period from end of the period of the previous year (%)
Total assets	353,712	350,235	0.99
Net assets attributed to the shareholders of listed companies	169,310	164,433	2.97
	From the beginning of the year to the end of the reporting period	From the beginning of the previous year to the end of report period of the previous year	Increase (decrease) compared to the same period last year (%)
Net cash flows from operating activities	3,591	1,950	84.15
	From the beginning of the year to the end of the reporting period	From the beginning of the previous year to the end of report period of the previous year	Increase (decrease) compared to the same period last year (%)
Operating revenues	67,454	72,375	-6.80
Net profit attributable to shareholders of listed company	5,021	3,786	32.60
Net profit attributable to shareholders of the listed company less non-recurring gains and losses	4,912	3,958	24.11
Weighted average return-on-equity (%)	3.01	2.50	Up by 0.51 ppts.
Basic earnings per share (RMB/share)	0.23	0.17	35.29
Diluted earnings per share (RMB/share)	0.23	0.17	35.29

Items and amount of non-recurring profit and loss

Applicable    Not applicable

Unit: Million Yuan    Currency: RMB

Items	Amount of the current period	Description
Profits and losses arising from disposal of non-current assets	-93	
Government subsidy calculated in current gains and losses, except closely related to normal operating activities, consecutive ration and quantitation government subsidy in lines with national	88	

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policies, rules and certain standards		
Gains and losses from change of fair value for holding trading financial assets and liabilities, investment income by the disposal of trading financial assets and liabilities, and available-for-sale financial assets, except effective hedging operations related to the company's normal operation business	136	
Other net non-operating income and expenditure other than the above items	26	
Effect of minority interest (After tax)	-10	
Effect of income tax	-38	
Total	109	

2.3 Principal business by segments

Unit: Million Yuan    Currency: RMB

Operating segments	From the beginning of the year to the end of the reporting period (1-3 months)			From the beginning of the previous year to the end of report period of the previous year (1-3 months)			Increase (decrease) compared to the same period last year (%)		
	Operating income	Operating cost	Gross margin (%)	Operating income	Operating cost	Gross margin (%)	Operating income	Operating cost	Gross margin
Steel Manufacture	54,541	45,272	17.0	52,316	43,800	16.3	4.3	3.4	Up by 0.7 ppts.
Processing and distribution	69,092	67,561	2.2	72,847	71,567	1.8	-5.2	-5.6	Up by 0.4 ppts.
Miscellaneous	3,070	2,453	20.1	4,322	3,639	15.8	-29.0	-32.6	Up by 4.3 ppts.
Offset between segments	-59,147	-58,818		-56,977	-56,656				
Total	67,555	56,468	16.4	72,508	62,350	14.0	-6.8	-9.4	Up by 2.4 ppts.

2.4 By the end of the reporting period, the situation table of shareholdings for the top ten shareholders and the top 10 shareholders of tradable shares (or unrestricted shareholders)

Unit: Share

Total number of shareholders (account)				372,799		
Information Of Shares Held By The Top Ten Shareholders						
Name of the Shareholder (full name)	Shareholding quantity at the end of the period	Ratio (%)	Quantity of held shares with limited sales conditions	Pledged or frozen		Nature of shareholders
				Status of shares	Quantity	
China Baowu Steel Group Corp., Ltd.	11,300,148,999	50.75	0	Pledge	2,850,000,000	State-owned
Wuhan Iron & Steel Group Corporation	2,982,172,472	13.39	0	None	0	State-owned

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China Securities Finance Corporation Ltd.	1,040,492,642	4.67	0	None	0	State-owned
China National Petroleum Corporation	800,000,000	3.59	0	None	0	State-owned
Beijing Chengtong Jinkong Investment Co., Ltd.	653,544,793	2.93	0	None	0	State-owned
China Reform Investment Corporation Ltd.	652,364,793	2.93	0	None	0	State-owned
Hong Kong Securities Clearing Company Ltd.	389,037,102	1.75	0	None	0	Unknown
China COSCO Shipping Corporation Ltd.	280,000,000	1.26	0	None	0	State-owned
Central Huijin Asset Management Co., Ltd.	194,224,180	0.87	0	None	0	State-owned
GIC PRIVATE LIMITED	145,938,109	0.66	0	None	0	Unknown
Top 10 holders of shares not subject to conditional sales						
Name of the Shareholder	Number of shares not subject to conditional sales	Type and number of shares				
		Type	Quantity			
China Baowu Steel Group Corp., Ltd.	11,300,148,999	RMB ordinary share	11,300,148,999			
Wuhan Iron & Steel Group Corporation	2,982,172,472	RMB ordinary share	2,982,172,472			
China Securities Finance Corporation Ltd.	1,040,492,642	RMB ordinary share	1,040,492,642			
China National Petroleum Corporation	800,000,000	RMB ordinary share	800,000,000			
Beijing Chengtong Jinkong Investment Co., Ltd.	653,544,793	RMB ordinary share	653,544,793			
China Reform Investment Corporation Ltd.	652,364,793	RMB ordinary share	652,364,793			
Hong Kong Securities Clearing Company Ltd.	389,037,102	RMB ordinary share	389,037,102			
China COSCO Shipping Corporation Ltd.	280,000,000	RMB ordinary share	280,000,000			
Central Huijin Asset Management Co., Ltd.	194,224,180	RMB ordinary share	194,224,180			
GIC PRIVATE LIMITED	145,938,109	RMB ordinary share	145,938,109			
Explanation for related relationships or unanimous action of the above shareholders	Wuhan Iron & Steel Group is a whole-owned subsidiary of China BAOWU Steel Group Corporation Limited, other than that, this company is not aware whether the aforesaid other shareholders have affiliated relationship with each other or are persons acting in concert as regulated in the <i>Management Method on Listed Company Acquisition</i> or not.					
Explanation of Preferred Shareholders Resuming Voting Rights and Number of their Shares						

Note 1: China BAOWU Steel Group Corporation Limited completed the issuing work of the public issuing of 2017 convertible corporate bonds (Stage I) of China BAOWU Steel Group Corporation Limited with the object of the partial A shares of the company completed on Dec 1, 2017, considered the total of 2,850,000,000 shares of this company's A shares that were held for reservation of swaps as well as related fruits as the security and trust

property, held them in the name of China International Capital Corporation Ltd., and registered on the list of securities holders of the company with “China BAOWU Steel Group Corporation Limited – 17 BAOWU EB Security and Trust Property Special Account” as the holder of securities. For further details, please refer to the “Announcement Regarding Handling of Security and Trust Registration of Held Partial Stocks of the Company for Planned Issuing of Convertible Bonds of the Company’s Controlling Shareholder” issued by this company on Nov 11, 2017.

2.5 Table of the total number of preferred shareholders, the top ten preferred shareholders, and the top ten unrestricted preferred shareholders’ shareholdings as of the end of the reporting period

Applicable Not applicable

### III. Important matter

3.1 Reasons and situation of significant movement of main accounting data and financial index of the company

Applicable Not applicable

In the first quarter, the overall steel market demand was weak. The domestic steel CSPI index fell by 3.1% from the fourth quarter. 62% of the iron ore Platts index rose by 13.5% from the fourth quarter, and the space for steel companies’ purchases and sales narrowed from the last quarter.

The company fully stabilized the manufacturing process and continuously solidified various cost reform measures, giving full play to the synergy effect of Baowu, and the company's operating performance reached expectations in the first quarter. During the reporting period, the company has completed a total of 11.359 million tons of iron production, 11.893 million tons of steel production, and 10.926 million tons of steel products. The total consolidated profit was RMB 6.92 billion, with a year-on-year increase of 37% from the first quarter of last year.

**The major changes in the major accounting statement items and their reasons were as follows:**

3.1.1 Analysis of the significant changes in the consolidated balance sheet compared with the number at the beginning of 2018

(1) Financial assets measured at fair value and with its variations included in profit or loss for the period decreased by RMB 570 million from the beginning of the year, mainly due to the decrease in investment in funds and bonds of the finance company.

(2) Financial assets purchased for resale decreased by RMB 3.58 billion from the beginning of the year, mainly due to expiry of reverse repurchase of bonds held by the finance company.

(3) The non-current assets due within one year decreased by RMB 500 million compared with the beginning of the year, mainly due to the reduction of trusts due within one year.

(4) Other non-current assets increased by RMB 700 million from the beginning of the year, mainly due to the increase in trusts of the company's subsidiaries.

(5) The deposits absorbed and deposits from peers decreased by RMB 3.40 billion as compared with the beginning of the year, mainly due to the decrease of deposits of Group Company in the finance company.

(6) The long-term employee compensation payable increased by RMB 650 million from the compared with the year, which was mainly due to the withdrawal of demission benefits.

3.1.2 Analysis of the significant changes in the consolidated profit sheet compared with the number in the first quarter of 2017

(1) The financial expenses decreased by RMB 600 million on a year-on-year basis, mainly due to the rapid appreciation of the RMB in the first quarter. The company generated RMB 530 million in exchange gains, with a year-on-year increase of RMB 550 million.

(2) The asset impairment loss reduced by RMB 510 million, mainly due to the provision of RMB 90 million for inventory depreciation in the first quarter, and a provision of RMB 510 million was made for the same period last year.

3.1.3 Analysis of consolidated cash flow sheet compared to the first quarter of 2017

In the first quarter of 2018, the net increase in cash and cash equivalents increased by RMB 400 million, the net increase in the same period of last year was RMB 3.64 billion, with a year-on-year decrease of RMB 3.23 billion.

(1) In the first quarter of 2018, the company's net profit was RMB 5.53 billion, and the depreciation and amortization of fixed assets was RMB 4.63 billion. The assets impairment provision and disposal of fixed, intangible, long-term assets were RMB 330 million. The financial costs, changes in fair value losses, investment losses, and deferred income tax changes and other items totaled RMB -0.4 billion, and due cash in operating income in the first quarter was RMB 10.1 billion; The increase in inventory capital occupation was RMB 5.72 billion, and the increase in capital occupied by operating receivables and payables was RMB 790 million. The cumulative net cash inflow from operating activities was RMB 3.59 billion, with year-on-year increase of RMB 1.64 billion and a growth of 84.1%.

Excluding the influence of finance company, the net cash flow from operating activities of the company in the first quarter of 2018 was RMB 5.12 billion, with an increase of RMB 1.72 billion in cash flow compared to the net cash flow of RMB 3.40 billion in cash flow from operating activities in the same period of last year. The main reasons were as follows:

1) The net profit was RMB 5.46 billion and RMB 4.12 billion in the same period of last year, with a year-on-year increase of RMB 1.34 billion in cash flow;



- 2) Depreciation and amortization amounted to RMB 4.63 billion, which was RMB 4.61 billion in the same period of last year, with a year-on-year increase of RMB 0.02 billion in cash flow;
  - 3) Asset impairment provision was RMB 240 million, with a decrease of RMB 490 million over the same period last year compared with RMB 730 million in cash flow in the same period of last year;
  - 4) The financial cost was RMB 250 million, with a decrease of RMB 600 million over the same period last year compared with RMB 840 million in cash flow in the same period of last year;
  - 5) Losses from disposal of assets, loss of changes in fair value, investment losses, deferred income tax assets and liabilities decreased by RMB 510 million in cash flow, with a year-on-year decrease of RMB 380 million in cash flow compared with RMB 130 million in cash flow in the same period of last year;
  - 6) Inventories increased by RMB 5.72 billion in cash flow from the increase in the beginning of the year, while inventory increase during the same period of last year increased by RMB 4.39 billion in cash flow, with a year-on-year decrease of RMB 1.33 billion in cash flow;
  - 7) The operating receivables decreased by RMB 340 million in cash flow from increase in the beginning of the year, with a year-on-year increase of RMB 2.48 billion in cash flow compared with increased amount of receivables decrease of RMB 2.82 billion in cash flow in the same period last year;
  - 8) The operating payables increased by RMB 1.12 billion in cash flow from the increase in the beginning of the year, while the increase in cash flow of payable items for the corresponding period was RMB 440 million, with a year-on-year increase of RMB 670 million in cash flow.
- (2) The net cash outflow from investing activities was RMB 2.16 billion, which represented a decrease of RMB 3.82 billion in outflow from the net cash outflow of RMB 5.98 billion in investing activities in the same period last year, which was mainly due to the decrease in capital operating expenses of the company in the same period last year.
- (3) The net cash outflow from fund-raising activities was RMB 870 million, with a decrease of RMB 8.5 billion in cash flow from the net inflow of fund-raising activities of RMB 7.62 billion in the same period last year. It mainly resulted from the debt financing for the current year was basically the same as that at the beginning of the year. The cash flow increased by RMB 8.38 billion due to increased scale of debt financing in the same period last year, and the cash flow decreased by RMB 8.37 billion on a year-on-year basis in two years.

### 3.2 Analytical explanation for development and impacts of important events and settlements

Applicable Not applicable

### 3.3 Overdue outstanding commitments during the reporting period

Applicable Not applicable

3.4 Notice and explanation of future possibilities of the loss of net profits from beginning of the year until next report period, or huge change of net profit against last same report period

Applicable Not applicable

Company name Baoshan Iron & Steel Co., Ltd.

Legal representative Dai Zhihao

Date April 27, 2018

## IV. Appendix

## 4.1 Financial Statements

## Consolidated Balance Sheet

March 31, 2018

Preparation: Baoshan Iron &amp; Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit Type: Without audit

Items	Closing balance	Balance at the beginning of the year
<b>Current assets:</b>		
Monetary capital	21,329,107,607.42	17,857,363,941.27
Financial assets measured at fair value and changes of which are included into the current profits and losses	1,155,399,167.67	1,726,166,623.63
Notes receivable	28,246,455,745.67	31,857,024,088.54
Accounts receivable	15,235,302,859.34	12,079,375,683.85
Prepayment	8,399,568,546.12	8,018,401,078.40
Interest receivable	16,998,860.78	13,568,978.49
Dividends receivable	17,785,185.43	45,043,206.68
Other receivables	3,245,478,313.93	2,701,253,244.83
Buying back the sale of financial assets	-	3,583,919,000.00
Inventory	45,115,285,166.17	39,488,037,616.60
Non-current assets expiring in a year	48,508,669.43	547,982,220.29
Other current assets	14,770,044,589.38	15,374,474,805.32
<b>Total current assets</b>	<b>137,579,934,711.34</b>	<b>133,292,610,487.90</b>
<b>Non-current assets:</b>		
Disbursement of loans and advances	2,964,566,078.11	3,941,771,480.10
Available-for-sale financial assets	12,804,955,482.19	13,016,772,119.86
Long-term receivables	320,125,344.77	323,443,628.36
Long-term equity investment	17,614,856,539.77	17,286,462,494.34
Investment real estate	272,901,819.73	437,906,877.45
Fixed assets	155,257,959,476.48	154,221,659,305.18
Construction in progress	8,069,294,195.41	9,974,993,262.80
Engineering materials	40,666,224.02	120,072,392.03
Intangible assets	12,455,438,502.37	12,384,059,562.20
Goodwill	516,712,445.89	520,886,853.98
Long-term unamortized expenses	1,393,735,953.71	1,330,650,683.79
Deferred income tax assets	2,753,457,897.55	2,413,983,183.78
Other non-current assets	1,667,523,817.23	969,360,283.40
<b>Total non-current assets</b>	<b>216,132,193,777.23</b>	<b>216,942,022,127.27</b>
<b>Total assets</b>	<b>353,712,128,488.57</b>	<b>350,234,632,615.17</b>
<b>Current liabilities:</b>		

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Short-term borrowing	63,337,198,826.72	60,282,446,151.02
Receipt of deposits and deposits from other banks	5,072,995,945.69	8,471,020,955.41
Loans from other banks and other financial institutions	600,000,000.00	400,000,000.00
Financial liabilities measured at fair value and changes of which are included into the current profits and losses	517,582,556.87	371,853,492.51
Notes payable	11,646,589,530.10	10,517,063,796.47
Accounts payable	31,314,308,227.78	29,156,277,645.17
Account collected in advance	21,493,964,499.05	23,744,883,795.03
Financial assets sold for repurchase	247,739,503.69	130,556,138.69
Employee remuneration payable	2,363,910,562.95	2,365,608,949.15
Taxes and dues payable	4,851,698,893.42	4,699,230,756.94
Interest payable	485,664,322.07	582,058,272.27
Dividends payable	10,476,453.57	50,674,285.20
Other payables	1,987,265,687.56	1,974,769,049.99
Non-current liabilities expiring in a year	16,155,709,433.54	20,407,281,386.07
Other current liabilities	68,835,957.38	52,914,690.00
<b>Total current liabilities</b>	<b>160,153,940,400.39</b>	<b>163,206,639,363.92</b>
<b>Non-current liabilities:</b>		
Long-term borrowing	817,648,016.43	413,368,004.28
Bonds payable	8,684,808,218.70	8,553,245,927.39
Long-term payable	712,041,092.00	712,416,884.50
Long-term employee remuneration payable	1,429,694,226.56	781,049,807.00
Special payable	289,110,000.00	261,860,000.00
Estimated liabilities	1,943,709.55	1,989,562.11
Deferred earnings	1,095,844,147.29	1,116,879,279.02
Deferred income tax liabilities	706,455,934.03	714,779,247.74
<b>Total non-current liabilities</b>	<b>13,737,545,344.56</b>	<b>12,555,588,712.04</b>
<b>Total liabilities</b>	<b>173,891,485,744.95</b>	<b>175,762,228,075.96</b>
<b>Owner's equity</b>		
Capital stock	22,267,915,125.00	22,268,111,875.00
Other equity instruments	77,717,323.62	77,717,323.62
Capital reserve	48,800,248,920.99	48,714,559,218.40
Minus: Treasury shares	712,041,092.00	712,416,884.50
Other comprehensive earnings	-541,589,062.53	-301,403,547.57
Special reserve	53,261,078.14	41,582,048.73
Surplus reserve	29,774,721,062.00	29,774,721,062.00
Undistributed profit	69,590,167,895.17	64,569,632,340.12
<b>Total owners' equities attributable to the parent company</b>	<b>169,310,401,250.39</b>	<b>164,432,503,435.80</b>
<b>Minority shareholders' equity</b>	<b>10,510,241,493.23</b>	<b>10,039,901,103.41</b>
<b>Total owner's equity</b>	<b>179,820,642,743.62</b>	<b>174,472,404,539.21</b>
<b>Total liabilities and owner's equities</b>	<b>353,712,128,488.57</b>	<b>350,234,632,615.17</b>

Legal representative: Dai Zhihao Person in charge of accounting affairs: Wu Kunzong Person in charge of

accounting department: Wang Juan

## Parent Company Balance Sheet

March 31, 2018

Preparation: Baoshan Iron &amp; Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit Type: Without audit

Items	Closing balance	Balance at the beginning of the year
<b>Current assets:</b>		
Monetary capital	13,572,468,574.22	11,927,358,284.13
Financial assets measured at fair value and changes of which are included into the current profits and losses	808,792,819.80	734,096,000.00
Notes receivable	18,613,550,439.06	19,504,576,992.77
Accounts receivable	15,104,100,437.76	10,835,531,758.06
Prepayment	2,421,222,557.47	1,945,468,308.57
Interest receivable	20,635,083.81	82,540,335.24
Other receivables	599,865,117.28	369,778,096.91
Inventory	13,255,948,650.43	11,103,486,717.45
Other current assets	41,027,910,750.37	41,427,207,910.87
<b>Total current assets</b>	<b>105,424,494,430.20</b>	<b>97,930,044,404.00</b>
<b>Non-current assets:</b>		
Available-for-sale financial assets	9,395,509,096.20	9,340,528,096.20
Long-term receivables	2,220,308,725.73	2,223,327,009.32
Long-term equity investment	81,119,766,288.90	78,708,570,251.16
Fixed assets	43,946,844,707.21	42,849,063,926.97
Construction in progress	4,579,135,870.68	4,662,382,023.28
Engineering materials	4,143,425.39	3,947,337.41
Intangible assets	3,522,738,361.53	3,543,280,357.44
Long-term unamortized expenses	29,716,276.10	31,070,463.38
Deferred income tax assets	1,191,301,358.72	1,005,228,434.07
Other non-current assets	521,177,361.21	2,721,183,386.49
<b>Total non-current assets</b>	<b>146,530,641,471.67</b>	<b>145,088,581,285.72</b>
<b>Total assets</b>	<b>251,955,135,901.87</b>	<b>243,018,625,689.72</b>
<b>Current liabilities:</b>		
Short-term borrowing	42,889,009,612.93	34,916,707,000.00
Financial liabilities measured at fair value and changes of which are included into the current profits and losses	439,603,256.87	331,882,154.88
Notes payable	4,060,659,553.35	3,801,954,041.22
Accounts payable	24,578,552,926.99	24,409,840,022.82
Account collected in advance	11,219,513,091.14	14,375,910,316.12
Employee remuneration payable	1,199,685,004.64	1,395,413,171.14
Taxes and dues payable	1,560,400,541.51	1,964,136,800.32
Interest payable	177,516,054.76	329,510,733.76
Other payables	1,043,175,941.29	407,132,988.23

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Non-current liabilities expiring in a year	2,000,000,000.00	2,000,000,000.00
<b>Total current liabilities</b>	<b>89,168,115,983.48</b>	<b>83,932,487,228.49</b>
<b>Non-current liabilities:</b>		
Long-term borrowing	424,000,000.00	50,000,000.00
Bonds payable	8,000,000,000.00	8,000,000,000.00
Long-term payable	712,041,092.00	712,416,884.50
Long-term employee remuneration payable	839,439,129.01	189,439,129.01
Special payable	242,580,000.00	242,580,000.00
Deferred earnings	363,174,777.23	366,420,337.96
Deferred income tax liabilities	579,712,062.03	561,037,857.08
<b>Total non-current liabilities</b>	<b>11,160,947,060.27</b>	<b>10,121,894,208.55</b>
<b>Total liabilities</b>	<b>100,329,063,043.75</b>	<b>94,054,381,437.04</b>
<b>Owner's equity:</b>		
Capital stock	22,267,915,125.00	22,268,111,875.00
Capital reserve	56,286,736,581.53	56,360,561,245.89
Minus: Treasury shares	712,041,092.00	712,416,884.50
Other comprehensive earnings	-11,286,853.65	-42,593,990.71
Special reserve	1,216,231.88	-
Surplus reserve	29,774,721,062.00	29,774,721,062.00
Undistributed profit	44,018,811,803.36	41,315,860,945.00
<b>Total owner's equity</b>	<b>151,626,072,858.12</b>	<b>148,964,244,252.68</b>
<b>Total liabilities and owner's equities</b>	<b>251,955,135,901.87</b>	<b>243,018,625,689.72</b>

Legal representative: Dai Zhihao Person in charge of accounting affairs: Wu Kunzong Person in charge of accounting department: Wang Juan

## Consolidated Profit Statement

January-March 2018

Preparation: Baoshan Iron &amp; Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit Type: Without audit

Items	Amount of the current period	Amount of the previous period
<b>I. Total operating income</b>	<b>67,546,323,159.50</b>	<b>72,486,966,413.03</b>
Wherein: Operating income	67,453,719,151.97	72,374,670,285.73
Interest income	89,445,384.30	109,110,888.33
Incomes from handling charges and commission	3,158,623.23	3,185,238.97
<b>II. Total operating costs</b>	<b>60,925,667,295.81</b>	<b>67,452,996,624.33</b>
Wherein: Operating cost	56,426,526,478.03	62,294,178,239.77
Interest expenditure	39,996,554.51	54,534,265.11
Fees and commission expenses	1,007,577.25	869,881.95
Tax and surcharges	474,737,392.55	451,789,049.65
Sales expenses	729,541,488.08	741,191,216.47
Management expenses	2,774,656,420.18	2,321,487,667.83
Financial expenses	241,110,089.64	840,148,988.59
Assets impairment loss	238,091,295.57	748,797,314.96
Plus: Earnings from change in fair value (Fill in the column by "-" for loss)	-292,821,737.58	-14,879,782.23
Investment income (Fill in the column by "-" for loss)	570,403,340.25	416,208,756.85
Wherein: Investment income of joint venture and cooperative enterprise	400,572,107.83	197,840,807.29
Earnings from assets disposal (Fill in the column by "-" for loss)	-	-
Other earnings	87,981,013.93	40,344,436.34
<b>III. Operating profit (Fill in the column by "-" for deficits)</b>	<b>6,986,218,480.29</b>	<b>5,475,643,199.66</b>
Plus: Non-operating income	59,322,436.90	89,785,776.73
Minus: Non-operating expenditure	127,024,301.05	519,968,260.60
<b>IV. Total profits (Fill in the column by "-" for total losses)</b>	<b>6,918,516,616.14</b>	<b>5,045,460,715.79</b>
Minus: Income tax expense	1,384,100,998.49	878,431,173.93
<b>V. Net profit (Fill in the column by "-" for net deficits)</b>	<b>5,534,415,617.65</b>	<b>4,167,029,541.86</b>
(I) Classified by business continuity	-	-
1. Net profit from continuing operations (Fill in the column by "-" for net deficits)	5,534,415,617.65	4,167,029,541.86
2. Net profit from operation termination (Fill in the column by "-" for net deficits)	-	-
(II) Classified by ownership	-	-
1. Minority shareholder's profits and losses	513,880,062.60	380,874,775.65
2. Net profits attributable to parent company's shareholders	5,020,535,555.05	3,786,154,766.21
<b>VI. After-tax net amount of other comprehensive earnings</b>	<b>-242,461,483.41</b>	<b>123,614,807.65</b>



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After-tax net amount of other comprehensive incomes attributable to parent Company owner	-240,185,514.96	116,893,874.15
(I) Other comprehensive earnings unavailable for reclassification into profit and loss in the future	-	-
1. Re-measurement of changes in net liabilities or net assets of defined benefit plans	-	-
2. Shares enjoyed in other comprehensive earnings unavailable for reclassification into profit and loss by the invested unit under the equity method	-	-
(II) Other comprehensive earnings available for reclassification into profit and loss in the future	-240,185,514.96	116,893,874.15
1. Shares in other comprehensive earnings available for reclassification into profit and loss by the invested unit in the future under the equity method	-23,673,862.94	3,307,460.65
2. Variable profits and losses of fair value of available-for-sale financial assets	-37,393,660.27	47,310,787.94
3. Held-to-maturity investment reclassified into profit and loss of available-for-sale financial assets	-	-
4. Effective parts of profit and loss of cash flow hedging	-	-
5. Converted difference in foreign currency financial statements	-179,117,991.75	66,275,625.56
6. Miscellaneous	-	-
After-tax net amount of other comprehensive earnings attributable to minority shareholders	-2,275,968.45	6,720,933.50
<b>VII. Total amount of comprehensive earnings</b>	<b>5,291,954,134.24</b>	<b>4,290,644,349.51</b>
Total amount of comprehensive earnings attributable to parent company owners	4,780,350,040.09	3,903,048,640.36
Total amount of comprehensive earnings attributable to minority shareholders	511,604,094.15	387,595,709.15
<b>VIII. Earnings per share:</b>		
(I) Basic earnings per share (RMB/share)	0.23	0.17
(II) Diluted earnings per share (RMB/share)	0.23	0.17

Legal representative: Dai Zhihao Person in charge of accounting affairs: Wu Kunzong Person in charge of accounting department: Wang Juan

## Parent Company Profit Statement

January-March 2018

Preparation: Baoshan Iron &amp; Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit Type: Without audit

Items	Amount of the current period	Amount of the previous period
<b>I. Operating income</b>	<b>32,317,278,776.44</b>	<b>30,755,616,227.21</b>
Minus: Operating cost	27,692,008,582.70	26,448,150,703.35
Tax and surcharges	122,179,304.19	131,760,054.80
Sales expenses	178,464,184.04	155,317,360.50
Management expenses	1,763,042,902.11	1,238,121,809.96
Financial expenses	-603,808,732.55	-10,805,653.34
Assets impairment loss	12,173,997.59	-10,389,494.62
Plus: Earnings from change in fair value (Fill in the column by "-" for loss)	84,237,717.81	-42,743,146.45
Investment income (Fill in the column by "-" for loss)	220,955,124.62	153,513,877.23
Wherein: Investment income of joint venture and cooperative enterprise	309,262,793.31	45,928,102.68
Earnings from assets disposal (Fill in the column by "-" for loss)	-	-
Other earnings	15,380,532.54	10,088,280.44
<b>II. Operating profit (Fill in the column by "-" for deficits)</b>	<b>3,473,791,913.33</b>	<b>2,924,320,457.78</b>
Plus: Non-operating income	42,291,434.29	1,473,042.72
Minus: Non-operating expenditure	15,245,800.92	438,928,079.93
<b>III. Total profits (Fill in the column by "-" for total losses)</b>	<b>3,500,837,546.70</b>	<b>2,486,865,420.57</b>
Minus: Income tax expense	797,886,688.34	610,234,329.46
<b>IV. Net profit (Fill in the column by "-" for net deficits)</b>	<b>2,702,950,858.36</b>	<b>1,876,631,091.11</b>
(I) Net profit from continuing operations (Fill in the column by "-" for net deficits)	2,702,950,858.36	1,876,631,091.11
(II) Net profit from operation termination (Fill in the column by "-" for net deficits)		
<b>V. After-tax net amount of other comprehensive earnings</b>	<b>31,307,137.06</b>	<b>3,307,460.65</b>
(I) Other comprehensive earnings unavailable for reclassification into profit and loss in the future	-	-
1. Re-measurement of changes in net liabilities or net assets of defined benefit plans	-	-
2. Shares enjoyed in other comprehensive earnings unavailable for reclassification into profit and loss by the invested unit under the equity method	-	-
(II) Other comprehensive earnings available for reclassification into profit and loss in the future	31,307,137.06	3,307,460.65
1. Shares in other comprehensive earnings available for reclassification into profit and loss by the invested unit in the future under the equity method	-23,673,862.94	-3,361,539.35

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2. Variable profits and losses of fair value of available-for-sale financial assets	54,981,000.00	6,669,000.00
3. Held-to-maturity investment reclassified into profit and loss of available-for-sale financial assets	-	-
4. Effective parts of profit and loss of cash flow hedging	-	-
5. Converted difference in foreign currency financial statements	-	-
6. Miscellaneous	-	-
<b>VI. Total amount of comprehensive earnings</b>	<b>2,734,257,995.42</b>	<b>1,879,938,551.76</b>

## Consolidated Cash Flow Statement

January-March 2018

Preparation: Baoshan Iron &amp; Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit Type: Without audit

Items	Amount of the current period	Amount of the previous period
<b>I. Cash flow arising from business activities:</b>		
Cash received from selling commodities and providing labor services	76,112,767,491.93	75,523,450,643.06
Net increase of deposits from customers and other banks	-	-
Net increase of borrowings from Central Bank	-	-
Net reduction in customer loans and advances	979,841,773.45	-
Net increase of loans from other financial institutions	200,000,000.00	511,038,880.00
Net reduction in the Central Bank deposits and inter-bank deposits	516,184,643.38	11,251,056.67
Net increased amount by disposal of financial assets which are measured at fair value with the changes included into the current profits and losses	-	-
Cash received from interests, handling charges and commissions	93,256,859.67	117,649,320.24
Net increase amount of loans from other banks and other financial institutions	-	-
Net capital increase amount of repurchase business	117,183,365.00	-
Refund of taxes and dues received	204,515,481.08	195,965,914.46
Other received cash related to business activities	344,549,234.71	444,609,070.74
<b>Sub-total of cash inflow from business activities</b>	<b>78,568,298,849.22</b>	<b>76,803,964,885.17</b>
Cash paid for purchasing commodities and receiving labor services payment	62,333,314,127.75	65,171,170,351.05
Net increase amount of customer's loans and advances	-	458,862,645.14
Net increase amount of deposits in central bank and other banks	-	-
Net reduction in customer deposits and inter-bank deposits	3,392,727,196.18	1,557,288,447.64
Cash paid for interests, handling charges and commissions	31,524,513.97	33,116,957.59
Cash paid to and on behalf of staff	3,560,590,371.63	3,234,233,178.49
Paid taxes and dues	4,375,952,301.03	2,719,089,093.39
Net reduction from selling repurchased financial assets	-	20,957,577.13
Other paid cash related to business activities	1,283,240,147.43	1,659,245,811.92
<b>Sub-total of cash outflow from business activities</b>	<b>74,977,348,657.99</b>	<b>74,853,964,062.35</b>
<b>Net amount of cash flow arising from business activities</b>	<b>3,590,950,191.23</b>	<b>1,950,000,822.82</b>
<b>II. Cash flow arising from investment activities:</b>		
Cash received from disinvestment	15,029,794,380.04	10,945,632,179.51
Cash received from obtaining investment earnings	347,498,569.10	296,761,273.99

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Net cash withdrawn from the disposal of fixed assets, intangible assets and other long-term assets	21,211,884.34	75,046,087.92
Net cash received from the disposal of subsidiaries and other business units	-	-
Other received cash related to investment activities	27,966,691.74	48,219,508.92
<b>Sub-total of cash inflow from investment activities</b>	<b>15,426,471,525.22</b>	<b>11,365,659,050.34</b>
Cash paid for the acquisition and construction of fixed assets, intangible assets and other long-term assets	2,869,977,201.75	2,982,439,452.46
Cash paid for investment	14,539,148,826.11	14,341,536,548.87
Net increase amount of pledge loans	-	-
Net amount of cash received from payment of subsidiaries and other business units	-	-
Other paid cash related to investment activities	179,831,500.00	25,750,000.00
<b>Sub-total of cash outflow from investment activities</b>	<b>17,588,957,527.86</b>	<b>17,349,726,001.33</b>
<b>Net amount of cash flow arising from investment activities</b>	<b>-2,162,486,002.64</b>	<b>-5,984,066,950.99</b>
<b>III. Cash flow arising from financing activities:</b>		
Cash received from absorbing investment	-	35,074,000.00
Wherein: Cash received from subsidiaries' absorbing investment of minority shareholders	-	35,074,000.00
Cash received from obtaining borrowing	28,493,516,577.40	30,876,488,430.30
Cash received from issuing bonds	117,262,000.00	6,000,000,000.00
Other received cash related to financing activities	66,822,000.00	-
<b>Sub-total of cash inflow from financing activities</b>	<b>28,677,600,577.40</b>	<b>36,911,562,430.30</b>
Cash paid for repayment of debts	28,481,646,656.17	28,372,489,272.88
Cash paid for distributing dividends and profits or repayment of interests	890,451,837.19	790,779,565.49
Wherein: Dividends and profits paid to minority shareholders by subsidiaries	-	-
Other paid cash related to financing activities	180,723,860.38	125,000,000.00
<b>Sub-total of cash outflow from financing activities</b>	<b>29,552,822,353.74</b>	<b>29,288,268,838.37</b>
<b>Net amount of cash flow arising from financing activities</b>	<b>-875,221,776.34</b>	<b>7,623,293,591.93</b>
<b>IV. Influence of changes in exchange rate on cash and cash equivalents</b>	<b>-149,118,912.32</b>	<b>48,933,814.55</b>
<b>V. Net increase amount in cash and cash equivalents</b>	<b>404,123,499.93</b>	<b>3,638,161,278.31</b>
Plus: Opening balance of cash and cash equivalents	19,912,309,189.73	12,931,144,089.49
<b>VI. Closing balance of cash and cash equivalents</b>	<b>20,316,432,689.66</b>	<b>16,569,305,367.80</b>

Legal representative: Dai Zhihao Person in charge of accounting affairs: Wu Kunzong Person in charge of accounting department: Wang Juan

## Parent Company Cash Flow Statement

January-March 2018

Preparation: Baoshan Iron &amp; Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit Type: Without audit

Items	Amount of the current period	Amount of the previous period
<b>I. Cash flow arising from business activities:</b>		
Cash received from selling commodities and providing labor services	30,186,207,686.06	41,418,505,717.83
Refund of taxes and dues received	74,811,745.13	-
Other received cash related to business activities	37,964,944.30	129,905,634.61
<b>Sub-total of cash inflow from business activities</b>	<b>30,298,984,375.49</b>	<b>41,548,411,352.44</b>
Cash paid for purchasing commodities and receiving labor services payment	31,428,704,450.93	29,221,756,437.53
Cash paid to and on behalf of staff	1,627,576,552.69	1,398,159,355.94
Paid taxes and dues	2,238,345,359.50	1,508,632,102.71
Other paid cash related to business activities	134,456,422.76	35,178,103.42
<b>Sub-total of cash outflow from business activities</b>	<b>35,429,082,785.88</b>	<b>32,163,725,999.60</b>
<b>Net amount of cash flow arising from business activities</b>	<b>-5,130,098,410.39</b>	<b>9,384,685,352.84</b>
<b>II. Cash flow arising from investment activities:</b>		
Cash received from disinvestment	12,217,262,000.00	2,390,000,000.00
Cash received from obtaining investment earnings	92,557,136.17	107,585,774.55
Net cash withdrawn from the disposal of fixed assets, intangible assets and other long-term assets	14,873,726.58	5,712,541.70
Net cash received from the disposal of subsidiaries and other business units	-	-
Other received cash related to investment activities	119,313,444.78	105,108,502.60
<b>Sub-total of cash inflow from investment activities</b>	<b>12,444,006,307.53</b>	<b>2,608,406,818.85</b>
Cash paid for the acquisition and construction of fixed assets, intangible assets and other long-term assets	1,696,455,717.60	1,136,165,729.38
Cash paid for investment	12,273,403,900.00	5,270,000,000.00
Net amount of cash received from payment of subsidiaries and other business units	-	-
Other paid cash related to investment activities	179,831,500.00	3,700,000.00
<b>Sub-total of cash outflow from investment activities</b>	<b>14,149,691,117.60</b>	<b>6,409,865,729.38</b>
<b>Net amount of cash flow arising from investment activities</b>	<b>-1,705,684,810.07</b>	<b>-3,801,458,910.53</b>
<b>III. Cash flow arising from financing activities:</b>		
Cash received from absorbing investment	-	-
Cash received from obtaining borrowing	17,751,671,526.25	16,700,014,300.00
Cash received from issuing bonds	-	6,000,000,000.00
Other received cash related to financing activities	605,792,569.77	-

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<b>Sub-total of cash inflow from financing activities</b>	<b>18,357,464,096.02</b>	<b>22,700,014,300.00</b>
Cash paid for repayment of debts	9,275,000,000.00	15,700,205,306.03
Cash paid for distributing dividends and profits or repayment of interests	590,774,700.41	374,411,802.06
Other paid cash related to financing activities	-	7,290,968,884.50
<b>Sub-total of cash outflow from financing activities</b>	<b>9,865,774,700.41</b>	<b>23,365,585,992.59</b>
<b>Net amount of cash flow arising from financing activities</b>	<b>8,491,689,395.61</b>	<b>-665,571,692.59</b>
<b>IV. Influence of changes in exchange rate on cash and cash equivalents</b>	<b>-10,795,885.06</b>	<b>15,910,217.10</b>
<b>V. Net increase amount in cash and cash equivalents</b>	<b>1,645,110,290.09</b>	<b>4,933,564,966.82</b>
Plus: Opening balance of cash and cash equivalents	11,927,358,284.13	3,761,841,278.83
<b>VI. Closing balance of cash and cash equivalents</b>	<b>13,572,468,574.22</b>	<b>8,695,406,245.65</b>

Legal representative: Dai Zhihao Person in charge of accounting affairs: Wu Kunzong Person in charge of accounting department: Wang Juan

4.2 Audit Report

Applicable Not applicable