

Baoshan Iron & Steel Co., Ltd.

Third Quarter Report, 2009

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§1 IMPORTANT NOTICES

- 1.1 The Board of Directors and the Board of Supervisors of Baoshan Iron & Steel Co., Ltd. (hereinafter the Company), along with their directors, supervisors and senior management, hereby guarantee the accuracy, authenticity and integrity of the information contained in the *of the Third Quarter Report of 2009* (hereinafter *Report*) and pledge to assume full responsibility, either severally or jointly, for any damage or loss incurred by inaccuracy, grave omission or errors concerning the contents of the Report.
- 1.2 While Directors Ms. Katherine Tsang and Edward Tse were absent from the board meeting, Director Buck K. W. Pei were entrusted, by Ms. Tsang and Mr. Tse, to vote on their behalf.
- 1.3 The *Report* is unaudited. The Company acquired Luoqing assets and its relative businesses from Baosteel Group Pudong Steel on 1 April 2008 to establish the branch of medium and heavy plates. The acquisition is recognized as business operation under the same control, which should be dealt with using the standards of business combinations under the same control in accordance with the new *Accounting Standards for Business Enterprises* (2006). The acquisition of the assets and businesses are considered to occur the beginning of the comparative statements and the acquired assets and businesses of the combining party from the beginning to the end of the period have been included in the comparative consolidated profit statement and consolidated cash flow statement of the Company. Therefore, retroactive modulations have been made to when preparing the comparative statements of the *Report*.
- 1.4 Mr. Xu Lejiang, Chairman of the Board, Ms. Chen Ying, Financial Controller and Vice President of the Company, and Mr. Wu Kunzong, Director of Finance DepartmentDirector of Finance Department of the Company, attest to the truth and accuracy of the financial statements contained in the *Report*.

§2 COMPANY PROFILE

2.1 Accounting and financial highlights

(Rmb Million)			
	30 September, 2009	31 December, 2008	Increase/Decrease (%)
Total asset	201,190	200,021	0.58
Owners' equity (attributable to the listed company)	92,894	91,957	1.02

Book value per share (Rmb) (attributable to the listed company)	5.30	5.25	1.02
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	Beginning of the year to end of the period reported (For the nine months ended 30 September, 2009)	Same period of previous year (For the nine months ended 30 September, 2008)	Increase/Decrease compared to same period of previous year (%)
Net cash flow from operating activities	18,934	2,787	579.38
Net cash flow per share from operating activities (Rmb)	1.08	0.16	579.38

	Period reported (July to September, 2009)	Beginning of the year to end of the period reported (For the nine months ended 30 September, 2009)	Increase/decrease compared to same period of previous year (%)
Net profit (attributable to the listed company)	3,036	3,705	6.66
Basic earnings per share (Rmb)	0.17	0.21	6.66
Earnings per share, fully diluted (Rmb)	0.17	0.21	6.66
Return-rate-on-equity (%) (diluted)	3.27	3.99	Up by 0.37 ppt
Return-rate-on-equity less non-recurring gains and losses (%) (diluted)	3.27	3.51	Up by 0.23 ppt

Non-recurring items	Beginning of the year to end of the period reported
Gain on disposal of non-current assets	-36
Gain on disposal of financial assets available for sale	438
Net increase from other non-operating activities	186
Impact from income tax	-147
Total	441
Basic earnings per share less non-recurring gains and losses (Rmb)	0.19

Note: The data and indexes concerning shareholders' interests are those attributable to the common shareholders of the Company, and the data and indexes concerning profits are net profits attributable to common shareholders of the Company.

2.2 Shareholders and top 10 tradable-share (unconditional share) holders

(Share)

Number of shareholders at the end of the period	744,638		
Top 10 shareholders			
Name	Shareholdings of unconditional share	Share type	
Baosteel Group Corp.	12,953,517,441	Rmb share	common
UBS AG	84,480,242	Rmb share	common
Gaohua—HSBC-Goldman Sachs & Co.	80,394,052	Rmb share	common
International Finance Corporation—Standard Chartered Bank-Citigroup Global Markets Limited	72,467,938	Rmb share	common
China Construction Bank—Penghua Value Prosperity Securities Investment Fund	60,006,155	Rmb share	common
Industrial and Commercial Bank of China—Penghua Outstanding Corporate Governance Stock Fund (LOF)	56,005,349	Rmb share	common
Industrial and Commercial Bank of China—Shanghai Stock Exchange 50 ETF Fund	55,207,486	Rmb share	common
Deutsche Bank Aktiengesellschaft	52,509,772	Rmb share	common
Bank of Communications—Bosera New Growth Stock Fund	50,000,000	Rmb share	common
China Merchants Bank—Shanghai Stock Dividend Exchange Traded Fund	48,658,254	Rmb share	common

Note: The shareholding of Baosteel Group remained unchanged in the reported period.

§3 SIGNIFICANT EVENTS

3.1 Particulars on material changes of significant financial statements and financial indicators of the company and reasons therefore

√ Applicable ☐ Not Applicable

The sales volume of steel products of the Company in the third quarter of the year totaled 6.176 million tons, a rise of 0.446 million tons as compared with that in the same period of the previous year. Only One products account for 10.4 per cent of the total shipment, an increase of 3.1 per cent as compared to the same period last year. The total revenue reached Rmb 41.03 billion, a drop of Rmb 15.33 billion as compared with that in the same period of the previous year, while the pre-tax profit amounted to Rmb 4.18 billion, an increase of Rmb 0.18 billion.

As a result of the Package Deal and the Industrial Adjustment and Development Plan of the Chinese Government to deal with the financial crisis, the domestic demand for steel products in the period continued to recover and steel price reached a yearly high in early August, with a CISA (Chinese Iron and Steel Association) composite index of 116.32. The demand and price recovery resulted in quick increase in steel production, with several new historical highs in the period. Consequently, the steel price fell in the middle of August due to previous quick rise in price and increase in market supply, and CISA composite index dropped to 102.65, a decrease of more than 10 per cent. The principal products of the Company were in brisk demand in the reported period, which kept price high. As efforts were made to meet the market demand, measures were taken to neutralize the price rises in coke, steel scrap and other raw materials. As a result, the performance of the Company was greatly improved, as compared with the previous two periods.

At present, the structural surplus in the steel market is becoming all the more serious. As the demand growth in the downstream industry is experiencing a toning down trend and the supply pressure in the market is being strengthened by quick capacity release, the social inventory of steel products is now at a high level. As a result, prices are being reduced. The export to the international market has been difficult due to the slow recovery of world economy as well as rising trade protectionism. The performance of the Company in the next quarter of the year will be affected by many negative factors, such as the depressive market of steel tubes and heavy plates, new production lines, and concentration of annual maintenance. The iron, steel production and sales volume in the year are expected to reach 21.41 million, 23.7 million and 22.26 million tons, respectively. Efforts will be made by the Company to maximize its advantages, to benefit from the Government's promotive policies to encourage automobile consumption and sales of household electric appliances in the countryside, to strengthen the marketing campaign, and to sharpen its profit-gaining capacity while lowering the risks.

Significant changes in the financial indicators of the Company as compared to the previous period of the year, along with their reasons, include:

- (1) The sales expense decreased by 32.1% to Rmb 0.18 billion, as a result of lowered expenses on transportation and inventory.
- (2) The financial expense lowered by 43.4% to Rmb 0.32 billion. This was the result of the Company's measures to reduce capital expenditures, minimize interest-bearing liabilities, and lower financing cost by further optimizing liabilities structure. The payment for interests in the period was Rmb 0.56 billion lower than that of the same period in the previous year. At the same time, income from interests was Rmb 50 million less than that of the same period in the previous year due to financed fund by means of issuing of detachable bonds as well as reduced preparation for possible tight monetary situations. The exchange rate of Renminbi against US dollar in the year of 2009 has been stabilized and, as a result, the exchange gains were Rmb 0.19 billion less than that of the same period in the previous year.

As compared to the first nine months of the year,

The net cash inflow from operating activities in the first three quarters of the year

totaled Rmb 18.93 billion, a rise of Rmb 16.15 billion or 579.4% as compared with that in the previous year. This included a cash outflow of Rmb 3.48 billion of Finance Co. in its deposit and loan activities, interbank lending, interest payment and financial assets sold for repurchase, while the net cash outflow in the same period of the previous year was Rmb 8.16 billion. Without considering the contribution of Finance Co., the net cash inflow from operating activities in the first three quarters of the year totaled Rmb 22.41 billion, against Rmb 10.95 billion in the same period of 2008. The Rmb 11.46 billion increase in the net cash inflow was mainly a result of the management's active measures to strengthen fund operation, reduce inventories and increase fund circulation.

The net cash outflow from financing activities in the first three quarters of the year totaled Rmb 12.72 billion, a drop of Rmb 8.79 billion as compared with that in the previous year. This included a cash inflow of Rmb 0.35 billion from Finance Co. in its cash received from returns of investments, while the net cash outflow in the same period of the previous year was Rmb 0.53 billion. Without considering the contribution of Finance Co., the net cash outflow from financing activities in the first three quarters of the year totaled Rmb 13.07 billion, a decrease of Rmb 7.91 billion against the Rmb 20.98 billion in the same period of 2008. This was mainly due to the Company's tighter control over investment scale and investment in fixed assets, intangible assets and other long-term assets was Rmb 8.1 billion less than that in the same period of the previous year.

The cash outflow from financing activities totaled Rmb 7.76 billion, while the net inflow in the same period of the previous year was Rmb 12.63 billion. As measures were taken to control fund operation and to reduce investment scale, the Company experienced a capital surplus and a total payment of Rmb 2.9 billion was made, while Rmb 21.32 billion was financed in the same period of the previous year.

As compared to the end of the prior year,

(1) The trade receivable increased by 43.9% to Rmb 2.31 billion due to the increase in sales volume and product price, which resulted in a rise in trade receivable.

(2) The notes receivable increased by 64.3% to Rmb 2.73 billion due to the increased capacity, larger scale in purchasing of raw materials and the Company's tough efforts to promote settlement by the buyer's trade bills.

(3) The bond payable rose by 130.8% to Rmb 10.18 billion, as a result of the Rmb 10 billion worth of medium term notes issued in May and July, 2009.

3.2 Explanation and analysis of significant events and their impacts and solutions

☐ Applicable ☒ Not Applicable

3.3 Implementation of undertakings by the company, its shareholders and effective controller

☒ Applicable ☐ Not Applicable

1. Baosteel Group undertook the following two commitments as at the establishment of the Company:

(i) All related party transactions will be carried out in compliance with relevant laws, regulations and rules set by the authorities and will not damage the legitimate interest of the Company nor its minority shareholders.

(ii) The Group will not directly participate in any business activity or directly own an interest in any business activity or entity that poses a competition to the Company. However, the Group can maintain its existing interest in other company (companies), as well as manage and develop this business which may or may not be in competition with the Company. The Group also promise that, when the Group or any of its subsidiary is about to engage in any new business, investment or research that may pose a possible competition to the Company, the Company enjoy the priority of being the first to develop or acquire the said business, investment or research.

These commitments will stay in force under two conditions:

(a) The Company is listed on the Hong Kong Stock Exchange and domestic stock exchange of China; and

(b) The Group owns no less than 30% of the Company's issued shares.

In addition, on June 13, 2001, and September 6, 2002, the Group further pledged to uphold these two commitments after the Company's acquisition of the assets related to construction of its phase 3 project and all remaining assets thereof.

These commitments were published on *China Securities News*, *Shanghai Securities News* and *Securities Times* on 21st June 2001 and 12th September 2002 and the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) as well.

2. Commitments made in Issuance Prospectus by the Group

(i) The Group has the right to acquire, at any time it thinks appropriate, the Group's assets and businesses which may be in competition with the Company;

(ii) The Company shall enjoy the priority of similar business opportunities acquired by Baosteel Group, who will not invest until the Company gives up the commercial opportunities;

(iii) The Group is committed to helping dealing with the relevant property certificates for buildings and lands after the Company completed the mergers and acquisitions

These commitments were publicly posted on official website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) in April 2005.

3. Commitments the Group undertook about New Factory Project of Handan Group

The Group sought the Company's opinion of investment on the New Factory Project of Handan Group on 7 August 2007 in written form of "Solicit Letter about Investment on the New Factory Project of Handan Group" and "Commitments about New Factory Project of Handan

Group”. The Company agreed that the Group could invest on the project, but retained that right to purchase the equity of the joint venture.

The Group promises that it would invest on the New Factory Project of Handan Group if the Company has decided to give up opportunity and that it would transfer its share of equity of the joint venture at a fair price in line with relative laws, regulations, and other documents and on basis of asset estimating results as conducted by an individual estimating organization.

These commitments stay in force under two conditions: (a) the company is listed at a stock exchange and (b) the Group owns no less than 30% of the company’s issued shares.

The aforementioned commitments were published on China Securities News, Shanghai Securities News and Securities Times and the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) of 6 September 2007.

In the reported period, Baosteel Group withdrew from the joint venture of Handan Iron and Steel Group Co., Ltd. and Baoshan Iron and Steel Group Co., Ltd.

4. Commitments the Group undertook about Luoqing Land

Baosteel Group Shanghai Pudong Steel and Iron Co. Ltd. (hereafter, Pudong Steel), a wholly owned subsidiary of Baosteel Group, was offering its construction-in-progress and related fixed assets in Luoqing (hereafter, Luoqing Assets), which the Company intended to purchase. Luoqing Assets cover an area of 3.228 million m², for which Pudong Steel has paid some initial expenses, but not the land transfer expense. When the assets are to be purchased, the unpaid land transfer expense and the Pudong Steel’s initial expenses as on the asset-assessing day (30 September 2007), Rmb 2.8 billion as preliminarily estimated, need to be paid. The Group promises:

- (a) If the Company intends to purchase the Luoqing assets, the Group and/or Pudong Steel would help the Company go over the transfer procedures and other matters as required by the Company.
- (b) In the event of the total actual expense exceeding Rmb 2.8 billion for the procedures, the Group or Pudong Steel shall fully cover the exceeding amount in time, by means of paying the Company or government (as is required).

The aforementioned commitments were published on China Securities News, Shanghai Securities News and Securities Times and the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) of 12 December 2007.

5. Commitments the Group undertook about land use right in 2005 share capital increase

Baosteel Group promised in written form dated 11 April 2008 concerning the land use right and change in its area:

As regards to the piece of land whose use right has been suspended due to change in Baoshan land planning program, Baosteel Group shall fully cover the possible losses (including, but not limited to, the cost of the land and the interests involved, removing expenses, and loss due to closing down) due to loss of the land use right within 30 days.

The Group shall try its best to help when the Company applies to relevant official

departments for the use right of the land in question or when it uses the land in the manner it is used now.

These commitments were included in Prospectus of Convertible Bonds with Call Warrants, publicly posted on official website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) in June 18, 2008.

The Group did not commit any breach of the aforementioned commitments to the Company in the period covered.

6. Commitments the Company undertook about land use right in 2005 increase in share capital

- (1) The Company intended to purchase from Baosteel Group 23 pieces of state-allocated land and 14 pieces of empty land. After the transactions completed, the Company would go over the procedures of changing the state-allocated land into state-owned transferable land and changing the empty land into state-owned transferable land with no limits in right.
- (2) The Company and related companies that came under control of the Company after the acquisition shall negotiate in an active manner with relevant administrative offices to go over the procedures, within 18 months after the land acquisition, of the certificates for using the state-owned land or for owning the estates of the aforementioned pieces of land. The land users of the aforementioned land shall be registered in the Company or related companies that came under control of the Company after the acquisition.

The transfer procedures for a piece of land in Baoshan District covering an area of 581,000m², which involved in the in 2005 increase in share capital, has not completed. The Company was informed that the piece had been planned by Shanghai Municipal Planning Bureau as part of the “land for landscapes” due to change in the overall plan. Yet, up to the date of disclosure of the Report, the Company has not been informed that the land should not be used in the way it is used. Furthermore, on the land are workshops of bright steel plant and oxygen generating plant of Special Steel Branch of the Company rather than key operating workshops of the branch.

3.4 Forecast on possible loss on accrued net profit for the period from the beginning of the year to the end of next reporting period or warning on significant change from the same period last year and the reasons therefore

☐ Applicable ☒ Not Applicable

3.5 Other significant matters

3.5.1 Securities investment

☒ Applicable ☐ Not Applicable

10 thousand/Rmb million

	Stock code	Stock name	Holding as at end of period	Initial investment cost	Book value as at the end of period	Book value as at the beginning of period	Accounting type
01	601699	Lu'an Environmental Energy	590.51	5.05	221.80	Not Applicable	Financial assets available for sale

	Stock code	Stock name	Holding as at end of period	Initial investment cost	Book value as at the end of period	Book value as at the beginning of period	Accounting type
02	080222	08 CDB22	150.00	150.43	151.55	Not Applicable	Financial assets available for sale
03	600508	Shanghai Energy	557.27	5.55	108.44	Not Applicable	Financial assets available for sale
04	600997	Kailuan Corporation	466.00	3.51	98.56	Not Applicable	Financial assets available for sale
05	601001	Datong Coal	180.00	2.57	60.93	Not Applicable	Financial assets available for sale
06	0981148	09 SCT CP01	60.00	60.08	60.27	Not Applicable	Financial assets held-for-trade
07	0981179	09 DareGlobal CP01	50.00	49.98	50.11	Not Applicable	Financial assets held-for-trade
08	0981156	09 YTO CP02	30.00	30.03	30.12	Not Applicable	Financial assets held-for-trade
09	601618	Metallurgical China	232.95	12.63	12.95	Not Applicable	Financial assets available for sale
10	0981178	09 Pinggao CP01	10.00	10.00	10.00	Not Applicable	Financial assets held-for-trade
Total			-	329.83	804.73	-	-

Note: “Not applicable” means that the said securities were not held at the beginning of the period.

3.5.2 Detachable Convertible Bond

3.5.2.1 Top 10 “08 Baosteel Bond” holders

Number of bondholders		16,813
Top 10 “08 Baosteel Bond” holders		
Name of bondholder	Holding as at end of period (Rmb)	Percentage
China Pacific Insurance Co., Ltd.	1,825,192,000	18.25%
New China Life Co., Ltd.	1,447,333,000	14.47%
Chinalife Insurance (Group) Company Ltd.	919,471,000	9.19%
Chinalife Insurance (Group) Company Ltd.—traditional-common insurance products	628,521,000	6.29%
Ping An Life Insurance Company Of China	568,350,000	5.68%
National Social Security Fund—305	499,158,000	4.99%
New China Life Co., Ltd.—All-purpose—Will Bonds & Fund	384,108,000	3.84%
China Petroleum Finance Company Limited	377,073,000	3.77%
China Petroleum Finance Company Limited	316,977,000	3.17%
Taikang Life Insurance Co., Ltd.	296,300,000	2.96%

3.5.2.2 Exercise prices of “Baosteel CWB1”

Original price (Rmb/share)			12.50	
Date of adjustment	Adjusted price (Rmb/share)	Date of publication	Media for publication	Explanation
15 June, 2009	12.16	15 June, 2009	<i>China Securities News, Shanghai Securities News, Securities Times</i> and the official website of Shanghai Stock Exchange (http://www.sse.com.cn)	Ex-dividend
Price as at the end of the reported period (Rmb/share)			12.16	

3.5.2.3 No significant changes occurred concerning the earning power, the assets and the credit of Baosteel Group, the guarantor.

3.5.2.4 With an asset-liability ratio of 50.42% at the end of the reported period, the Company’s capital structure is stable. In the coming year, the due genialities are expected to be repaid by the Company’s self-owned capital in combination of debt financing.

Baoshan Iron & Steel Co., Ltd
Legal Representative: Xu Lejiang
29 October, 2009

§4 APPENDIXES

Consolidated Balance Sheet

For the Nine Months Ended 30 September, 2009

Baoshan Iron & Steel Company Limited Unit: yuan Money: Rmb Auditory type: unaudited

Items	30 September, 2009	31 December, 2008
CURRENT ASSETS		
Cash and cash equivalents	5,649,254,577.29	6,851,604,374.54
Transactional financial assets	267,683,982.94	1,141,165,158.85
Notes-receivable	5,030,091,326.78	4,501,112,144.38
Trade receivable	7,582,452,065.84	5,269,190,881.79
Payment in advance	5,200,298,144.34	4,600,807,313.48
Interests receivable	4,715,382.53	14,759,478.14
Other receivables	1,080,700,947.57	736,214,627.64
Inventories	30,867,997,223.57	35,644,590,875.74
Total current asset	55,683,193,650.86	58,759,444,854.56
NON-CURRENT ASSETS		
Loans granted and cash advances	3,490,257,026.02	1,907,753,092.68
Available-for-sale financial assets	768,052,774.29	860,182,984.66
Long-term equity investment	4,083,731,053.80	3,849,504,621.27
Investment real estates	141,144,271.18	136,754,792.01
Fixed assets	109,409,333,826.52	109,187,870,660.63
Construction-in-progress	19,748,164,510.34	16,275,909,358.26
Project materials	755,676,540.74	1,114,501,067.25
Intangible assets	6,248,666,531.58	5,964,551,561.91
Long-term deferred expenses	39,401,562.59	57,723,308.83
Deferred income tax assets	700,274,438.89	1,779,480,353.48
Other non-current assets	121,727,820.30	127,460,272.60
Total non-current assets	145,506,430,356.25	141,261,692,073.58
TOTAL ASSETS	201,189,624,007.11	200,021,136,928.14

Consolidated Balance Sheet (Continued)
For the Nine Months Ended 30 September, 2009

Baoshan Iron & Steel Company Limited Unit: yuan Money: Rmb Auditory type: unaudited

Items	30 September, 2009	31 December, 2008
CURRENT LIABILITIES		
Short-term borrowings	21,562,116,172.49	24,104,126,921.47
Financial institution deposits and deposits from or to other financial institutions	5,994,525,749.92	9,256,840,186.79
Transactional liabilities	8,301,006.75	11,500,444.73
Notes-payable	6,983,861,744.97	4,251,242,725.68
Trade payables	20,148,146,204.96	18,621,675,643.72
Receipts in advance	9,263,072,610.05	9,219,197,161.95
Financial assets sold for repurchase	1,188,886,168.41	294,000,000.00
Accrued payroll	1,819,256,536.63	1,716,327,357.44
Taxes payable	-256,611,019.74	-1,799,441,237.31
Interests payable	212,097,506.68	355,730,320.99
Dividends payable	43,676,960.47	19,951,672.62
Other payables	772,421,596.62	1,140,848,514.14
Current portion of long-term amount due to holding company	199,999,997.00	800,000,000.00
Current portion of non-current liabilities	2,962,881,459.38	4,050,420,366.30
Total current liabilities	70,902,632,694.59	72,042,420,078.52
NON-CURRENT LIABILITIES		
Long-term borrowings	5,020,814,664.47	14,201,884,772.41
Bond payables	17,968,065,850.42	7,785,029,718.21
Long-term payables	7,857,138,964.71	7,544,731,994.48
Special payables	111,198,846.05	18,878,920.71
Deferred income tax liabilities	215,222,016.20	431,657,612.06
Other non-current liabilities	169,934,425.95	158,846,453.73
Total non-current liabilities	31,342,374,767.80	30,141,029,471.60
Total liabilities	102,245,007,462.39	102,183,449,550.12
SHAREHOLDERS' EQUITY		
Stock capital	17,512,000,000.00	17,512,000,000.00
Capital reserves	37,169,282,271.61	36,806,692,595.98
Surplus reserves	16,812,395,927.36	16,812,395,927.36
Undistributed profit	21,487,726,437.85	20,935,302,003.95
Foreign currency translation difference	-87,745,422.94	-109,520,780.55
Equity attributable to the parent company	92,893,659,213.88	91,956,869,746.74
Minority interests	6,050,957,330.84	5,880,817,631.28
Total shareholders' equity	98,944,616,544.72	97,837,687,378.02
TOTAL OF LIABILITIES & SHAREHOLDERS' EQUITY	201,189,624,007.11	200,021,136,928.14

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Director of Finance Department: Wu Kunzong

Consolidated Profit Statement

For the Nine Months Ended 30 September, 2009

Baoshan Iron & Steel Company Limited

Unit: yuan

Money: Rmb

Auditory type: unaudited

Items	Period reported (July to September, 2009)	Same period of previous year (July to September, 2008)	Beginning of the year to end of the period reported (For the nine months ended 30 September, 2009)	Same period of previous year (For the nine months ended 30 September, 2008)
I. TOTAL REVENUE	41,033,920,857.61	56,363,581,743.66	106,514,822,913.14	159,792,019,800.16
Including: Business income	40,985,586,847.24	56,283,058,716.20	106,367,956,690.60	159,543,340,466.81
Interest income	46,497,601.18	80,520,253.43	144,928,362.21	239,218,780.26
Income from service fees and commissions	1,836,409.19	2,774.03	1,937,860.33	9,460,553.09
II. TOTAL COST	36,971,081,551.03	52,367,500,980.59	102,263,039,924.18	143,742,885,947.45
Including: Business costs	34,823,478,388.03	48,020,076,326.72	96,898,770,374.22	134,278,327,337.43
Interest expenses	-84,196,129.81	86,023,569.17	83,687,185.20	296,416,829.10
Expenses on service fees and commissions	52,832.26	28,827.68	135,358.88	85,136.26
Sales taxes and surcharges	100,277,654.59	388,877,791.22	460,420,256.93	1,068,515,511.98
Sales expenses	369,317,643.37	543,967,145.20	1,002,845,300.07	1,528,125,091.46
Administrative expenses	1,157,990,831.58	1,499,641,174.22	3,185,525,197.19	4,251,989,646.33
Financial expenses	413,713,660.18	731,075,242.26	1,306,375,110.40	1,180,489,731.24
Losses/Reversions on the asset impairment	190,446,670.83	1,097,810,904.12	-674,718,858.71	1,138,936,663.65
Add: Net income/loss from changes in fair value	-51,802,863.48	25,762,377.14	-113,744,488.82	-40,646,838.39
Investment gains	154,136,783.11	153,242,612.03	785,461,098.60	748,433,539.39
<i>Including: Gains from investments in joint ventures and associates</i>	<i>108,624,257.19</i>	<i>103,024,005.45</i>	<i>130,294,197.68</i>	<i>522,479,581.08</i>
III. TOTAL OPERATING PROFIT	4,165,173,226.21	4,175,085,752.24	4,923,499,598.74	16,756,920,553.71
Add: Non-operating income	68,020,977.32	65,214,720.77	274,996,491.56	137,608,443.68
Less: Non-operating expenses	55,422,683.86	245,174,805.54	125,217,244.30	406,654,022.34
<i>Including: Losses on disposal of non-current assets</i>	<i>8,819,828.57</i>	<i>236,255,523.48</i>	<i>36,369,620.93</i>	<i>350,028,878.50</i>
IV. PRE-TAX PROFIT	4,177,771,519.67	3,995,125,667.47	5,073,278,846.00	16,487,874,975.05
Less: income tax expenses	952,527,014.30	1,140,545,066.98	1,076,454,281.69	3,914,979,078.01
V. NET PROFIT	3,225,244,505.37	2,854,580,600.49	3,996,824,564.31	12,572,895,897.04
Net profit attributable to the parent company	3,035,565,517.94	2,845,984,238.35	3,704,584,433.90	12,100,504,312.55
<i>Including: Net profit of combined enterprises before the date of combination</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-390,190,885.33</i>

Profits and losses attributable to minority interests	189,678,987.43	8,596,362.14	292,240,130.41	472,391,584.49
VI. EARNINGS PER SHARE				
(1) Basic EPS	0.17	0.16	0.21	0.69
(2) Fully-diluted EPS	0.17	0.16	0.21	0.69
VII. OTHER COMPREHENSIVE INCOME	146,857,420.13	-272,978,752.97	405,674,212.66	-572,817,211.46
VIII. COMPREHENSIVE INCOME	3,372,101,925.50	2,581,601,847.51	4,402,498,776.97	12,000,078,685.57
Including : Comprehensive income attributable to parent company	3,168,350,966.05	2,531,039,311.19	4,088,949,467.14	11,569,947,748.64
Comprehensive income attributable to minority shareholders	203,750,959.45	50,562,536.32	313,549,309.83	430,130,936.93

Legal Representative: Xu Lejiang Financial Controller: Chen Ying Director of Finance Department: Wu Kunzong

Consolidated Cash Flow Statement

For the Nine Months Ended 30 September, 2009

Baoshan Iron & Steel Company Limited

Unit: yuan

Money: Rmb

Auditory type: unaudited

Items	Beginning of the year to end of the period reported (For the nine months ended 30 September, 2009)	Beginning of the year to end of the period reported (For the nine months ended 30 September, 2008)
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales of goods or rendering of services	120,056,625,059.29	178,085,561,102.53
Net increase in deposits from customers and deposits from or to financial institutions	-	-
Net decrease in deposit reserves in central bank and deposits from or to other financial institutions	368,487,850.61	-
Net increase in funds borrowed from other financial institutions	-	39,546,140.00
Cash received from interests, service fees, and commissions	154,748,691.78	211,917,151.62
Tax refunds received	157,368,808.40	167,327,376.75
Net increase in financial assets sold for repurchase	894,886,168.41	-
Cash received relating to other operating activities	482,244,723.90	405,906,528.68
Sub-total of cash inflow	122,114,361,302.39	178,910,258,299.58
Cash paid for goods purchased and labor services received	86,169,281,700.09	146,951,256,846.93
Net decrease in deposits from customers and deposits from or to financial institutions	3,262,313,919.16	6,567,950,010.41
Net increase in customer loans and cash advances	1,571,714,223.85	1,171,224,425.41
Net decrease in deposit reserves in central bank and deposits from or to other financial institutions	-	279,684,874.56
Cash paid for interests, service fees, and commissions	61,881,843.11	395,899,258.54
Cash paid to employees and for employees	5,264,284,467.79	4,969,889,406.80
Payments of all types of taxes	4,008,687,109.57	12,241,367,564.30
Cash payments relating to other operating activities	2,842,208,847.69	3,546,051,349.53
Sub-total of cash outflow	103,180,372,111.26	176,123,323,736.48
Net cash flows from operating activities	18,933,989,191.13	2,786,934,563.10
II. CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from returns of investments	3,997,632,993.08	4,319,311,340.04
Cash received from returns on investments	755,070,125.90	472,916,619.05
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	29,226,279.22	103,264,052.27
Net cash received from the disposal of subsidiaries and other operating businesses	-	3,473,632.00
Other cash received relating to investing activities	15,509,385.88	325,875,377.97
Sub-total of cash inflow	4,797,438,784.08	5,224,841,021.33
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	13,653,458,039.12	21,755,563,818.41

Cash paid for investments	3,782,062,371.13	4,785,596,566.46
Other cash payments relating to investing activities	83,564,019.63	193,258,097.06
Sub-total of cash outflow	17,519,084,429.88	26,734,418,481.93
Net cash flows from investing activities	-12,721,645,645.80	-21,509,577,460.60

Consolidated Cash Flow Statement (Continued)
For the Nine Months Ended 30 September, 2009

Baoshan Iron & Steel Company Limited

Unit: yuan

Money: Rmb

Auditory type: unaudited

Items	Beginning of the year to end of the period reported (For the nine months ended 30 September, 2009)	Beginning of the year to end of the period reported (For the nine months ended 30 September, 2008)
III. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received by absorbing investments	83,837,950.35	26,829,500.00
Including: Cash received by subsidiaries in absorbing minority shareholders' investments	83,837,950.35	26,829,500.00
Cash received from debts	56,221,105,872.78	54,945,831,863.41
Cash receipt from issue of bonds	9,910,000,000.00	9,940,000,000.00
Cash received relating to other financing activities	4,039,677.57	-
Sub-total of cash inflow	66,218,983,500.70	64,912,661,363.41
Cash paid for repayments of debts	69,026,061,715.72	43,567,619,613.26
Cash paid for distribution of dividends or profits, or cash payments for interests	4,338,448,356.96	8,055,846,351.74
Including: dividends and profits paid to minorities by subsidiaries	129,310,273.19	139,258,696.43
Cash payments relating to other financing activities	615,028,079.01	657,139,115.08
Sub-total of cash outflow	73,979,538,151.69	52,280,605,080.08
Net cash flows from financing activities	-7,760,554,650.99	12,632,056,283.33
VI. RATE CHANGES ON CASH AND CASH EQUIVALENTS	7,567,702.24	-235,788,158.24
V. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-1,540,643,403.42	-6,326,374,772.41
Add: Cash and cash equivalents at beginning of period	6,272,564,999.67	15,109,489,268.58
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,731,921,596.25	8,783,114,496.17

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Director of Finance Department: Wu Kunzong

Balance Sheet
For the Nine Months Ended 30 September, 2009

Baoshan Iron & Steel Company Limited

Unit: yuan

Money: Rmb

Auditory type: unaudited

Items	30 September, 2009	31 December, 2008
CURRENT ASSETS		
Cash and cash equivalents	1,850,484,306.24	3,182,690,342.86
Transactional financial assets	-	114,598,750.75
Notes-receivable	16,654,072,332.83	8,592,061,194.53
Trade receivable	6,377,841,250.11	5,588,834,929.34
Payment in advance	2,774,553,331.82	2,323,393,029.61
Other receivables	566,316,044.31	124,791,695.83
Inventories	19,738,564,352.56	22,231,758,491.63
Total current asset	47,961,831,617.87	42,158,128,434.55
NON-CURRENT ASSETS		
Long-term equity investment	24,987,721,199.50	23,913,628,552.28
Fixed assets	89,093,955,182.18	91,932,235,412.15
Construction-in-progress	11,750,572,084.53	8,953,563,859.31
Project materials	14,872,381.90	46,397,429.90
Intangible assets	3,660,283,742.84	3,407,121,836.15
R & D expense	-	-
Long-term deferred expenses	19,947,282.22	30,761,683.25
Deferred income tax assets	308,273,074.59	1,112,726,834.63
Other non-current assets	117,905,780.14	117,905,780.14
Total non-current assets	129,953,530,727.90	129,514,341,387.81
TOTAL ASSETS	177,915,362,345.77	171,672,469,822.36

Balance Sheet (Continued)
For the Nine Months Ended 30 September, 2009

Baoshan Iron & Steel Company Limited

Unit: yuan

Money: Rmb

Auditory type: unaudited

Items	30 September, 2009	31 December, 2008
CURRENT LIABILITIES		
Short-term borrowings	17,175,593,019.55	21,137,467,584.30
Transactional liabilities	-	-
Notes-payable	5,322,524,828.19	2,369,885,042.55
Trade payables	15,309,977,528.30	15,272,996,018.72
Receipts in advance	10,474,581,153.85	7,259,374,935.06
Accrued payroll	1,241,533,037.14	1,170,529,785.21
Taxes payable	45,516,682.37	-1,348,286,755.40
Interests payable	129,110,040.92	290,087,497.58
Other payables	197,696,936.14	344,156,293.59
Current portion of long-term amount due to holding company	199,999,997.00	800,000,000.00
Current portion of non-current liabilities	2,926,141,439.38	3,924,376,646.30
Other payables	4,775,663,971.63	1,418,812,393.05
Total current liabilities	57,798,338,634.47	52,639,399,440.96
NON-CURRENT LIABILITIES		
Long-term borrowings	5,837,607,759.28	15,234,545,932.41
Bond payables	17,968,065,850.42	7,785,029,718.21
Long-term payables	7,857,138,964.71	7,544,731,994.48
Special payables	105,198,846.05	18,184,797.90
Deferred income tax liabilities	119,175,120.39	147,824,808.07
Other non-current liabilities	16,054,071.90	-
Total non-current liabilities	31,903,240,612.75	30,730,317,251.07
Total liabilities	89,701,579,247.22	83,369,716,692.03
SHAREHOLDERS' EQUITY		
Stock capital	17,512,000,000.00	17,512,000,000.00
Capital reserves	36,746,143,950.84	36,581,312,996.65
Surplus reserves	16,812,395,927.36	16,812,395,927.36
Undistributed profit	17,143,243,220.35	17,397,044,206.32
Total shareholders' equity	88,213,783,098.55	88,302,753,130.33
TOTAL OF LIABILITIES & SHAREHOLDERS' EQUITY	177,915,362,345.77	171,672,469,822.36

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Director of Finance Department: Wu Kunzong

Profit Statement
For the Nine Months Ended 30 September, 2009

Baoshan Iron & Steel Company Limited

Unit: yuan

Money: Rmb

Auditory type: unaudited

Items	Period reported (July to September, 2009)	Same period of previous year (July to September, 2008)	Beginning of the year to end of the period reported (For the nine months ended 30 September, 2009)	Same period of previous year (For the nine months ended 30 September, 2008)
I. TOTAL REVENUE	33,768,499,049.50	44,267,824,322.32	83,336,481,736.18	123,128,979,780.66
Less: Business costs	29,347,573,350.78	39,291,379,306.40	76,610,524,874.90	104,717,775,201.25
Sales taxes and surcharges	70,416,756.12	304,617,593.43	286,479,657.20	805,455,041.13
Sales expenses	164,637,861.58	192,953,613.92	444,495,777.66	546,272,382.30
Administrative expenses	728,770,789.69	971,140,160.37	1,905,311,445.15	2,635,544,704.32
Financial expenses	402,528,237.74	673,135,810.23	1,335,892,045.70	1,019,843,545.33
Losses/Reversions on the asset impairment	98,242,771.37	464,095,871.34	421,540,396.73	619,579,675.90
Add: Net income/loss from changes in fair value	-51,467,731.56	42,174,748.87	-114,598,750.74	225,695,471.38
Investment gains	197,813,432.44	135,867,176.36	1,175,716,780.34	589,468,569.54
<i>Including: Gains from investments in joint ventures and associates</i>	<i>103,462,763.68</i>	<i>112,335,870.68</i>	<i>119,888,337.14</i>	<i>551,154,889.94</i>
II. TOTAL OPERATING PROFIT	3,102,674,983.10	2,548,543,891.86	3,393,355,568.44	13,599,673,271.35
Add: Non-operating income	12,131,386.04	13,935,740.14	152,227,472.22	33,570,355.44
Less: Non-operating expenses	34,989,920.95	112,631,881.73	65,761,265.66	178,560,723.70
<i>Including: Losses on disposal of non-current assets</i>	<i>3,084,467.70</i>	<i>111,899,566.94</i>	<i>16,259,893.27</i>	<i>156,273,449.75</i>
III. PRE-TAX PROFIT	3,079,816,448.19	2,449,847,750.27	3,479,821,775.00	13,454,682,903.09
Less: income tax expenses	745,103,913.00	578,495,143.48	581,462,760.97	3,076,513,004.06
IV. NET PROFIT	2,334,712,535.19	1,871,352,606.79	2,898,359,014.03	10,378,169,899.03
V. OTHER COMPREHENSIVE INCOME	77,275,016.05	62,731,754.51	164,830,954.19	84,075,997.90
VI. COMPREHENSIVE INCOME	2,411,987,551.24	1,934,084,361.30	3,063,189,968.22	10,462,245,896.93

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Director of Finance Department: Wu Kunzong

Cash Flow Statement

For the Nine Months Ended 30 September, 2009

Baoshan Iron & Steel Company Limited

Unit: yuan

Money: Rmb

Auditory type: unaudited

Items	Beginning of the year to end of the period reported (For the nine months ended 30 September, 2009)	Beginning of the year to end of the period reported (For the nine months ended 30 September, 2008)
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales of goods or rendering of services	90,780,238,096.19	135,780,205,902.28
Cash received relating to other operating activities	529,782,242.18	295,795,790.10
Sub-total of cash inflow	91,310,020,338.37	136,076,001,692.38
Cash paid for goods purchased and labor services received	70,103,324,931.04	113,350,194,859.07
Cash paid to employees and for employees	3,637,231,781.03	3,342,112,348.31
Payments of all types of taxes	1,918,023,454.60	8,663,315,644.14
Cash payments relating to other operating activities	1,509,660,011.25	1,335,282,287.78
Sub-total of cash outflow	77,168,240,177.92	126,690,905,139.30
Net cash flows from operating activities	14,141,780,160.45	9,385,096,553.08
II. CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from returns of investments	-	261,957,393.30
Cash received from returns on investments	1,144,858,382.83	297,307,191.81
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	12,703,761.22	35,714,395.81
Net cash received from the disposal of subsidiaries and other operating businesses		3,473,632.00
Other cash received relating to investing activities	18,620,380.65	178,553,472.09
Sub-total of cash inflow	1,176,182,524.70	777,006,085.01
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	9,795,247,977.94	15,579,017,229.22
Cash paid for investments	960,000,000.00	-
Other cash payments relating to investing activities	83,564,019.63	193,258,097.06
Sub-total of cash outflow	10,838,811,997.57	15,772,275,326.28
Net cash flows from investing activities	-9,662,629,472.87	-14,995,269,241.27
III. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from debts	55,360,622,523.72	55,720,279,585.59
Cash receipt from issue of bonds	9,910,000,000.00	9,940,000,000.00
Cash received relating to other financing activities	3,426,246,935.44	216,492,497.46
Sub-total of cash inflow	68,696,869,459.16	65,876,772,083.05
Cash paid for repayments of debts	69,712,710,606.19	46,124,821,836.17
Cash paid for distribution of dividends or profits, or cash payments for interests	4,116,838,580.83	7,972,323,993.30
Cash payments relating to other financing activities	670,510,752.01	5,238,397,924.88
Sub-total of cash outflow	74,500,059,939.03	59,335,543,754.35

Net cash flows from financing activities	-5,803,190,479.87	6,541,228,328.70
VI. RATE CHANGES ON CASH AND CASH EQUIVALENTS	-8,166,244.33	-222,257,571.06
V. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-1,332,206,036.62	708,798,069.45
Add: Cash and cash equivalents at beginning of period	3,182,690,342.86	3,659,934,530.73
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,850,484,306.24	4,368,732,600.18

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Director of Finance Department: Wu Kunzong