

Corporation code: 600019

Corporation abbreviation: Baosteel

Baoshan Iron & Steel Co., Ltd.

Abstract of 2020 Annual Report

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Part I. Important Notice

- 1 This is an excerpt from the complete Annual Report. In order to fully understand the operating result, financial situation and future development plan of Baoshan Iron & Steel Co., Ltd. (hereinafter “the Company”), investors shall visit the official website of Shanghai Stock Exchange and other websites designated by China Securities Regulatory Commission and thoroughly read the full text of Annual Report.**

- 2 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 executives, hereby guarantee that the Annual Report is free from false statement, misleading information or grave material omission, and assume relevant separate and joint responsibilities in regard to the truth, the accuracy and the integrity of the contents of the Report.**

- 3 All directors of the Company attended the Board Meeting to review the quarterly report.**

- 4 Ernst & Young Huaming Certified Public Accountants (special general partnership) gave standard unqualified audit report for the Company.**

- 5 Proposed Profit Appropriation Plan and Capitalizing of Reverses Plan during the Reporting Period Reviewed by the Board of Directors**

According to the Company’s policy that the annual dividend distribution should not be lower than 50% of the net profit in the consolidated statements attributable to the shareholders of the parent company audited in the current year, and the cash dividend per share should not be less than RMB 0.29 (including tax) according to the calculation. Whereas the Company always attaches importance to rewarding shareholders and adheres to the long-term cash dividend policy, the Company intends to allot the cash dividend at RMB 0.30 per share (including tax), total cash dividend to be distributed was RMB 6,680,834,295 (including tax), accounting for 52.70% of the net profit in the consolidated statements attributable to the shareholders of the parent company based on 22,269,447,650 shares in total at the end of 2020. The actual dividend is calculated based on the share capital registered on the holder-of-record

date confirmed in the dividend payout announcement. The 2020 annual profit distribution plan is yet to be approved by the 2020 general meeting of the shareholders of the Company.

Part II. Company Profile

1 Company Profile

| Company Stock | | | | |
|---------------|-------------------------|-----------------------|------------|--|
| Type of stock | Stock listed at | Abbreviation of stock | Stock code | Abbreviation of stocks before alteration |
| A share | Shanghai Stock Exchange | Baosteel | 600019 | |

| Contact information | Secretary to Board of Directors | Representative of Securities Affairs |
|---------------------|--|--|
| Name | Wang Juan | Xia Zhilong, Tao Yun |
| Office address | Board of Directors' Office of Baoshan Iron & Steel Co., Ltd., Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai | Board of Directors' Office of Baoshan Iron & Steel Co., Ltd., Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai |
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2 Main business profile during the reporting period

(1) The Company's main business, main products and uses, business model and main performance driving factors during the reporting period

Baosteel is a world's leading iron and steel joint venture, and a core enterprise of China Baowu Iron and Steel Group Co., LTD which is one of the Fortune Global 500. Baosteel puts forward the mission of "being a model of high-quality development in the steel industry and a leader of future steel industry", and is committed to meeting and exceeding user expectations with excellent products and services, repaying shareholders with good performance and stable return, and achieving common development with related stakeholders. We focus on the steel industry and also engage in processing and distribution business related to steel industry. We have main production bases in Shanghai Baoshan, Wuhan Qingshan, Zhanjiang Dongshan and Nanjing Meishan and are one of the steel enterprises with the most complete varieties of carbon steel products. We benchmark against the leaders in industry, strengthen the management mode of multiple manufacturing bases, further strengthen the "cost reform, leading technology, leading service, smart manufacturing, and urban steel mill", constantly innovate and deepen the Company's competitive advantage.

The Company has always been adhering to the development path of "Innovation, Coordination, Green Production, Openness and Sharing", has globally well-known brand, world-class technological level and service capability. The Company's main steel business is specialized in production of high-technological-content and high-additional-value carbon steel sheets, heavy plates, steel tubes and other quality iron and steel products, its main products have been widely applied to the industries of

automobile, home appliances, petrochemical, machinery manufacturing, energy, transportation, etc. The Company focuses on core strategic product groups, and from the four major dimensions of manufacturing, R&D, marketing and service, it has formed the six major strategic products of automobile steel, electrical steel, energy and pipeline steel, high-grade sheets, tin plates, and long steel products.

Baosteel pays attention to the cultivation of innovation ability, actively develops and applies advanced manufacturing, energy-saving and environmental protection technologies, and has established a nationwide and worldwide marketing and processing service network. The Company's self-developed new-generation automotive high-strength steel, electrical steel, high-grade home appliance steel, oil and gas pipes, steel for bridge, hot rolled heavy rail and other high-end products are among the world's front-runners. We continue to implement the quality product development strategy characterized by leading technologies and pay attention to the high-speed growth of China's high-end manufacturing industries, such as military industry, nuclear power, high-speed rail, ocean engineering equipment, new energy vehicles and others. We make effort to develop high-end products, including super-high strength steel, oriented silicon steel and others, research and reserve more high-end new material technologies, concentrating on "conversion from steel to materials", and continue to pursue the economic benefits brought by high-end product structure. At the 24th National Invention Exhibition, the Company exhibited 104 items, including 16 items winning the gold award, 34 items winning the silver award and 32 items winning the bronze award. The high award rate up to 78.8% fully demonstrates the intelligence and strength of Baosteel people.

As the most trusted value creation partner of the customer, Baosteel, focusing on being "from manufacturing to services" and "from China to global", has been actively providing customers with first-class products, technologies and services in a global marketing network through early service involvement, perfect client demand-driven mechanism, production and sales balance decision support system, iBaosteel platform, quickly-responsive perfect marketing service system, and rapid strategic layout of the steel service platform, etc. In addition to meeting needs of domestic market, our products are also exported to more than 70 countries and regions, including Japan, South Korea, Europe and America.

In terms of production technology and technology research and development, the overall technical equipment of Baosteel is built on advanced technologies such as modern iron and steel smelting, hot and cold processing, hydraulic sensing, electronic control, computer and information communication and is characterized by large scale, continuity and automation, taking a leading position in the world steel and iron industry.

The Company adheres to the goal of "implementing the four uniformities and creating the whole process intelligent production line group", focuses on "strengthening the promotion of mature technologies and the output of project benefit and efficiency", and promotes intelligent manufacturing through overall planning and strict control. In 2020, 90 intelligent manufacturing projects were launched in various manufacturing bases of the Company. As a result, 62 operating rooms were cancelled, and more than 600 people were relieved from heavy physical labor. Relying on intelligent manufacturing means such as "no-light factories", "no-meeting production" and "intelligent logistics", the Company realized stable

and high productivity during the epidemic. Moreover, the Company has also made many intelligent manufacturing practice achievements, including “intelligent production scheduling”, “intelligent equipment operation and maintenance diagnosis”, “automatic quality judgment and tracing”, 5G technology and UAV patrol inspection, etc.

Adhering to the concept of environmental management, Baosteel increases investment in energy conservation and environmental protection, ecological environment and sustainable development, promotes “three governance and four transformations” (extra-low emission of waste gas, zero discharge of wastewater, and no release of solid waste from the factory; cleaning, greening, beautification and cultural construction), and accelerates the construction of green urban steel mills. The main environmental indicators have been continuously improved, there are no major environmental risk events throughout the year, and the four bases are harmoniously integrated into the city.

Through vigorous construction of the four manufacturing bases, including Shanghai Baoshan, Wuhan Qingshan, Zhanjiang Dongshan and Nanjing Meishan, Baosteel is actively promoting uniform management of marketing, procurement and R&D and builds the multi-manufacturing base management mode with characteristics of Baosteel under centralized management. We will strive to realize the vision of “being the most competitive steel enterprise in the world and the most valuable listed company in investment”.

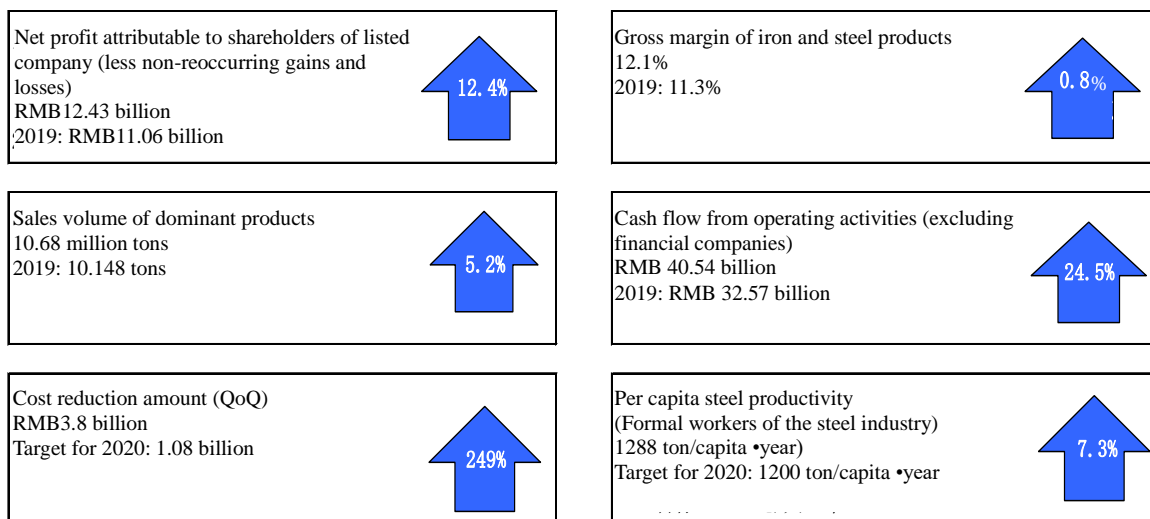
(2) Development stage, cyclical characteristics of the industry and industrial status of the Company during the reporting period

In 2020, in the face of the severe impact of COVID-19 on global economy and the complex and severe situation at home and abroad, China took the lead in recovering its economy steadily. Not only were major targets and tasks for economic and social development completed better than expected, GDP also reached 101.6 trillion yuan, up by 2.3% over the previous year. The industrial economy maintained a steady and positive momentum and enterprises resumed production steadily. The production and operation situation in China was improved constantly. The industrial added value of enterprises above designated scale increased by 2.8% over the previous year.

As the domestic economic recovery was much better than expected, the market demand for steel was also quite strong, leading to rapid growth in the crude steel consumption. As a result, the domestic steel prices continued to rebound and the profit level of the steel industry improved steadily.

The Company quickly responded to the impact of the sharp rise in the raw material market and the fluctuations in the steel market demand, and gave full play to the advantages of the operation and coordination of multiple manufacturing bases. The product scale, variety, quality, service and profit level recovered rapidly, and the business performance continued to rebound. In the second half of the year, the Company focused on comprehensive benchmarking, comprehensively improved operational efficiency, continuously explored internal potential and improved work efficiency by means of further lowering cost and management reform. With these initiatives for profitability improvement, the total profit of the Company maintained in the lead of the industry in the reporting period.

(3) Highlights of the Company



- The Company achieved success in both epidemic control and production guarantee. The Company comprehensively promoted epidemic control, production and operation, and played an important role in emergency supply, production resumption, supply chain stabling and others. In the reporting period, the Company demonstrated strong risk resistance abilities.
- The company achieved the best business performance in the steel industry in China. It actively coped with the market change and the impact caused by internal blast furnace overhaul and gave full play to the advantages of multi-manufacturing base operation and collaboration. The product scale, variety, quality, service and profit level were constantly improved. In 2020, the Company realized a total profit of RMB 16.02 billion yuan.
- Cost reduction has yielded remarkable results. The Company benchmarked against outstanding iron and steel enterprises and further explored the potential of cost reduction centering on manufacturing efficiency improvement, optimization of main technical indexes, source control of sales costs, reduction of comprehensive financial cost, etc. In 2020, the cost of the Company was reduced by RMB 3.8 billion, making great contribution to the growth of the Company's business performance.
- The Company made major strides in technical advancement. The SA387 steel plates for the key national science and technology project Xiapu Fast Reactor and R6 mooring chain bar for deepwater oil production platforms were delivered on schedule; the transformation of the hydrogen-rich metallurgy demonstration line was completed; breakthroughs were made in the industrial test of top gas circulating oxygen blast furnace; 10 products were launched worldwide and breakthroughs were made in 23 landmark technologies.
- Industrial layout has been optimized. The construction schedule of Zhanjiang Iron & Steel No. 3 Blast Furnace System Project was fully advanced. The world's sole professional production line of top-grade non-oriented silicon steel completely oriented to new energy vehicles has been launched. The new type of heat resistant notch unit for oriented silicon steel was officially put into operation, a symbol of the commercial production of the first technology in the world.
- Smart manufacturing has been pushed to a new level. Symbolic functions of nine big data pilot projects, including creating the intelligent industrial cluster, completing the construction of the big

data center infrastructure, the construction of the middle platform based data domain and its marketing, were put into operation. Besides, nearly 90 projects for smart manufacturing transformation were carried out, including labor efficiency improvement and online equipment diagnosis. The cold-rolled "No-light Factory" was included in the first batch of 20 smart factories in Shanghai.

- Enterprise reform was accelerated. The reform of the user-oriented production-marketing-research mechanism was initiated. The professional reform of products and processes was also quickly implemented and paid off. Focusing on “three integrations”, the Company accelerated equipment system reform and achieved expected results.
- Build green urban steel mills. The Company promoted pollution control actions to ensure 100% standard pollutant discharge and saw no major environment risk event during the reporting period. At Baoshan, Dongshan and Meishan bases, ultra-low emission pre-evaluation has been actively carried out with class A enterprises as the aim.
- We obtained the highest credit rating in the industry. With solid financial performance and business performance, international rating agencies Standard & Poor's, Moody's and Fitch respectively gave long-term credit rating of A-, A3 and A to us and we continued to maintain the highest credit rating for global comprehensive steel enterprises.

3 Major Accounting Data and Financial Indicators of the Company

3.1 Major accounting data and financial indicators of the Company for the latest three years

Unit: 1 million yuan Currency: RMB

| | 2020 | 2019 | | Increase or decrease (%) over the previous year (%) | 2018 |
|---|---------|------------------|-------------------|---|---------|
| | | After adjustment | Before adjustment | | |
| Total assets | 356,225 | 345,938 | 339,633 | 2.97 | 335,850 |
| Operating revenues | 283,674 | 291,600 | 291,594 | -2.72 | 305,081 |
| Net profit attributable to shareholders of listed company | 12,677 | 12,563 | 12,423 | 0.91 | 21,449 |
| Net profit attributable to shareholders of the listed Company less non-recurring gains and losses | 12,434 | 11,060 | 11,060 | 12.42 | 20,634 |
| Net assets attributable to shareholders of listed company y | 184,371 | 178,172 | 178,053 | 3.48 | 176,906 |
| Net cash flows from operating activities | 28,084 | 33,074 | 29,504 | -15.09 | 45,568 |
| Basic earnings per share (RMB/share) | 0.57 | 0.56 | 0.56 | 1.79 | 0.96 |
| Diluted earnings per share (RMB/share) | 0.57 | 0.56 | 0.56 | 1.79 | 0.96 |
| Weighted average return on equity (%) | 7.03 | 7.09 | 7.05 | Down by 0.06% | 12.68 |

3.2 Main quarterly accounting data during the reporting period

Unit: 1 million yuan

Currency: RMB

| | Q1 Jan.- Mar. | Q2 Apr.- Jun. | Q3 Jul.- Sept. | Q4 Oct.-Dec. |
|---|------------------|------------------|-------------------|-----------------|
| Operating revenues | 59,974 | 69,797 | 70,251 | 83,652 |
| Net profit attributable to shareholders of listed company | 1,541 | 2,462 | 3,857 | 4,818 |
| Net profit attributable to shareholders of the listed company less non-recurring gains and losses | 1,664 | 2,376 | 3,799 | 4,595 |
| Net cash flows from operating activities | 5,015 | 5,924 | 6,129 | 11,016 |

4 Capital Stock and Shareholders

4.1 Table for common shareholders and preferred shareholders with resumed voting rights as well as shareholdings of top 10 shareholders

Unit: share

| Total number of common shareholders at the end of the reporting period (people) | | | | | 314,423 | | |
|--|--|--|-----------|---|-------------------|---------------|--------------------------|
| Total number of common shareholders at the end of one trading month before the disclosure date of the annual report (people) | | | | | 303,255 | | |
| Total number of preferred shareholders with resumed voting rights at the end of the reporting period (people) | | | | | | | |
| Total number of preferred shareholders with resumed voting rights at the end of one trading month before the disclosure date of the annual report (people) | | | | | | | |
| Top 10 shareholders | | | | | | | |
| Name of the shareholder (full name) | Increase/ decrease in the reporting period | Shares at the end of the reporting period | Ratio (%) | Shares with trading limited conditions | Pledged or frozen | | Shareholder nature |
| | | | | | Status | Number | |
| China Baowu Steel Group Corp., Ltd. (note) | -486,753,644 | 10,813,395,355 | 48.56 | 0 | Pledged | 2,850,000,000 | State-owned legal person |
| Wuhan Iron and Steel (Group) Company | 0 | 2,982,172,472 | 13.39 | 0 | None | 0 | State-owned legal person |
| Hong Kong Securities Clearing Company Ltd. | 657,128,145 | 1,483,431,513 | 6.66 | 0 | None | 0 | Foreign legal person |
| China National Petroleum Corporation | -89,512,940 | 710,487,060 | 3.19 | 0 | None | 0 | State-owned legal person |
| China Securities Finance Corporation Ltd. | 0 | 666,600,578 | 2.99 | 0 | None | 0 | State-owned legal person |
| Beijing Shougang Fund Co. Ltd | 486,753,644 | 486,753,644 | 2.19 | 0 | None | 0 | State-owned legal person |

| | | | | | | | |
|--|--|-------------|------|---|------|---|--------------------------|
| China Ocean Shipping (Group) Company | 0 | 280,000,000 | 1.26 | 0 | None | 0 | State-owned legal person |
| GIC PRIVATE LIMITED | -125,044,701 | 196,408,197 | 0.88 | 0 | None | 0 | Oversea legal person |
| Central Huijin Asset Management Co. Ltd | 0 | 194,224,180 | 0.87 | 0 | None | 0 | State-owned legal person |
| Wang Yingying | 50,849,363 | 120,033,000 | 0.54 | 0 | None | 0 | Domestic natural person |
| Remarks on affiliation, alliance or collusion among the aforementioned 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 foresaid other shareholders have affiliated relationship with each other or are persons acting in concert as regulated in the <i>Rules on Listed Company Acquisition</i> or not. | | | | | | |
| Remarks on preferred shareholders with resumed voting rights and the number of shares held by them | | | | | | | |

4.2 Equity and controlling relationship between the Company and its controlling shareholders

Applicable Not applicable



4.3 The enterprise property rights and controlling relationship between the Company and its actual controller

Applicable Not applicable

Applicable Not applicable



4.4 The total number of preferred shareholders and the top 10 shareholders at the end of the period

Applicable Not applicable

5 Corporation bonds

Applicable Not applicable

Part III. Discussion and Analysis about Operation

1 Main operation during the reporting period

The main operation during the reporting period is as follows:

1.1 Analysis table of changes in relevant items of income statement and cash flow statement

Unit: 1 million yuan Currency: RMB

| Item | Amount during the reporting period | Amount of the previous period | Change ratio (%) |
|---|------------------------------------|-------------------------------|------------------|
| Operating revenue | 283,674 | 291,600 | -2.7 |
| Operating cost | 252,938 | 259,873 | -2.7 |
| Sales expenses | 2,933 | 3,381 | -13.3 |
| Administrative expenses | 4,345 | 5,609 | -22.5 |
| R&D expenses | 8,726 | 8,864 | -1.6 |
| Finance expenses | 1,462 | 2,463 | -40.7 |
| Net cash flow from operating activities | 28,084 | 33,074 | -15.1 |
| Net cash flow from investing activities | -13,388 | -23,230 | -42.4 |
| Net cash flow arising from financing activities | -13,702 | -15,353 | -10.8 |

1.2 Principal business by industries, products and regions

Unit: 1 million yuan Currency: RMB

| Principal business by industries | | | | | | |
|----------------------------------|-------------------|-----------------|------------------|-------------------------------------|-----------------------------------|----------------------------|
| Industry | Operating revenue | Operating cost | Gross margin (%) | YoY change in revenue (%) | YoY change in costs (%) | YoY Change in gross margin |
| Steel manufacturing | 215,045 | 190,952 | 11.2 | -4.1 | -4.9 | + 0.7% |
| Processing and distribution | 268,100 | 263,856 | 1.6 | -6.6 | -6.4 | - 0.2% |
| Others | 16,196 | 12,325 | 23.9 | -1.1 | -7.1 | + 5.0% |
| Offset between segments | -214,876 | -213,887 | | | | |
| Total | 284,464 | 253,245 | 11.0 | -2.6 | -2.6 | +0.01% |
| Principal business by products | | | | | | |
| Product | Operating revenue | Operating costs | Gross margin (%) | YoY change in operating revenue (%) | YoY change in operating costs (%) | YoY change in gross margin |
| Cold-rolled carbon steel coil | 87,804 | 75,871 | 13.6 | 1.7 | -1.6 | +2.9% |

| Hot-rolled carbon steel coil | 69,008 | 61,231 | 11.3 | -8.4 | -9.5 | +1.0% |
|-------------------------------|-------------------|-----------------|------------------|-------------------------------------|-----------------------------------|----------------------------|
| Steel pipe | 11,531 | 10,913 | 5.4 | -18.3 | -12.2 | -6.6% |
| Long products | 7,907 | 6,754 | 14.6 | -3.9 | 2.4 | -5.2% |
| Other iron and steel products | 20,343 | 18,130 | 10.9 | 16.7 | 21.8 | -3.7% |
| Total | 196,594 | 172,900 | 12.1 | -2.4 | -3.2 | +0.7% |
| Principal business by regions | | | | | | |
| Region | Operating revenue | Operating costs | Gross margin (%) | YoY change in operating revenue (%) | YoY change in operating costs (%) | YoY change in gross margin |
| Domestic market | 257,475 | 227,294 | 11.72 | -0.7 | -0.6 | -0.1% |
| Overseas market | 26,990 | 25,952 | 3.85 | -17.4 | -17.1 | -0.4% |

Principal business by industries, products and regions

The Company divides its internal organs into three parts, namely steel manufacturing, processing & distribution, and others. The steel manufacturing part includes various steel manufacturing units, the processing & distribution part includes Baosteel International, overseas companies and other trading units, the others part includes information technology, charcoal wood and finance, and other businesses.

In 2020, the Company seized the opportunity for iron and steel productivity recovery after the epidemic to constantly improve production efficiency, capital efficiency and asset efficiency, explored the potential for cost reduction, and effectively relieved the impact of steel price reduction and the sharp rising of iron ore prices. In 2020, the gross margin of the Company's main cold and hot rolled products increased compared with that of the previous year.

1.3 1.3 Production output and sales analysis table e

| Major items | Unit | Production output | Sales | Inventory | YoY change in production output (%) | YoY change in sales (%) | YoY change in inventory (%) |
|---|-------------|-------------------|-------|-----------|-------------------------------------|-------------------------|-----------------------------|
| Cold-rolled carbon steel sheets and coils | 10,000 tons | 1,798 | 1,799 | 127 | 1.2 | 1 | -12.6 |

| | | | | | | | |
|--|-------------|-------|-------|-----|-------|------|-------|
| Hot-rolled carbon steel sheets and coils | 10,000 tons | 1,861 | 1,896 | 44 | -10.6 | -10 | -8.2 |
| Steel tubes & pipes | 10,000 tons | 202 | 198 | 19 | -7.6 | -9.6 | 7.0 |
| Long products | 10,000 tons | 195 | 195 | 5 | -1.4 | -1.2 | -39.1 |
| Other steel products | 10,000 tons | 507 | 509 | 17 | 22.6 | 23 | -4.9 |
| Total | 10,000 tons | 4,562 | 4,598 | 211 | -2.7 | -2.6 | -10.5 |

2 Reason for listing suspension

Applicable Not applicable

3 Description of and causes for listing termination

Applicable Not applicable

4 The analysis for the reasons and effects of changes in accounting policies and accounting estimates

Applicable Not applicable

From January 1, 2020, the Company began to implement the *Accounting Standards for Business Enterprises No. 14- Income* promulgated by the Finance Ministry in 2017. The cumulative numbers of related items at the beginning of 2020 were adjusted according to the requirement of the standards. Due to the fiscal policy change, the total assets of the Group at the beginning of the period was increased by RMB 1,589,528,973.84 yuan, the total liability was increased by RMB 2,174,121,108.39 and the net asset was reduced by RMB 584,592,134.55. The total assets and net assets of the parent company at the beginning of the period were not affected.

5 The Company's analysis for correction reasons and effects of major accounting errors

Applicable Not applicable

6 Compared with the financial report of last year, the Company shall specify whether the scope of the consolidated financial statement changes.

Applicable Not applicable

The consolidation scope of consolidated financial statements is determined based on the control. Refer

to Note VI for the changes of the year. Refer to Note VII for the details of the scope of the consolidated financial statements of the year.

Chairman of the Board: Zou Jixin
Baoshan Iron & Steel Co., Ltd.
Apr. 25, 2021