

**ENGLISH TRANSLATION OF
BAOSHAN IRON & STEEL CO., LTD.
ABSTRACT OF THE ANNUAL REPORT OF 2022**

The company takes no responsibility for the contents of this English translation of the announcement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this translation. This translation is for the purpose of reference only. The original Chinese version of this announcement can be found on SSE website <http://www.sse.com.cn>.

Secuirty code: 600019

Abbreviation: Baosteel

BAOSHAN IRON & STEEL CO., LTD.
ABSTRACT OF THE ANNUAL REPORT OF 2022

Section I Important Notes

- 1 The abstract of the annual report is from the full text of the annual report. In order to have a comprehensive understanding of the Company's operating results, financial situation and future development plans, investors should read the full text of the annual report at <http://www.sse.com.cn>.**
- 2 The Board of Directors, the Board of Supervisors, directors, supervisors and senior executives of the Company hereby guarantee that the information presented in this annual report is true, accurate, complete and free of any misrepresentations, misleading statements or material omissions, and are hereby willing to bear joint and several legal liabilities.**
- 3 All directors of the Company have attended the meeting of the Board of Directors.**
- 4 Ernst & Young Hua Ming LLP has issued a standard and unqualified auditor's report for the Company.**
- 5 The profit distribution plan of the current reporting period or the plan for increasing capital stock by capital accumulation fund that has been adopted by the Board of Directors**

The profit distribution plan of the reporting period that has been deliberated is as follows: According to the cash dividend policies of the Company, the cash dividend distributed every year shall not be lower than 50% of the net profit attributable to shareholders of the parent company given in the audited consolidated statement for the year. It is hereby worked out that the cash dividend to be distributed shall not be lower than RMB 6.093 billion. Upon the deliberation and approval of the Second Extraordinary Shareholders' Meeting in 2022, the Company has distributed semi-annual profits at the cash dividend of RMB 0.18 yuan per share in October 2022, and the total amount of dividends distributed is RMB 3.988 billion, with the cash dividends for the second half of the year totaling no less than RMB 2.105 billion. In the second half of 2022, the Company intends to pay a cash dividend at RMB 0.10 per share (tax inclusive) based on 22,156,355,749 shares in total (excluding the shares in the Company's special repurchase account), with an expected total dividend of RMB 2,215,635,574.90 (tax inclusive), accounting for 50.40% of the net profit attributable to shareholders of the parent company for the second half of 2022 in the consolidated statements. The actual dividend distribution will be made using the number of shares on the registration date (minus the number of shares in the Company's special repurchase account) as confirmed in the dividend distribution announcement at RMB 0.10/share (tax-inclusive). The estimated total amount of dividends for 2022 is RMB 6,203,819,491.60 (tax-inclusive), accounting for 50.91% of the net profit attributable to shareholders of the parent company as shown in the consolidated statement for 2022.

Section II Basic Information of the Company

1 Company profile

Type of stocks	Stock exchange	Stock abbreviation	Stock code
A shares	Shanghai Stock Exchange	Baosteel	600019

Contact person and contact information	Secretary of the Board	Representative for Securities Affairs
Name	Wang Juan	Tao Yun, Sheng Zhiping
Business address	Baosteel Board of Directors' Office, Baosteel Command Center, No. 885, Fujin Road, Baoshan District, Shanghai	Baosteel Board of Directors' Office, Baosteel Command Center, No. 885, Fujin Road, Baoshan District, Shanghai
Telephone	86-21-26647000	86-21-26647000
E-mail	ir@baosteel.com	ir@baosteel.com

2 Introduction to main business of the Company in the reporting period

(I) Development stage, periodic characteristics of the industry and the industrial status of the Company in the reporting period

In 2022, the international situation had been grim and complex, with repeated outbreaks and scattered spread of Covid-19 in China. Though China's economy was faced with a downward pressure heavier than expected due to combined effects of multiple factors, both at home and abroad, like the Covid-19 pandemic and the Russia-Ukraine conflict, etc., domestic economy realized a year-on-year growth of 3% for the year thanks to effective coordination of pandemic prevention and control with economic and social development, rollout and rapid implementation of a string of policies to stabilize economy, with GDP coming in at RMB 121 trillion; the industrial added value above designated scale across the country grew by 3.6% year on year, which was 2.5 percentage points lower than the average of the previous two years and 2.1 percentage points lower than that of 2019.

In 2022, the situation with China's iron and steel industry had been relatively grim, with weak supply and demand as its epitome against the backdrop of a weak cycle and sluggish development, driving the price of steel down drastically; due to factors like global inflation and energy crisis, the prices of crude fuel for iron and steel rose quickly, continuously squeezing the profit margin of the iron and steel industry, leading to large-scale losses across the industry and reducing the overall profits to a relatively low level in recent years.

In 2022, as the iron and steel industry as a whole was faced with a "severe winter", the Company, focusing on "cost reduction, efficiency improvement and reform" across the board, spared no efforts to take actions against the crisis, such as improving the productivity of production lines, promote purchase reform, reducing cost through technology and optimizing product structure, with its annual total profit staying on top in the industry domestically.

(II) Major impact of newly issued laws, administrative regulations, departmental rules and industrial policies on the industry of the Company

In 2022, a host of industrial policies were issued by national ministries and commissions, including the *Guideline on Promoting the High-quality Development of the Iron and Steel Industry*, the *Implementation Guideline for Energy Conservation and Carbon Reduction Upgrading in Key Sectors of Energy-Intensive Industries* (2022), the *Action Plan for Improving Industrial Energy Efficiency*, and the *Action Plan for Improving Industrial Water Efficiency*, with requirements for the iron and steel industry mainly centered on aspects like capacity governance, energy and environmental protection and increased use of steel scrap.

In terms of capacity governance, relevant policies strictly prohibit increasing the capacity of iron and steel, promote business acquisitions and restructuring, encourage industry-leading enterprises to conduct business acquisitions and restructuring to build a host of world-class super-larger iron and steel conglomerates, and guide the development of electric steelmaking in an orderly fashion.

In terms of energy and environmental protection, relevant policies provide that by 2025 the production capacity of steelmaking and ironmaking procedures above the energy efficiency benchmark level in the iron and steel industry will account for 30%, while that under the energy efficiency benchmark level will have been basically eliminated. Over 80% of iron and steel capacity will be reconstructed for super low emission, reducing the comprehensive energy consumption per ton of steel by over 2% and the intensity of water consumption by over 10%, to ensure carbon peaking before 2030.

In terms of increased use of steel scrap, relevant policies provide that by 2025 the annual processing capacity of enterprises allowed to conduct steel scrap processing shall be over 180 million tons, with short-process steelmaking accounting for over 15%; by 2030 new breakthroughs shall be made in the application of such technologies as hydrogen-rich and carbon-cycling blast furnace smelting, directly reduced iron by hydrogen-assisted shaft furnace, and carbon capture, utilization and storage, etc., with short-process steelmaking accounting for over 20%.

The aforesaid policies have put forward more stringent requirements for reducing energy consumption and low-carbon development. Large-scale iron and steel groups in China will, in response to the call of the government and industry, implement actions for “carbon peaking and carbon neutrality”, carry out the work to realize extreme energy efficiency, and promote the iron and steel industry to realize green and low-carbon transformation and attain high-quality development.

(III) Main businesses, main products and their uses, business model and main performance drivers of the Company during the reporting period

The Company adheres to the development path of "innovation, coordination, green, open and sharing", and has a world-renowned brand, world-class manufacturing level and service ability. The Company specializes in the production of high-tech, high value-added carbon steel sheets, thick plates and steel pipes and other steel products. Main products are widely used in automobile, home appliances, petrochemical, machinery manufacturing, energy transportation and other industries. The Company focuses on core strategic products group and unique leading products, optimizes product structure and promotes labor division of a number of bases so as to keep maintaining the market leading position. It has formed six strategic product lines from four dimensions of manufacturing, research and development, marketing and services. The six strategic products are automotive steel, silicon steel, energy and major engineering steel, premium plates, tinplates and long logs.

The Company focuses on the cultivation of innovation ability, actively develops and applies advanced


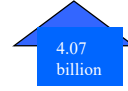
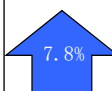



manufacturing and energy saving and environmental protection technology and has established a worldwide marketing and processing service network. The Company has independently researched and developed a new generation of automotive high strength steel, oriented silicon steel, high-grade household appliances steel, energy marine steel, bridge steel and other high-end products in the international advanced level. The Company sticks to the strategy to develop high-quality goods characterized with leading technology, pays close attention to the quick growth of China's high-end manufacturing such as military industry, nuclear power, high-speed rail, marine engineering equipment, new energy vehicles industry and others and develops premium products including super high-strength steel, oriented silicon steel and others. Besides, the Company has also developed and reserved high-end new material technologies and tries to pursue economic benefit brought by premium product structure “from steel to materials”.

As the most trustable partner of customers, the Company focuses on the transformation “from manufacturing to service” and “from China to the world”. With advanced service provision, a sound driving mechanism to address customers’ needs, the production and marketing balancing and decision making supporting system, Baosteel intelligent innovation platform, a sound marketing and service system with rapid response as well as rapid strategic layout of the steel service platform, the Company is actively providing customers with first class products, technology and services with its worldwide marketing network. In addition to meeting domestic market needs, the products of the Company are also sold to more than seventy countries around the world, such as Japan, South Korea and other European and American countries.

Sticking to the model of dual engines with “scale + capacity”, the Company strives to be “stronger, better and bigger”, and build itself in to a “world-class” iron and steel enterprise. On the one hand, based on its positioning as the flagship company under Baowu Group and a specialized platform company of plates, it is promoting the integration of, consolidation of and business coordination between the relevant iron and steel enterprises within Baowu Group, and building segmented market champions through multiple channels and across the board in the product field under the “one-million-ton class - gross profit per ton at one thousand yuan, and total gross profit at one billion” strategy; on the other hand, it is speeding up to “go out” through controlling and holding shares in overseas steelmaking bases to accelerate the expansion of its international business capacity, competitiveness and influence. In the meantime, it is deepening the “1+5” strategy and advancing the innovative management model of “one company with multiple bases” to continuously enhance its capabilities in five major aspects, namely product operation, technological leadership, green and low carbon, smart manufacturing, and efficiency improvement.

With major manufacturing bases located in Baoshan (Shanghai), Qingshan (Wuhan), Dongshan (Zhanjiang) and Meishan (Nanjing), the Company is one of the iron and steel enterprises with the completest varieties of carbon steel worldwide. In advancing its innovative management model of “one company with multiple bases”, the Company sticks to the reform-driven approach, committed to building a smart and efficient manufacturing headquarters as well as smart and agile manufacturing bases. It will further enhance the construction of “five centers”, product division and procedures management division, and strengthen the matrix management model integrating “platform + specialization”; deepen production-marketing coordination across bases and establish a new model of multiple-base production and marketing balancing to accommodate changes in supply and demand and thereby maximize the Company’s benefits.

(IV) Highlights of the Company

<p>The company's percentile value in the industry by ROE 84 quantile 2021: 55 quantile</p>	 <p>29 quantile</p>	<p>Net cash inflow from operating activities (Excluding Finance Co.) RMB 37.49 billion Target for 2022: RMB 33.42 billion</p>	 <p>4.07 billion</p>
<p>"1+1+N" product sales 25.38 million tons 2021: 23.55 million tons</p>	 <p>7.8%</p>	<p>Industry ranking by melted iron cost No. 9 2021: No.19</p>	 <p>10 notche</p>
<p>R&D investment ratio 4.69% 2021: 3.12%</p>	 <p>1.57 ppt</p>	<p>Per capita output of steel (Regular employees in the main business of iron and steel) 1620 tons per person*year 2021: 1516 tons per person year</p>	 <p>6.9%</p>

- The Company remained No. 1 domestically in terms of business performance. Overcoming negative factors and challenges such as the downward pressure on the iron and steel market, and pandemic prevention and control, etc., the Company deepened the management model of “one company with multiple bases”, further expanded comprehensive benchmarking, increased efforts in coordinating between purchase and sales, dynamically optimized the flow of resources and product structure, and strengthened the efforts to tap the potential of cost reduction and expense control. The Company realized a total profit of RMB 15.04 billion, beating the industrial market in terms of the decline in profit.
- The Company has deepened the product differentiation strategy. The Company realized a total sales volume of 25.38 million tons of “1+1+N” products, representing a year-on-year increase of 1.83 million tons. An increase of over 1 million tons was achieved compared with the annual target in highly-profitable products like cold-rolled auto sheets, oriented silicon steel, high-grade non-oriented silicon steel for new energy vehicles, as well as steel for quality energy and structural ship missions. The Company further promoted the green and low-carbon branding, steadily pressed ahead with the “Beyond” action, and became a “dual championship” brand with Baosteel’s auto sheet SMARTeX and silicon steel BeCOREs.
- The Company continued to deepen cost reduction. The Company pressed ahead with comprehensive cost reduction work centering on cost reduction with logistics for purchase, cost reduction with energy, optimization of coal blending and ore blending structure, cost reduction with key expense controls, improvement in technological and economic indicators, and other aspects, accumulatively reducing the cost by RMB 9.35 billion in 2022, outperforming the annual target and effectively boosting the Company’s business performance.
- The Company spared no efforts to pursue green and low-carbon development. The Company started the construction of environment-friendly A-grade enterprise, and steadily promoted the reconstruction for ultra-low emission; four bases completely achieved zero solid waste discharge from factory; with the carbon peaking and carbon neutrality work entering the implementation stage, the Company formulated the “Action Plan for Realizing Carbon Peaking and Carbon Neutrality of Baoshan Iron & Steel Co., Ltd.” and issued the industry’s first “Climate Action Report”; the intelligent carbon data platform (iCD) went live officially, realizing carbon accounting, carbon assets and product carbon footprint management; the world debut of Baosteel auto sheet

ultra-low carbon parts and net zero carbon path was held successfully; the hydrogen-assisted shaft furnace project of Zhanjiang Iron & Steel started construction, and the zero-carbon high-grade sheet steel factory project was progressing orderly.

- The Company led the development of the industry with technological innovation. The Company has won 36 scientific and technological prizes at the national, industrial and provincial level; steady progress has been achieved in 16 key and core technologies of the Company, with breakthroughs made in technologies like the technology of sheet bar embedded inspection, and steel for shipbuilding and marine engineering in extreme environments, etc. Nine products, represented by the next generation drive dynamo steel B30AHV1400M for highly energy-efficient new energy vehicles, made their world premiere, and breakthroughs were made in 40 signature technologies.
- New progress has been made in digital and intelligent transformation. The Company further pressed ahead with the plan for “all control rooms to be centralized and separate from the workshop; all operating positions to be taken by robots; all equipment to be monitored remotely; and all services to be offered online”, and the go-live of “Baorobot”, accelerating the construction of smart bases and intelligent factories. The Company has comprehensively upgraded the data-enabled approach, enriched the application scenarios of big data, and successfully put into operation carbon data management, procedure quality management across the four bases, and other big data applications. The Company was listed as one of the “Pilot Enterprises of Digitalization 2022” integrating the development of next-generation information technology and manufacturing by the Ministry of Industry and Information Technology, and Dongshan base was included in the 2022 list of candidate demonstration plants of intelligent manufacturing published by the Ministry of Industry and Information Technology.
- The Company has maintained the highest credit rating in the industry. In February 2023, Fitch raised the Company’s credit rating to A+. Currently, international rating agencies Standard & Poor's, Moody's and Fitch gave a credit rating of A-, A2 and A+ to the Company, respectively, meaning that the Company maintains the highest credit rating as a global comprehensive iron and steel enterprise.
- The Company has continuously obtained recognition from the capital market. It was on the 2022 all-star list of “Most Admired Chinese Companies” of Fortune, the only iron and steel enterprise on the list; it was included in the “Central Enterprise ESG Pioneer 50 Index”, ranking No. 4; it was described as “Excellent”, the highest praise, on the “Ranking of China’s Listed Companies by Leadership in Carbon Peaking and Carbon Neutrality (2022)”; it was granted the Best Corporate Governance Responsibility Award under the China ESG Golden Award 2021 of Sina Finance.

3 Major accounting data and financial indicators of the Company

3.1 Major accounting data and financial indicators in the latest three years

Unit: million yuan Currency: RMB

	2022	2021	Increase /decrease over the previous year (%)	2020
Total assets	398,249	380,398	4.7	357,781
Net asset attributable to shareholders of	194,623	190,934	1.9	184,676

the listed company				
Operating income	367,778	364,349	0.9	281,519
Net profit attributable to shareholders of the listed company	12,187	23,632	-48.4	12,695
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	10,430	23,525	-55.7	12,434
Net cash flows from operating activities	44,719	59,869	-25.3	28,153
Weighted average return on assets (%)	6.33	12.36	Down by 6.03ppt	7.02
Basic earnings per share (yuan/share)	0.55	1.07	-48.6	0.57
Diluted earnings per share (yuan/share)	0.56	1.07	-47.7	0.57

3.2 Main accounting data by quarters in the reporting period

Unit: million yuan Currency: RMB

	Q1 (Jan.- Mar.)	Q2 (Apr.-Jun.)	Q3 (Jul.-Sept.)	Q4 (Oct.-Dec.)
Operating income	85,980	97,675	94,597	89,526
Net profit attributable to shareholders of the listed company	3,732	4,059	1,672	2,723
Net profits attributable to shareholders of the listed company after deducting non-recurring gains and losses	3,493	3,818	1,376	1,742
Net cash flows from operating activities	8,899	5,651	9,311	20,858

Description on difference between quarterly data and regular reporting data that have been disclosed

☐Applicable ☒Not Applicable

4 Shareholders

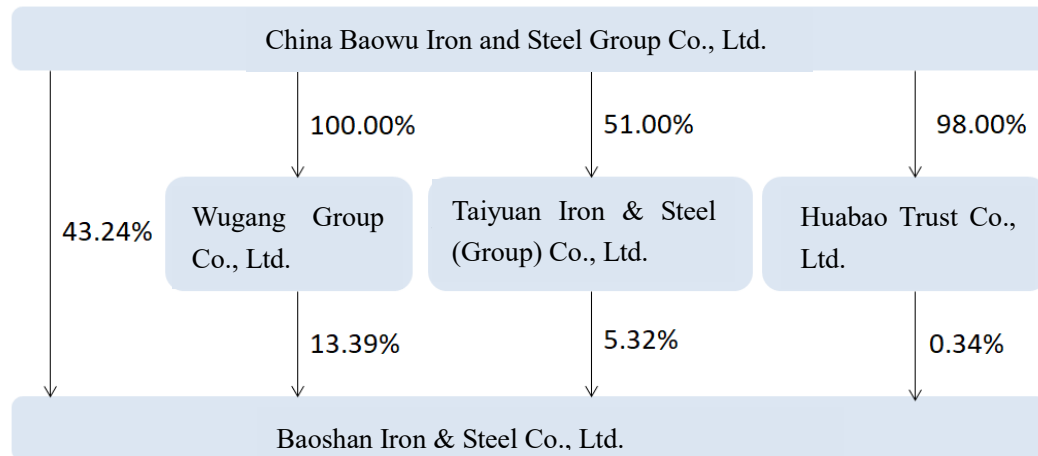
4.1 The number of ordinary shareholders, the number of preferred shareholders with voting rights resumed and the number of shareholders with special voting rights at the end of the reporting period and at the end of the month before the disclosure of the annual report as well as the top ten shareholders

Unit: share

Total number of ordinary shareholders by the end of the reporting period					305,617		
Total number of ordinary shareholders at the end of the previous month before the annual report disclosure date					281,866		
Total number of preferred shareholders with voting power resumed by the end of the reporting period							
Total number of preferred shareholders with voting power resumed (if any) at the end of the previous month before the annual report disclosure date							
Shareholding by the top ten shareholders							
Name of the shareholders (full name)	Increase and decrease during the reporting period	Shareholding quantity at the end of the period	Proportion (%)	Quantity of restricted stocks held	Shares pledged, marked or frozen		Nature of the shareholder
					Shares Status	Quantity	
China Baowu Iron and Steel Group Co., Ltd.	-1,185,512,571	9,627,882,784	43.24	0	Pledged	1,374,520,437	State-owned corporation
Wugang Group Co., Ltd.	0	2,982,172,472	13.39	0	None		State-owned corporation
Hong Kong Securities Clearing Company Ltd.	-201,060,678	1,185,869,942	5.33	0	None		Foreign legal person
Taiyuan Iron & Steel (Group) Co., Ltd.	1,185,512,571	1,185,512,571	5.32	0	None		State-owned corporation
China National Petroleum Corporation	0	710,487,060	3.19	0	None		State-owned corporation
China Securities Finance Corporation	0	666,600,578	2.99	0	None		State-owned corporation

4. 2 A block diagram of the property rights and control relationship between the Company and the controlling shareholder

√Applicable □Not Applicable



4. 3 The block diagram of the property right and control relationship between the Company and the actual controller

√Applicable □Not Applicable



5 Corporate bonds

√Applicable □Not Applicable

5.1 The status of all bonds remaining on the date of approval of the annual report

Unit: 100 million yuan Currency: RMB

Bond name	Abbreviation	Code	Expiry date	Bond balance	Interest rate (%)
2020 corporate bonds (first issue) publicly issued by Baoshan Iron & Steel Co., LTD. (Pandemic prevention and control bonds)	20 Baosteel 01	163225.SH	2023-03-06	30	2.95
Public offering of green corporate bonds by Baoshan Iron & Steel Co., LTD. to professional investors in 2022 (first issue) (low-carbon transformation)	G22 Baosteel 1	185811.SH	2025-05-24	5	2.68
The first issue of midterm notes of Baoshan Iron & Steel Co., LTD. in 2021 (sustainable linking)	21 Baosteel MTN001 (sustainable linking)	102101795.IB	2024-09-06	50	2.99

Interest payment for bonds in the in the reporting period

Bond name	Interest payment description
2020 corporate bonds (first issue) publicly issued by Baoshan Iron & Steel Co., LTD. (Pandemic prevention	The Company paid interests fully in time in the reporting period. The principal and interest of these bonds have been fully paid by March 6, 2023, and as such they have been delisted.

and control bonds)	
The first issue of midterm notes of Baoshan Iron & Steel Co., LTD. in 2021 (sustainable linking)	The Company paid interests fully in time in the reporting period

5.2 Major accounting data and financial indicators in the latest two years

√Applicable □Not Applicable

Unit: million yuan Currency: RMB

Main indicators	2022	2021	Increase/ decrease over the previous year (%)
Asset-liability ratio (%)	45.79	44.61	2.66
Net profit after deducting non-recurring gains and losses	10,430	23,525	-55.7
EBITDA total debt ratio	0.20	0.31	-34.41
Interest coverage ratio	10.39	17.14	-39.37

Section III Important Matters

1 The Company shall, in accordance with the materiality principle, state the major changes in the Company's business conditions during the reporting period and the events that occurred during the reporting period and are expected to have a major impact on the Company's business conditions in the future.

Main operating conditions during the reporting period:

1.1 Analysis on changes of related items in the income statement and the cash flow statement

Unit: million yuan Currency: RMB

Item	Current period amount	Previous year amount	Change ratio (%)
Operating income	367,778	364,349	0.9
Operating cost	346,293	324,476	6.7
Selling expenses	1,789	1,720	4.0
Administrative expenses	4,351	4,396	-1.0
Financial expenses	1,546	1,788	-13.5
R&D expenses	3,168	2,942	7.7
Net cash flows from operating activities	44,719	59,869	-25.3
Net cash flows from investing activities	-26,191	-27,034	-3.1
Net cash flows from financing activities	-13,740	-31,344	-56.2

Reasons for changes in operating income: the operating income basically held the line mainly due to the combined effect of increased scale of sales and decreased selling prices.

Reasons for changes in operating cost: the operating cost increased slightly over the same period last year mainly due to the combined effect of increased scale of sales and decreased unit costs of sales.

Reasons for changes in selling expenses: the selling expenses basically held the line with no big change.

Reasons for changes in administrative expenses: the administrative expenses basically held the line with no big change.

Reasons for changes in financial expense: refer to "Analysis of Expenses" in the Annual Report of 2022 for details.

Reasons for changes in R&D expenses: mainly due to the fact that the Company made further investments into R&D to promote research and development of green low-carbon, smart manufacturing technologies and the like in order to strengthen the Company's leadership in technology.

Reasons for changes in net cash flows from operating activities: refer to "Cash Flow Analysis" in the Annual Report of 2022 for details.

Reasons for changes in net cash flows from investing activities: refer to "Cash Flow Analysis" in the Annual Report of 2022 for details.

Reasons for changes in net cash flows from financing activities: refer to "Cash Flow Analysis" in the Annual Report of 2022 for details.

1.2 Description on main business situation by industry, product, region and sales mode

Unit: million yuan Currency: RMB

Main business situation by industry						
By industry	Operating income	Operating cost	Gross profit (%)	Increase/decrease of operating income over the previous year (%)	Increase/decrease of operating cost over the previous year (%)	Increase or decrease of gross profit rate over the previous year (%)
Steel manufacturing	289,165	279,150	3.5	-2.1	4.6	Decreased by 6.2ppt
Processing and distribution	343,764	338,275	1.6	-2.0	-2.1	Increased by 0.1ppt
Others	29,833	22,786	23.6	26.8	31.6	Decreased by 2.8ppt
Offset among different departments	-293,599	-293,358				
Total	369,163	346,852	6.0	1.0	6.8	Decreased by 5.1ppt
Main business situation by product						
By product	Operating income	Operating cost	Gross profit (%)	Increase/decrease of operating income over the previous year (%)	Increase/decrease of operating cost over the previous year (%)	Increase or decrease of gross profit rate over the previous year (%)
Cold rolled carbon steel coil	121,853	115,633	5.1	-3.7	4.6	Decreased by 7.5 ppt
Hot rolled carbon steel coil	92,847	90,673	2.3	-9.7	-0.3	Decreased by 9.3 ppt
Steel pipe products	15,848	15,610	1.5	12.8	9.6	Increased by 2.8 ppt
Long rod products	10,584	11,075	-4.6	21.2	28.7	Decreased by 6.1 ppt
Other steel products	23,806	21,865	8.2	11.3	6.6	Increased by 4.0 ppt
Total	264,938	254,855	3.8	-3.2	4.1	Decreased by 6.7 ppt

Main business situation by region						
By region	Operating income	Operating cost	Gross profit (%)	Increase/decrease of operating income over the previous year (%)	Increase/decrease of operating cost over the previous year (%)	Increase or decrease of gross profit rate over the previous year (%)
Domestic market	323,333	302,718	6.4	-1.2	5.2	Decreased by 5.7 ppt
Overseas market	45,830	44,135	3.7	19.4	18.7	Increased by 0.5 ppt
Total	369,163	346,852	6.0	1.0	6.8	Decreased by 5.1 ppt
Main business situation by sales mode						
By sales mode	Operating income	Operating cost	Gross profit (%)	Increase/decrease of operating income over the previous year (%)	Increase/decrease of operating cost over the previous year (%)	Increase or decrease of gross profit rate over the previous year (%)
Centralized sales	285,024	267,825	6.0	9.3	18.9	Decreased by 7.6 ppt
Non-centralized sales	84,138	79,027	6.1	-19.7	-20.7	Increased by 1.2 ppt
Total	369,163	346,852	6.0	1.0	6.8	Decreased by 5.1 ppt

Description on main business situation by industry, product, region and sales mode

According to the internal organization, the Company is divided into three divisions: steel manufacturing, processing and distribution, and others. The steel manufacturing division includes various steel manufacturing units. The processing and distribution division includes Baosteel International, overseas companies and other trading entities. The others division includes information technology, carbon industry and finance business.

In 2022, the prices of crude fuel had remained at a higher level, while the prices on the steel market dropped significantly on a year-on-year basis due to lower-than-expected recovery of downstream demands, further narrowing the Company's differential between purchase and sale prices, and leading to a year-on-year decrease in the gross profit rate of major products.

1.3 Production and sales volume analysis table

Main products	Unit	Production	Sales	Inventory	Increase/	Increase/	Increase/
---------------	------	------------	-------	-----------	-----------	-----------	-----------

			volume		decrease of production over the previous year (%)	decrease of sales volume over the previous year (%)	decrease of inventory over the previous year (%)
Cold rolled carbon steel coil	10,000 tons	1,967	1,956	146	4.3	4.1	9.6
Hot rolled carbon steel coil	10,000 tons	2,086	2,131	39	5.8	6.9	-28.8
Steel pipe products	10,000 tons	204	206	21	-1.5	-1.2	2.0
Long steel products	10,000 tons	224	223	4	34.7	33.6	-4.2
Other steel products	10,000 tons	504	460	17	25.0	12.6	55.0
Total	10,000 tons	4,984	4,976	211	7.6	6.9	-5.6

Production and sales volume analysis table

In 2022, the Company exported 3.981 million tons of steel products with the expert distribution channels and sales as follows:

Region	2022	2021	Increase/decrease over the previous year
East Asia, Australia	20.7%	27.4%	Decreased by 6.7 ppt
Europe and Africa	26.7%	23.4%	Increased by 3.3 ppt
America	16.1%	17.2%	Decreased by 1.1pp
Southeast Asia, South Asia	36.5%	32.0%	Increased by 4.5pp
Total	100.0%	100.0%	-

In 2022, from the perspective of maximizing the Company's benefits, dynamic adjustments were made to the plan for domestic and overseas market resources.

In the Europe, Africa and Middle East region, the contracted volume was over a million tons for the first time, totaling 1.06 million tons; the Southeast Asia, South Asia region continued to play its leading role in balancing between production and marketing on overseas markets, accounting for 36% of the total volume of export; the East Asia, Australia region received orders of 800,000 tons, the second highest since 2008; the America region signed the contract for supply of thick plates for submarine pipelines.

2 If there is a delisting risk warning or suspension of listing after the disclosure of the annual report, the Company shall disclose the reasons leading to such delisting risk warning or suspension of listing.

☐Applicable ☒Not Applicable

3 Statement of the Company on cause and impact analysis for change of accounting policy, accounting estimate

Pursuant to the *Interpretation of the Accounting Standards for Business Enterprises No. 15*, the Company conducts separate accounting of and include in current gains and losses (with those in relation to daily activities presented under “Operating income” and “Operating cost” and those unrelated to daily activities presented under items like “Income from disposal of assets”) the income and cost in relation to the external sales of fixed assets before reaching their expected serviceable conditions or of products or byproducts generated in the course of research and development (hereinafter “Trial Operational Sales”) from January 1, 2022; with regard to the relevant products or byproducts generated from trial operation, prior to the external sales thereof, those that meet the conditions for recognition as assets shall be recognized as inventory or other relevant assets. With regard to trial operational sales that occurred during 2021, the Company shall make retroactive adjustments according to the Interpretation of the Accounting Standards for Business Enterprises No. 15. For details, please refer to “Section X, III, 38. Changes in Important Accounting Policies and Accounting Estimates”.

Chairman: Zou Jixin
Baoshan Iron & Steel Co., Ltd.
April 26, 2023