CHENG Xiaoming, Taiyuan Iron & Steel (Group) Co., Ltd.

TISCO’s Development Strategy —— Committed itself to be the worldwide leadership
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Enterprise Brief —— Milestone

- Founded in 1934
- Stainless steel production started from 1952
- Taigang Stainless (000825) established in 1998
- Steel business listed in the stock market in 2006
- Stainless steel output 2.72 million ton, revenue RMB 111.5 billion Yuan, and ranked 62 among the TOP 500 Chinese Enterprises in 2010
Enterprise Brief —— Products

Stainless steel, silicon steel, hot rolled carbon steel coil, train wheel and axle steel, alloy tool steel, military steel
Enterprise Brief —— Stainless Steel Output

10,000 ton


24.28 32.19 37.53 66.37 72.17 92.55 110.96 179.45 202.55 247.97 272

June 2011
Enterprise Brief —— Revenue

RMB 100 million


Values: 118.66, 127.99, 143.17, 217.78, 301.3, 374.7, 534.33, 1003.26, 1009, 1013, 1115
In 2000: Establish the most competitive SS enterprise of the world

10-year strides

In 2010: Quicken the progress to the most competitive SS enterprise worldwide; revenue over RMB 200 billion Yuan by 2015; ascend first class among China’s enterprises and become famous among the world

5-year double
Strategy Evolvement —— Route

- Catching-up with the first class
  - aiming at and catching up with the global first class enterprises

- Change and develop
  - Size: new setup → build+acquisition
  - Product: conventional + homogeneous → special + Hi-end
  - Business: iron & steel → diversity
Strategy Implementation —— Condition

● 10-year stride
  ✓ Market: 2/3 importation, 20% gain-in
  ✓ Policy: South-Shanghai & North-Taiyuan, structural adjustment

● 5-year double
  ✓ 100 billion ton stainless steel
  ✓ Shanxi Province: “National Resource-Type Economy Transition Reform Trial Zone”
  ✓ Taiyuan City: Stainless steel land
  ✓ TISCO: support and assist between Group Co. and Stock Co.
Strategy Implementation —— Connotation and conjunction

Size
Variety
Quality
Low cost
Fast delivery
Environment friendly
High efficiency
Strong R&D

Powerful mainstream business
Extensional development
Diversified development
Green development
Harmonious development
Strategy Implementation —— Several Points

◆ Size

✓ Company Goal: 1 million ton, 3 million ton, 4 million ton?

✓ Market Volume: 10 million ton?

✓ Market Structure: degree of concentration and development

✓ How to realize: market competition and government control
Strategy Implementation —— Several Points

◆ Variety

- Steel grade: 300 series, 400 series, 200 series？
- Demands: industrialization, urbanization
- Point of view: adapt to market, guide market
- Target: produce ingenious stainless steel product of each variety; make high-strength, energy-saving and long-life products; produce more super steel, duplex, and heat-resistant steel.
Strategy Implementation —— Several Points

◆ Cost

✓ Raw material: nickel, chrome, iron ore, coal
✓ Manufacture: lean production
✓ Sale: transportation cost
Strategy Implementation —— Several Points

◆ Energy-saving and emission reduction

  ✓ Awareness: responsibility
  ✓ Target: being a model in energy-saving and emission reduction
  ✓ Method: cutting down, recycle, reuse
  ✓ Actuality: three cycling chain, first-class index
  ✓ Mission: develop small cycles to bigger one

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<td>Energy consumption per ton steel</td>
<td>-47.14%</td>
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<td>Fresh water consumption per ton steel</td>
<td>-90.95%</td>
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<td>SO2 emission per ton steel</td>
<td>-90.46%</td>
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<tr>
<td>Fume and dust emission per ton steel</td>
<td>-96.30%</td>
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<td>COD emission per ton steel</td>
<td>-98.07%</td>
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June 2011
Strategy Implementation —— Several Points

◆ Independent innovation

✓ Engineering technology: introduction-assimilation-absorption-integration-output

✓ Manufacture technology: from copying to creating
Strategy Implementation —— Several Points

◆ Cooperation

✓ Up stream: exploitation of nickel, chrome and coal resources
✓ Production: cooperation with worldwide stainless steel enterprises
✓ Down stream: market exploitation, process and delivery
✓ Relative: combination of production, study and research
TISCO will dedicate itself to being the leadership of global stainless steel industry, as well as impelling the complete, harmonious and sustainable development of stainless steel industry.

Welcome and thank you for any comment!