The Development Strategy of Baosteel Stainless

— Sustainable Development with Resource-saving and Environment-friendly Strategy

Baosteel Stainless Steel Co., Ltd.
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I. Development of China Stainless Steel

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1. Growth Rate of Chinese Crude Stainless Steel Production

Average growth rate 6%

Average growth rate over 30%

Average growth rate 10%

Production growth rate
Consumption growth rate

Source: CSSC
The export of China stainless steel products showed a negative growth in 2012 and the growth rate dropped to -8.1% from 46% in 2011. It is expected to remain a negative growth in 2013.

Source: CSSC, China Customs
3. Change in Mix of China Stainless Steel Products

Because of the application of low NPI in 200 series and high NPI (especially by RK+EF) in 300 series, the production cost for stainless steel was greatly reduced over the past three years, which steadily raised the ratio of 300 series and 200 series products.
### 4. Growth Trend of Capacity of Crude Steel & Cold Rolled Products

<table>
<thead>
<tr>
<th>Year</th>
<th>Crude Steel Capacity</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1800</td>
<td>1126</td>
</tr>
<tr>
<td>2011</td>
<td>2200</td>
<td>1409</td>
</tr>
<tr>
<td>2012</td>
<td>2500</td>
<td>1609</td>
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<td>2013.E</td>
<td>2700</td>
<td>1800</td>
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<td>2014.E</td>
<td>3200</td>
<td>2240</td>
</tr>
<tr>
<td>2015.E</td>
<td>3700</td>
<td>2590</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Cold rolled Capacity</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>887</td>
<td>591</td>
</tr>
<tr>
<td>2011</td>
<td>995</td>
<td>667</td>
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<tr>
<td>2012</td>
<td>1055</td>
<td>707</td>
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<tr>
<td>2013.E</td>
<td>1110</td>
<td>744</td>
</tr>
<tr>
<td>2014.E</td>
<td>1350</td>
<td>945</td>
</tr>
<tr>
<td>2015.E</td>
<td>1610</td>
<td>1127</td>
</tr>
</tbody>
</table>

Unit: in 10,000 ton

With the wide application of RK-EF process, the crude stainless steel capacity will dramatically increase in the next three years. Meanwhile, the cold rolled capacity will also quickly improve to extend value addition.
As private companies rapidly investing new facilities of stainless steel with RK-EF process in coastal areas, like Guangdong, Guangxi and Fujian province, the capacity of crude stainless steel from the private owners took up about 50% of total stainless steel capacity.
With the development of Chinese NPI technology, NPI has become the main NI material used in stainless steel production in China. In 2012 NPI took up 55% of stainless steel NI material consumption, 12% higher compared with that 43% in 2011.

Source: SMM
Ⅱ. Development Strategy of Baosteel Stainless

1. Profile of Baosteel Stainless
2. Development Plan of Baosteel Stainless
3. Development Strategy of Baosteel Stainless
1. Profile of Baosteel Stainless

**Baosteel Stainless Steel Co., Ltd.**

On April 11 of 2012, Baosteel Stainless Steel Co., Ltd. was established as the operation entity of stainless steel business of Baosteel Group.
Baosteel Stainless has three production bases in Shanghai, Zhejiang and Fujian, with an annual capacity of 2.7 million tons of crude stainless steel.
1. Profile of Baosteel Stainless

Stainless steel commodity sales volume in 2012: 2,414KT

- **SHANGHAI**: 746KT
- **NINGBO**: 608KT
- **FUJIAN**: 1,060KT

In 10,000MT
1. Profile of Baosteel Stainless

Perspectives of Baosteel Stainless

- Premium service
- Sustainable development
- Good global reputation

Devoting to be a stainless steel manufacturer with
1. Profile of Baosteel Stainless

Perspectives of Baosteel Stainless

**Product**
- Value Creation

**Quality**
- Value Assurance

**Service**
- Value Addition

**Brand**
- Value Realization
2. Development Plan of Baosteel Stainless

Transforming Development Pattern for Second Pioneering

With Baosteel strategically adjusting the stainless steel sector, Baosteel Stainless will carry out the product structure adjustment and the industrial layout update so as to achieve the sustainable development of stainless steel sector.
2. Development Plan of Baosteel Stainless

Transforming Development Pattern for Second Pioneering

- **Zhejiang Base**
  - Stainless steel production base
  - Cold rolling base of million tons capacity

- **Fujian Base**
  - Stainless steel production base
  - Wide strip production base

- **Overseas Base**
  - NPI production base
  - Stainless steel production base
3 Development Strategy of Baosteel Stainless

Resource-saving Development Strategy -- Integrating Upstream & Downstream Industrial Chain Resources

- Raw Material Exploration
- Stainless Production
- Metal Refining
- Processing & Distribution
- Ni, Cr Raw Material
- Ni, Cr Alloy
- Further Processing
- Optimizing Production Layout
- Being More Competitive

Finance

Logistics

Customers
3. Development Strategy of Baosteel Stainless

Resource-saving Development Strategy -- Integrating Upstream & Downstream Industrial Chain Resources

With seeking for outer cooperation and integrating inner and outer resources to form close cooperation, it is expected to build up core advantageous group to quickly meet the market demands and reach cooperation win-win situation through resource-sharing and complementary advantages.

- Stainless steel raw material industrial chain
- Stainless steel processing and distribution industrial chain
3. Development Strategy of Baosteel Stainless

Environment-Friendly Development Strategy -- Develop Environment-Friendly Products

Stainless Steel Products For Automobile Exhaust System

Cooperated with automakers, Baosteel Stainless successfully developed product series, like B409M, B436L, B439M, B441, B429, B444M2, to cover all the steel grades used in hot end and cold end of automobile exhaust system.
3. Development Strategy of Baosteel Stainless

Environment-Friendly Development Strategy -- Develop Environment-Friendly Products

Stainless Steel Products For Railway Transport

Grade: 301L, T4003
Applications: City Metro, inter-city express railway, cargo wagons, etc.
3. Development Strategy of Baosteel Stainless

Environment-Friendly Development Strategy -- Develop Environment-Friendly Products

Stainless Steel Products
For Household Appliances

Typical Grades: 430, 430LNT, 430L, 430H
Features: Good properties, beautiful appearance
Applications: household appliances, like washing machine drum, inner liner of microwave oven, etc.
3. Development Strategy of Baosteel Stainless

Environment-Friendly Development Strategy -- Develop Environment-Friendly Products

Stainless Steel Products
For Architecture Decoration

Baosteel's cold rolled product of 316L is being used in Shanghai Tower (curtain wall) which will be completed in 2014.

Baosteel's B445R stainless steel for architecture was successfully used in Guangzhou Asian Games Town Gymnasium. (Roof decoration layer, curtain wall, roofage)
3. Development Strategy of Baosteel Stainless

Export Strategy--Market Pricing with Profitability Priority

Focus on Domestic Market

Low-Volume Export
To Test Quality
Promote Industrial Exchange
3. Development Strategy of Baosteel Stainless

Export Strategy--Market Pricing with Profitability Priority

Cold Rolled 300 Series Stainless Steel Exported to Taiwan
By Baosteel Stainless

Baosteel Stainless exported 4,825mt of cold rolled 300 series stainless steel to Taiwan in 2012, which were all produced by Ningbo Baoxin mill and priced at local market price level.

Remark: Data up to end of May, 2013.
Thanks for your attention!

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