CREATION BEYOND VISION

For further information, please visit our website: bg.baosteel.com, or join our public WeChat "hiBaosteel".

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2016
The year of 2015 witnessed a deep adjustment of the global economy. According to CISA statistics, as the steel market price slumped and the demand from the downstream industry continued to take a downturn, 101 large and medium steel enterprises at home reaped the profit of RMB – 64.53 billion Yuan, with the year-on-year decline of RMB 87.12 billion Yuan and the annual loss rate of 50.5%.

<table>
<thead>
<tr>
<th>Sales volume</th>
<th>Total revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.15</td>
<td>164.12</td>
</tr>
<tr>
<td>Unit: million tons</td>
<td>Unit: billion yuan</td>
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<table>
<thead>
<tr>
<th>Total profit</th>
<th>Income tax</th>
</tr>
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<tbody>
<tr>
<td>1.85</td>
<td>1.14</td>
</tr>
<tr>
<td>Unit: billion yuan</td>
<td>Unit: billion yuan</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Net operating cash flow</th>
<th>Earnings per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.18</td>
<td>0.06</td>
</tr>
<tr>
<td>Unit: billion yuan</td>
<td>Unit: yuan/share</td>
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<table>
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<tr>
<th>Asset liability ratio</th>
</tr>
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<tbody>
<tr>
<td>47.8</td>
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<tr>
<td>Unit: %</td>
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</table>
If we repeat previous successes, we will not move forward. If we simply follow the footsteps of others, we may lose our way. What we must do, is to challenge ourselves and attain bigger goals. That is how we will paint our future.

Take the road less travelled, and achieve an altitude that only I can reach.
Baosteel Ltd. was set up by Shanghai Baosteel Group Corporation in February 2000. At the end of that year, Baosteel Ltd. was listed on the Shanghai Stock Exchange (stock code: 600019). Baosteel Ltd.’s headquarters are located in Baoshan district, Shanghai. Baosteel Ltd. currently owns three premium steel production bases including Shanghai Baoshan, Nanjing Meishan and Guangdong Zhanjiang, covering the entire process production lines of iron-making, steel-making, hot-rolling, heavy plates, cold-rolling, silicon steel, high-speed wire & rod, seamless steel tube, welded tube, etc. The Guangdong Zhanjiang base will be the world’s most efficient carbon steel flat product base.

Baosteel Ltd. is committed to sustainable development, with a focus on innovation and green, low-carbon solutions for the entire industry chain. Baosteel developed a new generation of high-strength automotive sheets, grain-oriented silicon steel, and high-end steel products for home appliances, oil and gas pipelines as well as other high-end products that are highly ranked in the world. More than five new products, such as Medium Manganese Ultra High Strength Steel (1180 MPa), saw their worldwide debut in 2015.

Baosteel maintains its leadership position in the industry with its excellent performance in operation. Fortune China Network included the company on the ‘Top 500 Chinese Enterprises 2015’ list, ranked no. 26. The company received National Awards for Science and Technology for 14 consecutive years. Indeed, Baosteel is the only company in China to have been awarded these honors every year since 2002.

Looking ahead, Baosteel Ltd. will continue to focus on our main steel business and intelligent manufacturing and Ouyeel cloud business in order to achieve its strategic goal of becoming the ‘Most Competitive Steel Enterprise in the World’ and the ‘Most Valuable Listed Company’.
Baosteel serves as one of the most updated giant steel conglomerates at home and abroad, dedicated to the steel industry as well as the steel business-related businesses, such as processing and distribution, chemicals, information technology, finance and e-commerce.
Not only do we rely on one another in surviving, we also motivate each other, sharing our brightest ideas and innovations. By advancing our technology and excelling our service, we continue to push for a balanced relationship with the environment.

Through the power of knowledge and learning, let us help each other become better versions of ourselves.

Creation Beyond Vision
Business Philosophy

**Fortune**

Creation Beyond Vision

**Corporate Vision**
To be leader in steel technology.  
To be the best practitioner of environmental friendship.  
To set the example of common development of enterprise and employees.

**Core Value**
Integrity, cooperation.

**Social Responsibility**
The company devotes itself to create value and bring about greater benefits for its shareholders, customers, suppliers, employees, and the society as a whole. By doing so, the company strives to grow with its people and community.

**Mission**
To become the most competitive steel company and the most valuable listed company in the world.
Using iron and steel as the principal feature to strengthen our comprehensive competitive capabilities. In turn, we can improve in five important areas: cost, technology, service, intelligent manufacturing, and integrating the steel factory with the city.

Through intelligent manufacturing, our goal is to generate a second party iron and steel ecosystem service platform that involves Baosteel, its suppliers, clients, as well as the processing and logistics areas, among others in the supply chain. By using personalized service, we can improve and respond to our customers in a timely manner, thus producing a new advantage within the country.

The two wings of our development strategy involve using intelligent manufacturing and the iron and steel ecosystem balancing platform, Ouyeel cloud business, to motivate further development of the corporation.

Cooperation, sharing, and trust are the three main pillars of Baosteel value. The principles allow us to create a manufacturing system that uses logistics, the Internet, Big Data, the Internet of Things, and mobile Internet as our fundational facilities; finance in the form of a industrial chain as our core service; iron and steel techniques as our central competitive power; and the usage of Big Data as our prospective vision. As a result, we created a third-party public platform for iron and steel services, constructing the most dynamic service ecosphere within the industry.
Company Highlights

The world premiere of five new products including ultra-high strength medium manganese steel (1180Mpa) was realized; Three achievements including Development and Application of Pickling & Tandem Cold Mill Process Technology for High Grade Non-oriented Silicon Steel won the first prize of Metallurgical Science and Technology Progress Award; A Kind of Cold-rolled Galvanized Dual Phase Steel and Its Manufacturing Method and other two projects won Chinese Patent Award of Excellence.

The Company carried forward automotive sheet EVI and brand construction, and held the Third Baosteel EVI Forum and News Conference of BCB; Both cold-rolled automotive sheet and ultra-high strength steel have gained more than 50% domestic market share; Oriented silicon steel has gained up to 45% market share in UHV AC/DC engineering, which made the Company the first domestic steel supplier who supplies non-oriented and oriented silicon steel to nuclear power sector.
The construction of Zhanjiang Steel Project progressed smoothly: No. 1 blast furnace tapped iron successfully on Sep. 26; Hot load test of steel-making plant succeeded on Sep. 28; 2250 hot rolling project realized hot load test run on Dec., 15 ahead of schedule.

The Company established Ouyeel Commerce Co., Ltd, with 8.88 million tons of annual e-commerce business volume and RMB 19.8 billion sales revenue realized, signed strategic cooperation agreement with 15 banks, with more than RMB 160 billion of line of credit, the highest among internet finance industry. “Bao Cloud” has been exclusively awarded the title of “2015 China Golden Service-The Most Influential Supplier in Cloud Computing”.

Total energy consumption continued the decline, with 60 thousand tons of standard coal less year-on-year; The Company, with its great effort on emission reduction, has overfulfilled its annual and “the Twelfth Five Year” emission reduction goal set by the government; 90 mw photovoltaic power station has been estimated annual generation capacity of 70 million kilowatts.

Baosteel was selected in Fortune of Chinese network in 2015 for China’s top 500 list (business income ranking), ranking 26th; and the Company was selected for the Forbes global market value top 2000, ranking 402th.

The Company has been awarded China Enterprise Top 100 and China Star Enterprise, continued to be conferred as Most Admired Listed Companies Top 100 by Investors, and elected as Great China Best Investor Relations (material sector) by IR Magazine, a celebrated institution.

The Company has overcome unfavorable factors such as declined profit and safeguarded the control over capital, with RMB 21.18 billion of annual net cash flow from operating activities and 47.8% asset-liability ratio.

Baosteel Co., Ltd. won the Supply Chain Management Improvement Excellence Award issued by the British Standards Institution (BSI). The company has worked with the BSI in developing the Key Material Process Quality Stability Study Project for three consecutive years, not only putting out excellent management methods but also substantially improved the physical quality of the product, reducing the scrap rate.
Many questions in the world can be answered by progress and development, but what will push us to go further is our courage and the willingness to take responsibilities. To repay a world that has offered us so much, we must show it love and create a better society.

To a world that never stops asking questions, we answer with love.
Environmental Operations

Reduced pollutant emission
The total annual amount of pollutant emission continues to decline, with significant year-to-year drop on the seven main pollutants including smoke, dust and sulfur dioxide.

Construction of photovoltaic power generation projects
Complete the world’s largest roof photovoltaic power generation project with an annual power generation of 39.09 million KWH and a decline of 31,800 tons of carbon dioxide emission.

Energy saving target attained
With efforts in processes of energy savings, a specific technical energy saving plan, and an energy contract performance management, the company takes the lead in applying energy saving technologies and equipment such as TRT, CDQ and CCPP in China and exceeds national energy-saving targets.

Publishing environmental monitoring information
Strive to be an environment-friendly practitioner, complete the upgrading and reconstruction of the Baosteel plant area Water & Air Quality Automatic Detection System, take the lead in releasing to the public the environmental monitoring data from state-controlled key sources, and accept social supervision actively.

Carbon Emissions Permit Trading
As one of the carbon emission trade experimenting corporations in Shanghai, Baosteel Ltd. began conducting such business in November, 2013.

In April, 2014, Baosteel Ltd. completed its first carbon business transaction, resulting in profit from selling its surplus carbon emission quota at the Shanghai Environment and Energy Exchange.

In 2015, Baosteel Ltd. accepted the inspection by the Shanghai Energy Saving Emission Reduction (ESER) and completed its 2014 quota clearance.
<table>
<thead>
<tr>
<th>Product</th>
<th>Description</th>
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<tr>
<td><strong>Hot-rolled Steel</strong></td>
<td>Baosteel hot-rolled steel is mainly used in the industries to manufacture ships, automobiles, bridges, buildings, machinery, and pressure vessels.</td>
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<tr>
<td><strong>HR Steel (Pickled)</strong></td>
<td>Baosteel HR steel is mainly used in the automobile, home appliance, hardware parts and general machinery manufacturing industries.</td>
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<tr>
<td><strong>Cold-rolled Steel</strong></td>
<td>Baosteel cold-rolled steel is mainly used in the automobile, home appliance, machinery and hardware manufacturing industries.</td>
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<tr>
<td><strong>Galvanized Steel</strong></td>
<td>Baosteel galvanized steel is mainly used in the automobile, home appliance and building industries.</td>
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<tr>
<td><strong>Prepainted Steel</strong></td>
<td>Baosteel prepainted steel is mainly used in the building and home appliance industries.</td>
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<tr>
<td><strong>Tin Plate and TFS(ECCS)</strong></td>
<td>Baosteel tin plate and TFS are mainly used in the packaging industry for products such as food, chemical paint, oil and medicines.</td>
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<tr>
<td><strong>Electrical Steel</strong></td>
<td>Baosteel electrical steel is mainly used in the electrical transformer and motor industries.</td>
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<tr>
<td><strong>Heavy Plates</strong></td>
<td>Baosteel heavy plates are mainly used in the industries for shipbuilding, offshore platforms, boilers, pressure vessels, pipelines, bridges, heavy duty trucks and for the building industry.</td>
</tr>
<tr>
<td><strong>Pipe &amp; Tube</strong></td>
<td>Baosteel pipe &amp; tube steel is mainly used for the manufacturing of structural pipes, boilers and conveyor pipes.</td>
</tr>
<tr>
<td><strong>Bar &amp; Wire Rod</strong></td>
<td>Baosteel bar &amp; wire rod steel is mainly used in the automobile, bridges, machinery and building industries.</td>
</tr>
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Production Process Flow

Coal → Coke oven → Blast furnace → Scrap steel

Iron ore → Sintering machine → Coke oven → Torpedo car

Scrap steel → EAF → CC → Square billet/Round billet

EAF → BOF → CC → Wire rod/Round billet

CC → Square billet → Seamless tube mill → Seamless tube/Round billet

Blooming mill → Round billet → High speed wire rod mill → Wire rod

Square billet → Seamless tube mill → Seamless tube/Round billet

Heavy plate mill → Heat treatment → Heavy plate

UOE line → UOE pipe → Cold-rolled products

Hot-dip galvanized products

Electro-galvanized products

Electrolytic tinplate/Cr electroplated products

Electric steel products

Color-coated products

Pickled products
It is only if we cherish our environment that we can grow up in the bosom of the city itself. We must take environmentally friendly and sustainable actions in order to create and maintain a better ecosystem.
For further information, please visit our website: bg.baosteel.com, or join our public WeChat "hiBaosteel"