Baoshan Iron & Steel Co., Ltd.

2018 Semi-annual Report Performance

August 2018
Disclaimer

This article contains some prospective statements. Due to many risks and uncertainties, the actual results may substantially differ from the results provided in these prospective statements. The predictive descriptions in this article represent the position of the Company by the release date. Although the position of the Company may alter due to the Company's forecast of future events and development, the Company explicitly waive any responsibility to update these predictive statements (except those applicable to laws and regulations). Since any date after this release date, these predictive statements shall not be deemed as representing the position of the Company.
Part 1
Performance retrospect
Better than expectation, leading in the industry

Part 2
Performance analysis
Luck and hard-working

Part 3
Mid-term outlook
Stable supply & demand, promising future
Retrospect of 1H operation performance

Operation quality improved
Performance better than expected
Industrial leadership maintained
Performance

Sales Volume (million tone)

<table>
<thead>
<tr>
<th></th>
<th>Target of 2018</th>
<th>1H2018</th>
<th>1H2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>45.68</td>
<td>23.26</td>
<td>22.74</td>
</tr>
<tr>
<td>2018</td>
<td>50.9%</td>
<td>+2.3%</td>
<td></td>
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</table>

Gross Revenue (RMB billion)

<table>
<thead>
<tr>
<th></th>
<th>Target of 2018</th>
<th>1H2018</th>
<th>1H2017</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>278.6</td>
<td>148.72</td>
<td>145.59</td>
</tr>
<tr>
<td>2018</td>
<td>53.4%</td>
<td>+2.2%</td>
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Operating cost (RMB billion)

<table>
<thead>
<tr>
<th></th>
<th>Target of 2018</th>
<th>1H2018</th>
<th>1H2017</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>2420</td>
<td>1262.8</td>
<td>1282.3</td>
</tr>
<tr>
<td>2018</td>
<td>52.2%</td>
<td>-1.5%</td>
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</tr>
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Total profits (RMB billion) increased by 65.4% y-o-y, best performance over the same period since IPO

Operating cost

<table>
<thead>
<tr>
<th></th>
<th>1H2017</th>
<th>1H2018</th>
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<tbody>
<tr>
<td>00H1</td>
<td>85.1</td>
<td>140.8</td>
</tr>
<tr>
<td>08H1</td>
<td></td>
<td>113.0</td>
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<tr>
<td>09H1</td>
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<td>130.3</td>
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<tr>
<td>18H1</td>
<td></td>
<td>123.3</td>
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<tr>
<td>18H1</td>
<td></td>
<td>140.8</td>
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</tbody>
</table>

EPS (RMB per share)

<table>
<thead>
<tr>
<th></th>
<th>1H2017</th>
<th>1H2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>00H1</td>
<td>0.28</td>
<td>0.45</td>
</tr>
<tr>
<td>08H1</td>
<td></td>
<td>60.7%</td>
</tr>
<tr>
<td>09H1</td>
<td></td>
<td>52.2%</td>
</tr>
<tr>
<td>18H1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18H1</td>
<td></td>
<td>60.7%</td>
</tr>
<tr>
<td>18H1</td>
<td></td>
<td>52.2%</td>
</tr>
</tbody>
</table>
**Comparison of peers**

Among 100 large- and medium-sized steel enterprises in China

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>No.1 in total profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd</td>
<td>Baosteel Ltd.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shagang Group</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jiangxi Fangda</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Beijing Jianlong</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fujian Sangang</td>
<td></td>
</tr>
</tbody>
</table>

Amount the typical steel enterprises over 20 million tons at abroad

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>No.3 in total profit, moving up by 1 position y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd</td>
<td>ArcelorMittal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POSCO</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Baosteel Ltd.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>No.3 in profit per ton, moving up by 3 positions y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd</td>
<td>POSCO</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nucor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Baosteel Ltd.</td>
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</tbody>
</table>

In the 1H, **100** CISA member steel enterprises realized a total profit of RMB139.3 billion, the total profit of the Company alone accounts for over **1/10** of that of the entire industry, and nearly **2/10** of that of the 20 steel enterprises of 10 million tonnage.
Comprehensive performance

The rankings of 2018 "Asia Pacific Corporate Management Team" by USA authoritative financial magazine "Institutional Investor" unveiled, Baosteel Ltd. stood out from the fierce competition and won the first place in Best Investor Relation Company in base material group.

- EBITDA improves by 27.1% y-o-y
- Capital structure keeps optimization. The asset-liability ratio drops to less than 50% by the end of June, 0.3% lower than that at beginning of the year; net liability with interest is RMB 9.44 billion less than that at beginning of the year.
- The gross margin of sales is improved by 3.2%
- ROE (weighted) is improved by 1.91% y-o-y

Net cash flow from operating activities: RMB 22.15bn

Gross margin: 15%
Debt ratio: 49.9%
EBITDA: RMB 24.9bn

The net cash flow actually received from operating activities (excluding Finance Co.) is 108.7% of the cash receivable, a growth of 113% y-o-y.
Analysis of 1H excellent performance

Supported by macro-environment

Boosted by product management

Contribution from key capabilities

Guaranteed by mechanism innovation
"Stable growth, weak supply, high profit"

The effect of "capacity reduction, de-stocking, deleveraging, cost reduction, improving underdeveloped areas" is prominent, the steel industry operates stably and tends to a good prospect. In the 2Q, the market demand is constantly released, the environmental policies continue to take effect, the supply & demand relationship is well improved, the social inventory of steel products is cut down rapidly, the market prices stabilize gradually, and the steel enterprises enjoy quite good profitability.

**Macro-economy and downstream demand are stabilizing**

In 2Q, the indexes such as PMI, steel PMI, CPI, PPI, etc. that reflect economic trend exhibit upward trend in general. In 1H, the output of domestic automobiles is 14.30 million vehicles, a y-o-y growth of 3.5%; 14.07 million vehicles are sold, a y-o-y growth of 5.6%, the growth speed is improved by 1.78%. The output of engineering machine register a y-o-y growth of 43.5%, the growth speed decreases by 29.1%. The crude steel output grows by 6%, and the apparent consumption grows by 7.97%. 35.43 million tons are exported, a drop of 13.2%. The growth speed of investment in fixed assets of steel register a y-o-y rise of 8.6%.

**Steel prices backed up by low inventory**

After capacity cut and clean-up of “substandard steel”, the steel industry enters a market environment featuring basic balance of supply & demand. By the end of June, the inventories of HR, CR and re-bar in main cities are 2.061, 1.144, 4.819 million tons respectively, which are down by 307,000t, basic flat, up by 942,000t respectively, the social inventory in some areas is gradually returning to normal level.

**Buying and selling prices supports profitability of steel enterprises**

In 1H the steel price index is 114.64, up by 14.9% y-o-y, basically flat quarter-on-quarter. The Platts index in 1H is USD 69.8/t, down by 6.2% y-o-y, down by 12% quarter-on-quarter. Benefiting from the expanded price difference between buying and selling, the performance of steel enterprises grow comprehensively.
Product is the core → 6 strategic products

Capability is the key → "5+1" key capability

Mechanism innovation is the guarantee; Improve HR efficiency, deepen reform, enhance efficiency
Product management

Core products
- Crude steel output 23.96 million t, completing 50.6% of annual plan
- The sales of advantageous product is 10.50 million t, completing 55.1% of annual plan
- Including:
  - The sales of exclusive product is 1.28 million t, completing 66% of annual plan
  - The sales of strategic products is 11.15 million t, completing 55.5% of annual plan
  - The sales of CR auto sheet is 4.365 million t, the export is 2.21 million t

Oriented silicon steel
- Keep expanding in high grade and new field, the product certification of steel for new energy drive motor of many users are passed in the 1H.
- The market share and capacity of Oriented silicon steel, None-Oriented silicon steel products maintain No.1 in the world; Baoshan, Qingshan and Dongshan bases give play to the geographical advantages, the geographical coverage capacity is remarkably enhanced.

Auto sheet
- The sales of CR ultra-high strength steel of Baoshan Base in the 1H is 228,000t, the yield creates the historical best, Dongshan Base possesses the batch production capacity of 780DP.
- The achievements of overseas market development of auto sheets are remarkable, an export of 421,800t was completed in the 1H, a y-o-y growth of 52%, which effectively supports production and sales balance.
In the 1H, each base sustained the promotion of cost reduction by means of scientific breakdown and performance guidance, with expected effect achieved. The Company cut down the cost by RMB3.12 billion link relative compared with that of 2017, completing 136.5% of the annual challenge target; cut down the cost by RMB4.61 billion compared with that of 2015, completing 76.1% of the annual target. Favorable solidification of the potential tapping achievements at cost end supports the excellent performance of the Company in current period powerfully.

**Cost reform**

- Set up the planning target by stages
- Reform driven
- Cost reduction through management
- Sustainable cost reform
- Endless innovation breakthrough
- Economic operation
- Cost reduction through technology
- Synergetic cost reduction

Industrial unit cost increase > Company’s unit cost increase:

- 2016: +33%
- 2017: +4%
- 2018: +16%
- 2019: +2%
- 2020: +33%
- 2021: +16%
- 2022: +4%
The 1H target of technology innovation indexes is accomplished comprehensively, among which, R&D input rate is 2.67%, the sales of company level new products is 779,000t, the invention patent application ratio is 89.95% (application for 159 invention patents, 30 international patents), all of which reach or exceed the historical best level. The world premiere products exhibit a gradually accelerating trend. The new trial amount of 22 premiere products in historical years in 1H is 41,400t, the accumulated new trial amount is 137,000t.

Centering on product upgrading, process breakthrough, urban steel mill, smart manufacturing, carrying out revolutionary system planning and layout for technology innovation, completing 11 prospective technical topic planning. 3 products including B18P080 thin specification GO Silicon steel realize world premiere, over 40 industrial leading key products, process and equipment technologies achieve breakthrough.

Actively incorporating into national technology innovation system, 70 governmental projects are in operation (7 are newly added in 1H), 12 items receive professional appraisal recommendation for 2018 Award for Progress in Metallurgical Technology.
Obtain the “Excellent supplier” title from 11 automakers in 2017, “Excellent Cooperation Award 2017” from SAIC VOLKSWAGEN, “Best Quality Award 2017” from Fiat India, “Excellent Supplier-Best Guarantee Award” from Shaanxi Heavy Duty Automobile, “Outstanding Supplier Award” from Geely Auto, “Quality Excellence Award” from GAC Toyota, etc.

Being the first one in China to master the technology for production of the pipeline steel with the largest caliber, largest wall thickness and highest steel grade in the world, and realize batch supply and actual engineering application. BMS1400 corrosion resistant hot-rolled steel plates are used in the supporting dredging pipeline of “Tiankun Hao”, the largest cutter suction dredger in Asia, and the independently developed LPG (VLGC) low temperature steel plate has broken the foreign monopoly.

Obtain ”Best Partner Award” from Haier gas water heater, “Chinese Partner Award” from DAIKIN, and become the only steel material supplier receiving DAIKIN’s qualification recognition.

Continue to develop technical service qualification certification of marketing personnel, sustain the promotion of EVI service projects, promote the intelligent supplier chain projects with the automakers to realize lean operation of supply chain.

Explore the innovation of sales model for homogenized products, promote the internationalized operation of steel business, deepen the construction of service system capability in overseas area, and further enhance the technical service of products.
Smart manufacturing

Baoshan

The first multi-blast furnace control center in the world is completed and put into operation, No.3 caster of steel-making plant realizes automatic operation, automation revamping project of 1550 unit packaging line realizes stable production, C008 smart workshop produced 400,000t in 1H accumulatively, the steel product unmanned warehouse with largest area and highest intelligent level in China is put into operation.

Qingshan

Informatization integration realize switch-over online of equipment management system, PSCS system by the end of June, the manufacturing management system completes the programming, and enters the system testing stage.

Meishan

The first intelligent hot status molten metal crane in China is put into use in the steel-making plant, which can realize automatic cruising, and automatic operation to the position with one button according to the instructions of manufacturing management system; multi-base centralized cost management platform covers the function of Meishan Base and is put online for trial operation.

Dongshan

Steel product (cold-rolled) logistics efficiency enhancement project is put online for trial operation successfully.

Initiated in 2018

- 100 projects
- 650 people
- 10%
- RMB 1.89 bn

- Smart equipment revamping project
- Generating direct layoff opportunity
- Capacity enhancement of smart workshop
- Planned investment for technical revamping projects

Direct layoff opportunity of 294 people in 1H

32 projects initiated in 1H

Initiated in 2018

- Direct layoff opportunity of 294 people in 1H
- 32 projects initiated in 1H

Planned investment for technical revamping projects

RMB 1.89 bn

10%
Urban steel mill

Undertaking the responsibility of ecological civilization construction, energetically promote the construction of urban steel mill

- Energetically promote the work of solid wastes recycling for production, the EAF ash briquette, acid and alkali neutralized sludge recycling for production in Baoshan Base basically tend to balance, and 3915t of paint buckets from the community was disposed for synergy;
- Meishan Base actively practice the target of “solid waste not leaving the plant”, 1.7058 million tons of dust collecting bag recycled to converter, 2.6034 million tons of chromium containing sludge and chromium containing waste liquid recycled to sintering plant;
- In Dongshan Base, 18,000t of unpriced sludge recycled for production;
- Qingshan Base cooperated with Wuhan Municipal Environmental Protection Bureau to urgently dispose 266,500t of chromium containing waste liquid from the community, nearly 100,000 m2 of new green area was added by dismounting the houses and planting green, the total green area in the plant area accounts for 22.35% of the total area in the plant, and 65 sets of on-line monitoring system was set up in the plant.
- In the 1H, the pollution tax of 4 bases decreased by RMB 12.56 million y-o-y.
Unified management of purchase, R&D and sales realizes scale advantages and synergistic effect. In 1H, under the unremitting efforts of 5 consolidation work team and 16 functionary business modules, RMB 13.7 billion of synergistic efficiency is realized, accomplishing the annual target by 52%.

Centering on 4 dimensions of production efficiency, process control, product quality, testing & analysis, 175 multi-base manufacturing management bench-marking indexes are formulated, the bench-marking enhancement projects such as Meishan's 1 department teaching 1 department and Qingshan's 1 department to department have achieved substantial progress.

Consistency management boosts the manufacturing capability enhancement of multi-base. In the 1H, the Company's substandard rate is 5.32%, 0.96% down from that of 2017; the spot goods generation rate is 7.09%, 0.76% down from that of 2017; the variety expansion and quality improvement of automotive sheets are notable.

"3 unified": marketing, purchase, R&D
"4 same": language, standard, platform, culture
Multi-manufacturing bases rushing to generate power together

Total system synergetic effect is further demonstrated, the operation quality and operation performance of main manufacturing bases are improved in general.

In 1H, RMB 7.275 billion liability with interest was repaid, the debt rate drops from 65.6% at the beginning of the year to around 60%; cost was cut continuously, RMB 740 million was cut in 1H; in-depth reform was sustained, the staffing rate of management posts of Baosteel Ltd. was reduced from 9.8% to 4%, the optimization rate is 40%.

The 1H profit creates new y-o-y record for 12 years; the rankings of profit per ton of steel and hot metal output has been improving steadily; the continuous casting yield improves by 0.2% y-o-y, No.3 caster’s robot project fills the blank of smart manufacturing in the industry; the heavy plate has turned the situation of suffering loss for many years; the premiere of 2 new silicon steel grades have been launched successfully; the yield rate of cold-rolled automotive exposed panel is 86.21%, which has been improving for 5 years in a row.

In the 1H, the profit grows by 120% y-o-y; the output of each process has all reached the challenging target schedule, the accumulative rate of reaching the standard and progress rate of main technical economic indexes are 88%, 78% respectively; the environmental protection indexes such as comprehensive energy consumption per ton of steel,BF gas and oxygen emission rate have all created the best level since operation startup; RMB 810 million of cost was cut down.
Mechanism innovation

Management optimization
Overall promotion of compressing the management levels, streamlining the organizations, optimizing the business procedure, and driving the employee post shift and transformation, etc. In the 1H, the special management optimization work including plant-managed operation areas, equipment system reform, ex-works procedure optimization, etc. are promoted orderly.

Downsizing
Optimizing the stock assets, actively promoting quality and efficiency improvement, the number of legal person units was reduced. In the 1H, 5 units of equity participation company were reduced, the reduction of the number of legal person units is promoted orderly as per the plan. By the end of June, the number of companies of all levels suffering loss were reduced by 51% compared with last year y-o-y.

Efficiency enhancement
Combining with smart manufacturing, systematically carry out re-design of posts, implement the support and guarantee policies such as “one center and multiple channels”, strengthen the construction of skill talent team. 1967 official employees are reduced in the 1H accumulatively, and the labor efficiency is improved by 3.2%.

Focusing on "New 7 regulations" management measures and promote and deepen the reform comprehensively
3

Operation outlook for the 2H

Stable price difference between purchase and sales

Look inward to tap the potential

The performance is worth looking forward to
Outlook of external market

Macro environment

- It is predicted that GDP growth rate will fall back to around 6.6% in the 2H.
- Fine tuning of currency policy, de-leveraging→structural de-leveraging→stabilizing the leverage.
- Rebound of investments in real estate and infrastructure are expected, the automobile sector is growing at a low speed, the prosperity index of manufacturing sector is recovered to some extent.
- Sino US trade disputes is heating up, the uncertainty risk of economic growth and exchange rate risk are being aggravated.
- 3 tough fights in national economic work “preventing and resolving major risk, targeted poverty alleviation, pollution control”, environmental governance is especially important to steel industry.

Purchase and sales price

- The ore price maintains stable, among which, sinter feed Carajas and lump premium maintain high level, it is estimated that the average Platts 62% Index will fluctuate around USD 65 in the 2H.
- Affected by high temperature, environmental protection, and high profitability of long products, the prices of coal, alloy and scrap steel face the upward pressure. The prices of the materials such as paper packaging, Magnesia refractory material, electrode, oil and grease register remarkable rise.
- The domestic steel market is fluctuating narrowly at high level, and maintain stable in general.

Iron & steel supply & demand

- The social inventory and enterprise inventory of steel are both at relatively low level, the users’ inventory is also below the median, the pressure on future market is alleviating.
- The decrease of real estate inventory and the completion of PPP project warehouse clearance will help the pickup in growth rate of investments in real estate and infrastructure.
- Under the impact of macro economy, stable investments, environmental protection policies and low inventory, etc., the domestic terminal demand of steel is picking up relatively, the supply and demand basically tend to be reasonable.

The macro aspect is stable in general, but the uncertainty is increasing
The trend of the markets at two ends is differentiated

Environmental protection tests are continuing to aggravate

Trade frictions are upgrading constantly

Upstream: the prices of raw materials and fuels are at high level, the premium of high grade ore is increasing, the prices of coal, coke, scrap steel, materials exhibit a rising trend, the input end cost of steel enterprises is under pressure.

Downstream: the rebound of investment in infrastructure can be expected, the real estate control is not loosened, the demand of manufacturing sector is somewhat improved, but the growth speed of automobile sector is slowing down, the long products and flat products are differentiating, the release of "steel demand" is uncertain.

Capacity: the steel enterprises will face the new round production limit in heating seasons, in addition to the ever increasing environmental pressure under ultra low emission requirements, the capacity release may be under pressure.

Cost: the direct environmental input and cost of steel enterprises may increase, meanwhile, the environmental tests will bring increase pressure on the prices of raw and auxiliary materials, logistics cost, etc.

Short term: RMB 50 billion+200 billion additional tariff will in short term bring impact on the direct and indirect export of Chinese steel industry, but the short term impact on the company is limited.

Mid and long term: if Sino US trade friction continues to upgrade, attention shall be paid to the follow-up progress of trade war, and the mid and long term impact on global supply chain transfer and Chinese steel demand can not be ignored.

Focus on environmental governance, product mix adjustment, risk control.
Changing crisis into opportunities, and getting prepared

Environmental monitoring is both challenge and opportunity

Environmental protection is a kind of constraint to the non-compliance steel enterprise; but to the enterprises like the Company that promote long-term environmental management and reach emission indexes, the strict environmental protection fosters a relatively fair competition environment for the domestic steel enterprises, the phenomenon of “bad money drives out good money” is expected to be improved.

The demand of targeted market presents recovery posture

The demand of shipbuilding industry is still booming; the sustained growth trend of home appliance market remains unchanged, and the structural upgrading is constantly accelerated; although the short-term pressure faced in 3Q is bigger, but the automobile sector is expected to experience periodic recovery in 4Q. The prices of the company’s flat products will be backed up.

The space of capacity and structure optimization still exists

Baoshan Base’s “two to four” has completed, part of the new cold rolling lines and silicon steel lines in Baoshan and Huangshi were put into operation. Each manufacturing base actively improves the steel capacity by means of adding scrap steel into torpedo car, lowering hot metal ratio and technical revamping with remarkable effect achieved, in the 2H, the iron and steel output are expected to further increase.

The potential of multi-base coordination for efficiency

In the 2H, Under the general production & sales balance system, the scale of mutual supply between bases will increase, the coordination becomes more difficult, but there also exists the space to optimize and further tap the potential, especially variety expansion and cost competitiveness improvement of Zhanjiang and synergetic efficiency improvement of Baowu are worth looking forward to.
Internal challenges and countermeasures

Production & sales end
In the 2H, the technical revamping projects and scheduled maintenance of main manufacturing bases quite concentrates, the company will continue to optimize the construction and production & sales plan, dynamically adjust the plan of mutual supply and variety according to the latest market forecast, and try to realize balance of production & sales.

Centering on the production & sales and logistics balance of key products, the premise is to stabilize the blast furnace conditions and ensure iron & steel balance, so as to ensure stable status of equipment, drafting the production plan for bottleneck process to ensure the on-time delivery of contract.

Cost end
In the 2H, confronted with the unfavorable impacts such as concentrated scheduled maintenance, coal limitation, technical revamping, soaring raw material cost, etc., the cost and fee face the pressure of rebound.

Through solidification of cost cut achievements, improvement of hot metal scale contribution, strict control of expenses, and multi-base synergy and bench-marking, try best to maintain stable difference of purchase and sales price.

Functional system end
In view of the uncertain factors in external market, focus is put on control of two expenses, quality improvement and efficiency enhancement, to tamper the assets quality and prevent operational risk.

Considering the wide coverage, tanglesome logic and many interfaces of Baowu’s consolidated informatization, enough inputs are put to promote and switch over with fast rhythm and high quality, to ensure the successful online within the year.

When one becomes strong enough, the external impact can be minimized and he can meet changes with constancy
Fighting direction in the 2H

Focus
Capacity, cost, environment protection

- Improve the stability of manufacturing end, pursue the utmost exertion of capacity, the annual target iron and steel output is 45.82 million tons, 48.13 million tons.
- Self driven, maintain the sustaining power of cost reduction, challenge the annual link relative cost reduction of more than RMB 2.3 billion. Efficiency first, give consideration to both total amount of “two capital” and quality, scientific control.
- Sustain the promotion of “zero solid waste ex-works”, do well the general planning of ultra low emission, scheme adjustment of project under construction and governance revamping plan arrangement.

Fusion
Multi-base, Baowu

- With the bench-marking of manufacturing management index as the carrier, enhance the general manufacturing capability of the company, speed up the technology sharing of multi-basses. With the construction of informatization system as the opportunity, keep enhancing the multi-base management capability.
- Promote the consolidation of Baowu, ensure the coverage of 8 systems including manufacturing management, transportation management and energy management in Wuhan Iron & Steel Co., Ltd. by the end of the year. Ensure the annual RMB 2 billion synergetic benefit achieved, and promote the fulfillment of the “4 same” target.

Gaining momentum
Smart manufacturing, R&D, planning, service

- Practice intelligent manufacturing strategy, consolidate the leadership in steel industry, and strengthen the promotion of unmanned/less man projects.
- Speed up technology innovation, Take the commanding heights of steel technology. With market as the orientation, increase the R&D of differentiated products.
- Strengthen strategy guidance, systematically prepare the company’s planning scheme for year 19~24, and build the route for realization in future.
- Service first, give play to EVI advantages to strive for the share in new car model, promote the product certification of Zhanjiang’s products and expansion of ultra-high strength steel.
- Deepen the reform, promote the quality and efficiency improvement work such as labor efficiency improvement, compression of legal persons, and downsizing of equity participation, etc.
## Outlook of annual performance

Total operational target of the company for 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational performance maintains <strong>No.1 in China</strong></td>
<td>In 1H, the best among domestic peers is maintained, <strong>to ensure the annual best</strong></td>
</tr>
<tr>
<td>EBITDA per ton of steel challenges <strong>Global top 3</strong></td>
<td>In 1H, ranking No.3 among main steelmakers, <strong>try best to strive for</strong></td>
</tr>
<tr>
<td>Total caliber cost reduced by <strong>RMB 2 billion</strong> link relative</td>
<td>The annual link relative reduction challenges <strong>more than RMB 2.3 billion</strong></td>
</tr>
<tr>
<td>Baowu synergy realizes <strong>RMB 2 billion benefit</strong></td>
<td>Annual synergetic benefit challenges <strong>more than RMB 2 billion</strong></td>
</tr>
<tr>
<td>Formal employee's labor efficiency improves by over <strong>8%</strong></td>
<td>To ensure annual completion of over <strong>8%</strong></td>
</tr>
</tbody>
</table>

Creating better performance under the premise of sticking to the total operational target set at the beginning of the year.
Focusing Fusion Gaining momentum Creating better performance again.

Speeding up the process from alliance to consolidation, fusion and chemical combination of Baowu.

Building the most competitive steel enterprise in the world, the listed company with the most investment value.