


China in the Global Steel Supply and Demand Balance and Implications for the Russian Steel Industry


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A China-focused Global Procurement House
以中国为中心的全球采购公司




Projects 项目 Equipment 设备 Commodities 大宗商品



A Joint Venture between Bateman Engineering N.V. and THE BEIJING AXIS

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BATEMAN BEIJING AXIS PROVIDES SERVICES IN 2 BUSINESS AREAS

China Procurement & Bulk Commodity Trading

Bateman Beijing Axis provides intelligent **China procurement services** for international clients, and offers **bulk commodity trading services** for bulk commodity producers and users.

China Procurement Services
Procurement for Bateman Global Projects
Bateman Beijing Axis provides comprehensive integrated procurement solutions and support to Bateman projects that are being executed globally. For Bateman clients, this ensures cost effective project procurement solutions through the effective leveraging of China and other low cost country sourcing in the supply chain

Procurement for Independent External Clients Globally
Bateman Beijing Axis provides sourcing and supply chain services to external clients by leveraging our people, processes, knowledge, track record/experience and networks. Our solutions are comprehensive and encompass supplier identification, evaluation, prequalification, selection, negotiation, commercial/contracting, transaction monitoring, QA/QC, expediting and logistics. The emphasis is on solid project management, holistic risk management and strategic relationship management

Bulk Commodity Services
Bulk Commodity Procurement, Marketing, Trading and Financing
By leveraging the knowledge and networks of the 2 JV partners, Bateman Beijing Axis provides bulk commodity trading solutions. We support bulk commodity producers (i.e. metals, minerals, sofs, etc.) with their international marketing efforts and we assist bulk commodity users with their procurement efforts. In selected cases, we also do financing across the transaction chain



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AGENDA

China's Growth and its Resource Demand Drivers

- China's Steel Production
- China's Steel Consumption
- Trade and Investment

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A HIGH LEVEL OVERVIEW OF CHINA'S ECONOMIC FUNDAMENTALS AND CURRENT GLOBAL POSITION

Note: Macroeconomic data for the world totals are from IMF estimates, while the data for China are actualised figures; the column on the far right is from 2008, emplaced for comparison purposes
 Source: IMF World Economic Outlook - October 2009; China Statistical Yearbook; THE BEIJING AXIS Analysis

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CHINA'S ECONOMY HAS RECORDED DRAMATIC GROWTH IN THE PAST THIRTY YEARS
 With a fourfold increase since 1998, China was the third largest economy after the US and Japan as of 2009, and is set to become the second largest in 2010

Top 6 Economies' GDP, excl. US (USD bn, 1980-2010F)

Note: 2010 GDP growth based on IMF January 2010 Economic Outlook
 Source: CEIC Data; IMF; THE BEIJING AXIS Analysis

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CHINA'S IS BECOMING INCREASINGLY URBANISED
 The shift will require a massive expansion of the nation's infrastructure

China's Urban Population by City Size (mn)

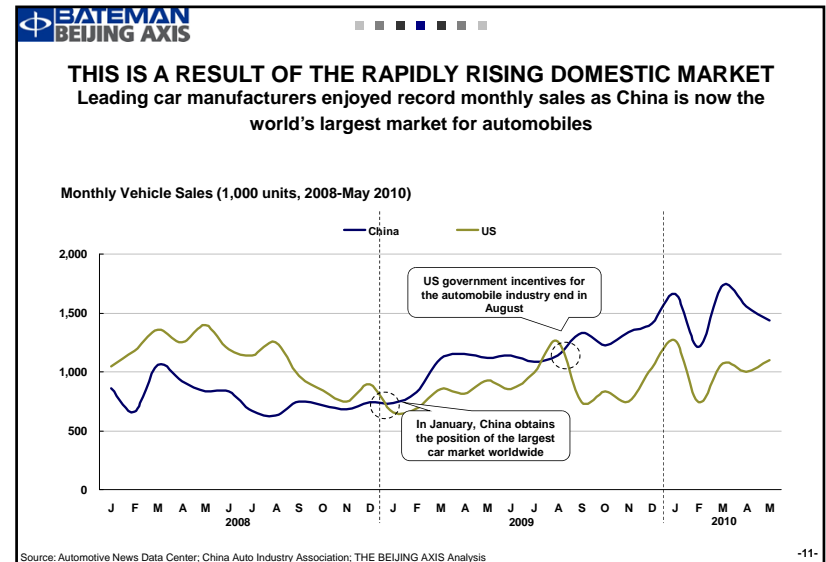
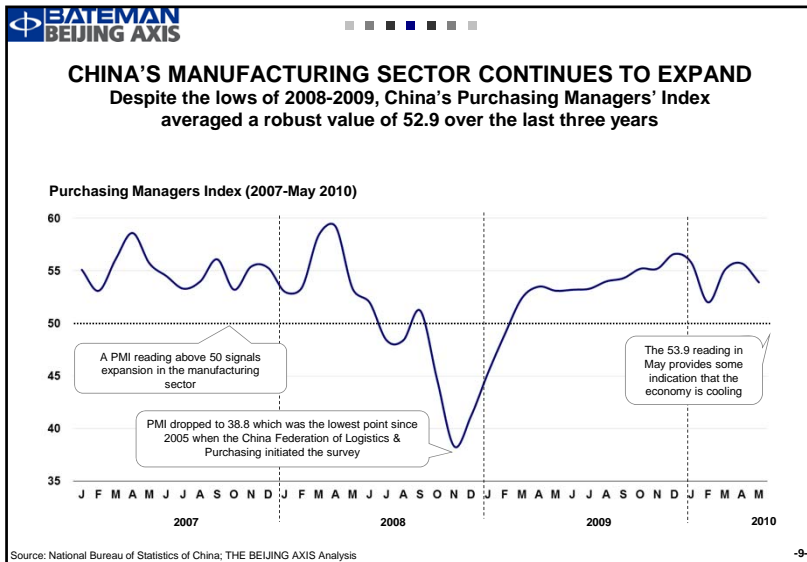
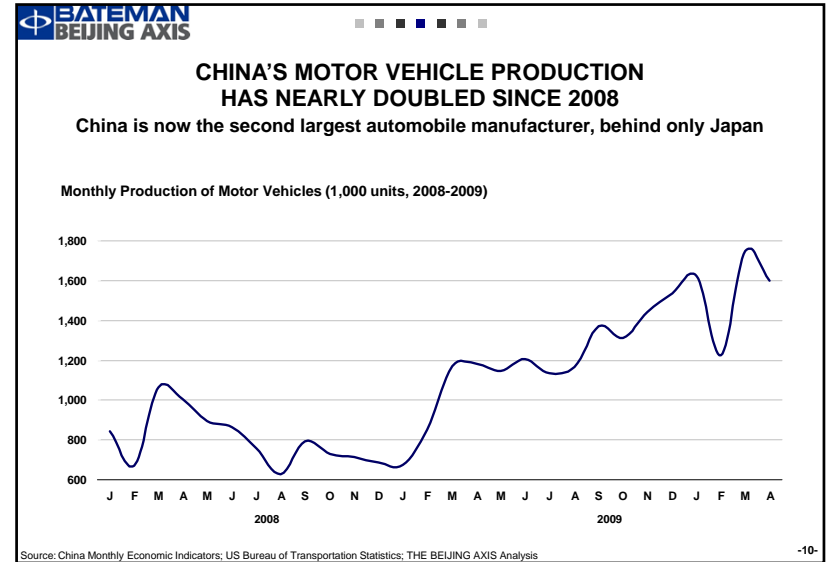
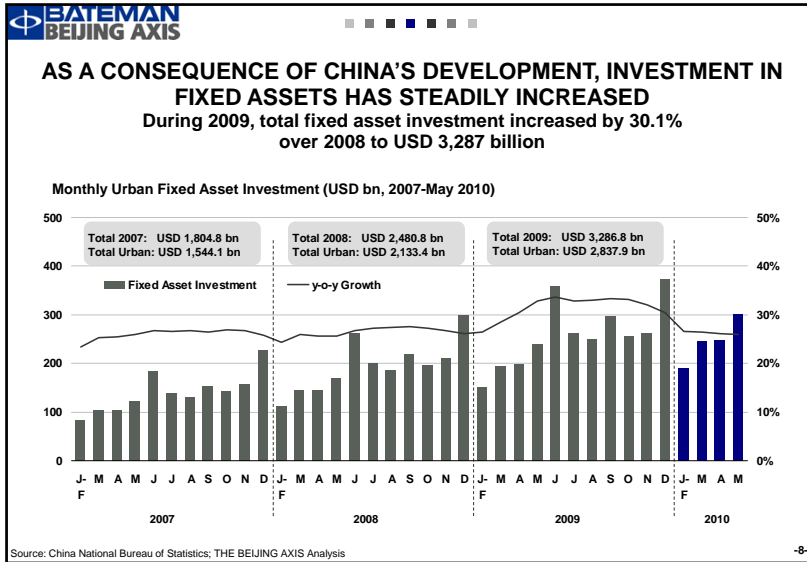
City Size	2005 (mn)	2025 (mn)
Big Town (<0.5 mn)	143	153
Small (0.5 mn-1.5 mn)	149	233
Mid-sized (1.5 mn-5 mn)	160	316
Large (5 mn-10 mn)	86	104
Mega (>10 mn)	34	120
Total	572	926

Urbanisation Expectations for 2025

221	Chinese cities will have over 1 million people living in them—Europe has only 35 today
5 Billion	Square metres of road will be paved
170	Mass-transit systems could be built
40 Billion	Square metres of floor space could be built—in 5 million buildings
50,000	Of these buildings could be skyscrapers—the equivalent of ten New York cities
5	The number of times which GDP will have multiplied by 2025

Source: McKinsey Global Institute; THE BEIJING AXIS Analysis

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CHINA NOW PRODUCES NEARLY HALF OF THE WORLD'S STEEL AND INCREASINGLY DOES SO WITH IMPORTED IRON ORE
Over 70% of the iron ore used by China in 2009 came from abroad

China's Iron Ore Production and Import Totals (mn tons, %, 2000-2009)

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CHINA IS BY FAR THE LARGEST STEEL PRODUCER IN THE WORLD
In 2009 China accounted for 46% of the world's total steel production. The second-largest producer, Japan, produces less than 1/6 that of China

Top 10 Steel Producers (mn tons, 2009)

Country	Production (mn tons)	% of World Production
China	568	46.6%
Japan	88	7.2%
Russia	60	4.9%
USA	58	4.8%
India	57	4.1%
S. Korea	49	4.0%
Germany	33	2.7%
Ukraine	30	2.5%
Brazil	27	2.2%
Turkey	25	2.0%

World Steel Production = 1,219.7

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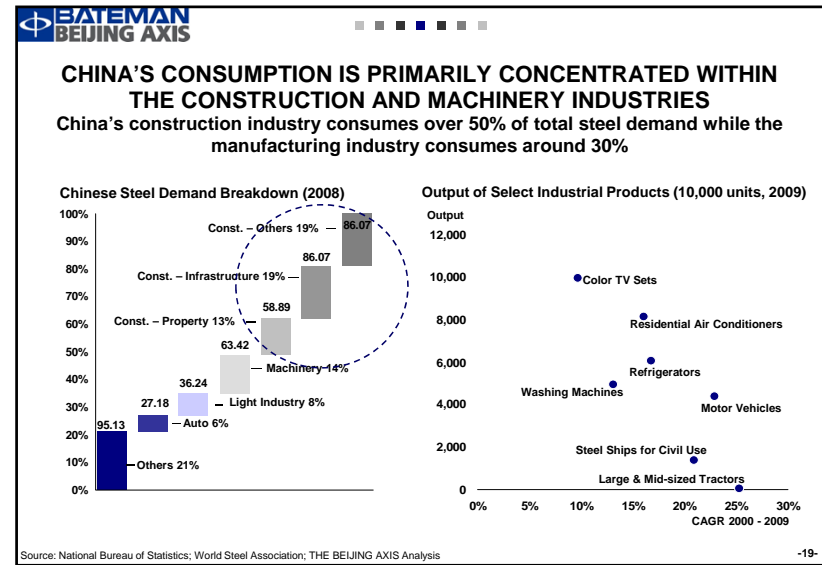
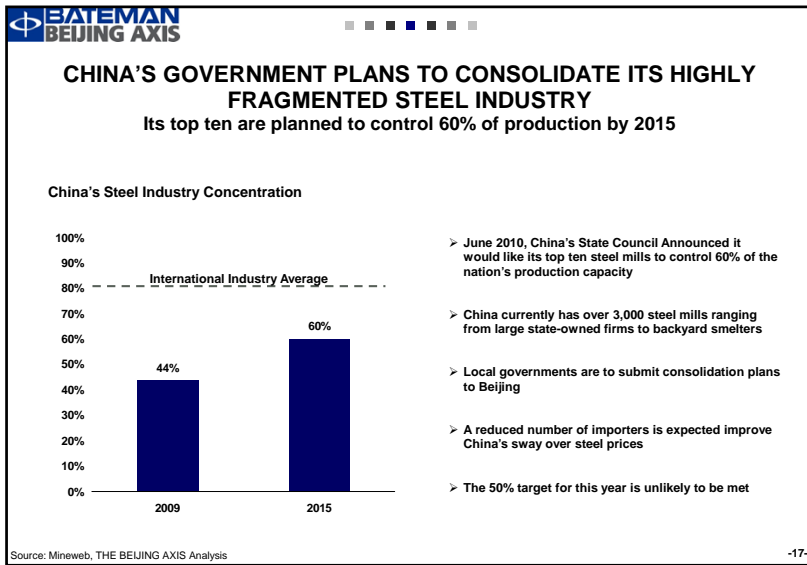
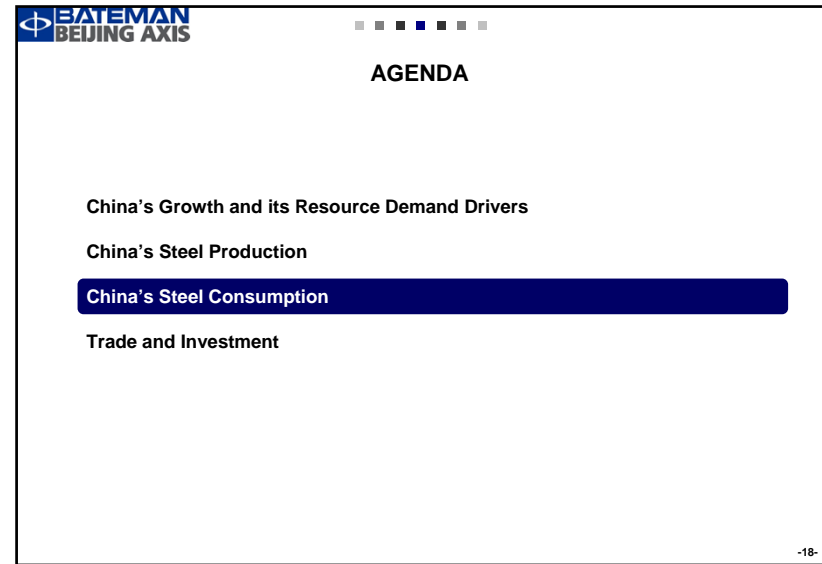
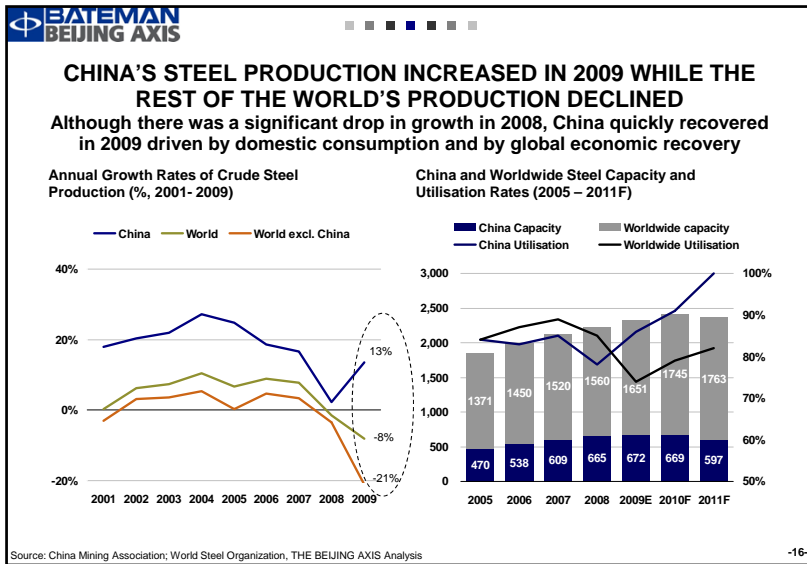
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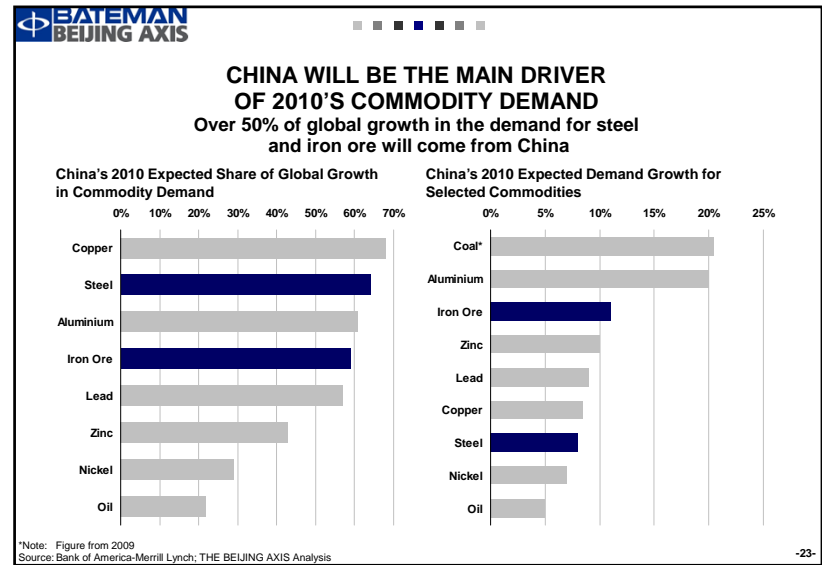
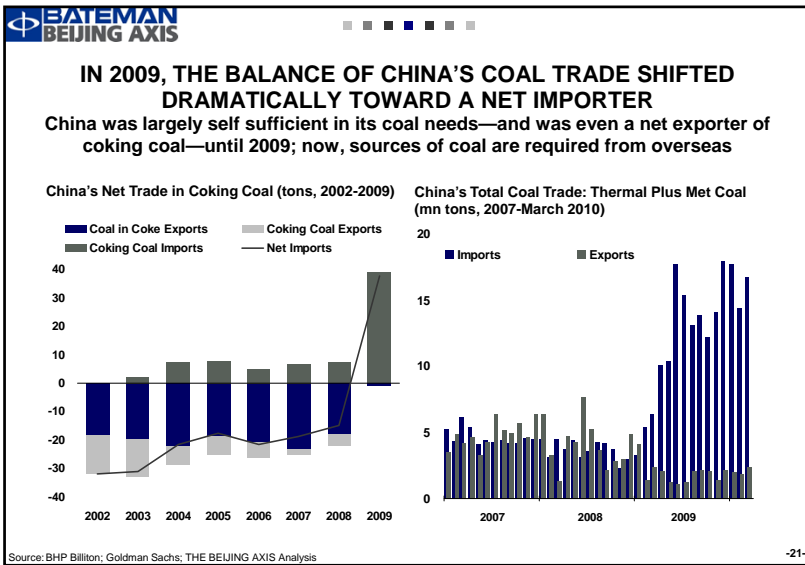
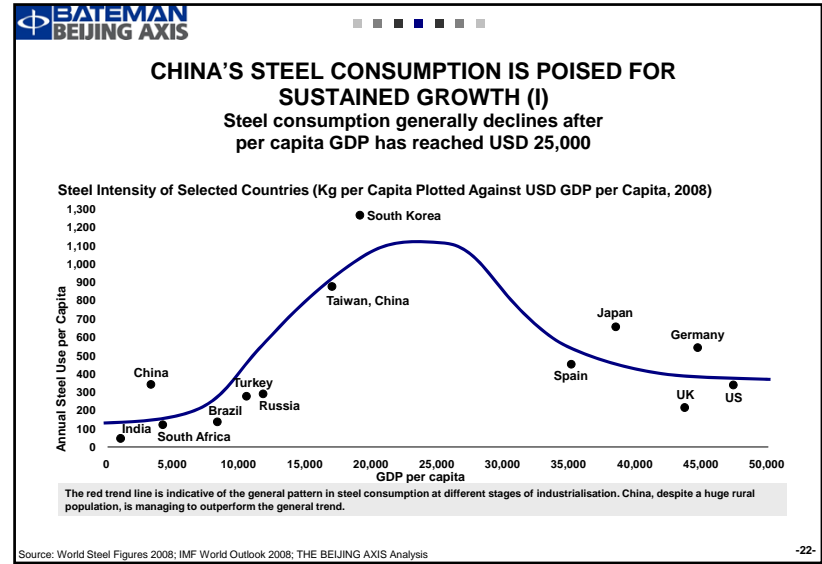
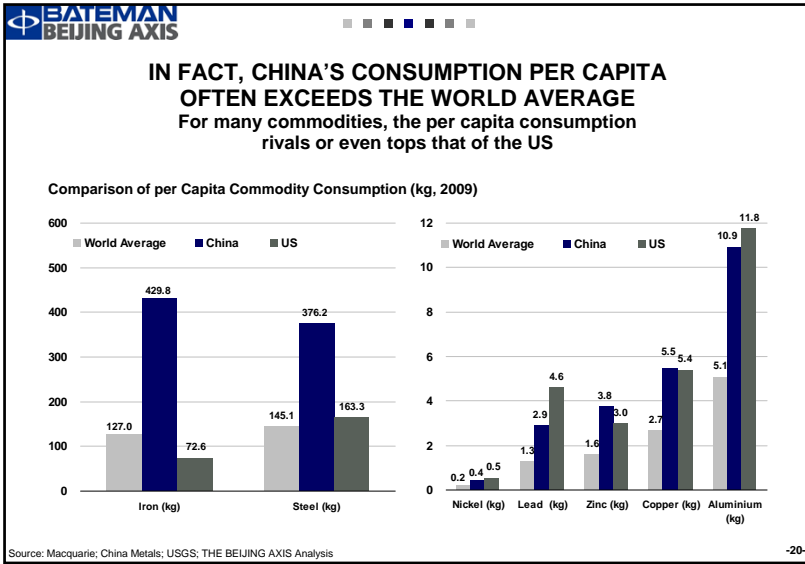
OF THE TOP TEN WORLD STEEL PRODUCERS, FIVE CAME FROM CHINA IN 2009
The top five Chinese producers accounted for 14% of the world's total steel production and 30% of China's total production

World Top 10 Steel Producers (mn tons and y-o-y % change in production, 2009)

Company	2008 Production (mn tons)	2009 Production (mn tons)	% Change
AcelorMittal	~100	~75	-29%
Hebei Steel Group	~35	~42	21%
Baosteel	~35	~38	10%
POSCO	~35	~31	-10%
Wuhan Iron & Steel	~25	~27	9%
Anben Steel Group	~25	~31	25%
Shandong Steel Group	~25	~30	21%
Nippon Steel	~40	~25	-35%
JFE Steel Corp	~35	~25	-29%
TATA Steel	~25	~22	-10%

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CHINA'S OFDI IS LARGELY IN PURSUIT OF RESOURCES
Iron ore is a main attraction for Chinese mining investors

By-Sector China OFDI Flows (USD bn, 2000-2009) Value of China's Mining and Metals* Investments by Commodity (2009)

By-Sector China OFDI Flows (USD bn, 2000-2009)

Year	Resource Acquisitions	Other
00	0.5	0.5
01	1.0	1.0
02	0.5	0.5
03	0.5	0.5
04	1.0	1.0
05	2.0	2.0
06	3.0	3.0
07	5.0	5.0
08	10.0	10.0
09	15.0	15.0

Value of China's Mining and Metals* Investments by Commodity (2009)

Commodity	Percentage
Coal	40%
Diversified	16%
Iron Ore	11%
Base Metals	11%
Steel	6%
Copper	5%
Gold	3%
Other	8%

*Note: Excludes oil
Source: Ernst & Young; Heritage Foundation; THE BEIJING AXIS Analysis

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CHINA'S IRON AND STEEL IMPORTS FROM RUSSIA AND CIS NATIONS REBOUNDED IN 2009
Most of this trade originated with partners in Russia, Kazakhstan and the Ukraine

China's Iron and Steel Trade with Russia and CIS (USD mn, 2000-2009) China's Importers from the Russia-CIS Region, 2009

China's Iron and Steel Trade with Russia and CIS (USD mn, 2000-2009)

Year	Imports to China	Exports from China
00	1500	1000
01	2000	1000
02	2000	1000
03	3500	1000
04	3000	1000
05	3000	1000
06	1000	1000
07	1500	2500
08	1500	4000
09	3500	3000

China's Importers from the Russia-CIS Region, 2009

Country	Value (USD mn)
Russia	1,663.90
Kazakhstan	929.00
Ukraine	857.30
Kyrgyzstan	4.9
Belarus	3.20
Armenia	0.3

Source: UN Comtrade; THE BEIJING AXIS Analysis

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FOR IRON ORE, AUSTRALIA HAS BEEN CHINA'S INVESTMENT DESTINATION OF CHOICE

Selected Chinese Iron Ore Overseas Mining Operations to Date

Source: Various; THE BEIJING AXIS Analysis

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