

Chow Steel Industries Public Company Limited “CHOW”

Opportunity Day
Fourth Quarter and Full year 2011
March 27, 2012



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Company Overview

INDUSTRY OVERVIEW

KEY SUCCESS FACTORS

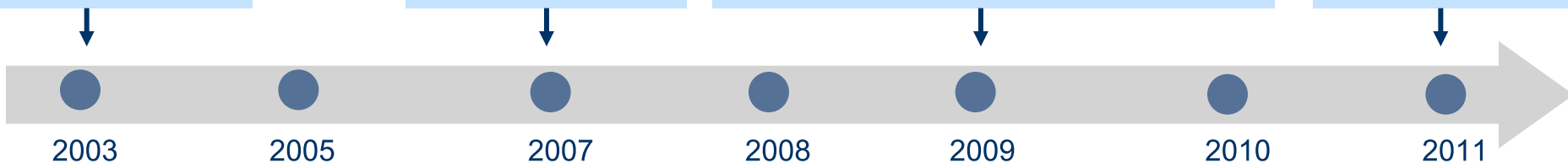
FINANCIAL PERFORMANCE

- Established on November 11, 2003 by Mr. Anavin Jirathamsiri with the registered capital of Baht 400 million

- Obtained the BOI privileges for manufacturing steel billets in the Plant of Phase 2

- Became the membership of LME
- Converted to be a public limited company
- Change the par value to Baht 1 per share and increased its registered capital by Baht 200 million for IPO
- Started exporting steel billet

- Approved the allotment of 200 million ordinary shares for IPO and listing on MAI on December 2012



- Obtained the BOI privileges for manufacturing steel billets in the Plant of Phase 1
- Plant in Phase 1 started commercial operation with production capacity of 250,000 tons per annum

- Obtained ISO 9001:2000
- Increased registered capital from Baht 400 to 600 million
- Plant in Phase 2 started commercial operation with production capacity of 480,000 tons per annum

- Co-invested in Vertex Logistics Services with 40% stake of registered capital of its Baht 18 million
- Obtained ISO 9001:2008

Registered Capital	<ul style="list-style-type: none"> ▪ Baht 800,000,000
Nature of Business	<ul style="list-style-type: none"> ▪ Manufacturing of Steel Billet
Head Office	<ul style="list-style-type: none"> ▪ 209/1 K. Tower, 18th Floor, Unit3, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok
Plant Office	<ul style="list-style-type: none"> ▪ 518/1 Moo 9 Tumbol Nongkee, Kabinburi District, Prachinburi
Production Capacity	<ul style="list-style-type: none"> ▪ Production capacity of 450,000 tons per annum* <ul style="list-style-type: none"> - Phase 1 150,000 tons per annum - Phase 2 300,000 tons per annum
Privileges	<ul style="list-style-type: none"> ▪ BOI benefits and privileges ▪ 10% Discount on electricity expenses
Certification	<ul style="list-style-type: none"> ▪ ISO 9001:2008 ▪ LONDON METAL EXCHANGE (LME) ▪ Environment Impact Analysis (EIA)



* Maximum off-peak production capacity

THE GROUP STRUCTURE OF CHOW



40%



VERTEX
Logistics Services

Company	: Vertex Logistics Services Co., Ltd.
Established	: September 15, 2009
Current Paid-Up	: Baht 18 Million
Business Nature	: Logistics Services

1. Scrap Preparation

- Scrap is selected for further process in the reheating furnace. The size and quality of scrap are the important factor in consideration to meet with the melting furnace's requirements.

2. Electric Induction Furnace and Additives Mixture

- Then Scrap is conveyed to the electric induction furnaces and reheated using high voltage. At this stage scrap is melted at 1,650 – 1,700 Celsius degree for 90 minutes per one time of melding.
- Additives are added according to the products' specification at this stage.

3. Continuous Casting

- The liquid iron from stage 2 are conveyed to continuous casting process and cut into specified size (section sizes ranges from 100 - 150 mm., length ranges from 6 – 12 m.) and control by heat exchange system in order to produce steel billet.

Products : Steel Billets can be categorized into two main categories.

1. Steel Billet SR24

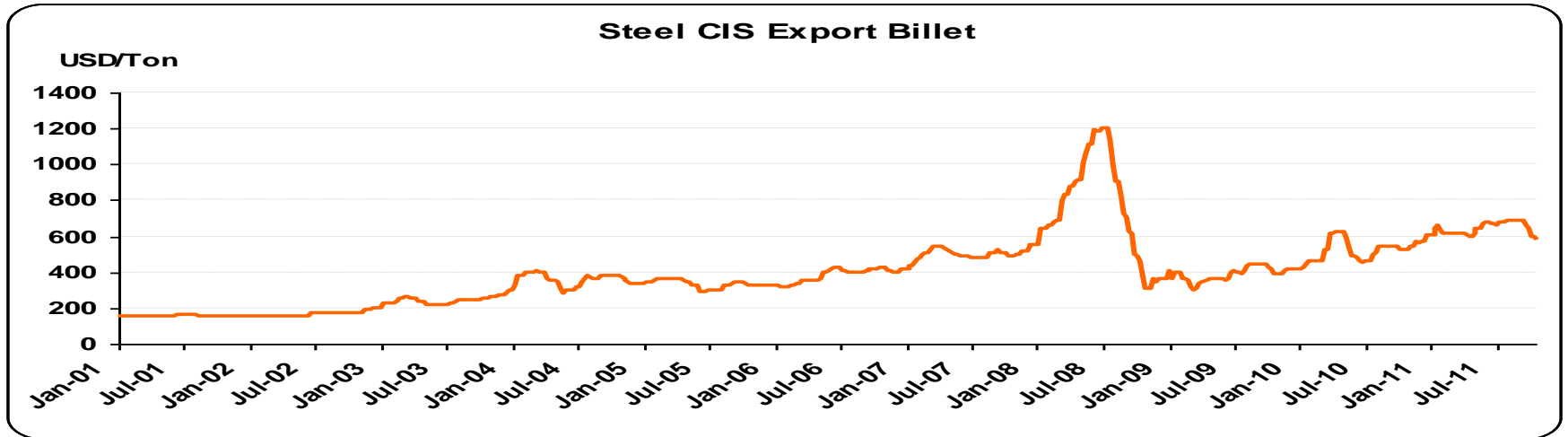
- Section size 100x100, 120x120 **and** 150x150 mm
- Length 6-12 meters
- Qualification High tensile strength and flexibility
- Propose of Use SR24 grade is used as raw materials for manufacturing round bars which are used for small to medium size of construction like houses or commercial building. The propose of use depends on the structure of the construction



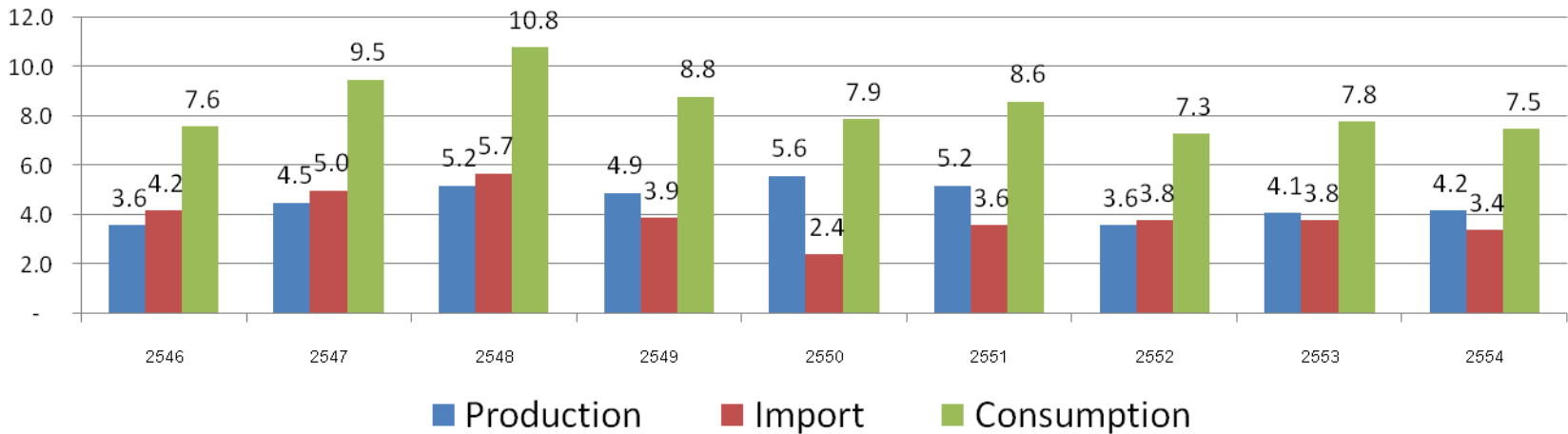
2. Steel Billet SD30 and SD40

- Section size 100x100,, 120x120 **and** 150x150 mm
- Length 6-12 meters
- Qualification High tensile strength due to the fact that these grades consist of more carbon combination, but less flexibility. It would be easily broken if it bended over.
- Propose of Use SD30 and SD40 grades are used as raw materials for manufacturing deformed bars which are commonly used for heavy construction like bridge, dam, expressway, and high-rise building.





Source : Bloomberg



Source : Iron and Steel Institute of Thailand

Overall domestic steel industry in 2011 in comparison with the the last year

It found that total production decreased about 6.04% because

- Slowdown in construction industry, and also surplus stock from accelerating steel production in last year
- More importing Boron added steel in steel bar and plate from China
- Domestic demand slightly decreased about 0.02% in comparison with the number in last year as demand on the flat steel slightly decreased about 0.17% because of effect from the float since late of September. This affect to the continuous industries such as automobile, electronic companies, which had lower demand. The domestic demand on long steel product slightly increased about 0.33% as the construction industry remained stable.
- For the steel price in the global market, decreasing price of raw materials such as scrap tended to price of steel products to decrease. Also, economy in several counties in the world such as European countries, China, slowed, which decreased the world demand of steel industry

Outlook on domestic steel industry in 2012

- ❑ Long steel product, which is used in the construction industry, would expand
 - Increasing investment by the government for repairing the damaged infrastructure from the float, including water management project for preventing float in the short and long term. In addition, the large investment project such as rail system, which has progression in several projects
 - Construction in the private sector might expand for repairing household and business building including industrial estate and property development project, which would construct more efficiency in the flood defending system
 - In addition, more production in order to maintain stock level, which was lower in the late of 2011
- ❑ Flat steel product was expected that the domestic production and demand would decrease because several industrial estate, which the continuous factories was located such as automobile, electronic companies, was affected by the flood. As the result, the demand on steel was lower.

Source: Office of Industrial Economics

Outlook on the domestic steel demand in 2012

- ❖ Overall domestic steel demand might grow up higher than the number in 2011, but the foreign steel demand might slow down according to the world economy especially Chinese economy tend to slow down
- ❖ The downstream industries, which use steel products, tend to expand, such as
 - Construction industry would have the positive effect from the last flood
 - Automobile and electronic industries would recover from the low base in the last year, and the electric equipment would remain stable with the number in the last year
- ❖ Food Industry would slow down in comparison to high growth rate in the last year

Trend in 2012 (the Growth Rate in comparison to the number in 2011)		
	Domestic	Foreign
Construction	↑	↓
Automobile	↑	↑
Machinery	↑	↓
Electronic and Electricity Equipment	↑	↔
Food	↓	↓
Furniture	↑	↓

Source : Kasikorn Research

Product and Service

- Mainly focus on product quality.
- produce billets which chemical compositions are specified for round bar and deformed bar according with Thai Industrial Standard Institute (TISI) grade quality.
- The company has been certified quality standard ISO 9001:2008 by Bureau Veritas Certification
- Registered under the name "CHOW KABINBURI" with the London Metal Exchange, which represent CHOW's products qualified for the international standard.

Place

- Directly sell and deliver to the domestic customers
- Directly export to international buyers or via the London Metal Exchange (LME)
- Location of Factory at Kabinburi district, which equipped with good infrastructure, utilities and transportation system, nearby to the sources of raw material, and convenient to deliver products both inland and sea.
- Co-invested in the Vertex Company Limited for enhancing capability to deliver the products to customers.

Price

- Varied according to the market condition by considering product quality, demand and production costs.
- No policy in pricing competition by discounting on the price for competing with the other competitors.
- Apply SAP solution system, which enable to access information promptly and to determine the appropriate selling price in any circumstance.

Promotion

- Manage customer relationship by building trust and satisfaction through offering product quality, warranty, speed of delivery, fairly treat and frequency meeting with customers.
- Promotions may vary based on factors such as quantity, term of payment, payment history, credit risk, as well as cash management policy, etc.

The Target Customers

- Long Steel Products Manufactures (Round Bar, Deformed Bar, Wire Rod).

Domestic Customers

- Rolling mills which have no melting furnaces.
- Rolling mills which own melting furnaces but not enough production capacity

International Customers

- South East Asian countries and overseas distribution agent

Key Success Factors

Business Competency

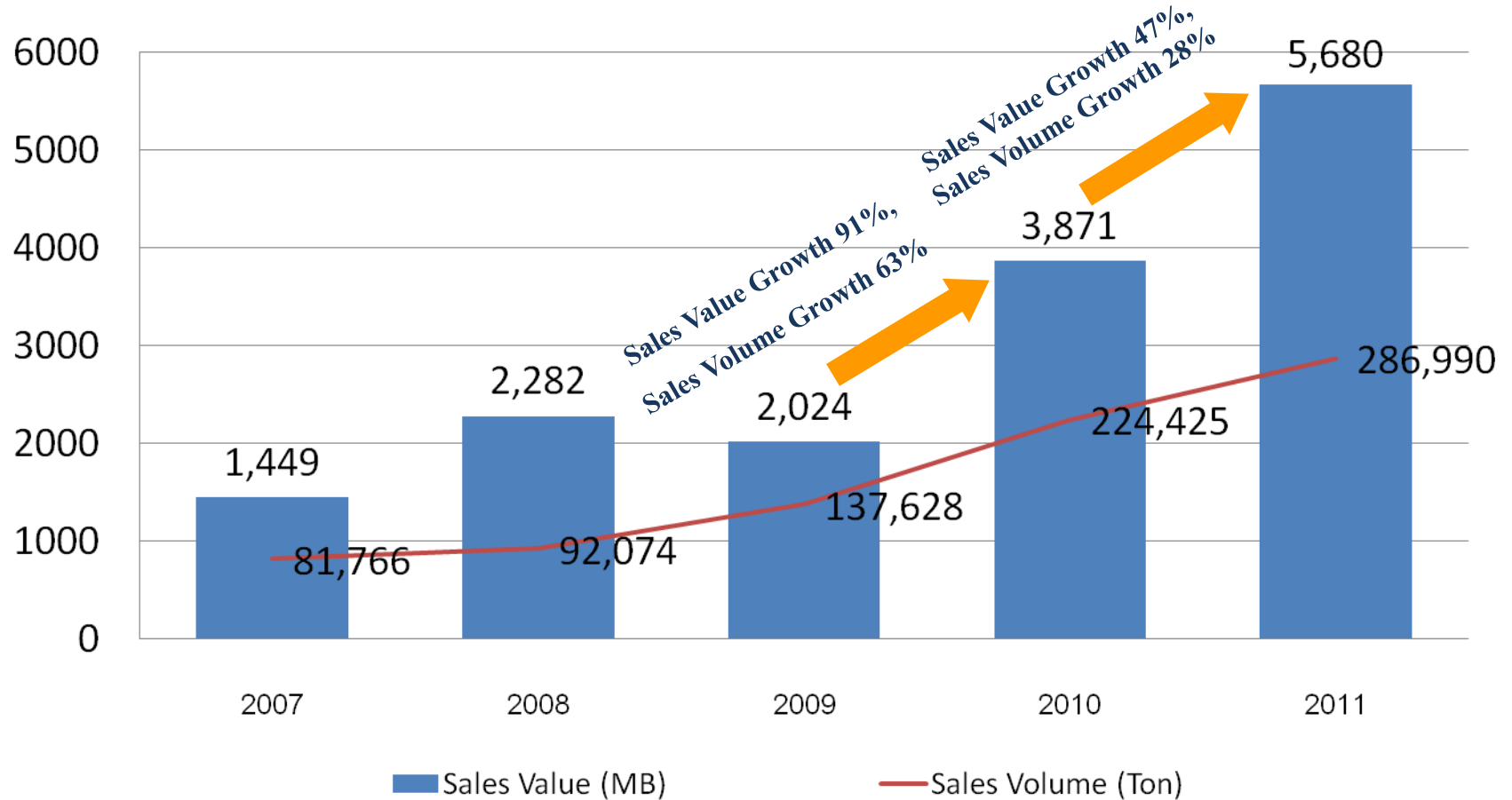
- **The outlook of the semi-finished steel product industry is favorable** as Thailand is a “Net Importer” of steel billets.
- **CHOW has the highest production capacity of steel billet.** Also, this industry has a few direct competitor, and high barrier to entry due to high capital investment
- **Product quality and continuous improvement of production process:** CHOW produces various types of steel products in terms of grades and sizes.
- CHOW is only 2 Thai producers who are the **member of London Metal Exchange (LME)**, and met its standards.
- **Continuous higher utilization rate in 2012**, which the Company expects to increase the utilization rate to 75 – 80% during Off-peak period
- **Matching order policy** Management mitigates risk from price speculation, which allows the Company to maintain gross profit.

TAX Privileges

- The Company has obtained benefits from the Board of Investment (BOI), including corporate tax exempt for 8 years with no more than 100% of investment (the privilege of Phase 1 will be expired on November 30, 2013, and the privilege of Phase 2 will be expired on June 30, 2016) and 50% reduction on corporate tax for the following 5 years.
- **10% Discount on electricity expenses**
- **2 Times of Corporate Tax exempt on the actual transporting expense, electricity expense, tap water expense for 10 years**

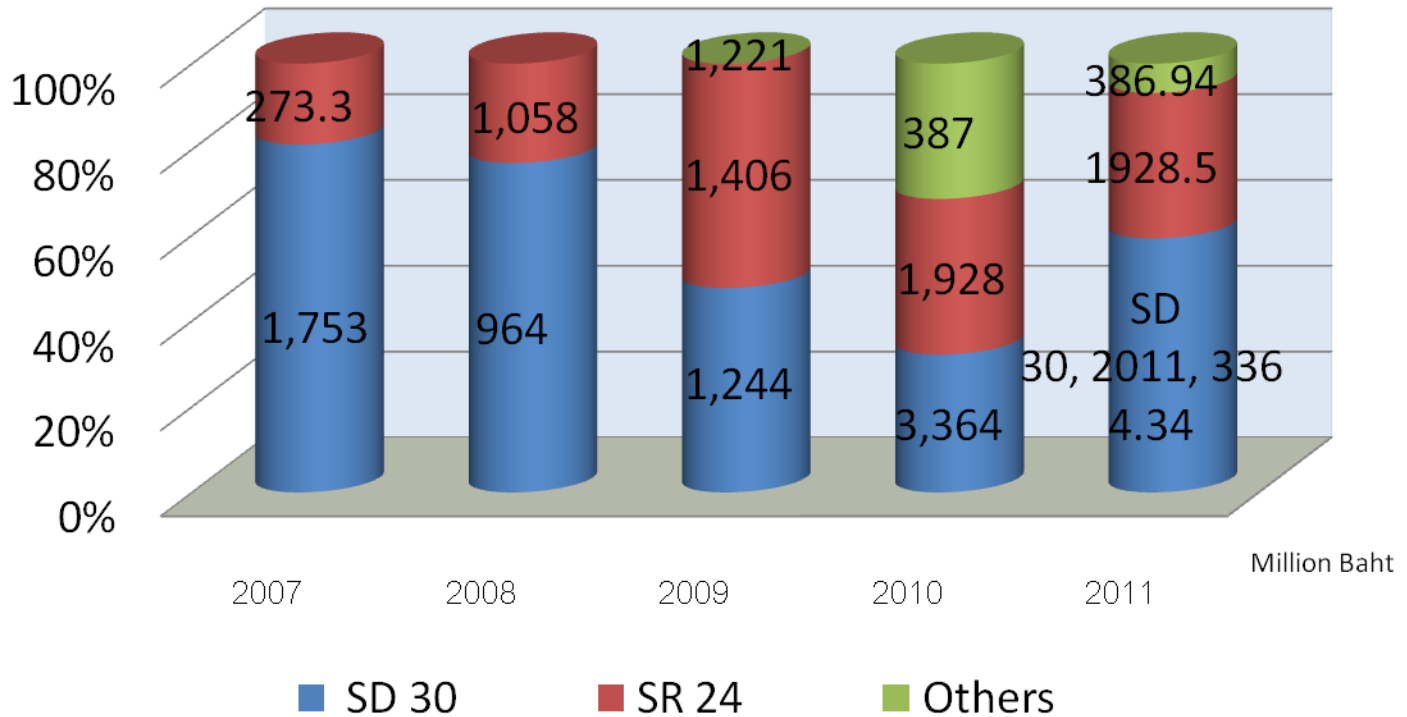
Financial Performance

Revenue from Sales

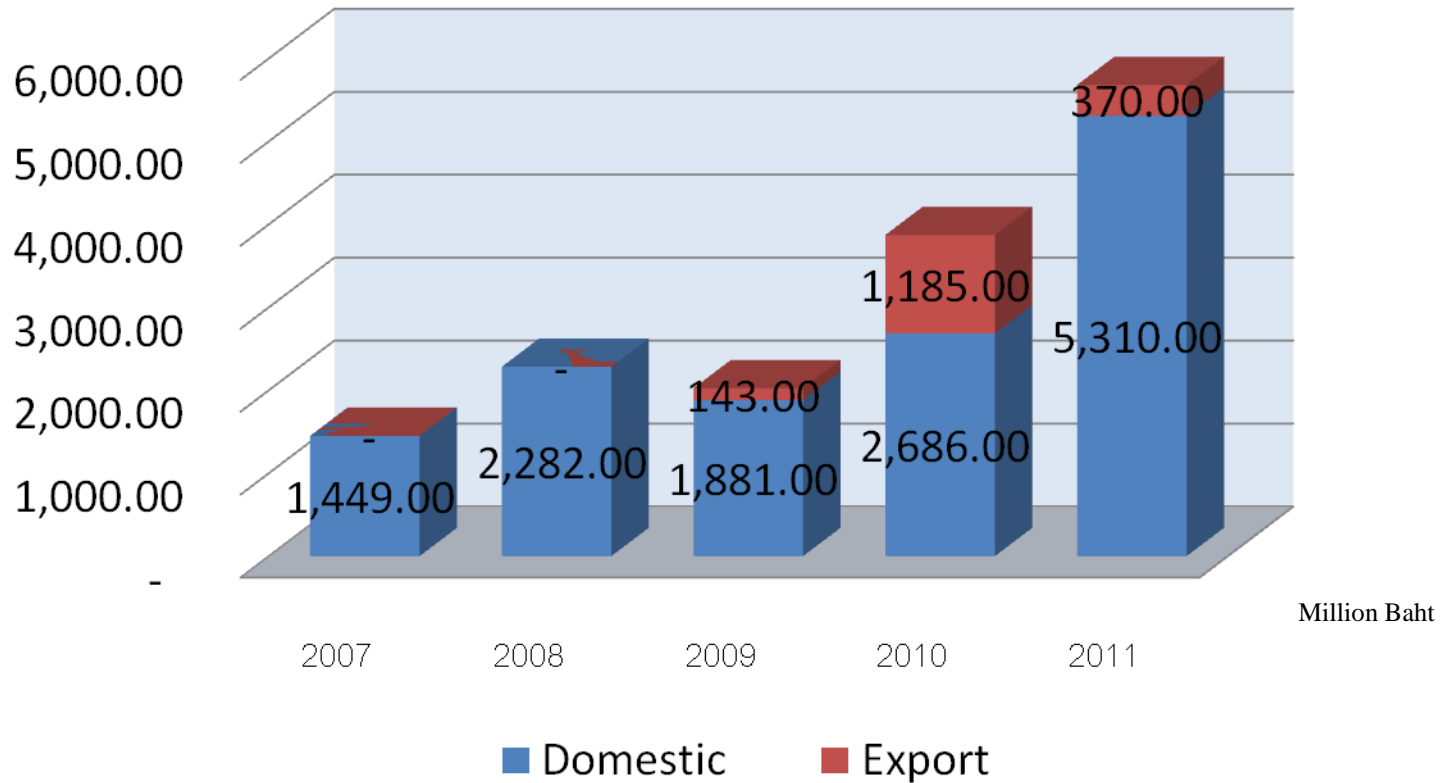


- Billet sales in the year 2009 decreased by 11% from sales in 2008 as the slump in commodity price, after the global economic turmoil affected to decreasing in the billet price by 41%. However, the Company's sales volume in the year 2009 increased by 49% from sale volume in 2008.
- In 2010, billets sales grew up 91% compared to sales in 2009 due to 63% increase in sales volume and 17% increase in the average selling price. Price and volume in 2010 were boosted up mainly by the easing in the world economy.
- In 2011, billets sales increased by 47% compared to sales in 2010 due to 28% increase in sales volume and 14% increase in the average selling price due to the increasing steel price in the global market as well as in the domestic market.

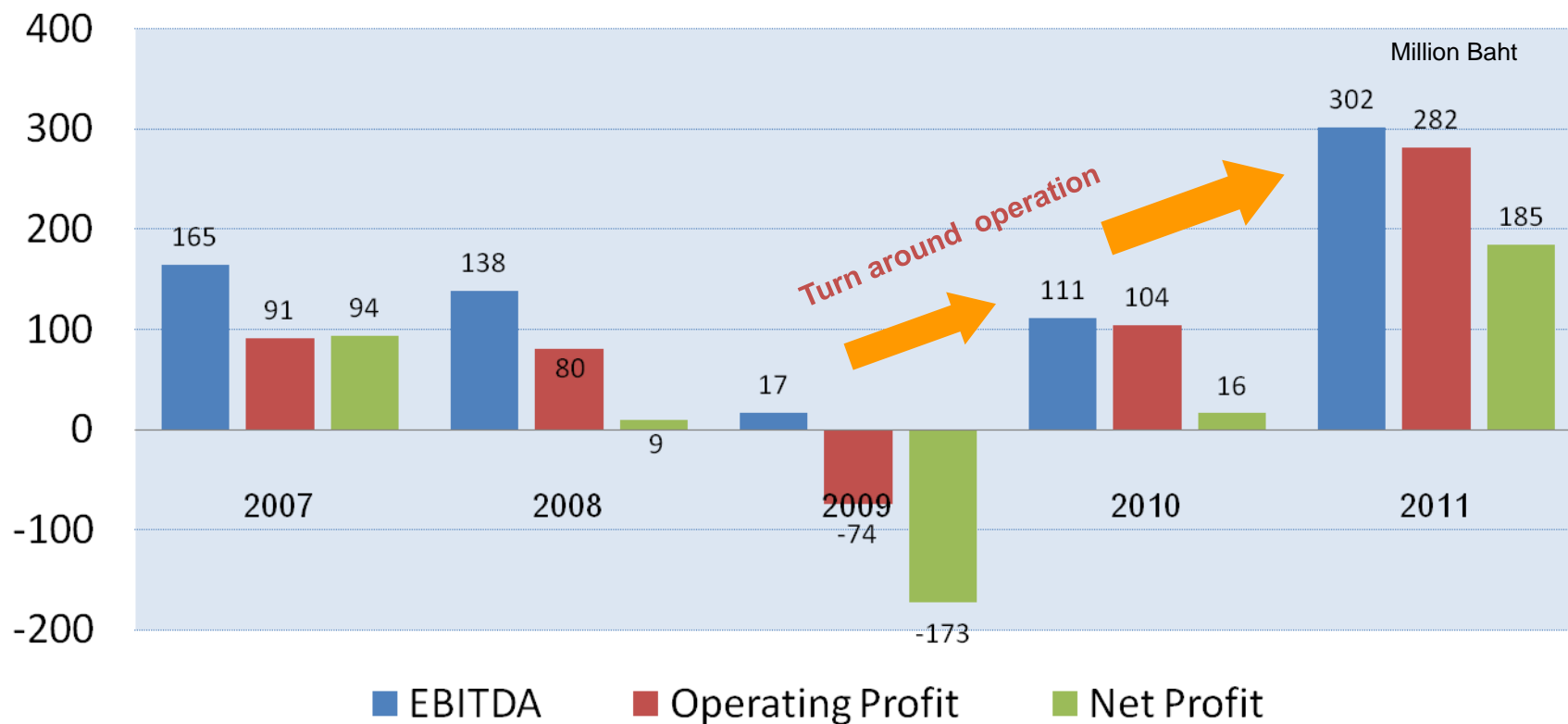
Billet Sales by Product



Domestic and Export Sales



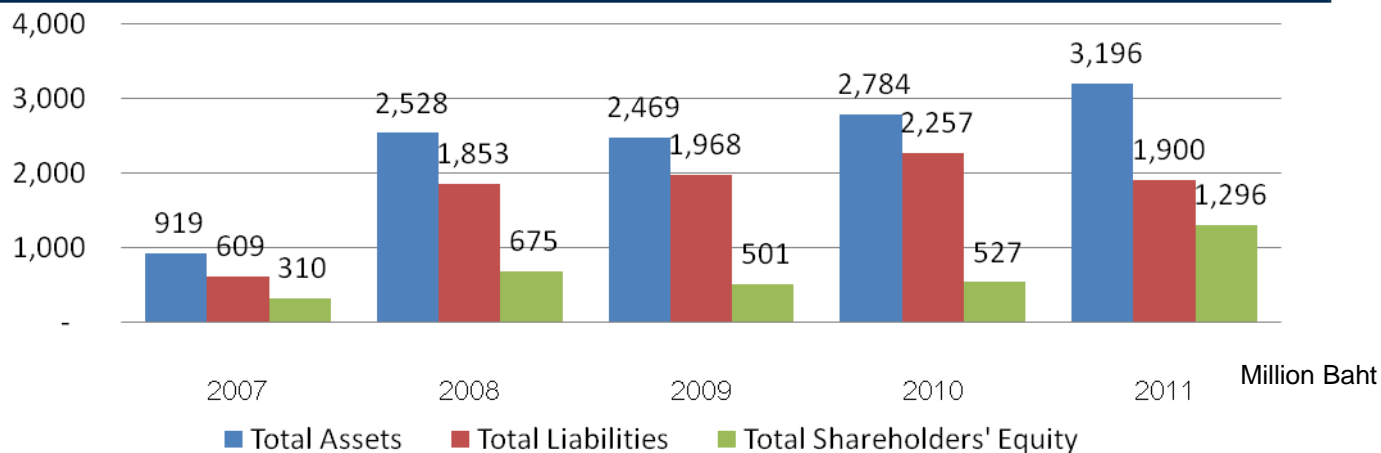
Operating Results



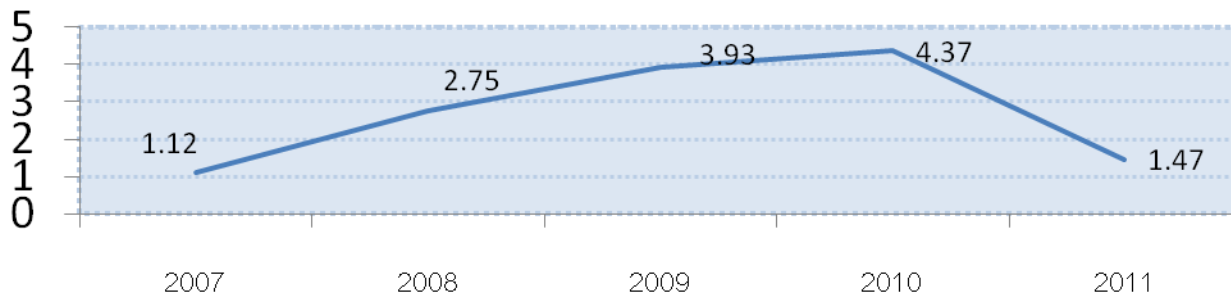
- In 2009, net loss amounted to Baht 173 million. Such net loss was due to the global economic turmoil whereas average price as well as gross profit margin were lowered compared to gross profit margin in 2008. Besides, in 2009, the Company recorded losses of Baht 40 million from the reduced value of inventory.
- In 2010 and 2011, the company has generated net profit of Baht 16 million and Baht 185 million respectively. This resulted from the continually increase in sales volume and the average selling price. Moreover, the gross profit margin increased from 2.87% in 2009 to 5.1% in 2010 and 6.86% in 2011, respectively.

**Net Profit = Net Profit attributed to equities holders of the company*

FINANCIAL POSITION

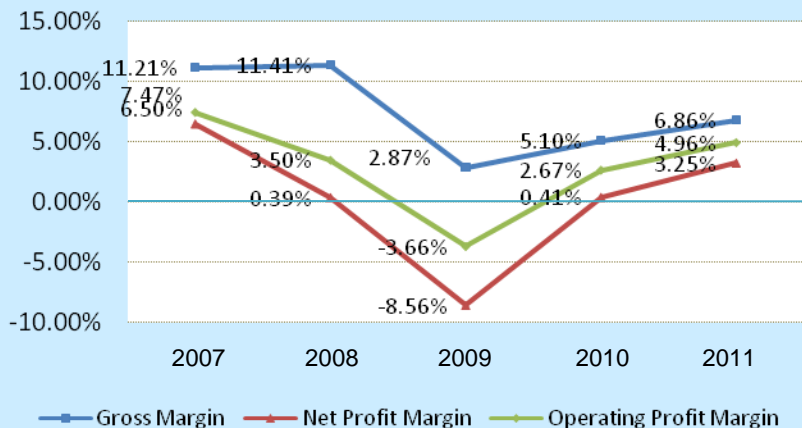


Debt to Equity Ratio (Times)

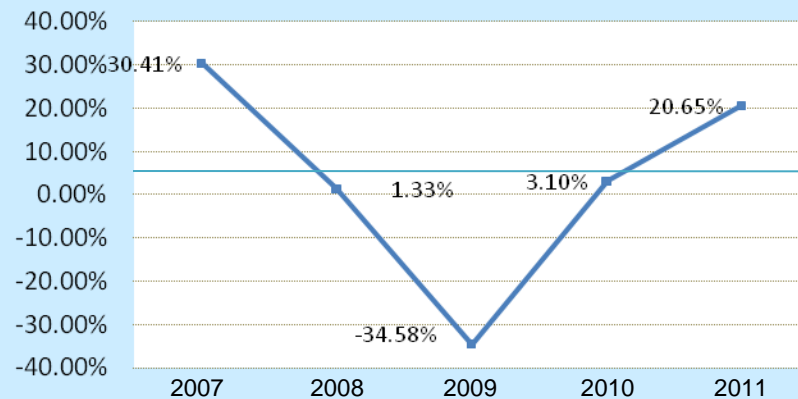


* Calculate from Equity holders of the parent

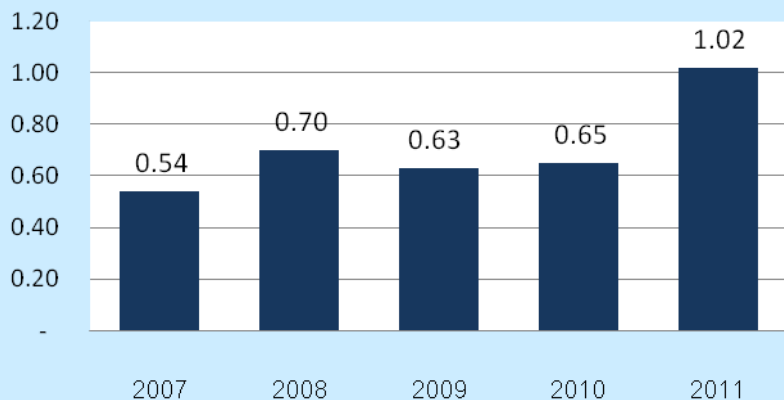
Profit Ratio (%)



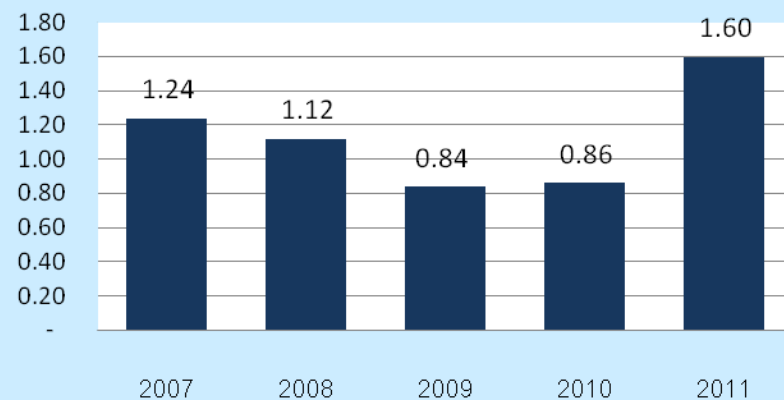
Return on Equity Ratio (%)



Current Ratio (Times)



Equity per Share (Baht)



Q & A

www.chowsteel.com

