“Thailand-your gateway into ASEAN”

Duangjai Asawachintachit
Deputy Secretary General
Thailand Board of Investment (BOI)
June , 2014

Thailand is the World's

- *17th largest manufacturer*
- *23rd largest industrial output*
- *24th biggest economy by purchasing power*
- *28th biggest exporter (as % of total world goods)*

Source: Economist Pocket in World Figures 2014

ASEAN'S 2nd Largest Economy

THAILAND BOARD OF INVESTMENT

Thai Economy: Sophisticated

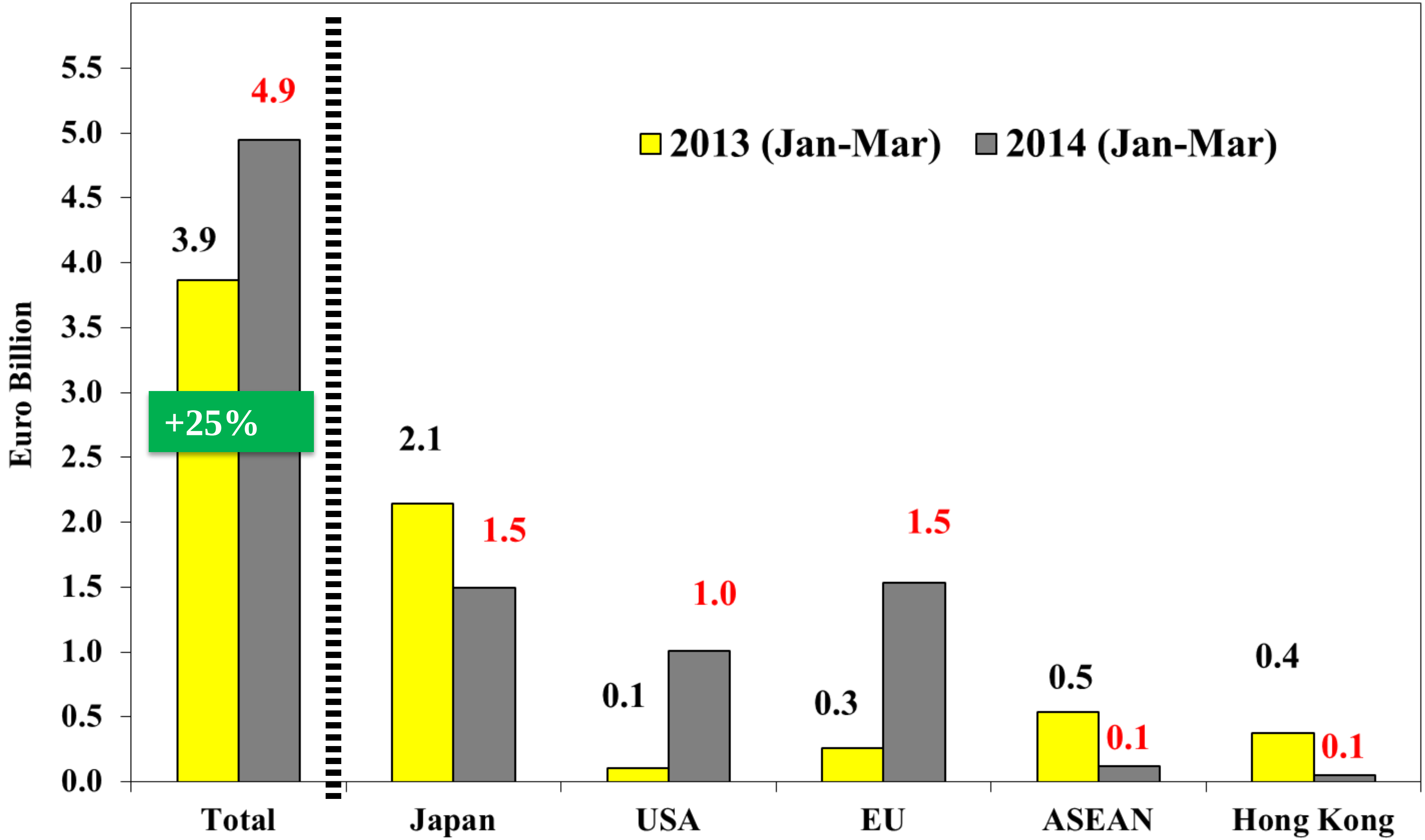
- World's 9th biggest car marker (2.5 m cars manufactured in 2013)
- Regional hub for electrical & electronic products, consumer goods, processed food
- Upper middle income country (per capita income of US$5,480 in 2012) with growing middle class

2013 Economic and 2014-2015 Projection

(% YoY)	2011	2012	2013	Projection 2014	Projection 2015
GDP Growth (at 1988 price)	**0.1**	**6.5**	**2.9**	**3.0***	**3.8**
Current Account to GDP (%)	**1.2**	**-0.4**	**-0.6**	**-0.2**	**0.3**
Inflation	**3.8**	**3.0**	**2.2**	**2.5**	**2.3**
Export Growth (%)	**16.4**	**3.1**	**-0.2**	**3.7**	**-**
Import Growth (%)	**24.7**	**8.8**	**-0.4**	**0.5**	**-**

Source: NESDB as of May 29, 2014 , IMF and Bank of Thailand as of April 2014
*** FPO's estimate**

Foreign Direct Investment Applications Submitted to BOI



THAILAND An Asian Hub, a World of Opportunity

Source: BOI, as of Apr, 2014 Exchange rate: €1= Bt40.81 as of 2013

THAILAND BOARD OF INVESTMENT

The World Bank Ranks Thailand among the easiest places to do Business in Asia and 18th in the World

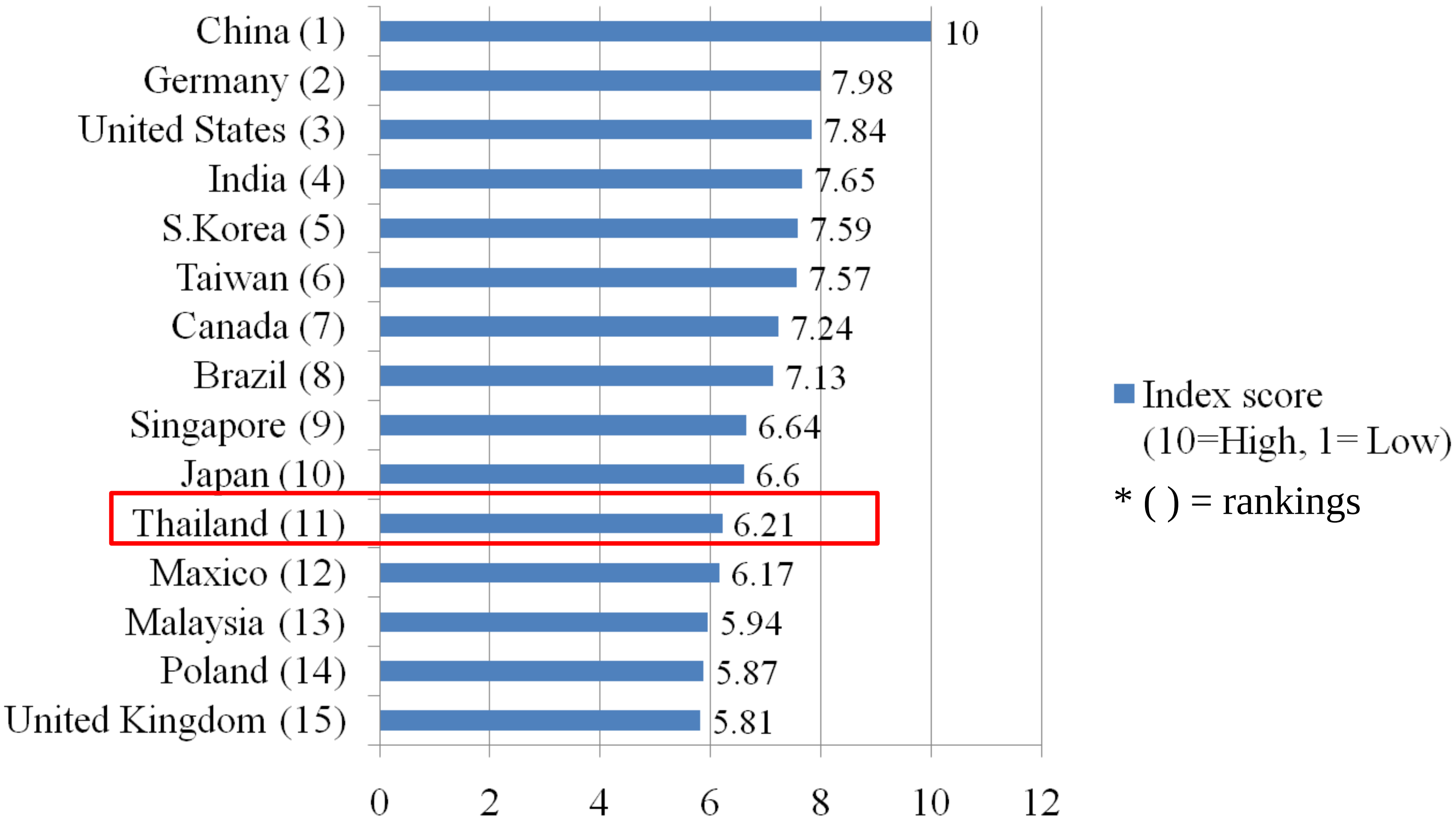
Source: Doing Business 2014, October 2013

UNCTAD Survey
Top Ten Prospective Host Economies for 2013-2015

Country	Rank
China	1
USA	2
India	3
Indonesia	4
Brazil	5
Germany	6
Mexico	7
Thailand	8
UK	9
Japan	10

Source: UNCTAD Investment Prospect Survey, based on 159 company responses

2013 Country Manufacturing Competitiveness Index Rankings

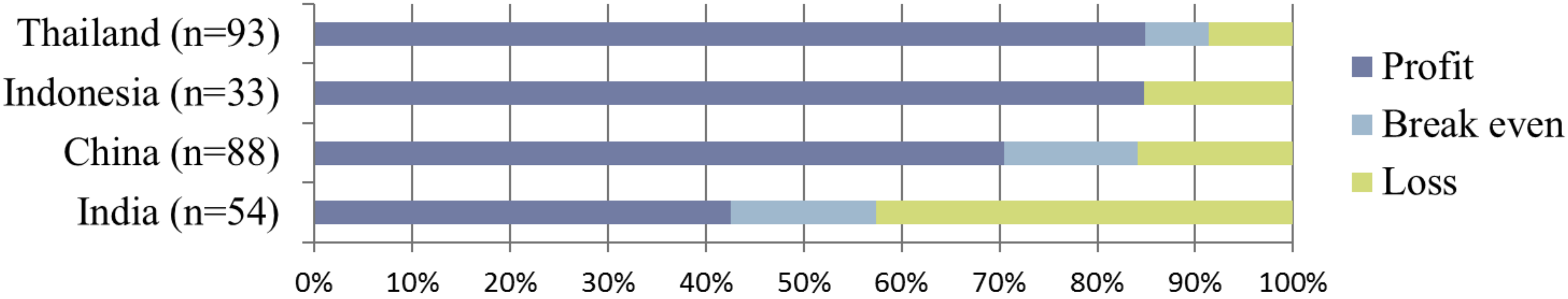


Source: 2013 Global Manufacturing Competitiveness Index by Deloitte Touche Tohmatsu Ltd. And the U.S. Council on Competitiveness as of April , 2013

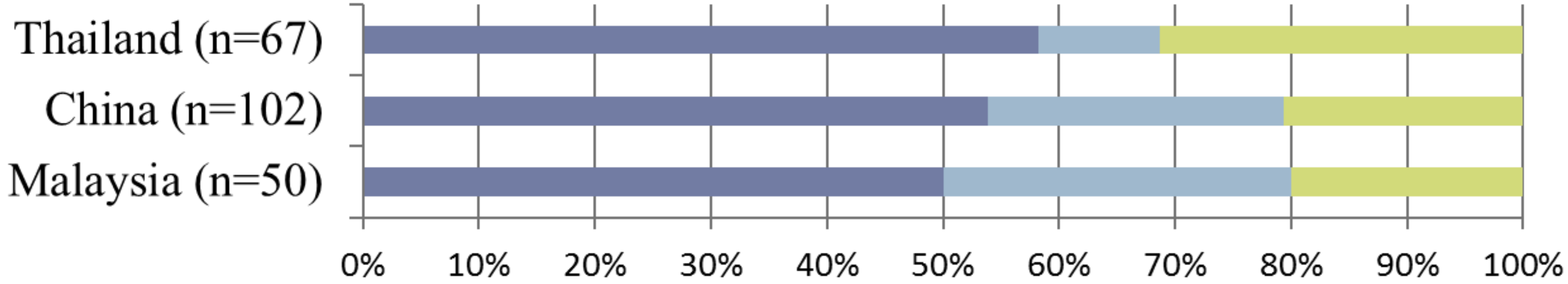
JETRO Survey of Japanese-Affiliated Companies in Asia and Oceania (FY 2012)

BUSINESS OUTLOOK:
ESTIMATED OPERATING PROFIT IN 2012
MAJOR INDUSTRY CATEGORIES BY COUNTRY AND REGION (COUNTRIES/REGIONS FOR WHICH N ≥ 30)

Motor vehicles/ Motorcycles



Electric machinery



Source: JETRO Survey of Japanese-Affiliated Companies in Asia and Oceania (FY2012)

Thailand: the Crossroads of ASEAN

10 Countries, One Single Market in 2015

GDP	US$ 2.3 trillion
Population	616 million
Foreign Direct Investment	US$ 111 billion
GDP Growth	5.7% (2011) 6.4% (2012) 5.2% (2013) 4.9% (2014)

ASEAN's GDP to double to US$4.7 trillion in 2020

Source: UNCTAD and IMF as of April, 2014

Expanding Regional Integration

AEC

(ASEAN Economic Community)

616 million population

(9% of world population)

GDP: US$ 2.5 trillion

(2% of world's GDP)

RCEP

(Regional Comprehensive Economic Partnership)

(ASEAN + China, Japan, Korea, India, Australia & NZ)

3.3 billion population

(50% of world population)

GDP: US$17.1 trillion

(27% of world's GDP)

FLAGSHIP OF ASEAN

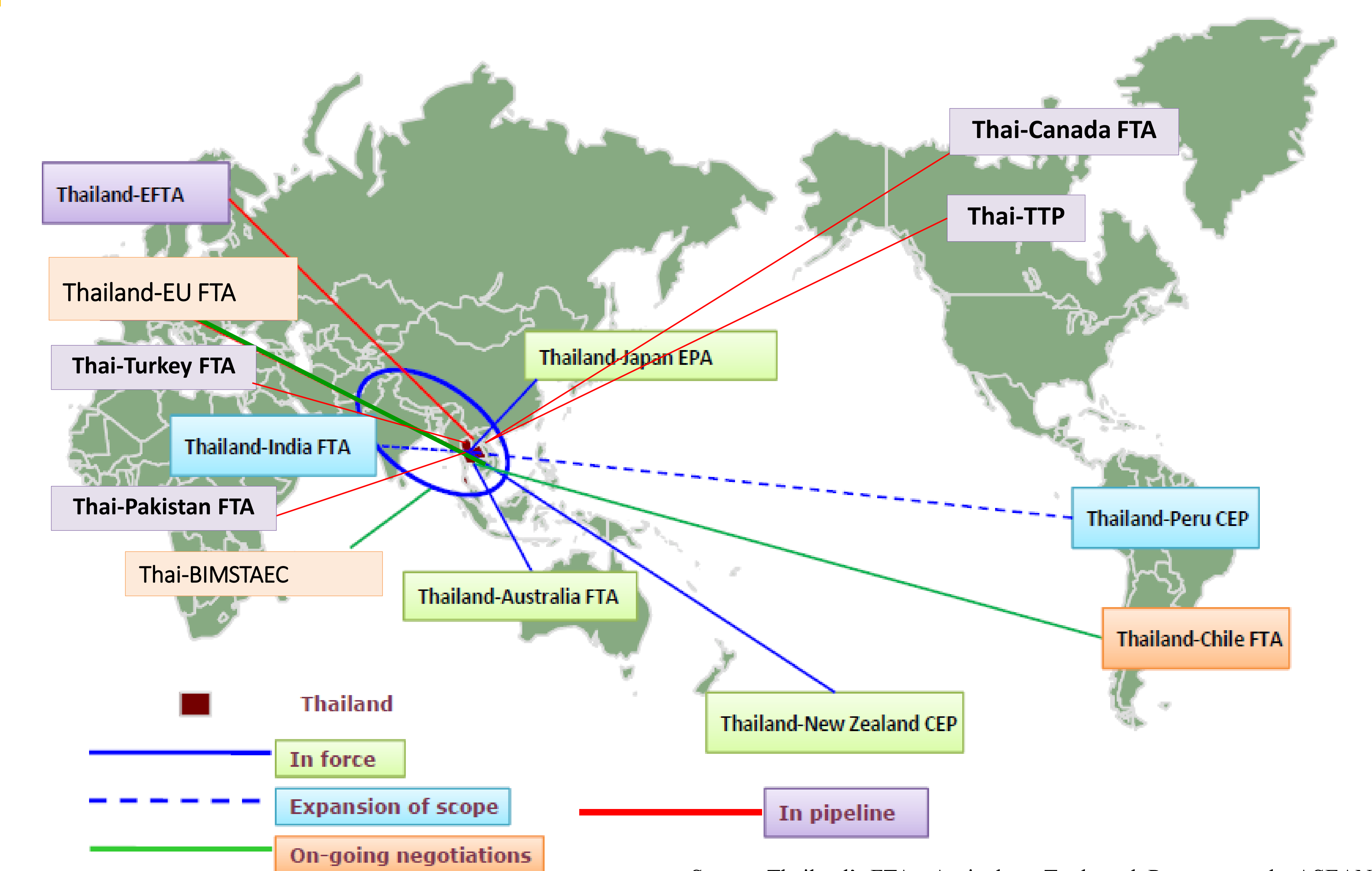
- Emerging regional architecture
- A new generation FTA
- A high ambition agreement

THE BIGGEST FTA

- Market size (16 countries)
- Regional supply chain
- FDI (intra-extra region)

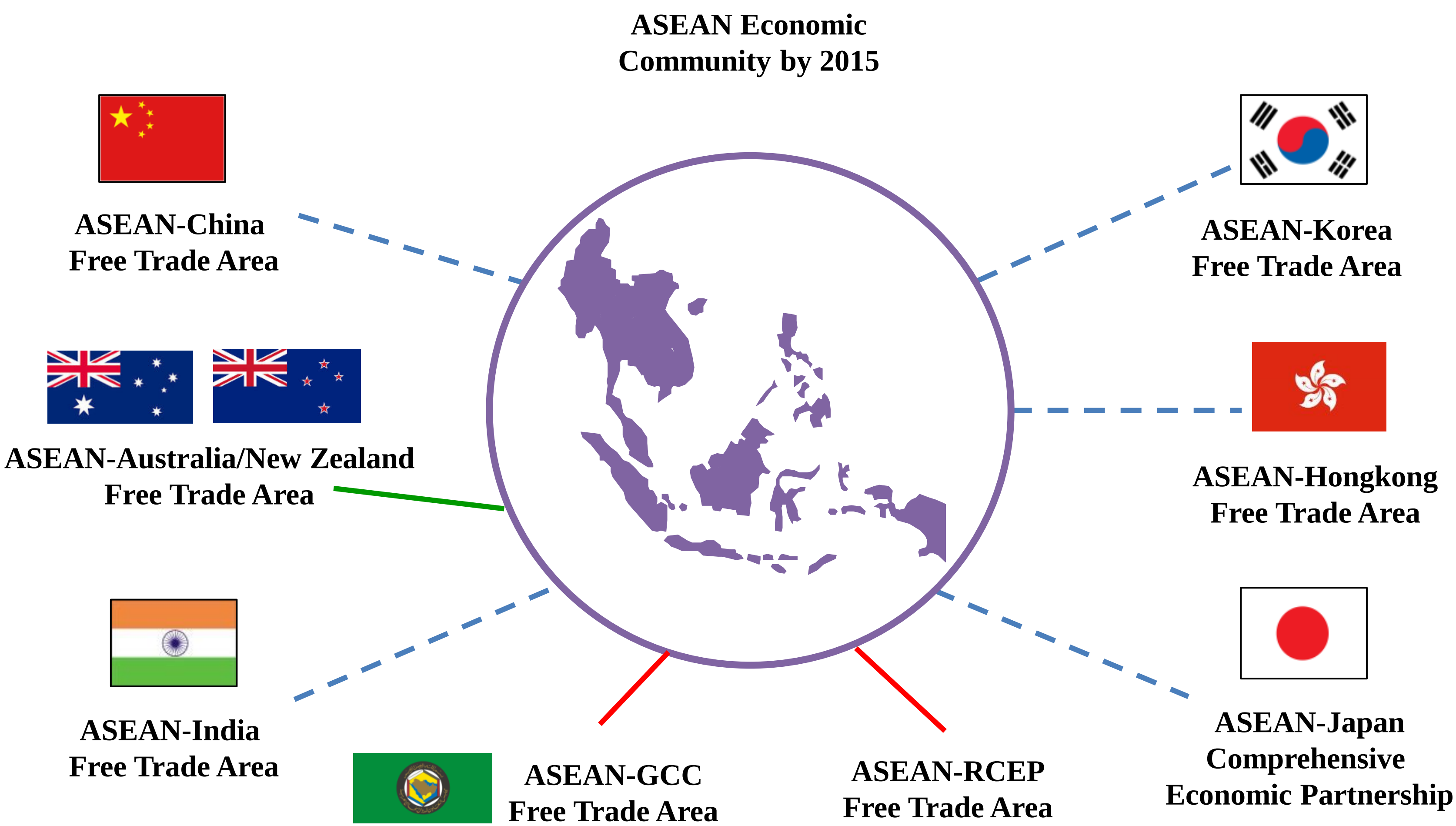
Source: RCEP Seminar by DTN as of April 30, 2013

Thailand’s Bilateral FTAs



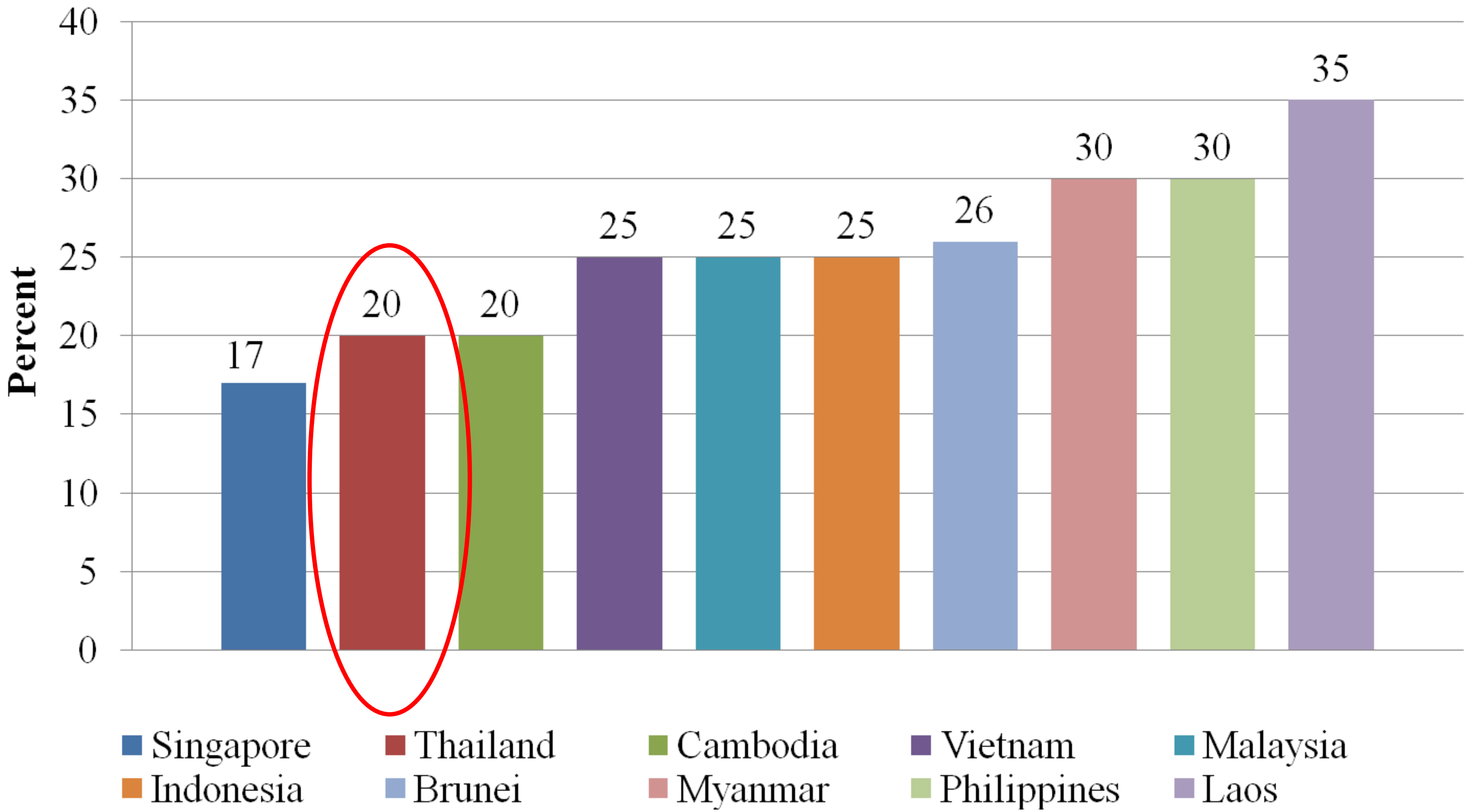
Source: Thailand’s FTAs, Agriculture Trade and Prospect on the ASEAN Economic Community, March, 2014

Regional FTAs



Expansion of Scope - - - - - -   In force ———   In pipeline ———

Low Corporate Income Tax 2013



Source: KPMG ASEAN Tax Guide, as of 2013

Thailand’s New Personal Income Tax Scheme

Income	Taxed amount	Tax rate	
		Old	New
0-150,000	150,000	Exempted	Exempted
150,001-300,000	150,000	10%	5%
300,001-500,000	200,000	10%	10%
500,001-750,000	250,000	20%	15%
750,001-1,000,000	250,000	20%	20%
1,000,001-2,000,000	1,000,000	30%	25%
2,000,001-4,000,000	2,000,000	30%	30%
More than 4,000,000	-	37%	35%

Note: The new tax rate will be applied for 2013 tax calendar year onwards.

Source: http://www.rd.go.th/publish/fileadmin/download/taxrate_pit2556.pdf **as of Jan 2014**

BOI's Liberal Investment Regime & Attractive Investment Incentives

Policy

- 100% foreign ownership
- No local content requirements
- No export requirements
- No restriction on foreign currency

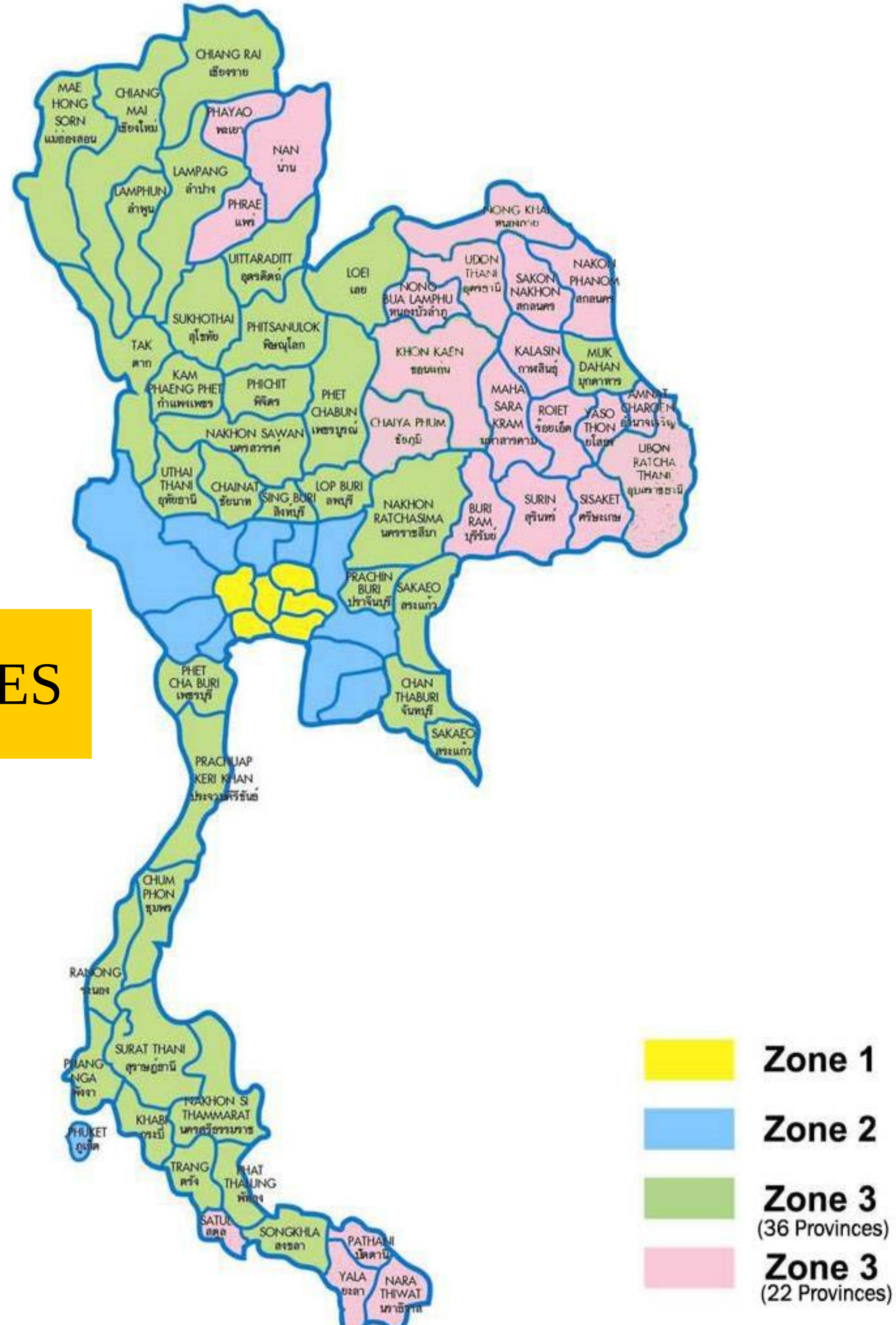
Tax

- Import duty exemptions/ reductions
- Corporate Income Tax/ Exemption for 3 to 8 years
- 50% reduction of corporate income tax for up to 5 years
- Double deduction on utility costs
- Deductions for qualifying infrastructure costs

Non-Tax

- Land ownership rights
- Work permit & visa facilitation

BOI ZONING AND INCENTIVES



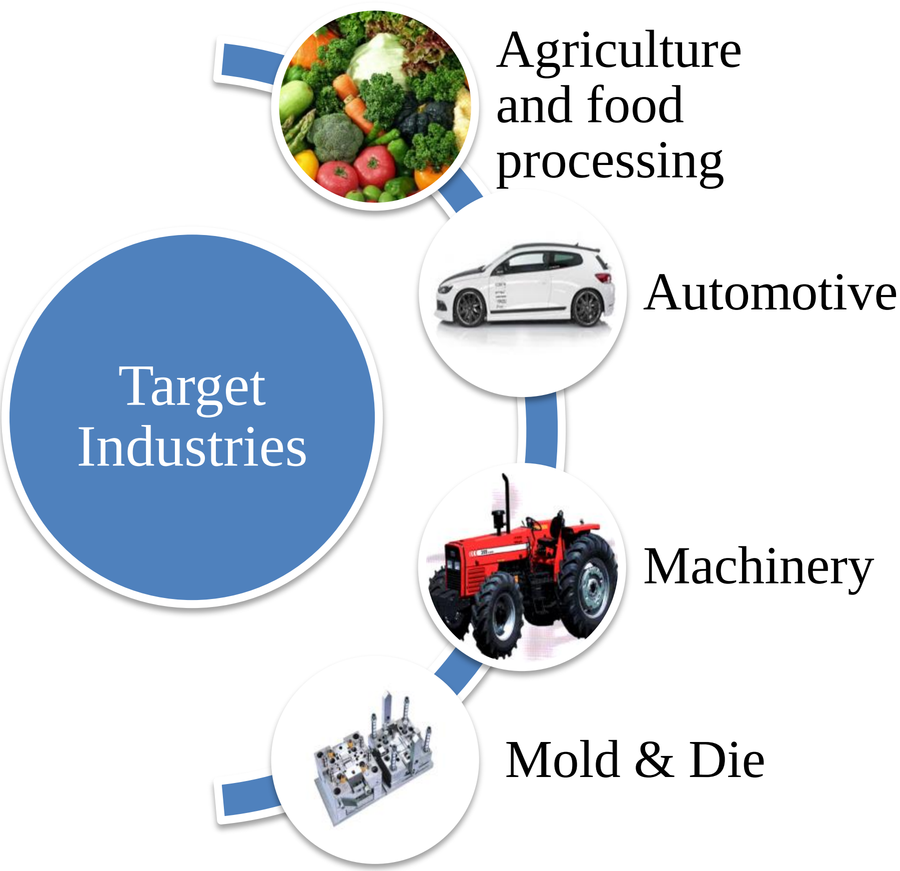
Driving Skill, Technology and Innovation Investment through Investment Incentives

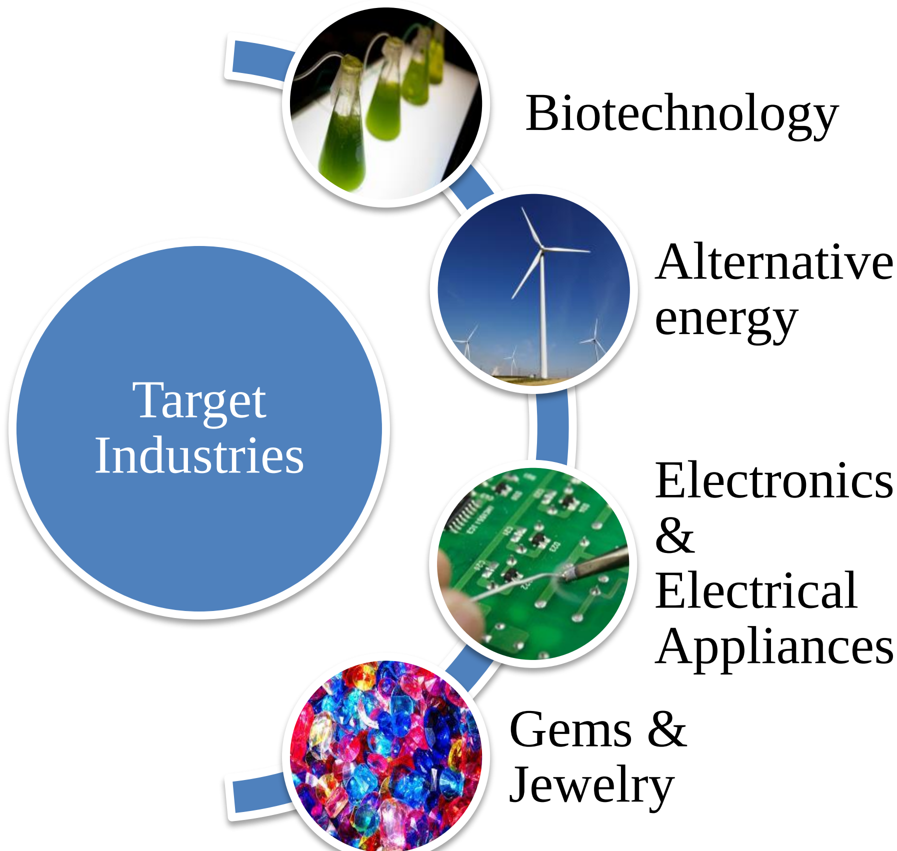
Incentives: Additional 1-3 years of tax holidays

Criteria: Investments and expenditures on

- **Research and development or design**
- **Advanced technology training**
- **Funding educational and research institutions**
- **Contribution to S&T Development Fund**

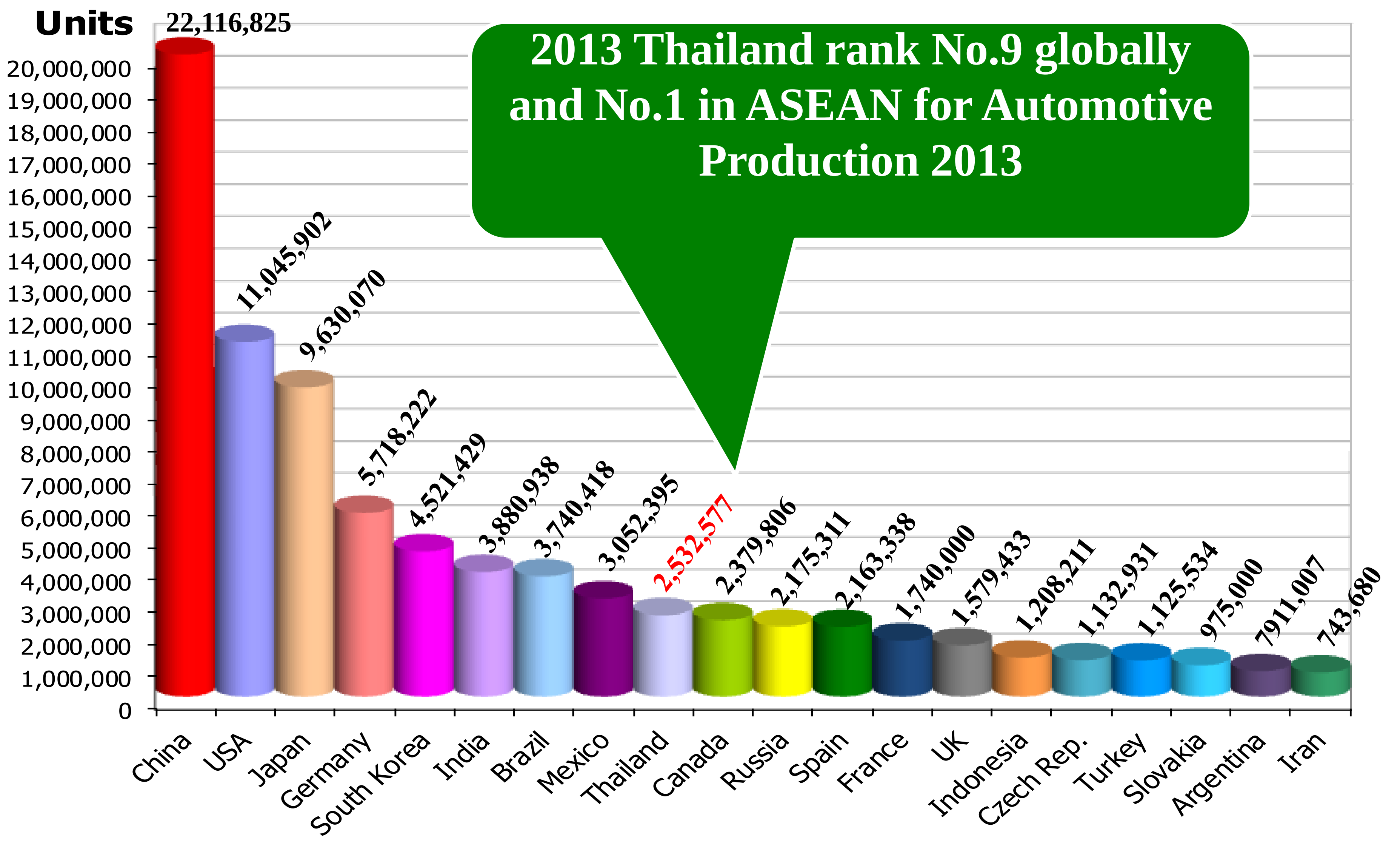
Sectors of Opportunity





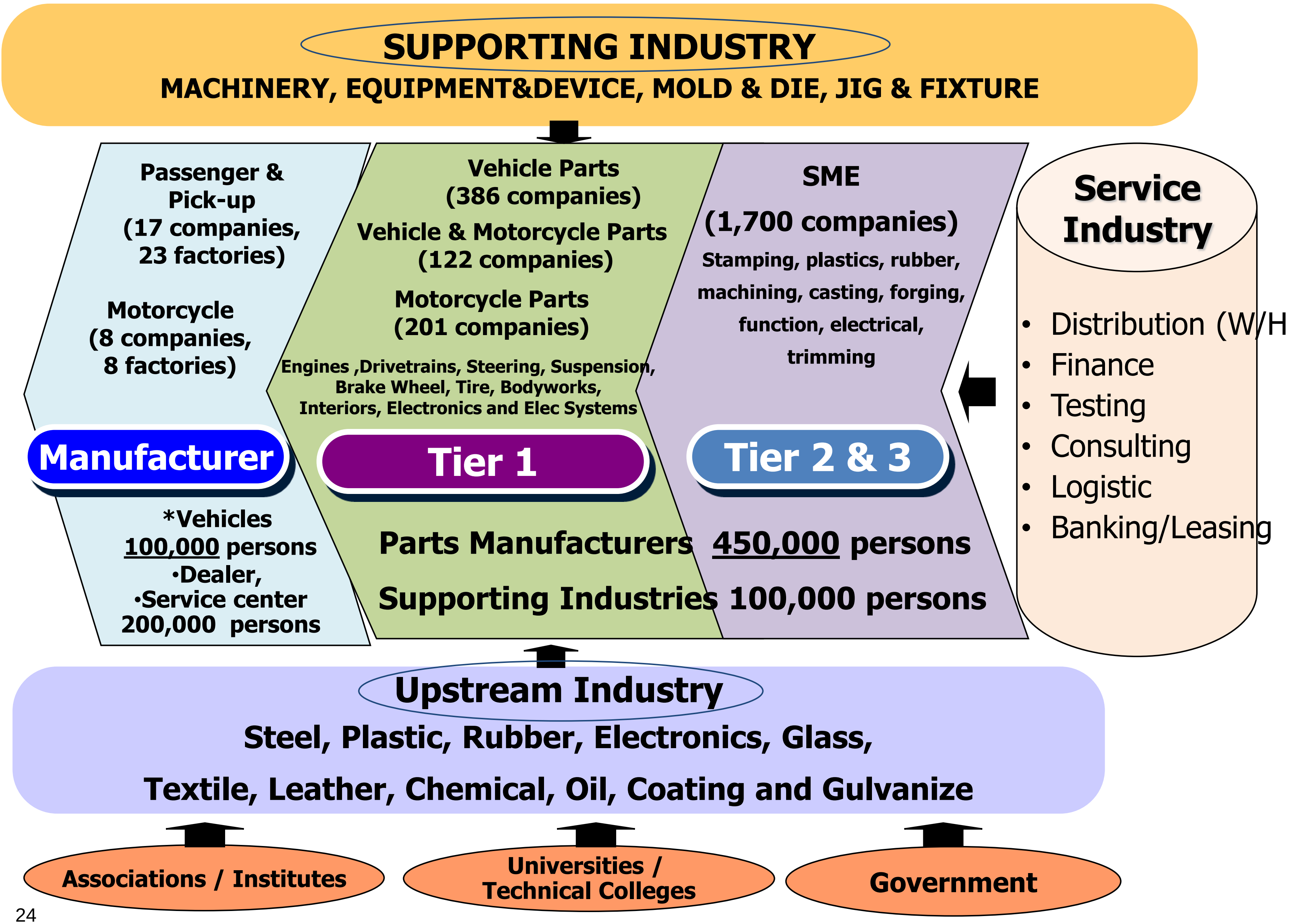
Thailand's Automotive Industry Current Situation and Trends

World Ranking of Automotive Production by Country



Source : International Organization of Motor Vehicle Manufacturers, OICA (As of April 2014)

Thai Automotive Cluster and Supply Chain Structure



Policy & Supporting Body

Strength of Thai Automotive Industry

Top 100 Global Suppliers Active in Thai Automotive Industry

Japanese Global Suppliers

2. Denso
4. Aisin Seiki
13. Yazaki
15. Sumitomo
16. Toyota Boshoku
18. Calsonic Kansei
19. JTEKT
20. Hitachi
28. Toyoda Gosei
33. NTN
34. NSK
35. Mitsubishi
39. NHK Spring
40. Koito
41. TS Tech
43. Takata
46. Bridgestone
49. Tokai Rika
57. Showa
61. Mitsuba
66. Asahi Glass
72. Stanley
74. Akebono Brake
82. Sanden
84. F-Tech
92. Alpine
94. Pioneer
98. Omron

28/29 Companies

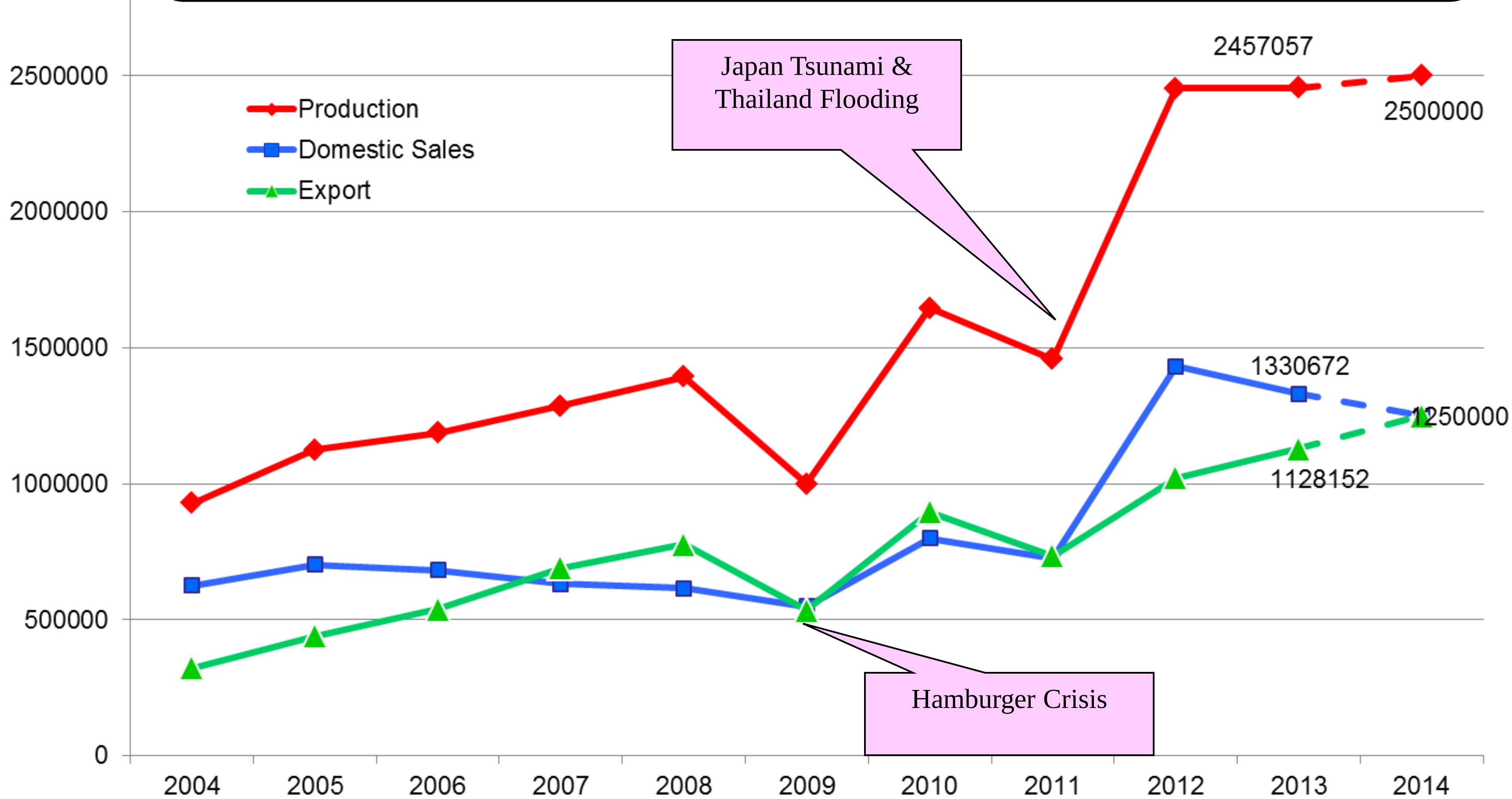
Other Global Suppliers

1. Robert Bosch
3. Continental
6. Faurecia
7. Johnson Control
8. ZF
11. TRW
12. Delphi
14. Lear
17. BASF
21. Valeo
22. Visteon
23. Autoliv
25. Mahle
27. Dana
31. BorgWarner
36. Teneco
44. Federal-Mogul
47. Michelin
50. GKN Driveline
52. Goodyear
56. Grupo Antolin
58. Bayer
59. TI Automotive
65. Draexlmaier
67. American Axle
73. Rieter Auto.
84. F-Tech
86. Hayes Lammerz
93. 3M

29/71 Companies

Overview of Thai Automotive Industry (4 wheels)

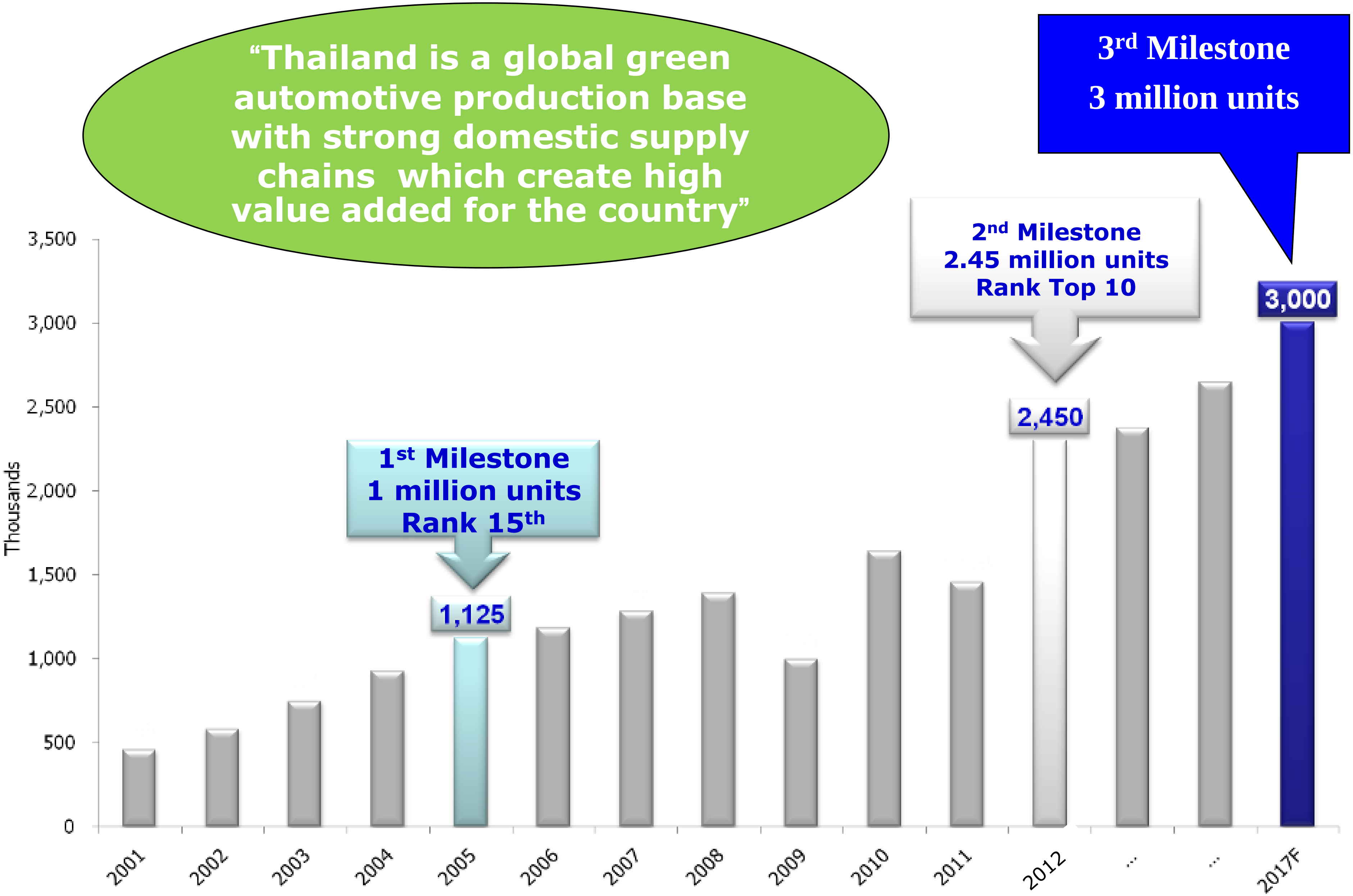
	Year 2012	Year 2013	Year 2014f
Production	= 2,453,717 Units	2,457,057 Units	2,500,000 Units
Domestic Sales	= 1,436,335 Units	1,330,672 Units	1,250,000 Units
Export	= 1,026,671 Units	1,128,152 Units	1,250,000 Units



Source: Thai Automotive Industry Association

Thai Automotive Industry Milestones

"Thailand is a global green automotive production base with strong domestic supply chains which create high value added for the country"



Eco-Car Programs

Product	Eco Car 1	Eco Car 2
Engine Type	Benzene 1,300 cc	Benzene 1,300 cc
	Diesel 1,400 cc	Diesel 1,500 cc
Fuel consumption (Liter/100 km)	5 Liter	4.3 Liter
Emission Standard Co2 (g/km)	Euro 4, Co2 < 120g/km	Euro 5, Co2 < 100g/km
Minimum Investment (MB)	5,000	6,500
Minimum Production	100,000 units/year (from 5th year)	100,000 units/year (from 4th year)

- 10 applications received with total capacity of 1.58 M units
- Production to start by 2019

Thailand’s Food Industry

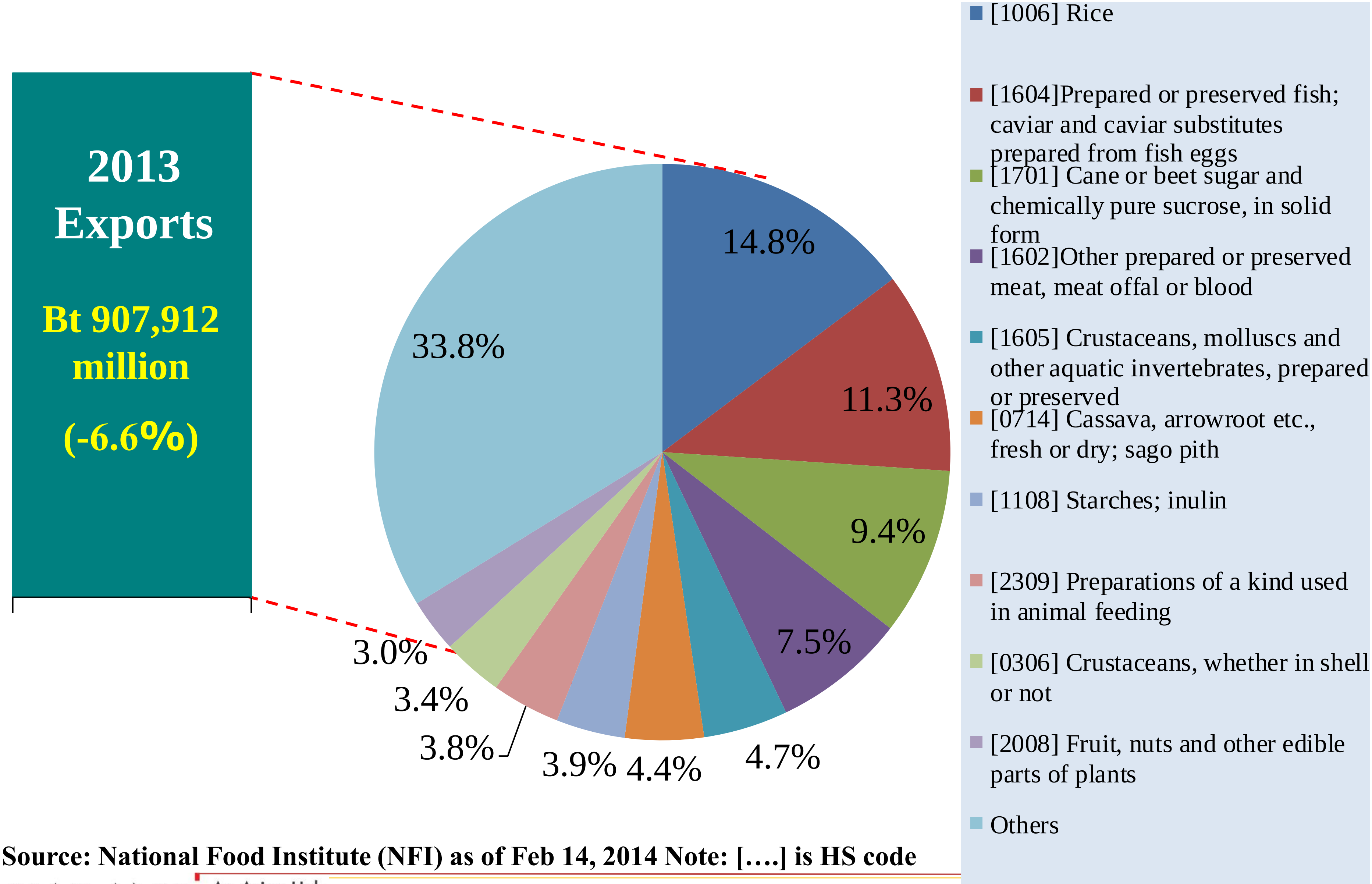
Thailand: World's Leader in Agro-Based Products

- World's 9th largest agricultural output
- World's 2nd producer of natural & synthetic rubber
- World's 1st exporter of tapioca products
- World's top exporter of rice, sugar, seafood, canned tuna, canned pineapples, and cassava

Sources: Office of Agricultural Economics, as of February 6, 2012

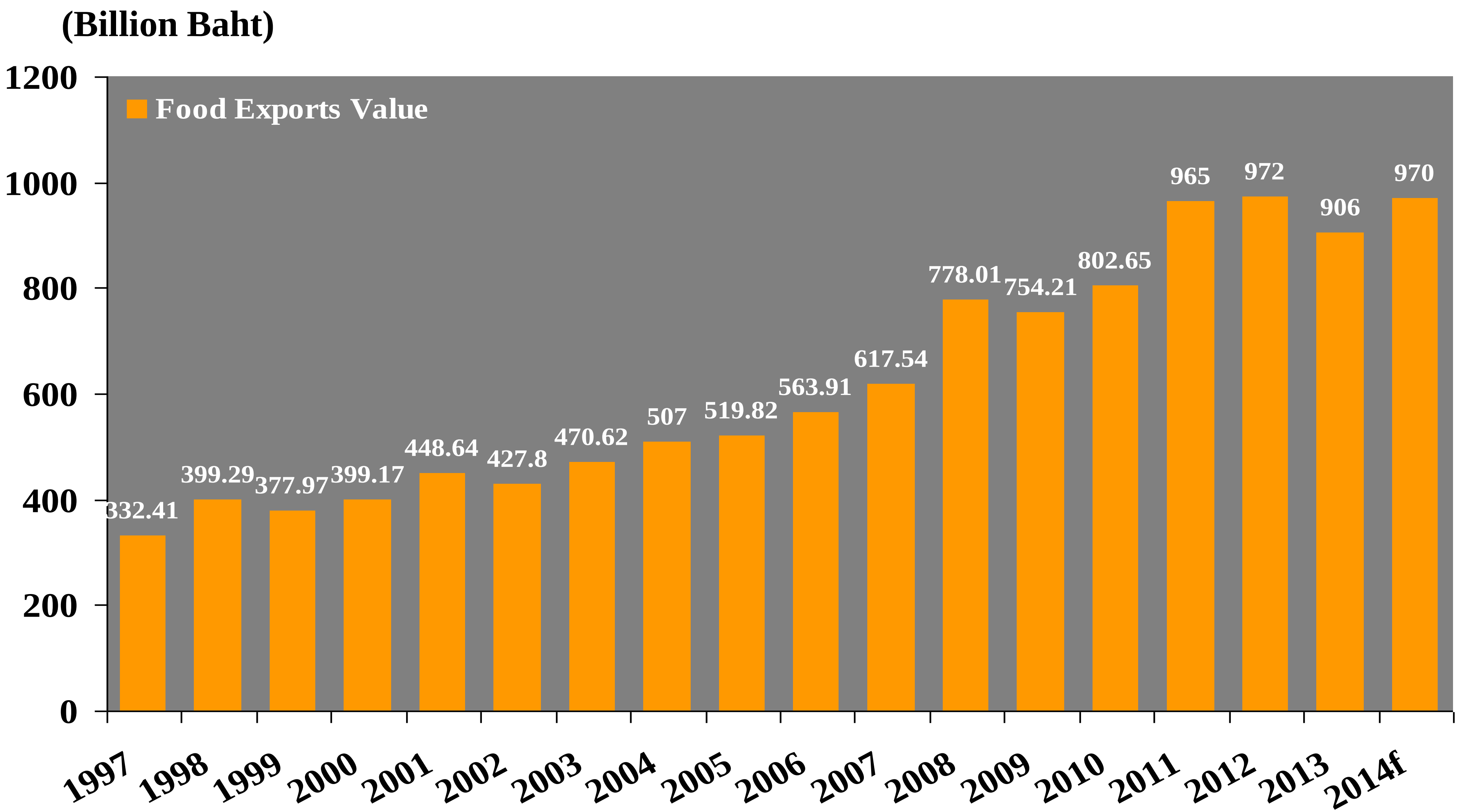
* Thai Tapioca Starch Association, Sept 2010

2013 Thailand's Top 10 Food Exports



Source: National Food Institute (NFI) as of Feb 14, 2014 Note: [….] is HS code

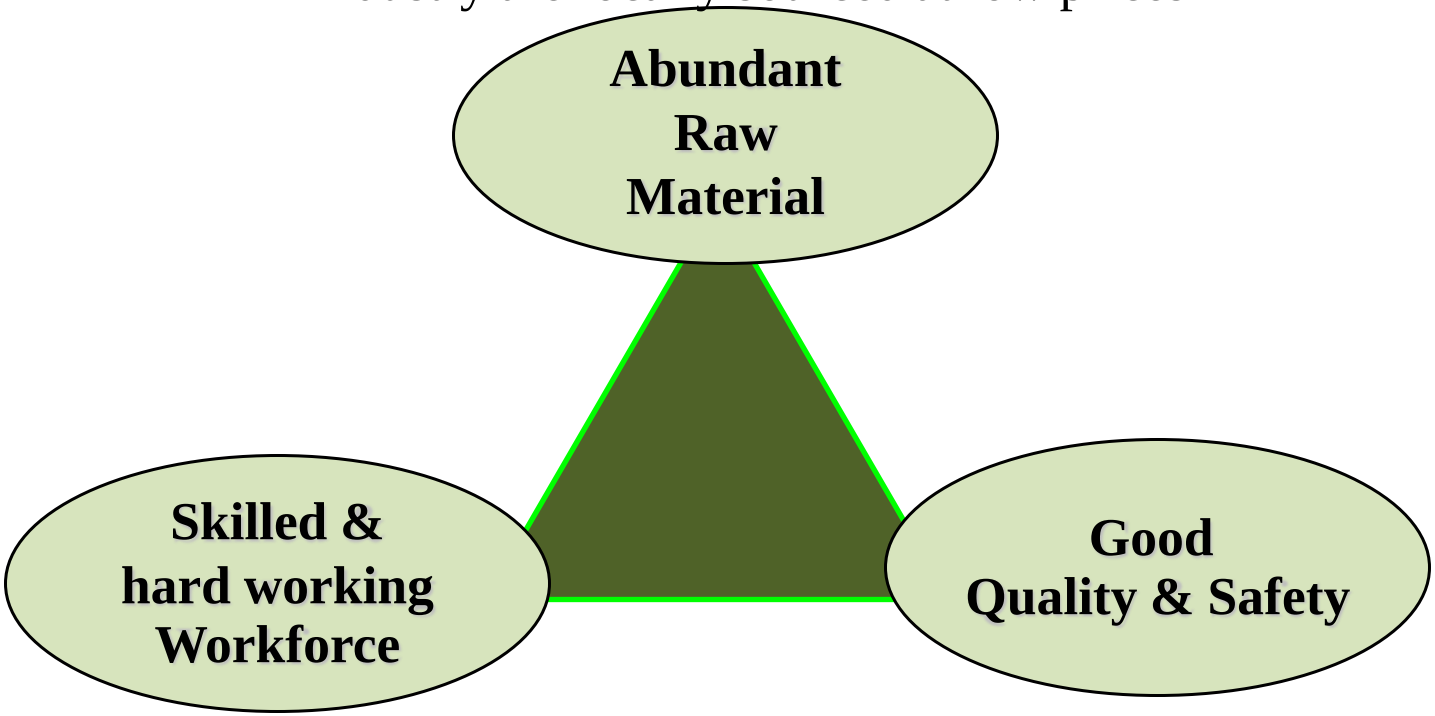
Thailand's Food Exports, 1997 – 2014f



Source: National Food Institute (NFI) as of Feb 14, 2014

Strengths of Thai Food Industry

> 80% of raw materials used by the food industry are locally sourced at low prices

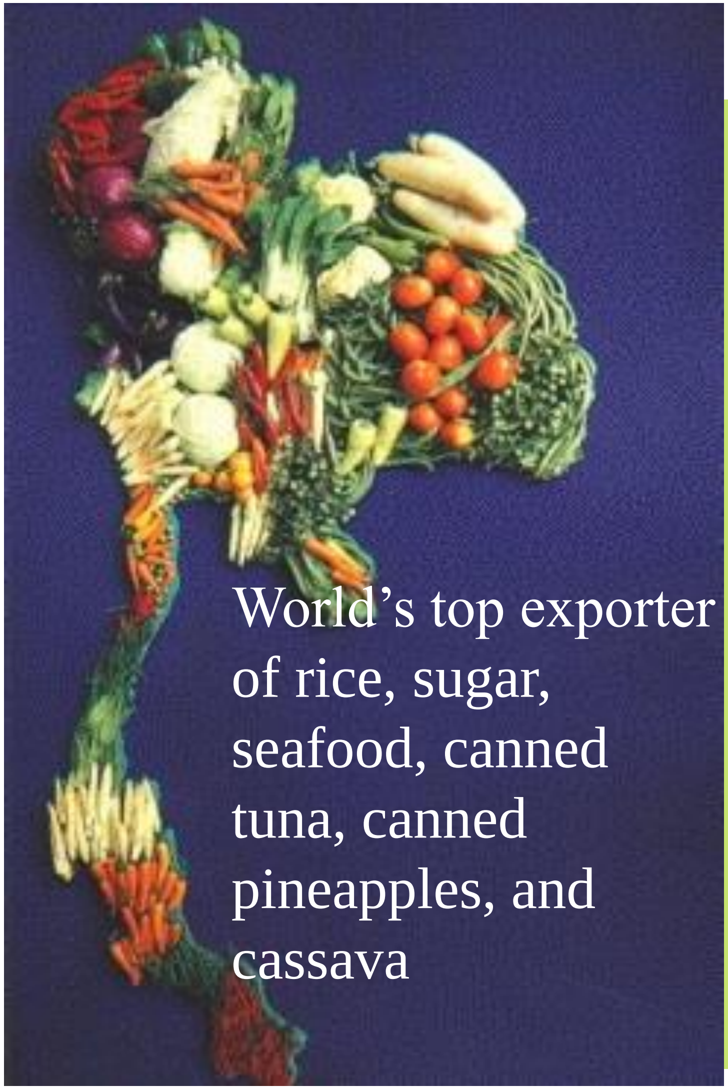


Size of workforce now > 39.5 million
Minimum Daily Wage Bt300

GMP and International Standard Good Manufacturing Practices is a mandatory measure for 54 types of food products

Source: Thailand Food Industry Outlook, Commercial Section, Royal Danish Embassy, Mar 2011

Thailand's Agro Industry



- **Thailand was the first country in Southeast Asia to adopt agriculture biotechnology.**
- **The processed food sector accounts for nearly 15% of the national manufacturing output and contributes 52% of food exports, Bt907 billion in 2013.**
- **There are approximately 9,000 food processing companies in Thailand producing annual earnings of about US$25 billion.**
- **The 2013 export value of agricultural products was Bt688 billion (or US$22.71)**

Source: National Food Institutes and MOC, as of Feb 14, 2014

Food Safety Standards

- Thai food factories must apply for GMP, ISO, HACCP, TQM, Water footprint and Carbon footprint.
- For food exports, BRC , IFS, and SQF must be applied.
- Agricultural Commodity and Food Standards (ACFS)
  - Good Manufacturing Practice(GMP)
  - Good Hygienic Practice (GHP)
  - ISO 22000 (Safety on Food Supply Chain)

*BRC (British Retail Consortium) *IFS (International Food Standard) SQF* (Safety Quality Food)

Source: National Food Institute (NFI) as of Mar 2014

BOI Incentives

1.11.8 Manufacture or preservation of ready-to-eat or semi-ready-to-eat food is **classified as a priority activity of special importance and benefits to the country**.

Conditions:

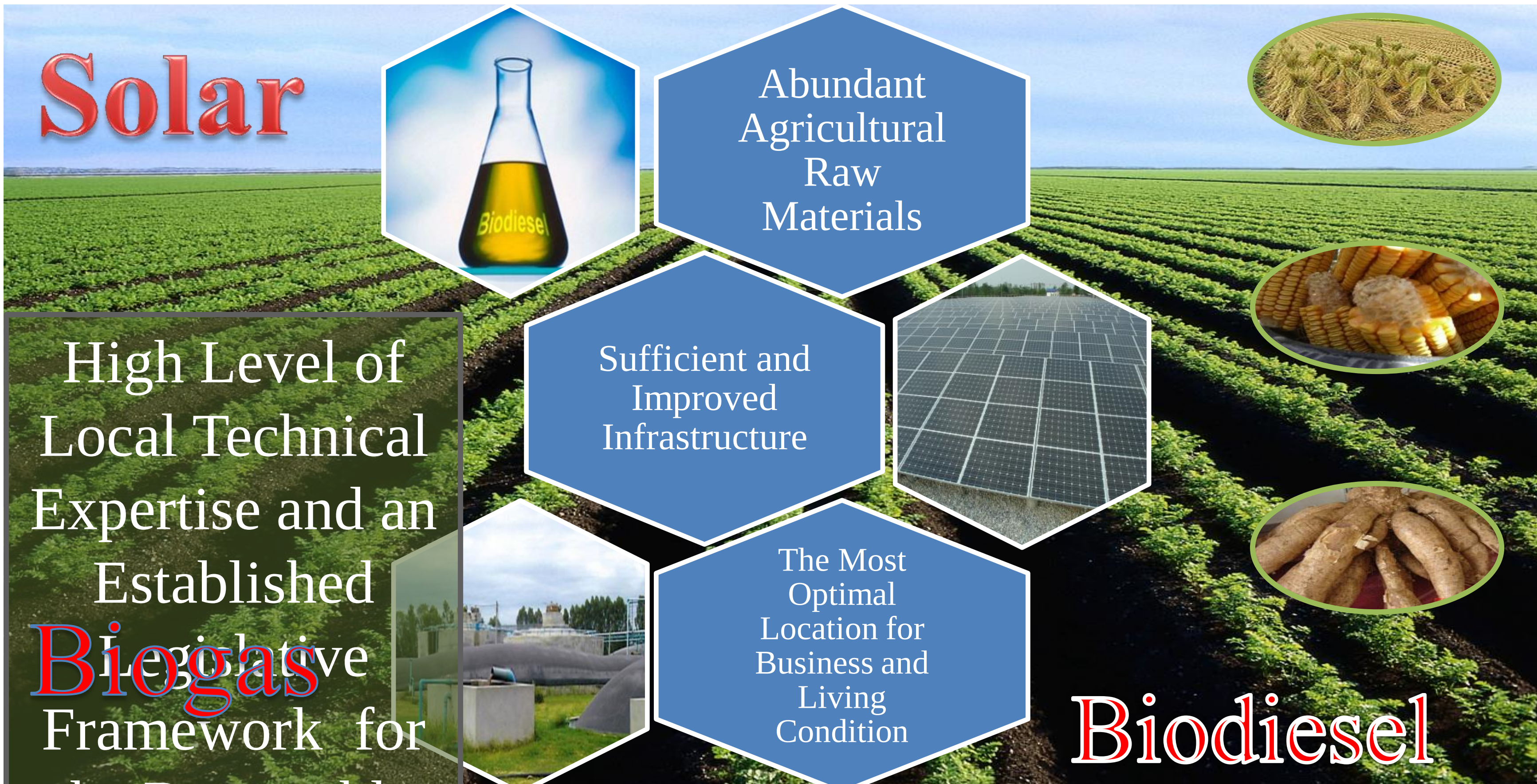
- Products must use modern technology, production process, tools and equipment and inspection (current or innovative technology)*.

Rights and benefits:

- Exemption of import duty on machinery for all zones.
- Eight-year corporate income tax exemption for all zones with no cap.
- Other relevant location-based incentives.

* Ref. BOI Announcement No.Por1/2553-Scope of Products under the Investment Promotion Activity Category 1.11.8 Manufacture or Preservation of Ready-to-Eat or Semi Ready-to-Eat Food.

Growing Opportunities: Renewable & Alternative Energy



High Level of Local Technical Expertise and an Established Legislative Framework for the Renewable Sector

Thailand's Energy Policy

1. • Enhancing energy related industries & business to be next generation value-creator.
2. • Securing country's energy supply.
3. • Pricing energy right.
4. • Up-scaling RE mix to 25% in 10 years.
5. • Targeting energy intensity reduction by 25% (based on 2010 level) within 20 years.

Source: DEDE (Renewable Energy Asia 2012), as of Sept 12, 2012.

Thailand Alternative Energy Development Plan

Committed to the development of low-carbon society

Government Funding On R & D Activities

Alternative Energy Development Plan (AEDP: 2012-2021), Revision 2013

Encouraging Private-Led Investment

Target 25 % of RE in Total Energy Consumption By 2021

RE Target for Total Power Generation: 13,927 MW in 2021

New type of energy	
Tidal Wave	Geothermal
2MW	1MW
3MW*	

Solar	Wind
3,000 MW	1,800 MW
4,800MW	

Small Hydropower
324 MW

Bio energy		
Biomass	Biogas	Solid waste
4,800 MW	3,600MW	400MW
8,800MW		

Bio fuel			
Ethanol	Bio-diesel	New Energy Replacing gas	Compressed Bio-methane Gas
9ML/d**	7.20ML/d	3ML/d	1,200 tons

(Data as of Aug 19, 2013)

Supporting scheme

- Future change of "Adder" to Feed-in-tariff (FiT) policy
- BOI Tax incentives scheme
- Some direct subsidy (10-30%) on Biogas and Solar-hotwater projects
- ESCO Revolving Fund (April 2013-April 2015)

- Abundant Supply
- Market driven
- Pricing Strategy to promote high-RE-Fuels (E10,E20,E85 and B5)

Source: Ministry of Energy as of Aug 19, 2013 *Megawatt (million watt) **Million litres/day

Alternative Energy Development Plan 2012-2021 (Revision, 2013)

Energy source	PDP 2010 (MW)	AEDP 2012 (MW)	AEDP 2013 (MW) (New)
Hydro	263	1,608	**324**
Wind	798	1,200	**1,800**
Waste to Energy	173	160	**400**
Biogas	121	600	**3,600**
Biomass	2,340	3,630	**4,800**
Solar PV	923	2,000	**3,000**
Others	-	3	**3**
Total	4,618	9,201	**13,927**

Source: EGAT & The Committee on Energy Policy and Planning (EPPO) as of July 2013.

Thailand’s Alternative Energy Potentials

N A T U A R A L

Solar

Hydro

Wind

C R O P

Sugar cane

Cassava

Palm

W A S T E

Agricultural waste

Industrial waste

Municipal solid Waste

E L E C T R I C I T Y

F U E L

H E A T I N G

Source: Stakeholder Workshop on RE Energy and Experience Sharing by DEDE as of October 10,2012

"Adder" : Feed-in Premiums

Type of renewable energy (July 2010-Present)	Adder (B/kWh) VSPP	SPP	Special adder * (B/kWh)	Supporting period (Year)
❑ Biomass - Installed capacity <= 1 MW - Installed capacity > 1 MW	**0.50** **0.30**	**Bidding**	**1.00** **1.00**	**7** **7**
❑ Biogas (all categories of production sources) - Installed capacity <= 1 MW - Installed capacity > 1 MW	**0.50** **0.30**	**Bidding**	**1.00** **1.00**	**7** **7**
❑ Waste (community waste, not hazardous industrial waste, and inorganic waste) - AD &b LFG - Thermal Process	**2.50** **3.50**	**2.50** **3.50**	**1.00** **1.00**	**7** **7**
❑ Wind power - Installed capacity <= 50 kW - Installed capacity > 50 kW	**4.50** **3.50**	**3.50**	**1.50** **1.50**	**10** **10**
❑ Mini and micro hydropower - capacity 50-200 kW - capacity < 50 kW	**0.80** **1.50**	**-No-**	**1.00** **1.00**	**7** **7**
❑ Solar	**6.5**		**1.50**	**10**

* Note : Special Adders for
- Facilities in 3 Southernmost provinces and 4 districts in Songkhla
- Diesel-Gen. replacement on PEA system

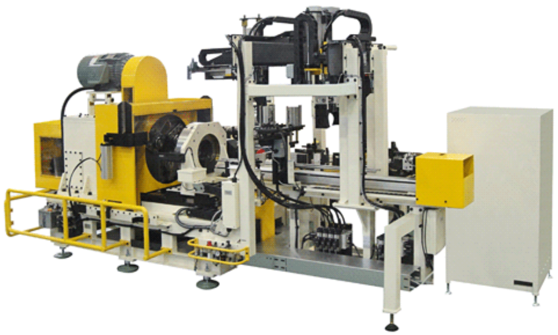
Source: EEF Annual Seminar by DEDE as of Aug 19, 2013

Note: 4 districts in Songkhla province including Chana, Thepha, Saba Yoi, and Nathawi

Machinery

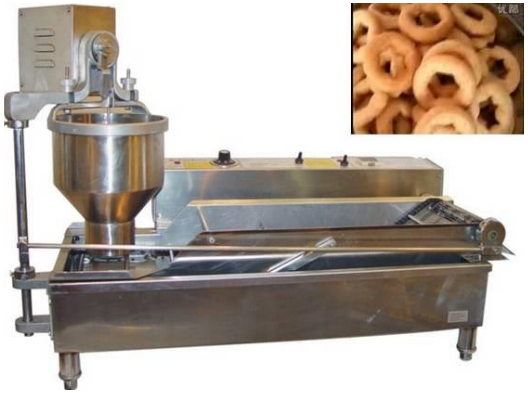
Economic transition from labor intensive to knowledge-based is creating great demand

Opportunities in Machinery



- Thailand continues to industrialize, but is dependent on foreign industrial machinery for immediate future.

- High demand for:
  - Food and farm machinery
  - Alternative energy/energy conservation machinery
  - Textile machinery
  - Automotive machinery
  - Mould & Die Industry



Specific Industrial Machinery Needed:

- Turning machines
- Drilling machines
- Milling machines
- Grinding machines
- Machine Centers
- Gear Cutting & Finishing Machines
- Die Sinking EDMS
- Wire Cut EDMs
- Laser Beam Machines
- Plasma Arc Cutting Machines
- Electron Beam Machines
- Broaching Machines

BOI Priority Activities-8 years

corporate income tax holidays, duty free machinery

Priority Activity

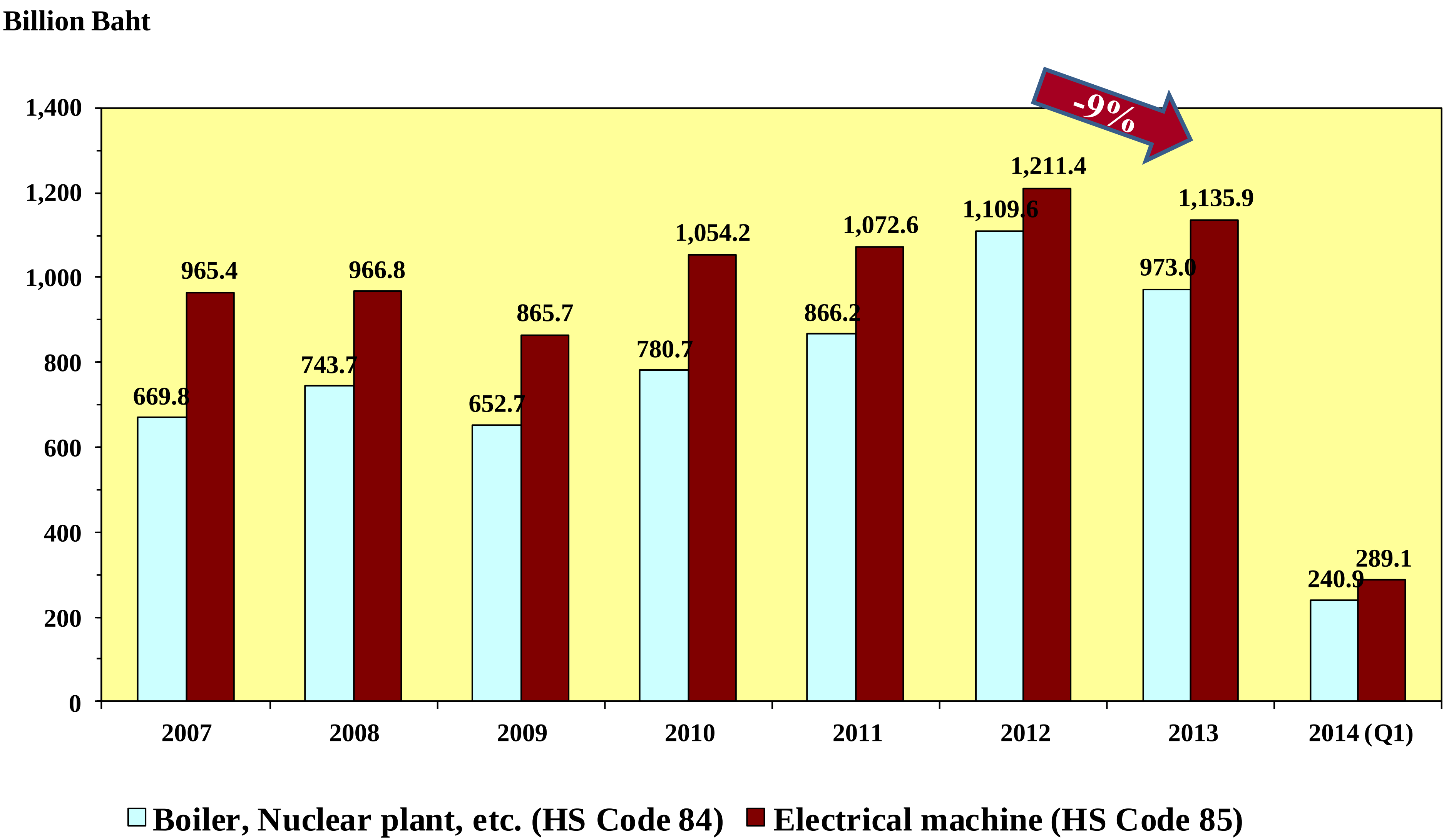
- Manufacture of *machinery, equipment and parts that have engineering design*
- Manufacture of *farm machinery/equipment and food processing machinery/equipment*
- Manufacture of *energy-conserving machinery/equipment and machinery/equipment using alternative energy*

- Manufacture or repair of *mould and die*
- Manufacture of *other machinery, equipment and parts*

Privileges:

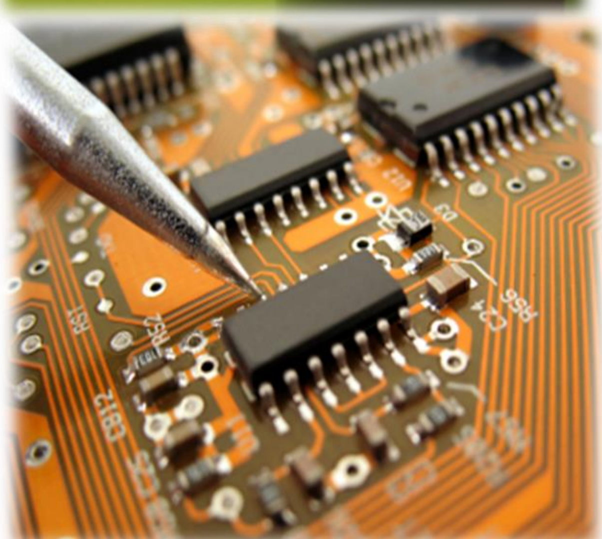
- **Classified as a priority activity**
- **Exemption of machinery import duties**
- **8-year cap-free corporate income tax exemption**

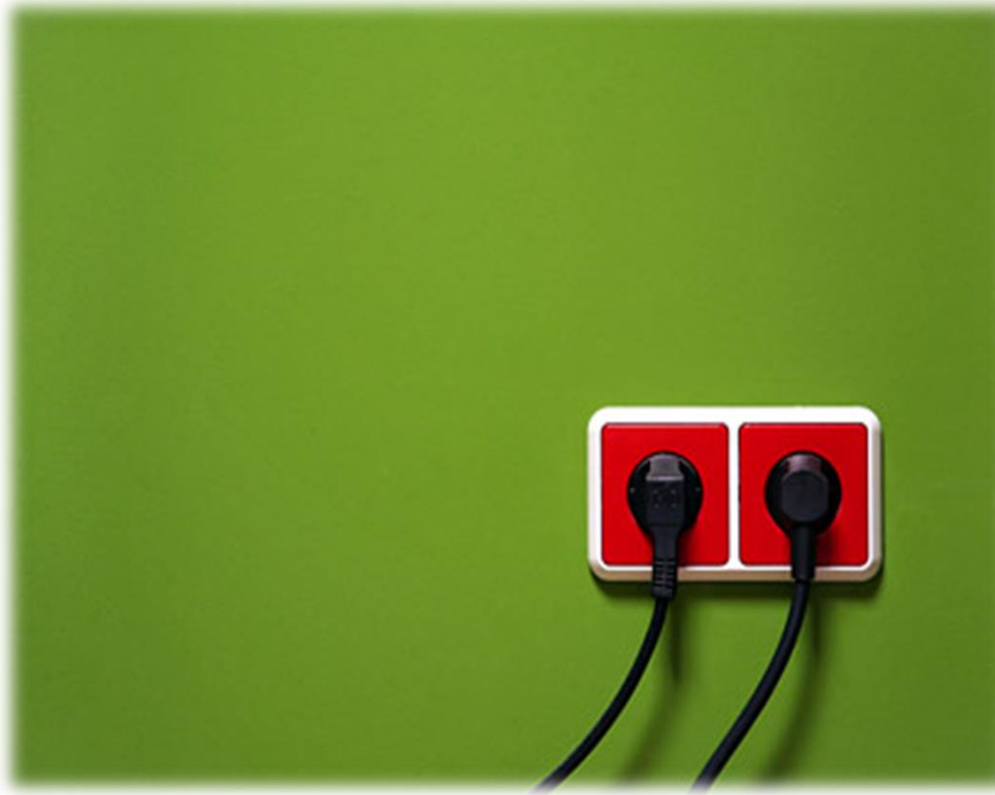
Import of Machinery& Equipment in Thailand



Source: Ministry of Commerce, May 2, 2014

Electronics & Electrical Products Integrating Innovation & Technology



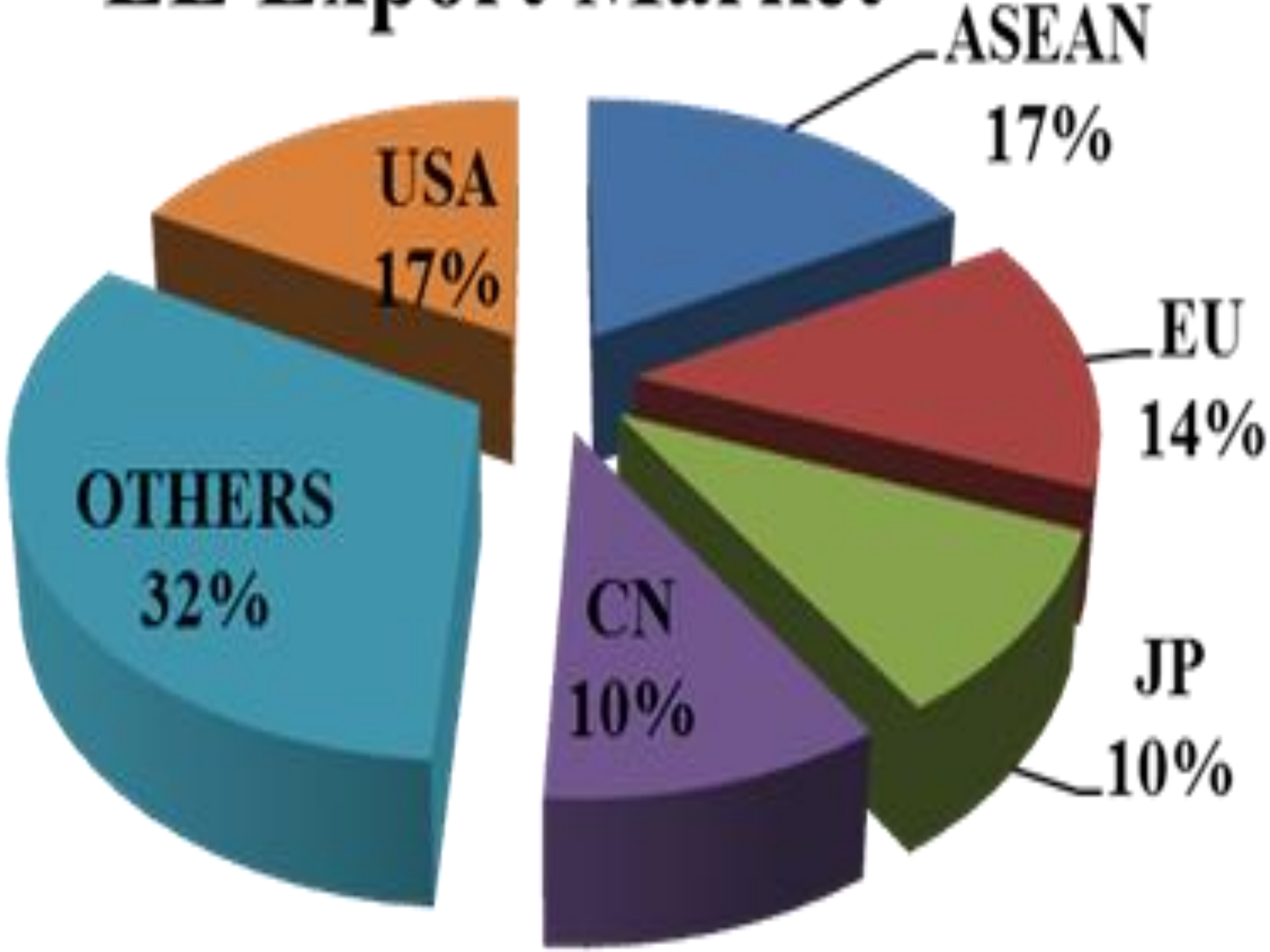


Electronics and Electrical Industry

- Thailand Exports Ranked 23rd in the World in 2012
- E&E exports US$53.41 billion in 2013, 23% of total exports
- Major products: Computer components, IC, TV, A/C & other WG
- Thailand is the world's largest producer of HDDs
- A leading country in the manufacture of integrated circuits and white goods
- Strong supporting industries for electrical appliances
  - Compressors, motors, plastic and metal parts

Source: Electrical and Electronics Institute, as of February'13 and WTO as of September 2013

EE Export Market



Source: Electrical and Electronics Institute of Thailand as of March 4, 2014

Top E&E export	Top E&E import
Electrical Products 1) Air-conditioners 2) TV/VDO cameras 3) Refrigerators 4) TV color 5) Washing machine	**Electrical Products** 1)Circuit breakers, switches, plugs 2)Television receiver components 3)Magnetic tape and Magnetic disk 4)Electric wires & cables 5) Small motors, under 750 W
Electronics 1) Computer components 2) Integrated circuit (IC) 3) Transmission 4) Printed Circuit 5) Equipment used for telephone or telegraphs	**Electronics** 1)Integrated circuit (IC) 2)Computer components 3) Mobile telephone 4) Diodes transistors and semiconductors 5) Computer, notebook, plam

Source: www.thaieei.com Import and export figures in 2013

Package of Regional Operating Headquarters

Benefit	Benefit
For portion of income from OVERSEAS OPERATIONS **0% CORPORATE INCOME TAX for 15 years**	For portion of income from LOCAL OPERATIONS **10% CORPORATE INCOME TAX for 15 years**

Key Conditions

- In 1st fiscal year, have one operating company in another country; a second within 3rd year; a third within 5th year
- Have annual expenses in Thailand of Bt15 million, or have invested at least Bt30 million in Thailand
- By end of 3rd year, 75% of ROH personnel to be qualified staff, and 5 persons earning at least Bt2.5 million annual salary and benefits per person
- All companies must be real operating companies with a physical presence and staff

Benefit
For income of EXPATRIATE EMPLOYEES **15% PERSONAL INCOME TAX for 8 years**

Key Conditions

In addition to conditions for income from overseas and local operations:

- Income generated from services to overseas companies must be at least 50% of total revenues

BOI Incentives : Rights & Benefits

Activities:

- Long Stay Business
- Trade and Investment Support Offices (TISO)
- International business process outsourcing (IBPO)

Rights & Benefits

Non-Tax Incentives Only

- Permission to own land
- Permission to bring into the Kingdom foreign skilled workers and experts sufficient for your business activities
- Permission for foreign nationals to enter the Kingdom for the purpose of studying investment opportunities
- Permission to take out or remit foreign currency

BOI SERVICES

BOI SUPPORT SERVICES

- Investment Matchmaking Program
- 1-Stop for visas & work permits: work permits in 3 hours
- Subcontracting Development Program by BUILD Unit
- ASEAN Supporting Industry Database
- Interaction with other govt. agencies on behalf of investors
- Country desks
- Overseas offices

ASEAN Supporting Industry Database (ASID)

- Information and profiles of companies in supporting industries and manufacturers of parts and components in 10 ASEAN countries
- ASID can be easily accessed via the internet at *www.asidnet.org*
- Contact: **BOI Unit for Industrial Linkage Development (BUILD)**

  Email: **build@boi.go.th**

  Tel: + 66 553 8111 ext. 7

One Start One Stop Investment Center

18th Floor, Chamchuri Square Building
319 Phayathai Road, Pathumwan
Domestic Call: 0 2209 1100, Inter. Call: (66 2) 209 1100
Email: osos@boi.go.th

Where to contact us

BOI OFFICE IN FRANKFURT

Thailand Board of Investment, Frankfurt
Royal Thail Embassy, Bethmannstr. 58, 5. OG
60311 Frankfurt am Main,
Federal Republic of Germany

Telephone: +49(0) 69 9291 230
Fax: +33(0) 69 9291 2320
Email: fra@boi.go.th