



THAILAND'S RUBBER INDUSTRY



Thailand Board of Investment
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INDUSTRY OVERVIEW

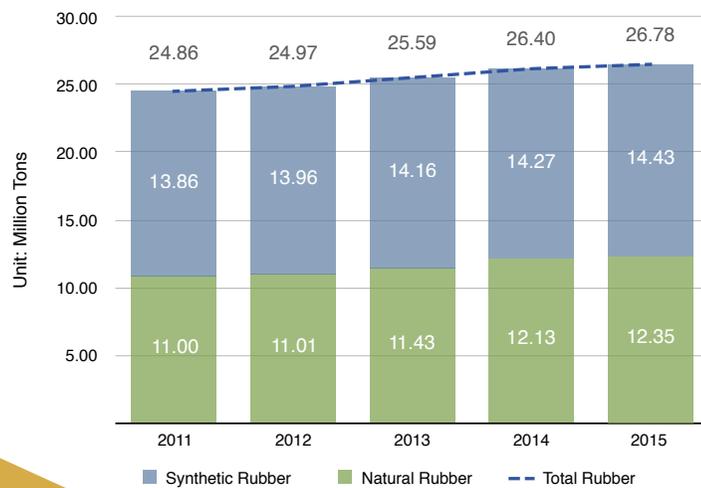
Global Rubber Market is Growing Consistently

Rubber is an indispensable resource. It is required in the manufacturing of many industrial and consumer products, such as tires, gloves, elastics, and hoses to name just a few important applications.

This year, total global rubber consumption is estimated to increase

by 1.8% from 2015, with additional growth of 2.9% and 3.3% expected in 2017 and 2018 respectively¹. **Rubber consumption is expected to further increase given expansion in the global automotive and medical device industries**, with projected growth of 2.7% per annum over the next decade.

Global Rubber Consumption¹



Source:

¹ International Rubber Study Group (IRSG)

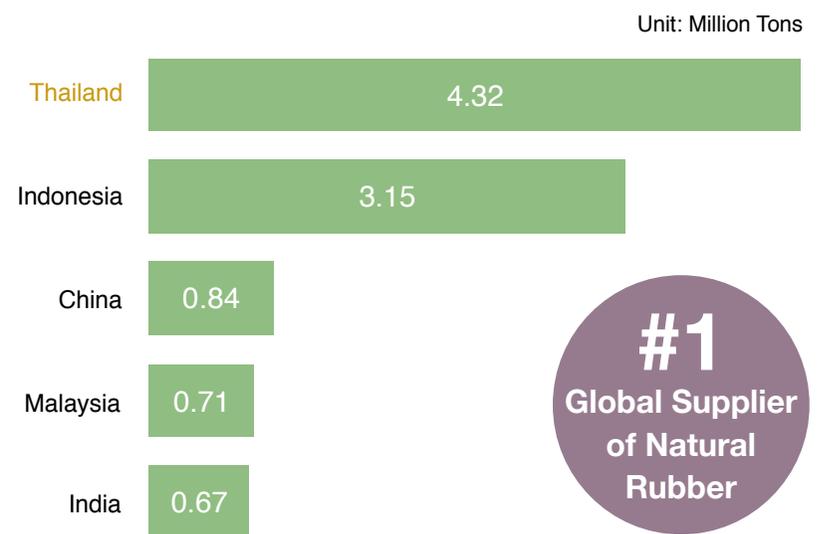
RUBBER INDUSTRY IN THAILAND

Thailand Remains the World's Top Supplier of Natural Rubber

Since rubber was first introduced to Thailand in the early 1900s, the country has grown to become the world's **number one producer and exporter** of natural rubber due to its tropical climate as well as effective and advanced cultivation methods.

Beginning with an initial planting in Trang Province in the southern part of Thailand, the cultivation area has since grown to surpass **3.5 million hectares** throughout the country. The transition to becoming the number one producer is a testament to the industry's focus and drive.

World's Top 5 Natural Rubber Producers, 2014¹



#1
Global Supplier
of Natural
Rubber

Source:

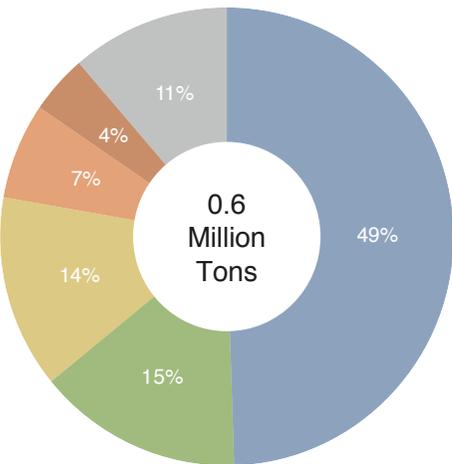
¹ Rubber Authority of Thailand



Rubber industry in Thailand Continues to Grow

The production and consumption of natural rubber in Thailand has continued to demonstrate consistent growth over the past few years at an annual growth rate of 5.81% and 5.39%, respectively. Growth in the Thai rubber market is being driven by the country's **strong and established manufacturing base**, as reflected in large volume and value of diverse range of products available.

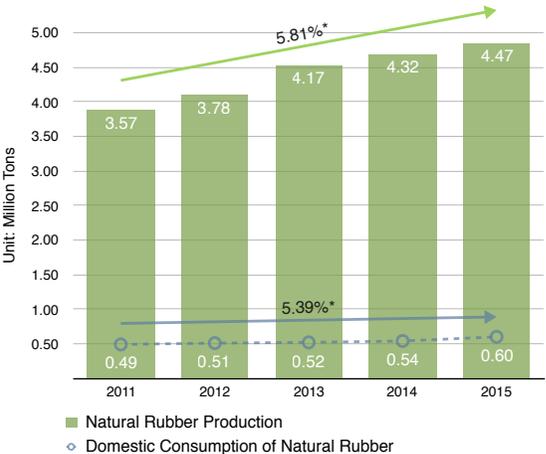
Domestic Consumption of Natural Rubber by Products, 2015¹



- Vehicle Tires
- Gloves
- Rubber Bands
- Elasticity
- Tires & Tube for Motorcycles
- Others

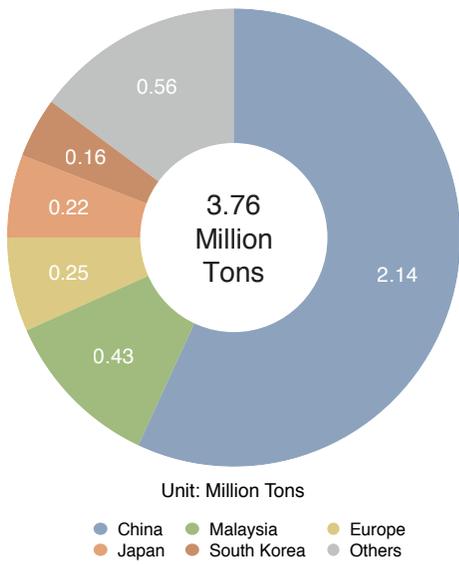
Tires remain the top product for domestic consumption of natural rubber in Thailand, followed by elastics, gloves, tires and tubes for motorcycles, and rubber bands.

Thailand's Natural Rubber Production and Domestic Consumption¹



Source:
¹ Rubber Authority of Thailand
 Note: *x.xx% Compound Annual Growth Rate of Rubber Production 2011-2015

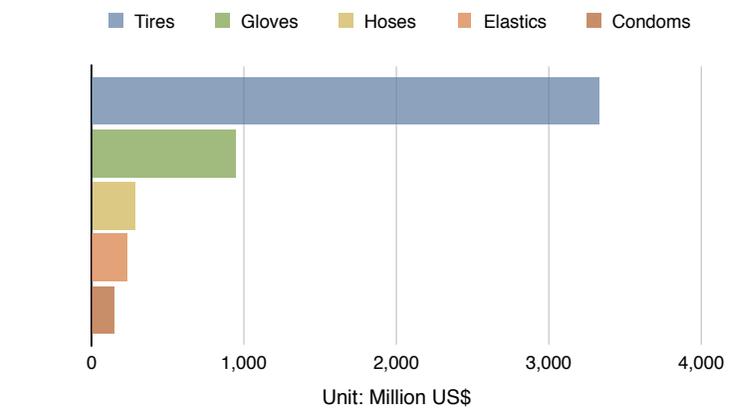
Thai Rubber Exports Destination, 2015¹



With high quality and large volumes of production, Thailand supplies natural rubber to many countries around the world, with Thai Rubber Latex (Thaitex) and Von Bundit being the largest natural latex producer and natural rubber manufacturer and exporter in Thailand, respectively. **The five largest customers by country or region are China, Malaysia, Europe, Japan, and South Korea.**

In addition to being the largest supplier of raw materials, a strong manufacturing sector allows Thailand to produce various types of value-added rubber products **generating substantial revenues**. Further product diversification can provide additional and potentially lucrative revenue streams.

Value of Thailand's Top 5 Exported Rubber Products, 2015²



Source:
¹ Rubber Authority of Thailand;
² Customs Department
 Note: *Exchange rate as of 4 July, 2016



Huge Opportunities in Untapped Synthetic Rubber Market

High Supply & Demand for Synthetic Rubber

Apart from natural rubber, Thailand also has the ability to produce quality synthetic rubber for domestic consumption and export.



Major Synthetic Rubber Manufacturers in Thailand



Guangken Rubber



Thai Synthetic Rubbers



United Asphalt Products



Siam Fukoku



ERP Compound



BST Elastomers

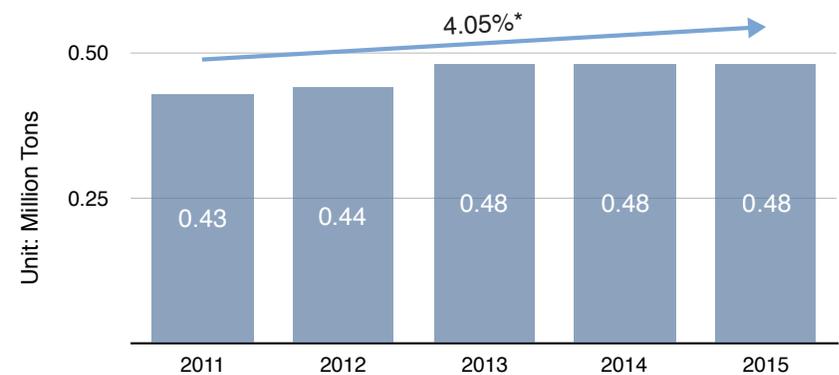
However, the amount synthetic rubber production is still lower than the amount Thailand consumes annually. Therefore, approximately 77% of the country's domestic consumption comes from imports¹. This presents **tremendous potential** for producers of synthetic rubber.

Thailand imports a substantial amount of rubber products each year. This underscores the **important and strategic opportunities** for rubber product manufacturers, given the strength of domestic supply and demand.

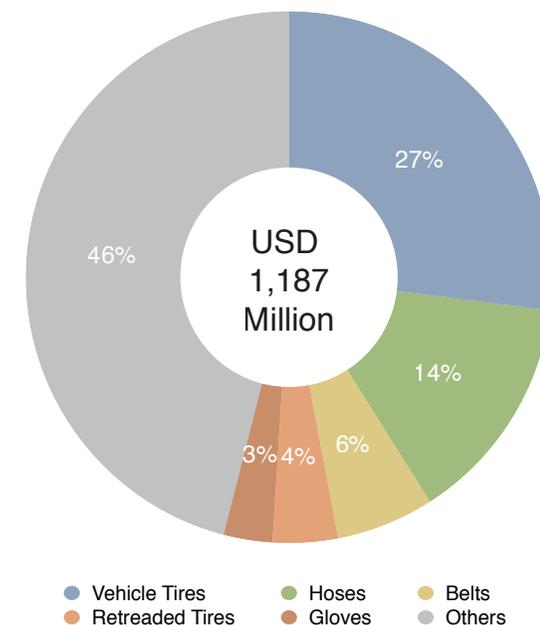
Source:

¹ Rubber Research Institute, Department of Agriculture

Thailand's Synthetic Rubber Imports¹



Value of Thailand's Imported Rubber Products, 2015²



Source:

¹ Rubber Research Institute, Department of Agriculture;

² Customs Department

Note: *Compound Annual Growth Rate of Synthetic Rubber Import, 2011-2015





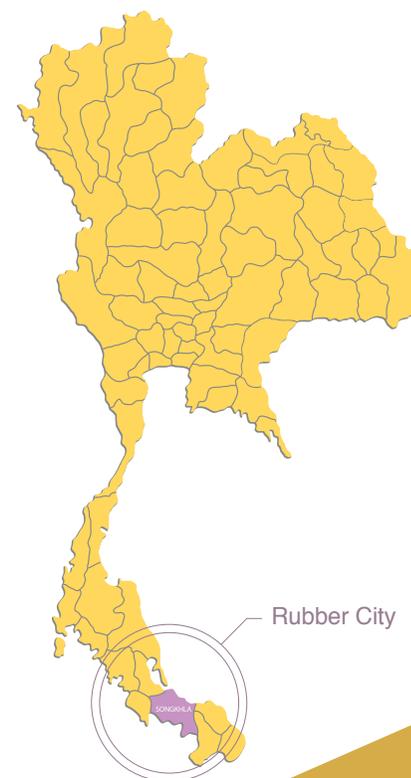
Rubber City will offer both Thai and foreign investors **many business opportunities**; its location in the southern part of Thailand is a competitive advantage as it is home to many of the country's latex plantations, accounting for **over 70% of the supply of national gross latex**. This location also has the **comprehensive infrastructure** needed to support businesses regarding exports such as inland waterways and airways.

WHY THAILAND?

Strategic Location at the heart of ASEAN

Thailand is located in the **center of southeast Asia**. Selecting the country as a regional headquarters location will allow companies to enjoy substantial savings from relatively lower transportation costs and shipping expenses.

In addition, **automotive manufacturers** can benefit from competitive logistics costs and well-established infrastructure support as rubber plantation areas in southern Thailand are located in proximity to the automotive cluster.



Established Petrochemical Industry

In addition to the country's consistent demand for synthetic rubber, Thailand has established **a solid base in the petrochemical industry**, which presents strong prospects in the upstream synthetic rubber value chain.

The prominence of Thai petrochemical industry is highlighted in the number of global petrochemical companies that has chosen Thailand as its manufacturing base

Major Petrochemical Companies in Thailand



Rubber City Industrial Estate

With a primary objective to **boost rubber consumption** and to **expand the mid and downstream rubber industry in Thailand**, the Ministry of Industry has assigned the Industrial Estate Authority of Thailand (IEAT) to establish **Rubber City**, in the southern border province of Songkhla, to serve as a hub for rubber products. It is expected to be operational in July 2017.



One-Stop-Service Government Association

The Rubber Authority of Thailand oversees and provides support for R&D, production, and commercialization of rubber across the entire value chain nationally, from the cultivation of latex trees to final processing.

Originally allocating 70% of its resources on R&D and 30% on products commercialization, the association has shifted its focus towards the production of more commercialized value-added products to create sustainability in the Thai Rubber Industry

Extensive Network of Multinational Companies

Since major companies involved in the manufacture of rubber products have long established their production base

in Thailand, the country is more than ready to become a global hub of high value rubber goods.

Major Manufacturers of Rubber Products in Thailand

Tires

BRIDGESTONE

GOODYEAR

MICHELIN

YOKOHAMA

Sumitomo

HENG SHIN

Gloves

Ansell

TOP GLOVE
TOP QUALITY, TOP EFFICIENCY



CardinalHealth

Sempermed

Others

durex

VON BUNDIT

THAITEK

INVESTMENT INCENTIVES

BOI Incentives

BOI recognizes the importance of the rubber industry, and offers a wide range of tax and non-tax incentives for projects that meet national development objectives.

Tax Incentives

| GROUP | ELIGIBLE ACTIVITIES | INCENTIVES | |
|-------|--|--------------------------------|---------------------------|
| | | Corporate income tax exemption | Exemption of import duty* |
| A2 | <ul style="list-style-type: none"> • Manufacture of rubber products • Manufacture of rubber tires for vehicles | 8 years | ✓ |
| A4 | Manufacture of primary processed rubber | 3 years | ✓ |

Non-Tax Incentives

These activities also receive the following non-tax incentives:

Permit to bring in expatriates

Permit to own land

Permit to take or remit foreign currency abroad

Note: *Exemption of import duty on raw or essential materials and machinery used in manufacturing export products

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