

Attachment 3

Evaluation of fair value of the company

Evaluating fair value of the ordinary shares of Bangkok Steel Industry Public Company Limited

Calculation of shareholders' value will be used by the method of projecting Free Cash Flow to Equity or FCFE that shareholders will receive from future operation of the company during the period of financial projection and then calculating the discount by the rate that will be the Cost of Capital or Ke.

The mentioned Projection of Free Cash flow to Equity will be obtained from the projection of Statement of Retained Earnings and Balance Sheets. In this regards, the preparation of projection during the year 2009 to 2018, which will be the year that the company has completely settled all debt according to the business rehabilitation plan. Hence, the projection preparation of Statements of Retained Earnings and Balance Sheets is the preparation for projecting the Statement of Retained Earnings and Balance Sheets of the company and twelve subsidiary companies, excluding AWP as the company has not held neither direct nor indirect shares in the stated company.

The projection of Statements of Retained Earnings and Balance Sheets of the twelve subsidiary companies is the projection of both Ratchasima Steel Products Co., Ltd. (RSM) and Treemit Marketing Co., Ltd. (TM), which are running business operations. The remaining ten companies have no longer run the businesses and some discontinued their operations. However, the mentioned companies have not registered the business closedown. Therefore, they still have other non-operation incomes, such as interest income and other unnecessary expenses, i.e. auditing fee and renting expenses, etc. Such incomes and expenses are the minimal amount.

The calculation of the Expected Free Cash Flow that shareholders will receive will be brought from earnings before interest and taxes reversed to add with the significant non-cash expense such as depreciation deducting with operating working capital during the year and investment incurred during the projection of capital expenditure. Finally, it will be the sum to be settled to long-term loan creditors. Hence, the expected free cash flow will be calculated from the company at 100%. However, the portion of RSM and TM will be calculated according to shareholding ratio that the company held directly or indirectly in such companies. Only the cash of the remaining ten subsidiary companies will be calculated in accordance with the shareholding ratio that the company held directly or indirectly in those companies.

Assumption to prepare the projection of Statements of Retained Earnings and Balance Sheets

A. Bangkok Steel Industry Public Company Limited

1. Revenues from sales and services

1.1 Revenues from sales divided into 3 categories:-

- (1) distribution of steel bar
- (2) distribution of galvanized iron steel
- (3) distribution of prepainted galvanized iron steel

1.2 Selling price: Projection of selling price for steel bar, galvanized iron steel and prepainted galvanized iron steel during 2009 - 2018 by using the method of the cost of goods plus the gross profit ratio.

1.3 Sales volume

Product	Actual Sales (Million ton)		Projection (Million ton)			Projection of sales growth ratio (%)								
	2006	2007	Jan-Aug. 2008	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Steel bar	0.233	0.325	0.210	0.241	0.216	5.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
Gl. steel	0.030	0.032	0.020	0.032	0.032	5.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-painted GI	0.022	0.020	0.012	0.015	0.015	5.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0

Sales volume of steel bar

In 2008, projection of actual sales of steel bar during January - August including the orders from customers for gradually delivery in the next four months after the year 2008 as the company receives a little bit of new purchasing orders from customers at the end of the year 2008 owing to the sluggish economic situation starting from the 3rd quarter of 2008 onwards and having trend to be continued to recess in the year 2009. It is anticipated that the construction trend will slow down because of not only general steel traders still have the substantial outstanding inventories in their stocks but also because of the fluctuation of steel pricing that have the trend to go down. Thus, most of steel traders stop purchasing.

In 2009, it is anticipated that the general economy will reach recession in every sector. Therefore, the assumption of sales volume in the whole year will be reduced to 90% of that of in 2008.

During 2010 - 2018, it is estimated that the economy will be recovered in 2010 and have the result to the rising sales of steel bar to increase 5% from that of 2009 and 10% during the year 2011 to 2012. Afterwards, the increase of sales will be 0.0% in the year 2013 onwards as sales volume will be near the level of the average sales volume during the year 1996 - 2007.

Sales volume of galvanized iron steel

In 2008 the estimated sales volume is the same as steel bar.

In 2009, it is anticipated that the economic situation will be sluggish. Since the application of the galvanized iron steel is different from that of steel bar, that is, it is not the main construction material, but some portion can be used for repairing and renovating or for some small domestic projects. The volume is not a lot; therefore, it has not caused considerable impacts from such economic status. It is assumed that the sales volume of this product will be the same as that of in the entire year of 2008.

During the year 2010 - 2018, although it is anticipated that the economic situation in 2010 will be starting to recover, it will have the consequence of 5% sale increase of galvanized iron steel from that of 2009 and 10% during year 2011 - 2012. Afterwards, the rising ratio of sales volume will be 0.0% in 2013 onwards since the sale is near the level of the average sale volume during 1996 - 2007.

Sales volume of prepainted galvanized iron steel

In 2008, the estimated sales volume will be the same as that of galvanized iron steel.

In 2009, the estimation of sale volume will be the same as that galvanized iron steel

1.4 Revenues from fabrication

1.4.1 Revenues from corrugated forming of The mentioned revenue is from the corrugated forming service for galvanized iron steel under the brand of "Scanroof". The patent right is obtained from Plannja AB of Sweden in which the patent owner has agreed to let the company produce steel roofing sheet with the company's prepainted galvanized iron steel using the design of the owner. The company's management estimated that the income from corrugated forming of such galvanized iron steel in year 2009 will be reduced from that of 2008 of approximately 30%, an equivalent of 200 million baht, and will be constant for the whole projection.galvanized iron steel under the brand of "Scanroof"

1.4.2 Revenues from fabrication of crane for lifting in the factory

The company obtained the privilege to purchase and use the products of Konecranes from Kone

Corporation of Finland including the know-how to solely assemble the XL size of crane in Thailand. The company's executives estimate the revenue from fabrication of crane in 2009 to be equivalent to 150 million baht and stay constant for the entire projection.

2. Gross profit

2.1 Gross profit from sales revenue

2.1.1 Steel bar

The projection of gross profit during 2009 - 2018 is equivalent to 5.00%, as referenced from the average gross profit ratio retroactive in the past three years (2005 - 2008), of which is equivalent to 6.60%.

2.1.2 Galvanized iron steel

The projection of gross profit ratio during 2009 - 2018 is equivalent to 4.20%, as referenced from the average gross profit ratio retroactive in the past three years (2005 -2008), of which is equivalent to 5.53%.

2.1.3 Prepainted galvanized iron steel

The projection of gross profit ratio during 2009 - 2018 is equivalent to 5.0%, as referenced from the average gross profit ratio retroactive in the past three years (2005 - 2008), of which is equivalent to 6.89%

2.1.4 Corrugated forming under trademark of "Scanroof"

The projection of gross profit ratio during 2009-2018 is equivalent to 10.18%, as referenced from gross profit ratio in 2008 with the equivalent of 10.18%

2.1.5 Fabrication service and crane assembly

The projection of gross profit ratio in 2009 - 2018 is equivalent to 15.00%, as referenced from the average gross profit ratio in year 2007 to 2008, of which is equivalent to 15.82%

3. Selling and administrative expenses

The selling and administrative expenses mainly consist of staff expenses, salaries, professional fees, and rents. The projection of selling and administrative expenses will increase 2-3% per year.

4. Other expenses

4.1 The debt expense in infringement of "OX" trademark

The projection of debt expenses for infringement of "ox" trademark for the amount of 863 million baht incurred during November 1, 2000 till December 22, 2003 will be settled during year 2011 to 2016 in accordance with the business rehabilitation plan.

4.2 The expense of guaranteed liabilities

The estimation of the guaranteed liabilities is amounting to 206 million baht, which incurred from the guarantee of the borrowing loan from financial institutions to UMC International Corporation and Siam Aroon Development Co., Ltd. to be gradually settled till the year 2010.

5. Corporate income tax

Projection for corporate income tax is 30% of the profit before tax deduction.

6. The settlement of borrowing loan and interest is designated according to the latest version of business rehabilitation (additionally amended version)

7. Investment expense

Projection for investment expenses during 2009 - 2018 is as follows:-

								Unit: Million Baht		
Assets	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Building	5	-	-	5	-	-	5	-	-	5
Machinery	50	50	50	50	50	50	50	50	50	50
Office Equipment	5	5	5	5	5	5	5	5	5	5
Total	60	55	55	60	55	55	60	55	55	60

Investment expense is mainly for the investment in machinery in order to maintenance and repair for the continuous running and efficiency of the machinery without purchasing any new machinery.

8. Working capital

Average collection period for distributing of goods is approximately 15 days.

Average collection period for fabrication is approximately 60 days.

Average stock period is approximately 50 days.

Average repayment period is approximately 30 days.

B. Ratchasima Steel Products Co., Ltd. (RSM)

1. Revenue from sale

1.1 Selling revenues is divided into 2 categories

(1) Sales of steel bar

(2) Sales of galvanized iron steel

1.2 Selling price: Projection of selling price for steel bar and galvanized iron steel in year 2009 -

2018 is used with the method of cost of goods plus gross profit.

1.3 Sales volume

Product	Actual Sales (Million ton)			Projection (Million ton)		Projection of sales growth ratio (%)								
	2006	2007	Jan-Aug. 2008	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Steel bar	0.038	0.033	0.029	0.030	0.024	5.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0
Galvanized iron steel	0.090	0.067	0.043	0.046	0.037	5.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0

Sales volume of steel bar and galvanized iron steel

In 2008, projection of sales volume actually incurred during January to August, inclusive of customers' orders to be gradually delivered in the next four months after year 2008 as there are no new purchasing orders to the company at the end of the year 2008.

It is anticipated that in the year 2009 the economy will be slow down in every sector. It is, therefore, assumed that the sales volume for the entire year of 2009 will be reduced to be 80% of that of 2008.

In 2010 - 2018 it is anticipated that the economy will be recovered. This will result the rising sales of steel bar to 5.0% in 2009 and the sales volume will be increased by 5.0% during year 2011 to 2012. After that, the rising ratio of sales volume will be 0.0%.

2. Gross profit

2.1 Steel bar:

Projection of gross profit ratio during 2009 - 2018 is an equivalent of 5.0%, as referenced from the company's past gross profit ratio.

2.2 Galvanized iron steel:

Projection of gross profit ratio during year 2009 - 2018 is an equivalent of 4.2%, as referenced from the past gross profit ratio of the company.

3. Selling and administrative expenses

Selling and administrative expenses is mainly consisted of salaries and expenses of the staffs and rents. The selling and administrative expenses are estimated in year 2009 to be constant at 0.0% per year.

4. Investment expenses

Projection of investment expenses in 2009 - 2018 is as follows:-

Unit: Million Baht

Assets	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Land*	-	-	49	82	82	82	82	82	64	-
Building*	-	-	16	18	18	18	18	18	14	-
Machinery	20	20	20	20	20	20	20	20	20	20
Office Equipment	5	5	5	5	5	5	5	5	5	5
Total	25	25	90	125	125	125	125	125	103	25

Note: Payment to purchase land and building from BSI according to the evaluated price is the total amount of 638 million baht which is presently the factory location of RSM but owned by BSI.

Investment expenses are mainly the investment in machinery for maintenance and repair in order to run machinery continuously and efficiently. There is no new investment to purchase new machinery.

5. Working capital

Average collection period is approximately 91 days.

Average stock period is approximately 100 days.

Average settlement period is approximately 23 days.

C. Treemit Marketing Co., Ltd. (TM)

1. Revenues from sale

Projection for selling price is by the method of cost plus profit in which TM is the distributor for BSI and RSM. Selling price of steel bar will be plus 0.5% from the cost; galvanized iron steel 3.5% and prepainted galvanized iron steel 0.8% as referenced from the actual average profit ratio of each product in the past three years. (2005 - 2007)

2. Gross profit

2.1 Steel bar: Projection of gross profit ratio in year 2009 - 2018 is equivalent to 0.5% of the referred gross profit ratio in January - August of 2008 which has been equivalent to 0.5% per year.

2.2 Galvanized iron steel: The estimation of gross profit ratio in year 2008 - 2017 is equivalent to 3.5%.

2.3 Prepainted galvanized iron steel: Projection of gross profit ratio during year 2008 - 2017 is an equivalent of 0.8%, as referred from gross profit ratio in January - August in 2008, of which has been

equivalent to 1.0% per year.

3. Selling and administrative expense

The selling and administrative expenses are mainly consisted of salary and expenses of staff, travel and vehicle, professional fee and rent which is estimated to remain constantly at 0.0% per year.

4. Working capital

Average collection period is approximately 15 days

Average settlement period is approximately 113 days

There is no stock period; as TM is the distributor, it has not stocked any inventory.

D. Terminal value

Projection of terminal value in 2018 will be used by finding the value of cash flow before interest expense as well as the principal the company will receive after the year 2019 onwards (Thus, it is assumed that it will be the average cash flow to be received in 2018) deducted with the outstanding loan with the financial institutions as at the year 2018.

E. Discount rate

Since the company has been under the business rehabilitation plan and there is no trading of security in the Stock Exchange of Thailand for a long time. Therefore, the calculation of K_e is to average the value of K_e by the method of Capital Asset Pricing Model (CAPM) and Bond Yield Plus Risk Premium as per the following formula:-

1) Capital Asset Pricing Model (CAPM) Method

$$K_e \text{ (Cost of Equity)} = R_f + \beta (R_m - R_f)$$

As R_f (Risk Free Rate) = Referring from interest rate of government bond aging 10 years which is worth 3.85% (information as of November 27, 2008).

β = Referring from the fluctuation of daily rate of return on the Stock Exchange compared with the closing price of the listed company (BSBM TSTH and PERM) with the average value of 0.84 (Information from Bloomberg).

R_m (Market return) = Rate of return on investment in the Stock Exchange of Thailand retroactive in the past 10 years (information from the Stock Exchange of Thailand since November, 1998 - October 2008)

equivalent to 10.40%.

Calculated Ke = 9.35%

2) Bond Yield Plus Risk Premium Method

Ke (Cost of Equity) = Company's Bond Yield + E (Equity Risk Premium)

As Bond Yield = Cost of Debenture issued by the company. As the company has never issued any debenture, cost of long-term borrowing loan is used to replace cost of debenture which is equivalent to 7.30%.

E (Equity Risk Premium) = Expected premium on return of investment in the capital market exceeding the investment in non-risk assets or $E (R_m) - R_f$.

Rf (Risk Free Rate) = Referring from interest rate of government bond aging 10 years which is worth equivalent to 3.85% (information as at November 27, 2008).

Rm (Market return) = Rate of return on investment in the Stock Exchange of Thailand retroactive in the past 10 years (information from the Stock Exchange of Thailand as from November, 1998 - October, 2008) which is equivalent to 10.40%.

Calculated Ke = 13.85%

Thus, the average return on Equity (Ke) is calculated to be equivalent to 11.60%.

However, the discount rate used will be higher or lower than 11.60%, which will depend on the designation of each shareholder who differently requires the rate of return and consider the risk of that cash flow.

The evaluation of ordinary share by the method of discount rate at 11.60% will result the evaluation of the company's share to be equivalent to 5.13 baht per share. The business value incurred from operating cash flow of the business operation at present and other projects that will occur in future, as only stipulated in the preparation of projection excluding the goodwill of the other projects in future which is not specified in the financial projection. Also, it does not include the impact that the company has to pay for the patent right of "Ox" trademark incurred after December 22, 2003 onwards.