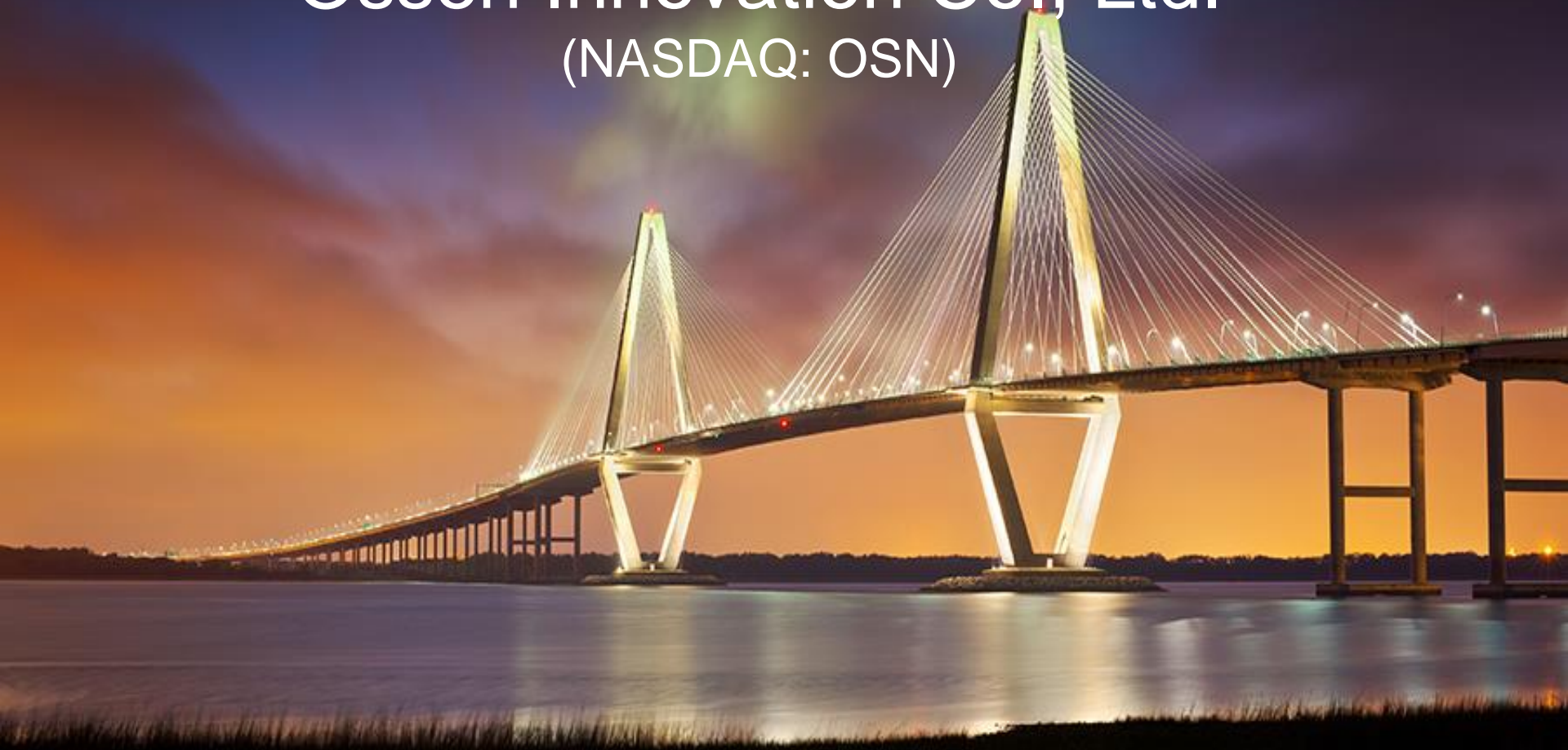




# Ossen Innovation Co., Ltd.

(NASDAQ: OSN)



Investors Presentation  
October 2016



# Safe Harbor Statement

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This presentation contains forward-looking statements, including financial projections. In some cases, you can identify forward looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential,” and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition expressed or implied in any forward-looking statements. Such factors include, but are not limited to the company's ability to complete product orders, coordinate product design with its customers, ability to expand and grow its distribution channels, political and economic factors in the People's Republic of China, and other factors detailed in the Company's filings with the Securities and Exchange Commission. Actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous potential risks and uncertainties. Forward-looking statements made during this presentation speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation.

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# Company Snapshot

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<b>Ticker Symbol</b>	<b>Nasdaq: OSN</b>
<b>Share Price (10/06/16)</b>	<b>\$2.22</b>
<b>52 Week Range</b>	<b>\$1.92- \$3.54</b>
<b>Market Cap</b>	<b>\$13.85 M</b>
<b>Shares Outstanding (06/30/16)</b>	<b>19.82 M</b>
<b>Revenues (2Q16)</b>	<b>\$23.4 M</b>
<b>Net Income (2Q16) *</b>	<b>\$ 0.3 M</b>
<b>Gross Margin(2Q16)</b>	<b>10.5%</b>
<b>Cash and Cash Equivalent (2Q16)</b>	<b>\$0.4 M</b>
<b>EPS (2Q16)</b>	<b>\$0.02 M</b>
<b>Fiscal Year Ends</b>	<b>Dec 31</b>

\*Net income attributable to controlling interest

# Company Overview

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- ❖ Founded in October 2004 with headquarters in Shanghai, China - 204 employees
- ❖ Ossen Innovation manufactures and sells customized prestressed steel materials primarily used in the construction of bridges and other infrastructure projects in China and abroad
- ❖ Only company in China capable of producing rare earth coated prestressed steel wires and strands
- ❖ Two production facilities located in Anhui and Jiangxi



[www.osseninnovation.com](http://www.osseninnovation.com)



# Investment Highlights

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## Leading Provider

- ❖ One of the four companies in China capable of producing coated prestressed steel wires and strands
- ❖ Only producer in China with rare earth coating technology

## Proprietary Technology / In-House R&D Capabilities

- ❖ 29 patents granted in China
- ❖ Both facilities recognized as high & New Tech companies by regional government
- ❖ Collaboration with universities and institutes on R&D

## Worldwide Brand Recognition

- ❖ Established track record by participation in hundreds of high profile projects
- ❖ The “Ossen” brand is recognized globally for its excellent quality and value

## Robust Growth Opportunity

- ❖ Estimated that approximately 50.6 million tons of prestressed steel materials will be consumed in China over the next 10 years\*
- ❖ Coated prestressed steel materials are key components of bridges

## Experienced Management Team

- ❖ Executives on average have 15 years of industry experience
- ❖ Founders were among the first in China to introduce and promote the use of prestressed steel materials in construction of infrastructure projects



# Management Overview

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**Dr. Liang Tang**  
*Chairman of Board*

- ❖ Over 20 years of experience in the prestressed steel materials industry
- ❖ Vice Chairman of China Chamber of Metallurgy Industry
- ❖ Vice Chairman of China Committee of Corporate Citizenship
- ❖ Honorable Leader of the Shanghai Municipal Government
- ❖ Top 10 Most Socially Responsible Entrepreneur in China
- ❖ Knighted and awarded the Royal Knights Medal by the King of Spain
- ❖ PhD and professor of economics at East China Normal University

**Wei Hua**  
*CEO*

- ❖ Over 25 years of experience in the prestressed steel materials industry
- ❖ Chairman of Ossen (Jiujiang) from 2007
- ❖ Vice Supervisor of the Department of Technology and Quality Supervision within Baosteel Group, a Fortune 500 company in China
- ❖ Business Management degree from Shanghai University

**Feng Peng**  
*CFO*

- ❖ Over 10 years of experience in the financial services industry, including extensive capital markets experience in the U.S. and Asia
- ❖ Previously Senior Vice President at MZ Group, where he worked with over a dozen U.S.-listed companies and several pre-IPO companies to provide strategic communication and advisory services
- ❖ BA degree from Shanghai Jiao Tong University and a Master of Science degree from the New Jersey Institute of Technology



# Favorable Positioning

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## **Rare earth coated prestressed steel materials are the next evolution**

- ❖ Rare earth coated prestressed steel materials are corrosion resistant for up to 50 years, 2-3 times higher than regular zinc coated prestressed steel materials
- ❖ Corrosion resistance + high strength properties are conducive for use in large-span bridges

## **Ossen is well positioned to capitalize on a tremendous market opportunity**

- ❖ One of four companies in China capable of producing coated prestressed steel products
- ❖ Only company in China with commercial rare earth coating technology
- ❖ Close proximity to major steel manufacturers and access to low-cost river transport provide measurable cost advantage
- ❖ Established track record of large-scale project participation and ability to win majority of competitive bids



# Product Overview

## Unbonded plain surface prestressed steel strands

*Used in bridges and buildings*

- ❖ Plain surface prestressed steel strands that are coated with grease and extruded with high-density polyethylene

## Prestressed steel strands

*Used in bridge surfaces*

- ❖ Twisted prestressed steel strands are used in precast concrete

## Prestressed steel wires

*Used in buildings, railway ties and sleepers*

Three product categories:

- ❖ Plain surface
- ❖ Indented
- ❖ Helical (spiral) rib

## Rare earth coated prestressed steel wire and strand

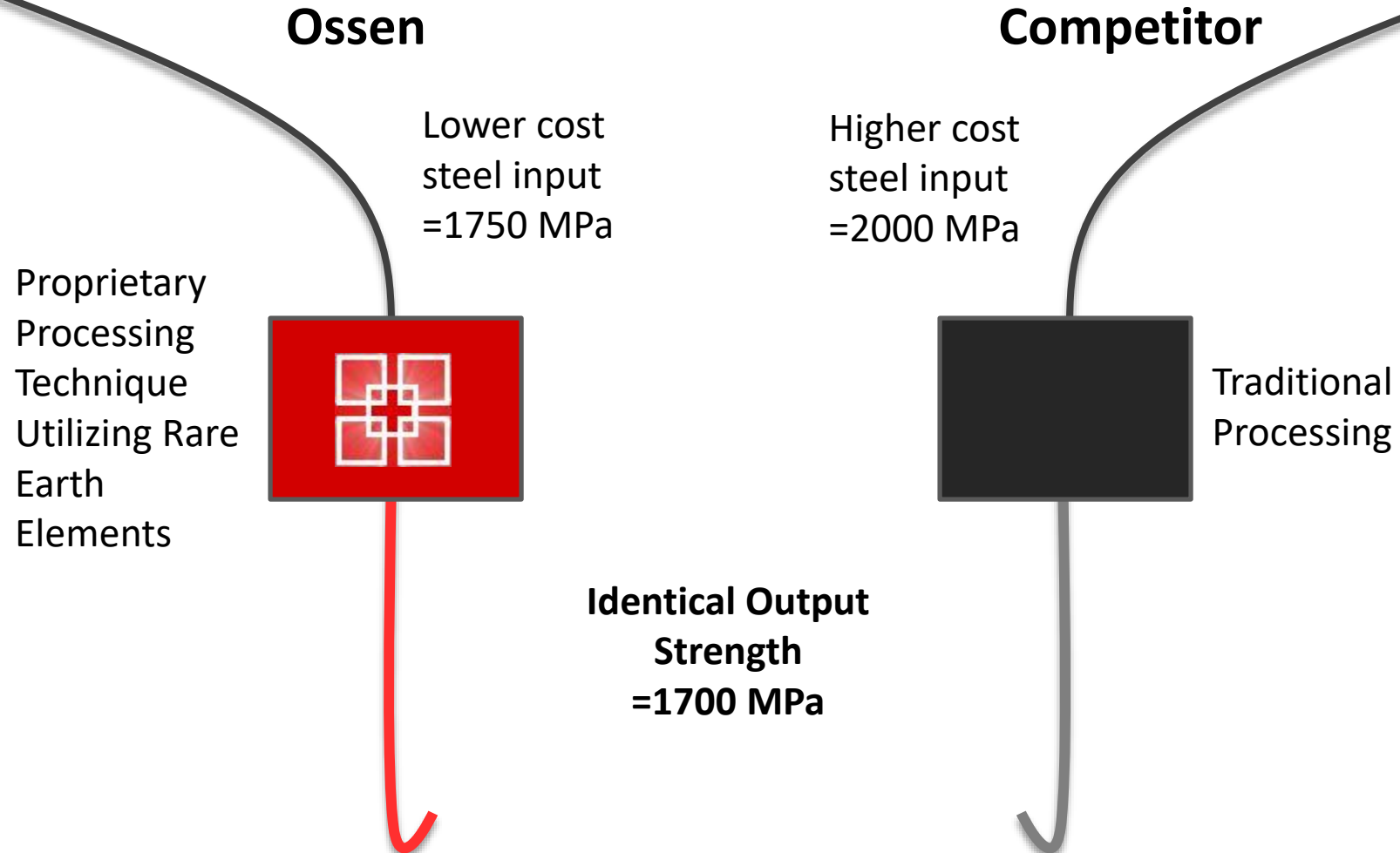
*Used in suspension and cable-stayed bridges*

- ❖ Rare earth coating includes cerium and lanthanum, mixed with zinc
- ❖ Minimal quantities of rare earth elements required by production eliminate supply risk
- ❖ Protective layer provides corrosion-resistance and a longer lifespan
- ❖ Our products meet the highest quality standards





# Product Strength

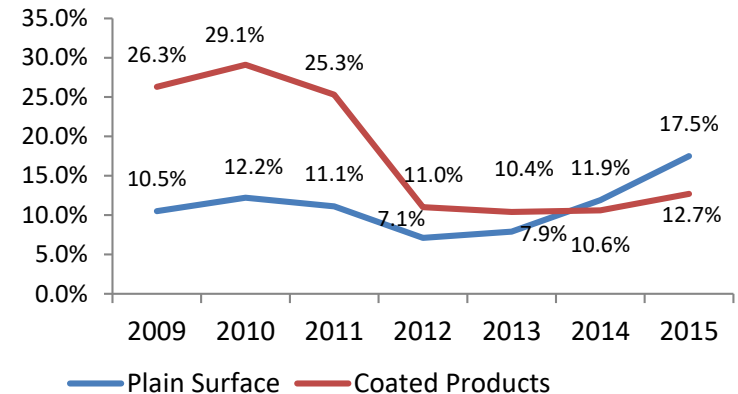


# Revenue Composition

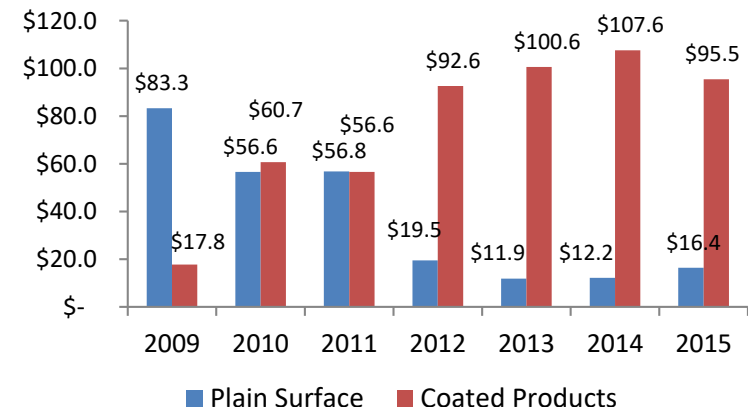
## ❖ Strategic shift in product sales

- High strength coated products are priced at >10% premium over traditional uncoated products
- High strength coated products have an average gross margin of 15-20%, compared to average 10-15% gross margin for plain surface products
- Focused on the significant growth opportunities in China
- In 2015 approximately 81% of revenues were derived from coated products

## Gross Margin Comparison



## Revenue by Product Type (million \$)





# Proprietary Technology and R&D

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## ❖ 29 patents granted in China:

- Special device designed for prestressed steel products production
- Production method for plain surface prestressed steel wires and strands
- Production method for coating

## ❖ 19 R&D professionals focused on improving production technology, quality and safety, and new product development

- Actively collaborating with research institutions and universities
- Ability to produce a wide array of customized prestressed steel materials

## ❖ Ossen is the only producer of 15.20mm, 1,860 megapascal rare earth coated prestressed steel strand\*

- Higher strength prestressed steel strand replaces traditional cable used on bridges, simplifying construction and saving on overall cost
- Market preference is toward higher strength, higher performance materials which improve construction quality

# Production Facilities

- ❖ Two facilities with 18 production lines
- ❖ High quality machinery meets international production standards
- ❖ Production process is automated through enhanced technology and ERP system

**Maanshan Facility**



Location	Maanshan City, Anhui Province
Production Lines	7

**Jiujiang Facility**



Location	Jiujiang City, Jiangxi Province
Production Lines	11



# Sales and Distribution

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## ❖ Bidding process

- Contracts are awarded based on experience, delivery time, technical merit and price
- Historical win rate of over 90% illustrates brand recognition

## ❖ Utilizes direct-sales and distributors

- Use distributors in both domestic and international markets
- Domestic sales network covers 24 provinces, administrative regions and municipalities

## ❖ International Sales

- Plain surface products are actively sold in other Asian countries
- Coated products target global markets

## ❖ Distribution Advantages

- Located in Anhui and Jiangxi province, our effective sales radius covers Southern China where most of our existing clients are located
- Strategically located close to the Yangtze River, railways, national highways and airports, which provide flexible and low cost transportation

# Customer Base

## ❖ Products are sold to agents or project companies

- In 2015, domestic sales accounted for 93.4% of total revenue
- Top 6 customers accounted for over 79.5% of revenue
- Majority of contracts are flexible pricing – margins are protected from fluctuations in steel prices

## ❖ Excess demand for coated prestressed steel wires due to a large backlog of infrastructure projects in China

- Emerging markets in Asia and Africa and developed markets in Europe represent new opportunities for future growth

Name of Customer	2015 Revenues (%)	2014 Revenues (%)	2013 Revenues (%)
Zhangjiagang Shajing Iron and Steel Trading Co., Ltd.**	22.7%	*	16%
Jiangsu Jinrun Steel Cable Co., Ltd.	*	14.4%	11%
Zhangjiagang Zhenyu Logistics & Warehousing Co., Ltd.	*	*	10%
Wuhan Weikaer Steel Wire Product Co., Ltd.	12.1%	20.2%	*
Zhejiang Kexin Engineering Material Co., Ltd.	*	12.5%	*
Wuhan Steel & Iron Jiangbei Group Metal Products Co., Ltd.	15.1%	16.5%	*
Wuhan Xianggang Metal Products Co., Ltd.	16.2%	*	*

\* Less than 10% of our annual revenues.

\*\* Zhangjiagang Ruifeng Iron and Steel Co., Ltd. changed its name to Zhangjiagang Shajing Iron and Steel Trading Co., Ltd. in 2013.

# Competition

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- ❖ Competition among manufacturers of plain surface products in China is fragmented, with both large and small companies competing with each other
- ❖ We are one of four PRC companies that manufacture zinc coated prestressed steel products and the only company in China capable of producing rare earth coated prestressed steel wires and strands
- ❖ Our competitors include:
  - Subsidiary of Bao Steel
  - China JV of Nippon Steel and Tokyo Steel
  - Subsidiary of Walsin





# Current High-Profile Projects

Products are used in numerous major infrastructure projects under construction:



**Balimiao Canal Bridge**  
Shandong Province, China



**Ningbo Yongjiang Grand Bridge**  
Zhejiang Province, China



**Taohuayu Yellow River Bridge**  
Henan Province, China



**Aizhai Suspension Bridge**  
Hunan Province, China

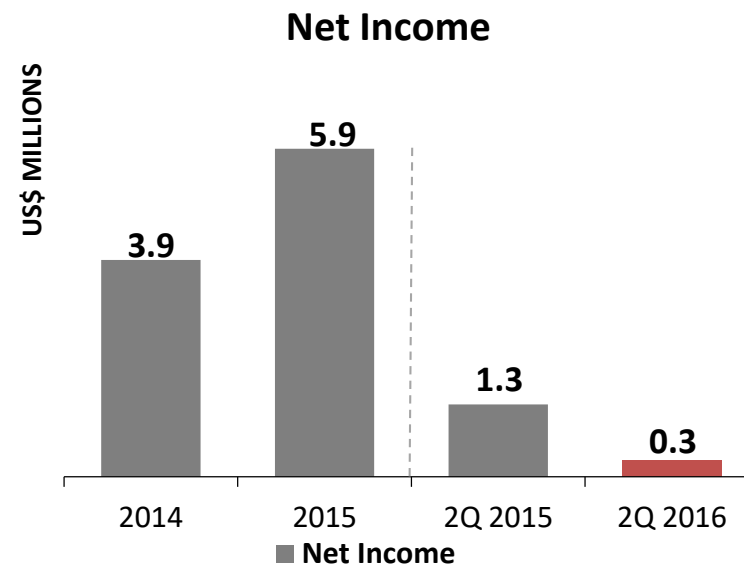
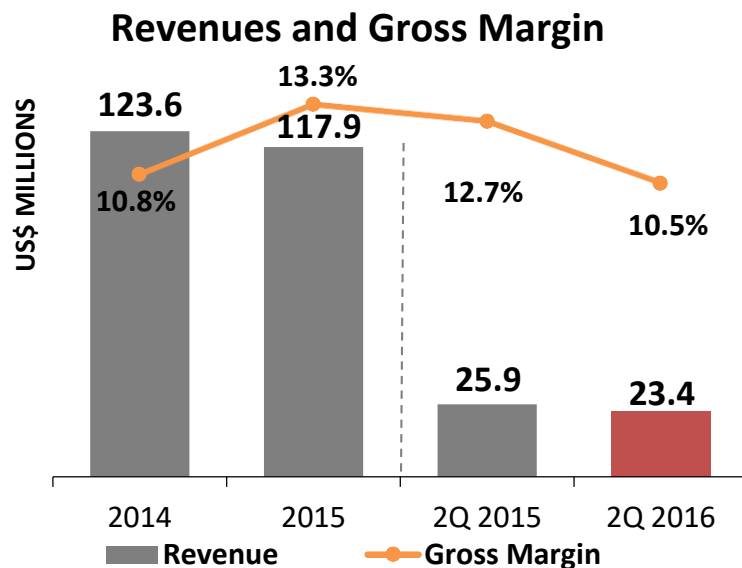


**Lishui Grand Bridge**  
Hunan Province, China



**Nanjing South Railway Station**  
Jiangsu province, China

# Financial Highlights



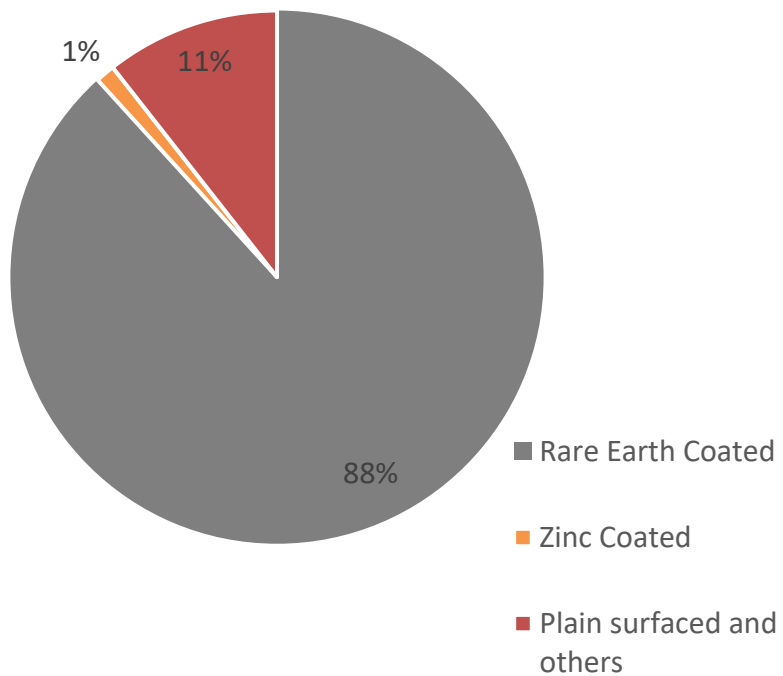
## Q2 2016

- Total Revenue decreased 9.4% YoY to \$23.4 million
- Gross Margin decreased 2.2% YoY to 10.5%
- Net Income decreased 77.2% YoY to 0.3 million

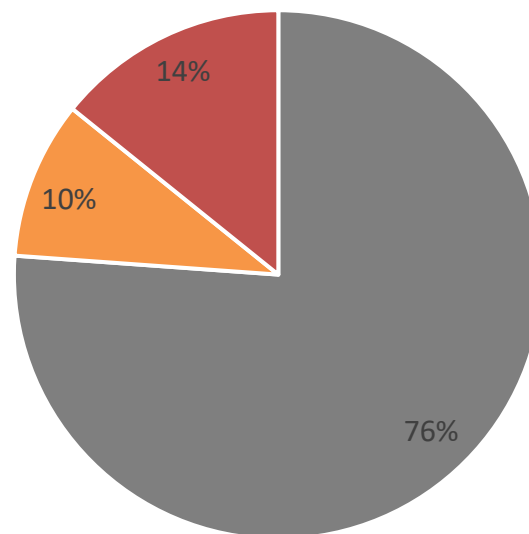
# Financial Highlights

## Revenue Mix

2Q 2016

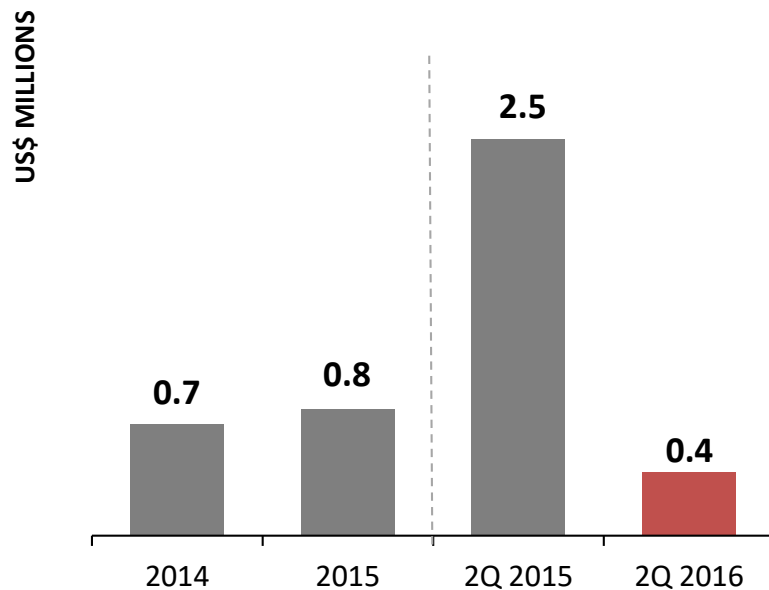


2Q 2015

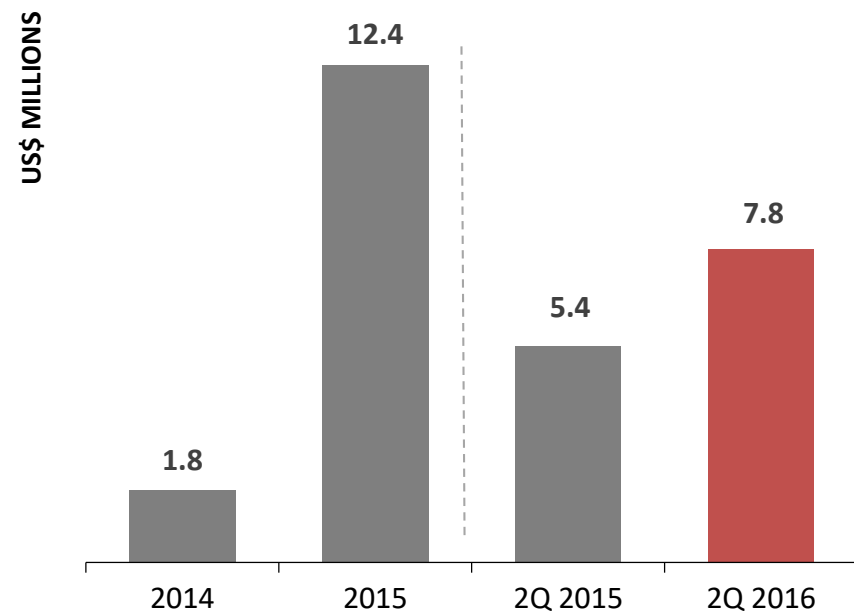


# Financial Highlights

## Cash and Cash Equivalents



## Cash Flow from Operating Activities



# Income Statement

	Fiscal Year Ending Dec 31			For the Three Months Ended June 30,	
US\$	2013	2014	2015	2Q15	2Q16
Revenues	113,891,989	123,571,455	117,908,416	25,864,478	23,431,553
Cost of Sales	102,353,957	110,250,876	102,197,994	22,575,884	20,975,585
Gross Profit	11,538,032	13,320,579	15,710,422	3,288,594	2,455,968
Operating Expenses	4,110,618	7,112,967	5,464,791	1,267,044	1,526,997
Income from Operations	7,427,414	6,207,612	10,245,631	2,021,550	928,971
Total Other Income (Expense), Net	(2,138,540)	(1,493,327)	(2,452,058)	524,566	239,564
Income Before Income Taxes	5,288,874	4,714,285	7,793,573	1,699,791	365,485
Income Taxes	(1,219,030)	(578,727)	(1,180,167)	(348,352)	(59,088)
Net Income	4,069,844	4,135,558	6,613,406	1,351,439	306,397
Net Income Attributable to Noncontrolling Interest	426,440	276,682	716,602	52,518	10,658
Net Income Attributable to OSN	3,643,404	3,858,876	5,896,804	1,298,921	295,739
Foreign Currency Translation Adjustments	1,647,348	779,135	(5,829,470)	(92,221)	(3,136,552)
Comprehensive Income	5,290,752	4,638,011	67,334	1,206,700	(2,840,813)
EPS-Basic and Diluted	0.18	0.19	0.3	0.07	0.02

# Balance Sheet

	Fiscal Year Ending Dec 31			For the Three Months Ended June 30,	
US\$	2013	2014	2015	2Q15	2Q16
Cash and cash equivalents	1,139,450	684,592	812,277	2,495,405	417,037
Restricted cash	31,783,670	17,572,732	8,780,443	14,611,544	7,751,152
Notes receivable	2,421,581	9,925,155	8,010,228	3,265,093	-
Accounts receivable, net	48,200,076	53,764,414	43,247,974	52,058,370	39,005,249
Inventories	18,750,770	20,137,901	27,276,221	19,565,604	30,183,411
Prepaid expenses and other current assets	66,977,800	57,273,709	56,645,130	64,902,692	59,578,639
<b>Total current assets</b>	<b>169,273,347</b>	<b>159,358,503</b>	<b>144,772,273</b>	<b>156,898,708</b>	<b>136,935,488</b>
PPE, net	8,458,121	7,174,646	5,557,176	6,530,224	5,021,950
Land use rights, net	4,297,849	4,231,348	3,911,084	4,195,273	3,774,881
<b>Total assets</b>	<b>182,029,317</b>	<b>170,764,497</b>	<b>154,240,533</b>	<b>167,624,205</b>	<b>145,732,319</b>
Notes payable*	50,990,427	26,521,315	12,477,471	21,957,750	5,944,945
Accounts payable	503,944	3,217,076	1,899,400	3,517,241	856,120
Due to related party	16,911	69,469	65,769	-	4,057
<b>Total current liabilities</b>	<b>83,534,989</b>	<b>51,382,639</b>	<b>50,106,311</b>	<b>45,583,174</b>	<b>43,184,313</b>
<b>Total liabilities</b>	<b>83,534,989</b>	<b>67,355,476</b>	<b>50,106,311</b>	<b>61,695,386</b>	<b>43,184,313</b>
<b>Total shareholders' equity</b>	<b>87,855,367</b>	<b>92,493,378</b>	<b>92,501,977</b>	<b>94,953,494</b>	<b>90,788,221</b>
<b>Total equity</b>	<b>98,494,328</b>	<b>103,409,021</b>	<b>104,134,222</b>	<b>105,928,819</b>	<b>102,548,006</b>
<b>Total liability and equity</b>	<b>182,029,317</b>	<b>170,764,497</b>	<b>154,240,533</b>	<b>167,624,205</b>	<b>145,732,319</b>

\*Notes payable is interest free



# Contacts

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## At the Company:

Feng Peng, Chief Financial Officer  
Email: [feng.peng@ossencorp.com](mailto:feng.peng@ossencorp.com)  
Phone: +86-21-6888-8886  
Web: [www.osseninnovation.com](http://www.osseninnovation.com)

## Investor Relations:

Weitian Group LLC  
Phone: +1-917-609-0333  
Email: [tina.xiao@weitian-ir.com](mailto:tina.xiao@weitian-ir.com)