

Annual Report 2011

innovate • strength



Sahaviriya Steel Industries Public Company Limited

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Our Purpose (Vision & Mission)

Innovate premium value steel products and services for customers; generate consistent profit and sustainable value for stakeholders.

Values (iFacts)

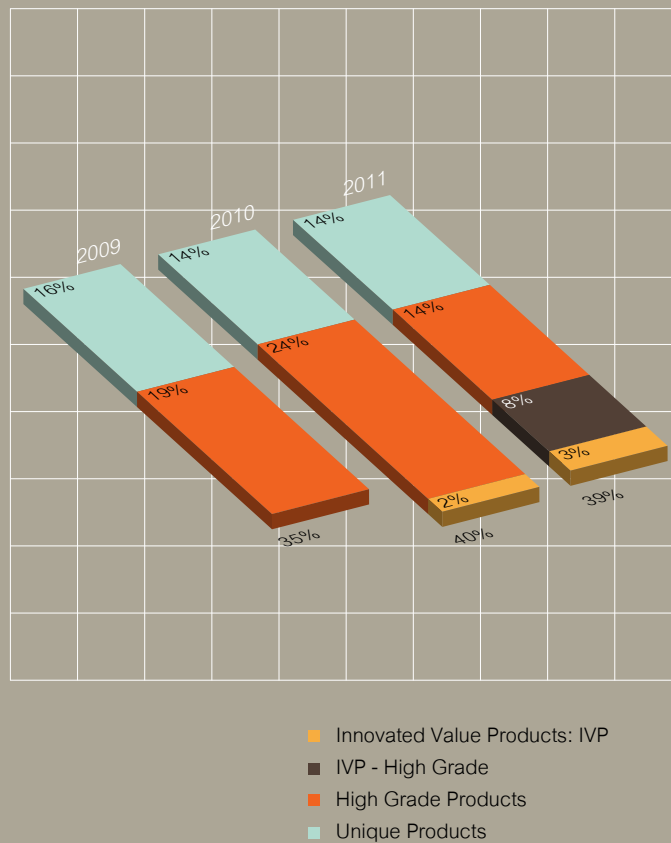




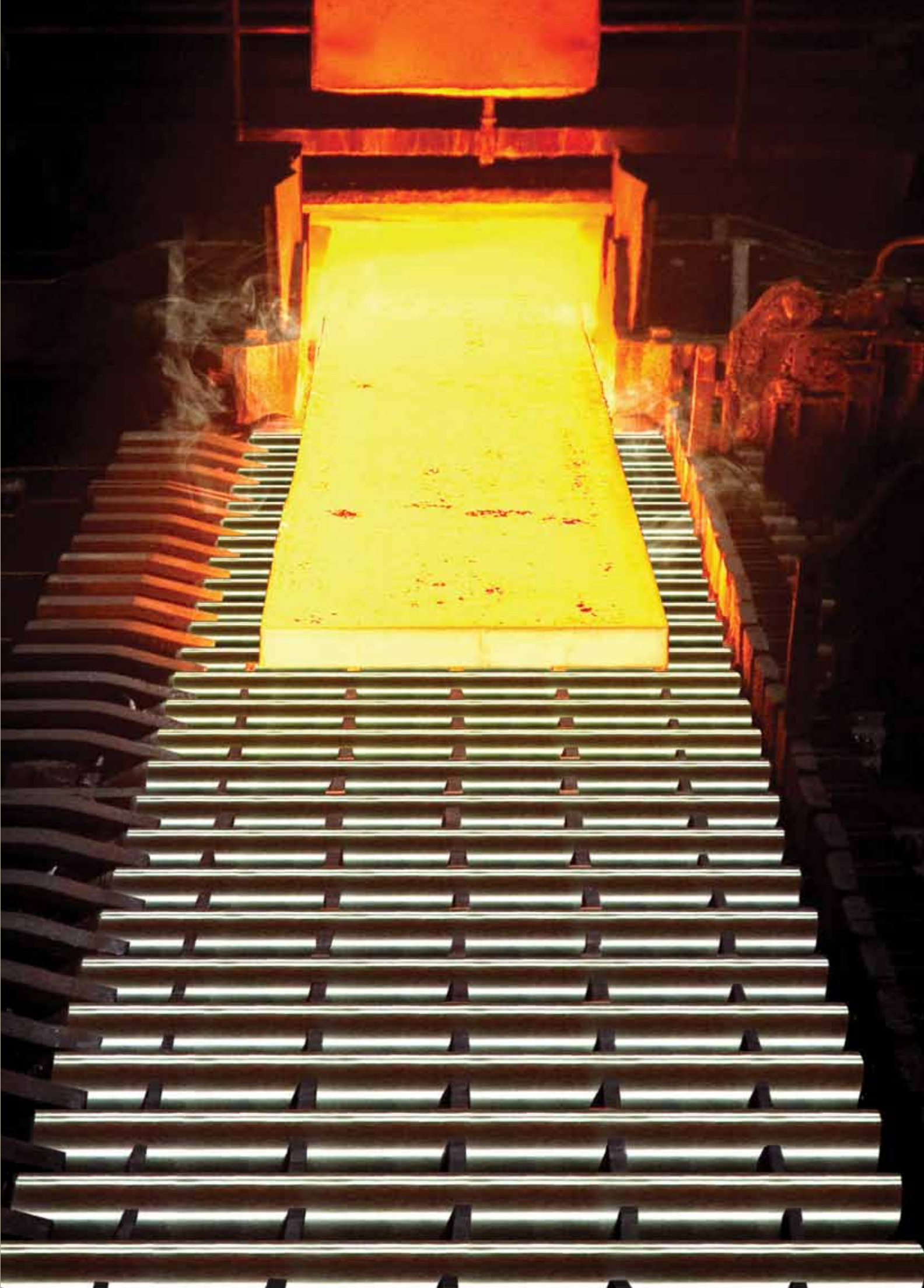
innovate • strength

In the business world full of intense competition,
Reinforcing one's capabilities to create competitive edge
Is the way to strengthen the business
By harmonizing multi-dimensional competency,
Creating continuously innovation,
Investing in fully-integrated steel industry platform,
For synchronously transcending to be
the best in international arena
And moving forward with sustainable growth

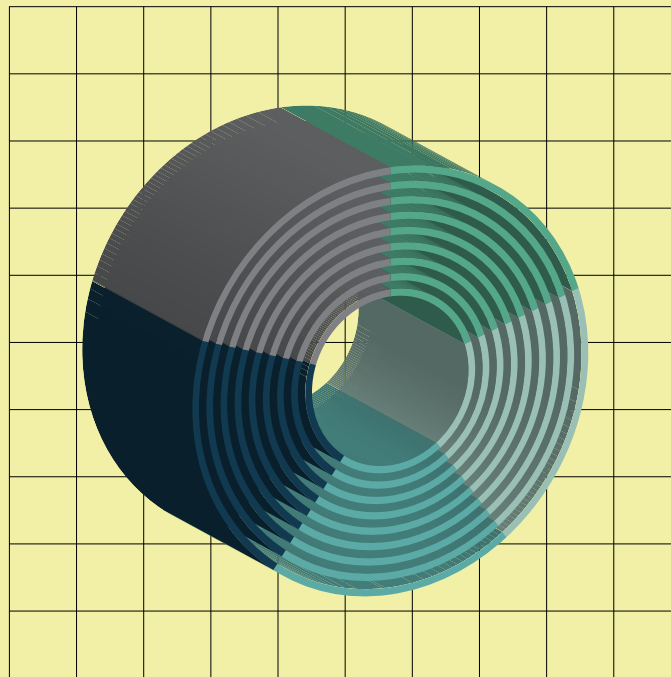
Premium Value Products (PVP) Sales Ratio



Creativity - Innovated premium value steel product strategy originates from the Company's mission and vision - "innovate premium value steel products and services for customers; generate consistent profit and sustainable value for stakeholders." Thus, today...SSI's quality products have been value-accretive to our clients thereby promoting growth and success together.



SSI Group's Fully-integrated Steel Business Platform

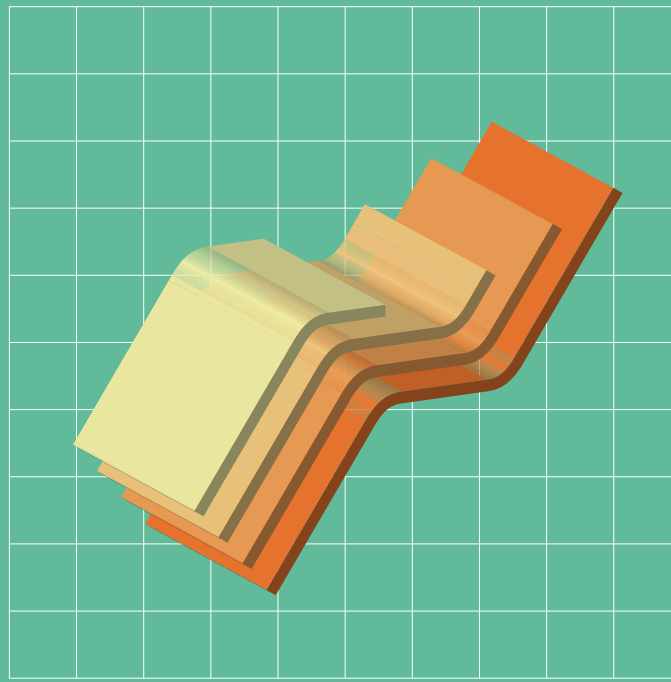


- Iron and Steel Making Business
- Hot Rolled Coil Business
- Downstream Flat Steel Business
- Deep Sea Port Business
- Engineering and Maintenance Service Business

Exponential Growth Pursuing its strategy of becoming a world-class steel manufacturer, combining with investments in fully-integrated steel production platform from upstream to downstream, has presented the Company with more potential business opportunities to achieve exponential growth.



Step forward to...Strength



| 1998 | 1999 | 2010 | 2011 |
|---|--|---|--|
| Acquisition of TCRSS's shares to expand into high-end client base | Net profit of Baht 1,272 million despite the economic crisis | Recording highest annual sale volume of 2.24 million tons | Investing in fully-integrated iron and steel making facility |
| | Cost saving project amounting to Baht 423 million succeeded | Reversed the retained loss in first quarter | Investing in PPC Shore Crane project |

Strength With the Good Corporate Governance principles and effective management, the Company not only survived the crisis but also strived to become even stronger by taking the right business step at the right time.

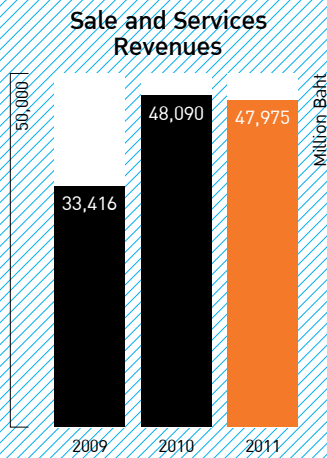


Financial Highlights

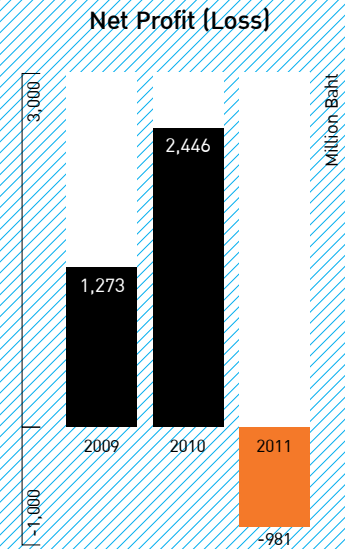
| Financial Highlights | | 2011 | 2010 | 2009 |
|---------------------------------------|--------------|---------|--------|--------|
| Sale Revenues | Million Baht | 47,644 | 47,791 | 33,188 |
| Services Revenues | Million Baht | 331 | 299 | 228 |
| Total Revenues | Million Baht | 53,307 | 48,332 | 33,637 |
| Gross Profit from Sales | Million Baht | (1,755) | 3,846 | 2,974 |
| Gross Profit from Services | Million Baht | 92 | 131 | 88 |
| Net Profit (Loss) | Million Baht | (981) | 2,446 | 1,273 |
| Total Assets | Million Baht | 86,364 | 42,493 | 42,773 |
| Total Liabilities | Million Baht | 61,416 | 22,617 | 25,018 |
| Total Shareholders' Equity | Million Baht | 24,948 | 19,875 | 17,755 |
| Net Profit (Loss) Margin | % | (1.74) | 5.24 | 3.79 |
| Return on Equity | % | (4.14) | 13.59 | 7.72 |
| Return on Assets | % | (1.44) | 5.94 | 3.11 |
| Interest Bearing Debt to Equity Ratio | Times | 1.82 | 0.95 | 1.17 |
| Earning (Loss) per Share | Baht | (0.06) | 0.19 | 0.10 |
| Book Value per Share | Baht | 1.33 | 1.45 | 1.29 |

| Key Data of SSI Shares | | 2011 | 2010 | 2009 |
|--------------------------------------|----------------|-----------|-----------|-----------|
| Closing Price ⁽¹⁾ | Baht | 0.71 | 1.50 | 1.20 |
| High | Baht | 1.52 | 2.14 | 1.38 |
| Low | Baht | 0.56 | 1.08 | 0.34 |
| Average Price | Baht | 1.11 | 1.68 | 0.85 |
| Number of Shares | Million Shares | 18,184.11 | 13,101.28 | 13,101.28 |
| Par Value | Baht | 1.00 | 1.00 | 1.00 |
| Average Daily Volume | Million Shares | 65.17 | 79.03 | 33.94 |
| Average Daily Value | Million Baht | 72.17 | 133.05 | 28.84 |
| Market Capitalisation ⁽¹⁾ | Million Baht | 12,910.72 | 19,651.92 | 15,721.54 |
| Foreign Limit | % | 49.00 | 49.00 | 49.00 |
| Foreign Ownership ⁽²⁾ | % | 28.22 | 27.83 | 26.54 |
| Minority Shareholders ⁽²⁾ | % | 27.17 | 30.70 | 29.04 |
| P/E Ratio ⁽¹⁾ | Times | N.A. | 8.02 | 12.37 |
| Dividend per Share | Baht | - | - | - |
| Dividend Yield | % | - | - | - |

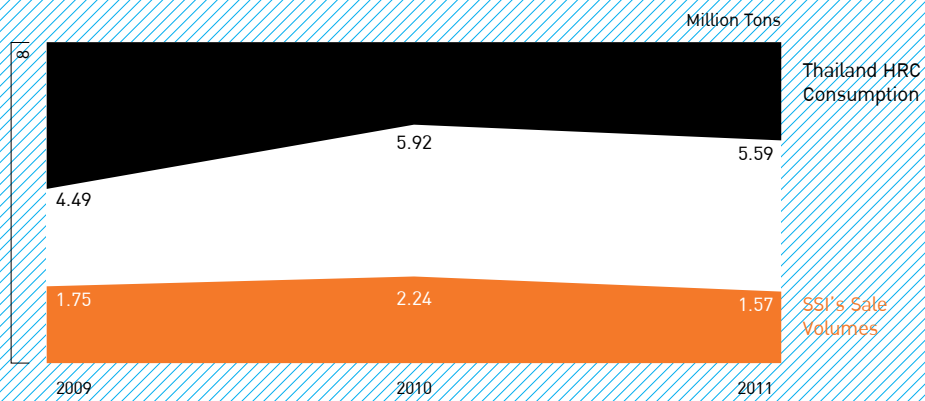
⁽¹⁾ As at the last business day of December 2011
⁽²⁾ As at the last business day of December 2011 or the latest closing date of the share register book, as the case may be



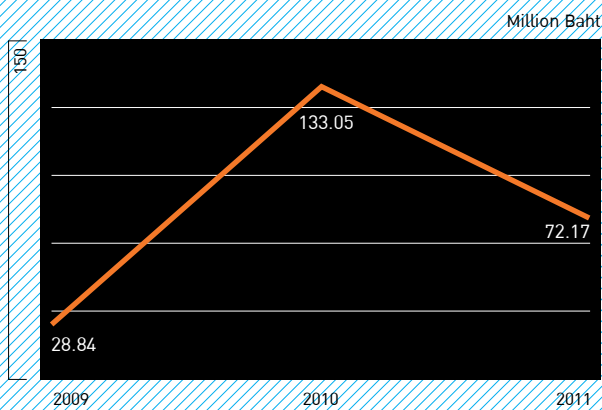
Net Profit (Loss)



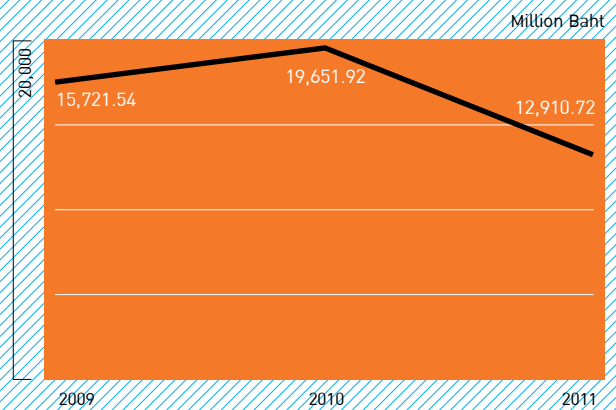
Thailand HRC Consumption and SSI's Sale Volumes



Average Daily Value



Market Capitalisation



Message from the Chairman

Sahaviriya Steel Industries Public Company Limited or “SSI” was established in year 1990 as Thailand’s first manufacturer of hot-rolled steel sheet in coils (“HRC”). SSI’s HRC facility was acknowledged as the modern and largest stand-alone hot strip mill in Southeast Asia. “Innovate premium value steel products and services for customers; generate consistent profit and sustainable value for stakeholders.”

To Shareholders,

2011 was filled with many challenges that once again have tested strength in Sahaviriya Steel Industries Public Company Limited or “SSI”. SSI was affected by the economic crisis in the EU, with fluctuated demand in global steel industry, and witnessed world-wide natural disasters including the Great East Japan Earthquake and Thailand flood. Under the guidance and supervision of the board of directors, effective management by the executives, and the determination of its staff, SSI had endured the difficulties with SSI’s net consolidated loss of Baht 981million in 2011.

For the investment progress of SSI UK Restart Project during the preparation period for the commissioning of slab production, further expansion and investment for advanced technology were required to extend the life of the blast furnace to another twenty years. This refurbishment will enhance a long-term benefit to the business. Once the SSI Teesside’s production is reinstated in 2012, SSI, as the group of Thai companies, will be the largest fully-integrated flat steel



producer in Southeast Asia. Ultimately, this new stance will give SSI a competitive edge in the global arena through leveraging the production process and marketing activity.

To create greater efficiency and flexibility in business operations for the Company and its subsidiaries, in 2011, the Board of Directors had approved the dissolution of the Board of Executive Directors and convened the Board of Directors' meeting on a monthly basis to enhance oversight and governance. The Management Committee was established with the appointment of Mr. Win Viriyaprapaikit, the President, to serve as SSI Group CEO and Chairman of Management Committee in order to take parts of the responsibilities from the Board of Executive Directors. Management Committee ("MC"), comprising of the President, vice presidents, and senior executives of the subsidiaries, will be an important instrument in alleviating duties of the Board of Directors and the President which would in turn empower the senior executives in management decision makings.

In the area of good corporate governance, the Board of Directors approved the merging of Nomination Committee and Remuneration Committee into a single "Nomination and Remuneration Committee". This consolidation deems appropriate as it not only result in greater efficiency of the Board of Directors, but it is also in line with guideline for good corporate governance. It would reduce the repetitive workload for the directors in selection and nomination of the appointment of the Company's directors or the President and at the same time provide greater transparency and more structured approach in remuneration consideration.

With a commitment to increase value to shareholders, SSI also believes in giving back to the community, society, and environment throughout its 20 years history. In 2011, as a listed company on the Stock Exchange of Thailand, SSI was proud to receive a "SET AWARD 2011" for "Outstanding Corporate Social Responsibility" among companies with registered market capitalisation higher than Baht 10 billion.

In addition, SSI had won many significant national awards, including: "Prime Minister's Industry Awards for Energy Management", "Green Industry Certificate - Level 3 (Green System)" from the Ministry of Industry, "Thailand Kaizen Award 2011" from Technology Promotion Association (Thailand-Japan), "Samakunupakran Honorary Coin" and "The Certificate of Honor", from Ministry of Education, "Honorable Shield for Energy Reduction" from Energy Policy and Planning Office - Ministry of Energy, "Ergonomics Good Practice Awards for an invention work of safety category" from Department of Labor Protection and Welfare - Ministry of Labor, and "The Honorary Outstanding Business for Labor Relations and Labor Welfare and Benefits 2006 - 2010".

On behalf of the Board of Directors, I would like to thank our shareholders, customers, suppliers, financial institutions, communities, relevant government and private agencies for all their supports including all the executives and employees for your contributions in making SSI a continuous success. The Board of Directors will oversee SSI and ensure that it operates with integrity and transparency in accordance to good corporate governance.

I am confident that the business operation under our vision "innovate premium value steel products and services for customers; generate consistent profit and sustainable value for stakeholders", SSI will become a forefront Thai company investing in up-stream steel production projects in global arena. Ultimately stakeholders and shareholders will reap from this longer-term sustainable growth and stability.



Wit Viriyaprapaikit

Chairman of the Board of Directors

Message from Group CEO and the President

Dear Shareholders,

We took a big step forward in reaching our vision in 2011, the 2nd year of our 'innovate • strength' vision. Yet market conditions had been challenging as global events unfolded through out the year.

Growth. The highlight of the year was our USD 469 million acquisition of Teesside Cast Products, now renamed SSI Teesside, completed on 24 March 2011. Sahaviriya Steel Industries Public Company Limited or "SSI" became the largest fully-integrated flat steel producer in Southeast Asia. We now have the scale, a deeper value-chain, a stronger business and a platform from which we can pursue multiple growth options.

We have since embarked on the SSI UK Restart Project. Rather than to do the easy but irresponsible thing, we decided to do the right thing. Against restarting the steel plant with little or no improvement, we are spending an additional USD 290 million to completely restore the plant to full integrity and equip it with modern competitive technology. This includes completely relining our Redcar Blast Furnace and installing PCI (Pulverized Coal Injection) system, which will give us production reliability, productivity and lower energy cost in addition to a renewed 20-year-plus campaign life. Though we suffered project delays due to increased amount of work and other uncontrollable factors, we are reducing the business risk in the long term and are confident this will pay back in many fold.

Business results. As our business became global, so did our risks. While group consolidated revenue reached record Baht 47.97 billion, largely thanks to our Coke Business in the United Kingdom, we were battered in the space of one year by 4 perfect storms - global-scale disasters, 3 natural and 1 arguably man-made. 1) Queensland floods in January choked global coking coal supply and drove steel slab price to extreme volatility in the 1st half. 2) Great East Japan Earthquake in March and 3) Thailand Floods in Q4/2011 hit our supply chain and adversely suppressed our domestic sales in Q2/2011 and Q4/2011 respectively. 4) Intensifying Eurozone crisis in the 2nd half chilled global credit particularly in the commodity segment and left us with heavy stock loss on coal and coke. Consequently, group consolidated result was a full-year loss of Baht 981 million. Nonetheless, going forward post start-up in SSI Teesside, we believe our business will be more resilient against such abnormal events as we become more integrated vertically and diversified geographically and in product portfolio.

Our safety record. Our SSI-OK Program to improve safety discipline and compliance in the workplace, has received good attention and support from our people and managers. LTIFR (Loss Time Injury Frequency Rate) dropped from 3.23 in 2010 to 2.14 in 2011. Our Sahaviriya Group Truck Safety Committee closely monitored the truck transport operation and drivers' safety compliance, resulted in non-compliance rate dropping from 29% in 2010 to

We continue to write the story of our company - a uniquely aspiring Thai steel company that hopes to be the best that it can be, and hopes to create strength for its stakeholders through innovation and sheer hard-work.

4.25% in 2011 and achieved higher satisfaction from the community.

People and management. Our Goal Program 2.0 and Appraisal System 2.0 continued to transform SSI into a more effective organisation by sharpening our definition of business mission and expected result. Our people now have more clarity in terms of job achievement and we have a better understanding of our talent pool.

As an enlarged group, we have 1,485 new colleagues at SSI UK (as of 31 December). While a challenge for corporate integration, this offers a tremendous opportunity for personal and organisational development. We had not initiated any program as the SSI UK Restart Project had the priority of the day, but this is an opportunity that we plan to capitalise upon.

One important achievement in terms of management was the establishment of the Management Committee, comprising of the senior executives and myself, to assume more operational authority and responsibility, to ensure better integration among the group's various businesses and to improve better execution of corporate strategy. This was concurrent with the company Board of Directors' decision to abolish the Board of Executive Directors and convene its meeting more frequent on a monthly basis to enhance oversight and governance.

Innovation. From our 'innovate • strength' vision, we are well aware that innovation is the only way for our organisation to be of value to our customers and stakeholders and survive in the long run. Our Innovation Platform continued to derive valuable and innovative ideas from our people, as many as 450 ideas in 2011. Among which, we registered 445 ideas and eventually

selected 22 ideas to be implemented with funding and resource support. These ideas are mostly around the areas of process and quality improvement, cost reduction and safety improvement. This shows the significant amount of interest and commitment from our people to deliver on our vision.

Our customers and products. Though our HRC sales dropped to a 3-year low of 1,571,001 tons, 2011 saw the proliferation of our Premium Value Products (PVP) strategy and Innovated Value Products (IVP) gaining momentum in particular.

Our Premium Value Products, which is the culmination of our 'innovate • strength' vision, reached 39% of total sales volume, with 1) High Grade Products reaching 14%, 2) Unique Products 14%, and 3) Innovated Value Products 11%.

In particular, IVP sales saw 198% y-o-y volume growth and Baht 4.09 billion revenue. Newly developed products (such as JSH400, JSH 400W, TCR A2, TCR A4, and TCR A5) quickly proved its value to the customers for the automobile industry.

Our suppliers. We set the goal to reduce our procurement expense (excluding steel slabs) by Baht 30 million or 1% from the year before. We launched several cooperation programs with our suppliers such as purchase volume consolidation (which gives more scale to the suppliers), contract price policy (which gives business certainty to the suppliers), co-shipment (which helps reduce the suppliers' transportation cost), and etc. As a result of such cooperation, we achieved Baht 56 million or 1.7% cost reduction out of total procurement expense of Baht 3,354 million.

Furthermore, the companies in the Sahaviriya Group cooperated to procure goods and services from within Bangsaphan community to the amount of Baht 176 million, 21% above the Baht 145 million target.

Our environment. We again achieved better results in ambient air and water quality, waste air quality, solid waste quality than the statutory emission requirement. The Ministry of Industry awarded us the “Green Industry Level 3 - Green System” to recognise our effort and result in systematic environmental management, and continuous monitoring and improvement. We also received the Prime Minister’s Industry Award, for the 12th year in a row, in the Energy Management field.

Our local community. We delivered on our several commitments to corporate social responsibility and sustainable development. Our colleagues at SSI Bangsaphan site is made up of 72% local people. We launched “Sahaviriya Fund for Bangsaphan Educational Development”, which is a three-year project to create a “Rise to the top” - style competition among local schools to self-improve their academic results. We carried out 48 CSR activities which benefited 10,975 people. Highlight is the “SSI Arsa” activity series which are owned and driven by our people and the community - 2011 saw 20 such activities, 1,782 employees and 14,256 man-hour participation, and 565 local participants.

In our second year of sponsoring the event, Bangsaphan International Triathlon 2011 gain attention and attracted wider range of sports-enthusiast with 159 participating athletes. We moved the venue to Ban Krut whose stellar-white clean beach is becoming well known and tourism industry is growing. Bangsaphan continues to show case itself as a beautiful tourist destination to the world.

Our society. Though 2011 Thailand floods occurred in central parts of the country and far away from our production assets, we did not sit still. Apart from accounting for all our staffs’ safety and assisting in their evacuation, our people voluntarily formed rescue teams which helped 46 families out of harm’s way. WCE ingeniously came up with an innovative steel boat idea. With the help of our staffs, we produced and donated 175 boats to the various organisations.

It was also the first year which we helped to fund and organise the Bangkok Triathlon 2011 event, as a celebration for the 84th Royal Anniversary of his Majesty the King. The swim down the River of Kings (the Chao Phraya River), the bike ride on top the Borommarajchachonnani Elevated Expressway, and the run on the Suan Luang Rama 8 Park and over the Rama 8 Bridge was refreshing and a unique experience. The event raised Baht 602,500 and proceeds went to the Raj Pracha Samasai Foundation’s charity programme for leprosy patients and children whose parents have been affected by HIV.

Our subsidiaries and affiliates. Results largely reflect 2 major train of events which the group went through in 2011: 1) SSI UK investment phase and 2) extreme market turbulence. Nevertheless, each company showed its own share of innovation and success.

We continue to write the story of our company - a uniquely aspiring Thai steel company that hopes to be the best that it can be, and hopes to create strength for its stakeholders through innovation and sheer hard-work.

As a small Thai steel company, the derisions continue, even from within. “Thailand can never catch up in technology to compete with global steel companies.” “Thailand can’t compete because it doesn’t have the resources and



competitive advantages for steel making.” This year, a new one is added, “UK is not a place for manufacturing, let alone steel making.”

Here, I leave you with an excerpt that captures our moment:

“We have been told we cannot do this by a chorus of cynics. They will only grow louder and more dissonant in the weeks and months to come. We’ve been asked to pause for a reality check; we’ve been warned against offering the people [...] false hope. But in the unlikely story that is [...], there has never been anything false about hope.”

Barack Obama (1961), New Hampshire Democratic Primary Speech, 1 August 2008.

I say, “yes, we can.”

A handwritten signature in black ink, appearing to be 'Win Viriyaprapaikit', written in a cursive style.

Win Viriyaprapaikit
Group CEO and President

Significant Changes in 2011

According to information from the WEO (World Economic Outlook), the world economic in year 2011 grew by 4% compared to the higher rate of 5% in 2010. Negative factors that contributed to the decrease were: the Great East Japan Earthquake, social and political unrests among countries in the Middle East, slower than expected US economic recovery, Euro economic crisis resulted in deepened economic problems and expanded to more countries, and last but not least the great floods in Southeast Asia. The result of the global instability not only created a deceleration of the economy in 2011 but also likely to create a continuous effect to year 2012. The growth in global economic in year 2012 will mostly be attributed to the growths in major developing countries, such as China and India which still have potential growth.

The Office of National Economic and Social Development Board of Thailand reported an increase in the local economy of only 0.1% in 2011 compared to a much higher rate of 7.8% in 2010. Thailand was hard hit from both the global economic uncertainty and local massive flooding in its lower North, Northeastern, and Central regions of the country. Total steel consumption, as announced by the Iron and Steel Institute of Thailand, in 2011 was 14.69 million tons or increased by 5.2% compared to 2010 with higher demands from both flat steel product at 5.6% and long steel product at 4.4%.

Marketing: Sahaviriya Steel Industries Public Company Limited or the “Company” continued to focus on expanding sales of “Premium Value Products” which earns a higher margin to help reduce the impact of price and volume volatilities usually seen in commercial grade products. In year 2011, the Company recorded HRC sales volume of 1.57 million tons with the sales proportion of “Premium Value Products” at 39% of total sales volume. In addition, the Company also constantly developed “Innovated Value Products”, which is part of its “Premium Value Products”, to support customer’s demand. The Company’s effort resulted in sales and delivery of 169,633 tons in 2011 - a significant increase from 56,510 tons in 2010.





2011 Performance Highlights of the Company and its Subsidiaries

- The Company successfully acquired an Iron and Steel Making Business in the United Kingdom in March 2011. On progress with the investment plan of SSI UK Restart Project to start slab production.
- The Company and its subsidiaries recorded a total sale and service revenues of Baht 47,975 million, decreased 0.2% YoY as the drop in domestic sales was made up by revenue from Iron and Steel Making Business in the United Kingdom.
- Net loss of Baht 981 million compared to net profit of Baht 2,446 million in 2010 due to the declining steel price as a result of Euro Crisis, the Great East Japan Earthquake, the Thailand Flood, the dumping of HRC and CRC, and the preparation costs for the restart of Iron and Steel Making Business production.
- Negative net profit margin of 1.74% and net loss per share of Baht 0.06 per share.
- Negative return on average shareholders' equity of 4.14% from a positive of 13.59% in previous year.
- Lower liquidity compared to prior year with the current ratio dropped to 0.84x due to the increasing of short-term borrowings and trade account payable for raw material procurement of the Company and its subsidiaries, subordinated bridging loan of its subsidiary to be repaid by the proceed from the planned fund raising program, and amounts not yet due for payments relating to the SSI UK Restart Project which are to be paid with proceeds from drawings under long-term loan.
- Interest Bearing Debt to Equity Ratio increased to 1.82x compared to the end of year 2010 due to increased short-term borrowing for raw material procurement, long-term borrowing for acquisition of Iron and Steel Making Business, and subordinated bridging loan and long-term borrowing for the SSI UK Restart Project.

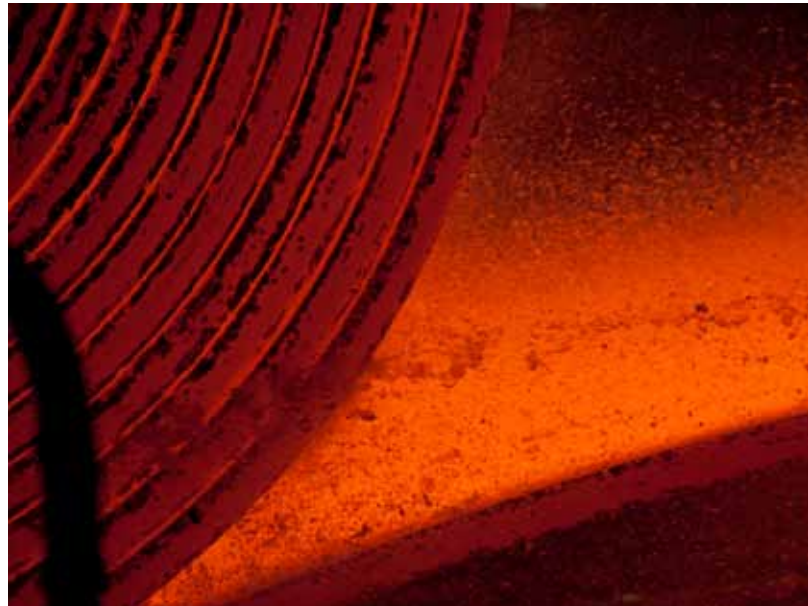
Innovation and R&D: The Company realises that creativity and innovative thinking are one of the mechanisms to enhance business strength and excellence. In 2011, the Company continues the emphasise from the previous year on implementing its motto: “innovate • strength” onto all business functions across the organisation.

Innovation Process Working Committee

In 2011, “Innovation Platform”, an innovation system process, was put into place and during the past year many staff especially from the manufacturing operation participated with great interest and inputs from both personal and group innovation ideas. There were 450 submitted innovative ideas, of which 445 ideas were officially registered, 57 ideas were under experimental process and 22 ideas were selected to be implemented. Most of them involved improving manufacturing operation process, quality, and cost reduction in the manufacturing process.

In addition, the working committee held a contest in June 2011 for “Outstanding Innovation Awards” among the projects that utilised the “Innovation Platform” process that led to practical applications; 56 entries were entered and resulted in 11 finalists. Two final awards were given. One was the winner for the product or innovation category on the circuit to examine the abnormality of the signal of Power Supply PLC. The other was the winner for production process category on Furnace Smart Charge Logic. The goal for this competition was to drive the business vision to deliver innovate premium value steel products and services for customers, generate consistent profit and sustainable value for stakeholders.

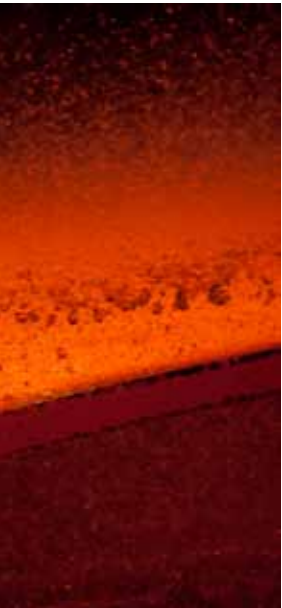
The Company, however, will put more efforts to focus on innovation developments in the areas of products, services, and strategy. To encourage more participation



from employees who were less active with the innovation process through trainings and develop the Innovation Platform to be more effectiveness. SSI believes that consistent contribution in innovative thinking from employees will lead the organisation to become “The Manufacturer of Innovations” - another important step closer to reach the Company’s vision and mission.

Goal Program and Appraisal System 2.0

In 2011, the Company continued with the “Goal Program 2.0” and “Appraisal System 2.0” to strengthen its long-term competitiveness. SSI recognises and values its human resources as the utmost integral part to the business operation; it is impossible to sustain its strength without valuable and qualified employees.



All 129 executives and managers have consistently set their Goal Program 2.0 and systematically aligned them with the Company's mission and strategy. Each Goal Program has to specify actions, targets and key indicators of works and innovation on both teamwork and individual levels in order to encourage employees to create new projects apart from basic work. Altogether they already had come up with 445 ideas. In order to reinforce and materialise the innovation in the organisation, the Company included this into the agenda for its monthly management meeting throughout 2011, where each divisions is required to report innovative ideas and progress under its responsibility to other executives.

The Appraisal System 2.0 was prudently and rigorously implemented starting with the executives and managers who also had received 100% "Performance Feedback" by

the responsible unit/Management Committee through identifying and cultivating the strengths and overcoming the weaknesses of each individual. The "Reward Performance" and individual development plans were set to motivate and reward individuals justly and persuasively. The Company was able to maximise all personnel and management resources effectively. Overall, there was a 74% increase in understanding and satisfaction of the Appraisal System from the period before it was implemented.

R&D towards World Class

With strong determination for R&D, the Company established an R&D unit to perform tasks advancing towards innovative in the organisation under its vision and mission. The Company's R&D unit was approved by the Revenue Department under the Ministry of Finance as the 120th Research and Development agency for advancement through continuous research. The R&D unit has consistently composed a number of studies and encouraged company personnel to acknowledge the importance of R&D, in which its studies were applied to obtain a certificate from the National Science and Technology Development Agency (NSTDA). From the year 2006 - 2011, the Company had submitted its studies in the total of 77 projects, which accounted for the project value of Baht 59.6 million, and some of the projects were qualified for patent registration. Additionally, SSI was the first and the only company among Thai steel producers who undertook and submitted a large number of studies to NSTDA every year. This represented the Company's vigorous commitment and awareness on R&D as a mean for knowledge building.

In 2011, the Company also extended its R&D to work with an external organisation. On 4 January 2011, the Company signed the Memorandum of Understanding on Cooperation in the metals and materials research with

Synchrotron Light Research Institute for a joint R&D project on three subjects: 1) Steel strip surface analysis 2) The deep drawing mild steel microstructure and 3) The high strength steel low alloy microstructure.

The Company aimed to support and elevate the level of knowledge in R&D to develop new knowledge and sharing such knowledge through attending local and international academic conferences and seminars. The Company also supported the annual “Thailand Metallurgist Award” continuously at the “Thailand Conference on Metallurgy”; its projects had also been selected to present to the expert panelists. Following were Company’s research projects that had benefited in the field of metallurgy.

- The 5th Thailand Conference on Metallurgy. The Company’s 3 R&D projects were selected to present at the conference: “The Influence of Titanium and Niobium, rolling temperature and Cooling rate on the microstructure and mechanical properties of High Strength Low Alloy steel”, “The effect of Boron Addition on Tensile strength and Compression strength of Boron-added Low Carbon steel at high temperature”, and “The influence of Carbon content on the character of Oxide Scale Layer and Bonding between oxide scale and steel substrate”.

- International Conference on Metals and Materials (Metal 2011). The Company’s R&D project was selected and presented under “Microstructure observation and mechanical properties of hot rolled low carbon steel strip with boron addition”. The International conference was used as platform to promote fields in research and technological development, engineering, and metal with participation from European metallurgists and other around the world. This 20th Anniversary event was held from 18 - 20 May 2011 at the Czech Republic.

- International Conference on Technology of Plasticity (ICTP 2011). The Company was invited to present a R&D project, “Effect of Boron Addition on High Temperature Deformation of Boron-added Low-Carbon Steel”. This meeting was considered to be the foremost international arena for metal forming, and had been denominated as the “Olympic of Metal Forming”.

Also in 2011, the Company has developed more innovative products in order to meet its customers’ needs as follows:

- The manufacturing development of “New Unique Product 0.8 x 1219” had been officially operated and ready for sale.

- The development of Product Checkered Plate with thickness of 2.8 and 2.0 mm was met with customers’ satisfactions.

- Produced and distributed premium value products for High Strength low allow group: SM490 YA, SM490YB, SM540 to customer-Komutsu.

- Produced and distributed premium value products for High-Grade Compressor group: SAPH400.



Revenue Structure

| Product / Business Unit | Operated by | Shareholding by SSI (%) | 2011 | | 2010 | | 2009 | |
|--|-------------------------------------|-------------------------|------------------------|--------|------------------------|--------|------------------------|--------|
| | | | Revenue (Million Baht) | % | Revenue (Million Baht) | % | Revenue (Million Baht) | % |
| HRC Business | Sahaviriya Steel Industries Plc. | - | 37,699 ⁽¹⁾ | 70.72 | 47,785 ⁽¹⁾ | 98.86 | 33,188 ⁽¹⁾ | 98.67 |
| Engineering & Maintenance Service Business | West Coast Engineering Co., Ltd. | 99.99 | 204 | 0.38 | 125 | 0.26 | 103 | 0.31 |
| Deep Sea Port Business | Prachuap Port Co., Ltd. | 51.00 | 135 | 0.25 | 180 | 0.37 | 125 | 0.37 |
| Iron and Steel Making Business | Sahaviriya Steel Industries UK Ltd. | 100.00 | 9,936 | 18.64 | - | - | - | - |
| Other revenues | Sahaviriya Steel Industries Plc. | | 50 | 0.09 | 237 | 0.49 | 216 | 0.64 |
| | Prachuap Port Co., Ltd. | | 3 | 0.01 | 2 | 0.01 | 1 | 0.01 |
| | West Coast Engineering Co., Ltd. | | 5 | 0.02 | 3 | 0.01 | 4 | 0.01 |
| | Sahaviriya Steel Industries UK Ltd. | | 5,274 | 9.89 | - | - | - | - |
| | | | | 53,306 | 100.00 | 48,332 | 100.00 | 33,637 |

⁽¹⁾ Including sales to Thai Cold Rolled Steel Sheet Plc. in the amount of Baht 3,828 million, Baht 5,872 million, and Baht 4,456 million in 2011, 2010, and 2009 respectively.

Business Description

Sahaviriya Steel Industries Public Company Limited, or SSI, Thailand's first manufacturer of hot-rolled steel sheet in coils ("HRC") and the largest fully-integrated flat steel producer in Southeast Asia, has SSI Bangsaphan as a mid-stream steel manufacturer plant, with a capacity of 4.0 million tons per year for HRC and 1 million tons per year for HRC pickled and oiled. The Company's first main strategy is "Innovated premium value steel products and services for customers" to serve for the growing demand of region in various sectors such as automobile, energy, home appliances, packaging, transportation, and construction. The second main strategy is "Integrated World Class Businesses" mainly focusing not only on strengthening the competitiveness of each business unit up to world-class standard, but also on promoting the integration among each business units to obtain competitive advantages from synergy.

For the upstream steel business, SSI has SSI Teesside as a fully-integrated iron and steel making facility at Teesside in the northeast of the United Kingdom, which is operated by Sahaviriya Steel Industries UK Limited ("SSI UK"), the wholly-owned subsidiary of SSI. This facility has a production capacity of 3.6 million tons per year for high-grade steel slabs to supply raw material for SSI and secure source of raw materials for the group, as well as to distribute to other rolling mills around the world. Moreover, part of this facility is a deep-sea port, of which can help reducing the freight cost by using large vessel to import raw materials (iron ore and coking coal) from the major sources around Atlantic-rim. Teesside area is abundant with experienced personnel and bodies of knowledge for steel industry given its 170 year history of iron and steel making.

In addition, SSI has investments in key downstream projects - namely a joint-venture in Thai Cold Rolled Steel Sheet Public Company Limited ("TCRSS"), Thailand's first and largest cold-rolled steel mill with a capacity of 1.2 million tons per year, and an equity investment in Thai Coated Steel Sheet Company Limited. ("TCS"), Southeast Asia's first and largest electro-galvanising steel mill with its capacity of 240,000 tons per year.

All SSI group's plants in Thailand are located on a western coast of the Gulf of Thailand in Bangsaphan, Prachuap Khiri Khan province, 400 kilometers from Bangkok, which is considered the best strategic place to operate the fully-integrated steel business in Thailand. For the further integration, SSI has also invested in Prachuap Port Company Limited ("PPC") to operate the deepest commercial sea port in Thailand, which allows import of raw materials and export of finished products

on a large scale. Besides, SSI extends its engineering capabilities into its wholly-owned subsidiary, West Coast Engineering Company Limited ("WCE"), which provides services in engineering, maintenance, spare parts production, fabrication, erection and commissioning services, including the engineering design services specialised in steel and other heavy industries.

SSI's 3,800 employees in Thailand and overseas have passion and energy for success as captured in the Company's mission and vision - "innovate premium value steel products and services for customers; generate consistent profit and sustainable value for stakeholders."

Steel Businesses

Iron and Steel Making Business operated by SSI UK, which is currently under the process of preparation for the restart of slabs production. Main revenues presently came from coke business only. The restart of the steel-making operation is expected in 2012. Part of steel slabs will be supplied to SSI to support its increasing production and shipment volumes in Thailand from Q2/2012 onwards.

Hot Rolled Coil Business operated by SSI, supplying HRCs to clients in automobile and automotive parts industries, home appliances, gas cylinder, steel pipes, and construction, as well as the raw materials for downstream industries.

Cold Rolled Coil Business operated by TCRSS using SSI's high-grade HRC as a raw material for its production.

Coated Steel Sheet Business operated by TCS using cold rolled steel sheet as a raw material for its production.

Deep-Sea Port Business

SSI has jointly invested in PPC, which operates 4 berths with its capability to accommodate two vessels up to 100,000 dead-weight tons ("DWT") at the same time. In 2011, the PPC Shore Crane Project has been initiated to procure two mobile harbor cranes with the maximum lift weight of 100 tons. This is expected to help reduce cost of transportation and increase efficiency of steel products handling processes.

Moreover, SSI has also jointly invested in Redcar Bulk Terminal Limited, a joint venture company between SSI UK and Tata Steel UK Limited, which owns the largest and deepest sea port on the eastern coast of the United Kingdom to provide the port services and raw materials handling for iron and steel making and electricity generating operations.



SSI Group Business Portfolio

1. Hot Rolled Coil Business
2. Cold Rolled Coil Business
3. Coated Steel Sheet Business
4. Engineering and Maintenance Service Business
5. Deep-Sea Port Business
6. Iron and Steel Making Business (The United Kingdom)
7. Deep-Sea Port Business (The United Kingdom)

Engineering and Maintenance Service Business

Engineering and Maintenance Service Business is operated by WCE. With its origination to mainly provide services to SSI group, WCE has now extended its services to other customers, both domestic and overseas, in various industries such as paper, energy and cement.

With two main strategies and passionate teamwork, SSI has become Thailand's only fully-integrated flat steel manufacturer, complete from upstream to downstream operation, affording SSI secured source of raw materials and markets for finished products. Besides, it also helps strengthen and sustain the Company's competitive advantage in the long run to become the leader in fully-integrated flat steel manufacturer in ASEAN and also the world-class steel producer consequently.

Milestones

February 2011 SSI has successfully issued and offered new shares in an amount of 5,083 million shares to existing shareholders and other investors with a total proceed from fund raising of approximately Baht 6,011 million.

SSI's share has been selected for inclusion in the SET50 index calculation.

SSI has signed the sale and purchase agreement with Tata Steel UK Limited to acquire TCP's fully-integrated iron and steel making facility.

SSI has signed loan agreement with 3 financial institutions to secure sources of funds of Baht 23,900 million to acquire TCP's iron and steel making facility, which later named SSI Teesside.

March 2011 SSI UK received proceed from equity injection by SSI in an amount of USD 400 million and USD 600 million debt facilities from 3 financial institutions to fund acquisition and transfer TCP's iron and steel making facility from Tata Steel UK Limited as well as to refurbish the facility for restarting the steel production. Total

investment amount for asset acquisition and refurbishment totalled approximately USD 1,000 million.

May 2011 The British Government granted the capital supports in an amount of GBP 1.2 million (equivalent to Baht 58.8 million) from the Regional Growth Fund to SSI UK for its purpose to develop human resources, both existing employees and the prospects to be recruited around over 1,700 positions.

July 2011 Prince Andrew, Duke of York, visited SSI Teesside.

August 2011 SSI has made the new record of the first and the highest accumulative HRC production volume of 25 million tons in Thailand.

SSI has decided to additional invest in SSI UK Restart Project by using the advance technology to extend the useful life of blast furnace for another 20 years. Total additional investment amount is about USD 140 million.

September 2011 SSI has changed the management structure by dissolving the Board of Executive Directors and convene

the Board of Directors' meeting on a monthly basis to enhance oversight and governance. In addition, Group CEO has been appointed and the Management Committee has been established for the purpose of more flexible management to be more competitive in world class business.

Besides, the Board of Directors has approved the merging of the Nomination Committee and the Remuneration Committee into a single "Nomination and Remuneration Committee" for greater efficiency and in line with the guideline for good corporate governance.

October 2011 Prince Charles, the Crown Prince of the United Kingdom, visited to see the progress of SSI Teesside.

December 2011 SSI received SET AWARDS 2011 for Outstanding Corporate Social among listed companies with registered market capitalisation higher than Baht 10 billion.

PPC has signed the agreement to purchase the cranes according to PPC Shore Crane Project with commissioning expected in April 2012.

SSI Group Structure

100% 50.15%

Iron and Steel Making Business

HRC Business

Downstream Business



Sahaviriya Steel Industries UK Limited

Sahaviriya Steel Industries Public Company Limited

Thai Cold Rolled Steel Sheet Public Company Limited

- Manufacturer of Slab

- Manufacturer of hot-rolled coils
- Manufacturer of hot-rolled coils pickled and oiled

- Manufacturer of cold-rolled steel sheet

Support core business

Core business

Increase revenues and enhance sustainable growth

3.7%

51%

99.99%

Downstream Business

Deep Sea Port Business

Engineering and Maintenance Service Business



Thai Coated Steel Sheet Company Limited

Prachuap Port Company Limited

West Coast Engineering Company Limited

- Manufacturer of electro-galvanised

- Provider of deep-sea port

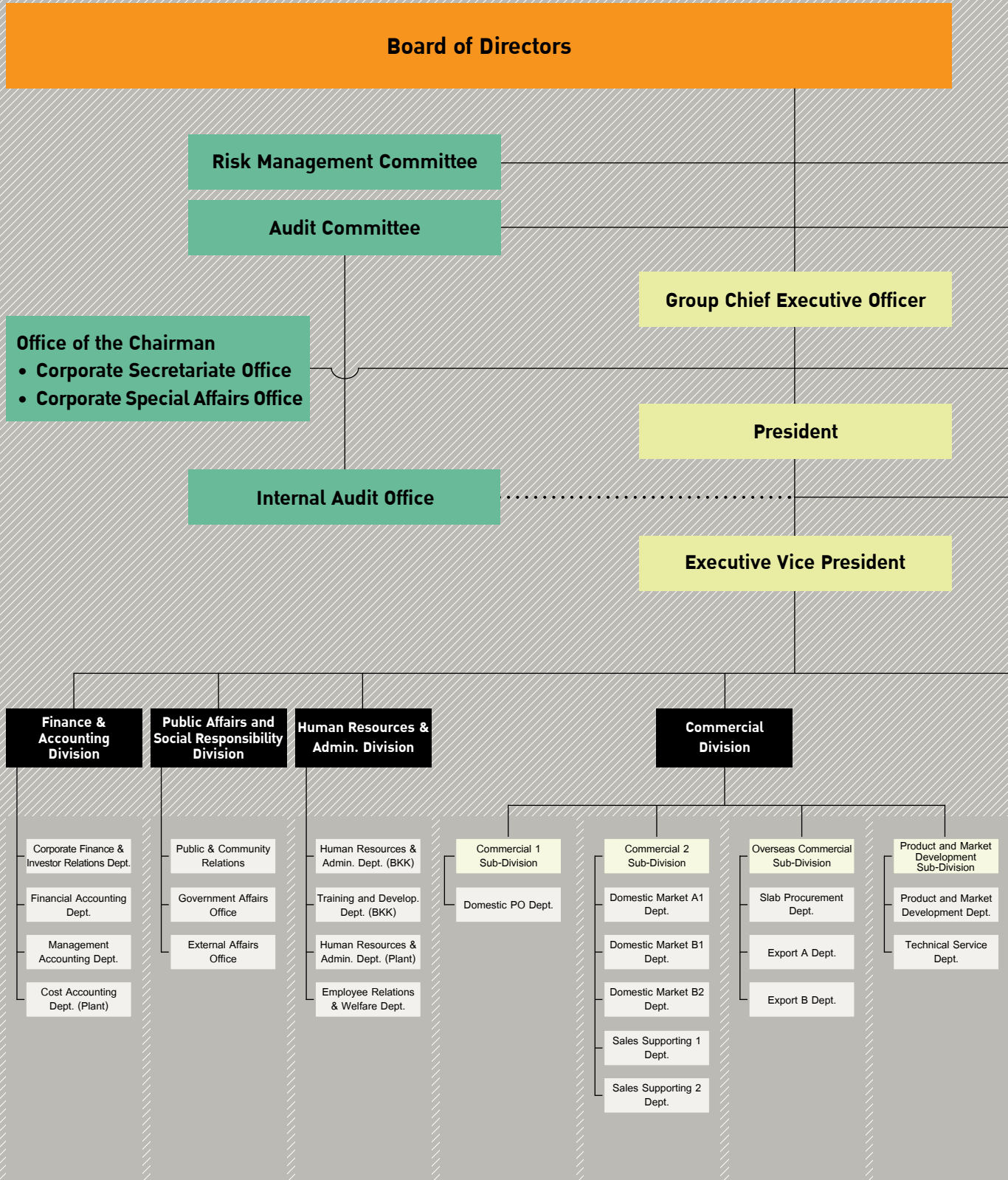
- Provider of engineering and maintenance services

Increase revenues and enhance sustainable growth

Reduce costs and increase revenues

Reduce costs and increase revenues

Organisation Chart



Nomination & Remuneration Committee

Corporate Governance Committee

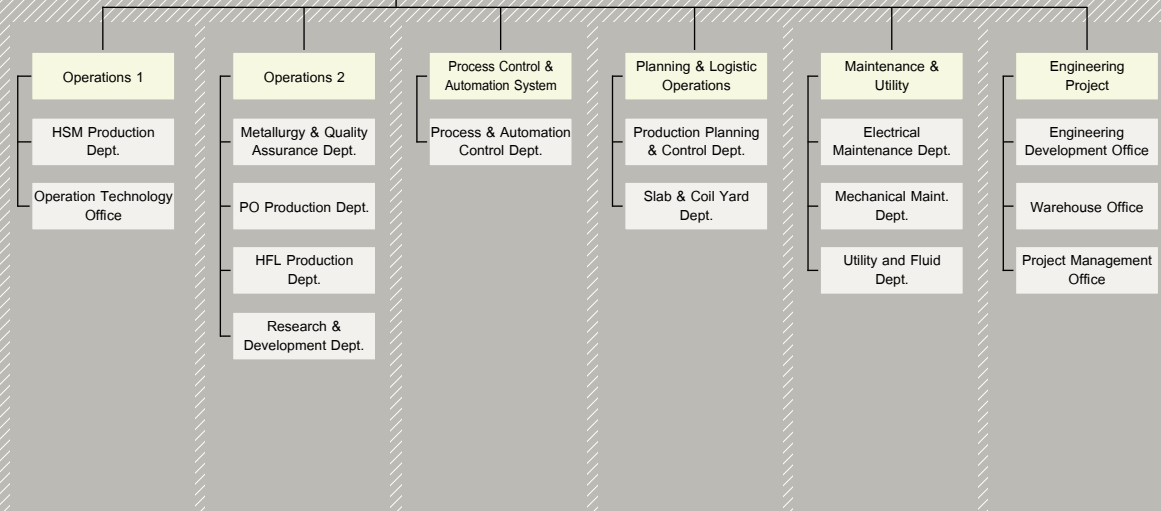
Management Committee

Office of the President

- Information Technology Office
- Group Legal Office
- BKK Executive Office
- Corporate Strategy Office
- Corporate Planning Office
- Risk Management Office
- Purchasing Department (BKK)
- Purchasing Department (Plant)
- SSI UK Project Office

Manufacturing Division

Safety & Environmental Office



Board of Directors

1. **Mr. Wit Viriyaprapaikit**
Chairman of the Board of Directors
2. **Mr. Somchai Sakulsurarat**
Deputy Chairman of
the Board of Directors
and Independent Director
3. **Mrs. Kesree Narongdej**
Director
and Independent Director
4. **Mr. Tongchat Hongladaromp**
Director
and Independent Director
5. **Mr. Siripol Yodmuangcharoen**
Director
and Independent Director
6. **Mr. Prateep Buphaintr**
Director
and Independent Director



4

8

3

9

1

2

6



7. Mr. Permpoon Krairiksh
Director
and Independent Director
8. Mr. Taweesak Senanarong
Director
9. Mr. Somchai Pipitvijitkorn
Director
10. Mr. Kamol Juntima
Director
11. Mr. Piya Viriyaprapaikit
Director
12. Mr. Win Viriyaprapaikit
Director

7

12

11

10

5

Management Structure

The Company's management structure consists of 6 committees, namely the Board of Directors, the Audit Committee, the Nomination and Remuneration Committee, the Good Corporate Governance Committee, the Risk Management Committee and the Management Committee. Their duties and responsibilities may be summarised as follows:

1. Board of Directors

As of 31 December 2011 the Board of Directors consisted of 12 members, namely:

- Director who is also an executive 1 person
- Directors who are not executives 5 persons
- Independent directors 6 persons

The names of the Board of Directors are as follows:

1. Mr. Wit Viriyaprapaikit
Chairman of the Board of Directors
2. Mr. Somchai Sakulsurat
Deputy Chairman of the Board of Directors
and Independent Director
3. Mrs. Kesree Narongdej
Director and Independent Director
4. Mr. Tongchat Hongladaromp
Director and Independent Director
5. Mr. Siripol Yodmuangcharoen
Director and Independent Director
6. Mr. Prateep Buphairn
Director and Independent Director
7. Mr. Permpoon Krairiksh
Director and Independent Director
8. Mr. Taweesak Senanarong Director
9. Mr. Somchai Pipitvijitkorn Director
10. Mr. Kamol Juntima Director
11. Mr. Piya Viriyaprapaikit Director
12. Mr. Win Viriyaprapaikit Director

Requirements for Independent Directors:

1. Number of independent directors shall be equivalent to at least one-third of total number of directors, but not less than three.



2. An independent director shall have the following qualifications:

(A) Holds no more than 0.5% of total voting shares of the Company, its parent company, its subsidiaries, its associated companies, its major shareholder or controlling person of the Company, including shares held by related persons of the independent director;

(B) Is not or has not ever been an executive director, employee, staff, advisor who receives full time salary or a controlling person of the Company, its parent company, its subsidiaries, its associated companies, the subsidiaries in same level, its major shareholder or controlling person of the Company unless the foregoing status has ended not less than 2 years prior to the date of appointment, the aforesaid prohibited qualifications do not include the case where the independent director was a government official of or an advisor to government unit who is major shareholder or controlling person of the Company;



(C) Is not a person related by blood or legal registration, such as father, mother, spouse, sibling and child, including spouse of the children, management, major shareholders, controlling persons, or persons to be nominated as management or controlling person of the Company or its subsidiaries;

(D) Has not or has not had a business relationship with the Company, its parent company, its subsidiaries, its associated companies, its major shareholder or controlling person of the Company, in the manner that may interfere with his independent judgment, or is not or has not ever been a significant shareholder or controlling person of any person having business relationship with the Company, its parent company, its subsidiaries, its associated companies, its major shareholder or controlling person of the Company unless the foregoing relationship has ended not less than 2 years prior to the date of appointment;

The term 'business relationship' aforementioned under the first paragraph shall include any normal business

transaction, rental or lease of immovable property, transaction relating to assets or services or granting or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the Company or his counterparty being subject to indebtedness payable to the other party in the amount of 3% or more of the net tangible assets of the Company or Baht 20 million or more, whichever is lower. The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on connected transactions mutatis mutandis. The consideration of such indebtedness shall include indebtedness occurred during the period of 1 year prior to the date on which the business relationship with the person commences;

(E) Is not or has not ever been an auditor of the Company, its parent company, its subsidiaries, its associated companies, its major shareholder or controlling person of the Company and is not a significant shareholder or partner of an audit firm which employs auditors of the Company, its parent company, its subsidiaries, its associated companies, its major shareholder or controlling person of the Company unless the foregoing relationship has ended not less than 2 years prior to the date of appointment;

(F) Neither be nor have been any professional advisor including a legal advisor or financial advisor who receives an annual service fee exceeding Baht 2 million from the Company, its parent company, its subsidiaries, its associated companies, its major shareholder or controlling person of the Company, and neither be nor have been a significant shareholder, controlling person or partner of the professional advisor unless the foregoing relationship ended not less than 2 years prior to the date of appointment;

(G) Not be a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder;

(H) Is not operate any business which has the same nature as and is in competition with the business of the Company, its subsidiaries or is not become a significant partner in a partnership or is not an executive director, employee, staff, advisor who receives full time salary or holds more than

1% of total voting share of any other company operating business which has the same nature as and is in competition with the business of the Company or its subsidiaries;

(l) Not have any other characteristics cause the inability to express independent opinions with regard to the Company's business operations.

After being appointed as independent directors with qualifications in accordance with clauses (A) to (l), the independent directors may be assigned by the board of directors to make decision on the business of the Company, its parent company, its subsidiaries, its associated companies, its subsidiaries in same level, its major shareholders or controlling person of the Company, in the form of collective decision.

Remarks:

- Related person means a person in section 258 of Securities and Exchange Commission Act.
- Significant shareholder means a shareholder in any entity having more than 10% of the total voting shares, including shares held by a related person.
- Partner means a person authorised by the audit firm or professional provider to sign an auditors' report or a professional report (as the case may be) on behalf of juristic person.
- An executive director means a director holding a management position, a director with the responsibility in any implementation as management and an authorised director who can sign in binding company, except it is expressly shown to be signing at the approval of the committee and in joint signing with other directors.
- A subsidiary in same level means any two or more subsidiaries under the same parent company.

Directors who are authorised to be signed on behalf of the Company are Mr. Wit Viriyaprapaikit or Mr. Kamol Juntima or Mr. Somchai Pipitvijitkorn or Mr. Piya Viriyaprapaikit or Mr. Win Viriyaprapaikit, any two of these five directors can together sign a document and affix to it the Company's seal affixed.

Authority and Duties of the Board of Directors

1. The Board of Directors is authorised and obligated to ensure that the Company operates with fiduciary duty, care, and integrity; and complies with the objectives and article of association of the Company, as well as the resolutions of the shareholders' meetings.

2. By resolution or written authorisation, the Board of Directors is entitled to delegate its responsibilities to juristic person or individual, who may or may not be director, who will act on the Company's behalf and sign their names so as to legally bind the Company according to conditions given to the person so delegated by the Board of Directors. The Board of Directors may delegate various aspects of this authority to one or more person.

3. The Board of Directors must meet no less than once every three months.

4. The Board of Directors must organise an Annual General Meeting of Shareholders within four months from the final day of the Company's fiscal year. Any other meeting of shareholders should be designated an 'Extraordinary Meeting', and may be called any time by the Board of Directors, at their discretion, or whenever a number of shareholders whose shareholdings represent no less than one fifth of the total number of issued shares, or at least twenty-five shareholders whose shareholdings represent no less than one tenth of the total number of issued shares, produce and all sign a document that clearly states their reasons and purposes in calling for a meeting. The Board of Directors must then summon an Extraordinary Meeting of Shareholders within one month from the date on which they receive such a letter from the shareholders.

5. The Board of Directors must produce a balance sheet and income statement, pertaining to the Company on the final day of its fiscal year, and present it to the Annual General Meeting of Shareholders for their approval. The Board of Directors must arrange for the auditor to examine these financial statements before they are presented to the shareholders' meeting.

6. The Board of Directors must appoint the corporate secretary to perform duty on behalf of the Company or the Board of Directors as determined by law.

In case of retirement or the inability to perform duty of the corporate secretary, the Board of Directors must appoint the new corporate secretary within 90 days from the date of which the position becomes vacant and the Board of Directors is authorised to assign any board member to act as the corporate secretary during the vacant period.

The Chairman of the Board of Directors shall notify the Securities and Exchange Commission of the name of new corporate secretary within 14 days from the date of which the appointment is made, and also notify the Securities and Exchange Commission of the place where the documents are kept as determined by law.

2. Audit Committee

As of 31 December 2011 the Audit Committee consisted of three members, whose term of office is three years, (from 30 June 2011 to 29 June 2014) as follows:

- | | |
|---------------------------|--------------------------------|
| 1. Mrs. Kesree Narongdej | Audit Committee Chairperson |
| 2. Mr. Prateep Buphaintr | Audit Committee Member |
| 3. Mr. Permpoon Krairiksh | Audit Committee Member |

All of Audit Committee Members have the knowledge and experience which are adequate for performing its duties on reviewing the reliability of financial statements.

Scope of Duties and Responsibilities of the Audit Committee

- To review and ensure accuracy and adequacy of the Company's financial reports.
- To review and ensure the suitability and effectiveness of the Company's internal control system and internal audit system, to determine the independence of internal audit office, and to approve the appointment, transfer and dismissal of the chief of the office of internal audit.
- To ensure the Company's compliance with the Securities and Exchange Commission laws, and laws relating to the Company's business as well as rules / regulations / notifications / orders issued by such laws.
- To review the Company's risk management system, with particularly focusing on the Company's major risk.

5. To consider, select and nominate the Company's auditor, and recommend his/her remuneration.

6. To review the related transaction, or transaction with potential conflict of interest to comply with the securities and exchange laws and laws relating to the Company's business as well as rules / regulations / notifications / orders issued by such laws.

7. To consider commissioning ad-hoc consultants, at the Company's expense, when professional advice or expertise knowledge is required.

8. To perform any other act as delegated by the Board of Directors.

9. In performing its duty, if the Audit Committee has found or suspected any of following report or action which has the material impact on the financial position and results of operation of the Company, the Audit Committee shall report to the Board of Directors to rectify in time deemed as appropriate by the Audit Committee;

9.1 Report on conflicts of interest.

9.2 Fraud or Irregularity or Material defect in the internal control system.

9.3 Infringement of the Securities and Exchange Commission laws, and laws relating to the Company's business as well as rules / regulations / notifications / orders issued by such laws.

10. To report the operational results of the Audit Committee to the Board of Directors at least twice a year.

11. To prepare a report of the Audit Committee for disclosure in the annual report, signed by Audit Committee Chairperson, and necessarily disclosed with the information under a basis and regulation of the Stock Exchange of Thailand.

3. The Nomination and Remuneration Committee

As of 31 December 2011, the Nomination and Remuneration Committee consisted of 3 members whose term of office is three years (from 1 September 2011 to 31 August 2014) as follows:

1. Mr. Siripol Yodmuangcharoen
Chairman of the Nomination
and Remuneration Committee
2. Mr. Somchai Pipitvijitkorn
Nomination and Remuneration Committee Member
3. Mr. Piya Viriyaprapaikit
Nomination and Remuneration Committee Member

Scope of Duties and Responsibilities of the Nomination and Remuneration Committee

1. Select and nominate, in a principled and transparent manner, person who should be nominated as the Company's director or the President, including those suggested by shareholders (if any).

Nominated person must be knowledgeable, competent, independent, capable of cautious judgment, loyal, and dedicated time and effort to complete the tasks, in appropriate age, in good health physically and mentally, able to regularly attend meetings of the Board of Directors and prepared for them in advance, able to constructively contribute to such meetings, honest, not hesitant to express opinions in meetings, and possessed of good work experience and moral behavior.

The Nomination and Remuneration Committee will give priority to people whose skills, experience, professionalism, and special characteristics are lacking from the Board of Directors or needed for business first, to ensure that the Board of Directors is completely capable to best serve the Company's interests. The nominee's directorship in other companies will also be considered, to determine whether such a position would have an effect on the Company or constitute a conflict of interest. The same considerations apply to both positions of the Company's director as well as the President.

2. Request the opinions of the Board of Directors (if any) regarding nominations prior to submitting names to the Board of Directors or a shareholders' meeting for further consideration.

3. Consider guidelines for determining remuneration for the Board of Directors, other committees appointed by

the Board of Directors, and the President. This remuneration should include meeting allowances, annual bonuses, warrants, and other benefits, either monetary or non-monetary, and also consider the remuneration structure for senior executives. The means of determining remuneration or remuneration structures should be fair and reasonable.

4. Review remuneration for the Board of Directors, other committees appointed by the Board of Directors, the President, and the remuneration structure for senior management, in comparison with standard practice in the industry among companies listed in the Stock Exchange of Thailand, their duties and responsibilities, and how they are linked to the performance of the Company.

5. Engage in other activities assigned by the Board of Directors regarding the nomination and remuneration of directors and the President.

The Nomination and Remuneration Committee may seek the advice of outside consultants concerning remuneration if considered necessary, and may take courses or classes, to enhance knowledge in the matters of nomination and remuneration, at the Company's expense.

4. Good Corporate Governance Committee

As of 31 December 2011, the Good Corporate Governance Committee consisted of three members, whose term of office is three years (from 4 December 2010 to 3 December 2013), as follows:

1. Mr. Somchai Sakulsurarat
Chairman of the Good Corporate Governance
Committee
2. Mr. Kamol Juntima
Good Corporate Governance Committee Member
3. Mr. Prateep Buphaintr
Good Corporate Governance Committee Member

Scope of Duties and Responsibilities of the Good Corporate Governance Committee

1. Assess and propose to the Board of Directors the Company's policies concerning good corporate governance

in accordance to business philosophy, and code of business conduct of the Company as well as international good corporate governance principles.

2. Develop and evaluate procedures or guidelines concerning good corporate governance and propose them to the Board of Directors.

3. Oversee the performance of the Company's management to ensure that they conform to the Company's policies and guidelines concerning good corporate governance as approved by the Board of Directors.

4. Provide advice on corporate social responsibility (CSR) to management of the Company.

5. Oversee the Company's management to ensure that they establish a clear execution plan of CSR policy, and follow up their implementation according to the plan and submit the results to the Board of Directors.

6. Review business philosophies, codes of business conduct, codes of ethics for directors, and codes of ethics for employee, as well as guidelines concerning the same as deemed appropriate and propose to the Board of Directors.

7. Appoint external advisers concerning good corporate governance if deemed necessary and appropriate, at the Company's expense.

8. The Good Corporate Governance Committee may take courses to enhance its knowledge in the matters related to its works, at the Company's expense.

9. Perform any other tasks relating to good corporate governance that are assigned by the Board of Directors.

10. Report results of the Good Corporate Governance Committee's tasks to the Board of Directors for acknowledgement on an appropriate basis or at least twice a year, and must report immediately to the Board of Directors for acknowledgement or consideration of the matter that has a significant impact on the Company; and provide suggestion or recommendation for such matter as it deems appropriate.

11. Report results of the Company's good corporate governance to the shareholders on annual basis via the Company's annual report (56-2).

5. Risk Management Committee

As of 31 December 2011, the Risk Management Committee consisted of 3 members whose term of office is three years (from 4 December 2010 to 3 December 2013), as follows:

1. Mr. Tongchat Hongladaromp
Chairman of the Risk Management Committee
2. Mr. Somchai Pipitvijitkorn
Risk Management Committee Member
3. Mr. Taweesak Senanarong
Risk Management Committee Member

Scope of Duties and Responsibilities of the Risk Management Committee

1. Review and propose the Company's risk management policy and acceptable risk appetite to the Board of Directors for approval.

2. Oversee the development and implementation of the Company's enterprise risk management framework.

3. Review risk management reports submitted by management in order to monitor the Company's major risk exposures and take appropriate action to ensure that such risks have been effectively monitored and controlled by management on an ongoing basis.

4. Make additional recommendations to the Board of Directors with respect to the risk management, including problems and difficulties encountered in the course of the development of the Company's risk management system.

5. In carrying out its duties and responsibilities the Risk Management Committee may engage outside professional consultants for advice as deems necessary and appropriate and may take courses to enhance knowledge in the matter related to its works, at the expense of the Company.

6. Perform any other duties as may be assigned by the Board concerning risk management.

7. The Risk Management Committee shall report to the Board of Directors regularly on the results of its meetings and other matters considered to be of major importance that they should be brought to the attention of the Board of Directors.

6. Management Committee

As of 31 December 2011, the Management Committee consisted of 9 members, as follows:

1. Mr. Win Viriyaprapaikit
Chairman of the Management Committee
2. Mr. Kittisak Mapanao
Management Committee Member
3. Mr. Nitiphong Tejavanija
Management Committee Member
4. Miss Wanna Tangcharoenching
Management Committee Member
5. Mr. Nava Chantanasurakon
Management Committee Member
6. Mr. Somsak Sivapaiboon
Management Committee Member
- *7. Mr. Jira Chotinuchit
Management Committee Member
8. Mr. Narongrit Chotnuchittrakul
Management Committee Member
9. Mr. Chaipat Khemaphiruk
Management Committee Member

Remark:

* No. 7 resigned from the position of Vice President - Office of the President on 1 March 2012.

Scope of Duties and Responsibilities of the Management Committee

1. Study, analyse and propose the Company's policies, strategies, long-term plans, annual plans and budgets, investment plan and capital budgets, expansion plans, and plans for new operations or joint ventures; to the Board of Directors for approval.

2. Be responsible for implementing the policies and plans approved by the Board of Directors, as well as monitoring and evaluating the results of those operations to submit to the Board of Directors for its consideration.

3. Comply with the scope of authority determined under the Authorisation Chart approved by the Board of Directors.

4. Perform any other duties as assigned by the Board of Directors.

In the meeting of the Board of Directors No. 5/2011 held on 11 August 2011, the resolution has been approved to dissolve the Board of Executive Director. Such dissolution has become effective from 1 September 2011 onwards, and the Management Committee has been appointed to take the Board of Executive Director's authorisation in accordance with Authorisation Chart, of which was already rectified to be in line with the new structure.

The Company's management is as follows:

1. Mr. Win Viriyaprapaikit
President
2. Mr. Nitiphong Tejavanija
Vice President - Finance & Accounting Division
and Secretary to the Risk Management Committee
3. Miss Wanna Tungcharoenching
Vice President - Commercial Division
4. Mr. Nava Chantanasurakon
Vice President
- Human Resources & Administration Division,
- Public Affairs and Social Responsibility Division,
and Secretary to the Nomination
and Remuneration Committee
5. Mr. Kittisak Mapanao
Vice President - Manufacturing Division
- *6. Mr. Jira Chotinuchit
Vice President - Office of the President
7. Mr. Somsak Sivapaiboon
Vice President - Office of the President
8. Mr. Chaipat Khemaphiruk
Vice President - Office of the President
9. Mr. Narongrit Chotnuchittrakul
Vice President - Office of the President
10. Mrs. Wannee Sirikanchana
Secretary to the Audit Committee
and Secretary to the Good Corporate
11. Mr. Surasak Ngamsidhipongsa
Company Secretary

Remark:

* No. 6 resigned from the position of Vice President - Office of the President on 1 March 2012.

Scope of Duties and Responsibilities of Management

1. Prepare both short and long terms strategic and action plans, which is aligned to the Company's policies and business plans.

2. Organise a process of transmitting information within the organisation so that all personnel are aware of the policies, as determined by the Board of Directors, to be implemented as work guideline.

3. Perform the tasks as assigned by the Board of Directors, in accordance with the objectives, rules and regulations of the Company, and the scope of authority in relation to normal business operation of the Company.

4. Prepare reports on operating activities to the Board of Directors in appropriate time. The preparation of the report shall be at least on these following activities:

4.1 The updated status of the Company's operations or operational results, risk management on any activities, including internal and external factors that could affect the Company's business operation.

4.2 Action plans should be reviewed and modified to conform with the policies as determined by the Board of Directors, and the strategic plans should be revised appropriately in line with the change of the business circumstances; for instance, a change in regulation, a change in competitive environment, and business opportunities, etc.

Nomination of Directors and Management

1. Nomination of directors

The Company has appointed the Nomination and Remuneration Committee to select personnel suitable for nominating as the Company's director or the President, and propose their names to the Board of Directors' meeting and/or a shareholders' meeting for further consideration. Details of these appear in Management Structure topic, item No. 3 (The Nomination and Remuneration Committee).

2. Nomination of management

The Board of Directors has delegated authority to the Management Committee for the consideration and appointment of knowledgeable, competent, and experienced persons who are proper to become the Company's management. When an appointment has been made, it should be reported to the Board of Directors.

The Company has also set a succession plan for the readiness preparation of Company's personnel to be appointed as the Company's management.

Rights of Shareholders in the Appointment of the Board of Directors

Directors shall be appointed by a majority of votes in a shareholders' meeting, according to the following criteria and procedures:

(1) Each shareholder has a number of votes equal to the number of shares held.

(2) Each shareholder may use the total number of votes he/she has as per 1 to elect one or more directors. If there are several directors to be elected, each shareholder must use all votes he/she has as per 1, to vote for each candidate who is best suitable for a director. The votes may not be divided or distributed among two or more persons.

(3) Those who receive the most votes are considered to be elected as directors, in the order of most votes received to least, up to the number of directors to be elected at that time. In an event that two or more candidates receive equal number of votes the position available, the Chairman of the meeting shall make the decision on which candidate is to be chosen.

Steel Industry and Market Overview

World Steel Industry in Year 2011

Overall world steel consumption continued to expand in year 2011. Based on the information released by World Steel Association (“WSA”), Global Apparent Steel Use in the year 2011 was 1,398 million tons, increased by 6.5% compared to that of 2010. China led the increase in steel consumption with an estimated increase of 643 million tons, equivalent to a growth rate of 7.5% driven by its economic strength. Without a clear resolution on its debt crisis, Europe saw a weaker year for steel with consumption decreasing slightly to 155 million tons. Steel price fluctuated throughout the year, starting from Queensland floods in Australia at the beginning of 2011 leading to the coking coal supply shortage that consequently drove steel price upward. Price of steel slabs increased from USD 550/ton to peak at USD 748/ton in April 2011 and had gradually declined afterward. In October 2011, slab price (CFR East Asia) started dropping markedly on the fear of prolonged crisis in the EU. By November 2011, steel slab price had dropped to USD 550/ton and HRC price (CFR East Asia) also dropped to USD 640/ton the lowest price in the last 22 months.

Thailand Steel Industry in Year 2011

From Iron and Steel Institute of Thailand’s report, steel consumption in Thailand for 2011 reached 14.69 million tons, an increase of 5.2% YoY. Similar to the rest of the world, steel price in Thailand fluctuated widely starting from the high price at the beginning of the year that kept rising until Q2/2011, then declined in Q3/2011 and Q4/2011. The key factors for price fluctuation were from domestic economy and slowing demand during Q4/2011 due to Thailand floods situation. Another important factor was market dumping of import HRC from China and Malaysia as well as huge volume of shipment of boron-added HRC from China since beginning of 2011. The problems of market dumping eased after the Ministry of Commerce implemented the provisional anti-dumping duties on HRC from China and Malaysia at



duty rate of 30.91% and 23.57% - 42.51%, respectively, for 5 years period being in effective from 12 August 2011. In addition, an emergency measure was passed to impose a security guarantee on duty for import of boron-added HRC from China at the rate of 19.47%; the first 90 days period started from 20 August 2011 to 17 November 2011, then such measurement was extended for another 90 days period from 18 November 2011 to 16 February 2012. However, there continued to be dumpings of HRC from Korea and of cold-rolled coils from China, Taiwan and Vietnam which resulted in declining in demand for HRC for re-rolling into cold-rolled coils.

Steel Industry Outlook in Year 2012

It is expected that world crude steel production will be increase by 4% from 2011 to 1,590 million tons while WSA forecasts world steel demand will grow at the rate of 4.5% with the total demand of 1,460 million tons.



However, the spread of EU crisis which will take some more time to solve will mean steel consumption in 2012 is dependent on emerging countries and developing countries. The combined demand from these emerging countries and developing countries will be 73% of world steel demand. China will still be the leader as the largest steel consumption with the expected growth rate of 6% for steel consumption or 681 million tons in 2012.

For domestic steel industry in year 2012, Iron and Steel Institute of Thailand (“ISIT”) and Fiscal Policy Office (“FPO”) estimated that domestic demand for steel would increase by 2.3% to 15 million tons in 2012. Although, there is no definite indicators for raw material price and steel price due to the market instability, World Steel Dynamic (“WSD”) forecasted that the price of iron ore from Brazil, including freight cost to Europe, should be around USD 147/ton in 2012, which is relatively lower than average iron ore price of USD 186/ton in 2011.

Furthermore, it is also estimated that long products used for construction will increase as the result from the demand to reconstruct and maintenance for infrastructure and household damaged from Thailand floods and to increase the inventory level which declined during the end of last year.

For domestic industrial sector in 2012, Office of Industrial Economics takes positive outlook with upward forecast for Manufactured Products Index (“MPI”) to grow between 5 - 6%, assuming slowdown phase in Q1/2012 and upward trend in Q2/2012 with possibility of returning to normal growth or stable phase comparable to the same period of last year subject to recoverability of manufacturing industries.

In year 2012, electrical appliance and electronic parts industry are expected to grow at a moderate level. Electrical appliance industry will increase in range of 5 - 7% due to demand from local and export markets. Electronic parts industry will also increase in range of 10 - 12% resulting from continuous developing of new IT products subject to uncertainty and ability of EU and USA economic recovery. For automotive industry, it is expected that Thailand will reach its 2 million car production in 2012, increasing by 37% from 2011, due to new investment for new model and new brand that start to produce in Thailand for both domestic and export to Asian markets as well as the recovery of car manufacturing from the flooding situation. Furthermore, current government’s positive policies, such as increasing budget for renovate and maintenance infrastructure and industry, increasing minimum wage, first car and first house, will be the key drivers to boost up demand and consumption of steel in 2012.

Report of the Risk Management Committee

To the Board of Directors of Sahaviriya Steel Industries Public Company Limited

1. To further improve the efficiency and effectiveness of the Company's risk management, the Board of Directors (the "Board") on 3 December 2007 resolved to establish another Board committee called "Risk Management Committee" (the "Committee") to assist the Board in overseeing the risk management activities of the Company. Pursuant to the resolution of the Board, the Committee shall be comprised of at least three Company directors and the Vice President in charge of finance and accounting shall act as secretary of the Committee. The current Committee is comprised of three directors appointed by the Board on 10 November 2010 to serve a term of three years from 4 December 2010 to 3 December 2013. The names of the current members of the Committee are as follows:

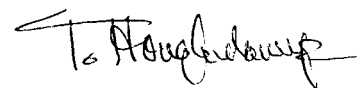
- | | |
|-------------------------------|----------|
| 1. Dr. Tongchat Hongladaromp | Chairman |
| 2. Mr. Somchai Pipitvijitkorn | Member |
| 3. Mr. Taweesak Senanarong | Member |

2. To perform its duties as assigned by the Board in respect of the oversight of the Company's risk management function, four meetings were held by the Committee in 2011 and the results of the meetings may be summarised as follows:

2.1 To monitor the effectiveness of the Company's risk management on an on-going basis, quarterly meetings were held by the Committee to review and discuss with the management regarding the quarterly risk management reports presented by the Risk Management Working Committee. The quarterly risk management reports submitted to the Committee in 2011 included the report for the fourth quarter of 2011 and reports for the first, second and third quarters of 2011. To measure the performance of the Company's risk management, the quarterly reports exhibited the actual outcomes of the Company's major risk exposures for the past quarter as compared to their assessments presented at the previous quarterly meeting. Assessments of the major risk exposures and measures to mitigate such risks for the next quarter were also presented in the quarterly reports. The quarterly reviews by the Committee were to ensure that the Management of the Company's risk exposures was implemented in a systematic and ongoing manner and that it was consistent with the Company's long term goals and strategies. In addition, the management would be alerted by the Committee to the occurrence of any event that was likely to have a materials adverse effect on certain risk exposure of the Company so that remedial action would be taken in advance. For example, at the quarterly meeting on 17 October 2011, the management was alerted to the likely increase in the Company's liquidity risk as it was noticed that the actual sales volume for the third quarter of 2011 was significantly below its target and further that under the then circumstances, it appeared very likely that the Company would not be able to achieve its sales target for the fourth quarter. The failure to achieve the targeted sales volume would result in excessive inventories and all these unfavorable events would eventually have an adverse effect on the Company's liquidity position.

2.2 In accordance with the Company's long term strategic objective of expanding its business into the upstream production of steel slabs which are the major raw materials of the Company's existing operations, the Company, through its wholly owned subsidiary in the United Kingdom called "Sahaviriya Steel Industries UK Limited", acquired the business and assets of Teesside Cast Products located in the north eastern part of the United Kingdom in March of 2011. The main objective of the acquisition is to improve and strengthen the long term stability and competitiveness of the Company's existing business of producing hot rolled steel sheets in coil as it is expected that the acquired business will provide a steady source of supply of quality raw materials required by the existing operations at more stable prices. However, the acquisition also entails certain risks because it involves substantial investments and further that the Company has no prior experience in operating an iron and steel making plant although it is closely related to the Company's existing operations in the sense that it is backward integration. Thus, realising the anticipated benefits of the acquisition as aforementioned will substantially depend on the Company's ability to integrate the acquired operations successfully with the Company's existing operations. Particularly in the short term, the success of the acquisition will depend on the Company's ability to successfully restart the long suspended iron and steel making plant within the scheduled time frame as well as to successfully resume the production of steel slabs as expected in terms of quantity, quality and cost. If the Company is unable to integrate the acquired operations successfully, its result of operations, financial condition and cash flows could be materially adversely affected.

In view of the crucial important of the risks associated with the newly acquired business as mentioned above, the Committee has expressed its concern about the risks and urged the management to pay greater attention to the management of such risks in a systematic and on-going manner. In response to the Committee's concern and to cope with the increasing burden of the risk management function resulting from the expansion of the Company's business particularly the recent acquisition of a smelting mill in the United Kingdom, a new unit under the Office of the President to be called the "Risk Management Office" was set up by the management. At the initial stage, the major responsibilities of the new unit with include assisting the management especially the President in the coordination and follow up with the functional and business units regarding the implementation of risk management in order to ensure that it is in accordance with the proper risk management framework and established risk management process; preparing risk management reports for submission to the President and the Committee; providing risk management knowledge to increase a better understanding of risk management as well as to create a risk-aware culture throughout the Company through ongoing effective communications with employees, and paying attention to the development of the risk management best practices for the purpose that they might be used by the Company to improve its risk management efficiency and effectiveness. The Committee has expressed its full agreement to the need for the establishment of the new risk management office as described above. The new risk management office and its initial manpower requirements were also approved by the Board in April 2011.



Dr. Tongchat Hongladaromp

Chairman of the Risk Management Committee

20 February 2012

Risk Management

Recognising the risk factors which may impact actualization of vision, mission and goal of the Company, the Board of Directors thus specified policies regarding risk management and internal control in late 2004 to implement systematic risk management in entire organisation effective and efficient manner. The Company has appointed a Risk Management Working Committee as a key mechanism to implement various risk management measures. For the past years, the risks identified by of each department have been assessed and analysed. Concomitantly, risk management measures are put in place and the results of risk management are systematically monitored. To conform to the Corporate Governance Policy endorsed in late 2007, the Board of Directors thus established the Risk Management Committee to take charge of risk management for greater efficiency and effectiveness. The Risk Management Committee is assigned to review and offer suggestions on the assessment of high risks of the Company prepared by the Risk Management Working Committee. Subsequently, they will further propose to the Audit Committee additional comments or observations prior to the submission to the Board of Directors every three months.

The major risks and key risk management measures of the Company in 2011 can be summarised as follows:

Market Risk

Risk from Price Fluctuation and Product Demand

Overall world steel consumption continued to expand in year 2011. Based on the information released by World Steel Association ("WSA"), Global Apparent Steel Use in the year 2011 was 1,398 million tons, increased by 6.5% compared to that of 2010. China led the increase in steel consumption with an estimated increase of 643 million tons, equivalent to a growth rate of 7.5% driven by its economic strength. Without a clear resolution on its debt crisis, Europe saw a weaker year for steel with consumption decreasing slightly to 155 million tons. Steel price fluctuated throughout the year, starting from Queensland floods in Australia at the beginning of 2011 leading to the coking coal supply shortage that consequently drove steel price upward. Price of steel slabs increased from USD 550/ton to peak at USD 748/ton in April 2011 and had gradually declined afterward. In October 2011, slab price (CFR East Asia) started dropping markedly on the fear of prolonged crisis in the EU. By November 2011, steel slab price had dropped to USD 550/ton and HRC price (CFR East Asia) also dropped to USD 640/ton the lowest price in the last 22 months.

For domestic market, domestic steel producers were affected from market dumping of import HRC from China and Malaysia as well as huge volume of shipment of boron-added HRC from China resulting in HRC domestic price fluctuation during the first nine months of year 2011. By August 2011, the Government by Minister of Commerce had stepped in to implement Provisional Anti Dumping on HRC from China and Malaysia and also made the announcement for emergency measurement requesting for security guarantee on duty for import boron-added HRC



from China. Moreover, there also was market dumping for CRC from China and Vietnam which resulted in price declining for HRC for re-rolling to CRC. In addition, since steel product is the product in which under the price control regulation, therefore, steel price adjustment would require notifying to Department of Internal Trade, Minister of Commerce, in advance if the selling price is higher than the earlier price notification. This make the Company has the difficulty to adjust its steel selling price with the raw material price fluctuation.

Great East Japan Earthquake caused shortages of spare parts in the automobile industry; hence the automobile production was reduced. Low consumption in construction industry, delayed investment in private sector waiting for the election result, and the flooding disaster started from the end of September to November 2011 had affected the industries significantly. The hot-rolled steel consumption in 2011 fell from 5.4 million tons to 5.0 million tons.

Since the price and demand volatility in the steel market were uncontrollable and external risk factors, the Company had assessed and employed various measures to mitigate the risks. The Company had implemented the following key measures:

(1) Manage raw material procurement in the way that the Company would satisfy with spread between selling price and raw material price with appropriate quantity level. In normal course of business, the Company is necessary to maintain appropriate level of inventories which include raw material and finished goods so that the Company's sales and production have been made effectively and would reduce risks from fluctuation of raw material price and reduce inventory expenses particularly interest expense.

(2) Focus on premium products with value added and low price fluctuations.

(3) Closely monitor domestic and overseas markets and continuously analyse and consider the outlook for demand of its products in order to take appropriate decisions on purchase of steel slabs from overseas. In addition, the Company diversifies raw materials sources in order to obtain high-quality raw materials at lower cost to satisfy production demand and deliver the products to the customers within the shortest delivery time.

(4) Maintain proper level of both steel slabs and finished products to meet the sales forecast and reduce lead time of raw materials as well as finished products inventory to reduce impairment of inventory risk from price fluctuations.



(5) Ensure that the production meets the sales plan and shorten delivery time of finished product to the customers.

(6) Closely monitor on the market dumping situation of imported products and government's price controlled policy in order to take proper actions.

Due to the late 2011 Thailand Floods which had significant impacts to the Company's customers and production of several industries, the Company's sales volume missed its sales target and its inventory level; the raw materials and finished goods climbed up to the level above its target. At the end of 2011, slab inventory reached 634,187 tons while finished goods were at 262,857 tons, with the total inventory value at Baht 18,297 million.

Risk on Product Delivery

The Company promoted the use of barges in delivering products to control delivery costs and risks associated with rising fuel price. Motor vessels, for instance, have been arranged for use to increase efficiency of delivery under various weather conditions.

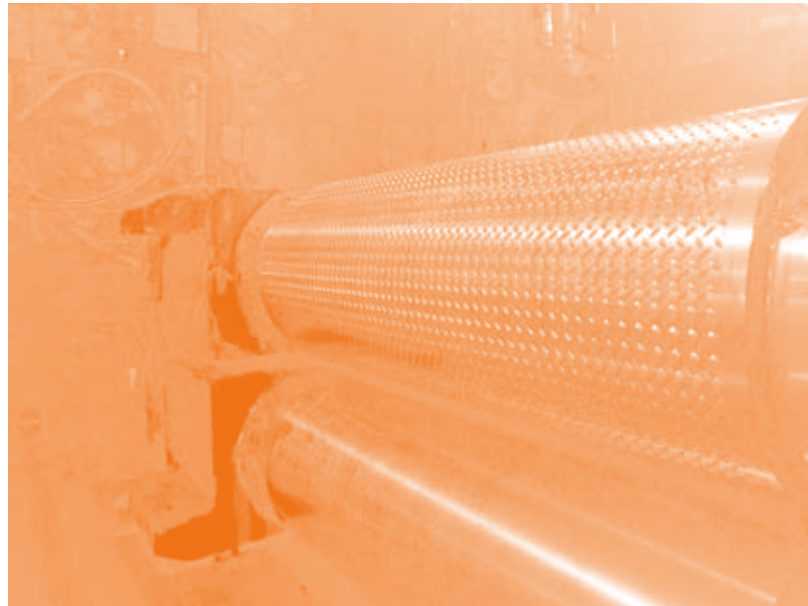
Although the Company had no direct impact from the flood in 2011, some of its customers who are downstream manufacturers in several industries; for instance, automobile industry and pipe and tube industry, had suffered from severe damages and, consequently, delayed shipments while many delivery routes could not be used. This then affected to the Company's shipment during October to November 2011.

Production Risks

Risks of Development Manufacturing Process and Technology

Steel industry is highly competitive in the global market and all major players have been continuing to invest in

latest technology to deliver quality product at competitive price. Ensuring that constant improvement in innovative manufacturing processes is not only important but vital to the business.



The Company has realised this risk and put great efforts in making sure that its manufacturing process is on the forefront in the industry. Throughout 2011, the following several improvements were made in product innovation, manufacturing technology and machinery, and cost of sale and services management to minimise the risk its ability to compete effectively:

Product Innovation Management

An "Innovated Value Products (IVP)" working committee has successfully developed Premium Value Products that in turn enhanced customer's final products with more profitability; for an example, "Premium Checkered Plates". These new innovative products will keep the customers happy and return for constant orders. Expanding sales of Premium Value Products, which earns a higher margin,



Creating value for
our customers with
Innovated Value Products

will help the Company reducing the impact of price and volume volatilities. More IVP products has been placed as a strategic measure in 2012 - 2014 business plans to coincide with the Company's growth. On the manufacturing development process, the Company aims to create innovative ideas through inputs and participations from everyone in the organisation in making itself an innovative organisation. By optimising internal resources these are some of the successful developments: for example Ultra Thin Gauge with Finishing Mill Control Project, Finishing Mill Width Online Control Project and Rolling Waste Reduction Project. Becoming an innovative organisation, the Company will gain more flexibility to adapt and ability to respond quickly to its customers' needs. This will increase a competitive edge to the Company.

Quality Control Management

Committing to quality control excellence, the Company has formed "Quality of Product Committee" which has a role to constantly monitor customer satisfactions and continuously utilises the feedbacks/inputs in improving product quality. Reviewing customer satisfaction level also helps the Company maintain a long-term relationship to customers. The Company also implements "Quality Management System" in accordance to international standards and complies with many local and international certification standards in the industry.

In 2011, the committee also succeeded in working on the cost per unit reduction through many quality development projects such as: Waste-Reduction in manufacturing process and Cost-Reduction in operating process while meeting customers' need and satisfaction. These competitive-advantage improvements generated higher sales with lower production cost per unit to the Company, and will be continued from 2012 - 2014.

Technology and Manufacturing Machinery Management

Manufacturing process requires both proprietary technology and machinery from overseas. These machines are for heavy-industry productions and have a long operation life-cycle; hence maintenance is an important factor for full utilisation. With twenty years of experience accumulated by capable machinists, the Company has developed internal hands-on knowledge to be self-reliant and was able to create new products from existing machinery; for instance, the ultra-thin steel. To further increase the productivity and competitiveness, the Company has invested new machinery for "Surface Inspection System" and setting up product quality level. In addition, periodic risk assessments on spare parts that could become obsolete were made and estimated budgets for replacement were allocated to ensure uninterrupted operations.

Product Cost Management

Electricity costs will continue to rise according to the Electricity Generating Authority of Thailand and it is the Company's only supply source to purchase the electricity from. An "Energy Management" working committee was formed to oversee energy utilisation for the entire manufacturing process. These are the on-going projects to accomplish the task:

1. Fuel-Energy Conservation. Its task is to reduce the heat loss during the feeding of raw material into the furnace by reducing the size of the feeding machine. An Installation of a Heat Exchange "Recuperator" was able to increase the efficiency of heat exchange in the furnace helping to reduce fuel oil consumption by 1.63 liters per ton of steel;

2. Electricity-Energy Conservation. An installation of "VSD" was installed and high-performance machinery was brought in to optimise efficiency.

Other product cost management project includes: "Cut Sheet 100%" that helped reducing manufacturing process cost for better efficiency, "Damage Reduction in Transit", "Quarterly Machinery Spare Parts Management", and "Replacement Parts Development Management" for expensive, difficult to find, or long ordering process.

Raw Material Procurement Risk

Shortage of raw materials or quality of raw material not meeting customer's requirement can have a profound effect on the production plan, and may subsequently result in product delivery issue and customer payments. In 2011, the Company has worked on reducing the risks in raw material procurement as follows:

- Identified several sources to acquire raw materials at reasonable price.

- Managed raw material inventory in accordance with the monthly production plan. Ensured timely arrival of imported raw materials. Projected production schedules effectively.

- Assured quality control and reviewed procedures regularly.

- Acquired a fully-integrated iron-steel making facility located at Teesside in the northeast of the United Kingdom (by Sahaviriya Steel Industry UK Limited "SSI UK", a wholly-owned subsidiary) so that the Company can secure its main raw material as well as control raw material quality for long-term prices and volume stabilities.

Risks from Natural Disaster, Fire and Other Emergencies

Flood

Bangsaphan district, the location of the Company's factory, is susceptible to floods especially during the monsoon season. The Company, therefore, has prepared in readiness an emergency flood plan and recovery plan to protect its buildings, machinery, raw materials, inventory, and vehicles so that production process would not be interrupted. The plan has been reviewed regularly. The Company also has improved the flood surveillance by monitoring the water level of the surrounding area to assess the risk before it reached the plant so that appropriate decision could be made in time.

Fire

The Company has issued measures to mitigate the fire risk in the plant and prepared to respond in the event of fire and other emergencies that could damage fire protection equipments and personnel. The Company also held periodic trainings and other emergency response plan for proper and swift handlings in cases such as: irregularities of boiler, chemical spill, LPG spill, and radiation emergency.

The Company also has a natural disaster insurance coverage in the event of: flooding, storm-forced winds, tsunami, thunderbolt, earthquakes, and landslides. This will reduce its burden on damage to the property, business interruption, raw materials, and inventory. The Company also has a fire insurance coverage in case of fire from all circumstances.

Risk from Social and Community Impact

The Company realises and places a great deal of importance on the impact of the Company's manufacturing operation on the community in every area including environmental, safety or economy and society. In managing the said risks, the risk management plans are well laid out.

1. Under governance and compliance set by the Sahaviriya Group's Transportation Committee, all SSI affiliates' transport vehicles must operate without an impact to the community. Compliant Centers were designated to receive residents' complaints and patrol cars. Closed-Circuit Televisions (CCTV) were installed and seminars for all SSI's freight operators were organised to raise this awareness.

2. Participated in the Green Industry Project sponsored by the Ministry of Industry. Passed and received the "Green Industry Awards - Level 3 Certification (Green System) from the Ministry of Industry on 24 August 2010 as an environmentally friendly company.

3. Participated in preparation of the carbon footprint for organisation with Thailand Greenhouse Gas Management Organisation (Public Organisation). The outcomes of which will be used to set as guidelines for reducing greenhouse gas emissions resulted from manufacturing operations both directly and indirectly. The goal is to reduce the impact of climate change.

4. Supported people around the vicinity of the plants by organising a community leader council and adopted it as a venue for dialogue, meeting, a joint discussion between community leader and the Company's executives to exchange information and opinion as well as clarification on various concern, problem resolution and issues which were based on a foundation of trust and an amicable relationship.

5. Supported activities and community development projects on a number of areas such as education, society, religious, public health, career promotion and community economy. A focus was placed on a process allowing participatory of each community to think, make decision according to their own requirement, and take part as ownership that will lead to sustainable development of each community.

Financial Risk

Risk from Exchange Rates Fluctuations

In 2011, the Company has managed its foreign currency exposure and utilised forward cover as a tool of risk management to maintain foreign currency position within a limit deemed appropriate by the Board of Directors. This was to allow flexibility of foreign exchange rate risk management and to eliminate impact of change in exchange rate.

Furthermore, the Company was able to partially reduce impact from exchange rate fluctuation by selling or adjusting sale price in Thai Baht based on prevailing exchange rates. However, it is not possible to consistently or fully implement this price adjustment at all times as the competitive market condition may not permit.

Risk from Trade Credit

In the ordinary term of the Company's operation, the Company has the account receivable arising from the sale to customers under credit terms within agreed periods; however, not all customers were able to fulfill their obligations. The Company was exposed to the risk from customers' inability to settle the payment within due dates or within agreed date of credit extension. To mitigate the risk, the Company set up criteria and practices on credit offering as well as credit limit for each customer. The Company considered demand and payment ability of each customer and each credit line was subject to an approval in writing from the authorised executives in charge of credit approval. In addition, the credit risk was regularly governed through a report by the managements at the Board of Executive Directors' meeting every month where they acknowledged the quality of the account receivable; particularly those past due accounts and the result of credit collection of each accounts. The Company set forth conditions for some customers to deposit 10 - 15% of value for the purchase before delivery. At the end of 2011, the account receivable stood at Baht 2,911 million and the overdue accounts was Baht 1,351 million. However, the Company had been monitoring both its sales and customer's payment of pass due accounts very closely for shortfall risk minimisation.

Risk on Liquidity

Liquidity risk is originated from the failure of the Company to meet its obligations as they fall due because it is unable to either convert its assets into money or to obtain

sufficient fund at reasonable costs within the required time limit, which may cause a damage to the Company. To address its liquidity risk, the Company carried out the following key measures: (1) structure and maintain appropriate Interest Bearing Debt to Equity Ratio of not exceeding 2 : 1, as at the end of 2011, the ratio was 1.82x (compared to 1.49x as at the end of Q3/2011) up from 0.95 in the previous year. This is due to the Company's expansion at the SSI UK for restart project of Iron and Steel Making Business which has increased the borrowing amount; some of which provided by subordinated shareholder's loan from the Company's shareholder to be replaced by the equity injection from the Company raising fund process (2) adhere to the principle of not using short-term financing to fund non-current assets and it showed that the Company strictly complied to this principle. (3) monitor the changes in the Current Ratio which is one of the key indicators of liquidity of the Company i.e. a higher ratio indicates higher liquidity. At the end of 2011, the Current Ratio was 0.83x, lower than the previous year which was 0.98x. (4) obtain sufficient sources of funds and the types of credit to meet requirement of the Company's business plan as well as maintain the financial ratio within specified level agreed by financial institutions who were sources of funds. The said financial ratios included (a) Interest Bearing Debt to Equity Ratio not exceeding 2x and at the end of 2011, the ratio was 1.82x. (b) Debt Service Coverage Ratio (DSCR) not lower than 1.2x, and at the end of 2011, the ratio was -1.62x which was lower than the specified level due to the Company's EBITDA decreased resulting from the fluctuation of steel market, overall economy, and expenses occurred from SSI UK which could not start its production. Moreover, SSI UK's lenders set Current

Ratio equal to 1x or over and at the end of 2011, the ratio was 0.63x, lower than the specified level, because of the amount of Subordinated Bridging Loan from the Company's shareholders used to cover the construction cost in the SSI UK Restart Project during the process of issuing and offering convertible debenture to increase SSI UK's capital, as well as the increase in account payable regarding additional construction cost which would be paid by long term loan that was during withdrawal process, however, the Company and SSI UK had obtained the consent from the lender for not be able to maintain required ratios and (5) prepare cash inflows and outflows projection on a regular basis in order to forecast future cash need so that ample time is allowed to deal with any potential liquidity problem on timely basis.

Risks Associated With the Acquisition of the Iron and Steel Making Business in the United Kingdom

On 24 March 2011, "SSI UK", a wholly-owned subsidiary, had acquired a fully-integrated iron and steel making facility located at Teesside in the northeast of the United Kingdom. This is believed to be a complementary business to the current business of SSI. The acquisition of the business was be able to secure its main raw material as well as control raw material quality and provides price stability. In addition, as a source of supply of high-grade steel slabs to feed SSI's growing demand along with many other rolling mills around the world, it was expected to be a main factor that would strengthen and build stability, in long-term competitive aspect, to the existing hot-rolled steel business overall.

To achieve the anticipated benefit of the acquisition, therefore, it depended on the ability to integrate the Iron and Steel Making Business to the Company's existing business. Especially in short-term, it depended on the ability of the Company to re-start its slab production not only within a target date but also with target quality, quantity, and production cost. If the Company could not achieve its objectives mentioned above, it might face significant negative results in its business performance, financial status, and cash flow. From the date of the acquisition in March 2011, SSI and SSI UK's executives have expedited the procedure to re-start slab production within date line in December 2011. Nevertheless, because the plant had been used for a long time and stopped its production since February 2010, it needed for a revamp and replaced some necessary spare parts ordered from both local and oversea suppliers, for the most efficient production. The re-start then has been postponed from the expected date. However, the SSI UK's executives were confident that they would be able to complete the revamp and would re-start the production within the first quarter of 2012.

Furthermore, as the acquired Iron and Steel Making Business is located in the United Kingdom, the Company might confront negative impacts on the exchange rate, rules and regulations, and the government's policy on this foreign site. Other risk factors of the Iron and Steel Making Business included similar current risk factors to the Company, i.e. economic change, competition, and price fluctuation of raw material and finished goods.

Good Corporate Governance Committee's Report for 2011

To the Shareholders of Sahaviriya Steel Industries Public Company Limited

The Good Corporate Governance Committee was established in accordance with the resolution of the Board of Directors' meeting No. 7/2007 held on 3 December 2007. The Committee currently consists of three members of the Company's directors namely Mr. Somchai Sukulsurarat (independent director) as chairman, Mr. Kamol Juntima and Mr. Prateep Buphaintr (independent director).

The duties and responsibilities of the Committee are to propose any revision of the Company's policy and guidelines concerning good corporate governance to the Board of Directors and to oversee the implementation of company management in accordance with the approved policy and guidelines, to provide an opinion to the management regarding corporate social responsibility (CSR) and to monitor the management in establishing a clear action plan regarding CSR as well as to follow up on the implementation of the plan with the management and then submit the results to the Board of Directors, and to propose to the Board of Directors any revision of the Company's business philosophy, a code of business conduct, a code of ethics for directors, a code of ethics for executives and employees, and guidelines concerning the same as it deems appropriate. These tasks are to ensure that the Company maintains its sustainable and effective development of good corporate governance practices and is in compliance with rules and procedures for a listed company.

In 2011, the Good Corporate Governance Committee held six meetings to carry out its allotted duties and submitted a summary of reports to the Company's Board of Directors as follows:

1. Revision of the determination of a significant size of commercial or business transactions between the Company or its subsidiaries and their customers, suppliers, debtors and creditors, which were used to establish the criteria of reporting interests of the Company's directors and executive officers in 2011.

The above complies with the guidelines for the Board of Directors regarding the good corporate governance framework of reporting disclosure and transparency of the Company's directors and executives which came into effect on 1 July 2009.

2. Advice to the Company's Board of Directors to increase the number of Sahaviriya Steel Industries UK Limited's Board of Directors to govern the management and oversee the risk management of SSI UK due to SSI UK having Mr. Win Viriyaprapaikit as its sole director on its initial establishment which is legal by Company Law of the United Kingdom, as the Company has invested a great deal in its total ownership of SSI UK.

3. Provision of suggestions and observations to participate in the survey of Corporate Social Responsibility for consideration on CSR Awards 2011, one of the SET Awards, which are organised by the Stock Exchange of Thailand and Money & Banking Magazine. The Company received the CSR award in 2011 for "Outstanding Corporate Social Responsibility" for the category of listed companies with the market capitalisation of over Baht 10,000 million.

4. Acknowledgment by various reports that are deemed beneficial to the Committee in monitoring the Company's management on the implementation of the approved policy and guidelines concerning good corporate governance, and reporting them to the company's Board of Directors afterwards.

4.1 Report on significant changes in shareholding and securities trading status of the Company's executive officers including Vice Presidents, Assistant Vice Presidents, and the managers of Finance and Accounting Division in order to prevent any insider trading of the Company's securities.

4.2 Report on the interests of the Company's directors and executive officers including the President, Vice Presidents, Assistant Vice Presidents, and all other high-level executives.

4.3 Report on activities regarding corporate social responsibility conducted by the officers of Public and Community Relations Office and Safety and Environment Office of the Company.

4.4 Report on the results of the Company's self assessment on Good Corporate Governance for 2010 - 2011 in compliance with "The Principles of Good Corporate Governance for Listed Companies 2006 with Recommended Best Practices".

5. Acknowledgement of an "Excellent" result on the quality evaluation of the Annual General Meeting for the year 2011, which was organised by the Securities and Exchange Commission in cooperation with the Thai Investors Association and Thai Listed Companies Association.

6. Acknowledgement of the amendments to the Securities and Exchange Act B.E. 2535 (A.D. 1992), particularly in the definition of the act of unfair trading in the stock market and request its progress in the enactment of the amendments.

The Board of Directors and the Good Corporate Governance Committee are committed to raise the Company's level of good corporate governance to international standards, and to increase its value and protect the interests of all its stakeholders with transparency, fairness, integrity, and dedication. They also hold high responsibility for environmental protection, preservation, as well as social responsibility and community development.



Mr. Somchai Sukulsurarat

Chairman of the Good Corporate Governance Committee

10 February 2012

Report of the Nomination and Remuneration Committee

To the Board of Directors of Sahaviriya Steel Industries Public Company Limited:

The Nomination and Remuneration Committee hereby reports the results of the Nomination and Remuneration Committee's tasks for consideration and presentation to the Annual General Meeting of Shareholders for the year 2012 as appropriate.

1. The meeting of the Board of Directors of Sahaviriya Steel Industries Public Company Limited No. 7/2010 held on 10 November 2010 resolved to appoint the Nomination Committee. The committee consists of at least three Company's directors, of whom one is an independent director and the company secretary is assigned as the secretary to the committee in the term of office starting from 24 November 2010 to 23 November 2013. The committee members are as follows:

- | | |
|---------------------------------|---------------------------------------|
| (1) Mr. Visith Noiphan | Chairman of the Nomination Committee |
| (2) Mr. Kamol Juntima | Nomination Committee Member |
| (3) Mr. Piya Viriyaprapaikit | Nomination Committee Member |
| (4) Mr. Surasak Ngamsidhipongsa | Secretary to the Nomination Committee |

The list of names above are responsible for selecting candidates suitable for nomination as the Company's directors, or as the President, and proposing their names to the Board of Directors' meeting or shareholders' meetings, as the case may be, for further consideration.

2. To perform the duties assigned to it by the Board of Directors, in year 2012, the Nomination Committee had held 2 meetings on: the acknowledgement of the Company's management structure and acknowledgement of the name list and the number of directors who were due to retire by rotation and nomination of new directors to be considered for election to replace those who retire by rotation.

3. The meeting of the Board of Directors of Sahaviriya Steel Industries Public Company Limited No. 7/2010 held on 10 November 2010 resolved to appoint the Remuneration Committee. The Committee consists of at least three Company's directors, of whom one is an independent director. The Vice President - Human Resources and Administration serves as the committee's secretary in the term of office starting from 24 November 2010 to 23 November 2013. The committee members are as follows:

- | | |
|--------------------------------|---|
| (1) Mr. Tawee Butsunton | Chairman of the Remuneration Committee |
| (2) Mr. Taweesak Senanarong | Remuneration Committee Member |
| (3) Mr. Somchai Pipitvijitkorn | Remuneration Committee Member |
| (4) Mr. Nava Chantanasurakon | Secretary to the Remuneration Committee |

Their task was to set guidelines for the remuneration of the Board of Directors, other committees appointed by the Board of Directors, and the President, and the remuneration structure for senior executives. The means of determining remuneration or remuneration structure should be fair and reasonable.

4. To perform the duties assigned to it by the Board of Directors, the Remuneration Committee had held three meeting in 2011 to consider the following:

4.1 Salary Increase Consideration for the President

The Remuneration Committee held a meeting on 26 April 2011 to deliberate on the salary increase consideration of the President to be in the similar rate of well-performed executive officers. The principles from the Remuneration Committee for such increase are based on the Company's overall operating results for the year 2010 which contributed significant increase in profits from the year 2009. In addition, the task led by the President for the successful acquisition of the Iron and Steel Making Business from Tata Steel Industry in the United Kingdom. This endeavor will further strengthen the Company in term of stability and competitiveness and provide sustainable growth in the long term.

4.2 Determining the remuneration of directors

The Remuneration Committee had held the meeting on 5 and 9 August 2010 to deliberate on the remuneration of directors and presented to the Board of Directors to propose to the shareholders' meeting for their approval as follows:

4.2.1 The remuneration of meeting allowance for directors and the members of committees appointed by the Board of Directors.

| | | |
|---|--------|--------------|
| (1) Directors | 25,000 | Baht/month |
| (2) Audit Committee Chairperson | 18,750 | Baht/meeting |
| Audit Committee Members | 15,000 | Baht/meeting |
| (3) Chairman of the Good Corporate Governance Committee | 12,500 | Baht/meeting |
| Good Corporate Governance Committee Members | 10,000 | Baht/meeting |
| (4) Chairman of the Risk Management Committee | 12,500 | Baht/meeting |
| Risk Management Committee Members | 10,000 | Baht/meeting |
| (5) Chairman of the Nomination and Remuneration Committee | 12,500 | Baht/meeting |
| Nomination and Remuneration Committee Members | 10,000 | Baht/meeting |

The Company's directors who were appointed as a member of each committee by the Board of Directors should receive the additional remuneration according to additional job responsibilities and working hours.

4.2.2 The Chairman of the Board of Directors and the Deputy Chairman of the Board of Directors shall be entitled to monthly remuneration for full-time performance of Baht 300,000 and Baht 200,000 respectively. However, they shall not be entitled to any other meeting allowances, both to be paid for the Board of Directors and other committee appointed by the Board of Directors.

4.2.3 Audit Committee Chairperson shall receive extra remuneration for the provision of suggestion regarding the details of special audit other than normal audit serviced as an audit committee in an amount of Baht 10,000 per month.

4.2.4 Other remuneration for Directors remain to be in accordance with the principles as approved by shareholders' meeting.

5. The meeting of the Board of Directors of Sahaviriya Steel Industries Public Company Limited No. 5/2011 held on 11 August 2011 approved to combine the Nomination Committee and Remuneration Committee into "The Nomination and Remuneration Committee". The committee consists of at least three Company's directors, of whom one is an independent director and the Vice President - Human Resources and Administration is assigned as the secretary to the committee in the term of office starting from 1 September 2011 to 31 August 2014.

The Nomination and Remuneration Committee members are as follows:

- | | |
|---------------------------------|--|
| (1) Mr. Siripol Yodmuangchareon | Chairman of the Nomination and Remuneration Committee |
| (2) Mr. Somchai Pipitvijitkorn | Nomination and Remuneration Committee Member |
| (3) Mr. Piya Viriyaprapaikit | Nomination and Remuneration Committee Member |
| (4) Mr. Nava Chantanasurakon | Secretary to the Nomination and Remuneration Committee |

6. The Nomination and Remuneration Committee had held the meeting on 23 December 2011 to deliberate the bonus to be paid to the President for the Company's operating performance for the year 2011. The principles for such payment are based on the Company's operational results for 2011, the bonus for regular employees in 2011, the bonus for the President during the past 5 years, and annual goal program of the President in 2011 - including Restart Project of SSI Teesside in the United Kingdom. The Nomination and Remuneration Committee had given considerable weight to the overall financial performance the most.

Based on the above principles, the Nomination and Remuneration Committee resolved unanimously to pay a special reward for the 2011 to the President at the rate of 1.8 times the base-salary, which is the same rate as the rate to pay special rewards to employees.

7. The Nomination and Remuneration Committee had held the meeting on 24 February 2012 to deliberate.

7.1 Select and nominate appropriate person to the Board of Directors for the Company's director position in two vacancies as the following:

(1) Nominate Mrs. Tarisa Watanagase, who has surmountable knowledge and experience in economics, finance, and banking, to be appointed as a new director to replace Mr. Visith Noiphan and as an independent director.

(2) Nominate Mr. Yarnsak Manomaiphiboon, who has surmountable knowledge and experience in economics, finance, and banking, to be appointed as a new director to replace Mr. Tawee Butsunton and as an independent director.

7.2 Select and nominate appropriate person to the Board of Directors for director position to replace those who would be retired by rotation for the Annual General Shareholders' Meeting of the year 2012 as the following:

- | | |
|--------------------------------|--|
| (1) Mr. Wit Viriyaprapaikit | Chairman of the Board of Directors |
| (2) Mr. Somchai Sakulsurarat | Deputy Chairman of the Board of Directors, Independent Director, and Chairman of the Good Corporate Governance Committee |
| (3) Mr. Piya Viriyaprapaikit | Director and Chairman of the Nomination and Remuneration Committee |
| (4) Mr. Taweesak Senanarong | Director and Chairman of Risk Management Committee |
| (5) Mr. Yarnsak Manomaiphiboon | Acting Director and Independent Director |

The name list of directors above, who were due to retire by rotation, were eligible for re-election at the shareholders' meeting.

The Nomination and Remuneration Committee has deliberated the suitable candidates for director position to replace the directors who were due to retire by rotation. The consideration process can be summarised as follows:

(1) The Nomination and Remuneration Committee acknowledges a name list of those directors who must retire by rotation and a name list of the outsiders who are nominated either by shareholders or the Company's directors.

(2) The Nomination and Remuneration Committee considers a name list of those who are suitable for directors. A prospective Director must have the necessary qualifications and not be under any prohibition according to the Public Company Act.

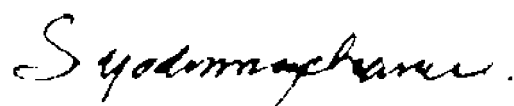
(3) The Nomination and Remuneration Committee approves the list of suitable candidates to be directors.

(4) The Nomination and Remuneration Committee proposes the list of suitable candidates to the Company's Board of Directors' meeting for consideration and presentation to the Annual General Shareholders' Meeting.

The Company had issued a written notice for the coming Annual General Shareholders' Meeting in year 2012 via the Company's website and the electronic system of Stock Exchange of Thailand (SET) to invite all shareholders to propose in advance qualified candidates for nomination as the Company's directors from 30 August 2011 to 31 January 2012. At the expiry date of such period, none of the shareholders proposed in advance qualified candidates for nomination as the Company's directors.

After a thorough consideration based on educational qualifications, past and present work experiences, and participation in various committees of each director, the Nomination and Remuneration Committee was of a view that the four directors who will be retired by rotation had the best claim of competence and experience in their various fields in addition to providing considerable support to the competent management, sustainable growth, and prosperity of the Company. The Nomination and Remuneration Committee therefore resolved to propose to the Board of Directors for consideration and presentation to the shareholders' meeting to re-elected four directors for another term, and to take positions of Independent Director, Chairman of the Board of Directors, Deputy Chairman of the Board of Directors, Chairman of the Good Corporate Governance Committee, the Nomination and Remuneration Committee member, as the case may be.

In addition, in the Nomination and Remuneration Committee meeting to find suitable candidates for directors to replace the directors who were due to retire by rotation, Mr. Piya Viriyaprapaikit, the Nomination and Remuneration Committee member, whose the Board of Directors member was also due to retire by rotation; hence, became a conflict of interest person. Mr. Piya Viriyaprapaikit, therefore, requested to not participate nor vote during the nomination process.



Mr. Siripol Yodmuangchareon

Chairman of the Nomination and Remuneration Committee

24 February 2012

Good Corporate Governance

The Board of Directors at Sahaviriya Steel Industries Public Company Limited is well aware of their role and responsibilities, and the fiduciary duties assigned to them by the Company's shareholders. The shareholders expect the Board of Directors to govern the Company to ensure an efficient and transparent management that creates trust and confidence amongst all stakeholders. The Company conducts its business by adhering to the principles of good corporate governance and business ethics so that the Company's businesses develop and prosper at a stable and sustainable rate.

In 2002 the Board of Directors officially approved a good corporate governance policy for the Company and subsequently, in 2007, resolved that a revised good corporate governance policy for the Company be adopted to conform to best practices as required by the Securities and Exchange Commission ("SEC") and the Stock Exchange of Thailand ("SET"). In 2006, the Corporate Governance Center, under the Stock Exchange of Thailand, had announced its updated version of the Principles for Good Corporate Governance adjusted to be comparable to the Principle of Corporate Governance of the Organization of Economic Co-operation and Development ("OECD"). The principles were presented in 5 categories namely:

1. Rights of Shareholders
2. Equitable Treatment of Shareholders
3. Role of Stakeholders
4. Disclosure and Transparency
5. Responsibilities of the Board of Directors

In 2011, the results of the Company Award and assessment relating to good corporate governance activities were as follows:

- The Company received the CSR Award in 2011 for "Outstanding Corporate Social Responsibility" for the category of listed companies with a market capitalisation of over Baht 10,000 million, one of the SET Awards, which are organised by the Stock Exchange of Thailand and Money & Banking Magazine.

- The Company was evaluated by the Securities and Exchange Commission, in cooperation with Thai Investors Association and Thai Listed Companies Association, on the quality of The Annual General Meeting: AGM for the year 2011. The meeting was rated "Excellent", the same result as that for the year 2008 to 2010.



To ensure the Company's vigorous implementation as prescribed in the aforementioned policy, the Board of Directors has decided to establish the "Good Corporate Governance Committee" in December 2007 as a sub-committee to help assist the of Board of Directors on good corporate governance matters. The sub-committee consisted of three directors to hold office for a term of three years. Presently, two out of three members of the "Good Corporate Governance Committee", including the Chairman of the Good Corporate Governance Committee, are Independent Directors.

In 2011, The Company had worked in compliance with "Good Corporate Governance" policy in summary as follows:



In 2011, The Company held the Extraordinary General Meeting of Shareholders No. 1/2011 on 25 January 2011 for the purpose of increasing the registered capital of Baht 5,240.50 million to strengthen its financial position in preparation for the acquisition of assets in Iron and Steel Making Business in the United Kingdom; and the Extraordinary General Meeting of Shareholders No. 2/2011 on 22 September 2011 for the purpose of increasing registered capital amounting to Baht 2,250 million by issuing convertible debentures of Baht 2,250 million for additional investment in Iron and Steel Making Business in the United Kingdom.

In every shareholder's meeting, the Board of Directors is well aware of the shareholders' rights in compliance with the Company Articles, pertinent legislation, and the regulations of the Stock Exchange of Thailand ("SET"). According to section 225 of the Securities and Exchange Act B.E. 2535 (1992) and its amendment in the Securities and Exchange Act (No. 4) B.E. 2551 (2008), the Company must collect name of the person who are entitled to attend the shareholders' meeting at the record date, of which the Company must notify to the SET in no less than fourteen days in advance of the record date.

1. Rights of Shareholders

1.1 Shareholders' Meetings

1.1.1 The Company requires an Annual General Meeting of the shareholders within four months of the end of the fiscal year. The Company may call an Extraordinary Shareholders' Meeting whenever it deems appropriate. However, an Extraordinary Shareholders' Meeting can also be called upon when a number of shareholders whose shareholdings represent no less than one fifth of the total number of issued shares, or at least twenty-five shareholders whose shareholdings represent no less than one tenth of the total number of issued shares, produce and all sign a document that clearly states their reasons and purposes in calling for such meeting.

1.1.2 The Company sent a notice and an invitation to attend the meeting, which contained the meeting's agenda with details of each item, and the opinions of the Board of Directors regarding each item on the agenda, together with important information for consideration in decision-making to Thailand Securities Depository Company Limited ("TSD") for distributing to all shareholders before each meeting. Some of those invitations also enclosed related documents; such as the 2010 Annual Report, a Copy of the Minutes of the Annual General Meeting of Shareholders No. 21 on 30 April 2009, a Copy of the Minutes of the Extraordinary General Meeting of Shareholders No. 1/2011 held on 25 January 2011, a Copy of Minutes of the Annual General Meeting of Shareholders No. 22 held on 29 April 2011, the Company's Articles of Association relating to shareholders' meeting, proxy form, a list of documents and evidence to be presented by the

shareholders at the shareholders' meeting, an instruction on how to attend the shareholder's meeting and the Extraordinary General Meeting of Shareholders, and the map of where the meeting held as well. In fact, the invitations were approximately submitted to TSD 12 days before the date of the Extraordinary General Meeting of Shareholders No. 1/2011, 24 days before the Annual General Meeting of Shareholders No. 22, and 16 days before the Extraordinary General Meeting of Shareholders No. 2/2011 for further distribution to all shareholders.

1.1.3 The Company also provided a notice of the shareholders' meeting and all supporting documents, especially those for decision-making in the meeting, on the Company's website 11 days before the Extraordinary General Meeting of Shareholders No. 1/2011, 30 days before the Annual General Meeting of Shareholders No. 22, and 21 days before the Extraordinary General Meeting of Shareholders No. 2/2011. This was to facilitate shareholders with quick and easy access to essential information for the meeting; and also some time to consider it before the actual documents delivered.

1.2 Convenience of Shareholders

1.2.1 The Board of Directors has its concerned about the shareholders' convenience on place and time of the meeting. Consequently, each of the shareholders' meetings was scheduled on convenient time and places as follows:

- The Extraordinary General Meeting of Shareholders No. 1/2011 on 25 January 2011 was held at 2.00 p.m. The place was at the Narai Hotel's Ballroom. Narai Hotel, 222 Silom Road, Surawongse, Bangrak, Bangkok

- The Annual General Meeting of Shareholders No. 22 was held on 29 April 2011 at 2.00 p.m. The place was at the Holiday Inn's "Silom Ballroom". Holiday Inn, Silom Road, Bangkok.

- The Extraordinary General Meeting of Shareholders No. 2/2011 was held on 22 September 2011 at 2.00 p.m. The place was at the TCC Tower's "Ballroom" on the 12th floor (Car park building). TCC Tower, 889 South Sathorn Road, Yannawa, Sathorn, Bangkok.

On the meeting venues, the Company tried to offer a warm hospitality to all shareholders by having stuffs to welcome and assist the shareholders in registration process, which had been opened for registering since 2 hours before the meeting started. Besides, the computerised system was used in searching and verifying shareholders' identities in order to improve the speed of registration process. Finally, at the Annual General Meeting of Shareholders No. 23 on 27 April 2012, the Company did introduce the Barcode System in registration to ensure the better effectiveness as well as accuracy of the process.

1.3 On the Day of the Shareholders' Meeting

1.3.1 Board of Directors' Attendance in the shareholders' meetings:

| Shareholders' Meetings | Date of Meeting | Board of Directors' Attendance | | Reason of Absence |
|--|-------------------|--------------------------------|--|---|
| | | Attended/Total | Absence | |
| Extraordinary General Meeting of Shareholders No. 1/2011 | 25 January 2011 | 14/16 Directors | 1) Mrs. Kesree Narongdej 2) Mr. Tawee Butsunton | 1) On government duty 2) Abroad on business trip |
| Annual General Meeting of Shareholders No. 22 | 29 April 2011 | 14/15 Directors | Mr. Tongchat Hongladaromp | Abroad on business trip |
| Extraordinary General Meeting of Shareholders No. 2/2011 | 22 September 2011 | 11 /12 Directors | | Abroad on business trip |

1.3.2 The chairman of the meeting allotted sufficient time for shareholders to express their opinions and make inquiries during the meeting. The Chairman of the Board of Directors, the chairpersons of the various committees, and the Company's directors and senior management were present to answer questions that concerned their particular function or position. Shareholders were also free to offer advice and suggestion to the Board of Directors.

In addition, for the Annual General Meeting of Shareholders No. 22 held on 29 April 2011, the Company gave shareholders an opportunity to submit questions concerning the Company's operational results in advance. On the other hands, shareholders were able to communicate with the Chairman of the Board of Directors, the President, and the Company directly via e-mail at agm22@ssi-steel.com; or by a regular mail, to the company secretary within the determined time frame with necessary details for the purpose of further contact by the Company. This opportunity was made available since the 18th Annual General Meeting of Shareholders No. 18.

1.4 Disclosure of Minutes on Shareholders' Meeting

1.4.1 The company secretary prepares the minutes of the meeting within the period prescribed by law after every shareholders' meeting. The minutes contained a list of attending and non-attending directors and executives, the voting methods, a summary of announcements, explanations, observations, questions, and answers as well as the resolutions of the meeting and its votes, including both the votes cast for and against them. Moreover, the Company has been disclosing the minutes of shareholders' meetings within 14 days of every meeting on the Company's website, at <http://www.ssi-steel.com>, since the Extraordinary General Meeting of Shareholders No. 1/2005.

1.4.2 The company secretary has supervised and filed the minutes and notices of the shareholders' meetings since the Company was founded.

2. Equitable Treatment of Shareholders

2.1 Shareholders' Right to Propose Meeting Agenda and Propose Nomination for Company's Directors

2.1.1 For Annual General Meeting of Shareholders, the Company gives minor shareholders an opportunity to suggest what they consider important and constructive matters to be included in the meeting agenda. They are also given the right to propose qualified candidates for the position of Company's director. The proposal must be submitted in compliance with the time frame, conditions, and guidelines published on the Company's website at <http://www.ssi-steel.com>.

2.1.2 For Annual General Meeting of Shareholders No. 22, the Company gives minor shareholders an opportunity to suggest what they consider important and constructive matters to be included in the meeting agenda. They are also given the right to propose qualified candidates for the position of Company's director. The proposal must be submitted in advance via e-mail at agm22@ssi-steel.com; or by a regular mail, to the company secretary within the determined time frame, and in compliance with the guidelines published on the Company's website at <http://www.ssi-steel.com>.

2.1.3 In preparation of the Annual General Meeting of Shareholders No. 23 to be held on 27 April 2012, the Company gave minor shareholders an opportunity to suggest what they consider important and constructive matters to be included in the meeting agenda in advance. They will also be given the right to propose qualified candidates for the position of Company's director. Through the SETPORTAL system of the Stock Exchange of Thailand, the Company has been publicly informing of those two rights since 30 August 2011 and 30 November 2011 respectively.

The shareholders' proposal can be submitted to the Company via e-mail at agm23@ssi-steel.com or by a regular mail to the company secretary within the time frame to be later on consider by the Board of Directors. If they are approved, or they are pursuant to the law, the company secretary will include those matters in the agenda, which will be itemised in the notice of the Annual General Meeting of Shareholders No. 23, and then will be explained at the meeting.

2.2 Proxy

The Company enclosed three types of proxy forms, provided by the Ministry of Commerce, to every meeting invitation notice so that shareholders have an opportunity to exercise their voting rights without attending in person. Each shareholder can freely choose any one of the three measures to appoint a proxy. Since the Extraordinary General Meeting of Shareholders No. 1/2004 on 18 November 2004, the Company has provided more alternatives for absent shareholders with the new Proxy Form C, provided by the Ministry of Commerce, in which shareholders are able to appoint an independent director to attend and vote on their behalf. However, in the Annual General Meeting of Shareholders No. 22, the Company has designated two of the independent directors, the Chairman of the Board of Directors, or any other person whom the shareholders choose, to be a proxy, whom shareholders could assign their attending and voting rights to.

2.3 On the Day of the Shareholders' Meeting

2.3.1 Before commencing the meeting, the Chairman of the Board of Directors, who was the chairman of the meeting, read out the shareholders' rights according to Company's Articles, the procedures of the meeting, and voting procedure.

2.3.2 The chairman oversees the meeting to be in accordance with the Company's Articles, and also conducted the meeting within the scope agendas contained in the notice of the meeting.

If the meeting proposes to rearrange the order of the agenda, it must be approved by two thirds of the attending shareholders before the Chairman can proceed accordingly. However, up to 2011, there has never been an incident of a request to rearrange the order of the agenda, nor has there ever been a request by one third of the votes to introduce other matters not previously listed on the agenda. Lastly, neither has the Company ever introduced any other agenda apart from the items already presented on the notice of meeting to be considered in the meeting.

2.3.3 The Company specifies that every vote in the meeting must be made on the ballots. For the votes to elect directors, the majority votes must be achieved according to the following principle and procedure:

1) Each shareholder has votes equal to the number of shares he/she owns.

2) Each shareholder may use his or her votes, (as per point 1), to elect one or more directors. If many directors are to be elected, he or she must use all of his or her votes (as per point 1). He or she may not divide his or her votes among more than one candidate at any one time.

3) Candidates who receive the most votes, in order of high to low, are deemed elected, up to the number of positions available. If the last position available is claimed by two or more candidates, and these candidates have received an equal number of votes, the chairman shall cast the deciding vote.

2.4 Supervising the Use of Inside Information

2.4.1 The following Internal Trading laws and the Company's policies shall be applied to prevent wrongful action on the Company's securities trading, to ensure fair and equitable treatment to all shareholders.

- The Securities and Exchange Act, B.E. 2535 (1992)

- The Securities and Exchange Commission (SEC) notification number Sor.Jor. 12/2552 (2009), regarding the preparation and disclosure of report on securities holding of the directors, executives and auditors of the companies offering newly issued securities for sale dated 10 June 2009.

- The Company's Good Corporate Governance Policy, B.E. 2550 (2007)

- The practice guidelines of the Board of Directors regarding the use and protection of inside information for trading of the Company's securities issued on 9 August 2010 replacing the prior guidelines issued on 3 December 2007.

- Directors and employees must not use inside information from reports that have been or will be made regarding the Company's business activities, for the benefit of themselves or others. Moreover, they must not advise others on the buying or selling of securities based on such information.

- Directors and employees who possess inside information that has not yet been disclosed to the public must protect such information with all possible care and must limit access to such information to only those who need to know it, and must not disclose it to the public.

- Report of security holdings of the Company within 30 days from the date of appointment as directors or the executives of the Company and within 3 business days from the date of purchasing or selling those securities is required.

2.4.2 Compliance with the laws and regulations and the Company's Policy.

- On 20 March 2012, a speaker from the Stock Exchange of Thailand was invited to speak and inform the Company's Board of Directors and management of the amendments made on the Securities and Exchange Commission Act, B.E. 2535 (1992) for the Company to make preparations and put into practices of the new changes.

- Periodic reviews of those amended guidelines are consistently conducted by the Board of Directors to ensure that they are appropriate in practice.

- Ensure that material information of the Company is kept to maintain confidentiality prior to the report to the Stock Exchanges of Thailand. The information shall be immediately disclosed upon the resolution of the Board of Directors through communications channel of the Stock Exchanges of Thailand prior to other communication channels on account that all shareholders can enjoy equal access to the information.

- A report on the Company shares owned by the executives is presented to the Good Corporate Governance Committee's meeting every quarter.

- To comply with announcements of the Securities and Exchange Commission, the Company's directors and the executives must declare their security holdings at every meeting of the Board of Directors, and also disclose such information to the Securities and Exchange Commission.

3. The Rights of Stakeholders

Stakeholders had agreed to the Company's reviewed principles in its Philosophy and Ethics which were presented in August 2010. These principles would be used as guidelines for the Company and all its employees to put forth their efforts into practice until these become the identities of the Company and values to its various stakeholders as vehicles to develop for further sustainable development and profitable growths.

Business Philosophy

To achieve the goal of sustainable growth, the Company's management complies with the following Business Philosophy when operating its business:

1. Devotion to excellence
2. Adherence to quality of products and services
3. Belief in the value of our personnel
4. Commitment to honesty and ethics
5. Dedication to our social and environmental responsibilities

In a new business plan for 2010 to 2012, the Company's vision and mission were revised and new goals and strategies were formulated, in a way that corresponds to the Company's Business Philosophy, as follows:

"Innovate premium value steel products and services for customers; generate consistent profit and sustainable value for stakeholders."

Company's Business Ethics

In conducting the business, the Company adheres to the principles of accountability, transparency, integrity, and business competitiveness by acting in the best interest of all stakeholders, in an equitable manner.

1. Shareholders

Realising that shareholders are owners of the Company, and it is in our interest to generate optimum returns in the long term, the Company has laid out working guidelines for the Board of Directors, executives, and employees as detailed below:

- 1) Perform duties to the fullest capacity with integrity, prudence and fair treatment with all shareholders for the benefit of all.
- 2) Report accurate, complete and timely financial statements and non-financial statements.

- 3) Report a trend of the Company, both on the positive and negative sides, to all shareholders in an equitable manner based upon sufficient factual basis, quantitative information and rationale.

- 4) Ensure that there is no exploitation of undisclosed information or any wrongful action for improper advantage for oneself, or others, which may cause conflict of interest for the Company.

2. Customers

The Company values the vital role of customers and their satisfaction, which contributes to the success of the business and it is always dedicated to pursuing necessary methods to fulfill their needs in a more efficient and effective manner, and gain customers loyalty. The guidelines have been set up as follows:

- 1) Deliver premium products and services that meet expectations, or go beyond the expectations.

- 2) Communicate with customers with courtesy and ensure that complete, accurate and real-time information on products and services is given. The Company will not misrepresent products on quality, quantity or any condition of the products and services.

- 3) Strictly follow the conditions with the customer. Unless able to do so, the customers will be informed in advance so that joint solution can be made.

- 4) Establish a system and channel that allows customers to make complaints about quality, quantity and safety of the products and service, and respond to the complaints promptly.

- 5) Strictly protect confidential information of customers and will not disclose information for the benefit of the Company.

- 6) Product and service instructions of the Company need to be provided to the customers in an efficient manner for the maximum benefit.

3. Suppliers

Recognising the importance of ethical conduct with suppliers should be based on fair returns to both parties. The Company thus commits to provide factual, and accurate information to the suppliers. It follows the agreements and negotiation for mutual solutions based on business relationships as well as avoids any circumstances that may give rise to a conflict of interest. The guidelines are set out below:

- 1) Will not request, receive or pay for wrongful activities from and to suppliers, which are against the law and regulations.
- 2) In an event that requesting, receiving or payment for wrongful activities occurs, the suppliers needs to be informed immediately to arrange a mutual solution.
- 3) Follow trading conditions with supplier; unless the Company can follow the condition, it needs to inform the supplier beforehand to arrange a mutual and agreeable solution.

4. Business competitor

The Company has high concerns on ethical conduct with business competitors and sets out the following guidelines:

- 1) Never attempt to seek confidential information of any competitors by illegal and improper methods.
- 2) Never tarnish the business reputation of the competitors by offensive accusations.

5. Employees

The Company realises the utmost importance of its personnel, who are vital for business success. It endeavors to ensure that all employees are fairly treated in terms of rewards, opportunities and potential development based on humanity practices regardless of their race, religion, gender and (dis)ability. The guidelines are spelt out as follows:

- 1) Treat all employees and individuals with respect and dignity
- 2) Provide fair compensation to employees

3) Provide a safe and healthy working environment to life to employees at all times

4) Appointment, rotation, promotion and demotion must be carried out with sincerity, and to be based on knowledge, merit and suitability

5) Place profound importance on human resources development and the capabilities of the entire personnel

6) Avoid unjust practices which may affect job security of the employees, or any action that may threaten mental wellbeing.

6. Supervisory Organisation

As lawful actions and ethical practices are of paramount importance, the Company strictly complies with laws, regulations and standards and always renders full cooperation to supervisory authorising agents.

7. Society and community

The Company recognises accountabilities towards society and community as the core of business, with full realisation of the possible effect on natural resources and the environment. It has constantly lent support to a number of activities to improve society and communities, safeguard and rejuvenate natural resources as well as enhance the community capacities in an effort to bring about sustainable development.

The Company is truly concerned for the quality of life of all stakeholders, including employees and their families, the society, and the community. The Company aims to develop its steel industry in parallel with the quality of the society and its community and environments. This commitment to sustainable development involves the establishment of effective systems of management for safety, occupational health, and the environment in accordance with ISO 14001 Environmental Management Standards and TIS 18001 Occupational Health and Safety Management Standards.

In 2011, the Company received awards under various categories as detailed below:

| Award Category | Organising Agents | Date |
|---|--|-------------------|
| "Honorable Shield for Energy Reduction" from Energy Policy and Planning Office - Ministry of Energy | Energy Policy and Planning Office - Ministry of Energy | 4 April 2011 |
| "Samakunupakran Honorary Coin" and "The Certificate of Honor" in 2010 | Ministry of Education | 4 April 2011 |
| Certificate of the carbon footprint for organisation with the Greenhouse Gas Management Award" as a pilot project | Greenhouse Gas Management (Plc) | 28 July 2011 |
| "Prime Minister's Industry Awards 2011" (Energy Management) | Ministry of Industry | 10 August 2011 |
| "The Honorary Outstanding Business for Labor Relations and Labor Welfare and Benefits 2006 - 2010" | Ministry of Labor | 20 September 2011 |
| "Corporate Social Responsibility Award" for listed company for 2011 (SET Awards: CSR Awards 2011) | The Stock Exchange of Thailand | 24 December 2011 |

3.1 Equitable Treatment of Stakeholder

The Company places an importance to the right of every stakeholder; namely shareholders, employees, customers, partners, creditors, communities, and society as stated in the Company's Business Ethics. Subsequently, it has established a working mechanism to promote activities / or to foster relationship between the Company and every stakeholder.

As a means to encourage participation from the stakeholders, the Company has spelt out stakeholders' participation methods, including customer's opinion surveys and employee satisfaction surveys, shareholders' opinions and enquiries and hearing and answering at the Shareholders' Annual General Meeting. Contact channels for the stakeholders to submit suggestions are via the website and to report "tip" and "complaint" to the Good Corporate Governance Committee. In addition, the Company has virtually ensured adequate disclosure of related information to efficiently encourage participation from stakeholders; for instance, publishing product procurement news of the Company on the website to inform business partners and interested parties. Furthermore, divisions, committee, working committee or working subcommittee specifically in charge

of assignments are set up to take care of every stakeholder. The activities below illustrate the Company's commitment to ascertain equitable treatment of each stakeholder in the year 2011.

3.1.1 Stakeholder: Shareholders

- The Corporate Secretariat Office performed duties delegated by the Board of Directors, according to articles specified under a section of rights and equitable treatment of shareholders.

3.1.2 Stakeholder: Customer

- The Commercial Division has carried out a myriad of activities to foster relationships with customers, follow up with issues and complaints from the customers as well as acknowledge opinions and suggestions for improvement of products and services in order to meet their expectations accordingly. Customer visits and monthly meetings with major customers are held. Additionally, the Company conducted an annual customer satisfaction survey and organised product trainings for the customers in need, offered advice and assistance to the customers regarding problems of the products of the Company.

During the Thailand Flood, the Company had carried out a flood-relief effort to four of its customers by providing each with an “innovated steel boat” to alleviate the distress. Furthermore some customers were unable to take product delivery due to transportation difficulty; the Company was able to provide assistance by making allowances for partial product delivery.

- A sub-working group for innovation of value-added steel and services for the customers conducted a customer needs analysis and cooperated with Production Division to gear towards value-added product and service development for the customers. For examples, better product's size controlling in order to reduce as much waste/loss as possible from customer's final use. Collaborating with customers to develop products that better facilitated more sales and market expansion. In 2011 the Company was able to deliver the Innovated Value Products to its customers at 10.8% of the total delivery volume.

3.1.3 Stakeholder: Suppliers

- The Slab Suppliers Audit Working Subcommittee arranged activities to strengthen the relationship with suppliers through information and experience sharing amongst suppliers. In 2011, the Company invited 4 overseas suppliers to attend meetings with the Company, to review technical protocol and specification in order to develop raw materials for more varieties and better response to the customers' requirement. The meeting helped define a direction of solution in improving raw material quality and other problems.

- Sahaviriya Steel Industries UK Limited (SSI UK), a subsidiary in United Kingdom will commence slab production from year 2012. Hence, it will strengthen the Company's position in term of stability and long-term competitiveness due to the fact that SSI will be able to secure its main raw material as well as control raw material quality.

- The Company's Purchasing Department performed the following tasks:

- Disclosing procurement news of the Company via <http://www.ssi-steel.com> to inform the suppliers and interested parties wishing to sell products, and offer services to the Company. They are invited to register to become vendors of the Company via the Company's website, as well as offer a procurement bid for maximum efficiency and transparency of the Company's procurement.

- Sourcing new suppliers and service providers on an ongoing basis in order to have suppliers, service providers and producers with high potential and ability to produce high quality according to the requirement of the Company. In this regard, every entrepreneur is given equal opportunity.

- Organising annual seminars and meetings with the suppliers and service providers. In 2011, the meeting was handled in February to clarify the Company's procurement, joint procurement with Sahaviriya Group as well as other related issues on procurement policy and occupational safety and environment policies.

- Visiting 9 suppliers and other 8 suppliers from Bangsaphan Communities to study production process and sales management system in 2011. The visits were to ascertain that their process and product quality meet the requirement of the Company.

- To promote and support products that are produced by the community; products that the community is the distributor. To promote and support services that the community can provide; this included the “Community Product Development Project” at the Bangsaphan community under the Company's corporate social responsibility policy.

3.1.4 Stakeholder: Business Competitors

- The Company is aware and has been conducting its business fairly and ethically. It shall not seek out competitors' confidential information through unethical or inappropriate means, nor tarnish the competitors' reputations with false allegations.

- The Company management met with the competitors' managements on professional gatherings to strengthen the business relationships and exchange industry knowledge and experience.

3.1.5 Stakeholder: Employees

- The Human Resources and Administration Division is committed to pursuing the Company's business philosophy, that embraces confidence on the value of personnel and **that the quality employees contribute to the success of the organisation**. Hence, the Company has always arranged proper employment conditions that provide suitable compensation for the employees in order to stimulate motivation. A number of welfare and benefits are initiated in various forms, for example, provident fund, health insurance, life and accident insurance, trainings and seminar of employees, scholarship and transportation services to-from Bangsaphan plant, cafeteria at Bangsaphan plant, support for activities of employee's saving cooperatives, and etc.

In addition, the Company engaged in employee relations activities, and arranged a wide variety of communication channels with the employees. This included SSI Internal TV, message from the President and the in-house wired voice program, workplace visit, night workplace visit, and home visit in order to build good relationship and trust between employees with the Company. Consequently, the Company received the "Outstanding Award of Labor relations and welfare" for 9 consecutive years (2003 - 2011). The honors reflect the monumental value the Company places on the efficiency development of Labor management which ensures that the employees' rights are respected and protected in line with laws according to specification of corporate social responsibilities standards and related regulations. Improvements of labor activities and reviews of the management policy for more suitability were constantly undertaken in order to allow sustainable development. In 2011, the Company had supported the establishment of the funeral and burial assistance association for Sahaviriya Steel

Industries and its subsidiaries, and continued to improve the medical expense welfare. Employees are eligible to use the government health-insurance card at clinics in Bangsaphan district. Furthermore, the Company has emphasised on the employees, in informing and raising awareness of the "SSI Way" which consisted of its business philosophy, business ethics, and vision, mission, and values of the Company.

3.1.6 Stakeholder: Supervisory Organisation

- The Company recognises the importance of legal practice and judicial way of operating a business. The Company is fully committed to the principles of Good Corporate Governance as part of publicly listed companies in the Stock Exchange of Thailand. The Company shall comply with laws, regulations, and standards with stringency, and ready to cooperate with agencies that regulates its business such as the Securities and Exchange Commission, the Stock Exchange of Thailand, and other various government bureaus.

3.1.7 Stakeholder: Society and Community

- The Public and Community Relations Office undertook programs as specified under a section of "Corporate and Social Responsibility".
- The Management Working Group to Minimise Climate Change organised a number of programs and activities to combat global warming in 2011 in reducing greenhouse gas emissions that causes the global warming phenomena as described below:

(1) *Internal Activity Groups*. By putting emphasis on the reduction of greenhouse gas emissions from the manufacturing production process and its employees' active participations, the Company was able to reduce the greenhouse gas emission during January to October 2011 in an amount of 12,215.72 tons of Carbon Dioxide equivalent through 10 sub-working groups which were: "Product Improvement Program", "Manufacturing Process Improvement Program", "Transportation Improvement Program", "Reduction

of Wasteful Materials on Repair and Maintenance Program”, “Electricity Consumption Reduction in Office Buildings Program”, “IT Development and Application Program”, “Waste Reduction Program”, “Environmentally Friendly Products Procurement Program”, “The Green Industry Network Program”, and “Conservation of Nature and Environment with Community Participation Program”.

For the activities to promote employees’ participations, the Company had initiated several projects such as: “Green Day Activity” on every third Friday of the month when employees were encouraged to turn off their idle computers, switched off air-conditioning during lunch break, use cloth bags instead of plastic bags, and tree-planting on their birthdays, etc. For the activities to promote reduction of global warming, energy conservation,

business ethics, and Thai labor standards, the Company had organised a “Ceet Week”. An internal survey on global warming awareness was conducted, the result indicated that employees showed a 99.45% (goal set at 95%) in their knowledge and understanding of its effect. In addition, the Company had published and distributed “How to Manage Global Warming” handbook to the general public which shares the Company’s internal activities and techniques that can be easily applied on a day-to-day basis.

(2) *External Activity Group*. A joint activity with the government sector named “Climate Change project” which is consistent with the inevitable condition that all business industries must prepare for in the near future. There were altogether 3 projects that the Company had joined with the government sector:

| Government/Private | Activities |
|---|--|
| MTEC (National Metal and Materials Technology Center) & Thailand Environment Institute | Launched pilot project on the “Carbon Footprint for Organization” |
| TGO (Thailand Greenhouse Gas Management Organization) and KEMCO (Korea Energy Management Corporation) | Dissemination of Korea Voluntary Emission Reduction Program of Thailand - Phase 2 (KVER 2) |
| TISI (Thai Industrial Standards Institute) | Participated in the “Training , Consultation, and Recommendation on Power Management ISO 50001” Program (September 2011 - June 2012) |

(3) *Communication and Public Relations Activity*. These were activities that the Company had spear-headed or worked in conjunction with public sector and local authorities in providing information and public relations campaigns on global warming issue. There were a total of 20 activities such as: “Green Building Contest” (Design of Steel Home Contest), “The 3rd Silp Sanfan Pun Namjai”, “Kuen Phuen Pa Hai Por (Re-forestation for Our Beloved Father) in commemoration of His Majesty the King’s 84th Birthday, “Youth Volunteer for Community and Environment Development”, “Organic Youth Farmer Project”, “Super Smart & Intelligent Kids”, “Young Conservationist - 7th Class”, “Planting 84,000 vetiver grass to honor His Majesty the King”, “Song Lor Rak Bangsaphan Campaign”, etc.

The “Song Lor Rak Bangsaphan Campaign” was aimed to cultivate the interest among local residents to reduce the effect of global warming and strengthen physical endurance. Participants from both sexes and all ages from 5 - 80 years old brought together 320 bicycles to race. The Company also asked local motorists to refrain from using their vehicles from 8.00 a.m. to 8.30 a.m. to be a part of helping to reduce the effect of global warming. The half-an-hour halt period was able to reduce the emission 3.95 tons of Carbon Dioxide equivalent.

Other means of public relations were as follows:

(1) Internal public relations: Company's Information Bulletin Board, Company's web bloc, "360 degree Television Program", SSI News, "Khon-Lek Newspaper", and local radio programs, etc.

(2) External public relations: Advertising campaign of, "Power-Reduction Suit" which was released through national newspaper, weekly magazines, web bloc, "360 degree Television Program", "Khon-Lek Newspaper", SSI website. Additional external public relations was the distribution of "Management to Reduce Climate Change (Climate Change Initiatives)" in the annual report and the Corporate Social Responsibility Report which was issued as a special edition in 2011.

3.2 Compensation Measures

The compensation for stakeholders in the event of damage from the business violating the laws, the Company endorsed some actions through offering insurance for stakeholders of the company in some cases, for instance;

- Directors & Officers Liability Insurance
- Marine Cargo Open Policy
- Public Liability Insurance
- All Risks of Sudden and Accidental / Physical Loss or Damage (Machinery Breakdown / Boiler Explosion) and Business Interruption Insurance (for Major Plants)
- Property All Risks Insurance (for Officer Building)

In addition to the primary insurance coverage mentioned above, the Company had prepared to extend its insurance coverage to other SSI's subsidiaries that have been operating in both local and abroad; for examples, West Coast Engineering Company Limited; Prachuap Port Company Limited; Thai Coated Steel Sheet Company Limited; and Sahaviriya Steel Industries UK Limited. Moreover, a constant monitoring of unusual situation has been put into practice in order to periodically assess the risks that might result in

damage to the Company and stakeholders. Provisions of additional insurance coverage would be implemented to the offset the increased risk (if any).

Furthermore, the Company has always relentlessly and rigorously attached importance on compliance to related laws. Amongst others, the Company respected the intellectual property rights on copyrights. In 2011, it endorsed the policy and regulations on information technology, as well as practice guidelines for every employee to follow. On this, they are not allowed to download computer software from outside or download computer programs from the Bulletin Board System (BBS) or internet or any other computer programs for use or installation on the Company's computers. The Information Technology Department of the Company is in charge of inspection and assurance of conformity with the said policy and regulations.

3.3 Dispute with Stakeholders

The Company shall conduct its business in a way that prevents conflicts or disputes with Stakeholders' interests; inclusive of its business involvements with customers, suppliers, competitors, employees, society, and community. The Company has already set its mechanisms to oversee and supervise all departments to work within this principle.

The Company shall adhere to the Legal Compliance with the laws and regulations relating to the business by preparing a list of these legal restrictions and updating them continually. In addition, it is mandatory that each department is required to review its laws and regulations pertaining to its department operation. All departments are then required to submit a quarterly report to the Audit Committee. For major litigations and disputes against the Company as disclosed in the notes to the financial statement, the Company's Legal Group will report on the progress and give recommendations to the management team periodically; the Board of Directors will also receive a quarterly report.

Moreover, SSI engages in various social responsibility activities such as acquiring raw materials that are environmentally friendly, supporting local raw material selections, managing transparent and accountable procurement process, operating under fair labor practices, providing complete and accurate information for its products, conducting its sales and marketing activities with fairness with its customers, providing appropriate services and warranties, etc. These activities has enabled the Company to thrive for sustainable growth for the business.

3.4 Tip and Complaint Reporting

Realising the importance of stakeholders' participation in supervising the Company, the Good Corporate Governance Committee has arranged the tips and complaints reporting channel, which allows the Company to acknowledge information from employees and every group of stakeholder e.g. shareholders, customers, partners, competitors, society and community. The reports can be for any concern, for instance, law violation, unethical practice or corruption, violation on conflict of interest, inaccurate report of financial statement, improper internal control and any actions harmful to the reporters or the Company. The report can be directly forwarded to the Good Corporate Governance Committee as announced in the Company's website. Such channels allow the Company to obtain more in-depth information on problems, the Company can thus analyse information to enable a solution to be found and establish stringent measures, which will lead to increased efficient management.

On 11 August 2008, the Company announced the Board of Directors' policy on tips and complaints reporting and guidelines, concerning the tips and complaints reporting channels. The Company communicated the said policy to employees and internal/external stakeholders to inform channels and methods of reporting tips and complaints, which include the company intranet at <http://ssi.net>

and the Company website at www.ssi-steel.com. Any whistleblower can report tips and complaints via two channels:

- By e-mail at ssigcg@yahoo.com or
- By Post. The postal address is The Good Corporate Governance Committee, P.O. Box 534, Delivery Post Office Bangrak, Bangkok 10500.

The Good Corporate Governance Committee is responsible for designing a "Whistleblower" process in handling tips or complaints as well as a protection policy for the whistleblower. Electronic and post mail boxes are kept confidential by external service providers and none of the company's employees can access these mail boxes, except the person authorised by the Chairman of the Good Corporate Governance Committee, whose reporting line is direct to the Chairman.

4. Information Disclosure and Transparency

The Board of Directors recognises the importance of disclosing significant information about the Company, both financial and non-financial, to investors, and that such information must be accurate, complete, timely, transparent and such disclosure must be in accordance with the principles laid down by the SEC and SET regarding good corporate governance, and presented in both Thai and English so that investors, shareholders, securities analysts, and the public in general would receive equal access to corporation information, since such information has a major impact on the price of Company shares on the SET. The Board of Directors has clearly declared its commitment to these ideals in items No. 1 and 7 of the Company's Good Corporate Governance Policy. The Company established a unit directly responsible for disclosing corporate information to the SET and the SEC is the Corporate Secretariat Office and the Corporate Finance and Investor Relations Department.

4.1 Disclosure in Accordance with the Requirements or Regulations of the Stock Exchange of Thailand and/or the Securities and Exchange Commission.

In 2011, the Company disclosed corporate information through the Corporate Secretariat Office as follow:

- Disclosed all information necessary for investors to make decisions, according to the rules laid down by the SET and SEC, specifically the Company's quarterly and annual financial statements, and reviewed or audited reports along with the descriptions and financial statement analysis of subsidiaries and jointly controlled entities in which the management had discussed numerous aspects of the company, both past and present. (Management Discussion and Analysis: MD&A) to the SET and the SEC since 2011.

- On 18 July 2011, the Company informed the Stock Exchange of Thailand that it would like to dismiss the submission of the pre-audited and unreviewed consolidated financial statements. Due to the fact that SSI had invested in a new subsidiary for an Iron and Steel making Business in the United Kingdom - which had already been implementing different accounting standards particularly the Income Taxes (IAS/TAS 12 Income Taxes) standards whilst these same standards will not be implementing in Thailand until 1 January 2013 - the Company would require longer significant amount of time in preparing the consolidated financial statements than in previous years, and to reduce potential confusion for shareholders and investors of the two submissions (before and after of the audited and reviewed); therefore, the company would like to cancel the submission of pre-audited and unreviewed consolidated financial statements from the second quarter of year 2011 onwards.

- Distributed the 2010 Annual Report (Form 56-2) to the Company's shareholders, along with a notice of a meeting for the Annual General Meeting of Shareholders, and informed the SET and the SEC of the same, no later than 110 days from the end of the fiscal year.

- Submitted the Form 56-1 for the fiscal year ending 31 December 2010 to the SET and SEC no later than 3 months from the end of the fiscal year.

The disclosure of information to the Stock Exchange of Thailand and Securities and Exchange Commission were properly completed and submitted in on time.

4.2 Disclosure of Information in Accordance with the Stock Exchange of Thailand's Guidelines Related to the Company's Transparency

Prior to 2011, the Board of Directors had appointed an Investor Relations Office to deal with investor relation issues and to be a main contact in communicating and for equally disclosing corporate information to shareholders, institutional investors, retail investors, security analysts, and government sector. In 2011; however, the Company decided to combine this office with the Corporate Finance Office becoming "Corporate Finance and Investor Relations Department." The aim is to provide better financial information to the aforementioned groups to use in the investment and securities analyses of the Company in greater depth. Besides, "Public and Community Relations Office" is responsible for dissemination the Company's information through the use of media. Both Offices also cooperatively work to ensure transparent disclosure and equal dissemination utilising the Company's website: <http://www.ssi-steel.com>. Periodic updates are provided for stakeholders and interested readers to receive important facts such as financial information, annual report, corporate and social events, and financial analyses in both Thai and English.

4.2.1 Investor Relations

In 2011, "The Investor Relations Office" (presently "The Corporate Finance and Investor Relations Department") operated through the following channels:

- Published the Company's financial and non-financial information, its good corporate governance policy, its business philosophy, and its code of ethics (both in Thai and English) on its website <http://www.ssi-steel.com>. The website gave investors and shareholders convenient, continuous, and equal access to updated corporate information.

- Arranged for better communication between investors and shareholders and the Company. Investors and shareholders could ask questions of executives or request more information from the Company through its e-mail address: ir@ssi-steel.com. They can also register to receive e-mail updates through the Company's website.

- Organised meetings with securities analyst as well as the financial institutions providing financial support to the Company on a quarterly basis to announce the Company's operational results and financial position. The Company held the analyst meetings on the same day or the following day of the submission of the financial statements to the SET and the SEC.

- Since the second quarter of year 2011, the Company had been providing management discussion and analysis (MD&A) of the Company, its subsidiaries, jointly controlled entities, and the summary of quarterly financial information (Quarterly Update) to be distributed to the investors via the Stock Exchange of Thailand and its Company's website.

- Arranged 4 one-on-one meetings between senior executives of the Company and Thai and foreign institutional investors and securities analysts and as well as individual investors at the Bangkok office.

- Participated in the 7 corporate roadshow programs for the senior management to make presentations to the institutional investors as follows:

- The 1st roadshow: 17 - 19 January 2011 with local institutional investors arranged by Siam Commercial Bank Securities Company Limited, TISCO Securities Company Limited, and Kim Eng Securities (Thailand) Public Company Limited.

- The 2nd roadshow: 26 - 28 January 2011 with foreign institutional investors in Hong Kong and Singapore arranged by Siam Commercial Bank Securities Company Limited, TISCO Securities Company Limited, and Kim Eng Securities (Thailand) Public Company Limited.

- The 3rd roadshow: 15 August 2011, the Company invited officials from the Stock Exchange of Thailand to attend the securities analysts meeting that SSI had organised and video-taped it for the "Opportunity Day" which aims to facilitate investor relations activities of the listed companies.

- The 4th roadshow: 30 August 2011 with local institutional investors arranged by Bualuang Securities Public Company Limited at its office.

- The 5th roadshow: 26 - 27 September 2011 with foreign institutional investors in Hong Kong and Singapore arranged by Credit Suisse Securities (Thailand) Limited.

- The 6th roadshow: 17 November 2011 with group of individual investors during the "Trinity Tea Talk Seminar" arranged by the Trinity Securities Group at its office.

- The 7th roadshow: 28 November 2011 with financial analysts and investors at the "Opportunity Day" arranged by the Stock Exchange of Thailand.

4.2.2 Stakeholder: Society and Community

In 2011, The Public and Community Relations Office had completed the following activities.

- Prepared quarterly news releases for the mass media concerning the Company's financial position and operational results on the same day or the following day of the submission of the financial statements to the SET and the SEC.

- Issued press releases and photo releases regarding corporate activities to reporters, so that information about the Company reaches investors and the general public from time to time.

- Set up interviews with corporate executives when so requested by the mass media, to foster an understanding and promote accurate knowledge of the Company.

- Arranged for publication of information and articles about the Company through various media, including:
 - Print materials such as newspapers, annual reports.

- Participation in and organisation of exhibits presenting corporate information to target groups and the general public.

- Special and electronic media, such as videos and the Company's website, <http://www.ssi-steel.com>, <http://www.blogssi.com/360degree/>, <http://www.blogssi.com/ssiarsa/>.

- Provision of channels for comments, questions, and requests for additional corporate information via e-mail, at pr-ir@ssi-steel.com.

5. Responsibilities of the Board of Directors

5.1 Structure of Board of Directors

5.1.1 Composition of the Board of Directors

The Board of Directors consists of members, who are knowledgeable, competent, and have experience in the areas that support the development of the Company's business, for instance, manufacturing process, management, accounting and finance, and steel industry experience. According to the Company's Affidavit dated 23 September 2011, the Board of Directors consisted of 12 directors. 6 of 12 directors are independent directors, in accordance with item No. 8 of the Company's Corporate Governance Policy. Of the 6 non-independent directors, a director, namely Mr. Win Viriyaprapaikit, the President, occupies management positions as well.

5.1.2 The term of office for board member

The term of office for board member is in pursuant with the Public Limited Company Act which states that one-third of the directors must retire from the office on a yearly basis. But the number of terms a director may retain in the same position for succession period has not been specified. This is for flexibility in finding suitable persons with the special experience and competence required for the tasks assigned, and nature of the Company's business.

5.1.3 Qualifications for "Independent Directors"

The definition of "independent director" is found in item "requirements regarding the number and qualifications of independent directors," under the heading of Management Structure.

5.1.4 Policies and practices to serve as directors and/or management of other company's managing director such as president and chief executive.

The executives were seconded to assume a position of directors, president or executive officers in West Coast Engineering Company Limited and Prachuap Port Company Limited, which are both subsidiaries of the Company, and Thai Cold Rolled Steel Sheet Public Company Limited, a joint controlled entity, and Thai Coated Sheet Company Limited, which owns 3.7%. The management fees for seconding the executive to these companies are mutually agreed. For Sahaviriya Steel Industries UK Limited which is a wholly owned subsidiary in the United Kingdom, the Board of Directors has approved a resolution to appoint Mr. Win Viriyaprapaikit, the Company's President, to become director of SSI UK .

With respect to the guidelines concerning conflict of the interest, it was stipulated that every employee including the president must not assume a position of director or executives in any business which competes directly or indirectly with the

Company; and must not be a director of other companies that are engaging in or going to engage in business with the Company, except the position in the Group of Company that is granted consent from the Board of Directors.

5.1.5 Separation of Chairman, Chairman of the Executive Committee, President and CEO

In the area of management structure of the Company, key positions are divided among various people. Dr. Maruey Phadoongsidhi is the Chairman of the Board of Directors, Mr. Wit Viriyaprapaikit is the Chairman of the Board of Executive Directors, and Mr. Win Viriyaprapaikit is the President. Each position has clear and separate scope of authority and responsibility, which is in accordance with the Company's Good Corporate Governance Policy in item No. 10 until 30 April 2011; however, at the 3rd Board of Directors meeting on 13 May 2011, the Board had approved a resolution to appoint Mr. Wit Viriyaprapaikit to take the Chairman of the Board of Directors position effective May 2011. This appointment was also made in conjunction with Mr. Wit Viriyaprapaikit's current position as the Chairman of the Board of Executive Directors until 31 August 2011.

5.1.6 Independence of the Chairmanship

The Company's policy does not specify that the Chairman of the Board of Directors must be an independent director, as this might deprive the Company of people suitable to fill the position. The steel industry requires personnel with specialised skills and experience, in addition to a broad vision and managerial expertise to maximise the benefits for the Company, its shareholders and stakeholders.

5.1.7 The Company Secretary

The Company Secretary offers advice on matters of law and regulations that the Board of Directors needs to know, and handles the activities of the Board of Directors and ensures that the resolutions of the Board of Directors are implemented.

5.2 Role, Duties, and Responsibility of the Board of Directors

The Board of Directors consists of the people who are knowledgeable, competent and have experience in the areas that support the development of the Company's business, including, the vision, mission, policies, strategies, business plans, and budgets of the Company. The Board of Directors is authorised and obligated to ensure that the Company achieves the objectives according the policies and plans approved by the Board of Directors and complies with the law, regulations, and policies governed by regulatory bodies. Taking into account the best interests of the Company and its stakeholders to deliver steady and sustainable growth to the company. Details on the authority of the Board of Directors are shown in the Board of Directors' management structure.

5.2.1 Good Corporate Governance Policy

The Board of Directors aims for the enhancement of good corporate governance within the organisation, which requires the collaboration of four parties, namely the Board of Directors itself, the Company's management, the Company's independent auditors, and the Company's internal auditors. The Board of Directors needs to have a clear policy in this regard. In 2002, therefore, the Board of Directors officially approved a good corporate governance policy for SSI that closely corresponds to the fifteen principles of good corporate governance laid down by the Stock Exchange of Thailand.

Subsequently, in December 2007 at a meeting of the Board of Directors, it was resolved that a revised good corporate governance policy for SSI be adopted to conform to the SET's principles of good corporate governance for listed companies, published in 2006, which are:

1) The Board of Directors is well aware of its responsibility to protect the rights and interests of shareholders, to promote the rights of shareholders as provided by laws, and to treat each of them with equal access to corporate information.

2) The Board of Directors shall ensure shareholder meetings and disclosures of corporate information are conducted in accordance with the laws and the guidelines laid down by the Securities and Exchange Commission and the Stock Exchange of Thailand.

3) The Board of Directors shall ensure that guidelines concerning the use and protection of insider information for trading of the Company's securities are implemented and thoroughly communicated to all relevant parties.

4) The Board of Directors shall attend to the rights of stakeholders and oversee that the Company's operations are conducted in compliance with all relevant laws.

5) The Board of Directors is aware of the importance of its duties to uphold its corporate social responsibility, and shall ensure that clear guidelines concerning the Company's policy on corporate social responsibility are established, and followed as well as communicated to all stakeholders.

6) The Board of Directors recognises the transparency of its business operations, whereby conflicts of interest between the company and its shareholders, and directors, employees, shareholders, and other stakeholders will be eliminated. The Board shall oversee and monitor procedures on conflicts of interest in ways that are scrupulous, honest, reasonable, independent, and moral.

Stakeholders with interests in any transaction must not participate in decision making relating to such transactions, and decisions must be made based on the benefit to the Company and its shareholders. Transaction-related information must be disclosed correctly, completely, and promptly.

7) The Board of Directors shall ensure that investors will have confidence in such a way that disclosures of corporate information are accurate, complete, and promptly.

8) The Board of Directors must consist of no less than three independent directors.

9) The Board of Directors may establish various committees, whose purpose is to perform the tasks assigned by the Board of Directors, and to study or consider matters before submitting them for consideration to the Board. These committees are the Board of Executive Directors, Audit Committee, Nomination Committee, Remuneration Committee, Good Corporate Governance Committee, and Risk Management Committee. Other committees may be established for ensuring efficiency, fairness, and transparency of the directors' work.

10) The Board of Directors has seen fit to divide the functions of the Chairman of the Board of Directors, the Chairman of the Board of Executive Directors, and the President, among separate and different individuals, with the authority and duties of each position being clearly defined. It has also seen fit to adjust the Manual of Authorisation Chart from time to time to clarify the scope of authority to be exercised by the Board and by those in management who have been assigned authority.

11) The Board of Directors is responsible for determining the Company's vision, mission, and business strategies as well as ensuring that management conducts company business according to these plans.

12) The Board of Directors is well aware of its responsibility to oversee risk management and internal control systems of the Company, and the Board of Directors has established an independent Office of Internal Audit within the Company.

13) The Board of Directors shall commit to the Company's business philosophy and shall ensure that the Company's operations are conducted according to the Company's business ethics, a code of ethics for directors, a code of ethics for employees, and shall inform relevant parties.

14) The Board of Directors must hold regular meetings at least once every three months, and other special meetings may be held at other times if necessary. Each meeting must be arranged in advance, along with a clear agenda for the meeting. All documents necessary for the meeting must be prepared and sent to board members, as written in the Company's Articles, so that they have sufficient time to peruse the documents before the meeting.

15) Each sub-committee must have meetings on a regular basis: the Board of Executive Directors must have meetings at least once a month, the Audit Committee must have meetings at least once every three months, the Good Corporate Governance Committee and Risk Management Committee must have meetings at least twice a year, and the Nomination Committee and Remuneration Committee must have a meeting at least once a year. Other special meetings may be held at other times if necessary. Each meeting must be arranged, along with a clear agenda for the meeting. All documents necessary for the meeting must be prepared and sent to the board / committee members, so that they have sufficient time to peruse the documents before the meeting.

16) The Board of Directors is responsible for considering remuneration for company directors and president as proposed by the Remuneration Committee. Remuneration for the President is determined by a resolution made at the Board of Directors meeting, and any other remuneration for directors is determined by a resolution made at a shareholder meeting, whereby the amount of remuneration is considered appropriate, transparent and has no conflicts of interest.

5.2.2 Code of Ethics for Company Directors

In conformity with the Company's business philosophy, in 2001 the Board of Directors passed a resolution setting out the codes of ethics for the Company's directors.

1) The Company's directors must fulfill their duties in the spirit of the Company's principles of good business conduct and adhere to the codes of ethics established by the Company.

2) The Company's directors must fulfill their duties in compliance with the law, the objectives and regulations of the Company, and the resolutions of shareholders' meetings, and with all due honesty, integrity, and care for the interests of the Company.

3) The Company's directors must dedicate sufficient time and all their knowledge, competence, and managerial skill to the fulfillment of their duties and responsibilities, for the prosperity and stability of the Company and good returns.

4) The Company's directors must fulfill their duties as a responsibility to shareholders and with all due concern for the interests of stakeholders, and must treat all groups as fairly and prudently as possible.

5) The Company's directors must not use their position for wrongful gain, must not disclose Company secrets to outsiders, must not seek gain for themselves or those related to them by means of information not yet publicly disclosed, and must not do anything that would result in a conflict of interest.

5.2.3 Conflicts of Interest

The Company has undertaken numerous measures to ensure transparency, clarity, and accountability in its related transaction reports, mentioned earlier. Such reports enhance the Company's accountability and its success in conducting business, for example:

1) Policies on trade discounts as a means of increasing competitiveness, increasing sales and market share, and rewarding loyal customers who continue their purchase of the Company's hot rolled coil.

2) Rules and procedures governing the extension of commercial credit in order to systematise the authorisation of credit and minimise the credit risk.

Establishment of a Credit Committee to analyse and sort the amounts and types of commercial credit suitable for each client, considering the client's needs and repayment ability along with types of guarantees to prevent or reduce the risk of giving credit. The Committee also consider on giving extensions of credit terms on a client-by-client basis.

3) Reports on the Company's sales volume and prices to the meetings of the Audit Committee on a quarterly basis, and report to the Committee's meeting on a monthly basis (in substitution for the Board of Directors' Meeting which has ended on 1 September 2011). This is to ensure that transactions between the Company and related parties are under the Ordinary course of business and general trading conditions.

4) Preparation for reporting of securities holdings. Presentation for the reporting of securities holdings, and changes in the holdings of securities of the Company, directors, and executives was disclosed in the 2011 Annual Report under the "Supervising the Use of Inside Information".

5) Establishment of the guideline for the Board of Directors regarding the good corporate governance framework of reporting disclosure and transparency of the company's directors and executive. The guideline requires directors and executive of the Company and its subsidiaries to report their interests on quarterly basis.

6) Specified a guideline on conflict of interest to clarify the employees on the practice or action that may cause conflict of interest of oneself and the Company's to avoid such action or prevent it from happening.

When any conflict-of-interest transaction is discussed by the Board of Directors, all directors with interest in that transaction must not participate in the discussion, and must absent themselves while that transaction on the agenda is under consideration.

5.2.4 Internal Control and Internal Audit Systems

The Board of Directors of Sahaviriya Steel Industries Public Company Limited (SSI) recognises the importance of good and effective internal controls, as stated in the Good Corporate Governance Policy of the Company, in helping to prevent harm, minimising risk to its business activities and in achieving the Company's vision and mission. The Board of Directors has assigned the Audit Committee to ensure the appropriateness and effectiveness of the Company's systems of internal controls and internal auditing.

The Board of Directors acknowledges the report on internal control of the Company and the internal audit system from the Audit Committee, which contains the self-assessment results of the Company's internal control system of the Audit Committee, based upon the evaluation form of the Securities and Exchange Commission; the self-assessment results of the Company's internal control system of corporate management, based upon the evaluation form of the Company's Auditor and important issues from the audit report from the Internal Audit Office.

The Internal Audit Office is appointed as the independent internal audit unit of the Company. In practice, the Internal Audit Office has employed the International Standards for the Professional Practice of Internal Auditing, the Institute of Internal Auditors (IIA) as the guidelines for their management and operations. The framework of controls adhered and referred to by the Internal Audit Office and the Audit Committee in their operations, has been set forth as the Internal Control Integrated Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). This framework consists of five main control components, namely:

- 1) Control environment
- 2) Risk assessment
- 3) Control activities
- 4) Information and communications
- 5) Monitoring and evaluation

The details of the main control components of the Company's internal control system are based on the five frameworks above which have been implementing continuously; however, there were some changes made in 2011.

Control Environment

- The acquisition of a Iron and Steel Making Business in the United Kingdom which was established as a wholly subsidiary of the Company under the name, "Sahaviriya Steel Industries UK Limited (SSI UK).

- The Company re-organised its organisation structure periodically to suit the new business plan for instance, improvement of Management Structure by new Management Committee, the dissolution of the Board of Executive Directors, and appoint the Company's Group CEO in order to adapt the dynamics of the business and its industry.

Risk Assessment

Details can be found under the topic of Risk Management.

Control Activities

- The Company has defined corporate regulations, policies and guidelines to ensure proper procedures. In addition, an authorisation chart has been published clearly specifying the scope of authority accorded to the Board of Directors, the Board of Executive Directors and management at each level, in each functional area of the Company. In this way, the Authorisation Chart is clearly shown and those delegated are held responsible and accountable.

- The Company has established a mechanism of control to ensure strict compliance with the law. All legislation pertaining to the Company's business has been compiled into a database and a staff member assigned to correct, complete and update this database at all times. A system of monitoring such compliance has also been set up, with each department reporting on its compliance with relevant legislation to the Legal Office on a quarterly basis. The compliance report must be submitted to the Board of Executive Directors' meeting and the Audit Committee's meeting for acknowledgement.

- The Company has instituted a number of standard management systems for its operations as follows:

- Certified Standards that are continuously maintained since they were originally Accredited:
 - ISO 9001:2008 quality management standards
 - ISO/TS 16949:2009 quality management standards for the automotive industry
 - TIS 17025-2548 (ISO/IEC 17025:2005) laboratory performance standards

- Thai Industrial Standards Institute: Hot-Rolled carbon steel coil approved by the Thai Industrial Standards Institute (TISI) for various types of use

- The European Union's CE Mark EN10025-1:2004 product quality standards.

- Environmental Management System Standard ISO 14001:2004

- TIS 18001-2542 Occupational Health and Safety Management System

- BS OHSAS 18001:2007 Occupational Health and Safety Management System

- Thai Labor Standard (TLS8001-2003)

- Class Certification for Ship Building (DNV

& BV&LR)

- Standards to be certified in 2011:

- ISO 50001:2011 Energy Management System (EMS) (work-in-progress 2011)

- In the first quarter of 2011, the Company reviewed its hot-rolled steel sheet production process to assess limitation of capacities enhancement. In late 2011, the Company designed architecture for hot-rolled steel sheet production processes to accommodate production of new added-value products for customers and reduce production cost.

Information & Communication

- The Company upgraded its host computer system to meet the demand for more computer resources with the application of "Virtual Machine" technology.

- The Company developed a Production Planning and Control System to enable employees to perform their works through the Company's website. Previously, they were only able to work on client server. This new system enables the Company to rapidly and flexibly respond to the sales system and enhances work effectiveness.

- The Company has developed guidelines to improve system performance and resources management with "Enterprise Resource Planning - ERP" which had been installed since 2005. ERP was able to support improved management of resources among all the Company's subsidiaries with opened communication network so that decision could be made faster and more accurate.

- The Company has developed a computer system used to communicate with customers "Customer Relations Management - CRM". This system has helped enhancing customer relationships to the Company. It was able to provide customer's own sales and delivery status via the computer system.

- The Company has restructured its internal management of information technology by combining the two separate IT systems (the head office and the factory) together to provide more management efficiency.

Monitoring and Evaluation

- The Company requires that all divisions report on their operational results at a monthly management meeting.

- Reports and operational result assessments are screened by the Board of Executive Directors and Management Committees to compare achievements with targets on a monthly basis. If there is any significant impact, the committee can then act accordingly.

- Various committees produce regular reports on their activities and resolutions from their meetings for the benefit of the Board of Directors as and when required.

5.2.5 Risk Management

Details can be found under the topic of Risk Management.

5.3 Working Committees

The Board of Directors has decentralised its authority and duties by establishing six committees to ease its burden of responsibility, in which these committees help study and sort through matters of importance delegated to them in meetings of the Board of Directors. However, at the Board of Directors meeting No. 5/2001 on 11 August 2011, the Board of Directors has approved a restructure and reduced the number of committees to four - effective on 1 September 2011 with the following actions:

| Working Committees in January 2011 | Working Committees from September 2011 onward |
|--|---|
| 1) Board of Executive Directors | - |
| 2) Audit Committee | 1) Audit Committee |
| 3) Nomination Committee | 2) Nomination and Remuneration Committee |
| 4) Remuneration Committee | |
| 5) Good Corporate Governance Committee | 3) Good Corporate Governance Committee |
| 6) Risk Management Committee | 4) Risk Management Committee |

The six committees have an independent director serving as chairman. All members of the Audit Committee are independent directors. Most of the members of the Good Corporate Governance Committee and the Nomination and Remuneration Committee are independent directors. Most of the members of the Risk Management Committee are not independent directors. The Board of Directors will consider increasing the number of independent directors henceforth as the need arises. The scope of authority, duties, and responsibilities of the other committees are to be found under the heading of Management Structure. The term of office for each of the four committees, namely the Audit Committee, the Nomination and Remuneration Committee, the Good Corporate Governance Committee and the Risk Management Committee has been specified by the Company will serve a 3-year term. But the number of terms a director may retain in the same position for succession period has not been specified.

- Dissolved of the Board of Directors and formed Management Committee with an appointment of Mr. Win Viriyaprapaikit, the President and SSI Group CEO, to be Chairman of the Management Committee to take on the Board of Directors' responsibilities.

- To combine the Nomination Committee and Remuneration Committee together and renamed to, "The Nomination and Remuneration Committee".

5.4 Meetings of the Board of Directors

5.4.1 Advanced Meeting Schedules: the Board of Directors and Working Committees.

The Company arranges the meetings of the Board of Directors and the other committees in advance, and informs each director and the relevant departments of the schedules of the meetings so that the directors and management would be able to attend. The Board of Directors is required to meet every three months. However starting from October 2011 from the result of management structure as described in 5.3 for the working committees, the Board of Directors' meeting will commence once a month instead. In addition to the President or CEO who could propose items to the board meeting agenda, each director may suggest items to be included in the agenda through various committees. The chairman of each committee would consider what items to be included in the agenda of

meetings of the Board of Directors to ensure that important matters are given sufficient attention.

During meetings of the Board of Directors and the other committees, senior executives directly involved in the matter under consideration participate so as to provide additional information and enable the directors to become familiar with the executive concerned. This familiarity is helpful when considering succession plans.

At each meeting of the Board of Directors, the Board of Directors receives reports on business operations and follow-up reports on the progress of work it had assigned, and considers matters within its scope of authority. The Board of Directors oversees the implementation by management, and the various committees of the policies and plans for which they are severally responsible to the Board of Directors. The Company Secretary facilitates the meetings which, according to Good Corporate Governance Policy, item No. 14. The Board of Directors must be informed with clear agenda and the Company Secretary requires sending a meeting delivery notice and necessary documents to the directors 7 days in advance of the scheduled date, as stated in the Company's policy, for the directors to understand the issues prior to the meeting. Each board meeting lasts 2 hours. In 2011, the Board of Directors met eight times, i.e. twice in February, May, July, August, October, November, and December.

The Board of Executive Directors is required to meet once a month, from January to August 2011. The Company Secretary arranges the meetings and the prior delivery of documents in the same way as for meetings of the Board of Directors. The Audit Committee meets to perform their functions independently, within the scope of their duties and responsibilities as assigned by the Board of Directors. The secretary of the Audit Committee organised these meetings and issued notices of meetings and documents at least 7 days and 3 days in advance, respectively, as per the Company's Audit Committee Charter (volume 3).

Meetings of other committees in 2011 can be summarised as follows:

1) The Board of Executive Directors met eight times.

2) The Audit Committee met eight times, in January, February, May, August, October, November (twice), and December.

3) The Nomination Committee met two times, in January, and February.

4) The Remuneration Committee met three times, in April, and August (twice).

5) The Nomination and Remuneration Committee met two times, in December.

6) The Good Corporate Working Committee met six times, once each in February, May, August, September, November, and December.

7) The Risk Management Committee met four times, once each in January, April, July, and October.

In addition, the Company also held specific meetings for the six independent directors. In 2011, they met four times, once each in February, May, August and November, to discuss problems related to the Company's management. If there were any important issues, the independent directors would present them to a meeting of the Board of Directors for further consideration.

Furthermore, every director took part in corporate management. Informal meetings of directors would also be arranged to discuss particular issues concerning which knowledge, experience, or ideas would be contributed by those directors, such as topics related to engineering, production, or management. Certain matters are also discussed over the telephone with directors experienced in that issue on a regular basis.

5.4.2 Attendance Summary of the Board of Directors and Working Committee Meetings

| Directors' Attendance at Meetings in 2011 (Number of Meetings Attended / Number of Meetings) | | | | | | | | |
|--|--------------------|------------------------------|-----------------|----------------------|------------------------|---|-------------------------------------|---------------------------|
| Board of Directors | Board of Directors | Board of Executive Directors | Audit Committee | Nomination Committee | Remuneration Committee | The Nomination and Remuneration Committee | Good Corporate Governance Committee | Risk Management Committee |
| 1. Mr. Maruey Phadoongsidhi Chairman | 2/2 | 4/4 | | | | | | |
| 2. Mr. Somchai Sakulsurat Deputy Chairman and Independent Director | 8/8 | | | | | | 2/2 | |
| 3. Mr. Visith Noiphan Independent Director | 2/3 | | 3/3 | 2/2 | | | | |
| 4. Prof. Kesree Narongdej Independent Director | 7/8 | | 8/8 | | | | | |
| 5. Mr. Tongchat Hongladaromp Independent Director | 8/8 | | | | | | | 4/4 |
| 6. Mr. Tawee Butsumtorn Independent Director | 3/5 | | | | 3/3 | | 4/4 | |
| 7. Mr. Siripol Yodmuangcharoen Director and Independent Director | 6/8 | | | | | 1/1 | | |
| 8. Mr. Prateep Buphaintr Independent Director | 8/8 | | 8/8 | | | 1/1 | 6/6 | |
| 9. Mr. Wit Viriyaprapaikit Director | 8/8 | 8/8 | | | | | | |
| 10. Mr. Taweesak Senanarong Director | 7/8 | | | | 3/3 | | | 4/4 |
| 11. Mr. Somchai Pipitvijitkorn Director | 8/8 | 8/8 | | | 2/3 | | | 4/4 |

Note: Some directors did not attend scheduled meetings, as shown in the table above, due to urgent business that necessitated their absence. All directors who were absent had always given advance notice of their absence. If any such director had a comment or proposal to make concerning any item in the agenda, he or she could submit the same through the Company Secretary or the secretary of the particular committee of which he or she was a member, for discussion in the meeting.

| Directors' Attendance at Meetings in 2011 (Number of Meetings Attended / Number of Meetings) | | | | | | | | |
|--|--------------------|------------------------------|-----------------|----------------------|------------------------|---|-------------------------------------|---------------------------|
| Board of Directors | Board of Directors | Board of Executive Directors | Audit Committee | Nomination Committee | Remuneration Committee | The Nomination and Remuneration Committee | Good Corporate Governance Committee | Risk Management Committee |
| 12. Mr. Kamol Juntima Director | 8/8 | | | 2/2 | | | 6/6 | |
| 13. Mr. Permpoon Krairiksh Director | 6/8 | | 5/5 | | | | | |
| 14. Mr. Yuke Sutarat Director | 1/2 | 0/2 | | | | | | |
| 15. Mr. Piya Viriyaprapaikit Director | 7/8 | 6/8 | | 2/2 | | 1/1 | | |
| 16. Mr. Win Viriyaprapaikit Director | 8/8 | 8/8 | | | | | | |

Note: Some directors did not attend scheduled meetings, as shown in the table above, due to urgent business that necessitated their absence. All directors who were absent had always given advance notice of their absence. If any such director had a comment or proposal to make concerning any item in the agenda, he or she could submit the same through the Company Secretary or the secretary of the particular committee of which he or she was a member, for discussion in the meeting.

5.5 Assessing the Performance of the Board of Directors

5.5.1 Self-Assessment of the Board of Directors

The Company has required a yearly self-assessment of the Board of Directors. The Board of Directors assessed its own performance, using the Board of Directors Self-Assessment Guide of the Stock Exchange of Thailand. Its first use of this method was in early 2006 to assess its own performance in 2005. It has since employed the same approach every year. Inputs from this self-evaluation would be reviewed and used as guidelines

for tackling future problems and obstacles. Each Director would then be able to discuss performance of the Board and become even more effective from the collective experiences. However, the Board of Directors does not employ this approach at individual level.

5.5.2 Self-Assessment of the Working Committees

The Audit Committee also conducts a self-assessment once a year, according to the Audit Committee Self-Assessment Guide from the Thai Institute of Directors (IOD) and the American Institute of Certified Public Accountants (AICPA). The Audit Committee submits its

reports to the Board of Directors annually. The Audit Committee has been doing this since 2000. In 2011, the committee members utilised the following tools for their self-assessment: “Audit Committee Performance Review Self-Assessment” which was based on the “Audit Committee Manual” by the Securities and Exchange Commission of Thailand which was prepared with the Stock Exchange of Thailand, Thai Institutes of Directors, and Pricewaterhousecoopers. The manual was distributed to registered companies on 28 December 2010.

5.6 Compensation for Directors and Executives

At the Annual General Meeting of Shareholders No. 16 on 5 April 2005, it was resolved that the guidelines and payment rates for directors be adjusted to more appropriate levels. The Board of Directors and the Board of Executive Directors were to receive monthly compensation, while other committee members would be compensated for each meeting. The President, an executive position, would be compensated only for his/her executive role, but not as a director. Remuneration for directors and executives would be based on their scope of responsibility, and the Company’s overall performance. Remuneration for executives would also be based on their goals program. Directors’ and executives’ remuneration packages should be attractive enough to keep the qualified persons, and should be comparable to that of other companies rated “good” in corporate governance, and other companies in similar industries. At the Extraordinary General Meeting of Shareholders No. 2/2011 on 22 September 2011, the shareholders resolved to approve the changes in remuneration to be in line with the changes in working committees.

Remuneration for directors and executives was consistent with the criteria proposed by the Remuneration Committee, (presently known as “the Nomination and Remuneration Committee) approved by the Board of Directors, and authorised by a meeting of shareholders. Detailed information on compensation for directors and executives is presented as item No. 3, Remuneration for Directors and Executives for 2011, under the heading of Shareholding Structure and Management.

5.7 Development Program for Directors and Executives

It is the Company’s policy to encourage and support directors and executives who take courses or engage in activities for an example, to study the works of other listed companies that enhance their knowledge and competence so that they might contribute to improvements in company operations. Such courses might be arranged in-house or outside at other institutions. In addition, a job rotation program, within the SSI group, is also implemented for the senior management to share and gain learning experiences.

To support the implementation of the above, the Company has also established policies and procedures on personnel development. Guidelines for staff training, seminars and reimbursement have also been set.

5.7.1 Development Program for Directors

1) Orientation for new directors

A new director were to be inducted, however, the Chairman of the Board of Directors would explain the Company's nature of business and the operation guidelines, and provide documents and information helpful in performing his/her duties, such as the Director's Manual, the Corporate Authorisation Manual, the Code of Ethics, the Corporate Information, and others. In 2001, the Company has compiled important information such as the Company's philosophy, vision, and values in the business, etc. and published the Company's manual called, the "SSI Way" for all directors.

2) Various special training seminars or programs - especially with the Thai Institute of Directors (IOD).

In 2011, the Company's directors receive their training at the Thai Institute of Directors (IOD) and Capital Market Academy, the Stock Exchange of Thailand, details of which can be found under the topic of the Board of Directors.

5.7.2 Development Program for Executives and Succession Plan

1) Orientation for new executives

For new executives, the introduction to the Company's business and operation is provided by executives in each department, along with the documents, manuals, and information he/she needs to perform his/her functions.

2) Project Management Trainings

Senior executives receive their training in the same as the Company's directors, details of which can be found under the topic of the Management.

For Succession Plan of the Company has formulated the Human Resource Management Policy and Procedure (Extra Volume No. 2/2005) regarding succession plans as a way of preparing for future manpower needs and identifying successors to key positions.

The Succession Plan Working Subcommittee makes plans and sets ways of grooming successors through individual development plans that enable them to achieve a full measure of competencies as described in the Company's guidelines. The successors to key positions were identified and individual development plans for each successor were completed and are reviewed in the appropriated period.

Safety, Occupational Health and Work Environment

Safety and Occupational Health

The Company has been continuously accredited for the management system standards on occupational health and safety: Thai Industrial Standards (TIS) 18001 and OHSAS 18001. With enthusiastic cooperation from all related parties, help from a task committee, safety staffs as well as the support from managements, the campaign for safety regulations and practices, or SSI-OK, the Safety, Occupational Health and Work Environment Committee has been working on prevention and reduction of work-related-accidents by using risk assessment and control procedure, setting appropriate controlling measures and promoting changes in behavior on safety. This campaign has been successfully carried on since its beginning in 2010. As a result, the record shows the decline in numbers of work accidents as in the Loss Time Injury Frequency Rate (LTIFR) in 2011 equal to 2.14, down from the previous year's of 3.23.

For off-the-job safety matter, the Company has been conducting the campaign on "wearing helmet for a safe ride," of which receiving cooperative responses from employees.

Lastly, the Company has become a member of Support Center for Work Safety in Sahaviriya Group, which was jointly established by Sahaviriya Group and one of the government agencies, Office of Welfare and Labor Protection in Prachuap Khiri Khan. The main objectives of this cooperation are to elevate safety standards of the companies as well as to show supports to government's policy in promoting the safety in workplace.

Occupational Health Care

To show good intents on occupational health care for their employees, the Company has been continuing to adjust the work environment to reduce adversary effects. Those projects include physical adjustments such as dust and smoke reduction, or lighting improvement, etc., as well as individual well-being concerns. Besides, individual work-related-risk exposure has been monitored, and accordingly the physical examinations would be adjusted considering individual risk exposures. Such practices could help the Company better understand the relationship between work environment and occupational health; therefore, adversary effects could be more systematically and effectively prevented.

Moreover, the Company also supports recreational activities encouraging staffs to do more exercise as well as

to reduce work stresses. Both outdoor and indoor exercise facilities are provided, whilst various sports competitions such as football, table tennis, takraw, etc., are hosted by the Company throughout the year; including the annual Sports & Family Day for its purpose to strengthen the relationship among staffs and their family members.

Safety and Occupational Health Training

The Company encourages all personnel to have sufficient knowledge in safety and occupational health and provides them the necessary trainings. However, each employee is required to have personal training hours on safety and occupational health not less than 15 hours per year. As a result, at the end of 2011, average training hours on safety and occupational health is about 15 hours out of 31 hours of overall average training hours per person per year.

Emergency Preparedness

In 2011, the Company conducted in-house drills in response to different emergency scenarios, such as fire drills, chemicals spill, LPG leakage and radiation, and especially flood emergency. Regarding flood drills, it got reviewed and updated to include flood situation risk assessment on exposures and expected time needed for appropriate actions, such as evacuation or production suspension.

Safety Management in Raw Materials and Products Transportation

Most of the Company's raw materials and products are carried through marine transportation operated by Prachuap Port Company Limited, of which can be assured of safety and environment concerns due to its accreditation for Environmental Management Standards (ISO 14001) and Occupational Health and Safety Management Standards (OHSAS 18001) as well. Meanwhile, the inland transportation via heavy vehicles was overseen by the Sahaviriya Group's Transportation Committee established in 2009. The working committee consists of representatives from each entity under Sahaviriya Group, including those from transportation companies. Such committee gathers together on monthly basis to conclude on transporting plan and other actions regarding transporting safety.

During the past year, SSI, in cooperation with other stakeholders, jointly set a direction and also monitored the performance of the working committee through the eyes of the Mobilising Committee of community leader council, of which consists of representatives from three related parties: community leaders, government authorities, and executives from Sahaviriya Group. The Mobilising Committee holds meetings to follow up on issues, and hear the complaints and/or suggestions from local residents about the Group's transportation so that problems can be resolved later on, if any. However, to be more assured about road transportation safety, closed circuit cameras have been installed at some critical checkpoints in residential areas, as well as the road signs to remind drivers of traffic regulations and road safety. Besides, essential trainings are also provided to the drivers. Lastly, the seminar on transportation safety was held for transportation operators to be informed of SSI's policy and operation guidelines on transportation safety. After implementing those practices, the average rate of transportation guidelines violation in residential areas has been dropped from 29% in 2010 to 4.5% in 2011. As a result, community residents become more satisfied with the Company's current transporting activities.

Environmental Management

Having adopt environmental management standards (ISO 14001:2004) in managing and operating, SSI has been continuously accredited such credentials since 1999.



Water Management According to water management policy, the Company has been honoring its commitment to Bangsaphan community; as having promised not to pump out water from the canal during drought season, or when the water level at the pumping station lies below 2.2 meters. However, regarding the wastewater treatment, the Company has been following its Zero Discharge Policy, where there is absolutely no wastewater released to public water sources. To maximise utility of water use, the Company has established water recycling system to clean wastewater after consumption so that it can be reusable.

Air Quality Control Management The Company has strictly been controlling the air quality in production process. Not only by utilising mixed of fuel with sulfur level less than two percent, the company also designed the computer-controlled combusting system enabling to most efficiently



From 2007 to 2011, SSI was able to reduce CO₂ emission cumulative by 76,884 tons of Carbon Dioxide equivalent.

use of fuel whilst less emit carbon dioxide and other air pollutants. Besides, air ventilation and purification system helps ensure that the quality of air released from the factory meets requirements and standards defined by Environmental Impact Assessment (EIA).

Waste Management The Company's waste management policy has been emphasising on waste reduction right from its origins. For examples, paper waste reduction project from the office was campaigning for two-sided paper use, and another project was to separate plastic and glass bottles from other trashes to be resold for recycling materials. In 2011, SSI produced altogether 66,719 tons of industrial waste; however, 99.22% of all that waste was eliminated by recycling process, partly due to the succeed of waste reduction campaign.

Apart from periodically monitoring its pollutants emission level into environment, the Company has been strictly following the measures to reduce adversary effects on environment as well as to take into concerns the results reported from pollution control system. According to the 2011 reports, the results showed no violation of any quality indicators. However, the Company has also consulted the related government authorities about the results of analysis report if there is anything to be concerned. Having a close monitoring from authorities and communities, it would help ensure that the Company has still been complying with environmental regulations.

For having quality system assured by external parties, the Company has agreed to sign a memory of cooperation on Green Industry Development with Ministry of Industry. After being scrutinised, Sahaviriya Steel Industries Public Company was certified as a "Green Industry Level 3 (Green System 3)." It is said to have systematic environmental management in place, and also to further monitor, evaluate, and revise for sustainable development purpose as well. However, this certification will last three years (24 August 2011 to 23 August 2014).

The Company is aware of the climate change problem, of which recently has become one of the global environmental issues. Consequently, the working committee on climate change has been established since 2007. To help relieve the problem, the committee has initiated various campaigns, such as energy preservation, waste elimination, and public awareness creation, etc.

Lastly, products life cycle evaluation principle has been applied to environmental activities in order to reduce adversary effects and improve environmental operation continually. This practice is well-aligned with the company's policy on engaging in social development, environment, and corporate social responsibility. Accumulated since 2007 up to year ended 2011, the Company has been consuming less energy in production process approximately 76,884 tons of Carbon Dioxide equivalents. However, in 2011 alone, 13,485.82 tons of Carbon Dioxide equivalents has been successfully reduced by SSI.

Social Responsibility Activities

In 2011, Sahaviriya Steel Industries Public Company Limited or "SSI" has initiated new projects according to a sustainable development approach, with an emphasis on promotion and development of the underprivileged in the society, and participative community activities which involve every party i.e. the Company, employees, people in the community, and concerned organisations through a range of 48 projects encompassing educational development, volunteering of employees in the "SSI Arsa" Project, environment protection and conservation, career development, health promotion, and religious and culture support. Such activities indicated the Company's strong commitment of being a good and reliable member of the society, which in return gaining trust from Bangsaphan's residents and all other stakeholders. All in all, the Company genuinely has an objective to create strength for Bangsaphan community, where people can live happily together.

Pleasantly speaking, with cooperation of industry and civil society sectors represented by SSI's staffs and Bangsaphan's residents respectively, several activities have been successfully accomplished in 2011. In other words, the Volunteering Culture of "Jit Arsa" has been flourishing and its results have become more evident as follows:

1. Strengthening the Society and the Underprivileged

1.1 Strengthening and Promoting Innovative Steel Industry

1.1.1 Thailand Steel House Contest 2011

The "Thailand Steel House Contest" under the theme "Greenovation: Less is More" is a steel house design contest to win the Trophy award by Her Royal Highness Princess Maha Chakri Sirindhorn and money award of over Baht 1 million. However, due to Thailand Floods, the contest was postponed to year 2012.

1.1.2 A support for outstanding metallurgist project and the 5th Thailand Conference on Metallurgy

SSI also continuously supported the academic conference on metallurgy, in 2011 SSI once again showed its support by sponsoring two awards for Excellence Metallurgist of the year at the 5th Thailand's Conference on Metallurgy. This event was organised by Department of Materials and Production Technology Engineering, King Mongkut's University of Technology North Bangkok.

1.2 Strengthening Life Quality

1.2.1 Bangkok Triathlon 2011 to Commemorate HM the King

SSI, in cooperation with the Rajpracha Samasai Foundation under the royal patronage, held the 3rd Bangkok

Triathlon 2011 to win the Trophy award by HM the King on 10 July 2011 and donated the raised fund to the foundation in order to help those people who suffering from leprosy and AIDS. This activity was in accordance with the concept of corporate social responsibility activities to help and empower the underprivileged people.

1.2.2 Bangsaphan Iron Man Thailand & International Triathlon 2011

To promote tourism activity in Bangsaphan, where the Company is located; the Company held the Bangsaphan Iron Man Thailand & International Triathlon 2011 in commemoration of Their Majesty the King and the Queen on 7 August 2011 at Ban Krut beach, Thongchai subdistrict, Bangsaphan district with 159 Thai and foreign participating athletes as well as 2,151 spectators including local residents, government officials, tourists and the Company's staff.

1.2.3 Thailand Iron Man Mini Marathon 2011

Four steel industrial alliances; namely Sahaviriya Steel Industries Public Company Limited, Thai Cold Rolled Steel Sheet Public Company Limited, Siam United Steel (1995) Company Limited and BlueScope Steel (Thailand) Company Limited, altogether jointly organised a charity walk-run activity for the underprivileged people called "the 4th Thailand Iron Man Mini Marathon 2011". The donation of Baht 2.5 million raised from the event was rendered to 23 foundations advocating the underprivileged people.

1.2.4 The Bangsaphan Iron Man Youth Program 2011 (1st generation)

The Company recruited and selected Bangsaphan youths to participate in skill training and practices to become the district representatives in the Bangsaphan Iron Man Triathlon and other sport events. Sponsored by Sahaviriya Group in 2011, 5 youths passed the selection to join this activity and later participated in major sport events with better records.

1.3 Stengthening Underpriviledged and the Disaster Victims

1.3.1 The Silp San Fan Pan Nam Jai - SSI Chuan Nong Rak Nam Project

SSI in cooperation with Marine Department and Bangkok Metropolitan Tourism Office held a project to invite the youth to learn a poem composition technique, learn and practice drawing skills and conserve the water. More than 100 youths under supervision of 5 associations, foster home and foundations participated in the project and the selected works were will be submitted to the 42nd International Children's Art Exhibition in Tokyo, Japan.

1.3.2 A Charity "Swim-Ride-Run for Underprivileged"

"Swim-Bike-Run for Underprivileged" is the supplementary activity of Bangsaphan Iron Man Thailand & International Triathlon 2011 to raise funds from SSI staff and the public. Proceeds before expenses of Baht 59,879 from 129 donors were given to the youth group from Ban Krut Municipal music club under the music against drug project and other organisations for the underprivileged around the country.

1.3.3 Supporting the Disaster Victims

- *SSI helped the southern flood victims*

Sahaviriya Steel Industries Public Company Limited donated Baht 600,000 to support the southern flood victims and Baht 24,630 from Sahaviriya Group staff to support victims from the Great East Japan Earthquake through Krobkrua Khao 3 TV news program.

- *SSI-TCRSS jointly helped disaster victims in Japan*

Sahaviriya Steel Industries Public Company Limited or "SSI" together with Thai Cold Rolled Steel Sheet Public Company Limited or TCRSS donated Baht 2 million for the victims from the Great East Japan Earthquake through their trade partner JFE Steel.

- *SSI supported flood victims in 20 central provinces.*

Regarding the flood disaster in central and northern provincial area in 2011, SSI took into concern and provided necessary support and remedy both directly and indirectly through government agencies and concerned private sectors as follows:

- Developed 175 innovative steel boats including 170 multipurpose steel boats and 5 Patrol steel boats for the police.
- Donated Baht 1 million to help support flood victims through various flood relief agencies.
- Provided disaster relief packages for flood victims.
- Jit Arsa Volunteering staffs formed a temporary rescue team. According to the operations, 46 families of SSI's staffs were rescued and evacuated along with their properties from inundated areas.

1.4 Creating SSI Arsa Culture

1.4.1 SSI Arsa Bangkok: Do D in A Day, the second year

The Company's staff jointly donated new and used books as well as recycled paper to be made new books for the underprivileged. 545 books and 150 kilograms of recycled paper that would be later remade for new books were collected and rendered to Krachok Ngao Foundation to further distribute to schools in remote areas so that the underprivileged people will have opportunity to gain access to the knowledge in those books.

1.4.2 SSI Arsa for Development of Bangsaphan Community

In 2011 SSI's staffs engaged in 4 SSI Arsa's major activities and accordingly initiated 16 minor-activities to encourage more participation in Bangsaphan community development program. In summary, 1,782 staffs equivalent to 14,256 working-hours together with 565 local residents participated in those activities.

2. Community Development

SSI has enthusiastically carried on a variety of community development activities engaging all parties, including the Company, employees, people in the community, and concerned organisations through a range of 48 projects encompassing educational development, volunteering of employees in the "SSI Arsa" Project, environment protection and conservation, career development, health promotion, and religious and culture support. Such activities indicated the Company's strong commitment of being a good and reliable member of the society, which in return gaining trust from Bangsaphan's residents and all other stakeholders. All in all, the Company genuinely has an objective to create strength for Bangsaphan community, where people can live happily together.

2.1 Improving Quality of Community Education

SSI intends to improve the quality of education in Bangsaphan and its nearby areas in order to provide their children an equal opportunity of education similar to those living in larger cities. The improvement would be delivered in three dimensions: teachers and other educational personnel, students, and essential learning/teaching facilities.

Founding of "Sahaviriya's Fund for Bangsaphan's Education Development" The fund will be granted consecutively three years in an amount of Baht 2.6 million each to implement the 3-year education development plan. The winning schools will be selected among 20 schools based on the academic result-oriented 3-year-development plan.

Providing Scholarships to Community Students 202 scholarships were granted to students from 22 schools as

well as 7 scholarships per year were given to support college students until graduation totaling of Baht 500,500.

Improving Education Quality of Bangsaphan Vocational College

The Company has jointly developed curriculum for the College of Iron and Steel management technology since 2008. Furthermore, the Company's staffs devoted their time as instructors equal to 2,164 working-hours per course and as trainers equal to 2,000 working-hours per course. Besides, they also transferred knowledge to college teachers for further teaching. Baht 1 million budget and Baht 100,000 scholarships were also provided annually for this purpose.

The Annual Drawing Contest

In 2011, there are more than 200 participants from kindergarten upto high school students to participate to win over Baht 100,000 scholarship in the 8th Silp Sangsan Jinatanakarn Kwang Klai (Creative Art Limitless Creativity).

The Organic Youth Farmer Project

The new soil-free experiment plots at Bangsaphan Kindergarten were prepared as a pilot project.

The "Thai Steel Future by Thai Youth" Project

SSI educated secondary school students in Bangsaphan district about steel industry and related information encouraging them to pursue study in engineering.

Improving Teachers' Knowledge and Teaching Skills in Sciences

SSI held training program to supplement knowledge and enhance the potential of educational personnel with more than 140 teachers participated in this program.

Super Smart & Intelligent Kids (SSI Kids) Project

SSI provided students an opportunity to learn about environment and ecosystem around the plant through simple scientific experiments. Lastly, for the purpose of improving the quality of education, the Company provided teaching materials to community school and also supported other school activities that might benefit students and society as well.

2.2 Creating Job to Strengthen Household Economy

SSI has initiated several projects concerning agricultural development to increase incomes of local farmers and housewives as follows: **Supporting the "Sahaviriya Helps Development" Project** initiated by Sahaviriya Group by setting up community banks in 4 subdistricts around

the plant. After two rounds of attempt, the established community banks have been collecting funds up to an amount of Baht 4.8 million. **Increasing Numbers of Local Hires from Bangsaphan Community** from around 40 - 50% to 77% by announcing job opportunity to the monthly meeting of community leaders. **The "Organic Agriculture in Nature's Way" Radio Program** To provide Bangsaphan farmers a source of information on how to do organic agriculture. **Community Products for Factory Workers** SSI promoted community goods producers in Bangsaphan to gain extra incomes by purchasing their goods and products through a mobile community goods project. Under this project, low-price and quality OTOP products from various vocational groups of community housewives from different subdistricts were free to sell in the compound of the plant. This helped community products of Bangsaphan gain wide recognition and increase incomes for the community producers. **Purchased Products and Service from the Community** In 2011, SSI had planned to spend Baht 145 million on community products and it turned that of the actual Baht 176 million was spent on local products instead.

2.3 Preserving Environment and Improving its Quality

SSI is well aware of its responsibility to environment and natural resource. Thus, SSI ensures that substances released from the production process would not affect the quality of life of both company's staffs and community residents. Besides, SSI also continuously cooperated with other related organisations to hold campaigns and activities to promote good environmental quality. **Song Lor Rak Bangsaphan** was aimed to reduce global warming and commemorate of his majesty the King 84th birthday. 320 bike riders gathered together and biked around Bangsaphan market to campaign on energy use reduction. According to the calculation, the activity could reduce energy use equivalent to 3.95 tons of Carbon Dioxide equivalent. **SSI Beach Clean Up Project** This annual activity was held continuously by SSI staff and Sahaviriya Group to collect trashes and clean a range of Mae Rampaeng beach. More than 500 local business operators, the Company's staff and

community residents participated in the activity. **SSI Garbage Bank Project** for 5 schools in the community. Those schools included Ban Nai Lok, Ban Nong Yaplong, Ban Sanam Luang, Bangsaphan Kindergarten and Ban Klong Loi schools. This project was aimed to enable local youths to understand garbage so they could manage, separate and eradicate garbage properly and recycle some garbage. **Transportation Control to Reduce Effects on Community** SSI kept controlling vehicle transportation to reduce the effects on community by reviewing its plan on controlling Sahaviriya Group transportation operations while conducting the plan for the year 2011. **Re-forestation Project "Kuen Phuen Pa Hai Por in Commemoration of HM the King** SSI cooperated with Baan Sai Petch community in re-foresting activity called "Kuen Phuen Pa Hai Por (Re-forestation for our beloved Father) project on 20 August 2011 at a deteriorating forest plot of 20-rai in Sai Petch community, Thongmongkol subdistrict.

2.4 Social, Cultural and Religious Promotion and Preservation

Bangsaphan community has its own identity, of which people live in harmony in accordance with their exquisite culture and tradition. Thus, as a good member of Bangsaphan community, SSI shows strong support to promote religion and Thai culture preservation as well as to provide helps to those who are in need by engaging in various activities as follows: **Religious and Cultural Support** through renovating and constructing chapels for many community temples, and participating in community's major religious and traditional activities. **Event on Elder's Day** to educate 100 senior citizens of Bangsaphan community about how to take care of their health. **"SSI Happiness Caravan" Project** to provide services to people living in different subdistrict of Bangsaphan. It offered various kinds of services including dental care service, diesel lubricant replacement, electric apparatus repair, and haircut service. In 2011, the Caravan was conducted twice with 290 residents come to receive services.

General Information

Name, Location, and Type of Business

| | |
|---------------------------------|---|
| Name | : Sahaviriya Steel Industries Public Company Limited |
| Abbreviation | : SSI |
| Company Registration No. | : 0107537000688 |
| Website | : http://www.ssi-steel.com |
| Type of Business | : Manufacture and distribute hot-rolled coils (with a maximum capacity of 4 million tons per year) and hot-rolled coils pickled and oiled (with maximum capacity of 1 million tons per year) under promotional privileges granted by the Board of Investment (BOI). |
| Location | |
| Head Office | : 28/1 Prapawit Building, 2 nd - 3 rd Floor, Surasak Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2238-3063-82 Fax 0-2236-8890, 0-2236-8892 |
| Plant Office | : 9 Moo 7, Ban Klang Na - Yai Ploy Road, Mae Rumphueng, Bangsaphan, Prachuap Khiri Khan 77140 Tel. 0-3269-1403-5, 0-3269-1412-5, 0-3269-1419-20 Fax 0-3269-1416, 0-3269-1421 |

Type and Number of Shares (As of 31 December 2011)

| | |
|--------------------|-----------------------|
| Registered Capital | 20,434,108,235 Baht |
| Ordinary Shares | 20,434,108,235 Shares |
| Par Value | 1 Baht per share |
| Paid-up Capital | 18,184,108,235 Baht |
| Ordinary Shares | 18,184,108,235 Shares |
| Par Value | 1 Baht per share |

Name, head office location, type of business, and number of paid-up shares of company in which shareholding by the Company is more than 10% of its paid-up shares

| Name and Head Office Location | Type of Business | Registered Capital (Baht) | Par Value (Baht) | Number of Paid-up Ordinary Shares (Shares) | Shareholding (%) |
|---|-------------------------------------|---------------------------|------------------|--|------------------|
| West Coast Engineering Company Limited 3 rd Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2238-3063-82 Fax 0-2236-8890, 0-2236-8892 | Engineering and Maintenance Service | 75,000,000 | 10 | 7,500,000 | 99.99 |
| Prachuap Port Company Limited 6 th Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2630-0323-32 Fax 0-2236-7046, 0-2236-7057 | Deep Sea Port | 400,000,000 | 10 | 40,000,000 | 51 |
| Thai Cold Rolled Steel Sheet Public Company Limited 5 th Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2630-0300 Fax 0-2630-0320-2 | Manufacture cold-rolled steel sheet | 10,703,000,000 | 10 | 1,070,300,000 | 50.15 |
| Sahaviriya Steel Industries UK Limited Steel House, Trunk Road, Redcar, TS10 5QW United Kingdom Tel. +44 16 4240 8000 Fax +44 16 4240 4552 | Iron and Steel Making | GBP 247,600,000 | GBP 1,000 | 247,600 | 100 |
| Redcar Bulk Terminal Limited Steel House, Trunk Road, Redcar, TS10 5QW United Kingdom Tel. +44 16 4240 5500 | Deep Sea Port | GBP 26,502,718 | GBP 1 | 26,502,718 | 50 |

The Board of Directors

1. Mr. Wit Viriyaprapaikit Chairman of the Board of Directors

Age 76 years

Family Relationship with Other Directors:

- Father of Mr. Win Viriyaprapaikit
- Uncle of Mr. Piya Viriyaprapaikit

Servicing Period:

17 years (from 21 January 1994 to 31 December 2011)

% of shareholding: 0.00000054522% (100 shares)

Education:

- Honorary B.A., Rajamangala Institute of Technology

Director Training Program:

- - None -

Work Experience:

- 1995 - 2010
- Director, Bangpakong Lighter Company Limited
 - Director, Bangpakong Port Company Limited
- 1994 - 2010
- Chairman of the Board of Directors, Bangsaphan Barmill Public Company Limited
- 1990 - 2010
- Director, Thai Coated Steel Sheet Company Limited
 - Director, Prachuap Port Company Limited
- 1990 - 2003
- Director and Chairman of the Board of Executive Directors, Thai Cold Rolled Steel Sheet Public Company Limited
- 1982 - 2000
- Director, SVOA Public Company Limited
- 1982 - 1998
- Director, Bank of Ayudhya Public Company Limited

Current Position in Other Organisation:

In listed companies: - None -

In non-listed companies:

- Chairman of the Board of Directors, Thai Cold Rolled Steel Sheet Public Company Limited (Resigned from director on 16 February 2012)

- Director, Sahaviriya Group Company Limited
- Director, Sahaviriya Inter Steel Holdings Company Limited
- Director, Sahaviriya Panich Company Limited
- Director, Sahaviriya Iron and Steel Company Limited

In other organisations that may cause any conflict of interest to SSI:

- Director, Sahaviriya Plate Mill Public Company Limited
- Director, B.S. Metal Company Limited
- Director, Prapawit Building Property Company Limited
- Director, Sahaviriya Panich International Company Limited
- Director, Western Housing Company Limited

Meeting Attendance in year 2011:

- | | |
|---|-----------|
| 1. The Board of Directors Meeting | 8/8 times |
| 2. The Board of Executive Directors Meeting | 8/8 times |
| 3. The Shareholders' Meeting in 2011 | 3/3 times |

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

2. Mr. Somchai Sakulsurat Deputy Chairman of the Board of Directors, Independent Director and Chairman of the Good Corporate Governance Committee

Age 63 years

Family Relationship with Other Directors: - None -

Servicing Period:

2 years (from 26 February 2010 to 31 December 2011)

% of shareholding: - None -

Education:

- M.B.A., Sasin Graduate Institute of Business Administration, Chulalongkorn University
- Bachelor of Economics (English Program), Thammasat University
- The Joint State-Private Sectors Regular Course, National Defense College
- Certificate of Financial and Banking, Associateship Diploma of the Institute of Bankers, London
- Advance Certificate Course in Public Administration and Law for Executives, King Prajadhipok's Institute

Director Training Program:

- Director Certification Program (DCP 80/2006), Thai Institute of Directors Association

Work Experience:

- Advisor of Deputy Minister of Finance (Mr. Pradit Phattharaprasit)
- The Senate, the National Legislative Assembly of Thailand
- President, Thai Military Bank Public Company Limited
- President, Bangkok Metropolitan Bank Public Company Limited
- President, Bank of Ayudhya Public Company Limited

Current Position in Other Organisation:

In listed companies:

- Chairman of the Board of Directors and Chairman of the Board of Executive Directors, Chumporn Palm Oil Industry Public Company Limited
- Chairman of the Board of Directors, S. Khonkaen Food Public Company Limited
- Director and Chairman of Audit Committee, Globlex Holding Management Public Company Limited

In non-listed companies:

- Director, Prachuap Port Company Limited
- Director, West Coast Engineering Company Limited
- Director, Lenso Corporation Public Company Limited

- Chairman of the Board of Directors and Chairman of the Board of Executive Directors, Thai Agro Exchange Company Limited
- Chairman of the Board of Directors, SCJ & Associates Company Limited

In other organisations that may cause any conflict of interest to SSI: - None -

Meeting Attendance in year 2011:

| | |
|--|-----------|
| 1. The Board of Directors Meeting | 8/8 times |
| 2. The Independent Directors Meeting | 3/4 times |
| 3. The Good Corporate Governance Committee Meeting | 2/2 times |
| 4. The Shareholders' Meeting in 2011 | 3/3 times |

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

Additional information on holding independent directors status:

1. Not be related to management or any other major shareholder of the Company and its subsidiaries.
2. Not be related to the Company, subsidiary companies, associated companies, or a juristic entity that may have conflict of interest at present or the past 2 years.
 - Not be an executive director, an employee, staff or advisor who receives full time salary.
 - Not be a professional advisor such as auditor or legal counsel.
 - Have no significant business relationship with other entities that may interfere with the independent judgment.

3. Professor Emeritus Kesree Narongdej Director, Independent Director and Audit Committee Chairperson

Age 74 years

Family Relationship with Other Directors: - None -

Servicing Period:

13 years (from 28 April 1998 to 31 December 2011)

% of shareholding: - None -

Education:

- Master's Degree in Professional Accounting, The University of Texas at Austin
- Bachelor's Degree in Accountancy, Thammasat University
- Bachelor's Degree in Commerce, Thammasat University
- Honorary Doctorate Degree in Accounting, Thammasat University
- Honorary Doctorate Degree in Accounting, University of the Thai Chamber of Commerce

Academic Distinction:

- The Dushdi Mâlâ Medal
- Professor Emeritus of Accounting, Faculty of Commerce and Accountancy, Thammasat University

Director Training Program:

- Director Certification Program (DCP 2/2000), Thai Institute of Directors Association
- DCP Refresher Course 5/2007, Thai Institute of Directors Association

Work Experience:

- President of the Federation of Accounting Professions under the Royal Patronage of His Majesty The King
- Executive Director of International Federation of Accountant (IFAC)

- Chairperson of the Audit Committee, Bank of Thailand
- Audit Committee in Public Sector, Ministry of Foreign Affairs
- Council member of Insurance Commission Board
- Chairperson of Audit Committee, Office of Insurance Commission

Current Position in Other Organisation:

In listed companies:

- Advisor of the Audit Committee, Thai Airways International Public Company Limited

In non-listed companies:

- Public Sector Audit and Evaluation Committee
- Public Sector Audit and Evaluation Sub-Committee for Central Provincial Group
- Advisor of the Audit Committee, Government Housing Bank

In other organisations that may cause any conflict of interest to SSI: - None -

Meeting Attendance in year 2011:

| | |
|--------------------------------------|-----------|
| 1. The Board of Directors Meeting | 7/8 times |
| 2. The Independent Directors Meeting | 4/4 times |
| 3. The Audit Committee Meeting | 8/8 times |
| 4. The Shareholders' Meeting in 2011 | 2/3 times |

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

Additional information on holding independent directors status:

1. Not be related to management or any other major shareholder of the Company and its subsidiaries.
2. Not be related to the Company, subsidiary companies, associated companies, or a juristic entity that may have conflict of interest at present or the past 2 years.

- Not be an executive director, an employee, staff or advisor who receives full time salary.
- Not be a professional advisor such as auditor or legal counsel.
- Have no significant business relationship with other entities that may interfere with the independent judgment.

4. Mr. Tongchat Hongladaromp Director, Independent Director, and Chairman of the Risk Management Committee

Age 73 years

Family Relationship with Other Directors: - None -

Servicing Period:

17 years (from 1 March 1994 to 31 December 2011)

% of shareholding: - None -

Education:

- Ph.D. in Civil Engineering (Structure), Northwestern University, U.S.A.
- The National Defense College Regular Course (NDC 32), National Defense College

Director Training Program:

- Director Accreditation Program (DAP 36/2005), Thai Institute of Directors Association
- Finance for Non-Finance Director 24/2005 (FND 24/2005), Thai Institute of Directors Association

Work Experience:

- 2004 - 2010 • Independent Director, Bangkok Polyethylene Public Company Limited
- 2006 - 2008 • Director, PTT Exploration and Production Public Company Limited
- 2003 - 2008 • Director, PTT Chemical Public Company Limited

- 2001 - 2003 • President, Thai Petrochemical Industry Public Company Limited
- 1997 - 2008 • Chairman of the Board of Directors, TMB Asset Management Company Limited
- 1996 - 2001 • President, Thai Telephone & Telecommunication Public Company Limited
- 1987 - 1991 • President, PTT Exploration and Production Public Company Limited
- 1979 - 1987 • Governor, Petroleum Authority of Thailand
- 1976 - 1979 • Governor, Expressway and Rapid Transit Authority of Thailand

Current Position in Other Organisation:

In listed companies:

- Chairman of the Board of Directors, Samart Corporation Public Company Limited

In non-listed companies:

- Director, West Coast Engineering Company Limited
- Chairman of the Board of Directors, Thai Industrial Gases Public Company Limited
- Chairman of the Board of Directors, C.T. Land Company Limited
- Director, Asian Institute of Technology
- President of the University Council, King Mongkut's University of Technology Thonburi

In other organisations that may cause any conflict of interest to SSI: - None -

Meeting Attendance in year 2011:

- | | |
|--|-----------|
| 1. The Board of Directors Meeting | 8/8 times |
| 2. The Independent Directors Meeting | 3/4 times |
| 3. The Risk Management Committee Meeting | 4/4 times |
| 4. The Shareholders' Meeting in 2011 | 1/3 times |

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

Additional information on holding independent directors status:

1. Not be related to management or any other major shareholder of the Company and its subsidiaries.
2. Not be related to the Company, subsidiary companies, associated companies, or a juristic entity that may have conflict of interest at present or the past 2 years.
 - Not be an executive director, an employee, staff or advisor who receives full time salary.
 - Not be a professional advisor such as auditor or legal counsel.
 - Have no significant business relationship with other entities that may interfere with the independent judgment.

5. Mr. Siripol Yodmuangcharoen Director, Independent Director, and Chairman of the Nomination and Remuneration Committee

Age 63 years

Family Relationship with Other Directors: - None -

Servicing Period:

2 years (from 30 April 2010 to 31 December 2011)

% of shareholding: - None -

Education:

- D.B.A., University of South Australia, Australia
- M.B.A., Thammasat University
- Bachelor of Economics, Thammasat University
- The National Defense College Regular Course, National Defense College

Director Training Program:

- Director Certification Program (DCP 131/2010), Thai Institute of Directors Association

Work Experience:

2010 - 2011 • Director and Chairman of the Risk Management Committee, Government Housing Bank

2009 - 2010 • Director, Siam City Bank Public Company Limited

2007 - 2010 • Commission Member, Office of the Agricultural Futures Trading Commission

2007 - 2009 • Commission Member, Securities and Exchange Commission

2007 - 2009 • Permanent Secretary, Ministry of Commerce

2005 - 2008 • Director, Government Savings Bank

2001 - 2007 • Director General, Department of Internal Trade, Ministry of Commerce

Current Position in Other Organisation:

In listed companies:

- Independent Director, Thai President Foods Public Company Limited

In non-listed companies:

- Chairman of the Board of Executive Directors, Gem and Jewelry Institute of Thailand (Public Organisation)

In other organisations that may cause any conflict of interest to SSI: - None -

Meeting Attendance in year 2011:

| | |
|--|-----------|
| 1. The Board of Directors Meeting | 6/8 times |
| 2. The Independent Directors Meeting | 3/4 times |
| 3. The Nomination and Remuneration Committee Meeting | 1/1 time |
| 4. The Shareholders' Meeting in 2011 | 3/3 times |

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

Additional information on holding independent directors status:

1. Not be related to management or any other major shareholder of the Company and its subsidiaries.

2. Not be related to the Company, subsidiary companies, associated companies, or a juristic entity that may have conflict of interest at present or the past 2 years.

- Not be an executive director, an employee, staff or advisor who receives full time salary.
- Not be a professional advisor such as auditor or legal counsel.
- Have no significant business relationship with other entities that may interfere with the independent judgment.

**6. Mr. Prateep Buphaintr
Director, Independent Director,
Audit Committee Member,
and the Good Corporate Governance
Committee Member**

Age 72 years

Family Relationship with Other Directors: - None -

Servicing Period:

12 years (from 29 April 1999 to 31 December 2011)

% of shareholding: - None -

Education:

- Bachelor's Degree in Commerce, Thammasat University

Director Training Program:

- Director Certification Program (DCP 22/2002), Thai Institute of Directors Association

Work Experience:

- 1997 - 1999 • Secretary of Comptroller General's Department, Ministry of Finance
- 1995 - 1997 • Director of Disbursement Approval Branch 4 Comptroller General's Department, Ministry of Finance

Current Position in Other Organisation:

In listed companies: - None -

In non-listed companies: - None -

In other organisations that may cause any conflict of interest to SSI: - None -

The Attendance in year 2011:

| | |
|--|-----------|
| 1. The Board of Directors Meeting | 8/8 times |
| 2. The Independent Directors Meeting | 4/4 times |
| 3. The Audit Committee Meeting | 8/8 times |
| 4. The Good Corporate Governance Committee Meeting | 6/6 times |
| 5. The Shareholders' Meeting in 2011 | 3/3 times |

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

Additional information on holding independent directors status:

1. Not be related to management or any other major shareholder of the Company and its subsidiaries.
2. Not be related to the Company, subsidiary companies, associated companies, or a juristic entity that may have conflict of interest at present or the past 2 years.
 - Not be an executive director, an employee, staff or advisor who receives full time salary.
 - Not be a professional advisor such as auditor or legal counsel.
 - Have no significant business relationship with other entities that may interfere with the independent judgment.

7. Mr. Permpoon Krairiksh Director, Independent Director and Audit Committee Member

Age 60 years

Family Relationship with Other Directors: - None -

Servicing Period:

12 years (from 8 December 1999 to 31 December 2011)

% of shareholding: - None -

Education:

- B.A., Boston University, U.S.A.
- The Joint State-Private Sectors Regular Course
National Defense College

Director Training Program:

- Director Accreditation Program (DAP 3/2003),
Thai Institute of Directors Association
- Understanding the Fundamental of Financial
Statements (UFS 12/2007),
Thai Institute of Directors Association

Work Experience:

- 1999 - 2011 • Executive Vice President,
Division Head, Retail Credit and Business
Support Division, Siam Commercial Bank
Public Company Limited
- 2007 - 2009 • Chairman of the Board of Directors,
SCB Asset Management Company Limited

Current Position in Other Organisation:

In listed companies: - None -

In non-listed companies: - None -

In other organisations that may cause any conflict of interest
to SSI: - None -

Meeting Attendance in year 2011:

| | |
|--------------------------------------|-----------|
| 1. The Board of Directors Meeting | 6/8 times |
| 2. The Independent Directors Meeting | 2/2 times |
| 3. The Audit Committee Meeting | 5/5 times |
| 4. The Shareholders' Meeting in 2011 | 3/3 times |

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

Additional information on holding independent directors status:

1. Not be related to management or any other major shareholder of the Company and its subsidiaries.
2. Not be related to the Company, subsidiary companies, associated companies, or a juristic entity that may have conflict of interest at present or the past 2 years.
 - Not be an executive director, an employee, staff or advisor who receives full time salary.
 - Not be a professional advisor such as auditor or legal counsel.
 - Have no significant business relationship with other entities that may interfere with the independent judgment.

8. Mr. Taweesak Senanarong Director and the Risk Management Committee Member

Age 75 years

Family Relationship with Other Directors: - None -

Servicing Period:

12 years (from 8 November 1999 to 31 December 2011)

% of shareholding: - None -

Education:

- Diploma of Fine Art Royal Academy, Rome, Italy
- Bachelor of Fine Arts, Silpakorn University

- Honorary Ph.D., Silpakorn University
- The National Defense College Regular Course (NDC 29), National Defense College

Director Training Program:

- Director Accreditation Program (DAP 26/2004), Thai Institute of Directors Association

Work Experience:

- 1999 - 2011 • Director, West Coast Engineering Company Limited
- 1994 - 1995 • Permanent Secretary, Ministry of Education
- 1992 - 1994 • Secretary-General, Office of the Private Education Commission
- 1990 - 1992 • Deputy Permanent Secretary, Ministry of Education
- 1984 - 1990 • Director-General, Fine Arts Department

Current Position in Other Organisation:

In listed companies:

- Director and Independent Director, Bangsaphan Barmill Public Company Limited

In non-listed companies:

- Chairman of the Board of Directors, Prachuap Port Company Limited
- Special Advisor, Supreme Administrative Court
- Special Advisor of Fine Arts, Office of Administrative Court
- Special Advisor, Crown Property of Bureau
- President of the College Council, Lumnamping College
- Special Advisor, Fine Arts Department
- Special Instructor, Chulalongkorn University
- Special Instructor, Silpakorn University
- Special Instructor, Rajamangala University of Technology Rattanakosin
- Special Instructor, PRD Training

In other organisations that may cause any conflict of interest to SSI:

- Director, Sahaviriya Plate Mill Public Company Limited

Meeting Attendance in year 2011:

1. The Board of Directors Meeting 7/8 times
2. The Remuneration Committee Meeting 3/3 times
3. The Risk Management Committee Meeting 4/4 times
4. The Shareholders' Meeting in 2011 3/3 times

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

9. Mr. Somchai Pipitvijitkorn Director, the Risk Management Committee Member, and the Nomination and Remuneration Committee Member

Age 72 years

Family Relationship with Other Directors: - None -

Servicing Period:

8 years (from 29 April 2003 to 31 December 2011)

% of shareholding: - None -

Education:

- M.B.A., Michigan State University, U.S.A.

Director Training Program:

- Seminar on Directors' Compensation of Thai Companies 2004 held on 22 February 2005

Work Experience:

- 1990 - 1999
- Director, Sahaviriya Steel Industries Public Company Limited
 - Director, Thai Cold Rolled Steel Sheet Public Company Limited
- 1986 - 1998
- Director, Siam City Cement Public Company Limited
- 1984 - 1999
- Director, Bank of Ayudhya Public Company Limited
- 1983 - 1999
- Director, Ayudhya Life Assurance Public Company Limited

Current Position in Other Organisation:

In listed companies:

- Chairman of the Board of Directors, Bangsaphan Barmill Public Company Limited

In non-listed companies:

- Director, Thai Cold Rolled Steel Sheet Public Company Limited (Resigned from Director on 16 February 2012)

In other organisations that may cause any conflict of interest to SSI:

- Director, Sahaviriya Plate Mill Public Company Limited

Meeting Attendance in year 2011:

- | | |
|--|-----------|
| 1. The Board of Directors Meeting | 8/8 times |
| 2. The Board of Executive Directors Meeting | 8/8 times |
| 3. The Remuneration Committee Meeting | 2/3 times |
| 4. The Risk Management Committee Meeting | 4/4 times |
| 5. The Nomination and Remuneration Committee Meeting | 1/1 time |
| 6. The Shareholders' Meeting in 2011 | 3/3 times |

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

10. Mr. Kamol Juntima

Director and the Good Corporate Governance Committee Member

Age 73 years

Family Relationship with Other Directors: - None -

Servicing Period:

13 years (from 28 April 1998 to 31 December 2011)

% of shareholding: 0.007% (1,284,000 shares)

Education:

- Master's degree in Public Administration, National Institute of Development Administration (NIDA)
- The National Defense College Regular Course (NDC 33), National Defense College

Director Training Program:

- Director Certification Program (DCP 3/2000), Thai Institute of Directors Association
- The Role of The Chairman Program (RCP 4/2001), Thai Institute of Directors Association
- Board & CEO 1/2003, Thai Institute of Directors Association
- DCP Refresher Course 4/2007, Thai Institute of Directors Association

Work Experience:

- 2000 - 2002
- Chairman of the Board, Financial Sector Restructuring Authority (FRA)
- 1998 - 2000
- Audit Committee Chairman, Provincial Electricity Authority
- 1998
- Comptroller General, Ministry of Finance
- 1996 - 1998
- Chairman of the Board Government Lottery Office
- 1995 - 1999
- Director and Chairman of Executive Board, Government Housing Bank

1993 - 1998 • Deputy Permanent Secretary for Finance,
Ministry of Finance

Current Position in Other Organisation:

In listed companies:

- Chairman of the Board of Directors,
IT CITY Public Company Limited
- Director and Audit Committee Member,
Electronic Industry Public Company Limited

In non-listed companies:

- Chairman of the Board of Directors,
West Coast Engineering Company Limited
- Director, Prachuap Port Company Limited
- Chairman of Audit and Evaluation Committee,
Ministry of Education
- Chairman of Ethics Committee,
Federation of Accounting Professions

In other organisations that may cause any conflict of interest
to SSI: - None -

Meeting Attendance in year 2011:

| | |
|---|-----------|
| 1. The Board of Directors Meeting | 8/8 times |
| 2. The Nomination Committee Meeting | 2/2 times |
| 3. The Good Corporate Governance Committee Meeting | 6/6 times |
| 4. The Shareholders' Meeting in 2011 | 3/3 times |

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

11. Mr. Piya Viriyaprapaikit Director and the Nomination and Remuneration Committee Member

Age 62 years

Family Relationship with Other Directors:

- Nephew of Mr. Wit Viriyaprapaikit

Servicing Period:

16 years (from 24 April 1995 to 31 December 2011)

% of shareholding: - None -

Education:

- M.S. (Economics), Portland State University,
Oregon, U.S.A.
- M.S. (Psychology), Portland State University,
Oregon, U.S.A.

Director Training Program:

- None -

Work Experience:

- 1996 - 2001 • Director, Thai Coated Steel Sheet Company Limited
- 1992 - 2009 • Director, Western Housing Company Limited
- 1991 - 2000 • Director, SVOA Public Company Limited
- 1990 - 1998 • Director, Thai Cold Rolled Steel Sheet Public Company Limited

Current Position in Other Organisation:

In listed companies:

- Director, Bangsaphan Barmill Public Company Limited

In non-listed companies:

- Director, Prachuap Port Company Limited
- Director, Sahaviriya Group Corporation Limited
- Director, Sahaviriya Panich Company Limited

In other organisations that may cause any conflict of interest
to SSI:

- Director, Sahaviriya Plate Mill Public Company Limited
- Director, Prapawit Building Property Company Limited

Meeting Attendance in year 2011:

| | |
|---|-----------|
| 1. The Board of Directors Meeting | 7/8 times |
| 2. The Board of Executive Directors Meeting | 6/8 times |
| 3. The Nomination Committee Meeting | 2/2 times |
| 4. The Nomination and Remuneration Committee Meeting | 1/1 time |
| 5. The Shareholders' Meeting in 2011 | 3/3 times |

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

12. Mr. Win Viriyaprapaikit Director, SSI Group CEO, Chairman of Management Committee, and the President

Age 41 years

Family Relationship with Other Directors:

- Son of Mr. Wit Viriyaprapaikit

Servicing Period:

12 years (from 30 June 1999 to 31 December 2011)

% of shareholding: - None -

Education:

- M.B.A., Sasin Graduate Institute of Business Administration, Chulalongkorn University
- Bachelor's degree in Industrial Engineering, Keio University, Tokyo, Japan

Director Training Program:

- Director Certification Program (DCP 100/2008), Thai Institute of Directors Association
- The Role of The Chairman Program (RCP 20/2008), Thai Institute of Directors Association
- Capital Market Academy Leadership Program (CMA 5), Capital Market Academy

Work Experience:

- 2010 - 2011 • Director, Redcar Bulk Terminal Limited
- 1999 - 2003 • Director, Thai Cold Rolled Steel Sheet Public Company Limited
- 1996 - 2005 • Director, Sahaviriya Plate Mill Public Company Limited
- 1992 - 2009 • Director, Western Housing Company Limited

Current Position in Other Organisation:

In listed companies:

- Director, Bangsaphan Barmill Public Company Limited

In non-listed companies:

- Director, Sahaviriya Steel Industries UK Limited
- Director, and Chairman of the Board of Executive Directors, Thai Cold Rolled Steel Sheet Public Company Limited
- Director and Acting Managing Director, West Coast Engineering Company Limited
- Director, Prachuap Port Company Limited
- Director, Thai Coated Steel Sheet Company Limited
- Director, Sahaviriya Group Company Limited
- Director, Sahaviriya Inter Steel Holdings Company Limited
- Director, Sahaviriya Panich Company Limited
- Director, Sahaviriya Iron and Steel Company Limited

In other organisations that may cause any conflict of interest to SSI:

- Director, Sahaviriya Steel Group Company Limited
- Chairman of the Board of Directors, Thai Steel Sales Company Limited
- Director, Prapawit Building Property Company Limited

Meeting Attendance in year 2011:

1. The Board of Directors Meeting 8/8 times
2. The Board of Executive Directors Meeting 8/8 times
3. The Shareholders' Meeting in 2011 3/3 times

Criminal Record during the past 10 years:

1. Never been sentenced by a judgment in criminal offence.
2. Never been sentenced by a judgment to be bankrupt or insolvent.

The Management

1. Mr. Win Viriyaprapaikit SSI Group CEO and President

Age 41 years

Education:

- M.B.A., Sasin Graduate Institute of Business Administration, Chulalongkorn University
- Bachelor's degree in Industrial Engineering, Keio University, Tokyo, Japan

Director Training Program:

- Director Certification Program (DCP 100/2008), Thai Institute of Directors Association
- The Role of The Chairman Program (RCP 20/2008), Thai Institute of Directors Association
- Capital Market Academy Leadership Program (CMA 5), Capital Market Academy

Work Experience:

- 2010 - Present • Director, Sahaviriya Steel Industries UK Limited
 - Director, Bangsaphan Barmill Public Company Limited
- 2008 - Present • Director, and Chairman of the Board of Executive Directors, Thai Cold Rolled Steel Sheet Public Company Limited
- 2007 - Present • Director, Sahaviriya Iron and Steel Company Limited
- 2005 - Present • Director, Prapawit Building Property Company Limited
- 2002 - Present • Director and Acting Managing Director, West Coast Engineering Company Limited
- 1999 - Present • Director, Sahaviriya Inter Steel Holdings Company Limited
 - Director, Sahaviriya Steel Group Company Limited
 - Director, Prachuap Port Company Limited
- 1997 - Present • Chairman of the Board of Directors, Thai Steel Sales Company Limited

- 1996 - Present • Director, Sahaviriya Group Company Limited
 - Director, Thai Coated Steel Sheet Company Limited
- 1994 - Present • Director, Sahaviriya Panich Company Limited
- 2010 - 2011 • Director, Redcar Bulk Terminal Limited
- 1999 - 2003 • Director, Thai Cold Rolled Steel Sheet Public Company Limited
- 1996 - 2005 • Director, Sahaviriya Plate Mill Public Company Limited
- 1992 - 2009 • Director, Western Housing Company Limited

2. Mr. Nitiphong Tejavanija Vice President - Finance & Accounting Division and Secretary to the Risk Management Committee

Age 41 years

Education:

- M.B.A., Sasin Graduate Institute of Business Administration, Chulalongkorn University

Work Experience:

- 2010 - Present • Director and Executive Director, Thai Cold Rolled Steel Sheet Public Company Limited
 - Director, Thai Coated Steel Sheet Company Limited
- 2009 - 2010 • Assistant Managing Director, Investment Banking Department, Kasikorn Securities Public Company Limited
- 2008 - 2009 • Finance Director, Canadoil Group
- 2005 - 2008 • Director, Co-Head of Corporate Banking, ABN AMRO Bank N.V.

3. Miss Wanna Tangcharoenching Vice President - Commercial Division

Age 53 years

Education:

- M.B.A., Ramkhamhaeng University

Work Experience:

- 2011 - Present • Director and Executive Director,
Thai Cold Rolled Steel Sheet Public
Company Limited
- 1988 - 1991 • Trading Manager, Taipan Textile Company
Limited

4. Mr. Nava Chantanasurakon Vice President - Human Resources & Administration Division Vice President - Public Affairs and Social Responsibility Division and Secretary to the Nomination and Remuneration Committee

Age 46 years

Education:

- Master of Public Administration (Public Policy
& Project Management), National Institute of
Development Administration (NIDA)

Director Training Program:

- Director Certification Program (DCP 104/2008),
Thai Institute of Directors Association

Work Experience:

- 2003 - 2007 • Director, Corporate Affairs Division,
Pikul-thong Lum-sum Group of Companies
- 1991 - 2003 • Deputy General Manager,
Human Resources Department,
Toyota Motor Thailand Company Limited

5. Mr. Kittisak Mapanao Vice President - Manufacturing Division

Age 45 years

Education:

- M.B.A., Chulalongkorn University
- B. Eng. (Industrial Engineering), Khonkaen University

Director Training Program:

- Directors Certification Program (DCP 104/2009),
Thai Institute of Directors Association

Work Experience:

- 2011 - Present • Director,
West Coast Engineering Company Limited
- 2005 - Present • First Executive Vice President,
West Coast Engineering Company Limited
- 2010 - 2011 • Director and Executive Director,
Thai Cold Rolled Steel Sheet Public
Company Limited
- 2009 - 2010 • Executive Vice President,
Manufacturing Division,
Thai Cold Rolled Steel Sheet
Public Company Limited
- 1991 - 1992 • Industrial Engineer,
Hana Coil Company Limited

6. Mr. Jira Chotinuchit Vice President, Office of the President

Age 44 years

Education:

- Master of Comparative and International Law,
University of IOWA, U.S.A.

Director Training Program:

- Director Certification Program (DCP 105/2008),
Thai Institute of Directors Association

Work Experience:

- 2004 - Present • Director and Executive Director,
Thai Cold Rolled Steel Sheet
Public Company Limited
- 2002 - Present • Director, Thai Coated Steel Sheet
Company Limited
- 2000 - 2007 • Vice President,
Sahaviriya Steel Group Company Limited

Remark:

Mr. Jira Chotinuchit has resigned from management position of the Company since 1 March 2012 onwards.

7. Mr. Somsak Sivapaiboon

Vice President, Office of the President

Age 49 years

Education:

- M.S. (Logistics and Supply Chain Management), Sripatum University
- M.B.A., Sukhothai Thammathirat Open University

Director Training Program:

- Director Accreditation Program (DAP 60/2006), Thai Institute of Directors Association
- Director Certification Program (DCP 84/2007), Thai Institute of Directors Association
- Finance for Non-Finance Director (FND 34/2007), Thai Institute of Directors Association
- Capital Market Academy Leadership Program (CMA 9), Capital Market Academy

Work Experience:

- 2010 - Present • President, Thai Cold Rolled Steel Sheet Public Company Limited
- Director, Thai Coated Steel Sheet Company Limited
 - Chairman of the Board of Directors, Pornpiyacharn Transport Company Limited

- 2006 - Present • Deputy Chairman of the Board of Directors, Chu Kai Public Company Limited
- 2004 - Present • Director and Executive Director, Thai Cold Rolled Steel Sheet Public Company Limited
- 2001 - Present • Director, Prachuap Port Company Limited
- 2005 - 2010 • President, Line Transport Company Limited
- 2001 - 2010 • President, Prachuap Port Company Limited
- 2000 - 2005 • President, Bangsaphan Transport Company Limited
- 1997 - 2000 • General Manager - Sales & Marketing, Thai Steel Sales Company Limited

8. Mr. Chaipat Khemaphiruk

Vice President, Office of the President

Age 40 years

Education:

- M.B.E., Kasetsart University

Work Experience:

- 2010 - Present • Director and President, Prachuap Port Company Limited
- 2007 - 2010 • Vice President, Sahaviriya Iron and Steel Company Limited
- 2004 - 2007 • Vice President, Sahaviriya Steel Group Company Limited

9. Mr. Narongrit Chotnuchittrakul Vice President, Office of the President

Age 42 years

Education:

- M.B.A., Dhurakijpundit University

Work Experience:

- 2011 - Present • Director, West Coast Engineering Company Limited
- 2009 - Present • Vice President - Finance and Accounting Division Thai Cold Rolled Steel Sheet Public Company Limited

10. Mrs. Wannee Sirikanchana Secretary to the Audit Committee and Secretary to the Good Corporate Governance Committee

Age 56 years

Education:

- M.S. (Accounting), Thammasat University

Director Training Program:

- Director Certification Program (DCP 13/2001), Thai Institute of Directors Association
- Audit Committee Program (ACP 5/2005), Thai Institute of Directors Association

Work Experience:

- 1988 - 1998 • Vice President - Internal Audit Department, The Stock Exchange of Thailand

11. Mr. Surasak Ngamsidhipongsa Company Secretary

Age 53 years

Education:

- M.B.A., Thammasat University
- M.A. (Economic Law), Chulalongkorn University
- LL.M. (Business Law), Ramkhamhaeng University
- M.P.P.M., National Institute of Development Administration (NIDA)
- Barrister-at-law, Institute of Legal Education Thai Bar Association

Director Training Program:

- Director Certification Program (DCP 15/2002), Thai Institute of Directors Association
- Company Secretary Program (CSP 5/2004), Thai Institute of Directors Association
- TCLA Executive Development Program (EDP 8), Thai Listed Companies Association

Work Experience:

- 1988 - 1993 • Deputy Secretary to the Board of Directors, Siam Realty and Services Company Limited
- 1985 - 1993 • Senior Analyst, Bank of Ayudhya Public Company Limited

| No. | Director and Management Name | 31 December 2010 (Per value of Baht 1 per share) | 31 December 2011 (Per value of Baht 1 per share) | Increase (Decrease) in no. of shares during 2011 (Par value of Baht 1 per share) |
|-----|--|--|--|---|
| 1. | Mr. Wit Viriyaprapaikit | 100 shares | 100 shares | - |
| 2. | Mr. Maruey Phadoongsidhi Spouse: Mrs. Pittaya Phadoongsidhi | - 2,100,000 shares | - 2,100,000 shares | - - |
| 3. | Mr. Somchai Sakulsurarat | - | - | - |
| 4. | Mr. Visith Noiphan | - | - | - |
| 5. | Mrs. Kesree Narongdej | - | - | - |
| 6. | Mr. Tongchat Hongladaromp | - | - | - |
| 7. | Mr. Tawee Butsunton | - | - | - |
| 8. | Mr. Siripol Yodmuangcharoen | - | - | - |
| 9. | Mr. Prateep Buphaintr | - | - | - |
| 10. | Mr. Permpoon Krairiksh | - | - | - |
| 11. | Mr. Taweesak Senanarong | - | - | - |
| 12. | Mr. Somchai Pipitvijitkorn | - | - | - |
| 13. | Mr. Kamol Juntima | 1,070,000 shares | 1,284,000 shares | 214,000 shares |
| 14. | Mr. Yuke Sutarat | - | - | - |
| 15. | Mr. Piya Viriyaprapaikit | - | - | - |
| 16. | Mr. Win Viriyaprapaikit | - | - | - |
| 17. | Mr. Nitiphong Tejavanija | - | - | - |
| 18. | Miss Wanna Tangcharoenching | - | - | - |
| 19. | Mr. Nava Chantanasurakon | - | - | - |
| 20. | Mr. Kittisak Mapanao | 1,160,000 shares | 1,392,000 shares | 732,000 shares |
| 21. | Mr. Jira Chotinuchit Spouse: Mrs. Chantiwa Chotinuchit | - 1,000,000 shares | - 1,200,000 shares | - 200,000 shares |
| 22. | Mr. Somsak Sivapaiboon | - | - | - |
| 23. | Mr. Chaiphath Khemaphiruk | - | - | - |
| 24. | Mr. Narongrit Chotnuchittrakul | - | - | - |

Remark: No. 2 Mr. Maruey Phadoongsidhi retired by rotation in Annual General Meeting of Shareholders No. 22 on 29 April 2011.
No. 4 Mr. Visith Noiphan resigned from director of the Company since 1 June 2011.
No. 7 Mr. Tawee Butsunton is no longer director of the Company since passed away on 15 September 2011.
No. 14 Mr. Yuke Sutarat resigned from director of the Company since 7 March 2011.
No. 21 Mr. Jira Chotinuchit resigned from management of the Company since 1 March 2012.

Directors, Management and Auditor Remuneration

The Directors and Management Remuneration in 2011

1. Total Monetary Remuneration

The directors' remuneration, approved by the Annual General Meeting of Shareholders, was as follows:

1.1 The remuneration of Meeting Allowance for directors and the members of committees appointed by the Board of Directors, approved by the Meeting of Shareholders, was as follows:

| | |
|----------------------------|---------------------|
| (1) (1.1) Directors | 25,000 Baht/month |
| (1.2) Audit Committee | |
| Chairperson | 18,750 Baht/meeting |
| Audit Committee | |
| Members | 15,000 Baht/meeting |
| (1.3) Chairman of the Good | |
| Corporate Governance | |
| Committee | 12,500 Baht/meeting |
| Good Corporate | |
| Governance | |
| Committee Members | 10,000 Baht/meeting |
| (1.4) Chairman of | |
| the Risk Management | |
| Committee | 12,500 Baht/meeting |
| Risk Management | |
| Committee Members | 10,000 Baht/meeting |
| (1.5) Chairman of | |
| the Nomination | |
| and Remuneration | |
| Committee | 12,500 Baht/meeting |
| Nomination | |
| and Remuneration | |
| Committee Members | 10,000 Baht/meeting |

(2) The Company's directors who were appointed as a member of each committee by the Board of Directors should receive the additional remuneration according to additional job responsibilities and working hours.

1.2 The Chairman of the Board of Directors and the Deputy Chairman of the Board of Directors shall be entitled to monthly remuneration for full-time performance of Baht 300,000 and Baht 200,000 respectively. However, they shall not be entitled to any other meeting allowances, both to be

paid for the Board of Directors and other committee appointed by the Board of Directors.

1.3 Audit Committee Chairperson shall receive extra remuneration for the provision of suggestion regarding the details of special audit other than normal audit serviced as an audit committee in an amount of Baht 10,000 per month.

1.4 Directors who are also an employee of the Company shall be entitled to compensation as an employee only, and shall not receive any other remuneration as a director.

1.5 Health, accident, and life insurance premiums shall not exceed Baht 20,000 per person. For any directors whom insurance companies decline to offer any or all insurance coverage and/or exclude coverage of certain types of illness in the case of health insurance for whatever reason, the Company shall be directly responsible for disbursement to such directors for amount up to the claim or sum insured available from the health, accident and life insurance policies had the director been insured for the same insurance premium approved by shareholders.

1.6 The directors' remuneration or annual bonuses

1.6.1 The directors' bonuses shall be paid only if there is a dividend payment to the shareholders. If the Company has no dividend payment in any year, the directors shall not receive the directors' bonuses on such year.

1.6.2 The directors' bonuses rates should account for 0.25% to 0.50% of the dividend payment to the shareholders. The Chairman of the Board of Directors and the Deputy Chairman of the Board of Directors should receive the directors' bonuses at 10% and 5% higher than those of the directors respectively.

1.6.3 The directors whose working period is less than one year shall receive the directors' bonuses in proportion to their actual working period.

Remunerations shall be paid according to principles 1.1 to 1.6 mentioned above unless the shareholders' meeting resolves otherwise.

In 2011, the Annual General Meeting of shareholders No. 22 held on 29 April 2011 has acknowledged the remunerations paid for the year of 2010 to each director and each committee appointed by the Board of Directors. The meeting has also acknowledged the directors' annual bonuses for the year of 2010 to be omitted as Board of Directors had proposed. As at 31 December 2010, the

Company's retained earnings after deduction of discount on ordinary shares was insufficient for an allocation of dividend payment, therefore, the Company was not able to pay

dividends to the shareholders nor pay annual bonuses to the directors in accordance with criteria as approved by the shareholders' meeting.

Summary of 2011 Monetary Remuneration for the Director of the Company and the Members of the Committees appointed by the Board of Directors.

| Name and Position | Meeting Allowance (Baht) | | | | | Total Remuneration (Baht) |
|--|--------------------------|-----------------|--|-------------------------------------|---------------------------|---------------------------|
| | Board of Directors | Audit Committee | Nomination and Remuneration Committee* | Good Corporate Governance Committee | Risk Management Committee | |
| 1. Mr. Wit Viriyaprapaikit ¹ | 422,580.65 | - | - | - | - | 422,580.65 |
| 2. Mr. Somchai Sakulsurat ² | 225,000 | - | - | - | - | 225,000 |
| 3. Mrs. Kesree Narongdej ³ | 420,000 | 150,000 | - | - | - | 570,000 |
| 4. Mr. Tongchat Hongladaromp ⁴ | 300,000 | - | - | - | 50,000 | 350,000 |
| 5. Mr. Siripol Yodmuangcharoen ⁵ | 300,000 | - | 12,500 | - | - | 312,500 |
| 6. Mr. Prateep Buphaintr | 300,000 | 120,000 | - | 60,000 | - | 480,000 |
| 7. Mr. Permpoon Krairiksh | 300,000 | 75,000 | - | - | - | 375,000 |
| 8. Mr. Taweesak Senanarong | 300,000 | - | 30,000 | - | 40,000 | 370,000 |
| 9. Mr. Somchai Pipitvijitkorn | 420,000 | - | 30,000 | - | 40,000 | 490,000 |
| 10. Mr. Kamol Juntima | 300,000 | - | 20,000 | 60,000 | - | 380,000 |
| 11. Mr. Piya Viriyaprapaikit | 420,000 | - | 30,000 | - | - | 450,000 |
| 12. Mr. Win Viriyaprapaikit** | - | - | - | - | - | - |
| Director whose service ended during 2011 but received remuneration for their service in 2011 | | | | | | |
| 13. Mr. Maruey Phadoongsidhi ⁶ | 185,000 | - | - | - | - | 185,000 |
| 14. Mr. Visith Noiphan ⁷ | 125,000 | 45,000 | 25,000 | - | - | 195,000 |
| 15. Mr. Tawee Butsunorn ⁸ | 212,500 | - | 37,500 | 50,000 | - | 300,000 |
| 16. Mr. Yuke Sutarat | 89,032.26 | - | - | - | - | 89,032.26 |
| Total | 4,319,112.91 | 390,000 | 185,000 | 170,000 | 130,000 | 5,194,112.91 |

- Remarks:**
- Chairman of the Board of Directors
 - Deputy Chairman of the Board of Directors
 - Audit Committee Chairperson
 - Chairman of Risk Management Committee
 - Chairman of Nomination and Remuneration Committee
 - Former Chairman of the Board of Directors, resigned since 29 April 2011.
 - Former Chairman of Nomination Committee, resigned since 1 June 2011.
 - Former Chairman of Good Corporate Governance Committee and Chairman of Remuneration Committee had passed away on 15 September 2011.
- * The Nomination Committee and the Remuneration Committee were combined into Nomination and Remuneration Committee to be effective from 1 September 2011 by resolution of the Board of Directors Meeting No. 5/2011 on 11 August 2011.
- ** Mr. Win Viriyaprapaikit, Director and the President, considered as an employee of the Company, shall not receive the meeting allowance or a director's remuneration.
- The Extraordinary General Meeting of Shareholders No. 2/2011 held on 22 September 2011 passed on a resolution to cancel the meeting allowance for the Chairman and Deputy Chairman of the Board of Directors, who were already entitled remuneration for their full-time performance. The adjustments shall become effective from 1 October 2011 onwards.

Remunerations for Full-time Performance of Chairman and Deputy Chairman of the Board of Directors in 2011

| No. | Name and Position of Director | Remunerations for Full-time Performance (Baht) |
|---|--|--|
| 1. | Mr. Wit Viriyaprapaikit, Chairman of the Board of Directors | 3,161,290.32 |
| 2. | Mr. Somchai Sakulsurarat, Deputy Chairman of the Board of Directors | 600,000 |
| Chairman of the Board of Directors whose service ended during 2011 but received remuneration for full-time performance. | | |
| 3. | Mr. Maruey Phadoongsidhi, Former Chairman of the Board of Directors | 1,200,000 |

- Remarks:**
- Mr. Wit Viriyaprapaikit was rewarded for his position as the Chairman of the Executive Board at the rate of Baht 200,000 per month for 4 months and 12 days, and for his position as the Chairman of the Board of Directors at the rate of Baht 300,000 per month for 6 months and 19 days. Total remuneration for the year was Baht 3,161,290.32.
 - Mr. Somchai Sakulsurarat was rewarded for his position as the Deputy Chairman of the Board of Directors for a period of 3 months totaling Baht 600,000 for the year.
 - Mr. Maruey Phadoongsidhi was rewarded for his position as the Chairman of the Board of Directors for a period of 4 months totaling Baht 1,200,000 for the year.

Remuneration of Independent Directors of the Company who hold directorship in its subsidiary in 2011

| No. | Name of the Company's Independent Director who holds directorship in its subsidiary | Position in the Subsidiary | Meeting Allowance in 2011 (Baht) |
|--|---|--|----------------------------------|
| West Coast Engineering Company Limited | | | |
| 1. | Mr. Visith Noiphan | Former Chairman of the Board of Directors | 77,500 |
| 2. | Mr. Tongchat Hongladaromp | Director | 150,000 |
| 3. | Mr. Somchai Sakulsurarat | Director | 100,000 |
| Prachuap Port Company Limited | | | |
| 1. | Mr. Somchai Sakulsurarat | Director | 37,500 |

Remarks: Mr. Visith Noiphan, resigned from director of West Coast Engineering Company Limited since 1 June 2011.

1.7 Remunerations for executives in a position of Vice President and higher in the form of salaries, retirement compensation, vehicle allowances, insurance premiums and traveling allowances, for eight people plus the President, totaled Baht 43,038,501.26 for the year.

2. Other Remunerations

Contributions to the provident fund for executives in a position of Vice President and higher, for ten people plus the President, totaled Baht 2,651,102.85 for the year.

Auditor's Remuneration in 2011

1. Audit Fees

The Company and its subsidiaries in Thailand (Prachuap Port Company Limited and West Coast Engineering Company Limited) paid an audit fee for the past fiscal year of Baht 3,835,000 to KPMG Phoomchai Audit Limited, of which the auditor, a person or business related to the auditor and an office of the auditor is a member.

The Company's oversea subsidiary (Sahaviriya Steel Industries UK Limited) paid an audit fee for the past fiscal year of GBP 65,000 to KPMG LLP, of which the auditor, a person or business related to the auditor and an office of the auditor is a member.

2. Non-audit Fees

The Company and its subsidiaries in Thailand (Prachuap Port Company Limited and West Coast Engineering Company Limited) also paid Baht 100,000 for other services which has not been completed during the past fiscal year, the auditing of a project that received investment privilege and for which an exemption from annual income tax may be requested, to KPMG Phoomchai Audit Limited, of which the auditor, a person or business related to the auditor and an office of the auditor is a member.

The Company's oversea subsidiary (Sahaviriya Steel Industries UK Limited) also paid GBP 541,348 for other services for the past fiscal year, the due diligence service fee, tax structure advisory fee, and other tax related fee, to KPMG LLP, of which the auditor, a person or business related to the auditor and an office of the auditor is a member.

Dividend Policy

The Company has a policy to pay dividend at a rate of not less than 25% of net profit after income tax, legal reserve, and other reserves, from the Company's separated financial statements in each year. Dividend payment, nonetheless, depends on economic conditions, operating profit, investment plans, covenant in various contracts, and other appropriated factors, both at present and in the future, starting from the operational results of year 2005 onwards.

According to the Board of Directors' resolution on the dividend payment, the shareholders' meeting shall approve dividend payment unless there is an interim dividend payment in which the Board of Directors is authorised to approve interim dividend payment. In this case such payment should be submitted to the next meeting of shareholders for acknowledgement.

As for the dividend policy of the Company's subsidiaries, the Company does not fix any particular rates of dividend payment. It depends on the operational results of each subsidiary, and the Board of Directors of that subsidiary will make the decision concerning dividends on a case-by-case basis.

The Annual General Meeting of Shareholders No. 22 held on 29 April 2011 passed resolution that there would be no dividend payment for the operational results of year 2010 as the Company was unable to make dividend payment in compliance with law due to the retained profit after deduction of discount on ordinary shares is not enough to allocate as dividend payment to shareholders.

Shareholding Structure

Shareholders

Listed are the names and shareholdings of the ten largest shareholders (as per article 258, voted the same way) as of 30 August 2011, the latest closing date of the shareholder register book for the rights to attend the Extraordinary General Meeting of Shareholders No. 2/2011.

| Name | As of 30 August 2011 | |
|--|----------------------|----------------------------|
| | Number of Shares | Percentage of Shareholding |
| 1. Sahaviriya Group | 7,140,698,506 | 39.269 |
| 2. Citibank Nominees Singapore PTE LTD-UBS AG Zurich | 2,311,455,040 | 12.711 |
| 3. Six Sis LTD | 1,475,351,200 | 8.113 |
| 4. The Bank of New York (Nominees) Limited A/C 5100 | 761,380,760 | 4.187 |
| 5. Thai NVDR Company Limited | 345,561,748 | 1.900 |
| 6. CREDIT SUISSE AG | 308,196,000 | 1.695 |
| 7. Mr. Vitid Pongpirodom | 217,500,000 | 1.196 |
| 8. Ms. Sumarn Limpiyachart | 209,542,400 | 1.152 |
| 9. Mr. Komol Jungrungruangkit | 186,546,600 | 1.026 |
| 10. Social Security Office (2 Cases) | 165,806,000 | 0.912 |

Note:

Sahaviriya Group consisting of

| | Percentage of Shareholding |
|--|-------------------------------|
| 1. Sahaviriya Group Company Limited | 31.218% |
| is an investment holding company whose major shareholders are: | |
| 1. Mr. Win Viriyaprapaikit, | who owns 47.14% of all shares |
| 2. Mrs. Theerarat Kunattanonda, | who owns 30.90% of all shares |
| 3. Mr. Piya Viriyaprapaikit, | who owns 20.95% of all shares |
| 4. Others | 1.01% of all shares |
| 2. Sahaviriya Inter Steel Holdings Company Limited | 5.952% |
| (formerly named SSV ASSET Company Limited) | |
| is an investment holding company whose major shareholders are: | |
| 1. Sahaviriya Group Company Limited, | who owns 97.89% of shares |
| 2. KP Capital Company Limited, | who owns 1.93% of shares |
| 3. Others | 0.18% of shares |

| | |
|--|----------------|
| 3. Mrs. Sirikul Viriyaprapaikit Bendi | 1.588% |
| 4. Ms. Kanokvalee Viriyaprapaikit | 0.282% |
| 5. Mrs. Theerarat Kunattanonda | 0.143% |
| 6. Mrs. Krisna Viriyaprapaikit | 0.086% |
| 7. Mrs. Prapa Viriyaprapaikit | 100 shares |
| 8. Mr. Wit Viriyaprapaikit | 100 shares |
| Total shareholding in the Company | 39.269% |

| | |
|---|---------|
| 3. Citibank Nominees Singapore PTE LTD-UBS AG Zurich | |
| hold the Company's shares | 12.711% |
| consisting of | |
| (1) hold shares under Citibank Nominees Singapore PTE LTD-UBS AG Zurich | 11.967% |
| (2) hold shares under Thai NVDR Company Limited | 0.744% |

The latest shareholding can be viewed via the Company's website (www.ssi-steel.com) before the Annual General Meeting of Shareholders.

Foreign Limit

The Company's foreign shareholding was limited at 49% of the paid-up capital. As of 31 December 2011, the Company's foreign shareholding was 28.22% of the paid-up capital.

Related Party Transactions

| Related Parties | Relationship | 2011 Related Party Transactions (Million Baht) | | Outstanding Balance (Million Baht) | |
|---|--|---|----------|---------------------------------------|----------|
| | | | | | |
| Thai Coated Steel Sheet Company Limited | 3.7% direct shareholding by the Company and common directors | Provide deep sea port service | 2.44 | Trade accounts receivable | 0.28 |
| | | Provide maintenance service | 0.009 | Advance Payment | 0.02 |
| | | Other income | 5.59 | Accrued income | 3.36 |
| Thai Cold Rolled Steel Sheet Public Company Limited | 50.15% direct shareholding by the Company and jointly controlled | Sales of hot rolled coils | 3,828.09 | Trade accounts receivable | 10.31 |
| | | Sales of consumables | 4.25 | Advance Payment | 0.40 |
| | | Provide deep sea port service | 25.36 | Accrued income | 2.01 |
| | | Provide maintenance service | 42.09 | Accrued expense | 0.03 |
| | | Other income | 13.94 | Unearned revenue | 0.23 |
| | | Claims on purchased HRC | 0.90 | | |
| | | Driver service | 0.38 | | |
| Bangsaphan Transport Company Limited | More than 10% direct and/or indirect shareholding by the Company's director (s) | | | Trade accounts payable | 0.00025 |
| | | | | Other payable | 0.04 |
| Bangsaphan Barmill Public Company Limited | Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s) | Sales of consumables | 0.03 | Trade accounts receivable | 0.44 |
| | | Provide deep sea port service | 4.99 | Advance Payment | 0.03 |
| | | Provide maintenance service | 0.04 | Accrued income | 3.28 |
| | | Other income | 0.10 | Trade accounts payable | 0.005 |
| B.S. Metal Company Limited | Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s) | Sales of hot rolled coil/scrap | 8,590.07 | Trade accounts receivable | 1,519.68 |
| | | Provide maintenance service | 0.06 | Advance Payment | 0.03 |
| | | Other income | 6.98 | Accrued income | 0.12 |
| | | Use steel cutting service | 5.10 | Trade accounts payable | 2.18 |
| Sahaviriya Plate Mill Public Company Limited | Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s) | | | Accrued expense | 0.002 |
| | | Sales of hot rolled coil | 2.20 | Advance Payment | 0.04 |
| | | Provide deep sea port service | 0.04 | | |
| | | Provide maintenance service | 0.90 | | |
| Prapawit Building Property Company Limited | Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s) | Sales of slab | 81.42 | | |
| | | Lease head office space | 15.20 | Deposit | 7.76 |
| | | | | Prepaid expenses | 0.97 |
| Western Housing Company Limited | Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s) | | | Other payable | 1.37 |
| | | Use accommodations | 1.75 | Accrued expense | 0.07 |

| Related Parties | Relationship | 2011 Related Party Transactions (Million Baht) | | Outstanding Balance (Million Baht) | |
|---|---|---|-----------|---------------------------------------|----------|
| | | | | | |
| Sahaviriya Steel Group Company Limited | Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s) | | | Advance Payment | 0.007 |
| Sahaviriya Panich International Company Limited | Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s) | Sales of hot rolled coil | 18,037.28 | Trade accounts receivable | 1,363.88 |
| | | Provide deep sea port service | 0.22 | | |
| | | Other income | 3.00 | | |
| | | Sale commission | 1.26 | | |
| | | Claims on purchased HRC | 0.20 | | |
| Line Transport Company Limited | More than 10% direct and/or indirect shareholding by the Company's director (s) | Provide deep sea port service | 5.97 | Trade accounts receivable | 3.16 |
| | | Provide maintenance | 0.36 | Other receivable | 0.08 |
| | | Other income | 1.29 | Advance Payment | 0.007 |
| | | Use domestic transportation service | 222.99 | Trade accounts payable | 5.69 |
| | | | | Other payable | 0.03 |
| | | | | Accrued expense | 12.88 |
| Bangpakong Lighter Company Limited | More than 10% direct and/or indirect shareholding by the Company's director (s) | Provide deep sea port | 0.75 | Trade accounts receivable | 0.05 |
| | | Other income | 0.26 | Other receivable | 0.04 |
| | | Use marine transportation service | 91.36 | Advance Payment | 0.0003 |
| | | | | Trade accounts payable | 1.01 |
| | | | | Accrued expense | 0.92 |
| Bangpakong Port Company Limited | More than 10% direct and/or indirect shareholding by the Company's director (s) | Provide maintenance service | 0.06 | Trade accounts receivable | 0.06 |
| | | Use domestic transportation service | 7.19 | Advance Payment | 0.002 |
| | | | | Trade accounts payable | 0.65 |
| Prachuap Pattana Development Company Limited | Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s) | | | Advance Payment | 0.006 |
| Sahaviriya Iron and Steel Company Limited | Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s) | | | Trade accounts receivable | 0.003 |
| Prachuap S.M.O. Company Limited | Indirect shareholding by the Company | Provide maintenance service | 0.004 | | |
| Sahaviriya Inter Steel Holdings Company Limited | Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s) | Finance cost | 32.07 | Other payable | 32.92 |
| | | | | Short term borrowing | 1,410.26 |
| Redcar Bulk Terminal Limited | 50% indirect shareholding and jointly controlled | Use deep sea port service | 184.38 | | |

Necessity and Reasonableness of Related Party Transactions

Related party transactions occurred between the Company and related parties are transactions in the ordinary course of business having terms and conditions which are considered the most beneficial to the Company. The Company has pricing policy for related party transactions with related parties at prices, terms and conditions normally applicable to transactions with third parties.

Approval Policy for Related Party Transactions

The President is authorised by the Board of Directors to approve transactions between the Company and related parties or common interest parties under the ordinary course of business and under trading conditions that comply with the Securities and Exchange Commission Act, the regulations, announcements, notifications, or provisions of the Stock Exchange of Thailand as well as the provisions of related party transaction disclosure and the acquisition or disposal

of assets of the Company and its subsidiaries, stipulated by the Federation of Accounting Professions under the Royal Patronage of Majesty the King.

Any related party transactions with related parties of the Company or its subsidiaries shall be reported at the Board of Directors' meeting and determined by the audit committee whether the matter is necessary and appropriate. A director who has conflict of interest in the transaction cannot vote on such matter. In case the audit committee has insufficient expertise in examining a related party transaction, an independent expert or the Company's auditor shall express an opinion on such transactions to be used as a component of a decision of the Board of Directors or the shareholders correspondingly. In addition, the related party transactions shall be stated in the note to the financial statements examined by the Company's auditor.

Future Related Party Transactions

Related party transactions are subject to change in the future depending on demand and supply as well as the Company's selling prices and the cost of the service providers.

Other References

Name and Location of Other References

Share Registrar

Ordinary Shares : Thailand Securities Depository Company Limited
 The Stock Exchange of Thailand Building,
 62 Ratchadapisek Road, Klongtoey, Bangkok 10110
 Tel. 0-2229-2888
 Fax 0-2654-5427

Auditors : Miss Sureerat Thongarunsang C.P.A. Registration No. 4409
 Mr. Winid Silamongkol C.P.A. Registration No. 3378
 Mr. Charoen Phosamritlert C.P.A. Registration No. 4068
 KPMG Phoomchai Audit Limited
 Empire Tower, 50th - 51st Floors,
 195 South Sathorn Road,
 Yannawa, Sathorn,
 Bangkok 10120
 Tel. 0-2677-2000
 Fax 0-2677-2222

Corporate Secretary : Mr. Surasak Ngamsidhipongsa
 Assistant Vice President - Corporate Secretariat Office
 Tel. 0-2238-3063-82
 Fax 0-2236-8892
 e-mail: surasakn@ssi-steel.com

Report of the Audit Committee for 2011

To the Board of Directors of Sahaviriya Steel Industries Public Company Limited:

The Board of Directors' meeting No. 3/2011 held on 13 May 2011 appointed the new Audit Committee whose term is from 30 June 2011 to 29 June 2014. The current committee consists of:

- | | |
|--|------------------------------------|
| 1. Professor Emeritus Kesree Narongdej | Chairperson of the Audit Committee |
| 2. Mr. Prateep Buphaintr | Audit Committee Member |
| 3. Mr. Permpoon Krairiksh | Audit Committee Member |
| 4. Mrs. Wannee Sirikanchana | Secretary to the Audit Committee |

The committee held 8 meetings and all directors in the committee attended the meetings to perform the following duties:

1. Reviewed the 2011 interim and annual financial statements as well as its consolidated financial statements together with the external auditors and the management and submitted them to the Board of Directors for approval before disclosure to the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC).

2. Agreed with the accounting policies and procedures adopted by the Company's management in accordance with Thai Accounting Standards and Thai Financial Reporting Standards, which are issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King.

3. Approved the internal audit plan and acknowledged the internal audit reports regarding the internal controls.

4. Reviewed the adequacy of the internal control system against the self-evaluation forms issued by the SEC and external auditors.

5. Acknowledged reports on corporate compliance with laws pertaining to securities and the stock exchange as well as other laws concerning the Company's businesses, and monitored progress in litigation involving the Company.

6. Acknowledged reports from the auditors that there are no issues to be presented to the Audit Committee according to section 89/25 of the Securities and Exchange Commission Act.

7. Reviewed by monitoring the Major Risk Management Report prepared by the Risk Management Committee quarterly.

8. Considered, selected, and proposed the appointment of Miss Sureerat Thongarunsang and/or Mr. Winid Silamongkol and/or Mr. Charoen Phosamritlert of KPMG Phoomchai Audit Limited as the Company's auditors for fiscal year 2012, together with their fees.

9. Ensured the compliance of related companies transactions with the securities and exchange laws and laws concerning the Company's businesses.

10. Acknowledged reports from the Company Secretary to ensure compliance of conflicts of interest transactions as specified in the Company's policy and procedure, as requested by the SEC.

11. Revised the Company's Audit Committee charter.

12. Carried out a self-assessment for 2011 and submitted the results to the Board of Directors.

13. Reviewed the information disclosed to the SET and the SEC, as disclosed in the 2011 Company's annual report (Form 56-2) and in the annual information disclosure form ending 31 December 2011 (Form 56-1).

14. Reported periodically to the Board of Directors on the Audit Committee's activities.

After the Audit Committee independently carried out its duties and responsibilities delegated by the Board of Directors and took into account the transparency of its view, the Audit Committee was of the opinion that:

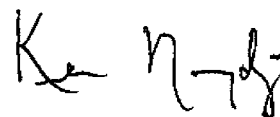
1. The annual financial statements of the Company in 2011 are correct and reliable in accordance with generally accepted accounting principles.

2. The Company has suitable and efficient internal control and internal audit systems.

3. The Company complied with relevant laws and regulations.

4. The Audit Committee concurred with reports from the Risk Management Committee.

5. The consideration of the external auditors and their fees to be proposed to the Board of Directors to submit to the Annual General Meeting of Shareholders No. 23 for their appointment.



Professor Emeritus Kesree Narongdej

Chairperson of the Audit Committee

22 February 2012



2011 Financial Report
Sahaviriya Steel Industries Public Company Limited

Report on the Responsibility of the Board of Directors for 2011 Financial Report

The Board of Directors of Sahaviriya Steel Industries Public Company Limited is directly responsible for ensuring that the Company's activities comply with policies of good corporate governance and that the financial report of the Company, its subsidiaries and its jointly-controlled entities and other financial information found in annual report are accurate, complete, and presented in accordance with generally accepted accounting principles with appropriate and consistent accounting policies and/or accounting practices as well as careful judgment in these evaluations, along with all due consideration as to their suitability. Important information is sufficiently disclosed and audited by independent certified public accountant that expresses an unqualified opinion.

The Board of Directors has established and maintained systems of risk management and internal controls that are sufficiently effective to provide reasonable assurance that the Company's assets are well supervised and protected from fraud and significant irregularities. The Audit Committee, which consists of independent directors, investigates whether the Company's systems of internal controls and auditing are appropriate and effective in ensuring that the Company's financial report is of the quality affirmed by the Audit Committee in its findings, as disclosed in the annual report.



Mr. Wit Viriyaprapaikit

Chairman

on behalf of the Board of Directors

Management Discussion and Analysis on Financial Position and Performance

Table 1: Financial Results by Business

| Unit: Million Baht | 2011 | 2010 | +/- |
|--|-----------|-----------|-------|
| | Jan - Dec | Jan - Dec | YoY |
| Sale and Service Revenue | | | |
| Consolidated | 47,975 | 48,090 | -0.2% |
| HRC Business | 37,699 | 47,785 | -21% |
| Deep Sea Port Business | 135 | 180 | -25% |
| Engineering & Maintenance Service Business | 204 | 125 | +63% |
| Iron and Steel Making Business | 9,936 | - | N.A. |
| EBITDA | | | |
| Consolidated | 1,405 | 4,076 | -66% |
| HRC Business | 1,389 | 3,673 | -62% |
| Deep Sea Port Business | 211 | 294 | -28% |
| Engineering & Maintenance Service Business | 78 | 93 | -16% |
| Iron and Steel Making Business | (164) | (83) | -98% |
| Elimination of Related Parties Transaction | (108) | 99 | |
| Profit/(Loss) | | | |
| Consolidated | (981) | 2,446 | -140% |
| HRC Business | (444) | 2,209 | -120% |
| Deep Sea Port Business | 109 | 181 | -40% |
| Engineering & Maintenance Service Business | 26 | 37 | -30% |
| Iron and Steel Making Business | (567) | (83) | -583% |
| Elimination of Related Parties Transaction | (53) | 188 | |
| Non-Controlling Interest | (52) | (86) | |

Note: Revenue of each business unit is shown as net revenue after deducting related parties transactions.

Consolidated EBITDA and EBITDA of Iron and Steel Making Business were calculated from net profit which included gain from business acquisition.

TCRSS and Redcar Bulk Terminal Limited were recorded under equity method.

Table 2: Performance Highlight of SSI

| Unit: USD per Ton | 2011 | 2010 | +/- |
|----------------------------|-----------|-----------|------|
| | Jan - Dec | Jan - Dec | YoY |
| HRC Business | | | |
| Average Selling Price | 769 | 663 | +16% |
| Average Cost of Goods Sold | 730 | 616 | +19% |
| HRC Spread | 129 | 118 | +9% |
| HRC EBITDA | 29.4 | 51 | -42% |
| Sale Volume (k tons) | 1,571 | 2,241 | -30% |
| Production Volume (k tons) | 1,564 | 2,233 | -30% |

Table 3: Performance Highlight of SSI UK

| Unit: USD per Ton | 2011 | | | 2011 |
|----------------------------|--------|--------|--------|--------|
| | Q4 | Q3 | Q2 | |
| Coke Business | | | | |
| Average Selling Price | 373 | 388 | 465 | 384 |
| Average Raw Material Cost | 380 | 386 | 451 | 387 |
| COKE Spread | (7.5) | 1.8 | 13.7 | (3.1) |
| COKE EBITDA | (65.9) | (45.8) | (21.6) | (56.5) |
| Sale Volume (k tons) | 418 | 224 | 44 | 686 |
| Production Volume (k tons) | 407 | 425 | 421 | 1,252 |

Performance

Total Revenue and Sale and Service Revenue

In year 2011, the Company and its subsidiaries recorded a total sale and service revenue of Baht 47,975 million, a slight decreased of 0.2% from year 2010, although revenue in HRC business decreased by Baht 10,086 million or 21% YoY, there was an increase in revenue from Iron and Steel Making business of Baht 9,936 million. Moreover, in year 2011, the Company and its subsidiaries recorded scrap sales of Baht 706 million, sale and service revenues from subsidiaries of Baht 340 million, gain from business acquisition of Baht 5,271 million and other incomes of Baht 60 million, totaling Baht 53,306 million in total income for the year.

In 2010, the Company and its subsidiaries recorded revenue from HRC sale of Baht 47,086 million, revenue from scrap sales of Baht 699 million, sale and service revenue from subsidiaries of Baht 305 million, gain on exchange of Baht 204 million and other incomes of Baht 38 million, totaling Baht 48,332 million in total income for 2010.

HRC Business recorded 1.57 million tons sale with average selling price of Baht 23,548 per ton (approximately USD 769 per ton), with total HRC sale revenue of Baht 36,993 million and the scrap sale revenue of Baht 706 million. HRC sale revenue decreased 21% YoY due to 30% lower sales volume resulting from Great East Japan Earthquake at the end of Q1/2011, Thailand Floods in Q4/2011 together with HRC and CRC market dumping from China, Malaysia and South Korea.

Iron and Steel Making Business was still in the process of preparation for the restart of slabs production. Without revenue from sales of slabs, the core revenues were from 686 k tons of coke sales. Total revenue from coke sales, tolling of coke production, by-products and other revenues totaled Baht 9,936 million. In this year, the Iron and Steel Making Business recorded gain from business acquisition of Baht 5,271 million.

Deep Sea Port Business recorded service revenue from other customers excluding the Company and its subsidiaries of Baht 135 million, 25% lower YoY due to lower in throughput especially steel products compared to the last year.

Engineering and Maintenance Service Business recorded service revenue from other customers excluding the Company and its subsidiaries of Baht 204 million, an increase 63% YoY, as a result of increasing in revenues from several group of customers including 1) Project for customer in paper industry i.e. Thai Kraft Paper Industry Company Limited, TPI Polene Bio Organics Company Limited, and Thaicane Paper Public Company Limited (Kanchanaburi Mill) and 2) Metal structure and machinery installation service for foreign customer i.e. SMS INNSE S.p.A., HOWDEN UK Limited and HOWDEN AUSTRALIA PTY LTD.

Cost of Sale and Service

The Company and its subsidiaries recorded cost of sale and service of Baht 49,638 million, 13% increasing YoY consisting of cost of sale and service of Baht 48,554 million and the provision for decline in value of inventory of Baht 1,084 million.

HRC Business recorded cost of sale and service of Baht 35,910 million, decreasing 19% YoY due to lower sales volume by 30% YoY. Total cost of sale and service comprised of cost of sale for HRC of Baht 35,084 million and for scrap of Baht 411 million and a provision for decline in value of inventories of Baht 415 million. Average COGS per ton of HRC was USD 730 per ton increasing from USD 616 per ton in year 2010, mainly attributable to lower production volume of 30% YoY and higher raw material cost of 18% YoY.

Iron and Steel Making Business recorded cost of sale and service of Baht 13,643 million which included (1) coke operational expenses of Baht 11,656 million as a result of increasing in coking coal cost due to the impact of Queensland Flood at the beginning of the year together with the provision for decline in value of inventories of Baht 668 million and (2) expenses relating to non-operating assets of Baht 1,987 million.

Gross Profit

The Company and its subsidiaries recorded a gross loss of Baht 1,663 million, decrease from a gross profit of Baht 3,978 million in year 2010.

HRC Business recorded a gross profit of Baht 1,789 million, decreasing 51% YoY due to lower sales volume of 30% YoY while HRC spread of USD 129 per ton was 9% higher YoY.

Iron and Steel Making Business recorded a gross loss of Baht 3,707 million as a result of negative Coke Spread of USD 3.1 per ton due to declining selling price as a result of EU crisis while the coking coal cost rose as a result of Queensland Flood and other reasons as mentioned above.

Selling and Administrative Expense (SG&A)

The Company and its subsidiaries recorded SG&A of Baht 1,955 million, increasing 90% YoY.

HRC Business recorded SG&A of Baht 612 million, decreasing 28% YoY due to the decrease in selling expenses from Baht 504 million to Baht 214 million from 30% YoY decrease in sales volume. Such SG&A included the Iron and Steel Making Business acquisition transaction related expenses in year 2011 of approximately Baht 90 million.

Iron and Steel Making Business recorded SG&A of Baht 1,251 million, which included business rate, insurance premium, transportation cost and acquisition transaction expenses. The acquisition transaction related expenses of approximately Baht 400 million was recorded in year 2010.

Provision for loss under onerous contracts

At the end of year 2011, the Company and its subsidiaries recorded provision for loss under onerous contracts of Baht 311 million. The whole amount was related to Iron and Steel Making business to reflect softer current raw material prices.

Earning before interest, tax, depreciation and amortization (EBITDA)

The Company and its subsidiaries recorded EBITDA of Baht 1,405 million, decreasing by 66% YoY.

HRC Business recorded EBITDA of Baht 1,389 million decreasing 62% YoY due to the decline in sale volume by 30% YoY resulting to the decreasing in HRC EBITDA per ton to Baht 884 per ton (approximately USD 29.4 per ton), a decrease 46% YoY.

Iron and Steel Making Business recorded negative EBITDA of Baht 164 million as a result of loss from coke sales and tolling of coke production together with the expenses from the non-operating assets.

Interest Expense

The Company and its subsidiaries recorded interest expense of Baht 1,969 million, increasing 138% YoY.

HRC Business recorded interest expense of Baht 1,321 million, increasing 65% YoY due to increase in short term loan used for raw materials procurement, increase in long term loan for the acquisition and high costs from entering into the interest rate swap contract.

Iron and Steel Making Business recorded interest expenses of Baht 631 million accrued on the short term loan used for raw materials procurement, the subordinated bridging loan and the long term loan from financial institutions for SSI UK Restart Project.

Others

The Company and its subsidiaries recorded its share of loss from jointly controlled entities under equity method of

Baht 130 million, decreasing from share of profit of Baht 206 million due to the fair value adjustment of investment in Redcar Bulk Terminal Limited and the share of loss from Cold Rolled Coil business.

Cold Rolled Coil Business with shipment volume of 441 k tons, recorded sale revenue of Baht 13,464 million, decreasing 25% YoY. Net profit was Baht 332 million, decreasing 55% YoY as a result of lower sale volume and the higher of LPG and fuel cost led to higher production cost per ton.

Profit/(Loss)

The Company and its subsidiaries recorded net loss of Baht 981 million, decreasing 140% YoY.

HRC business recorded net loss of Baht 444 million due to the reasons mentioned above, decreasing from net profit of Baht 2,209 million in year 2010. Such loss included realized FX loss of Baht 136 million and unrealized FX loss of Baht 128 million.

Iron and Steel Making business recorded net loss of Baht 567 million which included gain from business acquisition. Main reason of net loss are detailed as mentioned above.

In year 2011, the Company and its subsidiaries had negative net profit margin of 1.74%, negative return on assets of 1.44, negative return on equity of 4.14 and net loss per share of Baht 0.06.

Financial Status

Assets

Total assets of the Company and its subsidiaries as at 31 December 2011 increased by Baht 43,871 million from total assets as at 31 December 2010 or increasing 103% YoY. The increase in total assets came from the investment in subsidiary, which acquired the Iron and Steel Making Business in United Kingdom, and the consolidation of assets of such subsidiary (SSI UK) into the consolidated financial statement. The details of assets proportion are shown follows:

| | 31 Dec 2011 | | 31 Dec 2010 | | 31 Dec 2009 | |
|---|---------------|------------|---------------|------------|---------------|------------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Trade and Notes Receivable | 5,240 | 6 | 2,963 | 7 | 2,875 | 7 |
| Inventories | 25,178 | 29 | 14,205 | 33 | 14,169 | 33 |
| Property, Plant and Equipment | 50,149 | 58 | 20,293 | 48 | 21,252 | 50 |
| Investment in Jointly-controlled Entities | 4,683 | 5 | 4,045 | 10 | 3,839 | 9 |
| Other Assets | 1,114 | 2 | 987 | 2 | 639 | 1 |
| Total Assets | 86,364 | 100 | 42,493 | 100 | 42,773 | 100 |

Trade and Notes Receivable as at 31 December 2011 totaled Baht 5,240 million, increased by 77% YoY due to the increase in account receivable of subsidiary (SSI UK) as at 31 December 2011. There was a provision of Doubtful Debt for past-due accounts over 6 months in the amount of Baht 284 million.

Raw materials, finished goods, and work-in-process as at 31 December 2011 amounted to Baht 25,178 million, an increase of 77% YoY due to the increase in both the Company's and SSI UK's inventory, comprising of Baht 13,248 million of raw materials (slabs, coking coal and coke), increased by 189% YoY, Baht 4,858 million of raw materials in transit (slabs), increased by 69% YoY,

Baht 5,966 million of finished goods and work-in-process (HRC and PO), increased by 4% YoY, and Baht 2,411 million of tools and spare parts, increased 90% YoY. A total of Baht 1,306 million of allowance for decline in value was taken against the inventories as of the end of year 2011.

Property, plant and equipment increased by 147% from figures as at the end of year 2010 due to the transfer of assets and business of subsidiary in United Kingdom.

Liabilities and Sources of Fund

The proportion of liabilities and equity of the Company and subsidiaries can be summarized as follows:

| | 31 Dec 2011 | | 31 Dec 2010 | | 31 Dec 2009 | |
|---|---------------|------------|---------------|------------|---------------|------------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| O/D and S/T Loan from Financial Institution | 22,839 | 26 | 12,571 | 30 | 12,933 | 30 |
| Trade Account Payable | 10,685 | 12 | 3,157 | 7 | 3,760 | 9 |
| L/T Loan | 21,048 | 25 | 6,352 | 15 | 7,890 | 18 |
| Environmental Liabilities and others | 1,526 | 2 | - | - | - | - |
| Tax Obligations arising from the Assets Valuation | 2,621 | 3 | - | - | - | - |
| Other Liabilities | 2,697 | 3 | 538 | 1 | 435 | 1 |
| Equity | 24,948 | 29 | 19,875 | 47 | 17,755 | 42 |
| Total Liabilities and Equity | 86,364 | 100 | 42,493 | 100 | 42,773 | 100 |

Total liabilities of the Company and its subsidiaries as at 31 December 2011 amounted to Baht 61,416 million, an increase of 172% from as at the end of year 2010, the majority of which was from short term borrowings from financial institutions and trade payable. The Company and its subsidiaries had a total outstanding as at 31 December 2011 of Baht 43,887 million comprising of, Baht 22,839 million of short term borrowings to support the increase in raw material purchase of the Company and SSI UK and general working capital requirement, Baht 1,423 million of current portion of long term borrowings, and Baht 19,625 million of long term borrowings. Furthermore, as SSI UK has been undertaking SSI UK Restart Project, the borrowing amount had been increasing. A portion of the funds for the SSI UK Restart Project was provided by subordinated bridging loan from the Company's shareholder; this was to be replaced by the equity injection from the Company under the fund raising process, and the remaining of USD 90 million was obtained from an additional bank loan facility, which will have a 2-year grace period and quarterly installments over a period of 4 to 7 years.

As at 31 December 2011, the Company received the working capital credit facility from domestic financial institution of Baht 17,905 million in form of Letter of Credit, Trust Receipt, Promissory Note, discounted Bills of Exchange, Packing Credit, Bank Overdraft and Bank Guarantee. The Company recorded the provisions of Baht 4,717 million, increased 100% from as at the end of year 2010, mainly from the estimated liabilities incurred from the fair value adjustment of investment in subsidiary in United Kingdom consisting of tax obligation from assets valuation and environmental liabilities and others.

As at 31 December 2011, the Company and its subsidiaries recorded shareholders' equity of Baht 24,096 million, increased 12.2% compared to as at 31 December 2010 due to the capital increase which proceed was used for investment in the subsidiary (SSI UK) of 5,083 million shares totaling Baht 6,099 million. The Company had an unappropriated retained earnings as at 31 December 2011 of Baht 201 million, decreasing from

an unappropriated retain earnings as at 31 December 2010 of Baht 1,098 million due to the net loss from operation in year 2011 of Baht 981 million and the impact from the change in accounting policy on employee benefit of Baht 117 million. The Company and its subsidiaries had debt to equity ratio of 2.46 times, increasing from 1.14 times as at 31 December 2010 and the interest bearing debt to equity ratio of 1.82 times, increasing from 0.95 times as at 31 December 2010 resulting from the increase in borrowings from financial institutions and trade payable as mentioned above.

Liquidity

1. Cashflow

In year 2011, the Company and its subsidiaries had a decrease in net cash balance of Baht 23 million as follow;

1.1 Net cash used in operating activities of Baht 3,313 million comprised of cash outflow from operation of Baht 1,990 million which included net loss of Baht 929 million of the Company and its subsidiaries resulting from the aforementioned reasons, cash outflows from changes in operating assets and liabilities of Baht 1,323 million as a result of an increase in trade account receivable and a decrease in trade account payable.

1.2 Net cash used in investing activities in the amount of Baht 26,899 million mainly came from the transfer of assets relating to the business acquisition of subsidiary (SSI UK) and payments for construction work relating to the SSI UK Restart Project.

1.3 Net cash received in financing activities of Baht 30,189 million mainly by the borrowings from financial institutions of Baht 25,305 million and the capital increase of Baht 6,099 million raised for the purpose of investment in subsidiary (SSI UK).

2. Liquidity Ratios

The Company and its subsidiaries had lower liquidity in 2011 compared to 2010 by having lower current ratio, higher collection period and slightly lower inventory turnover as follow;

| | 2011 | 2010 | 2009 |
|--------------------------|------|------|------|
| Current Ratio (times) | 0.84 | 0.98 | 0.93 |
| Collection Period (days) | 33 | 24 | 37 |
| Inventory Period (days) | 43 | 44 | 53 |

Current Ratio as at the end of year 2011 was at 0.84 times compared to 0.98 times as at the end of year 2010 as a result of the increase of 106% in current liabilities whereas current assets increased by 77%. The increases in current liabilities are from (1) short term borrowings from financial institutions to fund raw material procurements and current portion of interest bearing debt increased by 77%, resulting from the Company's and SSI UK's increased borrowings wherein the Company utilized short-term loans to fund slabs purchases and SSI UK drew on short-term loans to fund purchases of coal for coke production and purchases of iron ore and other raw materials to be consumed when steel production starts at the beginning of year 2012; and (2) trade payable increased by 238% due to the increase in raw material procurements by the Company at the end of the year while the sale volume in Q4/2011 fell significantly short of the expectation as a result of impact from Thailand Flood; however, the market condition was expected to improve in Q1/2012 which would help reduce the inventory level and the outstanding liabilities in both (1) and (2). Additionally, (3) the increase in short-term Subordinated Bridging Loan of USD 50 million from the Company's shareholders was

used to fund the SSI UK Restart Project in the interim period until the fund raising plan of the Company is completed and the planned equity injection into SSI UK is actually made. Such equity injection will be used to repay such Subordinated Bridging Loan. Lastly, amounts not yet due for payments to contractors and suppliers relating to the SSI UK Restart Project in an amount of Baht 713 million were intended to be paid with proceeds from drawings under long-term loan which had been secured for this purpose; hence, these current liabilities would be reduced and replaced with long-term funding or equity.

Share Prices

During 2011, the Company's share price ("SSI") reached its lowest price at Baht 0.56 per share on 5 October 2011, and highest price at Baht 1.52 per share on 18 January 2011. The average trading volume was 65.17 million shares and average trading value of Baht 72.17 million. The average share price for the year 2011 was Baht 1.11 per share. On 31 December 2011, the share price was closed at Baht 0.71 per share.

Audit Report of Certified Public Accountant

To the Shareholders of Sahaviriya Steel Industries Public Company Limited

I have audited the accompanying consolidated and separate statements of financial position as at 31 December 2011, and the related consolidated and separate statements of income and statements of comprehensive income and the related consolidated and separate statements of changes in equity and cash flows for the year then ended of Sahaviriya Steel Industries Public Company Limited, its subsidiaries, and its jointly-controlled entities, and of Sahaviriya Steel Industries Public Company Limited (“the Company”), respectively. The Company’s management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated and separate financial statements of Sahaviriya Steel Industries Public Company Limited its subsidiaries, and its jointly-controlled entities, and of Sahaviriya Steel Industries Public Company Limited (“the Company”), respectively, for the year ended 31 December 2010 were audited by another auditor whose report dated 23 February 2011 expressed an unqualified opinion on those statements. Her report included an emphasis paragraph on matters relating to the Company’s dependence on related party sales and the outstanding balance due from such related parties. The Group has adopted certain new and revised financial reporting standards with effect from 1 January 2011. The consolidated and separate financial statements for the year ended 31 December 2010 have been restated accordingly as explained in Notes 2, 3 and 18 to the accompanying financial statements. I have audited the adjustments that were applied to the restatement of those financial statements and in my opinion those adjustments are appropriate and have been properly applied.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial positions as at 31 December 2011 and the results of operations and cash flows for the year then ended of Sahaviriya Steel Industries Public Company Limited its subsidiaries, and its jointly-controlled entities, and of Sahaviriya Steel Industries Public Company Limited (“the Company”), respectively, in accordance with Financial Reporting Standards.

Without qualifying the audit conclusion in respect of the above financial statements, I draw attention to the followings:

a) as disclosed in Note 6 to the financial statements, during the year ended 31 December 2011, the Company sold goods to related parties in the normal course of business totaling Baht 30,458 million which represented 81 percent of the Company’s total sales (2010: Baht 37,543 million which represented 79 percent of the Company total sales). As at 31 December 2011, the outstanding trade accounts receivable from those related parties amounted to Baht 2,884 million (2010: Baht 2,515 million).

b) as disclosed in Note 5 to the accompanying financial statements, following the completion of a business combination on 24 March 2011 by a subsidiary, Sahaviriya Steel Industries UK Limited ("SSI UK"), gain on business acquisition of Baht 5,271 million has been recorded in the consolidated statement of income for year ended 31 December 2011. This amount was determined based on the assessed fair values of assets acquired and liabilities assumed.

c) as disclosed in Notes 2, 5 and 15 to the accompanying financial statements, the Group incurred a net loss of Baht 929 million during the year ended 31 December 2011 (2010: net profit of Baht 2,531 million) and, as of that date, the Group's current liabilities exceeded current assets by Baht 4,641 million (2010: Baht 401 million), excluding subordinated loan from a related company of Baht 1,410 million in 2011. As at 31 December 2011, the Group had Baht 475 million and USD 81 million of undrawn credit facilities, has implemented policies and procedures in an attempt to manage its liquidity risk and other circumstances including breach (and the lender waiver of such breach) of loan covenants and the identification of a funding gap. Such circumstances would otherwise have given uncertainty on the sustainability of the Group's funding structure.

Group management is satisfied the Group will continue to meet its funding needs for the foreseeable future. The consolidated financial statements of the Group have been prepared by Group management on the going concern basis on the assumption that such further capital and facilities are secured to the extent which the Group's operations require (the funding needs of which are highly dependent on global commodity price movements).



(Sureerat Thongarunsang)

Certified Public Accountant

Registration No. 4409

KPMG Phoomchai Audit Ltd.

Bangkok

27 February 2012

Statements of Financial Position

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
As at 31 December 2011 and 2010

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|-------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | | 2011 | 2010 (Restated) | 2011 | 2010 (Restated) |
| Unit: Baht | | | | | |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 7 | 168,972,867 | 169,356,111 | 27,365,829 | 58,335,112 |
| Trade accounts receivable | 6, 8 | 5,239,820,058 | 2,962,022,682 | 2,910,740,874 | 2,918,554,285 |
| Other accounts receivable from related parties | 6 | 657,303 | 935,423 | 801,943,433 | 1,508,016 |
| Inventories | 5, 9 | 25,177,544,379 | 14,204,920,506 | 19,514,776,539 | 14,204,919,771 |
| Other current assets | | 855,790,879 | 441,947,463 | 333,214,798 | 431,814,285 |
| Total current assets | | 31,442,785,486 | 17,779,182,185 | 23,588,041,473 | 17,615,131,469 |
| Non-current assets | | | | | |
| Advance paid to related parties | 6 | - | - | - | 381,622,272 |
| Investments in subsidiaries | 10 | - | - | 12,534,552,269 | 325,651,337 |
| Investments in jointly-controlled entities | 11 | 4,683,313,931 | 4,045,305,773 | 4,502,797,025 | 4,502,797,025 |
| Other long-term investment | 12 | - | - | - | - |
| Deposit for asset acquisition | 5 | - | 313,475,031 | - | - |
| Deposit for purchase of assets | | 20,248,305 | - | - | - |
| Property, plant and equipment | 5, 13 | 50,148,668,232 | 20,292,616,492 | 17,513,577,566 | 18,100,614,309 |
| Intangible assets | 14 | 40,221,191 | 45,073,187 | 39,896,584 | 44,656,167 |
| Other non-current assets | | 28,419,083 | 16,907,377 | 6,780,012 | 6,456,179 |
| Total non-current assets | | 54,920,870,742 | 24,713,377,860 | 34,597,603,456 | 23,361,797,289 |
| Total assets | | 86,363,656,228 | 42,492,560,045 | 58,185,644,929 | 40,976,928,758 |

The accompanying notes are an integral part of the financial statements.

Statements of Financial Position (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
As at 31 December 2011 and 2010

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|-------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | | 2011 | 2010 (Restated) | 2011 | 2010 (Restated) |
| Unit: Baht | | | | | |
| Liabilities and equity | | | | | |
| Current liabilities | | | | | |
| Bank overdrafts and short-term loans | | | | | |
| from financial institutions | 15 | 22,838,581,474 | 12,570,950,796 | 16,683,917,377 | 12,562,950,796 |
| Trade accounts payable | 6, 16 | 10,684,521,525 | 3,157,498,744 | 6,363,294,173 | 3,143,045,667 |
| Other accounts payable and short-term loans | | | | | |
| from related parties | 6, 15 | 1,458,949,484 | 41,591,555 | 35,499,101 | 69,883,622 |
| Current portion of long-term loans | | | | | |
| from financial institutions | 15 | 1,422,914,092 | 1,917,784,119 | 1,282,304,137 | 1,811,800,000 |
| Current portion of finance lease liabilities | 15 | 4,647,669 | 7,532,397 | - | - |
| Current portion of hire purchase liabilities | 15 | 5,589,442 | 3,004,314 | 4,737,588 | 2,184,696 |
| Provision for onerous contracts | 31 | 315,843,658 | - | - | - |
| Short-term provisions | | 11,835,195 | 11,835,195 | 11,835,195 | 11,835,195 |
| Income tax payable | | - | 1,455,267 | - | - |
| Other current liabilities | 17 | 751,375,558 | 468,358,635 | 238,369,964 | 434,779,793 |
| Total current liabilities | | 37,494,258,097 | 18,180,011,022 | 24,619,957,535 | 18,036,479,769 |
| Non-current liabilities | | | | | |
| Long-term loans from financial institutions | 15 | 19,625,144,398 | 4,433,854,153 | 9,497,288,403 | 4,185,050,000 |
| Finance lease liabilities | 15 | 9,498,879 | 126,397 | - | - |
| Hire purchase liabilities | 15 | 6,011,096 | 3,133,634 | 5,143,605 | 2,321,261 |
| Employee benefit obligations | 3, 18 | 133,328,397 | - | 95,470,245 | - |
| Environmental liabilities and others | 5 | 1,526,241,220 | - | - | - |
| Tax obligations arising from the assets valuation | 5 | 2,621,388,314 | - | - | - |
| Total non-current liabilities | | 23,921,612,304 | 4,437,114,184 | 9,597,902,253 | 4,187,371,261 |
| Total liabilities | | 61,415,870,401 | 22,617,125,206 | 34,217,859,788 | 22,223,851,030 |

The accompanying notes are an integral part of the financial statements.

Statements of Financial Position (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
As at 31 December 2011 and 2010

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | | 2011 | 2010 (Restated) | 2011 | 2010 (Restated) |
| Unit: Baht | | | | | |
| Liabilities and equity (continued) | | | | | |
| Equity | | | | | |
| Share capital | | | | | |
| Authorised share capital | 19 | 20,434,108,235 | 13,101,500,000 | 20,434,108,235 | 13,101,500,000 |
| Issued and paid-up share capital | 19 | 18,184,108,235 | 13,101,280,000 | 18,184,108,235 | 13,101,280,000 |
| Discount on ordinary shares issuance | 19 | (1,238,241,813) | (2,171,280,000) | (1,238,241,813) | (2,171,280,000) |
| Unrealised fair value changes and asset revaluation differences | 13 | 5,986,592,996 | 6,275,434,514 | 5,783,502,031 | 6,054,479,680 |
| Currency translation differences | | 432,569,792 | (533,938) | - | - |
| Retained earnings | | | | | |
| Appropriated | | | | | |
| Legal reserve | | 530,226,819 | 530,226,819 | 530,226,819 | 530,226,819 |
| Unappropriated | | 200,501,831 | 1,298,287,721 | 708,189,869 | 1,238,371,229 |
| Total equity attributable to equity owners of the Company | | 24,095,757,860 | 19,033,415,116 | 23,967,785,141 | 18,753,077,728 |
| Non-controlling interests | | 852,027,967 | 842,019,723 | - | - |
| Total equity | | 24,947,785,827 | 19,875,434,839 | 23,967,785,141 | 18,753,077,728 |
| Total liabilities and equity | | 86,363,656,228 | 42,492,560,045 | 58,185,644,929 | 40,976,928,758 |

The accompanying notes are an integral part of the financial statements.

Statements of Income

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
For the years ended 31 December 2011 and 2010

| | Unit: Baht | Note | Consolidated financial statements | | Separate financial statements | |
|---|------------|-------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | | | 2011 | 2010 (Restated) | 2011 | 2010 (Restated) |
| Income | | | | | | |
| Revenue from sale of goods | | 6 | 47,643,504,597 | 47,790,932,300 | 37,699,487,383 | 47,784,950,101 |
| Revenue from rendering of services | | 6 | 331,185,862 | 298,663,667 | - | - |
| Net foreign exchange gain | | | - | 204,095,785 | - | 188,996,343 |
| Dividend income | | | - | - | 43,929,739 | 25,500,000 |
| Gain on business acquisition | | 5 | 5,271,236,412 | - | - | - |
| Other income | | 6 | 60,478,891 | 37,851,919 | 55,339,958 | 39,251,867 |
| Total income | | | 53,306,405,762 | 48,331,543,671 | 37,798,757,080 | 48,038,698,311 |
| Expenses | | | | | | |
| Cost of sale of goods | | 6 | 49,399,049,885 | 43,944,594,068 | 35,910,316,173 | 44,156,622,985 |
| Cost of rendering of services | | 6 | 238,999,826 | 167,691,571 | - | - |
| Selling expenses | | 6, 22 | 213,952,934 | 503,215,725 | 213,991,046 | 504,371,595 |
| Administrative expenses | | 6, 23 | 1,637,862,989 | 443,888,520 | 340,344,633 | 283,056,858 |
| Management benefit expenses | | 6, 24 | 103,447,575 | 80,484,627 | 57,328,432 | 62,310,168 |
| Net foreign exchange loss | | | 529,779,897 | - | 263,895,666 | - |
| Provision for loss under onerous contracts | | 31 | 311,046,385 | - | - | - |
| Finance costs | | 26 | 2,209,908,160 | 848,304,528 | 1,456,763,654 | 823,245,384 |
| Total expenses | | | 54,644,047,651 | 45,988,179,039 | 38,242,639,604 | 45,829,606,990 |
| Share of profit (loss) of equity-accounted investees | | | | | | |
| Jointly-controlled entities | | 11 | (129,615,413) | 206,453,858 | - | - |
| Profit (loss) before income tax expense | | | (1,467,257,302) | 2,549,818,490 | (443,882,524) | 2,209,091,321 |
| Reversal of income tax expense (expenses) | | 27 | 538,591,052 | (18,383,103) | - | - |
| Profit (loss) for the year | | | (928,666,250) | 2,531,435,387 | (443,882,524) | 2,209,091,321 |
| Profit (loss) attributable to: | | | | | | |
| Owners of the Company | | | (980,773,237) | 2,445,810,868 | (443,882,524) | 2,209,091,321 |
| Non-controlling interests | | | 52,106,987 | 85,624,519 | - | - |
| Profit (loss) for the year | | | (928,666,250) | 2,531,435,387 | (443,882,524) | 2,209,091,321 |
| Earnings (loss) per share | | | | | | |
| Basic earnings (loss) per share | | 29 | (0.06) | 0.19 | (0.03) | 0.17 |

The accompanying notes are an integral part of the financial statements.

Statements of Comprehensive Income

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
For the years ended 31 December 2011 and 2010

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2011 | 2010 (Restated) | 2011 | 2010 (Restated) |
| Unit: Baht | | | | | |
| Profit (loss) for the year | | (928,666,250) | 2,531,435,387 | (443,882,524) | 2,209,091,321 |
| Other comprehensive income | | | | | |
| Foreign currency translation differences | | | | | |
| for foreign operations | | 433,103,730 | (533,938) | - | - |
| Revaluation of property, plant and equipment | 13 | (303,548,047) | (386,070,661) | (270,977,649) | (353,160,535) |
| Other comprehensive income for the year | | 129,555,683 | (386,604,599) | (270,977,649) | (353,160,535) |
| Total comprehensive income for the year | | (799,110,567) | 2,144,830,788 | (714,860,173) | 1,855,930,786 |
| Total comprehensive income (loss) attributable to: | | | | | |
| Owners of the Company | | (836,511,025) | 2,073,912,798 | (714,860,173) | 1,855,930,786 |
| Non-controlling interests | | 37,400,458 | 70,917,990 | - | - |
| Total comprehensive income (loss) for the year | | (799,110,567) | 2,144,830,788 | (714,860,173) | 1,855,930,786 |

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Equity

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
For the years ended 31 December 2011 and 2010

| | Consolidated financial statements | | | | | | | | | |
|--|-----------------------------------|-----------------|-------------------|--------------------------|----------------------------------|---------------------|----------------------------------|--|---------------------------|----------------|
| | Issued and paid-up share capital | Share discount | Retained earnings | | Other components of equity | | | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
| | | | Legal reserve | Unappropriated (deficit) | Currency translation differences | Revaluation surplus | Total other components of equity | | | |
| | | | | | | | | | | |
| | (Restated) | | | | | | | | | |
| Balance at 1 January 2010 | 13,101,280,000 | (2,171,280,000) | 441,796,917 | (1,059,093,245) | - | 6,646,798,646 | 6,646,798,646 | 16,959,502,318 | 795,601,733 | 17,755,104,051 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | (24,500,000) | (24,500,000) |
| Comprehensive income for the year | | | | | | | | | | |
| Profit | - | - | - | 2,445,810,868 | - | - | - | 2,445,810,868 | 85,624,519 | 2,531,435,387 |
| Other comprehensive income | - | - | - | - | (533,938) | (371,364,132) | (371,898,070) | (371,898,070) | (14,706,529) | (386,604,599) |
| Total comprehensive income for the year | - | - | - | 2,445,810,868 | (533,938) | (371,364,132) | (371,898,070) | 2,073,912,798 | 70,917,990 | 2,144,830,788 |
| Transfer to legal reserve | - | - | 88,429,902 | (88,429,902) | - | - | - | - | - | - |
| Balance at 31 December 2010 | 13,101,280,000 | (2,171,280,000) | 530,226,819 | 1,298,287,721 | (533,938) | 6,275,434,514 | 6,274,900,576 | 19,033,415,116 | 842,019,723 | 19,875,434,839 |

Unit: Baht

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Equity (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
For the years ended 31 December 2011 and 2010

| Consolidated financial statements | | | | | | | | | | | |
|-----------------------------------|-------|----------------------------------|-----------------|-------------------|--------------------------|----------------------------------|---------------------|----------------------------------|--|---------------------------|----------------|
| Unit: Baht | Note | Issued and paid-up share capital | Share discount | Retained earnings | | Other components of equity | | | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
| | | | | Legal reserve | Unappropriated (deficit) | Currency translation differences | Revaluation surplus | Total other components of equity | | | |
| | | 13,101,280,000 | (2,171,280,000) | 530,226,819 | 1,298,287,721 | (533,938) | 6,275,434,514 | 6,274,900,576 | 19,033,415,116 | 842,019,723 | 19,875,434,839 |
| | 3 (e) | - | - | - | (117,012,653) | - | - | - | (117,012,653) | (2,892,197) | (119,904,850) |
| | | 13,101,280,000 | (2,171,280,000) | 530,226,819 | 1,181,275,068 | (533,938) | 6,275,434,514 | 6,274,900,576 | 18,916,402,463 | 839,127,526 | 19,755,529,989 |
| | 19 | 5,082,828,235 | - | - | - | - | - | - | 5,082,828,235 | - | 5,082,828,235 |
| | 19 | - | 933,038,187 | - | - | - | - | - | 933,038,187 | - | 933,038,187 |
| | | - | - | - | - | - | - | - | - | (24,500,017) | (24,500,017) |
| | | - | - | - | (980,773,237) | - | - | - | (980,773,237) | 52,106,987 | (928,666,250) |
| | | - | - | - | - | 433,103,730 | (288,841,518) | 144,262,212 | 144,262,212 | (14,706,529) | 129,555,683 |
| | | - | - | - | (980,773,237) | 433,103,730 | (288,841,518) | 144,262,212 | (836,511,025) | 37,400,458 | (799,110,567) |
| | | 18,184,108,235 | (1,238,241,813) | 530,226,819 | 200,501,831 | 432,569,792 | 5,986,592,996 | 6,419,162,788 | 24,095,757,860 | 852,027,967 | 24,947,785,827 |

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Equity (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
For the years ended 31 December 2011 and 2010

Unit: Baht

| | Separate financial statements | | | | | | | Total equity | |
|---|----------------------------------|-----------------|-------------------|--------------------------|----------------------------------|---------------------|----------------------------------|----------------|--|
| | Issued and paid-up share capital | Share discount | Retained earnings | | Other components of equity | | | | |
| | | | Legal reserve | Unappropriated (deficit) | Currency translation differences | Revaluation surplus | Total other components of equity | | |
| | | | | | | | | | |
| | (Restated) | | | | | | | | |
| Balance at 1 January 2010 | 13,101,280,000 | (2,171,280,000) | 441,796,917 | (882,290,190) | - | 6,407,640,215 | 6,407,640,215 | 16,897,146,942 | |
| Comprehensive income for the year | - | - | - | 2,209,091,321 | - | - | - | 2,209,091,321 | |
| Profit | - | - | - | 2,209,091,321 | - | - | - | 2,209,091,321 | |
| Other comprehensive income | - | - | - | - | - | (353,160,535) | (353,160,535) | (353,160,535) | |
| Total comprehensive income for the year | - | - | - | 2,209,091,321 | - | (353,160,535) | (353,160,535) | 1,855,930,786 | |
| Transfer to legal reserve | - | - | 88,429,902 | (88,429,902) | - | - | - | - | |
| Balance at 31 December 2010 | 13,101,280,000 | (2,171,280,000) | 530,226,819 | 1,238,371,229 | - | 6,054,479,680 | 6,054,479,680 | 18,753,077,728 | |

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Equity (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
For the years ended 31 December 2011 and 2010

| | Unit: Baht | Note | Separate financial statements | | | | | | | Total equity |
|--|------------|-------|----------------------------------|-----------------|-------------------|--------------------------|----------------------------------|---------------------|----------------------------------|----------------|
| | | | Issued and paid-up share capital | Share discount | Retained earnings | | Other components of equity | | | |
| | | | | | Legal reserve | Unappropriated (deficit) | Currency translation differences | Revaluation surplus | Total other components of equity | |
| Balance at 1 January 2011 - as reported | | | 13,101,280,000 | (2,171,280,000) | 530,226,819 | 1,238,371,229 | - | 6,054,479,680 | 6,054,479,680 | 18,753,077,728 |
| Impact of changes in accounting policies | | 3 (e) | - | - | - | (86,298,836) | - | - | - | (86,298,836) |
| Balance at 1 January 2011 - restated | | | 13,101,280,000 | (2,171,280,000) | 530,226,819 | 1,152,072,393 | - | 6,054,479,680 | 6,054,479,680 | 18,666,778,892 |
| Issue of ordinary shares | | 19 | 5,082,828,235 | - | - | - | - | - | - | 5,082,828,235 |
| Premium on ordinary shares | | 19 | - | 933,038,187 | - | - | - | - | - | 933,038,187 |
| Comprehensive income for the year | | | - | - | - | (443,882,524) | - | - | - | (443,882,524) |
| Loss | | | - | - | - | - | - | - | - | - |
| Other comprehensive income | | | - | - | - | - | (270,977,649) | (270,977,649) | (270,977,649) | (270,977,649) |
| Total comprehensive income for the year | | | - | - | - | (443,882,524) | - | (270,977,649) | (270,977,649) | (714,860,173) |
| Balance at 31 December 2011 | | | 18,184,108,235 | (1,238,241,813) | 530,226,819 | 708,189,869 | - | 5,783,502,031 | 5,783,502,031 | 23,967,785,141 |

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
For the years ended 31 December 2011 and 2010

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|--------------------|-------------------------------|--------------------|
| | | 2011 | 2010 (Restated) | 2011 | 2010 (Restated) |
| Unit: Baht | | | | | |
| Cash flows from operating activities | | | | | |
| Profit (loss) for the year | | (928,666,250) | 2,531,435,387 | (443,882,524) | 2,209,091,321 |
| Adjustments for | | | | | |
| Depreciation and amortisation | | 955,754,100 | 784,910,656 | 512,406,090 | 662,350,018 |
| Withholding tax written-off | | 927,231 | 2,220,911 | 927,231 | 882,576 |
| Finance costs | | 2,209,908,160 | 826,417,125 | 1,456,763,654 | 801,673,645 |
| Unrealised loss on exchange rate | | 28,145,996 | 36,149,193 | 128,384,355 | 49,619,805 |
| Allowance for decline in value of inventories | | 1,083,526,852 | 4,875,322 | 415,401,511 | 4,875,322 |
| Write-off inventories | | 2,339,250 | - | 2,339,250 | - |
| Employee benefit obligations | | 16,525,518 | - | 11,751,587 | - |
| Provision for loss under onerous contracts | | 311,046,385 | - | - | - |
| Loss on disposal of property, plant and equipment | | 10,808,901 | 2,151,924 | 11,860,030 | 2,851,405 |
| Share of (profit) loss of jointly-controlled entities, net of income tax | | 129,615,413 | (206,453,858) | - | - |
| Dividend income | | - | - | (43,929,739) | (25,500,000) |
| Gain on business acquisition | 5 | (5,271,236,412) | - | - | - |
| Income tax expense (reversal) | | (538,591,052) | 18,383,103 | - | - |
| | | (1,989,895,908) | 4,000,089,763 | 2,052,021,445 | 3,705,844,092 |

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
For the years ended 31 December 2011 and 2010

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2011 | 2010 (Restated) | 2011 | 2010 (Restated) |
| Unit: Baht | | | | | |
| Changes in operating assets and liabilities | | | | | |
| Trade accounts receivable | | (2,183,400,676) | (91,156,821) | 7,857,341 | (76,768,049) |
| Other accounts receivable from related parties | | 278,120 | 2,404,492 | (715,524,599) | 2,216,976 |
| Inventories | | (6,220,358,520) | (40,704,697) | (5,727,597,530) | (23,299,308) |
| Other current assets | | (332,316,781) | 76,881,363 | 98,645,569 | 80,873,036 |
| Other non-current assets | | (31,760,012) | (526,629) | (323,834) | 50,000 |
| Trade accounts payable | | 7,416,550,286 | (589,228,153) | 3,109,768,005 | (601,673,155) |
| Other accounts payable to related parties | | (25,821,332) | (5,165,289) | (34,384,521) | (16,004,858) |
| Other current liabilities | | 259,536,176 | 144,539,851 | (199,682,784) | 135,872,812 |
| Environment liabilities and others | | (184,378,134) | - | - | - |
| Cost of rendering of services | | (3,101,970) | - | (2,580,179) | - |
| Income tax paid | | (18,624,727) | (25,347,948) | (973,309) | (927,231) |
| Net cash provided by (used in) operating activities | | (3,313,293,478) | 3,471,785,932 | (1,412,774,396) | 3,206,184,315 |
| Cash flows from investing activities | | | | | |
| Investments in subsidiaries | | - | - | (11,895,425,900) | (395,034,273) |
| Investments in jointly-controlled entities | | (767,623,571) | - | - | (46,651,407) |
| Deposit for asset acquisition | | - | (313,475,031) | - | - |
| Purchases of property, plant and equipment | | (4,797,791,804) | (200,361,064) | (193,873,066) | (164,988,677) |
| Business acquisitions | 5 | (20,486,777,113) | - | - | - |
| Purchases of intangible assets | | (4,162,821) | (5,397,146) | (4,158,421) | (5,397,146) |
| Sales of property, plant and equipment | | 2,688,218 | 1,897,744 | 1,595,327 | 1,141,201 |
| Dividend income | | - | - | 43,929,739 | 25,500,000 |
| Currency translation differences | | (844,981,700) | - | - | - |
| Net cash used in investing activities | | (26,898,648,791) | (517,335,497) | (12,047,932,321) | (585,430,302) |

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
For the years ended 31 December 2011 and 2010

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|------------------------|-------------------------------|------------------------|
| | | 2011 | 2010 (Restated) | 2011 | 2010 (Restated) |
| Unit: Baht | | | | | |
| Cash flows from financing activities | | | | | |
| Proceeds from issue of ordinary shares | | 6,099,393,882 | - | 6,099,393,882 | - |
| Transaction costs from issue of shares | | (83,527,460) | - | (83,527,460) | - |
| Finance cost paid | | (2,032,053,279) | (835,028,776) | (1,414,725,179) | (810,142,750) |
| Increase (decrease) in bank overdrafts and short-term loans from financial institutions | | 10,232,712,609 | (411,153,554) | 4,086,048,512 | (391,222,322) |
| Proceeds from short-term loans from related parties | | 1,410,258,400 | - | - | - |
| Cash receipt from sale-leaseback of assets | | 15,278,325 | - | - | - |
| Finance lease payments | | (13,035,985) | (26,132,589) | (3,207,321) | (2,361,511) |
| Repayment of long term loans | | (7,007,598,938) | (1,908,654,810) | (6,864,575,000) | (1,726,750,000) |
| Proceeds from borrowings | | 22,079,996,095 | 370,000,000 | 11,790,830,000 | 340,000,000 |
| Expenses relating to borrowings | | (488,005,765) | - | (180,500,000) | - |
| Dividends paid | | (24,500,017) | (24,500,000) | - | - |
| Net cash provided by (used in) financing activities | | 30,188,917,867 | (2,835,469,729) | 13,429,737,434 | (2,590,476,583) |
| Net increase (decrease) in cash and cash equivalents | | (23,024,402) | 118,980,706 | (30,969,283) | 30,277,430 |
| Effect of exchange rate changes on balance held in foreign currency | | 22,641,158 | (533,938) | - | - |
| Cash and cash equivalents at 1 January | | 169,356,111 | 50,909,343 | 58,335,112 | 28,057,682 |
| Cash and cash equivalents at 31 December | | 168,972,867 | 169,356,111 | 27,365,829 | 58,335,112 |

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities
For the years ended 31 December 2011 and 2010

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorized for issue by the Board of Directors on 27 February 2012.

1. General information

Sahaviriya Steel Industries Public Company Limited (the "Company"), is incorporated in Thailand and has its registered office at 28/1 Prapawit Building, 2nd-3rd Floor, Surasak Road, Kwang Silom, Khet Bangrak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na Yai Ploy

Road, Tambon Mae Rumphueng, Amphur Bang Saphan, Prachuabkirkhan. The Company, its subsidiaries and its jointly-controlled entities are hereinafter collectively referred to as "the Group".

The Company was listed on the Stock Exchange of Thailand in September 1994.

The Company's major shareholders during the financial period were Sahaviriya Group Corporation Limited (36% shareholding, incorporated in Thailand) and Citibank Nominee Singapore Pte Ltd. (15% shareholding, incorporated in Singapore).

The principal businesses of the Company are manufacturing and distribution of hot rolled coils. Details of the Company's subsidiaries and jointly-controlled entities as at 31 December 2011 and 2010 were as follows:

| Name of the entity | Type of business | Country of incorporation | Ownership interest [%] | |
|---|--|--------------------------|------------------------|--------|
| | | | 2011 | 2010 |
| Direct subsidiaries | | | | |
| Prachuap Port Company Limited ("PPC") | Deep-sea port services | Thailand | 51.00 | 51.00 |
| West Coast Engineering Company Limited ("WCE") | Maintenance service | Thailand | 99.99 | 99.99 |
| Sahaviriya Steel Industries UK Limited ("SSI UK") | Integrated iron and Production of steel slab | United Kingdom | 100.00 | 100.00 |
| Jointly-controlled entities | | | | |
| <i>Direct holding</i> | | | | |
| Thai Cold Rolled Steel Sheet Public Company Limited ("TCR") | Producer of cold rolled coils | Thailand | 50.15 | 50.15 |
| <i>Indirect holding</i> | | | | |
| Redcar Bulk Terminal Limited ("Redcar") | Deep-sea port services | United Kingdom | 50.00 | - |

2. Basis of preparation of the interim financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS) and guidelines promulgated by the Federation of Accounting

Professions (“FAP”), applicable rules and regulations of the Thai Securities and Exchange Commission and with generally accepted accounting principles in Thailand.

During 2010 and 2011, the FAP issued the following new and revised TFRS relevant to the Group’s operations and effective for accounting periods beginning on or after 1 January 2011:

| TFRS | Topic |
|------------------------------|---|
| TAS 1 (revised 2009) | Presentation of Financial Statements |
| TAS 2 (revised 2009) | Inventories |
| TAS 7 (revised 2009) | Statement of Cash Flows |
| TAS 8 (revised 2009) | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 10 (revised 2009) | Events after the Reporting Period |
| TAS 11 (revised 2009) | Construction Contracts |
| TAS 16 (revised 2009) | Property, Plant and Equipment |
| TAS 17 (revised 2009) | Leases |
| TAS 18 (revised 2009) | Revenue |
| TAS 19 | Employee Benefits |
| TAS 23 (revised 2009) | Borrowing Costs |
| TAS 24 (revised 2009) | Related Party Disclosures |
| TAS 26 | Accounting and Reporting by Retirement Benefit Plans |
| TAS 27 (revised 2009) | Consolidated and Separate Financial Statements |
| TAS 28 (revised 2009) | Investments in Associates |
| TAS 29 | Financial Reporting in Hyperinflationary Economies |
| TAS 31 (revised 2009) | Interests in Joint Ventures |
| TAS 33 (revised 2009) | Earnings per Share |
| TAS 34 (revised 2009) | Interim Financial Reporting |
| TAS 36 (revised 2009) | Impairment of Assets |
| TAS 37 (revised 2009) | Provisions, Contingent Liabilities and Contingent Assets |
| TAS 38 (revised 2009) | Intangible Assets |
| TAS 40 (revised 2009) | Investment Property |
| TFRS 2 | Share-based Payment |
| TFRS 3 (revised 2009) | Business Combinations |
| TFRS 5 (revised 2009) | Non-current Assets Held for Sale and Discontinued Operations |
| TFRS 6 | Exploration for and Evaluation of Mineral Resources |
| TIC 31 | Revenue - Barter Transactions Involving Advertising Services |
| TFRIC 15 | Agreements for the Construction of Real Estate |
| FAP announcement no. 16/2554 | Disclosure Guidance on Related Party Transactions with Government |
| FAP announcement no. 17/2554 | Transitional Procedures for Other Long-term Employee Benefits |
| FAP announcement no. 18/2554 | Accounting Guidance on Revaluation of Assets |
| FAP announcement no. 19/2554 | Accounting Guidance for Condominiums |

The adoption of these new and revised TFRS has resulted in changes in the Group's accounting policies. The effects of these changes are disclosed in Note 3.

In addition to the above new and revised TFRS, the FAP has issued during 2010 a number of other new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in note 34.

(b) Presentation currency

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded to the nearest thousand unless otherwise stated.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

| | |
|---------|--|
| Note 5 | Acquisitions |
| Note 18 | Measurement of defined benefit obligations |
| Note 33 | Impact of severe flooding in Thailand |

Current operations

The Group incurred a net loss of Baht 929 million during the year ended 31 December 2011 (2010: net profit of Baht 2,531 million) and, as of that date, the Group's current liabilities exceeded current assets by Baht 4,641 million (2010: Baht 401 million), excluding a subordinated loan received from a related company of Baht 1,410 million.

On 24 March 2011, SSI UK which is a subsidiary of the Company completed the acquisition of the business of SSI Teesside (formerly known as Teesside Cast Products) for a cash consideration of USD 684 million (Baht 20,487 million). During the year ended 31 December 2011, the Company and SSI UK have entered into various long-term loan agreements, for Baht 23,900 million and USD 600 million, respectively, as a result of this acquisition and to support the revised restart plan.

At the acquisition date, the SSI Teesside plant had been mothballed since 2010 and was under the revised restart plan at 31 December 2011. The restart date has been rescheduled from the date originally planned in September 2011 and the plant has not yet restarted as of the date of this report. Due to the rescheduling of the restart date along with other matters as set forth in Note 5 to the consolidated financial statements, there exist uncertainties which may affect the Group's liquidity and financial performance.

Management of the Company and SSI UK are taking steps to minimize any further delays to the restart date, improve the Group's liquidity and financial performance, operating cash flows and financial position of the Group, obtaining the ongoing financial support from the Group's bankers and examine the availability of financing from other resources. The Group intends to maintain its strong business

relationship with the bankers to maintain their continuing support and is actively discussing with their bankers for further working capital facilities to be put into place. Management is confident that the banking facilities will be obtained and put into place, the management plans that the TCP business will be restarted no longer than April 2012 and operated profitably from the fourth quarter of 2012 onwards.

The uncertainties described above may affect the ultimate recovery of the carrying value of the investment in SSI UK (Baht 12,255 million) in the financial statements of the Company and the carrying amounts of SSI Teesside (Baht 39,770 million) included in the consolidated financial statements of the Group at 31 December 2011 and the liquidity and cash flows of the Group for all financial commitments. The consolidated financial statements do not include any adjustments that would otherwise be required if the SSI UK business does not operate as planned, on-going support by the banks is discontinued or SSI UK business cannot be operate by profit.

3. Changes in accounting policies

(a) Overview

From 1 January 2011, consequent to the adoption of new and revised TFRS as set out in note 2, the Group has changed its accounting policies in the following areas:

- Presentation of financial statements
- Accounting for business combinations
- Accounting for property, plant and equipment
- Accounting for employee benefits

Details of the new accounting policies adopted by the Group and the impact of the changes on the financial statements are included in Notes 3(b) to 3(e) below. Other new and revised TFRS did not have any impact on the accounting policies, financial position or performance of the Group.

(b) Presentation of financial statements

From 1 January 2011, the Group has adopted TAS 1 Presentation of Financial Statements (Revised 2009). Under the revised standard, a set of financial statements comprises:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in equity;
- Statement of cash flows; and
- Notes to the financial statements.

As a result, the Group presents all owner changes in equity in the statement of changes in equity and all non-owner changes in equity in the statement of comprehensive income. Previously, all such changes were included in the statement of changes in equity.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on reported profit or earnings per share.

(c) Accounting for business combinations

From 1 January 2011, the Group has adopted TFRS 3 Business Combinations (revised 2009) and TAS 27 Consolidated and Separate Financial Statements (revised 2009) for all business combinations on or after 1 January 2011. The new policy has been applied prospectively from 1 January 2011 in accordance with the transitional provisions of the revised standards.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Acquisitions on or after 1 January 2011

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred;
- plus
- the recognised amount of any non-controlling interests in the acquiree; plus
 - if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
 - the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a gain on business acquisition is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combinations are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions between 1 January 2008 and 31 December 2010

Goodwill represented the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group

incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

Acquisitions prior to 1 January 2008

Goodwill was measured in the same way as described in the preceding paragraph. However, both positive and negative goodwill were amortised over their estimated economic useful life of 20 years. On 1 January 2008, on adoption of the former TAS 43 (revised 2007), the Group discontinued amortising goodwill. Negative goodwill carried in the financial statements as at 31 December 2007 was derecognised by crediting unappropriated retained earnings on 1 January 2008.

(d) Accounting for property, plant and equipment

From 1 January 2011, the Group has adopted TAS 16 (revised 2009) Property, Plant and Equipment in determining and accounting for the cost and depreciable amount of property, plant and equipment.

The principal changes introduced by the revised TAS 16 and affecting the Group are that (i) costs of asset dismantlement, removal and restoration have to be included as asset costs and subject to annual depreciation; (ii) the depreciation charge has to be determined separately for each significant part of an asset; and (iii) in determining the depreciable amount, the residual value of an item of property, plant and equipment has to be measured at the amount estimated receivable currently for the asset if the assets were already of the age and in the condition expected at the end of its useful life. Furthermore, the residual value and useful life of an asset have to be reviewed at least at each financial year-end.

The changes have been applied prospectively in accordance with the transitional provisions of the revised standard, except that consideration of the costs of asset dismantlement, removal and restoration, have been applied retrospectively. The change has had no material impact on the profit and earnings per share for the years ended 31 December 2011 and 2010.

(e) Accounting for employee benefits

From 1 January 2011, the Group has adopted TAS 19 Employee Benefits. Under the new policy, the Group's liability for post-employment benefits and other long-term employee benefit obligations is recognised in the financial statements based on calculations performed annually by a qualified actuary using the projected unit credit method. Previously, this liability was recognised as and when payments were made.

The Group's and the Company's liability for post-employment benefit and other long-term employee benefit obligations as at 1 January 2011 has been determined to be Baht 117 million and Baht 86 million, respectively. The Group has opted to record the entire amount of this liability as an adjustment to retained earnings as at 1 January 2011, in accordance with the transitional provisions of TAS 19. The impact on the financial statements for the years ended 31 December 2011 was as follows:

| Unit: Thousand Baht | Consolidated financial statements | Separate financial statements |
|--|---|-------------------------------------|
| Statement of financial position at 31 December 2011 | | |
| Retained earnings at 31 December 2010 - as reported | 1,298,288 | 1,238,371 |
| Increase in employee benefit obligations | (117,013) | (86,299) |
| Retained earnings at 1 January 2011 | 1,181,275 | 1,152,072 |
| Statement of income for year ended 31 December 2011 | | |
| Increase in employee benefit obligations resulting in: | | |
| Increase in cost of sales | 9,708 | 6,004 |
| Increase in selling expenses | 565 | 531 |
| Increase in administrative expenses | 6,253 | 5,217 |
| Decrease in profit | 16,526 | 11,752 |
| Increase in loss per share: | | |
| Loss per share (in Baht) | (0.0009) | (0.0007) |

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses changes in accounting policies.

(a) Basis of consolidation

The consolidated financial statements relate to the Company, its subsidiaries and jointly-controlled entities (together referred to as the "Group") and the Group's interests in associates and jointly-controlled entities.

Business combinations

The accounting policy for business combinations has been changed from 1 January 2011. See note 3(c) for details.

The Group applies the acquisition method for all business combinations other than those with entities under common control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied

in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as legal

fees, and other professional and consulting fees are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Jointly-controlled entities

Investments in jointly-control entities are accounted for using the equity method.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for in the consolidated financial statements using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in

an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly-controlled entities are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

Foreign entities

The assets and liabilities of foreign entities are translated to Thai Baht at the foreign exchange rates ruling at the reporting date.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are stated at exchange rates ruling on transaction dates.

The revenues and expenses of foreign entities are translated to Thai Baht at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity until disposal of the investment.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity until disposal of the investment.

(c) Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Hedge of future foreign currency transactions

Gains and losses from forward exchange contracts and currency swaps used to hedge anticipated future currency transactions are deferred until the forecasted transaction occurs. Where the hedged item is a recognised asset or liability, it is translated at the contracted forward rates.

Foreign currency assets and liabilities hedged by forward exchange contracts are translated to Thai Baht at the contracted forward exchange rates.

Hedge of interest rates

Interest differentials under swap arrangements are accrued and recorded as adjustments to the interest expense relating to the hedged loans. For interest rate forward

contracts, the amounts received or paid on cash settlements, representing the gain or loss, are deferred and recognised over the life of the underlying monetary asset or liability as an adjustment to interest income or expense. For purchased interest rate options, the premiums paid are included in the statement of financial position under other assets or other liabilities. The premiums are amortised to interest income or expense over the life of the agreements.

(d) Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

(e) Trade and other accounts receivable

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of raw materials are calculated using the weighted average cost principle. Finished goods and rolls that are part of consumable goods are calculated using the specific method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

(g) Investments

Investments in subsidiaries, jointly-controlled entities and associates

Investments in subsidiaries, jointly-controlled entities and associates in the separate financial statements of the Company are accounted for using the cost method. Investments in associates and jointly-controlled entities in the consolidated financial statements are accounted for using the equity method.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(h) Property, plant and equipment

Recognition and measurement

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for land, building and machineries which are stated at their revalued amounts. The revalued amount is the fair value determined on the basis of the property's existing use at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed

assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to shareholder equity.

Leased assets

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

Revalued assets

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that

the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.

Any increase in value, on revaluation, is recognised in other comprehensive income and presented in the revaluation reserve in equity unless it offsets a previous decrease in value recognised in profit or loss in respect of the same asset. A decrease in value is recognised in profit or loss to the extent it exceeds an increase previously recognised in other comprehensive income in respect of the same asset. The revaluation surplus is utilised by reference to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost and transferred directly to equity. Upon disposal of a revalued asset, any remaining related revaluation surplus is transferred directly to retained earnings and is not taken into account in calculating the gain or loss on disposal.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

| | |
|--|------------------------|
| Land improvement | 5 years |
| Leasehold and leasehold improvement | 5 and 10 years |
| Buildings and building improvement | 20 years |
| Machinery and equipment | |
| - in production line | The unit of production |
| - in coke production line | 20 years |
| - in service line | 5 - 10 years |
| Furniture, fixtures and office equipment | 5 years |
| Vehicles | 5 years |
| Roads | 5, 27 years |
| Berth and berth facilities | 5, 30 years |
| Tug boats | 5 - 17 years |
| Customs cargo warehouse | 5 years |

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(i) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the

specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

| | |
|------------------|----------|
| Software license | 10 years |
|------------------|----------|

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(j) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there

is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial

assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(k) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(l) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(m) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected

unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Environmental liabilities

The Group has provided environmental liabilities related to site restoration and related restore existing damage in accordance with the Group's policy and applicable legal requirements.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the Group's obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(o) Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates.

Sale of goods and services rendered

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided.

Dividend income

Dividend income is recognised in the statement of income on the date the Group's right to receive payments is established.

Interest income

Interest income is recognised in the statement of income as it accrues.

(p) Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(q) Operating leases

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount

equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(r) Income tax

Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In determining the amount of current tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(s) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

5. Acquisitions

In August 2010, the Company entered into a Memorandum of Understanding ("MOU") to express its intention to acquire the assets and business of an integrated iron and steel making plant for slab production. The MOU specified certain conditions and agreements with which the Company

and the counterparty had to comply. On the date of the MOU, the Company paid a deposit on behalf of SSI UK amounting to USD 10 million and recorded such amount as “Deposit for assets acquisition” in the consolidated balance sheet as at 31 December 2010. This deposit was part of the amount paid for the acquired assets and business referred to below. As 31 December 2011, such deposit was recognised in the part of “Investment in subsidiaries” in the separate financial statements.

SSI UK and Redcar Bulk Terminal Limited

In 2010, the Company established SSI UK as a 100 percent owned subsidiary, to support this investment. The Company registered and incorporated SSI UK on 20 September 2010. As at 31 December 2011, SSI UK has a registered share capital of GBP 247.6 million consisting of 247,600 registered ordinary shares with par value of GBP 1,000 each and paid-up share capital of GBP 247.6 million.

The Company also incorporated Redcar Bulk Terminal Limited (RBT) on 8 October 2010 with a registered share capital of GBP 2 (consisting of 2 ordinary shares with par value of GBP 1 each) and paid-up share capital of GBP 2. In March 2011, the company sold one RBT ordinary share to Tata Steel UK Limited (“TSUK”) for GBP 1 (one). SSI UK then

subscribed and paid for RBT shares at a value of USD 21.7 million for jointly-controlled 50 percent of RBT in March 2011.

The acquisition of an integrated iron and steel making plant and execution of associated loan agreements

On 17 February 2011, the Company’s board No. 1/2554 passed the following resolution; a) To acquire certain assets and business of Teesside Cast Product (“TCP”) from TSUK (the “Acquisition”) through, SSI UK and perform other tasks necessary in relation to the Acquisition; b) To increase the equity investment in SSI UK and/or provide loans to SSI UK to fund the Acquisition; c) To negotiate and enter into credit facilities agreements amounting to not more than Baht 24,000 million and to provide letters of guarantee to financial institutions who provide credit facilities of USD 600 million to SSI UK and perform other tasks necessary in obtaining funding for the Acquisition.

On 24 March 2011, SSI UK completed the payment for the Acquisition, and the ownership of TSUK was transferred to SSI UK. Also at that date, SSI UK acquired the net assets (property, plant and equipment, intangible assets and working capital) and assumed the operations of the TCP business. The net assets were acquired for a cash consideration of USD 684 million (Baht 20,487 million), allocated as follows:

| | Million USD | Million Baht |
|-------------------------------|-------------|---------------|
| Property, plant and equipment | 455 | 13,548 |
| Working capital | 229 | 6,939 |
| Total | 684 | 20,487 |

The Acquisition qualifies for treatment as a business combination in accordance with TFRS 3 (revised 2009) Business Combinations, which requires that the assets acquired and liabilities assumed be recorded at their fair values on 24 March 2011, together with goodwill, if any.

The TCP business acquired comprises the coke manufacturing and an integrated iron and steel-making plant and the 50% stake in RBT which jointly with TSUK

acquired the Redcar Ore Terminal business for an aggregate purchase price of USD 43 million (consisting of property, plant, equipment and intangible assets).

The Group incurred acquisition-related costs of Baht 206.6 million related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group’s consolidated statements of comprehensive income.

As at 31 December 2011, the iron and steel making plant is undergoing a renovation and upgrading under a revised USD 290 million restart plan (“the Optimised Restart Plan”) whereas the coke manufacturing plant has been operating since the acquisition date.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| Unit: Thousand Baht | Recognised value | Fair value adjustment | Carrying amount |
|---|-------------------|-----------------------|-------------------|
| Inventories | 5,912,161 | (1,026,376) | 6,938,537 |
| Property, plant and equipment | 24,529,041 | 10,980,801 | 13,548,240 |
| Environmental liabilities and others | (1,637,463) | (1,637,463) | - |
| Tax obligations arising from the assets valuation | (3,045,725) | (3,045,725) | - |
| Net identifiable assets and liabilities | 25,758,014 | 5,271,237 | 20,486,777 |
| Interest acquired | 100% | | |
| Net identifiable assets and liabilities-acquired | 25,758,014 | | |
| Gain on business acquisition | (5,271,237) | | |
| Total consideration | 20,486,777 | | |

The Company and SSI UK are continuing their review of the identifiable assets and liabilities, as permitted under TFRS 3 during a measurement period of 12 months. If new information is obtained about facts and circumstances that existed at the acquisition date which would require further adjustment to the values initially recognised, then such adjustments would be recorded when this information becomes available.

Gain on business acquisition

During the year 2011, SSI UK (a subsidiary in UK) recorded adjustments to reflect the fair value of assets acquired and liabilities assumed from the TCP acquisition. SSI UK recorded negative goodwill or gain on business acquisition amounting to Baht 5,271 million (USD 174 million). The gain on business acquisition was primarily a result of the Company concluding an acquisition cost lower than what the Company would have paid to construct similar facilities. In addition, the TCP was classified by the previous owners as a non-core asset and was sold within a tight timeframe.

The TCP plant had been mothballed since 2010 and remained under the renovation and restart plan as at 31 December 2011. That plan had been rescheduled from an original restart date of September 2011, and remains under renovation and upgrading as at the date of management approval of these financial statements.

Whilst certain iron and steel making facilities have been completed on schedule as per the revised restart plan, the blast furnace area experienced delays in December 2011 due to several factors including unfavorable weather conditions and contractor industrial actions. Therefore, it was not possible to restart the iron and steel making operations in December 2011 as previously targeted. Management of SSI UK is working to restart the plant as early as possible and on 30 January 2012, the four heating stoves for the blast furnace were lit and based on the technical engineer’s report, commencement of steel production is now expected within April 2012. As such, the management is confident the Optimised Restart Plan will soon be complete.

6. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in

making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. Relationships with related parties were as follows:

| Name of entities | Country of incorporation/nationality | Nature of relationships |
|---|--------------------------------------|--|
| Prachuap Port Company Limited | Thailand | Direct subsidiary, 51.00% shareholding and common director |
| West Coast Engineering Company Limited | Thailand | Direct subsidiary, 99.99% shareholding and common director |
| Sahaviriya Steel Industries UK Limited | United Kingdom | Direct subsidiary, 100.00% shareholding and common director |
| Thai Cold Rolled Steel Sheet Public Company Limited | Thailand | Jointly controlling shareholder, 50.15% shareholding |
| Redcar Bulk Terminal Limited | United Kingdom | Jointly controlling shareholder, 50.00% indirectly-held shareholding |
| Thai Coated Steel Sheet Company Limited | Thailand | Shareholding by the Company and common directors |
| Bangsaphan Barnill Public Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company's director(s) |
| B.S. Metal Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company's director(s) |
| Sahaviriya Plate Mill Public Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company's director(s) |
| Prapawit Building Property Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company's directors(s) |
| Western Housing Company Limited | Thailand | Common directors and direct shareholding by the Company's directors(s) |
| Sahaviriya Steel Group Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company's director(s) |
| C.A.R. Services Company Limited | Thailand | The direct and indirect shareholding by the Company's director(s) |
| Sahaviriya Panich International Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company's directors(s) |
| Line Transport Company Limited | Thailand | Common directors with the subsidiary and direct and indirect shareholding by the Company's director(s) |
| B.P. Wire Rod Company Limited | Thailand | The direct and indirect shareholding by the Company director(s) |
| Bangpakong Lighter Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company's director(s) |
| Bangpakong Port Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company's director(s) |

| Name of entities | Country of incorporation/nationality | Nature of relationships |
|---|--------------------------------------|---|
| Bangsaphan Transport Company Limited | Thailand | The direct and indirect shareholding by the Company's director(s) |
| Prachuap S.M.O. Company Limited | Thailand | Indirect shareholding by the Company director(s) |
| Sahaviriya Iron and Steel Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company's director(s) |
| Thai Steel Sales Company Limited | Thailand | Common directors and direct and indirect shareholding by the Company's director(s) |
| Prachuap Pattana Development Company Limited | Thailand | Common directors and direct shareholding by the Company's directors(s) |
| Bangpakong Karnyotha Company Limited | Thailand | Indirect shareholding by the Company director(s) |
| Sahaviriya Inter Steel Holdings Company Limited | Thailand | Common directors and direct and indirect |
| Key management personnel | Thailand | Shareholding by the Company's directors(s) Persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including and director (whether executive or otherwise) of the Group. |

The pricing policies for particular types of transactions are explained further below:

| | Transactions with the Company, subsidiary companies and jointly-controlled entities | Transactions with related companies |
|-----------------------------|---|--|
| Sale of goods | <ul style="list-style-type: none"> Third party pricing used, dependent on volume and relevant market considerations. | <ul style="list-style-type: none"> Third party pricing used, dependent on volume and relevant market considerations. |
| Rendering of port services | <ul style="list-style-type: none"> Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations. | <ul style="list-style-type: none"> Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations. |
| Rendering of other services | <ul style="list-style-type: none"> Charges for rendering of services and maintenance-related services are based on agreements. | <ul style="list-style-type: none"> Charges for rendering of services and maintenance-related services are based on agreements. |
| Other income | <ul style="list-style-type: none"> Sales of scrap material are priced based on scrap weight and the prices set by the Company. Revenue from providing management staff to subsidiaries and jointly-controlled entities are based on agreements. | <ul style="list-style-type: none"> Sales of scrap material are priced based on scrap weight and the prices set by the Company. Revenue from providing management staff to related parties are based on agreements. |
| Purchase of goods | <ul style="list-style-type: none"> The fees charged by subsidiaries for parts and spare parts production are based on third party prices under terms and conditions normally applicable to similar transactions. Purchases of rolls are changed on agreed prices. | |

| | Transactions with the Company, subsidiary companies and jointly-controlled entities | Transactions with related companies |
|------------------------------------|--|--|
| Receiving of other services | <ul style="list-style-type: none"> Maintenance-related services are charged based on long-term maintenance service agreements. The term of the agreement can be modified according to business circumstances. | <ul style="list-style-type: none"> Transportation charges are based on agreements, dependent on cargo weight and distance. Warehouse rental is charged based on rental agreements. Cut sheet services are charged based on agreements. Rental charges for staff accommodation are fixed on an annual basis and agreed with the lessor. |
| Receiving of port services | <ul style="list-style-type: none"> Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations. | |
| Selling and administrative expense | <ul style="list-style-type: none"> Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations. | <ul style="list-style-type: none"> Domestic transportation services are charged based on agreements, dependent on cargo weight and distance. Office rental is charged based on rental agreements. Rental charges for staff accommodation are fixed on an annual basis and agreed with the lessor. Commission expense is charged based on agreements. |

Significant transactions for the years ended 31 December 2011 and 2010 with related parties are summarized as follows:

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|-----------|-------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| Subsidiaries | | | | |
| Purchases of goods and receiving of services | - | - | 539,921 | 597,773 |
| Other income | - | - | 5,080 | 5,995 |
| Selling and administrative expense | - | - | 1,638 | 3,112 |
| Jointly-controlled entities | | | | |
| Sales of goods | 3,832,333 | 5,873,239 | 3,828,085 | 5,871,522 |
| Rendering of service | 67,456 | 72,303 | - | - |
| Purchases of goods and receiving of services | 184,378 | 9,707 | - | - |
| Other income | 13,937 | 11,897 | 13,937 | 11,897 |
| Selling and administrative expense | 1,283 | 532 | 1,283 | 529 |

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|---------------|-------------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Related companies | | | | |
| Sales of goods | 26,629,580 | 31,671,958 | 26,629,553 | 31,671,456 |
| Rendering of service | 15,836 | 34,559 | - | - |
| Purchases of goods and receiving of services | 146,627 | 160,662 | 146,315 | 160,648 |
| Other income | 98,636 | 6,623 | 97,299 | 5,931 |
| Selling and administrative expense | 198,674 | 380,323 | 195,867 | 377,689 |
| Finance costs | 32,072 | - | - | - |
| Key management personnel | | | | |
| Key management personnel compensation | | | | |
| Short-term benefits | 101,646 | 80,484 | 55,914 | 62,310 |
| Statutory severance pay | 1,769 | - | 1,392 | - |
| Other long-term benefits | 32 | - | 22 | - |
| Total key management personnel compensation | 103,447 | 80,484 | 57,328 | 62,310 |

Balances as at 31 December 2011 and 2010 with related parties are as follows:

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|------------------|-------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Trade accounts receivable from related parties | | | | |
| Jointly-controlled entities | | | | |
| Thai Cold Rolled Steel Sheet Public Company Limited | 10,313 | 45,306 | - | 35,462 |
| Other related parties | | | | |
| B.S. Metal Company Limited | 1,519,677 | 1,527,495 | 1,519,677 | 1,527,478 |
| Sahaviriya Panich International Company Limited | 1,363,876 | 951,953 | 1,363,876 | 951,953 |
| Others | 3,997 | 6,950 | - | - |
| | 2,897,863 | 2,531,704 | 2,883,553 | 2,514,893 |
| Less allowance for doubtful accounts | - | - | - | - |
| Net | 2,897,863 | 2,531,704 | 2,883,553 | 2,514,893 |

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|---------------|-------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| Other receivables from related parties | | | | |
| Subsidiaries | | | | |
| Prachuap Port Company Limited | - | - | 64 | 21 |
| West Coast Engineering Company Limited | - | - | 5,141 | 719 |
| Sahaviriya Steel Industries UK Limited (includes an advance payment for the purchase of goods amounted to Baht 309.7 million and others) | - | - | 796,199 | - |
| Jointly-controlled entities | | | | |
| Thai Cold Rolled Steel Sheet Public Company Limited | 403 | 254 | 403 | 254 |
| Other related parties | | | | |
| Others | 254 | 681 | 136 | 514 |
| Total | 657 | 935 | 801,943 | 1,508 |
| Accrued income | | | | |
| Subsidiaries | | | | |
| Prachuap Port Company Limited | - | - | - | 300 |
| West Coast Engineering Company Limited | - | - | 568 | 791 |
| Jointly-controlled entities | | | | |
| Thai Cold Rolled Steel Sheet Public Company Limited | 2,010 | 1,710 | 546 | 278 |
| Other related parties | | | | |
| Thai Coated Steel Sheet Company Limited | 3,365 | 6,516 | 3,365 | 6,516 |
| Bangsaphan Barmill Public Company Limited | 3,283 | 4,176 | 3,283 | 4,176 |
| B.S. Metal Company Limited | 119 | 176 | 119 | 176 |
| Total | 8,777 | 12,578 | 7,881 | 12,237 |
| Advance paid to related parties | | | | |
| Subsidiaries | | | | |
| Sahaviriya Steel Industries UK Limited | - | - | - | 381,622 |
| Total | - | - | - | 381,622 |

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|---------------|-------------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Trade accounts payable to related parties | | | | |
| Subsidiaries | | | | |
| Prachuap Port Company Limited | - | - | 5,926 | 2,539 |
| West Coast Engineering Company Limited | - | - | 19,358 | 27,658 |
| Other related parties | | | | |
| Line Transport Company Limited | 5,690 | 6,303 | 5,690 | 6,304 |
| B.S. Metal Company Limited | 2,181 | 1,309 | 2,181 | 1,309 |
| Bangpakong Lighter Company Limited | 1,012 | 747 | 1,012 | 747 |
| Others | 654 | - | 649 | - |
| Total | 9,537 | 8,359 | 34,816 | 38,557 |
| Other accounts payable and short-term loans from related parties | | | | |
| Comprising: | | | | |
| Other payables to related parties | 48,691 | 41,592 | 35,499 | 69,884 |
| Short-term loans from related parties | 1,410,258 | - | - | - |
| Total | 1,458,949 | 41,592 | 35,499 | 69,884 |
| Other accounts payable to related parties | | | | |
| Subsidiaries | | | | |
| Prachuap Port Company Limited | - | - | 8,823 | 18,896 |
| West Coast Engineering Company Limited | - | - | 11,580 | 9,503 |
| Jointly-controlled entities | | | | |
| Thai Cold Rolled Steel Sheet Public Company Limited | 254 | 29 | 29 | 29 |
| Other related parties | | | | |
| Line Transport Company Limited | 12,904 | 20,014 | 12,878 | 19,967 |
| Bangpakong Lighter Company Limited | 918 | 17,847 | 918 | 17,847 |
| Sahaviriya Panich International Company Limited | - | 1,428 | - | 1,428 |
| Prapawit Building Property Company Limited | 1,371 | 1,030 | 1,157 | 989 |
| Sahaviriya Inter Steel Holdings Company Limited | 32,921 | - | - | - |
| Others | 323 | 1,244 | 114 | 1,225 |
| Total | 48,691 | 41,592 | 35,499 | 69,884 |
| Short-term loans from related parties | | | | |
| Other related parties | | | | |
| Sahaviriya Inter Steel Holdings Company Limited | 1,410,258 | - | - | - |

Movement during the years ended 31 December 2011 and 2010 of the short-term loan from related party were as follows:

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|------------------------------|-----------------------------------|----------|-------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Other related parties | | | | |
| At 1 January | - | - | - | - |
| Increased | 1,410,258 | - | - | - |
| At 31 December | 1,410,258 | - | - | - |

Agreements with related party

Slab offtake agreement

The Company entered into a slab offtake agreement with SSI UK for a minimum purchase commitment of 1,500,000 metric tons per year or such quantities to ensure 2,500,000 metric tons per year of slab sales from SSI UK inclusive of third party sales, with prices determined on an arm's length basis at market price. The offtake agreement becomes effective after the restart of iron and steel making plant and terminates on the later of seven (7) years from that date or 31 March 2018. Both parties can agree in writing to terminate the agreement.

Port service agreement

The Company's subsidiary, SSI UK, entered into a port service agreement with Redcar Bulk Terminal Limited, which is a its jointly-controlled entity, with a minimum volume for raw materials and finished goods commitment of 10 million tons per year, with prices determined on an arm's length basis at market price. The subsidiary does not have any termination rights under this service agreement.

7. Cash and cash equivalents

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|---------------------|-----------------------------------|----------------|-------------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Cash on hand | 781 | 643 | 713 | 600 |
| Cash at banks | 168,192 | 168,713 | 26,653 | 57,735 |
| Total | 168,973 | 169,356 | 27,366 | 58,335 |

8. Trade accounts receivable

| Unit: Thousand Baht | Note | Consolidated financial statements | | Separate financial statements | |
|---------------------------------------|------|-----------------------------------|------------------|-------------------------------|------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Related parties | 6 | 2,897,863 | 2,531,704 | 2,883,553 | 2,514,893 |
| Other parties | | 2,625,766 | 714,128 | 310,997 | 687,470 |
| | | 5,523,629 | 3,245,832 | 3,194,550 | 3,202,363 |
| Less allowance for doubtful accounts | | (283,809) | (283,809) | (283,809) | (283,809) |
| Net | | 5,239,820 | 2,962,023 | 2,910,741 | 2,918,554 |
| Bad and doubtful debts expense | | - | - | - | - |

Aging analyses for trade accounts receivable are as follows:

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|--------------------------------------|-----------------------------------|------------------|-------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Related parties | | | | |
| Within credit terms | 1,541,837 | 2,530,575 | 1,532,346 | 2,514,893 |
| Overdue: | | | | |
| Less than 3 months | 1,353,945 | 1,129 | 1,351,207 | - |
| 3 - 6 months | 1,010 | - | - | - |
| 6 - 12 months | 1,071 | - | - | - |
| | 2,897,863 | 2,531,704 | 2,883,553 | 2,514,893 |
| Less allowance for doubtful accounts | - | - | - | - |
| | 2,897,863 | 2,531,704 | 2,883,553 | 2,514,893 |
| Other parties | | | | |
| Within credit terms | 2,336,187 | 419,338 | 27,188 | 403,661 |
| Overdue: | | | | |
| Less than 3 months | 5,770 | 10,061 | - | - |
| 3 - 6 months | - | 920 | - | - |
| Over 12 months | 283,809 | 283,809 | 283,809 | 283,809 |
| | 2,625,766 | 714,128 | 310,997 | 687,470 |
| Less allowance for doubtful accounts | (283,809) | (283,809) | (283,809) | (283,809) |
| | 2,341,957 | 430,319 | 27,188 | 403,661 |
| Net | 5,239,820 | 2,962,023 | 2,910,741 | 2,918,554 |

The normal credit terms granted by the Group ranges from 30 to 120 days.

9. Inventories

| | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------|-----------------------------------|-------------------|-------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| Finished goods | 5,957,605 | 5,700,646 | 5,980,581 | 5,725,724 |
| Work in progress | 7,937 | 18,442 | - | - |
| Raw materials | 13,248,426 | 4,577,365 | 8,005,263 | 4,590,454 |
| Spare parts and factory supplies | 2,411,634 | 1,267,290 | 1,313,306 | 1,247,564 |
| Goods in transit | 4,858,037 | 2,868,187 | 4,858,037 | 2,868,187 |
| | 26,483,639 | 14,431,930 | 20,157,187 | 14,431,929 |
| Less allowance for decline in value | (1,306,095) | (227,009) | (642,410) | (227,009) |
| Net | 25,177,544 | 14,204,921 | 19,514,777 | 14,204,920 |

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|-------------------|-------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| Inventories recognised as an expenses in 'cost of sales of goods': | | | | |
| - Cost | 48,319,964 | 43,939,719 | 35,494,915 | 44,151,748 |
| - Write-down to net realisable value | 1,079,086 | 4,875 | 415,401 | 4,875 |
| Total | 49,399,050 | 43,944,594 | 35,910,316 | 44,156,623 |

10. Investments in subsidiaries

| | Separate financial statements | |
|-----------------------|-------------------------------|----------------|
| | 2011 | 2010 |
| Unit: Thousand Baht | | |
| At 1 January | 325,652 | 279,000 |
| Acquisitions | 12,208,900 | 46,652 |
| At 31 December | 12,534,552 | 325,652 |

Investments in subsidiaries as at 31 December 2011 and 2010, and dividend income from those investments for the years then ended were as follows:

| Separate financial statements | | | | | | | | | | | | |
|--|--------------------|--------|-----------------|---------|-------------------|----------------|------------|----------|-------------------|----------------|-----------------|---------------|
| | Ownership interest | | Paid-up capital | | Cost method | | Impairment | | At cost - net | | Dividend income | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | (in thousand Baht) | | | | | | | | | | | |
| Subsidiaries | | | | | | | | | | | | |
| Prachuap Port Company Limited | 51.00 | 51.00 | 400,000 | 400,000 | 204,000 | 204,000 | - | - | 204,000 | 204,000 | 25,500 | 25,500 |
| West Coast Engineering Company Limited | 99.99 | 99.99 | 75,000 | 75,000 | 75,000 | 75,000 | - | - | 75,000 | 75,000 | 18,430 | - |
| Sahaviriya Steel Industries UK Limited | 100.00 | 100.00 | million | million | 12,255,552 | 46,652 | - | - | 12,255,552 | 46,652 | - | - |
| Total | | | | | 12,534,552 | 325,652 | - | - | 12,534,552 | 325,652 | 43,930 | 25,500 |

At the Board of Directors' Meeting held on 11 August 2011, the directors approved SSI to invest up to USD 60 million in SSI UK from the proceeds of the convertible debenture issue. As at 31 December 2011, the Company has not issued the convertible debentures and hence has not increased the equity investment in SSI UK.

At 31 December 2011, entire common shares of the Company in Sahaviriya Steel Industries UK Limited (of 247,600 shares) have been pledged as collateral against the banks. Also on 20 October 2011, the Board of Directors approved SSI to pledge the additional of shares in Sahaviriya Steel Industries UK Limited, to be acquired in the future, as collateral against the banks.

11. Investments in jointly-controlled entities

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|------------------|-------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| At 1 January | 4,045,306 | 3,838,852 | 4,502,797 | 4,502,797 |
| Acquisitions | 767,624 | - | - | - |
| Share of net profit (loss) of equity - accounted jointly-controlled entities | (129,616) | 206,454 | - | - |
| At 31 December | 4,683,314 | 4,045,306 | 4,502,797 | 4,502,797 |

Investments in jointly-controlled entities as 31 December 2011 and 2010, and dividend income for the years then ended were as follows:

| Consolidated financial statements | | | | | | | | | | | | | | |
|------------------------------------|--------------------|-------|-----------------|------------|------------------|------------------|------------------|------------------|------------|----------|------------------|------------------|-----------------|----------|
| | Ownership Interest | | Paid-up capital | | Cost method | | Equity method | | Impairment | | At equity - net | | Dividend income | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | (in thousand Baht) | | | | | | | | | | | | | |
| Jointly-controlled entities | | | | | | | | | | | | | | |
| Thai Cold Rolled Steel Sheet | | | | | | | | | | | | | | |
| Public Company Limited | 50.15 | 50.15 | 10,703,000 | 10,703,000 | 5,440,922 | 5,440,922 | 4,021,989 | 4,045,306 | - | - | 4,021,989 | 4,045,306 | - | - |
| Redcar Bulk Terminal Limited | 50.00 | - | million | - | 767,624 | - | 661,325 | - | - | - | 661,325 | - | - | - |
| Total | | | | | 6,208,546 | 5,440,922 | 4,683,314 | 4,045,306 | - | - | 4,683,314 | 4,045,306 | - | - |

In 2011, a subsidiary of the Company has pledged all common shares in a jointly-controlled entity, Redcar Bulk Terminal Limited, as collateral against credit facilities provided by the banks.

The following summarized financial information on interests in jointly-controlled entities which have been accounted for at the equity method in the consolidated financial statements represents the Group's share:

| | | Ownership interest (%) | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Total revenues | Total expenses | Net profit (loss) |
|--------------------------------------|---|------------------------|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|------------------|------------------|-------------------|
| 2011 | | | | | | | | | | | |
| (in thousand Baht) | | | | | | | | | | | |
| | Thai Cold Rolled Steel Sheet Public Company Limited | 50.15 | 1,604,938 | 5,390,852 | 6,995,790 | 2,074,427 | 899,374 | 2,973,801 | 6,770,241 | 6,793,558 | (23,317) |
| | Redcar Bulk Terminal Limited | 50.00 | 154,428 | 878,160 | 1,032,588 | 96,389 | 103,561 | 199,950 | 281,127 | 387,425 | (106,298) |
| Total | | | 1,759,366 | 6,269,012 | 8,028,378 | 2,170,816 | 1,002,935 | 3,173,751 | 7,051,368 | 7,180,983 | (129,615) |
| 2010 | | | | | | | | | | | |
| | Thai Cold Rolled Steel Sheet Public Company Limited | 50.15 | 1,491,712 | 5,786,601 | 7,278,313 | 2,021,401 | 1,211,606 | 3,233,007 | 9,125,332 | 8,918,878 | 206,454 |
| Total | | | 1,491,712 | 5,786,601 | 7,278,313 | 2,021,401 | 1,211,606 | 3,233,007 | 9,125,332 | 8,918,878 | 206,454 |
| Separate financial statements | | | | | | | | | | | |
| | | Ownership interest | Paid-up capital | | Cost method | | Impairment | | At cost - net | | Dividend income |
| | | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| (in thousand Baht) | | | | | | | | | | | |
| Jointly-controlled entities | | | | | | | | | | | |
| | Thai Cold Rolled Steel Sheet Public Company Limited | 50.15 | 10,703,000 | 10,703,000 | 5,440,922 | 5,440,922 | 938,125 | 938,125 | 4,502,797 | - | - |
| Total | | | | 5,440,922 | 5,440,922 | 938,125 | 938,125 | 4,502,797 | 4,502,797 | - | - |

Contingent liabilities and commitments relating to the jointly-controlled entities:

| | 2011 | 2010 |
|--|--|---|
| Contingent liabilities directly incurred by the Group | | |
| Group's share of the jointly-controlled entities' contingent liabilities | Baht 22 million and USD 7 million | Baht 84 million and USD 13 million |
| Capital commitments in relation to interest in joint ventures | | |
| Group's share of the jointly-controlled entities according to | | |
| - in capital commitments | Baht 31 million, USD 0.5 million, Yen 165 million and Euro 0.3 million | Baht 30 million, USD 0.4 million and Yen 197 million |
| - in non-cancellable operating lease commitments | Baht 14 million | Baht 9 million |
| - in raw materials purchases | Baht 30 million and USD 4 million | Baht 25 million and USD 1 million |

12. Other long-term investments

Other long-term investments as at 31 December 2011 and 2010, and dividend income from those investments for the years then ended were as follows:

| Consolidated financial statements | | | | | | | | | | | |
|---|-----------------|-----------|--------------------|----------------|----------------|----------------|---------------|----------|-----------------|----------|----------|
| Ownership interest | Paid-up capital | | Cost method | | Impairment | | At cost - net | | Dividend income | | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| | | | | | | | | | | | |
| | (%) | | (in thousand Baht) | | | | | | | | |
| Thai Coated Steel Sheet Company Limited | 3.70 | 2,206,900 | 294,000 | 294,000 | 294,000 | 294,000 | - | - | - | - | - |
| Total | | | 294,000 | 294,000 | 294,000 | 294,000 | - | - | - | - | - |
| Separate financial statements | | | | | | | | | | | |
| Ownership interest | Paid-up capital | | Cost method | | Impairment | | At cost - net | | Dividend income | | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| | | | | | | | | | | | |
| | (%) | | (in thousand Baht) | | | | | | | | |
| Thai Coated Steel Sheet Company Limited | 3.70 | 2,206,900 | 294,000 | 294,000 | 294,000 | 294,000 | - | - | - | - | - |
| Total | | | 294,000 | 294,000 | 294,000 | 294,000 | - | - | - | - | - |

13. Property, plant and equipment

| Consolidated financial statements | | | | | | | |
|---|---------------------------|------------------------------|---------------------------------|--|---------------|--|-------------------|
| | Land and land improvement | Factory and office buildings | Machinery and factory equipment | Office furniture, fixtures and equipment | Vehicle | Assets under construction and installation | Total |
| Unit: Thousand Baht | | | | | | | |
| Cost / revaluation | | | | | | | |
| At 1 January 2010 | 1,682,533 | 3,134,494 | 28,036,899 | 176,820 | 75,669 | 78,913 | 33,185,328 |
| Additions | - | 165 | 51,551 | 18,099 | 13,169 | 124,397 | 207,381 |
| Transfers | 453 | 6,562 | 127,354 | 2,830 | (2,032) | (135,167) | - |
| Disposals | - | - | (8,336) | (14,624) | (6,090) | - | (29,050) |
| At 31 December 2010 | | | | | | | |
| and 1 January 2011 | 1,682,986 | 3,141,221 | 28,207,468 | 183,125 | 80,716 | 68,143 | 33,363,659 |
| Additions | 4,910 | 308 | 74,051 | 10,919 | 13,744 | 5,453,707 | 5,557,639 |
| Acquisitions | - | - | - | - | - | 24,529,041 | 24,529,041 |
| Transfers | 1,236,424 | 273,923 | 8,269,906 | 3,666 | - | (9,783,919) | - |
| Disposals | - | - | (44,248) | (6,535) | (9,656) | - | (60,439) |
| Effect of movements | | | | | | | |
| in exchange rates | 53,935 | 7,784 | 334,195 | - | - | 647,037 | 1,042,951 |
| At 31 December 2011 | 2,978,255 | 3,423,236 | 36,841,372 | 191,175 | 84,804 | 20,914,009 | 64,432,851 |
| Depreciation and impairment losses | | | | | | | |
| At 1 January 2010 | 640,883 | 1,858,887 | 9,233,481 | 139,638 | 60,432 | - | 11,933,321 |
| Depreciation charge for the year | 28,051 | 104,306 | 618,643 | 17,435 | 8,215 | - | 776,650 |
| Depreciation on revaluation | 1,154 | 56,997 | 327,920 | - | - | - | 386,071 |
| Transfers | 1 | (1) | - | - | - | - | - |
| Disposals | - | - | (4,462) | (14,454) | (6,084) | - | (25,000) |
| At 31 December 2010 | | | | | | | |
| and 1 January 2011 | 670,089 | 2,020,189 | 10,175,582 | 142,619 | 62,563 | - | 13,071,042 |
| Depreciation charge for the year | 14,113 | 112,582 | 798,595 | 16,296 | 8,413 | - | 949,999 |
| Depreciation on revaluation | 1,006 | 56,997 | 245,545 | - | - | - | 303,548 |
| Disposals | - | - | (29,230) | (6,499) | (9,642) | - | (45,371) |
| Effect of movements | | | | | | | |
| in exchange rates | - | 156 | 4,809 | - | - | - | 4,965 |
| At 31 December 2011 | 685,208 | 2,189,924 | 11,195,301 | 152,416 | 61,334 | - | 14,284,183 |

| Consolidated financial statements | | | | | | | |
|---|---------------------------|------------------------------|---------------------------------|--|---------------|--|-------------------|
| Unit: Thousand Baht | Land and land improvement | Factory and office buildings | Machinery and factory equipment | Office furniture, fixtures and equipment | Vehicle | Assets under construction and installation | Total |
| Net book value | | | | | | | |
| At 1 January 2010 | | | | | | | |
| Owned assets | 1,041,650 | 1,275,607 | 18,763,705 | 37,004 | 9,447 | 78,913 | 21,206,326 |
| Assets under finance leases | - | - | 39,713 | 178 | 5,790 | - | 45,681 |
| | 1,041,650 | 1,275,607 | 18,803,418 | 37,182 | 15,237 | 78,913 | 21,252,007 |
| At 31 December 2010 and 1 January 2011 | | | | | | | |
| Owned assets | 1,012,897 | 1,121,032 | 18,021,257 | 40,315 | 9,077 | 68,143 | 20,272,721 |
| Assets under finance leases | - | - | 10,629 | 191 | 9,076 | - | 19,896 |
| | 1,012,897 | 1,121,032 | 18,031,886 | 40,506 | 18,153 | 68,143 | 20,292,617 |
| At 31 December 2011 | | | | | | | |
| Owned assets | 2,293,047 | 1,233,312 | 25,626,664 | 38,643 | 8,801 | 20,914,009 | 50,114,476 |
| Assets under finance leases | - | - | 19,407 | 116 | 14,669 | - | 34,192 |
| | 2,293,047 | 1,233,312 | 25,646,071 | 38,759 | 23,470 | 20,914,009 | 50,148,668 |

Acquisitions, disposals and transfers of property, plant and equipment had included assets acquired under the Acquisition as discussed in Note 5.

The gross amount of the Group's fully depreciated property, plant and equipment that was still in use as at 31 December 2011 amounted to Baht 825 million (2010: Baht 633 million).

| Separate financial statements | | | | | | | |
|---|---------------------------|------------------------------|---------------------------------|--|---------------|--|-------------------|
| Unit: Thousand Baht | Land and land improvement | Factory and office buildings | Machinery and factory equipment | Office furniture, fixtures and equipment | Vehicle | Assets under construction and installation | Total |
| Cost/revaluation | | | | | | | |
| At 1 January 2010 | | | | | | | |
| At 1 January 2010 | 1,053,281 | 2,937,897 | 24,871,416 | 148,287 | 47,142 | 78,876 | 29,136,899 |
| Additions | - | - | 34,554 | 15,339 | 4,657 | 115,825 | 170,375 |
| Transfers | 522 | 4,317 | 115,711 | 1,022 | 3,887 | (125,459) | - |
| Disposals | - | - | (6,709) | (14,455) | (2,975) | - | (24,139) |
| | 1,053,803 | 2,942,214 | 25,014,972 | 150,193 | 52,711 | 69,242 | 29,283,135 |
| At 31 December 2010 and 1 January 2011 | | | | | | | |
| Additions | - | 357 | 60,310 | 8,292 | 12,348 | 121,149 | 202,456 |
| Transfers | 750 | 5,613 | 87,229 | 1,547 | - | (95,139) | - |
| Disposals | - | - | (18,007) | (4,752) | (4,398) | - | (27,157) |
| | 1,054,553 | 2,948,184 | 25,144,504 | 155,280 | 60,661 | 95,252 | 29,458,434 |
| At 31 December 2011 | | | | | | | |

| Separate financial statements | | | | | | | |
|---|---------------------------|------------------------------|---------------------------------|--|---------------|--|-------------------|
| Unit: Thousand Baht | Land and land improvement | Factory and office buildings | Machinery and factory equipment | Office furniture, fixtures and equipment | Vehicle | Assets under construction and installation | Total |
| Depreciation and impairment losses | | | | | | | |
| At 1 January 2010 | 339,507 | 1,802,655 | 7,899,739 | 115,858 | 37,560 | - | 10,195,319 |
| Depreciation charge for the year | 24,082 | 97,071 | 512,688 | 14,766 | 5,580 | - | 654,187 |
| Depreciation on revaluation | 804 | 55,168 | 297,189 | - | - | - | 353,161 |
| Disposals | - | - | (2,884) | (14,287) | (2,975) | - | (20,146) |
| At 31 December 2010 and 1 January 2011 | 364,393 | 1,954,894 | 8,706,732 | 116,337 | 40,165 | - | 11,182,521 |
| Depreciation charge for the year | 10,168 | 94,993 | 379,854 | 12,795 | 5,678 | - | 503,488 |
| Depreciation on revaluation | 656 | 55,168 | 215,153 | - | - | - | 270,977 |
| Disposals | - | - | (3,004) | (4,728) | (4,398) | - | (12,130) |
| At 31 December 2011 | 375,217 | 2,105,055 | 9,298,735 | 124,404 | 41,445 | - | 11,944,856 |
| Net book value | | | | | | | |
| At 1 January 2010 | | | | | | | |
| Owned assets | 713,774 | 1,135,242 | 16,971,677 | 32,429 | 7,220 | 78,876 | 18,939,218 |
| Assets under finance leases | - | - | - | - | 2,362 | - | 2,362 |
| | 713,774 | 1,135,242 | 16,971,677 | 32,429 | 9,582 | 78,876 | 18,941,580 |
| At 31 December 2010 and 1 January 2011 | | | | | | | |
| Owned assets | 682,410 | 987,320 | 16,308,240 | 33,856 | 6,612 | 69,242 | 18,094,680 |
| Assets under finance leases | - | - | - | - | 5,934 | - | 5,934 |
| | 682,410 | 987,320 | 16,308,240 | 33,856 | 12,546 | 69,242 | 18,100,614 |
| At 31 December 2011 | | | | | | | |
| Owned assets | 676,336 | 843,129 | 15,845,769 | 30,876 | 4,547 | 95,252 | 17,498,909 |
| Assets under finance leases | - | - | - | - | 14,669 | - | 14,669 |
| | 676,336 | 843,129 | 15,845,769 | 30,876 | 19,216 | 95,252 | 17,513,578 |

The gross amount of the Company's fully depreciated property, plant and equipment that was still in use as at 31 December 2011 amounted to Baht 603 million (2010: Baht 432 million).

In October 2006, the FAP issued Notification No. 25/2549 allowing entities which carry their assets at revalued amounts to calculate depreciation to be charged to the income statements based on the historical cost of the assets instead of on the revalued amounts. TAS 16 (Revised 2009) Property, Plant and Equipment, states that depreciation shall be recognised within profit or loss.

During years ended 31 December 2011, the FAP issued a notification allowing entities to continue the existing method for another period of 5 years or less. The Group has decided to follow this notification. However, had the depreciation charge been calculated based on the revalued amounts, net income and earnings per share attributable to equity owners of the Company would have been affected as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|-----------|-------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Decrease in profit for the years (in thousand Baht) | (288,842) | (371,364) | (270,978) | (353,161) |
| Decrease in earnings per share (Baht per share) | (0.017) | (0.028) | (0.016) | (0.027) |

14. Intangible assets

| | Consolidated | Separate |
|--|----------------------|----------------------|
| | financial statements | financial statements |
| | Computer software | Computer software |
| Unit: Thousand Baht | | |
| Cost | | |
| At 1 January 2010 | 81,559 | 80,594 |
| Additions | 5,397 | 5,397 |
| At 31 December 2010 and 1 January 2011 | 86,956 | 85,991 |
| Additions | 4,163 | 4,158 |
| At 31 December 2011 | 91,119 | 90,149 |
| Accumulated amortisation | | |
| At 1 January 2010 | 33,624 | 33,172 |
| Amortisation charge for the year | 8,259 | 8,163 |
| At 31 December 2010 and 1 January 2011 | 41,883 | 41,335 |
| Amortisation charge for the year | 9,015 | 8,918 |
| At 31 December 2011 | 50,898 | 50,253 |
| Net book value | | |
| At 1 January 2010 | 47,935 | 47,422 |
| At 31 December 2010 and 1 January 2011 | 45,073 | 44,656 |
| At 31 December 2011 | 40,221 | 39,896 |

15. Interest-bearing liabilities

| Unit: Thousand Baht | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|-------------------|-------------------------------|-------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Current | | | | | |
| Short-term loans from financial institutions | | | | | |
| - secured | | 22,838,581 | 12,570,951 | 16,683,917 | 12,562,951 |
| Current portion of long-term loans from financial institutions | | | | | |
| - secured | | 1,422,914 | 1,917,784 | 1,282,304 | 1,811,800 |
| Short-term loans from related parties | | | | | |
| - unsecured | 6 | 1,410,258 | - | - | - |
| Current portion of finance lease liabilities | | | | | |
| | | 4,648 | 7,532 | - | - |
| Current portion of liabilities under hire purchase agreements | | | | | |
| | | 5,589 | 3,004 | 4,738 | 2,185 |
| Total | | 25,681,990 | 14,499,271 | 17,970,959 | 14,376,936 |
| Non-current | | | | | |
| Long-term loans from financial institutions | | | | | |
| - secured | | 19,625,144 | 4,433,854 | 9,497,288 | 4,185,050 |
| Finance lease liabilities | | | | | |
| | | 9,499 | 126 | - | - |
| Liabilities under hire purchase agreements | | | | | |
| | | 6,011 | 3,134 | 5,144 | 2,321 |
| Total | | 19,640,654 | 4,437,114 | 9,502,432 | 4,187,371 |

The periods to maturity of interest-bearing liabilities, excluding finance lease liabilities and liabilities under hire purchase agreements, as at 31 December 2011 and 2010 were as follows:

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|--------------------------------------|-----------------------------------|-------------------|-------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Within one year | 25,671,753 | 14,488,735 | 17,966,221 | 14,374,751 |
| After one year but within five years | 14,960,982 | 4,433,854 | 6,863,589 | 4,185,050 |
| After five years | 4,664,162 | - | 2,633,699 | - |
| Total | 45,296,897 | 18,922,589 | 27,463,509 | 18,559,801 |

Secured interest-bearing liabilities as at 31 December 2011 and 2010 were secured on the following assets:

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|-------------------|-------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Property, plant and equipment | 49,225,130 | 19,396,742 | 16,993,930 | 17,593,697 |
| Investments in subsidiaries and associates | 12,916,877 | - | 12,255,552 | - |
| Inventories | 18,682,910 | 10,242,611 | 13,508,579 | 10,242,611 |
| Total | 80,824,917 | 29,639,353 | 42,758,061 | 27,836,308 |

As a result of the Acquisition explained in Note 5, during the year ended 31 December 2011, the Company and SSI UK have entered into the following long-term loan agreements:

15.1 Company Baht 23.9 billion facility dated 24 February 2011

| Facilities received | Main conditions/Other conditions |
|--|---|
| <p>Lenders: 3 commercial banks</p> <p>Facility A: (Baht 6,200 million): Baht term loan to partially-finance the Acquisition purchase price, associated deal costs and general working capital purposes. Interest rate is based on MLR, 7 year tenor, first repayment 27 months after first draw-down.</p> <p>Facility B: (Baht 5,700 million): Baht term loan to refinance another facility provided by other commercial banks. Interest rate is based on MLR, 7 year tenor, first repayment 3 months after first draw-down.</p> <p>Facility C: (Baht 12,000 million): Revolving facility to refinance amounts owed to two other commercial banks and for general corporate purposes (subject to maximum short-term loans of Baht 2,000 million). Interest charged at lower of MLR or money market rate plus margin.</p> | <p>Main conditions</p> <ol style="list-style-type: none"> 1) Consolidated Debt to Equity ratio of below 2 : 1 for 2011 and 2012 (1.5 : 1 thereafter). 2) Debt Service coverage ratio of at least 1.2 : 1. Testing conducted on a quarterly basis from 31 December 2011 onward. 3) Assets disposal, merger and acquisition and dividends payment. <p>Other conditions</p> <ol style="list-style-type: none"> 1) Commitment fees as specified in the agreements. 2) Maintaining share holding structure, Public company status etc. 3) Guarantee by SSI UK. |

15.2 SSI UK USD 600 million debt facility

| Facilities received | Main conditions/Other conditions |
|--|---|
| <p>Lenders: 3 commercial banks</p> <p>Facility A: (USD 250 million): USD Term loans to finance the Acquisition purchase price and investment in Redcar. Repayable in 5 years to 7 years tenor, first repayment 27 months after first draw-down.</p> <p>Facility B: (USD 150 million): USD term loan to finance capital expenditure and start-up costs. Repayable in 7 years tenor, first repayment 27 months after first draw-down.</p> <p>Revolving Facility: (USD 200 million): Revolving facility to pay first TCP Working Capital purchase price adjustment, L/C amounts in respect of capital expenditure and start up costs and general corporate purposes. Principal repayable at end of interest period. Revolving facility has 3 years tenor.</p> <p>Interest on all facilities is payable at LIBOR + Margin.</p> | <p>Main conditions</p> <ol style="list-style-type: none"> 1) Consolidated long term debt to EBITDA ratio of below 2.5 : 1 for 2013 (2.0 : 1 thereafter). 2) Debt Service coverage ratio of at least 1.2 : 1 (for the period of 27 months following initial utilization to final maturity for Facility A). 3) Current asset/current liability ratio of at least 1 : 1 from 31 December 2011 onwards. 4) Merger and acquisition. <p>Other conditions</p> <ol style="list-style-type: none"> 1) Commitment fees as specified in the agreements. 2) Maintaining share holding structure, etc. 3) Guarantee by the Company. |

At the Board of Directors' Meeting held on 11 August 2011, the directors approved SSI UK to borrow USD 90 million pursuant to its Optimised Restart Plan from existing financial institutions. Currently, the loan agreement is under preparation process.

SSI guarantees all existing credit facilities extended by the financial institutions and any further facilities to be provided in the future to SSI UK.

15.3 SSI UK USD 50 million debt facility

| Facilities received | Main conditions/Other conditions |
|---|--|
| <p>Lenders: Sahaviriya Inter Steel Holding Company Limited</p> <p>Facility: (USD 50 million): USD loan solely for the purpose of the Optimised Restart Plan. Repayable in January 2012 or earlier date as may be agreed upon between parties, interest paid on the final maturity date.</p> <p>Interest is payable at 7.5% per annum.</p> | <p>Main conditions</p> <ol style="list-style-type: none"> 1) Subordinated Bridging Loan which repayment on the date on which SSI UK receives proceeds from SSI, according to the capital increase plan or consent from the Banks. 2) No collateral. |

15.4 Company: Interest rate swap agreements

The Company entered into various interest rate swap agreements, in order to hedge interest rate risk exposures for principal amounting to Baht 5,997 million. Under these agreements, the Company has swapped its floating MLR rate exposure on amounts due to the Banks for fixed rates of 7.835% to 7.9%. These agreements are valid from 30 June 2011 to 31 March 2014.

15.5 Group: Other interest-bearing liabilities

In addition to the above new borrowings, the Group has interest-bearing liabilities secured as follows:

Bank overdrafts and short-term loans of the Company are secured by the pledge of raw materials and finished goods owned by the Company, and for those banks providing both short-term and long-term loans, the Company has made a mortgage of land and construction thereon and machinery of the Company and assigned beneficiary rights under insurance policies to the lenders. These short-term loan agreements contain certain covenants as stipulated in the agreement that, among other things, required the Company to maintain according to the agreement such as maintenance of financial ratios, the minimum maintenance of the Company's shareholding in PPC and TCR.

Short-term loans of PPC, subsidiary company, are secured by the mortgage of certain PPC owned land and construction and/or future construction thereon. The bank overdraft and short-term loans of WCE, subsidiary company, are secured by mortgage of certain WCE owned land and construction thereon and the assignment of beneficiary rights under insurance policies to the lender.

Various long-term loans of the Company and its subsidiaries are secured by the mortgage/pledge of land with construction thereon and machinery, and the assignment of beneficiary rights under insurance policies to the lenders. For those banks providing both short-term and long-term loan facilities, the Company has additionally made a second pledge of raw materials and finished goods of the Company. These loan agreements contain certain covenants as stipulated in the agreement that, among other things, required the Company to maintain according to the agreement such as maintenance of financial ratios, the minimum maintenance of the Company's shareholding in PPC, restrictions on dividend payment in each fiscal year, and a prohibition on the Company and the subsidiaries pledging their investments in shares or creating any obligation thereon.

During the year ended 31 December 2011, a subsidiary made additional loan payments amounting

to Baht 143.0 million (31 December 2010: Baht 181.9 million), in instalments in accordance with the loan agreement.

As at 31 December 2011, the Group had unutilised credit facilities totalling Baht 475 million and USD 81 million and the Company had unutilised credit facilities totalling Baht 310 million (31 December 2010: Baht 3,443.8 million for the Group and Baht 3,246.8 million for the Company).

The Company and SSI UK could not maintain financial covenants committed with certain of its debt providers. However, covenant breach waivers were obtained by the Company and SSI UK in respect of breaches made as of 31 December 2011.

As at 31 December 2011, SSI UK management identified funding gap requirements (gap between available funds and borrowing facilities and their working capital funding) of approximately USD 202 million by 2012. Subsequently in February 2012, further USD 50 million subordinated bridging loan has been granted by Sahaviriya

Inter Steel Holdings Company Limited to support the working capital requirement and the repayment date of the existing USD 50 million subordinated bridging loan was extended to July 2012.

The capital required to complete the Optimised Restart Plan was provided to SSI UK by the Company on 10 February 2012 and the Company has provided SSI UK with a letter of continuing financial support until at least 12 months from the signing date of SSI UK's locally required statutory financial statements.

The Group has engaged in ongoing and advanced discussions with the Group's funders to provide the facilities and funding required.

Finance lease and hire purchase liabilities

The Group had machinery, equipment and vehicles acquired under finance lease and hire purchase agreements as at 31 December 2011 and 2010 were payable as follows:

| | Consolidated financial statements | | | | | |
|--------------------------------------|-----------------------------------|--------------|---|-------------------------------|------------|---|
| | 2011 | | | 2010 | | |
| | Future minimum lease payments | Interest | Present value of minimum lease payments | Future minimum lease payments | Interest | Present value of minimum lease payments |
| Unit: Thousand Baht | | | | | | |
| Within one year | 11,386 | 1,149 | 10,237 | 10,980 | 444 | 10,536 |
| After one year but within five years | 16,569 | 1,059 | 15,510 | 3,496 | 236 | 3,260 |
| Total | 27,955 | 2,208 | 25,747 | 14,476 | 680 | 13,796 |

| | Separate financial statements | | | | | |
|--------------------------------------|-------------------------------|------------|---|-------------------------------|------------|---|
| | 2011 | | | 2010 | | |
| | Future minimum lease payments | Interest | Present value of minimum lease payments | Future minimum lease payments | Interest | Present value of minimum lease payments |
| Unit: Thousand Baht | | | | | | |
| Within one year | 5,127 | 389 | 4,738 | 2,354 | 169 | 2,185 |
| After one year but within five years | 5,590 | 446 | 5,144 | 2,496 | 175 | 2,321 |
| Total | 10,717 | 835 | 9,882 | 4,850 | 344 | 4,506 |

16. Trade accounts payable

| Unit: Thousand Baht | Note | Consolidated financial statements | | Separate financial statements | |
|---------------------|------|-----------------------------------|------------------|-------------------------------|------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Related parties | 6 | 9,537 | 8,359 | 34,816 | 38,557 |
| Other parties | | 10,674,985 | 3,149,140 | 6,328,478 | 3,104,488 |
| Total | | 10,684,522 | 3,157,499 | 6,363,294 | 3,143,045 |

17. Other current liabilities

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|---------------------------------------|-----------------------------------|----------------|-------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Accrued interest expenses | 68,461 | 43,203 | 48,159 | 43,108 |
| Accrued expenses | 545,934 | 98,236 | 78,309 | 87,989 |
| Other accounts payable | 59,981 | 57,983 | 54,087 | 49,216 |
| Advances received from sales of goods | 40,906 | 232,590 | 40,906 | 232,547 |
| Others | 36,094 | 36,347 | 16,909 | 21,920 |
| Total | 751,376 | 468,359 | 238,370 | 434,780 |

18. Employee benefit obligations

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------|-------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Statement of financial position | | | | |
| Statement of financial position obligations for: | | | | |
| Post-employment benefits | 114,513 | - | 82,332 | - |
| Other long-term employee benefits | 18,815 | - | 13,138 | - |
| | 133,328 | - | 95,470 | - |
| Statement of income recognised in profit or loss: | | | | |
| Post-employment benefits | 14,209 | - | 10,173 | - |
| Other long-term employee benefits | 2,316 | - | 1,578 | - |
| | 16,525 | - | 11,751 | - |

The Group adopted TAS 19 - Employee Benefits with effect from 1 January 2011; the effect on the financial statements is discussed in note 3 (e). As stated in note 3 (e), the Group has adopted to record the entire amount of the transitional obligation as at 1 January 2011, totalling Baht 119.9 million for the Group and Baht 86.3 million for the Company, as an adjustment to retained earnings as at 1 January 2011.

Statutory Severance Pay

The Group and the Company operate defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The movement in the present value of the defined benefit obligations is shown in the table below:

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|----------|-------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| Defined benefit obligations at 1 January | 119,905 | - | 86,299 | - |
| Benefits paid by the plan | (3,102) | - | (2,580) | - |
| Current service costs and interest | 16,525 | - | 11,751 | - |
| Defined benefit obligations at 31 December | 133,328 | - | 95,470 | - |

Expense recognised in profit or loss:

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|----------|-------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| Transitional obligation recognised | | | | |
| Current service costs | 12,396 | - | 8,727 | - |
| Interest on obligation | 4,129 | - | 3,024 | - |
| Total | 16,525 | - | 11,751 | - |

The expense is recognised in the following line items in the statement of income:

| | Consolidated financial statements | | Separate financial statements | |
|-------------------------|-----------------------------------|----------|-------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| Cost of sales | 9,708 | - | 6,004 | - |
| Selling expenses | 565 | - | 531 | - |
| Administrative expenses | 6,252 | - | 5,216 | - |
| Total | 16,525 | - | 11,751 | - |

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

| Unit: % | Consolidated financial statements | | Separate financial statements | |
|-------------------------|-----------------------------------|------|-------------------------------|------|
| | 2011 | 2010 | 2011 | 2010 |
| Discount rate | 3.5 | - | 3.5 | - |
| Future salary increases | 5.5 - 6.5 | - | 5.5 | - |

Assumptions regarding future mortality are based on published statistics and mortality tables.

19. Share Capital

| | Par value per share [in Baht] | 2011 | | 2010 | |
|---------------------------|----------------------------------|---------------------------------|------------|------------|------------|
| | | Number | Baht | Number | Baht |
| | | (thousand shares/thousand Baht) | | | |
| Authorised | | | | | |
| At 1 January | | | | | |
| - ordinary shares | 1 | 13,101,500 | 13,101,500 | 13,101,500 | 13,101,500 |
| Reduction | 1 | (157,904) | (157,904) | - | - |
| Increase of new shares | 1 | 7,490,512 | 7,490,512 | - | - |
| At 31 December | | | | | |
| - ordinary shares | 1 | 20,434,108 | 20,434,108 | 13,101,500 | 13,101,500 |
| Issued and paid-up | | | | | |
| At 1 January | | | | | |
| - ordinary shares | 1 | 13,101,280 | 13,101,280 | 13,101,280 | 13,101,280 |
| Issue of new shares | 1 | 5,082,828 | 5,082,828 | - | - |
| At 31 December | | | | | |
| - ordinary shares | 1 | 18,184,108 | 18,184,108 | 13,101,280 | 13,101,280 |
| Share discount | | | | | |
| At 1 January | | | | | |
| - ordinary shares | | 13,101,280 | 2,171,280 | 13,101,280 | 2,171,280 |
| Issue of new shares | | 5,082,828 | (933,038) | - | - |
| At 31 December | | | | | |
| - ordinary shares | | 18,184,108 | 1,238,242 | 13,101,280 | 2,171,280 |

Issue of ordinary shares

As a result of the Acquisition, at the Extraordinary General Meeting of Shareholders held on 25 January 2011, the shareholders passed the following resolutions:

a) Decrease the Company's registered share capital by cancelling 220,000 unissued registered shares with a par value of Baht 1 per share. The capital reduction will decrease the Company's registered share capital from Baht 13,101,500,000 to Baht 13,101,280,000.

b) Increase the Company's registered share capital by Baht 5,240,512,000, from Baht 13,101,280,000 to 18,341,792,000, by creating additional 5,240,512,000 ordinary shares with a par value of Baht 1 per share.

c) The Company allocated the 5,240,512,000 newly created ordinary shares with a par value of Baht 1 per share to the existing shareholders and by private placement to specific investors who were not connected persons of the Company at a price of Baht 1.20 per share.

The Company registered the decrease and increase of its registered share capital (January 2011) and its paid-up capital (24 February 2011 and 1 March 2011) with the Ministry of Commerce.

Accordingly, at the Extraordinary General Meeting of Shareholders held on 22 September 2011, the shareholders passed the following resolutions:

a) Decrease the Company's registered share capital by cancelling 157,683,765 unissued registered shares with a par value of Baht 1 per share. The capital reduction will decrease the Company's registered share capital from Baht 18,341,792,000 to Baht 18,184,108,235.

b) Increase the Company's registered share capital by Baht 2,250,000,000 from Baht 18,184,108,235 to Baht 20,434,108,235 by issuing additional 2,250,000,000 ordinary shares with a par value of Baht 1 per share to reserve for the conversion of the convertible debenture.

The Company registered the decrease and increase of its registered share capital with the Ministry of Commerce in September 2011.

20. Subordinated convertible debentures and convertible rights

At the Extraordinary to General Meeting of Shareholders held on 22 September 2011, the shareholders approved the Company to issue convertible debentures in an amount not exceeding Baht 2,250,000,000. For the detail as follows:

Existing Company shareholders are to be offered.

- Up to Baht 1,650 million of convertible debentures at the ratio of 11,000 existing shares to 1 convertible debenture, provided that any fraction of the convertible debentures is rounded up.

These convertible debentures have:

- Par value and offering price of Baht 1,000 per unit, a 3 year term, coupon rate of 3% per annum (payable every 6 months) and can be exercised at the end of each quarter with the exercise period from 30 December 2011 to 3 years from issuance date.

- The initial conversion price shall not be lower than the volume weighted average of the Company's ordinary share trading price at offering period plus 10% premium and may be adjusted upwards or downwards at a certain rate or method as specified under the rights.

- Repayment of subordinated convertible debentures by ordinary shares instead of cash. The convertible debentures holders shall convert all convertible debentures at a conversion price at the convertible debentures' maturity date if the market share price equal to a maximum of 110% of the conversion price.

If existing Company shareholders do not subscribe for all available convertible debentures, the other investors may subscribe to convertible debentures with:

- Term (not exceeding 5 years), coupon rate (not more than 5% per annum), par value, offering and initial conversion price and exercise period to be determined by - the Company's Board of Directors.

- Until the date of report, the convertible debentures have not been issued yet.

21. Segment information

Segment information is presented in respect of the Group's business segments. The primary format, business segments is based on the Group's management and internal reporting structure.

Business segments

The Group comprises the following main business segments:

- Segment 1** Manufacture of hot rolled coils
- Segment 2** Maintenance services
- Segment 3** Deep-sea port services
- Segment 4** Coke manufacturing and steel making plants

Information about reportable segments:

Business segments

| | Manufacture of hot rolled coils | | Maintenance services | | Deep-sea port services | | Coke manufacturing and steel making plants | | Elimination of inter-segment revenues | | Total | |
|--|---------------------------------|------------|----------------------|-----------|------------------------|-----------|--|----------|---------------------------------------|-------------|-------------|------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | | | | | | | | | |
| Revenue from external customers | 37,699,487 | 47,784,950 | 204,051 | 124,513 | 134,987 | 180,133 | 9,936,166 | - | - | - | 47,974,691 | 48,089,596 |
| Inter-segment revenue | - | - | 420,475 | 428,909 | 144,901 | 193,775 | - | - | (565,376) | (622,684) | - | - |
| Reportable segment profit (loss) before income tax | (443,883) | 2,209,091 | 39,245 | 50,251 | 109,399 | 185,909 | (1,119,234) | (82,693) | (52,784) | 187,260 | (1,467,257) | 2,549,818 |
| Reportable segment assets | 58,185,645 | 40,976,929 | 386,171 | 2,077,956 | 1,972,475 | 2,077,337 | 39,770,487 | 46,534 | (13,951,122) | (2,686,196) | 86,363,656 | 42,492,560 |

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss.

22. Selling expenses

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|-----------------------|-----------------------------------|----------------|-------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Distribution expenses | 189,983 | 466,287 | 190,919 | 468,297 |
| Personnel expenses | 20,576 | 22,180 | 20,271 | 21,649 |
| Commission expenses | 1,259 | 12,893 | 1,259 | 12,893 |
| Others | 2,135 | 1,856 | 1,542 | 1,533 |
| Total | 213,953 | 503,216 | 213,991 | 504,372 |

23. Administrative expenses

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|----------------------------------|-----------------------------------|----------------|-------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Personnel expenses | 147,938 | 168,025 | 108,646 | 124,999 |
| Travelling expenses | 87,710 | 12,147 | 85,761 | 10,205 |
| Depreciation and amortization | 17,968 | 17,246 | 16,811 | 16,210 |
| Professional expenses | 325,285 | 116,810 | 36,052 | 28,478 |
| Supplies | 2,450 | 3,883 | 507 | 472 |
| Rental and facilities expenses | 108,292 | 23,083 | 22,002 | 16,778 |
| Loss from sales of raw materials | 18,471 | - | 18,471 | - |
| Publication expenses | 13,395 | 10,629 | 13,323 | 10,557 |
| Written-off assets | 13,455 | 4,026 | 13,455 | 3,990 |
| Taxes and fees | 147,456 | 3,038 | 10 | 10 |
| Insurance premium | 293,276 | 1,261 | 619 | 609 |
| Training expenses | 88,061 | 2,844 | 2,431 | 1,978 |
| Others | 374,106 | 80,897 | 22,257 | 68,771 |
| Total | 1,637,863 | 443,889 | 340,345 | 283,057 |

24. Employee benefit expenses

| | Consolidated financial statements | | Separate financial statements | |
|------------------------------|-----------------------------------|----------------|-------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| Management | | | | |
| Wages and salaries | 98,228 | 77,363 | 53,263 | 59,847 |
| Defined benefit plans | 3,418 | 3,121 | 2,651 | 2,463 |
| Post employment benefit plan | 1,769 | - | 1,392 | - |
| Long-term employee benefits | 32 | - | 22 | - |
| | 103,447 | 80,484 | 57,328 | 62,310 |
| Other employees | | | | |
| Wages and salaries | 1,831,790 | 574,813 | 410,578 | 406,279 |
| Defined benefit plans | 28,208 | 26,984 | 20,162 | 19,508 |
| Post employment benefit plan | 12,440 | - | 8,781 | - |
| Long-term employee benefits | 2,284 | - | 1,556 | - |
| | 1,874,722 | 601,797 | 441,077 | 425,787 |
| Total | 1,978,169 | 682,281 | 498,405 | 488,097 |

Defined contribution plans

The defined contribution plans comprise provident funds established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 5% to 10% of their basic salaries and by the Group at rates ranging from 5% to 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

SSI UK Defined contribution plans

The defined contribution plans comprise pension plan established by SSI UK for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 6% of their basic salaries (dependent upon ages and length of employments) and by the subsidiary at rates ranging from 6% to 12% of the employees' basic salaries (dependent upon ages and length of employments). The pension plan is managed by a pension plan manager authorised and regulated by the Financial Services Authority.

25. Expenses by nature

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|-------------------|-------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Changes in inventories of finished goods and work in progress | 739,492 | (655,343) | (254,857) | (649,989) |
| Raw materials and consumables used | 41,072,987 | 42,374,794 | 33,742,744 | 42,530,429 |
| Allowance for decline in value of inventories | 1,083,527 | 4,875 | 415,401 | 4,875 |
| Employee benefit expenses | 1,874,722 | 601,797 | 441,077 | 425,787 |
| Depreciation and amortization | 955,754 | 784,911 | 512,406 | 662,350 |
| Fuel oil and electrical | 1,039,436 | 793,484 | 666,823 | 782,354 |
| Transportation | 801,944 | 467,623 | 190,919 | 468,297 |
| Maintenance | 655,346 | 45,148 | 346,190 | 372,582 |
| Advertising and public relation | 25,425 | 19,838 | 25,353 | 19,766 |
| Professional fee | 171,989 | 113,023 | 32,060 | 24,691 |
| Minimum lease payments recognized as an operating lease expense | 40,400 | 19,808 | 20,178 | 17,531 |
| Others | 3,028,843 | 489,432 | 326,358 | 285,379 |
| Total cost of sales of goods, selling expenses and administrative expenses | 51,489,865 | 45,059,390 | 36,464,652 | 44,944,052 |

26. Finance cost

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|---------------------------------------|-----------------------------------|----------------|-------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Interest expenses | 1,949,223 | 826,417 | 1,300,946 | 801,673 |
| Bank charges | 240,936 | 21,888 | 136,069 | 21,572 |
| Loss on interest rate swap agreements | 19,749 | - | 19,749 | - |
| Total | 2,209,908 | 848,305 | 1,456,764 | 823,245 |

27. Income tax

Income tax recognised in profit or loss

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|---------------|-------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Current tax expense | | | | |
| Current year | 13,306 | 18,383 | - | - |
| Adjust income tax rate of subsidiary in foreign | (551,897) | - | - | - |
| Total income tax expense | (538,591) | 18,383 | - | - |

No the current tax expense in the consolidated and separate statements of comprehensive income is less than the amount determined by applying the Thai corporation tax rate to the accounting profit for the year principally because:

(a) a significant portion of the Company's profit was derived from promoted activities for which are not subject to tax.

(b) of the different treatment for accounting and taxation purposes of certain items of in particular.

(c) losses suffered by certain subsidiaries cannot be set-off against the profits of other subsidiaries for tax purposes.

On 11 October 2011, the Cabinet announced the change in the corporate income tax rate to 23% for accounting periods ending 31 December 2012 or after, and to 20% for accounting periods beginning on or after 1 January 2013. This subsequent change in tax rate has no effect on the Group's financial statement for the year ended 31 December 2011.

During the year, there was an announcement to reduce the corporate income tax rate of a subsidiary in the UK. This change has decreased the subsidiary's tax obligations arising from the assets valuation amounting to Baht 522 million. The subsidiary has recognized the impact of the reduction in the income tax rate in the current year's income tax expense.

28. Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Group has been granted privileges by the Board of Investment relating to (1) manufacture of hot rolled coils and hot rolled pickled and oiled coils (2) for the provision of marine shipping services (3) for the provision of high-powered tug boat service (4) manufacture of industrial machinery and equipment, mechanical parts, and the repair and improvement of industrial machinery and equipment and steel structures for industrial use.

The privileges granted include:

(a) exemption from payment of import duty on machinery approved by the Board;

(b) exemption from import duty on essential raw materials and supplies imported;

(c) exemption from payment of income tax for sales of hot rolled coils and hot rolled pickled and oiled coils, to the extent that the amount sold does not exceed 1.6 million tons a year, for a period of 8 years commencing as from the date of the first earnings operating income (13 May 2004).

(d) exemption from corporate income tax on net income from the provision of marine shipping services, for a period of 8 years commencing as from the date of the first earning operating income (14 November 2006) to the

extent that the amount of tax exempted does not exceed 100 percent of the total investment made, excluding the price of land and working capital. The amount of corporate income tax exempted thus must not exceed Baht 1,146 million, and such cap is to be adjusted according to the actual capital investment (excluding land cost and working capital) as of the started date operation of the project commences. In addition the privileges also include an exemption from import duty on machinery approved by the BOI.

(e) exemption from corporate income tax on net income from the provision of high-powered tug boat service, for a period of 5 years commencing as from the date of the first earning operating income (9 August 2005) to the extent that the amount of tax exempted does not exceed 100 percent of the total investment made, excluding the price of land and working capital. The amount of corporate income tax exempted thus must not exceed Baht 103 million, and such cap is to be adjusted according to the actual

capital investment (excluding land cost and working capital) as of the started date operation of the project commences.

(f) exemption from corporate income tax on net income from manufacture of industrial machinery and equipment, mechanical parts, and the repair and improvement of industrial machinery and equipment and steel structures for industrial use, for a period of 8 years commencing as from the date of the first earning operating income, to the extent that the amount of tax exempted does not exceed 100 percent of the total investment made, excluding the price of land and working capital. The total amount of corporate income tax exempted thus must not exceed Baht 167 million, and such cap is to be adjusted according to the actual capital investment (excluding land cost and working capital) as of the started date operation of the project commences.

Summary of revenue from promoted and non-promoted businesses:

| Consolidated financial statements | | | | | | |
|-----------------------------------|-------------------------|-------------------|---------------------|-------------------------|-------------------|-------------------|
| 2011 | | | 2010 | | | |
| Promoted businesses | Non-promoted businesses | Total | Promoted businesses | Non-promoted businesses | Total | |
| Unit: Thousand Baht | | | | | | |
| Export sales and service | 580,933 | 134,779 | 715,712 | 1,799,797 | 841,629 | 2,641,426 |
| Local sales and service | 33,605,789 | 13,653,189 | 47,258,978 | 30,793,429 | 14,654,741 | 45,448,170 |
| Total Revenue | 34,186,722 | 13,787,968 | 47,974,690 | 32,593,226 | 15,496,370 | 48,089,596 |

| Separate financial statements | | | | | | |
|-------------------------------|-------------------------|------------------|---------------------|-------------------------|-------------------|-------------------|
| 2011 | | | 2010 | | | |
| Promoted businesses | Non-promoted businesses | Total | Promoted businesses | Non-promoted businesses | Total | |
| Unit: Thousand Baht | | | | | | |
| Export sales | 580,933 | 68,596 | 649,529 | 1,799,797 | 816,822 | 2,616,619 |
| Local sales | 33,528,850 | 3,521,108 | 37,049,958 | 30,705,744 | 14,462,587 | 45,168,331 |
| Total Revenue | 34,109,783 | 3,589,704 | 37,699,487 | 32,505,541 | 15,279,409 | 47,784,950 |

29. Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the years ended 31 December 2011 and 2010 were based on the profit (loss) for the years attributable to equity owners of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|-------------------|-------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht/Thousand Shares | | | | |
| Profit (loss) attributable to equity owners of the Company (basic) | (980,773) | 2,445,811 | (443,883) | 2,209,091 |
| Number of ordinary shares outstanding at 1 January | 13,101,280 | 13,101,280 | 13,101,280 | 13,101,280 |
| Effect of shares issued on 24 February 2011 | 2,118,671 | - | 2,118,671 | - |
| Effect of shares issued on 1 March 2011 | 2,176,612 | - | 2,176,612 | - |
| Weighted average number of ordinary shares outstanding (basic) | 17,396,563 | 13,101,280 | 17,396,563 | 13,101,280 |
| Basis earnings (loss) per share (in Baht) | (0.06) | 0.19 | (0.03) | 0.17 |

30. Financial risk management policies

Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result for operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because loan interest rates are mainly fixed. The Group is primarily exposed to interest rate risk from its borrowings (Note 15). The Group mitigates this risk by ensuring that the majority of its borrowings are at fixed interest rates and uses derivative financial instruments, principally interest rate swaps, to manage exposure to fluctuations in interest rates on borrowings.

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature or re-price were as follows:

| Consolidated financial statements | | | | | |
|---|-----------------|---------------------------------|-------------------|------------------|-------------------|
| Effective interest rate | Within 1 year | After 1 year but within 5 years | After 5 years | Total | |
| (% per annum) | (thousand Baht) | | | | |
| 2011 | | | | | |
| Current | | | | | |
| Short-term loans from financial institutions | 2.26 - 7.05 | 22,838,581 | - | - | 22,838,581 |
| Long-term loans from financial institutions-current portion | 5.20 - 7.25 | 1,422,914 | - | - | 1,422,914 |
| Short-term loans from related parties | 7.50 | 1,410,258 | - | - | 1,410,258 |
| Liabilities under finance lease agreements-current portion | 5.38 - 6.76 | 4,648 | - | - | 4,648 |
| Liabilities under hire purchase agreements-current portion | 2.10 - 3.60 | 5,589 | - | - | 5,589 |
| Non-current | | | | | |
| Long-term loans from financial institutions | 5.20 - 7.25 | - | 14,960,982 | 4,664,162 | 19,625,144 |
| Liabilities under finance lease agreements | 5.38 - 6.76 | - | 9,499 | - | 9,499 |
| Liabilities under hire purchase agreements | 2.10 - 3.60 | - | 6,011 | - | 6,011 |
| Total | | 25,681,990 | 14,976,492 | 4,664,162 | 45,322,644 |
| 2010 | | | | | |
| Current | | | | | |
| Short-term loans from financial institutions | 2.90 - 5.86 | 12,570,951 | - | - | 12,570,951 |
| Long-term loans from financial institutions-current portion | 4.35 - 5.75 | 1,917,784 | - | - | 1,917,784 |
| Liabilities under finance lease agreements-current portion | 6.00 - 7.50 | 7,532 | - | - | 7,532 |
| Liabilities under hire purchase agreements-current portion | 2.85 - 4.00 | 3,004 | - | - | 3,004 |
| Non-current | | | | | |
| Long-term loans from financial institutions | 4.35 - 5.75 | - | 4,433,854 | - | 4,433,854 |
| Liabilities under finance lease agreements | 6.00 - 7.50 | - | 126 | - | 126 |
| Liabilities under hire purchase agreements | 2.85 - 4.00 | - | 3,134 | - | 3,134 |
| Total | | 14,499,271 | 4,437,114 | - | 18,936,385 |

| | Separate financial statements | | | | Total |
|---|-------------------------------|-------------------|---------------------------------|------------------|-------------------|
| | Effective interest rate | Within 1 year | After 1 year but within 5 years | After 5 years | |
| | (% per annum) | (thousand Baht) | | | |
| 2011 | | | | | |
| Current | | | | | |
| Short-term loans from financial institutions | 2.26 - 7.05 | 16,683,917 | - | - | 16,683,917 |
| Long-term loans from financial institutions-current portion | 5.62 - 7.25 | 1,282,304 | - | - | 1,282,304 |
| Liabilities under hire purchase agreements-current portion | 2.10 - 3.60 | 4,738 | - | - | 4,738 |
| Non-current | | | | | |
| Long-term loans from financial institutions | 5.62 - 7.25 | - | 6,863,589 | 2,633,699 | 9,497,288 |
| Liabilities under hire purchase agreements | 2.10 - 3.60 | - | 5,144 | - | 5,144 |
| Total | | 17,970,959 | 6,868,733 | 2,633,699 | 27,473,391 |
| 2010 | | | | | |
| Current | | | | | |
| Short-term loans from financial institutions | 2.20 - 5.10 | 12,562,951 | - | - | 12,562,951 |
| Long-term loans from financial institutions-current portion | 5.00 - 5.69 | 1,811,800 | - | - | 1,811,800 |
| Liabilities under hire purchase agreements-current portion | 2.60 - 3.60 | 2,185 | - | - | 2,185 |
| Non-current | | | | | |
| Long-term loans from financial institutions | 5.00 - 5.69 | - | 4,185,050 | - | 4,185,050 |
| Liabilities under hire purchase agreements | 2.60 - 3.60 | - | 2,321 | - | 2,321 |
| Total | | 14,376,936 | 4,187,371 | - | 18,564,307 |

Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases which are denominated in foreign currencies. The Group primarily utilizes forward exchange contracts with maturities of less than one year to hedge such financial liabilities denominated in foreign currencies. The forward

exchange contracts entered into at the reporting date also relate to anticipated purchases, denominated in foreign currencies, for the subsequent period.

At 31 December, the Group and Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

| | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------|-----------------------------------|--------------------|-------------------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| United States Dollars | | | | |
| Cash and cash equivalents | 5,349 | - | - | - |
| Trade accounts receivable | 1,596,569 | 88,666 | - | 88,666 |
| Other receivables | 11 | - | 11 | - |
| Advance payment to related company | - | 300,063 | - | 300,063 |
| Interest-bearing liabilities | (17,380,974) | (4,889,345) | (1,169,608) | (4,889,345) |
| Short-term loans to related company | (1,410,258) | - | - | - |
| Trade accounts payable | (8,471,063) | (2,826,364) | (6,040,691) | (2,826,364) |
| Other payables | (2,037) | (4,407) | (2,037) | (4,407) |
| Accrued expenses | (54,101) | (2,109) | (940) | (2,109) |
| Gross balance sheet exposure | (25,716,504) | (7,333,496) | (7,213,265) | (7,333,496) |
| Forward purchase contracts | - | (15,056) | - | (15,056) |
| Net exposure | (25,716,504) | (7,348,552) | (7,213,265) | (7,348,552) |

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|--------------|-------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| GBP | | | | |
| Cash and cash equivalents | 55,681 | - | - | - |
| Trade accounts receivable | 662,273 | 4,151 | - | - |
| Other receivables from related companies | - | - | 486,499 | - |
| Advance payment to related company | - | - | - | 81,559 |
| Deposit | 8,119 | 92 | - | - |
| Refundable VAT | 383,557 | - | - | - |
| Other investment | - | - | 12,255,552 | 46,651 |
| Trade accounts payable | (3,442,964) | (1,990) | - | - |
| Other payables | - | (307) | - | - |
| Other payables to related companies | - | (775) | - | (775) |
| Accrued expenses | (442,156) | (1,688) | - | (1,688) |
| Environmental liabilities and others | (1,526,241) | - | - | - |
| Tax obligation arising from the assets valuation | (2,621,388) | - | - | - |
| Gross balance sheet exposure | (6,923,119) | (517) | 12,742,051 | 125,747 |
| Forward contracts | - | - | - | - |
| Net exposure | (6,923,119) | (517) | 12,742,051 | 125,747 |

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------|-----------------------------------|-----------------|-------------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Euro | | | | |
| Cash and cash equivalents | 19,438 | - | - | - |
| Trade accounts receivable | 28,741 | 142 | - | - |
| Trade accounts payable | (98,574) | (33,045) | (5,363) | (33,045) |
| Other payables | (21,834) | (23,164) | (21,834) | (23,164) |
| Accrued expenses | - | (723) | - | (723) |
| Gross balance sheet exposure | (72,229) | (56,790) | (27,197) | (56,932) |
| Forward contracts | - | - | - | - |
| Net exposure | (72,229) | (56,790) | (27,197) | (56,932) |

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined

for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of trade and other short-term receivables is taken to approximate the carrying value.

The fair value of investments in equity and debt securities, which are held for trading, held to maturity and available for sales, is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

As at 31 December 2011, the fair value of significant financial instruments are estimated to be close to the carrying amounts in the reporting date, except as follows:

| Unit: Thousand Baht | Consolidated financial statements | | Separate financial statements | |
|---------------------|-----------------------------------|------------------|-------------------------------|------------------|
| | Fair value | Carrying value | Fair value | Carrying value |
| 2011 | | | | |
| Current | | | | |
| Interest rate swaps | | | | |
| Liabilities | 1,064,523 | 1,000,462 | 1,064,523 | 1,000,462 |
| Total | 1,064,523 | 1,000,462 | 1,064,523 | 1,000,462 |
| 2010 | | | | |
| Current | | | | |
| Currency Forward | | | | |
| Liabilities | 14,003 | 15,056 | 14,003 | 15,056 |
| Total | 14,003 | 15,056 | 14,003 | 15,056 |

31. Commitments with non-related parties

| Unit: Million Baht | Consolidated financial statements | | Separate financial statements | |
|---------------------------------|-----------------------------------|------------|-------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Capital commitments | | | | |
| Contracted but not provided for | | | | |
| Machinery and equipment | 3,996 | 360 | 55 | 127 |
| Total | 3,996 | 360 | 55 | 127 |

As at 31 December 2011, the Group had capital commitment of Baht 111.1 million, USD 109.5 million, JPY 328.5 million and EUR 6.3 million in relation to the acquisition and installation of machinery and equipments.

As at 31 December 2011, the Company had capital commitment of Baht 44.2 million, USD 0.03 million and EUR 0.2 million in relation to the acquisition and installation of machinery and equipment.

| Unit: Million Baht | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|--------------|-------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Non-cancellable operating lease commitments | | | | |
| Within one year | 32 | 15 | 11 | 3 |
| After one year but within five years | 17 | 11 | 3 | 1 |
| Total | 49 | 26 | 14 | 4 |
| Other commitments commitments | | | | |
| Raw materials purchases | 26,840 | 4,540 | 6,674 | 4,423 |
| Letters of credit | 1 | 394 | 1 | 394 |
| Bank guarantees | 622 | 1,108 | 110 | 110 |
| Other agreements | 1,706 | 1,119 | 1,679 | 1,060 |
| Total | 29,169 | 7,161 | 8,464 | 5,987 |

As at 31 December 2011, the Group had raw material purchase amounting to USD 841.3 million and Baht 60.2 million (31 December 2010: USD 148.0 million and Baht 50.6 million). Moreover, the Group had chemical purchase commitments to purchase a minimum value of Baht 0.4 million per month until 24 February 2012.

As at 31 December 2011, the Company had raw material purchase commitments amounting to USD 209.7 million (31 December 2010: USD 146.0 million).

As at 31 December 2011, the Group had commitments to banks under outstanding letters of credit amounting to EUR 0.02 million (31 December 2010: USD 13.0 million).

As at 31 December 2011, the Group had outstanding bank guarantees issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of the business. These included letters of guarantee to guarantee:

- import duty on raw material imports as at 31 December 2010 Baht 120.5 million;
- payment of long-term loans of USD 13.8 million (31 December 2010: USD 26.8 million);
- against losses from the legal action being taken by the Royal Forest Department described amounting to Baht 3.9 million (31 December 2010: Baht 3.9 million),

- to the Customs Department in respect of the establishment of a wharf and go-downs amounting to Baht 11.0 million (31 December 2010: Baht 11.0 million);

- contractual performance amounting to Baht 10.8 million and GBP 0.9 million (31 December 2010: Baht 5.8 million and GBP 0.1 million);

- electricity usage of Baht 106.4 million (31 December 2010: Baht 105.7 million).

As at 31 December 2011, the Company had outstanding bank guarantees issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of the business. These included letters of guarantee for loss as a result of the legal action being taken by the Royal Forest Department (as described in Note 32) amounting to Baht 3.9 million (31 December 2010: Baht 3.9 million); to guarantee electricity usage of Baht 104.5 million (31 December 2010: Baht 104.5 million).

As at 31 December 2011, the Company had other commitments in relation to purchase spare parts and equipment supplies, and to obtain maintenance services amounting to Baht 1,468.4 million, USD 3.7 million and EUR 2.9 million (31 December 2010: Baht 705.6 million, USD 5.5 million, and EUR 4.0 million).

As at 31 December 2011, the Company had commitments amounting to approximately GBP 0.2 million and approximately USD 3.2 million in respect of consulting agreements relating to the Acquisition (31 December 2010: GBP 0.3 million, USD 0.3 million, and Baht 3.0 million).

As at 31 December 2011, the Group had long term service commitments for utility system repair and maintenance for a period of 14 years ending on 31 December 2013 and amounting to Baht 8.7 million in relation to service agreements (31 December 2010: Baht 11.5 million).

The Company has issued guarantees in favour of the British Environment Agency in relation to landfill and

radioactive source permits held by SSI UK. These guarantees in relation to landfill permit in the first year to the third year value of GBP 3.1 million, GBP 3.3 million and GBP 2.2 million, respectively. And guarantee in relation to radioactive source permit have a value of GBP 25,000.

32. Contingent liabilities and contingent assets

Contingent liabilities

As at 31 December 2011 and 2010, the Group was liable to banks in respect to the following guarantees:

| | Consolidated financial statements | | Separate financial statements | |
|------------------------|-----------------------------------|---------|-------------------------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| Unit: Thousand Baht | | | | |
| Performance guarantees | 4,916 | 9,235 | - | - |
| Electricity supply | 106,372 | 105,652 | 104,452 | 104,452 |

Dispute

On 9 July 2010, the Prachuabkirikhan Provincial Land Office, Bangsaphan Branch ("the Land Office") ordered the Company and a subsidiary to submit the Certificates of Utilisation (Nor. Sor. 3 Kor) ("the Certificates") for various plots of land, with an aggregate value of Baht 123.1 million for the Company and Baht 187.6 million for the subsidiary, for cancellation. Later, the Land Office announced that it was issuing replacement certificates for the Certificates. The Company and the subsidiary filed a lawsuit against the officers of the Land Office with the Central Administrative Court "CAC", petitioning the CAC to order the cancellation of the announcement of the Company and the subsidiary. The Company and the subsidiary also petitioned the CAC to identify measures to provide them with temporary relief. The Court accepted the lawsuit for consideration, and is currently deliberating. However, in preparing the financial

statements, the Company and the subsidiary recorded full allowance since 2007 and 2008, respectively.

On 1 September 2010, the Company and the subsidiary filed a lawsuit against the Director-General of the Department of Lands and the Deputy Permanent Secretary of the Ministry of Interior with the CAC, petitioning the court to order the revocation of the order of the Director-General of the Department of Lands issued on 5 January 2010, which ordered the revocation and recharting of the area under the Certificates, and the withdrawal of the appeal decision of the Deputy Permanent Secretary of the Ministry of Interior. Also, the Company and the subsidiary requested the court to suspend the execution of a sentence of the CAC. Presently, the court is in a process of submitting the deposition of the defendant to the Company and the subsidiary. Also, the court ordered to combine this case with the case that the Company and the subsidiary filed

a lawsuit against the Prachuabkirikhan Provincial Land Office, Bangsaphan Branch, discussed above.

On 20 December 2010, the Bangsaphan Sheriff, as the official responsible for the oversight and care of the National Forest, Klong Mae-Rumphueng forest, Prachuabkirikhan province (“the Forest”), issued a written order for the Company and the subsidiary to vacate the land for which the Director-General of the Department of Lands ordered revocation of the Certificates and for which the Land Office issued replacement certificates for the Certificates within 30 January 2011.

On 30 March 2011, the Company and the subsidiary filed a lawsuit petitioning the CAC to order the cancellation of written order of the Bangsaphan Sheriff on 20 December 2010, for the Company and the subsidiary to vacate from the Forest and to undertake no activities on that land. These are currently being considered by the CAC.

The management of the Company and the subsidiary believe that, the regardless of the result, the dispute will not affect the business operations of the Company or the subsidiary.

Litigation

1) The Company has been sued by the Royal Forest Department in a civil case regarding the encroachment on a national forest reserve, with a total of Baht 4.90 million claimed and the Prachuabkirikhan Provincial Court ordered the Company to pay compensation of Baht 2 million plus interest at a rate of 7.5 percent per annum as from the date the lawsuit was lodged by the Royal Forestry Department. The Company placed a bank guarantee of Baht 3.9 million with the Appeal Court to suspend the execution of the judgement for the term of the appeal, and lodged an appeal of the judgement with the Prachuabkirikhan Provincial Court. The Appeal Court confirmed the order of the Prachuabkirikhan Provincial Court. In March 2009, the Company submitted an appeal of the Appeal Court’s judgement to the Supreme

Court and the case is currently being considered by the Supreme Court.

In preparing its financial statements, the Company has recorded a provision against this claim (Baht 4.0 million) which has been held since 2009.

2) In March 2004, the Company was named co-defendant in two civil cases before the Bangkok South Civil Court, involving total claims of Baht 126 million resulting from the incorrect issue of bills of lading by forwarding agents. Subsequently, two of the plaintiffs in these cases sued the Company in the Central Intellectual Property and International Trade Court (“CIPITC”), which has jurisdiction in the cases. Claims made totalled approximately Baht 80 million. In December 2005, CIPITC combined the two cases because they relate to the same dispute. The CIPITC ordered the Company to pay compensation of USD 200,000, together with interest as from 9 May 2003 until the Company pays the claims and legal fees. In August 2009, the Company submitted an appeal of CIPITC’s judgements to the Supreme Court and the case is currently being considered by the Supreme Court. Subsequently, one of the plaintiffs withdrew its lawsuit and did not intend to enforce settlement in accordance with the judgement given by CIPITC. The Company withdrew its appeal in relation to the plaintiff.

In preparing its financial statements, the Company has recorded a provision against this claim (Baht 7.8 million) which has been held since 2009.

Contingent assets

On 6 June 2011, the Company filed a lawsuit against the Department of Land and Department of Provincial Administration (“the Departments”) related to a civil case pursued by the Departments against Company to revoke land use certificates (Nor. Sor. 3 Kor). The Company’s case is currently waiting for acceptance by the CAC.

33. Impact of severe flooding in Thailand

The Group's operation had been adversely affected by a significant reduction in sales to certain customers whose operations have been affected by the unusually severe flooding in parts of Thailand. Management is continuing to support these customers to mitigate the adverse effect of this situation.

34. Thai Financial Reporting Standards (TFRS) not yet adopted

The Group has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective indicated in the following table.

| TFRS | Topic | Year effective |
|-----------------------|--|----------------|
| TAS 12 | Income Taxes | 2013 |
| TAS 21 (revised 2009) | The Effects of Changes in Foreign Exchange Rates | 2013 |

TAS 12 - Income taxes

The principal change introduced by TAS 12 is the requirement to account for deferred tax liabilities and assets in the financial statements. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences between the carrying amount of the liability or asset in the statement of financial position and the amount attributed to that liability or asset for tax purposes; and the carry forward of unused tax losses. Currently, the Group in Thailand does not recognise deferred tax in the financial statements.

The Group will adopt TAS 12 with effect from 1 January 2013. The effects of the change will be recognised retrospectively in the financial statements and the statement of financial position as at 31 December 2011 will be adjusted accordingly. Management is considering the impact of adoption.

TAS 21 (revised 2009) - The effects of changes in foreign exchange rates

The principal change introduced by TAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21. Foreign currencies are defined by TAS 21 as all currencies other than the entity's functional currency.

Management has determined that the functional currency of the Company is Thai Baht. Accordingly, the adoption of TAS 21 from 1 January 2013 is not expected to have a significant impact on the Company's reported assets, liabilities or retained earnings. However, management is presently considering the potential initial impact on the consolidated and separate financial statements.



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