



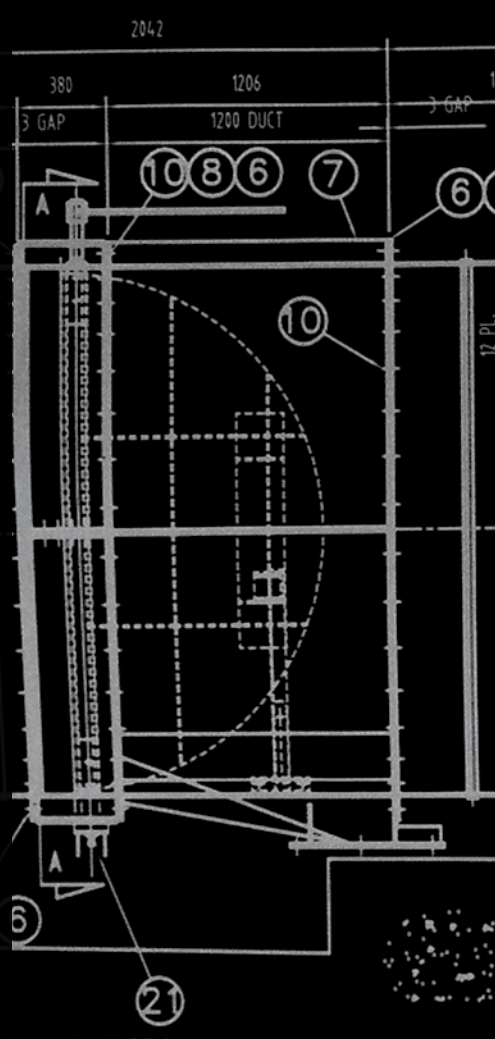
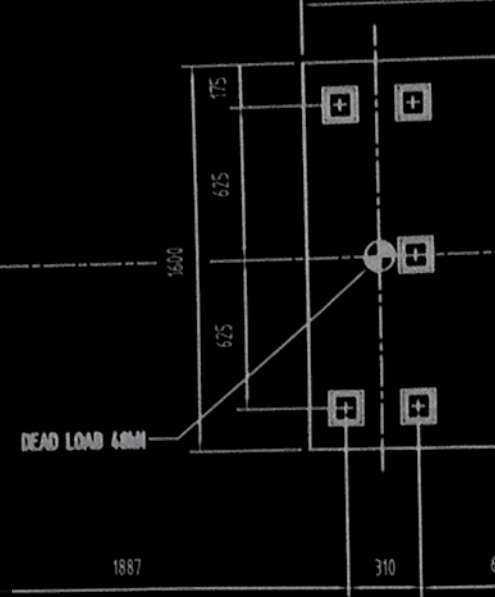
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**FOUNDATION NOTES:**  
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## Vision & Mission

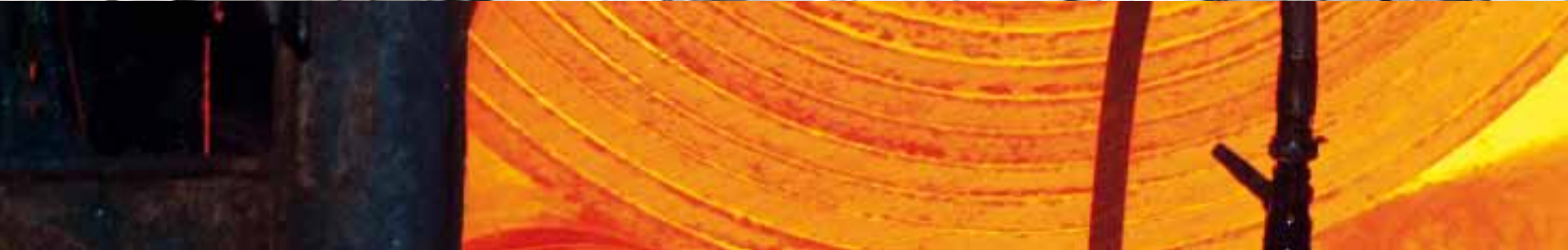
Innovate premium value steel products  
and services for customers;  
generate consistent profit and  
sustainable value for stakeholders.

## Values





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In the midst of competition and uncertainty in the business world  
SSI remains confident in its operational competency  
SSI continues to

Improve the quality of products and services relentlessly

Promote constructive business management

Pursue advancement and efficiency in production

Integrate the operations across upstream and downstream

Strive to operate in fully-integrated steel making industry

Align each business unit towards collective benefits of the Group

Keep walking steadily on the journey to success



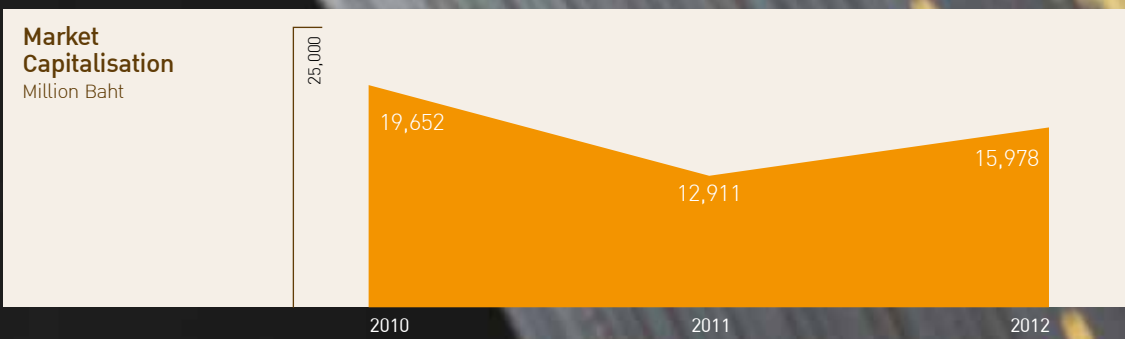
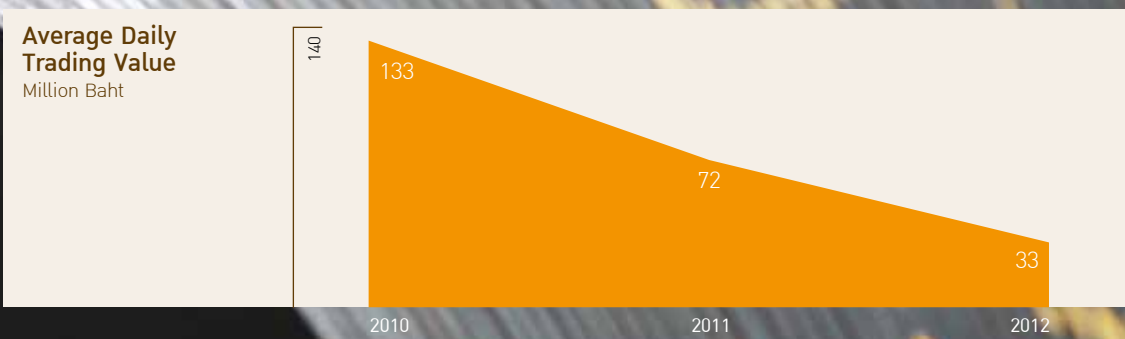
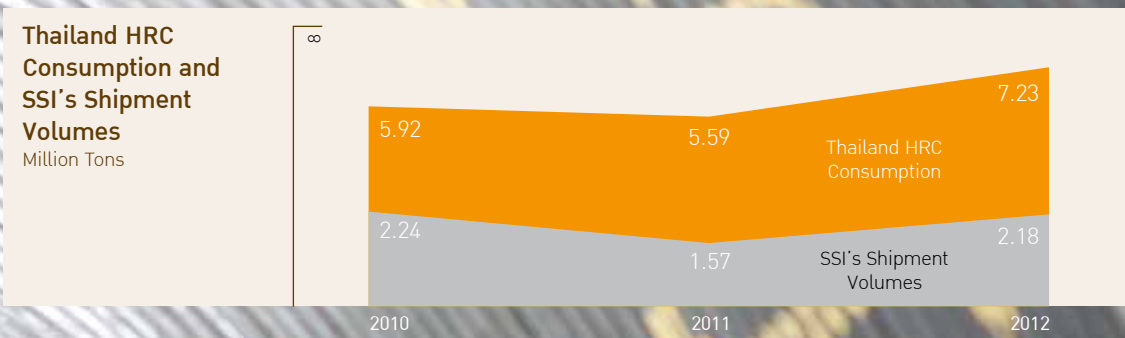
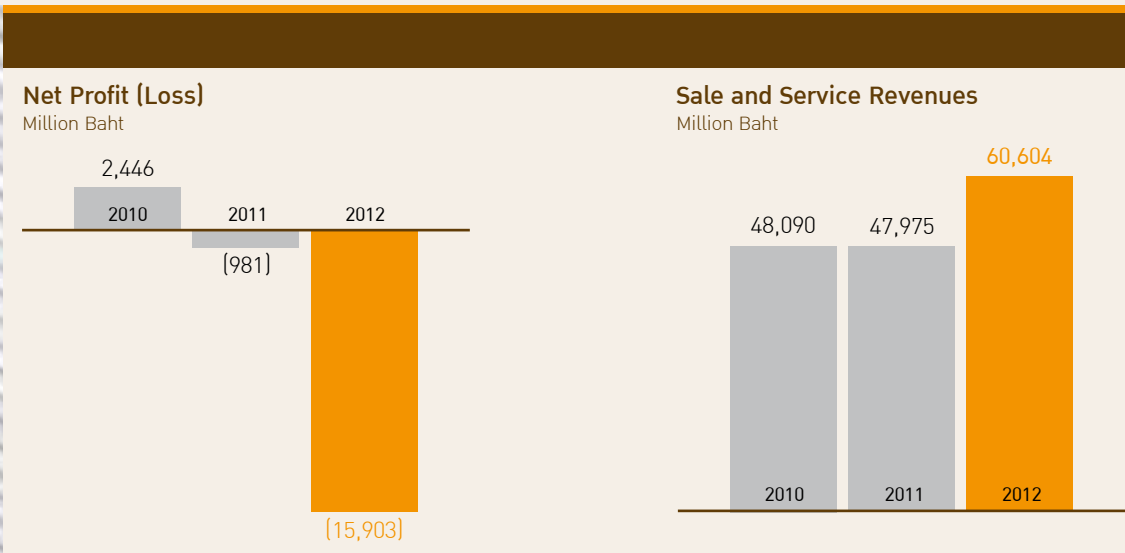
## Financial Highlights

Financial Highlights		2012	2011	2010
Sales Revenue	Million Baht	60,092	47,644	47,791
Service Revenue	Million Baht	512	331	299
Total Revenue	Million Baht	61,911	53,307	48,332
Gross Profit from Sales Revenue	Million Baht	(11,583)	(1,755)	3,846
Gross Profit from Service Revenue	Million Baht	308	92	131
Net Profit (Loss) Attributable to Owners of the Company	Million Baht	(15,903)	(981)	2,446
Total Assets	Million Baht	88,520	86,364	42,493
Total Liabilities	Million Baht	73,638	61,416	22,617
Equity Attributable to Owners of the Company	Million Baht	13,991	24,096	19,033
Total Liabilities	Million Baht	14,882	24,948	19,875
Net Profit (Loss) Margin	%	(25.69)	(1.84)	5.06
Return on Equity	%	(83.51)	(4.55)	13.59
Return on Assets	%	(18.19)	(1.52)	5.74
Interest-Bearing Debt to Equity Ratio	Times	3.49	1.82	0.95
Earning (Loss) per Share	Baht	(0.83)	(0.06)	0.19
Book Value per Share	Baht	0.52	1.33	1.45

Key Data of SSI Shares		2012	2011	2010
Closing Price <sup>1</sup>	Baht	0.59	0.71	1.50
High	Baht	0.86	1.52	2.14
Low	Baht	0.52	0.56	1.08
Average Price	Baht	0.69	1.11	1.68
Number of Shares	Million Shares	27,080.63	18,184.11	13,101.28
Par Value	Baht	1.00	1.00	1.00
Average Daily Trading Volume	Million Shares	47.58	65.17	79.03
Average Daily Trading Value	Million Baht	32.77	72.17	133.05
Market Capitalisation <sup>1</sup>	Million Baht	15,977.57	12,910.72	19,651.92
Foreign Limit	%	49.00	49.00	49.00
Foreign Ownership <sup>2</sup>	%	37.78	28.22	27.83
Minority Shareholders <sup>2</sup>	%	45.72	27.17	30.70
P/E Ratio <sup>1</sup>	Times	N.A.	N.A.	8.02
Dividend per Share	Baht	-	-	-
Dividend Yield	%	-	-	-

<sup>1</sup> As at the last business day of December

<sup>2</sup> As at the last business day of December or the latest closing date of the share register book, as the case may be



## Message from the Chairman



To Shareholders,

The year 2012 was another important and challenging year of Sahaviriya Steel Industries Public Company Limited or "SSI" and other steel companies worldwide due to the uncertainties in the global economy given the European debt crisis and China's economic slowdown together with other domestic factors such as the exchange rate volatility and the consequence impact of the Thailand flood in 2011. Moreover, SSI continues to face obstacles and difficulties from the previous year: the declining price of iron ore, coking coal, and every type of steel product; the global economic crisis; and the continuous dumping of hot-rolled steel sheet in coils (HRC) with boron and chromium added. With the Board of Directors' close supervision and good corporate governance and the Management Committee's diligent management, SSI has surmounted these limiting obstacles. In 2012, SSI's net consolidated loss was Baht 15,903 million.

Regarding the investment in the Iron and Steel Making Business in the United Kingdom, we have made significant progress even though the SSI UK Restart Project was behind schedule. After the completion of SSI UK Restart Project, Sahaviriya Steel Industries UK ("SSI UK") started its operations and successfully produced the first steel slab on 18 April 2012. SSI UK reached the first 1 million tons milestone in only 5 months. The majority of the steel slabs are shipped to SSI Bangsaphan Plant as raw material for the production of HRC to fulfill the demand of local clients. SSI Bangsaphan achieved its highest HRC production record of 12,449 tons per day on 20 September 2013. The PPC Shore Crane Project of our subsidiary, Prachuap Port Company Limited, was successfully completed in April 2012, and it has since handled the discharge of steel slabs from the UK with great efficiency. These factors contributed to SSI's success in terms of production and logistics. We are beginning to reap the benefits from integrating our operations with the upstream business, which led SSI to attain its highest revenue of Baht 60,604 million as planned.

Notably, the Board of Directors approved the Comprehensive Financial Plan to issue and offer 19,433.67 million shares at the offering price of Baht 0.68 per share to: 1) Vanomet Holding AG, 2) existing shareholders in proportion to their shareholding (Rights Offering), 3) persons under private placement scheme, 4) Sahaviriya Group Corporation Limited, and 5) Sahaviriya Inter Steel Holdings Company Limited. As at 24 December 2012, SSI completed the offering of 8,743.92 million shares, totaling Baht 5,945.87 million, and registered the increase in SSI's paid-up capital to Baht 27,080.63 million. In this regard, SSI used the subscription proceeds of USD 176.96 million to additionally invest in SSI UK by subscribing the newly issued ordinary shares of





A stylized, handwritten signature in black ink, consisting of several sweeping, connected strokes.

**Mr. Wit Viriyaprapaikit**

Chairman of the Board of Directors

SSI UK. SSI also converted slab prepayment paid to SSI UK in the amount of USD 125 million into newly issued ordinary shares of SSI UK. After the capital increase, SSI UK's paid-up capital increased to GBP 480.74 million (equivalent to USD 773.41 million).

The capital raising plan was well received by our business partners and shareholders, thereby strengthening the long-term financial stability of SSI and our subsidiaries.

To conform with the business strategies and goals of the SSI Group's business plan, the Board of Directors approved the organisational restructuring, in particular, improvement of the management structure by establishing the Group Purchasing Office and the Group Technology Office to enhance business operation efficiency.

The Board of Directors has complied with the SEC's directive regarding the Anti-corruption Cooperation instructing all listed companies to be cautious and vigilant in conducting business with persons who may be involved in corruption. The Board of Directors sanctioned cooperation and compliance with such instruction, and the subsidiaries were also informed to cooperate accordingly.

SSI values all stakeholders and carry out our corporate social responsibility activities during production process and post-production process. The Board of Directors has adopted good corporate governance and attentively monitors the efficiency of production process, safety, occupational health and environment, anti-corruption, fair business operation, respect for human rights, human resource development, and 35 projects in community involvement and development in line with our "Innovate • Strength" vision.

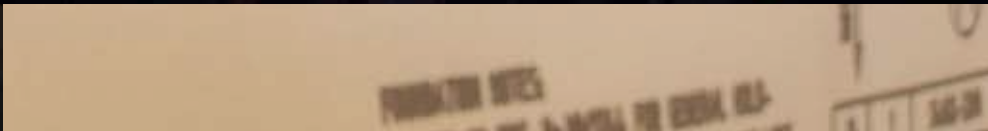
In addition, SSI has received several national awards including the Honorable Outstanding Labor Relations and Welfare Award for 10 consecutive years, the Outstanding Award for National Safety Organisation 2012, and the Honorable Certificate for Excellent Cooperative Governance 2012.

On behalf of the Board of Directors, I am confident that with supervision and management under the principle of good corporate governance, and our vision, "innovate premium value steel products and services for customers; generate consistent profit and sustainable value for stakeholders", SSI Group will grow stronger and create value to our customers, employees, and stakeholders, generating long term sustainable return to our shareholders.

I would like to thank all stakeholders including shareholders, customers, suppliers, business partners, financial institutions, communities, relevant government and private agencies, and employees for your significant contributions in shaping SSI's growth and success, and being a driving force in our economy.



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# Message from Group CEO and President

Dear Shareholders,

2012 was certainly year to remember for your company. During the year which was both very remarkable and very challenging, we achieved a record Baht 60,604 million in consolidated revenue but at the same time suffered a net loss of Baht 15,903 million.

**The remarkable.** On 18 April 2012, we successfully cast our first steel slab at our SSI Teesside plant, so beginning our transformation to becoming a fully integrated steel producer. We hit our first one million tons mark on 13 September, and produced a total of 1.77 million tons in 2012 (that hopefully settles the doubt, which I mentioned in my letter last year, whether a small Thai steel company like us can really operate a world-class integrated steel works.) 18% of these steel slabs were sold to external customers, who were satisfied with our product quality. 82% were shipped to our SSI Bangsaphan plant in Thailand and significantly contributed to us achieving our second highest shipment of 2.18 million tons in our HRC Business (1.26 million tons in H2/2012 alone despite a deteriorating market environment). These steel products also started to make their way to the targeted high-growth high-end market segments. The benefit of vertical integration and raw material supply came to fruition just as originally envisaged.

**The challenging.** Unfortunately our timing could not have been worse. Admittedly, we started up the blast furnace 4 months later than scheduled and missed the good market timing during the first half of the year. By June the Euro zone crisis situation further exacerbated; steel and raw material prices collapsed immediately and this trough continued throughout most of the second half of the year. Steel producers globally suddenly were faced with a crisis. It was against this background that we were ramping up production in a falling market whilst also carrying the high cost of operating at a sub-optimal level. This certainly was not a sunny sky for us to fly in, but giving up was not an option and so we followed through with our mission.

Napoleon Bonaparte said, "Courage isn't having the strength to go on – it is going on when you don't have strength." I absolutely agree. Whilst the long-term vision was clear, the storm that confronted us in the second half was formidable. We survived it with the courage and the fighting spirit of our employees and management team, together with the strong support we received from our stakeholders.

**Business results.** Group revenue was all-time high – major contributions came from HRC sales to Thailand domestic market and slab sales to customers globally. The net loss of Baht 15,903 million was a consequence of 1) the 4-month start-up

delay at SSI Teesside, 2) the steel market collapse in the 2<sup>nd</sup> half giving us negative margin both in HRC Business and in the Iron and Steel Making Business, and 3) the high-cost of production associated with the steel making production ramp-up.

**Going forward in the short term.** As we enter 2013, the steel market is on an upward trend and prices and spreads have improved considerably. We see our HRC business returning to profitability and, whilst in the steel industry there is no clear visibility beyond 3 - 6 months horizon, we see 4 major positive drivers: 1) better HRC spread than in 2012 as the market improves; 2) consistently high output and sales volume from secured slab supply; 3) strong Thai domestic demand on the back of a strong local economy; and 4) better margins from sales expansion of our Premium Value Products. The Iron and Steel Making Business will continue to lose money in the 1<sup>st</sup> half until the PCI technology commissions in the middle of the year, following which the overall cost position will improve on the back of higher outputs and lower fuel cost.

The big question is “when will we return to profit?” The simple and big picture answer to that is “when we reach scale.” Before the acquisition of SSI Teesside, our asset size was circa Baht 40 billion and sales in the range of Baht 30 - 50 billion. History tells us that in any year that we achieve Baht 40-plus billion in sales revenue, we have typically made money. The higher the revenue, the higher the profit. Conversely, in any year that sales were below Baht 40 billion, we typically lost money. Simply put, the key is in revenue on assets, and we have to maximise revenue from our asset base. The caveat is that, in pre-acquisition time, because we were a rolling mill relying on steel slabs supply, we could not maximise revenue at will. We had to source it, before we could produce it and sell it. We were constrained by slab availability and slab market dynamics, even though we had the mill production capacity.

Post-integration, that constraint has been lifted and our HRC Business is now liberated to pursue increases in both volume and margins. There is though yet another caveat. Our group asset size has now doubled to circa Baht 80 billion. In 2011, the year of acquisition, our group revenue was Baht 48 billion. In 2012, the first year of integration, our group revenue was Baht 60 billion and whilst this is a record, it was still lower than our group asset size. We are back again to the issue of **revenue on assets**. We have to be operating at Baht 80 billion revenue level to reasonably make money.

Looking at Q4/2012 revenue, we were at Baht 17.6 billion, trending up to Baht 70 billion level on annualised basis, with asset utilisation at about 65 - 70% at both the HRC Business and Iron and Steel Making Business. In 2013, we will gradually trend towards Baht 80 billion level as asset utilisation increases at both Businesses. Of the two remaining challenges – whether we can produce it and whether we can sell it – we are reasonably confident on achieving both.

**The long term.** 2012 was admittedly a terrible year for us financially, but it is too soon to judge what the year meant for us strategically as we invested for the long term. We are not building our business in a quarter or six months or even a year, and as a result our stock may be unpopular today. The questions are what will the market and industry landscape be in the longer term future, and where will we be in that future.

We see Thailand continuing to lead regional development, particularly in the areas where our products are in demand, such as automobile production, capital investment in infrastructure and transport network, the proliferation of middle-income households, and the urbanisation of Bangkok and other major cities. We see regional development taking off on the back of stable political environment, the rise in disposable income of 600-million strong population, and the market and economic integration through ASEAN Economic Community (AEC) cooperation. We see 2 - 3 decades of continuous development which will expand the market for premium grade steel sheet products. We see your company will be ready and well-positioned – whether in scale, in product portfolio, in technology, and in passion – to supply the products to feed that growth.

What we cannot see is – how will the global economy be this year or the next, what fiscal cliff or sovereign debt crisis looms ahead, whether China will continue to grow or has it peaked, will Thai politics be peaceful or will chaos erupt again, and etc. What we can see is – your employees and management team do not lack the courage to fight for your company; raw material security will help to grow our sales volume and allow us to pursue our Premium Value Products strategy; our world-class businesses can be further enhanced and optimised and the integration of these assets will strengthen us further; vertical integration provides multiple options for us to grow; our passion to innovate will continue to create value for our customers and put us ahead of the competition; our values will guide us to be an effective organisation and govern us to be good corporate citizens; and sustainable development will be at the heart of everything we do.

**“For we walk by faith, not by sight.”**

**2 Corinthians 5:7**



**Mr. Win Viriyaprapaikit**

Group CEO and President

# Steel Industry and Market Overview

## World Steel Industry in Year 2012

Despite the ongoing economic crisis in some regions of the world, global steel demand in 2012 slightly increased from the previous year. World Steel Association (“WSA”) reported an estimated Global Apparent Steel Use in 2012 of approximately 1,409 million tons, or up by 2.1% YoY, a smaller growth comparing to that of 6.2% YoY in 2011. Meanwhile, Crude Steel Production in 2012 was approximately 1,548 million tons, or up by 1.2% YoY. Slower growth in Global Apparent Steel Use was primarily caused by EU debt crisis from Q2/2012 onwards, combining with the slower growth of Chinese economy in Q2/2012 and Q3/2012. However, by the end of Q3/2012, there were economic stimulus measures enforced in major regions; for example, EU approved the

establishment of Economic Stability Mechanism (ESM); the US declared the third round of Quantitative Easing (QE3) to buy mortgage-backed securities (MBS) in total of USD 40 billion per month; and China announced its additional investment in infrastructures projects. As a result, global Crude Steel Production and Global Apparent Steel Use started to recover since the end of Q4/2012.

In term of steel prices in 2012, due to the shrinking steel demand in Q2/2012 and Q3/2012, steel prices continued to decline, as slab prices (CFR East Asia Import) decreased from USD 600 - 612 per ton in Q1/2012 to USD 487 - 503 per ton in Q3/2012. Whereas, HRC prices (CFR East Asia Import) also declined and reached its lowest in September 2012, at USD 532 per ton, down from its highest level of USD 662 per ton in April 2012.



## Thailand Steel Industry in Year 2012

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In 2012, Thailand steel industry continuingly grew from the previous year, with Apparent Steel Supply of 16.6 million tons, up by 12.2% YoY. (Source: Iron and Steel Institute of Thailand or ISIT) Although export sectors, especially downstream industries whose raw materials are steel, were affected by the global economic crisis, domestic steel consumption remained at a high level, especially from automotive industry promoted by the government and household consumption expansion as a result of the government's stimulus measures. In addition, manufacturing sector was recovering from Thailand Flood situation in late 2011. However, since the beginning of year 2012, domestic steel industry was affected by a large number of imported HRC with Boron added from China and Korea, including HRC with other elements added after an expiration of 90-day extended provisional 19.47% anti-dumping duties on HRC imported from China on 16 February 2012. As a result, imports of HRC with alloy added from China and other countries were at high level throughout the year 2012. On 25 December 2012, the Notification of Committee on Dumping and Subsidy Re: Anti-dumping Measures on hot-rolled steel sheet with Boron added in coils and non-coils originating from China was announced and would be in effect for the next 5 years. Such measures included the imposition of anti-dumping duty rate of 14.28% of CIF price for those being imported from Wuhan Iron and Steel Co., Ltd. and the rate of 19.47% of CIF for those being imported from Rizhao Steel Wire Co., Ltd. and other manufacturers. Besides, on 26 February 2013, the Committee on Safeguard Measure also announced the Provisional Safeguard Measure to impose a tariff rate of 33.13% on hot-rolled steel sheets with other elements added in coils and non-coils imported from any country. The said measure will be in effect for 200 days after the date of announcement; in the meantime, the investigation on the matters has been executed by Ministry of Commerce since 27 November 2012, and expected to finish within 270 days or be extendable for another 90 days.

## Outlook on World Steel Industry in 2013

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World Steel Association (WSA) has estimated world's Apparent Steel Use to grow by 3.2% YoY to 1,455 million tons in 2013 by expecting that the EU debt crisis situation would improve; that the US would resolve its Fiscal Cliff problem early in 2013; and that China would announce more economic stimulus measures in 2013; WSA also anticipated that in 2013 China is yet to be the largest steel consumer with the growth in its demand by 3.1% YoY or increase to approximately 659.2 million tons, whilst steel demand in Europe is expected to grow by 2.4% YoY.

For domestic steel industry, ISIT has anticipated that domestic demand for steel would increase by 7.2% to 17.5 million tons in 2013. Flat steel products used in automotive industry would be increasing as there are a large number of cars to be delivered in 2013, despite the first-car tax rebate policy ending in 2012. Meanwhile, long steel product demand is also expected to grow following the growth in property and construction sectors driven by the government's economic stimulus measures and investment projects.

For domestic industrial sectors' growth trend in 2013, the Office of Industrial Economics (OIE) has projected the Manufacturing Production Index (MPI) in 2013 to expand approximately by 3.5 - 4.5%. Positive factors for growth in industrial sectors would be the government's economic stimulus measures, low pressure from oil prices and inflation, and less burden from decreasing interest expenses. On the other hand, negative factors would be economic situations in the US, China, and EU, which would affect export sectors.

For automotive industry in 2013, it is projected that domestic car production would be approximately 2.5 million units, up by 2% YoY. Whereas, electrical appliances and electronic parts industries in 2013 are expected to grow by 3% from 2012 due to an increasing domestic demand resulted from the government's economic stimulus measures.

## Business Description

Sahaviriya Steel Industries Public Company Limited (the “Company” 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 plant as a mid-stream steel manufacturer plant, with a maximum production capacity of 4.0 million tons per year for HRC and 1.0 million tons per year for HRC pickled and oiled. The Company’s first main strategy is “Innovate Premium Value Steel Products” to serve the growing demand of the region in various sectors such as automobile, energy, electrical appliances, packaging, transportation, and construction. The second main strategy is “Integrate 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 unit to obtain competitive advantages from synergy.

For the upstream steel business, SSI has SSI Teesside plant 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 maximum production capacity of 3.6 million tons per year for high-grade steel slabs to supply to SSI and to provide a secured source of raw materials for the group, as well as to distribute to other rolling mills worldwide. 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 such as iron ore and coking coal from major sources around Atlantic-rim. Teesside area is abundant with steel making technology as well as qualified and experienced personnel, primarily with its long history in steel making, and Teesside has been a strategic location of iron and steel making business for more than 170 years.

In addition, SSI has joint-venture investments in key downstream projects - namely Thai Cold Rolled Steel Sheet Public Company Limited (“TCRSS”), Thailand’s first and largest cold-rolled steel mill with a maximum production capacity of 1.2 million tons per year, and Thai Coated Steel Sheet Company Limited (“TCS”), Southeast Asia’s first and largest electro-galvanising steel mill with a maximum production 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 District, 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 private deepest commercial sea port in Thailand, which allows import and export of raw materials and 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, fabrication, erection and commissioning services, including the engineering design services specialised in steel and other heavy industries.

As of 31 December 2012, SSI group employed 4,090 employees - 2,332 in Thailand and 1,758 in the United Kingdom. SSI Group continued with policy to recruit locally - the ratio of local recruitment is 74.4% at Bangsaphan plant and 97.8% at SSI Teesside plant. Besides, SSI has planned to integrate human resources system and the culture of both countries within 2013 which will be a great opportunity for SSI group employees to gain cross-cultural exposure and grow professionally, of which contribute to the greater benefits for SSI group.



## SSI Group Business Portfolio



### Steel Business

**Iron and Steel Making Business** operated by SSI UK, started to blow hot air into and relit the Redcar Blast Furnace, and cast the first slab on 18 April 2012. Currently, SSI UK is in the process of installing Pulverised Coal Injection (PCI) project for production cost reduction which is expected to be completed by Q2/2013

**HRC Business** operated by SSI, supplying HRC to clients in automobile and automotive parts industries, electrical appliances, gas cylinder, steel pipes, and construction, as well as 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 2012, PPC started commercial operation of the PPC Shore Crane project of two mobile harbor cranes with the maximum lift weight of

100 tons in order to 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 deep-sea port on the eastern coast of the United Kingdom to provide port services and raw materials handling for iron and steel making and electricity generating operations.

### Engineering and Maintenance Service Business

Engineering and Maintenance Service Business is operated by WCE. Originally 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 one fully-integrated flat steel manufacturer, from upstream to downstream operations which secures sources 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

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### February 2012

HRH Prince Andrew, the Duke of York, visited to SSI Bangkok office, in the occasion of his Thailand official visit as a royal guest.

### March 2012

SSI made the new record of the first and the highest accumulative HRC production volume of 26 million tons in Thailand.

### April 2012

SSI UK started to blow hot air into and relit the Redcar Blast Furnace on 15 April 2012, and cast the first slab on 18 April 2012.

### May 2012

SSI issued and offered subordinated convertible debentures to its existing shareholders and used the proceeds of Baht 1,650 million, or equivalent to USD 52.55 million, to subscribe newly issued ordinary shares in SSI UK.

Secretary of State for Wales Cheryl Gillan, together with her team visited SSI Bangkok office, attended a presentation on the Company's background and the progress of SSI Teesside plant, and discussed on operating business in the UK.

### June 2012

SSI issued and offered subordinated convertible debentures to persons under private placement scheme and used the proceeds of Baht 600 million, or equivalent to USD 18.9 million, to subscribe newly issued ordinary shares in SSI UK.

The first shipment of 48 k tons steel slabs produced by SSI UK arrived to Thailand.

### August 2012

SSI entered into the Memorandum of Understanding among (1) SSI, (2) SSI UK, (3) Vanomet Holding AG ("Vanomet") and (4) its Long-term Lenders to preliminarily agree on terms and conditions for Vanomet strategic investment in SSI and SSI UK (Memorandum of Understanding for Vanomet Strategic Investment).

SSI entered into the Memorandum of Understanding for Financial Backing with its Short-term Lenders and Long-term Lenders, where Short-term Lenders agreed to convert the status

of the working capital loan to three-year amortising long-term loan to be consistent with the economic and industrial situation and the business operations of the Company.

### September 2012

SSI recorded the new highest level of daily HRC production with 12,449 tons per day.

SSI UK achieved 1 million tons of cumulative slab production.

SSI received the National Outstanding Industrial Establishment Award in category of Labor Welfare/Relations for 10 consecutive years (2003 - 2012) as only one Thai corporate among the six recipients of the same award this year.

### October 2012

The Extraordinary General Meeting of Shareholders No. 2/2012 of SSI approved the capital increase and recapitalisation plan by issuing and offering 19,433.67 million shares, at the offering price of Baht 0.68 per share to its existing shareholders and persons under private placement scheme.

SSI entered into the Partnership Agreement with JFE Steel Corporation ("JFE") and Marubeni-Itochu Steel Inc. ("MISI"). JFE and MISI agreed to invest in the newly issued ordinary shares of the Company with total investment of USD 50 million. JFE and MISI would also purchase shares in TCRSS, the existing jointly controlled entity of the Company, in an amount of approximately USD 50 millions from the Company's current shareholding.

### December 2012

SSI was selected as a newcomer in the SET100 index for the first 6 months of 2013.

SSI issued and offered 8,743.93 newly issued ordinary shares to its existing shareholders and persons under private placement scheme, at an offering price of Baht 0.68 per share, and received total proceeds of Baht 5,945.87 million.

SSI additionally invested USD 301.96 million in SSI UK.

SSI used the capital increase proceeds to buy back 600,000 units of Subordinated Convertible Debentures No. 2/2012 from Vanomet AG.

## Revenue Structure

Product/ Business Unit	Operated by	Shareholding by SSI (%)	2012		2011		2010	
			Revenue (Million Baht)	%	Revenue (Million Baht)	%	Revenue (Million Baht)	%
HRC Business	Sahaviriya Steel Industries Plc.	-	48,470 <sup>1</sup>	78.29	37,699 <sup>1</sup>	70.72	47,785 <sup>1</sup>	98.86
Engineering & Maintenance Service Business	West Coast Engineering Co., Ltd.	99.99	277	0.45	204	0.38	125	0.26
Deep-Sea Port Business	Prachuap Port Co., Ltd.	51.00	169	0.27	135	0.25	180	0.37
Iron and Steel Making Business	Sahaviriya Steel Industries UK Ltd.	100.00	11,688	18.88	9,936	18.64	-	-
Other revenues	Sahaviriya Steel Industries Plc.		408	0.66	50	0.09	237	0.49
	Prachaup Port Co., Ltd.		3	-	3	0.01	2	0.01
	West Coast Engineering Co., Ltd.		-	-	5	0.02	3	0.01
	Sahaviriya Steel Industries UK Ltd.		896	1.45	5,274	9.89	-	-
			<b>61,911</b>	<b>100.00</b>	<b>53,306</b>	<b>100.00</b>	<b>48,332</b>	<b>100.00</b>

<sup>1</sup> Including sales to Thai Cold Rolled Steel Sheet Plc. in the amount of Baht 2,737 million, Baht 3,828 million, and Baht 5,872 million in 2012, 2011, and 2010 respectively.

# SSI Group Structure

As of 27 February 2013



3.7% 51% 99.99%



Coated Steel Sheet 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

## Significant Changes in 2012

According to the WEO (World Economic Outlook), the world economy in year 2012 grew by approximately 3.2%, slightly decreased from 4% in 2011, as a result of slow economic growth in Europe, concerns on the US Fiscal Cliff problem, and decelerating economic growth in China and Japan, which resulted in significantly lower growth in Asian economies, especially in China and India, despite the region's strong position. However, major economic countries have been continuously implementing expansionary monetary policy to stimulate their economies while the EU's bailout programs have progressively been implemented to improve the crisis situation. Less concern over the US's economic difficulties has also enhanced confidence and economic recovery of major countries since the end of 2012. In year 2013, recovery is expected to see in a few countries. Although the US Fiscal Cliff is still persisting, confidence and recovery is also expected. EU will still be facing difficulties, but slight growth is also anticipated. Strong growth in Asia is more likely especially China and ASEAN countries, while BRICS should be outstanding in term of economic growth.

The Office of National Economic and Social Development Board of Thailand reported an increase in the local economy of 6.4%, much higher development compared to 0.1% in 2011 driven by a strong expansion in household consumption from the government's stimulus programs including the tax rebate for first-time-car-buyer scheme and the rice-pledging scheme. The recovery of electrical appliances and electronic parts distraught from the hard hit of the Thailand Flood situation and the global economic sluggishness last year also encouraged the growth of Thailand economy in 2012. Total domestic steel consumption, as announced by the Iron and Steel Institute of Thailand, in 2012 was 16.6 million tons or increased by 12.2% compared to 2011 with higher demand from both flat steel product of 14.1% and long steel product of 8.6%.



**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 2012, the Company recorded total HRC shipment volume of 2.18 million tons with the sales proportion of Premium Value Products at 37% of total shipment 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 shipment of 308,450 tons in 2012 – a significant increase by 82% from 169,633 tons in 2011.

## 2012 Performance Highlights of the Company and its Subsidiaries

- SSI UK started to blow hot air blast into and relit the Redcar Blast Furnace, and cast the first slab on 18 April 2012. Currently, SSI UK is in the process of installing Pulverised Coal Injection (PCI) project for production cost reduction which is expected to be completed by Q2/2013.
- The Company and its subsidiaries recorded the highest total sale and service revenues of Baht 60,604 million, increased by 26% YoY from total HRC shipment of 2.18 million tons and slab shipment of 1.68 million tons of which 18% of slab volume were sold to the third party.
- Net loss of Baht 15,903 million, higher loss compared to net loss of Baht 981 million in 2011 due to (1) the delay in starting slab production of Iron and Steel Making Business; (2) high level of slab production cost from producing under optimal level and; (3) impacts from declining prices in the world steel market causing losses on decline in value of inventories as well as losses under onerous contracts.
- Negative net profit margin of 25.69% and net loss per share of Baht 0.83 per share.
- Negative return on average shareholders' equity of 83.51%, worsening from negative 4.55% last year.
- Lower liquidity compared to the prior year with the current ratio dropped from 0.84x to 0.71x due to an increase in (1) short-term loans from financial institutions used for raw materials procurement including the current portion of interest-bearing debt of which mainly came from the increasing in short-term loans for raw materials procurement of SSI UK; (2) trade payable as the Company ordered more raw materials by the end of year 2012 and; (3) other current liabilities from an increase in payable of SSI UK.
- Interest-bearing debt to equity ratio increased to 3.49x compared to 1.82x at the end of year 2011 due to an increase in short-term loans used for raw materials procurement and as working capital of the Company and SSI UK, and an increase in long-term loans for the SSI UK Restart Project. Meanwhile, shareholder's equity declined from operation loss in 2012.
- In 2012, the Company issued and offered 8,743.93 million shares to existing shareholders and persons under private placement scheme at an offering price of Baht 0.68 per share, totaling Baht 5,945.87 million.
- The Company additionally invested USD 301.96 million in SSI UK.

# Innovation, Research and Development, and Innovation Dissemination

One of the Company's visions is to innovate premium value steel products and services for customers and stakeholders. The Company encourages proliferation of ideas - whether in areas of production process, products and services quality improvement, cost reduction, or safety improvement; accordingly, the Company's employees actively participated in the Innovation Platform. In 2012, 216 ideas were initiated, 210 ideas of which were accepted and registered by the Innovation Process Working Committee. 40 of these innovative ideas are in incubation, whilst other 32 ideas were selected by the Committee to be further implemented in the real workplace with necessary funding and resources for their implementation.

As the Company has become a fully integrated steel producer, the Company realises that being the best in Thailand is no longer good enough; and living on bought-technology do not put us in front of the competition. The Company has to lead the world-class innovative technology - whether in products, core process and supporting technologies. In 2012, the Company set up Group Technology Office and appointed the Chief Technology Officer to foster and coordinate technology development across the group.

Furthermore, in 2012, the Company strived to enhance its capability to fulfill the Company's vision toward becoming the organisation of innovation. Through the Innovation Process Working Committee, ongoing research and development, production, and new product development to satisfy customers' needs; as a result, the Company sold and delivered to its customers premium value products, in the amount of 308,450 tons, or 14% of total shipments.

## Innovation Process Working Committee

Since 2010, the Company has established the system to accommodate an innovation creating process, or the Innovation Platform. During 2012, employees participated with enthusiasm and submitted several ideas, suggestions and

innovations, as individuals as well as in groups. The innovative ideas, which were selected by the committee for implementation, primarily centered on the improvement of the production process, product quality and cost reduction.

Moreover, the Company has been emphasising on development of more innovative ideas into innovative products and services, and innovative strategies. The Company will motivate and encourage employees who have not yet participated in the Innovation Platform to take part in the activity. The Company has collaborated with the National Innovation Agency (NIA), under the Ministry of Science and Technology, which specialises and has experience in providing consultations in the area of organisational innovation, to assist in drafting training plans and arranging business trips to expand the knowledge and increase the capabilities in innovation for employees at both Bangkok and Bangsaphan Offices. NIA also helped improve the efficiency of the Innovation Platform. The Company believes that employees' continuing efforts in creating innovation for the organisation will lead the Company to become "the Manufacturer of Innovation", driving the organisation toward achieving its own vision.

The Innovation Process Working Committee organised a competition for "Outstanding Innovation Awards" among the projects submitted through the Innovation Platform. The Company's employees submitted 53 projects, which consisted of 8 ideas in product innovation, 18 ideas in production process innovation, 6 ideas in work procedure innovation, and 21 ideas in business strategy innovation. There were 13 finalists presenting to the Committee. The winning idea for the product innovation was "Iron Man's Robotic Arm". The winner for the production process innovation was "The Construction and Integration of Strip Steering Control Function"; for the work procedure innovation was "Cut Sheet 100%"; and for the business strategy innovation was "Brand Awareness". The competition was intended to drive the Company's business vision toward



“innovate premium value steel products and services for customers; generate consistent profit and sustainable value for stakeholders”.

## Goal Program and Appraisal System 2.0

In 2012, the Company continued to utilise the Goal Program 2.0 and the Appraisal System 2.0 to generate its long-term competitiveness. The Company recognises that human resources are valuable and particularly crucial in the business operations. It is inconceivable for the Company to maintain its strength in the industry without dedicated and qualified employees.

The Company highlights and nurtures each individual's strengths, and provides assistance to help overcome his/her weaknesses to maintain and pursue the drive toward creativity and innovation. The Company included innovation into its agenda at the monthly Management Meeting. Each division reported to executives on creative ideas and the progress of initiatives under its responsibility to the executives throughout 2012.

## Towards Innovative Organisation Through R&D

The Company's R&D division consistently conducts researches and encourages employees to recognise the importance of R&D. Each year, the Company has increasingly submitted number of researches to obtain certifications from the National Science and Technology Development Agency or NSTDA. From 2006 to 2012, the Company submitted 82 projects, whose value accumulated over Baht 61.6 million; some of the projects were qualified for patent registration. Furthermore, SSI is the first and only company in the steel making industry to submit a number of research projects to NSTDA each year, reflecting its commitment to, and recognition of R&D as a pathway to sustainable knowledge.

Apart from the research projects within the Company, in 2012, the Company maintained its ongoing research with Synchrotron Light Research Institute according to the Memorandum of Understanding for collaboration on metals and materials research. Their main research areas were: 1) steel slab surface analysis, 2) microstructure of deep-

drawing low-carbon steel, and 3) microstructure of high-strength low-alloy steel. Moreover, the Company purchased and built various tools to enhance the capability in research and development. In 2012, the Company acquired and assembled the Forming Limit Diagram (FLD) Test Machine, the first instrument in Thailand to specifically analyse the forming limit. This machine is utilised in developing and selecting products for the customers.

## Innovation Dissemination for Thailand Development

The Company aspires to support and heighten public knowledge in R&D as a way to acquire new knowledge. The Company participated in domestic and international academic conferences and continued to sponsor the Thailand Metallurgist Award at the Thailand Metallurgy Conference. The Company's research projects, which have significant impact on the field of metallurgy, were selected to be presented at the conference.

The 6<sup>th</sup> Thailand Metallurgy Conference was held at Chiangmai University during 5 - 7 December 2012. Two research projects from the Company were selected for presentation: The Influence of Cooling Rate on Mechanical Properties and Microstructure of Hot-Rolled Low-Carbon Steel - the study of high strength hot-rolled steel sheets development; and The Effects of Boron on the Forming Limit of Low Carbon Steel - the study of high-forming-limit low-carbon steel development.

## New Products and Innovative Process

- Product innovation of High Grade Products for high quality automotive industry with tensile strengths of at least 270 and 440 Mpa.
- Product innovation of SuperFlat for HRC with thickness less than 2.0 mm.
- Product innovation of You+, the Innovated Value Products specifically customised to customers' needs.
- Production process innovation of Speed+, the faster delivery of products to customers within 15 days after orders placement.

# Safety, Occupational Health, and Work Environment

## Safety and Occupational Health

The Company has been continuously certified for the occupational health and safety management systems TIS 18001 and OHSAS 18001 with the collaboration of the working committee, safety personnel and every employee, and the support from the management team. The Company aims to prevent and reduce work-related injuries through risk assessment and control measures. The statistics show a decline in accidents from work, and the Company's LTIFR (Loss Time Injury Frequency Rate) for 2012 was 0.36, a downturn from 2.14 in 2011. The LTIFR of SSI Group in 2012 was 2.55; an increase from 2.03 in 2011 since SSI UK restarted its operations recently in 2012 which caused the LTIFR to slightly elevate.

## Occupational Health Care

The Company has continuously implemented several projects to minimise the adversary effects of work environment. This year, the emphasis was on reducing the heat level and the accumulated smoke in the building, which caused discomfort to employees at the Hot Strip Mill. Indoor ventilation was enhanced for solution in the short term, by adding air vents at the ground level of the building. In the long term, a budget was requested to install roof vents in 2013. With regard to occupational health, the Company still provided health care and work-related health risk monitoring among employees exposed to health risks. Employees with irregularities in their annual physical examination results were inspected all over again. The local occupational health doctor re-examined them and provided consultation to plan health care in the long term for employees exposed to work-related risks. This occupational health care will be continued for 2013 as well.

In addition, the Company organised recreational activities to encourage employees to exercise and reduce the stress level from work. Both outdoor and indoor space and sports equipments were provided. Throughout the year, various sports competitions took place - soccer, table tennis, volleyball, sepak takraw, and petanque. A sports and family day was held to foster good relationship among employees and their family members.

## Safety and Occupational Health Training

The Company encourages employees at all levels to receive trainings to improve safety and occupational health skills and knowledge, an important foundation to prevent accidents and work-related health risks. Every employee has a personal goal to accumulate at least 15 training hours per



year. In 2012, there were 57 safety and occupational health courses with an emphasis on occupational health and work environment offered to all employees at every level, in compliance with the Occupational Safety, Health, and Environment Act A.D. 2011. The average safety training hours in 2012 was 15 hours per employee per year.

### Emergency Preparedness

Over the year, the Company conducted in-house drills and reviewed the contingency plan in response to different emergency scenario such as fire drills, steam pressure irregularities, chemicals spill and leakages, LPG and radiation leakages, and flood drills. Particularly in the case of flood drills, the Company revised the flood watch plan. The Company closely monitored water level of the surrounding areas to assess flooding risk and an estimated time of floods reaching the factory, so appropriate preparation and decision can be made in a timely manner such as moving assets, allowing employees probably affected by floods to return to their houses, and production suspension. In 2012, 10 emergency drills were conducted in accordance with the scenarios appropriate to 8 risky areas in the factory.

### Safety Management of Raw Materials and Product Transportation

Most of the Company's raw materials and products were shipped through marine transportation operated by Prachau Port Company Limited, certified for its environmental care and safety with the Environmental Management System Standard (ISO 14001) and Occupational Health and Safety Assessment Series (OHSAS 18001). The inland transportation of raw materials and products via large trucks has been managed by the Sahaviriya Group Transportation Committee (the "Working Committee") since 2009. The Working Committee consists of representatives from all subsidiaries under Sahaviriya Group including those from the transportation companies with the aim to outline plans and activities concerning transportation safety. A monthly meeting was convened regularly to monitor progress and solve issues that may arise.

During the past year, the Company collaborated with stakeholders in setting the direction and monitoring the performance of the Working Committee through the Mobilising Committee of the Community Leader Council, which consists of representatives from 3 related parties: the community leaders, government authorities, and the executives from Sahaviriya Group. The Mobilising Committee held meetings to oversee progress, hear suggestions and complaints regarding Sahaviriya Group's transportation from local communities for further development and solution. The Company carried out a number of measures to monitor and control its trucks by installing closed circuit cameras at key areas in the communities, and installing road signs to remind drivers of traffic regulations and road safety, as well as arranging driver's trainings and a seminar on transportation safety policies and practices for transportation operators. In addition, the Working Committee carried on a number of transportation safety projects such as Smile with Steel Trucks, a seminar with transportation operators, the SSI transportation fund, time management of truck dispatch, installation of more closed circuit cameras and safety signs, and a probe into traffic safety monitoring of other vehicles in the communities.

As a result of the aforementioned projects, the Company found that the average of traffic violations in the community



areas has consistently decreased, from 29% in 2010 to 5.5% in 2011, and only 0.6% in 2012; and the communities were satisfied with the projects.

## Environmental Management

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The Company's environmental and resources management has been continually certified according to the Environmental Management System Standard ISO 14001:2004 since 1999.

**Water Management:** The Company continued to honor its agreement with the local community not to pump water from Bangsaphan canal during drought season when the water level at the pumping station was below 2.2 meters. For wastewater treatment from the productions and employees' water consumption, all of the used water was collected, treated according to the government standards, then reused the entire treated water with Zero Discharge to maximise utility of the Company's water resource.

**Air Quality Control:** The Company controlled the air quality by strictly utilising fuel oil with not over 2% sulfur as its main source of energy. In addition, the Company regulated emissions from combustion with the automatic furnace control system, and improved the excess heat exchange system for higher combustion efficiency and energy conservation, minimising the emissions of air pollutants. The Company also installed air treatment systems in several control systems to ensure that air emission from the plant meets the standards.

**Waste Management:** The Company emphasised on waste reduction from its origins and separated waste from the sources both from employees' consumption and the production process. Thereafter, the Company managed the waste primarily through reuse and selling it as raw materials for other productions instead of burning it or sending it to landfills. In this regard, the waste management level through recycling has been consistently high at 99.22% in 2011 and 98.94% in 2012.

In addition, the Company has regularly monitored air pollutant emission into the environment and surrounding communities. The Company rigorously adhered to the policies to reduce the adversary environmental impact and to monitor the environmental quality which was also presented in the environmental impact analysis report. In 2012, the results showed that all quality indicators were within the standards. The Company constantly submitted reports to and closely discussed with supervisory government agencies and municipalities to ensure that the Company's environmental management was strictly under control and monitoring of the government authorities and local communities. Regarding the factory evaluation by an independent institution, the Company continued to be accredited by the Green Industry Project as the Green Industry: Level 3 Green System. The certification attested to the Company's commitment to environmental management with regular evaluation and review for improvement. The Ministry of Industry granted the Company a 3-year certificate, from 24 August 2011 to 23 August 2014.

The Company realises the significance of climate change, which has become a global environmental problem. Therefore, the working committee on climate change was formed in 2007 to reduce impacts of climate change through various projects and activities for both energy conservation and waste management. Also, the committee initiated awareness campaigns among employees and the public, and cooperated with the government agencies to reduce climate change.

In addition, the Company adopted the principle of product life cycle assessment and applied it to environmental activities to minimise the environmental impact and to consistently improve the environmental management, upholding the policies to engage in improving the society, environment and corporate social responsibility. In this respect, the Company decreased the energy consumed in the production process, reducing the accumulated carbon dioxide emissions from the start of the project in 2007 to 2012 by 97,861.94 tons of carbon dioxide equivalent. In 2012, the Company decreased the release of carbon dioxide by 20,977.54 tons of carbon dioxide equivalent.

# Social and Community Responsibility Activities

Sahaviriya Steel Industries Public Company Limited has initiated new projects according to a sustainable development approach, with an emphasis on promotion and development of less fortunate people in the society, and participative community activities which involve all sectors including the Company, employees, people in the community and related organisations through various types of activities covering educational development, volunteer spirit of employees under SSI Arsa Project, environment protection and conservation, career development, health promotion and religious and cultural support. The Company believes that sustainable development is the key for moving forward; and through close relationship with all stakeholders, the Company is confident that it can help develop the society in a wide range. In 2012, the Company sponsored and helped organise 26 activities dedicating to Bangsaphan community with 17,036 persons beneficial from those activities, and also organised 39 “SSI Arsa” activities. These activities were highly successful in promoting sustainable development. The Company’s employees and people in the community, as the project owners, closely worked together from the initiation to conceptualisation to implementation. This has reflected the Company’s strong intention to be a good part of the society with its aim to strengthen the society and community for happy living, and accordingly has gained trust from Bangsaphan community and other stakeholders.

## 1. Social Capital Development

### 1.1 Strengthening and Promoting Innovation in the Steel Industry

#### 1.1.1 Thailand Steel House Contest 2012

Thailand Steel House Contest 2012 to win the Trophy award from Her Royal Highness Princess Maha Chakri Sirindhorn and Baht 1 million prizes was organised under the theme of Greenovation: Less is More. To make the project applicable in real life, the working group also invited the Home Builder Association and the media, Baanlaesuan magazine, to participate in the judgment. As a result, the contest received

165 projects from college students and 21 projects from professionals.

#### 1.1.2 Metallurgist Awards Sponsor Project and the 6<sup>th</sup> Thailand Metallurgy Conference

The Company continually sponsored to the Metallurgy Conference with its 6<sup>th</sup> consecutive year in 2012, and also sponsored two awards for the Excellent Metallurgist of the year. The event was organised by the Department of Industrial Chemistry, Faculty of Science, Chiang Mai University.

#### 1.1.3 “South East Asia Iron and Steel Institute (SEAISI) Conference & Exhibition 2012” Sponsor Project

The Company sponsored the arrangement of “South East Asia Iron and Steel Institute (SEAISI) Conference & Exhibition 2012” in coordination with the Iron and Steel Institute of Thailand and the South East Asia Iron and Steel Institute with the purpose to promote knowledge and utilisation of steel products for downstream businesses whose major raw material is steel as well as to encourage cooperation in steel industry in the region.



## 1.2 Strengthening Life Quality

### 1.2.1 Chakri Day Run 2012

The Company, in cooperation with the Rajpracha Samasai Foundation under the royal patronage, held Bangkok Chakri Day Walk-Run to commemorate the 8 kings of the Chakri Dynasty and His Majesty King Bhumibol Adulyadej on the 7<sup>th</sup> Cycle in his 84<sup>th</sup> Anniversary in 2012. The fund raised from this event was contributed to the Leprosy Patient Support Project and given as 999 educational funds to orphans whose parents died of AIDS.

### 1.2.2 Sahaviriya Bangkok Triathlon 2012 to Commemorate His Majesty the King

The Company, in cooperation with the Rajpracha Samasai Foundation under the royal patronage, held the 4<sup>th</sup> Bangkok Triathlon "Sahaviriya Bangkok Triathlon 2012" to commemorate His Majesty the King. The fund was raised and contributed to the Rajpracha Samasai Foundation under the royal patronage to help young people suffering from leprosy and AIDS in response to the policy to pursue social responsibility activities in helping and strengthening less fortunate people. The event had 550 people participating with Baht 1.9 million of total fund raised.

### 1.2.3 Thailand Iron Man Mini Marathon 2012

Four alliances in the steel industry 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 jointly organised a charity walk-run activity to support the less fortunate people under the theme "the 5<sup>th</sup> Thailand Iron Man Mini Marathon 2012". The donation of Baht 2.5 million was provided to 25 charitable organisations for the less fortunate people.



### 1.2.4 The Bangsaphan Iron Man Youth Program 2012

In 2011, Bangsaphan Iron Man Youth Team Class 1 had 4 persons who passed the training and participated in the national competition with better record. In 2012, the application of Bangsaphan Iron Man Youth Team Class 2 was opened, and 5 persons from 20 applicants were selected to join.

## 1.3 Strengthening Less Fortunate People and Victims

### 1.3.1 SSI Taking Kids to the Movie

The Company brought 100 youth from 4 places of foster homes and foundations which include Pakkred Home for Boys, Baan Nokkamin Foundation, Thanyaporn Home for Girls, and The Mirror Foundation to see the movie "Real Steel". Apart from amusement and entertainment, the movie also inspired those young people to strengthen their lives.

### 1.3.2 Cycling Superheroes Project

The executives and employees of the Company joined cycling activity and provided funds to support the Cycling Superheroes group who dressed up as superheroes and rode bicycles to various provinces to raise funds and donate all to provide help to less fortunate young people living in remote areas.

## 1.4 Creating SSI Arsa Culture

### 1.4.1 SSI Arsa for Development of Bangsaphan Community

In 2012, the employees of the Company together pursued one main activity under SSI Arsa project and 38 minor activities under Roi Kwam Dee Pan Duang Jai SSI Arsa. These involved 796 employees accounting for 6,368 working hours and 1,278 people in the community who joined SSI Arsa community development projects accounting for 10,224 working hours.

## 1.5 Arsa Network Expansion to Stakeholders

### 1.5.1 SSI and the Media Volunteering Project

The Company in cooperation with 89 representatives from Prachuap Khirikhan Public Relations Office, MCOT Radio Station, and the media in Prachuap

Khiri Khan province developed Wat Nern Din Dang Baby Home in Thap Sakae District, Prachuap Khiri Khan province. They made the roof and fence for playground, renovated the playground equipment and planted 62 trees along the road of the village.

#### 1.5.2 Youth Arsa “Big Cleaning Day” at Ban Nailog

The Company together with the youth in Bangsaphan community held Ban Nailog Youth Arsa - Big Cleaning Day Project. The project had 400 people including the village headman, teachers, students, and people in the area help cleaning in the distance of 2.5 kilometers. There was also waste separation for recycle done in Pong Samsib Reservoir area, Thong Mongkol Sub-district, Bangsaphan District, Prachuap Khiri Khan province, and the waste was gathered to the Waste Bank of Ban Nailog School to seek extra income to carry out educational activities of the school.

#### 1.5.3 Youth Volunteering Project for Society

In 2012, the Company initiated and established the network of Youth Arsa in the community under the name of “Arsa Bangsaphan Youth Group” with 2 projects carried out. Professional skill training of shirt screen printing and initial funds were provided to Bangsaphan youth in order to open souvenir shop together. The revenues from souvenir shirt sale in the amount of Baht 20,000 was donated to assist the less fortunate people in the society.

### 1.6 Other Social Responsibility Activities

#### 1.6.1 Donation to Thai Red Cross

Her Royal Highness Princess Maha Chakri Sirindhorn gave an opportunity for representatives of the Company to have an audience with and bestow the money upon Her Royal Highness for the Thai Red Cross Foundation.

#### 1.6.2 Thai Steel for Sustainability of Thai Rice

The Company gathered the money from employees of various companies and Bangsaphan community network to support the activity of “Thai Steel for Sustainability of Thai Rice,” and provided to TV Burapha Company Limited to participate in offering of robes (phapa) at Suan Dham Ruam Jai Forest Temple to purchase the land for constructing the Thai Plant Research Center in Pa Tio District, Yasothorn province. The research center will help sustain food resources,

preserve and develop Thai indigenous plants, encourage agriculturalist to be self-sufficient using local seeds to be in line with self-sufficient economic principle, and be a learning center of agricultural intellects and organic agriculture.

## 2. Community Development

Not only economic development benefit, the business operation of the Company in Bangsaphan District, Prachuap Khiri Khan province also promoted quality living of people in the community through the participative community development activities involving people from all sectors including the Company, employees, people in the community and related organisations covering the areas of educational development, volunteer spirit of employees under SSI Arsa Project, environment protection and conservation, career and income development, health promotion and religious and cultural support. In 2012, the Company participated in 26 activities of community development reflecting its strong intention to be a good part of the society and gain trust from Bangsaphan community and stakeholders with the aim to strengthen the society and community where people can happily live together.

### 2.1 Improving Quality of Community Education

The Company participated in education quality development in Bangsaphan District and adjacent areas in three dimensions encompassing teacher and other educational personnel development, student development and education place development with the purpose to provide educational opportunity to the youth in Bangsaphan similar to that in a large city. *Sahaviriya Fund for Bangsaphan Educational Development* was founded and provided an opportunity for executives of 20 schools in Bangsaphan District to submit 3-year education quality development plan focusing on effectiveness of educational development in three dimensions to compete for the funding of the plan implementation in the amount of Baht 2.6 million per year. *Scholarships for Students in the Community* in the total amount of Baht 493,000 were provided to 21 schools with all together 197 scholarships divided into 190 scholarships for primary – secondary school level and 7 scholarships for bachelor’s degree. *Nourishing Potential Technician for Steel Industry* with the budget of Baht 1,030,000 provided support to BSP Iron & Steel Technology

Institute to develop capabilities of students in response to the demand from the iron and steel industry. *The Young Agriculturist Project* enhanced organic farms by utilising hydroponics system and promoted marketing learning to the youth by bringing them to introduce the products at restaurants and resorts located in tourist attractions in Bangsaphan. *To Be Engineer Project* encouraged engineering experience to the youth in the community with steel industry knowledge and other relevant information given.

## 2.2 Creating Jobs to Strengthen Household Economy

The Company has initiated several agricultural development projects in order to increase incomes of local farmers and housewives. *Sahaviriya Ruam Pattana Project* implemented by Sahaviriya Group established community banks in 4 sub-districts with the total funds of Baht 11.62 million. *Increase of Local Hiring from the Community* was targeted at 270 persons in 2012 while the Company did hire 304 persons accounting for 112.5% of the target. *Bangsaphan Organic Fertiliser Bank Project* was carried out where the Company monitored the outcome and enhanced the efficiency of 3 organic fertiliser banks' operations with follow-up meetings, performance reports and trainings and seminars arranged. *SSI Promotes Local Product Sales* encouraged community producers in Bangsaphan area to gain extra incomes by the Company's purchasing community products from various groups and implementing the mobile community project. Reasonable price and quality OTOP products from Bangsaphan community were sold at the place of the Company with the aims to promote the products and seek additional incomes for Bangsaphan community producers. *Purchase of Products and Services from the Community* was targeted by the Company at Baht 180 million in 2012 while the Company achieved Baht 190 million purchasing amount which was higher than the target.

## 2.3 Preserving and Developing Environmental Quality

The Company places an importance on its responsibility toward the environment and natural resources. Not only to control the production process to ensure materials released from the production process unaffacting quality of life and

occupational health of the employees and people in the community, the Company also coordinated with other related organisations to implement various promotional activities and campaigns on environmental quality in 2012. *SSI Beach Clean-up Project* was pursued by the executives and employees of the Company together with students, entrepreneurs, and Bangsaphan community people, all together 620 persons, to clean the area of Mae Rampeung Beach in a distance of 3 kilometers on the World Environment Day. *Mangrove Forest Planting in Commemoration of Her Majesty Queen Sirikit on the 80<sup>th</sup> Anniversary* was implemented by the Company in cooperation with Royal Thai Army to restore the deteriorated mangrove forest and encouraged the sense of natural resource preservation to people in the community in the area of Bang Nang Rom canal, Mueang District, Prachuap Khiri Khan province. *Bangsaphan Car Free Day* aimed to promote the idea of relieving global warming and healthy living to Bangsaphan community by having 365 Bangsaphan people join riding the bicycles. The activity could help reduce carbon dioxide emission of 4.51 tons equivalent. *Bicycle Riding and Planting Trees in Commemoration of His Majesty the King on the 85<sup>th</sup> Anniversary* was the activity involving 30 bicycle riders travelling on 30 kilometer natural route to grow 85 plants for bestowing upon His Majesty the King. *SSI Garbage Bank* was the project focusing on educating executives and teachers of educational places in the application of technologies available in the community to efficiently manage garbage and waste from various sources. The activity was extended to be the garbage bank for educational places. The youth in the community had understanding on correct method of garbage separation and disposal as well as recycle management. *Super Smart & Intelligent Kids (SSI Kids)* was the cooperation between the Company and the Office of Natural Resources and Environment in arranging an academic seminar and recreational activity to promote the idea of environmental conservation of the Company through science experiments, i.e. finding oxygen value in water, pH test for water, studying small species in water and etc. There were 86 youth joining the activity. *Teen Detective Project* opened an opportunity and was a stage for the youth in a secondary school level in Bangsaphan to learn and research the environment information related to the Company through local TV program shooting with 40 persons joining. There were 4 parts of the TV program consisting of noise control of SSI plant, heat control of SSI



plant, electricity use control of SSI and product shipments of SSI. *Youth Conservation Camp* was initiated by the Company and the Office of Prachuap Khirikhan Primary Educational Service Area 1 to organise the environment camp for the youth from educational places in Bangsaphan area involving 169 persons joining 8 projects with the youth network of 826 persons. *Love the King, Preserve Bangsaphan, 5 December 2012 Project* was the activity held to commemorate the 85<sup>th</sup> anniversary of His Majesty the King. The project included planting 985 preserved and perennial plants and releasing 1,500 fresh-water fish. There were 1,363 persons from Bangsaphan community joining the project.

## 2.4 Social Promotion – Cultural and Religious Support

The society of Bangsaphan community has a unique character. People live together by mutually depending on each other on the fundamental of cultural prosperity. As a good part of the Bangsaphan society, the Company has provided cooperation and support to various suffering community groups as well as retained cultural and religious values. *Cultural and Religious Support* involved religious place restoring and Buddhist temple building for the temples in the community, and participation in religious activities and major traditions of the community. *Activity on Elders' Day* was done to educate on healthcare to 104 elderly persons in Bangsaphan District.

## 3. Participation in Social and Community Responsibility Activities

### 3.1 SET Awards – Corporate Social Responsibility Award 2012

SSI, as the listed company on the Stock Exchange of Thailand, applied for the award of Best Corporate Social Responsibility Award 2012 (SET Awards: CSR Awards 2012) by submitting relevant information to the committee for consideration. The Company was able to pass the criteria and make a presentation and received the score of 95.78% which was 31.62% exceeding the group average. Full score was given to the judgment of overall business operation with social responsibility, good corporate governance, business operation with fair treatment, fair labor treatment, responsibility

towards consumers, society and community development, environment preservation, and innovation and dissemination of innovation from social responsibility implementation.

### 3.2 Participation in CSR Network of the Stock Exchange of Thailand

## 4. Social Responsibility Activities of SSI UK

For SSI Teesside plant in the United Kingdom operated by SSI UK, as the plant recommenced its production in 2012 after two-year suspension, the first priority of SSI UK is to create connection between SSI UK and the local community through discussion, opinion exchange with community representatives and golf clubhouse located near the plant for relationship development. The discussion opens for all opinions and environmental concerns they probably had.

In 2012, similar to the operation philosophy in Thailand, SSI UK emphasised local purchase which 30% of SSI UK spending (excluding raw materials) was local and 94% was within the United Kingdom. While business environment was extremely challenging in the first year of operation, SSI UK's suppliers were understanding and being wonderfully supportive.

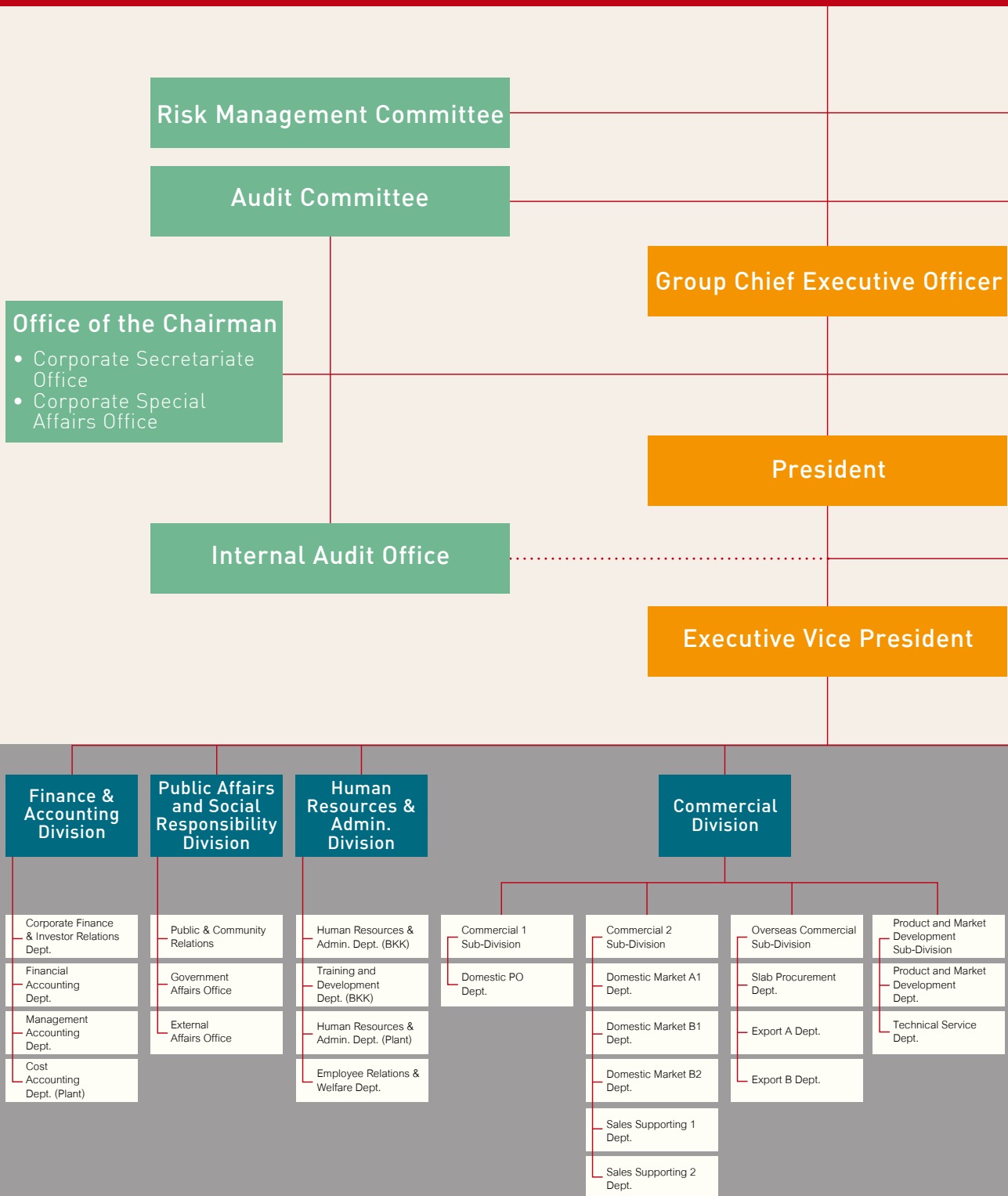
Furthermore, SSI UK has built close relationship with Teesside University, publicised the organisation to the students and provided an opportunity to be part of SSI UK through job recruitment and internship.

Despite of the difference between business environment in the United Kingdom and Thailand as well as SSI UK being in initial stage of operation, in 2013, SSI UK has planned to develop social responsibility policy and also to organise social responsibility activities in the near future.



# Organisation Structure

## Board of Directors



**Normination & Remuneration Committee**

**Corporate Governance Committee**

**Management Committee**

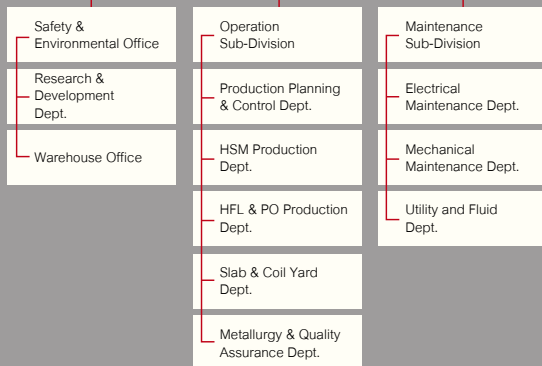
**Group Technology Officer**

- Operational Technology Office
- Technology Specialist Office
- Strategic Technology Development Office
- Project Development and Cooperation Office

**Office of the President**

- Information Technology Office
- Group Legal Office
- BKK Executive Office
- Corporate Strategy Office
- Corporate Planning Office
- Risk Management Officer
- SSI Group Purchasing Office
- SSI UK Project Office

**Manufacturing Division**



# 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 2012, the Board of Directors consisted of 14 members, namely:

- Director who is also an executive 1 person
- Directors who are not executives 5 persons
- Independent directors 8 persons

The names of the Board of Directors are as follows:

- |                              |  |
|------------------------------|--|
| 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. Mrs. Tarisa Watanagase      | Director and Independent Director |
| 7. Mr. Prateep Buphaintr       | Director and Independent Director |
| 8. Mr. Permpoon Krairiksh      | Director and Independent Director |
| 9. Mr. Yamsak Manomaiphiboon   | Director and Independent Director |
| 10. Mr. Taweesak Senanarong    | Director                          |
| 11. Mr. Somchai Pipitvijitkorn | Director                          |
| 12. Mr. Kamol Juntima          | Director                          |
| 13. Mr. Piya Viriyaprapaikit   | Director                          |
| 14. Mr. Win Viriyaprapaikit    | Director                          |

**Remark:** No. 6 has resigned from the Director of the Company and Independent Director since 22 February 2013.

### 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 shares 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;

(I) 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 (I), 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 the Company's seal.

**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 company 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 company secretary, the Board of Directors must appoint the new company 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 company secretary during the vacant period.

The Chairman of the Board of Directors shall notify the Securities and Exchange Commission of the name of new company 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 2012, the Audit Committee consisted of 3 members, whose term of office is three years, (from 30 June 2011 to 29 June 2014) as follows:

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

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

### Scope of Duties and Responsibilities of the Audit Committee

1. To review and ensure accuracy and adequacy of the Company's financial reports.
2. 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.

3. 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.

4. 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 2012, 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<br>Nomination and<br>Remuneration<br>Committee |
| 2. Mr. Somchai Pipitvijitkorn  | Nomination and<br>Remuneration<br>Committee Member             |
| 3. Mr. Piya Viriyaprapaikit    | Nomination and<br>Remuneration<br>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 2012, the Good Corporate Governance Committee consisted of 3 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 advisors 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 2012, 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

3. Mr. Nitiphong Tejavanija  
Management  
Committee Member
4. Miss Wanna Tangcharoenching  
Management  
Committee Member
5. Mr. Nava Chantanasurakon  
Management  
Committee Member
6. Mr. Narongrit Chotnuchittrakul  
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 2012, the Management Committee consisted of 6 members, as follows:

1. Mr. Win Viriyaprapaikit  
Chairman of the  
Management  
Committee
2. Mr. Kittisak Mapanao  
Management  
Committee Member

#### 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.

As of 31 December 2012, the Company's management, the Company Secretary and the secretary of committees consisted of:

1. Mr. Win Viriyaprapaikit  
President, SSI Group CEO, and Chairman of the Management Committee
2. Mr. Nitiphong Tejavanija  
Vice President - Finance & Accounting Division and Secretary to the Risk Management Committee
3. Miss Wanna Tangcharoenching  
Vice President - Commercial Division
4. Mr. Nava Chantanasurakon  
Vice President - Office of the President  
Acting Vice President - Public Affairs and Social Responsibility Division
5. Mr. Kittisak Mapanao  
Group Technology Officer and Acting Vice President - Manufacturing Division
6. Mr. Narongrit Chotnuchittrakul  
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. Yongyuth Malithong  
Secretary to the Nomination and Remuneration Committee
10. Mrs. Wannee Sirikanchana  
Secretary to the Audit Committee and Secretary to the Good Corporate Governance Committee
11. Mr. Surasak Ngamsidhipongsa  
Company Secretary

**Remark:**

No. 7 and No. 8 resigned from the position of the Vice President - Office of the President since 1 June 2012 and 16 June 2012, respectively.

**Scope of Duties and Responsibilities of the Company's Management**

1. Prepare both short and long-term 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 the 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.

# Report of the Risk Management Committee for 2012

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

1. The Risk Management Committee (the “Committee”) was established by the Board of Directors (the “Board”) on 3 December 2007 for the purpose of assisting the Board in oversight of the Company’s risk management. Pursuant to the Committee Charter as approved by the Board, the Committee shall be comprised at least 3 Board members appointed by the Board, and the Vice President in charge of finance and accounting shall act as the secretary to the Committee. The current Committee is comprised of 3 Board members 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 of the Risk Management Committee |
| 2. Mr. Somchai Pipitvijitkorn | Risk Management Committee Member          |
| 3. Mr. Taweesak Senanarong    | Risk Management Committee Member          |

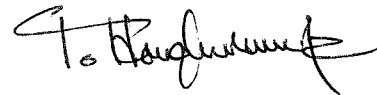
2. 2.1 The Committee is charged with the responsibility of overseeing the Company’s management of key risks. To perform its duties, the Committee regularly reviewed risk management reports in order to monitor the effectiveness of the management of the Company’s risk exposures. The Committee also advised the Board on risk management policy and strategy as well as expressed its thought on the problems and obstacles encountered in the development of the Company’s risk management system.

In 2012, the Committee reviewed and discussed quarterly the results of the Company’s risk management in the fourth quarter of 2011, and the first, second, and third quarter of 2012 with the Risk Management Working Committee, to keep track on the Company’s risk management performance of the past quarters by comparing the results with the risk assessment and the measures of each period assessed in advance, and also to review the Company’s risk exposures and measures for the coming quarter. This was to ensure the systematic implementation of risk management process in order to be prepared for any contingency that might occur and have impacts on the Company. The Committee not only considered major risks covering areas such as marketing, production, and finance of the Company, but also estimated the appropriate impact and risk level so that it correctly reflected the actual situation of each period, in order to forewarn the Board the severity of each risk. For critical risks that might impact the Company and necessitate measures to deal with, the Committee pointed out these risks to the management and elevated the level of risk awareness; for example, the Committee recommended monitoring risk factors under a competitive market situation in 2012, when there were dumping of imports whilst government’s measure was not in place. Moreover, intense competition in the world market, due to the uncertainty of economic situations in various regions, caused a decrease in demand and price of steels in the first half of the year and became another risk factor to be monitored. Additionally, the Committee suggested close monitoring of financial liquidity assessing a scenario with under-target sale volume, and directing the Company to prepare suitable measures to deal with the liquidity, sale management, and stock management in a timely manner.

2.2 With respect to the Company’s strategic investment in the upstream business for the purpose of strengthening the long term stability and competitiveness of the Company, the Committee expressed its opinion and made recommendations on the management of the major risk exposures associated with the operations of Sahaviriya Steel Industries UK Limited (“SSI UK”). SSI UK is the Company’s wholly-owned subsidiary incorporated in the United Kingdom to undertake the Company’s upstream operations of producing steel slabs which are the major raw materials of the Company. The Committee realised the critical

importance of addressing the ongoing liquidity problem faced by SSI UK which was due largely to the heavy debt financing, the substantial additional investment to improve the blast furnace for cost efficiency purposes, the delay in starting slab production of Iron and Steel Making Business, and more importantly, the unfavorable market condition since SSI UK was able to begin its production of steel slabs in April 2012 and completed its first shipment of slabs to the Company in May 2012. As the successful operations of SSI UK is critical to the long term stability and competitiveness of the Company because SSI UK's upstream operations will serve as the reliable source of supply of quality raw materials needed by the Company at more stable prices, the Committee thus urged the management to monitor the operations of SSI UK closely in order to ensure that it is operated efficiently and able to meet the required quality standard as well as the planned level of production.

The Risk Management Committee indeed realises the importance of risk factors that may prevent the Company from accomplishing its established objectives and goals. Therefore, the Committee recommends establishing, evaluating, and monitoring, systematically and continuously, the management of such important risks that may obstruct the Company from reaching its objectives and goals. The Committee believes that a good risk management with closely and continuously risk management process will lead to the efficiency and effectiveness of the Company in all aspects. It will, eventually, maximise the benefits to the organisation, trade-counterparts, as well as shareholders.



**Dr. Tongchat Hongladaromp**

Chairman of the Risk Management Committee

30 January 2013

# Risk Management

Throughout the year 2012, the Company pursued the risk management function in a systematic manner with analysis and evaluation on risk factors and risk management conducted by every main function as a risk owner. The Risk Management Working Committee is the key mechanism to assess the risk level and identify new risks incurred during the year as well as to report significant risk management on a quarterly basis to the Risk Management Committee who will provide opinions and suggestions on the Company's risk management. The Audit Committee may further have additional comments or observations before the report is proposed to the Board of Directors for acknowledgement. The major risks and key risk management measures of the Company in 2012 can be summarised as follows:

## Market Risk

### Risk from Price Fluctuation and Steel Demand

Global steel consumption continued to expand in 2012. Based on the information released by the World Steel Association (WSA), world crude steel production in 2012 was 1,548 million tons, representing 1.2% increase from 2011. For the business operations of the Company in 2012, major risk factors which incurred and had impacts on selling price, sales volume and sales margin over the raw material price can be summarised as follows:

1) Uncertainties in global economy, European countries, the United States and China affected the fluctuation in world steel price and domestic hot-rolled coil price.

2) Hot-rolled coil with boron and other elements added were imported from particular countries with import duty avoidance, i.e. China, South Korea, and India, in total volume of approximately 1.5 million tons. The quantity was 1x greater than that in 2011. This had an impact on domestic sales volume and selling price.

3) Fluctuation in quantity and price of slabs imported by the Company had a direct effect on cost of product.



4) Considering the economic situation and the competition in the country, in 2012, the automobile industry had a continuous growth with the production volume of 2.45 million cars compared to 1.46 million cars in the previous year. Moreover, with the industry recovery after Thailand Flood during the end of 2011 and the government's economic stimulus measures, the Company foresees that domestic consumption of hot-rolled coil will increase to 6.86 million tons or increase by 17.9% relatively to the previous year.

In response to price and demand volatility in the steel market, both from external and uncontrollable factors, as described above, the Company has assessed the risks and employed various measures to mitigate the risks. The key risk mitigation measures are:



(1) Carefully manage the raw material procurement concerning the raw material price that will make the Company satisfied with the required spread between the selling price and the raw material price given an expected sales volume. In a normal course of business, it is necessary for the Company to maintain inventories of raw materials and finished goods in an appropriate quantity to allow sales and production to run efficiently as well as to reduce price volatility and carrying cost especially an interest expense.

(2) Focus on premium value products with value added and lower price fluctuation.

(3) Closely monitor domestic and overseas markets in order to analyse and consider product sales to well respond to the order and import of slabs from foreign countries as well

as for searching more raw material sources in order to obtain raw materials with high quality, low cost, adequate quantity, and short delivery time.

(4) Control a proper level of inventories for both slabs and finished goods to meet sales projection and reduce raw material and inventory turnover period for the purpose of risk mitigation of negative price effect.

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

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

## Production Risk

### Risk from Production Process and Technology

In production of hot-rolled coil, the Company is exposed to the risk of production incurred from machinery, production process and production technology. Key risks related to the production process, and technology include risks of major machinery damage from normal use, improper production process resulting in the products that are unable to meet the customer requirements or inability to produce some grade of products, significant yield loss in production, and unusable machinery due to obsolete part. These may affect hot-rolled coil production or may lead to production suspension which will further impact product delivery to customers.

To prevent the production risk, the Company has determined the procedures to improve the production process for problem solving and risk management; conducted the inventory management plan to maintain spare parts to be ready for use at all times; and acquired new technologies for production to enhance the quality control efficiency and accuracy by installing the Surface Inspection System. The Surface Inspection System facilitates real-time decision making which will enable a prompt reaction on unqualified products leading to significant reduction of inferior goods. The Company has also obtained an automatic system to be used in product quality management to accommodate the ability to meet the customer requirements, reduce human errors, and improve product quality consistency. Moreover,

the Company has encouraged setting up a working group for the development of production process aiming to figure out solutions for particular problems. The working group is responsible for analysis, improvement planning, and implementation of various projects as follows: 1. Zero Scrap Project, 2. Furnace Temperature Reduction Project, 3. Cut Sheet 100% Project, 4. Grip Mark Reduction Project, 5. Hot Rolling Fold Reduction at Finishing Mill and Coilbox Project and etc.

### Raw Material Procurement Risk

Slab is a major raw material used in the hot-rolled coil production of the Company which is obtained by importing from overseas suppliers. The Company is therefore exposed to the raw material procurement risk which the Company may face supply shortage or long delivery time resulting in imported materials missing the purchasing plan. In addition, uncertainties of quality, cost, and foreign exchange rate affecting prices of products may cause difficulty in accurately assessing the product selling price, opportunity

loss in responding to product purchasing order, yield loss in production process, as well as delayed delivery and delayed development of new products from an original plan.

In order to mitigate the risk, the Company has managed the raw material procurement risk through the investment in the Iron and Steel Making Business located in the United Kingdom (SSI UK) which has commenced its commercial operation since April 2012. The Company thus has a secured source of slab with required quality and flexibility on raw material planning to suit the customer demand. The Company has the Advance Raw Material Inspection System in cooperation with SSI UK, as well as the system for evaluating, ranking, inspecting, and quality controlling with suppliers and the system for controlling and monitoring the raw material status. As such, the Company has more stability and strength in raw materials for enhancing its ability in market expansion and to become a high quality hot-rolled coil producer continuously providing innovative steel products and value added services to customers.

### Risk from Natural Disaster, Fire and other Emergency Incidents

#### Natural Disaster

The Hot Strip Mill is located in a lowland area adjacent to the sea. In the monsoon season, natural disasters frequently occur, for example, storm, flood, and possibly earthquake and epidemic. If these natural disasters happen, they will cause an opportunity loss in production and product delivery. The effect may be severe that results in employees' loss of life or injury.

The Company has managed to minimise the severity of impacts probably caused by natural disasters to the plant and employees. Flood barriers in the risky areas where machines were deteriorated by the flood in 2005 have been built. The Company has also prepared its personnel for news monitoring, the team to handle disasters with necessary equipment to be ready for emergency incidents according to the natural disaster handling plan as well as set up an amateur radio station to gather outside news and information in case of failure in other communication network.





## Fire

The Hot Strip Mill is exposed to the risk of fire due to several activities carried out in the plant, such as production process, repair and maintenance and etc. Fire possibly happened in the plant area may cause an opportunity loss in production and product delivery and the effect may be severe resulting in employees' loss of life or injury.

The Company has managed to mitigate the fire risk in the plant by reducing chances of fire occurrence from risky activities, and preparing the personnel and equipment to handle emergency incidents with rehearsals conducted regularly. The Company has also developed the fire risk assessment system in particular to evaluate the risk exposure and determine appropriate management measures. Moreover, the Company also has the insurance covering natural disasters from flood, storm, tsunami, thunderbolt, earthquake, and land slide to relieve cost of damages. The insurance coverage covers property damages, loss from business interruption, damages on goods and products caused by such incidents as well as loss in case of fire in all circumstances.

## Risk from Impacts of Production on Environment, Society and Community

The Company has evaluated risk from impacts of production on environment, society, and community in all aspects to cover the risk possibly incurred in the area of environment, living and society, safety and community economy, and to ensure the Company's efficient risk management.

In order to reduce impacts possibly occurred from the Company's production to the external community, the Company has operated under the Environmental Management System Standard ISO14001:2004 and continually monitored the changes in environmental laws. In addition, the Company has utilised fuel oil with not over 2% sulfur, controlled and inspected the water and air treatment equipment to be ready for use at all times, reused treated water without releasing wastewater to outside area, ensured the result of water and air quality complying with the standard imposed by the government agencies, evaluated the waste management companies and used the service of the waste management companies approved by the Department of Industrial Works. Moreover, practices of production contingency plan have also



been implemented to minimise impacts from emergency situations possibly incurred from production process.

In the area of society and community, the Company has continually coordinated with the community to gather their opinions and together promptly solve the problems probably occurred. Various activities and community development projects have been implemented to encourage good relationship and improve quality of living in the area such as A Hundred Goodness, A Thousand Hearts of SSI Arsa Project; Love the King, Preserve Bangsaphan, 5 December 2012 Project; SSI Supports Local Community Products Project; Bangsaphan Youth Volunteer Project; Sahaviriya Fund for Bangsaphan Educational Development Project; and etc. The information related to the community project activities has also been presented in the meeting of working group to drive the establishment of Community Leader Council and Sahaviriya Development Project on a monthly basis. The measures of Sahaviriya Group Logistic Safety Control Project have been implemented to assure the product shipment complying with the safety standard.

## Financial Risk

### Exchange Rate Risk

Since the procurement of slabs as the major raw material in production entirely relies on an import from other countries, the Company has the foreign currency exposure

on its expense. While the revenues of the Company are mostly from domestic sales, the Company's exchange rate risk incurs as a result of exchange rate fluctuation possibly affecting the Company's operating results.

In 2012, the Company attempted to manage the exchange rate risk by regularly monitoring on the foreign currency exposure, exchange rate movement, and trend of significant changes. The Company also tried to do a natural hedge by increasing foreign currency revenues. However, due to the severe competition in the industry, the Company could not reach the target of foreign currency revenue increase and so was still subject to high exchange rate risk. To this, the Company entered into forward contracts for currency hedging and managed the outstanding foreign currency expenses in the limit stipulated by the Board of Directors for the purpose of increasing flexibility on risk management and restricting impacts from exchange rate movement.

### Trade Credit Risk

Trade credit risk is the risk incurred from inability of counterparties of the Company to satisfy the terms and conditions stated in the sale and purchase agreement, thus the payment is not made on the due date. This may result in a negative effect to the Company.

In order to mitigate the risk, the Company has determined the guidelines and procedures of trade credit granting by limiting the credit given to each customer, in accordance with analysis on product purchasing demand and payment ability, with a regular credit review. The credit line given to each customer must be approved in writing by the authorised executive. In addition, the Company has also consistently governed the management of trade credit risk by controlling the credit granted to all customers within the approved limit and closely monitoring on payment records to assure the Company is getting paid on time and no overdue payments. The management has to report to the Management Committee on a monthly basis concerning the quality of accounts receivable especially on the overdue accounts and the collection follow-up results. The Company has stipulated the provisions for some customers to make a deposit payment at the rate of 10% to 15% of purchasing value or to place collateral before product delivery. At the

end of 2012, the Company had accounts receivable in the amount of Baht 3,852 million with no overdue accounts.

### Liquidity Risk

Liquidity risk is incurred when the Company is unable to satisfy the obligations upon due date due to its inability to turn assets into cash or to manage sufficient cash as required within a given period at a reasonable cost. This may lead to unfavorable result to the Company.

In 2012, the Company's liabilities increased from its debt raising activity for the purpose of expanding its investment in the Iron and Steel Making Business to produce and distribute slabs and from its negative operating performance. The negative performance was a result of both the operations of its subsidiary facing the delay in slab production commencement and the operations of the Company and its subsidiaries encountering fluctuation in the steel industry. Nevertheless, the Company is in the process of capital raising under the Comprehensive Financial Plan approved by the shareholders' meeting to bring about an appropriate level of debt to equity structure. Besides, the Company has monitored the change in the current ratio which is one of the major liquidity measurement indicators. At the end of 2012, the Company had the current ratio of 0.71x representing a decrease from 0.84x in 2011. The Company and its subsidiaries attempted to closely monitor its and their working capital by consistently having a projection on cash inflow and cash outflow in order to be aware of future liquidity requirements and have sufficient preparation time for liquidity solving as well as to seek fund raising sources and types of credit in an adequate amount consistent with the Company's operational plan.

The Company has been monitoring and controlling financial ratios within the stipulated limit and in accordance with the agreements with the financial institutions granting credit facilities to the Company. The applicable financial ratios calculated from the consolidated financial statements include (a) Interest-Bearing Debt to Equity Ratio of not greater than 2x while the Company reported the ratio exceeding the limit at 3.49x at year end, (b) Debt Service Coverage Ratio of not lower than 1.2x while the Company had a negative ratio of -6.12x which was less than the specified rate at the end of

2012 due to decreasing EBITDA calculated from the consolidated financial statements as a result of steel business and economic fluctuation and increasingly negative operating performance of its subsidiary (SSI UK) from the delayed production commencement. In addition, as one of the conditions agreed with the financial institutions providing credit facilities to SSI UK, SSI UK has to maintain the current ratio of not less than 1x while at the end of 2012, SSI UK reported the ratio at 0.59x which was lower than the agreed rate. However, the Company and SSI UK have obtained consent from lenders for not maintaining the financial ratios as agreed and are able to draw the credit facilities as usual.

### **Risk from Operations of Sahaviriya Steel Industries UK Limited**

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On 24 March 2011, SSI UK, a wholly owned subsidiary established under the English law, acquired an Iron and Steel Making Business located in the northeast of the United Kingdom. This is believed to be a complementary business to the current business of the Company. In addition, the business acquisition is the key factor to stabilise and strengthen the Hot-Rolled Coil Business competitive edge in a long term as the Company is able to secure the source of slabs as a raw material in production with required quality and more stable price; not highly volatile as in the previous periods.

Since the Iron and Steel Making Business acquisition in March 2011, the Company and the executives of SSI UK accelerated pursuing various necessary and high priority tasks to enable the plant to commence its slab production within December 2011 as targeted. However, SSI UK encountered the problem of delayed construction and this obstructed the commercial operation commencement. The delayed construction was due to unfavorable weather condition and industrial action of the contractor implementing system design and construction tasks. The incidents made SSI UK commence the plant's commercial operation in April 2012, or a 4-month delay. The delay had a significantly negative effect on the operating performance, financial status and cash flows of SSI UK. Besides, SSI UK has been in the process of construction of Pulverised Coal Injection Unit (PCI) which is a highly important project to assist SSI UK in reducing the production cost, increasing the efficiency and enhancing the competitive

edge in term of production cost. PCI project is on progress of construction and installation. However, recently the completion date has been shifted from the first quarter of 2013 to the end of second quarter of 2013 due to severe weather condition and delay of contractor's construction and installation. Although the PCI technology in the production process of hot metal has been developed and broadly utilised, to some extent the technology has a complication in maximising the benefits of using according to the implementation plan of SSI UK. If the PCI project faces construction delay or the PCI production process is not as planned, it will cause the production cost and production volume of SSI UK to miss the plan. This will further have negative impacts on cost control, profitability, operating performance, financial status, and cash flows of SSI UK. As the Company has invested in and is the 100% shareholder of SSI UK as well as is the guarantor on the entire loans of SSI UK, the performance and financial status of SSI UK has a direct impact on the investment value and return on investment. Furthermore, obligations which may incur from uncertainties in future operating performance, ability of SSI UK to produce quality products in the quantity and at the cost targeted, and possibility to complete the construction and to use of PCI Unit as planned are the key factors to support the business operation and the capability to generate recurring income of the Company.

Furthermore, as the acquired Iron and Steel Making Business is located in the United Kingdom, the Company may have a negative impact from exchange rate movement, change of imposed regulations and the government's policy governing in the area of plant location. Other important risk factors that may lead to unfavorable effect to the acquired Iron and Steel Making Business resemble the risk factors the Company is exposed to. These include economic condition change, competition, and raw material and product price volatility.

# Good Corporate Governance Committee's Report for 2012

## 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 directors).

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. To propose to the Board of Directors an opinion on any revisions and updates of the Company's business philosophy, code of business conduct, code of ethics for directors, 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 2012, the Good Corporate Governance Committee held four 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 2012.

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. Provision of suggestions and observations to participate in a survey on corporate social responsibility practices of listed companies for consideration in outstanding Corporate Social Responsibility Awards (CSR Awards) 2012, which is one of the SET Awards 2012, organised by the Stock Exchange of Thailand and Money & Banking Magazine. The Company received a score of 95.78 out of 100 for the category of listed companies with a market capitalisation of over Baht 10,000 million.

3. Intensive supervision of the corporate social and environmental responsibility activities conducted by the officers of Public and Community Relations Office and Safety and Environment Office of the Company which had 38 projects with a total budget of Baht 7,632,939. There were 17,036 beneficiaries and 1,155 people attended.

4. Consideration to cooperate in the circular of the Securities and Exchange Commission (SEC) No. SEC. SorSor (Wor) 28/2012, which asked the capital market organisations to cooperate in the fight against corruption, dated 2 November 2012. The SEC in its letter recommended that all listed companies, securities companies, financial advisors and related associations in the capital market exercise caution in doing business with corrupt people. The Committee suggested that the Company should cooperate and follow the recommendations of this letter as well as forward this letter to the Board of Directors and its subsidiaries to inform and ask for their cooperation.

5. 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.

5.1 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 & Accounting Division in order to prevent any insider trading of the Company's securities.

5.2 Report on the interests of the Company's directors and executive officers including the President, Vice Presidents and Assistant Vice Presidents.

5.3 Report on the results of the Company's self assessment on Good Corporate Governance for 2011 - 2012 in compliance with "The Principles of Good Corporate Governance for Listed Companies 2006 with Recommended Best Practices".

6. Acknowledgement of an "Excellent" result on the quality evaluation at the Annual General Meeting for the year 2012 with a score of 98.50 out of 100, under the project which was organised by the Securities and Exchange Commission in cooperation with the Thai Investors Association and Thai Listed Companies Association.

7. Others

7.1 Regularly monitoring the progress and results from the implementation of the resolutions of the Committee.

7.2 Revision of the information disclosed to the SET and the SEC, as published in the annual information disclosure form ending 31 December 2012 (Form 56-1) and in the 2012 Company annual report (Form 56-2) regarding good corporate governance report.

7.3 Report to the Board of Directors on the Committee's activities for year 2012.

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 Sukulsurat**

Chairman of the Good Corporate Governance Committee

12 February 2013

# 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 further consideration and presentation to the Annual General Meeting of Shareholders for the year 2013 as appropriate.

The Board of Directors' Meeting of Sahaviriya Steel Industries Public Company Limited No. 5/2011 held on 11 August 2011 resolved to approve the combination of the Nomination Committee and the Remuneration Committee to become the Nomination and Remuneration Committee. The committee comprises at least 3 directors of the Company as members which at least 1 member has to be an independent director with the Vice President of Human Resources and Administration Division as the secretary to the committee. The term of office is from 1 September 2011 to 31 August 2014. The committee has the duty to select qualified candidates for the nomination of the Company's directors or the President which is to be further proposed to the Board of Directors' meeting or the shareholders' meeting, as the case may be, for their consideration. Moreover, the committee has the duty to consider the guidelines for determining the remuneration of the Board of Directors, committees appointed by the Board of Directors, the President as well as the compensation structure for senior executives of the Company based on fair and reasonable criteria or procedure and remuneration structure.

Existing members of the Nomination and Remuneration Committee 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. Yongyuth Malithong      | Secretary to the Nomination and Remuneration Committee |

The duties performed as assigned by the Board of Directors consist of:

1. The Nomination and Remuneration Committee held 3 meetings in year 2012 to consider the following matters:

1.1 The meeting of the Nomination and Remuneration Committee held on 24 February 2012 considered the nomination of qualified candidates to replace 2 director vacancies and 5 directors retiring by rotation. The matter was already proposed to the Annual General Meeting of Shareholders for the year 2012.

1.2 The meeting of the Nomination and Remuneration Committee held on 23 April 2012 considered an adjustment of the President's salary concerning the overall performance of the Company in 2011 as key criteria. Although the Company incurred operating loss, the President performed his duties with dedication and commitment especially in the development of SSI Teesside plant in the United Kingdom, and as such the plant could commence its operation. The Company, therefore, achieved a fully integrated iron and steel making facility as a fundamental for future sustainable growth of the Company. Consequently, the committee unanimously resolved to increase the President's salary for the year 2012 at the same rate as that applied to the executive employees attaining medium level performance.

1.3 The meeting of the Nomination and Remuneration Committee held on 20 December 2012 considered the bonus payment to the President for the operating performance in 2012. The committee took into account related criterion and information consisting of operating performance in 2012, bonus payment of other companies in the same industry, bonus

payment to employees in 2012, bonus payment to the President during the past five years, and various tasks performed by the President.

As the Company incurred loss, the President and the Vice Presidents expressed their intention to take responsibilities on the performance of the Company by not receiving the bonus payment in 2012. The Nomination and Remuneration Committee had an opinion on this matter that the executives put high effort and dedication to the tasks assigned and deserved to receive the bonus payment. However, since it was their own intention of the President and the Vice Presidents not to receive the bonus payment, the committee unanimously resolved to approve as proposed.

2. The Nomination and Remuneration Committee held 3 meetings in year 2013 to consider the following matters:

2.1 The meeting of the Nomination and Remuneration Committee held on 17 January 2013 considered the bonus payment to the Vice Presidents as a special case. While the Company incurred loss and employees in the position of Vice President and higher expressed their intention not to receive the bonus for the year; however, when considering the efforts of employees and executives put for the Company, the Company could achieve the shipment of 2.18 million tons. The President therefore proposed to the Nomination and Remuneration Committee for the payment of bonus to the Vice Presidents as a special case. The committee approved as proposed and would bring this matter to propose to the Board of Directors' meeting for further consideration.

2.2 The meeting of the Nomination and Remuneration Committee held on 14 February 2013 considered the selection of qualified candidate for the nomination of director to replace 1 director vacancy. The Committee nominated Mr. Pichai Eursirisub who has knowledge and competency in steel marketing in Thailand and experience in steel trading to replace Mrs. Tarisa Watanagase and appointed him as an independent director to replace the resigning director.

2.3 The meeting of the Nomination and Remuneration Committee held on 22 February 2013 considered various issues as follows:

2.3.1 The committee acknowledged the resignation of Mr. Taweesak Senanarong according to the notice dated 21 February 2013 informing the intention to resign from the position of director and other positions in the Company due to other engaged businesses with the effective date from 19 April 2013 onwards. The committee considered that the number of remaining directors is sufficient for the management and administration of the Company given the current economic situation and resolved not to propose any person to the Board of Directors' meeting to replace the director vacancy.

2.3.2 The committee stipulated the director remuneration. As the committee considered that the existing rate was appropriate given the current economic condition, the committee therefore resolved to maintain the remuneration payment determination from 1 to 6 unless the shareholders' meeting resolves otherwise. The details are as follows:

## Monetary Remuneration

The directors' remuneration, approved by the Annual General Meeting of Shareholders, was as follows:

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.

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.

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. 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.

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.

6. The directors' remuneration or annual bonuses:

(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.

(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.

(6.3) The directors whose working period is less than one year shall receive the directors' bonuses in proportion to their actual working period.

2.4 Nominated qualified candidates to be the Company's directors replacing 5 directors retiring by rotation in the Annual General Meeting of Shareholders for the year 2013:

- |     |                             |  |
|-----|-----------------------------|--|
| (1) | Mrs. Kesree Narongdej       | Independent Director and Audit Committee Chairperson                           |
| (2) | Mr. Siripol Yodmuangcharoen | Independent Director and Chairman of the Nomination and Remuneration Committee |



- |     |                         |   |
|-----|-------------------------|---|
| (3) | Mr. Prateep Buphaintr   | Independent Director, Audit Committee Member,<br>and Good Corporate Governance Committee Member |
| (4) | Mr. Kamol Juntima       | Director and Good Corporate Governance Committee Member   |
| (5) | Mr. Win Viriyaprapaikit | Director, Group Chief Executive Officer, and President  |

The directors retiring by rotation as listed above may be re-elected by the shareholders' meeting to be in the position of director for another term of office.

The Nomination and Remuneration Committee considered selecting qualified candidates to replace the directors retiring by rotation in accordance with the following procedures:

(1) The Nomination and Remuneration Committee to acknowledge the list of directors who will retire by rotation and the list of outside persons nominated to be candidates for the position of the Company's directors either by the shareholders or the Company's directors.

(2) The Nomination and Remuneration Committee to consider the list of candidates to be the Company's directors concerning the qualifications and disqualifications as stipulated by the public limited company act.

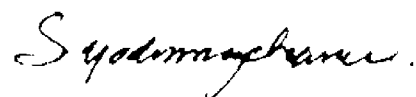
(3) The Nomination and Remuneration Committee to approve the list of qualified candidates to be the Company's directors.

(4) The Nomination and Remuneration Committee to nominate the qualified candidates to replace the directors retiring by rotation to the Board of Directors' meeting for considering and further proposing to the Annual General Meeting of Shareholders.

For the coming Annual General Meeting of Shareholders for the year 2013, the Company distributed the invitation letter to the shareholders via the Company's website and electronic media of the Stock Exchange of Thailand to allow the shareholders to propose qualified candidates to be the Company's directors during the period from 29 August 2012 to 31 January 2013. However, after the specified due date, there was no shareholder proposing any candidate for the director election.

The Nomination and Remuneration Committee considered the education and past and current working experiences of each director and had an opinion that all 5 directors retiring by rotation were highly competent and experienced in various areas of academic fields and had been contributing greatly with the management and administration matters leading to the Company's sustainable growth. However, 2 directors namely Mrs. Kesree Narongdej and Mr. Prateep Buphaintr expressed their intention not to be re-elected. Therefore, the committee resolved to propose the other 3 directors for the Board of Directors' meeting to further propose to the shareholders' meeting for re-election.

Nevertheless, in the Nomination and Remuneration Committee's meeting to consider proposing qualified candidates to replace the directors retiring by rotation, Mr. Siripol Yodmuangchareon, the Chairman of the Nomination and Remuneration Committee, was one of the directors to retire by rotation and as such considered a person having conflict of interest. Mr. Siripol Yodmuangchareon therefore was absent from the agenda and abstained his vote.



**Mr. Siripol Yodmuangchareon**

Chairman of the Nomination and Remuneration Committee

27 February 2013

## Good Corporate Governance



The Board of Directors at Sahaviriya Steel Industries Public Company Limited is well aware of their role, 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 in order to lead the Company's businesses to develop and prosper at a stable and sustainable rate.

The Board of Directors has continuously been taking the good corporate governance of the Company seriously since the adoption of a good corporate governance policy for the Company as the principles of management accomplishment in 2002, and subsequently revised the policy in late 2007 to raise the standard of the good corporate governance policy of the Company and to conform with best practices as required by the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. In 2006, the Corporate Governance Center of the Stock Exchange of Thailand announced its updated version of the Principles for Good Corporate Governance for Listed Companies as adjusted to be comparable to the Principle of Corporate Governance of the Organisation for Economic

Co-operation and Development (OECD Principles of Corporate Governance). The principle comprises 5 categories namely:

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

To ensure the Company's vigorous implementation as prescribed in the aforementioned policy, the meeting of the Board of Directors in December 2007 resolved to establish the Good Corporate Governance Committee as a sub-committee to assist the Board of Directors on good corporate governance matters. The Good Corporate Governance Committee is consisted of 3 directors with a 3-year term of office. At present, the Chairman of Good Corporate Governance Committee and another one committee member are independent directors.

Nevertheless, the meeting of the Good Corporate Governance Committee No. 1/2013 held on 12 February 2013 resolved to have the Company amend the good corporate governance policy to comply with the Principles of Good Corporate Governance for Listed Companies for Year 2012, which being developed by the Steering Committee for Thai listed company from the survey of the CGR project for its

purpose to conform with ASEAN CG Scorecard as well as the international practice, which will eventually enable Thai equities to be an ASEAN Asset Class.

In 2012, the Company received awards and assessments related to good corporate governance activities as follows:

- The Company received the CSR Award in 2012 for “Outstanding Corporate Social Responsibility” with the score of 95.78 out of 100 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 Office of 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 2012. The Annual General Meeting of Shareholders No. 23 for the year 2012 was rated “Excellent”, the same result as that for the year 2008 to 2011.

The work of the Company in compliance with the Good Corporate Governance Policy in 2012 can be summarised as follows:

## 1. Rights of Shareholders

### 1.1 Shareholders’ Meetings

1.1.1 The Company is required to hold an annual general meeting of shareholders each year within 4 months after the end of each fiscal year. The Board of Directors may call for an extraordinary meeting of shareholders when it deems appropriate. An extraordinary meeting of shareholder may also be called upon when a number of shareholders whose aggregate shareholdings represent no less than one fifth of the total issued shares, or at least 25 persons of shareholders whose aggregate shareholdings represent no less than one tenth of the total issued shares propose in writing with reasons and objectives specified.

In 2012, the Company held two Extraordinary General Meetings of Shareholders; Extraordinary Meetings of Shareholders No. 1/2012 was held on 8 June 2012 to approve the capital increase of the Company by 9,523.64 million shares, and Extraordinary Meetings of Shareholders No. 2/2012 was held on 11 October 2012 to approve the

capital increase and comprehensive financial plan of the Company through a capital reduction of 7,273.64 million shares previously approved in Extraordinary Meetings of Shareholders No. 1/2012 and offering of 19,433.67 newly issued ordinary shares to existing shareholders and persons under private placement scheme in order to use the proceeds to increase the capital of Sahaviriya Steel Industries UK Limited.

In each shareholder’s meeting, the Board of Directors is well aware of the shareholders’ rights in compliance with the Company Articles of Association, pertinent legislation, and the regulations of the Stock Exchange of Thailand (“SET”). The Company has to notify the date of determining the names of shareholders entitled to attend the shareholders’ meeting (Record Date) and compile the names of entitled shareholders under section 225 of the Securities and Exchange Act B.E. 2535 and its amendment in the Securities and Exchange Act (No. 4) B.E. 2551 by closing the share register book to the SET by no less than 14 days prior to the book closing date.

1.1.2 The Company sent a meeting notice clearly specifying the meeting’s agenda with sufficient details for each agenda and opinions of the Board of Directors on each agenda together with significant information for decision making consideration enclosed with the notice (for example, the 2011 annual report in order for the shareholders to have adequate information in voting consideration) and other supporting documents (for example, a copy of Minutes of the Extraordinary General Meeting of Shareholders No. 2/2011 held on 22 September 2011, a copy of Minutes of the Annual General Meeting of Shareholders No. 23 held on 27 April 2012, a copy of Minutes of the Extraordinary General Meeting of Shareholders No. 1/2012 held on 8 June 2012, the Company’s Articles of Association for the part related to the shareholders’ meeting, a 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 annual general shareholders’ meeting and the extraordinary general shareholders’ meeting, and the map of the meeting venue. The notice and relevant documents were sent to Thailand Securities Depository Company Limited (TSD) in advance for further distributing to all shareholders; 15 days before the Annual General Meeting of Shareholder No. 23, 21 days before

the Extraordinary General Meeting of Shareholders No. 1/2012 and 17 days before the Extraordinary General Meeting of Shareholders No. 2/2012.

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, both in Thai and English, 31 days before the Annual General Meeting of Shareholder No. 23, 22 days before the Extraordinary General Meeting of Shareholders No. 1/2012 and 16 days before the Extraordinary General Meeting of Shareholders No. 2/2012. This was to facilitate the shareholders with quick and easy access to essential information for the meeting; and also some time to consider it before the actual documents were delivered.

## 1.2 Convenience of Shareholders

1.2.1 The Board of Directors is concerned about the shareholders' convenience on place and time of the meeting. Consequently, all shareholders' meetings of the Company in 2012, as detailed below, were held at 14.00 hour at the Grand Ballroom, 889 Thai CC Tower, 12<sup>th</sup> Floor (parking building), South Sathon Road, Yan Nawa, Sathon, Bangkok which is the place where shareholders can access easily, conveniently and fast via Bangkok Mass Transit System (BTS).

- Annual General Meeting of Shareholders No. 23 held on 27 April 2012.

- Extraordinary General Meeting of Shareholders No. 1/2012 held on 8 June 2012.

- Extraordinary General Meeting of Shareholders No. 2/2012 held on 11 October 2012.

On the meeting venues, the Company tried to offer a warm hospitality to all shareholders by having staffs to welcome and assist the shareholders in registration process, which had been opened for registering 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' Meeting	Date of Meeting	Board of Directors' Attendance		Reason of Absence
		Attended / Total	Absence	
Annual General Meeting of Shareholders No. 23	27 April 2012	13 / 14 directors	Mr. Taweesak Senanarong	Engaged in other duty
Extraordinary General Meeting of Shareholders No. 1/2012	8 June 2012	11 / 14 directors	1) Mr. Tongchat Hongladaromp 2) Mr. Siripol Yodmuangcharoen 3) Mrs. Tharisa Wattanaket	Engaged in other duty
Extraordinary General Meeting of Shareholders No. 2/2012	11 October 2012	13 / 14 directors	Mr. Somchai Pipitvijitkorn	-

1.3.2 The chairman of the meeting allotted sufficient time for the shareholders to express their opinions and make inquiries in the meeting. The Chairman of the Board of

Directors, the Vice Chairman of the Board of Directors, the chairmans of various sub-committees, the directors, the President and the senior management of the Company were

present to answer questions pertaining to their particular function. The shareholders were also encouraged to freely propose ideas and suggestion to the Board of Directors.

In addition, for the Annual General Meeting of Shareholders No. 23, the Company provided the shareholders an opportunity to submit questions concerning the Company's operational results in advance, the measure has been proceeded since the Annual General Meeting of Shareholders No. 18. In other words, shareholders can communicate with the Company via an e-mail address: [agm23@ssi-steel.com](mailto:agm23@ssi-steel.com) or by mailing to the Company Secretary within a specified period with necessary details given for the purpose of further contact by the Company.

#### 1.4 Disclosure of Minutes on Shareholders' Meeting

1.4.1 The Company Secretary prepares and discloses the minutes of each shareholders' meetings to the Stock Exchange of Thailand within the same date of the meeting. For the Extraordinary General Meeting of Shareholder No. 2/2012 held on 11 October 2012, the Company additionally disclosed the vote count of each resolution of the meeting composed of agree, disagree and abstain votes. The minutes of the meetings were made within the period stipulated by law after each 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. 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 Right of Shareholders to Propose Meeting Agenda and Nomination of Directors

2.1.1 In the Annual General Meetings of Shareholders, the Company provides minority 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 In preparation of the Annual General Meeting of Shareholders No. 23 held on 27 April 2012, the Company notified to the Stock Exchange of Thailand on 30 August 2011 regarding the right of minority shareholders to propose matters considered important and constructive as an agenda of the shareholder's meeting as well as the right to propose qualified candidates for the director nomination. The proposal must be submitted in advance via e-mail to [agm23@ssi-steel.com](mailto:agm23@ssi-steel.com); or by a regular mail to the Company Secretary within a specified period, 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 Extraordinary Meeting of Shareholders No. 24 held on 29 April 2013, the Company disclosed to the Stock Exchange of Thailand on 29 August 2012 regarding the right of minority shareholders to propose matters considered important and constructive as an agenda in the shareholder's meeting, to propose qualified candidates for the Company's director nomination and to submit questions in advance before the date of the Annual General Meeting of Shareholders No. 24 for the year 2013. The shareholders had to propose the matters via an e-mail address: [agm24@ssi-steel.com](mailto:agm24@ssi-steel.com) or by mailing to the Company Secretary within a specified period and in compliance with the consideration guidelines and procedures stipulated by the Board of Directors of the Company. In case the Board of Directors approved the proposed matters or the proposed matters were pursuant to the law, the Company Secretary would include such matters as an agenda of the meeting in the notice of the Annual General Meeting of Shareholders No. 24 and would clarify and answer the questions in the meeting as well.

### 2.2 Proxy

The Company enclosed 3 types of proxy forms as provided by the Ministry of Commerce with the notice for

every shareholders' meeting so that shareholders have an opportunity to exercise their voting rights without attending in person and can freely use any proxy form upon their requirements. Since the Extraordinary General Meeting of Shareholders No. 1/2004 held on 18 November 2004, the Company has provided an alternative of the Proxy Form B as provided by the Ministry of Commerce, in which the shareholders are able to appoint an independent director to attend and vote on their behalf. The persons determined by the Company for the proxy for the Annual General Meeting of Shareholders No. 23 comprised 2 independent directors or any other person designated by the shareholders upon their intentions.

### 2.3 Procedures on the Day of the Shareholders' Meeting

2.3.1 Before the meeting starts, the Chairman of the Board of Directors acting as the Chairman of the Meeting informs the shareholders the rights according to the Company's Articles of Association, the meeting procedure and the voting procedure with an equal treatment.

2.3.2 The Chairman of the Meeting oversees the meeting to comply with the Company's Articles of Association pertaining to the meeting and conducts the meeting in accordance with the agenda as indicated in the meeting notice.

If the meeting proposes to rearrange the order of agenda, the Chairman of the Meeting will be able to change the order as proposed after receiving an approval from the shareholders with no less than two thirds of the attending shareholders. However, up to 2012, there has never been an incident of a request to rearrange the order of agenda, nor has there ever been a request by one third of the votes to introduce other matters not previously listed in the agenda. Moreover, the Company has never added any other agenda apart from the items indicated in the notice of the meeting.

2.3.3 The Company has specified the voting procedure with the use of ballots in every agenda. In electing the directors, the majority vote must be obtained in accordance with the following rule and procedure:

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

2) Each shareholder must cast his/her entire vote according to 1) to elect one or more candidates to be the director. In case of electing more than one candidate to be directors, each shareholder must cast his/her entire vote according to 1) for each candidate. The vote cannot be divided for any candidate.

3) The candidates who receive the most votes, in descending order, will be elected as directors up to the number of position available. In case of candidates receiving equal votes for the last available position, the Chairman of the Meeting shall cast the deciding vote.

### 2.4 Supervision of Use of Inside Information

2.4.1 Relevant laws and the Company's policy regarding the use of inside information to prevent wrongful action on the Company's securities trading and to ensure a fair and an equal treatment to all shareholders are listed below:

- 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 directors, executives and auditors 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 purchase and sale of securities of the Company based on such information.
  - Directors and employees who possess inside information must protect the information that has not yet been disclosed to the public with due care and must limit access to such information to only those who need to know, as well as must not disclose such information to the public.

- The Company requires the directors and executives of the Company to report their holdings and change of holdings of the Company's securities within 30 days from the date of appointment as a director or an executive of the Company and within 3 business days from the date of purchasing or selling the Company's securities.

2.4.2 Supervision on compliance with relevant laws and the Company's policies

- To ensure material information of the Company is kept confidential prior to disclosing to the Stock Exchange of Thailand and is disclosed immediately after the Board of Directors passes a resolution on such matter to the Stock Exchange of Thailand before any other channel in order for the shareholders and investors to access the disclosed information on a timely and equal basis.

- To report the holdings of the Company's securities of the Company's executives to the meeting of Good Corporate Governance Committee on a quarterly basis.

- To report to every meeting of the Board of Directors regarding the holdings of securities of the Company's directors and executives pursuant to the notifications of the Securities and Exchange Commission and to disclose such information to the Office of the Securities and Exchange Commission.

2.4.3 Punishment measure for employees not complying with the practice guidelines of the Board of Directors regarding the use and protection of inside information for trading of the Company's securities

- The Company has imposed the punishment measure for employees performing an action considered to be harmful to the Company's reputation as well as taking advantage from the working at the Company for their own or other benefits or disclosing the confidential information related to business conduction, operating system, production and any other confidential information. The measure is in accordance with the practice guideline of Disciplinary Punishment Measure and Disciplinary Action which refers to Personnel Administration Rule and Policy No. 4/2008 dated 27 May 2008 regarding Disciplinary Action and Disciplinary Punishment.

### 3. The Rights of Stakeholders

The Board of Directors of the Company approved the business philosophy and the business ethics, as proposed for the revision in August 2010, to be the principle, beliefs and guideline for the Company and its personnel to adhere and implement to become an identity of the Company and values given to all groups of stakeholders. This will be a vehicle to drive the Company's existence, development and sustainable growth.

#### Business Philosophy of the Company

The organisation management of the Company leading to the goal of sustainable growth is based on the fundamental of business philosophy composed of:

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

In September 2012, the Company has reviewed the current business plan in order to develop the new business plan for 2013 - 2015. The Corporate Planning Office requested for cooperation from all functions of the Company to revise its business plan and strategy corresponding to each division or department. The meetings between the Management Committee and the executives from each division or department were arranged to develop such new business plan for further approval from the Board of Directors.

#### Business Ethics of the Company

In conducting the business, the Company adheres to the principles of accountability, transparency, integrity, and

business competitiveness by acting in the best interest to all stakeholders in an equitable manner.

### 1. Shareholders

The Company realises the shareholders are the owners of the Company and the Company has the duty to generate value-added to the shareholders in a long term. The Company has, therefore, stipulated a guideline for the directors, executives, and employees to perform the followings:

1) Perform duties to the fullest capacity with integrity, care, prudence and fair treatment for the best interest of all shareholders.

2) Present the operating performance report, financial status report and other reports with accuracy and completeness and in a timely manner.

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 and satisfaction of customers which contributes to success of the Company's businesses. Therefore, the Company has a strong intention to pursue the methods that are reliable to customers and can fulfill the needs of customers in a more efficient and effective manner. The guidelines are as follows:

1) Deliver quality products and services that meet or exceed the expectation of customers.

2) Communicate with customers with courtesy and ensure that complete, accurate and up to date information of products and services is given to the customers. The Company will not misrepresent the products and services in terms of quality, quantity or any other conditions.

3) Strictly follow the conditions applied to the customers. In case the conditions cannot be satisfied, the Company will inform the customers without delay to figure out a possible solution together.

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

5) Strictly protect confidential information of customers and will not use the information for other interests in an improper respect.

6) Provide instructions on the use of products and services in an efficient manner to maximise benefits.

### 3. Suppliers

The Company realises that ethical conduct with suppliers should be based on fair benefits to both parties. Thus, the Company commits to provide facts and accurate reports, implements according to agreements, negotiates and seeks solutions based on business relationship as well as avoids the situation which will result in conflict of interest. The guidelines are as follows:

1) Never request, receive or pay any fraudulent benefits from and to suppliers.

2) With an evidence indicating a fraudulent benefit has been claimed, received or paid, disclose such relevant information to the suppliers and together figure out the solution in a timely manner.

3) Strictly perform in accordance with the conditions under the agreements and inform the suppliers in advance in case of inability to meet any condition.

### 4. Competitors

The Company realises the commitment to treat its competitors fairly. The guidelines are as follows:

1) Never seek any confidential information of the competitors by unfaithful or improper means.

2) Never destroy the competitors' reputation by offensive accusations.

### 5. Employees

The Company realises that employees are valuable resources for the success of the Company, thus the employees are treated fairly in terms of compensation, opportunity and development, and potential based on humanity practices regardless of their race, religion, gender or physical condition. The guidelines are as follows:



- 1) Treat employees with respect to individual value and dignity
- 2) Provide fair compensation to employees
- 3) Provide a safe working environment to employees considering their lives and properties at all times
- 4) Appoint, rotate, promote, and demote employees with sincerity and based on knowledge, merit and suitability.
- 5) Value development of knowledge and ability of all employees.
- 6) Avoid any unfair action which may affect the job security of the employees or any action which may threaten or cause pressure to mental health of employees.

**6. Supervisory Authorities**

The Company values its duty to comply with law and business practices. The Company strictly conducts the business under laws, articles, regulations and standards imposed by supervisory authorities as well as cooperate with supervisory authorities in relevant matters.

**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 provided support to a number of activities to improve society and community, safeguard and rejuvenate natural resources as well as to 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 System Standards and TIS 18001 Occupational Health and Safety Management Standards with the purpose to reduce and control the risk of damages occurred to the employees and stakeholders and to induce safety of the Company’s operations.

In 2012, the Company received awards under various categories as detailed below:

Award Category	Organising Agents	Date
Outstanding Award for National Safety Organisation 2012	Department of Labor Protection and Welfare, Ministry of Labor	5 - 7 July 2012
Best Video Media Award “Safety...Start from Us” with the Prime Minister’s Honor Cup	Department of Labor Protection and Welfare, Ministry of Labor	6 July 2012
Honorable Outstanding Labor Relations and Welfare Award for 10 consecutive years (2003 - 2012)	Department of Labor Protection and Welfare, Ministry of Labor	14 September 2012

**3.1 Equitable Treatment of Shareholders**

In conducting its business, the Company places an importance on all stakeholders, namely shareholders, customers, suppliers, competitors, employees, supervisory authorities, society and community as stated in the Company’s Business Ethics. The Company has; therefore, established a mechanism to encourage activities and relationship between the Company and the stakeholders, for example, customer’s

opinion surveys, employee engagement surveys, hearing and Q&A session in the shareholders’ meetings, channel for the stakeholders to raise questions and suggestions on website, channel to inform tip or complaint to the Good Corporate Governance Committee, community product and service promotion, buyer-seller seminar in 2012 and etc. 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 sub working committee 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 2012.

### 3.1.1 Stakeholder: Shareholders

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

### 3.1.2 Stakeholder: Customers

- 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 were held. In addition, 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.

- Working committee for innovation of value-added steel products and services for the customers conducted a customer requirement analysis and cooperated with Production Division to gear towards value-added product and service development for the customers. For examples, product size control to reduce the loss rate incurred from the use of customers, customer collaboration to develop tailored made products for specific customers and improved delivery time for the orders requiring express delivery, these can facilitate the customers in product distribution and market expansion. In 2012, the Company delivered the innovative value-added products to the customers accounting for 14% of the total 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 2012, the Company invited 2 overseas suppliers to attend the meetings with the Company, to review technical protocol and specification in order to develop raw materials for more varieties and better response to the market requirements. The meeting helped define a direction of solution in improving raw material quality and other problems.

- Raw Material Procurement Department developed the business procedure in coordination with 3 suppliers to be consistent with the raw material management plan in bonded warehouse and to increase flexibility in business operations of both parties.

- Sahaviriya Steel Industries UK Limited, a subsidiary in United Kingdom, started to produce slabs and deliver the products to the Company, which the first shipment arrived at Prachuap port in June 2012 to be a raw material for the hot-rolled steel production at Bangsaphan plant. This helps secure raw material for the Company and strengthen the ability to meet the customer requirements in terms of volume sufficiency and stability.

- The Purchasing Department has performed the following tasks:

- Disclosing procurement news of the Company via <http://www.ssi-steel.com> to inform 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. This enables an efficient and transparent procurement process of the Company.

- 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 products according to the requirement of the Company. Every entrepreneur is treated equally.

- Organising annual seminars and meetings with the suppliers and service providers. In 2012, the meeting was held in February to clarify the Company's procurement, joint procurement with Sahaviriya Group as well as other related issues on the procurement policy and the safety, occupational health and environment policy of the Company.

- Visiting the production process and management system of 17 suppliers plus 4 suppliers in Bangsaphan to review the production process and product

quality satisfying the Company's requirement and to provide suggestions on product improvement and development and required product and service delivery time.

- Assisting to promote and support the products produced or distributed by the community and the services rendered by the community as well as the projects to support and develop the products produced by Bangsaphan community in accordance with the Company's corporate social responsibility policy.

#### 3.1.4 Stakeholder: Competitors

- The Company is aware of and has been conducting its business with competitors fairly and ethically. It has the policy not to gather confidential information of the competitors by unfaithful or improper means and not to destroy the reputation of the competitors by offensive accusation.

- The Company's management engaged in meetings with the management of the competitors to strengthen the business relationship and for experience exchange.

#### 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, food court at Bangsaphan plant, support for activities of employee's saving cooperatives, and etc.

The Company values an importance of employee welfare and benefits as well as the quality of life of employees and their families. This can be seen from the "Outstanding Award of Labor relations and welfare" received by the Company for 10 consecutive years (2003 - 2012). The Company also considers the working environment that can encourage the employees to be a good, smart and socially

accepted person by applying the self-sufficient economic philosophy of His Majesty the King. The implemented activities include SSI WAY promoting activities involving the business philosophy, business ethics, vision and mission, value of the Company and morality of the employees arranged under the Value Champion Project (Be Good, Be Recognised) and A Hundred Goodness, A Thousand Hearts of SSI Arsa Project focusing on volunteer spirit of the employees to the society, as well as Suan Lung Nil visit trip of the employees to study the national philosopher project in cooperation with Chumporn Cabana Resort under the sufficiency economy concept and the Nong Yai Project initiated by the King. The employees worked together to further develop the project of the Company namely One Division One Plot Project.

For the communication, the Company aims to have the employees in every level of the organisation thoroughly informed the Company's information and express their opinions to the management through the Company's arranged channels including Morning Talk or Line Visit and committee appointment to designate the rights to manage specific matters to the employees, for example, Food Court Committee, Recreation Committee and etc. Regarding the personnel development, the Company has been emphasising on preparation of employees to be ready for ASEAN Economic Community integration by providing trainings in areas of ASEAN Economic Community's regulations, foreign language skill development and etc. Such implementations can prove the Company values the employees as valuable resources of the Company. The projects and activities have been carried out with an intention to develop employees to grow together with the Company while they became adaptable and happy.

#### 3.1.6 Stakeholder: Supervisory Authorities

- The Company places emphasis on lawful and ethical executions together with commitment to operate under good corporate governance. As a listed company on the Stock Exchange of Thailand, the Company has strictly conducted the business pursuant to the laws, articles, regulations and standards imposed by the authorities and has well cooperated with the supervisory authorities consisting of the Office of the Securities and Exchange Commission, the Stock Exchange of Thailand and various government agencies.

### 3.1.7 Stakeholders: Society and Community

- The Public and Community Relations Office undertook programs as specified under the section of Corporate and Social Responsibility.

- Working committee for minimising climate change organised a number of programs and activities as detailed in the Social Responsibility Report 2012 under the section of Overview of Business Operation with Social Responsibility regarding the management to reduce the climate change effects.

- Purchasing Department has also provided support to energy saving projects. In 2012, the Company procured equipment installed at the furnace to reduce consumption of furnace fuel and to utilise the wind energy to increase combustion efficiency.

## 3.2 Compensation Measures

In the event that the stakeholders are damaged by violation of rights under the law by the Company, the Company has provided a measure on this matter by offering an insurance to protect the rights of the stakeholders on the following events:

- Directors & Officers Liability Insurance
- Marine Cargo Open Policy
- Public Liability Insurance
- All Risks of Property Damage, Machinery Breakdown, Boiler Explosion and Business Interruption Insurance (for major plants)
- Property All Risks Insurance (for office building)

In addition to the primary insurance coverage mentioned above, the Company has prepared to extend its insurance coverage to other SSI's subsidiaries that have been operating in both local and abroad; for example, 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).

## 3.3 Dispute with Stakeholders

The Company has conducted its business in a way that prevents conflicts or disputes with the stakeholders; inclusive of its business involvements with customers, suppliers, competitors, employees, society, and community. The Company has provided a mechanism to oversee and supervise all divisions of the Company to operate in legal compliance by preparing a list of these legal restrictions to be complied by the Company and updating such list regularly. In addition, each division has also reviewed its legal compliance and reported both complying and non-complying actions to the Group Legal Office to collect and present to the Audit Committee on a quarterly basis.

For major litigations and disputes against the Company as disclosed in the notes to the financial statements, the Company's Group Legal Office will report the progress and give recommendations to the Group Chief Executive Officer and the President periodically as well as report to the Audit Committee and the Board of Directors on a quarterly basis.

Moreover, the Company has engaged 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 have enabled the Company to thrive for sustainable growth for the business.

## 3.4 Tip and Complaint Report

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 stakeholders e.g. shareholders, customers, suppliers, competitors, society and community. The reports can be for any concern, for instance, law violation, unethical practice, corruption, breach of working positions, violation on conflicts of interest policy of the Company, violation or ignorance of duties according to

policies, guidelines, orders or regulations of the Company, inaccurate report of financial statements, 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 the information to figure out solutions and establish preventive measures, which will lead to more 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 the employees and the internal and external stakeholders for the information of channels and methods of reporting tips and complaints, which include the company intranet at <http://ssi.net> and the Company's website at <http://www.ssi-steel.com>. Any whistleblower can report tips and complaints via two channels:

- By e-mail to [ssigcg@yahoo.com](mailto:ssigcg@yahoo.com); or
- By post to The Good Corporate Governance Committee at the postal address of P.O. Box 534, Delivery Post Office Bang Rak, Bangkok 10500.

The Good Corporate Governance Committee is responsible for determining the procedures when being informed the tips or complaints and the measures to protect the whistleblower with the right to access information in the tip and complaint reporting channels specifically authorised. 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 persons authorised by the Chairman of the Good Corporate Governance Committee, whose reporting line is direct to the Chairman of the Good Corporate Governance Committee. In addition, the Good Corporate Governance Committee has also advised the management of the Company to study implementing the call center system as a center to gather the complaints, and apart from that as a center to provide the Company's information in general and a center to respond the shareholders' inquiries.

## 4. Information Disclosure and Transparency

The Board of Directors recognises the importance of disclosing material information of the Company, both financial and non-financial information, and that such information must be accurate, complete, timely, transparent, and in accordance with the regulations stipulated by the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. The information is presented both in Thai and English for the investors, shareholders, securities analysts and other related parties including the public in order for them to have the information equally in accordance with the principles of good corporate governance. This material information may have a significant impact on the trading price of securities of the Company on the Stock Exchange of Thailand. The Board of Directors has explicitly declared the intention to perform these executions in the the Good Corporate Governance Policy of the Company.

The Company set up the Corporate Secretariat Office and the Corporate Finance and Investor Relations Department as the units to be directly responsible for disclosing the Company's information to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.

### 4.1 Information Disclosure pursuant to the Notifications, Rules or Regulations of the Stock Exchange of Thailand and/or the Office of the Securities and Exchange Commission

In 2012, the information disclosure of the Company by the Corporate Secretariat Office comprised the followings:

- Disclosed all information necessary for the investors and shareholders to make decisions according to the regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission, especially the financial reports related to the financial status and operating performance of the Company on a quarterly basis and an annual basis after each review or audit by the licensed auditor, as well as the Management Discussion and Analysis (MD&A) of the Company, its subsidiaries and its jointly controlled entities to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.

- Distributed the 2011 Annual Report (Form 56-2) to the Company's shareholders, along with the notice of the Annual General Meeting of Shareholders, and informed such information to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission within 110 days from the end of accounting period of the Company.

- Submitted Form 56-1 for the year ending 31 December 2011 to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission within 3 months from the end of accounting period of the Company.

The disclosure of information to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission were properly completed and submitted in a timely manner.

## 4.2 Information Disclosure pursuant to the Guidelines of the Stock Exchange of Thailand on the Transparency of the Companies

The Board of Directors appointed a unit to be responsible for the "Investor Relations" as a center for investor communication and to have a duty to disclose information of the Company to shareholders, institutional investors, public investors, securities analysts, and relevant government sector. Later in 2011, the Company combined such unit with the Corporate Finance Department to become the Corporate Finance and Investor Relations Department. This aims to enhance the information provided to the aforementioned parties for in depth investment analysis of the Company's securities. The Public and Community Relations Office takes a direct responsibility on the information disclosure to the public through mass media. Both offices have disclosed and distributed material information through the Company's website at <http://www.ssi-steel.com> with regular updates on the information in order for the stakeholders and related parties to always have key information of the Company such as financial information, annual reports, organisation news and social activities, and securities analysis articles, both in Thai and English.

### 4.2.1 Investor Relations

In 2012, the Corporate Finance and Investor Relations Department performed the following key activities through various 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 the Company's website at <http://www.ssi-steel.com> for the shareholders and investors to have a convenient channel to equally access the Company's information at all times.

- Arranged for better communication between investors and shareholders and the Company. Investors and shareholders are able to raise questions to the executives or request for more information from the Company through its e-mail address: [ir@ssi-steel.com](mailto: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 lending financial institutions of the Company on a quarterly basis to announce the Company's operating 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 Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.

- Provided management discussion and analysis (MD&A) of the Company, its subsidiaries and its jointly controlled entities for the quarterly operating performance to be distributed to the investors on the Company's website on a quarterly basis.

- Arranged 16 group meetings or one-on-one meetings between the senior executives of the Company and Thai and foreign institutional investors, securities analysts, and retail investors at the Bangkok office.

- Organised 4 visits for the retail investors and the lending financial institutions of the Company to visit the hot-rolled steel sheet production process of the Company and cold-rolled steel sheet production process of Thai Cold Rolled Steel Sheet Public Company Limited, a jointly-controlled entity, as well as raw material handling of Prachuap Port Company Limited, a subsidiary located at Bangsaphan District, Prachuap Khiri Khan Province.

• Participated in 5 corporate roadshows organised by the Stock Exchange of Thailand for the senior

executives of the Company to make presentations to the Thai and foreign institutional investors as follows:

No.	Date	Objective
1	28 February 2012	The Company's performance review for the year 2011
2	6 June 2012	The Company's performance review for the quarter 1/2012
3	15 August 2012	The Company's performance review for the quarter 2/2012
4	29 - 31 August 2012	Participation in Thailand Focus at Four Seasons Hotel Bangkok
5	26 November 2012	The Company's performance review for the quarter 3/2012

#### 4.2.2 Other Stakeholder and Public Relations

In 2012, the Public and Community Relations Office pursued the following key activities:

• Prepared news releases for mass media concerning the Company's quarterly financial position and operating results on the following business day after the submission of the audited or reviewed financial statements to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.

• Issued press releases and photo releases regarding the Company's activities to news reporters, so that information of the Company reaches investors and the general public on a regular basis.

• Set up interviews with the Company's executives when requested by mass media, to foster an understanding and accurate knowledge of the Company.

• Arranged for publication of information and articles about the Company through various media, including:

• Print medias such as newspapers and annual reports.

• Exhibitions to provide useful information to the target and the public.

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

• Provided communication channel for inquiries or information request raised to the Company via e-mail address : [pr-ir@ssi-steel.com](mailto:pr-ir@ssi-steel.com).

## 5. Responsibilities of the Board of Directors

### 5.1 Structure of the Board of Directors

#### 5.1.1 Composition of the Board of Directors

The Board of Directors consists of qualified members in terms of knowledge, competency, proficiency and experience in the areas that support the Company's business conduct, for example, production, management, finance and accounting and long-held experience in the steel industry. The number of directors according to the latest affidavit registered with the Ministry of Commerce dated 24 December 2012 are 14 persons comprising 8 independent directors and 6 non-independent directors. Out of these, 1 director is an executive director namely Mr. Win Viriyaprapaikit being in the position of the President of the Company. The number of independent directors complies with the Good Corporate Governance Policy of the Company.

#### 5.1.2 Term of Office of Directors

The term of office of directors is pursuant to the Company's articles of association and the Public Limited Company Act stating that one-third of the directors shall retire from the office on a yearly basis. But the total 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 specifically required experience and competency for the tasks assigned and the nature of the Company's business.

### 5.1.3 Determination of Qualifications of “Independent Directors”

Detailed requirements of the independent directors are stated in the management structure regarding the determination of number and qualification of independent directors.

### 5.1.4 Policies and Guidelines for President and Senior Executives Serving as Director and/or Management of Other Companies

The Company has assigned the executives of the Company to take a position of director, managing director and/or senior executive in West Coast Engineering Company Limited and Prachuap Port Company Limited, which are subsidiaries of the Company, Thai Cold Rolled Steel Sheet Public Company Limited, a jointly-controlled entity, and Thai Coated Sheet Company Limited, 3.7% shareholding owned by the Company. The Company charges the management fee from such executive representation at a mutually agreed rate. For Sahaviriya Steel Industries UK Limited, a subsidiary located in the United Kingdom, the Board of Directors has approved Mr. Win Viriyaprapaikit, the President of the Company, to be a director of such entity.

With respect to the guidelines concerning conflicts of interest of the Company, it was stipulated that every employee including the President not be able to take a position of director or executive in any business which competes directly or indirectly with the Company; and not be a director of other companies that are engaged in or going to be engaged in businesses with the Company, except the position in affiliates as granted by the Board of Directors.

### 5.1.5 Segregation of Duties of the Chairman of the Board of Directors and the President

In the area of management structure of the Company, duties and responsibilities of key persons are segregated. Mr. Wit Viriyaprapaikit is the Chairman of the Board of Directors and Mr. Win Viriyaprapaikit is the President of the Company with segregation of duties and responsibilities of each position explicitly determined in compliance with the Good Corporate Governance Policy of the Company.

### 5.1.6 Independence of the Chairman of the Board of Directors

The Company does not have a policy requiring the Chairman of the Board of Directors to be an independent director due to the limitation in seeking a suitable person within the period specified. The iron and steel industry needs an experienced and proficient person in this specific area of expertise to take such position, apart from the qualifications of board vision and managerial expertise to maximise the benefits of the Company, the shareholders and other stakeholders.

### 5.1.7 Company Secretary

The Company Secretary advises on legal issues and regulations necessitated for the Board of Directors to know and perform the duty as well as coordinates to ensure the executions according to the resolutions of the Board of Directors.

## 5.2 Role, Duties, and Responsibilities of the Board of Directors

The Board of Directors has the duty to approve or grant a consent on material businesses related to vision, mission, business direction and policy, business plan, strategy and annual budget of the Company as well as to govern the risk management and business operations to conform with the provided policies and business plan effectively and to comply with the law, rules and regulations of the supervisory authorities, objectives and regulations of the Company and the resolutions of the Board of Directors' meetings and shareholders' meetings, concerning the best interest of the Company and stakeholders. This aims to bring about stable and sustainable growth to the Company which will lead to value creation to the shareholders in a long term. Details of the duties and responsibilities of the Board of Directors can be found in the section of Management Structure regarding the Board of Directors.

### 5.2.1 Good Corporate Governance Policy

The Board of Directors aims for an enhancement in good corporate governance standard within the organisation, which requires collaboration of four parties comprising the Board of Directors, the management, the



independent external auditor, and the internal auditor of the Company. The Board of Directors needs to have a clearly defined policy. In this regard, in 2002, the Board of Directors officially approved a good corporate governance policy of Sahaviriya Steel Industries Public Company Limited corresponding to the 15 principles of good corporate governance stipulated by the Stock Exchange of Thailand.

In December 2007, the meeting of the Board of Directors resolved to revise the good corporate governance policy of Sahaviriya Steel Industries Public Company Limited to conform with the principles of good corporate governance for listed companies for year 2006 as stipulated by the Stock Exchange of Thailand. Subsequently, in 2013, the Good Corporate Governance Policy was further revised to reflect the changing management structure of the Company and in accordance with the principles of good corporate governance for listed companies for year 2012 published by the Thai Institute of Directors in cooperation with the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission in January 2013.

### 5.2.2 Code of Ethics of Directors

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

1) The Company's directors must perform their duties in the spirit of the Company's business philosophy and adhere to the codes of ethics established by the Company.

2) The Company's directors must perform their duties in compliance with the law, objectives and regulations of the Company, and resolutions of the 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 in performing their duties and responsibilities to drive prosperity and stability of the Company and proper value creation.

4) The Company's directors must perform their duties considering responsibilities toward the shareholders and with all due concern for the interests of stakeholders, and must treat all groups properly and fairly.

5) The Company's directors must not use their position to seek unfaithful benefits, must not disclose the Company's confidential information to outsiders, must not seek benefits for themselves or their related parties using the Company's inside information, and must not perform any action that will result in a conflict of interest to the Company.

### 5.2.3 Conflicts of Interest

The Company has established numerous measures to prevent conflicts of interest and for execution of connected or related transactions with transparency, clarity, and proper justification. This aims to enhance the Company's creditability and ultimately more effective business operations. These measures are as follows:

1) Policies on trade discounts as a mean to enhance competitiveness, sales volume and market share, and rewards to loyal customers with continuous purchasing orders for hot-rolled coil.

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

Establishment of the Credit Committee to analyse and sort the amount and type of commercial credit suitable for each client, considering the client's needs and payment ability along with type and conditions of guarantee to prevent or reduce the risk of granting credit. The Committee also considers giving extensions of credit terms for each client.

3) Reports of the Company's sales volume and prices presented to the meetings of Management Committee on a monthly basis and the meetings of Audit Committee on a quarterly basis to ensure the transactions between the Company and its connected persons are under an ordinary course of business and general trading conditions.

4) Reports of holdings and change of holdings in the Company's securities of the directors and executives of the Company as disclosed in the 2012 annual report in the section of Supervision of Use of Inside Information.

5) Guidelines for the Board of Directors regarding the rules and procedures of reporting conflicts of interest of the directors and executives of the Company. The directors and executives of the Company, both at the Company and its subsidiaries, have reported conflicts of interest of themselves and their related persons to the Company on a quarterly basis.

6) Guidelines pertaining to conflicts of interest to ensure clarity on the actions deemed to cause conflicts of their own interest and the Company's interest in order to avoid or prevent such actions.

7) In September 2012, the Audit Committee considered and acknowledged the opinion of independent financial advisor on the connected transaction prior to proposing to the Board of Directors' meeting and the shareholders' meeting. Details are as follows:

- Allocation of newly issued ordinary shares of Sahaviriya Steel Industries Public Company Limited to Vanomet Holding AG, Sahaviriya Group Corporation Limited, and Sahaviriya Inter Steel Holdings Company Limited.

- Buyback and cancellation of Subordinated Convertible Debentures No. 1/2012 from Sahaviriya Inter Steel Holdings Company Limited and Subordinated Convertible Debentures No. 2/2012 from Vanomet AG.

In addition, the Audit Committee also acknowledged Vanomet Holding AG being a major shareholder of the Company.

Nevertheless, in the Board of Directors' meetings with the agenda concerning conflict of interest transactions, the directors who have conflict of interest must not participate in the consideration and must abstain themselves in such agenda.

#### 5.2.4 Internal Control and Internal Audit System

The Board of Directors of Sahaviriya Steel Industries Public Company Limited recognises an importance of good and effective internal control, as explicitly stated in the Good Corporate Governance Policy of the Company as it is believed to help preventing harm, minimising risk to its business activities and 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 internal control and internal audit system.

The Board of Directors has acknowledged the report on internal control and internal audit of the Company from the Audit Committee, consisting of 1) internal control assessment result from the Audit Committee based on the form provided by the Office of the Securities and Exchange

Commission and 2) internal control assessment result from the Company's management based on the form provided by the auditor having been and currently appointed by the Company as well as 3) material issues from the audit report of the Internal Audit Office.

The Company has established the Internal Audit Office directly reporting to the Audit Committee as an independent internal audit unit of the Company. During the end of 2012 to the beginning of 2013, the Internal Audit Office prepared and obtained approval on the strategic plan, the audit coverage year plan for 2013 - 2015, and the audit plan for 2013 from the Audit Committee. The internal control framework adhered and referred to by the Audit Committee and the Internal Audit Office of the Company is the Internal Control Integrated Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The framework consists of 5 main internal control components namely:

- 1) Control Environment
- 2) Risk Assessment
- 3) Control Activities
- 4) Information & Communication
- 5) Monitoring & Evaluation

#### 5.2.5 Risk Management

Details can be found in the section of Risk Management.

### 5.3 Sub-committees

The Board of Directors has decentralised its authority and duties by appointing several sub-committees to assist in implementation of relevant matters by studying and screening material businesses under the scope assigned by the Board of Directors. There were 6 sub-committees appointed. However, the Board of Directors' Meeting No. 5/2011 held on 11 August 2011 later resolved to rearrange the management structure of the Company with the effective date on 1 September 2011, and so the sub-committees has remained 4 committees as follows:

Sub-committees prior to September 2011	Sub-committees from 1 September 2011 onwards
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

All sub-committees have an independent director as a chairman. All members of the Audit Committee are independent directors. Most of the members of the Good Corporate Governance Committee are independent directors. Most of the members of the Nomination and Remuneration Committee and the Risk Management Committee are not independent directors. As a result, the Board of Directors will further consider increasing the number of independent directors. The scope of authority, duties, and responsibilities of the other committees can be found in the section of Management Structure. The sub-committees have the term of office of 3 years as specified by the Company where the total term a director may retain in the same position for succession periods is not stipulated.

In addition, the Board of Directors' Meeting No. 5/2011 as mentioned above also resolved to establish the Management Committee to take on responsibilities in businesses previously belong to the Board of Executive Directors. The Management Committee has the senior executives of the Company as the members with Mr. Win Viriyaprapaikit, Group CEO and President, as the Chairman of the Management Committee.

## 5.4 Meetings of the Board of Directors

### 5.4.1 Determination of Meeting Schedules of the Board of Directors and Sub-Committees

The Company has determined the meeting schedules of the Board of Directors and sub-committees for the year in advance by coordinating with related parties to set

the schedule and inform each director, committee and relevant internal departments beforehand. Therefore, the directors and executives are able to arrange their schedules and attend the meetings all together. The Board of Directors' meetings are held monthly. Apart from the agenda specified by the President, each director can also propose the matters to be included as the meeting's agenda through various sub-committees and the Chairman of the Board of Directors will consider the matters to be included to ensure all important businesses are taken into account by the meeting.

In the meetings of the Board of Directors and sub-committees, relevant senior executives of the Company also attend the meetings to provide supporting information on behalf of the person in charge. It is also a good opportunity for the Board of Directors to know the senior executives which can be helpful when considering the succession plan.

In each meeting, the Board of Directors has acknowledged the reports on operating performance and progress on the tasks assigned as well as considered the matters under the scope of duties and responsibilities of the Board of Directors. The Board of Directors has governed and supervised the corporate management and sub-committees to perform according to the plans and policies under the scope of duties and responsibilities assigned by the Board of Directors. The Company Secretary is the person pursuing the meeting to be in accordance with the Good Corporate Governance Policy of the Company. The meeting must have clarity on the agenda. The distribution of notices and supporting documents to the directors must comply with the Company's articles of association which require a prior

notification of not less than 7 days before the meeting date. Therefore, the directors have sufficient time to study the information. Each meeting takes approximately 2 hours. In 2012, there were 19 meetings of the Board of Directors being held in every month where some months had 2 meetings including February, April, June, July, August, September, and November.

The meetings of sub-committees independently take a consideration on implementation of various activities under the scope of duties and responsibilities assigned by the Board of Directors with the secretary of each committee organising the meetings and notices and supporting documents distributed prior to the meeting dates.

In 2012, the meetings of sub-committees can be summarised as follows:

1) Audit Committee held 11 meetings in January (2 meetings), February, April, May, July, August, September, October, November, and December.

2) Nomination and Remuneration Committee held 3 meetings in February, April, and December.

3) Good Corporate Governance Committee held 4 meetings in February, May, August, and November.

4) Risk Management Committee held 4 meetings in January, April, July, and October.

The Company also held specific meetings of independent directors consisting of 8 members. In 2012, there were 4 meetings held in February, May, August and November to discuss on the management problems of the Company. Should there be a material issue, the independent directors will propose to the Board of Directors' meeting for further consideration.

Furthermore, all the directors can also take part in corporate management with informal meetings held to consider particular matters concerning different areas of knowledge, proficiency, and suggestion needed from the directors i.e. engineering, production, or specific management area. Certain matters have also been discussed over the telephone with the directors having direct experience on a regular basis.

#### 5.4.2 Summary of Attendance of Each Director in the Board of Directors' Meetings and Sub-committees' Meetings

Meeting Attendance of Directors in 2012 (Number of Meetings Attended / Number of Meetings Held)						
Name	Board of Directors	Audit Committee	Nomination and Remuneration	Good Corporate Governance	Risk Management	Independent Directors
1. Mr. Wit Viriyaprapaikit Chairman	17/19					
2. Mr. Somchai Sakulsurat Deputy Chairman and Independent Director	19/19			4/4		4/4
3. Mrs. Kesree Narongdej Independent Director	16/19	11/11				4/4
4. Mr. Tongchat Hongladaromp Independent Director	13/19				4/4	3/4
5. Mr. Siripol Yodmuangcharoen Independent Director	14/19		3/3			3/4

Meeting Attendance of Directors in 2012 (Number of Meetings Attended / Number of Meetings Held)						
Name	Board of Directors	Audit Committee	Nomination and Remuneration	Good Corporate Governance	Risk Management	Independent Directors
6. Mr. Prateep Buphaintr Independent Director	19/19	11/11		4/4		4/4
7. Mr. Taweesak Senanarong Director	18/19				4/4	
8. Mr. Somchai Pipitvijitkorn Director	17/19		3/3		4/4	
9. Mr. Kamol Juntima Director	18/19			4/4		
10. Mr. Permpoon Krairiksh Independent Director	12/19	10/11				3/4
11. Mr. Piya Viriyaprapaikit Director	18/19		3/3			
12. Mrs. Tarisa Watanagase* Independent Director	10/16					2/3
13. Mr. Yarnsak Manomaiphiboon** Independent Director	13/16					3/3
14. Mr. Win Viriyaprapaikit Director	18/19					

**Remark:** For some directors who were not able to attend the meetings of the Board of Directors or sub-committees as indicated above due to necessary reason or inevitably important business, the directors not attending the meeting also submitted a leave notice prior to the meeting. In case the directors have any issue or suggestion to propose in any agenda, they can inform the Company Secretary or the secretary of the meeting of each sub-committee.

\* No. 12 Mrs. Tarisa Watanagase was elected as a director on 27 February 2012 and later submitted a notice of resignation to the Board of Directors' Meeting No. 2/2013 held on 14 February 2013.

\*\* No. 13 Mr. Yarnsak Manomaiphiboon was elected as a director on 27 February 2012.

## 5.5 Assessment of 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 with the first implementation in the beginning of 2006 on the performance of the year 2005. The Board of Directors assessed its own performance using the Board of Directors Self-Assessment Guide of the Stock Exchange of Thailand. It has since employed the same approach every year. Inputs from this self-evaluation would be reviewed and used as guidelines for resolving prospective problems and obstacles in the future. Each Director is able to discuss overall performance of the Board of Directors for further improvement and more effective development. However, the Board of Directors does not employ this approach at an individual level.

### 5.5.2 Self-assessment of Sub-committees

For the self-assessment of sub-committees, only the Audit Committee has an annual assessment which has

been conducted since 2000. In early periods, it was done using the Audit Committee Self-Assessment Guide based on a guideline provided by the Thai Institute of Directors (IOD) and the American Institute of Certified Public Accountants (AICPA). Later in 2011, the "Form of Self-assessment of Audit Committee Performance" has been applied based on a guideline given in the "Audit Committee Manual" of the Office of the Securities and Exchange Commission in cooperation with the Stock Exchange of Thailand, the Thai Institute of Directors, and Pricewaterhouse Coopers Company Limited published to the listed companies on 28 December 2010. The report of audit committee self-assessment has been presented to the Board of Directors on an annual basis.

## 5.6 Director and Executive Remuneration

At the Annual General Meeting of Shareholders No. 16 held on 5 April 2005, it was resolved that the guidelines and remuneration rates be adjusted to a more appropriate level. The Board of Directors and the Board of Executive Directors would receive monthly compensation, while compensation of



other sub-committee members would be paid for each meeting. The President, as a senior executive position, would be compensated only for his/her executive role, but not as a director. Remuneration of directors and executives would be based on their scope of responsibilities and the Company's overall performance. Remuneration of senior executives would also be based on their annual goals program. Director and senior executive remuneration package should be attractive enough to maintain qualified persons with the Company while considering a comparison on remuneration package provided by the Company and that of other comparable entities in terms of good corporate governance and industry. At the Extraordinary General Meeting of Shareholders No. 2/2011 held on 22 September 2011, the shareholders resolved to approve adjustment on director remuneration to be in line with the change in sub-committees.

In summary, the remuneration of directors and senior executives of the Company has been consistent with the criteria proposed by the Nomination and Remeration Committee as approved by the Board of Directors and the shareholders' meeting. Details of remuneration of directors and senior executives in 2012 can be found in the section of Directors, Management and Auditor Remuneration.

## 5.7 Development Program for Directors and Executives

It is the Company's policy to encourage and support the directors and executives to have training course or participate in the Company's activities, for an example, visiting plants of other listed companies to gather knowledge and develop potential of the Company's personnel by applying such knowledge to enhance the Company's operations. The trainings and seminars have been provided in house and organised by external institutions. In addition, a rotation program for senior executives in the Group has also been pursued to share and gain experiences.

To support the implementation mentioned above, the Company has also established the policy and procedure on personnel development, the guideline for staff training and seminar, and the guideline for reimbursement of training and seminar expenses.

### 5.7.1 Development Program for Directors

#### 1) Orientation for new directors

The Corporate Secretariat Office is the unit to collect and deliver the documents and information necessary for new directors to perform their duties comprising director manual, corporate authorisation manual, code of ethics of directors, and other material information of the Company, i.e. business philosophy, business ethics, vision, value, morality of employees, and conflicts of interest as published in the corporate manual under the title of SSI WAY.

#### 2) Training and seminar for directors

In 2012, the directors of the Company have participated in the seminars for various relevant topics as organised by the Thai Institute of Directors (IOD) in cooperation with other organisations. The Audit Committee's members have also regularly attended the Audit Committee Forum arranged by KPMG, the auditor of the Company.

### 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 has been provided by the executives from each division with related documents and information given as a working manual i.e. corporate authorisation manual and SSI WAY manual.

#### 2) Training and seminar for executives

In 2012, the senior executives of the Company have attended various in-house and external trainings.

For succession plan, the Company has specified the Personnel Policy and Procedure Extra Volume No. 2/2005 regarding the Succession Plan to accommodate the planning for future human resources of the Company with successors for key positions identified.

Succession Plan Sub-committee has planned and formulated successor development program by preparing the Individual Development Plan assigned to the identified successors in an attempt to develop their potentials in accordance with the Company's requirements. The Company has identified the successors for key positions and completed such development plan as well as made adjustments occasionally when it is appropriate.

## General Information

### Name, Location, and Type of Business

<b>Name</b>	: Sahaviriya Steel Industries Public Company Limited
<b>Abbreviation</b>	: SSI
<b>Company Registration No.</b>	: 0107537000688
<b>Website</b>	: <a href="http://www.ssi-steel.com">http://www.ssi-steel.com</a>
<b>Type of Business</b>	: The Company manufactures and distributes hot-rolled coils with a maximum production capacity of 4 million tons per annum and hot-rolled coils pickled and oiled with maximum production capacity of 1 million tons per annum. The Company endeavors to supply premium-grade steel sheets to cater to the region's growing demand in automobile, energy, transportation, and construction sector. In the upstream business, the Company invests in Iron and Steel Making Business to manufacture and distribute high-grade steel slabs for use in the Company's production and to feed the world's growing demand with a maximum production capacity of 3.6 million tons per annum. In the downstream business, the Company has investments in Cold Rolled Coil Business and Coated Steel Sheet Business and also has investments in related businesses including Engineering and Maintenance Service Business and Deep-Sea Port Business.

#### Location

<b>Head Office</b>	: 28/1 Prapawit Building, 2 <sup>nd</sup> - 3 <sup>rd</sup> Floor, Surasak Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2238-3063-82, 0-2630-0280-6 Fax 0-2236-8890, 0-2236-8892
<b>Plant Office</b>	: 9 Moo 7, Ban Klang Na - Yai Ploy Road, Mae Rumphueng, Bangsaphan, Prachuap Khirikhan 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 2012)

Registered Capital	39,867,778,559	Baht
Ordinary Shares	39,867,778,559	Shares
Par Value	1	Baht per share
Paid-up Capital	27,080,630,230	Baht
Ordinary Shares	27,080,630,230	Shares
Par Value	1	Baht per share

### Type and Number of Shares (As of 11 February 2013)

Registered Capital	39,867,778,559	Baht
Ordinary Shares	39,867,778,559	Shares
Par Value	1	Baht per share
Paid-up Capital	27,431,336,113	Baht
Ordinary Shares	27,431,336,113	Shares
Par Value	1	Baht per share



### Name, Head Office Location, Type of Business, and Number of Paid-up Shares of Companies in which Shareholding by the Company is More Than 10% of Its Paid-up Shares As of 31 December 2012

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 6 <sup>th</sup> Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2237-6746-9 Fax 0-2630-0516	Engineering and Maintenance Service	75,000,000	10	7,500,000	99.99
Prachuap Port Company Limited 6 <sup>th</sup> 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 <sup>th</sup> Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2630-0300 Fax 0-2630-0320-2	Cold Rolled Coil	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 480,736,000	GBP 1,000	480,736	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

**Remark:** On 4 February 2013, the Company sold a total of 160,121,650 shares in Thai Cold Rolled Steel Sheet Public Company Limited to JFE Steel Corporation and Marubeni-Itochu Steel Inc., and consequently held the 376,681,190 remaining shares or a 35.19% stake.

# The Board of Directors

## 1. Mr. Wit Viriyaprapaikit

Chairman of the Board of Directors

Age 77 years

Family Relationship with other directors:

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

Servicing Period:

18 years and 11 months

(from 21 January 1994 to 31 December 2012)

% of shareholding: 0.00000037% (100 shares)

(as of 11 February 2013)

Education

- Honorary B.A., Rajamangala Institute of Technology

Director Training Program

- None -

Work Experience

- 2008 - 2012 • Chairman of the Board of Directors, Thai Cold Rolled Steel Sheet Public Company Limited
- 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 Organisations

In listed companies: - None -

In non-listed companies:

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

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

- 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 2012

- |                                      |       |       |
|--------------------------------------|-------|-------|
| 1. The Board of Directors Meeting    | 17/19 | times |
| 2. The Shareholders' Meeting in 2012 | 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 64 years

Family Relationship with Other Directors: - None -

Servicing Period:

2 years and 10 months

(from 26 February 2010 to 31 December 2012)

% 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**

- Chairman of the Board of Directors and Chairman of the Board of Executive Directors, Thai Agro Exchange Company Limited
- 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 Organisations**

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, SCJ & Associates Company Limited

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

- None -

**Meeting Attendance in year 2012**

1. The Board of Directors Meeting	19/19	times
2. The Independent Directors Meeting	4/4	times
3. The Good Corporate Governance Committee Meeting	4/4	times
4. The Shareholders' Meeting in 2012	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 shareholders 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 75 years

Family Relationship with Other Directors: - None -

Servicing Period:

14 years and 8 months

(from 28 April 1998 to 31 December 2012)

% 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 Organisations**

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 the Company:

- None -

**Meeting Attendance in year 2012**

1. The Board of Directors Meeting	16/19	times
2. The Independent Directors Meeting	4/4	times
3. The Audit Committee Meeting	11/11	times
4. The Shareholders' Meeting in 2012	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 shareholders 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 74 years

Family Relationship with Other Directors: - None -

Servicing Period:

18 years and 10 months

(from 1 March 1994 to 31 December 2012)

% 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**

- 2005 - 2012 • Director, Asian Institute of Technology
- 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 Organisations**

In listed companies:

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

In non-listed companies:

- Director, West Coast Engineering Company Limited
- Chairman of the Board of Directors, Linde (Thailand) Public Company Limited
- Chairman of the Board of Directors, C.T. Land Company Limited

- Chairman of the Board of Directors, Chuchawal-Royal Haskoning Company Limited
- President of the University Council, King Mongkut's University of Technology Thonburi

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

- None -

**Meeting Attendance in year 2012**

- |  |             |
|--|-------------|
| 1. The Board of Directors Meeting        | 13/19 times |
| 2. The Independent Directors Meeting     | 3/4 times   |
| 3. The Risk Management Committee Meeting | 4/4 times   |
| 4. The Shareholders' Meeting in 2012     | 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 shareholders 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 64 years

Family Relationship with Other Directors: - None -

**Servicing Period:**

2 years and 8 months

(from 30 April 2010 to 31 December 2012)

% 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 Organisations**

In listed companies:

- Independent Director, Thai President Foods Public Company Limited

In non-listed:

- 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 the Company:

- None -

**Meeting Attendance in year 2012**

- |  |             |
|--|-------------|
| 1. The Board of Directors Meeting                    | 14/19 times |
| 2. The Independent Directors Meeting                 | 3/4 times   |
| 3. The Nomination and Remuneration Committee Meeting | 3/3 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 shareholders 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. Mrs. Tarisa Watanagase****Director and Independent Director**

Age 63 years

Family Relationship with Other Directors: - None -

Servicing Period:

10 months

(from 27 February 2012 to 31 December 2012)

% of shareholding: - None -

**Education**

- Ph.D. (Honorary) in Economics, Keio University, Japan
- Ph.D. in Economics, Washington University, U.S.A.
- M.A. in Economics, Keio University, Japan

- B.A. in Economics, Keio University, Japan
- The National Defense Regular Course, National Defense College
- Advanced Management Program (AMP) Certificate Harvard University, U.S.A.

#### Director Training Program

- Director Certification Program (DCP 4/2000) Thai Institute of Directors Association

#### Work Experience

- 2006 - 2010 • Governor, Bank of Thailand
- 2002 - 2006 • Deputy Governor, Financial Institutions Stability, Bank of Thailand
- 2001 - 2002 • Assistant Governor, Financial Markets Operations Group, Bank of Thailand
- 1999 - 2001 • Assistant Governor, Financial Institutions Policy Group, Bank of Thailand
- 1998 - 1999 • Assistant Governor, Financial Institutions Regulation and Examination Group, Bank of Thailand
- 1997 - 1998 • Director, Financial Institutions Regulations Department, Bank of Thailand
- 1996 - 1997 • Director, Payment System Department, Bank of Thailand

#### Current Position in Other Organisations

In listed companies: - None -

In non-listed companies:

- Director, Council Member of Insurance Commission Board, Office of Insurance Commission

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

- None -

#### The Attendance in year 2012

- |                                      |       |       |
|--------------------------------------|-------|-------|
| 1. The Board of Directors Meeting    | 10/16 | times |
| 2. The Independent Directors Meeting | 2/3   | times |
| 3. 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 shareholders 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. Prateep Buphaintr

Director, Independent Director,  
Audit Committee Member, and the Good  
Corporate Governance Committee Member

Age 73 years

Family Relationship with Other Directors: - None -

Servicing Period:

13 years and 8 months

(from 29 April 1999 to 31 December 2012)

% 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 Organisations

In listed companies:

- Director and Audit Committee Member,  
Electronics Industry Public Company Limited

In non-listed companies:

- Director, Trongporn Company Limited

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

- None -

#### The Attendance in year 2012

1. The Board of Directors Meeting	19/19	times
2. The Independent Directors Meeting	4/4	times
3. The Audit Committee Meeting	11/11	times
4. The Good Corporate Governance Committee Meeting	4/4	times
5. The Shareholders' Meeting in 2012	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. Permpoon Krairiksh

### Director, Independent Director and Audit Committee Member

Age 61 years

Family Relationship with Other Directors: - None -

Servicing Period:

13 years (from 8 December 1999 to 31 December 2012)

% 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, The Siam Commercial Bank  
Public Company Limited
- 2007 - 2009 • Chairman of the Board of Directors,  
SCB Asset Management Company Limited

#### Current Position in Other Organisations

In listed companies: - None -

In non-listed companies: - None -

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

- None -

#### Meeting Attendance in year 2012

1. The Board of Directors Meeting	12/19	times
2. The Independent Directors Meeting	3/4	times
3. The Audit Committee Meeting	10/11	times
4. The Shareholders' Meeting in 2012	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 shareholders 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.

**9. Mr. Yarnsak Manomaiphobon****Director and Independent Director**

Age 49 years

Family Relationship with Other Directors: - None -

Servicing Period:

10 months

(from 27 February 2012 to 31 December 2012)

% of shareholding: - None -

**Education**

- M.B.A., Indiana University, Bloomington, U.S.A.
- Bachelor Degree in Engineering (2<sup>nd</sup> Class Hons.), Chulalongkorn University

**Director Training Program**

- Director Certification Program (DCP 60/2005)  
Thai Institute of Directors Association
- Director Accreditation Program (DAP 23/2004)  
Thai Institute of Directors Association
- Capital Market Academy Leadership Program (CMA 5)  
Capital Market Academy

- Public Director Certification Program (PDI 3)  
Public Director Institute

**Work Experience**

- 2011
- Independent Director, Audit Committee Member and Risk Management Committee Member, Krung Thai Bank Public Company Limited
- 2011
- Chairman of the Board of Directors, KTB Leasing Company Limited
- 2010 - 2011
- Director, Federation of Thai Capital Market Organisations
- 2009 - 2011
- Director and Chairman of the Audit Committee, MCOT Public Company Limited
  - Chairman of the Risk Management Committee and Executive Director, Bualuang Securities Public Company Limited
  - Director, The Thai Bond Market Association
- 2008
- Director, Settrade Dot Com Company Limited
- 2007 - 2011
- Executive Director, Association of Thai Securities Companies
- 2007 - 2008
- IT Steering Committee, The Stock Exchange of Thailand
- 2005 - 2009
- President and Executive Director, Bualuang Securities Public Company Limited

**Current Position in Other Organisations**

In listed companies: - None -

In non-listed companies:

- President, Association of Thai Securities Companies
- Advisor, Federation of Thai Capital Market Organisations

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

- None -

**Meeting Attendance in year 2012**

- |                                      |             |
|--------------------------------------|-------------|
| 1. The Board of Directors Meeting    | 13/16 times |
| 2. The Independent Directors Meeting | 3/3 times   |
| 3. The Shareholders' Meeting in 2012 | 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 shareholders 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.

## 10. Mr. Taweesak Senanarong

### Director and the Risk Management Committee Member

Age 76 years

Family Relationship with Other Directors: - None -

Servicing Period:

13 years and 1 month

(from 8 November 1999 to 31 December 2012)

% 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 Organisations**

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 the Company:

- Director, Sahaviriya Plate Mill Public Company Limited

**Meeting Attendance in year 2012**

- |  |             |
|--|-------------|
| 1. The Board of Directors Meeting        | 18/19 times |
| 2. The Risk Management Committee Meeting | 4/4 times   |
| 3. The Shareholders' Meeting in 2012     | 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.

**11. Mr. Somchai Pipitvijitkorn**

Director, the Risk Management Committee Member, and the Nomination and Remuneration Committee Member

Age 73 years

Family Relationship with Other Directors: - None -

Servicing Period:

9 years and 8 months

(from 29 April 2003 to 31 December 2012)

% 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**

- 2009 - 2012** • Director, Thai Cold Rolled Steel Sheet Public Company Limited
- 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 Organisations**

In listed companies:

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

In non-listed companies:

- Director, MK Restaurant Group Public Company Limited

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

- Director, Sahaviriya Plate Mill Public Company Limited

**Meeting Attendance in year 2012**

- |  |             |
|--|-------------|
| 1. The Board of Directors Meeting                    | 17/19 times |
| 2. The Nomination and Remuneration Committee Meeting | 3/3 times   |
| 3. The Risk Management Committee Meeting             | 4/4 times   |
| 4. The Shareholders' Meeting in 2012                 | 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.

**12. Mr. Kamol Juntima**

Director and the Good Corporate Governance Committee Member

Age 74 years

Family Relationship with Other Directors: - None -

Servicing Period:

14 years and 8 months

(from 28 April 1998 to 31 December 2012)

% of shareholding: 0.005% (1,284,000 shares)

(as of 11 February 2013)

**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**

- 2007 - 2012 • Chairman of Audit and Evaluation Committee, Ministry of Education
- 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 Organisations**

In listed companies:

- Chairman of the Board of Directors, IT CITY Public Company Limited
- Director and Chairman of the Audit Committee, Electronics 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 Ethics Committee, Federation of Accounting Professions

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

- None -

**Meeting Attendance in year 2012**

- |  |             |
|--|-------------|
| 1. The Board of Directors Meeting                  | 18/19 times |
| 2. The Good Corporate Governance Committee Meeting | 4/4 times   |
| 3. The Shareholders' Meeting in 2012               | 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.

**13. Mr. Piya Viriyaprapaikit****Director and the Nomination and Remuneration Committee Member**

Age 63 years

Family Relationship with Other Directors:

- Nephew of Mr. Wit Viriyaprapaikit

Servicing Period:

17 years and 8 months  
(from 24 April 1995 to 31 December 2012)

% 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 Organisations**

In listed companies:

- Director, Bangsaphan Barmill Public Company Limited

In non-listed companies:

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

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

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

**Meeting Attendance in year 2012**

1. The Board of Directors Meeting	18/19 times
2. The Nomination and Remuneration Committee Meeting	3/3 times
3. The Shareholders' Meeting in 2012	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.

**14. Mr. Win Viriyaprapaikit**

Director, SSI Group CEO, Chairman of the Management Committee, and President

Age 42 years

**Family Relationship with Other Directors:**

- Son of Mr. Wit Viriyaprapaikit

**Servicing Period:**

13 years and 6 months

(from 30 June 1999 to 31 December 2012)

% 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**

- 1996 - 2012 • Director, Thai Coated Steel Sheet 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

**Current Position in Other Organisations**

In listed companies:

- Director, Bangsaphan Barmill Public Company Limited

In non-listed companies:

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

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

- 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 2012**

1. The Board of Directors Meeting	18/19 times
2. The Management Committee Meeting	12/12 times
3. The Shareholders' Meeting in 2012	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 42 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 Management Committee, 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 Chairman of the Board of Executive Directors, West Coast Engineering Company Limited
- 1999 - Present • Director, Sahaviriya Inter Steel Holdings Company Limited

- Director, Sahaviriya Steel Group Company Limited
- Director and Chairman of the Board of Executive Directors, Prachuap Port Company Limited
- 1997 - Present • Chairman of the Board of Directors, Thai Steel Sales Company Limited
- 1996 - Present • Director, Sahaviriya Group Corporation Limited
- 1996 - 2012 • Director, Thai Coated Steel Sheet Company Limited
- 2010 - 2011 • Director, Redcar Bulk Terminal Limited
- 1992 - 2009 • Director, Western Housing Company Limited
- 1996 - 2005 • Director, Sahaviriya Plate Mill Public Company Limited
- 1999 - 2003 • Director, Thai Cold Rolled Steel Sheet Public Company Limited

## 2. Mr. Nitiphong Tejavanija

Vice President - Finance & Accounting Division and Secretary to the Risk Management Committee

Age 42 years

### Education

- M.B.A., Sasin Graduate Institute of Business Administration, Chulalongkorn University

### Work Experience

- 2010 - Present • Director and Management Committee Member, 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 54 years

#### Education

- M.B.A., Ramkhamhaeng University

#### Work Experience

- 2012 - Present • Director, Thai Coated Steel Sheet Company Limited
- 2011 - Present • Director and Management Committee Member, Thai Cold Rolled Steel Sheet Public Company Limited
- 1988 - 1991 • Trading Manager, Taipan Textile Company Limited

### 4. Mr. Nava Chantanasurakon

Vice President, Office of the President

Acting Vice President, Public Affairs and Social Responsibility Division

Age 47 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

- 2012 - Present • Director, Management Committee Member, and President, Thai Cold Rolled Steel Sheet Public Company Limited
- Director and Executive Director, Thai Coated Steel Sheet Company Limited
- 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

Chief Technology Officer,

Acting Vice President - Manufacturing Division

Age 46 years

#### Education

- M.B.A., Chulalongkorn University
- B. Eng. (Industrial Engineering), Khonkaen University

#### Director Training Program

- Directors Certification Program (DCP 104/2008) Thai Institute of Directors Association

#### Work Experience

- 2012 - Present • Director and Executive Director, Prachuab Port Company Limited
- 2011 - Present • Director and Executive Director, West Coast Engineering Company Limited
- 2010 - 2012 • Director and Management Committee Member, Thai Cold Rolled Steel Sheet Public Company Limited
- 1991 - 1992 • Industrial Engineer, Hana Coil Company Limited

## 6. Mr. Narongrit Chotnuchittrakul

Vice President, Office of the President

Age 43 years

### Education

- M.B.A., Dhurakijpundit University

### Work Experience

- 2011 - Present • Director, Executive Director, and President, West Coast Engineering Company Limited
- 2009 - 2011 • Vice President - Finance and Accounting Division, Thai Cold Rolled Steel Sheet Public Company Limited

## 7. Mr. Yongyuth Malithong

Secretary to the Nomination and Remuneration Committee

Age 42 years

### Education

- Master of Public Administration (M.P.A.), National Institute of Development Administration (NIDA)

### Work Experience

- 2008 - 2010 • HR & GA Director, New International School of Thailand
- 2007 - 2008 • Operation Director, Master Car Rental Company Limited (Millennium Auto Group)
- 2006 - 2007 • Operation Manager, Master Car Rental Company Limited (Millennium Auto Group)

## 8. Mrs. Wannee Sirikanjana

Secretary to the Audit Committee and Secretary to the Good Corporate Governance Committee

Age 57 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

## 9. Mr. Surasak Ngamsidhipongsa

Company Secretary

Age 54 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



## Shareholding of Directors and Management

No.	Director and Management Name	31 December 2011 (Par value of Baht 1 per share)	31 December 2012 (Par value of Baht 1 per share)	Increase (Decrease) in no. of shares during 2012 (Par value of Baht 1 per share)
1.	Mr. Wit Viriyaprapaikit	100 shares	100 shares	-
2.	Mr. Somchai Sakulsurarat	-	-	-
3.	Professor Emeritus Kesree Narongdej	-	-	-
4.	Mr. Tongchat Hongladaromp	-	-	-
5.	Mr. Siripol Yodmuangcharoen	-	-	-
6.	Mrs. Tarisa Watanagase	-	-	-
7.	Mr. Prateep Buphaintr	-	-	-
8.	Mr. Permpoon Krairiksh	-	-	-
9.	Mr. Yamsak Manomaiphobon	-	-	-
10.	Mr. Taweesak Senanarong	-	-	-
11.	Mr. Somchai Pipitvijitkorn	-	-	-
12.	Mr. Kamol Juntima	1,284,000 shares	1,284,000 shares	-
13.	Mr. Piya Viriyaprapaikit	-	-	-
14.	Mr. Win Viriyaprapaikit	-	-	-
15.	Mr. Nitiphong Tejavanija	-	-	-
16.	Miss Wanna Tangcharoenching	-	-	-
17.	Mr. Nava Chantanasurakon	-	-	-
18.	Mr. Kittisak Mapanao	1,892,000 shares	1,892,000 shares	-
19.	Mr. Narongrit Chotnuchittrakul	-	-	-
20.	Mr. Somsak Sivapaiboon	-	-	-
21.	Mr. Chaiphath Khemaphiruk	-	-	-

Remark: No. 20 Mr. Somsak Sivapaiboon has resigned from management of the Company since 1 June 2012.

No. 21 Mr. Chaiphath Khemaphiruk has resigned from management of the Company since 16 June 2012.

# Directors, Management and Auditor Remuneration

## The Directors and Management Remuneration in 2012

### 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) 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.

(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.

(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 2012, the 23<sup>rd</sup> Annual General Meeting of shareholders held on 27 April 2012 has acknowledged the remunerations paid for the year of 2011 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 2011 to be omitted. As at 31 December 2011, 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 2012 Monetary Remuneration for the Director of the Company and the Members of the Committees appointed by the Board of Directors

Name of Director	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 <sup>1</sup>	-	-	-	-	-	-
2. Mr. Somchai Sakulsurarat <sup>2</sup>	-	-	-	-	-	-
3. Professor Emeritus Kesree Narongdej <sup>3</sup>	420,000	206,250	-	-	-	626,250
4. Mr. Tongchat Hongladaromp <sup>4</sup>	300,000	-	-	-	50,000	350,000
5. Mr. Siripol Yodmuangcharoen <sup>5</sup>	300,000	-	37,500	-	-	337,500
6. Mr. Tarisa Watanagase	252,586.21	-	-	-	-	252,586.21
7. Mr. Prateep Buphaintr	300,000	165,000	-	40,000	-	505,000
8. Mr. Permpoon Krairiksh	300,000	150,000	-	-	-	450,000
9. Mr. Yamsak Manomaiphiboon	252,586.21	-	-	-	-	252,586.21
10. Mr. Taweesak Senanarong	300,000	-	-	-	40,000	340,000
11. Mr. Somchai Pipitvijitkorn	300,000	-	30,000	-	40,000	370,000
12. Mr. Kamol Juntima	300,000	-	-	40,000	-	340,000
13. Mr. Piya Viriyaprapaikit	300,000	-	30,000	-	-	330,000
14. Mr. Win Viriyaprapaikit*	-	-	-	-	-	-
<b>Total</b>	<b>3,325,172.42</b>	<b>521,250</b>	<b>97,500</b>	<b>80,000</b>	<b>130,000</b>	<b>4,153,922.42</b>

Remarks: 1. Chairman of the Board of Directors

2. Deputy Chairman of the Board of Directors

3. Audit Committee Chairperson

4. Chairman of the Risk Management Committee

5. Chairman of the Nomination and Remuneration Committee

\* Mr. Win Viriyaprapaikit, Director and President, considered as an employee of the Company, shall not receive the meeting allowance or a director's remuneration.

- Chairman of the Board of Directors and Deputy Chairman of the Board of Directors, who were already entitled remuneration for their full-time performance, shall not receive the meeting allowance.

## Remunerations for Full-time Performance of Chairman of the Board of Directors and Deputy Chairman of the Board of Directors in 2012

No.	Name and Position of Director	Remunerations for Full-time Performance (Baht)
1.	Mr. Wit Viriyaprapaikit Chairman of the Board of Directors	3,600,000
2.	Mr. Somchai Sakulsurarat Deputy Chairman of the Board of Directors	2,400,000

## Remuneration of Independent Directors of the Company who Hold Directorship in Its Subsidiary in 2012

No.	Name of the Company's Independent Director who holds directorship in its subsidiary	Position in the Subsidiary	Meeting Allowance in 2012 (Baht)
West Coast Engineering Company Limited			
1.	Mr. Tongchat Hongladaromp	Director	150,000
2.	Mr. Somchai Sakulsurarat	Director	150,000
Prachuap Port Company Limited			
1.	Mr. Somchai Sakulsurarat	Director	150,000

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 8 people plus the President, totaled Baht 31,851,189.21 for the year.

## 2. Other Remunerations

Contributions to the provident fund for executives in a position of Vice President and higher, for 8 people plus the President, totaled Baht 2,418,989.36 for the year.

## Auditor's Remuneration in 2012

### 1. Audit Fee

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 4,555,000 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 overseas subsidiary (Sahaviriya Steel Industries UK Limited) paid an audit fee for the past fiscal year of GBP 89,000 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 Fee

The Company and its subsidiaries in Thailand (Prachuap Port Company Limited and West Coast Engineering Company Limited) also paid Baht 140,000 for other services which have 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 overseas subsidiary (Sahaviriya Steel Industries UK Limited) also paid GBP 132,100 for tax related services 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.

In 2012, the 23<sup>rd</sup> Annual General Meeting of Shareholders on 27 April 2012 considered and approved that no dividend payment shall be made for the operating results of the year 2011, as at 31 December 2011, the amount of retained earnings after deduction of discount on ordinary shares was insufficient to allocate as dividend payment to shareholders.

# Major Shareholders

## Major Shareholders

Listed are the names and shareholdings of the ten largest shareholders (as per article 258, voted the same way) as of 19 October 2012, the latest closing date of the shareholder register book for the rights to subscribe for new shares allocated to existing shareholders in proportion to their shareholding (Rights Offering).

Names	As of 19 October 2012	
	Number of Shares	Percentage of Shareholding
1. Sahaviriya Group	6,439,062,106	35.116
2. Vanomet Holding AG	2,805,250,141	15.299
3. The Bank of New York (Nominees) Limited A/C 5100	760,532,020	4.148
4. Thai NVDR Co., Ltd.	336,666,309	1.836
5. SIX SIS Ltd.	261,464,000	1.426
6. Citibank Nominees Singapore Pte Ltd-UBS AG ZURI	251,596,219	1.372
7. Mr. Kitichai Taechangamert	204,000,000	1.113
8. Mr. Komol Jungrungruangkit	199,151,800	1.086
9. Mr. Vitid Pongpirodom	175,501,000	0.957
10. Mr. Prateep Tangmatitham	169,716,980	0.926

**Note:**

**Sahaviriya Group consists of:**

	Percentage of Shareholding
1. Sahaviriya Group Corporation Limited	28.273%
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	4.662%
(formerly named SSV ASSET Company Limited)	
is an investment holding company whose major shareholders are:	
(1) Sahaviriya Group Corporation 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	1.590%
4. Ms. Kanokvatee Viriyaprapaikit	0.280%
5. Mrs. Krisna Viriyaprapaikit	0.169%
6. Mrs. Theerarat Kunattanonda	0.141%
7. Mrs. Prapa Viriyaprapaikit	100 shares
8. Mr. Wit Viriyaprapaikit	100 shares
<b>Total shareholding in the Company</b>	<b>35.116%</b>

The latest shareholding can be viewed via the Company's website (<http://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 28 December 2012, the Company's foreign shareholding was 37.78% of the paid-up capital.

## Related Party Transactions

Related Parties	Relationship	2012 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	3.59	Accrued income	3.96
		Provide maintenance service	0.11	Trade accounts receivable	0.37
		Other incomes	5.59		
Thai Cold Rolled Steel Sheet Public Company Limited	50.15% direct shareholding by the Company and jointly controlled	Sales of hot-rolled coils	2,665.97	Trade accounts receivable	10.28
		Sales of slab	525.12	Other receivable	0.08
		Provide tolling service	70.69	Accrued income	2.18
		Sales of machinery	3.98	Other payable	0.06
		Provide deep sea port service	31.13		
		Provide maintenance service	41.40		
		Other incomes	18.96		
		Claims on purchased HRC	1.62		
		Driver service	0.41		
		Other expenses	0.09		
Bangsaphan Barmill Public Company Limited	Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s)	Provide deep sea port service	4.79	Accrued income	6.22
		Provide maintenance service	0.19	Trade accounts receivable	1.06
		Use crane service	0.04		
		Other incomes	0.10		
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 coils/scrap	10,966.74	Trade accounts receivable	1,931.02
		Provide maintenance service	0.17	Accrued income	0.15
		Other incomes	8.13	Trade accounts payable	0.25
		Use steel cutting service	6.35	Other payable	0.11
Sahaviriya Plate Mill Public Company Limited	Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s)	Sales of slab	410.33	Other payable	28.04
		Provide maintenance service	0.18		
Prapawit Building Property Company Limited	Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s)	Lease head office space	18.10	Other receivable	1.52
				Other payable	1.37

Related Parties	Relationship	2012 Related Party Transactions (Million Baht)	Outstanding Balance (Million Baht)		
Western Housing Company Limited	Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s)	Use accommodations	2.06	Other payable	0.29
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 coils	23,458.98	Trade accounts receivable	1,880.29
		Other incomes	7.07	Other payable	39.25
Line Transport Company Limited	More than 10% direct and/or indirect shareholding by the Company's director (s)	Provide deep sea port service	11.23	Trade accounts receivable	2.60
		Provide maintenance service	0.75	Other receivable	0.61
		Other incomes	1.23	Trade accounts payable	7.23
		Use domestic transportation service	314.18	Other payable	23.28
Bangpakong Lighter Company Limited	More than 10% direct and/or indirect shareholding by the Company's director (s)	Provide deep sea port service	1.18	Trade accounts payable	0.30
		Other incomes	0.24	Other receivable	0.04
		Use marine transportation service	143.27	Other payable	20.36
Bangpakong Port Company Limited	More than 10% direct and/or indirect shareholding by the Company's director (s)	Provide maintenance service	0.11	Other payable	3.08
		Use domestic transportation service	13.75		
		Other incomes	0.03		
Sahaviriya Iron and Steel Company Limited	Common directors and more than 10% direct and/or indirect shareholding by the Company's director (s)	Office equipment rental expense	0.16	-	-
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	33.13	Other payable	4.78
C.A.R. Service Company Limited	Indirect shareholding by the Company's director (s)	Provide maintenance service	0.25	-	-
Bangpakong Karnyotha Company Limited	Indirect shareholding by the Company's director (s)	Use of construction service	1.48	-	-
Redcar Bulk Terminal Limited	50% indirect shareholding and jointly controlled	Service revenue	119.61	Trade accounts receivable	108.21
		Use of services	619.70	Other payable	266.25



Related Parties	Relationship	2012 Related Party Transactions (Million Baht)		Outstanding Balance (Million Baht)	
Vanomet AG	Subsidiary of a company with more than 10% direct and/or indirect shareholding in the Company	Purchase of slab	7,864.66	Advance payment	156.79
		Finance cost	181.50	Trade accounts payable	2,080.58
Vanomet International AG	Subsidiary of a company with more than 10% direct and/or indirect shareholding in the Company	Sales of slab and raw material for slab production	4,257.65	Trade accounts receivable	709.44
		Purchase of raw material for slab production	26,588.66	Advance payment	2,140.59
		Finance cost	41.00		

## 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

#### Registrar

**Ordinary Shares** : Thailand Securities Depository Company Limited  
62, The Stock Exchange of Thailand Building,  
Ratchadapisek Road, Klongtoey, Bangkok 10110  
Tel. 0-2229-2800  
TSD Call Center 0-2229-2888  
Fax 0-2359-1259

**Convertible Debentures** : The Siam Commercial Bank Public Company Limited  
Markets Operations Division  
Building 2, 2<sup>nd</sup> - 3<sup>rd</sup> Floor  
1060 Phetburi Road, Makkasan,  
Ratchathewe, Bangkok 10400  
Tel. 0-2256-2323  
Fax 0-2256-2414

**Representative of  
Convertible Debentures  
Holder** : The Siam Commercial Bank Public Company Limited  
Chidlom Branch, Building 2, 3<sup>rd</sup> Floor,  
1060 Phetburi Road, Makkasan,  
Ratchathewe, Bangkok 10400  
Tel. 0-2256-2316  
Fax 0-2256-2401-2

**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, 50<sup>th</sup> - 51<sup>st</sup> Floors,  
195 South Sathorn Road, Bangkok 10120  
Tel. 0-2677-2000  
Fax 0-2677-2222

**Company 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 2012

## 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.

In 2012, the Committee held 11 meetings and its members' attendance were as follows:

Audit Committee members		Number of Meetings Attended/ Number of Meetings
1. Professor Emeritus Kesree Narongdej	Chairperson of the Audit Committee	11/11
2. Mr. Prateep Buphaintr	Audit Committee Member	11/11
3. Mr. Permpoon Krairiksh	Audit Committee Member	10/11
4. Mrs. Wannee Sirikanchana	Secretary to the Audit Committee	11/11

The Committee performed the following duties:

1. Reviewed the 2012 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. Approved the revised Internal Audit charter.

3. Approved the Internal Audit strategic plan, the audit master plan and the annual audit plan as well as 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 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 or Mr. Winid Silamongkol or Mr. Charoen Phosamritlert of KPMG Phoomchai Audit Limited as the Company's auditors for fiscal year 2013, 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 procedures, as requested by the SEC.

11. Acknowledged opinion of the independent financial advisor in relation to related party transactions regarding the allocation of newly issued ordinary shares to the related parties of the Company and the buy-back and cancellation of the Company's subordinated convertible debentures.

12. Reviewed the Company's Audit Committee charter (3<sup>rd</sup> edition).

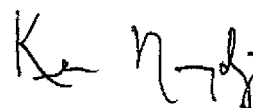
13. Carried out a self-assessment for 2012 and submitted the results to the Board of Directors.

14. Reviewed the information disclosed to the SET and the SEC for publishing in the 2012 Company annual report (Form 56-2) and the annual information disclosure form ending 31 December 2012 (Form 56-1).

15. Reported to the Board of Directors on the Audit Committee's activities for year 2012.

The Audit Committee has 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 2012 are correct in accordance with generally accepted accounting principles and reliable.
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 with some additional recommendations.
5. The consideration of the external auditors and their fees to be proposed to the Board of Directors to submit at the Annual General Meeting of Shareholders No. 24 for their appointment.



**Professor Emeritus Kesree Narongdej**

Chairperson of the Audit Committee

1 March 2013

# 2012 Financial Report

Sahaviriya Steel Industries Public Company Limited

# Report on the Responsibility of the Board of Directors for 2012 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 and other financial information shown in the annual report are accurate and complete. The financial statements for the year ended 31 December 2012 of the Company, its subsidiaries and its jointly-controlled entities have been prepared 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. Material information has been sufficiently disclosed and audited by the 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 in providing reasonable assurance that the Company's assets are well safeguarded 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.

The Board of Directors considers that the internal control system and the financial statements for the year ended 31 December 2012 of the Company, its subsidiaries and its jointly-controlled entities are accurate, complete and reliable in accordance with generally accepted accounting principles and in compliance with relevant laws and regulations.



**Mr. Wit Viriyaprapaikit**

Chairman of the Board of Directors



**Mr. Win Viriyaprapaikit**

Group CEO and President

# Management's Discussion and Analysis on Financial Position and Performance

**Table 1: Performance of the Company, its Subsidiaries and Jointly-Controlled Entities**

Unit: Million Baht

	2012	2011	+/-
	Jan - Dec	Jan - Dec	YoY
Sale and service revenues	60,604	47,975	+26%
Cost of sale and service	(71,879)	(49,638)	+45%
Gross profit (loss)	(11,275)	(1,663)	+578%
SG&A	(2,056)	(1,955)	+5%
Provision for loss under onerous contracts	(490)	(311)	+58%
Gain on business acquisition	-	5,271	N.A.
EBITDA*	(10,680)	1,405	N.A.
Interest expense	(3,876)	(1,969)	+97%
Depreciation and amortisation	(1,948)	(956)	+104%
Income tax	601	539	+12%
Realised FX gain (loss)	283	(502)	-156%
Unrealised FX gain (loss)	63	(28)	-323%
Net profit (loss)	(15,903)	(981)	N.A.
Earnings per share (Baht)	(0.83)	(0.06)	N.A.

Note: \* EBITDA for year 2011 was calculated from net profit including gain from business acquisition.

**Table 2: Financial Results by Business**

Unit: Million Baht

	2012	2011	+/-
	Jan - Dec	Jan - Dec	YoY
<b>Sale and Service Revenues*</b>			
<b>Consolidated</b>	<b>60,604</b>	<b>47,975</b>	<b>+26%</b>
HRC Business	48,470	37,699	+29%
Iron and Steel Making Business	11,688	9,936	+18%
Deep Sea Port Business	169	135	+25%
Engineering & Maintenance Service Business	277	204	+36%
<b>EBITDA</b>			
<b>Consolidated</b>	<b>(10,680)</b>	<b>1,405</b>	<b>N.A.</b>
HRC Business	1,056	1,389	-24%
Iron and Steel Making Business	(11,855)	(51)	N.A.
Deep Sea Port Business	280	211	+33%
Engineering & Maintenance Service Business	97	77	+26%
Elimination of Related Parties Transaction	(258)	(221)	
<b>Net Profit (Loss)</b>			
<b>Consolidated</b>	<b>(15,903)</b>	<b>(981)</b>	<b>N.A.</b>
HRC Business	(1,655)	(444)	+273%
Iron and Steel Making Business	(14,194)	(454)	N.A.
Deep Sea Port Business	155	109	+42%
Engineering & Maintenance Service Business	45	26	+73%
Elimination of Related Parties Transaction	(191)	(166)	
Non-Controlling Interest	(63)	(52)	

**Notes:** 1) Revenues of each business unit is shown as net revenues after elimination of related parties transaction while EBITDA and Net Profit (Loss) are shown as amount before elimination of related parties transaction.

2) Consolidated EBITDA and Iron and Steel Making Business EBITDA of 2011 was calculated from net profit which including gain from business acquisition.

3) TCRSS and Redcar Bulk Terminal Limited recorded under equity method.



**Table 3: Performance Highlight of the Company (HRC Business)**

Unit: USD per ton

	2012	2011	+/-
	Jan - Dec	Jan - Dec	YoY
<b>HRC Business</b>			
Average Selling Price	717	769	-7%
Average Cost of Goods Sold	712	730	-2%
HRC Spread*	89	129	-31%
HRC Rolling Margin	12.5%	16.8%	N.A.
HRC EBITDA	16.0	29.4	-46%
Sale Volume (k tons)	2,155**	1,571	+37%
Production Volume (k tons)	2,096	1,564	+34%

Notes: \* HRC Spread excluded the provision for loss on decline in value of inventories or the reversal thereof.

\*\* Excluded HRC tolling volume of 29 k tons.

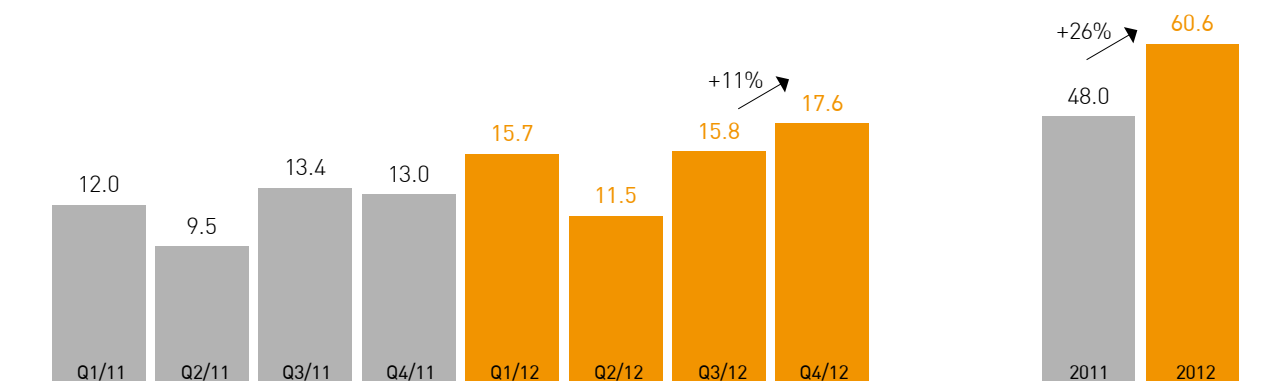
**Table 4: Performance Highlight of SSI UK (Iron and Steel Making Business)**

Unit: USD per ton

	2012			2012
	Q4	Q3	Q2	
<b>Iron and Steel Making Business</b>				
Average Selling Price	503	544	551	529
Average Raw Material Cost	449	500	544	489
Slab Spread	54	44	7	41
Sale Volume (k tons)	666	679	335	1,680

**Figure 1: Sale and Service Revenues of the Company and its Subsidiaries**

Unit: Million Baht



## Business Results

In 2012, the Company and its subsidiaries recorded sale and service revenues Baht 60,604 million, or up 26% YoY, due to an increase in sale volume of HRC Business and Iron and Steel Making Business, primarily from growth in HRC sales by 37%; whereas, total cost of sale and service was Baht 71,879 million.

The Company and its subsidiaries; thus, reported gross loss Baht 11,275 million, negative EBITDA Baht 10,680 million, and net loss Baht 15,903 million. The reasons for such losses were from (1) the delay in starting slab production of Iron and Steel Making Business, (2) high level of slab production cost from producing under optimal level and; (3) impacts from declining prices in the world steel market causing losses on decline in value of inventories as well as losses under onerous contracts.

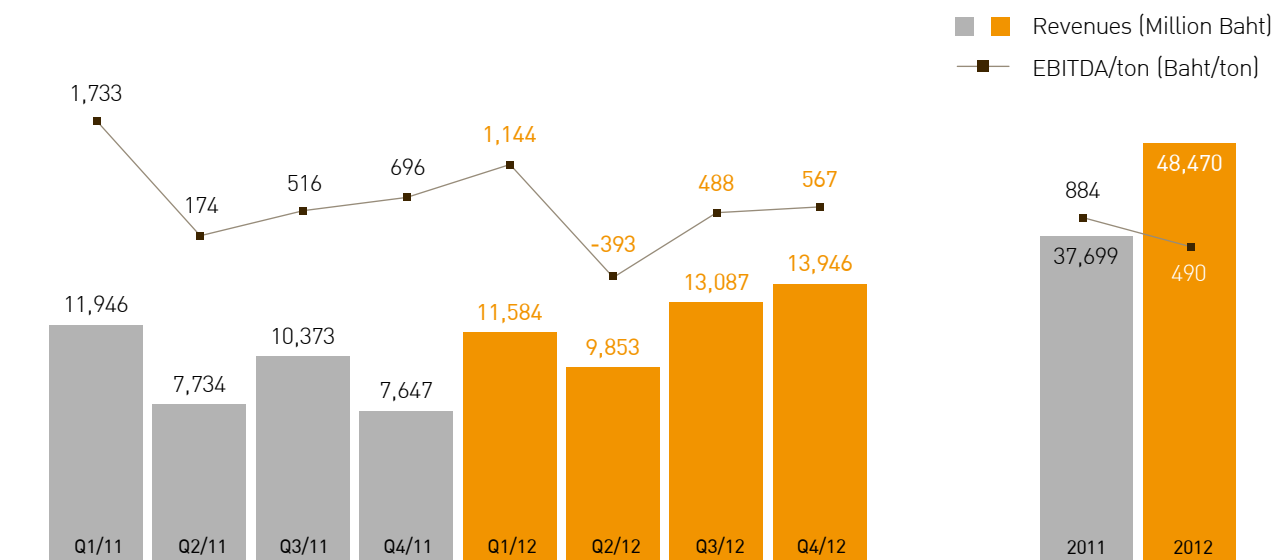
As a result, the Company and its subsidiaries' profitability has decreased, comparing to those in year 2011, with negative net profit margin 25.7%, negative ROA 18.2%, negative ROE 83.5%, and negative EPS Baht 0.83 per share.

## HRC Business (the Company)

**Revenues:** HRC Business recorded sale and service revenues Baht 48,470 million, up 29% YoY, resulted from an increase in sale volume by 37% YoY. HRC shipment 2,184 k tons consisted of 2,155 k tons of sale and 29 k tons of tolling, with average selling price Baht 22,225 per ton (approximately USD 717 per ton). Premium Value Products in total sales accounted for approx. 37% proportion, slightly decreased from 39% in 2011; whereas the PVPs sale volume increased to 803 k tons, which consisted of 6% of Innovated Value Products, 8% of IVP-High Grade, 11% of High Grade Products, and 12% of Unique Products respectively.

**Expenses:** HRC Business recorded Cost of sale and service Baht 47,838 million, up by 33% YoY, in consistent with an increase in sales volume, comprising total cost of sale Baht 48,066 million, total cost of service Baht 65 million, and the reversal of provisions for loss on decline in value of inventories Baht 293 million. Whereas, average cost of sale was USD 712 per ton, down from USD 730 per ton in 2011, due to a decrease in raw material costs.

**Figure 2: Revenues and EBITDA per ton of HRC Business**



**SG&A** was Baht 777 million, up 27% YoY, due to an increase in sales volume by 37% YoY and loss from raw materials sale Baht 38 million. **Interest Expense** was Baht 2,088 million, up 58% YoY, mainly caused by an increase in short-term loans used for raw materials procurement, reclassification of the interests previously included in costs of raw materials to be part of interest expense Baht 268 million, higher borrowing costs, and loss from interest rate swap contract Baht 44 million.

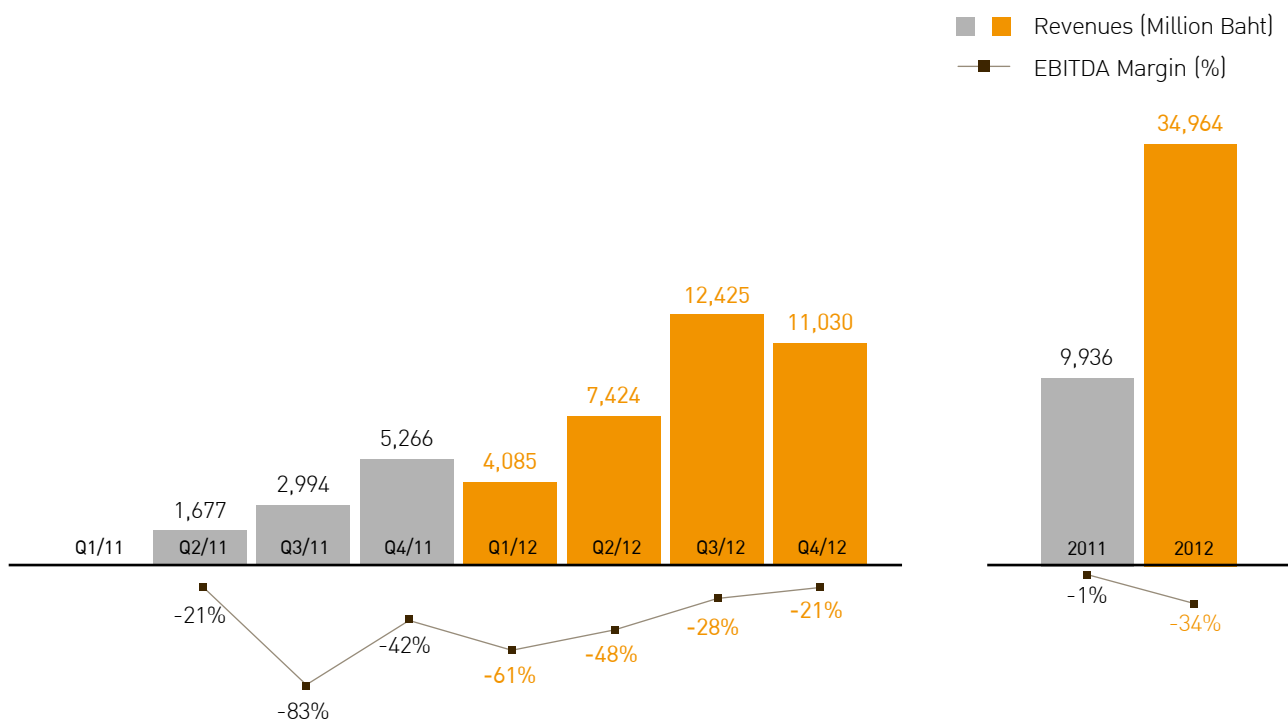
**Profits:** HRC Business recorded gross profit Baht 632 million, down 65% YoY; whilst HRC Spread decreased to USD 89 per ton, with HRC Rolling Margin 12.5%, as a result of declining prices in the world steel market. EBITDA was Baht 1,056 million, down 24% YoY with HRC EBITDA was USD 16 per ton (which included an effect from the reversal of provision for loss on decline in value of inventories approx. USD 4.6 per ton), down 46% YoY. Lastly, net loss was Baht 1,655 million, down 273% YoY, mainly caused by lower HRC Spread and higher interest expense accordingly.

### Iron and Steel Making Business (SSI UK)

**Revenues:** SSI UK started to earn revenues from slab sales since Q2/2012. In 2012, SSI UK recorded total sale and service revenues Baht 34,964 million, primarily came from slab sales 1,680 k tons, at the average selling price USD 529 per ton, with Slab Spread of approx. USD 41 per ton. As 82% of all slab sales are sold within the Group of companies; the revenues after elimination of related parties transactions then become Baht 11,688 million, or up 18% from 2011, when revenues only came from coke operation.

**Expenses:** SSI UK recorded **Cost of sale and service** Baht 47,217 million, comprising total cost of sale of Baht 47,613 million and the reversal of provisions for loss on decline in value of inventories Baht 396 million. Total cost of sale and service increased because of the change in operation structure from coke production which required only coking coal as raw material, to slab production which bore higher cost of raw materials such as iron ore, scrap and other materials, and also the higher production cost and other expenses incurred during initial stage of slab production.

**Figure 3: Revenues and EBITDA Margin of Iron and Steel Making Business**



**SG&A** was Baht 1,181 million, down by 6% YoY and the provision set up for loss under onerous contracts was Baht 490 million. **Interest Expense** was Baht 1,763 million, up by 179% YoY, resulted from an increase in outstanding amount of short-term loan to improve its liquidity, long-term loan to invest in SSI UK Restart project, and the reclassification of the interests previously included in costs of raw materials used in year 2012 to be part of interest expense of Baht 434 million.

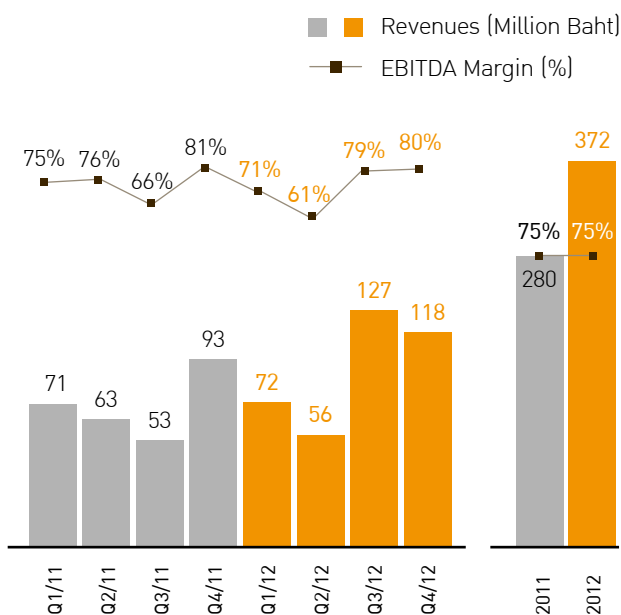
**Profits:** SSI UK recorded gross loss Baht 12,253 million, increasing from gross loss Baht 3,707 million in 2011, when there was only coke operation; negative EBITDA Baht 11,855 million, increasing from negative EBITDA Baht 51 million; and net loss Baht 14,194 million, increasing from net loss Baht 454 million, due to the aforementioned reasons.

### Deep Sea Port Business (PPC)

**Revenues:** PPC recorded total service revenues Baht 372 million, up 33% YoY; 42% of which were from external customers apart from the Company and its subsidiaries.

**Profits:** PPC recorded gross profit Baht 229 million, EBITDA Baht 280 million, and net profit Baht 155 million, or up 41%, 33%, and 42% YoY respectively, mainly resulted from an increase in service revenues due to an increase in throughput volume and the start of service provided by

**Figure 4: Revenues and EBITDA Margin of Deep Sea Port Business**



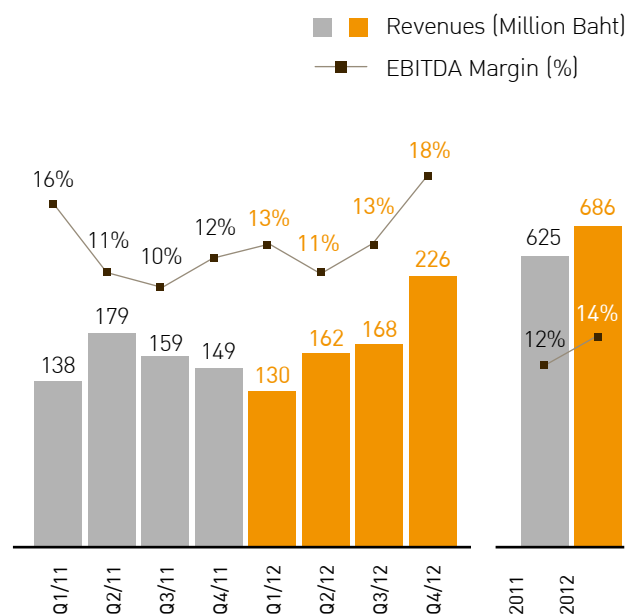
newly installed shore cranes. On the other hand, PPC's expenses increased due to the higher fixed-expense, interest incurred from loan for investment in shore crane, and the first tax paid after the end of tax benefits granted from BOI.

### Engineering & Maintenance Service Business (WCE)

**Revenues:** WCE recorded total sale and service revenues Baht 686 million, up 10% YoY; 42% of which were from external customers apart from the Company and its subsidiaries. An increase in revenues in 2012 were mainly caused by engineering services provided to new customers in various industries i.e., construction, machinery, paper, electrical parts manufacturer, acrylic-resin producers, and gas cylinders; including an increase in revenues from providing revamping and overhaul services to the Company and its subsidiaries as well.

**Profits:** WCE recorded gross profit Baht 124 million; EBITDA Baht 97 million; and net profit Baht 45 million, up 30%, 26%, and 73% YoY respectively. An improving profitability in 2012 was mainly pushed by the profits from existing contracts, and by providing more revamping and overhaul services whilst WCE could manage cost of services and other expenses to remain at appropriate level, and by providing more of engineering services whose profit margin is relatively high.

**Figure 5: Revenues and EBITDA Margin of Engineering & Maintenance Service Business**

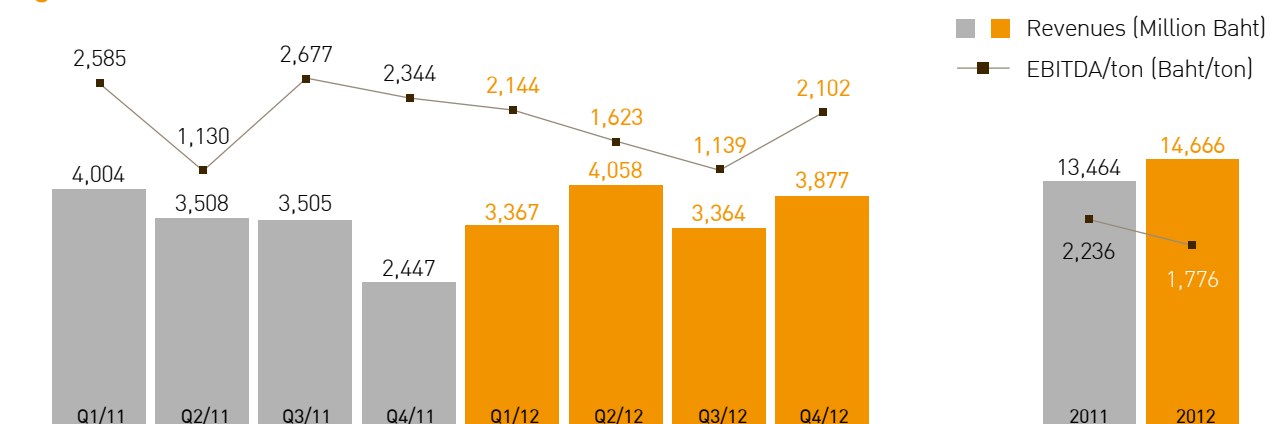


## CRC Business (TCRSS)

**Revenues:** TCRSS sold 505 k tons and accordingly recorded total sale revenues Baht 14,666 million, up 9% YoY, due to the higher sales volume, despite the decline in selling prices caused by intense competition and dumping by producers from China, Taiwan, and Vietnam.

**Profits:** TCRSS recorded net profit Baht 192 million, decreased by 42% YoY, due to the higher production costs caused by an increase in fuel prices and labor cost, as well as higher SG&A due to the write-off of spare parts and higher transportation cost as the sale volume increased.

**Figure 6: Revenues and EBITDA/ton of CRC Business**



## Financial Position

### Assets

The Company and its subsidiaries' **total asset**, as at 31 December 2012, increased Baht 2,156 million, up 2% YoY, primarily resulted from an additional investment in SSI UK restart projects. Total assets can be broken down as follows:

	31 December 2012		31 December 2011		31 December 2010	
	Million Baht	%	Million Baht	%	Million Baht	%
Cash and Cash Equivalents	242	-	169	-	169	-
Trade and Note Receivables - Net	5,946	7	5,240	6	2,963	7
Inventories - Net	21,615	24	25,178	29	14,205	33
Property, Plant and Equipment - Net	51,861	59	50,149	58	20,293	48
Investment in Jointly-Controlled Entities	3,499	4	4,683	6	4,045	10
Other Non-current Assets	5,357	6	945	1	818	2
<b>Total Assets</b>	<b>88,520</b>	<b>100</b>	<b>86,364</b>	<b>100</b>	<b>42,493</b>	<b>100</b>

**Trade and Notes Receivables - Net** as at 31 December 2012, totaled Baht 5,946 million, up 13% YoY, due to credit expansion for customers to accommodate the sales growth. The Company and its subsidiaries set aside the doubtful debts expenses of Baht 146 million in year 2012 in line with their policy. The Company and its subsidiaries expect to be able to collect or offset such receivables against amount owed to or payables to such same debtors in quarter 1/2013.

**Inventory** as at 31 December 2012, netted Baht 21,615 million, down 14% YoY, mainly caused by (1) a decrease in raw materials inventory value due to lower costs of raw

materials of the Company by 12% YoY and; (2) a decrease in finished goods of the Company by 35% YoY resulted from an increase in sale volume by 37% YoY.

**Property, Plant and Equipment - Net** increased by 6% YoY, primarily due to additional investment in SSI UK Restart Project.

### Liabilities and Sources of Fund

The Company's liabilities and equity can be broken down as follows:

	31 December 2012		31 December 2011		31 December 2010	
	Million Baht	%	Million Baht	%	Million Baht	%
S/T Debt and Current Portion of						
Interest-Bearing Debt	27,626	31	25,682	30	14,499	34
Trade Accounts Payable	11,838	13	10,685	12	3,157	7
L/T Interest-Bearing Debt	22,937	26	19,641	23	4,437	11
Subordinated Convertible Debentures	1,318	1	-	-	-	-
Environmental Liabilities and Others	498	1	1,526	2	-	-
Tax Liabilities arising from Asset						
Valuation	1,919	2	2,621	3	-	-
Other Liabilities	7,502	9	1,261	1	524	1
Equity	14,882	17	24,948	29	19,875	47
<b>Total Liabilities and Equity</b>	<b>88,520</b>	<b>100</b>	<b>86,364</b>	<b>100</b>	<b>42,493</b>	<b>100</b>

As at 31 December 2012, the Company and its subsidiaries had total liabilities of Baht 73,638 million, or increased by 20% YoY, primarily consisting of borrowings from financial institution and trade payables. As at 31 December 2012, total interest-bearing debt was Baht 51,881 million whilst net interest-bearing debt was Baht 51,639 million.

Such debts consisted of short-term borrowings and current portion of interest-bearing debt of Baht 27,626 million, resulted from an increase in borrowings to be used for raw

material procurement and as working capital of the Company and SSI UK, and long-term interest-bearing debt of Baht 24,255 million.

Total shareholders' equity was at Baht 14,882 million, down 40% YoY due to net loss from operations incurred in year 2012 of Baht 15,840 million; whereas unappropriated retained loss totaled Baht 15,698 million, decreased from retained profit of Baht 201 million at the end of year 2011; as a result, interest-bearing debt to equity ratio increased to 3.49x from 1.82x as at 31 December 2011.

## Liquidity

### 1. Cash Flows

The Company and its subsidiaries had net cash and cash equivalents as at the end of year 2012 increased by Baht 73 million YoY, consisted of:

1.1 Net cash used in operating activities of Baht 4,686 million consisted of cash outflows from operation of Baht 11,401 million, which included net loss for the period of Baht 15,840 million caused by reasons mentioned above, and cash inflows from the change in working capital of Baht 6,715 million, resulting from a decrease in inventories and the increase in other current liabilities which is the increase in payables at SSI UK.

1.2 Net cash used in investing activities was Baht 4,708 million, primarily used for additional investment in SSI UK Restart Project.

1.3 Net cash used in financing activities was Baht 9,467 million, mainly consisted of net proceeds from borrowing from financial institutions of Baht 6,762 million, net proceeds from capital increase of Baht 5,932 million, and net proceeds from issuing subordinated convertible debentures of Baht 1,747 million (net after the buy-back) and the finance cost paid of Baht 3,791 million. Net cash received from financing activities was mainly invested in SSI UK.

### 2. Liquidity Ratios

The Company and its subsidiaries, comparing to those in 2011, had less liquidity, with lower current ratio, higher collection period, and lower inventory period, as shown in table below:

	2012	2011	2010
Current Ratio (times)	0.71	0.84	0.98
Collection Period (days)	35	33	24
Inventory Period (days)	28	42	44

**Current Ratio** at the end of 2012 was at 0.71x, decreasing from that at the end of 2011, since the current liabilities increased by 25% YoY, in higher proportion to an increase in current assets by 5% YoY. The change in current liabilities was caused by an increase in (1) short-term loans from financial institutions used for raw materials procurement including the current portion of interest-bearing debt by 8% YoY which mainly came from an increase in short-term loans for raw materials procurement of SSI UK; (2) trade payable by 11% YoY as the Company ordered more raw materials by the end of year 2012 and; (3) other current liabilities as Baht 3,513 million increase in payables at SSI UK.

## Share Prices

During 2012, the Company's share prices were at the lowest of Baht 0.52 per share on 5 September 2012 and the highest of Baht 0.86 per share on 31 January 2012. The average trading volume was 47.58 million shares per day and the average trading value was Baht 32.77 million per day. The average share price was Baht 0.69 per share. As at 31 December 2012, the Company's share was closed at Baht 0.59 per share.

# Independent Auditor's Report

## To the Shareholders of Sahaviriya Steel Industries Public Company Limited:

I have audited the accompanying 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, respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2012, the consolidated and separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Consolidated and Separate Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial position as at 31 December 2012 and the financial performance 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, respectively, in accordance with Thai Financial Reporting Standards.



*Emphasis of Matters*

Without qualifying my opinion in respect of the above financial statements, I draw attention to the followings:

a) As disclosed in Note 5 to the accompanying financial statements, during the year ended 31 December 2012, the Group and the Company sold goods to related companies and jointly-controlled entities in the normal course of business totaling Baht 42,409 million and Baht 38,027 million respectively, which represented 71 percent and 79 percent of the Group's total sales and the Company's total sales respectively. As at 31 December 2012, the Group's outstanding trade accounts receivable from those related parties amounted to Baht 4,602 million (the Company's outstanding trade accounts receivable amounted to Baht 3,811 million).

b) As disclosed in Notes 2 and 14 to the accompanying financial statements, the Group incurred a net loss during the year ended 31 December 2012 of Baht 15,840 million and, as of that date, the Group's current liabilities exceeded current assets by Baht 13,786 million. As at 31 December 2012, the Group had Baht 294 million and USD 40 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 lenders' 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 that 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, facilities from other business partners and the lenders together with the rescheduling of loan repayments 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

1 March 2013

# Statement of Financial Position

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
As at 31 December 2012 and 2011

Unit: Baht

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	242,137,778	168,972,867	61,448,751	27,365,829
Trade accounts receivable	5, 7	5,946,178,433	5,239,820,058	3,851,839,645	2,910,740,874
Other accounts receivable from related parties	5	2,299,627,303	657,303	158,199,721	801,943,433
Inventories	4, 8	21,614,642,763	25,177,544,379	16,300,907,669	19,514,776,539
Other current assets	5	1,742,921,276	855,790,879	573,786,307	333,214,798
Assets classified as held for sale	10	1,183,130,464	-	1,343,128,679	-
<b>Total current assets</b>		<b>33,028,638,017</b>	<b>31,442,785,486</b>	<b>22,289,310,772</b>	<b>23,588,041,473</b>
<b>Non-current assets</b>					
Long-term receivable from a related party	5	-	-	520,105,735	-
Investments in subsidiaries	9	-	-	24,080,276,336	12,534,552,269
Investments in jointly-controlled entities	10	3,499,195,864	4,683,313,931	3,159,668,346	4,502,797,025
Other long-term investment	11	-	-	-	-
Deposits for purchases of assets		-	20,248,305	-	-
Property, plant and equipment	4, 12	51,861,354,984	50,148,668,232	16,749,475,544	17,513,577,566
Intangible assets	13	72,104,862	40,221,191	37,036,928	39,896,584
Other non-current assets		58,636,322	28,419,083	7,240,116	6,780,012
<b>Total non-current assets</b>		<b>55,491,292,032</b>	<b>54,920,870,742</b>	<b>44,553,803,005</b>	<b>34,597,603,456</b>
<b>Total assets</b>		<b>88,519,930,049</b>	<b>86,363,656,228</b>	<b>66,843,113,777</b>	<b>58,185,644,929</b>

The accompanying notes are an integral part of the financial statements.

# Statement of Financial Position (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
As at 31 December 2012 and 2011

Unit: Baht

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	14	25,308,702,846	22,838,581,474	16,122,282,982	16,683,917,377
Trade accounts payable	5, 15	11,837,700,764	10,684,521,525	9,488,739,930	6,363,294,173
Other accounts payable and short-term loans from related parties	5, 14	386,873,467	1,458,949,484	167,735,869	35,499,101
Current portion of long-term loans from financial institutions	14	2,265,509,210	1,422,914,092	2,207,073,087	1,282,304,137
Current portion of finance lease liabilities	14	46,848,337	4,647,669	-	-
Current portion of hire purchase liabilities	14	4,966,327	5,589,442	3,962,784	4,737,588
Provision for onerous contracts	31	788,290,541	315,843,658	-	-
Current portion of environmental liabilities	4	98,021,120	-	-	-
Short-term provisions	32	11,835,195	11,835,195	11,835,195	11,835,195
Income tax payable		3,499,595	-	-	-
Other current liabilities	16	6,062,691,628	751,375,558	1,008,556,448	238,369,964
<b>Total current liabilities</b>		<b>46,814,939,030</b>	<b>37,494,258,097</b>	<b>29,010,186,295</b>	<b>24,619,957,535</b>
<b>Non-current liabilities</b>					
Long-term loans from financial institutions	14	22,723,067,936	19,625,144,398	8,065,068,169	9,497,288,403
Subordinated convertible debentures	14, 17	1,317,709,181	-	1,317,709,181	-
Finance lease liabilities	14	210,908,153	9,498,879	-	-
Hire purchase liabilities	14	3,407,299	6,011,096	2,655,024	5,143,605
Employee benefit obligations	18	149,105,649	133,328,397	107,632,964	95,470,245
Environmental liabilities and others	4	498,068,487	1,526,241,220	-	-
Tax obligations arising from the assets valuation	4	1,919,048,880	2,621,388,314	-	-
Other non-current liabilities		1,843,458	-	823,875	-
<b>Total non-current liabilities</b>		<b>26,823,159,043</b>	<b>23,921,612,304</b>	<b>9,493,889,213</b>	<b>9,597,902,253</b>
<b>Total liabilities</b>		<b>73,638,098,073</b>	<b>61,415,870,401</b>	<b>38,504,075,508</b>	<b>34,217,859,788</b>

The accompanying notes are an integral part of the financial statements.

## Statement of Financial Position (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
As at 31 December 2012 and 2011

Unit: Baht

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Liabilities and equity</b>					
<b>Equity</b>					
Share capital	19				
Authorised share capital		39,867,778,559	20,434,108,235	39,867,778,559	20,434,108,235
Issued and paid-up share capital		27,080,630,230	18,184,108,235	27,080,630,230	18,184,108,235
Discount on ordinary shares issuance	19	(4,050,175,205)	(1,238,241,813)	(4,050,175,205)	(1,238,241,813)
Equity distribution from shareholders from repurchase of subordinated convertible debentures	17	98,073,878	-	98,073,878	-
Convertible rights	17	179,317,781	-	179,317,781	-
Revaluation surplus		5,628,324,188	5,986,592,996	5,447,316,780	5,783,502,031
Currency translation differences	20	222,600,945	432,569,792	-	-
Retained earnings (deficit)					
Appropriated					
Legal reserve	20	530,226,819	530,226,819	530,226,819	530,226,819
Unappropriated (deficit)		(15,697,628,825)	200,501,831	(946,352,014)	708,189,869
<b>Equity attributable to owners of the Company</b>		<b>13,991,369,811</b>	<b>24,095,757,860</b>	<b>28,339,038,269</b>	<b>23,967,785,141</b>
Non-controlling interests		890,462,165	852,027,967	-	-
<b>Total equity</b>		<b>14,881,831,976</b>	<b>24,947,785,827</b>	<b>28,339,038,269</b>	<b>23,967,785,141</b>
<b>Total liabilities and equity</b>		<b>88,519,930,049</b>	<b>86,363,656,228</b>	<b>66,843,113,777</b>	<b>58,185,644,929</b>

The accompanying notes are an integral part of the financial statements.

# Statement of Income

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
For the years ended 31 December 2012 and 2011

Unit: Baht

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Income</b>					
Revenue from sale of goods	5, 28	60,091,875,621	47,643,504,597	48,399,115,142	37,699,487,383
Revenue from rendering of services	5, 28	512,001,675	331,185,862	70,690,383	-
Net foreign exchange gain		345,846,077	-	427,065,295	-
Reversal of environmental liabilities	4	807,540,275	-	-	-
Dividend income	5, 9	-	-	92,699,975	43,929,739
Gain on business acquisition	4	-	5,271,236,412	-	-
Other income	5	154,004,390	60,478,891	80,014,027	55,339,958
<b>Total income</b>		<b>61,911,268,038</b>	<b>53,306,405,762</b>	<b>49,069,584,822</b>	<b>37,798,757,080</b>
<b>Expenses</b>					
Cost of sale of goods	5, 8	71,675,266,666	49,399,049,885	47,773,254,068	35,910,316,173
Cost of rendering of services	5	203,814,193	238,999,826	64,506,600	-
Selling expenses	5, 22	336,622,346	213,952,934	321,833,783	213,991,046
Administrative expenses	5, 23	1,582,058,617	1,637,862,989	408,844,021	340,344,633
Management benefit expenses	5, 24	136,962,352	103,447,575	46,142,795	57,328,432
Net foreign exchange loss		-	529,779,897	-	263,895,666
Provision for loss under onerous contracts	31	490,126,469	311,046,385	-	-
Finance costs	5, 26	3,926,243,685	2,209,908,160	2,109,545,438	1,456,763,654
<b>Total expenses</b>		<b>78,351,094,328</b>	<b>54,644,047,651</b>	<b>50,724,126,705</b>	<b>38,242,639,604</b>
<b>Share of loss of equity-accounted investees</b>					
Jointly-controlled entities	10	(987,604)	(129,615,413)	-	-
<b>Loss before income tax expense</b>		<b>(16,440,813,894)</b>	<b>(1,467,257,302)</b>	<b>(1,654,541,883)</b>	<b>(443,882,524)</b>
Income tax benefits	27	600,909,769	538,591,052	-	-
<b>Loss for the year</b>		<b>(15,839,904,125)</b>	<b>(928,666,250)</b>	<b>(1,654,541,883)</b>	<b>(443,882,524)</b>
<b>Profit (loss) attributable to:</b>					
Owners of the Company		(15,902,844,877)	(980,773,237)	(1,654,541,883)	(443,882,524)
Non-controlling interests		62,940,752	52,106,987	-	-
<b>Loss for the year</b>		<b>(15,839,904,125)</b>	<b>(928,666,250)</b>	<b>(1,654,541,883)</b>	<b>(443,882,524)</b>
<b>Loss per share</b>					
Basic loss per share	29	(0.83)	(0.06)	(0.09)	(0.03)

The accompanying notes are an integral part of the financial statements.

# Statement of Comprehensive Income

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
For the years ended 31 December 2012 and 2011

Unit: Baht

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Loss for the year</b>		<b>(15,839,904,125)</b>	<b>(928,666,250)</b>	<b>(1,654,541,883)</b>	<b>(443,882,524)</b>
<b>Other comprehensive income (loss)</b>					
Foreign currency translation differences for foreign operations		(209,968,847)	433,103,730	-	-
Depreciation on revaluation surplus	12	(368,261,116)	(303,548,047)	(336,185,251)	(270,977,649)
Disposal of revalued property, plant and equipment		(4,714,221)	-	-	-
<b>Other comprehensive income (loss) for the year</b>		<b>(582,944,184)</b>	<b>129,555,683</b>	<b>(336,185,251)</b>	<b>(270,977,649)</b>
<b>Total comprehensive income for the year</b>		<b>(16,422,848,309)</b>	<b>(799,110,567)</b>	<b>(1,990,727,134)</b>	<b>(714,860,173)</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		(16,471,082,532)	(836,511,025)	(1,990,727,134)	(714,860,173)
Non-controlling interests		48,234,223	37,400,458	-	-
<b>Total comprehensive income for the year</b>		<b>(16,422,848,309)</b>	<b>(799,110,567)</b>	<b>(1,990,727,134)</b>	<b>(714,860,173)</b>

The accompanying notes are an integral part of the financial statements.

# Statement of Changes in Equity

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
For the years ended 31 December 2012 and 2011

Unit: Baht

## Consolidated financial statements

	Issued and paid-up share capital	Premium (discount) on ordinary shares issuance	Equity distribution from shareholders from repurchase of subordinated convertible debentures	Convertible rights	Retained earnings (deficit)		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			
Year ended 31 December 2011												
Balance at 1 January 2011	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
Transactions with owners, recorded directly in equity												
Issue of ordinary shares	19 5,082,828,235	933,038,187	-	-	-	-	-	-	-	6,015,866,422	-	6,015,866,422
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(24,500,017)	(24,500,017)
Total transactions with owners, recorded directly in equity	5,082,828,235	933,038,187	-	-	-	-	-	-	-	6,015,866,422	(24,500,017)	5,991,366,405
Comprehensive income for the year												
Profit (loss)	-	-	-	-	-	(980,773,237)	-	-	-	(980,773,237)	52,106,987	(928,666,250)
Other comprehensive income	-	-	-	-	-	-	433,103,730	(288,841,518)	144,262,212	144,262,212	(14,706,529)	129,555,683
Total comprehensive income for the year	-	-	-	-	-	(980,773,237)	433,103,730	(288,841,518)	144,262,212	(836,511,025)	37,400,458	(799,110,567)
Balance at 31 December 2011	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.

# Statement of Changes in Equity (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
For the years ended 31 December 2012 and 2011

Unit: Baht

## Consolidated financial statements

	Issued and paid-up share capital	Discount on ordinary shares issuance	Equity distribution from shareholders from repurchase of subordinated convertible debentures	Convertible rights	Retained earnings (deficit)		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
Year ended 31 December 2012												
Balance at 1 January 2012	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
Transactions with owners, recorded directly in equity												
Issuance of subordinated convertible debentures	17	-	-	311,090,565	-	-	-	-	-	311,090,565	-	311,090,565
Issue of ordinary share	17, 19	8,896,521,995	(2,811,933,392)	(18,283,119)	-	-	-	-	-	6,066,305,484	-	6,066,305,484
Repurchase and cancellation of subordinated convertible debentures	17	-	98,073,878	(113,489,665)	-	-	-	-	-	(15,415,787)	-	(15,415,787)
Repurchase and cancellation of subordinated convertible debentures		-	-	-	-	-	-	-	-	-	(9,800,025)	(9,800,025)
<b>Total transactions with owners, recorded directly in equity</b>		<b>8,896,521,995</b>	<b>(2,811,933,392)</b>	<b>179,317,781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,361,980,262</b>	<b>(9,800,025)</b>	<b>6,352,180,237</b>
Comprehensive income for the year												
Profit (loss)		-	-	-	-	(15,902,844,877)	-	-	(15,902,844,877)	62,940,752	(15,839,904,125)	(15,839,904,125)
Other comprehensive income		-	-	-	-	4,714,221	(209,968,847)	(358,268,808)	(568,237,656)	(663,523,434)	(14,706,529)	(578,229,963)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,898,130,656)</b>	<b>(209,968,847)</b>	<b>(358,268,808)</b>	<b>(568,237,656)</b>	<b>(16,466,368,311)</b>	<b>48,234,223</b>	<b>(16,418,134,088)</b>
<b>Balance at 31 December 2012</b>	<b>27,080,630,230</b>	<b>(4,050,175,205)</b>	<b>98,073,878</b>	<b>179,317,781</b>	<b>530,226,819</b>	<b>(15,697,628,825)</b>	<b>222,600,945</b>	<b>5,628,324,188</b>	<b>5,850,925,133</b>	<b>13,991,369,811</b>	<b>890,462,165</b>	<b>14,881,831,976</b>

The accompanying notes are an integral part of the financial statements.



# Statement of Changes in Equity (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
For the years ended 31 December 2012 and 2011

Unit: Baht

## Statement of changes in equity

	Issued and paid-up share capital	Premium (discount) on ordinary shares issuance	Equity distribution from shareholders from repurchase of subordinated convertible debentures	Convertible rights	Retained earnings (deficit)		Other components of equity		Total equity
					Legal reserve	Unappropriated (deficit)	Revaluation surplus	Total other components of equity	
Year ended 31 December 2011									
Balance at 1 January 2011	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
Transactions with owners, recorded directly in equity									
Issue of ordinary shares	5,082,828,235	933,038,187	-	-	-	-	-	-	6,015,866,422
Total transactions with owners, recorded directly in equity	5,082,828,235	933,038,187	-	-	-	-	-	-	6,015,866,422
Comprehensive income for the year									
Loss	-	-	-	-	-	(443,882,524)	-	-	(443,882,524)
Other comprehensive income	-	-	-	-	-	-	(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.

# Statement of Changes in Equity (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
For the years ended 31 December 2012 and 2011

Unit: Baht

## Separate financial statements

	Issued and paid-up share capital	Discount on ordinary shares issuance	Equity distribution from shareholders from repurchase of subordinated convertible debentures	Convertible rights	Retained earnings (deficit)		Other components of equity		Total equity
					Legal reserve	Unappropriated (deficit)	Revaluation surplus	Total other components of equity	
Year ended 31 December 2012									
Balance at 1 January 2012	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
<b>Transactions with owners, recorded directly in equity</b>									
Issuance of subordinated convertible debentures	17	-	-	311,090,565	-	-	-	-	311,090,565
Issue of ordinary share	17, 19	8,896,521,995	(2,811,933,392)	(18,283,119)	-	-	-	-	6,066,305,484
Repurchase and cancellation of subordinated convertible debentures	17	-	98,073,878	(113,489,665)	-	-	-	-	(15,415,787)
<b>Total transactions with owners, recorded directly in equity</b>		<b>8,896,521,995</b>	<b>(2,811,933,392)</b>	<b>179,317,781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,361,980,262</b>
<b>Comprehensive income for the year</b>									
Loss		-	-	-	-	(1,654,541,883)	-	-	(1,654,541,883)
Other comprehensive income		-	-	-	-	(336,185,251)	(336,185,251)	(336,185,251)	(336,185,251)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,654,541,883)</b>	<b>(336,185,251)</b>	<b>(336,185,251)</b>	<b>(1,990,727,134)</b>
<b>Balance at 31 December 2012</b>	<b>27,080,630,230</b>	<b>(4,050,175,205)</b>	<b>98,073,878</b>	<b>179,317,781</b>	<b>530,226,819</b>	<b>(946,352,014)</b>	<b>5,447,316,780</b>	<b>5,447,316,780</b>	<b>28,339,038,269</b>

The accompanying notes are an integral part of the financial statements.

# Statement of Cash Flows

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
 For the years ended 31 December 2012 and 2011

Unit: Baht

Note	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Cash flows from operating activities</b>				
Loss for the year	(15,839,904,125)	(928,666,250)	(1,654,541,883)	(443,882,524)
<b>Adjustments for</b>				
Depreciation and amortisation	2,013,076,067	955,754,100	687,541,812	512,406,090
Withholding tax written-off	973,309	927,231	973,309	927,231
Finance costs	3,926,243,685	2,209,908,160	2,109,545,438	1,456,763,654
Unrealised (gain) loss on exchange rate	(62,997,996)	28,145,996	(68,070,896)	128,384,355
Bad debts and doubtful debts expenses	146,309,486	-	-	-
Loss on decline in value of inventories (reversal)	(692,941,144)	1,083,526,852	(296,919,072)	415,401,511
Write-off inventories	-	2,339,250	-	2,339,250
Employee benefit obligations	18,145,810	16,525,518	12,897,603	11,751,587
Provision for loss under onerous contracts	490,126,469	311,046,385	-	-
Reversal of environmental liabilities	(807,540,275)	-	-	-
Loss on disposal of property, plant and equipment	7,750,765	10,808,901	10,639,187	11,860,030
Share of loss of jointly-controlled entities, net of income tax	987,604	129,615,413	-	-
Dividend income	-	-	(92,699,975)	(43,929,739)
Gain on business acquisition	-	(5,271,236,412)	-	-
Income tax benefits	(600,909,769)	(538,591,052)	-	-
	(11,400,680,114)	(1,989,895,908)	709,365,523	2,052,021,445

The accompanying notes are an integral part of the financial statements.

## Statement of Cash Flows (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
For the years ended 31 December 2012 and 2011

Unit: Baht

Note	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Changes in operating assets and liabilities</b>				
Trade accounts receivable	(849,485,239)	(2,183,400,676)	(941,098,771)	7,857,341
Other accounts receivable from related parties	(2,298,970,000)	278,120	334,043,712	(715,524,599)
Inventories	4,255,842,760	(6,220,358,520)	3,510,787,942	(5,727,597,530)
Other current assets	(948,296,134)	(332,316,781)	(301,737,245)	98,645,569
Long-term receivable from related party	-	-	(511,861,524)	-
Other non-current assets	(30,217,239)	(31,760,012)	(460,104)	(323,834)
Trade accounts payable	1,213,005,924	7,416,550,286	3,185,272,442	3,109,768,005
Other accounts payable to related parties	338,182,383	(25,821,332)	130,904,484	(34,384,521)
Other current liabilities	5,182,162,701	259,536,176	671,827,231	(199,682,784)
Environment liabilities and others	(122,611,338)	(184,378,134)	-	-
Other non-current liabilities	523,662	-	823,875	-
Cost of rendering of services	(2,368,558)	(3,101,970)	(734,884)	(2,580,179)
Income tax paid	(22,891,004)	(18,624,727)	(3,547,150)	(973,309)
<b>Net cash provided by (used in) operating activities</b>	<b>(4,685,802,196)</b>	<b>(3,313,293,478)</b>	<b>6,783,585,531</b>	<b>(1,412,774,396)</b>
<b>Cash flows from investing activities</b>				
Investments in subsidiaries	-	-	(11,236,024,067)	(11,895,425,900)
Investments in jointly-controlled entities	-	(767,623,571)	-	-
Purchases of property, plant and equipment	(5,053,539,083)	(4,797,791,804)	(191,297,266)	(193,873,066)
Business acquisitions	4	(20,486,777,113)	-	-
Purchases of intangible assets	(48,427,926)	(4,162,821)	(6,927,976)	(4,158,421)
Sales of property, plant and equipment	15,144,321	2,688,218	1,171,963	1,595,327
Dividend income	-	-	92,699,975	43,929,739
Currency translation differences	378,493,300	(844,981,700)	-	-
<b>Net cash used in investing activities</b>	<b>(4,708,329,388)</b>	<b>(26,898,648,791)</b>	<b>(11,340,377,371)</b>	<b>(12,047,932,321)</b>

The accompanying notes are an integral part of the financial statements.

## Statement of Cash Flows (continued)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
For the years ended 31 December 2012 and 2011

Unit: Baht

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Cash flows from financing activities</b>					
Proceeds from issuance of ordinary shares		5,945,870,357	6,099,393,882	5,945,870,357	6,099,393,882
Transaction costs from issuance of ordinary shares		(13,876,754)	(83,527,460)	(13,876,754)	(83,527,460)
Finance cost paid		(3,790,684,020)	(2,032,053,279)	(1,973,957,801)	(1,414,725,179)
Increase (decrease) in short-term loans from financial institutions		2,470,121,372	10,232,712,609	(561,634,395)	4,086,048,512
Proceeds from short-term loans from related parties	5	1,961,332,906	1,410,258,400	-	-
Repayment of short-term loans from related parties	5	(3,371,591,306)	-	-	-
Proceeds from long-term loans	14	4,980,386,709	22,079,996,095	-	11,790,830,000
Repayment of long-term loans	14	(688,300,711)	(7,007,598,938)	(546,972,500)	(6,864,575,000)
Expenses relating to borrowings	14	-	(488,005,765)	-	(180,500,000)
Proceeds from sale and leaseback of assets		275,999,857	15,278,325	-	-
Hire purchase and finance lease payments		(39,537,818)	(13,035,985)	(5,941,385)	(3,207,321)
Proceeds from issuance of subordinated convertible debentures		2,250,000,000	-	2,250,000,000	-
Repurchase of subordinated convertible debenture		(501,567,123)	-	(501,567,123)	-
Expenses relating to subordinated convertible debenture		(1,045,637)	-	(1,045,637)	-
Dividends paid		(9,800,025)	(24,500,017)	-	-
<b>Net cash provided by financing activities</b>		<b>9,467,307,807</b>	<b>30,188,917,867</b>	<b>4,590,874,762</b>	<b>13,429,737,434</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>73,176,223</b>	<b>(23,024,402)</b>	<b>34,082,922</b>	<b>(30,969,283)</b>
Effect of exchange rate changes on balance held in foreign currency		(11,312)	22,641,158	-	-
Cash and cash equivalents at 1 January		168,972,867	169,356,111	27,365,829	58,335,112
<b>Cash and cash equivalents at 31 December</b>	6	<b>242,137,778</b>	<b>168,972,867</b>	<b>61,448,751</b>	<b>27,365,829</b>
<b>Significant non-cash transactions</b>					
Assets acquired under hire purchase and finance lease agreements		279,920,848	24,986,330	2,678,000	8,582,557
Other payable for purchases of property, plant and equipment		50,766,051	967,994	2,548,516	-
Conversion of advance payment for purchase of goods to be investment in subsidiaries		-	-	309,700,000	-
Exercise of conversion right to convert subordinated convertible debentures to be ordinary shares		152,595,000	-	152,595,000	-

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

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# Notes to Financial Statements

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and its Jointly-controlled Entities  
For the years ended 31 December 2012 and 2011

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 authorised for issue by the Board of Directors on 1 March 2013.

## 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, 2<sup>nd</sup>-3<sup>rd</sup> Floor, Surasak Road, Kwang Silom, Khet Bangrak, Bangkok, Thailand and its plant located at 9, Moo 7, Tambon Mae Rumphueng, Amphur Bangsaphan, Prachuabkirikhan, Thailand. 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 year were Sahaviriya Group Corporation Limited (22.42% shareholding, incorporated in Thailand), Vanoment Holding AG (21.01% shareholding, incorporated in Switzerland) and Sahaviriya Inter Steel Holdings Co., Ltd. (10.92% shareholding, incorporated in Thailand).

The principal businesses of the Company are manufacturing and distributing of hot rolled coils. Details of the Company's subsidiaries and jointly-controlled entities as at 31 December 2012 and 2011 are given in notes 9 and 10.

## 2. Basis of preparation of the financial statements

### (a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting

Professions ("FAP"), and applicable rules and regulations of the Thai Securities and Exchange Commission.

As at 31 December 2012, the FAP has issued a number of 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) Basic of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- Assets classified as held for sale are measured at the lower of their carrying value and fair value less cost to sell; and
- Land, building and machinery are stated at fair value.

### (c) Presentation currency

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

### (d) 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 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 4	Acquisitions
Notes 9 and 12	Calculation of recoverable amount
Note 10	Measurement of assets classified as held for sale
Note 18	Measurement of defined benefit obligations
Note 30	Valuation of financial instruments
Note 32	Contingent liabilities

## Current operations

The Group incurred a net loss of Baht 15,840 million during the year ended 31 December 2012 (2011: Baht 6,200 million (excluding gain on business acquisition of Baht 5,271 million)) and as of that date, the Group's current liabilities exceeded current assets by Baht 13,786 million (2011: Baht 4,641 million (excluding a subordinated loan from a related company of Baht 1,410 million)).

On 24 March 2011, Sahaviriya Steel Industries UK Limited ("SSI UK"), which is a subsidiary of the Company, completed the acquisition of the SSI Teesside (formerly known as Teesside Cast Products) business, comprising of tangible assets, from Tata Steel UK Limited for USD 684 million (Baht 20,487 million). The Company and SSI UK entered into loan agreements to fund the acquisition and to support the revised restart plan.

At the acquisition date, the Teesside plant had been mothballed since 2010. On 18 April 2012, SSI Teesside successfully restarted the steel production although behind the original target restart date. During the year ended 31 December 2012, global commodity prices in general declined significantly, and this has significantly affected the operations of the Company and Group. The completion of the acquisition, the delays of the restart date and the price movements significantly impacted the Group's liquidity and financial performance.

During the year ended 31 December 2012, (1) SSI UK obtained USD 75 million (Baht 2,312 million) of additional funding from Sahaviriya Inter Steel Holdings Limited (a related party) and for which the maturity date has been extended to 31 December 2012 (subsequently in January 2013, the maturity of credit facility has been extended to 30 June 2013.) and USD 190 million (Baht 5,857 million) of additional funding from the Group's bankers (USD 90 million

capital expenditure loan for Blast Furnace and USD 100 million short-term loan), detailed in Note 14 and (2) the Company successfully offered and issued subordinated convertible debentures of Baht 2,250 million. In this regard, during year ended 31 December 2012, the Group's management announced the plan to increase the Company's capital and implement the Comprehensive Financial Plan to strengthen the Group's long-term financial sustainability. The plan consists of additional fund raising from its shareholders and other investors and amendment of the existing loan conditions to be consistent with the economic situation, industry and long-term business operations of the Group. These entail the actions as follows:

- (1) cooperation with Vanomet Holding AG ("Vanomet"), a major shareholder of the Company;
- (2) conversion of the Company's advance payment for purchase of goods, paid to SSI UK, of USD 125 million into newly-issued ordinary shares in SSI UK;
- (3) change of the status of working capital loans from a group of working capital lenders as detailed in Note 14;
- (4) repurchase and cancellation its outstanding subordinated convertible debentures as detailed in Note 17 and repayment of the subordinated loan by SISH to SSI UK of approximately USD 31 million; and
- (5) capital increase by placement of new ordinary shares of the Company to raise funds totaling not more than Baht equivalent of USD 413 million.

The Group has taken various actions to implement the above plan where by:

- (1) on 8 August 2012, the Company and SSI UK signed a Memorandum of Understanding with Vanomet, wherein Vanomet agreed to invest in the Company and/or SSI UK with the total sum of up to USD 170 million in form of investment in share capital of the Company and providing



trade facility to SSI UK. The memorandum contains certain conditions including that the Company shall increase its capital, and that the senior lenders agree not to demand any prepayment or repayment or exercise any of its rights and remedies under the existing senior facilities in respect of any indebtedness of the Company and SSI UK until the completion of capital increase (which would have to be completed before 14 November 2012), agree to extend part of principal repayment of SSI UK according to the cash flows forecast of SSI UK;

(2) on 14 August 2012, the Company signed Memorandum of Understanding with long-term lenders and working capital lenders to agree on the repayment plan on the loans from the working capital lenders as detailed in Note 14;

(3) on 31 October 2012, the Company signed a partnership agreement with JFE Steel Corporation (“JFE”) and Marubeni-Itochu Steel Inc. (“MISI”) whereby JFE and MISI agreed to invest USD 25 million each in the newly-issued ordinary shares of the Company. Such investment had been made into the Company’s share capital during the fourth quarter of 2012 as more detailed in Notes 10 and 33;

(4) in December 2012, the Company converted its advance payment for purchase of goods, paid to SSI UK, of USD 125 million into newly-issued ordinary shares in SSI UK;

(5) on 24 December 2012, the Company repurchased and cancelled the subordinated convertible debentures of the Company from Vanomet AG of 600,000 units using the proceeds from capital injection from SISH as detailed in Note 17; and

(6) the Company injected as equity into SSI UK for the repayment of the subordinated loans lent by SISH to SSI UK including its accrued interest of USD 32.6 million.

During the fourth quarter of 2012, the Company allocated its share capital to Vanomet, existing shareholders and private placement totaling Baht 5,946 million. As the Company is in the process of increasing its share capital which cannot be completed by 14 November 2012 as required in the memorandum dated 14 August 2012. On 26 February 2013, the working capital lenders agreed to extend the period of execution of the above memorandum until 31 March 2013. The Group intends to maintain its strong business relationship with the bankers to maintain their continuing support including engaging in active discussions to keep

them appraised of the Group’s financial performance, position and outlook.

The uncertainties described above may affect the ultimate recovery of the carrying value of the investment in SSI UK (Baht 23,801 million) in the financial statements of the Company, the carrying amounts of the SSI Teesside operating assets (Baht 44,382 million) included in the consolidated financial statements of the Group at 31 December 2012 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 profitably as planned or lack of working capital or on-going support by the banks is discontinued.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (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 jointly-controlled entities.

##### Business combinations

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**

Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly-controlled entities 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 of equity accounted investees, 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 equity accounted investee, the Group's carrying amount of that interest is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### **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 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 and commodity price risks 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) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. The assets (or disposal group) are measured at the lower of their carrying value and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories and financial assets. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### (h) Investments

#### Investments in subsidiaries and jointly-controlled entities

Investments in subsidiaries and jointly-controlled entities in the separate financial statements of the Company are accounted for using the cost method. Investments in 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.

### (i) Finance lease

The Group entered into sale and lease back agreements for certain machinery and equipment, resulting in a finance lease. Excess of sales proceeds over the carrying amount is not immediately recognised as income. Instead it is deferred and amortised over the lease term.

The Group recognised finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property. Lease payments are apportioned between the finance charge and the reduction of the outstanding liabilities. The finance charged is allocated to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### (j) 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 machinery 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 (major components) of property, plant and equipment.

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 retained earnings.

**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 retained earnings. 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, tool and equipment	
- in production line	The unit of production
- in coke production line	20 years
- in steel making line	20 years
- in service line	5 - 10 years
- other tool and equipment	3 - 10 years
Furniture, fixtures and office equipment	5 - 10 years
Vehicles	5 years
Roads	5, 20 and 27 years
Berth and berth facilities	5 and 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.

### (k) 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 based on 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 licenses	5 - 10 years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### (l) Impairment

The carrying amounts of the Group's assets or its cash-generating unit 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.

**(m) 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.

**(n) Trade and other accounts payable**

Trade and other accounts payable are stated at cost.

**(o) 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.

**(p) 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. The unwinding of the discount is recognised as finance cost.

**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.

**(q) 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 profit or loss on the date the Group's right to receive payments is established.

**Interest income**

Interest income is recognised in profit or loss as it accrues.

**(r) 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, 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.

**(s) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, 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.

**(t) 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.



**(u) Earnings per share**

The Group presents basic and diluted 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 period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**4. Acquisitions****The acquisition of an integrated iron and steel making plant**

On 24 March 2011, SSI UK completed the acquisition of the SSI Teesside business (formerly known as Teesside Cast Products) for a cash consideration of USD 684 million (Baht 20,487 million), which, under the accounting treatment prescribed by TFRS 3 (revised 2009) Business Combinations, resulted in the recognition of a "gain on business acquisition" of Baht 5,271 million during the year ended 31 December 2011.

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)	-
<b>Net identifiable assets and liabilities</b>	<b>25,758,014</b>	<b>5,271,237</b>	<b>20,486,777</b>
Interest acquired	100%		
<b>Net identifiable assets and liabilities-acquired</b>	<b>25,758,014</b>		
Gain on business acquisition	(5,271,237)		
<b>Total consideration</b>	<b>20,486,777</b>		

The Company and SSI UK completed their review of the identifiable assets and liabilities, as permitted under TFRS 3 concluding that no further adjustment was required in respect of the assessed fair values disclosed above, and a gain on business acquisition of Baht 5,271 million has been determined and recorded in 2011 and the restatement to any reported financial statements had been made.

The gain on business acquisition was primarily a result of the Group concluding the acquisition cost lower than what would have been spent 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.

As noted in Note 2, the SSI UK had successfully restarted the steel production on 18 April 2012.

## 5. 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 subsidiaries and jointly-controlled entities are described in notes 9 and 10. Relationship with key management and other related parties were as follows:

Name of entities	Country of incorporation/nationality	Nature of relationships
Sahaviriya Group Corporation Limited	Thailand	Major shareholder, 22.42% shareholding
Vanomet Holding AG	Switzerland	Major shareholder, 21.01% shareholding and common director with a subsidiary
Sahaviriya Inter Steel Holdings Co., Ltd.	Thailand	Major shareholder, 10.92% shareholding and common directors and direct and indirect shareholding by the Company's director (s)
Thai Coated Steel Sheet Co., Ltd.	Thailand	Shareholding by the Company and common directors
Bangsaphan Barmill Public Company Limited	Thailand	Common directors and direct and indirect shareholding by the Company's director (s)
B.S. Metal Co., Ltd.	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 Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's directors (s)
Western Housing Co., Ltd.	Thailand	Common directors and direct shareholding by the Company's directors (s)
Sahaviriya Steel Group Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director (s)
C.A.R. Services Co., Ltd.	Thailand	The direct and indirect shareholding by the Company's director (s)
Sahaviriya Panich International Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director (s)
Line Transport Co., Ltd.	Thailand	Common directors with the subsidiary and direct and indirect shareholding by the Company's director (s)
Saha Special Steel Co., Ltd. (formerly name B.P. Wire Rod Co., Ltd.)	Thailand	The direct and indirect shareholding by the Company director (s)
Bangpakong Lighter Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director (s)
Bangpakong Port Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director (s)
Bangsaphan Transport Co., Ltd.	Thailand	The direct and indirect shareholding by the Company's director (s)

Name of entities	Country of incorporation/nationality	Nature of relationships
Prachuap Bangsapam Co., Ltd. (formerly name Prachuap S.M.O. Co., Ltd.)	Thailand	Indirect shareholding by the Company director (s)
Sahaviriya Iron and Steel Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director (s)
Thai Steel Sales Co., Ltd.	Thailand	Common directors and direct and indirect shareholding by the Company's director (s)
Prachuap Pattana Development Co., Ltd.	Thailand	Common directors and direct shareholding by the Company's director (s)
Bangpakong Karnyotha Co., Ltd.	Thailand	Indirect shareholding by the Company director (s)
Saha Logistics Holdings Co., Ltd.	Thailand	Common shareholder and directors and direct and indirect shareholding by the Company's director (s)
Sahaviriya Shipping Limited	Hong Kong	Common shareholder and directors and direct and indirect shareholding by the Company's director (s)
Sahaviriya Shipping UK Limited	United Kingdom	Common shareholder and directors and indirect shareholding by the Company's director (s)
Vanomet AG	Switzerland	Common shareholder and common director with a subsidiary
Vanomet Finance AG	Switzerland	Common shareholder and common director with a subsidiary
Vanomet International AG	Switzerland	Common shareholder and common director with a subsidiary
Vanomet Asia AG	Switzerland	Common shareholder and common director with a subsidiary
Atlantic Steel AG	Switzerland	Common shareholder and common director with a subsidiary
Key management personnel	Thailand	Persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The pricing policies for particular types of transactions are explained further below:

	Transactions of the Company with subsidiary companies and jointly-controlled entities	Transactions with related companies
Sale of goods	<ul style="list-style-type: none"> <li>Third party pricing used, dependent on volume and relevant market considerations.</li> </ul>	<ul style="list-style-type: none"> <li>Third party pricing used, dependent on volume and relevant market considerations.</li> </ul>
Rendering of port services	<ul style="list-style-type: none"> <li>Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.</li> </ul>	<ul style="list-style-type: none"> <li>Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.</li> </ul>

	Transactions of the Company with subsidiary companies and jointly-controlled entities	Transactions with related companies
Rendering of other services	<ul style="list-style-type: none"> <li>Charges for rendering of services and maintenance-related services are based on agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Charges for rendering of services and maintenance-related services are based on agreements.</li> </ul>
Dividend income	<ul style="list-style-type: none"> <li>Right to receive dividends</li> </ul>	
Other income	<ul style="list-style-type: none"> <li>Sales of scrap material are priced based on scrap weight and the prices set by the Company.</li> <li>Revenue from providing management staff to subsidiaries and jointly-controlled entities are based on agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Sales of scrap material are priced based on scrap weight and the prices set by the Company.</li> <li>Revenue from providing management staff to related parties are based on agreements.</li> </ul>
Purchase of goods	<ul style="list-style-type: none"> <li>Purchases of goods for production are based on third party prices under terms and conditions normally applicable to similar transactions.</li> <li>Purchases of rolls are changed on agreed prices.</li> </ul>	<ul style="list-style-type: none"> <li>Purchases of raw material for production are based on market price.</li> </ul>
Receiving of other services	<ul style="list-style-type: none"> <li>Maintenance-related services are charged based on long-term maintenance service agreements. The term of the agreement can be modified according to business circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>Transportation charges are based on agreements, dependent on cargo weight and distance.</li> <li>Warehouse rental is charged based on rental agreements.</li> <li>Cut sheet services are charged based on agreements.</li> <li>Rental charges for staff accommodation are fixed on an annual basis and agreed with the lessor.</li> </ul>
Receiving of port services	<ul style="list-style-type: none"> <li>Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.</li> </ul>	
Selling and administrative expense	<ul style="list-style-type: none"> <li>Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations</li> </ul>	<ul style="list-style-type: none"> <li>Domestic transportation services are charged based on agreements, dependent on cargo weight and distance.</li> <li>Office rental is charged based on rental agreements.</li> <li>Rental charges for staff accommodation are fixed on an annual basis and agreed with the lessor.</li> <li>Commission expense is charged based on agreements.</li> </ul>
Interest and financial charges		<ul style="list-style-type: none"> <li>Interest and financial charges are based on agreed rate, which approximate market rate.</li> </ul>

Significant transactions for the years ended 31 December 2012 and 2011 with related parties were summarised as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Subsidiaries</b>				
Purchases of goods and receiving of services	-	-	23,661,627	539,921
Purchases of machinery and equipment	-	-	20,999	-
Dividend income	-	-	92,700	43,930
Other income	-	-	18,883	5,080
Selling and administrative expenses	-	-	-	1,638
<b>Jointly-controlled entities</b>				
Sales of goods and materials	3,315,763	3,832,333	3,190,989	3,828,085
Rendering of services	143,221	67,456	70,690	-
Purchases of goods and receiving of services	619,704	184,378	-	-
Other income	18,961	13,937	18,961	13,937
Selling and administrative expenses	2,121	1,283	2,121	1,283
<b>Other related parties</b>				
Sales of goods	39,093,697*	26,629,580	34,836,048	26,629,553
Rendering of services	22,555	15,836	-	-
Purchases of goods and receiving of services (including other expense related)	34,453,323*	146,627	7,864,664*	146,315
Other income	22,407	98,636	20,927	97,299
Selling and administrative expenses	354,669	198,674	349,546	195,867
Finance costs	689,888*	32,072	208,847*	-
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term benefits	134,976	101,646	44,587	55,914
Statutory severance pay	1,952	1,769	1,533	1,392
Other long-term benefits	34	32	23	22
<b>Total key management personnel compensation</b>	<b>136,962</b>	<b>103,447</b>	<b>46,143</b>	<b>57,328</b>

\* Including transactions with Vanomet Group

Intercompany sales to other related parties described above excluded indirect sales of goods from a subsidiary to the Company through a related company of Baht 12,404 million for the year ended 31 December 2012, which had been eliminated in the consolidation financial statements.

Balances as at 31 December 2012 and 2011 with related parties were as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Trade accounts receivable from related parties</b>				
<b>Jointly-controlled entity</b>				
Redcar Bulk Terminal Limited	108,211	-	-	-
Thai Cold Rolled Steel Sheet Public Company Limited	10,284	10,313	-	-
<b>Other related parties</b>				
B.S. Metal Co., Ltd.	1,931,019	1,519,677	1,880,286	1,519,677
Sahaviriya Panich International Co., Ltd.	1,880,286	1,363,876	1,931,009	1,363,876
Vanomet AG	709,443	-	-	-
Others	4,385	3,997	-	-
	<b>4,643,628</b>	<b>2,897,863</b>	<b>3,811,295</b>	<b>2,883,553</b>
Less allowance for doubtful accounts	(41,708)	-	-	-
<b>Net</b>	<b>4,601,920</b>	<b>2,897,863</b>	<b>3,811,295</b>	<b>2,883,553</b>
<b>Other receivables from related parties</b>				
<b>Subsidiaries</b>				
Prachuap Port Co., Ltd.	-	-	-	64
West Coast Engineering Co., Ltd.	-	-	801	5,141
Sahaviriya Steel Industries UK Limited (includes an advance payment for purchase of goods of Baht 310 million in 2011)	-	-	-	796,199
<b>Jointly-controlled entity</b>				
Thai Cold Rolled Steel Sheet Public Company Limited	79	403	79	403
<b>Other related parties</b>				
Vanomet AG (mainly an advance payment for purchase of goods)	2,297,378	-	156,790	-
Prapawit Building Property Co., Ltd.	1,515	-	-	-
Line Transport Co., Ltd.	612	-	528	-
Bangpakong Port Co., Ltd.	41	-	-	-
Others	2	254	2	136
<b>Total</b>	<b>2,299,627</b>	<b>657</b>	<b>158,200</b>	<b>801,943</b>

Unit: Thousand Baht

<b>Consolidated financial statements</b>	<b>Separate financial statements</b>
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	2012	2011	2012	2011
<b>Accrued income</b>				
<b>Subsidiaries</b>				
West Coast Engineering Co., Ltd.	-	-	590	568
<b>Jointly-controlled entity</b>				
Thai Cold Rolled Steel Sheet Public Company Limited	2,178	2,010	317	546
<b>Other related parties</b>				
Thai Coated Steel Sheet Co., Ltd.	3,957	3,365	3,957	3,365
Bangsaphan Barmill Public Company Limited	6,215	3,283	6,215	3,283
B.S. Metal Co., Ltd.	150	119	150	119
<b>Total</b>	<b>12,500</b>	<b>8,777</b>	<b>11,229</b>	<b>7,881</b>
<b>Long-term other receivable from related party</b>				
<b>Subsidiaries</b>				
Sahaviriya Steel Industries UK Limited	-	-	520,106	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>520,106</b>	<b>-</b>
<b>Trade accounts payable to related parties</b>				
<b>Subsidiaries</b>				
Prachuap Port Co., Ltd.	-	-	12,822	5,926
West Coast Engineering Co., Ltd.	-	-	22,113	19,358
<b>Other related parties</b>				
Vanomet AG	2,080,578	-	2,080,578	-
Line Transport Co., Ltd.	7,232	5,690	7,232	5,690
B.S. Metal Co., Ltd.	254	2,181	254	2,181
Bangpakong Lighter Co., Ltd.	-	1,012	-	1,012
Others	-	654	-	649
<b>Total</b>	<b>2,088,064</b>	<b>9,537</b>	<b>2,122,999</b>	<b>34,816</b>
<b>Other accounts payable and short-term loans from related parties</b>				
<b>Comprising:</b>				
Other payables to related parties	386,873	48,691	167,736	35,499
Short-term loans from related party	-	1,410,258	-	-
<b>Total</b>	<b>386,873</b>	<b>1,458,949</b>	<b>167,736</b>	<b>35,499</b>

Unit: Thousand Baht

**Consolidated financial statements      Separate financial statements**

	2012	2011	2012	2011
<b>Other payables to related parties</b>				
<b>Subsidiaries</b>				
Prachuap Port Co., Ltd.	-	-	21,095	8,823
West Coast Engineering Co., Ltd.	-	-	26,332	11,580
<b>Jointly-controlled entity</b>				
Redcar Bulk Terminal Limited	266,250	-	-	-
Thai Cold Rolled Steel Sheet Public Company Limited	56	254	56	29
<b>Other related parties</b>				
Sahaviriya Panich International Co., Ltd.	39,250	-	39,250	-
Sahaviriya Plate Mill Public Company Limited	28,037	-	28,037	-
Line Transport Co., Ltd.	23,280	12,904	23,261	12,878
Bangpakong Lighter Co., Ltd.	20,363	918	20,363	918
Sahaviriya Inter Steel Holdings Co., Ltd.	4,783	32,921	4,783	-
Bangpakong Port Co., Ltd.	3,082	-	3,082	-
Prapawit Building Property Co., Ltd.	1,369	1,371	1,145	1,157
Others	403	323	332	114
<b>Total</b>	<b>386,873</b>	<b>48,691</b>	<b>167,736</b>	<b>35,499</b>
<b>Short-term loans from related party</b>				
<b>Other related party</b>				
Sahaviriya Inter Steel Holdings Co., Ltd.	-	1,410,258	-	-
<b>Total</b>	<b>-</b>	<b>1,410,258</b>	<b>-</b>	<b>-</b>

Movements during the years ended 31 December 2012 and 2011 of the short-term loans from related parties were as follows:

Unit: Thousand Baht

**Consolidated financial statements      Separate financial statements**

	2012	2011	2012	2011
<b>Other related parties</b>				
At 1 January	1,410,258	-	-	-
Increases	1,961,333	1,410,258	-	-
Decreases	(3,371,591)	-	-	-
<b>At 31 December</b>	<b>-</b>	<b>1,410,258</b>	<b>-</b>	<b>-</b>



In September 2012, the Company submitted the explanation letter to the Securities and Exchange Commission Thailand that on 30 August 2012, the Company was informed that Vanomet Holding AG ("Vanomet") is the major shareholders of the Company, which holds the Company's

ordinary share of 2,801,063,841 shares, 15.32% (21.01% as at 31 December 2012) of the Company's issued shares since 2010. The shareholding has been held through the domestic and foreign custodians of Vanomet.

The significant transactions with Vanomet Group for the year ended 31 December 2011 were as follows:

	Unit: Thousand Baht	
	Consolidated financial statements	Separate financial statements
Sales of goods	7,357,358	-
Purchases of goods (including other expense related)	36,267,301	30,383,269

The outstanding balances with Vanomet Group as at 31 December 2011 were as follows:

	Unit: Thousand Baht	
	Consolidated financial statements	Separate financial statements
<b>Vanomet AG</b>		
Trade accounts receivable	2,369,706	-
Trade accounts payable	5,199,082	3,790,236

## Significant agreements with related parties

### 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 in April 2012 and terminates in April 2019 (or 7 years). 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 its jointly-controlled entity, with a minimum volume for raw materials and finished goods commitment of 10 million tonnes 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.

### Repair and maintenance service agreement

During the first quarter of 2012, the Company has revised and amended the repair and maintenance agreement made with a subsidiary for which the 2012 annual fees has been decreased by Baht 63 million. This is in connection with the subsidiary's machines and equipment of Baht 18 million has been sold to the Company.

## 6. Cash and cash equivalents

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash on hand	682	781	600	713
Cash at banks	241,456	168,192	60,849	26,653
<b>Total</b>	<b>242,138</b>	<b>168,973</b>	<b>61,449</b>	<b>27,366</b>

The currency denomination of cash and cash equivalents as at 31 December was as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Thai Baht	115,547	88,505	61,449	27,366
United States Dollars	122,648	5,349	-	-
Pound Sterling	3,880	55,681	-	-
Euro	63	19,438	-	-
<b>Total</b>	<b>242,138</b>	<b>168,973</b>	<b>61,449</b>	<b>27,366</b>

## 7. Trade accounts receivable

Unit: Thousand Baht

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Related parties	5	4,643,628	2,897,863	3,811,295	2,883,553
Other parties		1,732,668	2,625,766	324,354	310,997
		6,376,296	5,523,629	4,135,649	3,194,550
Less allowance for doubtful accounts		(430,118)	(283,809)	(283,809)	(283,809)
<b>Net</b>		<b>5,946,178</b>	<b>5,239,820</b>	<b>3,851,840</b>	<b>2,910,741</b>
Bad and doubtful debts expenses for the year		146,309	-	-	-

Aging analyses for trade accounts receivable were as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Related parties</b>				
Within credit terms	4,142,524	1,541,837	3,811,295	1,532,346
Overdue:				
Less than 3 months	250,976	1,353,945	-	1,351,207
3 - 6 months	8,770	1,010	-	-
6 - 12 months	144,789	1,071	-	-
Over 12 months	96,569	-	-	-
	<b>4,643,628</b>	<b>2,897,863</b>	<b>3,811,295</b>	<b>2,883,553</b>
Less allowance for doubtful accounts	(41,708)	-	-	-
	<b>4,601,920</b>	<b>2,897,863</b>	<b>3,811,295</b>	<b>2,883,553</b>
<b>Other parties</b>				
Within credit terms	494,634	2,336,187	40,545	27,188
Overdue:				
Less than 3 months	683,737	5,770	-	-
3 - 6 months	198,508	-	-	-
6 - 12 months	68,065	-	-	-
Over 12 months	287,724	283,809	283,809	283,809
	<b>1,732,668</b>	<b>2,625,766</b>	<b>324,354</b>	<b>310,997</b>
Less allowance for doubtful accounts	(388,410)	(283,809)	(283,809)	(283,809)
	<b>1,344,258</b>	<b>2,341,957</b>	<b>40,545</b>	<b>27,188</b>
<b>Net</b>	<b>5,946,178</b>	<b>5,239,820</b>	<b>3,851,840</b>	<b>2,910,741</b>

The normal credit terms granted by the Group ranges from 30 to 120 days.

The currency denomination of trade accounts receivable as at 31 December was as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Thai Baht	4,192,484	3,236,046	4,135,649	3,194,550
Pound Sterling	1,346,055	662,273	-	-
United States Dollars	795,759	1,596,569	-	-
Euro	41,998	28,741	-	-
<b>Total</b>	<b>6,376,296</b>	<b>5,523,629</b>	<b>4,135,649</b>	<b>3,194,550</b>

## 8. Inventories

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Finished goods	3,851,034	5,957,605	3,865,191	5,980,581
Work in progress	32,936	7,937	-	-
Raw materials	10,713,230	13,248,426	6,755,843	8,005,263
Spare parts and factory supplies	2,193,649	2,411,634	1,250,059	1,313,306
Goods in transit	5,436,948	4,858,037	4,775,306	4,858,037
	22,227,797	26,483,639	16,646,399	20,157,187
Less allowance for decline in value	(613,154)	(1,306,095)	(345,491)	(642,410)
<b>Net</b>	<b>21,614,643</b>	<b>25,177,544</b>	<b>16,300,908</b>	<b>19,514,777</b>
Carrying value of inventories subject to retention of title clauses or otherwise pledged to secure liabilities	14,181,237	18,682,910	10,472,735	13,508,579

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Inventories recognised as expenses in 'cost of sales of goods':				
- Cost	72,368,208	48,319,964	48,070,173	35,494,915
- Write-down to net realisable value	-	1,079,086	-	415,401
- Reversal of write-down	(692,941)	-	(296,919)	-
<b>Net</b>	<b>71,675,267</b>	<b>49,399,050</b>	<b>47,773,254</b>	<b>35,910,316</b>

## 9. Investments in subsidiaries

Unit: Thousand Baht

	Separate financial statements	
	2012	2011
At 1 January	12,534,552	325,652
Acquisitions	11,545,724	12,208,900
<b>At 31 December</b>	<b>24,080,276</b>	<b>12,534,552</b>

Investments in subsidiaries as at 31 December 2012 and 2011, and dividend income from those investments for the years then ended were as follows:

Unit: Thousand Baht

### Separate financial statements

Subsidiaries	Type of business	Ownership interest (%)		Paid-up capital		Cost method		Impairment		At cost - net		Dividend income	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Prachuap Port Co., Ltd.	Deep-sea port and marine shipping services	51.00	51.00	400,000	400,000	204,000	204,000	-	-	204,000	204,000	10,200	25,500
West Coast Engineering Co., Ltd.	Maintenance services	99.99	99.99	75,000	75,000	75,000	75,000	-	-	75,000	75,000	82,500	18,430
Sahaviriya Steel Industries UK Limited	Integrated iron and production of steel slab	100.00	100.00	GBP 480.7 million	GBP 247.6 million	23,801,276	12,255,552	-	-	23,801,276	12,255,552	-	-
<b>Total</b>						<b>24,080,276</b>	<b>12,534,552</b>	<b>-</b>	<b>-</b>	<b>24,080,276</b>	<b>12,534,552</b>	<b>92,700</b>	<b>43,930</b>

All subsidiaries were incorporated in Thailand, except Sahaviriya Steel Industries UK Limited which was incorporated in the United Kingdom.

During the year ended 31 December 2012, the Company increased the equity investment in SSI UK totaling approximately USD 373.41 million, from the proceeds of the subordinated convertible debenture issuance of USD 71.45 million, the conversion of advance payment for purchase of goods of USD 125 million into newly-issued ordinary

shares of SSI UK and from the proceeds of the Company's newly-issued ordinary shares of USD 176.96 million.

At 31 December 2012 and 2011, the entire common shares of the Company in SSI UK of 480,736 shares and 247,600 shares, respectively, have been pledged as collateral against the banks.

During the year ended 31 December 2012, the management performed test of impairment of investments in subsidiaries, which the key assumptions used to measure recoverable amounts were as follows:

Approach	Value-In-Use
Period	5 years
Discount rate	10.5% per annum

## 10. Investments in jointly-controlled entities

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
At 1 January	4,683,314	4,045,306	4,502,797	4,502,797
Acquisitions	-	767,623	-	-
Share of net loss of equity				
- accounted investees	(988)	(129,615)	-	-
Transfer to assets classified as held for sale	(1,183,130)	-	(1,343,129)	-
<b>At 31 December</b>	<b>3,499,196</b>	<b>4,683,314</b>	<b>3,159,668</b>	<b>4,502,797</b>

On 31 October 2012, the Company signed a Partnership agreement with JFE and MISI (both are the Company's joint venture partner in the existing jointly-controlled entity, Thai Cold Rolled Steel Sheet Public Company Limited ("TCR")). Under the agreement, the Company will sell a portion of its share capital in TCR. Addition of conditions and details are in Notes 2 and 33.

As at 31 December 2012, the portion of shares in TCR which are intended for sales, is presented under "Assets classified as held for sale" and has been measured at the lower of its carrying amount and fair value less costs to sell.

Investments in jointly-controlled entities as 31 December 2012 and 2011, and dividend income from those investments for the years then ended were as follows:

Unit: Thousand Baht

### Consolidated financial statements

Type of business	Ownership interest (%)		Paid-up capital		Cost method		Equity method		Impairment		At cost - net		Dividend income	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Jointly-controlled entities														
Direct holding														
Thai Cold Rolled Steel	50.15*	50.15	10,703,000	10,703,000	3,817,962	5,440,922	2,783,278	4,021,989	-	-	2,783,278	4,021,989	-	-
Sheet Public Company Limited														
Indirect holding														
Redcar Bulk Terminal Limited	50.00	50.00	GBP 26.5 million	GBP 26.5 million	767,624	767,624	715,918	661,325	-	-	715,918	661,325	-	-
<b>Total</b>					<b>4,585,586</b>	<b>6,208,546</b>	<b>3,499,196</b>	<b>4,683,314</b>	<b>-</b>	<b>-</b>	<b>3,499,196</b>	<b>4,683,314</b>	<b>-</b>	<b>-</b>

\* Includes shares held by the Company which will be disposed in February 2013 and presented as asset classified as held for sales.

Thai Cold Rolled Steel Public Company Limited and Redcar Bulk Terminal Limited were incorporated in Thailand and United Kingdom, respectively, and the reporting date is 31 December.

As at 31 December 2012 and 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 summarised 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:

Unit: Thousand Baht

Ownership interest (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Total revenues	Total expenses	Net profit (loss)
Jointly-controlled entities									
2012									
Thai Cold Rolled Steel Sheet Public Company Limited	1,572,120	5,837,659	7,409,779	1,792,563	728,335	2,520,898	7,370,321	7,425,901	(55,580)
Redcar Bulk Terminal Limited	276,274	646,828	923,102	124,353	85,701	210,054	474,697	420,105	54,592
<b>Total</b>	<b>1,848,394</b>	<b>6,484,487</b>	<b>8,332,881</b>	<b>1,916,916</b>	<b>814,036</b>	<b>2,730,952</b>	<b>7,845,018</b>	<b>7,846,006</b>	<b>(988)</b>
2011									
Thai Cold Rolled Steel Sheet Public Company Limited	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	154,428	878,160	1,032,588	96,389	103,561	199,950	281,127	387,425	(106,298)
<b>Total</b>	<b>1,759,366</b>	<b>6,269,012</b>	<b>8,028,378</b>	<b>2,170,816</b>	<b>1,002,935</b>	<b>3,173,751</b>	<b>7,051,368</b>	<b>7,180,983</b>	<b>(129,615)</b>

\* Includes shares held by the Company which will be disposed in February 2013 and presented as asset classified as held for sales.

Unit: Thousand Baht

### Separate financial statements

Type of business	Ownership interest (%)		Paid-up capital		Cost method		Impairment		At cost - net		Dividend income	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Production and distribution of cold rolled coils	50.15*	50.15	10,703,000	10,703,000	3,817,962	5,440,922	658,294	938,125	3,159,668	4,502,797	-	-
<b>Total</b>					<b>3,817,962</b>	<b>5,440,922</b>	<b>658,294</b>	<b>938,125</b>	<b>3,159,668</b>	<b>4,502,797</b>	<b>-</b>	<b>-</b>

\* Includes shares held by the Company which will be disposed in February 2013 and presented as asset classified as held for sales.



## Contingent liabilities and commitments relating to the jointly-controlled entity:

31 December

	2012	2011
Contingent liabilities directly incurred by the Group		
Group's share of the jointly-controlled entity's contingent liabilities	Baht 21 million and USD 2 million	Baht 22 million and USD 7 million
Capital commitments in relation to interest in jointly-controlled entity		
Group's share of the jointly-controlled entity according to		
- in capital commitments	Baht 32 million, USD 0.15 million and Yen 142 million	Baht 31 million, USD 0.5 million, Yen 165 million and Euro 0.03 million
- in non-cancellable operating lease commitments	Baht 15 million	Baht 14 million
- in raw materials purchases	Baht 31 million, USD 4 million and Yen 0.75 million	Baht 34 million and USD 4 million

## 11. Other long-term investment

Other long-term investment as at 31 December 2012 and 2011, and dividend income from this investment for the years then ended were as follows:

Unit: Thousand Baht

### Consolidated financial statements

	Ownership interest (%)		Paid-up capital		Cost method		Impairment		At cost - net		Dividend income	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Thai Coated Steel Sheet Company Limited	3.70	3.70	2,206,900	2,206,900	294,000	294,000	294,000	294,000	-	-	-	-
<b>Total</b>					<b>294,000</b>	<b>294,000</b>	<b>294,000</b>	<b>294,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Unit: Thousand Baht

### Separate financial statements

	Ownership interest (%)		Paid-up capital		Cost method		Impairment		At cost - net		Dividend income	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Thai Coated Steel Sheet Company Limited	3.70	3.70	2,206,900	2,206,900	294,000	294,000	294,000	294,000	-	-	-	-
<b>Total</b>					<b>294,000</b>	<b>294,000</b>	<b>294,000</b>	<b>294,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 12. Property, plant and equipment

Unit: Thousand Baht

### Consolidated financial statements

	Land and land improvement	Factory and office buildings	Machinery, tool and factory equipment	Office furniture, fixtures and equipment	Vehicles	Assets under construction and installation	Total
<b>Cost/revaluation</b>							
At 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
<b>At 31 December 2011</b>							
<b>and 1 January 2012</b>	<b>2,978,255</b>	<b>3,423,236</b>	<b>36,841,372</b>	<b>191,175</b>	<b>84,804</b>	<b>20,914,009</b>	<b>64,432,851</b>
Additions	-	1,113	611,906	10,976	6,301	4,773,211	5,403,507
Transfers	4,005	6,719	23,743,440	5,113	-	(23,759,277)	-
Disposals	(643)	(3,695)	(330,747)	(15,991)	(8,736)	-	(359,812)
Effect of movements							
in exchange rates	(43,288)	158,222	(1,307,349)	-	-	70,878	(1,121,537)
<b>At 31 December 2012</b>	<b>2,938,329</b>	<b>3,585,595</b>	<b>59,558,622</b>	<b>191,273</b>	<b>82,369</b>	<b>1,998,821</b>	<b>68,355,009</b>
<b>Depreciation and impairment losses</b>							
At 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
<b>At 31 December 2011</b>							
<b>and 1 January 2012</b>	<b>685,208</b>	<b>2,189,924</b>	<b>11,195,301</b>	<b>152,416</b>	<b>61,334</b>	<b>-</b>	<b>14,284,183</b>
Depreciation charge							
for the year	6,560	107,584	1,794,173	15,786	7,790	-	1,931,893
Depreciation on revaluation	146	57,000	311,115	-	-	-	368,261
Disposals	(643)	(1,660)	(37,902)	(13,821)	(8,211)	-	(62,237)
Effect of movements							
in exchange rates	-	(2,297)	(26,149)	-	-	-	(28,446)
<b>At 31 December 2012</b>	<b>691,271</b>	<b>2,350,551</b>	<b>13,236,538</b>	<b>154,381</b>	<b>60,913</b>	<b>-</b>	<b>16,493,654</b>

Unit: Thousand Baht

## Consolidated financial statements

	Land and land improvement	Factory and office buildings	Machinery, tool and factory equipment	Office furniture, fixtures and equipment	Vehicles	Assets under construction and installation	Total
<b>Net book value</b>							
<b>At 1 January 2011</b>							
Owned assets	1,012,897	1,121,032	18,021,257	40,315	9,077	68,143	20,272,721
Assets under finance leases and hire-purchases	-	-	10,629	191	9,076	-	19,896
	<b>1,012,897</b>	<b>1,121,032</b>	<b>18,031,886</b>	<b>40,506</b>	<b>18,153</b>	<b>68,143</b>	<b>20,292,617</b>
<b>At 31 December 2011 and 1 January 2012</b>							
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 and hire-purchases	-	-	19,407	116	14,669	-	34,192
	<b>2,293,047</b>	<b>1,233,312</b>	<b>25,646,071</b>	<b>38,759</b>	<b>23,470</b>	<b>20,914,009</b>	<b>50,148,668</b>
<b>At 31 December 2012</b>							
Owned assets	2,247,058	1,235,044	46,022,304	36,851	5,576	1,998,821	51,545,654
Assets under finance leases and hire-purchases	-	-	299,780	41	15,880	-	315,701
	<b>2,247,058</b>	<b>1,235,044</b>	<b>46,322,084</b>	<b>36,892</b>	<b>21,456</b>	<b>1,998,821</b>	<b>51,861,355</b>

Acquisitions, disposals and transfers of property, plant and equipment for the year ended 31 December 2011 had included assets acquired under the Acquisition as discussed in Note 4.

The gross amount of the Group's fully depreciated property, plant and equipment that was still in use as at

31 December 2012 amounted to Baht 839 million (2011: Baht 825 million).

Capitalised borrowing cost relating to the acquisition of assets amounted to Baht 52 million (2011: nil), with a capitalisation rate of 4.8 to 4.9% per annum (2011: not applicable).

Unit: Thousand Baht

**Separate financial statements**

	Land and land improvement	Factory and office buildings	Machinery, tool and factory equipment	Office furniture, fixtures and equipment	Vehicles	Assets under construction and installation	Total
<b>Cost/revaluation</b>							
At 1 January 2011	1,053,803	2,942,214	25,014,972	150,193	52,711	69,242	29,283,135
Addition	-	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)
<b>At 31 December 2011 and 1 January 2012</b>	<b>1,054,553</b>	<b>2,948,184</b>	<b>25,144,504</b>	<b>155,280</b>	<b>60,661</b>	<b>95,252</b>	<b>29,458,434</b>
Addition	-	942	46,412	6,548	4,396	138,226	196,524
Transfers	1,580	6,329	54,729	4,131	-	(66,769)	-
Disposals	-	-	(18,378)	(6,033)	(4,747)	-	(29,158)
<b>At 31 December 2012</b>	<b>1,056,133</b>	<b>2,955,455</b>	<b>25,227,267</b>	<b>159,926</b>	<b>60,310</b>	<b>166,709</b>	<b>29,625,800</b>
<b>Depreciation and impairment losses</b>							
At 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)
<b>At 31 December 2011 and 1 January 2012</b>	<b>375,217</b>	<b>2,105,055</b>	<b>9,298,735</b>	<b>124,404</b>	<b>41,445</b>	<b>-</b>	<b>11,944,856</b>
Depreciation charge for the year	3,219	92,096	498,920	12,180	6,215	-	612,630
Depreciation on revaluation	-	55,168	281,017	-	-	-	336,185
Disposals	-	-	(6,581)	(6,019)	(4,747)	-	(17,347)
<b>At 31 December 2012</b>	<b>378,436</b>	<b>2,252,319</b>	<b>10,072,091</b>	<b>130,565</b>	<b>42,913</b>	<b>-</b>	<b>12,876,324</b>

Unit: Thousand Baht

## Separate financial statements

	Land and land improvement	Factory and office buildings	Machinery, tool and factory equipment	Office furniture, fixtures and equipment	Vehicles	Assets under construction and installation	Total
<b>Net book value</b>							
<b>At 1 January 2011</b>							
Owned assets	689,410	987,320	16,308,240	33,856	6,612	69,242	18,094,680
Assets under hire-purchase	-	-	-	-	5,934	-	5,934
	<b>689,410</b>	<b>987,320</b>	<b>16,308,240</b>	<b>33,856</b>	<b>12,546</b>	<b>69,242</b>	<b>18,100,614</b>
<b>At 31 December 2011 and 1 January 2012</b>							
Owned assets	679,336	843,129	15,845,769	30,876	4,547	95,252	17,498,909
Assets under hire-purchase	-	-	-	-	14,669	-	14,669
	<b>679,336</b>	<b>843,129</b>	<b>15,845,769</b>	<b>30,876</b>	<b>19,216</b>	<b>95,252</b>	<b>17,513,578</b>
<b>At 31 December 2012</b>							
Owned assets	677,697	703,136	15,155,176	29,361	4,627	166,709	16,736,706
Assets under hire-purchase	-	-	-	-	12,770	-	12,770
	<b>677,697</b>	<b>703,136</b>	<b>15,155,176</b>	<b>29,361</b>	<b>17,397</b>	<b>166,709</b>	<b>16,749,476</b>

The gross amount of the Company's fully depreciated property, plant and equipment that was still in use as at 31 December 2012 amounted to Baht 624 million (2011: Baht 603 million).

In December 2012, the Group engaged an independent professional valuer to revalue its property, plant and equipment. At 31 December 2012, the Group is reviewing the result of the work performed by the valuer and may consider engaging other independent valuers to compare the reasonableness of the revalued amount.

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

	2012	2011	2012	2011
Decrease in profit for the years (in thousand Baht)	353,555	288,842	336,185	270,978
Decrease in earnings per share (Baht per share)	0.019	0.017	0.018	0.016

As at 31 December 2012, the Group have mortgaged/pledged assets amounting to approximately Baht 50,901 million (2011: Baht 49,225 million) (the Company: Baht 16,169 million (2011: Baht 16,994 million)) as collateral against bank overdrafts, short-term loans and long-term loans from financial institutions, as described in Note 14.

**13. Intangible assets**

Unit: Thousand Baht

**Consolidated financial statements**

	Computer software	Asset under installation	Total
<b>Cost</b>			
At 1 January 2011	86,956	-	86,956
Additions	4,163	-	4,163
<b>At 31 December 2011 and 1 January 2012</b>	<b>91,119</b>	<b>-</b>	<b>91,119</b>
Additions	14,626	33,803	48,429
Transfers	384	(384)	-
Effect of movements in exchange rates	-	(485)	(485)
<b>At 31 December 2012</b>	<b>106,129</b>	<b>32,934</b>	<b>139,063</b>
<b>Accumulated amortisation</b>			
At 1 January 2011	41,883	-	41,883
Amortisation charge for the year	9,015	-	9,015
<b>At 31 December 2011 and 1 January 2012</b>	<b>50,898</b>	<b>-</b>	<b>50,898</b>
Amortisation charge for the year	16,060	-	16,060
<b>At 31 December 2012</b>	<b>66,958</b>	<b>-</b>	<b>66,958</b>
<b>Net book value</b>			
At 1 January 2011	45,073	-	45,073
At 31 December 2011 and 1 January 2012	40,221	-	40,221
<b>At 31 December 2012</b>	<b>39,171</b>	<b>32,934</b>	<b>72,105</b>

Unit: Thousand Baht

**Separate financial statements**

	Computer software	Total
<b>Cost</b>		
At 1 January 2011	85,991	85,991
Additions	4,159	4,159
<b>At 31 December 2011 and 1 January 2012</b>	<b>90,150</b>	<b>90,150</b>
Additions	6,927	6,927
<b>At 31 December 2012</b>	<b>97,077</b>	<b>97,077</b>
<b>Accumulated amortisation</b>		
At 1 January 2011	41,335	41,335
Amortisation charge for the year	8,918	8,918
<b>At 31 December 2011 and 1 January 2012</b>	<b>50,253</b>	<b>50,253</b>
Amortisation charge for the year	9,787	9,787
<b>At 31 December 2012</b>	<b>60,040</b>	<b>60,040</b>
<b>Net book value</b>		
At 1 January 2011	44,656	44,656
At 31 December 2011 and 1 January 2012	39,897	39,897
<b>At 31 December 2012</b>	<b>37,037</b>	<b>37,037</b>

**14. Interest-bearing liabilities**

Unit: Thousand Baht

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Current</b>					
Short-term loans from financial institutions					
- secured		25,308,703	22,838,581	16,122,283	16,683,917
Short-term loans from related parties					
- unsecured	5	-	1,410,258	-	-
Current portion of long-term loans from financial institutions - secured		2,265,509	1,422,914	2,207,073	1,282,304
Current portion of finance lease liabilities		46,848	4,648	-	-
Current portion of liabilities under hire purchase agreements		4,966	5,589	3,963	4,738
<b>Total</b>		<b>27,626,026</b>	<b>25,681,990</b>	<b>18,333,319</b>	<b>17,970,959</b>
<b>Non-current</b>					
Long-term loans from financial institutions					
- secured		22,723,068	19,625,144	8,065,068	9,497,288
Subordinated convertible debentures	17	1,317,709	-	1,317,709	-
Finance lease liabilities		210,908	9,499	-	-
Liabilities under hire purchase agreements		3,407	6,011	2,655	5,144
<b>Total</b>		<b>24,255,092</b>	<b>19,640,654</b>	<b>9,385,432</b>	<b>9,502,432</b>
<b>Grand total</b>		<b>51,881,118</b>	<b>45,322,644</b>	<b>27,718,751</b>	<b>27,473,391</b>

The periods to maturity of interest-bearing liabilities, excluding finance lease liabilities and liabilities under hire purchase agreements, as at 31 December 2012 and 2011 were as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Within one year	27,574,212	25,671,753	18,329,356	17,966,221
After one year but within five years	23,459,425	14,960,982	8,854,271	6,863,589
After five years	581,352	4,664,162	528,506	2,633,699
<b>Total</b>	<b>51,614,989</b>	<b>45,296,897</b>	<b>27,712,133</b>	<b>27,463,509</b>



Secured interest-bearing liabilities as at 31 December 2012 and 2011 were secured on the following assets:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Property, plant and equipment	50,901,491	49,225,130	16,169,419	16,993,930
Investments in subsidiaries and jointly-controlled entity	24,517,194	12,916,877	23,801,276	12,255,552
Inventories	14,181,237	18,682,910	10,472,735	13,508,579
<b>Total</b>	<b>89,599,922</b>	<b>80,824,917</b>	<b>50,443,430</b>	<b>42,758,061</b>

As at 31 December 2012, the significant long-term loan agreements of the Group are detailed as follows:

#### 14.1 Company: Baht 23,900 million debt facility dated 24 February 2011

Facilities received	Main conditions/Other conditions
<p><b>Lenders:</b> 3 commercial banks</p> <p><b>Facility A:</b> Credit facility: Baht 6,200 million</p> <ul style="list-style-type: none"> <li>Baht term loan to partially-finance the acquisition purchase price, associated deal costs and general working capital purposes.</li> <li>Interest rate is based on MLR, 7 year tenor.</li> <li>First repayment 27 months after first draw-down (23 March 2011).</li> </ul> <p><b>Facility B:</b> Credit facility: Baht 5,700 million</p> <ul style="list-style-type: none"> <li>Baht term loan to refinance another facility provided by other commercial banks.</li> <li>Interest rate is based on MLR, 7 year tenor</li> <li>First repayment 3 months after first draw-down (16 March 2011).</li> </ul> <p><b>Facility C:</b> Credit facility: Baht 12,000 million</p> <ul style="list-style-type: none"> <li>Revolving facility to refinance amounts owed to other commercial banks and for general corporate purposes (subject to maximum short-term loans of Baht 2,000 million).</li> <li>Interest charged at lower of MLR or money market rate plus margin.</li> </ul>	<p><b>Main conditions</b></p> <ol style="list-style-type: none"> <li>Consolidated Debt to Equity ratio of below 2 : 1 for 2011 and 2012 (1.5 : 1 thereafter).</li> <li>Debt Service coverage ratio of at least 1.2 : 1. Testing conducted on a quarterly basis from 31 December 2011 onwards.</li> <li>Assets disposal, merger and acquisition and dividends payment.</li> </ol> <p><b>Other conditions</b></p> <ol style="list-style-type: none"> <li>Commitment fees as specified in the agreements.</li> <li>Maintaining shareholding structure, Public company status etc.</li> <li>Guaranteed by SSI UK.</li> </ol>

#### 14.2 SSI UK: USD 790 million debt facilities (amendment to the previous USD 600 million facility available in 2011)

Facilities received	Main conditions
<p><b>Lenders:</b> 3 commercial banks</p> <p><b>Facility A:</b> Credit facility: USD 250 million</p> <ul style="list-style-type: none"> <li>• USD Term loans to finance the acquisition purchase price and investment in Redcar Bulk Terminal Limited.</li> <li>• Repayable in 5-7 years, first repayment 27 months after first draw-down (24 March 2011).</li> </ul> <p><b>Facility B:</b> Credit facility: USD 150 million</p> <ul style="list-style-type: none"> <li>• USD term loan to finance capital expenditure and start-up costs.</li> <li>• Repayable in 7 years, first repayment 27 months after first draw-down of facility A (24 March 2011).</li> </ul> <p><b>Facility C:</b> Credit facility: USD 90 million</p> <ul style="list-style-type: none"> <li>• USD term loan to finance capital expenditure.</li> <li>• Repayable in 4 (C1) or 7 (C2) years, first repayment 27 months after first draw-down of facility A (24 March 2011).</li> </ul> <p><b>Revolving Facility 1:</b> Credit facility: USD 200 million</p> <ul style="list-style-type: none"> <li>• Revolving facility to pay first TCP Working Capital, L/C amounts in respect of capital expenditure and start up costs and general corporate purposes.</li> <li>• Repay each loan on the last day of its interest period.</li> </ul> <p><b>Revolving Facility 2:</b> Credit facility: USD 100 million</p> <ul style="list-style-type: none"> <li>• Revolving facility to general corporate purposes.</li> <li>• Repay each loan on the last day of its interest period.</li> <li>• Revolving facility has 6 months tenor after first draw-down (24 March 2011). The facility was subsequently extended until 30 September 2013.</li> </ul> <p>Interest on all facilities is payable at LIBOR + Margin</p>	<p><b>Main conditions</b></p> <ol style="list-style-type: none"> <li>1) Consolidated long term debt to EBITDA ratio of below 2.5 : 1 for 2013 (2.0 : 1 thereafter).</li> <li>2) Debt Service coverage ratio of at least 1.2 : 1 (for the period of 27 months following initial utilisation to final maturity for Facility A).</li> <li>3) Current asset/current liability ratio of at least 1 : 1 from 31 December 2011 onwards.</li> <li>4) Requirement for lenders to pre-authorise corporate mergers, acquisitions or changes in ownership.</li> <li>5) Commitment, cancellation and other fees applicable.</li> <li>6) All debt facilities guaranteed by the Company.</li> <li>7) Only additional Revolving Facility obtained in 2012 of USD 100 million is personal guaranteed by the president of SSI.</li> <li>8) Conditions subsequent include completing liquidity shortfall plan by 30 June 2012 and the Company injecting into SSI UK additional equity of at least USD 250 million by 31 July 2012.</li> </ol>

### 14.3 SSI UK: USD 125 million debt facility (amendment to the previous USD 50 million facility available in 2011)

Facilities received	Main conditions
<p><b>Lenders:</b> Sahaviriya Inter Steel Holding Co., Ltd.</p> <p><b>Facility:</b> Credit facility: USD 125 million</p> <ul style="list-style-type: none"> <li>• USD loan for the purposes of working capital for slab producing operations.</li> <li>• Repayable on or before 31 December 2012. Subsequently in January 2013, the credit facility has been extended to be provided until 30 January 2013.</li> <li>• Interest payable at 7.5% per annum</li> <li>• As at 31 December 2012, the amount available under this credit facility was USD 38.9 million.</li> </ul>	<p><b>Main conditions</b></p> <ol style="list-style-type: none"> <li>1) Subordinated Bridging Loan which repayment on the date on which SSI UK receives proceeds from the Company, according to the capital increase plan or consent from the Banks.</li> <li>2) No collateral</li> </ol>

### 14.4 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.

### 14.5 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 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.

As at 31 December 2012, the Group had unutilised credit facilities totalling Baht 294 million and USD 40 million and the Company had unutilised credit facilities totalling Baht 38 million (2011: Baht 475 million and USD 81 million for the Group and Baht 310 million for the Company).

The Company and SSI UK could not maintain financial covenant ratios committed to certain of its debt providers. However, these breaches of covenants as of 31 December 2012 were waived by creditors of the Company and SSI UK.

In addition, during the year ended 31 December 2012, the Company and SSI UK identified a need for additional working capital facilities to fund to operate the SSI Teesside plant. This need was driven by sluggish market conditions, the impact of severe flooding in the last quarter of 2011 and requests from certain working capital lenders not to extend short-term facilities upon their expiry and wide fluctuation of global commodity prices. In order to maintain Group liquidity and to comply with requests made by long-term lenders, the Company entered into negotiations with a group of working capital lenders ("the Working Capital Lenders") to defer repayment and maintain facilities into the future.

In August 2012, the Working Capital Lenders accepted these terms and a Memorandum of Understanding ("MOU") has been entered into with the Working Capital Lenders under which the Working Capital Lenders agree not to exercise any repayment demand or provide notice of mandatory prepayment, repayment or notice of acceleration, or exercise any similar rights until 14 November 2012, provided the Company complies with the terms and conditions of the MOU. The lenders, subsequently, agreed to extend the period of the said rights until 31 March 2013.

The outstanding short-term facilities provided by the Working Capital Lenders (and which are governed by the Memorandum of Understanding) as at 31 December 2012 amount to approximately Baht 3,315 million. The Company's total working capital facilities which are immediately drawable and available from other financial institutions amount to approximately Baht 12,000 million. In addition, the Company is currently engaged in further negotiations with two working capital lenders, as described in Note 32, who provide facilities amounting to Baht 1,255 million in order to reach agreement on acceptable repayment terms.

Movement of long-term loans from financial institutions during the year ended 31 December 2012 and 2011 were as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
At 1 January	21,048,058	6,351,638	10,779,593	5,996,850
Increase	4,980,387	22,079,996	-	11,790,830
Decrease	(688,301)	(7,007,599)	(546,972)	(6,864,575)
Increase in transaction cost	-	(488,006)	-	(180,500)
Amortisation of transaction cost	57,280	119,675	39,520	36,987
Effect of movements in exchange rates	(408,847)	(7,646)	-	-
<b>At 31 December</b>	<b>24,988,577</b>	<b>21,048,058</b>	<b>10,272,141</b>	<b>10,779,592</b>

As at 20 January 2012, the Company has provided SSI UK with a letter of continuing financial support until at least 12 months from 27 April 2012, which was the auditor's report date, as a general requirement of statutory financial statements.

## 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 2012 and 2011 were payable as follows:

Unit: Thousand Baht

### Consolidated financial statements

	2012			2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	66,750	14,935	51,815	11,386	1,149	10,237
After one year but within five years	236,717	22,402	214,315	16,569	1,059	15,510
<b>Total</b>	<b>303,467</b>	<b>37,337</b>	<b>266,130</b>	<b>27,955</b>	<b>2,208</b>	<b>25,747</b>

Unit: Thousand Baht

### Separate financial statements

	2012			2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Within one year	4,282	319	3,963	5,127	389	4,738
After one year but within five years	2,888	233	2,655	5,590	446	5,144
<b>Total</b>	<b>7,170</b>	<b>552</b>	<b>6,618</b>	<b>10,717</b>	<b>835</b>	<b>9,882</b>

The Group entered into the sale and lease back agreement for machinery and equipment with a company in 2012. Lease term is for a period of 5 years. The Group has paid the deposit to the lessor in the amount of Baht 41.4 million. This deposit is presented by offsetting with liabilities under financial lease contracts in the statement of financial position.

The net book value of machinery and equipment as at 31 December 2012 is Baht 267.2 million and the surplus from the sale which is higher than the carrying amount is Baht 19.4 million. This surplus is deferred and presented net under property, plant and equipment. Amortisation of such surplus presented offsetting with depreciation expenses in the statement of comprehensive income over the term of the lease.

The currency denomination of interest-bearing liabilities as at 31 December was as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Thai Baht	28,114,698	26,531,412	27,718,751	26,303,783
United States Dollars	23,766,420	18,791,232	-	1,169,608
<b>Total</b>	<b>51,881,118</b>	<b>45,322,644</b>	<b>27,718,751</b>	<b>27,473,391</b>

## 15. Trade accounts payable

Unit: Thousand Baht

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Related parties	5	2,088,064	9,537	2,122,999	34,816
Other parties		9,749,637	10,674,985	7,365,741	6,328,478
<b>Total</b>		<b>11,837,701</b>	<b>10,684,522</b>	<b>9,488,740</b>	<b>6,363,294</b>

The currency denomination of trade accounts payable as at 31 December was as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Thai Baht	553,491	330,356	528,553	317,187
United States Dollars	8,948,881	6,812,575	8,948,881	6,040,691
Pound Sterling	2,324,425	3,442,964	402	-
Euro	10,815	98,574	10,815	5,363
Others	89	53	89	53
<b>Total</b>	<b>11,837,701</b>	<b>10,684,522</b>	<b>9,488,740</b>	<b>6,363,294</b>

**16. Other current liabilities**

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Accrued expenses	3,613,917	545,934	89,860	78,309
Advances received from sales of goods	2,166,505	40,906	669,127	40,906
Accrued interest expenses	136,510	68,461	136,477	48,159
Other accounts payable	76,821	59,981	68,843	54,087
Others	68,939	36,094	44,249	16,909
<b>Total</b>	<b>6,062,692</b>	<b>751,376</b>	<b>1,008,556</b>	<b>238,370</b>

**17. Subordinated convertible debentures and convertible rights**

Movement during the year ended 31 December 2012 of the subordinated convertible debentures and convertible rights were as follows:

Unit: Thousand Baht

Consolidated/Separated financial statements						
	At 1 January 2012	Issuance	Amortisation charge for the year	Exercise of convertible debentures	Repurchase and cancellation	At 31 December 2012
<b>Debentures</b>						
Subordinated convertible debentures						
- Sahaviriya Inter Steel Holdings Limited (No. 1/2012)	-	1,644,531	-	(152,531)	-	1,492,000
- Minority (No. 1/2012)	-	5,469	-	(64)	-	5,405
- Vanomet AG (No. 2/2012)	-	600,000	-	-	(600,000)	-
	-	2,250,000	-	(152,595)	(600,000)	1,497,405
Less Convertible rights of subordinated debentures	-	(311,091)	-	18,283	113,490	(179,318)
Less Deferred expenses for issued of subordinated debentures	-	(1,045)	310	-	357	(378)
<b>Net</b>	-	<b>1,937,864</b>	<b>310</b>	<b>(134,312)</b>	<b>(486,153)</b>	<b>1,317,709</b>
Convertible rights of subordinated debentures	-	311,091	-	(18,283)	(113,490)	179,318

At the Extraordinary 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 million. For the detail as follows:

**The Company's existing shareholders are to be offered**

- Up to Baht 1,650 million of convertible debentures at the ratio of 1,000 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 (Board of Directors' meeting held on 26 April 2012, the Board approved to postpone the exercise period from 30 December 2011 to be 30 June 2012).

- 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.

- Conversion price is Baht 1 per share.

If the Company's existing 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.

On 23 May 2012, the convertible debentures in amount of Baht 1,650 million (No. 1/2012 due in 2015) were offered and issued to existing shareholders. Also, on 5 June 2012, the convertible debentures in amount of Baht 600 million (No. 2/2012 due in 2017) were offered and issued to specific investors. Total proceed of Baht 2,250 million has been used to subscribe newly issued ordinary shares in SSI UK.

On 29 June 2012, two holders of Convertible Debentures No. 1/2012 declared their intention to exercise their conversion right to convert the Convertible Debentures in an aggregate principal amount of 152,595 units or Baht 152.60 million, which was subsequently converted to be the Company's ordinary shares in July 2012. The Company registered the increase of its paid-up capital with the Ministry of Commerce on 4 July 2012.

The Extraordinary General Meeting of Shareholders held on 11 October 2012, the shareholder approved to repurchase and cancel its outstanding convertible debentures. Subsequently on 24 December 2012, the Company has repurchased and cancelled its outstanding convertible debenture from Vanomet AG, which is a subsidiary of the Company's shareholder, at net price of Baht 835.94 per unit, totalling Baht 501.6 million. The gain on repurchase and cancellation of convertible debentures (difference between repurchase price and the outstanding value) of Baht 98.1 million is presented separately in equity as it was treated as equity distribution from shareholders.



**18. Employee benefit obligations**

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Statement of financial position</b>				
<b>Statement of financial position obligations for:</b>				
Statutory severance pay	128,243	114,513	92,991	82,332
Other long-term employee benefits	20,863	18,815	14,642	13,138
<b>Total</b>	<b>149,106</b>	<b>133,328</b>	<b>107,633</b>	<b>95,470</b>
<b>Year ended 31 December</b>				
<b>Statement of comprehensive income:</b>				
<b>Recognised in profit or loss:</b>				
Statutory severance pay	15,198	14,209	11,124	10,173
Other long-term employee benefits	2,948	2,316	1,774	1,578
<b>Total</b>	<b>18,146</b>	<b>16,525</b>	<b>12,898</b>	<b>11,751</b>

The Group adopt TAS 19 - Employee Benefits with effect from 1 January 2011. The Group opted to apply the new standard retrospectively and adjust the prior year's financial statements accordingly.

**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 for the year ended 31 December 2012 and 2011 was shown in the table below:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Defined benefit obligations at 1 January	133,328	119,905	95,470	86,299
Benefits paid by the plan	(2,368)	(3,102)	(735)	(2,580)
Current service costs and interest	18,146	16,525	12,898	11,751
<b>Defined benefit obligations at 31 December</b>	<b>149,106</b>	<b>133,328</b>	<b>107,633</b>	<b>95,470</b>

Expense recognised in profit or loss for the year ended 31 December 2012 and 2011 were as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Current service costs	13,450	12,396	9,469	8,727
Interest on obligation	4,696	4,129	3,429	3,024
<b>Total</b>	<b>18,146</b>	<b>16,525</b>	<b>12,898</b>	<b>11,751</b>

The expense is recognised in the following line items in the statement of comprehensive income for the year ended 31 December 2012 and 2011 as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cost of sales	10,666	9,708	6,607	6,004
Selling expenses	624	565	586	531
Administrative expenses	6,856	6,252	5,705	5,216
<b>Total</b>	<b>18,146</b>	<b>16,525</b>	<b>12,898</b>	<b>11,751</b>

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

Unit: %

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Discount rate	3.5	3.5	3.5	3.5
Future salary increases	5.5 - 6.5	5.5 - 6.5	5.5	5.5

Assumptions regarding future mortality are based on published statistics and mortality tables.

## 19. Share capital

	Par value per share	2012		2011	
		Number	Baht	Number	Baht
	(Baht)	(Thousand Shares / Thousand Baht)			
<b>Authorised</b>					
At 1 January					
- ordinary shares	1	20,434,108	20,434,108	13,101,500	13,101,500
Reduction	1	(2,250,000)	(2,250,000)	(157,904)	(157,904)
Increase of new shares	1	21,683,671	21,683,671	7,490,512	7,490,512
<b>At 31 December</b>					
- ordinary shares	1	39,867,779	39,867,779	20,434,108	20,434,108
<b>Issued and paid-up</b>					
At 1 January					
- ordinary shares	1	18,184,108	18,184,108	13,101,280	13,101,280
Increase of new shares	1	8,896,522	8,896,522	5,082,828	5,082,828
<b>At 31 December</b>					
- ordinary shares	1	27,080,630	27,080,630	18,184,108	18,184,108
<b>Share discount</b>					
At 1 January					
- ordinary shares		18,184,108	1,238,242	13,101,280	2,171,280
Increase of new shares		8,896,522	2,811,933	5,082,828	(933,038)
<b>At 31 December</b>					
- ordinary shares		27,080,630	4,050,175	18,184,108	1,238,242

### 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 decreased 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 Baht 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.

At the Extraordinary General Meeting of Shareholders held on 8 June 2012, the shareholders passed the following resolutions:

a) Decrease the Company's registered share capital by cancelling 2,250,000,000 unissued registered shares with a par value of Baht 1 per share. The capital reduction decreased the Company's registered share capital from Baht 20,434,108,235 to Baht 18,184,108,235.

b) Increase the Company's registered share capital by Baht 9,523,643,293 from Baht 18,184,108,235 to Baht 27,707,751,528 by creating additional 9,523,643,293 ordinary shares with a par value of Baht 1 per share, by issuing 2,250,000,000 newly issued shares to accommodate the conversion of the convertible debentures and 7,273,643,293 shares capital increase to the existing shareholders and private placement.

c) The Company allocated the 7,273,643,293 newly created ordinary shares with a par value of Baht 1 per share to the existing shareholders (5,455,232,470 shares) and by private placement to specific investors who were not connected persons of the Company (1,818,410,823 shares).

The Company registered the decrease and increase of its registered share capital and its paid-up capital with the Ministry of Commerce on 12 and 13 June 2012.

At the Extraordinary General Meeting of Shareholders held on 11 October 2012, the shareholders passed the following resolutions:

a) Decrease the Company's registered share capital by cancelling 7,273,643,293 unissued registered shares with a par value of Baht 1 per share. The capital reduction decreased the Company's registered share capital from Baht 27,707,751,528 to Baht 20,434,108,235.

b) Increase the Company's registered share capital by Baht 19,433,670,324 from Baht 20,434,108,235 to Baht 39,867,778,559 by creating additional 19,433,670,324 ordinary shares with a par value of Baht 1 per share to be offered to existing shareholders according to their shareholding proportion, through private placement and to the Company's major shareholder in order to honor its commitment with the strategic investor according to the Memorandum of Understanding discussed in Note 2.

The Company registered the decrease and increase of its registered share capital and its latest paid-up capital with the Ministry of Commerce during October to December 2012.

As at 31 December 2012, 12,287,148,329 shares with a par value of Baht 1 per share or of approximately Baht 12,287 million are outstanding for further fund raising from the Company's business partners and its private placement. For which 350,705,883 shares has been received subsequently on 8 February 2013 as detailed in Note 33.

## 20. Reserves

### Legal reserve

Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("Legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

### Other components of equity

#### *Currency translation differences*

- The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation.

#### *Valuation surplus*

- The valuation surplus account within equity comprises the cumulative net change in the valuation of property, plant and equipment included in the financial statements at valuation until such property, plant and equipment is sold or otherwise disposed of.

#### *Movements in reserves*

- Movements in reserves are shown in the statements of changes in equity.

## 21. Segment reporting

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

Unit: Thousand Baht

	Manufacture of hot rolled coils		Maintenance services		Deep-sea port services		Coke manufacturing and steel making plants		Elimination of inter-segment revenues		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue from external customers	48,469,806	37,699,487	277,031	204,051	168,992	134,987	11,688,048	9,936,166	-	-	60,603,877	47,974,691
Inter-segment revenue	-	-	409,439	420,475	203,386	144,901	23,275,855	-	(23,888,680)	(565,376)	-	-
Reportable segment profit (loss) before income tax	(1,654,542)	(443,883)	61,773	39,245	160,901	109,399	(14,817,673)	(1,119,234)	(191,273)	(52,784)	(16,440,814)	(1,467,257)
Reportable segment assets	66,843,114	58,185,645	420,330	386,171	2,206,140	1,972,475	44,381,547	39,770,487	(25,331,201)	(13,951,122)	88,519,930	86,363,656

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2010.

## 22. Selling expenses

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Distribution expenses	289,481	189,983	289,481	190,919
Employee benefit expenses	23,666	20,576	20,205	20,271
Commission expenses	-	1,259	-	1,259
Others	23,475	2,135	12,148	1,542
<b>Total</b>	<b>336,622</b>	<b>213,953</b>	<b>321,834</b>	<b>213,991</b>

## 23. Administrative expenses

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Taxes and other fees	392,442	147,456	10	10
Insurance premium expenses	391,660	293,276	1,256	619
Professional fee	316,194	321,293	31,421	32,060
Employee benefit expenses	166,678	147,938	152,837	108,646
Travelling expenses	97,490	87,710	83,663	85,761
Training expenses	46,148	88,061	1,855	2,431
Loss on sales of raw materials	40,394	18,471	40,394	18,471
Rental and utility expenses	34,495	108,292	19,453	22,002
Depreciation and amortisation expenses	25,236	17,968	18,975	16,811
Advertisement and public relation expenses	13,626	13,395	13,268	13,323
Loss on written-off assets	12,784	13,455	12,784	13,455
Supplies	1,985	2,450	1,024	507
Others	42,927	378,098	31,904	26,249
<b>Total</b>	<b>1,582,059</b>	<b>1,637,863</b>	<b>408,844</b>	<b>340,345</b>

## 24. Employee benefit expenses

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Management</b>				
Wages and salaries	128,580	98,228	42,168	53,263
Defined benefit plans	6,396	3,418	2,419	2,651
Post employment benefit plan	1,952	1,769	1,533	1,392
Long-term employee benefits	34	32	23	22
	<b>136,962</b>	<b>103,447</b>	<b>46,143</b>	<b>57,328</b>
<b>Other employees</b>				
Wages and salaries	3,988,508	1,831,790	464,679	410,578
Defined benefit plans	225,226	28,208	23,162	20,162
Post employment benefit plan	13,596	12,440	9,591	8,781
Long-term employee benefits	2,564	2,284	1,750	1,556
	<b>4,229,894</b>	<b>1,874,722</b>	<b>499,182</b>	<b>441,077</b>
<b>Total</b>	<b>4,366,856</b>	<b>1,978,169</b>	<b>545,325</b>	<b>498,405</b>

### 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	
	2012	2011	2012	2011
Changes in inventories of finished goods and work in progress	2,081,572	739,492	2,115,390	(254,857)
Raw materials and consumables used	54,960,650	41,072,987	43,677,974	33,742,744
Loss on decline in value of inventories (reversal)	(692,941)	1,083,527	(296,919)	415,401
Employee benefit expenses	4,229,894	1,874,722	499,182	441,077
Maintenance expenses	3,083,646	655,346	312,060	346,190
Fuel oil and electrical expenses	2,230,685	1,039,436	878,329	666,823
Depreciation and amortisation expenses	1,947,951	955,754	622,417	512,406
Transportation expenses	1,505,487	801,944	289,481	190,919
Professional fee	590,840	321,549	35,441	32,316
Minimum lease payments recognised as an operating lease expenses	31,118	40,400	17,221	20,178
Advertising and public relation expenses	22,160	25,425	21,671	25,353
Others	3,806,700	2,879,284	396,191	326,102
<b>Total cost of sales of goods and cost of rendering of services, selling expenses and administrative expenses</b>	<b>73,797,762</b>	<b>51,489,866</b>	<b>48,568,438</b>	<b>36,464,652</b>

## 26. Finance costs

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Interest expenses	3,832,482	1,949,223	2,044,654	1,300,946
Bank charges	50,209	240,936	21,338	136,069
Loss on interest rate swap agreements	43,553	19,749	43,553	19,749
<b>Total</b>	<b>3,926,244</b>	<b>2,209,908</b>	<b>2,109,545</b>	<b>1,456,764</b>



## 27. Income tax expense

### Income tax recognised in profit or loss

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Current tax expense</b>				
Current year	22,843	13,306	-	-
Recognition of tax obligations arising from the assets valuation and adjustment of income tax rate of foreign subsidiary	(623,753)	(551,897)	-	-
<b>Total income tax benefit</b>	<b>(600,910)</b>	<b>(538,591)</b>	<b>-</b>	<b>-</b>

#### Income tax reduction

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

No current tax expense in the separate statement of income and the current tax expenses in the consolidated statement of income is less than the amount determined by applying the corporation tax rate to the accounting profit for the year principally because:

(a) a significant portion of the Group's profit was derived from promoted activities for which are not subject to tax;

(b) unutilised tax losses brought forward from the previous year have been utilised during the year to set-off against the current year's tax charge;

(c) of the different treatment for accounting and taxation purposes of certain items of expenses in particular; and

(d) losses suffered by certain subsidiaries cannot be set-off against the profits of other subsidiaries for tax purposes.

## 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) the manufacture of hot rolled coils and hot rolled pickled and oiled coils (2) the provision of marine shipping services (3) the provision of high-powered tug boat services (4) the 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 payment of 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 from the date on which the income is first derived from such operations (13 May 2004);

(d) exemption from payment of income tax on net income from the provision of marine shipping services, for a period of 8 years from the date on which the income is first derived from such operations (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 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 privilege also includes an exemption from payment of import duty on machinery approved by the Board;

(e) exemption from payment of income tax on net income from the provision of high-powered tug boat services, for a period of 8 years from the date on which the income is first derived from such operations (4 July 2012) 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 income tax exempted thus must not exceed Baht 300 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; and

(f) exemption from payment of 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 from the date on which the income is first derived from such operations, 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 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.

As promoted companies, the Group must comply with certain terms and conditions prescribed in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses:

Unit: Thousand Baht

### Consolidated financial statements

	2012			2011		
	Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total
Export sales and services	-	35,205,804	35,205,804	580,933	134,779	715,712
Local sales and services	14,704,038	34,582,715	49,286,753	33,750,690	14,073,665	47,824,355
Eliminations	(174,291)	(23,714,389)	(23,888,680)	(128,351)	(437,025)	(565,376)
<b>Total Revenue</b>	<b>14,529,747</b>	<b>46,074,130</b>	<b>60,603,877</b>	<b>34,203,272</b>	<b>13,771,419</b>	<b>47,974,691</b>

Unit: Thousand Baht

### Separate financial statements

	2012			2011		
	Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total
Export sales	-	215,877	215,877	580,933	68,596	649,529
Local sales and services	14,437,403	33,816,526	48,253,929	33,528,850	3,521,108	37,049,958
<b>Total Revenue</b>	<b>14,437,403</b>	<b>34,032,403</b>	<b>48,469,806</b>	<b>34,109,783</b>	<b>3,589,704</b>	<b>37,699,487</b>

## 29. Basic/diluted loss per share

The calculations of basic/diluted loss per share for the years ended 31 December 2012 and 2011 were based on the loss for the years attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

Unit: Thousand Baht / Thousand Shares

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Loss attributable to ordinary shareholders of the Company (basic)	(15,902,845)	(980,773)	(1,654,542)	(443,883)
Number of ordinary shares outstanding at 1 January	18,184,108	13,101,280	18,184,108	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
Effect of shares issued on 4 July 2012	75,464	-	75,464	-
Effect of shares issued on 7 November 2012	340,792	-	340,792	-
Effect of shares issued on 21 November 2012	285,495	-	285,495	-
Effect of shares issued on 29 November 2012	61,050	-	61,050	-
Effect of shares issued on 3 December 2012	60,097	-	60,097	-
Effect of shares issued on 24 December 2012	54,470	-	54,470	-
Weighted average number of ordinary shares outstanding (basic)	19,061,476	17,396,563	19,061,476	17,396,563
Loss per share (basic) (in Baht)	(0.83)	(0.06)	(0.09)	(0.03)

The incremental shares from assumed conversions are not included in calculating the diluted per-share amounts because the control number (loss from continuing operations attributable to ordinary equity holders of the parent entity adjusted for interest expense of the convertible bonds) was negative (loss rather than profit).

## 30. Financial instruments

### 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 14). 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:

Unit: Thousand Baht

**Consolidated financial statements**

	Effective interest rate (% per annum)	Within 1 year	After 1 year but within 5 years	After 5 years	Total
<b>2012</b>					
<b>Current</b>					
Short-term loans from financial institutions	3.95 - 18.00	25,308,703	-	-	25,308,703
Long-term loans from financial institutions-current portion	5.88 - 7.13	2,265,509	-	-	2,265,509
Finance lease liabilities - current portion	5.63 - 6.25	46,848	-	-	46,848
Hire purchase liabilities - current portion	2.10 - 3.60	4,966	-	-	4,966
<b>Non-current</b>					
Long-term loans from financial institutions	6.13 - 7.13	-	22,141,716	581,352	22,723,068
Subordinated convertible debentures	3.00	-	1,317,709	-	1,317,709
Finance lease liabilities	5.63 - 6.25	-	210,908	-	210,908
Hire purchase liabilities	2.10 - 3.60	-	3,407	-	3,407
<b>Total</b>		<b>27,626,026</b>	<b>23,673,740</b>	<b>581,352</b>	<b>51,881,118</b>
<b>2011</b>					
<b>Current</b>					
Short-term loans from financial institutions	2.26 - 7.05	22,838,581	-	-	22,838,581
Short-term loans from related parties	7.50	1,410,258	-	-	1,410,258
Long-term loans from financial institutions-current portion	5.20 - 7.25	1,422,914	-	-	1,422,914
Finance lease liabilities - current portion	5.38 - 6.76	4,648	-	-	4,648
Hire purchase liabilities - current portion	2.10 - 3.60	5,589	-	-	5,589
<b>Non-current</b>					
Long-term loans from financial institutions	5.20 - 7.25	-	14,960,982	4,664,162	19,625,144
Finance lease liabilities	5.38 - 6.76	-	9,499	-	9,499
Hire purchase liabilities	2.10 - 3.60	-	6,011	-	6,011
<b>Total</b>		<b>25,681,990</b>	<b>14,976,492</b>	<b>4,664,162</b>	<b>45,322,644</b>

Unit: Thousand Baht

## Separate financial statements

	Effective interest rate (% per annum)	Within 1 year	After 1 year but within 5 years	After 5 years	Total
<b>2012</b>					
<b>Current</b>					
Short-term loans from financial institutions	3.95 - 18.00	16,122,283	-	-	16,122,283
Long-term loans from financial institutions-current portion	6.13 - 7.13	2,207,073	-	-	2,207,073
Hire purchase liabilities - current portion	2.10 - 3.60	3,963	-	-	3,963
<b>Non-current</b>					
Long-term loans from financial institutions	6.13 - 7.13	-	7,536,562	528,506	8,065,068
Subordinated convertible debentures	3.00	-	1,317,709	-	1,317,709
Hire purchase liabilities	2.10 - 3.60	-	2,655	-	2,655
<b>Total</b>		<b>18,333,319</b>	<b>8,856,926</b>	<b>528,506</b>	<b>27,718,751</b>
<b>2011</b>					
<b>Current</b>					
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
Hire purchase liabilities - current portion	2.10 - 3.60	4,738	-	-	4,738
<b>Non-current</b>					
Long-term loans from financial institutions	5.62 - 7.25	-	6,863,589	2,633,699	9,497,288
Hire purchase liabilities	2.10 - 3.60	-	5,144	-	5,144
<b>Total</b>		<b>17,970,959</b>	<b>6,868,733</b>	<b>2,633,699</b>	<b>27,473,391</b>

### Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases which are denominated in foreign currencies. The Group primarily utilises 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:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>United States Dollars</b>				
Cash and cash equivalents	122,648	5,349	-	-
Trade accounts receivable	795,759	1,596,569	-	-
Interest-bearing liabilities	(23,766,420)	(18,791,232)	-	(1,169,608)
Trade accounts payable	(8,948,881)	(6,812,575)	(8,948,881)	(6,040,691)
<b>Gross balance sheet exposure</b>	<b>(31,796,894)</b>	<b>(24,001,889)</b>	<b>(8,948,881)</b>	<b>(7,210,299)</b>
Forward purchase contracts	3,595,735	-	3,595,735	-
<b>Net exposure</b>	<b>(28,201,159)</b>	<b>(24,001,889)</b>	<b>(5,353,146)</b>	<b>(7,210,299)</b>
<b>Pound Sterling</b>				
Cash and cash equivalents	3,880	55,681	-	-
Trade accounts receivable	1,346,055	662,273	-	-
Trade accounts payable	(2,324,425)	(3,442,964)	(402)	-
<b>Gross balance sheet exposure</b>	<b>(974,490)</b>	<b>(2,725,010)</b>	<b>(402)</b>	<b>-</b>
Forward purchase contracts	-	-	-	-
<b>Net exposure</b>	<b>(974,490)</b>	<b>(2,725,010)</b>	<b>(402)</b>	<b>-</b>
<b>Euro</b>				
Cash and cash equivalents	63	19,438	-	-
Trade accounts receivable	41,998	28,741	-	-
Trade accounts payable	(10,815)	(98,574)	(10,815)	(5,363)
<b>Gross balance sheet exposure</b>	<b>31,246</b>	<b>(50,395)</b>	<b>(10,815)</b>	<b>(5,363)</b>
Forward purchase contracts	-	-	-	-
<b>Net exposure</b>	<b>31,246</b>	<b>(50,395)</b>	<b>(10,815)</b>	<b>(5,363)</b>

### 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, the fair value of financial assets and liabilities, together with the carrying values shown in the statement of financial position at 31 December were as follows:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	Fair value	Carrying value	Fair value	Carrying value
<b>2012</b>				
<b>Current</b>				
Interest rate swaps - liabilities	516,585	590,538	516,585	590,538
Forward exchange contracts - liabilities	3,591,416	3,595,735	3,591,416	3,595,735
<b>Total</b>	<b>4,108,001</b>	<b>4,186,273</b>	<b>4,108,001</b>	<b>4,186,273</b>
<b>2011</b>				
<b>Current</b>				
Interest rate swaps - liabilities	1,064,523	1,000,462	1,064,523	1,000,462
<b>Total</b>	<b>1,064,523</b>	<b>1,000,462</b>	<b>1,064,523</b>	<b>1,000,462</b>

### 31. Commitments with non-related parties

Unit: Million Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Capital commitments</b>				
Contracted but not provided for				
Machinery and equipment	512	3,767	300	55
<b>Total</b>	<b>512</b>	<b>3,767</b>	<b>300</b>	<b>55</b>

As at 31 December 2012, the Group had capital commitment of Baht 35.6 million, USD 10.9 million, GBP 0.8 million and EUR 2.5 million in relation to the acquisition and installation of machinery and equipments.

As at 31 December 2012, the Company had capital commitment of Baht 35.4 million, USD 4 million, GBP 0.8 million, and EUR 2.5 million in relation to the acquisition and installation of machinery and equipment.

Unit: Million Baht

## Consolidated financial statements    Separate financial statements

	2012	2011	2012	2011
<b>Non-cancellable operating lease commitments</b>				
Within one year	71	16	5	11
After one year but within five years	19	5	2	3
<b>Total</b>	<b>90</b>	<b>21</b>	<b>7</b>	<b>14</b>
<b>Other commitments</b>				
Raw materials purchases	10,261	24,266	1,298	6,674
Letters of credit	521	1	300	1
Bank guarantees	149	140	110	110
Other agreements	2,149	1,688	2,147	1,679
<b>Total</b>	<b>13,080</b>	<b>26,095</b>	<b>3,855</b>	<b>8,464</b>

As at 31 December 2012, the Group had raw material purchase commitments amounting to USD 297.0 million (2011: USD 762.3 million).

As at 31 December 2012, the Company had raw material purchase commitments amounting to USD 42.2 million (2011: USD 209.7 million).

As at 31 December 2012, the Group had commitments to banks under outstanding letters of credit amounting to Baht 299.8 million and GBP 4.5 million (2011: USD 0.02 million).

As at 31 December 2012, the Company had commitments to banks under outstanding letters of credit amounting to Baht 299.8 million (2011: USD 0.02 million).

As at 31 December 2012, 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:

- against losses from the legal action being taken by the Royal Forest Department described amounting to Baht 3.9 million (2011: 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 (2011: Baht 11.0 million)
- contractual performance amounting to Baht 21 million and GBP 0.07 million, EUR 0.05 million and AUD 0.01 million (2011: Baht 10.8 million, GBP 0.09 million, EUR 0.05 million and AUD 0.03 million)
- electricity usage of Baht 104.5 million (2011: Baht 106.4 million).

As at 31 December 2012, 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 (2011: Baht 3.9 million); to guarantee electricity usage of Baht 104.5 million (2011: Baht 104.5 million).

As at 31 December 2012, the Group had other commitments in relation to purchase spare parts and equipment supplies, and to obtain maintenance services amounting to Baht 1,750.2 million, USD 2.8 million, EUR 6.4 million, GBP 0.1 million and JPY 125.1 million (2011: Baht 1,449.8 million, USD 3.7 million and EUR 2.9 million).

As at 31 December 2012, the Company had other commitments in relation to purchase spare parts and equipment supplies, and to obtain maintenance services amounting to Baht 1,748.3 million, USD 2.8 million, EUR 6.4 million, GBP 0.1 million and JPY 125.1 million (2011: Baht 1,441.0 million, USD 3.7 million and EUR 2.9 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. The guarantee in relation to radioactive source permit have a value of 25,000 pounds.

## 32. Contingent liabilities and contingent assets

### Contingent liabilities

As at 31 December 2012 and 2011, the Group was liable to banks in respect to the following guarantees:

Unit: Thousand Baht

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Electricity supply	105,652	106,372	104,452	104,452
Performance guarantees	20,736	17,481	-	-
Others	22,333	16,479	5,085	5,479
<b>Total</b>	<b>148,721</b>	<b>140,332</b>	<b>109,537</b>	<b>109,931</b>

### Dispute

On 9 July 2010, the Prachuabkirkhan 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 Prachuabkirkhan 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, Prachuabkirkhan 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.

3) On 17 August 2012, a civil lawsuit has been filed by a financial institution against the Company at the Central Intellectual Property and International Trade Court ("CIPITC") regarding the breach of repayment of Letter of Credits and Trust Receipts agreements which issued by the said financial institution. At that date, the said financial institution requested the Company to repay the principal loan including interest amounting to approximately Baht 964 million.

On 23 August 2012, a civil lawsuit has been filed by a financial institution against the Company at the Bangkok South Civil Court (the "Court") regarding the breach of repayment of 2 promissory notes. The said financial institution requested the Company to repay principle and interest amounting to Baht 322 million, together with interest at default interest rate applied on the Baht 300 million principal loan amount from the date this case was filed until the Company paid the claims, fee and lawyer fees.

The above 2 court cases are in the process of court consideration, which has not been finalised.

## 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. Events after the reporting period

1) On 1 February 2013, the Company has completed the sales of a portion of its shareholding in TCR to JFE and MISI and received the proceeds of USD 50 million (equivalent to approximately Baht 1,568.25 million). After completion of the transaction, the Company's shareholding in TCR decreases 35.19%. Respectively, the Company has used such proceeds of approximately USD 50 million to additionally invest in SSI UK by subscribing for the newly issued ordinary shares.

2) On 8 February 2013, the Company allocated 350,705,883 newly issued ordinary shares, at a par value of Baht 1 per share, under the private placement scheme. The Company has registered its paid-up share capital with the Ministry of Commerce on 11 February 2013.

### 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
TFRS 8	Operating Segments	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 carryforward of unused tax losses. Currently, the Group 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 2012 and 2011 will be adjusted accordingly. Management estimates that the impact on the statement of financial position as at 31 December 2012 and 2011 will be as follows:

Unit: Million Baht

#### Consolidated financial statements    Separate financial statements

	2012	2011	2012	2011
<b>Statement of financial position</b>				
Estimated changes as a result of the adoption retrospectively of TAS 12 - Income taxes:				
Increase in deferred tax assets	326	320	322	317
Increase in deferred tax liabilities	1,276	1,363	1,209	1,289
Decrease in revaluation surplus	(1,125)	(1,197)	(1,089)	(1,157)
Increase in retained earnings	206	188	202	185
Decrease in shareholders' equity	(919)	(1,009)	(887)	(972)
Decrease in non-controlling interests	(31)	(34)	-	-

The impact on the statements of comprehensive income for 2013 and subsequent periods is not presently determinable.

### 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 Group's reported assets, liabilities or retained earnings.

### TFRS 8 - Operating segments

The principal change introduced by TFRS 8 is the introduction of the concept of presenting operating segments based on the information that internally is provided to the Company's chief operating decision maker. Since the change in accounting policy only impacts disclosure aspects, there is no impact on the Group's financial statements.





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