



Management's Discussion and Analysis (MD&A)

Sahaviriya Steel Industries Public Company Limited, its Subsidiaries and Jointly-Controlled Entities

For the Third Quarter of 2011

1. Third Quarter 2011 Highlight

- Lost-Time Injury Frequency Rate of 1.7, decreased 22% QoQ and 35.1% YoY
- Sale and service revenues of Baht 13,439 million, increased 41% QoQ and 16% YoY, and the second highest quarterly revenue after Q1/2010
- Recorded Baht 5,271 million gain on acquisition of Teesside Cast Products
- First steel producer in Thailand to reach 25,000,000 tons of steel production
- HRC shipment of 414 k tons, increased 25% QoQ and decreased 22% YoY
- Premium Value Product ratio increased to 41% from 32% in Q2/2011
- Coke sales of 220 k tons, increased 424% QoQ
- HRC spread of USD 118/ton, increased 15% QoQ and 111% YoY
- HRC EBITDA/ton at USD 17.8/ton, increased 185% QoQ and 10% YoY
- Net loss Baht 2,965 million, increased in net loss from net loss of 1,072 million in Q2/2011 and decreased from net profit of Baht 18 million in Q3/2010
- Group EBITDA before restatement at Baht 3,170 million, increased 995% QoQ and 657% YoY
- NET Debt* Baht 39,809 million, increased 11% QoQ
- SSI UK Restart Project advancing; slab production to start on 6 January 2012
- PPC Shore Crane Project kicked off with Baht 300 million investment, expected to commission in April 2012
- Final determination in HRC dumping case from China/Malaysia and Provisional AD duty on boron-added HRC from China

Note: *Net Debt = Interest Bearing Debt – Cash and cash equivalents

Table 1: Financial Highlight of the Company, its Subsidiaries and Jointly-Controlled Entities

Consolidated	million Baht	Separate Financial Statements	EBITDA/Ton (Baht)	EBITDA (million Baht)
Sale and service Revenues	13,439	Sahaviriya Steel Industries PLC. (Hot Rolled Steel Coil)	516	214
Group EBITDA*	3,170	Thai Cold Rolled Steel Sheet PLC. (Cold Rolled Steel Coil)	2,785	312
Net Profit(Loss)	(2,965)	Prachuap Port Co., Ltd (Deep Sea Port)	-	35
EPS (Baht)	(0.17)	West Coast Engineering Co., Ltd (Engineering and Maintenance Service)	-	16
D/E Ratio**	1.49x	Sahaviriya Steel Industries UK Limited (Iron and Steel Making)	-	2,793

* EBITDA = Earning Before Interest, Tax, Depreciation and Amortization Expenses (calculated from net profit before restatement of fair value adjustment)

** D/E Ratio = Interest Bearing Debt/Equities

*** TCR is accounted for under equity method and not included in Group EBITDA

2. Business results in Q3/2011

Economic and Industry Landscape in Q3/2011

Despite Eurozone crisis and global economic uncertainty, the 3rd quarter saw iron ore price (Indian Fe-63% CFR North China) rose from USD 175/ton in early July to a peak of USD 190/ton in early September, before settling at USD 175/ton in end September. This was on the back of China maintaining record daily crude steel production of 1.9-2.0 million tons throughout the whole of Q3/2011, and the surge of dry bulk capesize freight rate in the same period. While, in the same period, premium hard coking coal (Australia fob Queensland port) softened from USD 310/ton to USD 270/ton (from a peak of USD 340/ton caused by the flood in Australia earlier this year). This cost push resulted in steel price remaining firm throughout Q3/2011, despite weaker demand in Europe.

Thailand economy recovered from the Great East Japan Earthquake supply chain disruption and also received a sentimental boost post election victory by the Phue Thai Party with its pro-growth stance. Average monthly automobile production resumed to 150,000 units. The new government started to roll out a number of election campaign policies such as Minimum Wage, First Home, First Car, etc. – all designed to stimulate consumption and would drive steel consumption growth going forward.

Q3 Results and Industrial Plan

SSI's 2-prong strategy to "innovate premium value products" and "integrate world class businesses" had been intensely tested in Q2/2011, and had persevered by showing results in Q3/2011, albeit in small steps. From Q2/2011 to Q3/2011, HRC sales recovered from 330 k tons to 414 k tons, with Premium Value Products ratio recovering from 32% to 41% respectively. Similarly, Coke sales rose from 42 k tons to 220 k tons, as SSI UK established its market position as a premium-grade coke supplier in the North Atlantic, in a relatively short time post-acquisition at end Q1/2011. SSI achieved second highest consolidated quarterly revenue of Baht 13,439 million in Q3/2011 from Q1/2010 which generated Baht 13,865 million.

HRC Business HRC spread returned to normal level at USD 118/ton. EBITDA/ton has shown recovery to USD 17.8/ton, but still below long-term level of USD 50/ton due to low production level, unrealized foreign exchange loss and NRV provision to reflect softer pricing environment in end Q3/2011.

Iron and Steel Making Business Operations were dominated by the coke business which included coke sales and toll manufacturing of coke product and other by products. The business generated net loss of Baht 2,783 million which resulted from 1) operational expenses of Baht 3,476 million and 2) non-operational expenses of about Baht 1,200 million (consisted of provision for decline in value of inventories of approximately Baht 450 million and expenses relating to non-operating assets of Baht 750 million), 3) SG&A of about Baht 920 million which included a one-off professional fee in Q3/2011 of Baht 120 million, and 4) interest expense of Baht 196 million. Iron and Steel Making Business recorded EBITDA before restatement of fair value adjustment of Baht 2,793 million due to Baht 5,271 million gain booked from business acquisition.

3. Performance of the Company, its Subsidiaries and Jointly-Controlled Entities

Table 2: Summary of Consolidated Financial Results

Unit: million Baht	2011		+/-	2010	+/-	2011	2010	+/-
	Q 3	Q 2	QoQ	Q 3	YoY	Jan-Sep	Jan-Sep	YoY
Sale and service revenues	13,439	9,511	+41%	11,598	+16%	34,967	37,350	-6%
COGS	14,614	9,509	+54%	11,341	+29%	34,973	33,952	+3%
SG&A	1,068	583	+83%	257	+316%	1,968	755	+161%
Provision for loss under onerous contracts	129	(96)	+234%	(68)	+290%	129	0	N.A.
Gain on business acquisition	5,271	0	N.A.	0	N.A.	5,271	0	N.A.
EBITDA	3,170	(354)	+995%	419	+657%	3,391	3,638	-7%
Interest expense	561	512	+10%	211	+166%	1,293	624	+107%
Depreciation and amortization	301	203	+48%	189	+59%	694	604	+15%
Income tax	2	3	-33%	1	+100%	9	19	-53%
Realized FX gain (loss)	121	34	+256%	75	61%	(21)	211	-110%
Unrealized FX gain (loss)	(197)	101	-295%	21	-1,038%	(197)	21	-1,038%
Net profit (loss)	(2,965)	(1,072)	-177%	18	N.A.	1,395	2,391	-42%
EPS (Baht)	(0.17)	(0.06)	-183%	0.00	N.A.	0.08	0.18	-56%

Note: *EBITDA for 3Q/2011 calculated from net profit before restatement of fair value adjustment

Table 3: Financial Results by Business

Unit: million Baht	2011		+/-	2010	+/-	2011	2010	+/-
	Q 3	Q 2	QoQ	Q 3	YoY	Jan-Sep	Jan-Sep	YoY
<i>Sale & Service Revenue</i>								
Consolidated	13,439	9,511	+41%	11,598	+16%	34,967	37,350	-6%
HRC Business	10,373	7,734	+34%	11,522	-10%	30,052	37,122	-19%
Deep Sea Port Business	28	32	-13%	41	-32%	96	140	-31%
Engineering & Maintenance Service Business	45	68	-34%	34	+32%	149	87	+71%
Iron and Steel Making Business	2,994	1,677	+79%	0	N.A.	4,670	0	N.A.

Unit: million Baht	2011		+/-	2010	+/-	2011	2010	+/-
	Q 3	Q 2	QoQ	Q 3	YoY	Jan-Sep	Jan-Sep	YoY
<i>EBITDA</i>								
Consolidated	3,170	(354)	+995%	419	+657%	3,391	3,638	-7%
HRC Business	214	57	+275%	264	-19%	1,178	3,214	-63%
Deep Sea Port Business	35	48	-27%	59	-41%	135	224	-40%
Engineering & Maintenance Service Business	16	20	20%	27	-41%	58	84	-31%
Iron and Steel Making Business	2,793	(347)	+904%	0	N.A.	2,051	0	N.A.
Elimination of Related Parties Transaction	112	(132)		69		(31)	116	
<i>Profit/(Loss)</i>								
Consolidated	(2,965)	(1,072)	-177%	18	N.A.	1,395	2,391	-42%
HRC Business	(270)	(391)	+31%	(99)	-173%	(119)	2,097	-106%
Deep Sea Port Business	9	22	-59%	35	-74%	59	135	-56%
Engineering & Maintenance Service Business	4	7	-43%	11	-64%	21	35	-40%
Iron and Steel Making Business	(2,783)	(620)	-349%	0	N.A.	1,464	0	N.A.
Elimination of Related Parties Transaction	83	(79)		89		5	190	
Non-Controlling Interest	(8)	(11)		(19)		(35)	(65)	

Note: *EBITDA for 3Q/2011 calculated from net profit before restatement of fair value adjustment
TCR and Redcar Bulk Terminal Ltd recorded under equity method

Table 4: Performance Highlight of Sahaviriya Steel Industries PLC.

Unit: USD/Ton	2011		+/-	2010	+/-	2011	2010	+/-
	Q 3	Q 2	QoQ	Q 3	YoY	Jan-Sep	Jan-Sep	YoY
Average Selling Price	807	761	+6%	674	+20%	766	645	+19%
Average Selling Cost	786	753	+4%	694	+13%	727	593	+23%
HRC Spread	118	103	+15%	56	+111%	129	119	+8%
HRC EBITDA	17.8	6.2	+187%	16.2	+10%	30.8	56.2	-45%
Sales Volume ('000 Tons)	414	330	+25%	533	-22%	1,268	1,762	-28%
Production Volume ('000 Tons)	371	280	+33%	520	-29%	1,188	1,757	-32%

Explanation of the Company and its subsidiaries' operating results for 3Q/2011

Revenue

The Company and its subsidiaries recorded a total sale and service revenues of Baht 13,439 million, increased of 41% QoQ and 16% YoY, with the core revenue driven by:

HRC Business recorded 414 k tons sale with average selling price of Baht 24,504/ton (approximately USD 807/ton), increased 6% QoQ and 20% YoY. Ratio of Premium Value Product to total sales increased to 41%. HRC and scrap sale revenue totaled Baht 10,373 million:

- Increasing 34% QoQ as a result of 25% increase in sales volume following the announcement of provisional AD duty and the recovery in auto industry and as a result of an increase in average selling price of USD 46/ton or 6% QoQ in line with global market price.
- Decreasing 10% YoY as a result of 22% decrease in sales volume in spite of an increase in the average selling price by USD 133/ton or 20% YoY. While the market has recovered from its low point in Q2/2011, it was not yet back to the normal level when compared to Q3/2010.

Iron and Steel Making Business was still in the process of preparation for the restart of slabs production. Without revenue from sales of slabs, the core revenues were from coke operation, with coke sales of 220 k tons. Total revenue from coke sales, tolling of coke production, by-products and other revenues totaled Baht 2,994 million, an increase of 79% QoQ.

Deep Sea Port Business recorded service revenue of Baht 28 million, 13% lower QoQ and 32% YoY due to lower total throughput.

Engineering and Maintenance Service Business recorded service revenue of Baht 45 million, a decrease 34% QoQ as a result of more sophisticated on-going projects and lower projects completion but an increase of 32% YoY due to increasing revenue from foreign clients compared to last year.

COGS

The Company and its subsidiaries recorded COGS of Baht 14,614 million, 54% increase QoQ and 29% YoY

HRC Business recorded total COGS of Baht 9,917 million comprising of COGS of Baht 9,980 million and reversal for decline in value of inventory totaling Baht 63 million.

- Increasing 29% QoQ due to 25% increase in sales volume and an increase in cost per ton of USD 33/ton or 4% QoQ, reflecting higher raw material cost in spite of lower production cost per ton as a result of higher production volume compared to Q2/2011.
- Decreasing 13% YoY due to 22% decrease in sales volume and an increase in cost per ton of USD 92/ton or 13% increase YoY compared to Q3/2010 in which production cost was lower due to higher production volume.

Iron and Steel Making Business recorded COGS of Baht 4,676 million and increase of Baht 2,839 million from Q2/2011. The aforementioned amount comprised of an operational expenses of Baht 3,476 million and non operational expenses of about Baht 1,200 million which included 1) provision for decline in value of inventories of approximately Baht 450 million and 2) expenses relating to non-operating assets of Baht 750 million.

Gross Profit

The Company and its subsidiaries recorded gross loss of Baht 1,175 million, decrease from gross profit of Baht 2 million and net profit of Baht 256 million in Q2/2011 and Q3/2010, respectively.

HRC Business recorded gross profit of Baht 456 million

- Increasing 637% QoQ due to higher HRC spread of USD 118/ton increasing from to USD 103/ton or 15% increase QoQ, and from reversal of decline in value of inventories of Baht 63 million.
- Increasing 159% YoY due to higher HRC spread of USD 118/ton increasing from USD 56/ton or 111% increase YoY, and from reversal of decline in value of inventories of Baht 63 million.

Iron and Steel Making Business recorded gross loss of Baht 1,683 million, increasing from gross loss of Baht 160 million in Q2/2011. Such loss resulted from expenses relating to non-operating assets and provision for decline in value of inventories.

Selling and Administrative Expense (SG&A)

The Company and its subsidiaries recorded Baht 1,068 million, increasing 83% QoQ and 316% YoY

HRC Business recorded SG&A of Baht 124 million

- Decreasing 29% QoQ due to a decrease in administrative expense from Baht 129 million in Q2/2011 to Baht 77 million from lower professional fees on the acquisition transaction.
- Decreasing 47% YoY due to a decrease in selling expense from Baht 127 million in Q3/2010 to Baht 47 million due sales volume which decreased 22% YoY.

Iron and Steel Making Business recorded SG&A of Baht 920 million, increasing from Baht 326 million in Q2/2011 which of those amount included one-off professional fee of Baht 120 million in Q3/2011.

Provision for loss under onerous contracts The Company and its subsidiaries recorded provision for loss under onerous contracts of Baht 129 million, increasing 234% QoQ and 290% YoY, relating to HRC business to reflect softer current steel price.

EBITDA

The Company and its subsidiaries recorded EBITDA before restatement of fair value adjustment of Baht 3,170 million, increasing 995% QoQ and 657% YoY .

HRC Business recorded a total EBITDA of Baht 214 million or equivalent to HRC EBITDA of USD 17.8/ton (approximately Baht 516/ton).

- Increasing 275% QoQ due to HRC EBITDA/ton increased by 187% QoQ
- Decreasing 19% YoY due to lower sales volume in spite of 10% increase in HRC EBITDA/ton YoY

Iron and Steel Making Business recorded EBITDA before restatement of fair value adjustment of Baht 2,793 million as a result of Baht 5,271 million gain on business acquisition. Excluding the fair value adjustment, EBITDA would be negative Baht 2,478 million as the business has yet started steel-making production and high fixed costs and selling and administrative expenses accrued on the non-operating assets.

Interest Expense

The Company and its subsidiaries recorded interest expenses of Baht 561 million, increasing 10% QoQ and 166% YoY

HRC Business recorded interest expense of Baht 361 million

- Increasing 5% QoQ due to increasing short term loan used for raw materials procurement and as a result of increasing interest rate.
- Increasing 76% YoY due to increasing short term loan used for raw materials procurement and increase in long term loan for the acquisition and as a result of increasing interest rate.

Iron and Steel Making Business recorded interest expenses of Baht 196 million, increasing 20% QoQ. The key drivers were the increases in amount outstanding under the bridging loan and the long term loan from financial institution for SSI UK Restart Project.

Others

The Company and its subsidiaries recorded profit before minority interest of Baht 2,373 million and recorded its share of profit from jointly controlled entities of Baht 57 million, increasing from Baht 0.4 million in Q2/2011 and decreasing 33% YoY. Share of profit from jointly controlled entities was mainly attributed to Cold Rolled Coil business

Cold Rolled Coil Business with shipment volume of 112 k tons, recorded sale revenue of Baht 3,505 million, decreasing 0.1% QoQ and 21% YoY. Net profit was at Baht 139 million, an increase of 439% QoQ as a result of higher selling price and the reversal of decline in value of inventories of Baht 28 million, and an increase of 6% YoY from the reversal of decline in value of inventories.

Profit/(Loss)

The Company and its subsidiaries recorded net loss of Baht 2,965 million, increase in loss from net loss of Baht 1,072 million in Q2/2011 and decrease from net profit of Baht 18 million Q3/2010. Loss was mainly attributed to the following.

HRC Business recorded a loss of Baht 270 million (included realized gain on FX of Baht 73 million and unrealized loss on FX of Baht 183 million)

- Decreasing loss of 31% QoQ from net loss of Baht 391 million in Q2/2011
- Increasing loss of 173% YoY from net loss of Baht 99 million in Q3/2010

Iron and Steel Making Business recorded net loss of Baht 2,783 million, loss increasing by 349% QoQ as the business has yet started operation while fixed costs and other expenses relating to the non-operating assets were incurred.

Explanation of the Company and its subsidiaries' operating results for nine months (January-September 2011)

Revenue

The Company and its subsidiaries recorded a total sale and service revenues of Baht 34,967 million, 6% lower YoY, due to decreasing revenue in HRC business of Baht 7,070 million which was partly offset an increase of Baht 4,670 million revenue from Iron and Steel Making business.

HRC Business recorded 1.27 million tons sale with average selling price of Baht 23,344/ton (approximately USD 766/ton). The HRC and scrap sale revenue were recorded at Baht 30,052 million, decreased 19% YoY due to 28% lower sales volume. Premium Value Product share was 39% of total sales.

Iron and Steel Making Business was still in the process of preparation for the restart of slabs production. Without revenue from sales of slabs, the core revenue were from 262 k tons of coke sales. Total revenue from coke sales, tolling of coke production, by-products and other revenues totaled Baht 4,670 million.

Deep Sea Port Business recorded service revenue of Baht 96 million, 31% lower YoY due to volatility in steel industry.

Engineering and Maintenance Service Business recorded service revenue of Baht 149 million, an increase 71% YoY, due to increasing revenue from foreign clients.

COGS

The Company and its subsidiaries recorded COGS of Baht 34,973 million, 3% increase YoY

HRC Business recorded COGS of Baht 28,402 million, decreasing 17% YoY due to lower sales volume. COGS comprised of COGS for HRC of Baht 28,060 million and for scrap of Baht 332 million and provision for decline in value of inventories of Baht 10 million. Average HRC cost was USD 727/ton increasing from USD 593/ton YoY, mainly attributable to higher raw material cost.

Iron and Steel Making Business recorded COGS of Baht 6,513 million which included provision for decline in value of inventories of Baht 450 million.

Gross Profit

The Company and its subsidiaries recorded gross loss of Baht 6 million, decrease from gross profit of Baht 3,398 million from the same period last year.

HRC Business recorded gross profit of Baht 1,651 million, decreasing 47% YoY due to lower sales volume on the back of volatility in steel industry while HRC spread of USD 129/ton was 8% higher YoY.

Iron and Steel Making Business recorded a gross loss of Baht 1,843 million as a result of expenses relating to non-operating assets and provision for decline in value of inventories.

Selling and Administrative Expense (SG&A)

The Company and its subsidiaries recorded Baht 1,968 million of SG&A, increasing 176% YoY.

HRC Business recorded SG&A of Baht 463 million, decreasing 33% YoY due to the decrease in selling expenses from Baht 436 million to Baht 183 million from 28% YoY decrease in sales volume.

Iron and Steel Making Business recorded SG&A of Baht 1,438 million, which included expenses relating to other non-operating assets and acquisition transaction expenses of Baht 322 million.

Provision for loss under onerous contracts The Company and its subsidiaries recorded provision for loss under onerous contracts of Baht 129 million relating to HRC business to reflect softer current steel price.

EBITDA

The Company and its subsidiaries recorded EBITDA of Baht 3,391 million, decreasing 7% YoY .

HRC Business recorded EBITDA of Baht 1,178 million or HRC EBITDA/ton of Baht 929, a decrease 63% YoY.

Iron and Steel Making Business recorded EBITDA before restatement of fair value adjustment of Baht 2,051 million as a result of Baht 5,271 million gain on business acquisition. Excluding the fair value adjustment, EBITDA would be negative Baht 3,220 million as the business has yet started steel-making production and high fixed costs and selling and administrative expenses accrued on the non-operating assets.

Interest Expense

The Company and its subsidiaries recorded interest expenses of Baht 1,293 million, increasing 114% YoY.

HRC Business recorded interest expense of Baht 909 million, increasing 50% YoY due to increase in short term loan used for raw materials procurement, increase in long term loan for the acquisition and as a result of increasing interest rate during 2011.

Iron and Steel Making Business recorded interest expenses of Baht 370 million accrued on the short term loan used for raw materials procurement, the bridging loan and the long term loan from financial institutions for the acquisition of steel-making facilities and SSI UK Restart Project.

Others

The Company and its subsidiaries recorded profit before minority interest of Baht 1,477 million and recorded its share of loss from jointly controlled entities of Baht 38 million, decreasing 118% YoY due to the decrease in investment value in Redcar Bulk Terminal of Baht 112 million offsetting the profit contributed from Cold Rolled Coil business

Cold Rolled Coil Business with shipment volume of 366 k tons, recorded sale revenue of Baht 11,017 million, decreasing 24% YoY. Net profit was Baht 293 million, decreasing 54% YoY as a result of lower domestic selling price and higher production cost.

Profit/(Loss)

The Company and its subsidiaries recorded net profit of Baht 1,395 million, decreasing 42% YoY.

HRC business recorded net loss of Baht 119 million decreasing 106% YoY which included realized FX loss of Baht 40 million and unrealized FX loss of Baht 183 million.

Iron and Steel Making business recorded net profit of Baht 1,464 million due to gain on business acquisition as mentioned above.

4. Consolidated Financial Status

Table 5: Condensed Consolidated Statements of Financial Position

Unit: million Baht	Q3/2011	Q2/2011	+/- QoQ
Assets			
Account Receivable	3,781	3,892	-3%
Inventories	24,380	21,779	+12%
Other Current Assets	1,849	2,218	-17%
Total Current Assets	30,010	27,890	+8%
Property, Plant and Equipment	47,024	34,192	+38%
Other Non-Current Assets	4,846	4,906	-1%
Total Assets	81,880	66,987	+22%
Liabilities			
S/T Debt and Current Portion of L/T Interest Bearing Debt	22,288	19,344	+15%
Account Payable	8,686	4,293	+102%
Other Current Liabilities	617	530	+16%
Total Current Liabilities	31,591	24,167	+31%
L/T Interest Bearing Debt	18,144	17,906	+1%
Other Non Current Liabilities	4,941	125	+3,853%
Total Liabilities	54,676	42,198	+30%
Equity			
Equity Attribute to Equity Owners of the Company	26,365	23,955	+10%
Non-Controlling Interests	839	835	+0.5%
Total Equity	27,204	24,789	+10%
Total Liabilities and Equity	81,880	66,987	+22%

Consolidated Financial Position as of 30 September 2011

Current Ratio was at 0.95x, decreasing QoQ from 1.15x as a result of the increase of 31% QoQ in current liabilities whereas current assets increased by just 8% QoQ. Short-term borrowings increased by 9% QoQ while trade payable increased by 102% QoQ, both being used to fund purchases of raw materials. In addition, the short-term Subordinated Bridging Loan from the Company's shareholders was drawn to fund the SSI UK Restart Project in the interim period until the planned convertible debentures is actually issued and the proceed from which will be injected as equity into SSI UK. Lastly, amounts not yet due for payment to contractors and

suppliers relating to the SSI UK Restart Project also contributed to the increase current liabilities. These payments are intended to be paid with proceeds from drawings under long-term loan which have been secured for this purpose.

Trade and Notes Receivable totaled Baht 3,781 million, decreased by 3% QoQ. There is no bad-debt write-off or additional provision for the quarter.

Inventory amounted to Baht 24,380 million, an increase of 12% QoQ and comprises Baht 11,280 million of raw materials (slabs, coking coal and coke), Baht 7,146 million of raw materials in transit (slabs), Baht 4,225 million of finished goods and work-in-process, and Baht 2,415 million of tools and spare parts. A total of Baht 687 million of allowance for decline in value has been taken against the inventories as of the end of the quarter. Overall increase in inventory is a result of increase in purchases of raw materials in Q3/2011. Inventory level at Q2/2011 was abnormally low, hence the increase in purchases in Q3/2011.

Fair Value Adjustment on the Acquired Business was recorded by SSI UK in Q3/2011 to reflect the fair value of assets acquired and liabilities assumed from the Teesside Cast Products acquisition. The resulting gain was recorded in Q3/11 with retroactive adjustment to restate previous quarters as if fair value adjustment had been taken on the transaction date. A net gain on business acquisition of USD 174 million (equivalent to approximately Baht 5,271 million) resulted from recording the increased in value of property, plant and equipment by Baht 10,981 million and from recording provisions and other liabilities relating to the acquired business. The recording of fair value together with additional investment of Baht 1,851 million in fixed assets resulted in a total increase of Baht 12,832 million or 38% QoQ, bringing the total property, plant and equipment to Baht 47,024 million. Deferred tax liabilities, environmental liabilities and other obligations relating to the fair value adjustment largely contributed to the Baht 4,941 or 3,853% QoQ increase in other non-current liabilities.

Liabilities and Liquidity Management Total liabilities amounted to Baht 54,676 million, an increase of 30% QoQ, the majority of which is from bank borrowings. The Company and its subsidiaries had a combined total Baht 48,925 million available under existing loan facilities while total outstanding borrowings amounted to Baht 39,037 million, consisting of Baht 19,357 million in short-term debt mainly used to fund purchases of raw materials, Baht 1,540 million of current portion of long-term loans and Baht 18,140 million under long-term loans. Total borrowings increased by Baht 1,627 million QoQ, mainly from SSI UK receiving interim funding under a subordinated shareholders' loan to support part of the additional investment in SSI UK's Optimized Restart Project. The subordinated shareholders' loan provided an interim financing pending the issuance of the USD 50 million convertible debentures by the Company. The remaining balance of USD 90 million required for the Optimized Restart Project will be funded by an additional bank loan facility, which will have a 2-year grace period and quarterly installments over a period of 4 to 7 years.

Interest Bearing Debt to Equity Ratio Total equity was at Baht 27,204 million while interest bearing debt stood at Baht 40,433 million. Interest bearing debt to equity ratio for the period-end was 1.49x compared to 1.50x in Q2/2011. The improvement resulted from the recording of gain on business acquisition offsetting the increase in borrowings.

5. Ongoing Projects

Project	Capacity / Particulars	Budgeted Capital Expenditure	Target Key Milestone date
SSI UK Restart Project	3.6 mtpa slab production	USD290 million	<ul style="list-style-type: none">▪ Production expected start in January 2012▪ PCI to start by Q4/2012▪ Fully complete by March 2013
PPC Shore Crane	Able to support up to 70,000 dwt Panamax-class or larger vessels	USD10 million	<ul style="list-style-type: none">▪ Expected to be commissioned in April 2012

SSI UK Restart Project The project to reinstate the assets and restart iron and steel-making at the Sahaviriya Steel Teesside facility, forecast as a total spend over 2 years (April 2011-March 2013) of USD 290 million, is progressing well with USD 132 million committed as Q3/2011, of which USD 42 million has been paid. The target restart date has been changed to 6 January 2012, due to some additional remedial work on the blast furnace that has been identified.

Slab output for 2012 is forecast at 3.3 million tons, with a ramp-up to an annualised rate of 3.6mtpa by Q4 2012. The pulverised coal injection facility, which will deliver significant cost savings associated with coke rate and furnace fuel, will be operational by Q4 2012.

PPC Shore Crane Project The Company has started the investment in procurement of two 100-ton shore cranes. The signing ceremony is expected in November 2011. Target date for commissioning is April 2012. The shore cranes will enable highly efficient loading or discharge of steel slabs and other products with Panamax-class or larger vessels, which are usually without vessel cranes.

In the first step, when the cranes are commissioned, by using larger vessel with size of more than 70,000 dwt, the Company expects to save freight cost by USD 7.5/ton (based on current freight rate). In the second step, when both operations run stably in Q4/2012, it will enable a constant flow of steel slabs in a transparent pipeline to Thailand, which will improve SSI's inventory management and reduce its working capital requirement.

6. Recent Development

Anti-Dumping against Imported HRC

The Ministry of Commerce announced a final determination in HRC dumping cases by imposing anti-dumping duties of 30.91% on import of HRC from China and 23.57% - 42.51% on import from Malaysia for a period of 5-year starting 12 August 2011. In addition, from 20 August to 17 November 2011, importers are required to place bonds as security for the provisional anti-dumping duties of 19.47% imposed on boron-added HRC imported from China. Temporary measures are being sought while the determination is forthcoming.

Corporate Governance

- The Company appointed Mr. Somchai Sakulsurarat, currently independent director and deputy chairman of the Board of Director, additionally as the Chairman of the Good Corporate Governance with effect from 20 October 2011.
- PPC appointed Mr. Taweesak Senanarong as the Chairman of PPC's Board of Directors with effect from 1 October 2011.
- WCE appointed Mr. Kamol Juntima as the Chairman of WCE's Board of Directors with effect from 1 October 2011.

Organizational Change

The Board approved the appointment of Mr. Win Viriyaprapaikit, the President, as the Group CEO as an additional position and also the replacement of Executive Board with the Management Committee which comprises the Group CEO and the executives from business lines and subsidiaries with effect from 1 September 2011. The Management Committee will be responsible for management and operation of the Company under the policies set by the Board of Directors.

ASME - U, S, R and PP Stamp

Engineering & Maintenance Service Business obtained ASME - U, S, R and PP Stamp certifications in October 2011. These certifications would enable WCE to pursue new business opportunities in designing, fabricating and repairing pressure vessels, steam boilers, and high pressure pipes. With the widened market, domestically and internationally, WCE will start penetrating this high value engineering business to enhance its revenue growth and profitability.

7. Outlook and Guidance

October saw a month-long crash in iron ore price, as Eurozone crisis intensified and as Chinese government's measures to curb inflation and property bubble took effect. From early October to end October, as China daily crude steel production dropped from 2.0 million tons to 1.5 million tons, iron ore price (Indian Fe-63% CFR North China) dropped from USD 175/ton to USD 120/ton and premium hard coking coal (Australia fob Queensland port) softened from USD 270/ton to USD 240/ton. This concurrently led to an equivalent drop in steel price globally.

This correction has since bottomed out and iron ore price has firmed up to circa USD 130/ton while premium hard coking coal remained firm (as of 10 November 2011). Steel price has also shown similar trend to iron ore price.

Domestically, Thailand's flood situation exacerbated in October. Central Thailand has been severely flooded, with major transportation network incapacitated and seven industrial estates in central Thailand inundated. The Nikkei newspaper reported a Japanese research findings that a total of 215 plants in Thailand affiliated with 139 Japanese listed firms have been damaged by flooding. Of the damaged plants, 173 were forced to suspend operations and seven have altered their production schedules. Among the suspended plants, 95 became waterlogged, while 41 shut down to ensure the safety of the workers and 28 were instructed to evacuate. At least 96 unlisted Japanese companies were operating in seven industrial parks that were particularly damaged by the deluge.

Though our production assets are safely in the southern part and unaffected by the flood, steel demand is weak as production bases for electronic and automotive parts producers are severely

affected. Bank of Thailand forecasts a negative GDP growth in Q4/2011 and has lowered 2011 GDP growth from 4.1% to 2.6%. Q4/2011 steel consumption is forecasted to drop by 50%.

Despite the near-term challenges, we remain positive on the longer-term outlook. Economic and industrial activity is expected to resume gradually post flood and more vigorously in Q1/2012 as the government budget to rebuild infrastructure and rehabilitate industries kick in. We expect a robust demand for our products in the medium and long term.

We will continue to focus on the execution of our core growth project. In Q4/2011, SSI UK Restart Project will see all the engineering works completed and all assets under commissioning stage. In Q1/2012, slab production will start and will contribute significantly to our revenue growth and business strength.

This management's discussion and analysis ("MD&A") for the third quarter of year 2011 has been prepared to provide preliminary information for general investors and shareholders of the Company. This MD&A comprises several parts which contain the current information of the Company, its Subsidiaries and Jointly-Controlled Entities as of 14 November 2011. However, the businesses and operations of the Company are subject to change, or an event may occur after the date of this MD&A which will affect the information contained therein. General investors and shareholders should consider other information together with the information contained herein.

Some information contained in this MD&A is based on forecasts, estimations or future expectations. Any information not based on events that have already occurred, or information based on beliefs and forecasts of the Company, can be identified with wordings "believe", "expect", "hope", "plan", "intend", "estimate", "assess" and other words of similar nature. Readers are requested to be particularly cautious when relying on information, which is based on future forecast, as such information is inherently subject to risks and uncertainties