Management's Discussion and Analysis (MD&A)

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

For the Fourth Quarter of 2011 and year 2011

1. Fourth Quarter 2011 Highlight

- **Lost-Time Injury Frequency Rate (LTIFR) of 1.97, increased 14% QoQ while decreased 32% YoY.**
- **Sale and service revenues of Baht 13,008 million, decreased 3% QoQ and increased 21% YoY.**
- **HRC shipment of 303 k tons, decreased 27% QoQ and 37% YoY, resulting from Thailand Flood.**
- **Premium Value Products ratio decreased to 38% from 41% in Q3/2011.**
- **HRC spread of USD 132/ton, increased 12% QoQ and 18% YoY.**
- **HRC EBITDA/ton at USD 23.6/ton, increased 33% QoQ and decreased 26% YoY.**
- **Coke sales of 418 k tons, increased 87% QoQ better than expectation.**
- **Negative COKE Spread of USD 7.5/ton, decreased 526% QoQ.**
- **Negative COKE EBITDA of USD 65.9/ton, dropped 44% QoQ.**
- **Negative Group EBITDA of Baht 1,986 million, decreased 163% QoQ and 554% YoY.**
- **Net loss of Baht 2,376 million, decreased in loss from net loss of 2,965 million in Q3/2011 and decreased from net profit of Baht 55 million in Q4/2010.**
- **NET Debt* of Baht 45,155 million, increased 13% QoQ.**
- **Received SET Awards 2011 for "Outstanding Corporate Social Responsibility" on 22 December 2011.**
- **SSI UK Restart Project advancing; slab production to start within Q1/2012.**
- **PPC signed contract on 14 December 2011 for PPC Shore Crane Project, expected to commission in April 2012.**
- **Extended Emergency Provisional AD duty on boron-added HRC from China for the period from 18 November 2011 – 16 February 2012 and in consideration to set Provisional AD or extend Emergency Provisional AD.**

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

2. Year 2011 Highlight

- **Lost-Time Injury Frequency Rate (LTIFR) of 2.03, decreased 11% YoY.**
- **Sale and service revenues of Baht 47,975 million, decreased by only 0.2% YoY due to realizing of additional income from SSI UK.**
- **HRC shipment of 1.57 m tons, decreased 30% YoY due to Great East Japan Earthquake, Thailand Flood and HRC and CRC market dumping.**
- **Premium Value Products ratio at 39% of total sales**
- **HRC spread of USD 129/ton, increased 9% YoY**
- **HRC EBITDA/ton at USD 29.4/ton, decreased 42% YoY**
- **Coke sales of 686 k tons at average selling price of USD 384/ton.**
- **Negative COKE Spread of USD 3.1/ton and negative COKE EBITDA of USD 56.5/ton.**
- **Group EBITDA of Baht 1,405 million, decreased 66% YoY**
- **Net loss of Baht 981 million, decreased from net profit of Baht 2,446 in 2010.**

3. Business Outlook Q1/2012

- **V shape sale recovery after recovery of automobile industry and the high season of steel industry**
- **HRC shipment is expected to be increased to be the same level as Q1/2011**
- **HRC average selling price is likely to soften while HRC Rolling Margin (HRC Spread/average selling price) is expected to be in range of 13% - 16%.**
- **For Iron and Steel Making business, the revenue from coke sales and tolling operation, which is the main revenue in year 2011, is expected to decrease with the Coke sale volume for Q1/2012 decreasing by 40% - 60% as Coke output is kept for internal used. Average selling price is expected to remain stable and COKE Spread will improve only slightly. Expected to start recording the revenue from slab sale in Q1/2012.**
- **Deregulation on price control for HRC and CRC product; changed to be "no requirement for any price adjustment" in effect from 2 February 2012**

About the Company

Sahaviriya Steel Industries PLC or the Company is ASEAN's largest fully-integrated flat steel producer with 4 million tons annual capacity of hot rolled steel sheet in coils (HRC). The Company focuses on the development and production of high-grade steel sheets to cater to the region's growing demand in various sectors such as automobile, energy, transportation and construction sectors. Sahaviriya Steel Industry UK Limited ("SSI UK"), a wholly-owned subsidiary, acquired a fully-integrated iron-steel making facility located at Teesside in the northeast of UK. The 3.6 million tons per annum steel plant, now renamed SSI Teesside, will supply high-grade steel slabs to feed SSI's growing demand along with many other rolling mills around the world. In addition, the Company has joint-venture investments in downstream plants - namely Thai Cold Rolled Steel Sheet PLC ("TCRSS") - Thailand's first and largest cold roll mill, and Thai Coated Steel Sheet Co., Ltd. ("TCS") - Southeast Asia's first and largest electro-galvanizing line. All plants in Thailand of group of the Company are located on a world-class coastal industrial site in Bang Saphan, Prachuap Khirikhan Province, 400kms south of Bangkok on the western peninsula of Thailand, where they are efficiently integrated with its privately-owned deep-sea port (Prachuap Port Co., Ltd. or "PPC"), which allows import of raw materials and export of finished products on a large economy of scale. SSI extends its engineering capabilities into its wholly-owned subsidiary, West Coast Engineering Co., Ltd. or WCE, which specializes in engineering, maintenance, spare parts production, fabrication, erection and commissioning service. Our people's passion and energy is captured in the Company's vision statement - "innovate premium value steel products and services for customers; generate consistent profit and sustainable value for stakeholders."

For further information, please visit the Company's website at http://www.ssi-steel.com

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	13,008	Sahaviriya Steel Industries PLC. (Hot Rolled Steel Coil)	696	211
Group EBITDA*	(1,986)	Thai Cold Rolled Steel Sheet PLC. (Cold Rolled Steel Coil)	2,398	180
Net Profit(Loss)	(2,376)	Prachuap Port Co., Ltd (Deep Sea Port)	-	76
EPS (Baht)	(0.14)	West Coast Engineering Co., Ltd (Engineering and Maintenance Service)	-	19
D/E Ratio**	1.82x	Sahaviriya Steel Industries UK Limited (Iron and Steel Making)	-	(2,215)

* EBITDA = Earning Before Interest, Tax, Depreciation and Amortization Expenses
** D/E Ratio = Interest Bearing Debt/Equities
*** TCRSS is accounted for under equity method and not included in Group EBITDA

4. Business results

Steel Industry in Q4/2011

World Steel Industry: The delay in resolving public debt crisis in Euro zone countries resulted in deepened economic problems and expanded to more countries in Q4/2011. Crude Steel Production from developed countries, such as EU, decreased by 1% compared to the same period of last year. The growth in global Crude Steel Production was mostly attributable to the growths in major developing countries, such as China and India with the growth rates of 3% and 7%, respectively, compared to the same period of their last year.

Thailand Steel Industry: The Thailand Flood in Q4/2011 had a far-reaching impact on businesses, industries and households. The impact was also adversely huge on the business supply chain, affecting in particular the electronic components, automotive, electric appliance industries. Even those not directly damaged by the flood were forced to suspend their production line as a result of interrupted supply chain. Consequently, steel demand weakened during the period of Q4/2011.

Steel Industry in Year 2011

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

Thailand Steel Industry: From ISIT's report, steel consumption in Thailand for 2011 reached 14,685k ton, an increase of 4.8% YoY. Similar to the rest of the world, steel price in Thailand fluctuated widely starting from the high price at the beginning of the year that kept rising until Q2/2011, then declining in Q3/2011 and Q4/2011. The key factors for price fluctuation were from domestic economy and slowing demand during Q4/2011 due to the flooding situation in Thailand. Another important factor was market dumping of import HRC from China and Malaysia as well as huge volume of shipment of boron-added HRC from China since beginning of 2011. The problems of market dumping alleviated after the Minister of Commerce implemented Provisional AD on HRC from China and Malaysia at duty rate of 30.91% and 23.57% - 42.51%, respectively, for 5 years period being in effective from 12 August 2011. In addition, an emergency measurement was passed by the minister to impose a security guarantee on duty for import of boron-added HRC from China at the rate of 19.47%; the first 90 days period started from 20 August 2011 to 17 November 2011, then such measurement was extended for another 90 days period from 18 November 2011 to 16 February 2012. Moreover, there continued to be dumping of HRC from Korea and cold-rolled coils China, Taiwan and Vietnam which resulted in declining in demand for HRC for re-rolling into cold-rolled coils.

Q4/2011 Results

The Company and its subsidiaries recorded a total sale and service revenues of Baht 13,008 million, decreased 3% QoQ while increased 21% YoY. Although revenues in Thailand were adversely affected by the impact of Thailand Flood, the Company recorded increasing revenues from its Iron and Steel Making Business in UK. However, the declining steel price resulting from weak steel demand in EU, the impact from the Thailand Flood and the expenses incurred as the Company's Iron and Steel Making Business prepared to restart steel production led to net loss of Baht 2,376 million compared to net loss of 2,965 million in Q3/2011 and net profit of Baht 55 million in Q4/2010.

HRC Business Thailand Flood in Q4/2011 impacted many of the Company's customers and its related businesses. As a result, the Company's actual sales volume fell short of its sales target. In Q4/2011, HRC sales volume dropped to 303 k tons from 414 k tons in Q3/2011. 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. Nonetheless, proportion of sales of Premium Value Products declined slightly from 41% in Q3/2011 to 38% in Q4/2011 as Premium Value Products customers were affected by Thailand Flood.

HRB spread increased to USD 132/ton as slab price declined more than the decline in HRC selling price. HRC EBITDA/ton also improved from USD 17.8/ton to USD 23.6/ton, but still much lower than the long-term average EBITDA/ton of USD 50 due to low capacity utilization rate, loss of Baht 41 million from foreign exchange, and provision for decline in value of inventory of Baht 406 million.

Iron and Steel Making Business The Business had been preparing to restart the steel-making operation. Hence, current operations were dominated by the coke business which included coke sales and toll manufacturing of coke product and other by products. Total revenue for

Q4/2011 was at Baht 5,266 million from sales of 418 k ton of coke, increased 87% QoQ, at average selling price of USD 373/ton, decrease 4%. Cost of raw material was at USD 380/ton, decreased 1% QoQ. The business generated a net loss of Baht 2,031 million compared to a net loss of Baht 2,783 million which resulted primarily from 1) losses of approximately Baht 1,100 million from sales of coke as Euro crisis continued to put pressure on coke price while cost of raw material remained high and from provisioning for decline in value of inventory; 2) non-operational expenses of about Baht 650 million which also included provision of Baht 311 million for potential losses on onerous contracts (relating to purchases of iron ores and coking coal), and 3) interest expense of Baht 261 million.

2011 Results

The Company and its subsidiaries recorded a total sale and service revenues of Baht 47,975 million, decreased 0.2% YoY as the drop in domestic sales was made up by revenue from sales of coke by Iron and Steel Making Business. Revenues in Thailand were adversely affected by the impacts of the Great East Japan Earthquake, the Thailand Flood, the dumping of HRC and CRC, and the declining steel price as a result of Euro Crisis. These adverse external events, combined with expenses at the Company's Iron and Steel Making Business in UK as it prepared for the restart of steel production, resulted in total net loss of Baht 981 million, compared to Baht 2,446 million in 2010.

HRC Business The Great East Japan Earthquake in Q1/2011, Thailand Flood in Q4/2011, and the dumping of HRC and CRC, adversely affected the demand for the Company's HRC resulting in a sharp drop in HRC sales volume to 1.57 million tons in 2011 compared to 2.24 million tons in 2010. The sales proportion of Premium Value Products for the full year was 39%. Average HRC Spread increased to approximately USD 129/ton while HRC EBITDA/ton declined from USD 51/ton to USD 29.4/ton as a result of lower capacity utilization, losses of Baht 264 million from foreign exchange, and provision for decline in value of inventory of Baht 415 million.

Iron and Steel Making Business The restart of the steel-making operation is expected in Q1/2012. For the year 2011, operations were predominantly coke business which included coke sales and toll manufacturing of coke product and other by products which in total produced total revenue of Baht 9,936 million from sales of 686 k ton of coke, at an average selling price of USD 384/ton. Cost of raw material was at USD 387/ton. The business generated a net loss of Baht 567 million which included the gain from business acquisition of Baht 5,271 million. The net loss resulted primarily from 1) losses of approximately Baht 1,860 million from sales of coke due as the euro crisis put downward pressure on coke price while cost of raw material was driven higher due to supply shortage following the floods in Queensland, as well as a provision for decline in value of inventory of Baht 668 million; 2) non-operational expenses that were not related to coke business of about Baht 3,038 million which also included provision of Baht 311 million for potential losses on onerous contracts (relating to purchases of iron ores and coking coal), and 3) interest expense of Baht 735 million.

5. 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 4	Q 3	QoQ	Q 4	YoY	Jan-Dec	Jan-Dec	YoY
Sale and service revenues	13,008	13,439	-3%	10,740	+21%	47,975	48,090	-0.2%
Cost of sale and service	(14,665)	(14,614)	+0.3%	(10,161)	+44%	(49,638)	(44,113)	+13%
SG&A	(385)	(849)	-55%	(272)	+42%	(1,955)	(1,027)	+90%
Provision for loss under onerous contracts	(182)	(129)	+141%	-	N.A.	(311)	-	N.A.
Gain on business acquisition	-	5,271	N.A.	-	N.A.	5,271	-	N.A.
EBITDA	(1,986)	3,170	-163%	437	-554%	1,405	4,076	-66%
Interest expense	(676)	(561)	+20%	(203)	+234%	(1,969)	(826)	+138%
Depreciation and amortization	(261)	(301)	-13%	(181)	+45%	(956)	(785)	+22%
Income tax	548	(2)	N.A.	1	N.A.	539	(18)	N.A.
Realized FX gain (loss)	115	121	-5%	9	N.A.	(502)	240	-309%
Unrealized FX gain (loss)	(28)	(197)	+86%	(36)	+22%	(28)	(36)	+22%
Net profit (loss)	(2,376)	(2,965)	+20%	55	N.A.	(981)	2,446	-140%
EPS (Baht)	(0.14)	(0.17)	+18%	0.006	N.A.	(0.06)	0.19	-132%

Note: *EBITDA for 3Q/2011 and year 2011 calculated from net profit which included gain from business acquisition

Table 3: Financial Results by Business

Unit: million Baht	2011		+/-	2010	+/-	2011	2010	+/-
	Q 4	Q 3	QoQ	Q 4	YoY	Jan-Dec	Jan-Dec	YoY
Sale & Service Revenue								
Consolidated	**13,008**	**13,439**	**-3%**	**10,740**	**+21%**	**47,975**	**48,090**	**-0.2%**
HRC Business	7,647	10,373	-26%	10,663	-28%	37,699	47,785	-21%
Deep Sea Port Business	39	28	+39%	40	-3%	135	180	-25%
Engineering & Maintenance Service Business	56	45	+24%	37	+51%	204	125	+63%
Iron and Steel Making Business	5,266	2,994	+76%	-	N.A.	9,936	-	N.A.
EBITDA								
Consolidated	**(1,986)**	**3,170**	**-163%**	**437**	**-554%**	**1,405**	**4,076**	**-66%**
HRC Business	211	214	-1%	459	-54%	1,389	3,673	-62%
Deep Sea Port Business	76	35	+117%	70	+9%	211	294	-28%
Engineering & Maintenance Service Business	19	16	+19%	15	+27%	78	93	-16%
Iron and Steel Making Business	(2,215)	2,793	-179%	(83)	N.A.	(164)	(83)	-98%
Elimination of Related Parties Transaction	(77)	112		(24)		(108)	99	
Profit/(Loss)								
Consolidated	**(2,376)**	**(2,965)**	**+20%**	**55**	**N.A.**	**(981)**	**2,446**	**-140%**
HRC Business	(325)	(270)	-20%	112	-390%	(444)	2,209	-120%
Deep Sea Port Business	51	9	+467%	46	+11%	109	181	-40%
Engineering & Maintenance Service Business	5	4	+25%	2	+150%	26	37	-30%
Iron and Steel Making Business	(2,031)	(2,783)	+27%	(83)	N.A.	(567)	(83)	-583%
Elimination of Related Parties Transaction	(59)	83		(2)		(53)	188	
Non-Controlling Interest	(17)	(8)		(20)		(52)	(86)	

Note: Revenues of each business unit is shown as net revenues after deducting related parties transaction

EBITDA calculated from consolidated financial statement and EBITDA of Iron and Steel Making Business are calculated from net profit which included gain from business acquisition.

TCRSS 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 4	Q 3	QoQ	Q 4	YoY	Jan-Dec	Jan-Dec	YoY
Average Selling Price	783	807	-3%	729	+7%	769	663	+16%
Average Selling Cost	743	786	-5%	701	+6%	730	616	+19%
HRC Spread	132	118	+12%	112	+18%	129	118	+9%
HRC EBITDA	23.6	17.8	+33%	31.9	-26%	29.4	51.0	-42%
Sales Volume ('000 Tons)	303	414	-27%	479	-37%	1,571	2,241	-30%
Production Volume ('000 Tons)	376	371	+1%	477	-21%	1,564	2,233	-30%

Table 5: Performance Highlight of Sahaviriya Steel Industries UK

Unit: USD/Ton	2011			+/-	2011
	Q 4	Q 3	Q 2	QoQ	Apr-Dec
COKE Business					
Average Selling Price	373	388	465	-4%	384
Average Raw Material Cost	380	386	451	-1%	387
COKE Spread	(7.5)	1.8	13.7	-526%	(3.1)
COKE EBITDA	(65.9)	(45.8)	(21.6)	-44%	(56.5)
Sales Volume ('000 Tons)	418	224	44	+87%	686
Production Volume ('000 Tons)	407	425	421	-4%	1,252

Explanation of the Company and its subsidiaries' operating results for Q4/2011

Revenue

The Company and its subsidiaries recorded a total sale and service revenues of Baht 13,008 million, decreased 3% QoQ while increased 21% YoY, with the core revenue driven by:

HRC Business recorded 303 k tons sale, decreased 27% QoQ and 37% YoY with average selling price of Baht 24,397/ton (approximately USD 783/ton), decreased 3% QoQ while increased 7% YoY. HRC and scrap sale revenue totaled Baht 7,647 million:

- Decreasing 26% QoQ as a result of 27% decrease in sales volume due to the impact of Thailand Flood in Q4/2011 especially for customers in industrial estate i.e. automobile and electrical appliance. Total sale volumes dropped to the same level as Q2/2011.
- Decreasing 28% YoY as a result of 37% decrease in sales volume due to the impact of Thailand Flood in Q4/2011.

Ratio of Premium Value Products to total sales equals to 38%.

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. Total revenue from coke sales, tolling of coke production, by-products and other revenues totaled Baht 5,266 million, an increase of 76% QoQ, with coke sales of 418 k tons, increased 87% QoQ at the average selling price of USD 373/ton, decreased 4% QoQ.

Deep Sea Port Business recorded service revenue from other customers apart from the Company and its subsidiaries of Baht 39 million:

- Increasing 39% QoQ due to increase in total throughput from steel import volume and palm oil export volume.
- Decreasing 3% YoY due to lower total throughput.

Engineering and Maintenance Service Business recorded service revenue from other customers apart from the Company and its subsidiaries of Baht 56 million, an increase 24% QoQ and 51% YoY as a result of increasing in revenues from several group of customers including 1) Project for customer in paper industry i.e. Thai Kraft Paper Industry Co., Ltd., Thaicane Paper PLC (Kanchanaburi Mill) and Esso (Thailand) PLC. and 2) Metal structure and machinery installation service for customer i.e. SMS INNSE S.p.A., HOWDEN UK Limited and EGAT.

Cost of sale and service

The Company and its subsidiaries recorded cost of sale and service of Baht 14,665 million, 0.3% increase QoQ and 44% YoY consisting of cost of sale and service of Baht 14,042 million and the provision for decline in value of inventory of Baht 623 million.

HRC Business recorded total cost of sale of Baht 7,509 million comprising of cost of sale of Baht 7,103 million and provision for decline in value of inventory totaling Baht 406 million.

- Decreasing 24% QoQ due to 27% decrease in sales volume and a decrease in average selling cost of USD 43/ton or 5% QoQ, reflecting lower raw material cost of approximately USD 35/ton.
- Decreasing 27% YoY due to 37% decrease in sales volume and an increase in average selling cost per ton of USD 42/ton or 6% increase YoY in which production cost was higher due to lower production volume of 21% YoY.

Iron and Steel Making Business recorded cost of sale and service of Baht 7,130 million, increased 52% QoQ due to an increasing in sale volume of 87% QoQ. The aforementioned amount comprised of coke operational expenses of Baht 6,262 million which included the provision for decline in value of inventory of Baht 218 million and expenses relating to non-operating assets of Baht 868 million.

Gross Profit

The Company and its subsidiaries recorded gross loss of Baht 1,657 million, increased in loss of Baht 482 million from gross loss of Baht 1,175 million in Q3/2011 and decreased from net profit of Baht 579 million in Q4/2010.

HRC Business recorded gross profit of Baht 138 million

- Decreasing 70% QoQ despite of increasing in HRC spread from USD 118/ton to USD 132/ton or 12% increase QoQ due to the decreasing in sale volume at the higher rate of 27% QoQ.
- Decreasing 73% YoY despite of increasing in HRC spread from USD 112/ton to USD 132/ton or 18% increase YoY due to the decreasing in sale volume at the higher rate of 37% YoY.

Iron and Steel Making Business recorded gross loss of Baht 1,864 million, increased in loss of Baht 181 million from gross loss of Baht 1,683 million in Q3/2011. Such loss resulted from (1) the decreasing in COKE Spread from USD 1.8/ton in Q3/2011 to negative Spread of USD 7.5/ton resulting from the dropping in selling price while higher raw material cost and (2) expenses relating to non-operating assets.

Selling and Administrative Expense (SG&A)

The Company and its subsidiaries recorded Baht 385 million, decreasing 55% QoQ but increasing 42% YoY.

HRC Business recorded SG&A of Baht 149 million

- Increasing 20% QoQ due to an increase in administrative expense of Baht 41 million.
- Decreasing 7% YoY due to a decrease in selling expense from Baht 68 million in Q4/2010 to Baht 31 million and a decrease in sales volume of 37% YoY.

Iron and Steel Making Business recorded SG&A of Baht 201 million, decreasing 71% QoQ mainly resulting from (1) the reduction in business rate from government due to not fully utilised the capacity which lead to the refund of business rate of approximately Baht 185 million and the decreasing in business rate for the quarter of approximately Baht 65 million and (2) the adjustment of expenses which over charge of approximately Baht 200 million.

Provision for loss under onerous contracts The Company and its subsidiaries recorded provision for loss under onerous contracts of Baht 182 million in Q4/2011 which is the provision for Iron and Steel Making business of Baht 311 million to reflect softer current raw material price and the reversal of provision for HRC business of Baht 129 million since the Company don't have remaining obligation under onerous contract at the end of quarter.

EBITDA

The Company and its subsidiaries recorded negative EBITDA of Baht 1,986 million, decreased from positive EBITDA of Baht 3,170 million in Q3/2011 and Baht 437 million in Q4/2010.

HRC Business recorded EBITDA of Baht 211 million or equivalent to HRC EBITDA of USD 23.6/ton (approximately Baht 696/ton).

- Decreasing 1% QoQ in spite of HRC EBITDA/ton increased by 33% QoQ while the sales volume decreased by 27% QoQ
- Decreasing 54% YoY due to lower sales volume by 37% and decrease in HRC EBITDA/ton by 26% YoY.

Iron and Steel Making Business recorded negative EBITDA of Baht 2,215 million, decreased in loss from Q3/2011 which recorded negative EBITDA of Baht 2,478 million (not include gain from business acquisition of Baht 5,271 million) due to the decreasing in the selling and administrative expenses as mention aboved.

Interest Expense

The Company and its subsidiaries recorded interest expenses of Baht 676 million, increasing 20% QoQ and 23% YoY

HRC Business recorded interest expense of Baht 412 million

- Increasing 14% QoQ due to increasing short term loan used for raw materials procurement and loss from entering into the interest rate swap contract.
- Increasing 109% YoY due to increasing short term loan used for raw materials procurement, increase in long term loan for the investment in Iron and Steel Making business, increasing in the interest rate and loss from entering into the interest rate swap contract.

Iron and Steel Making Business recorded interest expenses of Baht 261 million, increasing 33% 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 and loan used for raw materials procurement to prepare for the starting of Iron and Steel Making business.

Others

The Company and its subsidiaries recorded its share of loss from jointly controlled entities of Baht 91 million, decreasing from share of profit of Baht 57 million in Q3/2011 and increasing in share of loss from loss of Baht 11 million in Q4/2010. Reduction in share of profit from jointly controlled entities was mainly from Cold Rolled Coil business due to the impact from Thailand Flood

Cold Rolled Coil Business with shipment volume of 75 k tons, recorded sale revenue of Baht 2,447 million, decreasing 30% QoQ and 33% YoY. Net profit was at Baht 39 million, an decrease of 72% QoQ and 56% YoY as a result of lower sale volume from delay shipment due to the impact of Thailand Flood.

Profit/(Loss)

The Company and its subsidiaries recorded net loss of Baht 2,376 million, decrease in loss from net loss of Baht 2,965 million in Q3/2011 and decrease from net profit of Baht 55 million in Q3/2010. Loss was mainly attributed to the following.

HRC Business recorded a loss of Baht 325 million (included realized gain on FX of Baht 88 million and unrealized loss on FX of Baht 128 million)

- Decreasing loss of 20% QoQ from net loss of Baht 270 million in Q3/2011
- Increasing loss of 390% YoY from net profit of Baht 55 million in Q4/2010

Iron and Steel Making Business recorded net loss of Baht 2,031 million, loss decreasing by 27% QoQ as a result of the reduction in corporate tax rate which lead to the reduction in tax expenses incurred from the deferred tax liabilities of fair value adjustment of Baht 552 million.

Explanation of the Company and its subsidiaries' operating results for Year 2011

Revenue

The Company and its subsidiaries recorded a total sale and service revenues of Baht 47,975 million, at the same level as year 2010, although decreasing revenue in HRC business of Baht 10,086 million or 21% YoY, there is an increasing in revenue from Iron and Steel Making business of Baht 9,936 million.

HRC Business recorded 1.57 million tons sale with average selling price of Baht 23,548/ton (approximately USD 769/ton). The HRC and scrap sale revenue were recorded at Baht 37,699 million, decreased 21% YoY due to 30% lower sales volume. Premium Value Products ratio 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 revenues were from 686 k tons of coke sales. Total revenue from coke sales, tolling of coke production, by-products and other revenues totaled Baht 9,936 million.

Deep Sea Port Business recorded service revenue from other customers excluding the Company and its subsidiaries of Baht 135 million, 25% lower YoY due to lower in throughput especially steel products compared to the last year.

Engineering and Maintenance Service Business recorded service revenue from other customers excluding the Company and its subsidiaries of Baht 204 million, an increase 63% YoY, as a result of increasing in revenues from several group of customers including 1) Project for customer in paper industry i.e. Thai Kraft Paper Industry Co., Ltd., TPI Polene Bio Organics Co., Ltd., and Thaicane Paper PLC (Kanchanaburi Mill) and 2) Metal structure and machinery installation service for foreign customer i.e. SMS INNSE S.p.A., HOWDEN UK Limited and HOWDEN AUSTRALIA PTY LTD.

Cost of sale and service

The Company and its subsidiaries recorded cost of sale and service of Baht 49,638 million, 13% increasing YoY consisting of cost of sale and service of Baht 48,554 million and the provision for decline in value of inventory of Baht 1,084 million

HRC Business recorded cost of sale and service of Baht 35,910 million, decreasing 19% YoY due to lower sales volume by 30% YoY. Total cost of sale and service comprised of cost of sale for HRC of Baht 35,084 million and for scrap of Baht 411 million and provision for decline in value of inventories of Baht 415 million. Average COGS/ton of HRC was USD 730/ton increasing from USD 616/ton in year 2010, mainly attributable to lower production volume of 30% YoY and higher raw material cost of 18% YoY.

Iron and Steel Making Business recorded cost of sale and service of Baht 13,643 million which included (1) coke operational expenses of Baht 11,656 million as a result of increasing in coking coal cost due to the impact of Queensland Flood at the beginning of the year which included the provision for decline in value of inventories of Baht 668 million and (2) expenses relating to non-operating assets of Baht 1,987 million.

Gross Profit

The Company and its subsidiaries recorded gross loss of Baht 1,663 million, decrease from gross profit of Baht 3,978 million in year 2010.

HRC Business recorded gross profit of Baht 1,789 million, decreasing 51% YoY due to lower sales volume of 30% YoY while HRC spread of USD 129/ton was 9% higher YoY.

Iron and Steel Making Business recorded a gross loss of Baht 3,707 million as a result of negative COKE Spread of USD 3.1/ton due to lowering in selling price from EU crisis while the rising in coking coal cost from Queensland Flood and other reasons as mentioned above.

Selling and Administrative Expense (SG&A)

The Company and its subsidiaries recorded Baht 1,955 million of SG&A, increasing 90% YoY.

HRC Business recorded SG&A of Baht 612 million, decreasing 28% YoY due to the decrease in selling expenses from Baht 504 million to Baht 214 million from 30% YoY decrease in sales volume. Such SG&A included the acquisition transaction related expenses in year 2011 of Baht 90 million.

Iron and Steel Making Business recorded SG&A of Baht 1,251 million, which included expenses business rate, insurance premium, transportation cost and acquisition transaction expenses. The acquisition transaction expenses of Baht 400 million recorded in year 2010 is the extraordinary expenses.

Provision for loss under onerous contracts The Company and its subsidiaries recorded provision for loss under onerous contracts of Baht 311 million related to Iron and Steel Making business relating to reflect softer current raw material price.

EBITDA

The Company and its subsidiaries recorded negative EBITDA of Baht 1,405 million, decreasing by 66% YoY .

HRC Business recorded EBITDA of Baht 1,389 million decreasing 62% YoY due to the decreasing in HRC EBITDA/ton to Baht 884/ton (approximately USD 29.4/ton), a decrease 46% YoY and the reduction in sale volume by 30% YoY.

Iron and Steel Making Business recorded negative EBITDA of Baht 164 million as a result of loss from coke sales and tolling of coke production together with the expenses from the non-operating assets.

Interest Expense

The Company and its subsidiaries recorded interest expenses of Baht 1,969 million, increasing 138% YoY.

HRC Business recorded interest expense of Baht 1,321 million, increasing 65% YoY due to increase in short term loan used for raw materials procurement, increase in long term loan for the acquisition and loss from entering into the interest rate swap contract.

Iron and Steel Making Business recorded interest expenses of Baht 631 million accrued on the short term loan used for raw materials procurement, the bridging loan and the long term loan from financial institutions for SSI UK Restart Project.

Others

The Company and its subsidiaries recorded its share of loss from jointly controlled entities of Baht 130 million, decreasing from share of profit of Baht 206 million due to the decrease in investment value in Redcar Bulk Terminal and the decreasing in the profit contributed by Cold Rolled Coil business

Cold Rolled Coil Business with shipment volume of 441 k tons, recorded sale revenue of Baht 13,464 million, decreasing 25% YoY. Net profit was Baht 332 million, decreasing 55% YoY as a result of lower sale volume and the higher of LPG and fuel cost leads to higher production cost per ton.

Profit/(Loss)

The Company and its subsidiaries recorded net loss of Baht 981 million, decreasing 140% YoY.

HRC business recorded net loss of Baht 444 million decreasing from net profit of Baht 2,209 million in year 2010 which included realized FX loss of Baht 136 million and unrealized FX loss of Baht 128 million.

Iron and Steel Making business recorded net loss of Baht 567 million which included gain on business acquisition. Main reason of net loss are detailed as mentioned above.

6. Consolidated Financial Status

Table 6: Condensed Consolidated Statements of Financial Position

Unit: million Baht	Q4 2011	Q3 2011	+/- QoQ	Q4 2010	+/- YoY
Assets					
Account Receivable	5,240	3,781	+39%	2,962	+77%
Inventories	25,178	24,380	+3%	14,205	+77%
Other Current Assets	1,025	1,849	-45%	612	+67%
Total Current Assets	**31,443**	**30,010**	**+5%**	**17,779**	**+77%**
Property, Plant and Equipment	50,149	47,024	+7%	20,293	+147%
Investment in jointly-controlled entities	4,683	4,774	-2%	4,045	+16%
Other Non-Current Assets	89	71	+25%	376	+76%
Total Assets	**86,364**	**81,880**	**+5%**	**42,493**	**+103%**
Liabilities					
S/T Debt and Current Portion of L/T Interest Bearing Debt	25,683	22,288	+15%	14,500	+77%
Account Payable	10,685	8,686	+23%	3,157	+238%
Other Current Liablilities	1,126	617	+82%	523	+115%
Total Current Liabilities	**37,494**	**31,591**	**+19%**	**18,180**	**+106%**
L/T Interest Bearing Debt	19,641	18,144	+8%	4,437	+343%
Other Non Current Liabilities	4,281	4,941	-13%	-	N.A.
Total Liabilities	**61,416**	**54,676**	**+12%**	**22,617**	**+172%**
Equity					
Equity Attribute to Equity Owners of the Company	24,096	26,365	-9%	19,093	+26%
Non-Controlling Interests	852	839	+2%	842	+1%
Total Equity	**24,948**	**27,204**	**-8%**	**19,875**	**+26%**
Total Liabilities and Equity	**86,364**	**81,880**	**+5%**	**42,493**	**+103%**

Consolidated Financial Position as of 31 December 2011

Current Ratio was at 0.84x, decreasing from 0.95x as at the end of Q3/2011, and 0.98x as at the end of year 2010 as a result of the increase of 19% QoQ, and 106% YoY, in current liabilities whereas current assets increased by just 5% QoQ and 77% YoY. The increases in current liabilities are from (1) Short-term borrowings for raw material procurement and current portion of interest bearing debt increased by 15% QoQ and 77% YoY, resulting from the Company's and SSI UK's increased borrowings wherein the Company utilized short-term loans to fund slabs purchases and SSI UK drew on short-term loans to fund purchases of coal for coke production and purchases of iron ore and other raw materials to be consumed when steel production starts in Q1/2012; and (2) trade payable for raw material purchasing increased by 23% QoQ and 238% YoY due to the increase in raw material procurement by the Company at the end of the year while the sale volume in Q4/2011 fell significantly short of the expectation as a result of impact from Thailand Flood; however, the market condition is expected to improve in Q1/2012 which will help reduce the inventory level and the outstanding liabilities in both (1) and (2). Additionally, (3) the increase in short-term Subordinated Bridging Loan of USD 50 million from the Company's shareholders which is being used to fund the SSI UK Restart Project in the interim period until the fund raising plan of the Company is completed and the planned equity injection into SSI UK is actually made. Such equity injection will be used to repay such Subordinated Bridging Loan. Lastly, amounts not yet due for payments to contractors and suppliers relating to the SSI UK Restart Project in an amount of Baht 713 million which are intended to be paid with proceeds from drawings under long-term loan which have been secured for this purpose; hence, these current liabilities will be reduced and replaced with long-term funding or equity.

<u>Trade and Notes Receivable</u> totaled Baht 5,240 million, increased by 39% QoQ and 77% YoY. There is no bad-debt write-off or additional provision as at the end of Q4/2011.

<u>Inventory</u> amounted to Baht 25,178 million, an increase of 3% QoQ and 77% YoY due to the increase in both the Company's and SSI UK's inventory, comprising of Baht 13,248 million of raw materials (slabs, coking coal and coke), increased by 17% QoQ and 189% YoY, Baht 4,858 million of raw materials in transit (slabs), decreased by 32% QoQ but increased by 69% YoY, Baht 5,966 million of finished goods and work-in-process (HRC and PO), increased by 41% QoQ and 4% YoY, and Baht 2,411 million of tools and spare parts. A total of Baht 1,306 million of allowance for decline in value has been taken against the inventories as of the end of the quarter.

<u>Liabilities and Liquidity Management</u> Total liabilities amounted to Baht 61,416 million, an increase of 12% QoQ and 172% YoY, the majority of which is from short term borrowings from financial institution and trade payable. The Company and its subsidiaries had a total outstanding as at 31 December 2011 of Baht 42,463 million comprising of, Baht 22,838 million of short-term borrowing to support the increasing in raw material purchase of the Company and SSI UK and general working capital requirement, Baht 1,423 million of current portion, and Baht 19,625 million of long-term borrowing. Furthermore, SSI UK is under investment process for SSI UK Restart Project which will increase the borrowing amount; some of which provided by subordinated shareholders' loan from the Company's shareholder to be replaced by the equity injection from the Company under the fund raising process, and the remaining of USD 90 million obtained from an additional bank loan facility, which will have a 2-year grace period and quarterly installments over a period of 4 to 7 years.

<u>Interest Bearing Debt to Equity Ratio</u> Total equity was at Baht 24,948 million, decreased by 8% QoQ and 26% YoY, due to net loss in 2011 effect to reduction in company's accumulated profit. Interest bearing debt stood at Baht 45,324 million, increased by 12% QoQ and 139% YoY, resulting from additional borrowing of the Company and SSI UK for the restart project of Iron and Steel Making business. As a result, interest bearing debt to equity ratio for the period-ended was 1.82x compared to 1.49x as at the end of Q3/2011 and 0.95x as at the end of year 2010.

7. Ongoing Projects

Project	Capacity / Particulars	Budgeted Capital Expenditure	Target Key Milestone date
SSI UK Restart Project	3.6 mtpa slab production	USD290 million	▪ Production expected start in Q1/2012 ▪ 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	▪ Signed contract on 14 Dec 11 ▪ Equipment to be arrived to PPC by Mar 2012 ▪ 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 243 million (including VAT) committed as at the end of 2011, of which USD 116 million (including VAT) has been paid. The refurbishment activities in the other iron and steel making facilities of SSI UK Restart project have been completed as planned. However, there are some outstanding works on blast furnace area to be completed due to several factors which have occurred in recent weeks including unfavourable weather condition, industrial action and additional works. Therefore, it will not be possible to restart the iron and steel making operations on 6 January 2012 as previously targeted. Delay to operate will cause SSI UK's revenue reduce from prior expectation while cost and expenses still remain unchanged. SSI tries to reduce all related processes to enable the plant to start its operation within Q1/2012.

Under new targeted plan, slab output for 2012 is forecast at 2.7 million tons, with a ramp-up to an annualised rate of 3.6mtpa by Q4/2012. The Pulverised Coal Injection ("PCI") facility, which will deliver significant cost savings associated with coke rate and furnace fuel by USD 30/ton (calculate based on the fuel cost in Q2/2012), will be operational by Q4/2012.

PPC Shore Crane Project PPC signed the agreement with Gottwald Port Technology Gmbh, Germany ("Gottwald") on 14 December 2011 to procure two 100-ton shore cranes. All equipment has already been delivered from Germany since the end of January 2012, and expects to arrive at PPC's port by the end of March 2012. Aal equipment will be installed at PPC's Port by sub-contrator of Gottward. Target date for commissioning is April 2012 in line with the slab shipment plan from SSI UK.

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. The Company expects to save freight cost by USD 7.5/ton (based on freight rate as of Oct 11).

8. Recent Development

Anti-Dumping against Imported HRC

The Ministry of Commerce announced the extension of measurement for boron-added HRC imported from China that required importers to place bonds as security for the provisional anti-dumping duties of 19.47% which ended 17 November 2011 for another 90 days from 18 November 2011 to 16 February 2012, and on consideration process to issue temporary anti-dumping measurement or extended emergency measurement.

The Company also filed the request to the Ministry of Commerce on 23 December 2011 to reconsider provisional anti-dumping duties imposed on HRC imported from Korea with the expectation that the Ministry of Commerce will start the consideration process from the beginning of year 2012.

Deregulation on price control for HRC and CRC

HRC and CRC are still under 2012 price control list of Department of Internal Trade. However, such regulation has been relaxed from the original that the price adjustment for such products requires 7 days notice in advance together with the release of cost, price and product detail information to be no requirement to notify on price adjustment, which be in effective from 2 Feburary 2012. This relaxation will make steel producers have more flexibility to adjust HRC and CRC price to reflect the market

Corporate Governance and Corporate Social Responsibility

- Received SET Awards 2011 for "Outstanding Corporate Social Responsibility" on 22 December 2011
- The Company has developed "Steel Boat" and donated 175 Steel Boats to related government organization in order to help the sufferer people in the flooding area. This innovated steel boat has been created and designed with multi-function of usages, such as transportation purpose during the flooding time and can convert to use as cupboard

ASME - U, S, R and PP Stamp

Engineering & Maintenance Service Business obtained ASME - U, S, R and PP Stamp certifications on 30 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.

Modernization of Heat Exchange Recuperator in Reheating Furnace number 1

In Q4/2011, The Company successfully modernized the Heat Exchange Recuperater in its Reheating Furnace number 1, which can reduce fuel oil consumption by 1.63 liter per ton of steel, or equivalent to 4.15% of fuel oil ratio per ton of steel.

Surface Inspection System Installation Project

In October 2011, the Company successfully installed Surface Inspection System ("SIS") with investment budget of Baht 37 million to support High grade products for automobile and electrical appliance industries. This Surface Inspection System enables automatic on-line detection of HRC surface defect on both upper and lower surface, resulting Non-conformed Products reduction from 0.60% to 0.54% in Q4/11 post-installation.

HRC Cut sheet and Pipe Quality Improvement Project

From middle 2011, SSI had improved its production standard and quality control for HRC Cut sheet and Pipe, to screen and allocate products more effectively to meet customer requirement. This reduced the yield loss at Hot Finishing Line from 1.19% in 2010 to 0.96% in 2011.

9. Outlook and Guidance

It is expected that steel consumption in Q1/2012 will increase due to high season resulting in steel price rising in the world market. It is estimated that world crude steel production will be increased by 4% from 2011 to be at 1,590 million ton while WSA forecasts world steel demand will grow at the rate of 4.5% with the total demand of 1,460 million ton. However, the spread of EU crisis which will take some more time to solve will make steel consumption in 2012 rely on emerging countries and developing countries. The combined demand from these emerging countries and developing countries will be 73% of world steel demand. China will still be the leader as the highest steel consumption with the expected growth rate of 6% for steel consumption of 681 million ton in 2012.

For Domestic Steel Industry, ISIT and FPO estimated that domestic demand for steel would be increased by 2.3% to be at 15 million ton in 2012. There is no definite indicators for raw material price and steel price be effected in order to reflect the market instability. Nonetheless, World Steel Dynamic ("WSD") forecasted that the price of iron ore from Brazil, including freight cost to EU, should be around USD 147/ton in 2012, which is relatively lower than average iron ore price of USD 186/ton in 2011.

Furthermore, it is also estimated that long products used for construction will be increased as the result from the demand to reconstruct and maintenance for infrastructure and household damaging from the flooding situation during the last year end.

Office of Industrial Economics takes positive outlook with upward forecast for Manufactured Products Index ("MPI") to be grown between 5% - 6%, assuming slowdown phase in Q1/2012 and upward trend in Q2/2012 with possibility to back to normal growth or stable phase compare to the same period of last year subject to recoverability of manufacturing industries.

The related industries driven steel consumption still have the bright future in 2012. Electrical Appliance will increase in range of 5-7% due to demand from local and export markets. Electronic Parts also increase in range of 10-12% resulting from continuous developing of new IT products subject to uncertainty and ability of EU and USA economic recovery. For auto making industry, it is expected that Thailand will reach its 2 million car production in 2012, increasing by 37% from 2011, due to new investment for new model and new brand that start to produce in Thailand for both domestic and export to Asia markets as well as the recovery of car manufactory from the flooding situation. Furthermore, current government's positive policies, such as increasing budget for renovate and maintenance infrastructure and industry, increasing salary, first car and first house, will be the key drivers to boost up demand and consumption of steel in 2012.

The Company viewed that the economy has already reached the bottom. In the long term, Asian Economic Community ("AEC") in 2015 will strengthen Asian to become important production base in the world. Steel demand in Asian will increase to 70 million ton per year to support business expansion locally and Asian's region. In 2012, SSI will continuously focus on research and development for Premium Value Product to serve related industries, especially SSI's High Grade Products, being certified by its customers, for automaker and electrical appliance industries in which SSI aims to penetrate its products for these sectors. In addition, SSI also plans to develop Innovated Value Product to support customer's demand by targeting to increase Premium Value Product ratio to 50% of total sales, compare to 39% in 2011.

The Company expects HRC sales volume to increase in Q1/2012 as the economic recovers from the impact of Thailand Flood. Sales volume for Q1/2012 should rise to the level close to that in Q1/2011. HRC average selling price is likely to soften while HRC Rolling Margin (HRC Spread/average selling price) is expected to be in range of 13% - 16%.

For Iron and Steel Making business, the revenue from coke sales and tolling operation, which is the main revenue in year 2011, is expected to decrease with the Coke sale volume for Q1/2012 decreasing by 40% - 60% as Coke output is kept for internal used. Average selling price is expected to remain stable and COKE Spread will improve only slightly. Expected to start recording the revenue from slab sale in Q1/2012

SSI keeps commitment on key projects development. Engineering project to upgrade and restart SSI UK's iron and steel making facility will be complete within Q1/2012. Once slab production is started, it strengthen the Company in term of stability and competitiveness in the long term since SSI will be able to secure its main raw material as well as control raw material quality in order to achieve 2 important strategies; "Innovate premium value steel products and service for customer" and "integrated world class business"

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 inheritly subject to risks and uncertainties