

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Changes in accounting policies
4	Acquisitions
5	Related parties
6	Trade accounts receivable
7	Inventories
8	Investments in subsidiaries
9	Investments in jointly-controlled entities
10	Other long-term investments
11	Property, plant and equipment
12	Interest-bearing liabilities
13	Trade accounts payable
14	Employee benefit obligations
15	Share capital
16	Segment information
17	Basic earnings (loss) per share
18	Commitments with non-related parties
19	Contingent liabilities and contingent assets
20	Events after the reporting period
21	Thai Financial Reporting Standards (TFRS) not yet adopted

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

These Notes form an integral part of the interim financial statements.

The interim financial statements were authorised for issue by the Board of Directors on 11 August 2011.

1 General information

Sahaviriya Steel Industries Public Company Limited (the “Company”), is incorporated in Thailand and has its registered office at 28/1 Prapawit Building, 2nd-3rd Floor, Surasak Road, Kwang Silom, Khet Bangrak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na Yai Ploy Road, Tambon Mae Rumphueng, Amphur Bang Saphan, Prachuabkirikhan.

The Company was listed on the Stock Exchange of Thailand in September 1994.

The Company’s major shareholders during the financial period were Sahaviriya Group Corporation Limited (36% shareholding, incorporated in Thailand) and Citibank Nominee Singapore Pte Ltd. (15% shareholding, incorporated in Singapore).

The principal businesses of the Company are manufacturing and distribution of hot rolled coils. Details of the Company’s subsidiaries and jointly-controlled entities as at 30 June 2011 and 31 December 2010 were as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			30 June 2011	31 December 2010
<i>Direct subsidiaries</i>				
Prachuap Port Co., Ltd. (“PPC”)	Deep-sea port services and marine shipping services	Thailand	51.00	51.00
West Coast Engineering Co., Ltd. (“WCE”)	Maintenance service	Thailand	99.99	99.99
Sahaviriya Steel Industries UK Limited (“SSI UK”)	Integrated iron and Production of steel slab	United Kingdom	100.00	100.00
<i>Jointly-controlled entities</i>				
<i>Direct holding</i>				
Thai Cold Rolled Steel Sheet Public Co., Ltd. (“TCR”)	Producer of cold rolled coils	Thailand	50.15	50.15
<i>Indirect holding</i>				
Redcar Bulk Terminal Limited (“Redcar”)	Redcar Ore Terminal	United Kingdom	50.00	-

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

Antidumping measures of Thailand

Since 2002, the government has introduced various measures to counteract dumping and subsidising of imported goods. These measures include the following:

- a) On 22 May 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce (“the Committee”), announced its final judgement that there had been dumping and damages as a result of dumping of coil and non-coil hot rolled steel originating from 14 countries and that antidumping duties were to thus be imposed for a period of 5 years from 27 May 2003, except for hot rolled steel imported for re-export.
- b) On 11 July 2003, the Committee issued an announcement approving the exemption of coil and non-coil hot rolled steel imported for cold-rolling and further processing for downstream users from antidumping duties, for a period of 5 years.
- c) On 23 May 2008, the Committee issued an announcement of a review of the need for the continued imposition of the duty as summarised in (a) and (b) above. The results of the review are summarised below.
 - 1) On 21 May 2009, the Committee announced its judgement that antidumping duties on imported coil and non-coil hot rolled steel originating from 14 countries (see (a)) would continue to be imposed at the same rate, for a period of 5 years.
 - 2) On 21 December 2009, the Committee approved the exemption of some coil and non-coil hot rolled steel imported for re-export originating from the 14 countries from antidumping duties.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the interim financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2009) *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (the “FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2010. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company, its subsidiaries and its jointly-controlled entities for the year ended 31 December 2010.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

During 2010 and 2011, the FAP issued the following new and revised Thai Financial Reporting Standards (“TFRS”) relevant to the Group’s operations and effective for accounting periods beginning on or after 1 January 2011:

TFRS	Topic
TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

TFRS	Topic
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TIC 31	Revenue - Barter Transactions Involving Advertising Services
TFRIC 15	Agreements for the Construction of Real Estate
FAP announcement no. 16/2554	Disclosure Guidance on Related Party Transactions with Government
FAP announcement no. 17/2554	Transitional Procedures for Other Long-term Employee Benefits
FAP announcement no. 18/2554	Accounting Guidance on Revaluation of Assets
FAP announcement no. 19/2554	Accounting Guidance for Condominiums

The adoption of these new and revised TFRS has resulted in changes in the Group's accounting policies. The effects of these changes are disclosed in Note 3. Except for these changes, accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2010.

In addition to the above new and revised TFRS, during 2010 the FAP issued a number of other 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 interim financial statements. These new and revised TFRS are disclosed in Note 21.

(b) *Presentation currency*

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

(c) *Use of estimates and judgements*

The preparation of interim financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

Except as disclosed below, in preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2010. Changes principally derive from the adoption of new and revised TFRS from 1 January 2011.

Estimates

Measurement of defined employee benefit obligations

The calculation of the defined employee benefit obligation is sensitive to the assumptions on discount rates, future salary increases and mortality rates as set out in Note 14.

3 Changes in accounting policies

(a) Overview

From 1 January 2011, consequent to the adoption of new and revised TFRS as set out in Note 2, the Group has changed its accounting policies in the following areas:

- Presentation of financial statements
- Accounting for business combinations
- Accounting for property, plant and equipment
- Accounting for employee benefits

Details of the new accounting policies adopted by the Group and the impact of the changes on the financial statements are included in Notes 3(b) to 3(e) below. Other new and revised TFRS did not have any impact on the accounting policies, financial position or performance of the Group.

(b) Presentation of financial statements

The Group has adopted TAS 1 Presentation of Financial Statements (Revised 2009). Under the revised standard, a set of financial statements comprises:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in equity;
- Statement of cash flows; and
- Notes to the financial statements.

As a result, the Group presents all owner changes in equity in the statement of changes in equity and all non-owner changes in equity in the statement of comprehensive income. Previously, all such changes were included in the statement of changes in equity.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on reported profit or earnings per share.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

(c) Accounting for business combinations

The Group has adopted TFRS 3 Business Combinations (revised 2009) and TAS 27 Consolidated and Separate Financial Statements (revised 2009) for all business combinations on or after 1 January 2011. The new policy has been applied prospectively from 1 January 2011 in accordance with the transitional provisions of the revised standards.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Acquisitions on or after 1 January 2011

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combinations are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Acquisitions between 1 January 2008 and 31 December 2010

Goodwill represented the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

Acquisitions prior to 1 January 2008

Goodwill was measured in the same way as described in the preceding paragraph. However, both positive and negative goodwill were amortised over their estimated economic useful life of 20 years. On 1 January 2008, on adoption of the former TAS 43 (revised 2007), the Group discontinued amortising goodwill. Negative goodwill carried in the financial statements as at 31 December 2007 was derecognized by crediting unappropriated retained earnings on 1 January 2008.

(d) *Accounting for property, plant and equipment*

The Group has adopted TAS 16 (revised 2009) Property, Plant and Equipment in determining and accounting for the cost and depreciable amount of property, plant and equipment.

The principal changes introduced by the revised TAS 16 and affecting the Group are that (i) costs of asset dismantlement, removal and restoration have to be included as asset costs and subject to annual depreciation; (ii) the depreciation charge has to be determined separately for each significant part of an asset; and (iii) in determining the depreciable amount, the residual value of an item of property, plant and equipment has to be measured at the amount estimated receivable currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. Furthermore, the residual value and useful life of an asset have to be reviewed at least at each financial year-end.

The changes have been applied prospectively in accordance with the transitional provisions of the revised standard, except that consideration of the costs of asset dismantlement, removal and restoration, have been applied retrospectively. The change has had no material impact on the profit and earnings per share for the three-month and six-month periods ended 30 June 2011 and 2010.

(e) *Accounting for employee benefits*

The Group has adopted TAS 19 Employee Benefits.

Under the new policy, the Group's liability for post-employment benefits and other long-term employee benefit obligations is recognised in the financial statements based on calculations performed annually by a qualified actuary using the projected unit credit method. Previously, this liability was recognised as and when payments were made.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

The Group's and the Company's liability for post-employment benefit and other long-term employee benefit obligations as at 1 January 2011 has been determined to be Baht 117 million and Baht 86 million, respectively. The Group has opted to record the entire amount of this liability as an adjustment to retained earnings as at 1 January 2011, in accordance with the transitional provisions of TAS 19. The impact on the interim financial statements for the three-month and six-month period ended 30 June 2011 was as follows:

	Consolidated financial statements <i>(in thousand Baht)</i>	Separate financial statements
<i>Statement of financial position at 30 June 2011</i>		
Retained earnings at 31 December 2010 – as reported	1,298,288	1,238,371
Increase in employee benefit obligations	(117,013)	(86,299)
Retained earnings at 1 January 2011	1,181,275	1,152,072
<i>Statement of income for the three-month period ended 30 June 2011</i>		
Increase in employee benefit obligations resulting in:		
Increase in cost of sales	2,427	1,501
Increase in selling expenses	141	133
Increase in administrative expenses	1,563	1,304
Decrease in profit	4,131	2,938
Decrease in earnings per share:		
Basic earnings per share (in Baht)	(0.0002)	(0.0002)
<i>Statement of income for the six-month period ended 30 June 2011</i>		
Increase in employee benefit obligations resulting in:		
Increase in cost of sales	4,854	3,002
Increase in selling expenses	283	266
Increase in administrative expenses	3,126	2,608
Decrease in profit	8,263	5,876
Decrease in earnings per share:		
Basic earnings per share (in Baht)	(0.0005)	(0.0004)

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

4 Acquisitions

In August 2010, the Company entered into a Memorandum of Understanding (“MOU”) with a company in the United Kingdom in order to express its intention to acquire the assets and business of an integrated iron and steel making plant for slab production owned by that company. The assets to be acquired include land, plant buildings, port, utilities and inventories for a total project cost of approximately USD 500 million. The MOU specified certain conditions and agreements with which the Company and that company have to comply. On the date of the MOU, the Company paid a deposit on behalf of SSI UK amounting to USD 10 million and recorded such amount as “Deposit for assets acquisition” in the consolidated balance sheet as at 31 December 2010. This deposit was part of the amount paid for the acquired assets and business referred to below, and was non-refundable except in specific cases specified in the MOU. At 31 December 2010, various tasks had been undertaken by the Company and SSI UK, such as examining assets, drafting a sale and purchase assets agreement and other related agreements, negotiating with financial institutions to obtain credit facilities, and carrying out the share capital increase, to fund the acquisition of the assets. As 30 June 2011, such deposit was recognized in the part of “Investment in subsidiaries” in the separate financial statements.

Companies newly-registered in the United Kingdom

In 2010, the Company established a new subsidiary company in the United Kingdom, namely SSI UK, to support the Company’s investment in the United Kingdom. SSI UK has a registered share capital of GBP 130 million, which consists of 130,000 registered ordinary shares with a par value of GBP 1,000 each, and a paid-up share capital of GBP 1 million. The Company has a 100 percent equity interest in SSI UK. The Company registered and incorporated SSI UK on 20 September 2010 (at 30 June 2011, SSI UK has a registered share capital of GBP 247.6 million, which consists of 247,600 registered ordinary shares with a par value of GBP 1,000 each, and a paid-up share capital of GBP 247.6 million). The Company established Redcar which was incorporated on 8 October 2010 in the United Kingdom. Redcar has a registered share capital of GBP 2 which consists of 2 ordinary shares with a par value of GBP 1 each, and paid-up share capital of GBP 2. As at 30 June 2011, Redcar was a 50:50 jointly-controlled entity held by SSI UK and Tata Steel UK Limited (“TSUK”).

The acquisition of an integrated iron and steel making plant and execution of associated loan agreements

On 17 February 2011, the Company’s board No. 1/2554 passed the following resolution; a) To acquire certain assets and business of Teesside Cast Product (“TCP”) from Tata Steel UK Limited TSUK (the “Acquisition”) through its subsidiary, SSI UK and perform other tasks necessary in relation to such the Acquisition; b) To increase the equity investment in SSI UK and/or provide loans to SSI UK to fund the payment of such Acquisition; c) To negotiate and enter into credit facilities agreements amounting to not over Baht 24,000 million and to provide letters of guarantee to financial institutions who provide credit facilities of USD 600 million to SSI UK and perform other tasks necessary in obtaining funding for such the Acquisition. On 24 March 2011, the Company through SSI UK has completed the payment for the Acquisition of TCP, and the ownership of TSUK whas been transferred to SSI UK. Then, at that date, SSI UK acquired the net assets (property, plant and equipment, intangible assets and working capital) and assumed the operations of the TCP business. The net assets were acquired for a cash consideration of USD 684 million (Baht 20,487 million), allocated as follows:

	Million USD	Million Baht
Property, plant and equipment	455	13,548
Working capital	229	6,939
Total	684	20,487

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

The Acquisition qualifies for treatment as a business combination in accordance with TFRS 3 (revised 2009) Business Combinations, which requires that the assets acquired and liabilities assumed be recorded at their fair values on 24 March 2011, together with goodwill, if any. The Company has engaged a firm of independent appraisers to determine the fair values of the assets acquired and liabilities assumed. As at the reporting date, the fair value exercise is ongoing, with the main areas of focus being potential impairment of machinery spare parts and tools that may not be used for future operations and the valuation of contingent liabilities in respect of costs associated with restarting the slab production, provision for future environmental clean-up costs and employee benefit obligations. In the Company's consolidated financial statements, the net assets acquired have been provisionally recorded at cost. The completion of the fair value appraisal exercise will be used to adjust the carrying values to fair values and to record goodwill, if any, in the accounting period in which the appraisal exercise is completed.

The TCP business acquired, which comprises the coke manufacturing and the mothballed iron and steel-making and continuous casting business manufacturing slab, but specifically excludes the Redcar Ore Terminal business which was acquired by Redcar. Redcar is a 50:50 jointly-controlled entity held by SSI UK and TSUK. In March 2011, the Company sold one Redcar ordinary share to TSUK for GBP 1 (one). The Redcar Ore Terminal purchase price is an aggregate of USD 43 million (consisting of property, plant, equipment and intangible assets), then SSI UK subscribed and paid for Redcar shares at a value of USD 21.7 million in March 2011.

The Group incurred acquisition-related costs of Baht 206.6 million related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative in the Group's consolidated statements of comprehensive income.

As at 30 June 2011, the iron and steel making plant are under a restart plan whereas the coke manufacturing plant has been operating since the acquisition date.

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 related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Prachuap Port Co., Ltd.	Thailand	Direct subsidiary, 51.00% shareholding and common director
West Coast Engineering Co., Ltd.	Thailand	Direct subsidiary, 99.99% shareholding and common director
Sahaviriya Industries UK Limited	United Kingdom	Direct subsidiary, 100.00% shareholding and common director
Thai Cold Rolled Steel Sheet Public Co., Ltd.	Thailand	Jointly controlling shareholder, 50.15% shareholding
Redcar Bulk Terminal Limited	United Kingdom	Jointly controlling shareholder, 50.00% indirectly-held shareholding

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

Name of entities	Country of incorporation/ nationality	Nature of relationships
Thai Coated Steel Sheet Company Limited	Thailand	Shareholding by the Company and common directors
Bangsaphan Barmill Public Company Limited	Thailand	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
B.S. Metal Company Limited	Thailand	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Sahaviriya Plate Mill Public Company Limited	Thailand	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Prapawit Building Property Company Limited	Thailand	Common directors and aggregate direct and indirect shareholding by the Company's directors(s)
Western Housing Company Limited	Thailand	Common directors and aggregate direct shareholding by the Company's directors(s)
Sahaviriya Steel Group Company Limited	Thailand	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
C.A.R. Services Company Limited	Thailand	The aggregate direct and indirect shareholding by the Company's director(s)
Sahaviriya Panich International Company Limited	Thailand	Common directors and aggregate direct and indirect shareholding by the Company's directors(s)
Line Transport Company Limited	Thailand	Common directors with the subsidiary and aggregate direct and indirect shareholding by the Company's director(s)
B.P. Wire Rod Company Limited	Thailand	The aggregate direct and indirect shareholding by the Company director(s)
Bangpakong Lighter Company Limited	Thailand	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Bangpakong Port Company Limited	Thailand	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Bangsaphan Transport Company Limited	Thailand	The aggregate direct and indirect shareholding by the Company's director(s)
Prachuap S.M.O. Company Limited	Thailand	Indirect shareholding by the Company director(s)
Sahaviriya Iron and Steel Company Limited	Thailand	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Thai Steel Sales Company Limited	Thailand	Common directors and aggregate direct and indirect shareholding by the Company's director(s)
Prachuap Pattana Development Company Limited	Thailand	Common directors and direct shareholding by the Company's directors(s)

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

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

Transactions with the Company, subsidiary companies and jointly-controlled entities	Pricing policies
Sale of goods	Third party pricing used, dependent on volume and relevant market considerations.
Rendering of port services	Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.
Rendering of other services	Charges for rendering of services and maintenance-related services are based on agreements.
Other income	Sales of scrap material are priced based on scrap weight and the prices set by the Company.
Other income	Revenue from providing management staff to subsidiaries and jointly-controlled entities are based on agreements.
Purchase of goods	The charged by subsidiaries for parts and spare parts production are based on third party prices under terms and conditions normally applicable to similar transactions.
Purchase of goods	Purchases of rolls are charged on agreed prices.
Receiving of other services	Maintenance-related services are charged based on long-term maintenance service agreements. The term of the agreement can be modified according to business circumstances.
Receiving of port services	Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.
Selling and administrative expense	Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.
Transactions with related companies	Pricing policies
Sale of goods	Third party pricing used, dependent on volume and relevant market considerations.
Rendering of port services	Port services rendered are charged based on Ministry of Transportation-determined rates, dependent on service volume and relevant market considerations.
Rendering of other services	Charges for rendering of services and maintenance-related services are based on agreements.
Other income	Sales of scrap material are priced based on scrap weight and the prices set by the Company.
Other income	Revenue from providing management staff to related parties are based on agreements.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

Transactions with related companies	Pricing policies
Receiving of services	Transportation charges are based on agreements, dependent on cargo weight and distance.
Receiving of services	Warehouse rental is charged based on rental agreements.
Receiving of services	Cut sheet services are charged based on agreements.
Receiving of services	Rental charges for staff accommodation are fixed on an annual basis and agreed with the lessor.
Selling and administrative expense	Domestic transportation services are charged based on agreements, dependent on cargo weight and distance.
Selling and administrative expense	Office rental is charged based on rental agreements.
Selling and administrative expense	Rental charges for staff accommodation are fixed on an annual basis and agreed with the lessor.
Selling and administrative expense	Commission expense is charged based on agreements.

Significant transactions for the three-month and six-month periods ended 30 June 2011 and 2010 with related parties are summarized as follows:

	Consolidated financial statements		Separate financial statements	
<i>Three-month period ended 30 June</i>	2011	2010	2011	2010
	<i>(in thousand Baht)</i>			
Subsidiaries				
Purchases of goods and receiving of services	-	-	136,946	152,227
Other income	-	-	930	1,457
Selling and administrative expense	-	-	55	565
Jointly-controlled entities				
Sales of goods	624,538	2,095,391	623,621	2,094,747
Rendering of service	25,794	23,733	-	-
Other income	3,095	2,562	3,905	2,562
Selling and administrative expense	-	36	-	33
Related companies				
Sales of goods	6,255,915	7,289,602	6,255,915	7,289,597
Rendering of service	3,059	7,297	-	-
Purchases of goods and receiving of services	31,893	39,085	31,287	39,081
Other income	5,840	902	5,821	752
Selling and administrative expense	122,955	100,709	121,303	100,060
Key management personnel				
Key management personnel compensation				
Short-term benefits	15,704	18,330	11,239	13,638
Statutory severance pay	442	2,893	348	2,136
Other long-term benefits	8	63	5	42
Total key management personnel compensation	16,154	21,286	11,592	15,816

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

<i>Six-month period ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in thousand Baht)</i>			
Subsidiaries				
Purchases of goods and receiving of services	-	-	269,350	292,022
Other income	-	-	2,200	2,595
Selling and administrative expense	-	-	131	1,731
Jointly-controlled entities				
Sales of goods	2,232,549	4,252,524	2,230,836	4,251,393
Rendering of service	40,250	42,448	-	-
Purchases of goods and receiving of services	-	5,346	-	-
Other income	7,817	6,774	7,817	6,774
Selling and administrative expense	-	36	-	33
Other related parties				
Sales of goods	14,281,415	15,108,558	14,281,389	15,108,553
Rendering of service	10,598	17,922	-	-
Purchases of goods and receiving of services	61,205	84,384	61,115	84,379
Other income	88,947	5,251	88,284	4,870
Selling and administrative expense	129,176	212,966	127,207	211,700
Key management personnel				
Key management personnel compensation				
Short-term benefits	33,772	37,961	22,747	26,606
Statutory severance pay	884	5,786	696	4,272
Other long-term benefits	16	126	10	84
Total key management personnel compensation	34,672	43,873	23,453	30,962

Balances as at 30 June 2011 and 31 December 2010 with related parties are as follows:

<i>Trade accounts receivable from related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Jointly-controlled entities				
Thai Cold Rolled Steel Sheet Public Co., Ltd.	131,164	45,306	121,840	35,462
Other related parties				
B.S. Metal Co., Ltd.	1,484,658	1,527,495	1,484,658	1,527,478
Sahaviriya Panich International Co., Ltd.	1,442,651	951,953	1,442,651	951,953
Others	4,200	6,950	-	-
	3,062,673	2,531,704	3,049,149	2,514,893
<i>Less allowance for doubtful accounts</i>	-	-	-	-
Net	3,062,673	2,531,704	3,049,149	2,514,893

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

<i>Other receivables from related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Subsidiaries				
Prachuap Port Co., Ltd	-	-	61	21
West Coast Engineering Co., Ltd.	-	-	660	719
Sahaviriya Industries UK Limited	-	-	331,652	-
Jointly-controlled entities				
Thai Cold Rolled Steel Sheet Public Co., Ltd.	152	254	152	254
Other related parties				
Others	558	681	409	514
Total	710	935	332,934	1,508
Accrued income				
	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Subsidiaries				
Prachuap Port Co., Ltd	-	-	-	300
West Coast Engineering Co., Ltd.	-	-	548	791
Jointly-controlled entities				
Thai Cold Rolled Steel Sheet Public Co., Ltd.	1,722	1,710	180	278
Other related parties				
Thai Coated Steel Sheet Co., Ltd.	3,824	6,516	3,824	6,516
Bangsaphan Barmill PLC.	296	4,176	296	4,176
Others	177	176	177	176
Total	6,019	12,578	5,025	12,237
Advance paid to related parties				
	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sahaviriya Steel industries UK Ltd.	-	-	-	381,622
Total	-	-	-	381,622

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

<i>Trade accounts payable to related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Subsidiaries				
Prachuap Port Co., Ltd	-	-	4,408	2,539
West Coast Engineering Co., Ltd.	-	-	29,337	27,658
Other related parties				
Line Transport Co., Ltd.	5,359	6,303	5,359	6,304
B.S. Metal Co., Ltd.	1,717	1,309	1,717	1,309
Bangpakong Lighter Company Limited	-	747	-	747
Others	765	-	765	-
Total	7,841	8,359	41,586	38,557

<i>Other accounts payable to related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Subsidiaries				
Prachuap Port Co., Ltd	-	-	214	18,896
West Coast Engineering Co., Ltd.	-	-	8,856	9,503
Jointly-controlled entities				
Thai Cold Rolled Steel Sheet Public Co., Ltd.	32	29	32	29
Other related parties				
Line Transport Co., Ltd.	7,520	20,014	7,494	19,967
Bangpakong Lighter Co., Ltd.	2,958	17,847	2,958	17,847
Sahaviriya Panich International Co.,Ltd	21	1,428	21	1,428
Prapawit Building Property Co., Ltd.	1,186	1,030	1,155	989
B.S. Metal Co.,Ltd	597	960	597	960
Bangpakong Port Company Limited	-	63	-	63
Others	179	221	174	202
Total	12,493	41,592	21,501	69,884

Agreements with related party

Purchase of slab agreement

The Company entered into purchase of slab with SSI UK with 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 refer with market price. The offtake agreement becomes effective after the restart of iron and steel making plant and terminates on the later of seven (7) years from that date or 31 March 2018. Both parties can agree in writing to terminate the agreement.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

6 Trade accounts receivable

		Consolidated financial statements		Separate financial statements	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>Note</i>	<i>(in thousand Baht)</i>			
Related parties	5	3,062,673	2,531,704	3,049,149	2,514,893
Other parties		1,113,509	714,128	426,001	687,470
		<u>4,176,182</u>	<u>3,245,832</u>	<u>3,475,150</u>	<u>3,202,363</u>
Less allowance for doubtful accounts		<u>(283,809)</u>	<u>(283,809)</u>	<u>(283,809)</u>	<u>(283,809)</u>
Net		<u>3,892,373</u>	<u>2,962,023</u>	<u>3,191,341</u>	<u>2,918,554</u>
		2011	2010	2011	2010
		<i>(in thousand Baht)</i>			
Bad and doubtful debts expense					
- for the three-month period ended 30 June		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
- for the six-month period ended 30 June		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Aging analyses for trade accounts receivable are as follows:

		Consolidated financial statements		Separate financial statements	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010
		<i>(in thousand Baht)</i>			
Related parties					
Within credit terms		2,551,294	2,530,575	2,541,328	2,514,893
Overdue:					
Less than 3 months		509,798	1,129	507,821	-
3-6 months		1,581	-	-	-
		<u>3,062,673</u>	<u>2,531,704</u>	<u>3,049,149</u>	<u>2,514,893</u>
Less allowance for doubtful accounts		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>3,062,673</u>	<u>2,531,704</u>	<u>3,049,149</u>	<u>2,514,893</u>
Other parties					
Within credit terms		814,033	419,338	142,192	403,661
Overdue:					
Less than 3 months		14,419	10,061	-	-
3-6 months		1,248	920	-	-
Over 12 months		283,809	283,809	283,809	283,809
		<u>1,113,509</u>	<u>714,128</u>	<u>426,001</u>	<u>687,470</u>
Less allowance for doubtful accounts		<u>(283,809)</u>	<u>(283,809)</u>	<u>(283,809)</u>	<u>(283,809)</u>
		<u>829,700</u>	<u>430,319</u>	<u>142,192</u>	<u>403,661</u>
Net		<u>3,892,373</u>	<u>2,962,023</u>	<u>3,191,341</u>	<u>2,918,554</u>

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

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

7 Inventories

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Finished goods	8,022,510	5,700,646	5,303,569	5,725,724
Work in progress	17,173	18,442	-	-
Raw materials	8,899,543	4,577,365	4,229,277	4,590,454
Spare parts and factory supplies	3,589,237	1,267,290	1,319,086	1,247,564
Goods in transit	1,550,402	2,868,187	1,550,402	2,868,187
	<u>22,078,865</u>	<u>14,431,930</u>	<u>12,402,334</u>	<u>14,431,929</u>
<i>Less allowance for decline in value</i>	<i>(299,861)</i>	<i>(227,009)</i>	<i>(299,861)</i>	<i>(227,009)</i>
Net	<u>21,779,004</u>	<u>14,204,921</u>	<u>12,102,473</u>	<u>14,204,920</u>

8 Investments in subsidiaries

	Separate financial statements	
	2011	2010
	<i>(in thousand Baht)</i>	
<i>Six-month period ended 30 June</i>		
At 1 January	325,652	279,000
Acquisitions	12,197,698	-
At 30 June	<u>12,523,350</u>	<u>279,000</u>

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**

Notes to the interim financial statements

For the three-month and six-month periods ended 30 June 2011 (Unaudited)

Investments in subsidiaries as at 30 June 2011 and 31 December 2010, and dividend income from those investments for the six-month periods ended 30 June 2011 and 2010 were as follows:

Subsidiaries	Separate financial statements										Dividend income for	
	Ownership interest		Paid-up capital		Cost method		Impairment		At cost - net		six-month ended	
	30	31	30	31	30	31	30	31	30	31	30	30
	June	December	June	December	June	December	June	December	June	December	June	June
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(%)						(in thousand Baht)					
Prachuap Port Co., Ltd.	51.00	51.00	400,000	400,000	204,000	204,000	-	-	204,000	204,000	25,500	25,500
West Coast Engineering Co., Ltd.	99.99	99.99	75,000	75,000	75,000	75,000	-	-	75,000	75,000	18,430	-
Sahaviriya Industries UK Limited	100.00	100.00	GBP 247.6 million	GBP 1 million	12,244,350	46,652	-	-	12,244,350	46,652	-	-
Total					12,523,350	325,652	-	-	12,523,350	325,652	43,930	25,500

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**

Notes to the interim financial statements

For the three-month and six-month periods ended 30 June 2011 (Unaudited)

9 Investments in jointly-controlled entities

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in thousand Baht)</i>			
<i>Six-month period ended 30 June</i>				
At 1 January	4,045,306	3,838,852	4,502,797	4,502,797
Acquisitions	767,624	-	-	-
Share of net profits of equity - accounted jointly-controlled entities	17,977	133,498	-	-
At 30 June	<u>4,830,907</u>	<u>3,972,350</u>	<u>4,502,797</u>	<u>4,502,797</u>

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

Investments in jointly-controlled entities as at 30 June 2011 and 31 December 2010, and dividend income from those investments for the six-month periods ended 30 June 2011 and 2010 were as follows:

Consolidated financial statements														
Jointly- controlled entities	Ownership interest		Paid-up capital		Cost method		Equity method		Impairment		At equity - net		Dividend income for the six-month period ended	
	30	31	30	31	30	31	30	31	30	31	30	31	30	30
	June	December	June	December	June	December	June	December	June	December	June	December	June	June
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(%)				(in thousand Baht)									
Thai Cold Rolled Steel Sheet Public Co., Ltd.	50.15	50.15	10,703,000	10,703,000	5,440,922	5,440,922	4,039,351	4,045,306	-	-	4,039,351	4,045,306	-	-
Redcar Bulk Terminal Limited	50.00	-	GBP 26.5 million	-	767,624	-	791,556	-	-	-	791,556	-	-	-
Total					6,208,546	5,440,922	4,830,907	4,045,306	-	-	4,830,907	4,045,306	-	-

Separate financial statements												
Jointly- controlled entities	Ownership interest		Paid-up capital		Cost method		Impairment		At cost - net		Dividend income for the six-month period ended	
	30	31	30	31	30	31	30	31	30	31	30	30
	June	December	June	December	June	December	June	December	June	December	June	June
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(%)				(in thousand Baht)							
Thai Cold Rolled Steel Sheet Public Co., Ltd.	50.15	50.15	10,703,000	10,703,000	<u>5,440,922</u>	<u>5,440,922</u>	<u>938,125</u>	<u>938,125</u>	<u>4,502,797</u>	<u>4,502,797</u>	-	-
Total					<u>5,440,922</u>	<u>5,440,922</u>	<u>938,125</u>	<u>938,125</u>	<u>4,502,797</u>	<u>4,502,797</u>	-	-

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

10 Other long-term investments

Other long-term investments as at 30 June 2011 and 31 December 2010, and dividend income from those investments for the six-month periods ended 30 June 2011 and 2010 were as follows:

Consolidated financial statements											
	Ownership interest		Paid-up capital		Cost method		Impairment		At cost - net		Dividend income for
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	the six-month period ended 30 June 2011
	(%)						(in thousand Baht)				30 June 2010
Thai Coated Steel Sheet Company Limited	3.70	3.70	2,206,900	2,206,900	294,000	294,000	294,000	294,000	-	-	-
Total					294,000	294,000	294,000	294,000	-	-	-
Separate financial statements											
	Ownership interest		Paid-up capital		Cost method		Impairment		At cost - net		Dividend income for
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	the six-month period ended 30 June 2011
	(%)						(in thousand Baht)				30 June 2010
Thai Coated Steel Sheet Company Limited	3.70	3.70	2,206,900	2,206,900	294,000	294,000	294,000	294,000	-	-	-
Total					294,000	294,000	294,000	294,000	-	-	-

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

11 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment, including assets acquired under the Acquisition (as discussed in Note 4), during the six-month periods ended 30 June 2011 and 2010 were as follows:

Consolidated financial statements				
<i>Six-month period ended 30 June</i>	2011		2010	
	Acquisitions and transfers in - at cost	Disposals and Transfers out - net book value (in thousand Baht)	Acquisitions and transfers in - at cost	Disposals and transfers out - net book Value
Land	238,390	-	284	-
Building and building improvement	579,799	-	5,252	-
Machinery and equipment in production/service line	4,665,540	23,501	68,386	3,767
Construction in progress/installation	14,296,199	5,547,180	27,514	60,454
Equipment in transit	2,128	-	36,029	-
Others	101,131	9	14,559	1,742
Total	19,883,187	5,570,690	152,024	65,963

Separate financial statements				
<i>Six-month period ended 30 June</i>	2011		2010	
	Acquisitions and transfers in - at cost	Disposals and Transfers out - net book value (in thousand Baht)	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value
Land	750	-	338	-
Building and building improvement	5,613	-	2,895	-
Machinery and equipment in production/service line	39,752	23,488	287,777	3,724
Construction in progress/installation	59,728	34,292	19,190	52,084
Equipment in transit	2,128	-	36,029	-
Others	10,948	3	13,643	1,404
Total	118,919	57,783	359,872	57,212

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

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 recognized within profit or loss. During the six-month period ended 30 June 2011, the FAP issued a notification (which has already been registered in Government Gazette on 6 May 2011) 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 changed to the following:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<i>Three-month period ended 30 June</i>				
Decrease in profit for the period (in thousand Baht)	(57,959)	(93,799)	(53,506)	(89,304)
Decrease in earnings per share (Baht per share)	(0.0035)	(0.0072)	(0.0032)	(0.0068)
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<i>Six-month period ended 30 June</i>				
Decrease in profit for the period (in thousand Baht)	(148,300)	(200,553)	(139,443)	(191,356)
Decrease in earnings per share (Baht per share)	(0.0089)	(0.0153)	(0.0084)	(0.0146)

As at 30 June 2011, the Group have mortgaged/pledged assets amounting to approximately Baht 63,079.1 million (*31 December 2010: Baht 19,396.7 million*) (the Company: Baht 38,871.9 million) (*31 December 2010: Baht 17,593.7 million*) as collateral against bank overdrafts, short-term loans and long-term loans from financial institutions, as described in Note 12.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

12 Interest-bearing liabilities

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
<i>Current</i>				
Bank overdrafts				
- secured	-	-	-	-
Short-term loans from financial institutions				
- secured	17,727,296	12,570,951	12,509,370	12,562,951
Bank overdrafts and short-term loans from financial institutions	17,727,296	12,570,951	12,509,370	12,562,951
Current portion of long-term loans from financial institutions				
- secured	1,610,605	1,917,784	1,421,682	1,811,800
	1,610,605	1,917,784	1,421,682	1,811,800
Current portion of finance lease liabilities	1,906	7,532	-	-
	1,906	7,532	-	-
Current portion of liabilities under hire purchase agreements	4,202	3,004	3,265	2,185
	4,202	3,004	3,265	2,185
	19,344,009	14,499,271	13,934,317	14,376,936
<i>Non-current</i>				
Long-term loans from financial institutions				
- secured	17,900,593	4,433,854	10,102,406	4,185,050
Finance lease liabilities	86	126	-	-
Liabilities under hire purchase agreements	5,087	3,134	3,798	2,321
	17,905,766	4,437,114	10,106,204	4,187,371
Total	37,249,775	18,936,385	24,040,521	18,564,307

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

The periods to maturity of interest-bearing liabilities, excluding finance lease liabilities and hire purchase agreements, as at 30 June 2011 and 31 December 2010 were as follows:

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Within one year	19,337,901	14,488,735	13,931,052	14,374,751
After one year but within five years	12,086,284	4,433,854	6,428,334	4,185,050
After five years	5,814,309	-	3,674,072	-
Total	<u>37,238,494</u>	<u>18,922,589</u>	<u>24,033,458</u>	<u>18,559,801</u>

Secured interest-bearing liabilities as at 30 June 2011 and 31 December 2010 were secured on the following assets:

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Property, plant and equipment	33,261,849	19,396,742	17,241,802	17,593,697
Investments in subsidiaries and associates	13,011,974	-	12,244,350	-
Inventories	16,805,234	-	9,385,706	-
Total	<u>63,079,057</u>	<u>19,396,742</u>	<u>38,871,858</u>	<u>17,593,697</u>

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

As a result of the Acquisition explained in Note 4, during the six-month period ended 30 June 2011, the Company and SSI UK have entered into the following long-term loan agreements:

1. Company Baht 23.9 billion facility dated 24 February 2011

Facilities received	Main conditions/Other conditions
<p><u>Lenders</u> : 3 commercial banks</p> <p><u>Facility A</u> (Baht 6,200 million): Baht term loan to partially-finance the Acquisition purchase price, associated deal costs and general working capital purposes. Interest rate is based on MLR 7 year tenure, first repayment 27 months after first draw-down.</p> <p><u>Facility B</u> (Baht 5,700 million): Baht term loan to refinance another facility provided by other commercial banks. Interest rate is based on MLR 7 year tenure, first repayment 3 months after first draw-down.</p> <p><u>Facility C</u> (Baht 12,000 million): Revolving facility to refinance amounts owed to two other commercial banks and for general corporate purposes (subject to maximum short-term loans of Baht 2,000 million). Interest charged at lower of MLR or money market rate plus margin.</p>	<p><u>Main conditions</u></p> <ol style="list-style-type: none"> 1) Consolidated Debt to Equity ratio of below 2:1 for 2011 and 2012 (1.5:1 thereafter). 2) Debt Service coverage ratio of at least 1.2:1. Testing conducted on a quarterly basis from 31 December 2011 onward. 3) Assets disposal, merger and acquisition and dividends payment. <p><u>Other conditions</u></p> <ol style="list-style-type: none"> (1) Commitment fees as specified in the agreements. (2) Maintaining share holding structure, Public company status etc. (3) Guarantee by SSI UK.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

2. SSI UK USD 600 million debt facility

Facilities received	Main conditions/Other conditions
<p><u>Lenders:</u> 3 commercial banks</p> <p><u>Facility A:</u> USD 250 million: USD Term loans to finance the Acquisition purchase price and investment in Redcar. Repayable in 5 years to 7 years tenure, first repayment 27 months after first draw-down.</p> <p><u>Facility B:</u> USD 150 million: USD term loan to finance capital expenditure and start-up costs. Repayable in 7 years tenure, first repayment 3 months after first draw-down.</p> <p><u>Revolving Facility:</u> USD 200 million: Revolving facility to pay first TCP Working Capital purchase price adjustment, L/C amounts in respect of capital expenditure and start up costs and general corporate purposes. Principal repayable at end of interest period, can be extended for up to 12 months from original maturity date.</p> <p>Interest on all facilities is payable at LIBOR + Margin.</p>	<p><u>Main conditions</u></p> <ol style="list-style-type: none"> 1) Consolidated long term debt to EBITDA ratio of below 2.5:1 for 2011-2013 (2.0:1 thereafter). 2) Debt Service coverage ratio of at least 1.2:1 (for the period of 27 months following initial utilization to final maturity for Facility A). 3) Current asset/current liability ratio of at least 1:1 from 31 December 2011 onwards. 4) Merger and acquisition. <p><u>Other conditions</u></p> <ol style="list-style-type: none"> (1) Commitment fees as specified in the agreements. (2) Maintaining share holding structure, etc. (3) Guarantee by the Company.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

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 additionally made a second mortgage of land and construction thereon and machinery of the Company and assigned beneficiary rights under insurance policies to the lenders. These short-term loan agreements contain certain covenants as stipulated in the agreement that, among other things, required the Company to maintain according to the agreement such as maintenance of financial ratios, the minimum maintenance of the Company's shareholding in PPC and TCR.

Short-term loans of PPC 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 are secured by mortgage of 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 the Company's subsidiaries, restrictions on dividend payment in each fiscal year, and a prohibition on the Company pledging their investments in shares or creating any obligation thereon.

During the six-month period ended 30 June 2011, a subsidiary made additional loan payments amounting to Baht 92.5 million (*31 December 2010: Baht 76.2 million*), in instalments in accordance with the loan agreement.

As at 30 June 2011 the Group and the Company had unutilised credit facilities totalling Baht 2,563.7 million and 2,344.7 million, respectively (*31 December 2010: Baht 3,443.8 million and Baht 3,246.8 million, respectively*).

Finance lease liabilities

Finance lease liabilities as at 30 June 2011 and 31 December 2010 were payable as follows:

	Consolidated financial statements					
	2011			2010		
	Principal	Interest	Payments	Principal	Interest	Payments
	<i>(in thousand Baht)</i>					
Within one year	1,906	38	1,944	7,532	212	7,744
After one year but within five years	86	3	89	126	6	132
Total	1,992	41	2,033	7,658	218	7,876

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

13 Trade accounts payable

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	30 June 2011	31 December 2010	30 June 2011	31 December 2010
		<i>(in thousand Baht)</i>			
Related parties	5	7,841	8,359	41,586	38,557
Other parties		4,285,298	3,149,140	1,792,815	3,104,488
Total		4,293,139	3,157,499	1,834,401	3,143,045

14 Employee benefit obligations

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Statement of financial position obligations for:				
Statutory severance pay	107,719	-	77,556	-
Other long-term employee benefits	17,657	-	12,349	-
	125,376	-	89,905	-
 <i>Three-month period ended 30 June</i>				
	2011	2010	2011	2010
	<i>(in thousand Baht)</i>			
Statement of comprehensive income recognised in profit or loss:				
Statutory severance pay	3,553	-	2,543	-
Other long-term employee benefits	579	-	395	-
	4,132	-	2,938	-
 <i>Six-month period ended 30 June</i>				
	2011	2010	2011	2010
	<i>(in thousand Baht)</i>			
Statement of comprehensive income recognised in profit or loss:				
Statutory severance pay	7,105	-	5,086	-
Other long-term employee benefits	1,158	-	790	-
	8,263	-	5,876	-

The Group adopted TAS 19 – Employee Benefits with effect from 1 January 2011; the effect on the financial statements is discussed in Note 3 (e). As stated in Note 3 (e), the Group has opted to record the entire amount of the transitional obligation as at 1 January 2011, totalling Baht 119.9 million for the Group and Baht 86.3 million for the Company, as an adjustment to retained earnings as at 1 January 2011.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

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.

Movement in the present value of the defined benefit obligations;

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<i>Six-month period ended 30 June</i>				
	<i>(in thousand Baht)</i>			
Defined benefit obligations at 1 January	119,905	-	86,299	-
Benefits paid by the plan	(2,792)	-	(2,270)	-
Current service costs and interest	8,263	-	5,876	-
Defined benefit obligations at 30 June	125,376	-	89,905	-

The expense recognised in profit or loss:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<i>Three-month period ended 30 June</i>				
	<i>(in thousand Baht)</i>			
Transitional obligation recognised				
Current service costs	3,099	-	2,182	-
Interest on obligation	1,033	-	756	-
Total	4,132	-	2,938	-

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<i>Six-month period ended 30 June</i>				
	<i>(in thousand Baht)</i>			
Transitional obligation recognised				
Current service costs	6,198	-	4,364	-
Interest on obligation	2,065	-	1,512	-
Total	8,263	-	5,876	-

The expense is recognised in the following line items in the statement of income:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<i>Three-month period ended 30 June</i>				
	<i>(in thousand Baht)</i>			
Cost of sales	2,427	-	1,501	-
Selling expenses	143	-	133	-
Administrative expenses	1,562	-	1,304	-
Total	4,132	-	2,938	-

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

<i>Six-month period ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in thousand Baht)</i>			
Cost of sales	4,854	-	3,002	-
Selling expenses	283	-	266	-
Administrative expenses	3,126	-	2,608	-
Total	8,263	-	5,876	-

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(%)</i>			
Discount rate	3.5	-	3.5	-
Future salary increases	5.5 - 6.5	-	5.5	-

Assumptions regarding future mortality are based on published statistics and mortality tables.

15 Share Capital

<i>Six-month period ended 30 June</i>		2011		2010	
	Par value per share (in Baht)	Number	Baht (thousand shares / thousand Baht)	Number	Baht
Authorised					
At 1 January					
- ordinary shares	1	13,101,500	13,101,500	13,101,500	13,101,500
Reduction	1	(220)	(220)	-	-
Increase of new shares	1	5,240,512	5,240,512	-	-
At 30 June					
- ordinary shares	1	18,341,792	18,341,792	13,101,500	13,101,500
Issued and paid-up					
At 1 January					
- ordinary shares	1	13,101,280	13,101,280	13,101,280	13,101,280
Issue of new shares	1	5,082,828	5,082,828	-	-
At 30 June					
- ordinary shares	1	18,184,108	18,184,108	13,101,280	13,101,280
Share discount					
At 1 January					
- ordinary shares		13,101,280	2,171,280	13,101,280	2,171,280
Issue of new shares		5,082,828	(933,038)	-	-
At 30 June					
- ordinary shares		18,184,108	1,238,242	13,101,280	2,171,280
Issue of ordinary shares					

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

As a result of the Acquisition, at the Extraordinary General Meeting of Shareholders held on 25 January 2011, the shareholders passed the following resolutions.

- a) Decrease the Company's registered share capital by cancelling 220,000 unissued registered shares with a par value of Baht 1 per share. The capital reduction will decrease the Company's registered share capital from Baht 13,101,500,000 to Baht 13,101,280,000.
- b) Increase the Company's registered share capital by Baht 5,240,512,000, from Baht 13,101,280,000 to 18,341,792,000, by creating additional 5,240,512,000 ordinary shares with a par value of Baht 1 per share.
- c) The Company allocated the 5,240,512,000 newly created ordinary shares with a par value of Baht 1 per share to the existing shareholders and by private placement to specific investors who were not connected persons of the Company at a price of Baht 1.20 per share.

The Company registered the decrease and increase of its registered share capital (January 2011) and its paid-up capital (24 February 2011 and 1 March 2011) with the Ministry of Commerce.

16 Segment information

Segment information is presented in respect of the Group's business segments. The primary format, business segments is based on the Group's management and internal reporting structure.

Business segments

The Group comprises the following main business segments:

<i>Segment 1</i>	Manufacture of hot rolled coils
<i>Segment 2</i>	Maintenance services
<i>Segment 3</i>	Deep-sea port services
<i>Segment 4</i>	Coke manufacturing and steel making plants

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**

Notes to the interim financial statements

For the three-month and six-month periods ended 30 June 2011 (Unaudited)

Information about reportable segments:

Business segments <i>Three-month period ended 30 June</i>	Manufacture of hot rolled coils		Maintenance services		Deep-sea port services		Coke manufacturing and steel making plants		Elimination of inter-segment revenues		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	<i>(in thousand Baht)</i>											
Revenue from external customers	7,734,069	11,805,373	67,987	33,626	32,397	47,317	1,676,681	-	-	-	9,511,134	11,886,316
Inter-segment revenue	-	-	110,626	108,523	30,318	47,692	-	-	(140,944)	(156,215)	-	-
Reportable segment profit (loss) before income tax	(391,049)	840,624	10,156	16,122	23,798	48,810	(646,949)	-	(39,209)	40,986	(1,043,253)	946,542
Reportable segment assets	50,581,663	40,786,661	442,096	388,151	1,975,505	2,124,699	27,176,605	-	(13,458,709)	(952,419)	66,987,160	42,347,092

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**

Notes to the interim financial statements

For the three-month and six-month periods ended 30 June 2011 (Unaudited)

Business segments	Manufacture of hot rolled coils		Maintenance services		Deep-sea port services		Coke manufacturing and steel making plants		Elimination of inter-segment revenues		Total	
<i>Six-month period ended 30 June</i>	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	<i>(in thousand Baht)</i>											
Revenue from external customers	19,679,624	25,599,722	103,455	53,161	67,836	98,897	1,676,681	-	-	-	21,527,596	25,751,780
Inter-segment revenue	-	-	213,207	201,241	65,675	101,725	-	-	(278,882)	(302,966)	-	-
Reportable segment profit (loss) before income tax	151,151	2,195,880	23,810	30,268	49,109	110,436	(938,646)	-	(53,799)	101,341	(768,375)	2,437,925
Reportable segment assets	50,851,663	40,786,661	442,096	388,151	1,975,505	2,124,699	27,176,605	-	(13,458,709)	(952,419)	66,987,160	42,347,092

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2010.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

17 Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the three-month and six-month periods ended 30 June 2011 and 2010 were based on the profit (loss) for the periods attributable to equity owners of the Company and the weighted average number of ordinary shares outstanding during the periods as follows:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<i>Three-month period ended 30 June</i>	<i>(in thousand Baht / thousand shares)</i>			
Profit (loss) attributable to equity owners of the Company (basic)	<u>(1,072,755)</u>	<u>917,680</u>	<u>(391,049)</u>	<u>840,624</u>
Number of ordinary shares outstanding at 1 January	13,101,280	13,101,280	13,101,280	13,101,280
Effect of shares issued on 24 February 2011	1,744,701	-	1,744,701	-
Effect of shares issued on 1 March 2011	<u>1,749,983</u>	<u>-</u>	<u>1,749,983</u>	<u>-</u>
Weighted average number of ordinary shares outstanding (basic)	<u>16,595,964</u>	<u>13,101,280</u>	<u>16,595,964</u>	<u>13,101,280</u>
Basic earnings (loss) per share (in Baht)	<u>(0.06)</u>	<u>0.07</u>	<u>(0.02)</u>	<u>0.06</u>
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<i>Six-month period ended 30 June</i>	<i>(in thousand Baht / thousand shares)</i>			
Profit (loss) attributable to equity owners of the Company (basic)	<u>(817,980)</u>	<u>2,373,335</u>	<u>151,151</u>	<u>2,195,880</u>
Number of ordinary shares outstanding at 1 January	13,101,280	13,101,280	13,101,280	13,101,280
Effect of shares issued on 24 February 2011	1,744,701	-	1,744,701	-
Effect of shares issued on 1 March 2011	<u>1,749,983</u>	<u>-</u>	<u>1,749,983</u>	<u>-</u>
Weighted average number of ordinary shares outstanding (basic)	<u>16,595,964</u>	<u>13,101,280</u>	<u>16,595,964</u>	<u>13,101,280</u>
Earnings (loss) per share (basic) (in Baht)	<u>(0.05)</u>	<u>0.18</u>	<u>0.01</u>	<u>0.17</u>

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

18 Commitments with non-related parties

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in million Baht)</i>			
Capital commitments				
<i>Contracted but not provided for</i>				
Machinery and equipment	262	360	132	127
Total	262	360	132	127

As at 30 June 2011, the Group had capital commitment of Baht 146.2 million, USD 1.8 million, JPY 321.8 million and EUR 1.2 million in relation to the acquisition and installation of machinery and equipments.

As at 30 June 2011, the Company had capital commitment of Baht 80.7 million, USD 0.02 million, and EUR 1.1 million in relation to the acquisition and installation of machinery and equipment.

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in million Baht)</i>			
Non-cancellable operating lease commitments				
Within one year	28	15	11	3
After one year but within five years	23	11	8	1
Total	51	26	19	4
Other commitments commitments				
Raw materials purchases	3,078	4,540	2,883	4,423
Letters of credit	2,043	394	2,043	394
Bank guarantees	867	1,108	110	110
Other agreements	1,724	1,119	1,709	1,060
Total	7,712	7,161	6,745	5,987

As at 30 June 2011, the Group had raw material purchase amounting to USD 95.7 million and Baht 106.8 million (*31 December 2010: USD 148.0 million and Baht 50.6 million*). Moreover, the Group had commitments to purchase a minimum value of Baht 0.4 million per month until 24 February 2012.

As at 30 June 2011, the Company had raw material purchase commitments amounting to USD 92.9 million (*31 December 2010: USD 146.0 million*).

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

As at 30 June 2011, the Group had commitments to banks under outstanding letters of credit amounting to USD 65.7 million (*31 December 2010: USD 13.0 million*).

As at 30 June 2011, the Group had outstanding bank guarantees issued by banks on behalf of the Company, its subsidiaries, and the jointly-controlled entities in respect of certain performance bonds as required in the normal course of the business. These included letters of guarantee to guarantee:

- import duty on raw material imports of Baht 120.5 million (*31 December 2010: Baht 120.5 million*);
- payment of long-term loans of USD 18.4 million (*31 December 2010: USD 26.8 million*);
- against losses from the legal action being taken by the Royal Forest Department described amounting to Baht 3.9 million (*31 December 2010: Baht 3.9 million*),
- to the Customs Department in respect of the establishment of a wharf and go-downs amounting to Baht 11.0 million (*31 December 2010: Baht 11.0 million*);
- contractual performance amounting to Baht 1.6 million and GBP 0.2 million (*31 December 2010: Baht 5.8 million and GBP 0.1 million*);
- electricity usage of Baht 148.6 million (*31 December 2010: Baht 148.6 million*).

As at 30 June 2011, the Company had outstanding bank guarantees issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of the business. These included letters of guarantee for loss as a result of the legal action being taken by the Royal Forest Department (as described in Note 19) amounting to Baht 3.9 million (*31 December 2010: Baht 3.9 million*); to guarantee electricity usage of Baht 104.5 million (*31 December 2010: Baht 104.5 million*).

As at 30 June 2011, the Company had other commitments in relation to purchase spare parts and equipment supplies, and to obtain maintenance services amounting to Baht 1,387.1 million, USD 5.5 million, JPY 1.2 million and EUR 3.6 million (*31 December 2010: Baht 705.6 million, USD 5.5 million and EUR 4.0 million*).

As at 30 June 2011, the Company had commitments amounting to GBP 0.2 million and USD 6.3 million in respect of consulting agreements relating to the Acquisition (*31 December 2010: GBP 0.3 million, USD 0.3 million, and Baht 3.0 million*).

As at 30 June 2011, the Group had long term service commitments amounting to Baht 9.5 million (*31 December 2010: Baht 11.5 million*) for utility system repair and maintenance for a period of 14 years ending on 31 December 2013 and amounting to Baht 12.2 million in relation to contracting agreements and service agreements.

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 guarantee in relation to landfill permit in the first year to the third year value of GBP 3.1 million, GBP 3.3 million and GBP 2.2 million, respectively. And guarantee in relation to radioactive source permit have a value of 25,000 pounds.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

19 Contingent liabilities and contingent assets

Contingent liabilities

As at 30 June 2011 and 31 December 2010, the Group was liable to banks in respect to the following guarantees:

	Consolidated financial statements		Separate financial statements	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	<i>(in thousand Baht)</i>			
Performance guarantees	2,656	9,235	-	-
Electricity supply	105,794	105,652	104,452	104,452

As at 30 June 2011, the Company had entered into forward sale exchange contracts covering the period from 6 May 2011 to 2 December 2011 for EUR 0.3 million in exchange for Baht 11.3 million.

Dispute

On 9 July 2010, the Prachuabkirikhan Provincial Land Office, Bangsaphan Branch (“the Land Office”) ordered the Company and a subsidiary to submit the Certificates of Utilisation (Nor. Sor. 3 Kor) 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 of Utilisation of the Company and the subsidiary. The Company and the subsidiary filed a lawsuit against the officers of the Land Office with the Central Administrative Court, petitioning the Central Administrative Court to order the cancellation of the announcement of the Company and the subsidiary. The Company and the subsidiary also petitioned the Central Administrative Court 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.

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 Central Administrative Court, 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 of Utilisation (Nor. Sor.3 Kor) of the Company and the subsidiary, and the withdrawal of the appeal decision of the Deputy Permanent Secretary of the Ministry of Interior. Statements are currently being presented to the Central Administrative Court.

On 20 December 2010, the Bangsaphan Sheriff, as the official responsible for the oversight and care of the National Forest, Klong Mae-Rumphueng forest, Prachuabkirikhan province (“the Forest”), issued a written order for the Company and the subsidiary to vacate the land for which the Director-General of the Department of Lands ordered revocation of Certificates of Utilisation (Nor. Sor. 3 Kor) and for which the Land Office issued replacement certificates for the Certificates of Utilisation (Nor. Sor. 3 Kor.) of the Company and a subsidiary, within 30 January 2011.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

On 30 March 2011, the Company and the subsidiary filed a lawsuit against the Central Administrative Court petitioning the Central Administrative Court 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 Central Administrative Court.

The management of the Company and the subsidiary believe that, the regardless of the result, the dispute will not affect the business operations of the Company or the subsidiary.

Litigation

- 1) The Company has been sued by the Royal Forest Department in a civil case regarding the encroachment on a national forest reserve, with a total of Baht 4.90 million claimed and the Prachuabkirikhan Provincial Court ordered the Company to pay compensation of Baht 2 million plus interest at a rate of 7.5 percent per annum as from the date the lawsuit was lodged by the Royal Forestry Department. The Company placed a bank guarantee of Baht 3.9 million with the Appeal Court to suspend the execution of the judgement for the term of the appeal, and lodged an appeal of the judgement with the Prachuabkirikhan Provincial Court. The Appeal Court confirmed the order of the Prachuabkirikhan Provincial Court. In March 2009, the Company submitted an appeal of the Appeal Court's judgement to the Supreme Court and the case is currently being considered by the Supreme Court.

In preparing its financial statements, the Company has recorded a provision against this claim (Baht 4.0 million) which has been held since 2009.

- 2) In March 2004, the Company was named co-defendant in two civil cases before the Bangkok South Civil Court, involving total claims of Baht 126 million resulting from the incorrect issue of bills of lading by forwarding agents. Subsequently, two of the plaintiffs in these cases sued the Company in the Central Intellectual Property and International Trade Court ("CIPITC"), which has jurisdiction in the cases. Claims made totalled approximately Baht 80 million. In December 2005, CIPITC combined the two cases because they relate to the same dispute. The CIPITC ordered the Company to pay compensation of USD 200,000, together with interest as from 9 May 2003 until the Company pays the claims and legal fees. In August 2009, the Company submitted an appeal of CIPITC's judgements to the Supreme Court and the case is currently being considered by the Supreme Court. Subsequently, one of the plaintiffs withdrew its lawsuit and did not intend to enforce settlement in accordance with the judgement given by CIPITC. The Company withdrew its appeal in relation to the plaintiff.

In preparing its financial statements, the Company has recorded a provision against this claim (Baht 7.8 million) which has been held since 2009.

Contingent assets

On 6 June 2011, the Company filed a lawsuit against the Department of Land and Department of Provincial Administration ("the Departments") related to a civil case pursued by the Departments against Company to revoke land use certificates (Nor. Sor. 3 Kor). The Company's case is currently waiting for acceptance by the Central Administrative Court.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

20 Events after the reporting period

- 1) The Company entered into interest rate swap agreements with certain bank, in order to hedge interest rate risk exposures. Under these agreements, the Company is obligated to pay and entitled to receive from counter parties the interest at the rates in accordance with the conditions as indicated in the agreements.
- 2) At the Board of Directors' Meeting held on 11 August 2011, the directors approved the following:
 - Fund-raising plan totaling US Dollars 140 million for the purpose of additional investment by SSI UK pursuant to its optimised restart plan.
 - SSI UK to seek US Dollars 90 million of additional borrowing from financial institutions.
 - SSI UK to borrow from Sahaviriya Inter Steel Holding Co., Ltd for which is one of the group of major shareholder of the Company at the maximum of US Dollar 50 million.
 - SSI to invest up to USD Dollars 60 million in SSI UK from the proceeds of the convertible debenture issue.
 - Hold a shareholder meeting to pass a resolution for SSI to issue and sell a maximum of Baht 2,250 million (or equivalent value in another currency) of convertible debentures to existing shareholders (on a pro-rata basis) or to foreign investors or by private placement to a maximum of 10 persons who are not related parties to SSI.
 - Hold a shareholder meeting to pass a resolution to decrease authorised share capital from Baht 18,341,792,000 by decreasing 157,683,765 authorised (but not issued) shares (at par value of Baht 1 per share),
 - Hold a shareholder meeting to pass a resolution to increase authorised share capital by Baht 2,250,000,000 from Baht 18,184,108,235 to Baht 20,434,108,235 by issuing 2,250,000,000 new ordinary shares at par value (Baht 1).
 - Hold a shareholder meeting to pass a resolution to increase such authorised share capital for the purposes of share conversion by the convertible debenture holders.

**Sahaviriya Steel Industries Public Company Limited, its Subsidiaries
and its Jointly-controlled entities**
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2011 (Unaudited)

21 Thai Financial Reporting Standards (TFRS) not yet adopted

The Group has not adopted the following new and revised TFRS that have been issued but are not yet effective as of the reporting date indicated in the following:

TFRS	Topic	Year effective
TAS 12	Income Taxes	2013
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013

Management expects to adopt and apply these new TFRS in accordance with FAP's announcement and is presently considering the potential initial impact on the consolidated and separate financial statements.