

Sahaviriya Steel Industries Public Company Limited



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Vision

Leader of Hot Rolled Coil Industry in Southeast Asia

Mission

- To supply superior products and service creating optimal value and enduring partnerships with our customers and suppliers.
- To add value to our shareholders, and deal fairly with our stakeholders.
- To maintain our leading market position, and to continuously develop our markets in Southeast Asia.
- To continuously develop our product and service level to the highest international standard.
- To enhance our competitiveness through best available technology and lowest possible costs.
- To support the development of our most valuable resource: our people.
- To improve standards of living in the local communities and to ensure safety and environment quality at the highest possible standard for a sustainable future.

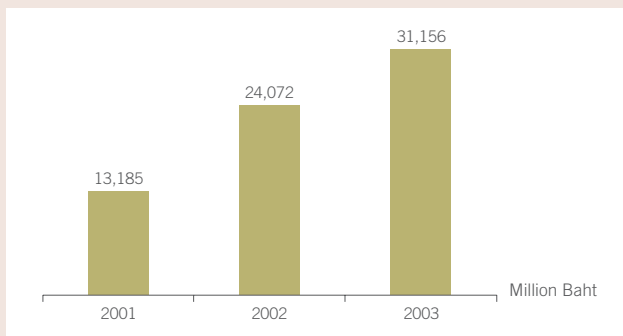
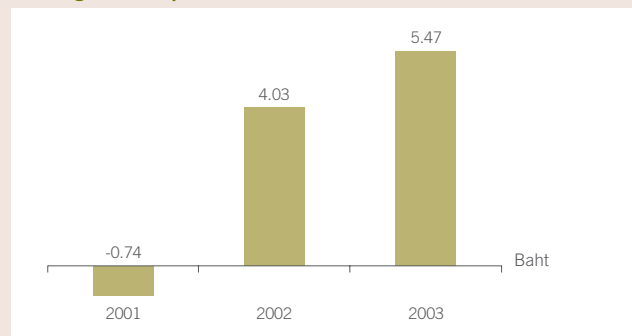
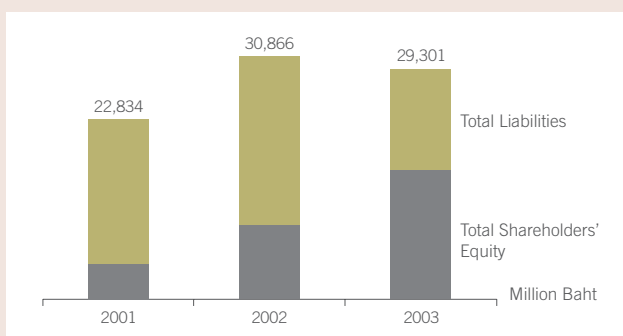
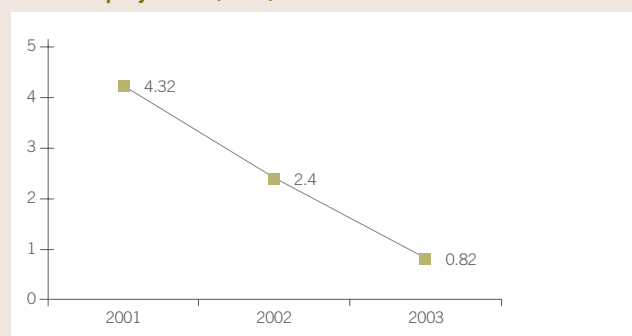
Values

- S = Spirit of Teamwork & Continuous Learning
- S = Satisfaction to all Stakeholders
- I = Integrity from all Staff

Financial Information of SSI and Subsidiaries

(unit : million baht)

	2001	2002	2003
Financial Information from Consolidated Financial Statements:			
Total Assets	22,834	30,866	29,301
Total Liabilities	18,338	21,518	12,891
Total Shareholders' Equity	4,496	9,348	16,410
Sales	12,917	23,715	29,326
Income from Services	188	253	231
Total Revenues	13,185	24,072	31,156
Gross Profit from Sales	936	5,331	4,876
Gross Profit from Services	(39)	(62)	(82)
Net Profit (Loss)	(630)	3,433	4,703
Financial Ratio:			
Net Profit Margin	(4.78%)	14.26%	15.09%
Return on Equity	(13.59%)	52.05%	38.05%
Return on Assets	(2.69%)	12.79%	15.63%
Earnings (Loss) per Share (baht)	(0.74)	4.03	5.47
Dividend per Share	None	None	None
Book Value per Share (baht)	4.97	10.49	18.35

Total Revenues**Earnings (Loss) per Share****Total Assets****Debt to Equity Ratio (Time)**

Nature of Business Operations

Sahaviriya Steel Industries PLC (SSI) is the first manufacturer of hot rolled steel sheet in coils in Thailand. SSI has a maximum capacity of 2.4 million tonnes per year with an investment cost of more than US\$ 500 million. The company invested in downstream projects which include Thai Cold Rolled Steel Sheet PLC (TCR), Thai Coated Steel Sheet Co., Ltd. (TCS). TCR is the first manufacturer of cold rolled steel sheet in coils in Thailand with a maximum capacity of 1.2 million tonnes per year using hot rolled coils as raw material. TCS is the first manufacturer of electro-galvanized steel sheet in coils in Thailand with a maximum capacity of 240,000 tonnes per year using cold rolled coils as raw material. In addition, the company invested in Prachuap Port Co., Ltd. (PPC) which operates a deep sea port capable of accommodating vessels up to 100,000 dead weight tonnes to serve the loading and unloading of raw materials and finished steel products. All above projects receive promotional privileges granted by the Board of Investment (BOI). In addition, the Company established West Coast Engineering Co., Ltd. in 1999 to provide maintenance and engineering services for the Company and other companies. All projects are located in Bang Saphan, Prachuap Khirikhan.

Revenue Structure

Product/Service	Operated by	Shareholding by SSI	2003		2002		2001	
			Revenue (Million Baht)	%	Revenue (Million Baht)	%	Revenue (Million Baht)	%
Hot Rolled Coils	Sahaviriya Steel Industries PLC	None	29,323 ⁽¹⁾	94.11	23,715 ⁽¹⁾	98.53	12,917 ⁽¹⁾	97.97
Maintenance and Engineering Services	West Coast Engineering Co., Ltd.	99.99%	24	0.08	17	0.07	27	0.20
Deep Sea Port	Prachuap Port Co., Ltd.	51.00%	211	0.68	236	0.98	161	1.22
Other Revenues	Sahaviriya Steel Industries PLC		1,469	4.71	97	0.41	54	0.41
	Prachuap Port Co., Ltd.		128	0.40	5	0.02	26	0.20
	West Coast Engineering Co., Ltd.		1	0.02	1	0.00	0	0.00
			31,156	100	24,071	100	13,185	100

⁽¹⁾ Including revenues from sales of goods to Thai Cold Rolled Steel Sheet PLC in the amount of Baht 4,744, 3,276, and 2,934 million in 2003, 2002, and 2001, respectively.




Message from the Chairman of the Board of Directors

The year 2003 was one of buoyant economic recovery in Thailand with higher growth rate than predicted. This unexpected pace of expansion can be attributed to the Government's stimulus measures, low interest rates, and strong consumer confidence. Domestic spending, consequently, was higher, and many industrial sectors responded with increased production capacity. New businesses and investments cropped up in various fields, particularly construction, automobiles, and auto parts, thus generating a greater demand for hot rolled coils.

The Company's 2003 operational results were significantly improved over the previous year. Net profit amounted to 4,702 million baht, while total income rose by 29% from 2002 to 31,156 million baht, thanks to the Company's achievement in targeted revenues, together with the Government's appropriate anti-dumping measures against 14 exporting nations, our effective cost control campaign, and a successful refinancing program, assisting the Company to reduce its debt and interest payment burden.

In 2003 the Company invested around 1,000 million baht in pickling and oiling line for its hot rolled coils, thus enhancing the value of its products. The plant construction is now completed, all machinery has been installed, and the production line is expected to commence operations in early 2004. The output from this line will respond to the increasing needs of the automobile and electrical appliance industries for high-quality hot rolled coils. Moreover, the Company has invested in production facilities that will increase capacity from 2.4 million tonnes per year to 4 million tonnes, at a cost of approximately 3,600 million baht. This expansion of hot rolled coils is scheduled for completion in early 2005.



Dr. Maruey Phadoongsidhi
Chairman of the Board of Directors

In 2003, the Company won the first ever “Prime Minister’s Best Industry Award”, a one-of-a-kind highly-prestigious award presented by the Prime Minister himself exclusively to companies that succeed in three or more categories. In our case, Sahaviriya Steel Industries has won in all four categories for four successive years: the Prime Minister’s Industry Award for Safety Management in 2003, the Prime Minister’s Industry Award for Quality Management in 2002, the Prime Minister’s Industry Award for Environmental Management in 2001, and the Prime Minister’s Industry Award for Productivity Improvement in 2000. The Company has also been awarded the National Awards in Safety, Occupational Health, and Workplace Environment for three years in a row, an Outstanding Business for labour relations, an Outstanding Business for labour welfare and benefits, and an Outstanding Contributor to the national war against drugs. These awards illustrate how determined the Company is to enhance the efficiency of its operations, to maintain its original corporate credo, and to raise its long-term capacity for good corporate governance to even higher levels of performance.

On behalf of the Board of Directors, I would like to thank our shareholders, our customers, as well as public and private agencies and financial institutions for their constant support. Special thanks to our management and staff for their diligence and sense of duty in working together to develop this organization amid the winds of change. Sahaviriya Steel Industries was the first company in Thailand to produce hot rolled coils, and has been the leader in hot rolled coils for over 13 years. Based on the Company’s professional management team, the Board of Directors is convinced that the Company is in firmhands and able to grow the business continuously to, ultimately, to serve as leader of the hot rolled coils industry for the whole of Southeast Asia.



Audit Committee Report for the Year 2003

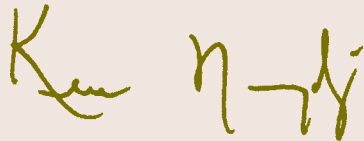
To: The Board of Directors of Sahaviriya Steel Industry Public Co., Ltd.

In its 2/2545 meeting on May 24, 2002, the Board of Directors passed a resolution to reappoint the same Audit Committee whose terms had expired on June 29, 2002 to another term lasting from June 30, 2002 to June 29, 2005. The Audit Committee is comprised of three independent directors together with the Chief of the Internal Audit Office acts as Secretary as follows:

- | | |
|-------------------------------|------------------------------------|
| 1. Professor Kesree Narongdej | Chairperson of the Audit Committee |
| 2. Mr. Visith Noiphan | Director of the Audit Committee |
| 3. Mr. Prateep Buphaintr | Director of the Audit Committee |
| 4. Mrs. Wannee Sirikanchana | Secretary of the Audit Committee |

The scope of duties and responsibilities of the Audit Committee are as follows:

1. Confirm that the Company has an accurate and adequate financial report.
2. Confirm that the Company has an appropriate and efficient internal control system and internal audit system.
3. Ensure that the Company complies with the law on securities and the stock exchange, regulations of the stock exchange, and laws concerning the business of the Company.
4. Review the risk management system of the Company, taking into account major risks of the Company.
5. Consider, select and propose the appointment of the Company's auditor and recommend his/her audit fee.
6. Ensure the full and accurate disclosures of information on transactions of any related parties with potential conflicts of interest.
7. Perform any task as assigned by the Board of Directors with the consent of the Audit Committee.



Professor Kesree Narongdej
Chairperson of the Audit Committee
26 February 2003

In 2003 the Audit Committee met 5 times and performed the following functions:

1. Finalizing, with the auditors of the Company as well as the explanations of the executive management, the interim financial reports and the annual financial report of 2003 prior to disclosing those statements to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.
2. Acknowledging the points of interest raised and analysis on the interim financial reports and the annual financial report of 2003 by the executive management.
3. Approving the audit plan of the internal audit office to audit the Company and its subsidiaries.
4. Acknowledging the audit reports of the internal audit office, including deficiencies that were identified and the steps taken to rectify them.
5. Acknowledging the report on internal controls on information systems, so as to determine the scope of auditing of the Company's auditor.
6. Considering the adequacy of the Company's system of internal controls, according to the evaluation form issued by the Securities and Exchange Commission for 2003.
7. Acknowledging the report on corporate compliance with the securities and exchange law, and other laws which concerns the Company's business, and monitoring progress in litigation involving the Company.
8. Monitoring progress in the development of corporate risk management system.
9. Considering, selecting, and proposing to the Board of Directors, for consideration and seeking approval at the ordinary meeting of the shareholders for 2003 in appointing Ms. Thanawan Anuratbodee, and/or Dr. Suphamit Techamontrikul, and/or Ms. Somporn Dulyavit of Deloitte Touche Tomatsu Jaiyos Co., Ltd. as the Company's auditors, for fiscal year 2004, together with the appropriate audit fee. Of these three nominees, two are new and one has served before.
10. Carrying out self-assessment for 2003 and submitting the result of the appraisal to the Board of Directors.
11. Assessing the performance of the Company to ensure compliance with the 15 principles of good corporate governance policy, in accordance with the evaluation form provided by the Stock Exchange of Thailand for 2003.

General Information

Name	:	Sahaviriya Steel Industries Public Company Limited
Company Registration No.	:	Bor Mor Jor 315
Type of Business	:	Manufacture and sell hot rolled steel coils at maximum capacity of 2.4 million tonnes per year, with the Board of Investment promotional certificate no. 1140/2533 issued on August 8, 1990
Head Office	:	2nd - 3rd Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel 0-2238-3063-82 Fax 0-2236-8890, 0-2236-8892
Branch Office	:	9 Moo 7, Ban Klang Na - Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan 77140 Tel 0-3269-1403-5, 0-3269-1412-5, 0-3269-1419-20 Fax 0-3269-1421
Website	:	http://www.ssi-steel.com
Registered capital		13,101,500,000 baht
consisting of		1,310,150,000 ordinary shares at 10 baht each
Paid-up capital		13,101,280,000 baht
consisting of		1,310,128,000 ordinary shares at 10 baht each

Name and Address	Type of Business	Registered Capital (baht)	Par Value (baht)	Number of Ordinary Shares Issued and Paid-up (Shares)	Shareholding (%)
West Coast Engineering Co., Ltd. 3rd Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel 0-2238-3063-82 Fax 0-2236-8890, 0-2236-8892	Maintenance and engineering services	75,000,000	10	7,500,000	99.99
Prachuap Port Co., Ltd. 6th Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel 0-2630-0323-32 Fax 0-2236-7046	Deep sea port	400,000,000	10	40,000,000	51

Other Reference Persons

Share Registrar

Ordinary Shares	:	Thailand Securities Depository Co., Ltd. 4th, 6th-7th Floor, The Stock Exchange of Thailand Building, 62 Ratchadapisek Road, Klongtoey, Bangkok 10110 Tel 0-2229-2800, 0-2654-5599 Fax 0-2359-1259
Debentures	:	Bank of Ayudhya PLC 1222 Rama III Road, Bangpongpan, Yannawa, Bangkok 10120 Tel 0-2296-4683 Fax 0-2683-1257
Auditors	:	Ms. Chongchitt Leekbhai Registration No. 2649 Mrs. Nachalee Boonyakarnkul Registration No. 3126 Mr. Suphamit Techamontrikul Registration No. 3356 Deloitte Touche Tohmatsu Jaiyos Co., Ltd. 25th Floor, Rajanakarn Building, 183 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 Tel 0-2676-5700 Fax 0-2676-5757-8
Debenture Holders' Representative	:	DBS Thai Danu Bank PLC 393 Silom Road, Silom, Bangrak, Bangkok 10500 Tel 0-2233-9160-79 Fax 0-2236-7939



What's on the hands and feet,
but have different lengths?
The answer is not just fingers
and toes. People's opportunities
for the future are not the same
because people are not the same,
and people are not born the same.
But education gives people equal
opportunities to build one's
own future.



"Some parents live far from the center of Bang Saphan, but still bring their children here everyday because they want the best for their children. Because they believe that ..."

The teacher's duty is to create learning opportunities for a child by setting a proper curriculum, providing learning tools, and ensuring proper environment for learning in the school"

Jirapa Wonganan - teacher

Bang Saphan School

Board of Directors

Mr. Maruey Phadongsidhi

Chairman of the Board of Directors
and Executive Director

Mr. Taweesak Senanarong

Director

Mr. Tongchat Hongladaromp

Independent Director

Mrs. Prapa Viriyaprapaikit

Director



Mr. Somchai Pipitvijitkorn

Director and
Executive Director

Mr. Wit Viriyaprapaikit

Director and
Chairman of the Board of
Executive Directors

Professor Kesree Narongdej

Independent
Director and
Audit Committee
Chairperson

Mr. Visith Noiphan

Independent Director and
Audit Committee Member

Mr. Prateep Buphaintr
Independent Director and
Audit Committee Member

Mr. Piya Viriyaprapaikit
Director and
Executive Director

Mr. Sittichai Thiensathaporn
Director
Executive Director and
President

Mr. Nuttawit Boonyawat
Director and
Executive Director



Mr. Win Viriyaprapaikit
Director
Executive Director and
Executive Vice President

Mr. Kamol Juntima
Director

Mr. Permpoon Krairiksh
Director and
Executive Director

Executive Management

Mr. Sittichai Thiensathaporn

Director, Executive Director
and President
(resigning from the post of
President since January 1, 2004)



Ms. Dusadee Sirichaitavin

Vice President
Human Resources &
Administration Division



Mr. Kamol Sowattanaskul

Vice President
Commercial Division (1)



Mrs. Wannee Sirikanchana

Chief
Internal Audit Office
Secretary to
the Audit Committee



Mr. Srijaroung Bandhaya

Assistance Vice President
Human Resources &
Administration Division



Mr. Somkiat Panichkul

Assistant Vice President
Manufacturing Division
(Maintenance)



Mr. Narongrit Chotnuchittrakul

Assistant Vice President
Finance & Accounting Division



Mr. Win Viriyaprapaikit

Director, Executive Director
and Executive Vice President
(appointed as President,
effective on January 1, 2004)



Mrs. Vilai Chattanrassamee

Vice President
Finance & Accounting Division



Mr. Wichien Tungsuknirundorn

Vice President
Commercial Division (2)



Mr. Boonnarg Mockmongkonkul

Vice President
Manufacturing Division



Mr. Prueng Piyachart

Vice President
Commercial Division (3)

Mr. Chartchai Pomloy

Assistant Vice President
Commercial Division
(Export)



Mr. Kittisak Mapanao

Assistant Vice President
(Technology & Engineering)



Mr. Soonthorn Wasansaerekul

Assistant Vice President
Manufacturing Division
(Operations)

Mr. Chartjumpol Yudhanahas

Assistant Vice President
Information Technology Office

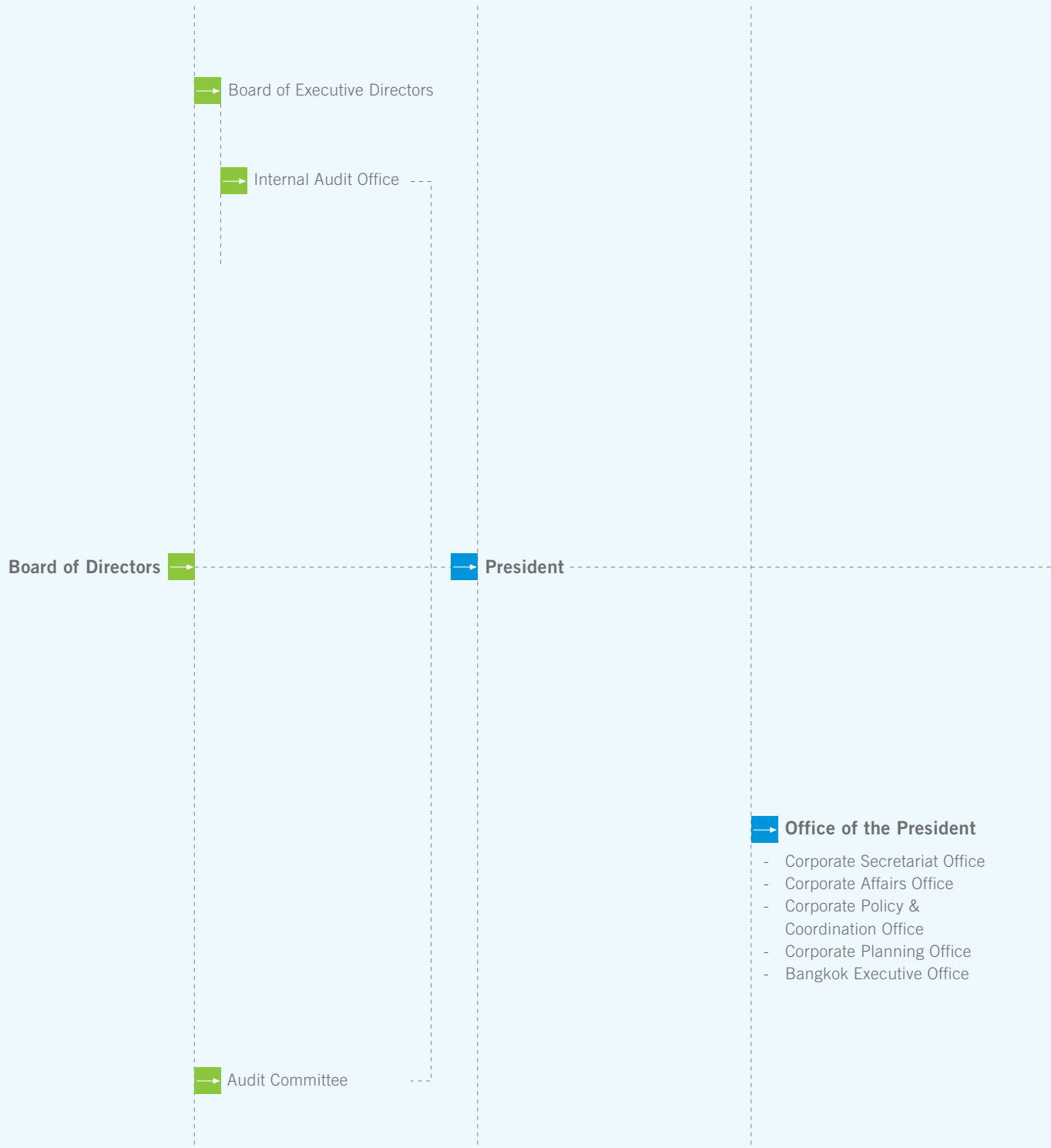


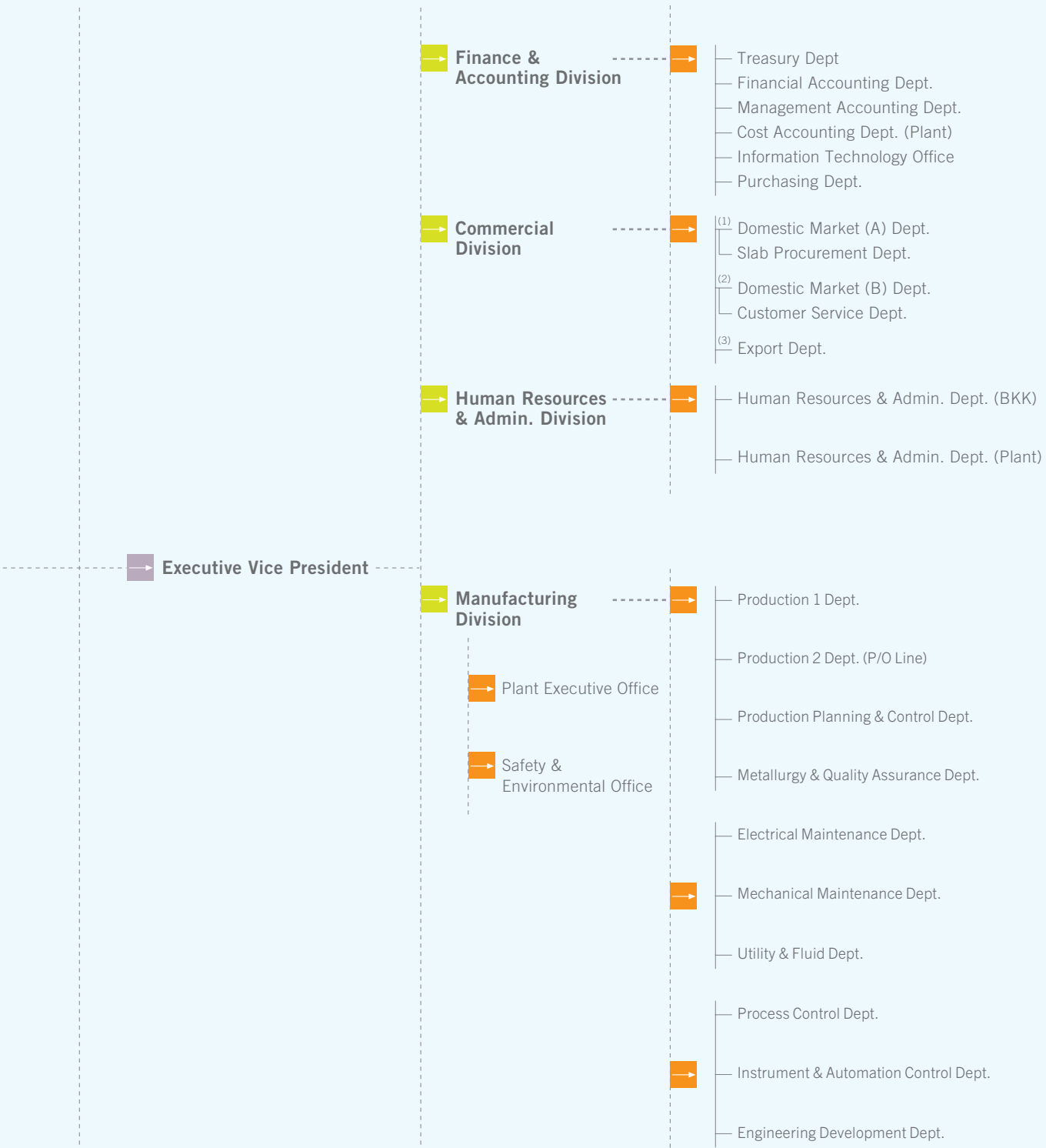
Mr. Surasak Ngamsidhipongs

Assistant Vice President
Corporate Secretariat Office
Secretary to the Board of Directors
Secretary to the Board of Executive Directors



Organization Chart





Changes in 2003

In 2003 the Company's performance has improved, thanks to world-wide prosperity for the steel industry, together with better prices for Thai producers and greater output on the rising of world steel demand, especially in the People's Republic of China. At the same time, both the U.S.A. and China abrogated measures taken to protect their domestic industries, namely the Americans' Section 201 and the Chinese Safeguards. In Thailand, economic recovery generated an ongoing rise in demand for steel. Of particular importance were the expansion of the automobile industry and the revival of real estate sector, which caused more construction activities. In 2003, therefore, the Company continued to focus on domestic demand. Out of a total sales volume of 1.95 million tonnes of hot rolled steel, 91% was sold in Thailand and 9% exported. Income from sales amounted to 29,323 million baht, and total income 31,156 million baht – which are 24% and 29% higher than the previous year, respectively. Net profit amounted to 4,702 million baht.

SSI produced 1.98 million tonnes of hot rolled coils in 2003 and imported 1.8 million tonnes of slab raw materials correspondingly. Production costs went up, due to higher costs for both energy and slab raw material. To counteract this, the Company made constant efforts to control expenses while focusing on improvement in productivity and product quality. At the same time, the Company maintained its commitment to highest standards of good environmental and occupational safety practices. As a result, SSI received the Prime Minister's Best Industry Award from the Prime Minister himself, in May 2003, making our Company the first in Thailand to be so honoured. In addition, SSI received the Prime Minister's Industry Award 2003 for Safety Management and the National Award in Safety, Occupational Health, and Workplace Environment for a third consecutive year. In June, moreover, the Company was recognized as the National's Outstanding Workplace for Labour Relations and for Labour Welfare and Benefits while in November the Company was again mentioned as The Outstanding Contributor to the National War against Drugs.

In 2003 SSI invested in two large projects, namely a new pickling and oiling line for hot rolled coil and an expansion of production capacity from 2.4 million tonnes to 4.0 million tonnes. The first project was completed in 2003, while the second commenced in 2003 and would be completed by late 2004. To support these projects, the Company underwent a refinancing program. On September 15, 2003, SSI and its existing financial supporters signed a new loan contract enlarging both its short-term and long-term credit limits to reflect the Company's increased need for capital. The new credit facilities agreement rates and terms of repayment were both reduced in recognition of the Company's stronger credit status. SSI was also able to borrow from other new financial institutes. This restructuring of capital resulted in higher long-term credit facility to 15,000 million baht (including 2,400 million baht in convertible debentures), sufficient to facilitate the two above-mentioned projects, procure more land, order machinery, construct a new plant and accompanying infrastructure. The Company's short-term credit facility were also raised to 17,000 million baht in order to fund current spending on more raw materials and finished goods necessary for the said projects.

In 2003, SSI was the first Thai company to receive the “The Prime Minister’s Best Industry Award” from the Prime Minister of Thailand, The Prime Minister’s Industry Award 2003 is awarded to a company that achieve prestigious awards for Safety Management and The National Awards in Safety, Occupational Health, and Workplace Environment - 3 years in a row.



On September 17, 2003 the Company had proceeds from sales of debentures to institutional investors totaling 4,000 million baht which consists of 3,250 million baht in secured amortizing debentures and 750 million baht in secured debentures payable on date of maturity. The Company undertook to pay the entire amount within five years from the date of issue. The proceeds from these debentures were part of the new long-term credit facilities agreement mentioned above.

Subsequently, on December 25 and 29, 2003, convertible debentures’ holders converted 2,400 million baht of them entirely into ordinary shares. Therefore, the Company’s long-term credit facility was reduced from 15,000 million baht to 12,600 million baht, while its paid-up capital increased from 8,530 million baht to 13,101.28 million baht.

Since the Company made repayment of all financial debts under the refinancing from agreement in 2003, the Company thus has reversed deferred interest expense of 1,186.2 million baht, which was cumulative effects of the difference in interest rates paid and the restructured booking interest sale from the date of restructuring and the date the Company made a repayment of total debts per the agreement. The amounts were shown as gain from early extinguishment of debts and gain from conversion of convertible debentures in the statement of income.

West Coast Engineering Co., Ltd., a subsidiary 99.99% owned by SSI, provides engineering services, including repair and maintenance services for machinery and equipment. West Coast Engineering’s total income for 2003 was 327 million baht, with a net profit of 3 million baht. In May, West Coast Engineering received the Prime Minister’s Industry Award 2003 for Small and Medium Enterprises Management as well as the Provincial Award in Safety, Occupational Health, and Workplace Environment. In July, moreover, the Company received ISO 14001 certification for Environmental Management in addition to its previous accreditations for ISO 9001:2000 Quality Management and TIS/OHSAS 18001 Occupational Health and Safety Management.

Prachuap Port Co., Ltd., a subsidiary in which SSI holds a 51% share, operates a commercial port capable of handling all types of imported and exported cargo. On September 5, 2003 the Company has entered into a new long-term loan agreement for 650 million baht, which will be used to construct a new dock for ocean-going vessels. The new dock, which will facilitate loading and unloading for both foreign and coastal shipping, will have a capacity of about 8 million tons per year. Construction commenced in July 2003 and is scheduled for completion in mid-2005. The new facility will increase the Company’s capacity from 5 million to 13 million tons per year. On October 1, 2003, the Company’s debt of 113 million baht was forgiven by its creditor, allowing the Company to recognize such amount as gain from debt forgiven in the statements of income. Consequently, for 2003 the Company’s total income was 508 million baht (including the aforementioned gain amount of 113 million baht), with a net profit of 360 million baht.



A way to more self reliance

From a child's dream,
Some dream have reached
an amazing height...
taller than buildings,
higher than the sky.
And some just are able to stand
on their own. The destination
is different, but the beginning
is the same. It's like molten steel that
can be shaped and sized.
It's like a foundation
for supporting Thais to firmly
become more self reliant.



"The construction of Wat Khao Kraji temple had started more than 10 years ago... but with the faith and support from the people and industries in the community, the temple was recently finished in just 2 months. Our community now has a center to practice our faith and hold activities such as ordaining monks and prayers. And also attract visitors, bringing income and jobs to our community"

Prasong Somsung - Village Head

Kamnued Noppakun District, Bang Sapan

The Industry Outlook and Competition

The Global Iron and Steel Industry

The 2003 steel industry continued to do well, as it had in 2002, thanks to the rising in both prices and output. Demand rose, particularly in the People's Republic of China. The United States of America repealed its Section 201 of the Trade Act for the restriction of imports at the same time that China annulled its system of Safeguards for domestic manufacturers. 2003 had its full share of bad news for global trade, however, including the American invasion of Iraq, which caused a quick rise in international transport prices, and the outbreak of SARS in various parts of the world, especially China, Singapore, and Canada. Nonetheless, the world's production of crude steel continue to increase. According to statistics from the International Iron and Steel Institute (IISI), production of crude steel in 63 countries world-wide amounted to 945 million tonnes, up 6.7% from 2002. China was the world's top producer, with 220.1 million tonnes or 23.3% of the global production. Consumption of finished steel in 2003 rose by 4.6% to 868 million tonnes. China was also the world's biggest consumer of finished steel. In 2003 its consumption rose by 21.2 millions or 10% to 232.4 million tonnes.

The Iron and Steel Industry in Thailand

The demand for iron and steel in Thailand increased with growth in the main steel-consuming sectors, especially the automobile and construction industries. While the real estate business saw its first significant growth in almost a decade, the Thai automotive industry accelerated to 30% higher than 2002. The Federation of Thai Industries reveal production of about 660,000 units during January to November, with the final total expected to be around 730,000 units for the whole of 2003. Thailand's gross domestic product continued on a rising trend begun in 2002, and most of this increase was fuelled by domestic consumption. Steel prices in Thailand were adversely affected by the war in Iraq and the sudden economic interruption occasioned by SARS in China. As a result of this latter event, merchandise bound for China was redirected to Thailand at abnormally low prices. Conditions returned to normal after a time, however, and imported steel regained its former price level in the latter half of the year.

According to the Iron and Steel Institute of Thailand, steel consumption in Thailand during the first ten months of 2003 amounted to 9.96 million tonnes, of which 3.34 million tonnes were upstream steel raw materials and 3.81 million tonnes were finished steel. 41.5% of consumption was supplied by long steel, and 58.5% by flat steel. Projections for the whole of 2003 indicate a consumption volume of 11.9 tonnes. In 2003 the Government began to adjust the structure of the iron and steel

The steel industry is an upstream industry providing raw materials for downstream industries including automobile industry, electrical equipment industry, packaging for the food industry, and many other industries.



industry by studying domestic production costs with the objective of learning how competitive local producers can be on the world market and trying to resolve an overcapacity in long steel. These initial efforts show how serious the Government pays more attention to the nation's steel industry, and are likely to make its support for the industry more effective in the future.

Prospects for the Iron and Steel Industry in 2004

The IISI forecasts that both production and consumption of steel will continue to rise in China, and that the world will, consequently, produce as much as 1,000 million tonnes of steel for the first time ever in 2004. Global finished steel use is expected to rise by 4.4% to 906.2 million tonnes in 2004. The China Iron and Steel Association (CISA) expects, moreover, that Chinese consumption of steel will increase to 250 million tonnes by 2005, and to 310 million tonnes by 2010. At the same time, steel prices are likely to rise significantly as demand begins to outpace supply. This situation will last, however, only for as long as it takes major steel-consuming nations to add to their production capacity. China will remain the key player in determining the fate of the global steel industry. If China's growing demand is not factored in, the world's need for steel would only increase by 2.4%.

In 2004, Thailand's steel industry growth is likely to maintain the same pace as the economy. The Government forecasts an 8% growth in gross domestic product compared to 2003. Uncertainties loom, however, as steel prices continue to rise. As a result, the costs for downstream manufacturers that require considerable steel input, such as the automotive and construction industries, become burdensome. This problem is already being experienced by upstream domestic producers of steel that see raw material prices constantly rising, while downstream prices may not exceed limits set by the Ministry of Commerce. In 2004, furthermore, the Customs Department announced a reduction in tariffs on almost all types of steel imports. Hot rolled coils, for example, saw a drop from 10% to 7.5%, with a further cut to 5% scheduled for 2005. These changes will, of course, have a major impact on domestic producers.

Corporate Governance and Its Implementation

The Board of Directors of Sahaviriya Steel Industries Public Co., Ltd. (SSI) is well aware of its role and responsibilities in promoting good corporate governance as a way of ensuring that its operations prosper and achieve stable growth. This requires the effective, transparent type of management most likely to promote confidence in the Company, which in turn affords SSI and its shareholders the highest benefit in the long term. The Board of Directors further agreed that the implementation of good corporate governance requires the co-ordination of four parties, namely the Board itself, SSI's management, the Company's independent auditors, and the Company's internal audit office.

At the end of 2002, the Board of Directors officially approved a resolution adopting the principles of good corporate governance as Company policy. These principles accord with the 15 principles laid down by the Stock Exchange of Thailand, which are as follows:

1. The Board of Directors is well aware of its responsibility to protect the interests of shareholders, to treat them equally, and provide each of them equal access to corporate information.
2. The Board of Directors shall ensure that meetings of shareholders are conducted in accordance with the law and the guidelines laid down by the Securities Exchange Commission and the Stock Exchange of Thailand.
3. The Board of Directors shall attend to the rights of stakeholders and govern the Company's operations so that they accord with all relevant laws.
4. The Board of Directors is responsible for determining the Company's vision and mission, ensuring that management's strategies accord with them, and maintain effective procedures of risk management and internal controls.
5. The Board of Directors must consist of no less than three directors who are independent.
6. The Board of Directors may establish various committees, such as the Board of Executive Directors or Audit Committee, whose purpose is to study or consider matters before submitting them to the deliberation of the full Board. Other committees may be established as needed.
7. The Board of Directors has seen fit to divide the functions of Chairman of the Board of Directors, Chairman of the Board of Executive Directors, and President among different individuals, with the authority and duties of each position being clearly defined. It has also seen fit to adjust the Authorization Chart Manual from time to time so as to clarify the scope of authority to be exercised by the Board and by those in management who have been assigned authority.
8. The Board of Directors must hold regular meetings at least once every three months, and other special meetings may be held at other times if necessary. Each meeting must be appointed in advance, along with a clear agenda for that meeting. All documents necessary for that meeting must be prepared and sent to Board members, as per regulations, so that they have sufficient time to peruse the documents before participating in the meeting.

Principles 1-3 :

Rights of Shareholders and Stakeholders

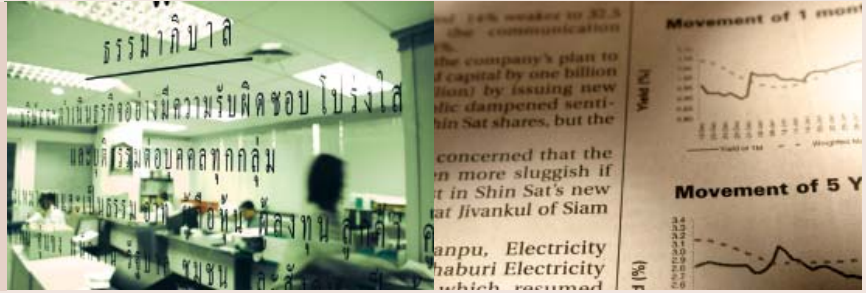
- Shareholders: Their Rights and Equal Status
- Shareholders' Meetings
- Rights of Various Groups of Stakeholders

Principles 4-9 :

The Board of Directors – Structure, Role and Duties, and Autonomy

- Leadership and Vision
- The Balancing Effect of Non-Management Directors
- Committees
- Joining or Dividing Positions
- Meetings of the Board of Directors

SSI conducts business on a foundation of social responsibility, transparency, integrity, and competitiveness by fairly treating all stakeholders.



9. The Board of Executive Directors must have regular meetings at least once per month, and other special meetings may be held at other times if necessary. Each meeting must be appointed in advance, along with a clear agenda for that meeting. All documents necessary for that meeting must be prepared and sent to Board members, as per regulations, so that they have sufficient time to peruse the documents before participating in the meeting.
10. The Board of Directors is responsible for considering whether the payment of compensation to directors is appropriate, transparent, and free of conflicts of interest. The amount of compensation to be paid is, in any case, determined by a resolution from a meeting of shareholders.
11. The Board of Directors shall establish a code of business ethics for the Company's operations and principles of good practice for directors and staff, and shall communicate them to all relevant parties.
12. The Board of Directors shall establish a clear policy whereby conflicts of interest that involve directors, management, or shareholders will be eliminated in ways that are scrupulous, honest, ethical, reasonable, and independent of all but moral considerations.
13. The Board of Directors recognizes the need for internal control systems, whether financial, operational, or administrative. For this reason, the Board has established a separate Office of Internal Audits within the Company.
14. The Board of Directors shall regulate the Company's affairs in such a way that investors may be convinced of the full, prompt, and accurate disclosure of all significant information regarding the Company.

Principles 10 :
Compensation for Directors and Executives

Principles 11 :
Business Ethics

Principles 12 :
Conflicts of Interest

Principles 13 :
Systems of Internal Controls and Internal Auditing

Principles 14 :
Disclosure and Relations with Investors

In 2003, the Company's implementation of its policy of good corporate governance, as directed by the Board of Directors, can be summarized as follows:

Rights of Shareholders and Stakeholders

The Company is a juristic entity established by the Public Limited Company Act and registered with the Stock Exchange of Thailand (SET). The Act provides for thorough protection of the rights of shareholders, while the SET has issued a complete set of guidelines and regulations to protect the interests of shareholders as well. The Board of Directors has likewise declared its intention to safeguard the rights of shareholders, as mentioned in articles 1-3 of the policy statement above. Shareholders are, therefore, assured of full and equal rights and protection with the Company.

It is part of the Company's mission, moreover, as outlined in its business plan for 2003-2007, that "the Company will enhance value for shareholders and provide fairness to all stakeholders". This accords with the Company's operational principles, one of which states that: *"The Company shall conduct its business responsibly, transparently, and fairly with respect to all groups, including shareholders, investors, customers, business partners, creditors, competitors, employees, the government, the community, and society."*



In 2003, the Company held an ordinary shareholders' meeting on April 29, 2003, in compliance with the law and the regulations of the Stock Exchange of Thailand. The Company announced closure of its registry of shareholders, and thus a halt to all transfers of shares, fourteen days in advance of actual closure, thereby disclosing which shareholders were entitled to participate in the shareholders' meeting to the Stock Exchange of Thailand. The Company also issued an invitation to attend the meeting, accompanied by a clear agenda for the meeting together with the positions on each item taken by the Board of Directors, at least seven days in advance of the actual meeting date. Together with this letter of invitation were included the 2002 annual report and three blank forms of authorized representation, as determined by the Ministry of Commerce, thereby allowing shareholders to either attend themselves or delegate attendance to their chosen representatives. During the meeting, the Chairman permitted all shareholders in attendance to freely ask questions, express opinions, and make proposals to the Board of Directors.

The Board of Directors – Structure, Role and Duties, and Autonomy

The Board of Directors consists of 15 persons, four of whom are independent directors. Of those four, three are members of the Company's Auditing Committee. The number of independent directors complies with guidelines laid down in corporate policy.

Of the eleven directors who are not independent, two, namely Mr. Sittichai Thiensathaporn, President, and Mr. Win Viriyaprapaikit, Executive Vice President, occupy management positions as well. Another two directors, namely Mr. Permpoon Krairiksh and Mr. Nuttawit Boonyawat, represent the banks, Siam Commercial Bank Public Co., Ltd. and Bank of Ayudhya Public Co., Ltd., respectively, who are the Company's main creditors.

The organizational structure of the Company is such that key positions are divided among various persons. Thus Dr. Maruey Phadoongsidhi occupies the post of Chairman of the Board of Directors, Mr. Wit Viriyaprapaikit occupies the post of Chairman of the Board of Executive Directors, and Mr. Sittichai Thiensathaporn occupies the position of President. Each position has clearly separate spheres of authority and responsibility.

Mr. Sittichai Thiensathaporn resigned from his positions as Director, Executive Director, and President as of January 1, 2004. At the Board of Directors meeting number 5/2546 on November 24, 2003 it was resolved that Mr. Sittichai Thiensathaporn would

hold the position of Company Adviser for a period of one year, from January 1, 2004 to December 31, 2004. At the same meeting, it was resolved that Mr. Win Viriyaprapaikit would serve as President of the Company as of January 1, 2004.

The Board of Directors has divided administrative responsibilities among a number of committees. Their purpose is to study and deliberate on matters that fall under the sphere of accountability assigned by to each of them by the Board and then make proposals to the Board accordingly. At the present time, only two committees have been formed, namely the Board of Executive Directors and the Audit Committee. Both committees have important parts to play in ensuring that the Company's operations achieve their targets, and in monitoring and supervising the administrative function of the management.

At a meeting in early 2003, the Board of Directors adopted the first corporate business plan for 2003-2007. This plan explains the Company's vision and mission, determines its goals and strategy, and lays out a strategic map as a framework by which to orient the Company's operations during the next five years. The President, as the chief of management, is responsible to the Board of Directors for ensuring that the Company's operations harmonize with the above-mentioned business plan.

The Board of Directors has decided that it will meet every three months, besides additional special meetings as needed. The Secretary of the Board has strictly complied with all requirements regarding meetings, including the sending of documents in advance of the meeting date as required by article 8 of the Company's business policy mentioned above. In 2003 the Board of Directors met officially five times in February, March, May, August, and November, respectively.

The Board of Executive Directors is required to meet once a month, besides additional special meetings as needed. The Secretary of the Board of Executive Directors has arranged for meetings and the prior delivery of documents in the same way as has been done by the Secretary of the Board of Directors. In 2003 the Board of Executive Directors met fourteen times, two of which were arranged additionally in January and November.

Compensation for Directors and Executives

All forms of and occasions for compensation are determined by meetings of shareholders. Directors who are also senior executives are compensated solely on the basis of their position in management, not as directors. Directors receive compensation in the form of monthly payments. In 2003, all of directors received additional remuneration for the first time since the Company was founded in 1990, as was resolved in 2002's ordinary meeting of shareholders on April 29, 2003.

Business Ethics

The Company established principles of conducting business, a code of business ethics, and a code of ethics for staff in 2000. In 2001 the Board of Directors held a meeting in which a code of ethics for directors was approved. The codes of ethics for business conduct and for directors are as follows:

Code of Business Ethics

The Company must conduct itself responsibly, transparently, honestly, and with competitive competence while treating each of the following groups fairly:

1. Shareholders and Investors : The Company must ensure good operating results to ensure good returns to the shareholders and investors.
2. Customers : The Company must provide reasonably priced, high-quality products and services that meet the needs of customers.
3. Business Partners and Creditors : The Company must conduct its operations on a basis of fair and mutual support.
4. Competitors : The Company must conduct its operations on a basis of fair competition.

The company is actively involved with the local community; and takes into account the social and environmental impact of its activities.



5. Employees : The Company must offer employees a good standard of living at wages that are competitive with similar jobs in the labour market, with appropriate benefits, with opportunities for career advancement, and in a safe, healthy working environment.
6. The Government : The Company must work to promote national prosperity and progress, in obedience to the laws of the land and conformity to general business practices.
7. The Community and Society : The Company must take its share of responsibility for the community and society and consider the impact of its operations on natural resources and the environment.

The Company will aim for the appropriate balance among the needs of these various groups, and give them all equal consideration.

Code of Ethics for Company Directors

1. The Company's directors must fulfil their duties in the spirit of the Company's principles of good business conduct and adhere to the codes of ethics established by the Company.
2. The Company's directors must fulfil their duties in compliance with the law, the objectives and regulations of the Company, and the resolutions of shareholders' meetings, and with all due honesty, integrity, and care for the interests of the Company.
3. The Company's directors must dedicate sufficient time and all their knowledge, competence, and managerial skill to the fulfilment of their duties and responsibilities, for the prosperity and stability of the Company and good returns.
4. The Company's directors must fulfil their duties as a responsibility to shareholders and with all due concern for the interests of stakeholders, and must treat all groups as fairly and prudently as possible.
5. The Company's directors must not use their position for wrongful gain, must not disclose Company secrets to outsiders, must not seek gain for themselves or those related to them by means of information not yet publicly disclosed, and must not do anything that would result in a conflict of interest.

Code of Ethics for Employees

1. Respect for the Organization

Employees must join in strengthening and upholding the honour of the Company in their attitudes and behaviour.

Good employees demonstrate pride in the Company, defend and maintain its respectability, and help to enhance its public image.

2. Loyalty and Honesty

Employees must act with integrity. They must not seek remuneration or gain from outside, nor use their position in the Company for their own interests or those of their families, relatives, or other persons.

3. Diligence

Employees must perform the work for which they are responsible with all due care and diligence. They must devote themselves to the work of the Company with all their ability and strive for the success of their work and the greater good of the Company.

4. Discipline

Employees must comply with the Company's policies, regulations, orders, rules, and good corporate culture, and must learn the said policies, regulations, orders, and rules with the clarity needed to practise them correctly.

5. Preserving Secrecy

Employees must keep corporate information confidential and not disclose any of it or use it for personal benefit, either one's own or others', without permission from those in authority. Exempt from this prohibition is information that needs to be disclosed in the normal conduct of business or has already been disclosed to the public.

6. Using and Protecting Corporate Assets

Employees must use and protect the Company's assets for the greatest possible benefit of the Company, not for personal benefit, either one's own or others'. All assets must be maintained in good condition for the sake of their effective, long-term use.

7. Conflicts of Interest

Employees must not engage in any activity that conflicts with the interests of the Company, results in loss or diminishment of benefit for the Company, or seeks to share in the Company's benefit, such as:

- 1.1 Conducting any business or activity that competes directly or indirectly with the Company's activities.
- 1.2 Conducting any business or activity that sells goods or services to the Company, accepts contracted work from the Company, or may be considered as representing any person or organization that sells good or services to the Company or accepts contracted work from the Company.
- 1.3 Having any financial interest or owning shares or interests in any business competing with the Company or having any type of transaction with the Company, such as clients, sales agents, contractors, or suppliers of goods or services, providing the said interest or share is one which may be affected by any commission or omission of the employee in the employee's normal course of duties in the Company.

8. Accepting Gifts

Employees must not accept abnormally expensive gifts and/or offerings at events or gatherings of any type from those who do business with the Company or anyone who might benefit from their normal course of duties. If such a gift is accepted, only to discover later that its value is considered abnormal, the recipient must inform his/her superior of the fact and await whatever consequences are considered appropriate.

9. Personal Behaviour

Employees must conduct themselves in a manner befitting a representative of the Company in terms of behaviour, manners, type of dress, character, and attitude. Employees must not behave in ways that devalue themselves or the Company. They must strive to develop their knowledge and abilities in ways that enhance the value of their work and promote the greater prosperity of the Company.

10. Conduct of Superiors and Subordinates

Employees with superior position must act as leaders and set good examples for those under them in terms of behaviour, developing morale, listening to the opinions of their subordinates, and protecting them with all due fairness and reasonableness.

Employees who are subordinate must listen and obey their superiors in a manner which conforms to the discipline and regulations of the Company. They must not act in a stubborn, aggressive, or hostile manner to their superiors, but rather respect them and observe the proprieties of time and place.

11. Utilizing Social and Political Rights

Employees are free to engage in social activities, but must avoid activities that are illegal, immoral, inappropriate, or unproductive or harmful to society. They must protect their own dignity and ensure that the Company's position in the community and society is not impaired by their actions.

Employees are free to utilize their political rights, such as voting in elections and participating in political parties, but must not do anything to promote the understanding that the Company is involved in or favours any one political party.

In 2003, the Company established a Committee for Employee Ethics and Values and a Subcommittee for Propagating Employee Ethics and Values. Both bodies have organized activities to promote awareness among employees concerning the importance of following the Company's ethical guidelines and values.

Conflicts of Interest

The operations of the Company rely on the support of related companies in many ways. The most important of these are channels of distribution, land and sea transport, and repair and maintenance of plant machinery. It is through these relationships that related transactions take place.

The Board of Directors is confident that the operations involving the Company and related parties are under normal business conditions and on an arm-length basis. Any potential for conflict of interest is identified by management and submitted to meetings of the Auditing Committee and the Board of Directors for their consideration.

Systems of Internal Controls and Internal Auditing

The Board of Directors recognizes the importance of assessing the effectiveness of the Company's system of internal controls. In this way one may have confidence in the Company's financial reports and the accuracy, completeness, and credibility of information needed in decision-making, and know that the Company has strictly observed all laws relating to the Company's operations and the Company's own policies. Internal controls are also needed to oversee and protect the Company's assets, and ensure careful and rational spending. To examine these internal matters, the Company established an Office of Internal Audits in 1998. The Office's scope of responsibility was later widened to include the Company's subsidiaries, namely West Coast Engineering Co., Ltd. and Prachuap Port Co., Ltd.

The Office of Internal Audits reports on its findings to a director who is not independent, or to a director who is a senior executive, or to a director who is also an executive director, and to the Auditing Committee and the Board of Executive Directors. The Office of Internal Audits is autonomous, and possesses full power to conduct investigations with the support of the Board of Directors.

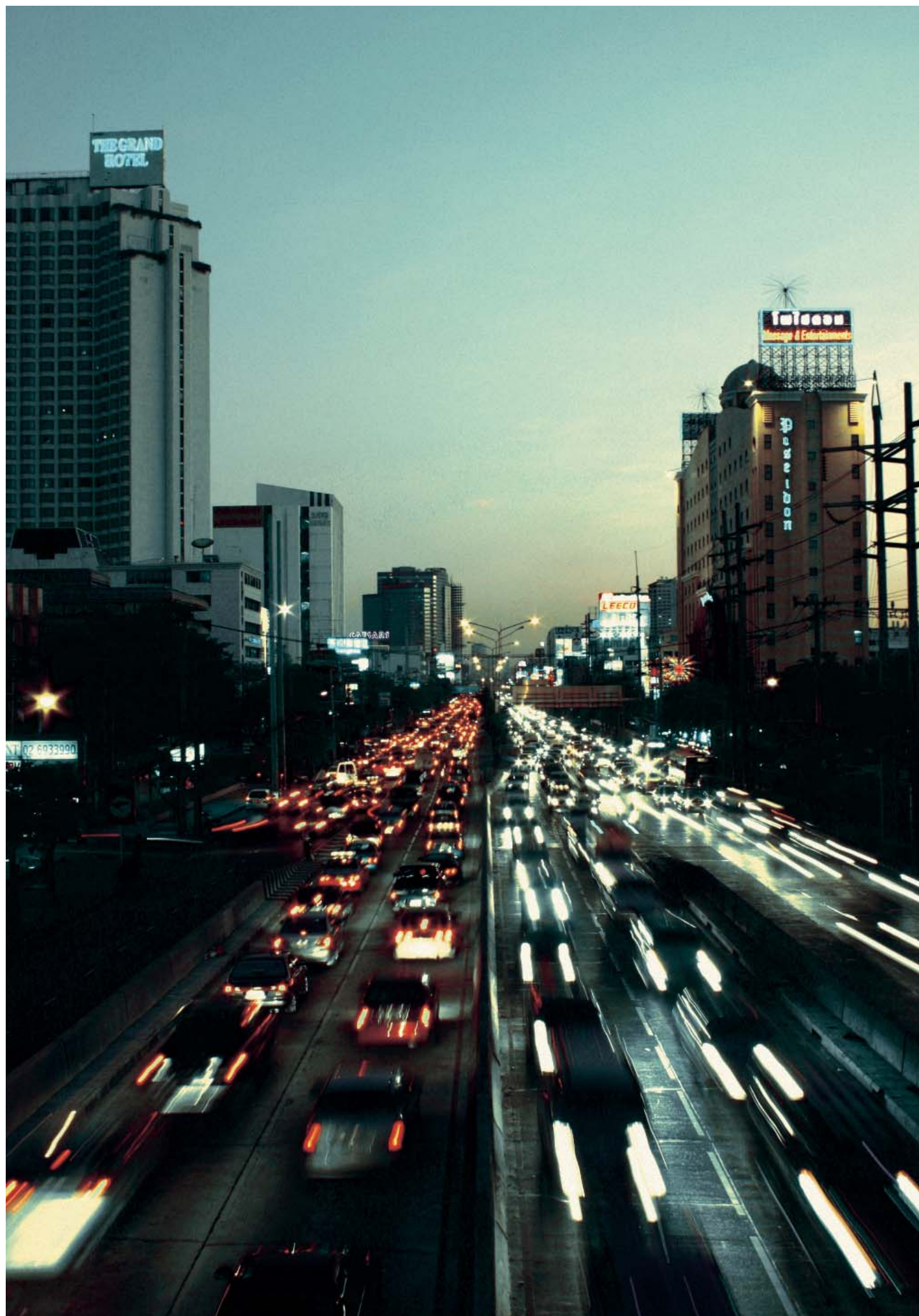


Disclosure of Company Information and Relations with Investors

The Board of Directors recognizes the need for disclosure of significant information about the Company to investors, and that such information must be accurate, complete, and timely. It also recognizes the need shareholders have for equal access to corporate information, since such information has a major impact on the prices of Company shares in the Stock Exchange of Thailand (SET). The Board has clearly declared its commitment to these ideals in articles 1 and 14 of the business policy mentioned earlier.

The Office of the Secretary is responsible for disclosing all such information to the SET and the Securities Exchange Commission (SEC). The Office of the President, meanwhile, is responsible for disclosing this same information to analysts, the mass media, and investors. The Company has engaged in the following activities related to disclosure of information and relations with investors:

- Organizing a quarterly press conference to disclose the Company's financial status and operational results on the business day following examination of the Company's financial statements by the Company Auditor and their submission to the Stock Exchange of Thailand. The Company also organized a meeting of analysts to discuss a summary of the Company's quarterly updates, which are then distributed as corporate information after each press conference.
- Holding interviews with corporate executives and distributing news releases about corporate activities to reporters on an occasional basis for the benefit of investors and the general public.
- Publicizing corporate information through various media channels, namely:
 - print media such as newspapers, annual reports, corporate literature, and leaflets.
 - participation at exhibitions by setting up a booth where information about the Company can be distributed to members of the public and/or specific target groups.
 - audio-visual and electronic media, such as the Company's website (<http://www.ssi-steel.com>), mini CDs, and videos.
 - an e-mail address (pr-ir@ssi-steel.com) where questions can be answered and additional information provided.
- In 2003, senior executives of the Company participated in two corporate non-deal roadshows organized by *ABN AMRO Asia Securities Public Co., Ltd.*:
 - Thai Corporate Day, March 6, 2003, in Singapore
 - ASEAN Conference, November 20, 2003, in Thailand



Supporting the development of Thai industries

Steel is not just steel,
like a spring turning into rivers.
It's a basic foundation for the
development of Thai industries,
helping create other industries.
It is a part of the foundation for
homes and skyscrapers and
a beginning for downstream
industries that are the driving force
of the Thai economy.



"It's the center to nurture and improve the public health of the people of Bang Sapan and nearby communities. Its 24 beds facility enables the hospital to generate income, improve service quality, and meet the needs of patients. This small town hospital is able to provide health services to the community and its surrounding area"

Anuthep Malotra

Director of Bang Saphan Hospital

Risk Factors

Business Risks

Market Risks

The global steel industry today is still grappling with a problem of capacity, and some manufacturers continue to face difficulties in selling the products both in terms of quantity and price. For this reason, many producing countries release their excess output onto foreign markets at unfair prices, thus forcing importing countries to impose trade measures to protect their own steel industries. These actions cause distortions in the market and result in repuscussion dumping into countries which have not yet had such measures in place.

As for Thailand, a group of hot rolled coil producers filed anti-dumping petition against the import of hot rolled flat steel, both in coil and not in coil, originating from fourteen countries. (This does not include hot rolled coil that has been pickled and oiled, which is used in the automobile, auto parts, and electrical appliance industries, and hot rolled coil sheet for re-rolling for tin mill black plate, which is used for making cans.) The Committee on Dumping and Subsidies announced a preliminary determination on November 8, 2002, revealing that there is dumping of the hot rolled flat steel in coils and not in coils from such producers and exporters and that such dumping of the subject merchandise has caused injury to the domestic industry. Therefore, provisional measures should be imposed against the said imports, namely a provisional anti-dumping duty or bond deposit at the rate of 5.98 - 136.50% of their C.I.F. price.

Subsequently, on May 22, 2003, the Committee on Dumping and Subsidies announced the final determination as of May 16, 2003, namely, that dumping and injuries from hot rolled flat steel in coils and not in coils originating from fourteen countries had indeed occurred, and that the anti-dumping duty at the rate of 3.45% - 128.11% of the C.I.F. price should be levied for five years with an exception for hot rolled flat steel import for re-export. On July 11, 2003, the Committee on Dumping and Subsidies issued a further exemption, namely, that for the benefit of the domestic industry, consumers, and producers, hot rolled flat steel imported solely for cold rolling from fourteen countries would not be subject to anti-dumping duty for five years providing that quantity imported did not exceed 470,000 metric tonnes for the first year and would decline every year to 10,000 metric tonnes over a period from July 21, 2003 to May 26, 2008. During this five-year period, interested parties may request a review of the anti-dumping rate according to changes in the dumping margin that had occurred during the year. At the end of the five-year period, domestic manufacturers may request a sunset review if the expiry of the anti-dumping duty would be likely to lead to continuation or recurrence of injury.

The import of hot rolled steel sheet in coils and not in coils from the fourteen countries accounted for 95% of the total import amount in 2002. However, the anti-dumping measures has excluded certain types of hot rolled coil not produced in Thailand as well as hot rolled products imported for reexport production. The effectiveness of these measures largely depends on the strictness of government enforcement and the volume of imports from countries not subject to these measures.



Risk related to Raw Materials Procurement

Quantity of Raw Materials

In a market where demand continues to rise, the Company faces the risk of a shortage of steel slab. Due to the Company's long years of experience in the steel industry, however, the Company's business network has built up contacts with major suppliers, enabling the Company to inform them of its needs on an annual and quarterly basis and thus avoid shortages. During its ten years of operations, moreover, the Company has not yet encountered a problem with shortages.

Prices of Raw Materials

One of the Company's main sources of business risk is instability in the prices of hot rolled coils and steel slabs in the global market. These two prices determine the Company's metal spread between hot-rolled coils selling price and cost of slab raw material. The cost of slab accounts for 80-85% of the Company's cost of sales. During 1994 -2003 the Company's metal spread amounted to an average of approximately U.S.\$80 per tonne, with the highest and the lowest variation from this average being U.S.\$122 and U.S.\$51 in 1995 and 1996 respectively.

The Company's management has fully utilized its long experience and carefulness in monitoring slab price movement. The Company is obliged to use its competence and circumspection in procuring raw material with the appropriate quality, price, and delivery time. It also employs all due prudence in spreading its risks through the procurement of raw materials from various sources all over the world, and constantly assessed the suppliers' capacity for meeting the Company's needs. The Company's policy, moreover, is to accumulate no more than six months' worth of raw materials and finished goods in its inventory, as calculated from projections of raw material consumption and sales forecasts. These projections are adjusted every quarter.

Foreign Exchange Risks

All of the Company's imports of steel slab are denominated in U.S. dollars, and the cost of raw materials constitute 80-85% of total cost of sales. However, the Company gains revenues in US\$ from direct export and sales to both cold rolling mills and indirect export customers. These US\$ denominated revenues account for approximately 50% of cost of raw materials imported. In addition, monthly adjustment of Baht-denominated selling price in accordance with the prevailing exchange rates helps mitigate the risk of exchange fluctuations significantly. The Company also hedges foreign exchange risk by entering into forward transactions based on its projection of US\$ denominated inflow and outflow.

Shareholders and Management

Shareholders

Name and shareholding of the 10 largest shareholders as of April 9, 2003, the last date on which the Company's share registrar was closed.



Notes:

- (1) Saha Inter Steel Holdings Co., Ltd. is an investment holding company whose major shareholder is Sahaviriya Steel Holding Co., Ltd., which owns 89.75% of shares.
- (2) Sahaviriya Steel Holding Co., Ltd. is an investment holding company whose major shareholders are:
- SSW Assets Co., Ltd., holding 58.16% of shares. The Sahaviriya Group Co., Ltd. owns 99.99% of all shares.
 - The Sahaviriya Group Co., Ltd., holding 29% of shares. Its major shareholders are:
 - Mr. Win Viriyaprapaikit, who owns 45% of all shares
 - Mrs. Thirarat Kunatthanont, who owns 29.5% of all shares
 - Mr. Piya Viriyaprapaikit, who owns 20% of all shares

SSI continuous quality and service improvement and constant awareness of social responsibility, environment, and safety led to the distinctive achievement of being the recipient of the certification for the ISO 9001, ISO 14001, and TIS 18001 standard.



Management

1. Management Structure

The Company's management structure, which consists of 3 boards, is described below.

1. **The Board of Directors**, as of December 31, 2003, consists of 15 directors:

- | | |
|----------------------------------|------------------------------------|
| 1. Mr. Maruey Phadoongsidhi | Chairman of the Board of Directors |
| 2. Mr. Wit Viriyaprapaikit | Director |
| 3. Mrs. Prapa Viriyaprapaikit | Director |
| 4. Mr. Somchai Pipitvijitkorn | Director |
| 5. Mr. Taweesak Senanarong | Director |
| 6. Mr. Visith Noiphan | Independent Director |
| 7. Mr. Tongchat Hongladaromp | Independent Director |
| 8. Mrs. Kesree Narongdej | Independent Director |
| 9. Mr. Prateep Buphaintr | Independent Director |
| 10. Mr. Kamol Juntima | Director |
| 11. Mr. Piya Viriyaprapaikit | Director |
| 12. Mr. Win Viriyaprapaikit | Director |
| 13. Mr. Permpoon Krairiksh | Director |
| 14. Mr. Nuttawit Boonyawat | Director |
| 15. Mr. Sittichai Thiensathaporn | Director |

(resigning from the post of Director since January 1, 2004)

The directors authorized to sign on the Company's behalf are Mr. Maruey Phadoongsidhi, or Ms. Prapa Viriyaprapaikit, or Mr. Wit Viriyaprapaikit, or Mr. Kamol Juntima, or Mr. Piya Viriyaprapaikit, or Mr. Win Viriyaprapaikit. Any two of these six can together sign a document and affix to it the Company's seal.

Authority and Duties of the Board of Directors

1. The Board of Directors has an authority and duties to manage the Company in compliance with the Company's Memorandum of Association, the Company's Articles of Association, and resolutions of the shareholders' meeting by means of a resolution or power of attorney. The Board of Directors may delegate their powers to any natural person or juristic person, regardless of whether a natural person is the Company's director or not, to do all acts on behalf of the Company. The signature of such assignee shall be bound to the Company under the limitation of assignee's signature imposed by the Board of Directors. The Board of Directors may delegate their powers to one or more directors to do an act as the representative of the Board of Directors.
2. The Board of Directors shall summon the meeting once at least in every three months.

3. The Board of Directors must summon an annual ordinary general meeting of shareholders within four months from the date of the fiscal year ended. All other general meetings called extraordinary meetings of shareholders shall be summoned whenever the Board of Directors considers it appropriate. Otherwise, extraordinary meetings shall be called if shareholders holding not less than one-fifth of total number of shares sold or not less than 25 shareholders holding not less than one-tenth of total number of shares sold may jointly submit a requisition clearly specified the reason and objective for which the meeting is required to be summoned. In such case, the Board of Directors shall proceed to call the extraordinary meeting within one month from the date of receiving the shareholders' requisition.
4. The Board of Directors shall propose a balance sheet and profit and loss account as at the fiscal year ended to the annual ordinary meeting of shareholders for consideration towards approval. The Board of Directors shall assign an auditor to examine them before submitting to the shareholders' meeting.

2. **The Board of Executive Directors**, as of December 31, 2003, consists of 8 directors.

- | | |
|---------------------------------|--|
| 1. Mr. Wit Viriyaprapaikit | Chairman of the Executive Board of Directors |
| 2. Mr. Maruey Phadoongsidhi | Executive Director |
| 3. Mr. Somchai Pipitvijitkorn | Executive Director |
| 4. Mr. Piya Viriyaprapaikit | Executive Director |
| 5. Mr. Win Viriyaprapaikit | Executive Director |
| 6. Mr. Permpoon Krairiksh | Executive Director |
| 7. Mr. Nuttawit Boonyawat | Executive Director |
| 8. Mr. Sittichai Thiensathaporn | Executive Director |
- (resigning from the post of Executive Director since January 1, 2004)

Scope of Authority and Duties of the Board of Executive Directors

1. to study and assess policies, strategies, long-term plans, annual plans and budgets, plan for investment, capital budgets, expansion plans, and plans for new operations or joint ventures, and submit the same to the consideration of the Board of Directors for approval.
2. to be responsible for operations according to the policies and plans approved by the Board of Directors, as well as to monitor and assess the results of those operations and to submit the same to the Board of Directors for its consideration.
3. to hire, confirm, appoint, dismiss, rotate, transfer, retire, or terminate the contracts of executives of the level of President, Executive Vice President, Vice President, and Assistant Vice President. The Board of Executive Directors is authorized to approve and to inform the Board of Directors of its decisions.
4. to hire, confirm, appoint, dismiss, rotate, transfer, retire or terminate the contracts of executives of the level of Department Manager. The President is authorized to approve and to inform the Board of Executive Directors of his decisions.
5. to produce and approve an Authorization Chart for the executive and operational levels of the Company.
6. to determine and/or assign the authority to sign for various matters related to the Company's operations and finances.
7. to consider and approve the opening of commercial bank accounts and determine those with the authority to sign for withdrawals and payment orders from such accounts.
8. to perform other functions as assigned to it by the Board of Directors.

3. **The Audit Committee**, as of December 31, 2003, consists of 3 members.

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



Scope of Duties and Responsibilities of the Audit Committee

1. to ascertain that the Company's financial reports are accurate and adequate.
2. to ascertain that the Company's systems of internal control and internal auditing are appropriate and effective.
3. to ascertain that the Company is acting in compliance with all laws and regulations that have to do with securities, the stock exchange, and the Company's line of business.
4. to examine the Company's risk management system, with particular focus on the Company's main sources of risk.
5. to consider and select the Company's auditor, and propose his/her appointment and remuneration.
6. to ascertain that the disclosure of corporate information in the event of related-party transactions or potential conflicts of interest is accurate and complete.
7. to perform other functions as assigned by the Board of Directors with the approval of the Audit Committee.
8. to report to the Board of Directors what changes or improvements the Audit Committee deems suitable if it discovers or suspects the following:
 - 8.1 conflicts of interest.
 - 8.2 significant misdemeanours, abnormalities, or deficiencies in the system of internal control.
 - 8.3 violations of the laws or regulations pertaining to securities, the stock exchange, or the Company's line of business.
9. to report the operational results of the Audit Committee to the Board of Directors at least twice a year.
10. to report the activities of the Audit Committee to the Company's shareholders in the form of a report submitted to the Board of Directors, signed by the Chairman of the Audit Committee, and published in the Company's annual report.

As of December 31, 2003 **Executives and Management** of the Company consist of 38 persons.

Executive Management

1. Mr. Sittichai Thiensathaporn President
(resigning from the post of President since January 1, 2004)
2. Mr. Win Viriyaprapaikit Executive Vice President
(appointed as President, effective on January 1, 2004)
3. Mrs. Vilai Chattanrassamee Vice President - Finance & Accounting Division
4. Ms. Dusadee Sirichaitavin Vice President - Human Resources & Administration Division

SSI is the pioneer in the manufacturing of hot rolled steel sheet in coils in Thailand, earmarked by the government as 1 of 13 industries that are important to the development of the Thai economy and to national security. As pioneer in the hot rolled coils, SSI is well positioned to further develop the steel industry utilizing highly skilled staffs, technological advancement, and an advantageous location.



5. Mr. Kamol Sowattanaskul	Vice President - Commercial Division (1)
6. Mr. Wichien Tungsuknirundorn	Vice President - Commercial Division (2)
7. Mr. Prueng Piyachart	Vice President - Commercial Division (3)
8. Mr. Boonnarg Mockmongkonkul	Vice President - Manufacturing Division
9. Mr. Kittisak Mapanao	Assistant Vice President (Technology & Engineering)
10. Mr. Soonthorn Wasansaerekul	Assistant Vice President, Manufacturing Division (Operations)
11. Mr. Somkiat Panichkul	Assistant Vice President, Manufacturing Division (Maintenance)
12. Mr. Chartchai Pomloy	Assistant Vice President - Commercial Division (Export)
13. Mr. Narongrit Chotnuchittrakul	Assistant Vice President - Finance & Accounting Division
14. Mr. Chartjumpol Yudhanahas	Assistant Vice President - Information Technology Office
15. Mr. Srijaroung Bandhaya	Assistance Vice President - Human Resources & Administration Division
16. Mrs. Wannee Sirikanchana	Chief - Internal Audit Office Secretary to the Audit Committee
17. Mr. Surasak Ngamsidhipongsa	Assistance Vice President - Corporate Secretariat Office
	Secretary to the Board of Directors
	Secretary to the Board of Executive Directors

Management Team (Bangkok Office)

1. Mr. Pongsak Chanama	Financial Accounting Department Manager
2. Mr. Wera Kosacan	Customer Service Department Manager
3. Mr. Veerasak Apathonnavakit	Export Department Manager
4. Ms. Wanna Tangcharoenching	Slab Procurement Department Manager
5. Mr. Kanok Aroonrasamesopa	Human Resources & Administration (BKK) Department Manager

6. Mr. Chai Rungtivaruenrong	Legal Office Manager
7. Mr. Kumpera Kulpaiboon	EDP Office Manager
8. Mr. Narin Sukkitpagorn	Corporate Planning Office Manager
9. Mr. Prakasit Thongsima	Corporate Planning Office Manager
10. Ms. Maneerat Tanakijsumton	Audit Manager - General
11. Ms. Sasithorn Phoputtachai	Audit Manager - General
12. Mrs. Laor Boonraj	Audit Manager - IT

Management Team (Plant Office)

1. Mr. Thinnakorn Phadungwong	Metallurgy & Quality Assurance Department Manager
2. Mr. Thavorn Cananub	Production Planning & Control Department Manager
3. Mr. Surin Bunjong	Instrument & Automation Control Department Manager
4. Mr. Manin Inprom	Process Control Department Manager
5. Mr. Somsak Pikkanesuan	Electrical Maintenance Department Manager
6. Mr. Sommart Charenkanjanapais	Engineering Development Department Manager
7. Mr. Wichit Kongpoowet	Human Resources & Administration (Plant) Department Manager
8. Mr. Wara Vareerumpuengploen	Plant Executive Office Manager
9. Mr. Chooporn Korkrajadpet	Safety & Environmental Office Manager

2. Selection of Directors and Executives

The selection of persons to be appointed as directors and executives is to proceed as follows:

- 2.1 In case the selection of a person to be appointed as director is not for the purpose of filling a vacant position, then the Board of Directors will select a suitable candidate and propose to a meeting of shareholders to consider and appoint as the Company's director. In case the selection of a person to be appointed as director is for the purpose of filling a vacant position, then the Board of Directors will perform the selection and appointment of a suitable person therefore. Every director shall have the right to propose a suitable candidate for consideration and selection by the Board of Directors.
- 2.2 The Board of Directors has entrusted to and authorized the Board of Executive Directors with the responsibility of selecting and appointing suitable persons to serve as Company executives and, having done so, to inform the Board of Directors accordingly.

Rights of Minority Shareholders in the Appointment of Directors

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

- (1) Each shareholder has a number of votes equal to the number of shares held.
- (2) Each shareholder may use the total number of votes he has, as per (1), to elect one or more directors, but may not divide or distribute that total among two or more persons.
- (3) Those who receive the most votes are considered to be elected as directors, in order of most votes received to least, up to the number of directors to be elected at that time. If two or more candidates receive the same number of votes for the final position available, the Chairman of the meeting shall make the decision on which candidate is to be chosen.

3. Management Remuneration

3.1 Remuneration in monetary term

(unit : baht)	7 Directors		8 Executive Directors and 8 Management	
	Remuneration in Monetary Term	Other Remuneration	Remuneration in Monetary Term	Other Remuneration
Total Remuneration in 2003	9,400,000.00	–	43,881,731.63	1,997,963.10
Consisting of	<ul style="list-style-type: none"> – Salary – Meeting Allowance – Additional Remuneration 	<ul style="list-style-type: none"> – Provident Fund 	<ul style="list-style-type: none"> – Salary – Meeting Allowance – Additional Remuneration – Bonus – Compensation for the Company's car which began in 2000 (The company's car was canceled) – Up-Country Allowance 	<ul style="list-style-type: none"> – Provident Fund

3.2 Other Remuneration

-None-

Internal Controls

The Board of Directors of Sahaviriya Steel Industries Public Co., Ltd. recognizes the importance of having a good, effective system of internal controls that can help prevent losses and reduce operational risks. To accomplish the goals mentioned in the Company's vision and mission statements, an Audit Committee was established to ensure the appropriateness and efficiency of the Company's internal control and internal audit systems. Furthermore, an Internal Audit Office was set up in 1998 to conduct audits and investigations into the Company's system of internal controls for financial, accounting, operational, and administrative affairs, as well as to control and protect the Company's information systems. This Office is to report on its findings, offer suggestions, and report on the progress made by each audited unit within the Company. These findings, suggestions, and reports are to be submitted to the Audit Committee, the Board of Executive Directors, and the Company's executive management. Subsequently, the Board of Directors wrote into the policy of Sahaviriya Steel Industries Public Co., Ltd. that it should support the internal audits of its two subsidiaries, namely:

- West Coast Engineering Co., Ltd.. The Internal Audit Office began to assess the adequacy of this subsidiary's internal control systems and to examine its operational systems in 2001.
- Prachuap Port Co., Ltd.. The Internal Audit Office plans to commence work in this subsidiary in 2004.

The Company's Internal Audit Office has studied the international standards by which such work is conducted, i.e. the International Standards for the Professional Practice of Internal Auditing by the Institute of Internal Auditors (IIA). The Internal Audit Office strives to act in conformity to these standards and thereby serve as an instrument for enabling the Audit Committee to assess to what extent the Company's internal controls are adequate and efficient.

The guidelines to which the Audit Committee and the Internal Audit Office adhere and refer in their operations are called the Internal Control Integrated Framework. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) drafted this framework to cover internal controls in five areas, namely:

1. the control environment
2. risk assessment
3. control activities
4. information and communication
5. monitoring and evaluation

The Audit Committee has conducted a self-assessment of the Company's system of internal controls according to the form issued for that purpose by the Securities Exchange Commission and the Stock Exchange of Thailand since 2000. Occasionally the Company's management takes part in these sessions. In addition, the Audit Committee assesses the adequacy of each system and activity as part of the annual evaluation program conducted by the Internal Audit Office. The Company can be said to have maintained an atmosphere more or less completely conducive to internal controls and operational control of all corporate activities, in the following ways:



Sahaviraya Steel Industries PLC is committed to develop the nation's steel industry, the basic industry crucial for national development.

- The systems, policies, and procedures of the Company have been clearly defined so as to serve as guidelines for what the Company considers correct and appropriate. The Company has also produced a manual that specifies in writing the authority granted to each level of management in order to generate systems of control for the exercise of corporate authority and to serve as material for reference and investigation.
- The business philosophy of the Company, its business ethics, the ethics of directors and employees, and corporate value systems all support a spirit of teamwork and continuous learning (S), the satisfaction of all stakeholders (S), and the integrity of all staff (I).
- Operational procedures have been determined to ensure strict compliance with the law. All legislation relevant to the Company's business has been compiled, and a system for ensuring compliance has been established. Each corporate unit must report its compliance with all relevant legislation on a quarterly basis.
- The Company has mandated compliance with ISO 9001:2000 quality management standards, ISO 14001 environmental management standards, and TIS 18001 occupational health and safety standards, and received certification for them. It has also been certified for the Thai Industrial Standards of the Ministry of Industry and Japanese Industrial Standards (JIS Mark). The Company's production processes have also been accredited according to ASTM, SAE, API, DIN, AISI, EN, and BS standards.
- Operational reports and evaluations are submitted to the Board of Executive Directors, who compare operational results to monthly targets. If accomplishment of these targets is significantly affected, action to resolve the cause can be immediately taken.
- In October 2003 the Company appointed a committee to establish a risk management system for the Company, including policies, guidelines, and a manual to help evaluate risk. These evaluations would include a general assessment of corporate risk, an analysis of risk assessment procedures, determining levels of risk, establishing plans and activities to prevent or reduce risk, deciding on systematic methods and tools for evaluating results of monitoring and reporting risk, and making reports to the President and the Audit Committee.

Supervising the Use of Inside Information

- In 2000 the Company established a code of ethics for employees that included sections on keeping corporate secrets, and publicized the following statement:

“Employees must guard the confidentiality of all corporate information and avoid disclosing any news or information that should not be disclosed. They must not use such information for their own or others’ gain, nor divulge any information that has not yet been authorized for disclosure, except matters relating to ordinary operations of the Company or information that has already been disclosed to the public.”
- In 2001 at a meeting of the Board of Directors, approval was given to a part of the code of ethics that has to do with seeking gain wrongfully and protecting corporate secrets, as follows:

“The Company’s directors must not use their position for wrongful gain, must not disclose Company secrets to outsiders, must not seek gain for themselves or those related to them by means of information not yet publicly disclosed, and must not do anything that would result in a conflict of interest.”
- In 2002 the Board of Directors in one of its meetings established a policy of good corporate governance for the Company, in accordance with principles laid down by the SEC and the SET, for such matters as the rights of shareholders, disclosure of information, and relations with investors, as follows:

“The Board of Directors is well aware of its responsibility to protect the interests of shareholders, to treat them equally, and provide each of them equal access to corporate information.” and

“The Board of Directors shall regulate the Company’s affairs in such a way that investors may be convinced of the full, prompt, and accurate disclosure of all significant information regarding the Company.”
- In 2003 the Company appointed a committee to establish campaigns of the ethics and corporate values for employees. All campaigns were created to promote the ethics and corporate values for the employees at the Bangkok office and the plant, Bang Saphan, Prachuap Khirikhan as well as to encourage them to implement as the corporate culture.
- The Company must prepare a report listing the securities held by Company directors and senior executives and submit it to the SEC and the SET according to their guidelines for submission.
- The reports must be regularly made for the meetings of the Board of Directors regarding changes in ownership of securities by Company directors and senior executives.

Related Parties and Related Transactions

Related Parties	Relationship	Related Transactions in 2003		Outstanding Balances	
Thai Coated Steel Sheet Co., Ltd.	A juristic person of which the shareholding by SSI is 3.7% and the common directorship is shared by SSI's director (s)	Provide utility services	118.91 million baht	Trade accounts receivable	0.50 million baht
		Provide deep sea port service	5.077 million baht	Other accounts receivable	0.001 million baht
		Provide maintenance service	1.01 million baht	Accrued income	10.79 million baht
		Sell spare parts and equipment	0.35 million baht		
		Other incomes	0.78 million baht		
Thai Cold Rolled Steel Sheet PLC	A juristic person of which the shareholding by SSI is 8.77% and the common directorship is shared by SSI's director (s)	Sell hot rolled coils	4,744.13 million baht	Trade accounts receivable	413.09 million baht
		Provide maintenance service	12.82 million baht	Other accounts receivable	0.002 million baht
		Sell spare parts and equipment	0.04 million baht	Accrued income	0.43 million baht
		Provide deep sea port service	63.54 million baht		
		Provide utility services	7.02 million baht		
		Other incomes	1.73 million baht		
Sahaviya Panich Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%	Sell hot rolled coils	3,235.18 million baht	Trade accounts receivable	240.59 million baht
		Revenue from sale commission	4.16 million baht		
		Revenue from penalty fee	1.2 million baht		
Sahaviya Steel Service Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Sell hot rolled coils	1,400.00 million baht	Trade accounts receivable	223.39 million baht
Sahaviya Steel Center Co., Ltd.	A juristic person of which the indirect aggregated shareholding by SSI's director (s) exceeds 10%	Sell hot rolled coils	1,076.48 million baht	Trade accounts receivable	224.90 million baht
Bangsaphan Transport Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the indirect aggregated shareholding by SSI's director (s) exceeds 10%	Use truck transportation service	299.08 million baht	Trade accounts payable	16.25 million baht
		Provide maintenance service	0.05 million baht	Other accounts payable	0.12 million baht
		Sell spare parts and equipment	0.03 million baht	Trade accounts receivable	2.85 million baht
		Provide deep sea port service	11.53 million baht	Other accounts receivable	0.12 million baht
		Other incomes	0.28 million baht	Accrued expense	20.59 million baht
		Cost of service	0.16 million baht		
		Other expenses	0.77 million baht		
Bangsaphan Barmill Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the indirect aggregated shareholding by SSI's director (s) exceeds 10%	Provide maintenance service	2.5 million baht	Trade accounts receivable	5.44 million baht
		Provide deep sea port service	25.75 million baht	Other accounts receivable	0.0004 million baht
		Provide utility services	46.03 million baht	Accrued income	3.55 million baht
		Other incomes	0.97 million baht		
		Cost of service	0.02 million baht		
B.S. Metal Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s) exceeds 10%	Sell hot rolled coils and steel scrap	2,515.61 million baht	Trade accounts receivable	671.35 million baht
		Provide utility services	2.08 million baht	Accrued income	0.18 million baht
		Provide maintenance service	0.75 million baht	Other accounts receivable	0.003 million baht
		Sell spare parts and equipment	0.13 million baht		
		Use steel - cutting service	6.14 million baht		
		Revenue from penalty fee	0.31 million baht		
SV Transport (Thailand) Co., Ltd.	A juristic person of which the indirect aggregated shareholding by SSI's director (s) exceeds 10%	Use truck transportation service	2.69 million baht	Trade accounts payable	0.01 million baht
Sahaviya Plate Mill Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%	Sell hot rolled coils	31.54 million baht	Other accounts receivable	0.0003 million baht
		Sell steel slabs	226.05 million baht		
		Other incomes	0.06 million baht		

Related Parties	Relationship	Related Transactions in 2003		Outstanding Balances	
Prapawit Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%	Lease head office	9.60 million baht	Accrued expense	0.10 million baht
		Other expenses	2.97 million baht	Deposit	4.84 million baht
				Other accounts payable	0.03 million baht
Western Housing Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%	Use accommodation at Bangsaphan by the company's employees	1.85 million baht	Trade accounts payable	0.37 million baht
		Sell spare parts and equipment	0.0008 million baht	Accrued expense	0.04 million baht
		Provide maintenance service	0.12 million baht	Trade accounts receivable	0.005 million baht
		Cost of service	0.03 million baht	Accrued income	0.002 million baht
Inter Maritime Co., Ltd.	A juristic person of which the common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by family members of director (s) of SSI's subsidiary exceeds 10%	Other incomes	2.17 million baht		
Four Star Marine Co., Ltd.	A juristic person of which the common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by family members of director (s) of SSI's subsidiary exceeds 10%	Provide deep sea port service	0.25 million baht	Trade accounts receivable	0.03 million baht
		Other incomes	0.04 million baht	Accrued expense	2.82 million baht
		Use loading and unloading service	56.20 million baht	Trade accounts payable	2.22 million baht
Sahaviriya Steel Group Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%	Use internet and hotline service	1.55 million baht	Accrued expense	0.13 million baht
Central Maritime Co., Ltd.	A juristic person of which the common directorship is shared by the director (s) of SSI's subsidiary and the aggregated shareholding by the director (s) of SSI's subsidiary exceeds 10%	Use custom clearance service	0.76 million baht		
SSI Savings and Credit Cooperative		Support the foundation	3.0 million baht	Other accounts receivable	3.05 million baht
		Interest income	0.01 million baht		

The auditor's opinion on related transactions between the company and related parties is stated in Note 18 to the financial statements.

Necessity and Reasonability of Related Transactions

Transactions with related companies are transactions in the ordinary course of business and in normal terms and conditions which are considered most beneficial to the Company. The Company has a policy to sell to related companies at the price, terms and conditions normally applicable to transactions with the third party.

Approval Policy for Related Transactions

The President is authorized by the Board of Directors to approve transactions between the Company and related companies or related parties under the ordinary course of business and normal trade conditions in compliance with the Securities and Exchange laws, the regulations, announcements, directions, or provisions of the Stock Exchange of Thailand as well as the provision of related transaction disclosure and the acquisition or disposal of corporate assets of the Company and its subsidiaries.

Any transaction with related companies or related parties of the Company or its subsidiaries shall be reported to the Board of Directors' meeting and determined by the audit committee whether that matter is necessary and appropriate. A director who is involved in the transaction cannot vote on such matter. In case the audit committee has no experience in examining a related transaction, other independent expert or the Company's auditor shall express an opinion on such transaction to be used as a component of a decision of the Board of Directors or the shareholders correspondingly. In addition, the related transactions shall be stated in the note to the financial statements examined by the Company's auditor.

Future Related Transactions

Related transactions are subject to change in the future depending on demand and supply as well as the company's selling price and cost of services of the providers.



Preserve the environment

The big Earth beckons
many questions for our little ones
that still await answers.
The relationship between water and sky.
many living things intertwined.

It is not just our duty,
but our responsibility
to ensure we preserve
the Earth green forever.



“Our goal must be consistent with the public and environmental goals. The true goal is to watch out for each other like a family which enjoys happiness or endure hardship together with the understanding of each other; and to nurture a truly harmonious relationship.”

Mr. Wichit Kongpoowet

A member of Sahaviriya Samphan

“A key in community development is to harmoniously exist together for mutual benefits, to build trust, understanding, and awareness of our actions. Therefore, we must be transparent.”

Mr. Rachen Maneesawangwong

A member of Sahaviriya Samphan

Overview

of Operational Results

The Company's operating profit and net profit in 2003 were considerably higher than the previous year. Sales prices were significantly higher, even as sales volume increased only slightly. These results stemmed from the ongoing measure imposed by the Government last year, including an announcement by the Committee on Dumping and Subsidy, part of the Department of Foreign Trade under the Ministry of Commerce, on March 10, 2003 that the provisional measure announced on November 8, 2002 would be extended for another 2 months. This measure imposed provisional anti-dumping duty or bond deposit at various determined rates by factory or country ranking from the lowest 5.98% to the highest 136.50% of C.I.F. price on hot rolled flat steel in coils and not in coils originating in fourteen countries, until March 17, 2003.

Subsequently, on May 22, 2003, the Committee on Dumping and Subsidy, Department of Foreign Trade, Ministry of Commerce, by virtue of Section 7, 49, 51, 53, 57, and 73(1) of the Antidumping and Countervailing Duty Act, B.E. 2542 (1999), announced the final determination as of May 16, 2003, namely, that dumping and injuries from hot rolled flat steel in coils and not in coils originating from fourteen countries, as per Article 19(1) of the Antidumping and Countervailing Duty Act, B.E. 2542 (1999), had indeed occurred, and that the anti-dumping duty ranging from the lowest 3.45% to the highest 128.11% of the C.I.F. price should be levied for five years from May 22, 2003 with an exception for hot rolled flat steel imported solely for re-export. On July 11, 2003, the Committee on Dumping and Subsidy issued a further exemption for ten types of hot rolled flat steel in coils and not in coils for cold rolling used in certain downstream industries, and also allowed partial import within these ten types, in which the import would be monitored by the Department of Foreign Trade, by permitting the import quantity of not exceeding 470,000 metric tonnes for the first year and declining every year to 10,000 metric tonnes in the fifth year starting from July 21, 2003 to May 26, 2008. On August 22, 2003, furthermore, the Committee on Price of Product and Service, under the Department of Internal Trade, lifted the ceiling on sale prices for hot rolled coils from 13.80 baht per kilogram to 15.71 baht per kilogram to accord with higher production costs. Manufacturers were requested to declare the month-by-month price and quantity of their raw materials by the 15th of the following month in order to monitor raw material prices.

Because of these anti-dumping measures being implemented by the Government, together with the aforementioned adjustment of the price ceiling, the Company was able to realize a high rate of profit from operation on a greater domestic demand for hot rolled steel sheet and higher average sale prices, which were still below the imposed ceiling and in keeping with higher global prices, along with the Company's export in early year at prices higher than local sale prices.

On September 15, 2003, the Company signed a new credit facilities agreement with its existing lenders to adjust both its long-term and short-term loans at more suitable rates of interest and payment periods and to permit borrowing from other financial institutions. As a result of these new terms, the Company was able to realize a profit from early repayment of its previous restructured loans. At the end of the year, consequently, holders of the Company's debentures converted all of their holdings, valued at 2.4 billion baht, into 457,128,000 ordinary shares, causing the Company's earning per share to fall to a level slightly higher than the previous year.



Results of Operations

Total Revenues and Revenue from Sales and Services

In 2003 the Company's total revenues were Baht 31,156 million comprising of Baht 28,692 million from 1.95 million metric tonnes sales of hot rolled coils, Baht 631 million sales of steel scrap, Baht 235 million income from services of the Company's subsidiaries, and Baht 1,598 million in other income which were gain from early repayment of debts and gain from conversion of convertible debenture, Baht 1,187 million from reversal of deferred interest expense and Baht 113 Million gain from debt forgiveness of Prachuap Port Co., Ltd according to its debt restructuring plan. The 2002 total revenues were Baht 24,072 million comprising of Baht 23,409 million from 1.94 million metric tonnes sales of hot rolled coils, Baht 306 million sales of steel scrap, Baht 253 million income from services of the Company's subsidiaries, and Baht 103 million in other income.

The Company's revenues from sales of hot rolled coils rose by 24% compared with that of 2002 and its sales volume and average selling price were up 1% and 22%, respectively. Main factors attributed to increasing of average selling price and anti-dumping measures against imports from foreign producers.

Income from sale and services of Prachuap Port Co., Ltd. and West Coast Engineering Co., Ltd., the Company's subsidiaries, was Baht 710 million in total, including Baht 475 million income from services to the Company and between the subsidiaries, 7% decrease from 2002 due to reduction in raw material import of the Company.

Cost of Sales & Services

The Company's cost of sales was Baht 24,840 million or 85% of the revenue from sales of hot rolled coils and steel scrap. The subsidiaries' cost of sales and services was Baht 388 Million or 55% of income from sales and services to the Company, the affiliated companies, and the external customers.

Cost of Hot-rolled coil sales was mainly comprised of slab cost, which accounted for 80-85% of total cost of sales. The second was conversion cost such as fuel costs, electricity costs, spare parts and consumable cost, and the remaining was depreciation.

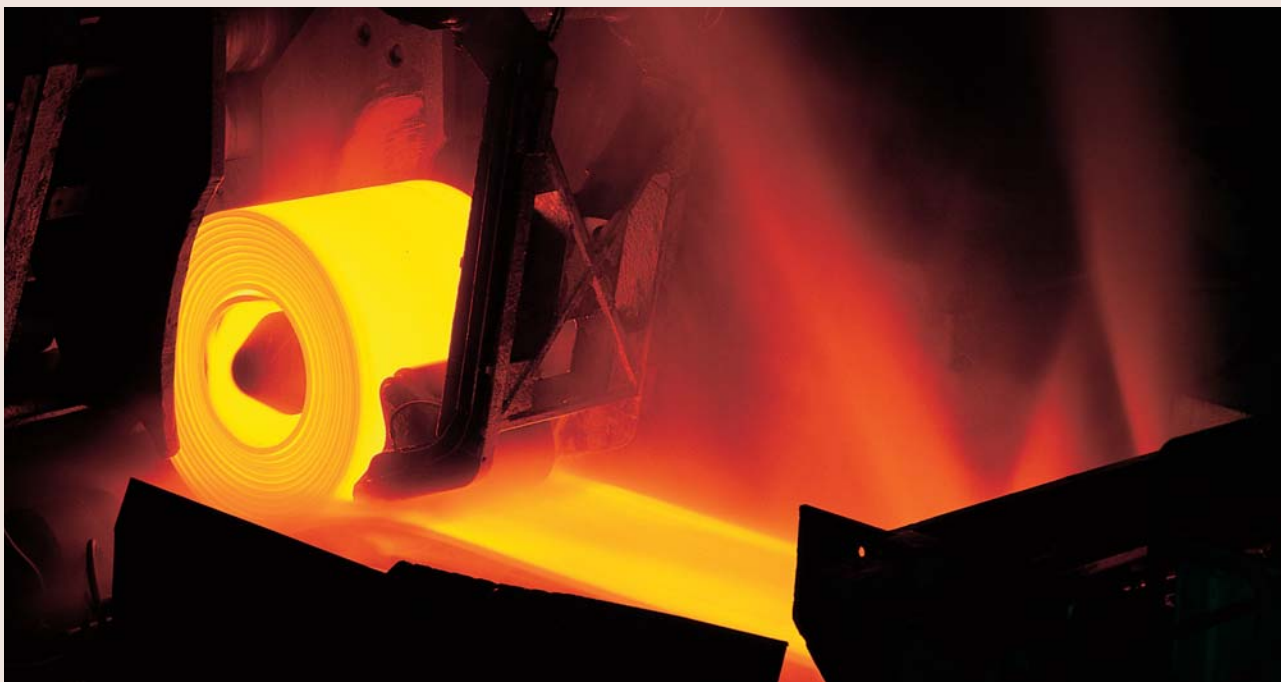
In 2003, the spread between hot rolled coil selling price and cost of raw material was Baht 4,100 per tonne.

The Company has pursued the continuous campaign of reduction in direct and indirect production costs and improved its efficiency to achieve productivity in terms of the production volume per working hour and the quality of product.

Metal Spread

For hot rolled coil industry, the metal spread between hot rolled coil selling price and slab cost has a great impact on profitability.

The 2003 metal spread was USD 99 per tonne or 28% of the selling price, while the 2002 metal spread was USD 97 per tonne or 35% of the selling price, due to a significant increase in selling price and low price of slab inventory.



Selling & Administrative Expenses

Most of selling expenses was freight and transportation expenses which vary with sales volume. In 2003 the Company's total selling expenses amounted to Baht 375 million, up from those of 2002 due to an increase in export expense. Administrative expenses were Baht 349 million, 27% down from the previous year's Baht 129 million. The Company set up Baht 38 million of provision for loss on diminution in value of spare parts and consumables and recorded Baht 64 million of other expenses from write-off of fixed assets.

Interest Expenses

The interest expenses of the Company and its subsidiaries amounted to Baht 728 million, down 22% from the previous year's Baht 206 million as a result of early repayment of debt, lower interest rate, shorter period of debt collection, and quicker turnover of raw materials and finished goods inventory.

Net Profit (Loss)

In 2003 the Company recorded net profit after tax of Baht 4,702 million compared with Baht 3,433 million in the previous year. This was mainly attributed to the early repayment and forgiveness of debt, the adjustment of ceiling price in accordance with production cost and the Government's anti-dumping measure.

The Company's earning per share was Baht 5.47. Net profit margin was 15%. Return on average assets was 16%, and return on average equity was 38%.

Dividend

According to the new loan agreements, the Company is allowed to pay dividend amount not exceeding 60% of net profit after appropriation of legal reserve. However, the Company was not able to pay dividend in year 2003 due to its negative retained earnings.

Financial Position

Assets

The Company's and its subsidiaries' asset ratio is as follows:

%	2003	2002	2001
Accounts receivable	8	6	5
Inventory	29	36	21
Property, plant and equipment	58	55	70
Others	5	3	4
Total assets	100	100	100

As of December 31, 2003 the Company and its subsidiaries had Baht 2,322 million of net trade accounts receivable, up 22% from that in the end of 2002 due to higher sales volume especially during the end of year as well as higher selling price per tonne. The Company's provision for doubtful accounts amounted to Baht 405 million in the form of outstanding accounts of more than 6 months. As of December 31, 2002 the Company's subsidiary had accounts receivable from cancellation of shipbuilding contract amounting to Baht 111 million booked in the other non-current assets with the allowance for doubtful debt in full. During 2003 the subsidiary received partial payment from such debtor in the amount of Baht 33 million.

The Company's raw materials and finished goods inventory as of December 31, 2003 was Baht 8,433 million, 23% decreasing from the end of 2003 due to 33% decline in raw material import as a result of higher price.

In 2003 the Company's and its subsidiaries' total assets decreased by Baht 1,565 million, most of which was in the form of current assets as raw materials inventory. The Company and its subsidiaries had Baht 2,727 million of trade accounts receivable and Baht 405 million of doubtful accounts in the form of outstanding accounts of more than 6 months. As of December 31, 2002 the Company's and its subsidiaries' provision for doubtful accounts amounted to Baht 405 million.

Liquidity

1. Cash Flows

In 2003 the Company and its subsidiaries had net cash flows from operations before interest of Baht 4,795 million with Baht 584 million cash paid for interest and Baht 1,572 million cash generated from changes in operating assets and liabilities, mainly due to a decrease in raw materials inventories. Net cash flow from operating activities amounted to Baht 5,783 million. The Company and its subsidiaries had the net cash used of Baht 781 million from investing activities comprising mainly the purchase of lands, building and equipment as well as an investment in open-end fund. With respect to financing activities, the Company and its subsidiaries had the net cash used of Baht 5,005 million, mostly for repayment of debt and short-term trade financing.

In 2003 net cash used from operating, investing, and financing activities of the Company and its subsidiaries amounted to Baht 3 million. As at December 31, 2003, the cash and cash equivalents amounted to Baht 108 million.

2. Liquidity Ratio

As of December 31, 2003 the Company's liquidity ratio was 5.57 times, up from 2.04 times at the end of 2002 because the Company did not use short-term trade financing for raw material import and had less lower short-term loan.

Share Price

In 2003, SSI stock price reached the lowest level at Baht 7.2 per share on March 10, 2003 and peaked at Baht 44 per share on November 4, 2003. The average trade volume and value were 9.40 million shares per day and Baht 181.46 million per day respectively and the average price of Baht 19.31 per share. As at December 31, 2003, the Company's stock price closed at Baht 34.75 per share.

Future Plan

In 2004 the Company has targeted to boost its production and sales volume from 1.9 million tonnes in 2003 to 2.3 million tonnes or Baht 34,600 million and to launch new project of Pickling and Oiling Hot Rolled Coil in year 2004 which aim to increase its sales to all customer groups including the cold rolling mills and automobile and auto part manufacturers, the general domestic customers, and foreign customers, especially Southeast Asia market where the hot rolled steel demand has been growing.

According to the approval of the Board of Directors in August 2003, the Company plans to expand production capacity from 2.4 million tonnes to 3.2 million tonnes in which the full capacity is 4.0 million tonnes depending on product mix. The expansion project aims to de-bottleneck the production process by adding the new machines and equipment into the existing line. The Company plans to shut down an operation for 45 days during the end of year 2004, and to start testing and commissioning the new machines and to increase productivity in the beginning of year 2005.

In the area of production with the existing capacity of 2.4 million tonnes, the Company has already prepared a plan to ensure a higher volume of production in anticipation of higher sales. This plan includes an improvement in production process in order to increase productivity per hour and operating hours, and purchasing plan for spare parts, plant equipment, and consumables with long lead time. Such plan has been established to ensure that plant operation can continue uninterrupted. The Company also pursues campaigning on the work efficiency enhancement, production cost and operating expense control and reduction, and continuous improvement of quality and services.

In the area of finance, the Company continues to focus on the liquidity management, foreign exchange risk management, accounts receivable control and management, and raw material and finished good inventory management at a suitable level of market demand.

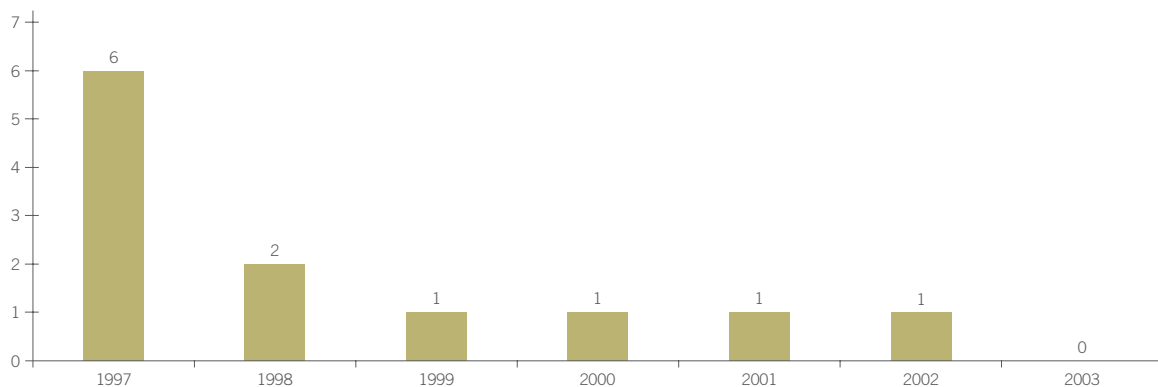
Sustainable Development

SSI Embraces Quality, Safety, Occupational Health, and The Environment

Occupational Health and Safety Management

SSI began to seriously implement basic measures for an occupational health and safety system in 1997 with the adoption of **TIS 18001 occupational health and safety standards**. After its certification in 2002, the Company has continued its serious commitment to these standards by setting clear goals and targets and constantly monitoring the effectiveness of the system. Consequently, worker accident statistics have continued to drop. The ultimate goal, of course, is to maintain a zero rate of accidents at SSI.

Lost-Time Accidents at SSI, 1997-2003



To inculcate a better understanding of occupational health and safety issues among employees and ensure the most effective implementation possible, SSI has established **a corporate Health, Safety, and Environmental Policy** with action plans for risk control, for implementation control, for monitoring, for evaluation of results, for communication and public relations, for awareness training and education, for monitoring of legal issues, and for emergency responses to fires or flooding. Due to the development of its occupational health and safety systems, SSI was awarded **The National Award in Safety, Occupational Health, and Workplace Environment** for three consecutive years, i.e. 2001-2003, along with **The Prime Minister's Industry Award 2003 for Safety Management**.

In consideration of the great damage done to some of the most valuable members of our society by narcotics, SSI began participation in the "White Factory" Program in 2000. The following year, the Company received **an award for Outstanding Private-Sector Contribution from the Central Region's Commission for Prevention and Suppression of Narcotics in its program to end the spread of drugs, along with another award for its participation in the "White Factory" Program from the Department of Labour Protection and Welfare**. In 2003, moreover, SSI received **an award for outstanding work in the "White Factory" Program at the national level**. The Company is much concerned for the safety of the community, schools and factories that lie in its vicinity, and SSI personnel serve as instructors in campaigning to halt the spread of drugs in the area. The aim in this is to make SSI's neighbourhood a "white" district free from the harm caused by narcotics.



Quality Management

Since 1997, SSI has implemented quality management practices according to ISO 9000 standards, and consequently been certified for them. Besides establishing a Product and Service Quality Development Committee, the Company has practised Total Preventive Maintenance throughout its plants. While being guided mainly by the need to satisfy our clients, the Company has changed its focus from quality management to quality assurance. As a result, SSI has been accredited for all categories of the Ministry of Industry's **Thai Industrial Standards**, as well as those demanded by **Japan Industrial Standards (JIS)**. In 2002, the Company also received **The Prime Minister's Industry Award 2002 for Quality Management**.

Environmental Management

SSI adopted **ISO 14001 environmental management standards** and was certified for them in 1999. The Company had meticulously studied the impact of its operations on the environment and prepared an environmental impact assessment (EIA) detailing the steps that a hot-rolling mill would have to follow to prevent, minimize, monitor, and examine the influence of its operations on the environment before plant construction even commenced. The report also covered procedures to be implemented during construction and those to be followed after plant start-up. The Company continues to monitor and investigate environmental quality in the plant's vicinity and to watch for any unwanted impact of its operations on its surroundings.

Wise and thrifty use of natural resources is an essential part of SSI's environmental responsibilities. While minimizing its consumption of water, electricity, paper, and fuel, SSI strives to prevent water, air, and noise pollution to the utmost. To achieve this, the Company implements "prevention of pollution" guidelines in its mechanical maintenance, hires legally licensed companies to dispose of waste, practises recycling, operates a waste water treatment system that reuses waste water rather than discharging it into the environment, uses "clean" technology, runs a corporate energy-saving program, and campaigns among the communities and industrial plants in its area for environmental conservation. These efforts were recognized in 2001 with **The Prime Minister's Industry Award 2001 for Environmental Management, The 2000 Award for the Outstanding Energy Conservation Factory, and The Environmental Impact Assessment 2001**.

SSI's Concern for Society and The Environment

Educational Development

SSI is committed to empowering the nation's youth so that they can contribute more effectively to a prosperous future.

Scholarship Programs

Since 1993, SSI has been donating scholarships to deserving students. The Company presently supports **216 scholarships at 15 elementary and secondary schools** in the district of Bang Saphan, Prachuap Khirikhan Province, with a total value of 225,000 baht per year, and provides **four continuing scholarships leading to a Bachelor's Degree**, with a total value of 280,000 baht per year. Besides this annual commitment, the Company also donates **equipment, books, and teaching materials** to schools in need, such as Bang Saphan Vittaya, Bang Saphan Kindergarten, Ban Tha Kham School, Ban Don Samran School, Watt Hwuay Sai Kaow School, and Wat Khao Bost School.

School Development Programs

SSI began by constructing a **school building for Bang Saphan School (under Sahaviriya patronage)** in 2001. Following this, the Company built a **computer room and donated 40 computers, plus computer programs**, with total value of 11 million baht, as a step up in educational technology for the school's students. This enabled the school to accept more students each year and thereby enhanced educational opportunities for young people in the Bang Saphan area. The Company also supported



renovations to an elementary education office serving Bang Saphan District and the vicinity of Wat Khao Tham Ma Rong School, along with a school library program.

Joint Academic Development Programs

To enhance the knowledge and experience of elementary and secondary school students, SSI and other companies in the Sahaviriya Group are working together to have **expert personnel** such as engineers and scientists volunteer their time for the teaching of five school subjects, namely English, Japanese, Mathematics, Science, and Computers, every Saturday.

Financial Support in Hiring Personnel

Due to a lack of teachers in the education system, SSI has been providing **financial support to hire kindergarten and English teachers** at Bang Saphan School since 2001.

The Environment

SSI has organized numerous programs and community activities in the area.

SSI Care for the Beach Program

SSI's employees, in cooperation with the community and other plants's employees around Bang Saphan district, annually clean and get rid of rubbish along 20 kilometre of Mae Rum Phueng beach to preserve the beauty of nature.

Tree-Planting Program

SSI and other companies in the Sahaviriya Group provide support for a Nature Conservation Club that plants trees in honour of His Majesty the King. Besides tree-planting around Khao Mha Rong Cave and on the sides of roads in the Bang Saphan area, the Club has also planted elephant grass on the margins of the Khao Mha Rong Cave Reservoir. These efforts are intended to beautify the natural surroundings of Bang Sapan District.

Plant Visits and Study Tours

SSI hosts plant study tours that help demonstrate the Company's commitment to local and national development. Visitors see how SSI implements systems for ensuring safety, occupational health, and environmental standards as well as good management practices such as systems for enhancing productivity and quality. Every year SSI welcomes a great range of guests, including government officials, students, and members of the public from the Company's immediate locality as well as other parts of the country.

Campaigning Against Drugs

SSI is one of the leaders among a group of factories in the Bang Saphan area that are all committed to the war against narcotics. Among the campaign activities promoted by the group are educational programs that emphasize the danger of drugs and organized sporting events.

Helping the Community

SSI is active in assisting and donating to victims of natural disasters. The Company's own fire station responds immediately to fires in the community. In 2003, moreover, SSI supported the construction of six special rooms for patients at Bang Sapan Hospital at a cost of 1.5 million baht.

Report of The Indepent Certified Public Accountants

**To The Shareholders and Board of Directors
Sahaviriya Steel Industries Public Company Limited**

We have audited the consolidated balance sheets of Sahaviriya Steel Industries Public Company Limited and its subsidiaries and the balance sheets of Sahaviriya Steel Industries Public Company Limited as at December 31, 2003 and 2002, and the related consolidated and Company's statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated and Company's financial statements present fairly, in all material respects, the financial position of Sahaviriya Steel Industries Public Company Limited and its subsidiaries and of Sahaviriya Steel Industries Public Company Limited as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



Chongchitt Leekbhai

Certified Public Accountant (Thailand)

Registration No. 2649

Deloitte Touche Tohmatsu Jaiyos

BANGKOK

January 30, 2004

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Balance Sheets

As at December 31,

Unit : Thousand Baht

	Consolidated		The Company Only	
	2003	2002	2003	2002
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	108,399	111,109	47,049	44,540
Current investments	17,495	202,495	–	–
Accounts and notes receivable				
Related parties (Note 18.3)	1,787,097	1,345,225	1,765,818	1,327,808
Others	939,795	952,331	936,744	948,472
	2,726,892	2,297,556	2,702,562	2,276,280
Less Allowance for doubtful accounts	(405,051)	(400,444)	(400,095)	(393,888)
Accounts and notes receivable - net	2,321,841	1,897,112	2,302,467	1,882,392
Short-term loans and advances to				
related parties (Note 18.2)	3,051	60	3,062	137
Inventories (Note 6)	8,433,439	10,989,810	8,450,417	11,039,232
Other current assets				
Advance payments	682,993	23,514	682,989	23,499
Value-added-tax refundable claims	32,456	79,332	28,265	79,332
Other receivables	470	2,051	707	2,105
Prepaid expenses	14,396	13,694	13,310	12,645
Deposit at bank used as collateral	16,200	16,200	–	–
Others	31,106	36,554	18,635	18,535
Total Current Assets	11,661,846	13,371,931	11,546,901	13,102,417
NON-CURRENT ASSETS				
Investments using the equity method (Note 18.1)	561,621	561,621	1,328,764	1,080,363
Property, plant and equipment - net (Note 7)	17,009,451	16,923,996	15,061,607	15,375,183
Other non-current assets (Note 8)	68,592	8,535	13,004	5,947
Total Non-Current Assets	17,639,664	17,494,152	16,403,375	16,461,493
TOTAL ASSETS	29,301,510	30,866,083	27,950,276	29,563,910

Notes to the financial statements form an integral part of these statements

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Balance Sheets (Continued)

As at December 31,

Unit : Thousand Baht

	Consolidated		The Company Only	
	2003	2002	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bank overdrafts and short-term loans from financial institutions (Note 9)				
Short-term loans	290,000	1,728,000	290,000	1,728,000
Trade finance loans	–	3,155,862	–	3,155,862
Accounts and notes payable	1,238,110	1,194,138	1,220,441	1,198,516
Current portion of long-term loans (Note 10)	240,663	220,760	–	–
Current portion of long-term liabilities	6,179	7,683	2,627	2,455
Other current liabilities				
Accrued expenses	209,151	220,826	219,224	228,589
Others	108,538	28,993	45,840	18,261
Total Current Liabilities	2,092,641	6,556,262	1,778,132	6,331,683
NON-CURRENT LIABILITIES				
Long-term loans (Note 10)	6,794,016	12,372,365	6,400,000	11,696,426
Debentures (Note 11)	4,000,000	–	4,000,000	–
Convertible debentures (Note 12)	–	2,582,151	–	2,582,151
Other non-current liabilities				
Liabilities under hire-purchase agreements	4,706	5,230	3,451	2,748
Payable for purchase of land	–	2,000	–	–
Total Non-Current Liabilities	10,798,722	14,961,746	10,403,451	14,281,325
TOTAL LIABILITIES	12,891,363	21,518,008	12,181,583	20,613,008

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Balance Sheets (Continued)

As at December 31,

Unit : Thousand Baht

	Consolidated		The Company Only	
	2003	2002	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)				
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (Note 13)				
Authorized share capital				
1,310,150,000 ordinary shares of				
Baht 10.00 each	13,101,500	13,101,500	13,101,500	13,101,500
Issued and paid-up share capital				
1,310,128,000 ordinary shares of				
Baht 10.00 each, fully paid	13,101,280	8,530,000	13,101,280	8,530,000
ADDITIONAL (DISCOUNT) ON CAPITAL				
Discount on ordinary share capital (Note 13)	(2,171,280)	–	(2,171,280)	–
Unrealized increment per assets appraisal (Note 7.2)	5,984,283	6,268,939	5,984,283	6,268,939
RETAINED EARNINGS (DEFICIT)				
Unappropriated (Deficit)	(1,145,590)	(5,848,037)	(1,145,590)	(5,848,037)
Total Company Shareholders' Equity	15,768,693	8,950,902	15,768,693	8,950,902
MINORITY INTEREST	641,454	397,173	–	–
Total Shareholders' Equity	16,410,147	9,348,075	15,768,693	8,950,902
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	29,301,510	30,866,083	27,950,276	29,563,910

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of Income

For the years ended December 31,

Unit : Thousand Baht

	Consolidated		The Company Only	
	2003	2002	2003	2002
REVENUES				
Revenues from the sales of goods	29,326,030	23,714,965	29,322,470	23,714,965
Revenues from the rendering of services	231,360	253,348	–	–
Other income				
Gain from early extinguishment of debts (Note 10)	1,034,375	–	1,034,375	–
Gain from debt forgiven (Note 10)	112,959	–	–	–
Gain from conversion of convertible debentures (Note 12)	152,211	–	152,211	–
Gain on exchange	236,652	48,726	238,757	49,722
Others	62,010	54,583	48,677	53,011
Share of profit from investment using the equity method	–	–	184,870	168,082
Total Revenues	31,155,597	24,071,622	30,981,360	23,985,780
EXPENSES				
Cost of the sales of goods	24,449,623	18,384,024	24,839,657	18,819,219
Cost of the rendering of services	313,069	315,278	–	–
Selling and administrative expenses	723,514	764,145	658,375	719,582
Doubtful accounts	6,207	–	6,207	–
Doubtful accounts (Reversal)	(37,978)	(27,957)	–	–
Other expenses	64,124	110,221	60,057	109,254
Directors' remuneration	9,885	3,785	9,245	3,185
Total Expenses	25,528,444	19,549,496	25,573,541	19,651,240
INCOME BEFORE INTEREST AND INCOME TAX EXPENSES	5,627,153	4,522,126	5,407,819	4,334,540
INTEREST EXPENSES	728,184	933,804	705,372	901,116
INCOME TAX EXPENSES	13,281	7,679	–	–
INCOME AFTER TAX	4,885,688	3,580,643	4,702,447	3,433,424
NET INCOME OF MINORITY INTEREST	(183,241)	(147,219)	–	–
NET INCOME	4,702,447	3,433,424	4,702,447	3,433,424

EARNINGS PER SHARE

Basic earning per share	BAHT	5.47	4.03	5.47	4.03
Diluted earnings per share	BAHT	–	2.73	–	2.73

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

Basic earnings per share	'000 SHARES	859,372	853,000	859,372	853,000
Diluted earnings per share	'000 SHARES	–	1,310,143	–	1,310,143

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of Changes in Shareholders' Equity

For the years ended December 31, 2003 and 2002

	Unit : Thousand Baht					
	Issued and Paid-Up Ordinary Share Capital	Discount on Ordinary Share Capital	Unrealized Increment per Assets Appraisal	Unappropriated Retained Earnings (Deficit)	Minority Interest	Total
CONSOLIDATED						
Beginning balance, January 1, 2002	8,530,000	–	4,993,350	(9,281,461)	253,971	4,495,860
Amortization	–	–	(269,827)	–	–	(269,827)
Net appraisal increment	–	–	1,545,416	–	–	1,545,416
Net income	–	–	–	3,433,424	–	3,433,424
Minority interest increase	–	–	–	–	143,202	143,202
Ending balance, December 31, 2002	8,530,000	–	6,268,939	(5,848,037)	397,173	9,348,075
Beginning balance, January 1, 2003	8,530,000	–	6,268,939	(5,848,037)	397,173	9,348,075
Share capital increase	4,571,280	–	–	–	–	4,571,280
Increase in discount on share capital	–	(2,171,280)	–	–	–	(2,171,280)
Amortization	–	–	(284,656)	–	–	(284,656)
Net income	–	–	–	4,702,447	–	4,702,447
Minority interest increase	–	–	–	–	244,281	244,281
Ending balance, December 31, 2003	13,101,280	(2,171,280)	5,984,283	(1,145,590)	641,454	16,410,147

	Unit : Thousand Baht					
	Issued and Paid-Up Ordinary Share Capital	Discount on Ordinary Share Capital	Unrealized Increment per Assets Appraisal	Unappropriated Retained Earnings (Deficit)	Minority Interest	Total
THE COMPANY ONLY						
Beginning balance, January 1, 2002	8,530,000	–	4,993,350	(9,281,461)	–	4,241,889
Amortization	–	–	(269,827)	–	–	(269,827)
Net appraisal increment	–	–	1,545,416	–	–	1,545,416
Net income	–	–	–	3,433,424	–	3,433,424
Ending balance, December 31, 2002	8,530,000	–	6,268,939	(5,848,037)	–	8,950,902
Beginning balance, January 1, 2003	8,530,000	–	6,268,939	(5,848,037)	–	8,950,902
Share capital increase	4,571,280	–	–	–	–	4,571,280
Increase in discount on share capital	–	(2,171,280)	–	–	–	(2,171,280)
Amortization	–	–	(284,656)	–	–	(284,656)
Net income	–	–	–	4,702,447	–	4,702,447
Ending balance, December 31, 2003	13,101,280	(2,171,280)	5,984,283	(1,145,590)	–	15,768,693

Notes to the financial statements form an integral part of these statements

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of Cash Flows

For the years ended December 31,

Unit : Thousand Baht

	Consolidated		The Company Only	
	2003	2002	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	4,702,447	3,433,424	4,702,447	3,433,424
Items to reconcile net income to net cash flows from operations				
Doubtful accounts (Reversal)	(37,978)	(27,957)	–	–
Doubtful accounts	6,207	–	6,207	–
Depreciation	616,303	601,369	535,624	534,493
Unrealized gain from short-term investment	–	(2,495)	–	–
Provision for diminution in value of inventories	38,019	230,789	38,019	230,789
Additional interest on debt restructuring	152,030	355,019	156,779	356,877
Realized (gain) loss on exchange	(213,324)	17,836	(213,324)	17,836
Unrealized (gain) loss on exchange	15,855	(12,663)	15,855	(12,663)
Gain on sales of temporary investment	(15,036)	–	–	–
Gain on sales of property, plant and equipment	(1,080)	(2,388)	(980)	(2,276)
Loss on disposal of property, plant and equipment	54,543	130,736	54,214	129,761
Loss on disposal of spare parts	5,842	–	5,842	–
Loss on revaluation of property, plant and equipment	3,732	–	–	–
Gain from early extinguishment of debts	(1,034,375)	–	(1,034,375)	–
Gain from debt forgiven	(112,959)	–	–	–
Gain from conversion of convertible debentures	(152,211)	–	(152,211)	–
Share of profit from investment using the equity method	–	–	(184,870)	(168,082)
Minority interest	183,241	147,219	–	–
Net income from operations before changes in operating assets and liabilities	4,211,256	4,870,889	3,929,227	4,520,159

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of Cash Flows (Continued)

For the years ended December 31,

Unit : Thousand Baht

	Consolidated		The Company Only	
	2003	2002	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES (Continued)				
Operating assets (increase) decrease				
Accounts and notes receivable - related parties	(441,871)	(526,777)	(438,009)	(525,279)
Accounts and notes receivable - others	15,581	(246,351)	14,773	(246,310)
Inventories	2,512,511	(6,340,879)	2,544,955	(6,374,152)
Short-term loans and advances to related parties	9	(18)	75	(91)
Advances to director	2,742	–	–	–
Advance payments	(659,479)	(6,580)	(659,490)	(6,619)
Valued-added-tax refundable claims	46,875	(63,779)	51,067	(63,779)
Other receivables	35,322	24,676	1,398	451
Prepaid expenses	(702)	(8,869)	(664)	(8,549)
Other current assets - others	5,447	(18,786)	(101)	(7,499)
Other non-current assets	(60,057)	(263)	(7,057)	142
Operating liabilities increase (decrease)				
Accounts and notes payable	46,699	74,639	24,651	65,740
Accrued expenses	(11,676)	99,372	(9,364)	96,926
Other current liabilities - other	79,871	249	28,008	2,446
Net cash provided by (used in) operating activities	5,782,528	(2,142,477)	5,479,469	(2,546,414)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in other investment	(167,495)	(200,000)	–	–
Cash paid for purchases of property, plant and equipment	(979,647)	(389,825)	(620,889)	(149,996)
Proceeds from sales of property, plant and equipment	1,894	3,976	1,794	3,864
Proceeds from sales of current investment	367,531	–	–	–
Short-term loans and advances to related parties	(3,000)	3,280	(3,000)	–
Net cash used in investing activities	(780,717)	(582,569)	(622,095)	(146,132)

Notes to the financial statements form an integral part of these statements

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Statements of Cash Flows (Continued)

For the years ended December 31,

Unit : Thousand Baht

	Consolidated		The Company Only	
	2003	2002	2003	2002
CASH FLOWS FROM FINANCING ACTIVITIES				
Short-term loans decrease	(1,438,000)	(72,000)	(1,438,000)	(72,000)
Trade finance loans increase (decrease)	(2,964,596)	2,807,828	(2,964,596)	2,807,828
Cash repayment of long-term loans	(11,073,083)	(85,796)	(10,848,769)	–
Proceeds from long-term loans	6,480,000	–	6,400,000	–
Proceeds from issuance of debentures	4,000,000	–	4,000,000	–
Cash repayment of long-term liabilities				
under hire-purchase agreements	(6,842)	(4,703)	(3,500)	(2,809)
Cash payment of liabilities for purchase of land	(2,000)	(3,000)	–	–
Net cash provided by (used in) financing activities	(5,004,521)	2,642,329	(4,854,865)	2,733,019
Net increase (decrease) in cash and cash equivalents	(2,710)	(82,717)	2,509	40,473
Cash and cash equivalents as at January 1	111,109	193,826	44,540	4,067
Cash and cash equivalents as at December 31	108,399	111,109	47,049	44,540
Supplemental cash flow information:				
Cash paid for interest	584,019	544,805	556,121	510,050
Cash paid for corporate income tax	20,601	20,225	516	532

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Notes to The Financial Statement

For the years ended December 31, 2003 and 2002

1. ECONOMIC TURMOIL

Thailand and many Asia Pacific countries continue to experience economic difficulties since 1997. The accompanying consolidated and Company's financial statements reflect management's current assessment of the possible impact of the economic conditions on the financial position of the Company and its subsidiaries.

2. BUSINESS OPERATIONS OF THE COMPANY AND SUBSIDIARIES

Sahaviriya Steel Industries Public Company Limited is a listed company in The Stock Exchange of Thailand with its head office located at 28/1 Prapawit Building, 2-3rd Floor, Surasak Road, Silom, Bangrak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na-Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan. The Company is the manufacturer of hot rolled coils. As at December 31, 2003 and 2002, the Company has 816 and 753 employees, respectively. The staff costs for 2003 and 2002 are Baht 296 million and Baht 282 million, respectively.

Prachuap Port Company Limited, a subsidiary, is a registered company in Thailand with its head office located at 28/1 Prapawit Building, 6th Floor, Surasak Road, Silom, Bangrak, Bangkok and its plant located at 62 Moo 3, Ban Klang Na-Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan. The subsidiary provides deep-sea port services. As at December 31, 2003 and 2002, the subsidiary has 90 and 95 employees, respectively. The staff costs for 2003 and 2002 are Baht 35 million and Baht 30 million, respectively.

West Coast Engineering Company Limited, a subsidiary, is a registered company in Thailand with its head office located at 28/1 Prapawit Building, 3rd Floor, Surasak Road, Silom, Bangrak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na-Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan. The subsidiary provides engineering design and supervision services including repair and maintenance services. As at December 31, 2003 and 2002, the subsidiary has 270 and 225 employees, respectively. The staff costs for 2003 and 2002 are Baht 86 million and Baht 69 million, respectively.

In 2001, the decrease in selling prices of hot rolled steel decreased due to low global prices and dumping from many countries affected the Company and its subsidiaries' operations. Therefore, since 2002, the Government has continuously issued various measures regarding the antidumping and countervailing of imported goods as follows:

1. On January 25, 2002, the Government, by the Board of Investment, issued the announcement regarding the imposition of surcharges on imported flat rolled product of iron or non alloy hot rolled steel at 25% of CIF value of customs tariff with the effect for the period of six months which expired on July 28, 2002.
2. On July 23, 2002, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce approved the imposition of antidumping measure according to Section 31 of the Antidumping and Countervailing Act B.E. 2542 for coil or non-coil hot rolled steel originated from 14 countries by requiring guarantees at the rate of 30% of CIF value for the period of six-months after the imposition of surcharges on imported hot rolled steel according to the Board of Investment's Announcement, as described in Item 1, had expired.

3. On November 8, 2002, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce, by Sections 41, 42, and 73 (1) of the Antidumping and Countervailing Act B.E. 2542, issued the announcement of antidumping for coil or non-coil hot rolled steel originated from 14 countries by requiring temporarily payment of duties or letter of guarantee by factory or country at various determined rates, which minimum and maximum determined rates were in the range between 5.98% to 136.50% of CIF value, for the period of four months from November 18, 2002.
4. On March 10, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce issued the announcement to extend the temporary measure as mentioned in Item 3 for another 2 months.
5. On May 22, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce, by Sections 7, 49, 51, 53, 57 and 73 (1) of the Antidumping and Countervailing Act B.E. 2542, issued the announcement that the Committee had an ultimate judgement on May 16, 2003 that there were a dumping and a damage from the dumping of coil and non-coil hot rolled steel originated from 14 countries according to Section 19 (1) of the Antidumping and Countervailing Act B.E. 2542, thus the antidumping duties are imposed which minimum and maximum rates are in the range between 3.45% to 128.11% of CIF value for the period of 5 years from May 22, 2003, except the imported hot rolled steel for re-export.
6. On July 11, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce issued the announcement approving the exemption of antidumping duties for coil and non-coil hot rolled steel imported for cold-rolling and further processing for downstream users and assigned the Department of Foreign Trade to monitor the import under the pre-determined volume for the period of 5 years from July 21, 2003 to May 26, 2008.

As a result of continuous measures of the Government as mentioned above, the Company has significant amount of profit from its operations attributable to significant increase in sales volume, which not only domestic demand for hot rolled steel increased from economic recovery in construction and auto-mobile industries but also the average prices of hot rolled steel increased according to rising global prices. In addition, the Company has higher volume of export with the export prices higher than domestic prices.

3. BASIS FOR PREPARATION OF THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS

- 3.1 The consolidated and Company's financial statements are presented in accordance with the Notification of the Department of Commercial Registration (Currently the Department of Business Development) dated September 14, 2001 regarding "The Brief Particulars in the Financial Statements B.E. 2544" to be effective for financial statements covering the period beginning on or after January 1, 2002.

The Company prepares its financial statements in conformity with accounting principles and practices generally accepted in Thailand.

- 3.2 The consolidated financial statements include the accounts of the Company, Prachuap Port Company Limited and West Coast Engineering Company Limited of which the Company has a holding of 51% and 99.99%, respectively, after eliminating inter-company transactions and balances.
- 3.3 The consolidated and Company's financial statements are presented in accordance with the Explanation of Department of Business Development dated November 5, 2003 regarding "The Brief Particulars in the Financial Statements (No.2) B.E.2546" by presenting the premium on ordinary shares in the net amount after offsetting with the discount on ordinary shares in the financial statements for the year 2003. Such reclassification has been made to the financial statements for the year 2002 to conform to the classification used in the current year's financial statements.

3.4 For the year ended December 31, 2003, the financial statements have disclosed additional information regarding related party transactions in Note 18 to the financial statements, thus, the financial statements for the year ended December 31, 2002 have also disclosed such additional information to be in accordance with the disclosure in the 2003 financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 The Company recognizes income from sales when goods are delivered to the customers in accordance with the delivery term in the sale contracts.

The subsidiaries recognize income from services when services are rendered to their customers.

4.2 Cash and cash equivalent include cash in hand and all types of deposits at banks and at financial institutions with original maturities of 3 months or less, excluding cash at banks used as collateral.

4.3 Current investments include time deposits at banks and financial institutions, and investment units in an open-end mutual fund which are classified as securities for trading and stated at fair value. Gain or loss on the change in fair value is recognized as income or expense in the statement of income.

4.4 Allowance for doubtful accounts is based on management's evaluation of accounts which are considered uncollectable. Allowance for doubtful accounts is provided at 100% for overdue balances exceeding 6 months.

4.5 Inventories are stated at cost or net realizable value whichever is the lower. Raw materials, rolls, which are part of consumable goods, and finished goods are stated at cost by the specific identification method. Other inventories are stated at cost by the weighted average method.

4.6 Property is stated at revalued amount. Plant and equipment are stated at revalued amount less accumulated depreciation.

The Company and Prachuap Port Company Limited engaged an independent professional appraiser to appraise certain land, buildings, machinery, berth and berth facilities. The increment resulting from the appraisal was recorded in the account as unrealized increment per assets appraisal and is presented as a component of shareholders' equity.

Depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets, except for machinery and equipment in production line of the Company, which is calculated by production based method, and machinery and computer equipment of West Coast Engineering Company Limited, which is calculated by the double declining method, as follows:

Land improvement	5 Years
Leasehold right for land	10 Years
Leasehold improvement	5 Years
Buildings	20 Years
Machinery and equipment in production line	Production units
Hot Rolled Coil Strip Mill	Estimated at a total of 48 MT
Hot Finishing Line Mill	Estimated at a total of 14 MT
The Second Skin Pass Mill	Estimated at a total of 14 MT
Other machinery and equipment	5-10 Years
Office furniture and fixtures	5 Years
Vehicles	5 Years
Roads	5 Years
Berth and berth facilities	5-30 Years
Tug boats	5 Years

Depreciation for buildings, machinery and berth and berth facilities under appraisals is based on the estimated remaining useful lives and presented as a deduction from the unrealized increment per assets appraisal.

Interest on loan directly attributable to the construction of the project is capitalized as part of cost of the project until the construction is completed for use as intended.

- 4.7 Assets and liabilities denominated in foreign currencies are translated into Baht at rates of exchange prevailing at the transaction dates. All balances of assets, liabilities in foreign currencies and forward exchange contracts at the end of the year are converted into Baht at the reference exchange rates established by the Bank of Thailand at that date. All foreign exchange gains or losses are recognized in the statement of income.

The Company has adopted a policy to cover foreign currency exposure for certain liabilities by entering into forward exchange contracts with banks. Exchange differences between forward exchange contract rates and spot rates are deferred and amortized over the period of contracts, and included in the measurements of the purchases or sales.

- 4.8 Income tax expense is based on tax paid and accrued for the current period.

- 4.9 Basic earnings (loss) per share are calculated by dividing net income (loss) by the number of weighted average ordinary shares outstanding at the year end. In the case of a capital increase, the number of shares is weighted according to time of subscription received for the increase in issued and paid-up capital. In the case of debt securities conversion to ordinary shares, the number of shares is weighted according to time the Company ceases accruing its interest expenses.

Diluted earnings (loss) per share are calculated by adjusting the net income (loss) for the year with the effects of all potential ordinary shares. In case the potential ordinary shares would result in an antidilutive effect, the effects of such potential ordinary shares are ignored in calculating earnings per share and only basic earnings per share are presented.

As at December 31, 2003, the Company does not have potential ordinary shares for calculation of diluted earnings (loss) per share.

- 4.10 Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. The actual results may differ from those estimates.

5. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

For the year ended December 31, 2003, non-cash transactions for investing activities and financing activities which are not shown in the statements of cash flows are as follows:

	Consolidated	Unit : Thousand Baht The Company Only
- Investing activities		
Vehicles purchased under hire-purchase agreements	4,815	4,375
- Financing activities		
Ordinary shares increased from bond conversion	2,400,000	2,400,000
Increase in share discount from bond conversion	2,171,280	2,171,280

For the year ended December 31, 2002, non-cash transactions for investing activities which were not shown in the statements of cash flows were as follows:

	Consolidated	Unit : Thousand Baht The Company Only
- Investing activities		
Vehicles purchased under hire-purchase agreements	3,393	1,890

6. INVENTORIES

Inventories consist of the following:

Unit : Thousand Baht				
	Consolidated		The Company Only	
	2003	2002	2003	2002
Finished goods	2,535,057	2,011,083	2,550,903	2,023,541
Raw materials	3,853,250	6,420,658	3,874,624	6,464,986
Spare parts and consumable goods	961,577	920,817	941,335	913,453
Goods in transit	1,352,362	1,868,041	1,352,362	1,868,041
	8,702,246	11,220,599	8,719,224	11,270,021
Less Provision for loss on diminution				
in value of spare parts and consumable goods	(268,807)	(230,789)	(268,807)	(230,789)
	8,433,439	10,989,810	8,450,417	11,039,232

As at December 31, 2003 and 2002, all finished goods and raw materials are pledged as collateral for short-term loans from banks (see Notes 9 and 10).

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of following:

Unit : Thousand Baht						
	Balance as at January 1, 2003	Adjustments	Additions	Deductions	Transfers between Accounts	Consolidated Balance as at December 31, 2003
Cost and appraisal increase						
Land and land improvement	1,268,457	–	18,345	–	6,655	1,293,457
Land and land improvement						
- appraisal increase	3,902	–	4,365	–	–	8,267
Total	1,272,359	–	22,710	–	6,655	1,301,724
Accumulated depreciation						
Land improvement	(56,220)	–	(4,266)	–	–	(60,486)
Land improvement						
- appraisal increase	–	–	(744)	–	–	(744)
Total	(56,220)	–	(5,010)	–	–	(61,230)
Land and land improvement - net	1,216,139	–	17,700	–	6,655	1,240,494
Cost						
Leasehold right for land	12,325	–	–	–	–	12,325
Accumulated depreciation						
Leasehold right for land	(10,424)	–	(1,232)	–	–	(11,656)
Leasehold right for land - net	1,901	–	(1,232)	–	–	669
Cost						
Leasehold improvement	2,982	–	–	–	–	2,982
Accumulated depreciation						
Leasehold improvement	(2,982)	–	–	–	–	(2,982)
Leasehold improvement - net	–	–	–	–	–	–

Unit : Thousand Baht

Consolidated (Continued)

	Balance as at January 1, 2003	Adjustments	Additions	Deductions	Transfers between Accounts	Balance as at December 31, 2003
Cost and appraisal increase						
Buildings	1,174,149	–	574	(2,760)	11,079	1,183,042
Buildings - appraisal increase	346,078	65,540	4,498	(664)	–	415,452
Total	1,520,227	65,540	5,072	(3,424)	11,079	1,598,494
Accumulated depreciation						
Buildings	(468,329)	–	(62,096)	637	–	(529,788)
Buildings - appraisal increase	(104,992)	(65,540)	(22,591)	196	–	(192,927)
Total	(573,321)	(65,540)	(84,687)	833	–	(722,715)
Buildings - net	946,906	–	(79,615)	(2,591)	11,079	875,779
Cost and appraisal increase						
Machinery and equipment	10,632,739	–	57,372	(65,521)	39,487	10,664,077
Machinery and equipment - appraisal increase	9,782,486	(2,952,774)	–	(44,375)	–	6,785,337
Total	20,415,225	(2,952,774)	57,372	(109,896)	39,487	17,449,414
Accumulated depreciation						
Machinery and equipment	(2,301,824)	–	(459,130)	12,647	8,094	(2,740,213)
Machinery and equipment - appraisal increase	(4,417,422)	2,952,774	(291,876)	10,037	2	(1,746,485)
Total	(6,719,246)	2,952,774	(751,006)	22,684	8,096	(4,486,698)
Machinery and equipment - net	13,695,979	–	(693,634)	(87,212)	47,583	12,962,716
Cost						
Machinery and equipment - others	157,411	–	18,433	(1,058)	34,220	209,006
Accumulated depreciation						
Machinery and equipment - others	(125,814)	–	(15,936)	728	(8,104)	(149,126)
Machinery and equipment - others - net	31,597	–	2,497	(330)	26,116	59,880
Cost						
Office furniture and fixtures	153,775	–	16,253	(2,487)	1,232	168,773
Accumulated depreciation						
Office furniture and fixtures	(115,370)	–	(15,379)	2,407	(18)	(128,360)
Office furniture and fixtures - net	38,405	–	874	(80)	1,214	40,413
Cost						
Vehicles	54,487	–	6,878	(2,809)	–	58,556
Accumulated depreciation						
Vehicles	(29,075)	–	(8,769)	1,996	–	(35,848)
Vehicles - net	25,412	–	(1,891)	(813)	–	22,708

Unit : Thousand Baht

Consolidated (Continued)

	Balance as at January 1, 2003	Adjustments	Additions	Deductions	Transfers between Accounts	Balance as at December 31, 2003
Cost and appraisal increase						
Roads	21,591	–	–	(2,868)	17,738	36,461
Roads - appraisal increase	16,184	(5,484)	31	–	–	10,731
Total	37,775	(5,484)	31	(2,868)	17,738	47,192
Accumulated depreciation						
Roads	(18,739)	–	(2,094)	–	–	(20,833)
Roads - appraisal increase	(5,484)	5,484	(938)	–	–	(938)
Total	(24,223)	5,484	(3,032)	–	–	(21,771)
Roads - net	13,552	–	(3,001)	(2,868)	17,738	25,421
Cost and appraisal increase						
Berth and berth facilities	990,646	–	–	–	(10,744)	979,902
Berth and berth facilities - appraisal increase	201,524	–	198,355	–	37,175	437,054
Total	1,192,170	–	198,355	–	26,431	1,416,956
Accumulated depreciation						
Berth and berth facilities	(318,763)	–	(33,987)	–	7,674	(345,076)
Berth and berth facilities - appraisal increase	(34,858)	–	(79,911)	–	(34,105)	(148,874)
Total	(353,621)	–	(113,898)	–	(26,431)	(493,950)
Berth and berth facilities - net	838,549	–	84,457	–	–	923,006
Cost						
Tug boats	106,155	–	1,400	–	–	107,555
Accumulated depreciation						
Tug boats	(43,213)	–	(13,414)	–	–	(56,627)
Tug boats - net	62,942	–	(12,014)	–	–	50,928
Total cost	14,574,717	–	119,255	(77,503)	99,667	14,716,136
Total appraisal increase	10,350,174	(2,892,718)	207,249	(45,039)	37,175	7,656,841
Total	24,924,891	(2,892,718)	326,504	(122,542)	136,842	22,372,977
Total accumulated depreciation - cost	(3,490,753)	–	(616,303)	18,415	7,646	(4,080,995)
Total accumulated depreciation - appraisal increase	(4,562,756)	2,892,718	(396,060)	10,233	(34,103)	(2,089,968)
Total	(8,053,509)	2,892,718	(1,012,363)	28,648	(26,457)	(6,170,963)
Property, plant and equipment - net	16,871,382					16,202,014
Construction in progress	52,614	–	865,208	–	(110,385)	807,437
Total property, plant and equipment	16,923,996					17,009,451

Unit : Thousand Baht

Consolidated (Continued)

	Balance as at January 1, 2003	Adjustments	Additions	Deductions	Transfers between Accounts	Balance as at December 31, 2003
Depreciation for the year excluded						
depreciation from unrealized						
increment per assets appraisal						
2003						616,303
2002						601,369

Unit : Thousand Baht

The Company only

	Balance as at January 1, 2003	Adjustments	Additions	Deductions	Transfers between Accounts	Balance as at December 31, 2003
Cost and appraisal increase						
Land and land improvement	751,079	–	18,368	–	4,550	773,997
Land - appraisal increase	3,902	–	–	–	–	3,902
Total	754,981	–	18,368	–	4,550	777,899
Accumulated depreciation						
Land improvement	(52,211)	–	(3,066)	–	–	(55,277)
Land and land improvement - net	702,770	–	15,302	–	4,550	722,622
Cost						
Leasehold right for land	12,325	–	–	–	–	12,325
Accumulated depreciation						
Leasehold right for land	(10,424)	–	(1,233)	–	–	(11,657)
Leasehold right for land - net	1,901	–	(1,233)	–	–	668
Cost						
Leasehold improvement	2,982	–	–	–	–	2,982
Accumulated depreciation						
Leasehold improvement	(2,982)	–	–	–	–	(2,982)
Leasehold improvement - net	–	–	–	–	–	–
Cost and appraisal increase						
Buildings	1,112,126	–	430	(1,785)	7,943	1,118,714
Buildings - appraisal increase	346,078	65,540	–	(664)	–	410,954
Total	1,458,204	65,540	430	(2,449)	7,943	1,529,668
Accumulated depreciation						
Buildings	(460,057)	–	(57,014)	526	–	(516,545)
Buildings - appraisal increase	(104,992)	(65,540)	(20,576)	196	–	(190,912)
Total	(565,049)	(65,540)	(77,590)	722	–	(707,457)
Buildings - net	893,155	–	(77,160)	(1,727)	7,943	822,211

Unit : Thousand Baht

The Company only (Continued)

	Balance as at January 1, 2003	Adjustments	Additions	Deductions	Transfers between Accounts	Balance as at December 31, 2003
Cost and appraisal increase						
Machinery and equipment	10,535,848	–	56,586	(65,361)	47,042	10,574,115
Machinery and equipment - appraisal increase	9,782,487	(2,952,775)	–	(44,375)	–	6,785,337
Total	20,318,335	(2,952,775)	56,586	(109,736)	47,042	17,359,452
Accumulated depreciation						
Machinery and equipment	(2,247,946)	–	(447,611)	12,487	–	(2,683,070)
Machinery and equipment - appraisal increase	(4,417,422)	2,952,775	(291,876)	10,037	1	(1,746,485)
Total	(6,665,368)	2,952,775	(739,487)	22,524	1	(4,429,555)
Machinery and equipment - net	13,652,967	–	(682,901)	(87,212)	47,043	12,929,897
Cost						
Machinery and equipment - others	161,329	–	10,377	(357)	11,773	183,122
Accumulated depreciation						
Machinery and equipment - others	(126,467)	–	(11,469)	314	(10)	(137,632)
Machinery and equipment - others - net	34,862	–	(1,092)	(43)	11,763	45,490
Cost						
Office furniture and fixtures	132,490	–	14,585	(2,386)	728	145,417
Accumulated depreciation						
Office furniture and fixtures	(105,712)	–	(10,885)	2,349	(18)	(114,266)
Office furniture and fixtures - net	26,778	–	3,700	(37)	710	31,151
Cost						
Vehicles	30,869	–	5,663	(2,810)	–	33,722
Accumulated depreciation						
Vehicles	(20,263)	–	(4,153)	1,995	–	(22,421)
Vehicles - net	10,606	–	1,510	(815)	–	11,301
Cost and appraisal increase						
Roads	15,256	–	–	–	965	16,221
Roads - appraisal increase	16,184	(5,484)	–	–	–	10,700
Total	31,440	(5,484)	–	–	965	26,921
Accumulated depreciation						
Roads	(15,256)	–	(193)	–	–	(15,449)
Roads - appraisal increase	(5,484)	5,484	(930)	–	–	(930)
Total	(20,740)	5,484	(1,123)	–	–	(16,379)
Roads - net	10,700	–	(1,123)	–	965	10,542

Unit : Thousand Baht

	The Company Only (Continued)					
	Balance as at January 1, 2003	Adjustments	Additions	Deductions	Transfers between Accounts	Balance as at December 31, 2003
Total cost	12,754,304	–	106,009	(72,699)	73,001	12,860,615
Total appraisal increase	10,148,651	(2,892,719)	–	(45,039)	–	7,210,893
Total	22,902,955	(2,892,719)	106,009	(117,738)	73,001	20,071,508
Total accumulated depreciation - cost	(3,041,318)	–	(535,624)	17,671	(28)	(3,559,299)
Total accumulated depreciation						
- appraisal increase	(4,527,898)	2,892,719	(313,382)	10,233	1	(1,938,327)
Total	(7,569,216)	2,892,719	(849,006)	27,904	(27)	(5,497,626)
Property, plant and equipment - net	15,333,739					14,573,882
Construction in progress	41,444	–	519,255	–	(72,974)	487,725
Total property, plant and equipment	15,375,183					15,061,607
Depreciation for the year excluded						
depreciation from unrealized						
increment per assets appraisal						
2003						535,624
2002						534,493

7.1 As at December 31, 2003 and 2002, certain land, buildings and machinery representing approximately 89% and more than 90%, respectively of the total value of such assets are mortgaged as collateral for bank overdrafts, loans from banks, long-term loans and debentures (see Notes 9, 10, 11 and 12).

7.2 In 2002, the Company engaged an independent professional appraiser, American Appraisal (Thailand) Limited, to reappraise the plant facilities for the second time after the first appraisal in 1997. In 2003, Prachuap Port Company Limited engaged such company to reappraise its berth and berth facilities for the second time after the first appraisal in 1998. The appraisal reports submitted by the appraiser were as of December 11, 2002 and August 28, 2003, respectively.

The results of the second appraisals of the Company and subsidiary were as follows:

Unit : Thousand Baht

	The Company Only	Subsidiary
Appraisal increment (decrement) - net		
Land	3,902	3,689
Buildings	241,085	(85)
Machinery	5,365,065	–
Facilities	10,700	128,495

The increment from the appraisal was recorded in the account as unrealized increment per assets appraisal and was included as part of shareholders' equity. The decrease was recorded in the statement of income for the year the revaluation was carried out.

The method of appraisal for the value of buildings, machinery and berth and facilities was the depreciated replacement cost to reflect the unexpired service potential of the assets with regard to age and condition.

In addition, the Company and such subsidiary evaluate the recoverable amounts by using the discounted cash flow method, and expect that the recoverable amounts were higher than the appraisal values from such depreciated replacement cost basis.

The Company and such subsidiary have a policy to review and adjust the depreciated appraisal value of assets on a periodic basis.

As at December 31, 2003 and 2002, the Company, subsidiary and related company have recorded unrealized appraisal increment for assets and recognized unrealized increment per assets appraisal in shareholders' equity as follows:

Unit : Thousand Baht

	Consolidated and The Company Only				
	Land	Building	Machinery	Berth and Facilities	2003 Total
Unrealized increment per assets appraisal of :					
The Company	3,902	220,041	5,038,852	9,770	5,272,565
The subsidiary	1,847	1,266	–	146,984	150,097
The related company	–	–	561,621	–	561,621
	5,749	221,307	5,600,473	156,754	5,984,283

Unit : Thousand Baht

	Consolidated and The Company Only				
	Land	Building	Machinery	Berth and Facilities	2002 Total
Unrealized increment per assets appraisal of :					
The Company	3,902	241,085	5,365,065	10,700	5,620,752
The subsidiary	-	-	-	86,566	86,566
The related company	-	-	561,621	-	561,621
	3,902	241,085	5,926,686	97,266	6,268,939

7.3 The Company has the assets which are fully depreciated but still in use as follows:

Unit : Thousand Baht

	Consolidated		The Company Only	
	2003	2002	2003	2002
Cost of assets (excluded appraisal increase)				
before fully depreciated but still in use	335,910	332,336	255,332	255,167

7.4 The adjustments are due to the miscalculation of revaluation increase and related depreciation, which has no effect on net book value of assets and net income (loss).

7.5 The Company may be affected by the Supreme Court's verdict to demolish its building and structures, having the book value of Baht 24.5 million, located on the leased land under dispute. Currently, the case is pending in the Supreme Court.

7.6 The Company and subsidiary capitalized interest expenses incurred from loans for the construction of projects as part of cost of assets in the amount of Baht 4.5 million in 2003.

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	Consolidated		The Company Only	
	2003	2002	2003	2002
Deposits	68,592	8,535	13,004	5,947
Receivable from cancellation of shipbuilding contract	110,650	143,713	–	–
	179,242	152,248	13,004	5,947
Less Allowance for doubtful account				
- Receivable from cancellation of shipbuilding contract	(110,650)	(143,713)	–	–
	68,592	8,535	13,004	5,947

Unit : Thousand Baht

Receivable from cancellation of shipbuilding contract represented the transaction of Prachuap Port Company Limited which cancelled the shipbuilding contract relating to the tugboats. The supplier agreed to return all the money paid of USD 3.81 million or Baht 167.96 million within fifteen installments from July 8, 2002 to March 8, 2007. In 2002 and 2003, the subsidiary received total repayment of USD 1.3 million or Baht 57.31 million. However, the subsidiary has provided for the allowance for doubtful debt in full for the remaining amount as at December 31, 2003, due to the uncertainty of the recoverability.

9. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at December 31, 2002, the Company had short-term loans from financial institutions including the revolving short-term loan facilities with a maximum amount of Baht 3,210 million, which were carried over from debt restructuring on June 30, 1999 and trade financing loans which represented short-term trade financing from financial institutions after debt restructuring with a credit limit of Baht 4,200 million. The trade financing facilities included letters of credit, trust receipts, promissory notes, bills discounted, packing credits and banks' letters of guarantee.

As at December 31, 2003, the Company has short-term loans from financial institutions according to the new loan agreement dated September 15, 2003 with a total maximum credit limit of Baht 17,000 million. The trade financing facilities include bank overdraft, letters of credit, trust receipts, promissory notes, bills discounted, packing credits and banks' letters of guarantee.

Such short-term loans are secured by the mortgage of land, buildings and machinery (see Note 7.1) and the assignment of insurance proceeds to the lenders including the pledge of raw materials and finished products owned by the Company (see Note 6).

As at December 31, 2003 and 2002, the Company has unused credit facilities of Baht 8,605 million and Baht 294 million, respectively, from the revolving trade financing. Commission and withdrawal terms are in accordance with the new long-term loan agreement and the debt restructuring agreement, respectively.

10. LONG-TERM LOANS

Long-term loans consist of the following:

	Consolidated		The Company Only	
	2003	2002	2003	2002
Loan repayable semi-annually from				
December 2004 onwards	–	10,848,769	–	10,848,769
Loan repayable semi-annually from				
March 2005 onwards	5,600,000	–	5,600,000	–
Loan repayable semi-annually from				
September 2005 onwards	800,000	–	800,000	–
Loan repayable monthly from				
April 2002 - May 2003 and				
semi-annually from June 2003 onwards	548,770	773,083	–	–
Loan repayable monthly from				
March 2005 onwards	80,000	–	–	–
Loan which may be forgiven	–	112,959	–	–
	7,028,770	11,734,811	6,400,000	10,848,769
Less Current portion	(240,663)	(220,760)	–	–
	6,788,107	11,514,051	6,400,000	10,848,769
Deferred interest expenses	5,909	858,314	–	847,657
	6,794,016	12,372,365	6,400,000	11,696,426

The Company and subsidiary have long-term loan agreements and changes during the year as follows:

1. On June 30, 1999, the Company and the financial institution lenders entered into a debt restructuring agreement to modify the terms of short-term and long-term loans in the total amount of Baht 16,843 million. The post-restructuring loans consisted of the following:
 - 1.1 Long-term loans in the total amount of Baht 11,233 million with 12-year, 15-year and 20-year maturity, fixed interest rate during the first two years at an average interest rate of 5.2% per annum, interest rate during years 3 - 5 at the average 3-month fixed deposit rates of lending banks plus a margin of 0 - 1.5% per annum and interest rate from the sixth year onwards at an average MLR of the lending banks. Interest was payable quarterly. There was a 5-year grace period for principal repayment. Principal repayment in equal semi-annual installments started from December 30, 2004.
 - 1.2 Baht-denominated convertible debentures in the amount of Baht 2,400 million, divided into 10 series of Baht 240 million each with maturity on June 30, 2005 to 2014, respectively. Such convertible debentures could be converted into the Company's ordinary shares anytime over the periods of convertible debentures at an initial conversion price of Baht 5.25 per ordinary share. Such convertible debentures had fixed interest rate during the first 3 years at 1% per annum, payable annually, and interest rate from the fourth year onwards at an average MLR of lending banks, payable quarterly. On October 17, 2000, the Company issued Baht-denominated convertible debentures in amount of Baht 2,400 million according to the Company's debt restructuring agreement, and paid long-term loan amount of Baht 2,400 million on the same day (see Note 12).

- 1.3 Short-term loan in the amount of Baht 3,210 million, interest rate at an average MLR of lending banks, payable monthly. In the event that this loan was partially repaid, the Company might redraw up to Baht 500 million. In addition, the lending banks provided new revolving trade finance of Baht 4,200 million to the Company for its working capital which could be adjusted in accordance with the Company's operational performance (see Note 9).

The above short-term and long-term loans and the Baht-denominated convertible debentures were secured by the first to the third rank mortgage of land and buildings and the first to the fifth rank mortgage of machinery which represented more than 90% of total value of land, buildings and machinery (see Note 7.1) and the assignment of insurance proceeds of assets of the Company to the lenders. In addition, the short-term loans were secured by the pledge of raw materials and finished products owned by the Company (see Note 6). The debt restructuring agreement contained certain covenants regarding the operations, financial position and prohibition of dividend payments before July 1, 2002 and before the Company prepaid or repaid certain amounts of principal of long-term loans. The agreement also included the covenants forbidding the Company to pledge its investment in shares or create any obligation thereon, and required the Company to enter into a contract for the use of the port with Prachuap Port Company Limited for a period of 20 years.

Additionally, the debt restructuring agreement required the Company to calculate the debt service coverage ratio every 6 months commencing from July 1, 2002 onward. In the case the debt service coverage ratio was higher than 1.25 times, the Company had to make a prepayment of loans in the amount equal to half of the cash flow which was in excess of such ratio of 1.25 times. For the first six-month ended December 31, 2002, the Company had cash flows and the debt service coverage ratio higher than the forecast as per the debt restructuring plan, thus the Company had to make a prepayment of loans in the amount of Baht 1,304 million within May 15, 2003, which, as at December 31, 2002, the reclassification had not been made to the financial statements to present such amount as current liability as the management was then in the process of obtaining debt compliance waiver from its creditors with respect to a specific debt covenant. However, in the six-month period ended June 30, 2003, the Company agreed to make a prepayment to the creditors and paid Baht 1,304 million to the creditors within the period as described above.

For the six-month period ended June 30, 2003, the Company had cash flows and the debt service coverage ratio higher than the forecast as per the debt restructuring plan, the Company thus had to make a prepayment of loans in the amount of Baht 899 million within November 12, 2003. However, this amount was included into long-term loans according to the new credit facilities agreement dated September 15, 2003.

2. On September 15, 2003, the Company and the existing lenders have entered into the new credit facilities agreement by revising the credit limits of both short-term and long-term loans, interest rates, and term of principal payments to be more properly, and allowing the Company to have additional credit facilities with other financial institutions. The details of such loans are as follows:
 - 2.1 Long-term loans amounting to Baht 8,000 million with the existing lenders which consist of convertible debentures of Baht 2,400 million (see Note 12) and long-term loan of Baht 5,600 million with 10-year maturity, interest rates at an average MLR less 1.5% per annum from the agreement date to the third year, at an average MLR less 1% per annum from the third year to the fifth year and at an average MLR less 0.5% per annum from the fifth year onwards, such interest rates must not be less than interest rate of secured debentures (see Note 11) plus 0.75% per annum. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from March 31, 2005.
 - 2.2 Short-term loan with maximum credit of Baht 17,000 million with the existing lenders and other financial institutions (see Note 9).

Subsequently, on December 29, 2003, the Company and the existing lenders have entered into the credit facility agreement for additional long-term loans of Baht 2,000 million with 3.5-year maturity and fixed interest rate at

3.75% per annum. The interest is payable semi-annually and principal repayment is payable in an equal amount semi-annually starting from July 2005. However, as at December 31, 2003, the Company has not yet made any withdrawal of such long-term loan.

Since the Company made a repayment of total debts under the restructuring agreement within 2003, the Company thus has reversed deferred interest expense of Baht 1,034 million, which was the cumulative effects of the change in interest rates to be paid at the floating rates for the restructured debts at the date of restructuring and the date the Company made a repayment of total debts per the agreement. The amount was shown as gain from early extinguishment of debts in the statements of income.

3. On September 11, 2003, the Company has entered into a long-term loan agreement with a financial institution amounting to Baht 1,000 million with 10-year maturity, fixed interest rate at 4% per annum from the agreement date to September 30, 2008 and at an average MLR less 0.5% per annum from October 1, 2008 onwards. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from September 30, 2005. As at December 31, 2003, the Company has already made a withdrawal of Baht 800 million.

Such loans per items 2 and 3 are secured by the mortgage of land, buildings, machinery and the assignment of insurance proceeds to the lenders including the pledge of raw materials and finished products owned by the Company (see Notes 6 and 7.1).

4. Prachuap Port Company Limited, a subsidiary, entered into the debt restructuring agreement with its lending bank on March 30, 1999 and an amendment agreement on June 30, 1999. Modification of the terms of debt included :
 - 4.1 Extension of all long-term and short-term loan principal amounts and reduction of interest thereof to a long-term loan in the amount of Baht 832.5 million with 9-year maturity, 3-year grace period of principal repayment, principal repayment monthly in the fourth year from April 2002 and principal repayment every 6 months starting from the fifth year on June 30, 2003 with interest payable monthly at interest rate below MLR of such bank during the first 7 years and thereafter at MLR of such bank.
 - 4.2 Modification of terms of payment of Baht 199 million accrued interest into Baht 86 million long-term loan with maturity of 3 years and 1 month, 2-year grace period for principal repayment, no interest charge during the whole life of loan and monthly principal repayment starting from the third year on April 30, 2001. The remaining Baht 113 million is considered as debt forgiveness, provided that the such subsidiary complies with the terms of debt restructuring agreement and makes payments in full for the two portions of long-term loan. Such loan is guaranteed by certain directors and the mortgage of land, as collateral.

Subsequently, such subsidiary received the letter from the bank to forgive the debt of Baht 113 million, which was effective on October 1, 2003, therefore the subsidiary recognized such amount as gain from debt forgiven in the statements of income for the year ended December 31, 2003.

Deferred interest expenses represent the cumulative effects of the change in interest rates to be paid at the floating rates for the restructured debts at the date of restructuring and the balance sheet date.

5. On September 5, 2003, such subsidiary has entered into the new long-term loan agreement with a commercial bank totaling Baht 650 million with 6 year maturity, and bearing interest rate at 3 month fixed deposit rate of the bank plus 3%, 3.5%, 4% per annum for the first two year, the third year, and the fourth year onward, respectively. Interest is payable monthly and the grace period for principal is one and a half years, which will be ended in February 2005. The first installment payment will be due on the last working day of March 2005 and the following installment payment will be payable at the end of each month. Such long-term loan is secured by the mortgage of land and building and expanding berth construction. As at December 31, 2003, such subsidiary has already made a withdrawal of Baht 80 million.

11. DEBENTURES

Debentures consist of the following:

	Consolidated		The Company Only	
	2003	2002	2003	2002
Debentures	4,000,000	-	4,000,000	-

Unit : Thousand Baht

On September 17, 2003, the Company had proceeds from sales of debentures to institutional investors totaling Baht 4,000 million with detail as follows:

1. Secured amortizing debentures No. 1 series 1 of 1,800,000 units with total value of Baht 1,800 million with 3.5 years maturity, which principal will be equally redeemed semi-annually starting from March 17, 2005 and will be due in 2007. The interest rate is fixed at 3.5% per annum and payable semi-annually.

Secured amortizing debentures No. 1 series 2 of 1,450,000 units with total value of Baht 1,450 million with 4.5 years maturity, which principal will be equally redeemed semi-annually starting from September 17, 2007 and will be due in 2008. The interest rate is floated at the average of 6-month fixed deposit rates of 4 commercial banks plus 2.75% per annum and payable semi-annually.

2. Secured debentures No. 2 of 750,000 units with total value of Baht 750 million with 5 years maturity after issuing date of debentures, which will be due in 2008. The interest rate is floated at the average of 6-month fixed deposit rates of 4 commercial banks plus 3% per annum and payable semi-annually.

The debentures are secured by the mortgage of land, buildings, and machinery at current production capacity (see Note 7.1) and machinery, which will be acquired for production capacity expansion project. The proceeds from these debentures were used to repay a portion of long-term loans under restructuring debts agreement as part of conditions of the new credit facilities agreement.

12. CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

	Consolidated		The Company Only	
	2003	2002	2003	2002
Convertible debentures	-	2,400,000	-	2,400,000
Deferred interest expenses	-	182,151	-	182,151
	-	2,582,151	-	2,582,151

Unit : Thousand Baht

Convertible debentures were secured by the mortgage of land, buildings and machinery (see Note 7.1) and the assignment of insurance proceeds on the Company's assets to the lenders.

Equity component part of convertible debentures had not been separately presented from the liability component part in the balance sheet because the carrying amounts of liability and equity elements could not be reasonably measured at the date of issuance.

On December 25 and 29, 2003, convertible debentures' holders converted all convertible debentures into 457.128 million ordinary shares at the conversion price at Baht 5.25 per share. (see Note 13)

The Company thus reversed deferred interest expense for the convertible debentures' portion of Baht 152.2 million which was the cumulative effects of the change in interest rates to be paid at the floating rates for the restructured debts at the date of restructuring and the date of conversion. The amount was shown as gain from conversion of convertible debentures in the statements of income.

13. SHARE CAPITAL

On December 25 and 29, 2003, the holders of convertible debentures converted all debentures into ordinary shares of 457.128 million shares at the conversion price of Baht 5.25 per share (see Note 12). The Company registered the increases in issued and paid-up capital with the Department of Business Development on December 25 and 29, 2003 resulting in an increase of issued and paid-up capital from Baht 8,530 million to Baht 13,101.28 million and having discount on share capital of Baht 2,171.28 million.

14. PROVIDENT FUND

The Company established Provident fund and registered according to Provident Fund Act, B.E. 2530 (1987) and Provident Fund Act (No.2), B.E. 2542 (1999).

For the years ended December 31, 2003 and 2002, the Company and subsidiary's contributions included in selling and administration expenses are Baht 12.9 million and Baht 11.7 million, respectively.

15. FOREIGN EXCHANGE RISK MANAGEMENT

As at December 31, 2003 and 2002, assets and liabilities in foreign currencies consist of the following:

		Consolidated and The Company Only	
		2003	2002
Assets	- US Dollar	12,601,271	9,845,498
Liabilities	- US Dollar	24,673,997	94,498,944
	- Italian Lira	51,770,995	76,270,995
	- Deutsche Mark	16,159	26,479
	- Yen	37,600	7,982,600
	- Euro	268,800	170,460
	- Pound Sterling	13,675	22,368
	- Swiss Franc	396	-

As at December 31, 2003, the Company did not enter into any hedging contracts to cover assets which are due for receipt in 2004 or for liabilities which are due in 2004.

As at December 31, 2002, the Company did not enter into any hedging contracts to cover assets which were due for receipt in 2003, but the Company entered into hedging contracts of US\$ 11.9 million for liabilities which were due in 2003.

16. THE INVESTMENT PROMOTION RIGHTS AND PRIVILEGES

The Company was incorporated on March 13, 1990, and commenced its operations on April 23, 1994.

The Company was granted certain rights and privileges as a promoted industry under the Investment Promotion Act B.E. 2520 (1977) according to the promotional certificate No. 1140/2533 dated August 8, 1990 and its amendments, including exemption from customs duties for machinery, reduction in customs duties on raw materials, and exemption from company income tax for a period of 8 years from the date the Company receiving the revenues from the promoted business. Such rights and privileges expired on April 22, 2002. In addition, the Company has a corporate tax exemption for profit derived from the promoted business at the rate of 50% of normal rate for the 5 years period after April 22, 2002.

Subsequently, on October 15, 2002, the Company is granted certain additional rights and privileges according to the promotional certificate No.6507/2545 (14-1140/2533) including exemption from customs duties for raw materials and consumable parts in production for the purpose of export at the defined period.

Prachuap Port Company Limited, a subsidiary, was incorporated on October 4, 1990, and commenced its operations on February 18, 1994.

The subsidiary received the investment promotion certificate No. 8002/2537 dated January 17, 1994 which the Board of Investment approved the promotion for the port service business. Significant rights and privileges received were the exemption from customs duties for machinery as approved by the Board of Investment and the exemption from company income tax for the period of 8 years from the date of the subsidiary receiving the revenues from the promoted business. Such rights and privileges expired on February 17, 2002.

Subsequently, the subsidiary received the investment promotion certificate No. 1484(2)/2545 dated July 31, 2002, which the Board of Investment approved the promotion for the high-power tug boat service for public transportation and large products by receiving the reduction in customs duties for machinery and the exemption from company income tax on profit derived from the promoted business which is not over 100% of its investment for the period of 5 years from the date of the subsidiary receiving revenues from the promoted business. Such rights and privileges will be expired on September 30, 2007.

Shareholders of the Company and subsidiary will receive exemption from tax on dividends received during the period in which the Company and subsidiary is granted exemption from company income tax.

The Company and subsidiary thus have to comply with certain conditions contained in the promotion certificates.

17. REVENUES OF A PROMOTED INDUSTRY

Based on the Announcement of the Board of Investment No. Por 14/2541 dated December 30, 1998 regarding reporting on revenues of a promoted industry, the Company is required to report separately revenues from domestic sales and export sales and promoted and non-promoted businesses. For the year ended December 31, 2003, the required information is as follows:

	Unit : Thousand Baht		
	Promoted Business	Non-Promoted Business	Consolidated Total
Revenues			
Export sales	2,559,905	–	2,559,905
Domestic sales	26,536,518	229,607	26,766,125
Income from services	201,508	29,852	231,360
	29,297,931	259,459	29,557,390

	Unit : Thousand Baht		
	Promoted Business	Non-Promoted Business	The Company Only Total
Revenues			
Export sales	2,559,905	–	2,559,905
Domestic sales	26,536,518	226,047	26,762,565
	29,096,423	226,047	29,322,470

Revenues from promoted and non-promoted businesses for the year ended December 31, 2002 was as follows:

Unit : Thousand Baht			
	Promoted Business	Non-Promoted Business	Consolidated Total
Revenues			
Export sales	2,485,915	–	2,485,915
Domestic sales	21,229,050	–	21,229,050
Income from services	210,215	43,133	253,348
	23,925,180	43,133	23,968,313

Unit : Thousand Baht			
	Promoted Business	Non-Promoted Business	The Company Only Total
Revenues			
Export sales	2,485,915	–	2,485,915
Domestic sales	21,229,050	–	21,229,050
	23,714,965	–	23,714,965

18. TRANSACTIONS WITH RELATED PARTIES

The Company and subsidiaries have transactions with related parties. These parties are investee companies having mutual directors or companies which directors are major shareholders and/or have common directors, and employees' savings cooperative. The financial statements reflect the effects of these transactions on the basis determined by the companies concerned and are in the ordinary course of business.

18.1 Investments in subsidiary, associated, and related parties

Unit : Thousand Baht								
	Types of Business	Relationship	Issued and Paid Up Capital	% Shareholding	Cost	Equity	Consolidated	2003 Dividend Amount
Subsidiary companies								
West Coast Engineering Company Limited	Maintenance services	Shareholder	75,000	99.99	75,000	99,508	–	–
Prachuap Port Company Limited	Deep - sea port services	Shareholder	400,000	51.00	204,000	667,635	–	–
Related companies								
Thai Coated Steel Sheet Company Limited	Producer of electro - galvanized coils	Shareholder	2,206,900	3.70	293,999	–	–	–
Thai Cold Rolled Steel Sheet Public Company Limited	Producer of cold rolled coils	Shareholder	10,703,000	8.77	938,125	561,621	561,621	–
					1,511,124	1,328,764	561,621	–

Unit : Thousand Baht

		Types of Business	Relationship	Issued and Paid Up Capital	% Shareholding	Cost	Equity	Consolidated	2003 Dividend Amount
Subsidiary companies									
West Coast Engineering Company Limited	Maintenance service	Shareholder		75,000	99.99	75,000	105,358	–	–
Prachuap Port Company Limited	Deep-sea port services	Shareholder		400,000	51.00	204,000	413,384	–	–
Related companies									
Thai Coated Steel Sheet Company Limited	Producer of electro - galvanized coils	Shareholder		2,206,900	3.70	293,999	–	–	–
Thai Cold Rolled Steel Sheet Public Company Limited	Producer of cold rolled Coils	Shareholder		10,703,000	8.77	938,125	561,621	561,621	–
						1,511,124	1,080,363	561,621	–

18.2 Loans and advances between the Company and subsidiary, associated, and related parties

Unit : Thousand Baht

	Balance as at December 31 2002	Additions	Repayments/Settlements	Balance as at December 31 2003
Consolidate				
Short-term loan				
Related parties	–	3,000	–	3,000
Advances				
Related parties	60	51	(60)	51
Total	60	3,051	(60)	3,051
The Company only				
Short-term loan				
Related parties	–	3,000	–	3,000
Advances				
Subsidiary company	77	11	(77)	11
Related parties	60	51	(60)	51
	137	62	(137)	62
Total	137	3,062	(137)	3,062

18.3 Business transactions

Transactions with related parties in the balance sheet are mainly as follows:

		Unit : Thousand Baht	
	Consolidated	The Company Only	
	2003	2002	2003 2002
Accounts and notes receivable - net			
Related parties	1,782,141	1,338,670	1,765,818 1,327,808
Other receivables			
Subsidiary company	–	–	423 259
Related parties	118	197	– 3
	118	197	423 262
Other current assets			
Subsidiary company	–	–	280 254
Related parties	14,966	16,762	14,415 16,335
	14,966	16,762	14,695 16,589
Other assets			
Related parties	4,840	4,840	3,591 3,591
Accounts payable			
Subsidiary company	–	–	23,467 31,514
Related parties	18,909	21,445	18,799 21,377
	18,909	21,445	42,266 52,891
Accrued expenses			
Subsidiary company	–	–	17,730 14,985
Related parties	23,676	23,822	23,676 23,822
	23,676	23,822	41,406 38,807

Transactions with related parties in the statement of income are mainly as follows:

		Unit : Thousand Baht	
	Consolidated	The Company Only	
	2003	2002	2003 2002
Sales			
Related parties	13,002,487	9,461,163	13,001,942 9,461,163
Sales (raw material)			
Related parties	226,048	–	226,048 –
Service income			
Related parties	123,399	114,434	– –
Other income (before deduction of the related costs)			
Subsidiary company	–	–	4,455 3,540
Related parties	181,604	172,181	179,155 171,880
	181,604	172,181	183,610 175,420

Unit : Thousand Baht				
	Consolidated		The Company Only	
	2003	2002	2003	2002
Cost of sales				
Subsidiary company	–	–	391,681	469,446
Related parties	147,037	193,891	147,037	193,891
	147,037	193,891	538,718	663,337
Selling and administrative expenses				
Subsidiary company	–	–	27,259	23,545
Related parties	241,719	285,866	237,746	282,294
	241,719	285,866	265,005	305,839

The Company has policies to sell the products to shareholders' group and related parties at the same price sold to the third party.

Other income, which is fine charged for delayed payments, is fixed by the management at the funding cost. Other income from sale of scrap material is realized based on scrap weight and at the price determined by the Company.

Transportation expenses which are recorded as production cost are payable at the rates agreed in the transportation agreement based on cargo weight and distance.

Selling and administrative expenses which are freight expenses are payable at the rates agreed in the transportation agreement based on cargo weight and distance. Rent of the office and warehouse are as agreed under the lease agreement. Service charge for employees' accommodation is fixed on a year by year basis as agreed with the owner.

Prachuap Port Company Limited charges for port services rendered to the Company, related parties and third parties at the rates approved by the Ministry of Transportation.

West Coast Engineering Company Limited charges the fees for maintenance related services rendered to the Company at the rates agreed in the long-term maintenance service agreement and to related parties and third parties at terms and conditions normally applicable to transactions of the same nature.

During 2003 and 2002, the Company employed West Coast Engineering Company Limited to construct additional fixed assets amounting to Baht 55.8 million and Baht 14.5 million, respectively.

19. ADDITIONAL DISCLOSURE FOR QUALITY OF ASSETS

19.1 As at December 31, 2003, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivable aging:

Unit : Thousand Baht				
	Consolidated		The Company Only	
	Number of Accounts	Amount	Number of Accounts	Amount
3 - 6 months	1	211	–	–
6 - 12 months	1	6,207	1	6,207
Over 12 months	6	398,844	5	393,888
Total		405,262		400,095
Allowance for doubtful accounts recorded		405,051		400,095

As at December 31, 2002, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivables aging:

	Consolidated		The Company Only	
	Number of Accounts	Amount	Number of Accounts	Amount
Over 12 months	6	400,444	5	393,888
Total		400,444		393,888
Allowance for doubtful accounts recorded		400,444		393,888

Unit : Thousand Baht

19.2 In 2002, Prachuap Port Company Limited had written off an unsecured loan to a related company with accrued interest totaling Baht 63 million which was inactive since 1996 and the allowance for doubtful accounts of such loan and accrued interest expense was provided in full in 1998.

19.3 As at December 31, 2002, Prachuap Port Company Limited had an advance and loan to director without collateral amounting to Baht 2.7 million. In 2003, the subsidiary received the repayment of such advance in full thus reversing the related allowance for doubtful account in full accordingly.

20. BUSINESS SEGMENT INFORMATION

Business segment information for the Company and subsidiaries is as follows:

		Types of Business		Revenues and Other Income		Net Income (loss)		Assets Employed	
				2003	2002	2003	2002	2003	2002
Sahaviriya Steel Industries Public Company Limited	Manufacturer of hot rolled coils	30,981,360	23,985,780	4,702,447	3,433,424	27,950,276	29,563,910		
West Coast Engineering Company Limited	Maintenance Services	327,137	302,200	2,903	17,115	175,270	160,526		
Prachuap Port Company Limited	Deep-sea port services	508,002	464,506	360,105	338,229	2,034,056	1,773,698		
		31,816,499	24,752,486	5,065,455	3,788,768	30,159,602	31,498,134		
Less Inter-company transactions		(660,902)	(680,864)	(179,767)	(208,125)	(858,092)	(632,051)		
		31,155,597	24,071,622	4,885,688	3,580,643				
Less Minority interest in net income (loss)			(183,241)	(147,219)					
Net income (loss)			4,702,447	3,433,424					
Total assets						29,301,510	30,866,083		

21. COMMITMENTS AND CONTINGENCIES

21.1 The Company has commitments regarding the agreements for construction of plant, purchases of machinery and equipment including Pickling and Oiling Plant Project and related expenses amounting to approximately Baht 2,818 million and Baht 320 million as at December 31, 2003 and 2002, respectively.

The Company has commitments to banks regarding the outstanding letters of credit amounting to approximately US\$ 56.86 million and EUR 4.98 million as at December 31, 2003 and US\$ 15.2 million as at December 31, 2002. The two subsidiaries have commitments regarding capital expenditure and construction contract amounting to approximately Baht 451.96 million and Baht 6.4 million as at December 31, 2003 and 2002, respectively.

21.2 The Company and subsidiaries have contingent liabilities to banks for letters of guarantee issued on their behalf amounting to approximately Baht 94.4 million and Baht 93.5 million as at December 31, 2003 and 2002, respectively.

21.3 On April 9, 2003, Pongprasasana Sub-district Office filed a lawsuit against the Company regarding the usage of water from Bangsaphan Dam with the claim of Baht 19 million. The Company's legal advisor has an opinion that the Pongprasasana Sub-district Office has no right to charge for water usage. In addition, the Company has been continuously supporting for maintenance expense of the dam. Currently, the case is pending in the Prachuapkirikan Provincial Court.

22. DISCLOSURE OF FINANCIAL INSTRUMENTS

22.1 Accounting policies

Accounting policies have been disclosed in Note 4.

22.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss. The Company believes that it has no credit risk with respect to concentrations due to the number of its customers which sell different types of products.

In the case of recognized financial assets in the balance sheet, the carrying amount of the assets recorded in the balance sheet, net of a portion of allowance for doubtful debts and short-term receivables, represents the Company and its subsidiaries maximum exposure to credit risk.

22.3 Foreign exchange risk

Foreign exchange risk arises from the change in foreign currency exchange rates to have an adverse effect on the Company in the current reporting period and in future years. The Company expects that there may be an effect from changes in exchange rates resulted from a portion of assets and liabilities in foreign currencies which has not been hedged.

Information related to forward contracts is disclosed in Note 15.

22.4 Interest rate risk

Interest rate risk arises from the potential change in interest rates having an adverse effect on interest expense of the Company and its subsidiaries in the current reporting period and in future years.

Information regarding interest rates and term of payments of long-term loans is disclosed in Notes 9, 10, 11 and 12.

22.5 Fair value of financial instruments

The following methods and assumptions are used by the Company and subsidiaries in estimating market value or fair value of financial instruments.

Cash in hand and at banks, short-term investments and accounts and notes receivable. For those with maturities not exceeding 90 days from December 31, 2003 and 2002, the carrying amounts approximate their fair values; for those with maturities exceeding 90 days, the fair values are estimated using the discounted cash flows analysis based on the current savings deposit rate.

Investment: Fair value for listed securities is based on quoted market prices. The current net assets values of non-listed securities, the fair values are estimated using the discounted cash flows analysis based on the current interest rates for similar types of borrowing arrangements.

Bank overdrafts and loans from financial institutions: The carrying amount of these financial liabilities which bear floating rates of interest approximates their fair values.

Accounts and notes payable: For those with maturities not exceeding 90 days from December 31, 2003 and 2002, the carrying amounts approximate their fair values. For those with maturities exceeding 90 days including long-term loans and convertible debentures, the fair values are estimated using the discounted cash flows analysis based on the current interest rates for similar types of borrowing arrangements.

As at December 31, 2003, the carrying values of financial assets and liabilities which are different from the fair values, are as follows:

	Consolidated		The Company Only	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Current investment	17,495	17,470	–	–
Deposit at bank used as collateral	16,200	16,177	–	–
Short-term loans and advances to related parties	3,051	3,072	3,062	3,082
Investment in other Company	561,621	1,523,100	561,621	1,523,100
Financial liabilities:				
Long-term loans	7,034,678	6,732,019	6,400,000	6,097,340
Debentures	4,000,000	3,800,225	4,000,000	3,800,225

As at December 31, 2002, the carrying values of financial assets and liabilities which were different from the fair values, were as follows:

	Consolidated		The Company Only	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Deposit at bank used as collateral	16,200	16,176	–	–
Account receivable	1,897,112	1,897,010	1,882,392	1,882,289
Investment in other Company	561,621	1,451,260	561,621	1,451,260
Financial liabilities:				
Long-term loans	12,372,365	10,336,021	11,696,426	9,482,259
Convertible debentures	2,582,151	1,996,749	2,582,151	1,996,749

Information of The Board of Directors

1. Mr. Maruey Phadoongsidhi

Chairman of the Board of Directors and Executive Director

Education

Ph.D. (Bus.), University of Wisconsin, U.S.A.

Chairman 2000 (Class 4/2001)

Work Experience

- 2000 - Present - Chairman of the Board of Directors, Prachuap Port Company Limited
- Chairman of the Board of Executive Directors, West Coast Engineering Company Limited
- 2000 - 2003 - Chairman of the Board of Directors, Thai Cold Rolled Steel Sheet Public Company Limited
- 1997 - Chairman of the Board of Executive Directors, First Bangkok City Bank Public Company Limited
- Deputy Minister of Finance
- 1992 - 1997 - Commission Member, The Securities and Exchange Commission of Thailand
- Commission Member of the Council National Science and Technology Development Agency, Ministry of Science, Technology and Energy
- Director, First Bangkok City Bank Public Company Limited

2. Mr. Wit Viriyaprapaikit

Director and Chairman of the Board of Executive Directors

Education

Honorary B.A., Rajamangala Institute of Technology

Work Experience

- 1994 - Present - Director, Saha Inter Steel Holdings Company Limited
- 1990 - Present - Director and Executive Director, Thai Coated Steel Sheet Company Limited
- Director, Prachuap Port Company Limited
- 1989 - Present - President, Sahaviriya Plate Mill Company Limited
- 1990 - 2003 - Chairman of the Board of Executive Directors, Thai Cold Rolled Steel Sheet Public Company Limited
- 1982 - 2000 - Director, SVOA Public Company Limited
- 1982 - 1998 - Director, Bank of Ayudhya Public Company Limited

3. Mrs. Prapa Viriyaprapaikit

Director

Education

Honorary Ph.D. (Economics), Medford University, U.S.A.

Honorary Ph.D. (Agricultural Science), Chiang Mai University

Work Experience

- 1994 - Present - Director, Saha Inter Steel Holdings Company Limited
- 1990 - Present - Director, Prachuap Port Company Limited
- Director, Sahaviriya Panich Company Limited
- 1989 - Present - Director, Sahaviriya Plate Mill Company Limited
- 1990 - 2001 - Director, Thai Coated Steel Sheet Company Limited
- 1990 - 1998 - Director, Thai Cold Rolled Steel Sheet Public Company Limited

4. Mr. Somchai Pipitvijitkorn

Director and Executive Director

Education

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

Work Experience

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

5. Mr. Taweesak Senanarong

Director

Education

Honorary Ph.D., Silpakorn University

Work Experience

- 2001 - Present - Director, Sahaviriya Plate Mill Company Limited
- 1999 - Present - Director, West Coast Engineering Company Limited
- Director, Prachuap Port Company Limited
- Director, Bangsaphan Transport Company Limited

6. Mr. Visith Noiphan

Independent Director and Audit Committee Member

Education

M.Eng. (Sanitary Engineering), Chulalongkorn University

Work Experience

- 2001 - Present - Chairman of the Board of Directors, Sahaviriya Plate Mill Company Limited
- 1999 - Present - Chairman of the Board of Directors, West Coast Engineering Company Limited
- 1993 - Present - Independent Director, TPI Polene Public Company Limited

7. Mr. Tongchat Hongladaromp

Independent Director

Education

Ph.D.Eng.(Civil), Northwestern University, U.S.A.

Work Experience

- Present - Chairman, Board of Directors TMB Asset Management Co., Ltd.
- President of the University Council King Mongkut's University of Technology Thonburi
- 1999 - Present - Director, West Coast Engineering Company Limited
- 2001 - 2003 - President, Thai Petrochemical Industry Public Company Limited
- 1996 - 2001 - President, Thai Telephone & Telecommunication Public Company Limited

8. Prefessor Kesree Narongdej

Independent Director and Audit Committee Chairperson

Education

Professor and Professor Emeritus of Accounting

Faculty of Commerce and Accountancy, Thammasat University

Honorary Ph.D. (Accounting), Thammasat University

Directors Certification Program (DCP.2)

Work Experience

- Present - President, The Institute of Certified Accountants and Auditors of Thailand
- Board Member of International Federation of Accountant (IFAC)
- Member of the State Enterprise Capital Policy Committee
- Member of the Energy Fund Administration Institute Public Organization Committee
- Chairman of the Audit Committee, Bank of Thailand
- President, B.B.A. International Program, Faculty of Commerce and Accountancy, Thammasat University
- President, Master in Professional Accounting International Program, Faculty of Commerce and Accountancy, Thammasat University
- Member of the Audit Supervision Board of CPA
- Adviser of the Audit Committee, The Government Savings Bank
- Adviser of the Audit Committee, Thai Airways International Public Company Limited
- Certified Public Accountant - Managing Partner, A.M.T. & Associates
- Past - Audit Committee in Public Sector, Ministry of Foreign Affairs
- Director, Thai Rating Information Service Company Limited
- Director, Financial Sector Restructuring Authority (FRA)
- President, Thammasat University Commerce and Accountancy Alumni
- Vice President of The Institute of Certified Accountants and Auditors of Thailand
- Steering Committee in the Accounting Standard for Agriculture, International Accounting Standard Board
- Chairperson of Accounting Standard Committee, The Institute of Certified Accountants and Auditors of Thailand

9. Mr. Prateep Buphaintr

Independent Director and Audit Committee Member

Education

B. Com., Thammasat University

Directors Certification Program (DCP.22)

Work Experience

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

10. Mr. Kamol Juntima

Director

Education

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

Directors Certification Program (DCP. 3)

Chairman 2000 (Class 4/2001)

Work Experience

- Present - Certified Public Accountant
- 2002 - Present - Chairman of the Board of Directors,
IT CITY Public Company Limited
- 1999 - Present - Director and Executive Director,
West Coast Engineering Company Limited
- 2000 - 2002 - Chairman of the Board Financial Sector Restructuring
Authority (FRA)
- 1998 - 2000 - Audit Committee Chairman, Provincial Electricity Authority
- 1995 - 1999 - Director and Chairman of Executive Board,
Government Housing Bank
- 1996 - 1998 - Chairman of the Board Government Lottery Office
- 1998 - Comptroller General, Ministry of Finance
- 1993 - 1998 - Deputy Permanent Secretary for Finance,
Ministry of Finance

11. Mr. Piya Viriyaprapaikit

Director and Executive Director

Education

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

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

Work Experience

- 1997 - Present - Director, Prachuap Port Company Limited
- 1995 - Present - Director, Saha Inter Steel Holdings Company Limited
- 1989 - Present - Director, Sahaviriya Plate Mill Company Limited
- 1996 - 2001 - Director, Thai Coated Steel Sheet Company Limited
- 1991 - 2000 - Director, SVOA Public Company Limited
- 1990 - 1998 - Director, Thai Cold Rolled Steel Sheet Public
Company Limited

12. Mr. Win ViriyaprapaikitDirector, Executive Director and Executive Vice President
(appointed as President, effective on January 1, 2004)**Education**M.B.A., Sasin Graduate Institute of Business Administration,
Chulalongkorn University**Work Experience**

- 2002 - Present - Director and Executive Director,
West Coast Engineering Company Limited
- 1999 - Present - Director, Sahaviriya Steel Group Company Limited
- 1998 - Present - Director, Sahaviriya Plate Mill Company Limited
- 1997 - Present - Chairman of the Board of Directors,
Thai Steel Sales Company Limited
- 1996 - Present - Director, Thai Coated Steel Sheet Company Limited
- 1994 - Present - Director, Sahaviriya Panich Company Limited
- 1999 - 2003 - Director, Thai Cold Rolled Steel Sheet Public
Company Limited

13. Mr. Sittichai ThiensathapornDirector, Executive Director and President
(resigning from Director, Executive Director, and
President since January 1, 2004)**Education**

M.B.A. (Finance), University of Scranton, U.S.A.

Directors Certification Program (DCP. 10)

Work Experience

- 2002 - Present - Director and Executive Director,
Iron & Steel Institute of Thailand
- Director, Steel Industry Club,
The Federation of Thai Industries
- 2002 - 2003 - Director and Executive Director,
West Coast Engineering Company Limited
- 1986 - 1990 - Teaching and Research Assistant
School of Business Administration University of
North Carolina at Chapel Hill, U.S.A.

14. Mr. Permpoon Krairiksh

Director and Executive Director

Education

B.A., Boston University, U.S.A.

Work Experience

- 1999 - Present - Executive Vice President, Special Assets Group,
Siam Commercial Bank Public Company Limited

15. Mr. Nuttawit Boonyawat

Director and Executive Director

Education

Master of Science, Abilene Christian University, Texas, U.S.A.

Work Experience

- 1999 - Present - Executive Vice President
Bank of Ayudhya Public Company Limited

Executive Management

>>

1. Mr. Sittichai ThiensathapornDirector, Executive Director and President
(resigning from Director, Executive Director, and
President since January 1, 2004)**Education**

M.B.A. (Finance), University of Scranton, U.S.A.

Directors Certification Program (DCP. 10)

Work Experience

- 2002 - Present - Director and Executive Director,
Iron & Steel Institute of Thailand
- Director, Steel Industry Club,
The Federation of Thai Industries
- 2002 - 2003 - Director and Executive Director,
West Coast Engineering Company Limited
- 1986 - 1990 - Teaching and Research Assistant
School of Business Administration University of
North Carolina at Chapel Hill, U.S.A.

2. Mr. Win ViriyaprapaikitDirector, Executive Director and Executive Vice President
(appointed as President, effective on January 1, 2004)**Education**M.B.A., Sasin Graduate Institute of Business Administration,
Chulalongkorn University**Work Experience**

- 2002 - Present - Director and Executive Director,
West Coast Engineering Company Limited
- 1999 - Present - Director, Sahaviriya Steel Group Company Limited
- 1998 - Present - Director, Sahaviriya Plate Mill Company Limited
- 1997 - Present - Chairman of the Board of Directors,
Thai Steel Sales Company Limited
- 1996 - Present - Director, Thai Coated Steel Sheet Company Limited
- 1994 - Present - Director, Sahaviriya Panich Company Limited
- 1999 - 2003 - Director, Thai Cold Rolled Steel Sheet Public
Company Limited

3. Mrs. Vilai Chattanrassamee

Vice President - Finance & Accounting Division

Education

M.S. (Accounting), Thammasat University

Directors Certification Program (DCP.13)

Directors Diploma Examination

Work Experience

- 1998 - 1999 - Chief Financial Officer,
Grammy Entertainment Public Company Limited
- 1996 - 1998 - Executive Vice President,
Siam Integrated Cold Rolled Steel Public
Company Limited

4. Ms. Dusadee Sirichaitavin

Vice President - Human Resources & Administration Division

Education

M.B.A., American University of Hawaii, U.S.A.

Directors Certification Program (DCP.18)

Work Experience

1991 - 1993 - Vice President - Human Resources Division,
Bank of Asia Public Company Limited

5. Mr. Kamol Sowattanaskul

Vice President - Commercial Division (1)

Education

M.B.A., Thammasat University

Directors Certification Program (DCP.15)

Work Experience

1992 - 1996 - Finance Manager,
Pacific Plastics (Thailand) Company Limited

6. Mr. Wichien Tungsuknirundorn

Vice President - Commercial Division (2)

Education

M.B.A., Thammasat University

Directors Certification Program (DCP.22)

Work Experience

1995 - 1996 - Sales and Marketing Manager,
Amcor Containers Packaging (Thailand) Company Limited

7. Mr. Prueng Piyachart

Vice President - Commercial Division (3)

Education

B. Eng. (Mechanical), Kasetsart University

Directors Certification Program (DCP.19)

Work Experience

1995 - 2000 - Assistant Vice President - International Business Division
Sahaviriya Steel Industries Public Company Limited

8. Mr. Boonnarg Mockmongkonkul

Vice President - Manufacturing Division

Education

M.B.A., Ramkhamhaeng University

Directors Certification Program (DCP.23)

Work Experience

2002 - Present - Director, Executive Director and Acting Managing Director
West Coast Engineering Company Limited
1991 - 1992 - Supervisor - Production Planning Department
Thai Plastic and Chemical Public Company Limited

9. Mrs. Wannee Sirikanchana

Chief, Internal Audit Office

Secretary to the Audit Committee

Education

M.S. (Accounting), Thammasat University

Directors Certification Program (DCP.13)

Work Experience

1988 - 1998 - Vice President - Internal Audit Department
The Stock Exchange of Thailand

10. Mr. Srijaroung Bandhaya

Assistant Vice President

Human Resources & Administration Division

Education

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

M.B.A., Dhurakijpundit University

Work Experience

1993 - 1994 - General Administration Manager,
Sahaviriya Plate Mill Company Limited

11. Mr. Kittisak Mapanao

Assistant Vice President (Technology & Engineering)

Education

M.B.A., Chulalongkorn University

Work Experience

1991 - 1992 - Industrial Engineer, Hana Coil Company Limited

12. Mr. Chartchai Pomloy

Assistant Vice President - Commercial Division (Export)

Education

B. Eng. (Mechanical), Khonkaen University

Work Experience

1989 - 1992 - Gas Separation Plant, Petroleum Authority of Thailand

13. Mr. Soonthorn Wasansaerekul

Assistant Vice President (Operations)

Education

B. Eng. (Industrial), Khonkaen University

Work Experience

1989 - 1992 - Production Engineer, Siam Fiber Cement Co., Ltd.

14. Mr. Somkiat Panichkul

Assistant Vice President (Maintenance)

Education

M.B.A., Rangsit University

Work Experience

2000 - 2002 - Engineering and Maintenance Department Manager
National Fertilizer Public Company Limited
1995 - 1999 - Off Site and Unity Division Manager
National Fertilizer Public Company Limited

15. Mr. Narongrit Chotnuchittrakul

Assistant Vice President (Finance & Accounting)

Education

M.B.A., Dhurakijpundit University

Work Experience

1997 - 2002 - Management Accounting Department Manager
Sahaviriya Steel Industries Public Company Limited

16. Mr. Chartjumpol Yudhanahas

Assistant Vice President (Information Technology)

Education

Master of Science (Computer Science),
Fairleigh Dickenson University, U.S.A.

Work Experience

1999 - 2002 - Senior Manager
PricewaterhouseCoopers Risk Management Service
Limited
1988 - 1999 - SAP and Application Software Support Manager
The Shell Company of Thailand Limited

17. Mr. Surasak Ngamsidhiphongs

Assistant Vice President (Corporate Secretariat Office)

Secretary to the Board of Directors,

Secretary to the Board of Executive Directors

Education

M.P.P.M., National Institute of Development Administration (NIDA)

Master of Arts (Economic Law), Chulalongkorn University

Barrister-at-law, Institute of Legal Education Thai Bar Association

Directors Certification Program (DCP.15)

Work Experience

1988 - 1993 - Deputy Secretary to the Board of Directors,
Siam Realty and Services Company Limited
1985 - 1993 - Senior Analyst, Bank of Ayudhya Public
Company Limited



Sahaviriya Steel Industries Public Company Limited

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