



Continuing growth...

a root of Thai industry



Sahaviriya Steel Industries Public Company Limited



www.ssi-steel.com

Over the past ten years, SSI has been continuing its development for the best quality of its product and service with advanced technology in response to customer's highest satisfaction. Nowadays, SSI is known as the public company of Thai people.

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From the beginning...
Dedicated, determined, and diligent
Continually creative, incessantly innovative,
Maturing into a shelter for the Thai industry



Financial Information of SSI and Subsidiaries

(unit : million baht)	2002	2001	2000
Financial Information from Consolidated Financial Statements:			
Total Assets	30,866	22,834	23,983
Total Liabilities	21,518	18,338	18,685
Total Shareholders' Equity	9,348	4,496	5,022
Sales	23,715	12,917	16,118
Income from Services	253	188	207
Total Revenues	24,072	13,185	16,383
Gross Profit from Sales	5,331	936	1,837
Gross Profit from Services	(62)	(39)	7
Net Profit (Loss)	3,433	(630)	221
Financial Ratio:			
Net Profit Margin	14.26%	(4.78%)	1.35%
Return on Equity	52.05%	(13.59%)	4.42%
Return on Assets	12.79%	(2.69%)	0.89%
Net Profit (Loss) per Share (baht)	4.03	(0.74)	0.26
Dividend per Share	None	None	None
Book Value per Share (baht)	10.49	4.97	5.89

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

Revenue Structure

Product/Service	Operated by	Shareholding by SSI	2002		2001		2000	
			Revenue (Million Baht)	%	Revenue (Million Baht)	%	Revenue (Million Baht)	%
Hot Rolled Coils	Sahaviriya Steel Industries PLC	None	23,715 ⁽¹⁾	98.52	12,917 ⁽¹⁾	97.97	16,118 ⁽¹⁾	98.38
Maintenance and Engineering Services	West Coast Engineering Co., Ltd.	99.99%	17	0.07	27	0.20	4	0.08
Deep Sea Port	Prachuap Port Co., Ltd.	51.00%	236	0.98	161	1.22	194	1.19
Other Revenues	Sahaviriya Steel Industries PLC Prachuap Port Co., Ltd. West Coast Engineering Co., Ltd.		103	0.43	80	0.61	58	0.35
			24,072	100	13,185	100	16,383	100

(1) Including sales to Thai Cold Rolled Steel Sheet PLC in the amount of Baht 3,276, 2,934, and 3,012 million in 2002, 2001, and 2000, respectively.

as raw material. TCS is the first manufacturer of electro-galvanized steel sheet in coils in Thailand with a maximum capacity of 180,000 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 of 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). Besides, 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.

Message From

The Chairman of the Board of Directors

A strong economic recovery marked the year 2002 in Thailand. Trade and investment expanded in both the public and private sectors, producing an economic growth rate of 4.5%.



Thailand's steel industry was part of this positive trend. Production and exports were higher than in 2001. The demand for hot rolled steel sheet grew by 20% from 4 million metric tonnes in 2001 to 4.8 million metric tonnes, thanks to greater activity in construction, automobiles, and auto parts. The government, furthermore, was better able to protect domestic industry through surcharges effective from January to July, followed by an anti-dumping measure in July that required a 30% bond deposit from manufacturers of 14 countries while awaiting investigation by the authorities. In addition, the government has expedited the process and enforced all the nine compulsory Thai Industrial Standards (TIS) for hot-rolled steel to prevent the import of low-quality steel.

The Company's performance in 2002 has been truly impressive. It produced 1,988,152 metric tonnes, a leap of 72.69% from the previous year volume. Its sales income was up 84.85% to Baht 23,409 million, and its net profit amounted to Baht 3,433 million. These figures were, in fact, the best results achieved by the Company since its founding in 1990.

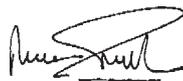
During 2002 the Company has retained its focus on expense reduction by squeezing production costs and controlling all types of operating expenses. This effort has been complemented by a drive to maximize productivity through streamlining its work systems. The Company has also concentrated on safe working conditions, environment-friendly processes, product quality, and superior services. As a result, the Company has been honoured in a number of ways, chief of which is the Prime Minister's Industry Award 2002 for Quality Management. In 2001 the same award had been granted to the Company for Environmental Management, and in 2000 for its gains in Productivity Improvement. Other awards in 2002 included the National Award in Safety, Occupational Health, and Working Environment--for the second year in a row. The Company was also awarded TIS 18001 certification for its occupational health and safety management system

standards after having been certified for ISO 9002 for quality management system and ISO 14001 for environmental management system standards prior to this. The Company has also received all the nine compulsory Thai Industrial Standards (TIS) certificates for its hot-rolled steel products.

In 2003 the Company will continue to emphasize the quality and standard of product and services, cost management for greater competitiveness, more efficient information and communication systems, and more effective use of the Company's human resources. Along with these factors, a competent and committed workforce is indispensable for the Company to deal successfully with upcoming economic turbulence and the prospect of fiercer international competition. Good corporate governance can also be improved to enhance transparency and fairness in operations.

The Company plans, moreover, to expand its production capacity to handle the projected economic growth. Higher sales volumes and a broader product line will be needed to meet rising customer demand. In all these changes, of course, management will need to weigh its options carefully and wisely, and be constantly ready to adapt its plans to shifting circumstances.

The Company owes its success this year not only to external factors but also to the tenacious, dedicated spirit exemplified by our employees. We have, moreover, received heartening support from our shareholders, customers, financial institutions, and various State and private organizations. On behalf of the Board of Directors, I would like to thank all these groups, and vow that all the directors, management, and staff of this Company will use their abilities and responsibilities to achieve the best possible results. We will be careful to defend all the due rights of the Company and its shareholders. We will also keep in mind the interests of other stakeholders. I am convinced that Sahaviriya Steel Industries will grow in stability, credibility, and capability as it participates more fully in the global economy and reaps more gains for Thailand's steel industry.



(Dr. Maruey Phadoongsidhi)
Chairman of the Board of Directors

Audit

Committee Report 2002

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

In its 2/2545 meeting on 24 May 2002, the Board of Directors made the decision to approve the re-appointment of the previous Audit Committee which completed its term of appointment on 29 June 2002 for another term of appointment from 30 June 2002 to 29 June 2005. The Audit Committee of the Company is comprised of three independent directors, with the Assistant Vice President of the Internal Audit Office acting as the secretary as follows:



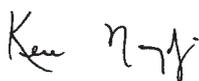
1. Professor Kesree Narongdej
Chairperson of the Audit Committee
2. Mr. Visith Noiphan
Director of the Audit Committee
3. Mr. Prateep Buphaintr
Director of the Audit Committee
4. Mrs. Wannee Sirikanchana
Secretary of the Audit Committee

The scope of duties and responsibilities of the Audit Committee to the Board of Directors, as stated in the Audit Committee Charter of the Company applicable since 24 May 2002, 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.

The Audit Committee of the Company has performed the tasks of overseeing the Company independently in accordance with the scope of duties and responsibilities as assigned by the Board of Directors. In the course of 2002, the Audit Committee has held five meetings and has considered the following issues worthy of attention and deserving a report to the Board of Directors:

1. Finalizing the interim financial reports and the annual financial report of 2002 of the Company in conjunction with the Company and subsidiaries' auditors as well as requesting clarification from the management of the Company before disclosure to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.
2. Acknowledging the establishment of a reserve account to cope with the depreciation of the value of spare parts which was an adjustment account for 2002 totalling Baht 231 million in accordance with the recommendation of the auditors and agreed by the Audit Committee.
3. Acknowledging the re-appraisal of land, buildings and equipment of the Company in the fourth quarter of 2002 in accordance with the recommendation of the auditors in compliance with the Accounting Standard Statement No. 32 "Land, Buildings and Equipment" as a result of the fact that the Company had appraised the value of the properties which were part of the plant and factory buildings in 1997. The latest appraisal was conducted by the same independent appraisal expert who made the appraisal in 1997.
4. Approving the audit plan of the internal audit office to audit the Company and its subsidiaries, acknowledging the audit reports of the internal audit office, and making inquiries on points of interest from the audit reports of the Company and its subsidiaries.
5. Acknowledging the report from the auditors on the results of the review of the information system of the Company, a report which evaluates the internal control system to define the scope of the audit by the auditors.
6. Acknowledging the reports and inquiring about the management of the internal control, concerning the safe guarding of property to prevent any damage that may arise.
7. Acknowledging the summary result on Company's litigations and following up on their progress.
8. Acknowledging the reports on the compliance with the law on securities and the stock exchange and laws concerning the business of the Company.
9. Considering, selecting and recommending the Board of Directors for consideration and seeking approval of the ordinary meeting of the shareholders for 2002 in appointing Miss Chongchitt Leekbhai and/or Mrs. Nachalee Boonyakarnkul and/or Dr. Suphamit Techamontrikul of Deloitte Touche Tohmatsu Jaiyos Co., Ltd. as the auditors of the Company for 2003 for another term, including the recommendation on the audit fee for 2003.
10. Carrying out self-assessment and presenting the result of the appraisal to the Board of Directors.



(Professor Kesree Narongdej)
Chairperson of the Audit Committee
25 February 2003

General Information

1. Company's name, location, and type of business

Name : Sahaviriya Steel Industries Public Company Limited

Abbreviation : SSI

Company Registration No. : Bor Mor Jor 315

Type of Business : Manufacture and sale of hot rolled steel coils, with maximum capacity of 2.4 million tonnes per year, with the Board of Investment promotional certificate no. 1140/2533 issued on August 8, 1990

Location

Head Office : 2nd-3rd Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500

Tel (02) 238-3063-82

Fax (02) 236-8890, (02) 236-8892

Web Site : www.ssi-steel.com

Branch Office : 9 Moo 7, Ban Klang Na-Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan 77140

Tel (032) 691-403-5, (032) 691-412-5,

(032) 691-419-20

Fax (032) 691-421



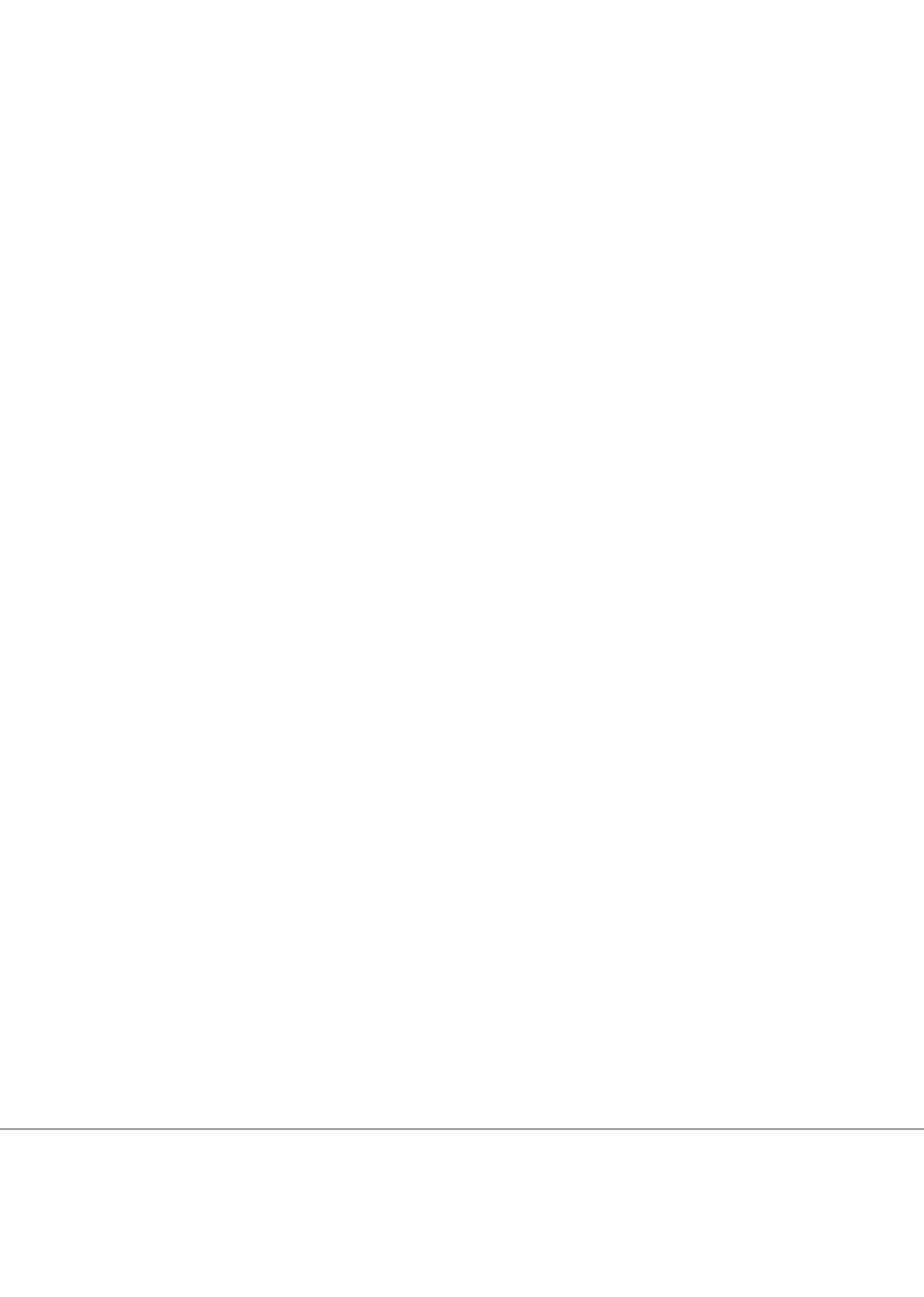
Registered capital	13,101,500,000	baht
consisting of	1,310,150,000	ordinary shares
at	10	baht each
Paid-up capital	8,530,000,000	baht
consisting of	853,000,000	ordinary shares
at	10	baht each

2. Other Reference Persons

Share Registrar	: Thailand Securities Depository Co., Ltd. 4th, 6th-7th Floor, The Stock Exchange of Thailand Building, 62 Ratchadapisek Road, Klongtoey, Bangkok 10110 Tel (02) 229-2800, (02) 654-5590 Fax (02) 359-1262-63
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 (02) 676-5700 Fax (02) 676-5757-8
Trustees	: Siam Commercial Bank PLC 9 Ratchadapisek Road, Ladyaow, Chatuchak, Bangkok 10900 Tel (02) 544-3921 Fax (02) 937-7783 Bank of Ayudhya PLC 1222 Rama III Road, Bangpongpan, Yannawa, Bangkok 10120 Tel (02) 296-4683 Fax (02) 683-1257

3. Subsidiary and Shareholding

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 (02) 238-3063-82 Fax (02) 236-8890, (02) 236-8892	-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 (02) 630-0323-32 Fax (02) 236-7046	-Deep sea port	400,000,000	10	40,000,000	51



Pursuing the goal...

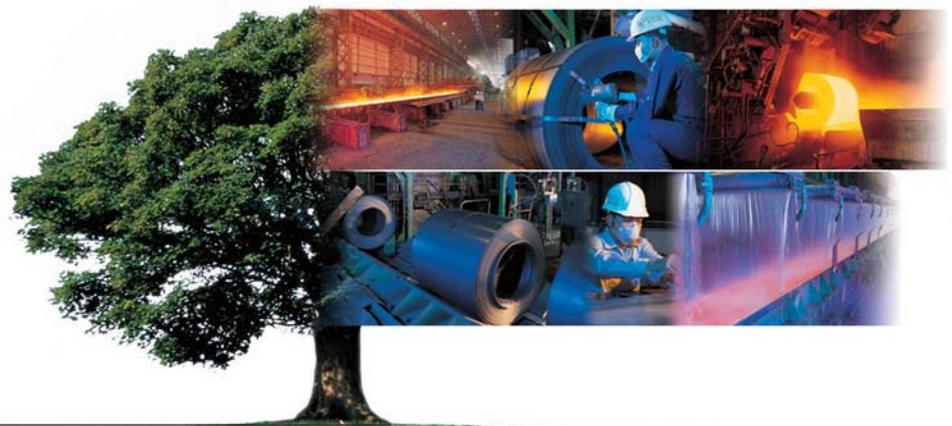
Overcoming obstacles, conquering barriers

While making great stride on our journey

A deep commitment...

An unwavering perseverance

To reach our intended destiny



Change in Executive Management

Mr. Sittichai Thiensathaporn

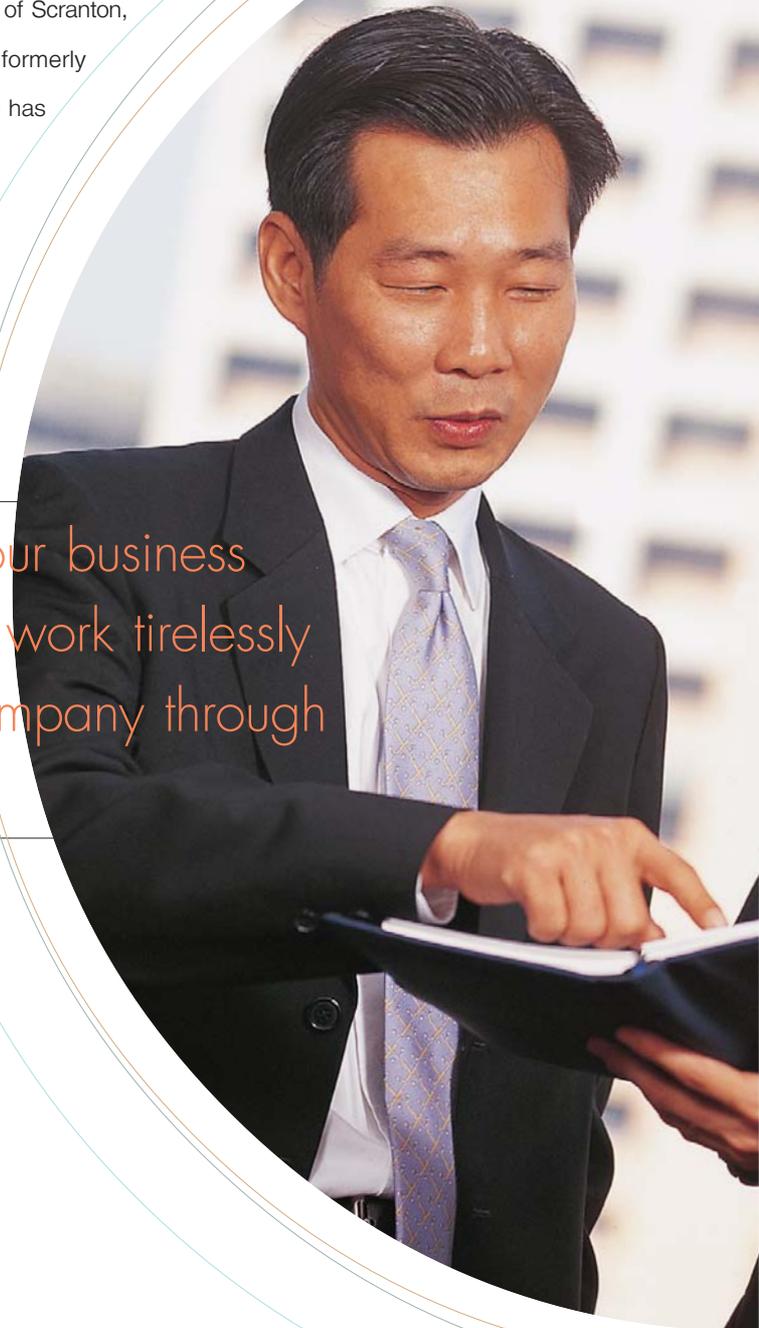
Mr. Sittichai Thiensathaporn was appointed by the Board of Directors as the President of Sahaviriya Steel Industries Public Company Limited, effective on June 1, 2002.

Mr. Sittichai Thiensathaporn received a B.S. degree in Accounting from Thammasat University and MBA in Finance from the University of Scranton, U.S.A. After graduation, he joined SSI in 1991. He was formerly Executive Vice President prior to becoming the President and has been SSI's director since 1997.

“Amid continuity of economic crises, fiercer competition climate, and trade barriers, the Company will conduct our business wisely and at the same time work tirelessly and carefully to steer the Company through these critical times, to maintain our leadership in Thailand,

The Company will conduct our business wisely and at the same time work tirelessly and carefully to steer the Company through these critical times.

and to gain the distinction of the leader in the steel industry of this region for the sake of the Nation's reputation and image.”



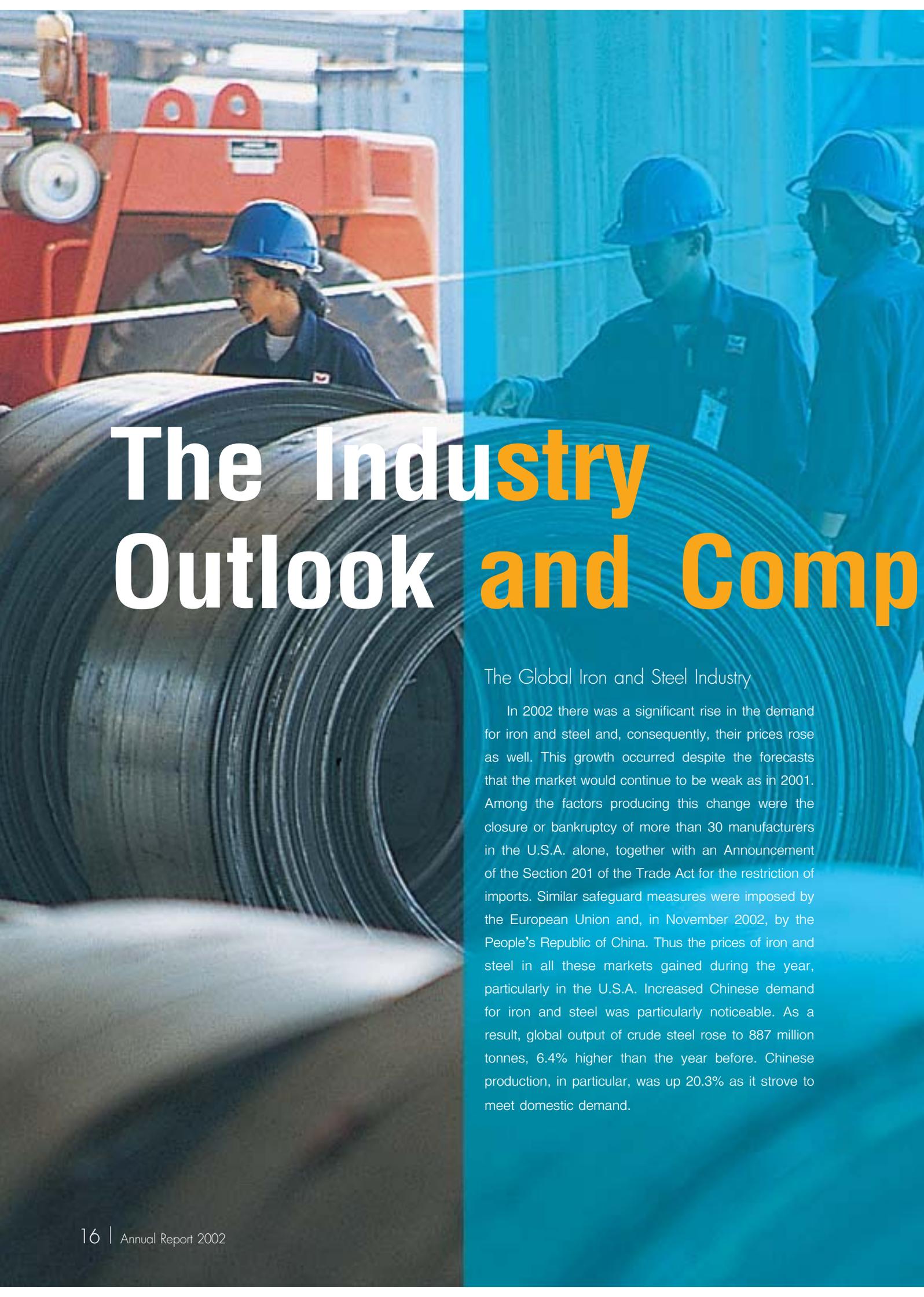
Mr. Win Viriyaprapaikit

The Board of Directors announced the appointment of Mr. Win Viriyaprapaikit as the Executive Vice President of Sahaviriya Steel Industries Public Company Limited, effective on June 1, 2002.

Mr. Win Viriyaprapaikit received a B.S. degree in Engineering from Keio University, Tokyo, Japan and MBA from Sasin Graduate Institute of Business Administration, Chulalongkorn University. He has been a director and executive director of the Company since 1999. He has been the Chairman of the Board of Directors of Thai Steel Sales Co., Ltd. and held the position of director in numerous companies including West Coast Engineering Co., Ltd., Thai Cold Rolled Steel Sheet Public Co., Ltd., Sahaviriya Plate Mill Co., Ltd., Thai Coated Steel Sheet Co., Ltd., and Sahaviriya Panich Co., Ltd.

The Company has focused on supplying the products and services with superior quality.

“The Company has focused on supplying the products and services with superior quality and on-time delivery to achieve highest customer satisfaction. We constantly seek to develop and improve in so many ways to increase productivity, emphasizing professional management, and promoting teamwork. Along with these factors, we conduct our business under the Company’s mission and philosophy according to the principles of good corporate governance with the awareness of responsibility, transparency, and honesty to all stakeholders, including shareholders, investors, customers, business partners, creditors, competitors, employees, the public sector, the community, and society.”



The Industry Outlook and Comp

The Global Iron and Steel Industry

In 2002 there was a significant rise in the demand for iron and steel and, consequently, their prices rose as well. This growth occurred despite the forecasts that the market would continue to be weak as in 2001. Among the factors producing this change were the closure or bankruptcy of more than 30 manufacturers in the U.S.A. alone, together with an Announcement of the Section 201 of the Trade Act for the restriction of imports. Similar safeguard measures were imposed by the European Union and, in November 2002, by the People's Republic of China. Thus the prices of iron and steel in all these markets gained during the year, particularly in the U.S.A. Increased Chinese demand for iron and steel was particularly noticeable. As a result, global output of crude steel rose to 887 million tonnes, 6.4% higher than the year before. Chinese production, in particular, was up 20.3% as it strove to meet domestic demand.

The Iron and Steel Industry in Thailand

Thailand witnessed a rapid increase in the demand for iron and steel in 2002, due mainly to the country's stronger economic performance. After growth of only 1.8% in 2001, the Thai gross domestic product increased by 4.5% in 2002, and this expansion was reflected in reviving fortunes in the construction and real estate businesses. The automobile industry, which is a significant consumer of steel and receives considerable support from the government sector, also saw robust growth. As a result, the consumption of steel in Thailand increased by 30% to approximately 10 million tonnes (based on the estimates of flat steel and long steel consumption in Thailand by the Iron and Steel Institute of Thailand). Most of this usage was supplied by domestic industry, while imports remained roughly at the same levels at those of the year before.

etition

Imports did not increase for several reasons. One was that world steel prices continued to rise throughout 2002. Another was the government's protection of Thailand's domestic steel industry through measures such as the compulsory Thai Industrial Standards for a variety of steel products, surcharge imposed by the Board of Investment for hot rolled, cold rolled, and galvanized steel sheet, as well as anti-dumping measure. As a result, domestic manufacturers were able to produce and export steel at more competitive prices. At the same time, Thailand was exempted from the U.S. Section 201 imposing special tariffs on imports, allowing Thai exports to enter the U.S.A. market, one of the world's largest.

The Thai market for hot rolled steel sheet expanded from 5.08 million tonnes in 2001 to 6.05 million tonnes in 2002, representing an increase of 19%.

Prospects for the Iron and Steel Industry in 2003

The International Iron and Steel Institute (IISI) predicts that the global demand for iron and steel will rise by 3.5% in 2003 to 918 million tonnes and that world steel prices will be more stable than hitherto. Meanwhile, it is expected that production capacity will decline in many countries.

The outbreak of war between the U.S.A. and Iraq will likely have a destabilizing effect on both the supply and price of iron and steel, along with economic recovery in the U.S.A., Europe, and Japan, and the reopening of steel plants that closed recently.

Consumption of steel in Thailand may grow less rapidly in 2003, compared to 2002. The government's protectionist measures will remain in effect to limit the import of certain steel products. From a projected economic growth rate of 4.5% in 2003, forecasters see the possibility of direct hot rolled steel consumption increasing from 4.9 million tonnes to 5.1 million tonnes, and total consumption rising from 6.1 million tonnes to 6.3 million tonnes.

Exports of Thai steel, particularly hot rolled steel sheet, are likely to grow at a quick pace. The U.S.A., Europe, and China are using safeguards against a wide variety of steel products, but not against products originating in Thailand. The U.S.A. has imposed tariffs on hot rolled steel sheet of 30% above normal rates, while the European Union and China are both using tariff rate quotas. Europe imposes no tariffs on hot rolled steel sheet up to a limit of approximately 3.9 million tonne, above which a surcharge is applied at a rate varying from 17.5% to 26.4%. China's tariff-free limit is 900,000 tonnes, after which a 26% tariff applies. Thailand has been exempted from these restrictions because it is a developing country and its exports account for less than 3% of the volume of American, European, and Chinese imports.



Risk Factors

Business-Related Risks

Market Risks

The global iron and steel industry is still suffering from surplus capacity, and so manufacturers continue to face difficulties in selling the products both in terms of quantity and price. For this reason, many countries attempt to unload their surplus output in foreign markets at unfair prices, and the targets of such dumping have responded by imposing trade measures to protect their own domestic iron and steel industry. Amid the market distortions caused by these practices, dumping continues in countries that have not had such measures in place.

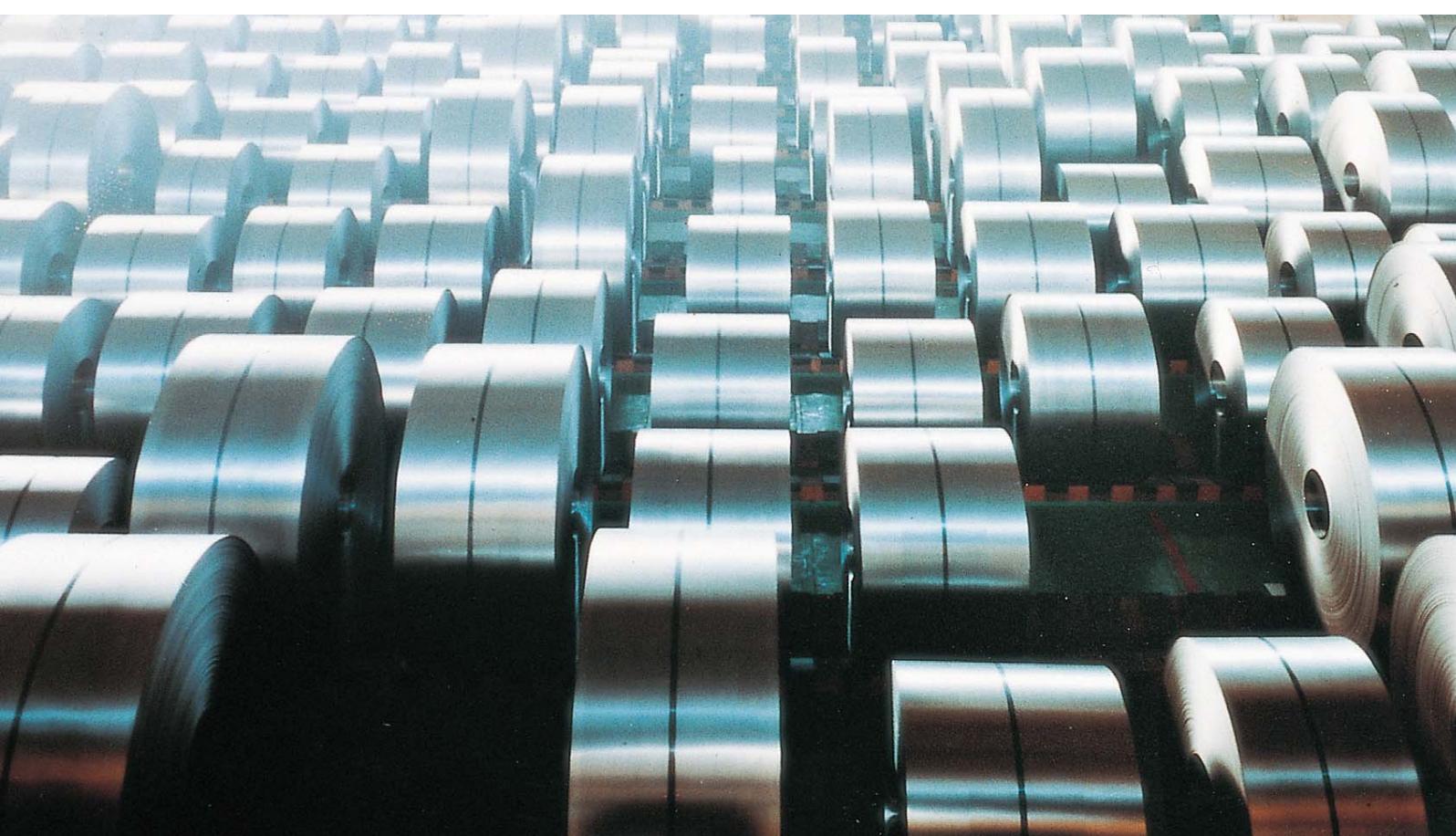
In Thailand, a group of hot rolled steel producers filed anti-dumping petition against imports of hot-rolled flat steel in coil and sheet originating from 14 countries. The Committee on Dumping and Subsidies announced a preliminary determination on November 8, 2002, revealing that there is dumping

of flat hot-rolled steel in coil and sheet from such producers and exporters and that such dumping of the subject merchandise has caused injury to the domestic industry. Therefore, the Committee on Dumping and Subsidies imposed provisional measure for imports of subject merchandise from these countries by requiring provisional anti-dumping duty or bond deposit at the rate of 5.98 - 136.50%, depending on the mill from which the product originates. Only three producers in three countries are subject to the rates of less than 30%. This measure will be in effect for four months and can be extended to six months before a final determination is made.

After the final determination is made affirmative by the Committee on Dumping and Subsidies, a definitive anti-dumping duty will be imposed, which may vary from the provisional duty levied previously depending on the evidence provided by the alleged foreign producers. The definitive duty will be effective for five years. During

this period, interested parties may request a review of anti-dumping rate. After five years, local manufacturers may request a sunset review if the expiry of the anti-dumping duty would be likely to lead to continuation or recurrence and injury.

The imports of hot rolled steel sheet in coil and sheet from the 14 countries accounted for 95% of total import in 2001. However, the government's anti-dumping measure has excluded certain types of hot rolled products not produced in Thailand as well as hot rolled products imported for export production. The effectiveness of these measures largely depends on the strictness with which they are implemented by the government agencies and the export of other countries not subject to these measures.



Risks Related to Raw Materials Procurement

Quantity

During the 'rising' phase of the market cycle, 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 nine years of operations, moreover, the Company has not yet encountered a problem of raw material shortages.

Price

One of the Company's main sources of business risk is instability in the prices of hot rolled steel and steel slab in the global market. These two prices determine the Company's metal spread between hot-rolled coil selling price and cost of slab raw

material. The cost of slab accounts for 70-80% of the Company's cost of sales. During 1994-2002 the Company's metal spread ranged from U.S.\$ 51 to 122.

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

The Company's raw materials must be imported in US\$ denomination, and the cost of raw material represented 70-80% 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.

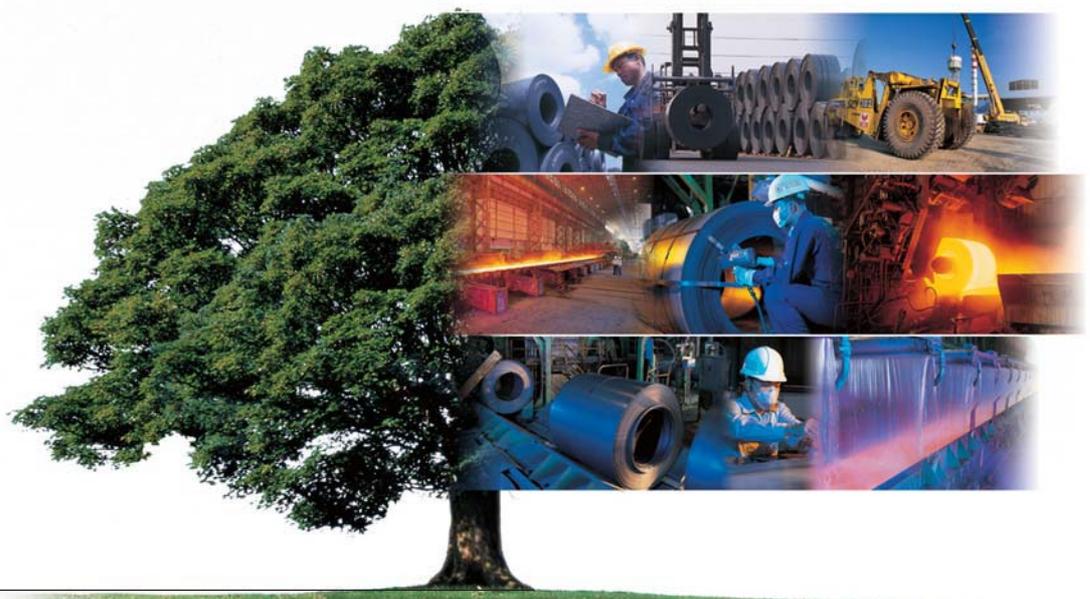
Success...

In strength and confidence

We have grown toward maturity

A sheltering shade and stabilizing root

Established for the Thai industry



The Board of Directors



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1. Mr. Maruey
Phadoongsidhi
Chairman of the Board
of Directors and
Executive Director

2. Mrs. Prapa
Viriyaprapaikit
Director

3. Mr. Wit Viriyaprapaikit
Director and
Chairman of the Board
of Executive Directors

4. Mr. Prateep Buphaintr
Independent Director and
Audit Committee Member

5. Professor Kesree
Narongdej
Independent Director and
Audit Committee Chairperson

6. Mr. Visith Noiphan
Independent Director and
Audit Committee Member



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7. Mr. Permpoon Krairiksh
Director and Executive Director

8. Mr. Win Viriyaprapaikit
Director, Executive Director,
and Executive Vice President

9. Mr. Kamol Juntima
Director

10. Mr. Nuttawit Boonyawat
Director and Executive Director

11. Mr. Tongchat
Hongladaromp
Independent Director

12. Mr. Taweesak
Senanarong
Director

13. Mr. Sittichai
Thiensathaporn
Director, Executive Director,
and President

14. Mr. Piya Viriyaprapaikit
Director and Executive
Director

Executive Management



1. Mr. Sittichai Thiensathaporn
Director, Executive Director, and President
2. Mr. Win Viriyaprapaikit
Director, Executive Director, and
Executive Vice President
3. Mrs. Vilai Chattanrassamee
Vice President - Finance & Accounting Division
4. Ms. Dusadee Sirichaitavin
Vice President - Human Resources &
Administration Division
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 (Operations)
11. Mr. Chartchai Pomloy
Assistant Vice President -
Commercial Division (Export)
12. Mr. Chartjumpol Yudhanahas
Assistant Vice President - Information Technology
13. Mr. Narongrit Chotnuchittrakul
Assistant Vice President -
Finance & Accounting Division
14. Mr. Srijaroung Bandhaya
Assistance Vice President -
Human Resources & Administration Division
15. Mrs. Wannee Sirikanchana
Assistant Vice President - Internal Audit Office
Secretary to the Audit Committee
16. Mr. Surasak Ngamsidhiphongsakul
Assistance Vice President -
Corporate Secretariat Office, Secretary to the
Board of Directors, Secretary to the Board of
Executive Directors
17. Mr. Somkiat Panichkul
Assistant Vice President (Maintenance)

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 grow in stability. 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. In November 2002, therefore, 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.
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 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

Principle 10

Compensation for Directors and Executives

Principle 11

Business Ethics

Principle 12

Conflicts of Interest

Principle 13

Systems of Internal Controls and Internal Auditing

Principle 14

Disclosure and Relations with Investors

In 2002, 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 justice 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 State, the community, and society."

- **The Board of Directors — Structure, Role and Duties, and Autonomy**

The Board of Directors consists of 14 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 ten 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, that 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.

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 2002 the Board of Directors met officially four times, besides which some directors met unofficially on some occasions to consult with one another in matters of importance or benefit to the Company’s operations.

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 2002 the Board of Executive Directors met thirteen times.

- **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.

- **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.
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.

- **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 internal transactions take place.

The Board of Directors is convinced that the operations involving the Company and other parties are all normal and conditioned by the ordinary conditions of business. 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 Audit 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 and Relations with Investors**

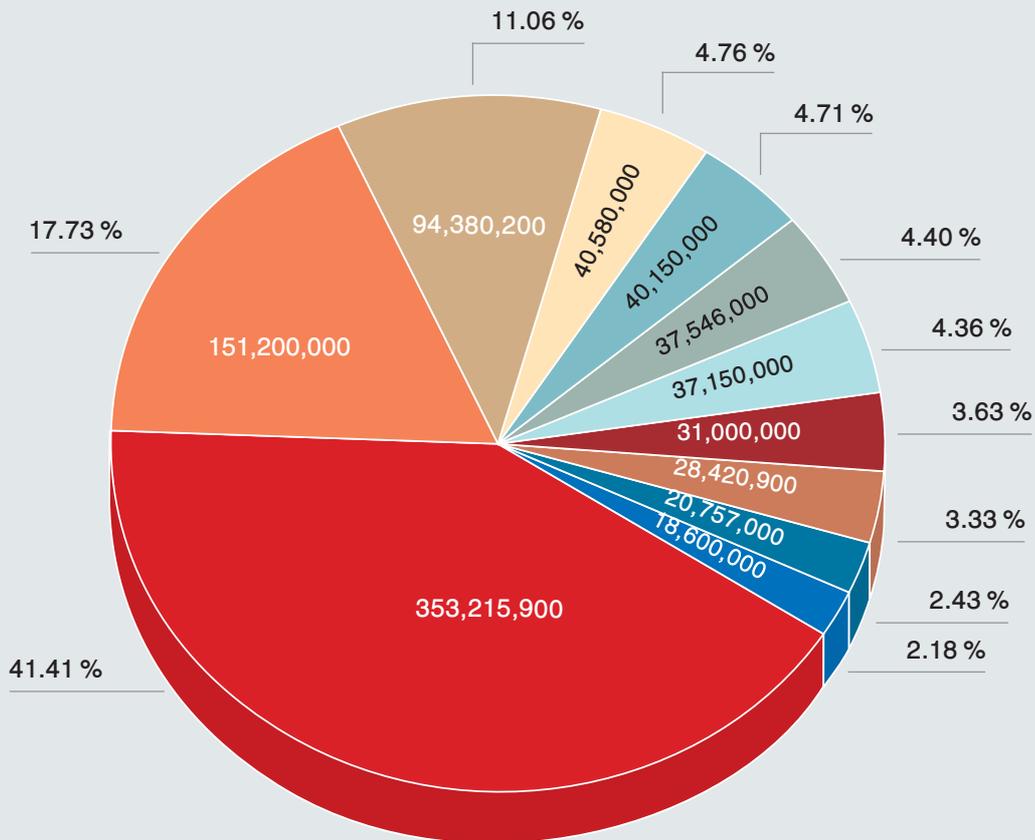
The Board of Directors recognizes the need for disclosure of significant information about the Company to investors, and that such information must be accurate, complete, and timely. It also recognizes the need shareholders have for equal access to corporate information, since such information has a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

Shareholders and Management

Shareholders

Name and shareholding of the 10 largest shareholders as of March 15, 2002, the last date on which the Company's share registrar was closed.



Name and shareholding of the 10 largest shareholders

■ Saha Inter Steel Holdings Company Limited	■ Nomura Singapore Limited - Account H
■ The Bank of New York (Nominees) Limited A/C 5100	■ Bank of Ayudhya Public Company Limited
■ Goldman Sachs International	■ Bank of Ayudhya Public Company Limited
■ Sahaviriya Steel Holding Company Limited	■ Siam Commercial Bank Public Company Limited
■ Clearstream Nominees Limited	■ Bangkok Bank Public Company Limited
	■ Others

Management

1. Management Structure

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

1.1 *The Board of Directors*, as of December 31, 2002, consists of 14 directors:

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, or Mr. Sittichai Thiensathaporn. Any two of these seven 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.

1.2 *The Board of Executive Directors*, as of December 31, 2002, consists of 7 directors.

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.

1.3 *The Audit Committee*, as of December 31, 2002, consists of 3 members.

Scope of Duties and Responsibilities of the Audit Committee

1. to ensure that the Company's financial statements are accurate and adequate.



2. to ensure that the Company has suitable and effective internal controls and internal audit.
3. to ensure that the Company comply with the Securities and Exchange laws, the regulations of the Stock Exchange of Thailand, or all other relevant laws.
4. to examine the risk management of the Company, particularly the significant risk.
5. to consider, select, and propose for appointment and remuneration of the Company's auditor.
6. to ensure that the Company's information disclosure involving related transactions is accurate and complete.
7. to perform other functions as assigned by the Board of Directors with the approval of the Audit Committee.

As of December 31, 2002 Executives and Management of the Company consist of 34 persons. Management Team in the head office consist of 11 persons, and that in the plant office consist of 7 persons.

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 Minor 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)	8 Directors		7 Executive Directors and 9 Management	
	Remuneration in Monetary Term	Other Remuneration	Remuneration in Monetary Term	Other Remuneration
Total Remuneration in 2002 Consisting of	5,400,000	-	40,579,135.58	2,093,789.40
	-Salary -Meeting Allowance	-Provident Fund	-Salary -Meeting Allowance -Bonus -Compensation for the Company's car which began in 2000 (The company's car was canceled) -Up-Country Allowance	-Provident Fund

3.2 Other Remuneration

-None-

Related Parties and Related Transactions

Related Parties	Relationship	Related Transactions in 2002	Outstanding Balances
Thai Coated Steel Sheet Co., Ltd.	A juristic person of which the shareholding by SSI is 3.7%	Use utility services of SSI 105.65 million baht Use deep sea port service 2.77 million baht Use maintenance service 1.20 million baht Other incomes 0.01 million baht	Trade accounts receivable 0.23 million baht Accrued income 9.87 million baht Other accounts receivable 0.006 million baht
Thai Cold Rolled Steel Sheet PLC	A juristic person of which the shareholding by SSI is 8.77%	Purchase hot rolled coils from SSI 3,275.90 million baht Use maintenance service 10.43 million baht Use deep sea port service 57.35 million baht Use utility services of SSI 7.27 million baht Other incomes 0.47 million baht	Trade accounts receivable 171.72 million baht Accrued income 0.66 million baht Other accounts receivable 0.002 million baht
Sahaviriya Panich Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Purchase hot rolled coils from SSI 2,505.77 million baht Penalty fee paid to SSI 0.06 million baht	Trade accounts receivable 158.86 million baht
Sahaviriya Steel Service Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Purchase hot rolled coils from SSI 932.26 million baht	Trade accounts receivable 221.52 million baht
Sahaviriya Steel Center Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Purchase hot rolled coils from SSI 1,246.15 million baht	Trade accounts receivable 224.14 million baht
Bangsaphan Transport Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Transport hot rolled coils by truck 333.58 million baht Use maintenance service 0.10 million baht Use deep sea port service 11.55 million baht Other incomes of subsidiary 0.35 million baht Other expenses of subsidiary 0.52 million baht	Trade accounts payable 17.16 million baht Other accounts payable 0.09 million baht Accounts payable-hire purchase 0.01 million baht Trade accounts receivable 0.91 million baht Other accounts receivable 0.17 million baht Accrued expense 14.25 million baht
Bangsaphan Barmill Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Use maintenance service 0.53 million baht Use deep sea port service 29.53 million baht Use utility services of SSI 56.33 million baht	Trade accounts receivable 1.84 million baht Accrued income 4.82 million baht Other accounts receivable 0.003 million baht
B.S. Metal Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Purchase steel scrap from SSI 1,042.66 million baht Use utility services of SSI 1.80 million baht Use maintenance service 0.62 million baht Provide steel-cutting service for SSI 4.45 million baht Penalty fee paid to SSI 0.04 million baht	Trade accounts receivable 532.41 million baht Trade accounts payable 0.95 million baht Accrued income 0.15 million baht Accrued expense 0.40 million baht Other accounts receivable 0.003 million baht
SV Transport (Thailand) Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Transport hot rolled coils by truck 32.37 million baht	Trade accounts payable 0.44 million baht Accrued expense 2.96 million baht
Sahaviriya Plate Mill Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%		Other accounts receivable 0.04 million baht
Prapawit Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Lease head office to the company 9.40 million baht Other expenses of subsidiary 2.82 million baht	Other accounts payable 0.03 million baht Accrued expense 0.12 million baht Deposit 4.84 million baht
Western Housing Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Provide accommodation for the company's employees 2.06 million baht Use maintenance service 0.12 million baht Cost of service of subsidiary 0.008 million baht	Other accounts payable 0.17 million baht Trade accounts receivable 0.01 million baht Accrued expense 0.08 million baht Accrued income 0.06 million baht
Inter Maritime Co., Ltd.	A juristic person of which the common director sharing by director of SSI's subsidiary and the aggregated shareholding by family member of director of SSI's subsidiary exceeds 10%	Custom formality fee 0.04 million baht	
Four Star Marine Co., Ltd.	A juristic person of which the common director sharing by director of SSI's subsidiary and the aggregated shareholding by family member of director of SSI's subsidiary exceeds 10%	Use deep sea port service 0.23 million baht Other incomes 0.11 million baht Use loading and unloading service 71.55 million baht	Trade accounts receivable 0.06 million baht Other accounts receivable 0.03 million baht Trade accounts payable 2.35 million baht Accrued expense 5.72 million baht
S.E.T. Trading Co., Ltd.	A juristic person of which the aggregated shareholding by director (s) of SSI's related company (Sahaviriya Steel Holding Co., Ltd.) exceeds 10%	Purchase hot rolled coils from SSI 444.31 million baht	Trade accounts receivable 26.97 million baht
Sahaviriya Wide Rod Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Purchase hot rolled coils from SSI 14.12 million baht Penalty fee paid to SSI 0.11 million baht	
Sahaviriya Steel Group Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%	Provide internet and hotline service 1.59 million baht	Accrued expense 0.13 million baht
Central Maritime Co., Ltd.	A juristic person of which the common director sharing by director of SSI's subsidiary and the aggregated shareholding by director of SSI's subsidiary exceeds 10%	Custom formality fee 0.81 million baht	Trade accounts payable 0.34 million baht Accrued expense 0.16 million baht
Western Seaboard Co., Ltd.	A juristic person of which the common director sharing by director of SSI's related company and the aggregated shareholding by director of SSI's related company exceeds 10%	Lease land 20.57 million baht	Prepaid land 1.21 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.

Internal Controls

The Board of Directors recognizes the need for a good, effective system of internal controls that will prevent or reduce the risk of operational losses. It has, therefore, assigned to the Audit Committee the task of establishing and monitoring suitably efficient systems of internal controls and auditing. The Company has, moreover, organized an environment in which such controls can work and established the following mechanisms for their implementation:

- Clear regulations, policies, and guidelines for implementation, along with an authorization chart manual, to be used as a reference, which clearly explains what authority executives or managers at each level have, thus facilitating control over the exercise of authority.
- Codes of business ethics, ethics for directors, and ethics for staff, thus promoting honesty, integrity, and responsibility for scrupulously promoting the best interests of the Company.
- Procedures for strict compliance with the law, including a collection of all laws relating to the Company's operations, monitoring compliance with the said laws, and reports on such compliance every quarter-year.
- Systems of quality management according to ISO 9002 standards, environmental management according to ISO 14001 standards, and workplace health and safety management according to TIS 18001 standards.
- Having the Office of Internal Audits examine and investigate the internal controls of the Company and its subsidiaries, including their financial, accounting, and administrative systems, along with the security of their information systems, and report their findings, suggestions, and results of monitoring implementation of internal controls to the Audit Committee, the Board of Executive Directors, and the Company's management.
- Reports and assessments of operations, to be examined by the Board of Executive Directors as to their difference from monthly targets, and to form the basis of any immediate steps that need to be taken.

If the Auditor of Sahaviriya Steel Industries Public Co., Ltd. has an opinion or suggestion regarding financial or accounting controls or the security of information systems, management is inclined to give these matters prime concern. Management will then consider and explain the Company's approach to solving the problem, and if improvements to the system of internal controls are required as based upon the above-mentioned opinion or suggestion, immediate measures will be undertaken accordingly.

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.”

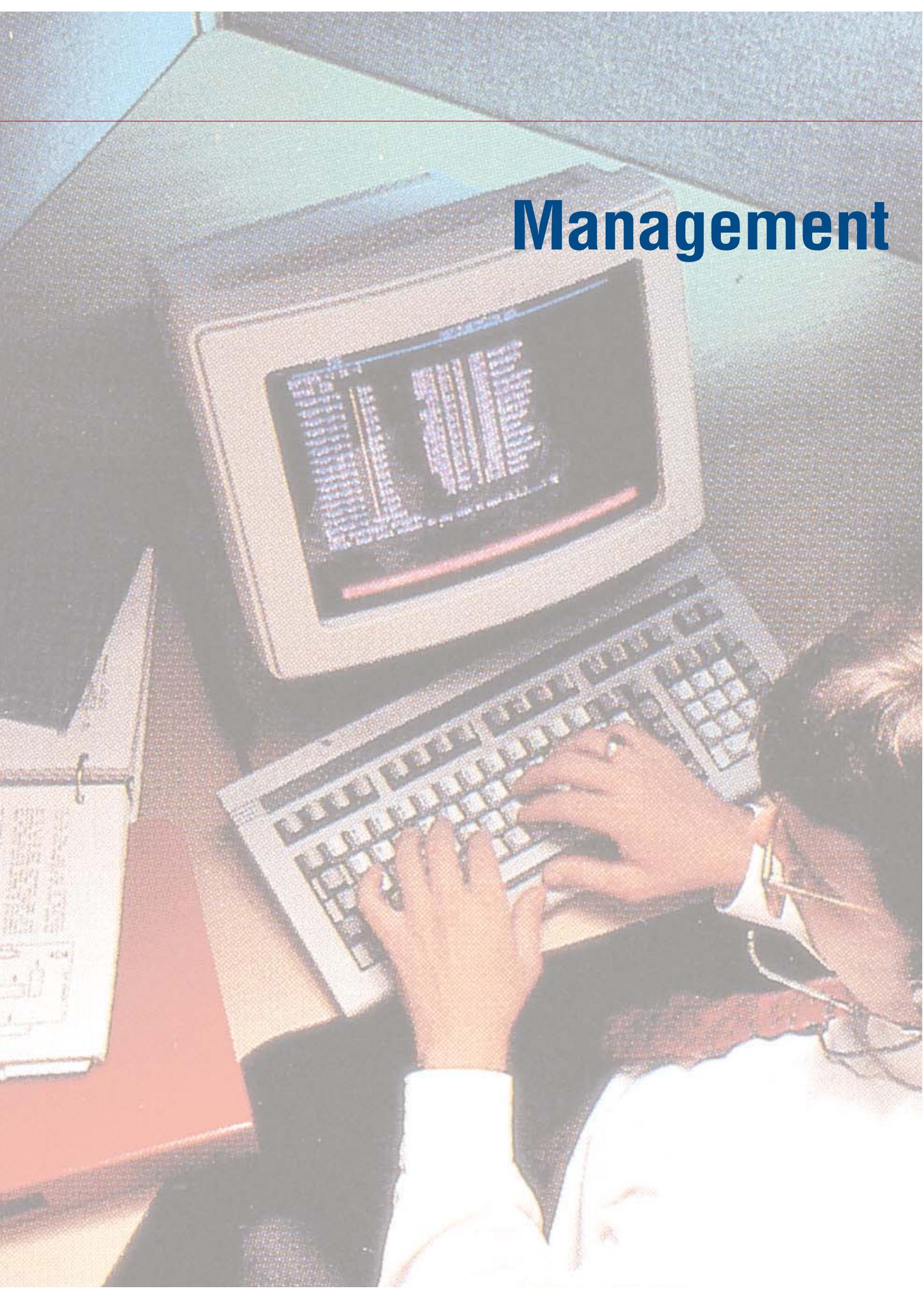
- In 2002, the Board of Directors in one of its meetings established a policy of good corporate governance for the Company, in accordance with principles laid down by the SEC and the SET, for such matters as the rights of shareholders, disclosure of information, and relations with investors, as follows:

“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.”

- 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.
- Occasional reports must be made for the meetings of the Board of Directors regarding changes in ownership of securities by Company directors and senior executives.

Management



Discussion and Analysis

2002 Performance

In 2002 the Company's net profit from operations was significantly high due to increasing orders on the back of two protective measures imposed by the government. On January 25, 2002 the Board of Investment announced the imposition of surcharge for import into the Kingdom of Thailand on flat-rolled products of iron or non-alloy steel at 25% of C.I.F. value, pursuant to certain Customs tariffs. This measure was enforceable for 6 months and ended on July 28, 2002. On July 23, 2002 the Committee on Dumping and Subsidy imposed a critical circumstance measure according to Section 31 of the Antidumping and Countervailing Duty Act, B.E. 2542 (1999) for import of hot rolled flat steel in coils and not in coils originating in 14 countries by requiring 30% bond deposit of C.I.F. value. This measure was in effect for 6 months following the expiry of BOI surcharge. Subsequently, on November 8, 2002 the Committee on Dumping and Subsidy, the Department of Foreign Trade, the Ministry of Commerce, by virtue of Section 41, Section 42 and Section 73 (1) of the Antidumping and Countervailing Duty Act, B.E. 2542 (1999), announced the imposition of antidumping measure against importation of hot rolled flat steel in coils and not in coils originating in 14 countries by requiring provisional anti-dumping duty or bond deposit at various determined rates for each producer or country ranging from the lowest 5.98% to the highest 136.50% of C.I.F. value for the period of 4 months starting from November 18, 2002.

In addition to such continuous measures enforced by the government, other factors attributed to the

Company's performance improvement were the growth in domestic demand of hot rolled flat steel in line with economic recovery in construction and automobile and auto part industries, an acceleration in average selling price of hot rolled flat steel following the rising world steel price, as well as increasing volume of the Company's export with the export prices higher than domestic prices.

Result of Operation

Total Revenues and Revenue from Sales and Services

In 2002 the Company's 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 2001 total revenues were Baht 13,185 million comprising of Baht 12,664 million from 1.19 million metric tonnes sales of hot rolled coils, Baht 253 million sales of steel scrap, Baht 188 million income from services of the Company's subsidiaries, and Baht 80 million in other income.

The Company's revenues from sales of hot rolled coils rose by 85% when compared with that of 2001 and its sales volume and average selling price were up 62% and 14%, respectively. Main factors attributed to increasing sales volume and average selling price were the growth in domestic consumption of hot rolled coils and anti-dumping measures against imports from foreign producers.

Income from services of Prachuap Port Co., Ltd. and West Coast Engineering Co., Ltd., the Company's

subsidiaries, amounted to Baht 761 million in total, including Baht 508 million income from services to the Company, 66% increase from 2001, owing to an increase in steel transportation of the Company, the affiliated companies in the group, and the external customers.

Cost of Sales & Services

The Company's cost of sales constituted 79% of the revenue from sales of hot rolled coils and steel scrap. The subsidiaries' cost of services accounted for 43% of income from services to the Company, the affiliated companies, and the external customers.



Hot-rolled steel cost of sales was mainly comprised of slab cost, which constituted 80-85% of total cost of sales, conversion cost such as fuel costs, electricity costs, spare parts and consumable cost, and depreciation.

The Company has pursued the continuous campaign of direct and indirect reduction of 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 steel industry, the metal spread between selling price and slab cost has a great impact on profitability.



The 2002 metal spread constituted 30-35% of the selling price while the 2001 metal spread was 20-25% 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 are freight and transportation expenses which vary with sales volume. In 2002 the Company's total selling expenses amounted to Baht 286 million, up from that of 2001 due to an increase in sales volume. Administrative expenses were Baht 478 million, up 112% from the previous year's Baht 225 million. The Company set up Baht 231 million of the provision for loss on diminution in value of spare parts and consumable goods. The Company recorded Baht 110 million of other expenses from amortization of fixed assets.

Interest Expenses

The Company's interest expenses amounted to Baht 934 million, down 10% from the previous year's Baht 1,040 million as a result of reducing interest rate, better liquidity, and turnover of raw materials and finished goods inventory.



Financial Position

Assets

The Company's asset ratio is as follows:

%	2002	2001	2000
Accounts receivable	6	5	7
Inventory	36	21	22
Property, plant and equipment	55	70	68
Others	3	4	3
Total assets	100	100	100

Net Profit (Loss)

In 2002 the Company recorded net profit after tax of Baht 3,433 million compared with net loss of Baht 630 million in the previous year. This is mainly attributed to the growth of domestic demand on the back of economic recovery and the government's measure to protect local producers from dumped imports since the beginning of 2002.

The Company's earning per share was Baht 4.03. Net profit margin was 14%. Return on average assets was 13%, and return on average equity was 50%.

Dividend

According to the debt restructuring agreement executed in 1999, the Company will be allowed to pay dividend after June 30, 2002 and after the Company has repaid not less than Baht 774 million out of a total Baht 1,105 million of a certain tranche of restructured debt. Provided that the Company complies with the above terms and conditions, the Company will be able to pay the dividend in the amount not exceeding 60% of net profit after appropriation of legal reserve. Accordingly, the Company was not able to pay the dividend in 2002.

As of December 31, 2002 the Company had Baht 1,897 million of net trade accounts receivable, up 69% from that in the end of 2001 due to higher sales volume as well as higher selling price per tonne. The Company's provision for doubtful accounts amounted to Baht 400 million in the form of outstanding accounts of more than 12 months. As of December 31, 2002 the Company's subsidiary had receivable from cancellation of shipbuilding contract amounting to Baht 144 million shown in the other non-current assets with the allowance for doubtful debt in full. During 2002 the subsidiary received partial payment from such debtor in the amount of Baht 24 million.

The Company's inventories of raw materials and finished goods as of December 31, 2002 were Baht 10,990 million, 1.25 times increase from the end of 2001. The raw material inventory increased by approximately 2.1 times which is in accordance with its policy to provide sufficient raw material for production and sales forecast. In 2002 the Company's sales volume was much higher than sales forecast.

In 2002 the Company's total assets increased by Baht 8,032 million, most of which was in the form of current assets as inventory of raw materials and trade accounts receivable. The Company and its subsidiaries had Baht 2,298 million of trade accounts receivable and Baht 400 million of problematic trade debts in the form of outstanding accounts of more than 12 months. As of December 31, 2002 the Company's allowance for doubtful accounts amounted to Baht 400 million.

Liquidity

1. Cash Flows

In 2002 the Company and its subsidiaries had net cash flows from operations before interest of Baht 5,416 million with Baht 545 million cash paid for interest and Baht 7,014 million cash generated from changes in operating assets and liabilities, mainly due to an increase in accounts receivable and inventories, especially raw materials. Net cash flow from operating activities amounted to Baht 2,143 million. The Company had the net cash used of Baht 583 million from investing activities comprising mainly the purchase of property, plant and equipment and an investment in open-end fund. With respect to financing activities, the Company had the net cash received of Baht 2,642 million as a result of trade financing loans increase.

In 2002 net cash used from operating, investing, and financing activities of the Company and its subsidiaries amounted to Baht 83 million. As at December 31, 2002 cash and cash equivalents amounted to Baht 111 million.

2. Liquidity Ratio

As of December 31, 2002 the Company's liquidity ratio was 2.04 times, up from 1.79 times at the end of 2001 as a result of increase in accounts receivable and inventories.

Share Price

During 2002 SSI's stock price reached the lowest level at Baht 2.66 per share on January 21, 2002 and peaked at Baht 9.40 per share on December 9, 2002. The average trade volume was 7.21 million shares per day and Baht 43.24 million per day. As at

December 27, 2002 the Company's stock price closed at Baht 7.85 per share with the average price of Baht 6.00 per share.

Future Plan

In 2003 the Company has targeted to boost its production and sales volume from 1.9 million tonnes last year to the full capacity of 2.4 million tonnes or Baht 32,400 million. The Company aims 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 Chinese market where the hot rolled steel demand has been growing.

In the area of production, the Company has prepared a plan to ensure a higher volume of production in anticipation of higher sales. This plan includes production process improvement, an increase in operating time and productivity, purchasing plan for spare parts, plant equipment, and consumable with long lead time. Such plan has been established to ensure that the plant will not be interrupted if there is market opportunity. 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 will continue to maintain the pivotal policy on the liquidity management, foreign exchange risk management, accounts receivable control and management, and management of raw material and finished good inventories in sufficient quantities for market demand.



Key Events in 2002

January 24, 2002

Police Lieutenant Colonel Thaksin Shinawatra, the Prime Minister, and his group visited the deep-sea port project of Prachuap Port Co., Ltd.



May 8, 2002

SSI received the 2002 National Award in Safety, Occupational Health, and Working Environment from Mr. Dej Boonlong, Deputy Prime Minister and Minister of Labour and Social Welfare in the 16th National Safety Week 2002.



May 10, 2002

SSI was awarded the Prime Minister's Industry Award for Quality Management from Police Lieutenant Colonel Thaksin Shinawatra, the Prime Minister, in the Presentation Ceremony held at Santimaitri Building, the Government House.

June 1, 2002

The Board of Directors appointed Mr. Sittichai Thiensathaporn as the President and Mr. Win Viriyaprapaikit as Executive Vice President.



June 15, 2002

Dr. Somchai Richupan and his group visited the Sahaviriya Group's steel complex and a deep-sea port project at Bang Saphan.

June 21, 2002

SSI, in cooperation with the Sahaviriya Group, contributed the 2002 scholarships to students from 15 schools in Bang Saphan District as well as 4 Bachelor scholarships.



July 8, 2002

Mr. Suriya Jungrunreangkit, Minister of Industry, granted TIS 18001 certification for occupational health and safety management system standards, certified by the Management System Certification Institute (Thailand), to SSI.

July 10, 2002

SSI was awarded the Honourable Mention 2002 for Safety Management from Mr. Suriya Jungrunreangkit, Minister of Industry at the Department of Industrial Promotion's building, Ministry of Industry.



July 16, 2002

SSI's employees, in cooperation with Sahaviriya Group, students of Bang Saphan Vocational College and Bang Saphan Vittaya School, Volunteer Club, and Tambon Administrative Body in Mae Rumphueng District participated in the "SSI Care for the Beach", an environment preservation project along 4.5 kilometre of Bang Saphan beach.



July 17, 2002

SSI arranged a walk rally activity in the "8th Safety, Health, and Environment Week" (SSI SHE Week 8th) to encourage the community to act in an environmentally responsible manner and promote drug free environment.

August 18, 2002

SSI together with Sahaviriya Group arranged a mini marathon race to fight against drug.



September 5, 2002

SSI received the 2002 Provincial Award in Safety, Occupational Health, and Working Environment from Mrs. Ladawan Wongsriwong, Deputy Minister of Labour and Social Welfare in the 2002 National Working Safety Week in the western region.



September 20, 2002

Mr. Manit Wittayatem, Director General of Customs Department, and his group visited the Sahaviriya Group's steel complex and a deep-sea port project at Bang Saphan.

November 18, 2002

SSI celebrated the achievement of 10,000,000 tonnes of hot rolled coil production, the first company in Thailand, at the SSI's plant in Bang Saphan, Prachuap Khirikhan.



Vision

Leader of Hot Rolled Coils Steel Industry in Southeast Asia

Mission

- To manufacture and sell products that provide optimum, long-lasting added value and satisfaction to customers.
- To possess the largest market share in Thailand, and to continuously develop our markets in Southeast Asia.
- To raise our products and services to the highest international standards, and to enhance our competitiveness through the best possible technologies and lowest possible costs.
- To add value to our shareholders' investments and deal fairly with our stakeholders.
- To support our personnel in their quest to become the Company's most valued resources.
- To improve standards of living in the communities around us and preserve the integrity of the local environment.

Values

S = Spirit of Teamwork & Continuous Learning

S = Satisfaction to All Stakeholders

I = Integrity from All Staff

Report of the Independent

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, 2002 and 2001, 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, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Without qualifying our opinion, as per the detail discussed in Note 10 to the financial statements, the Company is in the process of obtaining waivers from all creditors to cancel the covenant according to the debt restructuring agreement which requires the Company to make a loan prepayment, resulting from the higher than expected cash flows and debt service coverage ratio from the restructuring plan.



Chongchitt Leekbhai

Certified Public Accountant (Thailand)

Registration No. 2649

DELOITTE TOUCHE TOHMATSU JAIYOS

BANGKOK

January 31, 2003

BALANCE SHEETS

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

AS AT DECEMBER 31,

	BAHT : '000	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		111,109	193,826	44,540	4,067
Temporary investments		202,495	-	-	-
Accounts and notes receivable					
Related parties (Note 16.3)		1,345,225	889,061	1,327,808	802,530
Others		952,331	706,025	948,472	702,207
		2,297,556	1,595,086	2,276,280	1,504,737
<u>Less</u> Allowance for doubtful accounts		(400,444)	(471,431)	(393,888)	(393,888)
Accounts and notes receivable - net		1,897,112	1,123,655	1,882,392	1,110,849
Short-term loans and advances to related parties (Note 16.2)		60	42	137	45
Inventories (Note 6)		10,989,810	4,879,720	11,039,232	4,895,868
Other current assets					
Advance payments		23,514	16,934	23,499	16,880
Value-added-tax refundable claims		79,332	15,553	79,332	15,553
Other receivables		2,051	2,424	2,105	2,556
Prepaid expenses		13,694	4,826	12,645	4,096
Deposit at bank used as collateral		16,200	16,200	-	-
Others		36,554	17,767	18,535	11,037
Total Current Assets		13,371,931	6,270,947	13,102,417	6,060,951
NON-CURRENT ASSETS					
Investments using the equity method (Note 16.1)		561,621	561,621	1,080,363	916,462
Property, plant and equipment - net (Note 7)		16,923,996	15,992,899	15,375,183	14,609,369
Others non-current assets (Note 8)		8,535	8,271	5,947	6,089
Total Non-Current Assets		17,494,152	16,562,791	16,461,493	15,531,920
TOTAL ASSETS		30,866,083	22,833,738	29,563,910	21,592,871

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

BALANCE SHEETS (CONTINUED)

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

AS AT DECEMBER 31,

BAHT : '000	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bank overdrafts and short-term loans from financial institutions (Note 9)				
Short-term loans	1,728,000	1,800,000	1,728,000	1,800,000
Trade finance loans	3,155,862	340,218	3,155,862	340,218
Accounts and notes payable	1,194,138	1,122,155	1,198,516	1,135,432
Current portion of long-term loans (Note 10)	220,760	83,271	-	-
Current portion of long-term liabilities	7,683	7,772	2,455	2,478
Other current liabilities				
Accrued expenses	220,826	121,454	228,589	131,663
Others	28,993	28,776	18,261	15,847
Total Current Liabilities	6,556,262	3,503,646	6,331,683	3,425,638
NON-CURRENT LIABILITIES				
Long-term loans (Note 10)	12,372,365	12,285,757	11,696,426	11,384,674
Convertible debentures (Note 11)	2,582,151	2,537,026	2,582,151	2,537,026
Others non-current liabilities				
Obligations under hire-purchase agreements	5,230	6,449	2,748	3,644
Payable for purchase of land	2,000	5,000	-	-
Total Non-Current Liabilities	14,961,746	14,834,232	14,281,325	13,925,344
TOTAL LIABILITIES	21,518,008	18,337,878	20,613,008	17,350,982

BALANCE SHEETS (CONTINUED)

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

AS AT DECEMBER 31,

BAHT : '000	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
LIABILITIES AND SHAREHOLDERS' EQUITY				
(CONTINUED)				
SHAREHOLDERS' EQUITY				
SHARE CAPITAL				
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				
853,000,000 ordinary shares of				
Baht 10.00 each, fully paid	8,530,000	8,530,000	8,530,000	8,530,000
ADDITIONAL PAID-IN CAPITAL				
Premium on ordinary share capital	3,600,000	3,600,000	3,600,000	3,600,000
Unrealized increment per assets appraisal				
(Note 7.2)	6,268,939	4,993,350	6,268,939	4,993,350
DISCOUNT ON CAPITAL				
Discount on ordinary share capital	(3,600,000)	(3,600,000)	(3,600,000)	(3,600,000)
RETAINED EARNINGS (DEFICIT)				
Unappropriated (Deficit)	(5,848,037)	(9,281,461)	(5,848,037)	(9,281,461)
Total Company Shareholders' Equity	8,950,902	4,241,889	8,950,902	4,241,889
MINORITY INTEREST				
Total Shareholders' Equity	9,348,075	4,495,860	8,950,902	4,241,889
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				
	30,866,083	22,833,738	29,563,910	21,592,871

STATEMENTS OF INCOME

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31,

BAHT : '000	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
REVENUES				
Revenues from the sales of goods	23,714,965	12,916,652	23,714,965	12,916,652
Revenues from the rendering of services	253,348	187,761	-	-
Other income				
Gain on exchange	48,726	48,873	49,722	28,387
Others	54,583	32,123	53,011	31,000
Share of profit from investment using the equity method	-	-	168,082	-
Total Revenues	24,071,622	13,185,409	23,985,780	12,976,039
EXPENSES				
Cost of the sales of goods	18,384,024	11,980,179	18,819,219	12,235,874
Cost of the rendering of services	315,278	227,120	-	-
Selling and administrative expenses	764,145	455,272	719,582	414,639
Doubtful accounts	-	175,093	-	-
Doubtful accounts (Reversal)	(27,957)	(5,465)	-	(5,119)
Equity in undistributed net loss of subsidiaries	-	-	-	8,584
Other expenses	110,221	23,271	109,254	22,910
Directors' remuneration	3,785	3,920	3,185	3,360
Total Expenses	19,549,496	12,859,390	19,651,240	12,680,248
PROFIT BEFORE INTEREST EXPENSES AND INCOME TAX	4,522,126	326,019	4,334,540	295,791
INTEREST EXPENSES	933,804	1,039,559	901,116	995,447
INCOME TAX EXPENSES	7,679	4,180	-	-
PROFIT (LOSS) AFTER TAX	3,580,643	(717,720)	3,433,424	(699,656)
NET PROFIT OF MINORITY INTEREST	(147,219)	18,064	-	-
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	3,433,424	(699,656)	3,433,424	(699,656)
EXTRAORDINARY ITEM				
Gain from settlement of debts	-	70,000	-	70,000
NET INCOME (LOSS)	3,433,424	(629,656)	3,433,424	(629,656)

STATEMENTS OF INCOME (CONTINUED)

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31,

	BAHT : '000	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
EARNINGS (LOSS) PER SHARE					
Basic earning (loss) per share					
before extraordinary item	BAHT	4.03	(0.82)	4.03	(0.82)
Extraordinary item	BAHT	-	0.08	-	0.08
Basic earning (loss) per share	BAHT	4.03	(0.74)	4.03	(0.74)
Diluted earnings per share	BAHT	2.73	-	2.73	-
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES					
Basic earnings per share	'000 SHARES	853,000	853,000	853,000	853,000
Diluted earnings per share	'000 SHARES	1,310,143	-	1,310,143	-

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31,

BAHT : '000	Ordinary Share Capital	Additional Paid-In Capital	Unrealized Increment per Assets Appraisal	Discount on Capital	Unappropriated Retained Earnings (Deficit)	Minority Interest	Total
CONSOLIDATED							
Beginning balance January 1, 2001	8,530,000	3,600,000	5,143,690	(3,600,000)	(8,651,805)	276,052	5,297,937
Amortization	-	-	(150,340)	-	-	-	(150,340)
Net loss	-	-	-	-	(629,656)	-	(629,656)
Minority interest decrease	-	-	-	-	-	(22,081)	(22,081)
Ending balance December 31, 2001	8,530,000	3,600,000	4,993,350	(3,600,000)	(9,281,461)	253,971	4,495,860
Beginning balance January 1, 2002	8,530,000	3,600,000	4,993,350	(3,600,000)	(9,281,461)	253,971	4,495,860
Amortization	-	-	(269,827)	-	-	-	(269,827)
Net appraisal increment (See Note 7.2)	-	-	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	3,600,000	6,268,939	(3,600,000)	(5,848,037)	397,173	9,348,075

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31,

BAHT : '000	Ordinary Share Capital	Additional Paid-In Capital	Unrealized Increment per Assets Appraisal	Discount on Capital	Unappropriated Retained Earnings (Deficit)	Total
THE COMPANY ONLY						
Beginning balance January 1, 2001	8,530,000	3,600,000	5,143,690	(3,600,000)	(8,651,805)	5,021,885
Amortization	-	-	(150,340)	-	-	(150,340)
Net loss	-	-	-	-	(629,656)	(629,656)
Ending balance December 31, 2001	8,530,000	3,600,000	4,993,350	(3,600,000)	(9,281,461)	4,241,889
Beginning balance January 1, 2002	8,530,000	3,600,000	4,993,350	(3,600,000)	(9,281,461)	4,241,889
Amortization	-	-	(269,827)	-	-	(269,827)
Net appraisal increment (See Note 7.2)	-	-	1,545,416	-	-	1,545,416
Net income	-	-	-	-	3,433,424	3,433,424
Ending balance December 31, 2002	8,530,000	3,600,000	6,268,939	(3,600,000)	(5,848,037)	8,950,902

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

STATEMENTS OF CASH FLOWS

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31,

BAHT : '000	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	3,433,424	(699,656)	3,433,424	(699,656)
Items to reconcile net income (loss) to net cash flows from operations :				
Doubtful accounts (Reversal)	(27,957)	(5,465)	-	(5,119)
Doubtful accounts	-	175,093	-	-
Depreciation	601,369	430,030	534,493	369,348
Amortization	-	1,274	-	884
Unrealized gain from short-term investment	(2,495)	-	-	-
Provision for diminution in value of inventories (Reversal)	230,789	(210)	230,789	(210)
Additional interest on debt restructuring	355,019	293,773	356,877	290,505
Realized (gain) loss on exchange	17,836	(1,479)	17,836	(1,479)
Unrealized (gain) loss on exchange	(12,663)	(18,705)	(12,663)	1,781
Gain on sales of property, plant and equipment	(2,388)	(1,429)	(2,276)	(976)
Loss on disposal of property, plant and equipment	130,736	23,400	129,761	22,910
Share of (profit) loss from investment using the equity method	-	-	(168,082)	8,584
Loss from barge sinking	-	4,598	-	4,598
Minority interest	147,219	(18,064)	-	-
Net income (loss) from operations before changes in operating assets and liabilities	4,870,889	183,160	4,520,159	(8,830)
Operating assets (increase) decrease				
Accounts and notes receivable - related parties	(526,777)	25,436	(525,279)	25,391
Accounts and notes receivable - others	(246,351)	63,897	(246,310)	63,704
Inventories	(6,340,879)	203,562	(6,374,152)	214,847
Short-term loans and advances to related parties	(18)	107	(91)	123
Advance payments	(6,580)	39,464	(6,619)	13,893
Valued-added-tax refundable claims	(63,779)	(15,553)	(63,779)	(15,553)
Other receivables	24,676	893	451	1,257
Prepaid expenses	(8,869)	(107)	(8,549)	(762)
Other current assets - others	(18,786)	(5,060)	(7,499)	(1,320)
Other non-current assets	(263)	533	142	(856)

STATEMENTS OF CASH FLOWS (CONTINUED)

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31,

BAHT : '000	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Operating liabilities increase (decrease)				
Accounts and notes payable	74,639	414,714	65,740	430,968
Accrued expenses	99,372	16,280	96,926	15,530
Other current liabilities	249	(31,336)	2,446	(10,110)
Net cash provided by (used in) operating activities	(2,142,477)	895,990	(2,546,414)	728,282
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of shares in a subsidiary	-	-	-	(25,000)
Other investment increase	(200,000)	-	-	-
Purchases of property, plant and equipment	(389,825)	(201,486)	(149,996)	(128,012)
Proceeds from sales of property, plant and equipment	3,976	2,666	3,864	1,582
Short-term loans and advances to related parties	3,280	-	-	20,000
Net cash used in investing activities	(582,569)	(198,820)	(146,132)	(131,430)
CASH FLOWS FROM FINANCING ACTIVITIES				
Short-term loans decrease	(72,000)	(150,000)	(72,000)	(150,000)
Trade finance loans increase (decrease)	2,807,828	(446,642)	2,807,828	(446,642)
Repayment of long-term loans	(85,796)	(59,488)	-	-
Repayment of obligations under hire-purchase agreements	(4,703)	413	(2,809)	(100)
Repayment of payable for purchase of land	(3,000)	(3,000)	-	-
Net cash provided by (used in) financing activities	2,642,329	(658,717)	2,733,019	(596,742)
Net increase (decrease) in cash and cash equivalents	(82,717)	38,453	40,473	110
Cash and cash equivalents as at January 1	193,826	155,373	4,067	3,957
Cash and cash equivalents as at December 31	111,109	193,826	44,540	4,067
Supplemental cash flow information :				
Cash paid for interest	544,805	750,114	510,050	707,871
Cash paid for corporate income tax	20,225	1,613	532	485

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

NOTES TO THE FINANCIAL STATEMENTS

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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.

In 1999, the Company and Prachuap Port Company Limited entered into debt restructuring agreements with their financial institution lenders (see Notes 10). The Company and subsidiary's abilities to perform under the restructuring is dependent on their continuing abilities to attain profitable operations.

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, 2002 and 2001, the Company has 753 and 717 employees, respectively. The staff costs for 2002 and 2001 are Baht 282 million and Baht 238 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, 2002 and 2001, the subsidiary has 95 and 89 employees, respectively. The staff costs for 2002 and 2001 are Baht 30 million and Baht 26 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, 2002 and 2001, the subsidiary has 225 and 203 employees, respectively. The staff costs for 2002 and 2001 are Baht 69 million and Baht 55 million, respectively.

In 2001, the decrease in selling prices of hot rolled steel due to low global prices and dumping from many countries affected the Company and its subsidiaries' operations. However, the Government has continuously issued the announcements in 2002 as follows:

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 steel 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.

Subsequently, 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 the above paragraph, had expired.

Subsequently 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 approved the announcement of antidumping for coil and 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 are in the range between 5.98% to 136.50% of CIF value for the period of four months from November 18, 2002.

As a result of continuous actions of the Government as mentioned above, the Company has significant amount of profit from its operations in 2002 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 dated September 14, 2001 regarding "The Brief Particulars in the Financial Statements B.E. 2001" to be effective for financial statements covering the period beginning on or after January 1, 2002 and the financial statements for the year ended 2001 have been reclassified to conform to the classifications used in the financial statements for the year ended 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 Certain reclassifications have been made to the consolidated and Company's financial statements for the year ended December 31, 2001 to conform to the classifications used in the current interim financial statements as follows:
- Deferred interest expenses on debt restructuring of convertible debentures of Baht 137 million, which was previously included in long-term loan, are included in convertible debentures.

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 equivalents 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 Temporary investment is 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:

		YEARS
Land improvement		5
Leasehold right for land		10
Leasehold improvement		5
Buildings		20
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 26 MT	
The Second Skin Pass Mill	Estimated at a total of 14 MT	
Other machinery and equipment		5-10
Office furniture and fixtures		5
Vehicles		5
Roads		5
Berth and berth facilities		5-30
Tug boats		5

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.

- 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 balance sheet date. 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.

As at December 31, 2001, the Company has Baht-denominated debentures convertible to ordinary shares. However, the conversion of Baht-denominated debentures to ordinary shares would decrease net loss per share. Therefore, the effects of anti-dilutive potential ordinary shares are ignored in calculating 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, 2002, non-cash transactions for investing activities which are not shown in the statements of cash flows are as follows:

Unit : Baht'000	CONSOLIDATED	THE COMPANY ONLY
- Investing activities		
Vehicles purchased under hire-purchase agreements	3,393	1,890

For the year ended December 31, 2001, non-cash transactions for investing activities and financing activities which are not shown in the statements of cash flows are as follows:

Unit : Baht'000	CONSOLIDATED	THE COMPANY ONLY
- Investing activities		
Vehicles purchased under hire-purchase Agreements	3,826	-
Construction in progress decreased from the cancellation of shipbuilding contract	147,473	-
Tools and equipment transferred from inventory	87,581	87,581
Land transferred in as a settlement of debt	35,190	35,190
- Financing activities		
Long-term loans decreased from the offsetting of debts with accounts receivable	384,254	384,254

6. INVENTORIES

Inventories consist of the following:

Unit : Baht'000	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Finished goods	2,011,083	1,176,296	2,023,541	1,185,125
Raw materials	6,420,658	1,829,244	6,464,986	1,842,036
Spare parts and consumable goods	920,817	853,940	913,453	848,467
Goods in transit	1,868,041	1,020,240	1,868,041	1,020,240
	11,220,599	4,879,720	11,270,021	4,895,868
Less Provision for loss on diminution in value of spare parts and consumable goods	(230,789)	-	(230,789)	-
	10,989,810	4,879,720	11,039,232	4,895,868

As at December 31, 2002 and 2001, 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 : Baht'000	CONSOLIDATED				
	Balance as at January 1, 2002	Additions	Deductions	Transfers between Accounts	Balance as at December 31, 2002
Property, plant and equipment					
Land and land improvement	1,132,601	133,249	(61)	2,668	1,268,457
Land-appraisal increase	227,860	-	(223,958)	-	3,902
Total	1,360,461	133,249	(224,019)	2,668	1,272,359
Leasehold right for land	12,325	-	-	-	12,325
Leasehold improvement	2,982	-	-	-	2,982
Buildings	1,168,959	1,143	(7,454)	11,501	1,174,149
Buildings-appraisal increase	215,539	132,163	(1,624)	-	346,078
Total	1,384,498	133,306	(9,078)	11,501	1,520,227
Machinery and equipment	10,686,658	27,604	(151,000)	69,477	10,632,739
Machinery and equipment-appraisal increase	4,443,370	5,403,172	(64,056)	-	9,782,486
Total	15,130,028	5,430,776	(215,056)	69,477	20,415,225
Machinery and equipment-others	147,363	1,927	(5,228)	13,349	157,411
Office furniture and fixtures	139,225	13,947	(4,114)	4,717	153,775
Vehicles	52,057	8,879	(6,449)	-	54,487
Roads	19,667	1,924	-	-	21,591
Roads-appraisal increase	5,484	10,700	-	-	16,184
Total	25,151	12,624	-	-	37,775
Berth and berth facilities	990,646	-	-	-	990,646
Berth and berth facilities-appraisal increase	201,524	-	-	-	201,524
Total	1,192,170	-	-	-	1,192,170
Tug boats	39,871	-	-	66,284	106,155
Total property, plant and equipment- at revalued amount	19,486,131	5,734,708	(463,944)	167,996	24,924,891

Unit : Baht*000	CONSOLIDATED (CONTINUED)				
	Balance as at January 1, 2002	Additions	Deductions	Transfers between Accounts	Balance as at December 31, 2002
Accumulated depreciation					
Land and land improvement	50,509	5,743	(32)	-	56,220
Leasehold right for land	9,192	1,232	-	-	10,424
Leasehold improvement	2,980	2	-	-	2,982
Buildings	410,172	60,610	(2,453)	-	468,329
Buildings-appraisal increase	52,305	53,117	(430)	-	104,992
Total	462,477	113,727	(2,883)	-	573,321
Machinery and equipment	1,881,851	465,226	(45,253)	-	2,301,824
Machinery and equipment-appraisal increase	493,511	3,945,245	(21,334)	-	4,417,422
Total	2,375,362	4,410,471	(66,587)	-	6,719,246
Machinery and equipment-others	123,096	7,807	(5,089)	-	125,814
Office furniture and fixtures	105,974	13,452	(4,056)	-	115,370
Vehicles	26,366	8,295	(5,586)	-	29,075
Roads	17,712	1,027	-	-	18,739
Roads-appraisal increase	5,455	29	-	-	5,484
Total	23,167	1,056	-	-	24,223
Berth and berth facilities	284,776	33,987	-	-	318,763
Berth and berth facilities-appraisal increase	26,660	8,198	-	-	34,858
Total	311,436	42,185	-	-	353,621
Tug boats	39,225	3,988	-	-	43,213
Total accumulated depreciation	3,529,784	4,607,958	(84,233)	-	8,053,509
Property, plant and equipment-net	15,956,347				16,871,382
Construction in progress	36,552	204,565	(20,507)	(167,996)	52,614
Total property, plant and equipment	15,992,899				16,923,996
Depreciation for the year excluded					
depreciation from unrealized increment					
per assets appraisal					
2002					601,369
2001					430,030

Unit : Baht*000	THE COMPANY ONLY				
	Balance as at January 1, 2002	Additions	Deductions	Transfers between Accounts	Balance as at December 31, 2002
Property, plant and equipment					
Land and land improvement	749,622	460	-	997	751,079
Land-appraisal increase	227,860	-	(223,958)	-	3,902
Total	977,482	460	(223,958)	997	754,981
Leasehold right for land	12,325	-	-	-	12,325
Leasehold improvement	2,982	-	-	-	2,982
Buildings	1,110,551	369	(7,785)	8,991	1,112,126
Buildings-appraisal increase	215,539	132,163	(1,624)	-	346,078
Total	1,326,090	132,532	(9,409)	8,991	1,458,204
Machinery and equipment	10,604,520	14,214	(148,879)	65,993	10,535,848
Machinery and equipment-appraisal increase	4,443,371	5,403,172	(64,056)	-	9,782,487
Total	15,047,891	5,417,386	(212,935)	65,993	20,318,335
Machinery and equipment-others	147,911	3,457	(5,285)	15,246	161,329
Office furniture and fixtures	124,210	10,890	(3,636)	1,026	132,490
Vehicles	32,119	2,901	(4,151)	-	30,869
Roads	15,256	-	-	-	15,256
Roads-appraisal increase	5,484	10,700	-	-	16,184
Total	20,740	10,700	-	-	31,440
Total property, plant and equipment- at revalued amount	17,691,750	5,578,326	(459,374)	92,253	22,902,955
Accumulated depreciation					
Land and land improvement	48,046	4,165	-	-	52,211
Leasehold right for land	9,192	1,232	-	-	10,424
Leasehold improvement	2,980	2	-	-	2,982
Buildings	406,703	56,377	(3,023)	-	460,057
Buildings-appraisal increase	52,305	53,117	(430)	-	104,992
Total	459,008	109,494	(3,453)	-	565,049

Unit : Baht*000	THE COMPANY ONLY (CONTINUED)				
	Balance as at January 1, 2002	Additions	Deductions	Transfers between Accounts	Balance as at December 31, 2002
Accumulated depreciation (Continued)					
Machinery and equipment	1,841,750	450,220	(44,024)	-	2,247,946
Machinery and equipment-appraisal increase	493,511	3,945,245	(21,334)	-	4,417,422
Total	2,335,261	4,395,465	(65,358)	-	6,665,368
Machinery and equipment-others	123,257	8,304	(5,094)	-	126,467
Office furniture and fixtures	99,356	9,767	(3,411)	-	105,712
Vehicles	19,206	4,380	(3,323)	-	20,263
Roads	15,209	47	-	-	15,256
Roads-appraisal increase	5,455	29	-	-	5,484
Total	20,664	76	-	-	20,740
Total accumulated depreciation	3,116,970	4,532,885	(80,639)	-	7,569,216
Property, plant and equipment-net	14,574,780				15,333,739
Construction on progress	34,589	119,615	(20,507)	(92,253)	41,444
Total property, plant and equipment	14,609,369				15,375,183
Depreciation for the year excluded depreciation from unrealized increment per assets appraisal					
2002					534,493
2001					369,348

7.1 Certain land, buildings and machinery representing more than 90% of the total value of such assets are mortgaged as collateral for bank overdrafts, loans from banks and long-term loans (see Notes 9, 10, and 11).

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 1998, Prachuap Port Company Limited engaged such company to appraise its new berth and berth facilities. The appraisal reports submitted by the appraiser were as of December 11, 2002 and September 25, 1998, respectively.

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

	Unit : Baht*000
Appraisal increment-Land	3,902
Appraisal increment-Buildings	241,085
Appraisal increment-Machinery	5,365,065
Appraisal increment-Facilities	10,700

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.

The increment resulting from the appraisal is recorded in the accounts as unrealized increment per assets appraisal and is included as a component of shareholders' equity.

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, 2002 and 2001, 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 : Baht'000	CONSOLIDATED AND THE COMPANY ONLY IN 2002				
	Land	Building	Machinery	Berth and Facilities	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

Unit : Baht'000	CONSOLIDATED AND THE COMPANY ONLY IN 2001				
	Land	Building	Machinery	Berth	Total
Unrealized increment per assets appraisal of :					
The Company	227,860	163,262	3,949,860	-	4,340,982
The subsidiary	-	-	-	90,747	90,747
The related company	-	-	561,621	-	561,621
	227,860	163,262	4,511,481	90,747	4,993,350

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

Unit : Baht'000	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Cost of assets before fully depreciated but still in use	332,336	274,229	255,167	217,611

7.4 The Company may be affected by the Supreme Court's verdict to demolish its building and structures, having the book value of Baht 19.4 million, located on the leased land under dispute. Currently, the lessor is appealing to the Supreme Court.

8. OTHER NON-CURRENT ASSETS

Other non-current assets include receivable from cancellation of shipbuilding contract as follows:

Unit : Baht'000	CONSOLIDATED		THE COMPANY ONLY	
	December 31, 2002	December 31, 2001	December 31, 2002	December 31, 2001
Receivable from cancellation of shipbuilding contract	143,713	167,958	-	-
<u>Less</u> Allowance for doubtful account	(143,713)	(167,958)	-	-
	-	-	-	-

Receivable from cancellation of shipbuilding contract represents 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. The subsidiary is currently in the process of preparing the official repayment agreement with the supplier. In 2002, the supplier repaid a portion in the amount of USD 0.55 million or Baht 24.25 million to the subsidiary. However, the subsidiary has provided for the allowance for doubtful debt in full for the remaining amount due to the uncertainty of the recoverability.

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

Short-term loans from financial institutions included 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 represent short-term trade financing from financial institutions after debt restructuring with a credit limit of Baht 2,564 million which can be adjusted in accordance with the Company's operational performance but not exceeding Baht 4,200 million. The trade financing facilities include letters of credit, trust receipts, promissory notes, bills discounted, packing credits and letters of bank 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 including the pledge of raw materials and finished products owned by the Company to the lenders (see Note 6).

As at December 31, 2002 and 2001, the Company has unused credit facilities of Baht 294 million and 1,855 million respectively, from the revolving trade financing. Commission and withdrawal terms are in accordance with the debt restructuring agreement.

10. LONG-TERM LOANS

Long-term loans consist of the following:

Unit : Baht'000	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Loan repayable semi-annually from December 2004 onwards	10,848,769	10,848,769	10,848,769	10,848,769
Loan repayable monthly from May 2002-2004 and semi-annually from June 2004 onwards	773,083	832,500	-	-
Loan repayable monthly from April 2001 onwards	-	26,380	-	-
Loan which may be forgiven	112,959	112,959	-	-
	11,734,811	11,820,608	10,848,769	10,848,769
<u>Less</u> Current portion	(220,760)	(83,271)	-	-
	11,514,051	11,737,337	10,848,769	10,848,769
Deferred interest expenses	858,314	548,420	847,657	535,905
	12,372,365	12,285,757	11,696,426	11,384,674

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 consist of the following:

- 10.1 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 is payable quarterly. There is a 5-year grace period for principal repayment. Principal repayment in equal semi-annual installments starts from December 30, 2004.
- 10.2 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 can 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 have 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.
- 10.3 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 is partially repaid, the Company may redraw up to Baht 500 million. In addition, the lending banks provide new revolving trade finance of Baht 4,200 million to the Company for its working capital which can 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 are secured by the first to the third rank mortgage of land and buildings and the first to the fifth rank mortgage of machinery which represent 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 are secured by the pledge of raw materials and finished products owned by the Company. The debt restructuring agreement contains certain covenants regarding the operations, financial position and prohibition of dividend payments before July 1, 2002 and before the Company prepays or repays certain amounts of principal of long-term loans. The agreement also includes the covenants forbidding the Company to pledge its investment in shares or create any obligation thereon, and requires the Company to enter into a contract for the use of the port with Prachuap Port Company Limited for a period of 20 years.

The debt restructuring agreement requires 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 is higher than 1.25 times, the Company has to make a prepayment of loans in the amount equal to half of the cash flow which is in excess of such ratio of 1.25 times. For the first six-month ended December 31, 2002, the Company has cash flows and the debt service coverage ratio higher than the forecast as per the debt restructuring plan, thus the Company has to make a prepayment of loans in the amount of Baht 1,304 million within May 15, 2003. However, the reclassification has not been made to the financial statements to present such amount as current liability because the management is in the process of obtaining waivers from all creditors to cancel the enforcement of this covenant of the debt restructuring agreement.

Prachuap Port Company Limited 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 includes (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 11-year maturity, 4-year grace period of principal repayment, principal repayment every 6 months starting from the fifth year on June 30, 2004, interest payable monthly at interest rate below MLR of such bank during the first 7 years and thereafter at MLR of such bank and (2) modification of terms of payment of Baht 199 million accrued interest into Baht 86 million long-term loan with 6-year maturity, 2-year grace period for principal repayment, no interest charge during the 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 subsidiary complies with the terms of debt restructuring agreement and makes payments in full under the two portions of long-term loan. Such loan is guaranteed by certain directors and the mortgage of land, which represents 68% of total value of land, as collateral.

Deferred interest expenses are 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.

On January 29, 2001, the Board of Directors' meeting passed a resolution approving the Company to accept settlement of debt owed by related companies by the transfer of the right to claim on the Company's loans due to financial institution lenders in the amount of Baht 384.25 million to set-off the outstanding debts due from such related companies in amount of Baht 314.25 million. On April 27, 2001, all financial institution lenders had given their consents for this set-off transaction. Therefore, the Company recorded the difference amount of 70 million as extraordinary item-gain from settlement of debt for 2001.

11. CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

Unit : Baht'000	CONSOLIDATED		THE COMPANY ONLY	
	September 30,	December 31,	September 30,	December 31,
	2002	2001	2002	2001
Convertible debentures	2,400,000	2,400,000	2,400,000	2,400,000
Deferred interest expenses	182,151	137,026	182,151	137,026
	2,582,151	2,537,026	2,582,151	2,537,026

On October 17, 2000, the Company issued Baht-denominated convertible debentures in the amount of Baht 2,400 million according to the Company's debt restructuring agreement. Details and conditions are as stated in Note 10.2. Such convertible debentures are secured by the mortgage of land, buildings and machinery (see Note 7.1) and the assignment of insurance proceeds.

Equity component part of convertible debentures has 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.

As at December 31, 2002, no convertible debentures have been converted.

12. 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, 2002 and 2001, the Company and subsidiary contributions included in selling and administration expenses are Baht 11.7 million and Baht 10.5 million, respectively.

13. FOREIGN EXCHANGE RISK MANAGEMENT

As at December 31, 2002 and 2001, assets and liabilities in foreign currencies consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	2002		2001	
Assets - US Dollar	9,845,498		3,011,580	
Liabilities - US Dollar	94,498,944		16,414,694	
- Italian Lira	76,270,995		313,772,595	
- Deutsche Mark	26,479		41,349	
- Yen	7,982,600		637,600	
- Euro	170,460		98,372	
- Pound Sterling	22,368		69,121	

As at December 31, 2002 and 2001, the Company did not make any hedging contracts to cover assets which are due for receipt in 2003 and 2002. However, the Company entered into hedging contracts of US\$ 11.9 million and US\$ 24.7 million for liabilities which are due in 2003 and 2002, respectively.

14. 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.

Subsequently, 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, on July 31, 2002, the subsidiary received the investment promotion certificate No. 1484(2)/2545, 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.

15. REVENUES OF A PROMOTED INDUSTRY

Based on the Announcement of the Board of Investment No. Por 14/1998 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, 2002, the required information is as follows:

	Unit : Baht*000	CONSOLIDATED		
		Promoted Business	Non-Promoted Business	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 : Baht*000	THE COMPANY ONLY		
		Promoted Business	Non-Promoted Business	Total
Revenues				
Export sales		2,485,915	-	2,485,915
Domestic sales		21,229,050	-	21,229,050
		23,714,965	-	23,714,965

Revenues from promoted and non-promoted businesses for the year ended December 31, 2001 is as follows:

	Unit : Baht*000	CONSOLIDATED		
		Promoted Business	Non-Promoted Business	Total
Revenues				
Export sales		372,509	-	372,509
Domestic sales		12,513,820	30,323	12,544,143
Income from services		134,507	53,254	187,761
		13,020,836	83,577	13,104,413

	Unit : Baht*000	THE COMPANY ONLY		
		Promoted Business	Non-Promoted Business	Total
Revenues				
Export sales		372,509	-	372,509
Domestic sales		21,513,820	30,323	12,544,143
		12,886,329	30,323	12,916,652

16. TRANSACTIONS WITH RELATED COMPANIES

The Company and subsidiaries have transactions with related companies. These companies are related through common shareholding and/or directorship. 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.

16.1 Investments in subsidiary, associated, and related companies

Unit : Baht*000	2002							
	Types of Business	Relationship	Issued and Paid Up Capital	% of Shareholding	Cost	Equity	Consolidated	Dividend Amount
Subsidiary companies								
West Coast Engineering Company Limited	Maintenance services	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	-
Unit : Baht*000	2001							
	Types of Business	Relationship	Issued and Paid Up Capital	% of Shareholding	Cost	Equity	Consolidated	Dividend Amount
Subsidiary companies								
West Coast Engineering Company Limited	Maintenance services	Shareholder	75,000	99.99	75,000	90,504	-	-
Prachuap Port Company Limited	Deep-sea port services	Shareholder	400,000	51.00	204,000	264,337	-	-
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	916,462	561,621	-

On August 21, 2001 the Board of Directors' meeting passed a resolution to invest in 2.5 million new ordinary shares with a par value of Baht 10 each totalling Baht 25 million of West Coast Engineering Company Limited, the subsidiary. In addition, the Company received the consent of all financial institution lenders dated November 6, 2001 related to additional investment in West Coast Engineering Company Limited. Subsequently on November 22, 2001, the Company paid the share subscriptions in full. The increase in share capital of West Coast Engineering Company Limited did not affect a percentage of shareholding of the Company.

16.2 Loans and advances between the Company and subsidiary, associated, and related companies

Unit : Baht'000	Balance as at December 31, 2001	Additions	Repayments/ Settlements	Balance as at December 31, 2002
CONSOLIDATED				
Short-term loans to related party				
- SV Marine Company Limited	63,000	-	(63,000)	-
<u>Less</u> Allowance for doubtful account	(63,000)	-	63,000	-
	-	-	-	-
Advances to related parties	42	60	(42)	60
Total	42	60	(42)	60
THE COMPANY ONLY				
Advances				
- Subsidiary	3	77	(3)	77
- Related parties	42	60	(42)	60
Total	45	137	(45)	137

In 2002, Prachuap Port Company Limited has written off short-term loans to SV Marine Company Limited the amount of Baht 63 million in full due to preclude by prescription.

16.3 Business transactions

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

Unit : Baht'000	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Accounts and notes receivable, net of allowance for doubtful accounts	1,338,670	811,518	1,327,808	802,530
Other receivables	197	199	262	357
Other current assets	16,762	9,081	16,589	8,839
Other assets	4,840	4,840	3,591	3,591
Accounts payable	21,445	14,809	52,891	44,597
Accrued expenses	23,822	28,835	38,807	43,064

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

Unit : Baht'000	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Sales	9,461,163	5,496,861	9,461,163	5,496,861
Service income	114,434	93,146	-	-
Other income (before deduction of the related costs)	172,181	131,036	175,420	135,851
Cost of sales	193,891	94,422	663,337	339,665
Purchase raw material	-	68,559	-	68,559
Selling and administrative expenses	285,866	248,060	305,839	259,497
Interest expenses	-	2,289	-	2,289
Gain from settlement of debts	-	70,000	-	70,000

The Company has policies to sell the products to shareholders' group and related companies 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 2002 and 2001, the Company employed West Coast Engineering Company Limited to construct additional fixed assets amounting to Baht 14.5 million and Baht 9.4 million, respectively.

17. ADDITIONAL DISCLOSURE FOR QUALITY OF ASSETS

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

Unit : Baht'000	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

As at December 31, 2001, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivables aging:

Unit : Baht'000	CONSOLIDATED		THE COMPANY ONLY	
	Number of Accounts	Amount	Number of Accounts	Amount
3 - 6 months	1	3,630	1	3,630
6 - 12 months	1	1,691	-	-
Over 12 months	7	469,751	5	393,888
Total		475,072		397,518
Allowance for doubtful accounts recorded		471,431		393,888

17.2 As at December 31, 2001, Prachuap Port Company Limited has a loan to a related company without collateral with accrued interest totaling Baht 63 million. The loan has been inactive since 1996. The subsidiary, therefore, provided the allowance for doubtful accounts of such loan in full in 1998. In 2002, the subsidiary has written off the such loan in full (see Note 16.2).

17.3 As at December 31, 2002 and 2001, Prachuap Port Company Limited has advance and loan to director without collateral amounting to Baht 2.7 million and Baht 6 million, respectively which are the remaining balances after receiving Baht 3.3 million during the year 2002. The subsidiary provided an allowance for doubtful account in full for the remaining amount.

18. CONDITION IN ACCEPTING THE COMPANY'S SHARES AS LISTED SECURITIES IN THE STOCK EXCHANGE OF THAILAND

The Company has policies to sell the products to the group of shareholders and the related companies at the same prices sold to the third party and at the prices not lower than the average prices of imported hot-rolled coils to Bangkok which is in accordance with the condition in accepting the Company's shares as listed securities in The Stock Exchange of Thailand.

19. BUSINESS SEGMENT INFORMATION

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

Unit : Baht'000	Types of Business	Revenues and Other Income		Net Income		Assets Employed	
		2002	2001	2002	2001	2002	2001
Sahaviriya Steel Industries Public Company Limited	Manufacturer of hot rolled coils	23,985,780	12,976,039	3,433,424	(629,656)	29,563,910	21,592,871
West Coast Engineering Company Limited	Maintenance Services	302,200	192,934	17,115	9,079	160,526	132,270
Prachuap Port Company Limited	Deep-sea port services	464,506	293,018	338,229	(43,543)	1,773,698	1,535,967
		<u>24,752,486</u>	<u>13,461,991</u>	<u>3,788,768</u>	<u>(664,120)</u>	<u>31,498,134</u>	<u>23,261,108</u>
<u>Less</u> Inter-company transactions		(680,864)	(276,582)	(208,125)	16,400	(632,051)	(427,370)
		<u>24,071,622</u>	<u>13,185,409</u>	<u>3,580,643</u>	<u>(647,720)</u>		
<u>Less</u> Minority interest in net income (loss)				(147,219)	18,064		
Net income (loss)				<u>3,433,424</u>	<u>(629,656)</u>		
Total assets						<u>30,866,083</u>	<u>22,833,738</u>

20. COMMITMENTS AND CONTINGENCIES

20.1 The Company has commitments regarding the agreements for construction of plant, purchases of machinery and equipment and related expenses amounting to approximately Baht 320 million and Baht 236 million as at December 31, 2002 and 2001, respectively.

The Company has commitments to banks regarding the outstanding letters of credit amounting to approximately US\$ 15.2 million and Baht 44 million as at December 31, 2002 and 2001, respectively.

The two subsidiaries have commitments regarding capital expenditure and construction contract amounting to approximately Baht 6.4 million and Baht 8.47 million as at December 31, 2002 and 2001, respectively.

20.2 The Company and subsidiaries have contingent liabilities to banks for letters of guarantee issued on their behalf amounting to approximately Baht 93.5 million as at December 31, 2002 and 2001.

21. DISCLOSURE OF FINANCIAL INSTRUMENTS

21.1 Accounting policies

Accounting policies have been disclosed in Note 4.7

21.2 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.

21.3 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 13.

21.4 Interest rate risk

Interest rate risk in the balance sheet 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 10 and 11.

21.5 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, 2002 and December 31, 2001, 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, 2002 and December 31, 2001, 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, 2002, the carrying values of financial assets and liabilities which are different from the fair values, are as follows:

Unit : Baht'000	CONSOLIDATED		THE COMPANY ONLY	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Fixed deposits 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

As at December 31, 2001, the carrying values of financial assets and liabilities which are different from the fair values, are as follows:

Unit : Baht'000	CONSOLIDATED		THE COMPANY ONLY	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Fixed deposits as collateral	16,200	16,166	-	-
Account receivable	1,123,655	1,123,539	1,110,849	1,110,732
Investment in other Company	561,621	1,413,315	561,621	1,413,315
Financial liabilities:				
Long-term loans	12,285,757	10,291,114	11,384,674	9,360,107
Convertible debentures	2,537,026	2,000,838	2,537,026	2,000,838

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,
Thai Cold Rolled Steel Sheet Public
Company Limited
Chairman of the Board of Directors,
Prachuap Port Company Limited
Chairman of the Board of Executive
Directors, West Coast Engineering
Company Limited
1997 Chairman of the Board of Executive
Directors, First Bangkok City Bank
Public Company Limited
Deputy Ministry 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., Rajamungala Institute of
Technology

Work Experience

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

5. **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
Chairman of the Board of Directors,
Thai Coated Steel Sheet Company Limited
1995 - Present Director, Thai Cold Rolled Steel Sheet
Public Company Limited
1993 - Present Independent Director, TPI Polene Public
Company Limited

6. **Mr. Tongchat Hongladaromp** Independent Director

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

Work Experience

2001 - Present President, Thai Petrochemical Industry
Public Company Limited
1999 - Present Director, West Coast Engineering
Company Limited
1996 - 2001 President, Thai Telephone &
Telecommunication Public Company Limited
1995 - 1999 Chairman of the Board of Directors,
Industrial Estate Authority of Thailand

7. **Professor 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)
Audit Committee in Public Sector, Ministry of Foreign Affairs
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 for CPA
Director, Financial Sector Restructuring Authority (FRA)
Adviser of the Audit Committee, The Government Savings Bank
Adviser of the Audit Committee, Thai Airways International Public Company Limited
Director, Thai Rating Information Service Company Limited
Certified Public Accountant - Managing Partner, A.M.T. & Associates

1999 - 2001 President, Thammasat University Commerce and Accountancy Alumni

1994 - 1999 Vice President of The Institute of Certified Accountants and Auditors of Thailand
Steering Committee in the Accounting Standard for Agriculture,
International Accounting Standard Board

1987 - 1997 Chairperson of Accounting Standard Committee,
The Institute of Certified Accountants and Auditors of Thailand

8. 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

9. 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, West Coast Engineering Company Limited

2000 - 2002 Chairman of the Board Financial Sector Restructuring Authority (FRA)

1998 Comptroller General, Ministry of Finance

1993 - 1998 Deputy Permanent Secretary for Finance, Ministry of Finance

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

10. 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

11. Mr. Sittichai Thiensathaporn Director, Executive Director, and President

Education M.B.A. (Finance), University of Scranton, U.S.A. Directors Certification Program (DCP. 10)

Work Experience

2002 - Present Director, West Coast Engineering Company Limited
Director and Executive Director, Iron & Steel Institute of Thailand
Director, Steel Industry Club,
The Federation of Thai Industries

1986 - 1990 Teaching and Research Assistant School of Business Administration, University of North Carolina at Chapel Hill, U.S.A.

12. Mr. Win Viriyaprapaikit Director, Executive Director, and Executive Vice President

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

Work Experience

2002 - Present Director, West Coast Engineering Company Limited
1999 - Present Director, Thai Cold Rolled Steel Sheet Public 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

13. Mr. Permpon 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

14. 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 Thiensathaporn Director, Executive Director, and President

Education M.B.A. (Finance), University of Scranton, U.S.A. Directors Certification Program (DCP. 10)

Work Experience

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

2. Mr. Win Viriyaprapaikit Director, Executive Director, and Executive Vice President

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

Work Experience

2002 - Present Director, West Coast Engineering Company Limited
1999 - Present Director, Thai Cold Rolled Steel Sheet Public 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

3. Mrs. Vilai Chattanrassamee Vice President - Finance & Accounting Division

Education M.S. (Accounting), Thammasat University Directors Certification Program (DCP.13)

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 Resource 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, West Coast Engineering Company Limited
1991 - 1992 Supervisor - Production Planning Department,
Thai Plastic and Chemical Public Company Limited
9. **Mr. Kittisak Mapanao** Assistant Vice President (Technology & Engineering)
Education B. Eng. (Industrial), Khonkaen University
Work Experience
1991 - 1992 Industrial Engineer, Hana Coil Company Limited
10. **Mr. Soonthorn Wasansaerekul** Assistant Vice President (Operations)
Education B. Eng. (Industrial), Khonkaen University
Work Experience
1989 - 1992 Production Engineer, Siam Fiber Cement Co., Ltd.
11. **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
12. **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,
Pricewaterhouse Coopers Risk Management Service Limited
- 1988 - 1999 SAP and Application Software Support Manager
The Shell Company of Thailand Limited
13. **Mr. Narongrit Chotnuchittrakul** Assistant Vice President - Finance & Accounting Division
Education M.B.A., Dhurakijpundit University
Work Experience
1997 - 2002 Management Accounting Department Manager,
Sahaviriya Steel Industries Public Company Limited
14. **Mr. Srijaroung Bandhaya** Assistance 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
15. **Mrs. Wannee Sirikanchana** Assistant Vice President - 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
16. **Mr. Surasak Ngamsidhipongsa** Assistance 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), 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
17. **Mr. Somkiat Panichkul** Assistant Vice President (Maintenance)
Education MBA, 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



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