

A CONFIDENT STEP TOWARDS A SUSTAINABLE FUTURE



Annual Report 2004

Sahaviriya Steel Industries Public Company Limited



A golden year for the Thai steel industry, with a record

net profit of

Baht

5,333

million

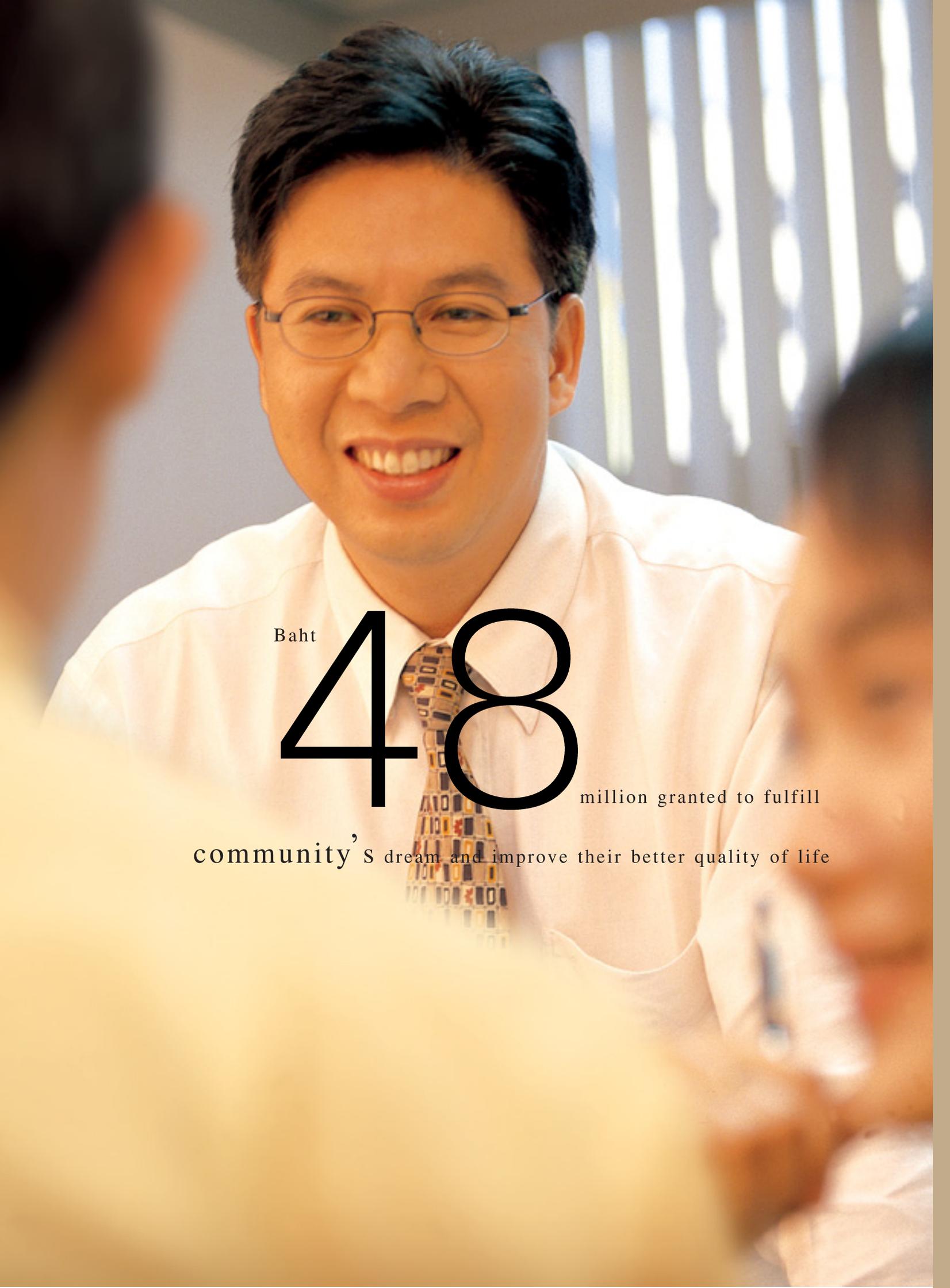


Expanding our annual
existing capacity to

4

million tonnes

to meet the rising requirement of downstream industries

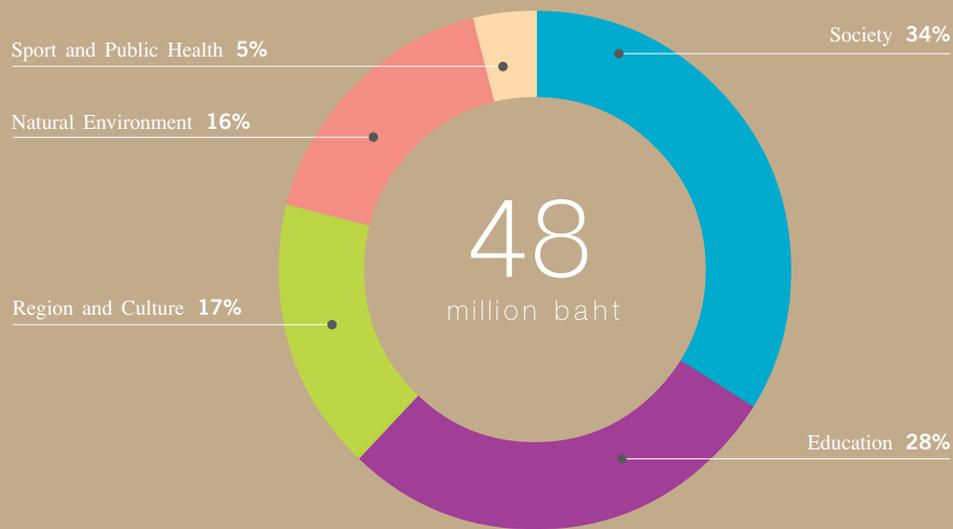


Baht

48

million granted to fulfill

community's dream and improve their better quality of life



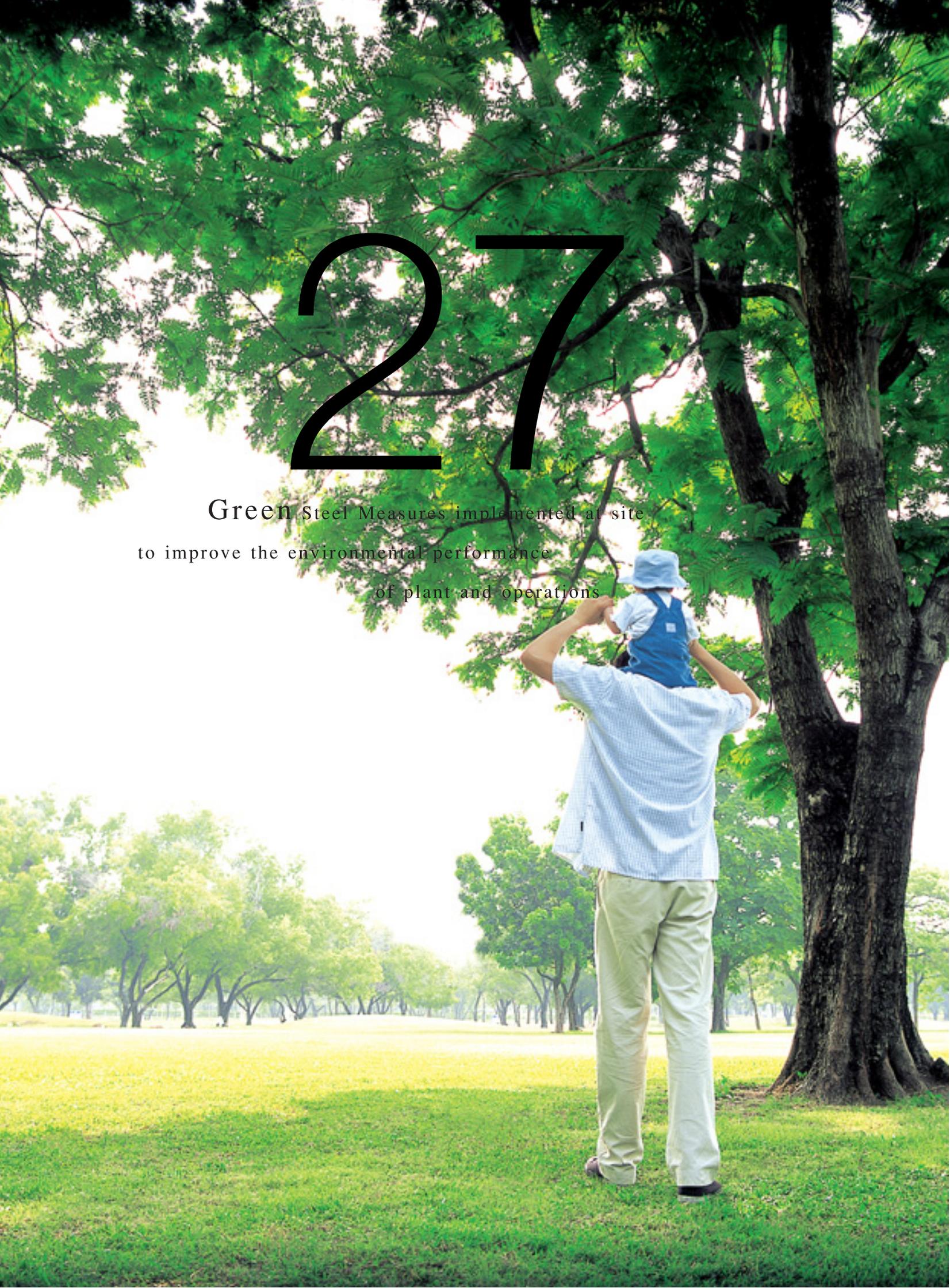
**Support for Social
and Community Activities, 1993-1994**



As a member of community in which we operate, SSI places our responsibilities on supporting various projects and programs including social, educational, sports, public health, religious, traditional, and environmental activities aimed at making a positive impact on people's lives.

27

Green Steel Measures implemented at site
to improve the environmental performance
of plant and operations





Under our business philosophy
and good corporate governance principles,
SSI has continued to improve and develop
our environmental projects and issued 27 Green Steel Measures
to make strong progress in our environmental management
for the vicinity of our operations.

A CONFIDENT STEP TOWARDS A SUSTAINABLE FUTURE

VISION

Leader of Hot Rolled Coil Industry in Southeast Asia

MISSION

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

VALUES

S = Spirit of teamwork & continuous learning

S = Satisfaction to all stakeholders

I = Integrity from all staff



FINANCIAL INFORMATION OF SSI AND SUBSIDIARIES

FINANCIAL INFORMATION FROM

CONSOLIDATED FINANCIAL STATEMENTS :

		2004	2003	2002
Total Assets	(Million Baht)	36,526	29,301	30,866
Total Liabilities	(Million Baht)	16,439	12,891	21,518
Total Shareholders' Equity	(Million Baht)	20,087	16,410	9,348
Sales	(Million Baht)	36,631	29,326	23,715
Income from Services	(Million Baht)	244	231	253
Total Revenues	(Million Baht)	37,093	31,156	24,072
Gross Profit from Sales	(Million Baht)	6,444	4,876	5,331
Gross Profit from Services	(Million Baht)	(27)	(82)	(62)
Net Profit (Loss)	(Million Baht)	5,333	4,703	3,433

FINANCIAL RATIO :

Net Profit Margin	(%)	14.38	15.09	14.26
Return on Equity	(%)	30.38	38.05	52.05
Return on Assets	(%)	16.20	15.63	12.79
Earning per Share	(Baht)	0.41	0.55	0.40
Dividend per Share	(Baht)	0.10	None	None
Book Value per Share	(Baht)	1.48	1.84	1.04

NATURE OF BUSINESS OPERATIONS

Sahaviriya Steel Industries Pcl. (SSI) is the first and the largest manufacturer of hot-rolled steel sheet in coils (HRC) in Thailand with maximum capacity of 2.4 million tonnes per year and investment cost of more than Baht 13,300 million or US\$ 500 million. In 2004, SSI started the operation of pickling and oiling processing line (P/O coil) with maximum capacity of up to 1 million tonnes per year at investment cost of more than Baht 1,000 million and invested in the expansion project to increase annual production capacity of HRC from 2.4 million tonnes to 4 million tonnes, to be completed in early 2005.

SSI also invested in downstream projects which include Thai Cold Rolled Steel Sheet Pcl. (TCR) and Thai Coated Steel Sheet Co., Ltd. (TCS). TCR is the first manufacturer of cold-rolled steel sheet in coils in Thailand

with a maximum annual capacity of 1.2 million tonnes using hot rolled coils as raw material. TCS is the first and only manufacturer of electro-galvanized steel sheet in coils in Thailand with a maximum annual capacity of 180,000 tonnes using cold rolled coils as raw material.

In addition, SSI 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 received promotional privileges granted by the Board of Investment (BOI). Besides, SSI 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 Khiri Khan.

REVENUE STRUCTURE

Product/Service	Operated by	% Shareholding by SSI	2004		2003		2002	
			Revenue (Million Baht)	%	Revenue (Million Baht)	%	Revenue (Million Baht)	%
Hot Rolled Coils	Sahaviriya Steel Industries Pcl.	None	36,628 ⁽¹⁾	98.75	29,323 ⁽¹⁾	94.11	23,715 ⁽¹⁾	98.53
Maintenance and Engineering Services	West Coast Engineering Co., Ltd.	99.99%	30	0.08	24	0.08	17	0.07
Deep Sea Port	Prachuap Port Co., Ltd.	51.00%	216	0.58	211	0.68	236	0.98
Other Revenues	Sahaviriya Steel Industries Pcl.		218	0.59	1,469	4.71	97	0.41
	Prachuap Port Co., Ltd.		(1) ⁽²⁾	0.00	128	0.40	5	0.02
	West Coast Engineering Co., Ltd.		2	0.00	1	0.02	1	0.00
			37,093	100	31,156	100	24,071	100

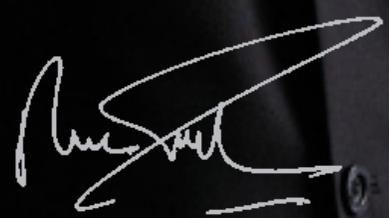
Notes : ⁽¹⁾ Including sales to Thai Cold Rolled Steel Sheet Pcl. in the amount of Baht 6,247, 4,744 and 3,276 million in 2004, 2003, and 2002 respectively.

⁽²⁾ This has been reclassified (loss on exchange of Baht 3.14 million) according to consolidated financial statements basis.

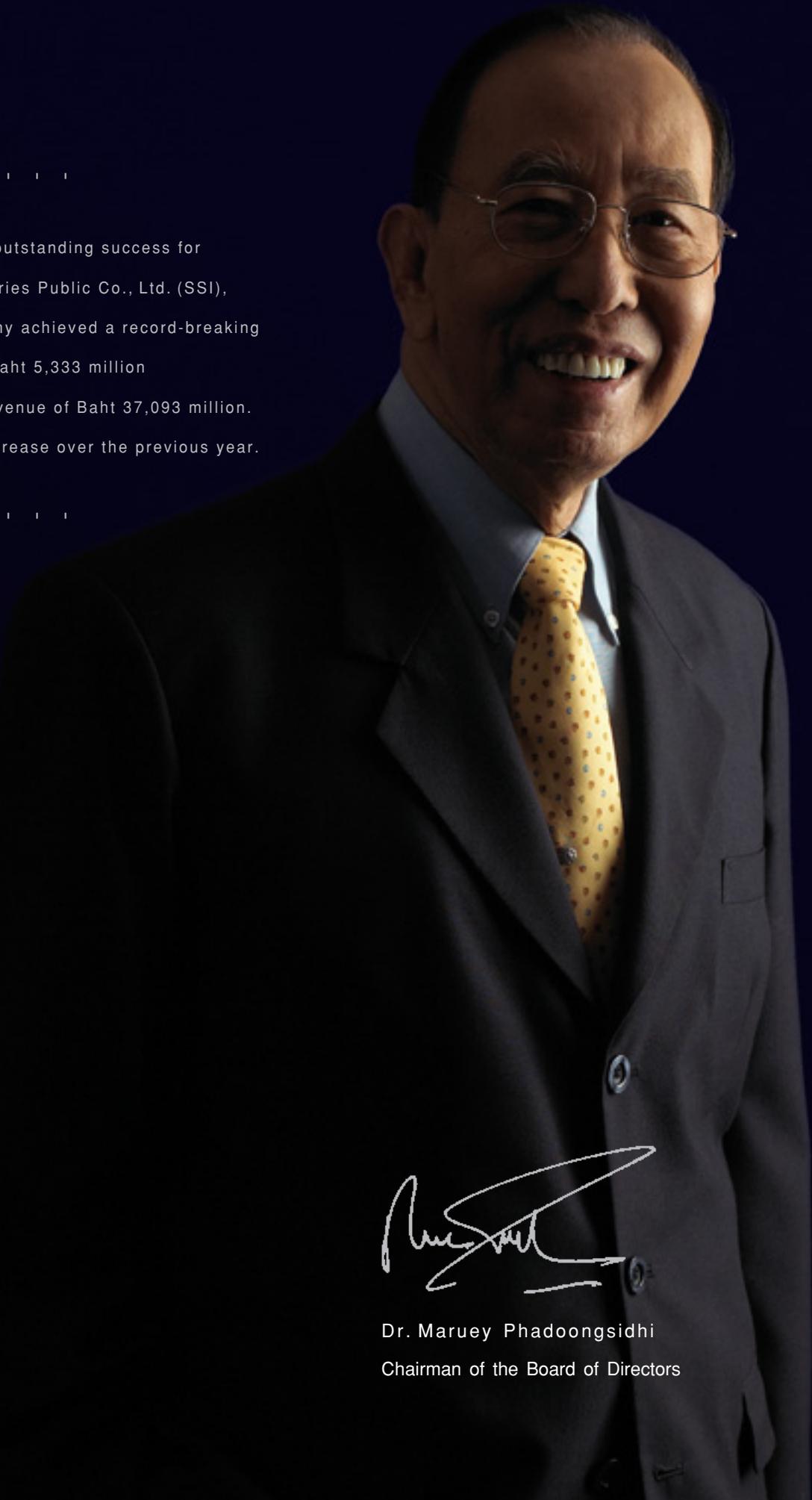
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2004 was a year of outstanding success for
Sahaviriya Steel Industries Public Co., Ltd. (SSI),
a year in which the Company achieved a record-breaking
net profit of Baht 5,333 million
from total consolidated revenue of Baht 37,093 million.
This represented a 25% increase over the previous year.

| | | | |



Dr. Maruey Phadoongsidhi
Chairman of the Board of Directors



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

2004 was a year of outstanding success for Sahaviriya Steel Industries Public Co., Ltd. (SSI), a year in which the Company achieved a record-breaking net profit of Baht 5,333 million from total consolidated revenue of Baht 37,093 million. This represented a 25% increase over the previous year. In addition, the Company's retained losses were totally erased in March 2004, enabling the Company to issue its first dividends ever to its shareholders.

This resounding success took place in the context of unprecedented growth in the global steel industry during 2004. Economic expansion in the U.S.A., China, the European Union, and Japan drove up steel consumption at a rapid rate. Simultaneously, Thai economic growth was continuously robust, particularly in the construction, automobile, auto parts, and electrical appliance industries. These industries all required higher inputs of steel. In addition to the favourable conditions at home and abroad, the satisfactory performance is a result of the Company's continuous focus to improve its operational efficiency and its strategy in various aspects of the operation.

During 2004 major investment projects progressed smoothly. Installation of the Pickling and Oiling line for hot-rolled coils which had begun in 2003 was completed, and commercial production commenced in May 2004. The output quality was immediately recognized by customers both in Thailand and abroad. The expansion project in annual production capacity from 2.4 million to 4 million tonnes should be completed by early February 2005, making the Company the largest producer of hot-rolled steel sheet in coil in Southeast Asia.

Apart from business achievements, social and environmental concerns remained an essential part of the Company's drive towards sustainable development. Recognition of these aims was manifested in the awards received by the Company; the National Awards in Safety, Occupational Health, and Workplace Environment for the fourth consecutive year, Outstanding Business for Labour Relations and Outstanding Business for Labour Benefits for the second consecutive year, presented by the Ministry of Labour. The Company was also on Her Majesty the

Queen Sirikit's Honour Roll for participants in the "Green Factory" Program in celebration of Her Majesty's 72nd birthday. The Company received the Certificate of merit for zero lost-time accidents at the workplace from a campaign to reduce industrial accidents. Another accomplishment was being the first to receive the TIS 17025 laboratory accreditation from the Thai Industrial Standards Institute. This makes the Company the most completely certified steel-maker in Thailand and a source of total confidence for our clients in the quality of our products.

2005 looks to be yet another year of economic volatility and changes that may affect Thailand's growth prospects. It appears, in any case, that the demand for steel will continue to rise above 2004's levels, buoyed by government policies favouring growth in the real estate business and the construction of more infrastructure. Manufacturing capacity utilization will also increase, particularly in the auto manufacturing sector.

In view of the coming challenges, the Company has adopted appropriate measures to improve efficiency. Among these are management according to principles of good corporate governance, maximizing productivity, upgrading the quality of products and services and ensuring customer satisfaction in order to maintain good relations with our present clientele, expanding our customer base to embrace more clients looking for high-quality products, developing the strengths of our personnel, and focusing on quality-of-life and environmental issues as they pertain to our employees, our society, our community, and our stakeholders.

On behalf of the Board of Directors, I would like to thank our shareholders, our customers, our business partners, and the State and private agencies, financial institutions, and members of the mass media who have helped us throughout. Gratitude is also due to every person in management and staff for their devotion to duty and their diligence, professional dedication to corporate efficiency. The Board of Directors is convinced that the success we have reaped this year is the foundation for our future role as leader in the hot-rolled steel sheet industry of Southeast Asia.

AUDIT COMMITTEE REPORT FOR THE YEAR 2004



Professor Kesree Narongdej
Chairperson of the Audit Committee
February 28, 2005

To the Board of Directors of Sahaviriya Steel Industries Public Company Limited

Board of Directors Meeting No. 2/2545 on May 24, 2002 reappointed the same Audit Committee (“the Committee”) whose terms had expired on June 29, 2002 to another term, from June 30, 2002 to June 29, 2005. The Committee comprises three independent directors together with the Chief of the Internal Audit Office acting as its Secretary :

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

The duties and responsibilities of the Committee to the Board, under the Charter of the Audit Committee (No. 2), announced on November 24, 2004, are as follows :

1. Ensure accurate and adequate financial reports.
2. Ensure suitable and efficient internal control and internal audit systems.
3. Ensure compliance with laws on securities and the stock exchange, regulations of the Stock Exchange of Thailand (SET), and laws concerning Company business.
4. Review risk management system, focusing on major risk.
5. Consider, select, and nominate the Company's auditors and recommend fees.
6. Ensure a full and accurate disclosure of information on connected transactions or those with parties with potential conflicts of interests.

7. Consider the option of the Company's hiring an ad-hoc advisor, should advice or expertise be needed.

8. Perform any tasks assigned by the Board with the consent of the Committee.

In 2004, the Committee met five times to perform the following independent oversight duties and other duties assigned by the Board:

1. Finalizing the interim and annual financial statements of 2004 together with the external auditors of SSI and its subsidiaries, as well as the discussions by management, before disclosing them to the SET and the Office of the Securities and Exchange Commission (SEC).

2. Acknowledging observations and the analysis on the interim and annual financial statements of 2004, prepared by management.

3. Approving the audit plan of the Internal Audit Office for SSI and its subsidiaries.

4. Acknowledging the audit reports of the Internal Audit Office, including identified deficiencies and remedial actions taken.

5. Assessing the adequacy of the internal control system against the evaluation form issued by the SEC for 2004.

6. Acknowledging reports on corporate compliance with laws on securities and the stock exchange and other laws concerning Company business, and monitoring progress in litigation involving SSI.

7. Acknowledging and monitoring progress on corporate risk management implementation.

8. Considering, selecting, and nominating to the Board for consideration and seeking approval at the ordinary meeting of the shareholders in reappointing Ms. Thanawan Anuratbodee, and/or Dr. Suphamit Techamontrikul, and/or Ms. Somporn Dulyavit of Deloitte Touche Tohmatsu Jaiyos Co., Ltd., as the Company's auditors, to serve one more term in fiscal year 2005, together with their fees.

9. Acknowledging quarterly reports on SSI sales and pricing, incorporating connected transactions with the affiliates of major shareholders and SSI management, all of which had been conducted on an arm's length basis.

10. Acknowledging and monitoring the progress in complying with the resolutions passed by the Committee.

11. Carrying out self-assessment for 2004 and submitting the results to the Board.

12. Approving the information disclosed to the SET and SEC, which was disclosed in the annual report (Form 56-2) and in the annual information disclosure form (Form 56-1) covering topics such as:

- Corporate governance and its implementation
- Internal control
- Supervising the use of inside information
- Management discussion and analysis
- Risk management.

13. Acknowledging the self-assessment of SSI for 2004 in response to "The Corporate Governance of a Listed Company" questionnaire issued by the SET.

GENERAL INFORMATION

COMPANY'S NAME, LOCATION AND TYPE OF BUSINESS

Name	: Sahaviriya Steel Industries Public Company Limited
Abbreviation	: SSI
Company Registration No.	: Bor Mor Jor 315
Website	: http://www.ssi-steel.com
Type of Business	: Manufacture and sell hot rolled coils and hot rolled coils pickled and oiled at maximum capacity of 4 million tonnes per year with the Board of Investment Promotional Certificate
Head Office	: 28/1 Prapawit Building, 2 nd -3 rd Floor, Surasak Road, Silom, Bang Rak, Bangkok 10500 Tel. 0-2238-3063-82 Fax 0-2236-8890, 0-2236-8892
Plant Office	: 9 Moo 7, Ban Klang Na - Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khiri Khan 77140 Tel. 0-3269-1403-5, 0-3269-1412-5, 0-3269-1419-20 Fax 0-3269-1421
Registered capital	13,101,500,000 baht
consisting of	13,101,500,000 ordinary shares at 1 baht each
Paid-up capital	13,101,280,000 baht
consisting of	13,101,280,000 ordinary shares at 1 baht each

SUBSIDIARIES 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, Bang Rak, Bangkok 10500 Tel. 0-2238-3063-82 Fax 0-2236-8890, 0-2236-8892	● Maintenance and engineering services	75,000,000	10	7,500,000	99.99
Prachuap Port Co., Ltd. 6th Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bang Rak, Bangkok 10500 Tel. 0-2630-0323-32 Fax 0-2236-7046	● Deep sea port	400,000,000	10	40,000,000	51

OTHER REFERENCE PERSONS

Share Registrar

Ordinary Shares : Thailand Securities Depository Co., Ltd.

4th, 7th Floor, The Stock Exchange of Thailand Building, 62 Ratchadaphisek Road, Khlong Toei, Bangkok 10110 Tel. 0-2229-2800, 0-2654-5599 Fax 0-2359-1259

Debentures : Bank of Ayudhya Public Company Limited

1222 Rama III Road, Bangpongpan, Yan Nawa, Bangkok 10120
Tel. 0-2296-4769 Fax 0-2683-1297

Auditors : Mr. Supamitr Techamontrikul Registration No. 3356

Ms. Thanawan Anuratbodee Registration No. 3440

Ms. Somporn Dulyawit Registration No. 3709

Deloitte Touche Tohmatsu Jaiyos Co., Ltd.

25th Floor, Rajanakarn Building, 183 South Sathon Road, Yan Nawa, Sathon, Bangkok 10120

Tel. 0-2676-5700 Fax 0-2676-5757

Representative : Thai Military Bank Public Company Limited

393 Silom Road, Silom, Bang Rak, Bangkok 10500

Tel. 0-2230-5040 Fax 0-2266-7213

BOARD OF DIRECTORS



- | | | | |
|---|---|--|--|
| <p>1. Mr. Maruey Phadoongsidhi</p> | <p>Chairman of the Board of Directors and Executive Director</p> | <p>5. Mr. Taweesak Senanarong</p> | <p>Director and Remuneration Committee Member</p> |
| <p>2. Mr. Wit Viriyaprapaikit</p> | <p>Director and Chairman of the Board of Executive Directors</p> | <p>6. Mr. Visith Noiphan</p> | <p>Independent Director, Audit Committee Member and Chairman of the Nomination Committee</p> |
| <p>3. Mrs. Prapa Viriyaprapaikit</p> | <p>Director</p> | <p>7. Mrs. Kesree Narongdej</p> | <p>Independent Director and Chairperson of the Audit Committee</p> |
| <p>4. Mr. Somchai Pipitvijitkorn</p> | <p>Director, Executive Director and Remuneration Committee Member</p> | <p>8. Mr. Tongchat Hongladaromp</p> | <p>Independent Director</p> |



9. Mr. Tawee Butsunton Independent Director and Chairman of the Remuneration Committee

10. Mr. Prateep Buphaintr Independent Director, Audit Committee Member and Nomination Committee Member

11. Mr. Kamol Juntima Director and Nomination Committee Member

12. Mr. Piya Viriyaprapaikit Director and Executive Director

13. Mr. Win Viriyaprapaikit Director, Executive Director and President

14. Mr. Permpoon Krairiksh Director and Executive Director

15. Mr. Nuttawit Boonyawat Director and Executive Director

INFORMATION OF THE BOARD OF DIRECTORS

1. Mr. Maruey Phadoongsidhi

Chairman of the Board of Directors and Executive Director

Age 75 years

Education

- Ph.D. (Bus.), University of Wisconsin, U.S.A.
- Chairman 2000 (Class 4/2001)

Work Experience

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

2. Mr. Wit Viriyaprapaikit

Director and Chairman of the Board of Executive Directors

Age 71 years

Education

- Honorary B.A., Rajamungala Institute of Technology

Work Experience

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

3. Mrs. Prapa Viriyaprapaikit

Director

Age 76 years

Education

- Honorary Ph.D. (Economics), Medford University, U.S.A.
- Honorary Ph.D. (Agricultural Science), Chiang Mai University

Work Experience

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

4. Mr. Somchai Pipitvijitkorn

Director, Executive Director and Remuneration Committee Member

Age 65 years

Education

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

Work Experience

- 2004 - Present • Director, Bangsaphan Barmill Public Company Limited
- 2003 - Present • Director, Sahaviriya Plate Mill Company Limited
- 1990 - 1999 • Director, Sahaviriya Steel Industries Public Company Limited
- Director, Thai Cold Rolled Steel Sheet Public Company Limited
- 1986 - 1998 • Director, Siam City Cement Public Company Limited
- 1984 - 1999 • Director, Bank of Ayudhya Public Company Limited
- 1983 - 1999 • Director, Ayudhya Life Assurance Public Company Limited

5. Mr. Taweesak Senanarong

Director and Remuneration Committee Member

Age 70 years

Education

- Diploma of Fine Art Royal Academy, Rome, Italy
- Bachelor of Fine Arts, Silpakorn University
- Honorary Ph.D., Silpakorn University
- The National Defence Regular Course
- Audit Committee Program

Work Experience

- 2004 - Present • Director, Bangsaphan Barmill Public Company Limited
- 2001 - Present • Director, Sahaviriya Plate Mill Company Limited
- 1999 - Present • Director, West Coast Engineering Company Limited
- Director, Prachuap Port Company Limited
- Director, Bangsaphan Transport Company Limited

6. Mr. Visith Noiphan

**Independent Director, Audit Committee Member
and Chairman of the Nomination Committee**

Age 73 years

Education

- M.Eng. (Sanitary Engineering), Chulalongkorn University
- The National Defence Regular Course
- Director Accreditation Program

Work Experience

- 2004 - Present* • Director, Bangsaphan Barmill Public Company Limited
- 2001 - Present* • Chairman of the Board of Directors, Sahaviriya Plate Mill Company Limited
- 1999 - Present* • Chairman of the Board of Directors, West Coast Engineering Company Limited
- 1993 - Present* • Independent Director, TPI Polene Public Company Limited

7. Mrs. Kesree Narongdej

**Independent Director
and Chairperson of the Nomination Committee**

Age 69 years

Education

- Master's Degree in Professional Accounting, The University of Texas at Austin
- 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 of the Federation of Accounting Professions and President of the Institute of Certified Accountants and Auditors of Thailand
 - Chairman of the Audit Committee, Bank of Thailand
 - Chairman of the Audit Committee, Malee Sampran Public Company Limited
 - Committee of Thammasat University
 - Certified Public Accountant-Managing Partner, A.M.T. & Associates
- Past*
- Board Member of International Federation of Accountant (IFAC)
 - Audit Committee in Public Sector, Ministry of Foreign Affairs
 - Dean - Faculty of Commerce and Accountancy, Thammasat University
 - President, Thammasat University Commerce and Accountancy Alumni
 - Chairperson of Accounting Standard Committee, The Institute of Certified Accountants and Auditors of Thailand

8. Mr. Tongchat Hongladaromp

Independent Director

Age 67 years

Education

- Ph.D. Eng. (Civil), Northwestern University, U.S.A.
- The National Defence Regular Course

Work Experience

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

9. Mr. Tawee Butsunorn

**Independent Director
and Chairman of the Remuneration Committee**

Age 65 years

Education

- Bachelor Degree in Mechanical Engineering (1st Class Hons.) Chulalongkorn University
- Honorary Ph.D. (Engineering), Chulalongkorn University
- Honorary Ph.D. (Engineering), Burapha University
- Honorary Ph.D. (Engineering), King's Mongkut Institute of Technology Ladkrabang
- AMP-The Advanced Management Program Harvard University, Graduate School of Business Administration, U.S.A.
- The National Defence Regular Course
- Directors Certification Program (DCP. 22)

Work Experience

- 2004 - Present* • Chairman of the Board of Directors, Bankthai Public Company Limited
- Chairman of the Board of Directors, Cathay Leaseplan Public Company Limited
 - Chairman of the Board of Directors, DAI - ICHI Public Company Limited
 - Foreign Business Committee, Ministry of Commerce
- 2002 - Present* • Director, T.C.C. Land Company Limited
- Director, Ratchaburi Electricity Generating Company Limited
- 2001 - Present* • Chairman of the Committee for tax privilege in Energy Conservation, Ministry of Energy
- 2000 - Present* • Honorary Consul of the Republic of Uganda to the Kingdom of Thailand
- Director of the Engineers' Council and Chairman of Engineers' Ethics Committee
- 1998 - Present* • Distinguished Councilor of Chulalongkorn University Council

10. Mr. Prateep Buphaintr

**Independent Director, Audit Committee Member
and Nomination Committee Member**

Age 66 years

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

11. Mr. Kamol Juntima

Director and Nomination Committee Member

Age 67 years

Education

- M.P.A., National Institute of Development Administration (NIDA)
- Directors Certification Program (DCP. 3)
- Chairman 2000 (Class 4/2001)
- The National Defence Regular Course

Work Experience

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

12. Mr. Piya Viriyaprapaikit

Director and Executive Director

Age 56 years

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
- 1994 - *Present* • Director, Bangsaphan Barmill Public 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

13. Mr. Win Viriyaprapaikit

Director, Executive Director and President

Age 35 years

Education

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

Work Experience

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

14. Mr. Permpoon Krairiksh

Director and Executive Director

Age 54 years

Education

- B.A., Boston University, U.S.A.
- Director Accreditation Program
- The Joint State-Private Sectors Regular Course

Work Experience

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

15. Mr. Nuttawit Boonyawat

Director and Executive Director

Age 43 years

Education

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

Work Experience

- 2004 - *Present* • First Executive Vice President,
Bank of Ayudhya Public Company Limited
- 1999 - 2004 • Executive Vice President,
Bank of Ayudhya Public Company Limited

EXECUTIVE MANAGEMENT

1. Mr. Win Viriyaprapaikit

Director, Executive Director and President

Age 35 years

Education

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

Work Experience

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

2. Mr. Boonnarg Mockmongkonkul

Senior Vice President - Manufacturing Division

Age 41 years

Education

- M.B.A., Ramkhamhaeng University
- Directors Certification Program (DCP. 23)

Work Experience

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

3. Mrs. Vilai Chattanrassamee

Vice President - Finance & Accounting Division

Age 52 years

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

- Secretary to the Remuneration Committee

Age 55 years

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. Wichien Tungsuknirundorn

Vice President - Commercial Division 2

Age 47 years

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

6. Mr. Prueng Piyachart

Vice President - Commercial Division 3

Age 49 years

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

7. Mr. Chartchai Pomloy

Assistant Vice President - Commercial Division 1

Age 39 years

Education

- B. Eng. (Mechanical), Khonkaen University

Work Experience

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

8. Mr. Wera Kosacarn**Assistant Vice President - Commercial Division 2**

Age 42 years

Education

- M.B.A., Thammasat University

Work Experience

1996 - 1999 • Sales Manager, Lock Focus Company Limited

9. Mr. Kittisak Mapanao**Assistant Vice President - Manufacturing Division****(Technology & Engineering)**

Age 39 years

Education

- M.B.A., Chulalongkorn University

Work Experience

1991 - 1992 • Industrial Engineer, Hana Coil Company Limited

10. Mr. Soonthorn Wasansaerekul**Assistant Vice President - Manufacturing Division (Operations)**

Age 40 years

Education

- B. Eng. (Industrial), Khonkaen University

Work Experience1989 - 1992 • Production Engineer,
Siam Fiber Cement Company Limited**11. Mr. Somkiat Panichkul****Assistant Vice President - Manufacturing Division (Maintenance)**

Age 42 years

Education

- M.B.A., Rangsit University

Work Experience2000 - 2002 • Engineering and Maintenance Department Manager,
National Fertilizer Public Company Limited1995 - 1999 • OFF Site and Unity Division Manager,
National Fertilizer Public Company Limited**12. Mr. Thinnakorn Phadungwong****Assistant Vice President - Manufacturing Division****(Technology and Quality Assurance)**

Age 37 years

Education

- Master's Degree of Metallurgical Engineering,
Chulalongkorn University

Work Experience2000 - 2004 • Metallurgy & Quality Assurance Manager,
Sahaviriya Steel Industries Public Company Limited**13. Mr. Narongrit Chotnuchittrakul****Assistant Vice President - Finance & Accounting Division****(Accounting)**

Age 35 years

Education

- M.B.A., Dhurakijpundit University

Work Experience1997 - 2002 • Management Accounting Department Manager,
Sahaviriya Steel Industries Public Company Limited**14. Mr. Vuthi Asvasermcharoen****Assistant Vice President - Finance & Accounting Division****(Finance)**

Age 37 years

Education

- M.B.A., Indiana University of Pennsylvania, U.S.A.

Work Experience2001 - 2004 • Vice President, Heavy Industries Lending,
Corporate Banking,
Bangkok Bank Public Company Limited1997 - 2001 • Vice President, Business Development Division,
Electricity Generating Public Company Limited

15. Mr. Chartjumpol Yudhanahas**Assistant Vice President - Information Technology**

Age 50 years

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

16. Mr. Srijaroung Bandhaya**Assistance Vice President - Human Resources & Administration Division**

Age 46 years

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

17. Mr. Visidha Anuttra**Assistant Vice President, Corporate Policy & Coordination Office**

Age 50 years

Education

- M.B.A., Northeast Louisiana University, U.S.A.

Work Experience

- 1997 - 2003 • Financial Director, Accounting & Financial Department, LPN Plate Mill Public Company Limited

18. Mrs. Ninlawan Sivapuchpong**Assistant Vice President, Corporate Affair Office**

Age 49 years

Education

- M.B.A., Thammasat University

Work Experience

- 1981 - 2004 • Public Affairs Manager, Siam City Cement Public Company Limited

19. Mrs. Wannee Sirikanchana

- Chief, Internal Audit Office
- Secretary to the Audit Committee

Age 50 years

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

20. Mr. Surasak Ngamsidhipongsa

- Assistant Vice President - Corporate Secretariat Office
- Secretary to the Board of Directors, Secretary to the Board of Executive Directors and Secretary to the Nomination Committee

Age 46 years

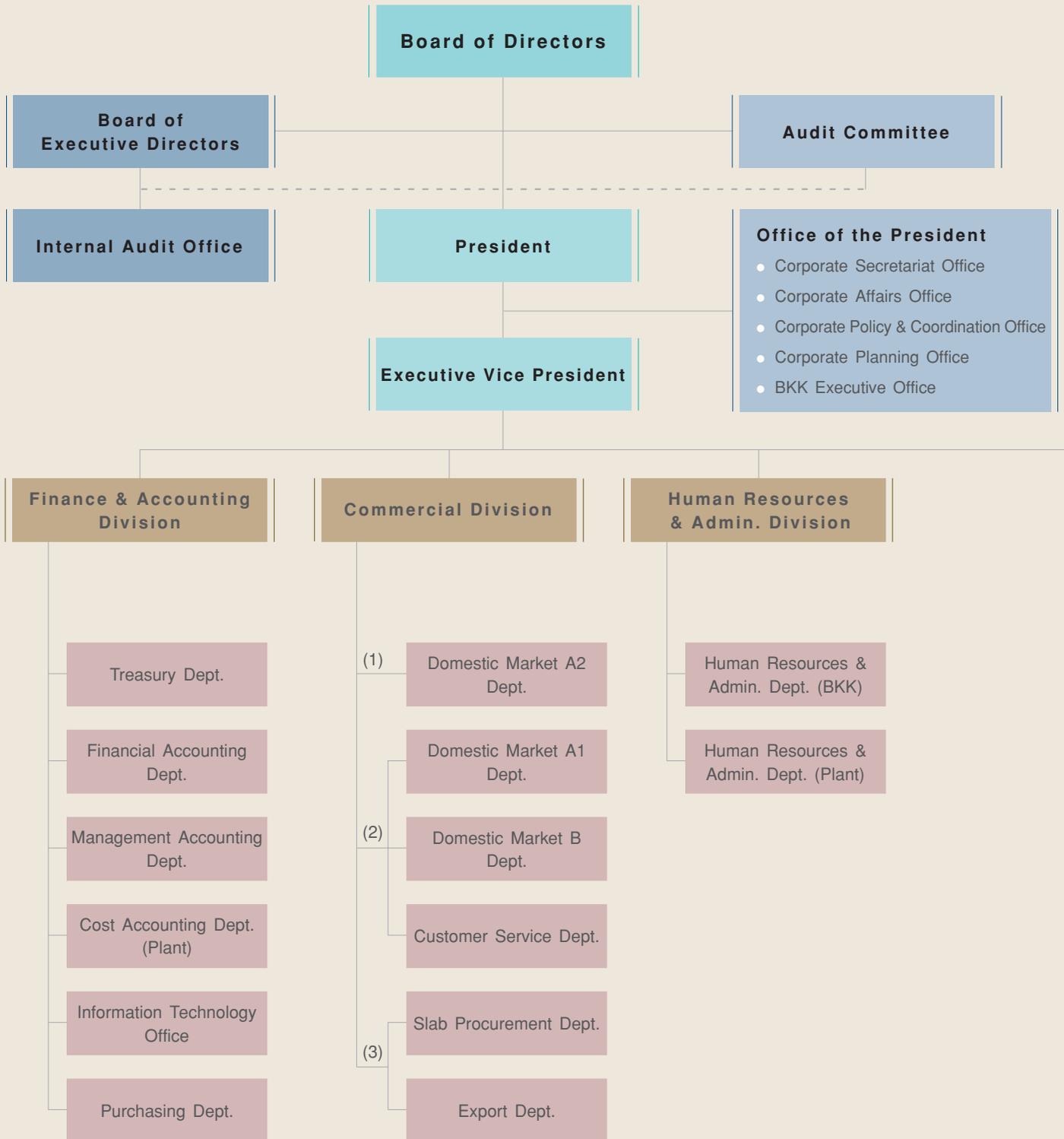
Education

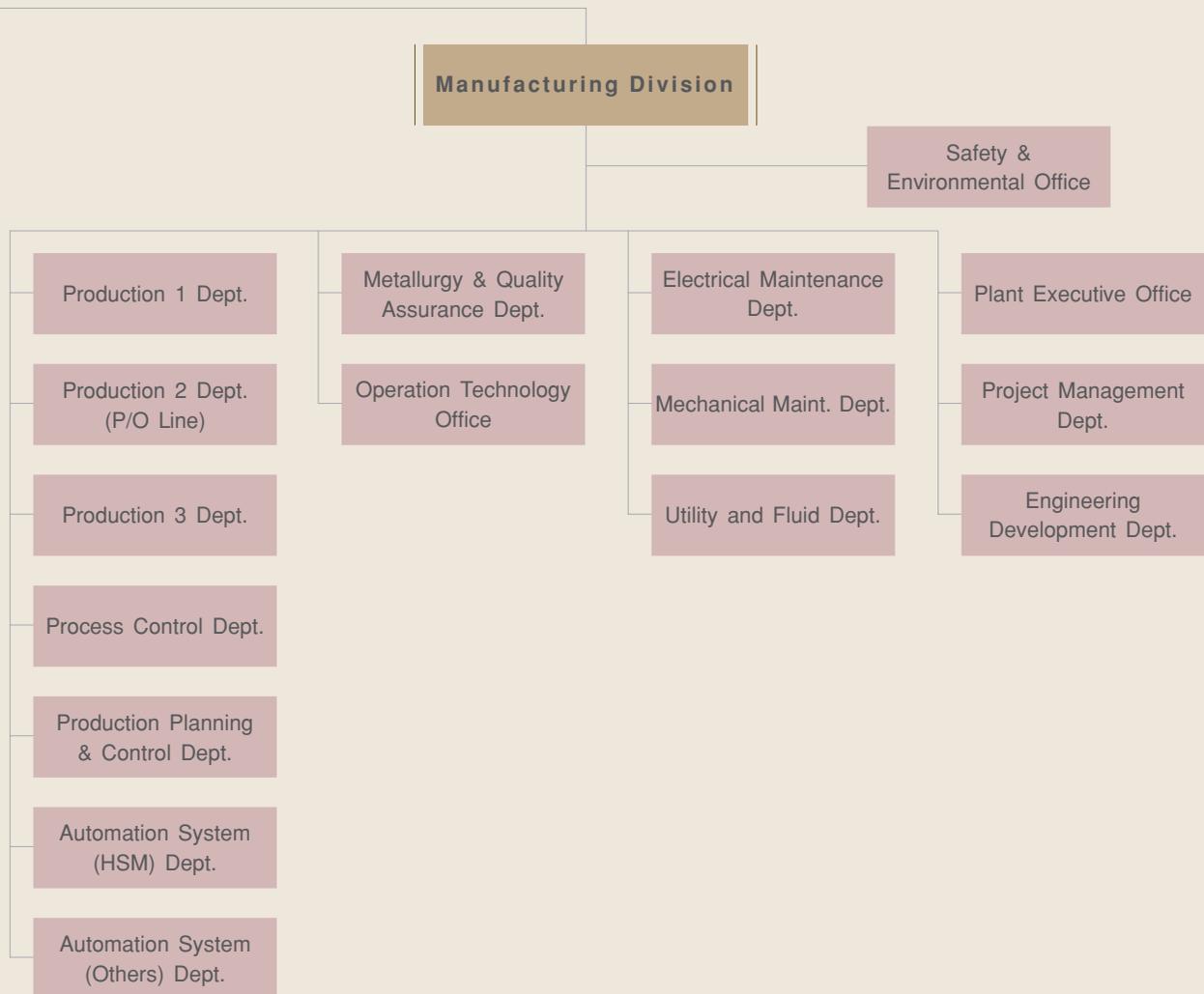
- Master of Arts (Economic Law), Chulalongkorn University
- M.P.P.M., National Institute of Development Administration (NIDA)
- Barrister-at-law, Institute of Legal Education Thai Bar Association
- Directors Certification Program (DCP. 15)

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

ORGANIZATION CHART





CHANGES IN 2004

The global steel industry underwent a dramatic expansion during 2004, led by strong growth in major economies, namely the U.S.A., Europe, and East Asian countries, China in particular. Major industries, such as construction, electrical appliances, and automobiles, grew strongly. 2004 was a great year for automobiles globally and also in Thailand, where new records were made in both production and sales. Auto manufacturers made plans for more investment in production capacity to supply growing demand at home and abroad. Expansion of major steel-consuming industries pushed up demand both world-wide and in Thailand, creating unprecedented tight supply situation, and steel prices rose steadily from early 2004 until the end of the year.

The Board of Directors' foresight, envisioning the importance to continuously improve our operation strategies, has led the Management to constantly adapt and improve itself to compete effectively in a volatile environment. Together with the positive factors in the steel industry, this has made 2004 to be a great success for the Company. Net profit was the highest ever on record, namely Baht 5,333 million, and the retained losses that had mounted to Baht 13,747 million in 1998 were finally wiped off the books. The first quarter of 2004 saw the Company's first retained earnings, and the Board of Directors was able to pay out the Company's first dividends to shareholders.

In 2004, the Company sold 1.8 million tonnes of hot-rolled steel sheet in coils and hot-rolled steel sheet pickled and oiled. Most of this output, 92%, was for domestic consumption, while the remaining 8% was exported. Revenue from sales amounted to Baht 36,628 million, while total revenue was Baht 36,968 million, up 25% and 19%, respectively, from 2003.

The Company's total production amounted to 1.9 million tonnes, while imports of steel slabs totalled 1.7 million tonnes. These figures were down somewhat from the year before, as the Company had periodical shut-downs for preparatory work on its Capacity Expansion Program. The Company has made comprehensive plans to avoid production time loss, while the Capacity Expansion Program has proceeded quicker than anticipated. Additionally, the Company has decided to invest in a new Enterprise Resources Planning system, to ensure that future operation after the planned expansion is effective, accurate and reliable in terms of product shipment, inventory management, spare parts and consumables, and financial and accounting systems. By early 2005, the Company expects to convert its operation to this new ERP system.

Facing rising cost in raw materials, the Company adjusted its raw material and finished products inventory policy, reducing the quantity on hand. Energy sources such as fuel oil and electricity, together with spare parts and consumables, all became more expensive in response to higher oil prices. To curb production cost increases, the Company continued to strive to control costs through minimizing production yield loss and achieving higher productivity.

The Company's two major investments made significant progress. Installation of the Company's new Baht 1,000 million Pickling and Oiling Line, which begun in 2003, was completed in March 2004. Commercial

production commenced in May. Customers in need of high-quality steel sheet, both in Thailand and abroad — e.g. Japan, Vietnam, and Indonesia — were satisfied with the quality level of this new product. On the other hand, the Baht 3,600 million Capacity Expansion Program to expand annual hot rolled coil production capacity from 2.4 million tonnes to 4 million tonnes proceeded smoothly according to schedule in all respects, with all the new equipments completely imported by year end. A 38-day shutdown, from December 27, 2004 to February 3, 2005 was planned to complete erection and installation the new equipments. Both projects received the promotional privileges granted by the Board of Investment (BOI), issued on June 8, 2004.

Imposed by the government effective May 27, 2003, the anti-dumping duties had been levied against hot-rolled steel sheet in coils and not in coils imports originating from fourteen countries for a period of five years. On the face of rising tightness in steel supply, on March 11, 2004, the Committee on dumping and subsidy, under the Department of Foreign Trade, Ministry of Commerce, announced a temporary, six-month suspension of the said duties, from March 20 to September 19, 2004. Furthermore, the Central Committee on Prices of Goods and Services, under the Department of Internal Trade, announced on March 16, 2004 that the Committee must be notified no less than 15 days in advance of any change in prices, rather than being asked permission as had been done hitherto.

The Company is the only manufacturer of hot-rolled steel sheet in Thailand capable of exporting to the US market being subject to 0% anti-dumping duties. Formerly, a 4.44% anti-dumping duty was levied on the Company's products, but since April 13, 2004 this has been reviewed and reduced to zero. A current countervailing duty of 2.38% is still charged on imports of the Company's products into

the US market. The US Department of Commerce allows any interested party to request for a review on anti-dumping and countervailing duty at each annual anniversary.

On September 17, 2003, the Company issued Baht 4,000 million in debentures in a public offering to institutional investors. Due to ample liquidity in 2004, the Company decided to redeem a portion of these debentures before their maturity. Debentures with face value of Baht 600 million and Baht 150 million were redeemed on April 23, 2004 and August 23, 2004, respectively. Consequently, at the end of 2004, the book value of all remaining insured debentures, the principal of which to be repaid in instalments, was Baht 3,250 million. The final date of maturity for these debentures is in 2008.

At an extraordinary meeting of shareholders, number 1/2547, on November 18, 2004, it was resolved that the

The Board of Directors' foresight, envisioning the importance to continuously improve our operation strategies, has led the Management to constantly adapt and improve itself to compete effectively in a volatile environment. Together with the positive factors in the steel industry, this has made 2004 to be a great success for the Company. Net profit was the highest ever on record.



book value of the Company's common shares be changed from Baht 10 to Baht 1. This raised the number of shares in the Company from 1,310.15 million shares to 13,101.5 million shares. This change was registered with the Department of Business Development, Ministry of Commerce on November 23, 2004.

On November 24, 2004, the Board of Directors approved an interim payment of dividends from the operational results of the first half of the year to shareholders for the first time ever, in compliance with the law and company regulations. Thus, on December 23, 2004, Baht 0.10 per share was paid out, amounting to Baht 1,310.1 million in total. A legally mandated reserve of Baht 92.4 million from the first half of the year was also set aside.

In 2004, the Stock Exchange of Thailand (SET) evaluated all of its listed companies, based on a set of principles derived from the OECD's standards of good corporate governance, SET's own benchmarks, and publicly disclosed information. The Company was found to one of

The Company is the only manufacturer of hot-rolled steel sheet in Thailand capable of exporting to the US market being subject to 0% anti-dumping duties. Formerly, a 4.44% anti-dumping duty was levied on the Company's products, but since April 13, 2004 this has been reviewed and reduced to zero. A current countervailing duty of 2.38% is still charged on imports of the Company's products into the US market.



twenty-eight listed companies in the top quartile. In accordance to good corporate governance and to ensure sustainable growth as an organization, the Board of Directors established a Remuneration Committee and a Nomination Committee to act according to the policies, scope of authority, and responsibilities assigned to them on November 2, 2004.

West Coast Engineering Co., Ltd. (WCE), in which the Company holds 99.99% of all shares, provides engineering and repair and maintenance services for various types of machinery and equipment. In 2004, WCE underwent restructuring for the sake of greater efficiency, lower costs, and less duplication of work. The Company also established some valuable business partnerships with suppliers of materials, and became an agent for drive control services in Thailand and ASEAN with a number of foreign companies. Total income in 2004 was Baht 337.2 million, and net profit was Baht 14.4 million.

Prachuap Port Co., Ltd. (PPC) is a 51%-owned subsidiary of the Company, providing commercial port services for all types of import and export cargos. The Company has instituted a quality management system consonant with ISO 9001:2000 standards, and was certified for the same on April 29, 2004. On June 10, 2004, moreover, the Company received an investment support certificate for its extension of a wharf for ocean-going vessels. Construction, which began in 2003, was 68% complete by the end of 2004, and should be finished by mid-2005. With its completion, PPC will have increased its handling capacity from 5 million to 13 million tonnes per year. On October 29, 2004, furthermore, the Company received another investment support certificate for the high-powered tugboat business, whose purchases of such vessels had not yet happened during the past year. Total income during 2004 was Baht 379.4 million, and net profit amounted to Baht 218.7 million.

THE INDUSTRY OUTLOOK AND COMPETITION

High-quality flat steel refers to hot-rolled steel sheet in coiled, hot-rolled steel sheet pickled and oiled. These two types were in very short supply due to quickly rising demand and limited supply. Japan, which normally exports a large portion of the world's supply of these types of steel, saw a resurgence of its domestic automobile industry, and thus its steel output was considerably diverted to domestic consumption. Buyers of these types of steel in other countries were forced to seek suppliers elsewhere.

THE GLOBAL STEEL INDUSTRY

In 2004 the global steel industry underwent rapid expansion, in terms of production, consumption, and prices. According to data from the International Iron and Steel Institute (IISI), 1,035 million tonnes of raw steel were produced in 2004, up 9% from the year before. This was the first time in history that world production topped 1,000 million tonnes. China remained the world's leading producer, even as the Chinese government introduced measures to rein in economic growth. China's output stood at 273 million tonnes, or about 26% of total global production.

The IISI estimates that steel consumption in 2004 amounted to 953 million tonnes, up 8.8% from 2003. China was the largest consumer of steel, at 287 million tonnes or 23.7% higher than the previous year, representing 30% of total global consumption. China, evidently, is the world's major player in the steel industry in terms of both production and consumption.

Steel prices continually mounted throughout 2004 due to rising costs of the two main raw materials, namely iron ore and coal. Shipping costs underwent a rapid rise as well, due to hefty growth in consumption of iron and steel by many nations, notably Japan, the U.S.A., the European Union, and China, above all. Chinese state intervention to cool its overheating economy resulted in periodic turbulence in global prices for steel, especially high-quality long and flat steel.

THE STEEL INDUSTRY IN THAILAND

In 2004, the Thai steel industry grew at the same rate as the Thai economy as a whole, and matched that of the global steel industry as well. The Iron and Steel Institute of Thailand (ISIT) estimated that steel consumption in 2004 stood at 13 million tonnes, up 19% from the previous year. Of this amount, 6.9 million tonnes was flat steel, 8.8% more than in 2003, or 55% of total Thai consumption.

Underlying the increased consumption of flat steel is major growth in the construction, automobile, auto parts, and electrical appliance industries. Of particular importance are the automobile and auto parts industries. The Federation of Thai Industries (FTI) estimates that 930,000 vehicles were produced in 2004, up 24% from 2003, while the output of 2.81 million motorcycles represents an 18% increase over the year before. Because Japan limited its export of high-quality, hot-rolled steel sheet in coil and hot-rolled steel sheet pickled and oiled to feed its own domestic car industry, Thailand, normally a major importer of these types of steel, found itself facing shortages. The Company exploited this opportunity to increase its market share of high-quality, hot-rolled steel sheet in coil for the cold-rolled steel sheet, automobile and parts, electrical appliance, and conduit and mechanical



tube industries. In 2004, moreover, the Company launched its production line for hot-rolled steel sheet pickled and oiled, and commenced sales in May, allowing it to pick up the unfulfilled demand left hanging after the shortfall in imports from Japan.

Due to robust economic growth in China and the U.S.A., supplies of steel in both countries could not satisfy demand, and imports, especially of high-quality steel, had to make up the shortfall. This situation produced a sharp rise in the price of high-quality steel, and Thai producers were able to ramp up their exports accordingly. Thai steel exports thus rose by 23% to 1.71 million tonnes.

PROSPECTS FOR THE STEEL INDUSTRY IN 2005

The Organization for Economic Co-operation and Development (OECD) makes the following predictions for growth by the nations with the greatest impact on the global economy in 2005: China — 8.3%; the European Union — 2.1%; Japan — 3.0%; the U.S.A. — 4.7%; India — 6.8%. The IISI forecasts overall global economic growth of 3.4% in 2005, compared to 4.7% in 2004.

The OECD further predicts that global steel consumption will rise by 5% to 981 million tonnes. China will remain the world's chief consumer, at 318 million

tonnes. Production will rise by 4.9% to 1,065 million tonnes. Shortages, particularly of high-grade, hot-rolled steel sheet, will continue, due to Japan's deeper cutback on exports of this type of steel, along with hot-rolled steel sheet pickled and oiled, in response to growing local demand. Japanese production, however, will remain limited, particularly with scheduled plant shutdowns to repair machinery and maintain product quality.

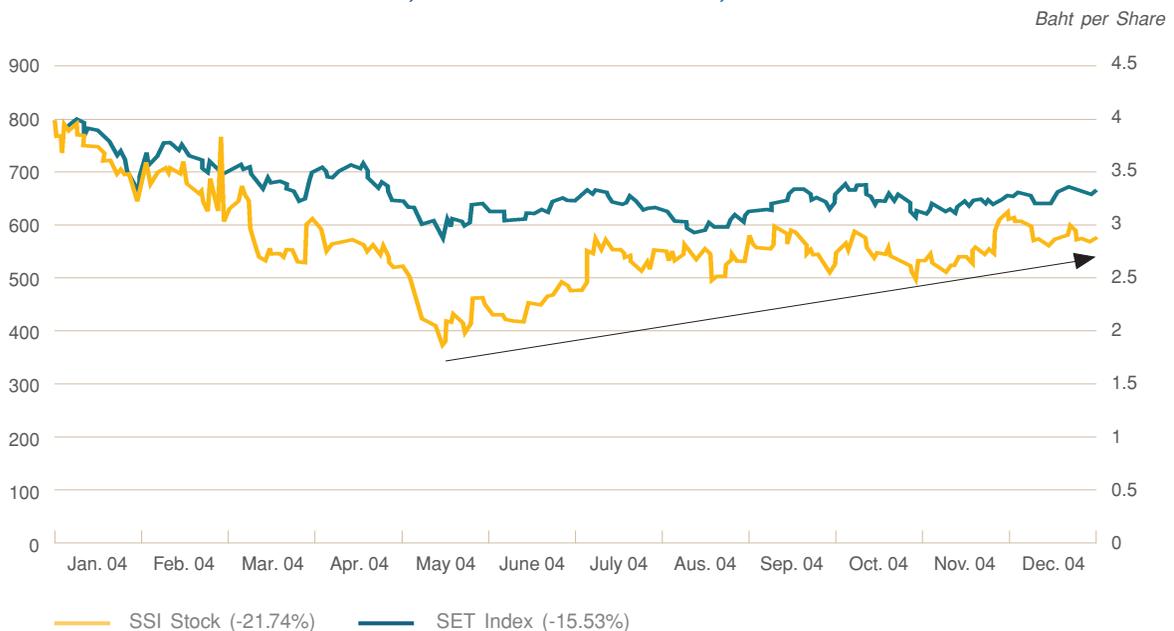
The National Economic and Social Development Board (NESDB) forecasts economic growth of 5.5-6.5% for Thailand in 2005. The ISIT, meanwhile, sees growth of 7.5-8.5% in the Thai steel industry. Positive factors include a construction boom fuelled by State and private projects, 18.27% growth in the production of automobiles to 1.1 million units, and similar growth in the electrical appliance industry, despite fierce competition from Chinese products. The tight market for high-quality steel sheet will continue, due to a limited supply of raw material from Japan. As the Company's expansion of its hot-rolled steel sheet production from 2.4 million to 4 million tonnes and the output of its new Pickling and Oiling Line with a maximum capacity of 1 million tonnes take effect in 2005, SSI will be doing all it can to slake the country's thirst for high-quality, hot-rolled steel sheet.

INVESTMENT INFORMATION

Key Data of SSI Stock		2004	2003	2002
Closing price ended December	Baht	2.88	34.75	7.85
High	Baht	3.98	44.00	9.40
Low	Baht	1.85	7.20	2.66
Average price	Baht	2.80	19.31	6.00
Number of Shares	Million Shares	13,101.28	1,310.128	853
Par Value	Baht	1	10	10
Average Daily Turnover	Million Baht	162.9	181.5	43.2
Market Capitalization ended December	Million Baht	37,732	45,527	6,696
Foreign Limit	%	49.0	49.0	49.0
Foreign Ownership ended December	%	19.6	22.7	27.9
Free Float	%	47.7	42.5	62.0
P/E ratio	Time	7.02	6.35	1.95
Dividend per share	Baht	0.1*	-	-
Dividend total	Million Baht	1,310.128*	-	-
Dividend yield	%	3.47*	-	-
Earning per share	Baht	0.41	0.55	0.40

* Interim dividend for the first half of 2004

PERFORMANCE OF SSI STOCK IN COMPARISON FOR THE PERIOD OF JANUARY 1, 2004 - DECEMBER 31, 2004



In 2004, SSI's stock price had been moving in the same direction with SET Index, dropping by 22% where SET Index dropped by 16%. SSI's stock price decreased in high percentage in May and June due to temporary fluctuation of steel markets. However, with the

highly-satisfied operating results and strong financial position of the company as well as our consistent information disclosures to investors through various channels, SSI's stock performed well toward upside direction through the second half of 2004.

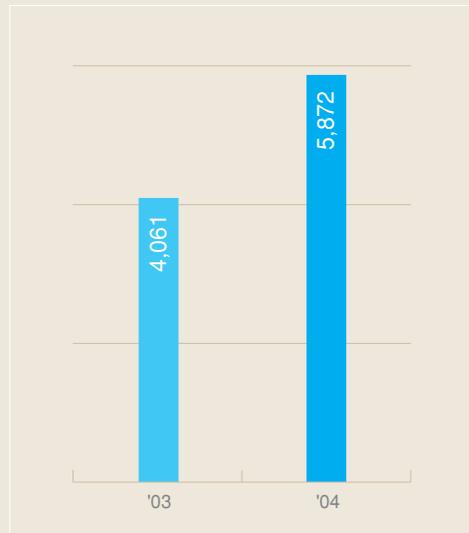
TOTAL REVENUES

Unit : Million Baht



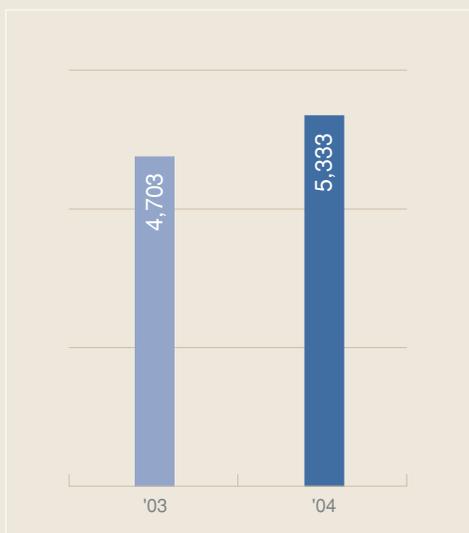
OPERATING PROFIT

Unit : Million Baht



NET PROFIT

Unit : Million Baht



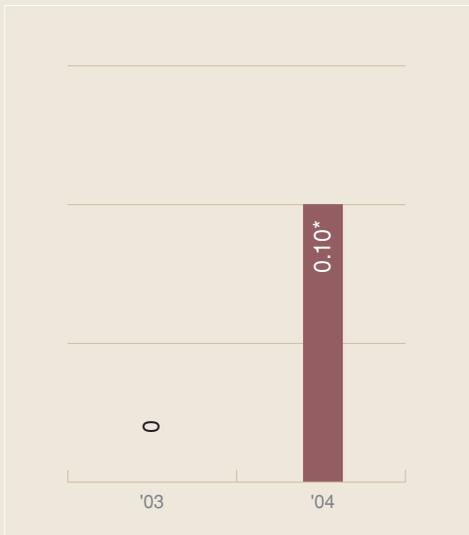
ACCUMULATED PROFIT (LOSS)

Unit : Million Baht



DIVIDEND

Unit : Baht per Share



* Interim dividend for the first half of 2004

RETURN ON ASSETS

Unit : %



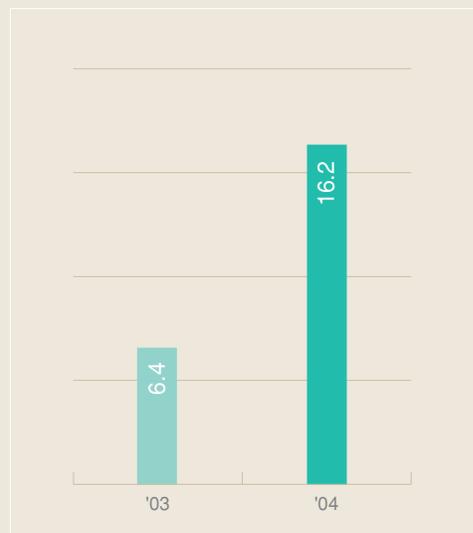
NET DEBT TO EQUITY RATIO

Unit : Time



INTEREST COVERAGE RATIO

Unit : Time



SUSTAINABLE DEVELOPMENT

Sahaviriya Steel Industries Public Co., Ltd. is seriously committed to the prospect of sustainable development as a means of improving living standards for the community, helping society, and preserving natural resources and the environment. These goals are to be achieved in tandem with the growth of the business, greater competitiveness, and implementation of the rules of good corporate governance. In 2004, the Company took a number of steps towards these objectives.

QUALITY, SAFETY, OCCUPATIONAL HEALTH, AND THE ENVIRONMENT

Operations Related to Occupational Health and Safety

- **Safety Policies and Plans**

The basic rules of occupational health and safety management have been applied to personnel and operations, along with the policies and plans required for their implementation. Among the bodies established to facilitate these plans are a Work Safety, Occupational Health, and Environment Committee to set policy, and steering committees for implementing safety operations, safety management, occupational health, and the environment.

- **Accident Prevention**

The Company's year-long goal for lost-time accidents is zero. To achieve this, the Company has instituted measures that include consciousness-raising among employees regarding safety, establishing safety systems, and installation of a full complement of safety equipment, such as emergency alarms, fire prevention and control equipment, personal safety equipment while at work in the factory, and a fire-fighting station ready 24 hours a day, for both the plant and the surrounding community. In addition, the plant has a clinic and ambulance on stand-by

for emergencies at all times, and conducts annual health check-ups for all staff. As a result of these measures, in 2004 the Company was honoured as a workplace with no lost-time accidents, as per the Ministry of Labour's campaign to reduce the incidence of workplace accidents to zero.

Environmental Management Operations

Adherence to the Company's **environmental policy** is the responsibility of every staff member of the Company. Efficient performance of this policy relies upon clean technology and the ISO 14001 environmental management system, together with constant compliance and improvement and regular monitoring and evaluation of results. The aim is to raise the Company's environmental standards above the industry norm.

- **Pollution Prevention and Recycling**

The Company strives to make wise use of, and derive full benefit from, our limited natural resources by saving water, electric power, paper, and fuel, by minimizing the plant's impact on air, water, and land, by controlling waste, and by upgrading machinery and methods of production. The Company has also hired a legally licensed firm to dispose of the Company's waste products and recycle them properly. A waste water treatment system has been designed and installed to recycle and reuse effluents, rather than discharging them into external bodies of water. Treated water can be used to maintain the trees and green areas on the plant's premises. Other initiatives of the Company are the use of clean technology, saving energy, and encouraging nearby industries and communities to participate in conservation programs. As a result, the Company was presented with an award from Her Majesty the Queen's "Green Factory" Program in honour of her 72nd birthday in 2004.

● **Environmental Quality Monitoring**

In 2003, the Company embarked on a Capacity Expansion Project to expand annual hot rolled coils production capacity to 4 million tonnes and a processing line to annually produce 1.05 million tonnes of pickled and oiled hot rolled coils. The Company undertook an environmental impact assessment of these changes, and determined measures to minimize their effect on the environment. Throughout the program of expansion, these effects were monitored, investigated, and evaluated, and then reported to the National Bureau for Environmental Policy and Planning. The Company's environmental impact assessment was approved in March 2004.

SOCIAL AND COMMUNITY CONCERNS

Social Assistance

After a tsunami struck six provinces on the west coast of Thailand on December 26, 2004 and caused enormous loss of life and property, Thais were made aware of another deluge — an outpouring of compassion for those in distress. The Company is proud to have been a part of this powerful counter-wave on behalf of the tsunami's victims, enabling them to carry on their lives with courage. The Company donated Baht 1 million for aid through the Governor

of Prachuap Khiri Khan Province, Baht 4 million through the Fund for Relief of Victims of Public Calamities, under the Office of the Prime Minister, and, with other companies in the Sahaviriya Group, Baht 6 million through the Army Commander-in-Chief to build 50 houses for 50 families in the district of Takua Pa, Phang-Nga Province. In addition, employees of the Company and other companies in the Sahaviriya Group contributed a total of Baht 157,066 and various necessary items and goods to assist disaster victims.

Educational Development

The Company seeks to play an important part in building the country's future, and has chosen the education of young people as the best means of producing model citizens who will make up the “learning society” of tomorrow.

Scholarship Programs

Every year since 1993, the Company has donated as much as Baht 225,000 in scholarships to primary school and secondary school students, and since 1999 has also given Baht 280,000 in scholarships for Bachelor's Degree studies each year. The Company has, furthermore, provided teaching materials, equipment, and books to disadvantaged schools in Bang Saphan, Prachuap Khiri Khan, and plans to expand its donations in future.



One District, One Dream School

Another important program of the Company, begun in early 2004, is support for Bang Saphan Wittaya, the “dream school” of Bang Saphan District. This program aims to upgrade education here to that of a bilingual school, focusing on both high quality and all the most advanced teaching methods and equipment. This includes a library, a computer room, and qualified instructors in various fields, including professional language instructors from abroad. The aim is to make this school equal to the country’s top institutions, and a “dream” of every aspiring young person in the community.

Bang Saphan Summer Camp

This program encourages children and youths in Bang Saphan to work together in developing knowledge and skills and discovering their own personal talents. A computer camp is one option, for children who want to learn on real equipment. Another choice is English camp, building skills in listening, speaking, reading, and writing with native-language English speakers. Finally, there is a football camp led by Mr. Cheutsak Chajit, a prominent former football coach and Team Thai player, who personally teaches and demonstrates football skills.

The “Sahaviriya Cup” Football Tournament

The Company organized the first “Sahaviriya Cup” for players no older than 12 years in 2004. Teachers and students from 38 schools in Bang Saphan took part, with scholarships as prizes. The purpose of this program is to encourage Thai youngsters to use their time in healthy, group-forming activities free from drugs. Participation in sports promotes physical fitness, discipline, and sportsmanlike attitudes — all necessary qualities for the nation’s future citizenry.

Painting Competition

The Company also organized a painting contest, with scholarships as prizes, for students in the district of

Bang Saphan. Contestants, from grade 1 to grade 12, were divided into categories by age, and assigned the topic, “The Environment and Culture”. The competition was honoured to have Assistant Professor Preecha Thaotong, Dean of Painting, Sculpture, and Prints at Silpakorn University, as the chief judge. He was also kind enough to offer tips on painting. The purpose of this program is to have young people develop their creativity, skill, and concentration, all necessary for excellence in study.

Academic Development Programs

To enhance the knowledge and experience of primary school and secondary school students, the Company and other companies in the Sahaviriya Group offered volunteers from their own ranks, namely engineers and scientists, to provide additional instruction every Saturday in five subjects, i.e. English, Japanese, mathematics, science, and computers.

Budgetary Support for Hiring

The Company has provided financial support to hire special kindergarten teachers, music teachers, and English teachers in Bang Saphan schools which were in shortage of teaching staffs from 2001 until now.

Community Development

Communities are the foundation of our society. In light of this reality, the Company has supported for higher living standards for Bang Saphan, and has promoted community self-reliance as a means to genuine prosperity.

Vocational Assistance

Believing that better living standards depend on self-reliance, the Company has organized courses and seminars to teach various types of vocational development for the community. For farmers, these include cultivating the kind of produce suitable for the province, while housewives can learn how to make cloths to wipe machinery. These

cloths can then be sold to factories in the Bang Saphan area and further a field.

“Mobile District” Activities

Together with a number of local agencies, the Company has participated in the “Mobile District” activities. Various villages are visited monthly and provided services such as medical check-ups, barbering for men and ladies, and public information sessions. While offering these services, the Company becomes aware of living conditions and problems in these localities, and then can find ways to resolve these problems and encourage these communities to develop higher living standards and self-reliance.

The Environment

The Company is continually organizing various community-based activities and programs, such as:

Reforestation Mae Rumpheung Wilderness Preserve

Mangrove forests are an important natural resource for the community's well-being. The Company, with the government of Prachuap Khiri Khan Province, is participating in the rehabilitation of Mae Rumpheung Wilderness Preserve. The first phase of this project involved planting 10,000 mangrove plants on approximately 40 acres of land in honour

of Her Majesty the Queen's 72nd birthday celebrations. 5,000 mangrove pods were subsequently planted on another 40 acres in honour of His Majesty the King's birthday on December 5. This program will continue until this mangrove forest becomes an important part of the province's storehouse of natural resources. The ecology of this area has also to be maintained in its pristine condition and to serve as a case study for future generations of biologists and ecologists.

Releasing Crabs into Thai Seas

This program, another joint effort between the Company and the government of Prachuap Khiri Khan, involves the release of 19 million horse crabs, one of the primary marine animals in the vicinity of Bang Saphan, into the waters around Mae Rumpheung Bay. By rehabilitating the marine ecology in this way, the Company hopes to restore a thriving source of income for local residents while ensuring the diversity of life in the Gulf of Thailand.

SSI Care for the Beach Program

Together with the Nature Conservation Club, the Company conducts an annual beach cleaning and garbage pick-up campaign along Mae Rumpheung Beach, about 20 kilometres in length, and thus helps maintain the beauty of this public resource.



CORPORATE GOVERNANCE AND ITS IMPLEMENTATION

CORPORATE GOVERNANCE POLICY

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

At the end of 2002, the Board of Directors officially approved a resolution adopting the principles of good corporate governance as Company policy. These principles are in accordance 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 and 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 comply 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.

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 Independence*

- *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 Interests***Principle 13 :***Systems of Internal Controls and Internal Auditing***Principle 14 :***Disclosure and Relations with Investors*

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 Audit 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.

In 2004, 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 person established by the Public Limited Company Act and listed with the Stock Exchange of Thailand (SET). The Act provides for thorough protection of the rights of shareholders, while the SET has issued a complete set of guidelines and regulations to protect the interests of shareholders as well. The Board of Directors has likewise declared its intention to safeguard the rights of shareholders, as mentioned in articles 1-3 of the policy statement above. Shareholders are, therefore, assured of full and equal rights and protection with the Company.

It is part of the Company's mission, moreover, as outlined in its business plan for 2003-2007, that "the Company will enhance value for shareholders and provide fairness to all stakeholders". This accords with the Company's operational principles, one of which states that : "The Company shall conduct its business responsibly, transparently, and fairly with

respect to all groups, including shareholders, investors, customers, business partners, creditors, competitors, employees, the government, the community, and society.”

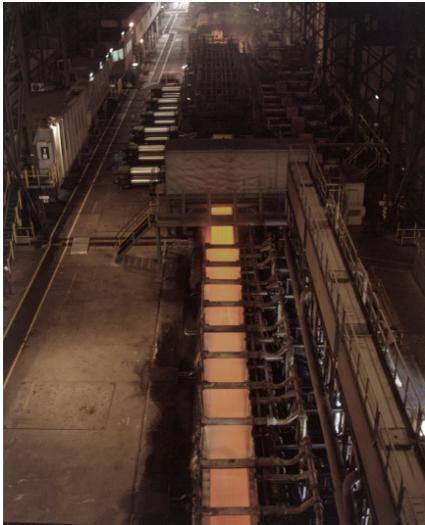
Another operational philosophy of the Company has been formulated, namely: “The Company believes that quality employees are the guarantors of corporate success.”

The Company is convinced, therefore, that human resource is an important factor in ensuring the success of the Company. High-quality employees deserve a high-quality lifestyle, and the Company maintains this through fair compensation at levels comparable to market standards and a wide variety of fringe benefits, including provident funds, scholarships, health insurance, accident and life insurance, and support for employees' savings co-operative.

- **Shareholders' Meetings**

In 2004 the Company held two shareholders' meetings.

1. The Annual General Meeting of Shareholders was held on April 27, 2004 at the Holiday Inn on Silom Road. The meeting was conducted according to Company's Articles of Association, requirements of the law, and the rules of the SET. The Company announced to the SET the closing of the Shareholders' Registry 14 days in advance of the actual closure date, thereby suspending the trading of shares and so determining who was entitled to take part in the shareholders' meeting. An invitation to the meeting, together with a clear agenda and the opinions of the Board of Directors regarding each item on the agenda, was sent to shareholders no less than 7 days in advance of the actual meeting date. Included also in this mailing was the annual report for 2003 and three forms, as per Ministry of Commerce requirements, for shareholders who wished to authorize proxies to act on their behalf in any way they wished. On the day of the meeting, the Company opened registration one hour ahead of time. The Company explained the rights of shareholders, according to corporate regulations, the procedure for the meeting, and the procedure for ensuring equal voting rights. The Chairman of the meeting gave opportunities for all shareholders present to freely ask questions, express opinions, and provide suggestions to the Board of Directors.
2. At the Extraordinary Meeting of Shareholders No. 1/2547 on November 18, 2004, held at the Holiday Inn on Silom Road, the shareholders were asked for permission to reduce the par value of common shares in the Company from Baht 10 to Baht 1 per share. This change would automatically increase the number of corporate shares from 1,310,150,000 to 13,101,500,000. Authorization was also requested to revise the Company's Memorandums to reflect this change in the share structure. At this meeting, moreover, the organization of the meeting was improved, and shareholders who could not attend were given greater facility in the letters of proxy they were issued, as per Ministry of Commerce requirements (form B), so that they could authorize independent directors to participate and vote. The new forms of authorization allowed for the appointment of six proxies, namely two independent directors, the Chairman of the Board of Directors, the Chairman of the Executive Directors, President, and any other person the shareholder might name as proxy. The names of the Company directors who attended the meeting were noted in the minutes of the Extraordinary Meeting of Shareholders.



- **Rights of Minority Shareholders in Electing the Board of Directors**

Directors are elected in a meeting of shareholders by the vote of the majority, according to the following procedure :

1. Each shareholder has as many votes as he or she owns shares.
2. Each shareholder may use his or her votes, as per (1), to elect one or more directors. He or she must use all his or her votes, in each subsequent election, for only one candidate at a time. He or she may not divide his or her votes among more than one candidate at a time.
3. Candidates who receive the most votes, in order of high to low, are deemed elected up to the number of positions available. If the last position available is claimed by two or more candidates who have received equal numbers of votes, the Chairman shall cast the deciding vote for one of them.

THE BOARD OF DIRECTORS: STRUCTURE, ROLE AND DUTIES, AND INDEPENDENCE

The Board of Directors consists of fifteen people, five of whom are independent directors. Of those five, three are members of the Company's Audit Committee. The number of independent directors complies with article 5. of the above-mentioned policy. The Company has defined "independent director" to mean a director of the Company with the following attributes :

1. owns not more than 0.5% of the total number of shares bearing voting rights in the Company, its associated companies, its affiliates, or other juristic persons with the potential for conflict of interest (including all related entities as per section 258 of the Securities and Exchange Act).
2. has no part to play in management, nor is a hired worker, an employee, or a salaried consultant, or anyone with authority in the Company, its subsidiaries, joint ventures, or other juristic persons with the potential for conflict of interest. The independent director must not have benefited or derived any gain or loss from the above positions for at least one year before.
3. has no business with, and expects no benefits, or interests in relation to the Company, its associated companies, its affiliates, or other juristic persons with the potential for conflict of interest, either directly or indirectly, financial or administrative.

4. is not a close relative of the members of management or major shareholders of the Company, its associated companies, its affiliates, or other juristic persons with the potential for conflict of interest, and has not been appointed by, or to represent the interests of, a director or major shareholder.
5. is capable of regularly joining meetings of the Board of Directors to monitor operational results and to provide opinions on which decisions concerning corporate activities may be based.

Of the ten directors who are not independent, one, namely Mr. Win Viriyaprapaikit, President, occupies management positions as well. Another two directors are representatives from the banks, namely Mr. Permpoon Krairiksh and Mr. Nuttawit Boonyawat, represent Siam Commercial Bank Public Co., Ltd. and Bank of Ayudhya Public Co., Ltd.

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. Win Viriyaprapaikit occupies the position of President. Each position has clearly separate spheres of authority and responsibility.

- **Responsibilities of the Board of Directors**

At a meeting in early 2003, the Board of Directors' meeting adopted the first corporate business plan for 2003-2007. This plan explains the Company's vision and mission, determines its goals and strategies, 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 in advance 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 the Company's Articles of Association and article 8 of the Company's Corporate Governance Policy mentioned above. In 2004 the Board of Directors met officially five times in February, May, August, October, and November, respectively.

The Board of Executive Directors is required to meet once a month, besides additional special meetings as needed. The Secretary to 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 to the Board of Directors. During 2004, the Board of Executive Directors met twelve times. The Audit Committee met five times to perform their functions independently, within the scope of their duties and responsibilities assigned by the Board of Directors. The Secretary to the Audit Committee organized the meetings and issued invitations to these meetings in advance, as per the Company's charter regarding the Audit Committee (volume 2).

In November 2004 the Company appointed a Nomination Committee and a Remuneration Committee to help the Board of Directors in the work of selecting suitable candidates whose names could be proposed as corporate directors or the Company's President and of determining remuneration levels for the said positions as well as for senior executives. Both committees met for the first time in December 2004. The appointment of the two committees enhances the administrative efficiency of the Board of Directors and accords with the principles of good corporate governance.

In matters of corporate governance, therefore, the Board of Directors has delegated its responsibilities to four different committees, namely the Board of Executive Directors, the Audit Committee, the Nomination Committee, and the Remuneration Committee, that will study and sort the matters placed before them according to the scope of their several responsibilities as assigned to them by the Board of Directors.

- **Board of Directors Meetings**

Attendance of the Board of Directors Meetings in 2004 (No. of Meetings Attended/Total Meetings)

No.	Name	Position	Board of Directors	Board of Executive Directors	Audit Committee	Nomination Committee	Remuneration Committee
1.	Mr. Maruey Phadoongsidhi	Chairman	4/5	9/12			
2.	Mr. Wit Viriyaprapaikit	Director	5/5	11/12			
3.	Mrs. Prapa Viriyaprapaikit	Director	5/5				
4.	Mr. Somchai Pipitvijitkorn	Director	5/5	12/12			1/1
5.	Mr. Taweesak Senanarong	Director	5/5				1/1
6.	Mr. Visith Noiphan	Independent Director	5/5		5/5	1/1	
7.	Mr. Tongchat Hongladaromp	Independent Director	3/5				
8.	Prof. Kesree Narongdej	Independent Director	5/5		4/5		
9.	Mr. Tawee Butsunorn	Independent Director	4/4				1/1
10.	Mr. Prateep Buphaintr	Independent Director	5/5		5/5	1/1	
11.	Mr. Kamol Juntima	Director	4/5			1/1	
12.	Mr. Piya Viriyaprapaikit	Director	4/5	9/12			
13.	Mr. Win Viriyaprapaikit	Director	5/5	10/12			
14.	Mr. Permpoon Krairiksh	Director	3/5	7/12			
15.	Mr. Nuttawit Boonyawat	Director	2/5	8/12			

- Notes :**
- (1) Mr. Tawee Butsunorn was appointed a director of the Company at the Board of Directors' meeting no. 1/2547 on February 26, 2004.
 - (2) Some directors did not attend every meeting of the Board of Directors, as reported in the table above, due to illness or other business, in which case they provided advance notice of the same. If an absent director had any observation regarding an item on the agenda, the same would be communicated to the Secretary to the Board of Directors to be transmitted and considered during the meeting. Other than this, every director had some part to play in corporate management. Informal meetings of directors would also be arranged to discuss particular matters concerning which knowledge, experience, or ideas would be contributed by those directors, such as topics related to engineering, production, or management. Other consultations would take place by telephone on a regular basis.
 - (3) Professor Kesree Narongdej did not attend one meeting of the Audit Committee in August 2004 due to a more urgent commitment, namely to attend a meeting of the Senate and address it regarding a draft of the Professions' Act in her role as the President of the Institute of Certified Accountants and Auditors of Thailand.

COMPENSATION FOR DIRECTORS AND EXECUTIVES

The Annual General Meeting of Shareholders approved a compensation package for directors in form of a monthly salary. As for directors who are also paid executives, compensation is paid them for their work as corporate employees only, not as directors.

In 2004, thirteen directors of the Company received special gratuities, as per a resolution from the Annual General Meeting of Shareholders held on April 27, 2004. This was the second such payment, the first having been in 2003, ever since the Company was established in 1990. From 2005 onwards, the Board of Directors will review the compensation for directors and the President of the Company, as well as the compensation structure for senior executives of the Company, according to the proposals of the Remuneration Committee.

BUSINESS ETHICS

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

- **Code of Ethics for Employees**

1. **Respect for the Organization**

Employees must join in strengthening and upholding the honour of the Company in their attitudes and behaviour. Good employees demonstrate pride in the Company, defend and maintain its respectability, and help to enhance its public image.

2. **Loyalty and Honesty**

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

3. **Diligence**

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

4. **Discipline**

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

5. **Preserving Secrecy**

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

6. **Using and Protecting Corporate Assets**

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

7. Conflicts of Interest

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

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

8. Accepting Gifts

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

9. Personal Behaviour

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

10. Conduct of Superiors and Subordinates

Employees with superior position must act as leaders and set good examples for those under them in terms of behaviour, developing morale, listening to the opinions of their subordinates, and protecting them with all due fairness and reasonableness. Employees who are subordinate must listen and obey their superiors in whatever conforms to the discipline and regulations of the Company. They must not act in a stubborn, aggressive, or hostile manner to their superiors, but rather respect them and observe the proprieties of time and place.

11. Utilizing Social and Political Rights

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

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

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

In 2004 the Committee and Subcommittee organized various activities such as Ethics Day and Ethics & Value Awards.

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. For this reason, related parties and related transactions take place in the context and under the conditions of normal business and common trade.

In early 2004, the Board of Executive Directors approved a code of practice concerning trade discounts. Such discounts enhance competitiveness, increase sales volume and market share, and reward customers who regularly purchase hot-rolled steel sheet in coils from the Company. In late 2004, moreover, the Board of Directors approved Rules and Procedures Governing the Extension of Commercial Credit, so as to control the risks inherent in extending credit and to make the practice more systematic and effective.

The Company has implemented the above said code and set of rules to ensure that the management of such operations remains transparent, consistent, and efficient.

The Board of Directors is assured that related parties and related transactions between the Company and other entities or persons are conducted under the conditions of normal business and common trade. The management itself has submitted which matters it believes has the potential for conflict of interest to the Audit Committee and the Board of Directors for their consideration. Since the first quarter of 2004, management has reported Company sales and sale prices of its products to the Audit Committee during their meetings, on a quarterly basis.

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 safeguard the Company's assets, and ensure careful and rational spending. To audit these internal matters, the Company established an Office of Internal Audit 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 Audit began to audit West Coast Engineering's operational systems in 2001 and Prachuap Port's in 2004.

The Office of Internal Audit directly reports on its findings to a Company director who is assigned by the Board of Executive Directors and is not independent director, or not a director who is a senior executive, or not a director who is an executive director. In addition, the Office of Internal Audit reports on its audit results and recommendations to the Audit Committee and the Board of Executive Directors. The Office of Internal Audit is independent, and received full support from the Board of Directors.

At the end of 2004, the Company appointed a Risk Management Committee to make the Company's management of risk more systematic and effective. A Crisis Management Committee was also set up to review the Company's existing emergency plans for completeness and comprehensiveness in the face of every kind of imaginable crisis. Such plans must be realizable and adaptable to all sorts of crises in immediate and systematic fashion, in order that the Company may continue to operate and grow on a sustainable basis.

DISCLOSURE OF COMPANY INFORMATION AND RELATIONS WITH INVESTORS

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

In 2004, the Company made changes to its organizational structure to permit the formation of a unit directly responsible for disclosing corporate information to investors. This Investor Relations Office came into being with another similar unit responsible for the mass media and the general public, called the Public Relations Office.

The unit responsible for providing corporate information to the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) is the Office of the Secretary of the Board of Directors. Among the means and activities chosen to divulge information about the Company to various parties were the following:

1. The Investor Relations Office

- Organized analyst meetings on a quarterly basis to announce operational results and the financial status of the Company on the work day following disclosure of the Company's unaudited financial statements to the SET. A quarterly update was also provided to those attending each meeting.
- Arranged 24 one-on-one meetings between Thai and foreign institutional investors and stock analysts and senior executives.
- Facilitated the participation of senior executives in two corporate non-deal roadshows, allowing them to meet Thai and foreign institutional investors and present information about the Company.
 - The first roadshow, entitled "Thailand Corporate Day", was organized by TISCO Securities Co., Ltd. and Deutsche Bank during January 14-16, 2004 in Hong Kong.
 - The second roadshow, entitled "Thailand Focus 2004", was organized by the SET during September 20-22, 2004 at the Regent Hotel, Bangkok.
- Hosted, with TISCO Securities Co., Ltd., a seminar entitled "The Steel Industry and Outlook" to provide institutional investors with a better understanding of the steel industry. The event was held at the premises of TISCO Securities on July 29, 2004.

2. The Public Relations Office

- Prepared quarterly news releases for the mass media concerning the Company's financial status and operational results on the work day following disclosure of the Company's financial statements, before auditing by a certified auditor, to the SET.

- Released PR pieces and news photos regarding corporate activities to reporters, so that information about the Company might reach investors and the general public from time to time.
- Set up interviews with corporate executives when so requested by the mass media, to foster understanding and/or promote accurate knowledge of the Company.
- Organized a tour of the plant at Bang Saphan, Prachuap Khiri Khan on the occasion of opening the plant's Pickling and Oiling Line. The trade name for the products manufactured by this line is "Clean Strip".
- Arranged for publication of information and articles about the Company through various media, e.g.:
 - print media such as newspapers, annual reports, and books or brochures introducing the Company
 - participating, with a booth, in exhibitions to disseminate information to the general public and/or target groups
 - special and electronic media, such as videos and the corporate website, which is <http://www.ssi-steel.com>
 - constantly answering comments, questions, and requests for more corporate information via e-mail, at pr-ir@ssi-steel.com

3. The Office of the Secretary of the Board of Directors

- Disclosed information necessary to investors' decisions, according to the rules laid down by the SET and SEC, particularly data from the certified, audited quarterly reports on the Company's financial status and operational results, to the SET and SEC.
- Sent the 2003 Annual Report (Form 56-2) to the Company's shareholders, along with a notice of meeting for the Annual General Meeting of Shareholders, and informed the SET and the SEC of the same, to be held no later than 110 days from the end of the previous accounting period.
- Released the Annual Disclosure of Information Form (Form 56-1) to the SET and the SEC no later than three months from the end of the previous accounting period.



RISK MANAGEMENT

| | | | |

As a large corporation with huge capital investments and regional competitors, the Company's management must be able to continually adjust to new conditions and respond to circumstances with speed and circumspection. In this regard, risk management is an important part of corporate policy, as are internal controls. Strategies must be firmly linked to the Company's vision and mission to ensure maximum operational effectiveness, along with long-term security and added value for the benefit of shareholders and stakeholders. In 2004, therefore, the Company appointed a Risk Management Committee. The Committee's methods and procedures have been chosen in accordance with the Company's line of business, and are flexible enough to allow for continuous adjustment. The importance of risk management has been communicated and explained to all sections of the organization, and all parties are aware that this has become part of the corporate culture. A Crisis Management Committee has also been appointed to prepare plans to prevent emergencies or to respond unexpected or uncontrollable occurrences. These preparations have been systematic and designed to facilitate the smooth continuation of the Company's business.

BUSINESS RISKS

Marketing

The rise in demand for steel experienced in 2003 continued on into 2004, following the economic growth of the U.S.A., Japan, the European Union, and South Korea, and the soaring fortunes of the Chinese and Indian economies. Supplies, particularly of higher-quality steel, remained tight, causing steel prices on the world market to climb. Other inflationary factors included higher raw material prices and higher shipping prices, the latter partly affected by unrest in the Middle East.

The domestic market fluctuated in tandem with global market conditions. Some local consumers of steel continued to import steel, particularly of the high-quality type. As the Company's policy is to avoid over-concentration of its market in one sector only, about 10% of the Company's output was exported at world prices. The remaining 90% was sold to customers who purchase premium grade steel on a regular, consistent basis, and to a wide range of customers of commercial grade steel whose kinds of production and distribution vary considerably. Since March 16, 2004, the Ministry of Commerce adopted a new method for pricing steel that allows for more fluency and adaptability to events. Any changes in steel prices must be announced at least 15 days in advance. The Company's management has been careful to keep selling price in line with the cost of raw material at a particular time.

RISKS IN PROCURING RAW MATERIALS

Quantity of Raw Materials

Based on long experience in the steel industry and over 10 years of operations, the Company has a broad network of suppliers from all parts of the world, and concurred in frame agreements with major suppliers for quantities of raw material sufficient to meet the Company's annual needs. These arrangements reduce the risk of raw material shortages.

Raw Material Prices

The Company must constantly use large quantities of raw material, and to that end has made frame agreements with suppliers for the amounts required each year. The Company is, in fact, one of the world's largest consumers of steel slab, and thus has considerable bargaining power in procuring at suitable prices. This makes the Company's production costs fairly competitive.

The management is careful to maintain its stock of raw materials and finished products at no more than six months' worth of consumption or sale quantities. During 2004, as raw material prices continued rising, the Company's policy was to maintain about 3-4 months of supplies, enough for scheduled production needs only.

CURRENCY EXCHANGE RISKS

All of the Company's raw material imports are denominated in U.S. dollars. In 2004, the price of raw materials was very much higher than in previous years, making their cost 85-90% of the total sales cost. Revenue from exports, from the domestic sale of premium grade steel, and from domestic customers producing for export, was denominated in U.S. dollars, accounting for about 60% of the value of imports. Baht-denominated sales to domestic consumers of commercial grade steel were priced each month according to the prevailing exchange rate to match with the exchange rate fluctuations. Besides this natural hedge policy, the Company minimized its risk through forward contracts in U.S. dollars, and daily monitoring of its USD exposure.

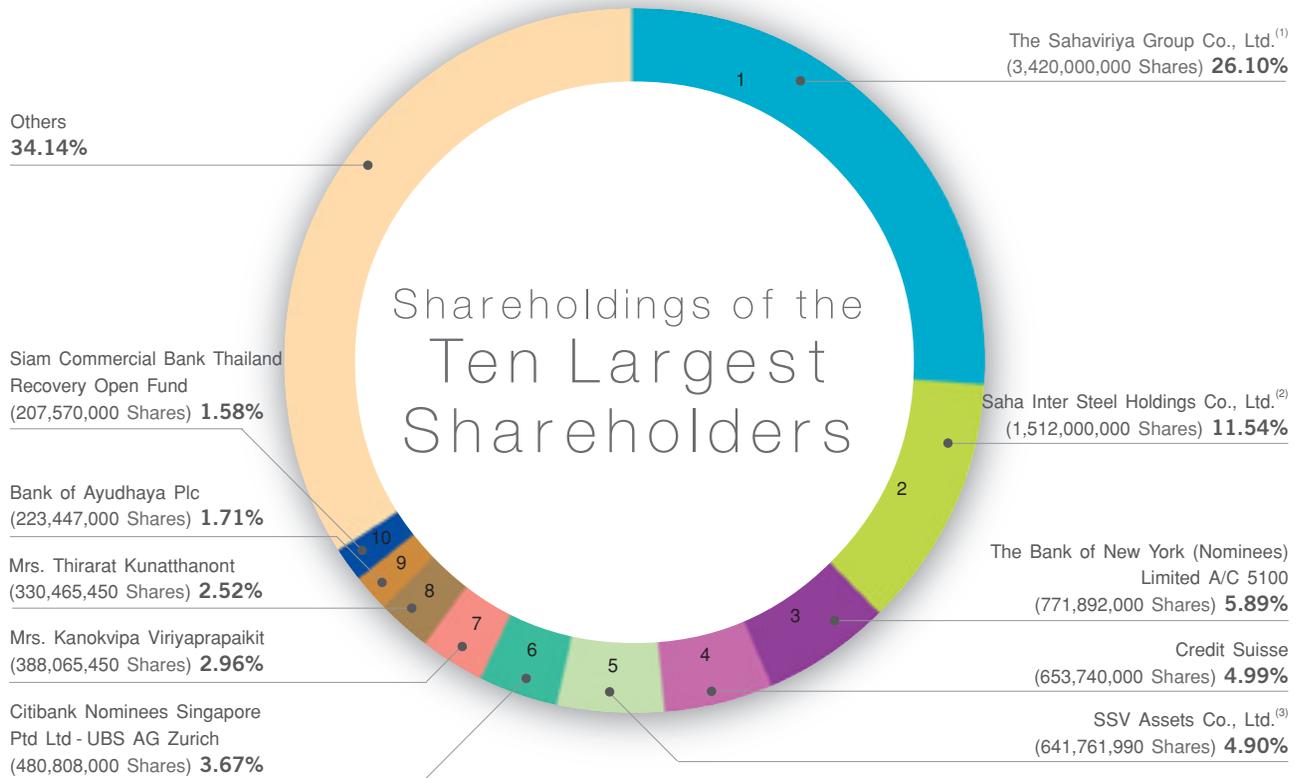
Based on long experience in the steel industry and over 10 years of operations, the Company has a broad network of suppliers from all parts of the world, and concurred in frame agreements with major suppliers for quantities of raw material sufficient to meet the Company's annual needs.



SHAREHOLDERS AND MANAGEMENT

SHAREHOLDERS

These are the names and shareholdings of the ten largest shareholders as of December 9, 2004, the date on which the Company's share registry was closed.



Notes:

⁽¹⁾ **The Sahaviriya Group Co., Ltd.,**

is an investment holding company whose major shareholders are:

- (1) Mr. Win Viriyaprapaikit, who owns 45% of all shares
- (2) Mrs. Thirarat Kunatthanont, who owns 29.50% of all shares
- (3) Mr. Piya Viriyaprapaikit, who owns 20% of all shares
- (4) Others holding 5.50% of all shares.

⁽²⁾ **Saha Inter Steel Holdings Co., Ltd.,**

is an investment holding company whose major shareholders are:

- (1) Sahaviriya Steel Holdings Co., Ltd., with 89.75% of all shares, consisting of:
 - SSV Assets Co., Ltd., with 58.16% of all shares, whose major shareholders are:
 - Mr. Win Viriyaprapaikit, who owns 29.99% of all shares
 - Mrs. Thirarat Kunatthanont, who owns 29.50% of all shares

- Mr. Piya Viriyaprapaikit, who owns 20.50% of all shares
- Mrs. Kanokvipa Viriyaprapaikit, who owns 15% of all shares
- Others holding 5.01% of all shares

- The Sahaviriya Group Co., Ltd., with 29% of all shares
- Others, with 12.84% of all shares

- (2) Others holding 10.25% of all shares.

⁽³⁾ **SSV Asset Co., Ltd.,**

is an investment holding company whose major shareholders are:

- (1) Mr. Win Viriyaprapaikit, who owns 29.94% of all shares
- (2) Mrs. Thirarat Kunatthanont, who owns 29.50% of all shares
- (3) Mr. Piya Viriyaprapaikit, who owns 20.50% of all shares
- (4) Mrs. Kanokvipa Viriyaprapaikit, who owns 15% of all shares
- (5) Others holding 5.06% of all shares.



MANAGEMENT

(1) Management Structure

The Company's management structure consists of five committees, namely the Board of Directors, the Board of Executive Directors, the Audit Committee, the Remuneration Committee, and the Nomination Committee. Their duties and responsibilities may be summarized as follows:

1. The Board of Directors

As of December 31, 2004, the Board of Directors consists of fifteen persons, namely:

- a director who is also an executive 1 person
- directors who are not executives 9 persons
- independent directors 5 persons

The names of the Board of Directors are as follows:

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

By **independent directors** are meant persons who :

1. do not own more than 0.5% of the total voting shares in the Company, the Group of companies, corporate joint ventures, or juristic persons who are in a potential conflict of interest with the Company (including related parties, according to article 258 of the legislation concerning securities and the stock exchange).
2. have had no part to play in the Company's management, have not been hired persons, nor employees, nor regular salaried consultants, nor have had any form of control over the Company, the Group of companies, corporate joint ventures, or juristic persons who are in a potential conflict of interest with the Company, nor had any interest, gain, or loss from the connections above-mentioned for at least one year.
3. have no business relations, nor any interest, gain, or loss, directly or indirectly, financially or administratively, with the Company, the Group of companies, corporate joint ventures, or juristic persons who are in a potential conflict of interest with the Company.
4. are not closely related to the management or the major shareholders of the Company, the Group of companies, corporate joint ventures, or juristic persons who are in a potential conflict of interest with the Company, nor are representing the interests of any director or major shareholders.
5. are able to regularly attend meetings of the Board of Directors to monitor operational results and offer views leading to decisions on affairs of the Company.

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. Somchai Pipitvijitkorn, or Mr. Piya Viriyaprapaikit, or Mr. Win Viriyaprapaikit. Any two of these six can together sign a document and affix to it the Company's seal.

Authority and Duties of the Board of Directors

1. The Board of Directors is authorized and obligated to ensure that the Company achieve the objectives and comply with the regulations of the Company, as well as resolutions of shareholders' meetings.
2. By resolution or written authorization, the Board of Directors is entitled to delegate its responsibilities to juristic entities or persons, who may or may not be directors, who will act on the Company' behalf and sign their names so as to legally bind the Company according to conditions given to the persons so delegated by the Board of Directors. The Board of Directors may delegate various aspects of this authority to one or more persons.
3. The Board of Directors must meet no less than once every three months.
4. The Board of Directors must organize an annual general meeting of shareholders within four months from the end of the Company's fiscal year. Any other meeting of shareholders should be designated an extraordinary meeting, and may be called any time by the Board of Directors, at their discretion, or whenever a number of shareholders whose shareholdings represent no less than one fifth of the total number of issued shares or at least twenty-five shareholders whose shareholdings represent no less than one tenth of the total number of issued shares produce and all sign a document that clearly states their reasons and purposes in calling for a meeting. The Board of Directors must then summon an extraordinary meeting of shareholders within one month from the date on which they receive such a letter from shareholders.

5. The Board of Directors must produce a balance sheet and statement of earnings, pertaining to the Company on the final day of its fiscal year, and present it to the annual general meeting of shareholders for their approval. The Board of Directors must arrange for the auditor to examine these financial statements before they are presented to the shareholders' meeting.

2. The Executive Board

As of December 31, 2004, the Board of Executive Directors consists of seven directors :

- | | |
|-------------------------------|--|
| 1. Mr. Wit Viriyaprapaikit | Chairman of the Board of Executive Directors |
| 2. Mr. Maruey Phadoongsidhi | Executive Director |
| 3. Mr. Somchai Pipitvijitkorn | Executive Director |
| 4. Mr. Piya Viriyaprapaikit | Executive Director |
| 5. Mr. Win Viriyaprapaikit | Executive Director |
| 6. Mr. Permpoon Krairiksh | Executive Director |
| 7. Mr. Nuttawit Boonyawat | Executive Director |

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, plans for investment, capital budgets, expansion plans, and plans for new operations or joint ventures, and submit the same to the consideration of the Board of Directors for approval.
2. to be responsible for operations according to the policies and plans approved by the Board of Directors, as well as to monitor and assess the results of those operations and to submit the same to the Board of Directors for its consideration.
3. to hire, confirm, appoint, dismiss, rotate, transfer, retire, or terminate the contracts of executives of the level of President, Executive Vice President, Vice President, and Assistant Vice President. The Board of Executive Directors is authorized to approve and to inform the Board of Directors of its decisions.
4. to hire, confirm, appoint, dismiss, rotate, transfer, retire or terminate the contracts of executives of the level of Department Manager. The President is authorized to approve and to inform the Board of Executive Directors of his decisions.



5. to produce and approve an Authorization Chart for the executive and operational levels of the Company.
6. to determine and/or assign the authority to sign for various matters related to the Company's operations and finances.
7. to consider and approve the opening of commercial bank accounts and determine those with the authority to sign for withdrawals and payment orders from such accounts.
8. to perform other functions as assigned to it by the Board of Directors.

3. Audit Committee

As of December 31, 2004, the Audit Committee consisted of three members, each with a three-year tenure :

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

Scope of Duties and Responsibilities of the Audit Committee

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



4. The Remuneration Committee

As of December 31, 2004, the Remuneration Committee consisted of three persons whose term of office is three years, as follows :

- | | |
|---------------------------------|--|
| 1. Mr. Tawee Butsunorn | Chairman of the Remuneration Committee |
| 2. Mr. Somchai Pipitwichitrakon | Remuneration Committee Member |
| 3. Mr. Taweesak Senanarong | Remuneration Committee Member |

Scope of Authority and Responsibilities of the Remuneration Committee

The duties and responsibilities of the Remuneration Committee are as follows:

1. To consider guidelines for determining remuneration for the Board of Directors, other committees established by the Board of Directors, and the President. This remuneration should include meeting fees, annual bonuses, certificates of rights to purchase common shares of the Company, and other benefits, either monetary or non-monetary, and to consider the remuneration structure for senior executives. The means of determining remuneration or remuneration structures should be fair and reasonable.
2. To consider rates of remuneration for the Board of Directors, other committees established by the Board of Directors, the President, and the remuneration structure for senior executives in comparison with standard practice in the industry among companies listed in the SET, their duties and responsibilities, and how to link these to the performance of the Company.
3. To engage in other activities assigned to it by the Board of Directors that have to do with remuneration.
4. The Remuneration Committee may seek the advice of outside consultants concerning remuneration if such is considered necessary, and may take courses to increase knowledge about matters of remuneration at the Company's expense.
5. The Remuneration Committee must regularly report the results of its meetings or other matters of concern to the Board of Directors.

5. The Nomination Committee

As of December 31, 2004, the Nomination Committee consisted of three persons whose term of office is three years, as follows :

- | | |
|--------------------------|--------------------------------------|
| 1. Mr. Visith Noiphan | Chairman of the Nomination Committee |
| 2. Mr. Kamol Juntima | Nomination Committee Member |
| 3. Mr. Prateep Buphaintr | Nomination Committee Member |

Scope of Duties and Responsibilities of the Nomination Committee

The duties and responsibilities of the Nomination Committee are as follows :

1. To select, in a principled and transparent manner, persons who should be nominated as Company director or President, including those suggested by shareholders (if any).

Persons nominated must be knowledgeable, competent, independent, capable of cautious judgement, loyalty, and dedication of time and effort to their tasks, of an acceptable age, in good health physically and mentally, able to regularly attend meetings of the Board and prepare for them in advance, able to contribute usefully to such meetings, forthright, daring enough to express opinions in meetings, and possessed of good work experience and moral behaviour.

- The Nomination Committee will give priority to persons whose skills, experience, professionalism, and special characteristics are wanted or lacking in the Board of Directors to ensure that the Board of Directors is as complete as possible and best able to serve the Company's interests. The nominee's directorship in other companies will be considered as to whether such a position would have an effect on the Company or constitute a conflict of interest. The same considerations apply to the position of President.
2. To request the opinions of the Board of Directors (if any) regarding nominations prior to submitting names to the Board of Directors or a shareholders' meeting for further consideration.
 3. To engage in other activities assigned to it by the Board of Directors that have to do with nominating directors or the President.
 4. The Nomination Committee may seek the advice of outside consultants concerning remuneration if such is considered necessary, and may take courses to increase knowledge about matters of nomination at the Company's expense.
 5. The Nomination Committee must regularly report the results of its meetings or other matters of concern to the Board of Directors.

The list of the Company's Management is as follows :

- | | |
|---------------------------------|--|
| 1. Mr. Win Viriyaprapaikit | President |
| 2. Mr. Boonnarg Mockmongkonkul | Senior Vice President, Manufacturing Division |
| 3. Mrs. Vilai Chattanrassamee | Vice President, Finance & Accounting Division |
| 4. Ms. Dusadee Sirichaitavin | Vice President, Human Resources and Administration Division, and Secretary of Remuneration Committee |
| 5. Mr. Wichien Tungsuknirundorn | Vice President, Commercial Division (2) |
| 6. Mr. Prueng Piyachart | Vice President, Commercial Division (3) |

7. Mr. Chartchai Pomloy	Assistant Vice President, Commercial Division (Export)
8. Mr. Weera Kosakan	Assistant Vice President, Commercial Division 2
9. Mr. Kittisak Mapanao	Assistant Vice President, Manufacturing Division (Technology and Engineering)
10. Mr. Soonthorn Wasansaerekul	Assistant Vice President, Manufacturing Division (Operations)
11. Mr. Somkiat Panichkul	Assistant Vice President, Manufacturing Division (Maintainance)
12. Mr. Thinnakorn Phadoongwong	Assistant Vice President, Manufacturing Division-Metallurgy and Quality Assurance
13. Mr. Narongrit Chotnuchittrakul	Assistant Vice President, Finance and Accounting Division (Accounting)
14. Mr. Vuthi Asvasermcharoen	Assistant Vice President, Finance and Accounting Division (Finance)
15. Mr. Chartjumphol Yudhanahas	Assistant Vice President, Information Technology Office
16. Mr. Srijaroung Bandhaya	Assistant Vice President, Human Resources and Administration Division
17. Mr. Visidha Anuttra	Assistant Vice President, Corporate Policy and Co-ordination Office
18. Mrs. Ninlawan Sivapuchpong	Assistant Vice President, Corporate Affairs Office
19. Mrs. Wannee Sirikanchana	Chief, Internal Audit Office, Secretary to the Audit Committee
20. Mr. Surasak Ngamsidhipongsa	Assistant Vice President, Corporate Secretariat Office, Secretary to the Board of Directors, Executive Directors, and Nomination Committee

(2) Nomination of Directors and Executives

2.1 Nominating Directors

The Company has appointed a Nomination Committee to select individuals suitable for nomination as directors of the Company or a President, and to propose their names to a meeting of the Board of Directors and/or a shareholders' meeting for consideration. Details of this appear in article (1) Management Structure, topic 5. Nomination Committee.

2.2 Nominating Executives

The Board of Directors has delegated authority to the Board of Executive Directors in the consideration and appointment of knowledgeable, competent, and experienced persons who are fit to become executives of the Company. When an appointment has been made, it should be reported to the Board of Directors.

Rights of Minor Shareholders in the Appointment of the Board of Directors

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

- (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) Remuneration for Directors and Executives in 2004

1. Total Monetary Remuneration

1.1 The structure of meeting fees as monetary remuneration for directors of the Company, approved by the tenth annual general meeting of shareholders on April 29, 1999, is as follows:

1.1.1	Chairman of the Board of Directors	15,000 baht/month
1.1.2	Directors	10,000 baht/month
1.1.3	Chairman of the Board of Executive Directors	30,000 baht/month
1.1.4	Executive Directors	25,000 baht/month
1.1.5	Chairperson of the Audit Committee	30,000 baht/month
1.1.6	Audit Committee Members	25,000 baht/month
1.1.7	Independent Director	15,000 baht/month

If a director holds more than one position, he will be paid the meeting fee of the position with the higher rate. Directors who are employees of the Company do not receive meeting fees.

Any Director who is also an SSI management team member will not receive a meeting allowance.

1.2 Other forms of remuneration besides meeting fees, as per 1.1, were approved at the 11th annual general meeting of shareholders on April 28, 2000. The Chairman of the Board of Directors receives a monthly salary of Baht 300,000, and the Chairman of the Board of Executive Directors receives a monthly salary of Baht 200,000. These amounts are necessary because the Chairman of the Board of Directors and the Chairman of the Board of Executive Directors perform their work and offer advice to the Company and its subsidiaries on a full-time basis, every working day. They must socialize, co-ordinate affairs, and participate in meetings with government agencies in Bangkok and in the provinces regarding corporate affairs, and must also travel abroad to make contacts with the Company's business partners.

1.3 Health insurance, accident insurance, and life insurance payments not exceeding Baht 20,000 per person, as resolved in the 12th annual general meeting of shareholders on April 30, 2001 will be paid on behalf of any director for whom the insurance company does not provide that type of insurance and/or does not provide coverage for certain types of illness, in the case of health insurance, whatever the reason. At the 13th annual general meeting of shareholders on April 4, 2002, it was resolved that the Company will directly accept the burden of insurance payments on behalf of all directors for whom the insurance company does not provide insurance, up to the insured amount and/or the benefits provided by the life, health, or accident insurance company to that director, at a rate of payment approved by the shareholders.

1.4 Annual directors' gratuities for 2003, as approved by the 15th annual general meeting of shareholders on April 27, 2004, should be paid for all 13 directors (not including Mr. Win Viriyaprapaikit, President, who as employee of the Company already receives his remuneration, and Mr. Tawee Butsunton, who was appointed director in 2004) at the rate of Baht 200,000 per person, totalling Baht 2,600,000.

The remuneration mentioned in articles 1.1 to 1.3 above should remain as mentioned until a meeting of shareholders approves otherwise.

(Unit : Baht per Year)

No.	Name	Meeting Allowance	Remuneration	Directors' Bonuses	Total Remuneration
1.	Mr. Maruey Phadoongsidhi Chairman of the Board of Directors and Executive Director	300,000	3,600,000	200,000	4,100,000
2.	Mrs. Kesree Narongdej Independent Director and Chairperson of the Audit Committee	360,000	-	200,000	560,000
3.	Mr. Visith Noiphan Independent Director and Audit Committee Member	300,000	-	200,000	500,000
4.	Mr. Prateep Buphaintr Independent Director and Audit Committee Member	300,000	-	200,000	500,000
5.	Mr. Tongchat Hongladaromp Independent Director	180,000	-	200,000	380,000
6.	Mr. Tawee Butsunorn* Independent Director	115,000	-	-	115,000
7.	Mr. Wit Viriyaprapaikit Director and Chairman of the Board of Executive Directors	360,000	2,400,000	200,000	2,960,000
8.	Mr. Somchai Pipitvijitkorn Director and Executive Director	300,000	-	200,000	500,000
9.	Mr. Piya Viriyaprapaikit Director and Executive Director	300,000	-	200,000	500,000
10.	Mr. Permpoon Krairiksh Director and Executive Director	300,000	-	200,000	500,000
11.	Mr. Nuttawit Boonyawat Director and Executive Director	300,000	-	200,000	500,000
12.	Mrs. Prapa Viriyaprapaikit Director	120,000	-	200,000	320,000
13.	Mr. Thaweesak Senanarong Director	120,000	-	200,000	320,000
14.	Mr. Kamol Juntima Director	120,000	-	200,000	320,000
15.	Mr. Win Viriyaprapaikit** Director, Executive Director, and President	-	-	-	-

* Mr. Tawee Butsunorn was elected as director on February 26, 2004, and so does not receive a director's gratuity for 2003.

** Mr. Win Viriyaprapaikit, President, serves as an employee of the Company, and so does not receive meeting fees, a director's remuneration, or a director's pension.

1.5 Remuneration for executives at the level of Vice President on up, in the form of salaries, bonuses, and vehicle allowances for five persons, plus the President as one more person, totalled Baht 28,603,900 for the year.

2. Other Forms of Remuneration

2.1 Contributions to the pension fund of executives at the level of Vice President on up, for five persons plus the President as one more person, totalled Baht 1,595,275 for the year.

(4) Remuneration for the Auditor in 2004

1. Remuneration from Audit Fees

The Company and its subsidiaries (Prachuap Port Co., Ltd. and West Coast Engineering Co., Ltd.) paid an audit fee of Baht 3,469,200 to the auditing office of Deloitte Touche Tomatsu Chaiyot Co., Ltd., of which the Company's auditor is a member, for the past fiscal year.

2. Non-Audit Fees

The Company and its subsidiaries (Prachuap Port Co., Ltd. and West Coast Engineering Co., Ltd.) must pay for other services, namely the auditing of a project that received investment support and for which an exemption from annual income tax may be requested. Payment of Baht 167,000 is to be made to the auditing office of which the auditor is a member at a later date, as this service has not been completed during the past fiscal year.

(5) Shareholding in the Company by Directors and Management

No.	Name	As of December 31, 2003 (at Baht 10 each)	As of December 31, 2003 (at Baht 1 each)	Difference (at Baht 1 each)
1.	Mr. Maruey Phadoongsidhi	-	-	-
2.	Mr. Wit Viriyaprapaikit	10 shares	100 shares	-
3.	Mrs. Prapa Viriyaprapaikit	10 shares	100 shares	-
4.	Mr. Somchai Pipitvijitkorn	-	-	-
5.	Mr. Thaweesak Senanarong	-	-	-
6.	Mr. Visith Noiphan	-	-	-
7.	Mrs. Kesree Narongdej	-	-	-
8.	Mr. Tongchat Hongladaromp	-	-	-
9.	Mr. Tawee Butsunton	-	-	-
10.	Mr. Prateep Buphaintr	-	-	-
11.	Mr. Kamol Juntima	107,000 shares	1,070,000 shares	-
12.	Mr. Permpoon Krairiksh	-	-	-
13.	Mr. Nuttawit Boonyawat	200 shares	2,000 shares	-
14.	Mr. Piya Viriyaprapaikit	-	-	-
15.	Mr. Win Viriyaprapaikit	-	-	-
16.	Mr. Boonnarg Mockhmongkonkul	-	-	-
17.	Mrs. Vilai Chattanrassamee	-	-	-
18.	Ms. Dusadee Sirichaitavin	-	-	-
19.	Mr. Prueng Piyachart	33,200 shares	352,000 shares	20,000
20.	Mr. Wichien Tungsuknirundorn	-	-	-

Note: The Company registered the change in book value of Company shares from Baht 10 to Baht 1 with the Department of Business Development, Ministry of Commerce, on November 23, 2004.

POLICY FOR PAYING DIVIDENDS

The policy of the Company is to pay 40% of the Company's net profit each year in the form of dividends. From 1994 to 1998, the Company did not pay dividends because it was experiencing losses.

In 1999, the Company's debt restructuring agreement with its creditor financial institutions stipulated that dividends might only be paid after June 30, 2002 and after the Company had repaid Baht 774 million of its long-term, restructured loans totalling Baht 1,105 million. If the Company fulfilled these conditions, the Company might pay no more than 60% of its net profit as dividends after setting aside the legally mandated reserve. Therefore, from 1999 to 2002 the Company was unable to pay any dividends.

In 2003, the Company signed a new loan agreement in which its creditor financial institutions stipulated that dividends equal to no more than 60% of its net profit, after setting aside the legally mandated reserve, might be paid. So in 2003, as the Company still had a retained loss, it was unable to pay any dividends.

In 2004, the Company paid on December 23, 2004 an interim dividend for the results of operations from the first half of the year, ending on June 30, 2004, to shareholders listed in the Company's share registry on December 9, 2004 at 12.00 hours, at the rate of Baht 0.10 per share (the book value of which was Baht 1, having changed it from Baht 10 and registered the change with the Ministry of Commerce on November 23, 2004).

At meeting number 1/2548 of the Board of Directors on February 28, 2005, it was resolved that the Company's policy on paying dividends be changed as follows: "The Company's policy is to pay dividends at a rate of no less than 25% of the Company's net profit each year, after deducting income tax, the legally mandated reserve, and other reserves. The payment of dividends will, nonetheless, depend on economic conditions, operating profits, investment plans, various contract conditions, and other factors, both now and in the future, beginning with the results of operations for 2005.

"The resolution of the Board of Directors regarding the payment of dividends will be proposed to a meeting of shareholders for approval, unless it is an interim payment, in which case the Board of Directors is authorized to approve payment and then report the same to the next meeting of shareholders.

"The Company has not determined any particular rate for the payment of dividends from subsidiaries. This depends on the results of operations of each subsidiary, and the Board of Directors of that subsidiary will make the decision concerning dividends on a case-by-case basis."

INTERNAL CONTROLS

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

- West Coast Engineering Co., Ltd.
- Prachuap Port Co., Ltd.

The system heretofore adhered and referred to by the Audit Committee and the Office of Internal Audit in their work to date is called the Internal Control Integrated Framework (IC-IF), an international standard published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). After COSO developed a new system to be used for company-wide risk management, called Enterprise Risk Management—Integrated Framework (ERM), in September 2004, the Company's Office of Internal Audit has adapted to the use of this system as well, which contains eight elements :

1. internal environment
2. objective setting
3. event identification
4. risk assessment
5. risk response
6. control activities
7. information and communication
8. monitoring

The operations of the Office of Internal Audit are modeled after a framework called the International Standards for the Professional Practice of Internal Auditing, from the Institute of Internal Auditors (IIA). The Office of Internal Audit has adopted these standards and applied them to its own operations.

The Audit Committee has conducted an assessment of the Company's system of internal controls according to the form issued for that purpose by the Securities and Exchange Commission and the Stock Exchange of Thailand since 2000. Occasionally the Company's management takes part in these sessions. In addition, the Audit Committee assesses the adequacy of each system and activity as part of the annual evaluation program conducted by the

Office of Internal Audit. The Company can be said to have maintained an atmosphere more or less completely conducive to internal controls and operational control of all corporate activities, in the following ways:

- The systems, policies, and procedures of the Company have been clearly defined so as to serve as guidelines for what the Company considers correct and appropriate. The Company has also produced an organization chart manual that specifies in writing the authority granted to the Board of Directors, the Board of Executive Directors, and each level of Executive Management in order to generate systems of control for the exercise of corporate authority and to serve as material for reference and investigation.

This manual is, moreover, reviewed from time to time to ensure that delegation of authority in management is well-suited to practice.

- The Company has established a corporate operational creed, codes of business ethics and ethics for directors and employees, and corporate values, namely:
 - S: Spirit of teamwork and continuous learning
 - S: Satisfaction to all stakeholders
 - I: Integrity from all staff

To this end, the Company established an Employee Ethics and Values Committee in 2003, the purpose of which is to build corporate values among employees and promote their implementation so that they become the culture of the organization.

- The Company has also established a mechanism for ensuring strict compliance with the law. All legislation pertaining to the Company's business has been compiled in a database, and one person has been assigned the task of updating this database and ensuring its completeness and accuracy at all times. A system of monitoring compliance has, furthermore, been set up,

requiring each department to report on its adherence to the law on a quarterly basis.

- The Company has mandated compliance with ISO 9001:2000 quality management standards, ISO 14001 environmental management standards, TIS 18001 occupational health and safety standards, and ISO/IEC 17025:2000 laboratory accreditation standards, and received certification for them. It has also been certified for the Thai Industrial Standards of the Ministry of Industry and Japanese Industrial Standards (JIS Mark). The Company's products have also been accredited according to ASTM, SAE, API, DIN, AISI, EN, and BS standards.

- Operational reports and evaluations are submitted to the Board of Executive Directors, who compare operational results to monthly targets. If accomplishment of these targets is significantly affected, action to resolve the cause can be immediately taken.

- In October 2003 the Company appointed a working group to establish a risk management system for the Company, including policies, guidelines, and a manual to help evaluate risk. These evaluations would include a general assessment of corporate risk, an analysis of risk assessment procedures, determining levels of risk, establishing plans and activities to prevent or reduce risk, deciding on systematic methods and tools for evaluating results of monitoring and reporting risk, and making reports to the President and the Audit Committee.

- In October 2004, the Company established a Risk Management Committee to replace the abrogated Working Group to Form a Risk Management System, as well as a Crisis Management Committee to co-ordinate work with the Risk Management Committee.

- In November 2004, a meeting of the Board of Directors resolved to declare implementation of a **policy regarding the Company's risk management and internal**

controls. The Board of Directors would have stronger reasons to believe that corporate management was capable of leading the organization to accomplishment of its short-term and long-term goals, its mission, and its vision when it relied on risk management and internal control systems. These systems would be of ultimate benefit in enhancing corporate value and wealth for the Company's shareholders, and would also benefit other stakeholders. This policy may be summarized as follows :

1. The Board of Directors will supervise risk management, internal control systems, and internal audits through the Audit Committee.

2. The management shall take a risk-based approach to implementing risk management, internal controls, and internal audits.

3. The Company's subsidiaries should also take a risk-based approach to their risk management and internal controls, and should report on the same to the parent company's Audit Committee.

4. The risk management process of the Company and its subsidiaries should conform to common business practices, be flexible, open to continuous improvement, transparent, and capable of being communicated throughout the organization, and should be made part of the Company's corporate culture.

5. The Company's risk management architecture should consist of procedures for risk factor identification, risk assessment, risk measurement, and risk response.

6. The scope and implementation of the Company's risk management guidelines should be determined, and the methods of risk management should be compiled in such a way as to include them in the Company's system of internal controls.

7. People responsible for this process, or risk owner, should be identified.

8. A Risk Management Committee should be formed to decide what level of risk needs to be reported to the Board of Directors or the Board of Executive Directors for their acceptance of it and their approval of measures to be taken as a risk response. Periodic reports on risk should be made to the Board of Executive Directors, the Audit Committee, and the Board of Directors, and action should be co-ordinated with the Crisis Management Committee.

9. Any budgetary proposal involving corporate investment must be accompanied by a risk assessment report.

10. Risk management competency should be included in an assessment of the overall competency of management.

SUPERVISING THE USE OF INSIDE INFORMATION

“The Company's directors must not use their position for wrongful gain, must not disclose Company secrets to outsiders, must not seek gain for themselves or those related to them by means of information not yet publicly disclosed, and must not do anything that would result in a conflict of interest.”

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

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

“The Board of Directors shall regulate the Company's affairs in such a way that investors may be convinced of the full, prompt, and accurate disclosure of all significant information regarding the Company.”

- In 2003 the Company appointed a committee to establish campaigns upholding ethics and corporate values for employees. These programs were created to promote ethics and corporate values for all employees at the Company's Bangkok office and its plant at Bang Saphan, Prachuap Khiri Khan, and to make them part of the corporate culture of the Company. The same campaign activities initiated in 2003 were continued in 2004 at both locations.

The Company has strictly adhered to the Securities and Exchange Act of 1992 to prevent unfair trading of the Company's stock. The main aspects of this compliance follow.

- 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 :

- In 2004, the Company produced three reports on the ownership of stocks by directors and senior executives of the Company for the Securities and Exchange Commission (SEC), in accordance with the regulations of the SEC.

- One transaction, noted in form 59-2, was reported regarding a change in stock ownership due to the purchase or sale of corporate stock by the spouse of the Company's senior executive.
- One report concerned the Company's securities owned by a newly appointed director, reported within thirty days of his/her appointment, and one other report concerned Company's securities owned by a newly appointed auditor, reported within thirty days of his/her appointment, noted in form 59-1.

- For 2005, every Company director and employee, every corporate insider, in other words, was warned against using inside information for the purchase or sale of Company securities before such information is disclosed to the Stock Exchange of Thailand (SET). A letter from the SEC was circulated at the end of January 2005 warning against such practice as a potential violation of the Securities and Exchange Act of 1992.

- A report on the stock ownership of directors and senior executives of the Company must be made at every meeting of the Board of Directors, whether changes have taken place in such holdings or not.

- Sensitive information about the Company, before it is disclosed to the SET, must be restricted to a limited number of employees and executives on a need-to-know basis only. Such information must be released to SET immediately after it has been so resolved by a meeting of the Board of Directors.

- Important information about the Company must be disclosed officially to the SET before it is released to any other media so that all investors have equal access to such information, with no one investor having any advantage over any other in this regard.

- The Company has assigned people directly responsible for the release of information or news about the Company to various media or disclosure of authentic data to the SET, to ensure clarity and avoid discrepancies in information.

RELATED PARTIES AND RELATED TRANSACTIONS

Related Parties	Relationship	Related Transactions in 2004 (Unit : Million Baht)		Outstanding Balances (Unit : Million Baht)	
Thai Coated Steel Sheet Co., Ltd.	A juristic person of which the shareholding by SSI is 3.7% and the common directorship is shared by SSI's director (s).	Provide utility services	124.14	Trade accounts receivable	1.01
		Provide deep sea port service	3.71	Other accounts receivable	0.02
		Provide maintenance service	0.36	Accrued income	10.44
		Sell spare parts and equipment	0.33		
Thai Cold Rolled Steel Sheet Pcl.	A juristic person of which the shareholding by SSI is 8.77% and the common directorship is shared by SSI's director (s).	Sell hot rolled coils	6,247.45	Trade accounts receivable	349.37
		Provide maintenance service	9.9	Other accounts receivable	0.03
		Sell spare parts and equipment	0.03	Accrued income	1.48
		Provide deep sea port service	70.66		
		Provide utility service	7.91		
		Other incomes	1.19		
Sahaviriya Panich Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%.	Sell hot rolled coils	368.14		
		Revenue from sale commission	1.34		
Sahaviriya Steel Service Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%.	Sell hot rolled coils	464.25		
Sahaviriya Steel Center Co., Ltd.	A juristic person of which the aggregated shareholding by SSI's director (s) exceeds 10%.	Sell hot rolled coils	409.07		
Bangsaphan Transport Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%.	Use truck transportation service	274.69	Trade accounts payable	15.82
		Provide maintenance service	0.06	Other accounts payable	0.03
		Provide deep sea port service	8.92	Trade accounts receivable	1.94
		Other incomes	0.27	Other accounts receivable	0.12
		Cost of service	0.14	Accrued expense	31.66
		Other expenses	0.71		
Bangsaphan Barmill Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%.	Provide maintenance service	0.13	Trade accounts receivable	6.71
		Provide deep sea port service	24.75	Other accounts receivable	0.02
		Provide utility service	72.13		
B.S. Metal Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%.	Sell hot rolled coils and steel scrap	1,821.31	Trade accounts payable	0.72
		Provide utility services	1.79	Trade accounts receivable	313.36
		Provide maintenance service	0.08	Accrued income	0.14
		Sell spare parts and equipment	0.17	Accrued expense	0.09
		Use steel-cutting service	3.94		
Sahaviriya Plate Mill Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%.	Provide deep sea port service	0.44	Trade accounts receivable	0.06
		Sell steel slabs	1,039.16		

Related Parties	Relationship	Related Transactions in 2004 (Unit : Million Baht)		Outstanding Balances (Unit : Million Baht)	
Prapawit Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%.	Lease space of head office	9.63	Accrued expense	0.10
		Other expenses	2.99	Deposit	4.84
				Trade accounts payable	0.01
				Other accounts payable	0.02
Western Housing Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%.	Use accommodation at Bangsaphan	2.21	Trade accounts payable	0.29
		Sell spare parts and equipment	0.002	Accrued expense	0.13
		Provide maintenance service	0.02	Trade accounts receivable	0.004
		Cost of service	0.02	Accrued income	0.002
Inter Maritime Co., Ltd.	A juristic person of which the common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by family members of director (s) of SSI's subsidiary exceeds 10%.			Trade accounts receivable	0.02
Four Star Marine Co., Ltd.	A juristic person of which the common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by family members of director (s) of SSI's subsidiary exceeds 10%.	Provide deep sea port service	0.19	Trade accounts receivable	0.06
		Other incomes	0.05	Other accounts receivable	0.05
		Use loading and unloading service	51.91	Accrued expense	1.31
				Trade accounts payable	4.25
Sahaviriya Steel Group Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%.	Use internet and hotline service	1.26	Accrued expense	0.04
Central Maritime Co., Ltd.	A juristic person of which the common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by director (s) of SSI's subsidiary exceeds 10%.	Use custom clearance service	0.79	Trade accounts payable	0.008
		Cost of service	0.09	Trade accounts receivable	0.006
		Provide deep sea port service	1.71		
SSI Savings and Credit Cooperative		Interest income	0.04	Accrued income	0.04
C.A.R. Services Co., Ltd.	A juristic person of which the aggregated shareholding by family member (s) of SSI's director (s) exceeds 10%.	Use truck transportation service	0.67	Trade accounts receivable	0.14
		Provide deep sea port service	0.4		

Related Parties	Relationship	Related Transactions in 2004 (Unit : Million Baht)		Outstanding Balances (Unit : Million Baht)	
Sahaviriya Panich International Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%.	Sell hot rolled coils	4,045.90	Trade accounts receivable	331.67
		Revenue from sale commission	5.49	Trade accounts payable	0.23
Bang Pakong Metal Co., Ltd.	A juristic person of which the common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s) exceeds 10%.	Sell hot rolled coils	2,589.96	Trade accounts receivable	441.34

Note: The auditor's opinion on related transactions between the Company and related parties is stated in Note 20 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL RESULTS

Total Revenues and Revenues from Sales and Services

In 2004 the Company and its subsidiaries earned total revenue of Baht 37,093 million. Of this amount, Baht 36,268 million came from the sales of 1.80 million metric tonnes of hot rolled coils, Baht 360 million from the sales of steel scrap, Baht 709 million from the sales and services of corporate subsidiaries, and Baht 218 million from other income. In 2003, by comparison, total revenues were Baht 31,156 million. Of this amount, Baht 28,692 million came from the sale of 1.95 million metric tonnes of hot rolled coils, Baht 631 million from the sales of steel scrap, Baht 235 million from the sales and services of corporate subsidiaries, and Baht 1,598 million from other income which were gain from early repayment of debts and gain from conversion of convertible debenture, Baht 1,187 million from reversal of deferred interest expense, and Baht 113 million gain from debt forgiveness of Prachuap Port Co., Ltd., according to its debt restructuring plan.

Thus, income from the sale of hot rolled coil increased by 26% from 2003. Although the volume of sales was actually down by 8%, the average price was up 37% in line with higher steel prices in the world market.

Sales and services income from Prachuap Port Co., Ltd. and West Coast Engineering Co., Ltd., the Company's both subsidiaries, amounted to Baht 709 million. This amount, including income derived from the Company and from each other totalling Baht 463 million, was down 3% from 2003, due to a lower volume of imported raw materials.

Cost of Sales and Service

The Company's costs of sales amounted to Baht 30,542 million, or 83% of revenue from sales of hot rolled coils and steel scrap. The Company's subsidiaries had Baht 358 million in costs of sales and services, or 51% of income from sales and service to the Company, the affiliated companies, and outside firms.

The main costs in producing hot rolled coils are the cost of slab, amounting to 85-90% of total cost of sales. The second was conversion costs, such as fuel, electric power, yield loss, labor, spare parts and consumables, and the remaining was depreciation.

In 2004, the metal spread between selling price and slab cost was Baht 5,311 per tonne.

The Company continues to work at reducing direct and indirect production costs, and to study ways of increasing production efficiency in terms of output per hour and product quality.

Metal Spread

In the hot rolled coil industry, the metal spread between the selling price and slab cost is a very important determinant of gross profits.

In 2004 this metal spread was US\$ 132 per tonne, or 27% of the selling price. In 2003, however, the metal spread was US\$ 99 per tonne, or 28% of the selling price. Both selling prices and raw material prices rose considerably in the course of the year.

Selling & Administrative Expenses

Most of the Company's selling expenses, which were freight and transport, vary according to sales volume. In 2004, the Company and its subsidiaries had selling expenses totalling Baht 239 million, down 36% from the previous year. This was because of sales terms that did not include transport charges. Administrative expenses amounted to Baht 299 million, down 14% or Baht 50 million from 2003.

Interest Expenses

Interest expenses of the Company and its subsidiaries totalled Baht 401 million, down 45% or Baht 328 million from the previous year. This reduction was due to a refinancing transaction at the end of 2003 that left the Company with lower interest rates, as well as a conversion of the Company's debentures in 2004, better debt collection, and a faster turnover rate of raw material and finished product.

Net Profit (Loss)

In 2004, the Company's net profit amounted to Baht 5,333 million, compared to Baht 4,702 million in 2003. The main contributing factors to this increase were a higher price of hot rolled coils to reflect higher production costs and ongoing support from the government in the form of anti-dumping measures.

The Company's profit per share was Baht 0.41, and the rate of net profit to total revenue was 14%. Return on average assets ratio was 16%, and return on average equity ratio was 30%.

Dividend Ratios

According to the new credit agreement, the Company may pay out no more than 60% of its net profit after setting aside the legally mandated reserve. In 2004, the Company paid a dividend of Baht 0.10 per share, amounting to Baht 1,310 million, and put aside as legal reserve Baht 92.4 million from its net profit for the first half of the year.

FINANCIAL POSITION

Assets

The proportion of assets of the Company and its subsidiaries are:

Percentage	2004	2003	2002
Trade accounts	7	8	6
Inventory	32	29	36
Land, buildings, and equipment	55	58	55
Others	6	5	3
Total assets	100	100	100

As of December 31, 2004, the net trade accounts of the Company and its subsidiaries totalled Baht 2,687 million, up 16% from the previous year, due to higher per-tonne selling prices. The Company's allowance for doubtful debts, i.e. accounts outstanding over six months, amounted to Baht 394 million as of December 31, 2004.

Raw materials and finished products inventory as of December 31, 2004 amounted to Baht 11,827 million, up 40% from 2003. Most of the increase consisted of finished products made from higher-costing raw materials and finished products in transit, made from raw materials whose volume and cost were greater than in 2003.

In 2004, the total assets of the Company and its subsidiaries increased by Baht 7,224 million. Most of this consisted of current assets in the form of raw materials and finished products, and fixed assets in the form of land, buildings, and equipment. Account receivables of

the Company and its subsidiaries totalled Baht 3,081 million, while doubtful account receivables over six months outstanding amounted to Baht 394 million. The Company and its subsidiaries had set aside a reserve for doubtful accounts, as of December 31, 2004, amounting to Baht 394 million, down Baht 11 million from the year before. This was because a portion of the previous doubtful accounts was repaid.

Liquidity

1. Cash Flow

In 2004, the Company and its subsidiaries received net cash flow from its operations, before interest expenses, amounting to Baht 6,660 million. Interest expenses paid in cash amounted to Baht 463 million, and net cash generated from changes in operating assets and liabilities amounted to Baht 1,052 million. Most of this increase was owing to a greater volume of raw materials

and finished products in inventory. Net cash flow of the Company and its subsidiaries from operating activities amounted to Baht 5,145 million. Cash flow used by the Company and its subsidiaries in investment activities amounted to Baht 4,294 million. Most of this amount was used to purchase land, buildings, and equipment. Cash flow used by the Company and its subsidiaries for financing activities amounted to Baht 357 million, most of which was used for paying dividends and short-term loans, long-term loans, and early redemption of some debentures. The Company received additional long-term loan in early 2004.

Net cash flow paid out by the Company and its subsidiaries for operations, investments, and financing activities totalled Baht 494 million. As of December 31, 2004, the Group's cash balance amounted to Baht 602 million.

2. Liquidity Ratio

As of December 31, 2004, the liquidity ratio of the Company and its subsidiaries was 2.47. This was down from 5.57 in 2003, because of long-term loans and debentures due for payment within one year.

Share Price

The price of SSI shares in 2004 may be divided into two periods. The price per share during the first period, during which one share's par value was Baht 10, varied from a low of Baht 18.50 on May 18, 2004 to a high of Baht 39.75 per share on January 9, 2004. The average volume of trading during this period was 4.12 million shares per day, equal to an average of Baht 118.45 million per day. The average share price during this period was Baht 28.75 per share. After the revaluation of the par value of SSI shares from Baht 10 to Baht 1 per share, with trading at the new value commencing on November 29, 2004, the price per share varied from a low of Baht 2.78 per share on December 27, 2004 to a high of Baht 3.16 per share on November 29, 2004. The average volume of trading during this period was 70.4 million shares per

day, equal to an average of Baht 207.33 million per day. The average share price during this period was Baht 2.94 per share. As of December 31, 2004, the price per share of SSI stock had closed at Baht 2.88 per share.

DIRECTION OF FUTURE OPERATIONS

For 2005, the Company plans to increase its production capacity and sales of hot rolled coils from 1.9 million tonnes in 2004 to 2.3 million tonnes, equal to approximately Baht 62,700 million in value. This increase is a result of the Capacity Expansion Program to increase annual production capacity from 2.4 million tonnes to a maximum of 4 million tonnes. The Company targets its increased production to the cold-rolled steel sheet, automobile, and auto parts industries, and to continue with its production of pickled and oiled hot rolled coil — production which began in May 2004. The market for these products is both domestic and international, particularly in Asia and America.

In the course of raising production to 4 million tonnes per year, the first quarter will serve as a learning curve, while the full-scale running rate of 4 million tonnes per year will be attained by the second half of the year as the tonne-per-hour rate rises. The Company has begun to order machine parts and components, plant equipment, and other disposable materials that take a long time to procure, so as to ensure that there will be no serious obstacles to production at the appropriate time. The Company's policies of enhancing work efficiency, reducing production costs and operating expenses, and upgrading product and service quality remain in effect.

The Company continues to regard liquidity as a major priority. Controls on currency exchange risks remain stringent, as well as interest rate risk management, the supervision of trade accounts, and the management of raw material and stock levels at volumes suitable to market demand.

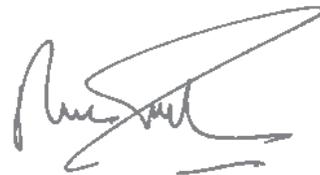
REPORT ON THE RESPONSIBILITY OF THE BOARD OF DIRECTORS CONCERNING THE FINANCIAL STATEMENTS FOR 2004

The Board of Directors of Sahaviriya Steel Industries Public Co., Ltd. (SSI) is directly responsible for the Company's financial statements as found in this annual report. These financial statements comprise balance sheets, statements of income, reports on changes in shareholders' equity, statements of cash flow, and notes to financial statements. The Company's management produced these reports according to generally accepted accounting principles, and chose accounting policies and practices considered appropriate and consistent. Careful judgement was employed in these evaluations, along with all due circumspection as to their suitability. Important information of sufficient detail was included in the notes to financial statements.

The Board of Directors supervises corporate management by establishing and maintaining an effective system of internal controls, and through this has a reasonable assurance that the accounting information of the Company is accurate, complete, and sufficient to protect the Company's assets and prevent frauds or irregularities. In addition, the Board has required that the Company's management establish an Office of Internal Audit, which has been operating since 1998.

Since 1999, the Board of Directors has appointed an Audit Committee, consisting of independent directors, whose job is to ensure that the Company's financial statements are accurate and adequate, and are based on appropriate and effective internal controls and internal auditing, and who must also select, propose, and suggest audit fee for an auditor. The Audit Committee has performed all the duties assigned to it by the Board of Directors, as appears in the Report of the Audit Committee found in this annual report.

The certified auditor appointed for SSI at the annual general meeting of shareholders independently examined the Company's financial statements according to generally accepted auditing standards and acted independently in delivering his/her opinion regarding the Company's financial status, the results of its operations, and its cash flow, as reported in the Company's financial statements, the significantly acceptable level of accuracy of these statements according to generally accepted accounting principles, and the Company's disclosure of information. The Report of the Auditor also appears in this annual report for 2004.



(Mr. Maruey Phadoongsidhi)
Chairman of the Board of Directors
On behalf of the Board of Directors

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 sheet of Sahaviriya Steel Industries Public Company Limited and its subsidiaries and the balance sheet of Sahaviriya Steel Industries Public Company Limited as at December 31, 2004, and the related consolidated and Company's statements of income, changes in shareholders' equity, and cash flows for the year 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 audit. The consolidated financial statements of Sahaviriya Steel Industries Public Company Limited and its subsidiaries and the Company's financial statements of Sahaviriya Steel Industries Public Company Limited for the year ended December 31, 2003 presented herein for comparison, were audited by another auditor of the same firm whose report thereon dated January 30, 2004 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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, 2004, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Thanawan Anuratbodee
Certified Public Accountant (Thailand)
Registration No. 3440

DELOITTE TOUCHE TOHMATSU JAIYOS

BANGKOK
January 31, 2005

BALANCE SHEETS

As at December 31, 2004 and 2003

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	602,098	108,399	465,017	47,049
Current investments (Note 6)	-	17,495	-	-
Trade accounts and notes receivable				
Related parties (Note 22.3)	1,445,468	1,787,097	1,410,256	1,765,818
Others	1,635,659	939,795	1,626,806	936,744
	3,081,127	2,726,892	3,037,062	2,702,562
Less Allowance for doubtful accounts (Note 23.1)	(393,888)	(405,051)	(393,888)	(400,095)
Trade accounts and notes receivable - net	2,687,239	2,321,841	2,643,174	2,302,467
Short-term loans and advances to related parties (Note 22.2)	5,106	3,051	5,138	3,062
Inventories (Note 7)	11,826,746	8,433,439	11,846,063	8,450,417
Other current assets				
Advance payments	420,117	682,993	421,305	682,989
Refundable value-added-tax	224,900	32,456	223,793	28,265
Other receivables	1,219	470	1,362	707
Prepaid expenses	13,327	14,396	12,178	13,310
Deposit at bank used as collateral	16,200	16,200	-	-
Others	115,284	31,106	104,055	18,635
Total Current Assets	15,912,236	11,661,846	15,722,085	11,546,901
NON-CURRENT ASSETS				
Investments using the equity method (Note 22.1)	-	-	876,140	767,143
Other long-term investments (Note 22.1)	561,621	561,621	561,621	561,621
Property, plant and equipment - net (Note 8)	20,010,840	17,009,451	17,853,302	15,061,607
Intangible assets (Note 9)	3,920	-	3,096	-
Other non-current assets (Note 10)	37,113	68,592	5,942	13,004
Total Non-Current Assets	20,613,494	17,639,664	19,300,101	16,403,375
TOTAL ASSETS	36,525,730	29,301,510	35,022,186	27,950,276

BALANCE SHEETS (Continued)

As at December 31, 2004 and 2003

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bank overdrafts and short-term loans from financial institutions (Note 11)				
Short-term loans	-	290,000	-	290,000
Trade finance loans	766,758	-	766,758	-
Trade accounts and notes payable	2,886,498	1,211,787	2,891,902	1,194,118
Current portion of long-term loans (Note 12)	805,253	240,663	588,000	-
Current portion of debentures (Note 13)	720,000	-	720,000	-
Current portion of liabilities under hire-purchase agreements	1,879	6,179	263	2,627
Other current liabilities				
Accrued expenses	196,704	209,151	237,284	219,224
Others	1,076,136	134,861	931,858	72,163
Total Current Liabilities	6,453,228	2,092,641	6,136,065	1,778,132
NON-CURRENT LIABILITIES				
Long-term loans (Note 12)	7,453,830	6,794,016	7,012,000	6,400,000
Debentures (Note 13)	2,530,000	4,000,000	2,530,000	4,000,000
Other non-current liabilities				
Liabilities under hire-purchase agreements	1,692	4,706	44	3,451
Total Non-Current Liabilities	9,985,522	10,798,722	9,542,044	10,403,451
TOTAL LIABILITIES	16,438,750	12,891,363	15,678,109	12,181,583

BALANCE SHEETS (Continued)

As at December 31, 2004 and 2003

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY				
(Continued)				
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (Note 15)				
Authorized share capital				
13,101,500,000 ordinary shares of Baht 1.00 each	13,101,500		13,101,500	
1,310,150,000 ordinary shares of Baht 10.00 each		13,101,500		13,101,500
Issued and paid-up share capital				
13,101,280,000 ordinary shares of Baht 1.00 each, fully paid	13,101,280		13,101,280	
1,310,128,000 ordinary shares of Baht 10.00 each, fully paid		13,101,280		13,101,280
ADDITIONAL (DISCOUNT) ON CAPITAL				
Discount on ordinary share capital (Note 15)	(2,171,280)	(2,171,280)	(2,171,280)	(2,171,280)
Unrealized increment per assets appraisal (Note 8.2)	5,536,601	5,984,283	5,536,601	5,984,283
RETAINED EARNINGS (DEFICIT)				
Appropriated				
Legal reserve (Note 16)	209,380	-	209,380	-
Unappropriated (Deficit)	2,668,096	(1,145,590)	2,668,096	(1,145,590)
Total Company Shareholders' Equity	19,344,077	15,768,693	19,344,077	15,768,693
MINORITY INTEREST	742,903	641,454	-	-
Total Shareholders' Equity	20,086,980	16,410,147	19,344,077	15,768,693
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	36,525,730	29,301,510	35,022,186	27,950,276

STATEMENTS OF INCOME

For the years ended December 31, 2004 and 2003

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
REVENUES				
Revenues from the sales of goods	36,631,376	29,326,030	36,628,239	29,322,470
Revenues from the rendering of services	243,614	231,360	-	-
Other income				
Gain from early extinguishment of debts (Note 12)	-	1,034,375	-	1,034,375
Gain from debt forgiven (Note 12)	-	112,959	-	-
Gain from conversion of convertible debentures (Note 14)	-	152,211	-	152,211
Gain on exchange	130,063	236,652	133,206	238,757
Others	88,263	62,010	89,005	48,677
Share of profit from investment using the equity method	-	-	117,617	184,870
Total Revenues	37,093,316	31,155,597	36,968,067	30,981,360
EXPENSES				
Cost of the sales of goods	30,187,777	24,449,623	30,541,707	24,839,657
Cost of the rendering of services	270,820	313,069	-	-
Selling and administrative expenses	537,977	723,514	460,320	658,375
Doubtful accounts	-	6,207	-	6,207
Doubtful accounts (Reversal) (Notes 10 and 23.1)	(39,270)	(37,978)	(6,207)	-
Other expenses				
Loss on disposal and obsolescence of machinery and equipment	246,910	64,124	246,513	60,057
Others	2,808	-	1,533	-
Directors' remuneration	6,675	9,885	6,075	9,245
Total Expenses	31,213,697	25,528,444	31,249,941	25,573,541
INCOME BEFORE INTEREST AND INCOME TAX EXPENSES	5,879,619	5,627,153	5,718,126	5,407,819
INTEREST EXPENSE	400,528	728,184	384,932	705,372
INCOME TAX EXPENSE	36,165	13,281	-	-
INCOME AFTER TAX	5,442,926	4,885,688	5,333,194	4,702,447
NET INCOME OF MINORITY INTEREST	(109,732)	(183,241)	-	-
NET INCOME	5,333,194	4,702,447	5,333,194	4,702,447
BASIC EARNINGS PER SHARE				
(Restated for 2003, see Note 15) Baht	0.41	0.55	0.41	0.55
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES				
(Restated for 2003, see Note 15) Thousand Shares	13,101,280	8,593,716	13,101,280	8,593,716

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2004 and 2003

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Unit : Thousand Baht

	Issued and Paid-up Ordinary Share Capital	Discount on Ordinary Share Capital	Unrealized Increment per Assets Appraisal	Retained Earnings (Deficit)		Minority Interest	Total
				Appropriated Legal Reserve	Unappropriated		
CONSOLIDATED							
Beginning balance, January 1, 2003	8,530,000	-	6,268,939	-	(5,848,037)	397,173	9,348,075
Share capital increase	4,571,280	-	-	-	-	-	4,571,280
Increase in discount on share capital	-	(2,171,280)	-	-	-	-	(2,171,280)
Amortization	-	-	(345,696)	-	-	61,040	(284,656)
Net income	-	-	-	-	4,702,447	-	4,702,447
Minority interest increase	-	-	61,040	-	-	183,241	244,281
Ending balance, December 31, 2003	13,101,280	(2,171,280)	5,984,283	-	(1,145,590)	641,454	16,410,147
Beginning balance, January 1, 2004	13,101,280	(2,171,280)	5,984,283	-	(1,145,590)	641,454	16,410,147
Amortization	-	-	(439,399)	-	-	(8,283)	(447,682)
Legal reserve (Note 16)	-	-	-	209,380	(209,380)	-	-
Net income	-	-	-	-	5,333,194	-	5,333,194
Interim dividend paid	-	-	-	-	(1,310,128)	-	(1,310,128)
Minority interest increase	-	-	(8,283)	-	-	109,732	101,449
Ending balance, December 31, 2004	13,101,280	(2,171,280)	5,536,601	209,380	2,668,096	742,903	20,086,980

Unit : Thousand Baht

	Issued and Paid-up Ordinary Share Capital	Discount on Ordinary Share Capital	Unrealized Increment per Assets Appraisal	Retained Earnings (Deficit)		Total
				Appropriated Legal Reserve	Unappropriated	
THE COMPANY ONLY						
Beginning balance, January 1, 2003	8,530,000	-	6,268,939	-	(5,848,037)	8,950,902
Share capital increase	4,571,280	-	-	-	-	4,571,280
Increase in discount on share capital	-	(2,171,280)	-	-	-	(2,171,280)
Amortization	-	-	(284,656)	-	-	(284,656)
Net income	-	-	-	-	4,702,447	4,702,447
Ending balance, December 31, 2003	13,101,280	(2,171,280)	5,984,283	-	(1,145,590)	15,768,693
Beginning balance, January 1, 2004	13,101,280	(2,171,280)	5,984,283	-	(1,145,590)	15,768,693
Amortization	-	-	(447,682)	-	-	(447,682)
Legal reserve (Note 16)	-	-	-	209,380	(209,380)	-
Net income	-	-	-	-	5,333,194	5,333,194
Interim dividend paid	-	-	-	-	(1,310,128)	(1,310,128)
Ending balance, December 31, 2004	13,101,280	(2,171,280)	5,536,601	209,380	2,668,096	19,344,077

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

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2004 and 2003

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	5,333,194	4,702,447	5,333,194	4,702,447
Items to reconcile net income to net cash flows from operations:				
Doubtful accounts (Reversal)	(39,270)	(37,978)	(6,207)	-
Doubtful accounts	-	6,207	-	6,207
Depreciation	602,445	616,303	526,490	535,624
Amortization	79	-	46	-
Withholding income tax written off	2,808	-	1,533	-
Provision for diminution in value of inventories (Reversal)	(9,289)	38,019	(9,289)	38,019
Additional (deduction of) interest on debt restructuring	(1,944)	152,030	-	156,779
Realized gain on exchange	(1,159)	(213,324)	(1,159)	(213,324)
Unrealized (gain) loss on exchange	(39,388)	15,855	(39,388)	15,855
Gain on sales of current investment	-	(15,036)	-	-
Gain on sales of machinery and equipment	(1,181)	(1,080)	(1,173)	(980)
Loss on disposal of machinery and equipment	246,910	54,543	246,513	54,214
Loss on disposal of spare parts	-	5,842	-	5,842
Loss on revaluation of property, plant and equipment	-	3,732	-	-
Gain on early extinguishment of debts	-	(1,034,375)	-	(1,034,375)
Gain on debt forgiven	-	(112,959)	-	-
Gain on conversion of convertible debentures	-	(152,211)	-	(152,211)
Gain on redemption of debentures before maturity	(5,853)	-	(5,853)	-
Share of profit from investment using the equity method	-	-	(117,617)	(184,870)
Minority interest	109,732	183,241	-	-
Net income from operations before changes in operating assets and liabilities	6,197,084	4,211,256	5,927,090	3,929,227

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

STATEMENTS OF CASH FLOWS (Continued)

For the years ended December 31, 2004 and 2003

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Operating assets (increase) decrease				
Trade accounts and notes receivable - related parties	336,673	(441,871)	355,562	(438,009)
Trade accounts and notes receivable - others	(686,537)	15,581	(680,735)	14,773
Inventories	(3,384,018)	2,512,511	(3,386,357)	2,544,955
Short-term loans and advances to related parties	(55)	9	(76)	75
Advances to director	-	2,742	-	-
Advance payments	262,876	(659,479)	261,684	(659,490)
Refundable value-added-tax	(192,444)	46,875	(195,528)	51,067
Other receivables	32,314	35,322	(655)	1,398
Prepaid expenses	1,069	(702)	1,132	(664)
Other current assets - others	(54,596)	5,447	(54,563)	(101)
Other non-current assets	31,479	(60,057)	7,062	(7,057)
Operating liabilities increase (decrease)				
Trade accounts and notes payable	1,672,383	46,699	1,695,456	24,651
Accrued expenses	(12,446)	(11,676)	18,060	(9,364)
Other current liabilities - others	941,274	79,871	859,695	28,008
Net cash provided by operating activities	5,145,056	5,782,528	4,807,827	5,479,469
CASH FLOWS FROM INVESTING ACTIVITIES				
Current investments decrease	17,495	-	-	-
Cash paid for purchases of current investments	-	(167,495)	-	-
Cash paid for purchases of property, plant and equipment	(4,308,139)	(979,647)	(4,004,129)	(620,889)
Cash paid for intangible assets	(3,999)	-	(3,142)	-
Proceeds from sales of machinery and equipment	2,610	1,894	1,542	1,794
Proceeds from sales of current investment	-	367,531	-	-
Short-term loans and advances to related parties	(2,000)	(3,000)	(2,000)	(3,000)
Net cash used in investing activities	(4,294,033)	(780,717)	(4,007,729)	(622,095)

STATEMENTS OF CASH FLOWS (Continued)

For the years ended December 31, 2004 and 2003

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES				
Short-term loans decrease	(290,000)	(1,438,000)	(290,000)	(1,438,000)
Trade finance loans increase (decrease)	767,917	(2,964,596)	767,917	(2,964,596)
Cash repayment of long-term loans	(240,652)	(11,073,083)	-	(10,848,769)
Proceeds from long-term loans	(1,467,000)	6,480,000	1,200,000	6,400,000
Cash repayment for redemption of debentures before maturity	(744,147)	-	(744,147)	-
Proceeds from issuance of debentures	-	4,000,000	-	4,000,000
Cash repayment of long-term liabilities under hire-purchase agreements	(4,314)	(6,842)	(5,772)	(3,500)
Cash repayment of long-term liabilities for purchase of land	(3,000)	(2,000)	-	-
Cash paid for interim dividends	(1,310,128)	-	(1,310,128)	-
Net cash used in financing activities	(357,324)	(5,004,521)	(382,130)	(4,854,865)
Net increase (decrease) in cash and cash equivalents	493,699	(2,710)	417,968	2,509
Cash and cash equivalents as at January 1	108,399	111,109	47,049	44,540
Cash and cash equivalents as at December 31	602,098	108,399	465,017	47,049
SUPPLEMENTAL CASH FLOW INFORMATION :				
Cash paid for interest	462,875	584,019	437,790	556,121
Cash paid for corporate income tax	28,043	20,601	567	516

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2004 and 2003

Sahaviriya Steel Industries Public Company Limited and Subsidiaries

1. 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, 2nd-3rd Floor, Surasak Road, Silom, Bang Rak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na - Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khiri Khan. The Company is the manufacturer of hot rolled coils. As at December 31, 2004 and 2003, the Company has 864 and 816 employees, respectively. The staff costs for 2004 and 2003 are Baht 338 million and Baht 296 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, Bang Rak, Bangkok and its plant located at 62 Moo 3, Ban Klang Na - Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khiri Khan. The subsidiary provides deep-sea port services. As at December 31, 2004 and 2003, the subsidiary has 87 and 90 employees, respectively. The staff costs for 2004 and 2003 are Baht 36 million and Baht 35 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, Bang Rak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na - Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khiri Khan. The subsidiary provides engineering design and supervision services including repair and maintenance services. As at December 31, 2004 and 2003, the subsidiary has 289 and 270 employees, respectively. The staff costs for 2004 and 2003 are Baht 94 million and Baht 86 million, respectively.

Since 2002, the Government continuously issued various measures regarding the antidumping and countervailing of imported goods with the measures which are still in effect as follows:

1. On May 22, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce, by Sections 7, 49, 51, 53, 57 and 73 (1) of the Antidumping and Countervailing Act B.E. 2542, issued the announcement that the Committee had an ultimate judgement on May 16, 2003 that there were a dumping and a damage from the dumping of coil and non-coil hot rolled steel originated from 14 countries according to Section 19 (1) of the Antidumping and Countervailing Act B.E. 2542, thus the antidumping duties are imposed which minimum and maximum rates are in the range between 3.45% to 128.11% of CIF value for the period of 5 years from May 22, 2003, except the imported hot rolled steel for re-export.

2. On July 11, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce issued the announcement approving the exemption of antidumping duties for coil and non-coil hot rolled steel imported for cold-rolling and further processing for downstream users and assigned the Department of Foreign Trade to monitor the import under the pre-determined volume for the period of 5 years from July 21, 2003 to May 26, 2008.

3. On March 11, 2004, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce issued the announcement approving the antidumping duties for coil and non-coil hot rolled steel originated from 14 countries at zero% of CIF for the period of 6 months from March 19, 2004 to September 18, 2004. At present, the antidumping duties are imposed at the rates as stated in item 1 above.

As a result of continuous measures of the Government as mentioned above, the Company has significant amount of profit from its operations attributable to significant increase in sales volume, which domestic demand for hot rolled steel increased from economic recovery in construction and auto-mobile industries and the increase in average price of hot rolled steel which is in line with the increase in world market price.

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

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

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

2.2 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.

2.3 The consolidated and Company's financial statements are presented in accordance with the Explanation of Department of Business Development dated November 5, 2003 regarding "The Brief Particulars in the Financial Statements (No. 2) B.E. 2546" by presenting the premium on ordinary shares in the net amount after offsetting with the discount on ordinary shares.

2.4 For the year ended December 31, 2004, the financial statements have disclosed additional information regarding related party transactions in Note 22 to the financial statements, thus, the financial statements for the year ended December 31, 2003 have also disclosed such additional information to be in accordance with the disclosure in the 2004 financial statements.

3. RECLASSIFICATIONS

The financial statements for the year ended December 31, 2003 have been reclassified to conform to the classifications presented in the financial statements for the year ended December 31, 2004. Such reclassifications are as follows:

- Other long-term investments totalling Baht 561,621,446 which were previously presented as part of investments using the equity method in the financial statements for 2003, were reclassified to be presented as other long-term investments.
- Accounts payable for machinery and equipment purchased and other payable totalling Baht 26,323,173 which were previously presented as part of trade accounts and notes payable in the financial statements for 2003 were reclassified to be presented as part of other current liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenues from sales are recognized when title of goods is passed to the buyer in accordance with delivery term in the sale contracts.

The subsidiaries recognize income from services using the percentage of completion method.

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

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

4.4 Allowance for doubtful accounts is based on management's evaluation of accounts which are considered uncollectible. 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 types of inventories are stated at cost by the weighted average method.

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

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

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

Land improvement	5 Years
Leasehold right for land	10 Years
Leasehold improvement	5 Years
Buildings	20 Years
Machinery and equipment in production line	Production units
Hot Rolled Coil Strip Mill	Estimated at a total of 48 MT
Hot Finishing Line Mill	Estimated at a total of 14 MT
The Second Skin Pass Mill	Estimated at a total of 14 MT

Other machinery and equipment	5-10 Years
Office furniture and fixtures	5 Years
Vehicles	5 Years
Roads	5 Years
Berth and berth facilities	5-30 Years
Tug boats	12 Years

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

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

4.7 Intangible assets are amortized by the straight-line method over 10 years.

4.8 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.

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

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

4.11 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, non-cash transactions for investing activities and financing activities which are not shown in the statements of cash flows are as follows:

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
● Investing activities				
Vehicles purchased under hire-purchase agreements	1,012	4,815	-	4,375
Amortization of unrealized increment per asset appraisal	297,687	396,060	280,783	313,382
● Financing activities				
Ordinary shares increased from bond conversion	-	2,400,000	-	2,400,000
Increase in share discount from bond conversion	-	2,171,280	-	2,171,280
Transfer of long-term loans to current portion	805,253	240,663	588,000	-
Transfer of debentures to current portion	720,000	-	720,000	-

6. CURRENT INVESTMENTS

Current investments as at December 31, consist of the following:

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Fixed deposit for 1 year	-	17,495	-	-
	-	17,495	-	-

7. INVENTORIES

Inventories as at December 31, consist of the following:

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Finished goods	4,033,778	2,535,057	4,050,161	2,550,903
Raw materials	3,940,163	3,853,250	3,952,960	3,874,624
Spare parts and consumable goods	1,018,596	961,577	1,008,733	941,335
Goods in transit	3,093,728	1,352,362	3,093,728	1,352,362
	12,086,265	8,702,246	12,105,582	8,719,224
<u>Less</u> Provision for loss on diminution in value of spare parts and consumable goods	(259,519)	(268,807)	(259,519)	(268,807)
	11,826,746	8,433,439	11,846,063	8,450,417

As at December 31, 2004 and 2003, all finished goods and raw materials are pledged as collateral for short-term loans from banks (see Notes 11 and 12).

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of following:

Unit : Thousand Baht

	Consolidated				
	Balance as at January 1, 2004	Additions	Deductions	Transfers between accounts	Balance as at December 31, 2004
Property, plant and equipment					
Land and land improvement	1,293,457	-	-	25,654	1,319,111
Land - appraisal increase	8,267	-	-	-	8,267
Total	1,301,724	-	-	25,654	1,327,378
Leasehold right for land	12,325	-	-	-	12,325
Leasehold improvement	2,982	-	-	-	2,982
Buildings	1,183,042	1,830	-	276,940	1,461,812
Buildings - appraisal increase	415,452	-	-	-	415,452
Total	1,598,494	1,830	-	276,940	1,877,264
Machinery and equipment	10,664,077	49,000	(343,446)	924,154	11,293,785
Machinery and equipment - appraisal increase	6,785,337	-	(222,838)	(9,420)	6,553,079
Total	17,449,414	49,000	(566,284)	914,734	17,846,864

Unit : Thousand Baht

Consolidated (Continued)

	Balance as at January 1, 2004	Additions	Deductions	Transfers between accounts	Balance as at December 31, 2004
Machinery and equipment - others	209,006	46,125	(2,262)	21,198	274,067
Office furniture and fixtures	168,773	19,659	(4,827)	3,933	187,538
Vehicles	58,556	17,016	(6,618)	-	68,954
Roads	36,461	40	-	16,336	52,837
Roads - appraisal increase	10,731	-	-	-	10,731
Total	47,192	40	-	16,336	63,568
Berth and berth facilities	979,902	-	-	-	979,902
Berth and berth facilities - appraisal increase	437,054	-	-	-	437,054
Total	1,416,956	-	-	-	1,416,956
Tug boats	107,555	65,077	-	-	172,632
Total property, plant and equipment - at revalued amount	22,372,977	198,747	(579,991)	1,258,795	23,250,528
Accumulated depreciation					
Land improvement	60,486	6,122	-	-	66,608
Land improvement - appraisal increase	744	204	-	-	948
Total	61,230	6,326	-	-	67,556
Leasehold right for land	11,656	668	-	-	12,324
Leasehold improvement	2,982	-	-	-	2,982
Buildings	529,788	71,532	-	-	601,320
Buildings - appraisal increase	192,927	21,448	-	-	214,375
Total	722,715	92,980	-	-	815,695
Machinery and equipment	2,740,213	426,191	(96,743)	-	3,069,661
Machinery and equipment - appraisal increase	1,746,485	259,305	(62,476)	(11,504)	1,931,810
Total	4,486,698	685,496	(159,219)	(11,504)	5,001,471
Machinery and equipment - others	149,126	23,395	(1,827)	81	170,775
Office furniture and fixtures	128,360	17,704	(4,624)	148	141,588
Vehicles	35,848	10,105	(5,620)	-	40,333
Roads	20,833	5,147	-	-	25,980
Roads - appraisal increase	938	937	-	-	1,875
Total	21,771	6,084	-	-	27,855
Berth and berth facilities	345,076	33,759	-	-	378,835
Berth and berth facilities - appraisal increase	148,874	15,794	-	-	164,668
Total	493,950	49,553	-	-	543,503

Unit : Thousand Baht

Consolidated (Continued)

	Balance as at January 1, 2004	Additions	Deductions	Transfers between accounts	Balance as at December 31, 2004
Tug boats	56,627	7,822	-	-	64,449
Total accumulated depreciation	6,170,963	900,133	(171,290)	(11,275)	6,888,531
Property, plant and equipment - net	16,202,014	-	-	-	16,361,997
Construction in progress	807,437	3,163,704	-	(1,267,986)	2,703,155
Fixed assets in transit	-	945,688	-	-	945,688
Total property, plant and equipment - net	17,009,451				20,010,840
Depreciation for the year excluded depreciation from unrealized increment per assets appraisal 2004					602,445
2003					616,303

Unit : Thousand Baht

The Company Only

	Balance as at January 1, 2004	Additions	Deductions	Transfers between accounts	Balance as at December 31, 2004
Property, plant and equipment					
Land and land improvement	773,997	-	-	25,662	799,659
Land - appraisal increase	3,902	-	-	-	3,902
Total	777,899	-	-	25,662	803,561
Leasehold right for land	12,325	-	-	-	12,325
Leasehold improvement	2,982	-	-	-	2,982
Buildings	1,118,714	1,690	-	276,884	1,397,288
Buildings - appraisal increase	410,954	-	-	-	410,954
Total	1,529,668	1,690	-	276,884	1,808,242
Machinery and equipment	10,574,115	44,391	(342,329)	935,895	11,212,072
Machinery and equipment - appraisal increase	6,785,337	-	(222,838)	(9,420)	6,553,079
Total	17,359,452	44,391	(565,167)	926,475	17,765,151
Machinery and equipment - others	183,122	41,311	(1,143)	21,588	244,878
Office furniture and fixtures	145,417	19,221	(4,356)	3,720	164,002
Vehicles	33,722	14,236	(4,030)	-	43,928
Roads	16,221	-	-	16,336	32,557
Roads - appraisal increase	10,700	-	-	-	10,700
Total	26,921	-	-	16,336	43,257
Total property, plant and equipment - at revalued amount	20,071,508	120,849	(574,696)	1,270,665	20,888,326

Unit : Thousand Baht

The Company Only (Continued)

	Balance as at January 1, 2004	Additions	Deductions	Transfers between accounts	Balance as at December 31, 2004
Accumulated depreciation					
Land improvement	55,277	4,581	-	-	59,858
Leasehold right for land	11,657	668	-	-	12,325
Leasehold improvement	2,982	-	-	-	2,982
Buildings	516,545	66,459	-	-	583,004
Buildings - appraisal increase	190,912	20,548	-	-	211,460
Total	707,457	87,007	-	-	794,464
Machinery and equipment	2,683,070	415,078	(95,994)	-	3,002,154
Machinery and equipment - appraisal increase	1,746,485	259,305	(62,476)	(11,504)	1,931,810
Total	4,429,555	674,383	(158,470)	(11,504)	4,933,964
Machinery and equipment - others	137,632	18,307	(1,088)	96	154,947
Office furniture and fixtures	114,266	13,906	(4,205)	134	124,101
Vehicles	22,421	5,693	(3,689)	-	24,425
Roads	15,449	1,798	-	-	17,247
Roads - appraisal increase	930	930	-	-	1,860
Total	16,379	2,728	-	-	19,107
Total accumulated depreciation	5,497,626	807,273	(167,452)	(11,274)	6,126,173
Property, plant and equipment - net	14,573,882	-	-	-	14,762,153
Construction on progress	487,725	2,937,592	-	(1,279,856)	2,145,461
Fixed assets in transit	-	945,688	-	-	945,688
Total property, plant and equipment - net	15,061,607				17,853,302
Depreciation for the year excluded depreciation from unrealized increment per assets appraisal					
2004					526,490
2003					535,624

8.1 As at December 31, 2004 and 2003, certain land, buildings and machinery representing approximately 82.56% and more than 89%, respectively of the total value of such assets are mortgaged as collateral for bank overdrafts, loans from banks, long-term loans and debentures (see Notes 11, 12 and 13).

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

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

Unit : Thousand Baht

	The Company only	Subsidiary
Appraisal increment (decrement) - net		
Land	3,902	3,689
Buildings	241,085	1,919
Machinery	5,365,065	-
Facilities	10,700	126,348

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

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

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

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

As at December 31, 2004 and 2003, the Company, subsidiary and related company have recorded unrealized appraisal increment for assets and recognized unrealized increment per assets appraisal in shareholders' equity as follows:

Unit : Thousand Baht

**Consolidated and the Company Only
2004**

	Land	Building	Machinery	Berth and Berth Facilities	Total
Unrealized increment per assets appraisal of:					
The Company	3,902	199,493	4,621,270	8,839	4,833,504
The subsidiary	1,706	855	-	138,915	141,476
The related company	-	-	561,621	-	561,621
	5,608	200,348	5,182,891	147,754	5,536,601

Unit : Thousand Baht

**Consolidated and the Company Only
2003**

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

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

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Cost of assets (excluded appraisal increase) before fully depreciated but still in use	418,104	335,910	329,887	255,332

8.4 The Company may be affected by the Supreme Court's verdict to demolish its building and structures, having the book value of Baht 21.97 million, located on the leased land under dispute. Currently, the case is pending in the Supreme Court.

8.5 As at December 31, 2004 and 2003, the Company and subsidiary capitalized interest expenses incurred from loans for the construction projects as part of cost of assets in the amount of Baht 52.7 million and Baht 4.5 million, respectively.

8.6 Change in accounting estimate

For the year ended December 31, 2004, a subsidiary has changed the estimated useful life of the former tug boat from 5 years to 12 years to be in line with the true estimated economic useful life which was reviewed when another tug boat was purchased during the year.

As a result of such change, net income for the year ended December 31, 2004 increased by Baht 8.3 million.

9. INTANGIBLE ASSETS - NET

As at December 31, intangible assets - net are as follows:

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Computer Software				
<u>Add</u> Purchases during the year	3,999	-	3,142	-
<u>Less</u> Accumulated amortization	(79)	-	(46)	-
	3,920	-	3,096	-
Amortization for the year	79	-	46	-

10. OTHER NON-CURRENT ASSETS

Other non-current assets as at December 31, consist of the following:

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Deposits	37,113	68,592	5,942	13,004
Receivable from cancellation of shipbuilding contract	77,587	110,650	-	-
	114,700	179,242	5,942	13,004
<u>Less</u> Allowance for doubtful account - Receivable from cancellation of shipbuilding contract	(77,587)	(110,650)	-	-
	37,113	68,592	5,942	13,004

Receivable from cancellation of shipbuilding contract represented the transaction of Prachuap Port Company Limited which cancelled the shipbuilding contract relating to the tugboats. The supplier agreed to return all the money paid of USD 3.81 million or Baht 167.96 million within fifteen installments from July 8, 2002 to March 8, 2007. From 2002 to December 31, 2004, the subsidiary received total repayment of USD 2.05 million or Baht 90.37 million. However, the subsidiary has provided for the allowance for doubtful debt in full for the remaining amount as at December 31, 2004 and 2003, due to the uncertainty of the recoverability.

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

As at December 31, 2004 and 2003, the Company has short-term trade financing facilities from financial institutions according to the loan agreement dated September 15, 2003 with a total maximum credit limit of Baht 17,000 million. The trade financing facilities include bank overdraft, letters of credit, trust receipts, promissory notes, bills discounted, packing credits and banks' letters of guarantee.

Such short-term loans are secured by the mortgage of land, buildings and machinery (see Note 8.1) and the assignment of insurance proceeds to the lenders including the pledge of raw materials and finished products owned by the Company (see Note 7).

As at December 31, 2004 and 2003, the Company has unused short-term credit facilities of Baht 6,218 million and Baht 8,605 million, respectively, from the revolving trade financing facilities. Fee and withdrawal terms are in accordance with the long-term loan agreement.

12. LONG-TERM LOANS

Long-term loans assets as at December 31, consist of the following:

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Loan repayable semi-annually from March 2005 onwards	5,600,000	5,600,000	5,600,000	5,600,000
Loan repayable semi-annually from June 2005 onwards	1,000,000	-	1,000,000	-
Loan repayable semi-annually from September 2005 onwards	1,000,000	800,000	1,000,000	800,000
Loan repayable monthly from April 2002 - May 2003 and semi-annually from June 2003 onwards	308,118	548,770	-	-
Loan repayable monthly from March 2005 onwards	347,000	80,000	-	-
	8,255,118	7,028,770	7,600,000	6,400,000
<u>Less</u> Current portion	(805,253)	(240,663)	(588,000)	-
	7,449,865	6,788,107	7,012,000	6,400,000
<u>Add</u> Difference of interest per effective interest rate and interest rate per debt restructuring agreement	3,965	5,909	-	-
	7,453,830	6,794,016	7,012,000	6,400,000

The Company and subsidiary have long-term loan agreements as follows:

1. On September 15, 2003, the Company and the lending banks entered into the credit facilities agreement. The details of such loans are as follows:

1.1 Long-term loans amounting to Baht 8,000 million with the lending banks which consist of convertible debentures of Baht 2,400 million, that were all converted into ordinary shares in December 2003, and long-term loan of Baht 5,600 million with 10 year maturity, interest rates at an average MLR less 1.5% per annum from the agreement date to the third year, at an average MLR less 1% per annum from the third year to the fifth year and at an average MLR less 0.5% per annum from the fifth year onwards, such interest rates must not be less than interest rate of secured debentures (see Note 13) plus 0.75% per annum. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from March 31, 2005.

During the quarter ended September 30, 2004, the lending banks have reduced interest rates of long-term loans amounting to Baht 5,600 million from average MLR less 1.5% per annum to fixed rate at 3.5% per annum for the period of 6 months from August 1, 2004 to January 31, 2005.

1.2 Short-term loan for trade financing with maximum credit of Baht 17,000 million with the existing lenders and other financial institutions (see Note 11).

2. On December 29, 2003, the Company and the existing lenders have entered into the credit facility agreement for additional long-term loans of Baht 2,000 million with 3.5-year maturity and fixed interest rate at 3.75% per annum. The interest is payable semi-annually and principal repayment is payable in an equal amount semi-annually starting from June 2005. As at December 31, 2004, the Company has already made a withdrawal of Baht 1,000 million and as at December 31, 2003, the Company had not yet made any withdrawal of such long-term loan.

3. On September 11, 2003, the Company entered into a long-term loan agreement with a financial institution amounting to Baht 1,000 million with 10-year maturity, fixed interest rate at 4% per annum from the agreement date to September 30, 2008 and at an average MLR less 0.5% per annum from October 1, 2008 onwards. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from September 30, 2005. As at December 31, 2004 and 2003, the Company has already made a withdrawal of Baht 1,000 million and Baht 800 million, respectively.

Such loans per items 1 and 2 above are secured by the mortgage of land, buildings, machinery and the assignment of insurance proceeds to the lenders including the pledge of raw materials and finished products owned by the Company (see Notes 7 and 8.1).

In addition, all three loan agreements contain certain covenants regarding the operations, financial ratios and financial position, maintenance of shareholders' equity in Prachuap Port Company Limited at not less than 51% of issued and paid up share capital of such subsidiary and prohibition of dividend payments higher than 60% of net income in each fiscal year and including the covenant on forbidding the Company to pledge its investment in share or create any obligation thereon. The Company thus has to comply with certain conditions contained in such loan agreements.

4. Prachuap Port Company Limited, a subsidiary, entered into the debt restructuring agreement with its lending bank on March 30, 1999 and an amendment agreement on June 30, 1999. Modification of the terms of debt included:

4.1 Extension of all long-term and short-term principal loan amounts and reduction of interest thereof to a long-term loan in the amount of Baht 832.5 million with 9-year maturity, 3-year grace period of principal repayment with principal repayment monthly in the fourth year from April 2002 and principal repayment every 6 months starting from the fifth year on June 30, 2003 with interest payable monthly at interest rate below MLR of such bank during the first 7 years and thereafter at MLR of such bank.

4.2 Modification of terms of payment of Baht 199 million accrued interest into Baht 86 million long-term loan with maturity of 3 years and 1 month, 2-year grace period for principal repayment, no interest charge during the whole life of loan and monthly principal repayment starting from the third year on April 30, 2001. The remaining Baht 113 million was considered as debt forgiveness, provided that such subsidiary complies with the terms of debt restructuring agreement and makes payments in full for the two portions of long-term loan. Such loan was guaranteed by certain directors and the mortgage of land as collateral.

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

5. On September 5, 2003, such subsidiary entered into the new long-term loan agreement with a commercial bank totaling Baht 650 million with 6 year maturity, and bearing interest rate at 3 month fixed deposit rate of the bank plus 3%, 3.5%, 4% per annum for the first two years, the third year, and the fourth year onward, respectively. Interest is payable monthly and the grace period for principal is one and a half years, which will be ended in February 2005. The first installment payment will be due on the last working day of March 2005 and the following installment payment will be payable at the end of each month. Such long-term loan is secured by the mortgage of land and building and expanding berth construction. As at December 31, 2004 and 2003, such subsidiary has already made a withdrawal of Baht 347 million and Baht 80 million, respectively.

The above loan agreement contains certain covenants regarding the operations, financial ratios and financial position. The subsidiary thus has to comply with certain conditions contained in above loan agreement.

For the year ended December 31, 2003, the Company made a repayment of total debts under the restructuring agreement, the Company thus reversed deferred interest expense of Baht 1,034 million, which was the cumulative effects of the change in interest rates to be paid at the floating rates for the restructured debts at the date of restructuring and the date the Company made a repayment of total debts per the agreement. The amount was shown as gain from early extinguishment of debts in the statements of income.

13. DEBENTURES

Debentures as at December 31, consist of the following :

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Debentures	3,250,000	4,000,000	3,250,000	4,000,000
<u>Less</u> Current portion	(720,000)	-	(720,000)	-
	2,530,000	4,000,000	2,530,000	4,000,000

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

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

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

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

Subsequently on April 23, 2004, the Company redeemed certain portion of such secured debentures of 600,000 units with total face value of Baht 600 million in the amount of Baht 595 million and on August 23, 2004, the Company redeemed the remaining portion of such secured debentures of 150,000 units with total face value of Baht 150 million in the amount of Baht 149 million. Therefore, secured debentures No. 2 has no outstanding balance as at December 31, 2004.

The debentures are secured by the mortgage of land, buildings, and machinery at current production capacity (see Note 8.1) and machinery, which will be acquired for production capacity expansion project. The proceeds from these debentures were used to repay a portion of long-term loans under restructuring debts agreement and/or investing in Expansion Project.

14. CONVERTIBLE DEBENTURES

On December 25 and 29, 2003, convertible debentures' holders converted all convertible debentures into 457.128 million ordinary shares at the conversion price at Baht 5.25 per share (see Note 15).

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

15. SHARE CAPITAL

On December 25 and 29, 2003, the holders of convertible debentures converted all debentures into ordinary shares of 457.128 million shares at the conversion price of Baht 5.25 per share (see Note 14). The Company registered the increases in issued and paid-up capital with the Department of Business Development on December 25 and 29, 2003 resulting in an increase of issued and paid-up capital from Baht 8,530 million to Baht 13,101.28 million and having discount on share capital of Baht 2,171.28 million.

On November 18, 2004, the Extraordinary Shareholders' Meeting No. 1/2547 approved the change in par value of ordinary share from Baht 10.00 each to Baht 1.00 each, resulting in the increase in number of ordinary shares from 1,310,150,000 shares to 13,101,500,000 shares. The Company registered the change of par value of the ordinary shares with the Department of Business Development on November 23, 2004.

Basic earnings per share for the year ended December 31, 2003 were calculated based on the par value at Baht 1 each for comparison with the calculation used for the year ended December 31, 2004.

The basic earnings per share for the years ended December 31, 2004 and 2003 are calculated as follows:

		Consolidated and the Company Only	
		2004	2003
Net income	Thousand Baht	5,333,194	4,702,447
Weighted average number of ordinary shares (formerly reported)	Thousand Shares	-	859,372
Weighted average number of ordinary shares (restated for 2003)	Thousand Shares	13,101,280	8,593,716
Basic earnings per share (formerly reported)	Baht	-	5.47
Basic earnings per share (restated for 2003)	Baht	0.41	0.55

16. LEGAL RESERVE

Under the Public Companies Act B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net income after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the authorized capital.

17. INTERIM DIVIDEND

On November 24, 2004, the Board of Directors' Meeting No. 5/2547 approved an interim dividend payment from net income for the first half of 2004 of Baht 1,310,128,000, to be paid to shareholders at Baht 0.10 per share. The Company paid such interim dividend on December 23, 2004.

18. 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, 2004 and 2003, the Company and subsidiaries' contributions included in selling and administration expenses are Baht 14.3 million and Baht 12.9 million, respectively.

19. FOREIGN EXCHANGE RISK MANAGEMENT

As at December 31, 2004 and 2003, assets and liabilities in foreign currencies consist of the following:

		Consolidated and the Company Only	
		2004	2003
Assets - US Dollar		29,267,425	12,601,271
Liabilities - US Dollar		68,588,553	24,673,997
- Italian Lira		51,770,995	51,770,995
- Deutsche Mark		-	16,159
- Yen		5,209,600	37,600
- Euro		13,315,032	268,800
- Pound Sterling		4,038	13,675
- Swiss Franc		-	396

As at December 31, 2004, the Company did not enter into any hedging contracts to cover assets which are due for receipt in 2005 but entered into hedging contracts for existing and committed liabilities of USD 27.9 million and EUR 17.9 million which are due in 2005.

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

20. 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 corporate income tax exemption privileges expired on April 22, 2002. In addition, the Company has a corporate tax exemption for profit derived from the promoted business at the rate of 50% of normal rate for 5 years after April 22, 2002.

On October 15, 2002, the Company was 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 for production for export at the defined period as stated in the promotional certificate. Such rights and privileges expired on November 22, 2004.

Subsequently, on June 8, 2004, the Company is granted certain rights and privileges according to the promotional certificate No. 1438(2) 2547, including exemption from company income tax for sales of hot rolled steel and oiling hot rolled steel totally not exceeding 1.6 million ton per year for a period of 8 years from the date the Company receiving the revenues from the promoted business. Such rights and privileges will expire on May 12, 2012. In addition, the Company has a right to carry forward net annual loss incurred during the period that the Company received company income tax exemption to be utilized against net profit incurred after May 12, 2012 for 5 years.

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 include the exemption from customs duties for machinery, as stated in the promotional certificate, 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 21, 2002. In addition, the Company has a corporate tax exemption for profit derived from the promoted business at the rate of 50% of normal rate for 5 years after February 21, 2005.

Subsequently, the subsidiary received the investment promotion certificate No. 1484(2)/2545 dated July 31, 2002, which the Board of Investment approved the promotion for the high-powered tug boat service for public transportations and large products by receiving a reduction in customs duties for machinery as stated in the promotional certificate and the exemption from company income tax on profit derived from the promoted business which is not exceeding 100% of its investment for the period of 5 years from the date of the subsidiary receiving revenues from the promoted business and not exceeding Baht 119,000,000 which may be adjusted according to the capital excluded land and actual working capital on the commencement date of the promoted project. Such rights and privileges will expire on September 30, 2007.

Subsequently, the Company received the investment promotion certificate No. 1464(2)/2547 dated June 10, 2004 which the Board of Investment approved the promotion for the port service business. Significant rights and privileges received include the exemption from customs duties for machinery as stated in the promotional certificate and the exemption from company income tax derived from the promoted business which is not exceeding 100% of its investment for the period of 8 years from the date of the subsidiary receiving the revenues from the promoted business and not exceeding Baht 1,146,312,000 which may be adjusted according to the capital excluded land and actual working capital on the commencement date of the promoted project. As at December 31, 2004, revenue has not been incurred.

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

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

21. REVENUES OF A PROMOTED INDUSTRY

Based on the Announcement of the Board of Investment No. Por 14/2541 dated December 30, 1998 regarding reporting on revenues of a promoted industry, the Company is required to report separately revenues from domestic sales and export sales and promoted and non-promoted businesses. For the year ended December 31, 2004, the required information is as follows:

Unit : Thousand Baht

	Consolidated		
	Promoted Business	Non-promoted Business	Total
Revenues			
Export sales	3,347,675	-	3,347,675
Domestic sales	33,280,564	3,138	33,283,702
Income from services	210,177	33,436	243,613
	36,838,416	36,574	36,874,990

Unit : Thousand Baht

	The Company Only		
	Promoted Business	Non-promoted Business	Total
Revenues			
Export sales	3,347,675	-	3,347,675
Domestic sales	33,280,564	-	33,280,564
	36,628,239	-	36,628,239

Revenues from promoted and non-promoted businesses for the year ended December 31, 2003 was as follows:

Unit : Thousand Baht

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

Unit : Thousand Baht

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

22. TRANSACTIONS WITH RELATED PARTIES

The Company and subsidiaries have transactions with related parties. These parties are investee companies having mutual directors or companies which directors are major shareholders and/or have common directors. The financial statements reflect the effects of these transactions which are in the ordinary course of business with detail as follows:

	Types of business	Relationship
Subsidiary companies		
West Coast Engineering Co., Ltd.	Maintenance service	Subsidiary company
Prachuap Port Co., Ltd.	Deep-sea port service	Subsidiary company
Related parties		
Thai Coated Steel Sheet Co., Ltd.	Producer of electro-galvanized coils	Shareholder and the common directorship is shared by SSI's director(s)
Thai Cold Rolled Steel Sheet Pcl.	Producer of cold rolled coils	Shareholder and the common directorship is shared by SSI's director(s)
Sahaviriya Panich Co., Ltd.	Sell of metal products	The common directorship is shared by SSI's director(s)
Sahaviriya Steel Service Co., Ltd.	Cutting and forming process	The aggregated shareholding by SSI's director(s)
Sahaviriya Steel Center Co., Ltd.	Cutting and forming process	The indirect aggregated shareholding by SSI's director(s)
Bangsaphan Transport Co., Ltd.	Transport services	The common directorship is shared by SSI's director(s) and the indirect aggregated shareholding by SSI's director(s)
Bangsaphan Barmill Pcl.	Producer of round steel bars and deformed steel bars	The common directorship is shared by SSI's director(s) and the indirect aggregated shareholding by SSI's director(s)
B.S. Metal Co., Ltd.	Selling and buying metal products	The common directorship is shared by SSI's director(s) and the direct and indirect aggregated shareholding by SSI's director(s)
Sahaviriya Plate Mill Co., Ltd.	Producer of hot rolled plate	The common directorship is shared by SSI's director(s)
Prapawit Co., Ltd.	Lease space of office building	The common directorship is shared by SSI's director(s)
Western Housing Co., Ltd.	Rental room services	The common directorship is shared by SSI's director(s)
Inter Maritime Co., Ltd.	Marine transport	The common directorship is shared by director(s) of SSI's subsidiary and the aggregated shareholding by family members of director(s) of SSI's subsidiary

	Types of business	Relationship
Four Star Marine Co., Ltd.	Marine transport	The common directorship is shared by director(s) of SSI's subsidiary and the aggregated shareholding by family members of director(s) of SSI's subsidiary
Sahaviriya Steel Group Co., Ltd.	Internet and hotline services	The common directorship is shared by SSI's director(s)
Central Maritime Co., Ltd.	Marine transport	The common directorship is shared by director(s) of SSI's subsidiary
C.A.R. Services Co., Ltd.	Transport services	The aggregated shareholding by family members of director(s)
Sahaviriya Panich International Co., Ltd.	Sell of metal products	The common directorship is shared by SSI's director(s)
Bangpakong Metal Co., Ltd.	Sell of metal products	The common directorship is shared by SSI's director(s) and the aggregated shareholding by SSI's director(s) and family members of director(s)

22.1 Investments in subsidiary, associated, and related parties as at December 31,

Unit : Thousand Baht

		2004						
	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	102,914	-	-
Prachuap Port Company Limited	Deep-sea port services	Shareholder	400,000	51.00	204,000	773,226	-	-
					279,000	876,140	-	-
Related companies								
Thai Coated Steel Sheet Company Limited	Producer of electro-galvanized coils	Shareholder	2,206,900	3.70	293,999	-	293,999	-
Thai Cold Rolled Steel Sheet Public Company Limited	Producer of cold rolled coils	Shareholder	10,703,000	8.77	938,125	-	938,125	-
					1,232,124	-	1,232,124	-
<u>Less</u> Allowance for impairment					(670,503)	-	(670,503)	-
					561,621	-	561,621	-

Unit : Thousand Baht

2003								
	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	99,508	-	-
Prachuap Port Company Limited	Deep-sea port services	Shareholder	400,000	51.00	204,000	667,635	-	-
					279,000	767,143	-	-
Related companies								
Thai Coated Steel Sheet Company Limited	Producer of electro-galvanized coils	Shareholder	2,206,900	3.70	293,999	-	293,999	-
Thai Cold Rolled Steel Sheet Public Company Limited	Producer of cold rolled coils	Shareholder	10,703,000	8.77	938,125	-	938,125	-
					1,232,124	-	1,232,124	-
<u>Less</u> Allowance for impairment					(670,503)	-	(670,503)	-
					561,621	-	561,621	-

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

Unit : Thousand Baht

	Balance as at December 31, 2003	Additions	Repayments/ Settlements	Balance as at December 31, 2004
Consolidated				
Short-term loan				
Related parties	3,000	5,000	3,000	5,000
Advances				
Related parties	51	1,450	1,395	106
Total	3,051	6,450	4,395	5,106
The Company Only				
Short-term loan				
Related parties	3,000	5,000	3,000	5,000
Advances				
Subsidiary company	11	707	686	32
Related parties	51	1,450	1,395	106
	62	2,157	2,081	138
Total	3,062	7,157	5,081	5,138

22.3 Business transactions

Transactions with related parties in the balance sheets as at December 31, are mainly as follows:

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Accounts and notes receivable - net				
Related parties				
Thai Cold Rolled Steel Sheet Pcl.	349,368	413,087	324,122	405,595
B.S. Metal Co., Ltd.	313,358	671,350	313,358	671,341
Sahaviriya Panich International Co., Ltd.	331,436	-	331,436	-
Bangpakong Metal Co., Ltd.	441,340	-	441,340	-
Sahaviriya Steel Center Co., Ltd.	-	224,899	-	224,899
Sahaviriya Steel Service Co., Ltd.	-	223,395	-	223,395
Sahaviriya Panich Co., Ltd.	-	240,588	-	240,588
Other related parties	9,966	8,822	-	-
	1,445,468	1,782,141	1,410,256	1,765,818
Advance payment				
Subsidiary company				
West Coast Engineering Co., Ltd.	-	-	1,192	-
Other receivables				
Subsidiary company				
West Coast Engineering Co., Ltd.	-	-	424	423
Related parties				
Other related parties	157	118	-	-
	157	118	424	423
Other current assets - others				
Subsidiary company				
West Coast Engineering Co., Ltd.	-	-	335	280
Related parties				
Thai Coated Steel Sheet Co., Ltd.	10,436	10,789	10,436	10,240
Bangsaphan Barmill Pcl.	7,012	3,553	7,012	3,553
Other related parties	1,662	624	941	622
	19,110	14,966	18,389	14,415
	19,110	14,966	18,724	14,695

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Other assets				
Related parties				
Prapawit Co., Ltd.	4,840	4,840	3,591	3,591
Trade accounts payable				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	25,573	22,669
Prachuap Port Co., Ltd.	-	-	1,949	798
	-	-	27,522	23,467
Related parties				
Bangsaphan Transport Co., Ltd.	15,766	16,321	15,766	16,253
Four Star Marine Co., Ltd.	4,252	2,219	4,252	2,219
Other related parties	1,025	369	1,025	327
	21,043	18,909	21,043	18,799
	21,043	18,909	48,565	42,266
Other accounts payable				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	4,456	-
Related parties				
Other related parties	353	90	294	-
	353	90	4,750	-
Accrued expenses				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	14,023	8,072
Prachuap Port Co., Ltd.	-	-	49,640	9,658
	-	-	63,663	17,730
Related parties				
Bangsaphan Transport Co., Ltd.	31,658	20,588	31,629	20,588
Other related parties	1,691	3,088	1,691	3,088
	33,349	23,676	33,320	23,676
	33,349	23,676	96,983	41,406

Transactions with related parties in the statement of income for the years ended December 31, are mainly as follows:

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Sales				
Related parties				
Thai Cold Rolled Steel Sheet Pcl.	6,247,486	4,744,173	6,247,453	4,744,133
B.S. Metal Co., Ltd.	1,821,478	2,515,740	1,821,310	2,515,614
Sahaviriya Panich International Co., Ltd.	4,045,899	-	4,045,899	-
Bangpakong Metal Co., Ltd.	2,589,960	-	2,589,960	-
Sahaviriya Steel Center Co., Ltd.	409,073	1,076,482	409,073	1,076,482
Sahaviriya Steel Service Co., Ltd.	464,247	1,398,998	464,247	1,398,998
Sahaviriya Panich Co., Ltd.	368,142	3,235,177	368,142	3,235,177
Sahaviriya Plate Mill Co., Ltd.	-	31,538	-	31,538
Other related parties	338	379	-	-
	15,946,623	13,002,487	15,946,084	13,001,942
Sales (raw materials)				
Related parties				
Sahaviriya Plate Mill Co., Ltd.	-	226,048	-	226,048
Service income				
Related parties				
Thai Cold Rolled Steel Sheet Pcl.	80,565	76,366	-	-
Bangsaphan Barmill Pcl.	24,876	28,252	-	-
Bangsaphan Transport Co., Ltd.	8,985	11,583	-	-
Other related parties	6,923	7,198	-	-
	121,349	123,399	-	-
Other income				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	489	550
Prachuap Port Co., Ltd.	-	-	-	43
	-	-	489	593
Related parties				
Other related parties	1,522	7,561	1,281	5,112
	1,552	7,561	1,770	5,705

Unit : Thousand Baht

	Consolidated		The Company Only	
	2004	2003	2004	2003
Purchases of goods and services				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	232,098	246,371
Prachuap Port Co., Ltd.	-	-	135,672	145,310
	-	-	367,770	391,681
Related parties				
Sahaviriya Plate Mill Co., Ltd.	1,039,157	-	1,039,157	-
Bangsaphan Transport Co., Ltd.	65,781	92,251	65,781	92,251
Four Star Marine Co., Ltd.	44,553	48,197	44,553	48,197
Other related parties	4,168	6,589	4,168	6,589
	1,153,659	147,037	1,153,659	147,037
	1,153,659	147,037	1,521,429	538,718
Selling and administrative expenses				
Subsidiary company				
Prachuap Port Co., Ltd.	-	-	22,612	27,259
Related parties				
Bangsaphan Transport Co., Ltd.	209,626	207,602	208,912	206,829
Prapawit Co., Ltd.	12,616	12,567	9,630	9,598
Four Star Marine Co., Ltd.	7,363	8,000	7,363	8,000
Other related parties	11,536	13,550	11,395	13,319
	241,141	241,719	237,300	237,746
	241,141	241,719	259,912	265,005

The Company has policies to sell the products to shareholders' group and related parties at the same price sold to the third party which is subject to purchased volumes and related marketing factors.

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 domestic freights are payable at the rates as 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 as determined by the Ministry of Transportation and subject to service volumes and related marketing factors.

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

23. ADDITIONAL DISCLOSURE FOR QUALITY OF ASSETS

23.1 As at December 31, 2004, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivable aging :

Unit : Thousand Baht

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

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

Unit : Thousand Baht

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

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

24. BUSINESS SEGMENT INFORMATION

Business segment information for the Company and subsidiaries for the years ended December 31, is as follows:

Unit : Thousand Baht

	Types of business	Revenues and other income		Net income		Assets employed	
		2004	2003	2004	2003	2004	2003
Sahaviriya Steel Industries Public Company Limited	Manufacturer of hot rolled coils	36,968,067	30,981,360	5,333,194	4,702,447	35,022,186	27,950,276
West Coast Engineering Company Limited	Maintenance Services	337,197	327,137	14,386	2,903	175,786	175,270
Prachuap Port Company Limited	Deep-sea port services	379,404	508,002	218,686	360,105	2,356,285	2,034,056
		37,684,668	31,816,499	5,566,266	5,065,455	37,554,257	30,159,602
<u>Less</u> Inter-company transactions		(591,352)	(660,902)	(123,340)	(179,767)	(1,028,527)	(858,092)
		37,093,316	31,155,597	5,442,926	4,885,688		
<u>Less</u> Minority interest in net income				(109,732)	(183,241)		
Net income				5,333,194	4,702,447		
Total assets						36,525,730	29,301,510

25. COMMITMENTS, LETTERS OF GUARANTEE AND CONTINGENCIES

25.1 The Company has capital commitments regarding the agreements for construction of plant, purchases of machinery and equipment including Pickling and Oiling Plant Project, Capacity Expansion project and related expenses amounting to approximately Baht 412.74 million, USD 24.61 million, EUR 5.13 million, and POUND 0.06 million as at December 31, 2004 and Baht 369.32 million, USD 56.63 million, and EUR 3.95 million as at December 31, 2003.

The Company has commitments to banks regarding the outstanding letters of credit amounting to approximately USD 88.16 million and EUR 10.30 million as at December 31, 2004 and USD 56.86 million and EUR 4.98 million as at December 31, 2003.

The two subsidiaries have capital commitments regarding capital expenditure and construction contracts amounting to approximately Baht 288.03 million and Baht 451.96 million as at December 31, 2004 and 2003, respectively.

25.2 The Company and subsidiaries have letters of guarantee issued by banks on their behalf amounting to approximately Baht 353.59 million and Baht 94.4 million as at December 31, 2004 and 2003, respectively which are in the ordinary business.

25.3 On April 9, 2003, Pongprasasana Sub-district Office filed a lawsuit against the Company to claim for fee of usage of water from Bangsaphan Dam with the claim of approximately Baht 19 million. On May 30, 2003, the Company defended to the court that the Pongprasasana Sub-district Office has no legal power to administer the collection of water usage fee and has no right to file the lawsuit to the Court. Currently, the lawsuit is pending in the Prachuapkirikan Provincial Court.

25.4 The Company was sued by the Forestry Department in a civil case regarding the project of constructing road to the berth in the amount of approximately Baht 4.9 million. Currently, the case is pending in the Primary Court.

25.5 On March 23, 2004 and March 30, 2004, the Company was the co-defendant in two civil cases involving the total claims of Baht 126 million as a result of incorrect issuing of bills of lading by forwarding agents. The cases are pending at the Primary Court.

26. DISCLOSURE OF FINANCIAL INSTRUMENTS

26.1 Accounting policies

Accounting policies have been disclosed in Note 4.

26.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss for the Company and its subsidiary. The Company believes that it has no credit risk with respect to concentrations as the company has many customers who 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 subsidiary maximum exposure to credit risk.

26.3 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 19.

26.4 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 12 and 13.

26.5 Fair value of financial instruments

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

Cash in hand and at banks, current investments, accounts and notes receivable and short-term loans and advances to related parties: For those with maturities not exceeding 90 days from December 31, 2004 and 2003, the carrying amounts approximate their fair values; for those with maturities exceeding 90 days, including deposit at bank used as collateral, the fair values are estimated using the discounted cash flows analysis based on the current savings deposit rate.

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, 2004 and 2003, 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, 2004, the carrying values of financial assets and liabilities which are different from the fair values, are as follows:

Unit : Thousand Baht

	Consolidated		The Company Only	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets :				
Deposit at bank used as collateral	16,200	16,326	-	-
Short-term loans and advances to related parties	5,106	5,137	5,138	5,169
Financial liabilities :				
Long-term loans	8,259,083	7,912,894	7,600,000	7,253,811
Debentures	3,250,000	3,156,937	3,250,000	3,156,937

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

Unit : Thousand Baht

	Consolidated		The Company Only	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets :				
Current investment	17,495	17,470	-	-
Deposit at bank used as collateral	16,200	16,177	-	-
Short-term loans and advances to related parties	3,051	3,072	3,062	3,082
Financial liabilities :				
Long-term loans	7,034,679	6,732,019	6,400,000	6,097,340
Debentures	4,000,000	3,800,225	4,000,000	3,800,225

REPORT OF THE NOMINATION COMMITTEE

To the Board of Directors of Sahaviriya Steel Industries Public Company Limited:

1. At meeting of the Board of Directors on November 24, 2004, it was resolved that a Nomination Committee be appointed to select persons suitable for nomination as directors of the Company or the President and submit their names to the Board of Directors or a meeting of shareholders, as the case might be, for consideration. Their term of office is from November 24, 2004 to November 23, 2007. The Nomination Committee consists of at least three Company directors and at least one independent director. The Secretary to the Board of Directors acts as Secretary to the Nomination Committee. The Committee's names are as follows:

- (1) Mr. Visith Noiphan
Chairman of the Nomination Committee
- (2) Mr. Kamol Juntima
Nomination Committee Member
- (3) Mr. Prateep Buphaintr
Nomination Committee Member
- (4) Mr. Surasak Ngamsidhipongsa
Secretary to the Nomination Committee

The Nomination Committee has fulfilled the duties assigned to it by the Board of Directors at meeting number 5/2547 on November 24, 2004. The Nomination Committee had its first and only meeting that year to inform itself of the principles, policies, and methods appropriate to the Nomination Committee. It was also informed of the names and number of directors whose terms would expire and would be subsequently eligible for reappointment by a meeting of the Annual General Meeting of Shareholders to another term.

2. As one-third of the directors must vacate their positions at each annual general meeting of shareholders, the Nomination Committee must consider who is suitable to fill these vacant positions. The consideration process is as follows:

- (1) The Nomination Committee is informed of the names of those directors who must vacate their positions.
- (2) The Nomination Committee considers the names of those who are suitable to become directors. A prospective director must have the necessary qualities and be free of any defects forbidden to directors of public companies by law. The number of directors must be more than five and no more than sixteen, and at least half of them must be resident in Thailand.
- (3) The Nomination Committee approves a list of suitable persons to be directors.
- (4) The Nomination submits this list to the Board of Directors for their consideration and presentation to an annual general meeting of shareholders.

3. At the annual general meeting of shareholders for 2005, five directors were obliged to vacate their positions, namely:

- (1) Mr. Maruey Phadoongsidhi
Chairman of the Board of Directors
and Executive Director
- (2) Mr. Visith Noiphan
Independent Director, Audit Committee Member
and Chairman of the Nomination Committee
- (3) Mr. Somchai Pipitvijitkorn
Director, Executive Director
and Remuneration Committee Member
- (4) Mr. Permpoon Krairiksh
Director and Executive Director
- (5) Mr. Nuttawit Boonyawat
Director and Executive Director

4. At meeting number 1/2548 of the Nomination Committee on February 7, 2005, suitable replacements for the directors who vacated their positions were considered, and their names put in order. It was decided that all five persons who had vacated their positions were knowledgeable, capable, and useful to the management of the Company and its progress. It was resolved, therefore, that the said five persons should be reinstated for another term in the positions of Chairman of the Board of Directors, Audit Committee Member, Independent Director, Executive Director, Chairman of the Nomination Committee, and Remuneration Committee Member, as before. Because, at this meeting of the Nomination Committee, Mr. Visith Noiphan, Chairman of the Nomination Committee, was one of the persons who vacated their positions, it was held that he was an interested party in these proceedings. Thus, in ordering the names of nominees and voting for the above-mentioned list, Mr. Visith Noiphan did not participate in any way.

The Nomination Committee hereby reports on the results of its selection of directors to fill vacant positions to the Board of Directors, and submits their names for consideration and presentation to the annual general meeting of shareholders accordingly.



Mr. Visith Noiphan
Chairman of the Nomination Committee
February 28, 2005

REPORT OF THE REMUNERATION COMMITTEE

The purpose of the Committee is to determine guidelines for deciding on remuneration for directors of the Board and other committees appointed by the Board, together with the President, and a structure of remuneration for senior executives. These guidelines must be fair and reasonable. The Committee's term of office is from November 24, 2004 to November 24, 2007.

To the Board of Directors of Sahaviriya Steel Industries Public Company Limited

1. At meeting number 5/2547 of the Board of Directors on November 24, 2004, it was resolved that a Remuneration Committee be appointed, consisting of at least three directors, one of whom must be independent. The Company's Vice President for Human Resources and Administration was appointed to Committee Secretary. The names of the Committee directors are as follows :

- (1) Mr. Tawee Butsunton
Chairman of the Remuneration Committee
- (2) Mr. Taweesak Senanarong
Remuneration Committee Member
- (3) Mr. Somchai Pipitvijitkorn
Remuneration Committee Member
- (4) Ms. Dusadee Sirichaitavin
Secretary to the Remuneration Committee

2. The Remuneration Committee has fulfilled the duties assigned to it, having met once in 2004, on December 13, 2004, and three times in 2005, namely on February 3, 17, and 22. The Committee has determined the following principles and levels of remuneration :

2.1 Principles of Determining Remuneration

- (1) Remuneration must be appropriate to the duties and responsibilities of each director and senior executive.
- (2) Full-time directors must be compensated at a different rate compared to other directors.
- (3) Remuneration should be tied to the Company's operational results, and the remuneration of senior executives should be tied to the performance of each executive as well.
- (4) The type and level of remuneration for directors and senior executives should provide sufficient incentive to maintain the adherence of high-quality directors and executives.
- (5) Directors who are also senior executives should receive remuneration only on account of their position as senior executives, not as directors.

2.2 Meeting Fees

- (1) Chairman of the Board of Directors
31,250 baht/month
Directors
25,000 baht/month
- (2) Chairman of the Board of
Executive Directors
18,750 baht/month
Executive Directors
15,000 baht/month
- (3) Chairman of the Audit Committee
18,750 baht/meeting
Members of the Audit Committee
15,000 baht/meeting
- (4) Chairman of the Remuneration Committee
12,500 baht/meeting
Members of the Remuneration Committee
10,000 baht/meeting
- (5) Chairman of the Nomination Committee
12,500 baht/meeting
Members of the Nomination Committee
10,000 baht/meeting

Note: The level of remuneration for each committee chairman is 25% higher than the remuneration for a director of that committee.

(6) A Company director who is appointed by the Board of Directors to a directorship on another committee shall receive remuneration for both positions, given the extra work and time required of him/her.

(7) The Chairman of the Board of Directors and the Chairman of the Board of Executive Directors, insofar as they administer corporate operations on a full-time basis, shall receive an additional Baht 300,000 and Baht 200,000 per month, respectively. As a consultant to the Company in matters of internal auditing, the Chairman of the Audit Committee shall receive an additional Baht 10,000 per month.

2.3 Directors' Remuneration in the Form of Directors' Gratuities or Annual Bonuses

(1) Directors' gratuities are paid only when dividends are paid to shareholders. In any year in which dividends are not paid to shareholders, directors do not receive gratuities either.

(2) The amount to be paid in directors' gratuities, as approved in the Board of Directors' meeting, should be 0.25% to 0.50% of the dividends paid to shareholders. The Chairman of the Board of Directors and the Chairman of the Executive Directors should receive gratuities higher than those of other directors by 10% and 5%, respectively.

(3) If any director does not complete a full year in his/her position, the gratuity to be paid him/her should be of the same proportion as the fraction of the year spent in that position.

For 2004, it was deemed fit that the directors receive gratuities at a rate of 0.25% of the dividends paid to shareholders.

The Remuneration Committee proposes, for the meeting's acknowledgement and consideration, that the above changes to the meeting fees and the principles of determining remuneration by linking gratuities to dividends be accepted. After consideration, the results thereof will be submitted to the Annual General Meeting of Shareholders for approval.



Mr. Tawee Butsunton
Chairman of the Remuneration Committee
February 28, 2005



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