

REVIEW REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**TO THE BOARD OF DIRECTORS
SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED**

We have reviewed 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 March 31, 2006 and the related consolidated and Company's statements of income, changes in shareholders' equity and cash flows for the quarters ended March 31, 2006 and 2005. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. Our responsibility is to report on these financial statements based on our reviews.

We conducted our reviews in accordance with the Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provided less assurance than an audit in accordance with generally accepted auditing standards, and accordingly, we do not express an opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the consolidated and Company's financial statements as described in the first paragraph are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated and Company's financial statements of Sahaviriya Steel Industries Public Company Limited for the year ended December 31, 2005, and expressed an unqualified opinion in our report dated February 17, 2006. The consolidated and Company's balance sheets as at December 31, 2005, presented herein for comparison, have been derived from such financial statements which we have audited and reported on. We have not performed any other audit procedures subsequent to such report date.

BANGKOK
May 10, 2006

Thanawan Anuratbodee
Certified Public Accountant (Thailand)
Registration No. 3440
DELOITTE TOUCHE TOHMATSU JAIYOS

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT MARCH 31, 2006 AND DECEMBER 31, 2005

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	"Unaudited"		"Unaudited"	
	As at	As at	As at	As at
	March 31,	December 31,	March 31,	December 31,
	2006	2005	2006	2005
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	287,095	221,527	186,006	115,055
Current investments (Note 4)	1,000	1,000	-	-
Trade accounts and notes receivable				
Related parties (Note 17.3)	2,239,183	2,289,557	2,229,228	2,283,715
Others	1,316,231	1,239,629	1,312,871	1,237,080
	3,555,414	3,529,186	3,542,099	3,520,795
<u>Less</u> Allowance for doubtful accounts				
(Note 18)	(283,809)	(283,809)	(283,809)	(283,809)
Trade accounts and notes receivable - net	3,271,605	3,245,377	3,258,290	3,236,986
Short-term loans and advances to				
related parties (Note 17.2)	3,945	3,971	3,946	3,975
Inventories (Note 5)	22,065,810	24,610,013	22,144,114	24,707,437
Other current assets				
Advance payments	103,927	96,212	100,070	93,968
Refundable value-added-tax	1,359,160	1,453,505	1,359,098	1,451,967
Other receivables	5,810	2,004	5,284	1,764
Prepaid expenses	67,324	15,990	65,628	13,856
Others	68,563	140,213	61,435	137,387
Total Current Assets	27,234,239	29,789,812	27,183,871	29,762,395
NON-CURRENT ASSETS				
Investments using the equity method (Note 17.1)	-	-	940,261	911,327
Other long-term investments (Note 17.1)	561,621	561,621	561,621	561,621
Deposit at bank used as collateral	11,200	11,200	-	-
Property, plant and equipment - net (Note 6)	20,702,579	20,827,985	18,171,406	18,338,724
Intangible assets (Note 7)	71,043	71,871	70,325	71,132
Other non-current assets (Note 8)	54,308	53,199	42,667	42,609
Total Non-Current Assets	21,400,751	21,525,876	19,786,280	19,925,413
TOTAL ASSETS	48,634,990	51,315,688	46,970,151	49,687,808

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS (CONTINUED)

AS AT MARCH 31, 2006 AND DECEMBER 31, 2005

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	"Unaudited"		"Unaudited"	
	As at	As at	As at	As at
	March 31,	December 31,	March 31,	December 31,
	2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bank overdrafts and short-term loans from financial institutions (Note 9)				
Short-term loans	4,960,000	5,843,941	4,960,000	5,843,941
Trade finance loans	13,287,412	13,895,292	13,287,412	13,895,292
Trade accounts and notes payable	1,717,432	2,502,681	1,779,264	2,591,207
Current portion of long-term loans (Note 10)	892,482	812,000	692,000	608,000
Current portion of debentures (Note 11)	720,000	720,000	720,000	720,000
Current portion of liabilities under finance leases (Note 12)	83,995	84,095	83,995	84,095
Current portion of liabilities under hire-purchase agreements	2,028	980	947	44
Other current liabilities				
Accrued expenses	295,837	302,140	276,381	289,399
Others	330,875	230,390	221,912	119,104
Total Current Liabilities	<u>22,290,061</u>	<u>24,391,519</u>	<u>22,021,911</u>	<u>24,151,082</u>
NON-CURRENT LIABILITIES				
Long-term loans (Note 10)	6,818,831	7,009,365	6,216,000	6,404,000
Debentures (Note 11)	1,450,000	1,810,000	1,450,000	1,810,000
Other non-current liabilities				
Liabilities under finance leases (Note 12)	473,295	494,258	473,295	494,258
Liabilities under hire-purchase agreements	2,852	712	1,736	-
Total Non-Current Liabilities	<u>8,744,978</u>	<u>9,314,335</u>	<u>8,141,031</u>	<u>8,708,258</u>
TOTAL LIABILITIES	<u>31,035,039</u>	<u>33,705,854</u>	<u>30,162,942</u>	<u>32,859,340</u>

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS (CONTINUED)

AS AT MARCH 31, 2006 AND DECEMBER 31, 2005

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	"Unaudited"		"Unaudited"	
	As at	As at	As at	As at
	March 31,	December 31,	March 31,	December 31,
	2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY				
(CONTINUED)				
SHAREHOLDERS' EQUITY				
SHARE CAPITAL				
Authorized share capital				
13,101,500,000 ordinary shares of				
Baht 1.00 each	<u>13,101,500</u>	<u>13,101,500</u>	<u>13,101,500</u>	<u>13,101,500</u>
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	13,101,280	13,101,280
ADDITIONAL (DISCOUNT) ON CAPITAL				
Discount on ordinary share capital	(2,171,280)	(2,171,280)	(2,171,280)	(2,171,280)
Unrealized increment per assets appraisal				
(Note 6.2)	5,144,835	5,212,119	5,144,835	5,212,119
RETAINED EARNINGS				
Appropriated				
Legal reserve (Note 13)	263,888	263,888	256,966	256,966
Unappropriated	<u>468,486</u>	<u>422,461</u>	<u>475,408</u>	<u>429,383</u>
Total Company Shareholders' Equity	16,807,209	16,828,468	16,807,209	16,828,468
MINORITY INTEREST	<u>792,742</u>	<u>781,366</u>	<u>-</u>	<u>-</u>
TOTAL SHAREHOLDERS' EQUITY	<u>17,599,951</u>	<u>17,609,834</u>	<u>16,807,209</u>	<u>16,828,468</u>
TOTAL LIABILITIES AND				
SHAREHOLDERS' EQUITY	<u>48,634,990</u>	<u>51,315,688</u>	<u>46,970,151</u>	<u>49,687,808</u>

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE QUARTERS ENDED MARCH 31, 2006 AND 2005

"UNAUDITED"

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
REVENUES				
Revenues from the sales of goods	6,334,953	7,668,282	6,334,868	7,668,113
Revenues from the rendering of services	28,061	94,148	-	-
Other income				
Gain on exchange	170,257	-	170,257	-
Others	39,315	22,187	30,091	22,193
Share of profit from investment using the equity method	-	-	31,023	22,702
Total Revenues	<u>6,572,586</u>	<u>7,784,617</u>	<u>6,566,239</u>	<u>7,713,008</u>
EXPENSES				
Cost of the sales of goods (Note 15)	6,449,889	6,798,576	6,556,624	6,895,429
Cost of the rendering of services	66,740	70,921	-	-
Selling and administrative expenses	169,378	196,958	148,972	125,485
Doubtful accounts (recovered/reversal)	-	(11,021)	-	-
Loss on diminution in value of inventories (reversal)	(624,916)	-	(624,916)	-
Loss on disposal and obsolescence of spare parts and consumable goods	91	-	91	-
Other expenses				
Loss on exchange	-	11,792	-	10,599
Loss on disposal and obsolescence of machinery and equipment	3,642	41	3,642	17
Others	476	5	1	-
Directors' remuneration	2,373	1,005	1,575	885
Total Expenses	<u>6,067,673</u>	<u>7,068,277</u>	<u>6,085,989</u>	<u>7,032,415</u>

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME (CONTINUED)

FOR THE QUARTERS ENDED MARCH 31, 2006 AND 2005

"UNAUDITED"

BAHT : '000

		CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
INCOME BEFORE INTEREST					
AND INCOME TAX EXPENSES		504,913	716,340	480,250	680,593
INTEREST EXPENSE		436,624	122,570	434,225	120,046
INCOME TAX EXPENSE		8,882	27,341	-	-
INCOME AFTER TAX		59,407	566,429	46,025	560,547
NET INCOME OF MINORITY INTEREST		(13,382)	(5,882)	-	-
NET INCOME		46,025	560,547	46,025	560,547
BASIC EARNINGS PER SHARE	BAHT	0.004	0.043	0.004	0.043
WEIGHTED AVERAGE NUMBER					
OF ORDINARY SHARES	'000 SHARES	13,101,280	13,101,280	13,101,280	13,101,280

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
CONSOLIDATED
FOR THE QUARTERS ENDED MARCH 31, 2006 AND 2005
"UNAUDITED"

	BAHT : '000						
	Issued and Paid-up Ordinary Share Capital	Discount on Ordinary Share Capital	Unrealized Increment per Assets Appraisal	Retained Earnings Appropriated Legal Reserve	Unappropriated	Minority Interest	Total
Beginning balance, January 1, 2005	13,101,280	(2,171,280)	5,536,601	209,380	2,668,096	742,903	20,086,980
Amortization	-	-	(45,601)	-	-	(2,034)	(47,635)
Net income	-	-	-	-	560,547	5,882	566,429
Ending balance, March 31, 2005	13,101,280	(2,171,280)	5,491,000	209,380	3,228,643	746,751	20,605,774
Beginning balance, January 1, 2006	13,101,280	(2,171,280)	5,212,119	263,888	422,461	781,366	17,609,834
Amortization	-	-	(67,284)	-	-	(2,006)	(69,290)
Net income	-	-	-	-	46,025	13,382	59,407
Ending balance, March 31, 2006	13,101,280	(2,171,280)	5,144,835	263,888	468,486	792,742	17,599,951

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THE COMPANY ONLY

FOR THE QUARTERS ENDED MARCH 31, 2006 AND 2005

"UNAUDITED"

BAHT : '000

	Issued and Paid-up Ordinary Share Capital	Discount on Ordinary Share Capital	Unrealized Increment per Assets Appraisal	Retained Earnings Appropriated Legal Reserve	Unappropriated	Total
Beginning balance, January 1, 2005	13,101,280	(2,171,280)	5,536,601	209,380	2,668,096	19,344,077
Amortization	-	-	(45,601)	-	-	(45,601)
Net income	-	-	-	-	560,547	560,547
Ending balance, March 31, 2005	<u>13,101,280</u>	<u>(2,171,280)</u>	<u>5,491,000</u>	<u>209,380</u>	<u>3,228,643</u>	<u>19,859,023</u>
Beginning balance, January 1, 2006	13,101,280	(2,171,280)	5,212,119	256,966	429,383	16,828,468
Amortization	-	-	(67,284)	-	-	(67,284)
Net income	-	-	-	-	46,025	46,025
Ending balance, March 31, 2006	<u>13,101,280</u>	<u>(2,171,280)</u>	<u>5,144,835</u>	<u>256,966</u>	<u>475,408</u>	<u>16,807,209</u>

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE QUARTERS ENDED MARCH 31, 2006 AND 2005

"UNAUDITED"

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	46,025	560,547	46,025	560,547
Items to reconcile net income to net cash flows from operations :				
Doubtful accounts (Reversal)	-	(11,021)	-	-
Depreciation	142,795	113,117	123,846	94,718
Amortization	1,864	111	1,843	90
Loss on diminution in value of raw materials (Reversal)	(548,805)	-	(548,805)	-
Loss on diminution in value of finished goods (Reversal)	(76,111)	-	(76,111)	-
Loss on diminution in value of spare parts and consumable goods (Reversal)	(13,213)	(1,978)	(13,213)	(1,978)
Reduction of interest on debt restructuring	(126)	(281)	-	-
Unrealized loss on exchange	1,031	82,552	1,031	82,552
(Gain) loss on sales of property, plant and equipment	473	5	(1)	(415)
Loss on disposal of property, plant and equipment	3,642	41	3,642	17
Loss on disposal of spare parts and consumable goods	91	-	91	-
Share of profit from investment using the equity method	-	-	(31,023)	(22,702)
Minority interest	13,383	5,882	-	-
Net income (loss) from operations before changes in operating assets and liabilities	(428,951)	748,975	(492,675)	712,829
Operating assets (increase) decrease				
Trade accounts and notes receivable - related parties	50,374	(200,190)	54,487	(200,101)
Trade accounts and notes receivable - others	(77,664)	(501,428)	(76,853)	(499,009)
Inventories	3,182,240	(9,609,395)	3,201,360	(9,641,349)
Advances to related parties	26	(12)	29	(2)
Advance payments	(7,715)	143,985	(6,102)	146,112
Refundable value-added-tax	94,345	(201,729)	92,869	(202,836)
Other receivables	(3,806)	10,578	(3,520)	(313)
Prepaid expenses	(51,334)	(44,769)	(51,772)	(45,461)
Other current assets - others	71,650	(106,678)	75,952	(107,461)
Other non-current assets	(1,109)	(4,594)	(58)	(316)

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE QUARTERS ENDED MARCH 31, 2006 AND 2005

"UNAUDITED"

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES				
(CONTINUED)				
Operating liabilities increase (decrease)				
Trade accounts and notes payable	(786,555)	844,261	(813,247)	878,975
Accrued expenses	(6,303)	98,432	(13,018)	87,658
Other current liabilities - others	103,282	(101,165)	104,145	(130,543)
Net cash provided by (used in) operating activities	<u>2,138,480</u>	<u>(8,923,729)</u>	<u>2,071,597</u>	<u>(9,001,817)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in current investment	-	(1,000)	-	-
Cash paid for purchases of property, plant and equipment	(87,145)	(798,825)	(22,565)	(768,465)
Cash paid for purchase of intangible asset	(1,036)	(888)	(1,036)	(888)
Proceeds from sales of property, plant and equipment	163	8	40	419
Proceeds from short-term loans to related parties	-	4,000	-	4,000
Net cash used in investing activities	<u>(88,018)</u>	<u>(796,705)</u>	<u>(23,561)</u>	<u>(764,934)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Short-term loans increase (decrease)	(883,941)	2,515,000	(883,941)	2,515,000
Trade finance loans increase (decrease)	(607,880)	7,246,894	(607,880)	7,246,894
Cash repayment of long-term loans	(109,926)	(117,221)	(104,000)	(84,000)
Proceeds from long-term loans	-	55,000	-	-
Cash paid for redemption of debentures	(360,000)	(360,000)	(360,000)	(360,000)
Cash repayment of liabilities under finance leases	(21,063)	-	(21,063)	-
Cash repayment of long-term liabilities under hire-purchase agreements	(624)	(527)	(201)	(66)
Cash repayment of long-term liabilities for purchase of land	(1,460)	(16,300)	-	-
Net cash provided by (used in) financing activities	<u>(1,984,894)</u>	<u>9,322,846</u>	<u>(1,977,085)</u>	<u>9,317,828</u>

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE QUARTERS ENDED MARCH 31, 2006 AND 2005

"UNAUDITED"

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Net increase (decrease) in cash and cash equivalents	65,568	(397,588)	70,951	(448,923)
Cash and cash equivalents as at January 1	221,527	602,098	115,055	465,017
Cash and cash equivalents as at March 31	<u>287,095</u>	<u>204,510</u>	<u>186,006</u>	<u>16,094</u>
Supplemental cash flow information:				
Cash paid for interest	467,072	202,429	455,456	196,118
Cash paid for income tax	4,398	6,743	197	195
Non-cash transactions:				
Vehicles acquired under hire-purchase agreements	3,812	-	2,840	-
Amortization of unrealized increment				
per asset appraisal	67,284	45,601	65,196	43,484

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTERS ENDED MARCH 31, 2006 AND 2005
“UNAUDITED”

1. BUSINESS OPERATIONS OF THE COMPANY AND SUBSIDIARIES

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.

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

- 2.1 The interim consolidated and Company’s financial statements have been prepared in accordance with the regulations of The Stock Exchange of Thailand dated January 22, 2001, regarding the basis, conditions and procedures for the preparation of financial statements and reports for the financial position and results of operations of listed companies B.E. 2544, and in accordance with accounting standards which is related to interim financial statements and practices generally accepted in Thailand.

The brief particulars in the financial statements are shown in accordance with the Notification of the Department of Commercial Registration (presently the Department of Business Development) dated September 14, 2001 regarding “The Brief Particulars in the Financial Statements B.E. 2544”.

- 2.2 The results of operations for the quarter ended March 31, 2006 are not necessarily indicative of the operating results anticipated for the full year.
- 2.3 The consolidated and Company’s balance sheets as at December 31, 2005, presented herein for comparison, have been derived from the financial statements of the Company for the year then ended which have been audited.

- 2.4 Certain financial information which is normally included in the annual financial statements prepared in accordance with generally accepted accounting principles, but which is not required for interim reporting purposes, has been omitted. Therefore, the interim financial statements should be read in conjunction with the financial statements and notes thereto included in the audited financial statements for the year ended December 31, 2005.
- 2.5 The consolidated financial statements include the accounts of the Company, Prachuap Port Company Limited and West Coast Engineering Company Limited in which the Company has a holding of 51% and 99.99%, respectively, after eliminating inter-company transactions and balances.
- 2.6 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.
- 2.7 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company uses the same accounting policies and calculation method in these interim financial statements as those used in the financial statements for 2005.

4. CURRENT INVESTMENTS

Current investments consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	"Unaudited"		"Unaudited"	
	March 31,	December 31,	March 31,	December 31,
	2006	2005	2006	2005
	Baht'000	Baht'000	Baht'000	Baht'000
Fixed deposit for 1 year	1,000	1,000	-	-
	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>

5. INVENTORIES

Inventories consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	“Unaudited”		“Unaudited”	
	March 31,	December 31,	March 31,	December 31,
	2006	2005	2006	2005
	Baht’000	Baht’000	Baht’000	Baht’000
Finished goods	13,516,547	12,344,446	13,577,382	12,406,904
Raw materials	7,898,443	12,424,132	7,928,425	12,471,633
Spare parts and consumable goods	1,231,664	1,209,060	1,219,151	1,196,525
Goods in transit	1,692,514	1,543,862	1,692,514	1,543,862
	<u>24,339,168</u>	<u>27,521,500</u>	<u>24,417,472</u>	<u>27,618,924</u>
<u>Less</u> Provision for diminution in value of finished goods	(1,588,131)	(1,664,242)	(1,588,131)	(1,664,242)
Provision for diminution in value of raw materials	(449,618)	(998,423)	(449,618)	(998,423)
Provision for loss on diminution in value of spare parts and consumable goods	<u>(235,609)</u>	<u>(248,822)</u>	<u>(235,609)</u>	<u>(248,822)</u>
	<u>22,065,810</u>	<u>24,610,013</u>	<u>22,144,114</u>	<u>24,707,437</u>

As at March 31, 2006 and December 31, 2005, all finished goods and raw materials are pledged as collateral for short-term and long-term loans from financial institutions (see Notes 9 and 10).

6. PROPERTY, PLANT AND EQUIPMENT - NET

- 6.1 As at March 31, 2006 and December 31, 2005, certain land, buildings and machinery of the Company representing approximately 94.62% and 94.90%, respectively of the total net book value of such assets are mortgaged as collateral for bank overdrafts, short-term loans from financial institutions, long-term loans and debentures (see Notes 9, 10 and 11).

As at March 31, 2006 and December 31, 2005, certain land and expanding berth construction of Prachuap Port Company Limited, the subsidiary, with value representing approximately 90% of the total net book value of such assets are mortgaged as collateral for long-term loans (see Note 10).

As at March 31, 2006 and December 31, 2005, land and structure of West Coast Engineering Company Limited, the subsidiary, are mortgaged as collateral for bank overdrafts, other credit facilities and long-term loan (see Notes 9 and 10).

- 6.2 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 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:

	The Company only	Baht : '000 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 performed.

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

In addition, the Company and such subsidiary has evaluated the recoverable amounts by using the discounted cash flow method, and have determined that the recoverable amounts to be 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 March 31, 2006 and December 31, 2005, the Company, a subsidiary and a related company have recorded unrealized appraisal increment for assets and recognized unrealized increment per assets appraisal in shareholders' equity as follows:

CONSOLIDATED AND THE COMPANY ONLY					
"Unaudited"					
March 31, 2006					
	Land	Building	Machinery	Berth and Berth Facilities	Total
	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000
Unrealized increment per assets appraisal of :					
The Company	3,902	173,879	4,268,381	6,172	4,452,334
The subsidiary	1,706	235	-	128,939	130,880
The related company	-	-	561,621	-	561,621
	<u>5,608</u>	<u>174,114</u>	<u>4,830,002</u>	<u>135,111</u>	<u>5,144,835</u>

CONSOLIDATED AND THE COMPANY ONLY

	December 31, 2005				
	Land	Building	Machinery	Berth and Berth Facilities	Total
	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000
Unrealized increment per assets appraisal of :					
The Company	3,902	178,946	4,327,983	6,699	4,517,530
The subsidiary	1,706	348	-	130,914	132,968
The related company	-	-	561,621	-	561,621
	<u>5,608</u>	<u>179,294</u>	<u>4,889,604</u>	<u>137,613</u>	<u>5,212,119</u>

- 6.3 The Company and the subsidiaries have the assets which are fully depreciated but are still in use as follows:

	CONSOLIDATED		THE COMPANY ONLY	
	“Unaudited”		“Unaudited”	
	March 31, 2006 Baht'000	December 31, 2005 Baht'000	March 31, 2006 Baht'000	December 31, 2005 Baht'000
Cost of assets (excluded appraisal increase) before fully depreciated	423,700	407,964	283,873	286,781

- 6.4 Previously, the Company might be affected by the Supreme Court's verdict to demolish its building and structures, having the book value of Baht 20.8 million, located on the leased land under dispute. Subsequently, on September 29, 2005, the Supreme Court gave a decision to dismiss the case.
- 6.5 As at March 31, 2006 and December 31, 2005, the Company and subsidiary capitalized interest expenses incurred from loans for the construction projects as part of cost of assets in the total amount of Baht 114.64 million and Baht 98.0 million, respectively.
- 6.6 Fixed assets under finance lease and hire-purchase agreements

As at March 31, 2006 and December 31, 2005, property, plant and equipment included machinery and equipment in production line under finance leases with the cost value of Baht 559.82 million

As at March 31, 2006 and December 31, 2005, vehicles of the Company and subsidiary include cars acquired from hire-purchases which are still under installment in the amount of Baht 3.8 million and Baht 1.8 million, respectively.

7. INTANGIBLE ASSETS - NET

Intangible assets - net consist of the following :

	CONSOLIDATED		THE COMPANY ONLY	
	“Unaudited”		“Unaudited”	
	March 31,	December 31,	March 31,	December 31,
	2006	2005	2006	2005
	Baht’000	Baht’000	Baht’000	Baht’000
Computer Software	74,097	3,999	73,240	3,142
<u>Add</u> Purchases during the year	1,036	70,098	1,036	70,098
<u>Less</u> Accumulated amortization	(4,090)	(2,226)	(3,951)	(2,108)
	<u>71,043</u>	<u>71,871</u>	<u>70,325</u>	<u>71,132</u>
Amortization for the year	<u>1,864</u>	<u>2,147</u>	<u>1,843</u>	<u>2,062</u>

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	“Unaudited”		“Unaudited”	
	March 31,	December 31,	March 31,	December 31,
	2006	2005	2006	2005
	Baht’000	Baht’000	Baht’000	Baht’000
Deposits	45,884	44,775	42,667	42,609
Receivable from cancellation of shipbuilding contract	44,524	44,524	-	-
Others	8,424	8,424	-	-
	<u>98,832</u>	<u>97,723</u>	<u>42,667</u>	<u>42,609</u>
<u>Less</u> Allowance for doubtful account				
- Receivable from cancellation of shipbuilding contract	(44,524)	(44,524)	-	-
	<u>54,308</u>	<u>53,199</u>	<u>42,667</u>	<u>42,609</u>

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 March 31, 2006, the subsidiary received total repayment of USD 2.80 million or Baht 124.11 million. However, the subsidiary has provided for the allowance for doubtful debt in full for the remaining amount as at March 31, 2006 and December 31, 2005, due to the uncertainty of the recoverability.

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

As at December 31, 2004, the Company had 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 included bank overdraft, letters of credit, trust receipts, promissory notes, bills discounted, packing credits and banks' letters of guarantee.

Subsequently, on August 31, 2005, such loan agreement had been revised of credit limit from maximum credit facilities of Baht 17,000 million to unlimited credit facilities and on October 5, 2005, the existing lenders and the new lenders had increased short-term trade financing facilities from Baht 17,000 million to Baht 27,550 million.

Such short-term loans are secured by the mortgage of land, buildings and machinery (see Note 6.1) and the assignment of insurance proceeds to the lenders including the pledge of raw materials and finished products owned by the Company (see Note 5).

As at March 31, 2006 and December 31, 2005, the Company has unused short-term credit facilities of Baht 6,277 million and Baht 5,926 million, respectively, from the revolving trade financing facilities.

As at March 31, 2006 and December 31, 2005, West Coast Engineering Co., Ltd, a subsidiary, has credit lines from banks for overdrafts and other credit facilities totaling Baht 5 million. Such credit lines are secured by the mortgage of land and structure and are guaranteed by the Company (see Notes 6.1 and 20.6).

10. LONG-TERM LOANS

Long-term loans consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	"Unaudited"		"Unaudited"	
	March 31,	December 31,	March 31,	December 31,
	2006	2005	2006	2005
	Baht'000	Baht'000	Baht'000	Baht'000
Loan repayable semi-annually from March 2005 onwards	5,348,000	5,432,000	5,348,000	5,432,000
Loan repayable semi-annually from June 2005 onwards	600,000	600,000	600,000	600,000
Loan repayable semi-annually from September 2005 onwards	960,000	980,000	960,000	980,000
Loan repayable monthly from April 2002 - May 2003 and semi-annually from June 2003 onwards	149,716	149,716	-	-
Loan repayable monthly from January 2006 onwards	606,074	612,000	-	-
Loan repayable in 2 installments from December 2007 onwards	45,000	45,000	-	-
	<u>7,708,790</u>	<u>7,818,716</u>	<u>6,908,000</u>	<u>7,012,000</u>
<u>Less</u> Current portion	<u>(892,482)</u>	<u>(812,000)</u>	<u>(692,000)</u>	<u>(608,000)</u>
	6,816,308	7,006,716	6,216,000	6,404,000
<u>Add</u> Difference of interest per effective interest rate and interest per debt restructuring agreement	<u>2,523</u>	<u>2,649</u>	<u>-</u>	<u>-</u>
	<u>6,818,831</u>	<u>7,009,365</u>	<u>6,216,000</u>	<u>6,404,000</u>
				.../8

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

1. On September 15, 2003, the Company and the lending banks entered into the credit facilities agreement for long-term loans amounting to Baht 8,000 million 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 being that such interest rates must not be less than interest rate of secured debentures (see Note 11) plus 0.75% per annum. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from March 31, 2005.

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. Subsequently, such lending banks have extended reduction period of interest rates of long-term loans to fixed rate at 4.31% per annum for the period of 55 days from February 1, 2005 to March 31, 2005.

2. On December 29, 2003, the Company and the existing lenders entered into the credit facility agreement for additional long-term loans with credit limit 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.
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.

All of the above loans 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 5 and 6.1).

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.

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.

Such loan was guaranteed by certain directors and the mortgage of land as collateral (see Note 6.1).

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 was ended in February 2005. The first installment payment was due on the last working day of March 2005 and the following installment payment is payable at the end of each month. Such long-term loan is secured by the mortgage of land and building and expanding berth construction (see Note 6.1).

On June 7, 2005, such subsidiary entered into an amendment of the above long-term loan agreement to change the grace period for the principal from one and a half years and the first installment payment which would be made on the last working day of March 2005 to be one year and ten months and the first installment was on the last working day of July 2005.

Subsequently, on August 26, 2005, such subsidiary entered into another amendment of the above long-term loan agreement to change the grace period for principal from one year and ten months and the first installment payment which would be made on the last working day of March 2005 to be two years and four months and the first installment will be made on the last working day of January 2006.

As at March 31, 2006 and December 31, 2005, such subsidiary made a withdrawal of such loan of Baht 612 million and had made a repayment of the loan of Baht 6 million for the quarter ended March 31, 2006.

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.

6. On March 21, 2005, West Coast Engineering Co., Ltd., a subsidiary, entered into the long-term loan agreement with a commercial bank totaling Baht 45 million with 3-year maturity, and bearing interest rates at an MLR average less 1% per annum for the first year, and at an MLR average less 0.5% per annum for the second year onward. The principal repayment will be made in two installments annually with the first installment of Baht 20 million and the second installment of Baht 25 million. The first installment will be due on the last working day of the second year after the date the first drawdown is made which is on March 31, 2007. The interest is payable monthly. Such long-term loan is secured by the mortgage of certain land and structure of the subsidiary and is guaranteed by the Company. As at March 31, 2006 and December 31, 2005, such subsidiary made a withdrawal of Baht 45 million of such loan (see Notes 6.1 and 20.6).

11. DEBENTURES

Debentures consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	“Unaudited” March 31, 2006 Baht’000	December 31, 2005 Baht’000	“Unaudited” March 31, 2006 Baht’000	December 31, 2005 Baht’000
Debentures	2,170,000	2,530,000	2,170,000	2,530,000
<u>Less</u> Current portion	<u>(720,000)</u>	<u>(720,000)</u>	<u>(720,000)</u>	<u>(720,000)</u>
	<u>1,450,000</u>	<u>1,810,000</u>	<u>1,450,000</u>	<u>1,810,000</u>

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 was to 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 had no outstanding balance since December 31, 2004.

The debentures are secured by the mortgage of land, buildings, and machinery (see Note 6.1). The proceeds from these debentures were used to repay a portion of long-term loans under restructuring debts agreement and/or invested in expansion project.

12. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

Total minimum lease payments and their present value of liabilities under finance lease agreements consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	“Unaudited”		“Unaudited”	
	March 31, 2006 Baht’000	December 31, 2005 Baht’000	March 31, 2006 Baht’000	December 31, 2005 Baht’000
Within one year	117,295	118,813	117,295	118,813
One to four years	519,725	548,480	519,725	548,480
Total minimum lease payments	637,020	667,293	637,020	667,293
<u>Less</u> Interest expense	(79,730)	(88,940)	(79,730)	(88,940)
Present value of minimum lease payments	557,290	578,353	557,290	578,353
<u>Less</u> Current portion	(83,995)	(84,095)	(83,995)	(84,095)
Liabilities under finance lease agreements	<u>473,295</u>	<u>494,258</u>	<u>473,295</u>	<u>494,258</u>

13. LEGAL RESERVE

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

14. DIVIDEND PAYMENT

On April 5, 2005, the Ordinary Shareholders’ Meeting No.16 approved dividend payment for the period from July to December 2004, to be paid to the shareholders at Baht 0.05 per share. The Company paid such dividend on May 4, 2005.

On October 18, 2005, the Board of Directors’ Meeting No. 10/2548 of Prachuap Port Co., Ltd., a subsidiary, approved an interim dividend payment for the first half of 2005 at Baht 2.50 per share. The subsidiary paid such dividend on December 6, 2005.

15. COST OF THE SALES OF GOODS

For the quarter ended March 31, 2005, cost of the sales of goods included expenses of Baht 92.69 million which incurred during plant shutdown for expansion of production capacity.

16. FOREIGN EXCHANGE RISK MANAGEMENT

As at March 31, 2006 and December 31, 2005, assets and liabilities in foreign currencies consist of the following:

		CONSOLIDATED AND THE COMPANY ONLY “Unaudited”	
		March 31, 2006	December 31, 2005
Assets	- US Dollar	13,009,329	13,168,486
Liabilities	- US Dollar	36,145,702	50,418,952
	- Italian Lira	1,770,995	51,770,995
	- Yen	37,600	8,035,600
	- Euro	778,559	1,850,321
	- Singapore Dollar	69,854	200,944

As at March 31, 2006, the Company entered into hedging contracts to cover existing and committed assets of USD 3.4 million which are due for receipt in 2006 and entered into hedging contracts for existing and committed liabilities of USD 48.6 million which are due in 2006.

As at December 31, 2005, the Company entered into hedging contracts to cover existing and committed assets of USD 34.6 million which are due for receipt in 2006 and entered into hedging contracts for existing and committed liabilities of EUR 0.3 million which are due in 2006.

17. 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 March 31, 2006	Relationship December 31, 2005
Subsidiary companies				
West Coast Engineering Co., Ltd.	Maintenance service	Subsidiary company	Subsidiary company	Subsidiary company
Prachuap Port Co., Ltd.	Deep-sea port service	Subsidiary company	Subsidiary company	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)	Shareholder and the common directorship is shared by SSI's director (s)	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 director (s) of SSI's subsidiary	Shareholder and the common directorship is shared by director (s) of SSI's subsidiary	Shareholder and the common directorship is shared by director (s) of SSI's subsidiary

	Types of business	Relationship March 31, 2006	Relationship December 31, 2005
Bangsaphan Transport Co., Ltd.	Transport services	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and 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 direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
B.S. Metal Co., Ltd.	Trader of metal products	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)	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 coil plate	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.)	Lessor of office building space	The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s)
Western Housing Co., Ltd.	Room rental services	The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s)
Four Star Marine Co., Ltd.	Marine transport services	-	The common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by close relatives 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) and the direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
Central Maritime Co., Ltd.	Marine transport services	-	The common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by director (s) of SSI's subsidiary

	Types of business	Relationship March 31, 2006	Relationship December 31, 2005
C.A.R. Services Co., Ltd.	Transport services	The direct and indirect aggregated shareholding by SSI's director (s)	The direct and indirect aggregated shareholding by SSI's director (s)
Sahaviriya Panich International Co., Ltd.	Trader of metal products	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
Bangpakong Metal Co., Ltd.	Trader of metal products	-	The indirect aggregated shareholding by SSI's director (s)
Line Transport Co., Ltd.	Transport services	The common directorship is shared by director(s) of SSI's subsidiary and the direct and indirect aggregated shareholding by SSI's director (s)	The direct and indirect aggregated shareholding by SSI's director (s)
B.P. Wire Rod Co., Ltd.	Producer of wire rod	The direct and indirect aggregated shareholding by SSI's director (s)	The direct and indirect aggregated shareholding by SSI's director (s)
Bangpakong Lighter Co., Ltd.	Marine transport services	The common directorship is shared by director(s) of SSI's subsidiary and the direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by director(s) of SSI's subsidiary and the direct and indirect aggregated shareholding by SSI's director (s)

17.1 Investments in subsidiary, associated and related parties

					"Unaudited" March 31, 2006			
	Types of business	Relationship	Issued and paid up capital Baht'000	% of Shareholding	Cost Baht'000	Equity Baht'000	Consolidated Baht'000	Dividend Amount Baht'000
Subsidiary companies								
West Coast Engineering Company Limited	Maintenance services	Shareholder	75,000	99.99	75,000	115,162	-	-
Prachuap Port Company Limited	Deep - sea port services	Shareholder	400,000	51.00	204,000	825,099	-	-
					<u>279,000</u>	<u>940,261</u>	<u>-</u>	<u>-</u>
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	-
					<u>1,232,124</u>	<u>-</u>	<u>1,232,124</u>	<u>-</u>
<u>Less</u> Allowance for impairment					<u>(670,503)</u>	<u>-</u>	<u>(670,503)</u>	<u>-</u>
					<u>561,621</u>	<u>-</u>	<u>561,621</u>	<u>-</u>

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		December 31, 2005						
	Types of business	Relationship	Issued and paid up capital	% of Shareholding	Cost	Equity	Consolidated	Dividend Amount
			Baht'000		Baht'000	Baht'000	Baht'000	Baht'000
Subsidiary companies								
West Coast Engineering Company Limited	Maintenance services	Shareholder	75,000	99.99	75,000	98,069	-	-
Prachuap Port Company Limited	Deep - sea port services	Shareholder	400,000	51.00	204,000	813,258	-	51,000
					279,000	911,327	-	51,000
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	-
					(670,503)	-	(670,503)	-
					561,621	-	561,621	-
<u>Less</u> Allowance for impairment								

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

	Balance as at December 31, 2005	Additions	Repayments/ Settlements	"Unaudited" Balance as at March 31, 2006
	Baht'000	Baht'000	Baht'000	Baht'000
CONSOLIDATED				
Advances				
Related parties	3,971	54	80	3,945
Total	3,971	54	80	3,945
THE COMPANY ONLY				
Advances				
Subsidiary company	4	17	20	1
Related parties	3,971	54	80	3,945
Total	3,975	71	100	3,946

17.3 Other transactions

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

	CONSOLIDATED		THE COMPANY ONLY	
	“Unaudited”		“Unaudited”	
	March 31, 2006 Baht’000	December 31, 2005 Baht’000	March 31, 2006 Baht’000	December 31, 2005 Baht’000
Accounts and notes receivable – net				
Related parties				
Thai Cold Rolled Steel Sheet Pcl.	77,407	5,001	71,349	-
B.S. Metal Co., Ltd.	1,698,276	2,128,478	1,698,052	2,128,478
Sahaviriya Panich International Co., Ltd.	459,827	155,237	459,827	155,237
Other related parties	3,673	841	-	-
	<u>2,239,183</u>	<u>2,289,557</u>	<u>2,229,228</u>	<u>2,283,715</u>
Other receivables				
Subsidiary company				
West Coast Engineering Co., Ltd.	-	-	411	388
Related parties				
Other related parties	622	478	-	-
	<u>622</u>	<u>478</u>	<u>411</u>	<u>388</u>
Other current assets - others				
Subsidiary company				
West Coast Engineering Co., Ltd.	-	-	418	341
Related parties				
Thai Coated Steel Sheet Co., Ltd.	7,437	5,151	7,437	5,151
Bangsaphan Barmill Pcl.	6,443	3,616	6,443	3,616
Other related parties	1,105	1,252	443	726
	<u>14,985</u>	<u>10,019</u>	<u>14,323</u>	<u>9,493</u>
	<u>14,985</u>	<u>10,019</u>	<u>14,741</u>	<u>9,834</u>
Other assets				
Related parties				
Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.)	<u>4,408</u>	<u>4,408</u>	<u>3,591</u>	<u>3,591</u>

	CONSOLIDATED		THE COMPANY ONLY	
	“Unaudited”		“Unaudited”	
	March 31,	December 31,	March 31,	December 31,
	2006	2005	2006	2005
	Baht’000	Baht’000	Baht’000	Baht’000
Trade accounts payable				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	42,194	38,602
Prachuap Port Co., Ltd.	-	-	39,429	70,988
	<u>-</u>	<u>-</u>	<u>81,623</u>	<u>109,590</u>
Related parties				
Line Transport Co., Ltd.	25,626	26,256	25,626	26,256
Bangsaphan Transport Co., Ltd.	3,947	4,334	3,907	4,179
Four Star Marine Co., Ltd.	-	3,604	-	3,604
Sahaviriya Panich International Co., Ltd.	-	5,612	-	5,612
Other related parties	1,529	980	1,529	951
	<u>31,102</u>	<u>40,786</u>	<u>31,062</u>	<u>40,602</u>
	<u>31,102</u>	<u>40,786</u>	<u>112,685</u>	<u>150,192</u>
Other accounts payable				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	8,845	4,551
Related parties				
Sahaviriya Panich International Co., Ltd.	3,013	-	-	-
Other related parties	1,332	86	-	-
	<u>4,345</u>	<u>86</u>	<u>8,845</u>	<u>4,551</u>
Accrued expenses				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	10,354	10,844
Prachuap Port Co., Ltd.	-	-	1,225	6,801
	<u>-</u>	<u>-</u>	<u>11,579</u>	<u>17,645</u>
Related parties				
Bangsaphan Transport Co., Ltd.	20,200	12,648	20,200	12,648
Line Transport Co., Ltd.	7,264	3,970	7,264	3,970
Bangpakong Lighter Co., Ltd.	50,054	39,996	50,054	39,996
C.A.R. Service Co., Ltd.	19,081	-	19,081	-
Other related parties	1,530	2,106	1,530	2,106
	<u>98,129</u>	<u>58,720</u>	<u>98,129</u>	<u>58,720</u>
	<u>98,129</u>	<u>58,720</u>	<u>109,708</u>	<u>76,365</u>

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

	CONSOLIDATED		THE COMPANY ONLY	
	“Unaudited”			
	For quarters ended March 31,			
	2006	2005	2006	2005
	Baht’000	Baht’000	Baht’000	Baht’000
Sales				
Related parties				
Thai Cold Rolled Steel Sheet Pcl.	279,130	525,914	279,130	525,907
B.S. Metal Co., Ltd.	1,139,306	356,607	1,139,290	356,575
Sahaviriya Panich International Co., Ltd.	1,293,527	1,119,209	1,293,527	1,119,209
Bangpakong Metal Co., Ltd.	-	540,980	-	540,980
Other related parties	4	13	-	-
	<u>2,711,967</u>	<u>2,542,723</u>	<u>2,711,947</u>	<u>2,542,671</u>
Service income				
Related parties				
Thai Cold Rolled Steel Sheet Pcl.	9,991	20,405	-	-
Bangsaphan Barmill Pcl	2,468	11,328	-	-
Bangsaphan Transport Co., Ltd.	-	1,037	-	-
Other related parties	1,226	730	-	-
	<u>13,685</u>	<u>33,500</u>	<u>-</u>	<u>-</u>
Other income				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	125	345
Related parties				
Other related parties	438	95	346	59
	<u>438</u>	<u>95</u>	<u>471</u>	<u>404</u>
Purchases of goods and services				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	86,060	71,819
Prachuap Port Co., Ltd.	-	-	15,077	61,140
	<u>-</u>	<u>-</u>	<u>101,137</u>	<u>132,959</u>
Related parties				
Line Transport Co., Ltd.	60,262	-	60,218	-
Bangsaphan Transport Co., Ltd.	-	21,570	-	21,570
Four Star Marine Co., Ltd.	-	20,967	-	20,967
Other related parties	2,132	1,662	2,084	1,662
	<u>62,394</u>	<u>44,199</u>	<u>62,302</u>	<u>44,199</u>
	62,394	44,199	163,439	177,158

	CONSOLIDATED		THE COMPANY ONLY	
	“Unaudited”			
	For quarters ended March 31,			
	2006	2005	2006	2005
	Baht’000	Baht’000	Baht’000	Baht’000
Selling and administrative expenses				
Subsidiary company				
Prachuap Port Co., Ltd.	-	-	4,202	3,404
Related parties				
Bangsaphan Transport Co., Ltd.	402	50,191	273	49,359
Prapawit Co., Ltd.	3,217	3,304	2,792	2,536
Four Star Marine Co., Ltd.	-	1,087	-	1,087
Sahaviriya Panich International Co., Ltd.	615	-	615	-
Line Transport Co., Ltd.	14,218	-	14,218	-
Bangpakong Lighter Co., Ltd.	40,178	-	40,178	-
C.A.R. Service Co., Ltd.	19,614	-	19,614	-
Other related parties	520	552	405	550
	<u>78,764</u>	<u>55,134</u>	<u>78,095</u>	<u>53,532</u>
	78,764	55,134	82,297	56,936

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 charged 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.

18. ADDITIONAL DISCLOSURE FOR QUALITY OF ASSETS

As at March 31, 2006, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivable aging:

	CONSOLIDATED		THE COMPANY ONLY	
	Number of Accounts	Amount Baht'000	Number of accounts	Amount Baht'000
3-6 months	4	200,884	1	200,460
6-12 months	19	373	-	-
Over 12 months	4	283,809	4	283,809
Total		<u>485,066</u>		<u>484,269</u>
Allowance for doubtful accounts recorded		<u>283,809</u>		<u>283,809</u>

As at December 31, 2005, the Company and a subsidiary had customers who defaulted on payments. The following summarizes such accounts receivable aging:

	CONSOLIDATED		THE COMPANY ONLY	
	Number of Accounts	Amount Baht'000	Number of accounts	Amount Baht'000
3-6 months	4	575	-	-
6-12 months	22	334	-	-
Over 12 months	4	283,809	4	283,809
Total		<u>284,718</u>		<u>283,809</u>
Allowance for doubtful accounts recorded		<u>283,809</u>		<u>283,809</u>

19. BUSINESS SEGMENT INFORMATION

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

	Types of business	Revenues and other income		Net income		Assets employed	
		“Unaudited”				“Unaudited”	
		For the quarters ended March 31,				March 31,	December 31,
		2006	2005	2006	2005	2006	2005
		Baht’000	Baht’000	Baht’000	Baht’000	Baht’000	Baht’000
Sahaviriya Steel Industries Public Company Limited	Manufacturer of hot rolled coils	6,566,239	7,713,008	46,025	560,547	46,970,151	49,687,808
West Coast Engineering Company Limited	Maintenance Services	109,984	131,723	16,683	31,941	272,099	256,624
Prachuap Port Company Limited	Deep-sea port services	44,779	129,463	10,570	40,135	2,571,502	2,563,096
		6,721,002	7,974,194	73,278	632,623	49,813,752	52,507,528
Less	Inter-company transactions	(148,416)	(189,577)	(13,870)	(66,194)	(1,178,762)	(1,191,840)
		6,572,586	7,784,617	59,408	566,429		
Less	Minority interest in net income			(13,383)	(5,882)		
	Net income			46,025	560,547		
	Total assets					48,634,990	51,315,688
							.../21

.../21

20. COMMITMENTS, LETTERS OF GUARANTEE AND CONTINGENCIES

- 20.1 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 other commitments amounting to approximately Baht 231.43 million, USD 8.09 million and EUR 1.99 million as at March 31, 2006 and Baht 231.05 million, USD 7.03 million and EUR 3.21 million as at December 31, 2005.

The Company has commitments to banks regarding the outstanding letters of credit amounting to approximately USD 34.09 million as at March 31, 2006 and USD 1.05 million and EUR 0.33 million as at December 31, 2005.

The two subsidiaries have capital commitments regarding capital expenditure, construction contracts and other commitments totaling approximately Baht 56.30 million and Baht 35.85 million as at March 31, 2006 and December 31, 2005, respectively.

- 20.2 The Company and subsidiaries have letters of guarantee issued by banks on their behalf amounting to approximately Baht 370.35 million and Baht 903.18 million as at March 31, 2006 and December 31, 2005, respectively which are in the normal course of business.
- 20.3 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 had no legal power to administer the collection of water usage fee and had no right to file the lawsuit to the Court. Subsequently, on September 14, 2005, both parties entered into a compromise agreement and Pongprasasana Sub-district Office agreed to cancel any claim for fee of usage of water from the Company.
- 20.4 Previously, 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. Subsequently, on September 1, 2005, the Prachuapkirikan Provincial Court gave a decision for the Company to pay claims of Baht 2 million plus 7.5% interest since the sued date by the Forestry Department. The cases are pending at the Appeal Court.
- 20.5 Previously in March 2004, the Company was the co-defendant at the Bangkok South Civil Court 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. Subsequently in July 2005, two plaintiffs from such cases had sued the Company to the Central Intellectual property and International Trade Court which has jurisdiction to the cases. The total claim is approximately Baht 80 million. In December 2005, the Central Intellectual Property and International Trade Court has combined the two cases due to having the same dispute. The cases are pending at the Central Intellectual Property and International Trade Court.
- 20.6 As at March 31, 2006 and December 31, 2005, a subsidiary has bank overdrafts and other credit facilities totaling Baht 5 million and has long-term loan of Baht 45 million which are guaranteed by the Company (see Notes 9 and 10).

21. APPROVED OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the authorized director for issue on May 10, 2006.