

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 September 30, 2006 and the related consolidated and Company's statements of income for the quarters and nine-month periods ended September 30, 2006 and 2005 and the related consolidated and Company's statements of changes in shareholders' equity and cash flows for the nine-month periods ended September 30, 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 provides 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
October 25, 2006

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

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT SEPTEMBER 30, 2006 AND DECEMBER 31, 2005

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | "Unaudited" | | "Unaudited" | |
| | As at | As at | As at | As at |
| | September 30, | December 31, | September 30, | December 31, |
| | 2006 | 2005 | 2006 | 2005 |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 259,708 | 221,527 | 130,118 | 115,055 |
| Current investments (Note 4) | 1,000 | 1,000 | - | - |
| Trade accounts and notes receivable | | | | |
| Related parties (Note 17.3) | 2,917,269 | 2,289,557 | 2,904,799 | 2,283,715 |
| Others | 748,980 | 1,239,629 | 746,950 | 1,237,080 |
| | <u>3,666,249</u> | <u>3,529,186</u> | <u>3,651,749</u> | <u>3,520,795</u> |
| Less Allowance for doubtful accounts | | | | |
| (Note 18) | (283,809) | (283,809) | (283,809) | (283,809) |
| Trade accounts and notes receivable - net | <u>3,382,440</u> | <u>3,245,377</u> | <u>3,367,940</u> | <u>3,236,986</u> |
| Short-term loans and advances to | | | | |
| related parties (Note 17.2) | 3,945 | 3,971 | 3,945 | 3,975 |
| Inventories (Note 5) | 19,763,647 | 24,610,013 | 19,830,168 | 24,707,437 |
| Other current assets | | | | |
| Advance payments | 51,440 | 96,212 | 50,918 | 93,968 |
| Refundable value-added-tax | 1,445,947 | 1,453,505 | 1,445,574 | 1,451,967 |
| Other receivables | 4,064 | 2,004 | 3,053 | 1,764 |
| Prepaid expenses | 44,010 | 15,990 | 42,565 | 13,856 |
| Others | 68,453 | 140,213 | 62,667 | 137,387 |
| Total Current Assets | <u>25,024,654</u> | <u>29,789,812</u> | <u>24,936,948</u> | <u>29,762,395</u> |
| NON-CURRENT ASSETS | | | | |
| Investments using the equity method (Note 17.1) | - | - | 1,025,033 | 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) | 20,517,973 | 20,827,985 | 17,908,723 | 18,338,724 |
| Intangible assets (Note 7) | 68,162 | 71,871 | 67,439 | 71,132 |
| Other non-current assets (Note 8) | 55,104 | 53,199 | 44,518 | 42,609 |
| Total Non-Current Assets | <u>21,214,060</u> | <u>21,525,876</u> | <u>19,607,334</u> | <u>19,925,413</u> |
| TOTAL ASSETS | <u><u>46,238,714</u></u> | <u><u>51,315,688</u></u> | <u><u>44,544,282</u></u> | <u><u>49,687,808</u></u> |

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE QUARTERS ENDED SEPTEMBER 30, 2006 AND 2005

"UNAUDITED"

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------|-------------------|-------------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| REVENUES | | | | |
| Revenues from the sales of goods | 10,653,653 | 9,681,316 | 10,652,101 | 9,681,215 |
| Revenues from the rendering of services | 64,072 | 66,413 | - | - |
| Other income | | | | |
| Gain on exchange | 55,261 | 142,990 | 55,261 | 142,990 |
| Others | 27,859 | 15,372 | 24,129 | 16,403 |
| Share of profit from investment | | | | |
| using the equity method | - | - | 51,904 | 27,608 |
| Total Revenues | <u>10,800,845</u> | <u>9,906,091</u> | <u>10,783,395</u> | <u>9,868,216</u> |
| EXPENSES | | | | |
| Cost of the sales of goods | 8,985,006 | 9,135,495 | 9,108,308 | 9,222,627 |
| Cost of the rendering of services | 78,826 | 71,045 | - | - |
| Selling and administrative expenses | 299,913 | 236,950 | 282,393 | 219,091 |
| Doubtful account (recovered) | (9,382) | (10,819) | - | - |
| Loss on diminution in value of | | | | |
| inventories | 338,561 | 756,200 | 338,561 | 756,200 |
| Loss on disposal and obsolescence | | | | |
| of spare parts and consumable goods | - | 20,881 | - | 20,881 |
| Other expenses | | | | |
| Loss on disposal of equipment | | | | |
| and obsolescence of | | | | |
| machinery and equipment | 13,356 | 25,792 | 12,553 | 25,649 |
| Others | - | 5 | - | - |
| Directors' remuneration | 2,275 | 2,324 | 1,478 | 1,526 |
| Total Expenses | <u>9,708,555</u> | <u>10,237,873</u> | <u>9,743,293</u> | <u>10,245,974</u> |

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME (CONTINUED)

FOR THE QUARTERS ENDED SEPTEMBER 30, 2006 AND 2005

"UNAUDITED"

BAHT : '000

| | | CONSOLIDATED | | THE COMPANY ONLY | |
|----------------------------------|--------------------|---------------------|------------------|-------------------------|------------------|
| | | 2006 | 2005 | 2006 | 2005 |
| INCOME (LOSS) BEFORE INTEREST | | | | | |
| AND INCOME TAX EXPENSES | | 1,092,290 | (331,782) | 1,040,102 | (377,758) |
| INTEREST EXPENSE | | 399,918 | 281,577 | 397,775 | 279,255 |
| INCOME TAX EXPENSE | | 13,878 | 16,546 | - | - |
| INCOME (LOSS) AFTER TAX | | 678,494 | (629,905) | 642,327 | (657,013) |
| NET INCOME OF MINORITY INTEREST | | (36,167) | (27,108) | - | - |
| NET INCOME (LOSS) | | 642,327 | (657,013) | 642,327 | (657,013) |
| EARNINGS (LOSS) PER SHARE | | BAHT | | | |
| | | 0.05 | (0.05) | 0.05 | (0.05) |
| 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 INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005

"UNAUDITED"

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------|-------------------|-------------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 |
| REVENUES | | | | |
| Revenues from the sales of goods | 28,004,864 | 28,979,249 | 28,003,195 | 28,978,648 |
| Revenues from the rendering of services | 141,985 | 239,081 | - | - |
| Other income | | | | |
| Gain on exchange | 223,503 | 38,797 | 223,550 | 38,797 |
| Others | 136,229 | 71,558 | 110,004 | 72,503 |
| Share of profit from investment | | | | |
| using the equity method | - | - | 120,040 | 89,335 |
| Total Revenues | <u>28,506,581</u> | <u>29,328,685</u> | <u>28,456,789</u> | <u>29,179,283</u> |
| EXPENSES | | | | |
| Cost of the sales of goods (Note 15) | 25,757,305 | 25,800,374 | 26,092,543 | 26,067,190 |
| Cost of the rendering of services | 207,903 | 201,971 | - | - |
| Selling and administrative expenses | 742,984 | 711,208 | 672,199 | 618,456 |
| Doubtful account (recovered) | (18,819) | (20,646) | - | - |
| Loss on diminution in value of | | | | |
| inventories (reversal) | (1,830,206) | 924,200 | (1,830,206) | 924,200 |
| Loss on disposal and obsolescence | | | | |
| of spare parts and consumable goods | 91 | 20,881 | 91 | 20,881 |
| Other expenses | | | | |
| Loss on disposal of equipment | | | | |
| and obsolescence of | | | | |
| machinery and equipment | 17,173 | 26,688 | 16,208 | 26,506 |
| Others | 455 | 571 | 455 | 567 |
| Directors' remuneration | 6,924 | 11,122 | 4,530 | 9,046 |
| Total Expenses | <u>24,883,810</u> | <u>27,676,369</u> | <u>24,955,820</u> | <u>27,666,846</u> |

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME (CONTINUED)

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005

"UNAUDITED"

BAHT : '000

| | | CONSOLIDATED | | THE COMPANY ONLY | |
|---------------------------------|--------------------|---------------------|----------------|-------------------------|----------------|
| | | 2006 | 2005 | 2006 | 2005 |
| INCOME BEFORE INTEREST | | | | | |
| AND INCOME TAX EXPENSES | | 3,622,771 | 1,652,316 | 3,500,969 | 1,512,437 |
| INTEREST EXPENSE | | 1,270,154 | 626,694 | 1,262,754 | 619,630 |
| INCOME TAX EXPENSE | | 36,228 | 58,692 | - | - |
| INCOME AFTER TAX | | 2,316,389 | 966,930 | 2,238,215 | 892,807 |
| NET INCOME OF MINORITY INTEREST | | (78,174) | (74,123) | - | - |
| NET INCOME | | <u>2,238,215</u> | <u>892,807</u> | <u>2,238,215</u> | <u>892,807</u> |
| | | | | | |
| EARNINGS PER SHARE | BAHT | 0.17 | 0.07 | 0.17 | 0.07 |
| | | | | | |
| 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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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 | - | - | (233,034) | - | - | (6,123) | (239,157) |
| Legal reserve (Note 13) | - | - | - | 47,586 | (47,586) | - | - |
| Dividend paid (Note 14) | - | - | - | - | (654,640) | - | (654,640) |
| Net income | - | - | - | - | 892,807 | 74,123 | 966,930 |
| Ending balance, September 30, 2005 | <u>13,101,280</u> | <u>(2,171,280)</u> | <u>5,303,567</u> | <u>256,966</u> | <u>2,858,677</u> | <u>810,903</u> | <u>20,160,113</u> |
| Beginning balance, January 1, 2006 | 13,101,280 | (2,171,280) | 5,212,119 | 263,888 | 422,461 | 781,366 | 17,609,834 |
| Adjustment of legal reserve (Note 21) | - | - | - | (6,922) | 6,922 | - | - |
| Amortization | - | - | (209,682) | - | - | (6,086) | (215,768) |
| Net income | - | - | - | - | 2,238,215 | 78,174 | 2,316,389 |
| Ending balance, September 30, 2006 | <u>13,101,280</u> | <u>(2,171,280)</u> | <u>5,002,437</u> | <u>256,966</u> | <u>2,667,598</u> | <u>853,454</u> | <u>19,710,455</u> |

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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 | - | - | (233,034) | - | - | (233,034) |
| Legal reserve (Note 13) | - | - | - | 47,586 | (47,586) | - |
| Dividend paid (Note 14) | - | - | - | - | (654,640) | (654,640) |
| Net income | - | - | - | - | 892,807 | 892,807 |
| Ending balance, September 30, 2005 | <u>13,101,280</u> | <u>(2,171,280)</u> | <u>5,303,567</u> | <u>256,966</u> | <u>2,858,677</u> | <u>19,349,210</u> |
| Beginning balance, January 1, 2006 | 13,101,280 | (2,171,280) | 5,212,119 | 256,966 | 429,383 | 16,828,468 |
| Amortization | - | - | (209,682) | - | - | (209,682) |
| Net income | - | - | - | - | 2,238,215 | 2,238,215 |
| Ending balance, September 30, 2006 | <u>13,101,280</u> | <u>(2,171,280)</u> | <u>5,002,437</u> | <u>256,966</u> | <u>2,667,598</u> | <u>18,857,001</u> |

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005

"UNAUDITED"

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------|-------------|-------------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income | 2,238,215 | 892,807 | 2,238,215 | 892,807 |
| Items to reconcile net income to | | | | |
| net cash flows from (used in) operations : | | | | |
| Doubtful accounts (Reversal) | (22,041) | (22,042) | - | - |
| Depreciation | 438,329 | 442,164 | 379,128 | 386,179 |
| Amortization | 5,631 | 357 | 5,567 | 293 |
| Withholding income tax written off | 455 | 567 | 455 | 567 |
| Non-refundable input value-added-tax | - | 25,606 | - | - |
| Loss on obsolete raw materials | 23,816 | 6,065 | 23,816 | 6,065 |
| Loss on diminution in value of raw materials (Reversal) | (683,854) | 596,800 | (683,854) | 596,800 |
| Provision for diminution in value of finished goods | | | | |
| (Reversal) | (1,146,352) | 327,400 | (1,146,352) | 327,400 |
| Provision for diminution in value of spare parts | | | | |
| and consumable goods (Reversal) | (15,284) | (1,134) | (15,284) | (1,134) |
| Deduction of interest on debt restructuring | (1,599) | (1,064) | - | - |
| Realized gain on exchange | - | (152) | - | (152) |
| Unrealized loss (gain) on exchange | 168 | (23,326) | 168 | (23,326) |
| Gain on sales of property, plant and equipment | (4,698) | (2,041) | (191) | (2,460) |
| Loss on disposal of property, plant and equipment | 17,173 | 26,688 | 16,208 | 26,506 |
| Loss on disposal of spare parts and consumable goods | 91 | 20,881 | 91 | 20,881 |
| Share of profit from investments using | | | | |
| the equity method | - | - | (120,040) | (89,335) |
| Minority interest | 78,174 | 74,123 | - | - |
| Net income from operations before | | | | |
| changes in operating assets and liabilities | 928,224 | 2,363,699 | 697,927 | 2,141,091 |

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005

"UNAUDITED"

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------|---------------------|-------------------------|---------------------|
| | 2006 | 2005 | 2006 | 2005 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| (CONTINUED) | | | | |
| Operating assets (increase) decrease | | | | |
| Trade accounts and notes receivable - related parties | (627,712) | (938,207) | (621,084) | (962,765) |
| Trade accounts and notes receivable - others | 490,059 | (556,931) | 489,540 | (562,814) |
| Inventories | 6,667,949 | (18,097,300) | 6,698,852 | (18,178,740) |
| Advances to related parties | 26 | (4,247) | 30 | (4,345) |
| Advance payments | 44,772 | 347,019 | 43,050 | 350,404 |
| Refundable value-added-tax | 7,558 | (787,854) | 6,393 | (787,373) |
| Other receivables | 19,981 | 21,697 | (1,289) | (493) |
| Prepaid expenses | (28,020) | (26,919) | (28,709) | (25,724) |
| Other current assets - others | 79,820 | 51,377 | 82,780 | 51,336 |
| Other non-current assets | (1,905) | 23,200 | (1,909) | (310) |
| Operating liabilities increase (decrease) | | | | |
| Trade accounts and notes payable | (414,525) | 1,627,137 | (470,930) | 1,710,698 |
| Accrued expenses | (120,847) | 132,976 | (116,036) | 76,847 |
| Other current liabilities - others | (50,170) | (811,284) | (80,882) | (770,566) |
| Net cash provided by (used in) operating activities | <u>6,995,210</u> | <u>(16,655,637)</u> | <u>6,697,733</u> | <u>(16,962,754)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash paid for current investments | - | (1,000) | - | - |
| Cash paid for purchases of property, plant and equipment | (355,713) | (1,655,617) | (166,169) | (1,295,855) |
| Cash paid for intangible assets | (1,922) | (948) | (1,874) | (948) |
| Proceeds from sales of property, plant and equipment | 5,619 | 2,219 | 516 | 2,630 |
| Proceeds from short-term loans to related parties | - | 7,000 | - | 7,000 |
| Short-term loans to related parties | - | (2,000) | - | (2,000) |
| Net cash used in investing activities | <u>(352,016)</u> | <u>(1,650,346)</u> | <u>(167,527)</u> | <u>(1,289,173)</u> |

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005

"UNAUDITED"

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|-----------------------|-----------------------|-------------------------|-----------------------|
| | 2006 | 2005 | 2006 | 2005 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Short-term loans increase (decrease) | (4,157,941) | 4,393,602 | (4,157,941) | 4,393,602 |
| Trade finance loans increase (decrease) | (1,249,346) | 15,282,062 | (1,249,346) | 15,282,062 |
| Cash repayment of long-term loans | (411,603) | (489,402) | (324,000) | (388,000) |
| Proceeds from long-term loans | - | 204,500 | - | - |
| Cash paid for redemption of debentures | (720,000) | (720,000) | (720,000) | (720,000) |
| Cash repayment of liabilities under finance leases | (63,181) | - | (63,181) | - |
| Cash repayment of long-term liabilities under hire-purchase agreements | (1,482) | (1,451) | (675) | (198) |
| Cash repayment of long-term liabilities for purchase of land | (1,460) | (23,200) | - | - |
| Cash paid for dividend | - | (654,640) | - | (654,640) |
| Net cash provided by (used in) financing activities | <u>(6,605,013)</u> | <u>17,991,471</u> | <u>(6,515,143)</u> | <u>17,912,826</u> |
| Net increase (decrease) in cash and cash equivalents | 38,181 | (314,512) | 15,063 | (339,101) |
| Cash and cash equivalents as at January 1 | <u>221,527</u> | <u>602,098</u> | <u>115,055</u> | <u>465,017</u> |
| Cash and cash equivalents as at September 30 | <u><u>259,708</u></u> | <u><u>287,586</u></u> | <u><u>130,118</u></u> | <u><u>125,916</u></u> |
| Supplemental cash flow information: | | | | |
| Cash paid for interest | 1,332,606 | 662,758 | 1,295,810 | 642,085 |
| Cash paid for income tax | 45,012 | 43,892 | 336 | 367 |
| Non-cash transactions: | | | | |
| Vehicles acquired under hire-purchase agreements | 6,673 | - | 2,840 | - |
| Amortization of unrealized increment per asset appraisal | 209,682 | 233,034 | 203,349 | 226,660 |
| Bad debt written off | - | 110,079 | - | 110,079 |

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTERS AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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.

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 standard which is related to interim financial statements and accounting 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”.

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.

- 2.2 The results of operations for the quarter and nine-month period ended September 30, 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.

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” September 30, 2006 Baht’000 | December 31, 2005 Baht’000 | “Unaudited” September 30, 2006 Baht’000 | December 31, 2005 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” | |
| | September 30, | December 31, | September 30, | December 31, |
| | 2006 | 2005 | 2006 | 2005 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Finished goods | 8,777,704 | 12,344,446 | 8,821,635 | 12,406,904 |
| Raw materials | 8,772,298 | 12,424,132 | 8,803,850 | 12,471,633 |
| Spare parts and consumable goods | 1,387,379 | 1,209,060 | 1,378,417 | 1,196,525 |
| Goods in transit | 1,892,263 | 1,543,862 | 1,892,263 | 1,543,862 |
| | <u>20,829,644</u> | <u>27,521,500</u> | <u>20,896,165</u> | <u>27,618,924</u> |
| <u>Less</u> Provision for diminution in value of finished goods | (517,890) | (1,664,242) | (517,890) | (1,664,242) |
| Provision for diminution in value of raw materials | (314,569) | (998,423) | (314,569) | (998,423) |
| Provision for loss on diminution in value of spare parts and consumable goods | (233,538) | (248,822) | (233,538) | (248,822) |
| | <u>19,763,647</u> | <u>24,610,013</u> | <u>19,830,168</u> | <u>24,707,437</u> |

As at September 30, 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 September 30, 2006 and December 31, 2005, certain land, buildings and machinery of the Company representing approximately 94.41% 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 September 30, 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 September 30, 2006 and December 31, 2005, certain 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 September 30, 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" | | | | | |
| September 30, 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 | 163,577 | 4,141,604 | 5,099 | 4,314,182 |
| The subsidiary | 1,706 | 9 | - | 124,919 | 126,634 |
| The related company | - | - | 561,621 | - | 561,621 |
| | <u>5,608</u> | <u>163,586</u> | <u>4,703,225</u> | <u>130,018</u> | <u>5,002,437</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” | |
| | September 30, 2006 | December 31, 2005 | September 30, 2006 | December 31, 2005 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Cost of assets (excluded appraisal increase) before fully depreciated | 396,839 | 407,964 | 266,445 | 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 September 30, 2006 and December 31, 2005, the Company and the subsidiary capitalized interest expenses incurred from loans for the construction projects as part of cost of assets in the total amount of Baht 144.08 million and Baht 98.03 million, respectively.
- 6.6 Fixed assets under finance lease and hire-purchase agreements

As at September 30, 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 September 30, 2006 and December 31, 2005, vehicles of the Company and the subsidiary include cars acquired from hire-purchases which are still under installment with the cost value of Baht 6.7 million and Baht 1.8 million, respectively.

7. INTANGIBLE ASSETS - NET

Intangible assets - net consist of the following :

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--------------------------------------|---------------|---------------|------------------|---------------|
| | “Unaudited” | | “Unaudited” | |
| | September 30, | December 31, | September 30, | 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 | 1,922 | 70,098 | 1,874 | 70,098 |
| <u>Less</u> Accumulated amortization | (7,857) | (2,226) | (7,675) | (2,108) |
| | <u>68,162</u> | <u>71,871</u> | <u>67,439</u> | <u>71,132</u> |
| Amortization for the period/year | <u>5,631</u> | <u>2,147</u> | <u>5,567</u> | <u>2,062</u> |

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------|---------------|------------------|---------------|
| | “Unaudited” | | “Unaudited” | |
| | September 30, | December 31, | September 30, | December 31, |
| | 2006 | 2005 | 2006 | 2005 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Deposits | 46,680 | 44,775 | 44,518 | 42,609 |
| Receivable from cancellation of shipbuilding contract | 22,483 | 44,524 | - | - |
| Others | 8,424 | 8,424 | - | - |
| | <u>77,587</u> | <u>97,723</u> | <u>44,518</u> | <u>42,609</u> |
| <u>Less</u> Allowance for doubtful account | | | | |
| - Receivable from cancellation of shipbuilding contract | (22,483) | (44,524) | - | - |
| | <u>55,104</u> | <u>53,199</u> | <u>44,518</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 September 30, 2006, the subsidiary received total repayment of USD 3.30 million or Baht 146.15 million. However, the subsidiary has provided for the allowance for doubtful debt in full for the remaining amount as at September 30, 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 bank guarantees.

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 25,750 million and USD 45 million. As at September 30, 2006 and December 31, 2005, the Company has unused short-term credit facilities after converting into Thai Baht of Baht 10,722 million and Baht 5,926 million, respectively.

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 September 30, 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 certain 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” | |
| | September 30, | December 31, | September 30, | 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 | 400,000 | 600,000 | 400,000 | 600,000 |
| Loan repayable semi-annually from September 2005 onwards | 940,000 | 980,000 | 940,000 | 980,000 |
| Loan repayable monthly from April 2002 - May 2003 and semi-annually from June 2003 onwards | 92,716 | 149,716 | - | - |
| Loan repayable monthly from January 2006 onwards | 581,397 | 612,000 | - | - |
| Loan repayable in 2 installments from March 2007 onwards | 45,000 | 45,000 | - | - |
| | <u>7,407,113</u> | <u>7,818,716</u> | <u>6,688,000</u> | <u>7,012,000</u> |
| <u>Less</u> Current portion | <u>(1,095,168)</u> | <u>(812,000)</u> | <u>(880,000)</u> | <u>(608,000)</u> |
| | 6,311,945 | 7,006,716 | 5,808,000 | 6,404,000 |
| <u>Add</u> Difference of interest per effective interest rate and interest per debt restructuring agreement | <u>1,050</u> | <u>2,649</u> | <u>-</u> | <u>-</u> |
| | <u>6,312,995</u> | <u>7,009,365</u> | <u>5,808,000</u> | <u>6,404,000</u> |

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 consisted 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. As at September 30, 2006 and December 31, 2005, the Company has outstanding balance of such long-term loan of Baht 5,348 million and 5,432 million, respectively.

During the quarter ended September 30, 2004, the lending banks 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 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. As at September 30, 2006 and December 31, 2005, the Company has outstanding balance of such long-term loan of Baht 400 million and 600 million, respectively.
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 September 30, 2006 and December 31, 2005, the Company has outstanding balance of such long-term loan of Baht 940 million and 980 million, respectively.

All three loan agreements 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 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 the 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. As at September 30, 2006 and December 31, 2005, the subsidiary has outstanding balance of such long-term loan of Baht 92.71 million and 149.71 million, respectively.

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

5. On September 5, 2003, such subsidiary entered into another 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 would be made on the last working day of January 2006.

As at September 30, 2006 and December 31, 2005, such subsidiary has outstanding balance of such long-term loan of Baht 581.40 million and Baht 612 million, respectively.

The loan agreement dated September 5, 2003 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 30, 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 (see Notes 6.1 and 20.6). As at September 30, 2006 and December 31, 2005, such subsidiary has the outstanding loan of Baht 45 million.

11. DEBENTURES

Debentures consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|-----------------------------|--------------------|-------------------|--------------------|-------------------|
| | “Unaudited” | | “Unaudited” | |
| | September 30, 2006 | December 31, 2005 | September 30, 2006 | December 31, 2005 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Debentures | 1,810,000 | 2,530,000 | 1,810,000 | 2,530,000 |
| <u>Less</u> Current portion | (1,085,000) | (720,000) | (1,085,000) | (720,000) |
| | <u>725,000</u> | <u>1,810,000</u> | <u>725,000</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. As at September 30, 2006 and December 31, 2005, the Company has outstanding debentures of Baht 360 million and Baht 1,080 million, respectively.

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. As at September 30, 2006 and December 31, 2005, the Company has outstanding debentures of Baht 1,450 million.

2. Secured debentures No. 2 of 750,000 units with total value of Baht 750 million which were redeemed in 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 “Unaudited” | | THE COMPANY ONLY “Unaudited” | |
|---|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | September 30, 2006 Baht’000 | December 31, 2005 Baht’000 | September 30, 2006 Baht’000 | December 31, 2005 Baht’000 |
| Within one year | 114,257 | 118,813 | 114,257 | 118,813 |
| One to four years | 463,356 | 548,480 | 463,356 | 548,480 |
| Total minimum lease payments | 577,613 | 667,293 | 577,613 | 667,293 |
| <u>Less</u> Deferred interest expense | (62,441) | (88,940) | (62,441) | (88,940) |
| Present value of minimum lease payments | 515,172 | 578,353 | 515,172 | 578,353 |
| <u>Less</u> Current portion | (83,784) | (84,095) | (83,784) | (84,095) |
| Liabilities under finance lease agreements | 431,388 | 494,258 | 431,388 | 494,258 |

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. The reserve is not available for dividend distribution.

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 nine-month period ended September 30, 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 September 30, 2006 and December 31, 2005, assets and liabilities in foreign currencies consist of the following:

| CONSOLIDATED AND THE COMPANY ONLY | | | |
|--|--------------------|----------------------|---------------------|
| “Unaudited” | | | |
| | | September 30, | December 31, |
| | | 2006 | 2005 |
| Assets | - US Dollar | 11,032,312 | 13,168,486 |
| Liabilities | - US Dollar | 49,224,262 | 50,418,952 |
| | - Italian Lira | 1,770,995 | 51,770,995 |
| | - Yen | 37,600 | 8,035,600 |
| | - Euro | 434,295 | 1,850,321 |
| | - Singapore Dollar | 2,711 | 200,944 |

As at September 30, 2006, the Company entered into hedging contracts to cover existing and committed assets of USD 58.36 million which are due for receipt in 2006 but does not enter into any hedging contracts to cover liabilities which are due for payment 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 September 30, 2006 | Relationship December 31, 2005 |
|-----------------------------------|--------------------------------------|---|---|---|
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | Maintenance service | Subsidiary company | Subsidiary company | |
| Prachuap Port Co., Ltd. | Deep-sea port service | 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) | |
| 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 | |

| | Types of business | Relationship September 30, 2006 | Relationship December 31, 2005 |
|--|--|---|--|
| Bangsaphan Transport Co., Ltd. | Transport services | The 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 September 30, 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 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) |

17.1 Investments in subsidiary, associated and related parties

| | | | | | "Unaudited" | | | |
|---|--|--------------|--|-------------------|--------------------------|--------------------|--------------------------|-----------------------------|
| | | | | | As at September 30, 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 | 136,744 | - | - |
| Prachuap Port Company Limited | Deep - sea port services | Shareholder | 400,000 | 51.00 | 204,000 | 888,289 | - | 51,000 |
| | | | | | 279,000 | 1,025,033 | - | 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 | - |
| Less Allowance for impairment | | | | | (670,503) | - | (670,503) | - |
| | | | | | 561,621 | - | 561,621 | - |

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| As at 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 September 30, 2006 |
|-------------------------|---------------------------------|-----------|-------------------------|--|
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| CONSOLIDATED | | | | |
| Advances | | | | |
| Related parties | 3,971 | 659 | 685 | 3,945 |
| Total | 3,971 | 659 | 685 | 3,945 |
| THE COMPANY ONLY | | | | |
| Advances | | | | |
| Subsidiary company | 4 | 170 | 174 | - |
| Related parties | 3,971 | 659 | 685 | 3,945 |
| Total | 3,975 | 829 | 859 | 3,945 |

17.3 Other transactions

Balances with related parties in the balance sheets are mainly as follows:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|----------------------|---------------------|-------------------------|---------------------|
| | “Unaudited” | | “Unaudited” | |
| | September 30, | December 31, | September 30, | December 31, |
| | 2006 | 2005 | 2006 | 2005 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Accounts and notes receivable – net | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 232,287 | 5,001 | 224,242 | - |
| B.S. Metal Co., Ltd. | 2,381,483 | 2,128,478 | 2,380,823 | 2,128,478 |
| Sahaviriya Panich International Co., Ltd. | 299,734 | 155,237 | 299,734 | 155,237 |
| Other related parties | 3,765 | 841 | - | - |
| | <u>2,917,269</u> | <u>2,289,557</u> | <u>2,904,799</u> | <u>2,283,715</u> |
| Other receivables | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 581 | 388 |
| Related parties | | | | |
| Other related parties | 224 | 478 | - | - |
| | <u>224</u> | <u>478</u> | <u>581</u> | <u>388</u> |
| Other current assets - others | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 556 | 341 |
| Related parties | | | | |
| Thai Coated Steel Sheet Co., Ltd. | 7,032 | 5,151 | 7032 | 5,151 |
| Bangsaphan Barmill Pcl. | 5,854 | 3,616 | 5854 | 3,616 |
| Other related parties | 972 | 1,252 | 462 | 726 |
| | <u>13,858</u> | <u>10,019</u> | <u>13,348</u> | <u>9,493</u> |
| | <u>13,858</u> | <u>10,019</u> | <u>13,904</u> | <u>9,834</u> |
| Other non-current assets | | | | |
| Related parties | | | | |
| Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.) | <u>6,948</u> | <u>4,408</u> | <u>6,130</u> | <u>3,591</u> |

| | CONSOLIDATED “Unaudited” | | THE COMPANY ONLY “Unaudited” | |
|---|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | September 30, 2006 Baht’000 | December 31, 2005 Baht’000 | September 30, 2006 Baht’000 | December 31, 2005 Baht’000 |
| Trade accounts payable | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 40,980 | 38,602 |
| Prachuap Port Co., Ltd. | - | - | 8,657 | 70,988 |
| | <u>-</u> | <u>-</u> | <u>49,637</u> | <u>109,590</u> |
| Related parties | | | | |
| Line Transport Co., Ltd. | 6,715 | 26,256 | 6,715 | 26,256 |
| Bangsaphan Transport Co., Ltd. | 40 | 4,334 | 40 | 4,179 |
| Four Star Marine Co., Ltd. | - | 3,604 | - | 3,604 |
| Sahaviriya Panich International Co., Ltd. | - | 5,612 | - | 5,612 |
| B.S. Metal Co., Ltd. | 3,525 | 761 | 3,525 | 761 |
| Bangpakong Lighter Co., Ltd. | 2,881 | - | 2,881 | - |
| Other related parties | 1,245 | 219 | 1,220 | 190 |
| | <u>14,406</u> | <u>40,786</u> | <u>14,381</u> | <u>40,602</u> |
| | <u>14,406</u> | <u>40,786</u> | <u>64,018</u> | <u>150,192</u> |
| Other accounts payable | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 8,818 | 4,551 |
| Related parties | | | | |
| Sahaviriya Panich International Co., Ltd. | 2,561 | - | - | - |
| Other related parties | 412 | 86 | - | - |
| | <u>2,973</u> | <u>86</u> | <u>8,818</u> | <u>4,551</u> |
| Accrued expenses | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 7,833 | 10,844 |
| Prachuap Port Co., Ltd. | - | - | 5,938 | 6,801 |
| | <u>-</u> | <u>-</u> | <u>13,771</u> | <u>17,645</u> |
| Related parties | | | | |
| Bangsaphan Transport Co., Ltd. | 759 | 12,648 | 759 | 12,648 |
| Line Transport Co., Ltd. | 16,500 | 3,970 | 16,500 | 3,970 |
| Bangpakong Lighter Co., Ltd. | 16,429 | 39,996 | 16,429 | 39,996 |
| C.A.R. Service Co., Ltd. | 8,528 | - | 8,528 | - |
| Sahaviriya Panich International Co., Ltd. | 4,094 | 943 | 4,094 | 943 |
| Other related parties | 506 | 1,163 | 506 | 1,163 |
| | <u>46,816</u> | <u>58,720</u> | <u>46,816</u> | <u>58,720</u> |
| | <u>46,816</u> | <u>58,720</u> | <u>60,587</u> | <u>76,365</u> |

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

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|----------------------------------|------------------|------------------|------------------|
| | “Unaudited” | | | |
| | For quarters ended September 30, | | | |
| | 2006 | 2005 | 2006 | 2005 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Sales | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 553,078 | 1,138,406 | 553,078 | 1,138,406 |
| B.S. Metal Co., Ltd. | 1,487,625 | 1,676,511 | 1,487,622 | 1,676,460 |
| Sahaviriya Panich International Co., Ltd. | 1,237,267 | 1,073,015 | 1,237,267 | 1,073,015 |
| Other related parties | - | 1 | - | - |
| | <u>3,277,970</u> | <u>3,887,933</u> | <u>3,277,967</u> | <u>3,887,881</u> |
| Service income | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 16,641 | 16,319 | - | - |
| Bangsaphan Barmill Pcl. | 6,206 | 7,375 | - | - |
| Bangsaphan Transport Co., Ltd. | - | 392 | - | - |
| Other related parties | 3,065 | 790 | - | - |
| | <u>25,912</u> | <u>24,876</u> | <u>-</u> | <u>-</u> |
| Other income | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 117 | 251 |
| Prachuap Port Co., Ltd. | - | - | 20 | - |
| | <u>-</u> | <u>-</u> | <u>137</u> | <u>251</u> |
| Related parties | | | | |
| Other related parties | 195 | 1,404 | 32 | 1,374 |
| | <u>195</u> | <u>1,404</u> | <u>169</u> | <u>1,625</u> |
| Purchases of goods and services | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 89,761 | 62,783 |
| Prachuap Port Co., Ltd. | - | - | 31,379 | 58,539 |
| | <u>-</u> | <u>-</u> | <u>121,140</u> | <u>121,322</u> |
| Related parties | | | | |
| Line Transport Co., Ltd. | 27,129 | - | 27,123 | - |
| Bangsaphan Transport Co., Ltd. | - | 43,612 | - | 43,547 |
| B.S. Metal Co., Ltd. | 6,733 | - | 6,733 | - |
| Four Star Marine Co., Ltd. | - | 29,912 | - | 29,912 |
| Other related parties | 604 | 2,685 | 283 | 2,685 |
| | <u>34,466</u> | <u>76,209</u> | <u>34,139</u> | <u>76,144</u> |
| | 34,466 | 76,209 | 155,279 | 197,466 |

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|----------------------------------|---------------|------------------|---------------|
| | “Unaudited” | | | |
| | For quarters ended September 30, | | | |
| | 2006 | 2005 | 2006 | 2005 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Selling and administrative expenses | | | | |
| Subsidiary company | | | | |
| Prachuap Port Co., Ltd. | - | - | 3,191 | 4,118 |
| Related parties | | | | |
| Bangsaphan Transport Co., Ltd. | (339) | 56,369 | (339) | 56,146 |
| Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.) | 3,574 | 3,238 | 3,011 | 2,406 |
| Four Star Marine Co., Ltd. | - | 3,730 | - | 3,730 |
| Sahaviriya Panich International Co., Ltd. | 13,819 | 7,436 | 13,819 | 7,436 |
| Line Transport Co., Ltd. | 34,797 | - | 34,797 | - |
| Bangpakong Lighter Co., Ltd. | 44,321 | - | 44,321 | - |
| C.A.R. Service Co., Ltd. | 15,654 | - | 15,654 | - |
| Other related parties | 695 | 1,106 | 575 | 1,003 |
| | <u>112,521</u> | <u>71,879</u> | <u>111,838</u> | <u>70,721</u> |
| | <u>112,521</u> | <u>71,879</u> | <u>115,029</u> | <u>74,839</u> |

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|--|-------------------|-------------------|-------------------|
| | “Unaudited” | | | |
| | For the nine-month periods ended September 30, | | | |
| | 2006 | 2005 | 2006 | 2005 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Sales | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 2,108,110 | 3,513,706 | 2,108,110 | 3,513,699 |
| B.S. Metal Co., Ltd. | 3,583,731 | 3,458,815 | 3,583,712 | 3,458,574 |
| Sahaviriya Panich International Co., Ltd. | 4,830,807 | 3,225,223 | 4,830,807 | 3,225,223 |
| Bangpakong Metal Co., Ltd. | - | 545,921 | - | 545,921 |
| Other related parties | 4 | 43 | - | - |
| | <u>10,522,652</u> | <u>10,743,708</u> | <u>10,522,629</u> | <u>10,743,417</u> |
| Service income | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 38,892 | 58,610 | - | - |
| Bangsaphan Barmill Pcl. | 11,185 | 26,467 | - | - |
| Bangsaphan Transport Co., Ltd. | - | 2,445 | - | - |
| Thai Coated Steel Sheet Co., Ltd. | 2,806 | 1,711 | - | - |
| Line Transport Co., Ltd. | 3,064 | - | - | - |
| Other related parties | 2,512 | 528 | - | - |
| | <u>58,459</u> | <u>89,761</u> | <u>-</u> | <u>-</u> |
| Other income | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 12,994 | 591 |
| Prachuap Port Co., Ltd. | - | - | 20 | - |
| | <u>-</u> | <u>-</u> | <u>13,014</u> | <u>591</u> |
| Related parties | | | | |
| Other related parties | 965 | 1,581 | 409 | 1,465 |
| | <u>965</u> | <u>1,581</u> | <u>13,423</u> | <u>2,056</u> |

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|--|----------------|------------------|----------------|
| | “Unaudited” | | | |
| | For the nine-month periods ended September 30, | | | |
| | 2006 | 2005 | 2006 | 2005 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Purchases of goods and services | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 249,272 | 177,031 |
| Prachuap Port Co., Ltd. | - | - | 92,266 | 186,427 |
| | <u>-</u> | <u>-</u> | <u>341,538</u> | <u>363,458</u> |
| Related parties | | | | |
| Line Transport Co., Ltd. | 146,061 | - | 146,011 | - |
| Bangsaphan Transport Co., Ltd. | 469 | 105,048 | 422 | 104,936 |
| B.S. Metal Co., Ltd. | 15,581 | - | 15,581 | - |
| Four Star Marine Co., Ltd. | - | 73,183 | - | 73,183 |
| Other related parties | 918 | 5,994 | 583 | 5,994 |
| | <u>163,029</u> | <u>184,225</u> | <u>162,597</u> | <u>184,113</u> |
| | <u>163,029</u> | <u>184,225</u> | <u>504,135</u> | <u>547,571</u> |
| Selling and administrative expenses | | | | |
| Subsidiary company | | | | |
| Prachuap Port Co., Ltd. | - | - | 10,576 | 12,186 |
| Related parties | | | | |
| Bangsaphan Transport Co., Ltd. | 80 | 168,692 | (49) | 167,432 |
| Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.) | 10,161 | 10,552 | 8,720 | 8,138 |
| Four Star Marine Co., Ltd. | - | 8,302 | - | 8,302 |
| Sahaviriya Panich International Co., Ltd. | 25,099 | 21,492 | 25,099 | 21,492 |
| Line Transport Co., Ltd. | 51,866 | - | 51,866 | - |
| Bangpakong Lighter Co., Ltd. | 148,666 | - | 148,666 | - |
| C.A.R. Service Co., Ltd. | 50,722 | - | 50,722 | - |
| Other related parties | 1,625 | 2,224 | 1,301 | 2,096 |
| | <u>288,219</u> | <u>211,262</u> | <u>286,325</u> | <u>207,460</u> |
| | <u>288,219</u> | <u>211,262</u> | <u>296,901</u> | <u>219,646</u> |

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 based on rates determined by the Ministry of Transportation, which are subject to service volumes and related marketing factors.

West Coast Engineering Company Limited sells spare parts and consumable goods to the Company at prices as specified in the agreement and charges maintenance related services rendered to the Company at the rates as specified in the agreement of which such charges 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 September 30, 2006, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivable aging:

| “Unaudited” | | | | |
|--|-------------------------------|----------------------------|-------------------------------|----------------------------|
| | CONSOLIDATED | | THE COMPANY ONLY | |
| | Number of Accounts | Amount Baht’000 | Number of accounts | Amount Baht’000 |
| 3-6 months | 1 | 78,488 | 1 | 78,488 |
| Over 12 months | 5 | 283,919 | 4 | 283,809 |
| Total | | <u>362,407</u> | | <u>362,297</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 | 2,544 | - | - |
| 6-12 months | 23 | 37,465 | - | - |
| Over 12 months | 4 | 283,809 | 4 | 283,809 |
| Total | | <u>323,818</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 “Unaudited” | | Net income | | Assets employed “Unaudited” | |
|--|----------------------------------|--|------------------|------------------|------------------|--------------------------------|----------------------------|
| | | For the quarters ended September 30, | | | | As at September 30, 2006 | As at December 31, 2005 |
| | | 2006 Baht’000 | 2005 Baht’000 | 2006 Baht’000 | 2005 Baht’000 | Baht’000 | Baht’000 |
| Sahaviriya Steel Industries Public Company Limited | Manufacturer of hot rolled coils | 10,783,395 | 9,868,216 | 642,327 | (657,013) | 44,544,282 | 49,687,808 |
| West Coast Engineering Company Limited | Maintenance Services | 107,485 | 88,818 | 10,539 | 7,949 | 312,559 | 254,313 |
| Prachuap Port Company Limited | Deep-sea port services | 100,304 | 123,642 | 67,528 | 82,087 | 2,600,437 | 2,559,948 |
| | | 10,991,184 | 10,080,676 | 720,394 | (566,977) | 47,457,278 | 52,502,069 |
| <u>Less</u> Inter-company transactions | | (190,339) | (174,585) | (41,900) | (62,928) | (1,218,564) | (1,186,381) |
| | | <u>10,800,845</u> | <u>9,906,091</u> | 678,494 | (629,905) | | |
| <u>Less</u> Minority interest in net income | | | | (36,167) | (27,108) | | |
| Net income | | | | <u>642,327</u> | <u>(657,013)</u> | | |
| Total assets | | | | | | <u>46,238,714</u> | <u>51,315,688</u> |

| | Types of business | Revenues and other income “Unaudited” | | Net income | | Assets employed “Unaudited” | |
|--|----------------------------------|--|-------------------|------------------|------------------|--------------------------------|----------------------------|
| | | For the nine-month periods ended September 30, | | | | As at September 30, 2006 | As at December 31, 2005 |
| | | 2006 Baht’000 | 2005 Baht’000 | 2006 Baht’000 | 2005 Baht’000 | Baht’000 | Baht’000 |
| Sahaviriya Steel Industries Public Company Limited | Manufacturer of hot rolled coils | 28,456,789 | 29,179,283 | 2,238,215 | 892,807 | 44,544,282 | 49,687,808 |
| West Coast Engineering Company Limited | Maintenance Services | 324,228 | 289,425 | 41,177 | 38,935 | 312,559 | 254,313 |
| Prachuap Port Company Limited | Deep-sea port services | 240,542 | 389,787 | 129,301 | 220,511 | 2,600,437 | 2,559,948 |
| | | 29,021,559 | 29,858,495 | 2,408,693 | 1,152,253 | 47,457,278 | 52,502,069 |
| <u>Less</u> Inter-company transactions | | (514,978) | (529,810) | (92,304) | (185,323) | (1,218,564) | (1,186,381) |
| | | <u>28,506,581</u> | <u>29,328,685</u> | 2,316,389 | 966,930 | | |
| <u>Less</u> Minority interest in net income | | | | (78,174) | (74,123) | | |
| Net income | | | | <u>2,238,215</u> | <u>892,807</u> | | |
| Total assets | | | | | | 46,238,714 | 51,315,688 |

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 195.37 million, USD 30.07 million and EUR 2.70 million as at September 30, 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 7.04 million and EUR 0.62 million as at September 30, 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 11.11 million and Baht 35.85 million as at September 30, 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 313.55 million and Baht 903.18 million as at September 30, 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 case is currently pending at the Appeal Court. On July 14, 2006, the Company has pledged a bank guarantee amounting to Baht 3.9 million with the Appeal Court to suspend the execution of a judgement during the appeal.
- 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 currently pending at the Central Intellectual Property and International Trade Court.
- 20.6 As at September 30, 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. ADJUSTMENT IN PRIOR YEAR'S CONSOLIDATED FINANCIAL STATEMENTS

The Company has adjusted the legal reserve of a subsidiary company in the consolidated financial statements for the year ended December 31, 2005 which resulted to the decrease in legal reserve as at December 31, 2005 of Baht 6.9 million and the retained earnings as at December 31, 2005 increased by the same amount.

22. RECLASSIFICATIONS

Certain reclassifications in the financial statements for the quarter and nine-month period ended September 30, 2005 have been made to conform to the classifications used in the financial statements for the quarter and nine-month period ended September 30, 2006. Such reclassifications are as follows:

- Loss on diminution in value of inventories of Baht 756.2 million and Baht 924.2 million, which were previously presented as part of cost of the sales of goods in the financial statements for the quarter and nine-month period ended September 30, 2005, were reclassified to be presented separately under expenses category.

23. EVENTS AFTER THE BALANCE SHEET DATE

On October 2, 2006, a subsidiary, entered into a loan facility agreement of Baht 75 million for investing in an expansion of a workshop and for its working capital and of US\$ 1 million for forward contract with a commercial bank. Such subsidiary can withdraw the loan when it complies with all conditions stated in the agreement. The loan is repayable within 5 years after the agreement date. The installment is due every 3 months from June 30, 2007 onwards. The 1st to the 8th installments are not less than Baht 2.5 million each. The 9th to the 15th installments are not less than Baht 5 million each and the 16th installment is paid for the remaining loan balance. The loan bears interest rate at MLR less 0.5% per annum.

Such loan is secured by the mortgage of a plot of land and structure of the subsidiary and the transfer of insurance beneficiary of the collateral to the lender. In addition, there are certain conditions regarding operations, financial ratios which such subsidiary has to comply with them as stated in the agreement and the Company has to maintain its proportion of shares in such subsidiary not less than 75% of total shares during the agreement period.

24. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by authorized directors of the Company for issue on October 25, 2006.