

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 June 30, 2005 and the related consolidated and Company's statements of income for the quarters and six-month periods ended June 30, 2005 and 2004 and the related consolidated and Company's statements of changes in shareholders' equity and cash flows for the six-month periods ended June 30, 2005 and 2004. 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, 2004, and expressed an unqualified opinion in our report dated January 31, 2005. The consolidated and Company's balance sheets as at December 31, 2004, 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
August 1, 2005

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

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | "Unaudited" | | "Unaudited" | |
| | As at | As at | As at | As at |
| | June 30, | December 31, | June 30, | December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 213,608 | 602,098 | 54,774 | 465,017 |
| Current investments (Note 4) | 1,000 | - | - | - |
| Trade accounts and notes receivable | | | | |
| Related parties (Note 17.3) | 2,716,605 | 1,445,468 | 2,677,953 | 1,410,256 |
| Others | 1,651,240 | 1,635,659 | 1,639,380 | 1,626,806 |
| | <u>4,367,845</u> | <u>3,081,127</u> | <u>4,317,333</u> | <u>3,037,062</u> |
| <u>Less</u> Allowance for doubtful accounts | | | | |
| (Note 18) | (283,809) | (393,888) | (283,809) | (393,888) |
| Trade accounts and notes receivable - net | <u>4,084,036</u> | <u>2,687,239</u> | <u>4,033,524</u> | <u>2,643,174</u> |
| Short-term loans and advances to | | | | |
| related parties (Note 17.2) | 3,213 | 5,106 | 3,223 | 5,138 |
| Inventories (Note 5) | 28,343,163 | 11,826,746 | 28,413,914 | 11,846,063 |
| Other current assets | | | | |
| Advance payments | 474,898 | 420,117 | 469,858 | 421,305 |
| Refundable value-added-tax | 914,899 | 224,900 | 914,899 | 223,793 |
| Other receivables | 2,425 | 1,219 | 2,215 | 1,362 |
| Prepaid expenses | 75,677 | 13,327 | 73,085 | 12,178 |
| Deposit at bank used as collateral | 16,200 | 16,200 | - | - |
| Others | 115,686 | 115,284 | 104,388 | 104,055 |
| Total Current Assets | <u>34,244,805</u> | <u>15,912,236</u> | <u>34,069,880</u> | <u>15,722,085</u> |
| NON-CURRENT ASSETS | | | | |
| Investments using the equity method | | | | |
| (Note 17.1) | - | - | 933,628 | 876,140 |
| Other long-term investments (Note 17.1) | 561,621 | 561,621 | 561,621 | 561,621 |
| Property, plant and equipment - net (Note 6) | 20,893,603 | 20,010,840 | 18,531,562 | 17,853,302 |
| Intangible assets (Note 7) | 4,635 | 3,920 | 3,853 | 3,096 |
| Other non-current assets (Note 8) | 20,585 | 37,113 | 6,258 | 5,942 |
| Total Non-Current Assets | <u>21,480,444</u> | <u>20,613,494</u> | <u>20,036,922</u> | <u>19,300,101</u> |
| TOTAL ASSETS | <u><u>55,725,249</u></u> | <u><u>36,525,730</u></u> | <u><u>54,106,802</u></u> | <u><u>35,022,186</u></u> |

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS (CONTINUED)

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|-------------------|-------------------|-------------------|-------------------|
| | "Unaudited" | | "Unaudited" | |
| | As at | As at | As at | As at |
| | June 30, | December 31, | June 30, | December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Bank overdrafts and short-term loans from financial institutions (Note 9) | | | | |
| Short-term loans | 3,721,000 | - | 3,721,000 | - |
| Trade finance loans | 13,622,829 | 766,758 | 13,622,829 | 766,758 |
| Trade accounts and notes payable | 5,212,247 | 2,886,498 | 5,231,619 | 2,891,902 |
| Current portion of long-term loans (Note 10) | 812,000 | 805,253 | 608,000 | 588,000 |
| Current portion of debentures (Note 11) | 720,000 | 720,000 | 720,000 | 720,000 |
| Current portion of liabilities under hire-purchase agreements | 9,780 | 1,879 | 175 | 263 |
| Other current liabilities | | | | |
| Accrued expenses | 363,718 | 196,704 | 391,375 | 237,284 |
| Others | 1,000,047 | 1,076,136 | 823,215 | 931,858 |
| Total Current Liabilities | <u>25,461,621</u> | <u>6,453,228</u> | <u>25,118,213</u> | <u>6,136,065</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term loans (Note 10) | 7,196,064 | 7,453,830 | 6,708,000 | 7,012,000 |
| Debentures (Note 11) | 2,170,000 | 2,530,000 | 2,170,000 | 2,530,000 |
| Other non-current liabilities | | | | |
| Liabilities under hire-purchase agreements | <u>1,130</u> | <u>1,692</u> | <u>-</u> | <u>44</u> |
| Total Non-Current Liabilities | <u>9,367,194</u> | <u>9,985,522</u> | <u>8,878,000</u> | <u>9,542,044</u> |
| TOTAL LIABILITIES | <u>34,828,815</u> | <u>16,438,750</u> | <u>33,996,213</u> | <u>15,678,109</u> |

BALANCE SHEETS (CONTINUED)

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | "Unaudited" | | "Unaudited" | |
| | As at | As at | As at | As at |
| | June 30, | December 31, | June 30, | December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| 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) PAID-IN 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) | 5,408,357 | 5,536,601 | 5,408,357 | 5,536,601 |
| RETAINED EARNINGS | | | | |
| Appropriated | | | | |
| Legal reserve (Note 12) | 256,966 | 209,380 | 256,966 | 209,380 |
| Unappropriated | <u>3,515,266</u> | <u>2,668,096</u> | <u>3,515,266</u> | <u>2,668,096</u> |
| Total Company Shareholders' Equity | <u>20,110,589</u> | <u>19,344,077</u> | <u>20,110,589</u> | <u>19,344,077</u> |
| MINORITY INTEREST | <u>785,845</u> | <u>742,903</u> | <u>-</u> | <u>-</u> |
| Total Shareholders' Equity | <u>20,896,434</u> | <u>20,086,980</u> | <u>20,110,589</u> | <u>19,344,077</u> |
| TOTAL LIABILITIES AND | | | | |
| SHAREHOLDERS' EQUITY | <u><u>55,725,249</u></u> | <u><u>36,525,730</u></u> | <u><u>54,106,802</u></u> | <u><u>35,022,186</u></u> |

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF INCOME
FOR THE QUARTERS ENDED JUNE 30,
"UNAUDITED"

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|---------------------|------------------|-------------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| REVENUES | | | | |
| Revenues from the sales of goods | 11,629,651 | 7,545,981 | 11,629,320 | 7,545,541 |
| Revenues from the rendering of services | 78,520 | 61,483 | - | - |
| Other income | 33,999 | 18,898 | 33,907 | 18,875 |
| Share of profit from investment using the equity method | - | - | 39,025 | 28,903 |
| Total Revenues | 11,742,170 | 7,626,362 | 11,702,252 | 7,593,319 |
| EXPENSES | | | | |
| Cost of the sales of goods | 10,034,304 | 5,687,835 | 10,117,134 | 5,776,871 |
| Cost of the rendering of services | 60,005 | 69,489 | - | - |
| Selling and administrative expenses | 277,300 | 115,899 | 273,880 | 102,100 |
| Other expenses | | | | |
| Loss on exchange | 93,594 | 32,720 | 93,594 | 32,720 |
| Loss on disposal of equipment and obsolescence of machinery and equipment | 855 | 155,979 | 840 | 155,822 |
| Others | 562 | 1,560 | 567 | 1,533 |
| Directors' remuneration | 7,792 | 3,630 | 6,634 | 3,470 |
| Total Expenses | 10,474,412 | 6,067,112 | 10,492,649 | 6,072,516 |
| INCOME BEFORE INTEREST AND INCOME TAX EXPENSES | 1,267,758 | 1,559,250 | 1,209,603 | 1,520,803 |
| INTEREST EXPENSE | 222,547 | 106,260 | 220,330 | 102,003 |
| INCOME TAX EXPENSE | 14,805 | 11,188 | - | - |
| INCOME AFTER TAX | 1,030,406 | 1,441,802 | 989,273 | 1,418,800 |
| NET INCOME OF MINORITY INTEREST | (41,133) | (23,002) | - | - |
| NET INCOME | 989,273 | 1,418,800 | 989,273 | 1,418,800 |

BASIC EARNINGS PER SHARE

| | | | | | |
|----------------------------------|-------------|------|------|------|------|
| (Restated for 2004, see Note 15) | BAHT | 0.08 | 0.11 | 0.08 | 0.11 |
|----------------------------------|-------------|------|------|------|------|

**WEIGHTED AVERAGE NUMBER
OF ORDINARY SHARES**

| | | | | | |
|----------------------------------|--------------------|------------|------------|------------|------------|
| (Restated for 2004, see Note 15) | '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 SIX-MONTH PERIODS ENDED JUNE 30,
"UNAUDITED"

| | | BAHT : '000 | | | |
|---|--------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | CONSOLIDATED | | THE COMPANY ONLY | |
| | | 2005 | 2004 | 2005 | 2004 |
| REVENUES | | | | | |
| Revenues from the sales of goods | | 19,297,933 | 16,615,269 | 19,297,433 | 16,613,663 |
| Revenues from the rendering of services | | 172,668 | 120,822 | - | - |
| Other income | | 56,186 | 31,587 | 56,100 | 32,339 |
| Share of profit from investment using the equity method | | - | - | 61,727 | 65,066 |
| Total Revenues | | <u>19,526,787</u> | <u>16,767,678</u> | <u>19,415,260</u> | <u>16,711,068</u> |
| EXPENSES | | | | | |
| Cost of the sales of goods (Note 14) | | 16,832,880 | 12,942,700 | 17,012,563 | 13,120,973 |
| Cost of the rendering of services | | 130,926 | 136,928 | - | - |
| Selling and administrative expenses | | 474,258 | 246,104 | 399,365 | 220,345 |
| Doubtful accounts (Reversal) (Note 8) | | (11,021) | (11,021) | - | - |
| Other expenses | | | | | |
| Loss on exchange | | 105,386 | 3,793 | 104,193 | 2,605 |
| Loss on disposal of equipment and obsolescence of machinery and equipment | | 896 | 159,970 | 857 | 159,786 |
| Others | | 567 | 1,560 | 567 | 1,533 |
| Directors' remuneration | | 8,797 | 4,640 | 7,519 | 4,320 |
| Total Expenses | | <u>17,542,689</u> | <u>13,484,674</u> | <u>17,525,064</u> | <u>13,509,562</u> |
| INCOME BEFORE INTEREST AND INCOME TAX EXPENSES | | | | | |
| INTEREST EXPENSE | | 345,117 | 215,962 | 340,376 | 207,172 |
| INCOME TAX EXPENSE | | 42,146 | 15,376 | - | - |
| INCOME AFTER TAX | | <u>1,596,835</u> | <u>3,051,666</u> | <u>1,549,820</u> | <u>2,994,334</u> |
| NET INCOME OF MINORITY INTEREST | | (47,015) | (57,332) | - | - |
| NET INCOME | | <u><u>1,549,820</u></u> | <u><u>2,994,334</u></u> | <u><u>1,549,820</u></u> | <u><u>2,994,334</u></u> |
| BASIC EARNINGS PER SHARE | | | | | |
| (Restated for 2004, see Note 15) | BAHT | 0.12 | 0.23 | 0.12 | 0.23 |
| WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES | | | | | |
| (Restated for 2004, see Note 15) | '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 SIX-MONTH PERIODS ENDED JUNE 30, 2005 AND 2004
"UNAUDITED"

BAHT : '000

| | Issued and Paid-up Ordinary Share Capital | Discount on Ordinary Share Capital | Unrealized Increment per Assets Appraisal | Retained Earnings (Deficit) Appropriated Legal Reserve | Unappropriated | Minority Interest | Total |
|---------------------------------------|--|---|--|---|-----------------------|------------------------------|-------------------|
| Beginning balance, January 1, 2004 | 13,101,280 | (2,171,280) | 5,984,283 | - | (1,145,590) | 641,454 | 16,410,147 |
| Amortization | - | - | (243,168) | - | - | -4,126 | -247,294 |
| Net income | - | - | - | - | 2,994,334 | - | 2,994,334 |
| Minority interest increase (decrease) | - | - | (4,126) | - | - | 57,332 | 53,206 |
| Ending balance, June 30, 2004 | <u>13,101,280</u> | <u>(2,171,280)</u> | <u>5,736,989</u> | <u>-</u> | <u>1,848,744</u> | <u>694,660</u> | <u>19,210,393</u> |
| 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 | - | - | -124,171 | - | - | (4,073) | -128,244 |
| Legal reserve (Note 12) | - | - | - | 47,586 | -47,586 | - | - |
| Dividend paid (Note 13) | - | - | - | - | -655,064 | - | -655,064 |
| Net income | - | - | - | - | 1,549,820 | - | 1,549,820 |
| Minority interest increase (decrease) | - | - | (4,073) | - | - | 47,015 | 42,942 |
| Ending balance, June 30, 2005 | <u>13,101,280</u> | <u>-2,171,280</u> | <u>5,408,357</u> | <u>256,966</u> | <u>3,515,266</u> | <u>785,845</u> | <u>20,896,434</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 SIX-MONTH PERIODS ENDED JUNE 30, 2005 AND 2004

"UNAUDITED"

BAHT : '000

| | Issued and Paid-up Ordinary Share Capital | Discount on Ordinary Share Capital | Unrealized Increment per Assets Appraisal | Retained Earnings (Deficit) Appropriated Legal Reserve | Unappropriated | Total |
|------------------------------------|--|---|--|---|-----------------------|-------------------|
| | | | | | | |
| Beginning balance, January 1, 2004 | 13,101,280 | (2,171,280) | 5,984,283 | - | (1,145,590) | 15,768,693 |
| Amortization | - | - | (247,294) | - | - | -247,294 |
| Net income | - | - | - | - | 2,994,334 | 2,994,334 |
| Ending balance, June 30, 2004 | <u>13,101,280</u> | <u>(2,171,280)</u> | <u>5,736,989</u> | <u>-</u> | <u>1,848,744</u> | <u>18,515,733</u> |
| Beginning balance, January 1, 2005 | 13,101,280 | -2,171,280 | 5,536,601 | 209,380 | 2,668,096 | 19,344,077 |
| Amortization | - | - | -128,244 | - | - | -128,244 |
| Legal reserve (Note 12) | - | - | - | 47,586 | -47,586 | - |
| Dividend paid (Note 13) | - | - | - | - | (655,064) | -655,064 |
| Net income | - | - | - | - | 1,549,820 | 1,549,820 |
| Ending balance, June 30, 2005 | <u>13,101,280</u> | <u>-2,171,280</u> | <u>5,408,357</u> | <u>256,966</u> | <u>3,515,266</u> | <u>20,110,589</u> |

See notes to the interim financial statements

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
"UNAUDITED"

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------|-------------|-------------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income | 1,549,820 | 2,994,334 | 1,549,820 | 2,994,334 |
| Items to reconcile net income to net cash flows from operations | | | | |
| Doubtful accounts (Reversal) | (11,021) | (11,021) | - | - |
| Depreciation | 274,437 | 293,716 | 237,706 | 251,539 |
| Amortization | 233 | - | 191 | - |
| Withholding income tax written off | 567 | - | 567 | - |
| Non-refundable input value-added-tax | 25,606 | - | - | - |
| Provision for diminution in value of finished goods | 168,000 | - | 168,000 | - |
| Provision for diminution in value of spare parts and consumable goods (Reversal) | (2,002) | (4,012) | (2,002) | (4,012) |
| Provision for obsolescence of equipment | - | 77,865 | - | 77,865 |
| Reduction in interest on debt restructuring | (817) | (1,062) | - | - |
| Unrealized loss on exchange rate | 38,252 | 12,546 | 38,252 | 12,546 |
| Gain on sale of machinery and equipment | (1,585) | - | (2,004) | - |
| Loss on disposal of equipment | 919 | 82,105 | 857 | 81,921 |
| Gain on redemption of debentures before maturity | - | (4,751) | - | (4,751) |
| Share of profit from investment using the equity method | - | - | (61,727) | (65,066) |
| Minority interest | 47,015 | 57,332 | - | - |
| Net income from operations before changes in operating assets and liabilities | 2,089,424 | 3,497,052 | 1,929,660 | 3,344,376 |
| Operating assets (increase) decrease | | | | |
| Trade accounts and notes receivable - related parties | (1,271,138) | 197,385 | (1,267,697) | 192,692 |
| Trade accounts and notes receivable - others | (133,581) | 100,730 | (130,574) | 104,796 |
| Inventories | (16,682,415) | 1,117,331 | (16,733,849) | 1,122,294 |
| Short-term loans and advances to related parties | (107) | 33 | (85) | (492) |
| Advance payments | (54,781) | 152,217 | (48,553) | 150,037 |
| Refundable value-added-tax | (689,999) | 29,791 | (691,106) | 28,265 |
| Other receivables | 9,815 | 11,003 | (853) | 9 |
| Prepaid expenses | (62,350) | (17,584) | (60,907) | (15,872) |
| Other current assets - others | (967) | (51,565) | (900) | (53,490) |
| Other non-current assets | 15,818 | 21,721 | (316) | 7,062 |
| Operating liabilities increase (decrease) | | | | |
| Trade accounts and notes payable | 2,328,292 | (1,005,785) | 2,342,260 | (983,675) |
| Accrued expenses | 167,014 | (52,273) | 154,091 | (54,748) |
| Other current liabilities - other | (97,046) | 97,721 | (129,601) | 116,175 |
| Net cash provided by (used in) operating activities | (14,382,021) | 4,097,777 | (14,638,430) | 3,957,429 |

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
"UNAUDITED"

BAHT : '000

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|-----------------------|-------------------------|-------------------------|-------------------------|
| | 2005 | 2004 | 2005 | 2004 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Increase in current investment | (1,000) | (2,483,499) | - | (2,500,994) |
| Cash paid for purchases of property, plant and equipment | (1,287,234) | (1,161,330) | (1,040,831) | (1,005,358) |
| Cash paid for intangible assets | (948) | - | (948) | - |
| Proceeds from sales of machinery and equipment | 1,597 | - | 2,008 | - |
| Proceeds from short-term loans to related parties | 4,000 | - | 4,000 | - |
| Short-term loans and advances to related parties | (2,000) | (4,000) | (2,000) | (4,000) |
| Net cash used in investing activities | <u>(1,285,585)</u> | <u>(3,648,829)</u> | <u>(1,037,771)</u> | <u>(3,510,352)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Short-term loans increase (decrease) | 3,721,000 | (290,000) | 3,721,000 | (290,000) |
| Trade finance loans increase | 12,844,154 | 200,654 | 12,844,154 | 200,654 |
| Cash repayment of long-term loans | (385,402) | (119,226) | (284,000) | - |
| Proceeds from long-term loans | 135,200 | 1,320,000 | - | 1,200,000 |
| Cash repayment for early redemption of debentures | - | (595,249) | - | (595,249) |
| Cash paid for redemption of debentures | (360,000) | - | (360,000) | - |
| Cash repayment of long-term liabilities under hire-purchase agreements | (1,022) | (5,420) | (132) | (5,531) |
| Cash repayment of long-term liabilities for purchase of land | (19,750) | (2,500) | - | - |
| Cash paid for dividend | (655,064) | - | (655,064) | - |
| Net cash provided by financing activities | <u>15,279,116</u> | <u>508,259</u> | <u>15,265,958</u> | <u>509,874</u> |
| Net increase (decrease) in cash and cash equivalents | (388,490) | 957,207 | (410,243) | 956,951 |
| Cash and cash equivalents as at January 1 | <u>602,098</u> | <u>108,399</u> | <u>465,017</u> | <u>47,049</u> |
| Cash and cash equivalents as at June 30 | <u><u>213,608</u></u> | <u><u>1,065,606</u></u> | <u><u>54,774</u></u> | <u><u>1,004,000</u></u> |
| Supplemental cash flow information: | | | | |
| Cash paid for interest | 407,159 | 246,397 | 394,006 | 234,135 |
| Non-cash transactions: | | | | |
| Transfer of long-term loans to current portion | 812,000 | 495,637 | 608,000 | 284,000 |
| Transfer of debentures to current portion | 720,000 | 360,000 | 720,000 | 360,000 |
| Amortization of unrealized increment per asset appraisal | 128,244 | 251,419 | 124,004 | 243,000 |
| 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 SIX-MONTH PERIODS ENDED JUNE 30, 2005 AND 2004
“UNAUDITED”

1. BUSINESS OPERATIONS OF THE COMPANY AND SUBSIDIARIES

Since 2002, the Government has 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 item 1 above.

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

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

- 2.1 The interim consolidated and Company's financial statements are presented in accordance with the Notification of the Department of Commercial Registration (Currently the Department of Business Development) dated September 14, 2001 regarding "The Brief Particulars in the Financial Statements B.E. 2544".

The Company prepares its interim financial statements in conformity with accounting standard which is related to interim financial statements and practices generally accepted in Thailand.

- 2.2 The results of operations for the six-month period ended June 30, 2005 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, 2004, 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, 2004.
- 2.5 The consolidated financial statements include the accounts of the Company, Prachuap Port Company Limited and West Coast Engineering Company Limited of which the Company has a holding of 51% and 99.99%, respectively, after eliminating inter-company transactions and balances.
- 2.6 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 Additional information regarding related party transactions have been disclosed in Note 17 to the interim financial statements for the quarter and six-month period ended June 30, 2005, and such additional information has also been disclosed in the interim financial statements for the quarter and six-month period ended June 30, 2004 to conform to the disclosure in the current period's interim financial statements.

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 2004.

4. CURRENT INVESTMENTS

Current investments consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--------------------------|---|----------------------------------|---|----------------------------------|
| | “Unaudited” June 30, 2005 Baht’000 | December 31, 2004 Baht’000 | “Unaudited” June 30, 2005 Baht’000 | December 31, 2004 Baht’000 |
| Fixed deposit for 1 year | 1,000 | - | - | - |
| | <u>1,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |

5. INVENTORIES

Inventories consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|-------------------|-------------------|-------------------|-------------------|
| | “Unaudited” | | “Unaudited” | |
| | June 30, | December 31, | June 30, | December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Finished goods | 4,529,693 | 4,033,778 | 4,552,265 | 4,050,161 |
| Raw materials | 17,411,528 | 3,940,163 | 17,471,682 | 3,952,960 |
| Spare parts and consumable goods | 1,178,090 | 1,018,596 | 1,166,115 | 1,008,733 |
| Goods in transit | 5,649,369 | 3,093,728 | 5,649,369 | 3,093,728 |
| | <u>28,768,680</u> | <u>12,086,265</u> | <u>28,839,431</u> | <u>12,105,582</u> |
| <u>Less</u> Provision for diminution in value of finished goods | (168,000) | - | (168,000) | - |
| Provision for diminution in value of spare parts and consumable goods | (257,517) | (259,519) | (257,517) | (259,519) |
| | <u>28,343,163</u> | <u>11,826,746</u> | <u>28,413,914</u> | <u>11,846,063</u> |

As at June 30, 2005 and December 31, 2004, all finished goods and raw materials are pledged as collateral for short-term and long-term loans from banks (see Notes 9 and 10).

6. PROPERTY, PLANT AND EQUIPMENT - NET

- 6.1 As at June 30, 2005 and December 31, 2004, certain land, buildings and machinery of the Company representing approximately 87.49% and 82.56%, respectively of the total net book value of such assets are mortgaged as collateral for bank overdrafts, loans from banks, long-term loans and debentures (see Notes 9, 10 and 11).

As at June 30, 2005 and December 31, 2004, certain land and expanding berth construction of Prachuap Port Company Limited, the subsidiary, with value representing approximately 88% of the total net book value of such assets are mortgaged as collateral for long-term loans (see Note 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 carried out.

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

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

As at June 30, 2005 and December 31, 2004, the Company, subsidiary and related company have recorded unrealized appraisal increment for assets and recognized unrealized increment per assets appraisal in the shareholders' equity as follows:

| CONSOLIDATED AND THE COMPANY ONLY | | | | | |
|---|--------------|----------------|------------------|-------------------------|------------------|
| "Unaudited" | | | | | |
| June 30, 2005 | | | | | |
| | Land | Building | Machinery | Berth and Facilities | Total |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Unrealized increment per assets appraisal of : | | | | | |
| The Company | 3,902 | 189,304 | 4,508,516 | 7,778 | 4,709,500 |
| The subsidiary | 1,706 | 580 | - | 134,950 | 137,236 |
| The related company | - | - | 561,621 | - | 561,621 |
| | <u>5,608</u> | <u>189,884</u> | <u>5,070,137</u> | <u>142,728</u> | <u>5,408,357</u> |

| CONSOLIDATED AND THE COMPANY ONLY | | | | | |
|---|--------------|----------------|------------------|-------------------------|------------------|
| December 31, 2004 | | | | | |
| | Land | Building | Machinery | Berth and Facilities | Total |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Unrealized increment per assets appraisal of : | | | | | |
| The Company | 3,902 | 199,493 | 4,621,270 | 8,839 | 4,833,504 |
| The subsidiary | 1,706 | 855 | - | 138,915 | 141,476 |
| The related company | - | - | 561,621 | - | 561,621 |
| | <u>5,608</u> | <u>200,348</u> | <u>5,182,891</u> | <u>147,754</u> | <u>5,536,601</u> |

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

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|--------------|--------------|------------------|--------------|
| | "Unaudited" | | "Unaudited" | |
| | June 30, | December 31, | June 30, | December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Cost of assets (excluded appraisal increase) before fully depreciated | 412,597 | 418,104 | 311,590 | 329,887 |
| | | | | .../5 |

- 6.4 The Company may 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. Currently, the case is pending in the Supreme Court.
- 6.5 As at June 30, 2005 and December 31, 2004, the Company and subsidiary capitalized interest expenses incurred from loans for the construction of projects as part of cost of assets in the amount of Baht 94.0 million and Baht 52.7 million, respectively.
- 6.6 As at June 30, 2004, the Company had obsolete equipment with net book value of Baht 78 million and the incremental value from appraisal of Baht 52 million which the Company disposed in 2004. The Company fully provided an allowance for obsolescence of such equipment in the quarter ended June 30, 2004.

7. INTANGIBLE ASSETS - NET

Intangible assets - net are as follows:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--------------------------------------|------------------|----------------------|------------------|----------------------|
| | "Unaudited" | | "Unaudited" | |
| | June 30, 2005 | December 31, 2004 | June 30, 2005 | December 31, 2004 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Computer Software | 3,999 | - | 3,142 | - |
| <u>Add</u> Purchases during the year | 948 | 3,999 | 948 | 3,142 |
| <u>Less</u> Accumulated amortization | (312) | (79) | (237) | (46) |
| | <u>4,635</u> | <u>3,920</u> | <u>3,853</u> | <u>3,096</u> |
| Amortization for the period/year | <u>233</u> | <u>79</u> | <u>191</u> | <u>46</u> |

8. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|--|------------------|----------------------|------------------|----------------------|
| | "Unaudited" | | "Unaudited" | |
| | June 30, 2005 | December 31, 2004 | June 30, 2005 | December 31, 2004 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Deposits | 20,585 | 37,113 | 6,258 | 5,942 |
| Receivable from cancellation of shipbuilding contract | <u>66,566</u> | <u>77,587</u> | <u>-</u> | <u>-</u> |
| | 87,151 | 114,700 | 6,258 | 5,942 |
| <u>Less</u> Allowance for doubtful account - Receivable from cancellation of shipbuilding contract | <u>(66,566)</u> | <u>(77,587)</u> | <u>-</u> | <u>-</u> |
| | <u>20,585</u> | <u>37,113</u> | <u>6,258</u> | <u>5,942</u> |

Receivable from cancellation of shipbuilding contract represented the transaction of Prachuap Port Company Limited which cancelled the shipbuilding contract with the supplier 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 June 30, 2005, the subsidiary received total repayment of USD 2.3 million or Baht 101.39 million. However, the subsidiary has provided for the allowance for doubtful debt for the remaining amount as at June 30, 2005 and December 31, 2004, due to the uncertainty of the recoverability.

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

As at June 30, 2005 and December 31, 2004, the Company has short-term trade financing facilities from financial institutions according to the loan agreement dated September 15, 2003 with a total maximum credit limit of Baht 17,000 million (see Note 10). The trade financing facilities include bank overdraft, letters of credit, trust receipts, promissory notes, bills discounted, packing credits and banks' letters of guarantee.

Such short-term loans are secured by the mortgage of land, buildings and machinery (see Note 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 June 30, 2005 and December 31, 2004, the Company has unused credit facilities of Baht 555 million and Baht 6,218 million, respectively, from the revolving trade financing facilities. Commission and withdrawal terms are in accordance with the long-term loan agreement.

As at June 30, 2005, West Coast Engineering Co.,Ltd, a subsidiary, has credit lines from banks for overdrafts and other credit facilities totalling Baht 5 million. Such credit lines are secured by the mortgage of land and are guaranteed by the Company. (see Note 20.6)

10. LONG-TERM LOANS

Long-term loans consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|--------------|--------------|------------------|--------------|
| | “Unaudited” | | “Unaudited” | |
| | June 30, | December 31, | June 30, | December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| Loan repayable semi-annually from March 2005 onwards | 5,516,000 | 5,600,000 | 5,516,000 | 5,600,000 |
| Loan repayable semi-annually from June 2005 onwards | 800,000 | 1,000,000 | 800,000 | 1,000,000 |
| Loan repayable semi-annually from September 2005 onwards | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Loan repayable monthly from April 2002 - May 2003 and semi-annually from June 2003 onwards | 206,716 | 308,118 | - | - |
| Loan repayable monthly from July 2005 onwards | 457,200 | 347,000 | - | - |
| Loan repayable in 2 installments from December 2007 onwards | 25,000 | - | - | - |
| | 8,004,916 | 8,255,118 | 7,316,000 | 7,600,000 |
| <u>Less</u> Current portion | (812,000) | (805,253) | (608,000) | (588,000) |
| | 7,192,916 | 7,449,865 | 6,708,000 | 7,012,000 |
| <u>Add</u> Difference of interest per effective interest rate and interest per debt restructuring agreement | 3,148 | 3,965 | - | - |
| | 7,196,064 | 7,453,830 | 6,708,000 | 7,012,000 |

.../7

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

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

- 1.1 Long-term loans amounting to Baht 8,000 million with the lending banks which consist of convertible debentures of Baht 2,400 million, that were all converted into ordinary shares in December 2003, and long-term loan of Baht 5,600 million with 10-year maturity, interest rates at an average MLR less 1.5% per annum from the agreement date to the third year, at an average MLR less 1% per annum from the third year to the fifth year and at an average MLR less 0.5% per annum from the fifth year onwards, such interest rates must not be less than interest rate of secured debentures (see Note 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.

- 1.2 Short-term loan for trade financing with maximum credit of Baht 17,000 million with the existing lenders and other financial institutions (see Note 9).
2. On December 29, 2003, the Company and the existing lenders have entered into the credit facility agreement for additional long-term loans of Baht 2,000 million with 3.5-year maturity and fixed interest rate at 3.75% per annum. The interest is payable semi-annually and principal repayment is payable in an equal amount semi-annually starting from June 2005. As at June 30, 2005 and December 31, 2004, the Company has already made a withdrawal of Baht 1,000 million.
 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 June 30, 2005 and December 31, 2004, the Company has already made a withdrawal in full of Baht 1,000 million.

Such loans per items 1 and 2 above are secured by the mortgage of land, buildings, machinery and the assignment of insurance proceeds to the lenders including the pledge of raw materials and finished products owned by the Company (see Notes 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 from the eighth year.
 - 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 complied with the terms of debt restructuring agreement and made payments in full for the two portions of long-term loan. Such loan was guaranteed by certain directors and the mortgage of land as collateral (see Note 6.1).

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

5. On September 5, 2003, such subsidiary entered into the new long-term loan agreement with a commercial bank totaling Baht 650 million with 6-year maturity, and bearing interest rate at 3 month fixed deposit rate of the bank plus 3%, 3.5%, 4% per annum for the first two years, the third year, and the fourth year onward, respectively. Interest is payable monthly and the grace period for principal is one and a half years, which was ended in February 2005. The first installment payment will be due on the last working day of March 2005 and the following installment payment will be payable at the end of each month. Such long-term loan is secured by the mortgage of land and building and expanding berth construction (see Note 6.1).

Subsequently on June 7, 2005, the Company entered into an amendment of the above long-term loan agreement to change the grace period for 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 will be made on the last working day of July 2005.

As at June 30, 2005 and December 31, 2004, such subsidiary has already made a withdrawal of Baht 457 million and Baht 347 million, respectively.

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

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. The interest is payable monthly. Such long-term loan is secured by the mortgage of certain land and construction and is guaranteed by the Company. As at June 30, 2005, such subsidiary has already made a withdrawal of Baht 25 million. (see Note 20.6)

11. DEBENTURES

Debentures consist of the following:

| | CONSOLIDATED | | THE COMPANY ONLY | |
|-----------------------------|-------------------|----------------------|------------------|----------------------|
| | “Unaudited” | | “Unaudited” | |
| | June 30,, 2005 | December 31, 2004 | June 30, 2005 | December 31, 2004 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Debentures | 2,890,000 | 3,250,000 | 2,890,000 | 3,250,000 |
| <u>Less</u> Current portion | <u>(720,000)</u> | <u>(720,000)</u> | <u>(720,000)</u> | <u>(720,000)</u> |
| | <u>2,170,000</u> | <u>2,530,000</u> | <u>2,170,000</u> | <u>2,530,000</u> |

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

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

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

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

Subsequently on April 23, 2004, the Company redeemed certain portion of such secured debentures of 600,000 units with total face value of Baht 600 million in the amount of Baht 595 million and on August 23, 2004, the Company redeemed the remaining portion of such secured debentures of 150,000 units with total face value of Baht 150 million in the amount of Baht 149 million. Therefore, secured debentures No. 2 has no outstanding balance as at June 30, 2005 and December 31, 2004.

The debentures are secured by the mortgage of land, buildings, and machinery at current production capacity (see Note 6.1) and machinery, which will be acquired for production capacity expansion project. The proceeds from these debentures were used to repay a portion of long-term loans under restructuring debt agreement and/or investing in the Expansion Project.

12. 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. Such reserve is not available for dividend distribution.

13. 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 shareholders at Baht 0.05 per share totalling Baht 655,064,000. The Company paid such dividend on May 4, 2005.

14. COST OF THE SALES OF GOODS

For the six-month period ended June 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.

15. BASIC EARNINGS PER SHARE

On November 18, 2004, the Extraordinary Shareholders' Meeting No.1/2547 approved the change in par value of ordinary share from Baht 10 each to Baht 1 each, resulting in the increase in the number of ordinary shares from 1,310,150,000 shares to 13,101,500,000 shares. The Company registered the change of par value of the ordinary shares with the Department of Business Development on November 23, 2004.

Basic earnings per share for the quarter and six-month period ended June 30, 2004 were calculated based on the par value at Baht 1 each for comparison with the calculation used for the quarter and six-month period ended June 30, 2005.

The basic earnings per share for the quarters ended June 30, 2005 and 2004 are calculated as follows:

| | | CONSOLIDATED AND THE COMPANY ONLY | |
|---|----------------------|--|-------------|
| | | "Unaudited" | |
| | | 2005 | 2004 |
| Net income | Baht'000 | 989,273 | 1,418,800 |
| Weighted average number of ordinary shares (formerly reported) | Shares ('000) | - | 1,310,128 |
| Weighted average number of ordinary shares (restated for 2004) | Shares ('000) | 3,101,280 | 13,101,280 |
| Basic earnings per share (formerly reported) | Baht | - | 1.08 |
| Basic earnings per share (restated for 2004) | Baht | 0.08 | 0.11 |

The basic earnings per share for the six-month periods ended June 30, 2005 and 2004 are calculated as follows:

| | | CONSOLIDATED AND THE COMPANY ONLY | |
|---|----------------------|--|-------------|
| | | “Unaudited” | |
| | | 2005 | 2004 |
| Net income | Baht’000 | 1,549,820 | 2,994,334 |
| Weighted average number of ordinary shares (formerly reported) | Shares (’000) | - | 1,310,128 |
| Weighted average number of ordinary shares (restated for 2004) | Shares (’000) | 3,101,280 | 13,101,280 |
| Basic earnings per share (formerly reported) | Baht | - | 2.29 |
| Basic earnings per share (restated for 2004) | Baht | 0.12 | 0.23 |

16. FOREIGN EXCHANGE RISK MANAGEMENT

As at June 30, 2005 and December 31, 2004, assets and liabilities in foreign currencies consist of the following:

| | | CONSOLIDATED AND THE COMPANY ONLY | |
|-------------------------|--|--|------------------------------|
| | | “Unaudited” | |
| | | June 30, 2005 | December 31, 2004 |
| Assets - US Dollar | | 29,033,983 | 29,267,425 |
| Liabilities - US Dollar | | 127,193,390 | 68,588,553 |
| - Italian Lira | | 51,770,995 | 51,770,995 |
| - Yen | | 37,600 | 5,209,600 |
| - Euro | | 14,630,265 | 13,315,032 |
| - Pound Sterling | | 187 | 4,038 |
| - Singapore Dollar | | 224,866 | - |

As at June 30, 2005, the Company did not enter into any hedging contracts to cover assets which are due for receipt in 2005 but entered into hedging contracts for existing and committed liabilities of USD 10.4 million and EUR 8.3 million which are due for payment in 2005.

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

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 details as follows:

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

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

17.1 Investments in subsidiary, associated, and related parties

| | | "Unaudited" | | | | | | |
|---|--|----------------------|----------------------------|-------------------|------------------|----------------|------------------|-----------------|
| | | June 30, 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 | 115,707 | - | - |
| Prachuap Port Company Limited | Deep - sea port services | Shareholder | 400,000 | 51.00 | 204,000 | 817,921 | - | - |
| | | | | | <u>279,000</u> | <u>933,628</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> |

| | | | | | December 31, 2004 | | | |
|---|--|--------------|----------------------------|-------------------|-------------------|----------|--------------|-----------------|
| | 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 | 102,914 | - | - |
| Prachuap Port Company Limited | Deep - sea port services | Shareholder | 400,000 | 51.00 | 204,000 | 773,226 | - | - |
| | | | | | 279,000 | 876,140 | - | - |
| Related companies | | | | | | | | |
| Thai Coated Steel Sheet Company Limited | Producer of electro - galvanized coils | Shareholder | 2,206,900 | 3.70 | 293,999 | - | 293,999 | - |
| Thai Cold Rolled Steel Sheet Public Company Limited | Producer of cold rolled coils | Shareholder | 10,703,000 | 8.77 | 938,125 | - | 938,125 | - |
| | | | | | 1,232,124 | - | 1,232,124 | - |
| <u>Less</u> Allowance for impairment | | | | | (670,503) | - | (670,503) | - |
| | | | | | 561,621 | - | 561,621 | - |

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

| | Balance as at December 31, 2004 | Additions | Repayments/Settlements | "Unaudited" Balance as at June 30, 2005 |
|-------------------------|---------------------------------|-----------|------------------------|---|
| | Baht'000 | Baht'000 | Baht'000 | Baht'000 |
| CONSOLIDATED | | | | |
| Short-term loan | | | | |
| Related parties | 5,000 | 2,000 | 4,000 | 3,000 |
| Advances | | | | |
| Related parties | 106 | 4,490 | 4,383 | 213 |
| Total | 5,106 | 6,490 | 8,383 | 3,213 |
| THE COMPANY ONLY | | | | |
| Short-term loan | | | | |
| Related parties | 5,000 | 2,000 | 4,000 | 3,000 |
| Advances | | | | |
| Subsidiary company | 32 | 1,382 | 1,404 | 10 |
| Related parties | 106 | 4,490 | 4,383 | 213 |
| | 138 | 5,872 | 5,787 | 223 |
| Total | 5,138 | 7,872 | 9,787 | 3,223 |

17.3 Other transactions

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

| | CONSOLIDATED “Unaudited” | | THE COMPANY ONLY “Unaudited” | |
|---|------------------------------|----------------------------------|---------------------------------|----------------------------------|
| | June 30, 2005 Baht’000 | December 31, 2004 Baht’000 | June 30, 2005 Baht’000 | December 31, 2004 Baht’000 |
| Accounts and notes receivable - net | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 806,446 | 349,368 | 781,888 | 324,122 |
| B.S. Metal Co., Ltd. | 1,363,186 | 313,358 | 1,363,010 | 313,358 |
| Sahaviriya Panich International Co., Ltd. | 533,055 | 331,436 | 533,055 | 331,436 |
| Bangpakong Metal Co., Ltd. | - | 441,340 | - | 441,340 |
| Bangsaphan Barmill Pcl. | 11,407 | - | - | - |
| Other related parties | 2,511 | 9,966 | - | - |
| | <u>2,716,605</u> | <u>1,445,468</u> | <u>2,677,953</u> | <u>1,410,256</u> |
| Advance payment | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 145 | 1,192 |
| Other receivables | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 434 | 424 |
| Related party | | | | |
| Other related parties | 127 | 157 | - | - |
| | <u>127</u> | <u>157</u> | <u>434</u> | <u>424</u> |
| Other current assets - others | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 394 | 335 |
| Related parties | | | | |
| Thai Coated Steel Sheet Co., Ltd. | 6,379 | 10,436 | 6,379 | 10,436 |
| Bangsaphan Barmill Pcl. | 6,708 | 7,012 | 6,708 | 7,012 |
| Other related parties | 1,442 | 1,662 | 561 | 941 |
| | <u>14,529</u> | <u>19,110</u> | <u>13,648</u> | <u>18,389</u> |
| | <u>14,529</u> | <u>19,110</u> | <u>14,042</u> | <u>18,724</u> |
| Other assets | | | | |
| Related party | | | | |
| Prapawit Co., Ltd. | 4,943 | 4,840 | 3,591 | 3,591 |

| | CONSOLIDATED | | THE COMPANY ONLY | |
|----------------------------------|--------------|--------------|------------------|--------------|
| | “Unaudited” | | “Unaudited” | |
| | June 30, | December 31, | June 30, | December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Trade accounts payable | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 30,654 | 25,573 |
| Prachuap Port Co., Ltd. | - | - | 10,760 | 1,949 |
| | - | - | 41,414 | 27,522 |
| Related parties | | | | |
| Bangsaphan Transport Co., Ltd. | 28,429 | 15,766 | 28,399 | 15,766 |
| Four Star Marine Co., Ltd. | 2,073 | 4,252 | 2,073 | 4,252 |
| Other related parties | 3,761 | 1,025 | 3,761 | 1,025 |
| | 34,263 | 21,043 | 34,233 | 21,043 |
| | 34,263 | 21,043 | 75,647 | 48,565 |
| Other accounts payable | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 16,171 | 4,456 |
| Related parties | | | | |
| Other related parties | 597 | 353 | 519 | 294 |
| | 597 | 353 | 16,690 | 4,750 |
| Accrued expenses | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 10,148 | 14,023 |
| Prachuap Port Co., Ltd. | - | - | 50,906 | 49,640 |
| | - | - | 61,054 | 63,663 |
| Related parties | | | | |
| Bangsaphan Transport Co., Ltd. | 20,187 | 31,658 | 20,187 | 31,629 |
| Four Star Marine Co., Ltd. | 3,747 | 1,313 | 3,747 | 1,313 |
| Other related parties | 1,328 | 378 | 1,328 | 378 |
| | 25,262 | 33,349 | 25,262 | 33,320 |
| | 25,262 | 33,349 | 86,316 | 96,983 |

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

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------------------|-----------|------------------|-----------|
| | “Unaudited” | | | |
| | For the quarters ended June 30, | | | |
| | 2005 | 2004 | 2005 | 2004 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Sales | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 1,849,386 | 1,936,420 | 1,849,386 | 1,936,410 |
| B.S. Metal Co., Ltd. | 1,425,697 | 785,487 | 1,425,539 | 785,470 |
| Sahaviriya Panich International Co., Ltd. | 1,032,999 | 467,608 | 1,032,999 | 467,608 |
| Bangpakong Metal Co., Ltd. | 4,941 | 902,361 | 4,941 | 902,361 |
| Other related parties | 29 | 228 | - | - |
| | 4,313,052 | 4,092,104 | 4,312,865 | 4,091,849 |

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|---------------------------------|----------------|------------------|----------------|
| | “Unaudited” | | | |
| | For the quarters ended June 30, | | | |
| | 2005 | 2004 | 2005 | 2004 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Service income | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 21,886 | 17,391 | - | - |
| Bangsaphan Barmill Pcl. | 7,764 | 10,620 | - | - |
| Bangsaphan Transport Co., Ltd. | 1,016 | 2,540 | - | - |
| Other related parties | 719 | 1,629 | - | - |
| | <u>31,385</u> | <u>32,180</u> | <u>-</u> | <u>-</u> |
| Other income | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 123 | 118 |
| Related party | | | | |
| Other related parties | 82 | 111 | 32 | 56 |
| | <u>82</u> | <u>111</u> | <u>155</u> | <u>174</u> |
| Purchases of goods and services | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 42,429 | 63,792 |
| Prachuap Port Co., Ltd. | - | - | 66,748 | 29,910 |
| | <u>-</u> | <u>-</u> | <u>109,177</u> | <u>93,702</u> |
| Related parties | | | | |
| Sahaviriya Plate Mill Co., Ltd. | - | 656,271 | - | 656,271 |
| Bangsaphan Transport Co., Ltd. | 39,799 | 14,286 | 39,819 | 14,235 |
| Four Star Marine Co., Ltd. | 22,304 | 9,884 | 22,304 | 9,884 |
| Other related parties | 1,694 | 1,047 | 1,647 | 1,047 |
| | <u>63,797</u> | <u>681,488</u> | <u>63,770</u> | <u>681,437</u> |
| | <u>63,797</u> | <u>681,488</u> | <u>172,947</u> | <u>775,139</u> |
| Selling and administrative expenses | | | | |
| Subsidiary company | | | | |
| Prachuap Port Co., Ltd. | - | - | 4,664 | 5,339 |
| Related parties | | | | |
| Bangsaphan Transport Co., Ltd. | 62,132 | 41,965 | 61,927 | 41,815 |
| Prapawit Co., Ltd. | 4,010 | 3,054 | 3,196 | 2,300 |
| Four Star Marine Co., Ltd. | 3,485 | 1,642 | 3,485 | 1,642 |
| Sahaviriya Panich International Co., Ltd. | 14,056 | 2,347 | 14,056 | 2,347 |
| Other related parties | 566 | 930 | 543 | 901 |
| | <u>84,249</u> | <u>49,938</u> | <u>83,207</u> | <u>49,005</u> |
| | <u>84,249</u> | <u>49,938</u> | <u>87,871</u> | <u>54,344</u> |

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|--|------------------|------------------|------------------|
| | “Unaudited” | | | |
| | For the six-month periods ended June 30, | | | |
| | 2005 | 2004 | 2005 | 2004 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Sales | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 2,375,300 | 3,194,698 | 2,375,293 | 3,194,679 |
| B.S. Metal Co., Ltd. | 1,782,304 | 1,116,087 | 1,782,114 | 1,115,967 |
| Sahaviriya Panich International Co., Ltd. | 2,152,208 | 1,158,353 | 2,152,208 | 1,158,353 |
| Bangpakong Metal Co., Ltd. | 545,921 | 1,514,169 | 545,921 | 1,514,169 |
| Sahaviriya Steel Center Co., Ltd. | - | 409,073 | - | 409,073 |
| Sahaviriya Steel Service Co., Ltd. | - | 464,247 | - | 464,247 |
| Sahaviriya Panich Co., Ltd. | - | 368,142 | - | 368,142 |
| Other related parties | 42 | 260 | - | - |
| | <u>6,855,775</u> | <u>8,225,029</u> | <u>6,855,536</u> | <u>8,224,630</u> |
| Service income | | | | |
| Related parties | | | | |
| Thai Cold Rolled Steel Sheet Pcl. | 42,291 | 38,178 | - | - |
| Bangsaphan Barmill Pcl. | 19,092 | 15,263 | - | - |
| Bangsaphan Transport Co., Ltd. | 2,053 | 7,189 | - | - |
| Other related parties | 1,449 | 3,067 | - | - |
| | <u>64,885</u> | <u>63,697</u> | <u>-</u> | <u>-</u> |
| Other income | | | | |
| Subsidiary company | | | | |
| West Coast Engineering Co., Ltd. | - | - | 340 | 239 |
| Related parties | | | | |
| Other related parties | 177 | 1,274 | 91 | 1,133 |
| | <u>177</u> | <u>1,274</u> | <u>431</u> | <u>1,372</u> |
| Purchases of goods and services | | | | |
| Subsidiary companies | | | | |
| West Coast Engineering Co., Ltd. | - | - | 114,248 | 116,940 |
| Prachuap Port Co., Ltd. | - | - | 127,888 | 61,169 |
| | <u>-</u> | <u>-</u> | <u>242,136</u> | <u>178,109</u> |
| Related parties | | | | |
| Sahaviriya Plate Mill Co., Ltd. | - | 656,271 | - | 656,271 |
| Bangsaphan Transport Co., Ltd. | 61,436 | 32,448 | 61,389 | 32,377 |
| Four Star Marine Co., Ltd. | 43,271 | 20,206 | 43,271 | 20,206 |
| Other related parties | 3,309 | 3,293 | 3,309 | 3,293 |
| | <u>108,016</u> | <u>712,218</u> | <u>107,969</u> | <u>712,147</u> |
| | 108,016 | 712,218 | 350,105 | 890,256 |

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|--|----------------|------------------|----------------|
| | “Unaudited” | | | |
| | For the six-month periods ended June 30, | | | |
| | 2005 | 2004 | 2005 | 2004 |
| | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Selling and administrative expenses | | | | |
| Subsidiary company | | | | |
| Prachuap Port Co., Ltd. | - | - | 8,068 | 12,003 |
| Related parties | | | | |
| Bangsaphan Transport Co., Ltd. | 112,323 | 95,242 | 111,286 | 94,943 |
| Prapawit Co., Ltd. | 7,314 | 6,088 | 5,732 | 4,584 |
| Four Star Marine Co., Ltd. | 4,572 | 2,104 | 4,572 | 2,104 |
| Sahaviriya Panich International Co., Ltd. | 14,056 | 2,347 | 14,056 | 2,347 |
| Other related parties | 1,118 | 2,002 | 1,093 | 1,890 |
| | <u>139,383</u> | <u>107,783</u> | <u>136,739</u> | <u>105,868</u> |
| | 139,383 | 107,783 | 144,807 | 117,871 |

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

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

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

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

Prachuap Port Company Limited charges for port services rendered to the Company, related parties and third parties at the rates as determined by the Ministry of Transportation and subject to service volumes and related marketing factors.

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

18. ADDITIONAL DISCLOSURE FOR QUALITY OF ASSETS

As at June 30, 2005, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivable aging:

| | “Unaudited” | | “Unaudited” | |
|--|---------------------|-----------------|-------------------------|-----------------|
| | CONSOLIDATED | | THE COMPANY ONLY | |
| | Number of | Amount | Number of | Amount |
| | Accounts | Baht’000 | accounts | Baht’000 |
| Over 12 months | 4 | 283,809 | 4 | 283,809 |
| Total | | 283,809 | | 283,809 |
| Allowance for doubtful accounts recorded | | 283,809 | | 283,809 |

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

| | “Unaudited” | | “Unaudited” | |
|--|---------------------|-----------------|-------------------------|-----------------|
| | CONSOLIDATED | | THE COMPANY ONLY | |
| | Number of | Amount | Number of | Amount |
| | Accounts | Baht’000 | accounts | Baht’000 |
| Over 12 months | 5 | 393,888 | 5 | 393,888 |
| Total | | 393,888 | | 393,888 |
| Allowance for doubtful accounts recorded | | 393,888 | | 393,888 |

19. BUSINESS SEGMENT INFORMATION

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

| | | Types of business | Revenues and other income | | Net income | | Assets employed | |
|--|----------------------------------|----------------------|--------------------------------|-----------|------------|-------------|-----------------|--------------|
| | | | “Unaudited” | | | | “Unaudited” | |
| | | | For the quarter ended June 30, | | | | June 30, | December 31, |
| | | | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | | | Baht’000 | Baht’000 | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Sahaviriya Steel Industries Public Company Limited | Manufacturer of hot rolled coils | 11,702,252 | 7,593,319 | 989,273 | 1,418,800 | 54,106,802 | 35,022,186 | |
| West Coast Engineering Company Limited | Maintenance Services | 68,884 | 90,065 | 11,858 | 6,799 | 241,437 | 175,786 | |
| Prachuap Port Company Limited | Deep-sea port services | 136,682 | 92,071 | 100,750 | 45,097 | 2,546,601 | 2,356,285 | |
| | | 11,907,818 | 7,775,455 | 1,101,881 | 1,470,696 | 56,894,840 | 37,554,257 | |
| Less Inter-company transactions | | (165,648) | (149,093) | (71,475) | (28,894) | (1,169,591) | (1,028,527) | |
| | | 11,742,170 | 7,626,362 | 1,030,406 | 1,441,802 | | | |
| Less Minority interest in net income | | | | (41,133) | (23,002) | | | |
| Net income | | | | 989,273 | 1,418,800 | | | |
| Total assets | | | | | | 55,725,249 | 36,525,730 | |

| | Types of business | Revenues and other income | | Net income | | Assets employed | |
|--|----------------------------------|---|-------------------|------------------|------------------|-----------------|--------------|
| | | “Unaudited” | | | | “Unaudited” | |
| | | For the six-month period ended June 30, | | | | June 30, | December 31, |
| | | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | | Baht’000 | Baht’000 | Baht’000 | Baht’000 | Baht’000 | Baht’000 |
| Sahaviriya Steel Industries Public Company Limited | Manufacturer of hot rolled coils | 19,415,260 | 16,711,068 | 1,549,820 | 2,994,334 | 54,106,802 | 35,022,186 |
| West Coast Engineering Company Limited | Maintenance Services | 200,607 | 160,362 | 30,986 | 8,271 | 241,437 | 175,786 |
| Prachuap Port Company Limited | Deep-sea port services | 266,145 | 185,929 | 138,424 | 108,445 | 2,546,601 | 2,356,285 |
| | | 19,882,012 | 17,057,359 | 1,719,230 | 3,111,050 | 56,894,840 | 37,554,257 |
| Less Inter-company transactions | | (355,225) | (289,681) | (122,395) | (59,384) | (1,169,591) | (1,028,527) |
| | | <u>19,526,787</u> | <u>16,767,678</u> | 1,596,835 | 3,051,666 | | |
| Less Minority interest in net income | | | | (47,015) | (57,332) | | |
| Net income | | | | <u>1,549,820</u> | <u>2,994,334</u> | | |
| Total assets | | | | | | 55,725,249 | 36,525,730 |

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 470.68 million, USD 5.28 million, EUR 3.46 million and POUND 0.01 million as at June 30, 2005 and Baht 412.74 million, USD 24.61 million, EUR 5.13 million and POUND 0.06 million as at December 31, 2004.

The Company has commitments to banks regarding the outstanding letters of credit amounting to approximately USD 28.55 million and EUR 4.71 million as at June 30, 2005 and USD 88.16 million and EUR 10.30 million as at December 31, 2004.

The two subsidiaries have capital commitments regarding capital expenditure and construction contracts and other commitments amounting to approximately Baht 167.82 million and Baht 288.03 million as at June 30, 2005 and December 31, 2004, respectively.

- 20.2 The Company and subsidiaries have letters of guarantee issued by banks on their behalf amounting to approximately Baht 368.58 million and Baht 353.59 million as at June 30, 2005 and December 31, 2004, 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 has no legal power to administer the collection of water usage fee and has no right to file the lawsuit to the court. Currently, the lawsuit is pending in the Prachuapkirikan Provincial Court.

.../22

- 20.4 The Company was sued by the Forestry Department in a civil case regarding the project of constructing road to the berth in the amount of approximately Baht 4.9 million, which the case is pending in the Court.
- 20.5 On March 23, 2004 and March 30, 2004, the Company was the co-defendant in two civil cases involving the total claims of Baht 126 million as a result of incorrect issuing of bills of lading by forwarding agents. The cases are pending in the Civil Court.
- 20.6 As at June 30, 2005, a subsidiary has credit lines from bank for overdrafts and other credit facilities of Baht 5 million and has long-term loan agreement of Baht 45 million which are guaranteed by the Company. (see Notes 9 and 10)

21. APPROVAL OF THE INTERIM INANCIAL STATEMENTS

These interim financial statements have been approved for issue by the Board of Executive Directors of the Company on August 1, 2005.