

Thai Carbon Black Public Company Limited  
and its subsidiaries  
Report and consolidated interim financial statements  
For the three-month and six-month period ended  
30 June 2010

## **Review Report of Independent Auditor**

To the Shareholders of Thai Carbon Black Public Company Limited

I have reviewed the accompanying consolidated balance sheet of Thai Carbon Black Public Company Limited and its subsidiaries as at 30 June 2010, the related consolidated statements of income for three-month and six-month periods ended 30 June 2010 and 2009, changes in shareholders' equity and cash flows for the six-month periods ended 30 June 2010 and 2009, and the separate financial statements of Thai Carbon Black Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to report on these financial statements based on my reviews. The consolidated interim financial statements include the financial statements of an overseas subsidiary which were reviewed by other auditor. The financial statements for the six-month periods ended 30 June 2010 of that subsidiary showed total assets of Baht 788 million (31 December 2009: Baht 817 million), total revenues for the three-month and six-month periods ended 30 June 2010 of Baht 99 million and Baht 226 million, respectively (30 June 2009: Baht 35 million and Baht 130 million, respectively) and net loss for the three-month and six-month periods ended 30 June 2010 of Baht 41 million and Baht 81 million, respectively (30 June 2009: net loss for the three-month and six-month periods of Baht 32 million and Baht 55 million, respectively). The review report of the other auditor has been furnished to me, and my report, insofar as it relates to the amounts included in the consolidated financial statements in respect of that subsidiary, is based solely on the report of that auditor.

I conducted my reviews in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the reviews 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. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my and the report of the other auditor, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

I have previously audited the consolidated financial statements of Thai Carbon Black Public Company Limited and its subsidiaries, and the separate financial statements of Thai Carbon Black Public Company Limited for the year ended 31 December 2009 in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements, based on my audit and the other auditor's report, under my report dated 19 February 2010. The consolidated and separate balance sheets as at 31 December 2009, as presented herein for comparative purposes, formed an integral part of the financial statements which I audited and reported on. I have not performed any other audit procedures subsequent to the date of that report.

Narong Puntawong  
Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited  
Bangkok: 13 August 2010

**Thai Carbon Black Public Company Limited and its subsidiaries**

**Balance sheets**

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,002,455	1,002,615	1,000,227	997,429
Current investment	225,000	75,000	225,000	75,000
Trade accounts receivable				
Related party	2, 3 42,505	44,669	42,505	44,669
Unrelated parties	3 1,465,103	1,246,404	1,412,849	1,229,136
Total trade accounts receivable	1,507,608	1,291,073	1,455,354	1,273,805
Advances for purchases of goods - related party	2 -	-	30,831	-
Inventories - net	4 1,247,002	1,152,296	1,134,698	1,068,865
Other current assets				
Advances for purchases of raw materials	-	89,933	-	89,933
Input tax refundable	77,505	27,161	53,312	13,520
Others	40,644	43,739	29,468	12,970
Total other current assets	118,149	160,833	82,780	116,423
<b>Total current assets</b>	<b>4,100,214</b>	<b>3,681,817</b>	<b>3,928,890</b>	<b>3,531,522</b>
<b>Non-current assets</b>				
Investments in subsidiaries	5 -	-	673,959	673,860
Investments in associates	6 2,354,542	2,227,402	723,385	720,388
Other long-term investments	7 386,958	386,958	489,160	489,160
Advances for purchases of machinery and equipment	14,698	5,249	14,698	5,249
Property, plant and equipment - net	8 3,036,560	2,950,183	2,455,482	2,316,087
Intangible assets - net	8,766	7,796	8,766	7,796
Other non-current assets	12,258	12,659	1,010	1,049
<b>Total non-current assets</b>	<b>5,813,782</b>	<b>5,590,247</b>	<b>4,366,460</b>	<b>4,213,589</b>
<b>Total assets</b>	<b>9,913,996</b>	<b>9,272,064</b>	<b>8,295,350</b>	<b>7,745,111</b>

The accompanying notes are an integral part of the financial statements.

**Thai Carbon Black Public Company Limited and its subsidiaries**

**Balance sheets (continued)**

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2010	31 December 2009	30 June 2010	31 December 2009
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	9	427,937	340,776	-	-
Trade accounts payable					
Related parties	2	10,643	12,198	10,643	42,644
Unrelated parties		312,936	248,754	216,759	140,539
Total trade accounts payable		323,579	260,952	227,402	183,183
Current portion of long-term loans	10	4,423	37,509	-	-
Other current liabilities					
Corporate income tax payable	11, 14	136,809	73,410	136,809	73,410
Payable for purchase of machinery and equipment		142,732	96,223	142,732	96,223
Accrued expenses		119,828	153,607	114,597	152,380
Others		44,986	62,102	24,959	22,414
Total other current liabilities		444,355	385,342	419,097	344,427
<b>Total current liabilities</b>		<b>1,200,294</b>	<b>1,024,579</b>	<b>646,499</b>	<b>527,610</b>
<b>Non-current liabilities</b>					
Provision for employee retirement benefits		91,901	90,288	91,901	90,288
<b>Total non-current liabilities</b>		<b>91,901</b>	<b>90,288</b>	<b>91,901</b>	<b>90,288</b>
<b>Total liabilities</b>		<b>1,292,195</b>	<b>1,114,867</b>	<b>738,400</b>	<b>617,898</b>

The accompanying notes are an integral part of the financial statements.

**Thai Carbon Black Public Company Limited and its subsidiaries**

**Balance sheets (continued)**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
<b>Shareholders' equity</b>				
<b>Share capital</b>				
Registered, issued and fully paid up				
300,000,000 ordinary shares of Baht 1 each	300,000	300,000	300,000	300,000
Share premium	930,000	930,000	930,000	930,000
Translation adjustments				
Subsidiary companies	222	6,822	-	-
Associated companies	6 (232,781)	(228,746)	-	-
Retained earnings				
Appropriated - statutory reserve	30,000	30,000	30,000	30,000
Unappropriated	7,594,360	7,112,937	6,296,950	5,867,213
Equity attributable to				
the Company's shareholders	8,621,801	8,151,013	7,556,950	7,127,213
Minority interest - equity attributable to				
minority shareholders of subsidiaries	-	6,184	-	-
<b>Total shareholders' equity</b>	<b>8,621,801</b>	<b>8,157,197</b>	<b>7,556,950</b>	<b>7,127,213</b>
<b>Total liabilities and shareholders' equity</b>	<b>9,913,996</b>	<b>9,272,064</b>	<b>8,295,350</b>	<b>7,745,111</b>
	-	-	-	-

The accompanying notes are an integral part of the financial statements.

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Directors  
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(Unaudited but reviewed)

**Thai Carbon Black Public Company Limited and its subsidiaries****Income statements**

For the three-month periods ended 30 June 2010 and 2009

(Unit: Thousand Baht except basic earnings per share in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Revenues</b>					
Sales		2,150,785	1,115,230	2,098,926	1,079,947
Other income					
Dividend income		11,387	-	63,930	1,550
Interest income		3,915	1,188	3,905	1,159
Gain on exchange		9,526	-	7,583	-
Others		1,551	1,788	1,311	1,946
Total other income		26,379	2,976	76,729	4,655
<b>Total revenues</b>		<b>2,177,164</b>	<b>1,118,206</b>	<b>2,175,655</b>	<b>1,084,602</b>
<b>Expenses</b>					
Cost of sales		1,783,764	881,284	1,700,848	844,710
Selling expenses		52,388	36,801	50,709	36,617
Administrative expenses		42,517	29,469	32,679	22,977
Management benefit expenses		5,792	7,567	5,157	7,574
Loss on exchange		-	4,422	-	4,424
<b>Total expenses</b>		<b>1,884,461</b>	<b>959,543</b>	<b>1,789,393</b>	<b>916,302</b>
<b>Income before share of income from investment in associates</b>					
Share of income from investment in associates	6	97,296	76,465	-	-
<b>Income before finance cost and corporate income tax</b>					
Finance cost		(2,849)	(4,089)	(192)	(150)
<b>Income before corporate income tax</b>		<b>387,150</b>	<b>231,039</b>	<b>386,070</b>	<b>168,150</b>
Reversal of corporate income tax (corporate income tax expenses)	11	(48,408)	31,799	(48,408)	31,799
<b>Net income for the period</b>		<b>338,742</b>	<b>262,838</b>	<b>337,662</b>	<b>199,949</b>
		-	-	-	-
<b>Net income (loss) attributable to:</b>					
Equity holders of the parent		340,629	264,213	337,662	199,949
Minority interests of the subsidiaries		(1,887)	(1,375)		
		<b>338,742</b>	<b>262,838</b>		
<b>Basic earnings per share</b>					
Net income attributable to equity holders of the parent		1.14	0.88	1.13	0.67

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

**Thai Carbon Black Public Company Limited and its subsidiaries****Income statements**

For the six-month periods ended 30 June 2010 and 2009

(Unit: Thousand Baht except basic earnings per share in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Revenues</b>					
Sales		4,267,932	2,226,164	4,153,487	2,172,535
Other income					
Dividend income		11,387	-	63,930	1,550
Interest income		7,412	3,507	7,396	3,472
Gain on exchange		6,088	-	4,304	-
Others		6,434	5,300	6,080	5,300
Total other income		31,321	8,807	81,710	10,322
<b>Total revenues</b>		<b>4,299,253</b>	<b>2,234,971</b>	<b>4,235,197</b>	<b>2,182,857</b>
<b>Expenses</b>					
Cost of sales		3,537,899	1,836,350	3,370,593	1,786,256
Selling expenses		108,746	84,862	103,904	82,025
Administrative expenses		88,322	79,560	68,030	56,900
Management benefit expenses		11,413	11,596	10,141	10,903
Loss on exchange		-	4,725	-	3,912
<b>Total expenses</b>		<b>3,746,380</b>	<b>2,017,093</b>	<b>3,552,668</b>	<b>1,939,996</b>
<b>Income before share of income from investment in associates</b>					
Share of income from investment in associates	6	180,721	152,083	-	-
<b>Income before finance cost and corporate income tax</b>					
Finance cost		(5,078)	(9,888)	(347)	(270)
<b>Income before corporate income tax</b>		<b>728,516</b>	<b>360,073</b>	<b>682,182</b>	<b>242,591</b>
Reversal of corporate income tax (corporate income tax expenses)	11	(72,445)	31,799	(72,445)	31,799
<b>Net income for the period</b>		<b>656,071</b>	<b>391,872</b>	<b>609,737</b>	<b>274,390</b>
		-	-	-	-
<b>Net income (loss) attributable to:</b>					
Equity holders of the parent		661,423	395,652	609,737	274,390
Minority interests of the subsidiaries		(5,352)	(3,780)		
		<u>656,071</u>	<u>391,872</u>		
<b>Basic earnings per share</b>					
Net income attributable to equity holders of the parent		2.20	1.32	2.03	0.91

The accompanying notes are an integral part of the financial statements.



(Unaudited but reviewed)

**Thai Carbon Black Public Company Limited and its subsidiaries**

**Statements of changes in shareholders' equity**

**For the six-month periods ended 30 June 2010 and 2009**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>								
	Equity attribute to the parent's shareholders						Minority interest -		
	Issued and fully paid-up share capital	Share premium	Translation adjustment		Retained earnings		Total equity attributable to the parent's shareholders	Minority interest - to minority shareholders of subsidiaries	Total
			Subsidiary companies	Associated companies	Appropriated	Unappropriated			
<b>Balance as at 31 December 2008 (Audited)</b>	300,000	930,000	19,689	(270,989)	30,000	6,160,725	7,169,425	20,765	7,190,190
Income and expenses recognised directly in equity:									
Translation adjustment	-	-	(7,644)	17,046	-	-	9,402	(995)	8,407
Dividend paid (Note 12)	-	-	-	-	-	(135,000)	(135,000)	-	(135,000)
Net income (loss) for the period	-	-	-	-	-	395,652	395,652	(3,780)	391,872
<b>Balance as at 30 June 2009</b>	<u>300,000</u>	<u>930,000</u>	<u>12,045</u>	<u>(253,943)</u>	<u>30,000</u>	<u>6,421,377</u>	<u>7,439,479</u>	<u>15,990</u>	<u>7,455,469</u>
<b>Balance as at 31 December 2009 (Audited)</b>	300,000	930,000	6,822	(228,746)	30,000	7,112,937	8,151,013	6,184	8,157,197
Income and expenses recognised directly in equity:									
Translation adjustment	-	-	(6,600)	(4,035)	-	-	(10,635)	(832)	(11,467)
Dividend paid (Note 12)	-	-	-	-	-	(180,000)	(180,000)	-	(180,000)
Net income (loss) for the period	-	-	-	-	-	661,423	661,423	(5,352)	656,071
<b>Balance as at 30 June 2010</b>	<u>300,000</u>	<u>930,000</u>	<u>222</u>	<u>(232,781)</u>	<u>30,000</u>	<u>7,594,360</u>	<u>8,621,801</u>	<u>-</u>	<u>8,621,801</u>

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

**Thai Carbon Black Public Company Limited and its subsidiaries**

**Statements of changes in shareholders' equity (continued)**

**For the six-month periods ended 30 June 2010 and 2009**

(Unit: Thousand Baht)

**Separate financial statements**

	Issued and fully paid-up share capital	Share premium	Retained earnings		Total
			Appropriated	Unappropriated	
<b>Balance as at 31 December 2008 (Audited)</b>	300,000	930,000	30,000	5,123,950	6,383,950
Dividend paid (Note 12)	-	-	-	(135,000)	(135,000)
Net income for the period	-	-	-	274,390	274,390
<b>Balance as at 30 June 2009</b>	<u>300,000</u>	<u>930,000</u>	<u>30,000</u>	<u>5,263,340</u>	<u>6,523,340</u>
<b>Balance as at 31 December 2009 (Audited)</b>	300,000	930,000	30,000	5,867,213	7,127,213
Dividend paid (Note 12)	-	-	-	(180,000)	(180,000)
Net income for the period	-	-	-	609,737	609,737
<b>Balance as at 30 June 2010</b>	<u>300,000</u>	<u>930,000</u>	<u>30,000</u>	<u>6,296,950</u>	<u>7,556,950</u>

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

**Thai Carbon Black Public Company Limited and its subsidiaries**

**Statements of cash flows**

**For the six-month periods ended 30 June 2010 and 2009**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>				
Net income before tax	728,516	360,073	682,182	242,591
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	139,932	134,081	101,974	92,951
Allowance for diminution in value of inventories (reversal)	8,479	(391,288)	-	(397,280)
Share of income from investments in associates	(180,721)	(152,083)	-	-
Unrealised loss on exchange	279	5,873	273	6,040
Unrealised gain on commodity swap contracts	-	(259,948)	-	(259,948)
Provision for employee retirement benefits	3,933	3,918	3,933	3,918
Dividend income	(11,387)	-	(63,930)	(1,550)
Interest income	(7,412)	(3,507)	(7,396)	(3,472)
Interest expenses	4,792	9,690	206	155
Income (loss) from operating activities before changes in operating assets and liabilities	686,411	(293,191)	717,242	(316,595)
Operating assets (increase) decrease				
Trade accounts receivable	(216,252)	398,719	(180,836)	357,507
Inventories	(105,542)	785,580	(65,833)	805,876
Other current assets	42,670	84,252	2,798	114,198
Other assets	(2,153)	659	(2,417)	360
Operating liabilities increase (decrease)				
Trade accounts payable	63,912	(111,761)	46,039	(120,077)
Other current liabilities	(4,385)	19,664	8,477	11,659
Payment for employee retirement benefits	(2,320)	(7,174)	(2,320)	(7,174)
Cash flows from operating activities	462,341	876,748	523,150	845,754
Cash paid for interest expenses	(4,792)	(7,587)	(206)	(155)
Cash paid for corporate income tax	(9,046)	(34,302)	(9,046)	(34,302)
<b>Net cash flows from operating activities</b>	<b>448,503</b>	<b>834,859</b>	<b>513,898</b>	<b>811,297</b>

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

**Thai Carbon Black Public Company Limited and its subsidiaries**

**Statements of cash flows (continued)**

**For the six-month periods ended 30 June 2010 and 2009**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Cash flows from investing activities</b>				
Cash receipt from dividend income	63,930	1,550	63,930	1,550
Cash paid to investment in subsidiary and associate	(2,997)	-	(3,095)	-
Increase in advances for purchase of machinery and equipment	(9,448)	(1,311)	(9,448)	(1,311)
Acquisition of property, plant and equipment	(239,999)	(183,951)	(239,883)	(183,551)
Increase in current investment	(150,000)	-	(150,000)	-
Interest income	7,412	3,507	7,396	3,472
<b>Net cash flows used in investing activities</b>	<b>(331,102)</b>	<b>(180,205)</b>	<b>(331,100)</b>	<b>(179,840)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans				
from financial institutions	87,161	(25,976)	-	-
Repayment of long-term loans	(34,921)	(35,921)	-	-
Dividend paid	(180,000)	(135,000)	(180,000)	(135,000)
<b>Net cash flows used in financing activities</b>	<b>(127,760)</b>	<b>(196,897)</b>	<b>(180,000)</b>	<b>(135,000)</b>
<b>Increase in translation adjustment</b>	<b>10,199</b>	<b>7,683</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(160)</b>	<b>465,440</b>	<b>2,798</b>	<b>496,457</b>
Cash and cash equivalents at beginning of period	1,002,615	311,096	997,429	238,769
<b>Cash and cash equivalents at end of period</b>	<b>1,002,455</b>	<b>776,536</b>	<b>1,000,227</b>	<b>735,226</b>
	-	-	-	-

The accompanying notes are an integral part of the financial statements.

**Thai Carbon Black Public Company Limited and its subsidiaries**  
**Notes to consolidated interim financial statements**  
**For the three-month and six-month periods ended 30 June 2010**

**1. General information**

**1.1 Corporate information**

Thai Carbon Black Public Company Limited is a public company incorporated and domiciled in Thailand. It is principally engaged in the manufacture and distribution of carbon black for sales to both local and overseas markets. The Company has a registered address at 44 Moo 1, Ayuthaya-Angthong Highway, Tambol Posa, Amphur Muang, Angthong while its head office is located at 888/122,128 Mahatun Plaza Building, Ploenchit Road, Lumpini, Patumwan, Bangkok.

**1.2 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2007) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, the statements of income, changes in shareholders' equity and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language interim financial statements.

**1.3 Basis for consolidation**

These consolidated interim financial statements include the financial statements of Thai Carbon Black Public Company Limited and its subsidiaries and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2009, with no changes in the shareholding structure of the subsidiary companies during the period.

#### 1.4 Adoption of new accounting standards

During the current period, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below. These standards are not effective for the current year, except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective.

	<u>Effective date</u>
Framework for the Preparation and Presentation of Financial Statements (revised 2009)	Immediate
TAS 1 (revised 2009) Presentation of Financial Statements	1 January 2011
TAS 2 (revised 2009) Inventories	1 January 2011
TAS 7 (revised 2009) Statement of Cash Flows	1 January 2011
TAS 8 (revised 2009) Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2011
TAS 10 (revised 2009) Events after the Reporting Period	1 January 2011
TAS 11 (revised 2009) Construction Contracts	1 January 2011
TAS 12 Income Taxes	1 January 2013
TAS 17 (revised 2009) Leases	1 January 2011
TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance	1 January 2013
TAS 23 (revised 2009) Borrowing Costs	1 January 2011
TAS 24 (revised 2009) Related Party Disclosures	1 January 2011
TAS 27 (revised 2009) Consolidated and Separate Financial Statements	1 January 2011
TAS 28 (revised 2009) Investments in Associates	1 January 2011
TAS 29 Financial Reporting in Hyperinflationary Economies	1 January 2011
TAS 31 (revised 2009) Interests in Joint Ventures	1 January 2011
TAS 33 (revised 2009) Earnings per Share	1 January 2011
TAS 34 (revised 2009) Interim Financial Reporting	1 January 2011
TAS 36 (revised 2009) Impairment of Assets	1 January 2011
TAS 37 (revised 2009) Provisions, Contingent Liabilities and Contingent Assets	1 January 2011
TAS 38 (revised 2009) Intangible Assets	1 January 2011
TAS 40 (revised 2009) Investment Property	1 January 2011
TFRS 5 (revised 2009) Non-current Assets Held for Sale and Discontinued Operations	1 January 2011
TFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2011

The management of the Company has assessed the effect of the accounting standards and financial reporting standards and believes that these standards will not have any significant impact on the financial statements for the year in which they are initially applied. This excludes TAS 12 for which management is still evaluating the first-year impact to the financial statements, and has yet to reach a conclusion.

### 1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2009.

## 2. Related party transactions

During the periods, the Company and its subsidiaries had significant business transactions with related parties. Such transactions which are summarized below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

		(Unit: Million Baht)			
		For the three-month periods ended 30 June			
		Consolidated		Separate	
Pricing policy		financial statements	financial statements	financial statements	financial statements
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b><u>Transactions with subsidiary company</u></b>					
(eliminated from the consolidated financial statements)					
Purchase of goods	With reference to market price	-	-	44.9	-
<b><u>Transactions with related parties</u></b>					
Other expenses	By mutual agreement	5.8	-	5.8	-
Share of production cost - steam power and electric power	With reference to market price	141.4	86.8	141.4	86.8

(Unaudited but reviewed)

(Unit: Million Baht)

For the six-month periods ended 30 June

Pricing policy		Consolidated		Separate	
		financial statements		financial statements	
		2010	2009	2010	2009
<b>Transactions with subsidiary company</b>					
(eliminated from the consolidated financial statements)					
Purchase of goods	With reference to market price	-	-	109.2	75.9
<b>Transactions with related parties</b>					
Other expenses	By mutual agreement	5.8	4.5	5.8	4.5
Share of production cost - steam power and electric power	With reference to market price	276.7	165.7	276.7	165.7

The balances of the accounts as at 30 June 2010 and 31 December 2009 between the Company and those related companies are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
		(Audited)		(Audited)
<b>Trade accounts receivable - related party</b>				
<b>Related company</b>				
Thai Rayon Public Co., Ltd.	42.5	44.7	42.5	44.7
<b>Advance for purchase of goods - related party</b>				
<b>Subsidiary company</b>				
Liaoning Birla Carbon Co., Ltd.	-	-	30.8	-
<b>Trade accounts payable - related parties</b>				
<b>Subsidiary Company</b>				
Liaoning Birla Carbon Co., Ltd.	-	-	-	30.4
<b>Associated and related companies</b>				
Thai Rayon Public Co., Ltd.	0.8	-	0.8	-
Aditya Birla Science & Technology Co., Ltd.	-	2.8	-	2.8
Aditya Birla Chemicals (Thailand) Ltd.	0.1	0.1	0.1	0.1
Alexandria Carbon Black S.A.E.	4.9	9.3	4.9	9.3
Hi Tech Carbon (India) Limited	4.9	-	4.9	-
<b>Total trade accounts payable - related parties</b>	<b>10.7</b>	<b>12.2</b>	<b>10.7</b>	<b>42.6</b>



Directors and management's remuneration

During the three-month and six-month periods ended 30 June 2010, the Company and its subsidiaries paid salaries, bonus, meeting allowances and gratuities to their directors and management. The amount of the management's remuneration is separately presented in the income statements.

Guarantees of subsidiary company's credit facilities

Liaoning Birla Carbon Co., Ltd. entered into credit facility agreements with two commercial banks in China. The facilities with one commercial bank have been guaranteed by the Company up to maximum limits of USD 1.5 million for the long-term loan facility and USD 3.6 million for the short-term loan facility.

Guarantees of related company's credit facilities

Alexandria Fiber Co., S.A.E. entered into credit facility agreements with two overseas financial institutions to obtain various types of credit facilities, with respective maximum credit lines of USD 36.6 million and USD 8.0 million. These facilities have been guaranteed by the Company in the amount proportionate to its shareholding, or equivalent to USD 4.6 million.

**3. Trade accounts receivable**

As at the balance sheet date, most of the trade accounts receivable were within the credit terms. However, the receivable amounting to Baht 0.3 million had been overdue for more than 6 months.

**4. Allowance for diminution in value of inventory**

Movements in the allowance for diminution in value of inventory account during the six-month periods ended 30 June 2010 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 31 December 2009	13,024	-
Add/Less: Allowance (reversal of allowance)		
for diminution in value of		
inventories	8,479	-
Balance as at 30 June 2010	21,503	-

## 5. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		(Unit: Thousand Baht) Cost	
	30 June	31 December	30 June	31 December	30 June	31 December
	2010	2009	2010	2009	2010	2009
			Percent	Percent		(Audited)
Liaoning Birla Carbon Co., Ltd.	Renminbi 157 Million	Renminbi 157 Million	88.54	88.54	662,469	662,469
Birla Carbon Mexico, S.A DE C.V.	Mexico Pesos 3.9 Million	Mexico Pesos 3.9 Million	98.00	98.00	11,490	11,391
Total					673,959	673,860

No dividend was received from the above subsidiary companies for the six-month period ended 30 June 2010.

## 6. Investments in associates

Details of investments in associates:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements							
	Shareholding percentage		Cost		Carrying amounts based on equity method		Share of income from investments in associated companies for the six-month periods ended 30 June	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009	2010	2009
	Percent	Percent	(Audited)		(Audited)			
P.T. Indo Liberty Textiles	40.00	40.00	196,948	196,948	661,050	645,659	16,952	16,349
Aditya Birla Chemicals (Thailand) Ltd.	29.99	29.99	509,820	509,820	1,907,624	1,798,169	160,436	135,734
Ameri Blend Inc., USA	49.00	49.00	16,617	13,620	18,649	12,320	3,333	-
Less: Translation adjustment			-	-	(232,781)	(228,746)	-	-
<b>Total</b>			<b>723,385</b>	<b>720,388</b>	<b>2,354,542</b>	<b>2,227,402</b>	<b>180,721</b>	<b>152,083</b>

(Unit: Thousand Baht)

Company's name	Separate financial statements			
	Shareholding percentage		Cost	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	Percent	Percent	(Audited)	
P.T. Indo Liberty Textiles	40.00	40.00	196,948	196,948
Aditya Birla Chemicals (Thailand) Ltd.	29.99	29.99	509,820	509,820
Ameri Blend Inc., USA	49.00	49.00	16,617	13,620
<b>Total</b>			<b>723,385</b>	<b>720,388</b>

(Unaudited but reviewed)

Share of income from P.T. Indo Liberty Textiles and Ameri Blend Inc., USA were determined based on the financial statements prepared by their management. However, the management believes that there would be no material difference if those financial statements had been reviewed by their auditor.

During six-month period ended 30 June 2010, the Company received dividend income from its investment in associates totaling Baht 52.5 Million.

## 7. Other long-term investments

(Unit: Thousand Baht)

Company's name	Shareholding percentage		Consolidated financial statements		Separate financial statements	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	Percent	Percent		(Audited)		(Audited)
Alexandria Fiber S.A.E	14.40	14.40	163,754	163,754	265,956	265,956
Thai Acrylic Fiber Co., Ltd.	15.98	15.98	223,204	223,204	223,204	223,204
			<u>386,958</u>	<u>386,958</u>	<u>489,160</u>	<u>489,160</u>

During six-month period ended 30 June 2010, the Company received dividend income from its investment in other long-term investments totaling Baht 11.4 Million.

## 8. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month periods ended 30 June 2010 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Net book value as at 1 January 2010</b>	2,950,183	2,316,087
Acquisitions during period - at cost	239,999	239,883
Depreciation for period	(138,349)	(100,488)
Translation adjustment	(15,273)	-
<b>Net book value as at 30 June 2010</b>	<u>3,036,560</u>	<u>2,455,482</u>

The subsidiary have pledged their construction, machinery and equipment with a total net book value as at 30 June 2010 of Baht 321.0 million (31 December 2009: Baht 322.6 million) as collateral against credit facilities received from financial institution.

**9. Short-term loans from financial institutions**

Short-term bank loans of the subsidiary amounting to Baht 427.9 million, bear a LIBOR+2%, LIBOR+3% and 4.374 interest rate per annum. The short-term bank loans are secured by the mortgage of the subsidiary's land use right with structures thereon and machinery and equipment, and are guaranteed by the Company.

**10. Long-term loans**

As at 30 June 2010, Liaoning Birla Carbon Co., Ltd. had long-term loan obtained from a commercial bank. The loan has an outstanding balance of USD 0.1 million, bears a LIBOR+0.75% interest rate. The loans are repayable in semiannual installments until 2010. The loan is guaranteed by the Company.

**11. Corporate income tax**

Interim corporate income tax is calculated on net income of non-promoted activities for the period, after adding back expenses and deducting income which are disallowable for tax computation purposes, using the estimated effective tax rate for the year.

On 24 April 2009, the Company received promotional privileges from the Board of Investment. Subject to the stipulated conditions, the privileges include an exemption from corporate income tax for the manufacture of steam from new machines, from the date the promoted operations commenced generating revenues (September 2008). Moreover, the Company requested approval for an extension of the tax exemption period for its manufacture of carbon black activities, from 3 years to 5 years. The Company received confirmation from the BOI that it should utilise the privileges on 12 March 2010. As a result corporate income tax for year 2009 decreased by Baht 22 million, and the Company recorded this effect in the current period.

**12. Dividends**

On 30 April 2010, the Annual General Meeting of the Company's shareholders resolved to pay a dividend of Baht 0.60 per share, or a total Baht 180 million, to the shareholders from the earnings for the year ended 31 December 2009.

On 29 April 2009, the Annual General Meeting of the Company's shareholders resolved to pay a dividend of Baht 0.45 per share, or a total Baht 135 million, to the shareholders from the earnings for the year ended 31 December 2008.

**13. Segment information**

The Company's and its subsidiaries' business operations involve one principle segment i.e. manufacture and distribution of carbon black, which is carried on both in Thailand and overseas. The financial information of the Company and its subsidiary companies regarding geographic segment are as follows:

(Unit: Million Baht)

	The consolidated financial statements for the three-month periods ended 30 June							
	Domestic segment		Overseas segment		Elimination of inter- segment revenues		Consolidated financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenue from external customers	2,099	1,080	51	36	-	-	2,150	1,116
Inter-segment revenues	-	-	45	-	(45)	-	-	-
Total revenues	<u>2,099</u>	<u>1,080</u>	<u>96</u>	<u>36</u>	<u>(45)</u>	<u>-</u>	<u>2,150</u>	<u>1,116</u>
Segment income (loss)	398	235	(32)	(1)	-	-	366	234
Unallocated income and expenses								
Other income							17	3
Share of income of associates							97	77
Selling expenses							(53)	(37)
Administrative expenses							(42)	(30)
Management benefit expenses							(5)	(8)
Gain (loss) on exchange							9	(4)
Finance cost							(3)	(4)
Reversal of corporate income tax (corporate income tax expenses)							(48)	32
Net income for the period							<u>338</u>	<u>263</u>

## (Unaudited but reviewed)

(Unit: Million Baht)

The consolidated financial statements  
for the six-month periods ended 30 June

	Domestic segment		Overseas segment		Elimination of inter-segment revenues		Consolidated financial statements	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers	4,154	2,173	114	54	-	-	4,268	2,227
Inter-segment revenues	-	-	109	76	(109)	(76)	-	-
Total revenues	4,154	2,173	223	130	(109)	(76)	4,268	(2,227)
Segment income (loss)	783	386	(53)	4	-	-	730	390
Unallocated income and expenses:								
Other income							25	9
Share of income of associates							181	152
Selling expenses							(109)	(85)
Administrative expenses							(88)	(79)
Management benefit expenses							(12)	(12)
Gain (loss) on exchange							6	(5)
Finance cost							(5)	(10)
Reversal of corporate income tax (corporate income tax expenses)							(72)	32
Net income for the period							656	392

Transfer price between business segments are as set out in Note 2 to the financial statements.

The financial information by segment in the consolidated balance sheets are as follows:

	Domestic segment		Overseas segment		Elimination of inter-segment revenues		Consolidated financial statements	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2010	2009	2010	2009	2010	2009	2010	2009
		(Audited)		(Audited)		(Audited)		(Audited)
Property, plant and equipment - net	2,455	2,316	581	634	-	-	3,036	2,950
Unallocated assets	6,889	6,453	210	188	(221)	(319)	6,878	6,322
Total assets	9,344	8,769	791	822	(221)	(319)	9,914	9,272

**14. Commitments and contingent liabilities****14.1 Capital commitments**

As at 30 June 2010, the Company had capital commitments of approximately Baht 104 million relating to purchases of machinery and equipment.

**14.2 License agreement**

In 1987, the Company entered into a license agreement with an overseas licensor, who agreed to provide the Company with technical know-how for the production and manufacture of carbon black. In return, the Company agreed to pay the licensor a license fee, to be calculated at a percentage of sales.

**14.3 Bank guarantees**

As at 30 June 2010, there were outstanding letters of guarantee approximately Baht 13 million (31 December 2009: Baht 13 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

**14.4 Tax assessment**

In June 2009, the Company received a letter from the Board of Investment asking for cancelation a part of the promotional privileges granted to the Company for the sales of steam during the years 2005 through 2007. The Company has submitted a letter appealing this order. For prudent reasons, the Company has set aside provision of Baht 30 million for this potential tax liability.

**15. Foreign currency - denominated assets and liabilities**

The outstanding balances of the Company and its subsidiary foreign currency-denominated assets and liabilities as at 30 June 2010 are summarised below.

Foreign currencies	Assets	Liabilities	Average exchange rate as at 30 June 2010
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	14.9	16.7	32.4440
Japanese yen	3.2	37.0	0.3664
India Rupee	-	3.9	0.6982



(Unaudited but reviewed)

As at 30 June 2010, the Company and its subsidiary had outstanding forward exchange contracts, of which details are presented below.

Foreign currencies	Bought amount (Million)	Sold amount (Million)	Average contractual exchange rate	
			Bought (Baht per 1 foreign currency unit)	Sold
US dollar	12.1	10.0	32.31 - 32.67	32.22 - 32.88

#### **16. Map Ta Phut projects**

Two manufacturing projects of Aditya Birla Chemicals (Thailand) Limited, an associated company, have been ordered to temporarily suspend their operations as a result of an Administrative Court's injunction issued in September 2009. During the six-month period ended 30 June 2010, the projects generated sales revenue of approximate by Baht 1,538.6 million for that company, and the net book value of property, plant and equipment of the projects as at 30 June 2010 amounted to Baht 1,042.9 million. The government has been looking for ways to mitigate the negative impact of the injunction on industry, including issuing new laws and regulations to implement the constitutional requirements regarding projects which are potentially harmful to health and the environment. The associated company is confident that it will be able to comply with any new laws and regulations that are issued by the government.

#### **17. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company's Board of directors on 13 August 2010.