

Thai Carbon Black Public Company Limited
and its subsidiaries
Report and consolidated interim financial statements
For the three-month and six-month periods ended
30 June 2008 and 2007

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 2008, the related consolidated statements of income for the three-month and six-month periods ended 30 June 2008 and 2007 and the related consolidated statements of changes in shareholders' equity and cash flows for the six-month periods then ended, 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 another auditor. The financial statements for the three-month and six-month periods ended 30 June 2008 and 2007 of this subsidiary showed total assets as at 30 June 2008 of Baht 1,089 million (31 December 2007: Baht 1,009 million), total revenues for the three-month and six-month periods ended 30 June 2008 of Baht 193 million and Baht 330 million, respectively (30 June 2007: Baht 90 million and Baht 211 million, respectively) and net income for the three-month and six-month periods then ended of Baht 7 million and Baht 21 million, respectively (30 June 2007: net loss for the three-month and six-month periods of Baht 22 million and Baht 46 million, respectively). The review report of that 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 review in accordance with the auditing standards 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 review 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 2007 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 27 February 2008. The consolidated and separate balance sheets as at 31 December 2007, 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: 11 August 2008

(Unaudited but reviewed)

Thai Carbon Black Public Company Limited and its subsidiaries

Balance sheets

(Expressed in Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|------------------|-------------------------------|------------------|
| | 30 June 2008 | 31 December 2007 | 30 June 2008 | 31 December 2007 |
| | (Unaudited but reviewed) | (Audited) | (Unaudited but reviewed) | (Audited) |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 1,321,478 | 1,185,190 | 1,301,376 | 1,122,475 |
| Trade accounts receivable | | | | |
| Related parties | 2, 3 37,401 | 36,154 | 37,401 | 37,137 |
| Unrelated parties | 3 1,434,408 | 1,163,802 | 1,372,437 | 1,137,846 |
| Total trade accounts receivable | 1,471,809 | 1,199,956 | 1,409,838 | 1,174,983 |
| Inventories - net | 943,569 | 1,138,672 | 789,098 | 984,123 |
| Other current assets | | | | |
| Advances for purchases of raw materials | 39,000 | 2,252 | - | - |
| Input tax refundable | 68,534 | 88,990 | 27,683 | 59,278 |
| Others | 93,520 | 32,841 | 90,971 | 30,751 |
| Total other current assets | 201,054 | 124,083 | 118,654 | 90,029 |
| Total current assets | 3,937,910 | 3,647,901 | 3,618,966 | 3,371,610 |
| Non-current assets | | | | |
| Investments in subsidiary companies | 4 - | - | 668,444 | 668,444 |
| Investments in associated companies | 5 1,885,649 | 1,622,847 | 706,768 | 706,768 |
| Investment in related parties | 6 398,883 | 398,883 | 501,085 | 501,085 |
| Advances for purchases of property, plant and equipment | 105,390 | 62,557 | 105,390 | 62,557 |
| Property, plant and equipment - net | 7 2,331,056 | 2,295,910 | 1,598,692 | 1,572,325 |
| Other non-current assets | 21,550 | 21,803 | 12,482 | 13,088 |
| Total non-current assets | 4,742,528 | 4,402,000 | 3,592,861 | 3,524,267 |
| Total assets | 8,680,438 | 8,049,901 | 7,211,827 | 6,895,877 |

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

Thai Carbon Black Public Company Limited and its subsidiaries

Balance sheets (continued)

(Expressed in Thousand Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|------------------|-------------------------------|------------------|
| | | 30 June 2008 | 31 December 2007 | 30 June 2008 | 31 December 2007 |
| | | (Unaudited but reviewed) | (Audited) | (Unaudited but reviewed) | (Audited) |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Short-term loans from financial institutions | 8 | 358,683 | 361,014 | - | - |
| Trade accounts payable | | | | | |
| Related parties | 2 | 15,607 | 6,858 | 45,702 | 6,858 |
| Unrelated parties | | 227,916 | 142,120 | 78,026 | 72,152 |
| Total trade accounts payable | | 243,523 | 148,978 | 123,728 | 79,010 |
| Current portion of long-term loans | 9 | 66,129 | 66,559 | - | - |
| Other current liabilities | | | | | |
| Corporate income tax payable | | 96,855 | 109,894 | 96,855 | 109,894 |
| Accrued expenses | | 178,542 | 129,946 | 178,542 | 119,696 |
| Others | | 50,077 | 64,713 | 28,049 | 45,963 |
| | | 325,474 | 304,553 | 303,446 | 275,553 |
| Total current liabilities | | 993,809 | 881,104 | 427,174 | 354,563 |
| Non-current liabilities | | | | | |
| Long-term loans, net of current portion | 9 | 70,701 | 104,439 | - | - |
| Provision for employee retirement benefits | | 70,851 | 72,506 | 70,851 | 72,506 |
| Total non-current liabilities | | 141,552 | 176,945 | 70,851 | 72,506 |
| Total liabilities | | 1,135,361 | 1,058,049 | 498,025 | 427,069 |

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

(Unaudited but reviewed)

Thai Carbon Black Public Company Limited and its subsidiaries

Balance sheets (continued)

(Expressed in Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | | |
|---|--|-----------------------------|--------------------------------------|-----------------------------|------------------|
| | <u>Note</u> | 30 June 2008 | 31 December 2007 | 30 June 2008 | 31 December 2007 |
| | | (Unaudited but reviewed) | (Audited) | (Unaudited but reviewed) | (Audited) |
| Shareholders' equity | | | | | |
| Share capital | | | | | |
| Registered, issued and fully paid up | | | | | |
| | | 300,000 | 300,000 | 300,000 | 300,000 |
| 300,000,000 ordinary shares of Baht 1 each | | | | | |
| Paid-in capital | | | | | |
| Share premium | | | | | |
| | | 930,000 | 930,000 | 930,000 | 930,000 |
| Translation adjustment | | | | | |
| Subsidiary companies | | | | | |
| | | (23,300) | (44,855) | - | - |
| Associated companies | | | | | |
| | 5 | (225,181) | (247,309) | - | - |
| Retained earnings | | | | | |
| Appropriated - statutory reserve | | | | | |
| | | 30,000 | 30,000 | 30,000 | 30,000 |
| Unappropriated | | | | | |
| | | 6,485,201 | 5,980,897 | 5,453,802 | 5,208,808 |
| Equity attributable to the company's | | | | | |
| shareholders | | | | | |
| | | 7,496,720 | 6,948,733 | 6,713,802 | 6,468,808 |
| Minority interest - equity attributable to | | | | | |
| minority shareholders of subsidiaries | | | | | |
| | | 48,357 | 43,119 | - | - |
| Total shareholders' equity | | | | | |
| | | 7,545,077 | 6,991,852 | 6,713,802 | 6,468,808 |
| Total liabilities and shareholders' equity | | | | | |
| | | 8,680,438 | 8,049,901 | 7,211,827 | 6,895,877 |
| | | 0 | 0 | 0 | 0 |

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

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Directors
.....

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

For the three-month periods ended 30 June 2008 and 2007

(Expressed in Thousand Baht except basic earnings per share in Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|------------------|-------------------------------|------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| Revenues | | | | | |
| Sales | | 2,312,604 | 1,645,179 | 2,183,232 | 1,566,611 |
| Share of income from investments in associated companies | 5 | 145,827 | 77,803 | - | - |
| Other income | | | | | |
| Dividend income | | 33,765 | 11,387 | 33,765 | 11,387 |
| Interest income | | 7,365 | 10,292 | 7,290 | 10,316 |
| Gain on exchange rate | | 27,700 | - | 19,008 | - |
| Others | | 8,003 | 10,892 | 4,169 | 2,959 |
| Total other income | | 76,833 | 32,571 | 64,232 | 24,662 |
| Total revenues | | 2,535,264 | 1,755,553 | 2,247,464 | 1,591,273 |
| Expenses | | | | | |
| Cost of sales | | 1,940,057 | 1,187,140 | 1,830,866 | 1,113,393 |
| Selling and administrative expenses | | 141,802 | 126,679 | 122,225 | 104,759 |
| Loss on exchange rate | | - | 13,859 | - | 8,573 |
| Total expenses | | 2,081,859 | 1,327,678 | 1,953,091 | 1,226,725 |
| Income before interest expenses and corporate income tax | | | | | |
| Corporate income tax | | 453,405 | 427,875 | 294,373 | 364,548 |
| Interest expenses | | (6,237) | (9,829) | - | (29) |
| Corporate income tax | 10 | (44,224) | (70,081) | (44,225) | (70,081) |
| Net income for the period | | 402,944 | 347,965 | 250,148 | 294,438 |
| | | - | - | - | - |
| Net income (loss) attributable to: | | | | | |
| Equity holders of the parent | | 402,114 | 350,684 | 250,148 | 294,438 |
| Minority interests of the subsidiaries | | 830 | (2,719) | | |
| | | 402,944 | 347,965 | | |
| Basic earnings per share | | | | | |
| Net income attributable to equity holders of the parent | | 1.34 | 1.17 | 0.83 | 0.98 |

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

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

For the six-month periods ended 30 June 2008 and 2007

(Expressed in Thousand Baht except basic earnings per share in Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|------------------|-------------------------------|------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| Revenues | | | | | |
| Sales | | 4,480,304 | 3,387,479 | 4,284,339 | 3,240,061 |
| Share of income from investments in associated companies | | 240,675 | 143,446 | - | - |
| Other income | | | | | |
| Dividend income | | 33,765 | 26,928 | 33,765 | 26,928 |
| Interest income | | 14,104 | 18,870 | 13,968 | 18,870 |
| Gain on exchange rate | | 27,847 | - | 1,289 | - |
| Others | | 12,559 | 22,346 | 8,447 | 10,169 |
| Total other income | | 88,275 | 68,144 | 57,469 | 55,967 |
| Total revenues | | 4,809,254 | 3,599,069 | 4,341,808 | 3,296,028 |
| Expenses | | | | | |
| Cost of sales | | 3,671,139 | 2,525,296 | 3,511,507 | 2,383,748 |
| Selling and administrative expenses | | 248,435 | 250,705 | 215,828 | 206,345 |
| Loss on exchange rate | | - | 18,740 | - | 17,687 |
| Total expenses | | 3,919,574 | 2,794,741 | 3,727,335 | 2,607,780 |
| Income before interest expenses and corporate income tax | | | | | |
| Corporate income tax | | 889,680 | 804,328 | 614,473 | 688,248 |
| Interest expenses | | (13,450) | (21,707) | (7) | (33) |
| Corporate income tax | 10 | (99,472) | (128,761) | (99,472) | (128,761) |
| Net income for the period | | 776,758 | 653,860 | 514,994 | 559,454 |
| | | - | - | - | - |
| Net income (loss) attributable to: | | | | | |
| Equity holders of the parent | | 774,304 | 659,458 | 514,994 | 559,454 |
| Minority interests of the subsidiaries | | 2,454 | (5,598) | | |
| | | <u>776,758</u> | <u>653,860</u> | | |
| Basic earnings per share | | | | | |
| Net income attributable to equity holders of the parent | | 2.58 | 2.20 | 1.72 | 1.86 |

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 2008 and 2007

(Expressed in Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|----------------|-------------------------------|----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Cash flows from operating activities | | | | |
| Net income before tax | 876,230 | 782,621 | 614,466 | 688,215 |
| Adjustments to reconcile net income to net cash provided by (paid from) operating activities: | | | | |
| Depreciation and amortisation | 115,822 | 118,682 | 79,620 | 83,911 |
| Gain on sales of equipment | (1,655) | (438) | (1,655) | (438) |
| Allowance for stock obsolescences (reversal) | 428 | (16,193) | - | - |
| Dividend income | (33,765) | (26,928) | (33,765) | (26,928) |
| Share of income from investments | | | | |
| in associated companies | (240,675) | (143,446) | - | - |
| Unrealised (gain)loss on exchange | (8,363) | 1,928 | (8,363) | 5,811 |
| Unrealised loss on energy swap contracts | 25,644 | - | 25,644 | - |
| Provision for employee retirement benefit | 2,931 | 6,565 | 2,931 | 6,565 |
| Interest expenses | 13,450 | 21,707 | 7 | 33 |
| Income from operating activities before changes in operating assets and liabilities | 750,047 | 744,498 | 678,885 | 757,169 |
| Operating assets (increase) decrease | | | | |
| Trade accounts receivable | (262,556) | 74,927 | (226,492) | 70,492 |
| Inventories | 194,675 | 170,759 | 195,025 | 34,251 |
| Other current assets | (76,972) | 1,747 | (28,625) | (10,151) |
| Other assets | 45 | 1,001 | 46 | 840 |
| Operating liabilities increase (decrease) | | | | |
| Trade accounts payable | 94,544 | (10,350) | 44,717 | 12,147 |
| Other current liabilities | 14,684 | 28,245 | 15,288 | 20,128 |
| Payment for employee retirement benefit | (4,585) | (3,324) | (4,585) | (3,324) |
| Cash flows from operating activities | 709,882 | 1,007,503 | 674,259 | 881,552 |
| Cash paid for interest expenses | (7,083) | (21,680) | (7) | (28) |
| Cash paid for corporate income tax | (112,511) | (115,024) | (112,511) | (115,025) |
| Net cash flows from operating activities | 590,288 | 870,799 | 561,741 | 766,499 |

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

(Unaudited but reviewed)

(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 2008 and 2007

(Expressed in Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|--|------------------|--------------------------------------|------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Cash flows from investing activities | | | | |
| Dividend income | 33,765 | 26,928 | 33,765 | 26,928 |
| Addition investments in subsidiary companies | - | - | - | (181,327) |
| Proceeds from capital reduction of shares | | | | |
| of related company | - | 20,037 | - | 20,037 |
| Advances for purchase of property, plant and equipment | (42,834) | (51,402) | (42,834) | (54,232) |
| Acquisition of property, plant and equipment | (110,285) | (114,599) | (105,426) | (106,727) |
| Cash receipt from sales of equipment | 1,655 | 438 | 1,655 | 438 |
| Net cash used in investing activities | (117,699) | (118,598) | (112,840) | (294,883) |
| Cash flows from financing activities | | | | |
| Decrease in short-term loans | | | | |
| from financial institutions | (2,330) | (163,732) | - | (6,690) |
| Repayment of long-term loans | (34,169) | (40,408) | - | - |
| Dividend paid | (270,001) | (210,000) | (270,000) | (210,000) |
| Net cash used in financing activities | (306,500) | (414,140) | (270,000) | (216,690) |
| Decrease in translation adjustment | (29,801) | (2,708) | - | - |
| Net increase in cash and cash equivalents | 136,288 | 335,353 | 178,901 | 254,926 |
| Cash and cash equivalents at beginning of period | 1,185,190 | 875,667 | 1,122,475 | 824,442 |
| Cash and cash equivalents at end of period | 1,321,478 | 1,211,020 | 1,301,376 | 1,079,368 |
| | - | - | - | - |

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

(Unaudited but reviewed)

(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 2008 and 2007

(Unit : Thousand Baht)

| Consolidated financial statements | | | | | | | | |
|--|-----------------|-------------------------|-------------------------|--------------------|----------------|--|----------------|-------------------|
| Issued and paid -up share capital | Share premium | Translation adjustment | | Retained earnings | | Minority interest equity attributable to minority shareholders of subsidiaries | Total | |
| | | Subsidiary companies | Associated companies | Appropriated | Unappropriated | | | |
| Balance as at 31 December 2006 (Audited) | 300 ,000 | 930 ,000 | (13 ,068) | (192 ,958) | 30 ,000 | 4 ,893 ,438 | 21 ,962 | 5,969 ,374 |
| Unrealised item in income statements | | | | | | | | |
| Translation adjustment | - | - | (42 ,174) | (13 ,224) | - | - | 31 ,995 | (23 ,403) |
| Dividend paid (Note 11) | - | - | - | - | - | (210 ,000) | - | (210 ,000) |
| Net income (loss) for the period | - | - | - | - | - | 659 ,458 | (5,598) | 653 ,860 |
| Balance as at 30 June 2007 | <u>300 ,000</u> | <u>930 ,000</u> | <u>(55 ,242)</u> | <u>(206 ,182)</u> | <u>30 ,000</u> | <u>5,342 ,896</u> | <u>48 ,359</u> | <u>6,389 ,831</u> |
| Balance as at 31 December 2007 (Audited) | 300 ,000 | 930 ,000 | (44 ,855) | (247 ,309) | 30 ,000 | 5 ,980 ,897 | 43 ,119 | 6,991 ,852 |
| Unrealised item in income statements | | | | | | | | |
| Translation adjustment | - | - | 21 ,555 | 22 ,128 | - | - | 2,784 | 46 ,467 |
| Dividend paid (Note 11) | - | - | - | - | - | (270 ,000) | - | (270 ,000) |
| Net income for the period | - | - | - | - | - | 774 ,304 | 2,454 | 776 ,758 |
| Balance as at 30 June 2008 | <u>300 ,000</u> | <u>930 ,000</u> | <u>(23 ,300)</u> | <u>(225 ,181)</u> | <u>30 ,000</u> | <u>6,485 ,201</u> | <u>48 ,357</u> | <u>7,545 ,077</u> |

The accompanying notes are an integral part of the financial statements

(Unaudited but reviewed)

(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 2008 and 2007

(Unit : Thousand Baht)

Separate financial statements

| | Issued and paid-up share capital | Share premium | Retained earnings | | Total |
|--|--|----------------|-------------------|------------------|------------------|
| | | | Appropriated | Unappropriated | |
| Balance as at 31 December 2006 (Audited) | 300,000 | 930,000 | 30,000 | 4,335,782 | 5,595,782 |
| Dividend paid (Note 11) | - | - | - | (210,000) | (210,000) |
| Net income for the period | - | - | - | 559,454 | 559,454 |
| Balance as at 30 June 2007 | <u>300,000</u> | <u>930,000</u> | <u>30,000</u> | <u>4,685,236</u> | <u>5,945,236</u> |
| Balance as at 31 December 2007 (Audited) | 300,000 | 930,000 | 30,000 | 5,208,808 | 6,468,808 |
| Dividend paid (Note 11) | - | - | - | (270,000) | (270,000) |
| Net income for the period | - | - | - | 514,994 | 514,994 |
| Balance as at 30 June 2008 | <u>300,000</u> | <u>930,000</u> | <u>30,000</u> | <u>5,453,802</u> | <u>6,713,802</u> |

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 2008 and 2007

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 Standards Pronouncement No. 41 (revised 2007) "Interim Financial Statements", with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, and 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.

1.3 Accounting Standards which are effective for the current year

| | |
|-----------------------|---|
| TAS 25 (revised 2007) | Cash Flow Statements |
| TAS 29 (revised 2007) | Leases |
| TAS 31 (revised 2007) | Inventories |
| TAS 33 (revised 2007) | Borrowing Costs |
| TAS 35 (revised 2007) | Presentation of Financial Statements |
| TAS 39 (revised 2007) | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 41 (revised 2007) | Interim Financial Reporting |
| TAS 43 (revised 2007) | Business Combinations |
| TAS 49 (revised 2007) | Construction Contracts |
| TAS 51 | Intangible Assets |

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these accounting standards and believes that TAS 29, TAS 33, TAS 43 and TAS 49 are not relevant to the business of the Company, whereas TAS 25, TAS 31, TAS 35, TAS 39, TAS 41 and TAS 51 do not have any significant impact on the financial statements for the current period.

1.4 Basis of 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 2007, with no changes in the shareholding structure of the subsidiary companies during the period.

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 2007.

2. Related party transactions

During the periods, the Company had significant business transactions with related parties. These transactions arose in the ordinary course of businesses and were concluded on commercial terms and conditions agreed between the Company and those companies. The transactions have been charged at prices comparable to the market prices. Below is a summary of those transactions.

(Unit: Million Baht)

| | For the three-month periods ended 30 June | | | |
|---|---|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| <u>Transactions with subsidiary company</u> | | | | |
| (eliminated from the consolidated financial statements) | | | | |
| Purchase of goods | - | - | 49.4 | 11.3 |
| <u>Transactions with related parties</u> | | | | |
| Purchase of goods | 7.9 | - | 7.9 | - |
| Share of production cost - steam | | | | |
| power and electric power | 103.9 | 97.0 | 103.9 | 97.0 |

(Unaudited but reviewed)

(Unit: Million Baht)

| | For the six-month periods ended 30 June | | | |
|--|---|-------|----------------------|-------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2008 | 2007 | 2008 | 2007 |
| <u>Transactions with subsidiary company</u> | | | | |
| (eliminated from the consolidated financial statements) | | | | |
| Purchase of goods | - | - | 119.5 | 51.5 |
| <u>Transactions with related parties</u> | | | | |
| Purchase of goods | 7.9 | - | 7.9 | - |
| Share of production cost - steam power and electric power | 198.3 | 187.6 | 198.3 | 187.6 |

The outstanding balances of the accounts as at 30 June 2008 and 31 December 2007 between the Company and those related parties are as follows:

| | (Unit: Million Baht) | | | |
|--|----------------------|---------------------|----------------------|---------------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 30 June 2008 | 31 December 2007 | 30 June 2008 | 31 December 2007 |
| <u>Trade accounts receivable related parties</u> | | | | |
| Subsidiary company | | | | |
| Liaoning Birla Carbon Co., Ltd. | - | - | - | 1.0 |
| Total trade accounts receivable - subsidiary company | - | - | - | 1.0 |
| Related company | | | | |
| Thai Rayon Public Co.,Ltd. | 37.4 | 36.1 | 37.4 | 36.1 |
| Total trade accounts receivable - related company | 37.4 | 36.1 | 37.4 | 36.1 |
| Total trade accounts receivable - related parties | 37.4 | 36.1 | 37.4 | 37.1 |
| <u>Trade accounts payable related parties</u> | | | | |
| Subsidiary company | | | | |
| Liaoning Birla Carbon Co., Ltd. | - | - | 30.1 | 0.6 |
| Total trade accounts payable subsidiary company | - | - | 30.1 | 0.6 |
| Associated company | | | | |
| Aditya Birla Chemicals (Thailand) Ltd. | 0.2 | 0.6 | 0.2 | 0.6 |
| Total trade accounts payable associated company | 0.2 | 0.6 | 0.2 | 0.6 |
| Related company | | | | |
| Alexandria Carbon Black CO.S.A.E. | 14.6 | 5.4 | 14.6 | 5.4 |
| Thai Rayon Public Co.,Ltd. | 0.8 | 0.8 | 0.8 | 0.8 |
| Total trade accounts payable - related company | 15.4 | 6.2 | 15.4 | 6.2 |
| Total Trade accounts payable - related parties | 15.6 | 6.8 | 45.7 | 6.8 |

Guarantees of subsidiary company's credit facilities

Liaoning Birla Carbon Co., Ltd. entered into the credit facility agreements with two commercial banks in China. The facilities have been guaranteed by the Company for a maximum limit of USD 1.5 million for 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 from them, with respective maximum credit lines of not exceeding USD 36.6 million and USD 8.0 million. The facilities have been guaranteed by the Company for a maximum limit of USD 6.3 million.

3. Trade accounts receivable

Most of the trade accounts receivable at the balance sheet date were within the credit terms and no receivables were more than 3 months past due.

4. Investments in subsidiary companies

These represent investments in ordinary shares in the following subsidiary companies:

(Unit: Thousand Baht)

| Company's name | Separate financial statements | | | | | |
|--|-------------------------------|-----------------------------|-------------------------|-------------|---------|-------------|
| | Paid-up capital | | Shareholding percentage | | Cost | |
| | 30 June | 31 December | 30 June | 31 December | 30 June | 31 December |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | | | (%) | (%) | | |
| Liaoning Birla Carbon Co., Ltd. | Renminbi 157 Million | Renminbi 157 Million | 89 | 89 | 662,469 | 662,469 |
| Birla Carbon Mexico, S.A DE C.V. | Mexico Pesos 1.9 Million | Mexico Pesos 1.9 Million | 98 | 98 | 5,975 | 5,975 |
| Total investment in subsidiary companies | | | | | 668,444 | 668,444 |

During the three-month and six-month periods ended 30 June 2008 and 2007, the Company received no dividend income from its investments in subsidiaries.

5. Investments in associated companies

5.1 Details of investments in associated companies:

(Unit: Thousand Baht)

| Company's name | Consolidated financial statements | | | | | | | Share of income (loss) from investments in associated companies for the six-month periods ended 30 June | |
|--|-----------------------------------|------------------|----------------|------------------|---|------------------|----------------|---|--|
| | Shareholding percentage | | Cost | | Carrying amounts based on equity method | | | | |
| | 30 June 2008 | 31 December 2007 | 30 June 2008 | 31 December 2007 | 30 June 2008 | 31 December 2007 | 2008 | 2007 | |
| | (%) | (%) | | | | | | | |
| P.T. Indo Liberty Textiles | 40 | 40 | 196,948 | 196,948 | 607,043 | 607,564 | (521) | 23,471 | |
| Aditya Birla Chemicals (Thailand) Ltd. | 30 | 30 | 509,820 | 509,820 | 1,503,787 | 1,262,592 | 241,196 | 164,167 | |
| Alexandria Fiber S.A.E.* | 14.4 | 14.4 | - | - | - | - | - | (44,192) | |
| Less: Translation adjustment | | | - | - | (225,181) | (247,309) | - | - | |
| Total | | | 706,768 | 706,768 | 1,885,649 | 1,622,847 | 240,675 | 143,446 | |

(Unit: Thousand Baht)

| Company's name | Separate financial statements | | | |
|--|-------------------------------|------------------|----------------|------------------|
| | Shareholding percentage | | Cost | |
| | 30 June 2008 | 31 December 2007 | 30 June 2008 | 31 December 2007 |
| | (%) | (%) | | |
| P.T. Indo Liberty Textiles | 40 | 40 | 196,948 | 196,948 |
| Aditya Birla Chemicals (Thailand) Ltd. | 30 | 30 | 509,820 | 509,820 |
| Total | | | 706,768 | 706,768 |

(*Investment in this company has been transferred to investments in related parties during the second quarter of year 2007.)

(Unaudited but reviewed)

During the six-month periods ended 30 June 2008 and 2007, the Company received no dividend income from its investments in associated companies.

5.2 Summarised financial information of associated companies

| Company's name | Paid-up capital as at | | Total assets as at | | Total liabilities as at | | Total revenues for the six-month periods ended | | Net income (loss) for the six-month periods ended | |
|---|--------------------------------------|--------------------------------------|--------------------|-------------|-------------------------|-------------|--|-------|---|------|
| | 30 June | 31 December | 30 June | 31 December | 30 June | 31 December | 30 June | | 30 June | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | | | | | | | | | | |
| P.T. Indo Liberty Textiles | Indonesian Rupiah 42.5 million | Indonesian Rupiah 42.5 million | 1,281 | 1,426 | 379 | 476 | 882 | 835 | (1) | 59 |
| Aditya Birla Chemicals (Thailand) Ltd. | Baht 1,700 million | Baht 1,700 million | 8,635 | 7,194 | 3,562 | 2,982 | 2,954 | 4,139 | 507 | 547 |
| Alexandria Fiber S.A.E.* | - | - | - | - | - | - | - | 643 | - | (81) |

(*Investment in this company has been transferred to investments in related parties during the second quarter of year 2007.)

Share of income (loss) from investments in associated companies for the six-month periods ended 30 June 2008 and 2007 were determined based on the financial statements which were reviewed by their auditors.

(Unaudited but reviewed)

6. Investments in related parties

These represent investments in ordinary shares of the following companies:

(Unit: Thousand Baht)

| | Shareholding percentage | | Consolidated financial statements | | Separate financial statements | |
|--|-------------------------|-------------|-----------------------------------|----------------|-------------------------------|----------------|
| | 30 June | 31 December | 30 June | 31 December | 30 June | 31 December |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | (%) | (%) | | | | |
| Alexandria Fiber S.A.E | 14.40 | 14.40 | 163,754 | 163,754 | 265,956 | 265,956 |
| Thai Epoxy and Allied Products Co., Ltd. | 19.88 | 19.88 | 11,925 | 11,925 | 11,925 | 11,925 |
| Thai Acrylic Fiber Co., Ltd. | 15.98 | 15.98 | 223,204 | 223,204 | 223,204 | 223,204 |
| | | | <u>398,883</u> | <u>398,883</u> | <u>501,085</u> | <u>501,085</u> |

7. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month period ended 30 June 2008 are summarised below.

(Unit: Thousand Baht)

| | Consolidated financial statements | Separate financial statements |
|--|-----------------------------------|-------------------------------|
| Net book value as at 1 January 2008 | 2,295,910 | 1,572,325 |
| Acquisitions during period - at cost | 109,387 | 104,528 |
| Depreciation for period | (114,220) | (78,161) |
| Translation adjustment | 39,979 | - |
| Net book value as at 30 June 2008 | <u>2,331,056</u> | <u>1,598,692</u> |

8. Short-term loans from financial institutions

Short-term loans from financial institutions as at 30 June 2008 and 31 December 2007 consist of the following:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|------------------|-----------------------------------|------------------|-------------------------------|------------------|
| | 30 June 2008 | 31 December 2007 | 30 June 2008 | 31 December 2007 |
| | | (Audited) | | (Audited) |
| Short-term loans | 358,683 | 361,014 | - | - |
| Total | <u>358,683</u> | <u>361,014</u> | <u>-</u> | <u>-</u> |

Short-term bank loans of the subsidiary amounting to Baht 238 million are guaranteed by the Company.

9. Long-term loans

These represent long-term loans, denominated in US dollar, obtained from two commercial banks by Liaoning Birla Carbon Co., Ltd. The first loan, with an outstanding balance at 30 June 2008 of USD 3.4 million, bears a SIBOR+1.25% interest rate and the second loan with an outstanding balance at 30 June 2008 of USD 0.7 million bears a LIBOR+0.75% interest rate the loans are repayable in semiannual installments until 2011. The second loan is guaranteed by the Company.

10. Corporate income tax

Interim corporate income tax of the Company were calculated on net income before income tax for the periods, after adding back expenses and deducting income which are disallowable for tax computation purposes, using the estimated effective tax rate for the year.

11. Dividends

| <u>Dividends</u> | <u>Approved by</u> | <u>Total dividends</u> (Thousand Baht) | <u>Dividend per share</u> (Baht) |
|--------------------------|---|---|-------------------------------------|
| Final dividends for 2006 | The Annual General Meeting of the Company's shareholders on 26 April 2007 | 210,000 | 0.70 |
| Total for 2007 | | <u>210,000</u> | <u>0.70</u> |
| Final dividends for 2007 | The Annual General Meeting of the Company's shareholders on 29 April 2008 | 270,000 | 0.90 |
| Total for 2008 | | <u>270,000</u> | <u>0.90</u> |

12. 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.

(Unaudited but reviewed)

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>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Revenue from sales | 2,183 | 1,567 | 129 | 79 | - | - | 2,312 | 1,646 |
| Inter-segment revenues | - | - | 33 | 8 | (33) | (8) | - | - |
| Total revenues | <u>2,183</u> | <u>1,567</u> | <u>162</u> | <u>87</u> | <u>(33)</u> | <u>(8)</u> | <u>2,312</u> | <u>1,646</u> |
| Segment income | 220 | 349 | 1 | (17) | - | - | 221 | 332 |
| Unallocated income and expenses | | | | | | | | |
| Other income | | | | | | | 49 | 32 |
| Share of income of associated companies | | | | | | | 146 | 77 |
| Gain/(loss) on exchange | | | | | | | 37 | (14) |
| Interest expenses | | | | | | | (6) | (9) |
| Corporate income tax | | | | | | | (44) | (70) |
| Net income for the period | | | | | | | <u>403</u> | <u>348</u> |

(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 | |
|---|------------------|--------------|------------------|-------------|---------------------------------------|-------------|-----------------------------------|--------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Revenue from sales | 4,284 | 3,240 | 196 | 148 | - | - | 4,480 | 3,388 |
| Inter-segment revenues | - | - | 103 | 51 | (103) | (51) | - | - |
| Total revenues | <u>4,284</u> | <u>3,240</u> | <u>299</u> | <u>199</u> | <u>(103)</u> | <u>(51)</u> | <u>4,480</u> | <u>3,388</u> |
| Segment income | 556 | 650 | 4 | (38) | - | - | 560 | 612 |
| Unallocated income and expenses: | | | | | | | | |
| Other income | | | | | | | 60 | 68 |
| Share of income of associated companies | | | | | | | 241 | 143 |
| Gain/(loss) on exchange | | | | | | | 28 | (19) |
| Interest expenses | | | | | | | (13) | (21) |
| Corporate income tax | | | | | | | (99) | (129) |
| Net income for the period | | | | | | | <u>777</u> | <u>654</u> |

(Unaudited but reviewed)

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:

(Unit: Million Baht)

| | 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 |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Property, plant and equipment-net | 1,598 | 1,572 | 733 | 724 | - | - | 2,331 | 2,296 |
| Unallocated assets | 5,614 | 5,324 | 1,140 | 766 | (405) | (336) | 6,349 | 5,754 |
| Total assets | <u>7,212</u> | <u>6,896</u> | <u>1,873</u> | <u>1,490</u> | <u>(405)</u> | <u>(336)</u> | <u>8,680</u> | <u>8,050</u> |

13. Commitments and contingent liabilities

13.1 Capital commitments

As at 30 June 2008, the Company had capital commitments of approximately Baht 247.9 million relating to purchases of machinery.

13.2 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.

13.3 Bank guarantees

As at 30 June 2008, the Company had outstanding letter of bank guarantees amounting to approximately Baht 13 million (31 December 2007: Baht 13 million) issued by the banks to meet normal business requirement of the Company.

14. Financial instruments

The Company and its subsidiaries are exposed to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

Foreign exchange contracts outstanding at 30 June 2008 are summarised below.

| <u>Foreign currency</u> | <u>Bought amount</u> (Million) | <u>Contract exchange rate</u> |
|-------------------------|-----------------------------------|-------------------------------|
| US dollar | 45.0 | 31.4280 – 33.6200 |
| Euro | 0.3 | 48.1700 – 48.6700 |
| Yen | 155.0 | 0.3068 – 0.3167 |

15. Approval of financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 11 August 2008.