Opinion of the Independent Financial Advisor on

The Asset Acquisition

To shareholders of

Thai Carbon Black Public Company Limited

Prepared By

Deloitte Touche Tohmatsu Jaiyos Advisory Company Limited

21 February 2011

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Abbreviations

ACB	Alexandria Carbon Black Co. S.A.E. (Egypt)
Acquirers	Thai Carbon Black Public Company Limited, Alexandria Carbon Black Co. S.A.E. (Egypt) and SKI Investment PTE. Ltd. (Singapore)
ANZ	Australia and New Zealand Banking Group Limited
BOA	Bank of America
CAGR	Cumulative Annual Growth Rate
CAPM	Capital Asset Pricing Model
DCF	Discounted Cash Flow
EBITDA	Earnings before interest, taxes, depreciation and amortization
FCF	Free Cash Flow
HC	Holding Company
HSBC	The Hong Kong and Shanghai Banking Corporation Limited
IFA	Independent Financial Advisor
KMT	Kilo Metric Ton
MVIC	Market Value of Invested Capital
p.a.	per annum
RBS	The Royal Bank of Scotland
SCB	Standard Chartered Bank
SKI	SKI Investment PTE. Ltd. (Singapore)
SPV	Special Purpose Vehicles
Target Group	Columbian Chemicals Acquisition LLC and its subsidiaries
THB	Thai Baht
The Company	Thai Carbon Black Public Company Limited
USD	US Dollar

Ref. FAS 010/2011

21 February 2011

Subject: Independent Financial Advisor Opinion on the Assets Acquisition by Thai Carbon Black Public Company Limited

To: The Board of Directors and the Shareholders of Thai Carbon Black Public Company Limited

On the 28 January 2011, the board of directors approved a resolution to investment by way of acquiring 20.59% interest directly / indirectly in the Target Group for an amount not exceeding USD 175 million (or its equivalent in any currency). A Purchase Agreement was also signed on the 28 January 2011 by the SPVs and the shareholders of the Target group, as the Acquirers acquire the Target Group through SPVs.

The transaction is classified as a class 1 transaction under the Notification of the Capital Market Supervisory Board No. Tor Chor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of the Stock Exchange of Thailand dated 31 August 2008 and Re: Disclosure of Information Concerning the Acquisition and Disposition of Assets of Listed Companies B.E. 2547 (2004) dated 29 October 2004 and its amendment thereafter since it has a transaction size of 52.83% of the Company's total assets as at 30 September 2010 under the consideration value criterion, the highest applicable criterion. As the transaction size exceeds 50% of the company's total assets, the Company must disclose certain information pertaining to the Transaction to the Stock Exchange of Thailand ("SET") and convene a meeting of shareholders to seek approval to enter into and complete of the Transaction. The Transaction must recive approval by shareholders of no less than 75% of the votes held by those shareholders present or represent by proxy at the meeting who have the right to vote, excluding those with related interests.

As such, the Company has appointed Deloitte Touche Tohmatsu Jaiyos Advisory Co., Ltd. to be the independent financial advisor ("Financial Advisor" or "IFA") to provide opinion to the Company's shareholders on the Assets Acquisition Transaction. In preparing the opinion, the Financial Advisor has conducted due diligence from 1 February 2011 to 17 February 2011 with practices and sources of information as presented in section 1 of this report. The IFA has no reason to doubt that information provided and relied on is materially inaccurate or incomplete and also no reason to doubt that the assumptions made for the projection are not appropriate.

With reference to the aforementioned practices and source of information, the Financial Advisor is of the opinion that the acquisition price of USD 175 or 20.59% of interest in the Target group for the Company's portion from the total investment of USD 850 million by the acquirers is fair. The acquisition price is lower than the estimated enterprise value range obtained by various approaches, especially the discounted cash flow approach which has an estimated enterprise value range of USD 1,071-1,227million for the entire Target Group.

The Acquirers have been in the carbon black industry for a long period of time. With the know-how and skill from the Acquirers, there's high possibility in achieving the synergy as mentioned in Section 2. Synergy benefits of the transaction are as follows:

1. Yield Improvement
2. Development in Advance Specialty Grade Product.
3. Cost Reduction in Raw Material Procurement

In additional, the Financial Advisor also studied the impact to the Company and its shareholders with the detail as presented in Section 2 of this report.

Based on the reasonableness and benefits of the transaction, impact on the company and its shareholders and the fairness of the price, the Financial Advisor is of the opinion that the transaction is reasonable and will benefit both the Company and its shareholders so the shareholders should vote to approve the transaction.

In preparing this report, the Financial Advisor have analyzed financial data obtained from the Company's management and publicly available information, economic data and future economic trends from reliable sources during the report preparation period. Should such factors and assumptions change materially, they may affect our opinion on the enterprise value and the reasonableness of the acquisition price as stated in this report.

This report and the financial Advisor's opinion is based on the best interests of the Company's shareholders. However, the shareholders of the Company should also study other information in the invitation letter and documents attached to the invitation letter for the shareholders meeting together with the details of information and opinions as provided in this report, especially the scope and practices and information in preparation of the opinion of the Financial Advisor. The decision to approve or disapprove the transaction is the discretion of the shareholder.

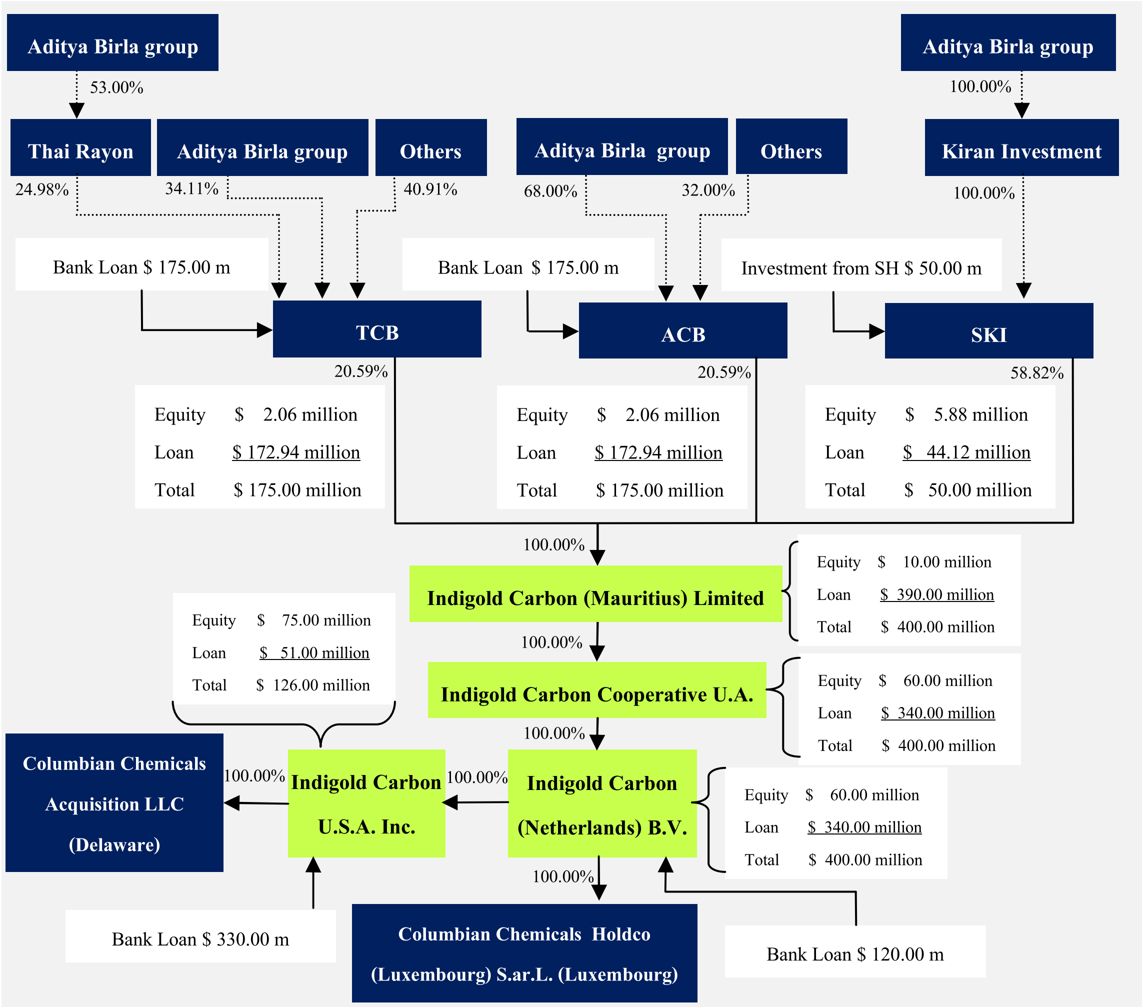
1 Nature and Details of the Acquisition of Assets

1.1 Nature of the transaction

Thai Carbon Black Public Company Limited ("the Company"), Alexandria Carbon Black Co. S.A.E. Egypt ("ACB"), and SKI Investment PTE. Ltd. Singapore ("SKI") (collectively called "Acquirers"), of which Aditya Birla group is their major shareholder, will invest in Columbian Chemicals Acquisition LLC and its subsidiaries ("Target Group"). The transaction will commence with the Company and ACB drawing long-term loans from commercial banks of USD 175 million each while SKI will obtain funds of USD 50 million from its shareholder bringing the total investment to USD 400 million. These companies will invest through 4 Special Purpose Vehicles ("SPVs") which consist of Indigold Carbon (Mauritius) Limited ("HC 1"), Indigold Carbon Cooperative U.A. ("HC 2"), Indigold Carbon (Netherlands) B.V. ("HC 3") and Indigold Carbon (U.S.A.) Inc. ("HC 4"). The SPVs are set up to be Holding Companies and to draw on long-term loans from commercial banks for investing in the Target Group. This shareholding structure was set up to facilitate the shareholding of the Target group which is located around the globe and to enhance optimal return on investment.

In this Transaction, the acquirers will invest through HC 1 USD 400 million consisting of USD 10 million in equities and USD 390 million in debt. HC 1 will then invest in HC 2 and HC 3, respectively. HC 3 will draw on loans from commercial banks amounting to USD 120 million resulting in total capital in HC 3 equal to USD 520 million. HC 3 will acquire 100% of Columbian Holdco (Luxembourg) for USD 394 million and will invest the remaining capital of USD 126 million in HC 4. HC 4 will draw on loans from commercial banks totaling of USD 330 million resulting in total capital in HC 4 being equal to USD 456 million, HC 4 will then acquire 100% of Columbian Chemicals Acquisition LLC.

Details of the investment are as follow:



On 28 January 2011, the board of directors has approved a resolution for making investment by way of acquiring 20.59% interest directly / indirectly in the Target Group for an amount not exceeding USD 175 million (or its equivalent in any currency). The source of fund amount of USD 175 million will be entirely drawn on as long-term debt from commercial banks. The Purchase Agreement was also signed on the 28 January 2011 by the acquirers, through the SPVs, and the shareholders of the Target Group.

The transaction is classified as a class 1 transaction under the Notification of the Capital Market Supervisory Board No. Tor Chor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of the Stock Exchange of Thailand dated 31 August 2008 and Re: Disclosure of Information Concerning the Acquisition and Disposition of Assets of Listed Companies B.E. 2547 (2004) dated 29 October 2004 and its amendment thereafter since it has transaction size of 52.83% of the Company's total assets as at 30 September 2010 under the consideration value criterion, the highest applicable criterion. As the transaction size exceeds 50% of the company's total assets, the Company must disclose certain information pertaining to the Transaction to the Stock Exchange of Thailand ("SET") and convene a meeting of shareholders to seek approval to enter and complete the Transaction. The Transaction must be approved by shareholders of no less than 75% of the votes held by those shareholders present or represent by proxy at the meeting who have the right to vote, excluding those with related interests.

The Company's Board of Directors has approved the calling of Extraordinary General Meeting of shareholders No. 1/2011 to be held on 18 March, 2011. Thereafter, the Company has cancelled the aforesaid Extraordinary Meeting of shareholders and proposed to hold the Annual General Meeting on any date before the end of April 2011. The Company expects the completion of the transaction will be latest by October 2011 or such other extended date as may be mutually agreed between the parties.

1.2 Type and Size of the Transaction

Details of the Transaction size calculation following each criterion are as follow

Unit: THB Million	The Company's consolidated financial statement as of 30 September 2010 (Reviewed)	The Target Group's consolidated financial statement** as of 30 September 2010 (Management Accounts)
Total assets	10,027	25,571
Intangible assets	8	1,344
Total liabilities	1,099	15,427
Minority interest	-	566
Net tangible assets ("NTA")	8,919	8,235
Net profit	1,392*	309*

Source: Company and Target Group

** The Company and the Target Group's trailing 12 months net profit as of 30 September 2010*

*** The Target Group's management accounts was converted by exchange rate of 30.27 THB/USD as of 30 September 2010*

Assets Acquisition Transaction Size Calculation

1) Net Tangible Assets criteria

$$\text{Transaction size} = \frac{\text{the Target Group's NTA X \% of investment X 100\%}}{\text{The Company's NTA}}$$

$$= \frac{8{,}235 \text{ X } 20.59\% \text{ X } 100\%}{8{,}919}$$

$$= 19.01\%$$

2) Net Income Criteria

$$\text{Transaction size} = \frac{\text{the Target Group's Net Income X \% of investment X 100\%}}{\text{The Company's Net Income}}$$

$$= \frac{309 \text{ X } 20.59\% \text{ X } 100\%}{1{,}392}$$

$$= 4.57\%$$

3) Value of Consideration Paid Criteria

$$\text{Transaction size} = \frac{\text{Value of consideration paid X 100\%}}{\text{The Company's Total Assets}}$$

$$= \frac{5{,}297 \text{ X } 100\%}{10{,}027}$$

$$= 52.83\%$$

Therefore, from the above calculations, the maximum transaction size is equal to 52.83% of the Company's total assets as at 30 September 2010 based on the criterion 3 as it is the maximum size among the three applicable approaches. The size of the transaction is equal or more than 50% but less than 100% which is considered as class 1 Transaction in accordance with the Notification of the SET concerning to the Acquisition and Disposition of Assets.

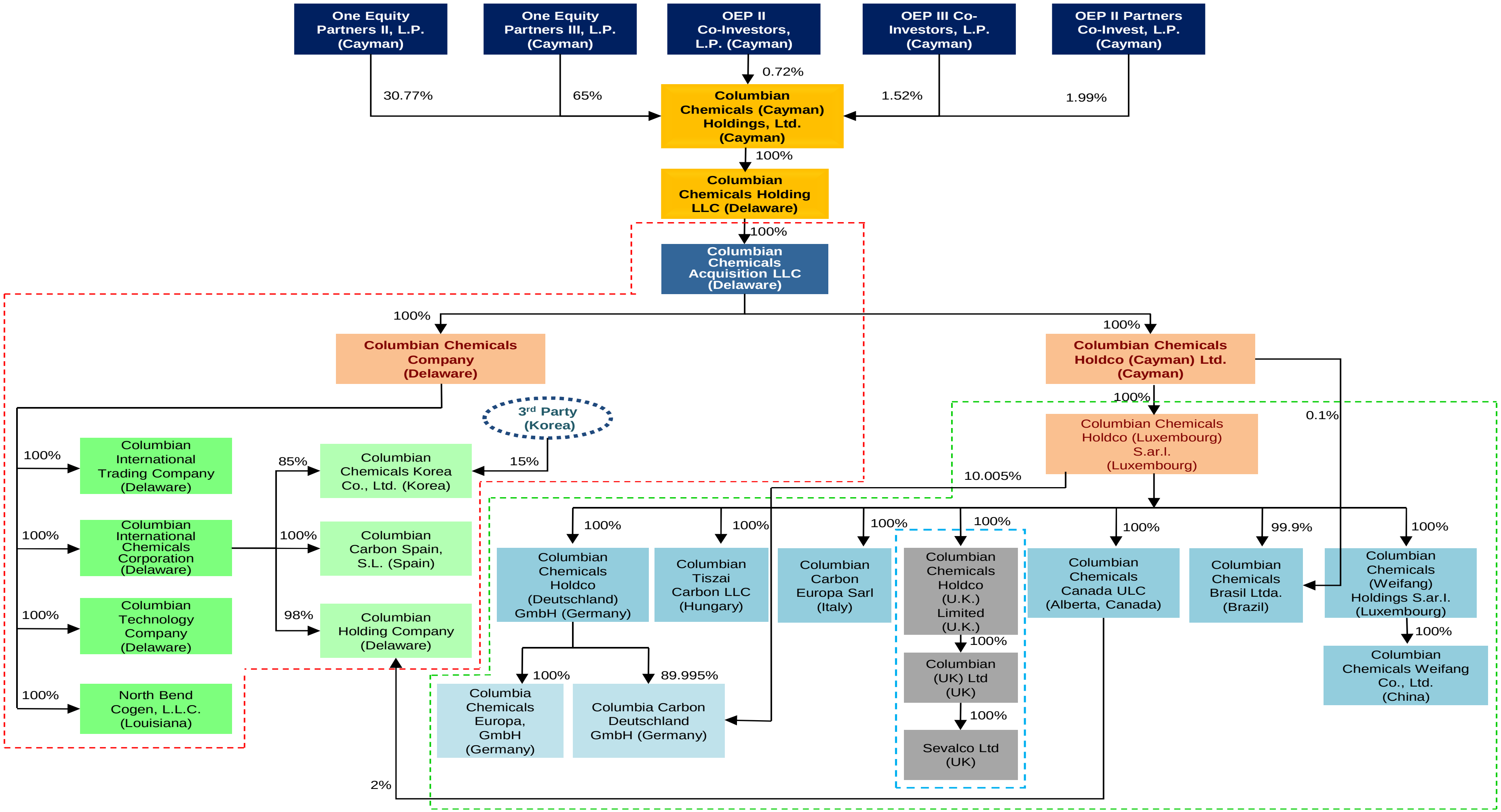
1.3 Details of Assets Acquired

Type of assets acquired	:	20.59% of the Target Group's equity/interest
Business Name	:	Columbia Chemicals Acquisitions LLC and its subsidiaries
Subsidiaries	:	The Target Group has a total of 22 companies consisted of 9 companies in North America, 10 companies in Europe, 2 companies in Asia and 1 company in Latin America.
Location	:	Head office is located in Marietta, Georgia, U.S.A. and 11 plants located in 9 countries
Incorporation year	:	1921
Registered and paid up capital	:	USD 385.24 million as of 30 September 2010 of Columbian Chemicals Acquisition LLC
% of shares before transaction	:	-0-
% of shares after the transaction	:	20.59%

1.4 Parties Involved and their Relation with Listed Company

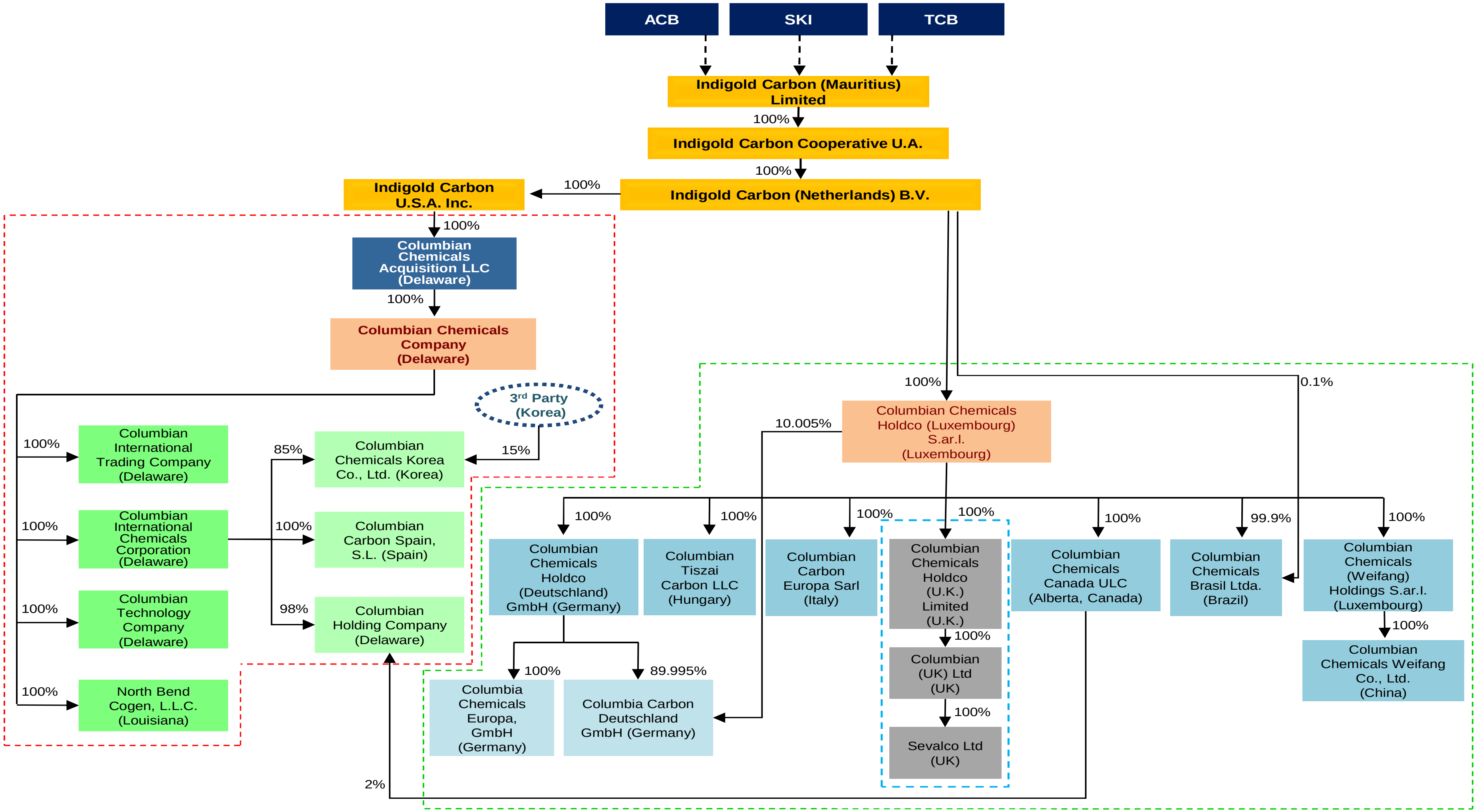
Purchaser	:	The Acquirers' transaction will be through Indigold Carbon USA, Inc., a Delaware operation and Indigold Carbon (Netherlands) B.V., a Dutch B.V.
Seller	:	Columbian Chemicals Holding LLC Delaware and its subsidiaries, which holds 100% of shares in Columbian Chemicals Acquisitions LLC and its subsidiaries
Relationship	:	The Company has no relationship with the sellers, or with any of the Target Companies

1.5 Shareholding Structure Pre Transaction



Source: Information from the Acquirers

1.6 Shareholding Structure Post Transaction



Source: Information from the Acquirers

1.7 The Basis Used to Determine the Consideration

The total consideration is cash or cash equivalent payment equal to USD 175 million for acquiring 20.59% interest directly/indirectly in the Target Group.

1.8 Major Terms of the Transaction

The completion of this Assets Acquisition Transaction (Closing) is subjected to

1) The approval of the transaction by shareholders of the Company
2) Obtaining Antimonopoly Act (Anti Trust) approval in U.S.A., Germany, Spain, Turkey, Brazil, Korea and Canada.

1.9 The Acquirers Source of Fund

1.9.1.1 Source of fund – The Company

The Company will draw long-term loan amount of USD 175 million with principal repayment of 5 years and will be secured by a charge on all of the Company's assets. The loan will be tied up with 5 commercial banks i.e. The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), Standard Chatered Bank ("SCB"), Australia and New Zealand Banking Group Limited ("ANZ"), Bank of America ("BOA") and The Royal Bank of Scotland ("RBS") who will syndicate it in the market with restriction in dividend payout of no more than USD 4.45 million if Net Debt/EBITDA is higher than 2.5 times.

1.9.1.2 Source of fund – ACB

For the Transaction, ACB will draw a long-term loan of USD 175 million with principal repayments over 5 years and secured by charge on all of ACB's assets.

1.9.1.3 Source of fund – SKI

SKI's source of fund amount of USD 50 million for the Transaction will be obtained from its shareholder.

1.10 General Information of the Target Group

1.10.1 General Information and History of the Target Group

The Target Group manufactures and sells the carbon black under its own brand, having 11 plants in 9 countries. The total production capacity of the Target Group from 11 plants is 1,077,000 MT per year. Two types of carbon black produced by the Target Group which include Rubber Carbon Black ("RCB") and Industrial Carbon Black ("ICB"). The proportion sale of Rubber Carbon Black to Industrial Carbon Black in 2010 was 80:20.

History of the Target Group

Year	Chronology
1921	The Target Group started its operation under the name "Columbian" after acquiring the business from several small carbon black manufacturers
1983	The Target Group was sold by Occidental to CMI
1986	1. The Target Group acquired a carbon black production plant in Hanover, Germany from Phillips 2. The Target Group was acquired by Phelps Dodge
1993	The Target Group constructed and commenced its operation in Hungary
1995	The Target Group acquired a carbon black production plant in Spain from Repsol
1998	The Target Group acquired a carbon black production plant in Brazil from Copebras
1999	The Target Group acquired a carbon black production plant in Korea from Korea Kumho Petrochemical Co.
2005	DC Chemical and One Equity Partners acquired the Target Group
2007	1. The Target Group commenced constructing a carbon black plant in North Bend, the USA 2. The Target Group acquired a carbon black plant located at Weifang, China 3. The Target Group started producing carbon black at the plant in Bahia, Brazil
2009	1. One Equity Partners acquired the ownership in the Target Group from DC Chemicals 2. The Target Group expanded the production capacity in China and Hungary

Source: Information from the Target Group

1.10.2 Land and Production Plants

The Target Group operates 11 plants in 9 countries with the total production capacity of 1,077,000 MT per year. Details of production plants are as follows:

Location	Production Capacity (MT per year)	Infrastructure
Americas		
1. North Bend, USA	157,000	Owned: Land – 158 acres
2. Hickok, USA	55,000	Owned: Land – 330 acres
3. Hamilton, Canada	102,000	Owned: Land – 21.6 acres
4. Cubatao, Brazil	190,000	Owned: Land – 189,111 sqm.
5. Bahia, Brazil	75,000	Owned: Land – 152,000 sqm.
Europe		
6. Tiszaujvaros, Hungary	108,000	Owned: Land – 14.4 acres
7. Trecate, Italy	80,000	Owned: Land – 45.5 acres
8. Satandar, Spain	60,000	Owned: Land – 78,200 sqm.
9. Hanover, Germany	55,000	Leased: Land – 12.7 acres
Asia		
10. Yeosu, Korea	125,000	Owned: Land – 72,428 sqm.
11. Weifang, China	70,000	Owned: Land – 70,251 sqm.

Source: Financial due diligence

1.10.3 Employees and Organization Structure

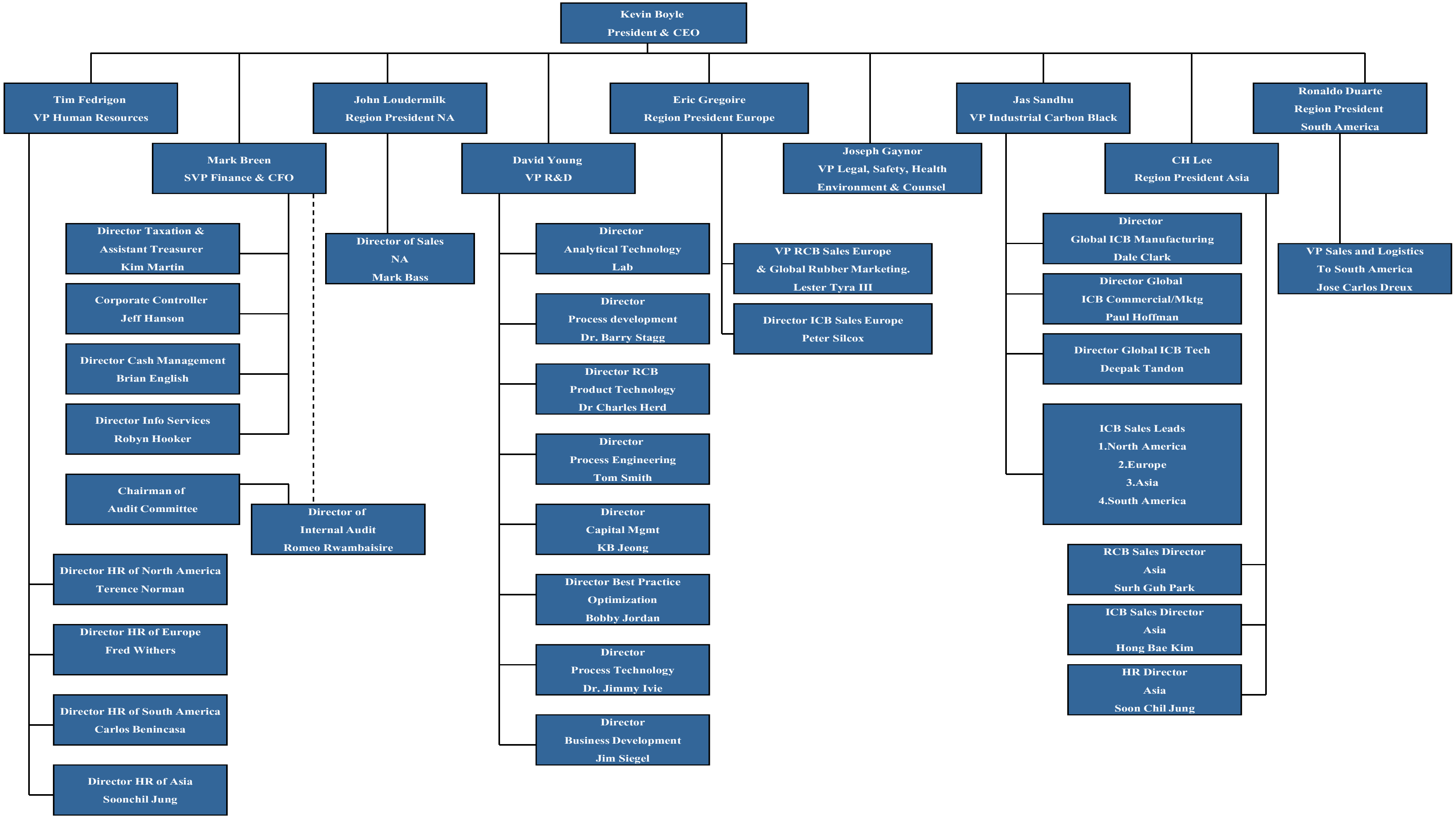
As at September 2010, the Target Group had 1,100 employees comprising of permanent staff at production plants of 1,041 and permanent staff working at the head office of 159.

Details of staff working at production plants and the head office of the Target Group are listed below:

Location	Number of Employee
Americas	
1. North Bend, USA	139
2. Hickok, USA	46
3. Hamilton, Canada	104
4. Cubatao, Brazil	218
5. Bahia, Brazil	55
Europe	
6. Tiszaujvaros, Hungary	91
7. Trecate, Italy	80
8. Satandar, Spain	74
9. Hanover, Germany	77
Asia	
10. Yeosu, Korea	76
11. Weifang, China	81
12. Head Office	159

Source: Financial due diligence

Organizational Structure of the Target Group



Source: Information from the Target Group

1.10.4 Board of Director

Directors of the Target Group as at 30 September 2010:

	Name	Position
1	Jacques Nasser	Chairman of the Board / Director
2	Kevin R. Boyle	Director
3	David Han	Director / Compensation Committee / Audit Committee
4	Thomas J. Kichler	Director / Compensation Committee / Audit Committee
5	Don Leclair	Director / Audit Committee
6	Michael McGovern	Director / Compensation Committee

Source: Information from the Target Group

1.10.5 Financial Position and Financial Performance

Financial data of the Target Group from 2007 – 2010 is shown below:

Unit: USD Million	2007*	2008*	2009*	2010**
Balance Sheet				
Inventories	120	132	145	112
Total Assets	1,007	804	871	819
Current Liabilities	204	155	194	144
Total Liabilities	635	542	553	515
Total Shareholder's Equity	372	262	318	304
Income Statement				
Sales	957	1,164	751	1,080
Gross Margin	126	135	114	172
Earnings Before Interest, Tax, Depreciation & Amortization	93	106	89	141
Impairment and Business Restructuring Expenses	-	(105)	(11)	(8)
Other Income (Expenses)	34	(29)	7	(32)
Earnings (Loss) before interest and tax	81	(86)	38	58
Net Income (Loss)	23	(133)	(15)	(9)
Financial Ratio				
Gross Margin (%)	13%	12%	15%	16%
EBITDA Margin (%)	10%	9%	12%	13%
Net Profit Margin (%)	2%	(11%)	(2%)	(1%)
Return on Assets (%)	2%	(16%)	(2%)	(1%)
Return on Equity (%)	6%	(51%)	(5%)	(3%)

*Source: * Audited financial statements of the Target Group for 2007 – 2009*

*** The Target Group's management accounts for 2010*

Remark: Accounting period of the Target Group is from January to December

Financial Performance (Income Statement)

Net Sales

Sales of the Target Group in 2010 increased by USD 329 million from 2009, or increased by 44% to USD 1,080 million. Higher sales revenue in 2010 resulted from a higher average selling price of 13% and higher volume of 24% after the economic recovery, especially the auto industry.

Gross Margin

Gross Margin of the Target Group in 2010 increased from 15% of net sales in 2009 to 16% of net sales, equal to USD 172 million an increase of USD 58 million or 51% from the gross margin in 2009. Higher gross margin resulted from higher sales volume in 2010 despite a variable cost increase from 65% to 69%.

SG&A Expense

In 2010, SG&A expense was USD 31 million, increased from 2009 by USD 6 million or increased by 24% due to steep cut in these expenses made in 2009 which has to be partially restored with economy recovering leading to higher sales volume.

Impairment and Business Restructuring Expenses

In 2008, the Target Group set a provision for impairment of goodwill and provision on business restructuring according to accounting standard due to economic recession. In 2008, the impairment of goodwill related to the acquisition of a company in Brazil was set USD 92.5 million and the provision on potential liability from restructuring included closing the plant in West Virginia and Bristol, England was set to USD 12 million.

In 2009, the Target Group set an impairment and provision for potential liability of USD 0.7 million which related to closing its sale office in Japan and the Target Group also paid the actual expenses for closing of plants, which are located in West Virginia and Bristol, and a sales office in Japan amounting to USD 10 million.

In 2010, the Target Group had paid additional expenses amount of USD 8 million for its business restructuring.

Financial Cost

Financial cost in 2010 was quite stable as compared to 2009, or equivalent to USD 36 million.

Net Loss

The Target Group had a continuing positive EBITDA in 2007 to 2010 but due to the economic recession, the Target Group needed to set extraordinary expenses and there was also expenses incur from its business restructuring despite that in 2009 and 2010 the Target Group had profit before interest and tax, which was not enough to cover its interest and tax expenses, so net loss incurred.

Financial Position (Balance Sheet)

Total Assets

As at 31 December 2010, total assets of the Target Group was USD 819 million, decreased by USD 52 million or 6% from 31 December 2009. The decline in total assets mainly resulted from a decrease in net inventories amount of USD 32 million due to inventory management especially the procurement and raw material management.

Total Liabilities

As at 31 December 2010, the Target Group's current liabilities decrease for USD 50 million due to a decrease in trade accounts payable amount of USD 34 million, which was from a decrease in raw material. While the Target Group's non-current liabilities had no significant change.

1.10.6 Litigation

According to the Legal Due Diligence Report dated 20 January 2011, the Target Group has 2 major carbon black litigations which are:

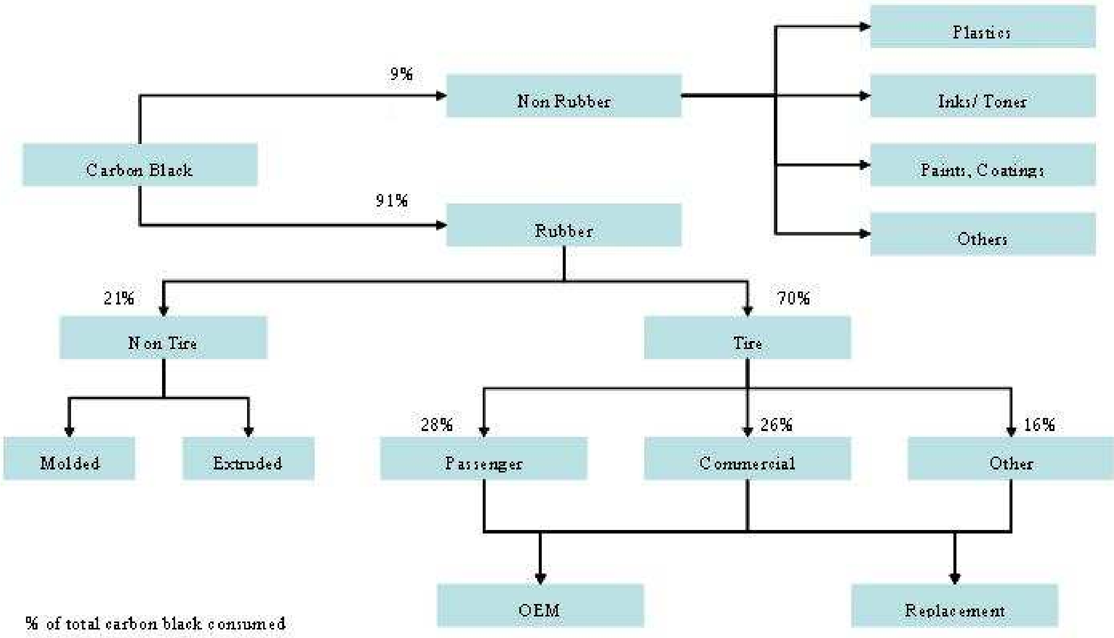
1. Plaintiffs of 136 residential properties sued the Target Group for property damage and personal injury caused by the carbon black production of the Target Group in West Virginia. The Target Group spent USD 1.13 million in 2010 and estimated the defense cost of USD 0.15 million per month to defend this case.
2. Two plaintiffs sued the Target Group for property damage and personal injury resulted from emission of carbon black pollution from plants located in Marshall County. There is no estimated exposure on this case.

The Acquirers set aside USD 20 million from the total investment in an escrow account as collateral for the Target group's contingent liabilities.

1.11 Industry Overview

Carbon black offers a wide range of performance characteristics and applications. It is added to various types of materials to improve their physical, electrical and optical properties. Carbon black is a mature market, for which growth follows at slightly over GDP. Carbon black demand is heavily dependent on other products including tires, industrial rubber goods, plastics (polyefins), inks and toners, paints and coatings and a range of other products.

Percent Usage of Carbon Black in each industry for the year 2009



Source: Carbon black world data book 2010 from Notch Consulting

Major markets of carbon black are tire and auto parts. Since tire consumes two third of total carbon black production, carbon black suppliers are heavily reliant on the tire industry and economic conditions.

Carbon black producers generally compete with one another by developing the efficiency of production process such as lower raw material consumption and/or lower energy consumption to produce carbon black.

1.11.1 World Carbon Black Industry Demand & Supply and Trends

Carbon black industry in 2010 recovered from 2009. In 2009, the carbon black industry faced difficulty from lower demand and higher feedstock costs, resulting in lower profitability. With the global financial crisis in 2009, world carbon black demand in 2009 was 8.98 million tonnes, a decline of 9% from 2008.

After the economic recovery and higher carbon black demand from tire industry, global demand for carbon black in 2010 was estimated to grow by 10%. Long-term carbon black demand from 2010 to 2015 is forecasted to grow by 5% p.a. This long-term carbon black growth is consistent to the estimated growth rate from Freedonia, a research company. Freedonia has projected that the long-term carbon black growth from 2008 to 2018 would be 4% p.a. It is estimated that capacity utilization in 2010 would increase from 70.9% in 2009 to 73.4%, resulting from higher production volume in China of 751,000 tonnes per year.

Carbon Black Supply and Demand Overview

Unit: Thousand Tonnes	2002	2007	2008	2009	2010F	2015F	CAGR (%) 2002 – 2009	CAGR (%) 2010 - 2015
Carbon Black Capacity	9,165	12,058	12,361	12,664	13,490	16,254	4.7%	3.8%
% Utilization	82.1%	82.3%	78.4%	70.9%	73.4%	78.7%		
Carbon Black Production	7,529	9,923	9,689	8,978	9,905	12,800	2.5%	5.3%
Carbon Black Demand	**7,645**	**10,050**	**9,880**	**8,949**	**9,869**	**12,800**	**2.3%**	**5.3%**
Tire	5,315	7,114	7,111	6,405	7,056	9,143	2.7%	5.3%
Non-Tire Rubber	1,758	2,211	2,058	1,893	2,100	2,729	1.1%	5.4%
Specialty Markets	572	725	711	651	714	928	1.9%	5.4%

Source: Carbon black world data book 2010 from Notch Consulting

In 2009, total value of global carbon black market was USD 8.8 billion. The global carbon black industry comprises of 35 major suppliers including 3 leading global suppliers, 10 major regional suppliers and another 20 - 25 smaller suppliers serving local markets. Global carbon black suppliers are Cabot Corporation, Evonik Industries AG and Columbian Chemicals (the Target Group). Total market share and production capacity from the 3 leading global suppliers in 2009 accounts 45% and 35% of the total, respectively.

Top Ten Company Sales and Production Capacity in 2009

Company	Sales – 2009 (USD Million)	Market Share (%)	Capacity – 2009 (Tonnes per Year)	Market
Cabot Corporation	1,697	19%	1,963,000	Global
Evonik Carbon Black	1,325	15%	1,435,000	Global
Columbian Chemicals (the Target Group)	900	10%	1,027,000**	Global
Aditya Birla Group*	625	10%	793,000	Europe, Asia, Africa, Middle East
CSRC	430	7%	685,000	North America, Asia
Tokai Carbon	320	5%	365,000	Asia
Sid Richardson	280	4%	445,000	North America
Bridgestone	274	3%	245,000	North America, Asia
Jiangxi Black Cat Carbon Black	272	3%	380,000	China
Phillips Carbon Black	262	3%	363,000	Asia

Source: Carbon black world data book 2010 from Notch Consulting

** Include ACB, Hi tech Carbon, Lioanning Birla Carbon and Thai Carbon Black Co., Ltd.*

*** In 2010, Columbian Chemicals (the Target Group) increased its production capacity by 50,000 tonnes per year in China*

1.11.2 Industry overview of Carbon Black Industry in Thailand

In 2009, carbon black production in Thailand declined by 9% from 2008 to 279,000 tonnes. This mainly resulted from lower exports, especially to Japan which was Thailand's largest export market. Moreover, production utilization in 2009 was only 72.5%, the lowest utilization since 1990.

Production in 2010 is estimated to grow by 12% as a consequence of stronger demand in both domestic and export markets but the utilization rate is expected to further drop to 67% as two carbon black suppliers expanded their production capacity in 2010.

Annual Carbon Black Demand & Supply

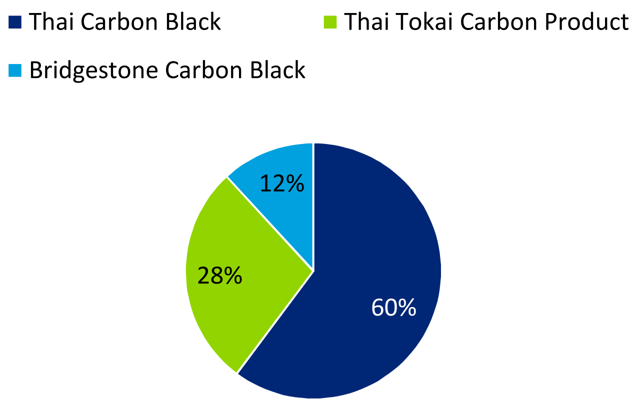
Unit: Thousand Tonnes	2007	2008	2009	2010F	2015F
Capacity	385	385	385	465	465
% Utilization	89.1%	79.4%	72.5%	67.3%	79.6%
Production	343	306	279	313	370
Apparent Consumption:	**226**	**241**	**240**	**260**	**325**
Tire	161	174	160	174	222
Non-Tire Rubber	54	57	69	74	88
Specialty Blacks	11	10	11	12	15

Source: Carbon black world data book 2010 from Notch Consulting

Three major carbon black producers are Thai Carbon Black Public Co., Ltd., Thai Tokai Carbon Product Co., Ltd. and Bridgestone Carbon Black (Thailand) Co., Ltd. Total production capacity from the 3 leading carbon black producers in Thailand in 2010 was 465,000 tonnes per year, an increase of 85,000 tonnes per year from 2009 as a result of plants expansion during mid-year 2010 from Thai Carbon Black Public Co., Ltd. (65,000 tonnes per year) and Thai Tokai Carbon Product Co., Ltd. (20,000 tonnes per year).

Thai Carbon Black Public Co., Ltd. is currently the largest carbon black producer in Thailand, having the production capacity of 275,000 tonnes per year.

Proportion of Carbon Black Production Capacity by Company in Thailand for the year 2010



1.11.3 Risk Factors of Carbon Black Industry

Risk factors that may affect the carbon black industry are as below:

1) **Fluctuation in Price of Raw Material**

   Carbon black feedstock oil is a major raw material in producing the carbon black. The price of carbon black feedstock oil is dependent to the price of international crude oil. In the past, there was a high fluctuation in price of crude oil as a result of many factors such as economic recession and alternative energy consumption.

2) **Heavily Reliance on Sole Industry**

   Carbon black industry is heavily reliant on auto industry, the highest carbon black consumes. Carbon black manufactures in Thailand have tried to diversify this operational risk by increasing the sales revenue from other industries. Unfortunately, this attempt has not been very successful.

Source of industry overview: Carbon black world data book 2010 from Notch Consulting

1.12 General Information of the Acquirers

1.12.1 Information of the Company

1.12.1.1 Nature of Business

The Company produces various grades of carbon black consisting of tiny Colloidal Particles. The important production process of carbon black is the combustion process and hydrocarbon oil extraction under controlled conditions.

The key raw material for carbon black production is Carbon Black Feedstock Oil, which accounts for 95% - 98% of total raw material cost. The Company primarily imports the Carbon Black Feedstock Oil from the USA. The remaining cost of raw materials includes cost of Fuel Oil and Kerosene Oil, which the Company purchases locally.

The Company supplies carbon black to the tire segment. The Company aims to increase the market share by increasing the sales volume of specialty carbon black used in Mechanical Rubber Goods, non-tire segment. In 2009, only 3% of total sales of specialty carbon black was sold to non-tire segments both in domestic and export markets.

In terms of sales volume, the Company has the largest market share in Thailand, being 42% of the total market share in 2009. Thai Tokai Carbon Product Co., Ltd. and Bridgestone Carbon Black (Thailand) Co., Ltd. accounted 31% and 6% of total market share, respectively. The average proportion of domestic sales to export sales of the Company from 2007 – 2009 is 56 : 44

The carbon black plant of the Company is located at Amphur Muang, Angthong. The Company expanded the production capacity by increasing 1 production line (Line 6) in June 2010, resulting in higher production volume of 65,000 MT per year. After the expansion, the production capacity increased from 210,000 MT per year to 275,000 MT per year.

1.12.1.2 Financial Statements

Details of the Company and its subsidiaries' consolidated financial statement from 2007 – 2009 and 9-month ended September 2010 are summarized below:

Unit: THB Million	2007*	2008*	2009*	Jan – Sep 2009**	Jan – Sep 2010**
Balance Sheet					
Account Receivables	1,200	1,208	1,291	1,134	1,651
Inventories	1,139	1,541	1,152	943	1,158
Property, Plant and Equipment - net	2,296	2,851	2,950	2,917	2,978
Total Assets	8,050	8,445	9,272	8,747	10,027
Over Draft and Short-term borrowing	361	373	341	342	401
Trade Accounts Payable	149	224	261	160	190
Total Liabilities	1,058	1,255	1,115	1,005	1,099
Total Shareholder's Equity	6,992	7,190	8,157	7,742	8,927
Paid-Up Capital	300	300	300	300	300
Income Statement					
Sales	7,054	9,146	5,664	3,770	6,739
Gross Margin	1,761	735	1,272	759	1,190
Other Income	75	126	21	16	57
Share of Income from Investment in Associates	291	265	312	228	209
Earnings Before Interest and Tax	1,279	660	1,131	683	1,120
Net Income	1,288	450	1,074	672	990
EPS (THB/share)	4.32	1.50	3.62	2.24	3.30
Cash Flow Statements					
Cash Flows from Operating Activities	1,130	163	1,305	1,188	665
Cash Flows used in Investing Activities	(411)	(688)	(390)	(428)	(167)
Cash Flows from Financing Activities	(462)	(319)	(238)	(204)	(156)
Financial Ratio					
Gross Profit Margin (%)	25%*	8%	22%	20%	18%
Operating Margin (%)	18%	7%	20%	18%	17%
Net Profit Margin (%)	18%	5%	19%	18%	15%
Return on Assets (%)	16%	5%	12%	8%	10%
Return on Equity (%)	18%	6%	13%	9%	11%

*Source: * The company's audited financial statements 2007 – 2009*

*** The company's reviewed but unaudited financial statement for 9-month period ended 30 September 2009 and 30 September 2010*

Financial Performance (Income Statement)

Net Sales

Sales of the Company and its subsidiaries for the 9-month period of 2010 was THB 6,739 million, increasing from the 9-month period of 2009 by THB 2,969 million or by 79%. Higher sales in 2010 resulted from the economic recovery.

Gross Profit Margin

Although sales of the Company and its subsidiaries for the 9-month period of 2010 increased for the 9-month period of 2009, the gross profit margin for the 9-month period of 2010 decreased from 20% to 18% of sales or equal to THB 1,190 million. The gross margin decrease was due to the increase in cost of goods sold.

Other Income

Other Income included dividend income, interest income and gains from foreign exchange. For the 9-month period of 2010, other income was THB 57 million, which increased by THB 41 million from the prior year. Increase in other income resulted from higher dividend income and gains from foreign exchange due to the Company and its subsidiaries' better managing foreign exchange fluctuations.

SG&A Expense

Selling expenses for the 9-month period of 2009 and 2010 were stable at 3% of sales. For the 9-month period of 2010, The Company and its subsidiaries' administrative expenses decreased from THB 178 million for the 9-month period of 2009 to THB 158 million.

Financial Cost

Financial cost for the 9-month period of 2010 was THB 9 million, a decline of THB 13 million from the 9-month period in 2009 due to the Company and its subsidiaries' repayment of long-term loans.

Net Income

For the 9-month period of 2010, the Company and its subsidiaries' operating profit increased from the 9-month period of 2009 by 64% from THB 683 million to THB 1,120 million. The Company and its subsidiaries' net profit for the 9-month period of 2010 was equal to THB 990 million, an increase from the net profit for the 9-month period of 2009 by THB 318 million. Net profit margin for the 9-month period of 2010 decreased from 18% for the 9-month period of 2009 to 15%.

Financial Position (Balance Sheet)

Total Assets

Total assets of the Company and its subsidiaries as at 31 September 2010 was THB 10,027 million which increased by THB 755 million from 31 September 2009. Higher total assets resulted from higher cash from the increased net profit from the additional investment of THB 309 million for an increase in capacity from 210,000 metric tonnes per year in 2009 to 275,000 metric tonnes. Higher total assets also resulted from higher trade accounts receivable and inventories from the increase in sales volume and higher capacity.

Total Liabilities and Shareholder's equity

As at 31 September 2010, the Company and its subsidiaries had total liabilities and equity of THB 1,099 million and THB 8,927 million, respectively. Hence, total liabilities to shareholder's equity ratio of the Company and its subsidiaries was 0.12 times. Total liabilities and shareholder's equity of the Company and its subsidiaries increase from 31 September 2009 due to the increase in trade accounts payable from the higher sales. The Company and its subsidiaries used internal fund for the capacity expansion.

1.12.1.3 Board of Director and Management Team of the Company

Name Lists of Board of Director as at 31 December 2010

	Name	Position
1	Mr. K. M. Birla	Chairman
2	Mr. Sanjeev Sood	Director / President
3	Dr. Santrupt B. Misra	Executive Director
4	Mrs. Rajashree Birla	Director
5	Mr. Deepak Mittal	Director
6	Mr. Rajinderpal Singh Thakralbutra	Director
7	Mrs. Rachani Kajiji	Director
8	Mr. Arvind K. Newar	Independent Director
9	Mr. G. K. Tulsian	Independent Director
10	Mr. Prakit Pradipasen	Independent Director / Chairman of Audit Committee
11	Mr. S.S. Mahansaria	Independent Director / Audit Committee Member
12	Mr. Sachin Jitendra Mehta	Independent Director / Audit Committee Member

Source: The Stock Exchange of Thailand as at 31 January 2011

Name Lists of Management Team as at 31 December 2010

	Name	Position
1	Mr. Sanjeev Sood	President
2	Mr. Ajay Rastogi	Senior Vice President (Manufacturing)
3	Mr. Rajiv Gupta	Senior Vice President (Marketing)
4	Mr. Latthasit Thongklaew	Assistant Vice President (Human Resource & Administration)

Source: the Company

1.12.1.4 List of Shareholders of the Company

The Company's registered and paid-up capital is equal to 300 million shares. The list of shareholders is shown below.

	Name	No. of Share (share)	%
1	Thai Rayon Public Co.,Ltd.*	74,937,500	24.98%
2	Everlon International Holdings Limited*	37,687,500	12.56%
3	Mr.Veeraphan Theepsuwan	25,015,420	8.34%
4	P.T Indo Bharat Rayon*	23,296,880	7.77%
5	Hilltop Limited*	10,271,250	3.42%
6	Asseau Company Ltd.*	10,040,120	3.35%
7	Grasim Industries Ltd.*	8,250,000	2.75%
8	Thevaraya Co.,Ltd	6,566,250	2.19%
9	Thai Industrial Management and Trading Co.,Ltd*	5,810,380	1.94%
10	Ganaria International Corp*	5,798,000	1.93%
11	Sirinarang Co.,Ltd.	3,750,000	1.25%
12	MR.ATEEB RASHEED MASKATI	2,881,870	0.96%
13	Mr.Kamol Phichitsing	2,500,000	0.83%
14	Mrs. Narinthip Thakran	1,818,750	0.61%
15	Mr. Sukit Phichitsing	1,687,500	0.56%
16	Rama Trading Company Limited*	1,186,000	0.40%
17	Other	78,502,580	26.17%
	Total	**300,000,000**	**100.00**

Source: Thailand Securities Depository Company Limited

** These entities are part of Aditya Birla Group*

1.12.1.5 General Information of the Company's Subsidiaries

Liaoning Birla Carbon Co., Ltd.

Liaoning Birla Carbon Co., Ltd. is a joint venture company between the Company and Dashiqiao Ronghua Co., Ltd. As at 31 December 2009, the Company was a major shareholder of Liaoning Birla Carbon Co., Ltd., holding 100% of total capital.

Liaoning Birla Carbon Co., Ltd. is located in Liaoning province of China, manufacturing and marketing furnance grade Carbon Black under the brand name Birla Carbon. The total capacity of 55,000 MT is supplied to the world's top tire manufactures which have production plants in China such as Bridgestone, Micheline, Goodyear, Yokohama, Sumitomo and etc. In addition, Liaoning Birla Carbon Co., Ltd. supplies to other countries such as Japan, India, Thailand, Columbia, Europe, UAE and etc.

Birla Carbon Mexico, S.A.DE C.V.

Birla Carbon Mexico, S.A.DE C.V. is registered in Mexico to manufacture furnance grade Carbon Black. As at 31 December 2009, the Company was a major shareholder of Birla Carbon Mexico, S.A.DE C.V., holding 98% of total capital. The Company is still evaluating potential of Mexican market.

1.12.2 Details of the Acquirers – ACB

General information of ACB

Alexandria Carbon Black S.A.E., a company located at Alexandria in Egypt, is a joint venture of the Aditya Birla Group with the Egyptian government. ACB was registered for producing carbon black. The production capacity of ACB is 285,000 MT per annum and ACB is one of the fastest growing carbon black producer in the world.

List of ACB's shareholders as of 31 December 2010 are as follow

	Name	Shares (Share)	%
1	Aditya Birla Group	1,101,960	68.00%
2	MIRAPA LIMITED	162,050	10.00%
3	SAUDI EGYPTIAN INVEST. CO.	129,640	8.00%
4	EL NASR COKE CO.	64,820	4.00%
5	GOLD FOUNDATION	32,410	2.00%
6	DIAMOND FOUNDATION	32,410	2.00%
7	PEARL FOUNDATION	32,410	2.00%
8	ROUGH FOUNDATION	32,410	2.00%
9	KILIMACH CORPORATION	32,410	2.00%
	Total	**1,620,520**	**100.00%**

Source: the Company

List of ACB's Board of Directors as of 31 December 2010 are as follow

	Name
1	Mr. Kumar Mangalam Birla
2	Mrs. Rajashree Birla
3	Dr. Santrupt Misra
4	Mr. Sanjeev Sood
5	Mr. Sabyasachi Patnaik
6	Mr. Ali Bin Hussein Al-Sharief
7	Mr. Adel El Danaf, Chairman
8	Mr. Sachin Mehta
9	Mr. Rashmi Mehta

Source: the Company

Summary of Financial Position and Historical Financial Performance

Details of ACB's financial statement from 2008 to 2010 are summarized below:

Unit: USD million	2008*	2009*	2010**
Balance Sheet			
Total Assets	253	227	252
Total Liabilities	92	45	58
Total Equity	161	181	194
Income Statement			
Sales	279	172	244
Gross Margin	44	46	74
Other Income	0	0	-
EBIT	23	28	31
Net Income	15	32	30
Financial Ratio			
Gross Profit Margin (%)	16%	26%	30%
Operating Margin (%)	8%	16%	13%
Net Profit Margin (%)	5%	19%	12%
ROE (%)	9%	18%	16%
ROA (%)	6%	14%	14%

*Source: * ACB's audited financial statements for 2008 - 2009*

*** ACB's management accounts for 2010*

Note: ACB's fiscal year is January to December

1.12.3 Details of the Acquirers – SKI

General Information of SKI

SKI or SKI Investment Pte. Ltd. is a Limited Liability Company located in Singapore. SKI is a part of Aditya Birla group through its sole shareholder, Kiran Investment Pte. Ltd. which is part of Aditya Birla Group.

SKI is a Holding Company.

List of SKI's Board of Directors as of 31 December 2010 are as follow

	Name
1	Sushil Agarwal
2	Lee Tau Chye

Source: the Company

Summary of Financial Position and Historical Financial Performance

Details of SKI's financial statement from 2008 to 2010 are summarized below:

Unit: USD million	2008*	2009*	2010**
Balance Sheet			
Total Assets	2.1	2.3	80
Total Liabilities	1.9	1.9	78
Total Equity	0.2	0.4	2.6
Income Statement			
Total Income	0.3	0.2	1.9
EBIT	0.3	0.2	1.9
Net Income	0.2	0.1	1.7
Financial Ratio			
Operating Margin (%)	96%	97%	98%
Net Profit Margin (%)	85%	56%	87%
ROE (%)	102%	31%	65%
ROA (%)	12%	5%	2%

*Source: * SKI's audited financial statements for 2008 - 2009*

*** SKI's management accounts for 2010*

Note: SKI's fiscal year is January to December

1.12.4 Practices and Sources of Information in preparation of the Opinion of Financial Advisory

Opining the Assets Acquisition Transaction, Deloitte Touche Tohmatsu Jaiyos Advisory Co., Ltd. as an Independent Financial Advisory has considered the followings: (1) Copy of the document concerning the Board of Directors' resolution relating the Assets Acquisition Transaction dated 28 January 2011 (2) Interview management in relation to the major conditions in the Purchase Agreement between the Acquirers and Columbian Chemicals Holding LLC Delaware (3) Study of Carbon Black industry from market research and public information (4) Analysis of the Company, ACB and SKI performances including the performance of the Target Group (5) Review of the Target Group's financial projections which was used to assess the acquisition value (6) Review of the Company's financial projections which was prepared by the Company (7) Analyzed and adjusted the financial assumptions based on a conservative approach together with interviews with the Company's management, the acquirers' management concerning to the financial assumptions and business plan (8) Indicative valuation of the Target Group (9) Review the post acquisition plan (10) Consideration of the benefits and impacts of such Transaction.

To provide opinion to the shareholders, financial advisor has reviewed the following documents:

- Historical performance of the Acquirers and the Target Group for year 2008 - 2010
- 56-1 report year 2009 for the Company
- Financial Due Diligence Report from the Company's advisor dated 22 January 2011
- Legal Due Diligence Report from the Company's legal advisor dated 20 January 2011
- Tax Due Diligence Report from the Company's tax advisor dated 22 January 2011
- Financial projection of the Company and the Target Group prepared by the Acquirers and the Target Group respectively
- Purchase Agreement dated 28 January 2011
- Copy of the Board of Directors' resolution relating to investment dated 28 January 2011
- Copy of the presentation documents presented to company's board of Directors dated 26 January 2011
- Post Acquisition Plan
- Industry research report and other available public information
- Commitment letter relating to the Company and ACB's loan provide by commercial banks
- Commitment letter relating to SKI's financial support from Aditya Birla Group

Information such as information related to the transaction, the Company's information, the Acquirers information, financial projection of the Company and financial projection of the Target Group, which was prepared by the Target Group, was provided by the Acquirers' management to the Financial Advisor. Some of the information was not available to the Financial Advisor due to the Antimonopoly Act. The Financial Advisor did not have any direct contact with the Target Group relating to the confirmation of Target Group's information. Therefore, the responsibility for the information correctness and completeness is with the Acquirers. The opinion of the Financial Advisor is based on the information provided up to the date stated in this report. By analyzing and considering the mentioned information, the Financial Advisor has no reason to doubt that the information is materially inaccurate or incomplete.

The IFA has reviewed the financial projection and assumptions to the level that the Financial Advisor could provide an opinion in this report. The financial projection and assumptions are the Acquirers' responsibility. The IFA will not guarantee the future performance will be the same as the projection as normally the projection might have significantly difference from the future performance. IFA has however no reason to doubt that the assumptions made in the projection are not appropriate.

This Opinion by the Financial Advisor is necessarily based upon market, economic and other conditions as they exist and can be evaluated as of the date hereof. The Financial Advisor has no obligation to update, revise or reaffirm the opinion stated herein. The Financial Advisor believes that in forming the Financial Advisor's opinion in this report, the opinion was based on careful consideration of the provided information. However, the ultimate decision to support or not support the acquisition of assets is the discretion of the shareholder.

2 Reasonableness and Benefits of the Transaction

2.1 Strategic Rationales for the Acquisition

In order to achieve the vision of being the leading company in each country that it has a presence and to be a global company in the Carbon Black Industry, the Company and its major shareholders ("The Acquirers") will improve its production process, products, services and human resource to satisfy its customers and related entities. These improvements will form a strong platform for a sustainable growth.

Given the nature of this industry, the carbon black customers have multi locations for their plants around the globe especially the major tire customers and therefore they will look for an established global player who can provide better servicing capabilities to them by being a one stop shop for their global sourcing solution in terms of complete solution of both products and services. Thus, being a global player is crucial. However, research indicates that in the current industry condition the supply of the carbon black is exceeds demand. This, acquisition is an alternative strategy for the Acquirers significant grow and better serve the customers in a short period of time.

Currently the Acquirers have 6 plants located in Asia, Middle East and North Africa with total capacity of 7.5% of the global capacity. By acquiring the Target Group, the Acquirers' plants will increase to 17 plants spanning all entire major continents including America and Europe. The capacity level will also increase to be the number one producer with 15% of the global capacity, resulting in a better global status for serving customers. In addition, the Acquirers will also obtain the expertise in carbon black market from the Target Group's team, which has more than 25 years of experience, resulting in greater efficiency in managing its human resources for future growth.

The Target Group has a very strong R&D department located in Atlanta, USA and technological capabilities in terms of Specialty Grade carbon black and production efficiency. The acquisition will provide the access to the process for producing specialty grades and production process of the Target Group to the Company which will help the Company in providing the entire range of products to its customers and will lead to higher revenue and margins.

Therefore, with the significant increase in capacity from 942,000 ton per year to 2,019,000 ton per year, the Company will have better bargaining power resulting in increased efficiency and cost reduction in raw material procurement.

As such, the acquisition fits well with the Acquirers' vision for sustainable growth. Combining the mentioned benefits with the Company's proficiency in the carbon black market and the experienced management, it is believed that this acquisition will provide improvement to the Company in many aspects such as sales volume, procurement, production, R&D, and human resource which will result in a significant overall improvement to the Company and the Acquirers' operating efficiency it will also create synergies to the Company's current business.

2.2 Benefits of the Transaction

2.2.1 Business Value Added from the Yield Improvement

Yield of carbon black production depends on factors mainly such as combustion efficiency, raw material quality, feed stock injection system and reactor configuration. The operating temperatures of oil and the pressure of flow can also influence the yield. The Acquirers' technical officer has observed the Target Group's production and found out that the Target Group had better production yield than the Acquirers.

In according to the market research, the yield of carbon black industry in 2007-2009 was at the level of 1.73-1.75 tons feedstock per ton carbon black. The Company and the Target Group have yields around industry yields but the Target Group has a better yield rate about 0.10 tons of raw material per ton of carbon black.

Unit: '000 tons	2007	2008	2009
Carbon Black Production	9,923	9,689	8,978
% yield	57.2%	57.5%	57.6%
Tons feedstock per ton of carbon black	1.75	1.74	1.73

Source: Carbon Black World Data Book 2010, Notch Consulting group

Presently, the Acquirers production process has lower efficiency in air distribution and its burner system. After the acquisition, the Acquirers will obtain the knowledge for improving its production process efficiency to be at the same level as the Target Group. Since the improvement only relates to the production process, little time and capital will be required.

The Company expects to improve the yield efficiency to be only 20% of the yield spread so the improvement will be only 0.02 ton less raw material used per 1 ton of carbon black produced. This improvement will result in less material used and an increase in profit.

2.2.2 Increase Profitability from Developing Specialty Grade Product to Serve the Market's Demand

The Company will focus on specialty grade carbon black to increase demand in the market so its customer base will be more diversified which will result in improved competitiveness and increase market share.

Currently the Company can only produces basic specialty grades of carbon black such as JetCarb, Mouldex, TBL, which is used in the ink industry (newspaper) and coating industry, amounting to about 6,000 ton per year. The Target Group has the knowledge for producing advance specialty grade such as Raven, Condutex and Copeblack, which are used for the writing ink, tonner, plastic and high level coating industries, by using a Carcass reactor, which is the same as the Company's production line 2 and 4. After the acquisition, the Company will obtain the knowledge for producing the mentioned advance specialty grades, which will only require the company to adjust its production process before it could produce advance specialty grade carbon black. So only a little time and capital investment will be required.

Since there is only a few advance specialty grade carbon black producers, this type of product will have command a significantly higher price than the normal grade product as presented in the following table.

Unit: USD per kilogram	2007	2008	2009	Average (3 years)
Carbon Black - Tires	0.93	1.18	0.91	**1.01**
Carbon Black – Non- Tire Rubber	0.75	0.93	0.74	**0.81**
Specialty Grade	2.24	2.83	2.38	**2.48**

Source: Carbon Black World Data Book 2010, Notch Consulting Group

The Acquirers have observed and discussed with the Target Group and found out that the Target Group has a higher contribution margin than the current rate at the Company by USD 620 per ton. So after the acquisition, not only the product mix of the Company will be better in serving the market's demand but the company's margin should also improve.

The Company planned to switch two of its production line, which has a combined capacity of 80,000 ton per year, to produce advance specialty grade carbon black. In the projection the company expects to produce advance specialty grade carbon black of 15,000 ton per year or equal to 19% of the capacity. This will result in a conservatively estimated additional profit of USD 500 per ton. Potential customers for this product line are in paint, ink and plastic industries.

2.2.3 Increased Efficiency and Cost Reduction in Raw Material Procurement

The Acquirers will obtain an additional 11 plants from the acquisition which combined with their current plants will total 17 plants and will cover 12 countries around the world. The total production capacity of the acquirers will increase from 942,000 ton per year to 2,019,000 ton per year resulting in higher bargaining power for raw material procurement.

The Acquirers			The Target Group			Total	
Country	No. of plants	Capacity (Ton per year)	Country	No. of Plants	Capacity (Ton per year)	No. of plants	Capacity (Ton per year)
America				**5**	**579,000**	**5**	**579,000**
N/A			USA	2	212,000	2	212,000
			Canada	1	102,000	1	102,000
			Brazil	2	265,000	2	265,000
Europe				**4**	**303,000**	**4**	**303,000**
N/A			Hungary	1	108,000	1	108,000
			Italy	1	80,000	1	80,000
			Spain	1	60,000	1	60,000
			Germany	1	55,000	1	55,000
Asia	**6**	**942,000**		**2**	**195,000**	**8**	**1,137,000**
India	3	346,000	Korea	1	125,000	3	471,000
China	1	36,000	China	1	70,000	3	106,000
Egypt	1	285,000				1	285,000
Thailand	1	275,000				1	275,000
Total	**6**	**942,000**		**11**	**1,077,000**	**17**	**2,019,000**

Source: information from the Company and the Target Group

The major raw material for Carbon Black is Carbon Black Feed Stock Oil which accounted for 95-98% of the raw material cost or equal to 70-75% of total production cost. The two sources of raw material for carbon black are refineries and blenders. Blenders are the parties who purchase from the refineries and in turn sell the material after blending as per customer requirement's specifications.

Raw material prices for carbon black are linked to international oil prices and will have a discount or premium on the listed price depending on the demand and supply situation of the required specification of the material. The price also depends on the quantity of procurement and will be cheaper if the purchase is made at the time the seller is willing to sell.

In order to minimize the operating risk of relying on suppliers, the Company presently imports the Carbon Black Feed Stock Oil from various blenders in the USA. However, the plants of the Acquirers are currently located far from refiners and blenders. Thus, the Acquirers could not benefit from buying the raw material when those refiners and blenders want to sell at a discount price. Since some of the plants of the Target Group are located close to the US Gulf Coast, the Company could possibly takes an advantage of buying raw material whenever refiners and blenders want to sell at a discount. In addition, the increase in purchase volume after the acquisition, the Company gain bargaining power over current suppliers.

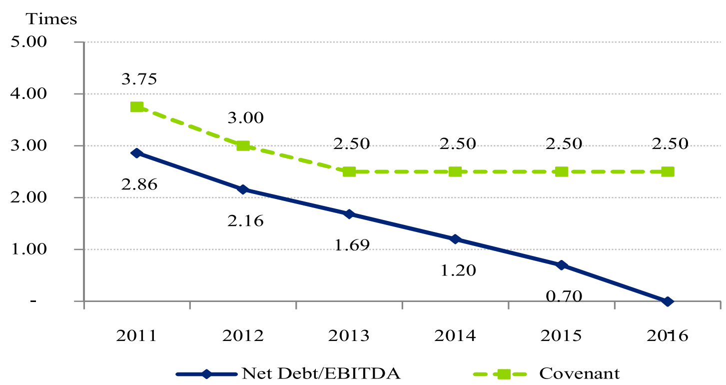
Presently, the average FOB price of Carbon Black Feed Stock Oil is in range of USD 75-80 per barrel. The Company estimates that the saving from the aforementioned cost reduction in raw material procurement is around 5%-10%. The Company has assumed only 1% cost reduction for synergy calculation, which equivalent to USD 0.75 per barrel.

2.3 Potential Impact to the Company and its Shareholders

2.3.1 Increase in the Company's Debt Level

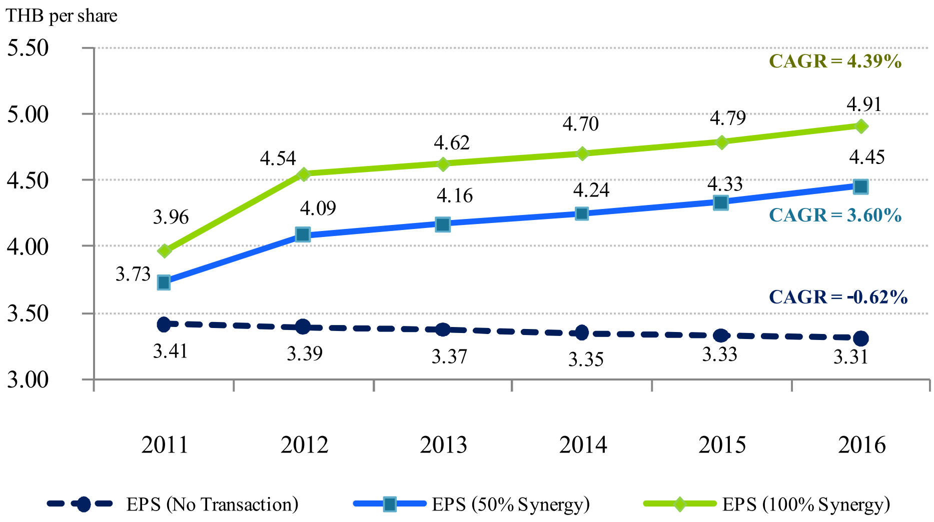
To finance the acquisition, the Company will draw a 175 million new long-term, 5 years, debt facility from banks such as HSBC, SCB, ANZ, BOA and RBS which is to be secured by a charge on all the assets of the Company. If the Company cannot repay its long-term debt on schedule and could not negotiate with its lenders, the lenders might sue and claim the pledged assets. The term for pledged assets is the same for ACB's long-term debt.

The acquisition of the Target Group will increase the Company's Net Debt to EBITDA ratio (Net Debt/EBITDA) to 2.8 times in 2011. The increase in debt level may potentially restrict the Company's current and future operations, which could adversely affect its ability to respond to changes in the business and to manage its operations. Nevertheless, after discussing with the management the IFA received information concerning the Company's capacity expansion of 65,000 ton per year in 2010 so the Company will not have to expand its capacity in the near future. The IFA expects that the company's future net debt to EBITDA would be reduced due to the schedule repayment and the expected increase in operating cash flow of the Company and the Company would also be able to maintain its Net debt/EBITDA at the level required by the bank as presented in the following graph.



2.3.2 Impact on the Company's Earnings per Share Post Acquisition

Based on the Company's projection, if the acquisition does not occur the Company's EPS will remain stable from year 2011 and going forward as the Company's production capacity will reach 98% of its total capacity. However should the acquisition occur EPS is expected to continue to grow with Compound Annual Growth Rate ("CAGR") of 4.39% for year 2011-2016 with 100% synergy achieved and 3.6% for the projection with 50% synergy achieved.



Note: The projected EPS was prepared in USD currency and later converted to THB currency with exchange rate of 30 THB/USD

2.3.3 Impact on Dividend Payment Capability

The Company's average dividend ratio in year 2005 – 2009 was 22% or an average of THB 0.65 per share. Due to the increased debt level of the Company post acquisition, the Company expects to spend approximately USD 30-45 million per year for loan principal and interest payment. The payment will come from the Company's free cash flow. Such payment will have an impact on dividend payment capability of the Company. Therefore there is a condition from the loan, prohibiting dividend payment of USD 4.45 per year if Net Debt/EBITDA is higher than 2.5 times.

	2005	2006	2007	2008	2009
EPS (THB/Share)	2.96	3.11	4.32	1.50	3.62
Dividend Payout ratio	20%	23%	21%	30%	17%
Dividend Paid (THB/Share)	0.60	0.70	0.90	0.45	0.60

	2011	2012	2013	2014	2015	2016
Net Debt/EBITDA (100% Synergy)	2.86	2.16	1.69	1.20	0.70	-
Net Debt/EBITDA (50% Synergy)	3.01	2.38	1.86	1.32	0.77	-
Dividend Payout (THB Million)	134	-- No restriction on dividend --				
Dividend Paid (THB/Share)	0.45	if the loan repayment is on schedule				

Note: The projected Dividend was prepared in USD currency and later converted to THB currency with exchange rate of 30 THB/USD

From the above table, dividend payout for 2011 is set at the ceiling rate following the loan's term of no more than around THB 0.45 per share since in those years Net Debt/EBITDA ratio is higher than 2.5 times. However form year 2012 and on, if the Company repays the loan on schedule, there will be no dividend payout restriction. So the increased leverage level will only affect the Company's dividend payout in the short-term.

2.3.4 Foreign Exchange Rate Risk

The Company will draw on debt facilities amount of USD 175 million for financing the acquisition. Therefore, the Company's foreign exchange rate risk will increase. Since the company is already exposed to foreign exchange rate risk due to its export of 40-45% of total sales and 100% import of its raw material, both in USD currency. Despite that during the year the Company matches its raw material cost with its export sales to form a natural hedge and the company also follows a policy for short-term foreign exchange rate risk prevention, the Company still has a deficit of US dollars.

Since the company generally prevents foreign exchange rate risk for their operations, the company will not have policy to enter long-term hedging contract but will instead enter a forward contract from time to time to prevent the foreign exchange rate risk during the loan repayment.

2.3.5 Conflict of Interest Risk

There might be conflict of interest risk from related party transactions between the Company's related parties and the Target Group. Since the acquisition is made by the Company and its related companies, which has common major shareholder, holding 20.59% and 79.41% of interest respectively in the Target Group and one of the related company also has a common business as the Company.

However the acquirers will apply the same Good Corporate Governance as applied to the Acquirers listed companies, which reside in Thailand, Australia and India, to the Target Group when related party transaction occur by using arms' length basis, related party transaction will be entered on arms length basis and will be ratified by the Independent Directors and Audit committee. The Good Corporate Governance principle will be presented in this acquisition's joint venture or shareholder agreement by the Company and its related companies.

2.3.6 Risk from Providing Loan to the SPV and SPV's Loan

The Company and ACB will acquire the target company through the SPV with the investment amount consisting of USD 2.06 million in equities and a long-term loan amount of USD 172.94 million. SKI will also acquire the target company through the SPV with an investment consisting of USD 5.88 million in equities and a long-term loan amount of USD 44.12 million. The total loan amount from the investing company will be USD 390 million and all will have the same terms being repayment of principal and interest within 5 years and 50 bps over their interest costs, except SKI of which the source of fund will be from the major shareholder and the interest charge to SPV will not exceed the interest charging from TCB. In additional, the SPV itself or the target entity taken together will raise this long-term loan from commercial banks amount of USD 450 million, which will be senior debt with collateral consisting of all of the Target Group's assets and equities holding by the SPV.

The SPV will gradually repay the principal and interest of the commercial bank loan with its operating cash flow within 7 years or by 2017, while the repayment for the loan from the Company will be a one time payment of total principal and accrued interest by refinancing with other financial institution in 2016. There is a risk that the Company will not receive the total loan repayment in 2016 if the SPV could not refinance the loan.

However, the cash flow projection indicates that the SPV will repay principal and interest of its commercial bank loan on schedule, and the major amount of principal will be repaid in 2016. If the SPV could not repay the loan to the Company in 2016, the SPV will still have sufficient cash flow from operation to gradually repay the loan to all 3 lending companies. We noted return on the loan to the SPV will be in the form of interest rate of which may be higher or lower than dividend, if the investment is in form of equity.

We noted that if the SPV default on the long-term loan from the commercial banks, the Company and its co-investor will be loss from their investments since the loan from commercial bank is a senior and secure debt with collateral consisting of all the Target Group's assets and equities hold by the SPV.

2.3.7 Restriction on Dividend Payment from SPV

The SPV itself or the target entity taken together will raise the 7-year long-term loan from commercial banks, maturing in 2017. Operating cash flows from the Target Group will be used to repay the loan and interest. Thus, the commercial banks will not allow the SPV to make dividend payment to the Acquirers prior to fully repaying the loan.

3 Fairness of the Acquisition Price

According to the Purchase Agreement dated 28 January 2011 to acquire the total interest of the Target Group, the agreed acquisition price is the enterprise value of USD 850 million. Our opinion is based on the following assumptions:

1. All information and documents that the IFA obtained from the Company and its management are correct, complete and reflect credible opinion
2. The financial projection model was prepared by the management of the Target Group under certain commercial and financial assumptions. The IFA has reviewed and adjusted few assumptions with conformation to the IFA working procedure and received information to provide the opinion to shareholders. However, the actual financial result or financial position of the Target Group may be different from the forecast as the subsequent events may not be as the assumptions used in this financial projection
3. There is no other material adverse event including, but not limited to, economic or political condition, or legal imposition that could have material adverse effect on the Target Group
4. There is no other risk that might delay or increase the cost of the transaction

3.1 Approaches

In determining the fairness of the acquisition price of the total interest of the Target Group, the IFA has considered the following approaches for the valuation of the Target Group's enterprise value:

1) Discounted Cash Flow Approach
2) Market Comparable Approach by using the MVIC to EBITDA or EBITDA Multiple
3) Precedent Transaction Comparables Approach

3.1.1 Discounted Cash Flow Approach

Discounted Cash Flow Approach ("DCF") is the valuation by calculating the present value of forecasted cash flows from future operation of the Target Group by using an appropriated discount rate. DCF Approach is an appropriate valuation method since the method directly assesses the operation and reflects economic value of the Target Group. In addition, in considering the assumptions, the IFA was able to sensitize the assumptions in order to reflect the business operation of the Target Group. The discount rate used in the valuation of the Target Group is Weighted Average Cost of Capital ("WACC"). The following is the formula for WACC calculation:

$$\textbf{WACC} = \textbf{(We) Ke} + \textbf{(Wd) Kd (1-t)}$$

Since the head office of the Target Group is registered in the USA, even the Target Group is operating in many countries, the major market is in the USA and Canada, hence, the IFA has calculated WACC based on the data from US market. The IFA believes that the US market mostly reflects the homogeneous market which all investors are able to access to the level of market information.

Whereas:	Ke	=	Return on equity calculated by using Capital Asset Pricing Model (CAPM) as in the details mentioned below
	Kd	=	Expected cost of debt from the lending rate in the USA (U.S. Prime Rate) equals to 3.25% p.a., which is an average number for the past 2 years (2009 to 2010).
	t	=	Corporate income tax in the USA equals to 35%
	We	=	Expected equity ratio calculated from comparable companies' market capitalization to Market Value of Invested Capital (MVIC) ratio which has Average value equals to 73%.
	Wd	=	Expected interest bearing debt ratio calculated from comparable companies' interest bearing debt to MVIC ratio which has Average value equals to 27%.

Ke is derived from the CAPM with the following formula:

$$\mathbf{Ke = Rf + \beta * (Rm - Rf)}$$

Whereas:

- Risk free rate (Rf), refers to the historical 20-year long-term U.S. government bond yield from the estimated report of Morningstar, Inc. for the period of 1926 – 2009, which is equal to 4.6% p.a.
- Market Risk Premium (Rm – Rf), refers to the historical equity risk premium from the estimated research report of market return for the period of 1926 – 2009 with the assumption that the mentioned period will reflect the market return of U.S.A. stock exchange. Market Risk Premium is equivalent to 6.7% - 7.2% p.a.
- Beta (ß), calculated from the Average Unlevered Beta of the comparable companies, which are companies in the carbon black industry in a number of countries over the world, which are similar to the Target Group. Levered beta of comparable companies is shown in table below:

Levered Beta of Comparable Companies

Company Name	Levered Beta
Cabot Corp	1.46
Tokai Carbon Co Ltd	1.34
Hubei Shuanghuan Science	1.15
Thai Carbon Black Pub Co Ltd	0.81
Phillips Carbon Black Ltd	1.07

Source: Bloomberg as at 11 January 2011

Unlevered Beta is derived from the following formula:

Unlevered Beta = Levered Beta / {1 + ((1 – t) * D/E)}

Tax Rate, D/E, Levered Beta and Unlevered Beta of Comparable Companies

Company Name	D/E	Levered Beta	Unlevered Beta
Cabot Corp	0.30	1.46	1.18
Tokai Carbon Co Ltd	0.21	1.34	1.21
Hubei Shuanghuan Science &-A	0.64	1.15	0.77
Thai Carbon Black Pub Co Ltd	0.04	0.81	0.78
Phillips Carbon Black Ltd	1.08	1.07	0.53
		Mean	**0.89**

Source: Bloomberg as at 11 January 2011

- Average Unlevered Beta of comparable companies in the carbon black industry equals to 0.89. As such, Relevered Beta of the Target Group is derived from the following formula:

  Relevered Beta = Unlevered Beta * {1 + ((1 – t) * D/E)}

  With the above-mentioned formula, US corporate income tax rate of 35% and D/E ratio of 27:73 are applied into the calculation, resulting in the Relevered Beta of 1.1.

- The result of Ke from CAPM formula used in the valuation equals to 12.0% - 12.6%.
- Therefore, WACC used to discount the future free cash flows of the Target Group to the present value is in range between 9.0% and 10.0%.

3.1.1.1 Key Assumptions in Financial Projection of the Target Group

From the financial projection that was prepared by the management of the Target Group, we set out the following key assumptions that the management of the acquirer believes that the assumptions are reasonably reliable.

Revenue

The Target Group projects that the production volume in 2011 would continue to increase from 2010 by approximately 6% after there was significant shrinkage of production volume in 2009 due to the global economic crisis. Then, production volume will continue grow by 3% p.a. from 2012 to 2014 and by only 2% in 2015.

According to the reliable market research of carbon black industry, the estimated demand growth rate of the world carbon black from 2010 – 2015 will be at 5.3% p.a. which is expected at a higher growth rate than the historical growth from 2002 – 2009 of only 2.3% p.a. As such, the Target Group conservatively projected the production volume.

Note that sales volume of the Target Group each year may slightly vary from the production volume because the Target Group needs to purchase carbon black from other producers and sell to regular customers during the plant shutdown for annual maintenance.

Price of carbon black per kilogram is projected to gradually increase at CAGR 1.2% p.a. based on the average selling price in 2010 over the forecast period. Based on the carbon black market research that the IFA has reviewed, the IFA has found that historical CAGR of the carbon black price from 2000 – 2009 was at 5.03% p.a.

Cost of Production

The Target Group has classified cost of production into variable cost and fixed cost. The variable cost includes cost of feedstock and other materials, and freight expense. The Target Group estimates the variable cost at 71% of total sales revenue, which is higher than the historical performance.

The fixed cost comprises of expenses for employee-related, utilities, depreciation & amortization, repair & maintenance, and other fixed expenses. From 2011 to 2015, the Target Group expects that the growth rate in expenses for employee-related, utilities, repair & maintenance, and other fixed expenses will be 0.6%, 0.5%, 0.4% and 0.2% p.a., respectively.

SG&A Expense

The SG&A expense is classified into 3 groups, which are selling expense, general and administrative ("G&A") expense, and research and development ("R&D") expense. The Target Group estimates that G&A expense will grow by 2% p.a. while selling expense and R&D expense which are proportional to sales revenue will account for 1% and 0.5% of total sales revenue, respectively. During the forecast period, the proportion of the SG&A expense to sales revenue will continuously decrease due to the economies of scale.

Capital Expenditure ("CAPEX")

The Target Group has classified the CAPEX policy into 3 categories, which are:

1. Maintenance CAPEX refers to the periodically overhaul of the current production line, which include the replacement of filter, refractory, other ageing equipment and motors and etc. In 2008, the Target Group increased its production capacity. Thus, no additional expansionary CAPEX is assumed in the projection period. Thereby, the Target Group estimates that the maintenance CAPEX during the forecast period from 2011 – 2015 would be at USD 14 – 21 million per year, increassing from approximately USD 12 million per year in 2008 – 2010.
2. Cost Saving CAPEX is prepared for process betterment or modification which results in saving in the future operating costs. This includes technology modification for the yield improvement and boiler installation for maximum recovery of steam for greater power generation. The Target Group anticipates that cost saving CAPEX from 2011 – 2015 shall be around USD 9 – 19 million per year.
3. Environment Health Safety CAPEX refers to the CAPEX invested in environment, health and safety in order to comply with regulations of the countries that the Target Group is operating in. Some equipment will be installed and effluent treatment plants will be set up in the current production process in order to reduce sulfur emission, noise and air pollution. From 2011 – 2015, the Target Group estimates that the CAPEX under the environmental concern shall be USD 1.5 – 4.5 million per year.

Working Capital

According to the projection of the Target Group, the cycle of working capital are projected as follows:

• Account receivables	70 days on average
• Inventory and supplies	40 – 46 days on average
• Account payables and accrued expenses	55 – 57 days on average

<u>Other Assumptions</u>

Apart from the above assumptions, the Target Group prepares the projection based on the following assumptions:

- Corporate income tax is in range between 35% - 39%
- A straight-line depreciation method is assumed for the projected CAPEX over 20 years
- Since extraordinary incomes and expenses are non-recurring items. Hence, no extraordinary income or expense is assumed during the forecast period
- The forecast period is 5 years (2011 – 2015)

<u>Continuing Value Growth Rate</u> (Perpetual Growth Rate)

From the Target Group's projection, terminal value is forecasted based on the following continuing value formula:

$$\textbf{Terminal Value}_{2015} = \textbf{FCF to Firm}_{2015} * (1 + g) / (WACC - g)$$

Whereas:

FCF to Firm2015 = Free Cash Flow to Firm, which is derived from Earning Before Interest and Tax (EBIT) <u>minus</u> tax, add depreciation and amortization, and <u>minus</u> change in net working capital and capital expenditure

g = Stable long-term growth rate (perpetual growth rate), which is assumed at 2% p.a. This is in line with the historical demand growth rate of carbon black industry for the period of 2002 – 2009 at 2.3% p.a.

<u>Valuation Results based on DCF Approach</u>

Unit: USD'000	2011F	2012F	2013F	2014F	2015F
Sales Revenue	**1,122,109**	**1,174,703**	**1,225,038**	**1,260,951**	**1,299,883**
EBIT	**98,376**	**108,084**	**120,776**	**124,275**	**126,829**
<u>Minus</u>: Tax	(38,263)	(38,778)	(43,817)	(44,030)	(45,324)
EBIT*(1 - Tax)	**60,113**	**69,305**	**76,958**	**80,245**	**81,505**
Add: Depreciation and Amortization	50,707	52,403	54,415	56,268	57,750
<u>Minus</u>: Change in Net Working Capital	(7,209)	3,123	(5,373)	(2,649)	(5,514)
<u>Minus</u>: CAPEX	(34,611)	(36,448)	(42,019)	(37,673)	(29,236)
Free Cash Flow to Firm	**69,001**	**88,384**	**83,981**	**96,191**	**104,505**

From the free cash flow of the Target Group from 2011 – 2015, the enterprise value is estimated in the table below:

Unit: USD million	Low	High
Discount Rate (WACC)	10%	9%
Expected Perpetual Growth Rate (% p.a.)	2%	2%
PV Free Cash Flows (2011 - 2015)	346	354
PV Terminal Value	868	1,033
Enterprise Value as at 31-Dec-2010	**1,213**	**1,387**

From the table, the enterprise value of the Target Group as at 31-Dec-2010 from DCF approach is estimated at the range between USD 1,213 – 1,387 million.

The IFA has reviewed historical performance and business plan of the Target Group in accordance with the IFA's working procedure and information recieved. Hence, the IFA has considered adjusting a few key assumptions to ensure that the projection is conducted in a Conservative manners. The adjustments are as follows:

1. Fixed Cost – the Target Group assumes the employee-related cost to grow by only 0.6% p.a. from 2010. The Target Group projects that cost of utilities, repair & maintenance, and other fixed costs to grow by 0.5%, 0.4% and 0.2% p.a., respectively. The IFA has adjusted the growth rate of employee-related cost to 3% p.a., repair & maintenance cost to 0.5% p.a. and other fixed costs to 0.5% - 1% p.a.
2. Cycle of Working Capital – the IFA has reviewed the cycle of historical working capital of the Target Group, public information and the interview of the Company's management. The IFA has found that that the Target Group has adopted a new business strategy to reduce the level of inventory and supplies, also account payables and accrued expenses. Thus, an adjustment in working capital by the IFA is as follows:

Inventory and supplies	from 40 – 46 days on average to 45 days
Account payables and accrued expenses	from 55 – 57 days on average to 45 days

Post adjustments, the projected free cash flows are summarized below:

Valuation Results based on DCF Approach (Post Adjustments)

Unit: USD'000	2011F	2012F	2013F	2014F	2015F
Sales Revenue	**1,122,109**	**1,174,703**	**1,225,038**	**1,260,951**	**1,299,883**
EBIT	**91,625**	**94,165**	**106,671**	**108,815**	**112,898**
Minus: Tax	(35,637)	(33,784)	(38,700)	(38,553)	(40,345)
EBIT*(1 - Tax)	**55,988**	**60,380**	**67,971**	**70,262**	**72,552**
Add: Depreciation and Amortization	50,704	52,527	54,628	56,511	57,973
Minus: Change in Net Working Capital	(10,220)	(10,087)	(9,653)	(6,887)	(7,466)
Minus: CAPEX	(34,611)	(36,448)	(42,019)	(37,673)	(29,236)
Free Cash Flow to Firm	**61,861**	**66,372**	**70,926**	**82,213**	**93,823**

From the projected free cash flow of the Target Group post adjustment in the aforementioned assumptions from 2011 – 2015, the enterprise value is estimated in the table below:

Unit: USD million	Low	High
Discount Rate (WACC)	10%	9%
Expected Perpetual Growth Rate (% p.a.)	2%	2%
PV Free Cash Flows (2011 - 2015)	292	299
PV Terminal Value	779	928
Enterprise Value as at 31-Dec-2010	**1,071**	**1,227**

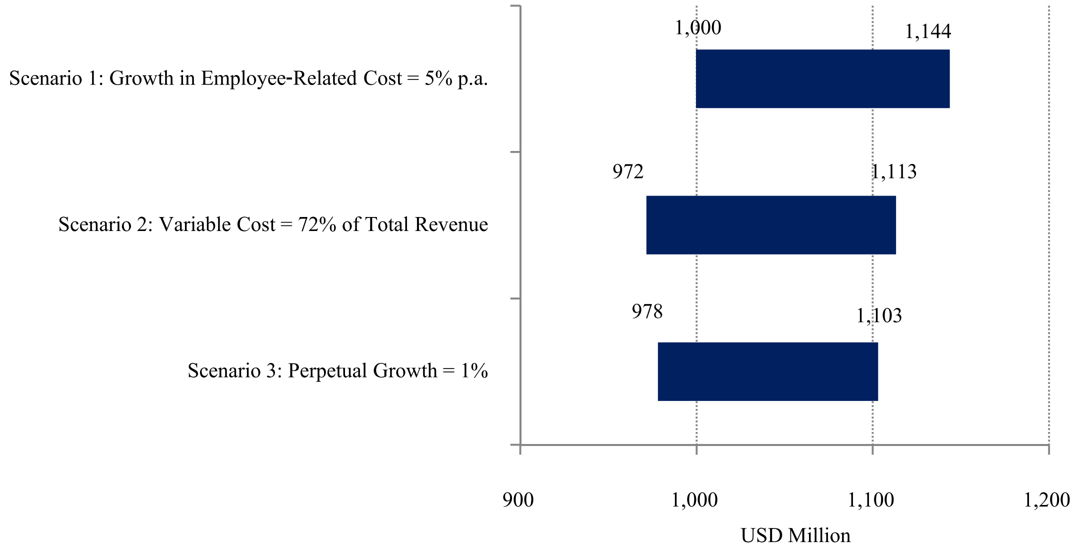
After the adjustment in fixed costs and the cycle of working capital, the enterprise value of the Target Group as at 31-Dec-2010 based on DCF Approach is estimated at the range between USD 1,071 – 1,227 million.

3.1.1.2 Sensitivity Analysis

Since the enterprise value of the Target Group depends on various key assumptions. Therefore, the IFA has prepared the sensitivity analysis from the Target Group's projection after the adjustments in fixed costs and the cycle of working capital to assess the impact on enterprise value once key assumptions are different. The IFA has categorized the sensitivity analysis into 3 scenarios which are as follows:

- Scenario 1 — Increase the growth rate of employee-related cost from 3% p.a. to 5% p.a.
- Scenario 2 — Increase the variable cost, which comprised of cost of feedstock and other material, and freight expense, from 71% of total sales revenue to 72%
- Scenario 3 — Decrease the perpetual growth rate from 2% p.a. to 1% p.a.

The enterprise value of sensitized scenarios based on DCF Approach is estimated and summarized in the chart below:



From the chart above, the increase in employee-related cost and variable cost, and the decline in perpetual growth rate affect the Target Group's enterprise value, resulting in lower enterprise value. However, the enterprise value of the three scenarios based on DCF Approach is still higher than the acquisition price of the Target Group at USD 850 million.

3.1.2 Market Comparable Approach by using EBITDA multiple

Market Comparable Approach by using the Market Value of Invested Capital (MVIC) to Earnings Before Interest, Tax, Depreciation and Amortization (MVIC to EBITDA) ratio or EBITDA Multiple is the valuation of the Target Group by comparing their multiples from the selected comparable companies, which are in the carbon black industry and are listed in the stock exchange. Since the Target Group operates in many countries, the selected comparable companies shall include companies in the industry around the world. The multiple chosen to derive the Target Group's enterprise value is EBITDA Multiple.

The IFA considers applying EBITDA Multiple since the multiple can determine the enterprise value by excluding the debt level of comparable companies which may vary.

The Target Group's enterprise value based on EBITDA Multiple Approach will be equal to the average forecasted EBITDA of the Target Group from 2011 – 2015 multiply by the range between median and mean EBITDA Multiple of comparable companies. The forecasted EBITDA is derived from the Target Group's projection based on DCF Approach post adjustment of the fixed costs and the cycle of working capital.

Upon the comparables selection, there are 5 comparable companies with positive net income for the trailing 6 months period and are listed in the stock exchange. Details of comparable companies for EBITDA Multiple calculation are presented below:

Average Historical Data of 1, 3 and 6 months EBITDA Multiple of Each Company

Company Name	Country	Currency	MVIC	EBITDA	EBITDA Multiple
Cabot Corp	USA	USD	2,572	391	6.6
Tokai Carbon Co Ltd	Japan	JPY	101,237	19,101	5.3
Hubei Shuanghuan Science &-A	China	CNY	5,765	346	16.7
Thai Carbon Black Pub Co Ltd	Thailand	THB	9,222	1,520	6.1
Phillips Carbon Black Ltd	India	INR	10,025	1,824	5.5
				Median	**6.1**
				Mean	**8.0**

Source: Bloomberg as at 11 January 2011

Remark: 1. MVIC = Market Value of Equity + Book Value of Debt - Cash

2. MVIC to EBITDA unit is in time

From the calculation in the table above, the median and mean EBITDA Multiple equals to 6.1 and 8.0 times, respectively. The IFA considers to use the EBITDA Multiple in the range of 6.0 to 8.0 times to determine the enterprise value of the Target Group.

The estimated enterprise value of the Target Group based on EBITDA Multiple Approach is summarized in the table below:

Unit: USD million	Median	Mean
MVIC/EBITDA (Times)	6.00	8.00
EBITDA (Average 2011 - 2015)	157.30	157.30
Enterprise Value as at 31-Dec-2010	**944**	**1,258**

3.1.3 Precedent Transactions Comparable Approach

Precedent Transactions Comparable Approach is another approach in deriving the enterprise value of the Target Group by multiplying the Target Group's average forecasted EBITDA from 2011 – 2015 with the range between median and average EBITDA Multiple of the precedent transactions. Again, the forecasted EBITDA is calculated from the Target Group's projection based on DCF Approach post adjustment of the fixed costs and the cycle of working capital.

Summary of Precedent Transactions in Carbon Black Industry around the World

Announce Date	Acquirer Name	Target Name	MVIC/EBITDA
21-Feb-2006	Tokai Carbon Co Ltd	Tokai Konetsu Kogyo Co Ltd	5.91
09-Oct-2006	Multiple acquirers	Phillips Carbon Black Ltd	6.10
07-Jan-2010	Bain Capital India Investments	Himadri Chemicals & Industries Ltd	11.96
		Median	**6.10**
		Mean	**7.99**

Source: Bloomberg as at 11 January 2011

The median and mean EBITDA Multiple of the precedent transactions is 6.10 times and 7.99 times, respectively. The IFA considers to use EBITDA Multiple of the precedent transactions in the range of 6.0 to 8.0 times. The result reveals that EBITDA Multiple derived from the precedent transactions is consistent with EBITDA Multiple derived from the Market Comparable Approach.

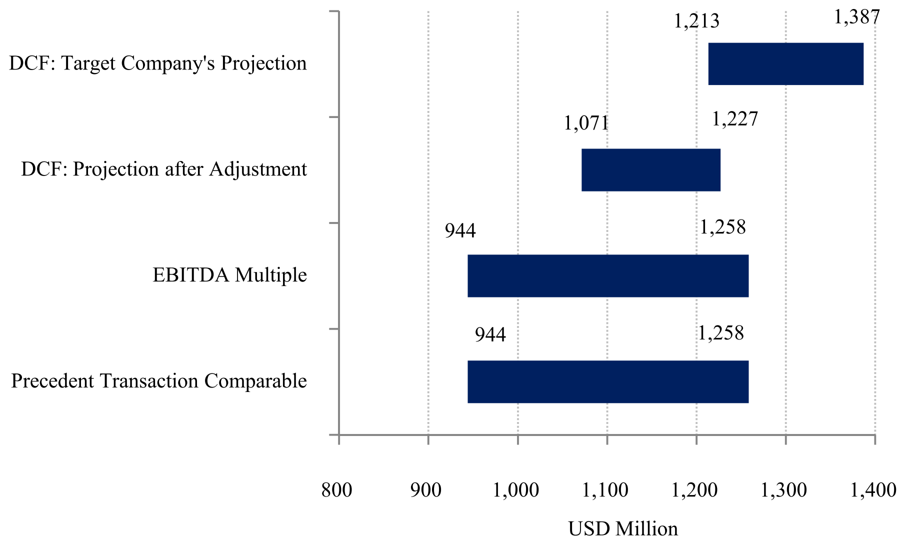
The estimated enterprise value of the Target Group based on Precedent Transactions Comparable Approach is summarized in the table below:

Enterprise Value based on Precedent Transaction Comparables

Unit: USD million	Median	Mean
MVIC/EBITDA (Times)	6.00	8.00
EBITDA (Average 2011 - 2015)	157.3	157.3
Enterprise Value as at 31-Dec-2010	**944**	**1,258**

3.2 Summary of Reasonableness of Acquisition Price

The IFA has considered the following approach to derive the enterprise value of the Target Group: (1) Discounted Cash Flow Approach which the IFA has valued the Target Group based on (i) the Target Group's financial projection and (ii) IFA adjusts in fixed costs and the cycle of working capital for conservative purpose, (2) Market Comparable Approach using MVIC to EBITDA, also called EBITDA Multiple, and (3) Precedent Transaction Comparable Approach. The estimated enterprise value of the Target Group from each approach is summarized in the following chart.



The IFA is of the opinion that the Discounted Cash Flow Approach ("DCF Approach") is the most appropriate major approach to derive the Target Group's enterprise value because the approach incorporates the Target Group's operating performance, capability to generate future income, economic and industry trends, also working capital and capital expenditure requirements in the future. The approach estimates future expected net cash flows and discount the future cash flows to present value. The enterprise value from the Target Group's projection using DCF Approach is estimated at the range between USD 1,213 – 1,387 million. With the IFA adjustments in assumptions regarding to the fixed costs and the cycle of working capital, the estimated enterprise value of the Target Group using DCF Approach will decline and range between USD 1,071 – 1,227 million.

The Market Comparable Approach compares the Target Group's enterprise value with Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) of other comparable companies within the same industry, specifically carbon black industry, as at a certain period of time. However, the enterprise value calculated from this approach does not reflect the Target Group's working capital and capital expenditure requirement in the future. Using the range of median and mean of EBITDA Multiple of the comparable companies, the enterprise value of the Target Group lies between USD 944 – 1,258 million.

The Precedent Transactions Comparable Approach is another approach in determining the enterprise value of the Target Group by comparing the Target Group with the actual precedent transaction in the last 5 years. Thus, the IFA opines that the Precedent Transaction Comparable Approach is also one of appropriate approach to estimate the enterprise value. Using the range of median and mean of EBITDA Multiple of the Precedent Transactions for the last 5-year period, the estimated enterprise value of the Target Group is in the range between USD 944 – 1,258 million.

It is important to note that the estimated fair market value of the enterprise value of the Target Group excludes the additional potential benefits received from synergy.

As a result, the IFA is of the opinion that the acquisition price at the Target Group's enterprise value of USD 850 million is reasonable and fair since the acquisition price is lower than the price from various methodologies and conservatively sensitivity assessed by the IFA.

4 Summary of Financial Advisor Opinion on Acquisition of Assets

After the considerations on reasonableness and benefits of the transaction, and fairness of the acquisition price, Financial Advisor is of the opinion that the acquisition of assets is reasonable and fair, which the transaction is expected to provide benefits to the Company and the shareholders of the Company. Hence, the Company's shareholders shall vote to approve on the Assets Acquisition Transaction based on the following reasons:

1. From the acquisition of business, the Company will become a co-investor on a leading global carbon black manufacturer which has 11 plants around the world. Even the SPV will be restricted in making dividend payment to the Acquirers by the commercial banks when the long-term loan is not fully repaid, however, the SPV can pay dividend to the Acquirers again after the SPV completely makes loan repayment.
2. The Acquirers have been in the carbon black industry for a long period of time. With know-how and skill from the Acquirers, there's high possibility in achieving the synergy as mentioned in Section 2. Synergy benefits of the transaction are as follows:
   - 2.1. Yield Improvement – the management team of the Company plans to improve its production process to be more efficient by reducing raw material consumption (Yield) to the same level of the Target Group. Hence, the improvement will result in lower cost of raw material.
   - 2.2. Development in Advance Specialty Grade Product – the management team of the Company plans to adjust production line 2 and 4 which currently have Carcass reactor to produce advance specialty grade products. Since there are only a few advance specialty grade carbon black producers in Thailand, this type of product has significantly higher price than the basic grade product. As a result, the Company is expected to generate higher contribution margin from the existing production capacity.
   - 2.3. Cost Reduction in Raw Material Procurement – major cost of raw material for carbon black is the cost of carbon black feedstock oil. With an increase in purchase volume of carbon black feedstock oil after the acquisition, the Company results in greater efficiency in raw material procurement and higher bargaining power over suppliers.

Considering to vote for the Assets Acquisition Transaction, shareholders should consider the potential impact to the Company and its shareholders. The company will incur the long-term debt of USD 175 million. From entering into the long-term debt agreement, the Company has to pledge its major assets as collateral and shall be restricted in making the dividend payment if Net Debt/EBITDA ratio is higher than 2.5 times. Since the long-term debt is in USD currency, the Company incurs foreign exchange risk. In addition, the SPV itself or the target entity taken together will raise another long-term debt of USD 450 million for the acquisition of the assets, which the loan will be pledged by the assets of the Target Group and equities the Target Group holding by the SPV. The SPV will repay the principal and interest of the long-term debt of USD 450 million with the operating cash flows of the Target Group. Risks and impacts to the shareholders associated with the loan are mentioned in the Section 2 of the report.

Opinions of Financial Advisor are obtained under certain conditions, restrictions, scope of work, practice and information in preparation of the opinion.

Financial Advisor verifies that we have considered and cautiously provided our opinion in accordance with our professional standard by taking into consideration of the shareholders' benefits.

However, the shareholders of the Company should also study information on the invitation letter and documents attached to the invitation letter for shareholders meeting together with the detail of information and opinions as provided in this report, especially the scope of work and practice and the information in preparation of the opinion of the Financial Advisor and assumptions to derive the financial projection before making a decision. **The decision to approve or disapprove the transaction is the discretion of the shareholder.**

Independent Financial Advisor

Deloitte Touche Tohmatsu Jaiyos Advisory Co., Ltd.

Signature ________________________________

(Apirak Jatukanyaprateep)

Authorized Director

Signature ________________________________

(Sutharug Panya)

Authorized Director

Signature ________________________________

(Surasak Suthamcharu)

Licensed Financial Advisor