

Ref. PDI/BK-BS-060/2007

10 August, 2007

To : President
The Stock Exchange of Thailand

Re.: Clarification on company's performance in the second quarter and first-half of 2007

Attached are copies of Thai and English versions of the unaudited interim financial statements (both consolidated and on the company only) of Padaeng Industry Public Company Limited for the second quarter and six-month period ended 30 June 2007 together with clarifications on the company's performance during the said periods for information of SET as follows:

From the company's consolidated statement of income for the second quarter of 2007, there was a net profit of Bt290m or a net profit per share of Bt1.28 compared to net profit of Bt555m or a net profit per share of Bt2.46 in the same period of year 2006. Total revenues from sales and services was Bt3,176m which increased by Bt506m from the same quarter of last year.

From the company's consolidated statement of income for the first six months of 2007, there was a net profit of Bt603m or a net profit per share of Bt2.67 compared to net profit of Bt1,011m or a net profit per share of Bt4.47 in the same period of year 2006. Total revenues from sales and services was Bt6,600m which increased from the same period of last year by Bt1,797m.

The company's total sales volume for the first half of the year increased by 3% to 51,965 metric tons as compared to the same period of 2006 due mainly to increased exports in SEA. The local demand improved a little bit from the first quarter but remained 10% lower than the same period last year, in particular for pure zinc grade that dropped by 16%.

The average zinc price has increased since last year from an average of USD2,767 per ton in the first half of 2006 to average of USD3,560 per ton in the first half of 2007, a growth of 29%. However the price in Baht was only 17% higher than the same period last year due to the strength of the Baht.

As in Q1, the company result was affected by negative commercial terms on both purchases (low treatment charges) and sales (duty reduction and low premium for export) and by high priced inventories. The quality problem with the mine concentrate dragged onto Q2 limiting the use of the own ore at the smelter.

For the change in accounting method, in 2006, the Company early adopted TAS 44 (as amended in 2006) - "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" and TAS 45 (as amended in 2006) - "Accounting for Investments in Associates" in accordance with the Federation of Accounting Professions Notification No. 26/2549 dated 11 October 2006 and Notification No. 32/2549 dated 3 November 2006 that were effective on 1 January 2007. Under the standards, investments in subsidiaries and associates in the separate financial statements of the company are required to be accounted using the cost basis of accounting. Income from the investments will be recorded when dividends are declared. Prior to 2006, the Company used the equity method to record its share of income from the investments in subsidiaries. This change in accounting policy has been applied retrospectively and has also been applied to the company's investments in jointly controlled entities.

The effects of the adoption of TAS 44 and TAS 45 have been restated on the statement of income for the six months period ended 30 June 2006 in the company financial statements (restated) are as shown below;

Statements of changes in shareholders' equity	
(Decrease) in beginning retained earnings	(131,333,207)
Statements of income	
(Decrease) in share of loss of investment in subsidiaries on equity method	2,319,722
Increase in basic earnings per share	0.01

However, the change of accounting policy affects only the Company Financial Statements. It does not have any effect on the consolidated financial statements or business fundamentals.

Please be informed accordingly.

Yours truly,

- Signature -

(Bernard Tonnon)
Managing Director

Board Secretary Division

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