

Translation

RPC/HO-SET/ELICID – 0008/08

26 February 2008

Subject: Clarification on Company Performance of 2007 and
The Impact of Change in Accounting Policy
To: President
The Stock Exchange of Thailand

Rayong Purifier Public Company Limited and its subsidiaries would like to clarify the 119% or 217.31 Million Baht increase in Company's Net Profit in 2007 compared to 2006. The key factors that caused the increase from Net Profit of 183.38 Million Baht in 2006 to Net Profit of 400.69 Million Baht in 2007 can be summarized as follows:

1. Increase in Gross Profit

In 2007 the Company's Gross Profit was increased by 380 Million Baht or 57% compared to the same period in 2006. The increase can be clarified as follows:

- **Increase in Sales Volume**

Sales Volume in 2007 increased 6% or 55 Million Litre from 887 Million Litre in 2006 to 942 Million Litre in 2007 which derived from the increase of production as the volume of crude supply increased.

- **Decrease in Cost of Sales due to Raw Materials Quality**

The Cost of Sales in 2006 was higher than normal because the supplier suddenly delivered Raw Materials with quality much differ from that specified in the Agreement and what have always been supplied to the Company. Therefore, the Company had to incur additional costs for product improvement and other related costs amounting up to approximately 136.45 Million Baht. The supplier agreed to compensate 52.7 Million Baht for these losses. During 2007 the supplier delivered normal quality Raw Materials, therefore, there was no product improvement costs needed in 2007.

- **Increase in World Oil Price**

There was Inventory Gain in 2007 due to the increase of world oil prices. Gas Oil prices in Singapore market sharply and constantly increased more than 40 USD/BBL from average 66 USD/Barrel in January 2007 to average 106 USD/Barrel in December 2007. In the contrary, there was Inventory Loss in 2006 from Gas Oil prices decrease in Singapore market during that year.

2. Selling and Administrative Expenses

In the 2007 the Selling and Administrative Expenses of the Company was 80 Million Baht or 18% increased compared to 2006. This was the result of increase in Administrative Expenses of the Company and its subsidiaries due to the increasing number of the Company's gas stations and 2007 was the first commercial year for Pure Sammakorn Development Co., Ltd., the Company's subsidiary.

3. Decrease in Interest Expenses

The Interest Expenses in 2007 was 31 Million Baht, 11 Million Baht or 26% decreased from 2006 since the interest rates decreased in 2007. At the same time, there were less requirements for Short Term Financing from the increase of Company's Cash Flow compared to the same period last year.

4. Impact of Change in Accounting Policies towards Separated and Consolidated Financial Statements

To comply with Thailand Accounting Standard (TAS) No.44, for the year ended 31st December 2007, the Company has changed its Accounting Policy on Separated Financial Statements for 'Investments in Subsidiaries' from 'Equity Method' to 'Cost Method' as well as the related comparison figures. The 'Investments in Subsidiaries' recorded in Separated Financial Statements was restated using 'Historical Cost'.

This adjustment causes the Net Income of the Separated Financial Statements to differ from that reported in the Consolidated Financial Statements. The Consolidated Financial Statements shows 400.69 Million Baht Net Profit for the year ended 31st December 2007 while the Separated Financial Statements shows Net Profit of 402.95 Million Baht. The Company would like to further clarify the impact as follows:

- 1) After restating, the Net Profit of the Separated Financial Statements for the year ended 31 December 2007 and 31 December 2006 increased by 2.26 Million Baht and decreased 18.96 Million Baht respectively (increased 0.004 Baht per share and decreased 0.04 Baht per share respectively). The Separated Financial Statements did not include any 'Share of gain from Investment' which was of the Equity Method.
- 2) The restating effect on other items on the Separated Financial Statements for the year ended 31st December 2007 are 'Investments in Subsidiaries' and 'Retained Earnings' in the Balance Sheets which were decreased by 32.8 Million Baht. The cumulative effect of the change in Accounting Policy has been presented under the heading 'Cumulative Effect of the Change in Accounting Policy for Investment in Separated Financial Statements' under the Separated Statements of Changes in Shareholders' Equity.

However, this change in Accounting Policy affects only the Separated Financial Statements and did not have any effect on the Consolidated Financial Statements or any business fundamentals.

As a result, the Company's Net Profit has increased by 119% or 217.31 Million Baht in 2007 compared to 2006.

Please be so informed.

Sincerely Yours,

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