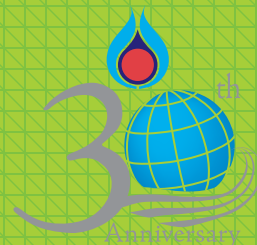
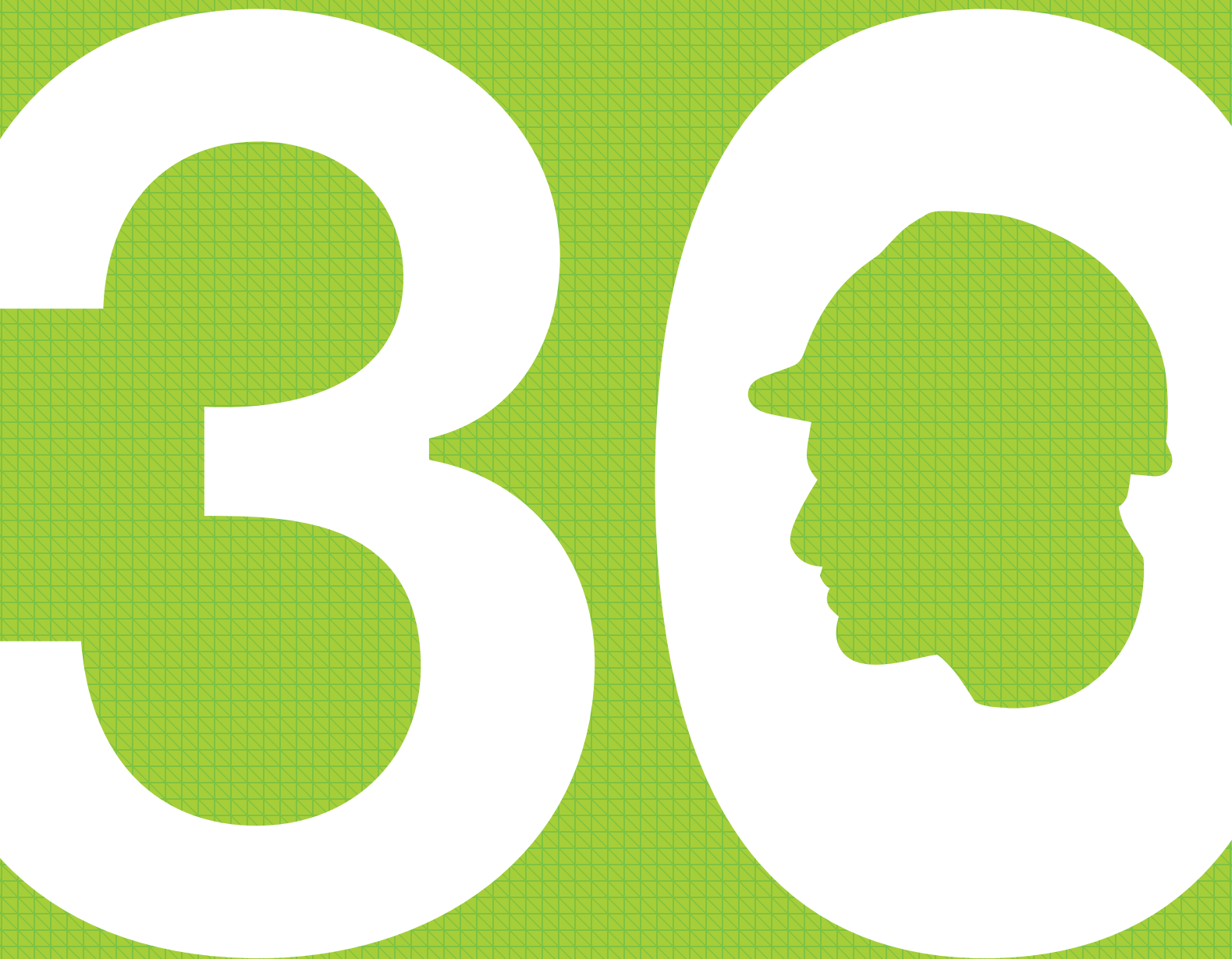


# Power for Sustainable Future

Annual Report 2008

PTT Public Company Limited



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## Our 30 Years of Determination



## Power for Sustainable Future



Three Decades of Resolute Commitment to Forging ahead for Stability  
while Striving for Excellence for Every Smile and Sustained Happiness  
on the Faces of Fellow Thais, at the Present and in the Future





# Security







## Entity for National Energy Security

---

Problems grow into crisis. Crisis-solving breeds wisdom. Since its inception on December 29, 1978, PTT has fulfilled its role of alleviating the hardship brought about by world energy crisis that hurt Thais across the Kingdom. Stressing maximum self-reliance in energy, PTT came into being for the benefit of Thais. Such has been our resolution from Day 1, and will continue to be so.

To foster national self-reliance, PTT has embarked on the development of gas fields in the middle of the Gulf of Thailand and speeded up the laying of the first gas transmission pipeline to bring the commodity to power plants for use as cleaner fuel.

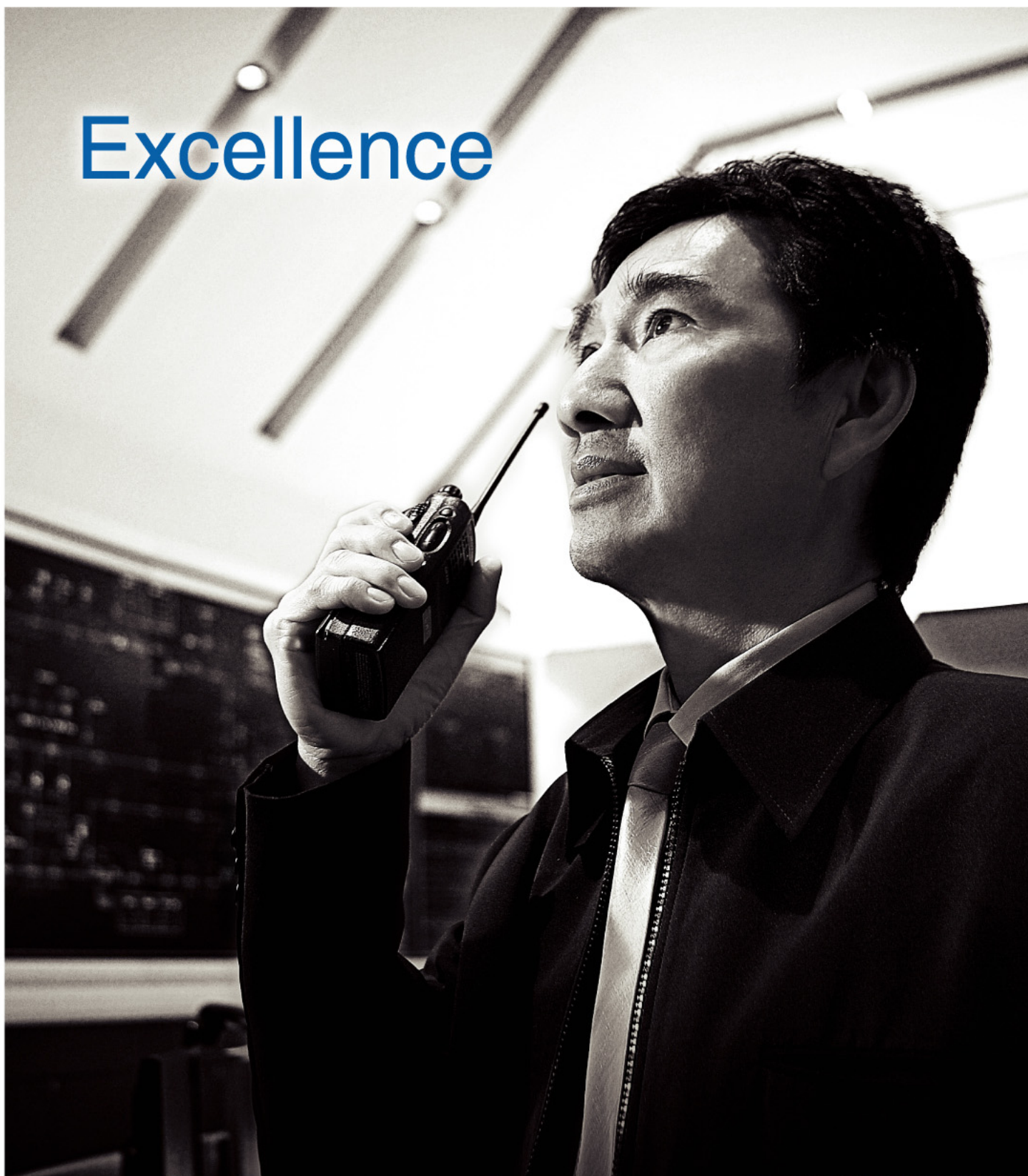
From its upstream gas separation plants brings about the development of downstream petrochemical industries to the Eastern Seaboard Development and the development of related industries.

Oil refineries have been modernized and made the business more competitive. Besides serving as the Thai cornerstone of security for oil products, the refinery business now competes internationally, strengthening PTT's mechanisms on the international energy trading arena.





# Excellence





## Thai Management Excellence

Throughout 30 years, PTT has stressed its commitment to excellence in organizational management, filled with high efficiency and effectiveness, on the path to becoming Thai Premier Multinational Energy Company by relying on good corporate governance based on transparency and openness to examination, and on social, community, and environmental responsibility.

PTT's culture means that employees strive to grow the seeds of excellence that result in smart and ethical people with the sustainability of the land always at the back of their mind. To this end, processes were instituted, including enterprise-wide risk management, career management, knowledge management, and professional financial management.

Whether as a state enterprise or a public company, the phrase 'For Thais' invariably rings true for PTT, thus awards keep pouring in from agencies, domestic and international. The Ministry of Finance's Outstanding State Enterprise Award (three consecutive years); The Asset and Euromoney Magazine's Best Corporate Governance in Thailand; FinanceAsia Magazine's Best Managed Company in Thailand (three consecutive years); Best Managed Companies in Asia 2008 in the oil and gas sector; Euromoney Magazine's Best Managed Company in Thailand 2008; and top ranking among Asian companies in 2005, according to Business Week Magazine, and so on.





# Determination







## Yesterday, small public enterprise; Today, National Energy Company

PTT's firm resolution to secure 'Thai Energy for Thais' has bolstered national energy security. This same force has turned energy crisis into security - a sufficient yet formidable force for every need by Thais over the past three decades. From a small public enterprise thriving forward becoming a national energy company, PTT has indeed come a long way. The success and pride serve as inspiration for taking on a bigger mission of driving the name Thailand toward global fame.

'Three Soldiers', a brand of old, for decades competed with oil conglomerates of the world. Through sheer guts, today Thai-run service stations have overtaken these multinationals and taken over consumers' hearts since 1993.

The total commitment and visionary insight into growth to fulfill the needs of the Kingdom and its people have expanded PTT's business to cover the business chain of petroleum and petrochemicals. Thanks to the PTT Group management concept - interconnecting all member companies - PTT's strength lies in its low costs, high value addition, and good potential for competition.

Indeed, the name PTT is the main force for the betterment of society, communities, and the environment. The world's No. 135 biggest company has brought home such great pride. Our next milestone is to become a leading multinational energy company dedicated to Thais.



# Creativity





## Dynamic and Constantly Innovative

In the past, Thais had neither skills nor knowledge on petroleum, vital for business efficiency. Recognizing this, over the past three decades, PTT has valued creativity.

PTT has recognized the significance of research. Focusing on knowledge as a core of business management. In 1997, PTT Research and Technology Institute was founded with one of the most advanced facilities in Asia. Its main mission is research and development of products and technology suitable for the surroundings and national economy.

PTT began its leadership role in offering quality products for the environment, including unleaded gasoline and low-sulfur diesel. Together with the Royal Chitralada Projects, it not only researched for alternative fuels like ethanol, biodiesel, gasohol, and (purified) palm diesel, but also was a pioneer in selling alternative fuels in PTT service stations and cancelled the sale of premier gasoline.

By promoting natural gas as an alternative energy for both industrial and transportation sectors, PTT underscores the significance of natural gas - which is clean and reduces oil imports. Today PTT has played an instrumental role in its research on other forms of energy, including the extraction of biodiesel from jatropha and weeds, biogas technology, and solar energy.





# Sustainability







## Noble Mission for the Kingdom

---

Three decades of bringing happiness to Thais from all walks of life in a balanced fashion. Thankful for Thais' smiles, PTT regards these smiles as an inspiration for tomorrow. Alongside public agencies and communities, PTT has created sustainable opportunities, equitability, and development of Thais.

And because together we will move forward, our mission in tandem with business is the stewardship of society, communities, and the environment: Promotion of educational, arts, cultural, and sports activities, including sponsorship for school buildings, PTT Libraries, Dream Schools, Arts Contest, and support for the National Sports Development Fund, and so on.

PTT's voluntary participation in the Permanent Reforestation in Honor of HM the King on the 50th Anniversary of His Accession to the Throne, amounting to one million rai, together with public and private agencies, independent organizations, and Thais all over the Kingdom - this has so enriched PTT with profound experience and invaluable knowledge, proving that planting forest gives more than trees.

Continuing programs such as the Green Globe Award, Sirinart Rajini Ecosystem Learning Center, the Vetiver Grass Cultivation Program in Honor of HM the King on the 60th Anniversary of His Accession to the Throne, the HRH Princess Maha Chakri Sirindhorn Herb Garden, 84 Tambons on a Sufficient Path project, an application of HM the King's Sufficiency Economy as an approach under the cooperation of communities and networks across Thailand. This long-standing collaboration works with one heart - the heart to create a sustainable Thai society.



## PTT GROUP VISION

Thai Premier Multinational Energy Company

## PTT GROUP VALUES

The way we do things around here

S

Synergy

P

Performance Excellence

I

Innovation

“If PTT was a person, three decades of existence should give rise to able-bodied men or women with optimistic views for the future. Recognizing the mission to secure **Thai Energy for Thais**, PTT personnel do not limit their perspectives to the future of the organization, but rather define a balanced and optimized management direction with **the benefits to Thai society and the Kingdom**. **Such is the difference that PTT has cultivated as the national energy company.**”

**Prasert Bunsumpun**  
President & CEO, PTT Plc



# PTT GROUP MISSION

<b>To the country</b>	Ensuring long-term energy security by providing sufficient high quality energy supply at fair prices
<b>To society and community</b>	Being a good corporate citizen to protect environment and improve quality of life of the communities
<b>To shareholders</b>	Conducting a profitable business leading to sustainable growth while providing optimum returns to stakeholders
<b>To customers</b>	Ensuring customer satisfaction by delivering high quality products and services at fair prices
<b>To business partners</b>	Conducting business with partners at fair and arm's length basis promoting synergy and coordination, creating capability and efficiency in long-term business partnership
<b>To employees</b>	Providing supporting capability building in professional conduct, ensuring employee's well-being to be comparable to other leading companies

R

Responsibility

I

Integrity & Ethics

T

Trust & Respect

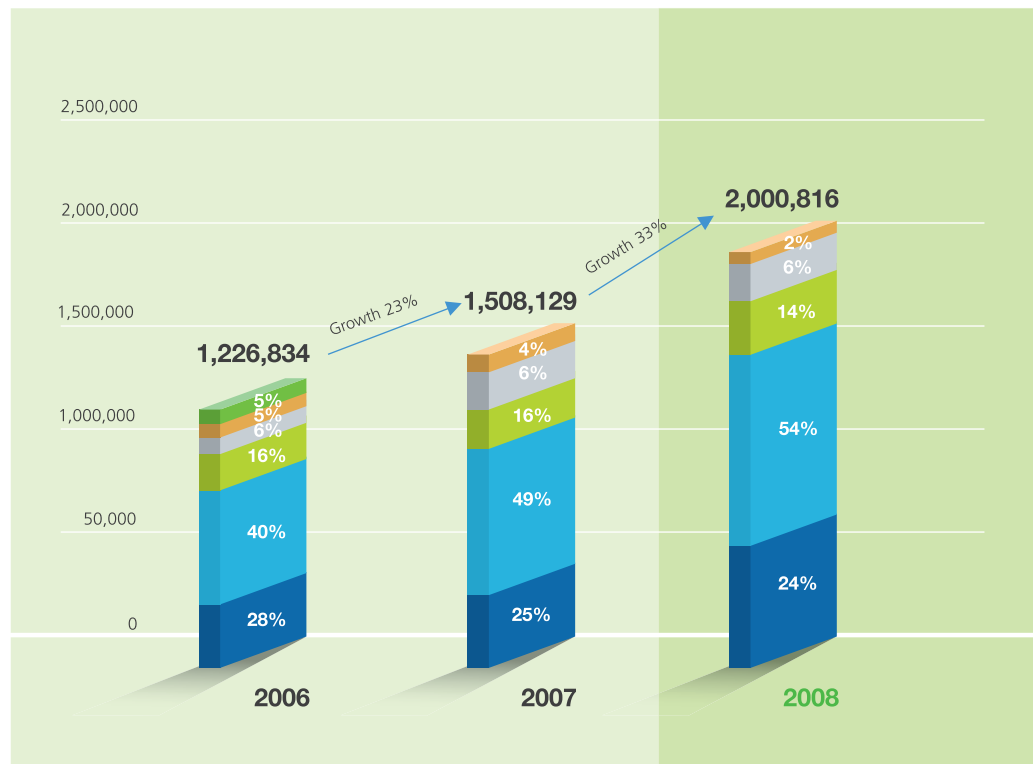
# Financial Highlights

		2006	2007	2008
<b>Statements of Income</b> (Million Baht)				
Sales Revenues		1,226,834	1,508,129	2,000,816
Earnings before Interest Expenses, Finance Costs, Income Taxes		142,675	145,971	156,133
Depreciation and Amortization Including Other Expenses and Income not Relevant to Operation (EBITDA)				
Net Income (Loss)		95,582	97,804	51,705
<b>Balance Sheets</b> (Million Baht)				
Assets		753,192	891,524	885,205
Liabilities		397,131	492,873	454,669
Shareholders' Equity and Minority Portion		356,061	398,652	430,536
Shareholders' Equity		289,571	361,497	383,579
<b>Shares or Information about Common Shares</b>				
Share and Fully Paid-up Share Capital	(Million Shares)	2,804.93	2,817.39	2,824.06
Book Value per Share <sup>1/</sup>	(Baht)	103.43	128.71	136.01
Earning per Share <sup>1/</sup>	(Baht)	34.14	34.82	18.33
Dividends per Share	(Baht)	10.50	11.50	8.00 <sup>2/</sup>
Dividends Payout Ratio on Net Income	(%)	30.76	33.03	43.64
Share Price at the End of Financial Period	(Baht)	210.00	376.00	175.00
<b>Financial Ratios</b>				
Net Income on Total Revenues	(%)	7.52	6.28	2.57
Return on Equity	(%)	30.06	25.92	12.47
Return on Total Assets	(%)	13.61	11.89	5.82
Debt to Equity	(Times)	1.12	1.24	1.06
Net Debt to Equity	(Times)	0.37	0.37	0.36
Net debt to EBITDA	(Times)	0.94	1.00	1.01
Interest Coverage	(Times)	14.51	16.63	17.09
<b>Notes :</b> 1/ Based on the weighted average number of common shares of 2,799.75 million (as of December 31, 2006), 2,808.668 million (as of December 31, 2007) and 2,820.266 million (as of December 31, 2008) 2/ PTT Board of Directors approved the rate of dividend paid to the shareholders on February 20, 2009 and the rate will be brought to the 2009 AGM for resolution on April 10, 2009				



## Sales Revenues

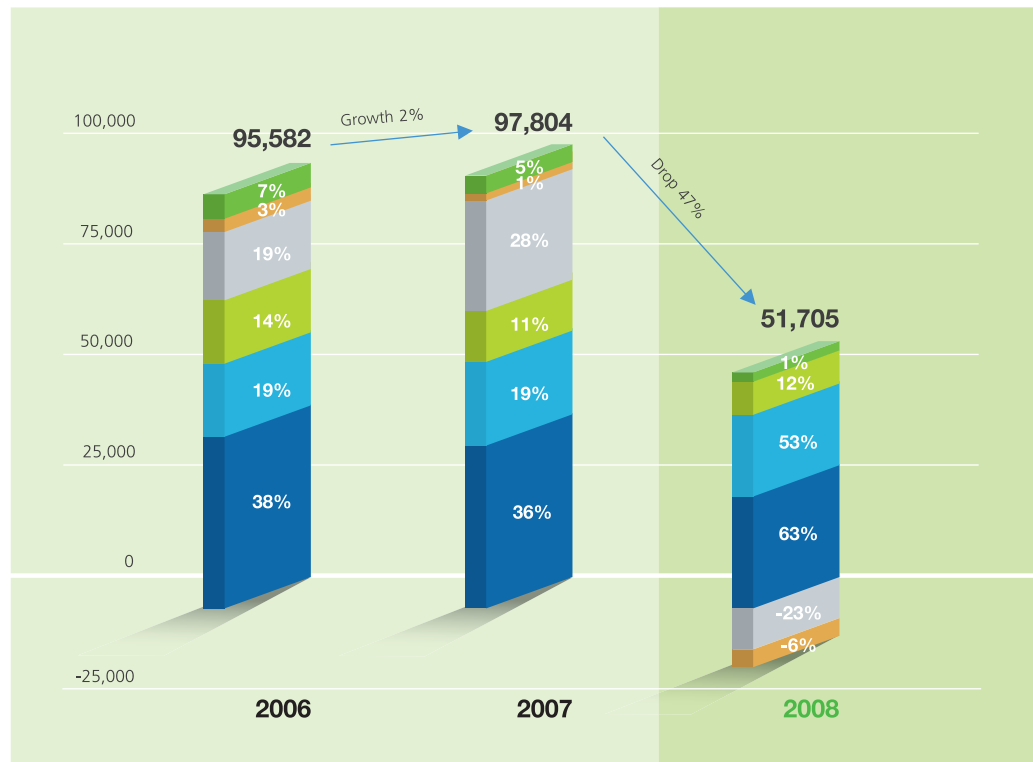
Unit : Million Baht



■ Oil Business Group      ■ International Trading Business Group      ■ Gas Business Group      ■ PTTEP  
■ Petrochemicals Business Group      ■ Refining Business Group

## Net Income

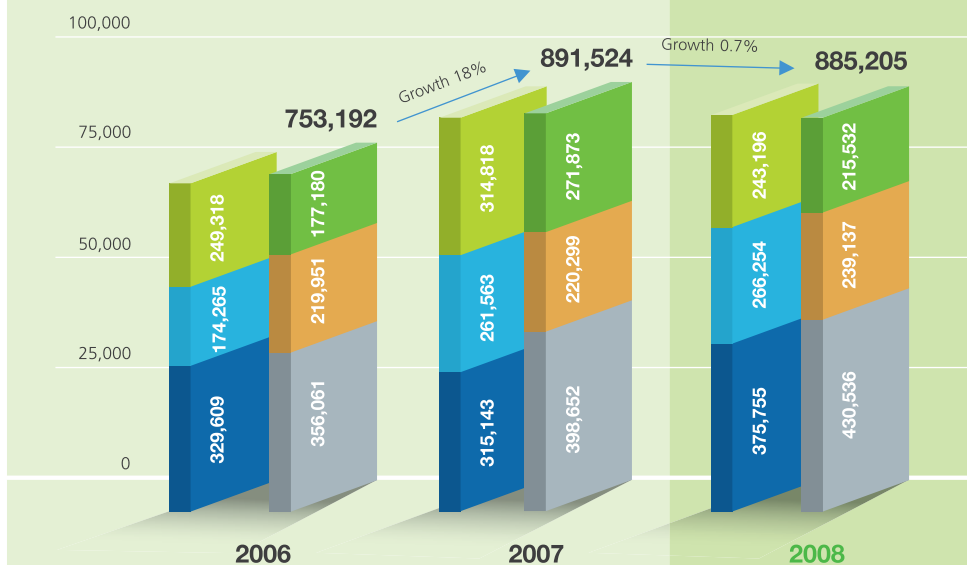
Unit : Million Baht



■ PTT      ■ PTTEP      ■ Profit shared from associates - Petrochemical      ■ Profit shared from associates - refineries  
■ Profit shared from associates - others      ■ Profit (Loss) from divestment of equity

## Balance Sheets

Unit : Million Baht



■ Fixed Assets   
 ■ Other Assets   
 ■ Current Assets   
 ■ Shareholders' Equity   
 ■ Long-term Loans (include the loans within one-year maturity)   
 ■ Other Liabilities

## Financial Ratio

Return on Equity (%)



Return on Total Assets (%)



Debt to Equity (Times)



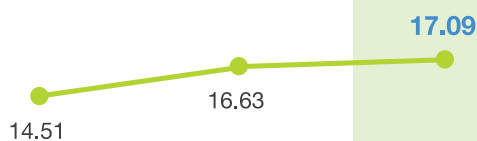
Net Debt to Equity (Times)



Net Debt to EBITDA (Times)



Interest Coverage (Times)



2006

2007

2008

2006

2007

2008



# PTT Information

Name	PTT Public Company Limited
Initial	PTT
Registered Number	0107544000108
Type of Business	Engage in integrated gas and petroleum business, and other support activities, including a dominant position in oil and investment in related business
Registered Capital	Baht 28,572,457,250 including 2,857,245,725 common shares, Baht 10 per share (as of December 31, 2008)
Paid-up Capital	Baht 28,240,566,250 including 2,824,056,625 common shares, Baht 10 per share (as of December 31, 2008)

Location 555 Vibhavadi Rangsit Road, Chatuchak, Bangkok 10900, Thailand  
 Telephone : 66 (0)-2537-2000  
 Telefax : 66 (0)-2537-3498-9  
 Website : <http://www.pttplc.com>

Corporate Communications Department Telephone : 66 (0)-2537-2150-1  
 Telefax : 66 (0)-2537-2169, 66 (0)-2537-2171  
 Email : [corporate@pttplc.com](mailto:corporate@pttplc.com)

Capital Market & Investor Relations Department Telephone : 66 (0)-2537-2792-3  
 Telefax : 66 (0)-2537-2791  
 Email : [ir@pttplc.com](mailto:ir@pttplc.com)

Office of the President and Corporate Secretary Telephone : 66 (0)-2537-3850-1  
 Telefax : 66 (0)-2537-3887  
 Email : [corporatesecretary@pttplc.com](mailto:corporatesecretary@pttplc.com)

## References

- Share Registrar Thailand Securities Depository Company Limited  
 4<sup>th</sup> Floor, SET Building, 62 Ratchadapisek Road,  
 Klongtoey, Bangkok 10500, Thailand  
 Telephone : 66 (0)-2359-1200-1  
 Telefax : 66 (0)-2359-1259
- Auditor Office of the Auditor General  
 Rama VI Road, Phayathai, Bangkok 10400, Thailand  
 Telephone : 66 (0)-2618-5803  
 Telefax : 66 (0)-2618-5807
- Registrar Siam Commercial Bank PLC.  
 Registrar 1, Markets Operations Division  
 2<sup>nd</sup> Building, 3<sup>rd</sup> Floor, 1060 Petchaburi Road, Ratchatawee,  
 Bangkok 10400, Thailand  
 Telephone : 66 (0)-2256-2323-7  
 Telefax : 66 (0)-2256-2406  
 Securities Services Product 1, Corporate Trust  
 9 Rutchadapisek Road, Jatujak, Bangkok 10900, Thailand  
 Telephone : 66 (0)-2544-3937, 66 (0)-2544-3930  
 Telefax : 66 (0)-2937-7662

# Message from The Board of Directors

The year 2008 was extraordinary to PTT Plc, which commemorated its 30<sup>th</sup> anniversary of service to the Kingdom. With a modest start as a small entity charged with securing oil supply during the critical days of World War II to sustain the domestic demand, PTT later pioneered the application of natural gas to bolster national energy security and yet later supplemented value to natural gas and completed the integrated business cycle. Today, the national energy arm has gained widespread acceptance from all around, including the international community.

What these achievements reflect are the vision and dedication of the management and staff through these years to undertaking the mission for Thailand while basing a PTT culture on its resolution to become a sustainable force for Thais.

The past year also brought on great fluctuation in both the sky rocketing oil price and the world economic crisis, which originated as financial problems in the US. With fuel prices at historic highs, PTT played a part in alleviating people's hardship by delaying price rises for retail products and, through its refinery affiliates, offering special discounts to public transport services and the agricultural sector. Apart from this, PTT prevented LPG shortage by importing the commodity while assuming the burden of discrepancy between import prices and government-imposed domestic prices until the Oil Fund made its reimbursement. Meanwhile, NGV service stations grew this year to 303, with its logistics vastly improved to handle the demand, which climbed by 214% year-on-year; gasohol and biodiesel sales were the public's other choices in the collective efforts for greater self-reliance.

The ongoing economic crisis has suppressed industrial energy demand worldwide along with the

plunging world oil price, thus causing petroleum and petrochemical business operators to face crude oil, feedstock, and product stock losses. In short, products bought at elevated prices were sold at lower prices; accounting surplus entries made at the much lower world prices at year-end therefore produced heavy stock losses.

The performance of PTT Group reflected both crises. In the first three quarters of the year, it was buoyed by rising prices and sales volumes. Yet, during the last quarter, the about-face crisis caused the notorious stock losses for the year. That is to say, while sales revenue rose to Baht 2,000,816 million (a 33% year-on-year rise) and EBITDA to Baht 156,133 million (a 7% rise), the refineries suffered. With the sales revenue dropped to Baht 51,705 million (or Baht 18.33 per share, a 47% drop). At any rate, PTT adjusted its dividend rate from 33% to 43.6% of its net income, resulting in dividend payment of Baht 8 per share.

Another major mission required by the Supreme Administrative Court verdict against PTT, which required the Company to transfer the public domain comprising of the gas transmission pipelines



A handwritten signature in black ink, which appears to read 'N. Sittiphong'.

Norkun Sittiphong  
Chairman



system and the land attached to it as well as the right of way to the Treasury Department on December 31, 2008. That action completed, PTT entered into an agreement governing the use of such properties at a fee to the department. Therefore the Supreme Administrative Court noted in the summary of PTT actions taken under its verdict "...Having considered and is of the opinion that the First to the Fourth Respondent and other relevant authorities have completely complied with the judgement..."

As regards its business strategic direction, PTT defined its vision of becoming a **'Thai Premier Multinational Energy Company'**. In the short term, its strategy is to forge synergy within PTT Group while sharpening its potential and competitive edge to bolster its immunity and manage its risks and cash efficiently to preserve liquidity. PTT will also be ranking assorted projects and downsizing ongoing projects in line with economic circumstances. For the long term, PTT plans to not only expand its investment, but also identify new investment opportunities in related businesses, both domestic and international. Also, selected businesses will be weighed for mergers & acquisitions and joint venturing if they hold sufficient potential but somehow faced financial difficulties, for such investment could yield continued success for PTT Group and enable it to sustain growth while supplementing value along PTT's business chain and boosting national energy security.

What this crisis did was to stress the criticality of integrated business management for total excellence. On its part, PTT implemented the Thailand Quality Award (TQA) criteria in driving its business management toward being a High-Performance Organization (HPO).

Over the past three decades, PTT has firmly committed itself to corporate governance and ethical practices in tandem with corporate, social responsibility. Countless educational, sports, arts and cultural, social, and environmental activities have been earnestly launched. Known as the '84 Tambons On A Sufficient Path Project Forest Sustained, People Prevail' this recent project sees the application of the Sufficiency Economy initiative of His Majesty the King to nurture communities under this concept. PTT fervently hopes that this project will exemplify its practicality for expansion to other communities around the Kingdom.

One solid proof of our success is this past year's high number of awards and prestigious ranking, both domestic and international. According to Fortune 500, PTT was the only Thai company ranked among the top 135 companies worldwide. An award bestowed by Her Royal Highness Princess Maha Chakri Sirindhorn this year called the Thailand Corporate Excellence Awards cited PTT's overall corporate excellence, social responsibility, and leadership excellence. PTT continued harvesting awards from the Ministry of Finance, which recognized outstanding state enterprise performance in various aspects. Then there were the Best in Corporate Governance in Thailand Award, presented by The Asset Magazine; Best Managed Company in Thailand Award, presented by FinanceAsia Magazine; and Platts Global Energy Awards 2008 in the category of CEO of the Year, and so on.

May we take this opportunity to thank all our shareholders and stakeholders, relevant government and private agencies, as well as members of the media corps and the general public, for their valued trust, confidence, and solid support lent to PTT's operation day in and day out. Your support has given us the strength to confidently carry on serving as Thailand's pillar of energy for the years to come.



Prasert Bunsumpun  
President & CEO



# Report of the Audit Committee

The Audit Committee consists of three independent directors knowledgeable about finance and organization management, namely Khunying Jada Wattanasiritham as Chairperson, with Khun Pornthip Jala and Mr. Chulayuth Hirunyavasit as members. During the year, the Committee performed its duties as assigned by the Board, in compliance with the criteria and practical guidelines governing the Audit Committee, in line with the regulations of the Stock Exchange of Thailand (SET), namely the review of financial statements; review of risk management; review of internal audit assessment; and oversight of good corporate governance (GCG) practices. During the year, the Committee held nine meetings with the Management, the external auditor, and the head of the Office of Corporate Audit, as summarized below.

- 1. Review of quarterly, annual, and consolidated financial statements.** This review was made along with the Management and the Office of Corporate Audit and, each time quarterly financial statements and annual financial statements were deliberated, with the external auditor in attendance. In reviewing such statements, the Committee asked the external auditor about the Company's complete and accurate presentation in its financial statements, its adequacy of information disclosure and disclosure of events after the preparation of financial statements, and adjustments for accounting entries materially affecting the statements. These questions ensured that the prepared financial statements complied with legal and accounting standard requirements

under the generally accepted accounting principles; that its accounting procedures and financial statements were both accurate and reliable; and that adequate and timely information was disclosed in financial statements for the benefit of investors or potential investors. This year the Committee and the external auditor held one meeting without the presence of management to deliberate accounting approaches and audit plans.

- 2. Review of risk management.** To ensure acceptable risk management practices, the Committee supervised PTT Group's business by reviewing the risk management plans of 2008 and quarterly achievements against the plan. The Committee made recommendations on dealing with the major risks for PTT Group, including risk management related to foreign exchange and the volatility of oil and product prices and international trading.
- 3. Review of internal audit assessment.** Together with the external auditor and the head of the Office of Corporate Audit, the Committee revised and reviewed the internal control system with a focus on resource





utilization, due care of properties, and prevention or minimization of defects, losses, waste, and fraud. It also investigated the reliability of financial and operation reports, and compliance with laws, rules, regulations, and Cabinet resolutions. The external auditor agreed that no significant findings or shortcomings were encountered. During the year, PTT assessed its internal control against the regulations of the Auditor Commission on internal control standard B.E. 2544 (2001). The Management and the Office of Corporate Audit concluded that PTT's internal control was both adequate and effective.

4. **Review of connected transactions.** The Committee looked into connected transactions with PTT Group companies and those between business groups to ensure that these were conducted at arm's length with complete and adequate information disclosure.
5. **Oversight of internal audit.** The Committee reviewed the annual audit plan and the three-year audit plan, as well as their compliance. The audit findings were reviewed and recommendations given to follow up the corrective actions of those items considered significant to bring about GCG and sufficient internal control. The Committee approved PTT's amended regulations concerning internal audits and a manual on internal audits in line with international standards. Finally, it reviewed the annual budget for the Office of Corporate Audit, including its recruitment plan, rotation, training, resource adequacy assessment, performance measurement indicators, as well as appointments and transfers, and the annual merit consideration for its head.
6. **Self-Assessment.** The Committee conducted individual (through cross assessment) and collective self-assessment against best practices. For 2008, it was found that the Committee had performed its duties efficiently.
7. **Appointment of the external auditor for 2009.** The Committee proposed the appointment of the Office of the Auditor-General as the external auditor for PTT Plc. for 2009 to the Board, which would in turn submit it for shareholders' approval at their 2009 AGM.

The Committee attaches great importance to good internal control and continuous risk management so that PTT may command GCG, sufficient internal control compatible with its business, effective risk management, together with accurate accounting practices and financial statements, and compliance with relevant laws and regulations.



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Khunying Jada Wattanasiritham  
Chairperson, Audit Committee

# Report of the Corporate Governance Committee

By its definition, good corporate governance (GCG) implies a given organization's structure and mechanism for internal management to link the Board of Directors, the Management, the rank and file, and shareholders primarily to appropriately benefit the shareholders, taking into account stakeholders as a whole and accountability for decisions and actions; responsibility for performance of duties with sufficient competency and efficiency; fair and accountable treatment of stakeholders; business transparency and openness to examination; disclosure of information to relevant parties; vision for supplementing long-time value to the organization; and ethics and a code of business conduct.

PTT's Corporate Governance Committee members are chosen from independent directors of the Board. The three-member committee screens, supervises, steers, and monitors compliance with GCG principles to be at least comparable with the principles defined by the Stock Exchange of Thailand (SET) and compatible with OECD (The Organization for Economic Co-operation and Development's Principles of Corporate Governance).

Meeting three times in 2008 to undertake its duties as defined by the Board concerning the appointment of this committee by PTT Plc., the committee reported its performance to the Board as summarized below.

1. Continually conducted good corporate governance (GCG) activities to cultivate awareness among employees, elevate the standard and align the GCG culture of PTT Group; instances of these were the updating of GCG information on PTT's website and intranet for the information of employees and the regular distribution of relevant information in print and other media, both internally and externally
2. Took relevant actions under the Securities and Exchange Act of 1992 (amended in 2008), including the appointment of a Corporate Secretary, institution of an internal database, and the requirement for a report on directors' vested interests
3. Efficiently provided information to investors, handled complaints and inquiries through assorted channels by units such as the Capital Market & Investor Relations Department, Corporate Communications Department, Office of the President & Corporate Secretary
4. Co-hosted the '2008 PTT Group CG Day', held on March 29 and attended by PTT and PTT Group (namely PTTEP, PTT Chemical, PTTAR, and Thai Oil) employees to improve the standard and align the GCG culture of PTT Group





5. Amended the GCG Manual to Version 2 (2008) by aligning the vision more with business; aligning the information with the principles defined by SET and modernizing it as required by OECD by defining a more explicit code of business conduct and amending the forms for possible conflicts of interest; completed in late 2008, Version 2 was approved by the Board and a publication is being prepared before presentation to the Board, the Management, and the rank and file for compliance
6. Complied with PTT's internal control regulation by instituting a requirement for annually reporting conflicts of interest for all employees by the end of January each year as well as reporting of individual cases
7. Monitored the Company's social responsibility activities, including the '84 Tambons on A Sufficient Path Project Forest Sustained, People Prevail'
8. Organized three open-house activities on November 29 and 30 and December 1 at Rayong gas separation plant and HRH Princess Maha Chakri Sirindhorn Herb Garden, attended by 480 selected shareholders
9. Organized an open-house activity for investors on January 10 and 11 at the PTT Research and Technology Institute in Amphoe Wang Noi and the Sara Buri Oil Terminal
10. Organized the 2008 Annual General Meeting (AGM) of the shareholders on April 11 in compliance with the AGM Checklist of the Office of Securities and Exchange Commission
11. Monitored the upgrading of PTT service stations to achieve service excellence, cleanliness, and standard for the maximum satisfaction of customers
12. Promoted clear understanding of GCG for the Board by informing them of the training/seminar schedules by the Thai Institute of Directors Association (IOD) or other institutions for their periodic participation.

Thanks to these GCG moves in 2008, PTT has garnered several awards for GCG and corporate social responsibility (CSR), notably

- \* Outstanding Social and Environmental Operation Award at the "Outstanding State Enterprises" event, conferred by the Ministry of Finance
- \* Best Investor Relations Issuer, conferred by The Thai Bond Market Association
- \* Excellence in Social Responsibility, an award bestowed by HRH Princess Maha Chakri Sirindhorn and conferred at the Thailand Corporate Excellence Award 2007 event
- \* Shareholder Awards 2008: Best Shareholder Treatment Award, conferred by Thailand Securities Depository, Co., Ltd.
- \* "Excellence" rating under a project to survey GCG practices among listed companies in 2008, conducted by Thai IOD
- \* Best Corporate Governance Award, conferred by Corporate Governance Asia Magazine
- \* Best Corporate Governance Award, conferred by Euromoney Magazine
- \* Best in Corporate Governance, Thailand, conferred by The Asset Triple A Awards 2008 Magazine.

These awards spoke volumes for PTT's constant commitment, dedication, and diligence in compliance with the GCG principles.



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General Somdhat Attanand

Chairman, Corporate Governance Committee

February 5, 2009

# Report of the Remuneration Committee

According to PTT Plc's regulations, a Remuneration Committee is to be appointed, with all members coming from the Board of Directors, charged with defining the compensation for the Board and the Chief Executive Officer (CEO)/President through fair and reasonable criteria or a procedure for Board compensation. The Committee consists of three members, one of whom is to be an independent director.

Meeting once during the year, the Committee performed its assigned duties with due prudence, care, and logic. At the meeting, compensation for the Board and the CEO/President was deliberated, with consideration given to achievements and success against goals, through efficient appraisal. The Board is to conduct its own appraisal in three ways: collective, self-assessment, and cross-assessment; the CEO/President had a series of performance indicators defined at the beginning of the year, to be appraised at year-end. In their deliberation, the committee took into account economic reality in comparison with the compensation packages of leading companies in comparable industries, both in and outside SET.

For transparency of examination, the Remuneration Committee has disclosed the compensation details of the Board, the committees, and the Management in this annual report.



A handwritten signature in black ink, reading "Ampon Kittiampon".

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Mr. Ampon Kittiampon  
Chairman, Remuneration Committee  
February 5, 2009



# Report of the Nominating Committee

According to PTT Plc's regulations, a Nomination Committee is to be appointed, with all members coming from the Board of Directors, charged with selection and nomination of people qualified to become directors or the Chief Executive Officer (CEO)/President by defining a procedure and selection criteria for the benefit of transparency and fairness while fulfilling PTT's goals and direction. The Committee consists of three members, one of whom is to be an independent director.

Currently consisting of only independent directors, the Committee performed its assigned duties with due prudence, care, and logic. Five meetings were held during the year to select those qualified by law and other regulations to fill director vacancies; these people were knowledgeable about PTT's business, coming from diverse professions, dignified, and without blemished profiles.

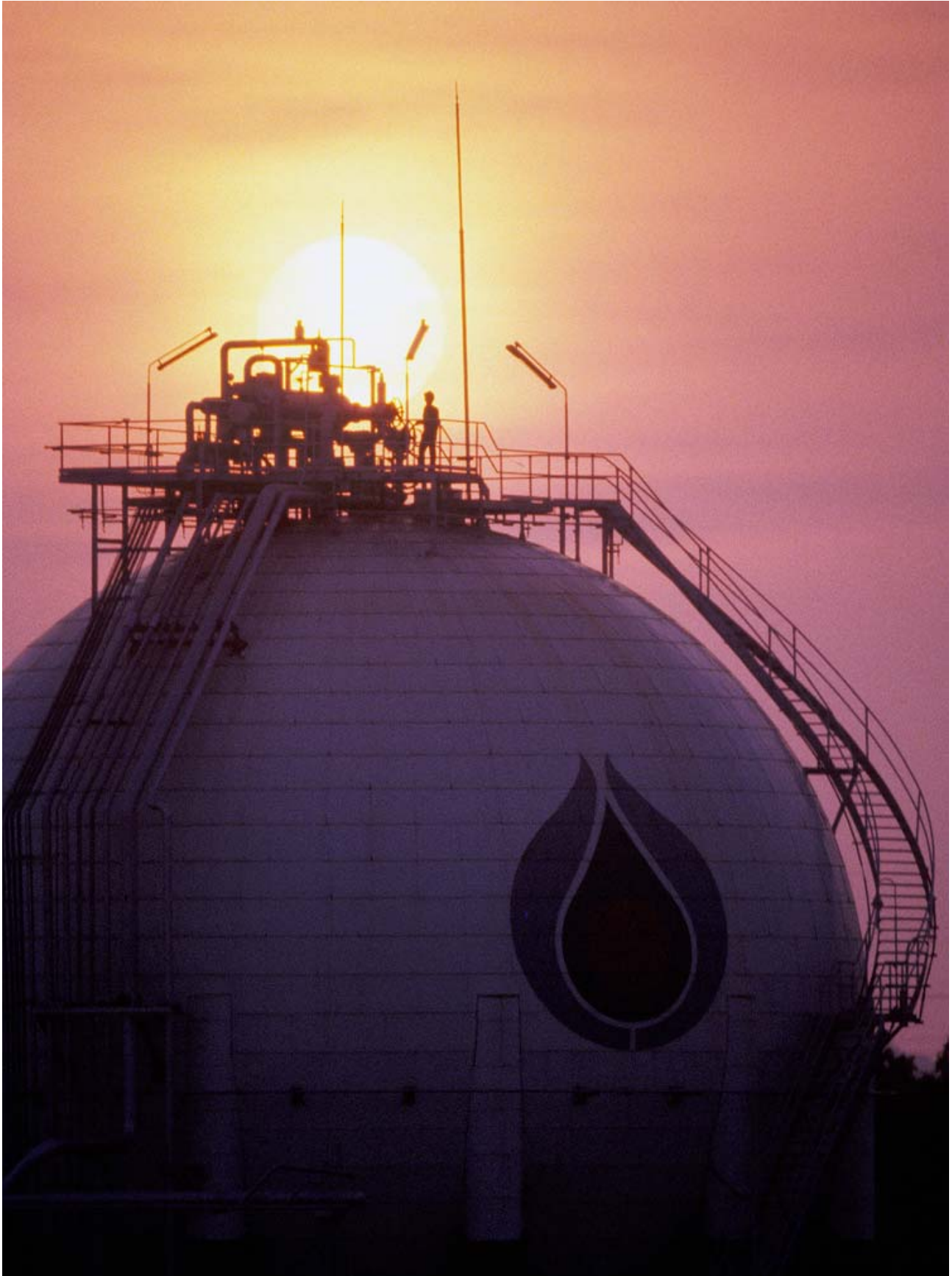
In appointing directors to fill vacancies created by term retirement, the Committee followed the process of proposing names for the Board's consideration before submitting them to the AGM. As regards the appointment of directors to fill vacancies created by resignations during the year, the Committee nominated people for the Board's approval. Details have been disclosed in this annual report for transparency of examination.



Mr. Chakramon Phasukavanich  
Chairman, Nominating Committee  
February 5, 2009



# Economic and Petroleum Overview





## Overview of World Economy

The World Bank has predicted that the world economy in 2008 would grow only 2.5% which was 1.2% lower growth from 2007. In this regard, major industrial countries, i.e. the US, Europe, and Japan have undergone a continuous contraction of economic growth during the first three quarters of the year due to the reduced consumption and investment from the private sector, as well as the slow exports, of which the downward trend could be observed since the 2<sup>nd</sup> quarter due to the shrinking economy of trading partner countries. Meanwhile, emerging countries, China and India in particular, could achieve high economic growth thanks to the expanding domestic demand and exports. In the 4<sup>th</sup> quarter, the growth rates of developed countries and major industrial countries as well as export-oriented countries, especially those in Asia, have gone through sharp contraction. This situation stemmed from the sub-prime troubles in the US, which started in 2007, and their severity later escalated into a financial crisis. The collapse of renowned financial institutions in the US, including Lehman Brothers and Washington Mutual, resulted in a lack of liquidity in the world financial regime. The situation consequently caused the capital markets in all regions to plummet. Moreover, the impact from the crisis expanded into the real sector and investment sector. Prices of goods and commodities dropped while unemployment increased. Domestic spending has dropped significantly, thus causing many exporting countries to lower their exports, which brought about the world economic crisis.

### Estimates of Economic Growth Rate for Various Clusters

Unit : %

	Estimates		2009 Forecast
	2007	2008	
World	3.7	2.5	0.9
Developed Countries	2.6	1.3	-0.1
US	2.0	1.4	-0.5
Europe	2.6	1.1	-0.6
Japan	2.1	0.5	-0.1
Developing Countries	7.9	6.3	4.5
East Asia and Pacific	10.5	8.5	6.7
China	11.9	9.4	7.5
Thailand	4.9	2.6	(-1) - 0

Sources: World Bank and National Economic and Social Development Board (NESDB) of Thailand as of February 23, 2009

## World Demand for Energy and Energy Price

In 2008, the world economy made a strong impact on the world demand for energy, particularly oil. During the first three quarters, rapid economic growth in emerging countries, especially China, India, Middle East and Latin American countries, significantly boosted the world's demand for oil. Notably for China, the country's built-up domestic oil stock for use during the Olympic Games has caused the spare capacity of oil exporting countries to continuously reduce from the 1<sup>st</sup> quarter to the 3<sup>rd</sup> quarter. Moreover, price hedging in the oil futures market has contributed to a rapid increase in the oil price. Dubai crude shot up from \$89.3 per barrel at the beginning of the year to a historic peak of \$140.8 per barrel in July, thereby creating an oil price crisis during that period. But following the dramatic economic slump in the 4<sup>th</sup> quarter, which caused a reduction in world oil consumption, spare capacity significantly and rapidly increased, thus producing a result on the sharp and continuous reduction of world oil price towards the end of the year. OPEC tried to lower its oil production level, thus bringing down the Dubai price to \$40.2 per barrel at the end of December, a 71% reduction; the annual average price of Dubai was \$93.4 per barrel, which still exceeded that of the previous year by 37%. As for refined products in the Singapore market, the prices of octane-95 gasoline and diesel moved up and down in accordance with the world price, registering their annual averages of \$102.5 and \$119.5 per barrel, 24% and 40% higher than the previous year.

Regarding the gross refining margin (GRM), the demand for finished petroleum products, particularly diesel used in the transportation sector, rose in response to the world economic expansion until the middle of the 3<sup>rd</sup> quarter. This resulted in a rising GRM in various regions of the world. But after the world economic crisis started, consumption of petroleum products significantly shrunk since the middle of the 3<sup>rd</sup> quarter. Coupled with new refining capacities, i.e. new refinery, with 580,000 bbl/d capacity, belonging to Reliance Industries and Reliance Petroleum in India, brought on stream in December 2008, the GRM during the last quarter of the year fell sharply.

#### World Oil Demand and Supply in 2008

(Unit: MBPD)

Demand	2007	2008				2008 average
		Q 1	Q 2	Q 3	Q 4	
Africa	3.1	3.1	3.2	3.0	3.2	3.1
North America	31.1	30.5	30.4	29.7	30.0	30.2
Asia-Pacific	25.1	26.3	25.4	24.7	24.7	25.3
Europe	16.0	16.0	15.7	16.1	16.0	15.9
Russia	4.1	4.1	4.1	4.3	4.3	4.2
Middle East	6.5	6.7	7.0	7.3	6.8	7.0
<b>Total</b>	<b>86.0</b>	<b>86.8</b>	<b>85.7</b>	<b>85.2</b>	<b>85.0</b>	<b>85.7</b>
<b>Supply</b>						
OPEC	34.9	37.3	37.1	36.2	35.3	35.9
Non-OPEC	50.7	49.8	49.7	50.0	50.6	50.6
<b>Total</b>	<b>85.6</b>	<b>87.1</b>	<b>86.8</b>	<b>86.2</b>	<b>85.9</b>	<b>86.4</b>

Source : International Energy Agency (IEA as of February 11, 2009)

Regarding petrochemical products, the prices in the world market moved upwards with the crude price. In the first half of the year, the world crude price increased continuously, thus causing the naphtha price in Asia to rise by 54% than the same period of 2007. The price reached its peak of \$1,133 per ton in June. Around the end of the year, however, the naphtha price in Asia dropped sharply due to more production in the Middle East, coupled with the sharply dropping world oil price as a result of the much lower demand. Naphtha's annual average price was at \$803 per ton, up 19% from 2007. As for petrochemical products in the olefins line, the annual average of SEA ethylene price was at \$1,144 per ton, down about 4% from 2007. This was due to the expansion of production capacity in the region and new capacity in the Middle East. Regarding high-density polyethylene (HDPE), its price moved up and down in line with the world oil price with its annual average of \$1,481 per ton, up 9% from 2007. The propylene price also increased during the first half of the year as a result of the opening of a new 450,000-ton-per-year polypropylene (PP) plastic pellet plant belonging to Formosa Petrochemical in China. Besides, crackers in Japan and Indonesia underwent their temporary shutdowns. However, in the 4<sup>th</sup> quarter, the propylene price dropped following new capacities in the Middle East and decreased demand from China and India resulting from the economic crisis. The annual average price of propylene was \$1,258 per ton, up about 9% from 2007.

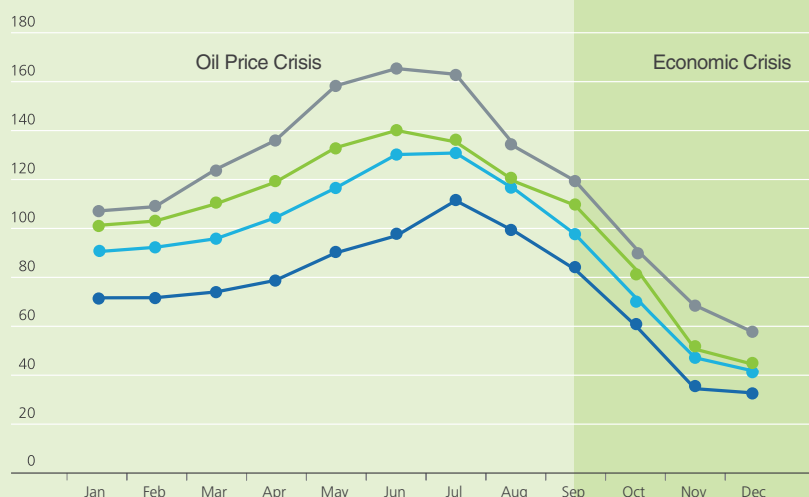
As for the prices of aromatics products, the benzene price adjusted upwards in line with the crude price, with an annual average of \$987 per ton, a 3% increase from 2007.

Affected by the price fluctuation of crude and petroleum products as well as petrochemical products and naphtha which shot up in the beginning of the year and rapidly dropped off in the last quarter of the year, refining and petrochemical businesses have experienced significant losses. Such losses were contributed by stock losses of oil and feedstock, physical losses, and accounting losses at the end of the fiscal year.



## 2008 Price of Dubai Crude and Refined Products In Singapore Market

Unit :US\$/bbl



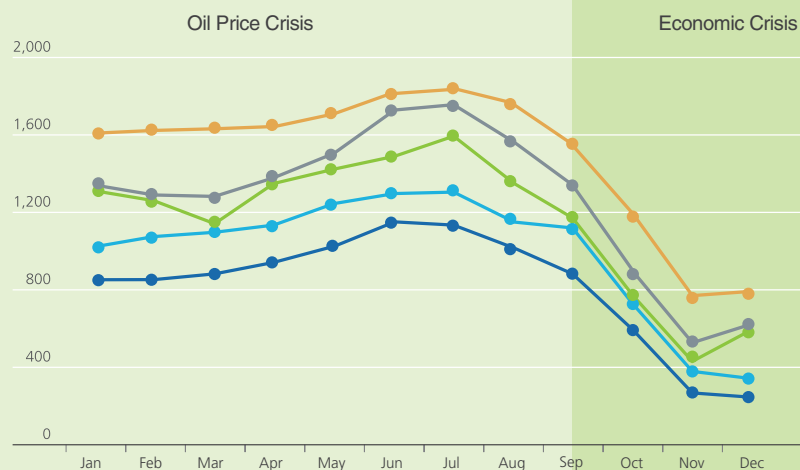
● Fuel Oil ● Crude ● Gasoline ● Diesel

Petroleum Price	2006	2007	2008				2008
			Q 1	Q 2	Q 3	Q 4	
Crude	61.5	68.4	91.2	116.7	113.4	52.6	93.5
Gasoline	73.1	82.9	104.9	129.6	119.3	56.2	102.5
Diesel	76.7	85.1	114.1	154.2	139.0	70.4	119.5
Fuel Oil	49.2	58.4	74.4	92.5	102.5	44.8	78.6

Source: PLATTS Oilgram News

## Price of Petrochemical Products in Asia Market

Unit :US\$/ton



● Naphtha ● Benzene ● Ethylene ● Propylene ● High Density Polyethylene

Petrochemical Price	2006	2007	2008				2008
			Q 1	Q 2	Q 3	Q 4	
Ethylene	1,168	1,189	1,247	1,386	1,378	565	1,144
Propylene	1,132	1,155	1,296	1,520	1,574	644	1,258
Benzene	865	1,020	1,049	1,217	1,208	475	987
Naphtha	515	625	854	1,017	991	352	803
High Density Polyethylene	1,234	1,352	1,607	1,677	1,713	928	1,481

Source: PLATTS Oilgram News

## Thailand's Economy in Brief

The National Economic and Social Development Board (NESDB) concluded that Thailand's 2008 economic growth was 2.6%, down 2.3% from 4.9% growth in 2007. During the first three quarters of the year, the country had healthy economic growth, averaging at 5.1% due to the expansion of domestic demand and exports. However, in the 4<sup>th</sup> quarter, the economic growth weakened by 4.3% from the contraction of export and service sectors, in turn affected by the world economic crisis, especially in trading partner countries, i.e. European countries, the US, and China. In addition, the closure of Suvarnabhumi and Don Mueang International Airports from late November to early December created huge impacts on the tourism and transportation industries. The world financial and economic crises, moreover, has caused the Thai capital market to plunge, in the same manner as in other parts of the world. This includes the impact from the relocation of foreign investment, which prompted foreign investors to sell shares for cash. As a consequence of export contraction and world economic crisis, the Thai currency has weakened.

## Domestic Demand for Energy and Energy Price

In 2008, Thailand went through an oil price crisis during the first seven months of the year, as well as the financial crisis and the world economic crisis which brought about an impact in the last quarter of the year. The energy crisis caused the domestic demand for energy to drop. Demand for fuels (excluding LPG and NGV) totalled to 89.3 million liters per day (equivalent to 562,000 bbl/day), down 7% from the previous year. Demand for natural gas was at 3,444 MMcf/d, up 5% from 2007. Meanwhile, demand for electricity was 148,220 million units, up only 0.8%, lower than the prediction in the Power Development Plan 2007, where 5.6% increase was expected.

In addition, the increased retail oil price which kept up with the world oil price caused consumers to turn to alternative fuels, LPG and NGV in particular. LPG demand for use as fuel increased from 3.1 million tons per year in 2007 to 3.6 million tons per year in 2008, a 16% increase. This represented 36% and 9% expansion in the transport and industrial sectors accordingly. NGV demand surged by 220%, due to the retail prices of LPG and NGV, still tightly controlled by the government. The National Energy Policy Council (NEPC) agreed to cap the ex-refinery LPG price at Baht 10.996 per kilogram (\$314-332 per ton at the exchange rate of around Baht 35-33 per US\$ 1) from March 2008, which was the price that LPG producers, namely gas separation plants and refineries, quoted for oil traders. At the same time, the world LPG price announced by Saudi Arabia or LPG CP increased to \$775 per ton in 2008.

The significant increase of demand for LPG brought about insufficient supplies from gas separation plants and refineries. This further caused the need for import since April 2008. In this regard, the total imports of LPG throughout the year was at 446,878 tons. As the sole importer, PTT has shouldered the burden occurred from the difference between the import price and the government-controlled domestic price. In this regard, the Oil Fund will reimburse it later on.

## Economic and Energy Outlook for 2009

In 2009, many world-leading financial and economic institutions has forecasted that the world would still be in a downturn, continuously from late 2008. The World Bank envisaged that the world's overall economic growth would stand of 0.9%, with a contraction of 0.1% among developed countries and growth of 4.5% among developing countries. The International Monetary Fund (IMF) foresaw that the world economy would expand by 0.5%, with a contraction of 2.0% among developed countries and growth of 3.3% among developing countries and predicted further that the world economy could possibly pick up in 2010. However, it is difficult to predict when the world economy will recover since this crisis is unique and leading countries in all parts of the world have been severely affected and it unavoidably affected developing countries.

The sluggish world economy has caused the energy demand to shrink and consequently caused a reduction of the world oil price in the world market. Experts anticipated that if the world economy would still be going slow, the oil price would hover around the present level. OPEC would then try to reduce their production to shore up the oil price. But if the economy started to pick up along with the demand for oil, the oil price could possibly rise to \$60-\$80 per barrel, which is the marginal cost of production. And if the



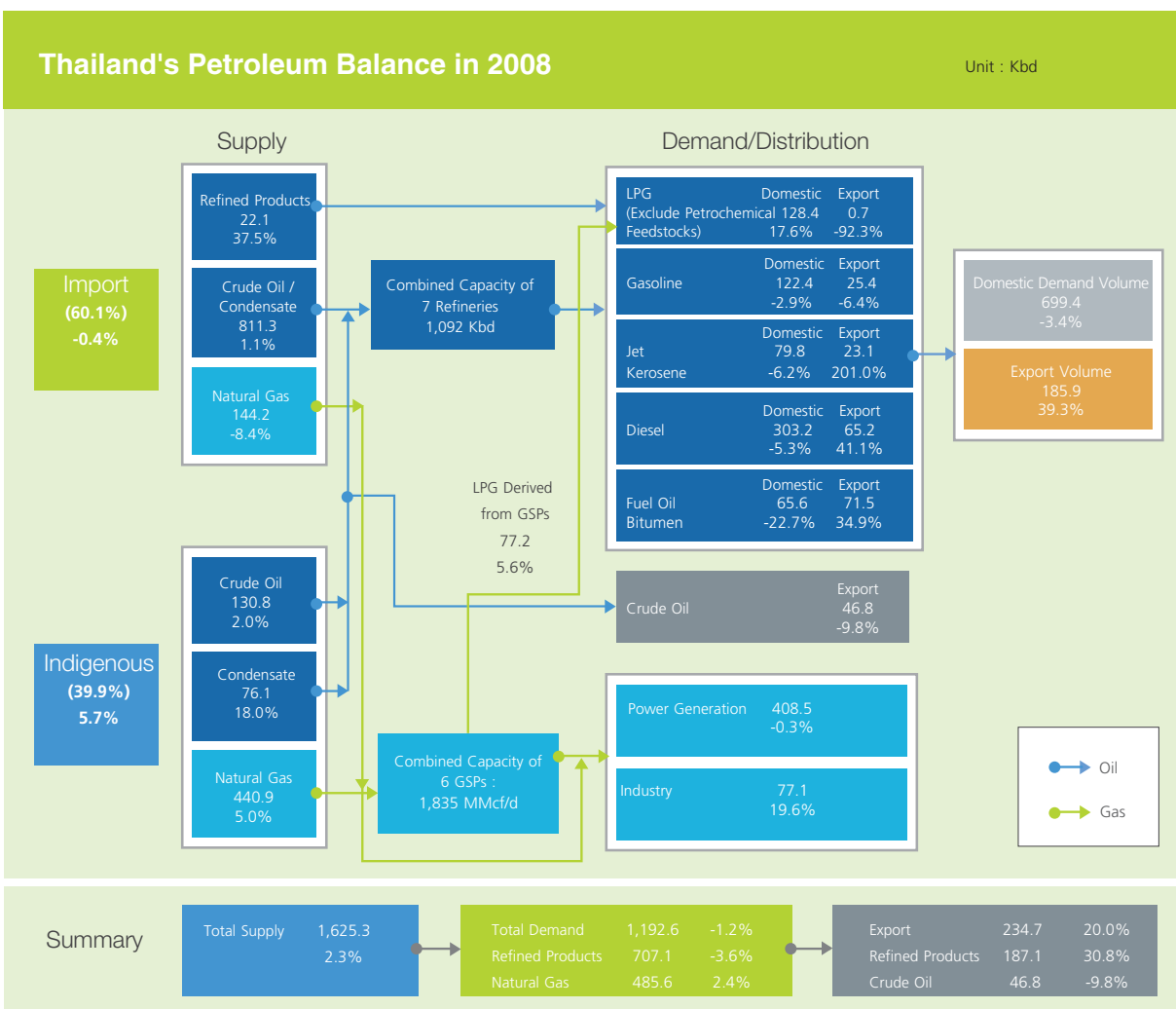
demand for oil increased further, the price might return to its high level as in the first half of 2008.

As for the Thai economy for 2009, NESDB foresees that the annual average growth would be in the region of minus 1% - 0%. This is due to the world economy, which has shrunk more than expected, especially in the first half of the year. Moreover, considering the financial institutions' extreme caution in granting loans and the private sector's low confidence amid the dull economic climate, it could be expected that the business sector will reduce the production capacity and employment, particularly in the industrial, construction and property, retail and wholesale, transport, and financial sectors.

Regarding the domestic fuel demand, the Energy Policy and Planning Office (EPPO) estimated that the overall fuel demand growth would be 0.8% in 2009. In this respect, oil demand will likely shrink by 0.3% while demand for LPG will expand by 6%, based on the assumption that the oil price will stay low. Demand for natural gas is expected to expand by 2% in 2008 in line with the country's power demand.

The refining industry is expected to enter its down cycle due to new capacities in China and Vietnam as well as additional ones in India. Moreover, the global demand for refined products is still slow. According to a prediction made by Cambridge Energy Research Associates, demand for petroleum products would decline by about 0.7 million bbl/d in 2009, which would bring down the refining margins.

Regarding the outlook for the petrochemical industry in Asia during 2009, imbalance between demand and supply could be expected. As from 2009-2012, there will be new capacities in the Middle East, such as from Saudi Arabia, Iran, Qatar, and some other countries in Asia. At the same time, demand will shrink in line with the world economy. The petrochemical industry will have to go through its downturn as well. Analysts foresee that the petrochemical industry's cycle will move upward again in the next 2-4 years in line with the recovering global economy.



# Business Operations And Performance Review



The year 2008 was another successful year for PTT with sales revenue increasing by 30% over the previous year. The diverse factors in the business environment, including the world economy, the world oil price which fluctuated wildly during the first seven months of the oil price crisis, and the financial and economic crisis during the last quarter, were all uncontrollable but affected the Company's performance in different ways. The upstream petroleum and natural gas businesses flourished while the downstream petroleum business was heavily impacted by the dramatic slump of the world oil price in the last quarter of the year. This has consequently caused a significant stock loss and considerably declining performance, as below :



## Upstream Petroleum and Gas Business Group

### Natural Gas Business

Natural Gas Business Group is in charge of gas procurement, transmission, distribution, gas separation plants, and investment in NGV service stations, as well as investment in natural gas-related businesses in PTT affiliates, both inside and outside Thailand. In 2008, the performance of gas business was better than that of the previous year thanks to the rising demand from the power and industrial sectors as well as for the products from gas separation processes. The price of gas sold to the industrial sector and the prices of products from gas separation plants used as petrochemical feedstocks also went up.

To cope with the rising demand, the natural gas business was successful in procuring additional natural gas from new sources in the Gulf of Thailand, namely Arthit and A-18 in the Malaysia-Thailand Joint Development Area (JDA) under contracts with sales volumes of 330 and 400 MMcf/d respectively. In addition, PTT's gas transmission system from Arthit Field to PTT Rising Platform (PRP), which has a transmission capacity of 1,500 MMcf/d of natural gas and the natural gas pipeline system from Arthit Field to A-18 Field, which has a capacity of 1,000 MMcf/d of gas were brought on stream in the first and the forth quarter, respectively.

### Natural Gas Procurement

In 2008, natural gas procurement of 3,459 MMcf/d in total was achieved, an increase of 165 MMcf/d or 5% when compared to 2007. This could be divided into the procurement of 2,631 MMcf/d from indigenous sources and 828 MMcf/d of imports from Myanmar. This reflects an indigenous procurement to import ratio of 76:24. In this respect, there was some additional procurement from two fields in the Gulf of Thailand, i.e. Arthit and A-18 fields in JDA.

### Natural Gas Distribution

In 2008, the total volume of gas distribution reached 3,444 MMcf/d, an increase of 5% over 2007. This comprised the distribution of 2,440 MMcf/d of gas to customers in the power sector, representing 71% of the total volume; 347 MMcf/d to industrial customers, representing 10%; 74 MMcf/d to the transport sector, representing 2%; and another 583 MMcf/d of products from gas separation processes, which accounted for 17% of the total distribution.

Taking the 2007 and 2008 volumes into account, distribution to the power sector in 2008 was reportedly increased by 91 MMcf/d, or 4%, resulting from the higher demand for electricity and substituted volume for fuel oil, which helped maintain the cost of power generation against the rising the world oil price. This resulted in the use of natural gas in power generation to increase from 67% in 2007 to 71% in 2008. In this regard, more gas-fuelled power plants were added to the system, namely Ratchaburi Power Plant, which started its commercial operation in March; Gulf BLOCK 2 Plant in May; and the 3<sup>rd</sup> South Bangkok Co-Generation Power Plant in June 2008.

Natural gas distributed to the industrial sector increased by 18 MMcf/d, or 5%, when compared with that of 2007. About 28 new gas customers, who demanded natural gas as fuel and for cogeneration power plants, were added to the existing ones, who also had higher consumption of gas. Regarding NGV, the total



# Create Value Through Business Chain

Upstream

Intermediate

Gas Chain



Exploration & Production (PTTEP)

Natural Gas



Pipeline

Oil Chain



Crude Oil Procurement

Crude & Condensate



Trading

Crude & Condensate

Petrochemical Chain



Olefins & Aromatics Plants



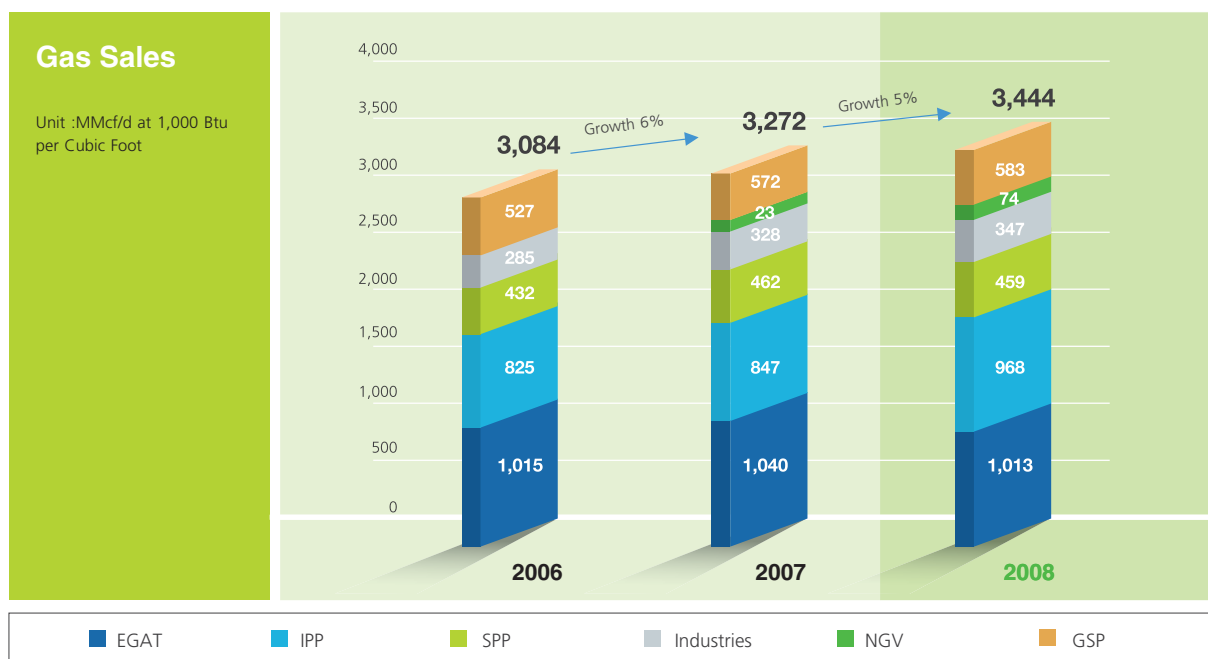
Petrochemical Intermediate Plants : MEG, Phenol, etc.

Petroleum Products



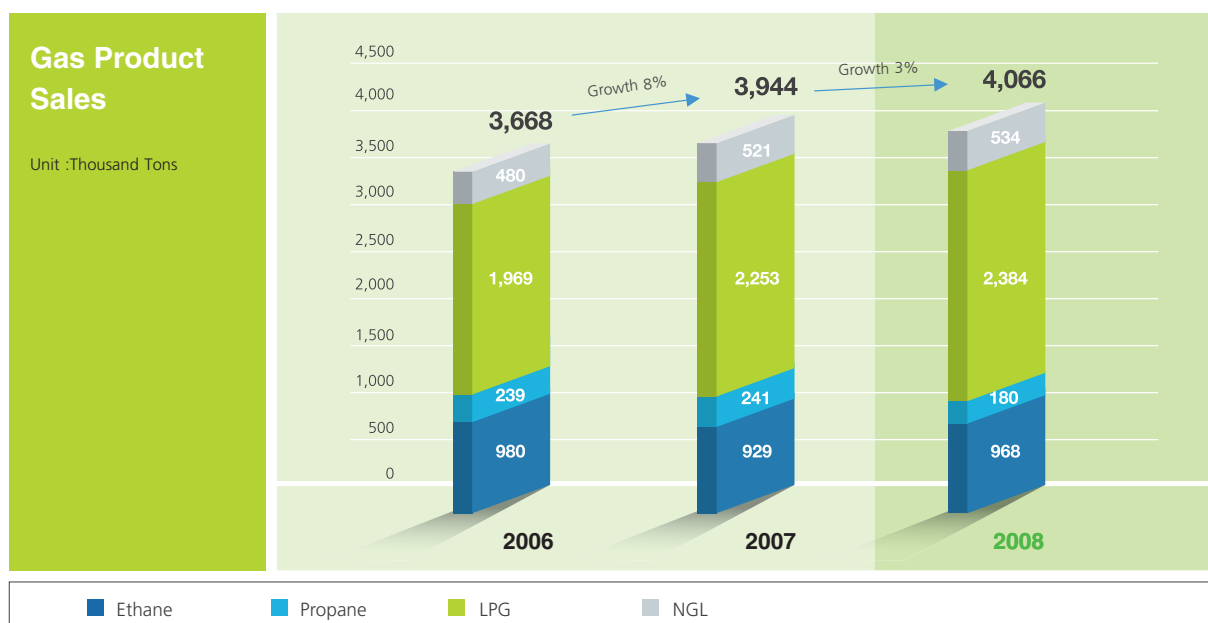
sales volume during 2008 soared by 51 MMcf/d, or 220%, when compared with 2007. This is due to the sharp rise of the oil price, especially during the first nine months, causing consumers to turn to NGV as an alternative. The situation further resulted in an approximately 4% increase of the proportion of natural gas consumption in the transport sector as a substitute for gasoline and diesel. As at the end of December 2008, the number of natural gas-fuelled vehicles was 127,735 in total, with 303 NGV retail stations available.

As for products from the gas separation plants, the volume of such products has increased by 11 MMcf/d from 2007. This is due to the expansion of demand for ethane, propane, liquefied petroleum gas (LPG), and natural gasoline used as feedstocks in the petrochemical industry coupled with the demand for liquefied petroleum gas used as fuel in the transport sector.

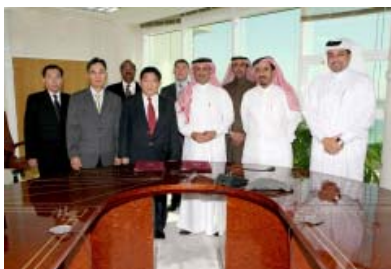


### Distribution of Products from Gas Separation Plants

PTT's five gas separation plants altogether processed a total of 1,720 MMcf/d of natural gas during 2008. Yields from gas separation plants, namely ethane, propane, liquefied petroleum gas, and natural gasoline, totalled 4,066,000 tons, an increase of 286,000 tons, or 3%, when compared with the 2007 volume. This comprised into 968,000 tons of ethylene, 180,000 tons of propane, 2,384,000 tons of liquefied petroleum gas, and 534,000 tons of natural gasoline.







LNG Sale / Purchase Agreement with Qatar Gas Operating Co., Ltd.



M9 Natural Gas Sale / Purchase with Mynmar



Stone Laying Ceremony for the Construction of LNG Receiving Terminal

## Milestones of Natural Gas Business Unit

### Natural Gas Procurement

- On February 3, 2008 : PTT signed a preliminary memorandum of understanding for sale and purchase of LNG with Qatar Gas Operating Co., Ltd. The agreement, involving the volume of one million tons per year, was to ensure energy security and the preparedness for the increasing demand for natural gas in the power generation, industrial, and transport sectors. In this regard, the construction of the LNG receiving terminal is scheduled for completion in 2011.
- On February 26, 2008 : PTT entered into a gas supply agreement with PTTEP Plc. The agreement dealt with up to 3 MMcf/d of natural gas from Sirikit field for use in the NGV project.
- On June 23, 2008 : PTT signed a preliminary memorandum of understanding with PTTEP Plc. for the supply of 240 MMcf/d of natural gas from M9 Field in Myanmar.
- On March 26, 2008 : The 3<sup>rd</sup> sub-sea gas transmission pipeline linking Arthit field and PRP started feeding natural gas to the production system with an initial volume of 80 MMcf/d. The gas volume increased to 330 MMcf/d as of April 25, 2008. Moreover, the natural gas pipeline system from Arthit Field to JDA has come to its completion, capable of transmitting 300 MMcf/d since November 12, 2008.
- On January 21, 2008 : PTT LNG Co., Ltd. hired a contractor for the construction of a jetty and LNG receiving terminal located in the Map Ta Phut Industrial Estate, Rayong Province. This terminal, in its 1<sup>st</sup> phase, is planned for receiving five million tons per year of LNG, and the volume will be expanded to 10 million in the 2<sup>nd</sup> phase. The construction is scheduled for completion and the terminal is planned to start its commercial operation by the middle of 2011.
- On May 22, 2008 : A small LNG Plant, the first in Southeast Asia, located in the vicinity of PTT Gas Separation Plant in Rayong Province, was inaugurated. The plant has a production capacity of 20 tons per day, equivalent to approximately 27,800 liters per day (energy equivalent) of diesel. LNG produced from this plant will be used in experiments or in pilot projects involving substitutes for diesel in various forms, both in industrial and water transport sectors. If LNG could prove to be a successful substitute and able to help reduce the fuel cost of industrial operators, it will directly respond to the need of consumers or industrial users who wish to use natural gas but are not connected to the gas grid. In addition to helping reduce cost for operators, LNG could help cut the expense on oil imports for the country as well.

### Expansion of Natural Gas Market

- On February 25, 2008 : PTT and Bangchak Petroleum Public Co., Ltd. entered into a contract for utilities production and sale-purchase of electricity, industrial steam and water. The power plant is a combined heat and power plant with a total production capacity of 25 megawatts. The heated recovery steam generator has a production capacity of 90 tons per hour. The plant is expected for commercial operation within the 2<sup>nd</sup> quarter of 2009.
- On March 24, 2008 : PTT entered into a joint venture agreement with Asahi Kasei Chemicals Co., and Marubeni Co., Ltd., two leading petrochemical companies of Japan, with an investment ratio of 48.5 : 48.5 : 3.0 respectively. This was a venture for the construction of the world's first production



Opening Ceremony LNG Plant, Rayong Province



Utilities Production Project and Electricity, Steam, and Industrial Water Sale/Purchase Agreement, Rayong Province

plant of high-quality petrochemical feedstocks, i.e. AN and MMA using propane from gas separation plants as feedstock instead of the usual propylene. Upon completion in the year 2010, the plant will be able to generate almost Baht 15,000 million per year to the Thai economy from the saving of AN imports of over 140,000 tons per year worth around Baht 7,750 million. At the same time, it will create an income from exports of excessive AN and MMA worth over 7,130 million tons per year.

### Natural Gas for Vehicles : NGV

- In 2008, NGV production capacity has been expanded from 1,330 to 4,420 tons per day by increasing the production capacity at the existing mother stations while constructing new ones. At the end of 2009, there were altogether 17 mother stations (12 old and five new stations, with daily output increasing from 965 to 3,020 tons per day) capable for feeding daughter stations along the gas pipeline with efficiency. In addition, the number of conventional NGV service stations located along the gas pipeline route has been urgently expanded from 33 to 55 with the gas dispensing capacity increasing from 365 tons per day to 1,400 tons per day in an attempt to increase distribution capacity while preventing shortage. Details are as follows:
- Capacity expansion at existing mother stations and construction of new ones
  - On May 28, 2008 : New Pracha-utit (Thung Khru) mother station, with a production capacity of 70 tons per day, was opened. Gas delivery to daughter stations in the inner Bangkok area could be made more convenient.
  - June 11, 2008 : Capacity expansion was made at Kaeng Khoi mother station in Sara Buri Province and Nam Phong mother station in Khon Kaen Province by installing additional gas compressors. These two stations, after their production capacities were increased from 145 to 320 tons per day, could better respond to the demand for NGV in the Northeast.
  - June 19, 2008 : The 1<sup>st</sup> stage capacity expansion was made at Lat Lum Kaeo mother station from 290 to 465 tons per day. The 2<sup>nd</sup> stage expansion, then, followed in July 2008 increasing the capacity to 515 tons per day, and 3<sup>rd</sup> stage expansion in September 2008 to 645 tons per day. The station was, as a result, capable of feeding up to 65 daughter stations in Bangkok and surrounding areas.
  - August 1, 2008 : The 1<sup>st</sup> stage capacity expansion was made at Pathum-Thani (Rangsit) mother



Grand Opening of NGV Station on Pracha-utit



NGV Capacity Expansion at Lat Lum Kaeo Mother Station



NGV Capacity Expansion at Pathum - Thani Mother Station



Opening of Lam Luk Ka NGV Station

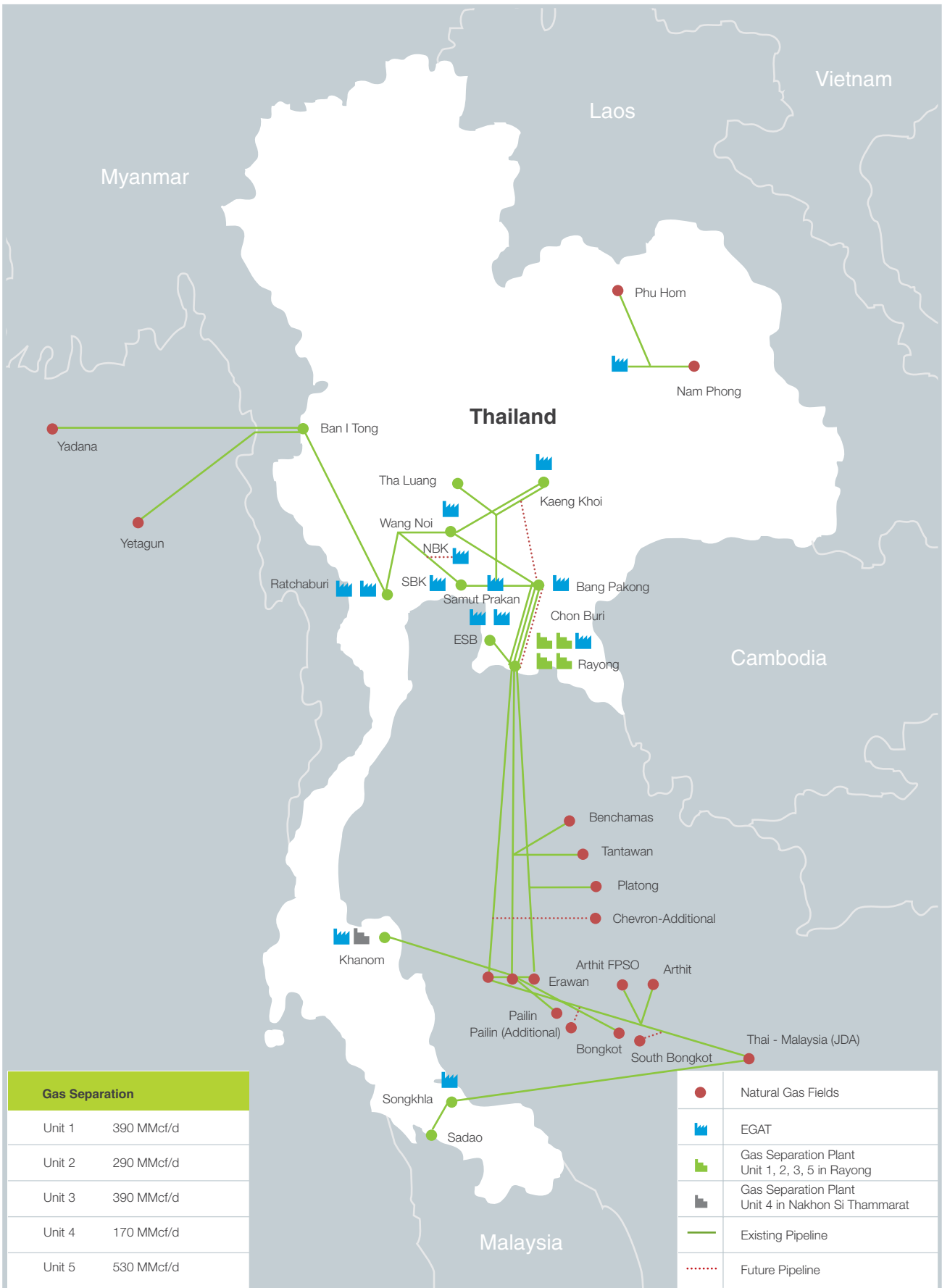


Opening of Kalapaphruek NGV Station

- station from 200 to 290 tons per day. Then, the 2<sup>nd</sup> stage followed in November 2008, adding the production capacity to 560 tons per day. Up to 56 daughter stations in the inner Bangkok and surrounding areas could be better served as a result.
- November 10, 2008 : Kalapaphruek mother station was opened with a production capacity of 70 tons per day.
  - December 3, 2008 : Lam Luk Ka mother station was opened with a production capacity of 350 tons per day, capable of feeding up to 35 daughter stations.
  - Urgent capacity expansion of convention stations along the gas grid
    - October 15, 2008 : This day marked the opening of the world's largest conventional NGV retail station, located at the new Southern Bus Terminal on Borommaratchachonnani Road. The station is equipped with 44 dispensing heads able to render service to 5,650 vehicles per day with a total volume of 230 tons per day. PTT also has a plan to build large stations at the four corners of Bangkok in order to reduce the congestion at NGV retail stations.
  - Increasing the number of NGV delivery trucks from 312 units in 2007 to 903 in 2008 by expanding the loading capacity of the truck. This could increase the loading capacity from 3 tons per trip to 4-5 tons per trip.
  - December 31, 2008 : In response to the government policy in promoting the use of NGV as a substitute for conventional fuel, PTT has, in an urgent manner, expanded the number of NGV stations from 166 in 2007 to 303 while the number of NGV-fuelled vehicles has been increased from 55,868 units in 2007 to 127,735 in 2008.
  - PTT recognized that the installation of NGV equipment requires considerable investment for each individual, causing some hardship to consumers. The Company, thus, set up a revolving fund of Baht 7,000 million, of which Baht 5,000 million came from PTT and Baht 2,000 million from the Energy Conservation Fund. The Baht 5,000 million was used as a source of fund for customers to borrow for installation of NGV equipment or for engine modification to be NGV-compatible. The revolving fund for NGV-fuelled vehicles offers low interest loans through 11 banks (Bangkok Bank, Kasikorn Bank, Bank Thai, Siam Commercial Bank, Krung Thai Bank, Bank of Ayudhya, Thai Military Bank, Government Savings Bank, Thanachart Bank, Siam City Bank, and Bank for Agriculture and Agricultural Cooperatives). As of December 31, 2008, a total loan of Baht 1,468.66 million was granted, being Baht 1,308.18 million for 124 corporate customers and Baht 160.48 million for 1,640 retail customers. As for the revolving fund managed by PTT's revolving fund committee, two companies were already granted with a credit line of Baht 32 million. Meanwhile, the Baht 2,000 million from Energy Conservation Fund was used to support Bangkok Mass Transit Authority's bus contractors in the Bangkok Clear Sky Project. And as at December 31, 2008, 35 companies were granted with a total loan of approximately Baht 1,201 million while another four companies were under consideration for a combined loan of Baht 1,053 million. It is expected that the amount of diesel used by BMTA's bus contractors could be reduced by 125 million liters per year, accounting for Baht 4,600 million. Moreover, the project could help reduce air pollution, especially black smoke and hydrocarbon substances by 640 tons per year. Most importantly, bus operators can save their fuel cost by approximately Baht 3,000 million per year.



# Natural Gas Transmission Pipeline System and Gas Separation Plants





## Petroleum Exploration and Production Business

PTT operates the petroleum exploration and production business through PTT Exploration and Production Public Co., Ltd. or PTTEP. 2008 was considered one of the best years for PTTEP's operations thanks to the expanded sales volume and the petroleum price which was increased in line with the world price.

Products of PTTEP, i.e. natural gas, crude oil, condensate, and liquefied petroleum gas, totalled 219.3 Kbd of oil equivalent, representing an increase of 179.8 Kbd from 2007 or 22%. In this respect, indigenous production increased from that of 2007 by 79% with the production from new projects: Arthit and G4/43. An overseas project, Vietnam 9-2, has also started its production of crude and natural gas from Ca Ngu Vang (CNV) field. As for the petroleum price, the 2008 average was \$49.7 per barrel, an increase of 25%. This has resulted in PTTEP's net profit to increase to 41,675 million Baht, up 46%.

2008 operating results of PTTEP can be summarized as follows :

**Exploration :** In 2008, PTTEP discovered petroleum from 28 wells out of 43 exploration and appraisal wells, representing a success rate of 65%. The most significant achievement was Pailin Project, in which petroleum was found from all of the seven exploration and appraisal wells drilled during 2008.

**Production Development :** PTTEP has expedited various projects with an intention to start as planned. This includes Block B17 of Thai-Malaysia Joint Development Area and South Bongkot. As for the development plan of M9 and M11 fields in Myanmar, PTTEP was already granted approval for the former field. And for Algeria 433A and 416B, the project already received an approval for petroleum development in Bir Seba Crude Oil Field from the government of Algeria in 2008.

**Production :** PTTEP started petroleum production from three projects comprising Arthit, G4/43, and Vietnam 9-2.

**Investment :** PTTEP is committed to continuous investment in petroleum exploration and production in various regions. In January 2008, the company entered into a 30% joint venture agreement in offshore blocks 17 and 18 in Bangladesh. In November 2008, PTTEP and joint investors won the bidding round for petroleum exploration and production in Semai II concession in Indonesia, with an investment proportion of 33.33% and with Murphy Oil Corporation as the operator. In Australia, which possesses a strong potential in petroleum, PTTEP in a joint venture with Murphy Australia Oil Pty Ltd. and with an investment ratio of 30 : 70 was



successful in the bidding round for petroleum exploration and production in WA-426-P concession block. Moreover, PTTEP signed an agreement to buy all shares of Coogee Resources Co., Limited (CRL), which was a business developer and joint investor in petroleum exploration and production in Australia.

As for long-term growth, PTTEP signed a memorandum of understanding with Golar LNG Limited for a joint study on joint investment opportunity in the development of stranded gas fields. The project will adopt the Floating Liquefied Natural Gas Production (FLNG) technology, which transforms natural gas into liquid for delivery to markets and can, thus, help make the development of small and medium natural gas fields more commercially worthwhile. This project will not only benefit the country in terms of energy security, but will also be in line with PTT's LNG import plan in the future.

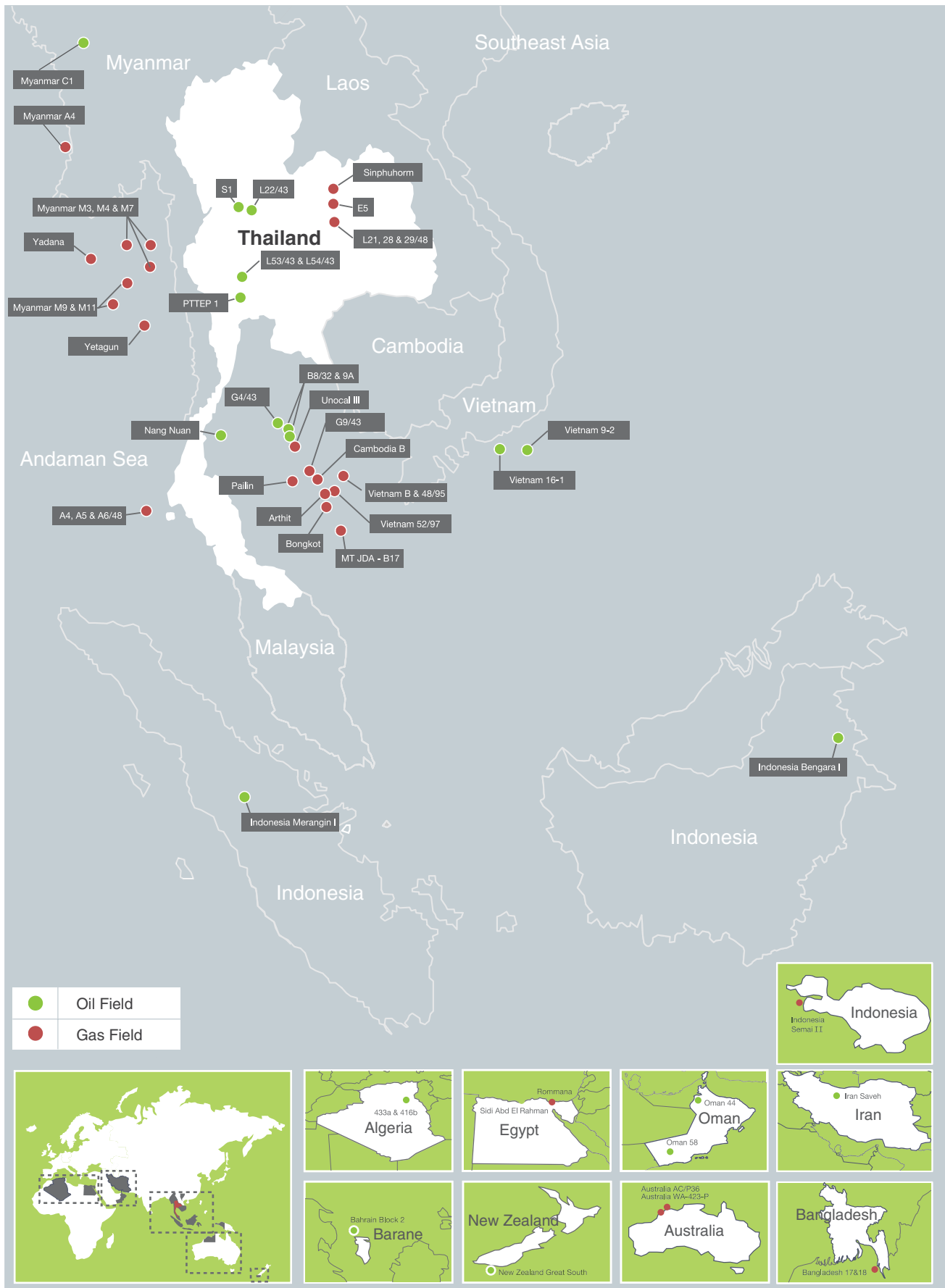
#### Milestones of PTT Exploration and Production Public Co., Ltd.

- PTT has altogether 42 petroleum exploration and production projects comprising :
  1. Projects under production: main projects are Bongkot, S1, Pailin, B8/32 & 9A, Oman 44, and Arthit.
  2. Projects under development and planned production : main projects are Malaysia-Thailand Joint Development Area, North Arthit, Vietnam 16-1, Myanmar M9, and Algeria Project.
  3. Projects under exploration : main projects are Myanmar M11 and M3, M4, and M7, Bahrain block 2, Cambodia B, Iran Saveh, Indonesia Bangara I & Meragin I, and Semai II, Australia AC/P36 and WA-432-P.
- In January 2008, G4/43 project in the Gulf of Thailand started its production with average crude and natural gas volumes of 10,000 bbl/d and 10 MMcf/d respectively. PTT took a 21.375% share in the venture.
- January 2008 : PTTEP entered into a joint venture with Total of France in blocks 17 and 18 in Bangladesh. Being the first time that PTTEP had spread its wings to South Asia, the Company held 30% in the venture while Total was the operator.
- March 26, 2008 : PTTEP started the natural gas production from Arthit Project with an average flow rate of 80 MMcf/d, which was increased to 330 MMcf/d in April 2008 as agreed in the supply agreement. The target production level could be sustained and respond to the country's demand for at least 20 years. PTTEP held an 80% share in this project and takes the role of the operator.
- April 9, 2008 : PTTEP was successful in the negotiation for an asset swap in Myanmar and signed an agreement with China National Offshore Oil Corporation (CNOOC) from China. PTTEP signed a joint venture agreement for blocks A4 and C1 belonging to CNOOC while CNOOC agreed to co-invest in blocks M3 and M4 belonging to PTTEP with a 20% share each.
- June 23, 2008 : PTTEP International Co., Ltd., an affiliate of PTTEP, signed a gas sales agreement following the success of the drilling exploration of block M9 in Martaban Bay in Myanmar of which natural gas was founded in all 4 wells. The Company targets to start gas production in 2012 with a flow rate of 300 MMcf/d.
- July 25, 2008 : The Vietnam 9-2 project started its crude oil production with an initial flow rate of approximately 8,000 barrels per day. PTTEP Hoan Vu Co., Ltd., an affiliate of PTTEP, held a 25% share in this venture.



- November 13, 2008 : PTTEP Semai II Co., Ltd., an affiliate of PTTEP, won the bidding round for petroleum exploration and production in Indonesia for the block Semai II with benefit sharing contract already signed. The venture helped strengthen PTTEP's investment base in Indonesia. PTTEP held a 33.33% share in this venture.
- November 13, 2008 : PTTEP Australia Offshore Pty Ltd (PTTEP AO), an affiliate of PTTEP, won the bidding round for petroleum exploration in the block WA-423- P in Australia. The block is located in Browse Basin adjacent to the block AC/P36 in which PTTEP has a share. It is hoped that WA-423-P has high potential for natural gas. PTTEP held a 30% share in this venture while Murphy Australia Oil Pty Co., Ltd. is the operator.
- December 23, 2008 : PTTEP acquired Coogee Resources Co., Limit. (CRL) of Australia and signed an agreement for the purchase of CRL's total share. CRL had large reserves of high quality crude suitable for further development.
- PTTEP has established a number of affiliates as preparation for expansion in the petroleum exploration and production business. The affiliates in Bangladesh was registered on December 14, 2008; Myanmar on February 28, 2008; in New Zealand on September 17, 2008; Indonesia on November 5, 2008 and Australia on December 18, 2008, with the following detail :
  1. PTTEP Bangladesh Co., Ltd. with a registered capital of \$50,000 and PTTEP Holding Co., Ltd. holding the entire share
  2. PTTEP Myanmar Co., Ltd. with a registered capital of \$50,000 and PTTEP Holding Co., Ltd. holding the entire share
  3. PTTEP New Zealand Co., Ltd. with a registered capital of \$50,000 and PTTEP Holding Co., Ltd. holding the entire share
  4. PTTEP Semai II Co., Ltd. with a registered capital of \$50,000 and PTTEP Indonesia Co., Ltd. holding the entire share
  5. PTTEP Australia Perth Co., Pty Ltd. with a registered capital of \$50,000 and PTTEP Holding Co., Ltd. holding the entire share
  6. PTTEP Australia Browse Basin Co., Pty Ltd. with a registered capital of \$50,000 and PTTEP Australia Perth Co., Pty Ltd. holding the entire share.

## PTTEP Projects





## Downstream Petroleum Business group

### Oil Business

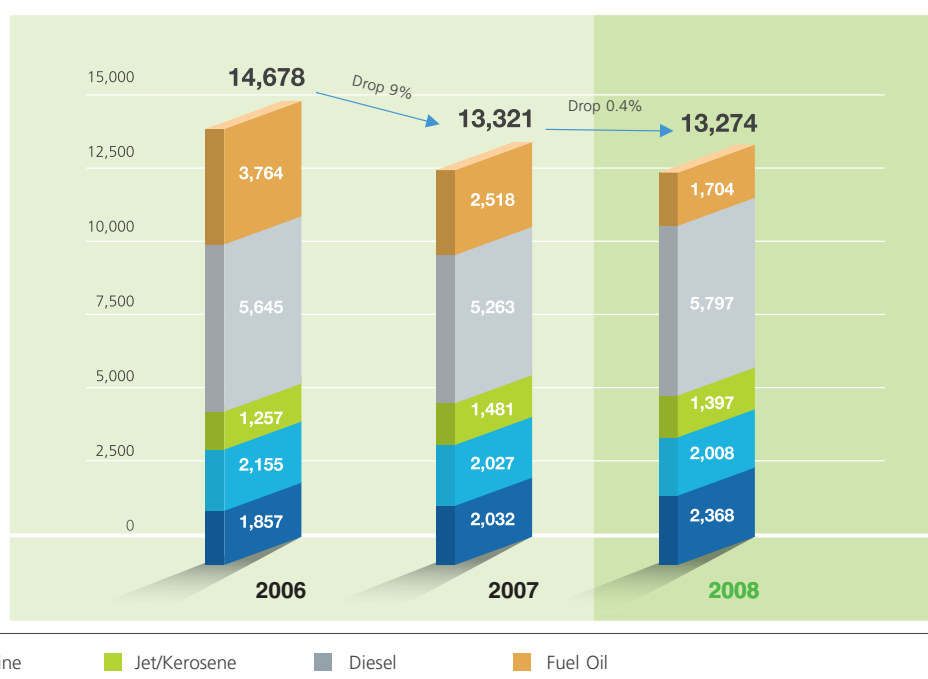
The Oil Business Unit is responsible for marketing of petroleum products and lubricants both in Thailand and abroad. The responsibility includes an efficient operating system of receiving, storage, and distribution of products through to the retail business in service stations, and investment in oil-related affiliates, both in Thailand and abroad.

At the beginning of 2008, when the oil price climbed so high that the situation turned into oil price crisis, the oil business had to delay the retail price increase of gasoline and diesel to alleviate the hardship of consumers. As a consequence, the marketing margin during the first six months of the year averaged Baht 0.15 per liter, with higher sales volume, though. And following the launch of the government's 'six measures six months policy', in which excise tax exemption for gasohol 95 & 91 and diesel was included, coupled with the economic crisis, consumption of gasoline and diesel in the transport sector has increased accordingly. During 2008, the oil business achieved a total sales volume of 13,274 million liters (excluding sales at JET stations), a decrease of 47 million liters, or 0.4%, when compared with 2007. This caused PTT's market share to expand to 33.8%. And if the volume of fuel oil sold to EGAT is excluded, PTT's oil business would have a market share of 33.2%, with an average marketing margin of Baht 1.36 per liter, an increase of 0.86 Baht per liter, or 58% from that of 2007. Still, this is lower than the suitable marketing margin, which should be Baht 1.50 - 2.00 per liter. As a result of the sharp decline of the oil price in the 4<sup>th</sup> quarter of the year, the oil business had to suffer a stock loss, part of which occurred from the country's strategic reserves.

In addition to helping alleviate consumers' burden during a time of high oil prices, PTT led others in the procurement of alternative energy. During 2008, PTT has launched E20 & E85 Gasohol while developing B5 biodiesel. The Company was the country's first in developing diesel with Euro IV standards.

### Sales Volume for Domestic Oil Markets

Unit : Million Liters

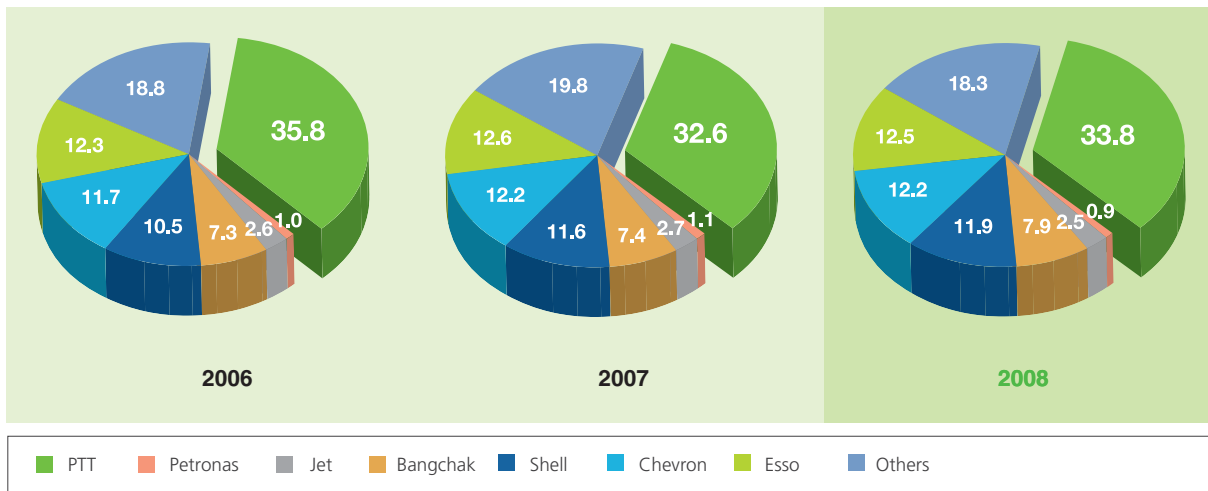


Notes : Exclude LPG Using as Feed Stocks in Petrochemical



## Domestic Market Shares

Unit : %



Notes : Exclude LPG Using as Feed Stocks in Petrochemical

As at the end of December 2008, PTT's oil business had altogether 1,157 retail stations, accounting for 6.1% of the country's total number, with 716 convenience stores. PTT also owns 14 aviation filling stations, 13 oil depots, two LPG depots, six petroleum depots, and four gas bottling plants, all of which enhanced the Company's ability to adequately render service customers and also serve as a support for the PTT Group as a whole.

## Milestones of Oil Business Unit

### Expansion of Oil Market

- On April 11, 2008 : One Palang Thai Phua Thai Co., Ltd.'s service station was opened on Seri Thai Road (Sukapiban 2 Road), and on September 15, 2008, another station was opened in the rest area of inbound Chalmr Maha Nakhon Expressway. These two were premium stations under the 'Pump in the Park' concept with a focus on providing convenience while saving customer's time by offering integrated service in a 'one stop service' station. In addition to making all types of fuel available, the stations were readily equipped with supporting businesses, e.g. Bank of Ayudhya, Seven-Eleven store, Cafe Amazon, Fascino drug store, Chester's Grill restaurant, Black Canyon coffee shop, and Procheck lubricant service center.

### Development of Products and Services

- January 1, 2008 : PTT became the country's leader in launching 'PTT E20 Plus' in response to the government policy while encouraging more consumers to turn to alternative fuels in a bid to save household expense and, at the same time, help the country save foreign currency. As at the end of 2008, the product was made available at over 100 retail outlets.



New Look of Service Stations: "Pump in the Park"



Launching of New Product "PTT E20 Plus"



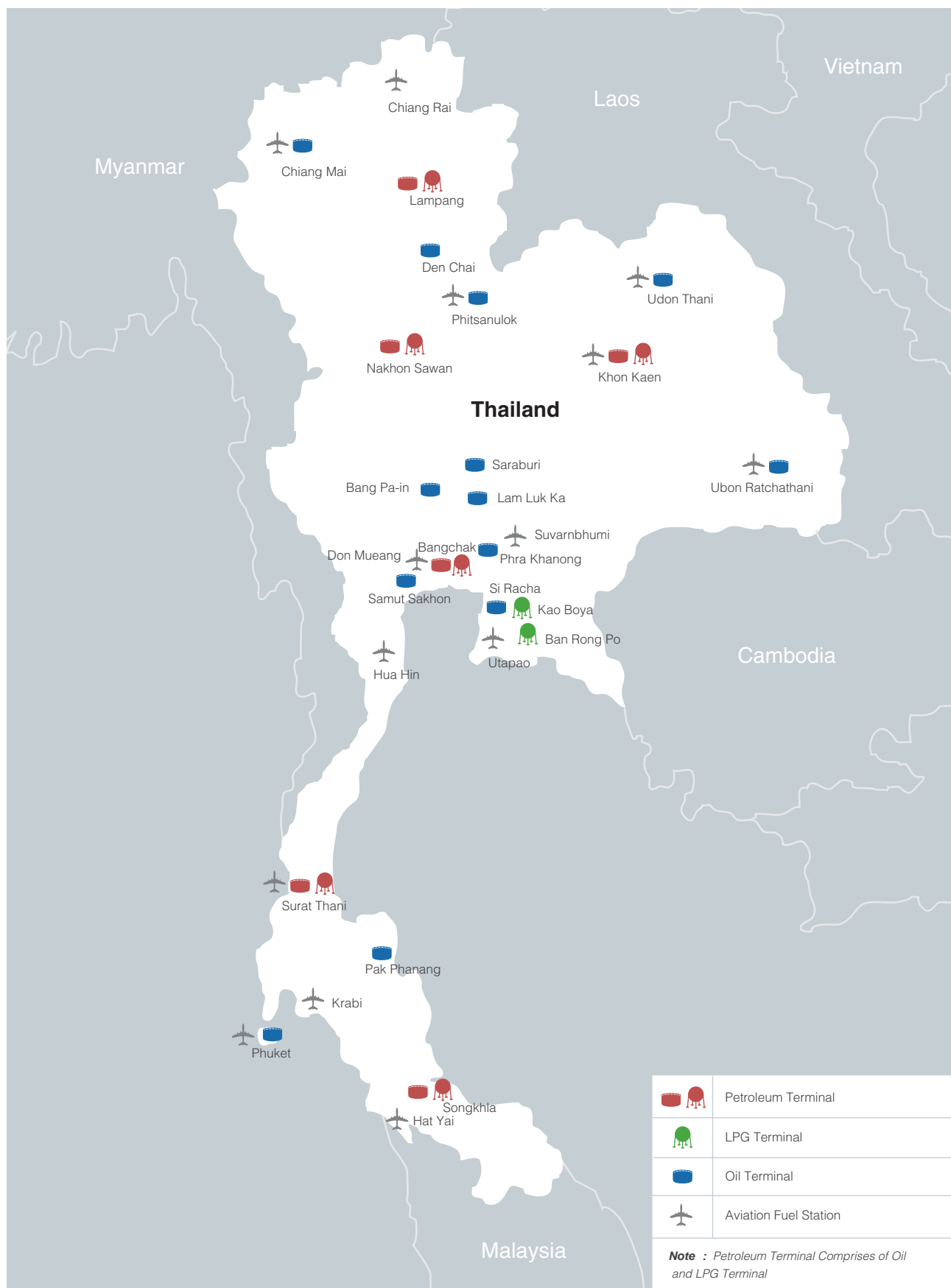
Launching of "PTT E85 Plus"



Launching of "PTT B5 Plus"

- January 15, 2008 : PTT, again, became the country's first to sell B2 diesel, that is, high-speed diesel with a 2% blend of biodiesel, at all PTT stations across the country. This is also another attempt in promoting the use of alternative fuels while reducing oil imports.
- February 14, 2008 : PTT launched 'PTT B5 Plus', an innovative diesel offered as an alternative fuel in line with PTT's policy regarding development of alternative energy with emphasis on clean and quality fuels. As at the end of 2008, PTT B5 Plus was available at over 800 PTT stations around the country.
- March 17, 2008 : PTT piloted the sale of diesel with Euro IV standards, with less emission of sulphur dioxide, thus, helping reduce air pollution. This is in line with PTT's policy concerning the environment and global warming under the concept of green marketing and sustainable development.
- May 30, 2008 : PTT and Toyota Group joined hands in the research and development of a new diesel technology called Bio-Hydrogenated Diesel or BHD, the first of its kind in Thailand. This was an innovation of biomass fuels created from various raw materials, such as jatropha and algae, which can reduce the risk of raw-material shortage from using agricultural products. Moreover, BHD can be mixed into conventional diesel at the rate of over 10% without changing the quality of diesel. The innovation could respond to the government policy and, more importantly, is environment friendly through reduction of global warming.
- August 29, 2008 : PTT E85 Plus was launched, also the country's first, at the Ministry of Interior's welfare station on the Chalerm Maha Nakhon Expressway (outbound on Bangna). E85 gasohol, with a higher ethanol content, will lead to less dependence on imported fuels. Every liter of PTT E85 Plus can save 0.85 liter of conventional gasoline.
- December 12, 2008 : PTT established Business Services Alliance Co., Ltd., with a registered capital of Baht 2,000,000 and PTT holding a 25% share, to provide PTT and companies in PTT Group with services and labor.

## PTT Petroleum, Oil, LPG Terminals, and Aviation Fuel Stations



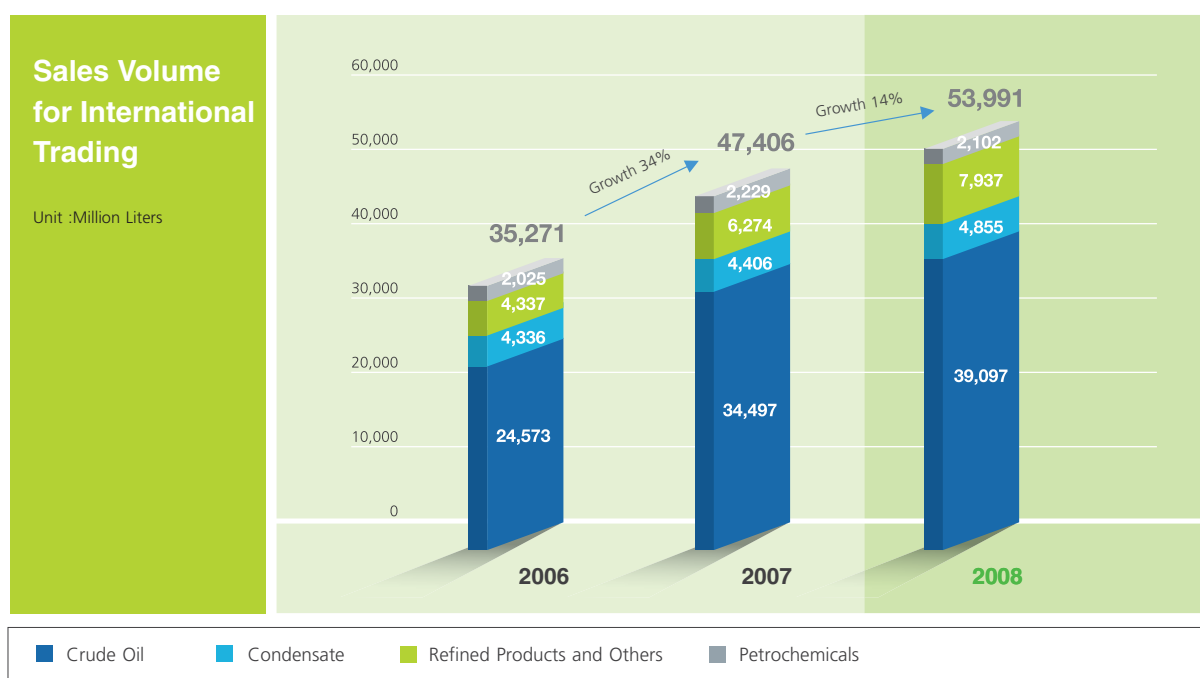




## International Trading Business

The International Trading Business involves business operations over crude oil, condensate, petroleum and petrochemical products, and all other related products. The business also covers management of risks possibly occurring from oil trading as well as procurement and distribution of petroleum and petrochemical products in international waters. In its role as a supporter for the various businesses under PTT umbrella, international trading mainly deals with domestic procurement (in-in), import (out-in), export (in-out), and international trading (out-out). This business unit focused on cost reduction from crude oil procurement while adding value and expanding channels for distribution of petroleum and petrochemical products from refining and petrochemical businesses. This includes the ability to make profits from trading of petroleum and other products.

In 2008, the business reported total physical trading of 53,991 million liters, an increase of 6,585 million liters or 14% over 2007. This comprised the trading of 39,097 million liters of crude oil, 4,855 million liters of condensate, 7,937 million liters of fuel, and 2,102 million liters of petrochemical products. Most of the increased trading volume came from the greater volume of crude and refined products, a result from the attempt to increase the transactions of international trading, or out-out trading. This also included the increase of crude imports for Thai Oil Public Co., Ltd. (TOP), which expanded its capacity, and IRPC Public Co., Ltd., which agreed to have PTT as its crude importer in late 2007. In addition, import of LPG was significantly increased to satisfy the higher domestic demand. In terms of risk management, a total of 18,947 million liters was accounted for, an increase of 60% over 2007, which came mainly from risk management for oil price within PTT Group.





Help Relief Caused By Disastrous Cyclone Nargis



Jasmine Crude Sale/ Purchase Agreement



First LPG Import in 12 Years

## Milestones of International Trading Business Unit in 2008

- January 7, 2008 : PTT entered into a sale-purchase agreement of acetone with PTT Phenol Co., Ltd. (PPCL) to add value to benzene and propylene products. These products could be sold domestically, replacing imports. The deal, moreover, opened an opportunity for PTT to extend its investment into downstream petroleum business.
- February 8, 2008 : PTT signed a sale-purchase agreement of Jasmine Crude from the Gulf of Thailand with Pearl Oil (Thailand) Ltd. for 13,000 - 20,000 barrels per day and for the period of one year. During 2008, PTT would buy all the crude produced from the field and allocated it to domestic refineries in response to the government's attempt to reduce crude import. The purchased volume is worth over Baht 17,000 million.
- April 29, 2008 : PTT imported 22,000 tons of LPG, the first import in 12 years, comprising 11,000 tons of propane and 11,000 tons of butane by using refrigerated large vessels (minus 40 degrees celsius) in support of the government to solve LPG shortage resulting from the continuously increasing demand.
- May 14, 2008 : PTT and PTTEP Public Co., Ltd. jointly provided urgent support of 480,000 liters of fuel worth Baht 15 million to Myanmar as a relief for the disastrous cyclone Nargis. The supply, reaching Thanlyin Port in Rangoon on May 15, 2008, was received by the Thai ambassador to Rangoon, Mr. Banasarn Bunnag, who passed on the assistance to Myanmar Petrochemical Enterprise (MPE). The fuel was intended for use in the transport of necessities and for power generation. Together with other forms of assistance, PTT's total contribution was worth Baht 23.5 million. In this regard, consumables and construction materials were presented via the Ministry of Energy to the Myanmar embassy in Thailand, and delivery was arranged by Thai Air Force planes.
- September 18, 2008 : PTT signed an agreement with Topship Chemical, a famous chemicals agent in Huanan, to appoint it as an authorized representative selling acetone in Huanan, a major acetone market. It was expected that market demand could exceed 100,000 tons per year. This was the first time PTT had business presence in Huanan.
- September 22, 2008 : PTT signed a sale-purchase agreement of Na Sanun Crude with Pan Orient Energy (Thailand) Co., Ltd., an affiliate of the Canadian Pan Orient Company, which had an extensive experience in onshore oil field. PTT agreed to buy all the crude produced during a five-year period (2008-2013).



Na Sanun Crude Sale/Purchase Agreement



Launching of Trading Control System : TCS



Acetone Sale/Purchase Agreement



- September 26, 2008 : PTT officially launched the Trading Control System (TCS), an international standard system to manage international trading. The system, designed with three-dimensional control, i.e. policy control, structure and role control, and technological control, could facilitate checks and balances while controlling risks, and most of all, could be applied with SAP.

### Petrochemical and Refining Business

PTT conducts petrochemical and refining business through affiliates. PTT Chemical Public Co., Ltd. is in charge of the olefins petrochemical business involving mainly products from natural gas (gas-based value chain). And the business that involves aromatics products (liquid-based value chain) is invested through refineries invested by PTT, namely Thai Oil Public Co., Ltd., PTT Aromatics and Refining Public Co., Ltd. Besides, PTT has shares in three refineries, namely Star Petroleum Refining Co., Ltd. (SPRC), Bangchak Petroleum Public Co., Ltd. (BCP), and IRPC Public Co., Ltd. (IRPC). In 2008, the petrochemical business continuously extended its investment to increase production lines and sales channels. The refining business also completed its aromatics output expansion to strengthen its competitiveness.

PTT Chemical Public Co., Ltd., in 2008, had a total production of 2,242,000 tons, about the same level as that of 2007. The prices of petrochemicals climbed with the world oil price. However, the fluctuation of petrochemical product prices and the naphtha price, which increased during the first nine months of the year and plummeted in the 4<sup>th</sup> quarter, resulting in a stock loss. This included the purchase of raw materials at a time of high prices for sale when the market shrinks, or the physical loss. Besides, PTT made some cost adjustment of raw materials, in which the pricing structure of raw materials was redesigned taking into account profit-sharing in the current situation. The Company also shouldered higher income tax following the expiration of BOI privileges for the I-4 processing unit in December 2008.

As for the refining business during 2008, five affiliates of PTT, namely TOP, PTTAR, IRPC, BCP, and SPRC, had a combined refining volume of 778 Kbd, about the same level as that of 2007. The average gross refining margin was \$0.57 per barrel (the impact from the oil stock was taken into account), down from \$8.4 per barrel in 2007. On average, the operation was run at 86% of the total refining capacity, down from 92% in 2007.

During the first seven months of 2008 when the demand and prices of refined products in the world market went up, resulting in higher refining margins, PTT affiliates, namely TOP, PTTAR, IRPC, and BCP, joined in hardship relief by offering a discounts of up to three Baht per liter for diesel sold to public bus operators, the fishery group, and the agricultural group for up to six months (June - November 2008). This was also made to stimulate the continuous consumption, which, if interrupted, might affect long-term production. But after the financial and economic crises, which led to the sharp fall of the world oil price, brought about losses to the refining business during the last quarter of the year, the business reported loss for its overall annual performance, as opposed to profits in 2007.





Stone Laying Ceremony for the Construction of the Propylene Production Plant of HMC Polymers Co., Ltd.



Stone Laying Ceremony for the Construction of the Logistics Center of PTPL Co., Ltd.

### Milestones of Petrochemical Business in 2008

- April 8, 2008 : The Board of Directors of PTT Chemical Public Co., Ltd. (PTTCH) agreed upon investment in a Bis-Phenol-A (BPA) project under the operation of PTT Phenol Co., Ltd. Using phenol and acetone from PPCL as raw materials, BPA project could strengthen the security and reduce the fluctuation of phenol and acetone sales while adding value to downstream products.
- March 26, 2008 : The Board of Directors of PTT Chemical Public Co., Ltd. (PTTCH) agreed PTT Polyethylene Co., Ltd. (PTTPE)'s acquisition of the assets of HMT Polystyrene Co., Ltd., later re-named Thai Styrenics Co., Ltd. (TSCL). The assets acquired comprised a polystyrene plant with a capacity of 90,000 tons per year as well as all buildings on the premises.
- June 20, 2008 : Board of Directors of PTT Chemical Public Co., Ltd. (PTTCH) agreed upon an investment for the establishment of PTT Chemical International Pte. Co., Ltd. (PTTCH Inter.) in Singapore on July 23, 2008, with a registered capital of S\$200,000 and with all shares held PTTCH. PTTCH Inter signed a share purchase agreement (SPA) with Cognis B.V. Co. (Cognis), who held a 50% share in Cognis Oleochemicals (M) Sdn. Bhd. (COM), and signed a joint-venture agreement with Sime Darby Plantation Co., Sdn. Bhd. (Sime Darby), which holds a 50% share in Cognis Oleochemicals (M) Co., Sdn. Bhd.
- October 16, 2008 : PTT's petrochemical and refining business announced its readiness to be the country's leader in the energy and petrochemical industry. The business vowed to support strategies aiming for building an innovative industry and business in accordance with the country's plan for the development of bio-plastics industry during 2008-2012, and to become the Asian hub for the production of renewable energy and bio-plastics. PTT is well prepared with knowledge and technology to produce chemical products from natural raw materials as well as bio-plastics. This is to enhance the capability to produce plastic polymers from non-petrochemical feedstocks but direct raw materials from nature.
- October 17, 2008 : Thai Oleochemicals Co., Ltd., wholly owned by PTT Chemical Public Co., Ltd. (PTCH), acquired 2,100,000 common shares, worth Baht 175 million, of Thai Fatty Alcohol Co., Ltd. (TFA) from Cognis Thai Co., Ltd., or 50% of the total common shares. As a result of the share purchase, TOL became the holder of the entire shares in TFA.

### Milestones of Refining Business Unit

- February 20, 2008 : The Board of Directors of Bangchak Petroleum Public Co., Ltd. agreed upon a joint investment in biodiesel production project, located in Amphoe Bang Pa-In, Ayutthaya Province. BCP would co-invest in Bangchak Bio-fuel Co., Ltd. by holding a 70% share of the registered capital.
- Early March, 2008 : PTT Aromatics and Refining Public Co., Ltd. (PTTAR) completed the construction of three condensate storage tanks with a combined storage capacity of 194,000 tons, for the reformer complex. The project required investment of \$30 million.
- May 16, 2008 : Bangchak Petroleum Public Co., Ltd. issued 10-year bonds, which are convertible, subordinated, and unsecured with bearer's name. The bonds can be converted into common shares of the company, worth up to Baht 585.60 million in total. This was part of the investment in Product Quality Improvement (PQI) project, which was exclusively offered to PTT.
- May 26, 2008 : PTT Aromatics and Refining Public Co., Ltd. (PTTAR) signed a long-term revolving



A Joint-Venture Agreement with Sime Darby Plantation Co., Sdn.Bhd.



An Agreement for the Maintenance of IPT Power Plant

loan contract, with nine-year maturity, for Baht 6,000 million with Siam Commercial Bank Plc. This loan was intended to fund investment in operation expansion and a project to enhance the joint productivity between refining and aromatics businesses and/or for use to support cash flow in the operations. Moreover, the loan will be used for refinancing some loans to relieve their interest burden while extending the repayment period, which will increase the flexibility in financial management.

- June 26, 2008, Independent Power Producer (Thailand) Co., Ltd. (IPT), owned by Thai Oil Public Co., Ltd. (TOP), signed an agreement with the Electricity Generating Authority of Thailand (EGAT) for the maintenance of IPT power plant. The company is confident in EGAT's international standard of service and intends to support the Thai maintenance engineering work.
- July 2, 2008 : Bangchak Petroleum Public Co., Ltd. (BCP) refinanced its loans by entering into loan contracts with four local and two foreign banks. The total loan of Baht 23,734 million comprised: 1) a long-term loan of Baht 16,500 million for repayment of existing loans with Krung Bank, for PQI project, for partial use in the operation of the Euro IV project, and for other energy-related projects; and 2) a short-term loan of Baht 7,234 million for cash flow in the operations.
- In the 2<sup>nd</sup> quarter of 2008 : Thai Paraxylene Co., Ltd. (TPX), wholly owned by Thai Oil Public Co., Ltd. (TOP), completed the expansion of its aromatics production resulting in an increase of aromatics production capacity from 420,000 tons to 900,000 million tons per year.
- In 2008 : Thai Oil Marine Co., Ltd., wholly-owned by Thai Oil Public Co., Ltd. (TOP), was successful in its 1<sup>st</sup>-phase fleet expansion with an acquisition of a 32,500-DWT petroleum product transport vessel and three 7,000-DWT chemical transport vessels. With the expansion, the company could efficiently satisfy the needs for vessels in Thai Oil and PTT groups.
- October 13, 2008 : Thai Oil Public Co., Ltd. (TOP) signed a contract with Shell Overseas Investments B.V. and Patanakit Chemical Co., Ltd. for the acquisition of an 80.52% share in Sak Chaisiddhi Co., Ltd (SAKC); another contract with The Shell Company of Thailand Co., Ltd. (SCOT) for the acquisition of assets used in the distribution and marketing of solvent in Thailand; and a contract with Shell Vietnam Co., Ltd. (SVL) for the acquisition of assets used in the distribution and marketing of solvent in Vietnam, respectively. The prime customer for solvent is the paint industry.

## PTT Group Refineries



**Bangchak Petroleum Plc.**  
Capacity 120,000 barrels/day  
10% share of refining capacity in Thailand



**PTT Aromatics and Refining Plc. (PTTAR)**  
Capacity 280,000 barrels/day  
23% share of refining capacity in Thailand



**Thai Oil Plc.**  
Capacity 275,000 barrels/day  
22% share of refining capacity in Thailand

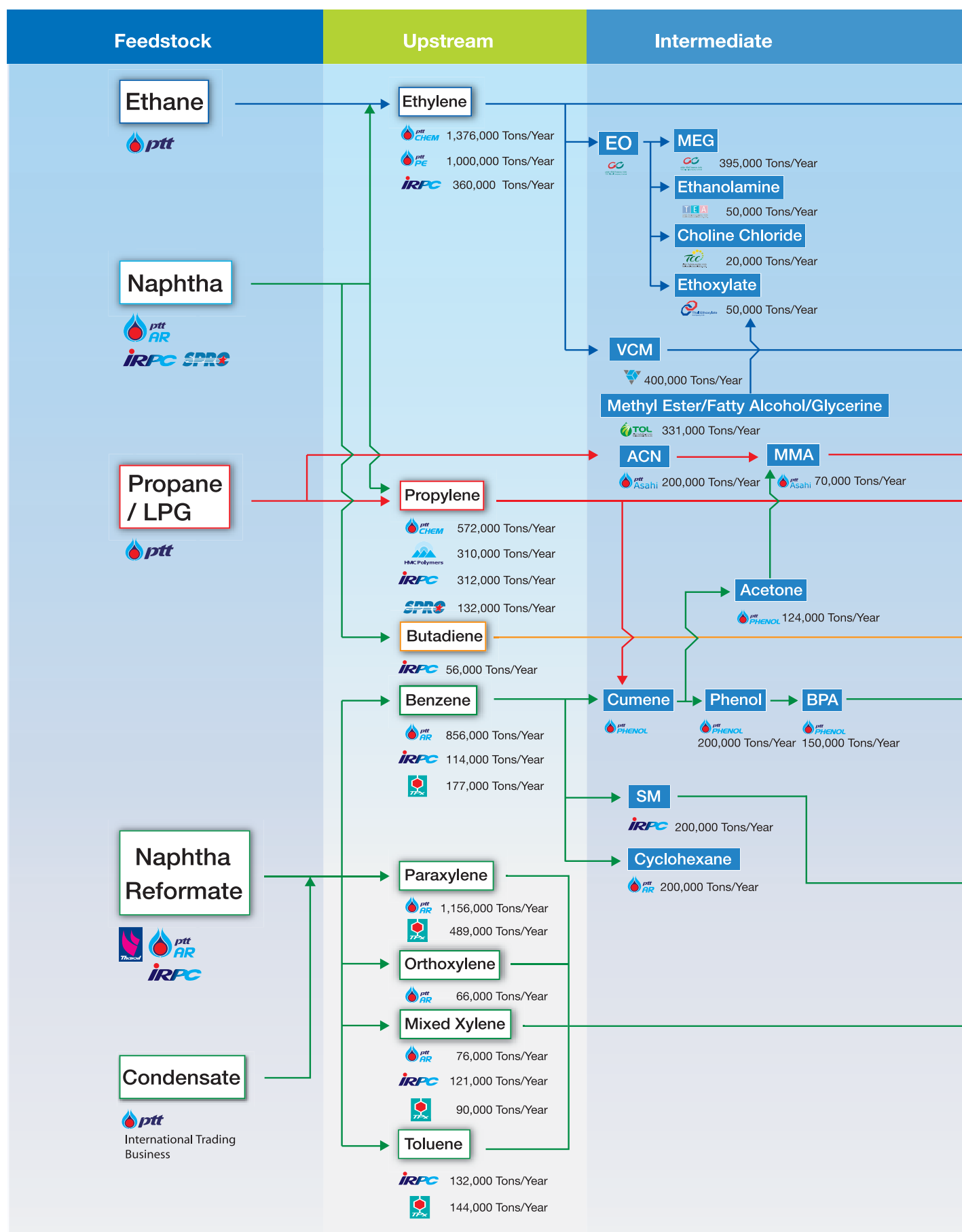


**IRPC Plc.**  
Capacity 215,000 barrels/day  
17% share of refining capacity in Thailand

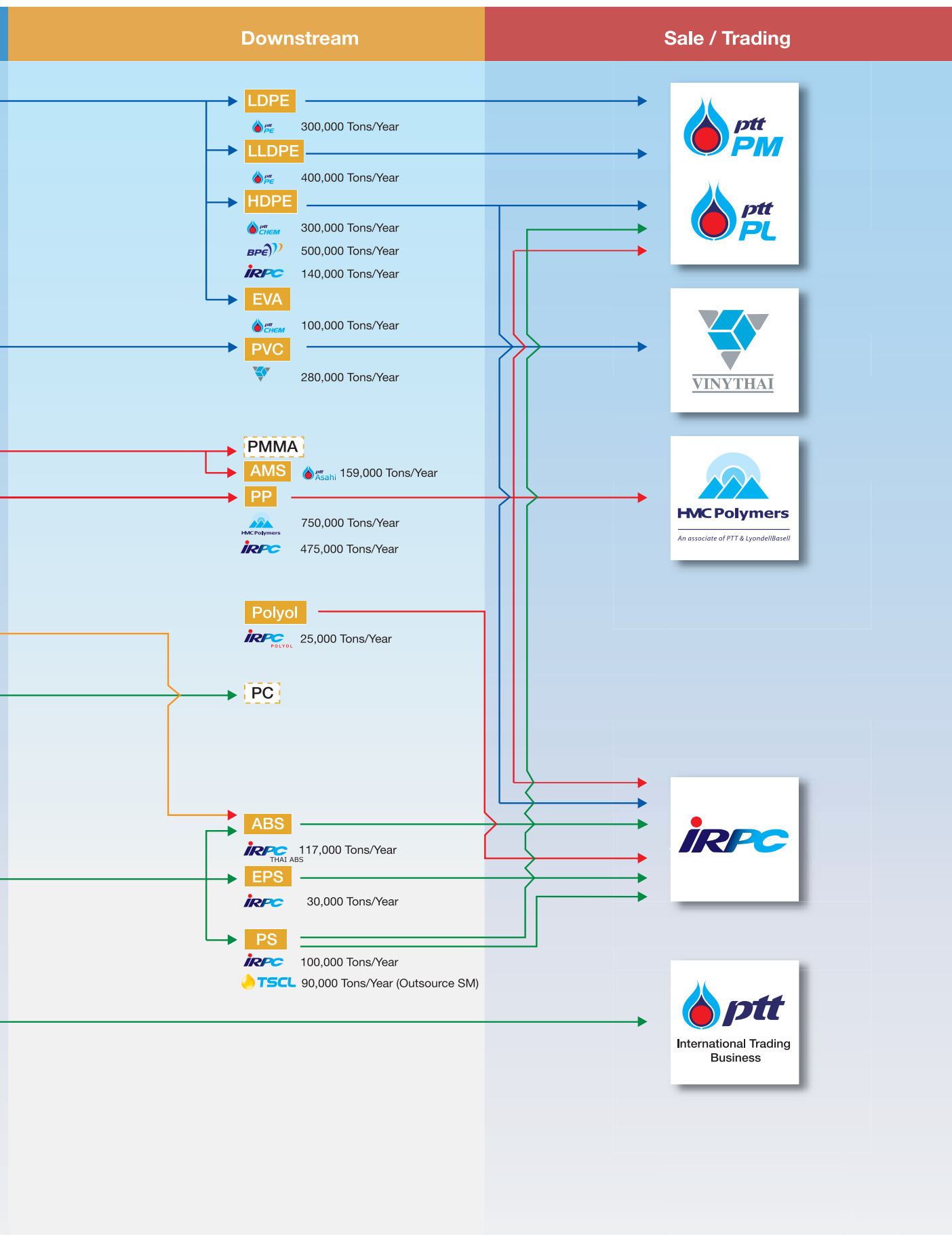


**Star Petroleum Refining Co., Ltd.**  
Capacity 150,000 barrels/day  
12% share of refining capacity in Thailand

# PTT Group Product Chain in Petrochemical Business







## PTT Group's Strategies and Business Direction

PTT Group has a vision for continuous and sustainable growth in parallel with expansion to foreign countries with a strong intention to be a Thai premier multinational energy company. To keep the business running amidst the current world economic crisis, PTT's short-term strategy involves consolidation within the group while increasing competitiveness as a self-protective measure. PTT Group's efficient cash management maintains its liquidity and prudently prioritizes investment projects. New projects must bear satisfactory returns on investment. Existing projects will be carried on but investment might be scaled down to fit the economic situation. In the long run, PTT has in store investment plans and always looks for new opportunities to invest in related businesses, both in and outside Thailand. This is to grow its business constantly while adding value to the business chain. Most of all, PTT strategies must strengthen the country's energy security. The strategies of each business unit are summarized below :

### Upstream Petroleum and Gas Business Group

#### 1. Petroleum Exploration and Production Business

- PTT Group will invest in building growth by expanding petroleum exploration and production in the region and in targeted high-potential countries in various parts of the world. Mergers and acquisitions of petroleum fields will also be taken into account amidst the economic downturn. The company aims to add the highest value to current assets and expedite development and production from new deposits in Thailand.

#### 2. Natural Gas Business

- PTT Group focuses on competitiveness through building up operational excellence and regulatory management. Investment in foreign countries and new business development will also be considered, using the company's expertise in creating an integrated gas value chain in natural gas and LNG businesses.

### Downstream Petroleum Business Group

#### 1. Oil Business

- PTT Group will maintain its position as the country's leader in renewable energy, retail marketing, and lubricant marketing while increasing the ability to conduct a profitable business with focus upon adding value through the development of quality products and excellence in depot and transport management.

#### 2. International Trading Business

- Presence in international trading for companies in PTT Group will be made more visible while creating and expanding foreign business transactions.

#### 3. Petrochemical and Refining Business

- PTT Group is well prepared for impacts from the shrinking demand resulting from the economic crisis and the downturn business cycle by consolidation within the group, leveraging price hedging management, and having a stringent cash management policy to get through the crisis.

### Business Expansion Overseas

- PTT Group will seek every opportunity for investment, acquisition, or joint ventures in businesses considered to have some potential but might be encountering some financial crisis. In this regard, its focus will be particularly placed upon investments that can add value to PTT Group.

### Summary

In reviewing the performance of PTT and affiliates during 2008, growth could be seen in both revenue and sales volume. However, the net profit declined when compared with that of 2007. This is due to the world economic crisis during the last quarter of the year as well as the sharp and rapid fall of the world oil price. As a result, stock loss was considerable.

PTT is still the largest listed company on the Stock Exchange of Thailand with a market capitalization of approximately Baht 494,210 million as at the end of 2008, representing 13.9% of the SET value in market price. If all listed companies in PTT Group were taken into consideration, the total market capitalization of the group would become Baht 1,030,350 million, accounting for 28.9% of the total worth of SET value. Most of all, PTT is still committed to efficient business and organization management aiming to be a high-performance organization able to step up to the global competition arena using shared value as the foundation to build up synergy within the PTT Group. PTT aims to strengthen its business potential in parallel with responsibility for the society, the community, and the environment to make each and every unit of the society able to stand and be self-reliant for Thailand's sustainable development as the ultimate goal.

# Compliance to Supreme Administrative Court Verdicts

On August 31, 2006, the Foundation for Consumers and parties, totaling five (plaintiffs), filed a law suit against the Cabinet, the Prime Minister, and the Minister of Energy (defendants) to the Supreme Administrative Court. The filing aimed to revoke the two royal decrees issued under the State Enterprise Act B.E. 2542 regarding the process of the corporatization of the Petroleum Authority of Thailand into PTT Public Company Limited (PTT) consisted of the royal decree defining the authority, rights, and benefits of PTT Public Company Limited B.E. 2544 and the royal decree defining the timing for repealing the laws governing the Petroleum Authority of Thailand B.E. 2544. The plaintiffs cited assorted issues:

- The process of issuing these decrees was improperly conducted, particularly the format, procedure, and content, which went against the provisions of the State Enterprise Act B.E. 2542 and the Constitution B.E. 2540
- Issuance of the two decrees caused the ownership transfer of land and real estate, which are public domain properties, to PTT Plc, which is a private entity, thus entitling PTT Plc to gain unfair privileges over other private entities
- The fact that PTT Plc took transfer of the public authority, belonging to the state, particularly the right over land expropriation, and the zoning and above-land right prejudice announcement authority over the private sector which went against the principle intention of the Constitution
- It was an improper exercise of discretion to issue the two decrees, which both harmed the public's interests and went against the true intention of the state enterprise privatization

On September 4, 2006, the Supreme Administrative Court acknowledged the litigation and, on September 6, 2006, called for the respondents to submit their testimony against the litigation within 30 days. This was done on October 30, 2006, which was later objected to by the plaintiffs under the Administrative Court procedure; the respondents came up with an additional testimony for the tribunal on January 22, 2007.

PTT Plc submitted its petition to become a fourth defendant, which was granted on November 28, 2006, and the Company was required to submit its testimony by December 29, 2006, which it duly did. Then on August 31, 2007, the Supreme Administrative Court scheduled September 28, 2007, as the closing date for fact-finding for the case and scheduled the first sitting on November 30, 2007. On December 14, 2007, the tribunal read out the verdict, summarized as follows:

1. That the four defendants, consisting of the Cabinet, the Prime Minister, the Minister of Energy, and PTT, jointly carry out the following action:
  - a. Surrender public domain properties and the rights to use land for petroleum transmission pipelines
  - b. Segregate the authority and rights belonging to public authority from those of PTT Plc, to be completed before the appointment of the Energy Regulator Commission under the Energy Business Act
2. That the petition of the five plaintiffs be rejected for revocation of the royal decree stipulating the authority, rights, and benefits of PTT Plc B.E. 2544, amended by another decree of the same name (No. 2) B.E. 2550, and another decree defining the timing for repealing the laws governing the Petroleum Authority of Thailand B.E. 2544.

On December 18, 2007, the Cabinet acknowledged the verdict of the Supreme Administrative Court and concurred with the principle of transferring assets, authority, and rights of the Petroleum Authority of Thailand to the Ministry of Finance as required by the verdict. This was to be done by segregating the assets received by PTT Plc on its registration date as a result of corporatization. The Ministry of Energy and the Ministry of Finance were assigned to conduct the segregation under due principles, to be audited and verified by the Office of the Auditor General. Should legal disputes arise on the interpretation of the verdict



concerning the segregation of properties, they were to be ruled by the Council of State. The Department of Treasury, on behalf of the Ministry of Finance, was to define rent criteria for transmission pipelines to form the basis of PTT Plc's rental, which must be based on fair commercial principles to all - namely the Ministry of Finance, PTT Plc and its shareholders, and natural gas users - while taking into account PTT Plc's commitment, including loans and loan interest burden, together with the public-utility nature of transmission pipelines.

On December 25, 2007, the Administrative Court sent a letter to the defendants, requesting a summary of action taken in line with the verdict, for its reporting to the Supreme Administrative Court. Addressing this request, the Ministry of Energy and PTT Plc summarized the following action:

- January 9, 2008: The Energy Ministry filed the first progress report under the verdict
- January 11, 2008: PTT Plc filed its first progress report under the verdict and clarified to the Administrative Court the segregation of public authority from that of PTT Plc, saying that the promulgation of the Energy Business Act had already deprived PTT Plc of any public authority
- January 31, 2008: PTT Plc filed its second progress report along with a summary of the value of the assets of the Petroleum Authority of Thailand as of September 30, 2001, that were surrendered to the Ministry of Finance
- February 14, 2008: PTT Plc filed its third progress report along with additional clarification to the Administrative Court about its letter to the Department of Treasury, delivering the segregated assets of the Petroleum Authority of Thailand and the signing of a memorandum of understanding between the Department and the Company on the defining of rent criteria for such assets, as well as informing the court about a reply from the Department of Land about the issuing of title deeds for the land obtained through expropriation.

The process of segregating properties under the verdict was to be the discretion of the court, based on PTT Plc's periodical progress reports of action taken as mentioned above.

- March 7, 2008: PTT Plc filed its fourth progress report about the deliberation of the Department of Local Administration, Ministry of Interior, and Treasury Bureau of Bangkok Metropolitan Administration concerning property taxes for the transmission pipelines. In essence, the property and land taxes under the Property and Land Tax Act B.E. 2475 did not apply to the pipelines

- April 25, 2008: PTT Plc filed its fifth progress report about the signing of the official segregation and delivery of assets to the Ministry of Finance; this memorandum of understanding was agreed between the Department of Treasury (with the concurrence of the Ministry of Finance) and PTT Plc on April 24, 2008. Below is the essence of the submission:

1. The assets surrendered by PTT Plc to the Ministry of Finance under the verdict of the Supreme Administrative Court - land, land rights, pipelines, and associated equipment forming petroleum transmission pipelines - consisted of the following:

- (1.1) Land obtained through the expropriation of real estate, reimbursed by state money and expropriated by public authority by the Petroleum Authority of Thailand, totaling 32 rai, 74.1 square wa, in 106 plots, in the provinces of Samut Prakan, Chachoengsao, Chon Buri, and Rayong; as of September 30, 2001, these plots were about Baht 1 million in net book value

- (1.2) Over-land rights for private land needed as part of transmission pipelines, considered public authority exercised by the Petroleum Authority of Thailand as a state entity on private properties and reimbursed with state money, the net accounting value of which as of September 30, 2001, amounted to some Baht 1,137 million

- (1.3) Transmission pipelines, including associated equipment found installed in the land under (1.1) and (1.2), the net accounting value of which as of September 30, 2001, amounted to some Baht 14,808 million

- (1.4) Distribution pipelines found in the land under (1.2), the net accounting value of which as of September 30, 2001, amounted to some Baht 229 million

2. PTT Plc was entitled to continue using state properties and public land previously under its custodianship if it paid fees to Treasury as defined by the Ministry of Finance. To this end, the Department of



Memorandum Signing Over the Separating and Transferring Assets To the Ministry of Finance



Signing Agreement Over The Renting of State Property

Treasury and PTT Plc would agree the rent of such land by PTT Plc.

3. If a change should occur in the assets to be segregated and surrendered to the Ministry of Finance as decided by the Supreme Administrative Court, the Department of Treasury and PTT Plc were to ensure that such division of assets complied with the decision of the tribunal.

- June 3, 2008: The Department of Treasury represented the Ministry of Finance in signing an agreement with PTT Plc on the use of state properties surrendered to the Ministry of Finance under the verdict of the Supreme Administrative Court in line with a memorandum on the segregation and surrendering of such assets. The permission to use state properties was to be in effect from January 1, 2008, to December 31, 2037, upon which date the Ministry pledged to allow PTT Plc to continue using such assets for another 30 years.

In so doing, PTT Plc must pay an annual state property rent for the land, land rights, pipelines, and associated equipment making up the petroleum transmission systems at a revenue-sharing rate of the pipeline throughput fees for each calendar year. These throughput fees mean the transmission service fees for onshore gas transmission systems (for Area 3), which included the demand charge and commodity charge under the criteria for fixing natural gas prices and transmission service fees, announced by the National Energy Policy Council, No. 1, of 2001, or their future changes. The calculation was to be based on a sliding-scale system, detailed as follows:

Unit: Million Baht

Revenue	Rate of fee as Percentage of Revenue		Annual
	Minimum	Increment	
0 - 3,600	5%		= 180 (minimum rent)
> 3,600 - 3,700		10%	> 180 - 190
> 3,700 - 3,900		15%	> 190 - 220
> 3,900 - 4,100		20%	> 220 - 260
> 4,100 - 4,300		25%	> 260 - 310
> 4,300 - 4,500		30%	> 310 - 370
> 4,500 - 5,000		36%	> 370 - 550
> 5,000			= 550 (maximum rent)

In short, the annual rent to be paid to the Ministry of Finance would range from Baht 180 to 550 million, retroactive to between October 1, 2001, and December 31, 2007, at a simple interest rate of 7.5% per year to be paid to the Department of Treasury, amounting to some Baht 1,597 million.

- June 5, 2008: PTT Plc filed its sixth progress report about the agreement signing mentioned above
- July 25, 2008: PTT Plc filed its seventh progress report about the registration, modification, and

transfer of property items divided by PTT Plc to the Ministry of Finance.

PTT Plc petitioned the Supreme Administrative Court on February 1, 2008, for a 30-day extension of the action required by the verdict from the date of His Majesty the King's appointment of the Energy Regulator Commission, to which the Supreme Administrative Court, on February 4, 2008, gave its concurrence. PTT Plc later petitioned for another 150-day extension from the last extension, which was again granted, thus making this latter extension last until December 29, 2008.

- October 13, 2008: PTT Plc filed its eighth progress report, together with an additional update on the registration, modification, and transfer of assets segregated for the Ministry of Finance
- December 4, 2008: PTT Plc filed its ninth progress report, saying that it had completed the registration, modification, and transfer of items (that is, transfer of ownership) in the expropriated land for segregation to the Ministry of Finance, and simultaneously filed a summary report of action in line with the verdict of the Supreme Administrative Court, litigation number Red, Phaw 35/2550 (Black, Phaw 47/2549).

Note that PTT Plc filed the same summary report to the Supreme Administrative Court on December 25, 2008, beginning from the time the tribunal's verdict was given, the Cabinet's deliberation of the approach to be taken, the Department of Treasury and PTT Plc jointly signing a memorandum governing the segregation and surrender of assets to the Ministry of Finance, to both mentioned parties' registration of amendments and modifications (transfer of ownership) in all expropriated land for segregation and transfer to the Ministry of Finance, thus completing the process. Therefore, PTT and the defendants (1 to 3) had jointly and thoroughly segregated public domain properties as required by the verdict, the right to use the land for its petroleum transmission pipelines, and the authority and rights belonging to public authority from those of PTT Plc, as decided by the Supreme Administrative Court. On December 26, 2008, the tribunal recorded this concerning PTT Plc's petition: "....considered and ruled that litigated parties 1 through 4 and relevant agencies had completely complied with the verdict..."

## Legal Disputes

As of December 31, 2008, the ongoing dispute involving PTT as a party to litigation that may significantly impact PTT's business and did not result from PTT Plc's ordinary business undertaking is detailed below:

### **PTT Plc and Thai Petroleum Pipeline Co., Ltd., litigated for compensation for laying a pipeline through private land.**

This refers to the pipeline-laying project of PTT Plc and Thai Petroleum Pipeline Co., Ltd., from Si Racha to Sara Buri, which needed to enter private land, for which the respondents compensated the land-lords under the Petroleum Authority of Thailand Act B.E. 2521. A Susawas Limited Partnership and company, dissatisfied with the Baht 2 million in compensation, forwarded the dispute to the Thai Arbitration Institute, calling for payment of damages amounting to Baht 1,000 million (later amended to Baht 4,900 million), which PTT Plc and Thai Petroleum Pipeline Co., Ltd., decided to contest. The plaintiffs withdrew their petition to the institute on January 10, 2003, and instead filed a complaint to the Administrative Court, accusing PTT Plc and its officers for illegally laying the Chon Buri - Sara Buri oil pipeline through their land. Citing abuse of administrative authority, the plaintiffs said their damages amounted to Baht 7,122.5 million. PTT Plc asked the Office of the Attorney General to submit its testimony in contesting the case, which the public prosecutor duly did in March 2003. The Central Administrative Court forwarded the case to the Constitutional Court in November 2004 for a decision whether the Petroleum Authority of Thailand Act B.E. 2551 (Section 29 and 30) had violated the Constitution (Section 48 and 49). Since the Constitutional Court ruled that the above mentioned act had not violated the constitution, the Administrative Court gave its verdict on November 2, 2007, rejecting this case. At any rate, the plaintiffs appealed to the Supreme Administrative Court, which is currently deliberating the case.



# Management's Discussion and Analysis of Financial Status and Performance



## PTT and its subsidiaries' performance

Unit: Million Baht

	2008	2007	Increase (Decrease)	%
Sales and services	2,000,816	1,508,129	492,687	32.7
Earning before interest, tax, depreciation and amortization (EBITDA)	156,133	145,971	10,162	7.0
Gain (loss) on disposal of investments	(1)	8,428	(8,429)	(100.0)
Share of net income (loss) from investments under the equity method	(6,251)	31,080	(37,331)	(120.1)
Gain (loss) on foreign exchange	(1,982)	5,392	(7,375)	(136.8)
Earning before interest and tax (EBIT)	123,963	117,132	6,831	5.8
Income taxes	43,348	42,224	1,124	2.7
Net income	51,705	97,804	(46,099)	(47.1)

PTT and its subsidiaries' revenue in 2008 was Baht 2,000,816 million, increased by 32.7% from 2007. Earning before interest, tax, depreciation and amortization (EBITDA) was Baht 156,133 million, increased by 7.0% from 2007 due to the increase in sales volume and sales prices of oil, natural gas and gas separation plants' products. However, share of net loss from investments under the equity method in 2008 was Baht 6,251 million, loss increased by 120.1% when compared to share of net income from investments under the equity method in 2007 of Baht 31,081 million. Share of net loss from investments under the equity method in 2008 resulted mainly from the declining performance of refining affiliates due to the decrease in gross refining margin, high stock loss and the increase in inventory loss from significant drop in feedstock and product market prices when compared to cost but the increase in share of net income from Petrochemical affiliates due mainly to the change of status of PTT Chemical Public Co., Ltd. (PTTCH) and PTT Phenol (PPCL) from subsidiaries of PTT to associates since the forth quarter of 2007 while declining performance of Olefins Associate due to the increase in feedstock costs, processing cost and selling and administrative expenses, the report of inventory loss in the third and forth quarter of 2008 and the decrease in production volume from its commercial and de-bottlenecking shutdowns. In addition, PTT and its subsidiaries recorded loss on foreign exchange of Baht 1,982 million while there was gain on foreign exchange of Baht 5,392 million in 2007 or loss increased by 137%. As a result, PTT and its subsidiaries' net income in 2008 was Baht 51,705 million, decreased by Baht 46,099 million or 47.1% from last year.

Unit: Million Baht

	2008	2007	Increase (Decrease)	%
<b>Sales and Services</b>	<b>2,000,816</b>	<b>1,508,129</b>	<b>492,687</b>	<b>32.7</b>
: Gas <sup>2/</sup>	312,822	267,408	45,414	17.0
: PTTEP	136,752	94,059	42,693	45.4
: Oil <sup>1/</sup>	1,701,674	1,226,718	474,956	38.7
: Petrochemical <sup>3/</sup>	36,255	70,749	(34,494)	(48.8)
: Others <sup>4/</sup>	-	-	-	-
: Elimination	(186,687)	(150,805)	35,882	23.8
<b>EBITDA</b>	<b>156,133</b>	<b>145,971</b>	<b>10,162</b>	<b>7.0</b>
: Gas <sup>2/</sup>	54,437	53,232	1,205	2.3
: PTTEP	97,760	66,849	30,911	46.2
: Oil <sup>1/</sup>	5,040	8,181	(3,141)	(38.4)
: Petrochemical <sup>3/</sup>	695	19,751	(19,056)	(96.5)
: Others <sup>4/</sup>	(2,081)	(2,044)	(37)	(1.8)
: Elimination	282	2	280	15,039.8
<b>EBIT</b>	<b>123,963</b>	<b>117,132</b>	<b>6,831</b>	<b>5.8</b>
: Gas <sup>2/</sup>	48,309	48,225	84	0.2
: PTTEP	74,643	50,490	24,153	47.8
: Oil <sup>1/</sup>	2,586	5,692	(3,106)	(54.6)
: Petrochemical <sup>3/</sup>	548	16,979	(16,431)	(96.8)
: Others <sup>4/</sup>	(2,406)	(2,389)	(17)	(0.7)
: Elimination	283	(1,865)	2,148	115.2
<b>Net income</b>	<b>51,705</b>	<b>97,804</b>	<b>(46,099)</b>	<b>(47.1)</b>
<b>EPS (Baht/share) <sup>5/</sup></b>	<b>18.33</b>	<b>34.82</b>	<b>(16.49)</b>	<b>(47.4)</b>

- Note:**
- 1/ Including the consolidation of oil marketing business, international trading business, PTT International Trading Pte., Ltd.(PTTT), PTT (Cambodia) Co., Ltd. (PTTCL), Retail Business Alliance Co., Ltd.(RBA) and Subic Bay Energy Co., Ltd. (SBECL) while PTT Retail Business Co., Ltd. (PTTRB) and PTT Green Energy Pte. Ltd. (PTTGE) are consolidated since May 25, 2007 and November 9, 2007 respectively.
  - 2/ Including the proportionate consolidation of Trans Thai-Malaysia (Thailand) Co., Ltd.(TTM (T)), Trans Thai-Malaysia (Malaysia) Co., Ltd. (TTM (M)) and District Cooling System and Power Plant Co., Ltd. (DCAP) and consolidation of PTT Natural Gas Distribution Co., Ltd. (PTT NGD) and PTT LNG Co., Ltd (PTT LNG) while consolidated PTT Utility Co., Ltd. (PTTUT) until November 9, 2007. Moreover, Combined Heat and Power Producing Company Limited (CHPP) and PTT International Company Limited (PTT INTER) have been included since August 27, 2007 and October 1, 2007 respectively.
  - 3/ Including the consolidation of PTT Polymer Marketing Co., Ltd. (PTTPM), PTT Polymer Logistics Co., Ltd. (PTTPL) and proportionate consolidation of PTT Asahi Chemical Co., Ltd. (PTTAC) and HMC Polymers Co.,Ltd. (HMC). PTT Chemical Public Co., Ltd. (PTTCH) and PTT Phenol Co., Ltd. (PPCL) are consolidated until November 9, 2007.
  - 4/ Including the consolidation of Energy Complex Co., Ltd. (EnCo) and Business Services Alliance Co., Ltd. (BSA) since December 12, 2008 while including PTT ICT Solutions Co., Ltd. (PTTICT) until November 9, 2007.
  - 5/ Basic earnings per share is calculated by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares which are held by third parties during the period.

## Upstream Petroleum and Gas Business Group

### Natural Gas Business

For 2008, sales revenue from gas business was Baht 312,822 million, an increase by Baht 45,414 million or 17.0% from the year 2007 due to the followings:

- The increase in average natural gas sales volume (include natural gasoline derived from Dew Point Control Units) by 171 MMcf/d or 5.2% from 3,272 MMcf/d to 3,444 MMcf/d (calculated at heating value 1,000 BTU per cubic feet) due to the increase in gas demand from all group of customers; the power producers, the industrial customers and the gas separation plants (GSPs). This resulted from the increase in natural gas demand and the increase in gas transmission's capacity from the completion of the third pipeline system - offshore from Arthit field to PTT Riser Platform (PRP) and from Arthit field to A-18 Block which started the natural gas distribution in the first and the forth quarter of 2008, respectively.

- The increase in GSPs' products (LPG, Ethane, Propane, and NGL) sales volume from 3,944,103 tons in 2007 to 4,065,913 tons in 2008 or 3.1% resulted from the higher supply of gas feedstock to GSPs and higher demand of GSPs' products, especially the domestic demand of LPG from transportation sector. Hence, there were GSP' planned shut down and the commercial plant shutdown and the de-bottlenecking shutdown of PTTCH, the GSP's major customer. Details of all products sales from gas separation plants are as follows:

Units : Tons	2008	2007	Difference	
			Tons	%
LPG	2,383,649	2,252,953	130,696	5.8
Ethane	968,335	928,917	39,418	4.2
Propane	179,909	241,296	(61,387)	(25.4)
NGL	534,020	520,937	13,083	2.5
<b>Total</b>	<b>4,065,913</b>	<b>3,944,103</b>	<b>121,810</b>	<b>3.1</b>



The details of reference products prices for calculation of products from gas separation plants' sales prices in 2008 were higher than the 2007's which resulted from the increase in oil price and demand/supply situation of the industry.

Units : US\$ / Tons	2008	2007	Difference	
			US\$ / Tons	%
LPG <sup>1/</sup>	777	608	169	27.8
Ethylene <sup>2/</sup>	1,193	1,180	13	1.1
Propylene <sup>2/</sup>	1,320	1,154	166	14.4
High Density Polyethylene (HDPE) <sup>2/</sup>	1,476	1,352	124	9.2
Polypropylene (PP) <sup>2/</sup>	1,471	1,331	140	10.5
Naphtha <sup>3/</sup>	740	625	115	18.3

**Note:** 1/ Domestic LPG price is being regulated by the government. Since March 2008, The Committee on Energy Policy Administration had fixed the LPG price at the refinery (the price level where GSP is allowed to sell) between \$ 314-332 per ton (Baht 10.996 per kilogram) at the exchange rate of Baht 33-35 per dollar.

2/ South East Asia Spot Price (spot)

3/ MOP Singapore (MOP'S)

EBITDA of gas business in 2008 was Baht 54,437 million, an increase by Baht 1,205 million or 2.3% due to the increase in sales prices and sales volume of natural gas and GSPs' products.

Earning before interest and tax (EBIT) in 2008 was Baht 48,309 million, an increase by Baht 84 million or 0.2% from the year 2007 due to the increase in EBITDA while the depreciation and amortization also increased after the completion of the third pipeline, both onshore and offshore, and the SCADA system at the end of 2007.

### Petroleum Exploration and Production business: PTT Exploration and Production Public Co., Ltd. (PTTEP)

In 2008, PTT Exploration and Production Public Co., Ltd. (PTTEP) net sales revenue was Baht 136,752 million, increased by Baht 42,693 million or 45.4% from last year due to

(1) The increase in the average sales price by 24.9% from US\$ 39.8 per BOE in 2007 to US\$ 49.7 BOE in 2008 in accordance with the higher oil price in global market. However, the average exchange rate decreased 4.4% from Baht 34.8 per US\$ in 2007 to Baht 33.3 per US\$ in 2008 as a result of Baht appreciation.

(2) The increase in the sales volume by 22.0% from 179,767 BOED in 2007 to 219,314 BOED in 2008. The increasing sales volume mainly came from sales of natural gas and condensate from Arthit Project, sales of natural gas and crude oil from G 4/43 Project and Vietnam 9-2 Project which started their commercial production this year and sales volume of natural gas and condensate from Oman 44 Project although natural gas sales from Yadana and Yetagun projects and natural gas and crude oil sales from B8/32&9A Project decreased.

EBITDA in 2008 was Baht 97,760 million, increased by Baht 30,911 million or 46.2%. EBIT in 2008 was Baht 74,643 million, increased from Baht 24,153 million or 47.8% from the same period of last year. This resulted from the increase in selling price and sales volume as aforementioned although, in this period, there was an increase in exploration expenses amounting to Baht 8,273 million, increased by Baht 4,730 million as a result of the write-off of dry wells of Vietnam 16-1 Project, Algeria 433a&416b Project, and projects in Myanmar as well as geology and geophysics study costs from the A4, 5 & 6/48, L21, 28 & 29/48 projects and projects in Myanmar and write-off of B13/38 project. In addition, Petroleum royalties and remuneration increased by Baht 4,799 million in according to the increase in sales revenue while depreciation and amortization increased by Baht 6,758 million, resulted mainly from the Arthit, G4/43 projects and Vietnam 9-2 project, as well as, the increase in the ready-to-use assets of Pailin B8/32&9A and Bongkot Project.

## Downstream Petroleum Business Group

### Oil Business and International Trading Business

For the year 2008, sales revenue from oil and trading business units was Baht 1,701,674 million, an increase by Baht 474,956 million or 38.7% due to the fact that an average oil price in 2008 is higher than that in 2007. This resulted from the increase in global oil prices (2007 average Dubai price was US\$ 68.3 per barrel and 2008 average Dubai price was US\$ 93.4 per barrel), however, there was a sharp decline in oil prices starting from the middle of the third quarter of 2008 onwards (The Dubai price hit the highest level of US\$ 140.8 per barrel in the third quarter of 2008 and sharply drop to US\$ 36.4 per barrel at the end of 2008). Sales volume also increased by 8,106 million liters or 12.4% from 65,146 million liters or equivalent to 1,122,654 barrels per day in 2007 to 73,252 million liters or equivalent to 1,261,412 barrels per day in 2008 resulted from both Oil Business and Trading Business Units.

EBITDA decreased by Baht 3,141 million from Baht 8,181 million in 2007 to Baht 5,040 million in 2008 or 38.4%. This was due primarily to the decrease in gross margin per unit of domestic sales mainly from high stock loss.

EBIT in 2008 decreased by Baht 3,106 million from 2007 or 54.6% due to the decrease in EBITDA as mentioned and the increase in depreciation.

### Petrochemical and Refining Business

The Petrochemical Business Unit consists of PTT Polymer marketing Co., Ltd (PTTPM), PTT Asahi Chemicals Co., Ltd (PTTAC), HMC Polymers CO., Ltd (HMC) and PTT Polymer Logistics Co., Ltd (PTTPL). In 2008, sales revenue was Baht 36,255 million, decreased by Baht 34,494 million or 48.8%. EBITDA was Baht 695 million, a decrease by Baht 19,056 million or 96.5% and EBIT was Baht 548 million, a decrease by Baht 16,431 million or 96.8%. These resulted mainly from the change of status of PTCH and PPCL from subsidiaries of PTT to associates since the forth quarter of 2007.

### Net Income: 2008 net income decreased from 2007 net income by Baht 46,099 million or 47.1%

Net income of PTT and its subsidiaries in 2008 was Baht 51,705 million or Baht 18.33 per share, decreased from that of 2007 by Baht 46,099 million or 47.1% due to the performance of each business as mentioned, including the following reasons:

- : PTT had gain on disposal investments amounting to Baht 8,428 million in 2007 while recorded loss on disposal investments amounting to Baht 1 million in 2008.

- : In 2008 PTT recorded share of net loss from investments under the equity method amounting to Baht 6,251 million, decreased from the year 2007 which had share of net income from investment under the equity method of Baht 31,080 million by Baht 37,331 million or 120.1%, due mainly to:

- The declining performance of refining associates. Crude oil price increased in the first half of 2008 while crude oil prices continuously decreased in the second half of 2008 due to the economic slow down resulted from Sub Prime Mortgage crisis and led to high inventory loss from a significant drop in feedstock and product market price when compared to the cost. Moreover, aromatic's product-to-feed margin also decreased significantly due to the slight increase in average product prices, while the large increase in average feedstock prices due to global economic crisis which caused a dramatic decrease in demand of the refined products in the aromatics business. In addition, in the year 2008, Thai Paraxylene Co., Ltd. (TPX), TOP's subsidiary, had shutdown its Paraxylene unit for major turnaround maintenance and capacity expansion, TOP had shutdown its Crude Distillation Unit#1 (CDU-1) in the third quarter of 2008 and TPX's Tatoray unit, the conversion of the aromatics to mixed-Xylene and Benzene, had shutdown in the forth quarter of 2008 as the product prices dropped sharply according to oil prices and sluggish demands from polyester sector. For PTTAR, it had a mini shutdown for maintenance and replace the catalyst for 32 days as well as emergency shutdown of maintenance of the heat exchanger at the Hydrocracking Unit (HCU) and catalyst change in the Hydrodesulfurizer Unit for 29 days and ran as the simple refinery for 50 days. SPRC also had planned shutdown for maintenance for 49 days as aforementioned.

- The increase in the share of net income from investments under equity method of the petrochemical associates. This resulted mainly from the change of status of PTCH and PPCL from subsidiaries of PTT to associates since the forth quarter of 2007 while their performance decreased due mainly to the decrease in Product-to-Feed margin from the increase in feedstock costs, processing cost and selling and administrative expenses. In addition, there was high stock loss from sharp declining of crude and refined product prices and plant shutdown. There were commercial plant shutdowns of PTCH's Oleflex Unit of Olefins I1 Plant for 42 days, Olefins I4-1 plant for 12 days, HDPE (Olefins I-1's plant) for 10 days in the first quarter of 2008, BPE, PTCH's subsidiary, planned shutdown for 30 days in the third quarter of 2008 and PTCH's commercial shutdowns and De-bottlenecking shutdown in the forth quarter of 2008 as aforementioned.

Details of share of net income from investments under equity method are as follows:

Units : Tons	2008	2007	Difference	
			Inc./decrease	%
Refining associates	(11,695)	28,006*	(39,701)	(141.8)
Petrochemical associates	5,661	2,651	3,010	113.5
Oil associates	363	55	308	560.0
Gas associates	-	-	-	
Other associates	(580)	368	(948)	(257.6)
Total	(6,251)	31,080	(37,331)	(120.1)

**Note:** \*Share of net income from Aromatics (Thailand) Public Co., Ltd. in 2007 is re-categorized under Refining associates

: Gain on foreign exchange decreased by Baht 7,375 million or 136.8% from gain on foreign exchange amounting to Baht 5,392 million in 2007 to loss on foreign exchange amounting to Baht 1,982 million in 2008, resulted from the weaken of Thai Baht.

: Income taxes increased from Baht 42,224 million in 2007 to Baht 43,348 million in 2008 due to the increase in PTT and its subsidiaries' operating income.

### The Analysis of PTT and its subsidiaries' consolidated Financial status at the end of the year 2008 compared to the end of the year 2007

During 2008 there were changes in PTT's affiliates' structure, the acquisition and the establishment of subsidiaries, therefore, balance sheets of PTT and its subsidiaries for the year ended December 31, 2008 in PTTEP, PTCL, SBECL, RBA, PTTT, PTTNGD, PTTLNG, PTTM, Enco, PTTPL, PTTTB, CHPP, PTT INTER, PTTGE, and BSA as the subsidiaries and included TTM(T), TTM(M), DCAP, PTTAC and HMC as the joint ventures under the proportionate consolidated method.

Financial position of PTT and its subsidiaries as at December 31, 2008, compared with December 31, 2007, is as follows:

Unit: Million Baht

	Consolidated Financial Statement			
	Dec. 31, 2008	Dec. 31, 2007	Inc./ (Dec.)	%
<b>Assets</b>				
Currently assets	243,196	314,818	(71,622)	(22.7)
Investments in subsidiaries, jointly controlled entities and associates, and long-term investments	187,071	193,122	(6,051)	(3.1)
Property, plant and equipment, net	375,755	315,143	60,612	19.2
Non-current assets	79,183	68,441	10,742	15.7
<b>Total Assets</b>	<b>885,205</b>	<b>891,524</b>	<b>(6,319)</b>	<b>(0.7%)</b>
<b>Liabilities</b>				
Current liabilities	169,271	235,160	(65,889)	(28.0)
Loans and current portion of long term loans	239,138	220,999	18,139	8.2
Non-current liabilities	46,260	36,713	9,547	26.0
<b>Total Liabilities</b>	<b>454,669</b>	<b>492,872</b>	<b>(38,203)</b>	<b>(7.7)</b>
<b>Shareholders' equity</b>				
Shareholder's equity	383,579	361,497	22,082	6.1
Minority interests	46,957	37,155	9,802	26.4
<b>Total shareholders' equity</b>	<b>430,536</b>	<b>398,652</b>	<b>31,884</b>	<b>8.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>885,205</b>	<b>891,524</b>	<b>(6,319)</b>	<b>(0.7)</b>

### Assets

Total assets as at December 31, 2008, were Baht 885,205 million, decreased by Baht 6,319 million or 0.7% from the end of 2007. Current assets decreased by Baht 71,622 million or 22.7% resulted mainly from the decrease in trade accounts and notes receivable by Baht 95,779 million. However, there was an increase in cash and cash equivalents by Baht 15,860 million and the increase in refund receivable from the Oil Stabilization Fund (Other current assets) by Baht 7,107 million from the government due to spread between LPG imported price and the controlled domestic selling price.

Investments in subsidiaries, jointly controlled entities, associates, and long-term investments decreased by Baht 6,051 million or 3.1% resulted from share of net loss from its associates amounting to Baht 6,251 million adjusted by dividends from its subsidiaries, jointly controlled entities and associates amounting to Baht 17,356 million, the recognition of outstanding negative goodwill of Baht 5,802 million remaining from December 31, 2007 amounting to Baht 5,345 million in accordance with the Thai Accounting Standard No. 43 (revised 2007) "Business Combinations". In 2008, PTT recognized negative goodwill of IRPC amounting to Baht 457 million from the purchase of IRPC shares from third parties in the Stock Exchange of Thailand in an amount of Baht 5,489 million which resulted in PTT's shareholding percentage in IRPC increased from 31.50% to 36.77%, and the capital increase in PPCL amounting to Baht 1,476 million. In addition, PTT invested in Finansia Asset Management - Energy and Petrochemical Index Fund (FAM-EPIF) in an amount of Baht 5,050 million in 2008.



Property, plant and equipment increased by Baht 60,612 million or 19.2% resulted mainly from the transfer of land in Maptaphut for the construction of petrochemical industry, the increase in assets under construction from the gas separation plant unit#6 project, the Arthit-north gas pipeline project, the natural gas for vehicle (NGV) project and the Ethane separation plant project and the increase in petroleum exploration and production assets (oil and gas properties for production) by Baht 24,321 million, mainly from Malaysia-Thailand Joint Development Area, Arthit, Pailin, Bongkot B8/32&9A projects.

Non-current assets increased by Baht 10,742 million or 15.7% due to the increase in the advance payment for gas purchased amounting to Baht 11,354 million. In 2008, there was an advance payment for gas purchased from Malaysia-Thailand Joint Development Area (JDA) Block A-18 in Malaysia in an amount of Baht 13,716 million for irrespective of take-up gas during 2007-2008. Meanwhile, PTT had make-up right from Yadana and Yetagun gas field amounting to Baht 2,362 million.

### Liabilities

Total liabilities were Baht 454,669 million, decreased by Baht 38,203 million or 7.7% from the end of the year 2007, resulted from the decrease in current liabilities by Baht 65,889 million or 28.0% due mainly to the decrease in trade accounts payable by Baht 73,571 million from the payment of the imported crude oil payable due in this period while short-term loans increased by Baht 3,192 million due mainly to PTTEP's bills of exchange issuance for offering to general investors and financial institutional investors, the increase in bank overdrafts and short-term loans from financial institution by Baht 1,267 million for using as working capital.

Non-current liabilities increased by Baht 9,547 million due mainly to the increase in the estimation in decommissioning cost of production equipment and deferred tax liabilities.

### Shareholders' Equity

Total shareholders' equity as at December 31, 2008 were Baht 430,536 million, increased from the 2007 by Baht 31,884 million or 8.0% due to the following:

: Un-appropriated retained earnings increased by Baht 21,765 million which resulted from PTT and its subsidiaries' net profit of Baht 51,705 million and accumulated effect of the changes in accounting policy in accordance with the Thai Accounting Standard No. 43 (revised 2007) "Business Combinations" in an amount of Baht 5,345 million resulted from the adoption of the Thai Accounting Standard No. 43 (revised 2007) "Business Combinations" that is effective for accounting periods beginning on or after January 1, 2008. For the negative goodwill, in accordance with this standard, PTT, the buyer, must assess the seller's identification and measurement of assets and liabilities and identifiable contingent liabilities including the exceed reassessment of carrying value in business combination, when buyer's equity net fair value of the cost at acquisition date, the differences will be recognized as revenue in statement of income. Therefore, PTT has adopted this standard since January 1, 2008, with the prospective requirements. The carry forward of retained earnings as at January 1, 2008 was adjusted. However, shareholders' equity decreased from dividend payment Baht 35,250 million.

: PTT increased its share capital from the exercise of warrants under Employee Stock Option Program (ESOP) of directors, management, its employees and its affiliates' employees causing an increase in issued and paid-up share capital in an amount of Baht 66.685 million (6,668,500 shares) and increase in premium on ordinary shares of Baht 1,177.72 million. As a results, as at December 31, 2008, the number of unexercised warrants is 33.19 million units, which consists of Warrant-1 issued and offered on September 1, 2005 of 16.54 million units (last exercise date: August 31, 2010) and Warrant-2 issued and offered on September 29, 2006 of 16.65 million units (last exercise date: September 28, 2011).

: Surplus on dilution of investments in subsidiaries and associates increased by Baht 11 million while there was currency translation differences increased by Baht 96 million and unrealized loss on available-for-sale securities decreased by Baht 274 million.

Minority interests increased Baht 9,802 million or 26.4% due mainly to better performance in 2008.

## Liquidity

For twelve-month period ended December 31, 2008, net increase in cash and cash equivalents of PTT and its subsidiaries was Baht 15,861 million while cash and cash equivalents at the beginning of the period was Baht 74,958 million, which resulted in cash and cash equivalents at the end of the period was Baht 90,819 million. Details of cash flow by activities are as follows:

	Amount (Million Baht)
Net cash provided by operating activities	126,060
Net cash used in investing activities	(74,748)
Net cash used in financing activities	(35,462)
Effects of exchange rates on cash and cash equivalents	211
Currency translation differences	(200)
Net decrease in cash and cash equivalents in 2008	15,861
Cash and cash equivalents at beginning of the period	74,958
Cash and cash equivalents at end of the period	90,819

In summary, PTT and its subsidiaries' financial status are strong, evidenced through liquidities, debt to equity ratios, returns on equity, etc.

## Major Future Projects

PTT investment and joint venting plans on upstream petroleum and natural gas business have been aligned with the demand growth for gas, economic expansion, and power generation development plant.

As natural gas is largely used for the power generation, industrial production, and transportation sectors, including GSPs, PTT had to secure more gas sources from both domestic and international to feed the increasing demand. PTT has invested in the construction of natural gas infrastructure to support more gas procurement and imports. The following is undergoing projects:

1. The investment in the LNG receiving terminal construction in Rayong to receive LNG import
2. The investment in expanded natural gas pipeline network which are- the forth onshore pipeline - the connecting offshore pipeline.

PTT has also invested in increasing the number of NGV service stations. It will also construct an ethane cracker plant, 6 GSP, and a Phenol production plant, which is the co-investment project with Asahi Kasei Chemicals Co., and Marubeni Co., Ltd. to produce AN and MA.

These projects will increase more values in Natural gas resource, maximize its usefulness, and create more benefits throughout business value chain.

To be able to compete in a must more competitive market in the future, when petroleum business will have reached its peak and the market will move toward other alternative energy supplies in power generating; therefore, PTT has expanded its domestic and oversea investment in alternative fuels. For example, PTT has invested in power generation business, palm oil business, and other related business in Asia in accordance with PTT business strategies and directions focusing on a continuous and sustained growth for the energy security of country and supporting PTT's vision of being Thai Premier Multinational Energy Company.

# PTT and Its Affiliates

## E&P and Gas Business Group



		Percentage
PTT Exploration & Production Plc.	PTTEP	65.54
PTT Natural Gas Distribution Co., Ltd.	PTTNGD	58.00
PTT LNG Co., Ltd.	PTTLNG	100.00
Combined Heat and Power Producing Co., Ltd.	CHPP	100.00
PTT International Co., Ltd.	PTTINTER	100.00
Trans Thai-Malaysia (Thailand) Co., Ltd.	TTM (T)	50.00
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.	TTM (M)	50.00
District Cooling System and Power Plant Co., Ltd.	DCAP	35.00
Thai Oil Power Co., Ltd.	TP	26.00
Independent Power (Thailand) Co., Ltd.	IPT	20.00
PTT Utility Co., Ltd.	PTTUT	40.00
Ratchaburi Power Co., Ltd.	RPCL	15.00

## Oil Business Group



		Percentage
PTT (Cambodia) Co., Ltd.	PTTCL	100.00
Subic Bay Energy Co., Ltd.	SBECL	100.00
PTT Retail Business Co., Ltd.	PTTRB	100.00
PTT Green Energy Pte. Ltd.	PTTGE	100.00
Retail Business Alliance Co., Ltd.	RBA	49.00
Kelolil-PTT LPG Sdn. Bhd.	KPL	40.00
Thai Lube Blending Co., Ltd.	TLBC	48.95
Vietnam LPG Co., Ltd.	VLPG	45.00
Thai Petroleum Pipeline Co., Ltd.	THAPPLINE	33.19
PetroAsia (Thailand) Co., Ltd.	PA (Thailand)	35.00
PTT Mart Co., Ltd.	PTT Mart	49.00
PetroAsia (Huizhou) Co., Ltd.	PA (Huizhou)	25.00
PetroAsia (Maoming) Co., Ltd.	PA (Maoming)	20.00
PetroAsia (Shantou) Co., Ltd.	PA (Shantou)	15.00
PetroAsia (Sanshui) Co., Ltd.	PA (Sanshui)	25.00
Intoplane Services Co., Ltd.	IPS	16.67
Fuel Pipeline Transportation Co., Ltd.	FPT	2.76
Bangkok Aviation Fuel Services Plc.	BAFS	7.06

## Petrochemical and Refining Business Group



		Percentage
PTT Polymer Marketing Co., Ltd.	PTTPM	50.00
PTT Polymer Logistics Co., Ltd.	PTTPL	100.00
PTT Chemical Plc.	PTTCH	49.30
PTT Phenol Co., Ltd.	PPCL	40.00
IRPC Plc.	IRPC	36.77
Alliance Plant Service Co., Ltd.	APS	40.00
HMC Polymers Co., Ltd.	HMC	41.44
PTT Asahi Chemical Co., Ltd.	PTTAC	48.50
Thai Oil Plc.	TOP	49.10
PTT Aromatics and Refining Plc.	PTTAR	48.66
Star Petroleum Refining Co., Ltd.	SPRC	36.00
Bangchak Petroleum Plc.	BCP	29.75

## International Trading Business Group



		Percentage
PTT International Trading Pte.	PTTT	100.00

## Others



		Percentage
Energy Complex Co., Ltd.	EnCo	50.00
PTT ICT Solutions Co., Ltd.	PTTICT	20.00
Business Services Alliance Co., Ltd.	BSA	25.00
Dhipaya Insurance Plc.	TIP	13.33

# Revenue Structure of PTT and Subsidiaries by Product Line

Product / Service	Operated by	% Share-holding of the Company	2006 (Audited)		2007 (Audited)		2008 (Audited)	
			Million Baht	%	Million Baht	%	Million Baht	%
1. Natural Gas Products	PTT Plc. (Exploration & Production and Gas Business Group)		187,092.98	14.63	215,511.81	13.77	282,735.39	14.04
	PTT Plc. (Oil Business Group)		30,643.34	2.40	33,569.36	2.14	41,182.40	2.05
	PTT Exploration and Production Plc. (PTTEP)	1/	40,870.67	3.20	44,083.34	2.82	57,587.36	2.86
	PTT Natural Gas Distribution Co., Ltd. (PTTNGD)	58.00	3,291.75	0.26	3,768.28	0.24	4,184.08	0.21
	Less PTTEP's gas revenue paid by PTT Plc.		(37,981.76)	(2.97)	(41,000.61)	(2.62)	(57,434.24)	(2.85)
Total Revenue from Natural Gas Products			223,916.98	17.51	255,932.18	16.35	328,254.99	16.31
2. Oil Products	PTT Plc. (Oil Business Group)		804,365.55	62.91	1,040,961.49	66.50	1,448,998.97	71.96
	PTT Exploration and Production Plc. (PTTEP)	1/	45,468.59	3.56	46,680.50	2.98	75,033.30	3.74
	Less PTTEP's crude revenue paid by PTT Plc.		(31,719.29)	(2.48)	(34,739.73)	(2.22)	(59,712.98)	(2.97)
	PTT International Trading Pte., Ltd. (PTTT)	100.00	23,393.95	1.83	28,721.29	1.83	43,332.14	2.15
	PTT (Cambodia) Co., Ltd. (PTTCL)	100.00	2,080.86	0.16	3,290.41	0.21	4,282.10	0.21
	Retail Business Alliance Co., Ltd. (RBA)	49.00	298.71	0.02	306.12	0.02	412.28	0.02
	Subic Bay Energy Co., Ltd. (SBECL)	100.00	14,413.67	1.13	15,762.72	1.01	22,599.67	1.12
	Rayong Refinery Plc. (RRC)	2/	12,288.59	0.96	-	-	-	-
Total Revenue from Oil Products	PTT Retail Business Co., Ltd. (PTTRB)	3/	-	-	14,498.81	0.93	27,857.03	1.38
			870,590.63	68.09	1,115,481.61	71.26	1,562,802.51	77.62
3. Petrochemical Products	PTT Plc. (Oil Business Group)		68,345.37	5.35	59,707.56	3.81	62,379.59	3.10
	Bangkok Polyethylene Plc. (BPE)	4/	106.77	0.01	-	-	-	-
	PTT Polymer Marketing Co., Ltd. (PTTPM)	75.00	21,748.13	1.70	24,572.17	1.57	28,339.45	1.41
	PTT Chemical Plc. (PTTCH)	5/	28,670.06	2.24	33,129.79	2.12	-	0.00
	HMC Polymers Co., Ltd. (HMC)	41.44	3,390.87	0.27	6,984.40	0.45	7,854.08	0.39
Total Revenue from Petrochemical Products			122,261.20	9.56	124,393.92	7.95	98,573.12	4.90
4. Utilities Products	District Cooling System and Power Plant Co., Ltd. (DCAP)	35.00	298.00	0.02	544.02	0.03	574.41	0.03
	PTT Utility Co., Ltd. (PTTUT)	5/	369.25	0.03	617.29	0.04	-	0.00
	PTT Chemical Plc. (PTTCH)	5/	2,940.87	0.23	2,410.16	0.15	-	0.00
Total Revenue from Utilities Products			3,608.12	0.28	3,571.47	0.23	574.41	0.03
5. Revenue from Non-Core Business	PTT Plc. (Oil Business Group)		-	-	773.99	0.05	889.12	0.05
	PTT Retail Business Co., Ltd. (PTTRB)	3/	-	-	1,887.73	0.12	3,703.39	0.18
Total Revenue from Non-Core Business			-	-	2,661.72	0.17	4,592.51	0.23
6. Revenue from Services	PTT Exploration and Production Plc. (PTTEP)	1/	2,928.09	0.23	3,295.05	0.21	4,131.14	0.21
	PTT Chemical Plc. (PTTCH)	5/	2,032.48	0.16	1,407.92	0.09	-	0.00
	Trans Thai-Malaysia (Thailand) :TTM-(T)	50.00	1,386.98	0.11	1,171.81	0.07	1,474.42	0.07
	Trans Thai-Malaysia (Malaysia) :TTM-(M)	50.00	69.81	0.01	68.40	0.00	79.44	0.00
	PTT Natural Gas Distribution Co., Ltd. (PTTNGD)	58.00	39.70	0.00	46.38	0.00	62.06	0.00
	PTT Polymer Logistics Co., Ltd. (PTTPL)	100.00	-	-	9.31	0.00	62.09	0.00
	District Cooling System and Power Plant Co., Ltd. (DCAP)	35.00	-	-	1.82	0.00	-	0.00
	Retail Business Alliance Co., Ltd. (RBA)	49.00	-	-	-	-	31.00	0.00
	PTT Retail Business Co., Ltd. (PTTRB)	3/	-	-	87.83	0.01	178.14	0.01
Total Revenue from Services Products			6,457.06	0.50	6,088.52	0.39	6,018.29	0.28
Total Sales from Products and Services			1,226,833.99	95.95	1,508,129.42	96.34	2,000,815.83	99.36
7. Others	7.1 Other Revenue		15,294.94	1.20	12,346.96	0.79	19,083.02	0.95
	7.2 Gain (Loss) from Foreign Exchange		9,924.88	0.78	5,392.38	0.34	-	0.00
	7.3 Income from Sale of Securities		7,130.48	0.56	8,428.00	0.54	-	0.00
	7.4 Results of the Supreme Administrative		321.59	0.03	-	-	-	0.00
	Total Other Revenue		32,671.89	2.56	26,167.34	1.67	19,083.02	0.95
8. Share of net income (loss) from Investment under Equity method			19,139.45	1.50	31,080.23	1.99	(6,250.68)	(0.31)
Grand Total			1,278,645.33	100.00	1,565,376.99	100.00	2,013,648.17	100.00

Notes : 1/ PTT owned 66.13, 65.73 and 65.54 equity interest of PTTEP in 2006, 2007, and 2008 respectively.

2/ On December 27, 2007, the merger of RRC and ATC name the new company as PTT Aromatics and Refining Public Co., Ltd. (PTTAR). PTT owned 48.66% equity interest.

3/ On May 25, 2007, PTT established PTT Retail Business Company Limited (PTTRB) and owned 100% equity interest.

4/ On October 2, 2006, PTT sold all common shares in BPE to PTTCH.

5/ On November 9, 2006, PTT owned 49.80% equity interest of PTTCH, PTTCH's status was changed from subsidiary to associated.



# Connected Transactions



PTT's connected transactions resulted from the following contractual agreements:

## **(1) Transactions between PTT and state enterprises** **Transaction**

By the resolution of the Cabinet dated November 26, 2002, government agencies and state enterprises buying 10,000 liters of fuel and more must do so from either PTT or Bangchak Petroleum Plc only. PTT sold fuels to the following state enterprises: Electricity Generating Authority of Thailand, Bangkok Mass Transit Authority, and State Railway of Thailand. Should a state enterprise owe PTT outstanding payments, the Company can levy interests.

## **(2) Transactions between PTT and subsidiary PTTEP Plc** **Transaction**

PTTEP and The 4 products that were produced and sold by subsidiaries consist of crude oil, natural gas, LPG, and condensate. For 2008, PTT was the virtual sole buyer of these, accounting for 87.30% by volume. As regards natural gas, the two reached a long-term (25-30 years) deal, stipulating annual contractual quantities. Both companies were engaged in crude oil and condensate agreements, based on the world market prices of crude oil grades with comparable qualities to best reflect the values of its products against the market.

### (3) Transactions between PTT and affiliated refining companies

#### Transaction

PTT signed crude oil and product supply agreements with its affiliated refining companies at rates corresponding to its own equity interests, summarized below.

#### Agreement with Thai Oil Plc (TOP)

PTT contractually takes delivery of crude oil and products equivalent to 49.99% of TOP's refining capacity at market prices. Through a written notice sent at least 12 months in advance, either party may revoke this agreement from the 13<sup>th</sup> year from the date of completion of its refinancing (from April 19, 2013). Alternatively, either party may revoke the contract if it deems the contract violated. Under the contract, PTT may buy more than 49.99% at market prices.

PTT secures crude oil for TOP under the Phet crude sales agreement, in effect since 1985, which spans the life of the field, and that from other domestic sources under one-year agreements with possible annual extensions.

#### Agreement with PTT Aromatics and Refining Plc (PTTAR)

Listed on the Stock Exchange of Thailand (SET) on December 27, 2007, PTTAR resulted from the amalgamation between Aromatics (Thailand) Plc (ATC) and Rayong Refinery Plc (RRC). By law, as of December 31, 2007, PTTAR inherited the properties, liabilities, privileges, obligations, and responsibilities of both companies. The contracts between PTT and PTTAR consisted of the following:

#### Refining business:

PTT secures crude oil for PTTAR under an interim crude supply agreement, effective from February 9, 2006, to the effective termination date of the operating alliance on February 9, 2009, and an 18-year feedstock supply agreement effective from the termination date of the agreement to February 9, 2024. Under these agreements, PTT would secure crude oil and all other feedstock for PTTAR for the grades and volumes needed by PTTAR at market prices.

PTT buys refined products from RRC at no less than 70% of the latter's refined products at domestic market prices under an 18-year agreement from February 9, 2006, beyond which the contract is assumed to remain valid unless otherwise notified in advance.

The Company signed a New Complex Product Offtake Agreement with PTTAR, effective from February 9, 2006, whereby PTT would buy from PTTAR all the products derived from the Upgrading Complex. At least half of these products will be based on domestic market prices.

PTT signed a gas supply agreement with PTTAR for use in refined-product processing and another one for use in power generation, which is due to expire in 2018.

PTT supplies condensate for PTTAR's production process under a 20-year agreement, effective from 1997, whereby the annual volume was 4.6-6.1 million tons/year.

#### Aromatics business:

PTT also signed a 10-year gas supply agreement with PTTAR for use in fueling the latter's aromatics processes. The 10-year agreement to supply natural gas to Aromatics Plant Unit 1 (AR2) is due to expire in June 2015; the agreement to supply the gas to Unit 2 (AR3), in June 2018.

PTT concluded long-term supply agreements for all the core products of PTTAR, which directly supplies such products to customers. These agreements are take-or-pay, whereby PTT guarantees minimum sales volumes for products and obtains marketing fees from PTTAR. Note that these agreements specify the offtake volumes guaranteed by PTT, but not to guarantee distribution for the surplus volumes beyond take-or-pay. PTT has another product distribution agreement with PTTAR, namely that for condensate residue, light naphtha, and LPG, whereby PTTAR would directly supply these to PTT's customers. For the first two products, the agreement covered 15 years, and for LPG, 10 years, effective from 1997 under an evergreen condition after 2007, that is, the agreement would be regarded as automatically extended unless otherwise notified in advance.

### Agreement with Star Petroleum Refining Co., Ltd. (SPRC)

Shareholders of SPRC are required to secure crude oil and take delivery of products from SPRC at no less than 70% of its 126,000-bbl/d capacity (or 88,200 bbl/d) at domestic market prices. For any surplus volume, PTT and Chevron (Thai) Co., Ltd. as shareholders have the first right of refusal to buy at domestic market prices before any sale to a third party.

### Agreement with Bangchak Petroleum Plc (BCP)

PTT secures crude oil for BCP under a feedstock supply agreement, effective May 16, 2006, for a period of 12 years from the commercial operation date of the Product Quality Improvement Project. PTT procures all the crude oil for BCP at market prices.

On May 16, 2003, PTT concluded a 12-year product offtake agreement with BCP, with effect from the commercial operation date of the Product Quality Improvement project, after which PTT would buy at least 30% of BCP's monthly output of gasoline and diesel at market prices.

On February 25, 2008, both companies signed a power purchase agreement, whereby PTT agreed to invest in a steam and electricity plant with 90 tons per hour and 19.7 megawatts in capacity for sale to BCP. This power plant is due for commercial operation in the middle of 2009.

## (4) Transactions between PTT and affiliates in the petrochemical business group

### Transactions and agreement with PTT Chemical Plc (PTTCH)

PTT Chemical resulted from the merger on December 7, 2005 between Thai Olefins Plc (TOC) and National Petrochemical Plc (NPC) under the Public Company Limited Act B.E. 2535 of 1992. The new company assumed all the assets, liabilities, privileges, obligations, and responsibilities of the two, and all contractual obligations binding TOC and NPC with PTT.

PTT secures feedstock for PTTCH's production processes, namely natural gas and LPG under a 15-year agreement, effective from 1995, extendable for five years.

In 1999, ATC transferred to PTT its privileges and obligations under a 15-year light naphtha and raffinate supply agreement with PTTCH.

PTT concluded another supply agreement with PTTCH for feedstock and natural gas, effective from 1999 for 12 years (extendable for five years) for the feedstock, and for 20 years (extendable for four years) for the gas.

In 2001, PTT signed a 15-year ethane supply agreement with PTTCH, effective from August 1, 2005 (extendable for five years).

In 2004, PTT concluded an LPG and NGL supply agreement with PTTCH, whereby PTT would supply an additional 13,000 tons/month of LPG and 380,000-470,000 tons/year of NGL as feedstock for the olefins capacity expansion project managed by PTTCH, which was due to complete the upgrading in 2007.

Also, in 2006, PTT entered into a 15-year ethane feedstock supply agreement with PTT Polyethylene Co., Ltd., a subsidiary of PTTCH, effective from its start-up date projected for the third quarter of 2009 whereby the price of ethane varies with that of film-grade HDPE in Southeast Asian markets.

In 2008, PTT amended its agreement for supplying ethane, propane, and LPG with PTTCH, with effect from August 1, 2009, for a period of 15 years with each extension of five years. Under the agreement, the price structure of the ethane feedstock varies with that of film-grade HDPE in Southeast Asian markets reflecting the entire petrochemical chain and the HDPE market, produced by PTTCH since 2004. Similarly, the price structures of propane and LPG vary with that of film-grade PP.

### Transactions and agreement with HMC Polymers Co., Ltd. (HMC)

PTT concluded a feedstock supply agreement with HMC. A long-term propane feedstock supply agreement spans 15 years from 2009, with five-year extension at a time, under which the price of propane varies with that of PP (film grade) in Southeast Asian markets.

### Transactions and agreement with PTT Asahi Co., Ltd. (PTTAC)

PTT signed a 15-year propane supply agreement with PTTAC for its feedstock, with effect from the plant commissioning date planned for the fourth quarter of 2010, with five-year extension each time. The price structure varies with that of film-grade PP in Southeast Asian markets.

#### Policy on future connected transactions

These will be conducted as part of the normal course of business with no special favors and no transfer of benefits between PTT, its subsidiaries, related associated companies, or shareholders. Pricing will continue to be on an arm's length basis, and the prices of products supplied by PTT's subsidiaries will be market-based.

Disclosure of connected transactions will follow the announcement of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), and the accounting standard on disclosure of information on related parties or businesses, announced by the Federation of Accounting Profession.

## Review Business Assets

As of December 31, 2008, the core assets used by PTT and its subsidiaries in conducting their businesses consisted of properties, plants, and equipment with a net value after depreciation and allowance for impairment of Baht 375.755 million and intangible assets with a net value after deduction of accumulated depreciation of Baht 20.481 million. Details appear in the notes to financial statements for PTT and its subsidiaries, year ended December 31, 2008, item 13 (net property, plant and equipment) and item 14 (net intangible assets). These included the land, land rights, pipelines, and associated equipment making up transmission pipeline systems surrendered to the Ministry of Finance in the wake of the Supreme Administrative Court Verdict. (Details appear in Compliance with the Supreme Administrative Court Verdict)



# Risk Factors



Implementing its continued risk management efforts, PTT managed its risk factors reasonably well in the past year. New risk factors have been identified and managed under the current year's risk management plan. Therefore, PTT continues to improve this Risk Factors section to better reflect risks apparent to investors. The main risk factors are described below.

## 1. Strategic Risks

### 1.1. Business strategy implementation

To preserve continuous business growth while fostering energy security, PTT has set a goal of becoming a leading energy company among the top 100 companies in sales worldwide by the year 2012 as ranked by Fortune Magazine, as well as its international-business goals. Therefore, strategic plans have been defined by each business unit with a focus on preserving its competitiveness, investment expansion to supplement business value, internationalization of business through investment in properties, mergers and acquisitions of entities that are capable to competing but are faced with problems during the ongoing crisis, and investment in new, related businesses.

The fierce competition and repercussions of the global economic slowdown could produce the risk that PTT would be unable to attain these goals and business strategies resulting from the likes of energy demand uncertainty, product price fluctuation, investment risks resulting from overseas investment and in new businesses. These could impact PTT's overall performance and return on investment alike.

To cope with this, the Company has initiated a so-called Strategic Thinking Session among Senior Executives of PTT Group to define and review the vision, direction, and business strategies in line with economic and energy circumstances, and a business plan in the form of scenario planning, in which assumptions were made for different economic growth figures and oil prices and for PTT to have plans for future changes and uncertainty. In addition, at least every quarter, Senior Executives of the Group meet to monitor Group performance and exchange views on adjusting business plans and short-term strategies to ensure confidence in reaching such goals.

## 1.2. Management of PTT Group

To date, PTT has undertaken business group management restructuring, mergers and acquisitions, joint venturing in companies, domestic and international business expansion, and foster competitive advantages and the synergy of PTT Group. As a result, the management of PTT affiliates has become so complicated that, without effective and efficient management, the Company and its affiliates might apply inconsistent strategies and end up competing among themselves because of conflicts of interest, thus compromising its own overall business performance.

The Company has therefore focused on the management of PTT Group while being committed to good corporate governance; PTT executives have been appointed Presidents or Senior Executives of affiliates for consistency in policies, business directions, and strategies, and closer supervision of business expansion. Further, executives of PTT Group have jointly taken part in drafting a master strategic plan as a framework for developing individual business plans. And to this end, CEO meetings have been regularly held for Senior Executives of PTT Group to supervise overall management and monitor overall results to ensure compliance with the policy of PTT Group.

## 1.3. Personnel management system in support of business operation under economic uncertainty and business growth opportunities

Likened to a chain, PTT's business diversity and international investment expansion produce considerable complexity for the management of the Group. Compounded by the downturn in the global economy, which has an effect to market demand and related products' prices. This could disrupt its business unless its personnel are adequately prepared to cope with the economic crisis and business base expansion.

To mitigate such personnel risks, PTT has relied on two career management mechanisms. First, for the management group, the PTT Group format is applied under the care of an executive and management development committee; this committee supports the needs of senior executives in both quantity and quality. Second, for other employees, it takes the form of line management with a similar approach as the first, which is supervised by a career advisory panel; here, a career management consultation committee ensures that, for each career path, a manpower requirement plan is prepared, in which key positions are stated, and individual development plans are both prepared and implemented. Both of these ensure that PTT will consistently command an adequate supply of quality executives and employees.

## 2. Business Risks

### 2.1. Risks associated with sourcing of natural gas

During the past year, PTT kept up its sourcing negotiation efforts for additional gas supplies from domestic sources and Myanmar, as well as negotiations for supply of LNG (liquefied natural gas) from sellers in assorted regions to meet the projected gas demand. These contracts are made in advance. This included the demand to sustain the expansion of its petrochemical plants, which rely on feedstock from gas separation plants.

Each gas sales agreement (GSA) specifies a minimum annual contractual quantity to be taken by PTT as the buyer; otherwise, PTT is required to pay in advance for the volume not taken during that contract year under the so-called 'take or pay' condition. The Company may take this pre-paid gas in later years as 'make up' gas if it has already paid the minimum contracted amount for the year in question. As of year-end 2008, such take-or-pay sums were paid out by PTT under the terms of the Yadana and Yetagun GSAs of Myanmar and Block A18 GSA of the Malaysia-Thailand Joint Development Area (JDA).

As a result of the current global economic downturn, the demand for natural gas has fallen across the board, oil prices have plummeted, with considerable volatility in future. Risks therefore arise from such factors as the current and future demand for natural gas, the completion dates of transmission pipelines or new gas-fired power plants, the inability to receive the gas for which pre-payment has been made, and the fluctuation in oil price that could affect the price of natural gas. These could put the competitiveness of natural gas against competing fuels into jeopardy. These risks could affect PTT's financial bottom line and performance.

To address these risks, PTT monitors movement concerning the supply and demand for natural gas while closely coordinating with the sellers and buyers on preparing efficient gas supply plans for the long term, and regularly reviews them to identify solutions to possible crises. To date, gas demand has exceeded

minimum contract quantities, thus enabling PTT to accumulate volumes for instant use if it cannot take delivery of the so-called ‘carry forward’ gas, specified in certain GSAs. As for the ‘make up’ gas volume from Yadana and Yetagun, for which PTT has paid, this portion of gas cost less than the current prices; such price margin has alleviated the interest burden that has arisen.

## 2.2. Fee changes for gas supply procurement, distribution, and throughput tariffs

The prices of gas sold to power generators, which represent major customers, are supervised by the Energy Business Regulators, by virtue of the Energy Business Act. Each price consists of the price of physical gas and the throughput tariff. The former is a sum of the average price paid by PTT to the sellers and a business return for supply and distribution. The latter consists of a fixed-cost demand charge, which comes from the capital investment in the gas transmission system, fixed operating costs, and gas demand throughout a given project. Returns on investment are decided, as is a commodity charge, which is based on the variable costs of transmission. Today, such tariffs and returns follow the guidelines set by the National Energy Policy Office.

With the completion of the Third Gas Pipeline, PTT sent letters to the Energy Business Regulators to seek approval for gas throughput tariffs under fixed costs for the offshore transmission pipeline at Rayong (Area 1), the onshore transmission pipeline (Area 3), the onshore transmission pipeline at Chana (Area 4), and the onshore transmission pipeline at Nam Phong (Area 5), along with the tariffs under variable costs for Fiscal Year 2008. Yet, PTT cannot guarantee when the switch in the tariffs will take place; if it cannot levy these new tariffs, its financial and operating performance may suffer.

## 2.3. Feedstock and product price fluctuation

Reflecting world market prices, the prices of feedstock and products of PTT and its affiliates in domestic and foreign markets - namely natural gas, condensate, crude oil, refined petroleum products, and petrochemicals - have recently proved highly volatile because of diverse factors beyond the Company's control, including gross refining margins (GRMs) and petrochemical prices entering down-cycles, thus inevitably affecting PTT's business, financial standing, planning, investment, and operating performance.

To alleviate such risks and bring about maximum benefit, PTT has focused on optimizing risk management for PTT Group as a whole by appointing a Price Risk Management team within the group. Today, to manage price risks, the group is engaged in hedging, including both short-term and long-term derivative contracts with its business partners, with target for suitable risk management in line with PTT Group business plans. To minimize risks from price fluctuation on PTT Group's performance, each instance of such engagement is supported by the physical volume of PTT Group's raw materials and products to management the costs of buying and selling.

## 2.4. Government action creating potential conflicts of interest with shareholders

In line with the Cabinet resolution on September 25, 2001 that decided the Ministry of Finance should retain its shareholding in PTT at no less than 51% of all voting shares after the sale of recapitalization shares, the Company retained its state enterprise status, with the Ministry of Finance serving as its major shareholder. As long as the public sector still holds its majority shares, it will not only designate the majority of Directors and senior management that are accountable for PTT's day-to-day business, but will also ensure that the Company takes actions in line with the country's economic and social policies. This could not only cause conflicts of interest with other shareholders, but affect PTT's management for maximum profitability as well, particularly the price caps on LPG and NGV.

## 2.5 The abolishment and limitation of the State Enterprise Corporatization Act of former authority, privileges, and benefits of PTT Plc, provided under the law on the Petroleum Authority of Thailand, in favor of the PTT Plc Authority Regulation Board

With the publication of a decree on the authority, privileges, and benefits of PTT Plc (No. 2) B.E. 2550 (2007) in the Royal Gazette on February 16, 2007 with effect from March 18, 2007, below were the essences of this decree:

1. Revoke the authority, privileges, and benefits formerly provided to PTT Plc, namely the privileges and benefits as a virtual concessionaire under the Petroleum Authority of Thailand Act B.E. 2521 (1978) (Section 8); the privileges of PTT Plc properties not subject to liability under execution (Section 5, Royal Decree on the Authority, Privileges, and Benefits B.E. 2544 (2001)); and the authority to expropriate properties under the law on real-estate expropriation (Section 38, Petroleum Authority of Thailand Act B.E. 2521 (1978)).

2. Transfer the authority, privileges, and benefits of PTT Plc under the Petroleum Authority of Thailand Act, including the survey and designation of petroleum transmission pipeline rights of way, and pipeline laying under, over, or through individuals' properties, to the PTT Plc Authority Regulation Board, who will define the criteria and terms and conditions for implementation in the Royal Gazette.

3. The PTT Plc Authority Regulation Board is chaired by the Permanent Secretary of Energy along with a representative of the Ministry of Interior, a representative of the Council of State, up to three experts appointed by the Minister of Energy, and the Director-General of the Energy Policy and Planning Office serving as Secretary to the Board.

The Regulators has posted four announcements regarding the authority of PTT Plc in the Royal Gazette, namely:

- Criteria and conditions for the construction and maintenance of petroleum transmission pipeline systems
- Their own identification cards and Board-appointed subcommittee members' identification cards
- Deliberation of the compensation for operating in the petroleum transmission pipeline rights of way
- Other conditions for survey leading to the construction of petroleum transmission pipeline systems.

On December 11, 2007, the Energy Business Act B.E. 2550 (2007) was promulgated, under which the nation's natural gas business included PTT's former gas transmission pipeline network. Once this law came into effect, an Energy Business Regulatory Board was appointed by His Majesty the King to provide oversight of the energy business, mainly electricity and natural gas, and ensure that they comply with the spirit of the law, which included the authority to define the criteria for service fees by authorized parties and their application of land and other real estates. The interim clause also said that to allow PTT's energy business to proceed, the royal decree defining the authority, privileges, and benefits of PTT Plc of 2007, amended by another royal decree (No. 2), would be enforceable until PTT acquired a license under the Energy Business Act. On February 19, 2009, PTT already acquires a Natural Gas Business Operating License under the Energy Business Act., and currently is acquiring for a Power Business Operating License.

### 3. Project Execution Risks

#### 3.1. Development of gas transmission system, gas separation plants, and petrochemical plants

The key factors for PTT's successful business expansion include a continuous rise in natural gas consumption, the ability to expand its gas transmission system and to cover all consumption areas, the ability to expand its gas separation capacity, and the success in building PTT Group's petrochemical plants, which rely on natural gas for their processes. Projects may experience delays for various reasons, including delays in naming construction contractors, procurement of long-lead equipment items, getting construction approvals from government agencies, and getting approvals for environmental impact assessment (EIA) reports. Delays in project completion could compromise PTT's financial and operating performance.

The Company pays close attention to critical path management, thus, accelerated hiring of construction contractors; close monitoring of the procurement of construction materials; development of measures to alleviate environmental impacts; monitoring and analysis of impacts on project management; appointment of a community relations task group to develop plans for public participation; and preparation of plans and measures to minimize the potential impacts of project delays, to minimize the possible effect of project's delay.





Activity for Bond Holder

## 4. Operation Risks

### 4.1. Risks associated with operations

Hazards are inherent to the exploration for production, transportation, and storage of natural gas, crude oil, petroleum and petrochemical products, and refined products; they include fires, explosions, oil spills, well blowouts, gas pipeline leaks, dispersion of hazardous gases, terrorist activities, natural disasters, actions of external parties, and other unforeseeable events. These could prove detrimental to PTT's personnel, assets, environment, business operation, reputation, financial standing, and business opportunities.

The Company therefore takes risk management seriously by adopting preventive maintenance measures for its production facilities and instituting emergency and crisis response preparedness measures, together with the formulation of strategic and operating plans to support business continuity management. Like other companies in the petroleum and petrochemical industries, it has taken out insurance policies to protect its major operating assets against risks and business interruption.

### 4.2. Environmental and safety regulations

PTT's business operations must comply with relevant laws and regulations concerning impacts on the environment and safety, which are bound to get increasingly tough. If such new laws are promulgated or if changes are made to the policy on their enforcement, they may limit the Company's operation or significantly raise operating costs. Besides, approval delays for EIAs and HIAs (Health Impact Assessments), and that for community participation, in any operation could harm its future business.

To address these risks, PTT monitors and analyzes the impacts of changes in environmental and safety laws and regulations on its operation. It also closely coordinates with government agencies, applies available information to develop work plans and response measures, and ensures ongoing community relations activities in operating areas with a constant focus on community participation.

## 5. Financial Risks

### 5.1. Fluctuation of the Baht

Since PTT and its affiliates have outstanding foreign loans, changes in the exchange rate between the Baht and the US dollar directly and indirectly affect the majority of PTT's revenue, consequently affecting its bottom line. Therefore, the fluctuation of the Baht and the government's economic, financial, and treasury policies affect its consolidated financial and operating performance.

To alleviate this, PTT has balanced its foreign loans in proportion to its revenue from foreign currencies (in short, taking a natural hedge) and leveraged financial derivatives in converting foreign-currency loans, while managing its foreign-currency deposits and purchasing foreign currencies forward to match the quantity of foreign currencies required for foreign-loan repayment and for commercial transactions. PTT has also developed a treasury and credit policy for use as a common guideline for PTT Group.

### 5.2. Financial support to affiliated companies

In the past and during the recent Asian economic crisis, the Company provided financial support to its affiliates under a shareholder support agreement and coordinated with their executives, creditors, and other major shareholders on debt restructuring. It is the Company's policy not to incur new financial burdens unless necessary or for its benefit. In the long term, it will consider extending financial support in the form of



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loans or commercial credit, or both, to individual affiliates in the belief that such a policy and action would foster sustainable strength for members of PTT Group.

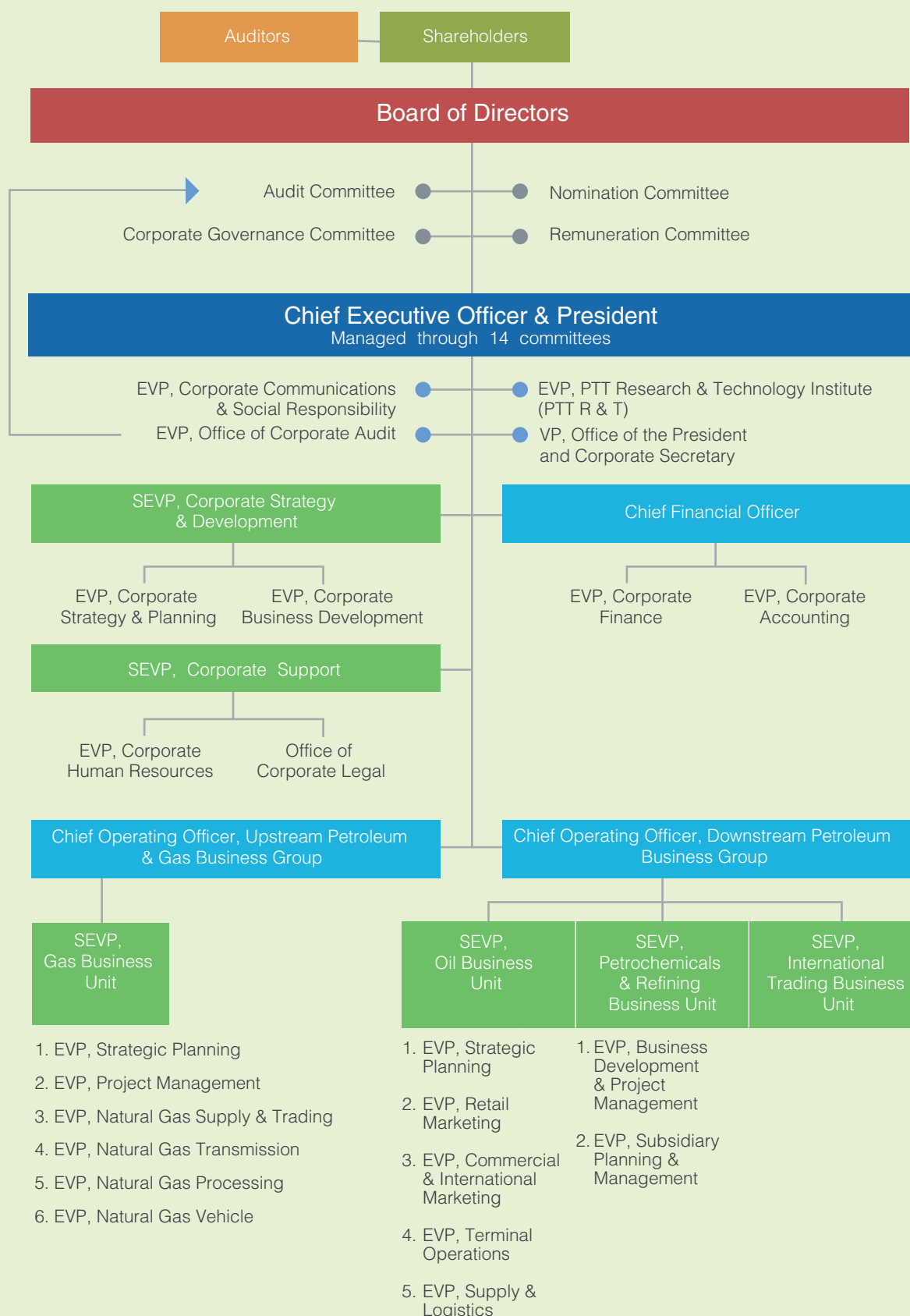
In extending such financial support to these affiliates, whether in the form of subordinated loans, capital, or commercial credit, PTT cannot guarantee that these companies will repay such loans or credit, or that they will not need financial support from PTT again - all these could harm PTT's performance and financial status. Besides, if PTT or any member of PTT Group becomes a default party under any agreement on shareholder support, some creditors may accelerate debt repayment. Therefore, we cannot guarantee that PTT will not raise its shareholding, raise its shareholding to more than half, or take over such a company if such action is considered more beneficial. If this should happen, the Thai accounting standards require that PTT consolidate the financial statements of the company in question with those of PTT, effective from the date of such control onward; such consolidation may affect PTT's overall financial status.

### 5.3. Acquisition of funds for plan execution

The businesses of PTT - in particular, petroleum exploration and production, natural gas transmission, and the petrochemical business - require huge capital investments that are paid in advance. Although the Company closely monitors and manages business risks, the actual investment capital required may deviate from project plans due to factors beyond its control, thus potentially affecting the success and project capital costs.

Thanks to PTT's business conduct that focuses on fostering long-term growth and good corporate governance, the Company has continuously grown and plans to invest in prudent business expansion, with consideration for sources of capital, particularly capital structuring that will enable it to maintain essential financial ratios at suitable levels comparable to companies in the same industry. Continuous monitoring of factors concerning the sourcing of investment capital has assured PTT that it can secure sufficient and suitable funds for future business expansion.

# Organization Chart



Remark : EVP = Executive Vice President

# Shareholding Structure

## PTT Securities

### Common shares

As of December 31, 2008, PTT's registered capital stood at Baht 28,572,457,250, made up of 2,857,245,725 common shares valued at Baht 10 each. These consisted of Baht 28,240,566,250 in paid-up capital or 2,824,056,652 common shares.

### PTT Warrants

(1) On April 12, 2005, the 2005 Annual General Meeting of Shareholders (AGM) acknowledged the issuance and offer of 60,000,000 warrants to the President, the management, PTT employees, and employees of Companies in PTT Group, seconded to PTT. The warrants consisted of 2 batches:

- PTT-W1, numbering 40,000,000 units, offered in 2005
- PTT-W2, numbering 20,000,000 units, offered in 2006.

The AGM approved the issuance and offer of all PTT-W1 units covering the purchase of 40,000,000 common shares. The warrant contained 4 portions, each exercisable on the last operating day of a three-month period throughout the life of the warrant. Here is a detailed summary of the allocation:

Portion	Units	Life (Years)	Value (Baht)	Ratio of Warrants Exercised (Common Shares)	Exercisable Period Details
1.	10,000,000	5	183	1 : 1	First exercisable date was August 31, 2006, then every last operating date of every three months from the above-mentioned date through the life of the warrants. The last exercise date is August 31, 2010.
2.	10,000,000	5	183	1 : 1	First exercisable date was August 31, 2007, then every last operating date of every three months from the above-mentioned date through the life of the warrants. The last exercise date is August 31, 2010.
3.	10,000,000	5	183	1 : 1	First exercisable date was August 31, 2008, then every last operating date of every three months from the above-mentioned date through the life of the warrants. The last exercise date is August 31, 2010.
4.	10,000,000	5	183	1 : 1	First exercisable date was August 31, 2009, then every last operating date of every three months from the above-mentioned date through the life of the warrants. The last exercise date is August 31, 2010.





PTT Shareholders Visited Operation Sites

From the issuance date to December 31, 2008, warrant exercises for PTT-W1 covering 23,461,100 units were recorded.

- Note:
- The issued warrants, bearing holders' names, were non-transferable except when transferred to a legitimate heir or representative
  - Eligible under this scheme were the President, the management, all PTT employees, and employees of companies in PTT Group, seconded to PTT. No other directors of the Board received these warrants.

(2) On April 11, 2006, the 2006 AGM approved the issuance and offer of all PTT-W2 units covering the purchase of 20,000,000 common shares for the President, the management, PTT employees, and employees of companies in PTT Group, seconded to PTT. The warrant contained four portions, each exercisable on the last operating day of a three-month period throughout the life of the warrant. Here is a detailed summary of the allocation:

Portion	Units	Life (Years)	Value (Baht)	Ratio of Warrants Exercised (Common Shares)	Exercisable Period Details
1.	5,000,000	5	234	1 : 1	First exercisable date was September 28, 2007, then every last operating date of every three months from the above-mentioned date through the life of the warrants. The last exercise date is August 31, 2011.
2.	5,000,000	5	234	1 : 1	First exercisable date was September 28, 2008, then every last operating date of every three months from the above-mentioned date through the life of the warrants. The last exercise date is August 31, 2011.
3.	5,000,000	5	234	1 : 1	First exercisable date was September 28, 2009, then every last operating date of every three months from the above-mentioned date through the life of the warrants. The last exercise date is August 31, 2011.
4.	5,000,000	5	234	1 : 1	First exercisable date was August 31, 2010, then every last operating date of every three months from the above-mentioned date through the life of the warrants. The last exercise date is August 31, 2011.



PTT Ordinary Shareholders Meeting

From the issuance date to December 31, 2008, warrant exercises for PTT-W2 covering 3,349,800 units were recorded.

- Note:
- The issued warrants, bearing holders names, were non-transferable except when transferred to a legitimate heir or representative
  - Eligible under this scheme were the President, the management, all PTT employees, and employees of PTT Group companies seconded to PTT. No other directors of the Board received these warrants.

## Shareholders

PTT's shareholder structure as of March 10, 2009 was as follows:

Item	Shares (in millions)	Value (Baht millions)	%
Registered Capital	2,857	28,572	-
Paid-Up Capital (as of March 10, 2009)	2,824	28,240	100.00
• Ministry of Finance	1,460	14,598	51.695
• Vayupak Fund 1 by MFC Asset Management Plc	218	2,179	7.716
• Vayupak Fund 1 by Krung Thai Asset Management Plc	218	2,179	7.716
• Institutional and Public Investors	946	9,284	32.873
Unpaid Capital	33	332	

PTT's top 15 shareholders (according to the share registration book as of March 10, 2009) were as follows:

No.	Name	Shares	%
1.	Ministry of Finance	1,459,885,575	51.695
2.	Vayupak Fund 1 by MFC Asset Management Plc	217,900,000	7.716
3.	Vayupak Fund 1 by Krung Thai Asset Management Plc	217,900,000	7.716
4.	Nortrust Nominees Ltd.	52,794,180	1.869
5.	State Street Bank and Trust Company	52,073,168	1.844
6.	HSBC (Singapore) Nominees Pte. Ltd.	45,974,789	1.628
7.	Chase Nominees Limited 42	44,626,400	1.580
8.	Thai NVDR Co., Ltd.	34,143,662	1.209
9.	Mellon Bank, N.A.	29,453,165	1.043
10.	Social Security Office (2 accounts)	25,238,800	0.894

No.	Name	Shares	%
11.	Government of Singapore Investment Corporation C	19,508,000	0.691
12.	HSBC Bank Plc - Clients General A/C	17,439,400	0.618
13.	Government Pension Fund	16,200,350	0.574
14.	The Bank of New York (Nominees) Limited	15,683,197	0.555
15.	Mellon Nominess (UK) Limited	11,989,000	0.425
Total		2,260,809,686	80.057

- Note:**
- Numbers 4, 6, 7, 14, and 15 were nominee accounts. PTT's investigation at Thailand Securities Depository Co., Ltd., (TSD) found that the ultimate shareholders, names could not be disclosed. However, the Ministry of Finance remained the single majority shareholder on behalf of the state, which in part dictated PTT's management policy. The ministry nominated directors to the Board for approval by shareholders. Other substantial shareholders, including the five above-mentioned ones, did not exercise any influence over PTT's management policy formulation, for example, nominating the directors.
  - Shareholders of Thai NVDR Co., Ltd., who held non-voting depository receipts in item 8 were ineligible for voting at shareholders, meetings except when exercising their voting rights on delisting the shares from SET.

## Dividend Policy

PTT's policy is to pay out dividends at no less than 25% of the net income after deducting all provisional sums required by law and by PTT; the net income is to be based on the consolidated financial statements. Dividend payment is subject to future investment plans, necessity, and suitability. Once the Board of Directors has decided on the annual dividend payment, it is to seek approval from the meeting of the shareholders; an exception is for interim dividend payment, in which case the Board is authorized to approve such payment and report to the next meeting of the shareholders.

As for the dividend policy for subsidiaries, it is up to each subsidiary to deliberate payment by taking into account its remaining cash flow compared with the investment capital. If the cash flow is substantial enough, with legal provisions set aside, the subsidiary may proceed with dividend payment on a case-by-case basis.

# Management Structure

## PTT Board of Director

At the top of PTT's organizational structure is PTT Board of Directors (the Board), which consists of four committees: Audit Committee, Nominating Committee, Remuneration Committee, and Corporate Governance Committee. The President & CEO, who is the top executive, manages PTT through 11 committees.

As of December 31, 2008, the Board consisted of:

No.	Name	Position	Appointed
1.	Dr. Norkun Sittiphong	Chairman	December 21, 2007 <sup>1.1</sup> (in place of Dr. Pornchai Rujiaprapa)
2.	Mr. Chulayuth Hirunyavasit	Independent Director	April 11, 2008 <sup>1.2</sup> (in place of Gen. Apichart Penkitti)
3.	Mr. Chakramon Phasukavanich	Independent Director	April 30, 2007
4.	Gen. Somdhat Attanand	Independent Director	April 11, 2006
5.	M.L. Panasarn Hasdin	Independent Director	April 11, 2006
6.	Dr. Ampon Kittiampon	Independent Director	April 11, 2008
7.	Khun Pornthip Jala	Independent Director	April 30, 2007
8.	Dr. Panich Pongpirodorn	Director	January 1, 2008 <sup>1.3</sup> (in place of Mr. Metta Bunturksuk)
9.	Khunying Jada Wattanasiritham	Independent Director	April 30, 2007
10.	Dr. Naris Chaiyasoot	Director	April 11, 2008 <sup>1.4</sup> (in place of Ms. Puntip Surathin)
11.	Mr. Chaikasem Nitisiri	Independent Director	September 22, 2008 <sup>1.5</sup> (in place of Mr. Nonthigorn Kanchanachitra)
12.	Mr. Anuwat Mayteewibulwut	Independent Director	November 21, 2008 <sup>1.6</sup> (in place of Dr. Suchart Thada-Thamrongvech)
13.	Mrs. Pannee Sathavarodom	Director	April 30, 2007
14.	Mr. Prasert Bunsumpun	Director and Secretary (President & CEO)	- First term expired and left office on August 10, 2007 - Second term began on September 10, 2007 <sup>2</sup>

**Note :** 1. The Board appointed new directors in place of the retired and resigned ones:

1.1 Dr. Norkun Sittiphong, in place of Dr. Pornchai Rujiaprapa, who resigned on December 18, 2007

1.2 Mr. Chulayuth Hirunyavasit, in place of Gen. Apichart Penkitti, who retired on April 11, 2008

1.3 Dr. Panich Pongpirodorn, in place of Mr. Metta Bunturksuk, who resigned on January 1, 2008

1.4 Dr. Naris Chaiyasoot, in place of Ms. Puntip Surathin, who resigned on April 11, 2008

1.5 Mr. Chaikasem Nitisiri, in place of Mr. Nonthigorn Kanchanachitra, who resigned on July 15, 2008

1.6 Mr. Anuwat Mayteewibulwut, in place of Dr. Suchart Thada-Thamrongvech, who resigned on August 1, 2008.

2. At Meeting No. 8/2550 of August 31, 2007, the Board appointed Mr. Prasert Bunsumpun to another term as President, effective from September 10, 2007 onward.

3. Dr. Olarn Chaipravat resigned, effective from September 22, 2008 onward.



# 1) Report on Directors' securities portfolio in 2007 and 2008

No.	Name	Shares		Change during the Year	Note
		Dec 31, 2007	Dec 31, 2008		
1.	Dr. Norkun Sittiphong	-	-	-	
2.	Mr. Chulayuth Hirunyavasit	-	-	-	
3.	Mr. Chakramon Phasukavanich	-	-	-	
4.	Gen. Somdhat Attanand	-	-	-	
5.	M.L. Panasarn Hasdin	-	-	-	
6.	Dr. Ampon Kittiampon	-	-	-	
7.	Khun Pornthip Jala	-	-	-	
8.	Dr. Panich Pongpirodom	-	-	-	
9.	Khunying Jada Wattanasiritham	-	-	-	
10.	Dr. Naris Chaiyasoot	-	-	-	
11.	Mr. Chaikasem Nitisiri	-	-	-	
12.	Mr. Anuwat Mayteewibulwut	-	-	-	
13.	Mrs. Pannee Sathavarodom	-	-	-	
14.	Mr. Prasert Bunsumpun	-	-	-	

## Directors who completed their terms and resigned during 2007 and 2008

No.	Name	Shares		Change during the Year	Note
		Dec 31, 2007	Dec 31, 2008		
1.	Mr. Cherdpong Siriwit	-	-	-	Completed his term on April 30, 2007
2.	Mr. Phadhadej Dhamcharee	-	-	-	Resigned on May 1, 2007
3.	Mr. Pisanu Suntharaks	-	-	-	Completed his term on April 30, 2007
4.	Mr. Pornchai Rujiprapa	-	-	-	Resigned on December 18, 2007
5.	Mr. Metta Bunturungsuk	-	-	-	Resigned on January 1, 2008
6.	Gen. Apichart Penkitti	-	-	-	Completed his term on April 11, 2008
7.	Ms. Puntip Surathin	-	-	-	Completed his term on April 11, 2008
8.	Mr. Praipol Koomsup	-	-	-	Completed his term on April 11, 2008
9.	Dr. Suchart Thada-Thamrongvech	-	-	-	Resigned on August 1, 2008
10.	Mr. Nonthigorn Kanchanachitra	-	-	-	Resigned on July 15, 2008
11.	Dr. Olarn Chairavat	-	-	-	Resigned on September 22, 2008*

Note: \*Dr. Olarn Chairavat's resignation was effective on September 22, 2008 onward.

## 2) Directors Authorized to Sign and Bind for the Company

According to Company regulations, the directors whose signatures are recognized as binding PTT consist of either (1) Mr. Prasert Bunsumpun, President & CEO, authorized to sign and affix the Company's seal, or (2) two other Directors, authorized to jointly sign and affix the Company's seal.

## 3) Authority of the Board

- The Board is authorized to supervise and manage PTT under relevant laws, objectives, regulations, and resolutions of shareholders' meetings.
- The Board is to elect one director to serve as Chairman. If suitable, one Vice Chairman or more may be elected.
- The Board is to elect one director to serve as President and Secretary to the Board if suitable.

## 4) Duties and Responsibilities of the Board

The Board is to:

- Carry out its duties under relevant laws, objectives, regulations, and resolutions of shareholders' meetings.
- Define the Company's vision, directions, and strategies.
- Endorse major Company strategies and policies, including objectives, financial targets, and operating plans; monitor and ensure plan implementation.
- Institute proper systems for corporate accounting, financial reporting, and financial auditing; institute efficient and effective internal control and internal audit systems.
- Supervise and remedy problems arising from conflicts of interest and connected transactions.
- Define comprehensive risk management guidelines; and ensure an efficient risk management system or process.
- Ensure a suitable compensation system or mechanism for senior management, to induce short-term and long-term motivation.
- Assess the performance of the President and determine suitable compensation.
- Ensure suitable communicating channels with each group of shareholders and stakeholders.
- Ensure accurate, clear, transparent, credible, and high-quality disclosure of information.
- Show leadership and lead by example.

## 5) Appointment and Dismissal of Directors

1. The Board consists of at least five and no more than 15 persons elected at shareholders' meetings. It consists of a minimum of 3 independent directors, at least half of the directors are to reside in Thailand, and at least one director must be qualified in finance and accounting. All directors must be qualified by law and Company regulations.

Since 2004, the Board has had a resolution that independent directors must make up at least half of the Board, such resolution remains effective today. As of December 31, 2008, it had 9 independent directors, all of whom were domiciled in Thailand; Khunying Jada Wattanasiritham and Dr. Naris Chaiyasoot served as directors with expertise in accounting and finance.

2. The shareholders' meetings are to elect qualified directors who have previously been selected and nominated by the Nominating Committee under the following criteria:

- (1) Each shareholder has one vote per share held.
- (2) Each shareholder exercises all votes applicable under (1) in electing one or more persons as directors, but cannot allocate only part of his or her votes to any candidate
- (3) Candidates with the most votes are to be appointed directors up to the number open at a given meeting.

(4) If more candidates receive equal votes than the number of directors required, the chairman of the meeting must cast a deciding vote.

3. At every AGM, one-third of the directors or if this number is not a multiple of three, then the number nearest to one-third must retire. The names of the directors to retire during the first and second year after PTT was listed are to be drawn by lots. For subsequent years, those with the longest terms must retire.

4. Any director wishing to resign may submit a resignation letter to PTT, and the resignation is to be effective on the date that PTT receives the letter.

5. In voting for the dismissal of directors from office before the expiry of their terms, a three-quarter (3/4) vote of eligible shareholders present at the meeting is required, provided that the number of shares represented by the three-quarters vote is at least half of the total number of shares represented by the total number of eligible shareholders present at the meeting.

Since 2006, the Board has concurred with a proposal to allow minor shareholders to nominate directors under the recruitment criteria. To date (including in 2008), however, no such nomination has been made. Details appear under the topic of Corporate Governance (Equitable Treatment of Shareholders).

## The Committees

### 1) The Audit Committee

The Board approved the appointment of an Audit Committee on October 1, 2001, which consisted of directors with the qualifications specified by securities and exchange laws and SET. The committee must consist of at least 3 independent directors, at least one of whom must be qualified in accounting and finance. As of December 31, 2008, the committee consists of 3 directors, all of whom are independent directors.

Name	Position	Remark
1. Khunying Jada Wattanasiritham <sup>1</sup>	Chairman	Independent Director with expertise in accounting and finance
2. Khun Pornthip Jala	Member	Independent Director
3. Mr. Chulayuth Hirunyavasi <sup>2</sup>	Member	Independent Director

Ms. Nitaya Direksathaporn, Executive Vice President, Office of Corporate Audit, served as the Committee's secretary

**Note:** <sup>1</sup> In place of Dr. Suchart Thada-Thamrongvech, who resigned on August 1, 2008

<sup>2</sup> In place of Dr. Olam Chaipravat, who resigned on September 22, 2008

### Duties and Responsibilities of the Audit Committee

- Review PTT's financial reporting process to ensure accuracy and adequacy.
- Ensure the suitability and effectiveness of internal control and internal audit procedures.
- Ensure compliance with securities and exchange laws, SET regulations, and relevant laws.
- Select, nominate, and recommend the fees for the external auditor.
- Deliberate accurate and complete disclosure of PTT's information for connected transactions or potential conflicts of interest.
- Prepare a report on its own performance for disclosure in the annual report, signed by Chairman.
- Perform other tasks assigned by the Board and with the approval of the Committee.
- Perform duties under PTT's regulations.

The Committee held 9 meetings in 2008, 6 were general meetings and 3 were special meetings.

The Committee duly reported its findings to the Board. In addition, it participated in quarterly financial audits along with the external auditor and the Corporate Finance and Accounting Department. It also held one meeting with senior management.

## 2.) The Nominating Committee

The Board appointed a Nominating Committee on October 1, 2001. As of December 31, 2008, the Committee consisted of 3 directors:

Name	Position	Remark
1. Mr. Chakramon Phasukvanich	Chairman	Independent Director
2. Dr. Ampon Kittiampon	Member	Independent Director
3. Mr. Chulayuth Hirunyavasit <sup>1</sup>	Member	Independent Director

**Note:** 1 In place of Ms. Puntip Surathin, who completed her term on April 11, 2008

### Duties and Responsibilities of the Nominating Committee

- Select qualified candidates for directors or President.
- Define the recruitment procedures and criteria for directors or President to ensure transparency.

The recruitment procedure for directors is as follows:

1. The Committee defines the qualifications needed for the replacement to ensure that the new directors meet the criteria and qualifications as required by related laws and regulations, and also defines the procedures for nominating qualified candidates.

2. The Committee summarizes its recruitment results and presents to the Board a shortlist of qualified candidates along with supporting rationale.

3. The Board appoints the qualified candidates from the field prepared by the Committee and submits their names to the shareholders' meeting for approval.

In 2008, the Committee held five meetings and duly reported its findings to the Board.

## 3) The Remuneration Committee

The Board appointed a Remuneration Committee on October 1, 2001. As of December 31, 2008, it consisted of 3 directors:

Name	Position	Remark
1. Dr. Ampon Kittiampon	Chairman	Independent Director
2. Khunying Jada Wattanasiritham	Member	Independent Director
3. Mrs. Pannee Sathavarodom	Member	Non-management Director

### Duties and Responsibilities of the Remuneration Committee

- Define compensation guidelines for directors and the President.
- Define procedures and criteria for fair and reasonable compensation paid to directors and the President for approval at shareholders' meetings or at the meetings of the Board of Directors.

The Committee held one meeting in 2008 and duly reported its findings to the Board.

## 4) The Corporate Governance Committee

The Board appointed a Corporate Governance Committee on June 24, 2004. As of December 31, 2008, the Committee consisted of 3 independent directors as follows:



Name	Position	Remark
1. Gen. Somthad Attanand	Chairman	Independent Director
2. M.L. Panasarn Hasdin	Member	Independent Director
3. Mr. Chaikasem Nitisiri	Member	Independent Director

The Vice President, Office of the President and Corporate Secretary, served as the secretary to the Committee

#### Duties and Responsibilities of the Corporate Governance Committee

- Propose corporate governance guidelines to the Board.
- Advise the Board on corporate governance matters.
- Ensures that the duties and responsibilities of directors and the management comply with corporate governance principles.
- Revise guidelines for PTT's corporate governance against those of international organizations, and present its recommendations to the Board.
- Delegate corporate governance policies to the Corporate Governance Task Force.

The Committee held 3 meetings in 2008, during the second of which it assigned a policy on the monitoring of corporate social responsibility (CSR) matters. It duly reported its findings to the Board.

#### Directors' Attendance Record for the Board and Committee Meetings in 2008 (January 1 - December 31)

Unit: Times

Name	Meeting Attendance in 2008 as of December 31, 2008					Appointment during the Year
	Board of Directors (Total 14)	Audit Comm. (Total 9)	Corporate Governance Comm. (Total 3)	Nominating Comm. (Total 5)	Remuneration Comm. (Total 1)	
1. Dr. Norkun Sittiphong	14/14	-	-	-	-	-
2. Mr. Chulayuth Hirunyavasit	9/10	1/3	3/3	-	-	April 11, 2008 in place of Gen. Apichart Penkitti
3. Mr. Chakramon Phasukavanich	13/14	-	-	5/5	-	-
4. Gen. Somdhat Attanand	14/14	-	3/3	-	-	-
5. M.L. Panasarn Hasdin	13/14	-	3/3	-	-	-
6. Dr. Ampon Kittiampon	13/14	-	-	5/5	1/1	-
7. Khun Pornthip Jala	14/14	6/6	-	-	-	-
8. Dr. Panich Pongpirodorn	14/14	-	-	-	-	January 1, 2008 in place of Mr. Metta Bunturingsuk
9. Khunying Jada Wattanasiritham	13/14	9/9	-	-	1/1	-
10. Dr. Naris Chaiyasoot	10/10	-	-	-	-	April 11, 2008 in place of Ms. Puntip Surathin
11. Mr. Chaikasem Nitisiri	3/3	-	1/1	-	-	September 22, 2008 in place of Mr. Nonthigorn Kanchanachitra
12. Mr. Anuwat Mayteewibulwut	1/1	-	-	-	-	November 21, 2008 in place of Dr. Suchart Thada-Thamrongvech
13. Mrs. Pannee Sathavarodom	14/14	-	-	-	1/1	-
14. Mr. Prasert Bunsumpun	14/14	-	-	-	-	-

## Directors Completed Their Terms or Resigned during 2008 (January 1 - December 31)

Unit: Times

Name	Meeting Attendance in 2008 as of December 31, 2008					Completion of Terms or Resignation during the Year
	Board of Directors (Total 14)	Audit Comm. (Total 9)	Corporate Governance Comm. (Total 3)	Nominating Comm. (Total 5)	Remuneration Comm. (Total 1)	
1. Ms. Puntip Surathin	3/4	-	-	1/1	-	Completed term on April 11, 2008
2. Gen. Apichart Penkitti	4/4	-	-	-	-	Completed term on April 11, 2008
3. Mr. Praiphol Koomsup	3/4	-	-	-	-	Completed term on April 11, 2008
4. Mr. Nonthigorn Kanchanachitra	3/3	-	-	-	-	Resigned on July 15, 2008
5. Dr. Olarn Chaipravat	10/11	5/6	-	-	-	Resigned on September 22, 2008
6. Dr. Suchart Thada-Thamrongvech	7/7	4/4	2/2	-	-	Resigned on August 1, 2008

## Corporate Secretary

To comply with the good corporate governance principles of listed companies, under the category of directors' responsibility and the terms of the Securities and Exchange Act, PTT has appointed the Vice President of the Office of the President and Corporate Secretary, Mr. Attapol Rerkphiboon, as Corporate Secretary to provide the Board with legal advice and remind them of assorted regulations that they need to know and comply with; hold meetings; and supervise assorted Board activities to enable them to perform efficiently and effectively for the maximum benefit to PTT; prepare and maintain critical documents, including directors' registration, Board meeting notices and minutes, annual reports; shareholders' meeting notices and minutes; and filing of reports on connected transactions reported by directors or the management.

## Management

### Duties and Responsibilities of the President & CEO

Under PTT's Articles of Association, the President has full authority and duties to manage the Company's business as assigned by the Board. Business is to be managed strictly, prudently, and with integrity under the plans or budgets approved by the Board, and must be in the best interests of PTT and its shareholders. The President's authority and duties include the following matters and activities:

- Operate and/or manage day-to-day business
- Hire, appoint, remove, transfer, promote, demote, reduce the salary or wages of, take disciplinary action against employees and contractors, and dismiss any employee or contractor under the Board's regulations. For vice presidents or equivalent upward, prior approval of the Board is required.
- Ensure the preparation and submission of business policies, including operating plans and budget estimates, to the Board for approval, and report performance against them to the Board every three months.
- Ensure the implementation of the policies, plans, and budgets approved by the Board.

PTT Board of Directors authorizes the President to manage under scope of authority as follows:

- Manage business under all objectives, regulations, policies, rules, specifications, directives, and resolutions of the Board and/or shareholders' meetings.
- Order, contact, command, implement, and sign juristic acts, agreements, orders, announcements, or any correspondence with government agencies, state enterprises, or other parties; and engage in any necessary and suitable action to facilitate this duty.

- Command each employee and contractor and hire, appoint, remove, promote, demote, cut the salary or wages of, take disciplinary action against, and dismiss any employee or contractor under the rules, regulations, or directives of the Board. For employees or contractors serving as advisors, experts, senior executive vice presidents or equivalent and upward, prior approval of the Board is required. The President is also authorized to specify the employment conditions for employees and contractors, and issue rules governing PTT's operations, provided that they do not conflict with rules, regulations, or directives of the Board.
- Assign the power of attorney and/or delegate specific tasks to other persons, provided that it complies with the document concerning the power of attorney and/or rules, regulations, or directives of the Board and/or the Company.

The authority and duties of the President are invalid for conflicts of interest with PTT in any form resulting from the President's exercise of the authority.

### Management Committee

A Management Committee (also referred to as senior management) was appointed on October 1, 2001, currently (as of December 31, 2008) consisting of 9 members:

Name	Position
1. President & Chief Executive Officer (CEO)	Chairman
2. Chief Financial Officer (CFO)	Member
3. Chief Operating Officer, Upstream Petroleum & Gas Business Group	Member
4. Chief Operating Officer, Downstream Petroleum Business Group	Member
5. Senior Executive Vice President, Corporate Support	Member
6. Senior Executive Vice President, Gas Business Unit	Member
7. Senior Executive Vice President, International Trading Business Unit	Member
8. Senior Executive Vice President, Petrochemicals and Refining Business Unit	Member
9. Senior Executive Vice President, Corporate Strategy and Development	Member and Secretary

The Vice President, Office of the President & Corporate Secretary, served as the Assistant Secretary

The Management Committee held weekly meetings in 2008, totaling 31 during the year, and duly reported its findings to the Board.

#### Duties and Responsibilities of the Management Committee

- Provide advice and recommendations to the President on significant issues on corporate strategy and business direction, investment plans, budgeting, allocation of resources for PTT and its affiliates; and ensure that PTT affiliates have reasonably compatible business processes.
- Rank decisions made by the Board to ensure effective implementation.
- Screen meeting agendas before presentation to the Board.
- Rank significant matters concerning the allocation of human and financial resources for PTT and its affiliates.
- Jointly decide significant issues about PTT affiliates before the meeting of the Board of each affiliated company.
- Establish standards for business administration, human resource, and information procedures, and the organizational structure for PTT and its affiliates.
- Establish a policy for human resource management.

In addition, the Company appointed 13 ad hoc internal committees to oversee specific internal areas of work for accurate, suitable, efficient, and effective implementation:

1. Oil Business Strategic Plan Committee
2. Gas Business Strategic Plan Committee
3. Petrochemicals and Refining Strategic Plan Committee
4. Enterprise Plan Committee
5. Corporate Finance & Accounting Committee
6. Corporate Human Resources Committee
7. PTT Credit Committee
8. Research and Technology Institute Management Committee
9. International Trading Business Unit Risk Management Committee
10. Petroleum Procurement Committee
11. Upstream Petroleum and Gas Business Group Synergy Management Committee
12. Downstream Petroleum Business Group Synergy Management Committee
13. Risk Management Committee.

### Management Team Members as of December 31, 2008

No.	Name	Position
1.	Mr. Prasert Bunsumpun	President & Chief Executive Officer (CEO)
2.	Mr. Pichai Chunhavajira	Chief Financial Officer (CFO)
3.	Dr. Chitrapongse Kwangsukstith	Chief Operating Officer (COO), Upstream Petroleum & Gas Business Group
4.	Dr. Prajya Phinyawat	Chief Operating Officer (COO), Downstream Petroleum Business Group
5.	Mr. Tevin Vongvanich	Senior Executive Vice President, Corporate Strategy and Development
6.	Mr. Songwut Chinnawat	Senior Executive Vice President, Corporate Support
7.	Mr. Permsak Shevawattananon	Senior Executive Vice President, Gas Business Unit
8.	Mr. Surong Bulakul	Senior Executive Vice President, International Trading Business Unit
9.	Dr. Pailin Chuchottaworn	Senior Executive Vice President, Petrochemicals and Refining Business Unit, and concurrently President of PTT Polymer Marketing Co., Ltd., and Managing Director of PTT Asahi Chemical Co., Ltd.
10.	Mr. Anon Sirisaengtaksin	Senior Executive Vice President, seconded to CEO, PTT Exploration and Production Public Company Limited
11.	Dr. Viroj Mavichak	Senior Executive Vice President, seconded to Managing Director, Thai Oil Public Company Limited
12.	Mr. Veerasak Kositpaisal	Senior Executive Vice President, seconded to President & CEO, PTT Chemical Public Company Limited



No.	Name	Position
13.	Mr. Maroot Mrigadat	Senior Executive Vice President, seconded to President, PTT Exploration and Production Public Company Limited
14.	Mr. Chainoi Puankosoom	Senior Executive Vice President, seconded to CEO & President, PTT Aromatics and Refining Public Company Limited
15.	Ms. Penchun Jarikasem	Executive Vice President, Corporate Finance
16.	Mrs. Prisana Praharnkhasuk	Executive Vice President, Corporate Accounting

## Management's Ownership of Shares

No.	Name	Shares			Warrant # 1		Warrant # 2		Remark
		Dec.31,2007	Dec.31,2008	Increment	Allocated in 2005	Current Holding	Allocated in 2006	Current Holding	
1.	Mr. Prasert Bunsumpun and spouse	0	0	0	243,000	121,500	119,000	89,300	-
2.	Mr. Pichai Chunhavajira	55,400	0	(55,400)	88,000	22,000	45,800	34,400	-
3.	Dr. Chitrapongse Kwangsukstith and spouse	175,830	178,730	2,900	108,700	37,400	56,900	42,800	-
4.	Dr. Prajya Phinyawat	117,480	51,380	(66,100)	88,300	22,100	45,900	34,500	-
5.	Mr. Tevin Vongvanich	N/A	20,000	20,000	40,300	20,200	21,000	15,800	Appointed on February 18, 2008
6.	Mr. Songwut Chinnawat	12,676	10,000	(2,676)	61,000	20,500	32,400	24,300	-
7.	Mr. Permsak Shevawattananon	24,300	40,300	16,000	64,000	16,000	33,300	25,000	-
8.	Mr. Surong Bulakul	N/A	65,483	65,483	63,300	31,700	33,000	24,800	Appointed on February 1, 2008
9.	Dr. Pailin Chuchottaworn and spouse	N/A	28,100	28,100	52,600	13,200	27,600	20,700	Appointed on February 1, 2008
10.	Mr. Anon Sirisaengtaksin	100,330	120,230	19,900	79,800	20,000	41,900	31,500	-
11.	Dr. Viroj Mavichak	157,080	178,980	21,900	87,800	22,000	45,100	33,900	-

No.	Name	Shares			Warrant # 1		Warrant # 2		Remark
		Dec.31,2007	Dec.31,2008	Increment	Allocated in 2005	Current Holding	Allocated in 2006	Current Holding	
12.	Mr. Veerasak Kositpaisal	N/A	8,000	0	0	0	26,400	26,400	Appointed on October 1, 2008
13.	Mr. Maroot Mrigadat	8,700	16,800	8,100	67,300	16,900	35,100	26,400	-
14.	Mr. Chainoi Puankosoom	41,400	49,700	8,300	43,100	21,700	33,200	24,900	Appointed on August 1, 2007
15.	Ms. Penchun Jarikasem	10,000	10,000	0	34,000	17,000	18,300	18,300	-
16.	Mrs. Prisana Praharnkhasuk	51,463	60,263	8,800	35,100	8,800	18,400	13,800	-

#### Additional Information on the Board and Management

Records have shown no violation of the law within the past 10 years regarding:

- (1) Being sentenced for criminal charges, except for violation of traffic law, minor charges, or similar charges
- (2) Being sentenced to bankruptcy or having assets controlled
- (3) Serving as an executive or a person with authority in a company or partnership sentenced to bankruptcy or whose assets are controlled.

#### Policy on Serving as Directors of PTT Directors and Management in Other Companies

PTT has 45 affiliated companies, seven of which are listed on the Stock Exchange of Thailand (SET), in which it invested and held shares. As a rule, about 60% its current net income is derived from these companies. PTT has adopted the PTT Group management structure for synergy and alignment of policies. To achieve this, it appoints directors or management team members to serve as directors in these companies to supervise policies and business management aligning with PTT's policy for the benefit and value addition for all stakeholders. It is, therefore, very likely that some directors or management team members will be serving in more than five companies. Below are the criteria for such appointment:

1. To ensure that the management of a given company aligns with the policy of PTT Group companies; to monitor its overall business performance to align with PTT's policy and institute comparable standards
2. To forge synergy for the business of PTT Group companies and supplement value to all related parties, including Thailand as a whole
3. To apply specific expertise in support of business, including financial knowhow to improve accounting and financial processes to enable a given company to grow robustly; this includes assistance to companies outside PTT Group and the resulting application of the knowledge and experience gained from serving in such leading companies, which enrich the benefit for PTT and foster cordial relations and business alliance for PTT
4. This is part and parcel of the responsibility of the Directors and Management of PTT.

## Compensation Paid to Directors

Unit: Baht

No.	Name	Days of Service	Bonus	Board Meeting Allowance	Committee Meeting Allowance	Total Meeting Allowance	Total Compensation
1	Dr. Norkun Sittiphong	366	2,212,851.20	770,887.10	-	770,887.10	2,983,738.30
2	Mr. Chulayuth Hirunyavasit	265	1,293,779.52	420,000.00	124,258.06	544,258.06	1,838,037.58
3	Mr. Chakramon Phasukavanich	366	1,786,880.40	600,000.00	150,000.00	750,000.00	2,536,880.40
4	Gen. Somdhat Attanand	366	1,786,880.40	620,000.00	78,000.00	698,000.00	2,484,880.40
5	M.L. Panasarn Hasdin	366	1,786,880.40	600,000.00	72,000.00	672,000.00	2,458,880.40
6	Dr. Ampon Kittiampon	366	1,786,880.40	600,000.00	150,000.00	750,000.00	2,536,880.40
7	Khun Pornthip Jala	366	1,786,880.40	620,000.00	202,500.00	822,500.00	2,609,380.40
8	Dr. Panich Pongpirodorn	366	1,786,880.40	600,000.00	-	600,000.00	2,386,880.40
9	Khunying Jada Wattanasiritham	366	1,786,880.40	600,000.00	359,564.52	959,564.52	2,746,444.92
10	Dr. Naris Chaiyasoot	265	1,293,779.52	440,000.00	-	440,000.00	1,733,779.52
11	Mr. Chaikasem Nitisiri	101	493,100.88	159,000.00	24,000.00	183,000.00	676,100.88
12	Mr. Anuwat Maytheewibulwut	41	200,169.66	60,000.00	-	60,000.00	260,169.66
13	Mr. Prasert Bunsumpun	366	1,786,880.40	620,000.00	-	620,000.00	2,406,880.40
14	Mrs. Pannee Sathavarodom	366	1,786,880.40	620,000.00	24,000.00	644,000.00	2,430,880.40
<b>Total</b>			<b>21,575,604.38</b>	<b>7,329,887.10</b>	<b>1,184,322.58</b>	<b>8,514,209.68</b>	<b>30,089,814.06</b>

## Retired and Resigned Directors in 2008

Unit: Baht

No.	Name	Days of Service	Bonus	Board Meeting Allowance	Committee Meeting Allowance	Total Meeting Allowance	Total Compensation
1	Mr. Olarn Chaipravat	265	1,293,779.52	441,000.00	262,500.00	703,500.00	1,997,279.52
2	Dr. Praipol Koomsup	101	493,100.88	160,000.00	-	160,000.00	653,100.88
3	Mr. Nonthigorn Kanchanachitra	95	463,807.75	153,548.39	-	153,548.39	617,356.14
4	Dr. Suchart Thada-Thamrongvech	213	1,039,905.80	350,000.00	225,000.00	575,000.00	1,614,905.80
5	Ms. Puntip Surathin	101	493,100.88	160,000.00	24,000.00	184,000.00	677,100.88
6	Gen. Apichart Penkitti	101	493,100.88	180,000.00	-	180,000.00	673,100.88
<b>Total</b>			<b>4,276,795.71</b>	<b>1,444,548.39</b>	<b>511,500.00</b>	<b>1,956,048.39</b>	<b>6,232,844.10</b>

## Director's Compensation in 2005-2008

Unit: Baht

Compensation	2005		2006		2007		2008	
	Persons	Baht	Persons	Baht	Persons	Baht	Persons	Baht
Meeting Allowance	15	10,707,750.00	15	10,920,500.00	15	11,764,919.36	15	10,470,258.07
Total Bonus	15	17,777,260.27	15	29,409,589.04	15	30,294,520.55	15	25,852,400.09
<b>Total</b>		<b>28,485,010.27</b>		<b>40,330,089.04</b>		<b>42,059,439.91</b>		<b>36,322,658.16</b>

## Compensation Paid to Management

PTT's compensation paid to management team members complies with the policies and principles defined by the Ministry of Finance, which is then jointly defined as key performance indicators (KPIs) by the CEO/President and his management team for framing PTT's business each year. It is also a part of the assessment criteria used by the Remuneration Committee in assessing the performance of the CEO/President and his team. Each person's compensation is measured against the performance of leading industry peers' practices and standards. The Remuneration Committee then proposes the compensation along with compensation guidelines to the Board for review and approval.

As of December 31, 2008, the CEO/President and seven management team members received 88,843,800 Baht in compensation (excluding acting Senior Executives and Senior Executives seconded to and paid by PTT affiliates and obtained compensation where such companies were responsible for paying the entire amounts), detailed as follows:

## Total Compensation Paid to Management

Unit: Baht

Compensation	2005		2006		2007		2008	
	Persons	Baht	Persons	Baht	Persons	Baht	Persons	Baht
Salary	8	45,135,600	7	45,145,600	7	51,815,390	8	57,755,520
Bonus	8	22,170,695	7	31,668,840	7	22,572,960	8	27,024,420
<b>Total</b>		<b>67,306,295</b>		<b>76,814,760</b>		<b>74,388,350</b>		<b>84,779,940</b>

## Provident Fund Contribution for Management

Unit: Baht

Compensation	2005		2006		2007		2008	
	Persons	Baht	Persons	Baht	Persons	Baht	Persons	Baht
Provident Fund	7	3,062,216	6	3,005,232	6	3,659,601	7	4,063,860
<b>Total</b>	<b>7</b>	<b>3,062,216</b>	<b>6</b>	<b>3,005,232</b>	<b>6</b>	<b>3,659,601</b>	<b>7</b>	<b>4,063,860</b>



## Personnel

Convinced that the quality of its people is the key to its high performance, throughout its three decades of existence PTT has been committed to the development of a human resource management system compatible with technological advancement and industry standards. It not only promotes both conscientious merit and business competence for its employees, but also encourages them to actively take part in public service activities. It is indeed on employees that PTT focuses in its development toward a high-performance organization to compete better and respond to prevailing circumstances.

The PTT employee head count as of December 31, 2008 stood at 3,636. Throughout the year, PTT carefully managed its manpower to align with its operation under business uncertainty, with a focus on allocating resources where significant value supplementation was likely or where continuing investment was needed. Besides formulating human resource plans to suit business circumstances, PTT has undertaken a plan to earnestly develop the potential of all its employees and streamline its business procedures.

### Number of Personnel and Compensation

The head counts for major business groups for the past four years were as follows:

Unit: Persons

Business	2005		2006		2007		As December 31, 2008	
	PTT	PTT Group	PTT	PTT Group	PTT	PTT Group	PTT	PTT Group
1. Gas	963	-	1,057	-	1,108	-	1,162	-
2. Oil	1,302	-	1,239	-	1,254	-	1,234	-
3. Petrochemicals and Refining	51	-	64	-	75	-	70	-
4. Support Staff / Secondees to PTT Affiliates	840 <sup>1/</sup>	92 <sup>2/</sup>	824 <sup>1/</sup>	251 <sup>2/</sup>	851 <sup>1/</sup>	256 <sup>2/</sup>	899 <sup>1/</sup>	271 <sup>2/</sup>
5. Subsidiaries and Jointly Controlled Entities	-	4,687	-	4,768	-	7,086 <sup>3/</sup>	-	7,718
<b>Total</b>	<b>3,156</b>	<b>4,779</b>	<b>3,184</b>	<b>5,019</b>	<b>3,288</b>	<b>7,342</b>	<b>3,365</b>	<b>7,989</b>

Notes: 1/ Excludes PTT secondees  
 2/ Includes PTT secondees  
 3/ Includes PTTRB employees, with company formation of May 25, 2007

### Compensation for Personnel (excluding the CEO/President and Management)

Unit: Baht

	2005	2006	2007	2008
Salary	2,020,836,159.33	2,313,239,842.61	2,523,442,073.58	2,771,381,311.34
Bonus	996,368,672.00	1,138,238,033.75	1,263,194,610.38	1,255,817,206.62
Provident Fund Contribution	199,951,973.02	228,214,687.17	249,207,450.79	273,843,959.44
Others (if Applicable)	800,492,308.37	993,909,544.34	1,104,896,055.73	329,822,939.92
<b>Total</b>	<b>4,017,649,112.72</b>	<b>4,673,602,107.87</b>	<b>5,140,740,190.38</b>	<b>4,630,864,417.32</b>



PTT Group CG Day 2008



PTT Group Knowledge Sharing 2008

## Other Compensation

PTT has instituted employee welfare and other compensation apart from salary, bonus, and provident fund contribution for management and all employees to reflect domestic economic conditions, cost of living, and other standards for peer companies, and include rent allowance, relocation, and overtime pay. In 2005 and 2006, PTT allocated 60 million units of warrants, or the rights to purchase common shares, to the President, the Management, employees, and employees from affiliated companies serving PTT, as an incentive for their total and consistent dedication. This incentive was designed to create a sense of ownership and encourage participation in the management and development of PTT, benefiting its performance and business operations. They would each receive warrants; four portions of Warrant 1 and four of Warrant 2 each equivalent to 25% of the total units received by each person, who can exercise their first warrant by purchasing common shares one year after the warrant was issued at one unit of warrant per share. Similarly, the second, third, and fourth warrants can be exercised two, three, and four years respectively after the date of issue. Expiring five years after the date of issue, the warrants can be exercised every three months on the last day of each period until their expiry.

## Human Resource System Development and Improvement

To become a high-performance organization, during the year PTT improved the process and mechanism for human resource management to ensure higher efficiency and realize the full potential of its people. Thanks to these improvements, PTT employees would be able to fully demonstrate their competence, advance in their careers, and continue to grow with PTT. The elements of PTT's success include:

- **Implementing Learning Organization Mechanisms for Sustainable Organization**

PTT evolved its knowledge management system for essential, relevant information while encouraging everyone to do the same and update this regularly. It makes this system available to all to facilitate learning and efficient problem-solving while actively promoting employees' own development of their potential for this is the cornerstone to a high-performance organization. Below is an excerpt of the CEO/President's views on the Learning Organization:

"To become a Learning Organization, we rely on human intelligence. Learning is an ongoing, lifetime process."

- **Building Competent and Righteous Members of PTT and Society**

Besides a human resource management system focusing on making employees both smart and responsive to Company expectations, PTT values its role of turning out conscientious people who are ready to participate in social development and public services while observing corporate governance principles. PTT is convinced that achievement of competence and righteousness will nurture sustainable growth.



TQA for Sustainable HPO

- **Participating in Decision-making on Corporate Goals and Directions**

PTT has focused on participation across the board in designing business plans to suit its direction and targets, as this will efficiently align all components of the Company. To this end, it has instituted an annual process to draw up its vision and corporate direction, whereby senior management of PTT and its affiliates along with support staff jointly define such vision and direction before communicating the agreed items for other units to use in defining business strategies and business plans, and to come up with budget plans in broad alignment.

In 2008, all PTT employees defined individual objectives and KPIs cascaded through the ranks, from the corporate, department, and down to the individual level. The goals and indices defined by employees serve as performance framework and assessment tools for each person.

- **Developing Employees' Career Paths in Line with Corporate Business**

At the heart of human resource management is human resource development. PTT has developed career management processes for greater efficiency by dividing employees into two groups with clear and efficient linkage: senior management and staff.

- Senior management (from vice presidents upward): Also known as group leader development, this development sustains the needs for high-level executives in both quantity and quality, with a recruitment, assessment, and development system in place. This is under the auspices of the PTT Group Human Resources Management and Development Committee (PTTGMC).

- Staff: This internal management is specific to PTT or a PTT Group company. At PTT, a Career Management Counseling Committee (CMCC) and 14 Career Counseling Teams are appointed to take charge of defining and developing individuals to be properly knowledgeable and competent to sustain future business directions. Career management is designed for individuals to accumulate maximum knowledge and skills for their career paths and prepare them for future senior management roles. Management and staff jointly set the approach for staff development through proper training by competency and career profile. Job rotation provides staff with new responsibilities to enable them to develop skills in their new positions, as do suitable appointments and promotions for their responsibilities and potential. Finally, development of staff to suit their competency and needs of both staff and the organization would in time lead PTT to its goals.

- **Fostering Positive Relations between Management and Staff in Search of the Same Goal**

Communication between the management and staff at PTT comes in various forms. Needing to be aware of corporate business, obstacles, and potential repercussions, all employees should be allowed to share their views and take part in business efficiency improvement. In 2008, besides the monthly labor relations committee meetings, PTT held Joint Consultative Committee (JCC) meetings between its management team and staff of regional offices nationwide. In addition, there is not only the President & CEO continually held regular meetings with employees and attended meetings among management and staff (both in and outside PTT), but the Company also surveyed employees' satisfaction for views and suggestions for improvement. PTT is convinced that proper communication and information exchange among all will lead to positive relations among all, which will lead the organization toward the same goals.

- **PTT Group Core Value:**

In 2008, S P I R I T, PTT Group Core Value, was refined and it consists of :

S	=	Synergy
P	=	Performance Excellence
I	=	Innovation
R	=	Responsibility
I	=	Integrity & Ethics
T	=	Trust & Respect

The intent of these values is to forge belief, decision-making, and behavior that align with the vision of PTT Group and promote a quality of working life for employees.

## Corporate Governance

The Board of Directors is committed to conducting its business in compliance with corporate governance principles and the practical guidelines laid down by the Securities and Exchange Commission (SEC) and SET. Ever since the privatization and distribution of Company shares in late 2001, it has been determined to apply corporate governance as its guiding principle for efficient business management in tandem with sustainable business growth. PTT regulations state: 'The Company must have and implement a policy on its business ethics, including the ethics of its Board of Directors, Management, and employees in compliance with good corporate governance practices as its code of conduct for the proper conduct of the organization with high standard'. So, PTT subsequently issued rules on good corporate governance in 2001 and published them as a handbook for each director, management team member, and the rank and file to sign, acknowledge, and comply with until 2005.

In 2005, the Corporate Governance Committee not only came up with a code of practice and recommended practices for the Board, but also updated the handbook to be more comprehensive and more in line with international practices, with topic rearrangement and content addition. To illustrate, the publication now covers the rights of shareholders and promotion of their exercise of these rights, in particular fundamental rights, including sharing of profits, purchase or transfer of shares, acquiring adequate business information, attendance at shareholders' meetings and voting and appointing or removing directors, deciding Board compensation, appointing the external auditor and its fees, and matters affecting the Company. By and large, the contents align with the above-mentioned policy, and the publication is known as the Corporate Governance Handbook (Revision 1/2548) for the Board and all employees to acknowledge and comply with until 2008.

Then in 2008, the Corporate Governance Committee made it a policy to revise the handbook mentioned above by modifying the contents to comply with the SET principles of good corporate governance, 2006 version, for listed companies. The stock exchange categorized five sections, namely the rights of shareholders, equitable treatment of shareholders, roles of stakeholders, information disclosure and transparency, and the responsibility of the Board. The revised publication is currently under the printing process before delivery in 2009 to each Director, Management, and staff to sign and comply with.

Below are the essences of PTT's corporate governance practices in 2008 :

### Shareholders' Rights and Equitability

PTT constantly recognizes that all shareholders are the owners of PTT and that investors will put trust and confidence in PTT's business only if they can be assured of its fair policy and respect for shareholders fundamental rights and equitability under the law, as well as business management that proves suitable, efficient, effective, and accepted by investors and stakeholders as one with good corporate governance.



## 1. Shareholders' Meetings

As a rule, PTT schedules an annual general meeting of the shareholders (AGM) within four months of the annual closing date of its accounting books. For urgent matters of shareholders' interest or requiring shareholders' approval, it will call an extraordinary meeting of the shareholders. In 2008, the AGM fell on April 11, with the venue being the Bangkok Convention Center, Central Plaza Ladprao Shopping Complex, Bangkok; no extraordinary meeting was held this year. A total of 14 directors attended the AGM, with only one missing on an overseas business. These consisted of the Chairman of the Board, the Chairmen of all committees, and the President & CEO together with senior management members and the external auditor. Three legal advisors served as moderators in auditing and voting matters in cases of disagreements. The chairman performed his role thoroughly as defined by law and the meetings also gave their unanimous approval on each agenda item.

## 2. Delivering Meeting Notices

PTT assigned Thailand Securities Depository Co., Ltd., its securities registrar, to mail meeting notices together with details of the agenda and accompanying documents' supplementary and supporting information for decision-making / opinions of the Board / complete minutes of the past meeting / annual report / meeting documents / proxy forms with complete instruction to shareholders at least 14 days ahead of each meeting date. Similarly, at least three days ahead of each meeting, the invitation was announced through one Thai and one English newspaper.

The AGM meeting notices were made available at PTT website (<http://www.pttplc.com>) at least 30 days ahead of the meeting date.

## 3. Facilitating Shareholders

PTT facilitated all shareholders in a fair manner by arranging for officers to welcome them and provided all shareholders with security arrangement and emergency response plans. Registration through a barcode system begins at least two hours ahead of the meeting. A suitable reception is also extended to them.

## 4. Conduct of Shareholders' Meetings

After explaining the Company's rules on voting and vote counting for individual agenda items, the chairman of the meeting must clearly address how to vote on each agenda item. Once information has been provided for each item, the chairman gives the floor to all attendants to express opinions or recommendations and ask questions, giving adequate time for debate. The chairman and the management are to address and answer all questions clearly and precisely.

The chairman ensures that the meeting proceeds according to the order of the agenda and does not add an item without notifying shareholders in advance. For the election of directors, individual votes are required, and the minutes of the meeting must be completely and accurately recorded with a written summary of voting results on each matter. As a rule, shareholders' meetings last three hours. The AGM of 2008 began at 9.30 a.m., with registration beginning at 7.30 a.m., and was adjourned at about 12.30 p.m.

## 5. Practical Guidelines for Reporting Conflicts of Interest

As specified by the Corporate Governance Handbook, all Directors, Management, and staff must prepare reports on conflicts of interest, consisting of annual reporting forms and a new annual format in case of changes during the year. At a given meeting, people with vested interests or conflicts of interest with PTT must inform the meeting to excuse themselves and abstain from voting on each connected matter.

Similarly, at shareholders' meetings, Directors are supposed to behave likewise in case they are connected with any agenda item.

## 6. After the Shareholders' Meeting

After each meeting, PTT duly submits the minutes, with voting records and every question raised by shareholders to SET and the SET board. Meeting information, videotapes, and audiotapes are accessible through <http://www.pttplc.com>.

## Equitable Treatment to Shareholders

Different shareholding proportions and thus different voting proportions do not necessarily mean different treatment of shareholders. PTT treats all shareholders fairly without regard to their gender, age, origin, nationality, religious belief, political inclinations, or physical impairment. Should shareholders be unable to take part in their meetings, they always have their proxy rights.

### 1. Proposing Additional Meeting Agenda Items and Nominating Directors

To enable minor shareholders to earnestly take part in business operation and auditing, PTT has defined criteria for entitling them to propose meeting agenda items and/or nominate directors in advance to deliberate agenda items that could be useful to PTT, including the selection of qualified directors to perform their duties efficiently in the best interests of PTT and all stakeholders alike. In practice, shareholders with a combined holding of at least 100,000 shares could propose agenda items or nominate qualified directors before the AGM of 2008, which exceeded the privileges provided by law.

PTT posted such criteria on its website from November 21 to December 31, 2008, and posted an announcement on the website of SET, which attracted no recommendation of such agenda items and no nomination of directors.

### 2. Meeting Languages

Since most of the shareholders attending the AGM are Thais, the meetings are conducted in Thai. However, for the communication benefit of foreign shareholders, PTT has commissioned the translation of shareholders' meeting supplementary documents and other relevant documents in English. Its website is also bilingual. It also provides officers skilled in English on hand at meetings to facilitate foreign shareholders.

### 3. Appointing Proxies

To maintain the rights of those shareholders who cannot attend in person, they can appoint proxies or delegate their votes to any PTT's independent director in attendance. To this end, PTT has specified these independent directors' names in proxy forms defined by the Ministry of Commerce for voting on behalf of shareholders without conditions.

Thirty days ahead of each meeting, PTT disclosed the proxy form which is attached along with details and procedures on its website. Shareholders may inquire about this by phone or other channels.

### 4. Access to PTT Information

PTT favors no particular group of shareholders, giving all equal access to its public information through assorted channels. Shareholders are supposed to receive proper treatment and gain as much information as can be disclosed by PTT. Below are the channels:

- Telephone: Call Center 1365, 66 (0)-2537-2000
- Website: <http://www.pttplc.com>
  - Customer Service Center: [orc@pttplc.com](mailto:orc@pttplc.com)
  - Corporate Communication Department: [corporate@pttplc.com](mailto:corporate@pttplc.com)
  - Office of the President and Corporate Secretary: [corporatesecretary@pttplc.com](mailto:corporatesecretary@pttplc.com)
  - Capital Market and Investor Relations Department: [ir@pttplc.com](mailto:ir@pttplc.com)

## Roles of Stakeholders

PTT accounts for stakeholders' rights and interests by establishing guidelines for addressing the needs of each group inside and outside the Company, including the nation, society, communities, shareholders, customers, business partners, and employees, as well as its own responsibility to society and the environment. These spell out PTT Group's missions:

To the country	Ensuring long-term energy security by providing sufficient high quality energy supply at fair prices
To society and community	Being a good corporate citizen to protect environment and improve quality of life of the communities
To shareholders	Conducting a profitable business leading to sustainable growth while providing optimum returns to stakeholders
To customers	Ensuring customer satisfaction by delivering high quality products and services at fair prices
To business partners	Conducting business with partners at fair and arm's length basis promoting synergy and coordination, creating capability and efficiency in long-term business partnership
To employees	Providing supporting capability building in professional conduct, ensuring employee's well-being to be comparable to other leading companies

### 1. Treatment to Main Stakeholders

#### - The nation, society, communities, and the environment

PTT strictly obeys laws and regulations enforced by regulatory agencies; institutes professional petroleum management; makes the best use of natural resources, commands emergency response and crisis management systems; values quality, safety, health, and the environment of relevant stakeholders; and promotes social activities designed to conserve the environment and improve the quality of life for community members under sustainable development. The actions taken in 2008 appear under the topics of Social and Environmental Responsibility and Quality, Safety, Health, and Environmental (QSHE) Performance.

PTT's units in charge of social, community, and environmental affairs consist of the Corporate Social Responsibility and QSHE Departments.

#### - Customers

PTT takes customers' satisfaction seriously, as they buy our products and services. It offers fair prices, quality, and accountability to customers and consumers, and is committed to developing its products and provides safe, integrated, prompt, and quality services in response to customers' and consumers' need in a continual way.

#### - Business partners

PTT values procurement processes, as they are vital to the determination of expenses and the quality of PTT products and services. For transparency, a clear procedure is therefore essential for openness to scrutiny and maximum benefits. PTT values its business partners because they are key to business success through mutual support, ranging from sourcing to further business details. Therefore, PTT must treat business partners on the same footing and on the basis of fair competition and mutual respect.

#### - Employees

All PTT employees are the most crucial components of our business success. All employees wherever they work must be treated without prejudice. Unity, trust, impartiality, polite manners, and respect for human dignity are stressed. A good and safe work environment, with suitable compensation, welfare, and innovations, is essential. Sexual harassment is not tolerated. Besides, PTT promotes the exercising of wage earners rights under the law governing labor unions and state enterprise relations. PTT will not obstruct labor union's activities unless they are in serious violation of the law and business ethics, or will seriously harm PTT's interests.

## 2. Filing of Complaints / Requests for Information

Stakeholders may use any mechanism to request information from PTT or inform PTT about their questions, complaints, or recommendations either through the intranet webboard, the Company's website, by phone, or by e-mail to the Capital Market and Investor Relations, the Office of the President and Corporate Secretary, Corporate Communications Department, or the Customer Relations Center.

- Telephone: Call Center 1365, 66 (0)-2537-2000
- Website: <http://www.pttplc.com>
  - Customer Service Center: [orc@pttplc.com](mailto:orc@pttplc.com)
  - Corporate Communication Department: [corporate@pttplc.com](mailto:corporate@pttplc.com)
  - Office of the President and Corporate Secretary: [corporatesecretary@pttplc.com](mailto:corporatesecretary@pttplc.com)
  - Capital Market and Investor Relations Department: [ir@pttplc.com](mailto:ir@pttplc.com)

Directly relevant agencies are to address these, take corrective steps, and come up with proper responses to all. An internal control committee is to supervise and review, and the Office of Corporate Audit is to assess the efficiency and adequacy of the internal control system and audit performance of the Company, while receiving complaints, ensuring improvement, and summarizing actions for the attention of the Audit Committee and, eventually, the Board.

In 2008, the Company was engaged in no dispute with stakeholders.

## Disclosure of Information and Transparency

### 1. Corporate Governance Activities

The Corporate Governance Committee is assigned to promote and screen corporate governance matters so that the Company may actively campaign for compliance with corporate governance principles. A working group on corporate governance, headed by an Executive Vice President, has implemented assorted matters under the policy and conducted campaigns to cultivate awareness in directors, the management, and employees. Periodic promotional campaigns were conducted through various media within the Company, including exhibitions, a CG Website packed with information, and two-way communication channels. Internal news broadcast, video shows, a CG column in the PTT Spirit magazine, and a CG-Digest via email-newsletters are among the publicity and awareness tools, with positive responses from all. In addition, the Corporate Governance Committee distributed the Thai and English versions of the Corporate Governance Handbook (1st Revision) to investors, international interested parties, and stakeholders for their reference. This will also be posted at PTT's website.

In 2008, PTT organized three Company visits for a total of 480 minor shareholders to the Rayong GSP and Rayong herb garden, each trip with 160 shareholders. It asked all current shareholders as of the closing date of the share registration to notify PTT of their interest in joining the activity. To bolster shareholders' confidence, names were drawn under a fair and transparent process.

PTT values accurate, complete, timely, and transparent disclosure of information through the notification channels of SET, its own website, briefings of quarterly performance at PTT's own auditorium, and a PTT Research and Technology Institute visit for analysts and institutional investors (for 80 visitors).

In addition, PTT focused on corporate governance among companies in the PTT Group to align with PTT's corporate governance management standards. To this end, they agreed to jointly study and develop corporate governance guidelines based on international best practices to establish a standard suitable for PTT Group as a step toward future ranking. Implementation plans and proactive promotional strategies for corporate governance were also established.

Below are some activities in promotion of corporate governance for PTT Group.

1. Establishing a committee to oversee corporate governance policies for PTT Group
2. Organizing seminars to foster awareness of corporate governance and social responsibility, with experts as guest speakers, to encourage the sharing of experience. The target audience was the staff of PTT and PTT Group with corporate governance roles.
3. Organizing the 'PTT Group CG Day' to disseminate PTT Group's corporate governance activities



4. Planning a contest of the implementation of corporate governance principles in operating entities

5. Sharing comments and ideas within PTT Group on each company's corporate governance handbook based on international standards.

## 2. Board and Management Compensation

The Board-appointed Remuneration Committee oversees the compensation for directors and the management. As a rule, the compensation of directors follows shareholders' resolutions and approvals. The compensation for directors and the management is disclosed under the section of the same name.

## 3. Financial and Other Reports

Each quarter, together with the Accounting Department and the Office of the Auditor-General, the Audit Committee reviews PTT's financial reports and presents its findings to the Board. The Board is accountable for PTT Group's consolidated financial statements, as well as other financial information (Report on the Board's Responsibility to Financial Reports') presented in the annual report. The financial statements are prepared under generally accepted accounting principles, examined, and certified by the Office of the Auditor-General. Essential information, financial and others, is completely and consistently disclosed.

## 4. Investor Relations Department

Ever since PTT's privatization and shares were traded on SET in October 2001, the Capital Market & Investor Relations Department was established as a clearing house for disclosing essential information to investors and financial reporting, which includes performance reports, financial statements, and information reported to SET, together with quarterly management discussion and analysis reports. These are disclosed to both domestic and international shareholders fairly, regularly, and thoroughly. Investors may contact the Department directly or through the PTT website, which is regularly updated, for information in Thai and English, which includes:

- Annual report/Form 56-1
- Major investment project information
- Corporate governance policies and promotional activities
- Financial performance.

Through the years, PTT has valued the disclosure of information that is accurate, complete, transparent, and comprehensive, as well as direct and indirect presentation of performance and keeping investors, business proprietors, and relevant parties informed of its information. A summary of our activities appears below:

- Direct: PTT regularly presents information to analysts, investors, and employees at analysts' meetings, road shows, conference calls, and conferences. Analysts, investors, and interested parties also pay visits to meet our management and inquire about our updates.

### Summary of Key Activities of Capital Market and Investor Relations in 2008

Activities in 2008	Times
International Roadshow	12
Domestic Roadshow	7
Analyst Meeting (Quarterly)	4
Company Visit/Conference Call	151
E-mail/Phone Calls	4 - 6 times/day
Participation in SET excursions	2
Trips for institutional investors to visit and meet management team members	1
Trips for minor investors to visit and meet management team members	1

- Indirect: Information about the Company, its performance, financial statements, and reports filed with SET are found at [www.set.or.th](http://www.set.or.th) and [www.pttplc.com](http://www.pttplc.com).

- Investors and interested parties can also post inquiries through [www.pttplc.com](http://www.pttplc.com) or through email at [ir@pttplc.com](mailto:ir@pttplc.com).

- In addition, PTT has constantly publicized news, business activities, and project updates, apart from addressing questions and facilitating contacts for the media and the public. The activities of 2008 appear below:

Activities in 2008	Amount
E-mails	3,042
News/photo releases	381
Press conferences	56
Media visits (domestic and international operation sites)	6
General visitors	140 groups = 7,516 people

## Responsibilities of the Board

### 1. Composition

- A minimum of five and a maximum of 15 directors
- Independent directors exceed half of the directors
- The Board should have at least three knowledgeable people in petroleum, one in legal affairs, and one in accounting and finance.

According to a certifying letter of the Ministry of Commerce dated December 3, 2008, the Board numbered 14 directors, of whom:

- Thirteen were non-management; nine were independent directors, which exceeded half of the Board
- One was a management team member.

### 2. Qualifications

- All directors are qualified and had no forbidden characteristics under the Public Company Limited Act and Section 5 of the Standard Qualifications for Directors and State Enterprise Officers Act (No. 6) of 2007, including:

- Age not exceeding 65
- Maximum of three state enterprise directorships
- Independent directors must be qualified under the announcement of SET governing the characteristics and scope of operation of audit committees
- Have never received a jail sentence, except for violations of the law by negligence or petty crimes
- Do not hold a political position, except for a director position required by law
- Do not belong to a political party nor work for one
- Have never been expelled, dismissed, or made to leave a position because of malfeasance
- Do not hold shares of the state enterprise in question or a shareholder of a juristic person where the state enterprise in question holds shares. Exceptions apply for directors of state enterprises who are not government officials, government employees, or wage earners with positions or position salaries for centralized governments, provincial governments, local governments, or other government units. Also, such state-enterprise directors hold no more than 0.5% of the paid-up capital of the state enterprise in which they serve as directors or juristic persons where such state enterprise holds shares

- Are not position holders in the juristic person where such state enterprise holds shares. Exceptions apply when the board of directors of that state enterprise appoints them as directors or other positions in the juristic person
- Are not directors, management team members, or authorized managers or hold vested interests in a juristic person that serves as a concessionaire, a joint venture, or ones with vested interests in the affairs of such state enterprise. Exceptions apply for the board chairman, director, or manager assigned by that state enterprise.

### 3. Independent Directors

As recommended by the Corporate Governance Committee, the Board defined the independence of its independent directors in line with the criteria of SEC and SET as follows:

- Hold up to 0.5% of the voting shares of PTT, its subsidiaries, associates, or related companies (including the shares held by connected parties under Section 258 of Securities and Exchange laws)
- Have not been or are not involved in the management, or employees, wage earners including an audit advisors, legal or other advisors employed by PTT, or have control over PTT, its subsidiaries, associates, or juristic persons that could pose conflicts of interest, except when such qualifications have ended for more than two years
- Have absolutely no vested interests in PTT, its subsidiaries, associates, or related companies, or juristic persons with possible conflicts of interest hampering independent exercise of discretion including customers, business partners, trade or loan creditors/debtors
- Are not close relatives or have other relations that could deprive independence with the management, major shareholders of PTT, PTT Group companies, associated companies, or juristic persons that could pose conflicts of interest; this includes not being appointed as an agent to preserve the interests of directors or major shareholders.

### 4. Segregation of the Power of the Chairman and the President & CEO

To segregate policy-making duties from those of day-to-day management and enable directors to oversee, look after, and assess performance effectively, PTT has required that the Chairman and the President & CEO are always two distinct persons. This is because the Chairman needs to oversee the management's performance to guide and to assist, but not to take part in or interfere with day-to-day management, which is the duty of the President & CEO under the frame of authority delegated by the Board.

In addition, the Chairman must exercise leadership and ensures that directors do not fall under the influence of the management, partly by chairing Board meetings and shareholders' meetings fairly and efficiently while encouraging participants to exercise their voting rights and strictly comply with good corporate governance principles.

### 5. Independence of the Chairman

PTT highly values the independence of the Board; however, since it is a listed company on SET while remaining a state enterprise under the Ministry of Energy, most of the elected Chairmen have come from the management of the ministry. Yet, they have consistently displayed strong independence.

### 6. Corporate Secretary

Details have been stated previously.

### 7. The Committees

The Board highly values corporate governance by initially appointing three committees, namely the Audit Committee, the Nominating Committee, and the Remuneration Committee. For a period, the Audit Committee also looked after corporate governance. In 2004, the Board set up a Corporate Governance Committee, charged with promotion and screening of corporate governance and promotion of excellence in

such areas. PTT has four committees investigating critical matters under the corporate governance principles to create maximum benefit for shareholders, taking into account stakeholders' concerns and interests, business ethics, and transparency. Each of these committees consists of qualified directors as required by SET, with clearly written roles and responsibilities in a charter.

## 8) Roles and Responsibilities of the Board

### (1) Corporate Governance Policy

The Board's policy on corporate governance is as follows:

1. In their conduct of business, the Board, the management, and all employees are committed to the six elements of corporate governance, namely Accountability, Responsibility, Equitable Treatment, Transparency, Vision to Create Long-Term Value, and Ethics. An organizational structure effectively balances the roles of the Board, the management, and shareholders.
2. Directors must perform their duties independently with full commitment and responsibility. There is a clear division of responsibilities between the Chairman and the President.
3. Playing a key role in the formulation of corporate vision, strategies, policies, and critical plans with due regard for risk factors and suitable risk management, the Board must also ensure the credibility of the accounting system, financial statements, and accounting audits.
4. Leading the rest of the Company on ethics and corporate governance, the Board must supervise the management and solution to any conflict of interest or connected transactions.
5. The Board may appoint committees to help screen and deliberate critical issues.
6. The Board must undergo annual self-assessment to obtain a framework for its performance assessment.
7. The Board must establish a Code of Conduct for itself, the management, employees, and all contract employees to follow in addition to PTT's rules and regulations.
8. Disclosure of financial and non-financial information must be carried out adequately, credibly, promptly, and fairly for all shareholders and stakeholders. To investors and the general public, the Capital Market & Investor Relations Department is responsible for such disclosure.
9. To receive fair treatment, PTT shareholders have the right to access information through suitable communication channels with PTT.
10. A proper selection procedure must be in place for the appointment of key management personnel under a fair and transparent nomination process.

### (2) Code of Business Conduct

To show PTT's intention to conduct its business with transparency, ethics, responsibility to stakeholders, society, and the environment, the Company has issued a code of conduct for its Board, management, and all employees to strictly follow together with Company rules and regulations. Section 3 of the Corporate Governance Handbook (Version 1/2548), entitled Code of Conduct for Board, Management, and Employees, is summarized below:

- The Board must properly represent shareholders by ensuring sustainable and profitable Company growth, performing their duties to the best of their ability with integrity and prudence. They must be politically neutral, decide and act independently without any vested interest in businesses related to or in competition with PTT, and be committed to the prevention and elimination of all dishonest practices.
- The management and employees must be committed to developing a team culture, creating customers' satisfaction, and giving due consideration to fairness and integrity in conducting PTT's business. They must not only recognize and be concerned about safety for society, the environment, and the quality of life of the public, but also perform with responsibility, integrity, commitment, and determination for the benefit of PTT.

Along this line, PTT has provided educational media, including articles, radio scripts, and video-scripts



illustrating the proper roles of the Board, the management, and employees to cultivate discretion and judgment in their decision-making. Yet, a simple test is by asking oneself whether a certain decision would lead to an action that is improper or socially unacceptable to the public or detrimental to PTT's reputation as an ethical company. PTT continues to monitor the implementation of such compliance.

### **(3) Conflicts of Interest**

Under the Board's policy on conflicts of interest, business decisions made by the management and employees must be solely for PTT's best interests. They must not only avoid engaging in financial and other relationships with external parties that would lead to financial losses for PTT or a conflict in loyalty or interest, but also must not compromise the efficiency of business operation. Those with interests or related businesses to a matter requiring PTT's review and decisions must report their relationships and connection with a possible conflict of interest. PTT is to disallow such connected persons from exercising their authority for and involvement in such transactions.

- **Reporting connected transactions with PTT**

PTT has required directors, the management, and all employees to disclose potential conflicts of interest with it through a disclosure form. In addition, any approval of such items must not contain special conditions or specifications that are out of the ordinary. PTT's Office of Corporate Audit and the Audit Committee have been entrusted with the monitoring and resolution of issues related to conflicts of interest. To date, however, no such case has arisen.

At each Board meeting, the Chairman reminds directors of this policy, asks them to declare a possible conflict of interest on each agenda item, and asks them to refrain from expressing views or voting on that item.

The Audit Committee regularly presents to the Board its findings on connected transactions and conflicts of interest, carefully prepared in line with the regulations of SET, which specify that these issues must be disclosed every quarter. PTT has strictly observed this practice.

All PTT directors and management, including their spouses and children not yet of legal age, must report any changes in their PTT share ownership to SEC under Section 59 of the Securities and Exchange Act B.E. 2535 (1992) within three days from the date of sale, purchase, disposal, or receipt of such shares. To prevent abuse of inside information, the executives or agencies that are aware of such inside information may not disclose it to outsiders or unrelated persons and may not buy or sell PTT shares within 45 days from the last effective date of the financial statements to the notification date of the financial statements to SET, ahead of the public dissemination of the statements. During the past year, all directors and management have strictly observed this.

### **(4) Internal Control and Internal Audit**

Each year, the Board monitors the management's performance through its approval of operating plans, budgets, and goals. The management is encouraged to recognize the criticality of an internal control system that is efficient, compatible with acceptable risk levels, and suitable for Company circumstances.

- **Internal Control**

The Board has instituted efficient internal control and risk management processes to acceptable levels while regularly monitoring and evaluating their efficiency. It has appointed a committee in charge of managing internal control to formulate standard practical guidelines for internal control, review, assessment, and reporting on internal control as a whole. Serving as secretary to this committee is the Office of the President and Corporate Secretary, which is in charge of internal control to ensure compliance, incorporating three aspects, namely:

1. Management control: Ensuring that relevant units comply with their missions; ensuring that the management formulates plans to achieve its objectives and goals; and monitoring implementation.
2. Operational control: Ensuring comprehensive control, for instance, in procurement and hiring through E-procurement and other means, including price bargaining, open contests, and preferred bidding from the vendor list.

3. Financial control: Ensuring that PTT applies result-based budgeting and SAP (Systems Applications and Products); ensuring adequacy of internal control, for instance, through a control environment, suitable risk assessment procedures, control activities, information and communication systems, and proper monitoring and assessment.

Internal control plays a key role in helping the management lower business risks, enhancing business efficiency through proper allocation of resources, and attaining goals. It also protects Company assets from losses and frauds, reinforces the credibility of financial statements, ensures compliance of all personnel with laws and regulations, and protects shareholders' capital.

The Board of PTT has instituted a process for internal control based on The Committee of Sponsoring Organizations of the Treadway Commission (COSO), which concurs with the internal control principles defined by the Office of the Auditor General, with the five following components:

#### 1. Control Environment

This implies overall suitability and contribution to the adequacy and effectiveness of internal control, including:

- PTT has instituted a clear and suitable organizational structure and lines of command. Delegation of authority and responsibilities is done in writing. All employees recognize their roles, authority, duties, and responsibility
- PTT has analyzed educational background, required skills for performance, and assessed competency so that its people may be knowledgeable, skilled, and competent for the delegated jobs and suit job descriptions
- PTT has defined the policy and procedures for human resource management in writing, including recruitment, training, promotion, and compensation procedures
- PTT Group companies have defined their policies and procedures concerning integrity and ethics in writing, basing them on corporate governance on international standards. The Corporate Governance Committee has held meetings to ensure that all employees comply with the defined policies
- The management commands work philosophy and formats, including a sound attitude and support for performance concerning accounting, information management system, human resource management system, assessment of internal control and external audit, and commands risk management for significant business matters.

#### 2. Risk Assessment

PTT has instituted a corporate risk management policy, with a Risk Management Committee overseeing and framing risks to manage the organization as a whole. It also has assorted management committees performing risk management under their respective responsibility. The scope entails risks for financial management, business conduct, operation, management, safety/health/environment, and other significant risks having to do with PTT's businesses.

PTT has clearly defined organizational objectives, embracing desirable items, levels of activities related to major business processes and in line with the organizational objectives and strategies. The management has identified corporate risks which cover all significant activities.

In 2008, risk management was undertaken to address the annual corporate risk profile. Analysis of worldwide and domestic economic trends and situations affecting PTT's core businesses has shown a total of 26 risk areas for the year 2009, the major ones being PTT Group human resource management, natural gas supply and management, NGV business, operation risks for the oil business unit and gas business unit, project risks for the gas business unit and the petrochemical and refining business unit, international trading business development, and financial and credit risks for PTT Group. For the year 2009, these have been supported by a risk management plan.

### 3. Management Control Activities

PTT has defined policies and procedures in writing, identifying actions where major risks exist and defining control mechanisms to prevent and reduce errors. The Company reviews management performance and requires performance indices for all employees across the organization to make management control suitable and adequate. Internal control for accounting and finance deals with saving and retention of cash, disbursement, bank deposits. Advanced money follows the rules. Accounting entries have been complete, accurate, and regular. Internal control for procurement and hiring follows the rules and regulations concerning materials, which clearly define procurement responsibilities, including approval authority, material need specification, delivery inspection, material control and storage. In human resource management, one finds in place a human resource management process and adequate monitoring and assessment for recruitment, compensation, responsibility, personnel development, performance, and communication so that employees may be knowledgeable and competent for efficient and proper management. In 2008, a bonus payment process was instituted, based on the performance bonus system for vice presidents and higher.

In case that PTT has had business deals with its major shareholders, the directors, the management, or persons who has relationship with them, PTT will pose a strict measure to monitor such deals of which each transaction need to undergo a set approval process. Related major shareholders, directors, management and their associates must not take part in the process but must take a close monitor and oversee such business activity.

In a business which PTT is a major shareholder, PTT will appoint a trusted personnel to take part in monitoring its management and administration to be in compliance with PTT's policy.

PTT strictly follow the laws, with the assistance of its Office of Corporate Legal and its consultants, PTT has been seriously conducting businesses following Human Right principles.

### 4. Information & Communication

Valuing information and communication processes, PTT has instituted efficient and effective information systems and communication channels (internal and external) which are complete, accurate, and timely for decision-making. In 2008, its actions in this area are captured below:

- Business Continuity Planning (BCP) was instituted to prepare and prevent interruption of business units; to achieve this, a list of software & hardware and a location where non-computerized work can take place without interruption were identified
- As regards the preparation for enforcement of the act governing computer crimes, PTT communicated to employees and wage earners the awareness of compliance and punishment under this act. In addition, PTT compiled computerized traffic information according to an announcement of the Ministry of Information and Communication Technology
- The Company further tightened its access to the Data Center through restricting entry access to the network room
- The Company controlled the use of improper images as screen savers on its computer sets and made it mandatory for employees and wage earners to use only PTT's emblem as screen savers.
- To propose an agenda for the Directors' approval, PTT will prepare a complete detail and information adequate and necessary for consideration. Directors will receive meetings invitation and enclosed document within 7 days prior to the meeting date. In this regard, Directors will have enough time to study the detail before the meeting. Approved Minutes, records of Directors' suggestions are documented and filed for the Directors and related parties to examine.

### 5. Monitoring & Evaluation

PTT has required monitoring of internal control by basing practices on the internal control assessment approach. This is defined in the recommendation document: report preparation in compliance with Auditor Commissioners Rule 6, with good assessment findings. In addition, each business unit

commanded a monthly performance report and regularly measures its KPIs. In 2008, the Audit Committee advised relevant units to implement 25 matters, of which 21 have been acted upon (about 84%). The Office of Corporate Audit regularly followed up remedial actions in response to the recommendations made.

- **Internal Audit**

The Office of Corporate Audit observes the highest standards of internal audit by examining financial accounts, information technology, safety, health, and environment, including those of subsidiaries and associated companies. The office audits annual operating plans, which are consistent with the findings of the corporate risk assessment, and reports them to the Audit Committee every quarter.

- **Risk Management**

A Risk Management Committee manages risks for the entire company, assesses risks, and defines a structure for risk management to manage risks to acceptable levels. Risks generally include financial, operation, business, and event risks. The committee is responsible for preparing an analysis and assessment of risks, their potential effects on PTT, both internal and external, and a risk management report for the Board. An early warning system is now in place with critical risk indicators defined, for instance, the debt-to-equity ratio is to be under 1.

PTT takes risk management seriously. To illustrate, the President & CEO has issued a Corporate Risk Management Policy, and the Risk Management Committee has prepared a corporate risk management handbook for all to use as a framework in their assessment and management of risks. To this end, a Risk Management Information System (RMIS) has been developed.

In 2008, PTT upgraded the unit in charge of risk management to one led by a vice president.

## **(5) The Board Meetings**

The Board meetings are planned for the entire year, for instance, in 2008 the third Friday of each month, with additional meetings called to discuss special agenda items as necessary. Seven days ahead of the meeting, the Office of the President and Corporate Secretary issues a meeting notice along with the meeting agenda and relevant supplementary documents contained in a compact disc (CD) to each director. Since April 2004, Board meetings have been made electronic to provide speed and convenience in information access and management while reducing the accompanying documents.

At each meeting, directors openly and freely express their views. Particularly in connected cases or potential conflicts of interest with PTT, they are required to abstain and refrain from attending that portion of the meeting. The minutes of each meeting are properly documented and, after adoption from the Board is given, are filed for auditing purposes and reference by directors and related persons. By and large, each Board meeting lasts three hours. In 2008, the Board held 12 regular meetings along with four special meetings of Directors:

- Special meeting 1/2551, held on February 13, on compliance with the verdict of the Supreme Tribunal
- Special meeting 2/2551, held on August 2, on the 2009-2013 business direction and strategies for PTT Group
- Non-management Board meeting, held on October 17, on directors' perspectives on PTT's foreign investment expansion and meetings of independent directors
- Independent directors' meeting, held on November 21, on the performance of PTT's independent directors.

Details about directors' meeting attendance appear under the Committees.

## **(6) Roles of the Board on IT**

Thanks to the vision of the Board, PTT and its companies in the group have jointly established PTT ICT Solutions (PTTICT) to centralize IT services for PTT Group, a cost-saving idea that cuts down on infrastructural spending and IT redundancies for each company while adding bargaining power for PTT Group. To date, PTTICT has performed its role consistently well and is PTT Group's major force in IT.

The Board has shown its interest by following up on this branch of work apart from providing a



policy and regular advice. PTT will be transferring the Board's policy and advice to PTTICT for further action.

In 2008, through the Audit Committee, the Board gave priority to IT system security and the safety of electronic information storage. Preparation has been in place for a draft act on electronic security and for application of the ISO 27001 in the Company.

#### **(7) Roles of the Board on Human Resources**

The Board looks after, monitors, and provides its recommendations in this area through the Management Committee, headed by the President & CEO; the Human Resources Committee does the initial screening.

In 2008, the Board endorsed the improvement of rules and regulations governing discipline, punishment, appeal, petitioning (new version), salary increase approval, and bonus payment to employees.

In addition, PTT instituted a relations committee under an act on enterprise relations, consisting of representatives of wage earners and PTT, chaired by the CEO/President. This committee carries out the coordination between the employer and employees, and forwards complaints and petitions to PTT during the monthly meetings of the relations committee.

#### **(8) Roles of the Board on Social Responsibility and QSHE**

The Board looks after, monitors, and provides its recommendations in corporate social responsibility (CSR) and QSHE through the Management Committee, headed by the President & CEO. The responsible units consist of the Corporate Social Responsibility department and the QSHE department; another CSR policy committee was appointed for PTT Group as well as another QSHE committee to align all companies within PTT Group.

In addition, the Board looks after and follows up on social responsibility matters through the Corporate Governance Committee; on QSHE matters, through the Audit Committee, including accidents and security matters.

In 2008, PTT undertook CSR and QSHE activities, including compliance with a policy on energy saving and the environment, a promotional campaign on NGV application in cars, a project on developing the Sirinart Rajini Ecosystem learning center on mangrove forest ecology, the investment/research on recycled energy and alternative energy, a project called 84 Tambons on a Sufficient Path, and institution of the approach for climate change management for PTT Group.

### **Self-Assessment of the Board**

By the resolution of Board meeting No. 11/2551 of 21 November 2008, it approved self-assessment forms proposed by the Corporate Governance Committee, relying on the same approach as the one used in 2006. The form was to be used to conduct self-assessment of the Board's performance in 2008, a vital tool for improving its performance and reference data for corporate governance rating. Three types of self-assessment were applied, whereby the percentages corresponded to the following levels of performance achieved in each area detailed below. These are the assessment criteria for the entire board, individual self-assessment forms, and cross self-assessments:

Over 85%	Excellent
Over 75%	Very good
Over 65%	Good
Over 50%	Fair
Below 50%	Need improvement.

The findings from the self-assessment were as follows:

1. Self-Assessment of the Board consisted of four categories: Board policy, composition, practices, and meeting.

The results indicated excellent/most suitable overall performance with an average score of **93.46%**.

2. Self-Assessment of Individual Directors consisted of six categories: accountability for

decisions and actions; responsibility in performing the job with full ability and efficiency; equitable treatment of all stakeholders; transparency in job performance and information disclosure; vision to create long-term value; and business ethics.

Overall results were excellent for most directors, with an average score at **97.36%**.

3. Individual Assessment of Other Directors (Cross-Assessments) consisted of six identical categories as above for direct comparison

Cross-assessment results in these six categories indicated excellent performance by most Directors, with an average score of **97.73%**.

## Compensation Paid to Directors and the Management

With the oversight of the Remuneration Committee, PTT fairly and logically specifies the compensation paid to directors, taking into account each director's responsibility, its financial performance, and compatibility with industry peers. Compensation consists of meeting allowances and bonuses. Directors appointed to specific committees receive additional allowances for additional responsibilities. Directors' compensation rates have been approved by shareholders as follows:

### The Board of Directors and management's Compensation

The following compensation structure was approved at the AGM of April 11, 2008, for the Board:

Meeting Allowances (no change from 2007)

1. Board Meeting compensation consisted of:
  - Monthly (retainer) allowance of 30,000 Baht each
  - Meeting allowance of 20,000 Baht each time (for those in attendance only).
2. Compensation for meetings of Committees consisted of:
  - 2.1 Audit Committee
    - Monthly allowance of 15,000 Baht each
    - Meeting allowance of 15,000 Baht each time (for those in attendance only)
    - The Secretary received a monthly allowance of 7,500 Baht.
  - 2.2 Compensation for the three remaining committees (Nominating, Remuneration, and Corporate Governance Committees) consisted of:
    - Meeting allowance of 24,000 Baht each time (for those in attendance only).
  - 2.3 Compensation for the Chairman of each committee was 25% higher.

### Directors' Bonuses in 2008

The same criteria as 2007 were adopted. The bonus payout to each director, at 0.05% of the net income for 2008, corresponded to PTT's performance and net income and up to 2,000,000 Baht per person was paid. The bonus was prorated to each director's term, with the Chairman receiving 25% more than other Directors.

Note that a summary of payment for individual directors appears under Compensation Paid to Directors and the Management.

## Board Development

The Board and the management values regular participation in development training relevant to their performance, as seen in each of their profiles. More than 85% of the directors have undergone training with the Thai Institute of Directors (IOD), with eight enrolled in seven training sessions in 2008 as detailed below:

Name	Course
1. Khunying Jada Wattanasiritham	- Monitoring of the Quality of Function (MFR6/2008) - Monitoring the Internal Audit Function (MIA2/2008) - Role of the Chairman Program (RCP19/2008)
2. Mr. Chakramon Phasukavanich	- Current Issue Seminar (R-CIS 1/2008) - Role of the Chairman Program (RCP20/2008)
3. Gen. Somdhat Attanand	- Role of the Chairman Program (RCP20/2008)
4. Khun Pornthip Jala	- Financial Statements for Directors (FSD3/2008)
5. Mr. Chulayuth Hirunyavasit	- Directors Certification Program (DCP111/2008) - Current Issue Seminar (R-CIS1/2008)
6. M.L. Panasarn Hasdin	- Current Issue Seminar (R-CIS1/2008)
7. Dr. Naris Chaiyasoot	- Chartered Director Class (R-CDC3/2008)

### Resigned Directors during the Year

Name	Course
1. Dr. Olarn Chaipravat	- Monitoring the Internal Audit Function (MIA2/2008) - Current Issue Seminar (R-CIS1/2008)

PTT not only supports directors' participation in training programs organized by IOD and other institutions through the year, but also encourages the Board to visit other agencies to accumulate experience applicable to PTT's business.

## Directors' Orientation

For new directors, PTT arranges an orientation program to inform them of its business policies, capital structure, shareholding structure, business performance, information systems, and related laws and regulations. Moreover, each director receives a Director's Handbook, which includes the following topics:

### Director's Handbook

1. The Public Company Act
2. Securities and Exchange Act
3. Standard Qualifications of Directors and State Enterprise Officer Act
4. Company Registration Certificate
5. Company Certificate
6. Company Objectives
7. Company Regulations
8. Company Rules (13 Rules)
9. PTT Good Corporate Governance Handbook
10. Guidelines for Directors of Listed Companies.

## Information

1. Overview business presentation of PTT by the President & CEO
2. List of directors and management structure
3. Information on the roles of the Board
4. PTT Plc Company Profile
5. Annual Sustainable Development Report
6. Annual Report (Thai Version) in hard copy and CD
7. 'PTT Group Moving Forward to HPO' information kit
8. Business Enablement Program (BEP)
9. Brochure on the privatization of PTT
10. 'PTT Spirit' monthly newsletters issued in 2008
11. Director Fiduciary Duty Checklist
12. Good corporate governance principles for listed companies
13. Connected transactions of listed companies
14. Guidance on providing information for listed company management
15. Suggestions on the disclosure of information for the management of listed companies

So that new directors may have a clear view, the President & CEO presents information about PTT in his briefing to them about the policy, relevant information, including the capital structure, shareholders, performance, processes in use at PTT, laws, regulations, a business overview, and update on performance. At the same time, the above-mentioned documents and handbook for new directors are handed over together with a personal computer for use in studying the information before Board meetings.

It is PTT's policy to organize periodic visits to field operations for the Board to bolster their appreciation of the Company. In 2008, the Board organized a trip to Canada and the US, a region with one-quarter of worldwide energy consumption and countries with the largest oil sand reserves of the world; the trip was made to learn about the policies for energy management and development of energy resources in both countries.

## Succession Planning

To prepare for the retirement of senior management team members in 2007-2012, PTT has conducted succession planning under PTT Group's policy/guidelines. A management pool has been developed, consisting of 350 management executives, and another potential pool for key areas.

The Board has assigned the formulation of a group leader development project (GLDP) to lay down a succession plan for personnel when the time comes for assuming higher positions that become vacant, namely:

- President
- Senior Executive Vice President (SEVP) or equivalent
- Executive Vice President (EVP) or equivalent
- Vice President (VP) or equivalent.

Core responsible management parties and units are as follows:

- PTT Group Human Resources Management and Development Committee (PTTGMC)
- SEVP, Corporate Support
- EVP, Corporate Human Resources
- Human Resources Process Development Department.

Systems and policies have been defined for guidance, including these aspects:

- Principles and rationales
- Performance management
- Approaches
- Roles and duties of involved parties
- System processes.



Main procedures:

1. Defining for each position the business driver and success profiles
2. Selection of pool members
3. Individual assessment of potential against the profiles of promoted positions, resulting in aspects needing development
4. Individual development planning and implementation, with a mentoring system designed to enable the plans to achieve targets.

### Performance in 2008

- Selection of SEVP pool members from EVPs
  - 47 pool members
  - 26 members with individual development plans and mentors assigned
  - 4 pool members already promoted.
- Selection of EVP pool members
  - 30 high-potential individuals selected and personnel assessment against EVP profiles.

# PTT Board of Directors



**Dr. Norkun Sittiphong**

Age 55

Chairman

(%) Share Possession

None

## Educations

- B.Eng. (Mechanical Engineering), Chulalongkorn University, Thailand
- M.Sc. (Mechanical Engineering), Oregon State University, U.S.A.
- Ph.D. (Mechanical Engineering), Oregon State University, U.S.A.

## Certifications

- Diploma, The National Defense Course, National Defense College (Class of 47<sup>th</sup>)
- Leadership Program, Capital Market Academy (Class of 4<sup>th</sup>), Thailand

## Work Experiences

- 1998 - 2000 : Vice President, Research and Assets Affairs, Chiang Mai University
- 2001 - 2003 : Vice President, Academic Affairs, Chiang Mai University
- 2003 - 2005 : Deputy Permanent Secretary, Ministry of Energy

## Relevant Important Positions

None



**Khunying Jada Wattanasiritham**

Age 63

Independent Director, Chairman of the Audit Committee and Remuneration Committee Member

(%) Share Possession

None

## Educations

- B.A. (Natural Sciences & Economics), Cambridge University, U.K.
- M.A. (Natural Sciences & Economics), Cambridge University, U.K.
- M.A. (Economic Development), Williams College, U.S.A.

## Certifications

- Thai Institute of Directors Association (IOD) DAP 2/2002, RCP 19/2008, MFR 6/2008 and MIA 2/2008

## Work Experiences

- 1999 : Director and Senior Executive Vice President, Siam Commercial Bank Public Company Limited
- 1999 - 2007 : President & Chief Executive Officer, Siam Commercial Bank Public Company Limited
- 2006 - Mar 2008 : Member of the National Legislative Assembly
- 2007 - Present : Director and Executive Director, Siam Commercial Bank Public Company Limited

## Relevant Important Positions

None



**Mr. Chakramon Phasukavanich**

Age 60

Independent Director and Chairman of  
the Nominating Committee

(%) Share Possession                      None

#### **Educations**

- B.A. (Economics), Chulalongkorn University, Thailand
- M.A. (Economics), California State University in Northridge, U.S.A.

#### **Certifications**

- Certificate of Senior Executive Development Program (Class of 12<sup>th</sup>)
- Diploma, The National Defense Course, National Defense College (Class of 39<sup>th</sup>)
- Thai Institute of Directors Association (IOD) DAP 20/2004, FND 13/2004, ACP 14/2006, DCP 71/2006 and RCP 20/2008

#### **Work Experiences**

- 2001 - 2002 : Secretary General, Board of Investment
- 2002 - 2004 : Secretary General, National Economic and Social Development Board
- 2006 - 2008 : Member of the National Legislative Assembly
- 2004 - Present : Permanent Secretary, Ministry of Industry

#### **Relevant Important Positions**

- Director, Thai Oil Public Company Limited



**Gen. Somdhat Attanand**

Age 64

Independent Director and Chairman of  
the Corporate Governance Committee

(%) Share Possession                      None

#### **Educations**

- B.Sc., Chulachomklao Royal Military Academy Class of 14<sup>th</sup>

#### **Certifications**

- Diploma, The Joint State-Private Sector Course, National Defense College (Class of 10<sup>th</sup>)
- Thai Institute of Directors Association (IOD) DAP 53/2006, FND 29/2006, ACP 14/2006, DCP 90/2007 and RCP 20/2008

#### **Work Experiences**

- 2001 - 2002 : Commander in Chief of the Royal Thai Armed Forces, Ministry of Defence
- 2002 - 2006 : Supreme Commander, The Supreme Command Headquarters, Ministry of Defence
- 2006 - 2008 : Member of the National Legislative Assembly

#### **Relevant Important Position**

None



### Dr. Ampon Kittiampon

Age 53

Independent Director, Chairman of the Remuneration Committee and Nominating Committee Member

(%) Share Possession None

#### Educations

- B.A., Kasetsart University, Thailand
- M.S. (Economics), Northeastern University, U.S.A.
- Ph.D. (Applied Economics), Clemson University, South Carolina, U.S.A.

#### Certifications

- Certificate of Senior Information Technology Officer (Class of 3<sup>rd</sup>)
- Diploma, The National Defense Course, National Defense College (Class of 45<sup>th</sup>)
- Thai Institute of Directors Association (IOD) DCP 80/2006

#### Work Experiences

- 2002 - 2003 : Deputy Permanent Secretary of the Ministry of Agriculture and Cooperatives
- 2003 - 2006 : Director of the National Bureau of Agriculture Commodity and Food Standards (ACFS)
- 2006 - 2008 : Member of the National Legislative Assembly
- 2004 - Present : Secretary General, Office of National Economic and Social Development Board

#### Relevant Important Positions

- Director, PTT Aromatics and Refining Public Company Limited



### Khun Pornthip Jala

Age 59

Independent Director

(%) Share Possession None

#### Educations

- LL.B. (Hons.), Thammasat University, Thailand
- LL.M., University of Michigan, U.S.A.

#### Certifications

- Diploma, The National Defense Course, National Defense College (Class of 43<sup>rd</sup>)
- Thai Institute of Directors Association (IOD) FSD 3/2008

#### Work Experiences

- 2000 - 2004 : Deputy Secretary-General of the Council of State
- 2006 - 2008 : Member of the National Legislative Assembly
- 2004 - Present : Secretary-General of the Council of State

#### Relevant Important Positions

None



**Mr. Chaikasem Nitisiri**

Age 60

Independent Director, Corporate  
Governance Committee Member  
(%) Share Possession

None

#### Education

- LL.B. (Hons.), Chulalongkorn University, Thailand
- Thai Barrister-at-Law
- LL.M., Columbia University, U.S.A.
- Honorary Doctor of Laws, Ramkhamhaeng University, Thailand

#### Certifications

- Certificate of International Procurement Program, Georgetown University, U.S.A.
- Diploma, The National Defense Course, National Defense College (Class of 38<sup>th</sup>)
- High Certificate of Democratic Politics and Governance for Senior Executive Program, King Prajadhipok's Institute, Thailand
- Leadership Program, Capital Market Academy, Thailand
- Thai Institute of Directors Association (IOD) DCP 8/2001 and RCP 16/2007

#### Work Experiences

- |                |   |
|----------------|---|
| 2000 - 2001    | : Director General, Dept. of Intellectual Property and International Trade Litigation |
| 2001 - 2002    | : Director General, Dept. of Litigation of the Attorney General                       |
| 2002 - 2003    | : Director General, Dept. of Legal Counsel, Office of the Attorney General            |
| 2003 - 2007    | : Deputy Attorney General   |
| 2007 - Present | : Attorney General  |

#### Relevant Important Positions

- Director, Thai Oil Public Company Limited



**Mr. Chulayuth Hirunyavasit**

Age 60

Independent Director  
(%) Share Possession

None

#### Education

- LL.B, Thammasat University, Thailand
- M.A. (Public Administration), Kasetsart University, Thailand

#### Certifications

- Diploma, The National Defense Course, National Defense College (Class of 40<sup>th</sup>)
- Thai Institute of Directors Association (IOD) DCP 111/2008

#### Work Experiences

- |             |   |
|-------------|---|
| 2004 - 2006 | : Deputy Permanent Secretary, Office of the Permanent Secretary, Office of the Prime Minister |
| 2006 - 2008 | : Permanent Secretary, Officer of the Permanent Secretary, Office of the Prime Minister       |

#### Relevant Important Positions

None





**Mr. Anuwat Maytheewibulwut**

Age 56

Independent Director

(%) Share Possession

None

#### Education

- LL.B. (Hons.), Chulalongkorn University, Thailand
- M.A. (Public Administration), Chulalongkorn University, Thailand

#### Certifications

- Diploma, The National Defense Course, National Defense College (Class of 45<sup>th</sup>)
- Certificate of Senior Administrator Program, Ministry of Interior (Class 36/2007)

#### Work Experiences

- 2004 - 2005 : Governor of Phang-nga Province
- 2005 - 2006 : Governor of Samut Songkhram Province
- 2006 - 2008 : Governor of Samut Prakan Province
- 2008 - Present : Director General of Department of Lands, Ministry of Interior

#### Relevant Important Positions

None



**Dr. Panich Pongpirodom**

Age 59

Director

(%) Share Possession

None

#### Education

- B.Eng. (Civil Engineering), Chulalongkorn University, Thailand
- M.Eng. (Sanitary Engineering), Chulalongkorn University, Thailand
- M.Eng. (Coastal Engineering), Asian Institute of Technology, Thailand
- Ph.D.Eng. (Coastal Engineering), Asian Institute of Technology, Thailand

#### Certifications

- Diploma, The Joint State-Private Sector Course, National Defense College (Class of 15<sup>th</sup>)
- Thai Institute of Directors Association (IOD) UFS 1/2006

#### Work Experiences

- 2002 - 2003 : Deputy Director General, Department of Alternative Energy Development and Efficiency, Ministry of Energy
- 2003 - 2005 : Inspector General, Ministry of Energy
- 2005 - 2006 : Director General, Department of Energy Business, Ministry of Energy
- 2006 - Present : Director General, Department of Alternative Energy Development and Efficiency, Ministry of Energy

#### Relevant Important Positions

None



**Dr. Naris Chaiyasoot**

Age 53

Independent Director

(%) Share Possession

None

#### Education

- B.A. (Economics) (Hons.), Thammasat University, Thailand
- M.A. (Economics, English Program), Thammasat University, Thailand
- Ph.D. (Economics), University of Hawaii, U.S.A.

#### Certifications

- Capital Market Academy Leadership Program, Capital Market Academy (Class of 4<sup>th</sup>)
- Diploma, The National Defense Course, National Defense College (Class of 39<sup>th</sup>)
- Thai Institute of Directors Association (IOD) DAP 32/2005, FND 19/2005 and DCP 82/2006

#### Work Experiences

- 1998 - 2004 : The President, Thammasat University
- 2004 - 2006 : Director General, The Fiscal Policy Office, Ministry of Finance
- 2008 - Present : Inspector Chief General, Ministry of Finance

#### Relevant Important Positions

None



**Mrs. Pannee Sathavarodom**

Age 60

Director and Remuneration Committee Member

(%) Share Possession

None

#### Education

- B.A. (Economics) (Hons.), Thammasat University, Thailand
- M.A. (Economics), Thammasat University, Thailand

#### Certifications

- Diploma, The National Defense Course, National Defense College (Class of 44<sup>th</sup>)
- Bond Markets : Fixed Income Analysis, Economic Development Institute of the World Bank
- Advanced Executive Program, 2004, Kellogg School of Management, Northwestern University, U.S.A.
- Thai Institute of Directors Association (IOD) DAP 42/2005, FND 22/2005 and DCP 72/2006

#### Work Experiences

- 2001 - 2002 : Deputy Director-General, Fiscal Policy Office and Director-General, Public Debt Management Office, Ministry of Finance
- 2002 - 2006 : Director-General, Public Debt Management Office, Ministry of Finance
- 2006 - 2007 : Director-General, Fiscal Policy Office, Ministry of Finance

#### Relevant Important Positions

- Director, PTT Aromatics and Refining Public Company Limited



### M.L. Panasarn Hasdin

Age 63

Independent Director and Corporate

Governance Committee Member

(%) Share Possession

None

#### Education

- Bachelor of Architecture (Hons.), Chulalongkorn University, Thailand
- Master of Architecture, University of Pennsylvania, U.S.A.

#### Certifications

- Diploma, The National Defense Course, National Defense College (Class of 37<sup>th</sup>)
- The Psychological Operation Staff Course (Class of 33<sup>rd</sup>)
- Thai Institute of Directors Association (IOD) Developing CG, Setting the CEO Performance Plan & Evaluation and UFS 2/2006

#### Work Experiences

1997 - 2003 : Deputy Secretary-General to the Prime Minister for Administration Affairs

2003 - 2005 : Deputy Permanent Secretary to the Prime Minister

#### Relevant Important Positions

None



### Mr. Prasert Bunsumpun

Age 56

President and Chief Executive Officer

(%) Share Possession

None

#### Education

- B.Eng. (Civil Engineering), Chulalongkorn University, Thailand
- M.B.A., Utah State University, U.S.A.
- Honorary Doctor of Engineering, Chulalongkorn University, Thailand
- Honorary Doctor of Management, National Institute of Development Administration (NIDA), Thailand
- Honorary Doctor of Management Science, Petchaburi Rajabhat University, Thailand

#### Certifications

- Diploma, The Joint State-Private Sector Course, National Defense College (Class of 10<sup>th</sup>)
- Certificate in Advanced Management Program, Harvard Business School, U.S.A.
- High Certificate of Democratic Politics and Governance for High-Level Administrators Program (Class of 6<sup>th</sup>), King Prajadhipok's Institute, Thailand
- Leadership Program, Capital Market Academy (Class of 3<sup>rd</sup>), Thailand
- Thai Institute of Directors Association (IOD) DAP 26/2004

#### Work Experiences

Oct 2001 - 2003 : Senior Executive Vice President, Gas Business Group, PTT Public Company Limited

Aug 2003 - 2007 : President, PTT Public Company Limited

2007 - Mar 2008 : Member of National Legislative Assembly

2007 - Present : President and Chief Executive Officer, PTT Public Company Limited

#### Relevant Important Positions

- Director of the Board and Secretary to the Board, PTT Public Company Limited
- Chairman, PTT Exploration and Production Public Company Limited
- Director of the Board, Thai Oil Public Company Limited
- Director of the Board, PTT Chemical Public Company Limited
- Director of the Board, PTT Aromatics and Refining Public Company Limited
- Director of the Board, IRPC Public Company Limited

# PTT Executives



**Mr. Prasert Bunsumpun**

Age 56

President & CEO

(%) Share Possession

None

## Educations

- B.Eng. (Civil Engineering), Chulalongkorn University, Thailand
- M.B.A. Utah State University, U.S.A.
- Honorary Doctor of Engineering, Chulalongkorn University, Thailand
- Honorary Doctor of Management, National Institute of Development Administration (NIDA), Thailand
- Honorary Doctor of Management Science, Petchaburi Rajabhat University, Thailand

## Certifications

- Diploma, The Joint State-Private Sector Course, National Defense College (Class of 10<sup>th</sup>)
- Certificate in Advanced Management Program, Harvard Business School, U.S.A.
- High Certificate of Democratic Politics and Governance for High-Level Administrators Program (Class of 6<sup>th</sup>), King Prajadhipok's Institute, Thailand
- Leadership Program, Capital Market Academy (Class of 3<sup>rd</sup>), Thailand
- Thai Institute of Directors Association (IOD) DAP 26/2004

## Work Experiences

Oct 2001 - 2003 : Senior Executive Vice President, Gas Business Group, PTT Public Company Limited

Aug 2003 - 2007 : President, PTT Public Company Limited

2007 - Mar 2008 : Member of National Legislative Assembly

2007 - Present : President and Chief Executive Officer, PTT Public Company Limited

## Relevant Important Positions

- Director of the Board, Secretary to the Board, PTT Public Company Limited
- Chairman, PTT Exploration and Production Public Company Limited
- Director of the Board, Thai Oil Public Company Limited
- Director of the Board, PTT Chemical Public Company Limited
- Director of the Board, PTT Aromatics and Refining Public Company Limited
- Director of the Board, IRPC Public Company Limited



**Mr. Pichai Chunhavajira**

Age 59

Chief Financial Officer

(%) Share Possession

None

## Educations

- B.A. (Accounting), Thammasat University, Thailand
- M.B.A. (Business Administration), Indiana University of Pennsylvania, U.S.A.
- Honorary Degree Doctor of Philosophy (Accounting), Thammasat University, Thailand

## Certifications

- Certified Auditor No. 2918
- Diploma, The Joint State-Private Sector Course, National Defense College (Class of 13<sup>th</sup>)
- Thai Institute of Directors Association (IOD) DAP 49/2006

## Work Experiences

2001 : Deputy Governor, Corporate Finance & Accounting, PTT Public Company Limited

Oct 2001 - 2007 : Senior Executive Vice President, Corporate Finance and Accounting, PTT Public Company Limited

Sep 2003 - Dec 2004 : Senior Executive Vice President, Corporate Finance and Accounting, Acting President, Bangchak Petroleum Public Company Limited

2008 - Present : Chief Financial Officer, PTT Public Company Limited

## Relevant Important Positions

- Director of the Board, PTT Aromatics and Refining Public Company Limited
- Director of the Board, PTT Exploration and Production Public Company Limited
- Director of the Board, Dhipaya Insurance Public Company Limited
- Director of the Board, PTT Chemical Public Company Limited
- Director of the Board, Bangchak Petroleum Public Company Limited
- Director of the Board, Thai Oil Public Company Limited
- Director of the Board, Thai Lube Base Public Company Limited



**Dr. Chitrapongse Kwangsukstith**

Age 59

Chief Operations Officer, Upstream  
Petroleum and Gas Business Group

(%) Share Possession 0.000633

#### Educations

- B.Eng. (Mechanical Engineering), Chulalongkorn University, Thailand
- M.Eng. (Industrial Engineering), Lamar University, Texas, U.S.A.
- Ph.D. (Industrial Engineering), Lamar University, Texas, U.S.A.

#### Certifications

- Stanford Executive Program, Stanford University, U.S.A.
- Diploma, The Joint State-Private Sector Course, National Defense College (Class of 12<sup>th</sup>)
- Thai Institute of Directors Association (IOD) DCP 42/2004 and FND 9/2004

#### Work Experiences

- 2000 - 2003 : Senior Executive Vice President, working as President, PTT Exploration & Production Public Company Limited
- 2003 - 2007 : Senior Executive Vice President, Gas Business Group, PTT Public Company Limited
- 2008 - Present : Chief Operations Officer, Upstream Petroleum and Gas Business Group, PTT Public Company Limited

#### Relevant Important Positions

- Director of the Board, PTT Exploration & Production Public Company Limited
- Director of the Board, PTT Aromatics and Refining Company Limited
- Chairman, PTT Natural Gas Distribution Company Limited
- Chairman, Energy Complex Company Limited
- Chairman, PTT Utility Company Limited
- Chairman, PTT LNG Company Limited
- Director of the Board, Trans Thai-Malaysia (Thailand) Company Limited
- Director of the Board, Trans Thai-Malaysia (Malaysia) Sdn. Bhd.



**Dr. Prajya Phinyawat**

Age 57

Chief Operations Officer, Downstream  
Petroleum Business Group, Senior  
Executive Vice President, Oil Business Unit

(%) Share Possession 0.000182

#### Educations

- B.Eng. (Civil Engineering), Chulalongkorn University, Thailand
- M.S. (Civil Engineering), Stanford University, U.S.A.
- Ph.D. (Civil Engineering), University of Texas at Austin, U.S.A.

#### Certifications

- Diploma, The Joint State-Private Sector Course, National Defense College (Class of 15<sup>th</sup>)
- Thai Institute of Directors Association (IOD) DCP 14/2002

#### Work Experiences

- 2001 - 2002 : Senior Executive Vice President, Corporate Strategy and Development, PTT Public Company Limited
- 2002 - 2003 : Senior Executive Vice President, Corporate Support, PTT Public Company Limited
- 2004 - 2007 : Senior Executive Vice President, Petrochemicals & Refining Business Group, PTT Public Company Limited
- 2008 - Present : Chief Operations Officer, Downstream Petroleum Business Group, Senior Executive Vice President, Oil Business Unit, PTT Public Company Limited

#### Relevant Important Positions

- Director of the Board, PTT Aromatics and Refining Public Company Limited
- Director of the Board, PTT Chemical Public Company Limited
- Director of the Board, Thai Oil Public Company Limited
- Director of the Board, IRPC Public Company Limited
- Director of the Board, Bangkok Polyethylene Public Company Limited
- Director of the Board, Thai Lube Base Public Company Limited





**Mr. Tevin Vongvanich**

Age 50

Senior Executive Vice President,  
Corporate Strategy & Development

(%) Share Possession 0.000071

#### Education

- B.Eng. (Chemical Engineering) (Hons.), Chulalongkorn University, Thailand
- M.S. (Chemical Engineering), Rice University, U.S.A.
- M.S. (Petroleum Engineering), University of Houston, U.S.A.

#### Certifications

- Certificate of Senior Executive Program, Sasin Graduate Institute of Business Administration, Chulalongkorn University, Thailand
- Program for Global Leadership (PGL), Harvard Business School, U.S.A.
- High Certificate of Democratic Politics and Governance for High-Level Administrators Program (Class of 10<sup>th</sup>), King Prajadhipok's Institute, Thailand
- Thai Institute of Directors Association (IOD) DCP 21/2002

#### Work Experiences

- 2002 - 2003 : Senior Vice President, Operations, PTT Exploration & Production Public Company Limited
- 2003 - 2004 : Senior Vice President, Regional Assets Division, PTT Exploration & Production Public Company Limited
- 2004 - 2007 : Senior Vice President, PTT Exploration & Production Public Company Limited, working as Executive Vice President, Corporate Business Development, PTT Public Company Limited
- 2008 - Present : Senior Vice President, PTT Exploration & Production Public Company Limited, working as Senior Executive Vice President, Corporate Strategy & Development, PTT Public Company Limited

#### Relevant Important Positions

- Director of the Board, Bangchak Petroleum Public Company Limited
- Director of the Board, PTT International Company Limited



**Mr. Songwut Chinnawat**

Age 58

Senior Executive Vice President,  
Corporate Support

(%) Share Possession 0.000035

#### Education

- B.Eng. (Civil Engineering), Kasetsart University, Thailand
- M.Eng. (Civil Engineering), Lamar University, Beaumont, Texas, U.S.A.

#### Certifications

- Certificate of Advanced Management Program, Harvard Business School, U.S.A.
- Certificate of Advanced Management Program, Banff School, Canada
- Diploma, The Joint State-Private Sector Course, National Defense College (Class of 16<sup>th</sup>)
- Thai Institute of Directors Association (IOD) DAP 35/2005

#### Work Experiences

- 1998 - 2002 : Executive Vice President, PTT, working as General Manager, PTT Natural Gas Distribution Company Limited
- 2003 - Present : Senior Executive Vice President, Corporate Support, PTT Public Company Limited

#### Relevant Important Positions

- Director of the Board, Natural Gas Distribution Company Limited
- Director of the Board, Energy Complex Company Limited
- Director of the Board, PTT ICT Solutions Company Limited



**Mr. Permsak Shevawattananon**

Age 58

Senior Executive Vice President,  
Gas Business Unit

(%) Share Possession 0.000143

#### Educations

- B.Eng. (Mechanical), University of Santo Tomas Manila, Philippines

#### Certifications

- Certificate of Asian Executive Program (AEP), GE Management Development Institute
- Certificate of Senior Executive Program (SEP), Sasin Graduate Institute of Business Administration, Chulalongkorn University
- Thai Institute of Directors Association (IOD) DCP 52/2004

#### Work Experiences

- 2001 - 2002 : Executive Vice President, Natural Gas Processing, PTT
- 2002 - 2004 : Executive Vice President, PTT, working as President, Trans Thai-Malaysia (Thailand) Company Limited
- 2004 - 2006 : Executive Vice President, PTT, working as President, The Aromatics (Thailand) Public Company Limited
- 2006 - 2007 : Senior Executive Vice President, PTT, working as President, The Aromatics (Thailand) Public Company Limited
- 2007 - 2008 : Senior Executive Vice President, PTT, working Chief Executive Officer, PTT Aromatics and Refining Public Company Limited
- 2008 - Present : Senior Executive Vice President, Gas Business Unit, PTT Public Company Limited

#### Relevant Important Positions

None



**Mr. Surong Bulakul**

Age 53

Senior Executive Vice President,  
International Trading Business Unit

(%) Share Possession 0.000232

#### Educations

- B.Sc. (Industrial Engineering and Operations Research), Syracuse University, New York, U.S.A.
- M.Eng. (Operations Research and Industrial Engineering), Cornell, University, U.S.A.
- M.B.A., Cornell University, U.S.A.

#### Certifications

- PMD, Harvard University, U.S.A.
- Diploma, The Joint State-Private Sector Course, National Defense College (Class of 19<sup>th</sup>)
- High Certificate of Democratic Politics and Governance for High-Level Administrators Program (Class of 8<sup>th</sup>), King Prajadhipok's Institute, Thailand

#### Work Experiences

- 2002 - 2005 : Executive Vice President, Natural Gas Supply & Trading, Gas Business Group
- 2005 - 2008 : Executive Vice President, International Trading, PTT Public Company Limited
- 2008 - Present : Senior Executive Vice President, International Trading, PTT Public Company Limited

#### Relevant Important Positions

- Chairman, PTT International Trading Pte.
- Director of the Board, PTT Green Energy Pte. Ltd.
- Director of the Board, PTT Polymer Marketing Company Limited



**Dr. Pailin Chuchottaworn**

Age 52

Senior Executive Vice President,  
Petrochemicals & Refining  
Business Unit

(%) Share Possession 0.000100

#### Educations

- B.Eng. (Chemical Engineering) (Hons.), Chulalongkorn University, Thailand
- M.Eng. (Chemical Engineering), Tokyo Institute of Technology, Japan
- Doctor of Engineering in Chemical Engineering, Tokyo Institute of Technology, Japan

#### Certifications

- PTT Executive Leadership Program, GE Crotonville, U.S.A.
- NIDA Executive Leadership Program 2007, Wharton University of Pennsylvania, U.S.A.
- Industrial Liaison Program 2005, Massachusetts Institute Technology, U.S.A.
- Thai Institute of Directors Association (IOD) DAP 24/2004 and DCP 51/2004

#### Work Experiences

- 1989 - 2005 : President, Bangkok Polyethylene Company Limited
- 2005 - 2008 : Executive Vice President, PTT, working as Managing Director of PTT Polymer Marketing Company Limited
- 2006 - 2008 : Executive Vice President, PTT, working as President of PTT Asahi Chemical Company Limited
- 2008 : Senior Executive Vice President, Petrochemicals & Refining Business Unit, PTT, working as Managing Director of PTT Polymer Marketing Company Limited and President of PTT Asahi Chemical Company Limited

Remark : Jan 1, 2009 : Senior Executive Vice President, Petrochemicals & Refining Business Unit, PTT, working as President of IRPC Public Company Limited

#### Relevant Important Positions

- Director of the Board, PTT Polymer Marketing Company Limited
- Director of the Board, PTT Asahi Chemical Company Limited
- Director of the Board, HMC Polymer Company Limited
- Director of the Board, Bangkok Polyethylene Public Company Limited
- Director of the Board, PTT Polymer Logistics Company Limited
- Director of the Board, PTT Phenol Company Limited
- Director of the Board, Star Petroleum Refining Company Limited



**Mr. Anon Sirisaengtaksin**

Age 56

Chief Executive Officer,  
PTT Exploration and Production  
Public Company Limited

(%) Share Possession 0.000425

#### Educations

- B.Sc. (Geology), Chulalongkorn University, Thailand
- M.B.A., Thammasat University, Thailand

#### Certifications

- Certificates in Project Investment Appraisal and Management, Global Leadership, Harvard University, U.S.A.
- Certificate of Leadership Program (Class of 1<sup>st</sup>), Capital Market Academy, Thailand
- Thai Institute of Directors Association (IOD) DAP 52/2006 and DCP 73/2006

#### Work Experiences

- 2001 - 2002 : Executive Vice President Natural Gas Supply and Trading, Gas Business Group, PTT Public Company Limited
- 2002 - 2008 : Senior Executive Vice President Corporate Strategy and Development, PTT Public Company Limited
- 2008 - Present : Senior Executive Vice President, PTT, working as Chief Executive Officer, PTT Exploration & Production Public Company Limited

#### Relevant Important Positions

- Director of the Board, PTT Exploration and Production Public Company Limited
- Director of the Board, Bangkok Polyethylene Public Company Limited
- Director of the Board, Thai Lube Base Public Company Limited
- Director of the Board, Independent Power (Thailand) Company Limited
- Director of the Board, PTT Natural Gas Distribution Company Limited
- Director of the Board, Star Petroleum Refining Company Limited
- Chairman, PTT ICT Solutions Company Limited



### Mr. Maroot Mrigadat

Age 56

President, PTT Exploration and  
Production Public Company Limited

(%) Share Possession 0.000059

#### Education

- B.S. (Petroleum Engineering), University of Texas at Austin, U.S.A.
- M.S. (Petroleum Engineering), University of Texas at Austin, U.S.A.

#### Certifications

- Certificate of Advance Management Program, Insead Institute, France
- Diploma, The Joint State-Private Sector Course, National Defense College (Class of 17<sup>th</sup>)
- Thai Institute of Directors Association (IOD) DAP 13/2004 and DCP 46/2004

#### Work Experiences

- 2002 - 2003 : Senior Vice President, Business Development, PTT Exploration and Production Public Company Limited
- 2003 - 2006 : Executive Vice President, PTT, working as President of PTT Exploration and Production Public Company Limited
- 2006 - Present : Senior Executive Vice President, PTT, working as President of PTT Exploration and Production Public Company Limited

#### Relevant Important Positions

- Director of the Board, Carigali - PTTPEI Operating Company Sdn. Bhd.



### Dr. Viroj Mavichak

Age 60

Managing Director,  
Thai Oil Public Company Limited

(%) Share Possession 0.000634

#### Education

- B.Eng. (Civil Engineering) (Hons.), Chulalongkorn University, Thailand
- M.S.C.E. (Civil Engineering), University of Texas at Austin, U.S.A.
- Ph.D. (Civil Engineering), University of Texas at Austin, U.S.A.

#### Certifications

- Certificate in Advanced Management Program, Harvard University, U.S.A.
- Thai Institute of Directors Association (IOD) DAP 1/2003 and DCP 38/2003

#### Work Experiences

- 1999 - 2004 : Senior Executive Vice President, PTT, working as President of National Petrochemical Public Company Limited
- 2001 - Present : Senior Executive Vice President, PTT, working as Managing Director of Thai Oil Public Company Limited

#### Relevant Important Positions

- Director of the Board and Secretary to the Board, Thai Oil Public Company Limited
- Director of the Board, Thai Lube Base Public Company Limited
- Director of the Board, Independent Power (Thailand) Company Limited
- Director of the Board, Thai Oil Power Company Limited
- Director of the Board, Thai Paraxylene Company Limited
- Director of the Board, Thai Oil Marine Company Limited
- Director of the Board, Petroleum Institute of Thailand



**Mr. Chainoi Puankosoom**

Age 58

President & CEO, PTT Aromatics and Refining Public Company Limited

(%) Share Possession 0.000176

#### Education

- Bachelor Degree in Higher Accounting, California College of Commerce, U.S.A.
- Master of Management (MM), Sasn Graduate Institute of Business Administration, Chulalongkorn University, Thailand

#### Certifications

- High Certificate of Democratic Politics and Governance for High-Level Administrators Program (Class of 6<sup>th</sup>), King Prajadhipok's Institute, Thailand
- Thai Institute of Directors Association (IOD) DAP 63/2007

#### Work Experience

- 2000 - 2005 : Chief Executive Officer, Independent Power (Thailand) Company Limited
- 2005 - 2007 : Executive Vice President, PTT, working as President, Rayong Refinery Public Company Limited
- 2007 - 2008 : Senior Executive Vice President, PTT, working as President of PTT Aromatics and Refining Public Company Limited
- 2008 - Present : Senior Executive Vice President, PTT, working as President & CEO of PTT Aromatics and Refining Public Company Limited

#### Relevant Important Positions

- Director of the Board and Secretary to the Board, PTT Aromatics and Refining Public Company Limited
- Director of the Board, PTT Phenol Company Limited
- Director of the Board, PTT Utility Company Limited
- Director of the Board, The Refinery Industry Club, The Federation of Thai Industries



**Mr. Veerasak Kositpaisal**

Age 54

President & CEO, PTT Chemical Public Company Limited

(%) Share Possession 0.000028

#### Education

- B.Eng. (Mechanical), Chulalongkorn University, Thailand
- M.S. (Mechanical Engineering), Texas A&I University, U.S.A.

#### Certifications

- Thai Institute of Directors Association (IOD) DCP 82/2006 and FND 30/2006

#### Work Experience

- 2002 - 2005 : Lubes Country Manager, Esso Thailand and Exxon Mobile Thailand
- 2005 - 2006 : Director and Public Relation Manager, Exxon Mobile Company Limited
- 2006 - 2008 : Executive Vice President, PTT, working as Senior Executive Vice President, Trading Business of PTT Chemical Public Company Limited and Managing Director of Bangkok Polyethylene Public Company Limited
- 2008 - Oct 1, 2008 : Executive Vice President, PTT, working as Executive Vice President, Polymer Product Business Unit, PTT Chemical Public Company Limited
- Oct 1, 2008 - Present : Senior Executive Vice President, working as President & CEO of PTT Chemical Public Company Limited and Managing Director of Bangkok Polyethylene Public Company Limited

#### Relevant Important Positions

- Director of the Board and Secretary to the Board, PTT Chemical Public Company Limited
- Director of the Board and Secretary to the Board, Bangkok Polyethylene Public Company Limited
- Director of the Board, PTT Polymer Marketing Company Limited
- Director of the Board, PTT Polyethylene Company Limited
- Director of the Board, PTT Polymer Logistics Company Limited
- Director of the Board, Vinythai Public Company Limited
- Chairman, the Plastic Industry Club, The Federation of Thai Industries



## Details of the Board Directors and Management of PTT, Subsidiaries, Associates and Related Companies

Company				PTT Executives																												
				Dr. Norkun Sitiphong	Mr. Chulayuth Hirunyasit	Mr. Chakramon Phasukavanich	Khunying Jada Wattanasiritham	Gen. Somdhat Atanand	M.L. Panasarn Hasdin	Dr. Amporn Kittiampon	Mr. Chaikasem Nitisiri	Khun Ponthip Jala	Dr. Naris Chaiyasoot	Mrs. Pannee Sathavarodom <sup>3</sup>	Dr. Panich Pongprodorn	Mr. Anuwat Maytheewibulwut	Mr. Prasert Bursumpun	Mr. Pichai Chunhavalira	Dr. Chitrapongse Kwangsukstith	Dr. Prajya Phinyawat	Mr. Songwut Chinawat	Mr. Surong Bulakul	Dr. Pailin Chuchotaworn <sup>4</sup>	Mr. Tevin Vongvanich	Mr. Anon Srisaengtaaksin	Dr. Viroj Mawichak	Mr. Veerasak Kositpaisal	Mr. Pemsak Shevavattananon	Mr. Maroot Migadatt	Miss Chainoi Pankosoom	Miss Penchun Jarikasom	Mrs. Prasana Prahmkhasuk
PTT Public Company Limited				PTT	X	/	/	/	/	/	/	/	/	/	/	/	/	*O/	//	//	//	//	//	//	//	//	//	//	//	//	//	
Subsidiaries	Gas Group	1	PTT Exploration and Production Public Co., Ltd.	PTTEP														X	/	/						*/			0			
		2	PTT Natural Gas Disribution Co., Ltd. (PTTINGD)	PTTINGD																X	/					/						
		3	PTT LNG Co., Ltd.	PTTLNG																X												
		4	Combined Heat and Power Producing Co., Ltd.	CHPP																												
		5	PTT International Co., Ltd.	PTT INTER																				/							/	
	Oil Group	6	Retail Business Alliance Co., Ltd. (RBA)	RBA																												
		7	PTT (Cambodia) Co., Ltd.	PTTCL																												
		8	PTT Retail Business Co., Ltd.	PTTRB																												
		9	Subic Bay Energy Co., Ltd.	SBECL																												
	Petrochemicals and Refining	10	PTT Green Energy Pte. Ltd.	PTTGE															X			/										
		11	PTT Polymer Logistics Co., Ltd.	PTTPL																	X		/			/						
		12	PTT Polymer Marketing Co., Ltd.	PTTPM																/	X	/	O/			/						
		Trading	13	PTT International Trading Pte. Ltd.	PTTT																	X										
		Others	14	Energy Complex Co., Ltd.	EnCo															X	/											
	Associates and Related Companies	15	Business Services Alliance Company Limited	BSA																											/	
Gas Group		16	PTT Utility Co., Ltd.	PTTUT															X											/		
		17	Thai Oil Power Co., Ltd.	TP															/	/	/				/							
		18	Independent Power (Thailand) Co., Ltd.	IPT												X	/			/				/	/							
		19	Trans Thai - Malaysia (Thailand) Co., Ltd.	TTM (T)															/													
		20	Trans Thai - Malaysia (Malaysia) Sdn. Bhd.	TTM (M)															/													
		21	District Cooling System and Power Plant Co., Ltd.	DCAP																												
Oil Group		22	Ratchaburi Power Co., Ltd.	RPCL															/													
		23	Thai Lube Blending Co., Ltd.	TLBC																												
		24	Thai Petroleum Pipeline Co., Ltd.	THAPPLINE															X													
		25	Petro Asia (Thailand) Co., Ltd.	PA (Thailand)																												
		26	Bangkok Aviation Fuel Services Public Co., Ltd.	BAFS																												
		27	Intoplane Services Co., Ltd.	IPS																												
		28	Fuel Pipeline Transportation Co., Ltd.	FPT																												
		29	Vietnam LPG Co., Ltd.	VLPG																												
		30	Keloil - PTT LPG Sdn. Bhd.	KPL																												
		31	Petro Asia (Huizhou) Co., Ltd.	PA (Huizhou)																												
		32	Petro Asia (Maoming) Co., Ltd.	PA (Maoming)																												
		33	Petro Asia (Shantou) Co., Ltd.	PA (Shantou)																												
		34	PTT Mart Co., Ltd.	PTT Mart																												
Petrochemicals and Refining		35	PTT Chemical Public Co., Ltd.	PTTCH													/	/	/						0/							
		36	PTT Aromatics and Refining Public Co., Ltd.	PTTAR					/			/		/	/	/	/													*O/		
		37	PTT Phenol Co., Ltd.	PPCL														X		/		/							/			
		38	Star Petroleum Refining Co., Ltd.	SPRC																	/	/									/	
		39	Thai Oil Public Co., Ltd.	TOP		/			/					/	/	/	/							0/								
		40	Bangchak Petroleum Public Co., Ltd.	BCP													/						/									
		41	IRPC Public Co., Ltd.	IRPC											/							/										
		42	HMC Polymers Co., Ltd.	HMC															/	X		/		/	/							
		43	PTT Asahi Chemicals Co., Ltd.	PTTAC															X			O/										
		44	Alliance Plant Service Company Limited <sup>2</sup>	APS																	/											
Others		45	Dhipaya Insurance Public Co., Ltd.	TIP												/																
	46	PTT ICT Solutions Co., Ltd.	PTTICT															/			/		X									

Remark : 1. Symbols X = Chairman \* = Chief Executive Officer O = President / = Director // = Executive

2. The Company name in No. 44 NPTC Maintenance And Engineering Service Co., Ltd. (NPTC) was changed to Alliance Plant Service Co., Ltd. (APS) on April 8, 2008.

3. The Executive in No. 11 was resigned on January 7, 2009.

4. The Executive in No. 20 held the position of PTT Senior Executive Vice President-Petrochemicals and Refining Business Group secondment as President of IRCP since January 1, 2009

Information as of December 31, 2008

# Power for Sustainable Future



It was a clear goal for us even when we embarked on our first mission to secure Thai Energy for Thais three decades ago. In other words, our business has always been rooted on “How to truly maximize the benefit for Thais?” Consequently, PTT has consistently valued energy security in tandem with the stewardship of society, communities, and the environment. Spelled out in our sustainable organizational development guideline which are: High Performance Organization (HPO), Corporate Governance (CG), and Corporate Social Responsibility (CSR). One also finds the principles inscribed among our missions which is to show responsibility to all stakeholders from the national level to the community level. Our policy has cascaded into CSR strategies for PTT Group, which take into account internal practices of sound standards, leading to external practices with due regard for society, communities, and the environment.



In 2008, PTT conducted a thorough investigation on how to improve organizational CSR strategies for even greater efficiency. To this end, management and business structures have undergone changes; in place now is a Corporate Communications and Social Responsibility working structure devoting to CSR as well as other communication tasks, headed by an executive vice president. Apart from this, a social responsibility policy committee has been set up at both PTT and PTT Group levels, charged with formulating policies along with clear goals and approaches for social responsibility. To elaborate, implementation of the required activities is framed, as are corporate social responsibility approaches aligning with international standards. These embrace good corporate governance, human rights, workers rights, environmental management, fair business conduct, social undertaking and community development, supply chain management, product stewardship, and stakeholder engagement so that all relevant units may implement their tasks in a harmonious way. Finally, improvement of reporting the effectiveness of social responsibility activities is made to conform to the Global Reporting Initiative (GRI) and reporting standards of peer industries.



## Quality, Safety, Health, and Environmental Performance

PTT has a clear goal over Quality, Safety, Health and Environment (QSHE). Regarded as the core component of sustainable development, QSHE has been analyzed and assessed with the needs of the stakeholders in mind. The findings have found application in the formulation of policies and systematic management direction for risks. In 2008, notable moves to improve performance efficiency are summarized below.

### PTT Group QSHE management

Under the PTT Group management approach, QSHE is regarded as essential for petroleum and petrochemical businesses and seriously needs efficient management to forge synergy and alignment. This would supplement the competitiveness of PTT Group while encouraging sustainable development of communities, society, and the Kingdom alike. To date, a QSHE Policy Committee has been set up for the group, for which the roadmap, vision, missions, and QSHE performance direction were clearly defined. This year, significant joint actions included

- Compilation of SHE performance indicators
- Renewal of the Oil Spill Response & East Asia Response Limited (OSRL) membership
- Technical-exchange seminar organization
- Exchange of lessons learned
- Reconciliation and linkage of each company's preventive and emergency mitigation plan and PTT's own emergency and crisis management plan.



PTT Group's QSHE Policy Committee Meeting





Preventive and Emergency Handling During Fire Drill

## Management in compliance with Thailand Quality Award (TQA) criteria

In 2008, the Natural Gas Transmission group constantly upgraded its performance under the TQA criteria and won the Thailand Quality Class (TQC) for the second consecutive year. In addition, PTT has been named one of the state enterprises under a pilot project for the so-called State Enterprise Performance Appraisal by the State Enterprise Policy Office. The year therefore saw the preparation of a TQA Framework & Roadmap for PTT as a whole along with training for PTT officers on the guidelines for TQA compliance for division chiefs and higher.

## Systematic control and prevention of occupational health and safety losses

A fundamental management system for all PTT sites, the TIS 18001/BS OHSAS 18001 occupational health and safety management system is a prerequisite, to be tested by a certification body. This system was also expanded to new target sites during the year: Pathum Thani - Nimit Mai NGV Mother Stations and PTT Research and Technology Institute. The Natural Gas Transmission group also initiated the upgrading of an occupational health and safety management system tailored to its own processes, based on international and best practices of the petroleum industry.

As regards preventive actions and the cultivation of awareness of safety and occupational health to control and monitor risks for employees and contractor employees, the year saw

- A constant push for reporting near-misses and substandard conditions/acts
- Auto-accident control through the issuance of the PTT Defensive Driving Manual
- Defensive Driving Training for employees who regularly used company vehicles
- Auto-accident investigation to systematically identify causes and define preventive measures
- Supervision of safety and occupational health for contract employees by urging contractors to institute physical examinations and occupational health examinations as required by law
- Procurement of personal protective equipment
- Appointment of safety officers at various levels of work
- Systematic safety-related data compilation and performance measurement. Apart from drills on fire prevention and mitigation at all sites and additional drills on earthquakes at PTT Head Office, PTT envisions the high skills and potential of its QSHE units and personnel in this area and therefore registered with the Department of Labour Protection and Welfare a primary firefighting training unit,



Earthquake Drill

Visual Examination





Emergency Drill Against Terrorism



Bomb Detecting Procedure



Access Control with Finger Scan

a firefighting drill and evacuation unit, and a safety officer training unit. All these contributed to SHE achieving a world-class standard against peer companies of the same industry, as seen in the 0.27 lost-time injury frequency (LTIF) rate and 0.27 total recordable injuries rate (TRIR) for employees.

### Security management

The recent domestic unrest has reminded PTT of the criticality of security, the threats of which could be detrimental to PTT. As a result, the Company defined the following measures for systematic management.

- Additional security measures included the detection of explosives in all vehicles entering or leaving sites or plants; close monitoring of intelligence from relevant agencies; installation of high-efficiency access control, including the accuracy of headcounts of those entering or leaving sites during ordinary and emergency periods. At the Rayong gas separation plant (GSP), an Access Control with Finger Scan system is now in use for process plants by plant personnel and external parties alike; institution of control plans in case of protestors blocking the entrance to GSP; and installation of efficient closed-circuit TVs to cover all areas.
- Policy announcement and security management requirements to frame clear work performance and name relevant officers (executives, the rank and file, and wage earners) to jointly take care of security of lives and PTT assets.
- Preparation of security alert levels and security guidelines for use by all to communicate, assess, and apply in accordance with security alert levels appropriately and efficiently. Recognizing the criticality of the cooperation of all executives and the rank and file to efficient security management, the Company stressed the cultivation of security awareness through the issuance of a personal security manual for use as basic information in warding off personal threats.
- Emergency drills for acts of sabotage and bomb retrieval at PTT Head Office and installations nationwide through close coordination with public agencies and relevant agencies in each area.

### Management to control environmental impacts

Along with its business conduct, PTT values the management of environmental aspects resulting from its activities, processes, products, and services. The year continued to see proactive environmental management together with PTT's value attached to the business value chain as a whole (including within PTT Group). Particularly in Map Ta Phut and Rayong province as a whole, where PTT Group had assorted plants



Environmental Impact Control



Water pollution Control Testing



Anti-Global Warming Networks



Pressure Control Room for NGV Stations

and sites, the Company not only monitored and measured water and air pollutants and industrial waste as required by law, but also paid attention and was committed to applying pollution management technology for maximum efficiency and minimum environmental impacts. These would enable PTT Group to grow along with a decent quality of life for society and surrounding communities. The year also saw detailed inspection of plant pollution removal and investment plans made for machinery upgrading, with installation of pollution-treating instruments equipped with the best available technology, including

- Investment in adding the height of emission stacks at GSP Unit 3
- Installation of the Dry Low Emission (DLE) process to optimize the temperature in the combustion chamber, which yields the lowest resulting nitrogen-oxide and carbon-monoxide concentrations
- Installation of the Selective Catalytic Reduction (SCR) system, regarded as highly efficient in nitrogen-oxide treatment.

As for suppliers and contractors engaging in PTT's businesses, the Green Procurement principle has been introduced, as seen in the announcement of the policy and the PTT Environmentally Friendly Procurement Manual, with pilot procurement of six items, namely fluorescent lamps, brown envelopes, business cards, correction fluids, black paper files, and computer printout paper.

And as for energy conservation, PTT signed a memorandum of understanding on its collaboration with the Ministry of Energy and the Electricity Generating Authority of Thailand under the so-called Anti-Global Warming Network Project using compact fluorescent lamps No. 5. In all, 38,000 such lamps were procured along with their fixtures for installation at all PTT sites, namely office buildings, PTT Research and Technology Institute, GSPs, depots (petroleum, oil, and LPG), and the Natural Gas Transmission System.

### QSHE Achievements of 2008

2008 Thailand Quality Class (TQC), conferred by the National Quality Award Committee (May 12):

Natural Gas Transmission Department, Exploration & Production and Gas Business Group

TPM Awards for Excellence in Consistent TPM Commitment, conferred by Japan Institute of Plant Maintenance (JIPM)

Rayong GSP, Khanom GSP, Region V Pipeline Operations Division (Ratchaburi)

TPM Awards for Excellence, Category A, conferred by Japan Institute of Plant Maintenance (JIPM)

Chonburi Operations Center; Region II Pipeline Operations Division (Ayutthaya); Region III Pipeline



Thailand Quality Class Award



Outstanding Business Operator Awards



Outstanding QC Groups

Operations Division (Rayong); Region IV Pipeline Operations Division (Khon Kaen)

**National Outstanding Business Operator in Safety, Occupational Health, and Work Environment Awards**, conferred by the Ministry of Labour during the 22<sup>nd</sup> National Safety Week to promote standard and compliant practices of management and safety, health, and environment in workplaces (May 8), a total of 25 sites:

- Surat Thani Petroleum Terminal (12 consecutive years)
- Songkhla Petroleum Terminal (12 consecutive years)
- Lampang Petroleum Terminal (9 consecutive years)
- Nakhon Sawan Petroleum Terminal, Phitsanulok Oil Terminal (8 consecutive years)
- Chiang Mai, Phuket, Pak Phanang, and Lam Luk Ka Oil Terminals, Chonburi Operations Center (7 consecutive years)
- Phra Khanong and Udon Thani Oil Terminals, Region IV Pipeline Operations Division (Khon Kaen), Region V Pipeline Operations Division (Ratchaburi) (6 consecutive years)
- Den Chai Oil Terminal (6 years)
- Khon Kaen Petroleum Terminal, Ubon Ratchathani Oil Terminal (5 consecutive years)
- Sri Racha Oil Terminal, Khao Bo Ya and Ban Rong Po LPG Terminals, PTT Head Office (4 consecutive years)
- Bangchak Petroleum Terminal, Khanom GSP (Nakhon Si Thammarat), Region III Pipeline Operations Division (Rayong) (3 consecutive years)
- Phra Khanong Office Building

**Zero Accident Campaign Awards**, conferred by the Ministry of Labour, for workplaces that campaigned on work safety to the point of zero lost-time injury (August 27):

- Rayong GSP (silver award, for 3,000,000 - 9,999,999 total man-hours)
- Chonburi Operations Center (bronze award, for 1,000,000 - 2,999,999 total man-hours)
- Nakhon Sawan and Songkhla Petroleum Terminals, Chiang Mai Oil Terminal, Region III Pipeline Operations Division (Rayong), Region IV Pipeline Operations Division (Khon Kaen) (special-mention award, for zero accident during the year and up to 1,000,000 total man-hours)

**EIA Monitoring Awards 2008**, conferred by the Ministry of Natural Resources and Environment, for outstanding compliance with measures stated in environmental impact assessment reports and outstanding environmental management practice :

Khanom GSP, Surat Thani and Songkhla Petroleum Terminals

**Good Laboratory Practice Awards** under a project on the upgrading of private analytical laboratories registered with industrial works, conferred by the Department of Industrial Works, Ministry of Industry

**Product Quality Analysis Unit-Eastern Terminal**, Khao Bo Ya LPG Terminal, and Quality Control Section, Rayong GSP.

**Outstanding QC Groups** based on presentations at the Thailand State Enterprise QC Fair, representing Thailand at the 14<sup>th</sup> International Symposium on Quality Function Deployment (ISQFD 2008), Beijing, People's Republic of China (September 23-26):

- Operation Category  
Pla Muek Yak Group, Logistic Evaluation and system Division, Products Transportation Department, Oil Business Unit
- Office Category

**SCADAMAX Group**, Automatic Control and Operation System Division, Transportation Management & Technical Services Department, Upstream Petroleum & Gas Business Group.

## QSHE Management Standard Certification in 2007

(bar graph)

- During the year, all major business processes and 95 sites maintained their QSHE management standard certification (ISO/TIS 9001, ISO/TIS 14001, and TIS/OSHAS 18001) according to the Management System Certification Institute (Thailand)(MASCI).
- In 2008, one new target site achieved health and safety certification under TIS/OSHAS 18001 by MASCI, namely the Pathum Thani-Nimit Mai NGV Mother Station.

Percentage of ISO/TIS 9001, ISO/TIS 14001 and TIS/OSHAS 18001 Certified Sites







## Responsibilities for Society, Community, and Environment

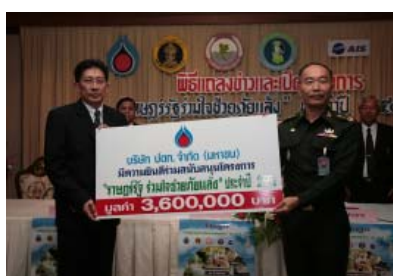
2008 was a year in which social, community, and environmental projects were continued with improvements and expansions to make those projects better reach the diverse target groups in order to build up “Power for Sustainable Future”, the foundation for the growth and prosperity of the Thai society.

### Sustainable Power for Society and Community.....to foster happiness

- Urgent Assistance to Alleviate Hardship Caused by Natural Disasters:** As a result of the changing climate, Thailand weathered natural disasters in various forms and many times, which left behind the hardship among people in many parts of the country. PTT has mobilized assistance in the form of fuel and in kind to alleviate the hardship and helped return the situation to normal as fast as possible. Throughout the year, PTT made contributions worth around Baht 20 million in total to the ‘Private and Public Sectors Fighting against the Drought Program’, in collaboration with the army and many other public and private organizations for the 8<sup>th</sup> year, and in the ‘Royal Rainmaking Project’, to which 500 tons of dry ice was contributed. Moreover, contribution of 110,000 disaster relief bags and cash was made to assist flood victims in various parts of the country, including the three southernmost provinces. We also donated 8,200 blankets through various organizations, including Green Globe Network, PTT’s own offices in the affected areas to make sure that our contributions reach needy people.

Following Cyclone Nargis, which ravaged neighbouring Myanmar, resulting in severe losses and damage, PTT made a contribution of consumables and 480,000 liters of fuel for transportations and power generation. Forecourt uniforms were also given away as urgent clothing assistance to those affected people.

- Traffic Problem Relief Program:** In order to create road safety while promoting discipline and thoughtfulness among motorist, PTT contributed 17,500 traffic cones through National Police



Urgent Reliefs to Alleviate Natural Disasters



Relief Bags for Nargis Victims



The launch of Traffic Relief Program





Safe Songkran Caravan



Drive Safely Program



PTT Engine Tune-Up

Office and PTT offices in various areas for allocation to police stations and related units, both in Bangkok and the provinces. Moreover, the Company granted support to 'Don't Drive Drunk' Foundation as well as many other public and private units in the organization of **"Safe Songkran-Arrive Alive Caravan"** to 27 provinces around the country, and **'Wheelchair for Safe New Year- Arrive Alive Caravan'** organized by those people made disabled by drunk driving, in which 'wheelchair people formed a caravan' from PTT Head Office to Laos Government House in Vientiane, Laos PDR. PTT contributed fuels and facilitated the caravan throughout the route by providing rest areas and toilets at PTT stations along the route.

- **Drive Safely with PTT Program:** It was the 12<sup>th</sup> year that PTT and Land Transport Department jointly provided altogether five traffic training courses for approximately 600 participants, both in Bangkok and the provinces, with an objective to produce a new generation of quality drivers with thoughtfulness to other road users and equipped with traffic knowledge while being able to properly maintain their vehicles and good at energy saving.
- **PTT Engine Tune-up Program** to Provide Free Engine Check-ups, Reduce Pollution, and Save Energy : Under the cooperation with the Office of Vocational Education Commission, it was an opportunity provided for vocational students to render free engine check-ups for all vehicles during April 10-17, 2008, at 50 PTT stations across the country. PTT, in addition, offered free engine tune-ups at 120 PROCheck centers around the country from April 10, 2008, until the end of the year.
- **Sharing with Communities Program:** PTT opened a clinic at Rayong Gas Separation Plant to provide free medical service for communities. Mobile medical service was initiated not only to provide medical service but to provide basic health knowledge for communities in the vicinity of provincial PTT offices.
- **Upgrading Service for the Disabled Program:** PTT was given an **Outstanding Workplace with Facilities for the Disabled Award** from the Ministry of Social Development and Human Security following the renovation of toilets in retail stations along major roads to particularly facilitate the elderly, pregnant women, and the disabled. In addition, the Company cooperated with Bangkok Metropolitan Administration in expanding the pedestrian bridge accessing the Vachira Benjathat Park (Railway Park) with ramps to facilitate the general public and the disabled.
- **Community Enterprise Institute (CEI) Foundation:** PTT is a co-founder and operator of this foundation since 2002. In 2008, the foundation initiated a "Life University" Project in collaboration with



Present Pedestrian Bridge to BMA



Support to CEI



One Decade of Green Globe Award

eight campuses of Rajabhat University and expanded the learning center from 81 branches in 23 provinces to 117 in 30 provinces. The project produced more interdisciplinary graduates for rural development while adding programs involving science and technology for community at the bachelor's degree level as well as community health programs at both bachelor's and master's degree levels. This support to "Learning Institute for Everyone" will be established in Samut Songkhram Province in 2009. Moreover, the foundation, in an attempt to reduce people's debt burden in accordance with the sufficiency economy philosophy, joined the Bank for Agriculture and Agricultural Cooperatives and Local Administration in providing training for agriculturalists, BAAC debtors, and representatives of local administrations to equip them with proper understanding of the philosophy so that they may map out their own community development strategies.

### Sustainable Power for the Environment....to build the world

- Following the PTT's Reforestation Project in Honor of HM the King on the occasion of the 50<sup>th</sup> anniversary of the accession to the throne, in which one million rai of land was targeted, PTT realized the value and significance of plantation, which does not mean just to plant trees. Even though the project was already presented to HM the King in 2002, PTT has still followed up the program through PTT Development Village Project and three types of training to ensure forest existence, i.e. PTT Youth Loves Forest Training, Forest Fire Fighting Volunteer Training, and Forest Protection Volunteer Training.
- **Green Globe Award:** PTT has received good cooperation from professionals in various branches of knowledge in granting support and encouragement to natural and environmental conservation projects run by individuals or communities with strong commitment. PTT also organized a "Green Globe Network" both in Bangkok and the provinces for people to exchange knowledge. 'Friends of Green Globe', a mobile project, was initiated to provide knowledge of forest conservation. On the 10<sup>th</sup> anniversary of the Green Globe Award, PTT thus viewed this as a special opportunity to publicize the achievement of the young generation, individuals, communities, educational institutes, and other organizations who had been awarded through the past ten years. A total of 49 awarded projects were honored in the 'One Decade of Green Globe Award' event.
- **Sirinat Rajini Ecosystem Learning Center:** Plots FPT 29 and FPT 29/3 in the reforestation Project in Honor of HM the King at Tambon Pak Nam Pran, Amphoe Pran Buri, Prachuap Khiri Khan Province, which used to be **deserted shrimp farmland**, was turned into a rich mangrove area. The area was



PTT Village Development



84 Tambons on a Sufficient Path



Sirinat Rajini Learning Center



School Building Presentalian



5S School



Generation P

opened for youths and the public to study mangrove ecology along the nature trail and from the learning center and exhibition with community guides provided.

- **84 Tambons on a Sufficient Path Project:** HM the King's sufficiency economy philosophy was adopted and integrated into the community's way of life for sustainable happiness. This project aimed to apply his sufficiency economy philosophy in the community development process. PTT started this project in late 2007, and nine communities were selected to pilot the project. In 2008, PTT has recruited communities around the country as project members. More communities were selected in addition to the existing 42, thus bringing the total number to 51. PTT is targeting 84 tambon to honor HM the King on his 84<sup>th</sup> birthday anniversary in 2011.
- **Vetiver Grass Plantation Project under the Royal Initiative:** PTT joined hands with Chaipattana Foundation, Office of the Royal Development Projects Board, and Land Development Department in the planting, planting promotion, dissemination of vetiver planting knowledge, and providing training for design of products made from vetiver. The Company also arranged a contest of three categories, namely planting, planting promotion, and design of products made from vetiver. The activity was well received by youths, the general public, educational institutes, and government offices with 379 entries contesting for 49 awards.
- **HRH Princess Maha Chakri Sirindhorn Herb Garden:** A center for the study of over 260 herbal plants, in Rayong Province was opened as a tourist attraction. It can also be a park for community activities, equipped with restaurants, a souvenir shop, a herbal massage room, and a community market. During 2008, a total of around 250,000 visitors were registered, thus creating an income of over Baht 9 million for the community.
- **Bio-diversity Research Project:** This cooperation with Biodiversity Research and Training Program and the community for research into the ecology and biodiversity of the neighborhood of Khanom Gas Separation Plant started from the seashore to cloud forest on the peak of Nun Mountain. The land was found fertile and worthwhile for both conservation and study. It was an opportunity to work with the community in Tambon Huay Khayeng, Amphoe Thong Pha Phum, Kanchana Buri Province, in developing the Nong Pling swamp as a community center for nature study and eco-tourism, which is expected to open in 2009.

### Sustainable Power for Thai Youth Education.....to build the nation's future

- **Dream School Project:** This project was aimed at maximizing the potential of three schools under the supervision of PTT since 2004 until the project ended in 2008, namely Sadet Wana Chayangkoon Wittaya School in Lampang, Baw Rai Withayakhom School in Trat, and Bang Node School in Nakhon Si Thammarat Province. These schools were developed into true dream schools which were successful in the assessment by Ministry of Education. They were announced as 'Pilot Schools' for the development of other schools in the project. In the past year, school management manual was developed while training was provided for leading teachers, who were required to pass on the knowledge to all other teachers for quality improvement.
- **Schools and Libraries Building Program :** During 2008, 16<sup>th</sup> school building and 23<sup>rd</sup> PTT's "Phalang Thai Phuea Thai" Library were presented to Ban Khon Khwang Community School in Prachin Buri Province. The 17<sup>th</sup> school building was also presented to Suwan Khiri School in Chachoengsao Province. The Company also funded the construction of a kindergarten building at Ban Muang





PTT Idea Maker Award



Gassy Camp

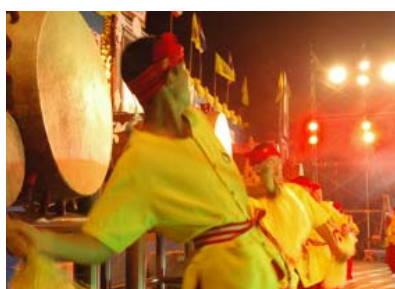
2<sup>nd</sup> Innovation Contest

Phrong, Tambon Khao Hin Chai, Chachoengsao. Moreover, 830 scholarships were allocated for 13 consecutive years for students ranging from primary to university level in educational institutes located around PTT branch offices across the country and along the natural gas transmission pipeline.

- **The PTT 5S Schools Project:** This program provided training and guidelines on the 5S principles for 19 schools along PTT gas transmission pipeline routes. This included review and organization of 5S activities for 40 schools in 'PTT Brings Quality of Life to the Youth Project' (5S school) located around PTT oil terminals across the country. After the project assessment in 2008, Sadet Wana Chayangkoon Wittaya School in Lampang, Samakkhi Rot Fai School in Nakhon Ratchasima, Wat Bang Bai Mai School in Surat Thani, and Ban Kat Mek School in Lampang were given the winning prizes. The 5<sup>th</sup> and 6<sup>th</sup> PTT 5S School Promotion Centers were established at Ban Kat Mek School and Wat Bang Bai Mai School under the precondition for schools receiving the winning prizes for three consecutive years.
- **Youth Camp:** This program was aimed for enhancing non-formal education and skill development for the youth. This includes **Generation P Energy Conservation Youth Camp**, in its 11<sup>th</sup> consecutive year. A total of 80 children from various schools were accepted to the camp. These students were required to apply the knowledge received from the camp in the development of their 20 projects under the concept of 'New Energy, Sufficient Energy from School to Community' during a six-month period. The winning project was 'Changing wind into alternative energy' belonging to Mueang Phon Phittayakhom of Khon Kaen Province, with students given scholarships and entitlement to further their studies at the Faculty of Engineering, Khon Kaen University.

**The 5<sup>th</sup> Gassy Camp: The Wonder of Natural Gas:** PTT allowed 40 upper-secondary students from schools in 12 provinces along gas transmission pipeline routes to participate in this activity, in which students could learn about the origin and applications of natural gas at Chonburi Operation Center and Rayong Gas Separation Plant.

**Petro Camp to Champ Petro:** A total of 56 students from schools in the industrial area of Rayong were brought to an activity in which they can learn about energy and petrochemical knowledge. Seven selected students also won scholarships for their studies at the undergraduate level at King Mongkut's Institute of Technology Thonburi. This project aimed to develop chemical engineers from whiz kids in the province. The Children Understand Chemical Substances Project was also initiated to equip local children in the industrial zone of Rayong with knowledge and understanding of chemical substances and know what to do when an accident occurs.



Poo-cha Drum Beating



PTT Art Contest for Youths



LPGA Thailand 2009



ATP Thailand Open 2008



PTT Group Mini-Half Marathon



Return Beautiful Sea at Chang Island

- **The 2<sup>nd</sup> Innovation Contest:** Under the project name of 'PTT Hub of Inventors for Community', this encouraged university students and the public to send their innovations to a contest under the concept of 'Sufficiency Way of Life' to win a trophy from Princess HRH Maha Chakri Sirindhorn. Their innovations must be both relevant and practical. A student from Nang Rong Vocational College and an instructor from King Mongkut's Institute of Technology Ladkrabang won the prizes for 'a rice harvest machine made from a rotary lawn mower' and 'an automatic shrimp peeler machine' respectively.
- **PTT Idea Maker Award:** This program welcomed entries of three-minute documentaries entitled 'Energy for Future Sustainability' to a contest for a trophy from HRH Princess Soam Sawalee. It provided an opportunity for students at the university level to work alongside advertising professionals. Students from the Faculty of Mass Communication of Rangsit University won the documentary prize while those from the Faculty of Mass Communication of Bangkok University won the copy writing prize.

### Sustainable Power for the Arts and Culture.....to promote the nation's beauty

- **PTT Art Contest:** It was the 23<sup>rd</sup> year in which PTT joined Silpakorn University in organizing an art contest for the youth under the theme 'Stop Global Warming for the Future'. It was also the 8<sup>th</sup> year of cooperation with Chiang Mai University, 5<sup>th</sup> year with Thaksin University, and 3<sup>rd</sup> year with Khon Kaen University in organizing an art contest for the youth in the regions. Many youths showed their interest in the activity.
- **Conserve Lanna Culture through PTT Youth Camp for the Conservation of Poo-cha drum beatings:** For the 6<sup>th</sup> consecutive year, PTT in collaboration with Lampang Province, welcomed over 130 children from 13 districts in Lampang to a camp where children can learn about the Poo-cha drum beating tradition from a local drum master in an attempt to conserve the local culture.

### Sustainable Power for Sports.....to build the nation's athletes

- **Support the National Sports Development Fund:** To raise national sports standards, PTT granted support for various sports events at both local to international levels. The support was made for five consecutive years for Tennis Association of Thailand and Lawn Tennis Association of Thailand, both under the Royal Patronage. Such support was also granted to Thailand Amateur Wrestling Association and Thailand Amateur Weightlifting Association.
- **Support Royal Trophy Golf Competition:** This sponsorship of a golf competition at the international level sees golfers from Asia and Europe participate in a competition in Thailand to win a trophy from HM the King. This was an opportunity to promote the standards of Thai sports and golf courses in Thailand.
- **Support National Tennis Competition:** This was designed to raise the potential and internationalize the standards of young tennis players. Support was granted to Men's ATP Thailand Open 2008, Professional PTT Junior Championship 2008, PTT Championship 2008, PTT Tennis Junior Master Cup, and PTT Tennis Master Cup.
- **Support PTT Thailand Premier League 2008 Football:** As a major supporter for the 2<sup>nd</sup> consecutive year, PTT internationalized the standards of Thai professional football players while developing the national football standards. The winning team will represent Thailand in international matches.





Mangrove Forest Conservation

- **Support Khon Kaen International Marathon:** PTT was the major supporter in its 6<sup>th</sup> successive year to internationalize the standards of local sports while searching for athletes of the new generation. This was also an opportunity to make Thailand known as a venue for international sports competition.
- **2<sup>nd</sup> PTT Group Mini-Half Marathon:** Organized at HRH Princess Maha Chakri Sirindhorn Herb Garden in Tambon Mab Kha, Rayong Province, as the venue for the marathon, this event was aimed at promoting the health of local people. Proceeds from the event were turned into scholarships for local students as well.

Besides all programs and projects mentioned above, PTT opened opportunities for PTT staff and their families to share the responsibility for the society through various activities as follows:

- **Return the Beautiful Sea to Koh Chang and its Surrounding Areas under the Sustainable Tourism Project:** This collaboration with Special Area Administration for Sustainable Tourism Organization brought staff to clean the sea off Koh Chang to conserve its ecosystem and nature.
- **PTT Family Conserves Mangrove Forest Activity:** This encouraged PTT staff and families to create more green areas for the country in a mangrove planting project at the Sirinart Rajini Ecosystem Learning Center.
- **Green Area Activity:** This encouraged PTT staff in the provinces to plant more trees in their office premises to join the world in reducing global warming.
- **Ruam Chai Phak Rak Sing Wat Lom Activity (all Thai subjects help conserve the environment):** This opportunity was opened for PTT staff and the general public to jointly plant trees and repair check dams at the FPT special plantation plot along the Thai-Myanmar gas transmission pipeline, Pilok Mine Village, Amphoe Thong Pha Phum, Kanchanaburi Province.

*PTT wishes to be a 'force' generated by cooperation and togetherness of all parties to solve problems while uniting all hearts thoughtful to others to create the 'Power for Sustainable Future'.*

# Recognitions

In 2008, PTT garnered 36 awards and prestigious ranking from 22 institutions:

- Thirteen domestic organizations, for a total of 18 awards
- Nine international organizations, for a total of 18 awards.

## National (13 organizations, 18 awards)

### Best Investor Relations Issuer Award



- Conferred at the Thai BMA Best Bond Awards 2007
  - Recognizing bond issuers with outstanding information disclosure and efficient, continual investor relations activities
- Presented by  
Thai Bond Market Association
- Date  
March 26, 2008

### National Outstanding Business Operator in Safety, Occupational Health, and Work Environment Award



- 25 operation sites
  - Conferred during the 22<sup>nd</sup> annual National Safety Week
  - Awarded to workplaces with international standards for management and operation of safety, occupational health, and work environment, and compliance with legal requirements
- Presented by  
Ministry of Labour
- Date  
May 8, 2008

### Trusted Brands 2008:



- Thailand's Top Brand (service stations, for the eighth consecutive year since 2001)
  - Six criteria :
    1. Trust
    2. Image
    3. Quality
    4. Value
    5. Appreciation of consumers' needs
    6. Innovation
  - Based on a questionnaire of Asian members in Hong Kong, India, Malaysia, Singapore, Taiwan, the Philippines, China, and Thailand
- Presented by  
Reader's Digest
- Date  
May 9, 2008

## Thailand Quality Class : TQC 2007



- Gas Transmission, Gas Business Unit
- Seven criteria :
  1. Organizational leadership
  2. Strategic planning
  3. Customer and market-oriented
  4. Knowledge testing, analysis, and management
  5. Human resource-oriented

6. Process management
7. Business performance

- Same criteria as those used for world-class awards in the US

Presented by  
National Quality Award  
Committee

Date  
May 12, 2008

## Special CSR Annual Award



- Conferred at the Boss of the Year 2007 event
- Recognizing PTT's corporate social responsibility and its key continual role in contributing to the preservation of nature and the environment

Presented by  
Boss Request Magazine

Date  
May 12, 2008

## Outstanding State Enterprise Awards 2008



1. Honorary Outstanding Performance (fourth consecutive year since 2005)
2. Outstanding Board of Directors (2006 and 2008)
3. Outstanding Organizational Management (second consecutive year since 2007)
4. Outstanding Social and Environmental Programs (third consecutive year since 2006)

- Conferred at the SOE Award event to recognize efforts and achievements of state enterprises
- A total of 58 entries

Presented by  
Ministry of Finance

Date  
August 20, 2008

## Three awards bestowed by HRH Princess Maha Chakri Sirindhorn: Thailand Corporate Excellence Awards 2007



1. Overall Corporate Excellence
  2. Corporate Social Responsibility, for the fifth year
  3. Leadership Excellence, for the second consecutive year
- Based on an opinion survey among 520 senior executives of 1,000 leading companies in Thailand

Presented by  
Thailand Management Association (TMA), with Sasir Graduate Institute of Business Administration

Date  
September 3, 2008

### Outstanding Workplace with Handicapped-Friendly Facilities



- Based on a selection of agencies with international-standard facilities for the handicapped

Presented by  
Ministry of Social Development and Human Security, with the House Committee on Social Development and Child, Youth, Female, Elderly, Handicapped, and Underprivileged Affairs  
Date  
September 23, 2008

### CSR-DIW (Corporate Social Responsibility, Department of Industrial Works)



- Rayong GSP
- Based on social responsibility terms:
  1. Corporate supervision
  2. Human rights
  3. Treatment of labor
  4. Surroundings
  5. Fair business conduct
  6. Consumers' issues
  7. Social development

Presented by  
Department of Industrial Works, with the Management System Certification Institute (Thailand)  
Date  
September 26, 2008

### SET Awards 2008



- Corporate Social Responsibility Awards
- Based on a compilation of listed companies under given criteria, including business performance and qualitative practices

Presented by  
Stock Exchange of Thailand (SET), with Finance & Banking Magazine  
Date  
November 21, 2008

### Shareholder Awards 2008



- Best Shareholder Treatment Award
- Based on the treatment of shareholders with due regard for good corporate governance and facilitating shareholders in their exercise of rights and privileges

Presented by  
Thailand Securities Depository Co., Ltd., with Thai Investors Association, Listed Companies Association, Thai Investor Relations Club  
Date  
November 21, 2008



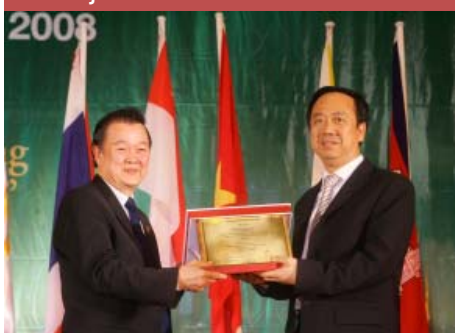
## Excellent ranking in the 2008 Survey of Good Corporate Governance of Listed Companies

1	SCP	บริษัท ปตท. จำกัด (มหาชน)	The Bangkok Petroleum Public Company Limited
2	BLS	บริษัท บลิส จำกัด (มหาชน)	Bangkok Securities Public Company Limited
3	EGCO	บริษัท เอลีคิตี จำกัด (มหาชน)	Electricity Generating Public Company Limited
4	KBLANK	บริษัท เคแบงก์ จำกัด (มหาชน)	Kasikornbank Public Company Limited
5	KIB	บริษัท เคไอแบงก์ จำกัด (มหาชน)	Kasikorn Bank Public Company Limited
6	KTG	บริษัท กรุงไทย จำกัด (มหาชน)	Kuang Thai Bank Public Company Limited
7	NCH	บริษัท น.ค. จำกัด (มหาชน)	N. C. Housing Public Company Limited
8	NKE	บริษัท น.เค. จำกัด (มหาชน)	The Nakhon Si Thammarat Public Company Limited
9	PTT	บริษัท ปตท. จำกัด (มหาชน)	PTT Public Company Limited
10	PTTEH	บริษัท ปตท. จำกัด (มหาชน)	PTT Chemical Public Company Limited
11	PTTEP	บริษัท ปตท. จำกัด (มหาชน)	PTT Exploration and Production Public Company Limited
12	RATCH	บริษัท ราช กรุ๊ป จำกัด (มหาชน)	Ratchabank Electricity Generating Public Co., Ltd.
13	SANITEL	บริษัท สานิต จำกัด (มหาชน)	Sanit Telecom Public Company Limited
14	SAATCHI	บริษัท สานิต จำกัด (มหาชน)	Sanit Telecom Public Company Limited

- Ranked among 22 companies with excellent scores
- A total of 448 listed companies joined the survey under 132 items of five OECD criteria on corporate governance:
  - Shareholders' rights
  - Equitable treatment of shareholders
  - Regard for stakeholders' roles
  - Disclosure and transparency
  - Responsibility of the Board of Directors

Presented by  
Thai Institute of Directors  
Association (IOD)

## ASEAN Outstanding Engineering Achievement Project Award



- Conferred at the 26<sup>th</sup> Conference of ASEAN Federation of Engineering Organizations
- Recognized as the core state agency for petrochemical industrial business development on the Eastern Seaboard and management of the mergers and acquisitions of affiliates for business strength and expansion for regional competition

Presented by  
Engineering Institute of Thailand  
Date  
November 28, 2008

## International (9 institutions, 18 awards)

### Forbes Global 2000



- Ranked 205<sup>th</sup> among the top 500 public companies worldwide
- No. 354 in 2007
- No. 372 in 2006
- No. 425 in 2005
- No. 461 in 2004
- Strong business performance and financial standing, based on revenue, net income, assets, and market capitalization
- Based on an analysis of 2,000 major companies worldwide

Presented by  
Forbes Global Magazine  
Date  
April 21, 2008, issue

## Recognition Awards 2008, The Best of Asia



- Out of 62 Asian recipients, PTT was among the four Thai-company recipients, along with AIS, K-Bank, and SCB
- Based on:
  - Recognition of CG performance
  - Participation in activities directly related to the promotion and improvement of CG practices over the past 12 months
  - Significant actions to improve CG over the past 12 months

Presented by  
Hong Kong-based Corporate  
Governance Asia Magazine  
Date  
Vol. 5, No. 2, April-June 2008

## Best Managed Company in Thailand



- First-ranked in these categories
  1. Best Managed Company
  2. Best CFO (Mr. Pichai Chunhavajira)
  3. Best Investor Relations
- Chosen from widely accepted companies in each country and based on an opinion survey among Asia's fund managers, analysts, and leading financial experts
- Runner-up in these categories
  1. Best Corporate Governance
  2. Most Committed to a Strong Dividend Policy

Presented by  
FinanceAsia Magazine  
Date  
June, 2008

## Fortune Global 500



- Ranked 135<sup>th</sup> among the 500 major companies worldwide
- No. 207 in 2007
- No. 265 in 2006
- No. 373 in 2005
- No. 456 in 2004
- Based on revenue and income generated in 2007
- PTT remained the sole Thai company among the top 500
- PTT ranked 20<sup>th</sup> in the world's petroleum refining business

Presented by  
Fortune Magazine No. 34,  
Date  
July 21, 2008

## Fitch Ratings



- Long-term domestic credit, from AA+ (tha) to AAA (tha)
- Reflecting national energy leadership in meeting government policy, participation in defining energy business direction, healthy cash flow from operating activities, and capable management team

Presented by  
Fitch Ratings  
Date  
September 2008

## Platts Top 250 Global Energy Company Rankings and Asia Leadership Awards 2008



- Fastest-Growing Integrated Oil and Gas in Asia (No. 1)
- Fastest-Growing Energy Company in Asia (No. 4)
- Overall Performance in Asia (No. 5)
- A ranking of leading energy businesses
- Based on assets, revenue/sales, net income, and return on investment in the past year

Presented by  
Platts  
Date  
October 2008

### Platts Global Energy Awards 2008 : CEO of the Year (Mr. Prasert Bunsumpun)



- One of the most prestigious and best-known awards worldwide
- PTT was the first in Thailand to win this top-management award, a testament to the dedication to working for excellence in the international arena

Presented by

Platts

Date

December 3, 2008

### Asia's Best Managed Companies

- Most Convincing and Coherent Strategy (Thailand), ranked first
- Best Corporate Governance (Thailand), ranked first
- Based on a survey of Asia's leading financial institution analysts

Presented by

Euromoney Magazine

Date

December 2008

### The Asset Triple A Awards 2008 : Best in Corporate Governance, Thailand



- Based on an opinion survey of leading worldwide institutions with Asia-based stock market portfolios

Presented by

The Asset Magazine

Date

Vol. 10, No. 11, December 2008

### TPM Award for Excellence in Consistent TPM Commitment

- Rayong GSP
- Khanom GSP
- Region V Pipeline Operation Division (Ratchaburi)

- Based on JIPM's assessment, in which PTT obtained a superior score to a given hurdle for implementing TPM in machinery maintenance for maximum processing efficiency

### TPM Award for Excellence, Category A

- Operation Center, Chonburi
- Region II Pipeline Operation Division (Ayutthaya)
- Region III Pipeline Operation Division (Rayong)
- Region IV Pipeline Operation Division (Khon Kaen)

Presented by

Japan Institute of Plant Maintenance (JIPM)

Date

2008



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