

Along the Path...  
The Power for Sustainability

Annual Report

**2007**



PTT Public Company Limited

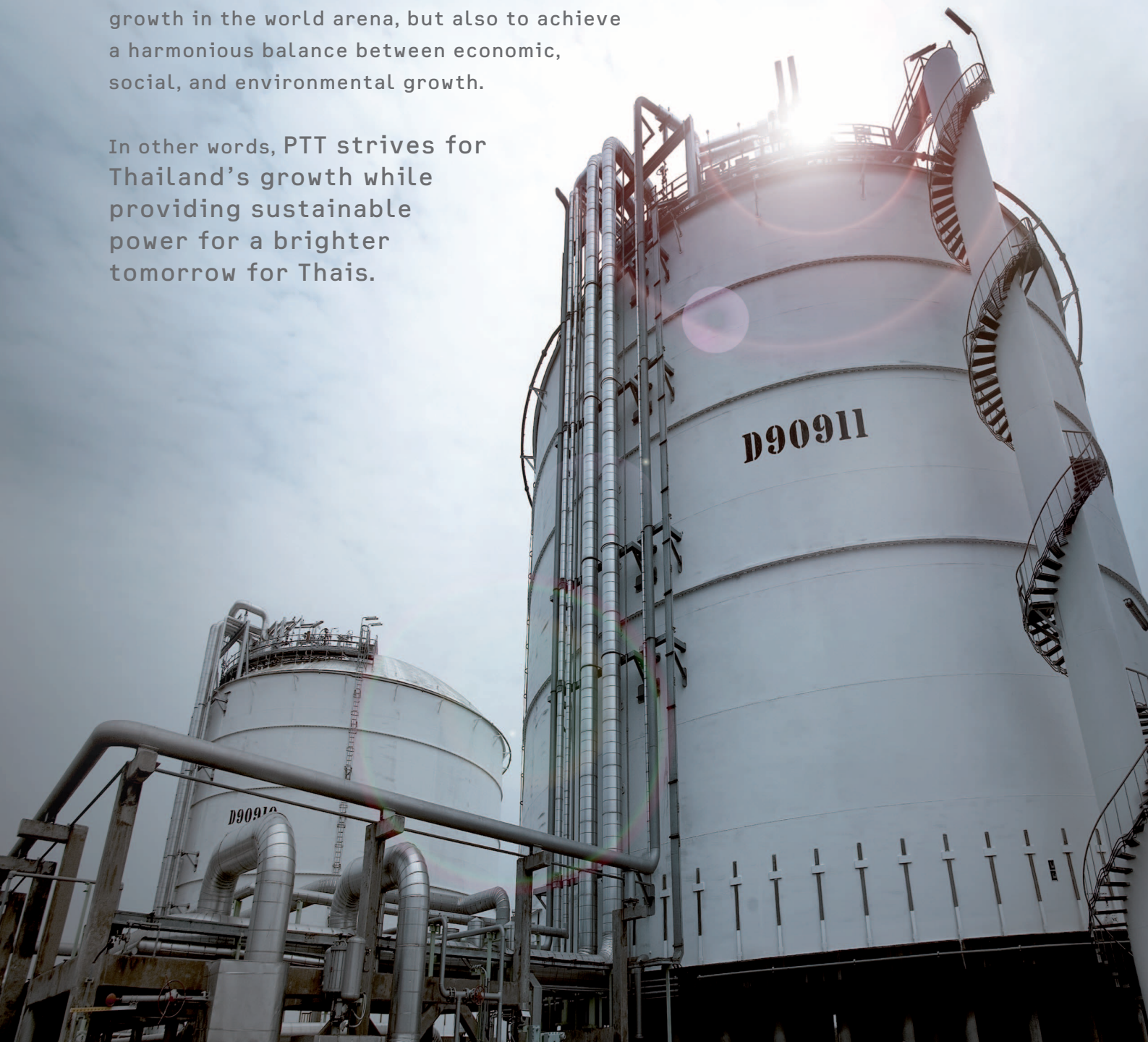


# The Dawn of “Thai Energy for Thais”

Ever since our inception, our focus has been on fostering the security of supply and laying down a firm foundation that would lead to economic potency and add value for Thailand and its people.

Our growth today has resulted from our yesteryears' dedication to excellence. Our aim is not only to foster **a national energy company** that's known for its robust growth in the world arena, but also to achieve a harmonious balance between economic, social, and environmental growth.

In other words, PTT strives for Thailand's growth while providing sustainable power for a brighter tomorrow for Thais.





# On our own feet, poised for international fame

Inspiring Thais by serving as the national energy flagship and fostering energy security, PTT has moved beyond its borders, making us proud of Thais' ability while diligently maintaining its multinational status by:

Focusing on business management execution through the PTT business groups, consisting of exploration & production and gas, oil, international trading, and petrochemicals & refining

Promoting alternative energy like Gasohol, Bio-diesel, and NGV for greater self-reliance





Transforming from a leading regional company  
to a world-class corporation, building on  
its powerful domestic status.





# Doing the right things


## Efficient organization, competent people

In improving its efficiency and human resources across the board, PTT stays committed to good corporate governance. Product and service development is constantly ongoing to further our acceptance and excellence as an integrated energy leader.

Developing organizational  
and personnel efficiency







Creating product innovation for greater value

Launching novel products and services  
for greater customers' satisfaction

**AB303**

**PROCESSING LAB**



# Firming up our base

## For the security and happiness of Thais

While reinforcing Thailand's foundation for national energy development, PTT strives for a tenacious society while taking good care of the environment to grow Thailand's security as well as smiles on the faces of Thais.

Stewardship of the environment so that our people  
may enjoy their lives in years to come





Projects to improve lives  
and fortify communities

New energy sources, innovative  
products – for greater security of supply,  
higher-value businesses, and optimum  
use of energy

โครงการวิจัย การใช้หญ้าแฝกปลูกเพื่อฟื้นฟูดินในพื้นที่ปลูกปาล์มน้ำมัน เจริญพรเกียรติ ปตท.

โดย

มูลนิธิโครงการหลวงร่วมกับกรมพัฒนาที่ดิน  
และบริษัท ปตท. จำกัด (มหาชน)





# Financial Highlights

		2005	2006	2007
<b>Statements of Income</b> (Million Baht)				
Sales Revenues		926,269	1,213,985	1,495,806
Earnings before Interest Expenses, Finance Costs, Income Taxes, Depreciation and Amortization Including Other Expenses and Income not Relevant to Operations (EBITDA)		114,045	142,675	147,346
Net Income (Loss)		85,844	95,582	97,804
<b>Balance Sheets</b> (Million Baht)				
Assets		651,223	753,192	892,351
Liabilities		371,374	397,131	493,700
Shareholders' Equity and Minority Portion		279,850	356,061	398,652
Shareholders' Equity		232,234	289,571	361,497
<b>Shares or Information about Common Shares</b>				
Shares and Fully Paid-up Share Capital	(Million Shares)	2,797.25	2,804.93	2,817.39
Book Value per Share <sup>1/</sup>	(Baht)	83.02	103.43	128.71
Earnings per Share <sup>1/</sup>	(Baht)	30.69	34.14	34.82
Dividends per Share	(Baht)	9.25	10.50	11.50 <sup>2/</sup>
Dividend Payout Ratio on Net Income	(%)	30.14	30.76	33.03
Share Price at the End of Financial Period	(Baht)	226.00	210.00	376.00
<b>Financial Ratios</b>				
Net Income on Total Revenues	(%)	8.97	7.60	6.33
Return on Equity	(%)	36.85	30.06	25.92
Return on Total Assets	(%)	15.07	13.61	11.89
Debt to Equity	(Times)	1.33	1.12	1.24
Net Debt to Equity	(Times)	0.53	0.37	0.37
Net Debt to EBITDA	(Times)	1.31	0.94	0.99
Interest Coverage	(Times)	14.10	14.51	15.49

**Notes:** 1/ Based on the weighted average number of common shares of 2,797.25 million shares (at year-end 2005), 2,799.75 million shares (at year-end 2006), and 2,808.668 million shares (at year-end 2007).

2/ Board-approved rate of February 22, 2008, to be tabled for shareholders' approval at the AGM of April 11, 2008.



## Sales Revenues

Unit : Million Baht

926,269

Growth 31%

1,213,985

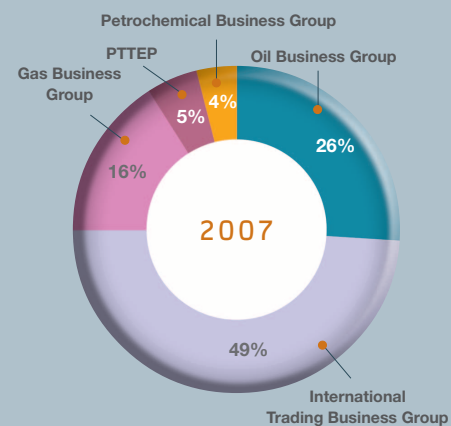
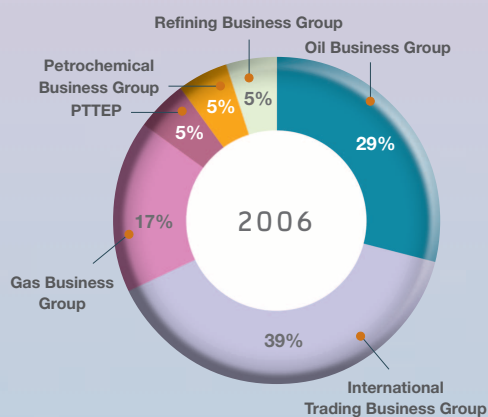
Growth 23%

1,495,806

2005

2006

2007



## Net Income

Unit : Million Baht

85,844

Growth 11%

95,582

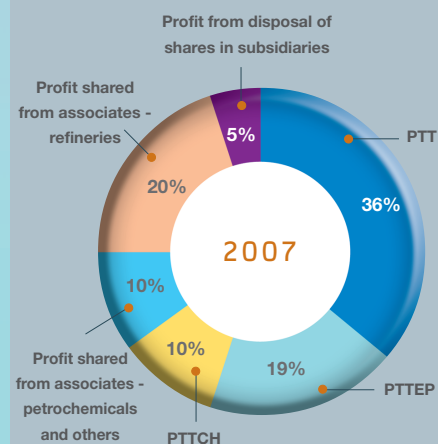
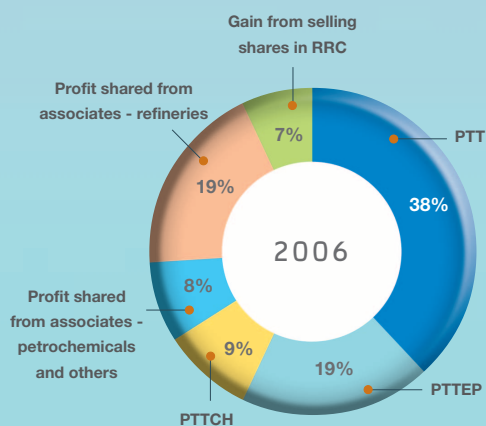
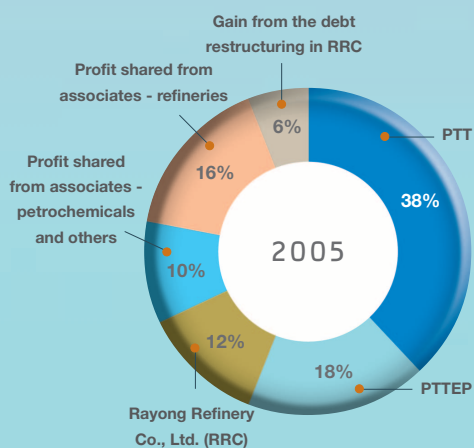
Growth 2%

97,804

2005

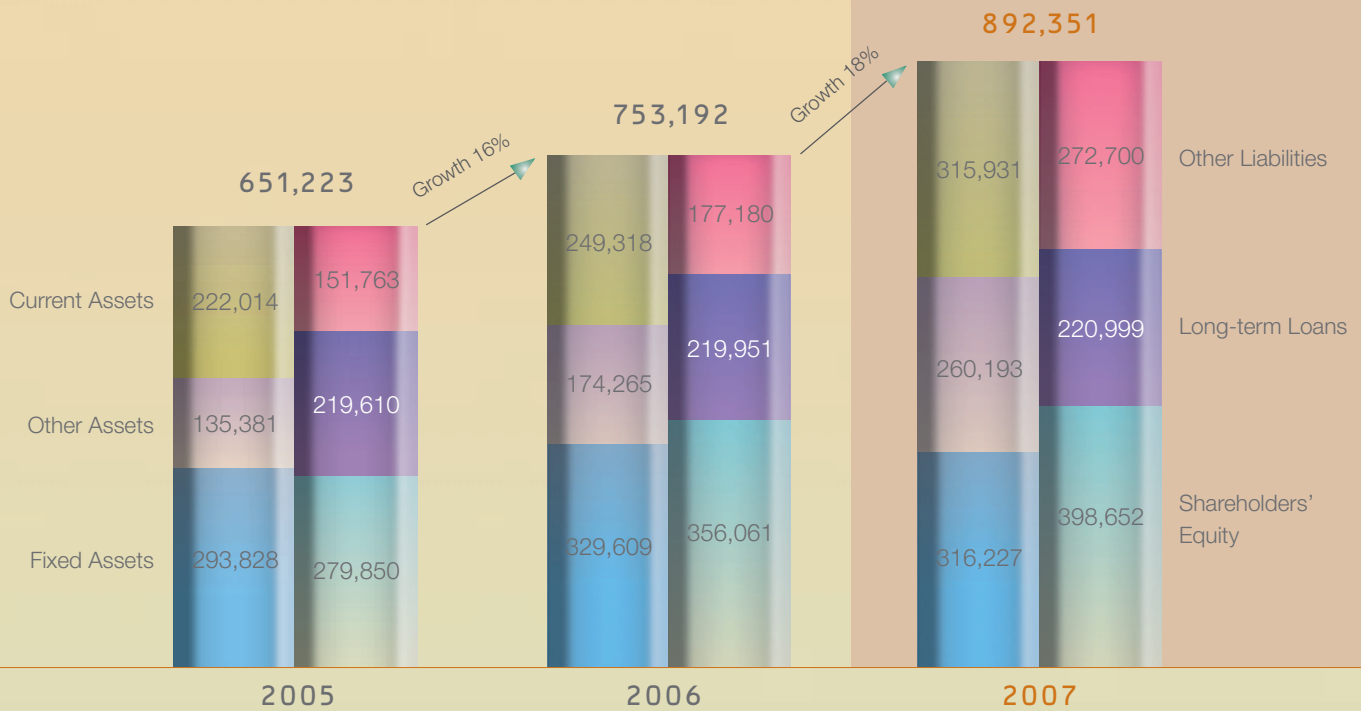
2006

2007

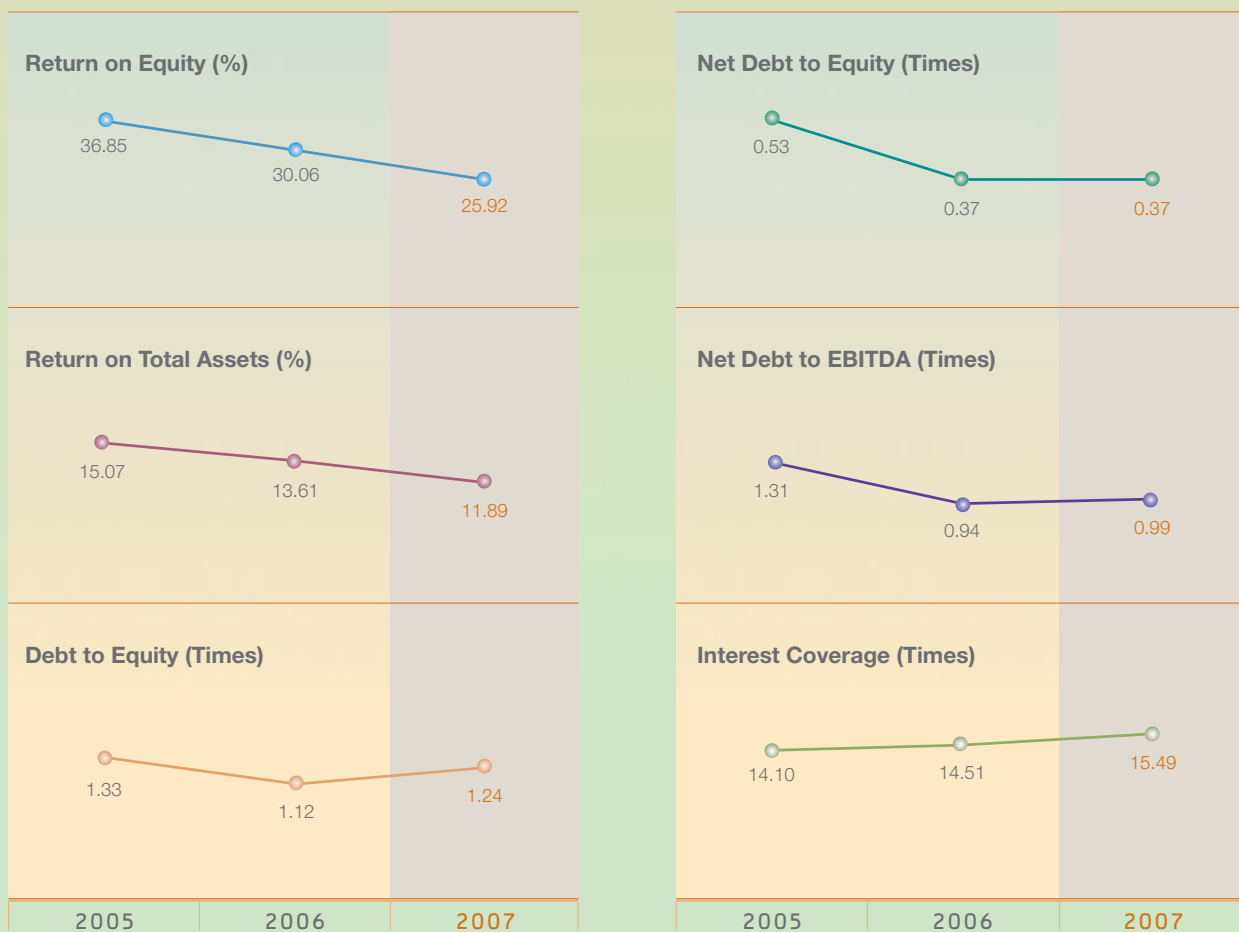


## Balance Sheets

Unit : Million Baht



## Financial Ratio





## PTT Information

<b>Name :</b> PTT Public Company Limited	
<b>Initial :</b> PTT	
<b>Registered Number :</b> 0107544000108	
<b>Type of Business :</b> Engage in integrated gas and petroleum business, and other support activities, including a dominant position in oil and investment in related business.	
<b>Number of Employee :</b> As of December 31, 2007, employees of PTT, its Subsidiaries and Jointly controlled entities numbered at: 10,630	
● PTT Plc. (PTT)	3,288 <sup>1/</sup>
● PTT Exploration and Production Plc. (PTTEP)	1,982
● PTT (Cambodia) Co., Ltd. (PTTCL)	72
● Subic Bay Energy Co., Ltd. (SBECL)	90
● Retail Business Alliance Co., Ltd. (RBA)	817
● PTT International Trading Pte., Ltd. (PTTT)	9
● PTT Natural Gas Distribution Co., Ltd. (PTTNGD)	81
● PTT LNG Co., Ltd. (PTTLNG)	22
● PTT Phenol Co., Ltd. (PPCL)	- <sup>2/</sup>
● PTT Chemical Plc. (PTTCH)	- <sup>2/</sup>
● PTT Polymer Marketing Co., Ltd. (PTTPM)	98
● PTT Utility Co., Ltd. (PTTUT)	- <sup>2/</sup>
● Energy Complex Co., Ltd. (EnCo)	24
● PTT ICT Solutions Co., Ltd. (PTTICT)	- <sup>2/</sup>
● PTT Polymer Logistics Co., Ltd. (PTTPL)	37
● PTT Retail Business Co., Ltd. (PTTRB)	3,662
● Combined Heat and Power Producing Co., Ltd. (CHPP)	1
● PTT International Co., Ltd. (PTT INTER)	- <sup>3/</sup>
● PTT Green Energy Co., Ltd. (PTTGE)	- <sup>3/</sup>
● Trans Thai - Malaysia (Thailand) Ltd. (TTM (T))	161
● Trans Thai - Malaysia (Malaysia) Ltd. (TTM (M))	5
● District Cooling System and Power Plant Co., Ltd. (DCAP)	11
● PTT Asahi Chemical Co., Ltd. (PTTAC)	- <sup>3/</sup>
● PTT HMC Polymer Co., Ltd. (HMC)	270
<b>Location :</b> 555 Vibhavadi Rangsit Road, Chatuchak, Bangkok 10900, Thailand	
<b>Telephone:</b> 0-2537-2000	
<b>Telefax :</b> 0-2537-3498-9	
<b>Website :</b> http://www.pttplc.com	
<b>Registered Capital :</b> Baht 28,572,457,250, including 2,857,245,725 common shares, Baht 10 per share (as of December 31, 2007)	
<b>Paid-up Capital :</b> Baht 28,173,881,250, including 2,817,388,125 common shares, Baht 10 per share (as of December 31, 2007)	
<b>References</b>	
<b>Share Registra :</b> Thailand Securities Depository Company Limited 4 <sup>th</sup> Floor, SET Building, 62 Ratchadaphisek Road, Klongtoey, Bangkok 10500, Thailand	<b>Auditor :</b> Office of the Auditor General Rama VI Road, Phayathai, Bangkok 10400, Thailand
<b>Telephone:</b> 0-2359-1200-1	<b>Telephone:</b> 0-2618-5803
<b>Telefax :</b> 0-2359-1259	<b>Telefax :</b> 0-2618-5807

**Notes:** <sup>1/</sup> The number of PTT employee does not include PTT secondments in its Group.

Employees in PTT Group include secondment from PTT and others in the Group.

<sup>2/</sup> The total number is not included employee in 4 subsidiaries, which are 2,451 of PTTCH, 258 of PTTICT, 125 of PPCL, and 71 of PTTUT; due to the change from subsidiary to associate since November 9, 2007.

<sup>3/</sup> No employee in PTT INTER, PTTGE and PTTAC

## Message from the Board of Directors



**(Mr. Norkun Sitthipong)**

Chairman

**(Mr. Prasert Bunsumpun)**

President

It was truly an auspicious year when His Majesty King Bhumibol Adulyadej graciously turned 80, and Thais took this opportunity to express their loyalty and gratitude to His Majesty, who has served as a role model for perseverance and persistence throughout decades of selfless dedication to his people. His initiatives on self-sufficiency have inspired PTT Plc., among others, to adopt the concept for its business mission for energy security along with the stewardship of society, communities, and the environment. To honor His Majesty and turn his initiatives into comprehensive, concrete actions, we recently launched the “Rak Pa, Sang Khon, 84 Tambon Withi Phaw Pheang” (Forest Conservation, Human Strengthening in 84 Subdistricts under Sufficiency Path) program, to be carried out in four consecutive years for dedication to His Majesty on his 84<sup>th</sup> Birthday Anniversary in 2011.

**Our performance in 2007 as a whole saw continued improvement,** whether in supplementing our competitive business advantage or in maximizing our potential through investment expansion, mergers and acquisitions, and interweaving of our business chains – all these under efficient management and synergy. As a result, compared with last year, PTT Group garnered 23.2% more in sales revenue, which rose to Baht 1,495,806 million, 3.3% more in EBITDA to Baht 147,346 million, and 2.3% more in our net profit to Baht 97,804 million. Today PTT remains the largest single entity on the Stock Exchange of Thailand (SET) with a market capitalization of Baht 1,059,183 million as of year-end 2007, which accounted for about 16% of the entire bourse.

**PTT's Exploration & Production and Gas Business Group** sold 3,272 MMcf/d, a 6.1% rise from 2006 as a result of the commissioning of the Third Gas Pipeline in the Gulf from Erawan Field to Rayong and the rising deliverability of the western gas transmission system thanks to compressor installation. The total GSP (Gas Separation Plant) product sales this year registered an 7.5% rise to 3,944,103 tons. The year saw continued expansion in the gas market for maximum leverage, especially for urban

consumption, and intensified promotion of NGV (Natural Gas for Vehicles) in place of oil products and expansion to cover cargo ships and passenger boats – as part of our effort to relieve the public's cost of living while preserving our environment.

**The Oil Business Group** continued its No. 1 hold onto the market share for the 15<sup>th</sup> consecutive year thanks to our research and development to derive products of the highest standard while also striving for alternative energy. The year saw our launch of PTT Gasohol Plus 91, after our pioneering sale of PTT Gasohol Plus 95 nationwide. Our biggest, pilot solar-powered service station on Bang Na – Trat Highway (km. 14) in Bang Phli, Samut Prakan, represented our other pride. We jointly investigated the feasibility of commercially generating electricity from wind power in the South. We paid attention to service station quality and standards with rebranded outlets in addition to taking over the retail business of JET/Jiffy at 146 service stations nationwide from ConocoPhillips to expand our oil business for maximum consumers' satisfaction.

Greater competitive potential and profitability characterized our **International Business Trading Group**, engaged in the supply, import, export, and international trading of a total volume of 47,661 million liters – a 35.1% rise from the previous year – a huge step toward supporting PTT Group.

To enable PTT Group management to restructure its business for longer-term competitiveness, the **Petrochemical and Refining Business Group** amalgamated two companies with related businesses, namely Rayong Refinery Plc. and The Aromatics (Thailand) Plc.

As regards **social, community, and environmental responsibility**, we are determined to improve ourselves even further. A clear example in 2007 was the improvement of the herbal garden in Rayong to house knowledge about Thai herbs under the "pleasant learning garden" concept, which reached out to the public to jointly take care and make the best use of it. Another was the implementation of a continuing program to develop and campaign for the use of vetiver, resulting from His Majesty the King's initiative, for the second year. PTT also hosted the 24<sup>th</sup> World University Games, sponsored the 24<sup>th</sup> SEA Games, held in Nakhon Ratchasima, and sponsored youth tennis and professional tennis tournaments to foster the potential of Thai tennis players.

Still, our indicator of success today lies not in the ability to keep up our credibility, attested by international and domestic institutions alike, but we have been outperforming ourselves in efficiency. We were the only Thai firm ranked among the world's 500 largest by Fortune Magazine for the fourth year, improving from number 456, 373, 265, to 207 in 2007; from Forbes Magazine, improving from number 372 to 354 in 2007; and from Platt's Magazine, improving from number 31 to 27 in 2007 – not to mention several other acclaims from international and domestic institutions alike during the past year.

Such outstanding performance in 2007 resulted from PTT's clear business strategy and direction, coupled with the capability of our management, which turned our vision into reality – continuously and tangibly – thereby giving us international management quality. Our collective dedication over the past 29 years to fostering energy security has accumulated such a useful body of knowledge that supplements value to our nation, which is bound to lead to sustainable development. The Board of Directors therefore thanks all PTT's shareholders, customers, business partners, the public sector, financial institutions, the mass media, employees, and the public for their excellent trust and support.



## Report of the Audit Committee



**(Mr. Olarn Chaipravat)**

Chairman, Audit Committee

The Board of Directors appointed the Audit Committee (“the Committee”), consisting of three independent directors knowledgeable in finance and organization management, namely:

- |                                   |          |
|-----------------------------------|----------|
| 1. Mr. Olarn Chaipravat           | Chairman |
| 2. Mr. Suchart Thada-Thamrongvech | Member   |
| 3. Khunying Jada Wattanasiritham  | Member   |

During the year, the Committee held 11 meetings with the Management and relevant departments, one of which was with the Management alone. Other meetings were meant to allow critical departments to present their performance, risk management practices, and operating problems and obstacles. The Committee held quarterly meetings with the Office of the Auditor-General (OAG), which served as PTT’s external auditor, to review financial statements, audit plan, and the OAG’s audit independence.

During the year, the Committee performed its duties as assigned by the Board and in compliance with the criteria and practical guidelines governing the Committee, in line with the regulations of the Stock Exchange of Thailand (SET), namely review of financial statements; review of risk management; review of internal audit assessment; review of connected transactions; and oversight of internal audits, as summarized below.

**Review of quarterly, annual, and consolidated financial statements.** This was meant to ensure that PTT observed the accounting standard under the Accounting Act B.E. 2543 (2000) and the relevant announcements of SEC and SET; that its accounting procedures and financial statements were both accurate and reliable; that adequate and timely information was disclosed in financial statements for the benefit of investors or potential investors. The Committee reviewed with the auditor

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.

**Review of risk management.** To ensure acceptable risk management practices, the Committee directed PTT Group's work by reviewing the risk management plan of 2007 and reviewing quarterly achievements against the plan. The Committee made recommendations on dealing with major risks for PTT Group, including financial and investment risk management, with a focus on PTT Group's stringent control on investment and risk management of assets and liabilities in foreign currencies. The key is for these to remain balanced and suitable.

**Review of internal audit assessment.** Together with the external auditor and the chief of the office of corporate audit, the Committee revised and reviewed the internal control system and came to the following conclusions. PTT has an adequate internal control system for its business and achieves the objectives of internal control as far as efficiency and efficiency of resource utilization are concerned. This latter part includes due care of properties and prevention or minimization of defects, losses, waste, and fraud. The Committee also investigated the reliability of financial and operation reports, compliance with laws, rules, regulations, and Cabinet resolutions. The auditors 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 its internal control was both adequate and effective.

**Review of connected transactions.** The Committee looked into connected transactions conducted by the Exploration & Production and Gas Business Group, the Oil Business Group, the Petrochemical and Refining Business Group, and Head Office, all of whom were engaged in business transactions with subsidiaries and associated companies, to ensure that these were conducted at arm's length.

**Oversight of internal audit.** The Committee reviewed the annual audit plan and the three-year audit plan based on PTT's risk profile, which was in line with the organizational strategies and direction. The audit findings were reviewed and recommendations given to follow up correction of those items considered significant to bring about good corporate governance and sufficient internal control. The Committee approved PTT's amended regulations concerning the internal audit and a manual on internal audit 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 the chief.

**Self-Assessment.** The Committee conducted individual (through cross assessment) and collective self-assessment. For the 2007 performance, either method yielded "very good" findings.

**Review of audit plans and audit independence.** The Committee chose the auditor for PTT and recommended its fee to the Board, which would in turn table it for the approval of the shareholders at their annual meeting in 2008. The proposal is to appoint the OAG as the auditor for 2008.

The Committee values internal control and continuous risk management so that PTT may command these same qualities in line with its business, together with reliably accurate accounting practices and financial statements, and compliance with relevant laws and regulations.





## World Petroleum Overview

### World Overview

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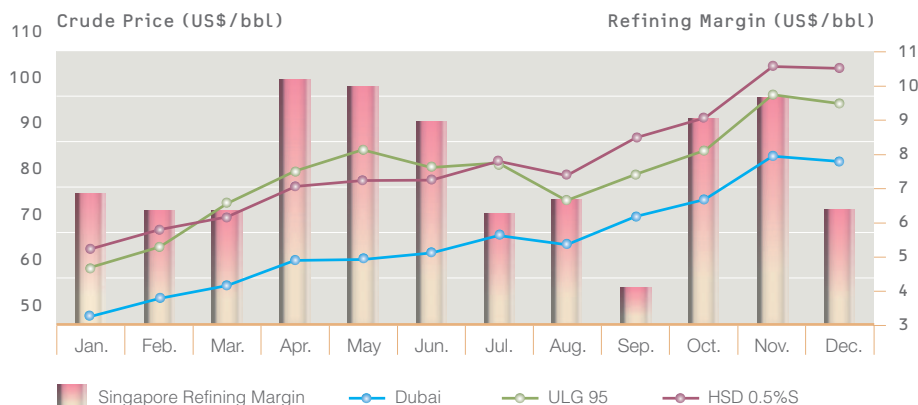
The volatility of the world financial market resulting largely from the subprime problems of the US has caused widespread damage, including a credit crunch, which in turn affected the US financial sector and soon spread to Europe and Asia. Meanwhile, the continually weakening US dollar mobilized capital flow to lower-risk assets and speculation in the global commodity market, causing oil and gold prices, among others, to rise. For the year, the IMF estimated global GDP growth at 4.9%, led by emerging markets and developing countries, whereas the economies of Europe, Japan, and the US in particular slowed down from the previous year.

Due to supply worries, Dubai crude averaged US\$ 68.4/bbl in 2007, up US\$ 6.9/bbl or 11.2% from the previous year. Several factors brought about this situation:

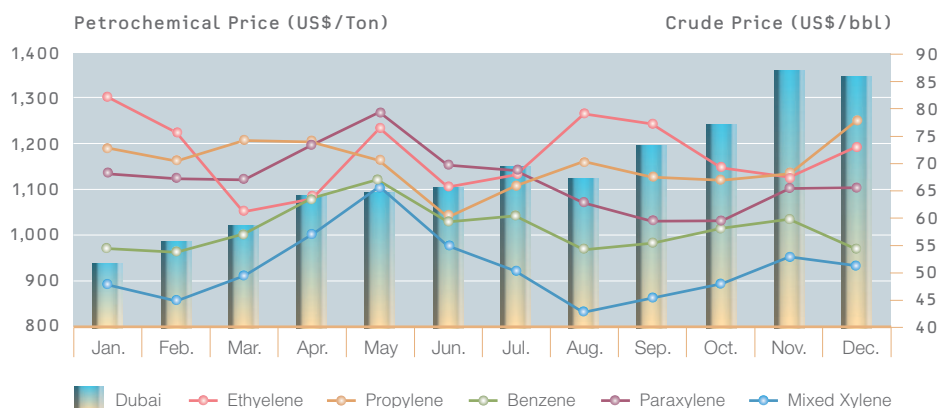
- Dramatic rises in already high production costs
- A shortage of skilled manpower in exploration and production
- Nationalistic sentiment in oil-producing countries contributing to sluggish and inefficient development of resources
- Unrest in oil-exporting countries like Nigeria, Iraq, and Iran
- Sluggish development of alternative energy, which still needed state subsidies.

Meanwhile, global oil consumption kept rising by about 0.8 MMbbl/d due to high demand from the US and emerging economic powers, including China and India – partly because of domestic fuel price subsidies in such countries. The weakening dollar led to speculation, particularly during the last quarter of the year, after the US Federal Reserves had announced interest rate cuts to stimulate the economy – thereby causing the common belief that oil demand would not go down.

### Prices of Dubai Crude, Refined Products, and Gross Refining Margin in 2007



### Prices of Dubai Crude and Petrochemical Products in 2007



World crude distillation capacity expanded by a mere 0.7 MMbbl/d to 87.7 MMbbl/d during the year, causing the refining capacity to be tight and the refined product prices, as well as the gross refining margin, to rise further and fluctuate even more. For the year, the margin (Dubai Cracking Singapore Refinery) averaged US\$ 7.6/bbl. The same applied to petrochemical prices, which topped US\$ 1,000/ton for the second year in a row due to the continuing high demand but little new supply. This unexpected tight supply resulted from rising project costs, manpower shortage, technical problems, and annual maintenance shutdowns.

### Domestic Overview

The Thai economy of 2007 was driven mainly by the export sector, which expanded considerably despite the baht appreciation, aided by the disbursement of state expenditure. Meanwhile, consumption and private investment still showed signs of slowing down from the previous year but improved in the latter half of the year, thereby contributing to a 4.8% rise in GDP this year. The annual inflation rate dropped to 2.3% and the baht averaged 34.6 to the dollar – the third most strengthen currency next to the Philippines peso and the Indian rupee.

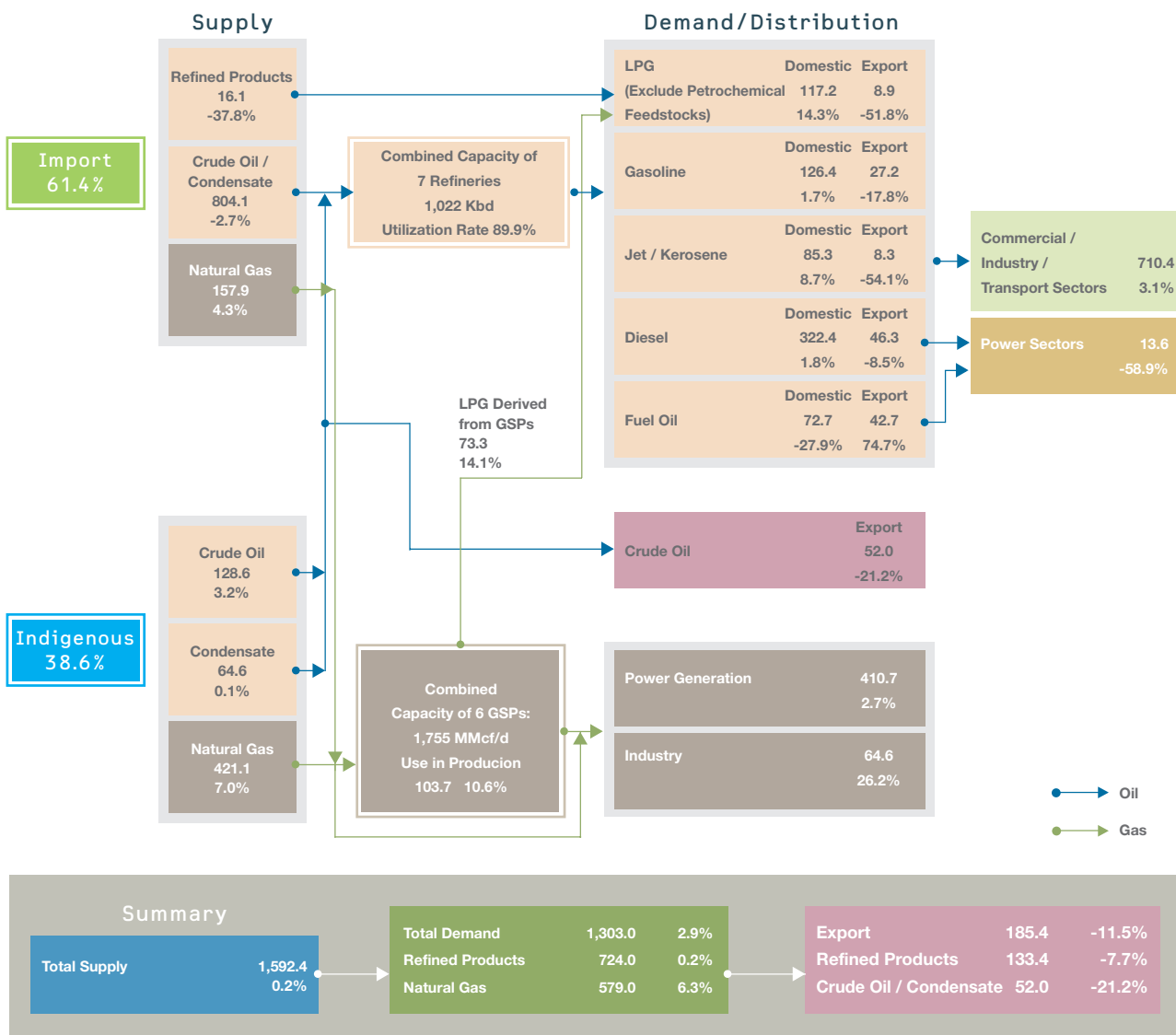


Petroleum consumption consisted of crude oil and natural gas, amounting to 1,303 Kbd equivalent, a 1.8% rise from the previous year. Natural gas (including NGV) application in the industrial sector topped the growth list at 26.2%, followed by LPG application, at 14.3%, thanks to the government's continued price subsidy. Nevertheless, the government

announced a price float for LPG at year-end to alleviate the burdens of the Oil Fund, under which domestic retail prices of LPG would be gradually rising with ex-refinery world market prices, with a maximum discrepancy of 40%. Meanwhile, fuel oil consumption dropped the most (27.9%) with the completion of the Third Gas Pipeline, which led to greater volumes of

### Thailand's Petroleum Balance in 2007\*

Unit : Kbd



Source: PTIT, EPPO, PTT

**Notes:** \* The Ministry of Energy decided to postpone the price revision quoted at the refineries in order to ease the public burden from rising cost of living. The Ministry also fixed the LPG price at Baht 18.13/kg. from March to July 2008. Revision on LPG pricing formula will be made after July 2008 in which dual pricing could possibly be adopted between household price and industries / transportation price.



natural gas being substituted for fuel oil in power generation. For the year, total petroleum procurement for use as fuel and petrochemical feedstock from domestic supply and imports amounted to 1,592.4 Kbd equivalent, a 0.2% rise from the previous year, whereas dependence on imports came to 61.4%. Petroleum exports dropped by 11.5% to 185.4 Kbd largely because of the 21.2% drop in crude oil exports while the domestic call for refined products expanded marginally (0.2%), compared with the 2% drop a year before. Domestic consumption of petrochemicals expanded with the economy and exports largely went to China, where demand was substantial.

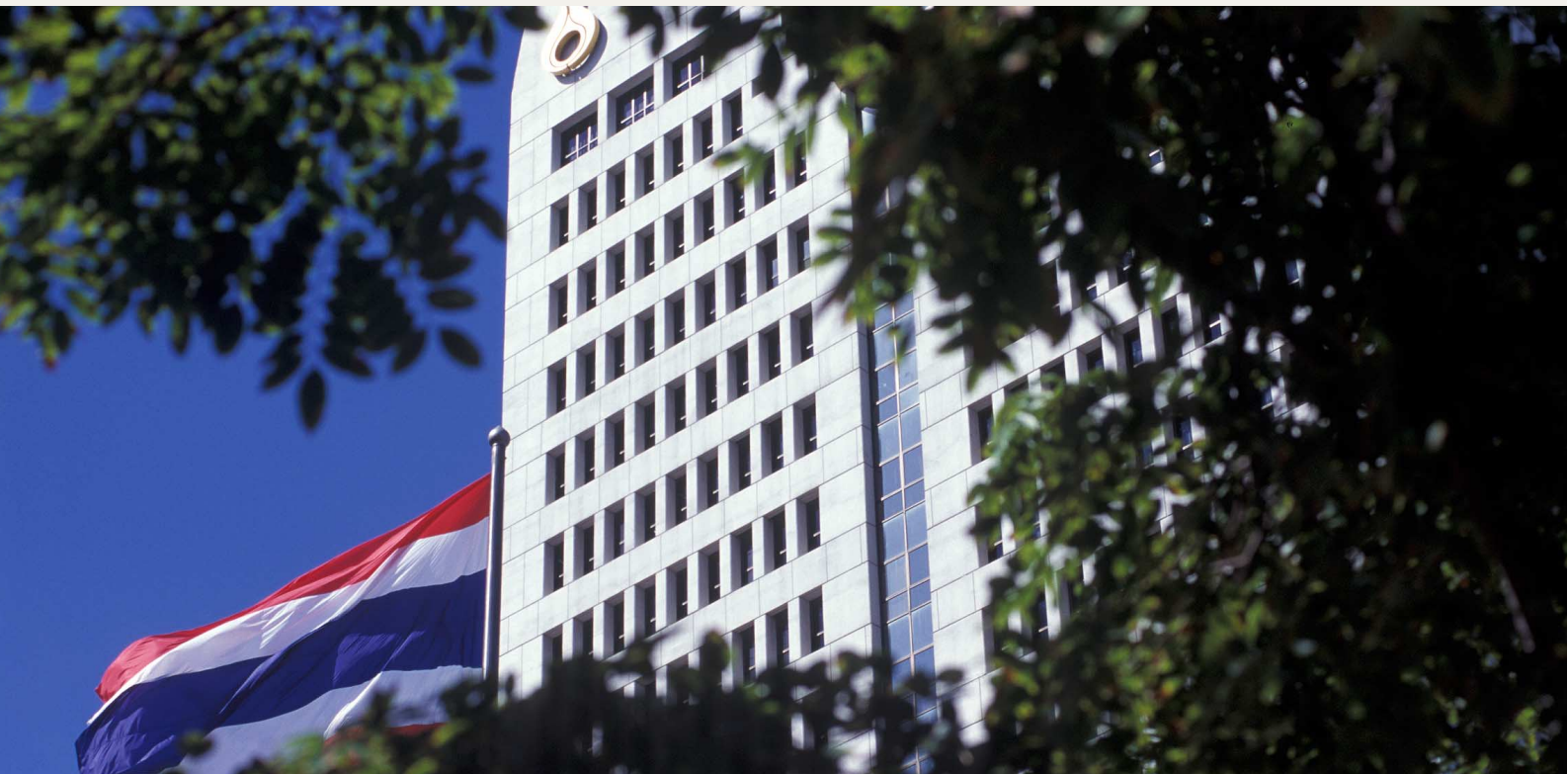
## Outlook for 2008

According to the IMF, the global economy will be growing by 4.1%, a 0.8% fall from that of 2007. This is largely due to the slowdown in the US economy that could develop into a recession, ignited by the subprime problems and the downgraded real-estate sector there – thereby depressing the US demand, which in turn affects the export sectors and the economic trends of Europe, Japan, and emerging countries. In addition, the volatile high prices of oil and agricultural products, coupled with the rising wages and costs of raw materials, will intensify inflationary pressure, harming global economic expansion. Meanwhile, the dollar seems to continue weakening in line with the US economy. It is expected that the US will maintain its relaxed financial policy following the reduction in policy interest rate of 1.25% to 3% - twice in the month of January 2008 alone. Emerging economies like China and India may be conducting more stringent economic policies to keep their inflation and overheating economies in check. Meanwhile, the weakening US dollar and gaps in interest rates are bound to not only spur speculation, but also intensify the turbulence of the global financial market.

Demand and supply for the year will be more or less in balance at 86.4 MMbbl/d, with a rise in supply of about 1.6 MMbbl/d coming from non-OPEC countries for the most part (around 1 MMbbl/d) and a rise in demand of 0.8 - 1.0 MMbbl/d. Nevertheless, the above-mentioned supply worries, coupled with commodity price speculation amid turbulent financial and capital markets, will combine to keep the price of the volatile Dubai crude at an average of US\$ 75 - 85/bbl. This could be on the low side if the world or US economy (or both) faced an excessive slowdown or fell into a recession, thereby lowering the oil demand. Under this scenario, the refining margin and the prices of refined products would drop. Petrochemical prices, meanwhile, are expected to remain elevated despite the emerging down-cycle of petrochemical prices, supported by delays in new projects in the Middle East and Asia. At any rate, the trough of this cycle is expected in 2010 - 2011.

Working against the expansion of the Thai economy in 2008 are the trend of the global economy and partner countries, the appreciating baht, the elevated oil prices, and the accelerating inflation. On the other hand, the domestic economy is expected to be expanding with its gradual recovery in response to greater public confidence, the conduct of the budget deficit policy for the second year in a row to spur the economy, and the acceleration of infrastructural megaproject investments. These will restore the balance in the dramatic economy and enable it to sustain the volatility caused by external factors, evident in our past heavy dependence on exports. In 2008, the Thai economy is expected to grow by 4.5 - 5.5% while the call for refined products is expected to grow by 0.5 - 1.5%. Natural gas consumption is expected to expand by 10% for use in the transport sector, the power sector in place of fuel oil, and the industrial sector. Finally, the demand for petrochemicals is likely to grow by 6.0 - 7.5% in 2008.





## Performance Review

Thanks to our robust business conduct, PTT Group fared remarkably well in 2007, characterized by investment expansion, takeovers and mergers, restructuring of business chains for more synergy and integration, generation of values, and elevation of product and service standards to the maximum through environmental innovation. We believe that our management efficiency and business synergy are going to supplement our long-term business potential while strengthening our competitiveness to prepare ourselves to become Thailand's transnational energy conglomerate as well as a social and an economic engine of sustainable growth.

### Exploration & Production and Gas Business Group

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The volumes of gas and products sold by gas separation plants (GSPs) expanded this year in keeping with the prices of petroleum and petrochemical products, coupled with business expansion to capture greater value from natural gas applications and create maximum value from natural gas, and the gas transmission network expansion to meet demand and foster natural energy security.

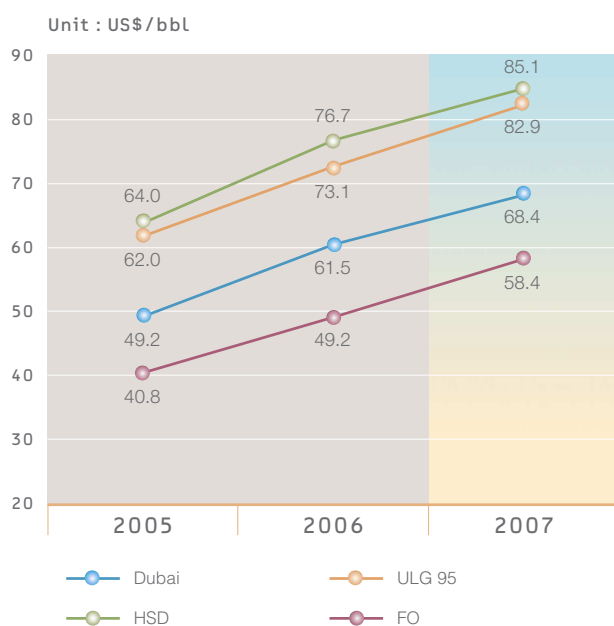
### Petroleum and petrochemical prices

Petroleum and petrochemical prices (both olefins and aromatics) remained elevated, as they did in the previous year. Saudi Arabia - based LPG averaged up US\$ 512/ton from last year to US\$ 607/ton, Southeast Asian spot ethylene and propylene averaged up US\$ 1,168/ton and US\$ 1,132/ton up to about US\$ 1,189/ton and US\$ 1,155/ton respectively, benzene averaged up from US\$ 865/ton to US\$ 1,020/ton, and paraxylene decreased from US\$ 1,167/ton to US\$ 1,148/ton in 2007.

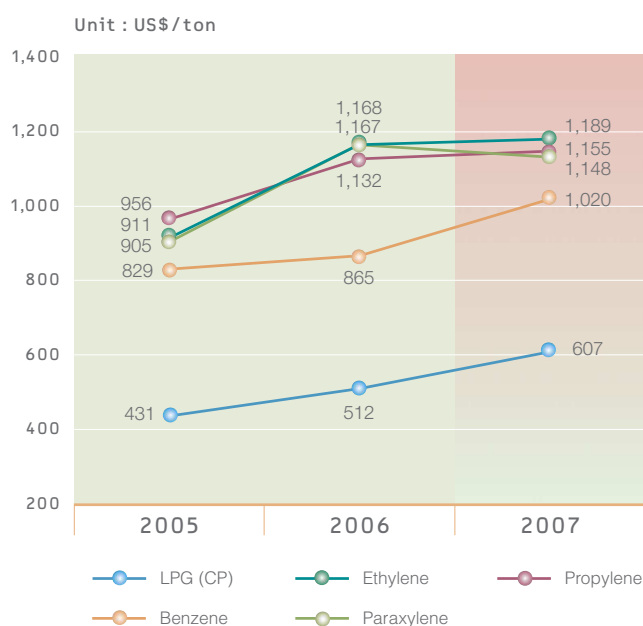
### Gas distribution

Gas distribution in 2007 averaged 3,272 MMcf/d, a 6.1% rise from the previous year, with the completion of the Third Gas Pipeline (phase 1) in the Gulf of Thailand and its commercial operation on March 27, coupled with the rising deliverability of the western transmission system thanks to the installation of gas compressors – which enabled PTT to receive more gas produced by Chevron and Yadana Field. Meanwhile, Phu Hom Field in the Northeast provided more gas to the system. About 2,349 MMcf/d was supplied to power producers, a 3.4% rise, in line with the country's greater demand, industrial and transport users averaged 351 MMcf/d, a 23.2% rise, and GSPs recorded an average gas intake of 572 MMcf/d, a 8.5% rise. In other words, power producers accounted for 72%, industrial and transport users 11%, and GSPs 17%. Indigenous sources took the lion's share of 72% and gas imports from Myanmar the remaining 28% of the supply side.

### Petroleum Price

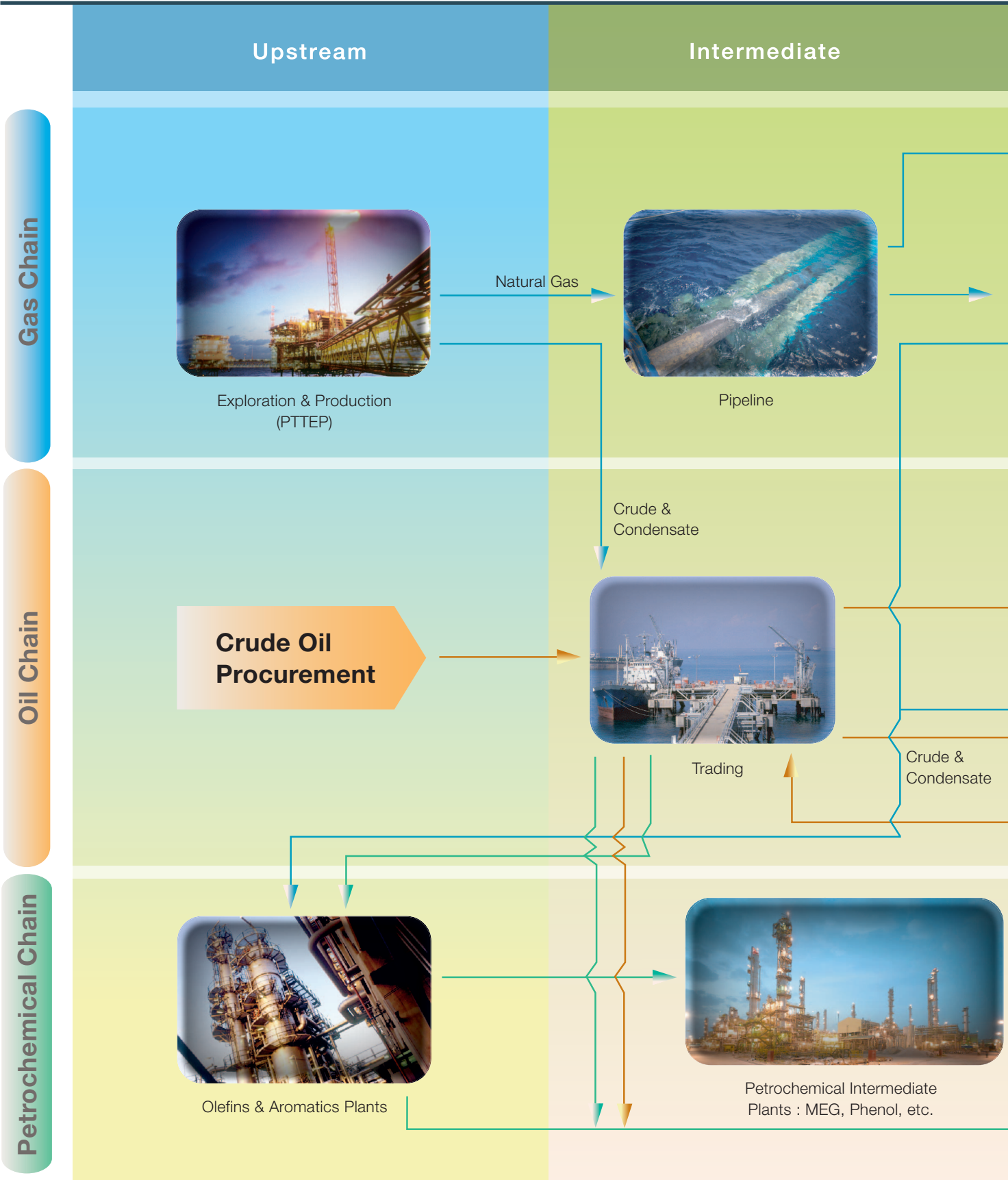


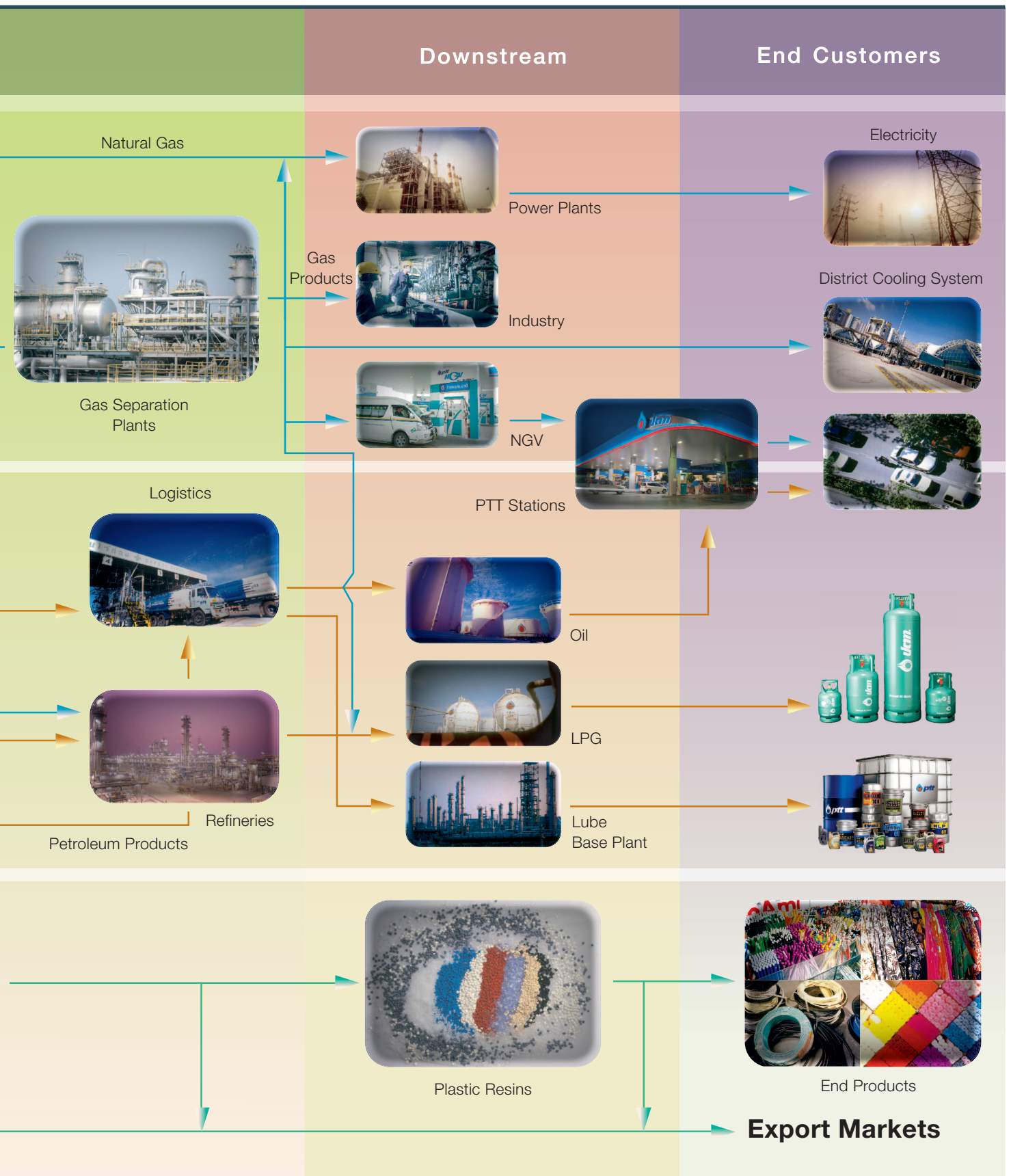
### Petrochemical Price





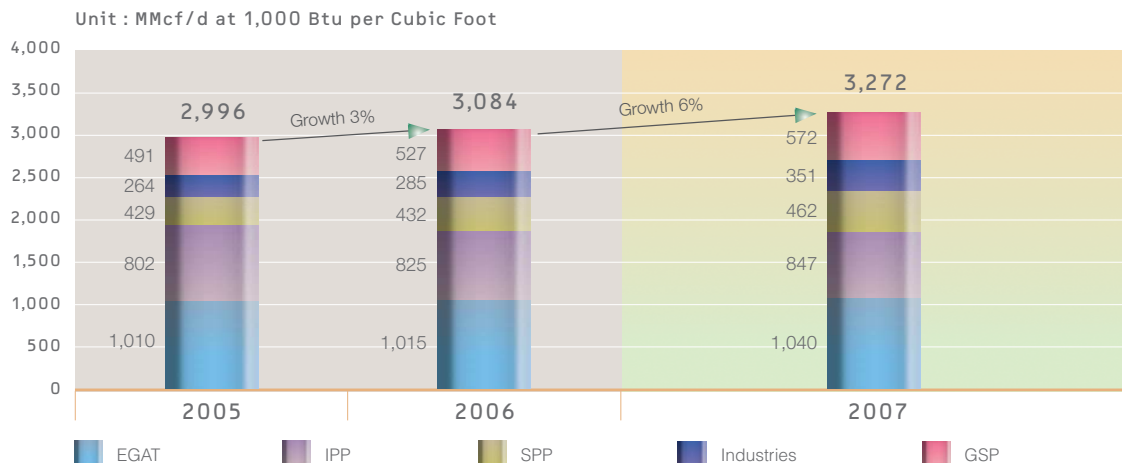
Create Value Through Business Chain



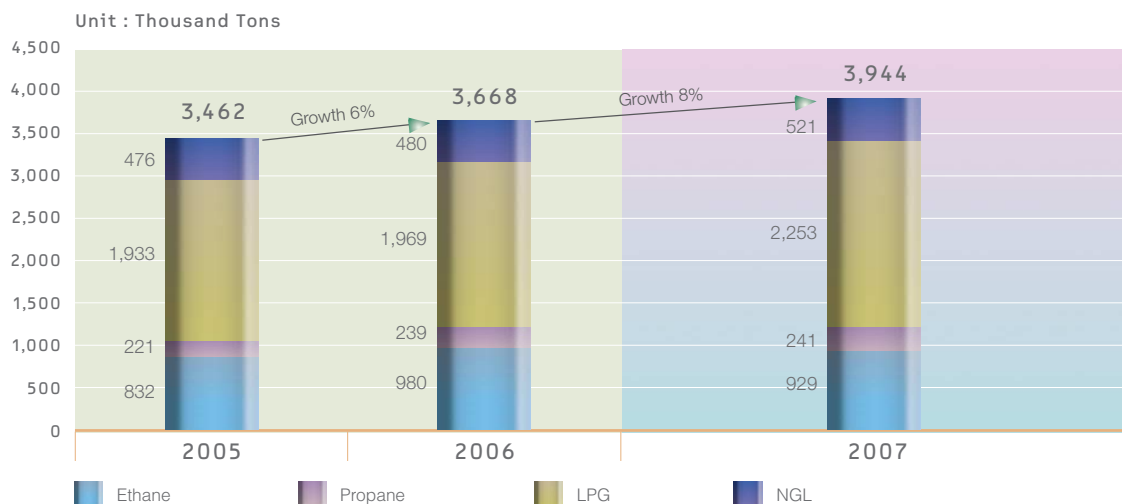




## Gas Sales



## Gas Product Sales



### Distribution of GSP Products

Distribution of these amounted to 3,944 thousand tons, an 8% rise from the previous year. Thanks to continuous efficiency improvement at the GSPs, the capacity utilization rates remained high – all five units boasted a combined capacity of 1,780 MMcf/d. GSP products, including ethane, propane, LPG, and natural gasoline continued to serve as petrochemical feedstock and fuels for domestic use and exports.

## Highlight of Exploration & Production and Gas Business Group

### Securing Supply

- The third gas pipeline in the Gulf, from Erawan Field to Rayong, delivered its first gas on March 27, 2007 at an average rate of 170 MMcf/d, with the increment coming from Chevron's

acreage. This will rise to roughly 700 MMcf/d when Arthit Field and A18 Field of the Malaysia - Thailand Joint Development Area (JDA) come on stream in early 2008, and eventually to 1,900 MMcf/d with the installation of compressors in early 2010.

- PTT signed a gas sales agreement (GSA) for the Unocal 123 fields with Chevron Thailand Exploration and Production (CTEP), Mitsui Oil Exploration, and PTT Exploration and Production Plc. (PTTEP), thereby unifying both current contracts (Unocal 1 and Unocal 2/3) for greater production efficiency and maximum exploitation of natural resources – as the fields under both contracts not only are in the same vicinity, but can share production facilities and planning. As a result, the natural gas sales volume will be rising from 740 to 1,240 MMcf/d from 2012 onward.



PTT Signed a Gas Sales Agreement (GSA) for the Unocal 123 Fields.



- PTT signed a floating production, storage, and offloading (FPSO) GSA with PTTEP, governing about 120 MMcf/d of gas from Arthit North Area for three years, with the first gas delivery in the third quarter of 2008.

- PTT formed Combined Heat and Power Co., Ltd., to undertake power generation and cogeneration from natural gas for Bangkok Metropolitan Agency Government Agency Center on Chaeng Wattana Road in Bangkok and in other areas as well, with a registered capital of Baht 500 million, wholly owned by PTT.

- PTT formed PTT International Co., Ltd., (PTT INTER) as its representative for investment in assorted international projects on natural gas, energy, and related businesses. With a registered capital of Baht 100 million, this company was wholly owned by PTT.

- PTT, Electricity Generating Co., Ltd. (EGCO), Wind Energy Generating Co., Ltd. (WEGCO), and Eurus Energy Japan Corporation (EURUS) jointly investigated the feasibility of developing Thailand's first commercial wind-energy power generation project on the southern seaboard with a capacity of 35 megawatts (MW.).

### Expanding the Market

- PTT and EGAT signed a 25-year gas sales agreement to fuel the 730-MW Chana power plant in Songkhla at a peak delivery rate of 114 billion Btu per day from JDA gas, beginning in May 2008.

- PTT and Central Pattana Plc. jointly investigated the feasibility of a combined heat and power project fueled by natural gas for shopping centers under the major domestic retailer.

- PTT International Co., Ltd., wholly owned by PTT, took over 36.75 million shares formerly held by East Mediterranean Gas Company S.A.E. (EMG), or about a quarter of the company, at US\$ 13.25 per share, for a total of US\$ 486.9 million. Registered in Free Zone, Egypt, EMG was the sole company entitled to lay pipelines from Egypt to Israel. The purchase aligned with the policy of PTT Group to expand its business to countries with high petroleum potential.

- PTT and JOGMEC (Japan Oil, Gas, and Metals National Corporation) jointly investigated the feasibility of a Gas to Liquids Technology project (GTL) to produce clean and environmentally friendly products, including diesel.



Signed a Gas Sales Agreement to Fuel Chana Power Plant in Songkhla.



PTT Signed an MOU (Memorandum of Understanding) with Central Pattana Plc. on a Combined Heat and Power Project.



# Natural Gas Transmission Pipeline System and Gas Separation Plants



## PTTEP Projects







An NGV Promotion Project



Bangkok Clear Sky with NGV

### Natural Gas for Vehicles (NGV)

• PTT implemented the government's policy of promoting NGV in place of refined products, which, at year-end 2007, saw a total of 55,868 NGV vehicles with 166 NGV service stations nationwide. The call for NGV, meanwhile, had risen to 36 MMcf/d.

• PTT, the Ministry of Energy, and the Ministry of Transport jointly launched the "Bangkok Clear Sky with NGV" to alleviate the air quality problem in Bangkok and its perimeter through NGV promotion as a bus fuel. For this purpose, PTT will take the money from the Energy Conservation Fund as well as worth Baht 2 billion and from PTT's NGV Fund worth Baht 5 billion as well as extend credit to Bangkok bus operators for NGV equipment installation and retrofitting, as well as for buying new NGV buses.

• PTT, Chao Phraya Express Boat Co., Ltd., and GFS Asia Pacific Co., Ltd., signed an agreement expanding the application of NGV to Chao Phraya express boats. Meanwhile, PTT and SCG Logistics Co., Ltd. (SCGL), signed an NGV sales agreement for cargo vessels, designed not only to cut fuel expenses but also to reduce oil spill contamination in rivers.

• PTT took up an area of the new Southern provincial bus terminal on Pin Klao – Nakhon Chai Si Road in Bangkok to construct an NGV service station to facilitate motorists and transport operators of NGV vehicles – particularly buses using southern highway routes.

• PTT, Thanachart Bank Plc., Aeon Thana Sinsap (Thailand) Plc., and Krung Thai Card Plc. jointly launched the "Diverse Ways of 0% NGV Credit" program, whereby PTT continued to subsidize NGV equipment installation expenses by Baht 10,000 each.



Expanding NGV to Chao Phraya Express Boats



Diverse Ways of 0% NGV Credit Program



## PTT Exploration and Production Plc. (PTTEP)

PTT conducted its exploration and production through PTTEP, which in 2007 sold 179,767 BOED of natural gas, crude oil, condensate, and LPG to it, 6.2% more than the previous year. The bulk of the increment came from the sale of natural gas and condensate under Oman 44 and Phu Hom Projects, sale of natural gas under Yadana and Pailin Project, and sale of crude oil under S1 Project.

### Highlights of PTTEP Performance in 2007

- PTTEP commanded a total of 38 exploration and production projects, consisting of:
  - 1) Producing projects, including Bongkot, S1, Pailin, B8/32 & 9A, and Oman 44
  - 2) Projects under development and likely to come on stream, including Malaysia - Thailand JDA, Arthit, North Arthit, and Vietnam 9-2
  - 3) Exploration projects, including Myanmar M9 & M11; M3, M4 & M7; and Vietnam 16-1.

- PTTEP Thai Projects Co., Ltd. (PTTEP TP) won three Gulf of Thailand blocks:

- 1) G6/50 (5% interest)
- 2) G7/50 (45% interest)
- 3) G8/50 (80% interest), where it serve as the operator.

- PTTEP operated Bongkot Project, consisting of Concession Block 5/2515/9 (Block 15) and Concession Block 3/2515/7 (Blocks 16 and 17), in which it had 44.4445% interest. This project, in 2007, won 10-year extension to April 23, 2022 and March 7, 2023 respectively.

- PTTEP won an exploration bid for offshore Block 2 from Bahrain's National Oil and Gas Authority (NOGA), to the north of that country. As the sole shareholder, PTTEP would serve as the operator.

- PTTEP Offshore Investment Co., Ltd. (PTTEPO), won concession blocks in the Andaman Sea – A4/48, A5/48, and A6/48. As the sole shareholder, the company would serve as the operator.







- PTTEPO won exploration and production bids in New Zealand for six offshore blocks, south of South Island, in which it held 36% interest.

- PTTEP Australia Offshore Pty. Ltd. signed a joint participation agreement for work in Exploration Block AC/P36, located offshore northwestern Australia, with 20% interest – marking its first investment in Australia.

- PTTEP International Co., Ltd. (PTTEPI) raised its proportion of interest in Block G4/43 in the Gulf of Thailand from 15% to 21.375%, in Block B in Cambodia from 30% to 33.333334%, and in Indonesia's Merangin-1 from 39% to 40%.

- PTTEP Siam Co., Ltd. (PTTEPS), reduced its interest in Nang Nuan Project in Block B6/27 from 100% to 60% but remained the operator. The incoming partner was Nippon Oil Exploration Limited (NOEX), with successful production experience in similar geological structures, which will also be responsible for appraisal drilling or wells here.

- PTTEPS, the operator and sole shareholder of concession blocks L21/48, L28/48, and L29/48, located in the Northeast, signed an assignment agreement for these blocks with Resourceful Petroleum (Thailand) Ltd. (RPL) to diversify its risks, thereby resulting in 70% interest for PTTEPS and 30% interest for RPL.

- PTTEP formed PTTEP Andaman Co., Ltd., and PTTEP TP to support domestic exploration and production. With a registered capital of Baht 1,000,000, they were wholly owned by PTTEPS and PTTEP (Thailand) Co., Ltd., respectively.

- PTTEP set up the following subsidiaries to support projects in Egypt and Australia:

- 1) PTTEP Egypt Co., Ltd., with a paid-up registered capital of US\$ 50,000 and PTTEP Holding Co., Ltd., as the sole shareholder
- 2) PTTEP Rommana Co., Ltd., with a paid-up registered capital of US\$ 50,000 and PTTEP Egypt Co., Ltd., as the sole shareholder
- 3) PTTEP Sidi Ab El Raman Co., Ltd., with a paid-up registered capital of US\$ 50,000 and PTTEP Egypt Co., Ltd., as the sole shareholder
- 4) PTTEP Australia Pty. Ltd., with a paid-up registered capital of A\$ 50,000 and PTTEP Holding Co., Ltd., as the sole shareholder
- 5) PTTEP Australia Offshore Pty. Ltd., with a paid-up registered capital of A\$ 50,000 and PTTEP Australia Pty. Ltd., as the sole shareholder.

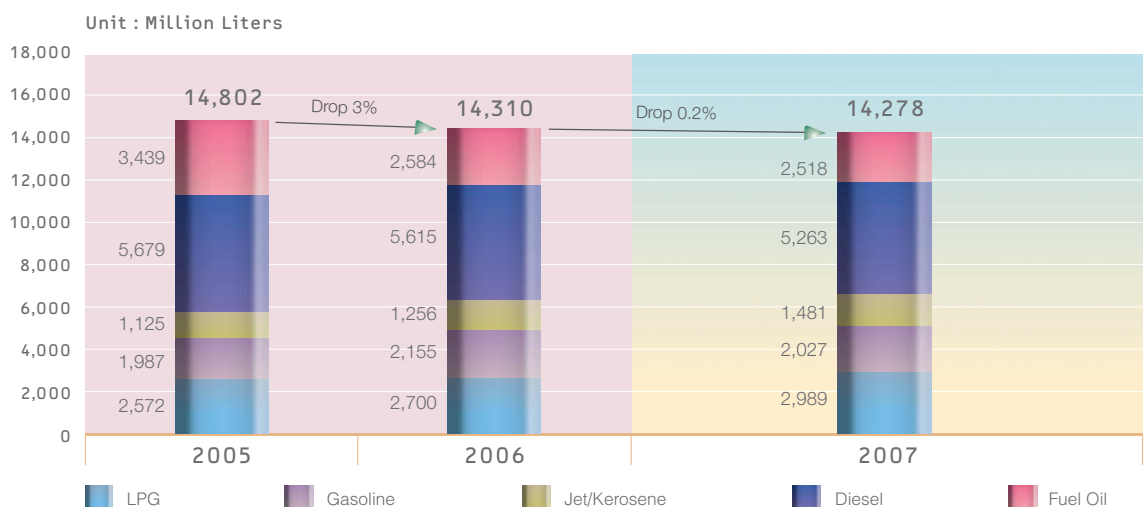


## Oil Business Group

The Group sells and distributes refined fuels and lubricating oil in three marketing sectors: retail, wholesale, and commercial. Retail marketing is done through PTT service stations, wholesale marketing engages Article 7 oil traders, and commercial marketing engages government agencies, state enterprises, industries, commercial airliners, and transport vessels, etc.

In 2007, domestic fuel sales amounted to 14,278 million liters, a 0.2% drop from the previous year, excluding the sales volume of Jet service stations due to the rise of world market prices. With the largest market share of 34%, it was the 15<sup>th</sup> year of market leadership for PTT. Its service stations around the country numbered 1,186 or 6.5% of all domestic service stations. PTT not only is committed to creating supreme products with the least environmental impacts, but stresses modernization of service stations into integrated ones with complete services and a comfortable image – answering to consumers' needs and fostering greater customers' satisfaction. With 16 aviation refueling stations and 22 oil and LPG terminals across the country, the Company is equipped with extensive reach to customers while ably supporting PTT's own business.

### Sales Volume for Domestic Oil Markets

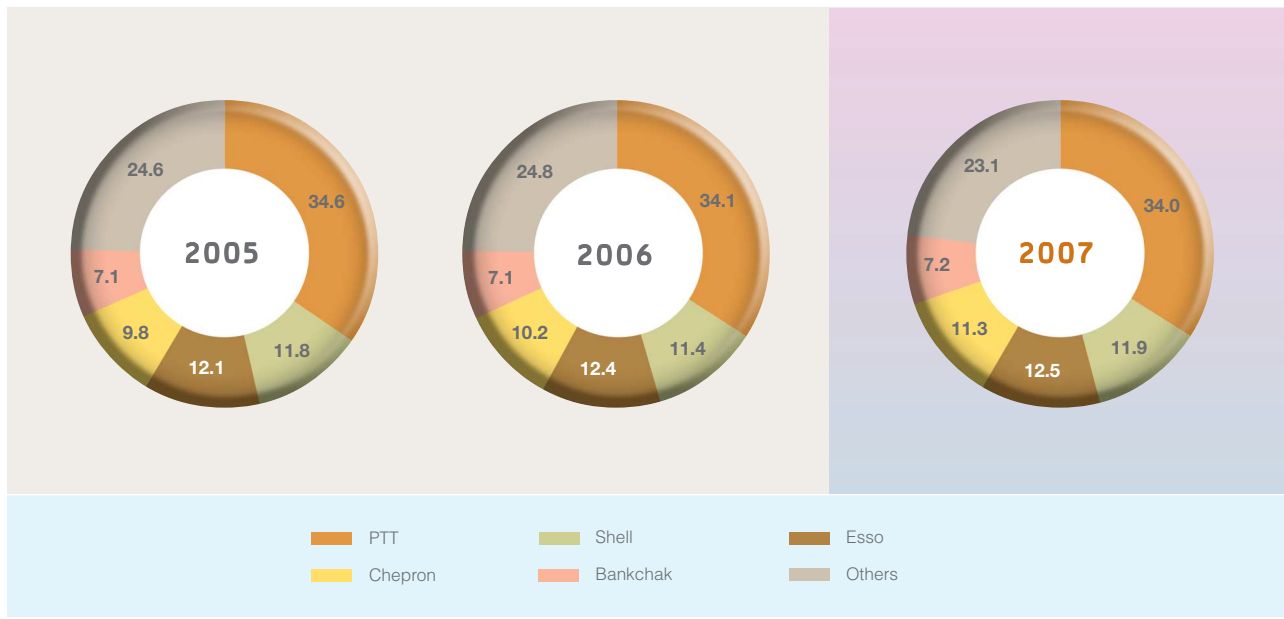


Source: Department of Energy Business, Ministry of Energy



## Domestic Market Shares : Continuously as Market Leader

Unit : %



Source: Department of Energy Business, Ministry of Energy

## Highlights of Oil Business Group

### Expanding the Market

- On June 28, PTT assumed the retail business of JET/Jiffy at 146 locations along with related properties of Conoco Phillips, with the continuing right to use the JET/Jiffy logo. The first two years would see an investment of US\$ 275 million. To support this venture, PTT formed PTT Retail Business Co., Ltd. (PTTRB), a wholly owned subsidiary.
- PTT lubricating oil products went into emerging international markets, including the Philippines, Nigeria, Laos, Myanmar, Cambodia, and New Zealand.

- PTT launched the Rasamai Monica Angkor PTT service station in Siem Reap, the sixth and largest integrated service station in Cambodia. Four others were in Phnom Penh and one in Sihanoukville. These received refined fuel supplies from PTT (Cambodia) Co., Ltd.

- PTT formed PTT Green Energy Co., Ltd. (PTTGE) in Singapore as a representative in palm oil and relevant business development project to serve the world's demand growth. With the paid-up registered capital of Singapore \$40 million or about Baht 942.5 million, a wholly owned subsidiary.



The Purchasing of JET/Jiffy



Grand Opening of Largest One-Stop-Service Petro Station in Cambodia

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







The Launch of PTT Gasohol 91 Plus



International Trading Business Group

### Developing Products and Services

- PTT Gasohol 91 Plus, a new product, made its debut in response to His Majesty the King's initiative. This product contains an excellent engine cleaning agent of the US Top Tier Gasoline standard as well as a friction modifier for cleaner engines for improved combustion, higher driving efficiency, full power, fuel saving, reduced polluted emission, and – above all – Baht 2/liter lower price than 91-octane gasoline.

- PTT launched the first and biggest prototype solar-powered gasoline station on Bang Na – Trat Highway (km. 14) in Amphoe Bang Phli, Samut Prakan. A total of 243 solar cells – each of 1.55 square meters – installed on the roof over the service pumps, accounted for 180 watts of power. In all, 43.74 kilowatts of power energized all dispenser pumps and kept the service station compound well-lit.

- PTT and the Department of Agricultural Extension, Ministry of Agriculture and Cooperatives, jointly investigated the properties of biodiesel made from jatropha obtained from various sources to enable biodiesel production from indigenous raw materials using the techniques and processes for the B100 grade of international standards.

### International Trading Business Group

To support PTT Group's competitive and profitability potential, the group conducts its business of supply, import, export, and out-out trading of crude oil, condensate, petroleum products, petrochemicals, and related products. Besides, it provides oil price risk management (hedging) service and sourcing of international vessels to support the search for opportunities and trading value addition for these products.

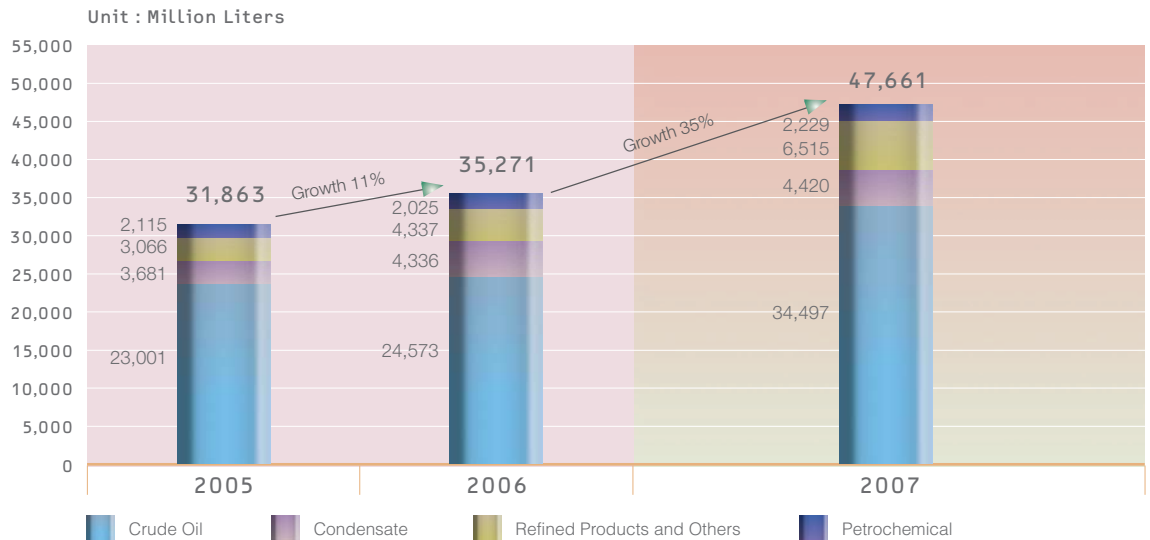
In 2007, total trading volume amounted to 47,661 million liters, a 35.1% rise from the previous year, accounted for primarily by a rise in the domestic crude oil supply, crude oil imports, and out-out trading of crude oil, petroleum products, and chemicals. As regards hedging, the volume amounted to 5,939 million liters, a 83.9% rise from the previous year, accounted for primarily by crude oil transactions for PTT Group.



The First and Biggest Prototype Solar-powered Gasoline Station



## Sales Volume for International Trading



## Highlights of International Trading Group

- For the first time, PTT signed an Azeri Light crude oil purchase agreement with SOCAR, Azerbaijan's national oil company, covering up to 12 million barrels under a one-year agreement from March 2007 to February 2008, worth Baht 24,480 million. In PTT's estimate, the oil was suitable for refining in Thailand, would be a good candidate for regional trading, and responded to the government policy of enhancing security of supply and diversifying energy sources.

- PTT Group – represented by Thai Oil Plc. (TOP), Rayong Refinery Plc. (RRC), IRPC Plc. (IRPC), and Bangchak Petroleum Plc. (BCP) – signed an agreement on PTT Group Ship Vetting, a quality assessment system for tankers (containing crude oil and refined products). This would not only prevent or minimize risks associated with accidents, but would heighten the confidence that the tankers secured or commissioned by PTT achieved marine safety and environmental criteria, were on par with those used by leading oil companies, and commanded regional operational excellence.



Azeri Light Contract



PTT Group Ship Vetting



PTT and the Ministry of Energy Joint Hosted the “Asian Energy Dialogue” Oil Outlook: Challenges & Opportunities

- PTT and the Ministry of Energy jointly hosted the “Asian Energy Dialogue on Oil Outlook: Challenges & Opportunities”, designed for OPEC member countries and major Asian customers to share views about the energy market situations and the direction of oil prices. Thailand was honored by H.E. Mohamed Bin Dhaen al Hamli, the minister of energy of the UAE and OPEC chairman, and by H.E. Dr. Piyasvasti Amranand, his Thai counterpart. The dialogue attracted top executives from leading companies, including national oil company executives from Kuwait, Saudi Arabia, Iran, the UAE, China, Indonesia, and Singapore.

- PTT conducted oil purchasing in forward market on the Dubai Mercantile Exchange (DME) in Dubai, the UAE, the first for a Thai company. This was incidentally the first forward market of the Middle East. International Trading conducted a paper swap, in which 450,000 bbl of Term Oman crude was converted into Dubai's Platts for a domestic refinery, thereby reducing the refinery's crude oil cost in August by roughly US\$ 0.60/bbl, or a total value of Baht 9.45 million.

- PTT expanded the market for olefins and aromatics to customers in and outside the region with the signing of term agreements covering five products with more than 10 customers.

- PTT signed a time-charter tanker hiring agreement for the Global Express II under a one-year agreement with Ilino Kaiun Saisha for 60,000 metric tons of propylene transport bought from PTT Chemical and exported to customers in Singapore, Indonesia, and Taiwan. The tanker could be used to transport petrochemical products and LPG thereby adding flexibility and opportunities to supplement value to International Trading in its business expansion.



Purchasing of Aromatics Products



Shipment Contract for Propylene





## Petrochemicals and Refining Business Group

PTT invests in petrochemical and refining businesses through its subsidiaries. In 2007, the Company was engaged in both capacity and investment expansions to generate more value as well as business competitiveness through business restructuring and greater management flexibility, especially through the amalgamation of Rayong Refinery Plc. (RRC) and Aromatics (Thailand) Plc. (ATC), resulting in PTT Aromatics and Refining Plc. (PTTAR), which saw its first trading on the Stock Exchange of Thailand (SET) in early 2008.

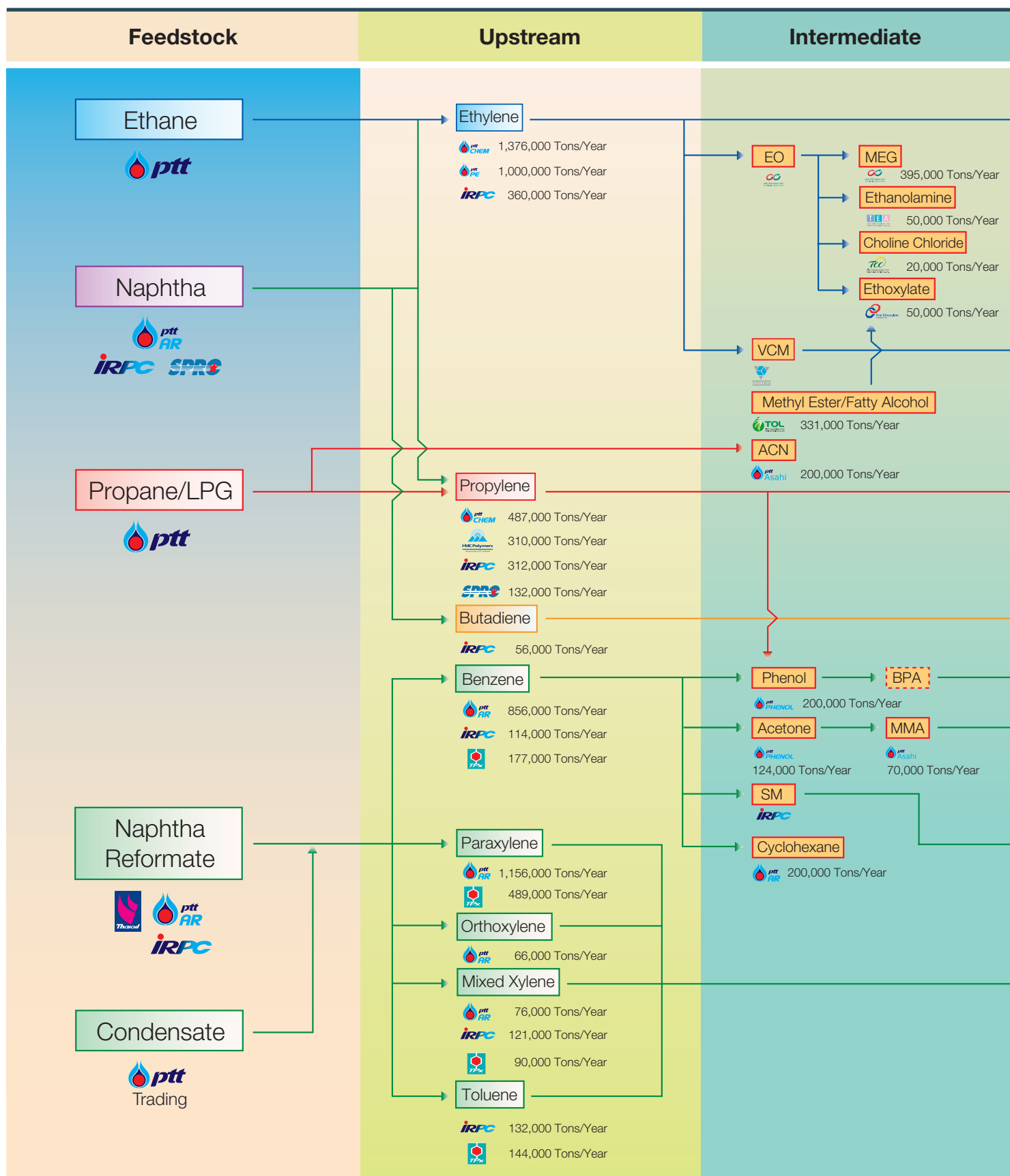
### Highlights of Petrochemicals Business Group

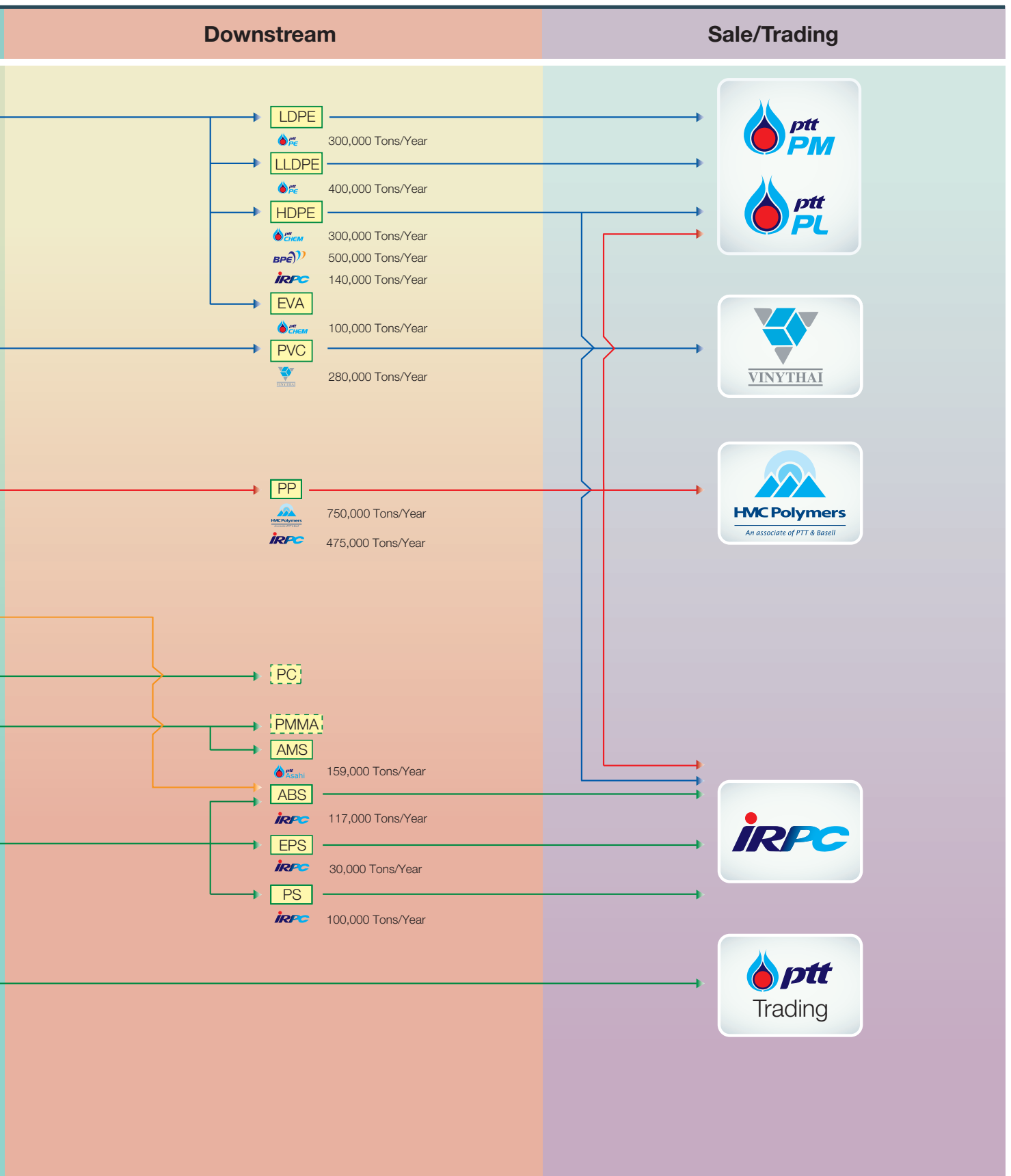
- PTT Chemical Plc. (PTTCH) completed its debottlenecking of the I4-1 olefins plant, thereby raising capacity by 190,000 tons/year to 1,713,000 tons/year from 1,523,000 tons/year.

- The Board of PTTCH approved the following investments:

- HDPE capacity rise from 250,000 to 300,000 tons/year at an outlay of Baht 600 million, scheduled for start-up in the first quarter of 2009.
- A new spare GHU reactor and improvement of a naphtha storage tank at an outlay of Baht 250 million, scheduled for completion in the second quarter of 2008.
- Power and steam generation for production and expansion, with 108 MW and 381.5 tons/hour respectively, at an outlay of US\$ 210 million, scheduled for completion in the third quarter of 2008.
- PTT reduced its shares in PTTCH from 55.19% to 49.31%, thereby transforming the status of PTTCH, PTT Phenol, PTT Utility, and PTT ICT Solutions from subsidiaries to associates to facilitate management flexibility while still maintaining PTTCH's core role in the gas-based olefins business with a focus on ethylene to sustain and build on the natural gas business.
- ATC raised the process efficiency of its reforming unit and completed the expansion of its cyclohexane unit, thereby raising its cyclohexane capacity from 150,000 to 200,000 tons/year together with the capacities for aromatics and other petrochemical products.











The Official Opening of PTTPM Office in China



- The Board of ATC approved the capacity upgrading of the first aromatics complex by 10-12% from the current 984,000 tons/year at an outlay of US\$ 27 million, with scheduled completion in the first quarter of 2010.

- PTT bought 40% of the shares in NPTC Maintenance and Engineering Services Co., Ltd., from Toyo Thai Corporation, or 168,490 shares at the price of Baht 166.182 each, for a total of about Baht 28 million. NPTC provided maintenance and engineering services, consultation, management, and construction for plants located in Map Ta Phut Industrial Estate and nearby estates. With this transaction, PTT held 40% and PTTH 60% shares.

- A representative office of PTT Polymer Marketing Co., Ltd. (PTT PM) was launched in Guangzhou, People's Republic of China, to serve as PTT's distribution center for plastic polymers.

## Highlight of Refining Business Group

- Through amalgamation, RRC and ATC were merged into PTT Aromatics and Refining Plc. (PTTAR), which operated an integrated refinery with aromatics production in line with the PTT Group strategy of merging companies with related and downstream operations for greater long-term business potential.

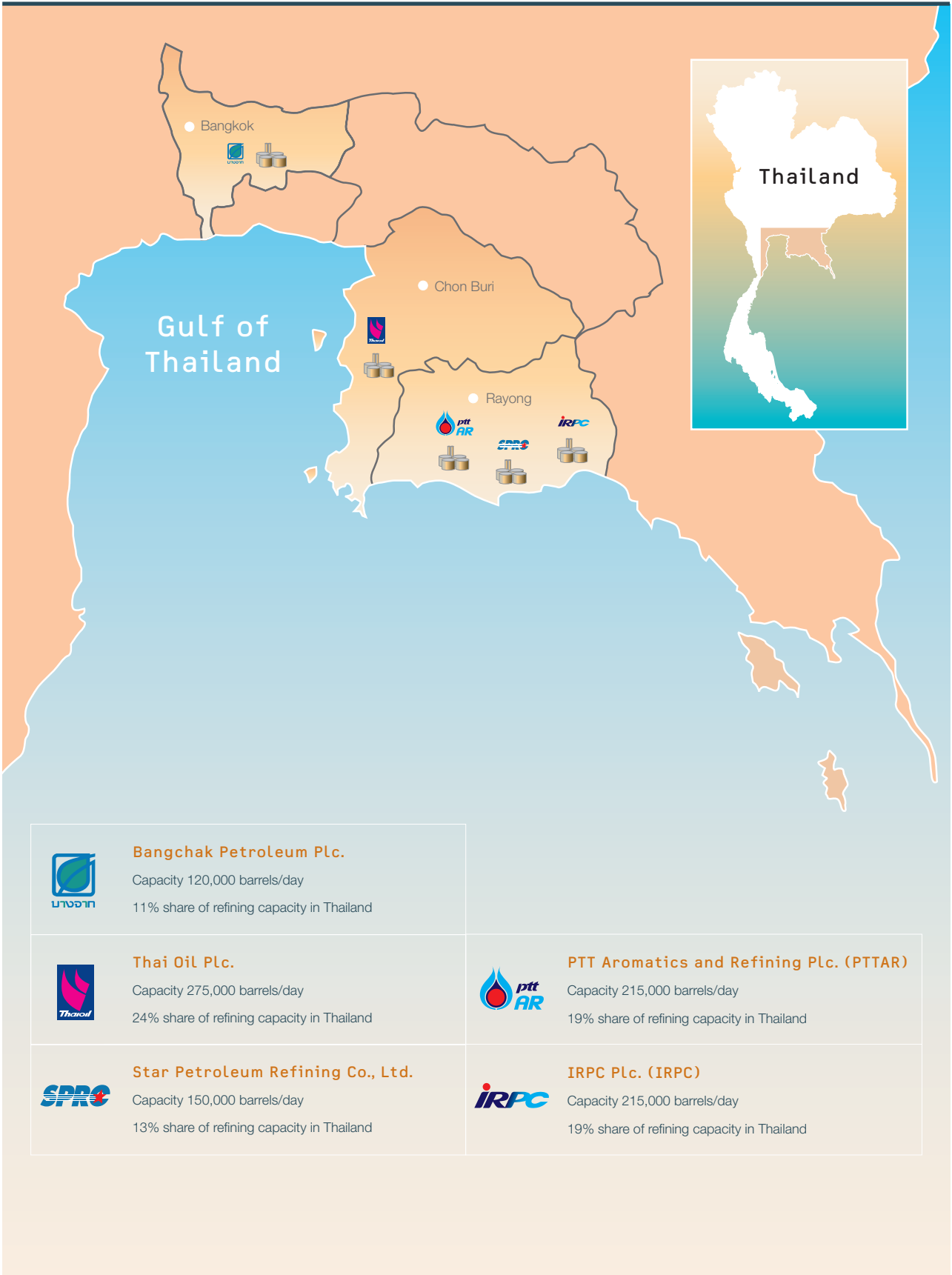
- Thai Oil Plc. (TOP) expanded its refining capacity by 50,000 bbl/d to the Crude Distillation Unit (CDU) 3 along with the completion of its assorted refining units' major turnarounds, making the new combined capacity 275,000 bbl/d.

- TOP registered Thai Oil Energy Co., Ltd., and TOP Independent Power Co., Ltd., to take part in the second round of independent power producers' bidding, sponsored by the Ministry of Energy. Wholly owned by TOP, Thai Oil Energy had a registered capital of Baht 40 million. In turn, Thai Oil Energy was the sole shareholder of TOP Independent Power Co., Ltd., which commanded the same registered capital.



PTTAR - the Merging of RRC and ATC

PTT Group Refineries





## PTT Group Business Strategy and Direction

Our ultimate business goal is to become a leading Asian energy player with a firm domestic foundation and readiness to expand through the region. To this end, it continuously strives to sharpen its business competitive edge, coupled with the leveraging of our current potential to the full. Our core strategy for supplementing value to business is as follows:

### Exploration & Production and Gas Business

- Expand to cover Indochina Basin Major to seek more gas reserves that can directly be a part of domestic transmission systems while maintaining Thailand's petroleum reserves at a high level and laying an international business platform.
- Speed up the LNG business to complete its value chain from supply procurement, storage, commercial trading, and transportation to bolster natural gas supply security.

### Petrochemical Business

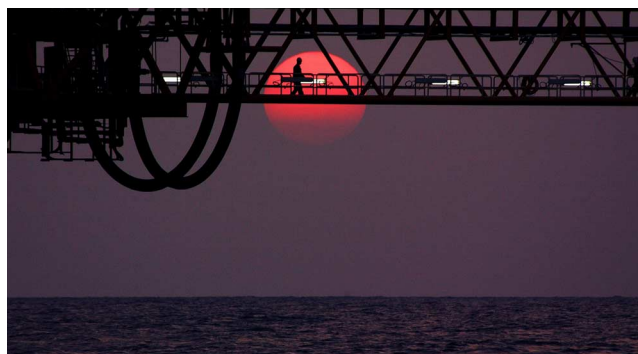
- Supplement the capability of integrated value enhancers to become core value creators in stages along with business expansion through the market back strategy.
- Supplement business value through developing higher-value products or specialty products.

### Oil Business and Refinery Business

- Strive for synergy from mergers within PTT Group to cut costs, supplement value, and bolster competitiveness with new large refineries.
- Create an operational excellence center as a knowledge-transferring body within PTT Group to strengthen its potential.







## International Trading

- Build capacity and expand its international trading role in favor of PTT Group business while laying down a product network and terminals to supplement international competitiveness in revenue generation.

## International Business Expansion

- Foster government-to-government relations to seek business opportunities in other countries with a focus on exploration and production and gas business mergers.

According to PTT's five year business plan (2008 - 2012), all project investment cost a total of Baht 241,211 million, of which 72% goes to the Exploration & Production and Gas Business Group. These projects will involve the increase of onshore and offshore gas pipeline capacity, referring to the (revised) 3<sup>rd</sup> master plan of gas pipeline system, GSPs, and NGV stations. Another 4% will go to the Oil Business Group, and the rest 24% will mostly be invested in PTT LNG.

## Epilogue

PTT Group performance of 2007 continued its growth in sales volumes, revenue, and net profits. With a market capitalization of about Baht 1,059,183 million as of year-end 2007, PTT Plc. was the biggest entity on SET, account for about 16% of the bourse. With the rest of PTT Group listed on SET, the combined market capitalization was about 33.9% or Baht 2,252,457 million. Our efficient business operation and organizational management toward a High-Performance Organization for world-class competition is achieved through strengthening our business potential in tandem with our responsibility to society, communities, and the environment. Our ultimate dream is for every element of society to stand on its own for sustainable development.



## PTT and Its Affiliates

### Exploration & Production and Gas Business Group

	Percentage
PTT Exploration and Production Public Co., Ltd. (PTTEP)	65.73
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. (PTT INTER)	100.00
Independent Power (Thailand) Co., Ltd. (IPT)	20.00
Thai Oil Power Co., Ltd. (TP)	26.00
PTT Utility Co., Ltd. (PTTUT)	40.00
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
Ratchaburi Power Co., Ltd. (RPCL)	15.00

### Petrochemicals and Refining Business Group

	Percentage
PTT Polymer Marketing Co., Ltd. (PTTPM)	75.00
PTT Polymer Logistics Co., Ltd. (PTTPL)	100.00
Thai Oil Public Co., Ltd. (TOP)	49.10
Star Petroleum Refining Co., Ltd. (SPRC)	36.00
Bangchak Petroleum Public Co., Ltd. (BCP)	29.75
IRPC Public Co., Ltd. (IRPC)	31.50
PTT Phenol Co., Ltd. (PPCL)	40.00
PTT Chemical Public Co., Ltd. (PTTCH)	49.31
PTT Aromatics and Refining Public Co., Ltd. (PTTAR)	48.66
NPTC Maintenance & Engineering Services Co., Ltd. (NPTC)	40.00
PTT Asahi Chemicals Co., Ltd. (PTTAC)	47.50
HMC Polymers Co., Ltd. (HMC)	41.44

### Oil Business Group

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

### Others Business Group

	Percentage
Energy Complex Co., Ltd. (EnCo)	50.00
PTT ICT Solutions Co., Ltd. (PTTICT)	20.00
Dhipaya Insurance Public Co., Ltd. (TIP)	13.33

# Revenue Structure of PTT and Subsidiaries by Product Line

Product / Service	Operated by	% Share-holding of the company	2005 (Audited)		2006 (Audited)		2007 (Audited)	
			Million Baht	%	Million Baht	%	Million Baht	%
1. Natural Gas Products	PTT Plc. (Exploration & Production and Gas Business Group)		178,518.61	18.64	187,092.98	14.78	215,511.81	13.88
	PTT Plc. (Oil Business Group)		29,387.75	3.07	30,643.34	2.42	33,569.36	2.16
	PTT Exploration and Production Plc. (PTTEP)	1/	33,435.99	3.49	40,870.67	3.23	44,083.34	2.84
	PTT Natural Gas Distribution Co., Ltd. (PTTNGD)	58.00	2,605.46	0.27	3,291.75	0.26	3,768.28	0.24
	Less PTTEP's gas revenue paid by PTT Plc.		(30,377.44)	(3.17)	(37,981.76)	(3.00)	(41,000.61)	(2.64)
	Less Petroleum Royalty and Benefits		(8,981.95)	(0.94)	(12,848.71)	(1.02)	(12,529.16)	(0.81)
Total Revenue from Natural Gas Products			204,588.42	21.36	211,068.27	16.67	243,403.02	15.67
2. Oil Products	PTT Plc. (Oil Business Group)		582,883.80	60.86	804,365.55	63.55	1,041,941.44	67.09
	PTT Exploration and Production Plc. (PTTEP)	1/	32,921.60	3.44	45,468.59	3.59	46,680.50	3.01
	Less PTTEP's crude revenue paid by PTT Plc.		(25,644.32)	(2.68)	(31,719.29)	(2.51)	(34,739.73)	(2.24)
	PTT International Trading Pte., Ltd. (PTTT)	100.00	19,196.90	2.00	23,393.95	1.85	28,721.29	1.85
	PTT (Cambodia) Co., Ltd. (PTTCL)	100.00	1,277.65	0.13	2,080.86	0.16	3,290.41	0.21
	Retail Business Alliance Co., Ltd. (RBA)	49.00	196.90	0.02	298.71	0.02	306.12	0.02
	Subic Bay Energy Co., Ltd. (SBECL)	100.00	12,624.41	1.32	14,413.67	1.14	15,762.72	1.01
	Rayong Refinery Plc. (RRC)	2/	28,435.17	2.97	12,288.59	0.97	-	-
	PTT Retail Business Co., Ltd. (PTTRB)	3/	-	-	-	-	14,498.81	0.93
Total Revenue from Oil Products			651,892.11	68.07	870,590.63	68.78	1,116,461.56	71.89
3. Petrochemical Products	PTT Plc. (Oil Business Group)		52,678.03	5.50	68,345.37	5.40	59,707.56	3.84
	Bangkok Polyethylene Plc. (BPE)	4/	5,323.54	0.56	106.77	0.01	-	-
	PTT Polymer Marketing Co., Ltd. (PTTPM)	75.00	6,941.29	0.72	21,748.13	1.72	24,572.17	1.58
	PTT Chemical Plc. (PTTCH)	5/	2,733.31	0.29	28,670.06	2.26	33,129.79	2.13
	HMC Polymers Co., Ltd. (HMC)	41.44	-	-	3,390.87	0.27	6,984.40	0.45
Total Revenue from Petrochemical Products			67,676.17	7.07	122,261.20	9.66	124,393.92	8.01
4. Utilities Products	District Cooling Systems and Power Plant Co., Ltd. (DCAP)	35.00	-	-	298.00	0.02	544.01	0.04
	PTT Utility Co., Ltd. (PTTUT)	40.00	-	-	369.25	0.03	617.29	0.04
	PTT Chemical Plc. (PTTCH)	5/	-	-	2,940.87	0.23	2,410.16	0.16
	PTT Retail Business Co., Ltd. (PTTRB)	3/	-	-	-	-	1,887.74	0.12
Total Revenue from Utilities Products			-	-	3,608.12	0.29	5,459.20	0.35
5. Revenue from Services	PTT Exploration and Production Plc. (PTTEP)	1/	1,997.45	0.21	2,928.09	0.23	3,295.05	0.21
	PTT Chemical Plc. (PTTCH)	5/	115.19	0.01	2,032.48	0.16	1,407.92	0.09
	Trans Thai - Malaysia (Thailand) Co., Ltd. : TTM (T)	50.00	-	-	1,386.98	0.11	1,171.81	0.08
	Trans Thai - Malaysia (Malaysia) Co., Ltd. : TTM (M)	50.00	-	-	69.81	0.01	68.40	-
	PTT Natural Gas Distribution Co., Ltd. (PTTNGD)	58.00	-	-	39.70	-	46.38	-
	PTT Polymer Logistics Co., Ltd. (PPCL)	100.00	-	-	-	-	9.31	-
	District Cooling System and Power Plant Co., Ltd. (DCAP)	35.00	-	-	-	-	1.82	-
	PTT Retail Business Co., Ltd. (PTTRB)	3/	-	-	-	-	87.83	0.01
Total Revenue from Services			2,112.64	0.22	6,457.06	0.51	6,088.52	0.39
Total Sales from Products and Services			926,269.34	96.72	1,213,985.28	95.91	1,495,806.22	96.31
6. Others								
	6.1 Other Revenue		9,434.98	0.99	15,294.94	1.21	12,346.22	0.80
	6.2 Gain (Loss) from Foreign Exchange		0.69	-	9,924.88	0.78	5,392.38	0.35
	6.3 Income from Sale of Securities		-	-	7,130.48	0.56	8,428.00	0.54
	6.4 Results of the Supreme Administrative Tribunal Verdict		322.74	0.03	321.59	0.03	-	-
Total Other Revenue			9,758.41	1.02	32,671.89	2.58	26,166.60	1.69
7. Share of net income (loss) from Investments under Equity Method								
			21,651.26	2.26	19,139.45	1.51	31,080.23	2.00
Grand Total			957,679.01	100.00	1,265,796.62	100.00	1,553,053.05	100.00

Notes: 1/ PTT owned 66.32%, 66.13%, and 65.73% equity interest of PTTEP in 2005, 2006, and 2007 respectively.

2/ On December 27, 2007, the merger of RRC + 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 PTCH.

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





## Connected Transactions

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

### Transactions between PTT and state enterprises

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#### 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.

### Transactions between PTT and subsidiary PTTEP Plc.

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#### Transaction

PTTEP and this subsidiary produce and sell crude oil, natural gas, LPG, and condensate. For 2007, PTT was almost the sole buyer of these, accounting for 85.37% by volume. As regards natural gas, the two reached a long-term (25 - 30 year) deal, stipulating annual contractual quantities. Purchases of crude oil and condensate, meanwhile, are based on the world market prices of crude oil grades with comparable qualities to best reflect the values of its products against the market. Likewise, both companies are engaged in crude oil and condensate agreements.

## 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. 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), PTTAR resulted from the amalgamation between Aromatics (Thailand) Plc. (ATC) and Rayong Refinery Plc. (RRC) on December 27, 2007 under the Public Company Limited Act B.E. 2535 (1992). 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, and a 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 PTTAR at no less than 70% of the latter's refined products at domestic market prices under a 12-year agreement from June 22, 1993, 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 Reforming Complex and 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, with a minimum daily offtake of 19,828 million Btu, and for use in power generation, under which the gas supplied to PTTAR was under a take-or-pay condition for an average of 9.6 MMcf/d (equivalent to about 9,000 million Btu).

- **Aromatics business:**

PTT supplies condensate for PTTAR's production processes under a 20-year agreement, effective from 1993, whereby the annual volume was 4.6 - 6.1 million tons/year.

PTT also signed a gas supply agreement with PTTAR for use in fueling the latter's aromatics processes. The preliminary agreement is 10 years long, effective from the first date of gas delivery to its expiry date in June 2015.

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.

### **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 domestic crude oil for BCP under the Phet crude supply agreement, in effect since 1985, which spanned the life of the field, and that under other domestic crude supply agreements for one year – subject to annual contract extensions.

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 concluded a product offtake agreement with BCP, effective May 16, 2006 for a period of 12 years from the commercial operation date of the Product Quality Improvement project, after which PTT would take delivery of at least 30% of BCP's monthly capacity.

## **Transactions between PTT and affiliates in the Petrochemical Business Group**

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### **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 (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).

PTT amended its supply agreement for ethane, propane, and LPG with PTTCH, effective from July 1, 2003 until December 31, 2006, with five-year extension at a time. Under the amendment, the price of ethane feedstock varies with that of HDPE (film grade) in Southeast Asian markets, which reflects the state of the petrochemical market value chain to the HDPE produced by PTTCH, beginning in 2004. As for propane and LPG feedstock prices, an amendment was made to let their prices vary with that of PP (film grade) from January 1, 2003 to December 31, 2016.

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 HDPE (film grade) in Southeast Asian markets.

## 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.

### 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.



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

In 2007, Thailand's economic growth was driven by exports and an acceleration of the government's fiscal spending despite the strengthen of Thai baht. Private consumption and investment in 2007 was slow down but showed signs of recovery in the second half of the year. As a result, the Thai economy in 2007 expanded at 4.8% year-on-year. In 2007, petroleum consumption as fuel increased 1.80% from the previous year. The growth of natural gas consumption in industrial sectors (including NGV) was in the top rank (increased by 26.2%), followed by LPG usage which grew at the rate of 14.3% due to government policy to support the LPG price. Meanwhile, fuel oil consumption decreased by 27.90% because of the increase usage of natural gas for electricity generation instead of fuel oil after the completion of the third pipeline. The domestic demand of refined oil products increased by 0.2% from the previous year while the domestic demand of petrochemical products also increased in relation to the continued economic expansion and the export to the high demand countries such as China.

For the year 2007, PTT and its subsidiaries' revenue was Baht 1,495,806 million, increased by Baht 281,821 million when compared to the year 2006, or 23.2%. EBITDA was Baht 147,346 million, increased by Baht 4,671 million or 3.3%. Share of net income from investments under the equity method was Baht 31,080 million, increased by Baht 11,941 million or 62.4% resulted mainly from the better performance of refining and petrochemical associates from the higher Gross Refining Margin (GRM) and petrochemical's products to feed margin and the recognition of an investment in IRPC Public Co., Ltd. (IRPC) (formerly TPI) under the equity method for the whole year when compared to 9 months recognition in 2006 starting from the 2<sup>nd</sup> quarter. In 2007, there was gain on disposal of investments in PTT Chemical Public Co., Ltd. (PTTCH), Thai Oil Public Co., Ltd. (TOP), PTT Exploration and Production Public Co., Ltd. (PTTEP), Aromatics (Thailand) Public Co., Ltd. (ATC) and Rayong Refinery Public Co., Ltd. (RRC) in the total amount of Baht 8,428 million (before tax) while there was gain on disposal of investment in RRC shares in an amount of Baht 7,130 million (before tax) in 2006. However, there was foreign exchange of Baht 5,392 million

in 2007, decreased by Baht 4,533 million or 45.7% from 2006 and expenses from judgment of Supreme Administrative Court in the total amount of Baht 2,824 million resulting from the transfer of assets to and lease back from the Ministry of Finance according to the verdict of the Supreme Administrative Court. As a result, PTT and its subsidiaries' net profit was Baht 97,804 million, increased by Baht 2,221 million or 2.3%.

For twelve-month period ended December 31, 2007 (compared to the same period of last year), there were significant changes of the status and new investments in subsidiaries/associates and the amalgamation of PTT's affiliates as follows;

- On May 25, 2007, there was an establishment of PTT Retail Business Co., Ltd. (PTTRB), a wholly-owned subsidiary of PTT to acquire 100% of the shares of subsidiaries in Thailand of ConocoPhillips Company (COP). On June 28, 2007, COP has transferred its entire oil retail business in Thailand under the JET/Jiffy to PTTRB.

- On August 27, 2007, PTT has established Combined Heat and Power Producing Co., Ltd. (CHPP) as a wholly-owned subsidiary.

- On October 1, 2007, PTT has established PTT International Co., Ltd. (PTT INTER) as a wholly-owned subsidiary.

- On November 9, 2007, PTT has established PTT Green Energy Pte. Ltd. (PTTGE) as a wholly-owned subsidiary.

- On November 9, 2007, PTT has reduced its shares holding in PTCH to 49.80%. As a result, PTCH's status is changed from a subsidiary of PTT to an associate. Subsequently, the status of PTT Phenol Co., Ltd. (PPCL), PTT Utility Co., Ltd. (PTTUT) and PTT ICT Solutions Co., Ltd. (PTTICT) are also changed from subsidiaries to associates of PTT accordingly.

- On December 27, 2007, ATC and RRC has announced the registration of amalgamation and the formation of the new company namely PTT Aromatics and Refining Public Company Limited (PTTAR). Consequently, PTT's shareholding in the PTTAR was 48.66%.

- On December 28, 2007, PTT acquired 40% stake in NPTC Maintenance and Engineering Services Co., Ltd. (NPTC) from Toyo Thai Corporation Co., Ltd. (Toyo Thai).

## Oil Business Group

For the year 2007, sales revenue from oil business increased by Baht 213,627 million or 21.5% to Baht 1,495,806 million due to the increase in sales volume by 11,789 million liters or 22.0% to 65,401 million liters or equivalent to 1,127,037 barrels per day in 2007. Higher sales volume was resulted from the increase in trading segment, mainly from crude, refined products, petrochemical products and naphtha. Average sales price in 2007 also increased in relation to the increase of global oil prices.

EBITDA increased by Baht 3,604 million or 72.0% to Baht 8,607 million in 2007, due primarily to the increase in gross margin per unit of domestic sales mainly from stock gain in an approximate amount of Baht 3,200 million.

EBIT in 2007 increased by Baht 3,106 million from 2006 or 105.3% to Baht 6,055 million due to the increase in EBITDA as mentioned and the slightly decrease in the depreciation and amortization.



## Exploration, Production and Natural Gas Business Group

### Natural Gas Business Group

Sales revenue in 2007 increased by Baht 22,725 million or 9.3% to Baht 267,408 million due to the followings:

- The increase in average natural gas sales volume (include natural gasoline derived from Dew Point Control Unit) by 188 MMcf/d or 6.1% to 3,272 MMcf/d (calculated at heat value 1,000 Btu per cubic feet) in accordance with the increase in gas demand from all types of customers and the increase in gas transmission's capacity as a result to the completion of the third pipeline 1<sup>st</sup> phase, Wangnoi - Kaengkhroi transmission pipeline and Sainoi - South Bangkok transmission pipeline in early 2007.

- In 2007, PTT received price discount for fuel adjustment tariff from EGAT by Baht 6,367 million while PTT offered price discount for fuel adjustment tariff to EGAT - net by Baht 2,067 million in 2006.

- The increase in Gas Separation Plants (GSPs)' products sales volume by 276,061 tons or 7.5% to 3,944,103 tons in 2007. The increase in sales volume resulted from the higher supply of gas feedstock to GSPs and higher demand of GSPs' products, especially domestic demand of LPG from transportation sector. However, the sales volume of Ethane decreased due to the scheduled plant shutdown of GSP unit 5 for maintenance for 18 and 13 days in Q1/2007 and Q2/2007 respectively in accordance with the plant shutdown of PTCH, the major ethane customer. The details of all products sales from gas separation plants are as follows:

Unit: Tons	2007	2006	Change	
			Tons	%
LPG	2,252,953	1,968,665	284,288	14.4
Ethane	928,917	979,762	(50,845)	(5.2)
Propane	241,296	239,126	2,170	0.9
NGL	520,937	480,489	40,448	8.4
<b>Total</b>	<b>3,944,103</b>	<b>3,668,042</b>	<b>276,061</b>	<b>7.5</b>

- The average LPG price (Contract Price - CP) increased by US\$ 96 per ton to US\$ 608 per ton in 2007. The average prices of ethylene, propylene, HDPE and PP in the spot market of South East Asia including Naphtha in the spot market of Singapore (Mean of Platt - Singapore (MOP's)), prices of which are used as reference for calculating the GSPs' produces

sales prices, also increased when compared to 2006 due to the increase in oil price and demand/supply situation of the industry. Consequently, the selling prices of Ethane, Propane and NGL of PTT also increased. The details of reference products prices for calculation of products from gas separation plants' sales prices are as follows:

Unit: US\$/ton	2007	2006	Change	
			US\$/ton	%
LPG <sup>1/</sup>	608	512	96	18.7
Ethylene <sup>2/</sup>	1,180	1,157	23	2.0
Propylene <sup>2/</sup>	1,154	1,127	27	2.4
High Density Polyethylene <sup>2/</sup>	1,352	1,234	118	9.6
Polypropylene <sup>2/</sup>	1,331	1,232	99	8.0
Naphtha <sup>3/</sup>	625	515	110	21.4

**Notes:** 1/ Contract price (CP): The government capped the ex-refinery LPG price for domestic sales at US\$ 315 per ton, derived from the CP of US\$ 331 per ton, effective from February 10, 2003 onward. However, in Q4/2007 the government announced the policy to lift the LPG prices in order to reduce the burden of oil fund and will gradually adjust the Ex-Refinery price to reflect the world market price for not more than 40%.

2/ South East Asia Spot Price

3/ MOP Singapore

EBITDA in 2007 increased by Baht 9,879 million or 22.0% to Baht 54,685 million due to the increase in sales prices and sales volume of natural gas and GSPs' products, including the receipt of price discount for fuel adjustment tariff from EGAT despite the slightly increase in SG&A expenses.

EBIT in 2007 increased by Baht 10,315 million or 26.3% to Baht 49,550 million due to the increase in EBITDA and the decrease in the depreciation and amortization, mainly from the change in the useful lives of assets by extending of accounting useful lives of gas transmission pipeline systems and gas separation plants, using prospective method since January 1, 2007 which resulted in the decrease in depreciation expenses of 2007 in an amount of approximately Baht 1,256 million.

## Exploration and Production

In 2007, PTTEP's net sales revenue was Baht 81,530 million, increased by Baht 5,111 million or 6.7% due to (1) the average petroleum sales price this year rose to US\$ 39.78 per BOE resulting from the higher world market price against last year of US\$ 36.52 per BOE. However, the average USD exchange rate for this year decreased to Baht 34.77 per USD against last year's Baht 38.24 per USD as a result of the strengthened of Baht (2) the sales volume this year rose to 179,767 BOED compared with last year of 169,348 BOED. The increased sales volume mainly came from petroleum production sales from the Oman 44 and Phu Hom projects (first production began at the end of last year) including the crude sales from the S1 project and natural gas sales from Pailin and Yadana projects. However, there was the decrease in petroleum production sales from the B 8/32 & 9A project.

EBITDA in 2007 was Baht 66,850 million, increased by Baht 3,536 million or 5.6%. EBIT in 2007 was Baht 50,879 million, increased by Baht 2,464 million or 5.1% due to the increase in sales price and sales volume as mentioned. The expenses also increased due to the rising of depreciation and amortization expenses mainly from Oman 44, Sinphuhorm, Bongkot, Pailin and S1 projects according to higher production, recognition of impairment loss from the Nang Nuan project as a result of a decrease in net future cash flow, higher operating expense and, higher SG&A expenses.

## Petrochemical Business Group

In 2007, sales from petrochemical subsidiaries and joint ventures was Baht 70,749 million, decreased from 2006 by Baht 5,927 million or 7.7% despite the increase in the sales revenue of HMC and PTTPM during the past 10 months due to the increase in sales volume and the increase in petrochemical price in relation to the global petrochemical price. This was due to the shut down of Olefin Plants I4-1 of PTCH for the de-bottlenecking in Q1/2007 and Olefin Plant I1 shutdown for equipment checking in Q2/2007 and the change of status of PTCH and PPCL from PTT's subsidiaries to associates.

EBITDA in 2007 was Baht 19,751 million, decreased by Baht 4,583 million or 18.8%. EBIT in 2007 was Baht 16,979 million, decrease by Baht 4,663 million or 21.5%, due mainly to the plant shutdown of PTCH and the change of status of PTCH and PPCL from PTT's subsidiaries to associates.

## Net Income: Net income in 2007 increased from 2006 by Baht 2,221 million or 2.3% to Baht 97,804 million

Net income of PTT and its subsidiaries in 2007 was Baht 97,804 million or Baht 34.82 per share, increased from 2006 by Baht 2,221 million or 2.3%, due to the increase in sales prices and sales volume from gas and oil products, including other reasons as follows;

- In 2007 there was gain on disposal of investment of Baht 8,428 million which consists of gain on disposal of partial investments in PTTEP, PTCH, TOP, ATC and RRC by Baht 2,509, 4,922, 477, 428, and 92 million, respectively, while there was gain on disposal of investment of RRC by Baht 7,130 million in 2006.

- In 2007 PTT had expenses from judgment of Supreme Administrative Court amounting to Baht 2,825 million while there was effect the net income from the judgment in an amount of Baht 322 million in 2006.

- Share of net income from investments under equity method in 2007 increased by Baht 11,941 million from 2006 (including share of gain on foreign exchange of Baht 2,997 million in 2007 and Baht 3,827 million in 2006) to Baht 31,080 million due mainly to the change of PTCH's status from PTT's subsidiary to an associate in Q4/2007 including;

- The improvement of refining associates' operating performance due to the increase in gross refining margin (GRM) of PTT's complex refineries (included inventory gain/loss) from US\$ 5.49/bbl in 2006 to US\$ 9.99/bbl in 2007. However, in 2007, TOP's CDU-3 was shutdown for the implementation of its capacity expansion and major-turnaround for 2 months as mentioned above.

- The improvement of operating performance of petrochemical associates due to the higher Product to Feed Margin from both Olefins and Aromatics businesses and the full year recognition of an investment in IRPC under the equity method in 2007 when compared to 9 months recognition in 2006 starting from the second quarter.



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

Unit: Million Baht	2007	2006	Change	
			Million Baht	%
Refining associates	20,045	13,713	6,332	46.2
Petrochemical associates	10,649	4,742	5,907	124.6
Oil associates	56	17	39	229.4
Gas associates	317	667	(350)	(52.5)
Other associates	13	-	13	100.0
<b>Total</b>	<b>31,080</b>	<b>19,139</b>	<b>11,941</b>	<b>62.4</b>

- Other incomes in 2007 decreased by Baht 7,481 million or 29.7% to Baht 17,739 million due mainly to the decrease in gain on foreign exchange by Baht 4,533 million and the decrease in compensation for loan interest for advance payment for gas purchased (Take-or-Pay) received from the Electricity Generating Authority of Thailand (EGAT) and the Independent Power Plants (IPPs) by Baht 3,544 million.

- PTT and its subsidiaries' interest expenses in 2007 increased by Baht 72 million or 0.7% to Baht 10,459 million as a result of additional loan and the issuance of unsecured and un-subordinated debentures as follows;

#### February 2007

- PTTEP issued Baht 3,500 million unsecured and unsubordinated bonds.

#### March 2007

- PTT issued Baht 6,000 million unsecured and unsubordinated bonds.

- PTT borrowed Baht 6,000 million from the Government Saving Bank to refinance loan which was due on March 26, 2007.

#### June 2007

- PTT issued Yen 36,000 million unsecured and unsubordinated Samurai bond which is equivalent to approximate Baht 10,000 million.

- PTTEP issued 3 tranches of unsecured and unsubordinated bonds in the total amount of Baht 12,500 million.

#### December 2007

- PTT issued 3 tranches of unsecured and unsubordinated bonds in the total amount of Baht 8,000 million.

- Income taxes in 2007 increased by Baht 5,536 million or 15.4%, to Baht 41,419 million resulted mainly from the increase in PTT's corporate income tax rate from 25% in 2006 to 30% starting from the year 2007.

## The Analysis of PTT and its subsidiaries' consolidated Financial Status at the end of the year 2007 compared to the end of the year 2006

During 2007, 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, 2007 included PTTEP, PTTCL, SBECL, RBA, PTTT, PTT NGD, PTTLNG, PTTTPM, Enco, PTTPL, PTTTRB, CHPP, PTT INTER and PTTGE as the subsidiaries and included TTM (T), TTM (M), DCAP, PTTAC and HMC as the joint ventures under the proportionate consolidation method. In 2007, PTTCH, PPCL, PTTUT and PTTICT have been changed their status from PTT's subsidiaries to PTT's associates.

Financial status of PTT and its subsidiaries at the end of 2007 compared to the end of the year 2006 is as follows:

### Assets

The total assets as of December 31, 2007 were Baht 892,351 million, increased by Baht 139,160 million from 2006 or 18.5%. This resulted from the followings;

- The current assets increased by Baht 66,613 million due mainly to
  - the increase in Trade accounts and notes receivable – others, net by Baht 33,285 million and the increase in Trade accounts receivable – related parties, net by Baht 45,814 million which resulted mainly from the increase in oil and gas product prices
  - the increase in current investments by Baht 4,818 million which resulted mainly from the increase in fixed deposits and treasury bills

- However, cash and cash equivalents decrease by Baht 11,848 million which resulted from cash used in investing activities by Baht 100,571 million and the decrease in cash at ending of period of subsidiaries transformed to associates by Baht 25,879 million while there was cash provided by operating activities of Baht 110,143 million and cash provided by financing activities of Baht 4,383 million. In addition, Inventories decreased by Baht 1,595 million resulted from the change of PTTCH's status from PTT's subsidiary to an associate. PTT's Inventories increased by Baht 2,376 million due to the increase in oil prices, Materials and supplies – net decreased by Baht 1,178 million, other current assets decreased by Baht 3,485 million which resulted from the decrease in Refund receivable from the oil stabilization fund of LPG by Baht 7,048 million and the decrease in the accrued interest income and other accrued income by Baht 903 million. However, other accounts receivable - net increased by Baht 1,294 million and Advances increased by Baht 3,755 million from advance of gas separation plant's construction.

- Non-current assets increased by Baht 72,547 million or 14.4% due mainly to

- the increase in Investments in the associates by Baht 89,718 million or 89.5% which resulted from the change of PTTCH, PPCL, PTTUT and PTTICT's status from PTT's subsidiaries to PTT's associates, the investment in East Mediterranean Gas Company S.A.E. (EMG) in Egypt through PTT INTER by Baht 16,434 million and improvement of operating performance of TOP, SPRC and IRPC.

- the increase in other non-current assets by Baht 3,255 million or 28.9% which resulted mainly from the increased in Inventories – legal reserve

• the decrease in property, plant and equipment - net by Baht 13,382 million or 4.1% resulted mainly from the change of PTCH, PPCL, PTTUT and PTTICT's status from PTT's subsidiaries to PTT's associates which caused the decrease in property, plant and equipment - net by Baht 48,575 million despite the increase in PTT's property, plant and equipment - net by Baht 35,193 million from the investment in the third natural gas pipeline project, Wangnoi - Kangkoi gas pipeline system, Sainoi - South Bangkok gas pipeline system and PTTEP's investments in Oil and gas properties. Intangible assets also decreased by Baht 2,549 million resulted mainly from the decrease in goodwill due to the change of PTCH's status from PTT's subsidiary to PTT's associates by Baht 7,877 million despite the increase in goodwill from the establishment of PTTRB for the acquisition of JET/Jiffy brand retail petroleum business from ConocoPhillips (COP). However, the leasehold rights/rights to use increased by Baht 2,346 million resulted mainly from the increase in rights to use land under the Wangnoi - Kang Khoi gas pipeline project and the South - Bangkok power plant gas pipeline project by Baht 783 million and Baht 526 million respectively and the increase in leasehold rights of Mab-Ta-Phut's Port by Baht 222 million. Advance payment for gas purchased also decreased by Baht 3,896 million resulted from the make-up of the prepaid gas by PTT.

## Liabilities

Total liabilities was Baht 493,700 million, increased from the end of the year 2006 by Baht 96,569 million or 24.3%. Current liabilities increased by Baht 77,309 million due mainly to the increase in trade accounts payable - others by Baht 60,905 million, the increase in trade accounts payable - related parties by Baht 16,705 million mainly due to the increase in oil and gas purchase prices. Income tax payable also increased by Baht 5,688 million due to the better operating performance and the increase in corporate income tax rate of PTT from 25% in 2006 to 30% starting from the year 2007 while long-term loans due within 1 year decreased by Baht 13,000 million.

Non-current liabilities increased by Baht 19,260 million due mainly to the increase in long-term loans by Baht 14,048 million resulted from PTT's and its subsidiaries' bond issuances and long-term loans borrowing in the total amount of Baht 54,648 million, which consists mainly of the borrowing by PTT, PTTEP, PPCL, PTTUT and PTCH by Baht 30,071 million, Baht 16,364 million, Baht 2,020 million, Baht 1,003 million and Baht 5,188 million respectively, while there was repayment of long-term loans and debenture and the redemption of government bonds in the total amount of Baht 21,496 million and the change of PTCH, PPCL, PTTUT and PTTICT status from PTT's subsidiaries to PTT's associates. Other non-current liabilities increased by Baht 3,735 million due mainly to the increase in long-term liability (Make-up) arising from the amount of difference between the natural gas price for the committed gas volume that PTT paid in advance and the natural gas price as at the date of taking the gas that exceeds the interest paid for advance payment of untake-up gas volume (Take-or-Pay) in which PTT has to distribute such difference to the parties who paid the Take or Pay interest for the Yadana and Yetagun gas fields.

## Shareholders' Equity

Total shareholders' equity as of December 31, 2007 were Baht 398,651 million, increased from the end of 2006 by Baht 42,591 million or 12.0%. The increase was due mainly to the unappropriated retained earnings of Baht 68,269 million, resulted from PTT and its subsidiaries' net profit of Baht 97,804 million adjusted with dividend payment to the shareholders in an amount of Baht 29,494 million.

In 2007 there was increase in share capital resulted from the exercise of warrants under Employee Stock Option Program (ESOP) which caused an increase in issued and paid-up share capital in an amount of Baht 124.63 million (12,462,500 shares) and an increase in premium on ordinary shares of Baht 2,303 million.



In 2007 the minority interests decrease by Baht 29,335 million resulted from the change of PTTH, PPCL, PTTUT and PTTICT's status from PTT's subsidiaries to PTT's associates. Surplus on dilution of investments in subsidiaries and associates increased by Baht 901 million from the shares offering and the exercise of warrants under the Employee Stock Ownership Plan (ESOP) of PTT subsidiaries.

## Liquidity

In 2007, net increase in cash and cash equivalents of PTT and its subsidiaries was Baht 14,031 million, while cash and cash equivalents at the beginning of the period was Baht 86,806 million adjusted by Cash at ending of period of subsidiaries transformed to associates of Baht 25,879 million, which resulted that cash and cash equivalents at the end of the period was Baht 74,958 million.

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

## Major Future Projects

By and large, PTT's major future projects still remain focused on investments in the Exploration & Production and Gas Business Group, designed to supplement business value and sustain growth in the domestic demand for natural gas in line with economic expansion, as the bulk of gas finds its application in power generation. It is estimated that the call for gas in the next five years (2008 - 2012) will expand at an average rate of 5.5% a year. PTT therefore needs to plan to secure

sufficient gas supply both from domestic and international sources, including additional investment in an LNG receiving terminal and the gas transmission system to meet customers' demand and comply with the Power Development Plan for 2007 - 2021 (PDP 2007) as well as the revised Third Gas Pipeline Master Plan. The plan serves as an investment framework for 14 transmission pipeline construction projects, including the onshore and offshore Third Gas Pipeline, the Sai Noi - North and South Bangkok transmission pipeline, and the onshore Fourth Gas Pipeline Project to raise PTT's deliverability by 1,900 MMcf/d (offshore) and 2,300 MMcf/d (onshore) respectively. These projects under the current master plan command an internal rate of return on equity (IRROE) of at least 12.5%.

To supplement value for natural gas and maximize its use over its value chain, and to support petrochemical business expansion from intermediate to downstream, PTT's investment plans include an ethane separation plant and a sixth gas separation plant with a feed capacity of 800 MMcf/d and an IRROE of 12 - 15%, to produce ethane for feedstock under the 1,000,000-ton/year Ethane Cracker Project run by PTT Polyethylene Co., Ltd., a subsidiary of PTT Chemical Plc., as well as supporting petrochemical business expansion under PTT Group to the downstream petrochemical business. Apart from this, PTT has promoted and encouraged the use of NGV (Natural Gas for Vehicles) to promote the application of environmentally-friendly natural gas, a clean fuel.

As for factors that could disrupt project implementation, please visit the Risk Factors section.

# Risk Factors

Thanks to PTT's continued risk management efforts, the risk factors disclosed in the past year have been reasonably well managed. Besides, 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 associated with petroleum and related industries. Apart from the risk factors directly related to its business in general, other risk factors are described below.

## 1. Strategic Risks

### 1.1 Management of PTT Group

Because PTT has steadily expanded its investment through assorted business groups, the management of PTT affiliates has become more complicated. Without effective and efficient management, PTT and its affiliates might apply inconsistent strategies and end up competing among themselves, thereby compromising its own overall business performance.

As a result, the Company has focused on the management of PTT Group, whereby PTT executives have been appointed presidents or senior executives of PTT affiliates for consistency in policies, strategies, and business directions and closer supervision of business expansion. In addition, executives of PTT and its affiliates have taken part in drafting a master strategic plan as a guideline for developing business plans for each group.

### 1.2 Personnel Management System in Support of Business Expansion

In response to continued domestic and international business expansion and the enhanced competitiveness for greater business opportunities, PTT must adequately prepare its resources, especially its people. If human resource management and business expansion do not align, PTT's business performance and competitiveness are bound to decline.

Likewise, the Company manages its human resources under a group structure to maximize the sharing of talents and experience, thereby allowing human resource staff to develop plans for training and development and relying on competency-based management and career management.

## 2. Business Risks

### 2.1 Gas Sales Agreements and Take-or-Pay Conditions

Each gas sales agreement specifies a minimum annual contractual quantity for PTT as a buyer; otherwise, it is required to pay for the volume not taken during that contract year under the take-or-pay condition. Nevertheless, PTT may take the pre-paid gas in later years as make-up gas if it has already paid the minimum contracted amount for the year in question. Problems arising from the take-or-pay requirement or the ability to receive make-up gas might degrade PTT's financial and operating performance.

To efficiently manage its purchase of gas under take-or-pay conditions, PTT ensures that its own sales agreements contain similar conditions. Moreover, it constantly monitors the gas demand and revises the days on which PTT begins receiving contracted gas to be produced in future to ensure that the supply of gas corresponds to the customers' ability to receive gas and the construction completion date for gas transmission pipelines.

## 2.2 Risks Associated with Sourcing of Natural Gas

To remain prepared for future gas demand, PTT has been sourcing additional gas supplies from both domestic sources and Myanmar through several new gas purchase agreements, as well as LNG (liquefied natural gas). It cannot absolutely confirm that these development projects and new sources under signed contracts will be delivering gas by the contractual dates or that the LNG supplier will indeed deliver the gas as planned. This could affect gas users in any sector: power, industrial, or transport. In addition, delays in GSP (gas separation plant) projects could affect PTT Group's petrochemical projects.

Nevertheless, measures are in place for these potential problems, as PTT constantly keeps updated on gas producers' construction projects to pinpoint completion dates. In the meantime, it coordinates with other current gas producers to prepare supplementary capacities at all times during these periods just in case the new gas gets into the transmission system late.

## 2.3 Fee Changes for Gas Supply Procurement, Distribution, and Throughput Tariffs

Today's pipeline throughput tariffs and fees for the procurement and distribution of natural gas were approved by the National Energy Policy Council (NEPC), announced in the first NEPC announcement of 2001, which covered the criteria for calculating the tariffs for the expanded network under the amended Third Gas Pipeline Master Plan, 2001 - 2011, approved by the Cabinet. These criteria are subject to revision every five years or with significant changes in economic and social developments.

With recent changes in energy and economic circumstances, the Company constantly closely monitored such circumstances and revised investment plans for the expansion of its gas pipeline networks under the Master Plan to efficiently align with the increased call for gas. On June 19, 2007, the

Cabinet concurred with an NEPC resolution on the revision of Master Plan No. 3 (additional amendment), 2001 - 2011, for use as the framework for the construction of future gas pipeline systems. At an NEPC meeting of October 18, 2007, a decision was reached for pipeline throughput tariff calculation, whereby the Minister of Energy was assigned to deliberate and endorse the new criteria, to be implemented at a proper time. The Minister of Energy has given his consent to these criteria.

## 2.4 Product Price Fluctuation

Reflecting world market prices, the prices for 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 factors beyond the Company's control, thereby affecting PTT's business, financial standing, planning, investment, and operating performance.

To alleviate this risk, PTT has focused on optimizing risk management for PTT Group as a whole by appointing an oil price risk management team within the group. Today, the group is engaged in both short-term and long-term derivatives contracts with its business partners, with price, volume, and time targets for suitable risk management in line with business plans. Each such engagement is supported by the physical volume of PTT oil products to manage the costs of buying and selling for the group.

## 2.5 Government Action Creating Potential Conflicts of Interest with Shareholders

PTT's retention of its state-enterprise status with the Ministry of Finance serving as the major shareholder does not always result in its maximum profitability. The government has previously leveraged, and can still leverage, PTT to achieve national social or economic objectives. As long as this status remains, PTT may respond to government policies in favor of taking actions for profitability or other business objectives.



## **2.6 Transfer of Former Authority, Privileges, and Benefits of PTT Plc. (Provided under PTT Act and State Enterprise Corporatization Act) to 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 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 announce stipulated 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.

As for the necessity for issuing this decree, the government cited that PTT now commanded enough business potential and competitiveness with others in the petroleum business.

This board has issued four announcements, already published in the Royal Gazette, namely those dealing with:

- Criteria and conditions for construction and maintenance of petroleum transmission pipeline systems
- Its 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, an Energy Business Act B.E. 2550 (2007) was promulgated under which the nation's natural gas business included PTT's gas transmission pipeline network. Once this law came into effect, an Energy Business Regulatory Board would be 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 criteria for service pricing by authorized parties and their application of land and other real estates. In the transitory provision of this act indicates that a decree on the authority, privileges, and benefits of PTT Plc. B.E. 2544 (2001), amended by another decree (No. 2) is further effective until PTT get the license according to an Energy Business Act.

## **2.7 Risks Associated with Litigation in Administrative Court concerning Transformation and Privatization of Petroleum Authority of Thailand**

On August 31, 2006, the Foundation for Consumers and its parties of five sued the Prime Minister, the Cabinet, and the Minister of Energy in the Supreme Administrative Tribunal, asking it to revoke two royal decrees issued under the State Enterprise Corporatization Act B.E. 2542 (1999) in the transformation of the Petroleum Authority of Thailand into PTT Plc. These consisted of a royal decree on the authority, privileges, and benefits of PTT Plc. B.E. 2544 (2001) and a timeline for the revocation of laws concerning the Petroleum Authority of Thailand Act B.E. 2544 (2001).

It was on December 14, 2007 that the tribunal issued its verdict on this case:

(1) That the four defendants – namely the Cabinet, the Prime Minister, the Minister of Energy, and PTT – jointly conduct the following:

(a) Divide properties that belonged to the state's public use and the rights to the land used for pipeline transmission systems

(b) Isolate the authority and privileges of the state's public authority from those of PTT.

These were to be completed before the appointment of the Energy Business Regulators.

(2) That the five plaintiffs' accusation be rejected for the revocation of the decree on the authority, privileges, and benefits of PTT Plc. B.E. 2544 (2001), amended by another decree (No. 2, B.E. 2550 (2007)) and a decree stating the timeline for the termination of the Petroleum Authority of Thailand Act B.E. 2544 (2001).

PTT later filed an update on the progress made against the tribunal's ruling, with a summary of the Petroleum Authority of Thailand's properties and their values as of September 30, 2001, to be allocated to the Ministry of Finance. It also clarified its letter sent to the Department of Treasury, in which it submitted a list of divided properties along with a signed memorandum of understanding over their jointly determined criteria of compensation for using such properties, payable to the Ministry of Finance.

### 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 continued rise in natural gas consumption, the ability to expand its gas transmission system and create value, a greater reach of its gas transmission system to customers, 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 assorted reasons, including delays in identifying construction contractors, procurement of long-lead items, getting approval from the government, and the preparation of environmental impact assessment (EIA) reports. Delays in project completion could compromise PTT's financial and operating performance.

Therefore, the Company pays close attention to critical path management, that is, tackling the tasks most critical to each project's timing and success. These include accelerated hiring of construction contractors; close monitoring of the procurement of construction materials; development of measures to reduce 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.

### 4. Operation Risks

#### 4.1 Commercial Risks Associated with Operations

Hazards are inherent to the exploration, production, and transportation of natural gas, crude oil, petrochemicals, and refined products, including 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 hazards could prove detrimental to PTT's personnel, assets, environment, business operation, reputation, financial standing, and business opportunities.

PTT therefore takes risk management seriously by adopting preventive maintenance measures for its production facilities and instituting emergency and crisis response preparedness measures. Like other companies in the petroleum and petrochemical industries, it has taken out insurance to protect its major operating assets against risks and business interruption.

## 4.2 Environmental and Safety Regulations

All our business operations must comply with relevant laws and regulations concerning the impact on the environment and safety. Currently, domestic laws and regulations are more lenient than those of industrialized countries. However, future changes, including those to the enforcement of such laws and regulations, may limit PTT's operation or significantly raise operating costs. Besides, community acceptance or rejection of any operation could harm its future business and ability to generate revenue.

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.

## 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 affected the majority of PTT's revenue, consequently affecting its bottom line. Therefore, the fluctuation of the Baht and the government's economic 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) while managing its foreign currency deposits and purchasing foreign currencies forward to match the quantity of foreign currencies required for loan repayment and for imported natural gas and crude oil. PTT has developed a treasury and credit policy for use as a common guideline for PTT Group, incorporating the requirement to institute risk management to handle risks to PTT's financial standing.

## 5.2 Financial Support to Affiliated Companies

In the past and during the latest Asian economic crisis, PTT provided financial support to its affiliates under a shareholder support agreement and coordinated with the executives, creditors, and other major shareholders of these affiliates on debt restructuring. Despite the improved performance of most affiliates since 2003, PTT cannot ensure that these companies would be able to repay their loans to PTT; that they would avoid more financial problems; or that they would not need PTT's financial support in the future. The financial conditions of PTT affiliates affect its own financial and operating performance.

To address this, PTT has not only played a leading role in promoting debt restructuring among its affiliates, but also issued a policy to refrain from incurring new obligations unless necessary and beneficial to its own long-term success. In such cases, it will consider providing short-term loans or commercial loans, or both, and is convinced that this policy will fortify the financial conditions of PTT companies.

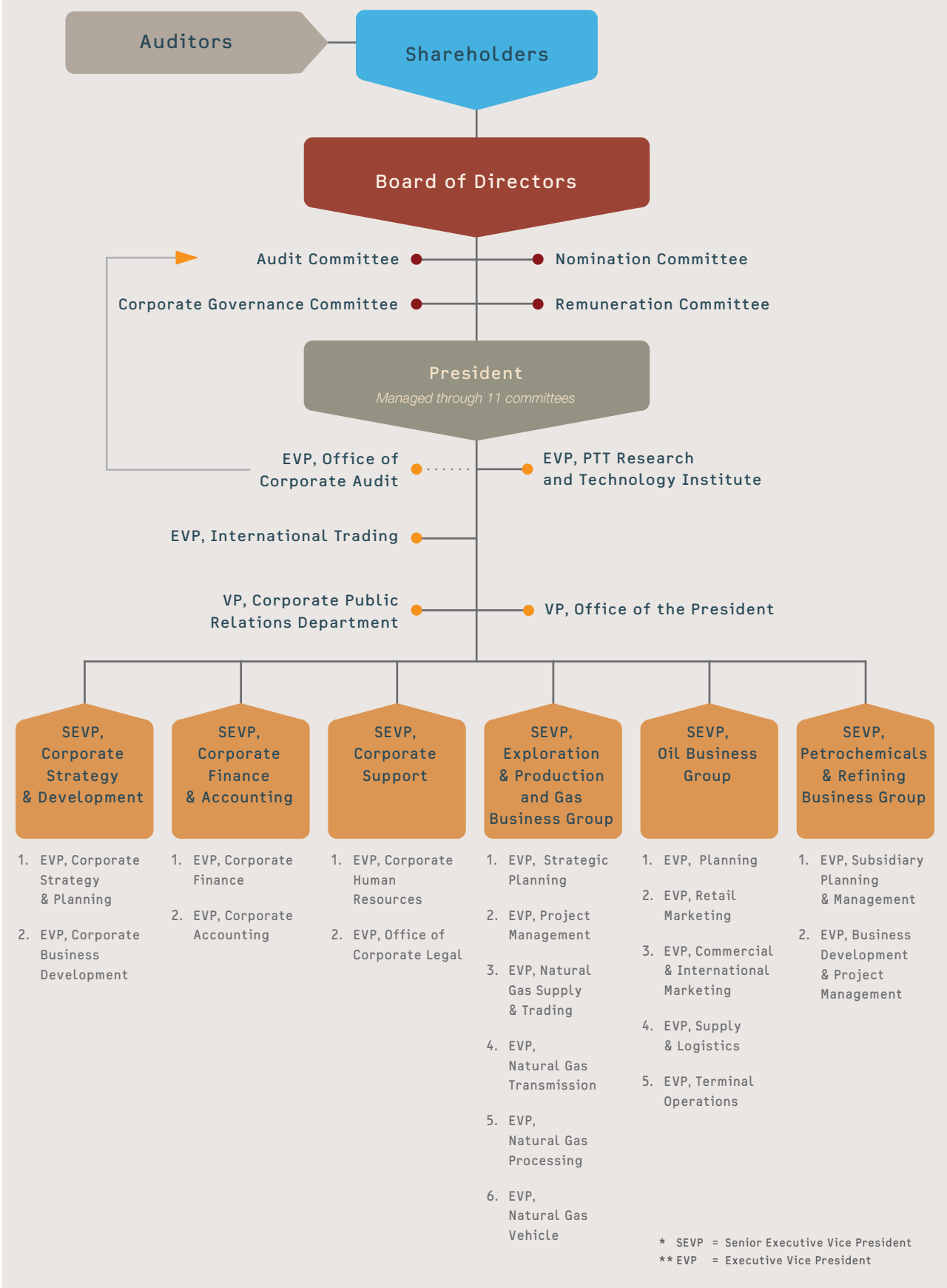
### 5.3 Acquisition of Funds for Plan Execution

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

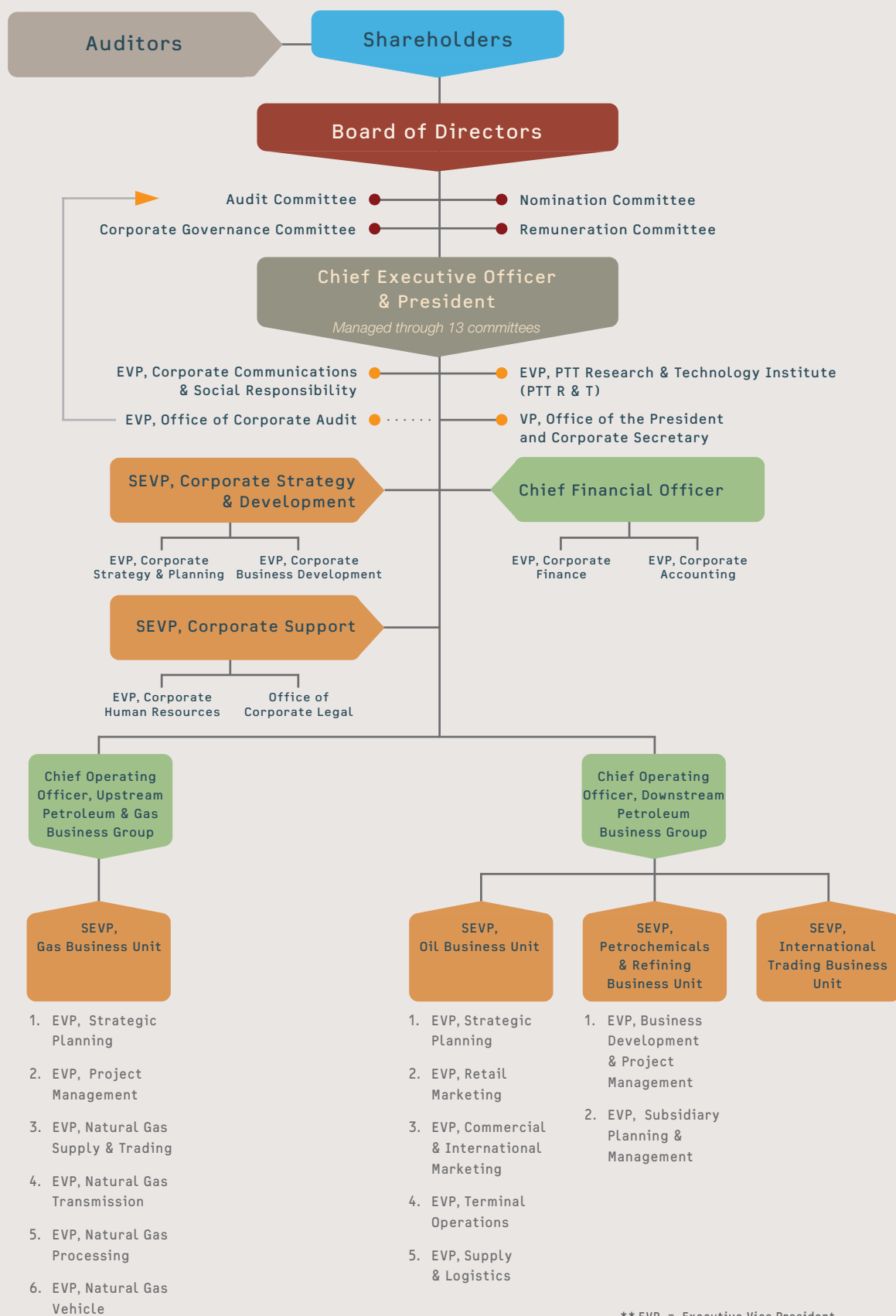
As a rule, PTT adheres to a 1 : 1 debt-to-equity ratio and a net debt-to-EBITDA ratio of up to 2 : 1 when securing investment capital and continuously monitors changes in factors affecting the sourcing of investment capital. Therefore, PTT believes it can secure sufficient and suitable funds for future business expansion.



# Organization Chart



## PTT's Management Structure was as followed: As at January 1, 2008



## PTT Board of Directors



**Dr. Norkun Sittiphong**

Chairman

Age 54

**(%) Share Holding**

None

**Education / Training**

- B.Sc. (Mechanical Engineering), Chulalongkorn University
- M.Sc. (Mechanical Engineering), Oregon State University, U.S.A.
- Ph.D. (Mechanical Engineering), Oregon State University, U.S.A.
- The National Defense Course, The National Defense College (Class 47)
- Capital Market Academy Leadership Program, Capital Market Academy (Class 4)

**Work Experience**

2003 - Present • Deputy Permanent Secretary, Ministry of Energy

**Positions in Other Core Affiliated Companies**

None



**Dr. Olarn Chaipravat**

Independent Director  
and Chairman of the Audit Committee

Age 63

**(%) Share Holding**

None

**Education / Training**

- B.S. (Magna Cum Laude), Economics, Wharton School, University of Pennsylvania, U.S.A.
- Ph.D. Economics, Massachusetts Institute of Technology (M.I.T.), U.S.A.
- Thai Institute of Directors Association (IOD) DAP 4/2003, MIA 2/2008

**Work Experience**

- |             |  |
|-------------|--|
| 1982 - 2001 | <ul style="list-style-type: none"> <li>• President and Chief Executive Officer, The Siam Commercial Bank Public Company Limited</li> </ul> |
| Present     | <ul style="list-style-type: none"> <li>• Honorary Advisor to Fiscal Policy Research Institute (FPRI)</li> </ul>                            |

**Positions in Other Core Affiliated Companies**

- Director of the Board, PTT Chemical Public Company Limited


**Assoc. Prof. Dr. Suchart Thada-Thamrongvech**

Age 55

 Independent Director, Audit Committee Member  
and Chairman of the Corporate Governance Committee

**(%) Share Holding**

None

**Education / Training**

- B.A. (Hons.) (Economics), Thammasat University
- M.Sc. Economics, The London School of Economics and Political Science, U.K.
- Ph.D. Economics, McMaster University, Canada
- The Joint State-Private Course, The National Defense College (Class 1)
- Thai Institute of Directors Association (IOD) DCP 11/2001, DAP 6/2003, FN 11/2004, ACP 6/2005, Fostering a Board and Management Team 1/2005, DCP Refresher 4/2007, RCP 16/2007

**Work Experience**

- |                |   |
|----------------|---|
| 2005 - 2006    | • Director of the Board,<br>Securities and Exchange Commission Thailand                 |
| 1995 - Present | • Associate Professor of Economics,<br>Faculty of Economics,<br>Ramkhamhaeng University |

**Positions in Other Core Affiliated Companies**

- Director of the Board,  
PTT Aromatics and Refining Public Company Limited


**Khunying Jada Wattanasiritham**

Age 62

 Independent Director, Audit Committee Member  
and Remuneration Committee Member

**(%) Share Holding**

None

**Education / Training**

- 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.
- Thai Institute of Directors Association (IOD) DAP 2/2002

**Work Experience**

- |                  |  |
|------------------|--|
| 1967 - 1975      | • Academic Affairs, Bank of Thailand   |
| 1999 - 2007      | • President, The Siam Commercial Bank<br>Public Company Limited                          |
| 2006 - Mar. 2008 | • Member of the National Legislative Assembly,<br>Thailand                               |
| 2007 - Present   | • Director and Executive Director,<br>The Siam Commercial Bank<br>Public Company Limited |

**Positions in Other Core Affiliated Companies**

None




**Dr. Ampon Kittiampon**
*Age 52*

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

**(%) Share Holding**

None

**Education / Training**

- B.A., Kasetsart University
- M.S. (Economics), Northeastern University Boston, U.S.A.
- Ph.D. (Applied Economics), Clemson University, South Carolina, U.S.A.
- CIO 3
- The National Defense Course, The National Defense College (Class 45)
- Thai Institute of Directors Association (IOD) DCP 80/2006

**Work Experience**

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

**Positions in Other Core Affiliated Companies**

- Director of the Board,  
PTT Aromatics and Refining Public Company Limited


**Mrs. Pannee Sathavarodom**
*Age 59*

Director and Remuneration Committee Member

**(%) Share Holding**

None

**Education / Training**

- B.A. (Hons.) (Economics), Thammasat University
- M.A. (Economics), Thammasat University
- The National Defense Course, The National Defense College (Class 44)
- Bond Markets: Fixed Income Analysis,  
Economic Development Institute of the World Bank (1996)
- Advanced Executive Program, 2004 Kellogg School of Management,  
Northwestern University, U.S.A.
- Thai Institute of Directors Association (IOD) DAP 42/2005, FN 22/2005,  
DCP 72/2006, Fostering a Board and Management Team 1/2005

**Work Experience**

- |                |   |
|----------------|---|
| 2001 - 2002    | • Deputy Director-General,<br>Fiscal Policy Office and Director-General,<br>Public Debt Management Office,<br>Ministry of Finance |
| 2002 - 2006    | • Director-General, Public Debt Management Office,<br>Ministry of Finance   |
| 2006 - Present | • Director-General, Fiscal Policy Office,<br>Ministry of Finance  |

**Positions in Other Core Affiliated Companies**

- Director of the Board,  
PTT Aromatics and Refining Public Company Limited


**Mr. Chakramon Phasukavanich**

Age 59

 Independent Director  
and Chairman of the Nominating Committee

**(%) Share Holding**

None

**Education / Training**

- B.A. (Economics), Chulalongkorn University
- M.A. (Economics), California State University in Northridge, U.S.A.
- Certificate of Senior Executive Development Program (Class 12)
- The National Defense Course, The National Defense College (Class 39)
- Thai Institute of Directors Association (IOD) DAP 20/2004, FN 13/2004, ACP 14/2006, DCP 71/2006

**Work Experience**

- |                  |   |
|------------------|---|
| 2001 - 2002      | • Secretary General, Board of Investment                            |
| 2002 - 2004      | • Secretary General, National Economic and Social Development Board |
| 2004 - Present   | • Permanent Secretary, Ministry of Industry                         |
| 2006 - Mar. 2008 | • Members of the National Legislative Assembly, Thailand            |

**Positions in Other Core Affiliated Companies**

- Director of the Board, Thai Oil Public Company Limited


**Mrs. Puntip Surathin**

Age 59

Director and Nominating Committee Member

**(%) Share Holding**

None

**Education / Training**

- B.A. (Accountancy) (Hons.), Chulalongkorn University
- M.A. (Business Administration), Fort Hays Kansas State College, U.S.A.
- The National Defense Course, The National Defense College (Class 40)
- Thai Institute of Directors Association (IOD) DCP 5/2001

**Work Experience**

- |                |  |
|----------------|--|
| 2002           | • Deputy Permanent Secretary, Ministry of Finance                |
| 2005           | • Deputy Permanent Secretary, Ministry of Finance                |
| 2006 - Present | • Director General, The Treasury Department, Ministry of Finance |

**Positions in Other Core Affiliated Companies**

None


**Gen. Somdhat Attanand**
*Age 63*

Independent Director

and Corporate Governance Committee Member

**(%) Share Holding**

None

**Education / Training**

- Bachelor of Science, Chulachomklao Royal Military Academy Class 14
- The Joint State-Private Course, The National Defence College (Class 10)
- Thai Institute of Directors Association (IOD) DAP 53/2006, FN 29/2006, ACP 14/2006, DCP 90/2007

**Work Experience**

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

**Positions in Other Core Affiliated Companies**

None


**M.L. Panasarn Hasdin**
*Age 62*

Independent Director

and Corporate Governance Committee Member

**(%) Share Holding**

None

**Education / Training**

- Bachelor of Architecture (Hons.), Chulalongkorn University
- Master of Architecture, University of Pennsylvania, U.S.A.
- The National Defense Course, The National Defense College (Class 37)
- The Psychological Operation Staff Course 33
- Thai Institute of Directors Association (IOD) Developing CG Setting the CEO Performance Plan & Evaluation / UFS

**Work Experience**

- |             |   |
|-------------|---|
| 1997 - 2003 | • Deputy Secretary-General to the Prime Minister for Administration Affairs |
| 2003 - 2005 | • Deputy Permanent Secretary to the Prime Minister                          |

**Positions in Other Core Affiliated Companies**

None


**Gen. Apichart Penkitti**
*Age 58*

Independent Director

**(%) Share Holding**

None

**Education / Training**

- Bachelor of Science, Chulachomkiao Royal Military Academy Class 19
- Master of Science in Mechanical Engineering, US. Naval Post Graduate School Monterey, California, U.S.A.
- The National Defense Course, The National Defense College (Class 43)
- Thai Institute of Directors Association (IOD) DAP 62/2007

**Work Experience**

- |                |  |
|----------------|--|
| 2002           | • Deputy Commanding General, Armed Forces Development Command, Ministry of Defence |
| 2003           | • Director-General, Office of Policy and Planning, Ministry of Defence             |
| 2005 - Present | • Deputy Permanent Secretary, Ministry of Defence                                  |

**Positions in Other Core Affiliated Companies**

None


**Khun Pornthip Jala**
*Age 58*

Independent Director

**(%) Share Holding**

None

**Education / Training**

- Bachelor of Laws (Honors), Thammasat University
- Master of Laws (LL.W), University of Michigan, U.S.A.
- The National Defense Course, The National Defense College (Class 43)

**Work Experience**

- |                  |   |
|------------------|---|
| 1999 - 2004      | • Director, Bank of Thailand                            |
| 2000 - 2001      | • Law Councillor, Council of State                      |
| 2006 - Mar. 2008 | • Member of the National Legislative Assembly, Thailand |
| Present          | • Secretary-General of the Council of State             |

**Positions in Other Core Affiliated Companies**

None



**Dr. Praipol Koomsup**

Age 59

Independent Director

**(%) Share Holding**

None

**Education / Training**

- B.A. (Economics), University of Western, Australia
- M.A. (Economics), Thammasat University
- Ph.D. (Economics), Yale University, U.S.A.
- Thai Institute of Directors Association (IOD) DAP 52/2006, DCP 91/2007

**Work Experience**

- |             |  |
|-------------|--|
| 1996 - 1998 | • President, Economics Association of Thailand |
| 1996 - 2001 | • Editor, Thammasat Economic Journal           |
| Present     | • Faculty of Economic, Thammasat University    |

**Positions in Other Core Affiliated Companies**

None

**Dr. Panich Pongpirodom**

Age 58

Director

**(%) Share Holding**

None

**Education / Training**

- B.Eng (Civil Eng.), Chulalongkorn University
- M.Eng. (Sanitary Eng.), Chulalongkorn University
- M.Eng (Coastal Eng.), Asian Institute of Technology
- Ph.D.Eng (Coastal Eng.), Asian Institute of Technology
- The Joint State-Private Course, The National Defense College (Class 15)
- Thai Institute of Directors Association (IOD) DAP 56/2006, UFS 1/2006

**Work Experience**

- |                |  |
|----------------|--|
| 2002           | • Deputy Director-General, Department of Alternative Energy Development and Efficiency, Ministry of Energy |
| 2004           | • Inspector-General, Ministry of Energy  |
| 2005           | • Director-General, Department of Energy Business, Ministry of Energy                                      |
| 2006 - Present | • Director-General, Department of Alternative Energy Development and Efficiency, Ministry of Energy        |

**Positions in Other Core Affiliated Companies**

None


**Mr. Prasert Bunsumpun**

Age 55

Director and Secretary to the Board of Directors

**(%) Share Holding**

None

**Education / Training**

- B.Eng. (Civil Engineering), Chulalongkorn University
- M.B.A., Utah State University, U.S.A.
- Honorary Doctoral in Engineering, Chulalongkorn University
- Honorary Doctoral in Management, National Institute of Development Administration (NIDA)
- The Joint State-Private Course, The National Defense College (Class 10)
- Certificate in Advanced Management Program, Harvard Business School, U.S.A.
- Politics and Governance in Development Systems for Executive Course, King Prajadhipok's Institutes (Class 6)
- Capital Market Academy Leadership Program, Capital Market Academy (Class 3)
- Thai Institute of Directors Association (IOD) DAP 26/2004

**Work Experience**

- |                        |   |
|------------------------|---|
| 2001 - 2003            | <ul style="list-style-type: none"> <li>• Senior Executive Vice President, Gas Business Group, PTT Public Company Limited</li> </ul> |
| 2003 - 2007            | <ul style="list-style-type: none"> <li>• President, PTT Public Company Limited</li> </ul>   |
| Jan. 1, 2008 - Present | <ul style="list-style-type: none"> <li>• President and Chief Executive Officer, PTT Public Company Limited</li> </ul>               |
| 2006 - Mar. 2008       | <ul style="list-style-type: none"> <li>• Member of the National Legislative Assembly, Thailand</li> </ul>                           |

**Positions in Other Core Affiliated Companies**

- Director of the Board, 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 Aromatic and Refining Public Company Limited
- Director of the Board, IRPC Public Company Limited

## PTT Executives



**Mr. Prasert Bunsumpun**

Age 55

President

### (%) Share Holding

None

### Education / Training

- B.Eng. (Civil Engineering), Chulalongkorn University
- M.B.A., Utah State University, U.S.A.
- Honorary Doctoral in Engineering, Chulalongkorn University
- Honorary Doctoral in Management, National Institute of Development Administration (NIDA)
- The Joint State-Private Course, The National Defense College (Class 10)
- Certificate in Advanced Management Program, Harvard Business School, U.S.A.
- Politics and Governance in Democracy for Executive, Class 6, King Prajadhipok's Institutes
- Capital Market Academy Leadership Program, Capital Market Academy (Class 3)
- Thai Institute of Directors Association (IOD) DAP 26/2004

### Work Experience

- |                        |   |
|------------------------|---|
| 2001 - 2003            | • Senior Executive Vice President, Gas Business Group, PTT Public Company Limited |
| 2003 - 2007            | • President, PTT Public Company Limited   |
| Jan. 1, 2008 - Present | • President and Chief Executive Officer, PTT Public Company Limited               |
| 2006 - Mar. 2008       | • Member of the National Legislative Assembly, Thailand                           |

### Positions in Other Core Affiliated Companies

- Director of the Board, 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 Aromatic and Refining Public Company Limited
- Director of the Board, IRPC Public Company Limited



**Mr. Anon Sirisaengtaksin**

Age 55

Senior Executive Vice President,  
Corporate Strategy & Development

### (%) Share Holding

0.003561

### Education / Training

- B.Sc. in Geology, Chulalongkorn University
- M.B.A., Thammasat University
- Certificates in Project Investment Appraisal and Management and Global Leadership, Harvard University, U.S.A.
- Thai Institute of Directors Association (IOD) DAP 52/2006, DCP 73/2006

### Work Experience

- |                         |   |
|-------------------------|---|
| 2002 - Feb. 17, 2008    | • Senior Executive Vice President, Corporate Strategy and Development, PTT Public Company Limited |
| Feb. 18, 2008 - Present | • Chief Executive Officer, PTT Exploration and Production Public Company Limited                  |

### Positions in Other Core Affiliated Companies

- Director of the Board, PTT Aromatics and Refining Public Company Limited
- Director of the Board, PTT Natural Gas Distribution Company Limited
- Director of the Board, Star Petroleum Refining Company Limited
- Director of the Board, Independent Power (Thailand) Company Limited
- Director of the Board, PTTICT Solutions Company Limited


**Mr. Pichai Chunhavajira**

Age 58

 Senior Executive Vice President,  
Corporate Finance and Accounting

**(%) Share Holding**

0.001966

**Education / Training**

- B.A. (Accounting), Thammasat University
- M.B.A. (Business Administration), Indiana University of Pennsylvania, U.S.A.
- Honorary Degree Doctor of Philosophy (Accounting), Thammasat University
- Certified Auditor No. 2918
- The Joint State-Private Course, The National Defense College (Class 13)
- Thai Institute of Directors Association (IOD) DAP 49/2005

**Work Experience**

- |                        |   |
|------------------------|---|
| 1996 - 2001            | • Deputy Governor,<br>Corporate Finance & Accounting,<br>Petroleum Authority of Thailand              |
| 2003 - 2004            | • Acting President,<br>Bangchak Petroleum Public Company Limited                                      |
| 2001 - 2007            | • Senior Executive Vice President,<br>Corporate Finance and Accounting,<br>PTT Public Company Limited |
| Jan. 1, 2008 - Present | • Chief Financial Officer,<br>PTT Public Company Limited  |

**Positions in Other Core Affiliated Companies**

- Director of the Board, PTT Exploration and Production 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, Bangchak Petroleum Public Company Limited
- Director of the Board, Dhipaya Insurance Public Company Limited


**Mr. Songwut Chinnawat**

Age 57

Senior Executive Vice President, Corporate Support

**(%) Share Holding**

0.000450

**Education / Training**

- B.Eng. (Civil Engineering), Kasetsart University
- M.Eng. (Civil Engineering), Lamar University, Beaumont, Texas, U.S.A.
- Certificate in Advanced Management Program, Harvard Business School, U.S.A.
- Certificate in Advanced Management Program, Banff School
- The Joint State-Private Course,  
The National Defense College (Class 16)
- Thai Institute of Directors Association (IOD) DAP 35/2005

**Work Experience**

- |                |  |
|----------------|--|
| 1998 - 2002    | • Director and General Manager,<br>PTT Natural Gas Distribution<br>Company Limited     |
| 2003 - Present | • Senior Executive Vice President,<br>Corporate Support,<br>PTT Public Company Limited |

**Positions in Other Core Affiliated Companies**

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



**Mr. Chaivat Churitti**

Age 59

Senior Executive Vice President, Oil Business Unit

**(%) Share Holding**

0.002627

**Education / Training**

- B.Sc. Economics, Nathaniel Hawthorne College, U.S.A.
- Thai Institute of Directors Association (IOD) DAP 67/2007

**Work Experience**

- |                        |  |
|------------------------|--|
| 2002 - 2003            | • Executive Vice President, Retail Marketing, PTT Public Company Limited             |
| 2003 - 2005            | • Executive Vice President, Planning, Oil Business Group, PTT Public Company Limited |
| 2005 - 2007            | • Senior Executive Vice President, Oil Business Group, PTT Public Company Limited    |
| Jan. 1, 2008 - Present | • Senior Executive Vice President, Oil Business Unit, PTT Public Company Limited     |

**Positions in Other Core Affiliated Companies**

- Director of the Board, Bangchak Petroleum Public Company Limited
- Director of the Board, IRPC Public Company Limited
- Director of the Board, Thai Lube Blending Company Limited
- Director of the Board, Fuel Pipeline Transportation Company Limited
- Director of the Board, Retail Business Alliance Company Limited

**Dr. Chitrapongse Kwangsukstith**

Age 58

Senior Executive Vice President,  
Exploration & Production and Gas Business Group**(%) Share Holding**

0.005241

**Education / Training**

- B.Eng. (Mechanical Engineering), Chulalongkorn University
- M.Eng. (Industrial Engineering), Lamar University, Texas, U.S.A.
- Ph.D. (Industrial Engineering), Lamar University, Texas, U.S.A.
- Stanford Executive Program, Stanford University, U.S.A.
- The Joint State-Private Course, The National Defense College (Class 12)
- Thai Institute of Directors Association (IOD) DCP 42/2004, FND 9/2004

**Work Experience**

- |                        |  |
|------------------------|--|
| 2000 - 2003            | • Director and President, PTT Exploration and Production Public Company Limited                |
| 2003 - 2007            | • Senior Executive Vice President, Gas Business Group, PTT Public Company Limited              |
| Jan. 1, 2008 - Present | • Chief Operating Officer, Upstream Petroleum & Gas Business Group, PTT Public Company Limited |

**Positions in Other Core Affiliated Companies**

- Director of the Board, PTT Exploration and Production Public Company Limited
- Chairman of the Board, District Cooling System & Power Plant Company Limited
- Chairman of the Board, Energy Complex Company Limited
- Chairman of the Board, PTT Utility Company Limited
- Chairman of the Board, PTT Natural Gas Distribution Company Limited


**Dr. Prajya Phinyawat**

Age 56

Senior Executive Vice President,  
Petrochemicals and Refining Business Group

**(%) Share Holding**

0.004170

**Education / Training**

- B.E. (Civil Engineering), Chulalongkorn University
- M.S. (Civil Engineering), Stanford University, U.S.A.
- Ph.D. (Civil Engineering), University of Texas at Austin, U.S.A.
- The Joint State-Private Course,  
The National Defense College (Class 15)
- Thai Institute of Directors Association (IOD) DCP 14/2002

**Work Experience**

- |                           |   |
|---------------------------|---|
| 2002 - 2003               | • Senior Executive Vice President,<br>Corporate Support,<br>PTT Public Company Limited                        |
| 2004 - 2007               | • Senior Executive Vice President,<br>Petrochemicals & Refining Business Group,<br>PTT Public Company Limited |
| Jan. 1, 2008 -<br>Present | • Chief Operating Officer,<br>Downstream Petroleum & Gas Business Group,<br>PTT Public Company Limited        |

**Positions in Other Core Affiliated Companies**

- Director of the Board, PTT Chemical Public Company Limited
- Director of the Board,  
PTT Aromatics and Refining Public Company Limited
- Director of the Board, Thai Oil Public Company Limited
- Director of the Board, IRPC Public Company Limited
- Director of the Board, Star Petroleum Refining Company Limited


**Mr. Aditheb Bisalbutr**

Age 59

President, PTT Chemical Public Company Limited

**(%) Share Holding**

0.008529

**Education / Training**

- B.E. (Electrical Engineering), Chulalongkorn University
- M.Eng. (Electrical Engineering), University of Houston, U.S.A.
- Certificate on Modern Marketing, Chulalongkorn University
- Thai Institute of Directors Association (IOD) DCP 48/2004

**Work Experience**

- |                |   |
|----------------|---|
| 1999 - 2005    | • President, Thai Olefins Public Company Limited    |
| 2005 - Present | • President,<br>PTT Chemical Public Company Limited |

**Positions in Other Core Affiliated Companies**

- Director of the Board, PTT Chemical Public Company Limited
- Director of the Board, Vinythai Public Company Limited
- Chairman of the Board, Thai Ethanolamines Company Limited
- Chairman of the Board, TOC Glycol Company Limited
- Director of the Board, Thai Oleochemicals Company Limited


**Dr. Viroj Mavichak**
*Age 59*

President, Thai Oil Public Company Limited

**(%) Share Holding**

0.005575

**Education / Training**

- B.E. (Hons.) (Civil Engineering), Chulalongkorn University
- 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.
- Program for Management Development, Harvard University, U.S.A.
- Thai Institute of Directors Association (IOD) DAP 1/2003, DCP 38/2003

**Work Experience**

- |                |  |
|----------------|--|
| 1999 - 2005    | <ul style="list-style-type: none"> <li>• President, National Petrochemical Public Company Limited</li> </ul> |
| 2006 - Present | <ul style="list-style-type: none"> <li>• President, Thai Oil Public Company Limited</li> </ul>               |

**Positions in Other Core Affiliated Companies**

- Director of the Board, Thai Oil Public Company Limited
- Director of the Board, Thai Oil Power Company Limited
- Director of the Board, Independent Power (Thailand) Company Limited


**Mr. Permsak Shevawattananon**
*Age 57*

 Chief Executive Officer,  
PTT Aromatics and Refining Public Company Limited

**(%) Share Holding**

0.000863

**Education / Training**

- B.Eng. (Mechanical), University of Santo Tomas Manila, Philippines
- Certificate in Asian Executive Program (AEP), GE Management Development Institute
- Certificate in Senior Executive Program (SEP), Sasin Graduate Institute of Business of Chulalongkorn University
- Thai Institute of Directors Association (IOD) DCP 51/2004

**Work Experience**

- |                |   |
|----------------|---|
| 2001 - 2002    | <ul style="list-style-type: none"> <li>• Executive Vice President, Natural Gas Processing, PTT Public Company Limited</li> </ul>  |
| 2002 - 2004    | <ul style="list-style-type: none"> <li>• President, Trans Thai - Malaysia (Thailand) Company Limited</li> </ul>   |
| 2004 - 2006    | <ul style="list-style-type: none"> <li>• Executive Vice President, Working as the Secondment in President for The Aromatics (Thailand) Public Company Limited</li> </ul>        |
| 2006 - 2007    | <ul style="list-style-type: none"> <li>• Senior Executive Vice President, Working as the Secondment in President for The Aromatics (Thailand) Public Company Limited</li> </ul> |
| 2007 - Present | <ul style="list-style-type: none"> <li>• Chief Executive Officer, PTT Aromatics and Refining Public Company Limited</li> </ul>  |

**Positions in Other Core Affiliated Companies**

- Director of the Board, PTT Aromatics and Refining Public Company Limited
- Director of the Board, PTT ICT Solutions Company Limited

**Mr. Maroot Mrigadat**

Age 55

President,  
PTT Exploration and Production Public Company Limited

(%) Share Holding 0.000309

**Education / Training**

- B.S. (Petroleum Engineering), University of Texas at Austin, U.S.A.
- M.S. (Petroleum Engineering), University of Texas at Austin, U.S.A.
- Certificate in Advance Management Course from INSEAD, France
- The Joint State-Private Course, The National Defense College (Class 17)
- Thai Institute of Directors Association (IOD) DAP 13/2004, DCP 46/2004

**Work Experience**

- |                |   |
|----------------|---|
| 2002 - 2003    | <ul style="list-style-type: none"> <li>• Senior Vice President, Business Development, PTT Exploration and Production Public Company Limited</li> </ul>                                |
| 2003 - 2006    | <ul style="list-style-type: none"> <li>• Executive Vice President, Working as the Secondment in President for PTT Exploration and Production Public Company Limited</li> </ul>        |
| 2006 - Present | <ul style="list-style-type: none"> <li>• Senior Executive Vice President, Working as the Secondment in President for PTT Exploration and Production Public Company Limited</li> </ul> |

**Positions in Other Core Affiliated Companies**

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

**Mr. Chainoi Puankosoom**

Age 57

President,  
PTT Aromatics and Refining Public Company Limited

(%) Share Holding 0.001469

**Education / Training**

- Bachelor Degree in Higher Accounting, California College of Commerce
- Master of Management (MM), Sasun Graduate Institute of Business Administration, Chulalongkorn University
- Politics and Governance in Development Systems for Executive Course, King Prajadhipok's Institutes (Class 6)
- Thai Institute of Directors Association (IOD) DAP 63/2007

**Work Experience**

- |                |   |
|----------------|---|
| 2000 - 2005    | <ul style="list-style-type: none"> <li>• President, Independent Power (Thailand) Company Limited</li> </ul>   |
| 2005           | <ul style="list-style-type: none"> <li>• Executive Vice President, Working as the Secondment in President for Rayong Refinery Public Company Limited</li> </ul>   |
| 2005 - 2007    | <ul style="list-style-type: none"> <li>• Executive Vice President, Petrochemicals and Refining Business Group, Working as the Secondment in President for Rayong Refinery Public Company Limited</li> </ul> |
| 2007 - Present | <ul style="list-style-type: none"> <li>• Senior Executive Vice President, Working as the Secondment in President for PTT Aromatics and Refining Public Company Limited</li> </ul>                           |

**Positions in Other Core Affiliated Companies**

- Secretary of the Board, PTT Aromatics and Refining Public Company Limited
- Director of the Board, PTT Phenol Company Limited



Details of the Board Directors and Management of PTT,  
Subsidiaries, Associates and Related Companies  
as of December 31, 2007

Company				PTT Executives																									
				Dr. Moruan Sitthiphong Gen. Apichart Perikitti	Mr. Chakamon Phaisakvech Khunying Jada Wattanasethum	Gen. Somsith Attanand	M.L. Prasarn Hadsin	Dr. Anpon Kittampon	Dr. Oen Chaiyavat	Dr. Suchart Thada-Thamrongwech	Dr. Prapod Kornsuep	Khun Pongthip Jala	Mrs. Puntip Surathin	Mrs. Pamee Sathavarodom	Mr. Metta Bantungsuk	Mr. Prasert Bunsimpon	Mr. Anon Srisengdaein	Mr. Pichai Chuntawijira	Mr. Songwat Chinnavat	Dr. Chirapongse Kwangsakulthi	Mr. Chawat Churitti	Dr. Pajara Phinyavet	Dr. Virg Mawchak	Mr. Adinob Basibulr	Mr. Piamsak Shevawattananon	Mr. Manot Migadai	Mr. Chairol Plankosom	Ms. Penchun Jankasem	Ms. Pisana Prathakhasuk
PTT Public Company Limited				PTT		x	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
Subsidiaries	Gas Group	1	PTT Exploration and Production Public Co., Ltd.	PTTEP											/	/	/	/	/										
		2	PTT Natural Gas Distribution Co., Ltd. (PTTNGD)	PTTNGD													/		/	x							o/		
		3	PTT LNG Co., Ltd.	PTTLNG																/									
		4	Combined Heat and Power Producing Co., Ltd.	CHPP																									
	Oil Group	5	Retail Business Alliance Co., Ltd. (RBA)	RBA																	/								
		6	PTT International Trading Pte. Ltd.	PTTT																									
		7	PTT (Cambodia) Co., Ltd.	PTTCL																									
		8	PTT Retail Business Co., Ltd.	PTTRB																	/								
	Refining and Petrochemical	9	Subic Bay Energy Co., Ltd.	SBECL																									
		10	PTT Green Energy Pte. Ltd.	PTTGE																									
		11	PTT Polymer Logistics Co., Ltd.	PTTPL																		x							
	Others	12	PTT Polymer Marketing Co., Ltd.	PTTPM															/		x								
		13	PTT International Co., Ltd.	PTTINTER																									
		14	Energy Complex Co., Ltd.	EnCo																									
Associates and Related Companies	Gas Group	15	PTT Utility Co., Ltd.	PTTUT															x										
		16	Thai Oil Power Co., Ltd.	TP											/	/	/	/	/		/								
		17	Independent Power (Thailand) Co., Ltd.	IPT											x	/		/	/	/		/							
		18	Trans Thai - Malaysia (Thailand) Co., Ltd.	TTM (T)															x										
		19	Trans Thai - Malaysia (Malaysia) Sdn. Bhd.	TTM (M)															x										
		20	District Cooling System and Power Plant Co., Ltd.	DCAP															/										
		21	Ratchaburi Power Co., Ltd.	RPCL															/										
	Oil Group	22	Thai Lube Blending Co., Ltd.	TLBC																/									
		23	Thai Petroleum Pipeline Co., Ltd.	THAPPLINE																x									
		24	Petro Asia (Thailand) Co., Ltd.	PA - Thai																/									
		25	Bangkok Aviation Fuel Services Public Co., Ltd.	BAFS																									
		26	Intoplane Services Co., Ltd.	IPS																									
		27	Fuel Pipeline Transportation Co., Ltd.	FPT																	/								
		28	Vietnam LPG Co., Ltd.	VLPG																									
		29	Keloil - PTT LPG Sdn. Bhd.	KPL																									
		30	Petro Asia (Huizhou) Co., Ltd.	PA - Huizhou																									
		31	Petro Asia (Maoming) Co., Ltd	PA - Maoming																									
		32	Petro Asia (Shantou) Co., Ltd.	PA - Shantou																									
		33	PTT Mart Co., Ltd.	PTT Mart																									
	Refining and Petrochemical	34	PTT Chemical Public Co., Ltd.	PTTCH					/					/	/			/	o/										
		35	PTT Aromatics and Refining Public Co., Ltd.	PTTAR				/	/			/	/	/	/			/	*	/	o								
		36	PTT Phenol Co., Ltd.	PPCL																	/					/			
		37	Star Petroleum Refining Co., Ltd.	SPRC											/				/							/			
		38	Thai Oil Public Co., Ltd.	TOP		/								/	/			/	o/										
		39	Bangchak Petroleum Public Co., Ltd.	BCP											/		/		/										
		40	IRPC Public Co., Ltd.	IRPC										/			/	/											
		41	HMC Polymers Co., Ltd.	HMC											/		/		x										
		42	PTT Asahi Chemicals Co., Ltd.	PTTAC																x									
		Others	43	Dhipaya Insurance Public Co., Ltd.	TIP											/													
	44		PTT ICT Solutions Co., Ltd.	PTTICT											x	/					/	/							
	45		NPTC Maintenance & Engineering Services Co., Ltd.	NPTC																									

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

**Note 2:** Changes of the director after December 31, 2007, is as follows: Mr. Metta Banturngsuk resigned from PTT board of director on January 1, 2008 (and replaced by Mr. Panich Pongpirodorn)

# Shareholding and Management Structure

## PTT Plc.'s Equity Structure

(as of the closing date of the share registration book to account for the extraordinary meeting of shareholders No. 1/2550, August 24, 2007)

Item	Million Shares	Value (Million Baht)	%
Registered Capital	2,857	28,572	-
Paid-Up Capital as of August 24, 2007	2,806	28,055	100.00
• Ministry of Finance	1,468	14,677	52.31
• Vayupak Fund 1 by MFC Asset Management Plc.	218	2,179	7.77
• Vayupak Fund 1 by Krung Thai Asset Management Plc.	218	2,179	7.77
• Institutional and Public Investors	902	9,020	32.15
Unpaid Capital	51	517	-

PTT's top 15 shareholders as of August 24, 2007 were as follows:

No.	Name	Shares	%
1.	Ministry of Finance	1,467,750,743	52.32
2.	Vayupak Fund 1 by Krung Thai Asset Management Plc.	217,900,000	7.77
3.	Vayupak Fund 1 by MFC Asset Management Plc.	217,900,000	7.77
4.	HSBC (Singapore) Nominees Pte., Ltd.	55,155,571	1.97
5.	Thai NVDR Co., Ltd.	45,783,957	1.63
6.	State Street Bank and Trust Company	44,796,953	1.60
7.	Chase Nominees Limited	42,742,400	1.52
8.	Nortrust Nominees Ltd.	37,173,171	1.32
9.	HSBC Bank Plc. - Clients General A/C	31,778,600	1.13
10.	Mellon Bank, N.A.	29,920,429	1.07
11.	State Street Bank and Trust Company for Australia	21,029,235	0.75
12.	The Bank of New York (Nominees) Limited	20,163,086	0.72
13.	Government Pension Fund	19,110,800	0.68
14.	Social Security Office	18,874,900	0.67
15.	Morgan Stanley & Co. International Plc.	15,299,829	0.55

**Notes:** 1. Numbers 4, 7, 8, and 12 were nominee accounts. PTT's investigation at Thailand Securities Depository Co., Ltd., 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 four above-mentioned ones, did not exercise any influence over PTT's management policy formulation by nominating directors.

2. Shareholders of Thai NVDR Co., Ltd., who held non-voting depository receipts in item 5 were ineligible for voting at shareholders' meetings except when exercising their voting rights on delisting the shares from SET.

## PTT Warrants

● 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 PTT Group companies seconded to PTT. The warrants consisted of two 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 governing the purchase of 40,000,000 common shares. Each 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.	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.

From 2006 to December 31, 2007, a total of six warrant exercises for PTT - W1 covering 17,264,500 units were recorded.

**Notes:** ● 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.

On April 11, 2006, the 2006 AGM approved the issuance and offer of all PTT - W2 units governing the purchase of 20,000,000 common shares for the President, the management, PTT employees, and employees of PTT Group

companies seconded to PTT. Each 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	<ul style="list-style-type: none"> <li>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 September 28, 2011.</li> </ul>
2.	5,000,000	5	234	1 : 1	<ul style="list-style-type: none"> <li>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 September 28, 2011.</li> </ul>
3.	5,000,000	5	234	1 : 1	<ul style="list-style-type: none"> <li>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 September 28, 2011.</li> </ul>
4.	5,000,000	5	234	1 : 1	<ul style="list-style-type: none"> <li>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 September 28, 2011.</li> </ul>

From September 2007 to December 31, 2007, a total of two warrant exercises for PTT - W2 covering 2,877,900 units were recorded.

**Notes:** 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.



## Organizational Structure

At the top of PTT's organizational structure is a Board of Directors ("Board"), which consists of 4 committees: Audit Committee, Nominating Committee, Remuneration Committee, and Corporate Governance Committee. The President, who is the top executive, manages PTT through 11 committees. Details of the management structure appear below:

## Board of Directors

As reported in the Ministry of Commerce's certification dated January 2, 2008, the present Board consists of 15 directors:

- 14 non-management directors (10 of whom were independent, which exceeded half of the entire Board), and
- One President.

The present Board consists of:

No.	Name	Position	Appointed
1.	Dr. Norkun Sitthiphong	Chairman	December 21, 2007 <sup>1.4</sup> (in place of Mr. Pornchai Rujjiprapa)
2.	Gen. Apichart Penkitti	Independent Director	December 1, 2006
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 12, 2005
7.	Khun Pornthip Jala	Independent Director	April 30, 2007 <sup>1.1</sup> (in place of Mr. Cherdpong Siriwit)
8.	Dr. Olarn Chaipravat	Independent Director	April 11, 2006
9.	Assoc. Prof. Dr. Suchart Thada-Thamrongvech	Independent Director	April 12, 2005
10.	Dr. Panich Pongpirodorn	Director	January 1, 2008 <sup>1.5</sup> (in place of Mr. Metta Bunturmsuk)
11.	Khunying Jada Wattanasiritham	Independent Director	April 30, 2007 <sup>1.2</sup> (in place of Mr. Pisanu Suntharaks)
12.	Mrs. Puntip Surathin	Director	December 1, 2006
13.	Mrs. Pannee Sathavarodom	Director	April 30, 2007
14.	Dr. Praipol Koomsup	Independent Director	May 1, 2007 <sup>1.3</sup> (in place of Mr. Phadhadej Dhamcharee)
15.	Mr. Prasert Bunsumpun	Director and Secretary (President)	<ul style="list-style-type: none"> <li>• First term expired and left office on August 10, 2007</li> <li>• Second term began on September 10, 2007<sup>2</sup>.</li> </ul>

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

1.1 Ms. Pornthip Jala, in place of Mr. Cherdpong Siriwit, who retired on April 30, 2007

1.2 Khunying Jada Wattanasiritham, in place of Mr. Pisanu Suntharaks, who retired on April 30, 2007

1.3 Mr. Praipol Koomsup, in place of Mr. Phadhadej Dhamcharee, who resigned on May 1, 2007

1.4 Mr. Norkun Sitthiphong, in place of Mr. Pornchai Rujjiprapa, who resigned on December 18, 2007

1.5 Mr. Panich Pongpirodorn, in place of Mr. Metta Bunturmsuk, who resigned on January 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.

As approved by the Board and as required by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), the Corporate Governance Committee defined an independent director as follows:

- Holds no more than 0.5% of all voting shares in PTT, its affiliates, joint ventures, or juristic persons with potential conflicts of interest (implicitly including related persons as stated in Section 258 of the Securities and Exchange Act).
- Do not participate in the management of PTT, its affiliates, or its joint ventures; is not an employee, a regularly paid advisor, an accounting auditor, a legal consultant, other consultants, or a person with authority over PTT, its affiliates, or its joint ventures; is not a connected person; and must not have acted in any of the mentioned capacities for at least two years.

- Do not have business relationship with PTT, its affiliates, or its joint ventures – as a customer, supplier, partner, commercial creditor/debtor, or loan creditor/debtor; has no vested interests in any way in the finance or management of PTT, its affiliates, or its joint ventures; and holds no vested interest in connected juristic persons potentially leading to biased views.

- Do not have a close relationship – or related in a way that may lead to biased views – of the management or major shareholders of PTT, its affiliates, or its joint ventures, or of connected juristic persons; and must not be appointed to protect the interests of any director or major shareholder.

#### Share Ownership by Directors in 2006 and 2007

No.	Name	Share as of		Changes in shares holding during the year (shares)	Note
		Dec. 31, 2006	Dec. 31, 2007		
1.	Dr. Norkun Sitthiphong	-	-	-	• Appointed on December 21, 2007
2.	Mr. Chakramon Phasukavanich	10,000	0	(10,000)	• Transferred shares to comply with the Standard Qualifications for State Enterprise Directors and Employees Act (No. 5) B.E. 2550 (2007)
3.	Dr. Olarn Chaipravat	-	-	-	-
4.	Khunying Jada Wattanasiritham	N.A.	0	(7,400)	• Appointed on April 30, 2007 • Sold shares to comply with the Standard Qualifications for State Enterprise Directors and Employees Act (No. 5) B.E. 2550 (2007)
5.	Khun Pornthip Jala	N.A.	-	-	• Appointed on April 30, 2007
6.	Gen. Somdhat Attanand	-	-	-	
7.	Gen. Apichart Penkitti	10,000	0	(10,000)	• Transferred shares to comply with the Standard Qualifications for State Enterprise Directors and Employees Act (No. 5) B.E. 2550 (2007)

No.	Name	Share as of		Changes in shares holding during the year (shares)	Note
		Dec. 31, 2006	Dec. 31, 2007		
8.	Dr. Ampon Kittiampon	-	-	-	
9.	M.L. Panasarn Hasdin	-	-	-	
10.	Dr. Panich Pongpirodorn	N.A.	N.A.	-	● Appointed on January 1, 2008
11.	Mrs. Puntip Surathin	10,000	0	(10,000)	● Transferred shares to comply with the Standard Qualifications for State Enterprise Directors and Employees Act (No. 5) B.E. 2550 (2007)
12.	Mrs. Pannee Sathavarodom	4,000	0	(4,000)	● Transferred shares to comply with the Standard Qualifications for State Enterprise Directors and Employees Act (No. 5) B.E. 2550 (2007)
13.	Dr. Praipol Koomsup	N.A.	0	(2,500)	● Appointed on May 1, 2007 ● Sold shares to comply with the Standard Qualifications for State Enterprise Directors and Employees Act (No. 5) B.E. 2550 (2007)
14.	Assoc. Prof. Dr. Suchart Thada-Thamrongvech	-	-	-	
15.	Mr. Prasert Bunsumpun	325,820	0	(325,820)	● Sold shares to comply with the Standard Qualifications for State Enterprise Directors and Employees Act (No. 5) B.E. 2550 (2007)

#### Directors Who Resigned and Retired in 2006 and 2007

No.	Name	Share as of		Changes in shares holding during the year (shares)	Note
		Dec. 31, 2006	Dec. 31, 2007		
1.	Mr. Cherdpong Siriwit	-	-	-	● Retired on April 30, 2007
2.	Mr. Phadhadej Dhamcharee	-	-	-	● Resigned on May 1, 2007
3.	Mr. Pisanu Sunthraraks	-	-	-	● Retired on April 30, 2007
4.	Mr. Pornchai Rujiprapa	-	-	-	● Resigned on December 28, 2007
5.	Mr. Metta Bunturungsak	-	-	-	● Resigned on January 1, 2008

The directors whose signatures are recognized as binding on PTT consist of either (1) Mr. Prasert Bunsumpun, President, authorized to sign and affix the Company's seal, or (2) two other Directors, authorized to jointly sign and affix the Company's seal. The authority of the Board is defined as follows:

### 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.

### 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.

### 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 three 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.

In 2004, the Board decided that independent directors were to make up at least half of the Board, which remains in effect today.

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.

### **Duties and Responsibilities of the President**

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.

### **Additional Authority as Assigned by the Board**

Under PTT's regulations, the Board authorizes the President to manage its business strictly under the approved plans and budgets with integrity and prudence, while doing his/her best to safeguard the interests of the Company and shareholders under another 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, executive vice presidents, or equivalent 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.

## 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 three independent directors, at least one of whom must be qualified in accounting and finance.

Name	Position	Remark
1. Dr. Olarn Chaipravat	Chairman	Independent Director with qualifications in finance and accounting
2. Khunying Jada Wattanasiritham	Committee Member	Independent Director with qualifications in finance and accounting
3. Assoc. Prof. Dr. Suchart Thada-Thamrongvech	Committee Member	Independent Director with qualifications in finance and accounting

Mr. Trakul Chatdarong, Executive Vice President, Office of Corporate Audit, served as the Committee's Secretary.

**Note:** Effective from February 1, 2008, Ms. Kamolthip Kueasakul was appointed in place of Mr. Trakul Chatdarong in both capacities.

### 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 11 meetings in 2007 and 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.

## The Nominating Committee

The Board appointed a Nominating Committee on October 1, 2001, currently consisting of three directors:

Name	Position	Remark
1. Mr. Chakramon Phasukwanich	Chairman	Non-management, Independent Director
2. Dr. Ampon Kittiampon	Committee Member	Non-management, Independent Director
3. Mrs. Puntip Surathin	Committee Member	Non-management Director

### 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 2007, the Committee held two meetings and duly reported its findings to the Board.

## The Remuneration Committee

The Board appointed a Remuneration Committee on October 1, 2001, currently consisting of three Directors:

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

**Note:** \* Khunying Jada Wattanasiritham replaced Mr. Pisanu Suntharaks, who retired on April 30, 2007.

## 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.

The Committee held one meeting in 2007 and duly reported its findings to the Board.

Name	Position	Remark
1. Dr. Suchart Thada-Thamrongvech	Chairman	Non-management, Independent Director
2. Gen. Somthad Attanand	Committee Member	Non-management, Independent Director
3. M.L. Panasarn Hasdin*	Committee Member	Non-management, Independent Director

The Vice President, Office of the President / the Company Secretary, served as the Committee's Secretary.

**Note:** \* M.L. Panasarn Hasdin replaced Mr. Pisanu Suntharaks, who retired on April 30, 2007.

## 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.

## Corporate Governance Committee

The Board appointed a Corporate Governance Committee on June 24, 2004, consisting of three independent directors as follows:

- 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 three meetings in 2007 and duly reported its findings to the Board.



## Management

A Management Committee (also referred to as “senior management”) was appointed on October 1, 2001, currently consisting of seven members:

Name	Position
1. President	Chairman
2. Senior Executive Vice President, Corporate Support	Committee Member
3. Senior Executive Vice President, Corporate Finance and Accounting	Committee Member
4. Senior Executive Vice President, Oil Business Group	Committee Member
5. Senior Executive Vice President, Exploration & Production and Gas Business Group	Committee Member
6. Senior Executive Vice President, Petrochemicals and Refining Business Group	Committee Member
7. Senior Executive Vice President, Corporate Strategy and Development	Committee Member and Secretary

The Vice President, Office of the President / the Company Secretary, served as the Committee's Secretary.

The Management Committee held 26 meetings in 2007 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 10 ad hoc committees to oversee specific internal areas of work for accurate, suitable, efficient, and effective implementation:

- Oil Business Unit Management Committee

- Exploration & Production and Gas Business Group Management Committee

- Petrochemicals and Refining Business Group Management Committee

- Enterprise Plan Committee
- Corporate Finance & Accounting Committee
- Corporate Human Resources Committee
- PTT Credit Committee
- Supply Chain Management Committee
- Research and Technology Institute Board of Management Committee
- Risk Management Committee

### Management Team Members as of December 31, 2007

No.	Name	Position
1.	Mr. Prasert Bunsumpun	President
2.	Mr. Anon Sirisaengtaksin	Senior Executive Vice President, Corporate Strategy and Development
3.	Mr. Pichai Chunhavajira	Senior Executive Vice President, Corporate Finance and Accounting
4.	Mr. Songwut Chinnawat	Senior Executive Vice President, Corporate Support
5.	Dr. Chitrapongse Kwangsukstith	Senior Executive Vice President, Exploration & Production and Gas Business Group
6.	Mr. Chaiwat Churitti	Senior Executive Vice President, Oil Business Group
7.	Dr. Prajya Phinyawat	Senior Executive Vice President, Petrochemicals and Refining Business Group
8.	Dr. Viroj Mavichak	Senior Executive Vice President, on secondment to President, Thai Oil Public Company Limited
9.	Mr. Aditheb Bisalbutr	Senior Executive Vice President, on secondment to President, PTT Chemical Public Company Limited
10.	Mr. Permsak Shevawattananon	Senior Executive Vice President, on secondment to Chief Executive Officer, PTT Aromatics and Refining Public Company Limited
11.	Mr. Maroot Mrigadat	Senior Executive Vice President, on secondment to President, PTT Exploration and Production Public Company Limited
12.	Mr. Chainoi Puankosoom	Senior Executive Vice President, on secondment to President, PTT Aromatics and Refining Public Company Limited
13.	Ms. Penchun Jarikasem	Executive Vice President, Corporate Finance
14.	Mrs. Prisana Pracharnkhasuk	Executive Vice President, Corporate Accounting

**Notes:** Effective from January 1, 2008, in keeping with PTT's new structure, PTT renamed the positions and titles of executives as follows:

**No. 1,** to Chief Executive Officer and President

**No. 3,** to Chief Financial Officer

**No. 5,** to Chief Operating Officer, Exploration & Production and Natural Gas Business Group, and Sr. Executive VP, Gas Business Unit

**No. 7,** to Chief Operating Officer, Downstream Petroleum Business Group

## The Management's Ownership of Shares

No.	Name	Shares at Year-end			Warrant # 1		Warrant # 2		Remark
		Dec. 31, 2006	Dec. 31, 2007	Increment	Allocated in 2005	Balance	Allocated in 2006	Balance	
1.	Mr. Prasert Bunsumpun	325,820	-	(325,820)	243,000	121,500	119,000	89,300	
2.	Mr. Anon Sirisaengtaksin	89,930	100,330	10,400	79,800	39,900	41,900	31,500	
3.	Mr. Pichai Chunhavajira	22,000	55,400	33,400	88,000	44,000	45,800	34,400	
4.	Mr. Songwut Chinnawat	32,076	12,676	(19,400)	61,000	35,800	32,400	24,300	
5.	Dr. Chitrapongse Kwangsukstith	129,730	175,830	46,100	108,700	71,600	56,900	42,800	
6.	Mr. Chaiwat Churitti	57,000	74,000	17,000	62,100	31,100	32,900	32,900	
7.	Dr. Prajya Phinyawat	133,980	117,480	(16,500)	88,300	44,200	45,900	34,500	
8.	Dr. Viroj Mavichak	123,880	157,080	33,200	87,800	43,900	45,100	33,900	
9.	Mr. Adithep Bisalbutr	198,809	240,309	41,500	65,900	33,000	34,700	26,100	
10.	Mr. Permsak Shevawattananon	75,692 <sup>1/</sup>	24,300	(51,392)	64,000	32,000	33,300	25,000	
11.	Mr. Maroot Mrigadat	-	8,700	8,700	67,300 <sup>2/</sup>	33,700	35,100	26,400	
12.	Mr. Chainoi Puankosoom	-	49,700	8,300	32,400	21,700	33,200	24,900	Appointed on August 1, 2007
13.	Ms. Penchun Jarikasem	7,132	10,000	2,868	34,000	19,000	18,300	18,300	
14.	Mrs. Prisana Pracharnkhasuk	38,063	51,463	13,400	35,100	17,600	18,400	13,800	

**Notes:** <sup>1/</sup> Under Form 59-1, the number of common shares published is two more than those actually held because of a typographical error.

<sup>2/</sup> Under Form 59-1, the reported 67,200 units of Warrant-1 is 100 units less than those actually held because of a typographical error Both inaccuracies have already been reported to SEC.

## Additional Information on the Board and Management

Records have shown no violation of the law within the past ten 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.

## Self-Assessment of the Board of Directors

By the resolution of Board meeting No. 11/2550 of November 16, 2007, 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, 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 **90.39%**.

**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 **96.25%**.

## 3. Individual Assessment of Other Directors (Cross-Assessments)

consisted of six identical categories as above for direct comparison:

- Accountability
- Responsibility
- Equitable treatment
- Transparency
- Vision to create long-term value
- Ethics.

Cross-assessment results in these six categories indicated excellent performance by most Directors, with an average score of **98.10%**.

## Compensation Paid to Directors and the Management

**Compensation Paid to Directors:** 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 the shareholders as follows:



## (1) Directors' Compensation

The following compensation structure was approved at the AGM of April 30, 2007, for the Board in 2007:

### 1. Meeting Allowances (no change from 2006)

1.1 Board Meeting compensation consisted of:

- Monthly (retainer) allowance of Baht 30,000 each
- Meeting allowance of Baht 20,000 each time (for those in attendance only).

1.2 Compensation for meetings of Committees consisted of:

1.2.1 Audit Committee

- Monthly allowance of Baht 15,000 each
  - Meeting allowance of Baht 15,000 each time (for those in attendance only)
- The Secretary received a monthly allowance of Baht 7,500

1.2.2 Compensation for the three remaining committees (Nominating, Remuneration, and Corporate Governance Committees) consisted of:

- Meeting allowance of Baht 24,000 each time (for those in attendance only).

1.2.3 Compensation for the Chairman of each committee was 25% higher than for others.

### 2. Directors' Bonuses (no change from 2006):

The bonus payout to each director, at 0.05% of the net income for 2006, corresponded to PTT's performance and net income and up to Baht 2,000,000 per person was paid. The bonus was prorated to each director's term, with the Chairman receiving 25% more than individual Directors.

The total compensation paid to each director in 2007 appears below:

Unit: Baht

No.	Name	Days of Service	Bonus	Board Meeting Allowance	Committee Meeting Allowance	Total Meeting Allowance	Total Compensation
1.	Dr. Norkun Sitthiphong	11	60,273.97	10,645.16	-	10,645.16	70,919.13
2.	Gen. Apichart Penkitti	365	2,000,000.00	660,000.00	-	660,000.00	2,660,000.00
3.	Mr. Chakramon Phasukavanich	365	2,000,000.00	680,000.00	60,000.00	740,000.00	2,740,000.00
4.	Gen. Somdhat Attanand	365	2,000,000.00	660,000.00	72,000.00	732,000.00	2,732,000.00
5.	M.L. Panasarn Hasdin	365	2,000,000.00	680,000.00	48,000.00	728,000.00	2,728,000.00
6.	Dr. Ampon Kittiampon	365	2,000,000.00	680,000.00	139,000.00	819,000.00	2,819,000.00
7.	Mrs. Pornthip Jala	245	1,342,465.75	440,000.00	-	440,000.00	1,782,465.75
8.	Dr. Olarn Chaipravat	365	2,000,000.00	660,000.00	431,250.00	1,091,250.00	3,091,250.00
9.	Assoc. Prof. Dr. Suchart Thada-Thamrongvech	365	2,000,000.00	660,000.00	420,000.00	1,080,000.00	3,080,000.00
10.	Mr. Panich Pongpirodorn	-	-	-	-	-	-
11.	Khunying Jada Wattanasiritham	245	1,342,465.75	480,000.00	228,000.00	708,000.00	2,050,465.75
12.	Mrs. Puntip Surathin	365	2,000,000.00	620,000.00	97,000.00	717,000.00	2,717,000.00

Unit: Baht

No.	Name	Days of Service	Bonus	Board Meeting Allowance	Committee Meeting Allowance	Total Meeting Allowance	Total Compensation
13.	Mrs. Pannee Sathavarodom	365	2,000,000.00	660,000.00	72,000.00	732,000.00	2,732,000.00
14.	Dr. Praipol Koomsup	245	1,342,465.75	480,000.00	-	480,000.00	1,822,465.75
15.	Mr. Prasert Bunsumpun	334	1,830,136.99	629,709.68	-	629,709.68	2,459,846.67
<b>Retired and Resigned Directors in 2007</b>							
1.	Mr. Cherdpong Siriwit	120	821,917.81	250,000.00	-	250,000.00	1,071,917.81
2.	Mr. Pisanu Suntharaks	120	657,534.25	180,000.00	48,000.00	228,000.00	885,534.25
3.	Mr. Phadhadej Dhamcharee	120	657,534.25	200,000.00	120,000.00	320,000.00	977,534.25
4.	Mr. Pornchai Rujiprapa	351	2,239,726.03	758,064.52	1,250.00	759,314.52	2,999,040.55
5.	Mr. Metta Bunturungsuk	365	2,000,000.00	640,000.00	-	640,000.00	2,640,000.00
<b>Total</b>			<b>30,294,520.55</b>	<b>10,028,419.36</b>	<b>1,736,500.00</b>	<b>11,764,919.36</b>	<b>42,059,439.91</b>

**Directors' Compensation in 2005 - 2007**

Unit: Baht

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

**(2) Compensation Paid to the Management**

The compensation paid to management team members complies with the policies and principles defined by the Board and is tied to PTT's performance through its performance agreement under an assessment system for state enterprises. The President and the rest of the management define key performance indicators (KPIs) as well as targeted indices for

each year to serve as guidelines for business operation and a basis for the Remuneration Committee in assessing the performance of the President and all managers. 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.

In 2007 the President and seven Management Executives received Baht 74,388,350 in compensation (excluding senior

executives seconded to and paid by a PTT affiliate), detailed as follows:

#### Total Compensation Paid to Senior Management

Unit: Baht

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

#### Provident Fund Contribution for Senior Management

Unit: Baht

Compensation	2005		2006		2007	
	Persons	Baht	Persons	Baht	Persons	Baht
Provident Fund	7	3,062,216.00	6	3,005,232.00	6	3,659,601.00
<b>Total</b>	<b>7</b>	<b>3,062,216.00</b>	<b>6</b>	<b>3,005,232.00</b>	<b>6</b>	<b>3,659,601.00</b>

## Personnel

Convinced that the quality of its people is the key to its high performance, throughout its 29 years 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, 2007 stood at 3,544 (including PTT secondment to affiliates.) Throughout the year, PTT carefully managed its manpower to align with its operation with a focus on business groups with significant expansion and investment plans in line with national economic development. Manpower is being supplemented to the most prominent core groups: the Exploration & Production and Gas Business Group; Petrochemicals and Refining Business Group; and International Trading Group. These were core groups of which human resource were formulating plans to suit business circumstances, PTT has undertaken a plan to develop the potential of its employees and streamline its business procedures.

## (1) Number of Personnel and Compensation

The head counts for each group for the past three years were as follows:

Unit: Baht

Business Unit	Year-end 2005		Year-end 2006		Year-end 2007	
	PTT	PTT Group	PTT	PTT Group	PTT	PTT Group
1. Gas	963	-	1,057	-	1,108	-
2. Oil	1,302	-	1,239	-	1,254	-
3. Petrochemicals and Refining	51	-	64	-	75	-
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>
5. Subsidiaries and Jointly Controlled Entities	-	4,687	-	4,768	-	7,086 <sup>3/</sup>
<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>

Notes: <sup>1/</sup> Excludes PTT secondment to affiliates

<sup>2/</sup> PTT secondment to affiliates

<sup>3/</sup> Includes PTTRB employees, with company formation on May 25, 2007

### Compensation Paid to Personnel (excluding the President and Senior Management)

Unit: Baht

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



## (2) 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.

## (3) Personnel Development

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 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.

### 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 propagating the agreed items for other units to use in defining business strategies and business plans, and to come up with budget plans aligning with PTT's broad direction.

In 2007, all PTT employees defined individual objectives and key performance indicators (KPIs) to align with Company and departmental directions and their own responsibility alike. These serve as performance framework and assessment tools for each person.

### **Creating Synergy for PTT Group's Synergy**

In line with PTT's policy to expand its businesses in an integrated fashion, it needs a coherent overall policy management, and therefore it is applying its human resource management system in the form of a PTT Group, designed to define standards for human resource management and development to facilitate transfers and rotation of executives and staff for maximum efficiency. Further, in 2007, PTT and its subsidiaries jointly defined the Group's common culture and instituted personnel recruitment and training systems, as the executives of PTT and affiliates were convinced that the PTT Group allowed for optimizing synergy derived from each company to in turn bolster the efficiency of human resource management, as opposed to individual companies' practices.

### **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 through the appointment of career counseling teams and a career management counseling committee, both charged with defining and developing employees' individual competence in support of PTT's future business. The objective of career management

processes is to give employees maximum professional competence and expertise, the development of which will be defined by the Company. Development may be achieved through training programs, job rotation, and appointment and promotion of employees to suit their responsibility and potential. Properly implemented, this employee development will produce employees with the competence desired by both the individuals and the Company – leading to PTT's ultimate achievement.

### **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 2007, besides the monthly labor relations committee meetings, PTT held joint consultative committee meetings between its management team and staff of regional offices nationwide. In addition, the President and senior management team members not only held regular meetings with employees both in Bangkok and around the country, but also surveyed employees' satisfaction for views and suggestions for improvement. PTT is convinced that proper communication and information exchange will lead to positive relations among all, which will efficiently lead the organization to the same goal.



## Corporate Governance

Our most convincing evidence of being a public company limited with good corporate governance practices since our listing on the Stock Exchange of Thailand (SET) in late 2001 lies in assorted public acclaims together with high ratings by organizations, offices, and public as well as private institutions, both domestic and international. Since day one, the Board has instituted a written policy on this matter. Notable examples in 2007 included:

- **Asia's Best Managed and Governed Companies Poll 2008** conducted by Euromoney Magazine, January 2008 issue, December 21, 2007:

1. Best Corporate Governance (PTT was ranked the best in Thailand)
2. Best Corporate Governance (PTT was ranked 2<sup>nd</sup> best in Asia)
3. Most Transparent Accounts (PTT was ranked 2<sup>nd</sup> best in Asia)
4. Most Convincing and Coherent Strategy (PTT was ranked the best in Thailand)
5. Most Convincing and Coherent Strategy (PTT was ranked 4<sup>th</sup> best in Asia - Overall)
6. Most Convincing and Coherent Strategy (PTT was ranked the best in Asia - Oil & Gas Sector)

- **Recognition Awards 2007, The Best of Asia**, by Hong Kong-based Corporate Governance Asia Magazine, April/May/June 2007 issue, June 18, 2007

- **Board of the Year for Exemplary Practices Award 2006/2007 and Board with Consistent Practices (a special award for winning the Board of the Year for three consecutive times)**, December 11, 2007

● **Outstanding State Enterprise Award for 2006**, by the Ministry of Finance on August 29, 2007, covering three areas:

1. Outstanding Performance  
(three consecutive years)
2. Outstanding Organizational Management
3. Outstanding Social and Environmental Performance.

● **Thailand Quality Award (TQA) 2006** for Rayong GSP (Gas Separation Plant), by the National Quality Award Committee, April 30, 2007.

PTT is committed to conducting its business in compliance with corporate governance principles and the guidelines laid down by the Securities and Exchange Commission (SEC). Today the Company is determined to apply corporate governance as its guiding principle for efficient business management in tandem with sustainable business growth. PTT regulations states: "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." Since 2001, PTT subsequently issued rules on good corporate governance and published them as a handbook. The Corporate Governance Committee has not only come up with a code of practice and recommended practices for the Board, but also now updates the handbook to be more comprehensive and more in line with international practices, with topic rearrangement and content addition. To illustrate, the publication will now cover 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 observe along with the Corporate Governance Principles for Listed Companies of 2006, which in turn aligns with our corporate governance principles. A summary of the essences of our practices this year appears below:

## Rights and Equitable Treatment of Shareholders

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 (subcommittees) to help it 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 observe in addition to PTT's rules and regulations.

8. Disclosure of PTT's 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 equitable 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.

### **Shareholders' Rights and Equitability**

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.

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.

### **Shareholders' Meetings**

The Board acknowledges the right of shareholders in all matters. Therefore, as preparation for smooth shareholders meetings, PTT has invited minor shareholders to propose in advance the agenda items for the AGM and nominate directors to promote fair treatment of all shareholders, which is part of good corporate governance practice.

Besides, to ensure a clear and transparent process while enabling the Company to tangibly observe corporate governance principles, criteria were established for proposals made by minor shareholders to identify items that are truly beneficial to the Company and choose qualified individuals as directors who would efficiently perform their roles for the best interest of the Company and stakeholders. Before the 2007 AGM, the Company had posted these criteria at its website ([www.pttplc.com](http://www.pttplc.com)) from December 21, 2007 to January 20, 2008. No shareholders, however, submitted any agenda items or nominated directors.

### **Delivering Meeting Notices**

To date, PTT has assigned Thailand Securities Depository Co., Ltd., its securities registrar, to mail meeting notices together with details of the agenda and accompanying documents to shareholders at least 14 days ahead of each meeting date. This also allows shareholders who cannot attend a given meeting to delegate their proxies, as allowed by the Ministry of Finance to exercise their voting rights. Similarly, at least three days ahead of each meeting, the invitation must be announced through one Thai and one English newspaper for at least three consecutive days. The AGM meeting notices were made available at PTT's website (<http://www.pttplc.com>) at least 30 days ahead of each meeting date.

### **Conduct of Shareholders' Meetings**

At each meeting, PTT exercises fair treatment of all shareholders, who are duly facilitated by officers, assured of their security, registration opportunities beginning at two hours before the meeting time, as well as proper reception. In short, fairness is the name of the game. After explaining the Company's rules on voting and vote counting for individual agenda item, the chairman of the meeting must address each opinion, question, or recommendation of shareholders, giving adequate time for debate. The Board 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.

In 2007, PTT organized two meetings of the shareholders: the AGM on April 30, 2007 and an extraordinary meeting on September 13, 2007. Here is a summary of the meetings:

- **Before the Meeting Date**

As a rule, PTT posts the complete meeting notices on its website 30 days before the meeting. More than 14 days ahead of the meetings, meeting notices are mailed to each shareholder along with agenda details, essential supporting information to facilitate decision-making, opinions of the Board, complete minutes of the previous meeting, annual report and supplementary meeting information, and a proxy form complete with instructions. In addition, the Company posts such notices in one Thai and one English newspaper for three consecutive days, more than three days ahead of each meeting date. The complete package is duly sent to each registered shareholder. Should shareholders wish to appoint proxies to attend the meeting and vote on their behalf, they may do so under the procedure or delegate independent directors as their proxies.

- **On the Meeting Date**

PTT values the accommodation provided to shareholders and give them a sense of security as well as suitably and adequately designating registration locations. Registration through a barcode system begins at least two hours ahead of the meeting and proceeds until the conclusion of the meeting. Meeting keepsakes and suitable reception are extended.

During the meeting, the Board Chairman generally serves as the chairman of the meeting by clarifying the quorum, explaining voting and vote-counting procedures, balloting, clearly disclosing voting results on each agenda item, and conducts the meeting strictly by the agenda – allowing shareholders to pose questions and express views. The chairman also ensures that directors or the management reply to questions clearly.

In 2007, a total of 14 directors attended the AGM, with only one missing because of an important engagement. These consisted of the Board Chairman, the Chairmen of all committees, and the President – together with senior management members and the external auditor. Two legal advisors served as moderators in audit 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.

At extraordinary meeting No. 1/2550, a total of 12 directors attended the AGM, with three directors missing because of an important engagement. These consisted of the Board Chairman, the Chairmen of all committees, and the President – together with senior management and the external auditor. Two legal advisors served as the moderators in audit and voting matters in cases of disagreements. Again, the chairman performed his role thoroughly as defined by law and the meetings also gave their unanimous approval on each agenda item.

At shareholders' meetings, all directors are aware of the guidelines of conduct, especially for connected transactions or other involvement. Directors in questions duly inform the meeting to excuse themselves and abstain from voting on each connected matter.

- **After the Meeting Date**

After each meeting, PTT duly submits the minutes of the shareholders' meeting, with voting records, and every question raised by shareholders to the Stock Exchange of Thailand within 14 days. Meeting information is accessible through [www.pttplc.com](http://www.pttplc.com).

## 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.

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, there 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 30 days ahead of the public dissemination of its financial statements. During the past year, all directors and management have strictly observed this.

## Stakeholders' Rights

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PTT accounts for stakeholders' rights and interests by establishing guidelines for addressing the needs of each group inside and outside the Company, including its customers, shareholders, employees, as well as its own responsibility to society and the environment, as published in the Corporate Governance Handbook (Revision 1/2548), which has been used as a guideline for the Board and all employees in meeting the demands of each group of stakeholders. The details are summarized below:

**Shareholders:** PTT is committed to being a good representative of all shareholders in operating the business with transparency, taking into account long-term growth in share value and decent returns.

**Employees:** PTT considers its employees a key success factor and supports their professional development, attends to the quality of the workplace, and provides fair and proper compensation.

**Business Partners:** PTT fosters good relationships for mutual benefit and strictly observes contractual agreements.

**Competitors:** PTT not only observes the framework of fair competition, but refrains from harming the reputation of business competitors through false accusations.

**Creditors:** PTT honors all its obligations to creditors.

**Customers:** PTT is committed to satisfying its customers and the public through its products and services, as well as providing confidence in its quality at suitable prices.

**Communities and Society:** PTT takes seriously people's safety, environment, and quality of life. It maintains active interest in community and social development activities while strictly observing the spirit of laws and regulations.

Stakeholders may use any mechanism to inform PTT about their questions, complaints, or recommendations either through the intranet webboard, the public website [www.pttplc.com](http://www.pttplc.com), by phone, or by e-mail to Investor Relations, the Corporate Secretary, Corporate Public Relations Department, or the Customer Relations Center. Directly relevant agencies are to address these questions, take corrective steps, and come up with proper responses to all. An internal committee is to supervise and review, and the Office of Internal Audit is to assess the efficiency and adequacy of the internal control system and audit performance companywide, while receiving complaints, ensuring improvement, and summarizing actions for the attention of the Audit Committee and, eventually, the Board.

In 2007, the Company was engaged in no dispute with stakeholders.

## Disclosure of Information and Transparency

### 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 e-mail-newsletters are among the publicity and awareness tools, with positive responses from all. In addition, the Corporate Governance Committee distributed the English version of the Corporate Governance Handbook (1<sup>st</sup> Revision) to investors, international interested parties, and stakeholders for their reference. This will also be posted at PTT's website.

In 2007, PTT organized Company visits for minor shareholders, analysts, and institutional investors by asking all current shareholders as of the date of interim dividend payment to notify PTT of their interest in joining the activity. To bolster shareholders' confidence, 360 names were drawn under a fair and transparent process. The visit was organized three times, each time with about 120 participants.

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 and used by all subsidiary companies. In addition, PTT proposed a self-assessment mechanism for each company to rate its corporate governance activities for continuous improvement and as a step toward future ranking. Implementation plans and proactive promotional strategies for corporate governance were also established. Promotional activities undertaken by PTT since 2006 within PTT Group included:

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 CG Group 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.

### **Appointing Directors of Listed Subsidiary Companies**

PTT Group currently commands 40 affiliates (9 of which are listed companies on SET), and 60% of PTT's current net income comes from these. To create synergy among the Group, PTT proposed that its directors or executives should be appointed as directors of the Boards of subsidiary companies to ensure the alignment of policies and business plans to maximize value for all stakeholders. Therefore, a PTT director or executive could well be appointed to oversee more than five subsidiary companies. PTT's director appointment rationale is as follows:

1. To oversee business management under the policies of PTT Group and ensure that the subsidiary company's business management aligns with PTT's policies, directions, and standards.

2. To create synergy for the businesses of PTT Group, thereby resulting in joint benefits and enhancing value for all related organizations and the country alike

3. To leverage PTT's specific experience and competencies to improve business processes among subsidiary companies, including the application of financial knowledge to improve accounting and finance processes so that subsidiary companies can continue their healthy growth. In addition, PTT's knowledge and experience can help companies outside PTT Group, which will in turn foster good relationships among all and fortify PTT's network of business allies.

4. This is part and parcel of the roles and responsibilities of directors and the management.

### **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 "Management" section.

### **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 otherwise, is completely and consistently disclosed.

## Investor Relations

Ever since PTT's privatization and share trading 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 ([www.pttplc.com](http://www.pttplc.com)), which is regularly updated, for information in Thai and English, which includes:

- Annual report
- Major investment project information
- Hiring and procurement
- Management discussion of Company policies and direction
- Implementation of state policies
- Major plans
- Corporate governance policies and promotional activities
- Financial performance
- Non-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. In 2007, these activities took place:

● International road shows	12	times
● Domestic road shows	7	times
● Analyst meetings	4	times
● Company visits / conference calls	173	times
● E-mails / telephones	4 - 6	times/day
● Participation in SET excursions	2	times
● Trips for institutional investors to visit and meet management team members	1	trip
● Trips for minor investors to visit and meet management team members	1	time.

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 contact PTT Capital and Investor Relations Department at 0 - 2537 - 2792 - 3 or 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 2007 appear below:

● E-mails	2,162	items
● News / photo releases	383	pieces
● Press conferences	77	times
● Media visits to operations (domestic and international)	9	times.

## Responsibilities of the Board

### Appointing Four Committees (or Subcommittees)

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 today therefore 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. Please see details about the four committees under the "Management" section.

## Leadership and Vision

The Board consists of knowledgeable, capable, and experienced professionals from diverse, related fields to boost PTT's efficiency. Clear evidence of the Board's efficiency in 2007 lie in its being named Board of the Year for Exemplary Practices (2006 - 2007) and Board with Consistent Best Practices, an award to honor those that win the Board of the Year awards for three consecutive times, attested by the Thai Institute of Directors (IOD). Another achievement is the Outstanding Board of State Enterprise Award of the Ministry of Finance, consisting of three distinct awards, namely 1. Outstanding Performance (third consecutive year) 2. Outstanding Organizational Management, and 3. Outstanding Social and Environmental Performance.

Based on integrity, business ethics, and compliance with the directors' code of conduct, the Board exercises its authority over business operation under laws, regulations, and resolutions of shareholders' meetings. It also ensures management conformance to PTT's objectives and guidelines for the maximum benefit of stakeholders.

The Board defines PTT's vision, annually reviews and approves directions, strategies, policies, together with financial and operating objectives for the management's implementation in their respective preparation of business as well as other plans and budgets, and follows up on the management's implementation of operating plans. Early each year, it sets assessment criteria and key performance indices and, toward year-end, it assesses actual performance against the agreed performance agreements.

## Board Training

The Board and the management values participation in development training relevant to their performance. Over 85% of the directors have undergone IOD training, with four enrolled in six training sessions in 2007 as detailed below:

Director	Training Program
1. Gen. Apichart Penkitti	<ul style="list-style-type: none"> <li>Directors Accreditation Program (DAP 62/2007)</li> </ul>
2. Gen. Somdhat Attanand	<ul style="list-style-type: none"> <li>Directors Certification Program (DCP # 90)</li> </ul>
3. Assoc. Prof. Dr. Suchart Thada-Thamrongvech	<ul style="list-style-type: none"> <li>Directors Certification Program (Refresher Course 4/2007)</li> <li>The Role of Chairman Program 2000 (RC # 16/2006)</li> <li>Understanding the Fundamental of Financial Statements (UFS 10/2007)</li> </ul>
4. Dr. Praipol Koomsup	<ul style="list-style-type: none"> <li>Directors Accreditation Program (DAP 52/2006)</li> </ul>

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, B.E. 2535 (1992)
2. Guidelines for Directors of Listed Companies
3. Standard Qualifications of Directors Act
4. Company Registration Certificate
5. Company Certificate
6. Company Objectives
7. Company Regulations
8. Company Rules (12 Rules)
9. PTT Corporate Governance Handbook
10. SEC Handbook for Directors of Listed Companies.

### • Information

1. Overview presentation of PTT by the CEO and President
2. List of directors and management structure
3. Information on the roles of the Board
4. Director Fiduciary Duty Checklist
5. Good corporate governance principles for listed companies in 2006
6. Connected transactions of listed companies
7. Handbook on understanding and preventing conflicts of interest

8. Suggestions on the disclosure of information for the management of listed companies
9. "PTT Group Moving Forward to HPO" information kit
10. PTT Plc. Company Profile
11. Annual Sustainable Development Report
12. Annual Report (Thai Version) in hard copy and CD
13. Brochure on the privatization of PTT
14. "PTT Spirit" monthly newsletters issued in 2007.

So that new directors may have a clear view, the President 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 2007, the Board observed Rayong GSP, PTT Group's petrochemical plants and refineries in Map Ta Phut Industrial Estate and the vicinity, in addition to observing its corporate social responsibility work at the Princess Maha Chakri Sirindhorn Herbal Garden at Map Kha. Apart from these, interested and available directors observed PTT's and PTT Group's international activities on the gas transmission pipeline construction project in Egypt to benefit their subsequent explanation on behalf of the Board at meetings where the project was tabled for approval.

## Company Secretary

PTT has appointed the Vice President of the Office of the President, Mr. Attapol Rerkphiboon, as Company Secretary to ensure that PTT is managed with the highest efficiency under the principles of corporate governance. The Company Secretary is responsible for:

- Providing legal and regulatory advice to the Board
- Taking care of Board activities
- Ensuring efficient implementation of Board resolutions.

## Business Ethics

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 observe together with Company rules and regulations. Section 3 of the Corporate Governance Handbook, 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.

## Balance of Power for Non-Management Directors

The appointment of directors is subject to the resolutions of shareholders' meetings, with input from the Nominating Committee and the Board. As of January 2, 2008, the Board consisted of 15 members:

- 14 were non-management directors and 10 were independent directors, which exceeded half of the Board composition
- One Director was the PTT Management.

As a result, the stakeholders can rest assured that the directors independently represented the best interests of shareholders and that power was properly balanced. The Chairman and the President are two different persons. In no way related to the management, the Chairman exerts authority that is separate from that of the President. There is a clear distinction between supervisory policy-making and day-to-day business management. And while the Chairman is not an independent director, as he is a representative of the regulating agency in charge of energy affairs, the present composition of the Board, over half or 10 of whom are independent, have provided good checks-and-balances. Above all, the Chairman has continuously conducted himself free from any undue influence.

## 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 "Management" section.

## Board Meetings

Board meetings are planned for the entire year, for instance, in 2007 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 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 2007, the Board held 12 regular meetings along with four special meetings of Directors as detailed below.

### Board and Committee Meeting Attendance in 2007

Name	Meeting					Beginning of Term
	Board (16 Times)	Audit Comm. (11 Times)	Corporate Governance Comm. (3 Times)	Nominating Comm. (2 Times)	Remunera- ting Comm. (2 Times)	
1. Dr. Norkun Sitthiphong	-	-	-	-	-	December 21, 2007
2. Gen. Apichart Penkitti	15/16	-	-	-	-	-
3. Mr. Chakramon Phasukavanich	16/16	-	-	2/2	-	-
4. Gen. Somdhat Attanand	15/16	-	3/3	-	-	-
5. M.L. Panasarn Hasdin	16/16	-	2/2	-	-	-
6. Dr. Ampon Kittiampon	16/16	-	-	2/2	2/2	-
7. Khun Pornthip Jala	9/12	-	-	-	-	April 30, 2007
8. Dr. Olarn Chaipravat	15/16	11/11	-	-	-	-
9. Assoc. Prof. Dr. Suchart Thada-Thamrongvech	15/16	10/11	3/3	-	-	-
10. Mr. Panich Pongpirodorn	-	-	-	-	-	January 1, 2008
11. Ms. Pannee Sathavarodom	15/16	-	-	-	2/2	<ul style="list-style-type: none"> <li>First term: July 28, 2005</li> <li>Second term: April 30, 2007</li> </ul>

Name	Meeting					Beginning of Term
	Board (16 Times)	Audit Comm. (11 Times)	Corporate Governance Comm. (3 Times)	Nominating Comm. (2 Times)	Remunera- ting Comm. (2 Times)	
12. Khunying Jada Wattanasiritham	12/12	5/6	-	-	1/1	April 30, 2007
13. Mrs. Puntip Surathin	14/16	-	-	2/2	-	-
14. Dr. Praipol Koomsup	12/12	-	-	-	-	May 1, 2007
15. Mr. Prasert Bunsumpun	14/14	-	-	-	-	<ul style="list-style-type: none"> <li>First term expired on August 10, 2007</li> <li>Second term: September 10, 2007</li> </ul>

#### Directors who resigned or whose terms ended during 2007

Name	Meeting					End of Term
	Board (16 Times)	Audit Comm. (11 Times)	Corporate Governance Comm. (3 Times)	Nominating Comm. (2 Times)	Remunera- ting Comm. (2 Times)	
1. Mr. Cherdpong Siriwit	4/4	-	-	-	-	Retired on April 30, 2007
2. Mr. Pisanu Suntharaks	3/4	-	1/1	-	1/1	Retired on April 30, 2007
3. Mr. Phadhadej Dhamcharee	4/4	4/4	-	-	-	Resigned on May 1, 2007
4. Dr. Pornchai Rujjiprapa	15/15	-	-	-	-	Resigned on December 18, 2007
5. Mr. Metta Banturngsuk	14/16	-	-	-	-	Resigned on January 1, 2008

**Notes:**

- The Audit Committee consisted of No. 8, 9, and 12 (No. 12 was appointed to the Committee on May 25, 2007).
- The Corporate Governance Committee consisted of No. 4, 5, and 9 (No. 5 was appointed to the Committee on May 25, 2007).
- The Nominating Committee consisted of No. 3, 6, and 13.
- The Remuneration Committee consisted of No. 6, 11 and 12 (No. 12 was appointed to the Remuneration Committee on May 25, 2007).



## Internal Control and Audit

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 institutes efficient internal control and risk management processes to acceptable levels while regularly monitoring and evaluating their efficiency. The Audit Committee examines compliance in all areas, 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.

### ● 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 has given serious importance toward risk management. The President has announced risk management policies to all employees, and the Risk Management Committee has printed Risk Management Handbook which is given to all departments as guidelines on assessment and risk management. "Risk Management Information System: RMIS" is also developed.

### ● Self-Assessment of the Board

The Board instituted a review of its self-assessment, similar to the process in 2006, that is, three assessment types, namely group assessment, individual self-assessment, and individual cross-assessment, to help directors review their performance together with issues and obstacles identified during the year. Findings were then analyzed and recommendations made for performance improvements as shown in the "Management" section.

### ● 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.

## Recognitions

### PTT awards winning in 2007

In 2007, PTT won 28 awards and honorable rankings from a total of 17 organizations.

- Eleven domestic organizations accounted for 16 awards
- Six international organizations accounted for 12 awards

### National (11 organizations, 16 awards)

No.	Presented by	Award / Ranking	Date	Criteria
1	The Nation newspaper	<b>Thailand's Most Admired Companies 2006</b> <ul style="list-style-type: none"> <li>• ranked first in five aspects: Revenue, Profit, Highest Assets, Highest Equity, and Highest Liabilities</li> </ul>	January 2007	<ul style="list-style-type: none"> <li>• Based on the revenue and profitability of 2006 and conducted by Nation Publishing Plc. "Top 1,000 Thai Companies 2006" Contest</li> </ul>
2	Ministry of Natural Resources and Environment	<b>EIA Monitoring Awards 2006</b> <ul style="list-style-type: none"> <li>• Khanom GSP</li> </ul>	March 26, 2007	<ul style="list-style-type: none"> <li>• Awarded by a judging panel appointed under the Office of Natural Resources and Environment Policy and Planning for work places with continuous and earnest compliance with the measures spelled out in the environmental impact assessment (EIA) reports, and those with outstanding environmental management</li> </ul>

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No.	Presented by	Award / Ranking	Date	Criteria
3	National Quality Award Committee	<b>Thailand Quality Award (TQA) 2006</b> <ul style="list-style-type: none"> <li>Rayong GSP</li> </ul>	April 30, 2007	<ul style="list-style-type: none"> <li>Seven criteria:               <ol style="list-style-type: none"> <li>Organizational leadership</li> <li>Strategic planning</li> <li>Customer and market oriented</li> <li>Knowledge testing, analysis, and management</li> <li>Human resource oriented</li> <li>Process management</li> <li>Business performance</li> </ol> </li> <li>Same criteria as those used for world-class awards in the US</li> <li>Minimum 650 marks out of 1,000 in assessment score. Those with 351 to 650 marks win TQC.</li> </ul>
4	Reader's Digest	<b>Trusted Brands 2007</b> <ul style="list-style-type: none"> <li>Thailand's Top Brand (service stations, for the seventh consecutive year since 2001)</li> </ul>	May 2007	<ul style="list-style-type: none"> <li>6 criteria:               <ol style="list-style-type: none"> <li>Trust</li> <li>Quality</li> <li>Value</li> <li>Image</li> <li>Appreciation of consumers' needs</li> <li>Innovation</li> </ol> </li> <li>Based on a questionnaire and a phone survey of Asian members in Hong Kong, India, Malaysia, Singapore, Taiwan, the Philippines, and Thailand</li> <li>Total of 43 goods and services under this survey</li> </ul>

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No.	Presented by	Award / Ranking	Date	Criteria
5	<b>Ministry of Labour</b>	<b>National Outstanding Business Operator in Safety, Occupational Health, and Work Environment Award</b> ● 25 operation sites*	May 10, 2007	<ul style="list-style-type: none"> <li>● Awarded to work places with international standards for management and operation of safety, occupational health, and work environment, and compliance with legal requirements</li> <li>● Awarded during the annual National Work Safety Week. This was the 21<sup>st</sup> year of this event.</li> </ul>

#### 25 PTT Operation Sites:

1. Surat Thani Petroleum Terminal (11 consecutive years)	10. Sri Racha Oil Terminal	19. Khanom GSP
2. Lampang Petroleum Terminal (8 consecutive years)	11. Khao Bo Ya LPG Terminal	20. Region 1 Pipeline Operations Division (Chon Buri)
3. Nakhon Sawan Petroleum Terminal (7 consecutive years)	12. Ban Rong Po LPG Terminal	21. Region 2 Pipeline Operations Division (Ayutthaya)
4. Phitsanulok Oil Terminal (7 consecutive years)	13. Lam Luk Ka Oil Terminal	22. Region 3 Pipeline Operations Division (Rayong)
5. Chiang Mai Oil Terminal	14. Phra Khanong Oil Terminal	23. Region 4 Pipeline Operations Division (Khon Kaen)
6. Den Chai Oil Terminal	15. Bangchak Petroleum Terminal	24. Region 5 Pipeline Operations Division (Ratchaburi)
7. Khon Kaen Petroleum Terminal	16. Songkhla Petroleum Terminal	25. PTT Head Office
8. Ubon Ratchathani Oil Terminal	17. Phuket Oil Terminal	
9. Udon Thani Oil Terminal	18. Pak Phanang Oil Terminal	

6	<b>Thailand Management Association (TMA) with Sasin Graduate Institute of Business Administration</b> (three awards)	<b>Thailand Corporate Excellence Awards 2006</b> ranked "outstanding" in: 1. Visionary Leadership 2. Financial Management Excellence 3. Commitment to Energy Saving (two consecutive years)	August 15, 2007	<ul style="list-style-type: none"> <li>● This project was in its sixth consecutive year (2001 - 2006)</li> <li>● TMA and Sasin assigned Marketwise Co., Ltd., to conduct a survey of senior executives of 1,000 top companies in revenue. A total of 501 respondents returned their questionnaires.</li> <li>● Nine categories of organizations with management excellence:</li> </ul>
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No.	Presented by	Award / Ranking	Date	Criteria
				<ol style="list-style-type: none"> <li>1. Financial management</li> <li>2. Regard for human resource management</li> <li>3. Regard for innovation</li> <li>4. Marketing planning</li> <li>5. Regard for the quality of goods and services</li> <li>6. Regard for society</li> <li>7. Leadership vision</li> <li>8. Regard for energy saving</li> <li>9. Overall business management</li> </ol>
7	<b>Ministry of Finance</b> <i>(three awards)</i>	<b>Outstanding State Enterprise Awards in 2007:</b> <ol style="list-style-type: none"> <li>1. Outstanding Performance (third consecutive year)</li> <li>2. Outstanding Organizational Management</li> <li>3. Outstanding Social and Environmental Programs</li> </ol>	August 29, 2007	<ul style="list-style-type: none"> <li>• This SOE Award event was the third organized by the ministry to recognize efforts and achievements of state enterprises</li> <li>• A total of 59 state enterprises entered the contest. Five categories of awards were handed out, totaling 18 awards: <ol style="list-style-type: none"> <li>1. Outstanding Performance (2)</li> <li>2. Outstanding Board of Directors (2)</li> <li>3. Outstanding Organizational Management (4)</li> <li>4. Outstanding Social and Environmental Programs (4, with 4 special mentions)</li> <li>5. Outstanding Organizational Status Adjustment (2)</li> </ol> </li> </ul>

7





No.	Presented by	Award / Ranking	Date	Criteria
8	<b>Thai Institute of Directors (IOD)</b> Association, Board of Trade of Thailand, Federation of Thai Industries, Thai Bankers' Association, Listed Companies Association, and SET jointly launched the event honoring the Boards of Directors of 2006/2007 <i>(two awards)</i>	<b>PTT won 2 awards:</b> 1. Board of the Year for Exemplary Practices for 2006/2007 2. The Board with Consistent Practices, conferred for three consecutive above-mentioned awards	December 11, 2007	<ul style="list-style-type: none"> <li>● IOD selects PTT's Board of Directors from those listed companies in the top quartile of 2007 project to assess corporate governance (covering those in office in 2006 until at least the 2007 AGM)</li> <li>● Shortlisted companies submitted information along with supporting documents to IOD for consideration and interview of the Board</li> </ul>
9	<b>Human Resource Institute, Thammasat University</b>	<b>Thailand Top Human Resource Personnel of 2007</b> <ul style="list-style-type: none"> <li>● Mr. Prasert Bunsumpun, among the top 19 CEOs honored</li> </ul>	June 29, 2007	<ul style="list-style-type: none"> <li>● This pioneering project was designed to identify and put together Thailand Top 100 HR personnel, with a judging panel and the International HRM Survey criterion, Cranfield University, USA</li> <li>● Three groups of 45 awardees:               <ol style="list-style-type: none"> <li>1. 19 CEOs</li> <li>2. 19 HR professionals</li> <li>3. 7 HR academics and consultants</li> </ol> </li> <li>● The purpose was to recognize role models and implement their knowledge to accelerate national human resource development. The term for this honor is two years.</li> </ul>



No.	Presented by	Award / Ranking	Date	Criteria
10	Chulalongkorn University Council	<b>Honorary Doctorate in Engineering</b> <ul style="list-style-type: none"> <li>Mr. Prasert Bunsumpun</li> </ul>	July 12, 2007 (Academic Year 2007)	<ul style="list-style-type: none"> <li>Citation: Mr. Bunsumpun, an expert in energy, has consistently devoted himself to the national development of energy by engaging himself in: <ul style="list-style-type: none"> <li>Petroleum exploration, production, petrochemical, refining, and trading</li> <li>Supplementing value to natural gas and the petrochemical business</li> <li>Development of assorted alternative energy</li> <li>All these in tandem with social, community, and environmental stewardship for the sake of energy security and a strong economic foundation.</li> </ul> </li> <li>With achievements well-recognized both nationally and internationally, Mr. Bunsumpun is filled with professionalism, vision, virtue, and ethics.</li> </ul>

9



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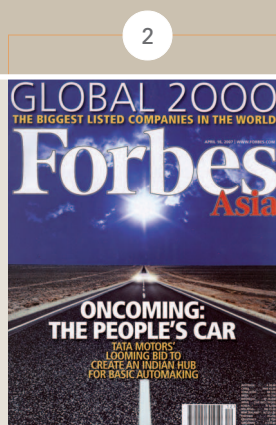
No.	Presented by	Award / Ranking	Date	Criteria
11	<b>National Development Institute of Administration Council</b>	<b>Honorary Doctorate in Business Administration</b> <ul style="list-style-type: none"> <li>● Mr. Prasert Bunsumpun</li> </ul>	January 25, 2008 (Academic Year 2007)	<ul style="list-style-type: none"> <li>● Citation: Mr. Bunsumpun is a person of ethics and commitment to corporate governance in management. He has not only focused on public services, but has fostered mutual benefits between PTT, shareholders, employees, business partners, stakeholders, society at large, and the country. He has successfully applied management concept focusing on fair, transparent, and responsible treatment, and open to scrutiny. Not only has he treated major and minor shareholders fairly, but he has dedicated himself to national industry development. His domestic and international recognition is extensive, including: <ul style="list-style-type: none"> <li>- Campaigns for development of alternative energy, including Natural Gas for Vehicles and gasohol</li> <li>- Application of modern knowledge and technology, including BEP (Business Enablement Program), KPIs (Key Performance Indicators), and promotion of systematic, continuous development of employees</li> </ul> </li> </ul>

11



## International (6 organizations, 12 awards)

No.	Presented by	Award / Ranking	Date	Criteria
1	Japan Institute of Plant Maintenance (JIPM) Solution	<b>TPM Excellence, 1<sup>st</sup> Category</b> <ul style="list-style-type: none"> <li>Three operation sites               <ol style="list-style-type: none"> <li>1. Rayong GSP</li> <li>2. Khanom GSP</li> <li>3. Region 5 Pipeline Operations</li> </ol> </li> </ul>	March 15, 2007	<ul style="list-style-type: none"> <li>JIPM assessment, traditionally regarded as superior to other standards, deals with the implementation of TPM, with a focus on the application of machinery maintenance to maximize management efficiency.</li> </ul>
2	Forbes Global Magazine	<b>Ranked 354<sup>th</sup> among the top 500 public companies worldwide</b> <i>(against 372<sup>nd</sup> in 2006, 425<sup>th</sup> in 2005, and 461<sup>st</sup> in 2004)</i>	April 16, 2007	<ul style="list-style-type: none"> <li>Strong business performance and financial standing based on revenue, net income, assets, and market capitalization.</li> <li>Analyze from 2,000 major companies worldwide</li> </ul>
3	Hong Kong based - Corporate Governance Asia Magazine	<b>Recognition Awards 2007, The BEST of ASIA</b> <ul style="list-style-type: none"> <li>No formal ranking</li> <li>59 Asian companies were recognized.</li> <li>Five Thai companies were recognized (PTT, AIS, K-Bank, SCG, SCB).</li> </ul>	April/May/June 2007 issue and awarded on June 18, 2007	<ul style="list-style-type: none"> <li>Consideration based on               <ol style="list-style-type: none"> <li>1. Recognition of CG performance</li> <li>2. Participation in activities directly related to the promotion and improvement of CG practices over the past 12 months</li> <li>3. Significant actions to improve CG over the past 12 months</li> </ol> </li> </ul>



No.	Presented by	Award / Ranking	Date	Criteria
4	<b>Fortune Magazine</b>	<b>Ranked 207<sup>th</sup> among the top 500 companies worldwide</b> <i>(against 265<sup>th</sup> in 2006, 373<sup>rd</sup> in 2005, and 456<sup>th</sup> in 2004)</i>	July 23, 2007 (No. 13)	<ul style="list-style-type: none"> <li>Based on revenue and profitability in 2006.</li> <li>Improvement from 265<sup>th</sup> worldwide last year (a jump of 58 slots). No. 41 in Asia and No. 22 worldwide for petroleum refining business</li> <li>PTT remained the sole Thai company on this list.</li> </ul>
5	<b>Platts</b> <i>(two awards)</i>	<b>Platts Top 250 Global Energy Company Rankings:</b> <b>1. No. 27</b> worldwide from a total of 250 <i>(No. 31 in 2006)</i> <b>2. No. 4</b> in Asia-Pacific <i>(No. 5 in 2006)</i>	September 18, 2007	<ul style="list-style-type: none"> <li>The leading energy company based-on <ol style="list-style-type: none"> <li>Asset</li> <li>Revenue / sales</li> <li>Net income</li> <li>Return on investment</li> </ol> </li> </ul>

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No.	Presented by	Award / Ranking	Date	Criteria
6	<b>Euromoney</b> (six awards)	<b>Asia's Best Managed and Governed Companies Poll 2008</b> <ol style="list-style-type: none"> <li><b>Best Corporate Governance</b> <ul style="list-style-type: none"> <li>Rank the best in Thailand</li> </ul> </li> <li><b>Best Corporate Governance</b> <ul style="list-style-type: none"> <li>Rank 2<sup>nd</sup> best in Asia</li> </ul> </li> <li><b>Most Transparent Accounts</b> <ul style="list-style-type: none"> <li>Rank 2<sup>nd</sup> best in Asia</li> </ul> </li> <li><b>Most Convincing and Coherent Strategy</b> <ul style="list-style-type: none"> <li>Rank the best in Thailand</li> </ul> </li> <li><b>Most Convincing and Coherent Strategy</b> <ul style="list-style-type: none"> <li>Rank 4<sup>th</sup> best in Asia (Overall)</li> </ul> </li> <li><b>Most Convincing and Coherent Strategy</b> <ul style="list-style-type: none"> <li>Rank the best in Asia (Oil &amp; Gas Sector)</li> </ul> </li> </ol>	December 21, 2007 (January 2008)	<ul style="list-style-type: none"> <li>Quantitative survey filled by analysts and financial professionals from leading institutes in Asia Pacific Region based on efficiency in managing organization, transparency in finance and accounting, and process of corporate governance</li> </ul>





## Quality, Safety, Health, and Environmental Performance

Building PTT as the Premier Thai Multinational company, to strengthen the energy security – a pillar of national economic development, PTT pays closer attention to all stakeholders, particularly in its quality, safety, health, and environment (QSHE) management system, a significant component of sustainable development, an analysis and an assessment have been conducted against the needs of stakeholders to methodically conduct policy planning, formulate management directions, and manage risks.

Assorted tools, standards, and technologies for risk control, all of international standards, have been implemented at PTT, based on the Thailand Quality Award (TQA) award-winning approach by the Exploration & Production and Gas Business Group, which saw Rayong Gas Separation Plant (GSP) win the 2006 edition of the award. This management system was later adopted by the Natural Gas Transmission Department, which met the criteria for the Thailand Quality Class (TQC) in 2007. Highlights of other QSHE developments for the year are as follows.



Training the System Cause Analysis Technique



Occupational Health Examination

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

Following the implementation of the occupational health and safety management system by the TIS/OHSAS 18001 standard in all operating areas, in 2007 PTT focused on preventive operation to control and stay vigilant about risks to employees and contractor employees. This was done in several ways.

- First, a gap analysis of the occupational health and safety system in PTT's operating areas versus the best practices of the petroleum industry, conducted by international experts
- Second, encouragement of the reporting of near-misses and substandard conditions/acts
- Third, vehicle accident control by issuing a PTT defensive driving manual, providing training on the same subject for regular drivers, and vehicle accident investigation to systematically identify causes and preventive measures
- Fourth, ensuring sound occupational health and safety for contractor employees by encouraging contractors to institute physical and legally-required occupational health examinations,

secure personal protective equipment (PPE), appoint safety officers for different levels of work, and systematically compile and measure safety performance

- Fifth, staying vigilant against and preventing the spread of major epidemics, including bird flu and influenza, by instituting preventive measures required by the World Health Organization and the Ministry of Public Health, including the preparation of an "Influenza Epidemic Management Plan"; administering influenza vaccination for employees; and having bird flu drugs in stock.

These measures have resulted in PTT's overall Lost Time Injury Frequency Rate per 1,000,000 hrs (LTIF) of 0.43 this year, a good record compared with industry peers.

Besides its employees and contractor employees, PTT took good care of suppliers, contractors, and customers for business supply chain sustainability. In 2007, assorted supplementary projects, including the installation of emergency fire hydrant systems at private gas-bottling plants, issuance of QSHE operation manuals for service stations, and stringent auditing of service stations operated by PTT and dealers.



Training Course: Preventive Driving Technique



Rehearsal on Emergency and Crisis Management Plan





Environmental Monitoring and Measurement

## Management to control environmental impacts

In tandem with business operations, the management of environmental issues arising from PTT's activities, processes, products, and services is our prime consideration. Through the year, PTT not only focused on proactive actions, but also increasingly valued the overall business supply chain, in particular the Map Ta Phut area of Rayong, site of the Rayong GSP complex and various companies of PTT Group. These actions were over and above what was required by law – namely periodic monitoring and measurement of water, air, and waste pollution. All results were found to be satisfactory. An environmental management panel was appointed to take charge of technical and occupational health issues, as well as mass and public relations, and to investigate and prepare emission databases before issuing short-term and long-term pollution mitigation plans. In all, the PTT Group invested more than Baht 10 billion to lower its pollutants.

Envisioning its potential to prevent and alleviate environmental impacts in the supply chain involving the exploration & production and gas business, upstream to the

petrochemical industry and assorted downstream industries, in 2006 - 2007 PTT took part in a project on the life-cycle inventory database of Thailand with a focus on gas separation processes and transportation systems. Besides enriching database preparation for life cycles of products in Thailand, this supported Thai exports' fulfillment of world trade conditions.

On the part of suppliers and contractors engaged in PTT's business, the Company investigated and planned the implementation of Green Procurement by issuing a manual and terms of reference for the procurement of substances considered environmentally friendly for pilot products. Procurement under this project is expected to begin in 2008.

## Investigation of PTT Group strategic direction on climate change

PTT investigated the emissions of greenhouse gases arising directly from the activities and processes of the entire PTT Group for application in its plans, policies, and tangible control and emission of such gases.





TQA Assessment



## Innovative development for business efficiency

Based on project implementation in line with the TQA criteria, PTT developed its quality / productivity management projects to suit the sizes of its departments while stimulating innovative thinking and systematic, thorough problem-solving. The purposes are to improve business process efficiency to align with departmental and corporate performance indicators and to promote teamwork. In 2007, more than 200 projects were implemented.

## Promotion of awareness to control quality and safety losses

So critical is QSHE awareness for the control and prevention of losses and risks that PTT has applied the TPM (Total Productive Maintenance) concept under JIPM (Japan Institute of Plant Maintenance). Following the successes of Rayong GSP, Khanom GSP, and Region V Gas Operations Division (Ratchaburi) in garnering the TPM Excellence, 1<sup>st</sup> Category, in 2006, the Company has expanded the good work to all regional gas operations divisions as well as six sites under the oil business group, namely the Lam Luk Ka, Sri Racha, and Phuket oil terminals, Nakhon Sawan and Lampang petroleum terminals, and Ban Rong Po LPG terminal. To further cultivate awareness for safety, it introduced BBS (Behavior-Based Safety) at pilot sites, beginning with the Ban Rong Po site.

## Development of sustainable development network

The Company is among the leaders of cooperation groups, both domestic and international, to push for its own and national sustainability:

- World Business Council for Sustainable Development (WBCSD)
- Thailand Business Council for Sustainable Development (TBCSD)
- ASCOPE (ASEAN Council on Petroleum)
- Oil Spill Response Limited & East Asia Response Limited (OSRL/EARL) – supporting marine oil-spill handling
- Oil Industry Environmental Safety Group (IESG) – supporting oil-spill handling in the Thai Seas.





Presentation of TQA 2006



Presentation of Safety, Occupational Health, and Work Environment Award

## QSH E Achievements of 2007

- **2006 Thailand Quality Award (TQA), conferred by the National Quality Award Committee (April 30):**  
Rayong GSP
  
- **National Outstanding Business Operator in Safety, Occupational Health, and Work Environment Award, conferred by the Ministry of Labour during the National Safety Week to promote standard and compliant practices of management and safety, health, and environment in workplaces (May 10), a total of 25 sites:**  
 Surat Thani Petroleum Terminal (11 straight years), Lampang Petroleum Terminal (8 straight years),  
 Nakhon Sawan Petroleum Terminal (7 straight years), Phitsanulok Oil Terminal (7 straight years),  
 Bangchak Petroleum Terminal, Khon Kaen Petroleum Terminal, Songkhla Petroleum Terminal,  
 Phra Khanong Oil Terminal, Lam Luk Ka Oil Terminal, Sri Racha Oil Terminal, Chiang Mai Oil Terminal,  
 Den Chai Oil Terminal, Ubon Ratchathani Oil Terminal, Udon Thani Oil Terminal, Phuket Oil Terminal,  
 Pak Phanang Oil Terminal, Khao Bo Ya LPG Terminal, Ban Rong Po LPG Terminal,  
 Khanom GSP (Nakhon Si Thammarat), Region I Pipeline Operations Division (Chon Buri),  
 Region II Pipeline Operations Division (Ayutthaya), Region III Pipeline Operations Division (Rayong),  
 Region IV Pipeline Operations Division (Khon Kaen), Region V Pipeline Operations Division (Ratchaburi),  
 PTT Head Office
  
- **EIA Monitoring Award 2007, 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 (December 21):**  
Khanom GSP
  
- **Outstanding QC Groups based on presentations at the Thailand State Enterprise QC Fair, representing Thailand at two quality technical conferences:**
  - The 13<sup>rd</sup> Asia Pacific Quality Organization International Conference & The 6<sup>th</sup> Shanghai International Symposium on Quality (Shanghai, People's Republic of China):  
Sawasdee Group, Rayong GSP
  - International Convention on Quality Control Circles 2007 (Beijing, People's Republic of China):  
Chang Noi Group, Rayong GSP.



Presentation of EIA Monitoring Awards 2007

## QSHS Management Standard Certification in 2007

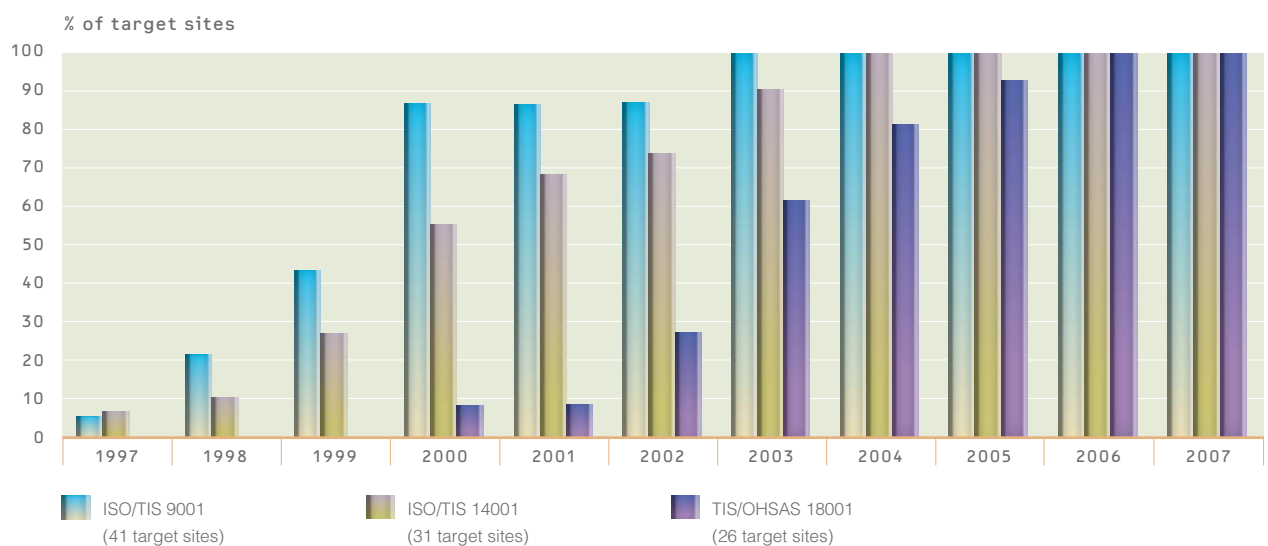
During the year, all major business processes and 96 target sites maintained their QSHS management standard certification (ISO/TIS 9001, ISO/TIS 14001, and TIS/OHSAS 18001) according to the Management System Certification Institute (Thailand) (MASC).

In addition, two new sites successfully underwent internal assessments:

- **ISO 9001 management standard certification:**  
Procurement Department, Head Office
- **ISO 14001 environmental standard certification:**  
Lubricating Oil Bottling Plant, Lubricating Oil Operation.

For more information about QSHS performance, read the Annual Sustainability Report 2007.

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





## Social and Environmental Responsibility for Sustainability

In this auspicious year of His Majesty King Bhumibol Adulyadej's 80<sup>th</sup> Birthday Anniversary, Thai hearts were filled with great jubilation. As the national energy company, PTT Group collectively committed good deeds in honor of our monarch by applying the Sufficiency Principles in its business conduct under good corporate governance together with the stewardship of society and communities. We are convinced that this is going to enrich Thai society in a truly sustainable way.

We took this auspicious opportunity to launch a program called "Rak Pa, Sang Khon, 84 Tambon Withi Phaw Pheang" (Forest Conservation, Human Strengthening in 84 Subdistricts under Sufficiency Path), designed to honor His Majesty through implementing his Sufficiency Economy philosophy and create tangible achievement in 84 tambons around the country. What's important is that this program built on the one-million-rai reforestation program humbly presented to His Majesty in 2002. The highly successful concluded program was widely accepted for its forest stewardship by local residents who learned to love their forests and strengthen themselves under the sufficiency approach.

For this first year, PTT chose nine pilot tambon considered ready by its network and the Green Globe Program, namely:

- Tambon Sila Laeng, Nan
- Tambon Mae Tha and Tambon Mae Na, Chiang Mai
- Tambon Na Khom and Tambon Wang Nam Lad, Nakhon Sawan
- Tambon Thung Khwai Kin, Rayong
- Tambon Tha Makham, Kanchanaburi
- Tambon Khao Khok, Buri Ram
- Tambon Pak Song, Chumphon.

Our goal is to continue until we have covered all 84 tambon, which will then be dedicated to His Majesty on his 84<sup>th</sup> Birthday Anniversary in 2011. In all this effort, PTT focuses on creating a body of knowledge derived through community participation, the so-called "implosion" or development from within – so that communities may earnestly develop themselves and make a great stride toward joint thinking, action, problem-solving, and decision-making. Ultimately, communities may





HRH Princess Maha Chakri Sirindhorn Tours the Exhibition in the Southernmost Province

then acquire their own development approaches and decide for themselves the most suitable ones, resulting in integrated output throughout each tambon.

This was also the second year in which PTT – together with Chaipattana Foundation, the Office of Royal Development Projects Board, and the Department of Land Development – continued a program on vetiver development and the campaign for its use in response to His Majesty's initiative. Our activities consisted of planting, encouraging communities or their networks to engage in planting and finding applications for vetiver, and publicizing vetiver planting. As regards publicity, we launched a contest on "Vetiver Grass Cultivation Program to honor HM the King", under a contest topic modified from "Vetiver Grass Cultivation Contest" of 2006. Three categories were available this year:

- Planting
- Planting promotion
- Design of products and/or innovations from vetiver.

About 420 contest entries were submitted, and it was a high honor that His Majesty graciously bestowed 29 plaques on the winning entries.

In addition, PTT joined others in fostering unity and peace in the three southernmost provinces in dedication to His Majesty

on his 80<sup>th</sup> Birthday Anniversary by coordinating with local government agencies a program called "For the Benefit of Communities in Three Southernmost Provinces" under a 25-million-baht budget for the construction of sports grounds, broadcasting towers, and clock towers for communities.

These additional activities supplemented our ongoing commitment to social responsibility, as well as that to communities and the environment. In 2007 we continued our support to activities held together with the public, community networks, government agencies, and relevant NGOs to enable communities to stand on their own in a sustainable way, including the following.

## Environment

- Marking the advent of 2007, PTT Group and Rayong residents were honored by Her Royal Highness Princess Maha Chakri Sirindhorn, who graciously inaugurated **"The 50<sup>th</sup> Birthday Anniversary Building"** and visited the Her Royal Highness Princess Maha Chakri Sirindhorn Herb Garden built in the compound of Rayong Gas Separation Plant (GSP) employee dormitories since 1985. In developing this garden, we not only housed more than 270 species of herbs, but also turned this into a **"pleasant learning garden"** for recreation and tourist



A Winner "Vetiver Grass Cultivation Contest"





The Inauguration of the Herb Garden



attraction of the East, as well as an integrated Thai herbal-wisdom classroom. Communities have been encouraged to make the best use of the compound, including a program to train youth guides and a weekend herb-market. Through the past year, more than 150,000 visited the garden and made use of this herbal collection.

- The Map Ta Phut Public Park in Honor of His Majesty the King:** PTT Group contributed to this program, located on 30 rai of land in Map Ta Phut Municipality, Rayong, under a 35-million-baht budget in honor of our monarch on his 80<sup>th</sup> birthday anniversary. This would serve as a source of learning and relaxation, activities for children and youths, as well as public-service activities.

- The Green Rayong Program:** Along with Map Ta Phut communities and municipality and Ban Chang Municipality, PTT Group organized tree planting in public areas, communities, and PTT Group's plant compounds to add green areas, absorb carbon dioxide, and alleviate environmental impacts of industrialization in the province.

- Support to the Foundation for the Quality of Life and Community Environment, Map Ta Phut and Ban Chang Communities, Rayong:** Here PTT Group contributed Baht 10 million to a fund designed for monitoring industries' emissions and improving the quality of life for those affected by pollution.

- Support to the Reforestation in Honor of His Majesty the King at Pong Salod Campus, Rajabhat Phetchaburi University:** This three-year (2006 - 2008) activity took place on about 1,000 rai under a five-million-baht budget. Besides demonstrating the rehabilitation of degraded forests under the royal initiative, this program would in time see an alternative-energy investigation center, a herbal garden, check dams, and a training ground for students.

- The Green Globe Award Contest:** Now in its ninth consecutive year, the contest this year focused on "Sufficient Way of Life, Sharing and Enhancing Ties among Man, Water, and Forest" to promote tangible conservation output under His Majesty "Sufficiency Theory" through concrete actions marking sustainable environmental stewardship. This year we expanded the conservation to urban communities by focusing on an activity called planting "City Forests", which is one way of cultivating the awareness and participation of urban residents. Next year the contest will be expanded to neighboring countries.

- The West Thong Pha Phum Program:** Together with the Biodiversity Research and Training Program (BRT), PTT undertook a 30,000-rai forest rehabilitation and conservation program, in which both organizations jointly conducted integrated research at Tambon Huay Khayeng, Amphoe Thong Pha Phum, Kanchanaburi. The investigated topics ranged from biodiversity, environment, and strengthening of communities through



The Green Rayong Program



The Fund Presentation for the Map Ta Phut and Ban Chang Communities





Support to Chulalongkorn Dusadi Phiphat Scholarship

community learning and cooperation to the application of the Sufficiency Economy and the New Theory. The purposes were to evolve community member potential, set up community councils, and formulate community plans, which would lead to successful economic and natural resources problem-solving – fostering the awareness and appreciation of management), sense of ownership of natural resources and the environment, as well as virtue and ethics for “sufficient” family building.

● **Bio-resource Management from the Coast to the Mountain: from Khanom Beach to Khao Nan Program:** This was another PTT-BRT endeavor to investigate holistic ecology from the beach to the mountain – a first in Thailand – to investigate the biodiversity of Pa Mek forest in Khao Nan National Park, Nakhon Si Thammarat, a forest susceptible to changes in the global climate and a vital source of streams. Support was provided to 25 pieces of research and dissertations, conducted through expeditions. The investigation has revealed significant information about alien species, which plays an essential part in accounting for the impacts of global warming on biodiversity changes.

Our study along Khanom Beach focused on the body of ecological research knowledge, which engaged community members and youths alike, including an investigation of the coastal, shoreline forest, and mangrove forest ecology. We also cultivated in children and youths of the Khanom National Park area an awareness of coastal resource conservation. Other

studies included the development study of fire flies in mangrove forests and the economic and social development of Khanom communities. All these would create a body of knowledge applicable by communities for the sustainable conservation and development of bio-resources.

#### ● The PTT Youth Camp – Thai Seas Conservation

**Program:** This was yet another PTT-BRT collaboration undertaken with officers of the Submarine Chulabhorn 36 National Park, organized for the second time around Khanom GSP, Nakhon Si Thammarat. Here, teachers and high-school students from three districts (Khanom, Sichon, and Tha Sala) participated in a camp to learn the value of local natural resources and absorb the awareness of marine resource conservation – which would remain with them through the years.

## Education

#### ● Support to Chulalongkorn Dusadi Phiphat

**Scholarships:** To Her Royal Highness Princess Maha Chakri Sirindhorn, PTT presented a sum of Baht 20 million in support of these scholarships for students of Chulalongkorn University to pursue their studies to the doctoral level for the benefit of sustainable national development.

● As the co-founder of the community enterprise institute along with 15 educational institutes, we launched the “Life

The 9<sup>th</sup> Green Globe Award

The West Thong Pha Phum Program



Life University Program

**University Program**", designed to turn community leaders into graduates filled with competence for the development of their areas through an interdisciplinary arts curriculum aimed at making the areas self-reliant. In 2007 the curriculum was expanded to 11 universities nationwide, namely Maejo University and 10 Rajabhat University campuses in Kamphaeng Phet, Phuket, Phetchabun, Nakhon Pathom, Songkhla, Kanchanaburi, Nakhon Sawan, Rambhai Barni, Rajanagarindr, and Jom Bung.

- **The Technical Vocational Development Cooperation**

**Program:** 2007 marked the first year in which PTT together with the Office of Vocational Education Commission, Ministry of Education, launched this program through the founding of a PTT training center at Rayong Technical College, where students with a degree in higher vocational education in any branch could pick up technical vocational knowledge and acquire training in petrochemicals together with oil and gas. Practical, hands-on work is stressed here to supplement skills to classroom learning. This program should play a role in adding skilled manpower for the oil and gas industry for the long-term benefit of domestic energy development.

- **"Phalang Thai Phuea Thai" School and Library**

**Building Program:** Since 1993, PTT's policy has been to build public-service facilities for provincial schools nationwide. In 2007, it dedicated the 15<sup>th</sup> such facility to Ban Khao Daeng School, Amphoe Singha Nakhon, Songkhla, as well as a library building known as PTT Library Building at Wat Chaeng Lam Hin School,

An Opening Ceremony of Phalang Thai Phuea Thai the 15<sup>th</sup> Building

Amphoe Lum Luk Ka, Pathum Thani, the 22<sup>nd</sup> library building dedicated by PTT to create a knowledge and wisdom treasure for communities. The year also saw an ICT learning room, an energy room, and a home economics room dedicated to Khon Kaen Phathana Sueksa School in line with the community process of communities around Khon Kaen Petroleum Terminal.

- **The World of Natural Gas Mobile Exhibition**

**Program:** It was in 2000 that we first launched this program to promote youths' awareness of natural gas matters through this colorful mobile media, a form of non-formal education. Target youths were those of 17 provinces, namely Bangkok, Nonthaburi, Pathum Thani, Phra Nakhon Si Ayutthaya, Sara Buri, Chachoengsao, Nakhon Nayok, Prachin Buri, Nakhon Pathom, Ratchaburi, Kanchanaburi, Samut Prakan, Chon Buri, Rayong, Nakhon Si Thammarat, Khon Kaen, and Udon Thani. Nevertheless, thanks to the heightened interest of youths and the general public in natural gas matters and PTT's policy of expanding the application of natural gas, particularly in urban areas, PTT has added another mobile exhibition called "Gassy Energy" to serve Bangkok and its perimeter while expanding the target groups to secondary-level and university students. In addition, we chose students from these schools for the Gassy Camp to learn more about natural gas.

- **The Generation P Youth Camp Program:**

It was in 1998 that we first launched the camp, which this year

The 10<sup>th</sup> Generation P

Money Management Award 2007





Thammasat Asia Moot Corp 2007



5S School Program

was organized at the HRH Princess Maha Chakri Sirindhorn Herbal Garden in Rayong, with 110 students from 22 schools nationwide participating under the theme of “Campaigning for Fuel Conservation and Promotion of Alternative Energy in Schools and Communities”. The winners this year would be eligible to pursue their studies at the Faculty of Engineering, Khon Kaen University.

- The PTT Support to Inventor's Dream of Sustainable Energy Application Program:** This program was launched this year to promote and develop the skills of the public and youths in showcasing their ideas and innovative gadgets focusing on energy-saving.

- Money Management Award 2007 (MMA) Competition:** Together with the Stock Exchange of Thailand for the third consecutive year, we supplemented knowledge and ideas about financial management and investment for youths and junior analysts.

- Thammasat Asia Moot Corp 2007 Competition:** PTT sponsored a real-life stage for MBA students to showcase their business plans to leading and experienced businessmen and investors from Asia and the world. The contest saw more than 20 entries from nine countries.

- the Third National Business Plan Contest, by the Faculty of Commerce and Accountancy, Chulalongkorn University:** This was open to master's degree

candidates from all over the country to showcase their business ideas with their commercial potential through the application of formal knowledge and creativity to author business plans for new-generation entrepreneurs.

- The PTT 5S School Program:** Through the active promotion and dissemination of the 5S principles in schools, PTT launched contests and built 5S networks. Those that win three consecutive first-place awards will qualify as “PTT 5S School Center”, and this year the Sao Hai Wimon Withayanukul School in Sara Buri qualified as one for the Central Region.

## Society and Community

- 10-million-baht Support to Strong Rayong Foundation:** The fund was designed to help those affected by the industrialization of Rayong through education and an improved quality of life.

- The Sharing with Communities Program:** Since 2004, PTT Group has launched a free medical clinic at Rayong GSP for community members. Its mobile medical clinic has offered free medical care and education to target communities.

- Alleviating Hardship Caused by Natural Disasters Program:** Since 1999, PTT has continued its assistance to drought victims under the “DMR - PEA - PTT - PWA - RTA against Drought” program in areas around the country. Fuels worth



More Support to Strengthening Rayong



Fund to Alleviating Natural Disasters



Taking Part in Traffic Problem Alleviation



National Sports Development Fund

Baht 3.6 million were supplied to rescue teams this year. What was more, our assistance was extended to the “PTT Cold Season Warm-up” program through the donation of 9,000 blankets worth Baht 1.4 million to those suffering from cold weather in the North and the Northeast. PTT’s petroleum terminals and oil terminals across the country, as well as provincial administrations and the Green Globe network, handed out the assistance.

- **The PTT Tune-up Program:** The 15-year-old program this year featured cooperation with the Office of Vocational Education Commission in providing free engine check-ups at PTT service stations and schools nationwide attached to the office to campaign for and stimulate maximum energy-saving by constantly taking good care of their vehicles. The expenses paid to these youths by PTT throughout the period and the derived vocational skills should prove useful to them.

- **The Drive Safely with PTT Program:** Along with the Department of Land Transport, PTT has sponsored this program for 11 consecutive years in three provinces, namely Bangkok, Ayutthaya, and Udon Thani through reminding drivers of traffic laws and driving manners to applicants for drivers’ licenses across the country. Besides cultivating a proper awareness of safety and discipline in them, this cuts down on road accidents while providing knowledge about fuels, lubricating oil, and alternative energy.

#### ● The Support to Traffic Problem Alleviation

**Program:** To lessen traffic problems in both Bangkok and provincial areas, regarded as undermining the quality of life and environment for society at large today, each year PTT donates about 10,000 rubber traffic cones to police stations in target areas across the country. Besides, we contributed to the establishment of a control center located at Metropolitan Police Command 5, which housed information for efficient control and direction for solving crimes and traffic problems, currently plaguing Bangkokians.

## Sports

#### ● Support to the National Sports Development Fund:

To gear up and strengthen Thai athletes from the youth level to the professional level, PTT supports the Football Association of Thailand and the Lawn Tennis Association of Thailand, both under Royal Patronage, for the fourth consecutive year. To raise the standards of Thai sports to the international level, this year we also supported the Amateur Wrestling Association of Thailand and the Amateur Weightlifting Association of Thailand.

#### ● Support to Youth and Professional Tennis Tournaments:

To foster the potential of Thai tennis players and advance them to the professional level, as spelled out by the national sports development policy, PTT continued its support to



Youth and Professional Tennis



Sponsorships to World University Games





The 22<sup>nd</sup> PTT Art Contest Under the Topic "Power of Unity...Merit of the Land"

the ATP Thailand Open 2007, Women's PTT Bangkok Open, PTT Championship, PTT Master Cup, and PTT Junior Master Cup.

- **Support to Khon Kaen International Marathon:**

For the fourth year, along with the Khon Kaen Provincial Administration and Khon Kaen University, PTT sponsored this international event to prepare Thai athletes for world-stage competitions.

- **The 24<sup>th</sup> World University Games Core Sponsorship:** Hosted this year by Thailand, the event featured a "One Color, One Power" program to enable Thai youths from seven schools to be a part of this milestone event through their cheering sections on stands – reflecting the capability of Thailand as a host to this world event.

## Arts and Culture

- Hoping to see Thais earnestly love and unite, PTT launched a contest and display of "PTT Arts Contest" items under the topic of **"Power of Unity...Merit of the Land" in response to His Majesty's initiative on fostering unity for Thais**, a common theme at every contest stage this year. The central region contest was hosted with Silpakorn University for the 22<sup>nd</sup> year, the northern one was hosted with Chiang Mai University for the eighth year, the southern one was hosted with Thaksin University for the fourth year, and the northeastern



one was hosted with Khon Kaen University for the second year. Youths and the general public of all regions then played a role in honoring their monarch in this truly auspicious year.

- **Support to Conservation of Khelang Nakhon Poocha Drum-beating with Lampang residents:**

Proper drum-beating techniques were given by drum masters to participants of the sixth "Kong Poocha Festival" representing the 13 districts of Lampang. In addition, the Poo Cha drum conservation youth camp continued to be held while additional drum towers were built for the northern province to pass on this fine tradition.

Throughout our 29 years of existence, our assorted activities have continued unabated, and the same can be said for our mission to fortify Thailand's energy security. As a member of Thai society, PTT is determined to foster a body of knowledge derived from business operation and experience for the benefit of all Thais. The outstanding state enterprise award of 2007 from the Ministry of Finance in recognition of our social and environmental work is a solid proof of such determination and value in our ongoing efforts to help developing the country to grow well and sustainably.



The Support to Poocha Drum-Beating





# Financial Statements

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## Report of Board of Directors' Responsibilities

The financial statements of PTT Public Company Limited and its subsidiaries being consolidated have been prepared in compliance with generally accepted accounting principles under the Accounting Act B.E. 2543 (2000) being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547 (2004), and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535 (1992). The arrangement of items in the financial statements is in compliance with the notification of the Department of Commercial Registration, dated September 14, B.E. 2544 (2001), "Definition of the abbreviated components required in the financial statements, B.E. 2544 (2001)" under the third paragraph of section 11 of the Accounting Act, B.E. 2543 (2000).

The Company's Board of Directors are responsible for the integrity and objectivity of the financial statements of PTT Public Company Limited and its subsidiaries in providing reasonable assurance that the financial statements present fairly financial position, results of operation, cash flows, the books and records of the Company accurately reflect all transaction, the Company's assets are properly safeguarded, including the control systems designed to protect against fraud and irregularity transaction. The financial statements have been prepared with the chosen accounting policy deemed appropriate and applied on the consistency basis in accordance with generally accepted accounting principles, and significant information has been adequately disclosed in note to financial statements, in which the independent auditor express an opinion on the financial statements of PTT Public Company Limited and its subsidiaries in the report of the auditor.

**(Mr. Norkun Sitthiphong)**  
Chairman of the Board

**(Mr. Prasert Bunsumpun)**  
President & CEO

## Auditor's Report

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### TO: THE SHAREHOLDERS OF PTT PUBLIC COMPANY LIMITED

The Office of the Auditor General of Thailand has audited the accompanying consolidated balance sheets of PTT Public Company Limited and its subsidiaries and the balance sheets of PTT Public Company Limited as at December 31, 2007 and 2006, and the related consolidated and the Company's statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. The responsibility of the Office of the Auditor General of Thailand is to express an opinion on these financial statements based on the audits and other auditors' reports. The financial statements of subsidiaries abroad, subsidiaries arising from jointly invested between PTT Public Company Limited and subsidiaries or others, joint ventures which are jointly invested between PTT Public Company Limited and others, and jointly invested between subsidiaries and others were audited by other auditors and included in the consolidated financial statements. The Office of the Auditor General of Thailand received other auditors' reports and used them as a basis in auditing and expressing an opinion on the consolidated financial statements. As at December 31, 2007, assets and liabilities of the above subsidiaries and joint ventures included in the consolidated financial statements constitute 16.41% and 7.50% and as at December 31, 2006 constitute 15.42% and 7.46%, respectively.

The Office of the Auditor General of Thailand conducted the audits in accordance with generally accepted auditing standards. Those standards require that the Office of the Auditor General of Thailand plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also include assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The Office of the Auditor General of Thailand believes that the audits together with other auditors' reports as above - mentioned provide a reasonable basis for the opinion.

In the opinion of the Office of the Auditor General of Thailand based on the audits and the other auditors' reports, the consolidated and the Company's financial statements referred to above present fairly, in all material respects, the financial position of PTT Public Company Limited and its subsidiaries and of PTT Public Company Limited as at December 31, 2007 and 2006, and the results of operations, the changes in shareholders' equity and the cash flows for the years then ended in accordance with generally accepted accounting principles.

In expressing an opinion on these financial statements, unconditionally the Office of the Auditor General of Thailand draws attention on the following issues:

1. According to Note 3.1, the Company has changed the accounting policy for investments in subsidiaries, associates and jointly controlled entities presented in the Company's financial statements from the equity method to the cost method in accordance with the Accounting Standard No. 44 (Revised 2007).

2. According to Note 3.2, changes in accounting estimates for the useful lives of assets using the prospective method.

3. According to Note 3.3 and Note 38, Correction of accounting errors resulting from the judgment of the Supreme Administrative Court to separate and transfer the assets that are public domain property and the rights to use land for laying the petroleum pipeline networks to the Ministry of Finance, in compliance with the judgment of the Supreme Administrative Court, the Company corrected the cumulative accounting errors by canceling the accounting records of the assets that are public domain property by accounting for the right to use.

4. According to Note 39.3 "commitments and contingent liabilities", the Company has commitments to comply with the judgment of the Supreme Administrative Court as discussed in Note 38.

**(Khunying Jaruvan Maintaka)**  
Auditor General

**(Ladawan Supaprasert)**  
Acting Director of Audit Office



## BALANCE SHEETS

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
AS AT DECEMBER 31, 2007 AND 2006

Unit : Baht

	Notes	Consolidated		The Company	
		2007	2006	2007	2006
			(Restated)		(Restated)
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	4	74,958,290,312	86,806,254,165	43,184,607,043	26,509,729,979
Current investments	5	6,231,245,201	1,412,953,182	5,817,909,512	971,412,527
Trade accounts and notes receivable					
- others, net	6	116,935,784,153	83,651,051,094	101,268,825,980	70,714,206,129
Trade accounts receivable					
- related parties, net	7.1	78,047,438,110	32,233,254,372	89,280,102,672	41,076,883,986
Other accounts receivable, advances and short-term loans - related parties, net	7.2	1,392,778,014	591,157,949	29,686,760,490	1,700,640,902
Inventories	8	13,522,236,295	15,117,531,539	9,443,951,828	7,957,413,082
Materials and supplies - net	9	6,374,453,209	7,552,469,189	1,992,679,553	1,683,222,426
Other current assets	10	18,468,602,600	21,953,535,079	12,889,788,670	16,855,527,953
<b>Total Current Assets</b>		<b>315,930,827,894</b>	<b>249,318,206,569</b>	<b>293,564,625,748</b>	<b>167,469,036,984</b>
<b>Non-current Assets</b>					
Investments in subsidiaries, jointly controlled entities and associates	11.3, 11.4	189,951,194,566	100,232,967,812	135,615,186,388	134,160,018,527
Other long-term investments	12.4	3,170,869,600	3,129,323,736	2,527,134,890	1,894,120,000
Other accounts receivable, advances and long-term loans - related parties, net	7.3	6,243,742,753	6,702,314,102	9,040,529,953	6,943,391,449
Property, plant and equipment, net	13	316,227,431,074	329,609,035,183	146,272,119,905	129,843,094,336
Intangible assets	14	32,526,321,024	35,074,999,974	17,819,371,585	16,143,856,049
Deferred tax assets	15	1,068,989,695	1,251,768,536	1,056,743,080	1,219,733,054
Advance payments for gas purchased	16	12,702,079,331	16,598,177,518	15,761,742,592	20,629,669,029
Other non-current assets	17	14,530,009,415	11,275,075,385	12,245,528,680	9,253,938,789
<b>Total Non-current Assets</b>		<b>576,420,637,458</b>	<b>503,873,662,246</b>	<b>340,338,357,073</b>	<b>320,087,821,233</b>
<b>Total Assets</b>		<b>892,351,465,352</b>	<b>753,191,868,815</b>	<b>633,902,982,821</b>	<b>487,556,858,217</b>

Notes to financial statements form an integral part of these financial statements.

## BALANCE SHEETS

(Continued)

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
AS AT DECEMBER 31, 2007 AND 2006

Unit : Baht		Consolidated		The Company	
	Notes	2007	2006	2007	2006
			(Restated)		(Restated)
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	18	5,768,059,372	1,589,874,402	1,500,000,000	-
Trade accounts payable - others		116,525,553,116	55,620,487,671	110,166,953,840	52,855,101,757
Trade accounts payable - related parties	7.4	45,873,420,169	29,168,043,894	57,688,482,406	37,504,382,815
Other accounts payable - related parties	7.5	1,871,060,606	513,089,157	2,138,621,461	372,626,899
Current portion of long-term loans	20	8,611,832,774	21,612,145,139	8,525,328,743	11,493,033,200
Short-term loans - others		626,872,500	144,923,200	-	-
Income tax payable		26,849,596,698	21,161,422,580	10,251,830,715	3,868,862,856
Accrued expenses		28,177,315,311	25,251,959,602	12,380,415,523	10,055,120,041
Other current liabilities	19	10,580,929,279	12,513,974,983	6,732,879,934	6,357,907,951
<b>Total Current Liabilities</b>		<b>244,884,639,825</b>	<b>167,575,920,628</b>	<b>209,384,512,622</b>	<b>122,507,035,519</b>
<b>Non-current Liabilities</b>					
Other long-term accounts payable - related parties	7.6	-	-	86,749,471	248,950,289
Long-term loans	20	212,387,288,702	198,339,307,089	184,289,114,087	165,066,437,701
Deferred tax liabilities	15	14,738,003,160	13,839,224,531	227,613,311	158,750,000
Provision for decommissioning costs	21	10,990,904,837	10,712,387,696	-	-
Deposits on LPG cylinders		4,647,662,493	4,347,905,533	4,647,662,493	4,347,905,533
Other non-current liabilities	22	6,051,447,496	2,316,360,846	5,228,594,106	1,403,432,022
<b>Total Non-current Liabilities</b>		<b>248,815,306,688</b>	<b>229,555,185,695</b>	<b>194,479,733,468</b>	<b>171,225,475,545</b>
<b>Total Liabilities</b>		<b>493,699,946,513</b>	<b>397,131,106,323</b>	<b>403,864,246,090</b>	<b>293,732,511,064</b>

PTT Public Company Limited

Notes to financial statements form an integral part of these financial statements.

## BALANCE SHEETS

(Continued)

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
AS AT DECEMBER 31, 2007 AND 2006

Unit : Baht		Consolidated		The Company	
	Notes	2007	2006	2007	2006
			(Restated)		(Restated)
<b>Liabilities and Shareholders' Equity (Continued)</b>					
<b>Shareholders' Equity</b>					
Share capital					
Authorized share capital					
2,857,245,725 ordinary shares					
of Baht 10 each	23	28,572,457,250	28,572,457,250	28,572,457,250	28,572,457,250
Issued and paid-up share capital					
2,817,388,125 ordinary shares					
of Baht 10 each		28,173,881,250	-	28,173,881,250	-
2,804,925,625 ordinary shares					
of Baht 10 each		-	28,049,256,250	-	28,049,256,250
Premium on share capital					
Premium on ordinary shares		21,624,238,766	19,321,453,366	21,624,238,766	19,321,453,366
Surplus on dilution of investments					
in subsidiaries and associates		3,851,325,364	2,950,404,482	-	-
Unrealized gain on available-for-sale securities		671,702,449	463,391,320	531,097,724	476,250,000
Currency translation differences		(914,236,846)	(994,247,170)	-	-
Retained earnings					
Appropriated					
Legal reserve	24.1	2,857,245,725	2,857,245,725	2,857,245,725	2,857,245,725
Reserve for Self-insurance Fund	24.2	928,759,399	888,116,510	928,759,399	888,116,510
Unappropriated		304,303,841,805	236,034,959,071	175,923,513,867	142,232,025,302
Total parent's shareholders' equity		361,496,757,912	289,570,579,554	230,038,736,731	193,824,347,153
Minority interests		37,154,760,927	66,490,182,938	-	-
<b>Total Shareholders' Equity</b>		<b>398,651,518,839</b>	<b>356,060,762,492</b>	<b>230,038,736,731</b>	<b>193,824,347,153</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>892,351,465,352</b>	<b>753,191,868,815</b>	<b>633,902,982,821</b>	<b>487,556,858,217</b>

(Prasert Bunsumpun)  
Chief Executive Officer & President

(Pichai Chunhavajira)  
Chief Financial Officer

Notes to financial statements form an integral part of these financial statements.

## STATEMENTS OF INCOME

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Unit : Baht

	Notes	Consolidated		The Company	
		2007	2006	2007	2006
			(Restated)		(Restated)
Sales and services	26	1,495,806,223,884	1,213,985,278,960	1,407,544,567,989	1,187,032,285,998
Cost of sales and services		1,350,778,781,695	1,072,503,349,364	1,342,939,893,217	1,132,983,247,461
<b>Gross Margin</b>		<b>145,027,442,189</b>	<b>141,481,929,596</b>	<b>64,604,674,772</b>	<b>54,049,038,537</b>
Selling and administrative expenses		30,299,230,656	28,997,165,030	20,028,315,526	22,094,669,681
Expenses from judgment of Supreme Administrative Court	38	2,824,659,202	-	2,824,659,202	-
Exploration expenses		3,542,833,456	3,631,646,309	-	-
<b>Income from Sales</b>		<b>108,360,718,875</b>	<b>108,853,118,257</b>	<b>41,751,700,044</b>	<b>31,954,368,856</b>
Effect from judgment of Supreme Administrative Court	3.3	-	321,590,180	-	321,590,180
Gain on disposal of investments		8,427,999,491	7,130,480,089	11,843,487,091	11,009,618,576
Other income	27	17,738,603,851	25,219,818,536	33,232,025,470	36,919,405,678
Directors' remuneration	7.9	172,755,148	160,588,765	42,313,440	40,330,089
<b>Income from Operations</b>		<b>134,354,567,069</b>	<b>141,364,418,297</b>	<b>86,784,899,165</b>	<b>80,164,653,201</b>
Share of net income from investments under the equity method	28	31,080,228,158	19,139,447,260	-	-
<b>Income before Interests and Taxes</b>		<b>165,434,795,227</b>	<b>160,503,865,557</b>	<b>86,784,899,165</b>	<b>80,164,653,201</b>
Interest expenses	30	10,458,645,583	10,386,551,129	7,650,588,956	6,700,953,074
Income taxes	15	41,419,077,986	35,882,714,128	15,908,110,593	8,588,102,690
<b>Income after Taxes</b>		<b>113,557,071,658</b>	<b>114,234,600,300</b>	<b>63,226,199,616</b>	<b>64,875,597,437</b>
Income of minority interests		15,753,477,873	18,652,408,760	-	-
<b>Net Income</b>		<b>97,803,593,785</b>	<b>95,582,191,540</b>	<b>63,226,199,616</b>	<b>64,875,597,437</b>
Basic earnings per share	25	34.82	34.14	22.51	23.17
Diluted earnings per share	25	34.58	34.02	22.41	23.11

PTT Public Company Limited

Notes to financial statements form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## Consolidated

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Restated)

Unit : Baht	Notes	Retained earnings									
		Issued and paid-up share capital	Premium on share capital	Surplus on dilution of investments	Unrealized gain (loss) on available-for-sale securities	Currency translation differences	Reserve for			Minority interests	Total
							Legal reserve	Self-insurance Fund	Unappropriated		
		27,972,457,250	17,992,830,666	2,142,400,359	830,990,386	(800,719,785)	2,850,000,000	841,395,380	178,987,448,048	47,616,130,766	278,432,933,070
Balance as at January 1, 2006											
Cumulative effect from judgment of Supreme Administrative Court	3.3	-	-	-	-	-	-	-	1,416,811,419	-	1,416,811,419
Balance after adjustment		27,972,457,250	17,992,830,666	2,142,400,359	830,990,386	(800,719,785)	2,850,000,000	841,395,380	180,404,259,467	47,616,130,766	279,849,744,489
Issued and paid-up share capital		76,799,000	-	-	-	-	-	-	-	-	76,799,000
Premium on share capital		-	1,328,622,700	-	-	-	-	-	-	-	1,328,622,700
Currency translation differences		-	-	-	-	(193,527,385)	-	-	-	-	(193,527,385)
Unrealized loss on available-for-sale securities		-	-	-	(367,599,066)	-	-	-	-	-	(367,599,066)
Minority interests		-	-	-	-	-	-	-	-	18,874,052,172	18,874,052,172
Surplus on dilution of investments in subsidiaries and associates		-	-	808,004,123	-	-	-	-	-	-	808,004,123
Legal reserve		-	-	-	-	-	7,245,725	-	(7,245,725)	-	-
Reserve for Self-insurance Fund	24.2	-	-	-	-	-	-	46,721,130	(46,721,130)	-	-
Dividends paid		-	-	-	-	-	-	-	(39,897,525,081)	-	(39,897,525,081)
Net income		-	-	-	-	-	-	-	95,582,191,540	-	95,582,191,540
Balance as at December 31, 2006		28,049,256,250	19,321,453,366	2,950,404,482	463,391,320	(994,247,170)	2,857,245,725	888,116,510	236,034,959,071	66,490,182,938	356,060,762,492

Notes to financial statements form an integral part of these financial statements.



## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## Consolidated (Continued)

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Restated)

Unit : Baht

Unit : Baht	Notes	Issued and paid-up share capital	Premium on share capital	Surplus on dilution of investments	Unrealized gain (loss) on available-for-sale securities	Currency translation differences	Retained earnings				Minority interests	Total
							Legal reserve	Self-insurance Fund	Unappropriated			
Balance as at January 1, 2007		28,049,256,250	19,321,453,366	2,950,404,482	463,391,320	(994,247,170)	2,857,245,725	888,116,510	234,296,559,472	66,490,182,938	354,322,362,893	
Cumulative effect from judgment of Supreme Administrative Court	3.3	-	-	-	-	-	-	-	1,738,399,599	-	1,738,399,599	
Balance after adjustment		28,049,256,250	19,321,453,366	2,950,404,482	463,391,320	(994,247,170)	2,857,245,725	888,116,510	236,034,959,071	66,490,182,938	356,060,762,492	
Issued and paid-up share capital		124,625,000	-	-	-	-	-	-	-	-	124,625,000	
Premium on share capital		-	2,302,785,400	-	-	-	-	-	-	-	2,302,785,400	
Currency translation differences		-	-	-	-	80,010,324	-	-	-	-	80,010,324	
Unrealized gain on available-for-sale securities		-	-	-	208,311,129	-	-	-	-	-	208,311,129	
Minority interests		-	-	-	-	-	-	-	-	(29,335,422,011)	(29,335,422,011)	
Surplus on dilution of investments in subsidiaries and associates		-	-	900,920,882	-	-	-	-	-	-	900,920,882	
Reserve for Self-insurance Fund	24.2	-	-	-	-	-	-	40,642,889	(40,642,889)	-	-	
Dividends paid	33	-	-	-	-	-	-	-	(29,494,068,162)	-	(29,494,068,162)	
Net income		-	-	-	-	-	-	-	97,803,593,785	-	97,803,593,785	
Balance as at December 31, 2007		28,173,881,250	21,624,238,766	3,851,325,364	671,702,449	(914,236,846)	2,857,245,725	928,759,399	304,303,841,805	37,154,760,927	398,651,518,839	

Notes to financial statements form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## The Company

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Restated)

Unit : Baht

	Notes	Issued and paid-up share capital	Premium on share capital	Surplus on dilution of investments	Unrealized gain (loss) on available-for-sale securities	Currency translation differences	Retained earnings			Total
							Legal reserve	Self-insurance Fund	Unappropriated	
Balance as at January 1, 2006		27,972,457,250	17,992,830,666	2,142,400,359	830,990,386	(800,719,785)	2,850,000,000	841,395,380	178,987,448,048	230,816,802,304
Cumulative effect of the changes in accounting policy	3.1	-	-	(2,142,400,359)	-	800,719,785	-	-	(63,096,339,666)	(64,438,020,240)
Cumulative effect from judgment of Supreme Administrative Court	3.3	-	-	-	-	-	-	-	1,416,811,419	1,416,811,419
Balance after adjustment		27,972,457,250	17,992,830,666	-	830,990,386	-	2,850,000,000	841,395,380	117,307,919,801	167,795,593,483
Issued and paid-up share capital		76,799,000	-	-	-	-	-	-	-	76,799,000
Premium on share capital		-	1,328,622,700	-	-	-	-	-	-	1,328,622,700
Unrealized loss on available-for-sale securities		-	-	-	(354,740,386)	-	-	-	-	(354,740,386)
Legal reserve		-	-	-	-	-	7,245,725	-	(7,245,725)	-
Reserve for Self-insurance Fund	24.2	-	-	-	-	-	-	46,721,130	(46,721,130)	-
Dividends paid		-	-	-	-	-	-	-	(39,897,525,081)	(39,897,525,081)
Net income		-	-	-	-	-	-	-	64,875,597,437	64,875,597,437
Balance as at December 31, 2006		28,049,256,250	19,321,453,366	-	476,250,000	-	2,857,245,725	888,116,510	142,232,025,302	193,824,347,153

Notes to financial statements form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## The Company (Continued)

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Restated)

Unit : Baht

Notes	Issued and paid-up share capital	Premium on share capital	Surplus on dilution of investments	Unrealized gain (loss) on available-for-sale securities	Currency translation differences	Retained earnings			
						Legal reserve	Self-insurance Fund	Unappropriated	Total
<b>Balance as at January 1, 2007</b>	<b>28,049,256,250</b>	<b>19,321,453,366</b>	<b>2,950,404,482</b>	<b>463,391,320</b>	<b>(994,247,170)</b>	<b>2,857,245,725</b>	<b>888,116,510</b>	<b>234,296,559,472</b>	<b>287,832,179,955</b>
Cumulative effect of the changes in accounting policy	-	-	(2,950,404,482)	12,858,680	994,247,170	-	-	(93,802,933,769)	(95,746,232,401)
Cumulative effect from judgment of Supreme Administrative Court	-	-	-	-	-	-	-	1,738,399,599	1,738,399,599
<b>Balance after adjustment</b>	<b>28,049,256,250</b>	<b>19,321,453,366</b>	-	<b>476,250,000</b>	-	<b>2,857,245,725</b>	<b>888,116,510</b>	<b>142,232,025,302</b>	<b>193,824,347,153</b>
Issued and paid-up share capital	124,625,000	-	-	-	-	-	-	-	124,625,000
Premium on share capital	-	2,302,785,400	-	-	-	-	-	-	2,302,785,400
Unrealized gain on available-for-sale securities	-	-	-	54,847,724	-	-	-	-	54,847,724
Reserve for Self-insurance Fund	-	-	-	-	-	-	40,642,889	(40,642,889)	-
Dividends paid	-	-	-	-	-	-	-	(29,494,068,162)	(29,494,068,162)
Net income	-	-	-	-	-	-	-	63,226,199,616	63,226,199,616
<b>Balance as at December 31, 2007</b>	<b>28,173,881,250</b>	<b>21,624,238,766</b>	-	<b>531,097,724</b>	-	<b>2,857,245,725</b>	<b>928,759,399</b>	<b>175,923,513,867</b>	<b>230,088,736,731</b>

Notes to financial statements form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Unit : Baht

	Consolidated		The Company	
	2007	2006	2007	2006
		(Restated)		(Restated)
<b>Cash Flows from Operating Activities</b>				
Net income	97,803,593,785	95,582,191,540	63,226,199,616	64,875,597,437
Adjustment of net income to net cash provided by (used in) operating activities:				
Depreciation, depletion and amortization	28,450,034,837	26,433,432,398	6,154,207,389	6,321,308,328
(Reversal of) loss on impairment of assets	(97,620,284)	1,059,150,514	(487,158,463)	1,059,150,514
(Gain) loss on disposal of assets	(29,903,400)	182,611,030	(37,701,901)	113,546,614
Gain on disposal of investments	(8,427,999,491)	(7,130,480,089)	(11,843,487,091)	(11,009,618,576)
Write-off fixed assets adjustment	(29,387,697)	(8,038,321)	(32,553,797)	(8,619,940)
Share of net income from investments				
under equity method	(31,080,228,158)	(19,139,447,260)	-	-
Income of minority interests	15,753,477,873	18,652,408,760	-	-
Gain on foreign exchange	(4,462,570,454)	(9,548,860,892)	(2,295,441,677)	(4,722,995,737)
Unrealized gain on changes in value of investments	-	(2,102,695)	-	-
(Reversal of) doubtful accounts	(1,586,530)	141,026,098	(17,745,988)	124,916,188
Amortization of exploration costs	1,959,864,161	1,701,860,553	-	-
Amortization of bond issue expenses	5,111,588	8,140,262	-	-
Amortization of bond discounts	32,469,108	34,411,113	27,546,380	27,015,838
Deferred income taxes	1,289,724,988	1,860,964,005	162,989,975	(34,948,231)
Amortization of deferred interest from finance leases	54,159,651	34,588,207	37,707,626	20,914,068
Provision for adjustment in value of inventories	(75,795,654)	54,454,045	(86,434,042)	54,406,664
Allowance for obsolete materials and supplies	-	4,637,690	-	4,637,690
Dividends received	(364,113,013)	(493,122,953)	(19,515,853,343)	(18,016,978,871)
Allowance for loss on lawsuits	(205,799,100)	206,950,232	(205,799,100)	206,950,232
Others	463,440,237	6,017,441	-	1,091,067
Net income from operating activities before changes in operating assets and liabilities	101,036,872,447	109,640,791,678	35,086,475,584	39,016,373,285

Notes to financial statements form an integral part of these financial statements.

## STATEMENTS OF CASH FLOWS

(Continued)

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Unit : Baht	Consolidated		The Company	
	2007	2006	2007	2006
		(Restated)		(Restated)
Changes in operating assets (increase) decrease				
Trade accounts and notes receivable - others	(40,977,674,707)	(17,149,631,808)	(30,606,612,277)	(15,236,224,081)
Trade accounts receivable - related parties	(47,313,264,643)	(24,607,888,365)	(46,768,219,329)	(2,468,553,208)
Other short-term accounts receivable, advances and loans to related parties	(1,371,864,609)	(927,586,300)	(794,088,940)	(839,133,243)
Inventories	(1,550,912,163)	(743,111,295)	(1,408,101,145)	1,149,181,710
Materials and supplies	(827,912,461)	(2,026,539,898)	(193,575,616)	(97,895,132)
Other current assets	6,281,366,490	(2,054,721,297)	8,057,205,774	1,579,728,423
Advance payments for gas purchased	3,896,098,186	3,148,447,107	4,867,926,436	3,944,997,609
Other long-term accounts receivable and advances to related parties	(305,521,690)	-	(1,382,308,890)	430,939
Other non-current assets	(2,528,669,483)	(971,446,994)	(1,332,310,728)	(767,323,168)
Changes in operating liabilities increase (decrease)				
Trade accounts payable - others	60,530,839,443	6,403,073,697	56,953,907,573	9,087,456,027
Trade accounts payable - related parties	21,463,852,675	27,443,214,824	19,352,110,077	5,655,723,537
Other accounts payable - related parties	1,134,738,131	1,200,304,662	1,763,554,148	213,802,942
Income tax payable	6,600,383,175	1,900,492,900	6,382,967,859	(129,136,792)
Accrued expenses	5,961,035,130	3,518,549,041	5,074,299,208	9,474,217
Other current liabilities	(2,789,117,901)	(742,609,035)	(3,201,697,118)	(446,415,796)
Deposits on LPG cylinders	299,756,960	361,500,720	299,756,960	361,500,720
Other long-term accounts payable - related parties	(242,389)	-	(162,200,818)	(111,862,335)
Deferred income taxes	591,394,208	(433,683,755)	-	-
Other non-current liabilities	12,002,206	511,648,523	(314,008,684)	174,612,983
	9,106,286,558	(5,169,987,273)	16,588,604,490	2,080,365,352
Net cash provided by operating activities	110,143,159,005	104,470,804,405	51,675,080,074	41,096,738,637

PTT Public Company Limited

Notes to financial statements form an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

(Continued)

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Unit : Baht

	Consolidated		The Company	
	2007	2006	2007	2006
		(Restated)		(Restated)
<b>Cash Flows from Investing Activities</b>				
Proceeds from disposal of property, plant and equipment	86,657,909	109,915,660	49,392,925	134,964,571
Payment of property, plant and equipment	(91,396,278,686)	(88,134,108,429)	(23,478,470,441)	(36,075,981,287)
Payment of intangible assets	(951,651,017)	(1,056,096,179)	(713,659,436)	(261,631,981)
Long-term loans to others	(72,948,023)	-	(72,948,023)	-
Long-term loans to related parties	-	-	(1,654,612,000)	(215,000,000)
Short-term loans to others	-	(151,104,812)	-	-
Short-term loans to related parties	-	-	(27,401,094,637)	(302,209,625)
Payment of investments in subsidiaries	(10,324,086,634)	(884,236,333)	(4,112,354,582)	(22,511,205,137)
Payment of investments in jointly controlled entities	-	(6,185,792,539)	(238,500,000)	(10,053,620,565)
Payment of investments in associates	(17,102,303,980)	(3,982,001,595)	(623,097,243)	(3,954,862,522)
Payment of long-term investments	(508,899,796)	(973,798,691)	(508,899,796)	(673,350,000)
Cash received from disposal of long-term investments	16,169,303,683	13,756,244,111	15,868,854,992	19,200,638,325
Cash received from long-term loans to related parties	-	185,177,003	170,546,639	185,177,003
Cash received from short-term loans to related parties	-	3,487,144,556	-	15,487,394,556
Cash received from cancellation of leasehold in gas stations	23,691,161	10,546,406	23,691,161	10,546,406
Increase in current investments	(4,810,301,144)	(687,810,044)	(4,853,844,981)	(867,561,484)
Dividends received	8,316,084,303	7,168,344,098	19,515,853,343	18,016,978,870
Net cash (used in) investing activities	(100,570,732,224)	(77,337,576,788)	(28,029,142,079)	(21,879,722,870)

Notes to financial statements form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

(Continued)

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Unit : Baht		Consolidated		The Company	
	Notes	2007	2006	2007	2006
			(Restated)		(Restated)
<b>Cash Flows from Financing Activities</b>					
Cash received from issuing ordinary shares		1,165,488,480	2,653,039,053	124,625,000	76,799,000
Cash received from premium on share capital		2,628,016,350	8,663,558,328	2,302,785,400	1,328,622,700
Cash received from long-term loans		9,342,500,000	36,749,412,300	6,000,000,000	18,429,533,600
Cash received from issuing bonds		45,305,200,768	16,000,000,000	24,071,371,872	16,000,000,000
Cash received from short-term loans		211,476,400	450,962,550	-	-
Cash received from issuing notes payable		1,500,000,000	-	1,500,000,000	-
Repayment of long-term loans		(8,109,772,609)	(9,958,713,993)	(6,369,226,053)	(3,388,547,068)
Repayment of notes payable		-	(1,000,000,000)	-	(1,000,000,000)
Redemption of debentures		(8,386,220,851)	(12,492,062,602)	-	-
Redemption of government bonds		(5,000,000,000)	(5,000,000,000)	(5,000,000,000)	(5,000,000,000)
Repayment of liabilities from finance leases		(280,128,727)	(161,760,725)	(153,067,718)	(92,865,222)
Increase (decrease) in bank overdrafts and short-term loans from financial institutions		2,523,440,990	(407,106,957)	-	-
Dividends paid		(36,516,704,862)	(48,683,543,740)	(29,494,068,163)	(39,897,525,081)
Net cash provided by (used in) financing activities		4,383,295,939	(13,186,215,786)	(7,017,579,662)	(13,543,982,071)
Effects of exchange rates on cash and cash equivalents		41,859,351	(668,165,980)	46,518,731	(47,769,697)
Currency translation differences		33,392,735	86,592,565	-	-
Net increase in cash and cash equivalents		14,030,974,806	13,365,438,416	16,674,877,064	5,625,263,999
Cash and cash equivalents at beginning of periods		86,806,254,165	73,440,815,749	26,509,729,979	20,884,465,980
Cash at ending of period of subsidiaries transformed to associates		(25,878,938,659)	-	-	-
<b>Cash and cash equivalents at end of periods</b>	4	<b>74,958,290,312</b>	<b>86,806,254,165</b>	<b>43,184,607,043</b>	<b>26,509,729,979</b>
<b>Supplemental disclosures of cash flow information</b>					
<b>Cash paid during the periods for</b>					
Interest expenses		13,190,369,830	12,613,672,055	10,271,913,740	8,816,724,768
Income taxes		32,620,231,805	31,767,885,193	8,808,762,286	7,734,934,722

PTT Public Company Limited

Notes to financial statements form an integral part of these financial statements.

# Notes to Financial Statements

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

## 1. General Information

PTT Public Company Limited (“the Company”) is incorporated as a public limited company, and is listed on the Stock Exchange of Thailand. The address of its incorporated and registered office is as follows:

The Head Office of the Company is located at 555 Vibhavadi-Rangsit Road, Chatuchak, Bangkok, Thailand.

The Company’s principal activity is the operation of the petroleum business. The Company has invested in subsidiaries, jointly controlled entities and associates (“the Group”), which are engaged in petroleum exploration and production, natural gas, refining, oil marketing and international trading, petrochemicals businesses and other related businesses as described in Note 31 “Segment Information”.

As at December 31, 2007 and 2006, the Group was operating in 18 countries and employed 10,630 people (2006: 8,553 people). The staff costs of the Group for the year ended December 31, 2007 were Baht 10,470.89 million (2006: Baht 9,626.18 million).

## 2. Accounting Policies

The significant accounting policies adopted in the preparation of these consolidated and the Company’s financial statements are set out below.

### 2.1 Basis for Preparation of Financial Statements

The consolidated and the Company’s financial statements have been prepared in accordance with generally accepted accounting principles under the Accounting Act, B.E. 2543 (2000) being those Thai Accounting Standards under the Accounting Profession Act, B.E. 2547 (2004), and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act, B.E. 2535 (1992).

The Company has presented the financial statements in compliance with the notification of the Department of Commercial Registration, dated September 14, B.E. 2544 (2001) under the third paragraph of section 11 of the Accounting Act, B.E. 2543 (2000).

The consolidated and the Company’s financial statements have been prepared based on the assumption that users of the financial statements have an understanding of Thai generally accepted accounting principles and practices. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries. The accompanying consolidated and the Company’s financial statements are, therefore, not intended to present the financial position, the results of operations and cash flows in accordance with generally accepted accounting principles adopted in other countries.

The consolidated and the Company’s financial statements have been prepared under the historical cost convention with the exception of certain amounts, which are accounted for under the fair value method as disclosed in the accounting policies.

The significant transactions arising between the Company, subsidiaries and jointly controlled entities are eliminated in the consolidated financial statements.

For the convenience of users, an English translation of the consolidated and the Company’s financial statements has been prepared from the statutory financial statements that were issued in Thai language.

During 2007, the Company changed the structure of its investment in subsidiaries and associates which has affected the preparation of the consolidated and the Company's financial statements. The details are as follows:

The Company included the subsidiaries which are PTT Retail Business Co., Ltd., Combined Heat and Power Producing Co., Ltd., PTT International Co., Ltd. and PTT Green Energy Company Limited in the consolidated financial statements.

The Company sold a portion of its investment in the ordinary shares of PTT Chemical Public Co., Ltd. to external parties. As a result, the Company's shareholding decreased from 55.19% to 49.31%, and PTTCH's status was changed from subsidiary to associate. As a result of the change in PTTCH's status, the status of PTT ICT Solutions Co., Ltd., PTT Utility Co., Ltd. and PTT Phenol Co., Ltd. also changed from a subsidiary to associate as detailed in Note 11.7.

The Company acquired ordinary shares of NPTC Maintenance & Engineering Services Co., Ltd. The Company's shareholding is 40% and the status of NPTC Maintenance & Engineering Services Co., Ltd. is associate.

The result of amalgamation between Aromatics (Thailand) Co., Ltd. and Rayong Refinery Co., Ltd., the Company was a shareholder in new company namely PTT Aromatics and Refining Public Co., Ltd. The Company's shareholding percentage was 48.66% and PTT Aromatics and Refining Public Co., Ltd. was an associate.

## 2.2 Use of Estimates

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities together with the disclosure of contingent assets and liabilities at the dates of the financial statements. Actual results may differ from those estimates.

## 2.3 Investments in Subsidiaries

Subsidiaries are those companies controlled by the parent company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the compensation from the Group plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and liabilities of the subsidiaries acquired is recorded as goodwill. The accounting policy in respect of goodwill is discussed in Note 2.15. Inter-company transactions, balances and unrealized gains or losses on transactions among companies in the Group are fully eliminated except for unrealized losses which are considered by the Group to show impairment indications. Minority interests are presented separately in the consolidated balance sheets and statements of income.

Investments in subsidiaries have been presented in the Company's financial statements under the cost method.

A list of subsidiaries of the Group is set out in Note 11.1.

## 2.4 Investments in Associates

Associates are those companies in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates unless the transactions provide evidence of impairment of the transferred assets.

Investments in associates include goodwill (net of accumulated amortization) on acquisitions. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred collateral or constructive obligations or made payments on behalf of the associate.

Investments in associates have been presented in the Company's financial statements under the cost method.

A list of associates of the Group is set out in Note 11.1.

## 2.5 Investments in Jointly Controlled Entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. Investments in jointly controlled entities are accounted for by proportionate consolidation in the consolidated financial statements. Under this method, the Group includes its share of the jointly controlled entities' revenues, expenses, assets, liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements, from the date that joint control commences until the date that joint control ceases.

The Group recognizes the portion of gains or losses on sales of assets by the Group to the jointly controlled entities that is attributable to other ventures. The Group does not recognize its share of gains or losses from the jointly controlled entities that result from the purchase of assets by the Group from the jointly controlled entities until it sells the assets to an independent party. However, if a loss on the transaction evidences a reduction in the net realizable value of current assets or an impairment loss, the loss is recognized immediately.

Interests in jointly controlled entities are presented in the Company's financial statements under the cost method.

Investments in jointly controlled assets are accounted for by proportionate consolidation in the consolidated financial statements. Under this method, the Group includes its share of the joint ventures' individual expenses, assets and liabilities in the relevant components of the financial statements based on the Joint Operating Agreements.

A list of jointly controlled entities of the Group is set out in Note 11.1.

## 2.6 Other Investments

Investments other than investments in subsidiaries, associates and jointly controlled entities are classified as trading, available-for-sale securities, investments in debt securities and general investments.

Marketable equity securities and mutual funds are classified as available-for-sale securities and carried at fair value in the balance sheet. Increase/decrease in the carrying amounts are credited/charged against unrealized gains/losses on investments in available-for-sale securities in shareholders' equity.

Investments in non-marketable equity securities which are classified as general investments are carried at cost in the balance sheet and adjusted for investment impairment to recognize the unrealized losses on investments if the value of the investments decreases substantially. A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment losses are recognized in the statements of income immediately.

Upon the disposal of investments, the differences between the net disposal proceeds and the carrying amounts are charged or credited immediately to the statement of income.

When disposing of a part of the Group's particular investment in debt or equity securities, the carrying amount of the disposed of part is determined by reference to the weighted average carrying amount of the total holding of the investment.



## 2.7 Related Parties

Related parties of the Company are those enterprises or individuals that control or are controlled, directly or indirectly by the Company, or are under common control with the Company including holding companies, subsidiaries and follow subsidiaries. They include associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, key management personnel, directors or employees of the Company.

In considering each possible related party relationship, attention is directed more to the substance of the relationship than to the legal form.

## 2.8 Foreign Currency Translations

Foreign currency transactions are translated into Baht by the Group at the exchange rates prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Baht at the exchange rate prevailing at that date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income immediately.

Monetary assets and liabilities of integrated foreign operation are translated into Baht using the closing rate at the balance sheet date. Non-monetary assets and liabilities are translated into Baht using the historical rates. Revenues and expenses are translated into Baht using the average rate during the period. Differences arising from currency translations are recognized as revenues or expenses in the statement of income.

The Group translates assets and liabilities of overseas jointly controlled entities and self-sustaining foreign entities into Baht using the closing rate at the balance sheet date, whereas the income statement is translated using the average rate during the period. Differences arising from currency translations have been shown under “currency translation differences” in shareholders’ equity.

Upon the disposal of self-sustaining foreign entities, accumulated currency translation differences under shareholders’ equity are recognized by the Group as gains or losses on disposal.

## 2.9 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. They comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments which have original maturities within three months. Bank overdrafts and short-term loans from financial institutions are included in current liabilities in the balance sheets.

## 2.10 Trade Accounts and Notes Receivable

Trade accounts receivable are carried at net realizable value. An estimate is made for doubtful accounts receivable based on percentages according to the aging of outstanding receivables at the balance sheet date and expected non-collectible amounts estimated from the amount of outstanding receivables at the balance sheet date, the receivables’ repayment history and their current financial status. The bad debt occurred will be realized as selling and administrative expenses in the income statement which is included.

## 2.11 Advance Payments for Gas Purchased under Take-or-Pay-Agreement

The Company has entered into gas purchase agreement with natural gas producers, under which the Company is required to take delivery of natural gas at annual minimum quantities. During each contract year, if the Company cannot accept natural gas according to the minimum quantities under the agreements, it is required to pay for the natural gas which it can not actually take in the next contract year (Take-or-Pay). After the end of each contract year, the Company and the natural gas producers have to agree on and accept in the volume of gas that should be taken into the calculation for Take-or-Pay of that contract year, subject to the basis and conditions in the agreements. Under the agreements, the Company can take certain volumes of prepaid gas (Make-up) in subsequent years after complete taking delivery of natural gas at the minimum quantities for that given contract year. The Company recognizes its obligations under the agreements as advance payments for gas purchased.

## 2.12 Inventories

Inventories are stated at the lower of the cost of acquisition or net realizable value. Cost is determined using the weighted average cost method. The cost of imported petroleum products comprises various import expenses and levies, surveyors' fees and contributions to or compensation from the Oil Stabilization Fund as the case may be. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and related selling expenses. Allowance is recognized for obsolete, slow-moving and defective inventories.

## 2.13 Materials and Supplies

Materials and supplies are stated at the cost. Cost is determined by using the weighted average cost method. Allowance is made in full for obsolete or defective and unserviceable items.

## 2.14 Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost less accumulated depreciation and allowance for impairment.

Repair and maintenance are recognized in the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits exceed of the originally assessed standard of performance of the existing asset will flow to the group. Major renovations are depreciated over the remaining useful life of the related asset.

### General Properties

Depreciation is accounted for as expense in the income statement and is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and building improvement	10 - 30 years
Machinery and equipment	10 - 40 years
Other assets	5 - 10 years

Where the carrying amount of an asset is higher than the net realizable value, which is the higher of the anticipated discounted cash flows from the continuing use of the asset or the amount obtainable from the sale of the asset less any costs of disposal, it is written down immediately to its net realizable value. The decrease amount is recorded in the statement of income.

Gains or losses on disposal of property, plant and equipment are determined by comparing the proceeds from sales with the carrying amount on the disposal date, and are included in operating profit or loss.

The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted-average interest rate applicable to the outstanding borrowings during the year. Where funds are borrowed specifically for the construction or the production of property, plant and equipment, the amount of borrowing costs for capitalization is determined from the actual borrowing costs during the period less any income on the temporary investment of those borrowings.

### Oil and Gas Exploration and Production Properties

The petroleum exploration and production business accounts for its oil and gas exploration and production properties in accordance with the successful efforts method for which the accounting policies are as follows:

#### Cost of Properties

Costs of properties comprises the total acquisition costs of concession right in petroleum products or the portion of costs applicable to properties as well as decommissioning costs.

If exploratory wells establish proved reserves, and are included in the plan for development in the near future, exploratory drilling costs (both tangible and intangible) are initially capitalized otherwise, the related costs are charged as expenses.

Exploratory costs comprising geological and geophysical costs as well as area reservation fees during the exploration stage, are charged as expenses in the statement of income as incurred.

Development costs, irrespective of whether they relate to development wells or unsuccessful development wells are capitalized.

#### Depreciation

The capitalized acquisition costs of concession right are depleted and amortized using the unit of production method, which is based on estimated proved recoverable reserves. Depreciation, depletion and amortization of exploratory wells, development, equipment and the operating costs of support equipment as well as decommissioning costs, with exception of costs unsuccessful projects are calculated using the unit of production method, which is based on estimated proved recoverable reserves and proved development reserves. Changes in reserve estimates are recognized prospectively.

Proved recoverable reserves and proved development reserves are calculated by the Group's own engineers and based on information from the jointly controlled entities.

Depreciation of the transportation pipelines of the Yadana and Yetagun projects is calculated using the straight-line over an estimated useful life of 30 years.

Where the carrying amount of an asset is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount, and the written down amount is charged to the statement of income.

#### **Carried Cost under Petroleum Sharing Contract**

The petroleum exploration and production business has accounted for the carried cost under petroleum sharing contracts using the following accounting policies.

Under Petroleum Sharing Contracts in which the government has participation interest, some contracts require the contractor parties excluding the government to fund the costs of all exploration operations until determination of the first development area (carried cost). The carried costs are funded by the contractor parties at the proportion as agreed among parties. When the project commences production, the carried costs will be fully recouped without interest by the contractor parties under the agreed procedures from the production of petroleum. The Group has recorded the transactions in respect of carried costs through various accounts, following the petroleum operations under the Successful Efforts Method. Most of them recorded as oil and gas properties in the balance sheet and exploration expense in the statement of income as detailed in Note 13.

## **2.15 Intangible Assets**

Intangible assets are initially recognized at cost less accumulated amortization and impairment.

Intangible assets include expenditure on leasehold rights of land and/or buildings, land rights, computer software license, other operating rights, patents and goodwill.

Amortization is calculated using the straight-line method over the contract period ranging from 5 - 30 years.

Goodwill represents the excess of the costs of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired subsidiaries, jointly controlled entities or associates at the dates of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is reported in the balance sheet as an intangible asset and is amortized using the straight-line method over a maximum economic useful life of 20 years.

The Group reviews the carrying amounts of intangible assets in the balance sheets. Where an indication of impairment exists, the carrying amounts of intangible assets are assessed and written-down to their recoverable amounts. The Company will reverse the loss on the impairment of assets realized in previous period, which is not goodwill when the estimations used to set the net realizable value are changed after the Company recognizes the loss on impairment of assets.

## **2.16 Finance Leases – where a Group is the Lessee**

Leases of property, plant and equipment, where the lessee assumes substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are capitalized at the lower of the estimated net present value of the underlying minimum lease payments or fair value. Each minimum lease payment is allocated between liabilities and finance charges in order to achieve a constant interest rate on the remaining balance of the liabilities. The finance leases' liabilities less finance charges are recognized as long-term loans. Interest expenses are charged in the statements of income over the lease period. Depreciation is charged over the shorter of the estimated useful life of the relevant category of assets or the lease period. However, if there is certainty that the ownership of plant and equipment will be transferred to the lessee at the end of the lease period, depreciation is charged over the estimated useful life of those assets.

## **2.17 Operating Leases – where a Group is the Lessee**

Leases of property, plant and equipment where the lessor assumes a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the statements of income using the straight-line method over the period of the lease.

The expenses incurred to terminate the operating lease agreements before their maturity, such as, the compensation paid to the lessor for such termination, is recognized as an expense in the period in which the termination takes place.

## **2.18 Provision for Decommissioning Costs**

The Group records provision for decommissioning costs whenever it is probable that an obligation will arise as a result of a past event and the amount of the obligation can be reliably estimated.

The Group recognizes provision for decommissioning costs, which is provided at the onset of completion of the project, based on an estimate of the eventual costs that relate to the removal of the production facilities. These costs are included as part of the oil and gas properties and are amortized based on proved reserves on the unit of production basis. The estimates of decommissioning costs are determined based on reviews and estimates by the Group's own engineers and management's judgment.

## **2.19 Pension Fund and Provident Fund**

The Company contributes on a monthly basis to the Pension Fund at the rate of 10% of its employees' salaries, and also contributes an additional amount to provide an adequate reserve at the rate of 100% of the obligation due at the end of each accounting period. Contributions are included in other non-current liabilities in the balance sheets. Interest earned from the assets of the Pension Fund is recognized as income, while the contributions to the fund are recognized as expenses in the statements of income.

The Company established a Provident Fund under the name of "The Registered Provident Fund of PTT Public Company Limited and Affiliates". All employees joining the Company on or after October 1, 1993 are required to be members of the Provident Fund. Employees joining prior to October 1, 1993 may elect to be members of either the Pension Fund or the Provident Fund. The Company contributes on a monthly basis to the Provident Fund at the rate of 10% of employees' salaries and recognizes as expenses in the statements of income.

On September 26, 2005, the Company established another Provident Fund under the name of “The Registered Provident Fund of PTT Public Company Limited and Affiliates (PTT Group)” and changed the name of the existing Provident Fund to “The Registered Provident Fund of PTT Public Company Limited and Affiliates (Fund 1)”. The objective was to give employees a choice of investment (Employees’ Choices). The investment policy for Fund 1 is to invest in a combination of both debt securities and equity securities (with investments in equity securities contributing no more than 25% of total investments). PTT Group’s policy is to invest in short-term debt securities especially those issued by the Government, state enterprises and financial institutions. Employees’ Choice has been effective since January 2006.

The Group established Provident Funds are managed by independent fund managers. The Group contributes on a monthly basis to the Provident Funds at required rates and records the contributions as expenses in the statements of income for the periods in which they are made.

## 2.20 Income Taxes

### Current Income Taxes

The Group is taxed on its non-promotional businesses pursuant to the Revenue Code of Thailand, the Petroleum Income Tax Act, B.E. 2514 (1971) and Amendment, B.E. 2532 (1989) and the Corporate Income Taxes regulations of the Southeast Asian countries in which the Group has invested.

Current income taxes are taxes expected to be paid and are calculated on taxable profit for the year applying tax enacted at the balance sheet date adjust with taxes adjustments on previous year transactions.

### Deferred income taxes

Deferred income taxes is provided in full using the liability method, in the balance sheets on temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from the allowance for doubtful accounts, accumulated depreciation on plant and equipment and amortization of decommissioning costs, including the previous tax losses carried forward and the differences between the fair value of derived assets and their tax bases.

The tax rates enacted at the balance sheet dates are used to determine deferred income taxes.

Deferred tax assets are recognized to the extent that it is probable that the Group’s future taxable profit will be available against which the temporary differences can be utilized and will be diluted as much as taxable profit be had a chance to use.

Deferred income tax assets and liabilities are offset when related to the same legal tax authority.

## 2.21 Revenue Recognition

The recognized revenues do not include value added tax and net trade discount.

The Group recognizes sales revenues upon delivery of products or when significant the transfer ownership of the risks and rewards of ownership to the customer. Services revenues are recognized when the services rendered.

Other revenues are recognized on the following bases:

- Interest income - on a time proportion basis using the effective yields of interest bearing assets.
- Royalty income - on an accrual basis in accordance with the substance of the relevant agreement.
- Dividend income - when the right to receive payments established.

Revenues other than those mentioned above are recognized on an accrual basis.



## 2.22 Earnings per Share

Basic earnings per share is calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares held by third parties in issue during the year.

For the diluted earnings per share, the Group adjusts net income for the year attributable to ordinary shares. The weighted average number of ordinary shares held by third parties in issue during the year is adjusted by the Group to assume the conversion of all potential diluted ordinary shares.

## 2.23 Financial Instruments

Financial assets carried in the balance sheets include cash and cash equivalents, current investments, trade accounts and notes receivable, trade accounts receivable - related parties, other accounts receivable, advances, short-term loans to related parties and long-term loans to related parties. Financial liabilities carried in the balance sheet include bank overdrafts and short-term loans from financial institutions, trade accounts payable - others, trade accounts payable - related parties, other accounts payable - related parties and long-term loans. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group utilizes financial instruments to reduce its exposure risk associated with fluctuations foreign currency exchange rates, interest rates and oil market prices. These instruments primarily comprise:

### Forward Foreign Exchange Contracts

Forward foreign exchange contracts protect the Group from movements in exchange rates by establishing the rates at which foreign currency assets will be realized or foreign currency liabilities will be settled. Forward foreign exchange contracts are recognized in the financial statements on inception. The premium or discount on the establishment of each agreement is amortized over the contract period.

### Cross-currency and Interest Rate Swap Contracts

Cross-currency and interest rate swap contracts protect the Group from fluctuations in exchange rates and interest rates. Foreign monetary assets and liabilities at the balance sheet dates protected by cross-currency contracts are translated using the rates determined in the contracts. Gains or losses on early termination of contracts or on repayment of the borrowings before maturity are taken to the statements of income.

### Futures Oil and Gas Contracts

The Company has entered into futures oil and gas contracts to hedge risk arising from fluctuations in oil and gas prices related to the oil and gas business in accordance with the oil and gas purchase and sale agreements by determining the future prices and has recognized gains or losses from these contracts in the statements of income at the end of the contracts.

The risk management policy is described in Note 32: Disclosure of Financial Instruments.

## 2.24 Segment Information

The Company has presented its financial information by business segments and not by geographical segment. The reason is that geographical segments other than Thailand reported less than 10% of the consolidated revenues, operating results and total assets.

## 2.25 Amendments to Accounting Standards Effective in 2007 and 2008

During the year 2007, the Federation of Accounting Professions (FAP) announced the amendments to Thai Accounting Standards which were announced in a Ratchakitchanubeksa as follows:

The revised Thai Accounting Standards which have effective date for 2007.

Thai Accounting Standard No. 44 (revised 2007)	Consolidated and Separate Financial Statements
Thai Accounting Standard No. 45 (revised 2007)	Investments in Associates
Thai Accounting Standard No. 46 (revised 2007)	Interests in Joint Ventures

These revised accounting standards are effective for accounting periods beginning on or after January 1, 2007. Consequently, the Company has changed its method of account the investments in subsidiaries, associates and jointly controlled entities in the Company's financial statements from the equity method to the cost method as discussed in Note 3.1.

The Revised Thai Accounting Standards which become effective date for 2008.

Thai Accounting Standard No. 25 (revised 2007)	Cash Flow Statements
Thai Accounting Standard No. 29 (revised 2007)	Leases
Thai Accounting Standard No. 31 (revised 2007)	Inventories
Thai Accounting Standard No. 33 (revised 2007)	Borrowing Costs
Thai Accounting Standard No. 35 (revised 2007)	Presentation of Financial Statements
Thai Accounting Standard No. 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
Thai Accounting Standard No. 41 (revised 2007)	Interim Financial Reporting
Thai Accounting Standard No. 43 (revised 2007)	Business Combinations
Thai Accounting Standard No. 49 (revised 2007)	Construction Contracts
Thai Accounting Standard No. 51 (revised 2007)	Intangible Assets

These revised accounting standards will be effective for accounting periods beginning on or after January 1, 2008.

## 3. Accounting Changes

### 3.1 Changes in Accounting Policy

Since January 1, 2007, the Company has changed the method used of accounting for investments in subsidiaries, associates and jointly controlled entities presented in the Company's financial statements from the equity method to the cost method in accordance with Notification No. 9/2007, issued by the Federation of Accounting Professions regarding amended Accounting Standard as announced in a Ratchakitchanubeksa.

This change in an accounting policy was applied retrospectively to the Company's financial statements for the years ended December 31, 2006 that presented for comparative purpose. The effects of the change in accounting policy on the Company's balance sheets as at December 31, 2006 and the statements of income for the years ended December 31, 2006 are as follows:

Unit : Million Baht

The Company

**Balance Sheet as at December 31, 2006**

Decrease in investments in subsidiaries, jointly controlled entities and associates	95,769.09
Decrease in allowance for share of net loss from investments	22.87
Decrease in surplus on dilution of investments	2,950.40
Increase in unrealized gain on available-for-sale securities	12.86
Increase in currency translation differences	994.25
Decrease in retained earnings	93,802.93

**Statement of Income for the years ended December 31, 2006**

Decrease in share of net income from investments under the equity method	52,537.61
Increase in gain from disposal of investments	3,879.14
Increase in other income	17,951.88
Decrease in net income	30,706.59
Decrease in basic earnings per share (Baht / share)	10.97
Decrease in diluted earnings per share (Baht / share)	10.91

These changes reflect a change in accounting policy. There is no effect on the preparation of the consolidated financial statements.

### 3.2 Changes in Accounting Estimates

The Company has changed the accounting estimates for the useful lives of fixed assets by extending the accounting useful lives of gas transmission pipeline systems and gas separation plants using the prospective method since January 1, 2007 as follows:

- 3.2.1 Extension of the useful life of transmission pipeline systems from 25 to 40 years taking into account corrosion rates and reserved gas volumes as stated in the purchase and sale agreements between the Company and the manufacturers.
- 3.2.2 Extension of the useful lives of gas separation plant unit # 3 from 15 to 25 years and gas separation plant unit # 4 from 15 to 20 years taking into account technical factors as well as plant design.

This extension of the useful lives of transmission pipeline systems and gas separation plants has resulted in a decrease in depreciation expenses for 2007 by approximately Baht 1,256 million.

### 3.3 Correction of Accounting Errors

In 2007, the Company has complied with the judgment of the Supreme Administrative Court (the Court) by separating the assets to the Ministry of Finance. However, the Company still has the right to use these assets as discussed in Note 38.

The Company made corrections to the accounting errors in the previous year's financial statements by cancelling the accounting for assets in compliance with the judgment of the Court and recognizing the right to use assets as intangible assets. The Company accounted for this change by retrospectively adjusting the financial statements for 2006 that are presented for comparative purposes. Thus, the effect of this on the balance sheet as at December 31, 2006 and the statement of income for the year ended of December 31, 2006 in the consolidated and the Company's financial statements was the same in terms of amounts. The details are as follows:

Unit : Million Baht

**Balance Sheet as at December 31, 2006**

Decrease in property, plant and equipment	10,739.68
Increase in intangible assets	12,478.08
Increase in retained earnings	1,738.40

**Statement of Income for the years ended December 31, 2006**

Decrease in cost of sales and services	315.80
Decrease in selling and administrative expenses	5.79
Increase in net income	321.59
Increase in basic earnings per share (Baht / share)	0.11
Increase in diluted earnings per share (Baht / share)	0.12

**4. Cash and Cash Equivalents**

Cash and cash equivalents as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Cash on hand	608.80	279.45	437.28	240.64
Deposits held at call with banks	16,131.67	26,488.86	4,528.47	11,268.47
Fixed deposits	10,438.23	19,587.96	8,000.00	9,300.00
Treasury bills	18,669.12	6,531.87	1,758.39	1,029.73
Promissory notes	783.30	29,247.22	133.30	-
Bank of Thailand bonds	28,327.17	4,670.89	28,327.17	4,670.89
Total	74,958.29	86,806.25	43,184.61	26,509.73

Cash and cash equivalents as at December 31, 2007 mainly bear interest at rates ranging from 0.13% to 5.20% per annum, (December 31, 2006: interest rates ranging from 0.10% to 5.00% per annum).

**5. Current Investments**

Current investments as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Fixed deposits	3,112.67	68.45	3,112.67	68.45
Treasury bills	2,674.25	391.54	2,277.64	-
Bonds	421.54	-	421.54	-
Promissory notes	16.73	939.55	-	889.55
General investments	6.06	13.41	6.06	13.41
Total	6,231.25	1,412.95	5,817.91	971.41

The cash at banks and promissory notes of the Group are the fixed deposits and promissory notes issued by financial institutions in Thailand, current investments as at December 31, 2007 bear interest at rates ranging from 3.13% to 5.00% per annum (2006: interest rates ranging from 3.50% to 5.38% per annum).

As at December 31, 2007, the treasury bills of the Group bear interest at rates ranging from 3.10% to 3.25% per annum (2006: interest rates ranging from 4.78% to 5.22% per annum).

As at December 31, 2007, the Group's bonds represent Bank of Thailand bonds which bear interest at rates ranging at 3.22% per annum.

As at December 31, 2007, the general investments balance of Baht 6.06 million (2006: Baht 13.41 million) comprises investment in ordinary shares of Petro Asia (Sanshui) Co., Ltd. which is in the disposal process. During 2007, the Company transferred investments in Petro Asia (Maoming) Co., Ltd. of Baht 7.35 million to other long-term investment presented net of allowance for impairment of investments as discussed in Note 12.6.

## 6. Trade Accounts and Notes Receivable – Others, Net

Trade accounts and notes receivable - others as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Trade accounts receivable	117,023.10	83,709.20	100,439.60	69,993.48
Notes receivable	2,476.80	2,390.97	2,476.80	2,390.97
Total	119,499.90	86,100.17	102,916.40	72,384.45
<u>Less</u> Allowance for doubtful accounts	2,564.12	2,449.12	1,647.57	1,670.24
Trade accounts and notes receivable - others, net	116,935.78	83,651.05	101,268.83	70,714.21

Outstanding trade accounts and notes receivable - others as at December 31, 2007 and 2006 are aged as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Current	105,867.41	70,936.30	91,734.43	59,324.27
Overdue				
- Up to 3 months	6,508.63	2,683.07	5,460.25	1,583.28
- 3 - 6 months	2,288.90	959.95	1,920.31	912.32
- 6 - 12 months	2,027.52	2,257.02	1,994.30	2,157.81
- Over 12 months	2,807.44	9,263.83	1,807.11	8,406.77
Total	119,499.90	86,100.17	102,916.40	72,384.45
<u>Less</u> Allowance for doubtful accounts	2,564.12	2,449.12	1,647.57	1,670.24
Trade accounts and notes receivable - others, net	116,935.78	83,651.05	101,268.83	70,714.21

Trade accounts and notes receivable - others, net as at December 31, 2007 include receivables from government agencies and state enterprises amounting to Baht 28,969.72 million (2006: Baht 27,733.79 million) in the consolidated financial statements, and Baht 28,865.56 million (2006: Baht 27,614.68 million) in the Company's financial statements.



## 7. Related Party Transactions

The following are significant transactions carried out with related parties:

### 7.1 Trade accounts receivable – related parties as at December 31, 2007 and 2006

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Subsidiaries	-	-	11,156.14	10,415.53
Jointly controlled entities	-	-	99.66	94.43
Associates	76,264.37	32,013.50	76,249.94	30,462.38
Other related parties	2,044.14	474.45	2,044.14	367.09
	78,308.51	32,487.95	89,549.88	41,339.43
<u>Less</u> Allowance for doubtful accounts	261.07	254.70	269.78	262.55
Trade accounts receivable - related parties, net	78,047.44	32,233.25	89,280.10	41,076.88

Outstanding trade accounts receivable - related parties as at December 31, 2007 and 2006 can be aged as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Current	74,695.77	32,139.61	85,939.67	37,551.51
Overdue				
- Up to 3 months	504.30	107.39	501.77	334.70
- 3 - 6 months	414.69	99.46	414.69	96.15
- 6 - 12 months	1.83	140.21	1.83	2,050.77
- Over 12 months	2,691.92	1.28	2,691.92	1,306.30
Total	78,308.51	32,487.95	89,549.88	41,339.43
<u>Less</u> Allowance for doubtful accounts	261.07	254.70	269.78	262.55
Trade accounts receivable - related parties, net	78,047.44	32,233.25	89,280.10	41,076.88

### 7.2 Other accounts receivable, advances and short-term loans – related parties as at December 31, 2007 and 2006

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Other accounts receivable				
Subsidiaries	-	-	401.94	185.35
Jointly controlled entities	-	-	201.85	132.05
Associates	455.81	469.98	449.43	468.38
Others related parties	144.51	0.39	144.04	-
	600.32	470.37	1,197.26	785.78
<u>Less</u> Allowance for doubtful accounts	141.90	142.60	148.14	146.88
	458.42	327.77	1,049.12	638.90

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Advances				
Subsidiaries	-	-	-	500.07
Associates	326.30	308.47	326.30	308.47
Other related parties	176.40	263.39	176.37	259.46
	502.70	571.86	502.67	1,068.00
<u>Less</u> Allowance for doubtful accounts	325.98	308.47	325.98	308.47
	176.72	263.39	176.69	759.53
Short-term loans				
Subsidiaries	-	-	26,379.21	-
Jointly controlled entities	-	-	1,324.10	302.21
Associates	757.64	-	757.64	-
	757.64	-	28,460.95	302.21
Total	1,392.78	591.16	29,686.76	1,700.64

Changes in short-term loans - related parties for the year ended December 31, 2007 are as follows:

Unit : Million Baht	Consolidated	The Company
Balance as at December 31, 2006	-	302.21
- Payment for loans granted	-	27,401.10
- Reclassifications	757.64	757.64
Balance as at December 31, 2007	757.64	28,460.95

Short-term loans - related parties are unsecured and bear interest at rates ranging from 4.88% to 7.00% per annum.

### 7.3 Advances and Long-term loans – related parties as at December 31, 2007 and 2006

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Account receivables - others				
Subsidiaries	-	-	1,076.79	-
Associates	1,193.04	894.62	1,193.04	894.62
	1,193.04	894.62	2,269.83	894.62
Advances				
Subsidiaries	-	-	-	1.08
Associates	0.65	-	0.65	-
	0.65	-	0.65	1.08
Long-term loans				
Subsidiaries	-	-	1,720.00	240.00
Associates	5,050.05	5,807.69	5,050.05	5,807.69
	5,050.05	5,807.69	6,770.05	6,047.69
Total	6,243.74	6,702.31	9,040.53	6,943.39

Changes in long-term loans - related parties for the year ended December 31, 2007 are as follows:

Unit : Million Baht	Consolidated	The Company
Balance as at December 31, 2006	5,807.69	6,047.69
- Payment for loans granted	-	1,654.61
- Receipt from loans granted	-	(174.61)
- Reclassifications	(757.64)	(757.64)
Balance as at December 31, 2007	5,050.05	6,770.05

Long-term loans - related parties bear interest at rates ranging from 4.88% to 7.69% per annum.

#### 7.4 Trade accounts payable – related parties as at December 31, 2007 and 2006

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Subsidiaries	-	-	11,860.55	8,369.36
Jointly controlled entities	-	-	2,940.80	705.89
Associates	44,417.08	28,793.75	42,707.71	28,162.13
Other related parties	1,456.34	374.29	179.42	267.00
Total	45,873.42	29,168.04	57,688.48	37,504.38

#### 7.5 Other accounts payable – related parties as at December 31, 2007 and 2006

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Subsidiaries	-	-	278.54	233.01
Jointly controlled entities	-	-	1.24	1.69
Associates	379.22	449.93	369.63	89.17
Other related parties	1,491.84	63.16	1,489.21	48.76
Total	1,871.06	513.09	2,138.62	372.63

#### 7.6 Other long-term payable – related parties as at December 31, 2007 and 2006

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Subsidiaries	-	-	70.71	232.18
Jointly controlled entities	-	-	16.04	16.77
Total	-	-	86.75	248.95

## 7.7 Revenue and expense transactions carried out with related parties

For the years ended December 31, 2007 and 2006

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Revenues				
Sales				
Subsidiaries	-	-	56,450.62	109,261.25
Jointly controlled entities	-	-	1,029.01	641.44
Associates	584,039.73	379,337.65	573,325.86	367,759.86
Other related parties	9,406.49	19,608.64	9,406.49	15,876.28
Interest income				
Subsidiaries	-	-	702.09	235.74
Jointly controlled entities	-	-	64.63	6.75
Associates	298.42	441.30	298.42	440.45
Other related parties	-	1.53	-	0.99
Other income				
Subsidiaries	-	-	12,257.96	13,688.42
Jointly controlled entities	-	-	449.53	30.04
Associates	11,702.32	3,577.01	11,536.45	9,658.04
Other related parties	102.29	167.83	102.29	232.93
Expenses				
Purchases				
Subsidiaries	-	-	88,166.04	146,863.43
Jointly controlled entities	-	-	8,245.73	6,478.29
Associates	457,971.05	390,076.92	449,416.55	380,898.52
Other related parties	5,402.84	5,754.91	3,333.77	5,395.67
Other expenses				
Subsidiaries	-	-	283.22	280.80
Associates	616.37	261.80	134.23	29.90
Other related parties	1,017.16	849.93	903.13	726.27

The above related party transactions as stated above exclude transactions carried out with government agencies and state enterprises.

Stipulation prices between the Company and its related parties are based on the normal prices used in the same type of business in transactions with others except for the selling prices of natural gas between the Company and an associate on which there was a special discount for the period of five years from 2002 to 2007 to support the manufacturing expansion of this associate. However, the purchase volume was insignificant.

The prices of goods purchased from a subsidiary are the normal prices determined by the subsidiary with reference to the global market prices.

## 7.8 Details of Commitments to subsidiaries, jointly controlled entities, associates and other related companies are provided in Note 39.1

## 7.9 Directors' remuneration

Directors' remuneration for the year ended December 31, 2007, amounting to Baht 172.76 million (2006: Baht 160.59 million) in the consolidated financial statements and amounting to Baht 42.31 million (2006: Baht 40.33 million) in the Company's financial statements comprises directors' meeting fees and bonuses.

## 7.10 Crude oil purchase and sale transactions carried out with related parties without the delivery of products, with the objective of maintaining crude oil reserves, were offset in the financial statements. The details are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Sales				
Subsidiaries	-	-	-	239.94
Associates	5,334.44	2,284.06	5,334.44	2,284.06
Other related parties	-	116.81	-	116.81
Purchases				
Subsidiaries	-	-	-	239.94
Associates	5,334.44	2,284.06	5,334.44	2,284.06
Other related parties	-	116.81	-	116.81

## 8. Inventories

Inventories as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Oil products	11,116.35	9,781.61	8,006.11	7,193.65
Gas products	710.69	397.48	710.47	396.03
Petrochemical products	788.56	4,570.33	-	-
Others	906.63	368.11	727.37	367.73
Total	13,522.23	15,117.53	9,443.95	7,957.41

The Company's inventories as stated above exclude the legal reserve, which is presented as other non-current assets as discussed in Note 17.

## 9. Materials and Supplies, Net

Materials and supplies as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Spare parts, equipment and others	6,505.11	7,679.12	2,051.42	1,742.00
<u>Less</u> Allowance for obsolescence	130.66	126.65	58.74	58.78
Materials and supplies, net	6,374.45	7,552.47	1,992.68	1,683.22



## 10. Other Current Assets

Other current assets as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Other accounts receivable	7,982.46	7,695.30	5,128.87	5,775.46
<u>Less</u> Allowance for doubtful accounts	553.09	1,559.98	547.04	1,557.68
Other accounts receivable, net	7,429.37	6,135.32	4,581.83	4,217.78
Prepaid expenses	5,024.84	1,270.16	3,935.72	826.20
Refund receivable from Oil Stabilization Fund	2,671.36	9,719.74	2,671.36	9,719.74
Accrued interest income and others	450.33	1,352.87	341.63	901.76
Deferred input value added tax	1,366.79	1,618.14	1,182.42	1,056.04
Others	1,525.91	1,857.31	176.83	134.01
Total	18,468.60	21,953.54	12,889.79	16,855.53

Other accounts receivable mainly comprise excise tax and value added tax receivables.

The refund receivable from the Oil Stabilization Fund represents compensation for locally manufactured oil and gas, imported oil and subsidies from the Oil Stabilization Fund for exported oil or oil sold to outbound transportation barges. The compensation and refund rates are determined by the Committee of Energy Policy Administration.

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates

### 11.1 Details of subsidiaries, jointly controlled entities and associates of the Company are as follows:

Company	Country of	Business	Shareholding	
	Incorporation		Percentage	
			2007	2006
<b><u>Subsidiaries:</u></b>				
PTT Exploration and Production Public Co., Ltd. (PTTEP)	Thailand	Petroleum exploration and production	65.73	66.13
PTT (Cambodia) Co., Ltd. (PTTCL)	Cambodia	Oil marketing	100.00	100.00
Subic Bay Energy Co., Ltd. (SBECL)	Cayman Islands	Oil marketing	100.00	100.00
Retail Business Alliance Co., Ltd. (RBA)	Thailand	Management service and oil marketing	49.00	49.00
PTT International Trading Pte. Ltd. (PTTT)	Singapore	International oil trading	100.00	100.00
PTT Natural Gas Distribution Co., Ltd. (PTTNGD)	Thailand	Natural gas	58.00	58.00
PTT LNG Co., Ltd. (PTTLNG)	Thailand	Natural gas	100.00	100.00
PTT Phenol Co., Ltd. (PPCL)	Thailand	Petrochemicals	-	40.00
PTT Chemical Public Co., Ltd. (PTTCH)	Thailand	Petrochemicals	-	55.19
PTT Polymer Marketing Co., Ltd (PTTPM)	Thailand	Polymer marketing	75.00	75.00
PTT Utility Co., Ltd. (PTTUT)	Thailand	Generation and supply of electricity steam and water for industry	-	40.00
Energy Complex Co., Ltd. (EnCo)	Thailand	Commercial	50.00	50.00
PTT ICT Solutions Co., Ltd. (PTTICT)	Thailand	Communication and technology service	-	20.00

Company	Country of Incorporation	Business	Shareholding Percentage	
			2007	2006
PTT Polymer Logistics Co., Ltd. (PTTPL)	Thailand	Logistics service	100.00	100.00
PTT Retail Business Co., Ltd. (PTTRB)	Thailand	Management service and oil marketing	100.00	-
Combined Heat and Power Producing Co., Ltd. (CHPP)	Thailand	Generation and supply of electricity steam and water for industry	100.00	-
PTT International Co., Ltd. (PTT INTER)	Thailand	Petroleum	100.00	-
PTT Green Energy Pte. Ltd. (PTTGE)	Singapore	Petroleum	100.00	-
<b>Jointly controlled entities:</b>				
Trans Thai - Malaysia (Thailand) Co., Ltd. (TTM (T))	Thailand	Natural gas	50.00	50.00
Trans Thai - Malaysia (Malaysia) Sdn. Bhd. (TTM (M))	Malaysia	Natural gas	50.00	50.00
District Cooling System and Power Plant Co., Ltd. (DCAP)	Thailand	Generation and supply of electricity and chilled water	35.00	35.00
PTT Asahi Chemicals Co., Ltd. (PTTAC)	Thailand	Petrochemicals	47.50	47.50
HMC Polymers Co., Ltd. (HMC)	Thailand	Petrochemicals	41.44	41.44
<b>Associates:</b>				
Thai Oil Public Co., Ltd. (TOP)	Thailand	Refining	49.10	49.54
Star Petroleum Refining Co., Ltd. (SPRC)	Thailand	Refining	36.00	36.00
Rayong Refinery Public Co., Ltd. (RRC)	Thailand	Refining	-	48.75
Bangchak Petroleum Public Co., Ltd. (BCP)	Thailand	Refining	29.75	29.75
Thai Lube Blending Co., Ltd. (TLBC)	Thailand	Blending and bottling of lube oil	48.95	48.95
Thai Petroleum Pipeline Co., Ltd. (THAPPLINE)	Thailand	Oil transmission pipeline	33.19	34.04
Petro Asia (Thailand) Co., Ltd. (PA (Thailand))	Thailand	Oil marketing	35.00	35.00
Vietnam LPG Co., Ltd. (VLPG)	Vietnam	Bottling and selling LPG	45.00	45.00
KELOIL-PTT LPG Sdn. Bhd. (KPL)	Malaysia	Bottling and selling LPG	40.00	40.00
Aromatics (Thailand) Public Co., Ltd. (ATC)	Thailand	Petrochemicals	-	49.82
IRPC Public Co., Ltd. (IRPC)	Thailand	Petrochemicals and refining	31.50	31.50
Independent Power (Thailand) Co., Ltd. (IPT)	Thailand	Electricity generation	20.00	20.00
Thai Oil Power Co., Ltd. (TP)	Thailand	Generation and supply of electricity	26.00	26.00
PTT Phenol Co., Ltd. (PPCL)	Thailand	Petrochemicals	40.00	-
PTT Chemical Public Co., Ltd. (PTTCH)	Thailand	Petrochemicals	49.31	-
PTT Utility Co., Ltd. (PTTUT)	Thailand	Generation and supply of electricity steam and water for industry	40.00	-
PTT ICT Solutions Co., Ltd. (PTTICT)	Thailand	Communication and technology service	20.00	-
PTT Aromatics and Refining Public Co., Ltd. (PTTAR)	Thailand	Petrochemicals and refining	48.66	-
NPTC Maintenance & Engineering Services Co., Ltd. (NPTC)	Thailand	Factory maintenance and engineering service	40.00	-

## 11.2 Details of the subsidiaries, jointly controlled entities and associates of subsidiaries are as follows:

Company	Country of	Business	Shareholding	
	Incorporation		Percentage	
			2007	2006
Subsidiaries of PTTEP:				
PTTEP International Co., Ltd. (PTTEPI)	Thailand	Petroleum	100.00	100.00
PTTEP Offshore Investment Co., Ltd. (PTTEPO)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Siam Co., Ltd. (PTTEPS)	Thailand	Petroleum	100.00	100.00
PTTEP Services Co., Ltd. (PTTEP Services)	Thailand	Service operation	100.00	100.00
PTTEP Kim Long Vietnam Co., Ltd. (PTTEP KV)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Southwest Vietnam Co., Ltd. (PTTEP SV)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Hoan-Vu Co., Ltd. (PTTEP HV)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Hoang-Long Co., Ltd. (PTTEP HL)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Oman Co., Ltd. (PTTEP OM)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Algeria Co., Ltd. (PTTEP AG)	Cayman Islands	Petroleum	100.00	100.00
PTTEP (Thailand) Co., Ltd. (PTTEP T)	Thailand	Petroleum	100.00	100.00
PTTEP Iran Co., Ltd. (PTTEP IR)	Iran	Petroleum	100.00	100.00
Diamond Petroleum Co., Ltd. (DPC)	Thailand	Petroleum	100.00	100.00
PTTEP Merangin Co., Ltd. (PTTEPM)	Indonesia	Petroleum	100.00	100.00
PTTEP Bahrain Co., Ltd. (PTTEP BH)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Holding Co., Ltd. (PTTEPH)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Indonesia Co., Ltd. (PTTEP ID)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Bengara I Co., Ltd. (PTTEPB)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Thai Projects Co., Ltd. (PTTEP TP)	Thailand	Petroleum	100.00	-
PTTEP Andaman Co., Ltd. (PTTEPA)	Thailand	Petroleum	100.00	-
PTTEP Egypt Co., Ltd. (PTTEP EG)	Cayman Islands	Petroleum	100.00	-
PTTEP Rommana Co., Ltd. (PTTEPR)	Cayman Islands	Petroleum	100.00	-
PTTEP Sidi Abd El Rahman Co., Ltd. (PTTEP SAER)	Cayman Islands	Petroleum	100.00	-
PTTEP Australia Pty Limited (PTTEP AU)	Australia	Petroleum	100.00	-
PTTEP Australia Offshore Pty Limited (PTTEP AO)	Australia	Petroleum	100.00	-
PTTEP Bangladesh Limited (PTTEP BD)	Cayman Islands	Petroleum	100.00	-
Subsidiaries of SBECL:				
PTT Philippines Trading Corporation (PTTTC)				
(Formerly Subic Bay Fuels Co., Inc. (SBFCI))	Philippines	Oil marketing	100.00	100.00
PTT Philippines Corporation (PTTPC)				
(Formerly Subic Bay Distribution, Inc. (SBDI))	Philippines	Oil marketing	100.00	100.00

Company	Country of Incorporation	Business	Shareholding Percentage	
			2007	2006
<b><u>Subsidiary of PTCL:</u></b>				
Houakhong Trading Co., Ltd. (Houakhong)	Laos	Oil marketing	100.00	100.00
<b><u>Subsidiaries of PTCH:*</u></b>				
TOC Glycol Co., Ltd. (TOCGC)	Thailand	Petrochemicals	-	100.00
Thai Ethanolamines Co., Ltd. (TEA)	Thailand	Petrochemicals	-	100.00
Thai Choline Chloride Co., Ltd. (TCC)	Thailand	Petrochemicals	-	100.00
Thai Oleochemicals Co., Ltd. (TOL)	Thailand	Petrochemicals	-	100.00
NPC Safety and Environmental Services Co., Ltd. (NPC S&E)	Thailand	Safety and environmental service	-	100.00
NPTC Maintenance & Engineering Services Co., Ltd. (NPTC)	Thailand	Factory maintenance and engineering service	-	60.00
Thai Tank Terminal Co., Ltd. (TTT)	Thailand	Storage and transportation services for liquid chemicals, oil and gas	-	51.00
Bangkok Polyethylene Public Co., Ltd. (BPE)	Thailand	Petrochemicals	-	100.00
PTT Polyethylene Co., Ltd. (PTTPE)	Thailand	Petrochemicals	-	100.00
<b><u>Subsidiaries of PTTRB: *</u></b>				
PTT Retail Management Co., Ltd. (PTTRM)	Thailand	Management of petro stations and convenience stores	100.00	-
PTT Retail Service Co., Ltd. (PTTRS)	Thailand	Employee management service	100.00	-
PTT Saraburi Terminal Co., Ltd. (PTTST)	Thailand	Land Investment	100.00	-
PTT Network Development Co., Ltd. (PTTND)	Thailand	Land Investment	100.00	-
<b><u>Jointly Controlled Entities of PTTEP:</u></b>				
Carigali - PTTEPI Operating Company Sdn. Bhd. (CPOC)	Malaysia	Petroleum	50.00	50.00
Moattama Gas Transportation Company (MGTC)	Myanmar	Natural gas transmission pipelines-overseas	25.50	25.50
Taninthayi Pipeline LLC. (TPC)	Myanmar	Natural gas transmission pipelines-overseas	19.3178	19.3178
Orange Energy Co., Ltd. (Orange)	Thailand	Petroleum	53.9496	53.9496
B 8/32 Partners Co., Ltd. (B 8/32 Partners)	Thailand	Petroleum	25.0009	25.0009
<b><u>Jointly Controlled Entity of PTCH:*</u></b>				
Thai Ethoxylate Co., Ltd. (TEX)	Thailand	Petrochemical	-	50.00

\* PTCH changed status from subsidiary to associate as Note 11.7. As a result, as at December 31, 2007, subsidiaries, jointly controlled entities and associates of PTCH were not disclosed.

**Jointly Controlled Entities of PTT Exploration and Production Public Co., Ltd. (PTTEP)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Unocal III	Thailand	Chevron Thailand Exploration and Production Co., Ltd.	5.00	5.00
E 5	Thailand	Exxon Mobil Exploration and Production Korat Inc.	20.00	20.00
Phu Hom (Block E 5 North)	Thailand	Hess (Thailand) Co., Ltd.	20.00	20.00
S 1	Thailand	PTTEP Siam Co., Ltd.	25.00	25.00
Bongkot	Thailand	PTT Exploration and Production Public Co., Ltd.	44.4445	44.4445
Pailin	Thailand	Chevron Thailand Exploration and Production Co., Ltd.	45.00	45.00
Arthit	Thailand	PTT Exploration and Production Public Co., Ltd.	80.00	80.00
Rommana	Egypt	Sipetrol International S.A.	30.00	-
Sidi Abd El Rahman				
Offshore	Egypt	Edison International SPA	30.00	-
Bahrain 2	Bahrain	PTT Exploration and Production Public Co., Ltd.	100.00	-

**Jointly Controlled Entities of PTTEP International Co., Ltd. (PTTEPI)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Yetagun	Myanmar	Petronas Carigali Myanmar (Hong Kong) Ltd.	19.3178	19.3178
Yadana	Myanmar	Total E&P Myanmar	25.50	25.50
Bongkot (Block B 13/38)	Thailand	PTTEP International Co., Ltd.	44.4445	44.4445
Joint Development	Thailand -	Carigali - PTTEPI Operating Company Sdn. Bhd.	50.00	50.00
Area Thailand	Malaysia			
- Malaysia - B 17				
G 4/43	Thailand	Chevron Offshore (Thailand) Co., Ltd.	21.375	15.00
Cambodia B	Cambodia	PTTEP International Co., Ltd.	33.333334	30.00
PTTEP 1	Thailand	PTTEP International Co., Ltd.	100.00	100.00
G 9/43	Thailand -	PTTEP International Co., Ltd.	100.00	100.00
	Cambodia			
L 22/43	Thailand	PTTEP International Co., Ltd.	100.00	100.00
Myanmar M 7 & M 9	Myanmar	PTTEP International Co., Ltd.	100.00	100.00
Myanmar M 3 & M 4	Myanmar	PTTEP International Co., Ltd.	100.00	100.00
Myanmar M 11	Myanmar	PTTEP International Co., Ltd.	100.00	100.00

**Jointly Controlled Entities of PTTEP Offshore Investment Co., Ltd. (PTTEPO)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
B 8/32 & 9A <sup>1</sup>	Thailand	Chevron Offshore (Thailand) Co., Ltd.	25.0010	25.0010
New Zealand	New Zealand	OMV New Zealand Limited	36.00	-
Great South				



**Jointly Controlled Entities of PTTEP Kim Long Vietnam Co., Ltd. (PTTEP KV)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Vietnam B & 48/95	Vietnam	Chevron Vietnam (Block B) Co., Ltd.	8.50	8.50

**Jointly Controlled Entities of PTTEP Southwest Vietnam Co., Ltd. (PTTEP SV)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Vietnam 52/97	Vietnam	Chevron Vietnam (Block 52) Co., Ltd.	7.00	7.00

**Jointly Controlled Entities of PTTEP Hoan-Vu Co., Ltd. (PTTEP HV)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Vietnam 9-2	Vietnam	Hoan-Vu Joint Operating Co., Ltd.	25.00	25.00

**Jointly Controlled Entities of PTTEP Hoang-Long Co., Ltd. (PTTEP HL)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Vietnam 16-1	Vietnam	Hoang-Long Joint Operating Co., Ltd.	28.50	28.50

**Jointly Controlled Entities of PTTEP Algeria Co., Ltd. (PTTEP AG)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Algeria 433a & 416b	Algeria	Petro Vietnam Exploration Production Corporation	35.00	35.00

**Jointly Controlled Entities of PTTEP Oman Co., Ltd. (PTTEP OM)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Oman 44	Oman	PTTEP Oman Co., Ltd.	100.00	100.00
Oman 58	Oman	PTTEP Oman Co., Ltd.	100.00	100.00

**Jointly Controlled Entities of PTTEP Siam Co., Ltd. (PTTEPS)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Phu Hom (Block EU-1)	Thailand	Hess (Thailand) Co., Ltd.	20.00	20.00
S 1	Thailand	PTTEP Siam Co., Ltd.	75.00	75.00
Nang Nuan <sup>2</sup>	Thailand	PTTEP Siam Co., Ltd.	100.00	100.00
L 21, 28 & 29/48	Thailand	PTTEP Siam Co., Ltd.	100.00	100.00
A 4, 5 & 6/48	Thailand	PTTEP Siam Co., Ltd.	100.00	-

**Jointly Controlled Entities of PTTEP (Thailand) Co., Ltd. (PTTEPT)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Bongkot (Block G 12/48)	Thailand	PTTEP (Thailand) Co., Ltd.	44.4445	44.4445
Arthit (Block G 9/48)	Thailand	PTTEP (Thailand) Co., Ltd.	84.00	84.00
L 53/43 & L 54/43	Thailand	PTTEP (Thailand) Co., Ltd.	100.00	100.00

**Jointly Controlled Entities of PTTEP Merangin Co., Ltd. (PTTEPM)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Indonesia Merangin-1	Indonesia	PT Medco E&P Merangin	40.00	39.00

**Jointly Controlled Entities of PTTEP Bengara I Co., Ltd. (PTTEPB)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Indonesia Bengara-1	Indonesia	PT Medco E&P Bengara	40.00	40.00

**Jointly Controlled Entities of PTTEP Iran Co., Ltd. (PTTEP IR)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Iran Saveh	Indonesia	PTTEP Iran Co., Ltd.	100.00	100.00

**Jointly Controlled Entities of PTTEP Australia Offshore Pty. (PTTEP AO)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Australia AC/P 36 <sup>3</sup>	Australia	Murphy Australia Oil Pty Ltd.	20.00	-

**Jointly Controlled Entities of PTTEP Thai Projects Co., Ltd. (PTTEP TP)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Unocal III G 6/50	Thailand	Chevron Thailand Exploration and Production Co., Ltd.	5.00	-
Pailin G 7/50	Thailand	Chevron Thailand Exploration and Production Co., Ltd.	45.00	-
Arthit G 8/50	Thailand	PTTEP Thai Projects Co., Ltd.	80.00	-

**Jointly Controlled Entities of PTTEP Bangladesh Limited (PTTEP BD)**

Project	Country	Operator	Shareholding Percentage	
			2007	2006
Bangladesh 17 & 18 <sup>4</sup>	Bangladesh	Total E&P Bangladesh	30.00	-

<sup>1</sup> PTTEPO held shares in Orange Energy Co., Ltd. and B 8/32 Partners Co., Ltd., which were concession holders in this project.

<sup>2</sup> On November 2007, PTTEP Siam signed a concession sale contract to transfer its 40% shareholding in Nang Nuan project 40% to Nippon Oil Exploration Limited (NOEX). This transfer will be effective upon the receipt of approval from the government of Thailand.

<sup>3</sup> The joint investment in this project will be effective upon the receipt of approval from the government of Australia.

<sup>4</sup> The joint investment in project will be effective upon the receipt of approval from the government of Bangladesh and partners.

Company	Country of Incorporation	Business	Shareholding Percentage	
			2007	2006

**Associates of PTTEP:**

Energy Complex Co., Ltd. (EnCo)	Thailand	Commercial	50.00	50.00
PTT ICT Solutions Co., Ltd. (PTTICT)	Thailand	Communication and technology service	20.00	20.00

**Associate of SBECL:**

FST Aviation Services Limited (FST)	Hong Kong	Aircraft refueling service	25.00	25.00
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**Associate of PTTNGD:**

Amata Natural Gas Distribution Co., Ltd. (AMATA NGD)	Thailand	Natural gas	50.00	50.00
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**Associates of PTT INTER:**

East Mediterranean Gas Company S.A.E. (EMG)	Egypt	Natural gas transmission pipelines-overseas	25.00	-
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**Associates of PTTCH:\***

PTT Phenol Co., Ltd. (PPCL)	Thailand	Petrochemicals	-	30.00
PTT Polymer Marketing Co., Ltd. (PTTPM)	Thailand	Polymer marketing	-	25.00
PTT Utility Co., Ltd. (PTTUT)	Thailand	Generate and supply of electricity, steam and water for industry	-	40.00
Vinythai Public Co., Ltd. (VNT)	Thailand	Petrochemicals	-	24.98
Eastern Fluid Transport Co., Ltd. (EFT)	Thailand	Petrochemical pipeline system	-	22.65
PTT ICT Solutions Co., Ltd. (PTTICT)	Thailand	Communication and technology service	-	20.00

\* PTTCH changed status from subsidiary to associate as Note 11.7. As a result, as at December, 31, 2007, subsidiaries, jointly controlled entities and associates of PTTCH were not disclosed.

### 11.3 Investments accounted for under the equity method in the consolidated financial statements as at December 31, 2007 and 2006 are as follows:

#### Consolidated

Unit : Million Baht		Shareholding		2007		2006		Dividends	
		percentage		Cost	Equity	Cost	Equity		
Company		2007	2006	method	method	method	method	2007	2006
<b>Associates:</b>									
<b>Refining</b>									
<b>Business Group</b>									
1. TOP	49.10	49.54	11,380.83	33,291.97	11,483.09	28,093.30	3,789.93	5,053.24	
2. SPRC	36.00	36.00	14,770.48	19,093.28	14,770.48	14,733.04	-	-	
3. RRC	-	48.75	-	-	8,515.39	19,095.76	1,397.49	-	
4. BCP	29.75	29.75	4,060.18	4,952.40	4,060.18	4,511.24	56.60	15.67	
5. PTTAR	48.66	-	12,821.69	32,119.50	-	-	-	-	
<b>Oil Business</b>									
<b>Group</b>									
6. THAPPLINE	33.19	34.04	2,682.35	2.00	2,682.35	-	-	-	
7. TLBC	48.95	48.95	140.00	134.79	140.00	120.38	-	-	
8. PA (Thailand)	35.00	35.00	131.25	-	131.25	-	-	-	
9. VLPG	45.00	45.00	87.35	66.39	87.35	96.40	23.01	-	
10. KPL	40.00	40.00	21.49	26.89	21.49	12.56	-	-	
11. FST	25.00	25.00	1.13	1.36	1.13	1.10	-	-	
<b>Petrochemicals</b>									
<b>Business Group</b>									
12. ATC	-	49.82	-	-	4,423.12	5,539.21	1,086.81	966.05	
13. IRPC	31.50	31.50	20,363.81	25,205.08	20,363.81	21,674.38	1,351.35	-	
14. VNT	-	24.98	-	-	3,297.39	3,273.54	35.52	171.70	
15. EFT	-	22.65	-	-	2.26	7.43	-	0.52	
16. PTTCH	49.31	-	32,491.96	51,527.15	-	-	-	-	
17. PPCL	40.00	-	1,280.88	1,135.32	-	-	-	-	
18. NPTC	40.00	-	28.47	28.47	-	-	-	-	
<b>Natural Gas</b>									
<b>Business Group</b>									
19. IPT	20.00	20.00	400.19	1,036.12	400.19	915.58	49.94	-	
20. AMATA NGD	50.00	50.00	80.00	211.71	80.00	197.71	70.00	60.00	
21. TP	26.00	26.00	2,304.76	2,005.39	2,304.76	1,961.34	91.33	91.33	
22. PTTUT	40.00	-	2,743.60	2,615.39	-	-	-	-	
23. EMG	25.00	-	16,498.42	16,433.90	-	-	-	-	
<b>Other Business</b>									
<b>Group</b>									
24. PTTICT	20.00	-	60.00	64.08	-	-	-	-	
Total			122,348.84	189,951.19	72,764.24	100,232.97	7,951.98	6,358.51	

**11.4 Investments accounted for under the cost method in the Company's financial statements as at December 31, 2007 and 2006 are as follows:**

**The Company**

Unit : Million Baht	Shareholding percentage		Cost method		Dividends	
Company	2007	2006	2007	2006	2007	2006
<b><u>Subsidiaries:</u></b>						
1. PTTEP	65.73	66.13	11,131.33	9,615.13	6,805.48	7,188.49
2. PTTT	100.00	100.00	2.50	2.50	-	-
3. PTTCL	100.00	100.00	0.23	0.23	-	-
4. SBECL	100.00	100.00	1,154.81	1,154.81	-	-
5. PTTNGD	58.00	58.00	418.14	418.14	455.88	377.00
6. PTTLNG	100.00	100.00	50.00	50.00	-	-
7. PTTTPM	75.00	75.00	30.00	30.00	-	-
8. EnCo	50.00	50.00	400.00	400.00	-	-
9. RBA	49.00	49.00	0.49	0.49	-	-
10. PPCL	-	40.00	-	1,080.00	-	-
11. PTTUT	-	40.00	-	1,017.00	-	-
12. PTTCH	-	55.19	-	35,753.32	3,906.53	4,260.10
13. PTTICT	-	20.00	-	30.00	-	-
14. PTTPL	100.00	100.00	600.00	300.00	-	-
15. PTTTRB	100.00	-	100.00	-	-	-
16. CHPP	100.00	-	270.00	-	-	-
17. PTT INTER	100.00	-	25.00	-	-	-
18. PTTGE	100.00	-	942.50	-	-	-
<b><u>Jointly Controlled Entities:</u></b>						
<b>Natural Gas</b>						
<b>Business Group</b>						
19. TTM (T)	50.00	50.00	5,320.00	5,110.00	-	-
20. TTM (M)	50.00	50.00	281.32	281.32	-	-
21. DCAP	35.00	35.00	350.00	350.00	-	-
<b>Petrochemicals</b>						
<b>Business Group</b>						
22. PTTAC	47.50	47.50	95.00	66.50	-	-
23. HMC	41.44	41.44	9,117.12	9,117.12	419.72	-
<b><u>Associates:</u></b>						
<b>Refining</b>						
<b>Business Group</b>						
24. TOP	49.10	49.54	11,380.83	11,483.09	3,789.93	5,053.24
25. SPRC	36.00	36.00	14,770.48	14,770.48	-	-
26. RRC	-	48.75	-	8,515.39	1,397.49	-
27. BCP	29.75	29.75	4,060.18	4,060.18	56.60	15.67
28. PTTAR	48.66	-	12,821.69	-	-	-



Unit : Million Baht	Shareholding percentage		Cost method		Dividends	
Company	2007	2006	2007	2006	2007	2006
<b>Oil Business Group</b>						
29. THAPLINE	33.19	34.04	2,682.35	2,682.35	-	-
30. TLBC	48.95	48.95	140.00	140.00	-	-
31. PA (Thailand)	35.00	35.00	131.25	131.25	-	-
32. VLPG	45.00	45.00	87.35	87.35	23.01	-
33. KPL	40.00	40.00	21.49	21.49	-	-
<b>Associates:</b>						
<b>Petrochemicals Business Group</b>						
34. ATC	-	49.82	-	4,423.12	1,086.81	966.05
35. IRPC	31.50	31.50	20,363.81	20,363.81	1,351.35	-
36. PTCH	49.31	-	32,079.42	-	-	-
37. PPCL	40.00	-	1,280.88	-	-	-
38. NPTC	40.00	-	28.47	-	-	-
<b>Natural Gas Business Group</b>						
39. IPT	20.00	20.00	400.19	400.19	49.94	-
40. TP	26.00	26.00	2,304.76	2,304.76	91.33	91.33
41. PTTUT	40.00	-	2,743.60	-	-	-
<b>Others Business Group</b>						
42. PTTICT	20.00	-	30.00	-	-	-
Total			135,615.19	134,160.02	19,434.07	17,951.88

## 11.5 Movements in investments in the consolidated and the Company's financial statements

11.5.1 Movements in investments accounted for under the equity method for the year ended December 31, 2007 are as follows:

Unit : Million Baht	Consolidated
Balance as at December 31, 2006	100,232.97
- Share of net income from investments under equity method	31,080.23
- Dividends received	(7,951.98)
- Reclassification (Note 35)	51,435.58
- Additional investments	17,121.51
- Investment disposal	(543.08)
- Unrealized gain on available-for-sale securities	153.85
- Surplus on dilution of investments	64.94
- Currency translation differences	(26.83)
- Adjustment of inter-company accounts	(1,616.00)
Balance as at December 31, 2007	189,951.19

11.5.2 Movements in investments accounted for under the cost method in the Company's financial statements for the year ended December 31, 2007 are as follows:

Unit : Million Baht	The Company
Balance as at December 31, 2006	134,160.02
- Additional investments	5,473.60
- Investment disposal	(4,018.43)
Balance as at December 31, 2007	135,615.19

**11.6 The share of net assets and results of operations from jointly controlled entities which are included in the consolidated financial statements as at December 31, 2007 and 2006 is as follows:**

**Balance Sheets:**

As at December 31, 2007 and 2006

Unit : Million Baht	2007					2006				
	TTM (T)	TTM (M)	DCAP	PTTAC	HMC	TTM (T)	TTM (M)	DCAP	PTTAC	HMC
Current assets	2,364.78	85.52	200.30	23.99	2,344.75	1,535.65	89.12	200.63	13.03	4,149.17
Non-current assets	13,739.03	751.65	924.90	69.98	5,942.87	13,526.64	770.05	986.47	53.56	3,940.60
Current liabilities	(2,316.14)	(21.91)	(140.26)	(2.80)	(1,224.90)	(1,166.22)	(24.31)	(123.48)	(0.41)	(1,060.29)
Non-current liabilities	(8,302.62)	(549.11)	(696.50)	-	(24.35)	(8,877.34)	(586.59)	(770.00)	-	(708.55)
Net assets	5,485.05	266.15	288.44	91.17	7,038.37	5,018.73	248.27	293.62	66.18	6,320.93

**Statements of Income:**

For the years ended December 31, 2007 and 2006

Unit : Million Baht	2007					2006				
	TTM (T)	TTM (M)	DCAP	PTTAC	HMC	TTM (T)	TTM (M)	DCAP	PTTAC	HMC
Income	1,753.72	104.34	548.67	0.05	8,247.43	2,534.37	110.61	306.46	0.07	4,175.24
Expenses	(1,497.40)	(85.71)	(553.85)	(3.57)	(6,884.73)	(1,404.19)	(84.32)	(346.05)	(0.39)	(3,341.51)
Gain (loss)										
before taxes	256.32	18.63	(5.18)	(3.52)	1,362.70	1,130.18	26.29	(39.59)	(0.32)	833.73
Income taxes	-	(0.20)	-	-	(224.59)	-	(0.59)	-	-	(90.88)
Net income (loss)	256.32	18.43	(5.18)	(3.52)	1,138.11	1,130.18	25.70	(39.59)	(0.32)	742.85

## 11.7 Significant events during the year ended December 31, 2007

### PTTEP

In the first quarter of 2007, the Company acquired 17.32 million additional ordinary shares in PTTEP from third parties amounting to Baht 1,633.98 million. The goodwill arising from the acquisition was Baht 1,189.18 million.

In the fourth quarter of 2007, the Company disposed of 22.93 million ordinary shares in PTTEP to third parties amounting to Baht 3,308.21 million. The gain on the disposal of this investment was Baht 2,508.76 million (Baht 3,190.44 million in the Company's financial statements).

During the year ended December 31, 2007, warrants in PTTEP were exercised under the Employee Stock Ownership Program (ESOP) as detailed in Note 25. The effect from the dilution of investments amounting to Baht 215.76 million was recognized as surplus on dilution of investments in subsidiaries and associates in shareholders' equity. As a result, the Company's shareholding percentage in PTTEP as at December 31, 2007 was 65.73%.

### TTM (T)

During the year 2007, TTM (T) called for payment of additional share capital from shareholders amounting to Baht 420 million. The Company paid an amounting of Baht 210 million based on its shareholding percentage of 50%.

### THAPPLINE

On February 22, 2007, a shareholder of THAPPLINE exercised the right to acquire the remaining additional preferred shares in THAPPLINE amount of 2.11 million shares at Baht 100 per share totaling Baht 211 million in accordance with the resolution of THAPPLINE's extraordinary shareholders' meeting No. 1/2005 on September 9, 2005 and No. 2/2005 on September 26, 2005. As a result, as at December 31, 2007, the Company's shareholding percentage in THAPPLINE decreased from 34.04% to 33.19%.

### PTTRB

On April 19, 2007, the Company's board of directors signed a Share Sale and Purchase Agreement with ConocoPhillips Company (COP) for the acquisition of four of COP's retail petroleum businesses in Thailand, namely Conoco (Thailand) Company Limited, JET/Jiffy Shops Limited, Siam Conoco Terminal Limited and its subsidiary, Siam Conoco Land Limited.

Subsequently, on May 25, 2007, the Company established PTT Retail Business Company Limited (PTTRB) in accordance with the resolution of the Company's board meeting No. 3/2007 on March 23, 2007 with registered share capital comprising 1 million ordinary shares at Baht 100 per share totaling Baht 100 million. As a result, the Company's shareholding percentage in PTTRB was 100% to acquire the total shares in these COP subsidiaries in retail petroleum business.

On June 28, 2007, PTT Retail Business Company Limited (PTTRB) completed the acquisition of COP's retail petroleum business in Thailand under the trademark of JET/Jiffy amounting to USD 281.44 million or approximately Baht 9,760.62 million. The purchased price has included the rights to use the JET and Jiffy trademarks for a period of two years.

### PTTPL

On August 3, 2007, PTTPL called for the second payment of share capital amounting to Baht 300 million. The Company paid this on August 27, 2007.

## CHPP

On August 27, 2007, the Company established Combined Heat and Power Producing Co., Ltd. (CHPP) in accordance with the resolution of the Company's board meeting No. 6/2007 held on June 22, 2007 with registered share capital comprising 50 million ordinary shares at Baht 10 per share totaling Baht 500 million to operate the business of the generation and supply of electricity, steam and water for industry. The Company's shareholding in CHPP was 100% and CHPP called for the first payment of share capital of Baht 2.50 per share amounting to Baht 125 million.

On November 1, 2007, CHPP called for the second payment of share capital of Baht 2.90 per share amounting to Baht 145 million in accordance with the resolution of CHPP's board meeting No. 2/2007 held on September 14, 2007.

## ATC

In the third quarter of 2007, the Company disposed of 7.91 million ordinary shares in ATC to third parties amounting to Baht 560.92 million. A gain on disposal of investment of Baht 428.37 million arose (Baht 488.52 million in the Company's financial statements). In addition, warrants in ATC were exercised under the Employee Stock Ownership Program (ESOP). The effect from dilution of investments amounting to Baht 4.15 million was recognized as surplus on dilution of investments in subsidiaries and associates in shareholders' equity.

## RRC

In the third quarter of 2007, the Company disposed of 8.55 million ordinary shares in RRC to third parties amounting to Baht 201.07 million. A gain on disposal of investment of Baht 91.76 million arose (Baht 148.97 million in the Company's financial statements).

## Merger of RRC & ATC

On July 20, 2007, the Company's board of directors' meeting No. 7/2007 passed a resolution to support an amalgamation between Aromatics (Thailand) Co., Ltd. (ATC) and Rayong Refinery Co., Ltd. (RRC) by offer to purchase shares from dissenting shareholders of the two company. The Company offered to purchase these shares between September 26 and October 9, 2007. However, no shareholders of ATC and RRC offered to sell their shares to the Company.

## PTTAR

On December 26, 2007, ATC and RRC held a combined shareholders meeting for the shareholders of these companies. This shareholders meeting passed a resolution to name the new company as "PTT Aromatics and Refining Public Co., Ltd." with registered capital amounting to Baht 29,938,149,690, comprising ordinary shares 2,993,814,969 share at Baht 10 per share and comprising issued and paid up share capital of Baht 29,636,285,220 (2,963,628,522 share) and unpaid share capital Baht 301,864,470 (30,186,447 share) and passed a resolution to allocate the issue and paid up shares to shareholders of ATC and RRC named in the registration book of each company as at December 21, 2007 based on the following ratio;

1 share of ATC : 1.524428135 share of PTTAR

1 share of RRC : 0.516755300 share of PTTAR

On December 27, 2007, ATC and RRC submitted an application for the registration of the amalgamation between ATC and RRC and a registrar of the Ministry of Commerce registered the amalgamation. The company arising from the amalgamation PTTAR, will therefore assign all of the assets, liabilities, rights and obligations of ATC and RRC with legal effect from December 27, 2007.

After the amalgamation and the allocation of new shares to shareholders, the Company's shareholding percentage in PTTAR is 48.66%. As a result, PTTAR assumed the status of associate of the Company from December 27, 2007.

**PTTUT**

During the year ended December 31, 2007, PTTUT called for payment of additional share capital from shareholders amounting to Baht 4,316.50 million. The Company paid an amount of Baht 1,726.60 million based on its shareholding of 40%.

**PTTCH**

During the year ended December 31, 2007, the Company disposed of 84.51 million ordinary shares in PTTCH to third parties amounting to Baht 11,013.06 million. A gain on disposal of investment of Baht 4,921.69 million arose (Baht 7,339.16 million in the Company's financial statement). In addition, warrants in PTTCH were exercised under the Employee Stock Ownership Program (ESOP) as detailed in Note 25. The effect of the dilution of the investment amounting to Baht 621.21 million was recognized as surplus on dilution of investments in subsidiaries and associates in shareholders' equity. As a result, the Company's shareholding percentage in PTTCH as at December 31, 2007 decreased from 55.19% to 49.31% and PTTCH's status changed from subsidiary to associate of the Company.

**Change in status of PTTICT, PTTUT and PPCL from a subsidiary to an associate**

As of November 9, 2007, the Company had share 745,014,972 shares in PTTCH or 49.80%. As a result, PTTCH's status changed from subsidiary of the Company and to associate from November 9, 2007. Consequently, the status of PTTICT, PTTUT and PPCL also changed from subsidiary to associate of the Company because the Company no longer has the power to control these through PTTCH. However, the Company's shareholding percentage in PTTICT, PTTUT and PPCL did not change.

**PTT INTER**

On October 1, 2007, the Company established PTT International Co., Ltd. (PTT INTER) in accordance with the Company's board of directors' meeting No. 7/2007 held on July 20, 2007 with registered capital comprising 10 million ordinary shares at Baht 10 per share amounting to Baht 100 million to be the Company's arm for investment in natural gas, energy and related business through joint investment with domestic and foreign partners. Thus, the Company's shareholding percentage in PTT INTER was 100% and PTT INTER called for the first share payment Baht 2.50 per share amounting of Baht 25 million.

**PTTGE**

On November 9, 2007, the Company established PTT Green Energy Company Limited (PTTGE) in Singapore in accordance with the Company's board of directors' meeting No. 6/2007 held on June 22, 2007 to be the Company's arm for the investment in the development of business relating to palm and its related product in Asian region with ordinary shares registered capital 40 million shares at SGD 1 per share amounting to SGD 40 million or approximately Baht 942.50 million, thus, the Company's shareholding percentage was 100%.

**NPTC**

On December 28, 2007, the Company purchased shares in NPTC Maintenance & Engineering Services Co., Ltd. (NPTC) from Toyo Thai Corporation in accordance with the Company's board of directors' meeting No. 8/2007 held on August 31, 2007. The Company purchased 168,490 shares for a lot of Baht 28.47 million. The Company's shareholding percentage was 40%. This purchase was in line with the Company's policies for on the restructuring of the petrochemical business to expand NPTC's scope of work such that it becomes the central company for maintenance and engineering service for PTT group.



## TOP

In the fourth quarter of 2007, the Company disposed 9.00 million ordinary shares in TOP to third parties amounting to Baht 778.51 million. A gain on disposal of investment of Baht 477.27 million arose (Baht 676.25 million in the Company's financial statements).

## PPCL

In the fourth quarter of 2007, PPCL's board of directors meeting No. 5/2007 held on December, 12, 2007, passed a resolution to call for additional share capital amounting to Baht 502.20 million from shareholders. The Company paid an amount of Baht 200.88 million on its shareholding of 40%.

## PTTAC

In the fourth quarter of 2007, PTTAC's board of directors meeting No. 5/2007 held on December, 13, 2007, passed a resolution to call for registered share capital for a third times from shareholders at Baht 30 per share amounting to Baht 60.00 million. The Company paid an amount of Baht 28.50 million based on its shareholding of 47.5%.

## 11.8 Additional Information in Respect of Associates

11.8.1 The share of net assets and results of operations from associates presented by business group as at December 31, 2007 and 2006 is as follows:

### Balance Sheets:

As at December 31, 2007 and 2006

Unit : Million Baht	2007					2006				
	Refinery	Oil	Petro-chemicals	Gas	Others	Refinery	Oil	Petro-chemicals	Gas	Others
Current assets	78,525.64	1,116.02	43,770.61	2,327.82	129.89	52,487.83	840.04	29,349.55	1,979.15	-
Non-current assets	90,076.13	2,589.72	66,870.35	8,443.70	6.58	66,137.34	2,829.60	32,626.64	5,049.43	-
Current liabilities	(41,961.15)	(824.89)	(16,737.96)	(1,195.83)	(101.68)	(21,930.67)	(767.61)	(19,604.46)	(1,310.42)	-
Non-current liabilities	(34,379.03)	(2,718.48)	(18,236.61)	(3,006.62)	(3.36)	(26,262.55)	(3,128.55)	(11,053.96)	(2,006.28)	-
Net assets	92,261.58	162.37	75,666.40	6,569.07	31.43	70,431.95	(226.52)	31,317.78	3,711.89	-

### Statements of Income:

For the years ended December 31, 2007 and 2006

Unit : Million Baht	2007					2006				
	Refinery	Oil	Petro-chemicals	Gas	Others	Refinery	Oil	Petro-chemicals	Gas	Others
Income	308,104.72	2,333.61	121,352.63	5,227.20	54.52	353,623.87	2,071.52	87,015.01	5,097.22	-
Expenses	(281,588.78)	(1,974.65)	(111,188.01)	(4,854.22)	(47.80)	(333,058.54)	(1,870.52)	(82,497.49)	(4,398.47)	-
Gain (loss) before taxes	26,515.94	358.96	10,164.62	372.97	6.72	20,565.33	201.01	4,517.52	698.74	-
Income taxes	(6,814.36)	(9.66)	(9.92)	(36.94)	(4.76)	(3,188.77)	(6.68)	(9.95)	(77.82)	-
Net income (loss)	19,701.58	349.30	10,154.70	336.04	1.96	17,376.56	194.33	4,507.58	620.93	-

11.8.2 The Company has not recognized the unrealized share of loss from associates for the year ended December 31, 2007 amounting to Baht 293.87 million (2006: 175.29) because PTT had unrealized allowance for share of net loss from investments as at December 31, 2007 amounting to Baht 70.07 million (December 31, 2006: Baht 443.68 million).

11.8.3 The fair value of investments in associates which have equity securities traded on the Stock Exchange of Thailand (SET) calculated by current bid price at the balance sheet date are as follows:

The fair value of investments in associate as at December 31, 2007 and 2006.

Unit : Million Baht

Associates	2007	2006
ATC <sup>1)</sup>	-	15,577.55
PTTCH	91,501.74	60,037.19
BCP	4,660.88	2,713.30
IRPC	39,004.88	37,162.13
RRC <sup>1)</sup>	-	23,617.57
TOP	86,642.51	52,553.67
PTTAR <sup>2)</sup>	62,091.98	-

<sup>1)</sup> As at December 27, 2007, ATC and RRC registered the amalgamation between ATC and RRC as discussed in Note 11.7 and commence trading on the SET on January 2, 2007. As a result as at December 31, 2007, there was no bid price.

<sup>2)</sup> PTTAR presented a fair value of investment of ATC and RRC by using their traded prices in the SET as at December 17, 2007, which was the day before suspended trading, divided by an amount of paid up shares of PTTAR, resulted in the fair value at Baht 43.06 per share.

11.8.4 The share of investments in subsidiaries, jointly controlled entities and associates which have differences between voting rights and ownerships are as follows:

Unit : Percentage

Company	Voting rights	Ownerships
Subsidiary		
RBA	80%	49%
Jointly Controlled Entity		
HMC	42.096%	41.443%
Associate		
THAPPLINE	35.20%	33.19%

## 12. Other Long-term Investments

12.1 Other long-term investments as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
General investments	1,456.60	1,271.49	812.87	337.52
Investments in available-for-sale securities				
- Investments in equity securities	336.00	336.00	336.00	336.00
- Investments in debt securities	585.60	585.60	585.60	585.60
- Investments in mutual funds	33.96	300.45	33.96	-
Add Allowance for increase in fair value of investments	758.70	635.78	758.70	635.00
Total	3,170.86	3,129.32	2,527.13	1,894.12

12.2 Details of other long-term investments of the Company are as follows:

Company	Country of Incorporation	Business	Shareholding Percentage	
			2007	2006
Petro Asia (Huizhou) Co., Ltd. (PA (Huizhou))	China	Oil marketing	25.00	25.00
Petro Asia (Shantou) Co., Ltd. (PA (Shantou))	China	Oil marketing	15.00	15.00
Petro Asia (Maoming) Co., Ltd. (PA (Maoming))	China	Oil marketing	20.00	-
PTT Mart Co., Ltd. (PTT Mart)	Thailand	Management service	49.00	49.00
Fuel Pipeline Transportation Co., Ltd. (FPT)	Thailand	Oil pipeline	2.76	2.76
Intoplane Services Co., Ltd. (IPS)	Thailand	Aircraft refuelling service	16.67	16.67
Ratchaburi Power Co., Ltd. (RPCL)	Thailand	Electricity generation	15.00	15.00
Dhipaya Insurance Public Co., Ltd. (TIP)	Thailand	Insurance	13.33	13.33
Bangkok Aviation Fuel Services Public Co., Ltd. (BAFS)	Thailand	Aircraft refuelling service	7.06	7.06

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12.3 Details of other long-term investments of subsidiaries and jointly controlled entities are as follows:

Company	Country of Incorporation	Business	Shareholding Percentage	
			2007	2006
<u>Other Long-term Investments of PTTC:*</u>				
Alliance Petrochemical Investment (Singapore) Pte. Ltd. (API)	Singapore	Petrochemicals	-	16.67
<u>Other Long-term Investments of HMC:</u>				
Rayong Olefins Co., Ltd. (ROC)	Thailand	Petrochemicals	5.91	5.91
Basell Advanced Polyolefins (Thailand) Co., Ltd. (BAPT)	Thailand	Petrochemicals	2.07	2.07

\* The status of PTTC changed from subsidiary to associate as per Note 11.7. As a result, as at December, 31, 2007, other long-term investment of PTTC was not disclosed.

## 12.4 Other long-term investments as at December 31, 2007 and 2006

Unit : Million Baht		Shareholding		Consolidated		The Company		Dividends	
Company		percentage		2007	2006	2007	2006	2007	2006
<b>General Investments</b>									
1. PA (Huizhou)	25.00	25.00	15.16	15.16	15.16	15.16	-	-	-
2. PTT Mart	49.00	49.00	78.40	78.40	78.40	78.40	-	-	-
3. FPT	2.76	2.76	44.00	44.00	44.00	44.00	-	-	-
4. IPS	16.67	16.67	0.02	0.02	0.02	0.02	-	-	-
5. PA (Shantou)	15.00	15.00	60.84	60.84	60.84	60.84	-	-	-
6. RPCL	15.00	15.00	805.50	337.50	805.50	337.50	-	-	-
7. API	-	16.67	-	290.24	-	-	-	-	-
8. ROC	5.91	5.91	643.73	643.73	-	-	282.31	200.35	-
9. BAPT	2.07	2.07	18.19	18.19	-	-	-	-	-
10. PA (Maoming)	20.00	-	14.83	-	14.83	-	-	-	-
Total investments accounted for under the cost method			1,680.67	1,488.08	1,018.75	535.92			
Less Allowance for impairment of investments			224.07	216.59	205.88	198.40			
Total general investments			1,456.60	1,271.49	812.87	337.52			
<b>Investments in Available-for-sale</b>									
<b>Securities</b>									
<b>Investments in Equity Securities</b>									
11. TIP	13.33	13.33	312.00	312.00	312.00	312.00	68.00	48.00	-
12. BAFS	7.06	7.06	24.00	24.00	24.00	24.00	13.80	17.10	-
Total investments in equity securities			336.00	336.00	336.00	336.00	-	-	-
Investments in Debt Securities			585.60	585.60	585.60	585.60	-	-	-
<b>Investments in Mutual Funds</b>									
T-Fix	-	-	-	200.59	-	-	-	2.04	-
One-DP	-	-	-	99.86	-	-	-	1.99	-
MFC Energy Fund	-	-	33.96	-	33.96	-	-	-	-
Add Allowance for increase in fair value of investments			758.70	635.78	758.70	635.00	-	-	-
Total investments in available-for-sale securities			1,714.26	1,857.83	1,714.26	1,556.60	-	-	-
Total other long-term investments			3,170.86	3,129.32	2,527.13	1,894.12	364.11	269.48	-

## 12.5 Movements in other long-term investments for the year ended December 31, 2007 are as follows:

Unit : Million Baht	Consolidated	The Company
Balance as at December 31, 2006	3,129.32	1,894.12
- Allowance for revaluation of investments	122.92	123.70
- Additional investments	501.96	501.96
- Disposal of investments	(590.69)	-
- Allowance for impairment of investments	(7.48)	(7.48)
- Reclassifications	14.83	14.83
Balance as at December 31, 2007	3,170.86	2,527.13

## 12.6 Significant events during the year ended December 31, 2007

### Other Investments

#### **RPCL**

On December 13, 2006 and January 9, 2007, RPCL's shareholders' meetings passed a resolution to increase the authorized share capital of RPCL from Baht 2,325 million to Baht 3,325 million and on July 12 and 27, 2007, RPCL's shareholders' meetings passed a resolution to increase the authorized share capital of RPCL from Baht 3,325 million to Baht 7,325 million. During the year ended December 31, 2007, RPCL called for payment from shareholders for the additional shares amounting to Baht 3,120.00 million. The Company paid Baht 468.00 million for its 15% shareholding.

#### **PA (Maoming)**

During the year 2007, the Company transferred its investment in PA (Maoming) from current investments to other long-term investments as it will not be disposed of within one year.

### Investment in Available-for-sale Securities

#### **Investments in Mutual Funds**

##### **THAI DANU PANPOL Fixed Income Fund (T-Fix)**

On March 13, 2007, the THAI DANU PANPOL Fixed Income Fund (T-Fix) of PTTCH was closed because the number of unit trust holders did not comply with the mutual fund's regulations. The mutual fund paid average returns from liquidation to unit trust holders.

##### **ONE DIVIDEND PLUS Fund (One-DP)**

In the third quarter of 2007, PTTCH disposed of its entire investment in the ONE DIVIDEND PLUS Fund (One-DP).

##### **MFC Energy Fund**

On August 3, 2007, the Company invested in MFC Energy Fund in accordance with the resolution of the Company's board meeting No. 4/2007 held on April 20, 2007 with an investment limit of Baht 800 million. The Company's shareholding percentage is 40.90% with venture fund period of ten year. This fund's policies focus on investment in energy and alternative energy projects and business support of government policies on energy for the promotion of the development of sources of alternative energy and renewable energy. MFC Energy fund called for the first payment of Baht 100 million. The Company paid an amount of Baht 40.90 million for its portion of 40.90%.

On December 12, 2007, the Company sold unit trust which was in compliance with jointly investment contract at 0.69 units with Baht 10 per unit amounting to Baht 6.94 million. As a result, as of December 31, 2007, the Company's share of investment decreased to 33.96%.

In the consolidated financial statements, the allowance for impairment of investments in other companies amounting to Baht 224.07 million comprises the allowance for impairment of investments in PTT Mart, PA (Huizhou), FPT, PA (Shantou), PA (Maoming) and BAPT amounting to Baht 78.40, 15.16, 44.00, 60.84, 7.48 and 18.19 million, respectively. In the Company's financial statements the allowance totals Baht 205.88 million.



### 13. Property, Plant and Equipment, Net

Property, plant and equipment as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht

	Consolidated						Total
	Land	Buildings and building improvements	Machinery and equipment	Oil and gas properties	Other assets	Construction in progress	
Cost							
As at December 31, 2006	6,586.81	17,344.13	187,622.75	199,055.41	11,977.54	93,863.79	516,450.43
Correction of accounting errors (Note 3.3)	(1.42)	(0.02)	(15,426.45)	-	(1,308.51)	-	(16,736.40)
Amount after adjustment	6,585.39	17,344.11	171,196.30	199,055.41	10,669.03	93,863.79	499,714.03
- Business acquisition (Note 34)	266.87	3,165.39	1,824.08	-	955.48	5.82	6,217.64
- Business disposal (Note 35)	(2,663.03)	(1,951.59)	(57,247.76)	-	(1,785.19)	(42,389.66)	(106,037.23)
- Additions	488.78	262.64	1,327.71	40,659.50	1,179.86	53,236.83	97,155.32
- Borrowing costs	-	-	-	-	-	2,811.64	2,811.64
- Reclassification	746.12	1,668.50	47,833.51	-	1,160.15	(54,648.93)	(3,240.65)
- Disposals	-	(106.62)	(436.51)	(1,917.74)	(711.36)	(114.24)	(3,286.47)
- Currency translation differences	-	(0.33)	39.18	(470.98)	5.70	(0.71)	(427.14)
As at December 31, 2007	5,424.13	20,382.10	165,536.51	237,326.19	11,473.67	52,764.54	492,907.14
Accumulated Depreciation							
As at December 31, 2006	-	(9,123.27)	(78,099.58)	(79,937.34)	(8,280.57)	-	(175,440.76)
Correction of accounting errors (Note 3.3)	-	0.02	4,896.15	-	1,100.55	-	5,996.72
Amount after adjustment	-	(9,123.25)	(73,203.43)	(79,937.34)	(7,180.02)	-	(169,444.04)
- Business acquisition (Note 34)	-	(1,009.46)	(1,135.41)	-	(717.25)	-	(2,862.12)
- Business disposal (Note 35)	-	946.78	18,281.23	-	997.38	-	20,225.39
- Depreciation for the year	-	(876.76)	(7,408.02)	(15,476.41)	(1,185.04)	-	(24,946.23)
- Reclassification	-	105.85	66.06	-	(171.84)	-	0.07
- Disposals	-	62.18	424.70	38.36	674.50	-	1,199.74
- Currency translation differences	-	0.09	(23.94)	121.27	(4.50)	-	92.92
As at December 31, 2007	-	(9,894.57)	(62,998.81)	(95,254.12)	(7,586.77)	-	(175,734.27)
Allowance for Impairment of Assets							
As at December 31, 2006	(42.87)	(373.13)	(244.96)	-	-	-	(660.96)
- Loss on impairment of assets	(53.53)	(259.64)	-	(389.54)	-	-	(702.71)
- Reversal of loss on impairment of assets	42.87	373.13	2.23	-	-	-	418.23
As at December 31, 2007	(53.53)	(259.64)	(242.73)	(389.54)	-	-	(945.44)
Net Book Value							
As at December 31, 2006	6,542.52	7,847.73	98,747.91	119,118.07	3,489.01	93,863.79	329,609.03
As at December 31, 2007	5,370.60	10,227.89	102,294.97	141,682.53	3,886.90	52,764.54	316,227.43

Unit : Million Baht

## The Company

	Land	Buildings and building improvements	Machinery and equipment	Other assets	Construction in progress	Total
Cost						
As at December 31, 2006	3,865.07	12,622.79	116,966.42	8,023.25	72,118.28	213,595.81
Correction of accounting errors (Note 3.3)	(1.42)	(0.02)	(15,426.45)	(1,308.51)	-	(16,736.40)
Amount after adjustment	3,863.65	12,622.77	101,539.97	6,714.74	72,118.28	196,859.41
- Additions	54.86	128.09	1,129.92	364.56	20,485.46	22,162.89
- Borrowing costs	-	-	-	-	2,657.64	2,657.64
- Reclassification	599.21	1,726.47	44,283.54	356.70	(50,173.59)	(3,207.67)
- Disposals	-	(12.86)	(386.27)	(117.06)	-	(516.19)
As at December 31, 2007	4,517.72	14,464.47	146,567.16	7,318.94	45,087.79	217,956.08
Accumulated Depreciation						
As at December 31, 2006	-	(7,195.76)	(59,301.45)	(5,854.87)	-	(72,352.08)
Correction of accounting errors (Note 3.3)	-	0.02	4,896.15	1,100.55	-	5,996.72
Amount after adjustment	-	(7,195.74)	(54,405.30)	(4,754.32)	-	(66,355.36)
- Depreciation for the year	-	(554.50)	(4,084.85)	(637.10)	-	(5,276.45)
- Reclassification	-	0.30	(583.62)	583.38	-	0.06
- Disposals	-	10.28	385.47	107.94	-	503.69
As at December 31, 2007	-	(7,739.66)	(58,688.30)	(4,700.10)	-	(71,128.06)
Allowance for Impairment of Assets						
As at December 31, 2006	(42.87)	(373.13)	(244.96)	-	-	(660.96)
- Loss on impairment of assets	(53.53)	(259.64)	-	-	-	(313.17)
- Reversal of loss on impairment of assets	42.87	373.13	2.23	-	-	418.23
As at December 31, 2007	(53.53)	(259.64)	(242.73)	-	-	(555.90)
Net Book Value						
As at December 31, 2006	3,820.78	5,053.90	46,889.71	1,960.42	72,118.28	129,843.09
As at December 31, 2007	4,464.19	6,465.17	87,636.13	2,618.84	45,087.79	146,272.12

Borrowing costs in the consolidated financial statements amounting to Baht 2,811.64 million (December 31, 2006: Baht 2,881.90 million) and in the Company's financial statements amounting to Baht 2,657.64 million (December 31, 2006: Baht 2,778.17 million) were capitalized as part of costs of property, plant and equipment. The Group used capitalization rates ranging from 3.34% - 7.69% (December 31, 2006: 4.00% - 7.23%).

Building, manufacturing plants, machinery and equipment of Baht 17,686.37 million in the consolidated financial statements were used as collateral for long-term loans of Baht 6,764.29 million (the Company's financial statements: none).

As at December 31, 2007 and 2006, the net book value of other assets included vehicles acquired under finance leases. The details are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Cost	858.44	851.71	744.59	546.74
<u>Less</u> Accumulated depreciation	210.88	214.84	196.21	73.77
Net book value	647.56	636.87	548.38	472.97

On December 31, 2007, PTTEP had paid carried cost reimbursement for the government, which is presented as petroleum exploration and production assets in the balance sheets and petroleum exploration expenses in the statements of income for projects as follows:

Project	Carried cost reimbursement for the government	
	Petroleum exploration	Petroleum exploration expenses
	and production assets	(Accumulated from the year 2002 to December 31, 2007)
Vietnam 52/97	34.07	-
Vietnam B and 48/95	35.65	-
Vietnam 16 - 1	533.58	1,248.78
Vietnam 9 - 2	1,294.65	811.23
Algeria 433 A and 416 B	401.29	277.76

## 14. Intangible Assets

Intangible assets as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated				
	Computer software	Leasehold rights/rights to use	Other operating rights	Goodwill	Total
Cost					
As at December 31, 2006	1,903.83	7,914.50	1,819.39	17,450.96	29,088.68
Correction of accounting errors (Note 3.3)	-	14,940.47	-	-	14,940.47
Amount after adjustment	1,903.83	22,854.97	1,819.39	17,450.96	44,029.15
- Business acquisition (Note 34)	-	994.22	-	6.19	1,000.41
- Business disposal (Note 35)	(325.78)	(1,821.38)	(819.15)	(3,103.88)	(6,070.19)
- Additions	157.13	1,478.13	304.96	5,210.85	7,151.07
- Reclassification	128.16	2,091.14	(713.38)	(5,296.19)	(3,790.27)
- Disposals	(33.18)	(58.15)	(2.78)	(52.97)	(147.08)
- Currency translation differences	0.28	(6.38)	(2.04)	-	(8.14)
As at December 31, 2007	1,830.44	25,532.55	587.00	14,214.96	42,164.95

Unit : Million Baht	Consolidated (Continued)				
	Computer software	Leasehold rights/rights to use	Other operating rights	Goodwill	Total
Accumulated Amortization					
As at December 31, 2006	(1,175.17)	(2,455.10)	(477.81)	(1,292.07)	(5,400.15)
Correction of accounting errors (Note 3.3)	-	(2,462.39)	-	-	(2,462.39)
Amount after adjustment	(1,175.17)	(4,917.49)	(477.81)	(1,292.07)	(7,862.54)
- Business disposal (Note 35)	141.03	20.65	367.89	579.25	1,108.82
- Amortization for the year	(195.48)	(856.86)	(137.59)	(2,313.83)	(3,503.76)
- Reclassification	(0.01)	73.08	(72.50)	1,098.63	1,099.20
- Disposals	32.72	24.93	-	-	57.65
- Currency translation differences	(0.10)	6.97	2.02	145.11	154.00
As at December 31, 2007	(1,197.01)	(5,648.72)	(317.99)	(1,782.91)	(8,946.63)
Allowance for Impairment of Assets					
As at December 31, 2006	-	(1,091.61)	-	-	(1,091.61)
- Loss on impairment of assets	-	(157.45)	-	-	(157.45)
- Reversal of loss on impairment of assets	-	557.06	-	-	557.06
As at December 31, 2007	-	(692.00)	-	-	(692.00)
Net Book Value					
As at December 31, 2006	728.66	16,845.87	1,341.58	16,158.89	35,075.00
As at December 31, 2007	633.43	19,191.83	269.01	12,432.05	32,526.32

Unit : Million Baht	The Company			
	Computer software	Leasehold rights/rights to use	Other operating rights	Total
Cost				
As at December 31, 2006	716.54	6,857.83	51.55	7,625.92
Correction of accounting errors (Note 3.3)	-	14,940.47	-	14,940.47
Amount after adjustment	716.54	21,798.30	51.55	22,566.39
- Additions	62.49	649.08	-	711.57
- Reclassification	98.63	1,376.68	-	1,475.31
- Disposals	-	(58.15)	-	(58.15)
As at December 31, 2007	877.66	23,765.91	51.55	24,695.12

Unit : Million Baht	The Company (Continued)			
	Computer software	Leasehold rights/rights to use	Other operating rights	Total
Accumulated Amortization				
As at December 31, 2006	(566.59)	(2,262.89)	(39.05)	(2,868.53)
Correction of accounting errors (Note 3.3)	-	(2,462.39)	-	(2,462.39)
Amount after adjustment	(566.59)	(4,725.28)	(39.05)	(5,330.92)
- Amortization for the year	(87.29)	(785.29)	(5.17)	(877.75)
- Reclassification	(0.01)	-	-	(0.01)
- Disposals	-	24.93	-	24.93
As at December 31, 2007	(653.89)	(5,485.64)	(44.22)	(6,183.75)
Allowance for Impairment of Assets				
As at December 31, 2006	-	(1,091.61)	-	(1,091.61)
- Loss on impairment of assets	-	(157.45)	-	(157.45)
- Reversal of loss on impairment of assets	-	557.06	-	557.06
As at December 31, 2007	-	(692.00)	-	(692.00)
Net Book Value				
As at December 31, 2006	149.95	15,981.41	12.50	16,143.86
As at December 31, 2007	223.77	17,588.27	7.33	17,819.37

The Company reversed loss on impairment of leasehold rights which the Company recognized in the prior period amounting to Baht 557.06 million because the indications of impairment do not exit.

## 15. Income Taxes and Deferred Income Taxes

Applicable tax rates for the Group are as follows:

	Tax rates
Petroleum income tax on petroleum business in Thailand	
pursuant to the Petroleum Income Tax Act, B.E. 2514 (1971) and B.E. 2532 (1989)	50%
Income tax under the Revenue Code	30%
- Except for net income of the Company for the period of five years from 2002 to 2006	25%
- Except for net income of PTTEP not exceeding Baht 300 million for the period of five years from 2002 to 2006	25%
- Small and Medium Enterprises (SMEs)	15%
Corporate income tax in the Union of Myanmar	30%
Corporate income taxes in other countries in the South-East Asia region	18% - 35%



Income taxes recognized in the consolidated and the Company's statements of income for the years ended December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Petroleum income tax				
Current income tax	18,302.02	18,279.93	-	-
Deferred income tax	1,030.29	1,059.28	-	-
Total petroleum income tax	19,332.31	19,339.21	-	-
Income tax under the Revenue Code				
Current income tax	19,100.04	13,236.62	15,745.12	8,623.05
Deferred income tax	224.76	651.60	162.99	(34.95)
Total income tax under the Revenue Code	19,324.80	13,888.22	15,908.11	8,588.10
Corporate income tax in the Union of Myanmar				
Current income tax	2,668.36	2,433.81	-	-
Deferred income tax	15.43	136.76	-	-
Total corporate income tax in the Union of Myanmar	2,683.79	2,570.57	-	-
Corporate income taxes in the South-East Asia region				
Current income tax	67.82	70.90	-	-
Deferred income tax	10.36	13.81	-	-
Total corporate income taxes in other countries in the South-East Asia region	78.18	84.71	-	-
Total income tax expenses	41,419.08	35,882.71	15,908.11	8,588.10

Deferred income taxes presented in the consolidated and the Company's balance sheets as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated	The Company
Deferred tax assets		
Income tax under the Revenue Code		
As at December 31, 2006	1,220.30	1,219.73
Business disposal (Note 35)	(0.81)	-
Income tax expenses	(162.75)	(162.99)
As at December 31, 2007	1,056.74	1,056.74
Petroleum income tax		
As at December 31, 2006	-	-
Income tax expenses	-	-
As at December 31, 2007	-	-
Corporate income tax in other countries		
As at December 31, 2006	31.47	-
Current income tax	(19.22)	-
As at December 31, 2007	12.25	-
Total deferred tax assets	1,068.99	1,056.74

Unit : Million Baht

	Consolidated	The Company
Deferred tax liabilities		
Income tax under the Revenue Code		
As at December 31, 2006	859.01	158.75
Business disposal ( <i>Note 35</i> )	(636.22)	-
Current income tax	(3.98)	68.86
As at December 31, 2007	218.81	227.61
Petroleum income tax		
As at December 31, 2006	11,450.99	-
Current income tax	1,621.68	-
As at December 31, 2007	13,072.67	-
Corporate income tax in the Union of Myanmar		
As at December 31, 2006	1,529.22	-
Current income tax	(83.48)	-
As at December 31, 2007	1,445.74	-
Corporate income tax in other countries		
As at December 31, 2006	-	-
Current income tax	0.78	-
As at December 31, 2007	0.78	-
Total deferred tax liabilities	14,738.00	227.61

Deferred tax assets mainly comprise allowance for doubtful accounts and accumulated depreciation of plant and equipment. Deferred tax liabilities mainly comprise accumulated depreciation of plant and equipment, amortization of decommissioning costs and unrealized gain on revaluation of decommissioning costs.

## 16. Advance Payments for Gas Purchased

Advance payments for gas purchased as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht

	Consolidated	The Company
Balance as at December 31, 2006	16,598.18	20,629.67
<u>Less</u> Make-up during the period	3,896.10	4,867.93
Balance as at December 31, 2007	12,702.08	15,761.74

The Company paid in advance for the committed gas volumes from the Yadana and Yetagun gas fields in the Union of Myanmar, irrespective of take-up in 1999 - 2001, according to the established minimum volume in the Export Gas Sales Agreements (Take-or-Pay). The Company has the right to take certain volumes of prepaid gas (Make-up) in subsequent years, with no maturity period.

## 17. Other Non-current Assets

Other non-current assets as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Retention and refundable deposits	345.31	112.46	37.66	36.12
Prepaid expenses	2,271.91	1,821.47	1,656.89	29.54
Inventories - legal reserve	11,444.81	9,158.70	10,217.37	9,158.70
Others	467.98	182.45	333.61	29.58
Total	14,530.01	11,275.08	12,245.53	9,253.94

The Fuel Oil Trading Act B.E. 2543 (2000) categorizes the Company as an oil trader under section 7 of this Act. To protect against and resolve fuel oil shortages, this Act prescribes that oil traders under section 7 must reserve fuel oil according to the categories and volumes set by the Director General of the Department of Energy Business. The Company currently reserves 5% of the planned trading volume as informed to the Director General of the Department of Energy Business, the Ministry of Energy.

## 18. Bank Overdrafts and Short-term Loans from Financial Institutions

As at December 31, 2007 and 2006, the bank overdrafts and short-term loans from financial institutions of the Group comprise short-term loans from financial institutions. The loans bear interest at rates ranging from 3.50% to 6.03% per annum and 6.20% to 8.25% per annum, for the year 2007 and 2006 respectively.

## 19. Other Current Liabilities

Other current liabilities as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Other accounts payable	5,917.53	6,989.62	3,607.18	3,289.47
Accounts payable - forward foreign exchange contracts (purchase), net	43.79	42.43	43.79	25.20
Advances received	60.43	125.53	20.92	67.89
Undue output VAT	2,917.48	2,640.08	2,560.00	2,311.33
Retention (due not later than 1 year)	356.19	783.13	30.05	21.72
Others	1,285.51	1,933.18	470.94	642.30
Total	10,580.93	12,513.97	6,732.88	6,357.91

Accounts payable - forward foreign exchange contracts (purchase) are recognized under forward foreign exchange contracts for hedging risk arising from fluctuations in the USD currency associated with the repayment of foreign loans and raw material imports.

## 20. Long-term Loans

Long-term loans as at December 31, 2007 and 2006 are as follows:

### Current Portion of Long-term Loans

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Loans - Baht currency	8,073.50	12,258.15	8,000.00	11,000.00
Loans - Foreign currencies	378.97	391.85	378.97	391.85
Bonds - Baht currency	-	1,750.58	-	-
Bonds - Foreign currencies	-	7,002.59	-	-
Liabilities from finance leases	159.36	208.97	146.36	101.18
Total	8,611.83	21,612.14	8,525.33	11,493.03

### Long-term Loans

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Loans - Baht currency	43,096.50	52,940.73	42,400.00	44,400.00
Loans - Foreign currencies	27,354.38	29,315.14	18,503.44	19,852.01
Bonds - Baht currency	108,353.00	72,181.70	89,853.00	70,118.00
Bonds - Foreign currencies	33,104.55	43,327.16	33,104.55	30,309.76
Liabilities from finance leases	478.86	574.58	428.12	386.67
Total	212,387.29	198,339.31	184,289.11	165,066.44

The Company's loans as at December 31, 2007, amounting to Baht 44,223.44 million (December 31, 2006: Baht 46,741.52 million) are secured by the Ministry of Finance.

The loans of three subsidiaries amounting to Baht 6,764.29 million as at December 31, 2006, in the consolidated financial statements are secured by machinery, buildings, manufacturing plants and structures. In addition, the Group has commitments to adhere to the conditions stipulated in the loan agreements.

On March 23, 2007, the Company entered into a loan agreement amounting to Baht 6,000 million with a maturity period of ten years, bearing interest at a floating rate equivalent to the maximum interest rate on six-month fixed deposits + 1.125% per annum, and the interest is payable every six months. The principal is repayable in instalments of Baht 500 million every six months from September 2011 to March 2017.

Long-term loans as at December 31, 2007 and 2006 can be classified by interest rates as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Floating interest rate	37,453.81	29,669.67	27,832.87	13,210.76
Fixed interest rate	183,545.31	190,281.79	164,981.57	163,348.71
Total	220,999.12	219,951.46	192,814.44	176,559.47

Interest rates charged on long-term loans as at December 31, 2007 and 2006 are as follows:

	Consolidated		The Company	
	2007	2006	2007	2006
PTT bonds	3.49% - 8.75%	3.49% - 8.75%	3.49% - 8.75%	3.49% - 8.75%
Loans - Baht currency	3.38% - 4.25%	3.52% - 9.06%	3.38%	9.06%
Loans - Foreign currencies				
- US Dollar	4.83% - 7.19%	5.35% - 6.78%	4.83% - 4.99%	5.35% - 5.94%
- Yen	4.45%	4.45%	4.45%	4.45%
Bonds - Baht currency	3.30% - 7.40%	2.70% - 7.40%	4.25% - 7.40%	4.25% - 7.40%
Bonds - Foreign currencies	5.37% - 5.88%	3.85% - 7.86%	5.37% - 5.88%	4.55% - 5.88%
Liabilities from finance leases	4.86% - 8.10%	1.75% - 10.00%	4.93% - 8.10%	5.50% - 8.10%

## 20.1 Loans

Movements of loans in Baht currency and foreign currencies as at December 31, 2007 and 2006 are as follows:

Unit : Million	Consolidated			
	Currency			Total
	Baht	US Dollar	Yen	equivalent to Baht
Balance as at December 31, 2006	64,230.09	655.67	23,000.00	94,905.87
- Additions	9,346.02	-	-	9,346.02
- Repayments	(12,274.44)	(23.67)	-	(13,132.40)
- Gain on exchange rate	-	-	-	(1,611.03)
- Business disposals	(10,131.67)	(13.88)	-	(10,605.11)
- Current portion	(8,073.50)	(11.18)	-	(8,452.47)
Balance as at December 31, 2007	43,096.50	606.94	23,000.00	70,450.88

Unit : Million	The Company			
	Currency			Total
	Baht	US Dollar	Yen	equivalent to Baht
Balance as at December 31, 2006	55,400.00	364.63	23,000.00	75,643.86
- Additions	6,000.00	-	-	6,000.00
- Repayments	(11,000.00)	(10.81)	-	(11,391.85)
- Gain on exchange rate	-	-	-	(969.60)
- Current portion	(8,000.00)	(11.18)	-	(8,378.97)
Balance as at December 31, 2007	42,400.00	342.64	23,000.00	64,903.44



## 20.2 Bonds

Bonds as at December 31, 2007 and 2006 are as follows:

Unit : Million	Consolidated			
	2007		2006	
	Baht	USD	Baht	USD
Unsecured unsubordinated bonds				
- USD currency	33,104.55	976.97	50,329.75	1,390.67
- Baht currency	108,353.00	-	73,932.28	-
<u>Less</u> Current portion				
- USD currency	-	-	(7,002.59)	(193.28)
- Baht currency	-	-	(1,750.58)	-
Total	141,457.55	976.97	115,508.86	1,197.39

Unit : Million	The Company			
	2007		2006	
	Baht	USD	Baht	USD
Unsecured unsubordinated bonds				
- USD currency	33,104.55	976.97	30,309.76	836.57
- Baht currency	89,853.00	-	70,118.00	-
Total	122,957.55	976.97	100,427.76	836.57

The Company and the Group issued bonds and entered into cross currency and interest rate swap contracts for some bonds. The details are as follows:

On June 20, 2005, the Company issued unsecured unsubordinated bonds for sale to financial institution investors amounting to Baht 4,040 million with a redemption period of ten years at a fixed interest rate of 4.75% per annum. However, the Company entered into a cross currency swap contract to swap Baht bonds for USD bonds amounting to USD 100 million at a fixed interest rate of 4.55% per annum, to be redeemed on June 20, 2015. In addition, on January 16 and January 18, 2007, the Company entered into an agreement with a financial institution for the cancellation of commitments in accordance with a cross currency swap contract to swap Baht currency amounting to Baht 4,040 million at an interest rate of 4.75% per annum for USD currency of USD 100 million at a fixed interest rate of 4.55% per annum. In cancelling the agreement, the Company received compensation from the financial institution amounting to Baht 450 million. Consequently, the Company now has commitments in Baht currency as before.

On March 20, 2007, the Company issued unsecured unsubordinated bonds for sale to financial institution investors amounting to Baht 6,000 million with a redemption period of eight years at a fixed interest rate of 4.86% per annum, payable every six months, to be redeemed on March 20, 2015.

On June 29, 2007, the Company issued unsecured and unsubordinated JPY bonds (Samurai Bonds) for sale to financial institution investors amounting to JPY 36,000 million (approximately Baht 10,000 million) with a redemption period of ten years at a fixed interest rate of 2.71% per annum, payable every six months. On the date of issuance of the bonds, the Company entered into a cross currency swap contract to swap JPY bonds to USD bonds amounting to USD 290.51 million at a floating interest rate of LIBOR + 0.738% per annum, to be redeemed on June 29, 2017. In addition, the Company signed an agreement to change a certain part of the commitments in accordance with a cross currency swap contract. The details are as follows:

On September 26, 2007 the Company signed an agreement to change a certain part of the commitments in accordance with a cross currency swap contract to swap USD 96.84 million at a floating interest rate of LIBOR + 0.738% per annum to a floating interest rate of LIBOR + 0.25% per annum. Parties to the contract have the right to change the interest rate under the contract until maturity to a fixed interest rate of 5.58% per annum.

On October 16, 2007 the Company signed an agreement to change a certain part of the commitments in accordance with a cross currency swap contract to swap USD 96.84 million at a floating interest rate of LIBOR + 0.738% per annum to a floating interest rate of LIBOR + 0.20% per annum if LIBOR is higher than 4.25% per annum, and to a fixed interest rate of 5.50% per annum if LIBOR is lower than or equal to 4.25% per annum.

On October 19, 2007 the Company signed an agreement to change a certain part of the commitments in accordance with a cross currency swap contract to swap USD 96.84 million at a floating interest rate of LIBOR + 0.738% per annum to a fixed interest rate of 5.37% per annum. Parties to the contract have the right to change the interest rate under the contract until maturity to a floating interest rate of LIBOR + 0.20% per annum.

On August 24, 2007, the Company entered into a cross currency swap contract for some bonds that it had issued on July 22, 2004 to swap USD bonds amounting to USD 50 million at a fixed interest of 5.75% per annum for THB bonds amounting to THB 1,695 million at a fixed interest rate of 5.18% per annum, to be redeemed on August 1, 2014.

On December 14, 2007, the Company issued three tranches of unsecured unsubordinated bonds totalling Baht 8,000 million. The details are as follows:

First tranche for sale to general and institutional investors amounting to Baht 6,000 million with a redemption period of seven years at a fixed interest rate of 5.00% per annum during the first three years and 5.95% per annum for the forth to seventh year, payable every six months, to be redeemed on December 14, 2014.

Second tranche for sale to general and institutional investors amounting to Baht 1,500 million with a redemption period of ten years at a fixed interest rate of 5.87% per annum, payable every six months, to be redeemed on December 14, 2017.

Third tranche for sale to institutional investors amounting to Baht 500 million with a redemption period of 11 years at a fixed interest rate of 5.91% per annum, payable every six months, to be redeemed on December 14, 2018.

On March 27, 2003, PTTEP issued 2,500,000 unsecured unsubordinated bonds at a face value of Baht 1,000 per unit, totaling Baht 2,500 million with a redemption period of 15 years. The bonds bear interest at the rate of 4.625% per annum, payable every six months on March 27 and September 27 of every year, to be redeemed on March 27, 2018. On September 27, 2005, PTTEP entered into a cross currency swap contract to swap Baht bonds for USD currency amounting to USD 60.82 million at an interest rate of 3.85% per annum. However, on May 2, 2007, PTTEP entered into a cross currency swap contract to swap the USD bonds back to Baht bonds amounting to Baht 2,500 million with the same bank, at a reduced interest rate of 3.30% per annum until maturity.

On February 12, 2007, PTTEP issued 3,500,000 unsecured unsubordinated bonds at a face value of Baht 1,000 per unit totaling Baht 3,500 million with a redemption period of three years. The bonds bear interest at the rate of 4.88% per annum, payable every six months on February 12 and August 12 of every year, to be redeemed on February 12, 2010.

On June 15, 2007, PTTEP issued three tranches of unsecured unsubordinated bonds for sale to general and institutional investors totaling Baht 12,500 million. The details are as follows:

	Tranche 1	Tranche 2	Tranche 3
Aggregate amount of bonds	6,000	3,500	3,000
Tenor	3 years	5 years	15 years NC5*
Interest rate	6MFDR + 0.99%**	3.91% per annum	5.13% per annum
Maturity date	June 15, 2010	June 15, 2012	June 15, 2022
Type of offering	General Investors	General / Institutional Investors	Institutional Investors

\* NC5 (Non Call 5 years): the Company has the right to redeem such bonds in Year 5 or 2012.

\*\* On September 4, 2007, the Company entered into an interest rate swap contract (IRS) with a financial institution for tranche 1 bonds amounting to Baht 6,000 million to swap the fixed interest rate of 3.60% per annum to a floating interest rate of the six-month fixed deposit rate plus 0.99% (6MFDR + 0.99%).

## 20.3 Liabilities from Finance Leases

Liabilities from finance leases as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Liabilities from finance leases				
- Not later than 1 year	193.17	252.66	178.04	132.49
- Later than 1 year but not later than 5 years	507.39	620.73	453.22	420.86
Future finance charges on finance leases	(62.34)	(89.84)	(56.78)	(65.50)
Present value of liabilities from finance leases	638.22	783.55	574.48	487.85
Present value of liabilities from finance leases				
- Current (Not later than 1 year)	159.36	208.97	146.36	101.18
- Non-current (Later than 1 year but not later than 5 years)	478.86	574.58	428.12	386.67
Total	638.22	783.55	574.48	487.85

Maturities of long-term loans as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated					
	2007					
	Foreign currency loans	Baht currency loans	Foreign currency bonds	Baht currency bonds	Liabilities from finance leases	Total
Not later than 1 year	378.97	8,073.50	-	-	159.36	8,611.83
Later than 1 - 2 years	1,014.37	9,473.50	-	-	187.34	10,675.21
Later than 2 - 5 years	10,933.46	21,731.00	-	46,300.00	291.52	79,255.98
Later than 5 years	15,406.55	11,892.00	33,104.55	62,053.00	-	122,456.10
Total	27,733.35	51,170.00	33,104.55	108,353.00	638.22	220,999.12

Unit : Million Baht	Consolidated 2006					
	Foreign currency loans	Baht currency loans	Foreign currency bonds	Baht currency bonds	Liabilities from finance leases	Total
Not later than 1 year	391.85	12,258.15	7,002.59	1,750.58	208.97	21,612.14
Later than 1 - 2 years	405.21	8,656.26	-	1,263.70	207.80	10,532.97
Later than 2 - 5 years	8,948.61	30,560.89	-	19,100.00	366.78	58,976.28
Later than 5 years	19,961.33	13,723.58	43,327.16	51,818.00	-	128,830.07
Total	29,707.00	65,198.88	50,329.75	73,932.28	783.55	219,951.46

Unit : Million Baht	The Company 2007					
	Foreign currency loans	Baht currency loans	Foreign currency bonds	Baht currency bonds	Liabilities from finance leases	Total
Not later than 1 year	378.97	8,000.00	-	-	146.36	8,525.33
Later than 1 - 2 years	392.75	9,400.00	-	-	171.37	9,964.12
Later than 2 - 5 years	8,675.85	21,500.00	-	33,300.00	256.75	63,732.60
Later than 5 years	9,434.84	11,500.00	33,104.55	56,553.00	-	110,592.39
Total	18,882.41	50,400.00	33,104.55	89,853.00	574.48	192,814.44

Unit : Million Baht	The Company 2006					
	Foreign currency loans	Baht currency loans	Foreign currency bonds	Baht currency bonds	Liabilities from finance leases	Total
Not later than 1 year	391.85	11,000.00	-	-	101.18	11,493.03
Later than 1 - 2 years	405.21	8,000.00	-	-	109.08	8,514.29
Later than 2 - 5 years	6,744.78	26,400.00	-	18,300.00	277.59	51,722.37
Later than 5 years	12,702.02	10,000.00	30,309.76	51,818.00	-	104,829.78
Total	20,243.86	55,400.00	30,309.76	70,118.00	487.85	176,559.47

## 21. Provision for Decommissioning Costs

The Group recognized provision for liabilities as at December 31, 2007 for decommissioning costs expected to be incurred in the future as follows:

Unit : Million Baht	Consolidated
Balance as at December 31, 2006	10,712.39
Exchange rate differences	(692.09)
Provision for decommissioning costs during the year	970.60
Balance as at December 31, 2007	10,990.90

## 22. Other Non-current Liabilities

Other non-current liabilities as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Retention (due later than 1 year)	409.35	869.55	363.05	676.94
Provision for loss on lawsuits	13.60	218.60	13.60	218.60
Deferred revenue	437.12	335.35	435.93	227.49
Other advances received	325.60	282.43	325.60	275.68
Pension Fund	33.43	23.25	5.28	4.72
Long-term liability: Make-up	4,085.13	-	4,085.13	-
Others	747.21	587.18	-	-
Total	6,051.44	2,316.36	5,228.59	1,403.43

Long-term liability (make-up) arise from the amount of difference between the natural gas price for the committed gas volumes that the Company paid in advance and the natural gas price as at the date of taking the gas that exceeds the interest paid for advance payment of untake-up gas volume (Take-or-Pay). The Company has to distribute the difference to the parties who paid the Take-or-Pay interest for the Yadana and Yetagun gas fields.

## 23. Share Capital

As at December 31, 2007, the Company has authorized share capital comprising 2,857,245,725 ordinary shares (as at December 31, 2006: 2,857,245,725 ordinary shares) with a par value of Baht 10 each. The issued and fully paid-up share capital comprised of 2,817,388,125 ordinary shares (as at December 31, 2006: 2,804,925,625 ordinary shares). The details are as follows:

Date of issue and offer of warrants	Exercise price (Baht per share)	Exercise right (warrant per ordinary share)	The number of exercised warrants (Million units)	The number of unexercised warrants (Million units)	Last exercise date of warrants
September 1, 2005	183	1 : 1	17.26	22.74	August 31, 2010
September 29, 2006	234	1 : 1	2.88	17.12	September 28, 2011
			20.14	39.86	

## 24. Reserves

### 24.1 Legal Reserve

Under the Public Limited Companies Act B.E. 2535 (1992), the Company is required to appropriate not less than 5% of its annual net income as legal reserve until the reserve fund reaches 10% of the authorized share capital. The reserve is non-distributable.

On April 26, 2006, the Company appropriated net income amounting to Baht 7,245,725 as legal reserve. Accordingly, the legal reserve balance as at December 31, 2006 was Baht 2,857.25 million meaning that the reserve reached 10% of the Company's authorized share capital, as stipulated in the Act.



## 24.2 Reserve for Self-insurance Fund

Reserves for Self-insurance Fund as at December 31, 2007 and 2006 are detailed as follows:

Unit : Million Baht	Consolidated	The Company
Balance as at December 31, 2006	888.12	888.12
Appropriated net income for 2007	40.64	40.64
Balance as at December 31, 2007	928.76	928.76

The Self-insurance Fund was set up to provide insurance coverage for the Company's business. The Company appropriates net income from operations and the interest income from the fund each year to the fund each year.

## 25. Earnings per Share

Basic earnings per share is calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares which are held by third parties during the period.

For the calculation of diluted earnings per share, the Company assumes that warrants of the Group given to directors, management and employees that can be exercised are converted to ordinary shares. The exercise of those warrants results in the adjustment of the net income of the Group recognized in the Company's financial statement, together with reductions in shareholding portion. The number of diluted shares is calculated using a market price (average market price of the Company's ordinary shares during the period) and exercise prices. This calculation is prepared to determine the number of ordinary shares to be added to ordinary shares held by third parties for the calculation of diluted earnings per share.

Basic earnings per share and diluted earnings per share for the years ended December 31, 2007 and 2006 are calculated as follows:

	Consolidated			
	Basic Earnings per Share		Diluted Earnings per Share	
	2007	2006	2007	2006
Net income attributable to ordinary shareholders (Baht)	97,803,593,785	95,582,191,540	97,803,593,785	95,582,191,540
Adjustment of net income (Baht)	-	-	(231,711,754)	(63,743,020)
Net income for calculation of earnings per share (Baht)	97,803,593,785	95,582,191,540	97,571,882,031	95,518,448,520
Weighted average number of ordinary shares for calculation of earnings per share (Shares)	2,808,668,938	2,799,752,669	2,821,850,814	2,807,486,172
Income (Baht/share)	34.82	34.14	34.58	34.02
	The Company			
	Basic Earnings per Share		Diluted Earnings per Share	
	2007	2006	2007	2006
Net income attributable to ordinary shareholders (Baht)	63,226,199,616	64,875,597,437	63,226,199,616	64,875,597,437
Weighted average number of ordinary shares for calculation of earnings per share (Shares)	2,808,668,938	2,799,752,669	2,821,850,814	2,807,486,172
Earnings per share (Baht/share)	22.51	23.17	22.41	23.11

Diluted earnings resulted from the issue of name registered non-transferable warrants to purchase ordinary shares, by the Company and the Group to their directors, management and employees.

The Company issued warrants under the Employee Stock Ownership Plan (ESOP) according to Note 23.

#### PTTEP

PTTEP had registered share capital comprising 3,322 million ordinary shares with a par value of Baht 1 per share, totalling Baht 3,322 million. On November 13, 2007, PTTEP registered a change in its issued and fully paid-up capital to 3,297.42 million ordinary shares with a par value of Baht 1 per share, totalling Baht 3,297.42 million.

PTTEP reserved a total of 62 million ordinary shares for the exercise of warrants under the Employee Stock Ownership Plan (ESOP) for five consecutive years. As at December 31, 2007, the employees had exercised warrants for 37.42 million ordinary shares. Therefore, 24.58 million shares remained. The details are as follows:

Date of issue and offer of warrants	Exercise price (Baht per share)	Exercise right (warrant per ordinary share)	The number of exercised warrants (Million units)	The number of unexercised warrants (Million units)	Last exercise date of convertible bonds
August 1, 2002	22.20	1 : 5	9.78	0.22	July 31, 2007
August 1, 2003	23.40	1 : 5	9.55	0.45	July 31, 2008
August 1, 2004	36.60	1 : 5	9.76	4.24	July 31, 2009
August 1, 2005	55.60	1 : 5	6.19	7.81	July 31, 2010
August 1, 2006	91.20	1 : 5	2.14	11.86	July 31, 2011
			37.42	24.58	

#### PTTAR

PTTAR issued and offered warrants under the Employee Stock Ownership Plan (ESOP) as follows:

Date of issue and offer of warrants	Exercise price (Baht per share)	Exercise right (warrant per ordinary share)	The number of exercised warrants (Million units)	The number of unexercised warrants (Million units)	Last exercise date of warrants
October 15, 2007	23.22	1 : 1	-	29.97	October 15, 2012

#### PTTCH

PTTCH issued and offered warrants under the Employee Stock Ownership Plan (ESOP) as follows:

Date of issue and offer of warrants	Exercise price (Baht per share)	Exercise right (warrant per ordinary share)	The number of exercised warrants (Million units)	The number of unexercised warrants (Million units)	Last exercise date of warrants
September 29, 2006	66.50	1 : 1	6.46	22.54	September 28, 2011

**IRPC**

IRPC issued and offered warrants under the Employee Stock Ownership Plan (ESOP) as follows:

Date of issue and offer of warrants	Exercise price (Baht per share)	Exercise right (warrant per ordinary share)	The number of exercised warrants (Million units)	The number of unexercised warrants (Million units)	Last exercise date of warrants
June 29, 2007	2.88	1 : 1	-	907.81	June 28, 2011
September 28, 2007	2.88	1 : 1	-	39.64	September 27, 2011
			-	947.45	

**BCP**

BCP issued and offered convertible bonds to institutional investors and companies as follows:

Date of issue and offer of Convertible bonds	Exercise price (Baht per share)	Exercise right (convertible bond per ordinary share)	The number of exercised convertible bonds (Million units)	The number of unexercised convertible bonds (Million units)	Last exercise date of convertible bonds
January 29, 2004	14.30	1 : 699	127.50	152.10	September 30, 2013
May 16, 2006	14.00	1 : 714	-	41.81	-
			127.50	193.91	

BCP issued and offered warrants under the Employee Stock Ownership Plan (ESOP) as follows:

Date of issue and offer of warrants	Exercise price (Baht per share)	Exercise right (warrant per ordinary share)	The number of exercised warrants (Million units)	The number of unexercised warrants (Million units)	Last exercise date of warrants
August 25, 2004	5.00	1 : 1	-	24.00	August 24, 2009
May 15, 2006	18.00	1 : 1	0.06	69.03	May 14, 2011
			0.06	93.03	

## 26. Sales and Services

Sales and services for the years ended December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Oil products	1,116,461.56	870,590.63	1,073,812.17	883,609.72
Gas products	255,932.18	223,916.98	274,003.93	248,221.81
Petrochemical products	124,393.92	122,261.20	59,728.47	55,200.76
Utility products	5,459.20	3,608.12	-	-
Services	6,088.52	6,457.06	-	-
Less : Petroleum royalties and remuneration	12,529.16	12,848.71	-	-
Total	1,495,806.22	1,213,985.28	1,407,544.57	1,187,032.29

Sales and services for the years ended December 31, 2007 and 2006 include sales to government agencies and state enterprises amounting to Baht 110,975.60 million (2006: Baht 97,954.89 million) in the consolidated financial statements, and Baht 110,379.65 million (2006: Baht 97,184.52 million) in the Company's financial statements.

## 27. Other Income

Other income for the years ended December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Interest income	3,671.74	3,396.65	2,417.34	1,783.70
Penalty income	337.65	379.93	329.40	574.44
Transportation income	4,613.40	5,252.20	4,693.53	6,075.48
Dividend income	364.11	493.12	19,515.85	18,016.98
Compensation for loan interest on advance payments for gas purchased	-	3,544.26	-	3,544.26
Gain on foreign exchange	5,392.38	9,924.88	3,547.51	4,944.11
Others	3,359.32	2,228.78	2,728.39	1,980.44
Total	17,738.60	25,219.82	33,232.02	36,919.41

Compensation for loan interest on advance payments for gas purchased (Take-or-Pay) represents the Company's compensation received from the Electricity Generating Authority of Thailand (EGAT) and Independent Power Plants (IPPs) to absorb interest on loans raised by the Company for the advance payments for gas purchased.

## 28. Share of Net Income from Investments under the Equity Method

The share of net income from investments under the equity method for the years ended December 31, 2007 and 2006 includes share of gain (loss) on foreign exchange as follows:

Unit : Million Baht	Consolidated	
	2007	2006
Share of net income before gain (loss) on foreign exchange	28,083.45	15,312.53
Add share of gain (loss) on foreign exchange	2,996.78	3,826.92
Total	31,080.23	19,139.45

## 29. Operating Income

The following expenditure items, classified by natures, were charged in arriving at the operating income for the years ended December 31, 2007 and 2006:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Gain (loss) on foreign exchange	5,392.38	9,924.88	3,547.51	4,944.11
Depreciation of property, plant and equipment				
- Owned assets	24,759.86	25,311.26	5,148.71	6,187.76
- Leased assets under finance leases	186.37	146.79	127.74	86.81
Amortization of intangible assets				
- Goodwill (negative goodwill)	2,313.84	(1,516.78)	-	-
- Other intangible assets	1,189.92	616.29	877.75	368.32
Reversal of loss on impairment of property, plant and equipment				
- Current operations	(115.13)	(4.48)	(504.67)	(4.48)
Staff costs	10,470.89	9,626.18	5,222.09	4,753.42

## 30. Interest Expenses

Interest expenses for the years ended December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Loans from financial institutions	1,985.64	2,701.69	942.66	1,014.89
Bonds	8,248.51	7,458.83	6,673.87	5,667.09
Liabilities from finance leases	51.58	32.10	34.06	18.79
Others	172.92	193.93	-	0.18
Total	10,458.65	10,386.55	7,650.59	6,700.95



### 31. Segment Information

The financial information by business segment presented in the consolidated financial statements for the years ended December 31, 2007 and 2006 are as follows:

#### Consolidated

For the year ended December 31, 2007

Unit : Million Baht

	Unit : Million Baht	Exploration, production and natural gas					Total	
		Petroleum exploration				Elimi- nation		
		Oil	Natural gas	and production	Petro- chemicals			Others
Sales - others	1,199,773.29	221,729.81	18,318.52	68,513.76	-	-	1,508,335.38	
- related parties	9,296.29	45,678.63	75,740.35	2,235.66	-	(132,950.93)	-	
Petroleum royalties and remuneration	-	-	(12,529.16)	-	-	-	(12,529.16)	
Net sales	1,209,069.58	267,408.44	81,529.71	70,749.42	-	(132,950.93)	1,495,806.22	
Gross margin	14,815.21	53,708.24	57,630.39	19,201.57	-	(327.97)	145,027.44	
EBITDA	8,607.16	54,685.08	66,849.52	19,751.21	(2,481.98)	(65.47)	147,345.52	
Depreciation and amortization	2,551.80	5,135.33	15,970.41	2,771.93	153.00	1,867.52	28,449.99	
EBIT	6,055.36	49,549.75	50,879.11	16,979.28	(2,634.98)	(1,932.99)	118,895.53	
Share of net income (loss) from investments under equity method	0.13	14.63	(21.47)	173.11	57,426.94	(26,513.11)	31,080.23	
Interest - net							(6,786.91)	
Other income							9,219.58	
Gain on foreign exchange							5,392.38	
Income taxes							(41,419.08)	
Expenses from judgment of Supreme Administrative Court							(2,824.66)	
Minority interests							(15,753.48)	
Net Income							97,803.59	
Segment assets	207,869.18	228,575.66	179,590.79	10,063.47	75,232.19	-	701,331.29	
Inter-company assets	6,944.08	5,483.36	10,051.61	0.82	29,211.48	(51,691.35)	-	
Investments under equity method	1.36	16,645.61	397.24	1,662.84	267,888.19	(96,644.05)	189,951.19	
Total segment assets	214,814.62	250,704.63	190,039.64	11,727.13	372,331.86	(148,335.40)	891,282.48	
Non-allocated assets							1,068.99	
Total Assets							892,351.47	
Segment liabilities	154,537.35	52,310.97	64,366.67	3,833.50	203,913.46	-	478,961.95	
Inter-company liabilities	14,633.83	24,190.23	4,376.03	5.71	8,485.55	(51,691.35)	-	
Total segment liabilities	169,171.18	76,501.20	68,742.70	3,839.21	212,399.01	(51,691.35)	478,961.95	
Non-allocated liabilities							14,738.00	
Total Liabilities							493,699.95	
Capital Expenditure	2,876.85	23,174.19	41,203.13	28,401.90	3,439.47	-	99,095.54	

**Consolidated**

For the year ended December 31, 2006

Unit : Million Baht

Unit : Million Baht	Exploration, production and natural gas							
	Petroleum exploration							Total
	Oil	Natural gas	and production	Refining	Petro- chemicals	Others	Elimi- nation	
Sales - others	930,391.06	192,554.24	19,566.30	12,288.59	72,033.80	-	-	1,226,833.99
- related parties	65,051.46	52,129.69	69,701.06	64,100.51	4,642.27	-	(255,624.99)	-
Petroleum royalties and remuneration	-	-	(12,848.71)	-	-	-	-	(12,848.71)
Net sales	995,442.52	244,683.93	76,418.65	76,389.10	76,676.07	-	(255,624.99)	1,213,985.28
Gross margin	12,655.18	43,874.67	55,308.48	5,907.21	24,179.67	-	(443.28)	141,481.93
EBITDA	5,003.40	44,805.96	63,313.21	6,468.88	24,334.12	(619.55)	(631.17)	142,674.85
Depreciation and amortization	2,054.19	5,571.19	14,898.52	740.83	2,691.66	48.22	750.42	26,755.03
EBIT	2,949.21	39,234.77	48,414.69	5,728.05	21,642.46	(667.77)	(1,381.59)	115,919.82
Share of net income (loss) from investments under equity method	0.17	80.24	(8.66)	-	215.16	52,537.61	(33,685.07)	19,139.45
Interest - net								(7,219.79)
Other income								12,031.36
Gain on foreign exchange								9,924.88
Income taxes								(35,882.71)
Effect from judgment of Supreme Administrative Court								321.59
Minority interests								(18,652.41)
Net Income								95,582.19
Segment assets	132,128.60	210,207.08	149,317.62	-	116,940.40	43,113.43	-	651,707.13
Inter-company assets	1,225.95	11,182.03	8,076.58	-	719.91	1,252.30	(22,456.77)	-
Investments under equity method	1.10	197.71	419.21	-	6,554.54	229,929.12	(136,868.71)	100,232.97
Total segment assets	133,355.65	221,586.82	157,813.41	-	124,214.85	274,294.85	(159,325.48)	751,940.10
Non-allocated assets								1,251.77
Total Assets								753,191.87
Segment liabilities	71,620.30	48,747.95	52,016.14	-	27,836.82	183,070.68	-	383,291.89
Inter-company liabilities	2,998.47	6,687.30	4,215.23	-	4,588.72	3,967.05	(22,456.77)	-
Total segment liabilities	74,618.77	55,435.25	56,231.37	-	32,425.54	187,037.73	(22,456.77)	383,291.89
Non-allocated liabilities								13,839.22
Total Liabilities								397,131.11
Capital Expenditure	2,942.95	35,314.10	39,419.21	31.63	17,061.71	2,408.94	-	97,178.54

PTT Public Company Limited

Pricing among business groups is based on normal market prices except for pricing among business groups within the Company, for which net market prices, after deducting management fees of petroleum terminals and operating fees, are applied.

EBITDA means Earnings before interest expenses, finance costs, income taxes, depreciation and amortization, including other expenses and income which are not relevant to the operations.

EBIT means Earnings before interest expenses, finance costs, income taxes, including other expenses and income which are not relevant to the operations.

The Group categorizes segments for major businesses as follows:

#### Oil Business

The Group operates oil business in both domestically and overseas. This business can be categorized into two income generating activities as follows:

1. Oil marketing: marketing of fuel oil and lubricant products through retail, commercial, and international markets.
2. International oil trading: importation and exportation crude oil, fuel oil products, raw materials and petrochemical products.

#### Exploration, Production and Natural Gas Business

The Group operates a fully-integrated exploration, production and gas business the activities of which can be categorized as follows:

1. Natural Gas Business: including procurement, natural gas pipeline transmission, and natural gas separation and distribution in both domestic and overseas markets.
2. Petroleum Exploration and Production Business: The Group operates its petroleum exploration and production petroleum business in both domestic and overseas markets. The Group is the operator and jointly invests with the leading exploration and production companies. Most domestic projects are located in the Gulf of Thailand. Overseas projects cover the Asia Pacific and Middle East regions.

#### Refining Business

The Group operates refining business, including the processing and distribution of finished oil products to serve both domestic and overseas customers.

#### Petrochemical Business

The Group operates petrochemical business including the procurement of feedstock for petrochemical plants, and the production and distribution of main petrochemical products and by-products for both domestic and overseas markets.

Other operations of the Group mainly comprises of other segments, none of which constitutes separately reportable segments.

## **32. Disclosure of Financial Instruments**

The principal financial risks faced by the Company are those associated with fluctuations in exchange rates, interest rates, and oil and gas market prices. A certain portions of sales, purchases and borrowing transactions are denominated in foreign currencies. The Company borrows at both fixed and floating interest rates to finance its operations. Accordingly, the Company's management has entered into derivative instrument contracts to cover all these risks. The strategies used for hedging risks are forward foreign exchange contracts, and cross-currency and interest rate swap contracts. Risk exposure relating to oil market prices is managed by forward oil contracts.

The department responsible for managing exposure to exchange rate risks and fluctuations in oil and gas market prices has to report to management the details of the costs and market prices of all financial instruments, including outstanding forward foreign exchange contracts and forward oil and gas contracts. The reported information principally covers risk exposure from:

- foreign exchange rates
- currencies and interest rates
- interest rates
- fluctuations in oil and gas market prices
- credit risks

### 32.1 Risks from Foreign Exchange Rates

During the year ended December 31, 2007, the Company entered into forward bought foreign exchange contracts to settle for payment for the procurement of raw materials and the repayment of foreign loans amounting to USD 630 million or equivalent to approximately Baht 21,236.95 million, maturing within January and March 2008. The Company entered into forward sold foreign exchange contracts to pay for the import of finished oil amounting to USD 109.46 million or equivalent to approximately Baht 3,703.34 million, maturing in January 2008.

Receivable amounts and exchange rates of the forward foreign exchange contracts as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Forward bought foreign exchange contracts				
At the rate of Baht 33.3970 - 44.0560 = 1 USD	22,454.28	7,217.28	21,236.95	5,854.99
Forward sold foreign exchange contracts				
At the rate of Baht 33.3014 - 39.3500 = 1 USD	3,703.34	2,934.15	3,703.34	2,925.37

### 32.2 Risks from Currencies and Interest Rates

The Group entered into cross-currency and interest rate swap contracts. The terms of the outstanding cross-currency and interest rate swap contracts as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
- Baht 4,040 million/USD 100 million	-	3,623.08	-	3,623.08
- USD 50 million/Baht 1,695 million	1,695.00	-	1,695.00	-
- Yen 36,000 million/USD 290.51 million	9,843.93	-	9,843.93	-
- USD 60.82 million/Baht 2,500 million	-	2,203.82	-	-
- USD 193.28 million/Yen 23,000 million	-	7,002.59	-	-
Total	11,538.93	12,829.49	11,538.93	3,623.08

The maturity of contracts can be analyzed as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Later than 1 year but not later than 5 years	-	7,002.59	-	-
Later than 5 years	11,538.93	5,826.90	11,538.93	3,623.08
Total	11,538.93	12,829.49	11,538.93	3,623.08

### 32.3 Risks from Interest Rates

The Group entered into interest rate swap contracts. The terms of the outstanding interest rate swap contracts as at December 31, 2007 and 2006 are as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Interest rate swap contracts to swap floating for fixed rate in Baht currency	8,500.00	504.13	-	-
Interest rate swap contracts to swap floating for fixed rate in USD currency	4,703.24	5,028.83	-	-
Total	13,203.24	5,532.96	-	-

The maturity of the contracts can be analyzed as follows:

Unit : Million Baht	Consolidated		The Company	
	2007	2006	2007	2006
Later than 1 year but not later than 5 years	7,379.26	264.13	-	-
Later than 5 years	5,823.98	5,268.83	-	-
Total	13,203.24	5,532.96	-	-

### 32.4 Risks from Fluctuations in Oil Market Prices

As at December 31, 2007, the outstanding forward oil contracts that the Company entered into had a maturity period within July 2008. The volume of oil according to such contracts is 1.71 million barrels.

### 32.5 Credit Risks

Credit risks arise when customers do not comply with the terms and conditions of credit agreements, causing financial losses to the Company. However, the Company has managed risks by adjusting its credit policies according to current economic situation, focusing cash sales to retail customers and assessing credit risks of each customer group, determining procedures for risk prevention and reduction, including rating credit for all trading partners of the Company.

### 32.6 Fair Value of Financial Instruments

Most financial assets and liabilities of the Group are classified as short-term. The fair values of financial assets and liabilities approximate their carrying values.

The Group calculates the fair values of long-term loans and fixed interest rate bonds using the discounted cash flow method based on the discounted rates of those with similar borrowing conditions, and the fair values of forward foreign exchange contracts, cross-currency and interest rate swap contracts and participating swap contracts using the exchange rates determined by the Group's banks as if those contracts were cancelled as at the balance sheet dates. The fair values of forward oil and gas price contracts are presented using their quoted market prices as at December 31, 2007 and 2006 as follows:

Unit : Million Baht	Consolidated			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term loans - Baht currency	51,170.00	52,901.25	65,198.88	66,057.69
Long-term loans - Foreign currencies	27,733.35	27,551.76	29,706.99	29,503.85
Secured unsubordinated bonds				
- Baht currency	-	-	3,314.28	3,279.36
Unsecured unsubordinated bonds				
- Baht currency	108,353.00	108,710.59	70,618.00	74,306.70
Unsecured unsubordinated bonds				
- Foreign currencies	33,104.55	36,093.26	50,329.75	47,029.35
Forward bought foreign exchange contracts	-	32.51	-	27.84
Forward sold foreign exchange contracts	-	13.06	-	0.42
Cross-currency and interest rate				
swap contracts	-	1,368.96	-	690.45
Participating swap contracts	-	(253.92)	-	(345.36)
Forward oil contracts	-	57.48	-	7.73

Unit : Million Baht	The Company			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term loans - Baht currency	50,400.00	52,131.25	55,400.00	56,258.81
Long-term loans - Foreign currencies	18,882.41	18,700.82	20,243.86	20,040.72
Unsecured unsubordinated bonds				
- Baht currency	89,853.00	90,351.85	70,118.00	73,806.70
Unsecured unsubordinated bonds				
- Foreign currencies	33,104.55	36,093.26	30,309.76	26,908.92
Forward bought foreign exchange contracts	-	25.83	-	21.02
Forward sold foreign exchange contracts	-	13.06	-	0.56
Cross-currency and interest rate				
swap contracts	-	1,126.28	-	353.29
Participating swap contracts	-	(253.92)	-	(345.36)
Forward oil price contracts	-	57.48	-	(11.35)

### 33. Dividend Payment

On April 30, 2007, the Annual Shareholders' meeting of the Company approved the dividend payment for the year 2006 of Baht 10.50 per share, amounting to Baht 29,451.12 million. On September 22, 2006, the Company paid the interim dividends for the operating results of the first half of 2006 at Baht 5.00 per share amounting to Baht 14,023 million. The remaining dividends of Baht 5.50 per share amounting to Baht 15,428.12 million were paid on May 15, 2007.



On August 31, 2007, the Company's board of directors' meeting No. 8/2007 approved the interim dividend payments for the operating results of the first half of 2007 at Baht 5.00 per share, amounting to Baht 14,065.95 million. The Company paid the dividends on September 28, 2007.

### 34. Business Acquisition

On May 25, 2007, the Company acquired and established a new subsidiary, PTT Retail Business Company Limited (PTTRB) with 100% interest to acquire the entire retail petroleum business of ConocoPhillips in Thailand. The acquisition date was June 28, 2007, as discussed in Note 11.7.

Details of the net assets acquired and goodwill are as follows:

	Unit : Million Baht
Consideration	9,528.80
<u>Less</u> Fair value of net assets acquired	5,525.98
Goodwill	4,002.82

The assets and liabilities derived from the acquisition are as follows:

	Unit : Million Baht
Cash and cash equivalents	802.30
Current investments	15.34
Accounts receivable	221.08
Inventories and supplies	633.92
Other current assets	140.52
Property, plant and equipment ( <i>Note 13</i> )	3,355.52
Intangible assets ( <i>Note 14</i> )	1,092.24
Other non-current assets	1,294.28
Accounts payable	(1,773.35)
Accrued expenses	(88.71)
Other current liabilities	(30.28)
Other non-current liabilities	(136.88)
Fair value of net assets	5,525.98
<u>Less</u> Purchase consideration	9,528.80
Goodwill	4,002.82

### 35. Business Disposal

Since November 9, 2007, the status of PTCH has changed from subsidiary of PTT to associate. Consequently, the statuses of PTICT, PTUT, and PPCL also changed from subsidiary to associate as discussed in Note 11.7. The effect of this business disposal is as follows:

Unit : Million Baht	PTTCH	PTTICT	PTTUT	PPCL	Total
Cash and cash equivalents	24,419.50	123.12	1,028.63	307.69	25,878.94
Accounts receivable	10,133.13	248.73	149.51	-	10,531.37
Inventories and supplies	5,535.48	-	82.11	-	5,617.59
Other current assets	1,579.21	31.96	521.79	372.54	2,505.50
Investments accounted for under the equity method	6,287.55	-	-	-	6,287.55
Property, plant and equipment (Note 13)	71,126.09	27.71	8,575.56	6,082.48	85,811.84
Intangible assets (Note 14)	4,946.30	3.48	8.80	2.79	4,961.37
Deferred tax assets (Note 15)	0.81	-	-	-	0.81
Other non-current assets	888.37	1.70	186.29	4.12	1,080.48
Bank overdrafts and short-term loans from financial institutions	(57.34)	-	-	-	(57.34)
Accounts payable	(10,435.86)	(198.29)	(1,146.43)	(19.20)	(11,799.78)
Current portion of long-term loans	(2,423.71)	(4.14)	(0.76)	(3.34)	(2,431.95)
Income tax payable	(990.48)	-	-	-	(990.48)
Accrued expenses	(415.50)	(17.74)	(25.78)	(2.10)	(461.12)
Other current liabilities	(1,900.22)	(71.75)	(174.40)	(1,358.67)	(3,505.04)
Long-term loans	(19,180.62)	(15.45)	(3,431.25)	(3,008.22)	(25,635.54)
Deferred tax liabilities (Note 15)	(636.22)	-	-	-	(636.22)
Other non-current liabilities	(135.09)	(1.04)	(192.42)	-	(328.55)
Net shareholders' equity	88,741.40	128.29	5,581.65	2,378.09	96,829.43
<u>Less</u> Minority interests as at the date of disposal	35,144.42	102.63	3,348.99	1,426.85	40,022.89
Investments accounted for under the equity method as at the date of disposal	53,596.98	25.66	2,232.66	951.24	56,806.54
<u>Less</u> Outstanding investment after business disposal	48,226.02	25.66	2,232.66	951.24	51,435.58
Investment disposed of (Note 11.7)	5,370.96	-	-	-	5,370.96

### 36. Reclassification

For comparative purposes, the Group has reclassified certain items in the consolidated and the Company's financial statements for the year ended December 31, 2006 to ensure consistency with the presentation in the consolidated and the Company's financial statements for the year ended December 31, 2007.

### 37. Promotional Privileges

The Company received promotional privileges from the Board of Investments (BOI) under the Investment Act, B.E. 2520 (1977) for the following projects: Gas Separation Plant Unit # 5 project, the third gas offshore and onshore pipeline project, the Sai Noi - South Bangkok Power Plant gas pipeline project, the Songkhla Power Plant gas pipeline project, the District Cooling and Cogeneration at Future Park Rangsit project, the Ethane Separation Plant project, the Suvarnabhumi - Phayathai NGV gas distribution pipeline project, the Gas Separation Plant Unit # 6 project, the gas distribution pipelines to the Rojana Industrial Park project, Enco combined heat and power plant project, and Bangchak utility project. The promotional privileges include exemption from import duties for the machinery approved by the BOI and corporate income tax exemption on the net income from the promoted business for a period eight years starting from the date on which the first sale is realized.

The sales from the promoted and non-promoted businesses for the years ended December 31, 2007 and 2006 are as follows:

Unit : Million Baht	The Company	
	2007	2006
Promoted business	40,922.45	38,014.36
Non-promoted business	1,366,622.12	1,149,017.93
Total	1,407,544.57	1,187,032.29

Some subsidiaries and joint ventures received promotional privileges from the BOI under the Investment Act, B.E. 2520 (1977) as follows:

HMC received promotional privileges for its business with respect to the production of chemicals from petroleum. The promotional privileges include exemption from various taxes and duties approved by the BOI, corporate income tax exemption on the net income from promoted business for eight years starting from the date on which the first sale is realized, and 50% corporate income tax exemption on the net income from the promoted business for five years starting from the expiry date of the corporate income tax exemption.

PTTNGD received promotional privileges which include corporate income tax exemption on the net income from the promoted business for eight years starting from the date on which the first sale is realized, and exemption from import duties for the machinery approved by the BOI.

TTM (T) received promotional privileges for its public utility and basic services business Category 7.1 and natural gas transmission pipeline business Category 7.7. The promotional privileges include exemption from various taxes and duties approved by the BOI, and corporate income tax exemption not exceeding Baht 13,724 million on the net income from the promoted business for eight years starting from the date on which the first sale is realized. The amount of tax exemption is adjusted in accordance with the investment excluding land and effective working capital on the date of initial operation. The promotional privileges also include 50% of corporate income tax exemption on the net income from the promoted business for five years starting from the expiry date of the corporate income tax exemption, and exemption from import duties for the machinery approved by the BOI.

DCAP received promotional privileges for its public utility and basic services business Category 7.1. The promotional privileges include exemption from various taxes and duties approved by the BOI and corporate income tax exemption.

As the Group has received promotional privileges from the BOI, it has to comply with all conditions and regulations for the promoted operations as stipulated in the Promotional Certificates.

### 38. Compliance with the Judgment of the Supreme Administrative Court

On August 31, 2006, the Foundation for Consumers and a group of individuals totalling 5 persons (the "Claimants") filed a petition to the Supreme Administrative Court (the Court), naming the Cabinet, the Prime Minister and the Minister of Energy as respondents (the "Respondents"), seeking the court to order the revocation of two Royal Decrees issued under the Corporatization Act B.E. 2542 (A.D. 1999) in relation to the privatization of the Petroleum Authority of Thailand to PTT Public Company Limited. The Company later filed a petition to be a respondent.

On December 14, 2007, the Court rendered a judgment as per the red case no.f. 35/2550, as follows:

- (1) The Court rejected the request of the Claimants for revocation of the Royal Decree Determining the Powers, Rights and Benefits of PTT Public Company Limited B.E. 2544 (A.D. 2001), as amended by the Royal Decree Determining the Powers, Rights and Benefits of PTT Public Company Limited (No. 2) B.E. 2550 (A.D. 2007) and the revocation of the Royal Decree Determining the Time for Repealing the Laws Governing the Petroleum Authority of Thailand B.E. 2544 (A.D. 2001).
- (2) The Court ordered the respondents to jointly separate the assets that are public domain property, the rights to use land for laying the petroleum pipeline networks, as well as to separate the powers and rights that belong to the state from the powers and rights of the Company. Such separation must be completed before the appointment of the Energy Industry Supervisory Committee in accordance with the Energy Industry Act B.E. 2550 (A.D. 2007).

The principle used for the separation of assets, powers and rights under the Court's judgment is to separate the assets acquired by the corporatization of the Petroleum Authority of Thailand (the "Petroleum Authority") on the date of incorporation of PTT Public Company Limited on October 1, 2001, consisted of:

- (1) Land that the Petroleum Authority acquired by using the funds of the State and exercising expropriation rights, of which the Court ruled that such land is public domain property and the State's treasury.
- (2) Rights over private land used for laying the petroleum pipeline networks which the Petroleum Authority exercised the public powers which was an act as a governmental organization that forced over the private property and paid compensation by using the State's property.
- (3) Assets being natural gas pipelines and equipments that are composed to be parts of the natural gas pipeline networks, which are considered as assets derived from the Petroleum Authority's exercise of the public powers over private land, using the funds of the Petroleum Authority to compensate the owners or those who had possession rights over the land.

The Company still has the rights to use these separated assets. However, the Company has to pay for compensation stipulated by the Ministry of Finance. The compensation shall be paid after the Treasury Department and the Company have entered into the agreement.

On December 25, 2007, the Office of the Supreme Administrative Court sent a letter to the Respondents asking for the progress of the compliance with the judgment of the court in order to subsequently report to the Court. The Company sent reports of the progress of compliance with the judgment of the Court as follows:

- First time: On January 11, 2008, the Company clarified on the separation of public powers that from an enactment of the Energy Industry Act B.E. 2550 (A.D. 2007), which was effective on December 11, 2007, the Company has no public powers any more.
- Second time: On January 31, 2008, the Company submitted the list of assets of the Petroleum Authority as at September 30, 2001, which were transferred to the Ministry of Finance.
- Third time: On February 14, 2008, the Company reported about the actions taken between the Company and the Treasury Department pertaining to the assets transferred to the Ministry of Finance under the Court's judgment and the execution of the Memorandum of Understanding regarding prescribing the criterion for charging compensation for the use of the assets transferred to the Ministry of Finance.

On February 1, 2008, the Company submitted a petition to the Court seeking for an extension of time to comply with the Court's judgment for an additional period of 30 days from the date His Majesty the King has appointed the Energy Industry Supervisory Committee. The Court approved the Company's petition as requested. His Majesty the King appointed the Energy Industry Supervisory Committee on February 1, 2008, therefore, the compliance with the judgment of the Court shall be completed on March 2, 2008.

Due to the compliance with the judgment regarding the assets separation discussed above, the Company made correction for accounting errors in the financial statements for the year ended December 31, 2007, as discussed in Note 3.3.

On February 1, 2008, the Treasury Department and the Company executed a Memorandum of Understanding regarding prescribing the criterion for charging compensation for the use of assets transferred to the Ministry of Finance. The details are as follows:

- (1) The calculation principle of the compensation for separated assets is based on the revenue sharing concept from the throughput revenues of the natural gas pipelines that are transferred to the Ministry of Finance.
- (2) Compensation for the use of separated assets is set at the progressive rate in which the minimum annual rental fee to be paid to the Ministry of Finance is Baht 180 million and the maximum is Baht 550 million.

The Treasury Department and the Company will employ agreements under the Memorandum of Understanding as principles for setting up a lease agreement to be entered into later.

At the beginning, the Company has to pay compensation for the assets use including non-compound interest of 7.5% per annum. The first payment will be made after the lease agreement is signed by the Treasury Department and the Company.

The estimated expenses pertaining to compliance with the judgment of the Court which were accounted in the Income Statement for the year ended December 31, 2007, are as follows:

	Unit : million Baht
Compensation for the use of separated assets from October 2001 to December 2007	1,330.08
Interest paid on the compensation	238.62
Related corporate income taxes	1,255.96
Decrease in net income	<u>2,824.66</u>

## 39. Commitments and Contingent Liabilities

### 39.1 Commitments to subsidiaries, associates, joint ventures and other related companies are as follows:

According to a condition with a financial institution, the Company entered into two Shareholder's Commercial Support Arrangements with its two associates with credit limits of USD 100 million and USD 90 million, respectively. The Company has obligations under these arrangements in the form of extension of credit for raw materials and/or advance product payments. As at December 31, 2007, the commercial credit lines were not used.

The Company has an obligation with a subsidiary in a foreign country under a commercial credit agreement in the form of extension of credit for raw materials with a credit limit of USD 100 million. As at December 31, 2007, the commercial credit line was used up.

The Company has entered into Sponsor Support Agreements with two joint ventures with a credit limit equal to the loan obligations of the two joint ventures to a financial institution. As at December 31, 2007, the Company had the remaining commitment of USD 261.30 million or approximately Baht 8,854.15 million.

The Company has provided a loan to a subsidiary according to the Company's shareholding percentage with a credit limit of Baht 1,600 million. As at December 31, 2007, the Company has provided the loan amount of Baht 1,200 million to the subsidiary. The remaining credit is Baht 400 million.

As at December 31, 2007, the Group had obligations under various Shareholder Agreements to pay for ordinary shares totalling Baht 2,837.83 million in the consolidated financial statements and in the Company's financial statements.

**39.2** As at December 31, 2007, the Group and the Company had contingent liabilities in the form of letters of guarantee amounting to Baht 1,028.62 million in the consolidated financial statements and Baht 173.75 million in the Company's financial statements.

**39.3** As discussed in Note 38, the Company has commitments to comply with the judgment of the Supreme administrative Court (the Court). Occasionally, the Company has reported the progress of its procedures to comply with the judgment as well as submitted related documents to the Office of the Administrative Court. Currently, the compliance procedures are under consideration of the Office of the Administrative Court with respect to the enforcement to comply with the Court's judgment.

## 40. Subsequent Events

**40.1** On January 21, 2008, a subsidiary of PTTEP received the government approval to change its participation interest in the L21, 28 and 29/48 Projects from 100% to 70%.

**40.2** On February 3, 2008, the Company had signed the Head of Agreement (HOA) with Qatargas Operating Company Limited (Qatargas) (a company which is 70% held by the Government of Qatar), for the long-term purchase of Liquefied Natural Gas (LNG) in total volume of 1 million tons per annum. Under the HOA, the LNG will be supplied into PTT LNG Receiving Terminal, located in Tambon Map Ta Phut, Amphoe Mueang, Rayong Province. The terminal construction completion and import of LNG will be in the year 2011.

**40.3** PTTGE, by the approval of PTT's Board of Directors, signed the Share Purchase Agreement (SPA) for the acquisition of 95% interest of business of PT. Mitra Aneka Rezeki (PT. MAR), a company registered in the Republic of Indonesia, from the existing shareholders of PT. MAR in an amount of USD 14.725 million, or equivalent to approximately Baht 490 million. The acquisition is done through Kalimantan Thai Palm Pte., Ltd. (KTP), a company registered in the Republic of Singapore of which PTTGE has 100% interest. On February 6, 2008, PTTGE, KTP and PT. MAR have fulfilled the conditions precedent of the SPA and PTTGE has made certain payments for the acquisition and the existing shareholders of PT. MAR transferred shares of 95% in PT. MAR to PTTGE (by KTP). PTTGE (by KTP) will make additional payments according to the agreement, the final payment will be made when all the conditions under the agreement are fulfilled. At present, PT. MAR's paid up capital is Indonesian Rupiah (IDR) 5,000 million (equivalent to approximate Baht 20 million) which consists of 5,000 million ordinary shares at 1,000,000 IDR per share. PT. MAR owns the permit to operate palm oil plantation and produce crude palm

**40.4** The board of directors of the Company approved these financial statements for public issuance on February 22, 2008.



## Audit Fees of the Auditors

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### Audit Fee

PTT and subsidiaries paid for the audit fees for the latest accounting period amounting to Baht 16,767,306 (sixteen million, seven hundred and sixty-seven thousand, three hundred and six Baht.)

## Glossary of Technical Terms

AN	Acrylonitrile
API	American Petroleum Institute
bbl or bbls	barrel (s)
bbl/d	barrel (s) per day
bcf	billion cubic feet
BOE	barrel of oil equivalent
BOED	barrel of oil equivalent per day
Btu	British thermal unit
B/MMbtu	Baht/Million Btu
BZ	Benzene
-	Cyclohexane
CHP	Combined Heat and Power
CNG	Compressed Natural Gas
DCSPP	District Cooling System Power Plant
DDF	Diesel Dual Fuel
EPPO	Energy Policy and Planning Office
GDC & Cogen	Gas District Cooling and Cogeneration
IPP	Independent Power Producer
JDA	Joint Development Area
Kbd or KBbl/d	thousand barrels per day
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LPG CP	Liquefied Petroleum Gas Contact Price
MEG	Monoethylene glycol
MMA	Methyl Methacrylate
MMBOE	one million barrels of oil equivalent
MMcf	one million cubic feet
MMcf/d	one million cubic feet per day
NGL	Natural Gasoline
NGV	Natural Gas for Vehicles
PP	Polypropylene
PPP	Purchasing Power Parity
PQI	Product Quality Improvement Project
PTA	Purified Terephthalic Acid
PX	Paraxylene
Rt	Refrigerated ton
SPP	Small Power Producers

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