



(TRANSLATION)  
AUDITOR'S REPORT

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

The Office of the Auditor General of Thailand has audited the accompanying consolidated and separate balance sheets of PTT Public Company Limited and its subsidiaries as at December 31, 2008 and 2007, and the related consolidated and separate 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, 2008, assets and liabilities of the above subsidiaries and joint ventures included in the consolidated financial statements constitute 21.07% and 9.26% and as at December 31, 2007 constitute 16.41% and 7.50%, 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 separate financial statements referred to above present fairly, in all material respects, the financial position of PTT Public Company Limited and its subsidiaries as at December 31, 2008 and 2007, 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.

Without qualifying an opinion on these financial statements, the Office of the Auditor General of Thailand would like to draw attention to Note 3.1 "Changes in Accounting Policy" and Note 38 "Compliance with the Judgment of the Supreme administrative Court".

(Signed) *Jaruvan Maintaka*  
(Khunying Jaruvan Maintaka)  
Auditor General

(Signed) *Poungchomnad Jariyajinda*  
(Poungchomnad Jariyajinda)  
Director of Audit Office  
For Auditor General

**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**BALANCE SHEETS**  
**AS AT DECEMBER 31, 2008 AND 2007**

Unit : Baht

	Notes	Consolidated financial statements		Separate financial statements	
		2008	2007 (Restated)	2008	2007 (Restated)
<b><u>Assets</u></b>					
<b>Current Assets</b>					
Cash and cash equivalents	4	90,818,703,116	74,958,290,312	38,150,065,625	43,184,607,043
Current investments	5	1,218,022,917	6,231,245,201	1,002,954,363	5,817,909,512
Trade accounts and notes receivable - others, net	6	66,879,456,945	116,935,784,153	55,739,064,784	101,268,825,980
Trade accounts receivable - related parties, net	7.1, 36	31,211,604,812	76,934,637,575	39,227,561,022	88,167,302,137
Other accounts receivable, advances and short-term loans - related parties, net	7.2	800,619,203	1,392,778,014	20,593,478,703	29,686,760,490
Inventories	8	14,687,585,362	13,522,236,295	10,155,987,385	9,443,951,828
Materials and supplies, net	9	9,003,800,322	6,374,453,209	2,393,447,266	1,992,679,553
Other current assets	10	28,576,455,776	18,468,602,600	18,291,482,037	12,889,788,670
<b>Total Current Assets</b>		<b>243,196,248,453</b>	<b>314,818,027,359</b>	<b>185,554,041,185</b>	<b>292,451,825,213</b>
<b>Non-current Assets</b>					
Investments in subsidiaries, jointly controlled entities and associates	11.3, 11.4	179,286,625,855	189,951,194,566	154,564,037,971	135,615,186,388
Other long-term investments, net	12	7,784,740,062	3,170,869,600	6,643,230,433	2,527,134,890
Other accounts receivable, advances and long-term loans - related parties, net	7.3	6,500,339,781	6,243,742,753	19,841,102,981	9,040,529,953
Property, plant and equipment, net	13, 36	375,754,770,225	315,143,111,074	169,656,146,521	146,272,119,905
Intangible assets, net	14	20,481,051,174	20,094,265,580	17,226,078,162	17,819,371,585
Goodwill, net	3.1, 15	12,107,218,932	12,432,055,444	-	-
Deferred tax assets	16.2, 36	1,550,910,747	1,354,375,158	1,544,507,731	1,342,128,543
Advance payment for gas purchased	17	24,055,928,196	12,702,079,331	26,590,360,944	15,761,742,592
Other non-current assets	18, 36	14,486,892,395	15,614,329,415	7,923,259,618	12,245,528,680
<b>Total Non-current Assets</b>		<b>642,008,477,367</b>	<b>576,706,022,921</b>	<b>403,988,724,361</b>	<b>340,623,742,536</b>
<b>Total Assets</b>		<b>885,204,725,820</b>	<b>891,524,050,280</b>	<b>589,542,765,546</b>	<b>633,075,567,749</b>

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

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT DECEMBER 31, 2008 AND 2007

		Unit : Baht			
		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
Notes	2008	2007	2008	2007	
		(Restated)		(Restated)	
<b><u>Liabilities and Shareholders' Equity</u></b>					
<b>Current Liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	19	6,201,731,242	5,768,059,372	-	1,500,000,000
Trade accounts payable - others		72,319,265,824	116,525,553,116	63,291,335,687	110,166,953,840
Trade accounts payable - related parties	7.4, 36	15,395,794,997	44,760,619,634	28,642,353,686	56,575,681,871
Other accounts payable - related parties	7.5	417,907,174	1,871,060,606	385,170,439	2,138,621,461
Current portion of long-term loans	21	10,774,759,569	8,611,832,774	10,039,406,554	8,525,328,743
Short-term loans - others		3,819,163,821	626,872,500	-	-
Income tax payable		26,478,174,379	26,849,596,698	238,415,556	10,251,830,715
Accrued expenses		29,537,889,443	28,177,144,111	11,306,976,083	12,380,415,523
Other current liabilities	20	15,101,564,596	10,581,100,479	10,102,539,861	6,732,879,934
<b>Total Current Liabilities</b>		<b>180,046,251,045</b>	<b>243,771,839,290</b>	<b>124,006,197,866</b>	<b>208,271,712,087</b>
<b>Non-current Liabilities</b>					
Other long-term accounts payable - related parties	7.6	772,269,336	-	798,723,797	86,749,471
Long-term loans	21	228,362,517,613	212,387,288,702	196,710,765,012	184,289,114,087
Deferred tax liabilities	16.2, 36	19,924,960,086	15,023,388,623	4,321,910,385	512,998,774
Provision for decommissioning costs	22	16,309,665,236	10,990,904,837	-	-
Deposits on LPG cylinders		5,042,493,793	4,647,662,493	5,042,493,793	4,647,662,493
Other non-current liabilities	23	4,211,066,608	6,051,447,496	3,676,130,572	5,228,594,106
<b>Total Non-current Liabilities</b>		<b>274,622,972,672</b>	<b>249,100,692,151</b>	<b>210,550,023,559</b>	<b>194,765,118,931</b>
<b>Total Liabilities</b>		<b>454,669,223,717</b>	<b>492,872,531,441</b>	<b>334,556,221,425</b>	<b>403,036,831,018</b>

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

**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**BALANCE SHEETS**  
**AS AT DECEMBER 31, 2008 AND 2007**

Unit : Baht

	Notes	Consolidated financial statements		Separate financial statements		
		2008	2007 (Restated)	2008	2007 (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	24.1	28,572,457,250	28,572,457,250	28,572,457,250	28,572,457,250	28,572,457,250
Issued and paid-up share capital						
2,824,056,625 ordinary shares of Baht 10 each	24.2	28,240,566,250	-	28,240,566,250	-	-
2,817,388,125 ordinary shares of Baht 10 each	24.2	-	28,173,881,250	-	28,173,881,250	28,173,881,250
Premium on share capital						
Premium on ordinary shares	24.2	22,801,956,166	21,624,238,766	22,801,956,166	21,624,238,766	21,624,238,766
Surplus on dilution of investments in subsidiaries and associates		3,862,091,917	3,851,325,364	-	-	-
Unrealized gain (loss) on available-for-sale securities		(398,161,828)	671,702,449	(509,353,021)	531,097,724	531,097,724
Currency translation differences		(817,508,878)	(914,236,846)	-	-	-
Retained earnings						
Appropriated						
Legal reserve	25.1	2,857,245,725	2,857,245,725	2,857,245,725	2,857,245,725	2,857,245,725
Reserve for self-insurance fund	25.2	963,259,666	928,759,399	963,259,666	928,759,399	928,759,399
Unappropriated						
		326,069,102,279	304,303,841,805	200,632,869,335	175,923,513,867	175,923,513,867
Total parent's shareholders' equity		383,578,551,297	361,496,757,912	254,986,544,121	230,038,736,731	230,038,736,731
Minority interests		46,956,950,806	37,154,760,927	-	-	-
<b>Total Shareholders' Equity</b>		<b>430,535,502,103</b>	<b>398,651,518,839</b>	<b>254,986,544,121</b>	<b>230,038,736,731</b>	<b>230,038,736,731</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>885,204,725,820</b>	<b>891,524,050,280</b>	<b>589,542,765,546</b>	<b>633,075,567,749</b>	<b>633,075,567,749</b>

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

(Signed) Prasert Bunsumpun  
(Prasert Bunsumpun)  
Chief Executive Officer & President

(Signed) Pichai Chunchavajira  
(Pichai Chunchavajira)  
Chief Financial Officer

**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS-ENDED DECEMBER 31, 2008 AND 2007**

Unit : Baht

	Notes	Consolidated financial statements		Separate financial statements	
		2008	2007 (Restated)	2008	2007 (Restated)
Sales and services	27	2,000,815,834,055	1,508,129,424,075	1,885,647,082,698	1,407,338,604,242
Cost of sales and services		1,829,820,839,386	1,351,816,451,483	1,822,228,567,934	1,343,977,563,005
<b>Gross Margin</b>		<b>170,994,994,669</b>	<b>156,312,972,592</b>	<b>63,418,514,764</b>	<b>63,361,041,237</b>
Selling and administrative expenses		37,717,419,079	31,076,075,581	29,065,237,522	20,805,160,451
Petroleum exploration expenses		8,273,388,955	3,542,833,456	-	-
Petroleum royalties and remuneration	31	17,328,157,956	12,529,163,938	-	-
<b>Income from Sales</b>		<b>107,676,028,679</b>	<b>109,164,899,617</b>	<b>34,353,277,242</b>	<b>42,555,880,786</b>
Gain (loss) on disposal of investments		(1,029,726)	8,427,999,491	48,388,956	11,843,487,091
Other income	28	19,083,023,298	17,739,341,454	44,484,516,531	33,232,763,073
Directors' remuneration	7.9	96,555,531	172,755,148	36,308,577	42,313,440
<b>Income from Operations</b>		<b>126,661,466,720</b>	<b>135,159,485,414</b>	<b>78,849,874,152</b>	<b>87,589,817,510</b>
Share of net income (loss) from investments under the equity method	29	(6,250,682,954)	31,080,228,158	-	-
<b>Income before Interests and Taxes</b>		<b>120,410,783,766</b>	<b>166,239,713,572</b>	<b>78,849,874,152</b>	<b>87,589,817,510</b>
Interest expenses	32	10,527,952,623	10,458,645,583	8,933,022,377	7,650,588,956
Income taxes	16.1	43,347,571,409	42,223,996,331	9,923,142,960	16,713,028,938
<b>Net Income</b>		<b>66,535,259,734</b>	<b>113,557,071,658</b>	<b>59,993,708,815</b>	<b>63,226,199,616</b>
<b>Attributable to:</b>					
Equity holders of the Company		51,704,800,180	97,803,593,785	59,993,708,815	63,226,199,616
Minority interests		14,830,459,554	15,753,477,873	-	-
		<b>66,535,259,734</b>	<b>113,557,071,658</b>	<b>59,993,708,815</b>	<b>63,226,199,616</b>
Basic earnings per share attributable to the equity holders of the Company	26	18.33	34.82	21.27	22.51
Diluted earnings per share attributable to the equity holders of the Company	26	18.26	34.58	21.21	22.41

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

**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS-ENDED DECEMBER 31, 2008 AND 2007**  
**CONSOLIDATED FINANCIAL STATEMENTS**

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 parent's shareholders' equity	Minority interests	Total equity
						Legal reserve	Reserve for Self-insurance Fund	Unappropriated			
<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>	<b>66,490,182,938</b>	<b>354,322,362,893</b>
Adjustment of cumulative effect of the judgment of the Supreme - Administrative Court	-	-	-	-	-	-	-	1,738,399,599	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>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>236,034,959,071</b>	<b>289,570,579,554</b>	<b>66,490,182,938</b>	<b>356,060,762,492</b>
<b>Changes in equity for the year</b>											
Currency translation differences	-	-	-	-	80,010,324	-	-	-	80,010,324	(174,433,639)	(94,423,315)
Unrealized gain on available-for-sale securities	-	-	-	208,311,129	-	-	-	-	208,311,129	-	208,311,129
Reserve for Self-insurance Fund	-	-	-	-	-	-	40,642,889	(40,642,889)	-	-	-
Net income	-	-	-	-	-	-	-	97,803,593,785	97,803,593,785	15,753,477,873	113,557,071,658
<b>Total recognized revenues and (expenses)</b>	<b>28,049,256,250</b>	<b>19,321,453,366</b>	<b>2,950,404,482</b>	<b>671,702,449</b>	<b>(914,236,846)</b>	<b>2,857,245,725</b>	<b>928,759,399</b>	<b>333,797,909,967</b>	<b>387,662,494,792</b>	<b>82,069,227,172</b>	<b>469,731,721,964</b>
Dividends paid	-	-	-	-	-	-	-	(29,494,068,162)	(29,494,068,162)	(7,275,791,088)	(36,769,859,250)
Issued and paid-up share capital	124,625,000	-	-	-	-	-	-	-	124,625,000	-	124,625,000
Premium on share capital	-	2,302,785,400	-	-	-	-	-	-	2,302,785,400	-	2,302,785,400
Surplus on dilution of investments in subsidiaries and associates	-	-	900,920,882	-	-	-	-	-	900,920,882	-	900,920,882
Effect of the dilution of investments	-	-	-	-	-	-	-	-	-	(37,638,675,157)	(37,638,675,157)
<b>Balance as at December 31, 2007</b>	<b>28,173,881,250</b>	<b>21,624,238,766</b>	<b>3,851,325,364</b>	<b>671,702,449</b>	<b>(914,236,846)</b>	<b>2,857,245,725</b>	<b>928,759,399</b>	<b>304,303,841,805</b>	<b>361,496,757,912</b>	<b>37,154,760,927</b>	<b>398,651,518,839</b>
<b>Balance as at January 1, 2008</b>	<b>28,173,881,250</b>	<b>21,624,238,766</b>	<b>3,851,325,364</b>	<b>671,702,449</b>	<b>(914,236,846)</b>	<b>2,857,245,725</b>	<b>928,759,399</b>	<b>304,303,841,805</b>	<b>361,496,757,912</b>	<b>37,154,760,927</b>	<b>398,651,518,839</b>
Cumulative effect of the changes in accounting policy	3.1	-	-	-	-	-	-	5,344,813,641	5,344,813,641	-	5,344,813,641
<b>Balance after adjustment</b>	<b>28,173,881,250</b>	<b>21,624,238,766</b>	<b>3,851,325,364</b>	<b>671,702,449</b>	<b>(914,236,846)</b>	<b>2,857,245,725</b>	<b>928,759,399</b>	<b>309,648,655,446</b>	<b>366,841,571,553</b>	<b>37,154,760,927</b>	<b>403,996,332,480</b>
<b>Changes in equity for the year</b>											
Currency translation differences	-	-	-	-	96,727,968	-	-	-	96,727,968	11,950,104	108,678,072
Unrealized loss on available-for-sale securities	-	-	-	(1,069,864,277)	-	-	-	-	(1,069,864,277)	-	(1,069,864,277)
Reserve for Self-insurance Fund	25.2	-	-	-	-	-	34,500,267	(34,500,267)	-	-	-
Net income	-	-	-	-	-	-	-	51,704,800,180	51,704,800,180	14,830,459,554	66,535,259,734
<b>Total recognized revenues and (expenses)</b>	<b>28,173,881,250</b>	<b>21,624,238,766</b>	<b>3,851,325,364</b>	<b>(398,161,828)</b>	<b>(817,508,878)</b>	<b>2,857,245,725</b>	<b>963,259,666</b>	<b>361,318,955,359</b>	<b>417,573,235,424</b>	<b>51,997,170,585</b>	<b>469,570,406,009</b>
Dividends paid	35	-	-	-	-	-	-	(35,249,853,080)	(35,249,853,080)	(5,524,770,165)	(40,774,623,245)
Issued and paid-up share capital	24.2	66,685,000	-	-	-	-	-	-	66,685,000	-	66,685,000
Premium on share capital	24.2	-	1,177,717,400	-	-	-	-	-	1,177,717,400	-	1,177,717,400
Surplus on dilution of investments in subsidiaries and associates	-	-	10,766,553	-	-	-	-	-	10,766,553	-	10,766,553
Effect of the dilution of investments	-	-	-	-	-	-	-	-	-	484,550,386	484,550,386
<b>Balance as at December 31, 2008</b>	<b>28,240,566,250</b>	<b>22,801,956,166</b>	<b>3,862,091,917</b>	<b>(398,161,828)</b>	<b>(817,508,878)</b>	<b>2,857,245,725</b>	<b>963,259,666</b>	<b>326,069,102,279</b>	<b>383,578,551,297</b>	<b>46,956,950,806</b>	<b>430,535,502,103</b>

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

**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS-ENDED DECEMBER 31, 2008 AND 2007**  
**SEPARATE FINANCIAL STATEMENTS**

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	Reserve for Self-insurance Fund	Unappropriated	
<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)
Adjustment of cumulative effect of the judgment of the 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>-</b>	<b>476,250,000</b>	<b>-</b>	<b>2,857,245,725</b>	<b>888,116,510</b>	<b>142,232,025,302</b>	<b>193,824,347,153</b>
Unrealized gain on available-for-sale securities	-	-	-	54,847,724	-	-	-	-	54,847,724
Reserve for Self-insurance Fund	-	-	-	-	-	-	40,642,889	(40,642,889)	-
Net income	-	-	-	-	-	-	-	63,226,199,616	63,226,199,616
<b>Total recognized revenues and (expenses)</b>	<b>28,049,256,250</b>	<b>19,321,453,366</b>	<b>-</b>	<b>531,097,724</b>	<b>-</b>	<b>2,857,245,725</b>	<b>928,759,399</b>	<b>205,417,582,029</b>	<b>257,105,394,493</b>
Dividends paid	-	-	-	-	-	-	-	(29,494,068,162)	(29,494,068,162)
Issued and paid-up share capital	124,625,000	-	-	-	-	-	-	-	124,625,000
Premium on share capital	-	2,302,785,400	-	-	-	-	-	-	2,302,785,400
<b>Balance as at December 31, 2007</b>	<b>28,173,881,250</b>	<b>21,624,238,766</b>	<b>-</b>	<b>531,097,724</b>	<b>-</b>	<b>2,857,245,725</b>	<b>928,759,399</b>	<b>175,923,513,867</b>	<b>230,038,736,731</b>
<b>Balance as at January 1, 2008</b>	<b>28,173,881,250</b>	<b>21,624,238,766</b>	<b>-</b>	<b>531,097,724</b>	<b>-</b>	<b>2,857,245,725</b>	<b>928,759,399</b>	<b>175,923,513,867</b>	<b>230,038,736,731</b>
Unrealized loss on available-for-sale securities	-	-	-	(1,040,450,745)	-	-	-	-	(1,040,450,745)
Reserve for Self-insurance Fund	25.2	-	-	-	-	-	34,500,267	(34,500,267)	-
Net income	-	-	-	-	-	-	-	59,993,708,815	59,993,708,815
<b>Total recognized revenues and (expenses)</b>	<b>28,173,881,250</b>	<b>21,624,238,766</b>	<b>-</b>	<b>(509,353,021)</b>	<b>-</b>	<b>2,857,245,725</b>	<b>963,259,666</b>	<b>235,882,722,415</b>	<b>288,991,994,801</b>
Dividends paid	35	-	-	-	-	-	-	(35,249,853,080)	(35,249,853,080)
Issued and paid-up share capital	24.2	66,685,000	-	-	-	-	-	-	66,685,000
Premium on share capital	24.2	-	1,177,717,400	-	-	-	-	-	1,177,717,400
<b>Balance as at December 31, 2008</b>	<b>28,240,566,250</b>	<b>22,801,956,166</b>	<b>-</b>	<b>(509,353,021)</b>	<b>-</b>	<b>2,857,245,725</b>	<b>963,259,666</b>	<b>200,632,869,335</b>	<b>254,986,544,121</b>

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



**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS-ENDED DECEMBER 31, 2008 AND 2007**

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2008	2007 (Restated)	2008	2007 (Restated)
<b>Cash Flows from Operating Activities</b>				
Net income attributable to the equity holders of the Company	51,704,800,180	97,803,593,785	59,993,708,815	63,226,199,616
Adjustment of net income to net cash provided by				
(used in) operating activities :				
Depreciation, depletion and amortization	32,169,926,635	28,450,034,837	7,388,139,470	6,154,207,389
(Reversal of) Loss on impairment of assets	69,608,549	(97,620,284)	(285,695,935)	(487,158,463)
(Gain) loss on disposal of assets	617,837,648	(29,903,400)	523,226,479	(37,701,901)
(Gain) loss on disposal of investments	1,029,726	(8,427,999,491)	(48,388,956)	(11,843,487,091)
Write-off fixed assets	(223,496,355)	(29,387,697)	(223,496,355)	(32,553,797)
Share of net income (loss) from investments				
under the equity method	6,250,682,954	(31,080,228,158)	-	-
Income attributable to minority interests	14,830,459,554	15,753,477,873	-	-
(Gain) loss on foreign exchange	4,680,125,235	(4,463,105,874)	3,830,223,929	(2,295,469,560)
(Reversal of) doubtful accounts	(46,856,547)	(1,586,530)	(69,338,903)	(17,745,988)
Amortization of exploration costs	6,306,832,353	1,959,864,161	-	-
Amortization of bond issue expenses	4,380,455	5,111,588	-	-
Amortization of bond discounts	27,546,380	32,469,108	27,546,380	27,546,380
Amortization of deferred interest from finance leases	34,103,979	53,447,755	32,932,964	37,707,626
(Reversal of) Provision for adjustment in value of inventories	889,841,890	(75,795,654)	531,064,518	(86,434,042)
Allowance for loss on lawsuits	778,743	(205,799,100)	778,743	(205,799,100)
Dividends received	(66,919,999)	(364,113,013)	(27,682,422,980)	(19,515,853,343)
Income taxes	43,347,571,409	42,223,996,331	9,923,142,960	16,713,028,938
Interest income	(4,527,762,020)	(3,925,214,245)	(3,462,713,803)	(2,224,008,523)
Interest expenses	12,208,823,925	10,633,116,325	8,875,566,555	7,588,981,402
Others	(445,857,589)	542,669,189	-	-
Net income from operating activities before				
changes in operating assets and liabilities	<u>167,833,457,105</u>	<u>148,757,027,506</u>	<u>59,354,273,881</u>	<u>57,001,459,543</u>

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

**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS-ENDED DECEMBER 31, 2008 AND 2007**

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2008	2007 (Restated)	2008	2007 (Restated)
Changes in operating assets (increase) decrease				
Trade accounts and notes receivable - others	49,654,085,440	(40,659,742,096)	45,605,537,557	(30,606,612,277)
Trade accounts receivable - related parties	45,603,234,688	(47,322,015,161)	48,967,870,349	(45,655,390,912)
Other accounts receivable, advances and short-term loans - related parties	2,088,020,728	(978,599,042)	170,010,388	(613,133,856)
Inventories	(2,065,448,568)	(1,550,912,163)	(1,732,553,633)	(1,408,101,145)
Materials and supplies	(2,391,747,474)	(827,912,461)	(189,197,889)	(193,575,616)
Other current assets	(9,027,615,016)	7,259,628,448	(5,009,115,614)	8,040,582,226
Advance payment for gas purchased	(2,180,005,781)	3,896,098,186	(1,654,775,268)	4,867,926,436
Other long-term accounts receivable and advances to related parties	62,632,956	(183,309,792)	63,063,739	(1,091,301,313)
Other non-current assets	216,784,655	(2,359,373,987)	2,944,782,464	(1,332,310,728)
Changes in operating liabilities increase (decrease)				
Trade accounts payable - others	(53,443,447,298)	60,509,660,511	(55,945,396,917)	56,953,907,573
Trade accounts payable - related parties	(29,295,181,736)	20,303,788,115	(27,952,373,959)	18,239,309,542
Other accounts payable - related parties	(1,131,980,040)	1,025,510,778	(1,549,987,959)	1,763,554,148
Accrued expenses	(60,543,419)	8,746,985,889	(1,923,435,883)	7,757,745,152
Other current liabilities	568,061,199	(2,692,798,700)	1,807,078,879	(3,250,617,907)
Deposits on LPG cylinders	394,831,300	299,756,960	394,831,300	299,756,960
Other long-term accounts payable - related parties	(153,644,951)	(242,389)	(51,165,898)	(162,200,818)
Other non-current liabilities	(1,663,513,013)	(68,232,256)	(1,555,536,102)	(314,514,375)
	(2,825,476,330)	5,398,290,840	2,389,635,554	13,295,023,090
Interest received	1,261,391,939	1,672,733,663	408,467,420	763,948,187
Interest paid	(375,536,930)	(346,180,105)	-	-
Income tax paid	(39,833,478,877)	(34,233,428,796)	(16,016,465,608)	(10,154,469,121)
Net cash provided by operating activities	126,060,356,907	121,248,443,108	46,135,911,247	60,905,961,699

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

**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS-ENDED DECEMBER 31, 2008 AND 2007**

Unit : Baht

	Consolidated financial statements		Separate financial statements	
	2008	2007 (Restated)	2008	2007 (Restated)
<b>Cash Flows from Investing Activities</b>				
Proceeds from disposals of property, plant and equipment	48,261,799	86,657,909	27,143,262	49,392,925
Payment of property, plant and equipment	(84,806,308,606)	(91,202,408,362)	(23,766,360,523)	(23,478,470,441)
Advance payment of property, plant and equipment	(788,003,447)	-	-	-
Payment of intangible assets	(1,613,641,428)	(951,607,250)	(267,540,030)	(713,659,436)
Long-term loans to others	(431,422,911)	(72,948,023)	(431,422,911)	(72,948,023)
Long-term loans to related parties	-	-	(12,387,000,000)	(1,654,612,000)
Short-term loans to others	(180,594,938)	-	-	-
Short-term loans to related parties	-	-	(18,642,171,423)	(27,401,094,637)
Payment of investments in subsidiaries	-	(10,324,086,634)	(9,035,084,400)	(4,112,354,582)
Payment of investments in jointly controlled entities	-	-	(2,959,500,000)	(238,500,000)
Payment of investments in associates	(7,030,843,630)	(17,102,303,980)	(6,965,443,087)	(623,097,243)
Payment of long-term investments	(6,081,515,798)	(508,899,796)	(5,603,836,319)	(508,899,796)
Proceeds from disposal of long-term investments	61,447,427	16,169,303,684	61,447,427	15,868,854,993
Proceeds from long-term loans to related parties	-	-	1,880,000,000	170,546,639
Proceeds from short-term loans to related parties	757,637,586	-	27,785,571,999	-
Proceeds from cancellation of leasehold in gas stations	22,994,086	23,691,161	22,994,086	23,691,161
(Increase) decrease in current investments	5,023,714,890	(4,773,192,984)	4,818,009,888	(4,827,918,129)
Interest received	2,877,256,040	1,776,464,432	2,704,600,846	1,015,105,262
Dividends received	17,392,800,222	8,316,084,303	27,682,422,980	19,515,853,343
Net cash used in investing activities	<u>(74,748,218,708)</u>	<u>(98,563,245,540)</u>	<u>(15,076,168,205)</u>	<u>(26,988,109,964)</u>

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

**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS-ENDED DECEMBER 31, 2008 AND 2007**

Unit : Baht

	Consolidated financial statements		Separate financial statements		
	Notes	2008	2007 (Restated)	2008	2007 (Restated)
<b>Cash Flows from Financing Activities</b>					
Proceeds from issuing ordinary shares		639,427,760	1,165,488,480	66,685,000	124,625,000
Proceeds from premium on share capital		1,177,717,400	2,628,016,350	1,177,717,400	2,302,785,400
Proceeds from long-term loans		4,127,976,753	9,342,500,000	266,761,160	6,000,000,000
Proceeds from issuing bonds		18,000,000,000	45,305,200,768	18,000,000,000	24,071,371,872
Proceeds from short-term loans		3,170,555,870	211,476,400	-	-
Proceeds from notes payable		750,000,000	1,500,000,000	750,000,000	1,500,000,000
Payment of long-term loans		(440,137,696)	(8,109,772,609)	(380,637,696)	(6,369,226,053)
Payment of notes payable		(2,250,000,000)	-	(2,250,000,000)	-
Redemption of debentures		-	(8,386,220,851)	-	-
Redemption of government bonds		(8,000,000,000)	(5,000,000,000)	(8,000,000,000)	(5,000,000,000)
Payment of finance lease installments		(201,781,096)	(280,128,727)	(183,068,031)	(153,067,718)
Increase in bank overdrafts and short-term loans from financial institutions		1,850,671,870	2,523,440,990	-	-
Interest received		2,602,079	-	-	-
Interest paid		(13,533,470,937)	(13,111,517,757)	(10,267,896,045)	(10,271,913,740)
Dividends paid		(40,755,517,839)	(36,516,704,862)	(35,261,260,173)	(29,494,068,163)
Net cash used in provided by financing activities		<u>(35,461,955,836)</u>	<u>(8,728,221,818)</u>	<u>(36,081,698,385)</u>	<u>(17,289,493,402)</u>
Effects of exchange rates on cash and cash equivalents		<u>210,564,784</u>	<u>41,859,351</u>	<u>(12,586,075)</u>	<u>46,518,731</u>
Currency translation differences		<u>(200,334,343)</u>	<u>32,139,705</u>	<u>-</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents		15,860,412,804	14,030,974,806	(5,034,541,418)	16,674,877,064
Cash and cash equivalents at beginning of periods		74,958,290,312	86,806,254,165	43,184,607,043	26,509,729,979
Cash at ending of period of subsidiaries transformed to associates		-	(25,878,938,659)	-	-
<b>Cash and cash equivalents at end of periods</b>	<b>4</b>	<b><u>90,818,703,116</u></b>	<b><u>74,958,290,312</u></b>	<b><u>38,150,065,625</u></b>	<b><u>43,184,607,043</u></b>

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

**AUDITOR'S REPORT AND FINANCIAL STATEMENTS  
PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**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 its 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 33 “Segment Information”.

As at December 31, 2008 and 2007, the Group was operating in 20 countries.

**2. Accounting Policies**

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

**2.1 Basis for Preparation of Financial Statements**

The consolidated and the separate 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), “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 consolidated and the separate 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 separate 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 separate financial statements have been prepared under the historical cost convention with the exception of certain amounts, which are accounted for using 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.

## **2. Accounting Policies (Continued)**

### **2.1 Basis for Preparation of Financial Statements (Continued)**

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

During 2008, the Company changed the structure of its investment in subsidiaries by including Business Services Alliance Co., Ltd. (BSA) in the consolidated financial statements.

### **2.2 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 realized 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 separate financial statements under the cost method.

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

### **2.3 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 have been recognized initially at cost and using the equity method in presentation in the consolidated financial statements. The Group has recognized investments in associates including goodwill arising from business acquisitions.

The share of gain or loss from an associate of the Group arising after an acquisition has been included in a profit and loss statements and the movement in a gain on fair value after an acquisition have been included in a surplus on equity account.

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.



## **2. Accounting Policies (Continued)**

### **2.3 Investments in Associates (Continued)**

Investments in associates have been presented in the separate financial statements under the cost method.

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

### **2.4 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.

Investments in jointly controlled entities are presented in the separate 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

### **2.5 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.

Investments in equity securities and mutual funds which are marketable equity securities 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.

## **2. Accounting Policies (Continued)**

### **2.5 Other Investments (Continued)**

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.

### **2.6 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 fellow 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.

### **2.7 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.

### **2.8 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. Accounting Policies (Continued)**

### **2.9 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 statement of income.

### **2.10 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.

### **2.11 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.

### **2.12 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.

### **2.13 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.

## 2. Accounting Policies (Continued)

### 2.13 Property, Plant and Equipment (Continued)

#### **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

The Group reviewed an impairment of asset whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, where the carrying amount of an asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use, it is written down immediately to its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

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**

Cost of properties comprises the total acquisition costs of concession rights 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 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.

## **2. Accounting Policies (Continued)**

### **2.13 Property, Plant and Equipment (Continued)**

#### **Depreciation**

The capitalized acquisition costs of concession rights are depleted and amortized using the unit of production method, which is based on estimated proved reserves. Depreciation, depletion and amortization of exploratory wells, development, equipment and the operating costs of support equipment as well as decommissioning costs, with the exception of costs of 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 reserves and proved development reserves are calculated by the Group's own engineers and based on information from the jointly controlled entities.

#### **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 are recorded as oil and gas properties in the balance sheet and exploration expense in the statement of income as detailed in Note 13.

### **2.14 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 licenses, other operating rights and patents.

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

The Group reviewed an allowance for an impairment of intangible asset when an event or a circumstance indicated that the carrying amount of an asset is higher than the net realizable value. The Group will review and write down the asset not to exceed its net realizable value.

### **2.15 Goodwill**

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. The Group will carry out a test for impairment of goodwill at least once a year or when there is a factor indicating that an investment might be impaired. In case that the carrying amount exceeds its recoverable amount, impairment loss is recognized in statement of income. In addition, goodwill is presented at cost less accumulated impairment losses.

## **2. Accounting Policies (Continued)**

### **2.15 Goodwill (Continued)**

The allowance for an impairment of goodwill recognized will not be reversed.

Negative goodwill represents the excess of the fair value of the Group's share of the identifiable assets and liabilities of the acquired subsidiaries, jointly controlled entities or associates over the costs of acquisition at the date of acquisition. The Group must assess the seller's identification and measurement of assets and liabilities and identifiable contingent liabilities including the exceed reassessment of carrying value in business combinations. The differences will be recognized as revenue in statements of income when fair value of buyer's equity exceeds cost at acquisition date.

The Group has adopted goodwill and negative goodwill from business combinations had the agreements since January 1, 2008.

### **2.16 Finance Leases – where the 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.

### **2.17 Operating Leases – where the 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, are recognized as expenses 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. Accounting Policies (Continued)**

### **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 the contributions 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-promoted 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 are 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 of 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.

## **2. Accounting Policies (Continued)**

### **2.20 Income Taxes (Continued)**

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 risks and rewards of ownership are transferred to the customer. Service 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 to risk associated with fluctuations in foreign currency exchange rates, interest rates and oil market prices. These instruments primarily comprise:



## **2. Accounting Policies (Continued)**

### **2.23 Financial Instruments (Continued)**

#### **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 34: Disclosure of Financial Instruments.

### **2.24 Use of Estimates and Significant Assumptions**

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 assets, liabilities, revenues and expenses together with the significant assumptions and source of contingent estimates resulted in carrying amount of assets and liabilities presented in the financial statements. The details are as follow.

#### **Provisions**

The Group recognizes the provisions in the balance sheet when the Group has a present commitment resulting from past circumstances and it is probable that the Group will lose economic benefit through payment of this commitment and the amount can be estimated reliably.

The Group records the provisions for decommissioning costs when it is probable that a commitment will arise as a result of past circumstances and the amount can be estimated reliably. The Group recognizes the provisions for decommissioning costs based on an estimated amount of decommissioning costs with completed construction and ready to use, these costs are included as part of oil and gas exploration and production properties and are amortized using the unit of production method based on estimated proved recoverable reserves. The provisions for decommissioning costs are reviewed and estimated by the Group's own engineers and based on management's judgment.

The provisions depend on present circumstances such as rules, technologies and price levels so the actual result will be different from the estimations and assumptions set.

## **2. Accounting Policies (Continued)**

### **2.24 Use of Estimates and Significant Assumptions (Continued)**

#### **Income Taxes**

The Group is responsible for payment of tax in various countries; when deferred tax liabilities are estimated, the Group must use significant judgment because of high trade and high calculations transactions from its operation.

The Group recognizes deferred tax liabilities using estimated tax incremental payment. The difference between actual taxes paid and estimation will affect income taxes and deferred tax in the period of estimation.

A deferred tax asset will be recognized when it is probable that the Group will have sufficient net income against which to use the temporary difference. The assumption of future net taxable income is uncertain and will be changed to reflect in the recognition of deferred tax asset.

#### **Estimation of Petroleum Reserves**

The petroleum reserves are an important fundamental for investment assessment in projects of exploration and production petroleum businesses, including a test of impairment. The change in proved reserves will affect the present value based on net cash inflow and depreciation expenses calculated using unit of production.

The proved reserves are the volume of high probability commercial petroleum production under economic condition, present production method and government's rules. The proved reserves will be checked and assessed annually by geologist and reservoir engineer of the Group.

#### **Exploration Costs**

The petroleum exploration and production businesses have drilling costs that are accounted as assets. When they are aged over 12 months, they will be amortized to expense in statement of income except for (1) finding the proved reserves (2) finding the reserves adequate on commercial and having future exploration & assessment plan. The decision to amortize drilling petroleum costs that recorded as assets and aged over 12 months should be made by using the assumptions to assess on the present circumstances conditions. In case that assumptions are changed in following accounting periods, the petroleum drilling costs that are recorded as assets will be written off.

#### **Impairment of Assets**

The capitalization of the project with unproved reserves is included in exploration costs as topic above.

For other assets, the Group considers to record an allowance for impairment of assets when an event or a circumstance indicates that the carrying amount of an asset is higher than the net realizable value. If 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 is recorded in the statement of income. Thus, the loss on impairment of assets excluding goodwill recognized in the prior period will be reversed, if the estimation for indicated net realizable value changes.

## 2. Accounting Policies (Continued)

### 2.24 Use of Estimates and Significant Assumptions (Continued)

#### Impairment of Assets (Continued)

The Group estimates the expected amount of future production petroleum (exploration and production business) as the factors to test impairment because the Company believes this to be the most reasonable indicator for estimating future cash flow, including the future proved reserves.

The estimation of discounted future cash flow depends on various factors such as the expected amount of future production, future selling price, demand and supply in the market, risk, gross margin and discounted rate depended on cost of capital of asset unit.

### 2.25 Capital Risk Management

The capital management objective of the Group is to create a return for shareholders and stakeholders and to maintain a reasonable capital structure to decrease the cost of capital.

### 2.26 Segment Information

The Company has presented its financial information by business segment 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.

### 2.27 Amendments to Accounting Standards effective in 2008 and 2009

The Federation of Accounting Professions (FAP) announced the following amendments to Thai Accounting Standards which were announced in a Ratchakitchanubeksa as follows:

#### Revised Thai Accounting Standards which are effective in 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	Intangible Assets

The announcement and amendments of these above standards are effective for accounting periods beginning on or after January 1, 2008 except for Thai Accounting Standard No.29, which is effective for lease beginning on or after January 1, 2008. The compliance with these revised accounting standards does not have a significant effect on the Group's financial statements except as discussed in Note 3.1.

## 2. Accounting Policies (Continued)

### 2.27 Amendments to Accounting Standards effective in 2008 and 2009 (Continued)

#### Revised Thai Accounting Standards which are effective in 2009.

Thai Accounting Standard No.36 (revised 2007)	Impairment of Assets
Thai Accounting Standard No.54 (revised 2007)	Non-current Asset Held for sale and Discontinued Operations

During the year 2008, The Federation of Accounting Professions (FAP) announced certain amendments to Thai Accounting Standards which were announced in a Ratchakitchanubeksa and were effective for accounting periods beginning on or after January 1, 2009. The Company has not applied these revised standards in the current accounting period and their effect on the financial statements is not expected to be significant.

## 3. Accounting Changes

### 3.1 Changes in Accounting Policy

The Company has chosen to apply Thai Accounting Standard No.43 (revised 2007) “Business Combinations” which is effective for accounting periods beginning on or after January 1, 2008. Details are as follows:

#### Goodwill

In accordance with this standard, the Company is not allowed to amortize goodwill arising from business combinations. A test for impairment is carried out at least once a year or when there is a factor indicating that an investment might be impaired. If the carrying amount exceeds its recoverable amount, impairment loss is recognized in statement of income. In addition, goodwill is presented at cost less accumulated impairment losses.

The Company adopted this standard on January 1, 2008. For goodwill recognized prior to that date, the Company applied a prospective method by not amortizing goodwill and testing for impairment instead. As a result, the carrying amount of goodwill as at January 1, 2008 was presented with the balance carried forward from December 31, 2007 amounting to Baht 12,432.05 million and was not amortized during this period. For the years ended periods December 31, 2008, goodwill was recognized at the amount of Baht 2,313.83 million in the consolidated financial statements. Thus, management considered that there was no impairment of this goodwill as at December 31, 2008.

#### Negative Goodwill

In accordance with this standard, the Company, a buyer, must assess the seller’s identification and measurement of assets and liabilities and identifiable contingent liabilities including the exceed reassessment of carrying value in business combinations. The differences will be recognized as revenue in statements of income when fair value of buyer’s equity is exceed cost at acquisition date.

The Company adopted this standard on January 1, 2008, with the prospective requirements. The carried forward of retained earnings as at January 1, 2008 amounting to Baht 5,344.81 million were adjusted.

However, these adjustments to goodwill and negative goodwill did not affect the separate financial statements.

#### 4. Cash and Cash Equivalents

Cash and cash equivalents as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Cash on hand	389.34	608.80	243.15	437.28
Deposits held at call with banks	32,844.75	16,131.67	16,012.25	4,528.47
Fixed deposits	17,235.31	10,438.23	6,000.00	8,000.00
Treasury bills	23,288.95	18,669.12	386.32	1,758.39
Promissory notes	6,052.00	783.30	4,500.00	133.30
Bank of Thailand bonds	11,008.35	28,327.17	11,008.35	28,327.17
<b>Total</b>	<b>90,818.70</b>	<b>74,958.29</b>	<b>38,150.07</b>	<b>43,184.61</b>

Cash and cash equivalents as at December 31, 2008 mainly bear interest at rates ranging from 0.50% to 4.00% per annum (December 31, 2007: interest rates ranging from 0.13% to 5.20% per annum).

#### 5. Current Investments

Current investments as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Fixed deposits	39.60	3,112.67	39.60	3,112.67
Treasury bills	-	2,674.25	-	2,277.64
Bonds	752.49	421.54	752.49	421.54
Promissory notes	425.93	16.73	210.86	-
General investments	-	6.06	-	6.06
<b>Total</b>	<b>1,218.02</b>	<b>6,231.25</b>	<b>1,002.95</b>	<b>5,817.91</b>

The cash at banks and promissory notes of the Group represent the fixed deposits and promissory notes issued by financial institutions in Thailand. Current investments as at December 31, 2008 bear interest at rates ranging from 2.25% to 4.50% per annum (2007: interest rates ranging from 3.13% to 5.00% 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.

As at December 31, 2008, the Group's bonds represent Bank of Thailand bonds which bear interest at the rate of 3.53% per annum (2007: interest rate of 3.22% per annum).

In Quarter 4, 2008, the Company transferred its investment in Petro Asia (Sanshui) Co., Ltd amounting to Baht 6.06 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, net as at December 31, 2008 and 2007 are as follows:

Unit: Million Baht

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Trade accounts receivable	67,914.73	117,023.10	55,906.18	100,439.60
Notes receivable	1,404.82	2,476.80	1,404.82	2,476.80
Total	69,319.55	119,499.90	57,311.00	102,916.40
<u>Less Allowance for doubtful accounts</u>	<u>2,440.09</u>	<u>2,564.12</u>	<u>1,571.94</u>	<u>1,647.57</u>
Trade accounts and notes receivable – others, net	<u>66,879.46</u>	<u>116,935.78</u>	<u>55,739.06</u>	<u>101,268.83</u>

Outstanding trade accounts and notes receivable – others, net as at December 31, 2008 and 2007 can be aged as follows:

Unit: Million Baht

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current	60,623.54	105,867.41	51,665.22	91,734.43
Overdue				
- Not over 3 months	3,199.95	6,508.63	1,498.18	5,460.25
- Over 3 months but not over 6 months	1,455.05	2,288.90	1,326.93	1,920.31
- Over 6 months but not over 12 months	1,339.37	2,027.52	1,319.27	1,994.30
- Over 12 months	2,701.64	2,807.44	1,501.40	1,807.11
Total	69,319.55	119,499.90	57,311.00	102,916.40
<u>Less Allowance for doubtful accounts</u>	<u>2,440.09</u>	<u>2,564.12</u>	<u>1,571.94</u>	<u>1,647.57</u>
Trade accounts and notes receivable - others, net	<u>66,879.46</u>	<u>116,935.78</u>	<u>55,739.06</u>	<u>101,268.83</u>

Trade accounts and notes receivable – others, net as at December 31, 2008 include receivables from government agencies and state enterprises in the consolidated financial statements amounting to Baht 16,161.61 million (2007: Baht 28,969.72 million), and in the separate financial statements amounting to Baht 15,945.10 million (2007: Baht 28,865.56 million).

## 7. Related Party Transactions

The following are significant transactions carried out with related parties:

7.1 Trade accounts receivable – related parties, net as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	2008	2007	2008	2007
Subsidiaries	-	-	7,970.58	11,156.14
Jointly controlled entities	-	-	117.54	99.66
Associates	29,472.11	75,151.57	29,407.27	75,137.14
Other related parties	2,000.20	2,044.14	2,000.00	2,044.14
Total	31,472.31	77,195.71	39,495.39	88,437.08
<u>Less</u> Allowance for doubtful accounts	260.71	261.07	267.83	269.78
Trade accounts receivable – related parties, net	<u>31,211.60</u>	<u>76,934.64</u>	<u>39,227.56</u>	<u>88,167.30</u>

Outstanding trade accounts receivable – related parties, net as at December 31, 2008 and 2007 can be aged as follows:

	Unit: Million Baht			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	2008	2007	2008	2007
Current	27,844.57	73,582.97	32,327.99	84,826.87
Overdue				
- Not over 3 months	62.56	504.30	345.55	501.77
- Over 3 months but not over 6 months	3,267.27	414.69	3,280.93	414.69
- Over 6 months but not over 12 months	293.03	1.83	317.92	1.83
- Over 12 months	4.88	2,691.92	3,223.00	2,691.92
Total	31,472.31	77,195.71	39,495.39	88,437.08
<u>Less</u> Allowance for doubtful accounts	260.71	261.07	267.83	269.78
Trade accounts receivable – related parties, net	<u>31,211.60</u>	<u>76,934.64</u>	<u>39,227.56</u>	<u>88,167.30</u>

## 7. Related Party Transactions (Continued)

7.2 Other accounts receivable, advances and short-term loans – related parties, net as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	2008	2007	2008	2007
Other accounts receivable				
Subsidiaries	-	-	197.28	401.94
Jointly controlled entities	-	-	283.88	201.85
Associates	550.54	455.81	545.62	449.43
Other related parties	144.07	144.51	143.23	144.04
Total	694.61	600.32	1,170.01	1,197.26
<u>Less</u> Allowance for doubtful accounts	141.67	141.90	141.75	148.14
Other accounts receivable, net	552.94	458.42	1,028.26	1,049.12
Advances				
Associates	354.50	326.30	354.50	326.30
Other related parties	247.25	176.40	247.25	176.37
Total	601.75	502.70	601.75	502.67
<u>Less</u> Allowance for doubtful accounts	354.07	325.98	354.07	325.98
Advances, net	247.68	176.72	247.68	176.69
Short-term loans				
Subsidiaries	-	-	17,632.25	26,379.21
Jointly controlled entities	-	-	1,685.29	1,324.10
Associates	-	757.64	-	757.64
Total	-	757.64	19,317.54	28,460.95
Other accounts receivable, advances and short-term loans – related parties, net	800.62	1,392.78	20,593.48	29,686.76

Changes in short-term loans – related parties for the year ended December 31, 2008 are as follows:

	Unit: Million Baht	
	<u>Consolidated financial statements</u>	<u>Separate financial statements</u>
Balance as at December 31, 2007	757.64	28,460.95
- Payment for loans granted	-	18,642.16
- Receipt from loans granted	(757.64)	(27,785.57)
Balance as at December 31, 2008	-	19,317.54

Short-term loans to related parties are unsecured and bear interest at rates ranging from 3.23% to 7.25% per annum.



## 7. Related Party Transactions (Continued)

7.3 Other accounts receivable, advances and long-term loans – related parties as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	2008	2007	2008	2007
Other accounts receivable				
Subsidiaries	-	-	1,113.76	1,076.79
Associates	1,450.07	1,193.04	1,450.07	1,193.04
	<u>1,450.07</u>	<u>1,193.04</u>	<u>2,563.83</u>	<u>2,269.83</u>
Advances				
Associates	0.22	0.65	0.22	0.65
	<u>0.22</u>	<u>0.65</u>	<u>0.22</u>	<u>0.65</u>
Long-term loans				
Subsidiaries	-	-	12,227.00	1,720.00
Associates	5,050.05	5,050.05	5,050.05	5,050.05
	<u>5,050.05</u>	<u>5,050.05</u>	<u>17,277.05</u>	<u>6,770.05</u>
Total	<u>6,500.34</u>	<u>6,243.74</u>	<u>19,841.10</u>	<u>9,040.53</u>

Changes in long-term loans – related parties for the year ended December 31, 2008 are as follows:

	Unit: Million Baht	
	<u>Consolidated financial statements</u>	<u>Separate financial statements</u>
Balance as at December 31, 2007	5,050.05	6,770.05
- Payment for loans granted	-	12,387.00
- Receipt from loans granted	-	(1,880.00)
Balance as at December 31, 2008	<u>5,050.05</u>	<u>17,277.05</u>

Long-term loans - related parties are unsecured and bear interest at rates ranging from 4.88% to 7.69% per annum.

## 7. Related Party Transactions (Continued)

7.4 Trade accounts payable – related parties as at December 31, 2008 and 2007 are as follows:

Unit: Million Baht

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Subsidiaries	-	-	10,538.81	11,860.55
Jointly controlled entities	-	-	4,491.19	2,940.80
Associates	14,327.19	43,304.28	13,382.84	41,594.91
Other related parties	1,068.60	1,456.34	229.51	179.42
<b>Total</b>	<b>15,395.79</b>	<b>44,760.62</b>	<b>28,642.35</b>	<b>56,575.68</b>

7.5 Other accounts payable – related parties as at December 31, 2008 and 2007 are as follows:

Unit: Million Baht

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Subsidiaries	-	-	72.43	278.54
Jointly controlled entities	-	-	1.76	1.24
Associates	235.64	379.22	223.25	369.63
Other related parties	182.27	1,491.84	87.73	1,489.21
<b>Total</b>	<b>417.91</b>	<b>1,871.06</b>	<b>385.17</b>	<b>2,138.62</b>

7.6 Other long-term accounts payable – related parties as at December 31, 2008 and 2007 are as follows:

Unit: Million Baht

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Subsidiaries	-	-	11.13	70.71
Jointly controlled entities	-	-	15.32	16.04
Associates	22.38	-	22.38	-
Other related parties	749.89	-	749.89	-
<b>Total</b>	<b>772.27</b>	<b>-</b>	<b>798.72</b>	<b>86.75</b>

## 7. Related Party Transactions (Continued)

7.7 Revenue and expense transactions carried out with related parties are as follows:

For the years ended periods December 31, 2008 and 2007

Unit: Million Baht

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
<b>Revenues</b>				
Sales:				
Subsidiaries	-	-	49,044.09	56,450.62
Jointly controlled entities	-	-	1,191.76	1,029.01
Associates	844,960.04	584,039.73	844,814.47	573,325.86
Other related parties	19,161.01	9,406.49	19,160.83	9,406.49
Interest income:				
Subsidiaries	-	-	1,912.60	702.09
Jointly controlled entities	-	-	84.42	64.63
Associates	324.99	298.42	324.99	298.42
Other related parties	0.91	-	0.91	-
Dividend income:				
Subsidiaries	-	-	10,340.78	11,167.89
Jointly controlled entities	-	-	121.07	419.71
Associates	80.00	105.52	17,153.65	7,846.45
Other related parties	66.92	81.80	66.92	81.80
Other income:				
Subsidiaries	-	-	465.80	1,090.07
Jointly controlled entities	-	-	224.35	29.82
Associates	8,059.37	3,750.35	8,058.27	3,690.00
Other related parties	56.65	20.49	56.01	20.49
<b>Expenses</b>				
Purchases:				
Subsidiaries	-	-	116,307.81	88,166.04
Jointly controlled entities	-	-	27,964.71	8,245.73
Associates	532,087.92	457,971.05	518,815.07	449,416.55
Other related parties	17,112.57	5,402.84	5,642.29	3,333.77
Other expenses:				
Subsidiaries	-	-	1,157.06	283.22
Jointly controlled entities	-	-	0.24	-
Associates	1,063.22	616.37	1,049.82	134.23
Other related parties	826.00	1,017.16	825.30	903.13

The related party transactions as stated above exclude transactions carried out with government agencies and state enterprises.

## 7. Related Party Transactions (Continued)

### 7.7 Revenue and expense transactions carried out with related parties are as follows: (Continued)

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. Goods purchased from subsidiaries are charged at the normal prices determined by the subsidiaries with reference to the global market prices.

### 7.8 Details of commitments to subsidiaries, jointly controlled entities, associates and other related parties are stated in Note 39.1.

### 7.9 Directors' remuneration

Directors' remuneration, comprising directors' meeting fees and bonuses for the year ended December 31, 2008 and 2007, is as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Directors' remuneration	96.56	172.76	36.31	42.31

### 7.10 Crude oil and refined products purchase and sale transactions carried out with related parties without the delivery of products, with the objective of maintaining crude oil and refined products reserves, were offset in the financial statements comprising:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Sales				
Associates	11,360.72	5,334.44	11,360.72	5,334.44
Purchases				
Associates	11,631.97	5,334.44	11,631.97	5,334.44

## 8. Inventories

Inventories as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Oil products	11,607.58	11,116.35	7,747.12	8,006.11
Gas products	856.66	710.69	855.86	710.47
Petrochemical products	483.34	788.56	-	-
Others	1,740.01	906.63	1,553.00	727.37
Total	<u>14,687.59</u>	<u>13,522.23</u>	<u>10,155.98</u>	<u>9,443.95</u>

The Group has recognized a decrease in inventory value equal to net realizable value in the consolidated financial statements amounting to Baht 308.70 million and in the separate financial statements amounting to Baht 178.42 million.

The Company's inventories as stated above exclude the legal reserve, which is presented as other non-current assets as discussed in Note 18.

## 9. Materials and Supplies, Net

Materials and supplies as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Spare parts, equipment and others	9,130.43	6,505.11	2,452.19	2,051.42
<u>Less</u> Allowance for obsolescence	<u>126.63</u>	<u>130.66</u>	<u>58.74</u>	<u>58.74</u>
Materials and supplies, net	<u>9,003.80</u>	<u>6,374.45</u>	<u>2,393.45</u>	<u>1,992.68</u>

## 10. Other Current Assets

Other current assets as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Other accounts receivable	10,413.89	7,982.46	4,190.14	5,128.87
<u>Less</u> Allowance for doubtful accounts	<u>563.73</u>	<u>553.09</u>	<u>558.90</u>	<u>547.04</u>
Other accounts receivable, net	9,850.16	7,429.37	3,631.24	4,581.83
Prepaid expenses	4,831.19	5,024.84	3,285.56	3,935.72
Refund receivable from Oil Stabilization Fund	9,777.54	2,671.36	9,777.25	2,671.36
Accrued interest income and others	424.50	450.33	275.68	341.63
Deferred input value added tax	1,352.45	1,366.79	966.01	1,182.42
Others	<u>2,340.62</u>	<u>1,525.91</u>	<u>355.74</u>	<u>176.83</u>
Total	<u>28,576.46</u>	<u>18,468.60</u>	<u>18,291.48</u>	<u>12,889.79</u>

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 gas 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 Incorporation	Business	Shareholding Percentage	
			2008	2007
<u>Subsidiaries:</u>				
PTT Exploration and Production Public Co., Ltd. (PTTEP)	Thailand	Petroleum exploration and production	65.54	65.73
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 services 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 Polymer Marketing Co., Ltd (PTTPM)	Thailand	Polymer marketing	50.00	75.00
Energy Complex Co., Ltd. (EnCo)	Thailand	Commercial	50.00	50.00
PTT Polymer Logistics Co., Ltd. (PTTPL)	Thailand	Logistics services	100.00	100.00
PTT Retail Business Co., Ltd. (PTTRB)	Thailand	Management services and oil marketing	100.00	100.00
Combined Heat and Power Producing Co., Ltd. (CHPP)	Thailand	Generation and supply of electricity steam and water for industry	100.00	100.00
PTT International Co., Ltd. (PTT INTER)	Thailand	Petroleum	100.00	100.00
PTT Green Energy Pte. Ltd. (PTTGE)	Singapore	Petroleum	100.00	100.00
Business Services Alliance Co., Ltd. (BSA)	Thailand	Management services	25.00	-

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

11.1 Details of subsidiaries, jointly controlled entities and associates of the Company are as follows:  
(Continued)

Company	Country of Incorporation	Business	Shareholding Percentage	
			2008	2007
<u>Jointly controlled entities:</u>				
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	48.50	47.50
HMC Polymers Co., Ltd. (HMC)	Thailand	Petrochemicals	41.44	41.44
<u>Associates:</u>				
Thai Oil Public Co., Ltd. (TOP)	Thailand	Refining	49.10	49.10
Star Petroleum Refining Co., Ltd. (SPRC)	Thailand	Refining	36.00	36.00
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	33.19
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
IRPC Public Co., Ltd. (IRPC)	Thailand	Petrochemicals and refining	36.77	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	40.00
PTT Chemical Public Co., Ltd. (PTTCH)	Thailand	Petrochemicals	49.30	49.31
PTT Utility Co., Ltd. (PTTUT)	Thailand	Generation and supply of electricity steam and water for industry	40.00	40.00
PTT ICT Solutions Co., Ltd. (PTTICT)	Thailand	Communication and technology services	20.00	20.00
PTT Aromatics and Refining Public Co., Ltd. (PTTAR)	Thailand	Petrochemicals and refining	48.66	48.66
Alliance Plant Service Co., Ltd. (APS) (Formerly NPTC Maintenance & Engineering Services Co., Ltd. (NPTC))	Thailand	Factory maintenance and engineering services	40.00	40.00



## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

11.2 Details of the subsidiaries, jointly controlled entities and associates of subsidiaries are as follows:

Company	Country of Incorporation	Business	Shareholding Percentage	
			2008	2007
<b><u>Subsidiaries of PTTEP:</u></b>				
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)	Cayman Islands	Petroleum	100.00	100.00
Diamond Petroleum Co., Ltd. (DPC) <sup>1</sup>	Cayman Islands	Petroleum	-	100.00
PTTEP Merangin Co., Ltd. (PTTEPM)	Cayman Islands	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	100.00
PTTEP Andaman Co., Ltd. (PTTEPA)	Thailand	Petroleum	100.00	100.00
PTTEP Egypt Co., Ltd. (PTTEP EG)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Rommana Co., Ltd. (PTTEPR)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Sidi Abd El Rahman Co., Ltd. (PTTEP SAER)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Australia Pty Limited (PTTEP AU)	Australia	Petroleum	100.00	100.00

<sup>1</sup> As at November 3, 2008, DPC registered to wind up the company.

## 11. Investments Subsidiaries, Jointly Controlled Entities and Associates (Continued)

11.2 Details of the subsidiaries, jointly controlled entities and associates of subsidiaries are as follows:  
(Continued)

Company	Country of Incorporation	Business	Shareholding Percentage	
			2008	2007
<b><u>Subsidiaries of PTTEP: (Continued)</u></b>				
PTTEP Australia Offshore Pty Limited (PTTEP AO)	Australia	Petroleum	100.00	100.00
PTTEP Bangladesh Limited (PTTEP BD)	Cayman Islands	Petroleum	100.00	100.00
PTTEP Myanmar Limited (PTTEP MYA)	Cayman Islands	Petroleum	100.00	-
PTTEP New Zealand Limited (PTTEP NZ)	Cayman Islands	Petroleum	100.00	-
PTTEP Sermai II Limited (PTTEP SM)	Cayman Islands	Petroleum	100.00	-
PTTEP Australia Perth Pty Limited (PTTEP AP)	Australia	Petroleum	100.00	-
PTTEP Australia Browse Basin Pty Limited (PTTEP AB)	Australia	Petroleum	100.00	-
<b><u>Subsidiary of PTCL:</u></b>				
Houakhong Trading Co., Ltd. (Houakhong)	Laos	Oil marketing	100.00	100.00
<b><u>Subsidiaries of SBECL:</u></b>				
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
<b><u>Subsidiaries of PTTT:</u></b>				
PTTT International Trading DMCC (PTTT DMCC)	United Arab Emirates	Oil International trading	100.00	-
<b><u>Subsidiaries of PTTRB:</u></b>				
PTT Retail Management Co., Ltd. (PTTRM)	Thailand	Management of gas stations and convenience stores	100.00	100.00
PTT Retail Service Co., Ltd. (PTTRS)	Thailand	Employee management service	100.00	100.00
PTT Saraburi Terminal Co., Ltd. (PTTST)	Thailand	Land Investment	100.00	100.00
PTT Network Development Co., Ltd. (PTTND)	Thailand	Land Investment	100.00	100.00
<b><u>Subsidiaries of PTT INTER:</u></b>				
LINTS Limited (LINTS)	Hong Kong	Commercial	100.00	-

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

11.2 Details of the subsidiaries, jointly controlled entities and associates of subsidiaries are as follows:  
(Continued)

Company	Country of Incorporation	Business	Shareholding Percentage	
			2008	2007
<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)	Bermuda	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
B8/32 Partners Co., Ltd. (B8/32 Partners)	Thailand	Petroleum	25.0009	25.0009

### **Jointly Controlled Entities of PTT Exploration and Production Public Co., Ltd. (PTTEP)**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Bongkot	Thailand	PTT Exploration and Production Plc.	44.4445	44.4445
Arthit	Thailand	PTT Exploration and Production Plc.	80.00	80.00
Pailin	Thailand	Chevron Thailand Exploration and Production, Ltd.	45.00	45.00
Sinphuhorm (Block E 5 North)	Thailand	Hess (Thailand) Co., Ltd.	20.00	20.00
Rommana	Egypt	Sipetrol International S.A.	-	30.00
Sidi Abd El Rahman Offshore	Egypt	Edison International SPA	-	30.00
S 1	Thailand	PTTEP Siam Limited	25.00	25.00
Unocal III	Thailand	Chevron Thailand Exploration and Production, Ltd.	5.00	5.00
E 5	Thailand	Exxon Mobil Exploration and Production Korat Inc.	20.00	20.00
Bahrain 2	Bahrain	PTTEP Bahrain Company Limited	-	100.00

**11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)**

11.2 Details of the subsidiaries, jointly controlled entities and associates of subsidiaries are as follows:  
(Continued)

**Jointly Controlled Entities of PTTEP International Co., Ltd. (PTTEPI)**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Bongkot (Block B 13/38)	Thailand	PTTEP International Limited	-	44.4445
Yadana	Myanmar	Total E&P Myanmar	25.50	25.50
Yetagun	Myanmar	Petronas Carigali Myanmar (Hong Kong) Ltd.	19.3178	19.3178
PTTEP 1	Thailand	PTTEP International Limited	100.00	100.00
G 4/43	Thailand	Chevron Offshore (Thailand) Ltd.	21.375	21.375
G 9/43	Thailand-Cambodia	PTTEP International Limited	100.00	100.00
L 22/43	Thailand	PTTEP International Limited	100.00	100.00
Cambodia B	Cambodia	PTTEP International Limited	33.333334	33.333334
Myanmar M9&M11	Myanmar	PTTEP International Limited	100.00	100.00
Myanmar M3, M4&M7	Myanmar	PTTEP International Limited	100.00	100.00
MT JDA-B17	Thailand - Malaysia	Carigali – PTTEPI Operating Company Sendirian Berhad	50.00	50.00

**Jointly Controlled Entities of PTTEP Offshore Investment Co., Ltd. (PTTEPO)**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
B8/32 & 9A <sup>1</sup>	Thailand	Chevron Offshore (Thailand) Ltd.	25.0010	25.0010
New Zealand Great South	New Zealand	OMV New Zealand Limited	36.00	36.00

**Jointly Controlled Entities of PTTEP Southwest Vietnam Co., Ltd. (PTTEP SV)**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Vietnam 52/97	Vietnam	Chevron Vietnam (Block 52) , Ltd.	7.00	7.00

**Jointly Controlled Entities of PTTEP Kim Long Vietnam Co., Ltd. (PTTEP KV)**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Vietnam B & 48/95	Vietnam	Chevron Vietnam (Block B) , Ltd.	8.50	8.50

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

11.2 Details of the subsidiaries, jointly controlled entities and associates of subsidiaries are as follows:  
(Continued)

### Jointly Controlled Entities of PTTEP Hoang-Long Co., Ltd. (PTTEP HL)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Vietnam 16-1	Vietnam	Hoang Long Joint Operating Company	28.50	28.50

### Jointly Controlled Entities of PTTEP Hoan-Vu Co., Ltd. (PTTEP HV)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Vietnam 9-2	Vietnam	Hoan-Vu Joint Operating Company	25.00	25.00

### Jointly Controlled Entities of PTTEP Oman Co., Ltd. (PTTEP OM)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Oman 44	Oman	PTTEP Oman Company Limited	100.00	100.00
Oman 58	Oman	PTTEP Oman Company Limited	100.00	100.00

### Jointly Controlled Entities of PTTEP Algeria Co., Ltd. (PTTEP AG)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Algeria 433a & 416b	Algeria	Petro Vietnam Exploration Production Corporation	35.00	35.00

### Jointly Controlled Entities of PTTEP (Thailand) Co., Ltd. (PTTEPT)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Bongkot (Block G12/48)	Thailand	PTTEP (Thailand) LIMITED	44.4445	44.4445
Arthit (Block G9/48)	Thailand	PTTEP (Thailand) LIMITED	84.00	84.00
L 53/43 & L 54/43	Thailand	PTTEP (Thailand) LIMITED	100.00	100.00

### Jointly Controlled Entities of PTTEP Siam Co., Ltd. (PTTEPS)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Sinphuhorm (Block EU-1)	Thailand	Hess (Thailand) Ltd.	20.00	20.00
Nang Nuan <sup>2</sup>	Thailand	PTTEP Siam Limited	100.00	100.00
S1	Thailand	PTTEP Siam Limited	75.00	75.00
L 21, 28 & 29/48 <sup>3</sup>	Thailand	PTTEP Siam Limited.	70.00	100.00
A 4, 5 & 6/48	Thailand	PTTEP Siam Limited	100.00	100.00

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

11.2 Details of the subsidiaries, jointly controlled entities and associates of subsidiaries are as follows:  
(Continued)

### Jointly Controlled Entities of PTTEP Iran Co., Ltd. (PTTEP IR)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Iran Saveh	Iran	PTTEP Iran Limited	100.00	100.00

### Jointly Controlled Entities of PTTEP Merangin Co., Ltd. (PTTEPM)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Indonesia Merangin-1	Indonesia	PT Medco E&P Merangin	40.00	40.00

### Jointly Controlled Entities of PTTEP Bengara I Co., Ltd. (PTTEPB)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Indonesia Bengara-1	Indonesia	PT Medco E&P Bengara	40.00	40.00

### Jointly Controlled Entities of PTTEP Thai Projects Co., Ltd. (PTTEP TP)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Unocal III G 6/50	Thailand	Chevron Petroleum Thailand Ltd.	5.00	5.00
Pailin G 7/50	Thailand	Chevron Petroleum Thailand Ltd.	45.00	45.00
Arthit G 8/50	Thailand	PTTEP Thai Projects Company Limited	80.00	80.00

### Jointly Controlled Entities of PTTEP Australia Offshore Pty. (PTTEP AO)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Australia AC/P 36	Australia	Murphy Australia Oil Pty Ltd.	20.00	20.00
Australia WA 423	Australia	Murphy Australia Oil Pty Ltd.	30.00	-

### Jointly Controlled Entities of PTTEP Bangladesh Limited (PTTEP BD)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Bangladesh 17 & 18	People's Republic of Bangladesh	Total E&P Bangladesh	30.00	30.00

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

11.2 Details of the subsidiaries, jointly controlled entities and associates of subsidiaries are as follows:  
(Continued)

### Jointly Controlled Entities of PTTEP Rommana Co., Ltd. (PTTEPR)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Rommana	Egypt	Sipetrol International S.A.	30.00	-

### Jointly Controlled Entities of PTTEP Bahrain Co., Ltd. (PTTEP BH)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Bahrain 2	Bahrain	PTTEP Bahrain Company Limited	100.00	-

### Jointly Controlled Entities of PTTEP Sidi Abd EI Rahman Co., Ltd. (PTTEP SAER)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Sidi Abd EI Rahman offshore	Egypt	Edison International SPA	30.00	-

### Jointly Controlled Entities of PTTEP Semai II Limited (PTTEP SM)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>Shareholding Percentage</u>	
			<u>2008</u>	<u>2007</u>
Indonesia Semai II	Indonesia	Murphy Semai Oil Co., Ltd.	33.33	-

<sup>1</sup> PTTEPO held shares in Orange Energy Co., Ltd. and B8/32 Partners Co., Ltd., which were concession holders in this project.

<sup>2</sup> On November 2008, PTTEP Siam signed a concession sale contract to transfer its 40% shareholding in Nang Nuan project 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 government approved to sell 30% shareholding to Resourceful Petroleum (Thailand) Ltd.(RPL) on January, 24, 2008.

**11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)**

11.2 Details of the subsidiaries, jointly controlled entities and associates of subsidiaries are as follows:  
(Continued)

Company	Country of Incorporation	Business	Shareholding Percentage	
			2008	2007
<b><u>Associates of PTTEP:</u></b>				
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
<b><u>Associate of SBECL:</u></b>				
FST Aviation Services Limited (FST)	Hong Kong	Aircraft refueling service	25.00	25.00
<b><u>Associate of PTTNGD:</u></b>				
Amata Natural Gas Distribution Co., Ltd. (AMATA NGD)	Thailand	Natural gas	50.00	50.00
<b><u>Associates of PTT INTER:</u></b>				
East Mediterranean Gas Company S.A.E. (EMG)	Egypt	Natural gas transmission pipelines-overseas	25.00	25.00



## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

11.3 Investments accounted for under the equity method in the consolidated financial statements as at December 31, 2008 and 2007 are as follows:

### Consolidated financial statements

Unit: Million Baht

Company	Shareholding percentage		2008		2007		Dividends	
	2008	2007	Cost method	Equity Method	Cost method	Equity method	2008	2007
Associates:								
Refining Business Group								
1 TOP	49.10	49.10	11,380.83	29,143.05	11,380.83	33,291.97	4,507.41	3,789.93
2 SPRC	36.00	36.00	14,770.48	15,608.94	14,770.48	19,093.28	1,624.77	-
3 BCP	29.75	29.75	4,060.18	4,639.40	4,060.18	4,952.40	99.88	56.60
4 PTTAR *	48.66	48.66	12,820.01	26,414.04	12,821.69	32,119.50	3,604.97	2,484.30
5 IRPC	36.77	31.50	25,853.29	26,062.15	20,363.81	25,205.08	2,016.51	1,351.35
Oil Business Group								
6 THAPPLINE	33.19	33.19	2,682.35	349.17	2,682.35	2.00	-	-
7 TLBC	48.95	48.95	140.00	144.95	140.00	134.79	-	-
8 PA (Thailand)	35.00	35.00	131.25	-	131.25	-	-	-
9 VLPG	45.00	45.00	87.35	97.31	87.35	66.39	-	23.01
10 KPL	40.00	40.00	21.49	27.73	21.49	26.89	-	-
11 FST	25.00	25.00	1.13	1.30	1.13	1.36	-	-
Petrochemicals Business Group								
12 PTTCH	49.30	49.31	33,520.89	52,293.47	32,491.96	51,527.15	5,287.65	-
13 PPCL	40.00	40.00	2,756.80	2,448.44	1,280.88	1,135.32	-	-
14 APS (Formerly NPTC)	40.00	40.00	28.51	37.05	28.47	28.47	-	-
Natural Gas Business Group								
15 IPT	20.00	20.00	400.19	1,436.96	400.19	1,036.12	61.63	49.94
16 AMATA NGD	50.00	50.00	80.00	247.21	80.00	211.71	80.00	70.00
17 TP	26.00	26.00	2,304.76	2,060.44	2,304.76	2,005.39	73.06	91.33
18 PTTUT	40.00	40.00	2,743.60	2,478.11	2,743.60	2,615.39	-	-
19 EMG	25.00	25.00	16,544.61	15,703.79	16,498.42	16,433.90	-	-
Other Business Group								
20 PTTICT	20.00	20.00	60.00	93.12	60.00	64.08	-	-
<b>Total</b>			<b>130,387.72</b>	<b>179,286.63</b>	<b>122,348.84</b>	<b>189,951.19</b>	<b>17,355.88</b>	<b>7,916.46</b>

\* PTTAR: Dividend revenue for the year ended December 31, 2007 comprises dividend revenue from Rayong Refinery Public Co., Ltd. (RRC) amounting to Baht 1,397.49 million and Aromatics (Thailand) Co., Ltd. (ATC) amounting to Baht 1,086.81 million.

Remark: During the year 2007, Vinythai Public Co.,Ltd. (VNT) (associate of PTTCH) paid for dividends amounting to Baht 35.52 million.

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

11.4 Investments accounted for under the cost method in the separate financial statements as at December 31, 2008 and 2007.

### Separate financial statements

Unit: Million Baht

Company	Shareholding percentage		Cost method		Dividends	
	2008	2007	2008	2007	2008	2007
Subsidiaries:						
1 PTTEP	65.54	65.73	11,131.33	11,131.33	9,818.78	6,805.48
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	522.00	455.88
6 PTTLNG	100.00	100.00	1,638.25	50.00	-	-
7 PTTPM	50.00	75.00	20.00	30.00	-	-
8 EnCo	50.00	50.00	400.00	400.00	-	-
9 RBA	49.00	49.00	0.49	0.49	-	-
10 PTTPL	100.00	100.00	1,200.00	600.00	-	-
11 PTTTB	100.00	100.00	5,100.00	100.00	-	-
12 CHPP	100.00	100.00	270.00	270.00	-	-
13 PTT INTER	100.00	100.00	100.00	25.00	-	-
14 PTTGE	100.00	100.00	2,714.33	942.50	-	-
15 BSA	25.00	-	0.50	-	-	-
Jointly Controlled Entities:						
Natural Gas Business Group						
16 TTM(T)	50.00	50.00	5,320.00	5,320.00	-	-
17 TTM(M)	50.00	50.00	281.32	281.32	-	-
18 DCAP	35.00	35.00	350.00	350.00	-	-
Petrochemicals Business Group						
19 PTTAC	48.50	47.50	3,054.50	95.00	-	-
20 HMC	41.44	41.44	9,117.12	9,117.12	121.07	419.72

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

### 11.4 Investments accounted for under the cost method in the separate financial statements as at December 31, 2008 and 2007 (Continued)

#### Separate financial statements (Continued)

Unit: Million Baht

Company	Shareholding percentage		Cost method		Dividends	
	2008	2007	2008	2007	2008	2007
Associates:						
Refining Business Group						
21 TOP	49.10	49.10	11,380.83	11,380.83	4,507.41	3,789.93
22 SPRC	36.00	36.00	14,770.48	14,770.48	1,624.77	-
23 BCP	29.75	29.75	4,060.18	4,060.18	99.88	56.60
24 PTTAR *	48.66	48.66	12,820.01	12,821.69	3,604.97	2,484.30
25 IRPC	36.77	31.50	25,853.29	20,363.81	2,016.51	1,351.35
Oil Business Group						
26 THAPPLINE	33.19	33.19	2,682.35	2,682.35	-	-
27 TLBC	48.95	48.95	140.00	140.00	-	-
28 PA (Thailand)	35.00	35.00	131.25	131.25	-	-
29 V LPG	45.00	45.00	87.35	87.35	-	23.01
30 KPL	40.00	40.00	21.49	21.49	-	-
Petrochemicals Business Group						
31 PTTCH	49.30	49.31	32,079.42	32,079.42	5,165.42	3,906.53
32 PPCL	40.00	40.00	2,756.80	1,280.88	-	-
33 APS (Formerly NPTC)	40.00	40.00	28.51	28.47	-	-
Natural Gas Business Group						
34 IPT	20.00	20.00	400.19	400.19	61.63	49.94
35 TP	26.00	26.00	2,304.76	2,304.76	73.06	91.33
36 PTTUT	40.00	40.00	2,743.60	2,743.60	-	-
Others Business Group						
37 PTTICT	20.00	20.00	30.00	30.00	-	-
<b>Total</b>			<b>154,564.03</b>	<b>135,615.19</b>	<b>27,615.50</b>	<b>19,434.07</b>

\* PTTAR: Dividend revenue for the year ended December 31, 2007 comprises dividend revenue from Rayong Refinery Public Co., Ltd. (RRC) amounting to Baht 1,397.49 million and Aromatics (Thailand) Co., Ltd. (ATC) amounting to Baht 1,086.81 million.

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

### 11.5 Movements in investments in the consolidated and the separate financial statements

#### 11.5.1 Movements in investments accounted for under the equity method for the year ended December 31, 2008 are as follows:

	Unit: Million Baht
	<u>Consolidated financial statements</u>
Balance as at December 31, 2007	189,951.19
- Share of net loss from investments under equity method	(6,250.68)
- Dividends received	(17,355.88)
- Additional investments	7,011.58
- Unrealized loss on available-for-sale securities	(29.42)
- Surplus on dilution of investments	(138.90)
- Currency translation differences	297.18
- Write off negative goodwill	<u>5,801.56</u>
Balance as at December 31, 2008	<u><u>179,286.63</u></u>

#### 11.5.2 Movements in investments accounted for under the cost method in the separate financial statements for the year ended December 31, 2008 are as follows:

	Unit: Million Baht
	<u>Separate financial statements</u>
Balance as at December 31, 2007	135,615.19
- Additional investments	18,958.85
- Investment disposal	<u>(10.00)</u>
Balance as at December 31, 2008	<u><u>154,564.04</u></u>

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

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, 2008 and 2007 is as follows:

Balance Sheets:

As at December 31, 2008 and 2007

Unit: Million Baht

	2008					2007				
	TTM(T)	TTM(M)	DCAP	PTTAC	HMC	TTM(T)	TTM(M)	DCAP	PTTAC	HMC
Current assets	2,458.49	109.52	195.56	1,622.33	2,175.17	2,364.78	85.52	200.30	23.99	2,344.75
Non-current assets	14,016.55	711.09	863.43	1,704.76	9,990.82	13,739.03	751.65	924.90	69.98	5,942.87
Current liabilities	(3,100.28)	(50.50)	(138.56)	(272.40)	(664.49)	(2,316.14)	(21.91)	(140.26)	(2.80)	(1,224.90)
Non-current liabilities	(7,982.04)	(540.76)	(637.00)	(4.62)	(3,939.56)	(8,302.62)	(549.11)	(696.50)	-	(24.35)
Net assets	<u>5,392.72</u>	<u>229.35</u>	<u>283.43</u>	<u>3,050.07</u>	<u>7,561.94</u>	<u>5,485.05</u>	<u>266.15</u>	<u>288.44</u>	<u>91.17</u>	<u>7,038.37</u>

Statements of Income:

For the years ended December 31, 2008 and 2007

Unit: Million Baht

	2008					2007				
	TTM(T)	TTM(M)	DCAP	PTTAC	HMC	TTM(T)	TTM(M)	DCAP	PTTAC	HMC
Income	1,330.26	54.84	578.48	27.72	8,685.55	1,753.72	104.34	548.67	0.05	8,247.43
Expenses	(1,422.59)	(89.19)	(583.49)	(29.24)	(7,887.20)	(1,497.40)	(85.71)	(553.85)	(3.57)	(6,884.73)
Gain(loss) before taxes	(92.33)	(34.35)	(5.01)	(1.52)	798.35	256.32	18.63	(5.18)	(3.52)	1,362.70
Income taxes	-	0.11	-	-	(158.00)	-	(0.20)	-	-	(224.59)
Net income(loss)	<u>(92.33)</u>	<u>(34.24)</u>	<u>(5.01)</u>	<u>(1.52)</u>	<u>640.35</u>	<u>256.32</u>	<u>18.43</u>	<u>(5.18)</u>	<u>(3.52)</u>	<u>1,138.11</u>

11.7 Significant events during the year ended December 31, 2008

### PTTEP

During the year ended December 31, 2008, warrants in PTTEP were exercised under the Employee Stock Ownership Program (ESOP) as detailed in Note 26. The effect from dilution of investments amounting to Baht 149.80 million was recognized as a surplus on dilution of investments in subsidiaries and associates in shareholders' equity. Hence, as at December 31, 2008, the Company's shareholding in PTTEP was 65.54%.

### PTTCH

During the year ended December 31, 2008, warrants in PTTCH were exercised under the Employee Stock Ownership Program (ESOP) as detailed in Note 26. The effect from dilution of investments amounting to Baht 0.91 million was recognized as a surplus on dilution of investments in subsidiaries and associates in shareholders' equity. Hence, as at December 31, 2008, the Company's shareholding in PTTCH was 49.30%.

## **11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)**

### **11.7 Significant events during the year ended December 31, 2008 (Continued)**

#### **IRPC**

During the year ended December 31, 2008, the Company acquired 1,103.96 million additional ordinary shares in IRPC from third parties amounting to Baht 5,489.48 million. Goodwill arising from the acquisition was Baht 135.60 million. Hence, as at December 31, 2008, the Company's shareholding in IRPC was 36.77%.

#### **PTTRB**

PTTRB's extraordinary shareholders' meeting No. 1/2008 held on March 6, 2008 and No. 2/2008 held on March 21, 2008 passed a resolution to increase the authorized share capital of PTTRB by issuing 50 million ordinary shares at a par value of Baht 100 amounting to Baht 5,000 million. The Company made this payment on March 27, 2008.

#### **APS (NPTC)**

In accordance with NPTC's ordinary shareholders' meeting No. 1/2008 held on March 7, 2008, a resolution was passed to change the company's name from NPTC Maintenance and Engineering Services Company Limited (NPTC), to Alliance Plant Service Company Limited (APS). The change of name was registered on April, 8, 2008.

#### **PTTGE**

On April 25, 2008, PTTGE acquired a 95% stake in PT. Az-Zhara, a company registered in the Republic of Indonesia, from the existing shareholders of PT. Az-Zhara at an approximate amount of USD 22.275 million, or equivalent to approximately Baht 700 million. The acquisition was made through Sabran Brothers Pte., Ltd., a company registered in the Republic of Singapore in which PTTGE has a 100% interest. On April 25, 2008, PTTGE, PT. Az-Zhara and Sabran Brothers Pte., Ltd. fulfilled the conditions precedent of the Share Purchase Agreement. PTTGE has made certain payments for the acquisition and the existing shareholders of PT. Az-Zhara have transferred the 95% stake in PT. Az-Zhara to PTTGE (through Sabran Brothers Pte., Ltd). PTTGE (through Sabran Brothers Pte., Ltd) will make additional payments according to the agreement and the final payment will be made when all the conditions under the agreement are fulfilled. Currently, the paid-up capital of PT. Az-Zhara is Indonesian Rupiah (IDR) 1,000 million or equivalent to approximately Baht 4 million, which comprises 1,000 ordinary shares at IDR 1,000,000 per share.

PTTGE's board of directors' meeting No. 3/2008 held on March 25, 2008 passed a resolution to approve a change in the currency of PTTGE's registered capital from SGD to USD. As a result, PTTGE had registered capital comprising 40 million shares amounting to USD 28 million or approximately Baht 942.50 million. In addition, PTTGE's board of directors' meeting passed a resolution to increase the share capital by 50 million shares of USD 1 per share amounting to USD 50 million or approximately Baht 1,655.92 million. Thus, the Company made this payment on June 11, 2008. On October 1, 2008, PTTGE's board of directors' meeting passed a resolution to increase the share capital by 3.5 million shares of USD 1 per share amounting to USD 3.5 million or approximately Baht 115.91 million. Thus, the Company made this payment on October 7, 2008.

## **11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)**

### **11.7 Significant events during the year ended December 31, 2008 (Continued)**

#### **PPCL**

In the second quarter of 2008, PPCL's board of directors' meeting No. 3/2008 held on March 19, 2008 gave approval to the shareholders to pay for additional shares amounting to Baht 599.40 million. On April 10, 2008, the Company made this payment according to its shareholding of 40% amounting to Baht 239.76 million. Consequently, PPCL's ordinary shareholders' meetings on April 23, 2008 passed a resolution to increase its registered capital by Baht 1,600 million. PPCL called for payment of 65.625% on these shares amounting to Baht 1,050 million. Thus, the Company made this payment according to its shareholding of 40% amounting to Baht 420 million on June 30, 2008.

In the third quarter of 2008, PPCL's board of directors' meeting No. 8/2008 held on August 15, 2008 gave approval to the shareholders to pay for additional shares amounting to Baht 648 million. Thus, on August 22, 2008, the Company made this payment according to its shareholding of 40% amounting to Baht 259.20 million.

In the fourth quarter of 2008, PPCL's board of directors' meeting No. 9/2008 held on October 13, 2008 gave approval to the shareholders to pay for additional shares amounting to Baht 1,392.40 million. Thus, on October 27 and December 17, 2008, the Company made this payment according to its shareholding of 40% amounting to Baht 336.96 and 220 million, respectively.

#### **PTTAC**

In accordance with PTTAC's board of directors' meeting No. 2/2008 held on February 22, 2008 passed a resolution to increase its registered capital in the amount of Baht 12,200 million from the existing amount of Baht 200 million to Baht 12,400 million by issuing 122 million ordinary shares at a par value of Baht 100 and called for payment of these additional shares of Baht 25 each amounting to Baht 3,050 million. In addition, this meeting passed a resolution to change the percentage interest from 47.50 to 48.50. Thus, the Company paid the amount of Baht 1,479.75 million on April 25, 2008.

#### **PTTPL**

In accordance with PTTPL's board of directors' meeting No. 2/2008 held on February 20, 2008 passed a resolution to increase its registered capital in the amount of 12 million shares at Baht 25 per share amounting to Baht 300 million. Thus, the Company made this payment on May 2, 2008.

In the fourth quarter of 2008, in accordance with PTTPL's board of directors' meeting No. 8/2008 held on October 2, 2008 passed an approval to call for additional shares amounting to Baht 300 million. Thus, the Company made this payment on October 27, 2008.

#### **PTTLNG**

PTTLNG's extraordinary shareholders' meeting No. 1/2008 held on March 20, 2008 and the ordinary shareholders' meeting for 2008 held on April 4, 2008 passed a resolution to increase the authorized share capital by Baht 6,353 million from the existing amount of Baht 50 million to Baht 6,403 million by issuing 635.30 million ordinary shares at a par value of Baht 10 and called for payment of these additional shares of Baht 2.50 each amounting to Baht 1,588.25 million. Thus, the Company made payment on April 28, 2008 amounting to Baht 1,551.00 million and on May 9, 2008 amounting to Baht 37.25 million.

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

### 11.7 Significant events during the year ended December 31, 2008 (Continued)

#### **PTTPM**

On August 27, 2008, the Company disposed of 100,000 shares in PTT Polymer Marketing Co., Ltd. (PTTPM), equal to 25% of PTTPM's registered and paid-up shares, to IRPC Public Co., Ltd. (IRPC) in accordance with PTTPM's board of directors' meeting No. 11/2007 held on November 16, 2007 with a price per share equal to PTTPM's book value as at July 31, 2008 amounting to Baht 583.18 per share totalling Baht 58.32 million and received cash from this disposal on August 27, 2008. As a result, the Company's shareholding in PTTPM decreased from 75% to 50%. A loss arose from the disposal of this investment amounting to Baht 1.1 million in the consolidated financial statement.

#### **PTT INTER**

In accordance with PTT INTER's board of directors' meeting No. 4/2008 held on July 3, 2008 passed a resolution to call for remaining unpaid shares 75% amounting to Baht 75 million. Thus, the Company made this payment on August 22, 2008.

#### **BSA**

On April 25, 2008, the Company's board of directors' meeting No. 4/2008 held on April 25, 2008 passed a resolution to establish Business Services Alliances Co., Ltd. (BSA) with the objectives to provide services contract for the Group, namely the Company, PTTICT, PTTUT and PTTAR which hold percentage in shares capital equal to 25% of registered shares capital. Thus, BSA was registered on December 12, 2008 with registered share capital comprising two million shares of Baht 10 per share and 200,000 shares amounting to Baht 2 million. The details for registered shares capital comprising common and prefer stocks are as follow.

	<u>Common Stocks</u>	<u>Preferred Stocks</u>
Amount (million shares)	0.05	0.15
Shareholding percentage (%)	25.00	75.00
Voting Rights	1 share per 1 vote	4 share per 1 vote

The Company holds total common stocks.



## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

### 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, 2008 and 2007 is as follows:

#### Balance Sheets:

As at December 31, 2008 and 2007

Unit: Million Baht

	2008					2007				
	Refinery	Oil	Petro-chemicals	Gas	Others	Refinery	Oil	Petro-chemicals	Gas	Others
Current assets	68,235.66	1,078.75	18,835.62	3,069.11	144.25	99,584.41	1,116.02	22,711.84	2,327.82	129.89
Non-current assets	132,305.37	2,476.04	62,367.07	9,817.26	23.72	110,478.98	2,589.72	46,467.50	8,443.70	6.58
Current liabilities	(39,214.52)	(480.72)	(7,177.57)	(2,310.95)	(118.55)	(48,846.66)	(824.89)	(9,852.46)	(1,195.83)	(101.68)
Non-current liabilities	(58,331.75)	(2,535.27)	(24,235.60)	(4,011.93)	(2.86)	(40,219.18)	(2,718.48)	(12,396.47)	(3,006.62)	(3.36)
Net assets	102,994.76	538.80	49,789.52	6,563.49	46.56	120,997.55	162.37	46,930.41	6,569.07	31.43

#### Statements of Income:

For the years ended December 31, 2008 and 2007

Unit: Million Baht

	2008					2007				
	Refinery	Oil	Petro-chemicals	Gas	Others	Refinery	Oil	Petro-chemicals	Gas	Others
Income	510,077.44	1,830.10	42,347.10	6,969.00	189.44	380,789.52	2,333.61	48,667.83	5,227.20	54.52
Expenses	(525,577.67)	(1,457.04)	(35,658.91)	(6,810.24)	(168.61)	(350,652.06)	(1,974.65)	(42,124.73)	(4,854.22)	(47.80)
Gain(loss) before taxes	(15,500.23)	373.06	6,688.19	158.76	20.83	30,137.46	358.96	6,543.10	372.98	6.72
Income taxes	3,805.66	(7.08)	(1,165.96)	(59.44)	(6.31)	(6,824.28)	(9.66)	-	(36.94)	(4.76)
Net income(loss)	(11,694.57)	365.98	5,522.23	99.32	14.52	23,313.18	349.30	6,543.10	336.04	1.96

11.8.2 The Company has not recognized the share of gain from some associates for the year ended December 31, 2008 amounting to Baht 2.01 million (2007: Baht 293.87 million) because PTT had unrealized allowance for share of net loss from investments as at December 31, 2008 amounting to Baht 68.06 million (December 31, 2007: Baht 70.07 million).

## 11. Investments in Subsidiaries, Jointly Controlled Entities and Associates (Continued)

### 11.8 Additional Information in respect of Associates (Continued)

11.8.3 The fair value of investments in associates (only those that have equity securities traded in the Stock Exchange of Thailand (SET)) was calculated based on current bid price at the balance sheet date. Details are as follows:

The fair value of investments in associates as at December 31, 2008 and 2007

<u>Associates</u>	<u>2008</u>	Unit: Million Baht
		<u>2007</u>
PTTCH	23,244.39	91,501.74
BCP	2,580.13	4,660.88
IRPC	15,652.35	39,004.88
TOP	23,638.88	86,642.51
PTTAR	14,131.48	62,091.98

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:

<u>Company</u>	<u>Voting rights</u>	Unit: Percentage
		<u>Ownerships</u>
Subsidiary		
RBA	80.00	49.00
BSA	57.14	100.00
Jointly Controlled Entity		
HMC	42.096	41.443
Associate		
THAPPLINE	35.20	33.15

## 12. Other Long-term Investments, Net

12.1 Other long-term investments, net as at December 31, 2008 and 2007 are as follows:

Unit: Million Baht

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
General investments	2,247.63	1,456.60	1,106.12	812.87
Investments in available-for-sale securities				
- Investments in equity instruments	336.00	336.00	336.00	336.00
- Investments in debt securities	585.60	585.60	585.60	585.60
- Investments in mutual funds	5,343.16	33.96	5,343.16	33.96
<u>Add</u> Allowance for increase in fair value of investments	(727.65)	758.70	(727.65)	758.70
Total	<u>7,784.74</u>	<u>3,170.86</u>	<u>6,643.23</u>	<u>2,527.13</u>

12.2 Details of other long-term investments of the Company are as follows:

Company	Country of Incorporation	Business	Shareholding Percentage	
			2008	2007
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	20.00
Petro Asia (Sanshui) Co., Ltd. (PA (Sanshui))	China	Oil marketing	25.00	-
PTT Mart Co., Ltd. (PTT Mart)	Thailand	Management services	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 services	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 services	7.06	7.06

## 12. Other Long-term Investments, Net (Continued)

12.3 Details of other long-term investments of the subsidiaries and jointly controlled entities are as follows:

Company	Country of Incorporation	Business	Shareholding Percentage	
			2008	2007
<b><u>Other long-term investments of PTTT:</u></b>				
KIC Oil Terminals Sdn Bhd. (KOT)	Malaysia	Logistics services	10.00	-
Kadriah Integrated Facilities Sdn Bhd. (KIF)	Malaysia	Logistics services	10.00	-
Kadriah I Ltd. (KAD I)	Malaysia	Logistics services	10.00	-
Kadriah II Sdn Bhd. (KAD II)	Malaysia	Logistics services	10.00	-
<b><u>Other long-term investments of HMC:</u></b>				
Rayong Olefins Co., Ltd. (ROC)	Thailand	Petrochemicals	5.91	5.91
Basell Advanced Polyolefins (Thailand) Co., Ltd. (BAPT)	Thailand	Petrochemicals	2.07	2.07

## 12. Other Long-term Investments, Net (Continued)

12.4 Other long-term investments, net as at December 31, 2008 and 2007 are as follows:

Unit: Million Baht

Company	Shareholding percentage		Consolidated financial statements		Separate financial statements		Dividends	
	2008	2007	2008	2007	2008	2007	2008	2007
<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	1,098.75	805.50	1,098.75	805.50	-	-
7 ROC	5.91	5.91	643.73	643.73	-	-	-	282.31
8 BAPT	2.07	2.07	18.19	18.19	-	-	-	-
9 PA (Maoming)	20.00	20.00	14.83	14.83	14.83	14.83	-	-
10 PA (Sanshui)	25.00	-	6.06	-	6.06	-	-	-
11 KOT	10.00	-	117.93	-	-	-	-	-
12 KIF	10.00	-	48.84	-	-	-	-	-
13 KAD I	10.00	-	245.39	-	-	-	-	-
14 KAD II	10.00	-	65.52	-	-	-	-	-
Total investments accounted for under the cost method			2,457.66	1,680.67	1,318.06	1,018.75		
<u>Add</u> Currency translation differences			20.10	-	-	-		
<u>Less</u> Allowance for impairment of investments			230.13	224.07	211.94	205.88		
Total general investments			2,247.63	1,456.60	1,106.12	812.87		
<b>Investments in Available-for-sale Securities</b>								
Investments in Equity Instruments								
15 TIP	13.33	13.33	312.00	312.00	312.00	312.00	50.00	68.00
16 BAFS	7.06	7.06	24.00	24.00	24.00	24.00	16.92	13.80
Total investments in equity instruments			336.00	336.00	336.00	336.00		
Investments in Debt Securities								
Investments in Mutual Funds								
MFC Energy Fund	32.57	33.96	293.16	33.96	293.16	33.96	-	-
FAM EPIF			5,050.00	-	5,050.00	-	-	-
			6,264.76	955.56	6,264.76	955.56		
<u>Add</u> Allowance for increase in fair value of investments			(727.65)	758.70	(727.65)	758.70		
Total investments in available-for-sale securities			5,537.11	1,714.26	5,537.11	1,714.26		
Total other long-term investments, net			7,784.74	3,170.86	6,643.23	2,527.13	66.92	364.11

## 12. Other Long-term Investments, Net (Continued)

12.5 Movements in other long-term investments, net for the year ended December 31, 2008 are as follows:

	Unit : Million Baht	
	Consolidated financial statements	Separate financial statements
Balance as at December 31, 2007	3,170.86	2,527.13
- Allowance for changes in value of investments	(1,486.35)	(1,486.35)
- Additional investments	6,080.13	5,602.45
- Disposal of investments	-	-
- Allowance for impairment of investments	(6.06)	(6.06)
- Reclassifications	6.06	6.06
- Currency translation differences	20.10	-
Balance as at December 31, 2008	<u>7,784.74</u>	<u>6,643.23</u>

### 12.6 Significant events during the year ended December 31, 2008

#### **RPCL**

During the year ended December 31, 2008, RPCL called for payment from shareholders for additional shares amounting to Baht 1,955.00 million. The Company paid for its shareholding of 15% amounting to Baht 293.25 million.

#### **PA (Sanshui)**

During the year ended December 31, 2008, the Company transferred investments in PA (Sanshui) from current investments to other long-term investments since the sale of investments cannot be finished within one year.

#### **MFC Energy Fund**

On May 6, 2008, the Company sold 0.14 million unit trusts which were in accordance with a joint investment contract at Baht 10 per unit amounting to Baht 1.38 million. Consequently, on August 28, 2008 and December 12, 2008, the Company paid for unit trust in the second and third each amounting to Baht 130.29 million totalling to Baht 260.58 million. As a result, as of December 31, 2008, the Company's share of investment was 32.57%.

#### **Finansa Asset Management – Energy and Petrochemical Index Fund (FAM EPIF)**

The Company's board of directors' meeting No. 7/2008 held on August 2, 2008 passed a resolution to invest in Finansa Asset Management – Energy and Petrochemical Index Fund (FAM EPIF), which has a policy to invest in equity securities issued by companies listed in the energy, petrochemicals and chemicals sector in The Stock Exchange of Thailand. During the year 2008, the Company invested in 595.93 million FAM EPIF unit trust amounting to Baht 5,050 million.

## 12. Other Long-term Investments, Net (Continued)

### 12.6 Significant events during the year ended December 31, 2008 (Continued)

In the consolidated financial statements, the allowance for impairment of investments in other related companies amounting to Baht 230.13 million comprises the allowance for impairment of investments in PTT Mart, PA (Huizhou), FPT, PA (Shantou), PA (Maoming), PA (Sanshui) and BAPT amounting to Baht 78.40, 15.16, 44.00, 60.84, 7.48, 6.06 and 18.19 million, respectively, and in the separate financial statements the allowance amounts to Baht 211.94 million.

#### Affiliates of PTTT

During quarter 2, 2008, PTTT acquired shares in four companies in Malaysia in order to support the expansion of its international oil trading. Details are as follows:

Company	Shareholding percentage	Ordinary shares (Million shares)	Amount (Million Malaysia Ringgit)	Amount (Million Baht)
1. KIC Oil Terminals Sdn Bhd (KOT)	10	3.80	11.10	117.93
2. Kadriah Integrated Facilities Sdn Bhd (KIF)	10	0.03	4.60	48.84
3. Kadriah I Ltd (KAD I)	10	0.95	23.12	245.39
4. Kadriah II Sdn Bhd (KAD II)	10	2.09	6.18	65.52
		6.87	45.00	477.68
<u>Add</u> Currency translation differences				20.10
Total				497.78

### 13. Property, Plant and Equipment, Net

Property, plant and equipment as at December 31, 2008 and 2007 are as follows:

Unit: Million Baht

	Consolidated financial statements						Total
	Land	Buildings and building improvements	Machinery and equipment	Oil and gas properties	Other assets	Construction in progress	
<b>Cost</b>							
As at December 31, 2007	5,424.13	20,382.10	165,536.51	236,241.87	11,473.67	52,764.54	491,822.82
- Additions	2,891.82	463.65	2,396.37	63,678.50	345.19	38,981.03	108,756.56
- Borrowing costs	-	-	-	-	-	1,958.67	1,958.67
- Reclassification	442.48	1,630.70	37,242.73	(6.50)	(2,134.81)	(39,532.79)	(2,358.19)
- Disposals	-	(188.11)	(262.70)	(16,536.15)	(233.72)	0.04	(17,220.64)
- Currency translation differences	-	2.25	(19.12)	238.47	(8.08)	0.78	214.30
As at December 31, 2008	8,758.43	22,290.59	204,893.79	283,616.19	9,442.25	54,172.27	583,173.52
<b>Accumulated Depreciation</b>							
As at December 31, 2007	-	(9,894.57)	(62,998.81)	(95,254.12)	(7,586.77)	-	(175,734.27)
- Depreciation for the year	-	(986.76)	(6,425.35)	(22,843.69)	(900.51)	-	(31,156.31)
- Reclassification	-	(0.13)	(1,829.75)	-	1,829.88	-	-
- Disposals	-	136.39	171.68	67.09	285.00	-	660.16
- Currency translation differences	-	(0.56)	4.64	(85.16)	6.72	-	(74.36)
As at December 31, 2008	-	(10,745.63)	(71,077.59)	(118,115.88)	(6,365.68)	-	(206,304.78)
<b>Allowance for Impairment of Assets</b>							
As at December 31, 2007	(53.53)	(259.64)	(242.73)	(389.54)	-	-	(945.44)
- Loss on impairment of assets	-	-	-	(168.53)	-	-	(168.53)
As at December 31, 2008	(53.53)	(259.64)	(242.73)	(558.07)	-	-	(1,113.97)
<b>Net Book Value</b>							
As at December 31, 2007	5,370.60	10,227.89	102,294.97	140,598.21	3,886.90	52,764.54	315,143.11
As at December 31, 2008	8,704.90	11,285.32	133,573.47	164,942.24	3,076.57	54,172.27	375,754.77



### 13. Property, Plant and Equipment, Net (Continued)

Unit : Million Baht

	Separate financial statements					Total
	Land	Buildings and building improvements	Machinery and equipment	Other assets	Construction in progress	
<b>Cost</b>						
As at December 31, 2007	4,517.72	14,464.47	146,567.16	7,318.94	45,087.79	217,956.08
- Additions	2,536.18	289.05	2,001.03	247.50	25,446.83	30,520.59
- Borrowing costs	-	-	-	-	1,602.04	1,602.04
- Reclassification	342.02	1,333.88	34,143.58	343.22	(38,330.53)	(2,167.83)
- Disposals	-	(69.38)	(32.84)	(94.52)	-	(196.74)
As at December 31, 2008	7,395.92	16,018.02	182,678.93	7,815.14	33,806.13	247,714.14
<b>Accumulated Depreciation</b>						
As at December 31, 2007	-	(7,739.66)	(58,688.30)	(4,700.10)	-	(71,128.06)
- Depreciation for the year	-	(624.54)	(5,180.19)	(737.63)	-	(6,542.36)
- Reclassification	-	(0.13)	0.32	(0.21)	-	(0.02)
- Disposals	-	52.08	27.84	88.43	-	168.35
As at December 31, 2008	-	(8,312.25)	(63,840.33)	(5,349.51)	-	(77,502.09)
<b>Allowance for Impairment of Assets</b>						
As at December 31, 2007	(53.53)	(259.64)	(242.73)	-	-	(555.90)
- Loss on impairment of assets	-	-	-	-	-	-
As at December 31, 2008	(53.53)	(259.64)	(242.73)	-	-	(555.90)
<b>Net Book Value</b>						
As at December 31, 2007	4,464.19	6,465.17	87,636.13	2,618.84	45,087.79	146,272.12
As at December 31, 2008	7,342.39	7,446.13	118,595.87	2,465.63	33,806.13	169,656.15

### 13. Property, Plant and Equipment, Net (Continued)

Borrowing costs in the consolidated financial statements amounting to Baht 1,958.67 million (December 31, 2007: Baht 2,811.64 million) and in the separate financial statements amounting to Baht 1,602.04 million (December 31, 2007: Baht 2,657.64 million) were capitalized as part of costs of property, plant and equipment. The Group used capitalization rates ranging from 5.29% - 7.25% (December 31, 2007: 3.34% - 7.69%).

As at December 31, 2008 and 2007, the net book value of other assets included vehicles acquired under finance leases. The details are as follows:

	Consolidated		Unit: Million Baht Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Cost	863.07	858.44	766.48	744.59
<u>Less Accumulated depreciation</u>	<u>373.10</u>	<u>210.88</u>	<u>345.71</u>	<u>196.21</u>
Net book value	<u>489.97</u>	<u>647.56</u>	<u>420.77</u>	<u>548.38</u>

As at December 31, 2008, PTTEP had carried cost reimbursement for the government, which is presented as petroleum exploration and production assets in the balance sheet and petroleum exploration expenses in the statements of income for projects as follows:

Project	Unit: Million Baht Carried cost reimbursement for the government		
	Petroleum exploration and production assets	Other non-current assets	Petroleum exploration expenses (Accumulated from the year 2002 to December 31, 2008)
Vietnam 52/97	-	35.26	-
Vietnam B and 48/95	-	36.90	-
Vietnam 16-1	892.00	-	1,287.53
Vietnam 9-2	1,188.24	-	811.23
Algeria 433A and 416 B	417.17	-	435.89

## 14. Intangible Assets, Net

Intangible assets, net as at December 31, 2008 and 2007 are as follows:

Unit: Million Baht

	Consolidated financial statements			
	Computer software	Leasehold rights/rights to use	Other operating rights	Total
<b>Cost</b>				
As at December 31, 2007	1,830.44	25,532.55	587.00	27,949.99
- Additions	245.60	1,387.32	3.70	1,636.62
- Reclassification	178.46	448.95	-	627.41
- Disposals	(6.59)	(582.97)	-	(589.56)
- Currency translation differences	(0.23)	(20.60)	1.07	(19.76)
As at December 31, 2008	2,247.68	26,765.25	591.77	29,604.70
<b>Accumulated Amortization</b>				
As at December 31, 2007	(1,197.01)	(5,648.72)	(317.99)	(7,163.72)
- Amortization for the year	(190.54)	(903.62)	(148.54)	(1,242.70)
- Reclassification	(66.62)	(6.68)	-	(73.30)
- Disposals	6.88	32.75	-	39.63
- Currency translation differences	0.15	9.33	(1.04)	8.44
As at December 31, 2008	(1,447.14)	(6,516.94)	(467.57)	(8,431.65)
<b>Allowance for Impairment of Assets</b>				
As at December 31, 2007	-	(692.00)	-	(692.00)
- Loss on impairment of assets	-	-	-	-
As at December 31, 2008	-	(692.00)	-	(692.00)
<b>Net Book Value</b>				
As at December 31, 2007	633.43	19,191.83	269.01	20,094.27
As at December 31, 2008	800.54	19,556.31	124.20	20,481.05

## 14. Intangible Assets, Net (Continued)

Unit: Million Baht

	Separate financial statements			Total
	Computer software	Leasehold rights/rights to use	Other operating rights	
<b>Cost</b>				
As at December 31, 2007	877.66	23,765.91	51.55	24,695.12
- Additions	57.63	224.63	-	282.26
- Reclassification	74.95	442.26	-	517.21
- Disposals	(0.05)	(579.75)	-	(579.80)
As at December 31, 2008	1,010.19	23,853.05	51.55	24,914.79
<b>Accumulated Amortization</b>				
As at December 31, 2007	(653.89)	(5,485.64)	(44.22)	(6,183.75)
- Amortization for the year	(88.20)	(752.40)	(5.17)	(845.77)
- Reclassification	0.01	-	-	0.01
- Disposals	0.05	32.75	-	32.80
As at December 31, 2008	(742.03)	(6,205.29)	(49.39)	(6,996.71)
<b>Allowance for Impairment of Assets</b>				
As at December 31, 2007	-	(692.00)	-	(692.00)
- Loss on impairment of assets	-	-	-	-
As at December 31, 2008	-	(692.00)	-	(692.00)
<b>Net Book Value</b>				
As at December 31, 2007	223.77	17,588.27	7.33	17,819.37
As at December 31, 2008	268.16	16,955.76	2.16	17,226.08

## 15. Goodwill, Net

Goodwill - net as at December 31, 2008 and December 31, 2007 is as follows:

	Unit: Million Baht
	<u>Consolidated financial statements</u>
Net book value as at December 31, 2007	12,432.05
- Currency translation differences	(138.06)
- Allowance for impairment	(186.77)
Net book value as at December 31, 2008	<u>12,107.22</u>

## 16. Income Taxes and Deferred Income Taxes

Applicable tax rates for the Group are as follows:

	<u>Tax rates (%)</u>
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
- Income tax of subsidiaries and jointly controlled entities of PTTEP	15 – 30
Corporate income tax in the Union of Myanmar	30
Corporate income taxes in other countries	18 – 50

16.1 Income taxes recognized in the consolidated and the separate financial statements of income for the years ended December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	2008	2007	2008	2007
Petroleum income tax				
Current income tax	27,432.24	18,302.02	-	-
Deferred income tax	<u>1,106.60</u>	<u>1,030.29</u>	-	-
Total petroleum income tax	<u>28,538.84</u>	<u>19,332.31</u>	-	-
Income tax under the Revenue Code				
Current income tax	6,818.59	19,904.96	5,870.70	16,550.04
Deferred income tax	<u>4,031.24</u>	<u>224.76</u>	<u>4,052.44</u>	<u>162.99</u>
Total income tax under the Revenue Code	<u>10,849.83</u>	<u>20,129.72</u>	<u>9,923.14</u>	<u>16,713.03</u>

## 16. Income Taxes and Deferred Income Taxes (Continued)

16.1 Income taxes recognized in the consolidated and the separate financial statements of income for the years ended December 31, 2008 and 2007 are as follows: (Continued)

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Corporate income tax in the Union of Myanmar				
Current income tax	3,686.55	2,668.36	-	-
Deferred income tax	(42.12)	15.43	-	-
Total corporate income tax in the Union of Myanmar	<u>3,644.43</u>	<u>2,683.79</u>	<u>-</u>	<u>-</u>
Corporate income taxes in other countries				
Current income tax	309.51	67.82	-	-
Deferred income tax	4.96	10.36	-	-
Total corporate income taxes in other countries	<u>314.47</u>	<u>78.18</u>	<u>-</u>	<u>-</u>
Total income tax expenses	<u>43,347.57</u>	<u>42,224.00</u>	<u>9,923.14</u>	<u>16,713.03</u>

16.2 Deferred income taxes presented in the consolidated and the separate balance sheets as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht	
	Consolidated financial statements	Separate financial statements
Deferred tax assets		
Income tax under the Revenue Code		
As at December 31, 2007	1,056.74	1,056.74
Income tax	487.77	487.77
As at December 31, 2008	<u>1,544.51</u>	<u>1,544.51</u>
Corporate income tax in other countries		
As at December 31, 2007	12.25	-
Income tax	(5.85)	-
As at December 31, 2008	<u>6.40</u>	<u>-</u>
Total deferred tax assets	<u>1,550.91</u>	<u>1,544.51</u>

## 16. Income Taxes and Deferred Income Taxes (Continued)

16.2 Deferred income taxes presented in the consolidated and the separate balance sheets as at December 31, 2008 and 2007 are as follows: (Continued)

	Unit: Million Baht	
	Consolidated financial statements	Separate financial statements
Deferred tax liabilities		
Income tax under the Revenue Code		
As at December 31, 2007	218.81	227.61
Income tax	4,080.09	4,094.30
As at December 31, 2008	4,298.90	4,321.91
Petroleum income tax		
As at December 31, 2007	13,072.67	-
Income tax	2,552.57	-
As at December 31, 2008	15,625.24	-
Corporate income tax in the Union of Myanmar		
As at December 31, 2007	1,445.74	-
Income tax	(1,445.74)	-
As at December 31, 2008	-	-
Corporate income tax in other countries		
As at December 31, 2007	0.78	-
Income tax	0.04	-
As at December 31, 2008	0.82	-
Total deferred tax liabilities	19,924.96	4,321.91

Deferred tax assets mainly comprise allowance for doubtful accounts, accumulated depreciation of plant and equipment and refund receivable from the Oil Stabilization Fund. Deferred tax liabilities mainly comprise accumulated depreciation of plant and equipment, amortization of decommissioning costs and unrealized gain on revaluation of decommissioning costs.

## 17. Advance Payments for Gas Purchased

Advance payments for gas purchased as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht	
	Consolidated financial statements	Separate financial statements
Balance as at December 31, 2007	12,702.08	15,761.74
Additions	13,716.04	13,716.04
<u>Less Make-up during the period</u>	2,362.19	2,887.42
Balance as at December 31, 2008	24,055.93	26,590.36

## 17. Advance Payments for Gas Purchased (Continued)

The Company paid in advance for the committed gas volumes from Yadana and Yetagun gas fields in the Union of Myanmar, irrespective of take-up in 1998-2001, according to the established minimum volume in the Export Gas Sales Agreements (Take-or-Pay). The Company had the right to take certain volumes of prepaid gas (Make-up) in subsequent years, with no maturity period. As at December 31, 2008, the remaining advance payments for gas purchased are for irrespective of take-up gas in 2000-2001.

During the year 2008, the Company paid in advance for the committed gas volumes from the Malaysia-Thailand Joint Development Area (JDA) gas field Block A-18 in Malaysia for take-up in 2007 amounting to Baht 13,716.04 million. As at December 31, 2008, the Company has not made-up gas from this gas field.

## 18. Other Non-current Assets

Other non-current assets as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Retention and refundable deposits	531.28	345.31	39.55	37.66
Advances	4,020.19	2,271.91	32.93	1,656.89
Inventories - legal reserve	7,905.49	11,444.81	7,282.81	10,217.37
Deferred compensation	1,038.47	1,084.32	-	-
Others	991.46	467.98	567.97	333.61
Total	<u>14,486.89</u>	<u>15,614.33</u>	<u>7,923.26</u>	<u>12,245.53</u>

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 reported to the Director General of the Department of Energy Business, the Ministry of Energy.

The Group recognized legal reserved for inventory write down equal to net realizable value amounting to Baht 586.85 million and Baht 381.96 million in the consolidated financial statements and in the separate financial statements respectively.



## 19. Bank Overdrafts and Short-term Loans from Financial Institutions

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Bank Overdrafts and Short-term Loans from Financial Institutions	6,201.73	5,768.06	-	1,500.00

As at December 31, 2008 and 2007, the bank overdrafts and short-term loans from financial institutions of the Group represent short-term loans from financial institutions. The loans bear interest at rates ranging from 2.88% to 8.25% per annum and 3.50% to 6.03% per annum, for the year 2008 and 2007 respectively.

## 20. Other Current Liabilities

Other current liabilities as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Other accounts payable	11,437.70	5,917.70	7,460.50	3,607.18
Accounts payable - forward foreign exchange contracts (purchase), net	149.55	43.79	149.55	43.79
Advances received	98.73	60.43	35.84	20.92
Undue output VAT	2,176.03	2,917.48	1,843.65	2,560.00
Retention (due not later than 1 year)	440.37	356.19	3.74	30.05
Others	799.18	1,285.51	609.26	470.94
Total	<u>15,101.56</u>	<u>10,581.10</u>	<u>10,102.54</u>	<u>6,732.88</u>

## 21. Long-term Loans

Long-term loans as at December 31, 2008 and 2007 are as follows:

### Current Portion of Long-term Loans

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Loans – Baht currency	9,473.50	8,073.50	9,400.00	8,000.00
Loans – Baht currency – EPPO	57.54	-	57.54	-
Loans – Foreign currencies	1,050.32	378.97	406.62	378.97
Liabilities from finance leases	193.40	159.36	175.24	146.36
<b>Total</b>	<b>10,774.76</b>	<b>8,611.83</b>	<b>10,039.40</b>	<b>8,525.33</b>

### Long-term Loans

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Loans – Baht currency	34,776.67	43,096.50	33,000.00	42,400.00
Loans – Baht currency – EPPO	209.22	-	209.22	-
Loans – Foreign currencies	31,898.87	27,354.38	20,579.19	18,503.44
Bonds – Baht currency	114,604.20	108,353.00	96,104.20	89,853.00
Bonds – Foreign currencies	46,543.72	33,104.55	46,543.72	33,104.55
Liabilities from finance leases	329.84	478.86	274.44	428.12
<b>Total</b>	<b>228,362.52</b>	<b>212,387.29</b>	<b>196,710.77</b>	<b>184,289.11</b>

The Company's loans as at December 31, 2008, amounting to Baht 36,895.51 million (December 31, 2007: Baht 44,223.44 million) are secured by the Ministry of Finance.

## **21. Long-term Loans (Continued)**

On March 14, 2008, the Company signed an agreement to change a certain part of the commitments in accordance with an interest rate swap for loans which the Company drew on November 30, 2006 amounting to USD 100 million at a floating interest rate of LIBOR + 0.265% per annum to a floating interest rate of LIBOR – 0.205% 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 3.20% per annum.

On June 5, 2008, the Company entered into a participating swap (P-SWAP) agreement with a financial institution for the cancellation of commitments in accordance with a cross currency swap contract to swap JPY currency amounting to JPY 17,250 million for USD currency equivalent to USD 147.71 million which the Company had entered into on April 5, 2006. In cancelling the agreement, the Company had to pay compensation to the financial institution that is a party to the contract amounting to USD 10.5 million.

On June 5, 2008 and June 6, 2008, the Company signed an agreement to change a certain part of the commitments in accordance with the participating swap (P-SWAP) which is a cross currency swap contract to swap JPY currency amounting to JPY 23,000 million for USD currency equivalent to USD 196.94 million. The contract has the essence to adjust the condition in the exchange rate between USD and JPY to mitigate the exchange rate risk. The Company had a burden to pay the additional premium from 0.9875% to approximately 1.38% per annum of USD principal until the redemption on April 7, 2036.

On September 16, 2008, the Company entered into an interest rate swap contract for a certain part of the loan which the Company drew on November 30, 2006, amounting to USD 50 million from a floating interest rate of LIBOR + 0.265% per annum to a fixed interest rate of 2.85% per annum.

On October 6, 2008, the Company entered into an interest rate swap contract with two parties for a certain part of the loan which the Company drew on September 30, 2006, amounting to USD 50 million and USD 100 million from a floating interest rate of LIBOR + 0.265% per annum to a fixed interest rate of 2.85% per annum and 3.35% per annum, respectively. One party has one-time right to cancel the contract, and the other party has a one-time right to change the interest rate in the contract to a floating interest rate of LIBOR – 0.265% per annum.

### **Loans from Energy Policy and Planning Office (EPPO)**

On September 15, 2006, the Company entered into a Confirmation Letter of Energy Conservation Fund in accordance with the Working Capital Fund for the NGV Project in order to borrow funds from the Energy Policy and Planning Office (EPPO) at a credit limit of Baht 2,000 million. The Company received the allocated fund in the form of a loan at the actual payment within 24 months after signing date in the confirmation letter. On January 10, 2008, the Company drew down the first loan amount of Baht 90 million with a redemption period of five years, repayable every three months at an amount of Baht 4.56 million per repayment, totalling 20 repayments. The loan bears interest at the fixed rate of 0.50% per annum and payable every three months. The first payment will be made in April 2008, and the last payment will be made in January 2013.

On August 25, 2008, the Company drew down the loan for the second loan amount of Baht 200 million with a maturity period of five years, bearing interest at a fixed rate of 0.50% per annum, payable every three months. The principal is payable every three months in installments of Baht 10.31 million, totalling 20 installments. The first payment will be made in November 2008, and the last payment will be made in August 2013.

## 21. Long-term Loans (Continued)

Long-term loans as at December 31, 2008 and 2007 can be classified by interest rates as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Floating interest rate	36,409.77	37,453.81	18,020.23	27,832.87
Fixed interest rate	<u>202,727.51</u>	<u>183,545.31</u>	<u>188,729.94</u>	<u>164,981.57</u>
Total	<u><u>239,137.28</u></u>	<u><u>220,999.12</u></u>	<u><u>206,750.17</u></u>	<u><u>192,814.44</u></u>

Interest rates charged on long-term loans as at December 31, 2008 and 2007 are as follows:

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
PTT bonds	3.70%-8.75%	3.49%-8.75%	3.70%-8.75%	3.49%-8.75%
Loans – Baht currency	3.88%-4.94%	3.38%-4.25%	3.88%	3.38%
Loans – Baht currency – EPPO	0.50%	-	0.50%	-
Loans – Foreign currencies				
- US Dollar	2.10%-6.05%	4.83%-7.19%	2.32%-5.64%	4.83%-4.99%
- Yen	4.45%	4.45%	4.45%	4.45%
Bonds – Baht currency	2.92%-7.40%	3.30%-7.40%	4.50%-7.40%	4.25%-7.40%
Bonds – Foreign currencies	3.38%-5.88%	5.37%-5.88%	3.38%-5.88%	5.37%-5.88%
Liabilities from finance leases	4.80%-8.10%	4.86%-8.10%	4.80%-8.10%	4.93%-8.10%

## 21. Long-term Loans (Continued)

### 21.1 Loans

Movements of loans in Baht currency and foreign currencies for the year ended December 31, 2008 are as follows:

Unit: Million

	Consolidated financial statements			
	Currency			
	Baht	USD	JPY	Total equivalent to Baht
Balance as at December 31, 2007	51,170.00	615.11	23,000.00	78,903.34
- Additions	1,429.67	79.57	-	4,151.22
- Repayments	(8,082.74)	(11.18)	-	(8,461.71)
- Gain on exchange rate	-	-	-	2,873.27
- Current portion	(9,531.04)	(29.94)	-	(10,581.36)
Balance as at December 31, 2008	34,985.89	653.56	23,000.00	66,884.76

Unit: Million

	Separate financial statements			
	Currency			
	Baht	USD	JPY	Total equivalent to Baht
Balance as at December 31, 2007	50,400.00	353.81	23,000.00	69,282.41
- Additions	290.00	-	-	290.00
- Repayments	(8,023.24)	(11.18)	-	(8,402.21)
- Gain on exchange rate	-	-	-	2,482.37
- Current portion	(9,457.54)	(11.59)	-	(9,864.16)
Balance as at December 31, 2008	33,209.22	331.04	23,000.00	53,788.41

## 21. Long-term Loans (Continued)

### 21.2 Bonds

Bonds as at December 31, 2008 and 2007 are as follows:

Unit: Million

	Consolidated financial statements			
	2008		2007	
	Baht	USD	Baht	USD
Unsecured unsubordinated bonds				
- USD currency	46,543.72	1,326.70	33,104.55	976.97
- Baht currency	114,604.20	-	108,353.00	-
Total	<u>161,147.92</u>	<u>1,326.70</u>	<u>141,457.55</u>	<u>976.97</u>

Unit: Million

	Separate financial statements			
	2008		2007	
	Baht	USD	Baht	USD
Unsecured unsubordinated bonds				
- USD currency	46,543.72	1,326.70	33,104.55	976.97
- Baht currency	96,104.20	-	89,853.00	-
Total	<u>142,647.92</u>	<u>1,326.70</u>	<u>122,957.55</u>	<u>976.97</u>

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 institutional 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, 2007, 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.

## 21. Long-term Loans (Continued)

### 21.2 Bonds (Continued)

On June 29, 2007, the Company issued unsecured unsubordinated JPY bonds (Samurai Bonds) for sale to institutional 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 rate of 5.75% per annum for Baht bonds amounting to Baht 1,695 million at a fixed interest rate of 5.18% per annum, to be redeemed on August 1, 2014. In addition, On August 21, 2008, 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 bonds amounting to USD 50 million at an interest rate of 5.75% per annum for Baht 1,695 million at a fixed interest rate of 5.18% per annum. In cancelling the agreement, the Company received compensation from the financial institution, that was a party to the contract amounting to Baht 122.40 million. Consequently, the Company now has commitments in USD currency as before.

The Company entered into a cross currency swap contract for some bonds amounting to Baht 3,053.80 million, at a fixed interest rate of 5% per annum that it had issued on December 14, 2007, and will be redeemed on December 14, 2014, the details are as follows:

On August 14, 2008, the Company swapped Baht 1,346.80 million for USD 40 million, at a fixed interest rate of 4.75% per annum.

On August 20, 2008, the Company swapped Baht 1,707 million for USD 50 million, at a fixed interest rate of 4.738% per annum.

## 21. Long-term Loans (Continued)

### 21.2 Bonds (Continued)

The Company entered into a cross currency swap contract for some bonds amounting to Baht 7,000 million, at a fixed interest rate of 6.70% per annum that it had issued on December 2, 2005, and will be redeemed on December 2, 2014, the details are as follows:

On August 21, 2008, the Company swapped Baht 3,356.50 million for USD 100 million, at a fixed interest rate of 5.675% per annum.

On August 25, 2008, the Company swapped Baht 3,643.50 million for USD 108.48 million, at a fixed interest rate of 5.4415% per annum

On October 17, 2008, the Company issued two tranches of unsecured unsubordinated bonds for sale to general and institutional investors totalling Baht 10,000 million. The details are as follows:

Details	Tranche 1	Tranche 2
Aggregate amount of bonds (million Baht)	7,450.00	2,550.00
Tenor (Years)	5	7
Fixed interest rate (% per annum)	Year 1-3: 5.00 Year 4-5: 5.50	Year 1-3: 5.00 Year 4-5: 5.50 Year 6-7: 6.00
Interest installments	Payable every six months, On April 17, and October 17	Payable every six months, On April 17, and October 17
Issuance date	October 17, 2008	October 17, 2008
Maturity date	October 17, 2013	October 17, 2015

On October 22, 2008, the Company issued two tranches of unsecured unsubordinated bonds for sale to institutional investors totalling Baht 8,000 million. The details are as follows:

Details	Tranche 1	Tranche 2
Aggregate amount of bonds (million Baht)	5,400.00	2,600.00
Tenor (Years)	5	7
Fixed interest rate (% per annum)	Year 1-3: 5.00 Year 4-5: 5.50	Year 1-3: 5.00 Year 4-5: 5.50 Year 6-7: 6.00
Interest installments	Payable every six months, On April 22, and October 22	Payable every six months, On April 22, and October 22
Issuance date	October 22, 2008	October 22, 2008
Maturity date	October 22, 2013	October 22, 2015



## 21. Long-term Loans (Continued)

### 21.2 Bonds (Continued)

On March 27, 2003, PTTEP issued 2,500,000 unsecured unsubordinated bonds at a face value of Baht 1,000 per unit, totalling 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 June 15, 2007, PTTEP issued unsecured unsubordinated bonds for sale to general investors amounting to Baht 6,000 million with a redemption period of three years at a fixed interest rate of 3.60 % per annum, to be redeemed on June 15, 2010. On September 4, 2007, PTTEP entered into an interest rate swap contract (IRS) with a financial institution 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%).

### 21.3 Liabilities from Finance Leases

Liabilities from finance leases as at December 31, 2008 and 2007 are as follows:

	Consolidated		Unit: Million Baht	
	financial statements		Separate	
	2008	2007	financial statements	
			2008	2007
Liabilities from finance leases				
- Not later than 1 year	213.67	193.17	194.42	178.04
- Later than 1 year but not later than 5 years	339.04	507.39	282.62	453.22
Future finance charges on finance leases	(29.47)	(62.34)	(27.36)	(56.78)
Present value of liabilities from finance leases	<u>523.24</u>	<u>638.22</u>	<u>449.68</u>	<u>574.48</u>
Present value of liabilities from finance leases				
- Current (Not later than 1 year)	193.40	159.36	175.24	146.36
- Non-current (Later than 1 year but not later than 5 years)	<u>329.84</u>	<u>478.86</u>	<u>274.44</u>	<u>428.12</u>
Total	<u>523.24</u>	<u>638.22</u>	<u>449.68</u>	<u>574.48</u>

## 21. Long-term Loans (Continued)

21.4 Maturities of long-term loans as at December 31, 2008 and 2007 are as follows:

Unit: Million Baht

	Consolidated financial statements						
	2008						
	Foreign currency loans	Baht currency loans	Foreign currency bonds	Baht currency bonds	Liabilities from finance leases	Loan from EPPO Baht Currency	Total
Not later than 1 year	1,050.32	9,473.50	-	-	193.40	57.54	10,774.76
Later than 1-2 years	3,697.21	9,077.00	-	12,800.00	148.64	57.82	25,780.67
Later than 2-5 years	11,736.13	14,987.42	7,314.05	51,050.00	181.20	151.40	85,420.20
Later than 5 years	<u>16,465.53</u>	<u>10,712.25</u>	<u>39,229.67</u>	<u>50,754.20</u>	-	-	<u>117,161.65</u>
Total	<u>32,949.19</u>	<u>44,250.17</u>	<u>46,543.72</u>	<u>114,604.20</u>	<u>523.24</u>	<u>226.76</u>	<u>239,137.28</u>

Unit: Million Baht

	Consolidated financial statements						
	2007						
	Foreign currency loans	Baht currency loans	Foreign currency bonds	Baht currency bonds	Liabilities from finance leases	Loan from EPPO Baht Currency	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	<u>15,406.55</u>	<u>11,892.00</u>	<u>33,104.55</u>	<u>62,053.00</u>	-	-	<u>122,456.10</u>
Total	<u>27,733.35</u>	<u>51,170.00</u>	<u>33,104.55</u>	<u>108,353.00</u>	<u>638.22</u>	-	<u>220,999.12</u>

## 21. Long-term Loans (Continued)

21.4 Maturities of long-term loans as at December 31, 2008 and 2007 are as follows: (Continued)

Unit: Million Baht

	Separate financial statements						Total
	2008						
	Foreign currency loans	Baht currency loans	Foreign currency bonds	Baht currency bonds	Liabilities from finance leases	Baht currency loans from EPPO	
Not later than 1 year	406.62	9,400.00	-	-	175.24	57.54	10,039.40
Later than 1-2 years	3,053.52	9,000.00	-	3,300.00	145.75	57.82	15,557.09
Later than 2-5 years	8,560.09	14,500.00	7,314.05	47,550.00	128.69	151.40	78,204.23
Later than 5 years	<u>8,965.58</u>	<u>9,500.00</u>	<u>39,229.67</u>	<u>45,254.20</u>	-	-	<u>102,949.45</u>
Total	<u>20,985.81</u>	<u>42,400.00</u>	<u>46,543.72</u>	<u>96,104.20</u>	<u>449.68</u>	<u>266.76</u>	<u>206,750.17</u>

Unit: Million Baht

	Separate financial statements						Total
	2007						
	Foreign currency loans	Baht currency loans	Foreign currency bonds	Baht currency bonds	Liabilities from finance leases	Loan from EPPO Baht Currency	
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	<u>9,434.84</u>	<u>11,500.00</u>	<u>33,104.55</u>	<u>56,553.00</u>	-	-	<u>110,592.39</u>
Total	<u>18,882.41</u>	<u>50,400.00</u>	<u>33,104.55</u>	<u>89,853.00</u>	<u>574.48</u>	-	<u>192,814.44</u>

## 22. Provision for Decommissioning Costs

The Group recognized provision for liabilities as at December 31, 2008 for decommissioning costs expected to be incurred in the future as follows:

	Unit: Million Baht
	Consolidated financial statements
Balance as at December 31, 2007	10,990.90
Exchange rate differences	379.84
Provision for decommissioning costs during the year	4,938.92
Balance as at December 31, 2008	<u>16,309.66</u>

## 23. Other Non-current Liabilities

Other non-current liabilities as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Retention (due later than 1 year)	762.93	409.35	520.12	363.05
Provision for loss on lawsuits	14.11	13.60	14.11	13.60
Deferred revenue	403.61	437.12	402.71	435.93
Other advances received	258.10	325.60	257.31	325.60
Pension Fund	5.97	33.43	5.97	5.28
Long-term liability: Make-up	2,475.91	4,085.13	2,475.91	4,085.13
Others	290.44	747.21	-	-
Total	<u>4,211.07</u>	<u>6,051.44</u>	<u>3,676.13</u>	<u>5,228.59</u>

Long-term liability (make-up) arises from the amount of the 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 the advance payment for untaken-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.

## 24. Share Capital

### 24.1 Share Capital – Authorized Shares

	Par Value (Baht per share)	The number of authorized shares (Shares)	The value of authorized shares (Baht)
As at December 31, 2007	10	2,857,245,725	28,572,457,250
As at December 31, 2008	10	2,857,245,725	28,572,457,250

### 24.2 Share Capital – Issued and Paid-up Shares

	The number of issued and fully paid-up shares (Shares)	The value of issued and fully paid-up shares (Baht)	Premium on share capital (Baht)	Total (Baht)
As at December 31, 2007	2,817,388,125	28,173,881,250	21,624,238,766	49,798,120,016
Additions	6,668,500	66,685,000	1,177,717,400	1,244,402,400
As at December 31, 2008	2,824,056,625	28,240,566,250	22,801,956,166	51,042,522,416

The Company 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 allotted shares (Million units)	The number of reserved shares (Million units)	Last exercise date of warrants
September 1, 2005	183	1 : 1	23.46	16.54	August 31, 2010
September 29, 2006	234	1 : 1	3.35	16.65	September 28, 2011
			26.81	33.19	

## 25. Reserves

### 25.1 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. In this regard, the reserve has reached 10% of the Company's authorized share capital, as stipulated in the Act.

### 25.2 Reserve for Self-insurance Fund

Reserves for Self-insurance Fund as at December 31, 2008 and 2007 are detailed as follows:

	Unit : Million Baht	
	Consolidated financial statements	Separate financial statements
Balance as at December 31, 2007	928.76	928.76
Appropriated net income for 2008	34.50	34.50
Balance as at December 31, 2008	963.26	963.26

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.

## 26. 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 separate 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.

## 26. Earnings per Share (Continued)

Basic earnings per share and diluted earnings per share for the years ended December 31, 2008 and 2007 are calculated as follows:

### Consolidated financial statements

	<u>Basic Earnings per Share</u>		<u>Diluted Earnings per Share</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net income attributable to ordinary shareholders before extraordinary items (Baht)	51,704,800,180	97,803,593,785	51,704,800,180	97,803,593,785
Adjustment of net income (Baht)	-	-	(44,766,268)	(231,711,754)
Net income for calculation of earnings per share (Baht)	51,704,800,180	97,803,593,785	51,660,033,912	97,571,882,031
Weighted average number of ordinary shares for calculation of earnings per share (Shares)	2,820,266,032	2,808,668,938	2,828,965,927	2,821,850,814
Income (Baht/share)	18.33	34.82	18.26	34.58

### Separate financial statements

	<u>Basic Earnings per Share</u>		<u>Diluted Earnings per Share</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net income attributable to ordinary shareholders (Baht)	59,993,708,815	63,226,199,616	59,993,708,815	63,226,199,616
Weighted average number of ordinary shares for calculation of earnings per share (Shares)	2,820,266,032	2,808,668,938	2,828,965,927	2,821,850,814
Earnings per share (Baht/share)	21.27	22.51	21.21	22.41

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 24.

## 26. Earnings per Share (Continued)

### 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 11, 2008, PTTEP registered a change in its issued and fully paid-up capital to 3,307.08 million ordinary shares with a par value of Baht 1 per share, totalling Baht 3,307.08 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, 2008, the employees had exercised warrants for 47.08 million ordinary shares. Therefore, 14.92 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 warrants
August 1, 2002*	22.20	1 : 5	9.78	0.22	July 31, 2007
August 1, 2003*	23.40	1 : 5	9.71	0.29	July 31, 2008
August 1, 2004	36.60	1 : 5	13.14	0.86	July 31, 2009
August 1, 2005	55.60	1 : 5	9.34	4.66	July 31, 2010
August 1, 2006	91.20	1 : 5	5.11	8.89	July 31, 2011
			<u>47.08</u>	<u>14.92</u>	

\*As at December 31, 2008, the warrants of PTTEP issued and offered on August 1, 2002, and August 1, 2003, had expired. There were 0.04 million units and 0.06 million units of unexercised warrants, respectively.

### 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	-	30.19	October 15, 2012



## 26. Earnings per Share (Continued)

### 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	6.71	22.29	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	202.24	705.62	June 28, 2011
September 28, 2007	2.88	1 : 1	3.33	34.78	September 27, 2011
			205.57	740.40	

### 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 shares)	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	May 15, 2016
			127.50	193.91	

## 26. Earnings per Share (Continued)

BCP issued and offered warrants under the Employee Stock Ownership Plan (ESOP) and to its shareholders 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
			<u>0.06</u>	<u>93.03</u>	

## 27. Sales and Services

Sales and services for the years ended December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Oil products	1,562,802.51	1,115,481.61	1,494,906.48	1,072,832.21
Gas products	328,254.99	255,932.18	327,400.23	274,003.93
Petrochemical products	98,573.12	124,393.92	62,379.59	59,728.47
Utility products	574.41	3,571.47	-	-
Non-core businesses	4,592.51	2,661.72	960.78	773.99
Services	<u>6,018.29</u>	<u>6,088.52</u>	<u>-</u>	<u>-</u>
Total	<u>2,000,815.83</u>	<u>1,508,129.42</u>	<u>1,885,647.08</u>	<u>1,407,338.60</u>

Sales and services for the years ended December 31, 2008 and 2007 include sales to government agencies and state enterprises amounting to Baht 114,168.21 million (2007: Baht 110,975.60 million) in the consolidated financial statements, and Baht 113,142.86 million (2007: Baht 110,379.65 million) in the separate financial statements.

## 28. Other Income

Other income for the years ended December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Interest income	3,083.74	3,671.74	3,629.04	2,417.34
Penalty income	534.30	337.65	628.34	329.40
Transportation income	8,823.76	4,613.40	8,917.50	4,693.53
Dividend income	66.92	364.11	27,682.42	19,515.85
Compensation for loan interest on advance payments for gas purchased	504.81	-	504.81	-
Gain on foreign exchange	-	5,392.38	-	3,547.51
Others	6,069.49	3,360.06	3,122.40	2,729.13
<b>Total</b>	<b>19,083.02</b>	<b>17,739.34</b>	<b>44,484.51</b>	<b>33,232.76</b>

The Company has incurred a loss on foreign exchange rate, which is presented as a part of selling and administrative expenses, amounting to Baht 1,982.18 million and Baht 1,225.30 million in the consolidated financial statements and in the separate financial statements respectively.

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.

## 29. Share of Net Income (Loss) from Investments under the Equity Method

The share of net income (loss) from investments under the equity method for the years ended December 31, 2008 and 2007 includes share of gain on foreign exchange as follows:

	Unit: Million Baht	
	Consolidated financial statements	
	2008	2007
Share of net income (loss) before gain on foreign exchange	(6,448.14)	28,083.45
<u>Add</u> share of gain on foreign exchange	<u>197.46</u>	<u>2,996.78</u>
<b>Total</b>	<b>(6,250.68)</b>	<b>31,080.23</b>

### 30. Operating Income

The following expenditure items, classified by natures were charged in arriving at the operating income for the years ended December 31, 2008 and 2007:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Gain (loss) on foreign exchange	(1,982.18)	5,392.38	(1,225.30)	3,547.51
Depreciation of property, plant and equipment				
- Owned assets	30,984.01	24,759.86	6,389.06	5,148.71
- Leased assets under finance leases	172.30	186.37	153.30	127.74
Amortization of intangible assets				
- Goodwill	-	2,313.84	-	-
- Other intangible assets	1,242.70	1,189.92	845.77	877.75
(Reversal of) loss on impairment of property, plant and equipment and intangible assets				
- Current operations	168.53	(115.13)	-	(504.67)
Staff costs	10,651.60	10,470.89	5,766.05	5,222.09

### 31. Petroleum Royalties and Remuneration

Petroleum royalties and remuneration for the year ended December 31, 2008 and 2007 are as follows:

	Unit: Million Baht	
	Consolidated financial statements	
	2008	2007
Petroleum royalties	16,186.42	11,253.53
Special remuneration benefits	1,141.74	1,275.63
Total	17,328.16	12,529.16

### 32. Interest Expenses

Interest expenses for the years ended December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Loans from financial institutions	2,210.79	1,985.64	1,451.43	942.66
Bonds	8,199.97	8,248.51	7,451.68	6,673.87
Liabilities from finance leases	33.72	51.58	29.91	34.06
Others	83.47	172.92	-	-
Total	<u>10,527.95</u>	<u>10,458.65</u>	<u>8,933.02</u>	<u>7,650.59</u>

### 33. Segment Information

The financial information by business segment presented in the consolidated financial statements for the years ended December 31, 2008 and 2007 are as follows:

### 33. Segment Information (Continued)

#### Consolidated financial statements

For the year ended December 31, 2008

Unit: Million Baht

	Oil		Exploration, production and natural gas		Refining	petro-chemical	Others	Elimination	Total
	Oil marketing	International	Natural gas	Petroleum exploration and production					
		oil trading							
Sales - others	508,558.13	1,147,287.69	289,109.81	19,604.58	-	36,255.62	-	-	2,000,815.83
- related parties	4,592.69	41,235.14	23,712.26	117,147.22	-	-	-	(186,687.31)	-
Net sales	513,150.82	1,188,522.83	312,822.07	136,751.80	-	36,255.62	-	(186,687.31)	2,000,815.83
Gross Margin	8,203.44	3,774.67	54,624.48	103,224.35	-	1,428.19	-	(260.14)	170,994.99
EBITDA	721.67	4,318.47	54,436.72	97,759.75	-	695.19	(2,080.68)	281.60	156,132.72
Depreciation and amortization	2,446.01	8.86	6,127.28	23,117.19	-	146.89	324.99	(1.28)	32,169.94
EBIT	(1,724.34)	4,309.61	48,309.44	74,642.56	-	548.30	(2,405.67)	282.88	123,962.78
Share of net income (loss) from investments under the equity method	(1,272.69)	(233.80)	(2,356.78)	27,605.37	(5,267.33)	(113.42)	(26.74)	(24,585.29)	(6,250.68)
Interest-net									(8,310.54)
Other income									2,463.45
Loss on foreign exchange									(1,982.18)
Income taxes									(43,347.57)
Net income									<u>66,535.26</u>
<b>Attributable to:</b>									
Equity holders of the Company									51,704.80
Minority interests									<u>14,830.46</u>
									<u>66,535.26</u>
Segment assets	76,689.21	55,850.71	260,709.43	227,090.98	-	17,351.41	66,675.45	-	704,367.19
Inter-company assets	37,724.17	4,386.74	3,648.29	10,785.06	-	0.37	64,968.90	(121,513.53)	-
Investments under the equity method	7,059.16	80.48	31,102.53	92,679.80	101,867.58	69,708.32	767.73	(123,978.97)	179,286.63
Total segment assets	121,472.54	60,317.93	295,460.25	330,555.84	101,867.58	87,060.10	132,412.08	(245,492.50)	883,653.82
Non-allocated assets									1,550.91
Total Assets									<u>885,204.73</u>

### 33. Segment Information (Continued)

#### Consolidated financial statements

For the year ended December 31, 2008

	Oil		Exploration, production and natural gas		Refining	petro- chemical	Others	Elimination	Unit: Million Baht
	Oil marketing	International oil trading	Natural gas	Petroleum exploration and production					Total
Segment liabilities	60,530.68	3,470.23	31,486.85	84,415.41	-	7,074.69	247,766.40	-	434,744.26
Inter-company liabilities	9,348.84	44,944.49	59,777.77	3,752.55	-	7.32	3,682.56	(121,513.53)	-
Total segment liabilities	<u>69,879.52</u>	<u>48,414.72</u>	<u>91,264.62</u>	<u>88,167.96</u>	-	<u>7,082.01</u>	<u>251,448.96</u>	<u>(121,513.53)</u>	434,744.26
Non-allocated liabilities									<u>19,924.96</u>
Total Liabilities									<u>454,669.22</u>
Capital Expenditure	3,676.27	23.69	30,333.76	64,239.57	-	5,564.14	5,768.26	-	109,605.69

### 33. Segment Information (Continued)

#### Consolidated financial statements

For the year ended December 31, 2007

	Oil				Exploration, production and natural gas	Refining	petro-chemical	Others	Elimination	Unit: Million Baht Total
	Oil marketing	International oil trading		Natural gas	Petroleum exploration and production					
Sales - others	415,648.88	783,918.42	221,729.82	18,318.53	-	68,513.77	-	-	1,508,129.42	
- related parties	1,467.17	25,683.78	45,678.63	75,740.35	-	2,235.66	-	(150,805.59)	-	
Net sales	417,116.05	809,602.20	267,408.45	94,058.88	-	70,749.43	-	(150,805.59)	1,508,129.42	
Gross Margin	11,101.30	3,254.69	52,368.75	70,159.56	-	19,384.29	-	44.38	156,312.97	
EBITDA	5,150.55	3,029.84	53,232.43	66,849.53	-	19,751.22	(2,044.21)	1.86	145,971.22	
Depreciation and amortization	2,485.51	2.91	5,007.14	16,359.95	-	2,771.94	344.60	1,867.52	28,839.57	
EBIT	2,665.04	3,026.93	48,225.29	50,489.58	-	16,979.28	(2,388.81)	(1,865.66)	117,131.65	
Share of net income (loss) from investments under the equity method	(465.70)	158.42	904.04	18,378.09	24,311.54	14,350.38	(43.43)	(26,513.11)	31,080.23	
Interest-net									(7,262.09)	
Other income									9,438.90	
Gain on foreign exchange									5,392.38	
Income taxes									(42,224.00)	
Net income									<u>113,557.07</u>	
<b>Attributable to:</b>										
Equity holders of the Company									97,803.59	
Minority interests									<u>15,753.48</u>	
									<u>113,557.07</u>	
Segment assets	97,131.48	112,990.60	228,575.66	179,590.79	-	10,063.47	71,866.47	-	700,218.47	
Inter-company assets	(7,197.39)	20,376.40	5,483.36	10,051.61	-	0.82	29,211.48	(57,926.28)	-	
Investments under the equity method	2,498.40	324.01	30,068.96	74,721.39	114,608.93	63,579.09	794.46	(96,644.04)	189,951.20	
Total segment assets	92,432.49	133,691.01	264,127.98	264,363.79	114,608.93	73,643.38	101,872.41	(154,570.32)	890,169.67	
Non-allocated assets									1,354.38	
Total Assets									<u>891,524.05</u>	



### 33. Segment Information (Continued)

#### Consolidated financial statements

For the year ended December 31, 2007

	Oil		Exploration, production and natural gas		Refining	petro-chemical	Others	Elimination	Unit: Million Baht
	Oil marketing	International oil trading	Natural gas	Petroleum exploration and production					Total
Segment liabilities	41,496.02	109,840.19	54,399.28	64,366.67	-	3,833.50	203,913.48	-	477,849.14
Inter-company liabilities	16,415.85	4,452.92	24,190.23	4,376.03	-	5.71	8,485.54	(57,926.28)	-
Total segment liabilities	57,911.87	114,293.11	78,589.51	68,742.70	-	3,839.21	212,399.02	(57,926.28)	477,849.14
Non-allocated liabilities									15,023.39
Total Liabilities									<u>492,872.53</u>
Capital Expenditure	2,876.85	-	23,174.19	41,203.13	-	28,401.90	3,439.47	-	99,095.54

### 33. Segment Information (Continued)

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 its oil business 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 of 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 its refining business, involving the processing and distribution of finished oil products to serve both domestic and overseas customers.

#### Petrochemical Business

The Group operates petrochemical business involving 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 comprise other segments, none of which constitute separately reportable segments.

### 34. 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

#### 34.1 Risks from Foreign Exchange Rates

During the year ended December 31, 2008, the Company entered into forward bought foreign exchange contracts to settle for payment for the procurement of raw materials and the payment of construction in progress amounting to USD 591.05 million or equivalent to approximately Baht 20,702.26 million, maturing within January and February 2009. The Company entered into forward sold foreign exchange contracts to receive for the export of finished oil amounting to USD 93.59 million or equivalent to approximately Baht 3,264.61 million, maturing in January and February 2009.

The receivable amounts and exchange rates under the forward foreign exchange contracts as at December 31, 2008 and 2007 are as follows:

	Unit: Million Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Forward bought foreign exchange contracts				
At the rate of Baht 33.3970-44.0560 = 1 USD	22,181.33	22,454.28	20,702.26	21,236.95
At the rate of Baht 43.8155-51.9918 = 1 EUR	411.53	-	-	-
Forward sold foreign exchange contracts				
At the rate of Baht 31.6030-39.3500 = 1 USD	4,003.64	3,703.34	3,264.61	3,703.34

### 34. Disclosure of Financial Instruments (Continued)

#### 34.2 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, 2008 and 2007 are as follows:

	Consolidated financial statements		Unit: Million Baht Separate financial statements	
	2008	2007	2008	2007
- USD 50 million /Baht 1,695 million	-	1,695.00	-	1,695.00
- Yen 36,000 million/USD 290.51 million	10,191.79	9,843.93	10,191.79	9,843.93
- Baht 7,000 million /USD 208.48 million	7,314.04	-	7,314.04	-
- Baht 3,053.80 million /USD 90 million	3,157.42	-	3,157.42	-
Total	<u>20,663.25</u>	<u>11,538.93</u>	<u>20,663.25</u>	<u>11,538.93</u>

The maturity of contracts can be analyzed as follows:

	Consolidated financial statements		Unit: Million Baht Separate financial statements	
	2008	2007	2008	2007
Later than 1 year but not later than 5 years	7,314.04	-	7,314.04	-
Later than 5 years	13,349.21	11,538.93	13,349.21	11,538.93
Total	<u>20,663.25</u>	<u>11,538.93</u>	<u>20,663.25</u>	<u>11,538.93</u>

### 34. Disclosure of Financial Instruments (Continued)

#### 34.3 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, 2008 and 2007 are as follows:

	Consolidated		Unit: Million Baht Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Interest rate swap contracts to swap floating for fixed rate in Baht currency	8,500.00	8,500.00	-	-
Interest rate swap contracts to swap floating for fixed rate in USD currency	16,119.39	4,703.24	10,524.72	-
Total	24,619.39	13,203.24	10,524.72	-

The maturity of the contracts can be analyzed as follows:

	Consolidated		Unit: Million Baht Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Later than 1 year but not later than 5 years	19,281.31	7,379.26	10,524.72	-
Later than 5 years	5,338.08	5,823.98	-	-
Total	24,619.39	13,203.24	10,524.72	-

#### 34.4 Risks from Fluctuations in Oil Market Prices

As at December 31, 2008, the outstanding forward oil price contracts that the Company entered into had a maturity period within May 2009. The volume of oil according to such contracts are 7.76 million barrels in the consolidated financial statements and 7.16 million barrels in the separate financial statements.

#### 34.5 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 the current economic situation, focusing on cash sales to retail customers and assessing credit risks for each customer group, and determining procedures for risk prevention and reduction, including credit rating for all trading partners of the Company.

### 34. Disclosure of Financial Instruments (Continued)

#### 34.6 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, 2008 and 2007 as follows:

	Unit: Million Baht			
	Consolidated financial statements			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term loans–Baht currency	44,250.17	47,423.92	51,170.00	52,901.25
Long-term loans–Foreign currencies	32,949.19	27,840.65	27,733.35	27,551.76
Secured unsubordinated bonds – Baht currency	-	-	-	-
Unsecured unsubordinated bonds – Baht currency	114,604.20	123,915.29	108,353.00	108,710.59
Unsecured unsubordinated bonds – Foreign currencies	46,543.72	42,485.90	33,104.55	36,093.26
Forward bought foreign exchange contracts	-	(16.86)	-	32.51
Forward sold foreign exchange contracts	-	(2.55)	-	13.06
Cross-currency and interest rate swap contracts	-	3,056.53	-	1,126.28
Interest rate swap contracts	-	(1,228.61)	-	242.68
Participating swap contracts	-	(318.96)	-	(253.92)
Forward oil contracts	-	729.65	-	57.48

### 34. Disclosure of Financial Instruments (Continued)

Unit: Million Baht

	Separate financial statements			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term loans – Baht currency	42,400.00	45,573.75	50,400.00	52,131.25
Long-term loans – Foreign currencies	20,985.81	15,877.27	18,882.41	18,700.82
Unsecured unsubordinated bonds – Baht currency	96,104.20	105,429.51	89,853.00	90,351.85
Unsecured unsubordinated bonds – Foreign currencies	46,543.72	42,485.90	33,104.55	36,093.26
Forward bought foreign exchange contracts	-	(15.70)	-	25.83
Forward sold foreign exchange contracts	-	(11.15)	-	13.06
Cross-currency and interest rate swap contracts	-	3,056.53	-	1,126.28
Interest rate swap contracts	-	(470.33)	-	-
Participating swap contracts	-	(318.96)	-	(253.92)
Forward oil price contracts	-	729.65	-	57.48

### 35. Dividend Payment

On April 11, 2008, the Annual Shareholders' meeting of the Company approved the dividend payment for the year 2007 of Baht 11.50 per share, amounting to Baht 32,384.17 million. On September 28, 2007, the Company paid the interim dividends for the operating results of the first half of 2007 at Baht 5.00 per share amounting to Baht 14,065.95 million. The remaining dividends of Baht 6.50 per share amounting to Baht 18,318.22 million were paid on April 30, 2008.

On August 15, 2008, the Company's board of directors' meeting approved the interim dividend payments for the operating results of the first half of 2008 at Baht 6.00 per share, amounting to Baht 16,943.20 million. The Company paid the dividends on September 12, 2008.

In the third quarter of 2008, the Company recognized accrued dividends amounting to Baht 11.57 million as unappropriated retained earnings because that were not in accordance with TSD's rules. Therefore, they had no right to receive the dividends.

### 36. Reclassification

For comparative purposes, the Group has reclassified certain items in the financial statements for the period ended 2007 to ensure consistency with the presentation in the financial statements for the period ended 2008 and to align with the revised Accounting Standard No. 25 “Cash Flows” which was effective for the period beginning on or after January 1, 2008.

In addition to this, the Group has reclassified certain items in the balance sheet as at December 31, 2007. The details are as follows; reclassification of deferred tax assets amounting to Baht 285.38 million to deferred tax liabilities in the consolidated financial statements and the separate financial statements and reclassification of property, plant and equipment, net amounting to Baht 1,084.32 million to other non-current assets in the consolidated financial statements.

As at December 31, 2008, the Group reversed Trade Accounts Receivable – related parties, net, and Trade Accounts Payable – related parties which had arisen from crude oil and fuel oil trading but not delivered. The objective was to maintain the reserved quantity of crude oil and fuel oil. This resulted in a decrease in total assets and total liabilities as at December 31, 2008 of Baht 1,112.80 million in the consolidated and the separate financial statements.

As at December 31, 2008, the Company classified the expenses relating to the judgment of the Supreme Administrative Court which were recorded as expenses in the statement of income for the year ended December 31, 2008. The details are as follows:

	Unit: Million Baht
Cost of sales and services	1,330.07
Selling and administrative expenses	689.67
Income taxes	804.92
Total	<u>2,824.66</u>

### 37. Promotional Privileges

The Company received promotional privileges from the Board of Investments (BOI) under the Investment Act, B.E. 2520 (1977) for the 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, Bangchak utility project, the Sainoi-North Bangkok Power Plants gas pipeline project, and the Rayong-Kangkoi gas pipeline project. The promotional privileges include exemption from import duties on the machinery approved by the BOI and corporate income tax exemption on net income from the promoted business for eight years starting from the date on which the first sale is realized.



### 37. Promotional Privileges (Continued)

The sales from the promoted and non-promoted businesses for the years ended December 31, 2008 and 2007 are as follows:

	Unit : Million Baht	
	Separate financial statements	
	2008	2007
Promoted business	49,986.86	40,922.45
Non-promoted business	1,835,660.22	1,366,416.15
Total	1,885,647.08	1,407,338.60

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, Mass transit systems and transportation of bulk goods Category 7.2 and natural gas transmission pipeline business Category 7.7. The promotional privileges include exemption from various taxes and duties 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.

PTTPL received promotional privileges for its international merchandise distribution centre with modern system Category 7.7. 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 Administration Court**

In 2008, the Company had complied with the judgment of the Supreme Administrative Court (the Court) for the Separation and Submission of Assets to the Ministry of Finance. On April 24, 2008, the Company and the Treasury Department (with the approval of the Ministry of Finance) entered into the Memorandum for the Separation and Submission of Assets to the Ministry of Finance under the Court's judgment. On June 3, 2008, the Company and the Ministry of Finance by the Treasury Department entered into the Agreement for the Use of State Property to separate and submit the assets to the Ministry of Finance. The Company has paid compensation for using these assets in its operation. In this regard, the Company had reported progress continuously in compliance with the judgment of the Court.

On December 25, 2008, the Company submitted to the Court the summary report in compliance with the judgment of the Court and asked the Court to consider the Company's compliance with the judgment of the Court and issue an injunction as the Court approved.

On December 26, 2008, the Court stated in the Company's petition that ".....the Court considered that the first to the forth respondents and the relevant authorities had already complied with the judgment of the Court....."

On December 29, 2008, the Company received an audit report regarding the accuracy of asset value which was separated and submitted to the Ministry of Finance under the Court's judgment on December 26, 2008, from the Office of the Auditor General who audited and certified the accuracy under the Council of Ministers' resolution on December 18, 2007. Therefore, the Company didn't submit the audit report regarding this matter to the Council of Ministers and the Court. However, the Office of the Auditor General has already submitted the report to the Council of Ministers and the Court.

### **39. Commitments and Contingent Liabilities**

Significant changes in commitments and contingent liabilities are as follows:

- 39.1 Commitments to subsidiaries, jointly controlled entities, associates and other related companies are as follows:
  - 39.1.1 According to a condition with a financial institution, the Company entered into two Shareholder's Commercial Support Arrangements with its associates at credit limits of USD 190.00 million. The Company has obligations under the arrangements in the form of extended credit for raw materials and/or advance product payments. As at December 31, 2008, the associates had used the commercial credit line USD 90 million. The remaining commercial credit line was USD 100 million or approximately Baht 3,508.24 million.
  - 39.1.2 The Company has an obligation with a subsidiary in a foreign country under a commercial credit agreement in the form of extended credit for raw materials at a credit limit of USD 100 million. As at December 31, 2008, the subsidiary had used USD 99.87 million of the commercial credit. The remaining commercial credit line was USD 0.13 million or approximately Baht 4.56 million.
  - 39.1.3 The Company entered into Sponsor Support Agreements with two jointly controlled entities at a credit limit equal to the loan obligations of the two jointly controlled entities to a financial institution. As at December 31, 2008, the Company had a remaining commitment of USD 261.30 million or approximately Baht 9,167.03 million.

### 39. Commitments and Contingent Liabilities (Continued)

39.1.4 The Company has provided a loan to a jointly controlled entity at a credit limit of USD 50 million. As at December 31, 2008, the Company had made a payment on this loan totalling USD 47.50 million. The remaining commitment is USD 2.50 million or approximately Baht 87.71 million.

39.1.5 The Group has provided a loan to its subsidiaries and associates at a credit limit of Baht 63,633.05 million. As at December 31, 2008, the Group had made a payment on this loan totalling Baht 36,744.30 million. The remaining commitment is Baht 26,888.75 million.

Significant changes in commitments and contingent liabilities are as follows: (Continued)

39.1.6 The Company has an obligation under a Shareholder Agreement to pay for ordinary shares in accordance with the portion of equity held. As at December 31, 2008, the Company has the remaining commitment in the consolidated financial statements and the separate financial statements amounting to Baht 11,696.69 million.

39.2 Commitment for the operating leases – the Group as a lessee  
The future minimum lease payments for the uncancellable operating leases as at December 31, 2008 are as follows:

	Unit: Million Baht	
	Consolidated financial statements	Separate financial statements
Not later than 1 year	3,220.76	40.39
Later than 1 year, but not later than 5 years	9,268.99	103.97
Later than 5 years	1,296.21	164.34
Total	13,785.96	308.70

39.3 As at December 31, 2008, the Group and the Company had contingent liabilities in the form of letters of guarantee amounting to Baht 2,977.50 million in the consolidated financial statements and Baht 135.29 million in the separate financial statements.

39.4 The Company is the subject of ten lawsuits which are under the consideration of the Court. The Company may have to pay compensation of approximately Baht 21.72 million. However, the Company has accounted for these obligations already.

### 40. Subsequent Events

The board of directors of the Company approved these financial statements for public issuance on February 20, 2009.