

**AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

(TRANSLATION)

**PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**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 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 a petroleum business. The Company invests in subsidiaries, associates and joint ventures (“the Group”), which are engaged in petroleum exploration and production, natural gas operation, refining, oil marketing and international trading, petrochemical and other related businesses as discussed in Note 32 to the financial statements “Segmented Financial Information”.

As at December 31, 2005 and 2004, the Group had operations in 13 countries and employs 7,843 people (2004: 5,698 people). Staff costs of the Group for the year ended December 31, 2005 are Baht 6,647.02 million (2004: Baht 5,668.79 million).

**2. Accounting Policies**

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

**2.1 Basis for Preparation of Financial Statements**

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

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

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

## (TRANSLATION)

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

During 2005, the Group's accounting structures for preparing consolidated and the Company's financial statements was changed as follows:

The Company sold its entire investments in the ordinary shares of Subic Bay Fuels Co., Inc. and Subic Bay Distribution, Inc., which were wholly owned by the Company, to Subic Bay Energy Co., Ltd.

The Company included the subsidiaries: PTT Polymer Marketing Co., Ltd, PTT Phenol Company Limited, PTT Utility Co., Ltd and PTT Chemical Public Company Limited, in the consolidated financial statements.

The Company acquired ordinary shares in associates: Independent Power (Thailand) Co., Ltd, Thai Petrochemical Industrial Public Company Limited and Thai Oil Power Company Limited.

### **2.2 Use of Estimates**

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

### **2.3 Investments in Subsidiaries**

Subsidiaries, which are those entities of which the Group has power to control their financial and operating policies, are consolidated. Attention is directed to the substance of the control, and not merely the legal form.

Subsidiaries are consolidated from the date on which their control is transferred to the parent company, and are no longer consolidated from the date on which the 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 compensations 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 assets and liabilities of the subsidiary acquired is recorded as goodwill according to Note 2.15 for the accounting policy on goodwill. Inter-company transactions, balances and unrealized gains or losses on transactions among companies in the Group are fully eliminated except for unrealized losses which are not recoverable by the Group in the future. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the accounting policies adopted by the Group. Separate disclosure is made for minority interests in the consolidated balance sheet and the consolidated statement of income.

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

A list of subsidiaries of the Group is set out in Note 11.

### **2.4 Investments in Associates**

Investments in associates are accounted for under the equity method in the consolidated and the Company's financial statements. Under this method, the Group's share of the post-acquisition gains or losses of associates is recognized in the statement of income. The cumulative post-acquisition movements in the shareholders' equity of associates are adjusted against the cost of investments.

## (TRANSLATION)

Associates are entities over which the Group generally has significant influence, but it does not control. 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 an evidence of an impairment of the transferred assets. The Group's investments in associates include goodwill (net of accumulated amortization) on acquisitions. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations in liabilities or has to make repayments on behalf of the associates. If necessary, the accounting policies of associates have been changed in accordance with the accounting policies of the Group.

A list of associates of the Group is set out in Note 11.

### **2.5 Investments in Joint Ventures**

Investments in jointly controlled entities are accounted for by proportionate consolidation in the consolidated financial statements. Under this method, the Group combines its share of the joint ventures' individual revenues, expenses, assets, liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognizes the portion of gains or losses on the sales of assets by the Group to the joint venture that is attributable to other ventures. The Group does not recognize its share of gains or losses from the joint venture that results from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides an evidence of a reduction in net realizable value or an impairment loss, the loss is recognized immediately. When necessary, accounting policies of the joint ventures have been changed to ensure consistency with the accounting policies adopted by the Group. Interests in joint ventures are presented in the Company's financial statements under the equity 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 joint ventures of the Group is set out in Note 11.

### **2.6 Other Investments**

Investments other than investments in subsidiaries, associates and joint ventures are classified as trading, available-for-sale securities, held-to-maturity and general investments.

Investments in trading securities are investments in unit trusts, which are presented according to their net asset values. Changes in values of these securities are recognized in the statement of income.

Investments in marketable equity securities, which are classified as available-for-sale securities, are carried at fair value in the balance sheet. Increase/decrease in the carrying amounts is credited/charged against unrealized gains/losses on investments in available-for-sale securities in shareholders' equity. Fair value calculated by reference to the current bid prices of the Stock Exchange of Thailand at the balance sheet date.

Investments in non-marketable equity securities, which are classified as general investments, are carried at cost in the balance sheet and adjusted for impairment to recognize 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 loss is recognized in the statement of income immediately.

## (TRANSLATION)

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

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

### **2.7 Related Parties**

Enterprises that, directly or indirectly, control or are controlled by or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates 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 are also included as related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### **2.8 Foreign Currency Translations**

Transactions in foreign currencies are translated into Baht by the Group at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Baht using the exchange rates prevailing on the balance sheet date. Gains and losses resulting from the settlements of such transactions and from the translation of monetary assets and liabilities in foreign currencies are recognized in the statement of income in that period.

The monetary assets and liabilities of foreign operations are translated into Baht using the closing rate at the balance sheet date. The non-monetary assets and liabilities are translated into Baht using historical rates. The income statement is translated into Baht using average exchange rates during the periods. Differences from such translations are recognized as revenues or expenses in the statement of income.

The Group translated assets and liabilities of overseas jointly controlled entities into Baht using the closing rate at the balance sheet date, whereas the income statement is translated using average exchange rates during the periods. Differences from such translations have been shown under the caption of "currency translation differences" in shareholders' equity.

Assets and liabilities of self-sustaining foreign entities are translated into Baht using the closing rate at the balance sheet date. Revenues and expenses are translated using average rates during the periods. Differences arising from translations are taken directly to shareholders' equity.

On disposal of foreign entities, accumulated currency translation differences in shareholders' equity are recognized by the Group as gains or losses on disposal in the statement of income.

### **2.9 Cash and Cash Equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments which have original maturities not later than 3 months. In the balance sheet, bank overdrafts and short-term loans from financial institutions are shown as current liabilities.

## (TRANSLATION)

### **2.10 Trade Accounts and Notes Receivable**

Trade accounts receivable are carried at net realizable value. The doubtful accounts receivable are estimated as a percentage of the aging of outstanding receivables at the balance sheet date according to the expected non-collectible amounts based on the amounts of outstanding receivables at the balance sheet date, receivables' repayment histories and current financial status.

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

The Company has entered into a gas purchase agreement with natural gas producers, under which the Company is required to take delivery of natural gas at an annual minimum quantity and to pay for the minimum quantity of natural gas which it cannot actually accept during each contract year (Take-or-Pay). At the end of each contract year, the Company and the natural gas producers agree to the volume of gas that should be taken into the calculation for Take-or-Pay prepayment, subject to the basis and conditions in the agreement. Under this agreement, the Company can take certain volumes of prepaid gas (Make-up) in subsequent years, which the Company is required to complete taking delivery of natural gas at certain minimum quantity of that given contract year. The Company recognizes its obligations under the agreement as advance payment for gas purchased.

### **2.12 Inventories**

Inventories are stated at the lower of the cost of acquisition or net realizable value. Cost is determined using the weighted average cost method. Some subsidiaries and associates apply the first-in, first-out (FIFO) or last-in, first-out (LIFO) methods to determine the inventory costs; however, the effect of the differences in accounting policies for inventories is not significant. The costs of imported petroleum products comprise various importing expenses and levies, surveyors' fees and contributions to or compensations from the Oil Stabilization Fund as the case may be. Net realizable value is the estimated selling price in the ordinary business, less the costs of completion and related selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

### **2.13 Materials and Supplies**

Materials and supplies are valued at the weighted average cost. Allowance is made in full for obsolete or defective and unserviceable items.

### **2.14 Property, Plant and Equipment**

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

Repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. The costs of major renovations are included in the carrying amounts of the assets when it is probable that future economic benefits exceeding the originally assessed standard of performance of the existing assets will flow to the Group. Major renovations are depreciated over the remaining useful lives of the related assets.

#### **General Properties**

Depreciations are calculated on the straight-line method over the estimated useful lives of the assets as follows:

## (TRANSLATION)

Buildings and improvement	10 – 30 years
Machinery and equipment	10 – 30 years
Other assets	5 – 10 years

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

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

The capitalization rates used to determine the amounts of borrowing costs to be capitalized are the weighted-average interest rates applicable to the outstanding borrowings during the year. Where funds are borrowed specifically for the acquisition, construction or production of property, plant or equipment, the amounts of borrowing costs for capitalization are determined from the actual borrowing costs incurred during the year less any income on the temporary investments of those borrowings.

### **Oil and Gas Exploration and Production Properties**

Exploration and production petroleum business accounts for oil and gas exploration and production properties in accordance with the successful efforts method, which has the following accounting policies:

#### **Cost of Properties**

Costs of properties comprise the total acquisition costs of concession rights or the portion of costs applicable to properties as well as decommissioning costs.

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

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

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

#### **Depreciation, Depletion and Amortization**

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

Proven recoverable reserves and proven development reserves are calculated by the Group's own engineers based on information from the joint ventures.

## (TRANSLATION)

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

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

### **2.15 Intangible Assets**

Intangible assets include expenditure on leasehold rights of land and/or buildings, land rights, other operation rights, patents and goodwill. Amortizations are calculated using the straight-line method over the contract periods, ranging from 5-30 years.

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

The Group reviews the carrying amounts of intangible assets in the balance sheet. Where an indication of impairment exists, the carrying amounts of intangible assets are assessed and written-down immediately to their recoverable amounts.

### **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. At the inception, these leased assets are capitalized at the lower of estimated present values of the underlying lease payments or fair values. Each minimum lease payment is allocated between liabilities and financial charges in order to calculate at a constant interest rate on the remaining balance of the liabilities. The finance leases' liabilities less financial charges are presented as long-term loans. Financial costs are charged as expenses in the statements of income over the lease periods. Depreciations are charged on the shorter of the straight-line method over the estimated useful lives of the relevant assets or lease periods. However, if there is a certainty that the ownership of the assets will be transferred to the lessee at the end of lease periods, depreciations are charged over the estimated useful lives of those assets.

### **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 statement of income on the straight-line method over the lease periods.

The expenses to terminate the operating lease agreements before maturity, for example, the compensations paid to the lessor for such termination are charged as expenses in the statement of income for the period in which the termination takes place.

### **2.18 Provision for Decommissioning Costs**

The Group records provision for decommissioning costs whenever an obligation is likely to 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 the estimate of the eventual costs related to the removal of the production facilities. These costs are included as part of the oil and gas properties and are



## (TRANSLATION)

amortized based on proven reserves on the unit of production basis. The estimated decommissioning costs are determined based on reviews and estimates by the Group's own engineers and management's judgment.

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

The Company contributes to a Pension Fund scheme on a monthly basis 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 to mature at the end of period. Contributions are included in other non-current liabilities in the balance sheet. Interest earned from the assets of the Pension Fund is recognized as income, while contributions to the fund are recognized as expenses in the statement of income.

The Company has 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 to the Provident Fund on a monthly basis at the rate of 10% of the basic salary and recognizes the contributions as expenses in the statement of income.

The Group operates the provident fund that is managed by an independent fund manager and is funded by monthly payments at a determined rate. Contributions to the provident fund are charged to the statement of income for the periods in which they are incurred.

### **2.20 Income Taxes**

The Group is taxed 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 Tax regulations of the Southeast Asian countries in which the Company has invested, for the non-promoted businesses.

Deferred income tax is provided in full, using the liability method, in the balance sheet 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 arising relate to the allowance for doubtful accounts, accumulated depreciation on property, plant and equipment and amortization of decommissioning costs, including the previous tax losses carried forward and the difference between the fair value of derived assets and their tax bases.

Tax rates at the balance sheet date are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

### **2.21 Revenue Recognition**

Sales are recognized upon delivery of products.

Other revenues are recognized on the following bases:

Interest income - on a time proportion basis using the effective yield of an interest bearing asset.

Royalty income - on an accrual basis in accordance with the substance of the underlying agreement.

Dividend income - when shareholders have rights to receive dividends.

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

## (TRANSLATION)

### 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 during the year.

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

### 2.23 Financial Instruments

Financial assets carried in the balance sheet include cash and cash equivalents, current investments, trade accounts and notes receivable-others, 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 is also party to financial instruments that reduce exposure to risk arising from fluctuations in foreign currency exchange rates, interest rates and oil market prices. These instruments mainly comprise:

#### **Forward Foreign Exchange Contracts**

Forward foreign exchange contracts protect the Group from movements in exchange rates by establishing the rates at which foreign currency assets will be realized or foreign currency liabilities settled. Forward foreign exchange contracts are recognized in the financial statements at inception. The premium or discount incurred in establishing 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 foreign exchange rates and interest rates. The cross-currency and interest rate swap contracts are not recognized in the financial statements at inception. Foreign financial assets and liabilities transactions protected by these contracts as at the balance sheet date 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 statement of income.

#### **Futures Oil Contracts**

The Company has entered into futures oil contracts to hedge risk from fluctuations in oil market prices related to the oil business under the oil purchase and sale agreements by determining the future prices. Gains or losses from such contracts are recognized in the statement of income at the end of the contracts.

The risk management policy is described in Note 33: Disclosure of Financial Instruments.

(TRANSLATION)

**3. Changes in Accounting Policies**

**3.1 Determination of Cost of Inventories**

In 2004, the Company changed its method for determination of the cost of inventories from the first-in, first-out method to the weighted average cost method. This resulted in an increase in inventories and retained earnings as at January 1, 2004 of Baht 12.33 million.

**3.2 Recognition of the Increased Value of Subsidiaries and Associates which Offer Their Securities to the Public at a Higher Price than Par Value as Surplus on Share Capital.**

During the year 2004, the Company accounted for the increase in shareholders' equity of subsidiaries and associates arising from offering their securities to the public at a higher price than par value as surplus on share capital in the shareholders' equity of the Company.

This change resulted that the Company presenting a surplus on dilution of investments in subsidiaries and associates in shareholders' equity as at January 1, 2004 amounting to Baht 1,966.62 million and a reduction in retained earnings of Baht 1,954.29 million, which is the net amount after deducting the increased retained earnings derived from the determination of the cost of inventories amounting to Baht 12.33 million, as discussed in Note 3.1.

**4. Cash and Cash Equivalents**

Cash and cash equivalents as at December 31, 2005 and 2004 are as follows:

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
Cash on hand	509.21	222.06	229.68	161.71
Deposits held at call with bank	25,978.08	15,262.53	4,798.32	3,997.49
Fixed deposits	11,976.80	5,503.37	6,500.00	-
Treasury bills	19,577.43	24,922.58	113.57	4,133.75
Promissory notes	6,887.39	4,259.41	730.99	3,539.41
Bank of Thailand bonds	8,511.91	1,067.32	8,511.91	789.26
Total	<u>73,440.82</u>	<u>51,237.27</u>	<u>20,884.47</u>	<u>12,621.62</u>

Cash and cash equivalents as at December 31, 2005 mainly bore interest at rates ranging from 0.25% - 5.75% per annum, (December 31, 2004: interest rates ranging from 0.25% - 3.98% per annum, except for deposits held at call with bank of a subsidiary in the Philippines amounting to Baht 231.81 million, for which an interest rate of 5.208% per annum was applied).

**(TRANSLATION)**

**5. Current Investments**

Current investments as at December 31, 2005 and 2004 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Fixed deposits	88.32	113.19	88.32	113.19
Treasury bills	-	5,591.05	-	549.50
Promissory notes	320.00	938.30	-	718.30
Bonds	-	992.44	-	992.44
Credit linked deposits	-	44,271.93	-	44,271.93
General investments	7.35	7.35	7.35	7.35
Unit trusts	299.19	-	-	-
<b>Total</b>	<u>714.86</u>	<u>51,914.26</u>	<u>95.67</u>	<u>46,652.71</u>

Cash at banks and promissory notes of the Group were cash at banks and promissory notes issued by financial institutions in Thailand as at December 31, 2005 bearing interest at the rates ranging from 1.00% - 4.00% per annum (2004: 1.50% - 2.00% per annum).

As at December 31, 2004, treasury bills of the Group bore interest at rates ranging from 0.85% - 2.10% per annum.

As at December 31, 2004, credit linked deposits bore interest at a rate of 3.711% per annum.

As at December 31, 2005 and 2004, the general investments amounting to Baht 7.35 million were investments in ordinary shares of PetroAsia (Maoming) Co., Ltd. net of allowance for impairment of investments, which were in the disposal process.

**6. Trade Accounts and Notes Receivable – Others, Net**

Trade accounts and notes receivable – others as at December 31, 2005 and 2004 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Trade accounts receivable	66,694.60	45,419.58	53,921.88	37,868.25
Notes receivable	3,206.47	2,709.28	3,206.47	2,705.42
<b>Total</b>	69,901.07	48,128.86	57,128.35	40,573.67
<u>Less</u> Allowance for doubtful accounts	<u>2,382.37</u>	<u>2,799.59</u>	<u>1,510.05</u>	<u>1,979.43</u>
Trade accounts and notes receivable – others, net	<u>67,518.70</u>	<u>45,329.27</u>	<u>55,618.30</u>	<u>38,594.24</u>

**(TRANSLATION)**

Outstanding balances of trade accounts and notes receivable – others as at December 31, 2005 and 2004 can be analyzed as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Not yet due	55,448.25	37,704.55	46,451.30	31,179.25
Overdue				
- Up to 3 months	4,818.75	3,387.48	2,079.64	3,224.54
- 3 - 6 months	1,444.45	860.10	1,380.87	791.13
- 6 - 12 months	1,519.06	1,358.39	1,476.47	1,268.38
- Over 12 months	<u>6,670.56</u>	<u>4,818.34</u>	<u>5,740.07</u>	<u>4,110.37</u>
Total	69,901.07	48,128.86	57,128.35	40,573.67
<u>Less</u> Allowance for doubtful accounts	<u>2,382.37</u>	<u>2,799.59</u>	<u>1,510.05</u>	<u>1,979.43</u>
Trade accounts and notes receivable – others, net	<u>67,518.70</u>	<u>45,329.27</u>	<u>55,618.30</u>	<u>38,594.24</u>

Trade accounts and notes receivable-others, net as at December 31, 2005 included receivables from government agencies and state enterprises in the consolidated financial statements amounting to Baht 19,046.78 million (2004: Baht 13,006.47 million), and in the Company's financial statements amounting to Baht 18,881.51 million (2004: Baht 12,824.93 million).

(TRANSLATION)

7. Related Party Transactions

The following are significant transactions carried out with related parties:

7.1 Trade Accounts Receivable - Related Parties as at December 31, 2005 and 2004

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Subsidiaries	-	-	20,077.16	7,097.60
<u>Less</u> Allowance for doubtful accounts	-	-	8.28	13.81
	-	-	20,068.88	7,083.79
Associates	19,822.83	10,517.05	18,154.13	10,129.92
<u>Less</u> Allowance for doubtful accounts	268.14	269.93	268.14	269.93
	19,554.69	10,247.12	17,885.99	9,859.99
Other related parties	2,244.18	1,838.64	2,244.18	1,838.64
Joint ventures	-	-	0.84	1.88
Trade accounts receivable - related parties, net	21,798.87	12,085.76	40,199.89	18,784.30

Outstanding trade accounts receivable - related parties as at December 31, 2005 and 2004 can be analyzed as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Not yet due	21,899.84	10,789.20	35,492.97	13,329.26
Overdue				
- Up to 3 months	-	1,338.37	231.32	1,970.74
- 3 - 6 months	99.45	81.55	709.47	672.78
- 6 - 12 months	58.26	133.44	60.37	652.61
- Over 12 months	9.46	13.13	3,982.18	2,442.65
Total	22,067.01	12,355.69	40,476.31	19,068.04
<u>Less</u> Allowance for doubtful accounts	268.14	269.93	276.42	283.74
Trade accounts receivable - related parties, net	21,798.87	12,085.76	40,199.89	18,784.30

(TRANSLATION)

7.2 Other Accounts Receivable, Advances and Short-term Loans to Related Parties as at December 31, 2005 and 2004

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Other accounts receivable:				
Subsidiaries	-	-	577.58	305.75
<u>Less</u> Allowance for doubtful accounts	-	-	0.31	0.06
	-	-	577.27	305.69
Associates	1,173.15	1,382.62	1,170.44	1,371.29
<u>Less</u> Allowance for doubtful accounts	135.98	664.23	135.98	664.23
	1,037.17	718.39	1,034.46	707.06
Other related parties	20.62	8.78	12.24	8.78
<u>Less</u> Allowance for doubtful accounts	5.73	5.85	5.73	5.85
	14.89	2.93	6.51	2.93
Joint ventures	-	-	130.86	596.72
	1,052.06	721.32	1,749.10	1,612.40
Advances:				
Subsidiaries	-	-	3.43	10.00
Associates	250.01	246.75	-	0.43
Other related parties	397.22	240.27	270.13	240.27
	647.23	487.02	273.56	250.70
Short-term loans to:				
Subsidiaries	-	-	12,000.25	-
Associates	3,487.14	60.10	3,487.14	60.10
Joint ventures	-	-	-	1,199.80
	3,487.14	60.10	15,487.39	1,259.90
Total	5,186.43	1,268.44	17,510.05	3,123.00

(TRANSLATION)

Changes in short-term loans to related parties for the year ended December 31, 2005 are as follows:

	Unit : Million Baht	
	<u>Consolidated</u>	<u>The Company</u>
Balance as at December 31, 2004	60.10	1,259.90
- Loans granted during the year	3,212.56	47,467.81
- Loan repayment received	(1,388.99)	(34,843.79)
- Reclassification	1,603.47	1,603.47
Balance as at December 31, 2005	<u>3,487.14</u>	<u>15,487.39</u>

Short-term loans to related parties were unsecured and bore interest at rates ranging from 6.30% - 6.70% per annum.

7.3 Advances and Long-term Loans to Related Parties as at December 31, 2005 and 2004

	Unit : Million Baht			
	<u>Consolidated</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Advances:				
Subsidiaries	-	-	1.51	-
Associates	304.86	1,049.66	304.86	1,049.66
<u>Less</u> Allowance for doubtful accounts	<u>304.86</u>	<u>1,047.72</u>	<u>304.86</u>	<u>1,047.72</u>
	<u>-</u>	<u>1.94</u>	<u>-</u>	<u>1.94</u>
Long-term loans to:				
Subsidiaries	-	-	25.00	-
Associates	5,807.69	7,387.56	5,807.69	7,387.56
Other related parties	185.18	39.53	185.18	39.53
	<u>5,992.87</u>	<u>7,427.09</u>	<u>6,017.87</u>	<u>7,427.09</u>
Total	<u>5,992.87</u>	<u>7,429.03</u>	<u>6,019.38</u>	<u>7,429.03</u>

Changes in long-term loans to related parties for the year ended December 31, 2005 are as follows:

	Unit : Million Baht	
	<u>Consolidated</u>	<u>The Company</u>
Balance as at December 31, 2004	7,427.09	7,427.09
- Loans granted during the year	145.65	170.65
- Reclassification of interest to principal	23.60	23.60
- Reclassification	(1,603.47)	(1,603.47)
Balance as at December 31, 2005	<u>5,992.87</u>	<u>6,017.87</u>

Long-term loans to related parties bore interest at rates ranging from 3.10% - 6.00% per annum.



(TRANSLATION)

7.4 Trade Accounts Payable - Related Parties as at December 31, 2005 and 2004

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Subsidiaries	-	-	12,920.87	6,385.23
Associates	17,826.54	11,749.55	17,441.24	11,216.42
Other related parties	800.09	466.83	800.09	466.83
Joint ventures	-	-	559.94	-
Total	<u>18,626.63</u>	<u>12,216.38</u>	<u>31,722.14</u>	<u>18,068.48</u>

7.5 Other Accounts Payable - Related Parties as at December 31, 2005 and 2004

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Subsidiaries	-	-	29.53	92.32
Associates	309.70	149.77	103.16	18.69
Other related parties	24.94	33.21	24.94	33.21
Joint ventures	-	-	0.51	-
Total	<u>334.64</u>	<u>182.98</u>	<u>158.14</u>	<u>144.22</u>

7.6 Other Long-term Payable - Related Parties as at December 31, 2005 and 2004

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Subsidiaries	-	-	360.81	14.57
Total	<u>-</u>	<u>-</u>	<u>360.81</u>	<u>14.57</u>

**(TRANSLATION)**

7.7 Revenue and Expense Transactions Carried Out with Related Parties

For the years ended December 31, 2005 and 2004

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
<u>Revenues</u>				
Sales:				
Subsidiaries	-	-	126,907.78	11,581.98
Associates	251,452.52	178,445.02	250,159.54	177,734.84
Other related parties	30,752.07	26,290.35	30,752.07	26,290.35
Joint ventures	-	-	37.43	-
Interest income:				
Subsidiaries	-	-	1,646.55	20.38
Associates	399.23	232.60	399.23	232.60
Other related parties	11.01	7.56	11.01	7.56
Joint ventures	-	-	1.35	50.04
Other income:				
Subsidiaries	-	-	3,077.19	774.73
Associates	3,380.85	2,156.25	3,367.82	2,134.23
Other related parties	129.00	269.65	125.56	269.65
Joint ventures	-	-	79.60	92.52
<u>Expenses</u>				
Purchases :				
Subsidiaries	-	-	175,844.63	46,691.18
Associates	236,428.41	196,063.76	235,500.12	194,678.25
Other related parties	12,708.23	13,946.76	12,708.23	13,946.76
Other expenses :				
Subsidiaries	-	-	215.15	185.69
Associates	21.29	155.40	20.00	13.90
Other related parties	632.34	310.34	628.90	310.34

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

Stipulation prices between the Company and its related parties are based on the normal prices used in the same type of businesses in transactions with others except for the selling prices of natural gas between the Company and an associate, which are subject to a special discount for a period of five years from 2002 to 2007 to support the expansion of manufacturing capacity of the associate. However, the purchase volume was insignificant to the financial statements.

**(TRANSLATION)**

Goods purchased from a subsidiary are at normal prices determined by the subsidiary with reference to the world market prices.

**8 Inventories**

Inventories as at December 31, 2005 and 2004 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Oil products	19,731.85	9,975.23	8,562.29	4,029.61
Gas products	413.37	264.16	413.37	264.16
Petrochemical products	2,985.38	491.17	-	-
Others	370.71	413.78	200.46	254.89
Total	<u>23,501.31</u>	<u>11,144.34</u>	<u>9,176.12</u>	<u>4,548.66</u>

The Company's inventories as stated above did not include legal reserve, which was presented as other non-current assets as discussed in Note 17.

**9 Materials and Supplies**

Materials and supplies as at December 31, 2005 and 2004 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Spare parts, equipment and others	5,855.95	2,971.60	1,617.64	1,209.71
<u>Less</u> Allowance for obsolescence	<u>323.09</u>	<u>308.42</u>	<u>54.13</u>	<u>54.11</u>
Materials and supplies, net	<u>5,532.86</u>	<u>2,663.18</u>	<u>1,563.51</u>	<u>1,155.60</u>

(TRANSLATION)

**10. Other Current Assets, Net**

Other current assets as at December 31, 2005 and 2004 are as follows:

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
Other accounts receivable	6,830.71	7,120.08	4,722.15	5,302.89
<u>Less</u> Allowance for doubtful accounts	<u>599.44</u>	<u>558.65</u>	<u>595.19</u>	<u>557.09</u>
Other accounts receivable, net	6,231.27	6,561.43	4,126.96	4,745.80
Prepaid expenses	3,388.51	1,808.92	2,457.57	1,395.60
Refund receivable from the Oil Stabilization Fund	10,182.96	7,819.80	9,204.20	5,788.42
Accrued interest income and other accrued income	1,893.62	2,267.44	1,650.17	1,952.76
Deferred input tax	1,563.46	891.96	801.55	549.88
Others	<u>1,060.34</u>	<u>632.11</u>	<u>145.41</u>	<u>-</u>
Total	<u>24,320.16</u>	<u>19,981.66</u>	<u>18,385.86</u>	<u>14,432.46</u>

Other accounts receivable mainly represented excise tax and input tax receivables.

Refund receivable from the Oil Stabilization Fund comprised compensations for manufactured or imported oil and subsidies from the Oil Stabilization Fund for exported oil or oil sold to outbound transportation barges. The compensation and refund rates were determined by the Committee on Energy Policy Administration.

(TRANSLATION)

11. Investments Accounted for under the Equity Method

11.1 Information of Subsidiaries, Associates and Joint Ventures of the Company is as follows:

Company	Country of Incorporation	Business	% Shareholding	
			2005	2004
<u>Subsidiaries</u>				
PTT Exploration and Production Public Co., Ltd. (PTTEP)	Thailand	Petroleum exploration and production	66.32	65.98
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
Subic Bay Fuels Co., Inc. (SBFCI)	The Philippines	Oil marketing	-	100.00
Subic Bay Distribution, Inc. (SBDI)	The Philippines	Oil marketing	-	100.00
Retail Business Alliance Co.,Ltd. (RBA)	Thailand	Management service and oil marketing	49.00	49.00
PTT International Trading Pte., Ltd. (PTTT)	Singapore	International oil trading	100.00	100.00
PTT Natural Gas Distribution Co., Ltd.(PTTNGD)	Thailand	Natural gas	58.00	58.00
PTT LNG Company Limited (PTTLNG)	Thailand	Natural gas	100.00	100.00
Bangkok Polyethylene Public Co., Ltd. (BPE)	Thailand	Petrochemical	50.00	50.00
PTT Polyethylene Co.,Ltd. (PTTPE)	Thailand	Petrochemical	50.00	50.00
PTT Phenol Company Limited (PPCL)	Thailand	Petrochemical	40.00	-
PTT Chemical Public Company Limited (PTTCH)	Thailand	Petrochemical	50.03	-
PTT Polymer Marketing Co., Ltd (PTTPM)	Thailand	Polymer marketing	50.00	-
Rayong Refinery Public Co., Ltd. (RRC) (Formerly Rayong Refinery Co., Ltd.)	Thailand	Oil Refining	100.00	100.00
PTT Utility Co., Ltd.(PTTUT)	Thailand	Generation and supply of electricity, steam and water	40.00	-
Energy Complex Company Limited (EnCo)	Thailand	Commercial	50.00	50.00

**(TRANSLATION)**

Company	Country of Incorporation	Business	% Shareholding	
			2005	2004
<u>Associates</u>				
Thai Oil Public Co., Ltd. (TOP)	Thailand	Oil Refining	49.54	49.54
Star Petroleum Refining Co., Ltd. (SPRC)	Thailand	Oil Refining	36.00	36.00
Thai Lube Blending Co., Ltd. (TLBC)	Thailand	Blending and bottling lube oil	48.95	48.95
Thai Petroleum Pipeline Co., Ltd. (THAPPLINE)	Thailand	Oil pipeline	35.21	30.60
Petro Asia (Thailand) Co., Ltd. (PA (Thailand))	Thailand	Oil marketing	35.00	35.00
Petro Asia (Sanshui) Co.,Ltd. (PA (Sanshui))	China	Oil marketing	25.00	25.00
Vietnam LPG Co., Ltd. (VLPG)	Vietnam	Bottling and selling LPG	45.00	45.00
KELOIL-PTT LPG Sdn. Bhd. (KPL)	Malaysia	Bottling and selling LPG	40.00	40.00
Aromatics (Thailand) Public Co., Ltd. (ATC)	Thailand	Petrochemical	49.99	46.12
Thai Petrochemical Industrial Public Co., Ltd (TPI)	Thailand	Petrochemical and refining	31.50	-
National Petrochemical Public Co., Ltd. (NPC)	Thailand	Petrochemical	-	37.99
Thai Olefins Public Co., Ltd. (TOC)	Thailand	Petrochemical	-	48.97
PTT Phenol Co., Ltd (PPCL)	Thailand	Petrochemical	-	40.00
PTT Utility Co., Ltd.(PTTUT)	Thailand	Generation and supply of electricity, steam and water	-	40.00
Independent Power (Thailand) Co., Ltd (IPT)	Thailand	Electricity generation	20.00	-
Thai Oil Power Company Limited (TP)	Thailand	Electricity generation and supply	26.00	-
<u>Joint Ventures</u>				
Trans Thai-Malaysia (Thailand) Co., Ltd. (TTM (T))	Thailand	Natural gas	50.00	50.00
Trans Thai-Malaysia (Malaysia) Co., Ltd. (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

(TRANSLATION)

11.2 Information of the Subsidiaries, Associates and Joint Ventures of Subsidiaries is as follows:

Company	Country of Incorporation	Business	% Shareholding	
			2005	2004
<b><u>Subsidiaries of PTTEP:</u></b>				
PTTEP International Company Limited (PTTEPI)	Thailand	Petroleum exploration and production	100.00	100.00
PTTEP Offshore Investment Company Limited (PTTEPO)	Cayman Islands	General investment operation	100.00	100.00
PTB Partner Co., Ltd. (PTB)*	Thailand	Petroleum exploration and production	-	100.00
PTTEP Siam Limited (PTTEP Siam)	Thailand	Petroleum exploration and production	100.00	100.00
PTTEP Services Limited (PTTEP Services)	Thailand	Service operation	100.00	100.00
PTTEP Kim Long Vietnam Company Limited (PTTEPKV)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTTEP Southwest Vietnam Company Limited (PTTEPSV)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTTEP Hoan – Vu Company Limited (PTTEP HV)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTTEP Hoang – Long Company Limited (PTTEP HL)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTT Oman Company Limited (PTTEP OM) (Formerly PTTEP Middle East Company Limited)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTTEP Algeria Company Limited (PTTEP AG)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTTEP (Thailand) Limited (PTTEP T)	Thailand	Petroleum exploration and production	100.00	100.00
PTTEP Iran Company Limited (PTTEP IR)	Iran	Petroleum	100.00	-
Diamond Petroleum Company Limited (DPC)	Thailand	Petroleum	100.00	-
PTTEP Merangin Company Limited (PTTEPM)	Indonesia	Petroleum	100.00	-

\* On August 11, 2000, PTB registered its dissolution with the Ministry of Commerce. The dissolution process was completed on November 1, 2004.

**(TRANSLATION)**

Company	Country of Incorporation	Business	% Shareholding	
			2005	2004
<b><u>Subsidiaries of SBECL:</u></b>				
Subic Bay Fuels Co., Inc. (SBFCI)	The Philippines	Oil marketing	100.00	-
Subic Bay Distribution, Inc. (SBDI)	The Philippines	Oil marketing	100.00	-
<b><u>Subsidiary of PTCL:</u></b>				
Houakhong Trading Company Limited (Houakhong)	Laos	Oil marketing	100.00	80.00
<b><u>Subsidiaries of PTCH:</u></b>				
TOC Glycol Limited (TOCGC)	Thailand	Petrochemical	100.00	-
Thai Ethanolamines Co., Ltd. (TEA)	Thailand	Petrochemical	100.00	-
Thai Choline Chloride Co., Ltd. (TCC)	Thailand	Petrochemical	100.00	-
Thai Oleochemical Co., Ltd. (TOL)	Thailand	Petrochemical	100.00	-
NPC Safety and Environmental Services Co., Ltd. (NPC S&E)	Thailand	Safety and environmental services	100.00	-
NPTC Maintenance & Engineering Services Co., Ltd. (NPTC)	Thailand	Factory maintenance and engineering services	60.00	-
Thai Tank Terminal Co., Ltd (TTT)	Thailand	Services for storage and handling of liquid chemicals	51.00	-
<b><u>Associates of PTTEP:</u></b>				
Thai Oil Power Company Limited (TP)	Thailand	Electricity generation and supply	-	26.00
New Links Energy Resources Co., Ltd. (New Links)	Indonesia	General investments	-	40.00
Energy Complex Company Limited (EnCo)	Thailand	Commercial	50.00	50.00
<b><u>Associate of PTTNGD:</u></b>				
Amata Natural Gas Distribution Co., Ltd. (AMATA NGD)	Thailand	Natural gas	50.00	50.00
<b><u>Associate of SBDI:</u></b>				
FST Aviation Services Limited (FST)	Hong Kong	Aircraft refueling service	25.00	25.00



**(TRANSLATION)**

Company	Country of Incorporation	Business	% Shareholding	
			2005	2004
<b><u>Associates of PTTC:</u></b>				
Bangkok Polyethylene Public Co., Ltd. (BPE)	Thailand	Petrochemical	50.00	-
PTT Polyethylene Co., Ltd. (PTTPE)	Thailand	Petrochemical	50.00	-
PTT Phenol Company Limited (PPCL)	Thailand	Petrochemical	40.00	-
PTT Polymer Marketing Co., Ltd. (PTTPM)	Thailand	Polymer marketing	25.00	-
PTT Utility Co., Ltd. (PTTUT)	Thailand	Generation and supply of electricity, steam and water	40.00	-
Vinythai Public Co., Ltd. (VNT)	Thailand	Petrochemical	23.02	-
Eastern Fluid Transport Co., Ltd. (EFT)	Thailand	Petrochemical pipeline system	22.65	-
<b><u>Jointly Controlled Entities of PTTEP:</u></b>				
Carigali-PTTEPI Operating Company Sdn. Bhd. (CPOC)	Malaysia	Petroleum exploration and production	50.00	50.00
Moattama Gas Transportation Company (MGTC)	Myanmar	Natural gas pipeline- overseas	25.50	25.50
Taninthayi Pipeline LLC. (TPC)	Myanmar	Natural gas pipeline- overseas	19.3178	19.3178
Orange Energy Limited (Orange)	Thailand	Petroleum	53.9496	-
B8/32 Partners Limited (B8/32 Partners)	Thailand	Petroleum	25.0010	-
<b><u>Jointly Controlled Entity of RRC:</u></b>				
Alliance Refining Co., Ltd. (ARC)	Thailand	Refinery management Service	50.00	50.00
<b><u>Jointly Controlled Entity of PTTC:</u></b>				
Thai Ethoxylate Co., Ltd. (TEX)	Thailand	Petrochemical	50.00	-

(TRANSLATION)

**Joint Ventures of PTT Exploration and Production Public Co., Ltd. (PTTEP)**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>% Shareholding</u>	
			<u>2005</u>	<u>2004</u>
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
Phu Hom (Block E 5 North)	Thailand	Amerada Hess (Thailand) Co., Ltd.	20.00	20.00
S 1	Thailand	PTTEP Siam Limited	25.00	25.00
Bongkot	Thailand	PTT Exploration and Production Public Co., Ltd.	44.4445	44.4445
Pailin	Thailand	Chevron Thailand Exploration and Production, Ltd.	45.00	45.00
Arthit	Thailand	PTT Exploration and Production Public Co., Ltd.	80.00	80.00

**Joint Ventures of PTTEP International Company Limited**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>% Shareholding</u>	
			<u>2005</u>	<u>2004</u>
Yetagun	Myanmar	Petronas Carigali Myanmar (Hong Kong) Ltd.	19.31784	19.31784
Yadana	Myanmar	TOTAL E&P Myanmar	25.50	25.50
Bongkot (Block B 13/38)	Thailand	PTTEP International Limited	44.4445	44.4445
Joint Development Area Thailand – Malaysia (Block B-17&B-17-01)	Thailand - Malaysia	Carigali – PTTEPI Operating Company Sendirian Berhad	50.00	50.00
G 4/43	Thailand	Chevron Offshore (Thailand) Limited	15.00	15.00
Cambodia B	Cambodia	PTTEP International Ltd.	30.00	-

**Joint Ventures of PTTEP Offshore Investment Company Limited (PTTEPO)**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>% Shareholding</u>	
			<u>2005</u>	<u>2004</u>
Block B8/32 & 9A *	Thailand	Chevron Offshore (Thailand) Limited	25.0010	-
Indonesia Merangin - 1	Indonesia	PT Medco E&P Merangin	39.00	-

**Joint Ventures of PTTEP Kim Long Vietnam Company Limited**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>% Shareholding</u>	
			<u>2005</u>	<u>2004</u>
Vietnam B & 48/95	Vietnam	Unocal Vietnam Exploration, Ltd.	8.50	8.50

\* PTTEPO held shares in Orange Energy Limited and B8/32 Partners Limited, which were concession holders in this project.

**Joint Ventures of PTTEP Southwest Vietnam Company Limited**

(TRANSLATION)

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>% Shareholding</u>	
			<u>2005</u>	<u>2004</u>
Vietnam 52/97	Vietnam	Unocal Southwest Vietnam Exploration & Production, Ltd.	7.00	7.00

**Joint Ventures of PTTEP Hoan-Vu Company Limited**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>% Shareholding</u>	
			<u>2005</u>	<u>2004</u>
Vietnam 9-2	Vietnam	Hoan-Vu Joint Operating Company	25.00	25.00

**Joint Ventures of PTTEP Hoang Long Company Limited**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>% Shareholding</u>	
			<u>2005</u>	<u>2004</u>
Vietnam 16-1	Vietnam	Hoang Long Joint Operating Company	28.50	28.50

**Joint Ventures of PTTEP Algeria Company Limited**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>% Shareholding</u>	
			<u>2005</u>	<u>2004</u>
Algeria 433a & 416b	Algeria	Petro Vietnam Investment and Development Company	35.00	35.00

**Joint Ventures of PTTEP Siam Limited**

<u>Project</u>	<u>Country</u>	<u>Operator</u>	<u>% Shareholding</u>	
			<u>2005</u>	<u>2004</u>
Phu Hom (Block EU-1)	Thailand	Amerada Hess (Thailand) Limited	20.00	20.00
S1	Thailand	PTTEP Siam Limited	75.00	75.00

(TRANSLATION)

11.3 Investments Accounted for under the Equity Method as at December 31, 2005 and 2004 are as follows :

Consolidated

Unit: Million Baht

Company	% Shareholding		2005			2004			Dividends	
	2005	2004	Cost method	Equity method	Allowance for share of net loss over investments	Cost method	Equity method	Allowance for share of net loss over investments	2005	2004
<b>Associates:</b>										
Refining Business Group										
1 TOP	49.54	49.54	11,483.09	23,927.80	-	11,483.09	16,080.59	-	1,819.16	-
2 SPRC	36.00	36.00	14,770.48	12,509.94	-	14,770.48	8,800.09	-	-	-
Oil Business Group										
3 THAPPLINE	35.21	30.60	2,682.35	-	-	1,367.87	-	-	-	-
4 TLBC	48.95	48.95	140.00	97.75	-	140.00	74.38	-	-	-
5 PA (Thailand)	35.00	35.00	131.25	-	-	131.25	-	-	-	-
6 PA (Sanshui)	25.00	25.00	7.17	6.07	-	7.17	6.14	-	-	-
7 V LPG	45.00	45.00	87.35	114.00	-	87.35	89.10	-	-	19.21
8 KPL	40.00	40.00	21.49	11.27	-	21.49	9.93	-	-	-
9 FST	25.00	25.00	1.13	0.94	-	1.13	0.86	-	-	-
Petrochemical Business Group										
10 ATC	49.99	46.12	4,423.12	3,851.99	-	2,888.84	1,447.50	-	1,331.54	-
11 TPI	31.50	-	20,364.91	20,364.91	-	-	-	-	-	-
12 NPC	-	37.99	-	-	-	1,185.14	5,928.90	-	1,060.02	588.90
13 TOC	-	48.97	-	-	-	8,906.35	10,557.58	-	1,206.26	-
14 PPCL	-	40.00	-	-	-	200.00	198.96	-	-	-
15 VNT	23.02	-	3,070.87	3,127.28	-	-	-	-	-	-
16 EFT	22.65	-	2,265.00	6.88	-	-	-	-	0.45	-
Natural Gas Business Group										
17 PTTUT	-	40.00	-	-	-	240.00	239.77	-	-	-
18 IPT	20.00	-	400.19	556.84	-	-	-	-	-	-
19 AMATA NGD	50.00	50.00	80.00	177.47	-	80.00	109.08	-	-	-
20 TP	26.00	26.00	2,304.76	1,824.01	-	1,450.06	1,723.84	-	73.06	73.06
21 New Links	-	40.00	-	-	-	9,898.26	9,643.36	-	-	245.89
Total			62,233.16	66,577.15	-	52,858.48	54,910.08	-	5,490.49	927.06

## (TRANSLATION)

## The Company

Unit: Million Baht

Company	% Shareholding		2005			2004			Dividends	
	2005	2004	Cost method	Equity method	Allowance for share of net loss over investments	Cost method	Equity method	Allowance for share of net loss over investments	2005	2004
<b>Subsidiaries :</b>										
1 PTTEP	66.32	65.98	9,483.34	51,724.45	-	8,526.69	41,815.95	-	6,293.59	2,823.26
2 PTTT	100.00	100.00	2.50	53.81	-	2.50	13.11	-	-	-
3 PTTCL	100.00	100.00	0.23	-	(58.16)	0.23	-	(75.95)	-	-
4 SBECL	100.00	100.00	0.41	-	(1,016.57)	0.41	-	(439.71)	-	-
5 SBFCI	-	100.00	-	-	-	8.45	-	(90.23)	-	-
6 SBDI	-	100.00	-	-	-	354.42	-	(992.05)	-	-
7 PTTNGD	58.00	58.00	418.14	819.30	-	418.14	747.70	-	324.80	196.62
8 PTTLNG	100.00	100.00	13.25	9.53	-	1.00	0.94	-	-	-
9 BPE	50.00	50.00	1,694.06	1,531.64	-	1,694.06	1,570.94	-	-	-
10 PTTPE	50.00	50.00	900.00	875.74	-	187.50	187.28	-	-	-
11 PTTPM	50.00	-	20.00	24.79	-	-	-	-	-	-
12 RRC	100.00	100.00	13,862.35	20,406.00	-	13,862.35	4,509.56	-	-	-
13 EnCo	50.00	50.00	400.00	397.86	-	0.50	0.45	-	-	-
14 RBA	49.00	49.00	0.49	15.92	-	0.49	14.34	-	-	-
15 PPCL	40.00	-	320.00	303.45	-	-	-	-	-	-
16 PTTUT	40.00	-	563.00	552.63	-	-	-	-	-	-
17 PTTCH	50.03	-	15,714.28	26,327.08	-	-	-	-	-	-
<b>Associates:</b>										
Refining Business Group										
18 TOP	49.54	49.54	11,483.09	23,927.80	-	11,483.09	16,080.59	-	1,819.16	-
19 SPRC	36.00	36.00	14,770.48	12,509.94	-	14,770.48	8,800.09	-	-	-
Oil Business Group										
20 THAPLINE	35.21	30.60	2,682.35	-	-	1,367.87	-	-	-	-
21 TLBC	48.95	48.95	140.00	97.75	-	140.00	74.38	-	-	-
22 PA (Thailand)	35.00	35.00	131.25	-	-	131.25	-	-	-	-
23 PA (Sanshui)	25.00	25.00	7.17	6.07	-	7.17	6.14	-	-	-
24 V LPG	45.00	45.00	87.35	114.00	-	87.35	89.10	-	-	19.21
25 KPL	40.00	40.00	21.49	11.27	-	21.49	9.93	-	-	-
Petrochemical Business Group										
26 ATC	49.99	46.12	4,423.12	4,065.98	-	2,888.84	1,447.50	-	1,331.54	-
27 NPC	-	37.99	-	-	-	1,185.14	6,000.06	-	1,060.02	588.90
28 TOC	-	48.97	-	-	-	8,906.35	11,048.54	-	1,206.26	-
29 PPCL	-	40.00	-	-	-	200.00	198.96	-	-	-
30 TPI	31.50	-	20,364.91	20,364.91	-	-	-	-	-	-
Natural Gas Business Group										
31 PTTUT	-	40.00	-	-	-	240.00	239.77	-	-	-
32 IPT	20.00	-	400.19	556.84	-	-	-	-	-	-
33 TP	26.00	-	2,304.76	2,304.76	-	-	-	-	-	-
<b>Joint Ventures:</b>										
Natural Gas Business Group										
34 TTM (T)	50.00	50.00	4,240.00	3,018.55	-	4,240.00	3,892.48	-	-	-
35 TTM (M)	50.00	50.00	281.32	237.88	-	281.32	223.80	-	-	-
36 DCAP	35.00	35.00	350.00	333.21	-	201.00	190.15	-	-	-
Total			105,079.53	170,591.16	(1,074.73)	71,208.09	97,161.76	(1,597.94)	12,035.37	3,627.99

**(TRANSLATION)**

11.4 Movements in Investments Accounted for under the Equity Method for the year ended December 31, 2005 are as follows:

	<u>Consolidated</u>	<u>Unit : Million Baht</u> <u>The Company</u>
Balance as at December 31, 2004	54,910.08	97,161.76
- Share of net profit from investments under the equity method	21,651.27	52,318.56
- Dividends received	(5,490.49)	(12,035.37)
- Reclassification	(26,441.14)	1,010.90
- Acquisition of investments	28,589.95	31,975.31
- Business acquisition	3,019.78	-
- Disposal of investments	(9,683.57)	-
- Surplus on dilution of investments	9.06	53.12
- Currency translation differences	12.21	106.88
Balance as at December 31, 2005	<u>66,577.15</u>	<u>170,591.16</u>

11.5 Movements in Allowance for Share of Net Loss over Investments as at December 31, 2005 are as follows:

	<u>Consolidated</u>	<u>Unit : Million Baht</u> <u>The Company</u>
Balance as at December 31, 2004	-	(1,597.94)
- Share of net profit from investments under the equity method	-	665.90
- Disposal of investments	-	(0.80)
- Currency translation differences	-	(141.89)
Balance as at December 31, 2005	<u>-</u>	<u>(1,074.73)</u>

**(TRANSLATION)**

11.6 Share of Net Assets and Results of Operation from Joint Ventures included in the consolidated financial statements as at December 31, 2005 and 2004 are as follows:

Balance Sheets:

As at December 31, 2005 and 2004

	Unit : Million Baht					
	2005			2004		
	TTM(T)	TTM(M)	DCAP	TTM(T)	TTM(M)	DCAP
Current assets	941.24	128.29	58.36	646.79	148.65	152.37
Non-current assets	12,539.88	797.22	835.86	10,538.48	465.52	322.10
Current liabilities	(826.62)	(18.69)	(55.26)	(2,363.43)	(54.29)	(175.82)
Non-current liabilities	(9,635.95)	(668.94)	(505.75)	(4,929.36)	(336.08)	(108.50)
Net assets	<u>3,018.55</u>	<u>237.88</u>	<u>333.21</u>	<u>3,892.48</u>	<u>223.80</u>	<u>190.15</u>

Statements of income:

For the years end December 31, 2005 and 2004

	Unit : Million Baht					
	2005			2004		
	TTM(T)	TTM(M)	DCAP	TTM(T)	TTM(M)	DCAP
Income	9.17	6.93	15.26	59.81	0.38	0.19
Expenses	(883.10)	(4.09)	(21.19)	(138.47)	(3.34)	(10.40)
Income(Loss) before tax	(873.93)	2.84	(5.93)	(78.66)	(2.96)	(10.21)
Income tax	-	(1.22)	-	-	(0.09)	-
Net profit (loss)	<u>(873.93)</u>	<u>1.62</u>	<u>(5.93)</u>	<u>(78.66)</u>	<u>(3.05)</u>	<u>(10.21)</u>

11.7 Significant Events Occurring during the Year Ended December 31, 2005

**SUBIC BAY GROUP (Comprising SBECL, SBFCI and SBDI)**

On January 1, 2005, the Company changed the shareholding structure within the Subic Bay Group by disposing its entire investments in the ordinary shares of SBFCI and SBDI, amounting to 17.01 million shares and 13.06 million shares, respectively, totalling USD 0.02 million (approximately Baht 0.78 million) to SBECL. However, the Company's shareholding in SBECL remained at 100%.

**DCAP**

During the first quarter of 2005, DCAP called for additional share capital from shareholders to fulfil the full amount of the authorized share capital of Baht 1,000 million. The Company paid the remaining amount of Baht 149 million according to its portion.

**ATC**

On February 2, 2004, ATC issued and offered non-transferable warrants to acquire ordinary shares to its directors, management and employees under the Employee Stock Ownership Program (ESOP) amounting to 14.60 million units. The warrants had no offering price with a maturity period of 48

## (TRANSLATION)

months from the issue date. The exercise ratio is one warrant per ordinary share with an exercise price of Baht 10 per share.

The holders of the warrants received four separate warrants, each of which can be exercised for 25% of all allotted warrants. The warrants are exercisable every three months from the first exercise date on February 23, 2004 to the last exercise date on November 23, 2007.

As at December 31, 2005, 8,204,100 units of warrants were exercised and the remaining outstanding warrants were 6,395,900 units. The gain on dilution amounting to Baht 9.06 million was recognized as surplus on dilution of investments in subsidiaries and associates in shareholders' equity.

In addition, on September 22, 2005, the Company acquired 5,000,000 additional shares in ATC from the existing shareholders at Baht 37 per share, totalling Baht 185.48 million. Goodwill arising from the acquisition was Baht 160.52 million. During October 2005, the Company acquired 34.18 million additional shares in ATC from third parties amounting to Baht 1,348.80 million. Goodwill arising from the acquisition was Baht 1,178.19 million. As a result, the Company's interest in ATC has increased from 46.12% to 49.99%.

### **IPT**

The Company's board of directors' meeting No. 4/2004 dated April 22, 2004 approved the Company to purchase 35.42 million ordinary shares, equivalent to 20% of total shares in IPT from Siemens AG for Baht 400.19 million (equivalent to USD 10 million). The Company had paid for the purchase consideration in instalments. On March 11, 2005, all ordinary shares in IPT were transferred to the Company by Siemens AG. Therefore, IPT became an associate and negative goodwill arising from the acquisition was Baht 493.94 million.

### **PTTUT**

On January 28, 2005, PTTUT called for payments for the additional 25% of the authorized share capital from shareholders to fulfil the full amount of authorized share capital amounting to Baht 800 million. The Company paid the remaining amount of Baht 80 million according to its shareholding percentage.

On March 24, 2005, PTTUT registered additional authorized share capital of 8,100,000 shares with a par value of Baht 100 each, totalling Baht 810 million. The authorized share capital after the increase was Baht 1,610 million with the first call of payment at 25% of the additional share capital. The Company acquired an additional 3.24 million shares in PTTUT at Baht 81 million in order to maintain its shareholding percentage under the Joint Venture Agreement.

During the second quarter of 2005, PTTUT called for payments for the additional share capital from shareholders for the second and third times; the Company's proportion was Baht 162 million.

### **PPCL**

On May 31, 2005, PPCL called for payments for the remaining 8 million shares at Baht 37.50 per share from shareholders, which included the Company's portion of Baht 120 million.

### **Change from Associate to Subsidiary: PTTUT and PPCL**

On December 7, 2005, NPC and TOC, each with an equal interest of 20% in PTTUT and PPCL, were merged to become PTTCH according to the Public Limited Companies Act, B.E. 2535. Consequently, PTTCH legally undertook all assets, liabilities, rights, obligations and responsibilities from NPC and TOC. Since December 7, 2005 PTTCH has become the shareholder with an equal interest of 40% in PTTUT and PPCL. The Company had a direct interest of 40% in each of PTTUT and PPCL, which if combined with the indirect interests through PTTCH, the Company had more than one half of the voting rights to control financial and operating policies of



## (TRANSLATION)

PTTUT and PPCL. As a result, on December 7, 2005 both PTTUT and PPCL were transformed from associates to subsidiaries of the Company, and are included in the consolidated financial statements for the year ended December 31, 2005.

### **EnCo**

On February 24, 2005, EnCo increased its authorized share capital by 79,900,000 shares with a par value of Baht 10 each, totalling Baht 799 million. The authorized share capital after the increase was Baht 800 million. All additional shares were fully paid-up. The Company acquired 39.95 million shares amounting to Baht 399.50 million in order to maintain its shareholding percentage in EnCo under the Joint Venture Agreement.

### **RRC**

On April 12, 2005, RRC registered with the Department of Business Development, Ministry of Commerce to change its status from a limited company to a public limited company and to change its name from Rayong Refinery Company Limited to Rayong Refinery Public Company Limited.

On June 28, 2005, RRC registered a decrease in its authorized share capital with the Department of Business Development, the Ministry of Commerce from 379,164,867 shares at Baht 100 per share amounting to Baht 37,916,486,700 to 2,274,989,202 shares at Baht 10 per share, amounting to Baht 22,749,892,020. The decrease was offset with its deficit of Baht 15,166,594,680.

### **PTTPM**

On June 24, 2005, the Company, NPC and BPE jointly established PTT Polymer Marketing Co., Ltd. (PTTPM) with the objective of managing the domestic and overseas marketing of polymer products for the Group. The initial authorized share capital was Baht 40 million, divided into 400,000 ordinary shares with a par value of Baht 100 per share. The shares held by the Company, NPC and BPE represented 50%, 25% and 25% of total shares respectively. The Company's total interest in PTTPM was Baht 20 million and PTTPM was a subsidiary.

### **PTTPE**

During the third quarter of 2005, PTTPE had called for payments for all remaining shares from shareholders, which included the Company's portion of Baht 562.50 million.

On July 18, 2005, PTTPE's board of directors' meeting No. 5/2005 approved an increase in authorized share capital by Baht 800 million. The authorized share capital after the increase was Baht 2,300 million. PTTPE called for payments from the Company according to its portion of Baht 400 million, divided into two payments according to PTTPE's financial plan. The first payment was due on October 20, 2005; the second payment was due on February 22, 2006, amounting to Baht 150 million and Baht 250 million, respectively. The Company made the first payment on October 20, 2005 in accordance with the resolution of the Company's board of directors' meeting No. 4/2005 on April 28, 2005.

### **Amalgamation between NPC and TOC**

On June 30, 2005, the Company's board of directors' meeting No. 6/2005 passed a resolution to support the amalgamation between NPC and TOC with the objective of using the merged company as a core company to manage and operate petrochemical business in the gas-based and other related olefin value chains of the Group.

## (TRANSLATION)

On August 10, 2005, the Company's extraordinary shareholders' meeting No. 1/2005 granted approval for the Company to acquire NPC and TOC shares during the period between August 25 and September 7, 2005 from the existing shareholders who disagreed with the amalgamation.

### **TOC**

On July 19, 2005, the Company acquired all of the 8.48 million shares in TOC held by NPC, which represented 1.03% of the issued and paid-up shares in TOC amounting to Baht 492.01 million.

During the period between August 25, 2005 and September 7, 2005, the Company had acquired 17.72 million ordinary shares in TOC from the existing shareholders who disagreed with the amalgamation between NPC and TOC at a total amount of Baht 1,057.44 million.

During the period between September and October 2005, the Company acquired 47.12 million additional ordinary shares in TOC from third parties at a total amount of Baht 3,345.52 million.

Consequently, the investment in the ordinary shares of TOC increased from 48.97% to 57.90%.

### **NPC**

During the period between August 25, 2005 and September 7, 2005, the Company did not receive any selling offers from NPC's existing shareholders who disagreed with the amalgamation between NPC and TOC.

However, during the period between August and October 2005 the Company acquired 5.03 million additional ordinary shares in NPC from third parties at a total amount of Baht 700.65 million. Consequently, the investment in the ordinary shares of NPC increased from 37.99% to 39.62%.

### **PTTCH**

On December 6, 2005 TOC and NPC held a shareholders' meeting between shareholders of the two companies. The meeting approved to use the new company's name as "PTT Chemical Public Company Limited" (PTTCH). Moreover, the meeting approved the allocation of PTTCH's shares to existing shareholders of NPC and TOC, whose names were in the shareholders' registration book of each company on the date of the meeting. The allocation ratios were one NPC share to 1.569785330 PTTCH shares and one TOC share to 0.784892665 PTTCH share.

On December 7, 2005, NPC and TOC submitted a request for merger registration of NPC and TOC, which was accepted by the partnership registration officer. The new company emerged from the merger was PTTCH, which has legally undertaken all assets, liabilities, rights, obligations and responsibilities from NPC and TOC since December 7, 2005 onward.

After merger and reallocation of new shares to shareholders, the Company's shareholding in PTTCH was 50.03%. As a result, the status of PTTCH has changed to the Company's subsidiary since December 7, 2005. The Company included PTTCH in the consolidated financial statements for the year ended December 31, 2005 with goodwill arising from the acquisition amounting to Baht 4,480.34 million according to Note 35.

### **TPI**

On April 28, 2005, the Company's board of directors' meeting No. 4/2005, approved the Company to invest in 31.50% of the total authorized and paid-up shares of Thai Petrochemical Industry Public Co., Ltd. (TPI).

## (TRANSLATION)

On November 10, 2005, the Company's board of directors' meeting No. 11/2005 approved the payment for investment in 6,142.50 million shares of TPI at Baht 3.30 per share, totalling Baht 20,270.25 million. The Company paid for this investment on December 13, 2005.

On December 29, 2005, management of the Rehabilitation Plan of TPI made repayments to payables according to the Rehabilitation Plan with the additional investing capital received from the Company. On the same day, management of the plan filed a request to the Central Bankruptcy Court for issuing an order to cancel the Rehabilitation Plan of TPI.

On December 31, 2005, TPI was in the process of consideration by the Central Bankruptcy Court. Therefore, the authority in the management of operations still belonged to management of the Rehabilitation Plan. The Company has not recognized share of gain or loss from investment in TPI under the equity method in the Company's financial statements for the year ended December 31, 2005 until the Court will issue an order to cancel the Rehabilitation Plan of TPI, and the Company can propose a proxy to participate in the management and determination of financial and operating policies of TPI. However, the Company recognized this investment as an asset in the balance sheet as at December 31, 2005.

### **PTTLNG**

On September 20 and October 5, 2005 PTTLNG's extraordinary shareholders' meeting No. 1/2005 and No. 2/2005 approved to increase the authorized share capital from Baht 1 million to Baht 50 million and to call for payments for the first time of 25% amounting to Baht 12.25 million. The Company made payment for these shares on November 25, 2005 according to the resolution of the Company's board of directors' meeting No. 8/2005 on August 29, 2005.

### **THAPPLINE**

THAPPLINE's extraordinary shareholders' meeting No. 1/2005 on September 9, 2005 and No. 2/2005 on September 26, 2005 passed a special resolution to increase share capital of THAPPLINE from Baht 4,177.50 million to Baht 8,479 million in order to pay the outstanding Tariff Prepayments (TPP) by issuing 43,015,000 additional preferred shares at a par value of Baht 100 per share. However, to fulfil the objective of the special resolution to increase share capital for payment of TPP to shareholders, the Company reserved to purchase 12.94 million preferred shares in accordance with its TPP portion amounting to Baht 1,293.90 million. On October 12, 2005 the Company made payment for this additional share capital. On the same day, the Company acquired 0.73 million ordinary shares and 0.80 million preferred shares from TCPL Thailand Project Ltd. (TCPL), amounting to Baht 20.57 million. As a result, the Company's shareholding percentage in THAPPLINE increased from 30.60% to 34.04%, equivalent to voting rights of 35.21%.

### **TP**

On December 21, 2005, the Company acquired all ordinary shares of TP owned by PTTEPI from PTTEPI (a subsidiary of PTTEP), equivalent to 73,060,000 shares or 26% of total issued and paid-up shares, amounting to Baht 2,304.76 million in accordance with the resolution of the Company's board of directors' meeting No. 10/2005 on October 21, 2005.

### **New Links (An associate of PTTEPO)**

On February 17, 2005, PTTEP Offshore Investment Company Limited (PTTEPO) (a subsidiary of PTTEP) disposed all of its shares in New Links to Encore Int'l Limited (Encore), at a total amount of Baht 9,101.84 million (USD 236.5 million) for shares and compensation. The net book value of the investment was Baht 9,679.71 million, and the loss from disposal of the investment of Baht 577.87 million was recorded in the statement of income.

## (TRANSLATION)

### **PTTEP IR (A subsidiary of PTTEP)**

On March 1, 2005, PTTEP established PTTEP Iran Company Limited with registered paid-up share capital of USD 50,000, comprising 50,000 ordinary shares at a par value of USD 1 per share. All shares were wholly owned by PTTEP Middle East Company Limited (a subsidiary of PTTEP).

### **Orange and B8/32 Partners (Joint ventures of PTTEP)**

On August 17, 2005, PTTEP Offshore Investment Company Limited (PTTEPO) (a subsidiary of PTTEP) paid a total amount of Baht 20,262 million for the acquisition of shares in the Pogo Group in Thailand, consisting of a 59.94% share in Thaipho Limited (which subsequently changed its name to Orange Energy Limited; Orange) and a 27.78% share in B8/32 Partners Limited (B8/32 Partners). On November 17, 2005, PTTEPO disposed 10% of the above shares to Palang Sophon International Limited at Baht 2,052.61 million. As at December 31, 2005, PTTEPO's shareholding portions in Orange and B8/32 Partners were 53.95% and 25.00%, respectively.

### **DPC (A subsidiary of PTTEP)**

On September 9, 2005, PTTEP established Diamond Petroleum Company Limited with registered share capital of USD 50,000, comprising 50,000 ordinary shares at a par value of USD 1 per share. All shares were wholly owned by PTTEPO (a subsidiary of PTTEP).

### **PTTEPM (A subsidiary of PTTEP)**

On October 12, 2005, PTTEP established PTTEP Merangin Company Limited (PTTEPM) to support exploration and production petroleum business in Indonesia. The registered and paid-up share capital was USD 50,000, consisting of 50,000 ordinary shares at a par value of USD 1 per share. All shares were wholly owned by PTTEPO (a subsidiary of PTTEP).

### **Houakhong (A subsidiary of PTTCL)**

On July 17, 2005, PTTCL acquired 2,000 shares in Houakhong from the existing shareholders at a total amount of Baht 1.5 million, representing 20% of the registered and paid-up share capital. As a result, the shareholding portion of PTTCL in Houakhong increased from 80% to 100%.

(TRANSLATION)

**12 Other Long-term Investments**

Details of Other Long-term Investments of the Company are as follows:

Company	Country of Incorporation	Business	% Shareholding	
			2005	2004
PetroAsia (Huizhou) Co., Ltd. (PA (Huizhou))	China	Oil marketing	25.00	25.00
PetroAsia (Shantou) Co., Ltd. (PA (Shantou))	China	Oil marketing	15.00	15.00
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 service	16.67	16.67
Ratchaburi Power Company Limited (RPCL)	Thailand	Electricity generation	15.00	15.00
Dhipaya Insurance Public Co., Ltd. (TIP)	Thailand	Insurance	13.33	13.33
Bangkok Aviation Fuel Service Public Co., Ltd. (BAFS)	Thailand	Aircraft refuelling Service	7.06	7.06
Bangchak Petroleum Public Co., Ltd. (BCP)	Thailand	Oil refining	7.60	7.91

Details of Other Long-term Investments of Subsidiaries are as follows:

Company	Country of Incorporation	Business	% Shareholding	
			2005	2004
<b><u>Other Long-term Investments of PTTC</u></b>				
Alliance Petrochemical Investment (Singapore) Pte., Ltd (API)	Singapore	Petrochemical	16.67	-

## (TRANSLATION)

## 12.3 Other Long-term Investments as at December 31, 2005 and 2004

Unit : Million Baht

Company	% Shareholding		Consolidated		The Company		Dividends	
	2005	2004	2005	2004	2005	2004	2005	2004
<b><u>Investments Accounted for under the Cost Method</u></b>								
<b>Associates:</b>								
Oil Business Group								
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	-	-
<b>Joint Ventures:</b>								
Exploration and Production of Petroleum and Natural Gas Business Group								
3 CPOC	-	50.00	-	9.90 Baht	-	-	-	-
<b>Other Related Companies:</b>								
4 FPT	2.76	2.76	44.00	44.00	44.00	44.00	-	-
5 IPS	16.67	16.67	0.02	0.02	0.02	0.02	-	-
6 PA (Shantou)	15.00	15.00	60.84	60.84	60.84	60.84	-	-
7 RPCL	15.00	15.00	249.75	249.75	249.75	249.75	-	-
8 API	16.67	-	290.24	-	-	-	-	-
Total investments accounted for under the cost method			738.41	448.17	448.17	448.17		
<u>Less</u> Allowance for impairment of investments			198.40	198.40	198.40	198.40		
Total investments accounted for under the cost method, net			540.01	249.77	249.77	249.77		
<b><u>Investments Accounted for at Fair Value</u></b>								
<b>Other Companies - Available-for-sale securities:</b>								
9 TIP	13.33	13.33	312.00	312.00	312.00	312.00	30.40	28.80
10 BAFS	7.06	7.06	24.00	24.00	24.00	24.00	9.90	14.88
11 BCP	7.60	7.91	105.32	105.32	105.32	105.32	-	-
Total investments – available-for-sale securities			441.32	441.32	441.32	441.32		
<u>Add</u> Allowance for increase in fair value of investments			1,107.99	1,046.37	1,107.99	1,046.37		
Total investments accounted for at fair value			1,549.31	1,487.69	1,549.31	1,487.69		
Total other long-term investments			2,089.32	1,737.46	1,799.08	1,737.46	40.30	43.68

12.4 Movements of other long-term investments for the year ended December 31, 2005 are as follows:

	Unit : Million Baht	
	Consolidated	The Company
Balance as at December 31, 2004	1,737.46	1,737.46
- Unrealized gain on available-for-sale securities	61.62	61.62
- Business acquisition (Note 35)	290.24	-
Balance as at December 31, 2005	2,089.32	1,799.08

## (TRANSLATION)

### 12.5 Significant Events during the Year Ended December 31, 2005:

#### **PTT MART**

On March 10, 2005, the Company, as an unsecured creditor of PTT MART, submitted a request to the Custodian for the receipt of repayment amounting to Baht 133.45 million. The Custodian accepted the request.

#### **BCP**

On July 5, 2005, BCP registered a change in its paid-up share capital to 687,481,908 shares, amounting to Baht 687.48 million with the Ministry of Commerce. This was attributable to the exercise of 38,499 convertible bonds at a par value of Baht 10,000 per unit to 26,922,373 ordinary shares at the exercise price of Baht 14.30 per share during the year 2005. After these conversions, there were 222,596 outstanding convertible bonds, and the Company's interest in BCP decreased from 7.91% to 7.60% as at December 31, 2005.

On August 29, 2005, the Company's board of directors' meeting No. 8/2005 approved the Company to invest approximately USD 100 - 120 million (approximately Baht 4,100 - 4,920 million) in BCP for its Product Quality Improvement Project (PQI Project) of BCP. Consequently, the Company will have an interest in BCP of not less than 25% but not more than 30% of total registered and paid-up shares. The Company and BCP will sign an agreement to reserve the right to purchase ordinary shares and convertible bonds (Share Subscription Agreement: SSA), and the Company will pay for this share subscription within June 2006.

On October 11, 2005, BCP's extraordinary shareholders' meeting No. 1/2005 approved the issue and offer of warrants not exceeding 85,500,000 units to purchase ordinary shares for selling to BCP's shareholders (one warrant provides the right to purchase ten ordinary shares) with an offering price of no more than Baht 2.50 per unit and an exercise price of Baht 18 per share. BCP will consider the issue of these warrants after obtaining the approval from the Stock Exchange Commission of Thailand and after clarification of the value of the Product Quality Improvement Project.

#### **TIP**

On April 18, 2005, the general shareholders' meeting of TIP approved the payments of dividends of Baht 1.20 per share. The dividends were paid in cash at Baht 0.95 per share and as stock dividends at the ratio of four existing shares per new ordinary share with a par value of Baht 1 per share, representing stock dividends of Baht 0.25 per share. According to the Company's shareholding portion, dividends received were Baht 38.40 million, comprising cash dividends amounting to Baht 30.40 million and stock dividends of 8 million ordinary shares amounting to Baht 8 million.

On the same day, the meeting also approved an increase in authorized share capital from Baht 240 million to Baht 300 million by issuing 60 million additional ordinary shares at a par value of Baht 1 per share, amounting to Baht 60 million, to support the distribution of stock dividends. Therefore, the Company's interest in TIP remained at 13.33%.

#### **BAFS**

On April 22, 2005, the general shareholders' meeting of BAFS approved the payments of dividends amounting to Baht 0.35 per share. The dividends were paid in cash at Baht 0.10 per share and as stock dividends at the ratio of four existing shares per one new ordinary share at a par value of Baht 1 per share, representing stock dividends of Baht 0.25 per share. According to the Company's shareholding portion, dividends received were Baht 8.40 million, comprising cash dividends

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amounting to Baht 2.40 million and stock dividends of 6 million ordinary shares amounting to Baht 6 million.

On the same day, the meeting also approved an increase in authorized share capital from Baht 340 million to Baht 425 million by issuing 85 million additional ordinary shares at a par value of Baht 1 per share, amounting to Baht 85 million, to support the distribution of stock dividends. Therefore, the Company's interest in BAFS remained at 7.06%.

On August 8, 2005, BAFS's board of directors' meeting No. 3/2005 approved interim dividend payments from the operating results of the first six-month of the year 2005 at Baht 0.25 per share, representing the Company's proportion of Baht 7.50 million.

The Company accounted for its investments in associates under the cost method adjusted by allowance for impairment of investments in the event that the Company intended to dispose of them in the near future. These associates are PTT Mart and PA (Huizhou).

Allowance for impairment of investments in associates and other related companies totalling Baht 198.40 million comprises allowance for impairment of investments in PTT Mart, PA (Huizhou), FPT and PA (Shantou) amounting to Baht 78.40, 15.16, 44.00 and 60.84 million, respectively.



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13. Property, Plant and Equipment, Net

Property, plant and equipment as at December 31, 2005 and 2004 are as follows:

	Consolidated						Unit : Million Baht
	Land	Buildings and buildings improvement	Machinery and equipment	Oil and gas properties	Other assets	Construction in progress	Total
<b>Cost</b>							
At December 31, 2004	3,106.08	15,841.29	150,530.03	107,894.59	7,601.06	31,597.57	316,570.62
- Business acquisition (Note 35)	1,105.03	856.89	36,884.43	-	2,773.56	13,428.20	55,048.11
- Additions	661.51	432.29	1,380.26	54,847.48	513.67	42,217.48	100,052.69
- Borrowing costs	-	-	-	-	-	1,362.05	1,362.05
- Reclassification	24.58	720.54	13,211.47	-	(100.94)	(14,011.36)	(155.71)
- Disposals	-	(50.96)	(148.68)	(379.20)	(122.62)	(53.99)	(755.45)
- Currency translation differences	-	(0.33)	2.27	398.33	0.80	25.96	427.03
At December 31, 2005	4,897.20	17,799.72	201,859.78	162,761.20	10,665.53	74,565.91	472,549.34
<b>Accumulated Depreciation</b>							
At December 31, 2004	-	(7,687.14)	(66,907.57)	(46,156.28)	(4,927.70)	-	(125,678.69)
- Business acquisition (Note 35)	-	(270.95)	(11,142.36)	-	(1,643.74)	-	(13,057.05)
- Additions	-	(16.12)	(0.41)	(10,430.85)	(0.87)	-	(10,448.25)
- Depreciation for the year	-	(719.10)	(6,925.21)	(9,104.39)	(730.39)	-	(17,479.09)
- Reclassification	-	5.24	(18.25)	-	15.65	-	2.64
- Disposals	-	55.67	249.69	107.30	55.11	-	467.77
- Currency translation differences	-	(0.36)	(3.02)	(84.10)	(21.34)	-	(108.82)
At December 31, 2005	-	(8,632.76)	(84,747.13)	(65,668.32)	(7,253.28)	-	(166,301.49)
<b>Allowance for Impairment of Assets</b>							
At December 31, 2004	(42.87)	(373.13)	(288.72)	-	-	-	(704.72)
- Reversal of loss on impairment of assets	-	-	43.76	-	-	-	43.76
At December 31, 2005	(42.87)	(373.13)	(244.96)	-	-	-	(660.96)
<b>Net Book Value</b>							
At December 31, 2004	3,063.21	7,781.02	83,333.74	61,738.31	2,673.36	31,597.57	190,187.21
At December 31, 2005	4,854.33	8,793.83	116,867.69	97,092.88	3,412.25	74,565.91	305,586.89

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Unit: Million Baht

	The Company					Total
	Land	Buildings and buildings improvement	Machinery and equipment	Other assets	Construction in progress	
<b>Cost</b>						
At December 31, 2004	2,659.86	11,462.45	94,240.51	7,148.38	20,606.70	136,117.90
- Additions	-	126.73	1,214.02	282.24	38,127.21	39,750.20
- Borrowing costs	-	-	-	-	1,346.02	1,346.02
- Reclassification	24.58	732.04	13,059.59	111.67	(14,021.14)	(93.26)
- Disposals	-	(50.77)	(59.40)	(92.28)	-	(202.45)
At December 31, 2005	2,684.44	12,270.45	108,454.72	7,450.01	46,058.79	176,918.41
<b>Accumulated Depreciation</b>						
At December 31, 2004	-	(6,190.20)	(49,203.74)	(4,784.03)	-	(60,177.97)
- Depreciation for the year	-	(525.38)	(5,109.49)	(669.65)	-	(6,304.52)
- Reclassification	-	-	(25.13)	25.13	-	-
- Disposals	-	30.90	55.41	87.58	-	173.89
At December 31, 2005	-	(6,684.68)	(54,282.95)	(5,340.97)	-	(66,308.60)
<b>Allowance for Impairment of Assets</b>						
At December 31, 2004	(42.87)	(373.13)	(244.96)	-	-	(660.96)
At December 31, 2005	(42.87)	(373.13)	(244.96)	-	-	(660.96)
<b>Net Book Value</b>						
At December 31, 2004	2,616.99	4,899.12	44,791.81	2,364.35	20,606.70	75,278.97
At December 31, 2005	2,641.57	5,212.64	53,926.81	2,109.04	46,058.79	109,948.85

Borrowing costs amounting to Baht 1,346.02 million (2004: Baht 658.53 million) were capitalized as part of the costs of property, plant and equipment. The Company used a capitalization rate of 5.91% (2004: 6.11%).

Buildings, manufacturing plants, machinery and equipment of Baht 12,000 million in the consolidated financial statements were used as collaterals for the Working Capital Facilities Agreement, loan and bond agreements.

As at December 31, 2005 and 2004, the net book value of other assets included vehicles acquired under finance leases in the consolidated financial statements amounting to Baht 117.24 million (2004: Baht 56.91 million) and in the Company's financial statements amounting to Baht 114.61 million (2004 : Baht 56.27 million) as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Cost	163.20	83.98	162.21	82.99
Less Accumulated depreciation	45.96	27.07	45.42	26.72
Net book value	117.24	56.91	116.79	56.27

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14. Intangible Assets

Intangible assets as at December 31, 2005 and 2004 are as follows:

	Consolidated					The Company			
	Patent	Leasehold rights/other rights	Other operation rights	Goodwill	Total	Patent	Leasehold rights/other rights	Other operation rights	Total
Unit : Million Baht									
<b>Cost</b>									
At December 31, 2004	2,245.52	6,278.63	87.56	(939.83)	7,671.88	530.28	5,832.67	51.55	6,414.50
- Business acquisition (Note 35)	178.13	34.02	572.84	-	784.99	-	-	-	-
- Additions	245.46	230.84	556.27	6,145.49	7,178.06	82.09	207.15	-	289.24
- Reclassification	(992.44)	1,148.12	-	-	155.68	12.43	79.21	-	91.64
- Disposals	(28.14)	(32.59)	-	3.72	(57.01)	-	(15.22)	-	(15.22)
- Currency translation differences	-	(3.83)	0.70	(0.02)	(3.15)	-	-	-	-
At December 31, 2005	1,648.53	7,655.19	1,217.37	5,209.36	15,730.45	624.80	6,103.81	51.55	6,780.16
<b>Accumulated Amortization</b>									
At December 31, 2004	(958.79)	(1,928.71)	(40.28)	(237.26)	(3,165.04)	(369.86)	(1,799.82)	(28.70)	(2,198.38)
- Business acquisition (Note 35)	(71.07)	(5.56)	(73.09)	-	(149.72)	-	-	-	-
- Amortization for the year	(155.48)	(279.29)	(25.38)	460.92	0.77	(86.50)	(223.41)	(5.17)	(315.08)
- Reclassification	292.35	(293.95)	-	-	(1.60)	-	-	-	-
- Disposals	(72.20)	17.23	-	(3.72)	(58.69)	-	5.35	-	5.35
- Currency translation differences	0.71	(1.93)	(0.32)	61.54	60.00	-	-	-	-
At December 31, 2005	(964.48)	(2,492.21)	(139.07)	281.48	(3,314.28)	(456.36)	(2,017.88)	(33.87)	(2,508.11)
<b>Allowance for Impairment of Assets</b>									
At December 31, 2004	-	(1,096.09)	-	-	(1,096.09)	-	(1,096.09)	-	(1,096.09)
At December 31, 2005	-	(1,096.09)	-	-	(1,096.09)	-	(1,096.09)	-	(1,096.09)
<b>Net Book Value</b>									
At December 31, 2004	1,286.73	3,253.83	47.28	(1,177.09)	3,410.75	160.42	2,936.76	22.85	3,120.03
At December 31, 2005	684.05	4,066.89	1,078.30	5,490.84	11,320.08	168.44	2,989.84	17.68	3,175.96

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15. 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)	50%
Income tax under the Revenue Code	30%
- Except for net income of the Company for the period of five years from 2002 to 2006	25%
- Except for the net income of PTTEP not exceeding Baht 300 million for the period of five years from 2002 to 2006	25%
Corporate income tax in the Union of Myanmar	30%
Corporate income taxes of other countries in the South-East Asia region	20% – 32%

Income taxes recognized in the consolidated and the Company's statements of income for the years ended December 31, 2005 and 2004 are as follows:

	Unit : Million Baht			
	<u>Consolidated</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Petroleum income tax				
Current income tax	13,496.11	9,412.12	-	40.10
Deferred income tax	(220.44)	253.98	-	-
Total petroleum income tax	<u>13,275.67</u>	<u>9,666.10</u>	<u>-</u>	<u>40.10</u>
Income tax under the Revenue Code				
Current income tax	10,609.33	7,695.02	8,092.77	7,302.18
Deferred income tax	(257.28)	(16.66)	412.40	(13.49)
Total income tax under the Revenue Code	<u>10,352.05</u>	<u>7,678.36</u>	<u>8,505.17</u>	<u>7,288.69</u>
Corporate income tax in the Union of Myanmar				
Current income tax	1,667.73	1,109.88	-	-
Deferred income tax	230.65	221.20	-	-
Total corporate income tax in the Union of Myanmar	<u>1,898.38</u>	<u>1,331.08</u>	<u>-</u>	<u>-</u>
Corporate income taxes in the South-East Asia region				
Current income tax	25.50	16.30	-	-
Deferred income tax	14.01	(15.27)	-	-
Total corporate income taxes of other countries in South-East Asia region	<u>39.51</u>	<u>1.03</u>	<u>-</u>	<u>-</u>
Total income tax expenses	<u>25,565.61</u>	<u>18,676.57</u>	<u>8,505.17</u>	<u>7,328.79</u>

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Deferred income taxes presented in the consolidated and the Company's balance sheets as at December 31, 2005 and 2004 are as follows:

	<u>Consolidated</u>	<u>Unit : Million Baht The Company</u>
Deferred tax assets		
Income tax under the Revenue Code		
As at December 31, 2004	1,607.24	1,597.18
Income tax expenses	<u>255.01</u>	<u>(412.40)</u>
As at December 31, 2005	<u>1,862.25</u>	<u>1,184.78</u>
Petroleum income tax		
As at December 31, 2004	12.23	-
Income tax expenses	<u>(21.31)</u>	<u>-</u>
As at December 31, 2005	<u>(9.08)</u>	<u>-</u>
Corporate income tax in the Philippines		
As at December 31, 2004	33.58	-
Current income tax - MCIT	3.84	-
Income tax expenses	<u>7.82</u>	<u>-</u>
As at December 31, 2005	<u>45.24</u>	<u>-</u>
Corporate income tax in Singapore		
As at December 31, 2004	2.60	-
Income tax expenses	<u>(2.56)</u>	<u>-</u>
As at December 31, 2005	<u>0.04</u>	<u>-</u>
Total deferred tax assets	<u>1,898.45</u>	<u>1,184.78</u>
Deferred tax liabilities		
Income tax under the Revenue Code		
As at December 31, 2004	-	-
Income tax expenses	<u>274.50</u>	<u>277.00</u>
As at December 31, 2005	<u>274.50</u>	<u>277.00</u>
Petroleum income tax		
As at December 31, 2004	8,963.29	-
Income tax expenses	<u>1,853.02</u>	<u>-</u>
As at December 31, 2005	<u>10,816.31</u>	<u>-</u>
Corporate income tax in the Union of Myanmar		
As at December 31, 2004	1,293.73	-
Income tax expenses	<u>300.70</u>	<u>-</u>
As at December 31, 2005	<u>1,594.43</u>	<u>-</u>
Total deferred tax liabilities	<u>12,685.24</u>	<u>277.00</u>

Deferred tax assets mainly comprised allowance for doubtful accounts, accumulated depreciation of plant and equipment and amortization of decommissioning costs. Deferred tax liabilities mainly comprised accumulated depreciation of plant and equipment.

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**16. Advance Payment for Gas Purchased**

Advance payments for gas purchased as at December 31, 2005 and 2004 are as follows:

	Unit : Million Baht	
	Consolidated	The Company
Balance as at December 31, 2004	22,745.52	28,276.78
<u>Less</u> Make-up during the year	2,998.90	3,702.11
Balance as at December 31, 2005	<u>19,746.62</u>	<u>24,574.67</u>

The Company paid in advance for the committed gas volume from Yadana and Yetagun gas fields in the Union of Myanmar, irrespective of take-up in 1999-2001, according to the established minimum volume in the Export Gas Sales Agreements (Take-or-Pay). The Company had the right to take certain volumes of prepaid gas (Make-up) in subsequent years, with no maturity period.

**17. Other Non-current Assets**

Other non-current assets as at December 31, 2005 and 2004 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Retention and refundable deposits	143.15	42.87	31.74	25.42
Prepaid expenses	862.22	472.66	25.08	-
Deferred expenses of bond issuance	10.70	20.27	-	-
Deposits at bank used as collateral	5.00	-	-	-
Advance payments	84.82	80.76	-	-
Inventories - legal reserve	12,800.76	8,898.49	7,921.22	5,422.25
Others	674.61	11.32	509.14	-
Total	<u>14,581.26</u>	<u>9,526.37</u>	<u>8,487.18</u>	<u>5,447.67</u>

The Oil Fuel Trading Act B.E. 2543 (2000) categorizes the Company as an oil trader under section 7 of this Act to protect against and prevent oil shortages. This Act prescribes that oil traders under section 7 must reserve oil according to the categories and volumes set by the Director General of the Department of Energy Business. Currently, the Company reserves 5% of the planned volume as instructed by the Director General of the Department of Energy Business, the Ministry of Energy.

**18. Bank Overdrafts and Short-term Loans from Financial Institutions**

As at December 31, 2005 and 2004, bank overdrafts and short-term loans from financial institutions were short-term loans from financial institutions. The loans bore interest at the rates ranging from 2.00% - 3.64% per annum and 2.46% - 2.68% per annum, respectively.

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**19. Other Current Liabilities**

Other current liabilities as at December 31, 2005 and 2004 are as follows:

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
Other accounts payable	7,316.47	3,274.52	4,360.55	1,619.15
Accounts payable - forward foreign exchange contracts (purchase), net	39.31	116.36	24.39	116.36
Advance received	185.64	99.60	121.24	52.08
Deferred output tax	232.29	1,429.37	22.10	1,286.55
Retention (due not later than 1 year)	656.57	329.77	15.83	10.84
Others	3,586.00	1,135.13	2,026.36	294.72
Total	<u>12,016.28</u>	<u>6,384.75</u>	<u>6,570.47</u>	<u>3,379.70</u>

Accounts payable – forward foreign exchange contracts (purchase) are recognized under forward foreign exchange contracts for hedging risk arising from fluctuations in the USD currency associated with the repayments of foreign loans and raw material imports.

**20. Long-term Loans**

Long-term loans as at December 31, 2005 and 2004 are as follows:

**Current Portion of Long-term Loans**

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
Loans – Baht currency	10,556.35	7,598.28	8,000.00	7,530.00
Loans – Foreign currencies	671.13	53,059.72	431.56	399.00
Bonds – Baht currency	4,257.14	-	-	-
Bonds – Foreign currencies	8,234.09	-	-	-
Liabilities from finance leases	108.03	30.65	52.94	30.44
Total	<u>23,826.74</u>	<u>60,688.65</u>	<u>8,484.50</u>	<u>7,959.44</u>

**Long-term Loans**

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
Loans – Baht currency	68,569.63	64,828.02	55,400.00	63,400.00
Loans – Foreign currencies	22,259.54	8,579.94	10,895.95	2,944.47
Bonds – Baht currency	53,814.29	36,500.00	50,000.00	34,000.00
Bonds – Foreign currencies	53,119.79	30,959.14	30,366.98	15,543.63
Liabilities from finance leases	220.09	37.21	80.14	37.00
Total	<u>197,983.34</u>	<u>140,904.31</u>	<u>146,743.07</u>	<u>115,925.10</u>

As at December 31, 2005, long-term loans of PTTCH amounting to Baht 6,571.43 million in the consolidated financial statements were secured by machinery, buildings, manufacturing plants, structures, the assignment of the land lease agreement with the Industrial Estate Authority of

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Thailand, and the assignment of insurance proceeds. PTTCH had a commitment to adhere to the conditions stipulated in the loan agreement.

As at December 31, 2005, long-term loans amounting to Baht 55,492.59 million (2004: Baht 63,273.47 million) in the Company's financial statements were secured by the Ministry of Finance.

Long-term loans as at December 31, 2005 and 2004 can be classified by interest rates as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Floating interest rate	30,700.36	62,886.11	3,092.59	3,343.47
Fixed interest rate	191,109.72	138,706.85	152,134.98	120,541.07
Total	<u>221,810.08</u>	<u>201,592.96</u>	<u>155,227.57</u>	<u>123,884.54</u>

Interest rates charged on long-term loans as at December 31, 2005 and 2004 are as follows:

	Consolidated		The Company	
	2005	2004	2005	2004
PTT bonds	3.49%-8.91%	3.49%-13.75%	3.49%-8.91%	3.49%-13.75%
Loans – Baht currency	3.38%-9.06%	3.25%-9.06%	8.83%-9.06%	8.83%-9.06%
Loans – Foreign currencies				
- US Dollar	3.00%-6.29%	2.74%-6.50%	3.00%-6.29%	2.74%-6.50%
Bonds – Baht currency	2.70%-5.95%	4.25%-5.90%	4.25%-5.95%	4.25%-5.90%
Bonds – Foreign currencies	3.85%-7.86%	5.75%-7.86%	5.75%-5.88%	5.75%
Liabilities from finance leases	1.75%-10.00%	3.50%-9.81%	5.50%-8.10%	5.50%-9.81%

## 20.1 Loans

Movements of loans in Baht currency and foreign currencies as at December 31, 2005 and 2004 are as follows:

	Unit : Million		
	Consolidated		Total equivalent in Baht
	Currency		
	Baht	US Dollar	
Balance as at December 31, 2004	71,549.02	1,594.75	134,065.96
- Acquisitions of subsidiaries (Note 35)	1,342.80	-	1,342.80
- Additions	13,832.43	308.00	26,537.53
- Repayments	(7,598.28)	(1,353.48)	(60,658.00)
- Loss from exchange rate	-	-	768.36
- Current portion	(10,337.06)	(16.30)	(11,227.48)
Balance as at December 31, 2005	<u>68,788.91</u>	<u>532.97</u>	<u>90,829.17</u>



(TRANSLATION)

Unit : Million

	The Company		Total equivalent in Baht
	Currency		
	Baht	US Dollar	
Balance as at December 31, 2004	70,930.00	85.29	74,273.47
- Additions	-	200.00	8,158.00
- Repayments	(7,530.00)	(10.18)	(7,929.00)
- Loss from exchange rate	-	-	225.04
- Current portion	(8,000.00)	(10.48)	(8,431.56)
Balance as at December 31, 2005	55,400.00	264.63	66,295.95

20.2 Bonds

Bonds as at December 31, 2005 and 2004 are as follows:

	Consolidated			
	2005		2004	
	Million USD	Million Baht	Million USD	Million Baht
Unsecured unsubordinated bonds				
- USD currency	1,491.62	61,353.87	789.78	30,959.14
- Baht currency	-	58,071.43	-	36,500.00
Current portion	-	(12,491.23)	-	-
Total	1,491.62	106,934.07	789.78	67,459.14

	The Company			
	2005		2004	
	Million USD	Million Baht	Million USD	Million Baht
Unsecured unsubordinated bonds				
- USD currency	737.52	30,366.98	396.50	15,543.63
- Baht currency	-	50,000.00	-	34,000.00
Total	737.52	80,366.98	396.50	49,543.63

**The Company's Bonds**

In May 2004, the Company issued three lots of 19 million unsecured unsubordinated bonds with a face value of Baht 1,000 per unit, totalling Baht 19,000 million. The first lot of 15 million units had a redemption period of eight years, to be redeemed in 2012 with interest charged for years 1-4 at a fixed rate of 4.25% per annum and for years 5-8 at a fixed rate of 5.75% per annum. The second lot of 3 million units had a redemption period of 12 years, to be redeemed in 2016 with interest charged for years 1-6 at a fixed rate of 5.00% per annum and for years 7-12 at a fixed rate of 5.95% per annum. The third lot of 1 million units has a redemption period of 15 years, to be redeemed in 2019 with interest charged at a fixed rate of 5.90% per annum. The interest on all three lots was payable every six months.

In July 2004, the Company issued 400,000 unsecured unsubordinated bonds with a face value of USD 1,000 per unit totalling USD 400 million, sold at a discounted price of 99.12% of the face value totalling USD 396.48 million at a fixed interest rate of 5.75% per annum. The interest was payable every six months with a redemption period of ten years, to be redeemed on August 1, 2014.

## (TRANSLATION)

In June 2005, the Company issued unsecured unsubordinated bonds for sale to financial institution investors with a principal amount of Baht 4,040 million and a redemption period of ten years at a fixed interest rate of 4.75% per annum. However, the Company entered into cross currency swap agreements to swap Thai Baht bonds for USD bonds amounting to USD 100 million at a fixed interest rate of 4.55% per annum.

In August 2005, the Company issued unsecured unsubordinated bonds for sale to financial institution investors amounting to USD 350 million, sold at a discount price of 97.28% of the face value totalling USD 340.48 million at a fixed interest rate of 5.875% per annum, payable every six months, with a redemption period of 30 years, to be redeemed on August 3, 2035. In the same month, the Company issued unsecured unsubordinated Baht bonds for sale to financial institution investors with a principal amount of Baht 4,118 million and a redemption period of 15 years at a fixed interest rate of 5.95% per annum. However, the Company entered into cross currency swap agreements to swap Baht bonds for USD bonds amounting to USD 100 million at a fixed interest rate of 5.48% per annum.

In November 2005, the Company issued unsecured unsubordinated bonds for sale to financial institution investors with a principal amount of Baht 5,000 million and a redemption period of ten years, to be redeemed on November 23, 2015. The bonds bore interest at a fixed rate of 7.40% per annum, payable every six months.

In December 2005, the Company issued unsecured unsubordinated bonds for sale to general investors and financial institution investors on two occasions. The first amounting to Baht 7,000 million and the second amounting to Baht 4,000 million had a redemption period of six years at a fixed interest rate of 6.70% per annum. The interest was payable every six months, to be redeemed on December 2 and December 9, 2011, respectively.

### **PTTEP's Bonds**

PTTEP issued 2,500,000 unsecured unsubordinated bonds with a face value of Baht 1,000 per unit, totalling Baht 2,500 million. The bonds bore interest at a fixed rate of 4.625% per annum, payable every six months, and had a redemption period of 15 years, to be redeemed on March 27, 2018. On September 27, 2005, PTTEP applied a cross currency swap to swap all bonds for USD bonds with a commercial bank amounting to USD 60.82 million at an interest rate of 3.85% per annum for the remaining period of the bonds.

PTTEP issued 230 unsecured unsubordinated bonds with a face value of Yen 100 million per unit, totalling Yen 23 billion. The bonds bore interest at a rate of 3.35% per annum with a redemption period of ten years, to be redeemed on September 19, 2007. On the date of bond issuance, PTTEP entered into a cross-currency and interest rate swap agreement with a financial institution in Japan to swap Yen for USD 193.28 million. Under this agreement, interest was charged at a rate of 7.86% per annum, and was payable every six months.

PTTEP guaranteed 200,000 secured unsubordinated bonds, which were issued by PTTEP International Company Limited (a subsidiary of PTTEP) with a face value of USD 1,000 per unit, totalling USD 200 million. The bonds bore interest at a rate of 7.625% per annum, payable every six months, and had a redemption period of 10 years, to be redeemed on October 1, 2006.

### **PTTCH's Bonds**

PTTCH's bonds were bonds of NPC and TOC, which were merged on December 7, 2005 according to Note 11.7.

PTTCH issued three lots of secured and amortized bonds, totalling 10 million units with a face value of Baht 1,000 per unit, amounting to Baht 10,000 million: the first lot of Baht 5,000 million

(TRANSLATION)

with interest charged at a fixed rate of 2.70% per annum, to be redeemed on September 24, 2006, the second lot of Baht 3,000 million with interest charged at a fixed rate of 3.30% per annum, to be redeemed on September 24, 2008, and the third lot of Baht 2,000 million with interest charged at the highest average six-month fixed deposit rate plus 2.50% per annum, to be redeemed on September 24, 2010. The interest was payable every six months. As at December 31, 2005, the outstanding balance of bonds was Baht 6,571 million.

PTTCH issued unsecured unsubordinated and amortized bonds, totalling 3 million units with a face value of Baht 1,000 per unit, amounting to Baht 3,000 million. Since December 7, 2005 on which the merger occurred, the interest has been charged at a fixed rate of 5.15% per annum. The interest was payable every six months with a redemption period of five years starting from the year 2002 at a grace period of 2.50 years.

In June 2005, PTTCH issued 30,000 unsecured unsubordinated bonds with a face value of USD 10,000 per unit, sold at a discounted price of 99.469% of the face value, totalling USD 298.41 million. Interest was payable every six months at a fixed rate of 5.50% per annum with a redemption period of 10 years, to be redeemed on June 24, 2015.

### 20.3 Liabilities from Finance Leases

Liabilities from finance leases as at December 31, 2005 and 2004 are as follows:

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
Liabilities from finance leases				
- Not later than 1 year	119.78	34.23	60.28	34.02
- Later than 1 year and not later than 5 years	241.14	38.40	87.51	38.13
Future finance charges on finance leases	(32.80)	(4.77)	(14.70)	(4.71)
Present value of liabilities from finance leases	<u>328.12</u>	<u>67.86</u>	<u>133.09</u>	<u>67.44</u>
Present value of liabilities from finance leases				
- Current (Not later than 1 year)	108.03	30.65	52.95	30.44
- Non-current (Later than 1 year and not later than 5 years)	<u>220.09</u>	<u>37.21</u>	<u>80.14</u>	<u>37.00</u>
Total	<u>328.12</u>	<u>67.86</u>	<u>133.09</u>	<u>67.44</u>

(TRANSLATION)

Maturities of long-term loans as at December 31, 2005 and 2004 are as follows:

Unit : Million Baht

	Consolidated									
	2005					2004				
	Foreign currency loans	Baht currency loans	Bonds	Liabilities from finance leases	Total	Foreign currency loans	Baht currency loans	Bonds	Liabilities from finance leases	Total
Not later than 1 year	671.13	10,556.35	12,491.23	108.03	23,826.74	53,059.72	7,598.28	-	30.65	60,688.65
Later than 1-2 years	1,085.59	11,904.73	9,715.25	91.07	22,796.64	638.98	8,137.06	7,838.56	37.21	16,651.81
Later than 2-5 years	3,540.27	29,417.64	2,057.15	129.02	35,144.08	3,083.54	28,813.70	7,576.95	-	39,474.19
Later than 5 years	17,633.69	27,247.25	95,161.68	-	140,042.62	5,734.68	27,000.00	52,043.63	-	84,778.31
Total	22,930.68	79,125.97	119,425.31	328.12	221,810.08	62,516.92	71,549.04	67,459.14	67.86	201,592.96

Unit : Million Baht

	The Company									
	2005					2004				
	Foreign currency loans	Baht currency loans	Bonds	Liabilities from finance leases	Total	Foreign currency loans	Baht currency loans	Bonds	Liabilities from finance leases	Total
Not later than 1 year	431.56	8,000.00	-	52.94	8,484.50	399.00	7,530.00	-	30.44	7,959.44
Later than 1-2 years	445.32	11,000.00	-	22.53	11,467.85	410.89	8,000.00	-	37.00	8,447.89
Later than 2-5 years	1,433.41	26,400.00	-	57.61	27,891.02	1,316.81	28,400.00	-	-	29,716.81
Later than 5 years	9,017.22	18,000.00	80,366.98	-	107,384.20	1,216.77	27,000.00	49,543.63	-	77,760.40
Total	11,327.51	63,400.00	80,366.98	133.08	155,227.57	3,343.47	70,930.00	49,543.63	67.44	123,884.54

## 21. Provision for Decommissioning Costs

The Group recognized provision for liabilities as at December 31, 2005 for decommissioning costs expected to be incurred in the future as follows:

	Unit : Million Baht
Balance as at December 31, 2004	5,229.67
Exchange rate differences	264.83
Provision for decommissioning costs during the year	1,524.86
Balance as at December 31, 2005	7,019.36

(TRANSLATION)

**22. Other Non-current Liabilities**

Other non-current liabilities as at December 31, 2005 and 2004 are as follows:

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
Retention (due later than 1 year)	477.67	1,334.71	327.17	1,304.91
Provision for loss on lawsuit	12.60	1,386.12	12.60	1,386.12
Deferred revenue	328.81	61.10	240.21	61.10
Other advance received	457.79	-	435.34	-
Pension fund	30.10	3.57	4.01	3.57
Others	381.08	511.55	-	1.39
Total	<u>1,688.05</u>	<u>3,297.05</u>	<u>1,019.33</u>	<u>2,757.09</u>

**23. Share Capital**

As at December 31, 2004, the Company had authorized share capital of 2,850,000,000 ordinary shares with a par value of Baht 10 per share. The issued and fully paid-up share capital was 2,797,245,725 ordinary shares with a par value of Baht 10 per share.

As at December 31, 2005, the Company had authorized share capital of 2,837,245,725 ordinary shares with a par value of Baht 10 per share. The issued and fully paid-up share capital was 2,797,245,725 ordinary shares with a par value of Baht 10 per share. Details are as follows:

On May 3, 2005, the Company registered a decrease in its authorized share capital with the Ministry of Commerce of 52,754,275 non-issued authorized shares with a par value of Baht 10 per share amounting to Baht 527.54 million. On the same day, the Company registered an increase in its authorized share capital by issuing 40 million additional ordinary shares at a par value of Baht 10 per share, amounting to Baht 400 million. Consequently, the Company's authorized share capital increased to Baht 28,372.46 million or 2,837,245,725 shares with a par value of Baht 10 per share.

On September 1, 2005, the Company allocated 40,000,000 warrants of lot No. 1/2005 (PTT W-1) to purchase PTT's shares under the ESOP scheme to the managing director, management, employees of the Company and employees of the Company's affiliates who worked for the Company. One warrant provides the right to purchase one ordinary share with an exercise price of Baht 183 per share. The warrants will be exercisable on the last working day of every three months from the first exercise date on August 31, 2006 until the last exercise date on August 31, 2010.

**24. Reserves**

**24.1 Legal Reserve**

Under the Public Limited Companies Act B.E. 2535(1992), the Company is required to appropriate not less than 5% of its annual net income as legal reserve until the reserve fund reaches 10% of the authorized share capital. The reserve is non-distributable.

**(TRANSLATION)**

24.2 Reserve for Self-Insurance Fund

Reserve for Self-Insurance Fund as at December 31, 2005 and 2004 is as follows:

	Consolidated	Unit : Million Baht The Company
Balance as at December 31, 2004	811.83	811.83
Appropriated net income for the year 2005	29.57	29.57
Balance as at December 31, 2005	<u>841.40</u>	<u>841.40</u>

Self-Insurance Fund has been set up to provide insurance coverage for the Company's businesses. The Company appropriated net income from operation and the fund's interest income in each year to the fund.

**25. Earnings per Share**

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

Basic earnings per share in the consolidated and the Company's financial statements for the years ended December 31, 2005 and 2004 are calculated as follows:

	2005	2004
Income before extraordinary items (Baht)	80,104,496,160	62,666,469,171
Extraordinary items (Baht)	5,416,796,542	-
Net income attributable to ordinary shareholders (Baht)	85,521,292,702	62,666,469,171
Weighted average number of ordinary shares held by third parties during the year (Shares)	2,797,245,725	2,797,245,725
Income before extraordinary items (Baht/share)	28.63	22.40
Extraordinary items (Baht/share)	1.94	-
Basic earnings per share (Baht/share)	30.57	22.40

For the calculation of diluted earnings per share, the Company assumed that warrants of the Group given to directors, management and employees that could be exercised were converted into ordinary shares. Exercising those warrants resulted in net income of the Group, recognized in the Company's financial statements, adjusted by the decrease in shareholding proportion. The number of convertible shares was calculated by using market price (average market prices of ordinary shares during the year) and exercise price. 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.

Diluted earnings per share in the consolidated and the Company's financial statements for the years ended December 31, 2005 and 2004 are calculated as follows:

**(TRANSLATION)**

	2005	2004
Net income attributable to ordinary shareholders before extraordinary items (Baht)	80,104,496,160	62,666,469,171
Adjustment of net income (Baht)	<u>(46,419,088)</u>	<u>(37,817,452)</u>
Income before extraordinary items for the calculation of diluted earnings per share (Baht)	80,058,077,072	62,628,651,719
Extraordinary items (Baht)	<u>5,416,796,542</u>	<u>-</u>
Net income for the calculation of diluted earnings per share (Baht)	85,474,873,614	62,628,651,719
Weighted average number of ordinary shares for the calculation of diluted earnings per share (Shares)	2,799,953,629	2,797,245,725
Income before extraordinary items (Baht/share)	28.59	22.39
Extraordinary items (Baht/share)	1.94	-
Diluted earnings per share (Baht/share)	30.53	22.39

As at December 31, 2005, PTTEP issued warrants under the Employee Stock Ownership Plan (ESOP) as follows:

1.20 million Units of warrants to purchase 2.40 million ordinary shares were issued on June 16, 1998 (one warrant provides the right to purchase two ordinary shares) to directors, management and employees with an exercise price of Baht 150 per share. On the last exercise date of September 14, 2003, no employee exercised the warrants to purchase ordinary shares. However, the shareholders' meeting approved the reallocation of 2.4 million ordinary shares to be reserved for the exercise of rights under the newly issued warrants in 2004-2006.

The exercise of warrants to purchase ordinary shares by employees (Employee Stock Ownership Plan or ESOP) was for five consecutive years, totalling 10 million ordinary shares. As at December 31, 2005, employees exercised warrants to purchase 2.93 million ordinary shares. Therefore, there was an outstanding balance of 7.07 million reserved shares, consisting of 0.40 million ordinary shares for non-issued and non-offered warrants and 6.67 million ordinary shares for issued and offered warrants. Details are as follows:

Date of issue and offer of warrants	Exercise price (Baht/Share)	Exercise right (warrant per ordinary share)	The number of exercised shares (Million shares)	The number of reserved shares (Million shares)
August 1, 2002	111	1:1	1.41	0.59
August 1, 2003	117	1:1	0.93	1.07
August 1, 2004	183	1:1	0.59	2.21
August 1, 2005	278	1:1	-	2.80
			<u>2.93</u>	<u>6.67</u>

(TRANSLATION)

**26. Sales**

Sales for the years ended December 31, 2005 and 2004 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Oil products	655,338.87	423,718.79	707,362.69	394,339.04
Gas products	215,567.82	183,868.93	213,724.45	178,763.10
Petrochemical products	67,791.35	42,773.81	52,678.02	41,176.75
<u>Less</u> : Petroleum royalties and remuneration	8,981.95	5,667.98	-	-
Total	<u>929,716.09</u>	<u>644,693.55</u>	<u>973,765.16</u>	<u>614,278.89</u>

Sales for the years ended December 31, 2005 and 2004 included sales to government agencies and state enterprises in the consolidated financial statements amounting to Baht 103,804.87 million (2004: Baht 83,174.44 million), and in the Company's financial statements amounting to Baht 102,809.92 million (2004: Baht 82,247.44 million).

**27. Other Income**

Other income for the years ended December 31, 2005 and 2004 is as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Interest income	1,497.85	1,605.84	2,303.26	1,417.17
Penalty income	271.33	353.38	274.14	339.05
Transportation income	3,276.31	3,345.42	5,273.87	3,785.09
Dividend income	40.30	43.68	40.30	43.68
Compensation for loan interest on advance payment for gas purchased	2,221.33	1,676.80	2,221.33	1,676.80
Gain on disposal of investments	-	338.25	-	15.21
Gain on foreign exchange	0.68	425.65	-	-
Others	2,127.87	1,425.49	2,659.13	1,301.03
Total	<u>9,435.67</u>	<u>9,214.51</u>	<u>12,745.03</u>	<u>8,578.03</u>

In the Company's financial statements for the years ended December 31, 2005 and 2004, loss on foreign exchange amounting to Baht 234.52 million and Baht 458.22 million, respectively were included in the selling and administrative expenses.

Other income for the year ended December 31, 2005 included revenue from the settlement of the dispute between the Company and a foreign contractor in relation to the breach of a construction contract for the laying of the Rayong - Bangpakong - Wang Noi onshore parallel natural gas pipeline. After the settlement of the dispute, the claims for damages recorded by the Company decreased by Baht 826.07 million.

Compensation for loan interest on advance payment for gas purchased (Take-or-Pay) represented the Company's compensation received from EGAT Public Company Limited and the Independent Power Plants (IPPs) to absorb interest on loans obtained by the Company for advance payment for gas purchased.



**(TRANSLATION)**

**28. Share of Net Income from Investments under Equity Method**

Share of net income from investments under equity method for the years ended December 31, 2005 and 2004 includes share of gain (loss) on foreign exchange as follows:

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
Share of gain (loss) on foreign exchange	(1,073.83)	1,116.50	(852.13)	1,763.66

**29. Extraordinary items**

In November 2004, the board of directors of the Company approved a short-term loan to RRC amounting to USD 1,134.75 million (Baht 44,255.25 million) bearing an interest rate of LIBOR + 2.5% per annum for the refinancing of RRC's loans. On January 17, 2005, the lenders reduced their loans to RRC by USD 200.25 million (Baht 7,738.28 million) or equivalent to 15% of the original loans of USD 1,335 million. Consequently, the loans were reduced to USD 1,134.75 million (Baht 44,255.25 million).

Gain from loan restructuring of Baht 7,738.28 million (USD 200.25 million) was presented as an extraordinary item in the consolidated statement of income for the year ended December 31, 2005 amounting to Baht 5,416.80 million, net of income taxes of Baht 2,321.48 million.

**30. Operating Income**

The following expenditure items, classified by nature, were charged in arriving at the operating income for the years ended December 31, 2005 and 2004 as follows:

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
Gain (loss) on foreign exchange	0.68	425.65	(234.52)	(458.22)
Depreciation of property, plant and equipment				
- Owned assets	17,440.88	13,960.44	6,266.53	5,567.28
- Leased assets under finance leases	38.20	40.62	37.99	40.42
Amortization of intangible assets				
- Negative goodwill	(460.92)	(106.54)	-	-
- Other intangible assets	460.15	376.50	315.08	290.38
Reversal of loss on impairment of property, plant and equipment				
- Current operations	(43.76)	-	-	-
Staff costs	6,647.02	5,668.79	4,088.02	4,062.93

**(TRANSLATION)**

**31. Interest Expenses**

Interest expenses for the years ended December 31, 2005 and 2004 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Loans from financial institutions	4,925.37	5,360.61	4,512.35	5,337.85
Bonds	3,541.49	2,725.49	2,123.51	1,368.35
Liabilities from finance leases	6.36	4.13	5.88	4.10
Others	338.44	374.79	145.60	175.10
Total	<u>8,811.66</u>	<u>8,465.02</u>	<u>6,787.34</u>	<u>6,885.40</u>

**32. Segmented Financial Information**

The Company presented the financial information by business segment and not by geographical segment. The reason is that no other individual country, with the exception of Thailand, reported more than 10% of consolidated revenues, operating results and total assets of all business segments.

The financial information by business segment presented in the consolidated financial statements for the years ended December 31, 2005 and 2004 is as follows:

**(TRANSLATION)**

Consolidated

For the year ended December 31, 2005

	Unit : Million Baht							
	Oil	Natural Gas	Petroleum exploration and production	Refining	Petro chemical	Others	Elimination	Total
Sales - others	701,692.18	181,124.07	12,333.29	28,435.17	15,113.33	-	-	938,698.04
- related parties	110,236.17	27,805.72	56,021.76	116,058.80	409.94	-	(310,532.39)	-
Petroleum royalties and remuneration	-	-	(8,981.95)	-	-	-	-	(8,981.95)
Net sales	811,928.35	208,929.79	59,373.10	144,493.97	15,523.27	-	(310,532.39)	929,716.09
Gross margin	12,481.92	41,290.95	44,804.48	13,158.20	2,117.98	-	2,017.93	115,871.46
EBITDA	7,252.65	42,109.57	50,051.48	13,205.20	1,739.86	(375.52)	61.39	114,044.63
Depreciation and amortization	2,088.53	4,813.42	9,429.93	1,337.35	426.68	16.47	(633.79)	17,478.59
EBIT	5,164.12	37,296.15	40,621.55	11,867.85	1,313.18	(391.99)	695.18	96,566.04
Share of net income (loss) in associates	0.02	68.39	206.60	-	(5.67)	21,381.92	-	21,651.26
Interest-net								(7,302.27)
Other income								3,352.13
Gain on foreign exchange								0.69
Income tax								(25,565.62)
Extraordinary items								5,416.80
Minority interests								(8,597.74)
Net Income								<u>85,521.29</u>
Segment assets	108,789.70	166,541.98	137,868.86	56,763.23	73,068.23	38,299.05	-	581,331.05
Inter-company assets	17,093.69	13,311.18	5,023.35	7,987.58	447.84	12,114.24	(55,977.88)	-
Investments accounted for under equity method	0.93	177.47	397.86	-	6,523.48	59,477.41	-	66,577.15
Total segment assets	125,884.32	180,030.63	143,290.07	64,750.81	80,039.55	109,890.70	(55,977.88)	647,908.20
Non-allocated assets								1,898.46
Total Assets								<u>649,806.66</u>
Segment liabilities	56,414.31	39,234.99	54,241.51	16,559.15	26,967.07	165,271.45	-	358,688.48
Inter-company liabilities	10,251.61	2,801.49	4,970.27	22,600.16	4,206.98	11,147.37	(55,977.88)	-
Total segment liabilities	66,665.92	42,036.48	59,211.78	39,159.31	31,174.05	176,418.82	(55,977.88)	358,688.48
Non-allocated liabilities								12,685.24
Total Liabilities								<u>371,373.72</u>
Capital Expenditures	2,141.74	40,443.33	55,528.82	285.04	1,763.49	722.97	-	100,885.39

(TRANSLATION)

Consolidated

For the year ended December 31, 2004

	Unit : Million Baht							
	Oil	Natural gas	Petroleum exploration and production	Refining	Petro chemical	Others	Elimination	Total
Sales - others	466,161.33	155,194.15	4,636.76	22,772.23	1,597.06	-	-	650,361.53
- related parties	2,972.29	19,786.57	43,158.00	3,027.64	-	-	(68,944.50)	-
Petroleum royalties	-	-	(5,667.98)	-	-	-	-	(5,667.98)
Net sales	469,133.62	174,980.72	42,126.78	25,799.87	1,597.06	-	(68,944.50)	644,693.55
Gross margin	10,901.33	36,297.40	30,607.53	626.42	148.90	-	285.15	78,866.73
EBITDA	5,640.94	36,857.33	36,102.08	636.31	99.78	(275.30)	235.28	79,296.42
Depreciation and amortization	2,012.97	3,981.01	8,095.64	194.99	86.88	3.33	(103.52)	14,271.30
EBIT	3,627.97	32,876.32	28,006.44	441.32	12.90	(278.63)	338.80	65,025.12
Share of net income in associates	0.08	26.49	209.03	-	-	26,506.37	-	26,741.97
Interest-net								(6,906.15)
Other income								1,997.59
Gain on foreign exchange								425.67
Income tax								(18,676.57)
Minority interests								(5,941.16)
Net Income								<u>62,666.47</u>
Segment assets	69,626.22	124,767.95	96,369.41	65,739.93	5,065.86	69,091.13	-	430,660.50
Inter-company assets	8,168.34	14,498.29	4,185.18	2,155.58	-	711.79	(29,719.18)	-
Investments accounted for under equity method	0.86	109.08	11,367.65	-	-	43,432.49	-	54,910.08
Total segment assets	77,795.42	139,375.32	111,922.24	67,895.51	5,065.86	113,235.41	(29,719.18)	485,570.58
Non-allocated assets								1,655.65
Total Assets								<u>487,226.23</u>
Segment liabilities	28,641.41	24,848.74	39,047.15	53,854.23	2,986.05	142,676.67	-	292,054.25
Inter-company liabilities	3,703.31	3,341.06	5,541.42	2,957.51	0.41	14,175.47	(29,719.18)	-
Total segment liabilities	32,344.72	28,189.80	44,588.57	56,811.74	2,986.46	156,852.14	(29,719.18)	292,054.25
Non-allocated liabilities								10,257.02
Total Liabilities								<u>302,311.27</u>
Capital Expenditures	1,561.42	20,740.89	32,715.51	146.09	83.16	532.98	-	55,780.05

Pricing among business groups is based on normal market prices except for pricing among sectors within the Company, for which market prices, net of management fees in respect of petroleum terminals and operation fees are applied.

## (TRANSLATION)

- EBITDA means Earnings before interest expenses, finance costs, income tax, depreciation and amortization, and other expenses and income which are not relevant to the operations.
- EBIT means Earnings before interest expenses, finance costs, income tax, and other expenses and income which are not relevant to the operations.

The Group categorizes segments for major businesses as follows:

### Oil Business

The Group engages in oil business in both domestic and overseas markets. The business can be categorized into two main income generating activities as follows:

1. Oil marketing: marketing of petroleum products and lubricant products through retail, commercial and international marketing.
2. International oil trading: import and export of crude oil, petroleum products, raw materials and petrochemical products.

### Natural Gas Business

The Group engages in fully-integrated gas business including procurement, natural gas transmission pipeline, natural gas separation and distribution in both domestic and overseas markets.

### Exploration and Production Petroleum Business

The Group engages in exploration and production petroleum business in both domestic and overseas markets. The Group is the operator and has joint investments with 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.

### Petrochemical Business

The Group engages in petrochemical business including procurement of petroleum feedstock for petrochemical plants, and production and distribution of the main petrochemical products and by products to serve both domestic and overseas markets.

### Refining Business

The Group engages in refining business including production and distribution of finished oil products to serve both domestic and overseas customers.

Other operations of the Group mainly comprise other segments, none of which reports separately.

## **33. Disclosure of Financial Instruments**

The principal financial risks faced by the Company are those in respect of exchange rates, interest rates, and oil and gas market prices. Some sales, purchases and borrowing transactions are denominated in foreign currencies. The Company's borrowings to finance its operations bear interest at both fixed and floating rates. The Company's management has entered into derivative instrument contracts to cover all these risks. The strategy for hedging risks involves the use of forward foreign exchange contracts and cross-currency and interest rate swap contracts. Risk exposure in respect of oil market prices is managed through forward oil contracts.

The department responsible for managing exposure to exchange rate risks and fluctuations in oil and gas market prices has to report details of the costs and market value of all financial instruments, including outstanding forward foreign exchange contracts and forward oil contracts to management. The reporting information principally covers the risk exposure in respect of:

**(TRANSLATION)**

- foreign exchange rates
- interest rates
- fluctuations in oil and gas market prices
- credit risks

33.1 Risks from Foreign Exchange Rates

The Company entered into the forward foreign exchange contracts (purchase) for the procurement of raw materials amounting to USD 251.41 million or equivalent to approximately Baht 10,286.72 million, maturing in January 2006.

PTTCH entered into the forward foreign exchange contracts (purchase) amounting to EUR 0.21 million or equivalent to approximately Baht 10.15 million, maturing in February 2006, and the forward foreign exchange contracts (sale) amounting to USD 8.50 million or equivalent to approximately Baht 334.05 million, maturing in January 2006.

Receivable amounts and exchange rates of forward foreign exchange contracts as at December 31, 2005 and 2004 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2005	2004	2005	2004
Forward foreign exchange contracts (purchase)				
At the rate of Baht 38.9966-44.0560 = 1 USD	10,286.72	7,785.81	10,286.72	6,163.64
At the rate of Baht 49.5100-49.5130 = 1 EUR	10.15	-	-	-
<b>Total</b>	<b>10,296.87</b>	<b>7,785.81</b>	<b>10,286.72</b>	<b>6,163.64</b>
Forward foreign exchange contract (sale)				
At the rate of Baht 39.2500-39.3500 = 1 USD	334.05	-	-	-

## (TRANSLATION)

### 33.2 Risks from Interest Rates

The Group entered into cross-currency and interest rate swap contracts with the terms of the outstanding cross-currency and interest rate swap contracts as at December 31, 2005 and 2004 as follows:

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
	- Baht 4,040 million/USD 100 million	4,117.46	-	4,117.46
- Baht 4,118 million/USD 100 million	4,117.46	-	4,117.46	-
- USD 60.82 million /Baht 2,500 million	2,500.00	-	-	-
- USD 193.28 million /Yen 23,000 million	8,074.96	7,576.95	-	-
Total	<u>18,809.88</u>	<u>7,576.95</u>	<u>8,234.92</u>	<u>-</u>

The maturity of contracts can be analyzed as follows:

	Consolidated		Unit : Million Baht The Company	
	2005	2004	2005	2004
	Later than 1 year - 5 years	8,074.96	7,576.95	-
Later than 5 years	10,734.92	-	8,234.92	-
Total	<u>18,809.88</u>	<u>7,576.95</u>	<u>8,234.92</u>	<u>-</u>

### 33.3 Risks from Fluctuations in Oil and Gas Market Prices

The Company has entered into forward oil and gas contracts. As at December 31, 2005, the outstanding forward oil had a maturity period of between one and six months. The total oil volume under such contracts was 1.136 million barrels.

RRC entered into a gross refinery margin swap contract to swap floating for fixed gross refinery margin with the total oil volume of 3.84 million barrels, maturing between one and six months.

### 33.4 Credit Risks

Credit risks arise when customers do not comply with terms and conditions in the credit agreements, causing financial losses to the Company. However, the Company conducts businesses with large companies in electricity business and industrial sectors. In addition, collateral is requested for doing businesses with other customers. Consequently, the Company has no significant credit risk.

### 33.5 Fair Value of Financial Instruments

The majority of the carrying values of financial assets and liabilities of the Group are classified as short-term. The fair values of financial assets and liabilities approximate their carrying values.

**(TRANSLATION)**

The fair values of long-term loans and financial derivatives as at December 31, 2005 and 2004 are as follows:

Unit : Million Baht

	Consolidated			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term loans – Baht currency	68,296.43	69,842.21	64,828.02	70,025.93
Long-term loans – Foreign currencies	21,158.57	20,426.62	8,579.94	8,579.94
Unsecured unsubordinated bonds – Baht currency	53,814.29	52,662.40	36,500.00	35,636.22
Unsecured unsubordinated bonds – Foreign currencies	53,119.78	54,741.24	32,096.76	33,973.60
Forward foreign exchange contracts (purchase)	10,296.87	10,294.72	7,785.81	7,662.28
Forward foreign exchange contracts (sale)	334.05	348.83	-	-
Cross-currency and interest rate swap contracts	18,732.96	19,409.78	7,576.95	6,572.83
Forward oil contracts	-	76.35	-	333.18

Unit : Million Baht

	The Company			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term loans – Baht currency	55,400.00	56,946.75	63,400.00	68,597.91
Long-term loans – Foreign currencies	10,895.95	10,164.00	2,944.47	2,944.47
Unsecured unsubordinated bonds – Baht currency	50,000.00	48,967.48	34,000.00	33,376.76
Unsecured unsubordinated bonds – Foreign currencies	30,366.98	30,754.24	15,543.63	16,281.31
Forward foreign exchange contracts (purchase)	10,286.72	10,284.71	6,163.64	6,054.98
Forward foreign exchange contracts (sale)	-	-	-	-
Cross-currency and interest rate swap contracts	8,158.00	8,479.36	-	-
Forward oil contracts	-	23.96	-	333.18

The Group calculated the fair values of long-term loans and fixed interest rate bonds by using the discounted cash flows based on the discounted rates of similar borrowing conditions. The forward foreign exchange contracts, the cross-currency and interest rate swap contracts and the forward oil contracts were presented at fair values based on quoted market prices.

### **34. Dividend Payment**

On April 12, 2005, the annual general shareholders' meeting of the Company approved the dividend payments for the year 2004 at Baht 6.75 per share for 2,797,245,725 shares, totalling Baht 18,881.41 million. The Company paid these dividends on April 22, 2005.



**(TRANSLATION)**

**35. Acquisition**

During the year ended December 31, 2005, the status of investments in PTTCH, PPCL and PTTUT was changed from investments in associates to investments in subsidiaries as described in Note 11.7.

Details of the net assets acquired and goodwill are as follows:

Unit : Million Baht

	<u>PTTCH</u>	<u>PPCL</u>	<u>PTTUT</u>	<u>Total</u>
Purchase consideration	-	-	-	-
<u>Less</u> Fair value of net assets acquired	(4,480.34)	-	-	(4,480.34)
Goodwill	4,480.34	-	-	4,480.34

Assets and liabilities derived from the acquisitions are as follows:

Unit : Million Baht

	<u>PTTCH</u>	<u>PPCL</u>	<u>PTTUT</u>	<u>Total</u>
Cash and cash equivalents	13,504.29	100.69	104.51	13,709.49
Current investments	298.61	-	-	298.61
Accounts receivable	7,299.65	-	4.63	7,304.28
Inventories and supplies	3,332.13	-	-	3,332.13
Other current assets	1,073.12	19.97	79.94	1,173.03
Investments accounted for under equity method	6,327.68	-	-	6,327.68
Other long-term investments (Note 12.4)	290.24	-	-	290.24
Property, plant and equipment (Note 13)	39,034.78	661.80	2,294.48	41,991.06
Intangible assets (Note 14)	635.11	0.16	-	635.27
Other non-current assets	577.65	0.12	43.94	621.71
Accounts payable	(5,465.85)	(18.31)	(1.71)	(5,485.87)
Other current liabilities	(2,055.55)	(0.14)	(419.13)	(2,474.82)
Liabilities from finance leases	(187.43)	-	-	(187.43)
Long-term loans (Note 20.1)	(723.43)	-	(619.38)	(1,342.81)
Bonds	(20,447.79)	-	-	(20,447.79)
Other non-current liabilities	(155.13)	(0.13)	(97.78)	(253.04)
Minority interests	(1,315.00)	-	-	(1,315.00)
Net shareholders' equity	42,023.08	764.16	1,389.50	44,176.74
<u>Less</u> Minority interest as at acquisition date	20,998.16	-	-	20,998.16
<u>Less</u> Investments accounted for under equity method as at acquisition date	25,505.26	764.16	1,389.50	27,658.92
Fair value of net assets	(4,480.34)	-	-	(4,480.34)
Goodwill	4,480.34	-	-	4,480.34
Total purchase consideration	-	-	-	-

## (TRANSLATION)

During the year ended December 31, 2005, the Company acquired 3.26 million additional ordinary shares in PTTEP, a subsidiary, from third parties. This resulted in an increase in its investment in PTTEP's share capital from 65.98% to 66.32%. The purchase consideration was Baht 956.65 million. The book value of net assets on the acquisition date was Baht 285.26 million, which is equal to the fair value of net assets acquired. Goodwill arising from the acquisition amounting to Baht 671.39 million is amortized using the straight-line method over the Reserve Life Index of PTTEP.

PTTEP provided its employees with warrants to purchase 10 million ordinary shares under the Employee Stock Ownership Plan (ESOP), which are exercisable for five consecutive years. As at December 31, 2005, employees exercised warrants to purchase 2.93 million shares. Therefore, the remaining balance of reserved shares was 7.07 million. This resulted in a gain on dilution of investments amounting to Baht 81.99 million, which was recognized as surplus on dilution of investments in subsidiaries and associates in shareholders' equity.

### **36. Reclassification**

For comparative purposes, the Group has reclassified certain items in the consolidated and the Company's financial statements for the year ended December 31, 2004 to ensure consistency with the presentation in the consolidated and the Company's financial statements for the year ended December 31, 2005. The reclassifications do not affect the reported net income.

### **37. Promotional Privileges**

The Company received promotional privileges from the Board of Investment (BOI) under the Investment Act, B.E. 2520 (1977) for the Gas Separation Plant Unit #5, the third main transmission pipeline project, the Sainoi-South Bangkok Power Plant gas pipeline project, the NGV-Suwanabhun-Phayathai gas pipeline project and the gas distribution pipelines to the Rojana Industrial Park. The promotional privileges include exemption from import duty as approved by the BOI and corporate income tax exemption for net income from the promoted businesses for eight years from the date of the first sale. As the Company received promotional privileges from the BOI, the Company has to comply with all conditions and regulations for the promoted operations as stipulated in the Promotional Certificate.

### **38. Commitments and Contingent Liabilities**

38.1 Commitments to subsidiaries, associates, joint ventures and other related companies are as follows:

The Company entered into Shareholder's Commercial Support Arrangements with two associates in accordance with a requirement of a financial institution at the credit limits of USD 100 million and USD 90 million. The Company had obligations in respect of commercial trade credits in the forms of an extended credit for raw materials and/or advance product payments. As at December 31, 2005, the commercial credit lines were not used.

The Company had an obligation in respect of an extended credit for raw materials to a foreign subsidiary with a credit limit of USD 100 million. USD 79.86 Million of the commercial credit line has been used. As at December 31, 2005, the remaining commercial trade credit was USD 20.14 million.

As at December 31, 2005, the Company had an obligation under a Shareholder Agreement to purchase ordinary shares in accordance with the Company's interest amounting to Baht 6,007.75 million in the consolidated financial statements and Baht 2,781.25 million in the Company's financial statements.

**(TRANSLATION)**

38.2 On July 19, 2005, the joint venture partners in the Phu Horm Project signed a Natural Gas Sales Agreement with the Company. Once the sales of natural gas commence, all joint venture partners will have obligations to make payments for the expenses incurred in the past to Amerada Hess (Thailand) Limited, the operator, in instalments of 50% of sales revenue according to the partners' participating interests until the total commitments are met. PTTEP had commitment portion for Block E5-North amounting to USD 3.20 million. According to the conditions of the Deed of Assignment Agreement for Block EU-1, PTTEP Siam Company Limited (a subsidiary of PTTEP) had a commitment of USD 7.76 million.

As at December 31, 2005, the Company had contingent liabilities in the form of Letters of Guarantee amounting to Baht 742.93 million in the consolidated financial statements and Baht 35.76 million in the Company's financial statements.

**39. Subsequent Events**

- 39.1 On January 17, 2006, PTTEP Siam Limited entered into a Natural Gas Sales Agreement with Ratchaburi Energy Company Limited for Pratu Tao-A oil field, S1 Project.
- 39.2 On January 25, 2006, the Cabinet approved PTTEP T as an operator of the concession block G9/48 in the portion of 84% and concession block G12/48 in the portion of 44.4445%. However, the award of the petroleum concessions will only be effective after official confirmation from the Ministry of Energy.
- 39.3 On January 30, 2006, the board of directors of PTTEP approved the adjustment of the par value (Par Split) from 5 Baht to 1 Baht per share. Consequently, the number of registered ordinary shares increased from 664.40 million shares to 3,322 million shares and the number of reserved ordinary shares for the exercise of warrants increased from 9.47 million shares to 47.34 million shares. However, the par value adjustment must be approved by the shareholders' meeting of PTTEP.
- 39.4 On February 1, 2006, the Central Bankruptcy Court issued an order to postpone the consideration of TPI's request to exit from the Rehabilitation Plan to April 18, 2006.
- 39.5 On February 8, 2006, RRC and SPRC signed a cancellation agreement in respect of joint refinery in the form of Operating Alliance in order to increase the flexibility for future expansion of each company. According to the cancellation agreement, the Operating Alliance will be terminated on February 8, 2009 unless both companies agree to cancel before the effective date.
- 39.6 On February 9, 2006, RRC and ATC entered into the Heads of Agreement for joint investments in the Reforming Complex, Aromatics Complex and Upgrading Complex projects.
- 39.7 The board of directors of the Company will have a meeting on February 23, 2006 to approve the public issuance of the financial statements.