

Management's Discussion and Analysis (MD&A) and operating results for the three-month period ended March 31, 2008 (Q1/2008) compared with the same period of the year 2007 (Q1/2007)

1. PTT and its subsidiaries' performance

During Q1/2008, the overall Thai economic circumstance and sales of business sectors slightly improved, due partly to the higher confidence in political situation after the national election. The domestic consumption also slightly improved due partly to the higher living cost in accordance with the upsurging oil and consumer products prices which hurt the consumers' purchasing power. In addition, the overall private investments showed sluggish expansion since many businesses are waiting for concrete policies and measures of the new government. Meanwhile, the overall exports continued to expand in accordance with the growing demand from external markets.

In Q1/2008, PTT and its subsidiaries' revenue was Baht 489,890 million, increased from Q1/2007 by Baht 192,176 million or 64.6%. Earning before interest, tax, depreciation and amortization (EBITDA) was Baht 36,812 million, increased by Baht 3,937 million or 12.0% from the same period of last year. Share of net income from investments under the equity method was Baht 7,738 million, increased from Q1/2007 by Baht 561 million or 7.8% while net profit was Baht 26,133 million, increased by Baht 3,560 million or 15.8%. In Q1/2008, gain on foreign exchange was Baht 4,188 million while the gain on foreign exchange in Q1/2007 was Baht 1,653 million.

There were significant changes of the status and new investments in PTT's affiliates in Q1/2008 when compared to Q1/2007 as follows :

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

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

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

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

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

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

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

PTT and its subsidiaries' consolidated financial performance comparison between Q1/2008 and Q1/2007 are as follows

Unit: Million Baht

	Q1/2008	Q1/2007	Increase (decrease)	
Sales & services	489,890	297,714	192,176	64.6%
: Oil ^{1/}	417,133	231,116	186,018	80.5%
: Gas ^{2/}	69,733	62,177	7,557	12.2%
: PTTEP	23,715	17,877	5,838	32.7%
: Petrochemical ^{3/}	8,846	14,945	(6,099)	(40.8%)
: Others ^{4/}	-	-	-	
: Elimination	(29,538)	(28,401)	(1,138)	(4.0%)
EBITDA	36,812	32,876	3,937	12.0%
: Oil ^{1/}	3,431	2,610	821	31.5%
: Gas ^{2/}	13,502	11,148	2,354	21.1%
: PTTEP	19,884	15,285	4,599	30.1%
: Petrochemical ^{3/}	337	4,139	(3,803)	(91.9%)
: Others ^{4/}	(317)	(298)	(19)	(6.3%)
: Elimination	(24)	(9)	(16)	(183.3%)
EBIT	30,229	26,507	3,723	14.0%
: Oil ^{1/}	2,832	2,124	708	33.4%
: Gas ^{2/}	12,164	10,094	2,070	20.5%
: PTTEP	15,351	11,698	3,654	31.2%
: Petrochemical ^{3/}	301	3,342	(3,041)	(91.0 %)
: Others ^{4/}	(396)	(392)	(4)	(1.0%)
: Elimination	(24)	(359)	335	93.3%
Net profit	26,133	22,573	3,560	15.8%
EPS (Baht/Share) ^{5/}	9.27	8.05	1.22	15.2%

Note : 1/ Included the consolidation of Oil Marketing Segment, International Trading Segment, PTT International Trading Pte., Ltd.

(PTTT), PTT (Cambodia) Co., Ltd. (PTTCL), Retail Business Alliance Co., Ltd.(RBA) and Subic Bay Energy Co., Ltd. (SBECL) while PTT Retail Business Co., Ltd. (PTTRB) has been included since May 25, 2007

2/ Included the proportionate consolidation of Trans Thai-Malaysia (Thailand) Co., Ltd.(TTM (T)), Trans Thai-Malaysia (Malaysia) Co., Ltd. (TTM (M)) and District Cooling System and Power Plant Co., Ltd. (DCAP) and consolidation of PTT Natural Gas Distribution Co., Ltd. (PTT NGD) and PTT LNG Co., Ltd (PTT LNG) while PTT Utility Co., Ltd. (PTTUT) has been included until November 9, 2007. Moreover, Combined Heat and Power Producing Company Limited (CHPP) and PTT International Company Limited (PTT INTER) have been included since August 27, 2007 and October 1, 2007 respectively.

3/ Included the consolidation of PTT Polymer Marketing Co., Ltd. (PTTPM), PTT Polymer Logistics Co., Ltd. (PTTPL) and proportionate consolidation of PTT Asahi Chemical Co., Ltd. (PTTAC) and HMC Polymers Co., Ltd. (HMC). PTT Chemical Public Co., Ltd. (PTTCH) and PTT Phenol Co., Ltd. (PPCL) have also been included until November 9, 2007.

4/ Included the consolidation of Energy Complex Co., Ltd. (EnCo) while included PTT Green Energy Pte. Ltd. (PTTGE) since November 9, 2007. PTT ICT Solutions Co., Ltd. (PTTICT) has been included until November 9, 2007

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

❑ Oil Business Unit (Oil marketing and International Trading Activities)

Sales revenue in Q1/2008 was Baht 417,133 million, increased from the same period of last year by Baht 186,018 million or 80.5%. The sales volume in this quarter increased by 4,799 million liters or 33.1% from 14,496 million liters or equivalent to 1,013,100 barrels per day in Q1/2007 to 19,295 million liters or equivalent to 1,333,675 barrels per day in Q1/2008, due mainly to the increase in sales volume of trading segment especially from crude and refined products. In addition, the average sales price in Q1/2008 also increased in both oil marketing and trading segment in relation to the increase of global market prices.

EBITDA in this quarter increased by Baht 821 million or 31.5% from Baht 2,610 million in Q1/2007 to Baht 3,431 million in Q1/2008, resulted mainly from the increase in sales volume as well as gross margin per unit of trading segment.

EBIT in this quarter was Baht 2,832 million, increased by Baht 708 million or 33.4% due mainly to the increase in EBITDA while the depreciation and amortization also increased.

❑ Exploration, Production and Natural Gas Business Group

• Natural Gas Business Group

Revenue from gas business in Q1/2008 increased from Q1/2007 by Baht 7,557 million or 12.2% due to the following reasons:

- The average natural gas sales volume (included natural gasoline derived from Dew Point Control Units) increased by 179 million cubic feet per day (mmcf) from 3,167 mmcf in Q1/2007 to 3,346 mmcf in Q1/2008 (calculated at heat value 1,000 BTU per cubic feet) or increased by 5.7% which resulted from the increase in gas demand from all group of customers except the Electricity Generating Authority of Thailand (EGAT). The increase of natural gas sales to Independent Power Producer increased by 162 mmcf or 20.0% resulted from the commercial operation of Ratchaburi Power Plant block 1 with dependable contract capacity of 700 MW on March 1, 2008.

- The GSPs' products sales volume increased from 867,917 tons in Q1/2007 to 1,028,191 tons in Q1/2008 (excluded LPG purchased from petrochemical producers for resale in an amount of approximately 53,239 tons in Q1/2007 and 55,602 tons in Q1/2008) or increased by 18.5%. The sales volume increased in all GSPs' products except propane which was used to produce LPG due to the higher domestic demand. The utilization rate of GSPs increased from 99.2% in Q1/2007 to 101.5% in Q1/2008.

The details of all products sales from gas separation plants are as follows:

	Q1/2008	Q1/2007	(Tons)	(%)
LPG	581,514	480,140	+101,374	+21.1%
Ethane	265,321	199,469	+65,852	+33.0%
Propane	49,103	70,827	-21,724	-30.7%
NGL	132,253	117,481	+14,772	+12.6%
Total	1,028,191	867,917	+160,274	+18.5%

The average LPG price (Contract Price – CP) in this quarter increased by US\$ 306 per ton from US\$ 527 per ton in Q1/2007 to US\$ 833 per ton in Q1/2008 while the average prices of ethylene, propylene, High Density Polyethylene and Polypropylene in the spot market of South-East Asia and Naphtha in the spot market of Singapore (Mean of Platt – Singapore (MOP's)) also increased when compared to the same period last year in relation to the higher oil price and the demand/supply situation of the business. As a result, PTT' sales price of ethane, propane and NGL increased accordingly.

The details of reference products prices for the calculation of sales price of products from gas separation plants are as follows:

Unit : US\$/Ton	Q1/2008	Q1/2007	Change	
			(US\$)	(%)
LPG ^{1/}	833	527	+306	+58.1%
Ethylene ^{2/}	1,237	1,222	+15	+1.2%
Propylene ^{2/}	1,293	1,181	+111	+9.4%
High Density Polyethylene ^{2/}	1,607	1,266	+341	+26.9%
Polypropylene ^{2/}	1,510	1,264	+246	+19.5%
Naphtha ^{3/}	793	527	+266	+50.5%

Note : 1/ Contract price (CP) :However, in Q4/2007 the government announced the policy to lift the domestic LPG prices to reflect the world market price and reduce the burden of oil fund. As a result, the LPG's Ex-Refinery price is therefore the combination between GSPs' cost and export price. In Q1/2008, the proportion between GSPs' cost and export price was 95:5

2/ South East Asia Spot Price

3/ MOP Singapore

EBITDA of gas business Q1/2008 increased from Q1/2007 by Baht 2,354 million or 21.1% due to the increase in natural gas and GSPs' products sales price and volume.

EBIT in this quarter increased by Baht 2,070 million or 20.5% due to the increase in EBITDA as mentioned while depreciation and amortization also increased mainly from the start commissioning of the third transmission gas pipeline, both onshore and offshore, Sainoi – South Bangkok transmission pipeline, and transmission pipeline to Jana in Songkla province, etc.

● **Exploration and Production Subsidiary : PTT Exploration and Production Public Co., Ltd. (PTTEP)**

In Q1/2008, PTTEP sales revenue was Baht 23,715 million, increased by Baht 5,838 million or 32.7% due mainly to (1) the rise of average petroleum sales price from US\$35.43 per barrel of oil equivalent (BOE) in Q1/2007 to US\$48.24 per BOE in Q1/2008 in accordance with the global market price, however, the average exchange rate decreased from Baht 36.15 per US\$ in Q1/2007 to Baht 32.82 per US\$ in Q1/2008 as a result of the strengthened of Thai Baht (2) The higher sales volume from 171,170 barrels of oil equivalent per day (BOED) in Q1/2007 to

182,431 BOED in Q1/2008. The higher sales volume mainly came from the sales of natural gas and condensate from Bongkot and Oman 44 projects. In addition, starting from late Q1/2008, the Arthit project started production and delivered natural gas to PTT at 80 mmcfd.

EBITDA in Q1/2008 increased from the same quarter of last year by Baht 4,599 million or 30.1% due to the increase in sales prices and volume as mentioned. However, the incurred expenses also increased, which mainly comprised of (1) Rising operating expenses, mainly due to operating expenses of the Oman 44 project (with first production in the latter part of the first quarter of 2007) and the construction costs of Arthit gas export pipeline (2) Increased exploration expenses, due mainly to the write-off of dry wells under Algeria 433a&416b and VietnamB &48/95 projects, as well as geological and geophysical cost from the projects in Myanmar, New Zealand and Australia (3) Increased selling, general and administrative expenses, mainly from the Arthit, MTJDA-B17 and projects in Myanmar, resulting from an increase in operation (4) Increased petroleum royalties and remuneration resulting from increased sales revenues and (5) Derivatives loss on hedged transactions.

EBIT in this quarter was Baht 15,351 million, increased by Baht 3,654 million or 31.2% while depreciation and amortization increased by Baht 946 million, mainly from the depreciation of the B8/32 & 9A and Pailin projects as a result of additional oil and gas properties. In addition, there was depreciation of Oman 44 project which start production in the latter part of the first quarter of 2007

☐ Petrochemical Subsidiaries which comprise of PTTPM, PTTAC, HMC and PTTPPL

In Q1/2008 petrochemical subsidiaries' sales revenue decreased from Q1/2007 by Baht 6,099 million or 40.8% due mainly to the change of status of PTTH and PPCL from subsidiaries to associates since Q4/2007.

EBITDA decreased from Baht 4,139 million in Q1/2007 to Baht 337 million in Q1/2008 or 91.9% while EBIT decreased from Baht 3,342 million in Q1/2007 to Baht 301 million in Q1/2008 or 91.0% due mainly to the change of status of PTTH as mentioned above.

☐ **Net Income :** Net income in Q1/2008 increased from Q1/2007 by Baht 3,560 million or 15.8%

Net income of PTT and its subsidiaries in Q1/2008 was 26,133 million or Baht 9.27 per share, increased from Q1/2007 by Baht 3,560 million or 15.8% due to the performance of each business as mentioned, including the following reasons ;

: Other incomes increased by Baht 3,342 million resulted mainly from gain on foreign exchange which increased by Baht 2,535 million or 153.4%, from Baht 1,653 million in Q1/2007 to Baht 4,188 million in Q1/2008 due to the Baht strengthen. In addition, transportation income, mainly the freight revenue, also increased by 183% from Baht 798 million in Q1/2007 to Baht 2,258 million in Q1/2008 due mainly to the increase in the amount of customers and shipments.

: Share of net income from investments under equity method in Q1/2008 increased by Baht 561 million or 7.8% from Baht 7,177 million in Q1/2007 to Baht 7,738 million in Q1/2008 due mainly to the change of PTCH, PPCL, PTTUT and PTTICT status from PTT's subsidiaries to PTT's associates in Q4/2007 including ;

- The better performance of petrochemical associates due mainly to the improvement of PTCH's performance in Q1/2008 from the increase in both sales volume and product to feed margin. The increase in PTCH's sales volume resulted mainly from the higher capacity utilization rate of Olefins plant from 61% in Q1/2007 to 91% in Q1/2008 after the shutdown of olefins plant I4-1 for de-bottlenecking, tie-in and maintenance and I4-2 plant shutdown for checking and inspection of its equipment and maintenance during the warranty period in Q1/2007. Moreover, Thai Oleochemical Co., Ltd., a subsidiary of PTCH, started its commercial operation of the Methyl Ester unit in February 2008.
- In Q1/2008, refining associates reported lower performance when compared to the same period of last year despite the higher GRM (the average GRM of PTT's associates' complex refineries, including inventory gain, increased from US\$ 7.71 per barrel in Q1/2007 to US\$ 8.29 per barrel in Q1/2008). This resulted from the very low aromatic's product to feed margin. The aromatic's product to feed margin of PTTAR decreased from US\$ 128.89 per ton in Q1/2007 to US\$ 0.49 per ton in Q1/2008 due to more than 60% increase of feedstock prices VS only 6% increase of aromatic product average prices while the paraxylene's product to feed margin of TOP also decreased from US\$ 542 per ton in Q1/2007 to US\$ 257 per ton in Q1/2008. In addition, Thai Paraxylene Co., Ltd., TOP's subsidiary, has shutdown its PX production unit for project expansion and major turnaround in Q1/2008.

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

Unit : Million Baht	Q1/2008	Q1/2007	Change	%
Petrochemical associates	2,812	1,227	1,585	129%
Refining associates	4,690	5,753	(1,063)	(18%)
Oil associates	112	24	88	367%
Gas associates	66	80	(14)	(18%)
Other associates	58	93	(35)	(38%)
Total	7,738	7,177	561	8%

: Interest expenses of PTT and its subsidiaries in Q1/2008 increased by Baht 132 million or 5.6% when compared to the same period of last year.

: Income taxes in Q1/2008 increased by Baht 2,707 million or 32.3% when compared to the same period of last year which resulted from the increase in net income.

2. The Analysis of PTT and its subsidiaries' consolidated Financial Status at the end of Q1/2008 compared to the end of the year 2007

Financial status of PTT and its subsidiaries at the end of Q1/2008 compared to the end of the year 2007 is as follows :

Assets

The total assets as of March 31, 2008 were Baht 901,143 million, increased by Baht 8,792 million or 1.0% from the end of the year 2007. This resulted mainly from the increase in Non-current assets by Baht 21,712 million or 3.8% due mainly to

: The increase in Investments in the subsidiaries, jointly controlled entities and associates by Baht 13,790 million resulting from the increase in share of net income from investments under the equity method in an amount of Baht 7,738 million, the recognition of outstanding negative goodwill as of Dec. 31, 2007 in an amount of Baht 5,345 million in accordance with the Thai Accounting Standard No. 43 (revised 2007) "Business Combinations" and the purchase of IRPC shares from third parties in the Stock Exchange of Thailand in Q1/2008 in an amount of Baht 2,440 million which caused PTT's shareholding percentage in IRPC increase from 31.5% to 33.69% with Bt 364 million goodwill from business acquisition.

: The increase in property, plant and equipment-net by Baht 8,917 million resulted mainly from the construction of the gas separation plant unit 6, the transmission pipeline of Arthit north project, natural gas for vehicle (NGV) project and the Ethane plant and the increase in Petroleum exploration and production assets by Baht 4,726 million.

However the Current assets decreased by Baht 12,920 million or 4.1% despite the increase in cash and cash equivalents by Baht 18,476 million which resulted from net cash provided by operating activities of Baht 43,837 million, net cash used in investing activities of Baht 19,039 million and net cash used in financing activities of Baht 6,059 million and the increase in trade account receivable – related parties, net of Baht 4,709 million due to the account receivable – associates; PTTAR. This was due mainly to

: The decrease in Trade accounts and notes receivable – others, net by Baht 32,119 million due mainly to the payment from government agencies and state enterprises amounting to Baht 11,556 million in Q1/2008.

: The decrease in Other current investments of Baht 4,212 million which resulted from refund receivable from oil stabilization fund and the decrease in account receivable – the Excise Department

Liabilities

Total liabilities as of March 31, 2008 were Baht 470,041 million, decreased by Baht 23,659 million or 4.8%. This resulted from the followings;

- The decrease in Current liabilities by Baht 13,095 million due primarily to the decrease in trade accounts payable - others by Baht 10,661 million, mainly from the account payable – gas purchased and trading business, the decrease in trade account payable – related parties by Baht 5,507 million from the associates; TOP and SPRC, the decrease in accrued expenses by Baht 4,739 million, the decrease in other current liabilities by Baht

3,126 million and the decrease in bank overdrafts and short-term loans from financial institutions by Baht 1,276 million, while income tax payable increased by Baht 9,097 million from the increase in net income and the current portion of long-term loans increased by Baht 4,393 million.

- Non-current liabilities decreased by Baht 10,564 million which was due mainly to the change of PTT and its subsidiaries' long term loans to current portion of long-term loans by Baht 4,393 million and the repayment of notes payable and the redemption of government bonds in an amount of 4,500 million in Q1/2008.

The maturity of long-term loans, debentures and government bonds as of March 31 2008 are as follows :

Unit : Million Baht

Maturity (from Mar. 31, 2008)	PTT	PTTEP	DCAP	TTM(T)	TTM(M)	HMC	Total
Within 1 year (Mar. 31, 2009)	12,772	-	66	-	-	-	12,838
Between 1 to 2 years	6,384	-	75	553	27	-	7,040
Between 2 to 5 years	60,451	13,000	231	1,977	131	711	76,501
Beyond 5 years	107,117	5,500	368	5,218	357	-	118,559
Total	186,724	18,500	740	7,748	515	711	214,938

The long-term debt outstanding (including long-term loans and bonds due within 1 year and later than 1 year) as of March 31, 2008 consisted of local and foreign debt, details of which are as follows :

Unit : Million Baht

Long-term debt outstanding	PTT	PTTEP	DCAP	TTM(T)	TTM(M)	HMC	Total
Local Debt	137,343	18,500	740	-	-	580	157,163
Foreign Debt	49,381	-	-	7,748	515	131	57,775
Total	186,724	18,500	740	7,748	515	711	214,938
Ratio of long-term foreign debt to total long-term debt (%)	26.45%	0.00%	0.00%	100.00%	100.00%	18.40%	26.88%

As of March 31, 2008, PTT's loans and bonds amounting to Baht 42,102 million is guaranteed by the Ministry of Finance.

Shareholders' Equity

Total shareholders' equity as of March 31, 2008 were Baht 431,102 million, increased from the end of 2007 by Baht 32,451 million or 8.1%. The increase was resulted mainly from the increase in un-appropriated retained earnings of Baht 31,477 million which resulted from PTT and its subsidiaries' net profit in Q1/2008 of Baht 26,133 million and accumulated effect of the changes in accounting policy in according with the Thai Accounting Standard No. 43 (revised 2007) "Business Combinations" in an amount of Baht 5,345 million resulted from the adoption of the Thai Accounting Standard No. 43 (revised 2007) "Business Combinations" that is effective for accounting periods beginning on or after January 1, 2008. For the negative goodwill, in accordance with this standard, PTT, the buyer, must assess the seller's identification and measurement of assets and liabilities and identifiable contingent

liabilities including the exceed reassessment of carrying value in business combination, when buyer's equity net fair value of the cost at acquisition date, the differences will be recognized as revenue in statement of income. Therefore, PTT has adopted this standard since January 1, 2008, with the prospective requirements. The carry forward of retained earnings as at January 1, 2008 was adjusted.

In Q1/2008 there was increase in share capital which resulted from the exercise of warrants under Employee Stock Option Program (ESOP) in February and March causing an increase in issued and paid-up share capital in an amount of Baht 10.889 million (1,089,900 shares) and an increase in premium on ordinary shares of Baht 203.1 million. As a results, as of Mar. 31, 2008, the number of unexercised warrants is 38.77 million units, which consists of Warrant-1 issued and offered on September 1, 2005 of 21.94 million units (last exercise date : August 31, 2010) and Warrant-2 issued and offered on September 29, 2006 of 16.83 million units (first exercise date : September 28, 2007, last exercise date : September 28, 2011).

The increase in share capital includes the increase in minority interests of Baht 1,273 million due mainly to the better performance as mentioned and the increase in surplus on dilution of investments in subsidiaries and associates of Baht 24 million while there was negative currency translation differences of Baht 514 million and unrealized loss on available-for-sale securities of Baht 23 million.

Liquidity

In Q1/2008, net increase in cash and cash equivalents of PTT and its subsidiaries was Baht 18,476 million, while cash and cash equivalents at the beginning of the period was Baht 74,958 million, which resulted that cash and cash equivalents at the end of the period was Baht 93,434 million, details of activities are as follows :

	<u>Amount (Million Baht)</u>
Net cash provided by operating activities	43,837
Net cash used in investing activities	(19,039)
Net cash used in financing activities	(6,059)
Effects of exchange rates on cash and cash equivalents	(126)
Currency translation differences	<u>(137)</u>
Net increase in cash and cash equivalents in Q1/2008	18,476
Cash and cash equivalents at beginning of periods	<u>74,958</u>
Cash and cash equivalents at end of periods	<u>93,434</u>

Net cash provided by operating activities of Baht 43,837 million was derived from net income of Baht 26,133 million and adjusted with non cash items. Adjustment of net income to net cash provided by operating activities comprised mainly of depreciation, depletion and amortization in an amount of Baht 6,655 million and income of minority interests in an amount of Baht 3,229 million, income tax in an amount of Baht 11,089 million and interest expenses in an amount of Baht 2,996 million. Adjustments of net income to net cash used by operating activities comprised mainly of share of net income from investments under equity method in an amount of Baht

7,738 million, gain on foreign exchange in an amount of Baht 4,045 million interest income in amount of Baht 1,231 million and the increase in working capital in an amount of Baht 7,440 million which resulted mainly from the decrease in trade accounts and notes receivable – others, net, other current assets, advance payments for gas purchased while there was the increase in trade accounts receivables – related parties, net and the decrease in trade account payable, other account payable and accrued expenses and taxation paid in an amount of Baht 1,159 million.

Net cash used in investing activities was Baht 19,039 million, resulted mainly from the investment activities in property, plant and equipment of Baht 19,269 million, due mainly to the investment in the construction of the gas separation plant unit 6, the transmission pipeline of Arthit north project, natural gas for vehicle (NGV) project and the Ethane plant in an approximate amount of Baht 7,702 million, the purchase of PTTEP's Petroleum exploration and production assets in an amount of Baht 10,157 for Arthit project, joint development area between Thailand and Malaysia, M9& M11 project in Myanmar and Vietnam 9-2 project. In addition, there was payment of investments in associates in an amount of Baht 2,440 million from the purchase of IRPC shares from third parties while there was dividend received in an amount of Baht 1,625 million mainly from PTTEP and SPRC.

Net cash used in financing activities was Baht 6,059 million, resulted mainly from the repayment of notes payable and the redemption of government bonds in an amount of 4,500 million and interest paid in an amount of Baht 2,778 million.

Financial ratios and earnings per share of PTT and its subsidiaries for Q1/2008 and Q1/2007 calculated according to the Office of the Securities and Exchange Commission's formulae are as follows :

Financial Ratios and earnings per share	Unit	Consolidated	
		Q1/2008	Q1/2007
<u>Liquidity Ratios</u>			
Current Ratio	Time	1.31	1.50
Quick Ratio	Time	1.15	1.26
<u>Profitability Ratios</u>			
Gross Profit Margin	%	7.28	10.55
Net Profit Margin	%	5.17	7.29
<u>Financial Ratios</u>			
Total Debt to Equity Ratio	Time	1.09	1.12
Interest Coverage Ratio	Time	22.97	20.80
<u>Earnings per share (EPS)</u>			
EPS	Baht/share	9.27	8.05

3. Impact of the changes in accounting policies towards separate and consolidated financial statements

PTT has chosen to apply Thai Accounting Standard No.43 (revised 2007) "Business Combinations" that is effective for accounting periods beginning on or after January 1, 2008.

Goodwill

In accordance with this standard, the Company is not allowed to amortize goodwill arising from business combination but a test for impairment is carried out. PTT has adopted this standard since January 1, 2008. For goodwill recognized prior to that date, PTT applied a prospective method by not amortizing goodwill and testing for impairment instead. As a result, the carrying amount of goodwill as at January 1, 2008 was presented with balance carried forward from December 31, 2007 amounting to Baht 12,432.05 million and was not amortized during this period. On the contrary, amortization of this goodwill in Q1/2007 was recognized amounting to Baht 419 million in the consolidated financial statement. Thus, management considered that there was no impairment in this goodwill as at March 31, 2008.

Negative Goodwill

In accordance with this standard, the Company, a buyer, must assess the seller's identification and measurement of assets and liabilities and identifiable contingent liabilities including the exceed reassessment of carrying value in business combination, when buyer's equity net fair value of the cost at acquisition date, the differences will be recognized as revenue in statement of income. PTT has adopted this standard since January 1, 2008, with the prospective requirements. The carry forward of retained earnings as at January 1, 2008, amounting to Baht 5,345 million was adjusted.

However, these adjustments in goodwill and negative goodwill did not affect the Company's financial statements.

4. Economic Outlook in Q2/2008

Crude oil price continue to reach new high many times since the beginning of the year mainly due to high oil demand which does not decline as expected, especially in the developing countries such as China and India. The reason is partly due to the subsidization of the oil price to support the countries' fast growing economy while oil supply remains tight from higher production cost, political problems within the major oil producing countries, technical problem in refining, production quota imposed by OPEC with the reason that there is enough oil supply and the weaken of the US dollars currency which created the speculation in the Commodity market, both in oil and agricultural products. Analysts expected oil price to maintain at the high level with the whole year average range of US\$100-110 per barrel which will drive the refined products and petrochemical products price to sustain at the high and fluctuate level.

For Thailand, the rising of inflation rate due to the upsurging of oil price, agricultural and commodity products prices, the political instability, and the slow down of the world economy, will be the pressure for the Thai

economy growth. On the other hand, the government stimulation plan to boost the economy through domestic consumption and investment proved to work and the economy has shown sign of recovery since Q4/2007. In addition, the exports also reported better than expectation due mainly to the capability to export to new markets in replacement of the US market which shows sign of recession due to the Sub-prime crisis as well as the declining in property sector. These will be the major factors to support economic growth. The GDP growth for 2008 is expected to grow at the rate of not less than 5% with the well balance between domestic demand (consumption and investment) and external demand (export).

However, the demand of oil in Thailand will decrease due to the change of consumers' behavior to use alternative fuel which is cheaper and thus help improve trade account from less import of oil. Gas demand is expected to grow especially in power, industrial and transportation sectors. Demand of petrochemical products is also expected to grow in relation to the economic growth.
