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PTT : Management discussion and analysis

Management's Discussion and Analysis (MD&A) and operating results for the three-month and twelve-month period ended December 31, 2006 compared to the same period of the year 2005

1. PTT and its subsidiaries' performance

In the year 2006, global economy expanded 5%, increased from the year 2005 of 4.5%, dominated by Asian, economy, especially China and India, and the recent improvement of Europe, Middle East and Africa (EMEA) economy, despite the fluctuation of oil price, consumer products, financial markets and capital markets. For Thailand, overall economic conditions for the year 2006 improved slightly from the year 2005 due mainly to the high export growth and the deceleration of the import. On the supply and demand side, the production and private consumption decelerated when compared to last year due mainly to the adverse impacts of the high oil prices. In 2006, the Private Consumption Index grew by 1.3 %, increased from the previous year's growth of 0.6 % while the overall petroleum consumption decreased by 0.1%. Diesel oil consumption decreased by 6.2% due to the persistence high retail prices after the removal of diesel price subsidy in 2005 while gasoline consumption decreased by 0.5%. However, LPG consumption substantially increased especially in transportation sector due to the government's support in LPG price.

PTT and its subsidiaries' revenue in Q4/2006 was Baht 280,562 million, increased from the forth quarter of the year 2005 (Q4/2005) by Baht 36,232 million or 14.8%. Earning before interest, tax, depreciation and amortization (EBITDA) was Baht 30,376 million, increased from Q4/2005 by Baht 3,179 million or 11.7%. PTT and its subsidiaries' share of net income from investments under the equity method in Q4/2006 was Baht 1,368 million, decreased from Q4/2005 by Baht 3,259 million or 70.4% while net profit was Baht 15,559 million, decreased by Baht 1,589 million or 9.3%.

For the year 2006, PTT and its subsidiaries' revenue was Baht 1,213,985 million, increased by Baht 287,716 million when compared to the year 2005, or 31.1%. EBITDA was Baht 142,675 million, increased by Baht 28,631 million or 25.1%. share of net income from investments under the equity method was Baht 19,139 million, decreased by Baht 2,512 million or 11.6%. As a result, PTT and its subsidiaries' net profit was Baht 95,261 million, increased by Baht 9,739 million or 11.4% resulted mainly from gain on disposal of Rayong Refinery Public Co., Ltd (RRC)'s shares of Baht 6,682 million (after tax) and foreign exchange of

Baht 9,925 million while there was gain from debt restructuring of RRC in an amount of Baht 5,417 million and foreign exchange of Baht 0.68 million in 2005.

Under the mention performance, there were significant changes of the status of PTT's affiliates in Q4/2006 and 2006 as follows:

: On May 16, 2006, PTT acquired primary shares of Bangchak Petroleum Public Company Limited (BCP). Consequently, PTT's shareholding in BCP increased from 7.56% to 29.75% and BCP's status changed from another related company to an associate.

: On June 5, 2006, RRC has done its IPO by selling both primary shares and secondary shares held by PTT to the public, resulted that the shareholding of PTT in RRC decreased from 100% to 48.75% and its status changed from PTT's subsidiary to an associate.

: In Q2/2006, PTT started recognizing an investment in IRPC Public Co., Ltd. (IRPC) (formerly TPI) under the equity method.

: On August 3, 2006, PTT acquired 41.443% stake in HMC resulted that HMC becomes PTT's Joint Ventures.

: In 2006, PTT's subsidiaries, namely PTT ICT Solutions Co., Ltd (PTTICT) and PTT Polymer Logistics Co., Ltd. (PTTPL), and PTT's joint venture, namely PTT Asahi Chemical Co., Ltd (PTTAC), have been included in PTT and its subsidiaries' consolidated financial statements.

PTT and its subsidiaries' consolidated financial performance comparison between Q4/2006 and Q4/2005 and between 2006 and 2005 are as follows

Unit: Million

	Q4/49	Q4/48	Difference	2549	2548	Difference	
Sales & services	280,562	244,330	36,232	14.8%	1,213,985	926,269	287,716 31.1%
: Oil 1/	210,691	208,331	2,360	1.1%	995,443	805,263	190,180 23.6%
: Gas 2/	62,981	54,013	8,968	16.6%	244,684	208,930	35,754 17.1%
: PTTEP	18,313	17,592	721	4.1%	76,419	59,373	17,046 28.7%
: Refinery							
3/	-	34,420	(34,420)	-	76,389	141,275	(64,886) (45.9%)
: Petro							
chemical 4/	21,670	8,859	12,811	144.6%	76,676	15,523	61,153 393.9%
: Others 5/	-	-	-	-	-	-	-
: Elimina-							
tion	(33,093)	(78,885)	45,792	58.0%	(255,625)	(304,095)	48,470 15.9%
EBITDA	30,376	27,197	3,179	11.7%	142,675	114,045	28,630 25.1%
: Oil 1/	(353)	1,782	(2,136)	119.8%	5,003	7,253	(2,250) (31.0%)
: Gas 2/	10,289	8,721	1,568	18.0%	44,806	42,110	2,696 6.4%
: PTTEP	14,462	14,413	50	0.3%	63,313	50,051	13,262 26.5%
: Refinery							
3/	-	372	(372)	-	6,469	13,205	(6,736) (51.0%)
: Petro							

chemical 4/ 6,035 1,420 4,615 325.0% 24,334 1,740 22,594 1,298.6%
: Others 5/ 54 (61) 116 188.9% (620) (376) (244) (65.0%)
: Elimina-
tion (111) 550 (662) 120.2% (630) 62 (692) (1,128.1%)

EBIT 24,166 22,234 1,932 8.7% 115,920 96,566 19,354 20.0%
: Oil 1/ (880) 1,245 (2,125) 170.7% 2,949 5,164 (2,215) (42.9%)
: Gas 2/ 8,866 7,576 1,290 17.0% 39,235 37,296 1,939 5.2%
: PTTEP 11,138 11,454 (317) (2.8%) 48,415 40,622 7,793 19.2%
: Refinery
3/ - (68) 68 - 5,728 11,868 (6,140) (51.7%)

: Petro
chemical 4/ 5,392 1,196 4,196 350.8% 21,642 1,313 20,329 1,548.1%
: Others 5/ 40 (66) 106 161.3% (668) (392) (276) (70.4%)
: Elimina-
tion (390) 896 (1,286) (143.4%) (1,381) 695 (2,076) (298.7%)

Net profit 15,559 17,149 (1,589) (-9.3%) 95,261 85,521 9,739 11.4%
EPS
(Baht/Share) 5.54 6.14 (0.59) (9.3%) 34.02 30.57 3.45 11.4%

Note : 1/ Included the consolidation of Oil Marketing Segment,
Oil 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).

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). Moreover, PTT Utility Co., Ltd. (PTTUT)
has been included since December 2005.

3/ Included the consolidation of RRC as PTT's subsidiary.

4/ Included PTT Polymer Marketing Co., Ltd. (PTTPM), PTT Chemical
Public Co., Ltd. (PTTCH), PTT Phenol Co., Ltd. (PPCL), Bangkok Polyethylene
Public CO., Ltd (BPE) and PTT Polyethylene Co., Ltd. (PTTPE). PTT Polymer
Logistics Co., Ltd. (PTTPL) has been included since September 2006 while
PTT Asahi Chemical Co., Ltd. (PTTAC) and HMC Polymers Co., Ltd. (HMC)
have also been proportionate consolidated since August 2006.

5/ Included the consolidation of Energy Complex Co., Ltd. (EnCo) and
PTT ICT Solutions Co., Ltd. (PTTICT)

* Oil Business Unit (Oil marketing and Oil Trading Activities)

Sales revenue in Q4/2006 increased by Baht 2,360 million or 1.1% due
to the increase in sales volume which increased by 1,459 million liters or
11.9% from 12,271 million liters or equivalent to 838,955 barrels per day
in Q4/2005 to 13,730 million liters or equivalent to 938,705 barrels per day

in Q4/2006, mainly from the increase in trading segment, especially from the crude, high-speed diesel, and aviation gasoline. Moreover the increase in sales was also resulted from the increase in sales prices in relation to the increase of global market prices.

EBITDA in Q4/2006 decreased from Baht 1,782 million in Q4/2005 to negative EBITDA of Baht 353 million in Q4/2006 due to the decrease in gross margin per unit of domestic sales. In addition, Selling and administrative expenses also increased by Baht 1,461 million or 42.54% due mainly to Baht 1,148 million of provision and expenses for excise taxes and for refunds from the Oil Stabilization Fund Receivable from 1997 to 2003 with a low possibility to obtain refunds, Baht 206 million provision for loss on lawsuits regarding a dispute over the construction of the Lam-Loog-Ka and the Saraburi Oil Terminals.

EBIT decreased from Baht 1,245 million in Q4/2005 to negative EBIT of Baht 880 million due mainly to the decrease in EBITDA while the depreciation and amortization also increased slightly.

For the year 2006, sales revenue increased by Baht 190,180 million or 23.6% due to both sales prices and sales volume. Sales volume increased by 3,919 million liters or 7.3% from 53,349 million liters or equivalent to 919,348 barrels per day in 2005 to 57,268 million liters or equivalent to 986,883 barrels per day in 2006, resulted from the increase in both domestic sales and trading segment, mainly from crude, condensate, aviation gasoline, gasohol, naphtha and high-speed diesel. Average sales price in 2006 also increased in relation to the increase of global oil prices.

EBITDA decreased by Baht 2,249 million from Baht 7,253 million in 2005 to Baht 5,003 million, or 31.0%, due primarily to the decrease in gross margin per unit of domestic sales while selling and administrative expenses increased by Baht 3,713 million or 35.5%.

EBIT decreased by Baht 2,215 million or 42.9% due to the decrease in EBITDA as mentioned while the depreciation and amortization increased slightly.

* Gas Business Unit

Revenue from gas business in Q4/2006 increased by Baht 8,968 million or 16.6% due to the following reasons:

- The average natural gas sales volume (included natural gasoline derived from Dew Point Control Units) increased by 135 million cubic feet per day (mmcf) or 4.6% from 2,940 mmcf in Q4/2005 to 3,075 mmcf in Q4/2006 (calculated at heat value 1,000 BTU per cubic feet) which resulted from the increase in gas demand from all customers except the Small Power Producers (SPPs) due to the planned shutdown for maintenance and the damage of equipments.

- The GSPs' products sales volume, consisting of liquefied petroleum gas (LPG), ethane, propane and natural gasoline (NGL), increased by 2.7% from 919,218 tons in Q4/2005 to 943,844 tons in Q4/2006 (excluded LPG purchased from petrochemical producers for resale in an amount of approximately 53,235 tons in Q4/2005 and 58,591 tons in Q4/2006). The increase in sales volume resulted from the increase in production of GSP Unit 5 (GSP5) which started its commercial operation in January 2005. In Q4/2006 the average utilization rate of GSP5 was 86% compared to Q4/2005 of 65%. Despite the shut down of the GSP Unit 2 in Q4/2006, the average utilization rate of the GSP Unit 1-5 in Q4/2006 increased from 88.60% in Q4/2005 to 91.73% in Q4/2006.

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

Unit : Tons

	Q4/2006	Q4/2005	Difference	2006	2005	Difference	
LPG	505,123	490,538	14,585	3.0%	1,968,666	1,933,108	35,558 1.8%
Ethane	253,119	240,389	12,730	5.3%	979,763	831,893	147,870 17.8%
Propane	63,340	59,930	3,410	5.7%	239,127	221,062	18,065 8.2%
NGL	122,262	128,361	(6,099)	(4.8%)	480,489	475,848	4,641 1.0%
Total	943,844	919,218	24,626	2.7%	3,668,045	3,461,911	206,134 6.0%

The average LPG price (Contract Price - CP) in Q4/2006 decreased by US\$ 54 per ton from US\$ 531 per ton in Q4/2005 to US\$ 477 per ton in Q4/2006 while average prices of ethylene, propylene, High Density Polyethylene (HDPE) and Polypropylene (PP) in the spot market of South-East Asia including Naphtha in the spot market of Singapore (Mean of Platt - Singapore (MOP's)) increased when compare to the same period of last year.

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

Unit : US\$/Ton

	Q4/2006	Q4/2005	Difference	2006	2005	Difference	
LPG 1/	477	531	-54	-10.3%	512	432	+80 +18.6%
Ethylene 2/	1,159	886	+273	+30.8%	1,157	920	+237 +25.7%
Propylene 2/	1,157	980	+177	+18.1%	1,127	948	+179 +18.9%
High Density Polyethylene 2/	1,274	1,087	+187	+17.2%	1,234	1,035	+199 +19.3%
Polypropylene 2/	1,275	1,097	+178	+16.3%	1,228	1,061	+167 +16.1%
Naphtha 3/	483	457	+26	+5.6%	515	424	+90 +21.2%

Note : 1/ Contract price (CP) : The government capped the ex-refinery LPG price for domestic sales at US\$ 315 per ton, derived from the CP of US\$ 331 per ton, effective from February 10, 2003 onward.

2/ South East Asia Spot Price

3/ MOP Singapore

EBITDA in Q4/2006 increased by Baht 1,568 million or 18.0% from Q4/2005 due to the increase in gas sales volume and GSPs' products sales. However, the raw materials cost increased from higher natural gas prices and volume.

EBIT in Q4/2006 increased by Baht 1,290 million or 17.0% from Q4/2005 due to the increase in EBITDA as mentioned while the depreciation and amortization also increased, mainly from the increase of depreciation from Trans Thai-Malaysia (TTM)'s gas pipeline.

Sales revenue in 2006 increased by Baht 35,754 million or 17.1% due to the followings :

- The increase in average natural gas sales volume (include natural gasoline derived from Dew Point Control Unit) by 88 mmcf/d or 2.9% from 2,996 mmcf/d to 3,084 mmcf/d (calculated at heat value 1,000 BTU per cubic feet) which resulted from the increase in gas demand from all customers except SPPs.
- The increase in GSPs' products sales volume from 3,461,911 tons in 2005 to 3,668,045 tons in 2006 or 6.0% (details as shown in the above table "details of all products sales from gas separation plants"). The increase in sales volume resulted from the increase in production of the GSP Unit 5 (GSP5). The average utilization rate of GSP5 in 2006 was 83% compared to 2005 of 63%. Although, in 2006, all GSPs except GSP 5 had scheduled shut down for maintenance; GSP Unit 1 in Q2/2006 for 16 days, GSP Unit 2 in Q4/2006 for 8 days, GSP Unit 3 in Q3/2006 for 18 days and GSP Unit 4 in Q2/2006 for 11 days. The average utilization rate of GSP Unit 1-5 in 2006 was 90.1%

The average LPG price (Contract Price - CP) in 2006 increased by US\$ 80 per ton from US\$ 432 per ton in 2005 to US\$ 512 per ton in 2006 while 2006 average prices of ethylene, propylene, HDPE and PP in the spot market of South-East Asia including Naphtha in the spot market of Singapore (MOP's) also increased when compared to 2005 due to the increase in oil price which resulted to the higher selling price of Ethane, Propane and NGL.

EBITDA in 2006 increased by Baht 2,696 million or 6.4% due to the increase in sales prices and sales volume of both natural gas and GSPs' products as mentioned. However, in Q1/2006 there was discount on the price of natural gas sold to EGAT in order to reduce the impact from the FT in an amount of Baht 1,323 million.

EBIT in 2006 increased by Baht 1,939 million or 5.2% due to the increase in EBITDA while the depreciation and amortization also increased, mainly from the depreciation of the TTM's gas pipeline.

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

In Q4/2006, PTTEP's net sales (including pipeline tariff) was Baht 18,313 million, increased by Baht 721 million or 4.1% from the same period of last

year, resulted from the higher average petroleum sales price from US\$ 31.59 per barrel of oil equivalent (BOE) in Q4/2005 to US\$ 35.92 per BOE in Q4/2006. However, sales volume decreased from 171,333 barrels of oil equivalent per day (BOED) in Q4/2005 to 165,465 BOED in Q4/2006, resulted mainly from the crude oil sales volume from the B8/32 & 9A and Nang Nuan projects and natural gas sales volume from Yetagun project.

EBITDA in Q4/2006 was Baht 14,462 million, increased from Q4/2005 by Baht 50 million or 0.3% due to the increase in sales prices. In addition, there was gain from divestment of Thai Oil Power Co., Ltd. amounting to Baht 507 million in Q4/2005.

EBIT in Q4/2006 was Baht 11,138 million, decreased by Baht 317 million or 2.8%. Depreciation and amortization (DD&A) increased by Baht 367 million from B8/32 & 9A and S1 projects due to the additional completed oil and gas properties.

In 2006, PTTEP's net sales was Baht 76,419 million, increased by Baht 17,046 million or 28.7% from the same period of last year, resulted from the higher average petroleum sales price from US\$ 29.37 per BOE in 2005 to US\$ 36.52 per BOE in 2006 or 24.3%. In addition, sales volume also increased from 153,531 barrels of oil equivalent per day (BOED) in 2005 to 169,348 BOED in 2006, due mainly to the crude oil sales from the B8/32 & 9A and S1 projects and the natural gas sales volume from Pailin, Bongkot and Yadana projects.

EBITDA for 2006 was 63,313 million, increased by Baht 13,262 million or 26.5% due to the increase in sales prices and sales volume as mentioned.

EBIT for 2006 was 48,415 million, increased by Baht 7,793 million or 19.2% due to the increase in EBITDA as mentioned despite the increase in DD&A of Baht 5,469 million from additional completed assets in the B8/32 & 9A, S1 and the amortization of the excess of the acquiring cost in Orange Energy Limited and B8/32 Partners Limited.

* Refining Subsidiary : Rayong Refinery Public Co., Ltd. (RRC)

In 2006, due to the transform of RRC from a subsidiary to an associate since June 5, 2006, sales from the refining subsidiary decreased by Baht 64,886 million from 2005 or 45.9%. EBITDA decreased by Baht 6,736 million or 51.0% from Baht 13,205 million in 2005 to Baht 6,469 million in 2006 and EBIT decreased by Baht 6,140 million or 51.7% from Baht 11,868 million to Baht 5,728 million.

* Petrochemical Subsidiaries which comprise of BPE, PTTPE, PPCL, PTTCH, PTTPL, PTTAC, HMC and PTTPL

In Q4/2006, petrochemical subsidiaries' sales increased from Q4/2005 by Baht 12,811 million or 144.6% due mainly to the consolidation of PTTCH as its status changed from an associate to a subsidiary since December 2005 and the proportionate consolidation of HMC from share purchase since August 2006.

EBITDA increased from Baht 1,420 million in Q4/2005 to Baht 6,035 million in Q4/2006 while EBIT increased from Baht 1,196 million in Q4/2005 to Baht 5,392 million in Q4/2006, due primarily to the consolidation of PTTCH and HMC as mentioned.

In 2006, sales from petrochemical subsidiaries increased from Baht 15,523 million in 2005 to Baht 76,676 million in 2006. EBITDA increased from Baht 1,740 million in 2005 to Baht 24,334 million while EBIT increased from Baht 1,313 million in 2005 to Baht 21,642 million, due mainly to the consolidation of PTTCH and HMC as mentioned.

* Net Income : Net income in Q4/2006 decreased from Q4/2005 by Baht 1,589 million or 9.3% and Net income in 2006 increase from 2005 by Baht 9,739 million or 11.4%

Net income of PTT and its subsidiaries in Q4/2006 was 15,559 million or Baht 5.54 per share, decreased from Q4/2005 by Baht 1,589 million or 9.3% due to the performance of each business as mentioned, including the following reasons ;

: Share of net income from investments under equity method in Q4/2006 decreased by Baht 3,259 million or 70.4% from Baht 4,628 million in Q4/2005 to Baht 1,368 million in Q4/2006 due to the changing of PTTCH status from PTT's associate to PTT's subsidiary including;

- In Q4/2006, refining associates reported lower performance due to the lower GRM when compared to the same period of last year.

- In Q4/2006, petrochemical associates reported lower performance due to IRPC's net loss from 30 day scheduled plant shut down while there was no IRPC's performance recognition in Q4/2005.

The Aromatics associate's performance improved by 19% as a result of an additional capacity of Condensate Splitter from 50,000 barrel per day (KBD) to 55,000 KBD and the increase of Paraxylene production from the change of Adsorbent and Roter Plate in Parex Unit in Q3/2006 and causing higher Paraxylene sales volume. Moreover, the aromatics products sales prices also increased which resulted to the higher product to feed margin from US\$ 113 per ton in Q4/2005 to US\$ 159 per ton in Q4/2006 or increased by 41%.

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

Unit : Million Baht

	Q4/2006	Q4/2005	Change	%	2006	2005	Change	%
Refining								
associates	1,164	2,892	-1,728	-60%	13,712	13,376	336	3%
Petrochemical								
associates	18	1,555	-1,537	-99%	4,649	7,794	-3,145	-40%
Oil								
associates	9	-13	22	-168%	18	16	2	13%
Gas								
associates	127	67	60	90%	359	157	202	129%
Other								
associates	50	127	-77	-61%	401	308	93	30%
Total	1,368	4,628	-3,260	-70%	19,139	21,651	-2,512	-12%

: There was gain on foreign exchange in an amount of Baht 1,854 million in Q4/2006 and Baht 363 million in Q4/2005.

: Interest expenses of PTT and its subsidiaries in Q4/2006 increased by Baht 739 million when compared to the same period of last year or increased by 0.9%.

: Income taxes in Q4/2006 increased by Baht 1,764 million or 25.4% when compared to the same period of last year.

Net income of PTT and its subsidiaries in 2006 was Baht 95,261 million or Baht 34.02 per share, increased from 2005 by Baht 9,739 million or 11.4%, due to the increase in sales prices and sales volume from gas and oil products, including other reasons as follows;

: In 2006 there was gain on disposal of investment from RRC's IPO in an amount of Baht 6,682 million (after tax) while there was gain from debt restructuring of RRC in an amount of Baht 5,417 million in 2005.

: Share of net income from investments under equity method in 2006 decreased by Baht 2,512 million from 2005 (including Baht 3,827 million share of gain on foreign exchange in 2006 while Baht 1,074 million share of loss on foreign exchange) in 2005 due mainly to the followings:

- Slightly increase in share of net income from refining associates in 2006 due to the changing of RRC status from PTT's subsidiary to PTT's associate, despite the lower performance of refining associates due to the lower GRM when compared to 2005 and scheduled plant shut down of TOP. GRM of PTT's complex refineries (included inventory gain/loss) decreased from approximate US\$ 7.59/bbl in 2005 to US\$ 5.93/bbl in 2006.

- Decrease in share of net income from petrochemical associates when compared to 2006 due mainly to the changing of status of PTTCH from PTT's associate to PTT's subsidiary despite the recognition of an investment in IRPC under the equity method and better performance of ATC.

: There was Baht 9,925 million gain on foreign exchange in 2006 while Baht 0.68 million gain on foreign exchange in 2005.

: PTT and its subsidiaries' interest expenses in 2006 increased by Baht 2,194 million when compared to 2005 or 24.9% as a result of PTT's loan withdrawal and issuance of unsecured and un-subordinated debentures as follows;

- April 2006 Yen 23,000 million loan
- May 2006 Baht 4,000 million unsecured and un-subordinated debentures 1/2006
- October 2006 Baht 12,000 million unsecured and un-subordinated debentures 2/2006
- November 2006 US\$ 300 million loan

: Income taxes in 2006 increased by Baht 10,317 million or 40.4% when compared to the same period of last year, which resulted from the better performance.

2. The Analysis of PTT and its subsidiaries' consolidated Financial Status at the end of the year 2006 compared to the end of the year 2005

During 2006, there were changes in PTT's subsidiaries' status, therefore, balance sheets of PTT and its subsidiaries for the year ended December 31, 2006 included PTTEP, PTTCL, SBECL, RBA, PTTT, PTT NGD, PTTLNG, PPCL, PTTCH, PTTTPM, PTTUT, Enco, PTTICT, PTTPL, TTM(T), TTM(M), DCAP, PTTAC and HMC.

Financial status of PTT and its subsidiaries at the end of 2006 compared to the end of the year 2005 is as follows :

Assets

The total assets as of December 31, 2006 were Baht 751,453 million, increased by Baht 104,647 million from 2005 or 15.6%.

Current assets increased by Baht 31,416 million due primarily to the increase in cash and cash equivalents of Baht 13,365 million, due mainly from PTTCH capital increase, Trade accounts receivable of Baht 26,567 million and Materials and supplies of Baht 2,020 million despite the decrease in Inventories of Baht 8,384 million and Other accounts receivable of Baht 3,701 million.

Non-current assets increased by Baht 70,231 million, resulted mainly from the increase in investment accounted for under the equity method by Baht 33,656 million, due mainly to the change of RRC's status from PTT's subsidiary to an associate, BCP's status from another related company to an associate and the recognition of an investment in IRPC under equity method and the increase in Property, plant and equipment of Baht 31,754 million due mainly to PTT's third pipeline project, PTTEP's oil and gas properties from investment such as Arthit, Oman44, S1, Pailin projects and PTTCH's debot I4-1 project. In addition, there was an increase in intangible assets of Baht 11,068 million

from share purchase of HMC and new share purchase of PTTCH.

Other long-term investments also increased by Baht 1,040 million due to HMC's investment in Rayong Olefins Co., Ltd, Investment in debt securities and Investment in Mutual Funds while Advance payment for gas purchased decreased by Baht 3,148 million and Other non-current assets by Baht 3,306 million.

Liabilities

Total liabilities as of December 31, 2006 were Baht 397,131 million, increased by Baht 25,757 million or 6.9%. Current liabilities increased by Baht 19,565 million due primarily to the increase in trade accounts payable by Baht 16,674 million due partly to trade accounts payable, namely RRC, and the increase in accrued expenses of Baht 3,815 million despite the decrease in Bank overdrafts and short-term loans from financial institutions of bath 1,812 million.

Non-current liabilities increased by Baht 6,193 million. The increase was due mainly to PTTEP's Provision for decommissioning costs of Baht 3,693 million, Deferred tax liabilities of Baht 1,154 million and Other non-current liabilities of Baht 628 million. In 2006, PTT and its subsidiaries had proceeds from long term loan and cash received from the issue of debentures in a total amount of Baht 52,749 million which included PTT's borrowing from a financial institution in an amount of Yen 23,000 million (PTT has also entered into a Participating SWAP (P-SWAP) to convert the Yen principal into US\$ principal, amounting US\$ 196.94 million), issuing of un-subordinated and unsecured debentures in a total amount of Baht 16,000 million and club loan borrowing of US\$ 300 million. During 2006, PTT and its subsidiaries had made repayment of long term loan, debentures and government bonds in a total amount of Baht 27,451 million.

The maturity of long-term loans, debentures and government bonds as of December 31 2006 are as follows :

Unit : Million Baht

Maturity

(from Dec. 31, 2006) PTT PTTEP. DCAP PTTNGD PTTUT TTM(T)

Within 1 year

(Dec. 31, 2007) 11,391.85 7,002.59 - 32.00 - -

Between 1 to 2 years 8,405.21 - 73.50 - - -

Between 2 to 5 years 51,444.78 - 220.50 - 679.43 2,083.27

Beyond 5 years 104,829.78 2,203.82 476.00 - 1,747.14 6,793.28

Total 176,071.62 9,206.41 770.00 32.00 2,426.57 8,876.55

Maturity

(from Dec. 31, 2006)	TTM(M)	PPCL	HMC	PTTCH	Total
Within 1 year					
(Dec. 31, 2007)	-	-	37.30	2,939.43	21,403.17
Between 1 to 2 years	-	-	37.30	1,809.16	10,325.17
Between 2 to 5 years	120.56	971.88	652.72	2,436.36	58,609.50
Beyond 5 years	466.03	-	-	12,314.02	128,830.07
Total	586.59	971.88	727.32	19,498.97	219,167.91

The long-term debt outstanding (including long-term loans and bonds due within 1 year and later than 1 year) as of December 31, 2006 consisted of local and foreign debt, details of which are as follows :

Unit : Million Baht

Long-term debt outstanding	PTT	PTTEP	DCAP	PTTNGD	PTTUT	TTM(T)
Local Debt	125,518.00	-	770.00	32.00	2,426.57	-
Foreign Debt	50,553.62	9,206.41	-	-	-	8,876.55
Total	176,071.62	9,206.41	770.00	32.00	2,426.57	8,876.55
Ratio of long-term foreign debt to total long-term debt (%)	28.71	100.00	-	-	-	100.00

Long-term debt outstanding	TTM(M)	PPCL	HMC	PTTCH	Total
Local Debt	-	971.88	727.32	7,716.62	138,162.39
Foreign Debt	568.59	-	-	11,782.35	81,005.52
Total	586.59	971.88	727.32	19,498.97	219,167.91
Ratio of long-term foreign debt to total long-term debt (%)	100.00	-	-	60.43	36.96

As of December 31, 2006, PTT's loans and bonds amounting to Baht 46,742 million is guaranteed by the Ministry of Finance.

Shareholders' Equity

Total shareholders' equity as of December 31, 2006 were Baht 354,322 million, increased from the end of 2005 by Baht 75,889 million or 27.3%. The increase was due mainly to the unappropriated retained earnings of Baht 55,309 million, resulted from PTT and its subsidiaries' net profit of Baht 95,261 million adjusted with dividend payment to the shareholders in an amount of Baht 39,898 million and the rest are legal reserve and reserve for self-insurance fund.

In 2006 there was share capital increase from the exercise of warrants under Employee Stock Option Program (ESOP) in August and November causing an increase in issued and paid-up share capital in an amount of Baht 76.8 million (7,679,900 shares) and premium on ordinary shares of Baht 1,329 million

The increase in shareholder's equity also included an increase in Minority interests in an amount of Baht 18,874 million due mainly to the better performance as mentioned, an increase in Surplus on dilution of investments in subsidiaries and associates in an amount of Baht 808 million.

Liquidity

In 2006, net increase in cash and cash equivalents of PTT and its subsidiaries was Baht 13,365 million, while cash and cash equivalents at the beginning of the period was Baht 73,441 million, which resulted that cash and cash equivalents at the end of the period was Baht 86,806 million, details of activities are as follows :

	Amount (Million Baht)
Net cash provided by operating activities	104,471
Net cash used in investing activities	(77,338)
Net cash used in financing activities	(13,186)
Effects of exchange rates on cash and cash equivalents	(668)
Currency translation differences	87
Net increase in cash and cash equivalents in 2006	13,365
Cash and cash equivalents at beginning of periods	73,441
Cash and cash equivalents at end of periods	86,806

Net cash flow from operating activities of Baht 104,471 million was derived from net income of Baht 95,261 million and adjusted with non cash items which resulted to the increase in cash flow, mainly from depreciation, depletion and amortization in an amount of Baht 26,755 million, income of minority interests of Baht 18,652 million, amortization of exploration costs of Baht 1,702 million and deferred income taxes of Baht 1,861 million. The decrease in cash flow is mainly from share of net income from investments under equity method in an amount of Baht 19,139 million, gain on disposal of investments in an amount of Baht 7,130 million, gain on foreign exchange in an amount of Baht 9,549 million and the increase in working capital in an amount of Baht 5,170 million, mainly from the increase in trade accounts receivable, materials and supplies, other non-current assets, trade accounts payable, other accounts payable, income tax payable and accrued expenses while the advance payment for gas purchased decreased.

Net cash used in investing activities was Baht 77,338 million, resulted mainly from the investment activities in property, plant and equipment of Baht 88,134 million, payment for investment in joint ventures, namely PTTAC and HMC, in an amount of Baht 6,186 million, payment for investment in associates, mainly BCP, in an amount of Baht 3,982 million, payment for intangible assets in an amount of Baht 1,056 million while

there was cash received from disposal of long-term investments, mainly from the divestment of RRC, in an amount of Baht 13,756 million, cash received from repayment of short-term loans to related parties in an amount of Baht 3,487 million and dividend received of Baht 7,168 million.

Net cash used in financing activities was Baht 13,186 million, resulted mainly from the issuance of PTT and PTTCH's ordinary shares and premium on share capital in the total amount of Baht 11,317 million, proceeds from long term loans in an amount of Baht 36,749 million, cash received from the issue of bonds (debentures) in an amount of Baht 16,000 million. While there was repayment of long-term loans and notes payable, redemption of debentures and government bonds in the total amount of Baht 28,451 million and dividend paid in an amount of Baht 48,684 million.

Financial ratios and earnings per share of PTT and its subsidiaries for the year 2006 and 2005 calculated according to the Office of the Securities and Exchange Commission's formulae are as follows:

		Consolidated	
Financial Ratios and earnings per share	Unit	2006	2005
Liquidity Ratios			
Current Ratio	Time	1.51	1.50
Quick Ratio	Time	1.22	1.10
Accounts Receivable			
Turnover	Time	11.53	12.15
Average Collection Period	Day	31.22	29.63
Inventory Turnover	Time	55.53	46.82
Average Sales Period	Day	6.48	7.69
Accounts Payable Turnover	Time	14.02	15.52
Days Payable	Day	25.67	23.19
Cash Cycle	Day	12.03	14.12
Profitability Ratios			
Gross Profit Margin	%	11.68	12.43
Net Profit Margin	%	7.57	8.93
Return on Equity	%	30.11	36.91
Productivity Ratios			
Return on Total Assets	%	13.60	15.04
Return on Fixed Assets	%	37.98	41.57
Assets Turnover	Time	1.77	1.65
Financial Ratios			
Total Debt to Equity Ratio	Time	1.12	1.33
Interest Coverage Ratio	Time	13.75	14.10
Dividend Payout Ratio	%	30.92	30.26
Earnings per share (EPS)			
EPS	Baht/share	34.02	30.57

Adoption of newly Issued Accounting Standards

The Federation of Accounting professions issued Notification No. 26/2006 regarding the Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1) under which the investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. In this regard, PTT has elected to adopt the change starting from January 1, 2007. Had PTT adopted the change in 2006, its investments accounted for under the equity method would have decreased by Baht 95,769 million in Balance Sheets, allowance for share of net loss over investments would have decreased by Baht 23 million. Net income for the year ended December 31, 2006 would have decreased by Baht 30,707 million to Baht 64,554 million. In addition the shareholder's equity in the Balance sheets as of December 31, 2006 would have decreased by Baht 95,746 million to Baht 192,086 million.

The progress of a complaint regarding the corporatization process of PTT filed with the Supreme Administrative Court of Thailand

On August 31, 2006, the Foundation for Consumers and a group of 5 people (the Claimants) filed a complaint to the Supreme Administrative Court, naming the Cabinet, the Prime Minister and the Minister of Energy as respondents (the "Respondents"), seeking the court to order to revoke the Royal Decree Determining Powers, Rights and Benefits of PTT Public Company Limited B.E. 2544 (A.D. 2001) and the Royal Decree Petroleum Authority of Thailand B.E. 2544 (A.D. 2001). The two Royal Decrees were issued in relation to the corporatization of the Petroleum Authority of Thailand to PTT Public Company Limited under the Corporatization Act B.E. 2542 (A.D. 1999). On September 4, 2006, the Supreme Administrative Court issued an order to accept this complaint. The Respondents made a statement to the court and the Claimants prepared a dispute over the Respondents' statement and submitted it to the court in accordance with procedures of the Administrative Court. On January 22, 2007, the Respondents prepared and submitted an additional statement to the court.

However, PTT filed a petition to act as a litigant in the lawsuit. On November 28, 2006, the Supreme Administrative Court issued an order to permit PTT to act as a litigant. The lawsuit is currently under the consideration of the Supreme Administrative Court.

3. Economic Outlook in 2007

The global economic growth tends to slow down in relation to the decelerating demand, especially in the United States, economic of which tends to slow down from the sluggish in real estates sector according to the intensive monetary policy in the previous period. As a result, US Federal Reserve and many other countries introduced measure to control inflation and economic expansion. Many analysts opined that the interest rate in the US will remain high and will decrease

within 2007 to stabilize the economic expansion level. Meanwhile, interest rate in European countries and Japan tends to increase by 0.25-0.50% to prevent the higher inflation. Asian economy continues to grow despite the impacts from lower export due to the slow down of economic growth of the trading countries. IMF forecasted that 2007 economy will grow at the rate of 4.9%.

In 2007, Dubai crude oil price will maintain at high level despite the slightly decline of 5 - 10% with the expected average of US\$ 50 - 55 per barrel. Oil price situation is expected to remain fluctuate as the past 3 years. It is expected that the non-OPEC will increase its production at approximate 1.0 - 1.8 million barrel per day, in line with the increase in global demand which is expected to grow at 1.2 - 1.5 million barrel per day, 50-60% of which is from Asia. However, the unsolved political problem in the oil production countries and the Middle East will lead to the uncertainty and concern in the oil market, resulted to the fluctuation of refined oil product prices and GRM with the expectation of downward trend in relation to the crude oil price. Petrochemical products prices will remain high due to the incremental demand over additional capacity as a result of the delay of the completion of new projects construction, especially in the Middle East, from the year 2007 to 2008 - 2010 which will lead to the down cycle by that time.

Thailand economic outlook for the year 2007, the acceleration of government spending budget and the continuing of the country's mega projects will lead to the confidence of the investors. The lower interest rate resulting to domestic investments will also be the major factors to drive the economy, together with the export, which tends to decrease in relation to the global economy deceleration and the appreciation of Thai baht. The Office of the National Economics and Social Development Board forecasted that Thai Economy will grow at the rate of 4.5%, with inflation rate of 3.0-3.5%. The consumption of refined oil products is expected to grow at the lower rate by 1-2% after the completion of the third natural gas pipeline which will support the usage of natural gas to produce electricity in stead of fuel oil at the volume of 14,000 barrel per day. As a result, consumption of natural gas is expected to grow by 8%. For petrochemical products, demand is forecasted to expand at the level of 1.2-1.5 times to the country economic growth.

PTT Public Co., Ltd.