

▶▶ Moving forward to.... HPD

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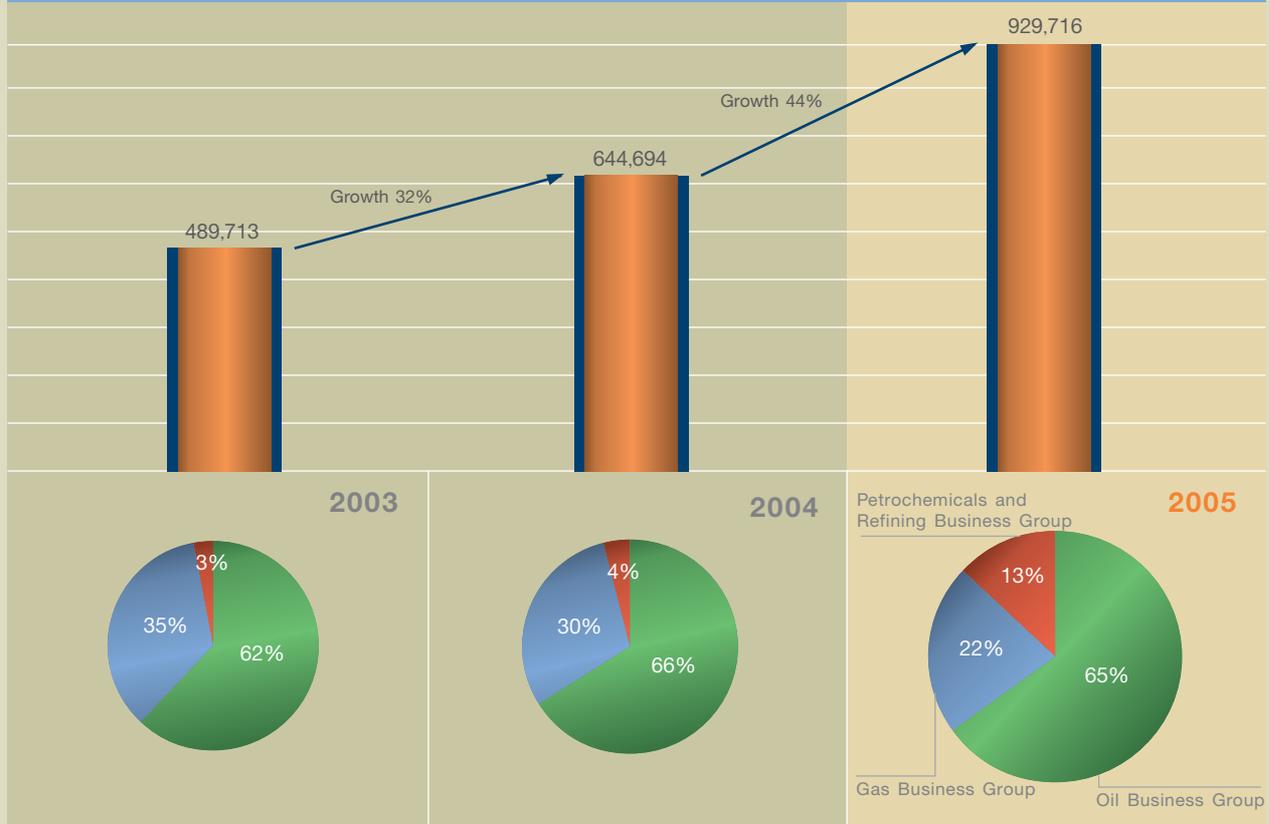
Financial Highlights

| Financial Ratio | 2003 | 2004 | 2005 |
|--|---------|---------|---------|
| Total Assets (million baht) | 324,331 | 487,226 | 649,807 |
| Total Liabilities (million baht) | 195,389 | 302,311 | 371,374 |
| Total Shareholder's Equity (million baht) | 128,942 | 184,915 | 278,433 |
| Sales Revenues (million baht) | 489,713 | 644,694 | 929,716 |
| Net Income (million baht) | 37,580 | 62,666 | 85,521 |
| Net Profit on Revenues (%) | 7.42 | 9.21 | 8.90 |
| Return to Shareholders (%) | 33.29 | 39.93 | 36.91 |
| Return to Total Assets (%) | 12.06 | 15.44 | 15.04 |
| Debt to Equity Ratio (time) | 1.52 | 1.63 | 1.33 |
| Interest Coverage Ratio (time) | 9.34 | 10.09 | 14.10 |
| Net Income Per Share (baht) | 13.43 | 22.40 | 30.57 |
| Book Value Per Share (baht) | 40.15 | 58.76 | 82.52 |
| Dividend Per Share (baht) | 4.00 | 6.75 | 9.25* |
| Share Price As of Ending Financial Period (baht) | 185.00 | 173.00 | 226.00 |

* The rate agreed by PTT Board of Directors on 23 February 2006 and will be proposed to the shareholders at the General Shareholders Meeting for approval on 11 April 2006

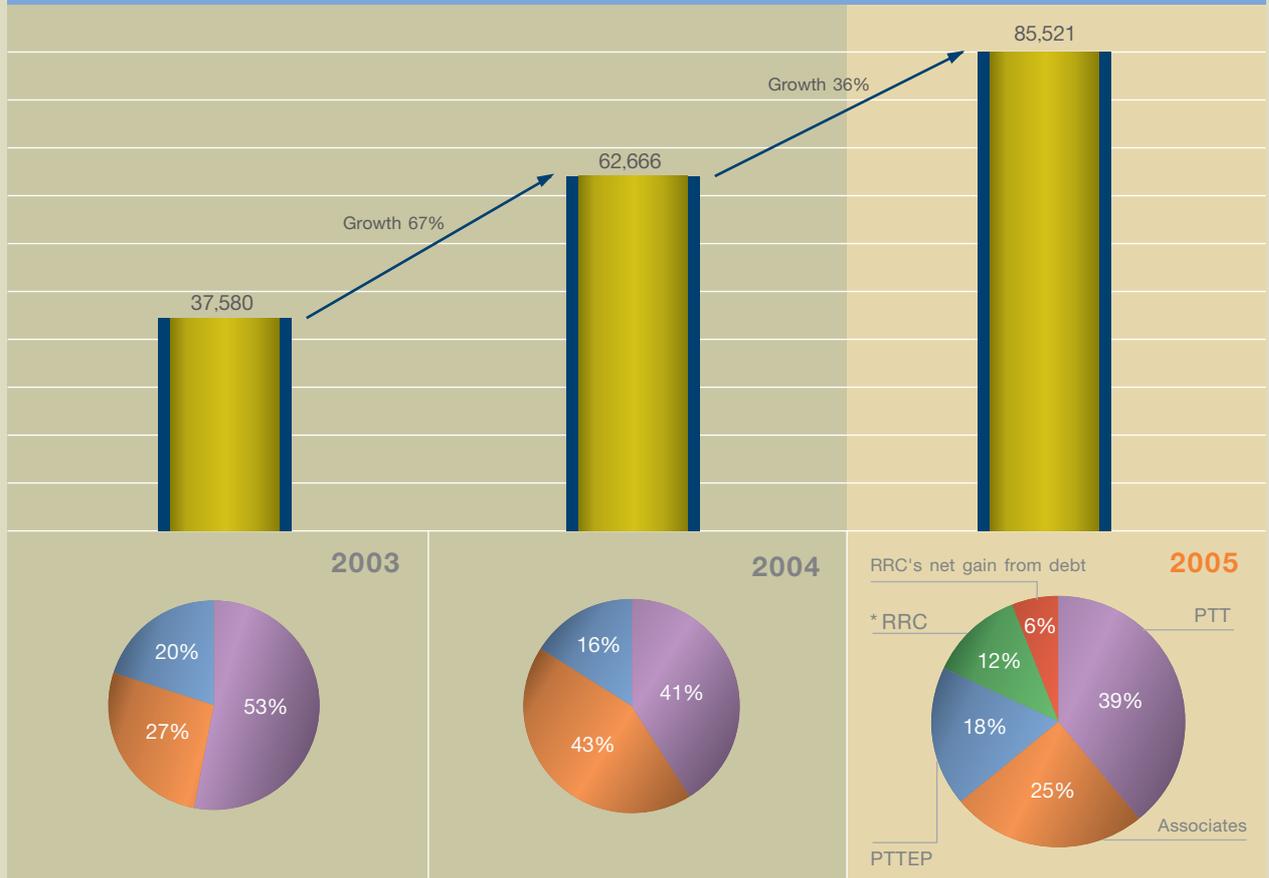
Sales Revenues

Unit : Million



Net Income

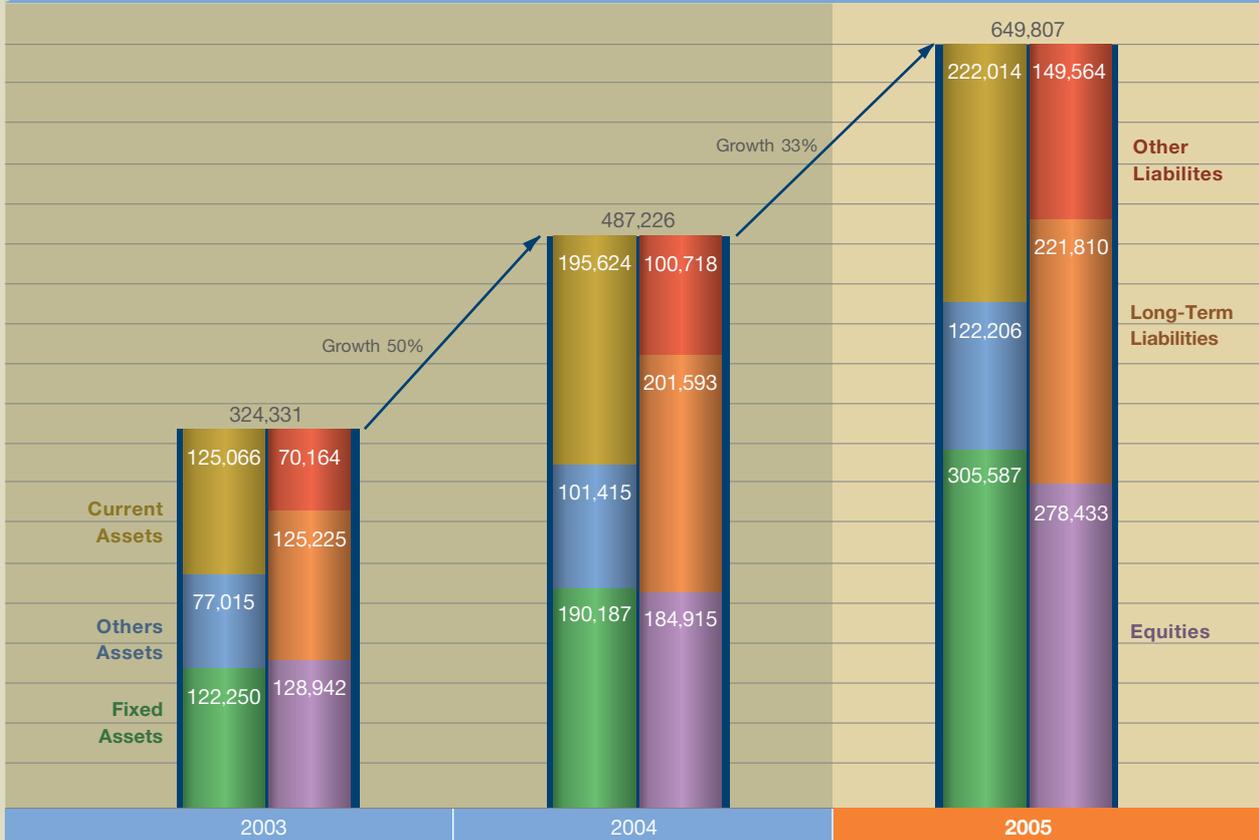
Unit : Million



* RRC - Rayong Refinery Co., Ltd.

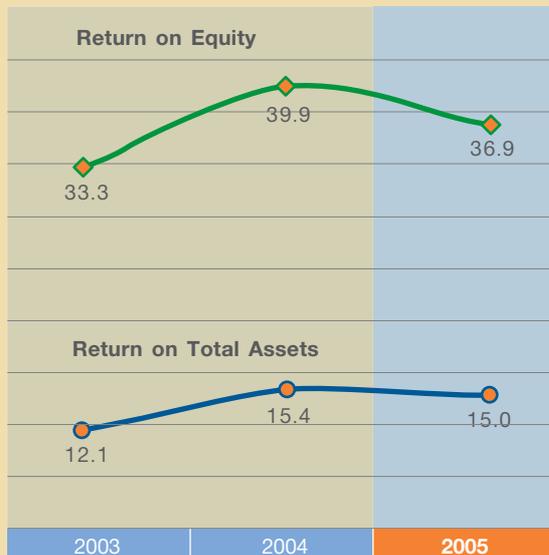
Balance Sheets

Unit : Million

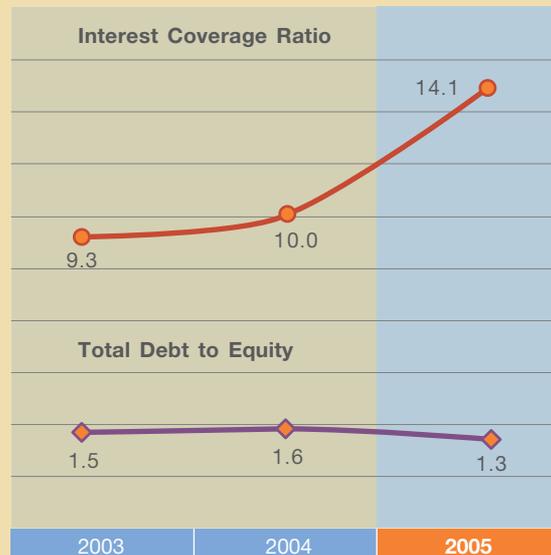


Financial Ratio

Unit : %



Unit : times



PTT INFORMATION

Name : PTT Public Company Limited

Initial : PTT

Registered Number : 0107544000108

Type of Business : Engage in integrated gas and petroleum business, other supports activities including with a dominant position in oil and investment in related business.

Number of Employees : (As of December 31, 2005) **Employees of PTT, its Subsidiaries and Joint-Ventures numbered** : 7,843

- PTT Plc : 3,156
- PTT Exploration and Production Plc. (PTTEP) : 1,022
- PTT Natural Gas Distribution Co., Ltd. (PTT NGD) : 52
- PTT LNG Co., Ltd. : 6
- PTT Utility : 26
- Subic Bay Co., Ltd., : 83
- PTT International Trading Pte. Ltd. (PTTT) : 5
- PTT (Cambodia) Co., Ltd. (PTTCL) : 54
- Retail Business Alliance Co., Ltd. (RBA) : 644
- Bangkok Polyethylene Public Co., Ltd. (BPE) : 218
- PTT Polyethylene Co., Ltd. (PTTPE) : 1
- PTT Chemical Public Co., Ltd. (PTTCH) : 1,722
- PTT Polymer Marketing Co., Ltd. (PTTPM) : 81
- PTT Phenol Co., Ltd. (PPCL) : 16
- Rayong Refinery Co., Ltd. (RRC) : 620
- Energy Complex Co., Ltd. (ENCO) : 15
- Trans Thai-Malaysia (Thailand) Ltd. (TTM-(T)) : 102
- Trans Thai-Malaysia (Malaysia) Ltd. (TTM-(M)) : 12
- Distric Cooling System and Power Plant Co., Ltd. (DCAP) : 9

Location : 555 Vibhavadi-Rangsit Road, Chatuchak, Bangkok 10900, Thailand

Telephone : 0-2537-2000

Telefax : 0-2537-3498-9

Website : <http://www.pttplc.com>

Registered Capital : Baht 28,500 million, including 2,850 million common shares, Baht 10 per share (as of December 31, 2004)

Paid - up Capital : Baht 27,972,457,250 including 2,797,245,725 common shares, Baht 10 per share (as of December 31, 2004)

References

Share Registra : Thailand Securities Depository Company Limited, 4th, 6th-7th floor, SET Building, 62 Ratchadapisek Road, Klongtoey, Bangkok 10500

Telephone : 0-2359-1200-1

Telefax : 0-2359-1259

Auditor : Office of the Auditor General Rama VI Road, Phayathai, Bangkok 10400, Thailand

Telephone : 0-2618-5803

Telefax : 0-2618-5807

▶ Message from the Board of Directors



The steadily expanding global economy of 2005 caused the demand for oil to approach global output capacity and pushed world oil prices to all-time highs. This has prompted a search for alternative energy in various forms. Affected by various economic factors such as surging oil prices, natural disasters, or the ongoing unrest in the deep South; the Thai economy registered a moderate GDP (gross domestic product) growth of 4.7%.

For PTT, 2005 proved to be an excellent year thanks to successful debt restructuring and management revamping of the PTT Group over the past few years. To illustrate, our natural gas business is now equipped with higher processing capacities. Our affiliated petrochemical companies and refineries, some of which have faced financial difficulties in the past, are now in a profitable mode. The year therefore saw total sales revenue for the PTT Group reach 929,716 million baht, a rise of 44% over the previous year, with net profit of 80,104 million baht, a rise of 28%.

Certainly, the event of the year for the Gas Business Group was the inauguration of Gas Separation Plant Unit 5, the largest in Thailand. This has enabled us to sell more products while lowering the production costs of intermediate and downstream industries. At the same time, we have promoted an unconventional application of natural gas to produce power and chilled water for commercial buildings and also promoted NGV (Natural Gas for Vehicles) in the transport sector. Our exploration and production arm, PTTEP, experienced success both here and abroad with a 13% rise in revenue and a 6% rise in petroleum reserves.

In our oil business, we have secured 24% more sales as a result of international trading in petroleum and petrochemicals while remaining the top domestic oil trader for the 13th consecutive year. Committed to finding and developing alternative energy products to reduce the national burden of long term oil imports, we have expanded our gasohol sales outlets to over 1,000. We have also consolidated our leadership in biodiesel distribution by collaborating within the PTT Group in the production of methyl ester from agricultural produce for eventual blending with regular diesel fuel. This high-quality blend will be commercially available by 2007.

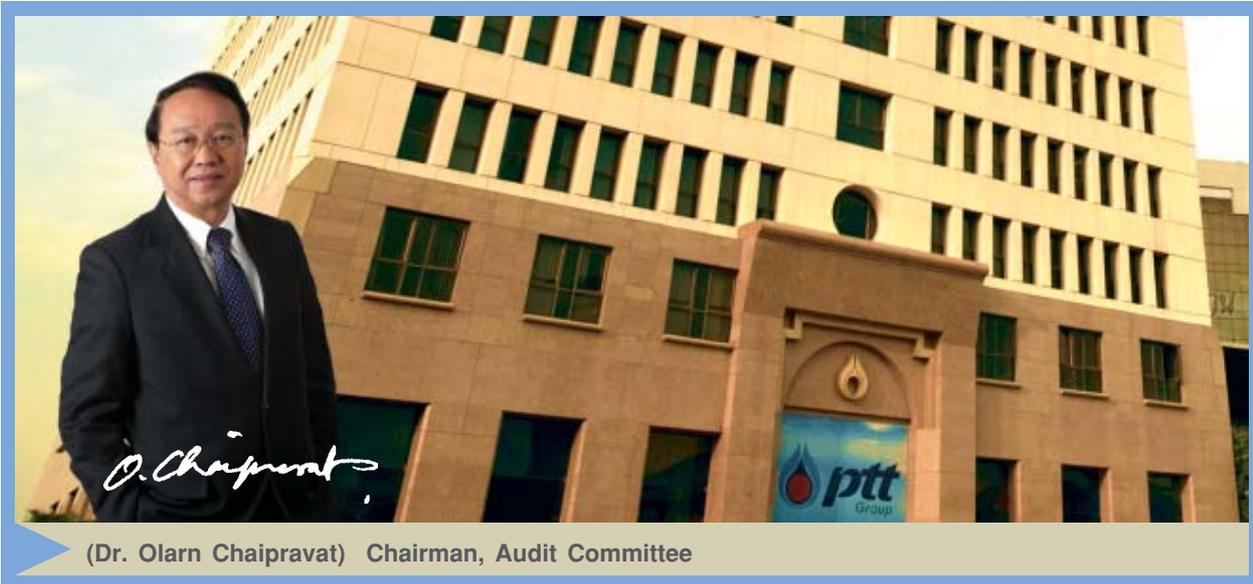
A significant event this year was the merger of National Petrochemical Plc (NPC) and Thai Olefins (TOC) resulting in the creation of PTT Chemical Public Company Limited (PTTCH) which will now serve as our core company on the gas-based petrochemical side of this industry. In addition, Rayong Refinery became a public company after its successful debt restructuring and will now be able to mobilize funds on the Stock Exchange of Thailand (SET).

A critical element in our present-day management is group management with complete connectivity across the PTT Group, leading to lower costs and higher added value. Our projects complement each other in developing our potential in international trade, transportation, purchasing, information systemization, knowledge management, information technology systems, and group governance. Apart from transparent management, the Company must generate suitable returns for all stakeholders, including shareholders, employees, and the society at large. We have implemented long-term personnel development by introducing a career management system that fully utilizes our people while coordinating the needs of our various companies in the next five years. During these five years, over 200 trillion baht will be invested in large projects such as offshore and onshore gas pipeline transmission networks, an ethane gas separation plant, Gas Separation Plant Unit 6, and the intermediate petrochemical company—PTT Phenol Company Limited (PPCL). All these will bring about national energy security and add tremendous business value over the long term.

Our commitment to being a High Performance Organization (HPO) with good corporate governance has endowed PTT with considerable business potential that has been recognized worldwide and made evident in the variety of acclaims recently garnered from nine international entities (26 awards) and eight domestic entities (10 awards). These acclaims include Board of the Year, CEO of the Year, Best Corporate Governance, Most Committed Company to Social and/or Environmental Issues, and Best Asian Company. In addition, the Company has focused on social, community, and environmental stewardship in countless forms. In celebration of Her Royal Highness Princess Maha Chakri Sirindhorn's 50th birthday, coinciding with the 20th anniversary of our dedication of the Herbal Garden in Rayong to Her Royal Highness, the Company launched a major improvement program of the garden and erected a building in Her Royal Highness's honor – serving not only as a complete learning center on herbs, but also as a community green zone and a future tourist attraction of the province.

The confidence and support of so many parties has been an enormous boon to us at PTT. We would therefore like to express our hearty thanks to our shareholders, customers, partner companies, suppliers, employees, financial institutions, public and private entities, the mass media, and the public. We pledge to continue being a transparent High Performance Organization that maximizes sustainable benefits for our stakeholders.

Report of the Audit Committee



(Dr. Olarn Chaipravat) Chairman, Audit Committee

Appointed by the Board of Directors of PTT Plc (“The Board”), the Audit Committee (“the Committee”) comprising four experts in law, finance, and organizational management had Dr. Olarn Chaipravat serve as Chairman, with Mr. Prapun Naigowit, Dr. Phadhadej Dhamcharee, and Dr. Suchart Trada-Thamrongvech as members. During the year 2005, the committee, held 12 meetings with the management and various units of PTT, including two with senior management; which requested senior management members of important departments to present their risk management outcome and obstacles as well as meeting with the Office of the Auditor General of Thailand (the Company’s auditor in 2005) to review the Company’s financial statements; and reviewed audit plans and audit autonomy.

The Committee performed its duties assigned by the Board and in compliance with PTT regulations governing the rules and guidelines of the Committee, which in turn corresponded to the terms of reference of the Stock Exchange of Thailand (SET). These duties included a review of PTT’s practices concerning corporate governance, financial statements, risk management, and internal control assessment, as well as directing the Company’s internal audit. These are summarized below:

Review of Corporate Governance: The Committee ensured information in line with the rules and regulations of the Securities Exchange Commission (SEC) and SET, as well as laws related to the Company’s business. For example, it reviewed connected transactions among the Gas Business Group, Oil Business Group, Petrochemicals and Refining Business Group, and Head Office engaging in businesses with subsidiaries and associated companies.

Review of Quarterly and Annual Financial Statements: The Committee reviewed the Company’s quarterly and annual financial statements, including consolidated financial statements, to ensure compliance with accounting standards defined by the Accounting Act of 2000, together with SEC and SET regulations. It also reviewed the accuracy and credibility of PTT’s accounting system and financial statements, along with the adequated and timely disclosure of information contained in financial statements. The aim was to assist investors or users of such statements in making good investment decisions. The presence of the Company’s auditor was requested every time the Committee reviewed quarterly and annual financial statements in an effort to provide it with information on the accuracy of the financial statements, the sufficiency of information disclosure, and adjustments of accounting item that significantly affected financial statements.

Review of Risk Management Practices: In overseeing the risk management practices of PTT and PTT Group of companies, the Committee reviewed risk management plan of year 2005 and its quarter to ensure acceptable risk levels. It also recommended ways to manage significant types of risk, such as tightening safety measures for the gas transmission system and gas separation plant in Songkhla. To this end, the Company has prepared preventive measures and emergency preparedness plans.

Review of Internal Control Assessment: In the Committee's view, PTT's internal control was sufficient for business operations and its procedure fulfilled Company objectives for effective and efficient resource utilization. These objectives included the care of properties; prevention or minimization of errors, damage, spillage, wastage, and corruption; credibility of financial and operation reports; compliance with laws, by-laws, regulations, and Cabinet resolutions. It was the consensus of PTT's audit team that there were no essential issues or shortcomings. In 2005, PTT conducted an internal assessment as required by the Office of the Auditor General regulation on internal control standards (issued in 2001) and concluded that-in the opinion of the Office of Corporate Audit and Management-the Company's internal control was sufficient and effective.

Supervision of Internal Audit: The supervision of internal audit entails the internal audit process, audit plans, assessment of internal audit performance, as well as budgetary and manpower assessment. The Committee reviewed such performance in line with the approved audit plans with a focus on reviewing reports for 2005 to ensure efficiency and effectiveness under a good internal control procedure; ensure compliance with laws on securities and the stock exchange, together with laws related to PTT's business; ensure improved corporate transparency with corrective actions following significant findings in internal audit report. It also reviewed the 2006 audit plan, which is based on internal-control assessment findings and PTT's own risk base. In addition, internal audit held meetings with internal audit teams of companies of the PTT Group to encourage cooperation and the exchange of information and experience among the group, thereby developing efficient internal audit teams that adhere to international standards. The audit plan include the audit of information technology; accounting; finance and operation; safety, occupational health, and environment; and of subsidiaries and associated companies. The aim was to ensure inspections that covered all significant issues, prevented potential risks, fostered suitable internal control procedures to cope with organization risks, and benefited PTT and its shareholders to the full. Senior management of the audited departments were to assess the performance of internal audit teams and made recommendations to improve their efficiency. Concerning personnel administration, the committee revised the manpower of internal audit teams and recommended recruiting those with background in engineering and petrochemicals to intern with the Gas Business Group and the Petrochemicals and Refining Business Group for a few years before returning to the Office of Corporate Audit.

The Committee's Self-Assessment: The Committee conducted self-assessment both as a group and individually through cross-assessments. For 2005 the findings of such self-assessments for the group and individuals alike, were considered 'very good'.

Review of Audit Plan and Auditors' Autonomy: The Committee has chosen the 2006 auditor together with its remuneration for submission to the Board, which will in turn seek approval in the 2006 Shareholder's Meeting to appoint the Office of the Auditor General of Thailand the external auditor for the year 2006.

The Audit Committee recognizes the importance of good corporate governance, internal control, and continuous risk management, which will ensure good corporate governance principles of the Company, acceptable levels of internal control and risk management, accurate and credible accounting and financial reporting practices, together with compliance with the laws, by-laws, and regulations related to the Company's business.

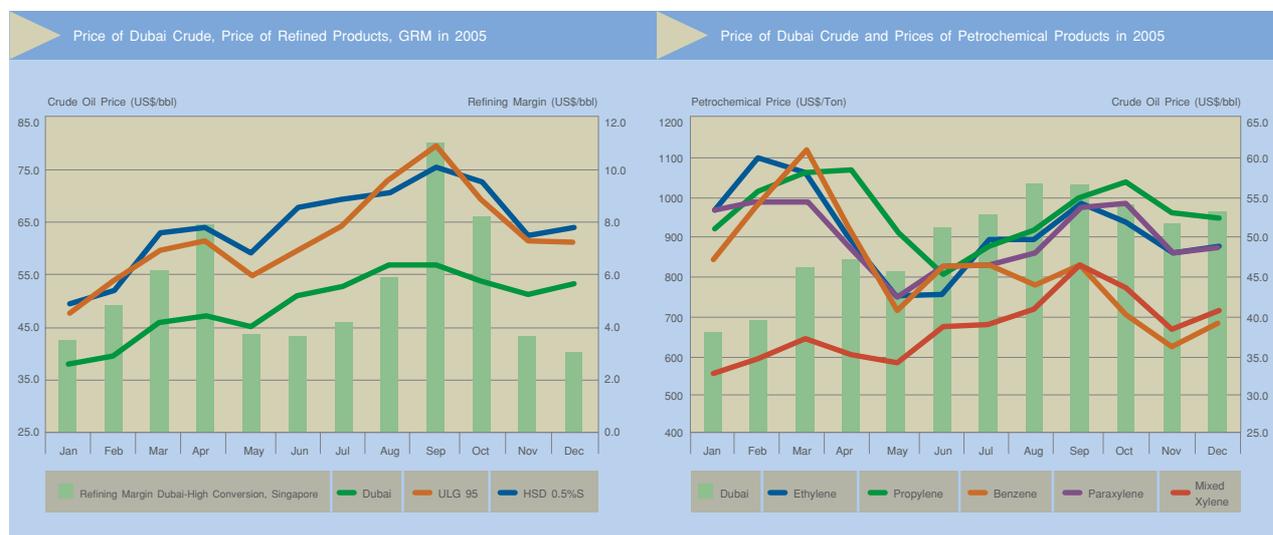


World Petroleum Overview

One of the key factors that limited global economic expansion in 2005 was the rise in oil prices that had continued from the previous year. Many governments employed tighter than last year's monetary policies aimed at restricting inflation rates while some countries faced trade and current account deficits because imports were growing faster than exports. Furthermore, imbalances among the world's major economies led to trade conflicts between key partners, such as the case where China was pressured into the managed-floatation of its currency instead of tying the Yuan to the US dollar. However, the above mentioned factors did not lead to heavy economic growth deceleration thanks to the economic expansion in the US and China, which significantly drove the expansion of the global economy, aided by improvements of economies in Europe and Japan. The International Monetary Fund (IMF) and the World Bank predicted economic expansions of 4.3% and 3.2% (equivalent to 4.4% according to the Purchasing Power Parity, or PPP) respectively, a decline from 5% in 2004.

The price of Dubai crude continued to climb for the second consecutive year from an average of US\$33.7 per barrel in 2004 to US\$49.3, up by US\$15.6 or 46.3% due to the rise in global oil demand despite high prices. The demand for oil increased by 1.2 million barrels per day (bbl/d), a drop from 2.9 million bbl/d in 2004. Meanwhile, global crude production in 2005 averaged 84.5 million bbl/d, up by 1.4 million bbl/d, largely a result of increased output from OPEC. Non-OPEC producers were able to boost their output by only 200,000 bbl/d due to a number of problems, for instance, a fall in Europe's production capacity; hurricanes in the Gulf of Mexico, which temporarily stalled US crude oil output by 1.5 million bbl/d; and unusually cold weather in Asia toward year-end. In addition, oil markets were affected by political instability and chaos in oil-producing countries, such as the ongoing war in Iraq, Iran's nuclear power plant controversy, and political conflicts in Saudi Arabia. Despite heavy speculation on the NYMEX futures exchange, hedge funds registered net sales in the fourth quarter. As a result, the net purchase for 2005 dropped from 38 million barrels (bbl) in 2004 to 10.4 million bbl.

Over the past five years, the global crude distillation unit capacity expanded only by 3.6 million bbl/d while oil demand doubled during the same period, causing the gross refining margin (GRM) and the price of refined oil products to rise. Prices of petrochemical products remained high as a result of higher oil prices and industrial growth fueled by economic expansion.

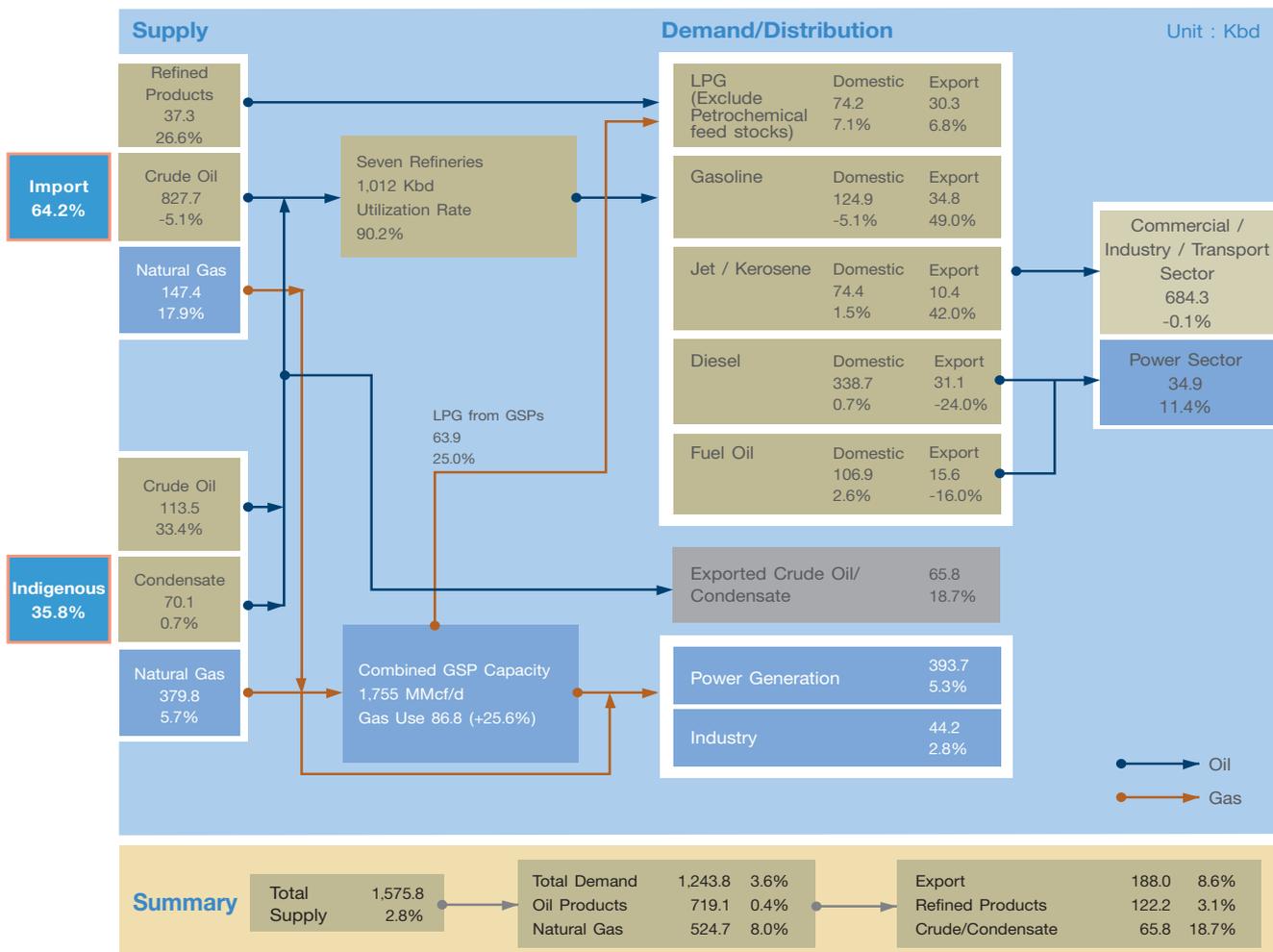


Domestic Overview

The Thai economy significantly improved in the second half of 2005 compared with the first half of the year, particularly the first quarter of 2005, which was characterized by limitations. The key drivers for economic expansion included a rise in exports, improvement in the tourism sector, and fall in imports. Import decrease could be attributed to higher energy prices, effectiveness of the government's energy conservation measures, and the high accumulation of existing inventory. Nevertheless, the nation still faced trade and current account deficits for the first time since 1998. As a result of high oil prices, the inflation rate rose and the Bank of Thailand had to raise the 14-day repurchase rate (R/P 14-day) to mitigate the effects of inflation and maintain a positive real interest rate. Overall, the interest rate was still on the uptrend. The National Economic and Social Development Board (NESDB) predicted that the Thai economy of 2005 would expand by 4.5%, down from 6.2% in the previous year and that the inflation rate would rise to 4.5% (up from 2.7% in 2004). It also predicted that the current account deficit would account for 2% of GDP.

Petroleum consumption - consisting of oil and natural gas was 1,243.8 Kbd (thousand barrels per day), up by 3.6%. LPG consumption increased by 7.1% the highest rise among fuels compared with 1-3% in the past

Thailand's Petroleum Balance in 2005*



* Information as of 10 February 2006

because of the government's continued subsidy of LPG prices. Diesel consumption increased by only 0.7% following a series of retail price hikes, as the government slowly reduced its subsidy in June 2005 and completely floated the price on July 13 the same year. Gasoline consumption took the deepest plunge at 5.1% as a result of the continuous rise in retail prices totaling 6-7 baht/liter. Supply of petroleum as fuels and petrochemical feedstock registered 1,575.8 Kbd, up by 2.8%, from both foreign and indigenous sources. Of this volume, 64.2% was imported. Petroleum exports grew 8.6% from the previous year to 188 Kbd due to contracted growth of local demand, especially for gasoline and diesel oil. Meanwhile, consumption of petrochemicals expanded with the domestic economy.

Outlook for 2006

A number of risk factors - high oil prices, imbalances in the global economy, interest rate hikes by various central banks - dim the prospects of an economic expansion. However, other factors will play a key role in supporting the expansion of the global economy in 2006, such as economic recovery in major industrial powers and strong economic expansion in the US and Asia, particularly China and India. The IMF and the World Bank have projected a global economic expansion of 4.3% and 3.2% (equivalent to 4.3% according to the PPP) respectively, which differ little from this year. As a result, global oil consumption in 2006 is expected to expand by 1.7 million bbl/d to 85 million bbl/d. Oil production is expected to increase by the same figure to 86.1 million bbl/d, provided that OPEC maintains its current output capacity and non-OPEC producers raise their production by 1.3 million bbl/d. Therefore, crude oil prices should drop slightly - with Dubai hovering at US\$48 per barrel - due to additional supply from non-OPEC countries and recovered capacity from the Gulf of Mexico in early 2006, which had previously been stalled by hurricanes. In any event, oil prices are expected to remain volatile in early 2006 because of terrorism and political problems in oil-producing countries, natural disasters, as well as speculation by traders and hedge funds on the futures exchange. As a consequence, prices of refined oil products should take a slight fall while the GRM remains high as in the previous year. Prices of petrochemical products are predicted to drop toward the second half of the year as a result of increased supply, particularly from Middle Eastern countries that had delayed production from last year. In addition, China, the major consumer of petrochemicals, has been able to turn out more polymers. Many analysts are of the view that prices should enter a down cycle between 2006 and 2009, which is therefore a good period for expanding and developing new projects in preparation for the next up cycle.

Domestic consumption in 2006 is predicted to slow down because of higher prices of goods. On the other hand, investment is expected to grow - especially in the government's mega-projects - which would be the key factor in driving the Thai economy and private investments in the face of rising interest rates. With the global economy expanding at a rate similar to the previous year, exports are expected to grow satisfactorily with a focus on regional markets. The current account deficit is likely to expand in accordance with the rise in imports necessary for mega-projects. Inflation in the second half of 2006 is expected to be lower than the first half. NESDB projected that the Thai economy would expand by 4.5-5.5% with an annual inflation rate of around 3.5-4.5% and the current account deficit at 2-2.5% of GDP. Domestic consumption of refined oil products is likely to increase by only 0-1% because of projected high oil prices and the government's energy conservation measures. Meanwhile, consumption of natural gas is likely to rise by 7.6%, particularly as a result of continuous measures to replace oil with NGV in the transport sector. On the other hand, consumption of natural gas for power generation is expected to rise only by 4% because the Third Gas Pipeline would be completed only as early as the second half of 2006. Finally, the overall demand for petrochemical products is likely to expand from 2005 due to greater downstream capacities in line with economic expansion.

Performance Review

PTT and subsidiaries' 2005 Earnings showed continuous growth from a year earlier due to its solid business structure together with an integrated petroleum business. Other success factors included the continued high prices of crude oil and refined oil products, the up-cycle prices of petrochemicals, and the attractive refining margins. At the same time, PTT remained committed to satisfying government policies of speeding up the use of non-oil fuels, speeding up the search for new energy supply sources, and adding value to energy resources, particularly the natural gas - to help Thailand cope with the ongoing oil price crisis and to ease the country's energy problems. To become the High Performance Organization, it is not only required long term business vision, but PTT also implemented PTT Enablement Program in order to bring about PTT Group's business synergy as well as to promote such business culture within the Group.

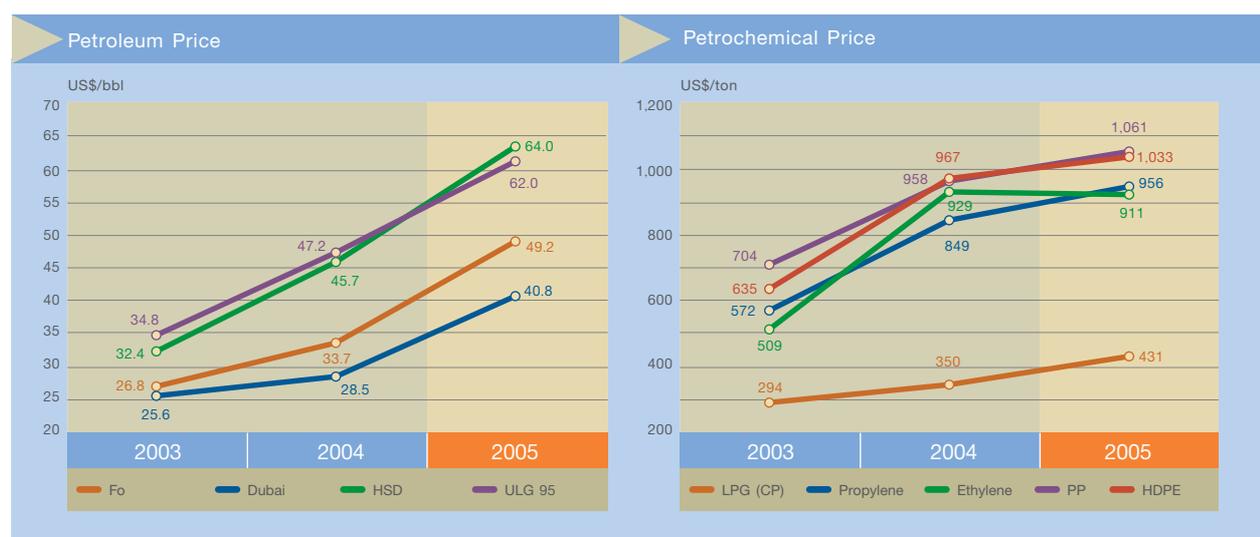
Gas Business Group

The year saw a steady rise in the sale volumes of natural gas and gas separation plant (GSP) products, boosted by the much higher prices of petroleum and refined oil products. In addition, actions were taken to expand the gas business and gas utilization to its maximum. The gas pipeline transmission network was also expanded to help meet the needs of major consumption areas of the country.

Prices of Refined Oil Products and Petrochemicals

The elevated prices of petroleum and petrochemicals, both olefins and aromatics, carried over from last year. The average LPG price (LPG CP) rose from US\$350/ton in 2004 to US\$431/ton in 2005. Meanwhile, the spot ethylene price in Southeast Asia dropped from US\$929/ton to US\$911/ton and the propylene price surged from US\$849/ton to US\$956/ton. The prices of benzene and paraxylene rose from US\$823/ton and US\$770/ton to US\$829/ton and US\$905/ton in 2005 respectively.

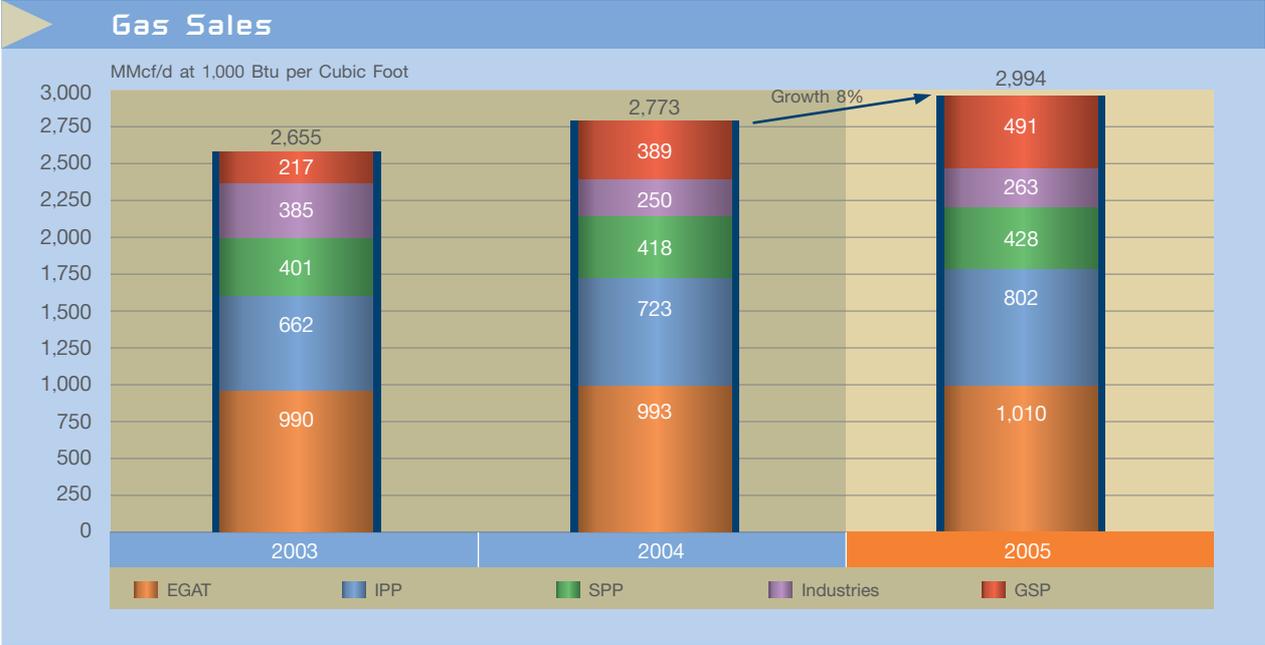
Petroleum and Petrochemical Price



Natural Gas Distribution

Total natural gas sales registered 2,994 MMcf/d, up by 8% over the previous year, as power producers consumed 5% more for electricity generation to satisfy the continuing thirst, and as industrial gas users consumed 5.2% more in line with the economic expansion. The GSPs also required 26.2% more gas as GSP Unit 5 began its

commercial operation. This requirement was met by expanding transmission capacity, both offshore and through PTT's western pipeline system. The sector with the lion's share of gas consumption continued to be the power sector (with 75%), followed by GSPs (16%), and industrial and transport (9%).



GSP Product Sales

Sales totaled 3,462 thousand tons, a rise of 25.9% over the previous year, mainly as GSP Unit 5 came on stream in February 2005, yielding for the most part ethane (the feedstock for Thai Olefins Plc's ethylene capacity expansion), followed by propane, LPG, and natural gasoline for domestic sale and export.





Highlights of Gas Business Group

Securing Supply

- To meet the growing demand, PTT signed an agreement to purchase gas from JDA blocks B17, C19, and B17-10, with delivery scheduled in mid-2008. About 270 MMcf/d was committed for the first 10 years and 250 MMcf/d for the six following years.
- PTT signed a supplementary agreement for gas purchase (No. 4) and a side agreement with PTTEP Plc, whereby it agreed to purchase an average of 50 MMcf/d of additional gas from Bongkot Field between 1 April 2005 and 1 October 2008, on top of the contractual volume of 550 MMcf/d.
- PTT signed an agreement to purchase gas from Phu Hom Field with planned delivery in the fourth quarter of 2006 at an initial volume of about 80 MMcf/d for use as the main fuel at EGAT Plc's Nam Phong power plant.
- PTT took future price reductions for natural gas from Gulf of Thailand gas producers under various agreements, totaling 4.5 billion baht, and used the amount to cover gas price cuts to EGAT Plc and independent power producers (IPPs) from October 2005 to January 2006. Also, PTTEP agreed to take future price reductions for natural gas and make advance payment to PTT (the gas buyer) amounting to 1.5 billion baht, making a total of 6 billion baht. It is expected that PTTEP will be reimbursed before the end of 2009.

Expanding the Market

- GSP Unit 5, the largest domestic GSP, was inaugurated during the year by HE the Prime Minister. It was built to handle 530 MMcf/d of feed gas and yield 520,000 tons/year of ethane, 646,000 tons/year of propane and LPG, and 177,000 tons/year of natural gasoline for an overall capacity of 1,343,000 tons/year. This boosted the value of the domestic petrochemical industry.
- The Board of Directors approved the construction of GSP Unit 6 with a capacity of 600-650 MMcf/d of feed gas in an effort to produce additional ethane for the ethane cracker of PTT Polyethylene Company, with a capacity of one million tons/year. Commercial production is planned for 2008.
- PTT, PTTEP, and DMF jointly signed an agreement on the trial application of the natural gas by-product of crude oil production at Nong Tum-A Field as part of the under S1 Project in Sukhothai. The gas is to be liquefied into LNG (liquefied natural gas) and trucked to Kamphaeng Phet for subsequent conversion into compressed natural gas (CNG) for possible liquid fuel replacement in the transport sector.
- PTT joined Rangsit Plaza Company in a project to develop gas district cooling and cogeneration for Future Park Rangsit Shopping Complex - signifying market expansion to customers in commercial buildings.
- PTT, Metropolitan Electricity Authority (MEA), and Dhanarak Asset Development Company (under the Ministry of Finance) signed an agreement on the sale and distribution of chilled water (Combined Heat and Power System) for the Bangkok Metropolitan Administration Government Agency Center Project on Chaeng Wattana Road.

- District Cooling System and Power Plant Company (DCAP) and Thai Airways International Plc signed a 25-year power and chilled water agreement worth 25 billion baht for the supply of 50 megawatts of power and 12,500 refrigerated tons of chilled water. DCAP signed a 20-year agreement to supply chilled water and steam to Thai Airways, worth 4.4 billion baht, and constructed the first two chilled water and steam units for delivery to the New Bangkok International Airport Company and Thai Airways International respectively - the latter for use in its catering service building (TG Catering).

Promoting Natural Gas for Vehicles

- PTT supported government policy on the promotion of natural gas in fueling the transport sector as a means to mitigate the effects of high oil prices. During the year, 10,285 cars were using NGV, accounting for 56,464 tons of sales or 5.6 MMcf/d (a remarkable 80.8% rise over the previous year). In the meantime, the number of NGV refueling stations rose to 51. Also, PTT implemented a pilot project on replacing diesel with NGV in a promotional effort to encourage bus operators and transport operators to modify their diesel engines and use NGV. PTT also investigated the feasibility of installing NGV equipment in fishing vessels in Khanom District, Nakhon Si Thammarat.
- In conjunction with the Government Savings Bank (GSB), PTT implemented the NGV for the People program by sponsoring NGV gear and installation costs for 5,000 participating car owners, worth 10,000 baht per car. Credit was provided by GSB. In addition, Sampan Insurance Company supported this program by installing NGV gear and providing after-installation services as well as issuing an insurance policy, free of charge, covering the NGV gear for one year.
- PTT promoted the consumption of NGV in the transport sector by joining the State Railway of Thailand, Bangkok Mass Transit Authority, Transport Company, SME Bank, Islamic Bank of Thailand, and transport operators in publicizing the NGV for Thai Economy program, aimed at transport operators at large.
- PTT set up a 50,000-baht circulating fundcapital for NGV vehicle owners' use in modifying or installing their engines or for additional expenses in purchasing NGV vehicles. Under this agreement, PTT would seek reimbursement through raising NGV prices by five baht/kilogram; the interest rate would be comparable to that currently given by commercial banks to NGV programs. This program was set to last five years.

Expanding the Transmission Network

To increase its capacity for gas transmission in a timely way, PTT undertook the following:

- Construction of the Third Gas Pipeline Project, with a total transmission capacity of 1,860 MMcf/d. This is scheduled for completion in 2006.
- Construction of the Compressor Unit Installation Project at Block Valve Station #7 in Kanchanaburi to enable the system to take up to 1,200 MMcf/d gas delivery from Myanmar. Scheduled for completion in the first quarter of 2006.
- Construction of the Sai Noi - South Bangkok - North Bangkok Power Plants pipeline, which would expand the Bangkok and Perimeter network. Scheduled for completion in 2006.
- Construction of the Wang Noi - Kaeng Khoi pipeline to the power plant and industries in Kaeng Khoi District, Saraburi, and to the Northeastern region in general. The capacity of this line 510 MMcf/d and is the planned for completion was in 2006.

Natural Gas Transmission Pipeline System and Future Projects



PTTEP Projects



PTT Exploration and Production Plc

Sales of natural gas, crude oil, condensate, and LPG totaled 153,531 BOED during the year, a 14.5% rise over the previous year. This rise was due to increasing product prices and oil volumes from S1, Nang Nuan and B8/32 Projects as well as increased natural gas output from Bongkot, Pailin, and Yetagun Projects.

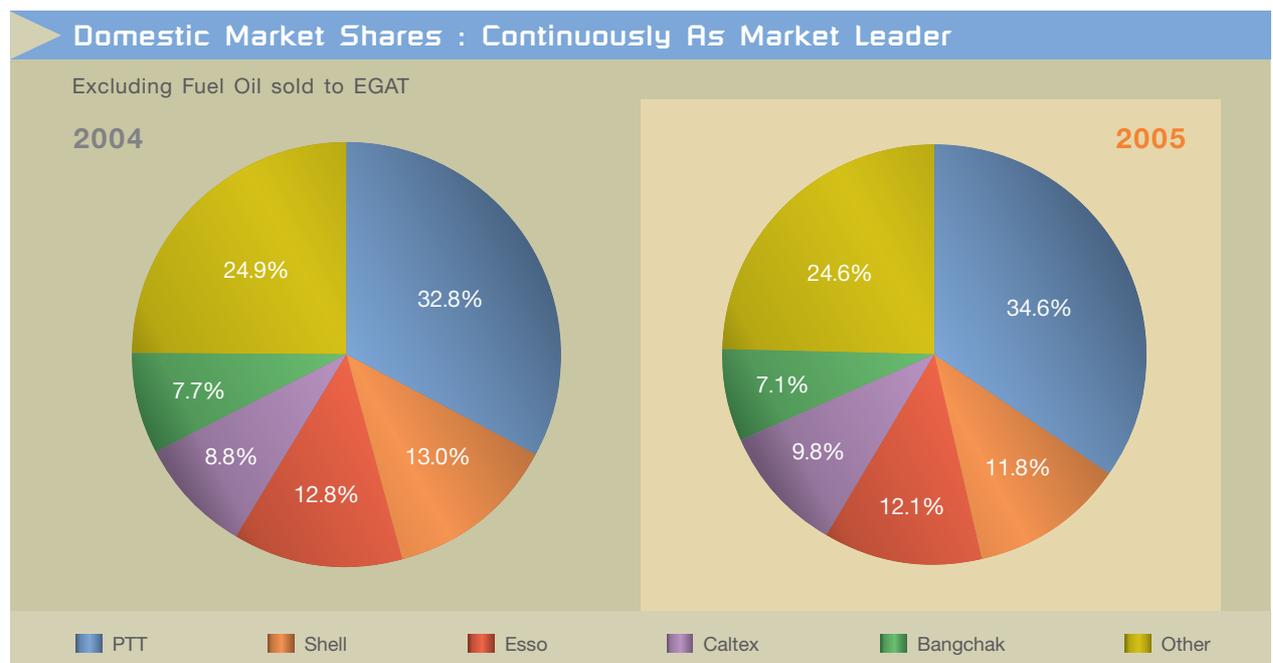
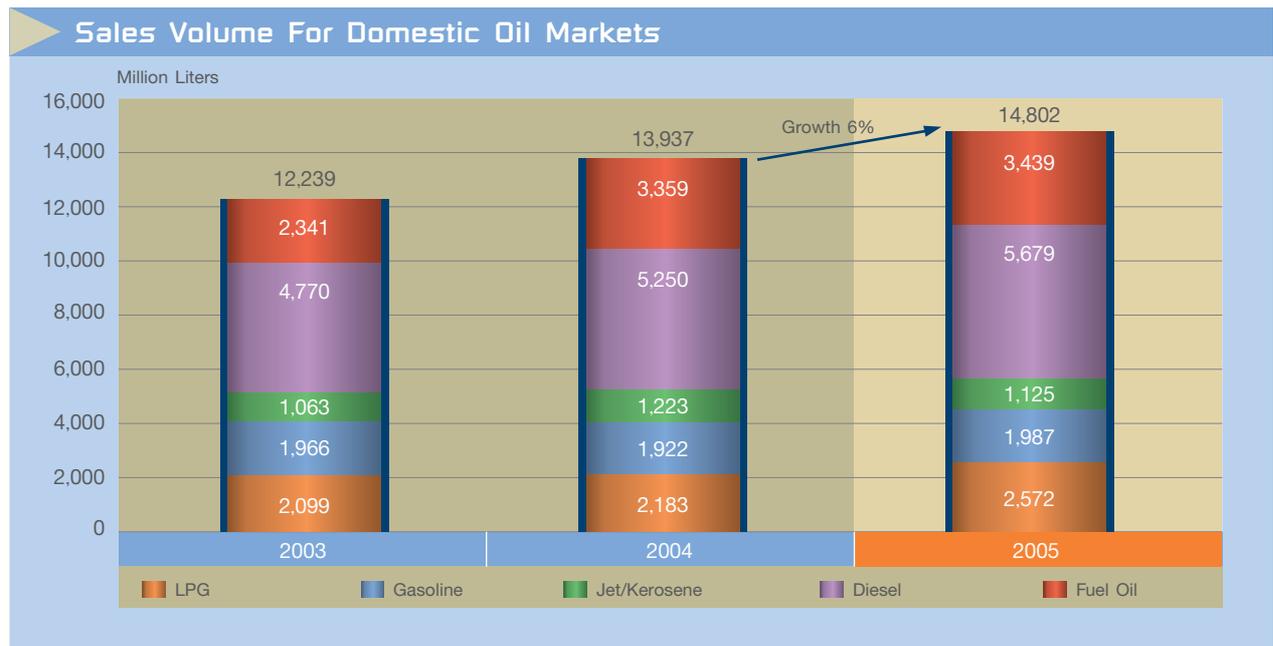
Highlights of PTTEP in 2005

- PTTEP and Bahrain Petroleum Company (BAPCO) signed a technical agreement governing a petroleum potential assessment study for offshore Block 1 and Block 2 in Bahrain, covering 5,117 square kilometers (sq. km.).
- PTTEP International Company (PTTEPI) took part in the production sharing contract (PSC) for offshore Block B in Cambodia, holding 30% equity interest and serving as the operator for the block.
- PTTEPI signed a PSC for petroleum exploration in Block M-11 in the Gulf of Moattama, covering 7,200 sq. km., wholly owned and operated by the company.
- PTTEPI divested all of its 73,060,000 common shares in Thairoil Power Company to PTT at the price of 31.48 baht per share, or 2.3 billion baht in total. The shares accounted for 26% of the issued and paid-up shares of Thairoil Power.
- PTTEP Middle East Company Limited (PTTEP ME) and the government of the Sultanate of Oman signed a gas sales agreement for Shams Field under Oman 44 Project, from which gas delivery of 50 MMcf/d and condensate delivery of 3,000 bbl/d were planned for the first quarter of 2006.
- PTTEP Iran Company Limited was established to undertake petroleum exploration and production in the Islamic Republic of Iran, with a paid-up registered capital of US\$50,000 and sole ownership by PTTEP ME.
- PTTEP Iran and National Iranian Oil Company signed a petroleum exploration and production agreement entitling PTTEP Iran to assume all the shares and operatorship in the Saveh block.
- PTTEP Offshore Investment Company Limited (PTTEPO) sold all its 40% shares in New Links Energy Resources Limited to Encore International Limited for US\$236.5 million under its new strategy of focusing on direct investment in petroleum resources.
- PTTEPO and Mitsui Oil Exploration Company signed a share purchase agreement with the Pogo group of companies to take up all the shares in Thaipo Company and 46.34% of the shares in B8/32 Partners Company in an effort to invest in Petroleum Concession Block B8/32 and Block 9A in the Gulf of Thailand.
- PTTEPO and PT Medco E&P Merangin signed a farm-in/farm-out agreement covering Block Merangin I in the south of Sumatra Island, Indonesia, which was a zone with high oil potential. In doing so, PTTEPO assumed 39% equity while PT Medco E&P Merangin at 61% .
- PTTEP Merangin Company Limited was established to support PTTEP's exploration and production business in Indonesia. Likewise, Diamond Petroleum Company Limited was set up to support domestic exploration and production business in Thailand. Each had a paid-up registered capital of US\$50,000 with PTTEPO serving as the sole shareholder.

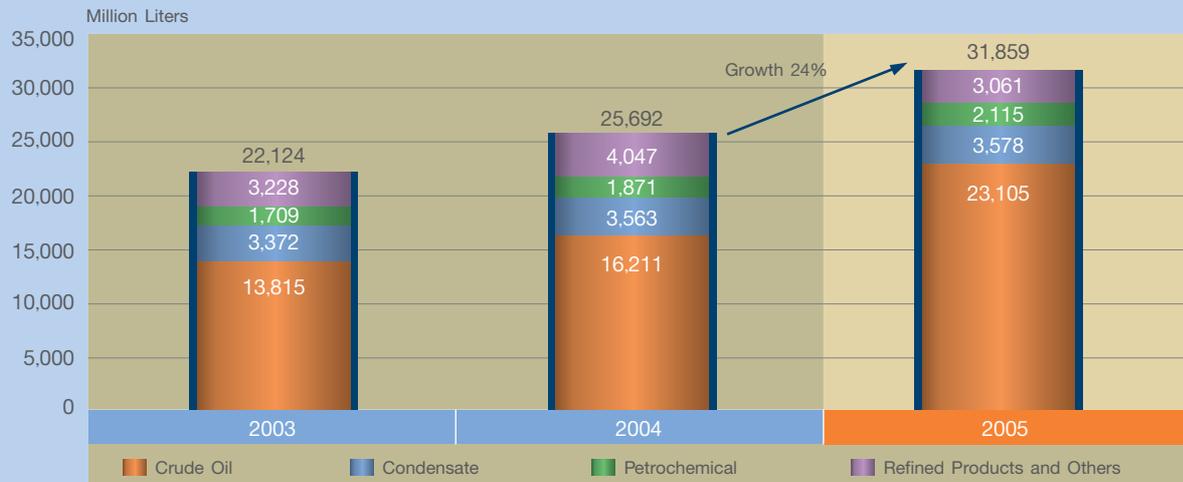
Oil Business Group

Two types of activities characterize the Oil Business Group:

1. Marketing of refined products and lubricating oils through domestic markets, consisting of retail, commercial, and international marketing.
2. Oil trading, consisting of import and export of crude oil, condensate, refined oil products, as well as petrochemical feedstock and products.



Sales Volume For International Trading



Refined Oil Product Marketing

In 2005, domestic and international marketing amounted to 22.033 billion liters, 33.3% up over the previous year. Domestic sales of refined products accounted for 14.8 billion liters, up by 6.2%, which enabled PTT to capture the top market share nationwide for the 13th consecutive year. Including sales of fuel oil to EGAT, PTT's market share was 34.6%.

Oil Trading

International oil trading included that of crude oil, condensate, together with petroleum and petrochemical products, altogether totaling 31.86 billion liters, which represented a 24% rise over the previous year. The substantial rise in volume was intended mostly to supply crude oil to Rayong Refinery, wholly owned by PTT, and the rest was intended to capture out-out trading opportunities for crude oil and petrochemical products.

Highlights of Oil Business Group

Expanding the Market

- PTT and Thai Agro Energy Company signed a memorandum of understanding (MOU) on the supply of anhydrous (99.5% purity) ethanol. The monthly volume was 750,000 to 1,000,000 liters in an effort to develop and expand the gasohol (Gasohol 95) market, a popular form of alternative energy.



MOU Signing on Sale/Purchase of Ethanol



Sale/Purchase Agreement of Pattani and Wichian Buri Crude

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





Expansion of "PTT Gasohol 95" Station to the South

Continuous Development of Lubrication Products

- PTT and Bangchak Petroleum Plc (BCP) signed a five-year (2005-2009) crude oil supply agreement covering Pattani and Wichian Buri Fields, amounting to 42 million bbl and worth over 65 billion baht.
- PTT, SAS, Finnair, KLM, and Cargolux (all northern European airlines) signed a one-year Jet A-1 fuel supply agreement, amounting to 120 million liters and worth about 2.4 billion baht.
- For the first time, PTT fully expanded its lubricating oil market for PTT Lube Marine to a Thai navigation fleet by supplying 500,000 liters to Rattana Thida vessel - belonging to RCL Group, Thailand's largest cargo fleet.
- PTT added four PTT Biodiesel sales outlets in Bangkok and another four in Chiang Mai to bring the total to nine.
- PTT pioneered its PTT Gasohol 95 product sale in the South, and later to other regions of the country, thereby giving it the largest network of service stations with the gasohol blend.
- PTT sold diesel to the Fish Marketing Organization to help fishermen in 14 southern provinces at a 2-baht/liter discount for seven months, from April 8 to November 7.

Developing Products and Services

- PTT further improved PTT Gasohol 95 into PTT Gasohol 95 Plus, with greater fuel mileage, the first and only domestic brand to do so with an engine cleaning agent and a friction modifier to add power, mileage, and fuel saving.
- PTT developed the Performa Super Synthetic gasoline lubricant of the API SM standard, made superior by the Di-Synthetic Protect technology. The product reduced high-revolution engine wear by 80% and saved 5-10% of fuel. Another product called Performa Gasohol, also of the API SM standard, was suitable for gasoline engines running on gasohol, or gasoline - gasohol exchangeable engines. Performa Gasohol is able to protect the engine, keep it clean, and prevent sludge formation.
- PTT developed the Dynamic Synthetic diesel lubricant for high-performance engines of all types, thanks to the API CI-4, ACEA E5, and Global DHD-1 standards. The product offered corrosion prevention, kept engine parts clean, reduced soot, prevented sludge formation, reduced lubricant losses, and minimized clogged filters. The Dynamic Commonrail API CI-4, a semi-synthetic grade made exclusively for Commonrail diesel engines, added to performance and high acceleration ability while saving on fuel.

- PTT developed the Challenger Synthetic 4T and 2T motorcycle prevents lubricants of the API SL standard. Having passed the JASO MA test, the product completely prevents slippery clutch problems.
- PTT put on sale a special grade of transmission fluid called Limited Slip, made through blending basic lubricating oil with a special additive and designed for prevent idling.
- PTT improved the image of its LPG cylinders by adopting a color (green), and a new slogan of “Every Cylinder Made Safe and Full.” A 4-kilogram version of the cylinder, called “Jiew Jaew,” was found to be perfect for outdoor camping use. Its manual low-pressure valve, essential for LPG cylinder use, also won certification from the Thai Industrial Standards Office.
- PTT joined the CP Group in investigating an integrated biodiesel industry, starting from the choice of suitable plant strains, management techniques for planting oil vegetables, technologies for oil extraction and methyl ester processing, to the distribution of biodiesel to consumers.
- A PTT service station under the name S. Sombon Sup Petroleum Company Limited in Prachuap Khiri Khan won the Golden Petrol Station Award, given by in the Ministry of Energy, for Cleanliness, Convenience, and Safety campaign.
- A PTT service station under the name Sam Chai Petroleum Limited Partnership in Sara Buri won recognition as the Best Public Restroom Award for 2005, awarded by the Ministry of Public Health for its high standard and sanitary management.

Petrochemicals and Refining Business Group

The Petrochemicals and Refining Business Group funded through investment by PTT subsidiaries and affiliated companies. The Company’s philosophy is to consolidate similar businesses or those with similar products, the most notable of which was the merger in 2005 between National Petrochemical Plc (NPC) and Thai Olefins Plc (TOC) to form the core in the olefins (gas-based) value chain. In addition, investments are being made in the intermediate and downstream end of the petrochemical industry to add value and competitiveness. Also, during the year PTT decided to invest in Thai Petrochemical Industry Plc (TPI), which fully engaged in the petrochemical business. This was a key strengthening move by PTT, since TPI possessed a diverse range of products covering market needs, and signified a leap to industry leadership for PTT.

| Investment Plan of Petrochemical and Refining Group | | | | | |
|---|---|---|---|--|--|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| PTTCH | Olefins & Plastics : Ethylene 1,146 kta : Propylene 377 kta : HDPE 250 kta Utilities & Logistics : Electricity 170 MW : Steam 410 T/hr : Jetties & Tank farm | | Debot I4/1 Ethylene 130 kta, Propylene 60 kta | Debot I4/2 Ethylene 100 kta, Propylene 50 kta | |
| | | EO / EG # 1 MEG 220 kta, EO 80 kta | | EO / EG # 2 MEG 300 kta | LDPE / EVA LDPE / EVA 100 kta |
| | | Ethoxylates Fatty Alcohol Ethoxylates 50 kta | Ethanolamines Ethanolamines 50 kta Choline Chloride Choline Chloride 20 kta | | |
| ATC | Aromatics : PX 495 kta : BZ 467 kta | Cyclohexane Cyclohexane 150 kta | | Reformer & ATC II PX 616 kta, BZ 363 kta | |
| | | Feed Frac Revamp. Condensate + 20 kbd | | | |
| JV | | PTTUT Electricity 75 MW, Steam 330 T/hr | Phenol Phenol 200 kta | | PTTPE Ethylene 1,000 kta, Propylene 25 kta, LDPE 300 kta, LLDPE 400 kta |
| TOP / RRC | Refining capacity : TOP ~ 220,000 bpd : RRC ~ 145,000 bpd | | CDU-3 Debot (TOP) + 50,000 bpd | Refoming & Upgrading (RRC) + 65,000 bpd | |
| | | | Expansion (TPX) PX + 60 kta | | |

Highlights of Petrochemicals Business

- PTT initiated its investment in TPI at an equity interest of 31.5% of all registered and paid-up capital, a sum of 20.27 billion baht, which equated to 6.14 billion shares at 3.30 baht/share.
- PTT, NPC, and Bangkok Polyethylene Plc (BPE) founded PTT Polymer Marketing Company in a 50:25:25 investment ratio to conduct polymer marketing, both domestically and internationally, for the PTT Group.
- PTT and NPC jointly exported LPG from GSP via NPC's jetty to add an export channel, support the growing volumes of LPG output, and add value as well as efficiency to the utilization of NPC's jetty and tank farm.
- NPC's Debottlenecking II Project was completed in May, thereby raising its ethylene capacity by 24,000 tons/year.
- NPC formed NPC Safety and Environmental Service Company Limited to serve the needs of government agencies and private companies in safety and environmental matters. NPC owns all of the shares in this company, which commanded 15 million baht in registered capital.



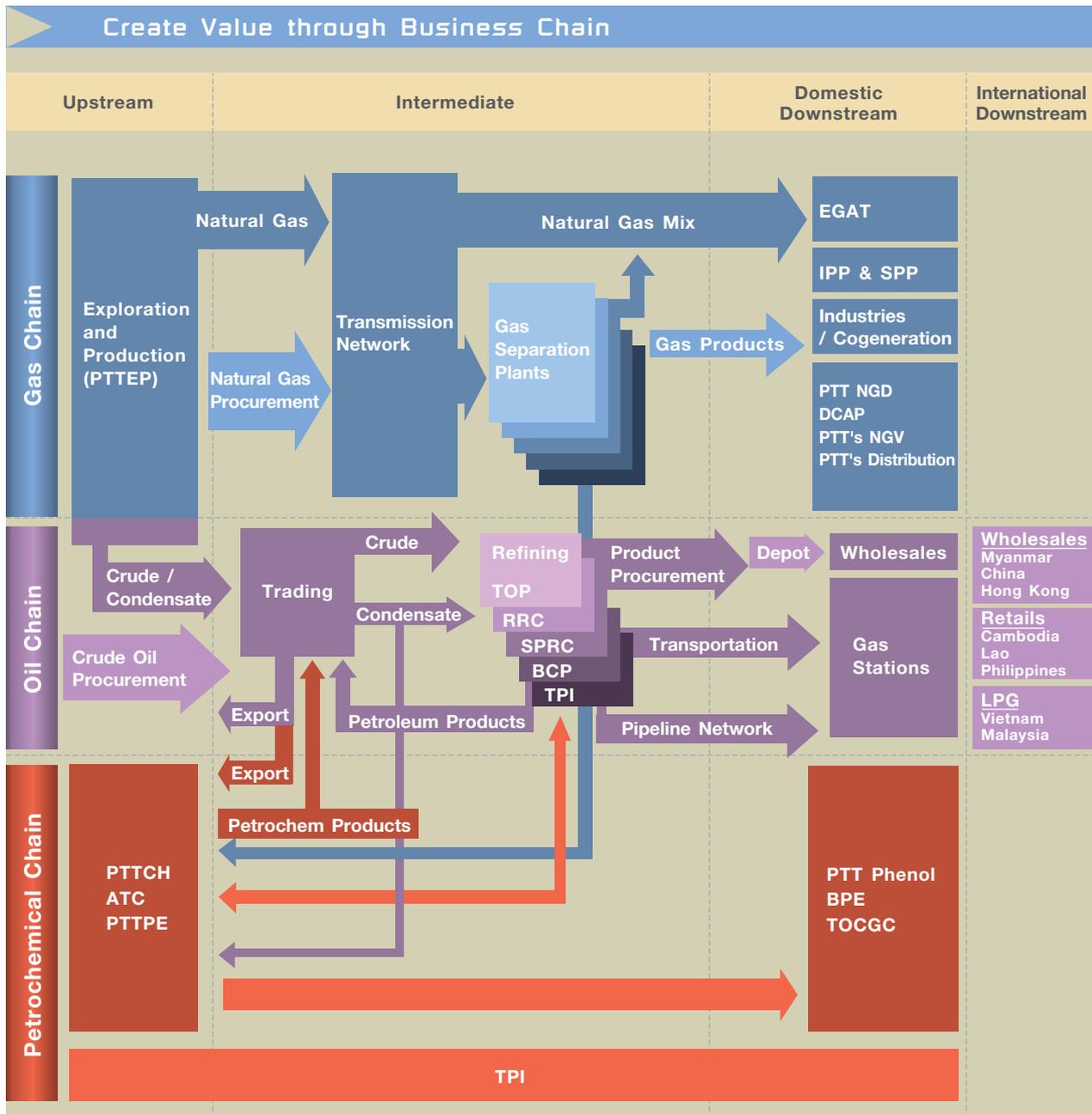
Ethylene Sale Agreement



MOU Signing of Methyl Ester Sale/Purchase

- Through the establishment of Alliance Petrochemical Investment (Singapore) Pte., Ltd., NPC joined National Petrochemical Company of Iran (NPC Iran), Cementhai Chemicals Company, and Itochu Corporation of Japan at an investment ratio of 10:40:38:12 to undertake a HDPE project with a capacity of 300,000 tons/year in Iran.
- PTT and TOC jointly signed an ethylene supply agreement with Marubeni Corporation (Thailand) Company and Mitsui & Co. (Thailand) to deliver 100,000-120,000 tons/year to downstream petrochemical plants in Asia.
- PTT and TOC signed an MOU for the supply of 80,000 tons/year of methyl ester derived from plants and vegetables for use as an additive in high-quality diesel.
- TOC invested in projects dealing with ethylene oxide derivatives, setting up three companies with planned on-stream dates in late 2006 to early 2007:
 - Thai Ethoxylate Company, with ethoxylates as output and a capacity of 50,000 tons/year
 - Thai Choline Chloride Company, with choline chloride as output and a capacity of 20,000 tons/year
 - Thai Ethanolamines Company, with ethanolamines as output and a capacity of 50,000 tons/year.
- TOC formed Thai Oleo Chemical Company to undertake a methyl ester / fatty alcohol project with a capacity of 215,000 tons/year and a planned on-stream date in 2007.
- TOC and Palm Biz Corporation signed an MOU for the purchase of palm oil and oil contained in palm seeds - a raw material for methyl ester production.
- TOC and Sojitz (Thailand) Company signed an MOU for serving as a domestic sales distributor of TOC's monoethylene glycol (MEG), a raw material for the textile and clear-plastic bottle industry. Forty percent of TOC's MEG output would be taken up by Sojitz whereas the rest will either be sold by TOC to domestic customers or exported.
- TOC's Plant I Debottlenecking Project was partially completed during the year, thereby raising its propylene capacity by 60,000 tons/year. The Plant II Debottlenecking Project won approval from the Board of Directors for ethylene and propylene capacity expansion by 100,000 and 50,000 tons/year respectively, with completion set for 2008.
- The merger between NPC and TOC was completed and a new company called PTT Chemical Plc was formed to serve as the core of the olefins business under the PTT Group.

- PTT and Aromatics (Thailand) Plc (ATC) signed an agreement for the export of benzene, the latter company's main product, once its capacity was raised as a result of its Product Upgrading Project. A total of 210,000 tons, worth about 7.5 billion baht, was exported to regional partners.
- ATC launched its Aromatics Complex II Project with processing capacities of 363,000 tons/year of benzene and 616,000 tons/year of paraxylene, with completion planned for 2008.



Highlights of Refining Business

- Thai Oil Plc (TOP) and BCP reached an agreement on cooperative refining management designed to save transport costs and make full use of their processes and units.
- TOP investigated the feasibility of joint investment in a cassava-to-ethanol plant with a capacity of 1-2 million liters/day. The company expects to make an investment of US\$150-250 million.
- Rayong Refinery Plc became a public company limited on April 12 and successfully refinanced itself by entering into a long-term loan and a circulating capital agreement on December 20. The loan and agreement, altogether worth US\$630 million, allowed repayment of old loans and enabled company business operations to proceed.
- PTT and BCP signed an MOU on their joint support for the expansion of NGV refueling stations.
- PTT invested 4.1-4.92 billion baht in BCP to allow the latter to implement their Product Quality Improvement Project.

Business Strategies and Directions of PTT Group

In formulating its value-adding strategies, PTT organized groups of companies according to the value of their business relative to the total value of the Group. The resulting core value creator group consisted of the Exploration and Production (E&P) Business and Gas Business Group. The integrated value enhancers consisted of Oil Business Group and Petrochemicals and Refining Business Group. The E&P Business was instructed to expand both domestically and internationally. The Gas Business Group was to maintain its robust and steady growth through marketing efforts and transmission pipeline expansion. The Oil Business Group was to raise its efficiency, enhance its capacity for business expansion in goods and services, make greater use of its network of service stations, prepare bases, and add potential for doing business internationally. The Petrochemicals and Refining Business Group was to focus on integrating its petrochemical business, relying mainly on a gas-based petrochemical complex while strengthening PTT's business through value addition.

Overall, PTT's Corporate Plan for 2006-2010 envisioned a total investment in projects, plans, and associated companies of 238.79 billion baht, 79% of which would be made by the Gas Business Group in expanding submarine and land-based pipeline transmission capacities under the Third Master Plan for Gas Transmission Pipeline System. Roughly 15% of the budget was assigned to the Petrochemicals and Refining Business Group and 5% to the Oil Business Group.

Conclusion

PTT regards 2005 as a very good year overall with high growth in income, sales revenue, and net profit alike. As is well-known, among all listed companies on the Stock Exchange of Thailand (SET), its market capitalization value ranked No. 1 - at 632.18 billion baht as of year-end 2005. If all affiliated companies are combined, the value would rise to 1.366 trillion baht, or 26.8% of the total market capitalization value on SET. Such astounding success was due to a strong foundation and business structure, total dedication to creating value for the Company, and continuous development of management and procedures to increase efficiency and enable PTT to become a High Performance Organization.

PTT AND ITS AFFILIATES

| Company | Abbreviation | Shareholding percentage | Status | Nature of Business |
|--|--------------|-------------------------|-----------------------|---|
| Gas Business Group | | | | |
| 1 PTT LNG Company Limited 16 th Fl, Rasa Tower Bldg., 555, Phaholyothin Rd., Chatuchak, Bangkok 10900 Tel. 0-2937-0360-3 Fax. 0-2937-0364 | PTTLNG | 100 | Subsidiaries | Natural Gas |
| 2 PTT Exploration and Production Public Company Limited PTTEP Office Bldg., 555, Vibhavadi Rangsit Rd., Chatuchak, Bangkok 10900 Tel. 0-2537-4000 Fax. 0-2537-4444 www.pttep.com | PTTEP | 66.32 | Subsidiaries | Petroleum Exploration and Production |
| 3 PTT Natural Gas Distribution Public Company Limited 23 rd Fl., Rasa Tower Bldg., 555, Phaholyothin Rd., Chatuchak, Bangkok 10900 Tel. 0-2937-0620-4 Fax. 0-2937-0627 www.pttngd.co.th | PTTNGD | 58 | Subsidiaries | Natural Gas |
| 4 Trans Thai-Malaysia (Thailand) Company Limited 2 nd Fl., PTTEP Office Bldg., 555, Vibhavadi Rangsit Rd., Chatuchak, Bangkok 10900 Tel. 0-2537-5936 Fax. 0-2537-5761-6 www.ttm-jda.com | TTM (T) | 50 | Joint Ventures | Natural Gas |
| 5 Trans Thai-Malaysia (Malaysia) Company Limited Level 49, Tower1, Petronas Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia Tel. 6631-207-5000 Fax. 6631-207-6654 | TTM (M) | 50 | Joint Ventures | Natural Gas |
| 6 PTT Utility Company Limited 2 nd Fl., Eastern Industrial Estate Office, Pakornsongkroraj Rd., Muang, Rayong 21150 Tel. 0-3868-7300 Fax. 0-3868-7197 | PTTUT | 40 | Subsidiaries | Generate and Supply Electricity, Steam, and Water |
| 7 District Cooling System and Power Plant Company Limited Building 171, 30 Pratumwan, Bangkok 10330 Tel. 0-2256-3635 Fax. 0-2332-3882 | DCAP | 35 | Other Related Parties | Generate and Supply Electricity and Chilled Water |

| Company | Abbreviation | Shareholding percentage | Status | Nature of Business |
|---|--------------|-------------------------|-----------------------|--------------------------------------|
| 8 Thairoil Power Company Limited 12 nd Fl., Sun Towers B Bldg., 123, Vibhavadi Rangsit Rd., Chatuchak, Bangkok 10900 Tel. 0-2617-8300 Fax. 0-2617-8299 | TP | 26 | Associates | Generate and Supply Electricity |
| 9 Independent Power (Thailand) Company Limited 42/3 Moo 1, Sukhumvit Rd., k.m. 124, Sriracha, Chonburi 20230 Tel. 0-3835-1155 Fax. 0-3835-2092 www.ipt.co.th | IPT | 20 | Associates | Electricity Generation |
| 10 Ratchaburi Power Company Limited 1828, Sukhumvit Rd., Prakanong, Bangkok 10260 Tel. 0-2311-5111 Fax. 0-2332-3882 | RPCL | 15 | Other Related Parties | Electricity Generation |
| Oil Business Group | | | | |
| 1 PTT (Cambodia) Company Limited 146 Confederation de la Russie (110), Sangkat Tuk laak, Khan Toul Kok, Phnom Penh 12301 Tel. 0-2333-2821-22 Fax. 0-2388-0083 e-mail: pttcambodia@online.com.kh e-mail: pttcambodia@camshin.net | PTTCL | 100 | Subsidiaries | Oil Marketing |
| 2 Subic Bay Energy Company Limited Brand-Rex compound, Argonaut Hi-way Boton Area, Subic Bay Freeport Zone, 2222 Philippines Tel. 6347-252-1177 Fax. 6347-252-1166 | SBECL | 100 | Subsidiaries | Oil Marketing |
| 3 PTT International Trading Pte., Ltd. 391B Orchard Road#13-10A Ngee Ann City Tower B, Singapore 238874 Tel. 65-6734-6540 | PTTT | 100 | Subsidiaries | International Oil Trading |
| 4 Retail Business Alliance Company Limited PTT Phrakhanong Office 555 Ard Narong Rd., Klongtoey, Bangkok 10260 Tel. 0-2239-7895 Fax. 0-2239-7872 | RBA | 49 | Subsidiaries | Management Service and Oil Marketing |
| 5 Thai Lube Blending Company Limited 8 th Fl., PTT Phrakhanong Office, 555 Ard Narong Rd., Klongtoey, Bangkok 10260 Tel. 0-2712-2000 ext. 7825-30 Fax. 0-2712-2000 ext. 7822 | TLBC | 48.95 | Associates | Blending and Bottling Lube Oil |

| Company | Abbreviation | Shareholding percentage | Status | Nature of Business |
|--|---------------|-------------------------|-----------------------|-----------------------------|
| 6 Vietnam LPG Company Limited Dong Nai Port, Long BinhTan Ward Bien Hoa City, Dong Nai, S.R. Vietnam Tel. (8461) 831-578 Fax. (8461) 832-008 | VLPG | 45 | Associates | Bottling and Selling LPG |
| 7 Keloil-PTT LPG Sdn.Bhd. Lot 1663, Mukim Senak, 16020 Tawang, Bachok Kelantan Darulnaim, Malaysia Tel. (609) 776-9061 Fax. (609) 776-9064 | KPL | 40 | Associates | Bottling and Selling LPG |
| 8 Petro Asia (Thailand) Company Limited 27 th Fl., Fortune-House Tower, 1, Ratchadapisek Rd., Dindaeng, Bangkok 10400 Tel. 0-2641-1616 Fax. 0-2641-1603 | PA (Thailand) | 35 | Associates | Oil Marketing |
| 9 Thai Petroleum Pipeline Company Limited 2/8 Moo11, Lumlukka District, Pathumthani 12150 Tel. 0-2533-2190-9 Fax. 0-2533-2240, 0-2533-2186 www.thapline.co.th | THAPLINE | 34.04 | Associates | Oil Pipeline |
| 10 Petro Asia (Sanshui) Company Limited Republic of China | PA (Sanshui) | 25 | Associates | Oil Marketing |
| 11 Petro Asia (Huizhou) Company Limited Republic of China | PA (Huizhou) | 25 | Other Related Parties | Bottling and Selling LPG |
| 12 Introplane Services Company Limited 171/2 Moo 10 Vibhavadi Rangsit Rd., Donmuang, Bangkok 10210 Tel. 0-2565-3811-8 Fax. 0-2565-3946 | IPS | 16.67 | Other Related Parties | Aircraft Refuelling Service |
| 13 Petro Asia (Shantou) Company Limited Republic of China | PA (Shantou) | 15 | Other Related Parties | Oil Marketing |
| 14 Bangkok Aviation Fuel Service Public Company Limited 171/2 Moo 10 Vibhavadi Rangsit Rd., Donmuang, Bangkok 10210 Tel. 0-2565-3811-8 Fax. 0-2565-3825 www.bafsthai.com | BAFS | 7.06 | Other Related Parties | Aircraft Refuelling Service |
| 15 Fuel Pipeline Transportation Company Limited 424 Moo 11 Vibhavadi Rangsit Rd., Donmuang, Bangkok 10210 Tel. 0-2929-5555 Fax. 0-2574-6101 www.fpt.co.th | FPT | 2.76 | Other Related Parties | Oil Pipeline |

| Company | Abbreviation | Shareholding percentage | Status | Nature of Business |
|---|--------------|-------------------------|-------------------------|----------------------------|
| Petrochemicals and Refining Business Group | | | | |
| 1 PTT Chemical Public Company Limited 14 th and 18 th Fl., Sun Towers A Bldg., 123, Vibhavadi Rangsit Rd., Chatuchak Bangkok 10900 Tel. 0-2265-8100 Fax. 0-2265-8111 www.pttchem.com | PTTCH | 50.03 | Subsidiaries | Petrochemical |
| 2 PTT Polyethylene Company Limited 32 nd Fl., Sun Towers B Bldg., 123, Vibhavadi Rangsit Rd., Chatuchak, Bangkok 10900 Tel. 0-2273-8700 Fax. 0-2273-7888 www.pttpe.com | PTTPE | 50 | Subsidiaries | Petrochemical |
| 3 Bangkok Polyethylene Public Company Limited PTT Phrakhanong Office, 555, Ard Narong Rd., Klongtoey, Bangkok 10260 Tel. 0-2348-6789 Fax. 0-2348-6700-1 www.bpe.co.th e-mail: bpe@bpe.co.th | BPE | 50 | Subsidiaries | Polymer Product Marketing |
| 4 PTT Polymer Marketing Company Limited PTT Phrakhanong Office, 555, Ard Narong Rd., Klongtoey, Bangkok 10260 Tel. 0-2537-3604 Fax. 0-2537-3045 | PTTPM | 50 | Subsidiaries | Polymer Product Marketing |
| 5 The Aromatics (Thailand) Public Company Limited 2 nd Fl., PTTEP Office Bldg., 555, Vibhavadi Rangsit Rd., Chatuchak, Bangkok 10900 Tel. 0-2537-5700 Fax. 0-2936-3097 www.aromatics.co.th | ATC | 49.99 | Associates | Petrochemical |
| 6 PTT Phenol Company Limited 32 nd Fl., Sun Towers B Bldg., 123, Vibhavadi Rangsit Rd., Chatuchak, Bangkok 10900 Tel. 0-2273-8800 Fax. 0-2273-8878 | PPCL | 40 | Subsidiaries | Petrochemical |
| 7 Thai Petrochemical Industry Public Company Limited TPI Tower, 26/56 Chan Tat Mai Rd., Sathorn, Bangkok 10120 Tel. 0-2678-5000 Fax. 0-2678-5001-5 www.tpi.co.th | TPI | 31.5 | Associates and Refining | Petrochemical and Refining |

| Company | Abbreviation | Shareholding percentage | Status | Nature of Business |
|--|--------------|-------------------------|-----------------------|---------------------|
| 8 Rayong Refinery Public Company Limited No.8, 1-8 Road, Map Ta Phut Industrial Estate, Muang District, Rayong 21150 Tel. 0-3868-4290 Fax. 0-3868-4294 | RRC | 100 | Subsidiaries | Refining |
| 9 Thai Oil Public Company Limited 12 nd Fl., Suntowers B Bldg., 123, Vibhavadi Rangsit Rd., Chatuchak, Bangkok 10900 Tel. 0-2617-8300 Fax. 0-2617-8299 www.thaioil.co.th | TOP | 49.54 | Associates | Refining |
| 10 Star Petroleum Refining Company Limited No. 1, 1-3 B Road, Map Ta Phut Industrial Estate, Muang District, Rayong 21150 Tel. 0-3869-9000 Fax. 0-3869-9058 | SPRC | 36 | Associates | Refining |
| 11 Bangchak Petroleum Public Company Limited 210 Sukhumvit Rd., Phrakhanong, Bangkok 10260 Tel. 0-2335-4999 Fax. 0-2335-4009 www.bangchak.co.th | BCP | 7.6 | Other Related Parties | Refining |
| Others Business Group | | | | |
| 1 Energy Complex Company Limited 6 th Fl., PTT Office Bldg., 555, Vibhavadi Rangsit Rd., Chatuchak, Bangkok 10900 Tel. 0-2537-2390 Fax. 0-2537-2399 | EnCo | 50 | Subsidiaries | Commercial Business |
| 2 PTT Mart Company Limited | PTTMART | 49 | Other Related Parties | Management Service |
| 3 Dhipaya Insurance Public Company Limited 63/2 Rama 9 Rd., Huaikhwang, Bangkok 10320 Tel. 0-2248-0059 Fax. 0-2248-7849 www.dhipaya.co.th | TIP | 13.33 | Other Related Parties | Insurance |

Revenues Structure of PTT and Subsidiaries Separated by Products

| Products/Services | Operated by | % Shareholding of the Company | Restated | | Audited | | Audited | |
|--|---|-------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | | | Year 2003 | | Year 2004 | | Year 2005 | |
| | | | Million baht | % | Million baht | % | Million baht | % |
| 1. Natural Gas Products | PTT Plc. (Natural Gas Business Group) | | 137,536.60 | 27.14 | 153,541.61 | 22.56 | 178,518.61 | 18.58 |
| | PTT Plc. (Oil Business Group) | | 20,789.36 | 4.10 | 23,884.85 | 3.51 | 29,387.75 | 3.06 |
| | PTT Exploration and Production Plc. (PTTEP) | /1 | 26,653.20 | 5.26 | 29,981.49 | 4.40 | 35,433.44 | 3.69 |
| | PTT Natural Gas Distribution Co., Ltd. (PTTNGD) | 58.00 | - | - | 1,652.55 | 0.24 | 2,605.46 | 0.27 |
| | Less Revenues from PTTEP - Natural Gas | | (24,230.16) | (4.78) | (26,314.75) | (3.87) | (30,377.44) | (3.16) |
| | Less Petroleum Royalties | | (4,021.07) | (0.79) | (5,667.98) | (0.83) | (8,981.95) | (0.93) |
| Total Revenues from Natural Gas Products | | | 156,727.93 | 30.93 | 177,077.77 | 26.02 | 206,585.87 | 21.50 |
| 2. Oil Products | PTT Plc. (Oil business Group) | | 284,120.37 | 56.07 | 383,966.40 | 56.41 | 586,330.55 | 61.03 |
| | PTTEP Plc. | | 8,473.47 | 1.67 | 17,813.27 | 2.62 | 32,921.60 | 3.43 |
| | Less Revenues from PTTEP - Crude | | (7,869.95) | (1.55) | (16,843.25) | (2.47) | (25,644.32) | (2.67) |
| | PTT Philippines, Inc. (PTTPI) | 100.00 | 442.70 | 0.09 | 196.01 | 0.03 | - | - |
| | PTT Internation Trading Pte., Ltd. (PTTT) | 100.00 | 8,639.63 | 1.70 | 6,756.74 | 0.99 | 19,196.90 | 2.00 |
| | PTT (Cambodia) Co., Ltd. (PTTCL) | 100.00 | 474.78 | 0.09 | 796.42 | 0.12 | 1,277.65 | 0.13 |
| | Retail Business Alliance Co., Ltd. (RBA) | 49.00 | - | - | 31.59 | 0.00 | 196.90 | 0.02 |
| | SUBIC | 100.00 | - | - | 9,352.57 | 1.37 | 12,624.41 | 1.31 |
| | Rayong Refining Plc. (RRC) | 100.00 | - | - | 20,954.55 | 3.08 | 28,435.17 | 2.96 |
| Thai Lube Base Plc. (TLB) | 55.00 | - | - | 1,817.68 | 0.27 | - | - | |
| Total Revenues from Oil Products | | | 294,281.00 | 58.07 | 424,841.98 | 62.42 | 655,338.86 | 68.21 |
| 3. Petrochemical Products | PTT Plc. (Oil Business Group) | | 23,836.40 | 4.70 | 41,176.74 | 6.05 | 52,678.03 | 5.48 |
| | Bangkok Polyethylene Plc. (BPE) | 50.00 | - | - | 1,597.06 | 0.23 | 5,323.54 | 0.55 |
| | PTT Polymer Marketing Co., Ltd. (PTTPM) | 50.00 | - | - | - | - | 6,941.29 | 0.72 |
| | PTT Chemical Plc. (PTTCH) | 50.03 ³ | - | - | - | - | 2,848.50 | 0.30 |
| | Thai Olefins Plc. (TOC) | /2 | 14,868.08 | 2.93 | - | - | - | - |
| Total Revenue from Petrochemical Products | | | 38,704.48 | 7.64 | 42,773.80 | 6.28 | 67,791.36 | 7.06 |
| Total Revenue | | | 489,713.41 | 96.64 | 644,693.55 | 94.72 | 929,716.09 | 96.76 |
| 4. Other Revenues | | | | | | | | |
| 4.1 Other Revenues | | | 5,344.40 | 1.05 | 8,788.84 | 1.29 | 9,434.98 | 0.98 |
| 4.2 Gain (Loss) on foreign exchange | | | 1,334.65 | 0.26 | 425.67 | 0.06 | 0.69 | 0.00 |
| Total Other Revenues | | | 6,679.05 | 1.32 | 9,214.51 | 1.35 | 9,435.67 | 0.98 |
| 5. Share of net income (loss) from Investments under Equity Method | | | 10,342.21 | 2.04 | 26,741.97 | 3.93 | 21,651.26 | 2.25 |
| Grand Total | | | 506,734.67 | 100.00 | 680,650.03 | 100.00 | 960,803.02 | 100.00 |

¹ PTT owned 63.61%, 65.98%, and 66.32% Equity Interest in PTTEP in 2003, 2004, and 2005 respectively.

² In 2003, TOC was PTT's subsidiary, 63.03% Equity Interest, until October 2003 and change to PTT's associated company after wards.

³ On 7 December 2005, NPC and TOC submitted the filling to the Securities and Exchange of Commission and the Stock Exchange of Thailand to seek their approvals of the amalgamation between NPC and TOC to PTT Chemical Public Company Limited (PTTCH) and has received their approvals. After the amalgamation, PTT owns 50.03% equity interest in PTTCH and PTTCH becomes PTT's subsidiary.

▶ Connected Transactions

Connected transactions resulted from contractual agreements of the following types:

(1) Transactions between PTT and state enterprises

Type of Transaction

On 26 November 2002, the cabinet has the resolution that, government agencies and state enterprises to purchase fuel equal to or above 10,000 liters can only purchase from either PTT or Bangchak Petroleum Plc, therefore, PTT as national petroleum company has sold fuels products to the following state enterprises: EGAT, Bangkok Mass Transit Authority (BMTA), and State Railway of Thailand (SRT). Should a state enterprise have outstanding debts to PTT, PTT can levy interests on such outstanding debts.

(2) Transactions between PTT and affiliated company - PTTEP Plc

Type of Transaction

PTT entered into long-term purchase agreements with PTTEP for crude oil, natural gas, LPG, and condensate, effective when time the latter started production. The transactions abided by petroleum supply agreements through each project's life. In 2005, PTTEP supplied 87.20% of its production to PTT at the same price as other companies supplied to PTT.

(3) Transactions between PTT and affiliated refining companies

Type of Transaction

PTT entered into crude oil and refined product supply agreements with its affiliated refining companies at the rates corresponding to its own equity interests in such refining companies. The agreements are summarized below.

Agreement with Thai Oil Plc (TOP)

PTT secures crude oil and purchases refined products equal to 49.99% of TOP's refining capacity. Through a written notice sent at least 12 months in advance, either party may revoke this agreement after the 13th year from the date of completion of its debt restructuring. Alternatively either party may revoke the contract if the contract is violated. Under the contract, PTT may purchase the refined products above 49.99% at market prices.

PTT secures crude oil for TOP under the Phet crude sales agreement, effective since 1985, for the life of the field. As for Jasmine crude sales agreement, PTT secures the crude oil supply for TOP under a one-year agreement, effective from 1 January 2006 to 31 December 2006.

Agreement with Rayong Refinery Co., Ltd. (RRC)

Under a 12-year agreement, starting from the date of commercial start-up, RRC's shareholder are required to purchase refined products from RRC at a minimum of 70% of refined production at domestic market prices. After the 12th year, the contract is assumed to be in effect until notified.

Agreement with Star Petroleum Refining Co., Ltd. (SPRC)

Shareholders of SPRC are to secure crude oil and purchase refined products from SPRC at minimum of 70% of its 126,000 bbl/d capacity - or 88,200 bbl/d - at domestic market prices. For any surplus volume, PTT and Caltex (Thai) Co., Ltd. - as shareholders - have the first right to purchase refined products at domestic market prices before offering to a third party.

Agreement with Bangchak Petroleum Plc (BCP)

PTT secures crude oil for BCP under the Phet crude sales agreement, effective since 1985, for the life of the field.

PTT secures crude oil under the Pattani crude sales agreement, effective from 26 January 2005 to 31 December 2009.

Finally, the Company has a 10-year agreement with BCP for the supply of refined oil products from 1 March 2005 to 28 February 2015, at a minimum of 130 million liters per month.

(4) Transactions between PTT and affiliates in the petrochemical business group

Transactions and agreement with PTT Chemical Plc

On 7 December 2005, PTT Chemical is established from the amalgamation between Thai Olefins Plc (TOC) and National Petrochemical Plc (NPC) by virtue of the Public Company Limited Act of 1992. The company is entitled to all the assets, liabilities, rights, duties, and responsibilities of both TOC and NPC. Moreover PTT Chemical assumed, all contractual obligations that TOC had entered into with PTT. That is, PTT supplies feedstock used in PTT Chemical's production processes, notably NGL and LPG under a 15-year agreement, effective from 1995; ethane under a four-year agreement, effective from 2000 (renewable); and ethane from its expansion project under a 15-year agreement, effective from 2005. Furthermore, a 15-year agreement for the supply of LPG and NGL, effective from 2006, was reached, whereby feedstock major prices were as agreed-based on netback pricing. In addition, PTT entered into a seven-year ethylene purchase agreement for the portion supplied by the company's expansion project, effective from the commercial start-up date, and the prices would refer to the world market prices. In 2005, PTT signed the Memorandum of Understanding with PTT Chemical to offtake 80,000 tons/year of methyl ester from Thai Oleo Chemical Co., Ltd., wholly owned by PTT Chemical.

Furthermore, PTT Chemical assumed all contractual obligations that NPC had entered into with PTT, namely supply of ethane, propane, and LPG, from gas separation plants. On 1 August 2003, a new feedstock supply agreement was reached, retroactive to 1 July 2003 and to expire on 31 December 2016, with a five-year renewable term. Under this new agreement, feedstock prices vary with those of film-grade high-density polyethylene (HDPE) in the Southeast Asian market, which reflect the entire petrochemical market chain, including the HDPE market which started its operation in 2004. The propane and LPG price structures were amended to varied with film-grade polypropylene (PP), effective from 1 January 2004 until 31 December 2016.

In addition, PTT Chemical entered into a fuel gas supply agreement as the main fuel source of electricity generation, effective from 1 January 1999. PTT would supply 22 MMcfd for the first year and an additional 11 MMcfd, effective on 1 November 2000 onward, under a 20-year agreement with a 4-year renewable term. PTT Chemical would coordinate with PTT to supply the fuel gas complied with the annual power development plan.

Transactions and agreement with Aromatics (Thailand) Plc (ATC)

PTT supplies condensate for ATC's production processes under a 15-year agreement, effective from 1998.

PTT entered into long-term "Take-or-Pay" supply agreements with ATC for all the main products, whereby ATC directly delivers these products to customers. Under the "Take-or-Pay" Agreements, PTT guarantees the minimum volumes and receives the marketing fees from ATC. Beyond the guarantees minimum volumes, "Take-and-Pay" agreement takes effect whereby at this point there is no guarantee for sales.

PTT has another product distribution agreement with ATC, namely condensate residue, light naphtha, and LPG, whereby ATC directly delivers these products to PTT's customers. The agreement lasts for 15 years for condensate residue, 15 years for light naphtha and 10 years for LPG, effective from 1997.

In addition, PTT entered into a natural gas sales agreement with ATC for ATC's fuel production processes, effective from 1999 for 11 years. A five-year discount is offered under the agreement, from 2002 to 2007, to support ATC's expansion project. Between 2002 and 2004, PTT sold a nominal volume of 0.5-2 MMcfd of natural gas to ATC, which was the small portion compared with PTT's total gas sale volume.

Policy on future connected transactions

These businesses between PTT, its affiliates, related associated companies and/or shareholders, will be conducted under the normal terms of business. The pricing policy will continue to be on an arm's length basis, and the product prices supplied by PTT's subsidiaries will be at the market-based.

The disclosure of connected transactions will be in compliance with the announcement of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), as well as the accounting standard on disclosure of information on related parties or businesses, announced by the Federation of Accounting Professiona.

2005 Management Discussion and Analysis of Financial Status and Performance

In 2005, global economy continues to grow at a decelerating rate compared to last year growth, due primarily to the US and China economy in addition to the recent improvement of Europe and Japan economy. Thailand's economy, in the same situation, the growth rate was also slow down with an increase in export while import decreased. As a result petroleum consumption only increased slightly (approximate 2.1%) when compared to the previous year. Moreover there was an impact from the dramatically rise of global oil prices together with the petrochemical products prices which remained at a high level. PTT and its subsidiaries' sales revenue in 2005 was 929,716 million baht, an increase of 285,023 million baht or 44.2% from 2004. Earning before interest, tax, depreciation and amortization (EBITDA) was 114,045 million baht, an increase of 34,748 million baht or 43.8% from the same period of last year. Incomes from ordinary activities was 80,104 million baht, an increase of 17,438 million baht or 27.8% from 2004. Its net profit was 85,521 million baht, an increase of 22,855 million baht or 36.5%, due partly to the gain from debt restructuring of Rayong Refinery Public Co., Ltd (RRC) in an amount of 5,417 million baht. (For more details, please refer to the financial statements and Form 56-1)

Oil Business Unit

For 2005 performance, sales revenue increased 342,795 million baht or 73.1% due to the increase in sales volume by 11,667 million liters or 27.6% from 42,226 million liters or equivalent to 727,669 barrels per day in 2004 to 53,892 million liters or equivalent to 928,705 barrels per day in 2005, which resulted from the increase in both domestic sales and trading segment through the Oil Marketing and Oil Trading sectors together with the fact that PTT has increased its shareholding in RRC from 36% to 100%. This is with the additional of the higher average sales prices when compared to the same period of last year due to the increase in oil prices worldwide. For the 13th consecutive year, PTT has maintained its top market share of 34% in 2005.

EBITDA in 2005 increased 1,612 million baht or 28.6% due primarily to the increase in sales volume, even though the marketing margin and gross margin per unit of both domestic sales and trading segment slightly decreased. Selling and administrative expenses in 2005 increased 1,641 million baht or 17%.

Gas Business Unit

Sales revenue in 2005 increased from the same period of last year by 33,949 million baht or 19.4% due to the increase of natural gas and gas separation plants' products sales volume. The average natural gas sales volume (included natural gasoline derived from Dew Point Control Unit) increased by 221 MMcfd from 2,773 MMcfd in 2004 to 2,994 MMcfd in 2005 (calculated at heat value 1,000 BTU per cubic feet) or 8% which resulted from the increase in gas demand from Independent Power Plant (IPP) and gas separation plants (GSPs). Natural gas sales price increased in relative to the purchased price. The GSP's products sales volume, namely LPG, ethane, propane, and natural gasoline; increased from 2,748,638 tons in 2004 to 3,461,911 tons in 2005, excluding LPG's sales of 197,111 tons from the Petrochemical producers for resale. (details are as follows)

| Unit : Ton | 2005 | 2004 | Changes | % Changes |
|--------------|------------------|------------------|-----------------|--------------|
| LPG | 1,933,108 | 1,576,598 | +356,510 | +22.6 |
| Ethane | 831,893 | 546,762 | +285,131 | +52.1 |
| Propane | 221,062 | 206,802 | +14,261 | +6.9 |
| NGL | 475,848 | 418,477 | +57,371 | +13.7 |
| Total | 3,461,911 | 2,748,638 | +713,273 | +26.0 |

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

| Unit : US\$/ton | 2005 | 2004 | Changes | % Changes |
|---------------------------|-------|------|---------|-----------|
| LPG ^{1/} | 432 | 351 | +81 | +23.1 |
| Ethylene ^{2/} | 911 | 932 | -21 | -2.3 |
| Propylene ^{2/} | 956 | 850 | +106 | +12.5 |
| High Density Polyethylene | 1,035 | 964 | +71 | +7.4 |
| Polypropylene | 1,061 | 959 | +102 | +10.6 |
| Naphtha ^{3/} | 424 | 339 | +85 | +25.1 |

Note: ^{1/} Contract Prices (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 2005 increased 5,252 million baht or 14.2% due to the increase in sales volume and prices as mentioned above.

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

In 2005, PTTEP, a PTT's subsidiary, reported an increase of 17,246 million baht in sales revenues or 40.9% due to the higher average sales prices from US\$ 23.38 per BOE in 2004 to US\$ 29.37 per BOE in 2005 in addition to the higher sales volume which increased from 134,070 BOE per day in 2004 to 153,531 BOE per day in 2005. The increase in sales volume was mainly resulted from the higher sales volume of gas and condensate from the Yetagun, Pailin and Bongkot project and the increase in crude oil sales from S1, B8/32 & 9A and Nang Nuan Projects.

EBITDA in 2005 increased by 13,949 million baht or 38.6% due to the increase in sales price and volume.

Rayong Refinery Public Co., Ltd. (RRC)

In 2005, sales revenue of RRC was 144,494 million baht and EBITDA was 13,205 million baht. The utilization rate was approximately 96% and the average GRM of PTT's refining affiliates with complex type was at a level of approximately US\$ 7.7 per barrel.

Net Income : Net income 2005 increased from 2004 22,855 million baht or 36.5%

Net profit in 2005 was 85,521 million baht or 30.57 baht per share, increased from 2004 22,855 million baht or 36.5%. The increase resulted mainly from:

- The higher sales prices and volume of both gas and oil products as mentioned
- The extra gain from the debt restructuring of RRC in an amount of 5,417 million baht.
- The increase of interest expenses of 347 million baht due to the issuance of unsecured and un-subordinated debentures in 2005; 24,158 million baht and 350 million US\$.
- The increase of Income taxes by 6,889 million baht or 37% due to an increase in profit.
- The decrease of Share of net income from investment under equity method by 5,091 million baht in 2005 compared to the same period of last year as a result from the decrease of the operating performance of refinery associates due to their scheduled plant shut down, in addition to the slightly decrease of GRM when compared to the same period of last year, and the change of RRC's status from PTT's associate to subsidiary since December 2004 onward, while for 11M/2004 PTT booked RRC under equity method in share of net income from investment under equity method. Furthermore, The performance of petrochemical associates in 2005 also decreased. The performance of olefins associates improved due to the increase in both sales volume and products prices, although, there were scheduled plant shut downs for maintenance. Performance from the aromatics associates decreased due mainly to the decrease in products to feed margin resulted from the increase in raw material prices according to the increase in oil prices, even though the sales volume increased.

The Analysis of PTT and its subsidiaries' financial Status at the end of 2005 compared with the end of the year 2004

During 2005, there were changes in PTT's subsidiaries, therefore, balance sheets of PTT and its subsidiaries for the year ended December 31, 2005 included PTTEP, RRC, PTTT, PTTCL, RBA, PTT NGD, SBECL, BPE, PTTPE, PTTLNG, Enco, PTTTPM, PPCL, PTTUT, PTTCH, TTM(T), TTM(M) and DCAP

Assets

In 2005, total assets was 649,807 million baht, increased by 162,580 million baht or 33%. Current assets increased by 26,390 million baht, mainly due to the increase in cash and cash equivalents in an amount of 22,204 million baht, accounts receivable of 31,903 million baht and inventory of 12,357 million baht, despite the decrease in current investments by 51,199 million baht. Non current assets increased by 136,191 million baht mainly from the increase in property, plant and equipment-net of 115,400 million baht; which consists of the increase in PTT's GSP5 of 34,670 million baht and the increase in the subsidiaries' of 80,730 million baht from PTTEP's investment, the consolidation of PTTCH, and the Investments accounted for under equity method of 11,667 million baht.

Liabilities

Total liabilities was 371,374 million baht, increased by 69,062 million baht or 23%. Current liabilities increased by 9,099 million baht due mainly to the increase in trade accounts payable by 31,723 million baht, accrued expenses by 11,120 million baht, Income tax payable by 8,617 million baht. Meanwhile, current portion of long term loan decreased by 36,862 million baht due mainly to the repayment of RRC's debt as part of the debt restructuring. Non-current liabilities increased by 59,963 million baht according to the increase of long-term loans

by 57,079 million baht. The long-term loans increased owing to the increase of PTT's long term loans of 31,277 million baht and the increase of PTTCH's loan of 21,085 million baht after the consolidation by the end of 2005. Moreover the deferred tax liabilities increased by 2,428 million baht.

Shareholders' Equity

Total shareholders' equity was 278,433 million baht, increased from 2004 by 93,518 million baht or 51%. PTT's shareholder's equity increased 66,443 million baht due to its net income of 85,521 million baht. Moreover PTT and its subsidiaries paid the dividend to the shareholders of 22,304 million baht. In addition, minority interest increased 27,075 million baht due mainly to the increase of subsidiaries' performance and the consolidation of PTTCH as mentioned.

Liquidity

During the 12 month period of 2005, net increase in cash and cash equivalents of PTT and its subsidiaries was 8,494 million baht, derived from net cash flow from operating activities of 89,851 million baht, net cash used in investing activities of 52,736 million baht, net cash used in financing activities of 28,400 million baht, cash and cash equivalents at the beginning of the period of 51,237 million baht, cash and cash equivalents of the associates and joint ventures transformed to be subsidiaries and investments in an amount of 13,710 million baht, resulted that cash and cash equivalents at the end of the period was 73,441 million baht.

PTT and its subsidiaries has strong financial position, its interest coverage ratio increased from 10.09 times in 2004 to 14.10 times in 2005, the total debt to equity decreased from 1.63 times in 2004 to 1.33 times in 2005.

Future projects

PTT's investment plan shall focus in gas businesses of which are the massive investments in order to increase its value added and to support the growth of gas demand which grows along with economic expansion. Power industry is the major gas usage, which demand is projected to grow by 6% per annum during the next five year (2006-2010), therefore PTT plans to supply gas procurement both domestic and international sources in addition to the investments in natural gas pipeline network in comply with the Third Master Plan. PTT's investment shall be in gas pipeline both on-shore and off-shore totaling 11 projects i.e. the third natural gas pipeline, the Sainoi-North and South power plant gas pipeline etc, therefore PTT's pipeline capacity has been increased 1,860 MMcfd and 2,300 MMcfd, respectively. The internal rate of return on equity (IRROE) of each project under the Third Master Plan is 16%.

In order to create higher value added for natural gas and higher benefits throughout the value chain, therefore, PTT has plan to invest in the Ethane plant and GSP6, the capacity of 700-800 MMcfd (IRROE not less than 15%). The production from the Ethane plant will be the feedstock for 1,000,000 tones per year Ethane cracker project of PTT Polyethylene Co.,Ltd (PTTPE), a co-investment of PTT and NPC (NPC amalgamated with TOC under the name PTT Chemical Plc. or PTTCH) which support the expansion of downstream petrochemical business. In additional, PTT encourage the use of Natural Gas for Vehicle (NGV) due to its purity and environment friendly substance.

Refer to the Risk Factors for additional information relating to other factors that could affect project implementation

Risk Factors

As a result of PTT's continuous risk management efforts, risk factors previously identified have been reasonably managed. New risk factors, however, have been identified and these have been managed under the current year's risk management plan. Therefore, PTT has improved its risk analysis to better reflect risks associated with petroleum and petroleum-related industries. Apart from the risk factors related to its business in general, other risk factors are as follows:

1. Strategic Risks

1.1 Administration and Management of PTT Group of Companies

Because PTT has continually expanded its investment through various business group, the management structure of PTT's Group of Companies has become more complicated. Without effective and efficient management and supervision of the Group, PTT and its affiliates may develop inconsistent strategies and end up competing among themselves, thereby hurting PTT's overall business performance.

As a result, the Company has focused on the administration and management of the organization in a group structure known as the PTT Group. PTT executives have been appointed presidents or senior executives in PTT affiliates to create consistency in policies, strategies, and business directions and closely supervise business expansion of these affiliates. In addition, executives of PTT and its affiliates drafted a master strategic plan together as a guideline for developing business plans for each business group.

1.2 Personnel Management System in Support of Business Expansion

In response to continual business expansion and the policy to create competitiveness in international trading, the Company must adequately prepare all of its resources, especially its personnel. If human resource management and business expansion lack consistency, PTT's business performance and competitiveness may be negatively affected.

Likewise, the Company manages its human resources using a group structure (the PTT Group) to maximize the sharing of talent and experience among PTT and all affiliates. Human resource staff work with upper management in developing plans for personnel training and development. Competency-based management and career management serve as vital tools for human resource development at PTT.

2. Business Risks

2.1 Gas Sales Agreements and Take-or-Pay Conditions

In all gas sales agreements, PTT is obliged to an annual minimum quantity purchase. If the Company cannot accept delivery of the quantity stipulated it is still required to make payment. This is known as a "take-or-pay" condition. However, PTT is entitled to take delivery of pre-paid gas (or known as "make-up") in subsequent years as long as the Company paid the minimum contracted amount for the purchase year. This "Take-or-pay" requirement has the potential to create an adverse impact on PTT's financial and operating performance.

To efficiently manage its purchase of gas under take-or-pay agreements, PTT ensures that the sale/purchase contracts signed with the customers will be corresponding to such conditions. Moreover, it constantly monitors the demand for gas and revises the days on which PTT accepts deliveries. This is to ensure that the supply of gas corresponds with customer demand and the completion dates for construction of gas transmission pipelines.

2.2 Revision of fee for Gas Supply Procurement, Distribution, and Pipeline Throughput Tariffs

The tariffs charged for pipeline throughput and fees for the procurement and distribution of natural gas have been approved by the National Energy Policy Council (NEPC). The current pipeline tariffs are in effect from 2001 to 2005. However, the upcoming revision in 2006 could result in a higher fee than what PTT has proposed. Depending on economic and social conditions, the government may change the formulas for the tariffs, which could impact PTT's business growth, financial standing, and operating performance.

To ensure suitable throughput tariffs, the Company constantly monitors energy situations and gas consumption. It also continually revises plans for the expansion of its gas pipeline networks in line with the master plan for gas transmission so that the demand for gas may be efficiently met. On 23 December 2004, NEPC approved the revision of PTT's Master Plan for the Third Natural Gas Pipeline System, effective 2001 - 2010, which would serve as the framework for construction of future gas pipeline systems.

2.3 Product Price Fluctuation

Sales prices for the products of PTT and its affiliates in domestic and foreign markets reflect prices in the international market. The prices of natural gas, condensate, crude oil, refined petroleum products, and petrochemicals have proved highly volatile because of factors beyond the Company's control and have affected PTT's business, financial standing, planning, investment, and operating performance.

To mitigate this risk, PTT made long-term agreements with its business partners to establish price targets, quantity targets, and the risk management period. All transactions involving derivatives are carried out in consistency with PTT's actual stocks of oil so as to lock in a definite margin. PTT also closely monitors the world oil market, constantly updates its risk management tools, and regularly provides training for personnel responsible for domestic and foreign trading.

2.4 PTT's Performance Being Subject to PTTEP's Performance

PTTEP's performance is determined by its petroleum reserves, the risk of unprofitable wells, and the revision of proved petroleum reserves. All these could significantly affect the performance of both PTTEP and PTT. In addition, PTTEP has expanded its investment in overseas petroleum exploration and production projects and these involve potential economic and political risks.

Nevertheless, PTTEP's proved reserves are inspected and assessed annually using a method that is standard among petroleum exploration and production companies around the world. PTTEP also takes into account foreign investment risks in its return-on-investment analysis and works closely with the Ministry of Foreign Affairs to monitor international situations.

2.5 Certain Assets Not Being under Legal Execution

Assets of the Company acquired through legal expropriation under real estate expropriation laws, whether before or after the privatization into PTT Plc, and PTT's assets under the petroleum transmission pipeline system are free of legal execution. Note that, under Thai law, government assets cannot be subjected to confiscation or legal execution, whether before or after the verdict.

2.6 Government Action Creating Potential Conflicts of Interest with Shareholders

PTT's retention of its state-enterprise status with the Ministry of Finance serving as the major controlling shareholder does not always prove advantageous to the Company's business objectives. The government has previously used, or can use, PTT as its tool to achieve national, social or economic objectives. As long as this status remains, PTT cannot ensure that it will not have to respond to government policies rather than to the business environment.

2.7 Use of Raw Water in Petrochemical Plants, Refineries, and Gas Separation Plants

Most of the plants belonging to the PTT Group are located in Map Ta Phut Industrial Estate, Rayong. They require large volumes of water for cooling purposes. If there is a water shortage some plants might have to suspend or curtail production. This would, inevitably, lower PTT's revenue.

In preparation for such an occurrence, the PTT Group has, as a short term measure, secured nearby water sources, arranged desalination resources so as to be able to make use of sea water, and arranged for transportation of fresh water by boat and truck from other bodies of water. Long-term measures include securing reserve water sources, investigating the economic feasibility of reverse osmosis/desalination systems, and investigation of air cooling or seawater cooling to replace conventional cooling systems. In addition, PTT has monitored the drought situation in 2005 and closely coordinated with the public sector to ensure the Company's ability to manage the potential impact of a water shortage.

3. Project Execution Risks

3.1 Development of Gas Transmission Pipeline System and Gas Separation Plants, Including Continuous Rise in Projected Gas Consumption

Factors affecting the Company's business expansion include the amount of natural gas consumption, the ability to expand its natural gas pipeline system and create value, coverage of its gas pipeline system, and its gas separation capacity. Projects may experience delays for various reasons, for instance, delays in identifying construction contractors, procurement of long-lead items, approval from the government, and the preparation of environmental impact assessment (EIA) reports. Delays in project completion could hurt PTT's financial and operating performance.

Therefore, the Company pays close attention to the critical path approach, that is, tackling tasks most critical to each project's timing and success. These include accelerating the hiring of construction contractors, closely monitoring the procurement of construction materials, developing measures to reduce environmental impacts, monitoring and analyzing impacts on project management, appointing a community relations task group to develop plans for public participation in each project, and devising plans and measures to minimize the impact of potential project delays.

4. Operation Risks

4.1 Potential Hazards from Operations

There are many potential hazards in the exploration, production, and transportation of natural gas, crude oil, petrochemicals, and refined petroleum products. They include fires, explosions, oil spills, well blowouts, gas pipeline leakages, dispersion of hazardous gases, terrorist activities, natural disasters, actions of external parties, and other unpredictable events. These hazards could prove detrimental to the personnel, assets, environment, business operations, reputation, financial standing, and business opportunities of the Company.

PTT takes risk management seriously by adopting preventive maintenance measures for its production facilities and by giving attention to emergency and crisis response preparedness. As do other companies in the petroleum and petrochemical industries, the Company has taken out insurance to protect its major operating assets against potential risks as well as business interruption.

4.2 Environmental and Safety Regulations

All business operation conducted by the PTT Group must comply with relevant laws and regulations

concerning the environment and safety. Currently, domestic laws and regulations are more lenient than those in industrialized countries. However, future changes, including changes to the enforcement of such laws and regulations, may restrict the Company's operations or significantly raise operating costs. Furthermore, community acceptance or rejection of any PTT operation could harm the Company's future business and ability to raise revenue.

To address these risks, PTT monitors and analyzes the impact of changes in environmental and safety laws and regulations on its operations. The Company also closely coordinates with government agencies, uses available information to develop work plans and response measures, and ensures ongoing community relations activities in operating areas.

5. Financial Risks

5.1 Fluctuation of the Baht

Since PTT and its affiliates have outstanding foreign debts, changes in the exchange rate between the baht and the US dollar can have both direct and indirect effects on PTT's income. Such currency fluctuations as well as related government economic policies could affect the Company's financial and operation performance.

To mitigate this effect, PTT balances its foreign debts with its revenue from foreign currencies (in short, taking a natural hedge). It also manages its foreign currency deposits and purchases foreign currency forward to match the quantity of foreign currency required for debt repayment and payment for imported natural gas and crude oil. PTT is developing a Treasury Policy for use as a common guideline in all companies within the PTT Group.

5.2 Financial Support to Affiliated Companies

In the past, and particularly during the recent Asian economic crisis, PTT provided financial support to its affiliates under the Shareholder Support Agreement. In addition, it worked with the executives, creditors, and other major shareholders of these affiliates on debt restructuring. Despite the improved performance of most affiliates since 2003, PTT cannot ensure that these companies will be able to repay their debts to PTT, that they would not experience any more financial problems, or that they would not need PTT's financial support in the future. The financial conditions of PTT affiliates do have some impact on PTT's financial and operating performance.

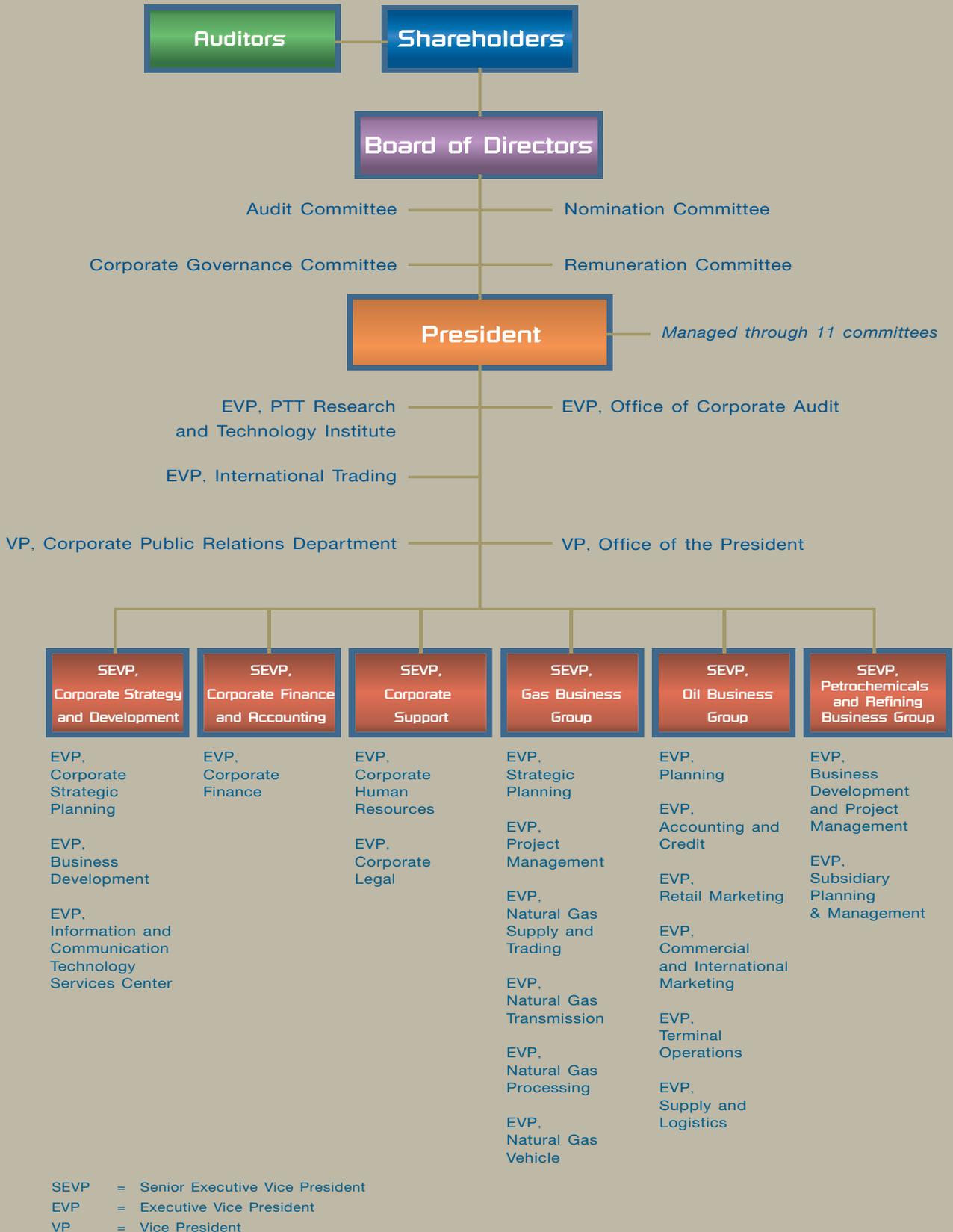
To address this risk, PTT has played a leading role in promoting debt restructuring among its affiliates and has issued a policy to refrain from providing additional financial support unless it is necessary and beneficial to its long-term success. In such cases, the Company will consider providing short-term loans and/or commercial loans, and believes that this policy will strengthen the financial conditions of PTT companies.

5.3 Acquisition of Funds for Plan Execution

The businesses of PTT—particularly petroleum exploration and production, natural gas transmission, and the petrochemical business—require massive investment. In practice, although PTT closely monitors and manages risk, the amount of actual investment capital required may deviate from project plans due to factors beyond its control. This deviation could affect the success and capital costs of projects.

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

Organization Chart



▶ PTT Board of Directors



Mr. Cherdpong Siriwit Age 59

(%) Share Holding None

Education/Training

- B.A. (Hons.) (Economics), Thammasat University
- M.A.(Economics), Georgetown University, U.S.A.
- The National Defense Course, The National Defense College (Class 40)
- Politics and Governance in Democratic Systems for Executives Course, King Prajadhipok's Institute (Class 5)
- Thai Institute of Directors Association (IOD) 2004 : DAP: Chairman 2000/Finance for Non - Finance Director

Work Experience

- 2000 - 2001 : Director General, Department of Mineral Resources, Ministry of Industry
- 2001 - 2002 : Secretary General, Thai Industrial Standards Institute, Ministry of Industry
- 2002 : Deputy Permanent Secretary, Ministry of Industry
- 2002 - Present : Permanent Secretary, Ministry of Energy

Positions in Other Companies / Organizations Related to PTT

- Chairman of the Board, PTT Exploration and Production Public Company Limited
- Chairman of the Board, Thai Oil Public Company Limited
- Chairman of the Board, PTT Chemical Public Company Limited
- Chairman of the Board, Ratchaburi Electricity Generating Holding Public Company Limited
- Chairman of the Board, Rayong Refinery Public Company Limited
- Chairman of the Board, Thaioil Power Company Limited

Chairman



Gen. Dr. Chaisuk Ketudat Age 63

(%) Share Holding None

Education/Training

- B.Sc. (Army), Chulachomkloa Royal Military Academy
- Instructor Pilot Class 8 - ARMY Aviation Center
- Command and General Staff College (Class 56)
- M.A. (Military Science)
- Ph.D. (Education), Chulalongkorn University
- Thai Institute of Directors Association IOD 2004 : DCP: Developing CG / Board Performance Evaluation

Work Experience

- 2001 : Defense Inspector General
- Present : Honorary Advisor to the Prime Minister

Positions in Other Companies / Organizations Related to PTT

- Director of the Board, Rayong Refinery Public Company Limited

Independent director and Chairman of the Corporate Governance Committee

(%) Share Holding None

Education/Training

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

Work Experience

- 1982 - 2001 : President and Chief Executive Officer, the Siam Commercial Bank Public Company Limited
- : Advisor to Management Board, the Siam Commercial Bank Public Company Limited
- Present : Council Member, Shinawatra University
- : Honorary Advisor to Fiscal Policy Research Institute (FPRI)

Positions in Other Companies/Organizations Related to PTT

- Director of the Board, Thai Oil Public Company Limited
- Director of the Board, PTT Chemical Public Company Limited



Independent director and Chairman of the Audit Committee

Dr. Olarn Chaipravat Age 61

(%) Share Holding None

Education/Training

- B.A. (History & Political Science), University of Kansas, U.S.A.
- M.A. (Political Science), University of Wisconsin at Madison, U.S.A.
- M.A. (Ibero - American Studies), University of Wisconsin at Madison, U.S.A.
- Ph.D. (Political Science), University of Wisconsin at Madison, U.S.A.
- Thai Institute of Director Association (IOD) 2004 : DAP / Developing CG

Work Experience

- Present : Deputy Director Institute of East Asian Studies, Thammasat University
- : Assistant Professor, Faculty of Political Science, Thammasat University

Positions in other companies / organization related to PTT None



Independent Director, Remuneration Committee Member, and Corporate Governance Committee Member

Dr. Pisanu Sunthraraks Age 51



(%) Share Holding 0.000352

Education/Training

- B.A. (Economics), Chulalongkorn University
- M.A. (Economics), California State University, U.S.A.
- Certificate of Senior Executive Development Program (Class 12)
- The National Defense Course, The National Defense College (Class 39)
- Thai Institute of Directors Association (IOD) 2004 : DAP/ Finance for Non - Finance Director

Work Experience

- 2001 - 2002 : Secretary General Board of Investment
- 2002 - 2004 : Secretary General, National Economic and Social Development Board
- 2004-Present : Permanent Secretary, Ministry of Industry

Positions in Other Companies / Organizations Related to PTT

- Director of the Board, Thai Oil Public Company Limited

Mr. Chakramon Phasukavanich Age 57 Independent Director and Nominating Committee Member



(%) Share Holding None

Education/Training

- LL.B. (Hons.), Thammasat University
- Barrister at law, Thai Bar Association
- LL.M, Tulane University, U.S.A.
- Provincial Chief Public Prosecutor Training, (Class 1)
- Certificate on Crime Prevention and Treatment of Offenders (UNAFEI, Japan)
- Diploma of the Course on Justice Administration for the Executives, (Class 1)
- The National Defense Course, The National Defense College (Class 38)
- Politics and Governance in Democratic System for Executive Course, King Prajadhipok's Institute (Class 5)
- Thai Institute of Directors Association (IOD) 2003 : DCP: 2004 / Developing CG/ Finance for Non-Finance Director 2005 : ACP

Work Experience

- 2001 - Present : Deputy Attorney General

Positions in Other Companies / Organizations Related to PTT

- Director of the Board, Thai Oil Public Company Limited
- Director of the Board, Sub-Commission on Civil Service, Ministry of Energy

Mr. Prapun Naigowit Age 58 Independent Director, Audit Committee Member, and Corporate Governance Committee Member

(%) Share Holding

None

Education/Training

- LL.B., Thammasat University
- M.A. (Public and Private Management), National Institute of Development Administration
- Barrister at law, Thai Bar Association
- The National Defense Course, The National Defense College (Class 38)
- Thai Institute of Directors Association (IOD) 2005 : DAP

Work Experience

- 1999 - Feb. 2006 : Permanent Secretary, Ministry of Justice
- Present : Permanent Secretary, Ministry of Labour

Positions in Other Companies / Organizations Related to PTT

- Director of the Board , Thai Oil Public Company Limited



Director and Chairman of the Remuneration Committee

Mr. Somchai Wongsawat Age 58

(%) Share Holding

None

Education/Training

- B.A. (Accounting), Chulalongkorn University
- LL.B., Ramkhamhaeng University
- The National Defense Course, The National Defense College (Class 46)

Work Experience

- 2002 - Present : Director General, Energy Policy and Planning Office, Ministry of Energy

Positions in Other Companies / Organizations Related to PTT None



Director

Mr. Metta Banturngsuk Age 54



(%) Share holding 0.000070

Education/Training

- B.Sc. (Economics) London School of Economics and Political Science, University of London, UK
- M.Sc. (Economics) Queen Mary College, University of London, UK
- Certificate in Double Taxation, University of Southern California, U.S.A.
- Advanced Management Program, Harvard University, U.S.A.
- Thai Institute of Directors Association (IOD) 2005 : DAP

Work Experience

- 2000 - 2004 : Director-General, Revenue Department
- 2004 - Present : Permanent Secretary, Ministry of Finance

Positions in Other Companies/Organization Related to PTT None

Mr. Suparat Kawatkul Age 54

Independent Director and Chairman of the Nominating Committee



(%) Share Holding None

Education/Training

- B.A., Kasetsart University
- M.S. (Economics), Northeastern University, U.S.A.
- Ph.D. (Applied Economics), Clemson University, U.S.A.
- CIO 3
- The National Defense Course, The National Defense College (Class 45)

Work Experience

- 1998 - 2001 : Assistant Permanent Secretary of Ministry of Agriculture and Cooperatives
- 2001 : Inspector General of Ministry of Agriculture and Cooperatives
- 2002/2004 : Deputy Permanent Secretary of Ministry of Agriculture and Cooperatives
- 2003 : Director of the National Bureau of Agriculture Commodity and Food Standards (ACFS)
- 2004 - Present : Secretary General of the Office of National Economic and Social Development Board

Positions in Other Companies/Organization Related to PTT

- Director of the Board, Rayong Refinery Public Company Limited

Dr. Ampon Kittiampon Age 50

Independent Director and Nominating Committee Member

(%) Share Holding None

Education/Training

- B.A. (Economics), Yale University, U.S.A.
- M.A. (Economics), Yale University, U.S.A.
- Ph.D. (Political Economy), Amsterdam University, the Netherlands
- Thai Institute of Directors Association (IOD) 2005 : DCP / Finance for Non-Finance Director/ ACP/ Director Forum/ Fostering a Board and Management Team

Work Experience

- 2001 - 2003 : Advisor to the Deputy Minister of Finance
- 2002 : Advisor to the Office of the Prime Minister
- 2003 - 2004 : Vice Minister for Finance Ministry
- 2004 - Present : Vice Minister for the Office of the Prime Minister

Positions in Other Companies/Organization Related to PTT

- Director of the Board, Rayong Refinery Public Company Limited



Independent Director and Audit Committee Member

Dr. Phadhadej Dhamcharee Age 54

(%) Share Holding 0.000141

Education/Training

- B.A. (Hons.) (Economics), Thammasat University
- M.A. (Economics), Thammasat University
- The National Defense Course, The National Defense College (Class 44)
- Advances Executive Program, 2004, Kellogg School of Management, Northwestern University
- Thai Institute of Directors Association (IOD) 2005 : DAP / Finance for Non-Finance / Fostering a Board and Management Team

Work Experience

- 2000 - 2001 : Deputy Director-General, Fiscal Policy Office
- 2001 - 2002 : Acting Director-General, Public Debt Management Office
- 2002 - Present : Director-General, Public Debt Management Office

Positions in Other Companies/Organization Related to PTT

- Director of the Board, Rayong Refinery Public Company Limited



Director and Remuneration Committee Member

Mrs. Pannee Sathavarodom Age 57



(%) Share Holding None

Education/Training

- B.A. (Hons.) (Economics), Thammasat University
- M.Sc. (Economics), The London School of Economics and Political Science, UK
- Ph.D. (Economics), McMaster University, Canada
- The Joint State-Private Course, The National Defense College (Class 1)
- Thai Institute of Directors Association (IOD): DCP (2001) / DAP (2003) /Finance for Non-Finance Director (2004)/ ACP/ Fostering a Board and Management Team (2005)

Work Experience

- 2001 - 2002 : Director of the Board, Metropolitan Waterworks Authority
- 2001 : Director of the Board, Bank for Agriculture and Agricultural Cooperatives
- 2003 : Advisor to the Minister of Commerce
- 2003 - 2005 : Policy Advisor to the Minister of Energy
- 1995 - Present : Associate Professsor of Economics, Faculty of Economics, Ramkhamhaeng University
- 2002 - Present : Eminent Advisor to the Prime Minister in the Field of Economics

Positions in Other Companies/Organization Related to PTT

- Director of the Board, Petroleum Committee
- Director of the Board, Rayong Refinery Public Company Limited

Dr. Suchart Thada-Thamrongvech Age 53 Independent Director and Audit Committee Member



(%) Share Holding 0.011484

Education/Training

- B.Eng. (Civil Engineering), Chulalongkorn University
- M.B.A. Utah State University, U.S.A.
- The Joint State-Private Course, The National Defense College (Class 10)
- Certificate in Advanced Management Program, Harvard Business School, U.S.A.
- Politics and Governance in Democratic Systems for Executive Course, King Prajadhipok's Institutes (Class 6)
- Thai Institute of Directors (IOD) 2004 : DAP

Work Experience

- 2000 - 2001 : President, Gas Business Group, Petroleum Authority of Thailand
- 2001 - 2003 : Senior Executive Vice President, Gas Business Group, PTT Public Company Limited
- 2003 - Present : President, PTT Public Company Limited

Positions in Other Core Affiliated Companies

- Director of the Board, PTT Exploration and Production Public Company Limited
- Director of the Board, The Aromatics (Thailand) Public Company Limited
- Director of the Board, PTT Chemical Public Company Limited
- Director of the Board, Thai Oil Public Company Limited

Mr. Prasert Bunsumpun Age 53 Director and Secretary

▶ PTT Executives

(%) Share Holding 0.011484

Education/Training

- B.Eng. (Civil Engineering), Chulalongkorn University
- M.B.A. Utah State University, U.S.A.
- The Joint State-Private Course, The National Defense College (Class 10)
- Certificate in Advanced Management Program, Harvard Business School, U.S.A.
- Politics and Governance in Democratic Systems for Executive Course, King Prajadhipok's Institutes (Class 6)
- Thai Institute of Directors (IOD) 2004 : DAP

Work Experience

- 2000 - 2001 : President, Gas Business Group, Petroleum Authority of Thailand
- 2001 - 2003 : Senior Executive Vice President, Gas Business Group, PTT Public Company Limited
- 2003 - Present : President, PTT Public Company Limited

Positions in Other Core Affiliated Companies

- Director of the Board, PTT Exploration and Production Public Company Limited
- Director of the Board, The Aromatics (Thailand) Public Company Limited
- Director of the Board, PTT Chemical Public Company Limited
- Director of the Board, Thai Oil Public Company Limited



President

Mr. Prasert Bunsumpun Age 53

(%) Share Holding None

Education/Training

- B.A. (Accounting), Thammasat University
- Certified Auditor No. 2918
- M.B.A. (Finance), Indiana University of Pennsylvania, U.S.A.
- The Joint State-Private Course, The National Defense College (Class 13)
- Honorary Degree Doctor of Philosophy (Accounting)

Work Experience

- 2001 : Deputy Governor, Finance, Petroleum Authority of Thailand
- 2001 - Present : Senior Executive Vice President, Corporate Finance and Accounting, PTT Public Company Limited

Positions in Other Core Affiliated Companies

- Director of PTT Exploration and Production Public Company Limited
- Director of the Board, PTT Chemical Public Company Limited
- Director of the Board, Thai Petroleum Pipeline Company Limited
- Director of the Board, The Aromatics (Thailand) Public Company Limited
- Director of the Board, Bangchak Petroleum Public Company Limited
- Director of the Board, Dhipaya Insurance Public Company Limited
- Director of the Board, Thai Lube Base Public Company Limited
- Director of the Board, Thaioil Power Company Limited



Senior Executive Vice President, Corporate Finance and Accounting

Mr. Pichai Chunhavajira Age 57



(%) Share Holding 0.002468

Education/Training

- B.Sc., Chulalongkorn University
- M.B.A., Thammasat University
- Certificate Harvard University

Work Experience

- 2001 - 2002 : Executive Vice President, Natural Gas Supply and Trading, Gas Business Group, PTT Public Company Limited
- 2002 - Present : Senior Executive Vice President Corporate Strategy and Development, PTT Public Company Limited

Positions in Other Core Affiliated Companies

- Director of the Board, PTT Natural Gas Distribution Company Limited
- Director of the Board, Rayong Refinery Public Company Limited
- Director of the Board, Star Petroleum Refining Company Limited
- Director of the Board, Bangkok Polyethylene Public Company Limited
- Director of the Board, Thai Lube Base Public Company Limited
- Director of the Board, PTT Polyethylene Company Limited
- Director of the Board, Independent Power (Thailand) Company Limited

Mr. Anon Sirisaengtaksin Age 53

Senior Executive Vice President, Corporate Strategy & Development



(%) Share Holding 0.000595

Education/Training

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

Work Experience

- 1998 - 2003 : Director and General Manager, PTT Natural Gas Distribution Company Limited
- 2004 - Present : Senior Executive Vice President, Corporate Support, PTT Public Company Limited

Positions in Other Core Affiliated Companies

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

Mr. Songwut Chinnawat Age 55

Senior Executive Vice President, Corporate Support

(%) Share Holding 0.004393

Education/Training

- B.Eng. (Mechanical Engineering), Chulalongkorn University
- M.E. (Industrial Engineering), Lamar University, U.S.A.
- Ph.D. (Industrial Engineering), Lamar University, U.S.A.
- Stanford Executive Program, Stanford University, U.S.A.
- The Joint State-Private Course, The National Defense College (Class 12)

Work Experience

- 2000 - 2003 : Director and President,
PTT Exploration & Production Public Company Limited
- Present : Senior Executive Vice President, Gas Business Group,
PTT Public Company Limited

Positions in Other Core Affiliated Companies

- Chairman of the Board, District Cooling System &
Power Plant Company Limited
- Chairman of the Board, Energy Complex Company Limited
- Chairman of the Board, PTT Utility Company Limited
- Chairman of the Board, PTT Natural Gas Distribution Company Limited
- Director of the Board, PTT Exploration & Production Public Company Limited
- Director of the Board, PTT LNG Company Limited
- Director of the Board, PTT Polymer Marketing Company Limited
- Director of the Board, Ratchaburi Power Company Limited
- Director of the Board, Independent Power (Thailand) Company Limited
- Director of the Board, Trans Thai-Malaysia (Thailand) Limited
- Director of the Board, Trans Thai-Malaysia (Malaysia) Limited



Senior Executive Vice President, Gas Business Group

Dr. Chitrapongse Kwangsukstith Age 56

(%) Share Holding 0.002397

Education/Training

- B.Sc. (Economics), Nathaniel Hawthorne College, U.S.A.

Work Experience

- 2001 - 2002 : Executive Vice President Commercial Marketing,
Oil Business Group
- 2002 - 2003 : Executive Vice President Retail Marketing, Oil Business Group
- 2003 - 2005 : Executive Vice President Planning, Oil Business Group
- 2005 - Present : Senior Executive Vice President, Oil Business Group

Positions in Other Core Affiliated Companies

- Director of the Board, Thai Lube Blending Company Limited
- Director of the Board, Fuel Pipeline Transportation Company Limited
- Director of the Board, Retail Business Alliance Company Limited
- Director of the Board, Energy Complex Company Limited



Senior Executive Vice President, Oil Business Group

Mr. Chaivat Churitti Age 57



Dr. Prajya Phinyawat Age 54

(%) Share Holding 0.003594

Education/Training

- B.Eng. (Civil Engineering), Chulalongkorn University
- M.S. (Civil Engineering), Stanford University, U.S.A.
- Ph.D. (Civil Engineering), University of Texas at Austin, U.S.A.
- The Joint State-Private Course, The National Defense College (Class 15)

Work Experience

- 2001 : Deputy Governor, Corporate Strategy and Development, Petroleum Authority of Thailand
- 2001 - 2002 : Senior Executive Vice President, Corporate Strategy and Development, PTT Public Company Limited
- 2002 - 2003 : Senior Executive Vice President, Corporate Support, PTT Public Company Limited
- 2004 - Present : Senior Executive Vice President, Petrochemicals & Refining Business Group, PTT Public Company Limited

Positions in Other Core Affiliated Companies

- Director of the Board, PTT Chemical Public Company Limited
- Director of the Board, The Aromatics (Thailand) Public Company Limited
- Director of the Board, Bangkok Polyethylene Public Company Limited
- Director of the Board, Rayong Refinery Public Company Limited
- Director of the Board, Thai Oil Public Company Limited

Senior Executive Vice President, Petrochemicals and Refining Business Group



Mr. Aditheb Bisalbutr Age 57

(%) Share Holding 0.001015

Education/Training

- B.Eng. (Electrical Engineering), Chulalongkorn University
- M.Eng. (Electrical Engineering), University of Houston, U.S.A.
- Certificate on Modern Marketing, Chulalongkorn University
- Thai Institute of Directors Association (IOD) 2005, DCP

Work Experience

- 1999 - 2005 : President and CEO, Thai Olefins Public Company Limited
- 2001 - Present : Senior Executive Vice President, PTT Public Company Limited
- 2005 - Present : President and CEO, PTT Chemical Public Company Limited

Positions in Other Core Affiliated Companies

- Director of the Board, PTT Utility Company Limited
- Director of the Board, PTT Phenol Company Limited
- Director of the Board, Bangkok Polyethylene Public Company Limited
- Director of the Board, PTT Chemical Public Company Limited

President, PTT Chemical Public Company Limited

(%) Share Holding 0.003594

Education/Training

- B.Eng. (Hons.) (Civil Engineering) , Chulalongkorn University
- M.S.C.E. (Civil Engineering), University of Texas at Austin, U.S.A.
- Ph.D. (Civil Engineering), University of Texas at Austin, U.S.A.
- Program for Management Development, Harvard University, U.S.A.
- Thai Institute of Directors Association (IOD) 2003, DCP

Work Experience

- 1999 - 2004 : President, National Petrochemical Public Company Limited
- 2001 - Present : Senior Executive Vice President,
PTT Public Company Limited
- Present : President, Thai Oil Public Company Limited

Positions in Other Core Affiliated Companies

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



President, Thai Oil Public Company Limited

Dr. Viroj Mavichak Age 57

Details of The Board of Directors and Management of PTT, Subsidiaries, Associates and Related Companies as of 31 December 2005

| No. | Name | Subsidiaries | | | | | | | | | | | | | | | Associates and related Companies | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----|--------------------------------|--------------|--------|--------|-----------|-----|-----|----------------------------|------|------|-------|-------|-----|-----------|------|-----|----------------------------------|-------|------|----------------------------|------|----------|---------|------|-----|-----|-------|-----|----------|---------|-----|------|-----|-----|-----|----|-----|----|---|---|---|--|
| | | Gas Group | | | Oil Group | | | Refining and Petrochemical | | | Other | | | Gas Group | | | Oil Group | | | Refining and Petrochemical | | | Other | | | | | | | | | | | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | | | | |
| | | PTEP | PTTNGD | PITLNG | PTLUT | RBA | PTT | SBEL | PTCH | PTPE | BPE | PITPM | RRC | PPCL | ETCo | IPT | ITM-T | ITM-M | DCAP | RPCL | TLBC | THAPLINE | PA-Thai | BAFS | IPS | FPT | V LPG | KPL | PA-Chana | PTTMart | ATC | SPRC | TOP | BCP | TPI | TP | TIP | | | | | |
| 1 | Mr. Cherdpong Sriwit | X | | | | | | | X | | | | X | | | | | | | | | | | | | | | | | | | | | | | | X | | | / | | |
| 2 | Mr. Suparat Kawatkul | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Mr. Sornchai Wongswat | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | Mr. Chakramon Phasukavanich | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | Dr. Phachadej Dhamcharae | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | Gen. Dr. Chaisuk Ketudat | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | Dr. Ampon Kittiampon | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8 | Dr. Olarn Chaipravat | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9 | Mr. Prapun Nagowit | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 | Mrs. Pannee Saithavardom | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11 | Mr. Metta Bantungsuk | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12 | Dr. Pisaru Suntharaks | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13 | Dr. Suchart Thada-Thamrongvech | / | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14 | Mr. Prasert Bunsumpun | O/ | / | | | | | | | / | X | / | X | / | X | X | X | X | / | / | / | | | | | | | | | | | | | | | | | | | | / | |
| 15 | Mr. Anon Srisengtaksin | // | / | | | | | | | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | |
| 16 | Mr. Pichai Chunhavanjira | // | / | | | | | | | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | |
| 17 | Mr. Songwut Chinnawat | // | / | | | | | | | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | |
| 18 | Mr. Chaivat Churitti | // | / | | | | | | | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | |
| 19 | Dr. Chitrapongse Kwangsukstith | // | / | X | / | X | / | X | / | / | / | / | / | / | X | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | |
| 20 | Dr. Prajya Phinyawat | // | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | |
| 21 | Dr. Viroj Mavichak | // | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | |
| 22 | Mr. Aditheeb Bisalbur | // | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | |
| 23 | Ms. Penchan Charikasem | // | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | |
| 24 | Ms. Pitsana Prabankhasuek | // | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | / | |

Note 1 : X = Chairman O = President / = Director // = Executive

- PTT Exploration and Production Plc.
- PTT Natural Gas Distribution Plc.
- PTT LNG Co., Ltd.
- PTT Utility Co., Ltd
- Retail Business Alliance Co., Ltd
- PTT International Trading Plc., Ltd.
- PTT (Cambodia) Co., Ltd.
- Subic Bay Energy Co., Ltd

- Independent Power (Thailand) Co., Ltd.
- Trans Thai-Malaysia (Thailand) Co., Ltd.
- Trans Thai-Malaysia (Malaysia) Co., Ltd.
- District Cooling System and Power Plant Co., Ltd.
- Ratchaburi Power Co., Ltd.
- Thai Lube Blending Co., Ltd.
- Thai Petroleum Pipeline Co., Ltd.
- Petro Asia (Thailand) Co., Ltd.
- Bangkok Aviation Fuel Service Plc.
- Introplane Services Co., Ltd.
- Fuel Pipeline Transportation Co., Ltd.
- Vietnam LPG Co., Ltd.
- Keloli-PTT LPG Sdn. Bhd.
- Petro Asia China (3 Companies)
- PTT Mart Co., Ltd.
- The Aromatics (Thailand) Plc.
- Star Petroleum Refining Co., Ltd
- Star Petroleum Refining Co., Ltd
- Introplane Services Co., Ltd.
- Bangkok Petroleum Plc.
- Thai Petrochemical Industry Plc.
- Thaioil Power Co., Ltd
- Dhipaya Insurance Plc.
- IP
- TTM (T)
- TTM (M)
- DCAP
- RPCL
- TLBC
- THAPLINE
- PA (Thailand)
- BAFS
- IPS
- FPT
- V LPG
- KPL
- PA
- PTT MART
- ATC
- SPRC
- IPS
- BCP
- TPI
- TP
- TIP

Note 2 : No. 21 Dr. Viroj Mavichak's positions held in : IPT on 12 January 2006/TOP on 1 January 2006/TP on 21 February 2006

Note 3 : No. 29 Petro Asia China (3 Companies) Comprised of Petro Asia (Sanshui) Co., Ltd., Petro Asia (Huizhou) Co., Ltd., Petro Asia (Shantou) Co., Ltd.



Shareholding and Management Structure

PTT Plc's Equity Structure

| Type of Equity | No. of Share (in Millions) | Value (million baht) | % of total Shares |
|--|-------------------------------|-------------------------|----------------------|
| Registered Capital (as of 20 July 2005) | 2,837 | 28,372 | - |
| Paid-Up Capital | 2,797 | 27,972 | 100.0 |
| - Ministry of Finance | 1,468 | 14,677 | 52.5 |
| - Vayupak Fund 1 by MFC Asset Management Plc | 218 | 2,179 | 7.8 |
| - Vayupak Fund 1 by Krung Thai Asset Management Plc | 218 | 2,179 | 7.8 |
| - Institutional and Public Investors | 893 | 8,937 | 31.9 |
| Unpaid Capital | 40 | 400 | |

The top 10 shareholders of PTT Plc as of 20 July 2005, the closing date of shareholders' roster for the Annual General Meeting (AGM) No. 1/2005 on 10 August 2005, were as follows:

| No. | Name | No. of Shares | % of Total Shares |
|-----|---|---------------|-------------------|
| 1. | Ministry of Finance | 1,467,750,743 | 52.48 |
| 2. | Vayupak Fund 1 | 435,800,000 | 15.58 |
| 3. | State Street Bank and Trust Company | 41,357,392 | 1.48 |
| 4. | Barclays Bank Plc | 35,125,000 | 1.26 |
| 5. | HSBC (Singapore) Nominees Pte., Ltd. | 32,616,368 | 1.17 |
| 6. | Nortrust Nominees Ltd. | 26,832,736 | 0.96 |
| 7. | Social Security Office | 25,041,900 | 0.90 |
| 8. | State Street Bank and Trust Company, for London | 24,652,899 | 0.88 |
| 9. | Government of Singapore Investment Corporation C. | 21,658,100 | 0.77 |
| 10. | Government Pension Fund | 21,220,550 | 0.76 |

Dividend Policy

PTT's dividend policy is to pay out at least 25% of its net profits after specified deductions. Each year's payout depends on PTT's investment plan, necessity, and future considerations. Upon approval by the Board of Directors "the Board", the annual dividend payout shall be presented to the shareholders' meeting for approval. However, for an interim dividend, the Board has the authority to pay the dividend and report the payout at the next shareholders' meeting.

Affiliated companies determine their dividends by comparing the remaining cash balance with their investment capital. If there is sufficient cash after each has set aside cash reserves as required by law, it will be able to pay out dividends.

Organizational Structure

At the top of PTT's organizational structure is the Board, which consists of four 'subcommittees': Audit Committee, Nominating Committee, Remuneration Committee, and Corporate Governance Committee. The President, the Company's top executive, manages the organization through 11 subcommittees. Details of the Company's management structure are summarized as follows:

Board of Directors

As reported in the Ministry of Commerce's certification dated 3 October 2005, the Board consists of 14 members:

- 13 non-management Directors (nine were Independent Directors, which exceeded half of the entire Board), and
- one Managing Director.

The PTT Board consists of:

| No. | Name | Position | Appointed |
|-----|--------------------------------|------------------------|--|
| 1. | Mr. Cherdpong Siriwit | Chairman | 9 April 2004 |
| 2. | Mr. Suparat Kawatkul | Director | 12 April 2005 |
| 3. | Mr. Somchai Wongsawat | Independent Director | 12 April 2005 |
| 4. | Mr. Chakramon Phasukavanich | Independent Director | 9 April 2004 |
| 5. | Dr. Phadhadej Dhamcharee | Independent Director | 12 April 2005 |
| 6. | Gen. Dr. Chaisuk Ketudat | Independent Director | 29 April 2003 |
| 7. | Dr. Ampon Kittiampon | Independent Director | 12 April 2005 |
| 8. | Dr. Olarn Chaipravat | Independent Director | 29 April 2003 |
| 9. | Mr. Prapun Naigowit | Independent Director | 29 April 2003 |
| 10. | Mrs. Pannee Stavarodom | Director | 28 July 2005 (replacing Mr. Wisudhi Srisuphan) |
| 11. | Mr. Metta Banturongsuk | Director | 9 April 2004 |
| 12. | Dr. Pisanu Sunthraraks | Independent Director | 9 April 2004 |
| 13. | Dr. Suchart Thada-Thamrongvech | Independent Director | 12 April 2005 |
| 14. | Mr. Prasert Bunsumpun | Director and Secretary | 10 August 2003 |

Note: Mr. Pala Sookawesh, a Director, resigned on 22 September 2005 following his 65th birthday anniversary.

With the approval of the Board and in accordance with the criteria of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), the Corporate Governance Committee defined an "Independent Director" as follows:

- Holds no more than 0.5% of all voting shares in PTT, its affiliates, joint ventures, or juristic persons that may impose a conflict of interest (implicitly including related persons as stated in Section 258 of the Securities and Exchange Act).

- Does not participate in the management of PTT, its affiliates, or its joint ventures; is not an employee, a regularly paid advisor, an accounting auditor, a legal consultant, other type of consultant, or a person who has control over PTT, its affiliates, or its joint ventures; is not a person of conflict; must not have acted in any of the mentioned capacities for at least two years.
- Has no business relationship with PTT, its affiliates, or its joint ventures—for example, as a customer, supplier, partner, commercial creditor/debtor, loan creditor/debtor; has no loss or gain, directly or indirectly, in the finance and management of PTT, its affiliates, or its joint ventures, or juristic persons of conflict that would lead to a lack of independence.
- Is not a close relative or related in such a way that may lead to a lack of independence—of the Management, major shareholders of PTT, its affiliates or joint ventures. Juristic persons of conflict must not be appointed to protect the interest of any Directors or major shareholders.

Share Ownership by PTT Directors in 2005

| No. | Name | No. of Shares as of 31 December | | Increase (Decrease) of Shares in 2005 | Note |
|-----|--------------------------------|------------------------------------|---------|---|----------------------------|
| | | 2004 | 2005 | | |
| 1. | Mr. Cherdpong Siriwit | - | - | - | |
| 2. | Mr. Suparat Kawatkul | - | 2,000 | - | Appointed on 12 April 2005 |
| 3. | Mr. Somchai Wongsawat | - | - | - | |
| 4. | Dr. Chakramon Phasukavanich | 10,000 | 10,000 | - | |
| 5. | Dr. Phadhadej Dhamcharee | - | - | - | Appointed on 12 April 2005 |
| 6. | Gen. Dr. Chaisuk Ketudat | - | - | - | |
| 7. | Dr. Ampon Kittiampon | - | - | - | Appointed on 12 April 2005 |
| 8. | Dr. Olarn Chaipravat | - | - | - | |
| 9. | Mr. Prapun Naigowit | - | - | - | |
| 10. | Mrs. Pantee Sathavarodom | - | 4,000 | - | Appointed on 28 July 2005 |
| 11. | Mr. Metta Banturngsuk | - | - | - | |
| 12. | Dr. Pisanu Sunthraraks | - | - | - | |
| 13. | Dr. Suchart Thada-Thamrongvech | - | - | - | Appointed on 12 April 2005 |
| 14. | Mr. Prasert Bunsumpun | 345,820 | 325,820 | (20,000) | |

Directors Whose Terms Expired or Resigned in 2005

| No. | Name | No. of Shares as of 31 December | | Increase (Decrease) of Shares in 2005 | Note |
|-----|----------------------------|------------------------------------|---------|---|-------------------------------|
| | | 2004 | 2005 | | |
| 1. | Mr. Manu Leopairote | 380,000 | 380,000 | - | Term expired on 12 April 2005 |
| 2. | Pol. Gen. Sant Sarutanond | 2,600 | 2,600 | - | Term expired on 12 April 2005 |
| 3. | Mr. Chaiwat Wongwattanasan | - | - | - | Term expired on 12 April 2005 |
| 4. | Mr. Sunthad Somchevita | - | - | - | Term expired on 12 April 2005 |
| 5. | Mr. Wisudhi Srisuphan | - | - | - | Resigned on 31 May 2005 |
| 6. | Mr. Pala Sookawesh | - | - | - | Resigned on 22 September 2005 |

The Directors whose signatures were recognized as binding on the Company were (1) Mr. Prasert Bunsumpun, President, authorized to sign and affix the Company's seal, or (2) two other Directors, authorized to jointly sign and affix the Company's seal.

Authority of the Board of Directors

- The Board is authorized to supervise and manage the Company in compliance with laws, objectives, regulations, and resolutions of shareholders' meetings.
- The Board shall elect one Director to serve as Chairman. If deemed by the Board as appropriate, Vice Chairman can be elected.
- The Board shall elect one Director to serve as President and Secretary to the Board, as deemed appropriate.

Duties and Responsibilities of the Board

The Board shall:

- Carry out their duties in accordance with the laws, objectives, regulations, and resolutions of shareholders' meetings.
- Establish the Company's vision, directions, and strategies.
- Endorse major strategies and policies, including objectives, financial targets, and operating plans; monitor and ensure plan implementation.
- Ensure proper systems for corporate accounting, financial reporting, and financial auditing; ensure efficient and effective internal control and internal audit systems.
- Monitor and remedy problems arising from conflicts of interest and connected transactions.
- Establish prudent risk management guidelines; ensure that the Management has an efficient risk management system or procedure.
- Ensure an appropriate compensation system or mechanism for Senior Management, which will create short-term and long-term motivation.
- Assess the performance of the President and determine the President's compensation accordingly.
- Ensure appropriate channels for communicating with each group of shareholders and stakeholders.
- Ensure correct, clear, transparent, reliable, and high-quality disclosure of information.
- Show leadership and lead by example.

Appointment and Dismissal of Directors

1. The Board consists of at least five but no more than 15 persons elected by the Company's shareholders' meeting. It shall consist of at least three Independent Directors, at least half of the Directors shall reside within the Kingdom of Thailand, and at least one Director shall be qualified in finance and accounting. All Directors shall have the qualifications specified by law and by Company regulations.

In 2004, the Board resolved that Independent Directors shall make up at least half of the Board, and that decision is still in effect.

2. The shareholders' meeting shall elect qualified Directors who were previously selected and nominated by the Nominating Committee under the following criteria and procedures:

- (1) Each shareholder shall have one vote per share held.
- (2) Each shareholder shall exercise all votes applicable under (1) in electing one or more persons as Directors, but each shareholder cannot allocate any part of his or her votes to any nominees.
- (3) Candidates with the most votes shall be appointed directors according to the number of directors required.
- (4) If candidates receive equal votes such that their election would result in a greater number of Directors than required, the chairman of the meeting shall cast a vote to decide which one(s) is appointed.

3. At every AGM, one-third of the Directors – or if the number is not a multiple of three, then the number nearest to one-third – shall retire from office. The names of the Directors to retire during the first and second year after the Company was listed will be drawn by lots. For subsequent years, the Directors with the longest terms shall retire.

4. Any Director wishing to resign shall submit a resignation letter to the Company. The resignation will be effective on the date that the Company receives the letter.

5. In voting for the dismissal of any Directors from office before expiration of his or her term of directorship, a three-quarter (3/4) vote of eligible shareholders present at the meeting shall be required, provided that the number of shares represented by the three-quarters vote is at least half of the total number of shares represented by the total number of eligible shareholders present at the meeting.

The duties and responsibilities of the President are as follows:

- Under the Articles of Association of the Company, the President shall have full authority to manage the Company's business as assigned by the Board. Business is to be managed strictly, prudently, and with integrity under the plan or budget approved by the Board, and must be in the best interest of the Company and its shareholders. The President's authority and duties shall include the following matters and activities:
- Operate and/or manage day-to-day Company business
- Hire, appoint, remove, transfer, promote, demote, reduce the salary or wages of, take disciplinary action against employees and contractors, and dismiss any employee or contractor as specified by the Board's regulations. For department heads or other positions, approval of the Board shall be required.
- Ensure the preparation and submission of business policies, including the operating plan and budget, to the Board for approval, and report progress of work against the approved plan and budget to the Board every three months.
- Ensure the implementation of the policies, plans, and budgets approved by the Board.

Authority Given by the Board

The Board authorizes the President to act on behalf of the Company under the following conditions and scope:

- Manage business under all of the objectives, regulations, policies, rules, specifications, directives, and resolutions of the meetings of the Board and/or resolutions of shareholder's meetings.
- Order, contact, command, implement, and sign legal contracts, documents, orders, announcements, or any correspondence with government agencies, state enterprises, or other parties; and engage in any necessary and appropriate action that would facilitate the duty specified in (1).

- Command each employee and contractor and hire, appoint, remove, promote, demote, reduce the salary or wages of, take disciplinary action against, and dismiss any employee or contractor under the rules, regulations, or directives of the Board. For employees or contractors serving as advisors, experts, executive vice presidents, or equivalent or higher positions, approval of the Board shall be required. The President shall also be authorized to specify the conditions of employment of employees and contractors, and issue rules governing Company operations, provided they do not conflict with rules, regulations, or directives of the Board.
- Assign power of attorney and/or delegate specific tasks to other persons, provided that such assignment and/or delegation complies with the power of attorney and/or rules, regulations, or directives of the Board and/or the Company.

These authorities and duties of the President shall be made invalid if there is a conflict of interest in any form resulting from the President's exercising of his powers.

The Audit Committee

The Board approved the appointment of an Audit Committee on 1 October 2001. The Audit Committee consists of Company Directors with qualifications specified by securities and exchange laws and SET. The committee shall consist of at least three members, at least one of whom shall be qualified in accounting and finance. The Audit Committee currently consists of four Independent Directors.

| Name | Position | Remark |
|-----------------------------------|----------|--|
| 1. Mr. Olarn Chaipravat | Chairman | Independent Director with qualifications in finance and accounting |
| 2. Mr. Prapun Naigowit | Auditor | Independent Director |
| 3. Dr. Phadhadej Dhamcharee | Auditor | Independent Director with qualifications in finance and accounting |
| 4. Dr. Suchart Thada-Thamrongvech | Auditor | Independent Director with qualifications in finance and accounting |

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

Duties and Responsibilities of the Audit Committee

- Review the Company's financial reporting process to ensure accuracy and adequacy.
- Ensure the suitability and effectiveness of internal control and internal audit procedures.
- Ensure compliance with securities and exchange laws and SET regulations, or laws concerning Company business.
- Consider, select, nominate, and recommend compensation for the external auditor.
- Consider the accurate and complete disclosure of Company information in case of connected transactions or potential conflicts of interest.
- Prepare a report on the Committee's supervision of business, to be disclosed in the Company's annual report and signed by the Chairman.
- Perform tasks assigned by the Board and with the approval of the Committee.
- Perform duties as specified in the Company regulations.

The Committee held 12 meetings in 2005 and duly reported meeting summaries to the Board. In addition, the Committee participated in quarterly financial audits along with the external auditor and the Finance and Accounting Department.

The Nominating Committee

Appointed on 1 October 2001, the Nominating Committee currently consists of three Directors as follow :

| Name | Position | Remark |
|-------------------------------|----------|--------------------------------------|
| 1. Mr. Suparat Kawatkul | Chairman | Non-management Director |
| 2. Mr. Chakramon Phasukwanich | Director | Non-management, Independent Director |
| 3. Dr. Ampon Kittiampon | Director | Non-management, Independent Director |

Duties and Responsibilities of the Nominating Committee

- Select qualified nominees as new Directors or President.
- Determine the procedures and criteria for the nomination of Company Directors or President so as to ensure transparency.

The procedure for the nomination of Directors is as follows:

1. The Committee establishes the qualifications for Directors that need replacement to ensure that the new Directors meet the criteria and qualifications as laid down by related laws/regulations. The Committee also establishes the procedures for nominating qualified candidates.
2. The Committee summarizes the results of the nomination process and presents a shortlist of qualified candidates for directorship along with supporting reasons to the Board.
3. The Board selects the candidates with appropriate qualifications from the list prepared by the Committee and submits the names of the selected candidate(s) to the shareholders' meeting for approval. In 2005, the Committee held two meeting and duly reported its findings to the Board.

The Remuneration Committee

Appointed on 1 October 2001, the Remuneration Committee currently consists of three Directors as follows:

| Name | Position | Remark |
|-----------------------------|----------|--------------------------------------|
| 1. Mr. Somchai Wongsawat | Chairman | Non-management, Independent Director |
| 2. Dr. Pisanu Sunthraraks | Director | Non-management, Independent Director |
| 3. Mrs. Pannee Sathavarodom | Director | Non-management Director |

Duties and Responsibilities of the Remuneration Committee

- Consider compensation guidelines for Directors and the President.
- Determine the procedures and criteria for fair and reasonable compensation for Directors and the President for approval by a shareholders' meeting.

The Committee held two meetings in 2005 and duly reported its findings to the Board.

Corporate Governance Committee

Appointed on 24 June 2004, the Corporate Governance Committee consists of three Independent Directors as follows:

| Name | Position | Remark |
|----------------------------|----------|--------------------------------------|
| 1. Gen Dr. Chaisuk Ketudat | Chairman | Non-management, Independent Director |
| 2. Mr. Prapun Naigowit | Director | Non-management, Independent Director |
| 3. Dr. Pisanu Suntharakas | Director | Non-management, Independent Director |

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

Duties and Responsibilities of the Corporate Governance Committee

- Propose corporate governance guidelines to the Board.
- Advise the Board on matters concerning corporate governance.
- Ensures that the duties and responsibilities of Directors and the Management comply with corporate governance practices.

- Revise guidelines for the Company's corporate governance for compatibility with those of international organizations, and present its proposal for revisions to the Board.

- Convey corporate governance policies to the Corporate Governance Task Force.

The Committee held three meetings in 2005 and duly reported its findings to the Board.

Management

The Management Committee (also referred to as "Senior Management") was appointed on 1 October 2001, and currently consists of seven members:

| Position in PTT Management | Position in the Management Committee |
|--|--------------------------------------|
| 1. President | Chairman |
| 2. Senior Executive Vice President, Corporate Support | Member |
| 3. Senior Executive Vice President, Corporate Finance and Accounting | Member |
| 4. Senior Executive Vice President, Oil Business Group | Member |
| 5. Senior Executive Vice President, Gas Business Group | Member |
| 6. Senior Executive Vice President, Petrochemicals and Refining Business Group | Member |
| 7. Senior Executive Vice President, Corporate Strategy and Development | Member and Secretary |

The Vice President, Office of the President / Company Secretary served as the Assistant Secretary.

The Management Committee held 36 meetings in 2005 and duly reported its findings to the Board.

Duties and Responsibilities of the Management Committee

- Provide advice and recommendations to the President on matters concerning corporate strategy and business direction, investment planning, budgeting, allocation of resources for PTT and its affiliates; also to ensure that PTT affiliates have business processes that are consistent with those of PTT.
- Prioritize decisions made by the Board to ensure effective implementation.
- Carefully revise meeting agendas before presentation to the Board.

- Prioritize the allocation of human and financial resources for PTT and its affiliates.
- Finalize decisions on significant issues concerning PTT affiliates before the meeting of the Board of each affiliated company.
- Establish standards for business administration, human resource management, information management, and the organizational structure for PTT and its affiliates.
- Establish a policy for human resource management.

In addition, the Company appointed 10 committees to oversee specific areas of work for accurate, appropriate, efficient, and effective implementation:

- Oil Business Group Management Committee (OBMC)
- Gas Business Group Management Committee (GBMC)
- Petrochemicals and Refining Business Group Management Committee (PRMC)
- Corporate Plan Committee (CPC)
- Corporate Finance & Accounting Committee (FAC)
- Corporate Human Resources Committee (HRC)
- PTT Credit Committee
- Supply Chain Management Committee (SCMC)
- Research and Technology Institute Board of Management Committee (RTBM)
- Risk Management Committee.

Names of Management team members as of December 31, 2005

(Background on education and work experience appear in the attachment.)

| No. | Name | Position |
|-----|--------------------------------|--|
| 1. | Mr. Prasert Bunsumpun | President |
| 2. | Mr. Anon Sirisaengtaksin | Senior Executive Vice President, Corporate Strategy & Development |
| 3. | Mr. Pichai Chunchavajira | Senior Executive Vice President, Corporate Finance and Accounting |
| 4. | Mr. Songwut Chinnawat | Senior Executive Vice President, Corporate Support |
| 5. | Dr. Chitrapongse Kwangsukstith | Senior Executive Vice President, Gas Business Group |
| 6. | Mr. Chaiwat Churitti | Senior Executive Vice President, Oil Business Group (appointed on 1 November 2005) |
| 7. | Dr. Prajya Phinyawat | Senior Executive Vice President, Petrochemicals and Refining Business Group |
| 8. | Dr. Viroj Mavichak | Senior Executive Vice President (President, National Petrochemical Company Plc, until 7 December 2005; Advisor, Thai Oil Plc; Managing Director, Thai Oil Plc, since 1 January 2006) |
| 9. | Mr. Adithep Bisalbutr | Senior Executive Vice President (Managing Director, Thai Oil Plc, until 7 December 2005; currently President, PTT Chemical Plc) |
| 10. | Ms. Penchan Charikasem | Acting Executive Vice President, Corporate Finance (since 7 December 2005) |
| 11. | Ms. Prisana Prahankhasuek | Vice President, Accounting |

Note: 1. Mr. Apisit Rujikeatkamjorn and Dr. Piti Yimprasert retired on 30 September 2005.

2. Ms. Panadda Kanokwat, Executive Vice President, has been seconded to PTT Chemical Plc as Senior Executive Vice President, Finance and Accounting, as of 7 December 2005.

Management's Ownership of Shares

| No. | Name | No. of Shares as of 31 December | | Increase (Decrease) of Shares in 2005 | Remark |
|-----|--------------------------------|------------------------------------|---------|---|------------------------------|
| | | 2004 | 2005 | | |
| 1. | Mr. Anon Sirisaengtaksin | 95,030 | 70,030 | (25,000) | |
| 2. | Mr. Pichai Chunhavajira | 33,080 | - | (33,080) | |
| 3. | Mr. Songwut Chinnawat | 16,876 | 16,876 | - | |
| 4. | Dr. Chitrapongse Kwangsukstith | 124,630 | 124,630 | - | |
| 5. | Mr. Chaiwat Churitti | - | 68,000 | - | Appointed on 1 November 2005 |
| 6. | Dr. Prajya Phinyawat | 101,980 | 101,980 | - | |
| 7. | Dr. Viroj Mavichak | 101,980 | 101,980 | - | |
| 8. | Mr. Aditheb Bisalbutr | 78,809 | 28,809 | (50,000) | Appointed on 1 April 2005 |
| 9. | Ms. Penchan Charikasem | - | 5,132 | - | Appointed on 7 December 2005 |
| 10. | Ms. Prisana Prahankhasuek | 29,363 | 29,363 | - | |

Management Who Retired or Transferred in 2005

| No. | Name | No. of Shares as of 31 December | | Increase (Decrease) of Shares in 2005 | Note |
|-----|----------------------------|------------------------------------|--------|---|---|
| | | 2004 | 2005 | | |
| 1. | Mr. Apisit Rujikeatkamjorn | 78,208 | 88,208 | 10,000 | |
| 2. | Dr. Piti Yimprasert | 98,820 | 98,820 | - | |
| 3. | Ms. Panadda Kanokwat | 60,365 | 60,365 | - | Seconded to PTT Chemical Plc as Senior Executive Vice President, Finance and Accounting |

Additional Information on PTT's Board and Management

Records showed no violation of the law within the past ten years regarding (1) being sentenced with criminal charges or under criminal lawsuits, except for violation of traffic law, minor charges, or other charges of the like, (2) being sentenced to bankruptcy or having assets controlled, and (3) serving as the management or a person with authority in a company or partnership that has been sentenced to bankruptcy or had assets controlled.

Board Self-Assessment

As a resolution of Board meeting no. 12/2548 on 24 November 2005, the Board approved self-assessment forms proposed by the Corporate Governance Committee. The form was used to conduct self-assessment of the Board's performance in 2005, a vital tool for improving the Board's performance and reference data for corporate governance rating. There were three types of self-assessment. Percentages achieved correspond to level of performance in each area as follows:

| | |
|-----------|-------------------|
| Over 85% | Excellent |
| Over 75% | Very good |
| Over 65% | Good |
| Over 50% | Satisfactory |
| Below 50% | Need improvement. |

The findings from the self-assessment were as follows:

1. **Self-Assessment of the Board** consisted of four categories: Board policy, Board composition, Board Practices, and Board meetings. The results indicated excellent/most appropriate overall performance, with an average score of **91.52%**.
2. **Self-Assessment of Individual Directors** consisted of six categories: *accountability* for one's decisions and actions; *responsibility* in performing the job with full ability and efficiency; *equitable treatment* to all stakeholders; *transparency* in job performance and information disclosure; vision to create long-term value; and business ethics. Overall results were excellent for most Directors, with an average score of **94.84%**.
3. **Individual Assessment of Other Directors (Cross-Assessments)** consisted of nine categories:
 - Understanding of PTT's businesses.
 - Consistency of recommendations with good corporate governance principles and beneficial to PTT.
 - Independence and freedom in expressing opinions.
 - Usefulness of advice toward Board decisions.
 - Responsibility toward PTT's stakeholders through provision of correct and fair advice.
 - Absence or abstention from an agenda where the Director is a stakeholder, or where his/her presence or vote may result in a conflict of interest.
 - Preparation for Board meetings, that is, adequate review of meeting agendas and preparation of relevant information ahead of time.
 - Regularity and punctuality in attending meetings, notifying the Chairman in advance of any potential absence.
 - Respect for the decisions and opinions of other Directors.

Cross-assessment results in nine categories indicated excellent performance by most Directors, with an average score of **96.66%**.

Remuneration of Directors and Management

Remuneration of Directors: PTT specifies equitable and reasonable compensation of Directors with the oversight of the Remuneration Committee, taking into account each Director's responsibility, the Company's financial performance, and compatibility with the rest of the industry. Two portions of the compensation are currently paid: meeting allowance and bonus. Directors appointed to specific subcommittees are paid additional allowances to reflect their additional responsibilities. Directors' compensation has been approved by the shareholders' meeting as follows:

(1) Directors' Remuneration

The following Remuneration structure was approved at the AGM on Tuesday, 12 April 2005:

1. Meeting Allowances

1.1 Board Meeting Remuneration consisted of:

- Retainer allowance of 30,000 baht each per month
- Meeting allowance of 20,000 baht each per meeting (for meeting attendees only).

1.2 Remuneration for meetings of **Committees appointed by PTT's Board** consists of:

1.2.1 Audit Committee

- Monthly allowance of 15,000 baht each

- Meeting allowance of 15,000 baht each per meeting (for meeting attendees only)
The Secretary receives a monthly allowance of 7,500 baht.

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

- Meeting allowance of 24,000 baht each per meeting (for meeting attendees only).

1.2.3 Remuneration for the Chairman of each committee was 25% higher than other committee members.

2. Directors' Bonuses for 2005: The bonus payout to each Director reflects and corresponds to Company performance and net income, and is not to exceed 1,200,000 baht per year. The bonus is pro-rated according to the duration of directorship, with the Chairman receiving 25% more than other Directors.

The total compensation for each Director in 2005 was detailed below:

| No. | Name | Duration of Term | No. of Days | Bonus | Board Meeting Allowance | Subcommittee Meeting Allowance | Total Meeting Allowance | Total Compensation |
|--|--------------------------------|------------------|-------------|----------------------|-------------------------|--------------------------------|-------------------------|----------------------|
| 1. | Mr. Cherdpong Siriwit | 1 Jan - 31 Dec | 365 | 1,500,000.00 | 781,250.00 | - | 781,250.00 | 2,281,250.00 |
| 2. | Mr. Somchai Wongsawat | 1 Jan - 31 Dec | 365 | 1,200,000.00 | 550,000.00 | - | 550,000.00 | 1,750,000.00 |
| 3. | Dr. Pisanu Suntharakas | 1 Jan - 31 Dec | 365 | 1,200,000.00 | 585,000.00 | 108,000.00 | 693,000.00 | 1,893,000.00 |
| 4. | Dr. Olarn Chairpravat | 1 Jan - 31 Dec | 365 | 1,200,000.00 | 625,000.00 | 412,500.00 | 1,037,500.00 | 2,237,500.00 |
| 5. | Mr. Prapun Naigowit | 1 Jan - 31 Dec | 365 | 1,200,000.00 | 625,000.00 | 398,000.00 | 1,023,000.00 | 2,223,000.00 |
| 6. | Mr. Metta Banturungsuk | 1 Jan - 31 Dec | 365 | 1,200,000.00 | 590,000.00 | - | 590,000.00 | 1,790,000.00 |
| 7. | Gen. Dr. Chaisuk Ketudat | 1 Jan - 31 Dec | 365 | 1,200,000.00 | 625,000.00 | 85,000.00 | 710,000.00 | 1,910,000.00 |
| 8. | Mr. Chakramon Phasukawanich | 1 Jan - 31 Dec | 365 | 1,200,000.00 | 605,000.00 | 44,000.00 | 649,000.00 | 1,849,000.00 |
| 9. | Mr. Prasert Bunsumpun | 1 Jan - 31 Dec | 365 | 1,200,000.00 | 625,000.00 | - | 625,000.00 | 1,825,000.00 |
| 10. | Mr. Suparat Kawatkul | 12 Apr - 31 Dec | 264 | 867,945.21 | 450,000.00 | 30,000.00 | 480,000.00 | 1,347,945.21 |
| 11. | Dr. Phadhadej Dhamcharee | 12 Apr - 31 Dec | 264 | 867,945.21 | 490,000.00 | 240,000.00 | 730,000.00 | 1,597,945.21 |
| 12. | Dr. Ampon Kittiampon | 12 Apr - 31 Dec | 264 | 867,945.21 | 490,000.00 | - | 490,000.00 | 1,357,945.21 |
| 13. | Dr. Suchart Thada-Thamrongvech | 12 Apr - 31 Dec | 264 | 867,945.21 | 470,000.00 | 240,000.00 | 710,000.00 | 1,577,945.21 |
| 14. | Mrs. Pannee Sathavarodom | 28 July - 31 Dec | 157 | 516,164.38 | 270,000.00 | - | 270,000.00 | 786,164.38 |
| Directors Whose Terms Expired or Resigned in 2005 | | | | | | | | |
| 1. | Mr. Manu Leopaiprote | 1 Jan - 11 Apr | 101 | 332,054.79 | 135,000.00 | 50,000.00 | 185,000.00 | 517,054.79 |
| 2. | Poi. Gen. Sant Sarutanond | 1 Jan - 11 Apr | 101 | 332,054.79 | 135,000.00 | 25,000.00 | 160,000.00 | 492,054.79 |
| 3. | Mr. Pala Sookawesh | 1 Jan - 21 Sep | 264 | 867,945.21 | 400,000.00 | 44,000.00 | 444,000.00 | 1,311,945.21 |
| 4. | Mr. Chaiwat Wongwattanasan | 1 Jan - 11 Apr | 101 | 332,054.79 | 90,000.00 | 30,000.00 | 120,000.00 | 452,054.79 |
| 5. | Mr. Sunthad Somchevita | 1 Jan - 11 Apr | 101 | 332,054.79 | 135,000.00 | 50,000.00 | 185,000.00 | 517,054.79 |
| 6. | Mr. Wisudhi Srisuphan | 1 Jan - 30 May | 150 | 493,150.68 | 235,000.00 | 40,000.00 | 275,000.00 | 768,150.68 |
| Total Compensation | | | | 17,777,260.27 | 8,911,250.00 | 1,796,500.00 | 10,707,750.00 | 28,485,010.27 |

Directors' Compensation in 2004 and 2005

| Compensation | 2004 | | 2005 | |
|-------------------|------------------|----------------------|------------------|----------------------|
| | No. of Directors | Amount (Baht) | No. of Directors | Amount (Baht) |
| Meeting Allowance | 15 | 9,207,500.00 | (15) 14 | 10,707,750.00 |
| Total Bonus | 15 | 13,725,000.00 | (15) 14 | 17,777,260.27 |
| Total | | 22,932,500.00 | | 28,485,010.27 |

Remuneration of Management: The remuneration of Management team members complies with the policies and principles specified by the Board. It is tied to PTT's operating results through the Performance Agreement (PA), an assessment system for state enterprises. The President and the rest of the Management establish key performance indicators (KPIs) as well as targeted indices for each year. These indices serve as a guideline for business operation and a basis for the Remuneration Committee in assessing the performance of the President and all levels of managers. Each person's remuneration is determined against performance with industry standards. The Remuneration Committee then proposes the amount of remuneration along with compensation guidelines to the Board for review and approval.

In 2005, the President and eight Management executives received 67,306,295.11 baht in remuneration (excluding one executive seconded to and paid by a PTT affiliate), detailed as follows:

Total remuneration of Senior Management

Unit: Baht

| Remuneration | 2004 | | 2005 | |
|--------------|---------|----------------------|---------|-------------------|
| | Persons | Amount (Paid) | Persons | Amount (Paid) |
| Salary | 8 | 42,554,040.00 | 8 | 45,135,600 |
| Bonus | 8 | 17,730,850.00 | 8 | 22,170,695 |
| Total | | 60,284,890.00 | | 67,306,295 |

Provident Fund for Senior Management

Unit: Baht

| Remuneration | 2004 | | 2005 | |
|----------------|----------|---------------------|----------|---------------------|
| | Persons | Amount (Paid) | Persons | Amount (Paid) |
| Provident Fund | 7 | 3,008,004.00 | 7 | 3,062,216.00 |
| Total | 7 | 3,008,004.00 | 7 | 3,062,216.00 |

Personnel

Convinced that the quality of its people is the key to its success as a high-performance organization, PTT is committed to the development of its human resource management system in line with technological advancement and industry standards.

The head count of PTT employees as of 31 December 2005 was 3,248. Throughout 2005, PTT carefully managed its manpower to best reflect the expansion of its operations and investments across various businesses - a result of national economic development. The areas where expansion was most prominent were in Exploration & Production and Gas Business Group; the Petrochemicals and Refining Business Group; and the International Trading Group. In addition, PTT focused on raising employee competency and improving the efficiency and transparency of business processes.

(1) Number of Personnel and Compensation

The head counts for major functions as of year-end 2004 and 2005 were as follows:

Unit: Persons

| Major Functions | 31 December 2004 | | 31 December 2005 | |
|---|-------------------|---------------------------|-------------------|-------------------|
| | PTT | Consolidated PTT | PTT | Consolidated PTT |
| 1. Natural Gas | 829 | 829 | 963 | 936 |
| 2. Oil | 1,394 | 1,394 | 1,302 | 1,302 |
| 3. Petrochemicals | 42 | 42 | 51 | 51 |
| 4. Support Staff, Secondees to PTT Affiliates | 805 ¹⁾ | 745 ²⁾ | 932 ¹⁾ | 840 ²⁾ |
| 5. Subsidiaries and Joint-Ventures | - | 1,797 | - | 4,687 |
| Total | 3,070 | 4,807³⁾ | 3,248 | 7,843 |

¹⁾ Include PTT Secondment to Affiliates

²⁾ Exclude PTT Secondment to Affiliates

³⁾ Exclude the employees of PTTEP Siam Limited and Alliance Refining Company Limited

Compensation of Personnel (excluding President and Senior Management)

Unit: Baht

| Major Functions | 31 December 2004 | 31 December 2005 |
|-----------------|-------------------------|-------------------------|
| Salary | 1,915,748,973.02 | 2,020,836,159.33 |
| Bonus | 945,871,758.41 | 996,368,672.00 |
| Provident Fund | 189,211,075.66 | 199,951,973.02 |
| Others (if any) | 948,801,075.44 | 800,492,308.37 |
| Total | 3,999,632,882.53 | 4,017,649,112.72 |

(2) Other Remuneration

In addition to other forms of remuneration, such as rent allowance, relocation, and overtime pay, PTT, in 2005, allocated 40,000,000 units of warrants, or rights to purchase common shares, to the President, Senior Management, employees, and employees from affiliated companies, as an incentive for their full and consistent dedication to the Company. This incentive was designed to create a sense of ownership and encourage participation in the management and development of the organization - benefiting PTT's performance and business operations. Management team members and employees would each receive four warrants, one warrant for 25% of the total units each person receives. They can exercise their first warrant by purchasing common shares one year after the warrant was issued - at one unit of warrant per share. Similarly, the second, third, and fourth warrants can be exercised two, three and four years respectively after the date of issue. The warrants expire five years after the date of issue and can be exercised every three months on the last day of each three-month period until the warrant expires.

(3) Personnel Development

To become a High Performance Organization, PTT recognizes the critical function of personnel development. PTT personnel are the key driver toward business excellence, capable of overcoming obstacles, facing change, and steering the organization toward its goals. During the year, PTT improved the process and mechanism for human resource management to ensure higher efficiency and realize the full potential of its human resources. Through these improvements, PTT personnel would be able to fully demonstrate their competence, advance in their careers, and continue to grow with the organization. The elements for the Company's success include:

Transfer of Knowledge - the Path of becoming a Learning Organization

To achieve sustainable success, an organization must be committed to the continuous development and improvement of the organization and its human resources, ultimately working toward a common goal.

In 2005, PTT introduced the concept of a Learning Organization to ensure the success of its human resource management and development system. At the core of this concept is training, which is provided to all Management team members and employees to continually encourage the learning and sharing of experience; thereby, maximizing the capabilities of all personnel and leading PTT toward becoming a High-Performance Organization.

Vision and Direction - the Key to Effective Management

In the belief that every employee is a driving force that steers the organization toward its goals, PTT encourages the collaboration of top management from each company in the PTT Group both core and support businesses - in establishing the annual Corporate Vision and Direction. These would then be communicated to the various businesses in order to formulate a Business Strategy and Business Plan, as well as a budget plan consistent with the Corporate Vision.

In 2005, every PTT employee was required to prepare personal objectives and key performance indicators (KPIs) that are in line with the corporate direction, the business unit's direction, and his or her own responsibilities. These personal objectives and KPIs serve as the basis for defining the specific duties and assessing the performance of each employee.

On the topic of Performance Management, the President has shared his thoughts as follows:
“When managing any work or business, we must be aware of our goals – that is, what we want to achieve. This is what we call the Corporate Vision, the big picture that must be shared by everyone in the organization. For a large organization like PTT, if each person sees a different picture and walks his or her own way, the organization would move very slowly in no particular direction. Ultimately, the organization might not even reach its destination. It might fail to realize the goal that it had set out to achieve.”

E-Learning: the Key to Personnel Development

For PTT to become a High Performance Organization, its people must be knowledgeable in all aspects of the business. Therefore, following the vision of the President and Management team members, PTT has changed the focus of its training programs to self-development rather than traditional classroom training. E-learning has become a vital tool, allowing employees to develop themselves by accessing training materials through the intranet and satellite systems. The main advantages of e-learning are the freedom to learn at any time and place and the cost saving to the organization. On this matter, the President says:

“E-learning is one method that will help us develop our potential, knowledge, and abilities; enabling us to succeed in our jobs and achieve the goals of the organization.”

Understanding the Significance of Competency

At PTT, competency-based management has become an essential mechanism for the selection, nomination, development, and assessment of employees. In 2005, PTT focused on creating an understanding of the significance of competency to employees and the organization. Such competency leads to efficiency. In addition, competency has been more deeply inter-twined into PTT’s human resource management system, for example, by ensuring the consistency of training programs with competency development, as well as establishing competency levels that are in line with the Career Management System. In linking its human resource development and management system with competency, PTT hopes that its personnel would develop their potential and competencies to achieve personal and organizational goals, thereby leading to PTT’s success.

Career Management and Business Direction

To prepare employees for future organizational needs, PTT has developed different career paths for various groups of employees consistent with its business direction, providing employees with opportunities to learn and advance in their career paths. Therefore, PTT has established guidelines for developing appropriate training programs and a job rotation system that enables employees to learn and develop new skills from their new responsibilities.

▶ Corporate Governance

PTT was listed on the Stock Exchange of Thailand in late 2001. Since that time, the Company's good corporate governance (CG) has been evidenced by the various acclaims and high ratings awarded to it by domestic and international organizations, offices, and institutions. Notable examples in 2004 and 2005 include:

- A 'Very Good' rating, with an assessment score of 8.19, for corporate governance in 2004 by Thai Rating and Information Service Co., Ltd. (TRIS). This was the Company's first rating and was valid for two years.
- Best Managed Companies and Corporate Governance Polls award, Asia Money magazine (December 2004 - January 2005).
- Best in Corporate Governance award, The Asset magazine (Volume 7, No. 3, March 2005).
- Best Managed Companies in Asia award, Euromoney magazine (Volume 36, No. 440, December 2005).
- Best Corporate Governance Report award, Banking Finance magazine (Thailand-based) in conjunction with SET and CNBC TV, handed out at the SET Award 2005 event.
- Commitment to Social and/or Environmental Issues award, Thailand Management Association in conjunction with Sasin Graduate Institute of Business Administration of Chulalongkorn University, handed out at the Thailand Corporate Excellence Awards 2004 event.
- Second consecutive Outstanding Board of the Year award, conferred by Thai Institute of Directors Association (IOD), SET, Board of Trade of Thailand, Federation of Thai Industries, Thai Bankers' Association, and Listed Companies Association, handed out at an event recognizing outstanding boards of directors 2004/2005.

PTT Board of Directors is committed to conducting its business in compliance with the 15-point good corporate governance principles and the guidelines set by the Securities and Exchange Commission (SEC). Today the Company is determined to apply corporate governance as its guiding principle in conducting business for efficient management and sustainable business growth.

According to PTT regulations, **“The Company must have and implement a policy on business ethics; including the ethics of its Board of Directors, Management, and employees; which is in compliance with good corporate governance practices. This policy must contain a code of conduct for the organization which is of a high standard.”** PTT subsequently issued rules on good corporate governance and published them as a handbook. In 2005, to update and internationalize the handbook, the Company created Revision 1. The essentials of PTT's corporate governance practices are as follows:

1. Corporate Governance Policy

The PTT Board of Directors (“The Board”) initially appointed three subcommittees, namely the Audit Committee, the Nominating Committee, and the Remuneration Committee. For a period, the Audit Committee also looked after corporate governance matters. In 2004, the Board set up a Corporate Governance Committee, charged with promotion and screening of corporate governance matters and promotion of excellence in such areas.

Therefore, PTT now has four subcommittees investigating critical matters relating to corporate governance. The committees strive to create maximum benefit for shareholders, taking into account the overall stakeholders' concerns and interests, business ethics, and transparency. Each of these subcommittees is composed of qualified directors in accordance with the rules set by SET, with clearly written roles and responsibilities. Please see details about the four subcommittees on page 75-77

The Board has defined a policy on corporate governance to be observed by all. The details are as follows:

1. The Board, the Management, and all employees are committed to the six concepts of corporate governance, namely Accountability, Responsibility, Equitable Treatment, Transparency, Vision to Create Long-Term Value, and Ethics in their conduct of business. An organization structure is in place to balance the roles of the Board, the Management, and shareholders.
2. Each Director must perform his or her duties independently with full commitment and responsibility. There is a clear division of responsibilities between the Chairman and the President.
3. The Board has a key role in the formulation of corporate visions, strategies, policies, and critical plans with due regard to risk factors and suitable risk management. It must also ensure the credibility of the accounting system, financial statements, and accounting audits.
4. The Board must lead the rest of the Company on ethics and corporate governance, and supervise the management and solution to any conflict of interest or connected transactions.
5. The Board may appoint subcommittees to help it screen critical issues.
6. The Board must undergo annual self-assessment to obtain a framework for its performance assessment.
7. The Board must establish a Code of Conduct for itself, the Management, employees, and all contract employees to observe in addition to the Company's rules and regulations.
8. Disclosure of financial and non-financial information must be done adequately, credibly, and promptly so that shareholders and stakeholders may receive information equitably. The Capital Market & Investor Relations Department is responsible for such disclosure to investors and the general public.
9. PTT shareholders must receive equitable treatment and have the right to access information through suitable communication channels with the Company.
10. There must be a proper selection procedure for the appointment of key management personnel under a fair and transparent nomination process.

The Corporate Governance Committee defined the code of conduct and guidelines for the Board, and modified the contents of the PTT handbook on corporate governance to better conform to international practices. The revised handbook provided highlights of key topics with essential details relevant to the corporate governance policy. The handbook (Revision 1/2548) is given to each person serving the Company to sign, acknowledge, and observe.

In compliance with Company policy, all Directors were encouraged to attend training courses organized by the Thai Institute of Directors Association (IOD) and other relevant institutes to enable them to know more about their role in PTT. They were notified of such training and attended courses regularly throughout the year.

The Board instituted a more thorough review of its self-assessment than in previous years. To illustrate, in 2005, it added individual cross-assessment (that is, assessment of other Directors), bringing the total assessment types to three, namely group assessment, individual self-assessment, and individual cross-assessment. These assessments reflect an attempt to help the Directors review his or her performance together with issues and obstacles identified during the year. Findings were then analyzed and recommendations made for performance improvements as shown on page 79-80.

The Corporate Governance Committee was assigned to promote and screen corporate governance matters. The Company actively campaigns for compliance with corporate governance principles. A working group on corporate governance of employees, headed by an Executive Vice President, implemented a number of procedures that accorded with the policy and conducted campaigns to instill awareness regarding the principles among Directors of the Board, the Management, and employees. In 2005, PTT agreed with the Ministry of Finance to implement recommendations resulting from the rating exercise by TRIS so as to amend and improve PTT's practices. It was also agreed that the recommendations would be applied as part of the performance agreement (PA). Training on corporate governance guidelines for the Management and staff, conducted by experts from the Center for the Development of Corporate Governance in SET-listed Companies, focused on relevant units such as procurement, customer relations, and supplier relations. Also, communication with all concerned parties at all levels, as well as related agencies, was the theme of an exhibition. Simplified and concise pocket handbooks were distributed and periodic promotional campaigns were conducted through various media within the Company. In addition, the CG Website is packed with information, with two-way communication channels. Internal broadcast news, video shows, a CG column in the PTT Spirit magazine, and a CG-Digest via email-newsletters are among the publicity and awareness tools garnering positive responses from employees.

In 2005, the Corporate Governance Committee revised the handbook and translated it into English for dissemination to investors, international interested parties, and stakeholders for their reference. The handbook will also be publicized on PTT's website.

2. Shareholders' Rights and Equitability

PTT recognizes that its investors will put trust and confidence in its business only if they can be assured that the Company has an equitable policy and maintains shareholders' fundamental rights and equitability under the law.

PTT normally schedules an annual general shareholders' meeting (AGM) within four months of the annual closing date of its accounting books. For urgent matters relating to shareholders' interest or requiring shareholders' approval under any rules, conditions, or applicable laws, it will call an extraordinary shareholders' meeting.

The Board acknowledges the right of shareholders to receive equal treatment and voice their opinions at the meetings. Meeting invitations containing details of the agenda and accompanying documents must therefore be delivered to shareholders at least 14 days ahead of each meeting in order to give them enough time to prepare. In addition, at least three days ahead of the meeting, the invitation must be announced through one Thai and one English newspaper for at least three consecutive days. For the annual meeting of 2006, PTT will post meeting invitations on its website at least 30 days ahead of the meeting. The Company ensures that each shareholder is properly accommodated and taken care of during the meeting (including beverages and snacks), with equitable treatment, and that each can reasonably be assured of meeting security measures. Registration will be started two hours prior to the meeting.

At each meeting, after explaining the Company's rules on voting and vote counting for individual agenda items, the chairman of the meeting must address every opinion, question, or recommendation of shareholders, giving adequate time for debate on each agenda item. The minutes of the meeting must be completely and accurately recorded with a written summary of voting results on each matter. As a rule, shareholders' meetings last two hours.

In addition, the Capital Market & Investor Relations Department serves as a clearing house for disclosing essential information to investors, which includes financial reports such as performance reports, financial statements, and information reported to SET. Reports on current situations and trends, including the quarterly management discussion and analysis reports, are disclosed to both domestic and international shareholders equitably, regularly, and thoroughly. Investors may contact the department directly or through the PTT website, which is regularly updated for information in Thai and English.

3. Stakeholders' Rights

PTT accounts for stakeholders' rights and interests by establishing guidelines for addressing the needs of each group inside and outside the company, including its own responsibility to the society and environment, as expressed in PTT's vision statement: "PTT strives to be the regional leader with responsibility, equitability, and reasonable dividend to stakeholders under good corporate governance principles." This is clearly defined in Company regulations dealing with corporate governance (2001), Section 3 (Code of Conduct for the Board, the Management, and Employees) and in PTT Handbook of Good Corporate Governance (Revision 1/2548). All these guidelines will be strictly adopted and treated by PTT Board, its Management, and employees as the important obligations to be fulfilled. Details are as follows:

- Shareholders** : PTT is committed to being a good representative of all shareholders in operating the business with transparency, taking into account long-term growth in share value, and decent returns.
- Employees** : PTT considers its employees a key success factor and equitably supports their professional development, attends to the quality of the work environment, and provides fair and proper compensation.
- Partners / Counter-traders / Suppliers** : PTT builds good relationships for mutual benefit and strictly adheres to contractual agreements made with them.
- Competitors** : PTT abides by the framework of fair competition and will refrain from harming the reputation of business competitors through false accusations.
- Creditors** : PTT observes all its obligations to creditors.

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

Communities, Society, and Environment : PTT takes people's safety, the environment, and the quality of life seriously. The Company maintains active interest in community and social development activities while strictly complying with the spirit of laws and regulations.

4. Shareholders' Meetings

In 2005 the Company organized two shareholders' meetings: the AGM on April 12 and an Extraordinary Meeting on August 10. The latter meeting was to seek shareholders' approval for the purchase of shares in National Petrochemical Plc (NPC) and Thai Olefins Plc (TOC) from existing shareholders who had opposed the planned merger of the two. The aim was to allow shareholders to consider and vote on PTT's business matters under the law. More than 14 days ahead of the meetings, PTT sent out meeting notices along with agenda details, opinions of the Board, complete minutes of the previous meeting, an annual report and supplementary meeting information, and a proxy form complete with instructions to each shareholder. In addition, the Company placed the notice in one Thai and one English newspaper for three consecutive days, more than three days ahead of each meeting date. The complete package was sent to each shareholder whose name appeared on the shareholder roster on the closing date. Should shareholders wished to appoint proxies to attend the meeting and vote on their behalf, they could do so under the procedure or delegate Independent Directors as their proxies.

During each of these meetings, the Chairman of the Board served as meeting chairman by clarifying the quorum, explaining voting and vote-counting procedures, balloting, and clearly disclosing voting results on each agenda item. Each shareholder was allowed to ask questions or express his or her views in a reasonable and adequate way. The meeting chairman also ensured that Directors or the Management gave clear replies to questions. A total of seven Directors attended the AGM - namely the Chairman of the Board, the entire Audit Committee, the Chairman of the Remuneration Committee, the Chairman of the Corporate Governance Committee, and the President - together with Senior Management and PTT's external auditor. For the Extraordinary Meeting, five Directors attended - consisting of the Chairman of the Board, two members of the Audit Committee, one member of the Nominating Committee, and the President - together with Senior Management and PTT's external auditor. The Chairman performed his role impeccably as defined by law and the meetings also gave their unanimous approval to the agendas.

PTT values the accommodation provided to shareholders while giving them a sense of security as well as suitably and adequately designating registration locations. Registration begins at least two hours ahead of time and proceeds until the conclusion of the meeting. Meeting keepsakes and suitable reception are extended to shareholders. After the meeting, shareholders can access to meeting information through the Company website. In 2006, PTT will disseminate meeting notices along with complete supplementary information through its website in an effort to enable shareholders to obtain the information in advance. In addition, a barcode system will be applied in the registration process.

5. Leadership and Vision

The Board consists of knowledgeable, capable, and experienced professionals from diverse related fields, thereby enabling the Company to perform efficiently. This was recognized by IOD when it awarded PTT with the Board of the Year Award for 2003 and again for 2004/2005.

Based on integrity, business ethics, and compliance with Directors' code of conduct, the Board exercises its power concerning business operation under laws, regulations, and resolutions of shareholders' meetings. It also ensures strict management performance under set objectives and guidelines for maximum benefit of shareholders.

The Board and the Management value participation in development training relevant to their performance. Over 85% of the Directors have undergone IOD training, with seven Directors enrolled in eight training sessions. Throughout the year, PTT continually sponsored such training at IOD and other institutes.

The Board defines the Company's vision, annually reviews and approves directions, strategies, policies, as well as financial and operating objectives for the management. These assist Management in their business plans and budgets. The Board also follows up on Management's implementation of operating plans. It sets assessment criteria and key performance indices on financial and operational management early in the year. There were close monitoring on both the monthly and quarterly operation of the company. Toward year-end, it also assesses actual performance against the previously-agreed performance objectives.

6. Conflicts of Interest

Under the Board's policy on conflicts of interest, business decisions made by management and employees must always be in PTT's best interest. They must avoid financial or other relationships with external parties that would result in a loss for PTT or a conflict in loyalty or interest, and must not compromise the efficiency of business operation. Anyone with a possible conflict of interest is required to report such interest to PTT and is not permitted to be involved in decisions by PTT, including the approval of transactions in which possible conflict of interest might occur. Any approved transactions must not contain special conditions or specifications that are out of the ordinary. PTT's Office of Corporate Audit and the Audit Committee have been entrusted with the monitoring and resolution of issues related to conflicts of interest. To date, however, there has been no such case.

At each Board meeting, the Chairman reminds the Directors of this policy, asks Directors to declare a possible conflict of interest on any agenda item(s), and asks them to refrain from expressing opinions or voting on such agenda item(s).

The Audit Committee regularly presents to the Board its reports on connected transactions and conflicts of interest. These are carefully prepared in line with the regulations of SET which specify that these issues must be reported and disclosed every quarter and are to be disclosed in the annual report and Form 56-1.

All PTT Directors and Management, including their spouses and children under legal age, must report any changes in their Company share ownership to SEC under Section 59 of the Securities and Exchange Act B.E. 2535 (1992) within three days from the date of sale, purchase, disposal, or receipt of such shares. To prevent abuse of inside information, the executives or agencies that are aware of the Company's inside information are forbidden to disclose such information to outsiders or unrelated persons, and are forbidden to buy or sell PTT shares within 30 days ahead of the public dissemination of its financial statements.

7. Business Ethics

To signify PTT's intention to conduct its business with transparency, ethics, responsibility to stakeholders, the society, and the environment, PTT has issued a code of conduct for its Board, Management, and all employees to strictly observe in tandem with Company rules and regulations. Section 3 of the Corporate Governance Handbook, entitled Code of Conduct for Board, Management, and Employees, is summarized below:

- 7.1 The Board must properly represent shareholders by ensuring Company growth that is characterized by sustainability and suitability of returns. They must perform to the best of their ability - with integrity and prudence. They must not be politically motivated and must decide and

act independently without any interest in businesses related to or in competition with PTT. They must be committed to the prevention and elimination of all forms of dishonest practices.

- 7.2 The Management and employees must be committed to developing a team culture, to creating customer satisfaction, and giving due consideration to equitability and integrity in their conduct of business. They must be concerned about the well-being of society, protection of the environment, and the quality of life of the public. They must perform with responsibility, integrity, commitment, and dedication for the benefit of PTT.

To this end, PTT has provided educational media; for instance, articles, radio scripts, and video-scripts; illustrating the proper roles of the Board, the Management, and employees in an effort to instill discretion and judgment in their decision-making. A simple test is by asking oneself whether a certain decision would lead to an action that is improper or socially unacceptable to the public or detrimental to PTT's sound reputation as an ethical company. PTT continually monitors compliance to this principle.

8. Balance of Power for Non-Management Directors

As of year-end 2005, the Board consisted of 14 members:

- 13 were non-management Directors, nine of whom were Independent Directors
- One Director was the President.

Therefore, the stakeholders were assured that the Directors independently represented the best interest of shareholders and that power was properly balanced.

9. Combining or Segregating Authority

The Chairman and the President are two different persons. The Chairman does not have any relationship with the Management. His authority is separate from that of the President, and there is a clear distinction between supervisory policy-making and day-to-day business administrative roles.

10. Board and Management Compensation

The compensation of Directors follows shareholders' resolutions and approval. The compensation of Directors and the Management is disclosed on page 80-82

11. Board of Directors Meetings

PTT already set up an annual meeting schedule in advance. That is, the Board of Directors meetings are planned for the final Thursday of each month, with additional meetings called to discuss special agenda items as necessary. The Office of the President issues an invitation along with the meeting agenda and relevant supplementary documents contained in a compact disc (CD) to each Director seven days ahead of the meeting. Since April 2004, Board meetings have been made electronic, thereby providing speed and convenience in information management and reducing the amount of accompanying documents.

At each meeting, each Director openly and freely expresses opinions. The minutes of each are properly documented and, after approval from the Board is given, are filed for auditing purposes and reference by Directors and related persons. Each Board meeting lasts 3-4 hours.

In 2005, the Board held 12 regular meetings along with one special meeting as detailed below.

Board Meeting Attendance in 2005

| Name | Meeting | | | | | Beginning of Term |
|---------------------------------|--------------------------|------------------------|----------------------------------|----------------------------|------------------------------|-------------------|
| | Board Meeting (13 times) | Audit Comm. (12 times) | Corp. Governance Comm. (3 times) | Nominating Comm. (2 times) | Remuneration Comm. (2 times) | |
| 1. Mr. Cherdpong Siriwit | 13/13 | - | - | - | - | - |
| 2. Mr. Suparut Kawatkul | 8/10 | - | - | 1/1 | - | 12 April 2005 |
| 3. Mr. Somchai Wongsawat | 9/13 | - | - | - | - | - |
| 4. Mr. Chakramon Phasukwanich | 12/13 | - | - | 2/2 | - | - |
| 5. Dr. Phadhajej Dhamcharee | 10/10 | 8/8 | - | - | - | 12 April 2005 |
| 6. Gen. Dr. Chaisuk Ketudat | 13/13 | 3/3 | - | - | - | - |
| 7. Dr. Ampon Kittiampon | 10/10 | - | - | - | - | 12 April 2005 |
| 8. Dr. Olarn Chairavat | 13/13 | 12/12 | - | - | - | - |
| 9. Mr. Prapun Naigowit | 13/13 | 12/12 | 3/3 | - | - | - |
| 10. Mrs. Pannee Sathavarodom | 5/5 | - | - | - | - | 28 July 2005 |
| 11. Mr. Metta Bunturngsuk | 11/13 | - | - | - | - | - |
| 12. Dr. Pisanu Suntharaks | 11/13 | - | 3/3 | - | 2/2 | - |
| 13. Dr. Suchart Tadathamrongvej | 9/10 | 8/8 | - | - | - | 12 April 2005 |
| 14. Mr. Prasert Bunsumpun | 13/13 | - | - | - | - | - |

Directors whose terms ended or resigned during 2005

| Name | Meeting | | | | | End of Term |
|------------------------------------|--------------------------|------------------------|----------------------------------|----------------------------|------------------------------|-------------------|
| | Board Meeting (13 times) | Audit Comm. (12 times) | Corp. Governance Comm. (3 times) | Nominating Comm. (2 times) | Remuneration Comm. (2 times) | |
| 15. Mr. Manu Leoparote | 3/3 | - | - | - | 2/2 | 12 April 2005 |
| 16. Police General Sant Sarutanond | 3/3 | - | - | 1/1 | - | 12 April 2005 |
| 17. Mr. Chaiwat Wongwattanasan | 0/3 | 0/3 | - | - | - | 12 April 2005 |
| 18. Mr. Sunthad Somchevita | 3/3 | 2/3 | - | - | - | 12 April 2005 |
| 19. Mr. Wisudhi Srisuphan | 5/5 | - | - | - | 2/2 | 31 May 2005 |
| 20. Mr. Pala Sookawesh | 6/8 | - | - | 2/2 | - | 22 September 2005 |

Note : Audit Committee consisted of 4 persons which are No. 5, 8, 9, 13
 Corporate Governance Committee consisted of 3 persons which are No. 6, 9, 12
 Nominating Committee consisted of 3 persons which are No. 2, 4, 7 (appointed to Nominating Committee on 26 January 2006)
 Remuneration Committee consisted of 3 persons which are No. 3, 10, 12.

12. Subcommittees

To assist in the screening and efficient supervision of business operation, the Board appointed four subcommittees with specialized knowledge and expertise, namely the Audit Committee, Nominating Committee, Remuneration Committee, and Corporate Governance Committee. Each consisted of non-management Directors. The composition, scope of authority, and responsibilities of each are detailed on page 75-77

13. Internal Control and Audit

The Board monitors the performance of the Management through the approval of the Company's operating plans, budget, and goals for each year. The Management is encouraged to recognize the importance of an internal control procedure that is efficient, compatible with acceptable risk levels, and suitable for Company circumstances.

- **Internal Control**

The Board ensures effective internal control to facilitate risk management to acceptable levels, and regularly monitors and evaluates its efficiency. The Audit Committee examines compliance in all areas, namely:

1. Management Control: Ensuring that relevant units comply with their missions; ensuring that the Management formulates plans to achieve its objectives and goals; and monitoring implementation.
2. Operational Control: Ensuring comprehensive control, for instance, in procurement and hiring through E-procurement and other means, such as price bargaining, open contests, and preferred bidding from PTT's vendor list.
3. Financial Control: Ensuring that PTT applies result-based budgeting and SAP (Systems Applications and Products); ensuring adequacy of internal control, for instance, through control environment, suitable risk assessment procedures, control activities, information and communication systems, and proper monitoring and assessment.

Internal control plays a key role in helping the Management lower business risks, enhancing business efficiency through proper allocation of resources, and attaining goals. It also protects Company assets from potential losses and corrupt practices, reinforces the credibility of financial statements, ensures compliance of all personnel with laws and regulations, and protects shareholders' capital.

- **Internal Audit**

The Office of Corporate Audit follows the highest standards of internal audit by examining financial accounts, information technology, safety, health, and environment, including those of affiliates and subsidiaries. The Office audited the annual operating plans, which were consistent with the findings of the corporate risk assessment, and reported them to the Audit Committee every quarter.

- **Risk Management**

A Risk Management Committee has been appointed to manage risks within the entire company, assess risks, and define a structure for risk management to reduce risks to acceptable levels. Types of risk generally include financial, operational, business, and event risks. The Committee is responsible for preparing an analysis and assessment of potential risks, their potential effects on PTT - both internal and external - and a risk management report for the Board. An early warning system is now in place with critical risk indicators defined, for instance, the debt-to-equity ratio is to be under 1.

PTT takes the issue of risk management seriously. To illustrate, the President issued a Corporate Risk Management Policy, and the Risk Management Committee prepared a corporate risk management handbook for all

to use as a framework in their assessment and management of risks. To this end, a Risk Management Information System (RMIS) has been developed.

14. Reports to the Board

Each quarter the Audit Committee reviews PTT's financial reports in conjunction with the Accounting Department and the Office of the Auditor General, and presents its findings to the Board. The Board is accountable for the PTT Group's consolidated financial statements, as well as other financial information (such as *Report on the Board's Responsibility to Create a Financial Report*) presented in the annual report. The financial statements are prepared under generally accepted accounting standards, examined, and certified by the Office of the Auditor General of Thailand. Essential information, including financial and non-financial information, is completely and consistently disclosed.

15. Investor Relations

PTT values accurate, complete, and transparent disclosure of information. This also applies to the release of operating results and Company information to investors, shareholders, and related parties—both directly and indirectly.

Directly : PTT regularly presented information to analysts, investors, and employees at analysts' meetings, road shows, conference calls, and conferences. Analysts, investors, and interested parties also arranged the company visits in order to meet the Management of PTT and make inquiries into the Company's progress. In 2005, the following activities took place:

| | |
|--|---------------|
| • International roadshows | 10 times |
| • Analysts' meetings | 4 times |
| • Company visits/conference calls | 108 times |
| • E-mails/telephones | 3-5 times/day |
| • Participation in SET excursions | 2 times |
| • Field trips for minor investors to visit plants and meet management team members | 1 time. |

Indirectly : Information on the Company, its performance, financial statements, and reports filed with SET can be found at www.pttplc.com.

: Investors and interested parties can also make inquiries through www.pttplc.com or through e-mail at ir@pttplc.com.

Since October 2001, PTT has established the Capital Market & Investor Relations Department as its center to ensure the quality of its financial reporting procedure, together with essential information that can affect its share price.

In addition, PTT issued press releases to inform the public of its business movement and the update status of its operations and investment projects. The press releases were also issued to clarify misleading news reports and to provide the media and the public a more convenient way of communicating with the company. PTT's corporate and public relations activities in 2005 are as follows :

| | |
|----------------------|-------------|
| E-mails | 1,278 times |
| Press/Photo Releases | 256 pieces |
| Press Conferences | 63 times |
| Press Tours | 7 times |

Recognitions



1. International

| Award | Conferred by | Details | Criteria |
|-------|---|--|--|
| 1.1 | Asiamoney Magazine: Published in December 2005/ January 2006 - Best Managed Companies | Organization 1. Large-Cap Corporate of the Year 2005 for Thailand Individual 2. Corporate Executive of the Year 2005 in Thailand Mr. Prasert Bunsumpun President | Questionnaires responded by 192 leading fund-management firms, hedge funds, and securities brokerage firms |
| 1.2 | Forbes Magazine: Published in April 18, 2005 - The World's Leading Public Companies | PTT was ranked 425th among the world's 2,000 largest listed companies with the total assets of US\$8.15 billion | Survey based on four main criteria: sales, income, assets, and market value. Additional criteria included international expansion programs and other relevant factors. |
| 1.3 | FinanceAsia Magazine: Published in March 24, 2005 - Asia's Best Companies 2005 | PTT's ranking among Thai companies: 1. 1 st Prize Best Managed Company 2. 1 st Prize Best Corporate Governance 3. 3 rd Prize Best Commitment to Strong Dividend Payments 4. 7 th Prize Best Investor Relations | Questionnaires responded by over 200 fund managers and equity analysts to rank leading corporations in 10 Asian countries: Thailand, China, Hong Kong, Philippines, India, Taiwan, Malaysia, Indonesia, Korea, and Singapore |



| Award | Conferred by | Details | Criteria |
|-------|--|---|---|
| 1.4 | <p>The Asset Magazine: Published in April 13, 2005 - Best in Corporate Governance</p> <p>January 19, 2005 - AAA Regional Awards 2005</p> | <p>PTT was ranked 1st among Thai companies with outstanding corporate governance</p> <ol style="list-style-type: none"> The Best Local Currency Bond in Asia The Best Deal in Thailand for the 30-year US\$350-million bond | <p>Questionnaire responded by over 110 institutional investors that invested in Asian capital markets</p> <p>Awarded for the firm's outstanding distribution of bonds in 2005</p> |
| 1.5 | <p>Fortune Magazine: Published in July 25, 2005 - 2005 Fortune Global 500 - The World's Largest Corporations</p> | <p>PTT, the only Thai company included in the assessment, was ranked 373rd among the world's largest corporations</p> <p>Details of award:</p> <ul style="list-style-type: none"> Biggest increases in revenue: PTT showed 34.6% growth income from 2003 to 2004 Highest Return on Assets: PTT reported ROA at 12.4% | <p>Based on business performance in 2004 as stated in financial statements submitted to the Government</p> |
| 1.6 | <p>CNBC News Station: Awards Presentation on July 18, 2005 - Thailand's Business Leader of the Year</p> | <p>Mr. Prasert Bunsumpun PTT President was named "Thailand's Business Leader of the Year 2005 "</p> | <p>Awarded to a corporate leader with the highest customer satisfaction; ability to motivate employees, generate outstanding business performance, and direct organization toward success; also recipient of "Best CEO of the Year" award from the Stock Exchange of Thailand (SET) Awards 2005</p> |



| Award | Conferred by | Details | Criteria |
|-------|--|---|---|
| 1.7 | BusinessWeek Magazine: Published in October 24, 2005 - The Asian BusinessWeek 50 | PTT was ranked 1st among Asian leading corporations in 2005 BusinessWeek selected 50 corporations from 625 companies listed in Asia that passed Business Week's criteria | Based on data from Standard & Poor's/ Citigroup/ Pan-Asia Index, with attention given to various financial indicators, such as Earnings and Sales Growth, Return on Equity, and other indicators, from the past year and past three years |
| 1.8 | Euromoney Magazine: Published in December 2005 - Best Managed Companies in Asia | PTT won 7 important awards 1. Best Asian Company 2005 2. Best Companies by Country 3. Most Improved Companies 4. Most Transparent Accounts 5. Most Accessible Senior Management 6. Most Useful and Informative Website 7. Best Treatment of Minority Shareholders | Questionnaire responded by institutional analysts and leading banks in Asia. Respondents were asked to rank the top three companies in the country or industry that were relevant to respondents' business based on the following criteria: 1. Company strength 2. Ability to generate profit 3. Company growth 4. Management's performance |
| 1.9 | Institutional Investor : Published in November 2, 2005 - The Leading Companies and Executives for Investor Relations in Asia - 2005 | Organization 1. Asian Best Investor Relations in Oil and Gas Business 2005 and 2. Thailand Best Investor Relations Individual Mr. Prasert Bunsumpun, President 1. Asian Best CEO in Oil and Gas Business 2005 and 2. Thailand Best CEO | Questionnaires responded by securities analysts and fund managers throughout Asia. |



2.1



2.2

2. Local

| Award | Conferred by | Details | Criteria |
|-------|--|--|---|
| 2.1 | Ministry of Industry: Awards Presentation on May 19, 2005 - Outstanding Industry Award 2005 | PTT won the Outstanding Industry Award for 2005 | Based on the competence in managing the organization for maximum efficiency in business operations, development of innovative technologies and knowledge, and responsibility for the society, community, and environment - all of which play an important role in its achievement as a leader in Southeast Asia's energy industry. |
| 2.2 | Banking Finance Magazine, the Stock Exchange of Thailand (SET), and CNBC TV Station: Awards Presentation on July 18, 2005 - SET Award 2005 | <ol style="list-style-type: none"> 1. Best CEO of the Year Mr. Prasert Bunsumpun, PTT President 2. Best Performance for Energy Resources Group 3. Best Corporate Governance Report | <ol style="list-style-type: none"> 1. The "Best CEO of the Year" award was presented to the CEO with outstanding leadership and vision, clear business objectives and strategies, and excellence in management. The CEO must be widely recognized in his/her competence in leading the organization toward success and his/her concern for society. 2. The "Best Performance" award for Energy Resources Group was presented to the listed company in the Energy Resources Group with outstanding financial and operating performance in 2004. Among the selection criteria are compliance with SET's disclosure regulations and liquidity of the company's shares. 3. The "Best Corporate Governance Report" award was presented to the listed company with excellence in compliance to SET's 15 guidelines for corporate governance. The decision was based on information contained in Form 56-1, annual reports, invitations to shareholders' meetings, and reports of shareholders' meetings. |



| Award | Conferred by | Details | Criteria |
|-------|---|---|--|
| 2.3 | Thailand Management Association and Sasin Graduate Institute of Business Administration of Chulalongkorn University: Awards Presentation on August 18, 2005 - Thailand Corporate Excellence Awards 2004 | Commitment to Social and/or Environmental Issues | Objectives: - Identification of organizations with excellence in management and business administration - Development of database for benchmarking purposes for use by organizations in improving business administration efficiency |
| 2.4 | Ministry of Finance: Awards Presentation on September 30, 2005 - Outstanding State Enterprise for 2005 | State Enterprise with Outstanding Performance | Based on the ability to carry out policies and competence in management, including the Board's role, risk management, control, internal audit, information technology management, and human resource management |
| 2.5 | Thai Institute of Directors Association (IOD), SET, the Thai Chamber of Commerce, the Board of Trade of Thailand, the Federation of Thai Industries, the Thai Bankers' Association, Listed Companies Association: Awards Presentation on November 28, 2005 - Board of the Year Awards 2004/2005 | PTT's Board of Directors won the "Board of the Year - Excellent 2004/2005" | Selected from companies that were ranked in the top quartile of IOD's assessment of listed companies in 2005 (Boards that were in office throughout 2004 until the annual general shareholders' meeting in 2005) - Companies that passed preliminary criteria must submit information to IOD for further consideration and as supporting documents for Board interviews |

Quality, Safety, Health, and Environment Accomplishments

Recognizing that PTT's regional energy leadership and its worldwide recognition hinges on demonstrated efforts in social responsibility as well as environmental promotion and preservation, PTT is truly committed to sustainable development. The Company has applied the approach of corporate social responsibility in devising management mechanisms to ensure that stakeholders – employees, customers, shareholders, suppliers, contractors, communities, society, and the environment – obtain maximum benefit from PTT's business operation.

Responsibility to Employees and Contractors

As occupational health is vital for work efficiency, PTT has focused on prevention and control of potential safety and health losses that might happen to both employees and contractors. The Company has applied the MOI/OHSAS 18001 occupational health and safety management system to its operations along with development of its near miss incident and accident reporting and investigation procedures. These have promoted systematic and prompt analysis, and the information generated also serves as a good resource for future accident prevention and control.

PTT involves its employees in quality-of-life development efforts in their operating areas through Health, Safety, and Environment Committees. Management and employees jointly formulate policies, goals, and plans which are incorporated into suitable safety, health, and environmental measures for each operating area.



5th Gas Separation Plant Staff on duty



An Atmosphere of a Meeting at PTT Head Office



Annual Occupational Health Check



Health, Safety, and Environment Committees meet regularly



The Number of NGV Stations Is expanding to Serve Higher Demand



Service Staff Are Trained for Safety



PTT Won Golden Service Station

Responsibility to Customers

Over the years, PTT has played a key role in supporting research and development of environment-friendly petroleum products and environmental technology. In 2005, the Company developed and expanded the markets for the alternative fuels to reduce air pollution including NGV, gasohol, and biodiesel. Other accomplishments include innovative lubricants and safer, more economical LPG cylinders as well as safety equipment.

Responsibility to Related Parties in the Supply Chain

PTT is committed to improving quality, safety, health, and environmental management of the suppliers, contractors, and distributors. PTT believes that these would contribute to better control and mitigation of safety, health, and environmental impacts and would thereby lead to greater business sustainability. During the year, the Company organized seminars and training for distributors and customers while conducting safety inspections of tools and equipment in LPG bottling plants. The Company also conducted supplier audits and inspections of outsourcing in regard to business processes, safety, health, and environmental work that have a direct bearing on product and service quality. PTT also extended support and assistance to emergency rescue efforts. For service stations, the Company prepared manuals for QSHE operations and conducted stringent audits of its own stations and those belonging to distributors. PTT is proud of the fact that more of its service stations received the "Golden Service Station" award than any other company.

Responsibility to Communities and Environmental Accomplishments

While PTT's business has brought about benefits to national energy development, its activities, operation, products, and services have admittedly affected the environment and created a potential risk of emergencies and crises that could affect people and communities around such operations. The Company has therefore paid great attention to the control, prevention, and mitigation of such impacts and applied the ISO 14001 environmental management standard at every operation site. In addition, PTT has supported technological research and development of environmental and pollution management to further improve the efficiency of its installations, for instance, energy conservation technologies and a study into the approach for hazardous waste elimination and treatment for gas separation plants. Concerning safety, the Company has prepared emergency and crisis prevention and management plans and staged regular emergency preparedness drills in all areas at both corporate and provincial levels, in concert with nearby agencies and government agencies.

QSHE Achievements of 2005

- **Best Industry Award, conferred by the Ministry of Industry on May 19**
Rayong Gas Separation Plant
- **EIA Monitoring Awards, conferred by the Ministry of Natural Resources and Environment, for outstanding compliance with measures stated in environmental impact assessment reports and outstanding environmental management practice, on December 21**
Khanom Gas Separation Plant



PTT Goes Further with Research and Technology for Environment



Emergency Preparedness Drills



The Best Industry Award Goes to Rayong Gas Separation Plant



Khanom Gas Separation Plant Won EIA Monitoring Awards 2005



PTT receives awards for being best in safety



PTT Executives Awarded Executive of the Year for Supporting Social Activities

- **National Outstanding Business Operator in Safety, Occupational Health, and Work Environment Award, conferred by the Ministry of Labour during the National Safety Week, on May 9**

23 Sites : Petroleum Terminal - Surat Thani, Lampang, Nakhon Sawan, Khon Kaen, Songkhla

Oil Terminal - Phra Khanong, Lam Lukka, Saraburi, Sriracha, Phitsanulok, Den Chai, Chiang Mai, Udon Thani, Ubon Ratchathani, Phuket, Pak Phanang

LPG Terminal - Khao Bo Ya, Ban Rong Po, Chon Buri Operations Center

Regional Pipeline Operations - Region 2 Pipeline Operations Division (Ayutthaya), Region 4 Pipeline Operations Division (Khon Kaen), Region 5 Pipeline Operations Division (Ratchaburi)

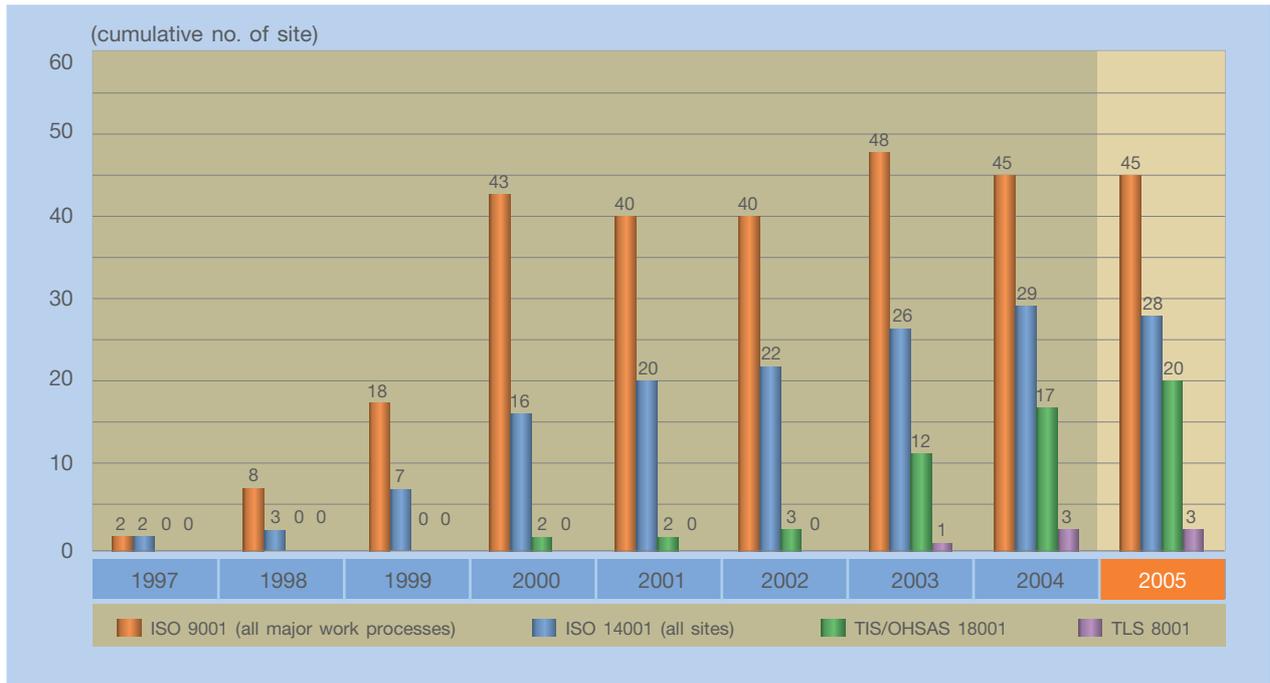
PTT Head Office

- **Executive of the Year (Corporate Management and Development), conferred by Sen Thang Setthakit Magazine**

Mr. Suwanunt Chatitudompunth, Executive Vice President - Natural Gas Processing, for enabling the Rayong Gas Separation Plant to collect the Thailand Quality Class (TQC) Award, together with outstanding industry management and programs on the environment, society, and communities, such as the Kui Buri National Reserved Forest conservation and rehabilitation program, economic and social data survey program for residents around the Thailand-Myanmar gas pipeline, and the quality of life improvement program for 30 communities along the gas pipeline corridor.

QSHE Management Standard Certification in 2005

PTT work processes and sites certified ISO 9001,
ISO 14001 TIS / OHSAS 18001



- Three additional oil terminals that awarded TIS /OHSAS 18001 Certification are Pak Phanang, Ubon Ratchathani, and Den Chai

▶ Report of Board of Directors' Responsibilities

The financial statements of PTT Public Company Limited and its subsidiaries being consolidated have been prepared in compliance with notification of Department of Commercial Registration dated September 14, 2001 issued under the third paragraph of section 11 of Accounting Act. B.E. 2543. The financial statements have been conformed to accounting principles regulated by the Institute of Certified Accountants and Auditors of Thailand.

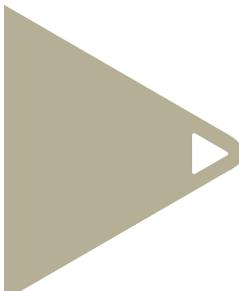
The Company's Board of Directors are responsible for the integrity and objectivity of the financial statements of PTT Public Company Limited and its subsidiaries in providing reasonable assurance that the financial statements present fairly financial position, results of operation, cash flows, the books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



(Mr. Cherdpong Siriwit)
Chairman of the Board



(Mr. Prasert Bunsumpun)
President



AUDITOR'S REPORT

TO : THE SHAREHOLDERS OF PTT PUBLIC COMPANY LIMITED

The Office of the Auditor General of Thailand has audited the accompanying consolidated balance sheets of PTT Public Company Limited and subsidiaries and the balance sheets of PTT Public Company Limited as at December 31, 2005 and 2004, and the related consolidated and the Company's statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. The responsibility of the Office of the Auditor General of Thailand is to express an opinion on these financial statements based on the audits and other auditors' reports. The financial statements of subsidiaries abroad, subsidiaries arising from incremental investments during the year, subsidiaries arising from joint investments between PTT Public Company Limited and subsidiaries or others, joint ventures which are joint investments between PTT Public Company Limited and others and joint investments between subsidiaries and others were audited by other auditors and included in the consolidated financial statements. The Office of the Auditor General of Thailand received the other auditors' reports and used them as a basis in auditing and expressing an opinion on the consolidated financial statements. As at December 31, 2005, assets and liabilities of the above subsidiaries and joint ventures included in the consolidated financial statements constitute 17.94% and 10.35% and as at December 31, 2004 constitute 27.17% and 22.74%, respectively.

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

In the opinion of the Office of the Auditor General of Thailand based on audits and other auditors' reports, the consolidated and the Company's financial statements referred to above present fairly, in all material respects, the financial position of PTT Public Company Limited and subsidiaries and of PTT Public Company Limited as at December 31, 2005 and 2004, and the results of operations, the changes in shareholders' equity and the cash flows for the years then in accordance with generally accepted accounting principles.

(Pensri Soranaraks)

Deputy Auditor General

(Suchitra Sommanus)

Director of Audit Office

Office of the Auditor General

BALANCE SHEETS

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES AS AT DECEMBER 31, 2005 AND 2004

Unit : Baht

| | Notes | Consolidated | | The Company | |
|---|-------|------------------------|------------------------|------------------------|------------------------|
| | | 2005 | 2004 | 2005 | 2004 |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | 4 | 73,440,815,749 | 51,237,268,294 | 20,884,465,980 | 12,621,621,594 |
| Current investments | 5 | 714,861,036 | 51,914,264,243 | 95,671,636 | 46,652,712,981 |
| Trade accounts and notes receivable - others, net | 6 | 67,518,695,403 | 45,329,269,869 | 55,618,297,002 | 38,594,240,286 |
| Trade accounts receivable - related parties, net | 7.1 | 21,798,865,096 | 12,085,764,652 | 40,199,888,113 | 18,784,297,134 |
| Other accounts receivable, advances and short-term loans - related parties, net | 7.2 | 5,186,428,630 | 1,268,437,136 | 17,510,054,024 | 3,122,996,981 |
| Inventories | 8 | 23,501,308,669 | 11,144,338,142 | 9,176,116,543 | 4,548,656,167 |
| Materials and supplies - net | 9 | 5,532,864,605 | 2,663,175,058 | 1,563,510,309 | 1,155,603,181 |
| Other current assets | 10 | 24,320,164,659 | 19,981,663,016 | 18,385,858,758 | 14,432,464,446 |
| Total Current Assets | | 222,014,003,847 | 195,624,180,410 | 163,433,862,365 | 139,912,592,770 |
| Non-current Assets | | | | | |
| Investments accounted for under equity method | 11.3 | 66,577,148,716 | 54,910,078,246 | 170,591,164,633 | 97,161,761,442 |
| Other long-term investments | 12.3 | 2,089,316,392 | 1,737,458,010 | 1,799,078,000 | 1,737,458,000 |
| Long-term advances and loans - related parties, net | 7.3 | 5,992,867,629 | 7,429,027,767 | 6,019,375,915 | 7,429,027,767 |
| Property, plant and equipment, net | 13 | 305,586,896,907 | 190,187,203,814 | 109,948,850,665 | 75,278,966,808 |
| Intangible assets | 14 | 11,320,083,398 | 3,410,752,158 | 3,175,955,018 | 3,120,029,443 |
| Deferred tax assets | 15 | 1,898,455,921 | 1,655,646,464 | 1,184,784,823 | 1,597,180,069 |
| Advance payment for gas purchased | 16 | 19,746,624,624 | 22,745,521,554 | 24,574,666,637 | 28,276,775,987 |
| Other non-current assets | 17 | 14,581,259,662 | 9,526,366,454 | 8,487,176,043 | 5,447,669,470 |
| Total Non-current Assets | | 427,792,653,249 | 291,602,054,467 | 325,781,051,734 | 220,048,868,986 |
| Total Assets | | 649,806,657,096 | 487,226,234,877 | 489,214,914,099 | 359,961,461,756 |

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

BALANCE SHEETS

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES AS AT DECEMBER 31, 2005 AND 2004

Unit : Baht

| | Notes | Consolidated | | The Company | |
|--|-----------|------------------------|------------------------|------------------------|------------------------|
| | | 2005 | 2004 | 2005 | 2004 |
| Liabilities and Shareholders' Equity | | | | | |
| Current Liabilities | | | | | |
| Bank overdrafts and short-term loans from financial institutions | 18 | 1,346,735,675 | 11,760,750,000 | 998,410,421 | 11,760,750,000 |
| Trade accounts payable - others | | 49,488,015,557 | 24,175,153,957 | 43,920,826,386 | 22,608,672,717 |
| Trade accounts payable - related parties | 7.4 | 18,626,632,656 | 12,216,383,280 | 31,722,141,934 | 18,068,479,516 |
| Other accounts payable - related parties | 7.5 | 334,643,566 | 182,983,719 | 158,136,236 | 144,219,010 |
| Current portion of long-term loans | 20 | 23,826,740,361 | 60,688,648,039 | 8,484,501,371 | 7,959,441,241 |
| Other short-term loans | | - | 868,436,250 | - | - |
| Income tax payable | | 20,935,268,286 | 12,318,193,491 | 3,997,999,648 | 2,675,905,439 |
| Accrued expenses | | 21,437,007,568 | 10,316,842,313 | 9,084,274,666 | 4,984,311,092 |
| Other current liabilities | 19 | 12,016,282,093 | 6,384,745,097 | 6,570,473,569 | 3,379,700,814 |
| Total Current Liabilities | | 148,011,325,762 | 138,912,136,146 | 104,936,764,231 | 71,581,479,829 |
| Non-current Liabilities | | | | | |
| Other long-term accounts payable - related parties | 7.6 | - | - | 360,812,624 | 14,565,509 |
| Long-term loans | 20 | 197,983,341,348 | 140,904,310,498 | 146,743,072,536 | 115,925,102,343 |
| Allowance for share of net loss over investments | 11.3,11.5 | - | - | 1,074,727,910 | 1,597,942,764 |
| Deferred tax liabilities | 15 | 12,685,241,571 | 10,257,015,755 | 276,996,795 | - |
| Provision for decommissioning costs | 21 | 7,019,362,087 | 5,229,671,609 | - | - |
| Deposits on LPG cylinders | | 3,986,404,813 | 3,711,089,732 | 3,986,404,813 | 3,711,089,732 |
| Other non-current liabilities | 22 | 1,688,048,445 | 3,297,047,976 | 1,019,332,886 | 2,757,094,602 |
| Total Non-current Liabilities | | 223,362,398,264 | 163,399,135,570 | 153,461,347,564 | 124,005,794,950 |
| Total Liabilities | | 371,373,724,026 | 302,311,271,716 | 258,398,111,795 | 195,587,274,779 |

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

BALANCE SHEETS

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES AS AT DECEMBER 31, 2005 AND 2004

Unit : Baht

| Notes | Consolidated | | The Company | |
|---|----------------|------------------------|------------------------|------------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Liabilities and Shareholders' Equity (Continued) | | | | |
| Shareholders' Equity | | | | |
| Share capital | 23 | | | |
| Authorized share capital | | | | |
| 2,850,000,000 ordinary shares of Baht 10 each | - | 28,500,000,000 | - | 28,500,000,000 |
| 2,837,245,725 ordinary shares of Baht 10 each | 28,372,457,250 | - | 28,372,457,250 | - |
| Issued and paid-up share capital | | | | |
| 2,797,245,725 ordinary shares of Baht 10 each | 27,972,457,250 | 27,972,457,250 | 27,972,457,250 | 27,972,457,250 |
| Premium on share capital | | | | |
| Premium on ordinary shares | 17,992,830,666 | 17,992,830,666 | 17,992,830,666 | 17,992,830,666 |
| Surplus on dilution of investments in subsidiaries and associates | 2,142,400,359 | 2,089,284,252 | 2,142,400,359 | 2,089,284,252 |
| Unrealized gain on available-for-sale securities | 830,990,386 | 1,046,367,181 | 830,990,386 | 1,046,367,181 |
| Currency translation differences | (800,719,785) | (765,711,742) | (800,719,785) | (765,711,742) |
| Retained earnings | | | | |
| Appropriated | | | | |
| Legal reserve | 24.1 | 2,850,000,000 | 2,850,000,000 | 2,850,000,000 |
| Reserve for Self-Insurance Fund | 24.2 | 841,395,380 | 841,395,380 | 811,830,329 |
| Unappropriated | | 178,987,448,048 | 178,987,448,048 | 112,377,129,041 |
| Total parent's shareholders' equity | | 230,816,802,304 | 230,816,802,304 | 164,374,186,977 |
| Minority interests | | 47,616,130,766 | 20,540,776,184 | - |
| Total Shareholders' Equity | | 278,432,933,070 | 184,914,963,161 | 230,816,802,304 |
| Total Liabilities and Shareholders' Equity | | 649,806,657,096 | 487,226,234,877 | 489,214,914,099 |

(Prasert Bunsumpun)

President

(Pichai Chunchavajira)

Senior Executive Vice President,
Corporate Finance & Accounting

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

STATEMENTS OF INCOME

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Unit : Baht

| | Notes | Consolidated | | The Company | |
|--|-------|------------------------|-----------------------|------------------------|-----------------------|
| | | 2005 | 2004 | 2005 | 2004 |
| Sales | 26 | 929,716,090,982 | 644,693,554,744 | 973,765,163,012 | 614,278,892,817 |
| Cost of sales | | 813,844,630,325 | 565,826,824,588 | 921,332,101,788 | 567,781,890,755 |
| Gross Margin | | 115,871,460,657 | 78,866,730,156 | 52,433,061,224 | 46,497,002,062 |
| Selling and administrative expenses | | 22,586,102,918 | 18,617,581,968 | 17,320,235,227 | 15,411,488,181 |
| Exploration expenses | | 1,213,024,874 | 401,041,926 | - | - |
| Income from Sales | | 92,072,332,865 | 59,848,106,262 | 35,112,825,997 | 31,085,513,881 |
| Other incomes | 27 | 9,435,673,595 | 9,214,506,207 | 12,745,029,541 | 8,578,030,905 |
| Directors' remuneration | | 79,752,401 | 55,363,666 | 28,485,010 | 22,932,500 |
| Income from Operations | | 101,428,254,059 | 69,007,248,803 | 47,829,370,528 | 39,640,612,286 |
| Share of net income from investments under equity method | 28 | 21,651,259,802 | 26,741,966,641 | 52,984,437,048 | 37,240,047,238 |
| Income before Interests and Taxes | | 123,079,513,861 | 95,749,215,444 | 100,813,807,576 | 76,880,659,524 |
| Interest expenses | 31 | 8,811,662,806 | 8,465,019,526 | 6,787,342,468 | 6,885,397,229 |
| Income taxes | 15 | 25,565,615,689 | 18,676,570,512 | 8,505,172,406 | 7,328,793,124 |
| Income after Taxes | | 88,702,235,366 | 68,607,625,406 | 85,521,292,702 | 62,666,469,171 |
| Income of minority interests | | 8,597,739,206 | 5,941,156,235 | - | - |
| Income from Ordinary Activities | | 80,104,496,160 | 62,666,469,171 | 85,521,292,702 | 62,666,469,171 |
| Extraordinary items | 29 | 5,416,796,542 | - | - | - |
| Net Income | | 85,521,292,702 | 62,666,469,171 | 85,521,292,702 | 62,666,469,171 |
| Basic earnings per share | 25 | | | | |
| Income before extraordinary items | | 28.63 | 22.40 | 30.57 | 22.40 |
| Extraordinary items | | 1.94 | - | - | - |
| Net income | | 30.57 | 22.40 | 30.57 | 22.40 |
| Diluted earnings per share | 25 | | | | |
| Income before extraordinary items | | 28.59 | 22.39 | 30.53 | 22.39 |
| Extraordinary items | | 1.94 | - | - | - |
| Net income | | 30.53 | 22.39 | 30.53 | 22.39 |

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
CONSOLIDATED

Unit : Baht

| Notes | Issued and paid-up share capital | Premium on share capital | Surplus on dilution of investments | Unrealized gain(loss) on available-for-sale securities | Currency translation differences | Legal reserve | Reserve for Self-Insurance Fund | Retained earnings | Minority interests | Total |
|---|----------------------------------|--------------------------|------------------------------------|--|----------------------------------|---------------|---------------------------------|-------------------|--------------------|------------------|
| Balance as at January 1, 2004 | 27,972,457,250 | 17,992,830,666 | - | 550,400,000 | (721,543,059) | 2,850,000,000 | 776,993,833 | 62,888,774,224 | 16,619,274,744 | 129,929,187,658 |
| Cumulative effect of changes in accounting policies 3 | - | - | 1,966,620,101 | - | - | - | - | (1,954,294,958) | - | 12,325,143 |
| Balance after adjustment | 27,972,457,250 | 17,992,830,666 | 1,966,620,101 | 550,400,000 | (721,543,059) | 2,850,000,000 | 776,993,833 | 60,934,479,266 | 16,619,274,744 | 129,929,187,658 |
| Currency translation differences | - | - | - | - | (44,168,683) | - | - | - | - | (44,168,683) |
| Unrealized gain on available-for-sale securities | - | - | - | 495,967,181 | - | - | - | - | - | 495,967,181 |
| Minority interests | - | - | - | - | - | - | - | - | 3,921,501,440 | 3,921,501,440 |
| Surplus on dilution of investments in subsidiaries and associates | - | - | 122,664,151 | - | - | - | - | - | - | 122,664,151 |
| Reserve for Self-Insurance Fund | - | - | - | - | - | - | 34,836,496 | (34,836,496) | - | - |
| Dividend paid | - | - | - | - | - | - | - | (11,188,982,900) | - | (11,188,982,900) |
| Net income | - | - | - | - | - | - | - | 62,666,469,171 | - | 62,666,469,171 |
| Balance as at December 31, 2004 | 27,972,457,250 | 17,992,830,666 | 2,089,284,252 | 1,046,367,181 | (765,711,742) | 2,850,000,000 | 811,830,329 | 112,377,129,041 | 20,540,776,184 | 184,914,963,161 |
| Currency translation differences | - | - | - | - | (35,008,043) | - | - | - | - | (35,008,043) |
| Unrealized gain on available-for-sale securities | - | - | - | (215,376,795) | - | - | - | - | - | (215,376,795) |
| Minority interests | - | - | - | - | - | - | - | - | 27,075,354,582 | 27,075,354,582 |
| Surplus on dilution of investments in subsidiaries and associates | - | - | 53,116,107 | - | - | - | - | - | - | 53,116,107 |
| Reserve for Self-Insurance Fund | - | - | - | - | - | - | 29,565,051 | (29,565,051) | - | - |
| Dividend paid | - | - | - | - | - | - | - | (18,881,408,644) | - | (18,881,408,644) |
| Net income | - | - | - | - | - | - | - | 85,521,292,702 | - | 85,521,292,702 |
| Balance as at December 31, 2005 | 27,972,457,250 | 17,992,830,666 | 2,142,400,359 | 830,990,386 | (800,719,785) | 2,850,000,000 | 841,395,380 | 178,987,448,048 | 47,616,130,766 | 278,432,933,070 |

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 THE COMPANY

Unit : Baht

| Notes | Issued and paid-up share capital | Premium on share capital | Surplus on dilution of investments | Unrealized gain(loss) on available-for-sale securities | Currency translation differences | Legal reserve | Reserve for Self-Insurance Fund | Retained earnings | Total |
|---|----------------------------------|--------------------------|------------------------------------|--|----------------------------------|---------------|---------------------------------|-------------------|------------------|
| Balance as at January 1, 2004 | 27,972,457,250 | 17,992,830,666 | - | 550,400,000 | (721,543,059) | 2,850,000,000 | 776,993,833 | 62,888,774,224 | 112,309,912,914 |
| Cumulative effect of changes in accounting policies | - | - | 1,966,620,101 | - | - | - | - | (1,954,294,958) | 12,325,143 |
| Balance after adjustment | 27,972,457,250 | 17,992,830,666 | 1,966,620,101 | 550,400,000 | (721,543,059) | 2,850,000,000 | 776,993,833 | 60,934,479,266 | 112,322,238,057 |
| Currency translation differences | - | - | - | - | (44,168,683) | - | - | - | (44,168,683) |
| Unrealized gain on available-for-sale securities | - | - | - | 495,967,181 | - | - | - | - | 495,967,181 |
| Surplus on dilution of investments in subsidiaries and associates | - | - | 122,664,151 | - | - | - | - | - | 122,664,151 |
| Reserve for Self-Insurance Fund | - | - | - | - | - | - | 34,836,496 | (34,836,496) | - |
| Dividend paid | - | - | - | - | - | - | - | (11,188,982,900) | (11,188,982,900) |
| Net income | - | - | - | - | - | - | - | 62,666,469,171 | 62,666,469,171 |
| Balance as at December 31, 2004 | 27,972,457,250 | 17,992,830,666 | 2,089,284,252 | 1,046,367,181 | (765,711,742) | 2,850,000,000 | 811,830,329 | 112,377,129,041 | 164,374,186,977 |
| Currency translation differences | - | - | - | - | (35,008,043) | - | - | - | (35,008,043) |
| Unrealized gain on available-for-sale securities | - | - | - | (215,376,795) | - | - | - | - | (215,376,795) |
| Surplus on dilution of investments in subsidiaries and associates | - | - | 53,116,107 | - | - | - | - | - | 53,116,107 |
| Reserve for Self-Insurance Fund | - | - | - | - | - | - | 29,565,051 | (29,565,051) | - |
| Dividend paid | - | - | - | - | - | - | - | (18,881,408,644) | (18,881,408,644) |
| Net income | - | - | - | - | - | - | - | 85,521,292,702 | 85,521,292,702 |
| Balance as at December 31, 2005 | 27,972,457,250 | 17,992,830,666 | 2,142,400,359 | 830,990,386 | (800,719,785) | 2,850,000,000 | 841,395,380 | 178,987,448,048 | 230,816,902,304 |

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

STATEMENTS OF CASH FLOWS
PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Unit : Baht

| Notes | Consolidated | | The Company | |
|--|------------------|------------------|------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Cash Flows from Operating Activities | | | | |
| Net income | 85,521,292,702 | 62,666,469,171 | 85,521,292,702 | 62,666,469,171 |
| Adjustment of net income to net cash provided by (used in) operating activities : | | | | |
| Depreciation, depletion and amortization | 17,478,594,420 | 14,270,879,849 | 6,619,605,938 | 5,898,115,880 |
| Reversal of impairment loss | (348,316,886) | - | (304,553,314) | - |
| Impairment loss | 22,147,934 | 72,427,586 | 22,147,934 | 28,664,014 |
| (Gain) loss on disposal of assets | (54,121,816) | 37,924,494 | (16,057,805) | 9,467,101 |
| (Gain) loss on disposal of investments | 551,433,946 | (338,242,703) | (4,868) | (15,205,972) |
| Write-off assets adjustment | (4,916,178) | 22,312,028 | (4,916,178) | 22,868,710 |
| Share of net income from investments under equity method | (21,651,259,802) | (26,741,966,641) | (52,984,437,048) | (37,240,047,238) |
| Income of minority interests | 8,597,739,206 | 5,941,156,235 | - | - |
| (Gain) loss on foreign exchange | 2,102,330,401 | (590,562,470) | 606,542,664 | 314,286,645 |
| Unrealized gain on trading securities | (578,784) | - | - | - |
| Doubtful accounts | (57,733,263) | 944,269,966 | (62,589,990) | 232,102,195 |
| Amortization of exploration costs | 415,689,464 | 24,175,401 | - | - |
| Amortization of bond issuing expenses | 9,575,521 | 9,575,521 | - | - |
| Amortization of bond discounts and current investments | 24,336,136 | 3,863,176 | 23,227,287 | 2,754,327 |
| Deferred income taxes | 1,839,113,946 | 1,088,646,917 | 412,395,246 | (13,493,783) |
| Amortization of deferred interest from finance leases | 6,650,074 | 4,359,816 | 6,203,909 | 4,333,916 |
| Provision for net realizable value | 33,583,761 | - | 33,583,761 | - |
| Provision for obsolete materials and supplies | 17,123,860 | 6,957,536 | - | 2,607,290 |
| Dividend income | (40,300,000) | (43,680,000) | (40,300,000) | (43,680,000) |
| Allowance for withdrawal from joint ventures | - | (481,831,169) | - | (481,831,169) |
| Write-off withholding tax | - | 139,924,607 | - | - |
| Extraordinary items | (7,738,280,775) | - | - | - |
| Others | 6,586,301 | - | - | - |
| Net income from operating activities before changes in operating assets and liabilities | 86,730,690,168 | 57,036,659,320 | 39,832,140,238 | 31,387,411,087 |

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

STATEMENTS OF CASH FLOWS

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Unit : Baht

| Notes | Consolidated | | The Company | |
|--|------------------|-----------------|------------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 |
| Changes in operating assets (increase) decrease | | | | |
| Trade accounts and notes receivable - others | (19,270,730,408) | (6,795,744,971) | (16,467,730,681) | (7,973,594,849) |
| Trade accounts receivable - related parties | (2,948,901,721) | 3,694,137,766 | (21,314,550,000) | (4,884,202,147) |
| Other accounts receivable, advances and short-term loans - related parties | 553,026,962 | 144,292,095 | 1,087,446,044 | (837,799,155) |
| Inventories | (10,382,776,231) | (342,134,622) | (4,661,044,137) | (847,333,418) |
| Materials and supplies | (1,622,857,988) | (573,782,656) | (477,509,483) | (110,875,046) |
| Other current assets | (2,894,920,452) | (6,832,738,083) | (3,136,859,056) | (6,272,824,805) |
| Advance payment for gas purchased | 2,998,896,929 | 3,606,531,721 | 3,702,109,349 | 4,401,514,639 |
| Long-term advances - related parties | - | 430,939 | 430,939 | 430,939 |
| Other non-current assets | (4,454,580,418) | (956,956,633) | (3,039,286,966) | (947,416,637) |
| Changes in operating liabilities increase (decrease) | | | | |
| Trade accounts payable - others | 24,226,250,750 | 3,738,820,736 | 21,064,108,637 | 2,287,050,721 |
| Trade accounts payable - related parties | 803,629,345 | (3,716,179,634) | 13,704,873,536 | 4,813,988,750 |
| Other accounts payable - related parties | (158,806,869) | (420,343,227) | 13,902,578 | (498,512,292) |
| Income tax payable | 7,703,626,991 | 4,101,598,245 | 1,322,094,209 | 247,554,548 |
| Accrued expenses | 7,333,969,736 | 2,975,999,649 | 469,669,596 | 1,086,262,964 |
| Other current liabilities | 3,033,224,907 | 1,055,067,846 | 2,254,030,120 | 1,477,944,416 |
| Deposits on LPG cylinders | 275,315,081 | 254,094,964 | 275,315,081 | 254,094,964 |
| Other long-term accounts payable - related parties | - | - | 346,247,115 | (965,676) |
| Other non-current liabilities | (2,073,721,193) | 1,307,815,176 | (1,944,704,911) | 879,954,922 |
| | 3,120,645,421 | 1,240,909,311 | (6,801,458,030) | (6,924,727,162) |
| Net cash provided by operating activities | 89,851,335,589 | 58,277,568,631 | 33,030,682,208 | 24,462,683,925 |

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

STATEMENTS OF CASH FLOWS
PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Unit : Baht

| Notes | Consolidated | | The Company | |
|--|------------------|------------------|------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Cash Flows from Investing Activities | | | | |
| Proceeds from disposal of property, plant and equipment | 24,167,971 | 9,516,565 | 19,458,581 | 6,031,189 |
| Payment of property, plant and equipment | (85,801,143,218) | (39,670,073,637) | (37,106,964,863) | (15,032,109,624) |
| Payment of intangible assets | (941,196,318) | (588,364,559) | (288,520,582) | (300,103,695) |
| Long-term loans to related parties | (145,648,774) | (39,528,229) | (170,648,774) | (39,528,229) |
| Short-term loans to related parties | (3,212,559,000) | (975,000,000) | (47,467,809,000) | (7,935,387,040) |
| Short-term loans | - | (2,903,764,720) | - | - |
| Payment of investments in subsidiaries | (6,625,234,648) | (6,365,296,772) | (7,769,484,648) | (6,554,296,772) |
| Payment of investments in joint ventures | - | - | (148,995,000) | (1,818,456,107) |
| Payment of investments in associates | (23,982,250,884) | (2,929,701,200) | (26,195,881,564) | (4,459,382,440) |
| Payment of investments in other related companies | - | (250,458,240) | - | (250,458,240) |
| Cash received from disposal of long-term investments | 8,909,861,560 | 3,749,177,189 | 784,050 | 2,094,351,078 |
| Cash received from short-term loans | 599,901,700 | 2,296,494,020 | 599,901,700 | - |
| Cash received from short-term loans to related parties | 1,388,989,356 | 1,326,080,000 | 34,243,891,056 | 7,404,294,640 |
| Cash received from cancellation of leasehold in gas stations | 26,819,681 | 19,037,780 | 26,819,681 | 19,037,780 |
| Current investments (increase) decrease | 51,491,869,646 | (48,265,267,227) | 46,550,418,233 | (45,254,936,091) |
| Dividends received | 5,530,800,889 | 951,533,200 | 12,075,685,689 | 3,652,458,375 |
| Net cash used in investing activities | (52,735,622,039) | (93,635,615,830) | (25,631,345,441) | (68,468,485,176) |
| Cash Flows from Financing Activities | | | | |
| Cash received from issuing ordinary shares | 955,941,500 | 293,790,000 | - | - |
| Proceeds from long-term loans | 27,016,641,140 | 5,339,360,913 | 8,158,000,000 | - |
| Cash received from issuing bonds | 30,183,580,318 | 35,204,301,080 | 30,183,580,318 | 35,204,301,080 |
| Cash received from short-term loans | - | 27,578,280,921 | - | 24,781,980,000 |
| Cash received from notes payable | 12,745,891,210 | - | 12,745,891,210 | - |
| Repayment of long-term loans | (45,404,672,760) | (16,707,341,965) | (413,957,637) | (14,074,949,818) |
| Repayment of notes payable | (11,900,276,079) | - | (11,761,000,000) | - |
| Redemption of bonds | (7,530,000,000) | (3,300,000,000) | (7,530,000,000) | (3,300,000,000) |
| Repayment of short-term loans | (12,470,855,218) | (13,609,872,611) | (11,602,418,968) | (11,712,150,000) |
| Payment of liabilities from finance leases | (39,910,001) | (49,189,991) | (35,822,202) | (48,979,091) |
| Increase (decrease) in bank overdrafts and short-term loans from financial institutions | 348,325,254 | (521,974,620) | - | - |
| Dividends paid | (22,304,216,814) | (12,911,654,610) | (18,881,408,644) | (11,188,982,900) |
| Net cash provided by (used in) financing activities | (28,399,551,450) | 21,315,699,117 | 862,864,077 | 19,661,219,271 |

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

STATEMENTS OF CASH FLOWS
PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Unit : Baht

| Notes | Consolidated | | The Company | |
|--|-------------------------|-----------------------|-----------------------|-----------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Effects of exchange rates on cash and cash equivalents | (15,612,095) | (153,615,894) | 643,542 | (1,147,834) |
| Currency translation differences | (206,490,653) | (162,694,583) | - | - |
| Net increase (decrease) in cash and cash equivalents | 8,494,059,352 | (14,358,658,559) | 8,262,844,386 | (24,345,729,814) |
| Cash and cash equivalents at beginning of periods | 51,237,268,294 | 56,481,602,177 | 12,621,621,594 | 36,967,351,408 |
| Cash at beginning of period of associates transformed to subsidiaries and cash from acquisitions | 13,709,488,103 | 9,114,324,676 | - | - |
| Cash and cash equivalents at end of periods | 4 73,440,815,749 | 51,237,268,294 | 20,884,465,980 | 12,621,621,594 |
| Supplemental disclosures of cash flow information | | | | |
| Cash paid during the periods for | | | | |
| Interest expenses | 11,822,261,106 | 8,536,322,532 | 7,539,094,393 | 7,003,017,312 |
| Income taxes | 21,925,344,756 | 15,000,775,324 | 6,090,209,436 | 6,206,911,996 |

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

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

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. 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.

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.

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:

| | |
|---------------------------|---------------|
| 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.

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 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.

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.

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:

Unit : Million Baht

| | Consolidated | | 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 | 73,440.82 | 51,237.27 | 20,884.47 | 12,621.62 |

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).

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 | - | - | - |
| Total | 714.86 | 51,914.26 | 95.67 | 46,652.71 |

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 |
| Total | 69,901.07 | 48,128.86 | 57,128.35 | 40,573.67 |
| <u>Less</u> Allowance for doubtful accounts | 2,382.37 | 2,799.59 | 1,510.05 | 1,979.43 |
| Trade accounts and notes receivable - others, net | 67,518.70 | 45,329.27 | 55,618.30 | 38,594.24 |

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 | 6,670.56 | 4,818.34 | 5,740.07 | 4,110.37 |
| Total | 69,901.07 | 48,128.86 | 57,128.35 | 40,573.67 |
| <u>Less</u> Allowance for doubtful accounts | 2,382.37 | 2,799.59 | 1,510.05 | 1,979.43 |
| Trade accounts and notes receivable - others, net | 67,518.70 | 45,329.27 | 55,618.30 | 38,594.24 |

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).

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 |
| Less 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 |

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 |

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

Unit : Million Baht

| | Consolidated | The Company |
|---------------------------------|--------------|-------------|
| 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 | 3,487.14 | 15,487.39 |

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

| | Consolidated | | The Company | |
|--------------------------------------|--------------|----------|-------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| Advances: | | | | |
| Subsidiaries | - | - | 1.51 | - |
| Associates | 304.86 | 1,049.66 | 304.86 | 1,049.66 |
| Less Allowance for doubtful accounts | 304.86 | 1,047.72 | 304.86 | 1,047.72 |
| | - | 1.94 | - | 1.94 |
| 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 |
| | 5,992.87 | 7,427.09 | 6,017.87 | 7,427.09 |
| Total | 5,992.87 | 7,429.03 | 6,019.38 | 7,429.03 |

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

Unit : Million Baht

| | Consolidated | The Company |
|---|--------------|-------------|
| 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 | 5,992.87 | 6,017.87 |

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

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 | 18,626.63 | 12,216.38 | 31,722.14 | 18,068.48 |

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 | 334.64 | 182.98 | 158.14 | 144.22 |

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 | - | - | 360.81 | 14.57 |

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.

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 | 23,501.31 | 11,144.34 | 9,176.12 | 4,548.66 |

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 |
| Less Allowance for obsolescence | 323.09 | 308.42 | 54.13 | 54.11 |
| Materials and supplies, net | 5,532.86 | 2,663.18 | 1,563.51 | 1,155.60 |

10. Other Current Assets, Net

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

Unit : Million Baht

| | Consolidated | | The Company | |
|---|--------------|-----------|-------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Other accounts receivable | 6,830.71 | 7,120.08 | 4,722.15 | 5,302.89 |
| Less Allowance for doubtful accounts | 599.44 | 558.65 | 595.19 | 557.09 |
| 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 | 1,060.34 | 632.11 | 145.41 | - |
| Total | 24,320.16 | 19,981.66 | 18,385.86 | 14,432.46 |

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.

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 |

| 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 | - |
| Thaioil 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 |

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

| Company | Country of Incorporation | Business | % Shareholding | |
|---|--------------------------|--------------------------------------|----------------|--------|
| | | | 2005 | 2004 |
| <u>Subsidiaries of PTTEP:</u> | | | | |
| 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.

| Company | Country of Incorporation | Business | % Shareholding | |
|--|--------------------------|---|----------------|-------|
| | | | 2005 | 2004 |
| <u>Subsidiaries of SBECL:</u> | | | | |
| Subic Bay Fuels Co., Inc. (SBFCI) | The Philippines | Oil marketing | 100.00 | - |
| Subic Bay Distribution, Inc. (SBDI) | The Philippines | Oil marketing | 100.00 | - |
| <u>Subsidiary of PTCL:</u> | | | | |
| Houakhong Trading Company Limited (Houakhong) | Laos | Oil marketing | 100.00 | 80.00 |
| <u>Subsidiaries of PTCH:</u> | | | | |
| 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 | - |
| <u>Associates of PTTEP:</u> | | | | |
| Thaioil 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 |
| <u>Associate of PTTNGD:</u> | | | | |
| Amata Natural Gas Distribution Co., Ltd. (AMATA NGD) | Thailand | Natural gas | 50.00 | 50.00 |

| Company | Country of Incorporation | Business | % Shareholding | |
|---|--------------------------|---|----------------|---------|
| | | | 2005 | 2004 |
| <u>Associate of SBDI:</u> | | | | |
| FST Aviation Services Limited (FST) | Hong Kong | Aircraft refueling service | 25.00 | 25.00 |
| <u>Associates of PTCH:</u> | | | | |
| 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 | - |
| <u>Jointly Controlled Entities of PTTEP:</u> | | | | |
| 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 | - |
| <u>Jointly Controlled Entity of RRC:</u> | | | | |
| Alliance Refining Co., Ltd. (ARC) | Thailand | Refinery management Service | 50.00 | 50.00 |
| <u>Jointly Controlled Entity of PTCH:</u> | | | | |
| Thai Ethoxylate Co., Ltd. (TEX) | Thailand | Petrochemical | 50.00 | - |

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

| Project | Country | Operator | % Shareholding | |
|------------------------------|----------|---|----------------|---------|
| | | | 2005 | 2004 |
| 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

| Project | Country | Operator | % Shareholding | |
|--|------------------------|---|----------------|----------|
| | | | 2005 | 2004 |
| 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)

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

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

Joint Ventures of PTTEP Kim Long Vietnam Company Limited

| Project | Country | Operator | % Shareholding | |
|-------------------|---------|----------------------------------|----------------|------|
| | | | 2005 | 2004 |
| Vietnam B & 48/95 | Vietnam | Unocal Vietnam Exploration, Ltd. | 8.50 | 8.50 |

Joint Ventures of PTTEP Southwest Vietnam Company Limited

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

Joint Ventures of PTTEP Hoan-Vu Company Limited

| Project | Country | Operator | % Shareholding | |
|-------------|---------|---------------------------------|----------------|-------|
| | | | 2005 | 2004 |
| Vietnam 9-2 | Vietnam | Hoan-Vu Joint Operating Company | 25.00 | 25.00 |

Joint Ventures of PTTEP Hoang Long Company Limited

| Project | Country | Operator | % Shareholding | |
|--------------|---------|------------------------------------|----------------|-------|
| | | | 2005 | 2004 |
| Vietnam 16-1 | Vietnam | Hoang Long Joint Operating Company | 28.50 | 28.50 |

Joint Ventures of PTTEP Algeria Company Limited

| Project | Country | Operator | % Shareholding | |
|---------------------|---------|--|----------------|-------|
| | | | 2005 | 2004 |
| Algeria 433a & 416b | Algeria | Petro Vietnam Investment and Development Company | 35.00 | 35.00 |

Joint Ventures of PTTEP Siam Limited

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

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 |
| Associates: | | | | | | | | | | |
| 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 THAPLINE | 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 |

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 |
| Subsidiaries : | | | | | | | | | | |
| 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 | - | - | - | - | - | - |
| Associates: | | | | | | | | | | |
| 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 THAPPLINE | 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 VLPG | 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 | - | - | - |

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 |
| Subsidiaries : | | | | | | | | | | |
| 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 | - | - | - | - | - | - |
| Joint Ventures: | | | | | | | | | | |
| 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 |

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

Unit : Million Baht

| | Consolidated | The Company |
|--|--------------|-------------|
| 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 | 66,577.15 | 170,591.16 |

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

Unit : Million Baht

| | Consolidated | The Company |
|--|--------------|-------------|
| 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 | - | (1,074.73) |

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 | 3,018.55 | 237.88 | 333.21 | 3,892.48 | 223.80 | 190.15 |

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) | (873.93) | 1.62 | (5.93) | (78.66) | (3.05) | (10.21) |

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 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 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.

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).

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.

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 Thaipu 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 PTCL)

On July 17, 2005, PTCL 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 PTCL in Houakhong increased from 80% to 100%.

12 Other Long-term Investments

12.1 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 |
| Introplane 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 |

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

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

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 |
| <u>Investments Accounted for under the Cost Method</u> | | | | | | | | |
| Associates: | | | | | | | | |
| 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 | - | - |
| Joint Ventures: | | | | | | | | |
| Exploration and Production of Petroleum and Natural Gas Business Group | | | | | | | | |
| 3 CPOC | - | 50.00 | - | 9.90 Baht | - | - | - | - |
| Other Related Companies: | | | | | | | | |
| 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 | | |
| <u>Investments Accounted for at Fair Value</u> | | | | | | | | |
| Other Companies - Available-for-sale securities: | | | | | | | | |
| 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 |

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 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.

13. Property, Plant and Equipment, Net

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

Unit : Million Baht

| | Consolidated | | | | | | |
|--|--------------|-------------------------------------|-------------------------|------------------------|--------------|--------------------------|--------------|
| | Land | Buildings and buildings improvement | Machinery and equipment | Oil and gas properties | Other assets | Construction in progress | Total |
| Cost | | | | | | | |
| 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 |
| Accumulated Depreciation | | | | | | | |
| 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) |
| Allowance for Impairment of Assets | | | | | | | |
| 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) |
| Net Book Value | | | | | | | |
| 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 |

Unit: Million Baht

| | Consolidated | | | | | |
|---|--------------|-------------------------------------|-------------------------|--------------|--------------------------|-------------|
| | Land | Buildings and buildings improvement | Machinery and equipment | Other assets | Construction in progress | Total |
| Cost | | | | | | |
| 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 |
| Accumulated Depreciation | | | | | | |
| 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) |
| Allowance for Impairment of Assets | | | | | | |
| At December 31, 2004 | (42.87) | (373.13) | (244.96) | - | - | (660.96) |
| At December 31, 2005 | (42.87) | (373.13) | (244.96) | - | - | (660.96) |
| Net Book Value | | | | | | |
| 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 |

14. Intangible Assets

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

Unit : Million Baht

| | Consolidated | | | | | The Company | | | |
|---|--------------|--------------------------------|------------------------|------------|------------|-------------|--------------------------------|------------------------|------------|
| | Patent | Leasehold rights/ other rights | Other Operation rights | Goodwill | Total | Patent | Leasehold rights/ other rights | Other Operation rights | Total |
| Cost | | | | | | | | | |
| 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 |
| Accumulated Amortization | | | | | | | | | |
| 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) |
| Allowance for Impairment of Assets | | | | | | | | | |
| 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) |
| Net Book Value | | | | | | | | | |
| 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 |

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

| | Consolidated | | The Company | |
|--|------------------|------------------|-----------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 |
| 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 | 13,275.67 | 9,666.10 | - | 40.10 |
| 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 | 10,352.05 | 7,678.36 | 8,505.17 | 7,288.69 |
| 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 | 1,898.38 | 1,331.08 | - | - |
| 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 the South-East Asia region | 39.51 | 1.03 | - | - |
| Total income tax expenses | 25,565.61 | 18,676.57 | 8,505.17 | 7,328.79 |

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

Unit : Million Baht

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

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.

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 | 19,746.62 | 24,574.67 |

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 | 14,581.26 | 9,526.37 | 8,487.18 | 5,447.67 |

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.

19. Other Current Liabilities

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

Unit : Million Baht

| | Consolidated | | 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 | 12,016.28 | 6,384.75 | 6,570.47 | 3,379.70 |

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

Unit : Million Baht

| | Consolidated | | 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 | 23,826.74 | 60,688.65 | 8,484.50 | 7,959.44 |

Long-term Loans

Unit : Million Baht

| | Consolidated | | 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 | 197,983.34 | 140,904.31 | 146,743.07 | 115,925.10 |

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 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 | 221,810.08 | 201,592.96 | 155,227.57 | 123,884.54 |

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 | | |
|--|--------------|------------|-----------------------------|
| | Currency | | Total equivalent in Baht |
| | 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 | 68,788.91 | 532.97 | 90,829.17 |

Unit : Million

| | The Company | | |
|---------------------------------|-------------|-----------|-----------------------------|
| | Currency | | Total equivalent in Baht |
| | 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.

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 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:

Unit : Million Baht

| | Consolidated | | 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 | 328.12 | 67.86 | 133.09 | 67.44 |
| 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) | 220.09 | 37.21 | 80.14 | 37.00 |
| Total | 328.12 | 67.86 | 133.09 | 67.44 |

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

| | 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 | 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

| | Consolidated |
|---|--------------|
| 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 |

22. Other Non-current Liabilities

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

Unit : Million Baht

| | Consolidated | | 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 | 1,688.05 | 3,297.05 | 1,019.33 | 2,757.09 |

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.

24.2 Reserve for Self-Insurance Fund

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

Unit : Million Baht

| | Consolidated | 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 | 841.40 | 841.40 |

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:

| | 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) | (46,419,088) | (37,817,452) |
| Income before extraordinary items for the calculation of diluted earnings per share (Baht) | 80,058,077,072 | 62,628,651,719 |
| Extraordinary items (Baht) | 5,416,796,542 | - |
| 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 |
| | | | 2.93 | 6.67 |

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 | 929,716.09 | 644,693.55 | 973,765.16 | 614,278.89 |

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 | 9,435.67 | 9,214.51 | 12,745.03 | 8,578.03 |

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.

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:

Unit : Million Baht

| | Consolidated | | 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:

Unit : Million Baht

| | Consolidated | | 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 |

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 | 8,811.66 | 8,465.02 | 6,787.34 | 6,885.40 |

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:

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 | | | | | | | | 85,521.29 |

| | Oil | Natural Gas | Petroleum exploration and production | Refining | Petro chemical | Others | Elimination | Total |
|---|------------|-------------|--------------------------------------|-----------|----------------|------------|-------------|------------|
| 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 | | | | | | | | 649,806.66 |
| 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 | | | | | | | | 371,373.72 |
| Capital Expenditures | 2,141.74 | 40,443.33 | 55,528.82 | 285.04 | 1,763.49 | 722.97 | - | 100,885.39 |

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 | | | | | | | | 62,666.47 |
| 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 | | | | | | | | 487,226.23 |
| 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 | | | | | | | | 302,311.27 |
| 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.

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:

- 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 | - | - | - |
| Total | 10,296.87 | 7,785.81 | 10,286.72 | 6,163.64 |
| Forward foreign exchange contract (sale) | | | | |
| At the rate of Baht 39.2500-39.3500 = 1 USD | 334.05 | - | - | - |

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:

Unit : Million Baht

| | Consolidated | | 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 | 18,809.88 | 7,576.95 | 8,234.92 | - |

The maturity of contracts can be analyzed as follows:

Unit : Million Baht

| | Consolidated | | 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 | 18,809.88 | 7,576.95 | 8,234.92 | - |

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.

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.

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

| | PTTCH | PPCL | PTTUT | Total |
|---|------------|------|-------|------------|
| 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

| | PTTCH | PPCL | PTTUT | Total |
|--|-------------|---------|----------|-------------|
| 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 | - | - | - | - |

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-Suwanabhum-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.

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.

38.3 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.



AUDIT FEES OF THE AUDITORS

1. Audit fees

The Company and subsidiaries paid for the audit fees to the auditor's companies for the latest accounting period amounting to Baht 14,452,567 (Fourteen million, four hundred fifty two thousands, five hundred sixty seven Baht).

2. Non-audit fees

The Company and subsidiaries paid for non-audit fees such as fees for the Comfort Letter accompany with Offering Circular for issuing bonds of the Company to the auditors' company for the latest accounting period amounting to Baht 359,834 (Three hundred fifty nine thousand, eight hundred thirty four Baht).

GLOSSARY OF TECHNICAL TERMS

| | |
|------------------------|---|
| API | American Petroleum Institute |
| bbl or bbls | barrel (s) |
| bbl/d | barrel (s) per day |
| bcf | billion cubic feet |
| BOE | barrel of oil equivalent |
| BOED | barrel of oil equivalent per day |
| Btu | British thermal unit |
| B/MMBtu | Bath/Million Btu |
| BZ | Benzene |
| CHP | Combined Heat and Power |
| CNG | Compressed Natural Gas |
| DCSPP | District Cooling System Power Plant |
| EPPO | Energy Policy and Planning Office |
| GDC & Cogen | Gas District Cooling and Cogeneration |
| IPP | Independent Power Producer |
| JDA | Joint Development Area |
| Kbd or Kbbl/d | thousand barrels per day |
| LNG | Liquefied Natural Gas |
| LPG | Liquefied Petroleum Gas |
| LPG CP | Liquefied Petroleum Gas Contact Price |
| MMBOE | one million barrels of oil equivalent |
| MMcf | one million cubic feet |
| MMcf/d | one million cubic feet per day |
| NGL | Natural Gasoline |
| NGV | Natural Gas for Vehicles |
| OHSAS | Occupational Health and Safety Advisory Service |
| PPP | Purchasing Power Parity |
| PX | Paraxylene |
| Rt | Refrigerated ton |
| SPP | Small Power Producers |
| TIS | Thai Industrial Standards |
| TLS | Thai Labor Standard |

Society, Community, and Environmental Responsibility in Support of Sustainable Development



On the auspicious occasion of HRH Princess Maha Chakri Sirindhorn's 50th birthday anniversary in 2005, PTT joined in the celebration by improving the "Princess Maha Chakri Sirindhorn Herbal Garden" at Map Kha place, Nihom Phattana sub-district in Rayong province. This herbal garden was dedicated to Her Royal Highness in 1985 as a center for the study of Thai herbs as well as a tourist destination in Rayong. The garden encompasses 60 rai (24 acres) of land, featuring over 260 species of herbs categorized into 23 groups according to their medical properties. The Company has developed the center to have a beautiful garden landscape surrounded by lush vegetation, equipped with facilities and amenities for visitors.

On this same occasion, as a royal tribute, PTT constructed buildings to house exhibits on the role of Her Royal Highness as a "Royal Conservationist" as well as information about herbs and plants. Part of the complex houses a library complete with e-learning facilities to provide extensive research capabilities. The Complex also functions as a forum for the exchange of ideas, a market place for local goods, and a meeting place for the local community where they discuss community activities. One activity currently being developed is a training course for junior guides for the herbal garden. Organized in collaboration with local schools, the guide training program aims to develop the competency of students and cultivate pride in themselves and their heritage. As a useful way for youths to spend their free time, the launch of this program is planned for 2006.

PTT is committed to protecting and improving society, the community, and the environment through extensive cooperation with the general public, community networks, private and public agencies, and non-governmental organizations. It has introduced a method of collective learning to foster the sustainable growth of strong and sustainable communities. This ultimately translates into long-term benefit for the nation's economic and social development. In 2006, PTT engaged in various social, community, and environmental activities throughout the nation as described below:



Many Juniors Join Herbal Garden Junior Guide Training

Education



Certification Presented To “Lab School” Program

An Electronic Library for Distant School

Energy Conservation with “Generation P”

Since the key to national development is the development of the physical and intellectual well-being of the nation’s human resources, one of PTT’s prime emphases has been on educational programs for youth and children as they are the future of the nation.

- **The “One District, One Lab School” Program** stressed the collaboration of all members in the community in creating a model learning organization. From this program, the Ministry of Education selected Sadet Vana Chayangkun Vitthaya School in Lampang, Ban Bang Nod School in Nakhon Si Thammarat, and Bo Rai Vitthayakhom in Trat as “Lab Schools”. These schools serve as models for other schools nationwide.

- The Company constructed the **“PTT Phalang Thai Puea Thai” library and school building** for Pak Phraek School in Rayong. This was the 14th building provided under the program. The 16th and 17th buildings were libraries for Wat Nong No Tai School in Saraburi and Ban Khok Na Ngam Pla Siam School in Khon Kaen. To commemorate Her Majesty the Queen’s 72nd birthday anniversary in 2004, PTT dedicated an electronic library to Pak Thong Chai Pracha Niramit School in Nakhon Ratchasima.

- For the 10th consecutive year, **PTT presented scholarships, educational materials, and sports equipment** to schools surrounding its facilities and natural gas pipelines nationwide. This year’s scholarships exceeded two million baht.



“PTT Phalang Thai Puea Thai” Library and School Building in Saraburi

Students Enjoy “The World of Natural Gas” Mobile Exhibition

“5s Youth Development Program” to Promote Quality of Life

- **“The World of Natural Gas” mobile exhibition** visits various schools and educational institutes to provide knowledge on natural gas to youths. This activity is now in its 6th year. Selected students who participated in the mobile exhibition were chosen to join the second year of the **“Bridging Knowledge to Community Camp”**, a program that stressed efficient utilization of energy.

- The **“Generation P Youth Camp”** was organized for the eighth consecutive year to promote energy conservation, and the 5th **Energy Conservation Contests** held at various schools translated concepts from the camp into action.

- **The 5S Schools Program** continued to promote the five concepts for discipline and healthy living in various schools through practical activities, contests, and the 5S school network.

Arts and Culture



Arts and culture reflect the heart and soul of the people, providing an excellent indication of a nation's history and heritage. With this in mind, PTT has constantly supported the development of the arts and the conservation of cultural heritage.

- PTT and Silpakorn University launched the **20th PTT Art Contest** under the theme **“My Beloved Land.”** Chiang Mai University and Thaksin University jointly hosted this contest expanding the junior art contests to northern and southern regions.

- In collaboration with the residents of Chiang Mai, PTT installed a **sculpture, “Rai Ram”** at Nong Buak Hat Park, Chiang Mai. This sculpture helps local residents and visitors learn about the northern way of life and cultural heritage. The sculpture won first place in a contest organized by PTT and Chiang Mai University in 2004 in celebration of Her Majesty the Queen's 72nd birthday anniversary, coinciding with the University's 40th anniversary and PTT's own 25th anniversary.

- PTT and Lampang residents built **the Poocha Drum Tower of Khelang Nakhon** at Wat Chedi Sao Lang Temple, Lampang, to help younger generations learn about the traditions of the region. To complement the event, a Poocha drum contest and the fourth Poocha Drum Conservation Youth Camp were organized.

Sports



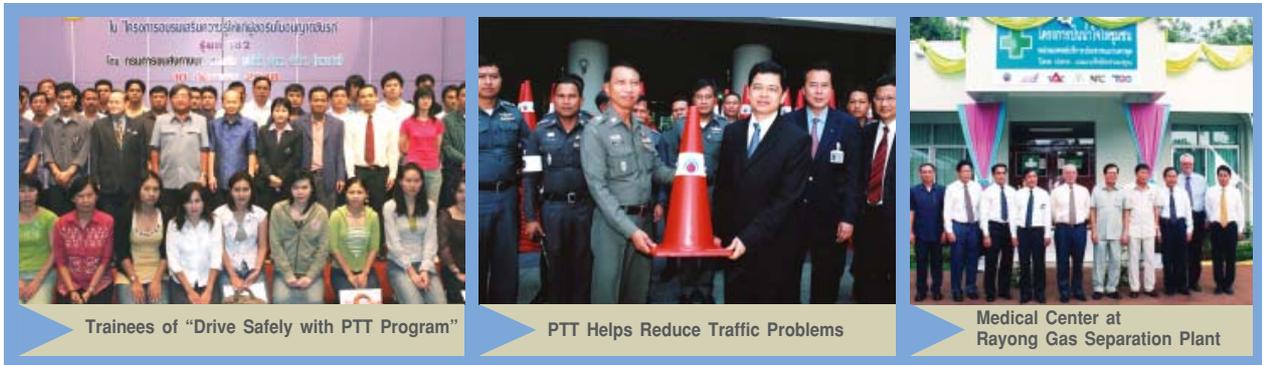
Sports promotion is a significant area of PTT's focus because sports activities improve the quality of life for people of all ages, contribute to the development of mental and physical health, and keep people away from drugs.

- PTT supported the construction of a **sports pitch** in each of the three southern provinces—Pattani, Yala, and Narathiwat—and donated sports equipment. In addition, PTT sponsored the construction of clock and announcement towers.
- PTT promoted tennis through seven youth tournaments, namely four **PTT Junior Championship Tournaments**, two **PTT Championship Tournaments**, and one **PTT Mastercup Tournament**. The Company also supported world-class tennis tournaments in Thailand, namely the **ATP Thailand Open 2005** and **PTT Thailand Open 2005**, to promote the skills of Thai tennis players and upgrade the standard of the sport in Thailand.
- PTT promoted the sport of marathon running by supporting “**The Third Khon Kaen International Marathon**” in collaboration with Khon Kaen Province and Khon Kaen University. Both Thai and foreign athletes participated in the event which aimed to bring Thailand's marathon tournaments up to international standards, prepare Thai athletes for international competitions, help promote tourism, and indirectly generate income for local communities.

Social and Community Development

The Company believes in fostering strong and self-sufficient communities through community participation. During the year, it worked closely with community members in creating a knowledge base that would eventually lead to sustainable development.





Trainees of "Drive Safely with PTT Program"

PTT Helps Reduce Traffic Problems

Medical Center at Rayong Gas Separation Plant

- The 2005 **"PTT Engine Tune-Up Program"** was organized in conjunction with the Vocational Education Commission to provide free engine check-ups for the general public at 100 PTT service stations during a period of 15 days. Besides helping motorists drive safely and economically by ensuring engine quality, the program provided vocational students with an opportunity to apply their skills.

- The **"Drive Safely with PTT Program"** was organized by the Company for the 9th consecutive year in collaboration with the Department of Land Transport. Implemented in four provinces, the program aimed to instill in motorists an awareness of road safety and a sense of quality driving.

- For the 13th year, PTT presented plastic traffic cones to police stations in Bangkok and other provinces through its **program to reduce traffic problems**.

- Through the **"Sharing with Communities Program,"** residents of communities near PTT installations received free medical treatment at the Rayong Gas Separation Plant. As part of the program, mobile clinics educated and provided medical services to these communities.

- PTT provided support to the **Community Enterprise Institute** for the third year through various programs, such as the establishment of community learning centers in 12 provinces and the University of Life Project, organized in collaboration with Ramkhamhaeng University. Under the project, the university offers bachelor's and master's programs in community development to develop new generations of community researchers and strategists.

- PTT engaged in many activities to assist in emergency relief and social problems. In late 2005 the Company donated survival bags and necessities worth over four million baht to help flood victims in the South. To mitigate the impact of a severe oversupply of milk, it bought almost 70 million baht worth of UHT milk from the Dairy Farming Promotion Organization of Thailand and presented the milk as gifts to customers of PTT service stations nationwide. It supported the sale of longkong and longan (Thai fruits) at its Head Office to ease the oversupply of

these fruits in the North and South. The problem occurred partly because customers were reluctant to enter the three southern provinces during the period of unrest there.



PTT Joins the Campaign to Promote Fresh Milk Drinking

Environment



Following the dedication of a one-million-rai (40,000-acre) reforestation program to His Majesty the King in 2002, PTT continued its support of reforestation and conservation programs with the cooperation of communities near forest areas and relevant government agencies. These programs included Community Volunteers for Forest Protection, Volunteers against Forest Fires, PTT Youth for Forest Conservation, and PTT Development Village. Others included:

- **Forest Conservation and Rehabilitation:** This involved the rehabilitation of mangrove forests under the Royal Project on Environmental Research and Development at Laem Phak Bia, encompassing an area of 1,136 rai (45.4 acres); and the construction of a dam to restore moisture in-line with HM the King's guidelines-at Kui Buri National Reserved Forest in Prachuap Khiri Khan, covering an area of 10,000 rai (400 acres).

- **West Thong Pha Phum Project:** Located in Thong Pha Phum District, Kancharaburi, this collaboration between PTT and the Biodiversity Research and Training Program involved the continuation of research on biodiversity in a forest and animal conservation zone encompassing 30,000 rai (1,200 acres). Findings from the research are developed into a knowledge database on natural resources and management of local resources with the help of local residents. In addition, the research supports the drafting of a community master plan aimed at developing strong and sustainable communities.

- **Green Globe Award :** In its seventh year, the theme of this year's award was "People, Water, and Forest: A Relationship of Interdependence". Awards were presented to individuals, communities, and youths in recognition of their environmental conservation efforts and to publicize such exemplary acts.

- **Vetiver Grass Cultivation Project :** Following HM the King's initiative on the cultivation of vetiver grass to protect soil and water resources, PTT supported this project in collaboration with the Royal Project and other relevant agencies. For the second year, PTT provided financial support amounting to 30 million baht and was responsible for the cultivation of vetiver grass in Thong Pha Phum District, Kancharaburi.