

ANNUAL REPORT 2006



COMPLEX REFINERY ▶▶

FORWARD TO

2008

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED





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FINANCIAL HIGHLIGHTS



| | 2549 ^{1/} | 2548 | 2547 |
|--|--------------------|--------|------------------|
| Statements of Income (Million Baht) | | | |
| Sales income | 94,270 | 85,870 | 79,848 |
| Total income | 95,375 | 86,816 | 80,189 |
| Gross profit (loss) | 2,121 | 5,296 | 5,033 |
| EBITDA | 1,561 | 4,636 | 4,117 |
| Adjusted EBITDA ^{2/} | 2,271 | 2,277 | 1,941 |
| Foreign Exchange Gain (loss) | 120 | (26) | 128 |
| Other items | 4 | 4 | 42 ^{3/} |
| Net profit | 196 | 2,959 | 2,636 |
| Balance Sheets (Million Baht) | | | |
| Total assets | 37,586 | 34,298 | 34,370 |
| Total liabilities | 18,937 | 21,405 | 24,589 |
| Shareholders equity | 18,649 | 12,893 | 9,781 |
| Share capital | | | |
| - Registered share capital | 1,532 | 1,532 | 867 |
| - Issued & fully paid-up share capital | 1,119 | 687 | 661 |
| Financial ratio (%) | | | |
| Gross profit ratio | 2.3 | 6.2 | 6.3 |
| Net profit ratio | 0.2 | 3.4 | 3.3 |
| Return on total assets | 0.5 | 8.6 | 8.4 |
| Debts to Equity ratio | 0.7 | 1.0 | 1.5 |
| Operating outcomes per share (Baht) | | | |
| Net earnings per share | 0.20 | 4.40 | 3.92 |
| Book value per share | 16.66 | 18.75 | 14.56 |

Notes: Data based on Consolidated Financial Statements

1/ The meeting of the Company's board of directors no. 11/2005, dated September 28, 2006, passed a resolution to change the accounting policy for the valuation of cost of oil products and crude oil inventories in 2006 from the criteria of "first in first out"(FIFO) to the weighted average, which is the accounting method generally used. The new accounting policy has been effective from July 1, 2006 (third quarter) onwards and the 2005 audited financial statements were restated.

2/ Adjusted EBITDA not including profit (loss) from oil inventory and other items

3/ Adjustment of loss from impairment of asset previously incurred from the business and financial



MESSAGE FROM THE CHAIRMAN

In the Year 2006, oil price still continually raised as the preceding year, due to a rising demand for oil consumption towards the worlds economic invasion while the capacity of crude oil production and refineries was limited. In addition, oil market concerned that political conflicts in the Middle East, a main oil-production base, and natural disaster could agitate for oil production. Confronting with these factors, the oil price reached a historic high prompting the whole world focusing on development and promotion of alternative energy even the oil price was adjusted down in the latter half of the year.

For Thailand, an agricultural country, the most appropriate renewable energy is bio-fuel. With His Majestys vision and wisdom, His Majesty the King recognized the benefits of bio-fuel which not only solved a slump in agricultural products prices but strengthened the countrys energy self-reliance in compliance with His Majestys Sufficiency Economy Philosophy. For more than 20 years, His Majesty the King has been embarking Thailand on the experimentations with bio-based fuels under the Royal Chitralada Project, such as ethanol for gasohol and used cooking oil for bio-diesel.

With our gratitude to His Majestys grace and wisdom of renewable energy, the Bangchak Petroleum Plc., has

adopted the royal initiative on alternative energy to develop gasohol and bio-diesel for sale at our service stations. Moreover, the Company has continually promoted our bio-fuel products which eventually leading to widely achievement from all over country. To celebrate on the auspicious occasion of the 60th Anniversary of His Majestys Accession to the Throne in 2006 and His Majesty the Kings 80th Birthday Anniversary 5th December 2007, the Company has launched many projects and activities to mark and to publicize His Majestys work on the renewable energy such as improving bio-diesel plant in the Royal Chitralada Project and buying used cooking oil for bio-diesel producing.

In the year 2006, the Company's business operation had to face fluctuating oil price, which affected refining and marketing margins, and the strengthening of baht which reached the peak in eight years. In such of these situations, the Board of Directors and the Management had fully contributed their efforts to join force in closely keeping track of prevailing situations and to carefully plan for risk management. However, the effective management could reduce negative impacts from the fluctuating factors. At the same time the Company also aimed to achieve the Product Quality Improvement Project (PQI) that was approved by the



Shareholders last year. From now on, the Company has to strive for the PQI project being implemented on schedule at the end of year 2008. This project, when completed, would modernize the companys refinery and increase its capacity to be equivalent to other leading refineries.

On the administration, the Company has continued to enhance Good Corporate Governance including with responsibility for society, community and environment in consistence with our business operations. In the event of SET Awards 2006, the Company was granted with the reward of Best Corporate Social Responsibilities (CSR) Award which was granted to the listed companies for the first time. The Company was also selected as the one of the listed companies which continued excellent performance as concern with the 15 Good Corporate Governance principles as stipulated by the Stock Exchange of Thailand (SET) for the second consecutive year. In addition, Thai Institute of Directors Association (IOD) has scored the Company as one of nine listed companies in SET which has well performed the highest score of good corporate governance as the Excellent group. Such rewards and recognition emphasized that the Company was acceptable as the good corporate governance company from both government sectors and independent institutes and

stimulated the Company to enhance the organization towards learning - organization concept.

Finally, on behalf of the Board of Directors, the Executives and Employees I wish to extend our appreciation to the Shareholders and all relevant parties who contributed to success of the Company in the past year. All the rewards and recognition we were granted will encourage us to keep developing the Company to generate satisfactory to the Shareholders with equitable treatments and sustainable with Thai society.

(Signed) General *Thawat Ked-Unkoon*
General Thawat Ked-Unkoon
Chairman

Business Descriptions

The Bangchak Petroleum Public Company Limited is a Thai oil company. The Company imports crude oil from the Middle East and Far East region as well as from domestic sources to be refined with the capacity of 120,000 barrels per day. Bangchak refinery is classified in the type of Simple Refinery (Hydro skimming) that fractionates crude oil into light oil, Middle distillate oil and fuel oil according to the nature of each kind of crude oil. The Company is constructing the Cracking Unit that can transform some parts of fuel oil to gasoline and diesel which are high value-added products. The Cracking Unit will turn Bangchak refinery into a type of Complex Refinery. The project is scheduled for completion in end of 2008. In 2006, the company also completed installation of a biodiesel production unit in the refinery, using used cooking oil as the main raw material with the daily production capacity of 20,000 liters. The biodiesel will then be blended with normal diesel as diesel with B5 formula.

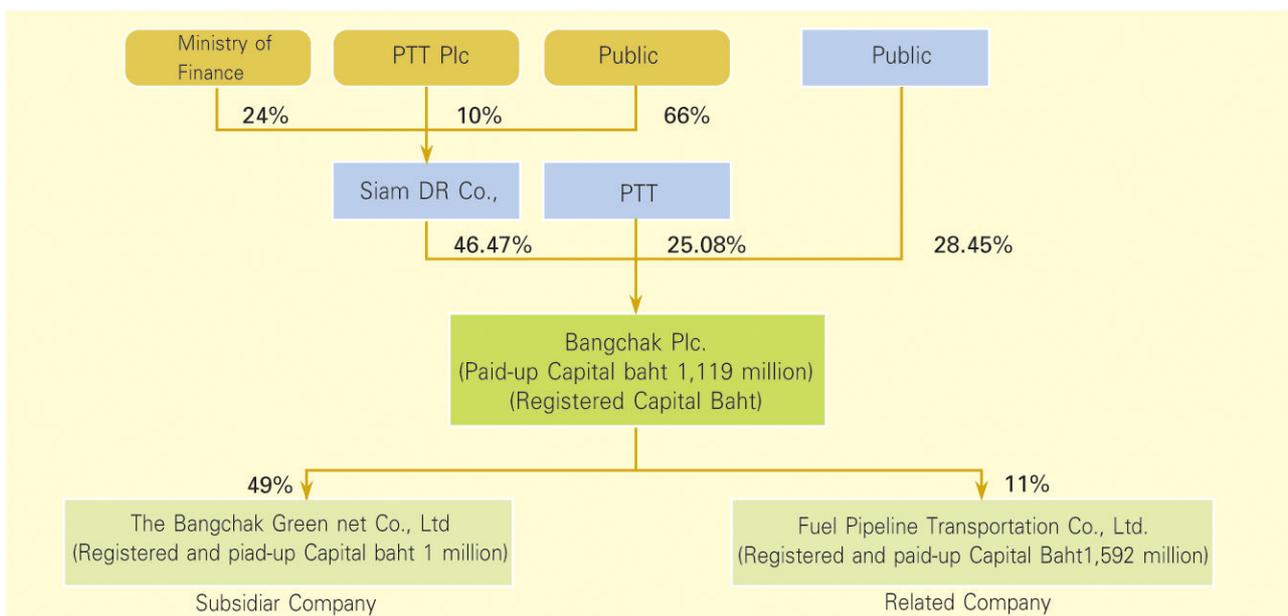
The Company mainly distributes its products through 566 standard service stations and 530 community service stations (at the end of 2006) under the trademark . It

also directly sells to consumers in the sectors of transport, airlines, marine, construction, industry and agriculture. The Company's oil products are partly sold to other oil companies with their own oil terminal. These companies distribute oil through their networks and market channels to the consumers. Most of the products sold to these companies are delivered via pipeline, however, some of which are delivered via ships or trucks.

In addition the company also has other related business operated in service station area which consists of sales of consumer goods in the Lemon Green and Bang Chak Shops lubricant services, food and beverage corners and sales of NGV (Natural Gas for Vehicle).

The Bangchak Petroleum Plc has one subsidiary company the Bangchak Green Net Co., Ltd, and one related company, the Fuel Pipeline Transport Co., Ltd, as shown in the shareholding structure below.

Shareholding Percentage of Bangchak and its



Note : Information as of 31 December 2006



The Bangchak Green Net Company Limited

The Bangchak Green Net has a registered capital of Baht 1 million. The Company holds 49 percent of its total shares. The Bangchak Green Net was established to manage service stations of Bangchak and sales of consumer goods in the Lemon Green convenient stores and Bai Chak Shops. The Bangchak Green Net also provides other services such as lubricant services as well as food and beverage corners so as to prepare for Bangchak's future expansion in its retail business..

Fuel Pipeline Transportation Company Limited

Fuel Pipeline Transportation Company Limited (FPT) has a registered capital of Baht 1,592 million, of which Bangchak Petroleum Plc. holds 11.4 percent of shares. It was established to operate the pipeline oil transportation business via multi-products pipeline system. The pipeline is started from the Bangchak refinery and runs along the railway trac to

oil terminals at Chong Nonsee and Don Muang Airport and ends at the Company and FPT oil terminal in Bang Pa-in, Ayutthaya. In 2005, the pipeline was connected from Makkasan area to the Suvarnabhumi Airport by JP-One Asset Co., Ltd to serve air transportation.

Income Structure

In 2006, the Company's total incomes were Baht 94,600 million, and together with the subsidiary company, of which it holds more than 49 percent of the shares (The Bangchak Green Net Co., Ltd.), the Company's incomes totaled Baht 106,560 million. After transactions between the two companies Baht 11,185 million was deducted, the total income reached Baht 95,375 million, of which 98.3 percent was oil sales, 0.5 percent was sales of consumer goods, and 1.2 percent was other incomes. Of the total income in 2006, 96.5 percent was domestic sales of petrol and consumer goods, 3.5 percent was sales to foreign customers. Incomes of the Company and its subsidiary in the year 2004 - 2006 can be classified as follow:

| product / service | Operated by | Year 2004 | | Year 2005 (Restated) | | Year 2006 | |
|-------------------|--------------------------------|------------------------|--------------|-------------------------|--------------|------------------------|--------------|
| | | income (Bt million) | percent | income (Bt million) | percent | income (Bt million) | percent |
| Oil | The Company and its subsidiary | 79,130 | 98.7 | 85,158 | 98.1 | 93,780 | 98.3 |
| Consumer goods | subsidiary | 718 | 0.9 | 712 | 0.8 | 490 | 0.5 |
| others | The Company and its subsidiary | 341 | 0.4 | 946 | 1.1 | 1,105 | 1.2 |
| Total | | 80,189 | 100.0 | 86,816 | 100.0 | 95,375 | 100.0 |

Note: Other incomes i.e. interest income, gain from crude oil forward contracts, reversal of loss from impairment of assets, rebate income from sales promotion, land rent, service station rent, and equipment rent, etc

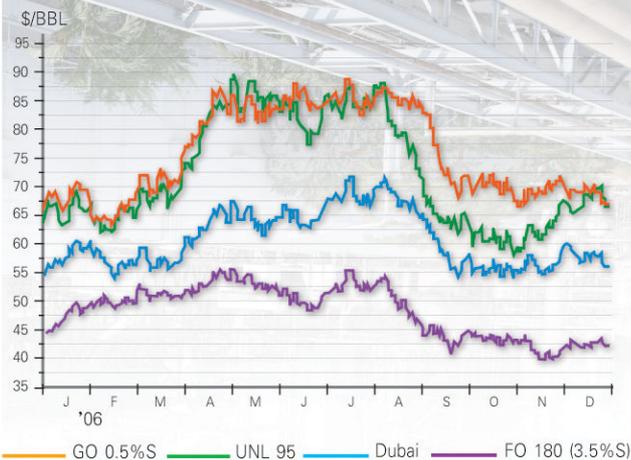
Business and Competition Overview in 2006



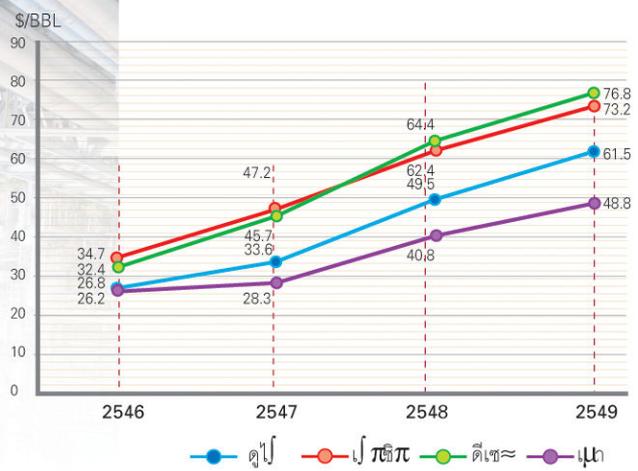
Refinery Business

In the Year 2006, the oil price was still volatile and climbed up from the beginning of the year until August. The oil price also reached a historic high such as Dubai crude oil price increasing to over USD 72 per barrel. The global oil demand grew to 84.5 million barrels a day in 2006, which be the increase of 1.1 percent when compared with 83.6 million barrels a day the previous year. The rise in oil consumption was particularly significant in China, India and the United States. At the same time, oil production at the sources and refineries nearly reached the full capacity, the oil supply was thus tight. In addition this situation was also caused by the face of political conflicts in the Middle East in a way that threatened the worlds main oil production base: nuclear problem in Iran, war between Israel and Lebanon, as well as unrest in Iraq, unrest in Nigeria and concerning of natural disasters which might affect oil-production bases. However, these threatening situations were changed for the better later in the year allowing the oil price to decrease. As a result of such awareness release, the crude price was sharply decreased by USD 20 per barrel. Still, the average crude-oil price in 2006 was 20 percent higher than 2005

Oil Price Movement in 2006

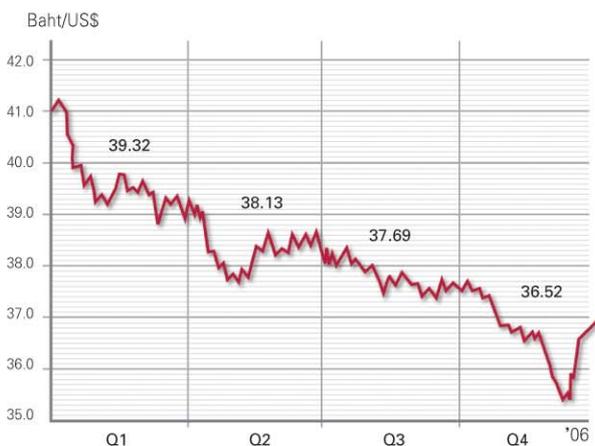


Average Oil Price in 2003-2006



The appreciation of Baht against USD through out the year 2006 affected refining margin and the value of oil inventory. This is because the oil price sales is linked to the global oil price denominated in USD. When compared with its value at the beginning of the year, the baht value rose by 15 percent. The appreciation of baht reached its peak in eight years due to the inflow of foreign investments in the country's money market and capital market for short-term. (Baht value appreciate from Baht 41 per USD in early 2006 to Baht36 per USD in late 2006). As a result, refinery business had faced the decrease in refining margin and value of oil inventory.

Movement of Baht in 2006



Source: Bank of Thailand

In the face of aforementioned situation, the Company economically managed its refining production in the year 2006 by focusing on the procuring domestic crude with lower cost partly to replace imported crude and by collaborating with Thai Oil Plc, the Company's fuel oil had been further refined at Thai Oil refinery's Cracking Unit. Furthermore, the Company closely managed its production cost to ensure maximum efficiency. As a measure to manage risks relating to refining margin, the Company also used the forward oil price contracts to manage and reduce the fluctuation of refining margin and ensure that the refining margin had been reached the Company's target.

The refining margin of complex refineries in Asia Pacific (referring to Dubai Crude oil at the refineries in Singapore) also highly fluctuated in the Year 2006. The average refining margin stood at 5.71 USD per barrel. With the capacity of six major refineries in Thailand, Thai Oil Plc, Esso, Rayong Refinery Plc, Star Refinery, IRPC Refinery and Bangchak the refining production stood at 935 Thousand barrels per day. The amount was 2.7 percent higher than the previous year and totaled 90 percent of these refineries capacity.

Dubai Refining Margins in Singapor 2006



Source: PVM Oil Associates GmbH - Vienna

Marketing Business

In Year 2006, despite the country's economy growth, its demand for fuel reduced by two per cent when compared with the previous year. On average, the domestic demand was at just about 737 thousand barrels per day. The decreased demand mainly stemmed from rising fuel price, which made consumers become more economical fuel use and increasingly turn to alternative energy such as NGV and biodiesel. With these alternatives becoming widespread among up-country and transportation sector, the consumption of gasoline and diesel oil reduced by 0.5 and 6.2 percent, respectively.



Production, Consumption, Import and Export of Oil in 2006

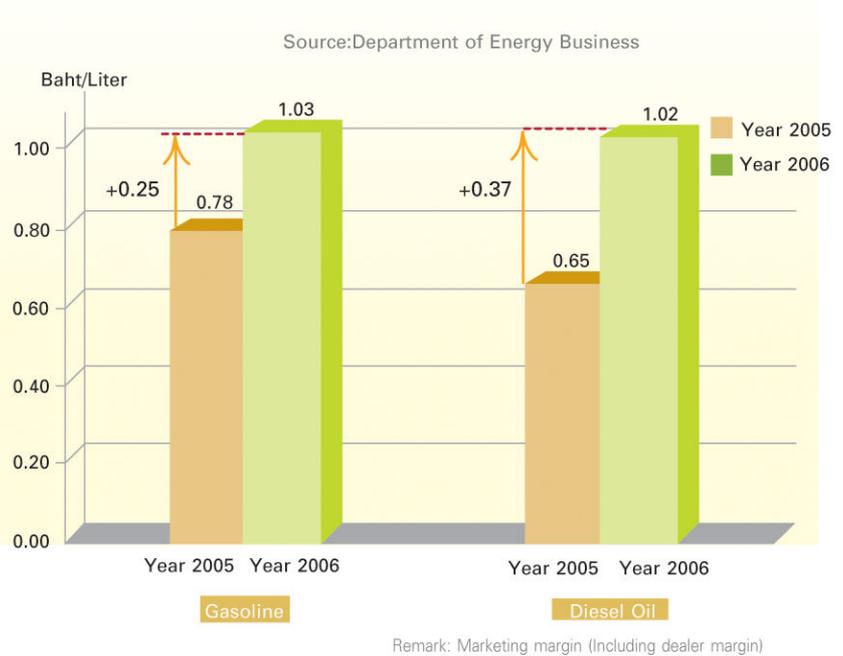
Unit: Kilo Barrels Per Day

| | Consumption | Production | Import | Export | % Increase (Decrease) |
|--------------|--------------|--------------|-------------|--------------|-----------------------|
| LPG | 102.5 | 124.6 | - | 18.4 | 9.9 |
| UPG 95 | 25.4 | 49.3 | - | 24.3 | (34.3) |
| UPG 91 | 76.9 | 85.2 | - | 8.9 | 3.0 |
| Gasohol | 22.0 | 22.2 | - | - | 89.5 |
| Jet/Kerosene | 78.2 | 114.5 | 0.6 | 18.1 | 5.2 |
| Diesel | 316.5 | 361.2 | 6.3 | 50.7 | (6.2) |
| Fuel | 100.8 | 108.7 | 19.0 | 24.4 | (5.7) |
| Asphalt | 14.2 | 20.9 | - | 8.2 | 4.8 |
| Total | 736.5 | 886.5 | 26.0 | 153.0 | (1.9) |

Source: Department of Energy Business

In the Year 2006, the marketing margin was low because while the world's oil price sharply increased in the first half of the year, the Oil Companies were not able to raise its retail price at its service stations. During that period,

the retail price did not reflect the actual cost. However, the world's oil price reduced in the latter half of the year and thus the marketing margin was improved. When compared with Year 2005, the marketing margin of gasoline and diesel oil were Baht 0.25 and Baht 0.37 per liter higher, respectively.



The aforementioned situation affected the marketing business, which covered service-station markets and industrial markets, as follows:

Service Station Market

In the face of decreased oil demand and very low marketing margin on the parts of service stations during the first half of Year 2006, the Company reduced its oil whole sales via service stations and closed down its own stations with the sales not cover operating cost. However, the Company still continued to improve the quality of its services and products, including the ensuring of cleanness service stations and re-branding effort for many of its stations.

In spite of low marketing margin, the competition in the

service-station market was fierce. Therefore, the Company tried to increase its service station's income by seeking partnerships for additional businesses in the stations such as Inthanin coffee shops, restaurants and other services and by addition sales of NGV.. Such additional business would increased the customer attraction, the oil sales, and maximized the rental of service station space.

Industrial Market

In the face of economic slowdown and rising oil price, some industrial factories turned to alternative energy such as natural gas, coal and biomass, etc. As a result, the demand for fuel oil (excluding the use by Egat) decreased and was lower than the supply. The price competition in this market was thus fierce. So far, the Company focused on providing its better services and close oil technical consultation to its industrial

Performance Review in 2006



Performance Review in 2006



In 2006, the Company and its subsidiary earnings totaled Baht 95,375 million. Its EBITDA was +1,561 million baht, with net interest payable (deducted by interest receivable) of Baht 568 million, depreciation and amortization of Baht 825 million and income tax of Baht 107 million, resulting in the net profit accounting of Baht 196 million (as compared with the net profit of Baht 2,959 million recorded in 2005).

Refinery Business

The Company refined crude oil at an average of 56,000 barrels per day, lower than the record 62,000 barrels per day in 2005, as the refinery margin of imported crude oil fluctuated and was not worth refining during periods when fuel oil prices rose at lower rates than crude oil and other finished-oil products. As a result, the Bangchak refinery, which is a Simple Refinery (Hydro skimming) and refines fuel oil in large volumes, was more adversely affected in regard to the refinery margin than other refineries which come under the Complex Refinery.

Moreover, the fuel-oil demand for electricity generation at the south Bangkok generator, which procured oil from the Company, has dropped. Thus, the Company needed to reduce the production capacity of fuel oil to a suitable level and managed the refinery margin at a high level by refining only domestic crude oil, which has high economic value, and implemented various measures to increase income and reduce such as,

- o Enter into Hedging contracts in which forward sales of oil was carried out during the period that the refinery margin reached the target.
- o Fuel oil from the Bangchak refinery was sent to the Cracking Unit of Thai Oil refinery to be refined into benzene and diesel in order to increase income
- o Emphasize control on efficient production cost under low refining production conditions.
- o Efficiently manage inventory to reduce risk from price fluctuation.

As a result of the management mentioned above, the Company's refinery margin was US\$3.05 per barrel (excluding profit/loss from oil inventory). Furthermore, the Company emphasized the importance of safety, occupational health, environment and energy conservation (SHEE) of the refinery and oil terminals by launching campaigns to create public awareness and implementing 'community relations' at communities in the vicinity of the refinery and oil terminals to promote trust in the Company and earn the friendliness of the communities.



Marketing Business

Due to the low marketing margin especially during the first half of the year, the Company reduced the impact of losses by controlling the volume of sales through Bangchak service stations and closing service stations that had low sales and were not worth operating. This resulted in a reduction of oil sales through service stations to the level of 168 million liters per month, a drop of 2.4 percent from 2005. At the same time, oil sales through service stations for the whole sector grew 2.4 percent on average, resulting in a drop of market share for Bangchak service stations from 12.7 percent to 12.1 percent.

Although the Company controlled the sales volume of oil, it continued to place emphasis on the quality development of products and service in the clients' interest. In 2006, the Company launched gasohol Super Fast 91 and 95 formulas, mixed with 'Boost up Cleaner' which helps boost engine power, complete combustion and conserve oil. In regard to

providing service and keeping the service stations clean, the Company promotes quality service stations by training owners and staff of the service stations. Competitions were held for outstanding service stations in several categories. The Company also invested in rebranding six service stations last year. With the continued quality development of products and service, the Company received the ISO 9001:2000 certificate for its lubricant oil business for four consecutive years and received Best Toilets on the Main Road award from the Ministry of Public Health at the World Toilet Expo for its Bangchak service stations at Paholyothin 38 and Nakhok 1.

Due to the declining overall demand for oil and the low refinery margin, the Company has been trying to seek more income from supporting businesses by joining with alliances to include car-maintenance services – such as Green Serve, Green Auto Serve – and operate Inthanin coffee shops, etc at Bangchak service stations.



Renewable energy leader

Though Bangchak controls the sales volume of oil, the Company in 2006 continued its 2005 policy of being the leader of renewable energy by consistently expanding sales of Gasohol 95 and 91 and Biodiesel. With the expansion, the Company helps support the government policy of promoting production and distribution of biodiesel, which will reduce the negative impact on the country and provide the public with quality oil at a time when oil prices are rising.

Gasohol 95 and 91

After the Company achieved its goal of becoming the leader in distributing Gasohol 95, which has become popular among the public, other oil traders have followed in the Company's footsteps selling Gasohol 95. The Company has focused on promoting production and distribution of Gasohol 91 by selling it at 100 additional outlets, increasing the number of service stations that sell Gasohol 91 to 240, with sales volume reaching 8 million liters per month

Biodiesel

Due to the government policy to promote the production and use of bio-diesel replacing imported diesel at 8.5 million liters per day or 10 per cent in 2012, the Company supports the policy by expanding the number of service stations which sell bio-diesel B5 to 200 stations, resulting in a bio-diesel sale of nearly 8 million liters per month at the end of last year.

To ensure that there will be enough bio-diesel for sale consistently, the Company invested in installing a bio-diesel production unit which uses palm oil, soap or used cooking oil as raw material. The production capacity is 20,000 liters per day. With the technology developed by the Prince of Songkhla University's Faculty of Engineering and knowledge from experimental forms of bio-diesel production under the royal project Royal Chitralada Projects, bio-diesel B5 is produced and sold at Bangchak service stations.



Product Quality Improvement Project

The shareholders approved the capital raising to invest in the Product Quality Improvement Project by installing a Hydro Cracking Unit and a Vacuum Unit and Hydrogen Plant and other support units in the Company's refinery in order to produce larger volumes of benzene and diesel to be in line with growing demand for both oil and reduce the production of fuel oil which has a low price and less demand in the future. The investment cost US\$348 million, with and US\$30 million as reserve. The Company has been raising its capital through selling shares and convertible debentures to Petroleum Authority of Thailand Plc totaling US\$120 million and through selling shares to institutional investors totaling US\$55 million. The rest of the fund needed for the project was loan granted by three Thai commercial banks comprising the Thai Military Bank, Siam City Bank and the Government Saving Bank totaling US\$200 million, as well as the Company's cash flow.

The Company hires CTCL Overseas Corporation Limited and CTCL (Thailand) Co., Ltd to design the technical aspect, procurement and construct the project. The construction and test run of the unit covers 30 months under a Fixed Price, Date Certain and Performance Guarantee contract. The Company also fully prevents risk which may affect the value of the project by indicating fixed construction cost and entering into hedging contracts to prevent risk from foreign exchange, interest rates and disasters. The construction of the Product Quality Improvement Project has started since May 2006 and buildings on the construction site have been dismantled and the foundation and pilings have been started.

The Company has also negotiated with the Petroleum Authority of Thailand Plc to invest in the infrastructure project i.e. the Cogeneration Power Plant using natural gas as fuel with production capacity of 19.7 megawatts and produces steam of 90 tons per hour to sell to the Company in order to cater to



the rising demand for electricity and steam when the Product Quality Improvement Project is completed and starts the operation. The ownership rights will be returned to the Company after the 25-years term of the contract ends. The project will help increase stability of the electricity system and efficiency of the Company's use of energy

After construction of the Product Quality Improvement Project is completed at the end of 2008, the Company will have the Complex Refinery which uses the latest Hydro Cracking unit technology which can refine crude oil to larger quantity of high value finished-oil products to cater to continued growing domestic demand for oil. The infrastructure cost of the Company will also be on par with other producers, resulting in increasing competitiveness to that of the country leading refineries and more incomes.

The Development of the Organization, Personnel and Technology

The Company realizes that in order to get a high business return, it must not only have a good business structure but also an effective management structure and competent staff who can compete with business rivals. The Company has been continuously upgrading the staffs competency and using modern information technology to adjust to the working style of the organization to be on par with leading companies in the sector.



Personnel Development

The Company has identified qualifications, knowledge and skills, as well as behavior of the management and staff (Core Competency) to be in compliance with the Company's vision and 5-year target, and which are suitable to the work assigned to them (Functional Competency), including implementing performance evaluation on staff (Competency Gap) last year. The six core competencies are as followed;

1. Ability for Adaptation and Initiation is to possess an open mind and welcome changes as well as have the courage to think outside the box.
2. Leadership is being a leader who has vision and is bold to think and do the right things with transparency for the benefit of the organization.
3. Teamwork spirit is to work as a team, be service oriented, willing to work with others and enthusiastic to

help and appreciate the value of colleagues in the team.

4. Organization Commitment is to commit and devote themselves to achieve the organizations objectives under right methods, which are carried out professionally and effectively.
5. Personal Mastery is eagerness to learn and enthusiastic and determined to search for new knowledge as well as ready to use the knowledge to improve oneself and the organization.
6. Social and "SHEE" Awareness is to be aware of safety, health and environment in compliance with international standards and the operation of the organization as well as possess public awareness and participate in activities that are useful to the organization, community and society.

The company has continued its implementation of the Individual Development Plan for all job positions, including training



personnel so that they are knowledgeable and competent enough to carry out assignments and missions in accordance with the direction of the Company.

Besides focusing on increasing the potential of personnel, the Company realizes that the right atmosphere at work is important to the staff's happiness and creates a bond between them and the organization, so it has carried out activities which develop a good working atmosphere such as organizing excursions, the 5 Sor Project and Bangchak in the Dream Project. The survey conducted in 2006 showed that 84 percent of total staff respondents have job satisfaction.

Information Technology Development

The Company has continued to upgrade and develop its Information Technology to cater to business expansion and competition and increase efficiency and speed, as well as accuracy of database connection and work systems of the Company. In 2006, the Company changed Customer Self-

Service (CSS) to SAP IS Oil & Gas Solution in the Department of Sales, Debtors and Distribution which are on par with leading companies in the sector.

The Company also applied the e-HR and e-Payroll systems to efficiently upgrade personnel management. Under e-HR and e-Payroll, the staff can record their leave online and are informed about their rights and benefits as well as other necessary information. The Company also installed Enterprisewide Risk Management Software to help increase efficiency in risk management. This software is a tool to help analyze and collect data and follow up on risk, and is the indicator of the likelihood and impact of the risks.

The Company also installed the E-Document Workflow program to be used in E-Procurement by focusing on smooth communication and integration of data use for the whole system to facilitate an increase in work efficiency and transparency.

Honoring the King's 60 Years on the Throne



On the auspicious occasion of the 60th Anniversary of His Majesty's Accession to the Throne, His Majesty the King, Thailand's longest sovereign, has toiled alongside to bestow happiness and tranquility on Thai people with his perseverance and bountiful compassion throughout the past 60 years. Significantly, His Majesty, more than a sovereign, has been to all Thais as a soul of nation.

In recognition to His Majesty's mercy and perseverance, the Bangchak Petroleum Public Company Limited, as a Thai company, has carried out various activities and projects to paying homage our beloved King on this auspicious occasion. The activities and projects, cooperated with of the Board of Directors, the executives and employees, were summarized as follows:

"The Fathers Rice project "

The Company sponsored the publication of a book entitled "The Father's Rice" and the making of "silver and gold lucky rice bags", filled with grains from the Royal Rice Mill I in Kalasin Province. The rice bags were distributed to Thai

people through Bangchak service stations all over country. Moreover, some part of the proceeds from selling the book was contributed to the Thai Rice Foundation under Royal Patronage, which carries out the Royal Projects relating to rice.

"Songs for the Father Project"

The Company, as a major sponsor, joined the Public Relations Department, the Prime Minister's Office, and the Music Association of Thailand under Royal Patronage in carrying on the "Songs for the Father Project

" 60 Million Thais Bless for the King Project "

The Company joined Tourism Authority of Thailand (TAT) in organizing the 60 Million Thais Bless for the King Project. The projects activities were as follows :

- Distribute a tourist destination booklet, detailing 20 destinations where near 20 location for writing blessing message to His Majesty the King.
- Set up the place for writing blessing message to His



Majesty the King at the Company's head office and Ban Pa-In Terminal for convenience of the Company's employee and customers.

Buying Used Cooking Oil for Biodiesel Plant Project

The Company has launched this project in honor of His Majesty the King with encouraging the Thai people to sell used cooking oil for the Company's bio-diesel plant. This project aimed to reduce health risks caused by used cooking oil consumption and environmental problems caused by improper disposing of such oil. The Company has set up the head office and 5 branches of Bangchak service stations; Ekamai-Ram Inthra, Mahadthai, Nawamin, Poemsin, Pracha Uthit, for joining this project.

Project to renovate bio-diesel plant in the Royal Chitralada Project

The Company renovated the bio-diesel plant in the Royal Chitralada Project as following changes and improvements.

- Install transfer pipe system of alcohol, an important component in process, including a measuring meter to ensure safety and accuracy.
- Maintenance production equipment.
- Install the Salt Filter system to remove water from biodiesel for its high quality.
- Join the Royal Chitralada project in studying to improve efficiency of bio-diesel producing.
- Renovate the exhibitions of alternative energy experiment in the Royal Chitralada Project such as the procedure of ethanol and bio-diesel production including public relations media as for source of knowledge of publics.

Other Marking Activities in honor of the King

- Launch a campaign for the Company's employees to wear yellow T-shirts bearing the celebration emblem every Monday throughout the year.
- Join the Phra Khanong District Office and the surrounding communities in food offering for 60 monks and cleaning up areas in Soi Sukhumvit 64 on June 30, 2006.
- Sponsor the World Report Magazine to entitle article Celebrating The Development King, involving His Majesty's work about energy development.

Awards of the Year



Being one of nine companies with corporate governance scores reaching excellent benchmark in Corporate Governance Report of Thai Listed Companies project conducted by the Thai Institute of Directors Association (IOD). The project received support from the National Good Corporate Governance Commission, the Stock Exchange of Thailand and the Office of the Securities and Securities Exchange Commission. The project conducted the survey on good-corporate governance among 402 publicly-listed companies. The survey gave score

- Rights of Shareholders
- Equitable Treatment of Shareholders
- Role of Stakeholders
- Disclosure and Transparency
- Board Responsibilities

The Directors, Executives and Employees of the Bangchak Petroleum Plc are committed to work to the fullest of their abilities based on the corporate culture of Sustainable Business Development Must Go with Responsibility towards Environment and Society. The Company operations focus not just on profits, but also social services and environmental conservation.

In Year 2006, the Company thus won many awards and recognition from the society. It is recognized as a company with continued transparent management, efficiency, social responsibility and care for the environment.

The awards and recognitions are listed below:



○ **Distinction in Maintaining Excellent Corporate Governance Report:** The Company won the Distinction in Maintaining Excellent Corporate Governance Report from the Stock Exchange of Thailand (SET) for reporting our compliance with 15-item Good Corporate Governance Practice for two consecutive years at the SET Award 2006 event, which was held by Stock Exchange of Thailand (SET) and Money and Banking Magazine

○ **The Companys Annual General Meeting Quality Winning 93.5 out of possible 100 points from Shareholders,** and getting the full score on a part about how it organized the Annual General Meeting on the meeting day. The scoring was a part of the Annual General Meeting quality-evaluation project in Year 2006 by Office of the Securities and Securities Exchange Commission, Listed Company Association, and Thai Investors Association.

○ **Best Corporate Social Responsibilities (CSR) Award** from the SET Award 2006 event, which was held by Stock Exchange of Thailand (SET) Money and Banking Magazine. The award was granted to listed companies that have been outstanding for their socially-responsible operations. The award serves to highlight the fact that the Company has won recognition for its responsibility toward the society and environment.

○ **Distinction in Commitment to Social and/or Environment Issues** from the 5th Thailand Corporate Excellences Awards event in Year 2006. The event was held by Thailand Management Association (TMA) and Sasin Graduate Institute of Business Administration of Chulalongkorn University.

○ **Distinction in Commitment to Energy Saving** from the 5th Thailand Corporate Excellences Awards event in Year 2006. The event was held by Thailand Management Association (TMA) and Sasin Graduate Institute of Business Administration of Chulalongkorn University.

○ **Best Toilets on Main Roads of the Year 2006** On the occasion that Thailand hosted World Toilet Expo and Forum 2006, the Health Department of the Public Health Ministry organized a contest on Best Toilets of the Year 2006 under Development of Thailand's Toilet project. The objectives of the project were to make toilet users aware of the need to keep the toilets clean, and to encourage toilet owners to provide good maintenance to their toilets making sure that they are clean, adequate and safe in lines with the national standards of Healthy, Accessibility and Safety. The Company joined in the contest and two of its stations, Service Station Paholyothin 38 and Nakok 1 in Samut Sakhon, were named the Best Toilets on Main Roads of the Year 2006.



Declaration of the Director 's Responsibility for the Financial Statements

The Board of Directors of the Bangchak Petroleum Public Company Limited has arranged for the Financial Statement to be formulated so as to report the Company's Financial status and operating results for the year 2006, under the Public Company Limited Act B.E. 2535

The Board of Directors realizes its duties and responsibilities as Directors of a listed company towards the Financial reports of the Company and its subsidiary for the year 2006. The Financial Statements have been formulated in conformity with the generally followed accounting principles. In addition, the Company has utilized the appropriate accounting policy as well as careful consideration and projection. The important information has been sufficiently disclosed in the Notes to the Financial Statements.

Furthermore, the Board of Directors has put in place an effective risk-management system and internal control system which are to be maintained to reasonably ensure that all accounting transactions are accurate, complete and sufficiently for the safeguard of the Company's assets, and also protect against irregularities or abnormal business transactions, which are material in nature.

Accordingly, the Audit Committee, composing of independent Directors, has carried out responsibilities to oversee the quality of the Financial Statements and the system of internal-control. Relevant opinions of the Audit Committee are provided in the Report of the Audit Committee as contained in this Annual Report.

In the Opinion of the Board of Directors, the Company's internal control system, on the whole, is considered satisfactory and provides reasonable assurance as to accuracy of the Company and its subsidiary's Financial Statements as of 31 December 2006 in compliance with the generally followed accounting principles and relevant laws and regulations.

(Signed) General Tawat Ked-Unkoon
(General Tawat Ked-Unkoon)
Chairman

(Signed) Anusorn Sangnimnuan
(Anusorn Sangnimnuan)
President

Audit Committee report

To Shareholders,

On its meeting no 8/2005, the Board of Directors of the Bangchak Petroleum Public Company Limited appointed the Audit Committee, comprising Mr. Anusorn Tamajai as chairman, Mr. Wirat lam-Ua-Yut and Mr. Nipon Surapongrukchareon as members.

Later, the Board of Directors appointed Associate Professor Pranom Kowinwipat, an accounting and auditing expert, as a new member on 3 May 2006. Therefore, the Audit Committee has comprised four independent Directors as members.

In the Year 2006, the Audit Committee had eight meetings including joint meetings with the executives (The joint meetings always excluded the executive who was a stakeholder of the discussed issue). The major issues of the meeting were summarized as follows:

1. Reviewed and monitored quarterly and annually Financial statements including related Financial reports and compliance with the generally accepted accounting principles and major changes in accounting policies in the year 2006 together with reviewing connected transactions between the Company and its shareholders including its subsidiary or associated companies in order to ensure all are in line with the general business conditions for the optimum benefit of the Company without transfer any interest.
2. Monitored the Company's Internal Control and Internal Audit System to ensure these are appropriated, effective and transparent including the independence of the external auditor. Due to the significance of increasing efficiency and oil-loss control, the Audit Committee inspected the procedures of crude transferring at the Si-Chang Deep Seaport. Furthermore, the Audit Committee supported to held the internal control training in topic of "To Implement and to Enhance Internal Control Culture for Operation" for the Company's employees

3. Monitored to ensure that the Company completely complies with all the generally accepted accounting principles, regulations of the Stock Exchange of Thailand, and related business laws in accordance with Good Corporate Governance practices. Particularly, the Company has to do even better than the required standards.
4. Considered and nominate A.M.T & Associate as the Company's auditor in the year 2006, and proposed its remuneration.
5. Coordinate with the Company's Enterprisewide Risk Management Committee to monitor and audit the Company's risk management process.
6. Followed up and emphasis on safety management system as well as ensure that the Company's employees are aware of an importance of safety including the good environment in the refinery and responsibilities for surrounding communities.
7. Updated the Audit Committee Charter to be accordance with Good Corporate Governance Principles to enhance confidence of Shareholders, trading partners, customers and other stakeholders that the Company conducts its business accordingly to relevant regulations and Business Code of Conducts with the efficient internal control system.

The Audit Committee, as stated authorization, has monitored and followed up the overall performance of the Company in the year 2006 and is of the opinion that Company conducted its financial statements in accordance with the generally accepted accounting standards. All related transactions and conflicts of interest were disclosed properly as well as the internal control system and risk management were implemented in an appropriate manner. The Company's performance were completely in compliance with regulations of the Stock Exchange of Thailand and relevant laws

(Signed) Anusorn Tamajai
Anusorn Tamajai
Chairman of the Audit Committee

Independent Certified Public Accountant Report

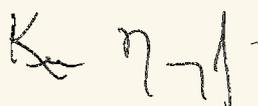
To the Shareholders of The Bangchak Petroleum Public Company Limited

I have audited the consolidated balance sheets of The Bangchak Petroleum Public Company Limited and its subsidiary as of December 31, 2006 and 2005, and the related consolidated statements of changes in shareholders' equity, income and cash flows for the years then ended. I have also audited the financial statements for the same periods of The Bangchak Petroleum Public Company Limited. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bangchak Petroleum Public Company Limited and its subsidiary and of The Bangchak Petroleum Public Company Limited as of December 31, 2006 and 2005, the results of their operations, and cash flows for the years then ended in conformity with generally accepted accounting principles.

Without qualify opinion to the above financial statement, we draw attention to note 2.4 to the financial statement, that the Company and its subsidiary have changed the cost calculation method of finished petroleum products and crude oil from first-in, first-out to weighted average by restated approach effected from July 1st 2006, to conform with the accounting policies of The PTT Public Company Limited which enter into the Company,s major shareholder. The change of the accounting policy has effected the inventories balances in the consolidated financial statements as of December 31, 2006 and 2005 by the increased amount of Baht 533.67 million and Baht 34.79 million respectively and the inventories balances in the company only financial statements as of December 31, 2006 and 2005 by the increased amount of Baht 534.70 million and Baht 38.85 million respectively. The retained earnings in the consolidated and company only financial statements as of January 1st, 2006 have equally increased by the amount of Baht 23.13 million. The retained earnings in the consolidated and company only financial statements as of January 1st, 2005 have equally decreased by the amount of Baht 8.74 million. Net income in the consolidated and company only financial statements for the year ended December 31st 2006 have equally increased by the amount of Baht 373.57 million. Net income in the consolidated and company only financial statements for the year ended December 31st 2005, have equally increased by the amount of Baht 31.87 million.



(KESREE NARONGDEJ)
Certified Public Accountant
Registration No. 76

A.M.T. & ASSOCIATES
Bangkok, Thailand
February 12, 2007

Financial Statements

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS

| | | B A H T | | | | |
|--------------------|---|------------------------|------------------------|------------------------|------------------------|-----------------------|
| | | CONSOLIDATED | | THE COMPANY ONLY | | |
| | | As of 31 ST | |
| | | December | December | December | December | |
| Notes | | 2006 | 2005 | 2006 | 2005 | |
| | | | (Restated) | | (Restated) | |
| <u>ASSETS</u> | | | | | | |
| CURRENT ASSETS | | | | | | |
| | Cash and cash equivalents | 4 | 2,705,239,667 | 1,753,014,138 | 2,599,184,005 | 1,560,773,205 |
| | Short term investment | 5 | 4,085,050,172 | - | 4,045,039,044 | - |
| | Trade accounts receivable - net | | | | | |
| | Related parties | 3.1 | 134,844,697 | 691,389,881 | 518,227,452 | 1,087,835,835 |
| | Other parties | 6 | 2,635,075,653 | 2,929,177,371 | 2,609,982,213 | 2,910,916,725 |
| | Inventories - net | 7 | 8,875,290,581 | 10,973,982,258 | 8,640,364,911 | 10,710,059,243 |
| | Other current assets | | | | | |
| | Material and Supplies - net | 8 | 330,044,336 | 327,785,886 | 330,044,336 | 327,785,886 |
| | Oil Fund Subsidies Receivable | | 127,657,672 | 433,002,973 | 127,657,672 | 433,002,973 |
| | Others | | 233,495,053 | 524,159,047 | 227,488,549 | 506,585,345 |
| | Total Current Assets | | 19,126,697,831 | 17,632,511,554 | 19,097,988,182 | 17,536,959,212 |
| NON-CURRENT ASSETS | | | | | | |
| | Investments for using the equity method | 1.3,3.2 | 4,388,414 | 4,388,414 | - | 9,592,942 |
| | Other long-term investments | 9 | 3,837,291 | 3,820,188 | 2,937,291 | 2,920,188 |
| | Tariff prepayment - net | 10 | 16,963,830 | 24,071,580 | 16,963,830 | 24,071,580 |
| | Property, plant and equipment - net | 11 | 15,693,094,880 | 13,898,444,836 | 15,687,047,894 | 13,893,227,213 |
| | Intangible assets - net | 12 | 1,337,371,120 | 1,402,770,290 | 1,335,411,435 | 1,402,770,290 |
| | Investment in service station - net | 13 | 429,929,700 | 484,642,740 | 429,929,700 | 484,642,740 |
| | Other non-current assets | | | | | |
| | Deferred income tax assets | 14 | 228,099,928 | 102,856,153 | 228,099,928 | 102,856,153 |
| | Others | 15 | 745,301,804 | 744,736,485 | 742,548,876 | 741,984,903 |
| | Total Non-Current Assets | | 18,458,986,967 | 16,665,730,686 | 18,442,938,954 | 16,662,066,009 |
| | TOTAL ASSETS | | 37,585,684,798 | 34,298,242,240 | 37,540,927,136 | 34,199,025,221 |

The accompanying notes to financial statements are an integral part of these statements.

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
BALANCE SHEETS

| | | B A H T | | | |
|---|---|------------------------|------------------------|------------------------|------------------------|
| | | CONSOLIDATED | | THE COMPANY ONLY | |
| | | As of 31 ST |
| | | December | December | December | December |
| Notes | | 2006 | 2005 | 2006 | 2005 |
| | | | (Restated) | | (Restated) |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| | Bank overdrafts and short-term loans from | | | | |
| | financial institutions | 16,17.1 | 1,200,000,000 | 2,000,000,000 | 1,200,000,000 |
| | Trade accounts payable | | | | |
| | Related parties | 3.3 | 3,142,620,832 | 2,925,923,282 | 3,144,782,134 |
| | Other parties | | 1,051,626,465 | 2,614,995,407 | 1,000,678,301 |
| | Current portion of long-term loans | 17 | 1,285,000,000 | 318,750,000 | 1,285,000,000 |
| | Other current liabilities | | | | |
| | Accrued excise tax and oil stabilization fund | | 291,175,607 | 297,262,676 | 291,175,607 |
| | Accrued corporate income tax | | - | 265,349,750 | - |
| | Accrued expenses | | 345,608,801 | 446,515,234 | 322,322,008 |
| | Others | 12 | 486,344,853 | 441,849,702 | 483,061,024 |
| | Total Current Liabilities | | 7,802,376,558 | 9,310,646,051 | 7,727,019,074 |
| NON-CURRENT LIABILITIES | | | | | |
| | Long-term loans | 17 | 10,242,815,428 | 11,160,960,000 | 10,242,815,428 |
| | Other non-current liabilities | | | | |
| | Liabilities on long-term lease | 12 | 505,662,502 | 551,631,820 | 505,662,502 |
| | Liabilities on service stations leasehold right | | 12,578,498 | 29,551,575 | 12,578,498 |
| | Reserve for pension fund | | 295,804,368 | 257,577,704 | 295,804,368 |
| | Deferred income tax liabilities | 14 | 26,170,959 | 29,442,329 | 26,170,959 |
| | Others | | 51,592,994 | 65,024,807 | 39,619,989 |
| | Total Non-Current Liabilities | | 11,134,624,749 | 12,094,188,235 | 11,122,651,744 |
| | Total Liabilities | | 18,937,001,307 | 21,404,834,286 | 18,849,670,818 |

The accompanying notes to financial statements are an integral part of these statements.

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
BALANCE SHEETS

| | | B A H T | | | |
|---|---|------------------------|------------------------|------------------------|------------------------|
| | | CONSOLIDATED | | THE COMPANY ONLY | |
| | | As of 31 ST |
| | | December | December | December | December |
| Notes | | 2006 | 2005 | 2006 | 2005 |
| | | | (Restated) | | (Restated) |
| SHAREHOLDERS' EQUITY | | | | | |
| Share Capital - Par Value Baht 1.00 per share | | | | | |
| Authorized share capital | | | | | |
| | Common share 1,531,643,461 shares | 1,531,643,461 | 1,531,643,461 | 1,531,643,461 | 1,531,643,461 |
| Issued and paid - up share capital | | | | | |
| | Common share 1,119,096,351 shares in 2006 and | 1,119,096,351 | - | 1,119,096,351 | - |
| | Common share 687,481,908 shares in 2005 | - | 687,481,908 | - | 687,481,908 |
| Capital Surplus | | | | | |
| | Premium on share capital | 7,504,729,149 | 1,951,157,333 | 7,504,729,149 | 1,951,157,333 |
| | Capital surplus on registered and paid-up share reduction | 189,617,759 | 189,617,759 | 189,617,759 | 189,617,759 |
| | Surplus on fixed assets revaluation | 4,283,181,275 | 4,502,376,960 | 4,283,181,275 | 4,502,376,960 |
| Retained earning (deficit) | | | | | |
| | Appropriated – legal reserve | 153,164,346 | 153,164,346 | 153,164,346 | 153,164,346 |
| | Unappropriated | 5,398,384,611 | 5,409,099,648 | 5,441,467,438 | 5,409,099,648 |
| | Total Equity of Parent Company's Shareholders | 18,648,173,491 | 12,892,897,954 | 18,691,256,318 | 12,892,897,954 |
| | Minority interests | 510,000 | 510,000 | - | - |
| | Total Shareholders' Equity | 18,648,683,491 | 12,893,407,954 | 18,691,256,318 | 12,892,897,954 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 37,585,684,798 | 34,298,242,240 | 37,540,927,136 | 34,199,025,221 |

The accompanying notes to financial statements are an integral part of these statements.

(Signed) General Tawat Ked-Unkoon
(General Tawat Ked-Unkoon)
Chairman

(Signed) Anusorn Sangnimnuan
(Anusorn Sangnimnuan)
President

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED

FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005

| Note | BAHT | | | | | | | Total |
|--|---------------------------------|--------------------------|---|-------------------------------------|----------------------------|---------------------------|----------------|-------|
| | Issue and paid-up share capital | Premium on Share capital | Capital surplus or registered and paid-up share reduction | Surplus on fixed assets revaluation | Retained earning (Deficit) | Minority interests | | |
| | | | | | Appropriated legal reserve | Unappropriated (Restated) | (Restated) | |
| Beginning balance as at January 1, 2005 | 660,559,535 | 1,593,089,706 | 189,617,759 | 4,724,586,227 | 86,714,346 | 2,525,696,777 | 9,780,805,347 | |
| Accumulative amount from changing in accounting policy | - | - | - | - | - | (8,740,167) | (8,740,167) | |
| Beginning balance after adjustment | 660,559,535 | 1,593,089,706 | 189,617,759 | 4,724,586,227 | 86,714,346 | 2,516,956,610 | 9,772,065,180 | |
| Share capital increase from redemption of convertible debentures | 26,922,373 | - | - | - | - | - | 26,922,373 | |
| Premium on share capital from redemption of convertible debentures | - | 358,067,627 | - | - | - | - | 358,067,627 | |
| Transaction not recognised in the income statement | - | - | - | - | - | - | - | |
| - Depreciation on the fixed assets revaluation | - | - | - | (222,209,267) | - | - | (222,209,267) | |
| Adjusted from minority shareholder | - | - | - | - | - | - | (30,997) | |
| Dividend payment for preferred stock | - | - | - | - | - | - | (81,600) | |
| Legal reserve | - | - | - | - | 66,450,000 | (66,450,000) | - | |
| Net profit (loss) | - | - | - | - | - | 2,958,593,038 | 2,958,593,038 | |
| Ending balance as at December 31, 2005 | 687,481,908 | 1,951,157,333 | 189,617,759 | 4,502,376,960 | 153,164,346 | 5,409,099,648 | 12,893,407,954 | |
| Beginning balance as at January 1, 2006 | 687,481,908 | 1,951,157,333 | 189,617,759 | 4,502,376,960 | 153,164,346 | 5,385,965,769 | 12,870,274,075 | |
| Accumulative amount from changing in accounting policy | - | - | - | - | - | 23,133,879 | 23,133,879 | |
| Beginning balance after adjustment | 687,481,908 | 1,951,157,333 | 189,617,759 | 4,502,376,960 | 153,164,346 | 5,409,099,648 | 12,893,407,954 | |
| Issued and Paid-up share capital | 428,117,940 | - | - | - | - | - | 428,117,940 | |
| Premium on share capital | - | 5,507,068,319 | - | - | - | - | 5,507,068,319 | |
| Share capital increase from redemption of convertible debentures | 3,496,503 | - | - | - | - | - | 3,496,503 | |
| Premium on share capital from redemption of convertible debentures | - | 46,503,497 | - | - | - | - | 46,503,497 | |
| Transaction not recognised in the income statement | - | - | - | - | - | - | - | |
| - Depreciation on the fixed assets revaluation | - | - | - | (219,195,685) | - | - | (219,195,685) | |
| Dividend payment for preferred stock | - | - | - | - | - | - | (22,491) | |
| Dividend paid | - | - | - | - | - | (206,244,572) | (206,244,572) | |
| Net profit (loss) | - | - | - | - | - | 195,529,535 | 195,529,535 | |
| Ending balance as at December 31, 2006 | 1,119,096,351 | 7,504,729,149 | 189,617,759 | 4,283,181,275 | 153,164,346 | 5,398,384,611 | 18,648,683,491 | |

The accompanying notes to financial statements are an integral part of these statements.

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THE COMPANY ONLY

FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005

| | Date | BAHT | | | | | | | Total (Restated) | |
|--|------|-----------------------------------|--------------------------|---|---------------------------|-------------------------------------|---------------------------|----------------------------|---------------------|---------------------------|
| | | Issue and paid - up share capital | Premium on Share capital | Capital surplus on registered and paid-up share reduction | | Surplus on fixed assets revaluation | | Retained earning (Deficit) | | |
| | | | | Appropriated legal reserve | Unappropriated (Restated) | Appropriated legal reserve | Unappropriated (Restated) | Appropriated legal reserve | | Unappropriated (Restated) |
| Beginning balance as at January 1, 2005 | | 660,559,535 | 1,593,089,706 | 189,617,759 | 4,724,586,227 | 86,714,346 | 2,525,882,895 | 9,780,450,468 | | |
| Accumulative amount from changing in accounting policy | 2.4 | - | - | - | - | (8,740,167) | (8,740,167) | (8,740,167) | | |
| Beginning balance after adjustment | | 660,559,535 | 1,593,089,706 | 189,617,759 | 4,724,586,227 | 86,714,346 | 2,517,142,728 | 9,771,710,301 | | |
| Share capital increase from redemption of convertible debentures | | 26,922,373 | - | - | - | - | - | 26,922,373 | | |
| Premium on share capital from redemption of convertible debentures | | - | 358,067,627 | - | - | - | - | 358,067,627 | | |
| Transaction not recognised in the income statement | | - | - | - | (222,209,267) | - | - | (222,209,267) | | |
| - Depreciation on the fixed assets revaluation | | - | - | - | - | 66,450,000 | (66,450,000) | - | | |
| Legal reserve | | - | - | - | - | - | - | - | | |
| Net profit (loss) | | - | - | - | - | - | 2,958,406,920 | 2,958,406,920 | | |
| Ending balance as at December 31, 2005 | | 687,481,908 | 1,951,157,333 | 189,617,759 | 4,502,376,960 | 153,164,346 | 5,409,099,648 | 12,892,897,954 | | |
| Beginning balance as at January 1, 2006 | | 687,481,908 | 1,951,157,333 | 189,617,759 | 4,502,376,960 | 153,164,346 | 5,385,965,769 | 12,869,764,075 | | |
| Accumulative amount from changing in accounting policy | 2.4 | - | - | - | - | - | 23,133,879 | 23,133,879 | | |
| Beginning balance after adjustment | | 687,481,908 | 1,951,157,333 | 189,617,759 | 4,502,376,960 | 153,164,346 | 5,409,099,648 | 12,892,897,954 | | |
| Issued and Paid-up share capital | 18 | 428,117,940 | - | - | - | - | - | 428,117,940 | | |
| Premium on share capital | | - | 5,507,068,319 | - | - | - | - | 5,507,068,319 | | |
| Share capital increase from redemption of convertible debentures | | 3,496,503 | - | - | - | - | - | 3,496,503 | | |
| Premium on share capital from redemption of convertible debentures | | - | 46,503,497 | - | - | - | - | 46,503,497 | | |
| Transaction not recognised in the income statement | | - | - | - | (219,195,685) | - | - | (219,195,685) | | |
| - Depreciation on the fixed assets revaluation | | - | - | - | - | - | (206,244,572) | (206,244,572) | | |
| Dividend paid | 28 | - | - | - | - | - | 238,612,362 | 238,612,362 | | |
| Net profit (loss) | | - | - | - | - | - | 5,441,467,438 | 5,441,467,438 | | |
| Ending balance as at December 31, 2006 | | 1,119,096,351 | 7,504,729,149 | 189,617,759 | 4,283,181,275 | 153,164,346 | 18,691,256,318 | 18,691,256,318 | | |

The accompanying notes to financial statements are an integral part of these statements.

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005

| | | B A H T | | | |
|---|-------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | CONSOLIDATED | | THE COMPANY ONLY | |
| | Notes | 2006 | 2005 | 2006 | 2005 |
| | | | (Restated) | | (Restated) |
| REVENUES | | | | | |
| Sales | 21 | 94,269,873,360 | 85,869,953,568 | 93,538,667,989 | 85,035,235,365 |
| Other incomes | | | | | |
| Interest income | | 176,556,635 | 20,436,454 | 171,750,103 | 19,657,690 |
| Gain from foreign exchange | 22 | 119,859,177 | - | 119,859,177 | - |
| Gain from crude oil and product oil price hedging contract | 25.3 | 681,505,796 | 537,069,545 | 681,505,796 | 537,069,545 |
| Reversal of loss from Inventory write - down | | 59,005 | 287,853,112 | 59,005 | 287,853,112 |
| Gain from assets disposal | | 420,951 | - | - | - |
| Loss adjustment from impairment of assets | | 4,482,408 | 7,174,371 | 4,482,408 | 7,174,371 |
| Others | | 122,023,289 | 93,228,555 | 83,531,886 | 50,315,122 |
| Share of gains from investments for using the equity method | | - | - | - | 13,011,267 |
| Total Revenues | | 95,374,780,621 | 86,815,715,605 | 94,599,856,364 | 85,950,316,473 |
| EXPENSES | | | | | |
| Cost of sales | | 92,148,406,051 | 80,573,882,779 | 91,721,815,757 | 80,106,432,303 |
| Selling and administrative expenses | | 2,009,938,172 | 2,010,467,105 | 1,611,850,362 | 1,621,682,133 |
| Other expenses | | | | | |
| Depreciation | | 301,376,653 | 295,809,107 | 298,507,222 | 292,986,630 |
| Directors' remuneration | | 14,920,000 | 5,080,500 | 14,890,000 | 5,040,500 |
| Loss from Inventory write - down | | 54,510,520 | 59,005 | 54,510,520 | 59,005 |
| Loss from foreign exchange | 22 | - | 26,293,254 | - | 26,293,254 |
| Loss from crude oil and product oil price hedging contract | | - | 3,505,033 | - | 3,505,033 |
| Loss from assets disposal | | 11,796,596 | 4,506,616 | 11,796,596 | 4,436,970 |
| Loss from impairment of assets | | 459,194 | - | 459,194 | - |
| Share of losses from investment for using the equity method | | - | 8,682 | 9,592,942 | - |
| Total Expenses | | 94,541,407,186 | 82,919,612,081 | 93,723,422,593 | 82,060,435,828 |
| PROFIT (LOSS) BEFORE INTEREST EXPENSE AND INCOME TAX | | 833,373,435 | 3,896,103,524 | 876,433,771 | 3,889,880,645 |
| Interest expenses | 23 | (744,938,400) | (639,495,872) | (744,938,400) | (639,495,872) |
| Income tax | 14 | 107,116,991 | (297,933,014) | 107,116,991 | (291,977,853) |
| PROFIT (LOSS) AFTER INCOME TAX | | 195,552,026 | 2,958,674,638 | 238,612,362 | 2,958,406,920 |
| MINORITY INTERESTS | | (22,491) | (81,600) | - | - |
| NET PROFIT (LOSS) | | 195,529,535 | 2,958,593,038 | 238,612,362 | 2,958,406,920 |
| BASIC EARNING PER SHARE | | | | | |
| Earning per share (Baht) | 24 | 0.20 | 4.40 | 0.25 | 4.40 |
| Number of weighted average shares (shares) | | 959,703,294 | 671,886,687 | 959,703,294 | 671,886,687 |
| DILUTED EARNING PER SHARE | | | | | |
| Earning per share (Baht) | 24 | 0.20 | 3.57 | 0.25 | 3.57 |
| Number of weighted average shares (shares) | | 1,138,717,261 | 843,143,449 | 1,138,717,261 | 843,143,449 |

The accompanying notes to financial statements are an integral part of these statement

(Signed) General Tawat Ked-Unkooor
(General Tawat Ked-Unkoon)
Chairman

(Signed) Anusorn Sangnimnuar
(Anusorn Sangnimnuan)
President

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005

B A H T

| | Note | CONSOLIDATED | | THE COMPANY ONLY | |
|--|------|-----------------|--------------------|------------------|--------------------|
| | | 2006 | 2005 (Restated) | 2006 | 2005 (Restated) |
| CASH FLOWS FROM OPERATING ACTIVITIES : | | | | | |
| Net profit (loss) | | 195,529,535 | 2,958,593,038 | 238,612,362 | 2,958,406,920 |
| Adjustments to reconcile net profit to net cash provided by (used in) Operating Activities | | | | | |
| Depreciation | | 649,803,560 | 611,444,063 | 646,934,130 | 608,621,586 |
| Bad debt and doubtful debts | | 12,146,125 | 338,530 | 7,037,698 | (565,916) |
| Amortization | | 210,916,623 | 187,809,305 | 210,800,969 | 187,809,305 |
| Loss (gain) from foreign exchange | 22 | 50,969,973 | (9,417,823) | 50,969,973 | (9,417,823) |
| Loss (Gain) from assets impairment | | (4,023,215) | (3,669,338) | (4,023,215) | (3,669,338) |
| Deferred income tax | 14 | (128,515,145) | (11,712,181) | (128,515,145) | (11,712,181) |
| Loss (gain) from fixed assets disposal | | 12,215,648 | 4,506,616 | 11,794,697 | 4,436,970 |
| Reserve for pension fund | | 38,226,664 | 42,855,442 | 38,226,664 | 42,855,442 |
| Deferred revenue | | (1,237,159) | 959,084 | (1,237,159) | 959,084 |
| Loss (gain) from investments for using the equity method | | - | 38,706 | 9,592,942 | (13,011,267) |
| Minority interests | | 22,491 | 50,603 | - | - |
| Operating gain before changes in operating assets and liabilities: | | 1,036,055,100 | 3,781,796,045 | 1,080,193,916 | 3,764,712,782 |
| Operating assets (increase), decrease | | | | | |
| Trade accounts receivable | | 900,169,983 | (381,531,197) | 911,148,654 | (329,379,045) |
| Inventories | | 2,098,691,677 | (866,858,909) | 2,069,694,332 | (771,161,200) |
| Other current assets | | 132,301,658 | 825,852,218 | 134,760,208 | 821,532,015 |
| Operating liabilities increase, (decrease) | | | | | |
| Trade accounts payable | | (1,346,497,619) | (2,109,826,755) | (1,332,452,149) | (2,108,311,672) |
| Other current liabilities: | | (421,272,266) | 323,108,788 | (424,255,615) | 323,824,289 |
| Other non - current liabilities: | | (12,211,755) | 373,060 | (11,897,347) | (394,619) |
| Net Cash Provided by (Used in) Operating Activities | | 2,387,236,778 | 1,572,913,250 | 2,427,191,999 | 1,700,822,550 |

The accompanying notes to interim financial statements are an integral part of these interim statement

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005

| | B A H T | | | |
|--|------------------------|------------------------|------------------------|------------------------|
| | CONSOLIDATED | | THE COMPANY ONLY | |
| | 2006 | 2005 (Restated) | 2006 | 2005 (Restated) |
| CASH FLOWS FROM INVESTING ACTIVITIES : | | | | |
| Decrease(increase) in temporary investments | (4,085,050,172) | - | (4,045,039,044) | - |
| Decrease(increase) in long-term investment | 7,107,750 | 6,353,463 | 7,107,750 | 10,780,583 |
| Decrease(increase) in long-term loans to related parties | - | 1,100,000 | - | - |
| Acquisition in property, plant and equipment | (2,295,867,741) | (734,046,380) | (2,291,747,996) | (733,266,778) |
| Proceeds from sales of property, plant and equipment | 21,569,067 | 9,082,231 | 21,569,067 | 9,082,232 |
| Decrease(increase) in intangible asset | (42,996,081) | (60,194,498) | (40,920,741) | (60,194,498) |
| Decrease(increase) in other non-current assets | (66,798,696) | (198,423,560) | (66,797,350) | (204,700,741) |
| Net Cash Provided by (Used in) Investing Activities | <u>(6,462,035,873)</u> | <u>(976,128,744)</u> | <u>(6,415,828,314)</u> | <u>(978,299,202)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Increase(decrease) in bank overdrafts and short-term loans from financial institutions | (800,000,000) | - | (800,000,000) | - |
| Proceeds from long-term loans | 623,100,000 | 700,000,000 | 623,100,000 | 700,000,000 |
| Payment of long-term loans | (524,994,572) | (1,756,250,000) | (524,994,572) | (1,756,250,000) |
| Dividend paid | (206,244,572) | - | (206,244,572) | - |
| Dividend payment for preferred stock | (22,491) | (81,600) | - | - |
| Proceeds from issued and paid-up shares capital | 428,117,940 | - | 428,117,940 | - |
| Proceeds from premium on shares capital | 5,507,068,319 | - | 5,507,068,319 | - |
| Net Cash Provided by (Used in) Financing Activities | <u>5,027,024,624</u> | <u>(1,056,331,600)</u> | <u>5,027,047,115</u> | <u>(1,056,250,000)</u> |
| INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS - NET | 952,225,529 | (459,547,094) | 1,038,410,800 | (333,726,652) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 1,753,014,138 | 2,212,561,232 | 1,560,773,205 | 1,894,499,857 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | 4 2,705,239,667 | 1,753,014,138 | 2,599,184,005 | 1,560,773,205 |
| Cash paid during the periods for | | | | |
| Interest expenses | 732,541,130 | 752,138,411 | 732,541,130 | 752,138,411 |
| Income tax | 618,019,203 | 30,493,815 | 616,037,049 | 30,874,214 |

The accompanying notes to financial statements are an integral part of these statements.

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005

1. GENERAL INFORMATION

1.1 General matter

The company was incorporated as a limited company under the Civil and Commercial Code on November 8, 1984, and changed its status to a Public Company Limited under the Public Company Limited Act on April 23, 1993. The address of the head office is 210 Moo 1, Soi Sukhumvit 64, Sukhumvit Road, Bangchak, Phakanong, Bangkok. The company operates in Thailand and the main business is operating an oil refinery and marketing the finished products through its service stations under its company's brand. The company's oil market includes consumers in various sectors, such as transportation, aviation, shipping, construction, industrial and agriculture. The sale of oil is also made through the major and the minor oil traders. As at December 31, 2006 and 2005, the company employed 827 and 757 employees respectively and the employees related expenses were Baht 576.28 million and Baht 583.61 million respectively.

The Bangchak Green Net Co., Ltd., a subsidiary company, was incorporated as a limited company under the Civil and Commercial Code on July 13, 1993. Its head office address is 210 Moo 1, Soi Sukhumvit 64, Sukhumvit Road, Bangchak, Phakanong, Bangkok. The company operates in Thailand with its main business being the running of the Bangchak service stations and the consumer goods retail shops under the Lemon Green and the Bi-Chak brand. It also provides other services to accommodate future expansion in the retail business. As at December 31, 2006 and 2005, the company employed 1,652 and 1,860 employees respectively and the employees related expenses were Baht 189.04 million and Baht 195.40 million respectively.

1.2 Basis for preparation and presentation of financial statements

The financial statements of the company are prepared in accordance with the generally accepted accounting standards and presented in brief in accordance with the Department of Business Development announcement on September 14, 2001.

The company's consolidated financial statements incorporate the financial statements of The Bangchak Petroleum Public Company Limited and The Bangchak Green Net Co., Ltd., in which the company holds 49% share. For the purpose of the consolidation, all significant intercompany transactions and all intercompany account balances have been eliminated.

1.3 Related parties

Enterprises that directly, or indirectly through one or more intermediaries control, or are under common control of the company are as follows:

| Name | Type of business | Relationship | Share holding (%) |
|-------------------------------------|--|--------------------------------------|-------------------|
| <u>Subsidiaries :</u> | | | |
| - The Bangchak Green Net Co., Ltd. | Manage BCP service station and consumer goods retailer | Holding and joint directors | 49.00% |
| - The Retail Net Co., Ltd. | Manage BCP service station (Company is in self liquidation process) | Indirect holding and joint directors | 48.66% |
| - The Bangchak Green Line Co., Ltd. | Fuel transportation. (Company is in self liquidation process) | Indirect holding and joint directors | 49.00% |

| Name | Type of business | Relationship | Share holding (%) |
|--|------------------------------|-----------------------------|-------------------|
| <u>Related companies :</u> | | | |
| - PTT Public Company Limited.* | Petroleum business | Holded and joint directors | - |
| - Fuel Pipeline Transportation Ltd. | Fuel pipeline transportation | Holding and joint directors | 11.41% |
| - Thai Oil Public Company Limited. * | Oil refinery | Related company of PTT | - |
| - Aromatics(Thailand)Public Co.,Ltd. * | Petrochemical | Related company of PTT | - |
| - Thai Lube Base Public Co.,Ltd. * | Lubrication base refinery | Related company of PTT | - |

The Bangchak Green Net Co., Ltd. did not include The Bangchak Green Line Co., Ltd. and The Retail Net Co., Ltd. in its consolidated financial statements as The Bangchak Green Line Co., Ltd. has been in the process of self-liquidation and the investment in The Bangchak Green Line Co., Ltd. was written-off whereas The Retail Net Co., Ltd is in the process of redemption of the capital and share of profit to The Bangchak Green Net Co., Ltd.

* Relationship has started since May 16, 2006.

1.4 Others.

The financial statements of above subsidiaries are prepared in accordance with generally accepted accounting standards for non-public company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Sales Revenue

Sales are recognized as revenue when delivery of goods has occurred.

Income from operating right

Income from operating right is recognized in accordance with the substance of the contract.

Interest income

Interest is recognized on a time proportion basis that takes into account the effective yield on the asset.

2.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at banks and deposits at banks and financial institutions, which are due within 3 months.

2.3 Allowance for Doubtful Accounts

The allowance for doubtful accounts is set-up based on debts deemed uncollectible from debtors as judged from the current status of each account receivable.

2.4 Inventories

Finished petroleum products and crude oil are stated at the lower of cost determined by the weighted average basis or net realizable value. The Company and its subsidiary have changed the cost calculation method of finished petroleum products and crude oil from first-in, first-out to weighted average by restated approach effected from July 1 2006, to conform with the accounting policies of The PTT Public Company Limited which enter into the Company's major shareholder.

The change of the accounting policy has effected the inventories balances in the consolidated financial statements as of December 31, 2006 and 2005 by the increased amount of Baht 533.67 million and Baht 34.79 million respectively and the inventories balances in the company only financial statements as of December 31, 2006 and 2005 by the increased amount of Baht 534.70 million and Baht 38.85 million respectively. The retained earnings in the consolidated and company only financial statements as of January 1, 2006 have equally increased by the amount of Baht 23.13 million. The retained earnings in the consolidated and company only financial statements as of January 1, 2005 have equally decreased by the amount of Baht 8.74 million. Net income in the consolidated and company only financial statements for the year ended December 31, 2006 have equally increased by the amount of Baht 373.57 million. Net income in the consolidated and company only financial statements for the year ended December 31, 2005 have equally increased by the amount of Baht 31.87 million.

Lubrication oils are stated at the lower of cost determined by weighted average or net realizable value.

Consumer goods are stated at cost determined by weighted average or net realizable value.

2.5 Materials and Supplies

Materials and supplies are stated at cost determined by the weighted average less allowance for deterioration of materials and supplies.

2.6 Investments in Subsidiaries

Investments in subsidiaries, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the financial and operating policies, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All inter-company transactions, balances and unrealized gains (losses) on transactions between group companies have been eliminated.

Investments in subsidiaries (in the Company's financial statements) are stated at the equity method.

2.7 Other Long-Term Investments

Investments in non-marketable securities are treated as general investment and presented at cost less allowance for impairment of investment.

Investments in debt securities held-to-maturity are presented at amortized cost. The difference between cost and redemption value of an investment in debt securities is amortized by straight line over the remaining period of the investment, which is credited or changed to interest income and is added to or subtracted from the carrying amount of the securities.

2.8 Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and with allowance for cost on assets impairment.

The Company revalues assets every five years by an independent appraiser for machinery, equipment and refinery plants and platinum catalyst. The machinery, equipment and refinery plants comprised of boat piers, machinery and equipment in the refinery. Hence the mentioned assets are presented based on their revalued cost, less the accumulated depreciation. The incremental value from the revaluation is shown under Shareholders' Equity as "Surplus on fixed assets revaluation". Should the assets revalued be lower than their initial cost, the reduced value is charged against the surplus on fixed assets revaluation until that amount is fully depleted before booking the rest as expense in the profit and loss for that same accounting period. Depreciation of buildings, machinery and equipment are computed on a straight-line method based on the estimated useful life of the assets. The details of which are as follows: -

| <u>Type of Assets</u> | <u>No. of Year</u> |
|--|--------------------|
| Building | 20 |
| Machinery, equipment and refinery plants | 30 |
| Equipment | 5-20 |

Equipment with value of not over Baht 10,000 each and service station asset costing less than Baht 1,000 each are booked as expense in the period of purchase.

Expenditures on repairs or maintenance of buildings, machinery and equipment which extend the useful life of such assets or increase their capacity are recorded as capital expenditure. Whereas the maintenance and repair costs of buildings, machinery and equipment to have them perform to the standard level initially assessed are booked as expense in the period they occurred.

2.9 Borrowing Cost

Interest expenses incurred from loan, especially used for the construction of fixed assets, are booked as cost of assets until the assets are ready for their intended use. Such interest expenses are derived from the total amount of interests paid less the revenue earned from the loan temporary used as short-term investments.

Interest expense on loan for general purposes but partly used for the construction of fixed assets are capitalized. The capitalization of such interest is computed by multiplying the interest rate against the average assets costs during construction. Upon completion of the construction project, the interest cost is booked to expense.

2.10 Intangible Assets

Intangible assets consist of leasehold rights, license and development costs of computer software. They are presented at cost deducted by accumulated amortization.

Leasehold rights are the rights obtained from the land lease contracts, which are amortized on a straight-line method over the contractual period within 30 years.

License and development costs of computer software cover expenditures to enhance future economic benefit to the company of more than one year. They are amortized within five years on a straight-line basis.

2.11 Deferred Income Tax

The Company calculates the deferred income tax from the temporary differences between the net book value of the assets and their tax base in accordance with the International Accounting Standards No.12, "Income Taxes" (IAS No.12).

The temporary differences arise from the allowance for doubtful accounts, pension fund reserve, unutilized taxable losses carried-forward and accumulated depreciation of equipment.

2.12 Impairment of assets

The Company reviews the impairment of assets whenever events indicate that the carrying value of an asset exceeds its recoverable amount. The Company will consider the impairment for each asset item or each asset unit generating cash flows, whichever is practical.

The Company recognizes an impairment loss in the income statements whenever the carrying value of an asset exceeds its recoverable amount. The Company will reverse the impairment loss to other income whenever there is any indication that the impairment loss recognized may no longer exist or may have decreased.

2.13 Foreign Currencies

Foreign currency transactions are converted into Baht at the exchange rate on the date the transactions occur. The assets and liabilities in foreign currencies at the ending period are translated into Baht using the exchange rate as announced by the Bank of Thailand. Differences from foreign exchange translations are totally booked as income or expense.

Gains or losses resulting from debt repayment during the year are recorded as income or expense.

In cases where forward exchange contracts are made to minimize the risk exposure on foreign exchange of debts in foreign currency, the Company books the exchange rate based on the contract. The premium associated with this is amortized over the period of the contract.

2.14 Crude and Product Oil Price Hedging Contract

Selling and buying forward crude and product oil contracts are made to reduce the risk of changes in the oil price. The Company records the difference between the oil price in the contract and market price as income or expense when transactions occur.

2.15 Deferred Revenue

Deferred revenue, which represents the advance income from the lease of equipment and others, are amortized over the term of the contract.

2.16 Pension Fund Reserve

A 100% reserve is established at the end of each accounting year on pension amounts payable to all employees with years service of five years and over.

2.17 Legal Reserve

The Company sets up the appropriation for a legal reserve of at least 5% of its net profit, less accumulated deficit brought forward (if any), until the reserve is not less than 10% of the authorized share capital.

2.18 Registered Provident Fund

The Company established a contributory provident covering substantially all employees. Members are required to make monthly contribution to the fund at either 5% or 10% of the members' salaries depending on their choice and the Company is required to make monthly contribution at the same rate.

2.19 Earnings per Share

Earnings per share is calculated from the net profit (loss) divided by the weighted average of issued and paid-up share capital. Diluted earnings per share is calculated by dividing net earnings for the year, after adjusting the effect of transactions relating to dilute potential ordinary shares, by the total sum of the weighted average number of ordinary shares in issue during the year and the weighted average number of ordinary shares to be issued for conversion of all diluted potential ordinary shares into ordinary shares.

RELATED PARTY TRANSACTION

The Company had certain accounting transactions with its subsidiary and related companies which were considered normal business practice. The transactions were based on the general market price and in cases where market price was not available, the contract price was used.

Balance of assets, liabilities, account and trading transactions with subsidiary and related companies as at December 31, 2006 are as follows:

3.1 Trade accounts receivable – related parties

| | Million Baht | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Consolidated | | The Company Only | |
| | December 31,2006 | December 31,2005 | December 31,2006 | December 31,2005 |
| <u>Subsidiaries</u> | | | | |
| - The Bangchak Green Net Co., Ltd. | - | - | 383.38 | 396.45 |
| - The Retail Net Co., Ltd. | - | - | - | - |
| <u>Related Companies</u> | | | | |
| - PTT Public Company Limited. | 76.52 | 674.00 | 76.52 | 674 |
| - The Related Companies of PTT | 58.33 | 17.39 | 58.33 | 17.39 |
| - Fuel Pipeline Transportation Ltd. | - | - | - | - |
| Total Accounts receivable - | | | | |
| Related parties net | <u>134.85</u> | <u>691.39</u> | <u>518.23</u> | <u>1,087.84</u> |

3.2 Investments for using the equity method

| Name | Type of Business | Authorized Share capital (Million Baht) | Holding % | Million Baht | | |
|----------------------------------|-----------------------------|---|-----------|-------------------|---------------|----------|
| | | | | The Company Only | | |
| | | | | December 31, 2006 | | |
| | | | | Investments | | |
| | | | | Cost Method | Equity Method | Dividend |
| Subsidiary : | | | | | | |
| The Bangchak Green Net Co., Ltd. | Holding and joint directors | 1 | 49.00% | <u>0.49</u> | <u>-</u> | <u>-</u> |
| | | | | Million Baht | | |
| | | | | The Company Only | | |
| | | | | December 31, 2005 | | |
| | | | | Investments | | |
| | | | | Cost Method | Equity Method | Dividend |
| Subsidiary : | | | | | | |
| The Bangchak Green Net Co., Ltd. | Holding and joint directors | 1 | 49.00% | <u>0.49</u> | <u>9.59</u> | <u>-</u> |

3.3 Trade accounts payable – related parties

| | Million Baht | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Consolidated | | The Company Only | |
| | December 31, 2006 | December 31, 2005 | December 31, 2006 | December 31, 2005 |
| <u>Subsidiaries</u> | | | | |
| - The Bangchak Green Net Co.,Ltd. | - | - | 2.16 | 2.97 |
| - The Retail Net Co.,Ltd. | - | - | - | - |
| <u>Related Companies</u> | | | | |
| - PTT Public Company Limited. | 2,120.39 | 2,212.91 | 2,120.39 | 2,212.91 |
| - The Related Companies of PTT | 1,015.23 | 705.90 | 1,015.23 | 705.90 |
| - Fuel Pipeline Transportation Ltd. | 7.00 | 7.11 | 7.00 | 7.11 |
| Total Account Payable | | | | |
| - related parties | <u>3,142.62</u> | <u>2,925.92</u> | <u>3,144.78</u> | <u>2,928.89</u> |

3.4 Transaction with related parties

Transaction with related parties for the year ended December 31, 2006 and 2005 are as follows:

| | Million Baht | | | |
|-----------------------------------|--------------|-----------|------------------|-----------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| Revenue from sales of oil | 12,600.23 | 19,009.12 | 23,727.48 | 28,654.26 |
| Revenue from operating right | - | - | 74.25 | 70.27 |
| Revenue from sale promotion items | - | - | 6.58 | 3.24 |
| Cost of pipeline transportation | 79.69 | 73.83 | 79.69 | 73.83 |
| Crude and Product purchase | 50,118.51 | 41,387.57 | 50,118.51 | 41,387.57 |
| Terminal service | 52.53 | 73.08 | 52.53 | 73.08 |

Transfer pricing with the related parties does not differ from unrelated parties.

4. CASH AND CASH EQUIVALENTS

As at December 31, 2006 and 2005, Cash and cash equivalents consist of :

| | Million Baht | | | |
|---|-----------------|-----------------|------------------|-----------------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| Cash and deposits at Banks | * 2,705.24 | 1,753.01 | * 2,599.18 | 1,560.77 |
| Fixed deposit (maturity dates not longer than 3 months) | - | - | - | - |
| Total | <u>2,705.24</u> | <u>1,753.01</u> | <u>2,599.18</u> | <u>1,560.77</u> |

* Included Banks deposits for PQI project amounting to Baht 800.12 million.

The Company entered into an agreement with financial institutions to pledge banks deposits as security for the credit facilities obtained from those financial institutions, as referred in Notes 17.1.

5. SHORT TERM INVESTMENT

As at December 31, 2006 and 2005, Cash and cash equivalents consists of :

| | Million Baht | | | |
|--|-----------------|----------|------------------|----------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| Fixed deposit | 40.01 | - | - | - |
| Fixed deposit for investment in PQI Project | ** 4,045.04 | - | ** 4,045.04 | - |
| <u>Less</u> Fixed deposit (maturity over 1 year) | - | - | - | - |
| Total | 4,085.05 | - | 4,045.04 | - |

** Part of the above investment is the excess fund of the funding proceeds for Product Quality Improvement Project (PQI) by issuing common stocks and convertible debentures.

6. TRADE ACCOUNT RECEIVABLES – OTHER PARTIES - NET

As at December 31, 2006 and 2005, Trade accounts receivable consist of :

| | Million Baht | | | |
|--|-----------------|-----------------|------------------|-----------------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| Trade accounts receivable - other parties | 2,724.44 | 3,018.32 | 2,695.79 | 2,996.20 |
| <u>Less</u> Allowance for doubtful accounts | (89.36) | (89.14) | (85.81) | (85.28) |
| Trade accounts receivable - other parties - net | 2,635.08 | 2,929.18 | 2,609.98 | 2,910.92 |

As at December 31, 2006 and 2005, the overdue trade accounts receivable are classified by aging as follows:

| | Million Baht | |
|---------------------------------|--------------|--------------|
| | 2006 | 2005 |
| Over than 3 months to 6 months | 1.99 | 1.90 |
| Over than 6 months to 12 months | 6.50 | 2.83 |
| Over than 12 months | 85.67 | 83.53 |
| Total | 94.16 | 88.26 |

7. INVENTORIES - NET

As at December 31, 2006 and 2005, Inventories consist of :

| | Million Baht | | | |
|---------------------------------------|-----------------|------------------|------------------|------------------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| Crude oil | 4,565.31 | 7,053.48 | 4,565.31 | 7,053.48 |
| Finished oil product | 4,311.17 | 3,568.11 | 4,129.56 | 3,368.79 |
| Consumer product | 56.09 | 66.97 | - | - |
| <u>Less</u> Allowance for devaluation | (57.28) | 285.42 | (54.51) | 287.79 |
| Inventories – net | 8,875.29 | 10,973.98 | 8,640.36 | 10,710.06 |

Inventories as at December 31, 2006 and 2005, are included petroleum legal reserve of 328.50 million liters approximated value Baht 4,843.45 Million and 342.81 million liters approximated value Baht 5,249.57 Million respectively.

The Company entered into an agreement with financial institutions to pledge legal reserved inventories as security for the credit facilities obtained from those financial institutions, as referred in Notes 17.1.

8. MATERIAL AND SUPPLIES - NET

As at December 31, 2006 and 2005, Material and supplies consist of:

| | Million Baht | | | |
|--|--------------|---------|------------------|---------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| Material and supplies | 350.50 | 352.32 | 350.50 | 352.32 |
| <u>Less</u> Allowance for obsolescence | (20.46) | (24.53) | (20.46) | (24.53) |
| Material and supplies - net | 330.04 | 327.79 | 330.04 | 327.79 |

9. OTHER LONG-TERM INVESTMENTS

As at December 31, 2006 and 2005, Other long-term investments consist of :

| | Million Baht | | | |
|--|--------------|----------|------------------|----------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| <u>Investment in capital paper</u> | | | | |
| - Fuel Pipeline Transportation Ltd. | 181.75 | 181.75 | 181.75 | 181.75 |
| <u>Less</u> Allowance for impairment | (181.75) | (181.75) | (181.75) | (181.75) |
| Investment in capital paper – net | - | - | - | - |
| <u>Investment in commercial paper</u> | | | | |
| - The Express way Authority of Thailand's bond | 0.90 | 0.90 | - | - |
| - The Government bond | 3.00 | 3.00 | 3.00 | 3.00 |
| <u>Less</u> Discount on investments | (0.06) | (0.08) | (0.06) | (0.08) |
| Total Investment in commercial paper | 3.84 | 3.82 | 2.94 | 2.92 |
| Total other long-term investments | 3.84 | 3.82 | 2.94 | 2.92 |

On October 25, 2005, the Company invested in The Government's bond, B.E. 2547 no.4 which 5 years duration, amounting to Baht 2,917,337.43. The total 3,000 units bond, which face value Baht 1,000 per unit and stated interest rate at 4.25% per annum payable twice per year in February and August, was registered on August 13, 2006. The discounted amount of Baht 82,662.57 on the stated value, will be amortized by straight-line method spread over the duration period. During this year, the Company amortized the discount to be income amounting to Baht 17,102.64.

10. TARIFF PREPAYMENT - NET

The Company has provided financial support to the Fuel Pipeline Transportation Ltd. (FPT) in the form of advance payment of fuel transportation fee (Tariff Prepayment) as per the written agreement dated June 14, 1996. Subsequently, the Company, together with the other FPT creditors agreed on March 3, 1999 to restructure the FPT loan. Prior to the loan restructure, the amount owed to the Company as Tariff Prepayment was Baht 245.80 million, of this, Baht 48.75 million was converted to capital stock (preferred stock) on April 30, 1999, leaving the balance of loan as Baht 197.05 million. The loan shall be repaid in accordance with FPT's cash flow while the interest on the tariff prepayment and the custody fee (difference in interest rate MLR-2%) will be paid on a monthly basis. It turned out that FPT was able to repay some part of the loan and due to financial difficulties it could not comply with the agreed terms. Hence, an amendment to the original agreement was made on March 28, 2002. Under the revised agreement, the remaining loan principle of Baht 187.29 million will be repaid on a monthly basis over a total number 153 periods, with the first payment made on April 30, 2002. The interest rate will be based on MLR with relaxation of 1% per annum starting from March 29, 2002. The difference in the interest rates shall be established as a receivable in a suspense account.

The financial statements as at December 31, 2006 shows an outstanding prepaid tariff balance of Baht 146.49 million and the Company has set up allowance for doubtful debt of Baht 129.52 million, the remaining amount is Baht 16.96 million. The difference in the interest rates as calculated in accordance with the loan restructuring agreement, which is pending in the suspense account, shall be written-off if FPT makes full settlement of both the loan principle and the interest, without default, over a three-year period. These terms are specified in the amendment of the loan restructuring agreement. The Company will consider the write-off of interest receivable on an annual basis. For the year 2004, the Company write-off the interest receivable, calculated up to December 31, 2001, in the amount of Baht 21.38 million. In 2005, it wrote-off the interest receivable set-up for the year 2002 of Baht 10.67 Million. And in 2006, it wrote-off the interest receivable set-up for the year 2003 of Baht 9.40 Million. As for the interest from January 1, 2004 to December 31, 2006 of Baht 25.42 million, the Company will consider the write-off on an annual basis and the Company has set up an allowance for doubtful debt of the whole amount.

11. PROPERTY, PLANT AND EQUIPMENT - NET

| | Million Baht | | | | | | | Total |
|---|--------------|-----------|--|--------------------------------------|----------------------|--|----------|-------------|
| | Consolidated | | | | | | | |
| | Land | Buildings | Machinery, equipment and refinery plants | Marketing and office equipment | Platinum Catalyst | Construction in Vehicles progress | | |
| Cost / Revaluation | | | | | | | | |
| At January 1, 2006 | 1,353.55 | 511.86 | 23,146.22 | 3,777.35 | 322.70 | 138.17 | 653.12 | 29,902.97 |
| Additions | - | - | - | 1.55 | - | 1.76 | 2,947.09 | 2,950.40 |
| Borrowing Cost | - | - | - | - | - | - | 11.58 | 11.58 |
| Disposals | - | (12.96) | (57.95) | (89.37) | - | (17.78) | (382.52) | (560.58) |
| Reclassification | 6.50 | 3.62 | 298.14 | 73.43 | - | 3.80 | (252.21) | 133.28 |
| At December 31, 2006 | 1,360.05 | 502.52 | 23,386.41 | 3,762.96 | 322.70 | 125.95 | 2,977.06 | 32,437.65 |
| Accumulated depreciation : | | | | | | | | |
| At January 1, 2006 | - | (317.17) | (13,241.44) | (1,751.92) | - | (83.84) | - | (15,394.37) |
| Additions | - | (17.24) | (606.04) | (227.80) | - | (17.63) | - | (868.71) |
| Disposals | - | 6.20 | 45.66 | 58.02 | - | 17.62 | - | 127.50 |
| Reclassification | - | - | (0.03) | - | - | - | - | (0.03) |
| At December 31, 2006 | - | (328.21) | (13,801.85) | (1,921.70) | - | (83.85) | - | (16,135.61) |
| Allowance for impairment | | | | | | | | |
| At January 1, 2006 | (573.58) | - | (0.56) | (36.02) | - | - | - | (610.16) |
| Reversal of loss on impairment of assets | 4.55 | - | - | (3.34) | - | - | - | 1.21 |
| At December 31, 2006 | (569.03) | - | (0.56) | (39.36) | - | - | - | (608.95) |
| Property, plant and equipment - net | | | | | | | | |
| At January 1, 2006 | 779.97 | 194.69 | 9,904.22 | 1,989.41 | 322.70 | 54.33 | 653.12 | 13,898.44 |
| At December 31, 2006 | 791.02 | 174.31 | 9,584.00 | 1,801.90 | 322.70 | 42.10 | 2,977.06 | 15,693.09 |
| Depreciation included in income statements for the years ended : | | | | | | | | |
| 2005 | | | | | | | | 611.44 |
| 2006 | | | | | | | | 649.80 |
| Cost | | | | | | | | |
| At December 31, 2005 | 1,353.55 | 511.86 | 13,058.23 | 3,777.35 | 134.57 | 138.17 | 653.12 | 19,626.85 |
| Add (Less) : Reclassification | 6.50 | (9.34) | 240.19 | (14.39) | - | (12.22) | 2,323.94 | 2,534.68 |
| Less : Accumulated depreciation | - | (328.21) | (7,815.06) | (1,921.70) | - | (83.85) | - | (10,148.82) |
| Less : Allowance for impairment | (569.03) | - | (0.56) | (39.36) | - | - | - | (608.95) |
| At December 31, 2006 | 791.02 | 174.31 | 5,482.80 | 1,801.90 | 134.57 | 42.10 | 2,977.06 | 11,403.76 |
| Appraisal Surplus | | | | | | | | |
| At December 31, 2005 | - | - | 10,087.98 | - | 188.13 | - | - | 10,276.11 |
| Less : Accumulated depreciation | - | - | (5,986.78) | - | - | - | - | (5,986.78) |
| At December 31, 2006 | - | - | 4,101.20 | - | 188.13 | - | - | 4,289.33 |

| | Million Baht | | | | | | | Total |
|---|------------------|-----------|--|--------------------------------------|----------------------|--|----------|-------------|
| | The Company Only | | | | | | | |
| | Land | Buildings | Machinery, equipment and refinery plants | Marketing and office equipment | Platinum Catalyst | Construction in Vehicles progress | | |
| Cost / Revaluation | | | | | | | | |
| At January 1, 2006 | 1,353.55 | 511.86 | 23,146.22 | 3,740.55 | 322.70 | 134.87 | 653.12 | 29,862.87 |
| Additions | - | - | - | - | - | - | 2,947.09 | 2,947.09 |
| Borrowing Cost | - | - | - | - | - | - | 11.58 | 11.58 |
| Disposals | - | (12.96) | (57.95) | (89.37) | - | (17.78) | (382.52) | (560.58) |
| Reclassification | 6.50 | 3.62 | 298.14 | 73.43 | - | 3.80 | (252.21) | 133.28 |
| At December 31, 2006 | 1,360.05 | 502.52 | 23,386.41 | 3,724.61 | 322.70 | 120.89 | 2,977.06 | 32,394.24 |
| Accumulated depreciation : | | | | | | | | |
| At January 1, 2006 | - | (317.17) | (13,241.44) | (1,718.78) | - | (82.09) | - | (15,359.48) |
| Additions | - | (17.24) | (606.04) | (226.13) | - | (16.83) | - | (866.24) |
| Disposals | - | 6.20 | 45.66 | 58.02 | - | 17.62 | - | 127.50 |
| Reclassification | - | - | (0.03) | - | - | - | - | (0.03) |
| At December 31, 2006 | - | (328.21) | (13,801.85) | (1,886.89) | - | (81.30) | - | (16,098.25) |
| Allowance for impairment | | | | | | | | |
| At January 1, 2006 | (573.58) | - | (0.56) | (36.02) | - | - | - | (610.16) |
| Reversal of loss on impairment of assets | 4.55 | - | - | (3.34) | - | - | - | 1.21 |
| At December 31, 2006 | (569.03) | - | (0.56) | (39.36) | - | - | - | (608.95) |
| Property, plant and equipment - net | | | | | | | | |
| At January 1, 2006 | 779.97 | 194.69 | 9,904.22 | 1,985.75 | 322.70 | 52.78 | 653.12 | 13,893.23 |
| At December 31, 2006 | 791.02 | 174.31 | 9,584.00 | 1,798.36 | 322.70 | 39.59 | 2,977.06 | 15,687.04 |
| Depreciation included in income statements for the years ended : | | | | | | | | |
| 2005 | | | | | | | | 608.62 |
| 2006 | | | | | | | | 646.93 |
| Cost | | | | | | | | |
| At December 31, 2005 | 1,353.55 | 511.86 | 13,058.23 | 3,740.55 | 134.57 | 134.87 | 653.12 | 19,586.75 |
| Add (Less) : Reclassification | 6.50 | (9.34) | 240.19 | (15.94) | - | (13.98) | 2,323.94 | 2,531.37 |
| Less : Accumulated depreciation | - | (328.21) | (7,815.06) | (1,886.89) | - | (81.30) | - | (10,111.46) |
| Less : Allowance for impairment | (569.03) | - | (0.56) | (39.36) | - | - | - | (608.95) |
| At December 31, 2006 | 791.02 | 174.31 | 5,482.80 | 1,798.36 | 134.57 | 39.59 | 2,977.06 | 11,397.71 |
| Appraisal Surplus | | | | | | | | |
| At December 31, 2005 | - | - | 10,087.98 | - | 188.13 | - | - | 10,276.11 |
| Less : Accumulated depreciation | - | - | (5,986.78) | - | - | - | - | (5,986.78) |
| At December 31, 2006 | - | - | 4,101.20 | - | 188.13 | - | - | 4,289.33 |

Construction in progress is the investment in PQI project which is partially financed by an issuance of new common shares to PTT. The Company has entered into a long term business cooperation agreement with PTT as referred in Notes 25.3.4.

12. INTANGIBLE ASSETS - NET

As at December 31, 2006 and 2005, Intangible assets consist of:

| | Million Baht | | | |
|--|------------------|-----------------|------------------|-----------------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| <u>Cost</u> | | | | |
| Leasehold right | 2,112.49 | 2,140.68 | 2,112.49 | 2,140.68 |
| License and development costs of computer software | 184.21 | 135.86 | 182.13 | 135.86 |
| | <u>2,296.70</u> | <u>2,276.54</u> | <u>2,294.62</u> | <u>2,276.54</u> |
| <u>Accumulated amortization</u> | | | | |
| Leasehold right | (864.11) | (790.77) | (864.10) | (790.77) |
| License and development costs of computer software | (84.41) | (71.51) | (84.30) | (71.51) |
| | <u>(948.52)</u> | <u>(862.28)</u> | <u>(948.40)</u> | <u>(862.28)</u> |
| Total | 1,348.18 | 1,414.26 | 1,346.22 | 1,414.26 |
| <u>Less : Allowance for impairment</u> | (10.81) | (11.49) | (10.81) | (11.49) |
| Intangible assets – net | <u>1,337.37</u> | <u>1,402.77</u> | <u>1,335.41</u> | <u>1,402.77</u> |

On February 27, 2005, The Treasury Department permitted the Company to pay, by installments, the leasehold fee of Baht 551.63 million covering the extension of the lease agreement of state-owned land on which the company's refinery and the head office are located. The initial lease agreement, which expires on April 1, 2015, will be extended by 18 years under the new lease agreement, which will expire on March 31, 2033. The installment payments of the mentioned fee will be on an annual basis, commencing from the year 2007 - 2009 at Baht 76.62 million per annum. The amounts of Baht 505.66 million and Baht 45.97 million are recorded as liability, against the long-term leasehold right and other current liability. The Company has extended the length of the net book value of the leasehold right to March 31, 2033, so as to correspond with terms of the new lease agreement.

In addition, The Treasury Department also permitted the Company to utilize the mentioned leasehold right to pledge as security against loan and to place the building structures, including machinery on the leased land as collateral for credit facilities from financial institutions, as referred to in Notes 17.1.

13. INVESTMENT IN SERVICE STATIONS

The investment in service stations is for business expansion and the approach taken by the company varies. For example, the Company invests and grants franchise to others to operate or enter into, a joint venture agreement, or with investment made by the operator and the Company providing support. As at December 31, 2006 and 2005, the balances outstanding in the investment in service station account are Baht 429.93 million and Baht 484.64 million respectively. The amortization expense of Baht 50.51 million on total investment balance was recorded in this accounting period.

14. INCOME TAX AND DEFERRED INCOME TAX

The Company paid income tax on rates under the Revenue Code as follows:

| | Tax rates |
|---|-----------|
| - The Company | 30 |
| Net income for the portion not exceeding Baht 300 million for the accounting period of five years from 2002 to 2006 | 25 |
| - Subsidiaries | 15 – 30 |

Deferred income tax as at December 31, 2006 and 2005 are as follows:

| | Million Baht | |
|--|---------------|------------------|
| | Consolidated | The Company Only |
| Deferred income tax assets | | |
| As at December 31, 2005 | 102.86 | 102.86 |
| Income tax expenses | 125.24 | 125.24 |
| As at December 31, 2006 | <u>228.10</u> | <u>228.10</u> |
| Deferred income tax liabilities | | |
| As at December 31, 2005 | 29.44 | 29.44 |
| Income tax expenses | (3.27) | (3.27) |
| As at December 31, 2006 | <u>26.17</u> | <u>26.17</u> |

Deferred income tax is the timing differences between taxable profit and accounting profit which arise from the allowance for doubtful accounts, pension fund reserve, unutilized taxable losses carried-forward and accumulated depreciation of equipment.

15. **OTHER NON-CURRENT ASSETS - OTHERS**

As at December 31, 2006 and 2005, Other non-current assets consist of:

| | Million Baht | | | |
|---|---------------|---------------|------------------|---------------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| 15.1 Fixed deposit for staff welfare | 186.38 | 177.22 | 186.38 | 177.22 |
| 15.2 Deposit for crude and product oil price hedging contract | 184.22 | 338.39 | 184.22 | 338.39 |
| 15.3 Deferred expenses for the issuance of debentures and long-term loans | 80.00 | 90.62 | 80.00 | 90.62 |
| 15.4 Other | 294.70 | 138.51 | 291.95 | 135.75 |
| Total | <u>745.30</u> | <u>744.74</u> | <u>742.55</u> | <u>741.98</u> |

15.1 **Fixed deposit for staff welfare**

As at December 31, 2006 and 2005, the Company has a fixed deposit fund in a bank of Baht 186.38 million and Baht 177.22 million respectively with interest rates of 0-1.25 %. The deposit is maintained to allow employees obtain credit facilities from the mentioned bank.

15.2 **Deposit for crude and product oil price hedging contract**

The Company made forward contracts with several overseas traders with different amounts of deposit to protect against risk from the fluctuation of crude and product oil prices. Some traders request the Company to pledge initial deposit as per the initial agreement or even more afterwards in cases where the market price deviates in the direction which the Company loses and has to settle the balance. The traders preserve the right to request the Company to transfer deposit in the similar amount that the Company has to settle in each day. The traders commit to pay interest in the agreed rate for the deposit. Vice versa, in case that the market price deviates in the direction which the Company gains, the Company preserves the right to request the traders to transfer partial or all of the deposits to the Company.

15.3 Deferred expenses for the issuance of debentures and long-term loans

In January 2004, the Company issued Baht 4,000 million convertible debentures and in February 2004, the Company entered a loan contract with Krung Thai Bank Public Company Limited for Baht 12,500 million credit line. The Company paid fees for the issuance of convertible debentures, expenses for the loans and other expenses in the amount of Baht 114.63 million. On May, 2006, the company issued Baht 585.60 million of convertible into common stock, subordinated registered debentures. The company paid fees for into the issuance of convertible debentures, expense for the loans and other expense in the amount of Baht 2.63 million. This was recorded as deferred expenses for the issuance of debentures and long-term loans and amortized using the straight line accounting method based on the loan life and weighted with the debt balance.

For the year period ended December 31, 2006, the total amortized expenses on loans and issuance of the convertible debentures was Baht 10.62 million.

16. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at December 31, 2006 and 2005, Bank overdrafts and Short-term loans from financial institutions consist of :

| | Million Baht | | | |
|--|-----------------|-----------------|------------------|-----------------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| Bank overdrafts | - | - | - | - |
| Short-term loans from financial institutions | 1,200.00 | 2,000.00 | 1,200.00 | 2,000.00 |
| Total | 1,200.00 | 2,000.00 | 1,200.00 | 2,000.00 |

Short-term loans from financial institutions are part of the credit facilities covered by collateral as describe in Note 17.1. As at December 31, 2006 and 2005, the loans bared the interest rates at 6.50% and 4.925% per annum respectively.

17. LONG-TERM LOANS

As at December 31, 2006 and 2005, Long-term loans consist of:

| | Million Baht | | | |
|---|------------------|------------------|------------------|------------------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| 17.1 Loans from bank | 7,821.26 | 8,308.75 | 7,821.26 | 8,308.75 |
| 17.2 Debentures | 800.00 | 800.00 | 800.00 | 800.00 |
| 17.3 Convertible debentures | 2,761.56 | 2,225.96 | 2,761.56 | 2,225.96 |
| 17.4 Promissory notes | 145.00 | 145.00 | 145.00 | 145.00 |
| Total | 11,527.82 | 11,479.71 | 11,527.82 | 11,479.71 |
| Less : current portion of long-term loans | (1,285.00) | (318.75) | (1,285.00) | (318.75) |
| Long-term loans | 10,242.82 | 11,160.96 | 10,242.82 | 11,160.96 |

17.1 Loans from bank

17.1.1 The Company has entered a loan agreement with Krung Thai Bank Public Company Limited for working capital, for Baht 12,500 million credit line which are divided into Baht 8,500 million 10-year long-term loans and Baht 4,000 million 10-year working capital short-term loans.

The loan agreement secured by the pledge of fixed deposits, fixed assets and the conditional assignment of rights over banks deposit, legal reserved Inventoried and leasehold right. The loan agreement contains certain covenants and restrictions pertaining to, restrictions on capital expenditure, dividend payment, obligations over the Company's assets and not using the loans for other than the approved purposes, the maintenance of a certain debt to equity ratio and debt service coverage ratio.

17.1.2 The Company has entered a loan agreement with 3 Financial Institutions for the Product Quality Improvement Project (PQI), for Baht 8,800 million credit line which are divided into Baht 8,400 million about 9-year long-term loans and Baht 400 million about 6-year long-term loans for VAT.

The loan agreement secured by the same Company's asset and contains certain covenants and restrictions as referred in Notes 17.1.

As at December 31, 2006 the Company has obtained long-term loans of Baht 7,821.26 million and working capital short-term loans of Baht 1,200 million which presented under bank overdrafts and short-term loans from financial institutions.

17.2 Debentures

As at December 31, 2006, the Company had 800,000 units of unsecured, unsubordinated registered debentures with the holders' names, B.E. 2545 no.25 amounting to Baht 800 million. The interest rate is 6.25% per annum, which will be paid twice annually in June 02 and December 02 of each year, with maturity on Dec 02, 2007.

17.3 Convertible debentures

On January 29, 2004, the Company issued 400,000 units of unsecured, convertible into common stock, subordinated registered debentures with holders' names. The instruments have a face value of Baht 10,000 per unit, with a 10-year maturing period and with interest of 3% per annum. The convertible value of the debenture is Baht 14.30 per one common stock, subjected to subsequent adjustment of price according to the terms of the exercise of conversion right in the Debentures. The issuance of the convertible debentures form part of the financial restructuring plan, approved by the cabinet on July 8, 2003; in which offerings are made to investing institution in the form of depository receipt against benefits derived from the convertible debentures. The issuance of the depository receipt is made by the Siam DR Co., Ltd. (which is 99% owned by The Stock Exchange of Thailand) on the basis of one depository receipt for one convertible debenture. The Ministry of Finance guarantees the investment and offers to buy back the depository receipts at the initial offered price of Baht 10,000 per unit; as specified under the term, of the depository receipts.

The holders of the depository receipts can exchange them for convertible debentures and convert the debentures into common stock. Such conversion, however, must be done on every 30th day of March, June, September and December of each year. The first conversion commences on June 30, 2004 and ends on September 30, 2013. This is in accordance with the terms and conditions relating to depository receipts and also the convertible debentures.

On May 16, 2006, the Company issued 58,560 units of unsecured, convertible into common stock, subordinated registered debentures with holders' names. The instruments have a face value of Baht 10,000 per unit, with a 10-year maturing period and with interest of 3% per annum. The convertible value of the debenture is Baht 14 per one common stock, subjected to subsequent adjustment of price according to the terms of the exercise of conversion right in the Debentures. The issuance of the convertible debentures offered to PTT Public Co., Ltd. is part of the financing for Product Quality Improvement Project (PQI)

As at December 31, 2006, the convertible debentures holders exercised the right by redeem 182,404 units of convertible debentures, the balance of convertible debentures, remaining were 276,156 units

17.4 Promissory note

Transferable and unsecured promissory note of baht 145 million will be matured in the year 2007 with interest rate of 6.25% per annum.

18. ISSUE AND PAID – UP SHARE CAPITAL

On May 16, 2006, the Company issued 428,092,940 units of ordinary shares, Par Value of Baht 1.00 per share, Offered price of Bath 14 per share, and have already paid up in full amount of Baht 5,993,301,160. As at December 31, 2006 ,the Issue and paid-up share capital amounting to Baht 1,119,096,351.

19. CAPITAL SURPLUS ON REGISTERED AND PAID-UP SHARE REDUCTION

On July 6, 2004, the Company has registered with the Ministry of Commerce, the reduction in the Company's registered share capital from Baht 1,032,761,220 to Baht 843,143,461 and the paid up share capital from Baht 753,040,940 to Baht 563,423,181. These charges were due to the reduction of 189,617,759 shares held by the Siam DR Co., Ltd. so as to be consistent with the number of "Depository Receipts of BCP's Ordinary Shares (DR)" which were issued and offered by the Siam DR Co., Ltd. The Company received consent from the Siam DR Co., Ltd. for reducing the mentioned number of shares without capital payback .The Company also received approval to transfer the proceeds from the said share reduction of Baht 189,617,759 to the account, Capital Surplus on Registered and Paid-Up Share Reduction.

20. WARRANTS

20.1 On August 25, 2004, the Company allotted, free of charge, 24 million units of warrants for the purchase of Ordinary Shares by the Company's director, management and employees and The Bangchak Green Net Co., Ltd. (ESOP) and people to whom buying rights have been transferred.

The warrant has a 5-year duration and is exercisable on a quarterly basis at one warrant per one ordinary share, at the price of Baht 5 per share. The conditions are as follows.

20.1.1 45% of the total allotted warrants is exercisable on the first year duration when the closing price of the Depository Receipts of BCP's Ordinary Shares (DRs), or the closing price of the Ordinary Shares, in case there are no DRs, is at Baht 21 or higher, over a continuous period of 5 days.

20.1.2 25% of the total allotted warrants is exercisable on the second year duration when the closing price of the Depository Receipts of BCP's Ordinary Shares (DRs), or the closing price of the Ordinary Shares, in case there are no DRs, is at Baht 23 or higher, over a continuous period of 5 days.

20.1.3 30% of the total allotted warrants is exercisable on the third year duration when the closing price of the Depository Receipts of BCP's Ordinary Shares (DRs), or the closing price of the Ordinary Shares, in case there are no DRs, is at Baht 25 or higher, over a continuous period of 5 days.

20.2 On May 15, 2006, the Company issued 69,092,486 units of no offering price warrants for the purchase of Ordinary Shares to the Company's existing shareholders whose names are in the share register book as at the closing date of the share register book, which is on April 20, 2006. The allocation ratio of the existing shares to the new warrants is 10 existing shares for 1 unit of warrant, Term of Warrants 5 years, exercised price Baht 18.00 per share, exercised ratio 1 warrant : 1 ordinary share (the exercised price and exercised ratio may be changed in accordance with the conditions for adjustment of rights) The warrant holders are able to exercise the warrants on the last business day of March, June, September, and December throughout the term of the warrants. The first exercise date shall be June 30, 2006, and the last exercise date shall be at the end of term of warrants, which is on May 14, 2011.

As at December 31, 2006, the warrants (BCP-W1) holders exercised the right by redeem 25,000 warrants, the balance of the warrants (BCP-W1) remaining were 69,067,486 warrants.

21. SALES

Sales revenue for the year ended December 31, 2006 and 2005 are as follows:

| | Million Baht | | | |
|----------------------------------|--------------|-----------|------------------|-----------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| Sales revenue from fuel products | 94,219.21 | 85,828.07 | 93,413.76 | 84,923.09 |
| Income from investment charge | 50.66 | 41.88 | 124.91 | 112.15 |
| Total | 94,269.87 | 85,869.95 | 93,538.67 | 85,035.24 |

22. GAIN (LOSS) FROM FOREIGN EXCHANGE

Gain (loss) from foreign exchange for the year ended December 31, 2006 and 2005 are as follows:

| | Million Baht | | | |
|--|--------------|---------|------------------|---------|
| | Consolidated | | The Company Only | |
| | 2006 | 2005 | 2006 | 2005 |
| Realized gain (loss) from foreign exchange fluctuations | 170.83 | (35.71) | 170.83 | (35.71) |
| Unrealized gain(loss) from foreign exchange fluctuations | (50.97) | 9.42 | (50.97) | 9.42 |
| Total | 119.86 | (26.29) | 119.86 | (26.29) |

23. INTEREST EXPENSE

The total interest for this period is Baht 756.41 million, of which Baht 11.47 million is recorded as cost of work in progress and Baht 744.94 million as expense.

24. RECONCILIATION OF DILUTED EARNINGS PER SHARE

| | For the year ended December 31, 2006 | | | | | |
|---|--------------------------------------|--|--------------------------|-------------------|--|--------------------------|
| | Consolidated | | | The Company Only | | |
| | Net Profit (Loss) | Weighted Average Number of Ordinary Shares | Earning (Loss) Per Share | Net Profit (Loss) | Weighted Average Number of Ordinary Shares | Earning (Loss) Per Share |
| | Million Baht | Million Shares | Baht | Million Baht | Million Shares | Baht |
| Basic earning per share | | | | | | |
| Net profit (loss) | 195.53 | 959.70 | 0.20 | 238.61 | 959.70 | 0.25 |
| Effect of dilutive potential ordinary shares | 49.92 | 179.02 | | 49.91 | 179.02 | |
| Diluted earning per share | | | | | | |
| Net earnings of ordinary shareholders assuming the conversion of convertible debenture to ordinary shares | 245.45 | 1,138.72 | 0.20 | 288.52 | 1,138.72 | 0.25 |

| | For the year ended December 31, 2005 | | | | | |
|---|--------------------------------------|--|--------------------------|-------------------|--|--------------------------|
| | Consolidated | | | The Company Only | | |
| | Net Profit (Loss) | Weighted Average Number of Ordinary Shares | Earning (Loss) Per Share | Net Profit (Loss) | Weighted Average Number of Ordinary Shares | Earning (Loss) Per Share |
| | Million Baht | Million Shares | Baht | Million Baht | Million Shares | Baht |
| Basic earning per share | | | | | | |
| Net profit (loss) | 2,958.59 | 671.89 | 4.40 | 2,958.41 | 671.89 | 4.40 |
| Effect of dilutive potential ordinary shares | 48.90 | 171.25 | | 48.90 | 171.25 | |
| Diluted earning per share | | | | | | |
| Net earnings of ordinary shareholders assuming the conversion of convertible debenture to ordinary shares | 3,007.49 | 843.14 | 3.57 | 3,007.31 | 843.14 | 3.57 |

25. CONTINGENT LIABILITIES AND COMMITMENTS**25.1 Liabilities on guarantees**

As at December 31, 2006, the Company's total liabilities in the form of bank guarantees is amounted to Baht 31.80 million. These guarantees are mainly to cover refunding of VAT, land leasing agreement, electricity usage and the telecommunication contract with the Telephone Organization of Thailand.

25.2 Allegation

As at December 31, 2006, the Company has allegation as follows:

- 25.2.1 The Company (the fifth defendant) was accused with the Ministry of Finance (the first defendant) for alleged land right transgression and demanding Baht 1,055 million in compensation. The land in question is located at the pier of the Refinery that the Company lodged against the Ministry of Finance. The civil court dismissed on April 30, 2003 and now is being appealed with the appeal court.
- 25.2.2 The Company was accused in accompany with the government, PTT and other private sectors, called upon to pay 210 million Baht in compensation for an infringement of the petty patentee's rights as the Patent Act in case of producing and selling Bio-diesel. Now is being appealed with the court of first instance. However, The Company's Legal Office believe that it will final win.

25.3 Commitments

As at December 31, 2006, the Company has commitments as follows:

- 25.3.1 The Company has entered into 3.99 million barrels oil price hedging contracts with foreign oil traders for price period from January 2007 to December 2007.
- 25.3.2 The Company has foreign currency selling forward contracts cover the period to January 2007 amounting to US\$ 2.80 million equivalent to Baht 100.86 million.
- 25.3.3 The Company applies the financial instrument to manage the risk for PQI Project as follows:
 - 23.3.3.1 Buying forward contracts cover the period to September 2008 amounting to US\$ 180.90 million equivalent to Baht 6,928.56 million.
 - 23.3.3.2 Buying Interest Rate Swap contracts amounting to Baht 8,242 million.
- 25.3.4 The Company has entered into subscription agreements with PTT as follows:
 - 23.3.4.1 Feedstock Supply Agreement, to enhance the Company's feedstock supply, which PTT will supply crude oil and other feedstocks for the refinery. The agreement has been effective since May 16 ,2006 and shall be in effect for an initial period of twelve years after PQI's commercial operation date (COD).
 - 23.3.4.2 Product Offtake Agreement, to accommodate the additional production outputs from the PQI project. PTT will purchase 30% of refined petroleum products (not include aviation fuel and fuel oil) from the refinery. This agreement shall be in effect for an initial period of twelve years after PQI's commercial operation date (COD).

26. DISCLOSURE FOR FINANCIAL INSTRUMENTS

26.1 Risk from foreign exchange rate

The Company faces the risk in foreign exchange rate as the Company's cost of goods and revenue are tied to US Dollar. The essentially major costs are crude and oil products imported from overseas in US Dollar. The selling price in Thai Baht is derived from the oil product prices in Singapore market in US Dollar multiplied by the exchange rate of US Dollar against Thai Baht on the selling date. To safeguard against risk from the fluctuation of foreign exchange, the Company applies the financial instrument to manage the risk by entering into forward contracts on foreign exchange.

26.2 Risk from interest rate

The interest rate risk depends on the fluctuation of the interest rate in the financial market, which could impact on the Company's operations and its cash flows. However, management believes that the risk is insignificant in the current financial market because the Company has applied financial instruments to manage the risk by entering into Interest Rate Swap contracts.

26.3 Risk from product oil price in the global market

Over 90% of the Company's cost is related to oil. The price of crude oil and finished oil products will fluctuate in accordance with the buying and selling price in the global market. The price of crude oil against each purchase is based on the average benchmark price in the month of delivery. Purchases of finished oil products are based on the Singapore market price at the time of delivery. From the time of crude transfers to the sale of finished products to customers takes two to three months. As such, there is the risk arising from price fluctuation due to the timing difference. There is also the risk in the inventory value at the end of the accounting period being lower than the beginning period. In order to safeguard against such risks, the Company has established a risk management committee to monitor oil purchases, to assess situations and the trend in prices. The committee establishes policies related to oil purchases, inventory level and also the instruments for managing risks in the market. The Company also enters into hedging contracts with oil traders to minimize the risk from price fluctuation.

26.4 Risk from credit term

Credit risk refers to the risk that trade accounts receivable may default in its obligations resulting in a financial loss to the Company. However, since the Company currently sells its products to creditworthy customers and applies systematic credit control procedures on its credit sales approval process, it does not anticipate any material problem in collecting its debts. The concentration of credit risk with respect to trade receivable is limited as company debtors are spread over different type of businesses.

The carrying amount of accounts receivables recorded as shown in the balance sheets, net of a portion of allowance for doubtful debts, represents the maximum exposure to credit risk.

26.5 Fair value

The management believes that the fair value of the Company's financial assets and liabilities does not materially differ from their carrying value.

27. FINANCIAL INFORMATION BY SEGMENT OF BUSINESS

The statements of income of the Company segmented by type of business for the year ended December 31, 2006 are as follows:

| | Million Baht | | | Total |
|---|-----------------|---------------|-------------|-----------------|
| | Refinery | Marketing | Elimination | |
| Sales | 91,448.05 | 64,659.36 | (62,568.74) | 93,538.67 |
| Cost of sales | (91,244.36) | (63,046.19) | 62,568.74 | (91,721.81) |
| Gross margin | 203.69 | 1,613.17 | - | 1,816.86 |
| Selling and administrative expenses | (301.87) | (1,171.27) | - | (1,473.14) |
| Other incomes (expenses) | 869.48 | 29.99 | - | 899.47 |
| Depreciation and Amortization | (7.43) | (444.68) | - | (452.11) |
| EBIT | 763.87 | 27.21 | - | 791.08 |
| Gain (loss) from impairment | | | | 4.02 |
| Gain (loss) from foreign exchange fluctuations of others | | | | (80.82) |
| Share of gain (loss) from investments for using equity method | | | | (9.59) |
| Interest-net | | | | (573.19) |
| Income Tax | | | | 107.11 |
| Net Profit | | | | 238.61 |
| EBITDA | 1,141.08 | 471.88 | - | 1,612.96 |

The statements of income of the Company segmented by type of business for the year ended December 31, 2005 are as follows:

| | Million Baht | | | |
|---|-----------------|-----------------|-------------|-----------------|
| | Refinery | Marketing | Elimination | Total |
| Sales | 83,815.40 | 54,284.29 | (53,064.46) | 85,035.23 |
| Cost of sales | (79,755.15) | (53,415.74) | 53,064.46 | (80,106.43) |
| Gross margin | 4,060.25 | 868.55 | - | 4,928.80 |
| Selling and administrative expenses | (279.27) | (1,197.91) | - | (1,477.17) |
| Other incomes (expenses) | 810.16 | 21.29 | - | 831.45 |
| Depreciation and Amortization | (8.01) | (434.52) | - | (442.53) |
| EBIT | 4,583.13 | (742.59) | - | 3,840.55 |
| Gain (loss) from impairment | | | | 3.67 |
| Gain (loss) from foreign exchange fluctuations of others | | | | 13.00 |
| Share of gain (loss) from investments for using equity method | | | | 13.01 |
| Interest-net | | | | (619.84) |
| Income Tax | | | | (291.98) |
| Net Profit | | | | 2,958.39 |
| EBITDA | 4,927.95 | (308.07) | - | 4,619.89 |

28. DIVIDEND

At the Company's ordinary shareholders' meeting held on April 18, 2006, the shareholders unanimously approved the distribution of cash dividends for the year ended December 31, 2005 at Baht 0.30 per share for 687,481,908 ordinary shares, amounting to Baht 206,244,572 and was paid in May 2006.

29. EVENTS AFTER THE BALANCE SHEET DATE

On January 8, 2007, the Company has registered Baht 15,000 paid up share to increase the paid up shares capital from Baht 1,119,096,351 to Baht 1,119,111,351 with the Ministry of Commerce. This is from a warrant holder who, on January 2, 2007, converted 15,000 warrants to 15,000 ordinary at Baht 18 per unit convertible price. After the conversion, the balance of warrants remaining was 69,052,486 units.

On January 23, 2007, the Company has signed a Head of Agreement of "Cogeneration Project" with PTT which PTT will invest to build a cogeneration power plant to generate 19.7 MW of electricity and 90 metric tons per hour of steam to sell to the Company. The Company will enter into the Agreement to Sell and Purchase of Electricity and Steam with PTT around mid of 2007. It is expected that the completion of the construction of the Power Plant and the commencement of its commercial operation will be around the end of 2008.

On February 6, 2007, the Company has entered into 3-year forward contracts with conditions to sell foreign currency at fixed exchange rates for the amount of US\$ 12 million in first year, US\$ 12 million in second year and US\$ 48 million in third year.

30. ACCOUNT RECLASSIFICATION

The Company has reclassified certain items in the financial statements for the year ended December 31, 2005 to comply with the financial statements for the year 2006 by presenting the "Service station image improvement project," previously presented in "Investment in service station", in "Other non-current assets" and reclassified the "Loss from inventory write-down" and the "Adjust loss from inventory write - down" previously presented in "Cost of sales" to "Other expenses" and "Other incomes" respectively. Such reclassifications do not affect the net profit or the shareholders equity as previously reported.

31. THE APPROVED OF THE FINANCIAL STATEMENT

The financial statement has been approved by the designated management on February 12, 2007.

Opinions on the Related-Party Transaction

The Board of Directors' opinion on the related-party transactions as of 31 December 2006 can be summarized as follows:

| Entities | Relation | Nature of Transaction | Value (Million Baht) | |
|------------------------------------|-------------------|---|----------------------|--------|
| | | | 2006 | 2005 |
| PTT Plc | Major Shareholder | <input type="checkbox"/> Sales of Oil to PTT | 9,016 | 11,020 |
| | | <input type="checkbox"/> Trade accounts receivable | 77 | 674 |
| | | <input type="checkbox"/> Purchases of Oil from PTT | 35,370 | 32,009 |
| | | <input type="checkbox"/> Trade accounts payable | 2,120 | 2,213 |
| | | <input type="checkbox"/> Payment of service fee to PTT for using its Sri Racha Oil Depot | 53 | 73 |
| Ministry of Finance | Shareholder | <input type="checkbox"/> Guarantor for the investment of CD-DR As of 31 December 2006, remaining convertible debentures amounted to 217,596 units with repurchase price of Baht 10,000 per unit As of 31 December 2005, remaining convertible debentures stood at 222,596 units with repurchase price of Baht 10,000 per unit | 2,176 | 2,226 |
| | | <input type="checkbox"/> Guarantor for investment of BCP-DR1 of total 520 million shares with repurchase price of Baht 13 per share. | 6,761 | 6,761 |
| | | | | |
| Bangchak Green Net Co., Ltd. (BGN) | Subsidiary | <input type="checkbox"/> Sales of Oil to BGN | 11,127 | 9,555 |
| | | <input type="checkbox"/> Sales of promotion items to BGN | 7 | 3 |
| | | <input type="checkbox"/> Franchise fee for management | 74 | 70 |
| | | <input type="checkbox"/> Trade accounts receivable | 383 | 396 |
| | | <input type="checkbox"/> Trade accounts payable | 2 | 3 |

| Entities | Relation | Nature of Transaction | Value (million baht) | |
|--|-----------------------------|-----------------------------------|----------------------|-------|
| | | | 2006 | 2005 |
| Fuel Pipeline Transportation Co., Ltd. | Related Company | ☐ Transportation Fee | 80 | 74 |
| | | ☐ Creditor for transportation fee | 7 | 7 |
| Thai Oil Plc | Related Company through PTT | ☐ Sales of Oil to Thai Oil | 3,584 | 8,079 |
| | | ☐ Trade accounts receivable | 58 | 17 |
| | | ☐ Purchases of Oil from Thai Oil | 11,828 | 8,719 |
| | | ☐ Trade accounts payable | 947 | 567 |
| Aromatics (Thailand) Plc or ATC | Related Company through PTT | ☐ Purchases of Oil from ATC | 2,255 | 659 |
| | | ☐ Trade accounts payable | 67 | 139 |
| Thai Lube Base Plc | Related Company through PTT | ☐ Purchases of Oil from Thai Lube | 665 | - |
| | | ☐ Trade accounts payable | 1 | - |

1. Related Transactions with the Ministry of Finance

The Ministry of Finance provided guarantee for CD-DR debentures and BCP-DR1 capital stock issued by Siam DR Company Limited for the Company's financial restructuring, so that the Company could obtain better credit terms when compared with non-guarantee cases.

2. Related Transactions with the PTT Plc

Crude-oil transactions between the Company and PTT, a crude-oil provider in the industry, were based on Feedstock Supply Agreement that aimed to increase the Company's efficiency in procuring raw material. As for sales of finished petroleum products, PTT would inform the Company of its demand volume six months in advance. However, the two companies met every month to confirm the volume needed and to ensure that the price of sales was in line with market price.

3. Related Transactions with the Bangchak Green Net Plc

Bangchak Green Net Plc was established to manage the Company's service stations, and distribution of products in Lemon Green as well as Bai Chak stores. The related transactions were conducted based on normal business practices, market prices and terms of relevant contracts.

4. Related Transactions with Fuel Pipeline Transportation Co., Ltd.

The Company entered into the service contract with the Fuel Pipeline Transportation for the transportation of the Company's oil from the Company's oil storage depot to the Company's Bang Pa In Oil Distribution

Center that has serviced the Company's customers in the North, Northeast and Central region. The contract was based on normal business practice and market prices.

5. Related Transactions with Thai Oil Plc

Transactions between the Company and Thai Oil Plc, which is a related company through PTT, were in accordance with normal business practice and market prices.

6. Related Transactions with the Aromatics (Thailand) Plc

Transactions between the Company and Aromatics (Thailand) Plc, which is a related company through PTT, were in accordance with normal business practice and market prices.

7. Related Transactions with the Thai Lube Base Plc

Transactions between the Company and Thai Lube Base Plc, which is a related company through PTT, were in accordance with normal business practice and market prices.

The above related transactions were in accordance with normal business practices. None of them related to special treatments, or transfers of rights between the Company and its subsidiaries, related companies, or shareholders. In addition, most transactions were approved by the President who had the approval authority as stated in the Company's regulations. The only exceptions were the transactions in which the Ministry of Finance has guaranteed debentures and capital stocks of the Company, which was then able to secure better credit terms when compared with non-guarantee cases.

Disclosure of related-party transactions was in accordance with the regulations of Office of the Securities Exchange Commission as well as the accounting standard stipulated by the Federation of Accounting Professions.

Policy on Related-Party Transactions in the Future

In the future, the Company will continue to purchase oil and to use pipeline transportation service provided by the related companies because such transactions are normal business practice among entrepreneurs in the same industry. Prices are determined based on market prices and/or contracts. When carrying out such transactions, the Company shall give priority to its maximum profits. In addition, the Audit Committee and Internal Control Office shall review the Company's operations to ensure that they comply with securities and securities-exchange laws, and Stock Exchange of Thailand's regulations, announcements and requirements. In case that any Executive of the Company may have interests in some prospective transactions, he or she shall abstain from voting in the relevant meeting.



Management's Discussion and Analysis

1. Explanation and Analysis of the Operating Results for the year 2006 compared with 2005

From July 1, 2006 onward, the Company has changed its accounting policy with regard to inventory cost valuation method from First In First Out (FIFO) method to Weighted Average method. As a consequence, this year financial statements were prepared by using the new inventory cost valuation method and were compared with the Weighted Average-adjusted financial statements of last year.

1.1 Net Profit/(Loss) Analysis

- 1) Regarding the business operations for the year 2006, the Company and its subsidiary recorded net profit of Baht 196 million, which composed of the Company's profit of Baht 239 million and the subsidiary's (the Bangchak Green Net Company Limited- BGN) loss, connected transactions adjusted, of Baht -43 million .
- 2) The Company's EBITDA was Baht 1,613 million, decreased from Baht 4,620 million of last year by Baht 3,007 million which different mostly came from inventory effects. The details are as following:
 - EBITDA of the Refinery Business was Baht 1,141 million, decreased from Baht 4,928 million of last year since Gross Refining Margin (GRM) (excluding inventory effects) was 3.05 USD/BBL, lower than last year which was at 3.57 USD/BBL. This effect was resulted from rapidly decreased in oil price due to excess supply situation in the market, the higher than usual US strategic reserves and combining with lower than expected demand from warm weather during winter. All of which has driven the refinery's crack spread to become lower. The Company's crude run was at 56.3 KBD compare to 60.0 KBD of last year.

In addition, the crude oil prices which were sharply decreased from 72.29 USD/BBL-Dubai crude to 56.63 USD/BBL at the end of the year and combining with Baht appreciation has made the Company to record inventory loss of 0.70 USD/BBL (Baht 710 million) while last year the Company record inventory gain of 2.02 USD/BBL (Baht 2,359 million). At the end of 2006, the Company has also provisioned allowance for write down of inventory value of Baht 55 million or equivalent to 0.06 USD/BBL (last year it was write down reversal of Baht 288 million or 0.28 USD/BBL positively effect to GRM). When take into effect these inventory impacts, total Gross Refinery Margin for this year was 2.29 USD/BBL compare with 5.87 USD/BBL of last year. All this effects have made the refinery business EBITDA this year and last year to be at Baht 1,141 million and Baht 4,928 respectively. However, if take out inventory impacts, this year adjusted EBITDA will be Baht 1,851 million as compared to Baht 2,569 million of last year.

EBITDA of the Marketing Business was Baht 472 million, increased from Baht -308 million of last year, since the Marketing Margin (excluding lubricant margin) was 38.5 satang per liter higher than last year which was at the level 15.4 satang per liter. These gains were resulted from retail oil prices which were adjusted slower than their cost during down trend market situation in the second half of 2006.

Marketing business sale volume was at 51 KBD, or 3.7% decreased from 53 KBD of last year since the Company had intended to limit sale volume when the marketing margin was negative especially in the second quarter.

- Please be further noted that without having effects from inventories, the adjusted EBITDA of the Company in this year was Baht 2,323 million, higher than those of last year by Baht 62 million as illustrated in the table below.

Table: Details of breakdown EBITDA

| (Million Baht) | 2006 (A) (Audited) | 2005 (B) (Revised) | Changing +/- (A) - (B) |
|----------------------------------|-----------------------|-----------------------|---------------------------|
| ▪ EBITDA | +1,613 | +4,620 | -3,007 |
| - Refinery | +1,141 | +4,928 | -3,787 |
| - Marketing | +472 | -308 | +780 |
| ▪ (Less) Inventory Gain | - | (2,359) | +2,359 |
| Plus Inventory Loss & Write Down | 710 | - | +710 |
| ▪ Adjusted EBITDA | +2,323 | +2,261 | +62 |
| - Refinery | +1,851 | +2,569 | -718 |
| - Marketing | +472 | -308 | +780 |

1.2 Income Analysis

Total revenues of the Company and its subsidiary for the year 2006 were Baht 95,375 million, composed of the Company's revenues of Baht 94,600 million and its subsidiary's of Baht 11,960 million, adjusted by connected transaction of Baht 11,185 million which mostly were sale transactions from the Company to BGN. Major changes of the Company's revenues were as follows:

- 1) Revenue from sales (both refinery business sales and marketing business sales) were Baht 93,539 million, higher than last year by Baht 8,503 million or 10%, since the average selling price increased by 22% (the average oil price was Baht 19.65 per liter in 2006 comparing to Baht 16.06 per liter in 2005) while the sale volumes decreased by 10%.
- 2) Interest income was increased by Baht 152 million to Baht 172 million since the Company invested its excess cash (mostly PQI funds raising proceed yet to be utilized) into 3-14 months fixed deposit. As of December 31, 2006, this short term investment item was Baht 4,045 million.
- 3) Gain from foreign exchange was Baht 120 million (last year was loss of Baht 26 million), most of which came from Baht appreciation impact to US dollar account payable. Thai Baht has been appreciated by 12% from year 2005.
- 4) Gain from oil hedging contract was Baht 682 million, increased by Baht 145 million or 27%. The Company has established policy to mitigate risk from price fluctuation by entering into hedging contracts as appropriate. This year, the hedge level was 40% of average crude run compared with last year at 20% of average crude run.

2. Explanation and Analysis of the Financial Position as of December 31, 2006 compared with December 31, 2005

2.1 Assets

- 1) At the end of 2006, total assets of the Company and its subsidiary were Baht 37,586 million, which comprised of Baht 37,541 million of the Company's total assets and Baht 434 million of its subsidiary's total assets, adjusted by connected transactions of Baht 389 million which was from account receivable of Baht 385 million.
- 2) At the end of the year 2006, the Company's total assets increased by Baht 3,342 million, comparing to the end of 2005. The major changes of assets were as follows:
 - Cash and cash equivalents were increased by Baht 1,038 million to Baht 2,599 million at the end of 2006. This amount consisted of Baht 1,799 million cash from operation and Baht 800 million cash from PQI fund raising program yet to be utilized (details of cash and cash equivalents listed in Explanation and Analysis of the Statement of Cash Flows).
 - The Company invested funds from excess cash and cash from PQI fund raising proceed (yet to be utilized as per project payment schedule) into fixed deposit accounts. The outstanding amount as of December 31, 2006 was Baht 4,045 million which consisted of Baht 3,816 million PQI amount and Baht 229 million debt service reserve for Krung Thai Bank.
 - Total inventories were Baht 8,640 million, decreased by Baht 2,070 million or 19%, comparing to the end of last year. Inventories volume has been decreased by 0.81 million barrel from 4.32 million barrel at the end of 2005 to 3.51 million barrel at the end of 2006 as per the Company's inventory control policy. Details of inventories are as follow;

| Type | 2006 | | 2005 | | Increase / (Decrease) | |
|-------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|
| | Value (Million Baht) | Unit Price (Baht/Liter) | Value (Million Baht) | Unit Price (Baht/Liter) | Value (Million Baht) | Unit Price (Baht/Liter) |
| Crude oil | 4,565 | 14.28 | 7,053 | 14.84 | (2,488) | (0.56) |
| Oil product | 4,075 | 17.09 | 3,657 | 17.17 | 418 | (0.08) |
| Total | 8,640 | 15.48 | 10,710 | 15.59 | (2,070) | (0.11) |

- The receivable from oil fund subsidy was decreasing as a result of the Company had already received oil subsidy amounted Baht 246 million from imported diesel which was imported in early 2005 (at that time the retail price of diesel was capped by the Government and the different between cost and price was subsidized by oil fund).

- Other current assets-others was decreased by Baht 279 million mainly from 1) Hedging contract receivable reduced by Baht 156 million from the end of last year as a result of hedging settlement 2) VAT receivable was decreased by Baht 119 million since the year 2006 the Company has reduced volume of crude purchase. The Company also adopted the E-Payment system for tax payment which helps improve tax refund effectiveness.
- The investment in subsidiary by using equity method decreased to zero since the subsidiary-BGN had loss of Baht 50 million. However the Company had been allowed to realize loss of subsidiary not to exceed its investment amount at the beginning of the year of Baht 9.59 million.
- At the end of 2006, Property, plant and equipment was increased by Baht 1,794 million netted from additional investment in capital investment program during the year of Baht 2,664 million and annual depreciation of Baht 870 million. The capital investment consisted of Baht 2,438 million investments in PQI project and Baht 226 million investments in annual capital expenditures.
- In 2006 the Company had recorded Deferred Tax Assets (DTA) amounted Baht 126 million from temporary tax difference between tax basis and accounting basis. The amount mostly came from tax loss carried forward of Baht 378 million from tax privileges of capital investment program in accordance with the Royal Decree No. 460 (in 2006, the company has paid Baht 2,058 million for the capital investment program, mainly PQI project and, in accordance of the Decree, 25% of the investment amount can be used as tax expense). From this benefit alone, the DTA has been increased to Baht 113 million.

2.2 Liabilities

- 1) At the end of 2006, total liabilities of the Company and its subsidiary were Baht 18,937 million, which comprised of Baht 18,850 million of the Company's total liabilities and Baht 473 million of BGN's total liabilities, adjusted by connected transactions of Baht 386 million.
- 2) At the end of 2006, the Company's total liabilities decreased by Baht 2,456 million comparing to 2005. The major changes of liabilities were as follow:
 - Trade accounts payable were Baht 4,145 million, decreased by Baht 1,332 million comparing to the end of 2005, since the Company had made more advance payments of oil purchase than what it did in 2005. The advance payments in December 2006 were Baht 1,725 million while in December 2005 were only Baht 1,191 million. In addition, oil purchase volume itself had been decreased by 0.30 million barrel in December 2006 comparing to December 2005 as per the Company's inventory control policy.
 - Long-term loans included current portion were Baht 11,528 million, increased by Baht 48 million comparing to the end of 2005. The details of long-term loans are as follow ;

| Long-Term Loans | Million Baht | | |
|---|--------------|------------|------|
| | Dec 31, 06 | Dec 31, 05 | Δ |
| Loans from Krung Thai Bank | 7,784 | 8,309 | -525 |
| Loans from PQI lenders | 38 | - | +38 |
| Convertible debentures (CDDR) | 2,176 | 2,226 | -50 |
| Convertible debentures (CD-PTT) | 585 | - | +585 |
| Debentures / Promissory notes | 945 | 945 | - |
| Total | 11,528 | 11,480 | +48 |
| Less : current portion of long-term loans | 1,285 | 319 | +966 |
| Balance | 10,243 | 11,161 | -918 |

Long-term loans from Krung Thai Bank were Baht 7,784 million, CDDR was amounted Baht 2,176 million and debentures/promissory note amounted 945 million. This year the Company had privately placed convertible debentures to PTT amounting Baht 585 million as part of PQI fund raising program. The Company also had successfully made an initial draw down the PQI loans facilities at the amount of Baht 38 million (from total line of Baht 8,400 million). Current portion of long-term loans of Baht 1,285 million consisted of Baht 340 million for principle repayment of Krung Thai's loan and Baht 945 million for final redemption of debentures and promissory notes which will be payable in December 2007.

- the Company did not have accrued corporate income tax for the year of 2006 since the Company had net loss in tax basis (in accounting basis the Company recorded net profit before tax of Baht 131 million) due to adoption of tax privileges from the Royal Decree No. 460.

2.3 Shareholders' Equity

- 1) At the end of the year 2006, the consolidated total shareholders' equity of the Company were Baht 18,649 million, which comprised of Baht 18,691 million from the total shareholders' equity of the Company and Baht -39 million from BGN's, adjusted by Baht -3 million connected transactions
- 2) The Company's total shareholders' equity were Baht 18,691 million which increased by Baht 5,798 million comparing to that at the end of 2005, since;

- The Company increased share capital by issuing and offering of 428 million shares as part of fund for PQI project, amounted Baht 5,935 million netted from issuing fee and expenses. At this period the CDDR holder had exercised their conversion right which was equivalent to 3.5 million shares or Baht 50 million. And the Company generated net profit of Baht 239 million for the year 2006.
 - The Company paid dividend to common share holders by Baht 206 million in May 2006 and had amortized Baht 220 million of surplus on fixed assets revaluation.
- 3) As of December 31, 2006 the Company has other instruments (CDDR, convertible debenture, warrant and ESOP) which holders can exercise their conversion right (subject to the terms and conditions of each instrument) , if fully converted or exercised shall be equal to 287 million common shares or approximately 20.4% of total shares in fully dilution.

3. Explanation and Analysis of the Statement of Cash Flows for the year 2006

- 3.1 For the year 2006, the Company and its subsidiary had beginning cash and cash equivalent of Baht 1,753 million. During the year, the Company received cash from various activities of Baht 952 million, of which Baht 2,387 million were received from operating activities, Baht 5,027 million were received from financing activities and Baht 6,462 million were used in investing activities. Cash and cash equivalent at the end of 2006 were Baht 2,705 million, which consisted of Baht 2,599 million of the Company and Baht 106 million of BGN.
- 3.2 The Company had net profit of Baht 239 million; added back non-cash items of Baht 841 million, the Company then had cash profit from operation of Baht 1,080 million together with cash at the beginning of period of Baht 1,561 million. The Company also had additional cash flow activities as follows;
- 1) Net cash received from working capital was Baht 1,347 million;
- Inventories value were decreased by Baht 2,070 million, since the inventories volume decreased by 0.81 million barrel from 4.32 million barrel at the end of 2005 to 3.51 million barrel at the end of 2006.
 - Trade accounts receivable were decreased by Baht 911 million.
 - Trade accounts payable decreased by Baht 1,332 million from additional advance payments of oil purchase as well as decreased in purchase volume itself in December 2006.
 - Payment for 2005 corporate income tax of Baht 261 million.
 - Cash used in other operating assets and liabilities of Baht 41 million.

2) Net cash used in investing activities was Baht 6,416 million;

- The Company invested into 3-14 months fixed deposit accounts. The outstanding investment amount as of December 31, 2006 was Baht 4,045 million consisted of Baht 3,816 million PQI amount and Baht 229 million debt service reserve for Krung Thai Bank.
- Investment in fixed assets of Baht 2,292 million, of which Baht 2,066 million was PQI's.
- Cash used in other investments were Baht 79 million.

3) Net cash from financing activities was Baht 5,027 million;

- Proceeds from share capital increased as part of fund raising for PQI project of Baht 5,935 million and proceeds from convertible debentures issued to PTT of Baht 585 million.
- The Company had made drawdown of Baht 38 million of PQI facilities. In 2006, the Company also paid Baht 525 million for long-term loan repayment to Krung Thai Bank, of which Baht 319 million was scheduled repayment and Baht 206 million was mandatory repayment as part of dividend restriction clause stipulated in the loan agreement.
- Baht 800 million short-term loan was repaid to Krungthai Bank. As a result, short term loan outstanding as of December 31, 2006 was Baht 1,200 million.
- In May 2006, the Company had paid dividend to common share holders of Baht 206 million

The Company had increased in cash and cash equivalents by Baht 1,038 million comparing to the end of the year 2005. At the end of the year 2006 cash and cash equivalents was Baht 2,599 million which consisted of Baht 1,799 million for operation and Baht 800 million appropriated for PQI project.

4. Changing in accounting policy

Regarding to changing in accounting policy for inventory cost valuation method from First In First Out (FIFO) method to Weighted Average method required the Company to adjust financial statements for the year 2005 as follow,

Profit and loss for the year ended December 31, 2006 and 2005

| (Million Baht) | 2006 | | | 2005 | | |
|----------------------------|------|-------|------|-------|-------|-----|
| | WA | FIFO | +/- | WA | FIFO | +/- |
| ▪ Profit (loss) before tax | 131 | (404) | +535 | 3,250 | 3,205 | +45 |
| ▪ Income tax | 107 | 268 | -161 | (292) | (278) | -14 |
| ▪ Net profit (loss) | 239 | (136) | +375 | 2,958 | 2,927 | +32 |

In addition to an adjustment of profit and loss statement for the year 2005 to reflect difference between FIFO method and Weighted Average method, the Company also made adjustment to the retained earning. The change in inventory valuation method had made retained earning at beginning of 2005 to be decreased by Baht 9 million, and after combined with the increase of adjusted profit of Baht 32 million, the retained earning of 2005 was increased by Baht 23 million.

5. Financial ratios analysis and the explanation for the year 2006 compared with that of the year 2005

| | Unit | 2006 (Unaudited) | 2006 (Audited) | 2005 (revised) |
|--------------------------------------|------|---------------------|-------------------|-------------------|
| Liquidity Ratios | | | | |
| Current Ratio | Time | 1.9 | 2.5 | 1.9 |
| Quick Ratio | Time | 0.7 | 1.3 | 0.7 |
| Receivable Turnover | Time | | 29.5 | 24.8 |
| Average Collection Period | Day | | 12.4 | 14.7 |
| Inventory Turnover | Time | | 9.3 | 7.6 |
| Inventory Turnover Period | Day | | 39.3 | 47.8 |
| Account Payable Turnover | Time | | 18.9 | 12.2 |
| Average Payment Period | Day | | 19.3 | 29.9 |
| Cash Cycle | Day | | 32.4 | 32.6 |
| Profitability Ratios | | | | |
| Gross Profit Margin | % | | 2.3 | 6.2 |
| Net Profit Margin | % | | 0.2 | 3.4 |
| Return on Equity ^{1/} | % | 1.5 | 1.2 | 26.1 |
| Efficiency Ratios | | | | |
| Return on Total Assets ^{1/} | % | 0.6 | 0.5 | 8.6 |
| Assets Turnover | Time | | 2.6 | 2.5 |
| Financial Policy Ratios | | | | |
| Debt to Equity ^{1/ . 2/} | Time | 0.8 | 0.7 | 1.0 |

Remark: Calculation from consolidated financial statements

1/ Decreased significantly due to decreasing in net profit and increasing in shareholders' equity

2/ Calculation from Interest Bearing Debt

The fluctuation in world oil price had made gross refining margin and marketing margin to be volatile, resulting to decrease in profitability ratio and return on asset when comparing with last year. This lower gross profit margin came from squeezed refining margin of refinery business which was heavily affected from inventory losses even though the marketing margin of marketing business had much improvement from last year as mentioned in item 1.1 2).

Please be further noted that during the year 2006, the Company has raised fund for PQI project by issuing newly common shares, convertible debentures and entering into loan facilities agreement with banks; thus, some calculated financial ratios were included items of PQI. If take PQI's items apart, current ratio will be 1.9 times, quick ratio will be 0.7 times, return on equity will be 1.5%, return on total assets will be 0.6% and debt to equity will be 0.8 times.

6. Factors and major influences that may affect the Company's performance or financial status in the future

Major factors affected the performance were the marketing margin and gross refining margin. For the marketing margin, since the oil prices were rapidly increased especially after the floating of gasoline and diesel price, the retail price could increase at a slower rate than the cost increased which depressed the marketing margin to be at a low level and this incident would slow down the demand for oil consumption; in other hand, if the oil prices were decreased, the marketing margin and oil consumption would increase as well. For the refining margin, as a simple refinery having a high proportion of fuel oil production and the fact that fuel oil price is always lower than crude price, the Company's gross refining margin was capped to a certain level depending on the fuel oil price for each period. Sending the Company's fuel oil to be upgraded at other refineries could partly reduce effect of this situation. However, the Company has had necessity to attain the long-term resolution for reducing fuel oil production to enhance gross refining margin to be at the same level of the industry's. Therefore, the Company has adopted the Product Quality Improvement project (PQI) by installing the hydro-cracking unit and other associated units, which will reduce production of fuel oil to the near level of other local and foreign refineries and hence become a complex refinery. The Company expects that the project will be started up in year 2008 and will increase EBITDA from average Baht 2,000-4,000 million to approximately Baht 6,000 - 8,000 million after the project reach its completion subject to oil price at the period. Currently PQI project has started its construction, which total project cost (included contingency reserve) totaling Baht 15,369 million or equivalent to USD 378 million. The Company has appointed CTCL Overseas Corporation Limited and CTCL (Thailand) Co., Ltd. to be contractors of the PQI under fixed price, date certain and performance guaranteed arrangement. The Company has achieved its financial closure for sources of funds for the project since May 16, 2006.

The oil prices will still be major parameters effecting operating result of the Company. Oil price has been increased continuously since late 2003 until beginning of third quarter 2006. Now the situation has been relaxed and the oil price has gone down quite significantly. The Company believes that the oil prices, crude oil and refined oil prices, are in period of adjustment and the volatility of oil price still remain in 2007. In order to deal with such situation, the Company has appointed a specific department and form a special committee called Price Risk Management

Committee (PRMC) which consist of top management executives to keep a close look on the situation and to give policy to perform risk management on the matter.

Furthermore, factor which may have effect on the Company's performance is the foreign exchange fluctuation (mostly Baht and USD). The Company purchases oil on US dollar term and sell its product on US dollar related basis and records transactions as trade payable and trade receivable respectively. Since the Company has assets greater than liabilities, the appreciation of Thai Baht will cause the decrease in net assets and vise versa. However, the Company has had the policy to leveling differences of US dollar assets and liabilities whenever it becomes appropriate. In the mean time, the Company has partly mitigated this risk by utilizing some financial instruments.

Opinion on the company's Internal Control

The Board of Directors' opinion that on the completion and appropriateness of the Company's internal control can be summarized as follows:

1. Environment of the control

The Company's environment and structure have conducted towards efficient operations of the internal control system as aimed. The business objectives were defined precisely and measurable in order that the employees could adhere to these objectives as performance guidelines. The incentive and compensation for an employee were reasonably analyzed to provide as well as the appropriate organization structure would contribute to efficient management. Principally, the executives perceived the importance of honesty, integrity and business ethics. In the year 2006, the Company has also improved the Good Corporate Governance Policy Handbook as principle of conduct for the Board of Directors, executives and employees in line with up-to-date circumstance.

2. Risk Assessment

The Company appointed the Enterprise-wide Risk-Management Committee with responsibilities to set up policies, strategies, and objectives of risk management for the Company, to develop risk-management system to enhance continued efficiency, to enable risk-management cooperation at all levels and to ensure that the Company's risk management is appropriate and efficient. In addition, the Company has developed and disseminated risk management manual to all employees for best practices in carrying on with their duties.

3. Control Activities

The Company has conducted control activities by utilizing the Key Performance Indicator (KPI) as an instrument for planning and controlling. Delegation of duties and responsibilities were applied in line with the checks and balances method. Approval authority and related monetary limit at each level were documented precisely. Relevant documents were prepared to facilitate

the delegation and to identify responsible persons in case of any mistake. Furthermore, the Company has also protected its assets from loss and abuses. The Company has monitored long-term transactions to ensure that all commitments were complied with agreed term. The Company's benefits and opportunities were properly prevented from any exploitation. The business operations of subsidiaries were closely monitored. The Company has prescribed the measures to ensure that all compliance was in line with relevant laws and regulations. To enhance the internal control, the Company has implemented computerized systems such as e-Auction for the procurement and e-HR for the human resources management. The Company has monitored all transactions with related parties such as the major shareholders or directors to prevent interests transfer with the approval process of authorized person who were not related with any conflict of interests, transactions disclosure in accordance with the regulations of Office of the Securities and Exchange Commission Thailand (SEC) as well as accounting standard as designated by the Association of Accountants and Auditors of Thailand.

4. Information Technology and Communications

The Company has continually developed the information technology and information systems to ensure that important information is adequately available for decision making. The Directors shall receive meeting notices and documents containing sufficient information. Directors' opinions at the meetings are summarized and recorded. Filing of documents and accounting practice is in line with the Generally Accepted Accounting Principles and is appropriate to the Company's business.

5. Monitoring and Evaluation

The Company has monitored business performance that the Board of Directors regularly reviewed to ensure that its performance was consistent with the approval objectives. The internal auditor has reported directly to the Audit Committee about the Company's conformity with internal control system as prescribed.

Enterprisewide Risk Management Committee's Report

To Shareholders,

At its meeting no. 6/2006, the Board of Directors of the Bangchak Petroleum Public Company Limited passed a resolution to appoint Mr Nipon Surapongrukchareon as the chairman of the Enterprisewide Risk Management Committee, and Mr Naret Sattayarak as the committee's vice-chairman, and Mr Taweesak Worapiput, as a legal expert, as well as Assoc Prof Dr Pradit Wannarat and the Company's high-level executives as the committee's members.

In the year 2006, the Enterprisewide Risk Management Committee had seven meetings to carry out their duties as assigned by the Board of Directors, which are to formulate policies, strategies and objectives for the Company's enterprisewide risk management, to develop efficient risk -management system, to ensure that the Company has proper risk management, to encourage risk-management cooperation at all levels, and to develop the crisismanagement plan to be appropriate and up-to-date. The meetings covered the following:

1. To formulate objectives and strategies for the enterprisewide risk management in Year 2006

The Committee formulated the objectives and strategies for the enterprisewide risk management in line with the Company's long-term goals (5 years). These objectives and strategies served as guidelines for the Management to ensure that the Company has continually efficient and coherent risk management.

2. To assess risk factors, risk-management plan and monitor risk management at the Company

The Committee closely monitored risk factors that could affect the Company's pursuit to achieve its goals, with extra attention to the risks to the Company's key goals in 2006. The monitoring aimed to ensure that the Company complied with risk-management plan to reduce risks in stipulated level. Also, the Committee gave advices on risk management to the Management. In addition, the Committee developed the risk- management monitoring system to support and enhance all risk-management procedures.

3. **To promote risk management as corporate culture, making all of the Company's Employees aware that risk management is important and that they should integrate risk management into their daily work. Also, to strengthen the Company's position as a learning organization.**

To engage the Company's Executives and Employees in the risk-management procedures, the Committee organized workshops to brainstorm ideas from the Executives and Employees in relevant fields. The Committee also developed risk-management plan, which was designed to tackle risks to the Company's key goals for the Year 2006. In the past year, the Committee also held risk-management training for all of the Company's Employees. The training aimed to make all Employees aware that the risk management is important, and to teach them about risk assessment and how to draw up their own risk-management plans. Also, the Committee encouraged exchange of opinions at workplace, thus strengthening the Company's position as a learning organization.

4. **To review the Company's community relations and community-relation plan to ensure that the Company constantly provides safe environment to neighboring communities**

The Committee monitored and ensured that the community-relation activities go as planned. Also, the Committee made recommendations on various activities that could enhance the safety and wellbeing of the neighboring communities. The Committee also stressed that monitoring measures must be in place to detect any impact on the community.

5. **To review and develop crisis management plan**

The Committee formulated relevant guidelines and recommended that the crisis management plan should be prepared for the Company by taking into account what could happen in the next few years. Also, the Committee established the crisis-management taskforce to develop the crisis-management plan. Such plan can be used as effective guidelines if any crisis arises, allowing the Company to bounce back to normal situation as soon as possible. The crisis-management plan comprises schemes to reduce crisis impacts on assets, people and environment. The crisis-management plan also included the scheme to reduce impacts on business to ensure that the business will not be disrupted. The crisis-management plan also addressed how to deal with media in order to protect the Company's reputation.

Given the continued development of enterprisewide risk management system and efforts to promote relevant cooperation at all levels of the Company since 2004, the Committee assured that the Company can achieve the objective of reducing the risks and ensuring that the risks and their impacts are within manageable level.

(Signed) *Nipon Surapongrukchareon*
(Nipon Surapongrukchareon)
Chairman of the Enterprisewide Risk Management Committee

Risk Management

Since 2004, the Company has used Enterprisewide Risk Management as a management tool to cope with uncertainties that may affect the goals of the operation. The Enterprisewide Risk Management helps the Company to achieve the objectives and success under Good Corporate Governance, to be prepared for changing business trends and strong competition, which changes the risks facing the Company. The Company's board of directors appointed Enterprisewide Risk Management Committee - ERMC - and invited specialists who have the knowledge and competency in risk management member from board Company executives to become members of the committee. The responsibilities of the committee are to set management guidelines to develop an efficient risk management system for the whole organization, push for cooperation from every level of the organization and control overall risk management at acceptable levels. The Company also set up a risk management division as a central body to co-ordinate among units to evaluate and record all types of risk from all organizations. The Company draws up the process to manage risk consistently for the whole organization in order to:

1. Identification of risk that may affect achievement of the organization's core objectives.
2. Evaluation levels of impacts and possibilities of damages that may be caused by each kind of risk to set up the priority of risk management.
3. Formulation of an appropriate risk management plan according to the priority by efficiently utilizing the Company's limited resources.
4. Assignment of implementation of a risk monitoring system using the information technology and reported to the Board of Directors on a regular basis.

Last year, the Company organized a work-shop seminars to brainstorm in order to develop a risk management plan that may affect the major goals of the Company. It also extended the risk management process to reach every department by creating a structure that includes Risk Coordinators for every department in order to systematically push for the risk management process. In addition, the Company also educated about Enterprisewide Risk Management to all employee in order to encourage risk management to be a corporate culture.

To develop and monitor the progress of the risk management plan of the Company, the Enterprisewide Risk Management Committee calls a regular meeting once every two months. The Company also reviewed the crisis management frame work, as well as improved the Crisis Management Plan to be used in controlling the serious negative incidents to minimize impact on the business in order that the situation returns to normal as soon as possible.

Risk factors and risk management

1. Business risk

1.1 Risk from refinery technology that affects the Company's competitiveness

The declining domestic demand for fuel oil for power plants and the industrial sector, which has turned to use more natural gas and coal, has adversely affected the Company's refinery capacity more than those of other refineries. This is because the Company's refinery is of the Hydro Skimming type, which refines fuel oil in larger proportion compared to rivals' refineries, which are of the Complex Refinery type, in refining the same type of crude oil. Moreover the demand trend for fuel oil is likely to drop further resulting in the adverse impact on the refining capacity of the Company.

Due to the fact that the fuel oil price is low compared to other finished oil products, the value of finished oil products that the Company produces is lower than the value of the finished oil products produced by the Complex Refinery. This has caused the refinery margin of the Company to be lower (profit margin before deducting production cost). The difference is uncertain depending on the differential between the fuel oil price and other oils during the period.

The Company has been reducing the adverse impact on its competitiveness and increasing income by turning to crude oil, which has little fuel oil as a component for refining, such as crude oil from the Far East and Condensate oil. It also co-operates with other refineries in the country by sending fuel oil for refining at their Crackers and shares the interest after cost deductions. The co-operation brings mutual benefits. The company will benefit from the use of its refining capacity, while the contract partner benefits from the use of excess refining capacity in their Crackers.

However, to manage the problem and cope with the risk, the Company invested in the Product Quality Improvement Project (PQI) to increase its competency to produce benzene and diesel in larger proportion by installing the Hydrocracking Unit and other supporting units to reduce the production of fuel oil from 30 percent to 10 percent of total refining capacity as compared with other refineries. The Company also receives suitable returns on investment.

1.2 Risk concerning support from the Government after the financial restructuring and termination of the Company's status as a State Enterprise

Prior to August 14, 2003, the Company had the status of a State Enterprise, as the Ministry of Finance held 48 percent of the registered capital of 522.04 shares, while PTT Plc. held 24 percent. The Ministry of Finance granted financial assistance to the Company in providing guarantee for loans as well as direct lending of approximately Baht 8,100 million. In addition, a Letter of Comfort was issued by the Ministry of Finance to the commercial banks that extended loans to the Company in an amount of Baht 4,000 million, representing 62 percent of the total loans of Baht 19,500 million.

Under the financial restructuring scheme, the Company would recapitalize by sales of warrants that would result in a decrease in the share holding of the Government to less than 50 percent. As a result, the Company's status as a State Enterprise would terminate and the Government may no longer provide direct support to the Company.

However, the Ministry of Finance still guarantees the costs of fund to the investors currently for the remaining period of 7 years for the remaining purchase of warrants of Baht 7,000 million not yet being converted to the ordinary shares (which will be expired in 2014) . The Company has a firm belief in the Government's intention to grant further support in order to enhance sound operational outcomes and to provide satisfactory returns to the Shareholders. In case that the operational results do not turn out to be as forecast and the investors sell back their warrants, the Government would become once again Major Shareholder and the Company would resume its status of a State Enterprise.

1.3 Risk from location of refinery, environment and safety

As the Company's refinery is located in the Bangkok area, inadequate safety system may produce adverse impacts to the environment as well as safety of the community in the vicinity that would also have direct effects to the Company's businesses. However, the Company is assured that such incident would not occur, due to the following reasons:

- The Company has maintained its standard of environmental and safety management. Measures have been set up to control the possible risks i.e. strict compliance with the laws concerning safety, conducting risk assessment, setting up sequence in work process and regular repair and maintenance of the refinery equipment. The Company has therefore been awarded with various certifications, such as TIS 18001 No. OHS000071007 for vocational hygiene and safety (the first awarded refinery in Thailand) additional OHSAS 18001 in the year 2004, and ISO 14001 since 1997 for all steps of production as well as inspection and control of environmental quality.
- It is the policy of the Government that oil storage depot of Bangchak and PTT serve as the center for oil distribution in the Bangkok Metropolitan area.
- The Government granted approval to the Treasury Department to extend the leasing period to the Bangchak refinery for another 18 years, totaled for 30 year. Therefore, the leasing period will be terminated in the year 2033.

2. Financial Risk

2.1 Risk from oil prices in international markets

Over 90 percent of major costs in the oil business is "oil". Prices of crude oil and refined petroleum products revolve around market forces. Normally, the Company has to procure crude oil 1 – 2 months in advance (as the general practice of all refineries) by concluding with the sellers on the matters of types of oil, month of delivery and price calculation method that is generally based on the benchmark crude in the month of delivery. After delivery, the oil goes through the processes of transportation, lightering, refining and finally storing for sales. The finished product sale price is based on the average price of finished products in Singapore at the point of sale. Difference of time from crude oil procurement to sales of finished products to the consumers would then be around 2 –3 months, thus creating the risk in managing crude oil cost in order to attain the best Gross Refining Margin (GRM).

In dealing with the above situation, the Company set up a Price and Finance Risk Management Committee - PRMC whose responsibilities concern supervision on oil procurement, analysis of the prevailing situation and forecast of trend in oil prices. The Committee's tasks also include determination on policy to manage oil procurement and finished product stock by fixing the differences between the sales price of finished products and the crude oil price and/or forward sales of crude oil/finished product stack.

In addition, since 2002, cooperation has been made with the allied companies in common transportation of crude oil from the Middle East. In addition to lower transportation costs, the Company could reduce volume of each purchase as well as oil storage and also could extend period of purchase. Furthermore, the Company also entered into long-term contract to buy crude oil from domestic source (Pattani Crude) with lower crude and transportation cost when compared to the crude imported from abroad in similar quality. It also mitigates risk from the oil price fluctuation due to the shorter transportation period.

2.2 Risk from fluctuation of exchange rate.

In the domestic oil refining business, costs and incomes are tied with the US currency. Major costs concern imports of crude oil that are paid in the US\$, while incomes from domestic sales are based on the prices of finished oil products at Singapore that are also in the US\$, using the exchange rate on the date of sales. Fluctuation of exchange rate then affects the Company's incomes and costs.

From the above situation, value of the Company's assets and liabilities are in the US\$. Important assets include crude oil and finished products in stock. In order to lessen the above impact, the Company utilized various financial tools, such as contracts for forward buying of foreign currencies and instruments for derivatives, etc. The Committee for Price and Finance Risk Management was set up to determine policies on exchange risk management.

3. Operational Risk

3.1 Risk from disaster or accidents during oil delivery to the refinery

- Risk from disaster during oil delivery to the refinery

The Company has to purchase crude oil from both within the country and from overseas via large tankers. Should any disaster occur during transportation, loss of the Company's assets and its production as well as impact on the environment would be great. This is in spite of the insurance policy that the Company has covered its assets and losses to the third party. The Company has always been concerned of this risk and has improved its oil transportation standards; for example, installation of up-to-standard fire extinguishers in the tankers, deploying boom throughout the period of the ship's docking and joining with the other oil companies in combating oil spills in the event of emergency. In case that the crude oil cannot be delivered, the Company is able to purchase crude or finished oil from other entrepreneurs.

- Risk from accidents during oil delivery to customers

Most of the oil products are delivered from the storage terminal to the industrial, retail and wholesale customers by tank trucks. At present, the Company hires 14 agents. Selection of these agents was made in taking into consideration such issues as readiness for services, quality of services and work experiences. Conditions were set up for these contractors so as to ensure the most efficient and the safest oil delivery.

In case of accidents that produce damages to the Company's assets or to the general public, the Company can claim for compensation from the responsible agents. In addition, the Company has installed the monitoring system via satellite in a number of trucks, the "Global Positioning System" or GPS to control and monitor oil. Oil delivery has also been made through the fuel pipeline in order to reduce oil transportation by trucks.

3.2 Risk from Impacts of the Fuel Pipeline Transportation Co., Ltd.

The company delivers oil approximately 30 % of total production capacity via pipeline owned by the Fuel Pipeline Transportation Co., Ltd. or FPT. This pipeline, which starts from the Bangchak oil refinery, runs parallel along the railway track to the Don Muang Airport oil terminal and from there to the Company's oil terminal in Bang Pa-in where it ends, covering a total distance of 69 kilometers. This pipeline is made of flexible materials and can withstand the force of vibration. Nevertheless, there are risks that the operation of the line could be temporary halted due to damages caused by construction works on the infrastructure. If this occurs, sales of aviation fuel to Thai Airways International Plc. would be disrupted and supply of oil to retail customers in the North and North East would also be affected.

However, maintenance of pipeline has been made on a regular basis. A system to inspect the conditions of pipeline was also installed and reparation team would be immediately sent in case of problems. In addition, the Company also has its reserve of oil at Bang Pa-in terminal, which would be sufficient to cover 10-day sale volume.

4. Risk from Implementation of Product Quality Improvement (PQI) Project

The Company is currently constructing the Product Quality Improvement (PQI) Project by changing the present refinery, which is Simple Refinery to Complex Refinery. After completing, it would enhance refinery from crude oil to high-value finished oil products, i.e. diesel and benzene in a larger volume, so as to respond to the increasing domestic demand. Production of fuel oil would be decreased in the near future. This project, when completed, would produce positive outcomes to the Company's performance in the long-term.

Even though the feasibility study of this project has been carefully undertaken, there would still be various risk factors that would affect its successful implementation as follows:

4.1 Risk from delay or incompleteness of the project

4.1.1 Delay or negligence of contractors

In case that the contractors have to modify details of construction from earlier planned or in case that the contractors neglect the job during construction, this may cause delay of the project. However, the Company has set up measures to prevent this risk by selecting experienced and generally accepted contractors and by hiring the Project Management Consultant to control and monitor the operation of contractor to ensure timely completion of the project construction. The Company has stipulated in the contract that the Company has the right to claim in case that the contractor is unable to complete the construction on time and that the contractor has to provide guarantee for the effectiveness of the project (liquidated damages basis), for example guarantee for oil production proportion (Performance Bond) and deduct periodic payment to guarantee the construction (Retention).

4.1.2 Accident during construction

Accident during construction or during transportation of construction equipment may also delay project completion. The Company therefore undertook insurance for accident during construction including insurance for damage of equipment during transportation.

4.1.3 Value of investment that is higher than the fund that has been prepared

Funding of the project has been mobilized on a project financing basis. In case that the value of investment is higher than the mobilized fund, success of the project may be affected. The major factors can be changes in details of construction, fluctuation of loan rate or exchange rate.

The Company hired the contractor with the method of Lump Sum Turnkey, which fixes price and time limit for the construction and guarantees results. It also uses a management tool against financial risk to reduce the adverse impact from foreign exchange fluctuations by entering into hedging contracts for forward sales of foreign currencies and going in for Interest Rate Swaps, which identify fixed interest before construction. To ensure success of the project, the Company also set reserves at an appropriate level for the investment of similar projects.

4.1.4 Risk from acceptance of communities in the vicinity of the project

As the Bangchak refinery is located in the Bangkok Metropolitan, which may cause impacts to the environment and safety to the communities in the vicinity and may induce risk of non-acceptance of the people. During the past period, the Company has continuously communicated about details and necessities of the project implementation to the communities. In addition, measures to decrease environmental impacts have been carefully set up with approval from the Office of Natural Resources and Environmental Policy and Planning, which would ensure that the Company has measures to solve the problems of environmental impacts during project construction and implementation. Besides, the company also purchases the Third Party liabilities Insurance that covers the damages affecting community and other parties.

4.2 Risk from not getting markets for additional oil products

After implementation of the Product Quality Improvement Project, the Bangchak refinery would produce high-valued finished products, i.e. diesel and benzene, in an additional volume of 135 million liters per month, in case of 100,000 barrel per day of production (this may change depending on adjustment of product proportion according to the consumers' demand). In case that the Company is unable to find enough markets for this additional volume of products, the Company would not get the maximum benefit from the project implementation.

However, the Company has anticipated that there would be markets to absorb the products, according to an upward trend in domestic demand for oil consumption. Moreover, there has been no oil entrepreneur that would significantly increase its production. The Company has also entered into a long-term contract of oil sales to PTT in order to reduce this kind of risk.

4.3 Risk from conflict of interest in the future between retail shareholders and PTT Plc, which is the major shareholder

As for investment of the project, the Company would mobilize fund from issuance and offering of recapitalization securities, as well as borrowing from domestic commercial banks. One part of recapitalization securities would be issued and offered to PTT Plc. in the forms of ordinary shares and convertible debentures, which would result that PTT would hold approximately 30 % of shares and become the biggest major shareholder. In some situations, there may be conflict of interest between PTT and its related companies with the Bangchak and PTT would have the right of non-voting or casting of objection vote (negative control) that would affect important resolutions of the Shareholders' Meeting. The Company has therefore set up directions to prevent such situation as follows:

- The Company and PTT have always resided to the policy of transparent management. Both organizations have the Audit Committees, responsible for taking care of interest of retail shareholders. Balance of power has been implemented in an appropriate proportion under the directions of Good Corporate Governance.

- Competition of service stations has been on a liberal basis with definitive price set-up means according to market mechanism. Service stations are jointly invested with trade partners and dealers with clearly stipulated contracts that cannot be intervened by both organizations.
- The Company strongly believes that the Government, as a major shareholder of the Company, and PTT as an important policy maker of the country's energy matter would attach to the policy to create benefit to the general public without causing any damage to the shareholders of Bangchak and PTT, both of which are the national oil companies of Thailand.

Corporate Governance Committee's Report

To Shareholders,

On its meeting no. 13/2005, the Board of Directors of the Bangchak Petroleum Public Company Limited appointed the Corporate Governance Committee, comprising Mr Wirat Iam-Ua-Yuth as chairman, Mr Sayan Satangmongkol, Mr Naret Sattayarak and Mr Anusorn Sangnimnuan as members.

In the Year 2006, the Corporate Governance Committee had four meeting including joint meetings with the executives to review the Company's policies and implementation plans, to monitor the Company's compliance with the Good Corporate Governance, to raise the Company's Good Corporate Governance practice to the international standards, and to encourage the Company's Employees to embrace the Good Corporate Governance as their corporate culture. The joint meetings covered the following:

1. Updated the Good Corporate Governance Policy Handbook (Edition 2) by amending practice guidelines for the directors, executives and employees.
2. Rights of Shareholders
 - Added more information of Shareholders meeting's agendas in the invitation letter such as identifying precisely the objectives and reason of each agenda, informing the interests and relations between the Company and the External Auditor.
 - Ensured that the shareholders' representative was present to witness for counting of votes on the 2006 annual general meeting.
3. Board Responsibilities
 - Supported training to enhance Directors' knowledge
 - Provided more communication channel between stakeholders and the directors by giving the directors' email addresses in the Company's website and annual report

4. Disclosure and transparency
 - Improved information in the Company's declaration forms and annual report such as
 - disclose the Company's business objectives in the next three to five years
 - describe the Company's future projects, competition and competitiveness
 - identify measures to take care of the Company's stakeholders as well as the Company's human-resource development policies
 - Improved information on the Company's website, in which important information could be downloaded by public such as an invitation letter of shareholder, the Company's performance and the Company's progress for investors and analysts, etc.
5. Promoting Good Corporate Governance as Corporate Culture
 - Promoted Corporate Governance through the Company's various channels such as "CG For Fun" program on in-house radio, or exhibition boards of progress and rewards relating to the good corporate governance.
 - Held training course about "Code of Conduct and Ethics for Procurement" for the employees.
 - Held workshops for the employees to brainstorm about how to integrate the good corporate governance principles into daily operation.
6. Promoting Good Corporate Governance to the Public
 - Attended on the seminar speaker held by the Thai Institute of Directors Association (IOD) about "Developing Corporate Governance Policy" to share the Company's experiences in implementing corporate governance policy with other companies.
 - Attended on speaker for the discussion forum held by Prachachart Turakij newspaper, Journal of Business and Society, and the Stock Exchange of Thailand. about "Case Study: CSR in Thai Way" to share the Company's experiences in enhancing CSR's activities.

According to continually enhancing good corporate governance as corporate culture, the Company was granted with the rewards of Best Corporate Social Responsibilities (CSR) and Distinction in Maintaining Excellent Corporate Governance Report as concerning with the 15 Good Corporate Governance principles in the event of Set Awards 2006. In addition, Thai Institute of Directors Association (IOD) has scored the Company as one of nine listed companies in SET which has well performed the highest score of good corporate governance as the "Excellent" group.

(Signed) *Wirat lam-Ua-Yuth*

(Wirat lam-Ua-Yuth)

Chairman of the Corporate Governance Committee

Good Corporate Governance

The Board of Directors of Bangchak Petroleum Plc has constantly placed emphasis on Good Corporate Governance, which is regarded as a supportive factor in its corporate culture. Throughout the Company's operations, this corporate culture about "Business Development Must Go with Responsibility towards Environment and Society" has been the Company's guiding principles. After the Stock Exchange of Thailand began to promote 15-item principles of Good Corporate Governance for listed companies, the Company has also adopted these principles as its guidelines and applied them to the Company's business. Moreover, the Company has striven to educate and inculcate in its Employees the Good Corporate Governance so that they can apply this concept into their daily work, which in turn forms the corporate culture in line with the Employees' own principle about "Be Good, Be Knowledgeable, and Be Useful to Others". To achieve such effect, the Company's Directors and Executives have acted as good examples for the Employees to follow. Also, the Company's Directors and Executives have organized activities to constantly promote the Good Corporate Governance culture. The Company has laid down the code of conduct for its Directors, Executives and all Employees as parts of its Good Corporate Governance policy as the Company has placed emphasis on transparency, credibility, and responsibility towards the overall society and Stakeholders for the purpose of sustainable growth.

Thanks to its Good Corporate Governance practice, the Company won many awards and recognition from the society as a company with transparent management and responsibility towards its stakeholders. The Thai Institute of Directors Association (IOD) named the Company as one of nine companies on the Thai stock market with corporate-governance scores reaching "excellent" benchmark. Also, the Company won the Distinction in Maintaining Excellent Corporate Governance Report from the Stock Exchange of Thailand (SET) for reporting its compliance with 15-item Good Corporate Governance Practice for two consecutive years. In addition, at the SET Awards 2006 event, the Company received Best Corporate Social Responsibilities (CSR) Award in recognition of its role as a socially-responsible registered company.

Today, the Company has maintained its commitment to improve its Good Corporate Governance practice even further for the benefits of its Shareholders and Stakeholders while also uplifting its practice to international standards. This in turn responds to the shared goal of National Corporate Governance Committee on Good Corporate Governance and the Stock Exchange of Thailand - enhancing credibility of the Thai capital market in the international society for Thailand's own benefits.

1) Policy on Good Corporate Governance

The Board of Directors formulated the Corporate Governance Policy Statement since 2003 and has regularly reviewed it. During the past year, the Company revised this statement to ensure that it is not only up-to-date but also clearer. Furthermore, the Company promoted its policy via various channels: its manuals, Intranet and Internet systems. The main goal is to get the Company's message across to its Employees via its Shareholders and Stakeholders that the Board of Directors has committed to the six following principles.

1. Accountability
2. Responsibility
3. Transparency
4. Equitable Treatment
5. Vision to Create Long-Term Value
6. Ethics

In addition to its communications effort, the Company also held activities to promote Good Corporate Governance as its corporate culture last year by ensuring that its Employees know and understand this concept. These activities included "CG Worth Knowing" program on in-house radio, exhibition boards, granting awards relating to the Good Corporate Governance, and holding seminars entitled "Code of Conduct and Ethics about Procurement" for the Company's Employees with outside speakers. Also, the Company organized workshops to brainstorm ideas about how to integrate the Good Corporate Governance into daily work of the Employees. The Company required that all new Employees attend training in good corporate governance.

2) Shareholders' Rights

The Company held its 2006 Annual General Meeting on Tuesday 18th April 2006 at its headquarters. The Company's Shareholders were informed of the meeting schedule seven weeks in advance so as to give them enough time to arrange the meeting into their own schedule. The meeting invitation together with meeting agenda were post on the Company's web site 30 days ahead of the meeting so that the Shareholders could take time to study the information. Documents about the meeting invitation and meeting agenda were sent to the Shareholders at least 15 days in advance. The documents included comments of the Board of Directors for each agenda. Attachments included the Annual Report and proxy form to facilitate the voting of Shareholders. Relevant instructions about how to use proxy form and necessary documents were also included. In addition, the Shareholders were informed of a contact telephone number that they could use to seek more information.

In recognizing the importance of Shareholders' rights, the Board of Directors has laid down policy on the Shareholders' rights and equitable treatments as follows:

Shareholders' rights

1) The Board of Directors realizes its duties in protecting basic rights of Shareholders as follows:

- Rights to obtain share certificates, right to transfer and access to adequate and timely information in an appropriate form for decision making that could affect the Company and themselves;
- Rights to attend and vote in the Shareholders' meetings to decide on important changes in Company policy, and on Shareholders' rights that require the Board to obtain approval from the Shareholders' meetings;
- Rights to elect and dismiss Directors, and approve appointment of external auditors;
- Rights to dividend.

2) Shareholders shall receive invitation letters to attend the meeting along with information advising the venue, time, the agenda and topics of the meeting. Venue and time shall be arranged for the convenience of the Shareholders. The Company shall send the invitation letters to Shareholders at least 15 days prior to the meeting day and shall publish the meeting schedule in the newspapers for 3 consecutive days and at least 3 days prior to the meeting.

3) In election of directors during the Shareholders' meeting, each shareholder may elect persons to act as directors individually and every shareholders shall have one vote for each share of which he/she is the holder.

4) In line with laws, the Shareholders are able to request the Board of Directors to add any issue to the agenda, and able to raise questions, seek explanations and properly express opinions.

5) Chairman of the Board, Directors and Relevant Executives shall have the duty to attend the meeting to answer questions from the Shareholders.

6) After the Shareholders' meetings, Shareholders shall have access to information regarding results of the deliberations and the voting results.

Equitable treatments of Shareholders

1) Shareholders are entitled to voting rights according to the number of shares they have, and shall enjoy equal access to information relating to the Company.

2) Shareholders shall be given necessary, adequate and timely information from the Company. The Company shall not act in favor of any group of Shareholders by selectively giving out undisclosed information.

3) At Shareholders' meetings, the Shareholders shall enjoy equitable treatment.

Furthermore, the Company shall regularly present information through several means such as website and press release. Also, the Company shall hold analysis meeting during which investors and analysts can

tour around the Refinery and meet the Company's Executives. The Company shall participate in SET Opportunity Day every three months. The Shareholders can also access additional information by contacting the Company's investor relation staffs through their telephone numbers and email addresses. Through this channel, the Shareholders shall be able to obtain information not required for disclosure under SET normal practice. In addition, the company provides the below facilities for the shareholders' convenience as follows:

- Proxy can be made to any Independent Directors
- Shuttle buses are arranged at BTS Skytrain station
- Convenience at registration, with stamps and stickers ready for registered Shareholders so that they can conveniently go in and out of meeting room.
- Visits to the Company's refinery for interested Shareholders on the meeting days, as well as exhibitions about the Company's business progress. The visits and exhibitions are channels for the Shareholders to receive more information and get better understanding of the Company's operations.

3) Roles of the Company towards Stakeholders

The Company has placed emphasis on the rights of all groups of Stakeholders including Employees, customers, trading partners, competitors, Shareholders and in particular the communities in the vicinity of the refinery. As the Company runs a large-scale industry, it has always placed emphasis on the matters relating to safety and environment. Accordingly, the Company has formulated the Sustainability Report so that its Shareholders, Stakeholders and interested people can receive information on the Company's social, economic and environmental performance in the past. The Sustainability Report reflects Company's full commitment to embrace ceaseless developments, ethical business conduct, emphasis on environment and safety, participation in economic developments for better quality of life of people in general, as well as contributions to its neighboring communities and society under the principles of Corporate Social Responsibility (CSR). The Company has constantly put CSR and good corporate governance principle into practice:

To take care of its stakeholders, the Company has laid down the following guidelines. These guidelines are included in the Company's "Good Corporate Governance Policy" statement and "Sustainability Report":

Employees: Aware that the Employees contribute to its business growth, the Company has always supported human-resource development to ensure that its Employees are highly knowledgeable and competent. Furthermore, the Company has treated its Employees equally. The Employees have been given fair and proper remuneration and welfare. The welfare covers medical benefits, service buses, birthday parties, Children's-Day event for the Employees' children, and various recreational associations & clubs (Additional information in the Sustainability Report of the Year 2006). Furthermore, the Employee Stock Option Program (ESOP) has been initiated to repay the Employees' devotion to their works and to motivate them to work efficiently. This program in turn leads to maximum benefits of the Company and its good operating results.

Customers and general public:

The Company aims to improve the quality of its products and services in order to win customers' trust and to create maximum customer satisfaction.

Trading partners:

In its regulations, the Company has laid down procurement and hiring code of conduct to ensure appropriate, efficient and fair business relations with its trading partners based on the Good Corporate Governance. In addition, the Company has prepared handbooks on business contacts and has issued policy on running Bangchak service stations so that trading partners/agents can conduct business efficiently in line with Good Corporate Governance and ethical business conduct.

Competitors:

The Company puts emphasis on transparent and ethical business operations, as well as fair competition.

Creditors:

The Company provides fair, responsible and transparent treatments to its Creditors by strictly honoring contracts and financial obligations. The Company shall never resort to dishonest means, and shall never conceal information or facts in a way that may cause damages to its Creditors.

Shareholders:

The Company conducts its business with transparency, reliability and determination to enhance its sustainability and its secure financial position to maximize its share value.

Communities near refineries, society and environment:

Regarding the system of health, safety and environment management as a part of its business, the Company has laid down its policy on health, safety, environment and energy as guidelines for its Directors, Executives, and Employees. In line with the corporate culture "Business Development Must Go with Responsibility towards Environment and Society", the policy requires that all of the Company's members:

- Carry out their duty safely, ensuring that there is no adverse impact on themselves, relevant persons, community and environment;
- Comply with laws about health, safety, environment and energy;
- Prevent pollution, oil leakage and loss of oil;
- Prevent accidents in all aspects;
- Efficiently use resources including energy, water, chemicals to achieve the Company's targets;
- Constantly enhance the health, safety and environment management system.

Moreover, the Company has published "Leafy Family" pamphlets every two months and has distributed them among communities surrounding its refinery. The pamphlets are designed to inform the Company's neighbors of its updates, useful knowledge and interesting tips such as energy-saving methods, safety measures for daily life, healthcare tips, and how to protect the environment. The Company has used the pamphlets as a means to communicate with its neighbors and to take care of them.

4) Shareholders Meeting

For the 2006 Annual General Meeting, the Company sent meeting invitations and Annual Report to all Shareholders listed in the registration book at the day of closing book. The Annual General Meeting was attended by 10 Directors: General Tawat Ked-Ungoan, the Chairman, Mr. Chai-anan Samudavanija, the Vice Chairman and the Chairman of the Nomination and Remuneration Committee, Mr. Anusorn Tamajai, Director and the Chairman of the Audit Committee, Mr. Wirat Iam-Ua-Yut, Director, Member of the Audit Committee, and Chairman of the Corporate Governance Committee, Mr Nipon Surapongrukchareon, Director, Member of the Audit Committee and Chairman of the Enterprisewide Risk Management Committee, Mr Songpop Polchan, Director, Ms Chularat Suteethorn, Director, Mr Sayan Satangmongkol, Director, Mr. Apisit Rujikeatkamjorn, Director and Mr Anusorn Sangnimnuan, President and the secretary of the Board. Senior Executive Vice Presidents who be responsible for four major fields were also present at the meeting, which was chaired by the Chairman. At the meeting, a representative of shareholders was invited to witness the counting of votes to ensure that the voting for each topic in the agenda is transparent in line with Good Corporate Governance Policy. During the meeting, all Shareholders had equal rights in expressing their comments and asking question. Important questions and comments were recorded in the Minutes of Meeting. Furthermore, the meeting was recorded in video tape as the evidence of the meeting.

With the purpose of improving arrangement for the next Annual General Meeting, the Company used the 2006 Annual General Meeting evaluation forms to survey Shareholders' opinions and to evaluate its meeting performance. The survey found that the 2006 Annual General Meeting was rated "good".

5) Leadership and Vision

Every year, the Board of Directors has taken part in designing the Company's vision, mission, strategies, business targets and budget in the way that generates maximum value to its operations and to ensure its Shareholders' security. In addition, the Board of Directors has the duty to review and approve important strategies and policies. For strategies and policies relating to financial Key Performance Indicators (KPI) and work plans, the Board of Directors has granted its approval on the KPI and targets since early in the year and has followed up on the operations throughout the year. Since 2004, the Company has also participated in the Ministry of Finance's evaluation program for State Enterprises.

The Board of Directors has ensured that the Company has efficient systems of internal control, internal audit and risk management. Follow-up has been regularly conducted in the Board meetings.

Also, the Board of Directors has supervised the Management's performances by requiring that monthly reports on the Company's operations and business outcomes be presented at Board meetings. In addition, the Board of Directors has required the Management to report important issues in the Company's operations in order to ensure the Company's compliance with laws.

6) Conflict of Interest

In order to prevent conflict of interests, the Board of Directors has carefully reviewed transactions that may pose conflicts of interest. Written policies and procedures relating to the approval of related-party transactions have been clearly laid down. Also in place are policies and procedures to prevent the Company's Executives and other concerned persons from utilizing the Company's inside information to their own benefits. The Board of Directors and Executives from certain levels up are required to refrain from securities trading at least one month prior to and at least 3 days after the announcement of financial statements.

7) Supervision on the Use of Inside Information

The Board of Directors has ensured that the Company's Directors and Executives do not use the inside information of the Company and its subsidiaries, which is considered confidential, especially the one not disclosed to the public, for personal gains or for the benefits of others.

According to Section 258 of the Securities and Exchange Act B.E. 2535, the Company's Directors, Executives, their spouses and minor children as well as related persons are required to report any change in their shareholdings to Securities and Exchange Commission within 3 working days from the date of purchase, sale, transfer or acceptance of transferred securities. All of the Company's Directors and Executives are aware of this requirement in the SEC and SET regulations.

At the Board meetings, any shareholding changes of the Company's Directors and Executives are reported on a monthly basis. Furthermore, the Company's Directors and Executives must notify the Company without delay if:

- They have direct or indirect interests in any contracts entered into by the Company during the annual accounting period
- They hold shares or debentures in the Company or its affiliated companies

8) Business Ethics

The Board of Directors has laid down the Company's policies and business direction in line with Good Corporate Governance practice with emphasis on internal-audit and internal-control system, as well as risk-management system. Also, the Board of Directors has overseen the Management's performances to ensure that it proceeds in line with Good Corporate Governance for the long-term benefits of the Company's Shareholders and Stakeholders and compliance with legal requirements. The Company's ethic code features:

1. Transparency and Disclosure

- The Company's management, as well as accounting and financial report shall be conducted in line with laws and international-standard practice. Also, the Company shall disclose accurate, clear, and up-to-date information to boost the confidence among investors, the Company's Shareholders and Creditors.

2. Equitable and Fair Treatments to all relevant parties

- The Company shall fairly treat all relevant parties, including its Shareholders, Customers, Trading Partners, Creditors, Employees and the Society. The Company shall provide equitable treatments to all Shareholders, with all major and minor shareholders being treated equally.

3. Risk Management

- The Company has managed risks relating to its efficiency and accurate financial report. Also, the Company has complied with laws, regulations, rules and orders in conformance with Good Corporate Governance framework. For the risk management, the Company has conducted risk analysis for its operations, identified the severity level of each risk, and prepared control measures to minimize the said risk.

4. Pursuit of Excellence

- The Company has encouraged any practice that will give better results to all relevant parties by pushing all work units to pursue excellence.

5. Social Responsibility

- The Company has conducted its business without ignoring its responsibility toward the society and environment. It has participated in the enhancement of Thai society's wellbeing.

6. Morality and Ethics at all levels of the Company

- Morality and ethics form integral parts of the Company's Good Corporate Governance, which is the corporate culture for all of the Company's members – Directors, Executives and Employees at all levels. The Board of Directors is aware that without morality and ethics, a business can never be sustainable.

Moreover, the Company has laid down written code of conduct for the Company's Directors, Executives and Employees to embrace while carrying out their duty. All of the Company's members are expected to work with honesty, integrity and fairness towards the Company and all groups of Stakeholders.

9) Balance of Power by Non-Executive Directors

The Board of Directors is composed of 12 members as follows:

| | |
|-----------------------|-------------------------------|
| Executive Director | 1 |
| Independent Directors | 6 |
| Outside Directors | 5 (4 from Major Shareholders) |

The List of Directors from Major Shareholders is included under the topic of "Board of Directors".

10) Aggregation or Segregation of Positions

Chairman of the Board of Directors is an Independent Director by definition of the Stock Exchange of Thailand and has no relation with the Company's Executives. This is to achieve the distinct separation of duties between policy making for Good Corporate Governance and administrative works. The Chairman shall not hold any other position in the Sub-Committees and all Directors are independent in expressing their comments on the Company's operations to ensure that the Management works efficiently, correctly and transparently.

11) Remuneration for Directors and Executives

Remuneration for Directors: The Nomination and Remuneration Committee reviewed the remuneration for the Company's Directors and found that its current rate was on par with what given by other listed companies in similar industry and size. At the 2006 Annual General Meeting, the Nomination and Remuneration Committee thus sought the approval for the same remuneration rate to remain applicable as follows:

1. Each Director receives monthly remuneration of Baht 10,000 and meeting allowance of Baht 20,000 (for those who attend the meeting only).
2. For each member of the Sub-Committees appointed by the Board of Directors, (1) Audit Committee: monthly remuneration of Baht 10,000 and meeting allowance of Baht 5,000 (for those who attend the meeting only), (2) Nomination and Remuneration Committee: meeting allowance of Baht 10,000 (for those who attend the meeting only), (3) Other Sub-Committees being appointed at a later date: the Board of Directors shall grant remuneration based on their job responsibility.

For Chairman of the Board of Directors and Chairmen of the Sub-Committees, their monthly remuneration and meeting allowance shall be 25 percent and 12.5 percent respectively higher than other Directors and members of the Sub-Committees.

- Bonus of the Board of Directors: 1.5 percent of net profit, but the bonus amount must not exceed Baht 9,000,000 per year for all directors. Chairman and Vice Chairman of the Board of Directors' annual bonus shall be 25 percent and 12.5 percent respectively higher than other Directors.

Executives Remuneration: The Executives remuneration was granted based on guidelines laid down by the Board of Directors, individual performance of each executive and the remuneration granted by other companies in the same industry (Details are provided under the topic of "Directors and Executives Remuneration" in the section of Management Structure).

12) Remuneration for Auditors

12.1 Audit fee

The Company and its subsidiaries paid audit fees as follows:

- The Company's auditor (Mrs. Kesree Narongdej and/or Mrs. Natsarak Sarochanunjeen) was paid Baht 0 for the past accounting period.
- The auditor's office (A.M.T. & Associates) was paid Baht 1,650,000 for the past accounting period (Baht 1,100,000 by Bangchak Petroleum Plc. and Baht 550,000 by Bangchak Green Net Co., Ltd.)

12.2 Other service fees

The Company and its subsidiary paid the fee for cash monitoring service as follows:

- The Company's auditor (Mrs. Kesree Narongdej and/or Mrs. Natsarak Sarochanunjeen) in an amount of Baht 0 for the past accounting period, and would be paid Baht 0 for the pending task that would be finished at a later date.
- The auditor's office (A.T.M. & Associates) in an amount of Baht 1,350,000 for the past accounting period, and would be paid Baht 250,000 for the pending task that would be finished at a later date.

13) Board of Directors' meetings

Meeting appointments are scheduled in advance for the whole year. Normal meeting take place monthly and special meetings are called for when necessary. Each meeting shall have clear schedule and agenda to follow up on necessary works. The secretarial unit for the Board of Directors shall ensure that meeting invitations, together with agenda schedule and relevant documents, are sent to the Directors at least 7 days in advance so that the Directors have enough time to study the information (Meeting details are provided under the topic of "Board of Directors' meetings" in the section of Management Structure).

Minutes of Meeting are recorded in written form, certified by the Board of Directors and also properly filed for examination by any concerned parties.

14) Sub-Committees

The Board of Directors has appointed persons with proper knowledge and expertise as members of the Sub-Committees to help with its works because Sub-Committee shall be able to go into more details than the Board. However, the Board of Directors shall be in charge of any activities between the Company and outside party itself. (Sub-Committees' composition, duties and the list of their members are mentioned under the topic of "Sub-Committees" in the section of Management Structure.)

15) Internal-Control and Internal-Audit System

The Company has placed emphasis on the system of internal control, both at the levels of management and operation, by undertaking appropriate organizational restructuring with clear line of command and relationship among different divisions. Approval authorities are designated according to positions and regulations are formulated for budgeting, finance and accounting, personnel administration,

supply and sales of petroleum products and also procurement of materials. Also, the Company has put in place the risk management, and has given attention to early warning and any irregularities.

The Board of Directors has established the Internal Audit Office to ensure that the Company's core operations and financial activities have been efficiently carried out under the direction established by the Company and in compliance with relevant laws and regulations (compliance controls). In order for the Internal Audit Office to carry out its duty independently and to serve as an efficient check-and-balance mechanism, the Board of Directors has assigned the Internal Audit Office to report directly to the Audit Committee.

16) Risk management

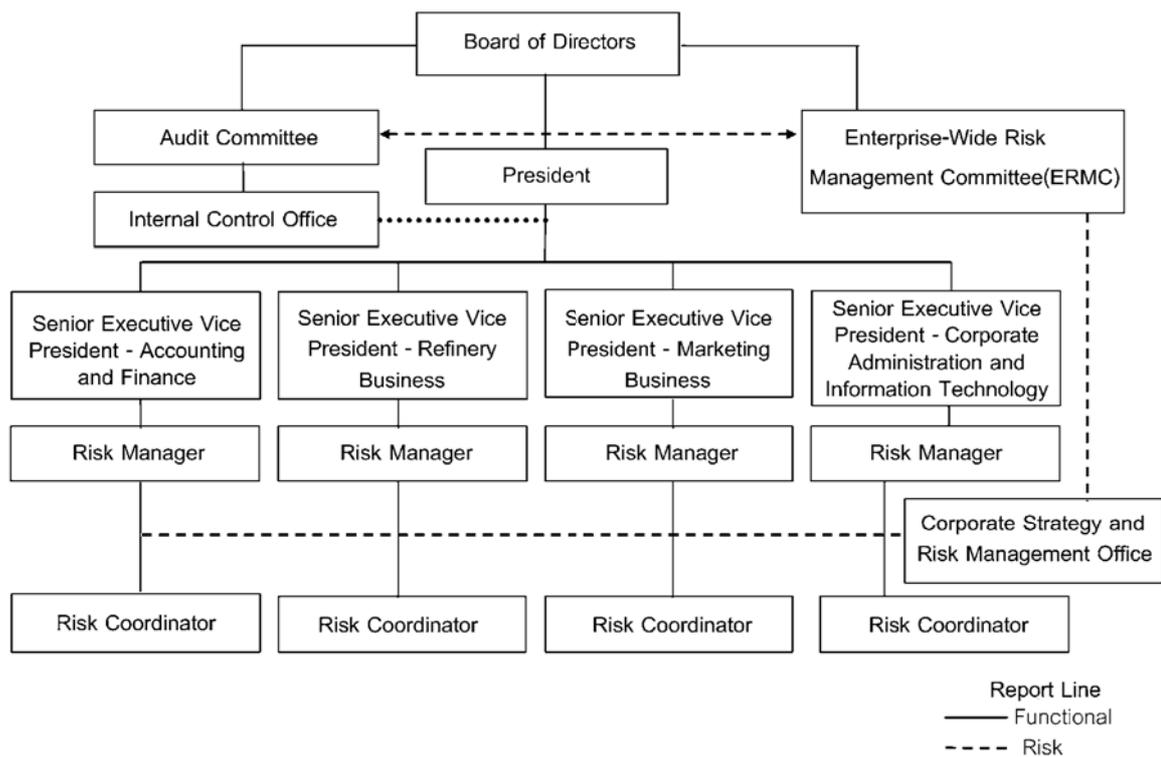
The Company has placed significant emphasis on risk management and thus established a Committee for Enterprisewide Risk Management with responsibilities to identify and assess the Company's risks. Measures have been set up for risk prevention and management. Compliance with laws and relevant stipulations has been under supervision and reports on risk management have been undertaken.

Policy of risk management

1. The Company's Executives and Employees in all departments shall play a role and take part in risk-management development at the Company. They must be aware of and understand their risk-management duties.
2. The Company shall implement efficient risk-management procedures in every step in the operation process based on Good Corporate Governance. This shall increase the Company's opportunity for success and reduce uncertainty in the overall operation.
3. The Company shall implement and support enterprisewide risk management by efficiently utilizing the limited resources in identifying, assessing and managing risk factors.
4. The Company shall promote risk management as its corporate culture, ensuring that all of its members are aware of the importance of risk management.

Structure of risk management

The structure of risk management is composed of Directors, Executives and all departments of the Company. The Committee for Enterprisewide Risk Management, appointed by the Board of Directors, is responsible for the supervision of risk management system to ensure that it is efficient and that the Employees understand the potentially grave impacts of a risk on the Company. The Corporate Strategy and Risk Management Office acts as coordinator and supporter for the continued, efficient risk management. The following diagram shows the risk-management structure at the Company



Furthermore, the Company has prepared the Handbook of Risk Management that the Executives and Employees are expected to use in properly carrying out their duties.

17) Board of Directors' Report

The Board of Directors is accountable for the consolidated financial statements of the Company and its subsidiaries as well as financial information in the Annual Report. Financial statements shall have to be prepared in accordance with the generally accepted accounting principles, as guided by the appropriate and consistent accounting policy. Careful consideration and best projection are needed to ensure that the information is adequately disclosed in the Notes to the Financial Statements.

The Board of Directors has maintained effective system of internal control to ensure the accurate, adequate and complete financial records, required to safeguard the Company's assets, to prevent any corruption or significant irregularities.

The Board of Directors has the opinion that the Company's overall internal control system is satisfactory and provides reasonable assurance as to accuracy of the Company's financial statements as of December 31, 2006.

18) Investor Relation

The Board of Directors is aware that the Company's information, both financial and non-financial, has affected the decision making of the investors and Stakeholders. Placing a significant emphasis on the constant disclosures of complete, accurate, reliable, and up-to-date information, the Management has established the Investor Relation Unit to communicate with the institutional investors, Shareholders, analysts and the general public. For more information on the Company, please call 02-335-4581-83, 85, visit www.bangchak.co.th or email to IR@bangchak.co.th.

Operation Outcomes on Quality, Safety, Health and Environment

Safety and Occupational Health

The Company has perceived the importance of occupational health, safety, environment and energy, consequently the Board of Directors has assigned the executives to prescribe the policy on "Occupational Health, Safety, Environment and Energy in line with Environmental Management Standard: ISO 14001 (Issued on 15 November 2004). The policy aimed to reduce impacts of safety, security, health and environmental in all operations of the employees, contractors, public and relevant ecosystem. The structure of safety management of the Company's was summarized as follows:

Policy on Occupational health, Safety, Environment and Energy

The Bangchak Petroleum Public Company Limited, Thai owned company, has operated complete oil business including oil procurement, refinery and marketing under the business culture as stated; **Sustainable Business Development Must Go with Responsibility towards Environment and Society.**

The Company has perceived that the occupational health, safety and environment management system for all of its operations and products was the important part of its business. The Company's executives, employees and contractors have been assigned to be responsible to:

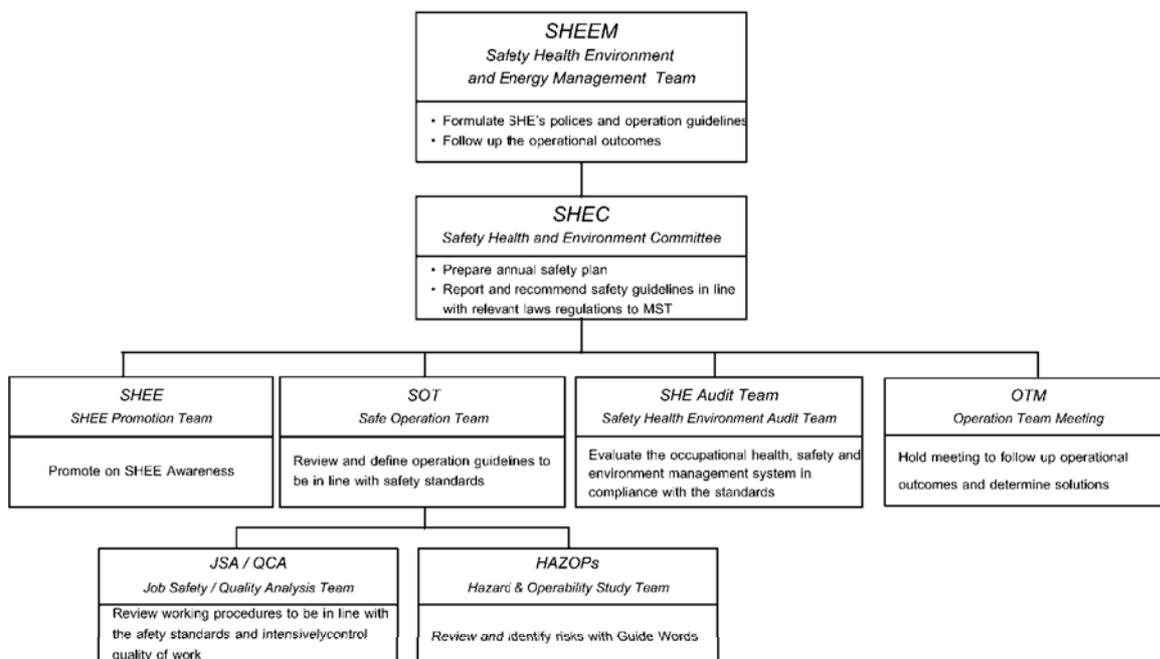
- Conduct their operation safely without causing harm to themselves, other relevant persons, communities and the environment.
- Comply with relevant laws and regulations of occupational health , safety, environment and energy;
- Prevent all factors causing pollution, oil spill and oil loss,
- Prevent all factors causing accidents,
- Utilize all resources such as energy, water and chemical substances efficiently as aimed,
- Develop the occupational health, safety and environment management system continually.

However, the executives have provide sufficient resources to achieve the target including organizing training courses for all levels of employees in order to be able to conduct their operations and responsibilities efficiently. In addition, the executives have encouraged the employees to share their opinions and to participate in developing the occupational health, safety and environment management system.

Safety Management Structure

The safety management structure, comprising all executives and divisions of the Company, has been included policy making team and operationa control team. The Safety Health Environment and Energy Management Team (SHEEM) has been responsible for formulating policies and the operational guidelines including reviewing the occupational health, safety and environment management system and appointing supporting team to be efficiently and effectively enhancing the management system. In addition, SHEEM has also assigned to be in charge of crisis management such as preparing emergency plans for fire.

Safety Management Structure



In the year 2006, the Company has particularly promoted the employees to be aware of safety and environment. Therefore, the Company appointed the Safety, Health, Environment and Energy Promotion Team (SHEE-Promotion) to plan and to promote related activities of health, safety, environment and energy saving for the employees. The activities were summarized as follows:

- Organize seminar on a new environmental concept in topic of "Creation of Safety Culture Through Behavior Based Safety"
- Organize seminar on a mental exercise in topic of "Mental Exercise for the Right Conscience"
- Show on movies about communities, society, safety, health, environment and energy saving
- Hold on an inspection of the operations in safety, health, environment and energy saving at Thai Oil refinery and PTT Sri Racha Oil Terminal for the Company's adaptation and improvement

In addition, the Company also held activities to emphasize safety awareness for the employees such as training in basic and advanced fire-extinguishing, annual fire drills, and campaign for tag warning checking. Furthermore, the executives have inspected tidiness of workplaces. The Company has settled the occupational health and safety management system in line with OHSAS and TIS 18001 for the refinery and the oil terminals at Bangchak and Bang Pa-in thus covering all of the Company's operations. The system standard has been maintained and certified continually.

According to incendiary situations in the country, the Company reviewed the emergency plans to be appropriate for changing circumstances by increasing security control level and emergency drill. Regarding to the employees' awareness of safety, the rate of employees' injuries per 200,00 working hours during 2004-2006 was decreasing from 1.92 to 1.10 and 1.15 in sequence while the statistic of safety working as of 2006 increasing to 6.9 million hours from 8.1 million hours.

The environment and safety training center at Bang Pa-in Oil Terminal has continued training in all level of fire-extinguishing, alleviating emergency case and fire drill for the employees, surrounding communities and publics. In the year 2006 the center held 57 training courses for 5,580 participants attended.

Environment

The Company has perceived the importance of environment and safety with continually complying with the Environmental Management Standard: ISO 14001 since 1997 and in this year has implemented to certify the new standard of ISO 14001 issued on 15 November 2004. In addition, the Company has regularly monitored and evaluated the system to maintain the quality of refinery's waste in accordance with relevant laws and regulations.

Furthermore, the Company has formulated environmental cost accounting as parts of the environment management accounting for the executives to make a proper decision for environmental management as disclosed in the Company's sustainability report. The Company also arranged training in environmental management accounting during 28 - 29 August 2006 to enhance the useful knowledge of environmental management and to reduce costs of complying with laws and regulations for the entrepreneurs to improve all environmental issues relating to their business.

Environment & Society Responsibility in Support of Sustainable Development

The Company realizes that the well being of Thai society will be sustainable only when relevant developments start at the smallest, yet most important unit of the society – family. Strong families can truly inculcate ethics and knowledge, and also develop their members' potentiality especially children who will grow up to be the future of the country.

In addition to its responsibilities for its business operations, the Company has undertaken to ensure that its Employees constantly improve the quality of life and their families especially their children. For its neighboring communities, the Company has conducted its business in a way that is mutually useful and promotes the safety of the communities.

In the Year 2006, the Company implemented important projects as follows:

1. Education

1.1 Project of opening up the world of learning with Bangchak

The Company furnished to allowed students in primary and secondary schools to visit the refinery for educational purposes so that they can learn more about science and technology. To facilitate these educational visits, the Company has established three learning units: namely Travel in the World of Oil, Environmental Creativity and Preparation for Safety. These learning units would connect technical elements on such areas as science, math, social science, vocational and technology, art, health, Thai and foreign languages by taking into account the educational level of the visitors. In Year 2006, this project attracted 2,400 visitors.

1.2 Renewable Energy Educational Media

The Company was aware that the renewable energy would lead to be the main energy in the country's development. Therefore, the Company has formulated education media about the renewable energy showing an interesting, easy-to-understand model on gasohol and biodiesel. These education medias were given to 10 schools in the Company's neighboring communities.

2. Sports

2.1 Bangchak Youth Futsal

With purpose of encouraging youths to spend their free time usefully and to participate in their schools' activities, the Company has regularly held futsal matches. Thirty-two schools took part in these matches in Year 2006. Furthermore, the Company organized cheerleading competition with aim to encourage expression and teamwork among the youths. There are eight schools joined the cheerleading competition.

2.2 Bangchak Community Futsal Project

In Year 2006, the Company expanded the futsal activities from schools to the youth groups in the neighboring communities for the first time. In corporation with community leaders, the Company introduced futsal to its neighboring communities with purposes of fostering unity among the local youths and strengthening the relationships within these communities thus making the communities stronger. These activities were also expected to reduce drug-related crime in the communities. In Year 2006, nine futsal teams from the neighboring communities played in matches held by the Company. To facilitate the activities, the Company also organized futsal clinic to give advice to futsal players before the tournament.

3. Safety

3.1 Activity of Basic fire-extinguishing training for community leaders

The Company regularly held basic fire-extinguishing training for community leaders so as to teach them about how to ensure safety in their households and how to use fire-extinguishing tools. The training was conducted at the Company's environment and safety training center in Bang Pa-in Oil Distribution Center, Ayutthaya. The training aimed to ensure that the community leaders would be able to put the fire-extinguishing knowledge into use and to pass on this knowledge to local people in their communities. This knowledge can be useful should any emergency arise.

3.2 Activity of Fire-extinguishing training and fire-evacuation drill for schools

With purposes of educating youths about safety knowledge and skills, the Company constantly assigned its Employees to hold fire-extinguishing training and fire-evacuation drills for schools in its neighboring communities. On safety knowledge, the Company and schools jointly decided on what would be most practical and held the training for teachers and students accordingly. The training included practice sessions to ensure that the trainees would be able to really put the knowledge into use. There are five schools joined these activities in the Year 2006.

4. Environment Aspect

4.1 Activity of sprout growing and return of forest to Phu Long

With purposes of encouraging youths to participate in environmental conservation and to understand the need to use resources economically, the Company encouraged primary students in five neighboring schools and a school in forest area to grow sprout. The activities won support from the Royal Forest Department, which provided proper seeds and gave necessary knowledge to the students. The Company offered to buy seedlings from the students and brought these seedlings to Phu Long Mountain in Chaiyaphum. In all, 20,000 seedlings were bought.

4.2 Activity on Merit Making for Preservation of Headwaters

With purposes of encouraging local communities to protect their environment and of tackling headwaters-caused drought, the Company and Employees donated money to Mahawan Forest Temple and Sukhato Forest Temple under the Pa Thao Headwaters (Phu Long) Forest Rehabilitation Project in Chaiyaphum. As parts of this project, the Company's Employees also brought the seedlings to the forest and planted them there alongside monks, teachers, students and local people. These activities covered the seedlings on 30 rai of land.

5. Quality of Life Aspect

The Company launching "Project of the One Family" to encourage families to spend their weekends together for learning, developments of useful skills and better understanding of the environment. The Company regularly organized support activities. Designed as practice lessons, these activities featured Bangchak yoga, Thai massage to relieve stress, laugh therapy, love communications, Bangchak bird watching, and energy-saving families, etc. Up to 400 people took part in these activities.

In addition to the aforementioned activities, the Company also published Leaf Family pamphlets and Bangchak Messages for its Neighbors that report useful knowledge, its updates and activities so as to foster good relationships with its neighboring communities. The publications were released every two months.

Development Direction of the Company

The Bangchak Petroleum Plc has developed and improved Financial and Business Plan under which it has formed an alliance with various oil companies to reduce operation costs, increase income and upgrade production process by investing in Product Quality Improvement (PQI). This PQI project will be completed by the end of Year 2008 and will help increase the Company's competitiveness to be on par with rivals and hence strengthen its financial status. Moreover, the Company plans to expand into the alternative energy business, which is showing a strong trend with foreign countries stressing its importance and promoting the utilization of alternative energy due to rising oil prices and depleting fossil reserves (oil, coal and natural gas) including growing worldwide concerns over environmental problems brought about by fossil energy use.

Besides operating a business under the sustainable development philosophy and stressing social and environmental development, the Company is also focused on training personnel to cope with the trend of business changing while instilling moral integrity and social contribution, good corporate governance and improving staff competency in order to increase its value-added position.

1. Refinery Business

- Though the Company's refinery is classified as a Simple Refinery type that cannot produce a high proportion of gasoline and diesel, but produce on the contrary a high proportion of fuel oil, while the supply and demand of oil in the Asia-Pacific Region has adjusted itself from oversupply to a more balanced position, resulting in an increase in the refinery margin in the region, especially the Complex Refinery which can refine crude oil into large quantity of light oil. Since the Company did not enjoy the full benefits of a higher refinery margin, it has implemented a project to improve oil quality (Product Quality Improvement: PQI) by installing a Hydrocracking Unit, Vacuum Unit, Hydrogen Plant and other support units at the Company's refinery so that highvalue oil can be produced in a larger volume resulting in higher refinery margins and higher returns on investment. Thus, the Company has planed to complete the PQI Project within the schedule of next 2 years and under allocated funds.

- It will expand co-operation with its business alliances to increase income and reduce costs by refining the Company's fuel oil at Thai Oil Plc's Cracking Unit until its own project is completed. The co-operation with business alliances also includes Co-Loading crude oil from the Middle East and uncovering new ways to increase income and cut cost.
- It will increase the refining of domestic crude oil from the Gulf of Thailand, which has lower cost but almost of the same quality of oil from the Far East Region, in order to replace the import of crude oil from the Far East Region.
- Use Information Technology to improve the work system in managing the refinery process to increase efficiency and reduce costs by putting into operation the Planning Optimization and Complex Yield Simulation projects.

2. Marketing Business

- Become a leader in alternative energy. After focusing on marketing Gasohol 95 by expanding sales of the product through the stations across the country, the Company will also concentrate on expanding sales of Gasohol 91 and Bio Diesel (B5) as alternative energy in response to government policy.
- Increase returns on assets of the company own service stations, which went in for low investment, by focusing on improving the service and image of the stations and providing clean, high-quality fuel. Furthermore, the Company plans to increase the number of stations as well as develop community service stations in business locations with a high potential opportunity, which will act as outlets for additional quantities of gasoline and diesel production under the PQI Project.
- Develop supporting businesses with a high value-added position by upgrading the image and the quality of consumer goods and service in its convenient stores to make it more popular and seek alliances that have the skills to operate supporting businesses such as vehicle oil-change centers, food and beverage shops, and expanding sales of NGV at more Bangchak service stations to increase returns from the existing service-station network.

3. Development of organization

- Bangchak Petroleum Plc aims to become a Learning Organization. After specifying and evaluating staff competency, the Company has prepared training programs both in the form of academic training and hands-on operation seminars and promotes self-learning by providing an e-library to search for vast information and knowledge at any time.
- The Company stresses the importance of good corporate governance. It strictly follows Stock Exchange of Thailand guidelines that include implementing codes of conduct and regulations on business and work ethics for the management and staff to follow, and increase staff awareness in practicing good governance in daily life.
- Achieving effective results from the organization's risk management, which is a management tool to accomplish objectives of the organization and operational success by encouraging the use of risk management in normal operations and making it part of the organization's culture.

Capital Structure

Ordinary shares

As of December 31, 2006, the Company's registered capital totaled Baht 1,531,643,461 of which the paid-up capital accounted for Baht 1,119,096,351. The registered capital was composed of 1,119,096,351 ordinary shares at par value of Baht 1.00 per share, an increase from December 31, 2005 when the paid-up capital was at Baht 687,481,908 due to the following reasons:

- On March 30, 2006, holders of depository receipts in the benefit of the convertible debentures of the Company exercised their rights to convert the depository receipts to ordinary shares in an amount of 3,496,503 shares at par value of Baht 1 thus totaling Baht 3,496,503 in value.
- On May 16, 2006, a total of 428,092,940 ordinary shares at the par value of Baht 1 were issued to PTT Plc and institutional investors thus totaling Baht 428,092,940 in value.

The issuance of more ordinary shares to PTT Plc and institutional investors was based on the resolution of Extraordinary General Meeting No. 1/2005 dated October 11, 2005 as part of the fund mobilization for the Product Quality Improvement Project (PQI).

- On June 30, 2006, warrant holders exercised their rights to purchase 25,000 ordinary shares of the Company at the new issuance no. 1/2006 at par value of Baht 1 thus totaling Baht 25,000 in value.

Warrants

- On August 25, 2003, the Company issued 24,000,000 units of warrants to the Director, Executives and Employees of the Company and Bangkok Green Net Company Limited (ESOP) and these five-year Warrants could be used to buy the new shares of the Company at one unit per share, and at Baht 5 per share.

However, as relevant conditions have not yet allowed the warrant holders to exercise their rights, the number of the Company's warrants (ESOP) still remained at 24,000,000 units as of December 31, 2006.

- On May 15, 2006, the Company issued 69,097,841 units of warrants to the Company's shareholders – (BCP-W1) based on the number of shares they were holding. Every 10 shares are entitled to one unit of warrants. These five-year warrants can be used to buy the new shares of the Company at one unit per share, and at Baht 18 per share.

From the issuance date till December 31, 2006, the holders of warrants have converted 25,000 units of warrants into 25,000 ordinary shares of the Company. As a result, as of December 31, 2006, the Company had only 69,072,841 units of warrant (BCP-W1) units.

Convertible debentures

As of December 31, 2006, the Company had 217,596 units of convertible debentures in the form of depository receipts in the benefits of the convertible debentures (DR – Convertible Debentures) issued by Siam DR Company Limited with the registered value of Baht 10,000 per unit thus totaling Baht 2,175,960,000. This was due to the redemption of the depository receipts holders on March 30, 2006 in an amount of 5,000 units, which were 5,000 units of convertible debentures that were converted to 3,496,503 ordinary shares (at the convertible price of Baht 14.30. Rounding down were used to the nearest whole amount of shares for each conversion).

Furthermore, the Company had 58,560 units of non-transferable, convertible subordinated debentures sold to PTT Plc at the par value of Baht 10,000 with the value of Baht 585,600,000. The convertible price was Baht 14 per ordinary share, with the annual interest of three percent. The offer would be a part of fund mobilization for the Product Quality Improvement Project (PQI).

Borrowings

As of 31 December 2006, domestic borrowings in the form of bank loans, debentures and promissory notes accounted for Baht 9,966 million, including Baht 9,021 million of long-term and short-term borrowings, Baht 800 million of debentures and Baht 145 million of promissory notes, which not included convertible debentures in an amount of Baht 2,762 million.

Details of debentures are included in Notes to Financial Statements ending December 31, 2006.

Shareholders

- Holders of Ordinary Shares (BCP)

| | Ten Largest Shareholders (as of April 20, 2006) | Number of Shares | % of Total Shares |
|--|--|---------------------|----------------------|
| 1. | Siam DR Co., Ltd. | 520,056,055 | 75.26 |
| 2. | Bank Thai Plc. | 30,580,600 | 4.43 |
| 3. | HSBC Bank Plc-Clients General A/C | 23,825,800 | 3.45 |
| 4. | Social Security Office | 14,002,113 | 2.03 |
| 5. | Mrs. Buppah Ngam-arphichon | 4,800,000 | 0.69 |
| 6. | ING BANK N.V.-EQUITIES | 4,500,000 | 0.65 |
| 7. | Government of Singapore Investment Corporation | 4,411,100 | 0.64 |
| 8. | Finansa Credit Ltd. | 3,680,106 | 0.53 |
| 9. | CHASE C.S. CEBTRAL NOMINEES LIMITED 24 | 3,539,400 | 0.51 |
| 10. | Thai NVDR Co., Ltd. | 2,890,400 | 0.42 |
| Total of Ten Largest Shareholders | | 612,285,574 | 88.61 |
| Total Shareholders | | 690,978,411 | 100.00 |

- Holders of Warrants (BCP-DR1) issued by Siam DR Co.,Ltd.

| | Ten Largest Shareholders (as of April 20, 2006) | Number of Shares | % of Total Shares |
|--|--|---------------------|----------------------|
| 1. | Ministry of Finance | 124,947,970 | 24.03 |
| 2. | HSBC Bank Plc-Clients General A/C | 65,207,300 | 12.54 |
| 3. | PTT Plc. | 52,240,000 | 10.05 |
| 4. | Goldman Sachs International | 26,839,500 | 5.16 |
| 5. | THE BANK OF NEW YORK (NOMINEES) LIMITED | 24,583,700 | 4.73 |
| 6. | Golman Sachs (Asia) Finance | 21,224,100 | 4.08 |
| 7. | ING BANK N.V.-EQUITIES | 12,000,000 | 2.31 |
| 8. | Vayupak Fund 1 by Krung Thai Asset Management Plc. | 10,415,700 | 2.00 |
| 9. | Vayapak Fund 1 by MFC Asset Management Plc. | 10,415,700 | 2.00 |
| 10. | Mr. Wisit Karnjanophat | 2,752,800 | 0.53 |
| Total of Ten Largest Shareholders | | 350,626,770 | 67.42 |
| Total Shareholders | | 520,056,055 | 100.00 |

- Holders of Ordinary Shares via Thai NVDR Company Limited

| | Ten Largest Shareholders (as of April 20, 2006) | Number of Shares | % of Total Shares |
|--|---|---------------------|----------------------|
| 1. | CITIGROUP GLOBAL MARKETS INC.-1 CLIENT SEGREGATED ACCOUNT | 392,000 | 13.56 |
| 2. | MERRILL LYNCH,PIERCE,FENNER & SMITH INC. | 358,200 | 12.39 |
| 3. | MR.LEONG CHEE ONN | 280,000 | 9.69 |
| 4. | RAFFLES NOMINEES (PTE) LIMITED | 200,000 | 6.92 |
| 5. | N.C.B.TRUST LIMITED-UBS PAINE WEBBER INC. | 171,200 | 5.92 |
| 6. | MR.SUDHIR KUMAR MITTAL | 165,000 | 5.71 |
| 7. | MR.CAI WEIXIN | 100,000 | 3.46 |
| 8. | PHILLIP SECURITIES PTE LTD. | 95,000 | 3.29 |
| 9. | MR.VITTALIANO UCCELLO | 91,000 | 3.15 |
| 10. | CREDIT INDUSTRIEL ET COMMERCIAL SINGAPORE BRANCH | 68,000 | 2.35 |
| Total of Ten Largest Shareholders | | 1,920,400 | 66.44 |
| Total Shareholders | | 2,890,400 | 100.00 |

Source: <http://www.set.or.th/set/nvdr/nvdrholder.do>

Policy of dividend payment of the Company

Without other necessity, the Company has the policy to pay out dividend to the shareholders at the rate of 50 percent of net profit after income tax and legal reserves depending on the economic situation and the Company's future business projects.

Policy of dividend payment of the subsidiary company(Bangchak Green Net Co.,Ltd.)

Holders of preferred shares have the rights to annual payment of dividend at the rate equivalent to 1-year fixed deposit announced by Krung Thai Bank Plc during the same accounting period as the dividend payment plus 3 percent. Dividend would be paid according to the paid-up amount of each share at the time of payment announcement. Payment date would be set up by the Shareholders' Meeting. In case that profit earned is not sufficient for dividend payment for the whole amount of preferred shares, payment of dividend would not be made to holders of ordinary shares. The amount unpaid to holders of preferred shares would be accumulated for the following year.

As for holders of ordinary shares, in case that profit earned is sufficient for dividend payment after deduction of dividend payment to holders of preferred shares, the Meeting of Major Shareholders would consider and approve dividend payment for holders of ordinary shares.

Nomination and Remuneration Committee's Report

To Shareholders,

On its meeting no. 6/2006, the Board of Directors of the Bangchak Petroleum Public Company Limited appointed the Nomination and Remuneration Committee Mr Chai-Anan Samudavanija as the chairman, Mr Pichai Chuhavajira, Mr Sayan Satangmongkol and Mr Nipon Surapongrukchareon as members.

In the Year 2006, the Nomination and Remuneration Committee had two meetings to nominate qualified persons to serve as the Company's Directors and set the remuneration for the Directors. The Nomination and Remuneration Committee also nominated a qualified person to fill the vacant post of Senior Executive Vice President left by retiring. The nominations and remuneration proposal were submitted to the Board of Directors for approval.

In nominating the qualified persons for the Directors and high-level Executives, the Nomination and Remuneration Committee took into consideration the persons' qualifications, knowledge, abilities, experiences, good working records, leadership, vision, integrity, ethics, good attitudes towards the Company and readiness to devote adequate time to the Company's works. In addition, the Nomination and Remuneration Committee also gave attention to the size and composition of the Board of Directors to ensure that they facilitate Good Corporate Governance and keep the Company's efficient management in pace with changing situations. Currently, the Board of Directors is composed of 12 members: six are Independent Directors, five are Non-Executive Directors and the other is the President who also doubles as the secretary to the Board of Directors. The profiles of all Directors are included under the topic "the Board of Directors".

In setting the remuneration for the Directors and high-level Executives, the Nomination and Remuneration Committee took into account their duties, job responsibilities, and comparable remuneration given by other listed companies in similar industry and size to ensure that the remuneration is enough to motivate the Directors and the Executives to work efficiently and push the Company into achieving its goals in line with its laid down direction. Details about the remuneration for the Directors are included under the topic Management Structure.

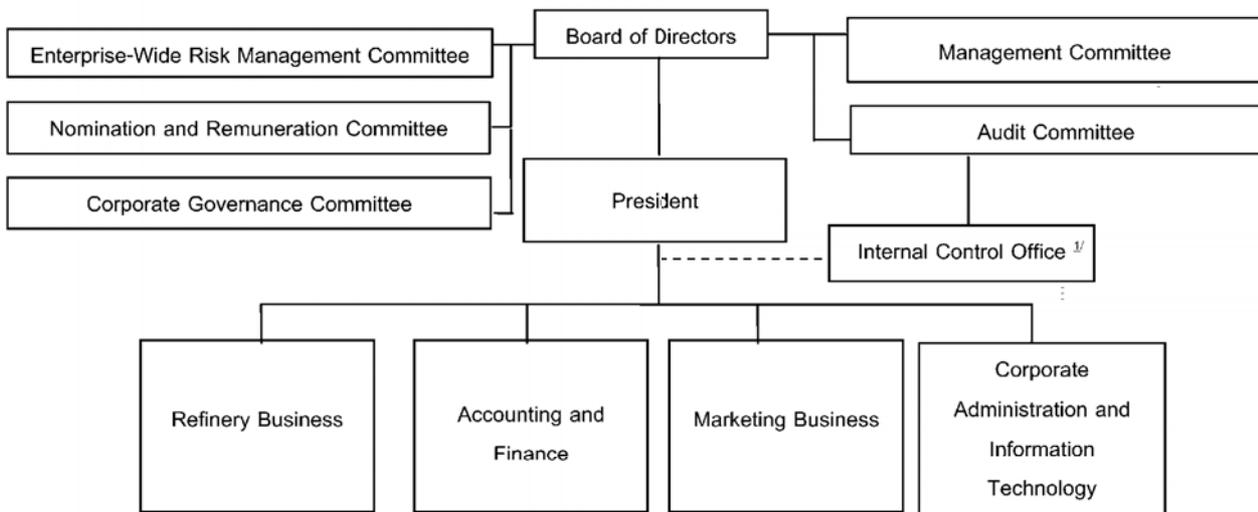
(Signed) *Chai-Anan Samudavanija*

(Chai-Anan Samudavanija)

Chairman of the Nomination and Remuneration Committee

Management Structure

1. Organization Structure



1/ The Audit Committee has the authority to consider and evaluate the scope of work and performance of the Internal Control Office, in order that the Internal Control Office could be completely independent and could perform its check-and-balance tasks under the principles of Good Corporate Governance of the Company.

2. Board of Directors

According to the Company's Articles of Association, the Board of Directors is composed of a minimum of 5 and a maximum of 14 and not less than half of the Board of Directors must be residents in Thailand. Moreover, Directors are responsible to conduct their duties in compliance with all laws, the Company's objectives and articles of association as well as resolutions of the Shareholders' meetings with honesty, integrity and with care to preserve the interests of the Company. Furthermore, the Board of Directors can delegate certain authorities

and scope of duties to the Company's executives, such as the President, who is empowered to budget allocation and disbursement, payment for Company businesses under contracts or obligations with approval from the concerned authorities, and also be granted, for personnel management, procurement and sales of petroleum products.

At present, The Board of Directors is composed of:

| | <u>Name</u> | <u>Position</u> |
|-----|------------------------------|---|
| 1. | General Tawat Ked-Unkoon | Chairman (Independent Director) |
| 2. | Mr. Chai-Anan Samudavanija | Vice Chairman (Independent Director) |
| 3. | Mr. Anusorn Tamajai | Independent Director |
| 4. | Mr. Wirat Iam-Ua-Yut | Independent Director |
| 5. | Mr. Nipon Surapongrukchareon | Independent Director |
| 6. | Miss Pranom Kowinwipat | Independent Director |
| 7. | Mr. Nares Sattayarak | Director |
| 8. | Mr. Pichai Chunhavajira | Director |
| 9. | Mr. Apisit Rujikeatkamjorn | Director |
| 10. | Mr. Sayan Satangmongkol | Director |
| 11. | Miss Chularat Suteethorn | Director |
| 12. | Mr. Anusorn Sangnimnuan | President and Secretary to the Board of Directors |

Note: All Directors are authorized to jointly sign with the Chairman or President to be two Directors and affix with the Company's seal shall bind the Company.

Independent Directors

The existing Board of Directors is composed of 6 independent directors which be a half. And according to the company's policy, the chairman of the Board of Directors must be an independent director and in order to sustain well secured the balance of power between the supervisory and management functions of the Company, the Chairman shall not be the same person as the President. Furthermore, the Chairman shall not hold any position in the Board's sub-committees to ensure the clearness of duties separation and as the leader of the Company; the Chairman has to conduct himself in a neutral manner so as to avoid conflict that may arise. Moreover, the independent directors shall also meet the following requirements:

1. Holding less than 0.5 % of voting shares of the Company, subsidiary companies, associated companies or persons who may have any conflict of interest with the Company.
2. Not participating in the management of the Company, nor being employee, staff member, consultant who receiving regular salary, service provider, auditor, lawyer or person with authority over the Company, subsidiary companies, associated companies or persons who may have any

conflict of interest with the Company and shall be free and clear from gaining any benefit from the said persons during a period of 2 year before his/her appointment as a member of the Board of Directors. Furthermore, independent directors shall also attend the Board of Directors meetings and express their opinions from an independent viewpoint.

3. Having no vested interests nor gaining benefit, whether directly or indirectly, for financial or managerial aspects, nor being customer, supplier, trading creditor/debtor of the Company, subsidiary companies, associated companies or persons who may have any conflict of interest with the Company.
4. Not being close relative of executives, major shareholders of the Company, subsidiary companies, associated companies or persons who may have any conflict of interest with the Company, nor being appointed as a representative to protect interests of directors or major Shareholders.

Directors representing Major Shareholders are:

| | |
|-------------------------------|---------------------|
| 1. Miss Chularat Suteethorn | Ministry of Finance |
| 2. Mr. Nares Sattayarak | Ministry of Finance |
| 3. Mr. Pichai Chunhavajira | PTT Plc. |
| 4. Mr. Apisit Rujikeatkamjorn | PTT Plc. |

Nomination and Appointment of Directors

1. According to the Company's articles of association, directors are appointed by a majority vote of the Shareholders' Meeting. Every shareholder shall have one vote for each share of which he/she is the holder. Each shareholder may elect persons to act as directors individually. The person receiving the highest votes in their respective order of the votes shall be elected as directors at the number equal to the number of directors required at that time. In event of an equality of votes among the persons elected in order of respective high number of votes, which number exceeds the required number of directors of the Company at that time, the Chairman of the Meeting shall be entitled to a second or casting vote.
2. At every Annual General Meeting, directors numbering one-third of the total number shall retire by rotation. In case the number of directors is not a multiple of three, the number nearest to one-third shall retire and the director who serves the longest period in the office shall retire. A retiring director is eligible for re-election.
3. Apart from retirement by rotation, the directors shall vacate office upon:
 - Death;
 - Resignation (effective as from the day that the Company receive the resignation letter);
 - Loss of qualifications or disqualification under Section 68 of the Public Limited Company Act. B.E. 1992
 - Removal by a resolution of the shareholders' meeting under Section 76 of the Public Limited Company Act. B.E. 1992
 - Removal by a court order

4. In case a directorship becomes vacant otherwise than by rotation, the Board of Directors shall elect a person who has a qualification and who is not disqualified according the Company's articles of association as replacement at the following meeting of the Board of Directors. Unless the remaining duration of the director's term of office is less than two months, the person so appointed shall retain his/her office during such time only as the removing director was entitled to retain the same. Moreover, the resolution of the Board of Directors under the foregoing sentences shall be supported by a vote of not less than three-fourths of the remaining directors.

Scope of Authorities of the Board of Directors

- 1) All new Directors are responsible to attend orientation classes regarding Business Operations of the Company.
- 2) Conduct their duties in compliance with all laws, objectives and articles of association of the Company as well as resolutions of the shareholders' meetings with honesty and integrity and carefully safeguard the benefits of the Company to ensure regular accountability towards Shareholders.
- 3) Formulate policies and directions of the Company's operations, and also monitor and supervise the management team to function in accordance with such policies and regulations with efficiency and effectiveness, under the principles of Good Corporate Governance, to maximize economic value and Shareholders' wealth.
- 4) Continuously follow and monitor the business performance and operations of the Company with regard to laws and stipulations of concerned contracts and on regular basis, The management team is responsible to report on important issues and operational results of the Company in every Board of Directors' Meeting or at least 12 times a year to oversee and ensure their performance.
- 5) Arrange appropriate accounting systems and financial report including a suitable and a reliable internal control and internal audit systems.
- 6) Review the Company's Good Corporate Governance manual constantly.
- 7) Arrange appropriate the risk management system by adequately supervising guideline and policy including following up on results.
- 8) Ensure that the management team operates business in taking into account duties and responsibilities based on virtue and ethics to comply with benefits of all concerned parties.
- 9) Independent and external directors are capable of performing duties, set out strategies, and use their judgment in determining matters such as operational tactics, resource utilization, nominate directors including set up performance standard of the Company with an independent opinion. They also have to be ready to oppose any acts of other Directors or the management on the issues affecting the equity of Shareholders.

- 10) Seek professional opinions from external to make comments or give advice on the Company's operations with the Company' expense as necessary.
- 11) Appoint the Company Secretary to take care of Directors and the Company' activities such as preparing and arranging Board of Directors' Meeting together with Shareholders' Meeting and also assisting the Directors and the Company in performing their duties as required by laws and related rules and regulations from time to time. Moreover, the Company secretary is accountable for supporting the Board of Directors and the Company in disclosing all information accurately, completely, transparently, and providing in a timely manner.
- 12) Ensure that the Company has the code of corporate conduct, business ethics, and code of ethics as performance guidelines for directors, executives and staff members.
- 13) Refrain from securities trading at least one month prior to announcement of the Company's financial statements and at least 3 days after such announcement.
- 14) Report ownership of securities of their own, spouses and children in monthly Board meeting and have to promptly report to the Company in the following cases:
 - Direct and indirect interest with any contracts concluded by the Company during the accounting year,
 - Possessing of shares or debentures of the Company and its affiliates
- 15) Attend the seminar of Thai Institute of Directors Association (IOD) in the course that related to statutory duties and legal liabilities of the Board of Directors, namely Directors Certification Program (DCP) or Director Accreditation Program (DAP) in order to perform the role of director more effectively.
- 16) Non-executive directors have to assess the performance of the President annually to evaluate the scope of work and fix appropriate remuneration.

Meetings of the Board of Directors

In 2006, the Board of Directors held 12 ordinary meetings and 3 extraordinary meetings to review Product Quality Improvement Project and offering of shares to raise capital for the project. The Company also held a special seminar to review and set out targets, strategies, and plans for the Company's operations with the management team. Therefore, the Board of Directors held a total of 15 meetings this year. Each of which meetings generally took 3 hours. Most Board of Directors meetings were held at Bangchak's head office, while some were held outside the Company. The attendance record of each Board member is summarized as follows:

| Name | Meeting participated/No. of Meetings (Times) | | | Note |
|---------------------------------|--|------------------------|---------|--------------------------------------|
| | Ordinary Meetings | Extraordinary meetings | Seminar | |
| 1. General Tawat Ked-Unkoon | 12/12 | 3/3 | 15/15 | - |
| 2. Mr. Chai-Anan Samudavanija | 11/12 | 1/3 | 12/15 | - |
| 3. Mr. Anusorn Tamajai | 11/12 | 2/3 | 13/15 | - |
| 4. Mr. Wirat Iam-Ua-Yut | 12/12 | 3/3 | 15/15 | - |
| 5. Mr. Nipon Surapongrukchareon | 12/12 | 2/3 | 14/15 | - |
| 6. Miss Chularat Suteethorn | 12/12 | 1/3 | 13/15 | - |
| 7. Mr. Pichai Chunhavajira | 9/12 | 2/3 | 11/15 | - |
| 8. Mr. Apisit Rujikeatkamjorn | 11/12 | 2/3 | 13/15 | - |
| 9. Mr. Sayan Satangmongkol | 12/12 | 2/3 | 14/15 | - |
| 10. Mr. Nares Sattayarak | 8/9 | 2/2 | 10/11 | Appointed on April 18, 2006 |
| 11. Miss Pranom Kowinwipat | 9/9 | 2/2 | 11/11 | Appointed on April 18, 2006 |
| 12. Mr. Anusorn Sangnimnuan | 12/12 | 3/3 | 15/15 | |
| 13. Mr. Songpope Polachan | 3/3 | 1/1 | 4/4 | Completion of Term on April 18, 2006 |

Furthermore, the Board of Directors had evaluated the efficiency of the Board's meeting for year 2006 based on guide line of the Thai Institute of Directors Association (IOD) with aim to gather information that could be used to improve the meeting. The result of the evaluation showed that the Board's meeting for year 2006 was rated "excellent" by respondents.

Self-assessment of the Board of Directors

In order to comply with the principles of Good Corporate Governance, the Board of Directors has assigned self-assessment of the Directors at least once a year. In 2006, the Board of Directors undertook self-assessment in 3 formats, namely direct self-assessment, cross assessment and group assessment, based on the evaluation forms prepared by Stock Exchange of Thailand and Thai Institute of Directors Association (IOD) which would be used as the framework for auditing and improvement of the Directors' performance. Cross assessment has been done by random for one Director to evaluate other Director's performance, the name

and information of the evaluator not being informed to the one who was evaluated. The results of the assessment can be summarized as follows:

- The average mark were 77 from 80 for direct self-assessment and 77 from 80 for cross assessment, under the similar topics, including formulation of the Company's strategies and directions, follow-up and evaluation of the Management and responsibilities of the Directors, of which the details are as follows:

1. Formulation of the Company's Strategies and Directions

Most Directors were of the opinion that all Directors have spent enough time and have appropriately participated in formulating the Company's strategies, missions and targets by providing their comments and jointly discussed with the Management concerning the problems and obstacles of the Company's operations. In addition, most Directors thought that the Board of Directors has presented various innovative ideas to solve the company's problems and/or to push the Company to be up-to-date.

2. Follow-up and Evaluation of the Management

Most Directors were of the opinion that all Directors have taken part in supervising that the Management presented the work plans in case that the operations did not meet the targets/business plans as earlier set up and in coordinating between the Board of Directors and the Management. In addition, the Board of Directors has acted as advisors and has provided useful advices for business operations.

3. Responsibilities of the Directors

Most Directors were of the opinion that all Directors took part in leading the Company to run its business with ethics in accordance with the principles of Good Corporate Governance. The Policy of Good Corporate Governance was formulated in written form and was appropriately communicated to the Executives and employees. Directors also participated in supervision of the Company's efficient internal control and risk management as well as their compliance to relevant laws and regulations, formulation of accurate financial reports under the accounting standard.

- The average mark for group assessment was 117 from 120. The topics of assessment included structure of the Board of Directors, readiness of the Board of Directors, formulation of strategies and business planning, risk management and internal control, avoidance of conflict of interest, meetings of the Board of Directors and nomination and remuneration set-up.

1. Structure of the Board of Directors

The Board of Directors was of the opinion that its structure has been deemed appropriate, composing of Directors with diversified knowledge, experiences and specific skills that were suitable to the Company's business. The number of independent Directors has been sufficient (5 from 11) to be able to deliver decisions independent from the Management.

Different Sub-Committees have been appointed to assist the Board of Directors in studying and considering matters that were in the scope of their capacity and experiences. In addition, the Board of Directors provided support to organizing orientation for new Directors so that they could obtain general view of the Company's business operations as well as problems and obstacles.

2. Readiness of Directors

The Board of Directors was of the opinion that most Directors have been able to allocate their time to perform their duties and have possessed suitable understanding in the nature of business, problems and obstacles of the Company. The Directors have been able to express their opinion and to work in team with openness and straightforwardness. They have clearly divided their roles, duties and responsibilities between the Board of Directors, Sub-Committees and the Management.

3. Formulation of the Company's Strategies and Business Planning

The Board of Directors was of the opinion that all Directors have played an important role in formulation/consideration and granting approval to the Company's visions, missions, strategies, targets, business plans and budgets to be the guideline for the Management's operations. The Board of Directors has appropriately authorized the Management in the business operations and has assigned the Management to report the Company's performance as compared with the targets on a regular basis.

4. Risk Management and Internal Control

The Board of Directors was of the opinion that all Directors have regularly followed up the Company's risk management. They have also supervised an efficient and suitable internal control system by assigning regular audit report to the Audit Committee and the Board of Directors.

5. Avoidance of Conflict of Interest

The Board of Directors was of the opinion that most Directors have placed importance on the matter of avoidance of conflict of interest. Emphasis has been put on equity treatment to the stakeholders with transparency. The Board of Directors has set up the policy on formulation of reports on related items and items with conflict of interest to be in accordance with the regulations of the Stock Exchange of Thailand and maximum benefit of the shareholders and the Company.

6. Meetings of the Board of Directors

The Board of Directors was of the opinion that most Directors have regularly attended the meetings and have expressed their views in a constructive manner as concerns the Company's business targets, policies and significant risk issues as well as the relevant

stipulations and regulations. The comments of the Directors have been expressed without any influence from the Management and major shareholders. The minutes of meeting have been correctly formulated.

7. Nomination and Remuneration set-up

The Board of Directors was of the opinion that the process of nomination of Directors and President of the Company has been under the definitive and transparent principles, taking into consideration the appropriate qualifications that would be beneficial to the Company. As for the Company's remuneration, the Board of Directors has proposed the Directors' remuneration to the shareholders with transparent principles in accordance with the returns of business operation and the remuneration of the same industries. As for the Executives' remuneration, the Board of Directors was of the opinion that it has been set up in an appropriate manner with consideration of targets, performance and accomplishment of the goals as well as incentive.

Orientation for New Directors

The Company has regularly organized orientation programs for new Directors including lectures on overview of the Company's business under the following topics:

- Framework of business operations (relevant laws and regulations, resolutions of the Cabinet, and Articles of Association)
- Information on the Company's performance and activities
- Key Projects of the Company
- Organizational Development
- The Company's Good Corporate Governance Policy and Principles
- Activities for Community and Environment

In addition, the Company has organized visits of new Directors to the Bangchak refinery and service stations in different places. It has also provided "Director's Handbook" of the Office of the Securities and Exchange Commission (SEC) to the Directors as well as other documents concerning the Board of Directors and Executives. The handbook will introduce the Company to the new director and inform them of the Company's Good Corporate Governance principles, which shall cover the following issues:

- The Company's visions and targets
- Resumes of the Directors and Executives
- Qualifications and remunerations of the Directors
- Roles, authorities and responsibilities of the Directors
- Management structure
- Good Corporate Governance Policy
- Risk Management Handbook
- Information on the establishment of the Company

- Memorandum of Association, Letter of Guarantee, Articles of Association and regulations of the Company

Training of the Board of Directors

The Board of Directors has been interested in self-improvement, with the purpose to increase their knowledge, skill and standard of performance to become more efficient and ethical. In 2006, the Company sent 2 Directors to participate in the Directors Certification Program (DCP) of the Thai Institute of Directors Association (IOD), i.e. Miss Chularat Suteethorn and Mr. Nares Sattayarak .

In Year 2006, four directors took more training courses: Two of them, Mr Wirat lam-ua-yut and Mrs Chularat Suteethorn, took Finance for Non-Finance Directors course; Mr Nipon Surapongrukchareon took DCP Refresher Course; and Mr Apisit Rujikiatkamchorn took Understanding the Fundamental of Financial Statement course.

In addition to the above courses, the Directors also attended seminars held by IOD throughout the Year 2006 in a bid to learn more about how to conduct their duties as the director effectively. These seminars were on "Corporate Governance Principle 2006" and "Sufficiency Economy and Good Corporate Governance", plus a workshop on "Board Performance Evaluation". For the Directors who did not attend seminars, the Company provided them with seminar documents so that they can study the information on their own.

Seminar attendance by the Directors can be summarized as follows:

| NO. | Name-Surname | Directors Certification Program | Director Accreditation Program | Finance for Non-Finance Directors |
|-----|------------------------------|---|---|---|
| 1. | General Tawat Ked-Unkoon | - | <input checked="" type="checkbox"/> Year 2004 | <input checked="" type="checkbox"/> Year 2005 |
| 2. | Mr. Chai-Anan Samudavanija | - | - | - |
| 3. | Mr. Anusorn Tamajai | <input checked="" type="checkbox"/> Year 2003 | <input checked="" type="checkbox"/> Year 2004 | - |
| 4. | Mr. Wirat lam-Ua-Yut | - | <input checked="" type="checkbox"/> Year 2006 | <input checked="" type="checkbox"/> Year 2006 |
| 5. | Mr. Nipon Surapongrukchareon | <input checked="" type="checkbox"/> Year 2003 | - | - |
| 6. | Mr. Nares Sattayarak | <input checked="" type="checkbox"/> Year 2006 | <input checked="" type="checkbox"/> Year 2006 | - |
| 7. | Miss Chularat Suteethorn | <input checked="" type="checkbox"/> Year 2006 | <input checked="" type="checkbox"/> Year 2005 | <input checked="" type="checkbox"/> Year 2006 |
| 8. | Mr. Pichai Chunhavajira | - | <input checked="" type="checkbox"/> Year 2005 | - |
| 9. | Mr. Apisit Rujikeatkamjorn | - | <input checked="" type="checkbox"/> Year 2004 | <input checked="" type="checkbox"/> Year 2005 |
| 10. | Mr. Sayan Satangmongkol | <input checked="" type="checkbox"/> Year 2004 | <input checked="" type="checkbox"/> Year 2004 | <input checked="" type="checkbox"/> Year 2004 |
| 11. | Miss Pranom Kowinwipat | <input checked="" type="checkbox"/> Year 2001 | - | - |
| 12. | Mr. Anusorn Sangnimnuan | <input checked="" type="checkbox"/> Year 2005 | <input checked="" type="checkbox"/> Year 2005 | <input checked="" type="checkbox"/> Year 2005 |

3. Sub-Committees

The Board of Directors appointed the following Sub-Committees to lessen the workload of the Board of Directors and to monitor the overall performance of the Company:

1) Audit Committee - AUDIT

The Audit Committee is presently composed of 4 independent directors, two of which is knowledgeable or experienced in accounting, finance, or audit. Its responsibilities are assigned by the Board of Directors in the Audit Committee Charter. It holds at least 1 meeting per quarter. The members of the Audit Committee are:

| | |
|---------------------------------|----------|
| 1. Mr. Anusorn Tamajai | Chairman |
| 2. Mr. Wirat Iam-Ua-Yut | Member |
| 3. Mr. Nipon Surapongrukchareon | Member |
| 4. Miss Pranom Kowinwipat | Member |

*the Audit Committee may take independent professional advice at the Company's expense, in appropriate circumstances

Scope of Authorities of the Audit Committee

- 1) Review the accuracy of the Company's financial reports in accordance with Generally Accepted Accounting Principles, and ensure there is adequate disclosure.
- 2) Ensure that the Company has suitable and efficient internal control system and internal audit and to assure the efficiency and adequacy of the risk management system.
- 3) Ensure that the Company performs in accordance with the laws governing Securities and Exchange, the Regulations of the Stock Exchange of Thailand and the laws applicable to the business of the Company.
- 4) Determine appropriate disclosure of information in cases where there are connected transactions which may lead to a conflict of interest, in order to ensure complete compliance with all rules and regulations.
- 5) Inspect and consider with the management on the defects that have been found out and on the responses from the management.
- 6) Empower on the auditing and investigating all related party under the authorization of the Audit Committee and is authorized in hiring an expert so as to audit and investigate in compliance with the Company's regulations.
- 7) Prepare an annual disclosure report on the corporate governance of the Audit Committee to be included in the annual report, affixing the signature of the Chairman of the Audit Committee.
- 8) Consider, select and nominate the company's external auditor, and recommend his/her remuneration.
- 9) Review and comment on scopes of work and plans of the external auditor and the internal audit department in order to ensure contributory of both parties and ensure there is reductive double operations of financial auditing.

- 10) Approve on charter, work plans, budget and manpower of the Internal Control Office.
- 11) Appoint, transfer, and annually undertake an assessment program to evaluate the scope of work and performance of the Internal Control Office's Vice president.
- 12) To review the efficiency and effectiveness of internal control and risk management focusing on the issue of information technology.
- 13) At least once a year, attend the private meeting with an auditor only.
- 14) Perform tasks requested by the Board of Directors which the Audit Committee agrees to.

Remuneration

Monthly remuneration has been structured at Baht 10,000 and Meeting allowance has been set up at Baht 5,000 per one meeting (for those who attend the meeting). The Chairman of the Sub-Committee on Audit Committee receives an addition of 25 percent.

2) Nomination and Remuneration Committee - NRC

In order to comply with the principle of Good Corporate Governance and the Stock Exchange of Thailand's Code of Conduct for listed companies' directors, the Board of Directors then appointed the Nomination and Remuneration Committee. It is composed of 4 members and at least 1 director shall be experienced in the area of human resources management. In the year 2006, the Board of Directors assigned the additional responsibilities of the Nomination and Remuneration Committee to nominate and propose the remuneration for Senior Executive Vice President to the Board of Directors for approval. The members of the Nomination and Remuneration Committee are as follows:

| | | |
|------------------|--------------------|----------------------|
| 1. Mr. Chai-Anan | Samudavanija | Chairman |
| 2. Mr. Pichai | Chunhavajira | Member |
| 3. Mr. Sayan | Satangmongkol | Member |
| 4. Mr. Nipon | Surapongrukchareon | Member and Secretary |

Scope of Authorities of the Nomination and Remuneration Committee

- 1) Determine nomination criteria and qualifications regarding the Company's Directors and President.
- 2) Consider the selection of directors from qualified personnel and recommend the names of the candidates to the Board of Directors for consideration and/or approval as the case may be.
- 3) Formulate principles and methods to determine remunerations for Directors and President.
- 4) Propose appropriate remuneration for directors and submit to the Board of Directors for consideration and to shareholders' meeting for approval.
- 5) Propose remunerations of President to the Board of Directors for approval.
- 6) Perform any other act as assigned by the Board of Directors.

Remuneration

Meeting allowance has been set up at Baht 10,000 per one meeting (for those who attend the meeting) and the Chairman of the Sub-Committee on Nomination and Remuneration Committee receives an addition of 25 percent.

3) Enterprisewide Risk Management Committee - ERM

The Enterprisewide Risk Management Committee performs its duties in overseeing appropriate risk management of the Company as assigned by the Board of Directors in written document. It consists of 9 members and at least 1 member having knowledge and experienced of risk management. The members are as follows:

- | | |
|--|---------------|
| 1. Representative of the Board (Mr. Nipon Surapongrukchareon) | Chairman |
| 2. Representative of the Board (Mr. Nares Sattayarak) | Vice Chairman |
| 3. President | Member |
| 4. Two of Risk management expert (Mr.Thaweesak Woraphiwut and Pradit Wanarat, Ph.D.) | Member |
| 5. Four of Senior Executive Vice President/ With a Senior Executive Vice President of Corporate Administration and Information Technology to be a secretary. | Member |

Scope of Authorities of the Enterprisewide Risk management Committee

- 1) Determine policies, strategies and targets for risk management.
- 2) Enhance continued and efficient risk management system.
- 3) Support cooperation in risk management.
- 4) Ensure that the company is equipped with adequate and efficient risk management.
- 5) Chairman of the Enterprisewide Risk Management Committee reports the meeting outcomes to the following Board of Directors' meeting.
- 6) Perform any other act as designated by the Board of Directors.

Remuneration

Meeting allowance has been set up at Baht 10,000 per one meeting for the representative of the Board and risk management expert only.

4) Corporate Governance Committee - CGC

The Corporate Governance Committee is in charge of supervision of all departments of the Company to perform their duties in accordance with the Principles of Good Corporate Governance. This Sub-Committee also takes charge in regular improvement of the Good Corporate Governance guidelines to comply with international standard. The Sub-Committee is composed of 4 members, at least one of which has to be knowledgeable of the Principles of Good Corporate Governance of the international standard. The members are as follows:

- | | | |
|----------------|---------------|----------------------|
| 1. Mr. Wirat | Iam-Ua-Yut | Chairman |
| 2. Mr. Sayan | Satangmongkol | Member |
| 3. Mr. Nares | Sattayarak | Member |
| 4. Mr. Anusorn | Sangnumnuan | Member and Secretary |

Scope of Authorities of the Enterprisewide Risk management Committee

- 1) Submission of proposals on the operational guidelines concerning the Good Corporate Governance to the Board of Directors
- 2) Supervision of the operations of the Board of Directors and the Management to comply with the Principle of Good Corporate Governance
- 3) Review of performance concerning Good Corporate Governance in comparison with the international standard and submission of proposals to the Board of Directors on the improvement of performance
- 4) Assignment of Good Corporate Governance policies to the Company's Working Group on Good Corporate Governance
- 5) Invitation of outside experts to be the Company's advisors and to participate in the meetings with the expenses paid by the Company
- 6) Performance of other duties as assigned by the Board of Directors

Remuneration

Meeting allowance has been set up at Baht 10,000 per one meeting and the Chairman of the Sub-Committee on Good Corporate Governance receives an addition of 25 percent.

Meetings of the Sub-Committees

The attendance of the directors in Sub-committees meetings in the year 2006 are as follows:

| Year 2006 ^{1/} | Sub-Committees | | | |
|---------------------------------|----------------|-----|------|-----|
| | AUDIT | NRC | ERMC | CGC |
| 1. Mr. Chai-Anan Samudavanija | - | 2/2 | - | - |
| 2. Mr. Anusorn Tamajai | 8/8 | - | - | - |
| 3. Mr. Wirat Iam-Ua-Yut | 7/8 | - | - | 4/4 |
| 4. Mr. Nipon Surapongrukchareon | 8/8 | 2/2 | 7/7 | - |
| 5. Mr. Pichai Chunhavajira | - | 2/2 | - | - |
| 6. Mr. Sayan Satangmongkol | - | 2/2 | - | 3/4 |
| 7. Mr. Nares Sattayarak | - | - | 4/5 | 3/3 |
| 8. Miss Pranom Kowinwipat | 6/6 | - | - | - |
| 9. Mr. Anusorn Sangnimnuan | - | - | 7/7 | 4/4 |

Notes: ^{1/} There are 3 directors namely General Tawat Ked-Unkoon, Mr. Apisit Rujikeatkamjorn, and Miss Chularat Suteethorn have no participation in any sub-committees of the Company.

4. Office of Secretary to the Boards of Directors

The Company has established the Office of Secretary to Boards of Directors, which comprises qualified and experienced officers to provide legal advices and advisory services to the Board of Directors, to assist in the Board of Directors' works, and to co-ordinate with other units to ensure compliance with the Board of Directors' resolutions based on the Company's good corporate governance principles.

The main duties and responsibilities of the Office of Secretary to Boards of Directors include:

- Providing primary advice pertaining to laws and regulations governing company business and the Company's Articles of Association, monitoring compliance of actions on regular basis, and reporting on any significant changes to the Board.
- Arranging meetings for shareholders and meetings of the Board of Directors in accordance with laws and regulations, and the Company's Articles of Association and procedures.
- Preparing meeting minutes for shareholder and Board of Directors meetings, and monitoring subsequent actions for compliance with the resolutions of shareholder and Board meetings.
- Ensuring that corporate information disclosures to regulatory agencies in accordance with laws and regulations.
- Informing general shareholders of their legitimate rights and disseminating the Company's information.
- Assisting in Board activities.

5. Executive Staff

As of December 31, 2006, the Executive Staff is composed of 6 persons as follows:

| <u>Name</u> | <u>Position</u> |
|-------------------------------------|---|
| 1. Mr. Anusorn Sangnimnuan | President |
| 2. Mr. Vichien Usanachote | Senior Executive Vice President / Refinery Business |
| 3. Mr. Patiparn Sukomdhaman | Senior Executive Vice President / Accounting and Finance |
| 4. Mr. Wattana Opanon-amata | Senior Executive Vice President / Corporate Administration and Information Technology |
| 5. Mr. Manoon Siriwan ^{1/} | Senior Executive Vice President / Marketing Business |
| 6. Mr. Yodphot Wongrukmit | Senior Vice President/Retail Marketing |

Note: 1/ Retiring from the post of Senior Executive Vice President on 31 December 2006

Stipulations of the Board of Directors concerning the Management's scope of responsibilities

Scope of responsibilities of the Management has been set up by the Board of Directors as follows:

- 1) Business operations and/or daily operations of the Company according to the policies, work plans, targets, rules and regulations of the Company as formulated by the Board of Directors.
- 2) Performance of duties according to the resolutions of the Board of Directors meetings under the approved budgets with strictness, honesty and good care of the interest of the Company and shareholders.
- 3) Report of performance, progress of the operations, and significant issues to the Board of Directors at least once a month.
- 4) Business operations in accordance with the guidelines of Good Corporate Governance as set up by the Board of Directors.
- 5) Refrain from running business or participating in similar business that is in competition with the Company's business, whether for one's own interest or for interest of the others, with exception that the act has been informed and approved by the superior and the Internal Control Office.
- 6) All Senior Executive Vice President, Vice President for Accounting and Taxation, Vice President for Finance and Credit have to refrain from securities trading at least one month prior to announcement of the Company's financial statements and at least 3 days after such announcement. They have to report ownership of securities of their own, spouses and children in each Board of Directors meeting and have to promptly report to the Company in the following cases:
 - Direct and indirect interest with any contracts concluded by the Company during the accounting year,
 - Possessing of shares or debentures of the Company and its affiliates.
- 7) Participation in the courses related to the Company's business operation and daily operation with the Company's expenses so as to enhance increased knowledge and skills to perform the duties. As for the Senior Executive Vice President, the Board of Directors has supported to participate in the Director Certification Program (DCP) organized by the Thai Institute of Directors Association (IOD), with the purpose to enhance better understanding on the Directors' roles and responsibilities that would lead to efficiency in the management of the Company.

Stipulations of the Board of Directors concerning succession plan and improvement of Executives

The Board of Directors of has set up the policy to nominate the Company's President that the persons with appropriate qualifications, whether outside or inside the Company, can apply for the positions. The suitable persons would be selected by the Nomination and Remuneration Committee, which has set up the principles and methods of nomination.

In addition, in order to attain the maximum benefit in nominating the President, the Board of Directors has assigned the Management to appoint “the Personnel and Management Development Committee” to take charge in improvement of the Executives’ knowledge and capabilities. The Board of Directors has also stipulated rotation of duties for the Executives, so that they could acquire better understanding, experiences and readiness in general organizational management. The Executives from the level of Senior Vice President are eligible to apply for the positions of President their qualifications meet with the requirement.

Appointment of Executives

According to the Company’s regulations, the Board of Directors is authorized to appoint the Executives from the level of Senior Vice President. The Board of Directors has assigned the Nomination Committee for the Senior Executive Vice President to nominate the Executives at the level of Senior Executive Vice President to be submitted for approval by the Board of Directors.

Performance assessment of the President

Non-Executive members of the Board of Directors are responsible for the annual evaluation of the President’s performance in the form of Key Performance Indicators (KPI) in comparison with the targets as stipulated in the employment contracts and work plans that have been submitted to the Board of Directors. The President would report the outcomes of their performance in such issues as directions of refinery business management, marketing business and organizational development. They also have to report on the present outcomes of operations as concerns the success and obstacles, capability in expanding opportunities and business competitiveness as well as compliance to the Government policies.

6. Directors Remuneration

Monetary and other remuneration, for example rights to buy shares etc. (Information as of December 31, 2006)

| Year 2006 | Monetary Remuneration | | | | | | |
|---|-----------------------|---------|--------|--------|--------|-----------|-----------|
| | BOARD | AUDIT | NRC | ERMC | CGC | BONUS | TOTAL |
| 1. General Tawat Ked-Unkoon | 525,000 | 0 | 0 | 0 | 0 | 1,018,930 | 1,543,930 |
| 2. Mr. Chai-Anan Samudavanija | 405,000 | 0 | 25,000 | 0 | 0 | 917,040 | 1,347,040 |
| 3. Mr. Anusorn Tamajai | 380,000 | 200,000 | 0 | 0 | 0 | 815,143 | 1,395,143 |
| 4. Mr. Wirat lam-Ua-Yut | 420,000 | 155,000 | 0 | 0 | 50,000 | 815,143 | 1,440,143 |
| 5. Mr. Nipon Surapongrukchareon | 400,000 | 160,000 | 20,000 | 70,000 | 0 | 815,143 | 1,465,143 |
| 6. Miss Chularat Suteethorn | 380,000 | 0 | 0 | 0 | 0 | 815,143 | 1,195,143 |
| 7. Mr. Pichai Chunhavajira | 340,000 | 0 | 20,000 | 0 | 0 | 815,143 | 1,175,143 |
| 8. Mr. Apisit Rujikeatkamjorn | 380,000 | 0 | 0 | 0 | 0 | 815,143 | 1,195,143 |
| 9. Mr. Sayan Satangmongkol | 400,000 | 0 | 20,000 | 0 | 30,000 | 815,143 | 1,265,143 |
| 10. Mr. Nares Sattayarak | 290,000 | 0 | 0 | 40,000 | 30,000 | 0 | 360,000 |
| 11. Miss Pranom Kowinwipat | 310,000 | 110,000 | 0 | 0 | 0 | 0 | 420,000 |
| 12. Mr. Anusorn Sangnimnuan | 420,000 | 0 | 0 | 0 | 40,000 | 542,886 | 1,002,886 |
| 13. Mr. Songpope Polachan ^{1/} | 110,000 | 0 | 10,000 | 0 | 10,000 | 815,143 | 945,143 |

Notes ^{1/} Completion of Term on 18 April 2006

7. Executives Remuneration

The Company has undertaken an annual evaluation of the Executives' performance in the form of Key Performance Indicators (KPI) in comparison with the targets stipulated in the employment contracts and/or work plans that have been submitted to the President and/or the Board of Directors, which would be related to the rate of remuneration under the principle set up by the Board of Directors. As for the President, performance would be annually evaluated by the Non-Executive Directors (as mentioned above). The Nomination and Remuneration Committee has been in charge of setting up the remuneration that would reflect the operational outcomes and the standard in the same industry to be submitted to the Board of Directors for consideration and approval. In 2006, the Company's payment of salary, rewards and welfare to 6 Executives in the amount of Baht 30,848,994.

Details of the Company's Executive Staff and Authorized persons

As of December 31, 2006

| No. | Names | Position in the Company | Position in Subsidiary Company/ Green Net Co., Ltd. | Position in Associated Company/ Fuel Pipeline Transportation Co., Ltd. |
|-----|----------------------------------|--|--|---|
| 1 | Mr. Anusorn Sangnimnuan | President | - | - |
| 2 | Mr. Vichien Usanachote | Senior Executive Vice President/ Refinery Business | - | Director |
| 3 | Mr. Patiparn Sukorndhaman | Senior Executive Vice President Accounting and Finance | Director | - |
| 4 | Mr. Wattana Opanon-amata | Senior Executive Vice President/ Corporate Administration and Information Technology | - | Director |
| 5 | Mr. Manoon Siriwan ^{1/} | Senior Executive Vice President/ Marketing Business | Director | Director |
| 6 | Mr. Yodphot Wongrukmit | Senior Vice President,/Retail Marketing | Director | - |

Note: 1/ Retiring from the post of Senior Executive Vice President on 31 December 2006

Remuneration for Executive for acting as directors in subsidiary company and associated company

-None-

8. Personnel

As of December 31, 2006, the number of staff totaled 827, comprising:

- | | |
|---|-----|
| ■ Supporting staff (Accounting and Finance, Corporate Administration and Information Technology, and Internal Control and Special Projects) | 209 |
| ■ Refinery business | 356 |
| ■ Marketing business | 262 |

Employee remuneration

Employees shall receive payment including monthly salaries, shift pay (day & night), overtime, upcountry allowance, refinery stand by and disciplinary work pay. Furthermore, all staffs have the rights to be members of "the Provident Fund for Employees of Bangchak" by voluntary selection of the rate 5 percent or 10 percent of their monthly salaries that the Company would contribute at the same rate towards the fund. In the year 2006, total remunerations to the Company's employees as mentioned above including extra rewards and other fringe benefits were Baht 570 Million.

Significant change in the number of staff during the past 3 years

-None-

9. Personnel Development Policy

It is the Company's firm intention to enhance its personnel to attain highest standard, knowledgeable, capable, to work with the Good Corporate Governance and to be potential in creating equitable and sustainable business returns. The Company has therefore provided support to its personnel to obtain continued training both within and outside the organization. It has also encourages its personnel to seek for knowledge by themselves and to have life-long learning, so as to enhance the Company to become a learning organization. In Year 2005, the Company already identified the core competency expected of the Company's Executives and Employees and already evaluated their current knowledge and competence level to determine the Competency Gap. In Year 2006, the Company thus focused on Individual Development Plan through internal training courses and having its Employees attend courses held by outside organizations. The Core Competency of the Company is as follows:

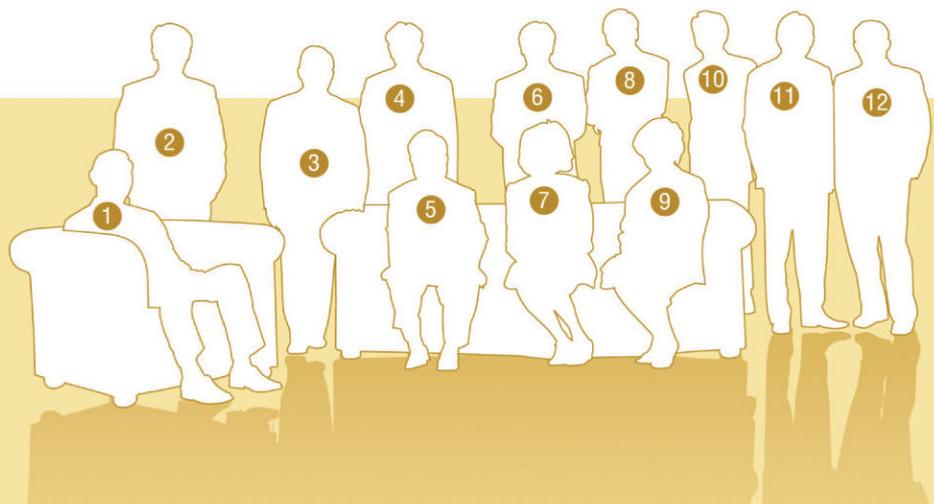
- 1) Ability for Adaptation and Initiation: capability to understand the organization and business environment, openness to changes and to learn new things, innovative thinking and acting to create opportunities and to lead the organization to the highest success.
- 2) Leadership: vision, courage of thinking and acting for the benefits of the organization, transparency and equity, acceptance of different ideas, accountability, providing of advices and incentives for cooperation.
- 3) Teamwork Spirit: service mind, ability to work with other people, eagerness to help, acceptance of value of the others, good relationship with all parties both inside and outside the Company.
- 4) Organization Commitment: determination to correctly attain the targets of the Company with professionalism and efficiency, readiness to develop operational process in upgrading the performance outcomes to become generally accepted, creation of continued success and business expansion.

- 5) Personal Mastery: eagerness to learn, activeness and intention to seek for knowledge to develop potentiality of oneself and the organization.
- 6) Social and "SHE" Awareness : realization of safety, working hygiene, environment to be in compliance with the international standard and operations of the organization, possession of public awareness and participation in activities that are useful to the organization, community and society.

As regards the internal training, in 2006, the Company has organized 28 training courses, which were participated by the Executives and staff for the total of 4,514 man days. The courses placed emphasis on improvement of planning skill, problem solving, risk management, environmental protection and energy preservation, relevant laws and regulations as well as other specific know-how and operational techniques.



BOARD OF DIRECTORS





1. General Tawat Ked-Unkoon
2. Mr. Anusorn Tamajai
3. Mr. Sayan Satangmongkol
4. Mr. Wirat Lam-Ua-Yut
5. Mr. Chai-Anan- Samudavanija
6. Mr. Nares Sattayarak
7. Mr. Pranom Kowinwipat
8. Mr. Anusorn Sangnimnuan
9. Miss Chularat Suteethorn
10. Mr. Nipon Surapongrukchareon
11. Mr. Pichai Chunavajira
12. Mr. Apisit Rujikeatkamjorn

BOARD OF DIRECTORS

General Tawat Ked-Unkoon

Chairman (Independent Director)

Age 67 years

Education

- Chulachomkhalo Royal Military Academy (Bachelor of Science)
- Army Command & General Staff College
- National Defence College

Experience

- 1998 : Chairman of the Advisory Board, Supreme Command Headquarters, Ministry of Defence
- 2000 : Permanent Secretary for Defence

Present Position

- Other listed companies
None
- Businesses which are not listed companies
 - o Retired - Military Officer

Mr. Chai-Anan Samudavanija

Vice Chairman (Independent Director)

Chairman of the Nomination and Remuneration Committee

Age 63 years

Education

- Ph.D. (Political Science), The University of Wisconsin (Madison)
- Master Degree, The University of Wisconsin (Madison)
- Bachelor's Degree, The Victoria University of Wellington, New Zealand
- Certificate in Social Planning, United Nations Asian Institute
- Honorary Doctorate (Development Administration), National Institute of Development Administration
- Honorary Doctorate, Edgewood College
- Honorary Doctorate and Outstanding Alumnus of the University of Wisconsin (Madison)
- Honorary degree, National Defence College

Experience

- 1998-2000 : Judge of the Constitutional Court
- 2003 : Member of the Academy of Moral and Political Sciences
Vice President, the Royal Institute
: Royal Institute, the Academy of Moral and Political Sciences
: Vice President of the Royal Institute
: Chairman of the Electricity Generating Authority of Thailand
: Chairman of Electricity Generating Plc
: Chairman of the Krung Thai Bank Plcs
- Audit Committee
: Director of Public Sector Development Committee
: Executive Director, National Research Council of Thailand
: Director for State Enterprise Policy

Present Position

- Other listed companies
None
- Businesses which are not listed companies
 - o Member of the National Legislative Assembly
 - o Chairman of the House committee on education and sports
 - o Commander of Vajiravudh College
 - o Chairman of Education Policy Institute
 - o President of the Royal Institute
 - o Chairman of the Basic Education Commission

Mr. Anusorn Tamajai

Independent Director

Chairman of the Audit Committee

Age 41 years

Education

- Ph.D. in Economics, Fordham University, New York, U.S.A
- Master of Business Administration, Southeastern University
- Master of Economics, Fordham University, New York, USA
- Bachelor's Degree in Political Science (with honors), Chulalongkorn University

Experience

- 2000 : Vice President, Country Regulatory, Research and Public Affairs, Citibank, Thailand
- 2002 - 2005 : Senior Vice President, Fund Management and Research Planning Office, Bank Thai Plc.
- 2005 - 2006 : Managing Director, BT Asset Management Co., Ltd.

Present Position

- Other listed companies
None
- Businesses which are not listed companies
 - o Director, Thailand Post Co., Ltd.
 - o Director, Pridi Banomyong Institute
 - o Director, Center for the Promotion of National Strength of Moral Ethics and Values
 - o Director, Family Know-How Co., Ltd. (Subsidiary of SET)

Mr. Nipon Surapongrukchareon

Independent Director

Chairman of the Enterprisewide Risk Management Committee

Age 46 years

Education

- Honorary Doctorate in Industrial Management, King Mongkuts Institute of Technology North Bangkok
- M.B.A., National Institute of Development Administration (NIDA)
- Bachelors Degree in Political Sciences, Ramkhamhaeng University

Present Position

- Other listed companies
None
- Businesses which are not listed companies
 - o Vice Chairman of Federation of Thai Industries
 - o Board member of the Moral Center, Office of Knowledge Management and Development (Public Organization)
 - o Board member of the Education Council, Ministry of Education
 - o Board member of Vocational Education Commission, Office of Vocational Education Commission, Ministry of Education
 - o Board member of Institute for the Promotion of Teaching Science and Technology
 - o Specialist council member of King Mongkuts Institute of Technology North Bangkok
 - o Specialist council member of King Mongkuts Institute of Technology Ladkrabang University

Mr. Wirat Iam-Ua-Yut

Independent Director

Chairman of the Corporate Governance Committee

Age 63 years

Education

- High School, Chumsaeng Chauthis School, Nakhon Sawan Province

Experience

- 1997-2001 : Chairman, The Management Organization of Ka-Mung Sub-district, Nakhon Sawan Province
- : Director, The Sub-district Government Official Committee, Nakhon Sawan Province
- 2002 - 2005 : Chairman of Cooperatives League of Thailand
- : The Board of National Cooperatives Development

Present Position

- Other listed companies
None
- Businesses which are not listed companies
 - o Chairman, The Chumsaeng Cooperatives and Agriculture Co., Ltd.
 - o Member of National Economic and Social Advisory Council
 - o Chairman of the Nakhon Sawan Cooperative Club
 - o Member of the Economic and Social Board, Nakhon Sawan Provincial Authority
 - o Member of the Agricultural Board, Nakhon Sawan Provincial Authority

Mrs. Pranom Kowinwipat

Independent Director

Age 64 years

Education

- Master of Science (Accounting), Georgia State University, USA
- Bachelor of Art (Accounting), Thammasat University

Experience

- Director and Audit Committee, The Metropolitan Electricity Authority
- Tax Auditor Examination Committee, Revenue Department, Ministry of Finance
- Tax Auditor Compliance Committee, Revenue Department, Ministry of Finance
- Committee, Office of the Civil Service Commission (OCSC) for Accounting Oversea Scholarship for PhD and Master Degree
- Deputy Dean of Faculty of Commerce and Accountancy, Thammasat University
- The Head of Accounting and Director of Faculty of Commerce and Accountancy, Thammasat University

Present Position

- Other listed companies
 - o Director and Chairman of Audit Committee, Thai Coating Industrial Plc.
 - o Director and Audit Committee, Bangkok Union Insurance Plc.
 - o Member of the Risk-Management Committee, TOT Plc.
- Businesses which are not listed companies
 - o Committee, the Office of National Education Standard and Quality Assessment (Public Organization), ONESQA
 - o Advisor to the Rector, Thammasat University
 - o Advisor Board member, Faculty of Commerce and Accountancy, Thammasat University
 - o Instructor Recruitment Committee, Faculty of Commerce and Accountancy, Thammasat University
 - o Oversea PhD and Master Degree Scholarship Applicant Examination and Interview Committee, Faculty of Commerce and Accountancy, Thammasat University
 - o Professor, Faculty of Accountancy and Management, Mahasarakham University

BOARD OF DIRECTOR

Mr. Sayan Satangmongkol

Director

Age 59 years

Education

- M.B.A., Thammasart University
- B.Sc. (Agricultural Economics), Kasetsart University

Experience

- 1998: Head of Corporate Credit Manager, KTB Plc.
- 2000: Relationship Manager, KTB Plc.
- 2001: Internal Audit Manager, KTB Plc.
- 2002: Executive Vice President, Office of Internal Audit, KTB Plc.
: Senior Executive Vice President, Office of Internal Audit, KTB Plc.
- 2005 : Senior Executive Vice President, Risk Management, KTB Plc.

Present Position

- Other listed companies
Senior Executive Vice President - Managing Director, Asset Management Group, KTB Plc.
- Businesses which are not listed companies
Director, Thanathep Printing Co., Ltd.
Director, Krungthai Legal Services Co., Ltd.

Mr. Nares Sattayarak

Director

Age 59 years

Education

- Bachelor in Science (Geology), Chiang Mai University

Experience

- 2002 - 2003 Petroleum Engineer 9, Department of Mineral Fuels
- 2003-2004: Director, Mineral Fuels Technical Bureau
- 2004-Jan.2006: Deputy Director General, Department of Mineral Fuels

Present Position

- Other listed companies
None
- Businesses which are not listed companies
 - o Inspector General, Office of the Permanent Secretary
 - o Member of the Sub-Committee on petroleum-subsidy management

Mr. Apisit Rujikeatkamjorn

Director

Age 61 years

Education

- Master of Engineering, Lamar University, Texas, U.S.A.
- Bachelor of Engineering, Khon Kaen University

Experience

- 1997-1999: Senior Executive Vice President, Star Petroleum Refining Co., Ltd.
- 2000: Chief Executive Officer, Trans Thai-Malaysia (Thailand) Co., Ltd.
- 2001-Retirement: Senior Executive Vice President, Oil Business Group, PTT Plc.

Present Position

- Other listed companies
None
- Businesses which are not listed companies
 - o Director, Thai Lube Base Plc.
 - o Chairman, Thai Lube Blending Co., Ltd.
 - o Chairman of the Operation Promotion Committee, Khon Kaen University
 - o Council member of Khon Kaen University

Mr. Pichai Chunhavajira

Director

Age 58 years

Education

- Honorary Degree Doctor of Philosophy (Accounting), Thammasart University
- M.B.B. (Finance), Indiana University of Pennsylvania, U.S.A
- Bachelors Degree in Accounting, Thammasat Univeristy

Experience

- 2000-2001 : - President, PTT Oil Business, Petroleum Authority of Thailand
- Acting Deputy Governor, Finance, Petroleum Authority of Thailand
- Acting President, PTT International Co., Ltd.
- 2001 - Present : - Senior Executive Vice President, Corporate Finance and Accounting, PTT Plc.
- Sep. 2003 - Dec. 2004 - Acting President, Bangchak Petroleum Plc.

Present Position

- Other listed companies
 - o Senior Executive Vice President, Corporate Finance and Accounting, PTT Plc.
 - o Deputy Chairman, Dhipaya Insurance Plc.
 - o Director, The Thai Airways International Plc.
 - o Director, Siam Commercial Bank Plc.
 - o Director, The Aromatics (Thailand) Plc.
 - o Director, PTT Exploration and Production Plc.
 - o Director, PTT Chemical Plc.
 - o Director, Thaioil Plc.
- Businesses which are not listed companies
 - o Chairman, Social Security Fund of the Investment Sub-Committee, Social Security Office
 - o Director, Thaioil Power Co. Ltd.
 - o Director, The National Research Council of Thailand, Economy
 - o Director, Thai Petroleum Pipeline Co., Ltd. [THAPPLINE]
 - o Director, Thai Lube Base Plc.

Miss Chularat Suteethorn

Director

Age 52 years

Education

- MDS. (Economics Policy and Planning), Institute of Social Studies, the Netherlands
- Bachelor of Arts (Economics) with second-class honors, in the field of Finance and Banking, Kasetsart University

Experience

- 1998 Director, International Economic Policy Division, Fiscal Policy Office (FPO), Ministry of Finance
- 2003 Bureau Director, Bureau of International and Macroeconomic Policy, Fiscal Policy Office (FPO), Ministry of Finance
- 2005 Deputy Directors-General, The Fiscal Policy Office (FPO), Ministry of Finance

Present Position

- Other listed companies
 - None
- Businesses which are not listed companies
 - o Deputy Directors-General, The Fiscal Policy Office (FPO), Ministry of Finance
 - o Director and Executive of Export-Import Bank of Thailand

Mr. Anusorn Sangnimnuan

President and Secretary to Board of Directors

Age 53 years

Education

- Ph.D. in Chemical Engineering, Monash University, Melbourne, Australia
- Master of Environmental Engineering, Asian Institute of Technology
- Bachelors Degree in Chemical Engineering, Chulalongkorn University
- Director Certification Program (DCP), Thai Institute of Directors Association
- Advanced Diploma in Public Administration and Public Law, King Prajadhipok's Institute

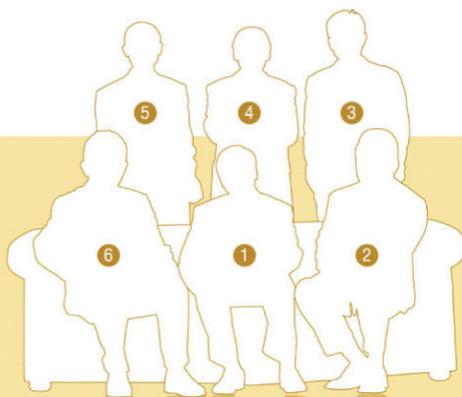
Experience

- 2000 - 2001 : Senior Executive Vice President, Planning and Supply
- Senior Executive Vice President Manufacturing
- 2001 - 2004 : Senior Executive Advisor : Acting Senior Executive Vice President, Refinery Business
- Other
 - 1997 - 2003 : Director specializing in reviewing industrial projects environmental analysis
 - 2001 - 2005 : Director of National Ethanol Board : Member of the House sub-committee on ethanol and biodiesel
 - 2002 - 2004 : Vice Chairman for Petroleum Refining Industry Club, Federation of Thai Industries

Present position

- Other listed companies
 - None
- Businesses which are not listed companies
 - o Member of the National Legislative Assembly
 - o Member and secretary of the House committee on energy
 - o Executive Director of the Petroleum and Petrochemical College, Chulalongkorn University
 - o Executive Director of the Petroleum and Technology Center, Chulalongkorn University
 - o Executive Director of the National Research Center of Environmental Management and Management of Hazardous Waste Chulalongkorn University

EXECUTIVE MANAGEMENT



1. Mr. Anusorn Sangnimnuan
2. Mr. Patiparn Sukomdhaman
3. Mr. Vichien Usanachote
4. Mr. Wattana Opanon-amata
5. Mr. Manoon Sriwan
6. Mr. Yodphot Wongrukmit

EXECUTIVE MANAGEMENT

Mr. Anusorn Sangnimnuan

President and Secretary to Board of Directors

Age 53 years

Education

- Ph.D. in Chemical Engineering, Monash University, Melbourne, Australia
- Master of Environmental Engineering, Asian Institute of Technology
- Bachelors Degree in Chemical Engineering, Chulalongkorn University
- Director Certification Program (DCP), Thai Institute of Directors Association
- Advanced Diploma in Public Administration and Public Law, King Prajadhipok's Institute

Experience

- - 2000 - 2001 : Senior Executive Vice President, Planning and Supply
Senior Executive Vice President Manufacturing
- 2001 - 2004 : Senior Executive Advisor
: Acting Senior Executive Vice President, Refinery Business
- Other
 - 1997 - 2003 : Director specializing in reviewing industrial projects environmental analysis
 - 2001 - 2005 : Director of National Ethanol Board
: Member of the House sub-committee on ethanol and biodiesel
 - 2002 - 2004 : Vice Chairman for Petroleum Refining Industry Club, Federation of Thai Industries

Present Position

- Other listed companies
None
- Businesses which are not listed companies
 - o Member of the National Legislative Assembly
 - o Member and secretary of the House committee on energy
 - o Executive Director of the Petroleum and Petrochemical College, Chulalongkorn University
 - o Executive Director of the Petroleum and Technology Center, Chulalongkorn University
 - o Executive Director of the National Research Center of Environmental Management and Management of Hazardous Waste Chulalongkorn University

Mr. Vichien Usanachote

Senior Executive Vice President / Refinery Business

Age 52 years

Education

- Master Degree Engineering, Ohio State University, U.S.A
- Bachelor of Engineering, Chulalongkorn University

Experience

- 1993 : Senior Executive Vice President Marketing/Manufacturing
- 2000 : Senior Executive Vice President Marketing Business
- 2001 : Senior Executive Advisor
- 2002 : Senior Executive Vice President Planning and Supply
- 2003- 2004 : Senior Executive Advisor
: Acting Senior Executive Vice President

Present position

- Other listed companies
None
- Businesses which are not listed companies
 - o Director, Fuel Pipeline Transportation Limited (FPT)

Mr. Patiparn Sukorndhaman

Senior Executive Vice President / Accounting and Finance

Age 45 years

Education

- MBA. (Finance) The American University, USA
- Bachelors Degree in Political Sciences, Chulalongkorn University

Experience

- 1998 Deputy Director-Finance and Accounting, The National Petrochemical Plc.
- 2000-2001 Group CFO, COCO Group Companies
- 2001 - Sep. 2003 Chief Financial Officer, Banpu Power Co., Ltd.

Present Position

- Other listed companies
None
- Businesses which are not listed companies
 - o Director, Bangchak Green Net Co., Ltd.

EXECUTIVE MANAGEMENT

Mr. Wattana Opanon-amataSenior Executive Vice President / Corporate
Administration and Information Technology

Age 51 years

Education

- Master Degree Engineering,
Chulalongkorn University
- Bachelors Degree in Chemical Engineering,
Chulalongkorn University

Experience

- 1994 - 2000 : Senior Vice President
Marketing and Engineering Service
- 2000- 2001 : Senior Vice President
Planning and Supply
- 2001-May 2004 : Executive Vice President
- 2004-April 2006 : Senior Executive Advisor
: Acting Senior Executive
Vice President

Present Position

- Other listed companies
None
- Businesses which are not listed companies
o Director, Fuel Pipeline Transportation
Limited (FPT)

Mr. Manoon Siriwan

Senior Executive Vice President / Marketing Business

Age 60 years

Education

- Master Degree in Political Science,
Chulalongkorn University
- Bachelors Degree in Political Sciences,
Chulalongkorn University

Experience

- 1997 : Vice President, Sales
- 2000 : Vice President, Industrial and Lubes
Marketing
- 2002 : Senior Vice President, Industrial and
Lubes Marketing
: Acting Senior Vice President, Retail
Marketing
- 2003 - 2004 : Senior Vice President, I
ndustrial and Lubes Marketing
- 2005 - April 2006 : Executive Vice President
: Acting Senior Executive
Vice President

Present Position

- Other listed companies
None
- Businesses which are not listed companies
o Director, Bangchak Green Net Co., Ltd.
o Director, Fuel Pipeline Transportation
Limited (FPT)

Mr. Yodphot Wongrukmit

Senior Vice President / Retail Marketing

Age 47 years

Education

- Master Degree Business Administration (MBA)
MTSU, USA
- Bachelor of Economics, University of Thai
Chamber of Commerce

Experience

- 1992 : Manager, Retail Marketing Development
- 1994 : Manager, North and Central District
Division
- 1998 : Senior Manager, Central District Division
- 2001 : Vice President, Retail Marketing

Present Position

- Other listed companies
None
- Businesses which are not listed companies
o Director, Bangchak Green Net Co., Ltd.



A report on changing in Bangchak's stocks holdings of Board and Executives

The Company's Directors, Executives, their spouses and minor children are required to report their shareholding in the Company to Securities and Exchange Commission (SEC) within 30 working days from the date of they were appointed as the Directors or Executives of the Company.

In case of shareholding change, they shall be required to report to SEC within 3 working days from the date of purchase, sale, transfer or acceptance of transferred securities. The shareholding changes of the Company's Directors and Executives must also be reported to the

| Name | Types of securities | Shares held as of 31 Dec 2005 | Shares held as of 31 Dec 2006 | Increases (Decrease) |
|--|---------------------|-------------------------------|-------------------------------|----------------------|
| Board of Directors | | | | |
| 1. General Tawat Ked-Unkoon | BCP-DR1 | 100,000 | 100,000 | - |
| | Warrant (ESOP) | 230,000 | 230,000 | - |
| | Warrant (BCP-W1) | 0 | 10,000 | 10,000 |
| 2. Mr. Chai-Anan Samudavanija | Warrant (ESOP) | 190,000 | 190,000 | - |
| 3. Mr. Anusorn Tamajai | Warrant (ESOP) | 190,000 | 190,000 | - |
| 4. Mr. Wirat lam-Ua-Yut | BCP-DR1 | 650 | 100,650 | 100,000 |
| | Warrant (ESOP) | 170,000 | 170,000 | - |
| | Warrant (BCP-W1) | 0 | 65 | 65 |
| 5. Mr. Nipon Surapongrukchareon | BCP-DR1 | 60,000 | 90,000 | 30,000 |
| | Warrant (ESOP) | 170,000 | 170,000 | - |
| | Warrant (BCP-W1) | 0 | 9,000 | 9,000 |
| 6. Miss Chularat Suteethorn | Warrant (ESOP) | 170,000 | 170,000 | - |
| 7. Mr. Pichai Chunhavajira | BCP-DR1 | 500,000 | 500,000 | - |
| | Warrant (ESOP) | 170,000 | 170,000 | - |
| | Warrant (BCP-W1) | 0 | 50,000 | 50,000 |
| 8. Mr. Sayan Satangmongkol | Warrant (ESOP) | 170,000 | 170,000 | - |
| 9. Mr. Apisit Rujikeatkamjorn | BCP-DR1 | 2,600 | 2,600 | - |
| | Warrant (ESOP) | 170,000 | 170,000 | - |
| | Warrant (BCP-W1) | 0 | 260 | 260 |
| 10. Mr. Nares Sattayarak ^{2/} | - | 0 | 0 | - |
| 11. Mrs. Pranom Kowinwipat ^{2/} | BCP-DR1 | 0 | 5,000 | 5,000 |
| 12. Mr. Anusorn Sangnimnuan | BCP-DR1 | 105,460 | 125,460 | 20,000 |
| | Warrant (ESOP) | 213,800 | 213,800 | - |
| | Warrant (BCP-W1) | 0 | 10,546 | 10,546 |
| 13. Mr. Songpope Polachan ^{3/} | Warrant (ESOP) | 170,000 | 170,000 | - |



| Name | Types of securities ^{1/} | Shares held as of 31 Dec 2005 | Shares held as of 31 Dec 2006 | Increases (Decrease) |
|----------------------------------|-----------------------------------|-------------------------------|-------------------------------|----------------------|
| Executive staff | | | | |
| 1. Mr. Vichien Usanachote | Warrant (ESOP) | 47,900 | 47,900 | - |
| 2. Mr. Patiparn Sukorndhaman | Warrant (ESOP) | 44,500 | 44,500 | - |
| | BCP-DR1 | 0 | 24,000 | 24,000 |
| 3. Mr. Wattana Opanon-amata | BCP-DR1 | 2,860 | 2,860 | - |
| | Warrant (ESOP) | 79,300 | 79,300 | - |
| | Warrant (BCP-W1) | 0 | 286 | 286 |
| 4. Mr. Manoon Siriwan | Warrant (ESOP) | 47,900 | 47,900 | - |
| 5. Mrs. Preeyapa Nompitakcharoen | BCP | 1,000 | 1,000 | - |
| | BCP-DR1 | 10,000 | 0 | (10,000) |
| | Warrant (ESOP) | 49,600 | 49,600 | - |
| | Warrant (BCP-W1) | 0 | 1,100 | 1,100 |
| 6. Miss Revadee Pornpatkul | BCP | 100 | 100 | - |
| | BCP-DR1 | 6,000 | 6,000 | - |
| | Warrant (ESOP) | 42,100 | 42,100 | - |
| | Warrant (BCP-W1) | 0 | 610 | 610 |

Notes: 1/ Types of Securities

- BCP - Ordinary shares in Bangchak Petroleum Plc.
- BCP-DR1-๓ warrants for Bangchak Petroleum Plc's ordinary shares
- Warrant (ESOP) ๓ warrants for new ordinary shares issued by Bangchak Petroleum Plc.
- Warrant (BCP-W1) warrants for new ordinary shares issued by Bangchak Petroleum Plc. 1/2006 issuance.

2/ Appointment as the Company's Director based on the resolution passed by the Annual General Meeting of Year 2006 on 18 April 2006.

3/ Term as the Company's Director completed on 18 April 2006.

REFERENCE

| | |
|--|--|
| <p>■ Registrar</p> <ul style="list-style-type: none"> - Ordinary Shares (BCP) - Depository Receipts of BCP's Ordinary Shares (BCP-DR 1) - Convertible Debentures (BCP@A) - Depository Receipts of BCP's Convertible Debentures (BCP141A) - Warrants (BCP-W1) | <p>Thailand Securities Depository Co., Ltd.</p> <p>2/7 Moo 4 Northpark, Vibhavadi-Rangsit Road, Thungsong Hong, Laksi, Bangkok, 10210</p> <p>Telephone + 66 (0) 2596-9302-10</p> <p>Facsimile + 66 (0) 2832-4994-6</p> |
| <p>■ Debentures Registrars</p> | <p>Thai Military Bank Plc.</p> <p>3000 Phahonyothin Road, Chatuchak, Bangkok 10900</p> <p>Telephone + 66 (0) 2299-1111</p> <p>Facsimile + 66 (0) 2273-7121</p> |
| <p>■ Auditor</p> | <p>A.M.T. & Associates Company Limited</p> <p>491/27 Silomplaza Silom Raod, Bangrak Bangkok 10500</p> <p>Telephone + 66 (0) 2234-1676, 2234-1678, 2237-2132</p> <p>Facsimile + 66 (0) 2237-2133</p> |
| <p>■ Other</p> <ul style="list-style-type: none"> - Services to Shareholders - Loss of Share Certificate - Amendment of Shareholder Particulars | <p>Contact</p> <p>Shareholder Services Unit</p> <p>Securities Registration Department</p> <p>Thailand Securities Depository Co., Ltd.</p> <p>2/7 Moo 4 Northpark, Vibhavadi-Rangsit Road, Thungsong Hong, Laksi, Bangkok, 10210</p> <p>Telephone + 66 (0) 2596-9302-10</p> <p>Facsimile + 66 (0) 2832-4994-6</p> |



Company's General Information

* Company Established

April, 1985

* Shareholders (%) as of 31 December, 2006

| Holders of Ordinary shares (BCP) | | Holders of Warrants (BCP-DR1) | |
|----------------------------------|----|-------------------------------|----|
| - Siam DR Co., Ltd. (BCP-DR1) | 47 | - Ministry of Finance | 24 |
| - PTT Plc. | 25 | - PTT Plc. | 10 |
| - Minor Shareholders | 28 | - Minor Shareholders | 66 |

* Registered Capital as of 31 December 2006

- 1,531 Million Baht Paid-Up Capital as of 31 December 20 1,119 Million Baht

* Business

Operating businesses in retail and wholesale sales of refined petroleum products and operates refinery with capacity of 120,000 barrels per day together with providing sales of consumer products.

* Customer

- General Public via the nation-wide Bangchak Service Stations
- Industrial sector ex. Factories, Industrial Plants
- Transport and Service sectors ex. Airlines, Ocean liners, Hotels, Trucks and Constructions
- Agricultural sector via the Bangchak Cooperative Own Service Stations

* Office & distribution Center

- Head Office and Bangchak Oil Distribution Center:
210 Sukhumvit 64, Bangchak, Phrakonong, Bangkok 10260
Tel: 0-2335-4999, 02-331-0047 Fax: 0-2335-4009
- Central District Office and Bang Pa-in Oil Distribution Center:
99 Moo 9, Bangkason, Bang Pa-in, Ayutthaya 13160 Tel: 0-3535-0260, 0-3527-6999
Fax (Central District Office): 0-3535-0290
Fax (Bang Pa-in Oil Distribution Center): 0-3527-6920
- North District Office (Chiang Mai):
483/9 Chareonmuang Road, Watkate, Muang District, Chiang Mai 50000
Tel: 0-5330-4611 Fax: 0-5330-4822
- North-East District Office (Khon Kaen):
499 Moo 3, Friendship Highway, Muang, Muang District, Khon Kaen 40000
Tel: 0-4326-1789-92, 0-4326-1751-3 Fax: 0-4326-1750
- South District Office:
CP Tower, Room 402, 4th Floor, 91/1 Moo 1, Karnjanavidhi Road, Bangkok, Muang District, Surat thani 84000
Tel: 0-7722-4790-2 Fax: 0-7722-4793
- Surat Thani Oil Distribution Center
104/1 Moo 2, Surat Thani-Paknam Road, Bangkoong, Muang District, Surat Thani 84000
Tel: 0-7727-5056-7 Fax: 0-7728-2943
- Sriracha Oil Distribution Center:
191/26 Moo 8, Thoongsookala, Sriracha, Chonburi 20230
Tel: 0-3835-2254 Fax: 0-3835-2253
- Rayong Oil Distribution Center:
1 I - 3B Road, Mabtapood, Muang Rayongt, Rayong 21150
Tel: 0-3868-4834 Fax: 0-3868-4833
- Samutsakorn Oil Distribution Center:
100/149 Moo 1, Thacheen, Muang District, Samutsakorn 74000
Tel: 0-3482-0974 Fax: 0-3482-0974
- Suksawasdee Lubricant Distribution Center
196 Moo 1, Suksawasdee Road, Pak Klong Bang Pla Kod,
Prasamut Chedi, Samutprakarn Tel: 0-2815-6997-8 Fax: 0-2815-6996



✦ Awards and Certifications

- Being one of nine companies with corporate-governance scores reaching excellent benchmark in Corporate Governance Report of Thai Listed Companies project conducted by the Thai Institute of Directors Association (IOD). The project received support from the Office of the Securities and Securities Exchange Commission and the Stock Exchange of Thailand.
- Distinction in Maintaining Excellent Corporate Governance Report, in SET AWARDS 2006 by Money & Banking Magazine and The Stock Exchange of Thailand.
- Best Corporate Social Responsibilities (CSR) Award, in SET AWARDS 2006 by Money & Banking Magazine and The Stock Exchange of Thailand.
- Distinction in Commitment to Social and/or Environment Issues from the 5th Thailand Corporate Excellences Awards event in Year 2006. The event was held by Thailand Management Association (TMA) and Sasin Graduate Institute of Business Administration of Chulalongkorn University.
- Distinction in Commitment to Energy Saving from the 5th Thailand Corporate Excellences Awards event in Year 2006. The event was held by Thailand Management Association (TMA) and Sasin Graduate Institute of Business Administration of Chulalongkorn University.
- Best Toilets on Main Roads of the Year 2006. On the occasion that Thailand hosted World Toilet Expo and Forum 2006, the Health Department of the Public Health Ministry organized a contest on Best Toilets of the Year 2006 under Development of Thailand's Toilet project. The Company joined in the contest and two of its stations, Service Station Paholyothin 38 and Nakok 1 in Samut Sakhon, were named the Best Toilets on Main Roads of the Year 2006.
- Board of the Year Award 2004/05 for Exemplary Practices by Thai Institute of Directors Association (IOD)
- TIS/OHSAS 18001 Occupational Health and Safety Management System, 2005 for Bangpa-in Oil Distribution Center, Bangpa-in, Ayudhya by Management System Certification Institute (Thailand)
- Best Corporate Governance Report Award, 2005 in SET AWARDS 2005 by Money & Banking Magazine and The Stock Exchange of Thailand
- Top Quartile Company 2005 of Corporate Governance of Thai Listed Companies 2005 Project (Third Consecutive Year) by Thai Institute of Directors Association (IOD) together with co-host, The Stock Exchange of Thailand and the Office of Securities and Exchange Commission (Thailand)
- Most Creative Issue Award, 2004 in Best Bond Awards 2004 by The Thai Bond Dealing Center
- Preuksa Nakara Medal award for Pleasant Look, Evergreen and Peaceful Environmental Large Building, 2002-2004 by Prakanong District Office, Bangkok Metropolitan Administration
- TIS 18001-1999 and OHSAS 18001-1999 Occupational Health and Safety Management System (in every process), 2004
- OHSAS 18001 Occupational Health & Safety Management System Certification for Petroleum Refining, 2003
- ISO 9001: 2000 Lubricant Business for Development and Procurement of Lubricant and Grena Car Care, 2002
- EIA Award 2001 by the Office of Environmental Policy and Planning (OEPP), Ministry of Science
- TIS 18001 Occupational Health & Safety Management System Certification for Petroleum Refining, 2000 (First Refinery in Thailand receiving this accomplishment)
- EIA Award 1998 by the Office of Environmental Policy and Planning (OEPP), Ministry of Science
- The Outstanding Award for the Safety, Health and Environmental Committee, 1998
- ISO 14001-Petroleum Refining Certification, 1997
- The Environment Mitigation and Monitor Measure Award, 1995
- The Outstanding Safety Award, 1995
- The Outstanding Industry Award for Safety Management, 1994
- The Outstanding Environment-Friendly Award, 1991
- The Outstanding Energy Conservation Award, 1990

COMPLEX REFINERY ▶▶

FORWARD TO

2008



THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED
210 SUKHUMVIT 64 Rd., PHRAKANONG, BANGKOK 10260
TEL. 66 (0) 2335-4999 FAX. 66 (0) 2335-4009
www.bangchak.co.th

