

ANNUAL REPORT 2005

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED

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“Eager to move forward for better future with force of innovative thinking to create sustainable business development in parallel with environment and society”



Financial Highlight



Statements of Income (Million Baht)	2005	2004	2003
• Sales income	85,870	79,848	61,595
• Total income	86,528	80,189	62,069
• Preliminary profit (loss)	5,538	5,033	2,424
• EBITDA	4,595	4,117	1,299
• Adjusted EBITDA ^{1/}	2,282	1,941	1,531
• Foreign Exchange profit (loss)	(26)	128	293
• Other items	4 ^{2/}	42 ^{2/}	(1,199) ^{3/}
• Net profit (loss)	2,927	2,636	(1,299)
Balance Sheets (Million Baht)			
• Total assets	34,263	34,370	28,591
• Total liabilities	21,393	24,589	25,534
• Shareholders' equity	12,870	9,781	3,057
• Share capital			
- Registered share capital	1,531	867	522
- Issued & fully paid-up share capital	687	661	522
Financial ratio (%)			
• Preliminary profit ratio	6.4	6.3	3.9
• Net profit ratio	3.4	3.3	(2.1)
• Return on total assets	8.5	8.4	(4.5)
• Liabilities/capital	1.0	1.5	6.3
Operating outcomes per share (Baht)			
• Net profit (loss) per share	4.36	3.92	(2.49)
• Book value per share	19.16	14.56	5.86

Notes: Data based on Consolidated Financial Statements

1/ Adjusted EBITDA — not including profit (loss) from oil in stock and other items

2/ Adjustment of loss from asset depreciation in accordance with the business and financial restructuring plan

3/ Other items according to the business and financial restructuring plan



In 2005, Thailand has proved to the international community its strengthened and stable economy, as well as its potentiality to cope with the changing economic situations including a continued rise in oil prices, together with other negative factors concerning impacts of Tsunami, widespread of bird flu and unrest in the South resulting in extensive impact to the public and industry, which consequently caused higher expenses and cost of production.

As for Bangchak Petroleum Plc., the year 2005 marked the time that the Company had to face the highest fluctuation in oil prices ever occurred in 20 years of business operation. However, the effective management system including with the financial restructuring that had been implemented and the policy of Good Corporate Governance have been major contributing factors with which the Company was able to sail through all crises and to attain its business objectives as planned.

In order to reduce negative impacts from inside and outside fluctuation, the Company has placed emphasis on bettering the management efficiency by equipped with the best risk management system under the principle of Enterprisewide Risk Management. Both Executives and employees at the operational level have joined force in closely keeping track of the prevailing situation, leading to efficient procurement of crude oil and to better circumstances from fluctuating crude oil prices that constitutes the most important cost of the business.

At the same time, the Company, as a responsible Thai petroleum Company, also willingly aimed to alleviate impacts of rising oil prices to the public by development and sales of gasohol and biodiesel, in consistence with the government policy to emphasizing utilization of alternative energy, which eventually leading to widely achievement from all over the country.



Message from the Chairman

As a consequence of efficiency management system, Bangchak Petroleum Plc. and its subsidiary, for the second consecutive year, reported profit from its operations in 2005. Earnings totaled Baht 86,528 million, EBITDA accounted for Baht 4,595 million, with net interest payment of Baht 619 million, depreciation and amortization of Baht 782 million, income tax of Baht 284 million resulting in Baht 2,927 million of net profit (as compared with the net profit of Baht 2,636 million in 2004).

However, the Company has proceeded to develop the quality of diesel and benzene by implementing the Product Quality Improvement Project so as to serve future demand of the Country. In this year, it was already approved by the Shareholders for raising funds and implementing the project. With this regard, the productivity of Bangchak refinery would be upgraded for greater oil quality as in compliance with national specification by the latest refinery technique for diesel and benzene. As a consequence, it would enhance profits return and reduction of oil import from overseas.

According to the performance as concerned Good Corporate Governance including with the cooperation from directors, executives and employees, the Company has been satisfied with the result in acceptance from the public and various institutions. The Company was awarded the Best Corporate Governance Report from the Stock Exchange of Thailand, while it was also ranked in the group of Top Quartile Company for the third consecutive year and was selected as one in the Best Practices Top Ten with respect to equitable treatment to its shareholders, information disclosure and transparency as well as accountability of the Board of Directors. It was also granted the reward of Board of the Year for Exemplary Practices.

Success and credibility acquired in 2005 would be another step towards further growth and stability. In order to enhance better potentiality to face with intense competition and difficult business situation, the Company's directors, executives and employees have full intention to jointly develop the organization for more efficiency, on the basis of Good Corporate Governance that places emphasis on creating interests to the general public. The Company is confident that, under these directions, Bangchak Petroleum Plc. would become a leading Company with continually stability and strength for the upcoming year and would be able to generate satisfactory returns to the shareholders in the long run.

General 
(Tawat Ked-Unkoon)
Chairman



Nature of Business Operations

Bangchak Petroleum Public Company Limited is a Thai oil company that imports crude oil from the Middle East and Far East as well as from the domestic sources to be refined with the highest capacity of 120,000 barrels per day.

Bangchak refinery is classified in the type of Simple Refinery (Hydroskimming) that divides the elements of crude oil to become light oil, medium-weighted oil and heavy oil according to the nature of each kind of crude oil. This system is not yet equipped with the Cracking Unit that can transfer some parts of heavy oil to become light oil with high value-added. The Company's products are sold to both large and small-scaled oil trading companies with their own oil storage. These companies sell oil through their networks and market channels to the consumers. Most of the products are transported via pipe line, with exception of some customers

who buy oil via ships or trucks. In addition, the Company directly sells its products in 600 standard service stations and 400 community service stations (at the end of 2005) under the trademark of "Bangchak". It also directly sells to consumers in the sectors of transport, airlines, ocean liners, construction, and industry. The Company runs businesses of sales of consumer goods in the Lemon Green and Bai Chak Shops as well as centers of oil change, food and beverage corners located in the service stations.

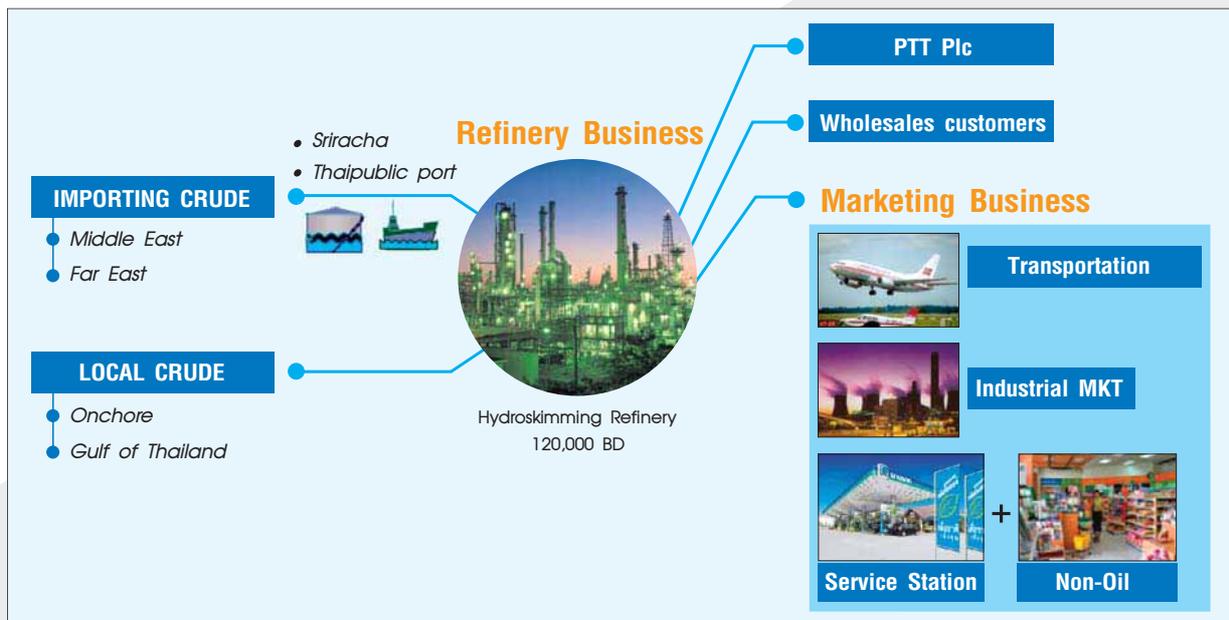
Bangchak Petroleum Plc. has one subsidiary company i.e. the Bangchak Green Net Co., Ltd. and one related company, i.e. the Fuel Pipeline Trans-

portation Co., Ltd. as stated below:

The Bangchak Green Net Co., Ltd.

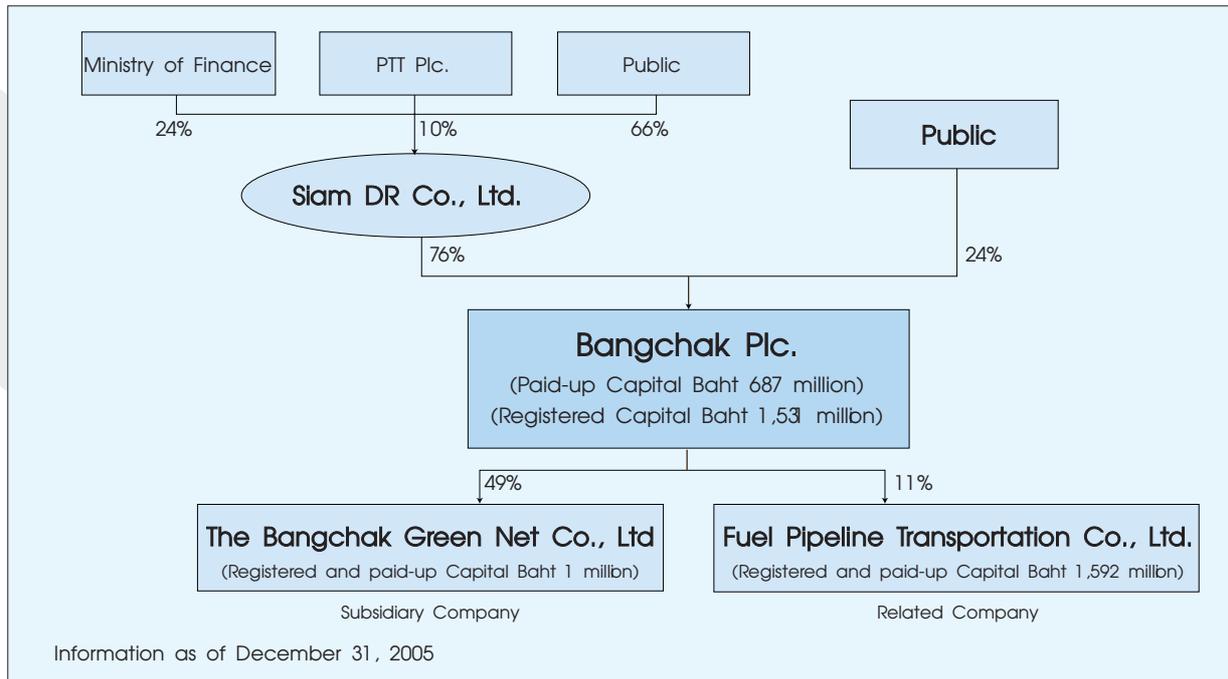
The Bangchak Green Net has a registered capital of Baht 1 million. The Company holds 49 percent of its total shares. The Bangchak Green Net was established to manage service stations of Bangchak and sales of consumer goods in the Lemon Green convenient stores and Bai Chak stores. The Bangchak Green Net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

Corporate Business





Shareholding Percentage of Bangchak and its subsidiary/related



Fuel Pipeline Transportation Co., Ltd.

Fuel Pipeline Transportation Co.,Ltd. (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-purpose pipeline system. The pipeline begins at the Bangchak refinery and runs along the railway track to the oil storage depots at Don Muang Airport and 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 the transportation when the airport starts its operation.



Income structure

In 2005, the Company's total incomes were Baht 85,663 million, and together with the subsidiary company, of which it holds more than 20 percent of the shares (The Bangchak Green Net Co., Ltd.), the Company's incomes totaled Baht 96,151 million. The incomes of the Company and subsidiary company in the year 2003 — 2005 can be classified as follows:

Product & service	Company	Shareholding Percentage	2005		2004		2003	
			Million Baht	%	Million Baht	%	Million Baht	%
Oil	Bangchak	-	85,663	89.1	79,207	91.6	61,262	91.6
Oil/ consumer products	Bangchak Green Net	49.0	10,488	10.9	7,229	8.4	5,641	8.4
	Total		96,151	100.0	86,436	100.0	66,903	100.0

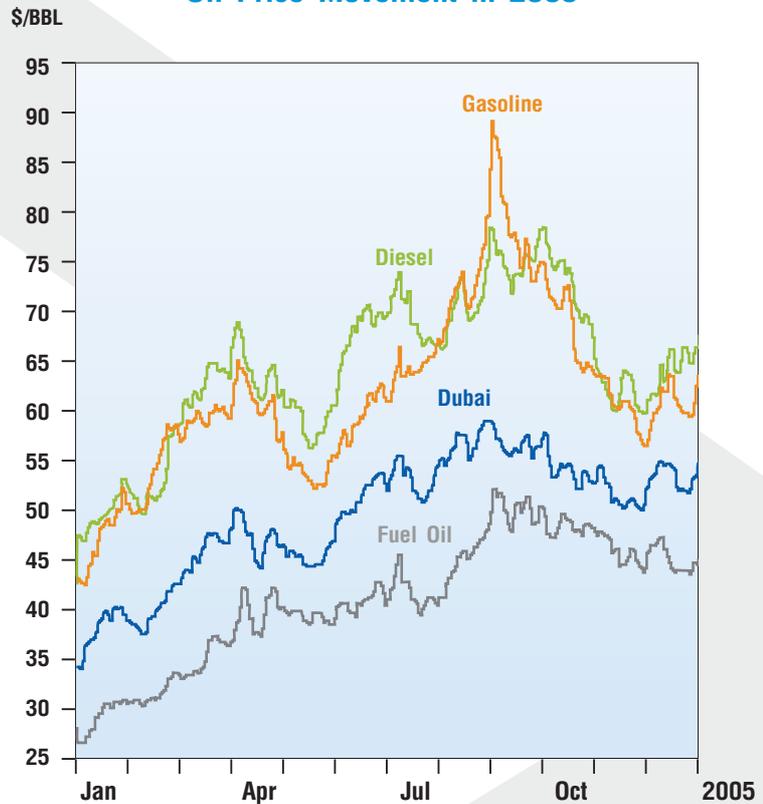
Note: * In the Year 2002, the Bangchak Green Net Co., Ltd. was not yet the Company' subsidiary. The incomes of the Company and subsidiary company in the year 2003, 2004, and 2005 was accounted as related transactions in the amount of Baht 4,833 million, Baht 6,246 million, and 9,623 million respectively. >>

Situation of Business and Competition

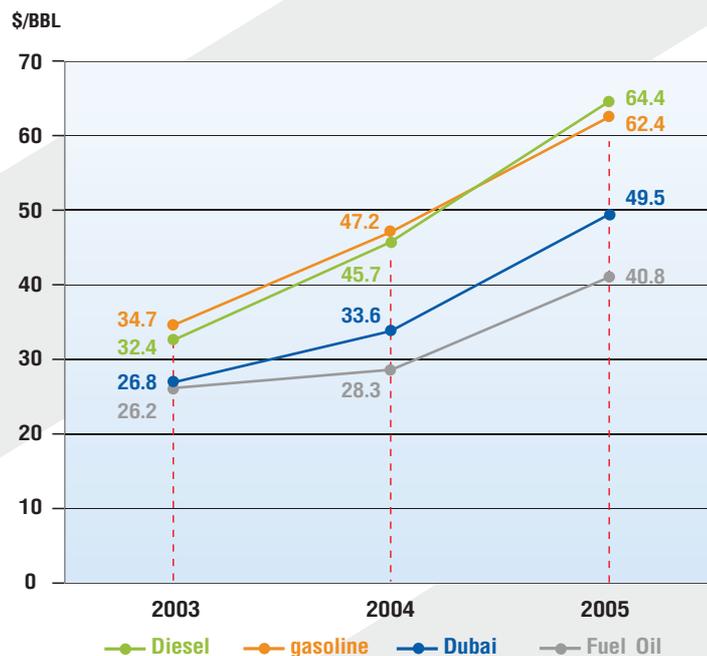
Refinery Business

In 2548, the situation of fuel price highly fluctuated. Prices of crude oil and finished oil products have continued to rise since the previous year. The major factor concerned a rise in world demand in oil consumption, especially in China and the United States, while oil production nearly reached the full capacity, as there has been no investment in new oil source in the past year. More than 50 percent of 140 large crude oil sources presently under operation are averagely above 25 years of age and the production is now on a decline. Other factors included the prevailing unrest in the Middle East and the natural disaster caused by Hurricane at Mexico Gulf, resulting in a long interruption of oil production. Therefore, oil prices rose to the highest level ever recorded during that period. Moreover, speculation in the forward oil markets has also caused a rise by 40 percent of oil prices from the previous year. The Company's need for cash flow increased, as the value of oil in stock and trade account receivables are on a rise.

Oil Price Movement in 2005



Average Oil Prices in 2003 - 2005





The average demand for oil consumption of the world was 83.4 million barrels per day in 2005, up by 1.5 percent from the previous record of 82.2 million barrels per day as compared with a rise by 3.8 percent in the precedent year, as a result of high price of crude oil and finished oil products.

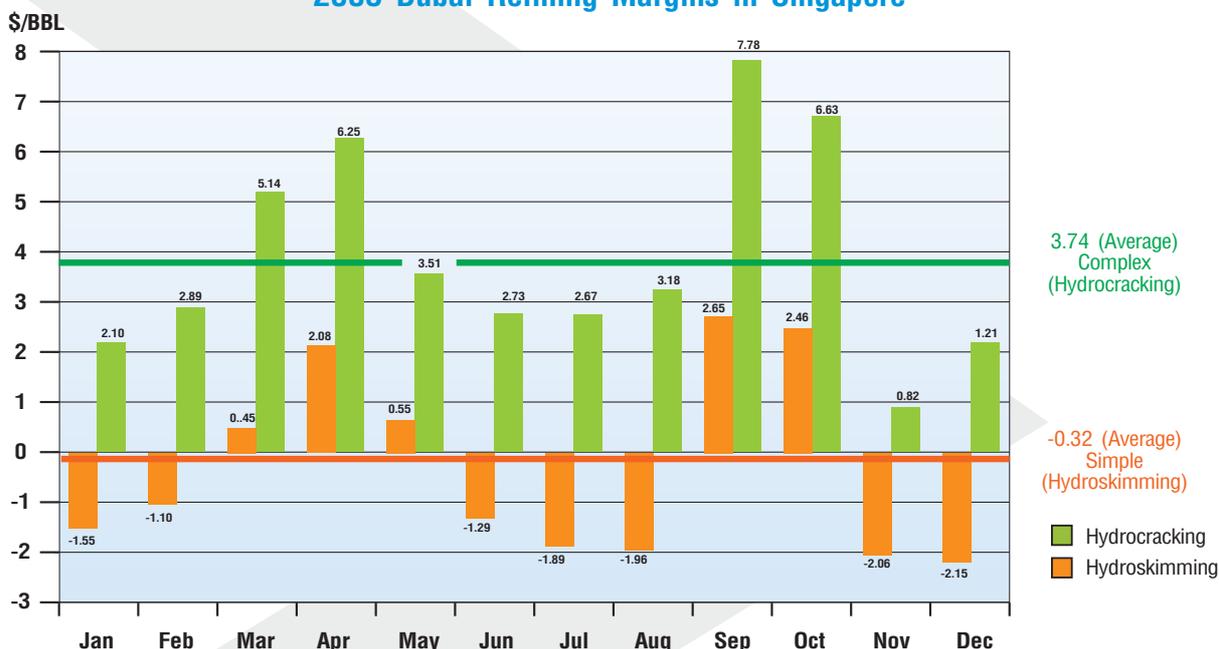
oil with lower cost and to put more control on efficient production cost.

As concerns refining capacity of domestic refinery, refining volume totaled 909,000 barrels/day, or 88 percent of the total capacity of 1,032,000 barrels/day.

Moreover, Production volume was still higher than domestic demand and export of finished oil products, in the year 2005, accounted for 128 thousand barrels per day.

The above-mentioned economic situation has produced the following impacts to retail markets through service stations and industrial markets:

2005 Dubai Refining Margins in Singapore



Source : IEA, Purvin & Gertz Inc.

In 2005, the gross refinery margin in the Asia - Pacific Region (referring to Dubai Crude at the refineries in Singapore) also highly fluctuated. The gross refinery margin of complex refinery (Hydrocracking) was US\$ 3.74 per barrel, while that of simple refinery (Hydroskimming) was US\$ -0.32 per barrel.

According to the above mentioned situation, in the year 2005, the Company therefore attempted to economically manage its refining quantity, to place emphasis on using domestic crude

Marketing Business

In 2005, the Thai economy expanded at a slower rate, i.e. 4.5 percent as compare with the rate of 6.2 percent recorded in 2004, due to such factors as the continued rise in oil price, repeated draught situation, unrest in the South, and impacts of Tsunami and widespread of Bird Flu etc. With these economic circumstances, domestic demand for oil products slowed down to 751 thousand barrels per day, a slight increase by 1.3 percent as compared with 9.3 percent in 2004.

Service Station Markets

As cost of oil continued to rise while the oil companies could not adjust their sales prices, marketing margin was at a low level, i.e. net marketing margin of Benzene decreased by Baht 0.81 per litre and Diesel Baht 0.38 per litre from that of 2004.

Due to intense competition and low level of marketing margin in retail markets, oil companies and service station entrepreneurs launched different marketing promotion strategies and searched for strategic partners to

Domestic Oil Demand/Production in 2005

Unit: KBD

Product	Demand	Domestic Production	Import	Export	Demand Growth (%)
LPG	93.3	124.0	-	30.2	12.7
ULG 95	38.6	60.3	-	21.5	(24.4)
ULG 91	74.7	86.9	-	13.4	(6.2)
Gasohol	11.6	11.9	-	-	1060
JET / Kerosene	74.3	100.9	-	10.4	1.5
Diesel	338.4	338.6	12.4	31.2	0.3
Fuel Oil	106.9	106.1	24.9	15.6	2.6
Asphalt	13.5	18.3	0.3	5.5	8.0
Total	751.4	864.9	37.5	127.8	1.3

Source : Department of Energy Business (DOEB)

increase sales together with opened up new convenient stores or renovated ones in the service stations. Almost all stations developed other supporting business such as restaurants, laundry, and car care, etc. Bangchak also turned to develop other non-oil businesses including coffee shops, restaurants, center of oil change for more customer attraction and utmost utiliza-

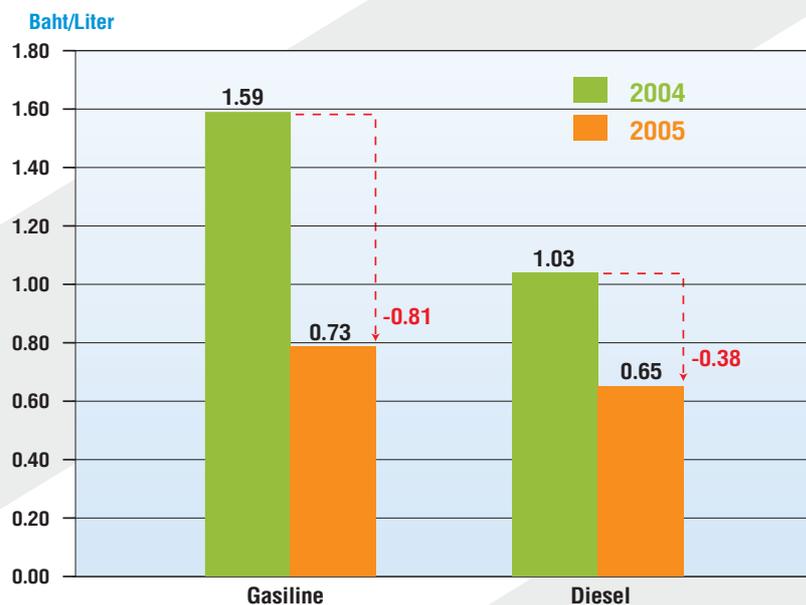
tion of vacant spaces.

Industrial Markets

Slow down in the economy and higher oil prices have made some industrial plants to turn to other kinds of fuel, such as gas or solid fuel. Fuel oil demand (not including EGAT) declined. Therefore, production volume was still higher than domestic demand. More-

over, industrial plants joined force to have more bargaining power, which resulted in more competition in oil prices. However, the Company placed importance on service quality and providing consulting service to its customers. >>>

Marketing Margin of Petroleum Products



Source : Energy Policy and Planning Office (EPPO)



Progress of Business in 2005

In 2005, the Company and its subsidiary' earnings totaled Baht 86,528 million. Its EBITDA was Baht +4,595 million, with net interest payable (deducted by interest receivable) of Baht 619 million, depreciation and amortization of Baht 782 million and income tax of Baht 284 million, resulting in the net profit accounting for Baht 2,927 million (as compared with the net profit of Baht 2,636 million recorded in 2004).

Refinery business

The Company's gross refinery margin (not including profit from oil stock) was US\$ 3.59 per barrel, higher than the same period of the preceding year where the refining margin was US\$ 1.84 per barrel. The volume of refinery was reported at 62,000 barrels per day, lower than last year's record of 90,000 barrels per day, as prices of fuel oil increased in a lower rate than those of crude oil and other finished oil products, resulting that the Company had to reduce its refining capacity so as to maintain production of fuel oil and the gross refinery margin at a high level. Products of fuel oil were sold to particular markets and were sent to the Thai Oil Refinery so as to increase more value-added.

Marketing business

Volume of sales through Bangchak service stations was on a rise, in contrast with the slow growth of domestic oil consumption as a result of higher oil prices both for benzene and diesel.

In 2005, sales of oil through Bangchak service stations rose by 3.7 percent, from 166.4 million liters per month to 172.7 liters per month, while the industry grew by merely 0.5 percent. The market share of Bangchak service stations, therefore, increased from 12.4 percent to 12.8 percent and its sales of benzene through service stations increased by 18.6 percent, as compared with total sales of the market that decreased by 0.4 percent and the market share rose by 2.1 percent from 11.2 to 13.4 percent.

A contributing factor concerned the strategy to become leader in alternative energy development by seriously campaigning the sales of gasohol in accordance with the Government's policy to support production and sales of gasohol as a means to alleviate the impacts of oil price rise on the national economy and to help the general public in using good quality and cheaper oil. This then has enhanced Thailand to step forward into the era of development and utilization of alternative energy sources as in many countries in Europe and the United States.

Sales of Gasohol through Service Stations





Bangchak, leader in alternative energy development

As rising oil prices have produced adverse effects to the economic stability of the country, the Government has therefore resided to the policy to develop and encourage utilization of alternative energy. Bangchak, as a national oil company, has fully supported this policy and at present, the Company has opened up sales of all kinds of alternative energy as follows:

Gasohol 95

- Bangchak gasohol, economical and can be found all over Thailand. The Company currently has expanded sales of gasohol 95 to more than 600 service stations around the country in order to provide convenience for customers and the public in using gasohol instead of benzene.

- Gasohol is cheaper by Baht 1.50 per liter. Since February 2005, in corporation with the Government Authority, Bangchak has sold gasohol 95 at Baht 1.50 per liter cheaper than benzene 95 so as to encourage more usage of gasohol.

- Test Drive for Bangchak gasohol. In order to enhance confidence of the customers, the Company, jointly with the Ministry of Energy, Association of

Reporters on Automobiles and Motorcycles and leading automobile companies, organized a technical seminar and test drive from Bangkok to Suphanburi and Uthaithani. The result of the test drive was that gasohol produced no significant impact to the automobiles.

- Joining force to help the country by using gasohol. More customers have turned to use gasohol, which would help reduce oil imports. The Company and Ford Motor (Thailand) have encouraged more utilization of gasohol by arranging for a reward of Ford Escape for the customers who fill their cars with gasohol.

- Wholesales of gasohol to other oil companies. In order that the customers can find gasohol more

easily and arrange widespread of gasohol usage, as response to the government policy, the Company also sold gasohol 95 to other oil companies.

Gasohol 91

- Bangchak gasohol 91, the first and only one in Thailand. The Company has opened up sales of gasohol 91 as another alternative for its customers who used benzene 91.

After launching sales of gasohol 91 at the end of 2004 in 9 service stations, the response from the customers has been satisfactory. At present, over 150 service stations in Bangkok Metropolitan sell gasohol 91 with continued marketing activities to attract more customers.



Biodiesel

- Support to opening of biodiesel production center in Chiangmai and expanding sales of biodiesel to the community service stations. The Company provided its support for the second consecutive year to the opening event of the community biodiesel center by the Prime Minister. In this occasion, the Company also expanded the sales of diesel with B5 formula to Sankumphang co-operatives services station for the sake of its members and other car users in the district.

- Expansion of Biodiesel in Bangkok due to Biodiesel was concerned as alternative energy to replace total utilization of diesel and that constitutes major cost of the transportation and agriculture sectors in Thailand. Furthermore, the Company participated in the project "Bangkok with blue sky by biodiesel" issued by the Ministry of Energy. The Company associated with the project by spread its sales of biodiesel or diesel with B5 formula, which was opened for the first sales in Chiangmai, thoroughly around Bangkok. At present 12 service stations in Bangkok are ready to sell biodiesel.

Natural Gas : NGV

In December 2005, the Company signed a cooperation agreement with the PTT Plc. to expand sales of NGV. Under this agreement, NGV would be sold at 10 Bangchak service stations in Bangkok Metropolitan in 2006.

The first service station for alternative energy of Thailand

The Company opened its first service station for alternative energy on the Ramindra — Ekamai Rd. Branch, which would only sell gasohol and biodiesel. The number of customers has been increasing, particularly for biodiesel or diesel with B5 formula, whose sales volume has been on a steady rise.





Product Quality Improvement

In order to strengthen its business structure, the Company has planned to invest in a project to improve the oil quality by transforming its refinery to become a complex refinery. This can be done by installing a cracking Unit, a Vacuum Unit and a Hydrogen Plant as well as other supporting units in the Company's refinery.



The Board of Directors agreed to arrange an Extraordinary General Meeting of Shareholders to request for a resolution for an increase of registered capital by 664.5 million shares, which would make the total registered capital of 1,531 million shares, to be in response with the offer of ordinary shares and convertible debentures to the PTT Plc. within an amount of US\$ 100 — 120 million as well as the offer of ordinary shares to institutional investors within an amount of US\$ 30 — 50 million, totaling US\$ 150 million. This amount of fund would be invested in the Product Quality Improvement Project

(PQI) with the total investment cost of US\$ 250 — 300 million; the rest of fund would be borrowed from financial institutions.

The project, after completion, would enhance more productivity of Bangchak refinery to produce diesel and benzene in a higher quantity in accordance with higher demand in oil consumption. Production of fuel oil, which is cheaper and would be less demanded, would be reduced. At present, the Company is in the bidding process for construction contractors. It is anticipated that the project would be completed in early 2008.



Development of personnel and technology

The Company has not merely put emphasis on financial and business restructuring to be a leading company and enhance competitiveness; it has also implemented activities to modernize its management along with capability and competency improvement of its staff to be prepared for sustainable growth of the Company in the future.

Development of personnel under the principles of Competency

The Company also brought the principles of Competency into the process of personnel development by emphasis on enhancement of qualifications concerning knowledge, skill and behavior of the Executives and staff or "the core competency" to be in compliance with the Company vision and 5 year targets. The 6 major qualifications are the following:

- Ability for Adaptation and Initiation capability openness to changes, to learn new things and to think out of box.
- Leadership leadership, vision, courage of thinking and acting for the benefits of the organization with transparency.
- Teamwork Spirit service mind, ability to work with other people, eagerness to help, and acceptance of value of colleagues.
- Organization Commitment determination and dedication to correctly attain the targets of the Company with

professionalism and efficiency.

- Personal Mastery eagerness to learn, activeness and intention to seek for knowledge to develop potentiality of oneself and the organization.
- 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.

Moreover, the Company also indicated attribution with regard to knowledge, skill and behavior of executives and employees (Functional Competency) to be in accordance with functions and assignment.

Information technology development

In 2005, the Company began to upgrade and develop its potentiality on information technology system, so

that it would be able to be in response with business expansion in the future. The objectives are to increase efficiency, rapidity and correctness of connection between the database and different working systems of the Company that would enhance more efficient cost management and reduction in expenditures and working time.

The Company installed the new system of SAP IS Oil & Gas Solution for the working systems of sales, debtors and transport. The SAP IS Oil & Gas Solution is a modernized system that has been developed for oil business and widely utilized by both domestic and international leading oil companies.

In order to improve the Company's personnel management, the Company implemented system of PeopleSoft Enterprise to develop the e-HR system, which is internationally well-known. Regarding this system, the Company would become a learning organization in the future. >>>

Rewards of the Year



Board of the Year Awards 2004/2005
for Exemplary Practices



Best Corporate Governance Awards

The year 2005 was the time to be proud of the Company's Executives and employees, as it was granted various rewards:

Reward for management performance as a listed company

- The Company was granted with the reward of Best Corporate Governance Report in the event of SET Awards 2005, organized by Money and Banking Magazine and the Stock Exchange of Thailand for the listed companies with excellent performance as concerned with the Good Corporate Governance principles as stipulated by the Stock Exchange of Thailand.

- For the third consecutive year, the Company was selected as one in the group of Top Quartile of Corporate Governance Report of Thai Listed Companies — CGR 2005, Quartile 1, organized by the Thai Institute of Directors Association (IOD), the Stock Exchange of Thailand and the Office of the Securities and Securities Exchange Commission (SEC). The Company was also ranked as one of the Top Ten from 3 of the 5 evaluation topics

concerning Good Corporate Governance namely, respect to equitable treatment to its shareholders, information disclosure and transparency as well as accountability of the Board of Directors.

- the Board of the Year Awards 2004/2005 The Company's Board of Directors was selected from 371 listed companies, which was evaluated by IOD and reported in Corporate Governance Report of Thai Listed Companies 2005, to be granted the



Board of the Year Awards 2004/2005 from Dr. Somkid Jatusripitak, Deputy Prime Minister and Minister of Commerce, with respect to its role in vision control, formulation of strategies, and performance on Good Corporate Governance.

Finance

The Company was granted with the reward of Most Creative Issue in the event of Best Bond Awards 2004, organized by the Thai Bond Dealing Center for the characteristics and exclusivity of the Company's debentures that had been generally accepted by investors and successfully sold out.

Development of Oil Distribution Center to attain the international standard

The Company's Oil Distribution Center received the certificates of Industrial Standard 18001-1999 and OHSAS 18001-1999 (Occupational Health and Safety Management System) for the processes of oil reception and

distribution. The Company was also granted with the guarantee from the ISO Institution (US) for the production of lubricant oil, which resulted that Bangchak refinery as well as the distribution centers in the central regions and regional were guaranteed with Industrial Standard 18001 and OHSAS 18001 for all of their operational processes.

Marketing

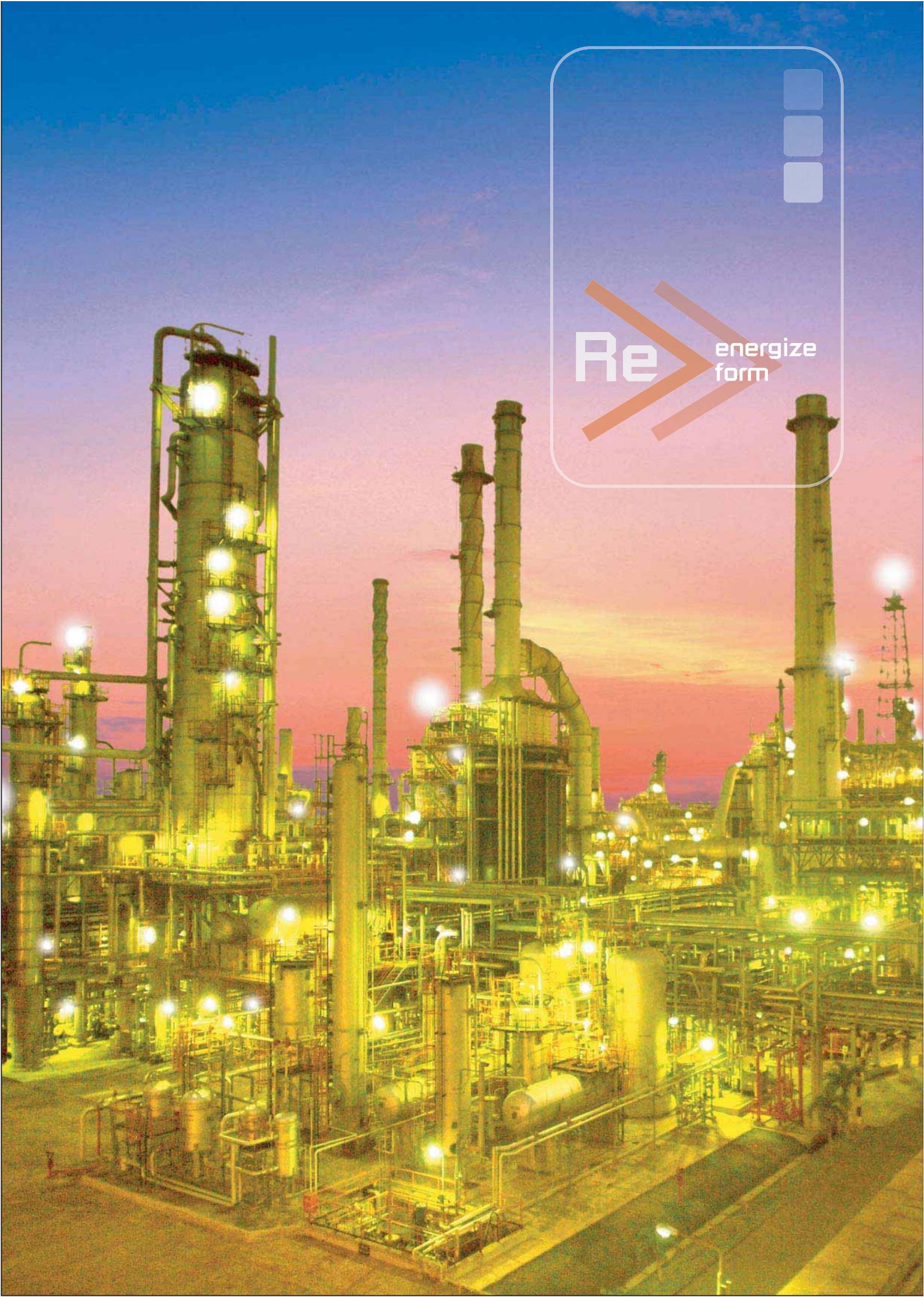
- Bronze Award The Company's advertisement with the title of "Bicycle" for Bangchak Green Plus benzene was granted with the Bronze Award for the group of Auto, Vehicles, and Automotive Products & Services from the second Adman Awards & Symposium 2005, organized by the Advertisement Association of Thailand.

Environment and society

- Prueksa Nakara Medal In participating in the Project of "Mak Mai Ming Muang" (Greenery in the City) with the purpose to increase more green areas under the initiative of Her



Majesty the Queen, the Company was granted with the "Prueksa Nakara Medal" for the type of pleasant look, evergreen, and peaceful environmental large building. >>



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Statement of Directors

The Board of Directors of the Bangchak Petroleum Public Company limited has arranged for the Financial Statements to be formulated so as to report the Company's financial status and operating results for the year 2005, 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 2005. The Financial Statements have been formulated in conformity with the generally followed accounting policies. Careful consideration and projection have been utilized and important information has been sufficiently disclosed in the Notes to the Financial Statements.

The Board of Directors has put in place an effective internal control system, which is to be maintained to reasonably ensure that all accounting transactions are accurate, complete and sufficient for the safeguard of Company's assets, and also to identify any weakness in the system so as to protect against irregularities or abnormal business transactions, which are material in nature.

Accordingly, The Audit Committee, composing of non-executive Directors, with 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 the 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 December 31, 2005.

General

(Tawat Ked-Unkoon)

Chairman

(Anusorn Sangnimnuan)

President

Audit Committee's Report

To the Shareholders,

On its meeting no. 3/2003, the Board of Directors of Bangchak Petroleum Public Company Limited appointed the Audit Committee, comprising Mr. Anusorn Tamajai as Chairman, Mr. Wirat Iam-Ua-Yut and Mr. Nipon Surapongrukchareon as members.

In the year 2005, the Audit Committee held 10 meetings of which the major issues are summarized as follows:

1. Review quarterly and annually financial statements including related financial reports, and ensure complete compliance with generally Accepted Accounting Principles and major changes in accounting policies of the year 2005, 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 of any interest. Moreover, especially in the year 2005, the Audit Committee intensively reviews the properness of the Company's information disclosure and the management practices regarding the Acquisition and Disposition of Assets and also review on connected connection concerning Product Quality Improvement Project of the Company.
2. Monitor the Company's Internal Control and Internal Audit systems to ensure these are appropriated, effective, and transparent by reviewing the results of the internal auditing of the year 2005 and internal audit plans for the year 2006-2008, which has been drawn out on the basis of assessment of internal audit system and risk assessment for all organization so that the plan could cover all important issues, including continued development of audit personnel.
3. Monitor to ensure that the Company completely complies with the regulations of the Stock Exchange of Thailand and all laws applicable to the Company's business, including the Good Corporate Governance principles.
4. Consider, select, and nominate A.M.T. Associates as the Company's Auditor for the year 2005 and propose its remuneration.
5. Review the risk management system to ensure it is appropriate and effective and also perform an audit process on risk factors that remains.
6. Follow-up and emphasis on safety management system, including fair environment of the refinery, employees and surrounding communities.



7. Update the Audit Committee Charter to be in accordance with the Good Corporate Governance principle so as to enhance confidence of Shareholders, trading partners and customers that the Company conducts its business in complying with the relevant stipulations as well as the Business Code of Conduct, with an efficient system of internal control.
8. Consider and employ the Internal Control Office's Director as requested.

The Audit Committee, under its authorization, has monitored and followed up the overall performance of the Company in the year 2005 and is of the opinion that the Company conducted its Financial Statements in accordance with the generally accepted accounting standards. All related party transactions and conflicts of interest were duly disclosed. Systems of internal audit and risk management were implemented in an appropriate manner. The Company's performance was in compliance with the relevant laws as well as regulations of the Stock Exchange of Thailand.

(Anusorn Tamajai)

Chairman of the Audit Committee

Independent Certified Public Accounts' 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, 2005 and 2004, 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, 2005 and 2004, the results of their operations, and cash flows for the years then ended in conformity with generally accepted accounting principles.



(KESREE NARONGDEJ)

Certified Public Accountant

Registration No. 76

A.M.T. & ASSOCIATES

Bangkok, Thailand

February 10, 2006



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	As of 31 ST	As of 31 ST	As of 31 ST	
		December	December	December	December	
Notes		2005	2004	2005	2004	
<u>ASSETS</u>						
CURRENT ASSETS						
	Cash and cash equivalents	4	1,753,014,138	2,212,561,232	1,560,773,205	1,894,499,857
	Trade accounts receivable - net					
	Related parties	3.1	-	-	396,445,954	434,942,310
	Other parties	5	3,620,567,252	3,198,912,805	3,602,306,606	3,186,132,557
	Inventories - net	6	10,939,192,885	10,118,144,306	10,671,207,593	9,946,500,675
	Other current assets					
	Material and Supplies - net	7	327,785,886	345,094,422	327,785,886	345,094,422
	Oil Fund Subsidies Receivable		433,002,973	1,342,496,006	433,002,973	1,342,496,006
	Others		524,159,047	405,626,494	506,585,345	391,003,541
	Total Current Assets		<u>17,597,722,181</u>	<u>17,622,835,265</u>	<u>17,498,107,562</u>	<u>17,540,669,368</u>
NON-CURRENT ASSETS						
	Investments for using the equity method	1.3,3.2	4,388,414	-	13,655,219	-
	Other long-term investments	8	3,820,188	5,573,987	2,920,188	4,673,987
	Tariff prepayment - net	9	24,071,580	33,169,500	24,071,580	33,169,500
	Long-term loans to related parties	3.3	-	1,100,000	-	-
	Property, plant and equipment - net	10	13,898,444,836	14,011,640,633	13,893,227,213	14,004,310,491
	Intangible assets - net	11	1,402,770,290	1,448,937,928	1,402,770,290	1,448,937,928
	Investment in service station - net	12	486,523,327	539,124,952	486,523,327	539,124,952
	Other non-current assets					
	Deferred income tax assets	13	102,856,153	94,415,342	102,856,153	94,415,342
	Others	14	742,855,898	612,932,904	740,104,316	603,904,140
	Total Non-Current Assets		<u>16,665,730,686</u>	<u>16,746,895,246</u>	<u>16,666,128,286</u>	<u>16,728,536,340</u>
	TOTAL ASSETS		<u><u>34,263,452,867</u></u>	<u><u>34,369,730,511</u></u>	<u><u>34,164,235,848</u></u>	<u><u>34,269,205,708</u></u>

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

	Notes	CONSOLIDATED		THE COMPANY ONLY	
		As of 31 ST			
		December	December	December	December
		2005	2004	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans from					
financial institutions	15,16.1	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Trade accounts payable					
Related parties	3.4	7,113,576	9,058,378	10,083,218	10,923,323
Other parties		5,533,805,113	7,638,078,411	5,468,003,138	7,571,866,050
Current portion of long-term loans	16	318,750,000	1,756,250,000	318,750,000	1,756,250,000
Other current liabilities					
Accrued excise tax and oil stabilization func		297,262,676	252,808,838	297,262,676	252,808,838
Accrued corporate income tax		253,694,256	-	249,294,699	-
Accrued expenses		446,515,234	503,900,476	430,895,663	481,266,723
Others		441,849,702	329,187,762	438,281,559	327,518,742
Total Current Liabilities		<u>9,298,990,557</u>	<u>12,489,283,865</u>	<u>9,212,570,953</u>	<u>12,400,633,676</u>
NON-CURRENT LIABILITIES					
Long-term loans	16	11,160,960,000	11,164,700,000	11,160,960,000	11,164,700,000
Other non-current liabilities					
Liabilities on long-term lease	11	551,631,820	551,631,820	551,631,820	551,631,820
Liabilities on service stations leasehold righ		29,551,575	72,183,706	29,551,575	72,183,706
Reserve for pension fund		257,577,704	214,722,262	257,577,704	214,722,262
Deferred income tax liabilities	13	29,442,329	32,713,699	29,442,329	32,713,699
Others		65,024,807	63,689,812	52,737,392	52,170,077
Total Non-Current Liabilities		<u>12,094,188,235</u>	<u>12,099,641,299</u>	<u>12,081,900,820</u>	<u>12,088,121,564</u>
Total Liabilities		<u>21,393,178,792</u>	<u>24,588,925,164</u>	<u>21,294,471,773</u>	<u>24,488,755,240</u>

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	2005	2004	2005	2004
SHAREHOLDERS' EQUITY				
Share Capital - Par Value Baht 1.00 per share				
Authorized share capital	17			
Common share 1,531,643,461 shares in 2005 and	1,531,643,461	-	1,531,643,461	-
Common share 867,143,461 shares in 2004	-	867,143,461	-	867,143,461
Issued and paid - up share capital				
Common share 687,481,908 shares in 2005 and	687,481,908	-	687,481,908	-
Common share 660,559,535 shares in 2004	-	660,559,535	-	660,559,535
Capital Surplus				
Premium on share capital	1,951,157,333	1,593,089,706	1,951,157,333	1,593,089,706
Capital surplus on registered and paid-up share red	18	189,617,759	189,617,759	189,617,759
Surplus on fixed assets revaluation	4,502,376,960	4,724,586,227	4,502,376,960	4,724,586,227
Retained earning (deficit)				
Appropriated – legal reserve	153,164,346	86,714,346	153,164,346	86,714,346
Unappropriated	5,385,965,769	2,525,696,777	5,385,965,769	2,525,882,895
Total Equity of Parent Company's Shareholders	12,869,764,075	9,780,264,350	12,869,764,075	9,780,450,468
Minority interests	510,000	540,997	-	-
Total Shareholders' Equity	12,870,274,075	9,780,805,347	12,869,764,075	9,780,450,468
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	34,263,452,867	34,369,730,511	34,164,235,848	34,269,205,708

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, 2005 AND 2004

	BAHT							
	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)		Minority interests	
					Appropriated legal reserve	Unappropriated		
Notes	share capital	Share capital	share reduction	revaluation	legal reserve	Unappropriated	Total	
Beginning balance as at January 1, 2004	522,040,940	-	-	4,947,867,230	-	(2,413,141,747)	538,059	3,057,304,482
Issued and paid - up share capital	231,000,000	-	-	-	-	-	-	231,000,000
Premium on share capital	-	2,690,302,170	-	-	-	-	-	2,690,302,170
Share capital increase from redemption of convertible debentures	97,136,354	-	-	-	-	-	-	97,136,354
Premium on share capital from redemption of convertible debentures	-	1,291,913,646	-	-	-	-	-	1,291,913,646
Decrease premium on share capital for reduction of accumulated deficit	-	(2,389,126,110)	-	-	-	2,389,126,110	-	-
Capital surplus on registered and paid-up share reduction	18 (189,617,759)	-	189,617,759	-	-	-	-	-
Transaction not recognised in the income statement	-	-	-	(223,281,003)	-	-	-	(223,281,003)
- Depreciation on the fixed assets revaluation	-	-	-	-	86,714,346	(86,714,346)	-	-
Legal reserve	-	-	-	-	-	2,636,426,760	2,938	2,636,429,698
Net profit (loss)	-	-	-	-	-	2,525,696,777	540,997	9,780,805,347
Ending balance as at December 31, 2004	660,559,535	1,593,089,706	189,617,759	4,724,586,227	86,714,346	2,525,696,777	540,997	9,780,805,347
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	540,997	9,780,805,347
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	-	-	-	-	-	-	(30,997)	(30,997)
Adjusted from minority shareholder	-	-	-	-	-	-	(81,600)	(81,600)
Dividend payment for preferred stock	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	66,450,000	(66,450,000)	-	-
Net profit (loss)	-	-	-	-	-	2,926,718,992	81,600	2,926,800,592
Ending balance as at December 31, 2005	687,481,908	1,951,157,333	189,617,759	4,502,376,960	153,164,346	5,385,965,769	510,000	12,870,274,075

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, 2005 AND 2004

	Notes	BAHT						Total
		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	
Beginning balance as at January 1, 2004		522,040,940	-	-	4,947,867,230	-	(2,389,126,110)	3,080,782,060
Issued and paid - up share capital		231,000,000	-	-	-	-	-	231,000,000
Premium on share capital		-	2,690,302,170	-	-	-	-	2,690,302,170
Share capital increase from redemption of convertible debentures		97,136,354	-	-	-	-	-	97,136,354
Premium on share capital from redemption of convertible debentures		-	1,291,913,646	-	-	-	-	1,291,913,646
Decrease premium on share capital for reduction of accumulated deficit		-	(2,389,126,110)	-	-	-	2,389,126,110	-
Capital surplus on registered and paid-up share reduction	18	(189,617,759)	-	189,617,759	-	-	-	-
Transaction not recognised in the income statement		-	-	-	(223,281,003)	-	-	(223,281,003)
- Depreciation on the fixed assets revaluation		-	-	-	-	86,714,346	(86,714,346)	-
Legal reserve		-	-	-	-	-	-	-
Net profit (loss)		-	-	-	-	-	2,612,597,241	2,612,597,241
Ending balance as at December 31, 2004		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
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
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)		-	-	-	-	-	2,926,532,874	2,926,532,874
Ending balance as at December 31, 2005		687,481,908	1,951,157,333	189,617,759	4,502,376,960	153,164,346	5,385,965,769	12,869,764,075

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, 2005 AND 2004

B A H T

	Notes	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
REVENUES					
Sales	20	85,869,953,568	79,847,703,236	85,035,235,365	78,901,927,519
Other incomes					
Interest income		20,436,454	18,774,194	19,657,690	18,218,477
Gain from foreign exchange	21	-	127,601,814	-	127,601,814
Gain from crude oil and product oil price hedging contract	25.3	537,069,545	1,729,027	537,069,545	1,729,027
Loss adjustment from impairment of assets		7,174,371	46,667,927	7,174,371	46,667,927
Others		93,228,555	146,818,988	50,315,123	110,412,498
Share of gains from investments for using the equity method		-	-	13,655,219	-
Total Revenues		86,527,862,493	80,189,295,186	85,663,107,313	79,206,557,262
EXPENSES					
Cost of sales		80,331,899,002	74,814,666,061	79,865,092,478	74,147,835,512
Selling and administrative expenses		2,010,467,105	1,654,208,189	1,621,682,133	1,367,006,864
Other expenses					
Depreciation		295,809,107	291,641,400	292,986,630	286,818,513
Directors' remuneration		5,080,500	3,413,750	5,040,500	3,363,750
Loss from foreign exchange	21	26,293,254	-	26,293,254	-
Loss from assets disposal		4,506,616	-	4,436,970	-
Loss from impairment of assets		3,505,033	4,514,255	3,505,033	4,514,255
Share of losses from investment for using the equity method		8,682	-	-	-
Total Expenses		82,677,569,299	76,768,443,655	81,819,036,998	75,809,538,894
PROFIT (LOSS) BEFORE INTEREST EXPENSE AND INCOME TAX		3,850,293,194	3,420,851,531	3,844,070,315	3,397,018,368
Interest expenses	22	(639,495,872)	(786,606,745)	(639,495,872)	(786,606,039)
Income tax	13	(283,996,730)	2,184,912	(278,041,569)	2,184,912
PROFIT (LOSS) AFTER INCOME TAX		2,926,800,592	2,636,429,698	2,926,532,874	2,612,597,241
MINORITY INTERESTS		(81,600)	(2,938)	-	-
NET PROFIT (LOSS)		2,926,718,992	2,636,426,760	2,926,532,874	2,612,597,241
BASIC EARNING PER SHARE					
Earning per share (Baht)	23	4.36	3.92	4.36	3.89
Number of weighted average shares (shares)		671,886,687	671,814,193	671,886,687	671,814,193
DILUTED EARNING PER SHARE					
Earning per share (Baht)	23	3.51	2.97	3.51	2.94
Number of weighted average shares (shares)		843,143,449	899,557,754	843,143,449	899,557,754

The accompanying notes 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 CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004

	Notes	B A H T			
		CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES :					
Net profit (loss)		2,926,718,992	2,636,426,760	2,926,532,874	2,612,597,241
Adjustments to reconcile net profit to net cash provided by (used in) Operating Activities					
Depreciation		611,444,063	583,966,914	608,621,586	579,144,028
Bad debt and doubtful debts		338,530	8,840,269	(565,916)	8,629,937
Amortization		187,809,305	161,663,898	187,809,305	161,663,898
Loss (gain) from foreign exchange	21	(9,417,823)	(56,631,218)	(9,417,823)	(56,631,218)
Loss (Gain) from assets impairment		(3,669,338)	(42,153,672)	(3,669,338)	(42,153,672)
Deferred income tax	13	(11,712,181)	(2,184,912)	(11,712,181)	(2,184,912)
Loss (gain) from fixed assets disposa		4,506,616	(8,092,115)	4,436,970	(7,528,316)
Reserve for pension fund		42,855,442	4,384,956	42,855,442	4,384,956
Deferred revenue		959,084	(37,991,697)	959,084	(37,991,697)
Loss (gain) from investments for using the equity method		38,706	-	(13,655,219)	-
Minority interests		50,603	2,938	-	-
Operating gain before changes in operating assets and liabilities		3,749,921,999	3,248,232,121	3,732,194,784	3,219,930,245
Operating assets (increase), decrease					
Trade accounts receivable		(381,531,197)	(716,166,533)	(329,379,045)	(802,801,666)
Inventories		(821,048,579)	(4,552,981,745)	(724,706,918)	(4,550,320,485)
Other current assets		825,852,218	(1,603,788,533)	821,532,015	(1,605,498,802)
Operating liabilities increase, (decrease)					
Trade accounts payable		(2,109,826,755)	3,227,894,489	(2,108,311,672)	3,217,132,647
Other current liabilities		309,172,503	(191,535,188)	309,888,005	(198,033,365)
Other non - current liabilities		373,060	2,999,320	(394,619)	3,097,264
Net Cash Provided by (Used in) Operating Activities		1,572,913,249	(585,346,069)	1,700,822,550	(716,494,162)

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

THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004

	B A H T				
	Notes	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
CASH FLOWS FROM INVESTING ACTIVITIES :					
Decrease(increase) in temporary investments		-	206,781	-	-
Decrease(increase) in long-term investments		6,353,463	12,320,100	10,780,583	12,320,100
Decrease(increase) in long-term loans to related parties		1,100,000	9,000,000	-	-
Acquisition in property, plant and equipments		(734,046,380)	(346,852,644)	(733,266,778)	(346,717,515)
Proceeds from sales of property, plant and equipmen		9,082,231	21,570,990	9,082,232	21,570,990
Decrease(increase) in intangible assets		(60,194,498)	(15,074,224)	(60,194,498)	(15,074,224)
Decrease(increase) in other non - current assets		(198,423,559)	(273,745,266)	(204,700,741)	(277,578,644)
Net Cash Provide by (Used in) Investing Activities		<u>(976,128,743)</u>	<u>(592,574,263)</u>	<u>(978,299,202)</u>	<u>(605,479,293)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase(decrease) in bank overdrafts and short-term loans from financial institutions		-	(6,000,000,000)	-	(6,000,000,000)
Increase(decrease) in other short - term loan		-	(1,390,823,000)	-	(1,390,823,000)
Proceeds from long - term loans		700,000,000	11,800,000,000	700,000,000	11,800,000,000
Payment of long - term loans		(1,756,250,000)	(7,462,500,000)	(1,756,250,000)	(7,462,500,000)
Dividend payment for preferred stock		(81,600)	-	-	-
Proceeds from issued and paid-up shares capita		-	231,000,000	-	231,000,000
Proceeds from premium on shares capita		-	2,690,302,170	-	2,690,302,170
Net Cash Provided by (Used in) Financing Activities		<u>(1,056,331,600)</u>	<u>(132,020,830)</u>	<u>(1,056,250,000)</u>	<u>(132,020,830)</u>
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS - NET		(459,547,094)	(1,309,941,162)	(333,726,652)	(1,453,994,285)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>2,212,561,232</u>	<u>3,522,502,394</u>	<u>1,894,499,857</u>	<u>3,348,494,142</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	4	<u><u>1,753,014,138</u></u>	<u><u>2,212,561,232</u></u>	<u><u>1,560,773,205</u></u>	<u><u>1,894,499,857</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid during the periods for

Interest expenses	752,138,411	1,112,164,736	752,138,411	1,112,164,030
Income tax	30,493,815	30,276,894	30,874,214	33,400,869

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, 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, 2005 and 2004, the company employed 757 and 756 employees respectively and the employees related expenses were Baht 583.61 million and Baht 509.59 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, 2005 and 2004, the company employed 1,860 and 836 employees respectively and the employees related expenses were Baht 195.40 million and Baht 174.45 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%
<u>Related company :</u>			
- Fuel Pipeline Transportation Ltd.	Fuel pipeline transportation	Holding and joint directors	11.41%

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. was in the process of self-liquidation and its investment was written off. And now The Retail Net Co., Ltd is in the process of return on the investment.

1.4 Others.

The financial statements of above associated companies 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 first-in first-out basis or net realizable value.

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 charged 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, the pension fund reserve and gain from foreign exchange fluctuations on loan for construction project.

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.

3. 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, 2005 are as follow:

3.1 Trade accounts receivable – related parties

	Million Baht			
	Consolidated		The Company Only	
	December 31,2005	December 31,2004	December 31,2005	December 31,2004
<u>Subsidiaries</u>				
- The Bangchak Green Net Co., Ltd.	-	-	396.45	434.94
- The Retail Net Co., Ltd.	-	-	-	-
<u>Related Company</u>				
- Fuel Pipeline Transportation Ltd.	-	-	-	-
Total Accounts receivable - Related parties net	-	-	396.45	434.94

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, 2005		
				Investments		
				Cost Method	Equity Method	Dividend
Subsidiary :						
The Bangchak Green Net Co., Ltd.	Holding and joint directors	1	49.00%	0.49	13.66	-

Name	Type of Business	Authorized Share capital (Million Baht)	Holding %	Million Baht		
				The Company Only		
				December 31, 2004		
				Investments		
				Cost Method	Equity Method	Dividend
Subsidiary :						
The Bangchak Green Net Co., Ltd.	Holding and joint directors	1	49.00%	0.49	-	-

3.2 Long - term loans to related parties

	Million Baht				Borrowing Cost Policy
	Consolidated				
	Balance as at December 31, 2004	Increase	Receive	Balance as at December 31, 2005	
Subsidiary :					
The Bangchak Green Line Co., Ltd.	4.00	-	(0.84)	3.16	2% Pa.
<u>Less</u> : allowance for doubtful accounts	(2.90)	(0.26)	-	(3.16)	
Total Long – term loan to related parties	1.10	(0.26)	(0.84)	-	

3.3 Trade accounts payable – related parties

	Million Baht			
	Consolidated		The Company Only	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
<u>Subsidiaries</u>				
- The Bangchak Green Net Co.,Ltd.	-	-	2.97	1.86
- The Retail Net Co.,Ltd.	-	-	-	-
<u>Associated Companies</u>				
- Fuel Pipeline Transportation Ltd.	7.11	9.06	7.11	9.06
Total Account Payable - related parties	7.11	9.06	10.08	10.92

3.4 Transaction with related parties

Transaction with related parties for the year ended December 31, 2005 and 2004 are as follow:

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Revenue from sales of oil	-	-	9,555.26	6,178.74
Revenue from operating right	-	-	70.27	58.58
Revenue from sale promotion items	-	-	3.24	5.46
Cost of pipeline transportation	73.83	83.18	73.83	83.18

Transfer pricing with the related parties is not differed from unrelated parties.



4. CASH AND CASH EQUIVALENTS

As at December 31, 2005 and 2004 Cash and cash equivalents consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Cash and deposits at Banks	1,753.01	2,212.56	1,560.77	1,894.50
Fixed deposit (maturity dates not longer than 3 months)	-	-	-	-
Total	1,753.01	2,212.56	1,560.77	1,894.50

5. TRADE ACCOUNT RECEIVABLES – OTHER PARTIES - NET

As at December 31, 2005 and 2004, Trade account receivables consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Trade accounts receivable - other parties	3,709.71	3,307.12	3,687.59	3,286.13
<u>Less</u> Allowance for doubtful accounts	(89.14)	(108.21)	(85.28)	(100.00)
Trade accounts receivable - other parties - net	3,620.57	3,198.91	3,602.31	3,186.13

As at December 31, 2005 and 2004, the overdue trade accounts receivable are classified by aging as follows:

	Million Baht	
	2005	2004
Over than 3 months to 6 months	1.90	0.71
Over than 6 months to 12 months	2.83	3.09
Over than 12 months	83.53	104.78
Total	88.26	108.58

6. INVENTORIES - NET

As at December 31, 2005 and 2004, Inventories consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Crude oil	6,966.49	7,384.61	6,966.49	7,384.61
Finished oil product	3,949.02	2,944.32	3,745.64	2,849.74
Consumer product	66.97	79.78	-	-
<u>Less</u> Allowance for devaluation	(43.29)	(290.57)	(40.92)	(287.85)
Inventories – net	10,939.19	10,118.14	10,671.21	9,946.50

Inventories as at December 31, 2005 and 2004, are included petroleum legal reserve of 342.81 million liters approximated value Baht 5,237.14 Million and 399.24 million liters approximated value Baht 4,530.90 Million respectively.

7. MATERIAL AND SUPPLIES - NET

As at December 31, 2005 and 2004, Material and supplies consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Material and supplies	352.32	375.10	352.32	375.10
<u>Less</u> Allowance for obsolescence	(24.53)	(30.01)	(24.53)	(30.01)
Material and supplies - net	<u>327.79</u>	<u>345.09</u>	<u>327.79</u>	<u>345.09</u>

8. OTHER LONG-TERM INVESTMENTS

As at December 31, 2005 and 2004, Other long-term investments consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
<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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Investment in commercial paper</u>				
- The Express way Authority of Thailand's bond	0.9	5.50	-	4.60
<u>Add</u> Premium on investments	-	0.07	-	0.07
- The Government bond	3.00	-	3.00	-
<u>Less</u> Discount on investments	(0.08)	-	(0.08)	-
Total Investment in commercial paper	<u>3.82</u>	<u>5.57</u>	<u>2.92</u>	<u>4.67</u>
Total other long-term investments	<u>3.82</u>	<u>5.57</u>	<u>2.92</u>	<u>4.67</u>

On November 26, 2005, the Company redeemed The Expressway Authority of Thailand's bond, B.E. 2542 no.1 which 7 years duration. The totaling 4,600 units bond, which face value Baht 1,000 per unit and stated interest rate at 7.88% per annum payable twice per year in May and November, was registered on November 26, 1998. During this year, the Company amortized the premium to be expense in amount of Baht 73,987.08.



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 totaling 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, 2005. 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 2,850.44

9 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, 2005 shows an outstanding prepaid tariff balance of Baht 153.60 million and the Company has set up allowance for doubtful debt of Baht 129.52 million, the remaining amount is Baht 24.08 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. And in 2005, it wrote-off the interest receivable set-up from January 1, 2002 to December 31, 2002 of Baht 10.67 Million. As for the interest from January 1, 2003 to December 31, 2005 of Baht 25.23 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.

10. PROPERTY, PLANT AND EQUIPMENT - NET

	Million Baht				
	Consolidated				
	As at				As at
	December	Increase	Decrease	Transfer	December 31,
	31, 2004				2005
<u>COST</u> :-					
Land	1,344.78	-	-	8.77	1,353.55
Buildings	511.69	-	-	0.17	511.86
Machinery, equipment and refinery plants	22,880.04	-	3.95	270.13	23,146.22
Marketing and office equipment	3,598.23	-	40.02	219.14	3,777.35
Platinum Catalyst	322.70	-	-	-	322.70
Vehicles	128.38	-	16.76	26.55	138.17
Construction work in progress	443.30	734.58	-	(524.76)	653.12
Total	29,229.12	734.58	60.73	-	29,902.97
<u>Less</u> Accumulated depreciation					
Buildings	299.93	17.24	-	-	317.17
Machinery, equipment and refinery plants	12,665.48	578.73	2.77	-	13,241.44
Marketing and office equipment	1,558.19	218.17	25.87	1.43	1,751.92
Platinum Catalyst	-	-	-	-	-
Vehicles	82.91	17.38	16.45	-	83.84
Total	14,606.51	831.52	45.09	1.43	15,394.37
<u>Less</u> Allowance for impairment					
Land	573.58	-	-	-	573.58
Machinery, equipment and refinery plants	0.56	-	-	-	0.56
Marketing and office equipment	36.83	-	0.81	-	36.02
Total	610.97	-	0.81	-	610.16
Property, plant and equipment - net	14,011.64				13,898.44
Depreciation for the period	583.97				611.44



	Million Baht				As at December 31, 2005
	The Company Only				
	As at December 31, 2004	Increase	Decrease	Transfer	
<u>COST</u> :-					
Land	1,344.78	-	-	8.77	1,353.55
Buildings	511.69	-	-	0.17	511.86
Machinery, equipment and refinery plants	22,880.04	-	3.95	270.13	23,146.22
Marketing and office equipment	3,559.48	-	38.07	219.14	3,740.55
Platinum Catalyst	322.70	-	-	-	322.70
Vehicles	125.08	-	16.76	26.55	134.87
Construction work in progress	443.30	734.58	-	(524.76)	653.12
Total	29,187.07	734.58	58.78	-	29,862.87
<u>Less</u> Accumulated depreciation					
Buildings	299.93	17.24	-	-	317.17
Machinery, equipment and refinery plants	12,665.48	578.73	2.77	-	13,241.44
Marketing and office equipment	1,524.57	218.17	25.39	1.43	1,718.78
Platinum Catalyst	-	-	-	-	-
Vehicles	81.81	16.73	16.45	-	82.09
Total	14,571.79	830.87	44.61	1.43	15,359.48
<u>Less</u> Allowance for impairment					
Land	573.58	-	-	-	573.58
Machinery, equipment and refinery plants	0.56	-	-	-	0.56
Marketing and office equipment	36.83	-	0.81	-	36.02
Total	610.97	-	-	-	610.16
Property, plant and equipment - net	14,004.31				13,893.23
Depreciation for the period	579.14				608.62

11. INTANGIBLE ASSETS - NET

As at December 31, 2005 and 2004, Intangible assets consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
<u>Cost</u>				
Leasehold right	2,140.68	2,139.50	2,140.55	2,139.50
License and development costs of computer software	135.86	76.55	135.86	76.55
	<u>2,276.54</u>	<u>2,216.05</u>	<u>2,276.54</u>	<u>2,216.05</u>
<u>Accumulated amortization</u>				
Leasehold right	(790.77)	(691.15)	(790.77)	(691.15)
License and development costs of computer software	(71.51)	(65.37)	(71.51)	(65.37)
	<u>(862.28)</u>	<u>(756.52)</u>	<u>(862.28)</u>	<u>(756.52)</u>
Total	1,414.26	1,459.53	1,414.26	1,459.53
<u>Less : Allowance for impairment</u>	<u>(11.49)</u>	<u>(10.59)</u>	<u>(11.49)</u>	<u>(10.59)</u>
Intangible assets – net	<u>1,402.77</u>	<u>1,448.94</u>	<u>1,402.77</u>	<u>1,448.94</u>

On February 27, 2004, 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 about Baht 45.97 million per annum, 2010 - 2012 at about Baht 61.29 million per annum and 2013 - 2015 at about Baht 76.62 million per annum. The amounts are recorded as liability, against the long-term leasehold right.

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. The agreement to this effect is in the process of being signed. 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.



12. 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, 2005 and 2004, the balances outstanding in the investment in service station account are Baht 486.52 million and Baht 539.12 million respectively. The amortization expense of Baht 54.54 million on total investment balance was recorded in this accounting period,

13. 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	25
for the accounting period of five years from 2002 to 2006	
- Subsidiaries	15 – 30

Deferred income tax as at December 31, 2005 and 2004 are as follows:

	Million Baht	
	Consolidated	The Company Only
Deferred income tax assets		
As at December 31, 2004	94.42	94.42
Income tax expenses	8.44	8.44
As at December 31, 2005	<u>102.86</u>	<u>102.86</u>
Deferred income tax liabilities		
As at December 31, 2004	32.71	32.71
Income tax expenses	(3.27)	(3.27)
As at December 31, 2005	<u>29.44</u>	<u>29.44</u>

Deferred income tax assets mainly comprised allowance for doubtful accounts and pension fund reserve, and deferred income tax liabilities mainly comprised accumulated depreciation of equipment.

14. OTHER NON-CURRENT ASSETS - OTHERS

As at December 31, 2005 and 2004, Other non-current assets consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
14.1 Fixed deposit for staff welfare	177.22	170.20	177.22	170.20
14.2 Deposit for crude and product oil price hedging contract	338.39	178.50	338.39	178.50
14.3 Deferred expenses for the issuance of debentures and long-term loans	90.62	102.69	90.62	102.69
14.4 Other	136.63	161.54	133.87	152.51
Total	742.86	612.93	740.10	603.90

14.1 Fixed deposit for staff welfare

As at December 31, 2005 and 2004, the Company had a fixed deposit fund in a bank of Baht 177.20 million and Baht 170.20 million respectively with interest of 0%. The deposit is maintained to allow employees obtain credit facilities from the mentioned bank.

14.2 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.

14.3 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 into the issuance of convertible debentures, expenses for the loans and other expenses in the amount of Baht 114.63 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, 2005, the total amortized expenses on loans and issuance of the convertible debentures was Baht 12.06 million.

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

As at December 31, 2005 and 2004, bank overdrafts and short-term loans from financial institutions is Baht 2,000 million with interest rate at 4.925 % and 4.125 % per annum. These loans form part of the amount covered by collateral mentioned in Note 16.1

16. LONG-TERM LOANS

As at December 31, 2005 and 2004, Long-term loans consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Loans from bank	8,308.75	7,800.00	8,308.75	7,800.00
Debentures	800.00	2,215.00	800.00	2,215.00
Convertible debentures	2,225.96	2,610.95	2,225.96	2,610.95
Promissory notes	145.00	295.00	145.00	295.00
Total	11,479.71	12,920.95	11,479.71	12,920.95
Less : current portion of long-term loans	(318.75)	(1,756.25)	(318.75)	(1,756.25)
Less : portion of early redemption of Debentures	-	-	-	-
Long-term loans	11,160.96	11,164.70	11,160.96	11,164.70

16.1 Loans from bank

The Company has entered into a loan contract with Krung Thai Bank Public Company Limited by pledging the Company's assets as collateral 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. As at December 31, 2005 the Company has obtained long-term loans of Baht 8,308.75 million and working capital short-term loans of Baht 2,000 million which presented under bank overdrafts and short-term loans from financial institutions.

16.2 Debentures

As at December 31, 2005, 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.

16.3 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. 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. The depository receipt holders exercised the right by redeem 177,404 units of depository receipts. As at December 31, 2005 the balance of deposit receipts remaining were 222,596 units.

16.4 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.

17. AUTHORIZED SHARE CAPITAL

On October 11, 2005, The Company's resolutions of the Extraordinary General Meeting of Shareholders for resolved to approve all sub-agenda for the investment plan of Product Quality Improvement Project. The agenda was approved concerning the Company's shares as follows:

17.1 Approved for the increase of the Company's registered capital of 664,500,000 Baht from 867,143,461 Baht, by issuing new ordinary shares of 664,500,000 shares, with the par value of 1 Baht per share. As a result, the new registered capital shall be 1,531,643,461 Baht divided into 1,531,643,461 shares. The increase of registered capital will be used for the Product Quality Improvement Project and the Company's warrant issuance as be approved.

17.2. Associations (Registered Capital) in order to be consistent with the capital increase as be approved
Article 4 Registered capitals: 1,531,643,641 Baht (One thousand five hundred thirty one million six hundred forty three thousand six hundred and forty one Baht) Value per share 1 Baht (One Baht)



17.3 Approved for the issuance and offering of the subordinated and unsecured convertible debentures to PTT Public Company Limited in the amount of not exceeding 1,890,000,000 Baht with the tenor of not more than 10 years of which such debentures can be converted to the Company's ordinary shares pursuant to the conditions specified by the Company. The proceeds of the issuance of the convertible debentures will be used for the Product Quality Improvement Project. The Details are as specified in the Invitation to the Extraordinary General Meeting.

Furthermore, the Meeting also approved that the Board of Directors and/or any person authorized by the Board shall have the authority to set and/or change the terms and conditions of the convertible debentures of the Company, i.e. offered debentures amount, offering period, offered price including any transaction relating to the Office of the Securities and Exchange Commission, the Stock Exchange of Thailand and relevant authorities.

17.4 Approved for the allotment of the newly issued shares as follows:

- A. To allot not exceeding 283,000,000 ordinary shares, by offering to PTT Public Company Limited and not exceeding 161,000,000 ordinary shares to specific investors and/or institutional investors, either domestic or foreign.
- B. To allot not exceeding 135,000,000 ordinary shares for the reservation of an exercise of the Company's convertible debentures.
- C. To allot not exceeding 85,500,000 ordinary shares for the reservation of an exercise of the Company's warrants as be approved.

Furthermore, the Meeting also approved that the Board of Directors shall be authorized to fix the price offered to PTT and/or specific investors and/or institutional investors, either domestic or foreign, including the conversion price of the convertible debentures.

However, the offering prices and the conversion price shall be between 14 and 16 Baht per share. Moreover, The Board of Directors and/or any person authorized by the Board shall have the authority to set and/or change the terms and conditions of to the issuance and offering of the shares, i.e. offered debentures amount, offering period, offered price including any transaction relating to the Office of the Securities and Exchange Commission, the Stock Exchange of Thailand and relevant authorities.

17.5 Approved for the offering of newly issued shares in the amount of not exceeding 283,000,000 shares, and 189,000 convertible debentures which can be converted to the Company's ordinary shares of not exceeding 135,000,000 shares to PTT Public Company Limited without conducting the tender offer.

17.6 Approved for the connected transaction between the Company and PTT Public Company Limited regarding the issuance and offering the newly issued shares to PTT Public Company Limited which in the amount of not exceeding 283,000,000 shares, and 189,000 convertible debentures which can be converted to the Company's ordinary shares in the amount of not exceeding 135,000,000 shares.

18. 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 changes 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.

19. WARRANTS

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.

19.1 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.

19.2 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.

19.3 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. SALES

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

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Sales revenue from fuel products	85,828.07	79,807.67	84,923.09	78,803.32
Income from investment charge	41.88	40.03	112.15	98.61
Total	85,869.95	79,847.70	85,035.24	78,901.93

21 GAIN (LOSS) FROM FOREIGN EXCHANGE

Gain (loss) from foreign exchange for the year ended December 31, 2005 and 2004 are as follows:

	Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Realized gain (loss) from foreign exchange fluctuations	(35.71)	70.97	(35.71)	70.97
Unrealized gain(loss) from foreign exchange fluctuations	9.42	56.63	9.42	56.63
Total	(26.29)	127.60	(26.29)	127.60

22 INTEREST EXPENSE

The total interest for this period is Baht 649.96 million, of which Baht 10.46 million is recorded as cost of work in progress and Baht 639.50 million as expense.

23. RECONCILIATION OF DILUTED EARNINGS PER SHARE

	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)	2,926.72	671.89	4.36	2,926.53	671.89	4.36
Effect of dilutive potential ordinary shares	34.55	171.25		34.55	171.25	
Diluted earning per share						
Net earnings of ordinary shareholders assuming the conversion of convertible debenture to ordinary shares	2,961.27	843.14	3.51	2,961.08	843.14	3.51

For the year ended December 31, 2004

	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)	2,636.43	671.81	3.92	2,612.60	671.81	3.89
Effect of dilutive potential ordinary shares	33.48	227.75		33.48	227.75	
Diluted earning per share						
Net earnings of ordinary shareholders assuming the conversion of convertible debenture to ordinary shares	2,669.91	899.56	2.97	2,646.08	899.56	2.94

24 CONTINGENT LIABILITIES AND COMMITMENTS

24.1 Liabilities on guarantees

As at December 31, 2005, the Company's total liabilities in the form of bank guarantees amounted to Baht 254.94 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.

24.2 Allegation

24.2.1 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

24.2.2 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.



24.3 Commitments

As at December 31, 2005, The Company had commitments as follows:

24.3.1 The Company had entered into 8.28 million barrels oil price hedging contracts with foreign oil traders for price period during year 2006.

24.3.2 The Company has foreign currency buying forward contracts cover the period to March 2006 amounting to US\$ 3.72 million equivalent to Baht 152.37 million and selling forward contracts cover the period to December 2006 amounting to US\$ 20 million equivalent to Baht 823.98 million.

25. DISCLOSURE FOR FINANCIAL INSTRUMENTS

25.1 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.

25.2 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's outstanding debt is small compared with its annual income and net cash flow.

25.3 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.

25.4 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, 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.

25.5 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.

26. FINANCIAL INFORMATION BY SEGMENT OF BUSINESS

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

	Million Baht			
	<u>Refinery</u>	<u>Marketing</u>	<u>Elimination</u>	<u>Total</u>
Sales	83,815.40	54,284.29	(53,064.46)	85,035.23
Cost of sales	<u>(79,513.81)</u>	<u>(53,415.74)</u>	<u>53,064.46</u>	<u>(79,865.09)</u>
Gross margin	4,301.59	868.55	-	5,170.14
Selling and administrative expenses	(279.27)	(1,197.91)	-	(1,477.18)
Other incomes (expenses)	522.37	21.29	-	543.66
Depreciation and Amortization	<u>(8.01)</u>	<u>(434.52)</u>	<u>-</u>	<u>(442.53)</u>
EBIT	<u>4,536.68</u>	<u>(742.59)</u>	<u>-</u>	<u>3,794.09</u>
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				13.66
Interest-net				(619.84)
Income Tax				<u>(278.04)</u>
Net Profit				<u>2,926.54</u>
EBITDA	4,881.50	(308.07)	-	4,573.43



The statements of income of the Company segmented by type of business for the year ended December 31, 2004 are as follows:

	Million Baht			
	Refinery	Marketing	Elimination	Total
Sales	77,026.91	42,274.38	(40,399.36)	781,901.93
Cost of sales	(73,820.31)	(40,726.89)	40,399.36	(74,147.84)
Gross margin	3,206.60	1,547.49	-	4,754.09
Selling and administrative expenses	(244.04)	(992.46)	-	(1,236.50)
Other incomes (expenses)	173.15	78.33	-	251.48
Depreciation and Amortization	(10.63)	(410.05)	-	(420.68)
EBIT	3,125.05	223.31	-	3,348.39
Gain (loss) from impairment				42.15
Gain (loss) from foreign exchange fluctuations of others				(11.74)
Interest-net				(768.39)
Income Tax				2.19
Net Profit				2,612.60
EBITDA	3,455.75	633.36	-	4,089.11

27. DISCLOSURE THE APPROVED DATE OF THE FINANCIAL STATEMENT FOR ISSUE

The financial statement for the year ended December 31, 2005 had been approved for issue by authorized management on February 10, 2006 »

Opinions on the Related-Party Transactions

The Board of Directors' opinion on the related – party transactions as of December 31, 2005 can be summarized as follows:

Entities	Relation	Nature of transactions	Value (Million Baht)	
			2005	2004
Ministry of Finance	Major Shareholder	<ul style="list-style-type: none"> ❑ Guarantor for investment of CD-DR. As of Dec 31, 2005, remaining convertible debentures amounted to 222,596 units with repurchase price of Baht 10,000 per unit As of Dec 31, 2004, remaining convertible debentures amounted to 261,095 units with repurchase price of Baht 10,000 per unit 	2,226	2,611
		<ul style="list-style-type: none"> ❑ Guarantor for investment of BCP-DR1 of total 520 million shares with repurchase price of Baht 13 per share 	6,761	6,761
PTT Plc.	Shareholder	<ul style="list-style-type: none"> ❑ Sales of oil to PTT 	11,020	14,493
		<ul style="list-style-type: none"> ❑ Trade accounts receivable 	674	402
		<ul style="list-style-type: none"> ❑ Purchase of oil from PTT 	32,009	28,061
		<ul style="list-style-type: none"> ❑ Trade accounts payable 	2,213	1,771
		<ul style="list-style-type: none"> ❑ Payment of service fee to PTT' s Sriracha oil storage depot 	73	73
Bangchak Green Net Co.,Ltd.	Subsidiary Company	<ul style="list-style-type: none"> ❑ Sales of oil to Bangchak Green Net 	9,534	6,179
		<ul style="list-style-type: none"> ❑ Sales of Promotion items to Bangchak Green Net 	3	5
		<ul style="list-style-type: none"> ❑ Trade Accounts receivable 	396	435
		<ul style="list-style-type: none"> ❑ Franchise fee for management 	70	59
Fuel Pipeline Transportation Co.,Ltd.	Related Company	<ul style="list-style-type: none"> ❑ Transportation fee 	74	83
		<ul style="list-style-type: none"> ❑ Creditor for transportation fee 	7	9
Thai Oil Co.,Ltd	Related Company	<ul style="list-style-type: none"> ❑ Sales of oil to Thai Oil 	8,079	6,657
		<ul style="list-style-type: none"> ❑ Purchase of oil from Thai Oil 	8,719	6,843



1. **Related transactions with the Ministry of Finance**

The Ministry of Finance provided guarantee for debentures CD-DR and equity securities BCP-DR1 issued by Siam DR Co.,Ltd for financial restructuring, so that the Company could obtain better credit terms compared with the case of non-guarantee.

2. **Related transactions with the PTT Plc.**

PTT procured crude oil from domestic sources to supply to industrial entrepreneurs as well as to the Company in compliance with normal business conditions. As for sales of finished petroleum products, PTT would inform its requirement to the Company six months in advance. However, the two parties would cooperatively hold meetings every month to confirm in advance the supply requirement, prices of sales depending on market prices.

3. **Related transactions with the Bangchak Green Net Co.,Ltd.**

The Bangchak Green Net Co.,Ltd. was established to manage service stations and sales of consumer goods in the Lemon Green convenient stores and Bai Chak stores. The transactions were similar to those in normal business practices and were under the stipulations of contracts between the two parties.

4. **Related transactions with the Fuel Pipeline Transportation Co.,Ltd. (FPT)**

The FPT provided services of pipeline transportation from the Company's oil storage depot at Don Muang to Bang Pa-in to supply oil to customers in the North and North East.

5. **Related transactions with the Thai Oil Co.,Ltd. (Holding by PTT Plc.)**

Transactions were in accordance with normal trading practices and market prices.

The above-mentioned related party transactions concern business operations that are normally conducted without any special item or transfer of interests between the Company, subsidiary companies, related companies and Shareholders. All transactions were approved by the President, who has been empowered according to the Company's regulations, with exception to the case of guarantee for debentures and equity securities provided by the Ministry of Finance, which enabled the Company to get favorable terms and conditions.

Disclosure of related-party transactions was in accordance with the regulations of Office of the Securities Exchange Commission as well as the accounting standard as stipulated by the Association of Accountants and Auditors of Thailand.

Policy on related – party transactions in the future

The Company continues to purchase oil and to use pipeline transportation service with the related companies, as they are normal businesses between entrepreneurs in the same industry. Prices are determined under the market conditions and/or the conditions of commercial contracts. However, the Company would place importance on maximum benefits it could derive from the cooperation. The Audit Committee and Internal Control Office would supervise that operations comply with Securities Exchange Act and SET' s regulations, announcements, orders or stipulations. In case that any Executive may have interests with some transactions, he/she would not exercise his/her voting rights in the meeting. >>

Management's Discussion and Analysis

1. Explanation and Analysis of the Operating Results for the year 2005 compared with that of the year 2004

1.1 Net Profit/(Loss) Analysis

- 1) Regarding the business operations for the year 2005, net profit of the Company and its subsidiary were Baht 2,927 million, which composed of Baht 2,927 million of the Company's net profit and Baht 12 million of its subsidiary's net profit, The Bangchak Green Net Co., Ltd. The connected transactions of Baht 12 million were adjusted.
- 2) The Company's EBITDA was Baht 4,573 million, increased from Baht 4,089 million of the same period last year by Baht 484 million. Such profit resulted from the following factors:
 - EBITDA of the Refinery Business was Baht 4,881 million, increased from Baht 3,456 Million of the same period of last year by Baht 1,425 million. The Company had gross refining margin (excluding inventory gain / (loss)) of 3.59 \$/BBL, higher than that of last year which was at 1.84 \$/BBL, due to the substantial increases in oil demand comparing to the small addition of the refining capacity in the region. Then, these diminished the surplus of oil supply, which resulted to the continuous improving of the gross refining margin. Moreover, refineries in the US also had to shut down during the hurricane situation, which made a temporary sharp increase of gasoline and diesel price in the world market as well as Singapore, and consequently increased the gross refining margin. However, fuel oil price increased at a lower rate than other refined oil products and crude had limited the capacity utilization of the Company's refinery so as to reduce the fuel oil production to maintain operation at the optimum level. Due to such low capacity utilization, the Company had focused on high profit markets and had maximized the fuel oil volumes sending to Thairoil refinery for upgrading. The Company also had the inventory gains of Baht 2,313 million, higher than those of last year which was at Baht 2,176 million, since oil prices were continuously increased from last year. The average Dubai crude price was increased from 33.6 \$/BBL in 2004 to 49.5 \$/BBL in the year 2005.

Thus, in 2005 the Company had total gross refining margin of 5.85 \$/BBL, even though it had only 62 KBD of crude run compare to 90 KBD of last year.

- EBITDA of Marketing Business was Baht -308 million, decreased from Baht 633 million of last year by Baht 941 million, since the marketing margin of the year 2005 was only at Satang 15.4 per liter, lower than those of last year at Satang 43.0 per liter. This resulted from the increase in the retail oil price slower than the sharply increase in its costs (Ex-refinery price) in accordance with the world oil prices. However, the Marketing business had recorded gain from selling Jet fuel by Baht 118 million or Satang 33.8 per liter.



The Company's sale volumes in the retail market decreased to 53 KBD, comparing to last year at 56 KBD, since the Company needed to focus only on the high profit market during the low utilization of production capacity.

1.2 Income Analysis

Total revenues of the Company and its subsidiary for the year 2005 were Baht 86,528 million, which composed of the Company's revenues of Baht 85,663 million and its subsidiary's revenues of Baht 10,488 million, adjusted by connected transaction of Baht 9,623 million. The major changes of revenues were as follows:

- 1) Revenue from sales was Baht 85,035 million, higher than that of last year by Baht 6,133 million, since the average selling price increased by 38.1% (the average oil price was Baht 16.06 per liter comparing to Baht 11.62 per liter), but total sale volumes decreased by 22.0%.
- 2) Gain from crude and product price hedging contract was Baht 537 million, higher than that of last year by Baht 2 million, since the Company established policy to mitigate risk from price fluctuation by entering into such hedging contract as appropriate.
- 3) For the year 2005, the Company had recorded gain from its subsidiary by using the equity method of Baht 14 million.

1.3 Expense Analysis

Total expenses of the Company and its subsidiary of the year 2005 were Baht 83,317 million, which composed of the Company's expenses of Baht 82,458 million and its subsidiary's expenses of Baht 10,470 million, adjusted by connected transaction of Baht 9,611 million. The major changes of expenses were as follows:

- 1) Cost of good sold amounted Baht 79,865 million, increased by Baht 5,718 million from that of last year, since crude costs continuously increased (Dubai price increased by 16 \$/BBL on average comparing to last year), but the total sale volumes decreased by 22.0%
- 2) Selling and administrative expenses were Baht 1,622 million, increased from those of last year by Baht 255 million. The significantly increase expenses were the following: 1) Service station's maintenance expenses which had increased due to the expansion of Gasohol services and service stations image improvement project. 2) In-land freight expense which had increased due to the increase in oil prices, and 3) Advertising and promotion expenses which also increased due to the Gasohol sales promotion.

- 3) Net interest expense was Baht 639 million, decreased from that of last year by 147 million. Major reduction was the gradually conversion of CDDR to company's ordinary share amounting Baht 1,774 million since the second quarter of last year and repayment of high interest rate bonds with the lower interest rate loan from the Krungthai Bank.
- 4) The Company posted Baht 278 million of corporate income taxes, since the Company could generate the accumulated profit exceeding the loss carry forward; therefore, the Company had to start to pay income taxes for the performance of this year.

2. Explanation and Analysis of the Financial Position as of December 31, 2005 compared with December 31, 2004

2.1 Assets

- 1) At the end the year 2005, total assets of the Company and its subsidiary were Baht 34,263 million, which composed of Baht 34,164 million of the Company's total assets and Baht 513 million of its subsidiary's total assets, adjusted by Baht 414 million of connected transactions which the Company offered 15 days credit term to its subsidiary.
- 2) At the end of the year 2005, the Company's total assets decreased by Baht 105 million, comparing to that at the end of 2004. The major changes of assets were as follow:
 - Cash and cash equivalent amounted Baht 1,561 million decreased by Baht 333 million, comparing to that at the end of last year (details of cash and cash equivalent listed in explanation and Analysis of the Statement of Cash Flows).
 - Trade accounts receivable amounted Baht 3,998 million increased by Baht 377 million comparing to that at the end of last year, since the oil prices continuously increased, even though the Company decreased its sales volumes during the situation of low marketing margin.
 - Total inventories of Baht 10,671 million, increased by Baht 725 million, comparing to that at the end of last year, since the average price of inventories increased by Baht 4.42 per liter, but the inventories level decreased by 208 million liters resulted from reduction of operation level and more efficient inventory management.
 - The receivable from oil fund subsidy amounted Baht 433 million decreased from last year ending 2005 by Baht 909 million comparing to that at the end of last year as a result of cancellation of retail diesel price capped by the Government since the second quarter of this year.



2.2 Liabilities

- 1) At the end of the year 2005, total liabilities of the Company and its subsidiary were Baht 21,393 million, which composed of Baht 21,294 million of the Company's total liabilities and Baht 498 million of its subsidiary's total liabilities, adjusted by Baht 399 million of connected transactions.
- 2) At the end of the year 2005, the Company's total liabilities decreased by Baht 3,195 million comparing to those of the end of the year 2004. The major changes of liabilities were as follow:
 - Total interest bearing debt of Baht 13,480 million decreased by Baht 1,441 million comparing to that of at the end of last year, since the Company had repaid its scheduled long-term loan in year 2005 amounted Baht 1,756 million. The repaid amount came from company's internal operating cash flow and drawdown of Baht 700 million long-term loans from Krungthai Bank. In addition, Baht 385 million of CDDR was converted into the ordinary share in 2005.
 - Trade accounts payable amounted Baht 5,478 million, decreased by Baht 2,105 million comparing to that at the end of last year, due to the decrease in crude purchase. In addition, the Company also made advance payment of some portion invoice of crude for reduction of financial expenses.
 - In the year 2005, the Company had to start to pay corporate income tax, since the accumulated profit exceeded the loss carry forward; however, the Company already paid approximately Baht 29 million of withholding tax. Therefore, the Company had to accrue Baht 249 million of the corporate income tax at the end of the year 2005.

2.3 Shareholders' Equity

- 1) At the end of the year 2005, total shareholders' equity of the Company and its subsidiary were Baht 12,870 million, which composed of Baht 12,870 million of the Company's total shareholders' equity and Baht 0.5 million of minority shareholders.
- 2) The Company's total shareholders' equity increased by Baht 3,090 million comparing to that at the end of 2004, since the Company could generate net profit of Baht 2,927 in 2005, and the Depository Receipt of Convertible debenture (CDDR) had been converted to ordinary share amounted Baht 385 million (recorded in the paid-up capital by Baht 27 million and premium on share by Baht 358 million). Therefore, total shareholders' equity at the end of the year 2005 was Baht 12,870 million.

3. Explanation and Analysis of the Statement of Cash Flows for the year 2005 compared with that of the year 2004

3.1 In 2005, the Company and its subsidiary had cash profit from operation of Baht 3,750 million, which composed of Baht 3,732 million of the Company's and Baht 18 million of its subsidiary's. In addition, the Company and its subsidiary had cash and cash equivalent at the beginning of period of Baht 2,213 million, which composed of Baht 1,894 million of the Company's cash items and Baht 319 million of its subsidiary's cash items. The Company and its subsidiary used those cash in the company's activities by Baht 4,209 million, which main activities were Baht 2,177 million used for acquiring the operating assets and liabilities and Baht 976 million of the investment in non-current and other non-current assets; however, Baht 1,056 million were used for financing activities. Therefore, cash and cash equivalent at the end of this year were Baht 1,753 million, which composed of Baht 1,561 million of the Company cash and cash equivalent and Baht 192 million of its subsidiary's.

3.2 The Company had the net profit of Baht 2,927 million, added back the non-cash items of Baht 805 million. Thus, the Company had cash profit from operation of Baht 3,732 million together with cash at the beginning of period of Baht 1,894 million, which were used in the Company's activities as follows :

- 1) Net cash used in acquiring operating assets and liabilities was Baht 2,031 million, since the oil prices had continuously increased. Not only the Company had to use more cash to purchase crude for inventories, but the account payable was also increased. The Company had also made payment in advance for crude purchase for some period for lowering the financial cost.
- 2) Net cash used in investing activities was Baht 978 million, due to the increase in investments in fixed assets and equipments of the service stations and refinery as well as the investment in the first phase of Product Quality Improvement project (PQI).
- 3) Net cash used in financing activities was Baht 1,056 million resulting from loan repayment at its maturity of Baht 1,756 million and drawdown of additional long-term loan from Krungthai Bank of Baht 700 million.

Thus, at the end of the year 2005, the Company had cash and cash equivalents of Baht 1,561 million, decreased by Baht 333 million comparing to those the end of the year 2004.



4. Financial ratios analysis and the explanation for the year 2005 compared with that of the year 2004

	Unit	2005	2004
<i>Liquidity Ratios</i>			
Current Ratio	Time	1.9	1.4
Quick Ratio	Time	0.7	0.6
Receivable Turnover	Time	24.6	27.1
Average Collection Period	Day	14.6	13.3
Inventory Turnover	Time	7.6	9.5
Inventory Turnover Period	Day	47.2	37.7
Account Payable Turnover	Time	12.1	12.3
Average Payment Period	Day	29.7	29.2
Cash Cycle	Day	32.1	21.8
<i>Profitability Ratios</i>			
Gross Profit Margin	%	6.4	6.3
Net Profit Margin	%	3.4	3.3
Return on Equity	%	25.8	41.1
<i>Efficiency Ratios</i>			
Return on Total Assets	%	8.5	8.4
Assets Turnover	Time	2.5	2.5
<i>Financial Policy Ratios</i>			
Debt to Equity	Time	1.0	1.5

Remark: Calculation from consolidated financial statements

* Calculation from Interest Bearing Debt

According to the financial restructuring in the beginning of year 2004, not only could the Company decrease the liabilities, but the performance was gradually improved from a continuously improvement refinery margin which resulting in better performance of the Company's liquidity. However, from the increasing price, the oil inventories' value and account receivable were increased so that the ratios of inventory turnover and account receivable were decreased.

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. As a result, the retail price increased could adjust slower than the cost increased which depressed the marketing margin at a low level and slow down the demand for oil consumption; however, in reverse, if the oil prices were decreased, the marketing margin and oil consumption would increase as well. For the refinery margin, as a simple refinery having a high proportion of fuel oil production, having the price lower than crude price, comparing with a complex refinery, the Company's gross refining margin was depressed at a certain level. Thus, sending its fuel oil to upgrade at other refineries could reduce a part of effect of such situation so that the Company has had necessary to attain the long-term resolution for reducing the fuel oil production in order to enhance the gross refining margin to the same level as the industries'. Therefore, the Company has had Product Quality Improvement project by constructing the cracking unit and other units, which will upgrade the refinery to the complex refinery, and also will reduce the production of fuel oil to the nearly level of other local and foreign refineries'. Moreover, The Company expects that the project will be started up in year 2008 and will increase EBITDA from approximately Baht 4,000 million in year 2005 to approximately Baht 6,000 - 8,000 million after the project is completed and fully producing subject to oil price at the period.

In addition, the oil prices will still produce major impact on the operations of the Company. It is probable that the oil prices, which have been increased since the end of 2003, may decline in the future because of the oil-price base adjusted. However, the Company foresees that crude prices and refined product prices still remain at a high level due to the fact that the demand for oil consumption still grows continuously; on the other hand, the production expansion is still limited. Therefore, such declines of oil prices will effect to low value of oil inventories. In order to deal with such situation, the responsible team of the Company keeps a close watch on the situation and is ready to perform risk management on the matter.

Furthermore, a factor, which may have an effect on the Company's performance, is the fluctuation of Thai Baht against US dollar because the purchasing and selling oil prices are based on US dollar as well as assets and liabilities, which are oil inventories and account payable respectively. Since the Company has assets greater than liabilities, the appreciation of Thai Baht will cause the decrease in net assets; on the other hand, the depreciation of Thai Baht will also cause the increase in net assets. However, the Company has had the policy to adjust the proportion both of assets and liabilities in US dollar to the nearly level and, also, currently does the hedging contracts in order to transfer some parts of such foreign exchange risk as well. >>



Risk Management

In the prevailing business environment, the Company has to face continued fluctuated situation and tense competition in the markets. It therefore has implemented the method of Enterprisewide Risk Management as a tool towards achievement of the organization's targets and success of operations under the principles of Good Corporate Governance. The Board of Directors has appointed the Enterprisewide Risk Management Committee (ERMC) to be responsible for outlining the directions to administer and develop an efficient general risk management system. It has also set up a Department of Organizational Risk Management as a central agency to coordinate among other departments in evaluating and compiling all types of risk. The Company's overall risk management system has been implemented on a continued basis with the purpose of the following matters:

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 in efficiently utilizing the Company's limited resources.
4. Assignment of implementation of a risk follow-up system using the information technology to be reported to the Board of Directors on a regular basis.

In 2005, the Company organized a working session to mobilize ideas from all departments in order to formulate a risk management plan and to compile a risk management handbook as guideline for the Company's operations. The Enterprisewide Risk Management Committee has held its meeting every month.

Risk factors and management

1. Business risk

1.1 Risk concerning technology of refinery affecting competitiveness of the Company

As Bangchak refinery is categorized as "Simple Refinery" that produces high proportion of fuel oil, while the competitors are equipped with "Complex Refinery". This may affect competitiveness status of the Company, in case of a decline in the demand for fuel oil. In order to solve the problem, the Company procured crude oil with lower substance of fuel oil, for example crude oil from the Far East. In addition, fuel oil is less expensive than other kinds of finished oil products. As a result, the Company's refining margin, or preliminary profit before deduction of expenses, is lower than that of the complex refinery, depending on difference between prices of fuel oil and other kinds of oil at a certain time.

Nevertheless, the process of crude oil refinery for finished petroleum products concerned other expenditures for such items as fuel for production, chemical substances, and maintenance costs for refinery and engines. These were less expensive for the simple refinery, which helped narrow difference between the refining margin and returns for investment.

At present, cooperation has been established with Thai Oil Co., Ltd. for fuel oil transportation. Fuel oil is transported to the cracking unit of Thai Oil and benefits are divided after deduction of expenditures. Bangchak could gain benefits without having to invest in a huge amount, while Thai Oil could utilize its over-capacity.

Furthermore, the Company is now studying possibility in investment in a project to develop petroleum quality or Product Quality Improvement (PQI), which would enable the Company to produce benzene and diesel where qualities meet a new requirement to be issued in 2011. It is also planning to invest in establishment of its own hydro cracking unit and other related functions in order to produce volume of oil that could respond to future demand of the markets (decreasing fuel oil production from over 30 percent to 10 percent as compared with other refineries) and to obtain an appropriate return 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 for the period of 10 years for purchase of warrants of Baht 9,600 million not yet being converted to the ordinary shares. 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:

- 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.
- 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.

2. Finance 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 cost and shorter transportation period.

2.2 Exchange risk

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. Operation 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 12 agents for transportation under the 3 – 5 year contracts. 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 been making up a trial on installation of the monitoring system via satellite in a number of trucks, the "Global Positioning System" or GPS. Oil delivery has also been made through the fuel pipeline in order to reduce oil transportation by trucks.

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

The sales of the Company's oil partly depend on the transportation by 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.

In case of relocation of the national airport to the New Bangkok International Airport or Suvarnabhumi Airport, expected to be open in 2006, JP-One Asset Co.,Ltd. is responsible to undertake the connection of the pipeline with FPT from the area of Makkasan to the new airport.

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

The Company is going to implement the Product Quality Improvement (PQI) Project by changing the present refinery, which is Simple Refinery to Complex Refinery. This 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 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.

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 has resided to utilize financial instruments in managing this kind of risk and has planned to prepare an amount of reserve in a suitable proportion to investment in the projects of the similar type.

4.1.4 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.



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 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. >>

Internal Control of the Company

The Board of Directors' opinion on the sufficiency and appropriateness of the internal control system of the Company can be summarized as follows:

1. Environment of the control

The Company's environment and structure have been considered conducive to smooth operations of the internal control system as intended. The corporate objectives as approved by the Board of Directors were clearly defined and measurable, and have been used as performance guidelines of the employees. The provision of incentives and compensation to the staff was reviewed as appropriate. The corporate structure was adequately arranged to enable the management to perform their duties efficiently. The management stressed the importance of honesty, integrity and ethics in conducting businesses. In the year 2005, the Company has also updated and published a handbook of Good Corporate Governance policy to serve as principles of conduct for the Board of Directors, management and employees. Written statements were issued from them to express fully committed in operating business under such policy.

2. Risk assessment

The Company established an Enterprise-Wide Risk Management Committee for the Organization 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 cooperation at all levels of organization and to oversee that the Company's risk management is appropriate and efficient. In addition, the Company has developed and disseminated the manual for best practices in risk management to all concerned as performance guides and work standards.

3. Control activities

The Company has control activities by utilizing of Key Performance Indicator (KPI) as instrument for planning and controlling. Separation of duties and responsibilities were applied in creating the basis for checks and balances. It also included the establishment of different level of approval authorities and monetary limits, which were documented and clearly defined. Documents were prepared for delegation of responsibilities as well as responsible persons in case of mistakes and the Company's assets being protected from loss or improper utilization by several measurements. Commitments binding the Company over a long period were monitored to ensure that implementation were in accordance with the agreed terms. Company's benefit or opportunities were properly protected against exploitation. The business operators of the subsidiary company were closely monitored. Prescribed measures were implemented to ensure that the Company complied with relevant laws and regulations. Control measures were also in place to monitor all transactions with related parties such as major shareholders and directors to prevent interests transfer. The controlling procedure shall be done by passing those transactions through approval process



of authorized persons, who are freely from conflict of interests. Disclosure of related party transactions shall be completed as in accordance with the regulations of Office of the Securities and Exchange Commission, Thailand (SEC) as well as the accounting standard as designated by the Association of Accountants and Auditors of Thailand.

4. Information and communication systems

The Company has been active in the development and upgrading of its information and communication systems. Various important data were sufficiently available for decision making. Directors receive meeting notice and documents, which are sufficient for consideration. Directors' opinions are recorded in the minutes of meeting. Filing of documents is undertaken and accounting record complies with generally accepted accounting standards and appropriate to the Company's business characteristics.

5. Monitoring system

The Company maintained a system in monitoring the results of its operations. Comparison between operating results and targets was made on a regular basis. The internal control office reported the results of its audit activities to the Audit Committee. The reviews conducted by the internal control unit were consistent with the established internal control system. >>

Good Corporate Governance

The Board of Directors of Bangchak Petroleum Plc. has placed importance on the issue of Good Corporate Governance, as one of the supportive factors to the culture of the organization in business operations under the principle to “business development in a sustainable manner in line with the environment and society”. After the Stock Exchange of Thailand began to promote 15 principles of Good Corporate Governance to be practiced by the listed companies, the Company has resided to these principles as directions of its performance by adapting them to the particular business conduct of the Company. It has also placed these principles as the code of conduct for its Directors, Executives and all employees in emphasizing performance with transparency, credibility, and accountability towards the overall society and Stakeholders for the purpose of sustainable growth.

With full support from the Executives and employees, the Company was selected by the Thai Institute of Directors Association (IOD) to be one in the group of Top Quartile Company and was ranked in the Top Ten from assessment concerning 3 from 5 topics of Good Corporate Governance, namely equitable treatment of Shareholders, information disclosure and transparency, and accountability of the Board of Directors. It was also granted with the reward for Best Corporate Governance Report from the event of SET Awards 2005, organized by the Stock Exchange of Thailand. Furthermore, the Board of Directors was granted with the reward of Board of the Year for Exemplary Practices for the year 2004/2005.

However, the Company continues to attach to the intention to develop its performance as concerns Good Corporate Governance with objective to provide maximum benefit to its Shareholders and Stakeholders, so as to be in accordance with the purpose of the National Corporate Governance Committee on Good Corporate Governance and the Stock Exchange of Thailand to uplift credibility of the Thai capital market in the international society.

1) Policy on Good Corporate Governance

The Board of Directors mapped out the Corporate Governance Policy Statement that is deemed important and essential to the sustainable growth of the Company. It is the firm objective of the Board of Directors to follow the principles of Good Corporate Governance with emphasis on importance of the systems of internal control and internal audit as well as supervision of the management’s efficiency in implementing the policy for long-term benefits of the Shareholders under the framework of legal stipulations and the Business Code of Conduct. The policy on Good Corporate Governance is composed of the following:



1. Transparency and Information Disclosure

Management, accounting recording and financial reporting are regularly undertaken in compliance with the laws and principles as well as the international standard. Accurate, clear and timely information is disclosed so as to ensure confidence of investors, Shareholders and related lenders.

2. Equitable Treatment for All Parties Concerned

All parties concerned, including Shareholders, buyers, entrepreneurs, trading partners, lenders, employees and the general society are ensured of fair and equitable treatment.

3. Risk Management

Risk management is performed in terms of effectiveness, efficiency, accuracy of financial reports and compliance to laws, principles, regulations and orders, which are in accordance with the framework of internal control. In analyzing business risk, importance level of risk is identified so as to scrutinize control measures with the purpose to reduce risk to the minimum level.

4. Attainment of High Standard of Best Practices

The Company aims to provide better results to all parties by encouraging all departments to attain high standard of best practice.

5. Adherence to Responsibility towards The Society

The Company runs its businesses in taking into account duties and responsibilities to comply with benefits of the general public, environment and participation in improving living conditions of the Thai society.

6. Enhancement of Virtue and Ethics in All Levels of Organization

Virtue and ethics are the core factor of Good Corporate Governance of the Company that is to be practiced by all levels of the members of organization including Directors, Executives and staff. Without virtue and ethics, the Company realizes that business sustainability cannot be attained.

Apart from promoting the policy on Good Corporate Governance and business ethics through general means, i.e. internet and intranet systems and internal broadcasting, the Company also organized the “Week of Good Corporate Governance” including such activities as exhibitions, lectures from the Executives, and plays by employees, in order to enhance better understanding on the issue. The Good Corporate Governance principles have also been included in the courses of trainings for new employees.

2) Shareholders' Rights

In 2005, one Annual General Meeting and one Extraordinary General Meeting No. 1/2005 were held at the Company's head office. The meeting invitations with the agenda were delivered, each agenda being attached with comments of the Board of Directors. Other documents included Annual Report and proxy form to facilitate the voting of Shareholders. In recognizing importance of Shareholders' rights, the Board of Directors incorporated this issue in the Corporate Governance Policy Statement 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 making decision that would affect the Company and oneself;
 - 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 should receive invitation letters to attend the meeting along with information advising the venue, time, the agenda and topics of the meeting. Venue and time are arranged to be convenient for attendees. The company sends the invitation letters to Shareholders and registrar at least 7 days prior to the meeting day and publishes the meeting appointment in the newspapers for 3 consecutive days and at least 3 days prior to the meeting day.
- 3) Under the auspices of laws, Shareholders are able to request the Board to add any issue on the agenda, and able to raise questions, seek explanations and properly express opinions in the meeting.
- 4) Chairman of the Board is responsible to attend the meeting to answer questions asked, or request the management or other Directors to do on his behalf.
- 5) After the Shareholders' meetings, Shareholders should be given, and have access to information regarding results of the deliberations and the voting.



Equitable treatment of Shareholders

- 1) Shareholders are entitled to voting rights according to the number of shares they have, and be equal in accessing Company information.
- 2) Shareholders are given necessary, adequate and timely information from the Company. The Company does not act in favor of any group of Shareholders by giving out undisclosed information. Furthermore, the Company regularly presents information through several means by using website, distributing press release, participating in SET events such as SET in the City, SET Opportunity Day. Investors and interested parties can also make inquiries and communication through telephone numbers and email addresses of investor relation staffs. Shareholders and stakeholders can reach the Company's information in many kind of methods with ease and convenient.
- 3) Process and procedures employed at Shareholders' meetings are arranged to provide equitable treatment to Shareholders as follows:
 - Proxy can be made to any Independent Directors,
 - Shuttle buses are arranged at BTS stations,
 - Services are provided for stamps and stickers for registered Shareholders,
 - Visit to the refinery is arranged for interested Shareholders as well as exhibition of progress of businesses to enhance better understanding on the Company's performance.

3) Roles of the Company towards Stakeholders

The Company realizes importance of the rights of all groups of Stakeholders including staff members, 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 of safety and environment preservation. Accordingly, the Company has formulated the Sustainability Report, so that its Shareholders, Stakeholders and interested people can be informed of its past performance as concerns social, economic and environments. It will reflect full intention of the Company in providing better life quality for public in general together with contributing greater living in surrounding community and social under the principles of Corporate Social Responsibility (CSR). The Company constantly put CSR and good corporate governance principle into practices as its guideline in conducting business. Directions were set up to be in response with requirements of Stakeholders as stated in Corporate Governance Policy statement and follows:

Employees

As employees are a factor of growth, the Company always supports personnel improvement. In addition, it provides appropriate and fair returns and welfare to all employees such as medical treatment expenses, service buses, birthday parties, children day for employee families, associations & assemblies for relaxation and entertainment. (Additional information was disclosed in Sustainability Report of the year 2005). Furthermore, The Employee Stock Option Program (ESOP) has been initiated to pay back for employees' full intention in their performances and to enhance further efficiency, which would lead to maximum benefits of the Company and achievement of business targets.

Customers and general public

The Company aims to develop quality of its products and services in order to ensure customers' confidence and highest degree of satisfaction.

Trading partners

Procurement ethics were included in the Company's regulations to ensure efficiency and fairness in business conducts according to the Good Corporate Governance. In addition, the Company has formulated handbooks on business contacts and policy on running Bangchak service stations so that the trading partners can be knowledgeable on business contact with the Company and that the Company's representatives can conduct their businesses under the directions of Good Corporate Governance and business ethics.

Competitors

The Company puts emphasis on transparent business operations and fair competition.

Lenders

The Company provides fairly treatment with accountability and transparency to its lenders in accordance with the stipulations of contracts and financial obligations. It strictly avoids unfair conducts, and also abstains from hidden information or facts that may cause damages to the lenders.

Shareholders

The Company conducts its business with transparency, credibility and determination in enhancing sustainable and secured financial position to increase its share value.



Communities near refinery,
society and environment

As consider that the system of health, safety and environment management is a part of business, the Company therefore, stipulated the principles of health, safety, environment and energy to serve as standard of conduct for directors, executives, and employees. It is clearly stated a duty and responsibility of all Company's members in :

- Carrying out duties to ensure safety without producing impact to oneself, concerned parties, community and environment;
- Conforming to laws concerning health, safety, environment and energy;
- Protecting toxic conditions, leakage and loss of oil;
- Protecting accidents in all aspects;
- Utilizing resources including energy, water, chemical substances in an economical basis that complies with the company's objectives;
- Undertaking continued development of system of health, safety and environment management.

Moreover, the Company regularly issues "Leaves Family" magazine for encirclement communities in every 2 months to pass out news on Bangchak information as well as other interesting tips and useful wisdom such as energy saving methods and safety protection in daily life, etc.

4) Shareholders Meeting

In 2005, one Annual General Meeting and one Extraordinary General Meeting were held and the Company delivered meeting invitation and Annual Report to all Shareholders listed in the registration book at the day of closing book. The Annual General Meeting was attended by 9 Directors, including General Tawat Ked-Ungoon, Mr. Chai-anan Samudavanija, Mr. Anusorn Tamajai, Mr. Wirat lam-Ua-Yut, Mr. Nipon Surapongrukchareon, Ms. Chularat Suteethorn, Mr. Sayan Satangmongkol, Mr. Apisit Rujikeatkamjorn and Mr. Pichai Chunhavajira.

The Extraordinary General Meeting was attended by 10 Directors, namely General Tawat Ked-Ungoon, Mr. Chai-anan Samudavanija, Mr. Wirat lam-Ua-Yut, Mr. Nipon Surapongrukchareon, Ms. Chularat Suteethorn, Mr. Sayan Satangmongkol, Mr. Apisit Rujikeatkamjorn, Mr. Pichai Chunhavajira, Mr. Songpope Polachan and Mr. Anusorn Sangnimnuan. Both meetings were attended by the Chairman, Vice Chairman,

Audit Committee, Chairman of the Nomination and Remuneration Committee, Chairman of the Management Committee, and Chairman of the Enterprisewide Risk Management Committee of the Organization as well as President and all Senior Executive Vice Presidents of the 4 divisions.

Chairman of the Board of Directors acted as Chairman of the Meeting. The floor was opened to the Shareholders to equally exercise their rights in presenting comments and asking question. Important questions and comments were recorded in the Minutes of Meeting.

5) **Leadership and Vision**

The Board of Directors took part in designing vision, mission, tactics, business targets and budget in order to enhance highest value to the Company and stability to the Shareholders. In addition, the Board of Directors has been responsible in granting approval to important tactics and policies, especially as concerns Key Performance Index (KPI) in finance and work plans. Formulation of KPI was approved at the beginning of the year and has been on a continued evaluation. Since 2004, the Company has participated in the Ministry of Finance's evaluation program for State Enterprises.

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

The Board of Directors has also overseen performances of the management by assigning that progress report of operations and business outcomes of the Company be submitted to the monthly Board meetings. In addition, important issues concerning compliance to relevant laws and regulations are to be reported to the Board of Directors so as to ensure correct and efficient business operations.

6) **Conflict of Interest**

In order to forestall the conflict of interests, the Board of Directors undertook careful supervision on such cases by setting up written policies and procedures concerning the approval of related-party transactions as well as policies and procedures to prevent Executives and other concerned persons to utilize the Company's internal information for their own benefits. The Board of Directors and Executives have 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 Internal Information**

The Board of Directors has ensured that Directors and Executives do not disclose the Company's confidential information and those of its affiliate for personal gains or for the benefits of the others.



According to Clause 258 of the Securities and Exchange Act B.E. 2535, every change in shareholding status of Directors, Executives including their spouses and minor children as well as related persons has to be notified within 3 working days from the date of purchase, sale, transfer or acknowledgement of transfer of securities. All Directors and Executives are aware of this requirement.

In addition, reports on securities holding status and change in securities holding status of Directors and Executives are submitted to every monthly Board meeting. Direct and indirect interests in any contracts concluded by the Company during the accounting period as well as holding of the Company's and affiliated companies' shares and debentures have to be reported to the Company without delay.

8) **Business Ethics**

The Company issued its Code of Conduct concerning business ethics for Directors, Executives and employees so that they could carry out their duties with honesty, integrity and fairness towards the Company and all groups of Stakeholders.

The Company also has maintained regular communications with its employees and has closely monitored their performances to ensure compliance with the mentioned directives.

9) **Balance of Power for Non-Executive Directors**

The Board of Directors is composed of 11 members as follows:

Executive Director	1
Independent Directors	5
Outside Directors	5 (4 from major Shareholders)

Directors from major Shareholders are mentioned under the topic of "Board of Directors".

10) **Aggregation or Segregation of Position**

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 the setting up of the policy on Good Corporate Governance and in carrying out the routine works. Chairman holds no other position in the Sub-Committees and all Directors are independent in delivering their comments on the Company's operations for the purpose of efficient, correct and transparent performances of the Management.

11) **Remuneration of Directors and Executives**

Director remuneration: in setting up Directors' remuneration, the Company took into account comparison with other companies in the similar industry. Remuneration was approved by the Annual General Meeting of 2005, details of which are as follows:

- Each Director receives monthly remuneration of Baht 10,000 and meeting allowance of Baht 20,000 (for those who attend the meeting).
- For members of the Sub-Committees which appointed by the Board of Directors:
 - (1) Audit Committee: monthly remuneration of Baht 10,000 and meeting allowance of Baht 5,000.
 - (2) Nomination and Remuneration Committee: only meeting allowance of Bath 10,000.
 - (3) Other Sub-Committees: under consideration of the Board of Directors.

Chairman of the Board of Directors and Chairmen of the Sub-Committees receive monthly remuneration and meeting allowance at 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 not exceeding Baht 9,000,000 per year for all directors. Chairman and Vice Chairman of the Board of Directors shall receive bonus at 25 percent and 12.5 percent respectively higher than other Directors.

Executives Remuneration: the Company considers the Executives remuneration based on the remuneration principles as setting up by the Board of Directors. Operational outcomes of the Company and individual performance are taken into account for the Board of Directors' consideration as well as the remuneration standard of the same industry. (Details are provided under the topic of "Directors and Executives Remuneration" in the section of Management Structure).

12) Auditor's remuneration

12.1 Audit fee

- 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 for Bangchak Petroleum Plc. and Baht 550,000 for Bangchak Green Net Co., Ltd.)

12.2 Other service fees

The Company and its subsidiary paid the fee for cash monitoring service to the following :

- 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 unfinished task.
- The auditor's office (A.T.M. & Associates) in an amount of Baht 300,000 for the past accounting period, and would be paid Baht 100,000 for the unfinished task.



13) Board of Directors' meetings

Meeting appointments were scheduled in advance for the whole year. Normal meetings were held monthly and special meetings were called for when necessary. Meeting notices were clearly announced and delivered to the Board of Directors at least 7 days in advance and usually included evaluation of meeting notices, agendas together with relevant documents beforehand, so that Directors could have enough time to study the information (details are provided under the topic of "Board of Directors' meetings" in the section of Management Structure).

Minutes of meeting were 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 appointed persons with sound knowledge and skill as members of the Sub-Committees, as they could provide assistance in terms of detailed study and consideration on the issues submitted to the Board. However, accountability for all aspects of Company's activities with outside parties still rest with the Board of Directors. (Sub-Committees' composition, duties and names of members are mentioned under the topic of "Sub-Committees" in the section of Management Structure.)

15) System of internal control and internal audit

The Company has placed importance 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 were designated according to positions and regulations were formulated for budgeting, finance and accounting, personnel administration, supply and sales of petroleum products and also procurement of materials. Risk management and early warning for any irregularities were also emphasized.

The Internal Control Office was established to ensure that the core operations and financial activities have been efficiently carried out under the directions established by the Company and in compliance with the relevant laws and regulations (compliance controls). In order that the Internal Control Office could be completely independent and could perform its check-and-balance task, it has been assigned to directly report to the Audit Committee.

16) Risk management

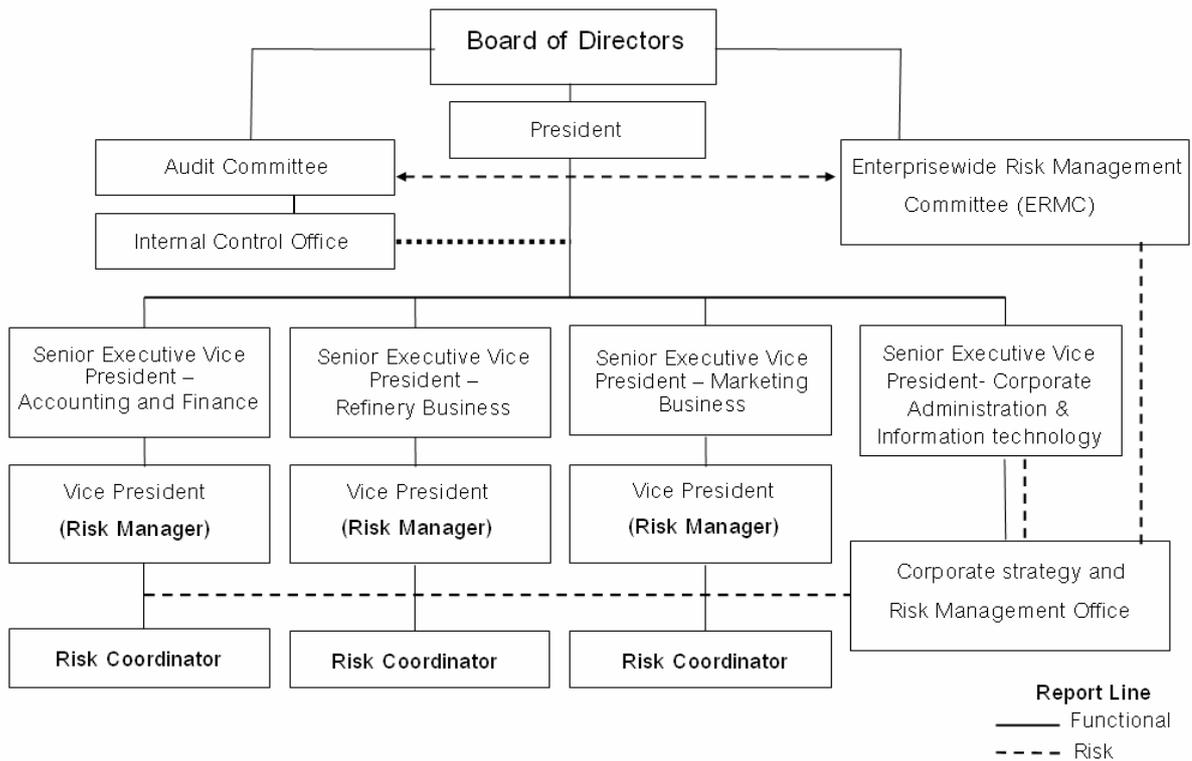
The Company has placed high emphasis on risk management and established a Committee for Enterprisewide Risk Management with responsibilities to map out and to assess the Company's risk. Measures have been set up for risk prevention and management. Compliance to laws and relevant stipulations has been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

Policy of risk management for the overall organization

1. Executives and employees in all departments would have the roles and participation in development of risk management for the overall organization. They would have to understand their duties as concerns risk management issue.
2. Efficient system of risk management would have to be implemented in all processes of operations in accordance with the principles of Good Corporate Governance, so as to increase the opportunity of success and to reduce uncertainty in the overall operation.
3. Successful system would have to be implemented and supported by utilizing the limited resources in identifying, assessing and managing risk factors.
4. Risk management would have to be promoted and encouraged to become the organization’s culture with realization of all employees of importance of the risk management.

Structure of risk management for the overall organization

The structure of risk management for the overall organization 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 supervision of an efficient risk management system and ensuring the appropriate operations in alleviates the possible risk factors. The Corporate Strategy and Risk Management Office acts as coordinator and supporter for the continued performance in efficient risk management as following diagram.





Furthermore, the Company formulated and issued the Handbook of Risk Management in order to communicate principles and important data on risk management to Executives and employees. It has to be complied and strictly used as a guideline in evermore conducting business.

17) Board of Directors' reports

The Board of Directors is responsible for the consolidated financial statements of the Company and its subsidiaries as well as financial information as appeared in the Annual Report. Financial statements were prepared in accordance with the generally accepted accounting standards by selecting the appropriate accounting principles and applying them consistently. Careful consideration and best projection were adopted and important information was sufficiently provided in the notes to financial statements.

The Board of Directors took to maintain effective system of internal control to ensure the correct and complete financial records, which would sufficiently safeguard the Company's assets and to prevent irregularities or significant improper acts.

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's financial statements as of December 31, 2005.

18) Investor relation

In realizing that the company's information, both financial and non-financial, would directly affect decision making of the investors and Stakeholders, the Management has placed importance on disclosure of complete, correct, reliable, regular and up-to-date information and assigned the Corporate Planning Office to maintain close contact with the institutional investors, Shareholders, analysts and the general public. Investors can obtain information on the company at telephone no. 02-335-4581-83, 85 or at www.bangchak.co.th or IR@bangchak.co.th . Moreover, interested parties can also contact the Board of Directors and make inquires through ico@bangchak.co.th »

Operational Outcomes on Quality, Safety, Health, and Environment

Safety and Work Hygiene

The Board of directors has placed considerable importance on the matters of safety, work hygiene, environment and energy and has assigned the Management to map out the “Policy on Health, Safety, Environment and Energy” for the purposes to enhance operations with safety, prevention of accidents and pollution and consciousness of useful utilization of resources. In addition, the Board of Directors has appointed the Committee of Safety, Health, Environment and Energy Management Team (SHEEM) to be responsible for formulation of relevant policies and operational directions and for regular supervision on the management system of safety, health, environment and energy. The Committee has been authorized to appoint necessary sub-committees for efficient and effective operations as well as for crisis management such as emergency plan for fire and conflagration. This year, the Company has developed the system of hygiene and safety management of Bang Pa-in Oil Distribution Center, which, as a result, was granted the guarantee for industrial standard / OHSAS 18001, after the similar guarantee had been granted to Bangchak Oil Distribution Center in the preceding year.

The Company has also appointed the Safety, Health, Environment Promotion Team to take charge of formulation of working plans of activities to be participated by the employees on the matters concerning safety occupational health, environment and energy. The “SHEE Day” event was organized to create consciousness of the employees on these issues and to congratulate Bang Pa-in for its reward. The Company was honored by the Governor of Ayudhaya Province who chaired the opening ceremony of the event.

In addition, the Company has regularly arranged various activities on safety matters, such as fire extinction courses, annual fire alarm, supervision of orderly conditions in the office by the managers, photo contest of safety topic.

Environment

On June 16, 2005, the Company, in cooperating with the Office of Natural Resources and Environmental Policy and Planning and the Thai Institute for Management of Resource and Environment, launched the project of “Environmental Clinic”, located at the Office of Natural Resources and Environmental Policy and Planning. The Environmental clinic would act as a center to provide consulting services on the directions to control, prevent and solve the problems on environment and pollution to the SME entrepreneurs, technocrats, engineers, technicians and interested persons without any charge. >>



Sustainable Development with the Environment & Society

After achieving a more strengthened position of its business, Bangchak Petroleum Plc. has placed importance on environmental preservation by using clean technology with low sulfur, so that the quality of air released from the refinery was above the standard. The Company has also attempted to reduce energy utilization in order to decrease the quantity of air pollution, while water utilization has also been decreased. In addition, the Company has used more underground water to alleviate the problem of subsiding land in Phrakanong District. Recycle of waste and change of dangerous chemical substances to more environmental friendly chemicals have been implemented. Environment accounting has been used as a tool to compile costs of environmental use, to manage and to make decisions on environmental issues.

As concerned its employees as the valuable resources, the Company has arranged for more safety in the environment of work. Trainings have been organized to provide knowledge on safety and environmental preservation. Supervision of environment has been undertaken in the office by regular check on air quality as well as employees' health conditions. Various welfares are provided including buses, canteen, medical payment for employees and families. Other activities are organized for recreation such as bird watching group, music group, "Bangchak loves the community" group and sports group. Safety promotion activities have been organized to produce better knowledge and consciousness on safety matters.

The Company has a firm belief that the communities in the vicinity are one part of the Bangchak family and therefore organizes the activities that signify friendship and mutual assistance. In 2005, the following activities were organized:

- Fire extinction trainings for communities and schools.
- Merit making at Wat Pa Sukato, Chaiyapoom Province for tree growing and environment saving.
- Encouraging youth to grow trees at various schools in Chaiyapoom Province.
- Issuance of "Leaf Family" magazine every 2 months to distribute news on Bangchak activities as well as other useful information, such as traditional Thai massage for better health, elementary Yoga, safe eating, elementary bird watching, energy preservation, etc. so as to build up relationship with the communities. (details are provided in the Sustainability Report). >>

Development Directions of the Company

After implementation of the Business Restructuring Plan of Bangchak Petroleum Plc. under which business alliance has been concluded with various oil companies for the purposes of reduction of operational costs and increase of incomes as well as its financial restructuring, the Company's financial status has been considerably strengthened. For later period, the Company has planned to enhance its competitiveness to be able to catch up with its rivals in response with the changing business trend and to improve its value-added position.

1. Refinery Business

- Bangchak refinery is classified as simple refinery type that cannot produce a large volume of high-value clear oil (benzene). On the contrary, it produces fuel oil in a high proportion, while the situation of demand and supply of oil in the Asia-Pacific Region has adjusted itself from the oversupply to a more balanced position, resulting in an increase in the refinery margin of the regional refineries, especially for those that are complex refinery with capacity to produce a large quantity of clear oil. The Company, whereas it can obtain higher refinery margin, could not derive reasonable benefits. Therefore, it has invested in the Product Quality Improvement (PQI) Project by installing a Hydro Cracking Unit, a Vacuum Unit, a Hydrogen Plant as well as other supporting units in its refinery, so that it can increase production of clear oil with high value-added that would lead to a higher refinery margin and a better rate of return. Supply of products would then be consistent with the future demand of domestic consumers. It is anticipated that, after the project implementation, the Company would increase its production capacity within 3 years.
- Cooperation has been concluded with the Company's alliance in order to increase incomes and to reduce costs by transferring fuel oil from Bangchak refinery to be refined at the Cracking Unit of Thai Oil Plc. and by joining in transportation of crude oil from the Middle East (co-loading). Apart from these activities, other ways of cooperation have been explored for enhancement of income increase and cost reduction.
- Increase of refining of crude oil from the Gulf of Thailand in place of import of crude oil from the Far East, as the domestic crude oil is cheaper with equivalent quality.



2. Marketing Business

- The rate of return on assets of the Company's service stations has been increased with low investment costs, by improving their image, services, developing the quality of oil. The Company has also planned to increase the number of its service stations and to upgrade the quality of the community's service stations to be in response with an increasing number of customers. More service stations will be constructed in the potential locations for sales of diesel and benzene that would be produced under the PQI Project.
- The leading role concerning alternative energy would be emphasized by expanding the number of service stations for the sales of gasohol 95 and 91. Biodiesel utilization would also be encouraged in accordance with the Government's policy.
- Supporting businesses with high value-added would be developed by seeking for alliances with skills in the business of convenient stores and by running other businesses such as center for oil change, food and beverage to enhance more returns from the existing network of service stations.

3. Development of the Organization

- As concerns the personnel development, the Company has cooperated with the consulting agencies in organizing a project to develop the staff's knowledge, skill and competency by identifying the core competency of the organization as well as the functional competency of each position. For the next step, continued training would be encouraged both within and outside the organization along with enhancement of life-long learning so as to create a culture of the Company as a learning organization.
- Work system of the Company would be developed with respect to the standard of Good Corporate Governance for Directors, Executives as well as all employees. In addition, the overall risk management would be utilized as a management tool towards achievement of the targets of the organization. »

Capital Structure

Ordinary shares

As of December 31, 2005, the Company's registered capital totaled Baht 1,531,643,641, of which the paid-up capital accounted for Baht 687,481,908. The registered capital was composed of 687,481,908 ordinary shares at par value of Baht 1.00 per share, an increase from December 31, 2004 when the registered capital was Baht 867,143,461 and the paid-up capital was Baht 660,559,535, due to the following reasons:

- The resolution of Extraordinary General Meeting No. 1/2005 dated October 11, 2005; the registered capital would be increased from Baht 867,143,461 to Baht 1,531,643,461 by issuance of Baht 664,500,000 of ordinary shares at par value of Baht 1.00 per share with the details of allocation as follows:
 - Issuance and offering of ordinary shares to PTT Plc. without tender offer of not exceeding 283,000,000 shares.
 - Issuance and offering of ordinary shares to investors and/or institutional investors of not exceeding 161,000,000 shares.
 - Preparation for conversion of convertible debentures offered to PTT of not exceeding 135,000,000 shares.
 - Preparation for exercise of rights granted by warrants offering to existing shareholders of not exceeding 85,500,000 shares in the proportion of 10 existing shares to 1 unit of warrant.Issuance and offering of securities to PTT and institutional investors would be part of fund mobilization for the Oil Quality Improvement Project.

- On March 30, 2005, June 30, 2005, and September 30, 2005, 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 26,922,373 shares at par value of Baht 1.

Convertible debentures

As of December 31, 2005, the company' convertible debentures in the form of depository receipts in the benefits of the convertible debentures (BCP141A) issued by Siam DR Co., Ltd. At that time, 222,596 units of warrant remained, with the registered value of Baht 10,000 per unit thus totaling Baht 2,225,960,000. This was due to the redemption of the depository receipts holders on March 30, 2005, June 30, 2005, and September 30, 2005 in an amount of 38,499 units, which were 38,499 units of convertible debentures that were converted to ordinary shares in an amount of 26,922,373 shares (at the convertible price of Baht 14.30)



Furthermore, with regard to the resolution of the Extraordinary General Meeting, No. 1/2005 held on October 11, 2005, the Company would issue and offer for sales to PTT the convertible debentures of not exceeding 189,000 units with the maturity of 10 years at par value of Baht 10,000 per unit, convertible price of Baht 14 – 16 per 1 ordinary share, interest rate of not exceeding 5 percent per year. These debentures would be converted to not exceeding 135,000,000 ordinary shares. Issuance and offering of convertible debentures to PTT would be part of fund mobilization for the Product Quality Improvement Project.

Borrowings

As of December 31, 2005, domestic borrowings in the form of bank loans, debentures and promissory notes accounted for Baht 11,254 million, including Baht 10,309 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 a amount of Baht 2,226 million.

(Details of debentures are included in Notes to Financial Statements ending December 31, 2005).

Shareholders

- Holders of Ordinary Shares (BCP)

	Ten Largest Shareholders (as of September 21, 2005)	Number of Shares (Million Shares)	% of Total Shares
1.	Siam DR Co., Ltd.	520.06	76.80%
2.	Bank Thai Plc.	30.58	4.52%
3.	HSBC Bank Plc-Clients General A/C	19.38	2.86%
4.	Social Security Office	14.09	2.08%
5.	AJF Star Equity Fund	4.71	0.70%
6.	Government of Singapore Investment Corporation	2.77	0.41%
7.	Thai NVDR Co., Ltd.	2.62	0.39%
8.	AJF Star Capital Fund	1.80	0.27%
9.	Deutsche Bank AG, London Prime Brokerage	1.57	0.23%
10.	Mrs. Buppah Ngam-arphichon	1.40	0.21%
	Total of Ten Largest Shareholders	598.98	88.46%
	Total Shareholders	677.15	100.00%

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

	Ten Largest Shareholders (as of September 21, 2005)	Number of Shares (Million Shares)	% of Total Shares
1.	Ministry of Finance	124.95	24.03%
2.	HSBC Bank Plc-Clients General A/C	70.24	13.51%
3.	PTT Plc.	52.24	10.04%
4.	Goldman Sachs International	35.16	6.76%
5.	Vayupak Fund 1 by Krung Thai Asset Management Plc.	10.42	2.00%
6.	Vayapak Fund 1 by MFC Asset Management Plc.	10.42	2.00%
7.	Nortrust Nominees Limited-Northern Trust Guernsey Clients	8.45	1.62%
8.	Mr. Wisit Karnjanophat	3.59	0.69%
9.	AJF Star Equity Fund	3.56	0.68%
10.	Credit Agricole Investor Services Bank Luxembourg	3.00	0.58%
	Total of Ten Largest Shareholders	322.03	61.92%
	Total Shareholders	520.06	100.00%

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.)

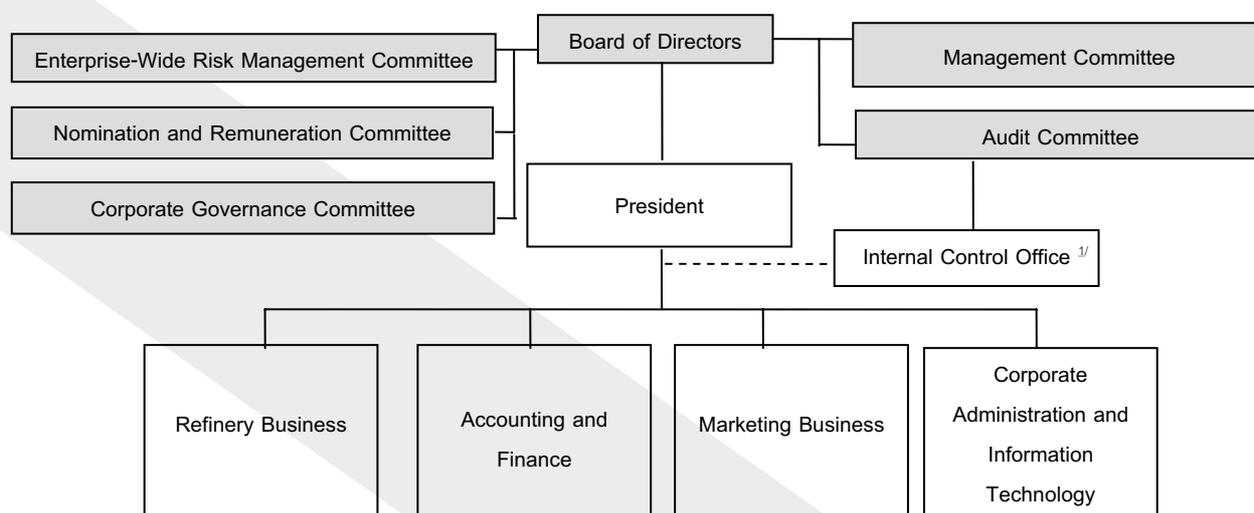
Holders of preferred shares have the rights to annual payment of dividend at the rate equivalent to 1-year fixed deposit announced by Krung Thai Bank Plc. during the same accounting period as the dividend payment plus 3 percent. Dividend would be paid according to the paid-up amount of each share at 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 in 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. >>



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.

Independent Directors

At least 5 members of the Board of Directors must be composed of independent directors. 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.

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.	Mr. Songpope Polachan	Director
7.	Miss Chularat Suteethorn	Director
8.	Mr. Pichai Chunhavajira	Director
9.	Mr. Apisit Rujikeatkamjorn	Director
10.	Mr. Sayan Satangmongkol	Director
11.	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.



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 2005, the Board of Directors held 12 ordinary meetings and 2 extraordinary meetings. The Company also held a special seminar as requested by the Board of Directors 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	Total	
1. General Tawat Ked-Unkoon	12/12	2/2	1/1	15/15	-
2. Mr. Chai-Anan Samudavanija	9/12	2/2	1/1	12/15	-
3. Mr. Anusorn Tamajai	12/12	0/2	0/1	12/15	-
4. Mr. Wirat lam-Ua-Yut	12/12	2/2	1/1	15/15	-
5. Mr. Nipon Surapongrukchareon	11/12	2/2	1/1	14/15	-
6. Mr. Songpope Polachan	10/12	2/2	1/1	13/15	-
7. Miss Chularat Suteethorn	11/12	2/2	1/1	14/15	-
8. Mr. Pichai Chunhavajira	6/12	2/2	0/1	8/15	-
9. Mr. Apisit Rujikeatkamjorn	12/12	2/2	1/1	15/15	-
10. Mr. Sayan Satangmongkol	11/12	2/2	1/1	14/15	-
11. Mr. Anusorn Sangnimnuan	8/8	1/1	1/1	10/10	Appointed on April 29, 2005

Directors representing Major Shareholders are:

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

Appointment of Directors

- 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.

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 2005, the Board of Directors undertook self-assessment in 3 formats, namely direct self-assessment, cross assessment and group assessment, 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 78 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:

- 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.

- 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.

- 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 118 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.

- 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.

- 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.

- 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.

- 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.

- 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.



- 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.

- 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.

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 2005, the Company sent a Director to participate in the Directors Certification Program (DCP) of the Thai Institute of Directors Association (IOD), i.e. Mr. Anusorn Sangnimnuan.

The Director Accreditation Program (DAP) was participated by Ms. Chularat Suteethorn and Mr. Anusorn Sangnimnuan.

In addition, 3 Directors participated in the Finance for Non-Finance Directors, namely General Tawat Ked-Ungoon, Mr. Apisit Rujikeatkamjorn and Mr. Anusorn Sangnimnuan.

For the year 2006, the Company has planned to send all Directors to participate in DCP, DAP and other programs so as to increase their knowledge and skill and training records of the Board of Directors are 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 Iam-Ua-Yut	-	-	-
5.	Mr. Nipon Surapongrukchareon	<input checked="" type="checkbox"/> Year 2003	-	-
6.	Mr. Songpope Polachan	<input checked="" type="checkbox"/> Year 2004	<input checked="" type="checkbox"/> Year 2004	<input checked="" type="checkbox"/> Year 2004
7.	Miss Chularat Suteethorn	-	<input checked="" type="checkbox"/> Year 2005	-
8.	Mr. Pichai Chuhavajira	-	-	-
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.	Mr. Anusorn Sangnimnuan	<input checked="" type="checkbox"/> Year 2005	<input checked="" type="checkbox"/> Year 2005	<input checked="" type="checkbox"/> Year 2005

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

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 for 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
- Information on the establishment of the Company
- Memorandum of Association, Letter of Guarantee, Articles of Association and regulations of the Company



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 3 independent directors, one 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 lam-Ua-Yut	Member
3. Mr. Nipon Surapongrukchareon	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 no 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) 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 5 members and at least 1 director shall be experienced in the area of human resources management. Responsibilities of the Nomination and Remuneration Committee are assigned by the Board of Directors in written documents. The members are as follows:

1. Mr. Chai-Anan	Samudavanija	Chairman
2. Mr. Pichai	Chunhavajira	Member
3. Mr. Sayan	Satangmongkol	Member
4. Mr. Nipon	Surapongrukchareon	Member
5. Mr. Songpope	Polachan	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) Management Committee - MANCOM

In order to enhance highest efficiency in managing the Company according to the directions, policies and objectives set up by the Board of Directors and to enhance wealth and sustainability in business operations, the Board of Directors appointed the Management Committee. Its responsibilities are assigned by the Board of Directors in written document. The Management Committee currently comprises of 6 members and all members shall possess of managerial skills. Its members are as follows:

1. Representative of the Board (Mr. Pichai Chunchavajira)	Chairman
2. President	Member
3. Senior Executive Vice President	Member
4. Corporate Planning and Investor Relations Office	Member and Secretary

Scope of Authorities of the Management Committee

- 1) Manage and supervise the Company's operations to enforce business strength and efficiency in accordance with directions/targets and policies of the Company and also have the authority to consider and monitor issues submitted to the Board of Directors. Furthermore, it shall assume other duties as may be required from time to time by the Board of Directors and reports the operational outcomes to the Board of Directors for acknowledgement.
- 2) Formulate and consider short-term and long-term plans to attain the Company's objectives and targets.
- 3) Formulate and consider financial management plan with the objective to alleviate financial burden and to strengthen financial structure.
- 4) Formulate and consider pro-active public relations plan to create positive and sustainable image.
- 5) Perform any other acts as assigned by the Board of Directors.
- 6) Perform duties in compliance with laws, objectives, Articles of Association, rules, and regulations of the Company.

Remuneration

-None-

4) 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 8 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. President	Vice Chairman
3. Senior Executive Vice President	Member
4. Risk management expert	Member
5. Senior Executive Vice President/ Corporate Administration and Information Technology	Member and Secretary
6. Corporate Strategy and Risk Management Office	Assistant Secretary

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.

5) 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. Songpope	Polachan	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 2005 are as follows:

Year 2005 ^{1/}		Sub-Committees				
		AUDIT	NRC	MANCOM	ERMC	CGC ^{2/}
1. Mr. Chai-Anan	Samudavanija	-	2/2	-	-	-
2. Mr. Anusorn	Tamajai	10/10	-	-	-	-
3. Mr. Wirat	Iam –Ua-Yut	10/10	-	-	-	1/1
4. Mr. Nipon	Surapongrukchareon	10/10	1/2	-	11/11	-
5. Mr. Songpope	Polachan	-	2/2	-	-	1/1
6. Mr. Pichai	Chunhavajira	-	1/2	12/12	-	-
7. Mr. Sayan	Satangmongkol	-	2/2	-	-	0/1
8. Mr. Anusorn	Sangnimnuan	-	-	12/12	11/11	1/1

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.

^{2/} The Corporate Governance Committee be appointed by the Board of Directors on November 28, 2005

4. Executive Staff

As of February 1, 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 Sukorndhaman	Senior Executive Vice President/ Accounting and Finance
4. Mr. Wattana Opanon-amata	Senior Advisor and Acting Senior Executive Vice President/Corporate Administration and Information Technology
5. Mr. Manoon Siriwan	Executive Vice President and Acting Senior Executive Vice President/Marketing Business
6. Mr. Yodphot Wongrukmit	Senior Vice President/Retail Marketing

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.

5. Directors Remuneration

- Monetary and other remuneration, for example rights to buy shares etc. (Information as of December 31, 2005)

Year 2005	Monetary Remuneration							Other Remuneration
	BOARD	AUDIT	NRC	ERMC	CGC	BONUS ^{1/}	TOTAL	ESOP ^{2/} (UNIT)
1. General Tawat Ked-Unkoon	500,000	0	0	0	0	0	500,000	230,000
2. Mr. Chai-Anan Samudavanija	382,500	0	25,000	0	0	0	407,500	190,000
3. Mr. Anusorn Tamajai	360,000	212,500	0	0	0	0	572,500	190,000
4. Mr. Wirat lam-Ua-Yut	400,000	170,000	0	0	12,500	0	582,500	170,000
5. Mr. Nipon Surapongrukchareon	380,000	170,000	10,000	96,000	0	0	656,000	170,000
6. Mr. Songpope Polachan	360,000	0	20,000	0	10,000	0	390,000	170,000
7. Miss Chularat Suteethorn	380,000	0	0	0	0	0	380,000	170,000
8. Mr. Pichai Chunhavajira	280,000	0	10,000	0	0	0	290,000	170,000
9. Mr. Apisit Rujikeatkamjorn	400,000	0	0	0	0	0	400,000	170,000
10. Mr. Sayan Satangmongkol	380,000	0	20,000	0	0	0	400,000	170,000
11. Mr. Anusorn Sangnimnuan	260,000	0	0	0	10,000	0	270,000	-

^{1/} Notes The Board of Directors had the resolution on February 28, 2005 to pay out the bonus to the Directors only at the rate 70 percent of Baht 9,000,000 but the Company had proposed to the Shareholders in the Annual General Meeting of the year 2004 for not distribute dividend. Therefore, the Board of Directors also resolved to not receive the bonus of such year until the dividend be paid to the shareholders.

^{2/} Directors have the rights to be allocated warrant for newly issued shares under the Employee Stock Option Program (ESOP), which was approved in the General Meeting of Shareholders of 2004, held on April 29, 2004. The Board of Directors would receive the total of 2,000,000 units of warrant.

6. 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 addition, the Executives have the rights to allocation of warrants for ordinary shares to be issued under the Employee Stock Option Program (ESOP), approved by the Annual General Meeting for the year 2004, held on April, 29, 2004. The Executives as well as the staff of the Company and the Green Net Co., Ltd. would acquire the total warrants of 22,000,000 units, allocated by positions, years of employment, duties, employment history, past performance and potentiality.

Details of the Company's Executive Staff and Authorized persons

As of December 31, 2005

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 Advisor and Acting Senior Executive Vice President/ Corporate Administration and Information Technology	-	Director
5	Mr. Manoon Siriwan	Executive Vice President and Acting Senior Executive Vice President/Marketing Business	Director	Director
6	Mr. Yodphot Wongrukmit	Senior Vice President,/Retail Marketing	Director	-

In 2005, the Company's payment of salary, rewards and welfare to 6 Executives in the amount of Baht 25,005,633. Mr. Anusorn Sangnimnuan has been allocated 170,000 units of ESOP and the total ESOP granted to 5 Executives was 271,000 units.

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

-None-

7. Personnel

As of December 31, 2005, the number of staff totaled 757, comprising:

▪ Supporting staff (Accounting and Finance, Corporate Administration and Information Technology, and Internal Control)	198
▪ Refinery business	288
▪ Marketing business	271

Employee remuneration

1) Monetary 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 2005, total remunerations to the Company’s employees as mentioned above including extra rewards and other fringe benefits were Baht 579 Million.

2) Other remunerations, for example rights to buy shares etc.

Employees have the rights to be allocated warrants for newly issued shares under the Employee Stock Option Program (ESOP), which was approved in the Annual General Meeting of the year 2004, held on April 29, 2004, taking into consideration position, duration of work, responsibilities, performances and potentiality of the employees. The Executives as well as the staff of the Company and the Green Net Co., Ltd. would receive the total of 22,000,000 units of warrant.

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

-None-

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.



As regards the internal training, in 2005, the Company has organized 18 training courses, which were participated by the Executives and staff for the total of 3,361 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.

For the year 2005, the Company also emphasized enhancement of qualifications concerning knowledge, skill and behavior of the Executives and staff or the core competency to be in compliance with the assignment. The 6 major qualifications are the following:

- 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. >>

Reference

<ul style="list-style-type: none"> • Registrar <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) 	<p>Thailand Securities Depository Co., Ltd. 62 Ratchadapisek Road, Klongtoey, Bangkok 10110 Telephone + 66 (0) 2229-2800 Facsimile + 66 (0) 2359-1262-63</p>
<ul style="list-style-type: none"> • Debentures Registrars 	<p>Thai Military Bank Plc. 3000 Phahonyothin Road, Chatuchak, Bangkok 10900 Telephone + 66 (0) 2299-1111 Facsimile + 66 (0) 2273-7121</p>
<ul style="list-style-type: none"> • Auditor 	<p>A.M.T. & Associates Company Limited 491/27 Silomplaza Silom Raod, Bangrak Bangkok 10500 Telephone + 66 (0) 2234-1676, 2234-1678, 2237-2132 Facsimile + 66 (0) 2237-2133</p>
<ul style="list-style-type: none"> • Others <ul style="list-style-type: none"> - Services to Shareholders - Loss of Share Certificate - Amendment of Shareholder Particulars 	<p>Shareholder Services Unit Securities Registration Department Thailand Securities Depository Co., Ltd. 2/7 Moo 4 Northpark, Vibhavadi-Rangsit Road, Thungsong Hong, Laksi, Bangkok, 10210 Telephone + 66 (0) 2596-9302-10 Facsimile + 66 (0) 2832-4994-6</p>

Board of directors



General Tawat Ked-Unkoon

Chairman (Independent Director)

Age 66 years

- Percentage of shares
(As of December 31, 2005)
0.01455 or 100,000 units of BCP-DR1
- Chulachomklao Royal Military Academy
(Bachelor of Science)
Army Command & General Staff College
National Defence College
- 1998 : Chairman of the Advisory Board,
Supreme Command Headquarters,
Ministry of Defence
- 2000 : Permanent Secretary for Defence
- Present :
Retirement

Mr. Chai-Anan Samudavanija

Vice Chairman (Independent Director)

Chairman of the Nomination and Remuneration Committee

Age 62 Years

- Ph.D. (Political Science), The University of Wisconsin (Madison)
- 1998—2000: Judge of the Constitutional Court
- 2003:
 - Member of the Academy of Moral and Political Sciences
 - Vice President, the Royal Institute
- Present :
 - Director, Vajiravudh College
 - Chairman of the Institute of Public Policy Studies



Mr. Anusorn Tamajai

Independent Director'

Chairman of the Audit Committee

Age 40 years

- Ph.D. in Economics, Fordham University, New York, U.S.A
- 2000 : Vice President, Country Regulatory, Research and Public Affairs, Citibank, Thailand
- 2002 -2005: Senior Vice President, and Management and Research Planning Office, Bank Thai Plc.
- Present:
 - Managing Director, BT Asset Management Co., Ltd.
 - Advisor, Research Office, Bank Thai Plc.
 - Director, Public Policy Development Committee, Office of the Prime Minister
 - Director, Thailand Post Co., Ltd.
 - Director, Family Know-How Co., Ltd. (Subsidiary of SET)
 - Director, Pridi Banomyong Institute
 - Director, Center for the Promotion of National Strength of Moral Ethics and Values

Mr. Nipon Surapongrukchareon

Independent Director

Chairman of the Enterprisewide Risk Management Committee

Age 45 years

- Percentage of shares
(As of December 31, 2005):
0.00873 or 60,000 units of BCP-DR1
- M.B.A., National Institute of Development Administration (NIDA)
- Present:
 - Vice Chairman, The Federation of Thai Industries
 - Chairman of Human Capacity Building Committee, TOT Corporation Plc.
 - Director, Risk Management Committee, TOT Corporation Plc.
 - Director, Center for the Promotion of National Strength of Moral Ethics and Values
 - Director, The Education Council, Ministry of Education

Mr. Wirat Iam-Ua-Yu

Independent Director

Chairman of the Corporate Governance Committee

Age 62 years

- Percentage of shares
(As of December 31, 2005):
0.00009 or 650 units of BCP-DR1
- High School, Chumsaeng Chauthis School, Nakhon Sawan Province
- 1997-2001:
 - Chairman, The Management Organization of Ka-Mung Sub-district, Nakhon Sawan Province
 - Director, The Sub-district Government Official Committee, Nakhon Sawan Province
- Present:
 - Chairman, The Chumsaeng Cooperatives and Agriculture Co., Ltd.
 - Member of National Economic and Social Advisory Council
 - Chairman of the Cooperatives League of Thailand
 - Director, The Board of National Cooperatives Development





Mr. Pichai Chunchavajira

Director

Chairman of the Management Committee

Age 57 years

- Percentage of shares
(As of December 31, 2005):
0.07273 or 500,000 units of BCP-DR1
- M.B.B. (Finance), Indiana University of Pennsylvania, U.S.A
Honorary Degree Doctor of Philosophy (Accounting), Thammasart University
- 1996-1999 : Deputy Governor, Finance, Petroleum Authority of Thailand
- 2000-2001
 - President, PTT Oil Business, Petroleum Authority of Thailand
 - Acting Deputy Governor, Finance, Petroleum Authority of Thailand
 - Acting President, PTT International Co., Ltd.
- Present:
 - Senior Executive Vice President, Corporate Finance and Accounting, PTT Plc.
 - Chairman, State Owned Enterprise Value Creation Committee
 - Chairman, Social Security Fund of the Investment Sub-Committee, Social Security Office
 - Deputy Chairman, Dhipaya Insurance Plc.
 - Director, The Thai Airways International Plc.
 - Director, Siam Commercial Bank Plc.



Mr. Sayan Satangmongkol

Director

Age 58 years

- M.B.A., Thammasart University
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.
- Present:
 - Senior Executive Vice President, Risk Management, KTB Plc.
 - Member of Activity Support Committee, Kasetsart University



Mr. Songpope Polachan

Director

Age 52 Years

- Ph.D. (Petroleum Geology), Royal Holloway and Bedford New College, University of London, U.K.
- 1996-2000: Deputy Chief Executive Officer, Malaysia-Thai Joint Authority
- 2000-2002: Chief of Energy Resources Policy and Planning Unit, Mineral Fuels Division, Department of Mineral Resources
- 2003-2006: Director, Policy and Strategy Coordination Office, Office of the Permanent Secretary, Ministry of Energy
- Present:
 - Deputy Directors-General, Department of Mineral Fuels, Ministry of Energy



Miss Chularat Suteethorn Mr. Apisit Rujikeatkamjorn Mr. Anusorn Sangnimnuan

Director

Age 51 Years

- MDS. (Economics Policy and Planning), Institute of Social Studies, the Netherlands
- 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
- Present: Deputy Directors-General, The Fiscal Policy Office (FPO), Ministry of Finance

Director

Director

- Percentage of shares (As of December 31, 2005): 0.00038 or 2,600 units of BCP-DR1
- Master of Engineering, Lamar University, Texas, U.S.A.
- 1997-1999: Senior 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:
 - Chairman, Thai Lube Blending Co., Ltd.
 - Director, Trans Thai-Malaysia (Thailand) Co., Ltd.
 - Director, Thai Lube Base Plc.

President

and Secretary to Board of Directors

Age 52 years

- Percentage of shares (As of December 31, 2005): 0.01534 or 105,460 units of BCP-DR1
- Ph.D. in Chemical Engineering, Monash University, Melbourne, Australia
- 1993 : Senior Vice President, Supply and Transport
- 2000 : Senior Vice President Manufacturing
- 2001 - 9 Sep. 2003
 - Senior Executive Vice President
 - Acting Senior Vice President Manufacturing
 - Acting Senior Vice President Planning and Supply
- 2003 -2004
 - Senior Executive Advisor
 - Acting Senior Executive Vice President
- Present :
 - President

Executive Staff



Mr. Anusorn Sangnimnuan

*President
and Secretary to Board of Directors*

Age 52 years

- Percentage of shares
(As of December 31, 2005):
0.01534 or 105,460 units of BCP-DR1
- Ph.D. in Chemical Engineering,
Monash University, Melbourne, Australia
- 1993 : Senior Vice President, Supply
and Transport
- 2000 : Senior Vice President Manufacturing
- 2001 - 9 Sep. 2003
 - Senior Executive Vice President
 - Acting Senior Vice President Manufacturing
 - Acting Senior Vice President Planning
and Supply
- 2003 -2004
 - Senior Executive Advisor
 - Acting Senior Executive Vice President
- Present :
 - President

Mr. Vichien Usanachote

*Senior Executive Vice President /
Refinery Business*

Age 51 years

- Master Degree Engineering,
Ohio State University, U.S.A
- 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 :
 - Senior Executive Vice President

Mr. Patiparn Sukorndhaman

*Senior Executive Vice President /
Accounting and Finance*

Age 44 years

- MBA. (Finance) The American University, USA
- 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 :
 - Senior Executive Vice President



Mr. Wattana Opanon-amata

Senior Executive Advisor and Acting Senior Executive Vice President / Corporate Administration and Information Technology

Age 50 years

- Percentage of shares
(As of December 31, 2005):
0.00042 or 2,860 units of BCP-DR1
- Master Degree Engineering,
Chulalongkorn University
- 1994 - 2000: Senior Vice President
Marketing and Engineering Service
- 2000- 2001 : Senior Vice President
Planning and Supply
- 2001 - May 2004
 - Executive Vice President
 - Acting Senior Executive Vice President
- Present :
 - Senior Executive Advisor Acting
 - Senior Executive Vice President

Mr. Manoon Siriwan

Executive Vice President Acting Senior Executive Vice President / Marketing Business

Age 59 years

- Master Degree in Political Science,
Chulalongkorn University
- 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,
Industrial and Lubes Marketing
- Present :
 - Executive Vice President
 - Acting Senior Executive Vice President

Mr. Yodphot Wongrukmit

Senior Vice President / Retail Marketing

Age 46 years

- Master Degree Business Administration
(MBA) MTSU, USA
- 1992 : Manager, Retail Marketing Development
- 1994 : Manager, Central and North District Division
- 1998 : Senior Manager, Central District Division
- 2001 : Vice President, Central District Division
- Present :
 - Senior Vice President, Retail Marketing

General Information of The Bangchak Petroleum Public Company Limited

Company Established

April, 1985

Shareholders (%) as of 31 December, 2005

Holders of Ordinary shares (BCP)

- Siam DR Co., Ltd. (BCP-DR1) 76
- Minor Shareholders 24

Holders of Warrants (BCP-DR1)

- Ministry of Finance 24
- PTT Plc.. 10
- Minor Shareholders 66

Registered Capital as of 31 December 2005

1,531 Million Baht

Paid-Up Capital as of 31 December 2005

687 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, Thoongsokkala, 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

- 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, Ayudhaya 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
- "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
- "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)
- 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

