



# ANNUAL REPORT 2004

**T**ransparency

**A**ccountability

**E**quitable Treatment



**V**ision to create long term value



**E**thics

**R**esponsibility

## Financial Highlight



Statements of Income (Million Baht)	2004	2003	2002
• Sales income	79,848	61,595	51,804
• Total income	80,189	62,069	51,936
• Preliminary profit (loss)	5,033	2,424	3,152
• EBITDA	4,117	1,299	2,822
• Adjusted EBITDA <sup>1/</sup>	1,941	1,531	1,213
• Exchange profit (loss)	128	293	(11)
• Other items	42 <sup>2/</sup>	(1,199) <sup>3/</sup>	(92) <sup>4/</sup>
• Net profit	2,636	(1,299)	534
<b>Balance Sheets</b>			
• Total assets	34,370	28,591	28,940
• Total liabilities	24,589	25,534	24,354
• Shareholders' equity	9,781	3,057	4,586
• Share capital			
– Authorized share capital	867	522	7,720
– Issued & fully paid-up share capital	661	522	5,220
<b>Financial ratio (%)</b>			
• Preliminary profit ratio	6.3	3.9	6.1
• Net profit ratio	3.3	(2.1)	1.0
• Return on total assets	8.4	(4.5)	1.9
• Liabilities/capital	1.5	(6.3)	4.3
<b>Operating outcomes per share (Baht)</b>			
• Net profit (loss) per share	3.92	(2.49)	1.02
• Book value per share	14.56	5.86	8.78

Notes : For 2004 and 2003 – Consolidated Financial Statements and 2002 – Company's Financial Statements

<sup>1/</sup> Adjusted EBITDA – not including profit (loss) from oil in stock and other items

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

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

<sup>4/</sup> Fee for prepayment of loans to the IBRD



## Message

From the Chairman



As a consequence of the strengthening financial position of the Bangchak Petroleum Public Company Limited after the completion of the financial restructuring in early 2004, as well as successful operations in many aspects including production and marketing during the period of 2003–2004, the operating results for the year 2004 proved to be satisfactory, in spite of impacts from fluctuating crude oil prices and other negative factors concerning oil procurement, such as political tension and sabotage in the Middle East and higher fee for crude oil transportation.

### Profit shown for 2004

In 2004, the company's revenue totaled Baht 80,189 million, up by 29.2 percent from the preceding year. Its EBITDA accounted for Baht 4,117 million and net profit was Baht 2,636 million.

### Production

The Company's gross refinery margin in 2004 was US\$ 1.75 per barrel, an increase from last year's level of US\$ 1.41 per barrel, due to a rising demand for oil consumption. The Bangchak refinery was able to increase the return from rising refinery utilization by expanding its production from 74,000 barrel per day to 90,000 barrel per day.

Cooperation with other Thai oil companies has expanded to the area that is beneficial to the national interest, i.e. increase of utilization of domestic crude oil. The Company has cooperated with the Defence Energy Department in developing oil quality of Fang Refinery to meet with the standard of the Department of Energy Business and to produce the diesel Power D to be sold to oil users in the North. This has helped create value for both refineries.

### Continued marketing growth

In 2004, the Company reported the growth rate of sales volume at 10 percent, which is the highest rate attained for the second consecutive year as compared with other oil companies, while the overall industry grew by merely 0.5 percent. The market share rose from 11.3 percent to 12.4 percent, due to the Company's continued marketing activities along with upgrading of products and improvement of environment at the service stations.

### Support to alternative energy

Under the situation of the rising oil prices, the Company has produced and sold Gasohol at cheaper prices than normal Unleaded Gasoline and has accelerated sales of Gasohol 95 from Bangkok Metropolitan to provinces in the Central, Northern and Northeastern regions. It is also aimed that sales of Gasohol be expanded from 99 to 300 service stations in 40 provinces.

The Company has also been the first in Thailand to sell Gasohol 91 in response to the policy to replace total utilization of normal Unleaded Gasoline by Gasohol.

In addition, the Company has cooperated with the Department of Alternative Energy Development and Efficiency in a project to research the biodiesel production and utilization by opening up the first sales to minibuses in Chiangmai. The project, if satisfactory, may lead to replacement of diesel by biodiesel.

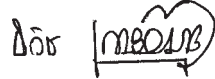
### Good Corporate Governance

The Company has been selected as one in the group of Top Quartile Company for the year 2003 under the project of Corporate Governance Report of Thai Listed Company 2003, jointly organized by the Thai Institute of Directors Association (IOD), the Stock Exchange of Thailand and Office of the Securities and Exchange Commission.

### Project to develop oil quality to enhance competitiveness

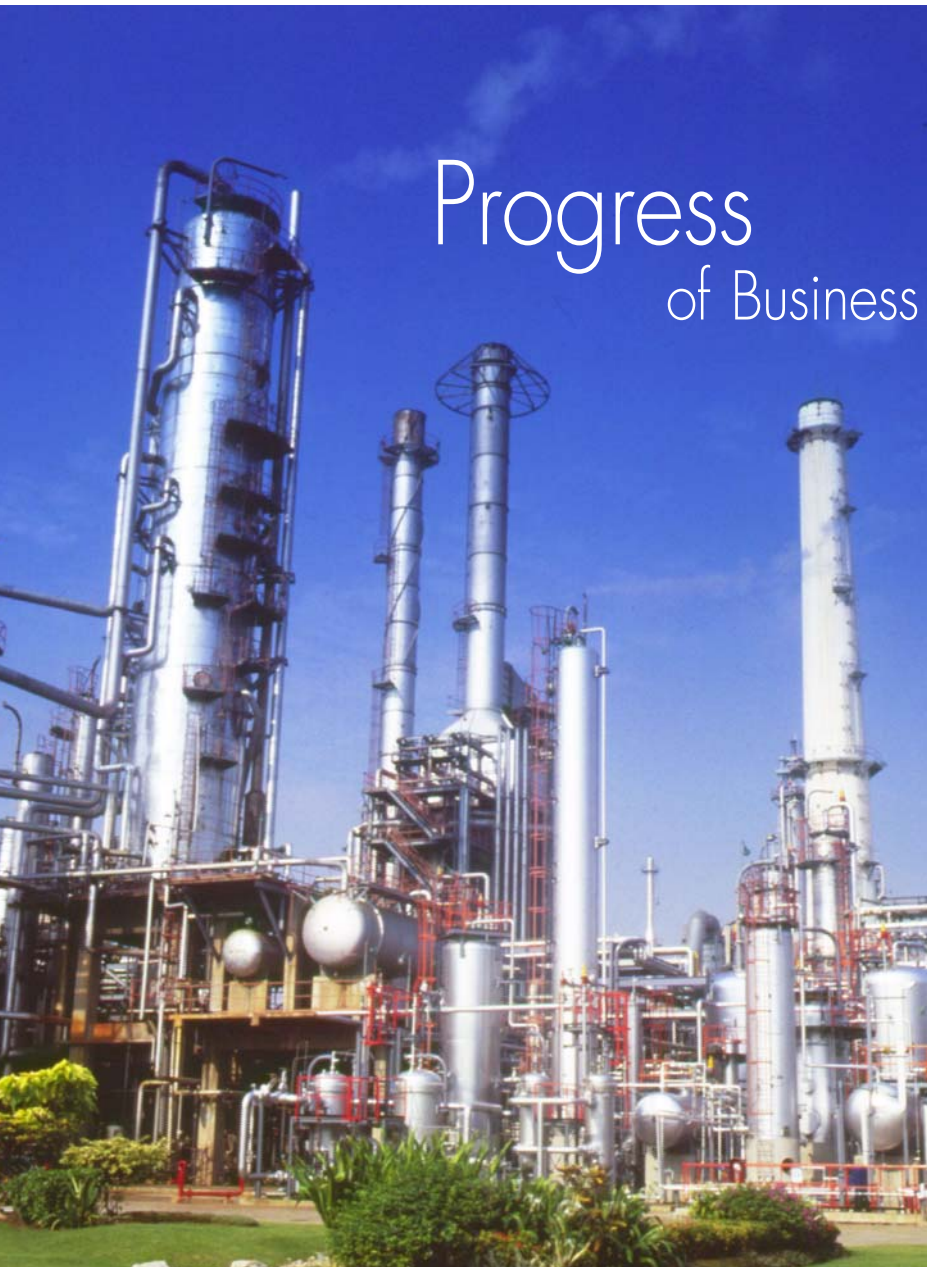
As for the work plan for 2005, the Company aims to enhance its competitiveness in the long term under the refinery business strategy with the objective to utilize full capacity of the Company's assets, to improve efficiency of the refinery by investing the project to upgrade oil quality and to reduce production of fuel oil from 30 percent to 10 percent, which is closer to the other refineries' production. Investment would cost about US\$ 200 million and the Company would gain the return within 3 years, which would enable it to attain triple revenue increase.

On the occasion of the 20th anniversary of the Company's business operations, I wish to extend our appreciation on behalf of the Board of Directors to the support of the Thai people, who contribute to the success of Bangchak as a national oil company in achieving the efficient progress. The Board of Directors, Executives and employees of the Company strongly determine to strengthen the businesses so as to bring about satisfactory returns to all parties concerned for the sustainability of the Company and the Thai society in the long run.

General   
(Tawat Ked-Unkoon)  
Chairman



# Progress of Business in 2004



### Overall operation

The Company's total incomes accounted for Baht 80,189 million, up by 29.2 percent over the preceding year. EBITDA totaled Baht 4,129 million and net profit was Baht 2,618 million.

### Financial restructuring

Financial restructuring of the Company was completed by the issuance of DR ordinary shares and DR convertible debentures in the total value of Baht 7,000 million and by the debt refinance of Baht 12,500 million to reduce interest burden. The new loan has a repayment period of 10 years, which would enhance sufficient liquidity in the Company's operations, strengthening financial position and lower costs of fund. In addition, the Company recapitalized 189 million shares as the original shareholders were granted the right to convert their shares to BCP-DR<sup>1</sup> in the proportion of 10 ordinary shares to 5 units of debenture for major Shareholders and 10 ordinary shares to 9 units of debenture for minor Shareholders. Consequently, the number of paid-up shares was decreased to the level close to the number before financial restructuring was started, not to include 281 million shares of which the warrants are to be converted later on. Therefore, profit per share was on a rise. Furthermore, capital surplus from the issuance of BCP-DR in an amount of Baht 2,389 million was utilized to clear all retained deficits. The Company was then able to pay out dividend as its net profit was reported.



### Retail markets

The Company continued to attain the highest growth of petroleum sales for the second consecutive year. In 2004, retail sales through service stations rose by 10 percent, resulting in an increase in the Company's market share to 12.4 percent in comparison with 11.3 percent of the same period last year.

**Bangchak Gasohol.** In compliance with the National Agenda, the Company has developed the alternative energy sources. Sales of gasohol have been expanded from 99 to 300 service stations in Bangkok Metropolitan as well as in provincial areas of the Central Region, the North and Northeast. In Bangkok, more than 85 percent of the service stations sell gasohol.

In addition, the Company was the first producer and seller of Gasohol 91 in Thailand to offer more options to car users. Quality of Bangchak Gasohol 91 and 95 has been improved by adding new substance to increase efficiency of the engine, i.e. SCSS or Super Clean for Super Save that can wash off dirt and enhance more power, similar to Bangchak Green Plus.

**Biodiesel.** The Company opened for the first time in Thailand sales of biodiesel at the Mahidol branch service station in Chiangmai. The biodiesel is offered to 1,300 minibuses participating in the project to research biodiesel production and utilization of the Department of Alternative Energy Development and Efficiency.





**Development of new products**

Bangchak Green Plus 91 and 95, new special-grade benzene with new substance to enhance off dirt and keep the engine clean, making it work at full capacity to ensure more economical use than the general benzene.

**Development of pump stations and their services**

**Pump stations in the garden.** In 2004, the Company invested in the project to create new image for more than 70 service stations in Bangkok Metropolitan to add more freshness and nicer environment to these stations. The project aims to cover all service stations within 2005.



**Contest for the Golden Pump Station.** The Company sent 91 of its pump stations to participate in the project of the Golden Pump Station contest, organized by the Department of Energy Business and 47 of them earned the excellent reward for the areas of

Bangkok Metropolitan, the Central Region, the East, Northeast and the South.

**Fleet Card, genius card for the organizations.** Fleet Card is a new option to facilitate customers that are offices or organizations. The Company, jointly with KTC, issued Fleet Card for oil refill to use in place of cash or credit cards, which can enhance rapidity of service, can be easy for check and control of expenditures. Fleet Card can be used at 420 service stations all over the country.





### Industrial and lubricant oil markets

Sales of fuel oil to the industrial, transportation and service sectors rose by 2.3 percent over the preceding year, while volume of fuel oil utilization in the country's industrial sector expanded by 3.3 percent. The Company's market share for fuel oil rested at 13.6 percent.

**New Bangchak GE Silver API SL.** The Company has developed new semi-synthetic lubricant "Bangchak GE Silver" with the standard of API SL to respond to the demand of all types of car users.

**Expansion of sales to Myanmar.** In 2004, the Company expanded its sales of engine oil to Rangoon and Mandalay in Myanmar. At present, more than 200 dealers in Myanmar sell Bangchak's oil.



**Bangchak's engine oil, racers' choice.** In order to introduce its engine oil to car users, the Company has participated in the motor sport activities by sponsoring a Bangchak engine oil team racer, which gained three championship at Asia Cross-Country and Thailand Cross-Country 2004 as well as Thailand Rally.

**Bangkok Privileged Club.** The project is aimed to create the confidence of the customers by granting various privileges concerning special services for a special group of customers, including providing up-to-date knowledge and information as well as organizing technical trainings and seminars on such issues as hygiene, safety, energy savings and providing of technical services that are beneficial to the competitiveness and sustainable business development of the industrial customers.

### Production

**Support to alternative energy development** The company has provided support to development of bio fuel to be one of the alternative energy sources, in line with the Ministry of Energy's strategy of sustainable development of alternative energy. The Company also produced Gasohol 95 and 91 for sales and participated in the project to research production and utilization of bio fuel of the Department of Alternative Energy Development and Efficiency.





The Company is also undertaking a study on oil quality development to increase value to its products in general.

**Efficiency increase for Thai refineries**

The Company entered into a cooperation contract with the Defence Energy Department to develop quality of the refinery at Fang in order to reduce oil imports, which can create more than Baht 10 million per year of value added for both side.



At the same time, the two parties will cooperate in the petroleum technology, environment preservation and safety with the purpose to enhance more efficiency to the Thai refineries.

**Center of oil distribution and transportation**

**Bangchak Distribution Center.** The company was certified with the Industrial Standard no.18001-2542 and OHSAS 18001-1999 (Occupational Health and Safety Management System), additional to ISO certification, which covered reception, storage and distribution of fuel oil and liquid petroleum gas. The Company is the first Thai oil company, which has been granted with the Industrial Standard 18001 and OHSAS for all processes of operations.

**Good Corporate Governance**

The Company was selected as one in the group of Top Quality Company for the year 2003, in the project of Corporate Governance Report of Thai Listed Companies 2003 organized by the Thai Institution of Directors, Stock Exchange of Thailand

and the Office of Securities and Exchange Commission. In 2005, the Company will participate in the SET's project of Good Corporate Governance ranking.

**Activities for young people, communities and environment**

**Distribution of lemons to help farmers.** The company has cooperated for the third consecutive year with the Department of Internal Trade, Ministry of Commerce in helping lemon growers during the period of declining price, by purchasing more than 500,000 lemons to be used as gifts for the customers at Bangchak service stations.

**Story telling with Bangchak.** The Company organized a contest for story telling, granting scholarship rewards for children. This project placed emphasis on making trips with constructive ideas, environment preservation, as well as promotion of the Thai culture and OTOP.



**Enter the world of knowledge.** The Company, jointly with the Bangkok Education Office for Area 1, invited the secondary students from all over the country to visit Bangchak refinery and to participate in the activities in 3 sections including “Enter the world of oil”, “Environment Creation” and “Prepare for safety”.

**Bangchak children futsal.** The Company organized a futsal contest for schools under the Bangkok Metropolitan Authority for scholarship rewards. There were 27 schools participating in the activity.

**Volunteer teachers.** Employees of Bangchak volunteered to teach at Poonsin School in the subjects of science, math and English.

**Our school.** After work, Bangchak employees organized activities for children in the communities in the vicinity of the refinery.

**Return clear water to Klong Bang Or.** The Company, the Prakanong District Office and habitants of the community in front of the refinery jointly collected garbage and poured bio water in the Klong, so as to create good environment to the community.



**Bangchak Training Center for Environment and Safety.**  
The Company organized the annual training for fire extinction to teachers and students of Pipattana School, located at Sukhumvit 64.





## 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 2004, the Audit Committee held 9 meetings of which the major issues are summarized as follows:

1. Review of quarterly and annual financial statements and related financial reports, accounting principles and practices and changes in important accounting policy in 2004, related items of Shareholders as well as associated and related companies, in order to ensure that the Company complies with the general business conditions for the optimum benefit of the Company without transfer of any interest.
2. Monitoring to ensure the Company's system of internal control and audit in an appropriate and efficient manner by reviewing the results of the internal auditing of the year 2004 and the internal audit plan for the year 2005, 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. Monitoring to ensure that the Company complies with the regulations of the Stock Exchange of Thailand and laws related to the Company's business, including the Good Corporate Governance principle.
4. Nomination and appointment of the A.M.T. Associates as the Company's Auditor of the year 2004 and consideration of the Auditor's remuneration.
5. Monitoring to ensure the appropriate business and financial risks according to the assignment from the Board of Directors.
6. Follow-up and emphasis of safety management system on a quarterly basis, including fair environment of the refinery, employees and surrounding communities.
7. Modification of 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. Nomination of the Director of Internal Control Department.

The Audit Committee has monitored the overall performance of the Company in the year 2004 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



## 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 2004, 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 2004. 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, 2004.

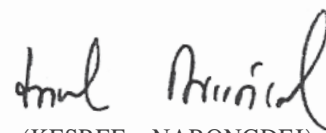
## Independent Certified Public Accounts' Report

To the Shareholders and Board of Directors 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, 2004, and the related consolidated statements of changes in shareholders' equity, income and cash flows for the year 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. The comparative financial statements of the Bangchak Petroleum Public Company Limited for the year ended December 31, 2003 were audited by the other auditor with an unqualified opinion reported on February 25, 2004 which drawn attention to notes to financial statement 2.8 regarding to change in accounting estimation.

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, 2004, the results of their operations, and cash flows for the year 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, 2005



## Financial Statements

### THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES BALANCE SHEETS

	NOTE	B A H T			
		CONSOLIDATED		THE COMPANY ONLY	
		As of 31 <sup>ST</sup> December, 2004	As of 31 <sup>ST</sup> December, 2004	As of 31 <sup>ST</sup> December, 2004	As of 31 <sup>ST</sup> December, 2004
<b>A S S E T S</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	4	2,212,561,232	3,522,502,394	1,894,499,857	3,348,494,142
Temporary Investment		-	206,781	-	-
Trade accounts receivable - net					
Related parties	3.1	-	-	434,942,310	356,618,614
Other parties	5	3,198,912,805	2,457,507,939	3,186,132,557	2,437,344,954
Inventories - net	6	10,118,144,306	5,565,162,560	9,946,500,675	5,396,180,190
Other current assets					
Material and Supplies - net	7	345,094,422	333,433,065	345,094,422	333,433,065
Oil Fund Subsidies Receivable		1,342,496,006	42,804,094	1,342,496,006	42,804,094
Others		405,626,494	117,609,390	391,003,541	100,137,134
Total Current Assets		17,622,835,265	12,039,226,223	17,540,669,368	12,015,012,193
<b>NON-CURRENT ASSETS</b>					
Investments for using the equity method	3.2	-	-	-	-
Other long-term investments	8	5,573,987	5,654,700	4,673,987	4,754,700
Tariff prepayment - net	9	33,169,500	45,489,600	33,169,500	45,489,600
Long-term loans to related parties	3.3	1,100,000	10,800,000	-	-
Property, plant and equipment - net	10	14,011,640,633	14,470,719,528	14,004,310,491	14,459,265,428
Intangible assets - net	11	1,448,937,928	973,113,888	1,448,937,928	973,113,888
Investment in service station	12	539,124,952	537,690,129	539,124,952	537,690,129
Other non-current assets					
Deferred income tax assets	13	94,415,342	95,501,800	94,415,342	95,501,800
Others	14	612,932,904	412,873,232	603,904,140	400,011,090
Total Non-Current Assets		16,746,895,246	16,551,842,877	16,728,536,340	16,515,826,635
<b>TOTAL ASSETS</b>		<b>34,369,730,511</b>	<b>28,591,069,100</b>	<b>34,269,205,708</b>	<b>28,530,838,828</b>

The accompanying notes are an integral part of these statements.

**THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**BALANCE SHEETS**

	NOTE	B A H T			
		CONSOLIDATED		THE COMPANY ONLY	
		As of 31 <sup>ST</sup> December, 2004	As of 31 <sup>ST</sup> December, 2004	As of 31 <sup>ST</sup> December, 2004	As of 31 <sup>ST</sup> December, 2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Bank overdrafts and short-term loans from					
financial institutions	15,16.1	2,000,000,000	8,000,000,000	2,000,000,000	8,000,000,000
Trade accounts payable					
Related parties	3.4	9,058,378	10,411,812	10,923,323	14,362,678
Other parties		7,638,078,411	4,473,312,718	7,571,866,050	4,415,076,278
Current portion of long-term loans	16	1,756,250,000	3,532,500,000	1,756,250,000	3,532,500,000
Early redemption of immatured debenture	16	-	3,900,000,000	-	3,900,000,000
Other short-term loans		-	1,390,823,000	-	1,390,823,000
Other current liabilities					
Accrued excise tax and oil stabilization fund		252,808,838	266,067,956	252,808,838	266,067,956
Accrued expenses		503,900,476	601,553,512	481,266,723	586,283,796
Others		329,187,762	362,051,445	327,518,742	359,516,564
Total Current Liabilities		<u>12,489,283,865</u>	<u>22,536,720,443</u>	<u>12,400,633,676</u>	<u>22,464,630,272</u>
<b>NON-CURRENT LIABILITIES</b>					
Long-term loans	16	11,164,700,000	2,540,000,000	11,164,700,000	2,540,000,000
Other non-current liabilities					
Liabilities on long-term lease	11	551,631,820	-	551,631,820	-
Liabilities on service stations leasehold right		72,183,706	112,039,612	72,183,706	112,039,612
Reserve for pension fund		214,722,262	210,337,306	214,722,262	210,337,306
Deferred income tax liabilities	13	32,713,699	35,985,069	32,713,699	35,985,069
Others		63,689,812	98,682,188	52,170,077	87,064,509
Total Non-Current Liabilities		<u>12,099,641,299</u>	<u>2,997,044,175</u>	<u>12,088,121,564</u>	<u>2,985,426,496</u>
Total Liabilities		<u>24,588,925,164</u>	<u>25,533,764,618</u>	<u>24,488,755,240</u>	<u>25,450,056,768</u>

The accompanying notes are an integral part of these statements.



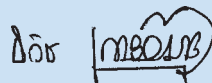


**THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**BALANCE SHEETS**

	B A H T			
	CONSOLIDATED		THE COMPANY ONLY	
	As of 31 <sup>ST</sup> December 2004	As of 31 <sup>ST</sup> December 2004	As of 31 <sup>ST</sup> December 2004	As of 31 <sup>ST</sup> December 2004
	NOTE			
<b>SHAREHOLDERS' EQUITY</b>				
Share Capital – Par Value Baht 1.00 per share				
Authorized share capital				
Common share 867,143,461 shares in 2004 and				
Common share 522,040,940 shares in 2003				
		<u>867,143,461</u>	<u>522,040,940</u>	<u>867,143,461</u>
Issued and paid – up share capital				
Common share 660,559,535 shares in 2004 and				
Common share 522,040,940 shares in 2003				
		660,559,535	522,040,940	660,559,535
Capital Surplus				
Premium on share capital				
		1,593,089,706	-	1,593,089,706
Capital surplus on registered and paid-up				
share reduction				
	17	189,617,759	-	189,617,759
Surplus on fixed assets revaluation				
		4,724,586,227	4,947,867,230	4,724,586,227
Retained earning (deficit)				
Appropriated – legal reserve				
		86,714,346	-	86,714,346
Unappropriated				
		<u>2,525,696,777</u>	<u>(2,413,141,747)</u>	<u>2,525,882,895</u>
Total Equity of Parent Company's Shareholders				
		9,780,264,350	3,056,766,423	9,780,450,468
Minority interests				
		<u>540,997</u>	<u>538,059</u>	<u>-</u>
Total Shareholders' Equity				
		<u>9,780,805,347</u>	<u>3,057,304,482</u>	<u>9,780,450,468</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
		<u>34,369,730,511</u>	<u>28,591,069,100</u>	<u>34,269,205,708</u>
				<u>28,530,838,828</u>

The accompanying notes are an integral part of these statements.

General



(General Tawat Ked-Unkoon)  
Chairman



(Anusorn Sangnimnuan)  
President

**THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**CONSOLIDATED**

FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

	B A H T								
	Note	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	Total
						Appropriated legal reserve	Unappropriated		
Beginning balance as at January 1, 2003		5,220,409,400	2,007,950,671	-	5,178,142,754	547,594,555	(8,367,991,961)	-	4,586,105,419
Minority interest		-	-	-	-	-	-	535,881	535,881
Transactions not recognised in the income statement									
- Depreciation on the fixed assets revaluation		-	-	-	(230,275,524)	-	-	-	(230,275,524)
Decrease issued and paid-up share capital for reduction of accumulated deficits		(4,698,368,460)	-	-	-	-	4,698,368,460	-	-
Decrease premium on share capital for reduction of accumulated deficits		-	(2,007,950,671)	-	-	-	2,007,950,671	-	-
Decrease legal reserve for reduction of accumulated deficits		-	-	-	-	(547,594,555)	547,594,555	-	-
Net profit (loss)		-	-	-	-	-	(1,299,063,472)	2,178	(1,299,061,294)
Ending balance as at December 31, 2003		522,040,940	-	-	4,947,867,230	-	(2,413,141,747)	538,059	3,057,304,482
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 deficits		-	(2,389,126,110)	-	-	-	2,389,126,110	-	-
Capital surplus on registered and paid-up share reduction	17	(189,617,759)	-	189,617,759	-	-	-	-	-
Transaction not recognised in the income statement									
- Depreciation on the fixed assets revaluation		-	-	-	(223,281,003)	-	-	-	(223,281,003)
Legal reserve		-	-	-	-	86,714,346	(86,714,346)	-	-
Net profit (loss)		-	-	-	-	-	2,636,426,760	2,938	2,636,429,698
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

The accompanying notes are an integral part of these statements.

**THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
THE COMPANY ONLY**

FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

	Note	Issue and paid-up share capital	Premium on share capital	Capital surplus on registered and paid-up share reduction	B A H T			Total
					Surplus on fixed assets revaluation	Retained earning (Deficit)	Unappropriated	
Beginning balance as at January 1, 2003		5,220,409,400	2,007,950,671	-	5,178,142,754	547,594,555	(8,367,991,961)	4,586,105,419
Transaction not recognised in the income statement								
- Depreciation on the fixed assets revaluation		-	-	-	(230,275,524)	-	-	(230,275,524)
Decrease issued and paid-up share capital for reduction of accumulated deficits		(4,698,368,460)	-	-	-	-	4,698,368,460	-
Decrease premium on share capital for reduction of accumulated deficits		-	(2,007,950,671)	-	-	-	2,007,950,671	-
Decrease legal reserve for reduction of accumulated deficits		-	-	-	-	(547,594,555)	547,594,555	-
Net profit (loss)		-	-	-	-	-	(1,275,047,835)	(1,275,047,835)
Ending balance as at December 31, 2003		522,040,940	-	-	4,947,867,230	-	(2,389,126,110)	3,080,782,060
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		-	1,297,913,646	-	-	-	-	1,297,913,646
Decrease premium on share capital for reduction of accumulated deficits		-	(2,389,126,110)	-	-	-	2,389,126,110	-
Capital surplus on registered and paid-up share reduction	17	(189,617,759)	-	189,617,759	-	-	-	-
Transaction not recognised in the income statement								
- Depreciation on the fixed assets revaluation		-	-	-	(223,281,003)	-	-	(223,281,003)
Legal reserve		-	-	-	-	86,714,346	(86,714,346)	-
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

The accompanying notes are an integral part of these statements.

## THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

B A H T

	NOTE	CONSOLIDATE		THE COMPANY ONLY	
		2004	2003	2004	2003
<b>REVENUES</b>					
Sales	19	79,847,703,236	61,594,710,788	78,901,927,519	60,814,789,412
Other incomes					
Interest income		18,774,194	36,132,565	18,218,477	35,621,885
Gain from foreign exchange	20	127,601,814	292,808,479	127,601,814	292,808,479
Gain from crude oil and product oil price					
hedging contract	24.3	1,729,027	22,316,964	1,729,027	22,316,964
Adjustment of loss from impairment of assets		46,667,927	-	46,667,927	-
Others		146,818,988	121,453,249	110,412,498	94,380,482
Share of gains from investments for using the equity method		-	1,673,144	-	1,721,044
<b>Total Revenues</b>		<b>80,189,295,186</b>	<b>62,069,095,189</b>	<b>79,206,557,262</b>	<b>61,261,638,266</b>
<b>EXPENSES</b>					
Cost of sales		74,814,666,061	59,170,517,451	74,147,835,512	58,709,336,259
Selling and administrative expenses		1,654,208,189	1,909,981,117	1,367,006,864	1,541,593,482
Other expenses					
Depreciation		291,641,400	292,221,600	286,818,513	287,992,716
Directors' remuneration		3,413,750	1,430,134	3,363,750	1,375,134
Loss from impairment of assets		4,514,255	753,787,505	4,514,255	753,787,505
Share of losses from investments for using the equity method		-	-	-	2,386,161
<b>Total Expenses</b>		<b>76,768,443,655</b>	<b>62,127,937,807</b>	<b>75,809,538,894</b>	<b>61,296,471,257</b>
<b>PROFIT (LOSS) BEFORE INTEREST EXPENSE AND</b>					
<b>INCOME TAX</b>					
Interest expenses	21	(786,606,745)	(1,027,652,401)	(786,606,039)	(1,027,648,569)
Redemption premium on debenture		-	(212,342,675)	-	(212,342,675)
Income tax	13	2,184,912	(223,600)	2,184,912	(223,600)
<b>PROFIT (LOSS) AFTER INCOME TAX</b>		<b>2,636,429,698</b>	<b>(1,299,061,294)</b>	<b>2,612,597,241</b>	<b>(1,275,047,835)</b>
<b>MINORITY INTERESTS</b>					
<b>NET PROFIT (LOSS)</b>		<b>2,636,426,760</b>	<b>(1,299,063,472)</b>	<b>2,612,597,241</b>	<b>(1,275,047,835)</b>
<b>BASIC EARNING PER SHARE</b>					
Earning per share (Baht)	22	3.92	(2.49)	3.89	(2.44)
Number of weighted average shares (shares)		671,814,193	522,040,940	671,814,193	522,040,940
<b>DILUTED EARNING PER SHARE</b>					
Earning per share (Baht)	22	2.97	(2.49)	2.94	(2.44)
Number of weighted average shares (shares)		899,557,754	522,040,940	899,557,754	522,040,940

The accompanying notes are an integral part of these statements.

General



(General Tawat Ked-Unkoon)

Chairman



(Anusorn Sangnimnuan)

President



**THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

B A H T

	NOTE	CONSOLIDATE		THE COMPANY ONLY	
		2004	2003	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>					
Net profit (loss)		2,636,426,760	(1,299,063,472)	2,612,597,241	(1,275,047,835)
Adjustments to reconcile net profit to net cash provided by (used in) Operating Activities					
Depreciation		583,966,914	588,828,819	579,144,028	584,599,935
Bad debt and doubtful debts		8,840,269	183,392,906	8,629,937	183,438,517
Amortization		161,663,898	155,732,689	161,663,898	155,732,689
Loss (gain) from foreign exchange	20	(56,631,218)	(124,561,019)	(56,631,218)	(124,561,019)
Redemption premium on debenture		-	212,342,675	-	212,342,675
Loss (gain) from assets impairment		(42,153,672)	753,787,505	(42,153,672)	753,787,505
Deferred income tax	13	(2,184,912)	223,600	(2,184,912)	223,600
Loss (gain) from fixed assets disposal		(8,092,115)	(22,115,554)	(7,528,316)	(22,115,554)
Reserve for pension fund		4,384,956	22,418,845	4,384,956	22,418,845
Deferred revenue		(37,991,697)	(4,125,717)	(37,991,697)	(4,125,717)
Loss (gain) on investments for using the equity method		-	665,117	-	665,117
Minority interests		2,938	538,059	-	-
Operating gain before changes in operating assets and liabilities'		3,248,232,121	468,064,453	3,219,930,245	487,358,758
Operating assets (increase), decrease					
Trade accounts receivable		(716,166,533)	332,113,166	(802,801,666)	(4,388,074)
Inventories		(4,552,981,745)	523,835,988	(4,550,320,485)	692,818,358
Other current assets		(1,603,788,533)	74,616,062	(1,605,498,802)	92,088,318
Operating liabilities increase, (decrease)					
Trade accounts payable		3,227,894,489	1,346,997,426	3,217,132,647	1,288,760,986
Other current liabilities		(191,535,188)	20,641,918	(198,033,365)	6,788,187
Other non - current liabilities		2,999,320	22,050,145	3,097,264	10,432,466
Net Cash Provided by (Used in) Operating Activities		(585,346,069)	2,788,319,158	(716,494,162)	2,573,858,999

The accompanying notes are an integral part of these statements.

**THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

B A H T

	NOTE	CONSOLIDATE		THE COMPANY ONLY	
		2004	2003	2004	2003
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>					
Decrease(increase) in temporary investments		206,781	(206,781)	-	-
Decrease(increase) in long-term investments		12,320,100	7,344,990	12,320,100	8,244,990
Decrease(increase) in long-term loans to related parties		9,000,000	(10,000,000)	-	-
Acquisition in property, plant and equipments		(346,852,644)	(356,443,595)	(346,717,515)	(340,760,611)
Proceeds from sales of property, plant and equipment		21,570,990	110,969,267	21,570,990	110,969,267
Decrease(increase) in intangible assets		(15,074,224)	(11,420,444)	(15,074,224)	(11,420,444)
Decrease(increase) in other non - current assets		(273,745,266)	(35,482,727)	(277,578,644)	(21,820,585)
Net Cash Provide by (Used in) Investing Activities		(592,574,263)	(295,239,290)	(605,479,293)	(254,787,383)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase(decrease) in bank overdrafts and short-term loans					
from financial institutions		(6,000,000,000)	7,000,000,000	(6,000,000,000)	7,000,000,000
Increase(decrease) in other short - term loan		(1,390,823,000)	(965,000,000)	(1,390,823,000)	(965,000,000)
Proceeds from long - term loans		11,800,000,000	-	11,800,000,000	-
Payment of long - term loans		(7,462,500,000)	(6,380,000,000)	(7,462,500,000)	(6,380,000,000)
Proceeds from issued and paid-up shares capital		231,000,000	-	231,000,000	-
Proceeds from premium on shares capital		2,690,302,170	-	2,690,302,170	-
Net Cash Provided by (Used in) Financing Activities		(132,020,830)	(345,000,000)	(132,020,830)	(345,000,000)
<b>INCREASE(DECREASE) IN CASH</b>					
<b>AND CASH EQUIVALENTS - NET</b>		(1,309,941,162)	2,148,079,868	(1,453,994,285)	1,974,071,616
<b>CASH AND CASH EQUIVALENTS,</b>					
<b>BEGINNING OF PERIOD</b>		<u>3,522,502,394</u>	<u>1,374,422,526</u>	<u>3,348,494,142</u>	<u>1,374,422,526</u>
<b>CASH AND CASH EQUIVALENTS,</b>					
<b>END OF PERIOD</b>	4	<u>2,212,561,232</u>	<u>3,522,502,394</u>	<u>1,894,499,857</u>	<u>3,348,494,142</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION</b>					
Cash paid during the periods for					
Interest expenses		1,112,164,736	1,118,925,069	1,112,164,030	1,118,925,069
Income tax		30,276,894	-	33,400,869	-

The accompanying notes are an integral part of these statements.



## THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

#### 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, and 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 of December 31, 2004 and 2003, the company employed 756 and 765 employees respectively and the employees related expenses were Baht 509.59 million and Baht 421.22 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 of December 31, 2004 and 2003, the company employed 836 and 951 employees respectively and the employees related expenses were Baht 174.45 million and Baht 110.62 million respectively.

##### 1.2 Basis for preparation and presentation of interim 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, and The Retail Net Co., Ltd., a subsidiary company of The Bangchak Green Net Co., Ltd., in which it holds 99.30% share. For the purpose of the consolidation, all significant inter company transactions and all inter company 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 (%)
<b>Subsidiaries:</b>			
-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	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%
<b>Related company:</b>			
-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. in its consolidated financial statements as that company was in the process of self-liquidation.

#### **1.4 Others**

The financial statements of above subsidiary and related 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.

In the accounting period 2003, the company had changed the estimated useful-life of refinery plants and machineries from previously 15-20 years to 30 years as deemed more realistic. This change extends the remaining useful-life of assets hence resulting in the decrease in the depreciation cost by Baht 303.09 million.

### **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 of December 31, 2004 are as follow:

#### 3.1 Trade accounts receivable – related parties

	Million Baht			
	Consolidated		The Company Only	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
<u>Subsidiaries</u>				
- The Bangchak Green Net Co., Ltd.	-	-	434.94	356.62
- The Retail Net Co., Ltd.	-	-	-	-
<u>Related company</u>				
- Fuel Pipeline Transportation Ltd.	-	-	-	-
Total trade accounts receivable				
related parties net	-	-	434.94	356.62

#### 3.2 Investments for using the equity method

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

Name	Type of Business	Authorized Share capital (Million Baht)	Holding %	Million Baht Consolidated December 31, 2003		
				Investments		
				Cost Method	Equity Method	Dividend
Subsidiary:						
The Bangchak Green Net Co., Ltd.	Holding and Joint directors	1	49.00%	0.49	-	-

**3.3 Long - term loans to related parties**

	Million Baht				
	Consolidated				Borrowing Cost Policy
	Balance as of December 31, 2003	Increase	Receive	Balance as of December 31, 2004	
Subsidiary					
The Bangchak Green Line Co., Ltd.	13.00	-	(9.00)	4.00	2% p.a.
Less: allowance for doubtful accounts	(2.20)	(0.70)	-	(2.90)	
Total Long-term loan to related parties	<u>10.80</u>	<u>(0.70)</u>	<u>(9.00)</u>	<u>1.10</u>	

**3.4 Trade accounts payable – related parties**

	Million Baht			
	Consolidated		The Company Only	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Subsidiaries				
- The Bangchak Green Net Co., Ltd.	-	-	1.86	3.95
- The Retail Net Co., Ltd.	-	-	-	-
Related company				
- Fuel Pipeline Transportation Ltd.	9.06	10.41	9.06	10.41
Total trade accounts receivable related parties net	<u>9.06</u>	<u>10.41</u>	<u>10.92</u>	<u>14.36</u>

**3.5 Transaction with related parties**

Transaction with related parties for the year ended December 31, 2004 and 2003 are as follows:

	Million Baht			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Revenue from sales of oil	-	-	6,178.74	4,779.22
Revenue from franchise fee	-	-	58.58	52.79
Cost of pipeline transportation	83.18	97.92	83.18	97.92

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



#### 4. CASH AND CASH EQUIVALENTS

As of December 31, 2004 and 2003, Cash and cash equivalents consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Cash and deposits at Banks	2,212.56	2,122.50	1,894.50	1,948.49
Fixed deposit (maturity dates not longer than 3 months )	-	1,400.00	-	1,400.00
Cash and cash equivalents	<u>2,212.56</u>	<u>3,522.50</u>	<u>1,894.50</u>	<u>3,348.49</u>

#### 5. TRADE ACCOUNT RECEIVABLES - OTHER PARTIES - NET

As of December 31, 2004 and 2003, Trade account receivables–other parties consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Trade accounts receivable - other parties	3,307.12	2,580.07	3,286.13	2,545.34
Less: Allowance for doubtful accounts	<u>(108.21)</u>	<u>(122.56)</u>	<u>(100.00)</u>	<u>(108.00)</u>
Trade accounts receivable - other parties-net	<u>3,198.91</u>	<u>2,457.51</u>	<u>3,186.13</u>	<u>2,437.34</u>

As of December 31, 2004 and 2003, the overdue trade accounts receivable are classified by aging as follows:

	Million Baht	
	2004	2003
Over than 3 months to 6 months	0.71	1.33
Over than 6 months to 12 months	3.09	4.80
Over than 12 months	<u>104.78</u>	<u>133.31</u>
Total	<u>108.58</u>	<u>139.44</u>

#### 6. INVENTORIES - NET

As of December 31, 2004 and 2003, Inventories consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Crude oil	7,384.61	3,584.44	7,384.61	3,584.44
Finished oil product	2,944.32	1,907.12	2,849.74	1,812.66
Finished oil product	79.78	74.52	-	-
Less: Allowance for devaluation	<u>(290.57)</u>	<u>(0.92)</u>	<u>(287.85)</u>	<u>(0.92)</u>
Inventories-net	<u>10,118.14</u>	<u>5,565.16</u>	<u>9,946.50</u>	<u>5,396.18</u>

Inventories as of December 31, 2004 and 2003 are included petroleum legal reserve of 399.24 million liters approximated value Baht 4,530.90 Million and 344.07 million liters approximated value Baht 2,759.51 Million respectively.

**7. MATERIAL AND SUPPLIES - NET**

As of December 31, 2004 and 2003, Material and supplies consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Materials and supplies	375.10	363.62	375.10	363.62
<u>Less: Allowance for obsolescence</u>	<u>(30.01)</u>	<u>(30.19)</u>	<u>(30.01)</u>	<u>(30.19)</u>
Material and supplies-net	<u>345.09</u>	<u>333.43</u>	<u>345.09</u>	<u>333.43</u>

**8. OTHER LONG-TERM INVESTMENTS**

As of December 31, 2004 and 2003, Other long-term investments consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2004	2003	2004	2003
<u>Investment in capital paper</u>				
- Fuel Pipeline Transportation Ltd.	181.75	181.75	181.75	181.75
<u>Less: Allowance for impairment</u>	<u>(181.75)</u>	<u>(181.75)</u>	<u>(181.75)</u>	<u>(181.75)</u>
Investment in capital paper-net	-	-	-	-
<u>Investment in commercial paper</u>				
- The Expressway Authority of Thailand's bond	5.50	5.50	4.60	4.60
<u>Add: Premium on investments</u>	<u>0.07</u>	<u>0.15</u>	<u>0.07</u>	<u>0.15</u>
Total Investment in commercial paper	<u>5.57</u>	<u>5.65</u>	<u>4.67</u>	<u>4.75</u>
Total other long-term investments	<u>5.57</u>	<u>5.65</u>	<u>4.67</u>	<u>4.75</u>

The Company invested in bond issued by The Expressway Authority of Thailand, B.E. 2542 no.1 of 7 years period. The bond with the face value of Baht 1,000 per unit, was registered on November 26, 1998, with maturity on November 26, 2005. The interest rate is 7.88% per annum, which will be paid twice annually in May and November. The company purchased a total of 4,600 units at Baht 5,043,922.03. The premium on the face value of the bond of Baht 443,922.03 was amortized using the straight-line accounting method, spread over the life of the bond. The amortization expense for the year ended December 31, 2004 and 2003 was equally recorded at Baht 80,713.08

**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 parts 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 of December 31, 2004 shows an outstanding prepaid tariff balance of Baht 162.69 million and the Company has set up allowance for doubtful debt of Baht 129.52 million, the remaining amount is Baht 33.17 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 will write-off the interest receivable set-up from January 1, 2002 to March 28, 2002 of Baht 2.42 Million. As for the interest from March 29, 2002 to December 31, 2004 of Baht 25.71 million, the Company will consider the write-off on an annual basis. The total interest receivable is Baht 28.13 million 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 of December 31, 2003	Increase	Decrease	Transfer	As of December 31, 2004
<b>COST</b>					
Land	1,344.78	-	-	-	1,344.78
Buildings	510.61	-	-	1.08	511.69
Machinery, equipment and refinery plants	22,798.35	-	10.28	91.97	22,880.04
Marketing and office equipment	3,520.69	-	46.75	124.29	3,598.23
Platinum Catalyst	322.70	-	-	-	322.70
Vehicles	149.65	-	25.34	4.07	128.38
Construction work in progress	313.84	350.87	-	(221.41)	443.30
<b>Total</b>	<b>28,960.62</b>	<b>350.87</b>	<b>82.37</b>	<b>-</b>	<b>29,229.12</b>
<b>Less: Accumulated depreciation</b>					
Buildings	282.73	17.20	-	-	299.93
Machinery, equipment and refinery plants	12,112.32	563.19	10.03	-	12,665.48
Marketing and office equipment	1,383.51	207.83	33.88	0.73	1,558.19
Platinum Catalyst	-	-	-	-	-
Vehicles	85.58	15.26	17.93	-	82.91
<b>Total</b>	<b>13,864.14</b>	<b>803.48</b>	<b>61.84</b>	<b>0.73</b>	<b>14,606.51</b>
<b>Less: Allowance for impairment</b>					
Land	573.58	-	-	-	573.58
Machinery, equipment and refinery plants	0.56	-	-	-	0.56

	Million Baht				
	Consolidated				
	As of December 31, 2003	Increase	Decrease	Transfer	As of December 31, 2004
Marketing and office equipment	51.62	1.61	16.40	-	36.83
Total	625.76	1.61	16.40	-	610.97
Property, plant and equipment-net	14,470.72				14,011.64
Depreciation for the year	588.83				583.97

	Million Baht				
	The Company Only				
	As of December 31, 2003	Increase	Decrease	Transfer	As of December 31, 2004
<u>COST</u>					
Land	1,344.78	-	-	-	1,344.78
Buildings	510.61	-	-	1.08	511.69
Machinery, equipment and refinery plants	22,798.35	-	10.28	91.97	22,880.04
Marketing and office equipment	3,473.19	-	38.00	124.29	3,559.48
Platinum Catalyst	322.70	-	-	-	322.70
Vehicles	146.28	-	25.27	4.07	125.08
Construction work in progress	313.84	350.87	-	(221.41)	443.30
Total	28,909.75	350.87	73.55	-	29,187.07
<u>Less: Accumulated depreciation</u>					
Buildings	282.73	17.20	-	-	299.93
Machinery, equipment and refinery plants	12,112.32	563.19	10.03	-	12,665.48
Marketing and office equipment	1,344.58	207.83	28.57	0.73	1,524.57
Platinum Catalyst	-	-	-	-	-
Vehicles	85.10	14.64	17.93	-	81.81
Total	13,824.73	802.86	56.53	0.73	14,571.79
<u>Less: Allowance for impairment</u>					
Land	573.58	-	-	-	573.58
Machinery, equipment and refinery plants	0.56	-	-	-	0.56
Marketing and office equipment	51.62	1.61	16.40	-	36.83
Total	625.76	1.61	16.40	-	610.97
Property, plant and equipment-net	14,459.26				14,004.31
Depreciation for the year	584.60				579.14





## 11. INTANGIBLE ASSETS-NET

As of December 31, 2004 and 2003, Intangible assets consisted of:

	Million Baht			
	Consolidate		The Company Only	
	2547	2546	2547	2546
<u>Cost</u>				
Leasehold right	2,139.50	1,577.15	2,139.50	1,577.15
License and development costs of computer software	76.55	72.20	76.55	72.20
	<u>2,216.05</u>	<u>1,649.35</u>	<u>2,216.05</u>	<u>1,649.35</u>
<u>Accumulated amortization</u>				
Leasehold right	(691.15)	(600.14)	(691.15)	(600.14)
License and development costs of computer software	(65.37)	(62.94)	(65.37)	(62.94)
	<u>(756.52)</u>	<u>(663.08)</u>	<u>(756.52)</u>	<u>(663.08)</u>
Total	1,459.53	986.27	1,459.53	986.27
<u>Less: Allowance for impairment</u>	<u>(10.59)</u>	<u>(13.16)</u>	<u>(10.59)</u>	<u>(13.16)</u>
Intangible assets-net	<u>1,448.94</u>	<u>973.11</u>	<u>1,448.94</u>	<u>973.11</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 liabilities on long-term lease.

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 as of December 31, 2003 of Baht 89.82 million up 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 of December 31, 2004 and 2003, the balances outstanding in the investment in service station account are Baht 539.12 million and Baht 537.69 million respectively. The amortization expense of Baht 50.87 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 are as follows:

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

Deferred income tax as of December 31, 2004 and 2003 are as follows:

	Million Baht	
	Consolidated	The Company Only
Deferred income tax assets		
As of December 31, 2003	95.50	95.50
Income tax expenses	(1.08)	(1.08)
As of December 31, 2004	94.42	94.42
Deferred income tax liabilities		
As of December 31, 2003	35.99	35.99
Income tax expenses	(3.28)	(3.28)
As of December 31, 2004	32.71	32.71

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

### 14. OTHER NON-CURRENT ASSETS-OTHERS

As of December 31, 2004 and 2003, other non-current assets consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2004	2003	2004	2003
14.1 Fixed deposit for staff welfare	170.20	162.20	170.20	162.20
14.2 Deposit for crude and product oil price hedging contract	178.50	72.16	178.50	72.16
14.3 Deferred expenses for the issuance of debentures and long-term loans	102.69	-	102.69	-
14.4 Others	161.54	178.51	152.51	165.65
Total	612.93	412.87	603.90	400.01

#### 14.1 Fixed deposit for staff welfare

As of December 31, 2004 and 2003, the Company had a fixed deposit fund in a bank of Baht 170.20 million and Baht 162.20 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 ended December 31, 2004, the total amortized expenses on loans and issuance of the convertible debentures was Baht 11.94 million.

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

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

As of December 31, 2003, bank overdrafts and short-term loans from financial institutions is Baht 8,000 million with interest rate from 1.65 to 5.75 % per annum.

### **16. LONG-TERM LOANS**

As of December 31, 2004 and 2003, Long-term loans consisted of:

	Million Baht			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Loans from bank	7,800.00	-	7,800.00	-
Debentures	2,215.00	7,657.50	2,215.00	7,657.5
Convertible debentures	2,610.95	-	2,610.95	-
Promissory notes	295.00	2,315.00	295.00	2,315.00
<b>Total</b>	<b>12,920.95</b>	<b>9,972.50</b>	<b>12,920.95</b>	<b>9,972.50</b>
<b>Less: current portion of long-term loans</b>	<b>(1,756.25)</b>	<b>(3,532.50)</b>	<b>(1,756.25)</b>	<b>(3,532.50)</b>
<b>Less: portion of early redemption of Debentures</b>	<b>-</b>	<b>(3,900.00)</b>	<b>-</b>	<b>(3,900.00)</b>
<b>Long-term loans</b>	<b>11,164.70</b>	<b>2,540.00</b>	<b>11,164.70</b>	<b>2,540.00</b>

**16.1 Loans from bank**

The Company has entered 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 of December 31, 2004 the Company has obtained long-term loans of Baht 7,800 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 of December 31, 2004, the unsecured, unsubordinated registered debentures with the holders' names amounting to 1,790,000 units, totaling Baht 2,215 million, with interest rate from 5.00 to 7.75% per annum, were as follows:

No	Maturity Date	Interest Due Date
7/2543	Feb. 02, 2005	Feb. 02 and Aug. 02 of each year
20/2544	Mar. 29, 2005	Mar. 29 and Sep. 29 of each year
24/2545	Dec. 02, 2005	Jun. 02 and Dec. 02 of each year
25/2545	Dec. 02, 2007	Jun. 02 and Dec. 02 of each year

**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 the 30<sup>th</sup> 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. For the year 2004 the depository receipt holders exercised the right by redeem 138,905 units of depository receipts. Following this conversion of depository receipts, As of December 31, 2004 the balance of deposit receipts remaining were 261,095 units.

**16.4 Promissory note**

Transferable and unsecured promissory note of baht 150 million will be matured in the year 2005 with interest rate of 5.50% per annum and Baht 145 million in the year 2007 with interest rate of 6.25% per annum.

**17. 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.



## 18. 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 directors, 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.

18.1 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.

18.2 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.

18.3 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.

## 19. SALES

Sale revenue for the year ended December 31, 2004 and 2003 are as follows:

	Million Baht			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Sales revenue from fuel products	79,807.67	61,539.97	78,803.32	60,719.96
Income from investment charge	40.03	54.74	98.61	94.83
Total	<u>79,847.70</u>	<u>61,594.71</u>	<u>78,901.93</u>	<u>60,814.79</u>

## 20. GAIN (LOSS) FROM FOREIGN EXCHANGE

Gain (loss) from foreign exchange for the year ended December 31, 2004 and 2003 are as follows:

	Million Baht			
	Consolidated		The Company Only	
	2004	2003	2004	2003
Realized gain (loss) from foreign exchange fluctuations	70.97	168.25	70.97	168.25
Unrealized gain (loss) from foreign exchange fluctuations	56.63	124.56	56.63	124.56
Total	<u>127.60</u>	<u>292.81</u>	<u>127.60</u>	<u>292.81</u>

## 21. INTEREST EXPENSE

The total interest for the year is Baht 788.45 million, of which Baht 1.84 million is recorded as cost of work in progress and Baht 786.61 million as expense.

## 22. RECONCILIATION OF DILUTED EARNINGS PER SHARE

	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	Earnings (Loss) Per Share
	Million Baht	Million Shares	Baht	Million Baht	Million Shares	Baht
Basic earnings 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	<u>33.48</u>	<u>227.75</u>		<u>33.48</u>	<u>227.75</u>	
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion of convertible debenture to ordinary shares	<u>2,669.91</u>	<u>899.56</u>	<u>2.97</u>	<u>2,646.08</u>	<u>899.56</u>	<u>2.94</u>

	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	Earnings (Loss) Per Share
	Million Baht	Million Shares	Baht	Million Baht	Million Shares	Baht
Basic earnings per share						
Net profit (loss)	(1,299.06)	522.04	(2.49)	(1,275.05)	522.04	(2.44)
Effect of dilutive potential ordinary shares	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion of convertible debenture to ordinary shares	<u>(1,299.06)</u>	<u>522.04</u>	<u>(2.49)</u>	<u>(1,275.05)</u>	<u>522.04</u>	<u>(2.44)</u>

## 23. CONTINGENT LIABILITIES AND COMMITMENTS

**23.1 Liabilities on guarantees**

As of December 31, 2004, the Company's total liabilities in the form of bank guarantees amounted to Baht 24.60 million. These guarantees are mainly to cover electricity usage and the telecommunication contract with the TOT Corporation Plc.

**23.2 Allegation**

On April 30, 2003 the civil court dismissed the case lodged against the Ministry of Finance (the first defendant) and the Company (the fifth 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. The case is being appealed with the appeal court.

**23.3 Commitments**

In December 2004, the Company had entered into 0.35 million barrels oil price hedging contracts with foreign oil traders, which will be settled in January 2005.



## 24. DISCLOSURE FOR FINANCIAL INSTRUMENTS

### 24.1 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.

### 24.2 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, the 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.

### 24.3 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.

For the year 2004 the company realized Baht 1.73 million from the difference in the world's oil market price being lower than the hedging contact price. As of December 31, 2004, the Company has an agreement guaranteeing the future buying and selling price of 4.64 million barrels of oil with a net receivable value of Baht 132.97 million.

### 24.4 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.

### 24.5 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.

## 25. FINANCIAL INFORMATION BY SEGMENT OF BUSINESS

The statement 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)	78,901.93
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	<u>3,125.08</u>	<u>223.31</u>	<u>-</u>	<u>3,348.39</u>
Gain (loss) from assets impairment				42.15
Gain (loss) from foreign exchange fluctuations of others				(11.74)
Interest-net				(768.39)
Income Tax				2.19
<b>Net Profit (Loss)</b>				<u>2,612.60</u>
EBITDA	3,455.75	633.36	-	4,089.11

The statement of income of the Company segmented by type of business for the year ended December 31, 2003 are as follows:

	Million Baht			
	Refinery	Marketing	Elimination	Total
Sales	58,994.21	35,119.89	(33,299.31)	60,814.79
Cost of sales	(58,417.17)	(33,591.48)	33,299.31	(58,709.34)
Gross margin	557.04	1,528.41	-	2,105.45
Selling and administrative expenses	(444.62)	(957.28)	-	(1,401.90)
Other incomes (expenses)	237.89	68.68	-	306.57
Depreciation and Amortization	(11.42)	(417.63)	-	(429.05)
EBIT	<u>358.89</u>	<u>222.18</u>	<u>-</u>	<u>581.07</u>
Gain (loss) from assets impairment				(753.79)
Gain (loss) from foreign exchange fluctuations of others				102.93
Share of gains (loss) from investments for using the equity method				(0.67)
Interest-net				(992.03)
Redemption premium on debenture				(212.34)
Income Tax				(0.22)
<b>Net Profit (Loss)</b>				<u>1,275.05</u>
EBITDA	681.56	639.81	-	1,321.37

## 26. RECLASSIFICATION OF ACCOUNTS

Some transactions in these financial statements for the year ended December 31, 2003, have been reclassified to conform with the financial statement presentation for the year ended December 31, 2004.





## Nature of Business Operations

The Bangchak Petroleum Public Company Limited is a Thai oil company, operating businesses in retail and wholesale sales of refined petroleum products. It also owns and operates a refinery with capacity of 120,000 barrels per day.

The Company sells oil products through service stations under the trademark of Bangchak. Its direct customers include those in the sectors of transport, airlines, ocean liners, construction, industry and agriculture. Sales are also made through large-scale and small-scale oil traders as well as other general retail customers.

The Company has one subsidiary company i.e. the Bangchak Green Net Co.,Ltd. and one affiliated company i.e. Fuel Pipeline Transportation Co.,Ltd.

### 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 so as to cope with Bangchak's expansion in its future retail business.

### Fuel Pipeline Transportation Co., Ltd.

Fuel Pipeline Transportation, an affiliated company of Bangchak, has a registered capital of Baht 1,592 million, of which Bangchak holds 11 percent of the total shares. It was established to operate the oil transportation business via multi-purpose pipeline system for various kinds of oil. 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.

### Income structure

In 2004, the Company's total incomes were Baht 79,207 million, and together with the subsidiary company, of which it holds more than 20 percent of the shares, the Company's incomes totaled Baht 86,436 million. The incomes of the Company and subsidiary company in the year 2002-2004 can be classified as follows:

Product/service	Company	Shares held by the Company (Percent)	2004		2003		2002	
			Income (Million Baht)	Percent	Income (Million Baht)	Percent	Income (Million Baht)	Percent
Oil	Bangchak Petroleum	-	79,207	91.6	61,262	91.6	51,936	95.7
Oil/consumer products	Bangchak Green Net	49.0	7,229	8.4	5,641	8.4	2,339	4.3
Total			86,436	100	66,903	100	54,275	100

Note : <sup>1/</sup>The Company has currently sold all its shares in the Bangchak Green Line Co.,Ltd.

## Risk

### Factors

#### 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 cracker unit 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 30 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 affect 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 by 30 years to replace the remaining period of 12 years.
- The Company has maintained its standard of environmental and safety management. Measures have been set up to control the potential 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) and additional OHSAS 18001, 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 sale. 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 sale 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 Risk Management Team, chaired by the President, whose responsibilities concern supervision on oil procurement, analysis of the prevailing situation and forecast of trend in oil prices. The Team’s tasks also include determination on policy to manage oil procurement and finished product stock by fixing the differences between the sale price of finished products and the crude oil price and/or forward sale 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 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 contracts for derivatives, etc. A Committee for Price and Finance Risk Management was set up to determine policies on exchange risk management.

## 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 occurs 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 is always 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 6 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 sale of the Company's oil partly depends 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, these are risks that the operation of the line could be temporary halted due to damages caused to it by the construction works on the infrastructure. If this occurs, the sale of aviation fuel to Thai Airways International Plc. would be disrupted and the 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 sales.

In case of relocation of the national airport to the New Bangkok International Airport or Suvarnabhumi Airport, expected to be open at the end of 2005, the Bangkok Aviation Fuel Service is now undertaking connection of the pipeline with FPT from the area of Makkasan to the new airport.

**Risk concerning dividend payment**

According to the resolution of the Shareholders Meeting on August 29, 2003, the par value of share was reduced from Baht 10 to Baht 1 per share and reserve as well as surplus on share value were transferred so as to reduce the retained deficit. As of December 31, 2003, deficit of Baht 2,389 million still remained. So as to enable to Company to rapidly pay dividend to Shareholders, the Ordinary Shareholders' Meeting of 2004, held on April 29, 2004, approved to bring out the Baht 2,772 million surplus on share value from issuance of Baht 3,003 million ordinary shares in the form of warrants to clear the retained deficit. As a result, the Company would be able to pay dividend according to its regulation in case it does not need to provide reserve for business expansion investment or for other purposes.

However, the above-mentioned reserve may be required, as the Company may have to invest in the PQI Project, so as to enhance competitiveness and capability to produce products that would be in response to the demand of the markets and would meet with the new oil standard to be announced by the Government in the year 2011.



## Management Structure

### 1. Management Structure

#### 1.1 Board of Directors

According to the Company's regulations, the Board of Directors is composed of a minimum of 5 and a maximum of 11, among which at least 3 Independent Directors. Directors must perform their duties in compliance with laws, the Company's objectives and regulations as well as resolutions of the Shareholders' meetings. They must act with honesty, integrity and must protect the Company's interests. Directors delegate certain authorities to the Company's management staff, 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, personnel management, procurement and sales of petroleum products.

Definition of Independent Directors :

1. Holding less than 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 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.
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 Executive, 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 representative to protect interests of Directors or major Shareholders.

The Board of Directors is composed of :

Name	Position
1. General Tawat Ked-Unkoon	Chairman (Independent Director)
2. Mr. Chai-Anan Samudavanija	Vice Chairman (Independent Director)
3. Mr. Wirat Iam-Ua-Yut	Independent Director
4. Mr. Nipon Surapongrukchareon	Independent Director
5. Mr. Anusorn Tamajai	Independent Director
6. Mr. Songpope Polachan	Director
7. Miss Chularat Suteethorn	Director
8. Mr. Apisit Rujikeatkamjorn	Director
9. Mr. Sayan Satangmongkol	Director
10. Mr. Pichai Chunhavajira	Director

**Note:** All Directors are authorized to jointly sign with the Chairman or President and affix the official seal of the Company.

#### Scope of authorities of the Board of Directors

- (1) Directors have to possess knowledge, competency and experience that are beneficial to business operations, they have to be interested in businesses of their organization, have full intention and virtue in doing businesses.

- (2) Directors are responsible to conduct their duties in compliance with all laws, objectives and regulations of the Company as well as resolutions of the shareholders' meetings with honesty and integrity and with care to preserve the interests of the company in ensuring regular accountability towards Shareholders.
- (3) Directors formulate policies and directions of the Company's operations, monitor and supervise the management to implement the Company's policies with efficiency and effectiveness to maximize economic value and shareholders' wealth.
- (4) Directors continuously follow and monitor the business performance and operations of the Company according to laws and stipulations of concerned contracts and are informed by the management on important issues.
- (5) Directors ensure that the Company has an effective system of internal control and internal audit.
- (6) Independent and external directors have to be ready to demonstrate independent opinions and to use their judgment in determining such matters as operational tactics, resource utilization, Director nomination and in setting up performance standard of the Company. They also have to be ready to oppose any acts of other Directors or the management on the issues affecting the equity of Shareholders.
- (7) If necessary, the Board can seek professional opinions from external advisor on the Company's operations with the expenses of the Company.
- (8) The Board appoints the Company Secretary to take care of all the Directors' activities and to assist the Directors and Company in conducting businesses in full compliance with all the relevant laws and related regulations.
- (9) The Board ensures that the Company has the Code of Corporate Conduct, Business Ethics, Code of Ethics as performance guidelines for Directors, Executives and staff members.

In 2004, the Board held 12 ordinary meetings and 1 extraordinary meeting, each of which generally took 3 hours. Most Board 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	Meetings participated/No. of Meetings (times)			Note
	Ordinary Meetings	Extraordinary Meetings	Total	
1. General Tawat Ked-Unkoon	12/12	1/1	13/13	
2. Mr. Chai-Anan Samudavanija	11/12	1/1	12/13	
3. Mr. Wirat Iam-Ua-Yut	11/12	1/1	12/13	
4. Mr. Nipon Surapongrukchareon	12/12	1/1	13/13	
5. Mr. Anusorn Tamajai	10/12	-/1	10/13	
6. Mr. Songpope Polachan	11/12	1/1	12/13	
7. Miss Chularat Suteethorn	1/1	-/-	1/1	Appointment on Dec. 1, 2004
8. Mr. Apisit Rujikeatkamjorn	10/12	-/1	10/13	
9. Mr. Sayan Satangmongkol	11/12	1/1	12/13	
10. Mr. Pichai Chuhhavajira	12/12	-/1	12/13	
11. Mr. Boonsak Chiempricha	10/11	-/1	10/12	Resignation on Dec. 1, 2004



In 2004, the Board formulated its self-assessment form for Board evaluation, which has continued from the previous year. Each Director is interested in self-improvement so as to upgrade knowledge, skill and operational standard to enhance higher efficiency and business ethics. Two Directors namely Mr. Songpope Polachan and Mr. Sayan Satangmongkol attended Directors Certification Program (DCP) of the Thai Institute of Directors (IOD). This course was attended by Mr. Anusorn Tamajai and Mr. Nipon Surapongrukchareon in 2003.

As for the Director Accreditation Program (DAP), 5 Directors who attended the course were General Tawat Ked-Unkoon, Mr. Anusorn Tamajai, Mr. Songpope Polachan, and Mr. Sayan Satangmongkol. For the year 2005, the Company aims to send all Directors to attend both DCP and DAP.

### 1.2 Sub-Committees

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

#### 1) Audit Committee

The Audit Committee is composed of not less than 3 Independent Directors, one of which is knowledgeable or experienced in accounting or finance. Its responsibilities are assigned by the Board of Directors in the Audit Committee

1. Mr. Anusorn	Tamajai	Chairman
2. Mr. Wirat	Iam-Ua-Yut	Member
3. Mr. Nipon	Surapongrukchareon	Member

Charter. It holds at least 1 meeting per quarter. The members of the Audit Committee are :

\*If necessary, the Audit Committee can seek advice from outside and independent advisor with the expenses of the Company.

#### Scope of functions and responsibilities

- (1) To ensure accuracy and adequacy of the Company's financial reporting according to the Accounting Principles governed by laws.
- (2) To 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) To review the performance of the Company to ensure compliance with the securities and exchange law, regulations of the Exchange or laws relating to business of the Company.
- (4) To review the disclosure of information of the Company in case that there is a connected transaction or transaction that may lead to conflict of interest so as to ensure accurateness and completeness.
- (5) To inspect and consider with the management on the defects that have been found out and on the responses from the management.
- (6) To empower the auditing and investigating all related party under the authorization of the Audit Committee and also to authorize in hiring an expert so as to audit and investigate in compliance with the Company's regulations.
- (7) To prepare a report on monitoring activities of the Audit Committee and disclose it in an annual report of the Company, and have such report signed by Chairman of the Audit Committee.
- (8) To consider, select, nominate and recommend remuneration of the company's external auditor.
- (9) To consider auditing scopes and plans of the external auditor and the internal audit department so that they are contributory to each other and to reduce double operations as concerns financial auditing.
- (10) To approve Charter, work plans, budget and manpower of the Internal Control Office.
- (11) To appoint, transfer, and undertake annual evaluation of the Vice President of Internal Control Office.
- (12) To perform any other act assigned by the Board of Directors with approval of the Audit Committee.

**Remuneration**

Monthly remuneration of Baht 10,000 per person and meeting allowance of Baht 5,000 (for those who attend the meeting). Chairman of the Audit Committee receives the remuneration at 25% higher than the other members.

**2) Nomination and Remuneration Committee (as of February 1, 2005)**

In order to comply with the principle of Good Corporate Governance and the Stock Exchange of Thailand's Code of Conduct for Directors of the registered companies, the Board of Directors appointed the Nomination and Remuneration Committee. It is composed of 5 members and its responsibilities are assigned by the Board in written document. The members are :

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 functions and responsibilities**

- (1) To determine nomination method and qualifications for the Company's Directors and President.
- (2) To perform nomination and to recommend to the Board the appropriate persons for the positions of Directors and President.
- (3) To formulate principles and methods to determine remunerations for Directors and President.
- (4) To propose directors' remunerations to the Board for consideration and to the Shareholders' Meetings for approval.
- (5) To propose remunerations of President to the Board for approval.
- (6) To perform any other act as assigned by the Board.

**Remuneration**

Meeting allowance of Baht 10,000 (for those who attend the meeting). Chairman of the Nomination and Remuneration Committee receives the remuneration at 25% higher than the other members.

**3) Management Committee**

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 Executive and Management Committee. Its responsibilities are assigned by the Board in written document and its members are :

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

**Scope of functions and responsibilities**

- (1) To manage and supervise the Company's operations in line with directions/targets of the Company so as to strengthen business position according to the Company's policies and to consider issues to be submitted to the Board and to perform other duties as assigned by the Board. The Management Committee reports its operational outcomes to the Board of Directors
- (2) To formulate and consider short-term and long-term plans to attain the Company's objectives and targets.
- (3) To formulate and consider financial management plan with the objective to alleviate financial burden and to strengthen financial structure.
- (4) To formulate and consider pro-active public relations plan to create positive and sustainable image.





- (5) To perform any other act as assigned by the Board.
- (6) To perform duties in line with laws, objectives, rules and regulations of the Company.

#### **Remuneration**

-None-

#### **4) Enterprisewide Risk Management Committee**

The Enterprisewide Risk Management Committee of the Organization performs its duties in overseeing appropriate risk management of the Company as assigned by the Board of Directors in written document. Its members are:

- |  |                      |
|--|----------------------|
| 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 functions and responsibilities**

- (1) To determine policies, strategies and targets for risk management.
- (2) To enhance continued and efficient risk management system
- (3) To support cooperation in risk management.
- (4) To 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 meeting.
- (6) To perform any other act as assigned by the Board.

#### **Remuneration**

Meeting allowance of Baht 3,000 for the representative of the Board and risk management expert.

### **1.3 Executive Staff**

As of March 1, 2005, the Executive Staff is composed of 6 persons as follows :

	<b>Name</b>	<b>Position</b>
1.	Mr. Anusorn Sangnimnuan	President
2.	Mr. Vichien Usanachote	Senior Executive Vice President/Refinery Business
3.	Mr. Wattana Opanon-amata	Senior Advisor and Acting Senior Executive Vice President/ Corporate Administration and Information Technology
4.	Mr. Paniparn Sukhontaman	Senior Executive Vice President/ Accounting and Finance
5.	Mr. Manoon Siriwan	Executive Vice President and Acting Senior Executive Vice President/ Marketing Business
6.	Mr. Yodphot Wongrukmit	Senior Vice President/Retail Marketing

The President is assigned with budget allocation and disbursement, payment for the Company's businesses under binding commitments. He is also assigned with authority over the personnel administration, procurement and sales of petroleum products.

## 2. Appointment of Directors and Executive Staff

### 2.1 Appointment of Directors

According to the Company's regulations, Directors are appointed by a majority vote at a Shareholders' Meeting, with one Shareholder having one vote for one share held. Person in receipt of the highest number of votes and those in order of descent shall be elected as Directors to fill the number prescribed or to be elected.

At every Annual General Shareholders' Meeting, Directors numbering one-third of the total number shall resign. In case the number of Directors cannot be divided into three parts, the number nearest to one-third shall resign and the Director holding the longest period in office will resign first. Outgoing Directors may be re-elected.

In case a directorship fell vacant for reasons other than resignation after completion of term, the Board shall elect a person possessing the required qualifications and not having the term of office remaining unused is less than two months. Resolutions passed by the Board of Directors shall be composed of voting of less than three-fourths the number of Directors remaining in office.

Directors representing Major Shareholders are :

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

### 2.2 Appointment of Executive Staff

According to the Company's regulations, the Board of Directors will appoint Executive Staff holding the positions of Department Directors and above, while the Nomination Committee will consider and propose the persons to be appointed in the positions from the level of Senior Executive Vice President.

## 3. Remuneration of Directors and Executives

Financial remuneration and other remuneration, for example right to buy shares

2004	Meeting allowance	Bonus	ESOP <sup>3/</sup> (unit)
- 11 Directors	3,339,750 <sup>1/</sup>	6,300,000 <sup>2/</sup>	1,630,000
1. General Tawad Ked-Unkoon	355,000	759,036	230,000
2. Mr. Chai-Anan Samudavanija	291,750	683,132	190,000
3. Mr. Anusorn Tamajai	458,000	607,229	190,000
4. Mr. Wirat Iam-Ua-Yu	414,000	607,229	170,000
5. Mr. Nipon Surapongrukchareon	453,000	607,229	170,000
6. Mr. Songpope Polachan	267,000	607,229	170,000
7. Miss Chularat Suteetorn	30,000	46,710	- *
8. Mr. Apisit Rujikiatkamjorn	238,000	607,229	170,000
9. Mr. Sayan Satangmongkol	284,000	607,229	170,000
10. Mr. Pichai Chunhavajira	318,000	607,229	170,000
11. Mr. Boonsak Chiempricha	231,000	560,519	- *
- 9 Executives	Salary and welfare	26,397,321	298,900 <sup>4/</sup>

### Notes

<sup>1/</sup> Total remuneration including the remuneration of the resigning Director, Mr. Boonsak Chiempricha.

<sup>2/</sup> According to the resolution of the Annual General Meeting of the year 2004, on April 29,



2004, Bonus for the Board of Directors shall be determined and paid since the year 2004 at the rate 1.5 percent of the net profit, but not over 9,000,000 Baht/year for all Directors. Moreover, the Chairman and Vice President shall receive the bonus higher than that of director members by 25 percent and 12.5 percent respectively. With this regard, 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 as the Board of Directors remarked that the company needs to reserve lots of money for developing the company.

<sup>3/</sup> Directors and Executives have the right 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, taking into consideration duration of work, responsibilities, performances and potentiality of the employees. Executives, staff members and employees of the Bangchak Green Net Co.,Ltd. would receive the total of 22,000,000 units of warrant.

<sup>4/</sup>Total number of warrant under ESOP for Executives no. 1-5 (as mentioned in 1.3).

\*Those eligible for warrant have to be Directors or Executives as of the day of exercising the right. In case that their status changes, warrants have to be transferred to buyers of the Company's securities.

#### 4. Good Corporate Governance

##### 1) Policy concerning Good Corporate Governance

The Board of Directors mapped out the policy on Good Corporate Governance that is deemed important and essential to the sustainable growth of the Company. It is the firm intention of the Board of Directors to follow the principles of Good Corporate Governance with emphasis on importance of the systems of internal control and 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.

##### 2) Shareholders' rights

In 2004, one General Shareholders Meeting was held at the Company's head office. The meeting invitation with the agenda was 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 Handbook of Good Corporate Governance as follows :

##### Shareholders' rights

- 1) The Board of Directors realizes its duties in protecting basic rights of Shareholders as follows :
  - Right 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;
  - Right 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;
  - Right to elect and dismiss Directors, and approve appointment of external auditors;
  - Right 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 favour of any group of Shareholders by giving out undisclosed information.
- 3) Process and procedures employed at Shareholders' meetings are arranged to provide equitable treatment to Shareholders.

#### **3) Stakeholders' rights**

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. Directions were set up to be in response with requirements of Stakeholders as 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. 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.

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

**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** The company considers the system of health, safety and environment management is a part of business. It is a duty and responsibility of all executives and staff 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.

#### **4) Shareholders' meeting**

In 2004, one Shareholders' Meeting was held and the Company delivered meeting invitation and Annual Report to all Shareholders listed in the registration book at the day of closing of the book. Meeting notice was also announced in Thai and English newspapers for 3 consecutive days and 3 days prior to the meeting date. The Meeting was attended by 8 Directors, including Chairman, Vice Chairman, Chairman of the Audit Committee, Chairman of the Remuneration Committee and President. 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 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 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.

#### 6) Conflict of interest

In order to forestall the conflict of interest, 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.

#### 7) 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 has maintained regular communications with its employees and has closely monitored their performances to ensure compliance with the mentioned directives.

#### 8) Balance of power for Non-Executive Directors

The Board of Directors is composed of 10 members as follows :

<b>Executive Director</b>	none (The position is now vacant until the approval of Shareholders' Meeting for appointment of President as Director)
<b>Independent Directors</b>	5
<b>Outside Directors</b>	5 (4 from major Shareholders and 1 from minor Shareholder)

Directors from major Shareholders are indicated in 2.1.

#### 9) 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. 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.

#### 10) Remuneration of Directors and Executives

Director remuneration: in setting up Director remuneration, the Company took into account comparison with other companies in the similar industry. Remuneration was approved by the Ordinary Shareholders' Meeting of 2004, 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 :

- (1) Audit Committee : monthly remuneration of Baht 10,000 and meeting allowance of Baht 5,000
- (2) Nomination and Remuneration Committee : 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% and 12.5% respectively higher than other Directors and members of the Sub-Committees.

Bonus for the Board of Directors shall be determined and paid at the rate 1.5 percent of net profit, but not over 9,000,000 Baht/year for all directors. Moreover, the Chairman and Vice Chairman shall receive the bonus higher than that of director members by 25 percent and 12.5 percent respectively. However, for the Year 2004, the Board of Directors decided to receive the bonus only at the rate 70 percent (Baht 6,300,000) of Baht 9,000,000 so as to reserve money for developing the Company.

Executives remuneration: based on the principles of the Board of Directors, by taking into account the Company operating results and performance of each Executives and in accordance with the industry (Details of Director and Executives remuneration are included in 3)

#### 11) Remuneration of Auditor

##### 11.1 Audit Fee

The Company and subsidiary company remunerated the Auditor Fee for the Year 2004 in the amount of as follows:

- For Auditor of the Company (Mrs. Kesree Narongdej) = Baht 0
- For the Office of the Auditor (A.M.T. Associates) and related parties to the Auditor or the Office of the Auditor = Baht 1,770,000.
  - (The Bangchak Petroleum Plc. = Baht 1,180,000
  - Bangchak Green Net Co., Ltd = Baht 550,000
  - The Retail-Net Co., Ltd. Baht = 40,000)

##### 11.2 Other Fee

The Company and subsidiary company remunerated the Cash Monitoring Fee in the amount of as follows:

- For Auditor of the Company (Mrs. Kesree Narongdej), for the Year 2004 = Baht 0 and for future payment with incomplete services in the Year 2004 = Baht 0
- For the Office of the Auditor (A.M.T. Associates) and related parties to the Auditor or the Office of the Auditor, for the Year 2004 = Baht 300,000 and for future payment with incomplete services in the Year 2004 = Baht 100,000

#### 12) 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 usually included evaluation of meeting notices, agendas and relevant documents beforehand, so that Directors could have enough time to study the information (details are provided in 1.1).

Minutes of meeting were recorded in written form, certified by the Board of Directors.

#### 13) 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 in 1.2.)



#### 14) 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 Audit 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. In order that the Internal Audit Office could be completely independent and could perform its check-and-balance task, it has been assigned to directly report to the Audit Committee.

#### 15) Risk management

The company has placed high emphasis on risk management and established a Enterprisewide risk Management Committee of the Organization 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.

#### 16) 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, 2004.

#### 17) Investor relations

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. 02-335-4583-4 or at <http://www.bangchak.co.th> or [IR@bangchak.co.th](mailto:IR@bangchak.co.th)

### 5. Supervision on the use of inside information

The Board of Directors has ensured that Directors and Executives do not disclose the Company's confidential information and those of its affiliates 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.

## 6. Personnel

As of December 31, 2004, the number of staff totaled 756, comprising :

<b>Supporting staff</b> (Accounting and Finance, Administration and Information Technology, Internal Audit)	167
<b>Refinery business</b>	316
<b>Marketing business</b>	273

### 6.1 Staff remuneration

- Financial remuneration
- Other remunerations, for example right to buy shares

Staff members have the right 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, taking into consideration, duration of work, responsibilities, performances and potentiality of the employees. Staff members, executives, and employees of the Bangchak Green Net Co.,Ltd. would receive the total of 22,000,000 units of warrant

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

-None-

### 6.3 Policy of personnel development

The Company intends to develop its personnel to be valuable to the Environment and the Thai society. It also aims to enhance knowledge and competency of its staff, modernized management under the Good Corporate principle as well as potentiality in create business returns that are fair and sustainable at the international level by continually organizing personnel training and improvement.

**Details of the Company's Executives and authorized persons As of March 1, 2005**

	Names	Position in the Company	Position in Associated Companies	
			Bangchak Green Net	Fuel Pipeline Transportation
1.	Mr. Anusorn Sangnimnuan	President		Director
2.	Mr. Vichien Usanachote	Senior Executive Vice President	Director	Director
3.	Mr. Paniparn Sukhontaman	Senior Executive Vice President		
4.	Mr. Wattana Opanon-amata	Senior Advisor and Acting Senior Executive Vice President		
5.	Mr. Manoon Siriwan	Executive Vice President and Acting Senior Executive Vice President	Director	
6.	Mr. Yodphot Wongrukmit	Senior Vice President,/ Retail Marketing		





## Board of Directors



**General Tawat Ked-Unkoon**

*Chairman (Independent Director)*

- Age 65 years
- Chulachomklao Royal Military Academy (Bachelor of Science)  
Army Command & General Staff College, Class 53  
National Defence College, Class 34
- 1998 : Chairman of the Advisory Board, Supreme Command Headquarters
- 2000 : Permanent Secretary for Defence
- Present : Retirement



**Mr. Chai-Anan Samudavanija**

*Independent Director*

- Age 61 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
  - Chairman of the National Discovery Museum Institute



**Mr. Wirat lam-Ua-Yut**

*Independent Director*

- Age 61 years
- Percentage of shares : 0.00010 or 650 shares
- High School, Chumsaeng Chauthis School, Nakorn Sawan Province
- 2002 – 2004 :
  - Director, The Board of National Cooperatives Development
  - Chairman of the Cooperatives League of Thailand
- Present :
  - Chairman of the Cooperatives Assembly, Nakhon Sawan Province
  - Chairman of the Chumsaeng Cooperatives and Agriculture Co., Ltd.



Mr. Anusorn Tamajai  
*Independent Director*

- Age 39 years
- Ph.D. in Economics, Fordham University, New York, U.S.A
- 1996-1997 : Research & MIS Manager, Citybank, Thailand
- 2000 : Vice President, Research, Regulatory and Public Affairs
- 2002 -2005: Senior Vice President, Fund Management and Research Planning Office, Bank Thai Plc.
- Present :
  - Managing Director, BT Asset Management Co., Ltd.
  - Director, Public Policy Development Committee
  - Director, Center for the Promotion of National Strength of Moral Ethics and Values
  - Director, Pridi Banomyong Institute
  - Director, Thailand Post Company
  - Director, Family Know-How Company (Subsidiary of SET)



Mr. Nipon Surapongrukchareon  
*Independent Director*

- Age 44 years
- M.B.A., National Institute of Development Administration (NIDA)
- Present :
  - Senior Executive Vice President of Thai Tabuchi Electric Co.,Ltd.
  - Vice Chairman, The Federation of Thai Industries
  - Member of the Risk Management Committee, TOT Corporation Plc.
  - Chairman of Human Capacity Building Committee, TOT Corporation Plc.
  - Director, The Education Council, Ministry of Education

Miss Chularat Suteethorn  
*Director*



- Age 50 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 (MOF)
- 2003: Director, International Fiscal Policy Group, Bureau of International and Macroeconomic Policy, Fiscal Policy Office (FPO), Ministry of Finance
- 2003-Present : Bureau Director, Bureau of International and Macroeconomic Policy, Fiscal Policy Office (FPO), Ministry of Finance





**Mr. Songpope Polachan**  
*Director*

- Age 51 Years
- Ph.D. (Petroleum Geology), University of London, U.K.
- 2000–2002 : Chief of Energy Resources Policy and Planning Unit, Mineral Fuels Division, Department of Mineral Resources
- 2003 – Present : Director, Policy and Strategy Coordination Office, Office of the Permanent Secretary, Ministry of Energy



**Mr. Sayan Satangmongkol**  
*Director*

- Age 57 years
- M.B.A., Thammasart University
- 1998 : Head of Corporate Credit Manager
- 2000 : Relationship Manager
- 2001 : Senior Vice President
- 2002 : Executive Vice President, Office of Internal Audit
- Present: Senior Executive Vice President, KTB Plc



**Mr. Apisit Rujikeatkamjorn**  
*Director*

- Age 59 Years
- Percentage of shares : 0.00039 or 2,600 shares
- Master of Engineering, Lamar University, Texas, U.S.A.
- 1997–1999 : Senior Vice President, Star Petroleum Refining Ltd.
- 2000 : Chief Executive Officer, Trans Thai–Malaysia (Thailand) Ltd.
- Present : Senior Executive Vice President, Oil Business Group, PTT Plc.



**Mr. Pichai Chunhavajra**  
*Director*

- Age 56 years
- M.B.B. (Finance), Indiana University of Pennsylvania, U.S.A
- 1996–1999 : Deputy Governor, Finance, Petroleum Authority of Thailand
- 2000–2001 : President, Oil Business Group, PTT
- 2002 – Present : Senior Executive Vice President, Corporate Finance and Accounting, PTT Plc.

## Executive Staff



**Mr. Anusorn Sangnimnuan**  
*President  
 and Secretary to Board of Directors*

- Age 51 years
- Percentage of shares : 0.00083 or 5,460 shares
- 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 50 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 43
- MBA. (Finance) The American University, USA
- 1998 Deputy Director-Finance and Accounting ,  
 The National Petrochemical Public Company Limited
- 2000-2001 Group CFO, COCO Group Companies
- 2001-Sep. 2003 Chief Financial Officer, Banpu Power Limited
- Oct. 2003 - Present: Senior Executive Vice President





*Mr. Wattana Opanon-amata*

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

- Age 49 years
- 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
- 2004 – Present : Senior Executive Advisor  
Acting Senior Executive Vice President



*Mr. Manoon Siriwan*

*Executive Vice President  
Acting Senior Executive Vice President / Marketing Business*

- Age 58 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
- 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 45 years
- Master Degree Business Administration (MBA) MTSU, USA
- 1992 : Manager, Retail Marketing Development
- 1994 : Manager, Central and North District Division
- 2541 Senior Manager, Central District Division
- 2544 Vice President, Central District Division
- Present : Senior Vice President, Retail Marketing



## Option On the 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. 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. Written statements were issued to forbid the management and employees from acts that would oppose to the policy on Good Corporate Governance of the Company.

### 2. Risk assessment

The Company established a 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 and to enable cooperation at all levels of organization and to oversee that the Company's risk management is appropriate and efficient.

### 3. Control activities

The Company's control activities included the establishment of different level of approval authorities and monetary limits, which were documented and clearly defined. Separation of duties and responsibilities were applied in creating the basis for checks and balances. Control measures were in place to monitor that transactions with related parties must pass proper approval and were conducted with the Company's interest in mind. 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 associated companies were closely monitored. Prescribed measures were implemented to ensure that the Company complied with relevant laws and regulations.

### 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. The Board of Directors was provided with documents for Board Meetings containing sufficient information for use in its review of the minutes of the meeting and also the consensus of the Board members. Company's vital documents were maintained and stored in an orderly manner. The accounting procedures adopted were in accordance with the generally



accepted accounting principles, which were considered appropriate for the Company.

#### **5. Monitoring system**

The Company maintained a system in monitoring the results of its operations. Review of operating results was made with the Board of Directors on a regular basis. The internal control unit 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.

## Relate-Party Transactions

In the Board of Directors' Meeting No. 2/2004, held on February 25, 2004, the opinions on the related-party transactions were as follows :

Entities	Relation	Nature of transactions	Value (Million Baht)	
			2004	2003
Ministry of Finance	Major shareholder	• Fund lender under the Euro Commercial Paper (ECP) program for bridge financing of US\$ 35 million	-	1,391
		• Guarantor for short-term loans from commercial banks with interest rate of 1.72 % p.a.	-	3,600
		• Guarantor for local debentures of 3,000 units at Baht 1,000 per unit with interest rate of 4.8 % p.a.	-	3,000
		• Guarantor for investment of CD-DR. As of Dec 31, 2004, remaining convertible debentures amounted to 261,095 units with repurchase price of Baht 10,000 per unit	2,611	-
		• Guarantor for investment of BCP-DR1 of 231 million shares with repurchase price of Baht 13 per share	3,003	-
PTT Plc.	Major shareholder	• Sales of oil to PTT	14,493	8,304
		• Trade accounts receivable	402	489
		• Purchase of oil from PTT	28,061	5,945
		• Trade accounts payable	1,771	477
		• Payment of service fee to PTT's Sriracha oil storage depot	73	73
Bangchak Green Net Co.,Ltd.	Affiliated company	• Sales of oil to Bangchak Green Net Co.,Ltd.	6,179	4,779
		• Trade Accounts receivable	435	357
		• Franchise fee for management of Lemon Green	59	53
Fuel Pipeline Transportation Co.,Ltd.	Related company	• Transportation fee	83	98
		• Creditor for transportation fee	9	10
Thai Oil Plc.	Related company	• Sales of oil to Thai Oil	4,982	4,982
		• Purchase of oil from Thai Oil	6,843	4,736





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

The Ministry of Finance provided guarantee for debentures CD-DR and equity securities BCP-DR<sup>1</sup> 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 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 favourable 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 Audit Department 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 would not exercise his voting right in the meeting.

## Management's Discussion and Analysis

### Overview of business in 2004

In 2004, the regional economy continued to grow, resulting in an increase in the demand for oil consumption and refining margin, especially oil utilization as raw material in the petrochemical industries. Prices of finished oil products as well as crude oil were therefore on a steady rise all through the year. Price of Dubai Crude, which is the reference price for the Middle East oil, rose by US\$ 7.5 per barrel on average and price of Tapis Crude of the Far East was up by US\$ 11.0 per barrel on average. Domestic competition became less intense than the previous year, due to the continued growth of the country's economic situation as well as policy of the Government to pin up oil price, which has led to an evident decrease in price competition among the service stations. The Company has then accelerated the volumes of refinery and sales through all channels to be in response with the increasing demand. In addition, the Company has also accelerated transfer of fuel oil to other refineries so as to increase its incomes.

### Discussion and analysis of the operating results for the year 2004 as compared with 2003

#### Analysis of profit and loss

1) In 2004, the Company and its affiliate reported total net profit of Baht 2,636 million, including profit of the Bangchak Petroleum of Baht 2,613 million and profit of the Bangchak Green Net of Baht 26 million with deduction of transaction among both companies of Baht 2 million.

2) EBITDA accounted for Baht 4,089 million, up by Baht 1,553 million from the preceding year's level of Baht 2,536 million, due to the following factors:

- EBITDA from refinery business accounted for Baht 3,456 million, as compared with last year's amount of Baht 906 million, as in 2004, the Company's refining margin (not including aviation oil) was US\$ 1.75 per barrel, a rise from US\$ 1.41 per barrel recorded in the previous year. This was due to an increasing demand for oil consumption, especially a considerable rise of oil utilization as raw material in the petrochemical industries. As a result, prices of Benzene and Diesel were higher than those of crude oil. In addition, cooperation with other oil companies has been continued in increasing incomes and curtailing cost. The Company also reported profit from oil in stock in an amount of Baht 2,176 million, an increase from Baht 52 million recorded in 2003. In 2004, total refining margin was US\$ 3.50 per barrel and production capacity was 90,000 barrels per day, as compared with last year's 74,000 barrels per day.
- EBITDA from marketing business was Baht 633 million, a slight decrease from last year's record of Baht 647 million, for the reason that, in 2004, the Company's market margin (not including aviation oil) was 43 Satang per litre, while that of the previous year was 39 Satang per litre. This was a result from the Government's policy to pin up oil price, leading to less severe price competition. Furthermore, during the third quarter of the year, the Government cancelled this policy, while oil prices in the world markets began to decline. The market margin for Benzene was therefore on a high level, as the sales price was adjusted downwards more slowly than the declining cost of oil. However, the Company reported loss from sales of aviation oil of Baht 37 million, due to the formula to calculate the sales price that was based on the average sales price of the previous month, while the cost of oil that was bought from the refineries was based on the price at the delivery month. During the period that aviation oil price tended to rise, the sales would reported a loss. On the contrary, if aviation oil price was stable or on a decline, the Company would gain a profit.



From the above-mentioned factors, total market margin of the finished oil products for 2004 was Baht 36 Satang per litre, a level close to last year. However, the sales volume rose from 51,600 barrels per day to 55,900 barrels per day.

#### Analysis of revenues

Total revenues of the Company and its affiliate amounted to Baht 80,189 million, comprising Bangchak Petroleum's revenues of Baht 79,207 million and Bangchak Green Net's revenues of Baht 7,229 million, in which Baht 6,247 million was transaction item. Revenues of Bangchak Petroleum that reported significant changes included the following items:

- Revenues from sales accounted for Baht 78,902 million, up by Baht 18,087 from the previous year, as total sales volume of finished oil products and crude oil rose by 17.6 percent and the average sales price increased by 14.8 percent (Baht 11.62 per litre as compared with Baht 10.12 per litre in 2003)
- Profit in foreign exchange was reported at Baht 128 million, a decline by Baht 165 million, including profit in foreign exchange for trade accounts payable of Baht 139 million and loss from foreign exchange of Baht 12 million, as a result from the Baht appreciation from Baht 39.7/US\$1 at the end of 2003 to Baht 39.2/US\$1 at the end of 2004.
- During the accounting period of 2004, the Company adjusted loss from asset devaluation of Baht 47 million by letting the unopened service stations to be operated by other entrepreneurs.

#### Analysis of expenses

In 2004, total expenses were Baht 76,768 million, comprising those of Bangchak Petroleum and Bangchak Green Net of Baht 75,810 million and Baht 7,203 million respectively, in which transaction between both companies amounted to Baht 6,244 million. The Company's expenses that reported major changes were:

- Cost of sales was Baht 74,148 million, a rise by Baht 15,439 million, as a result from a rise in sales volume to 116,600 barrels per day from 103,400 barrels per day in 2003 and a steady rise in the crude oil price, i.e. Dubai Crude that was up by approximately US\$ 7.5 per barrel in 2004.
- The sales and operating expenses totaled Baht 1,367 million, a decline by 175 million from the preceding year, as in 2003, the record for doubtful loans increased by Baht 233 million according to the business and financial restructuring plan, so that the sales and operating expenses in 2003 were higher than normal. If the doubtful loans were not recorded, the sales and operating expenses in 2004 would increase by Baht 58 million from the increasing sales volume, deducted by the public relations expenses by Baht 40 million.
- Interest expenses totaled Baht 787 million, a decline by Baht 241 million, as a result from refinancing of most part of the original debentures by new funding from the financial restructuring. In addition, the Company also received loans from the commercial banks to be used as cash flow according to the financial restructuring plan. The Company was therefore not required to maintain a large amount of cash for payment of crude oil.

### **Discussion and analysis of the financial status as of December 31, 2004 as compared with December 31, 2003**

#### Assets

1) Total assets of the Company and its affiliate at the end of 2004 accounted for Baht 34,370 million, including those of Bangchak Petroleum and Bangchak Green Net of Baht 34,269 million and Baht 540 million respectively, in which transaction between both companies totaled Baht 437 million, i.e. debtors' account of Bangchak Green Net with the credit of approximately 15 days.

2) Total assets of the Company at the end of 2004 as compared with the end of 2003 increased by Baht 5,738 million, comprising the items with major changes as follows:

- Cash and cash equivalent totaled Baht 1,894 million, a decrease by Baht 1,455 million as compared with the end of 2003, as the Company prepared cash in an amount of US\$ 46 million or Baht 1,800 million for payment of crude oil with the due date of January 6, 2004.
- Trade accounts receivable and notes receivable amounted to Baht 3,621 million, up by Baht 827 million as compared with the end of 2003, due to an increase in sales volume and a rise in the average sales price.
- Inventories totaled Baht 9,947 million, up by Baht 4,551 million, as the volume of inventories rose by 244 million litre to be in response with an increasing volume of refinery and sales as well as a rise in the average price by Baht 2.83 per litre.
- Compensation to the Oil Fund amounted to Baht 1,343 million, serving to pin up the sales prices at the service stations, with repayment term of approximately 45 days.
- Invisible assets accounted for Baht 1,449 million, up by Baht 476 million from the end of 2003, as the Company recorded the fee of land-lease right for refinery site of Baht 542 million (from the first quarter of the accounting period 2004) after the land-lease contract with the Department of Treasury was extended from 12 to 30 years under the business and financial restructuring plan.

### Liabilities

1) At the end of 2004, liabilities of the Company and its affiliate totaled Baht 24,589 million, including Bangchak Petroleum's liabilities of Baht 24,489 million and Bangchak Green Net's liabilities of Baht 537 million, in which transactions between the 2 companies accounted for Baht 437 million.

2) Total liabilities of Bangchak Petroleum at the end of 2004 decreased by Baht 961 million in comparison with the end of 2003, comprising major items with significant changes as follows:

- Total borrowings at the end of 2004 declined by Baht 4,443 million as a result of issuance of ordinary shares for capital increase (CSDR) in an amount of Baht 3,000 million and warrants (CDDR) in an amount of Baht 4,000 million. In 2004, the right was exercised to convert 97 million ordinary shares in an amount of Baht 1,389 million. At the end of 2004, the Company's borrowings included the following:
  1. Short-term loans from Krung Thai Bank amounting to Baht 2,000 million to be used as the Company's cash flow;
  2. Long-term loans of Baht 11,165 million including CDDR of Baht 2,611 million and long-term loans from Krung Thai Bank in an amount of Baht 7,800 million (from the total granted amount of Baht 8,500 million) in which the amount of Baht 191 million would be due within 1 year, debentures and original promissory notes that have not been redeemed accounting for Baht 2,510 million in which the amount of Baht 1,565 million would be due within 1 year.
- Trade accounts payable at the end of 2004 totaling Baht 7,583 million, an increase by Baht 3,154 million, due to a rise in crude oil price, especial that of Dubai Crude which rose by approximately US\$ 7.5 per barrel as well as a special extension of payment for one shipment of crude oil.

### Shareholders' equity

1) At the end of 2004, shareholders' equity of the Company and its affiliate accounted for Baht 9,781 million, comprising those of the Bangchak Petroleum and the minor shareholders of Baht 9,780 million and Baht 0.54 million respectively (in which that of Bangchak Green Net of Baht 3 million).

2) Shareholders' equity of Bangchak Petroleum at the end of 2004 amounting to Baht 9,780 million, an increase by 6,699 million, due to net profit in 2004 of Baht 2,613 million as well as issuance of CSDR and CDDR of Baht 3,000 million and conversion of CDDR to 97 ordinary shares in an amount of Baht 1,389 million. During the year,



the accounting records were as follows:

First quarter

- Increase of paid-up registered capital from 522,040,940 shares at Baht 1 par value to 753,040,940 shares at Baht 1 par value, totaling Baht 753,040,940, by issuance of 231 capital increase shares in the form of warrants for benefits from ordinary shares on January 29, 2004, which was registered at the Department of Trade Registration on February 3, 2004.
- Surplus from share value of the above-mentioned 231 shares with the difference of Baht 12 for each share, resulting in the amount of surplus from share value after deduction of offering expense of Baht 2,693,820,103.

Second quarter

- Transfer of surplus from share value of Baht 2,389,126,110 to compensate for the retained loss, resulting in total clearing of retained loss of Baht 2,389,126,110 at the end of December 2003 according to the resolution of the Shareholders' Meeting of 2004 dated April 29, 2004.

Third quarter

- On July 6, 2004, the Company decreased its paid-up registered capital in the part of ordinary shares that have not been converted amounting to 189,617,759 at Baht 1 par value totaling Baht 189,617,759, so as to ensure consistence of the number of shares held by SiamDR Co.,Ltd. with the number of warrants issued and offered for sales under the resolution of the Shareholders' Meeting of 2004 dated April 29, 2004.
- On July 7, 2004, the Company increased its registered capital of Baht 24,000,000 to be in response with issuance and offer for sales of ordinary shares to the Company's Directors, Executives and employees in an amount not exceeding 24 million units according to the resolution of the Shareholders' Meeting of 2004 dated April 29, 2004.
- On July 8, 2004, the Company increased its paid-up registered capital in the part of CDDR that has been converted to ordinary shares at the end of the second quarter in an amount of 28,103,385 shares at Baht 1 par value totaling Baht 28,108,385.

Fourth quarter

- On October 7, 2004, the Company increased its paid-up registered capital in the part of CDDR that has been converted to ordinary shares at the end of the third quarter in an amount of Baht 69,027,969 at Baht 1 par value totaling Baht 69,027,969.

**Discussion and analysis of Statement of Cash Flow for the year 2004 as compared with 2003**

1) In 2004, the Company and its affiliate reported net operating profit of Baht 3,245 million, including operating profit of Bangchak Petroleum of Baht 3,217 million and that of Bangchak Green Net of Baht 28 million. In addition, cash from beginning balance was Baht 3,523 million, including that of Bangchak Petroleum of Baht 3,348 million and Bangchak Green Net of Baht 174 million. The Company utilized this amount of cash for activities during the year in an amount of Baht 1,454 million, a part of which is transaction of trade receivable. Cash utilized during the year of the Company and its affiliate amounted to Baht 1,310 million and cash and cash equivalent at the end of 2004 accounted for Baht 2,213 million, including Bangchak Petroleum's cash of Baht 1,894 million and Bangchak Green Net's cash of Baht 318 million.

2) As concerns Bangchak Petroleum, its operating profit amounted to Baht 3,217 million and cash from beginning balance was Baht 3,348 million, which has been utilized as follows:

- Net cash utilized in operating activities amounted to Baht 3,937 million. Trade accounts receivable and oil

in stock rose by Baht 5,353 million from an increasing volume of oil in stock to be in response with a continued rise in oil price. Cash receivable from the Oil Fund accounted for Baht 1,343 million.

- Cash utilized in investment activities accounted for Baht 602 million, due to an increase in investment in durable assets–equipment as well as expenses of the financial restructuring.
- Cash utilized in financing activities amounted to Baht 132 million, due to repayment of some part of loans upon maturity with cash remained from the Company's operations.

Therefore, at the end of 2004, the Company's cash and cash equivalent totaled Baht 1,894 million, a decrease by Baht 1,454 million as compared with the end of 2003.

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

For the oil business, important factor that affects the demand for oil consumption concerns the economic growth. In 2004, the regional economy tends to report a higher growth rate, particularly in China, of which the economic performance has been in a continued expansion. The Thai economy is also expected to expand further, which would result in a rise in the domestic demand. The Company, therefore, foresees that the regional domestic demand for oil consumption and production capacity would be in a balance in 2005 – 2006. This is consistent with the forecast of various institutions. If production surplus declines, the refining as well as marketing margin would significantly improve.

In addition, the level of oil prices also produces impact to the Company's operations. It is possible that oil prices that have been on a rise since the end of 2003 may decline in early 2005, which would result in a decline in the value of oil stock. In order to deal with such condition, the responsible team of the Company keeps a close watch and is ready to perform risk management on the matter.

In spite of the continued oil prices, the prices of fuel oil are not as high as those of crude oil and other finished oil products. Therefore, the Company's refining margin has been maintained at a level. However, the Company's fuel oil being transmitted to other refineries has helped alleviate impacts from this situation. In the long run, the Company would have to find an appropriate direction to reduce production of fuel oil so as to upgrade its refining margin to the level that is compatible with the industry. Feasibility study is now being undertaken as concerns investment in a project to develop oil quality to be in response with the new oil standard that would be announced by the Government in 2011.

The higher value of the Baht also directly affects the Company's business, as oil prices, as well as value of assets, i.e. oil in stock, that is higher than liabilities (trade accounts payable), are tied with the US currency. However, it is believed that Baht appreciation would not be for a long time, due to the economic recession in the United States. The Company, nevertheless, still resorts to the policy to adjust the proportion of assets and liabilities in the US currency to be more consistent.



## Structure of Capital

### 1. Ordinary shares

As of December 31, 2004, the Company's registered capital amounted to Baht 867,143,461 and the paid-up capital was Baht 660,559,940, with the par value of Baht 1 per share, an increase from December 31, 2003 when the registered capital was Baht 522,040,940 and the paid-up capital was Baht 522,040,940, due to the following reasons :

- On January 20-22, 2004, Shareholders of the Company were granted the right to convert ordinary shares to warrants in the proportion of 10 ordinary shares to 5 units of warrant for the Ministry of Finance and PTT Plc., and 10 ordinary shares to 9 units of warrant for minor Shareholders. The total of 478,673,814 shares have been converted to 289,056,055 units of warrant. The remaining shares of the Shareholders not yet being converted accounted to 43,367,126, resulting in the total of 189,617,759 shares to be recapitalized later on (details in the page 71-72).

- On January 29, 2004, the Company issued and proposed to sell to investors ordinary shares for recapitalization in the form of warrants with the right to derive benefits from the Company's ordinary shares issued by Siam DR Co.,Ltd. in an amount of 231,000,000 units at par value of Baht 1 per unit. The total value was Baht 3,003 million as the offer price was Baht 13 per one warrant. The warrants can be converted in the proportion of 1 warrant to 1 ordinary share.

- On July 6, 2004, the Company recapitalized its registered capital of 189,617,759 shares, which remained from conversion of ordinary shares to warrants, at par value of Baht 1, so that the amount of ordinary shares held by Siam DR is in consistence with issuance of warrants under the resolution of the Ordinary Shareholders' Meeting held on April 29, 2004.

- On July 7, 2004, the Company increased its registered capital by Baht 24 million to be in response with issuance of ordinary shares for Directors, Executives and staff under the resolution of the Ordinary Shareholders' Meeting held on April 29, 2004.

- On July 8 and October 7, 2004, holders of warrants exercised their right to convert 97,136,354 shares at par value of Baht 1.

### Convertible Debentures

On January 29, 2004, the Company issued convertible debentures, which were offered to institutional investors in the form of warrants issued by Siam DR Co.,Ltd. with the right to derive benefits from the Company's convertible debentures in an amount of 400,000 units. The offer price was Baht 10,000 per unit and the total value was Baht 4,000 million. The convertible price was Baht 14.30 per share.

On July 8 and October 7, 2004, holders of warrants exercised their right to redeem 138,905 units of warrant, which were 138,905 units of convertible debentures that were converted to ordinary shares in an amount of 97,136,354 shares (at the convertible price of Baht 14.30). At present, 261,095 units of warrants still remained.

### Borrowings

As of December 31, 2004, domestic borrowings in the form of bank loans, debentures and promissory notes accounted for Baht 12,310 million, including Baht 7,800 million and 2,000 million of long-term and short-term borrowings respectively, Baht 2,215 million of debentures and Baht 295 million of promissory notes.

Details of debentures are included in Notes to Financial Statements ending December 31, 2004.

## 2. Shareholders

### - Holders of ordinary shares (BCP)

Ten largest Shareholders (as of December 30, 2004)	Number of shares (Million shares)	% of total shares
1. Thailand Securities Depository Co.,Ltd. for Depositors (Thai)	642.94 <sup>1/</sup>	97.33
2. Thailand Securities Depository Co.,Ltd. for Depositors	11.28	1.71
3. Mr. Worapong Jaimongkolprasert	0.4	0.06
4. Mrs. Suwimon Suksribawon	0.25	0.04
5. Lieutenant General Surasuk Plaipat	0.08	0.01
6. Mr. Silapachai Lohawong	0.07	0.01
7. Mr. Srisa-nga Punsiwana	0.05	0.01
8. Mrs. La-or Phuaree	0.04	0.01
9. Mr. Suwit Chinachot	0.03	0.01
10. Lieutenant Sulee Mahasuntana	0.03	0.00

<sup>1/</sup> including 520.06 million shares held by Siam DR Co.,Ltd. to be used as reference for issuance of warrant BCP-DR1

### - Holders of warrants (BCP-DR1)

Ten largest Shareholders (as of December 30, 2004)	Number of shares (Million shares)	% of total shares
1. Thailand Securities Depository Co.,Ltd. For Depositors (Thai)	263.92	50.75
2. Ministry of Finance	124.95	24.03
3. Thailand Securities Depository Co.,Ltd. For Depositors	75.58	14.53
4. PTT Plc.	52.24	10.05
5. His Majesty King Bhumibhol Adulyadej	0.92	0.18
6. Her Royal Highness Princess Kallayaniwattana	0.55	0.10
7. Mrs. Nunta Shintammit	0.10	0.02
8. Mr. Pongsathorn Bunthengsuk	0.10	0.02
9. Mr. Veerapong Paisanvasin	0.10	0.02
10. Mrs. U-rai Sarotsuwan	0.10	0.02

Holders of ordinary shares were granted the right to convert ordinary shares to warrants in the proportion of 10 ordinary shares to 9 units of warrant for minor shareholders and 10 ordinary shares to 5 units of warrant for the Ministry of Finance and PTT Plc.

1) Major Shareholders, i.e. Ministry of Finance and PTT Plc. holding the total of 354,375,940 shares (67.88 percent of the total ordinary shares) converted ordinary shares to 177,187,970 units of warrant.

2) Minor Shareholders holding the total of 124,297,874 shares (23.81 percent of the total ordinary shares or 74.14 percent of all minor Shareholders) converted ordinary shares to 111,868,085 units of warrant. Holders of 43,367,126 shares decided not to convert their shares.





As for the remaining of 189,617,759 remaining shares, recapitalization was approved by the Ordinary Shareholders' Meeting, held on April 29, 2004, and the Company already registered the recapitalization with the Ministry of Commerce on July 6, 2004.

### 3. Policy to pay out dividend

Without any necessity, the Company has the policy to pay out dividend to the Shareholders at the rate of 50 percent of net profit after tax and legal reserve, depending on the prevailing economic situation and the Company's business plan for the future.

## REFERENCE

<b>Registrar</b>	
-Ordinary Shares (BCP)	<b>Thailand Securities Depository Co., Ltd.</b>
-Depository Receipts of BCP's Ordinary Shares (BCP-DR 1)	62 Ratchadapisek Road, Klongtoey, Bangkok 10110 Telephone + 66 (0) 2229-2800
-Convertible Debentures (BCP@A)	Facsimile + 66 (0) 2359-1262-63
-Depository Receipts of BCP's Convertible Debentures (BCP141A)	
<b>Debentures Registrars</b>	
	<b>-Bank of Thailand</b>
	273 Samsen Road, Bangkoknphrom, Bangkok 10200 Telephone + 66 (0) 2283-5468
	<b>- Thai Farmers Bank Public Co., Ltd.</b>
	Thai Farmers Lane, Ratburana Road, Bangkok 10140 Telephone + 66 (0) 2470-1122 Facsimile + 66 (0) 2470-1144
	<b>- Thai Military Bank Public Co., Ltd</b>
	3000 Phahonyothin Road, Chatuchak, Bangkok 10900 Telephone + 66 (0) 2299-1111 Facsimile + 66 (0) 2273-7121
<b>Auditor</b>	
	<b>A.M.T. &amp; Associates Company Limited</b>
	491/27 Silomplaza Silom Raod, Bangrak Bangkok 10500 Telephone + 66 (0) 2234-1676, 2234-1678, 2237-2132 Facsimile + 66 (0) 2237-2133
<b>Others</b>	
-Services to Shareholders	<b>Shareholder Services Unit Securities Registration Dept.</b>
-Loss of Share Certificate	<b>Thailand Securities Depository Co., Ltd.</b>
-Amendment of Shareholder Particulars	Telephone + 66 (0) 2229-2822-36

# THE BANGCHAK PETROLEUM PUBLIC COMPANY LIMITED

## Company Established

- April, 1985

## Shareholders (%) as of 30 December, 2004

BCP		BCP-DR1	
- Siam DR Co., Ltd.	79	- Ministry of Finance	24
- Minor Shareholders	21	- PTT Plc	10
		- Minor Shareholders	66

## Registered Capital (MB) as of 30 December 2004

- 867 already paid 661

## Business

- Petroleum products retailing & wholesaling and crude refining with a capacity of 120,000 barrels/day

## Customers

- General public, via the nation-wide Bangchak Service Stations
- Industrial sector
- Transportation and service sector such as airlines, marine transportations, and other transportation business
- Agricultural sector via the Bangchak Community Own Service Stations

## Awards and Certifications

- One in the group of Top Quatile Company for the year 2003, in the project of Corporate Governance Report of Thai Listed Companies 2003 organized by the Thai Institution of Directors, Stock Exchange of Thailand and the Office of Securities and Exchange Commission
- TIS 18001 and OHSAS 18001-1999 Occupational Health and Safety Management System (in every process), 2004
- OHSAS 18001 Occupational Health & Safety Management System Certification for Petroleum Refining, 2003
- ISO 9001: 2000 Lubricant Business for Development and Procurement of Lubricant and Grena Car Care, 2002
- EIA AWARD, 2001
- TIS 18001 Occupational Health & Safety Management System Certification for Petroleum Refining, 2000
- EIA AWARD, 1998
- The Outstanding Award for the Safety, Health and Environmental Committee, 1998
- ISO 14001- Petroleum Refining certification, 1997
- The Environmental 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

## Office & Distribution Center

- **Head office and Bangchak Distribution Center :**  
210 Sukhumvit 64, Phrakonong, Bangkok 10260  
Tel: 0-2335-4999, 02-331-0047 Fax: 0-2335-4009
- **Central District Office and Bang Pa-in Distribution Center :**  
99 Moo 9 (Highway No. 3442), Bangkason Sub-district, Bang Pa-in District, Phra Nakhon Si Ayutthaya 13160  
Tel: 0-3535-0260, 0-3528-3333  
Fax (Central District Office): 0-3535-0290-91  
Fax (Bang Pa-in Distribution Center): 0-3535-0285
- **North District Office (Chiang Mai) :**  
483/9 Chareonmuang Road, Watkate Sub-district, 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 Kao Sub- district, Muang District, Khon Kaen 40000  
Tel: 0-4326-1789-92, 0-4326-1751-3 Fax: 0-4326-1750
- **South District Office and Surat Thani Distribution Center :**  
104/1 Moo 2, Surat Thani-Paknam Road, Bangkoong Sub- district, Muang District, Surat Thani 84000  
Tel: 0-7727-5056-9 Fax: 0-7728-2943
- **Sriracha Distribution Center :**  
191/26 Moo 8, Thoongsookala Sub-district, Sriracha District, Chonburi 20230  
Tel: 0-3849-4882 Fax: 0-3849-4882
- **Rayong Distribution Center :**  
11 - 3B Road, Mabtapood Sub-district, Muang District, Rayong 21150  
Tel: 0-3868-4834 Fax: 0-3868-4833
- **Samutsakorn Distribution Center :**  
100/149 Moo 1, Thacheen Sub-district, Muang District, Samutsakorn 74000  
Tel: 0-3482-0974 Fax: 0-3482-0978
- **Suksawasdee Lubricant Distribution Center :**  
196 Moo 1, Suksawasdee Road, Pak Klong Bang Pla Kod Sub-district, Prasamut Chedi District, Samutprakarn  
Tel: 0-2815-6997-8 Fax: 0-2815-6996

