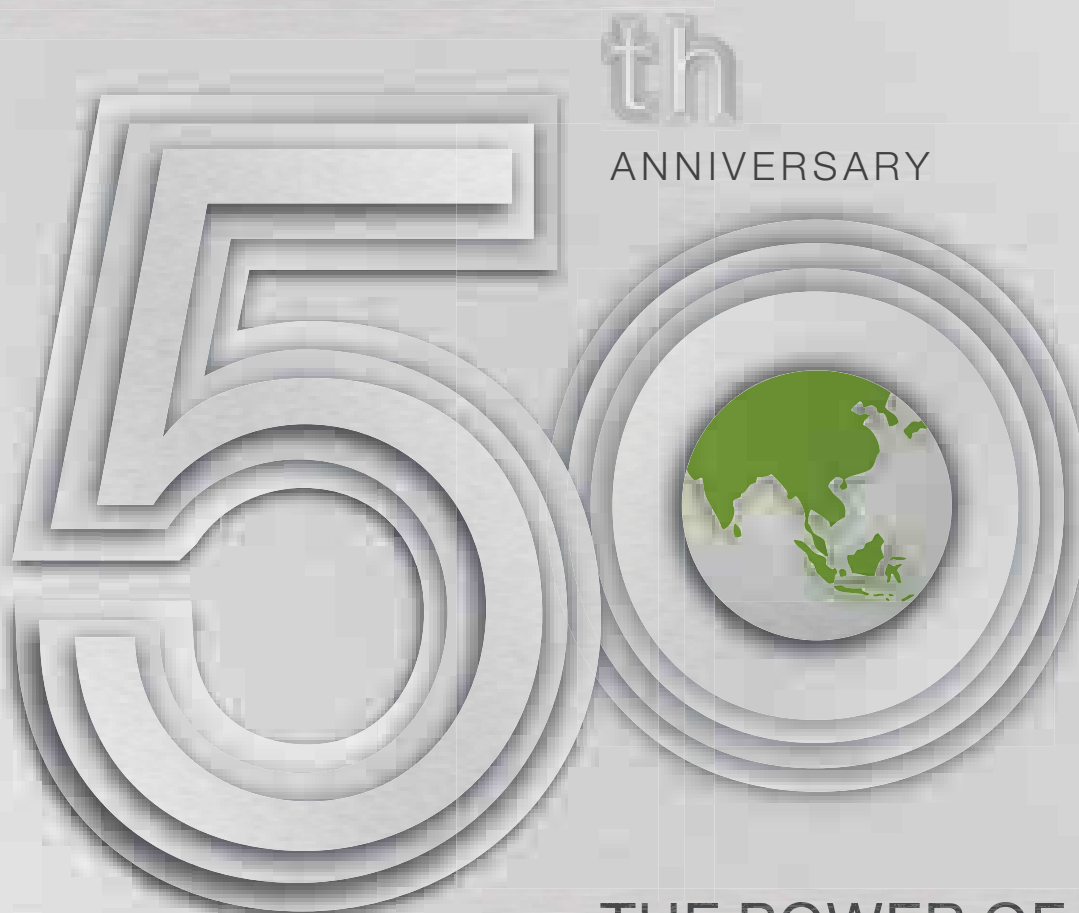


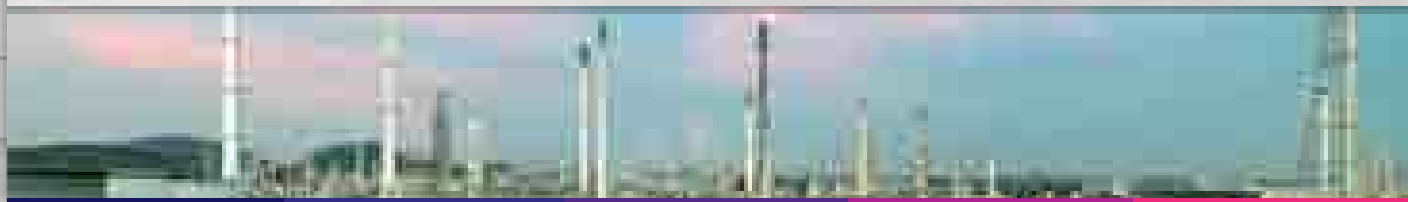


THAI OIL PUBLIC COMPANY LIMITED  
ANNUAL REPORT 2010



## THE POWER OF EXPERIENCE

Creating Sustainable  
Energy for Thailand



## Vision

“A leading fully integrated  
refining and petrochemical company  
in Asia Pacific”

## Mission

- >> To be in top quartile on performance  
and return on investment
- >> To create a high-performance organization  
that promotes teamwork, innovation  
and trust for sustainability
- >> To emphasize good Corporate Governance  
and commit to Corporate Social Responsibility

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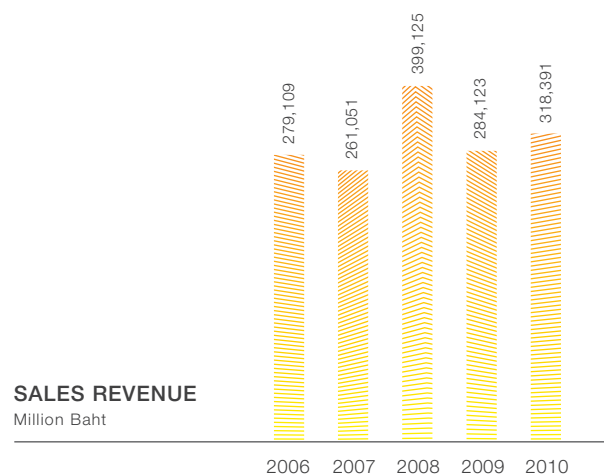


Refining Experience Into  
Green Energy

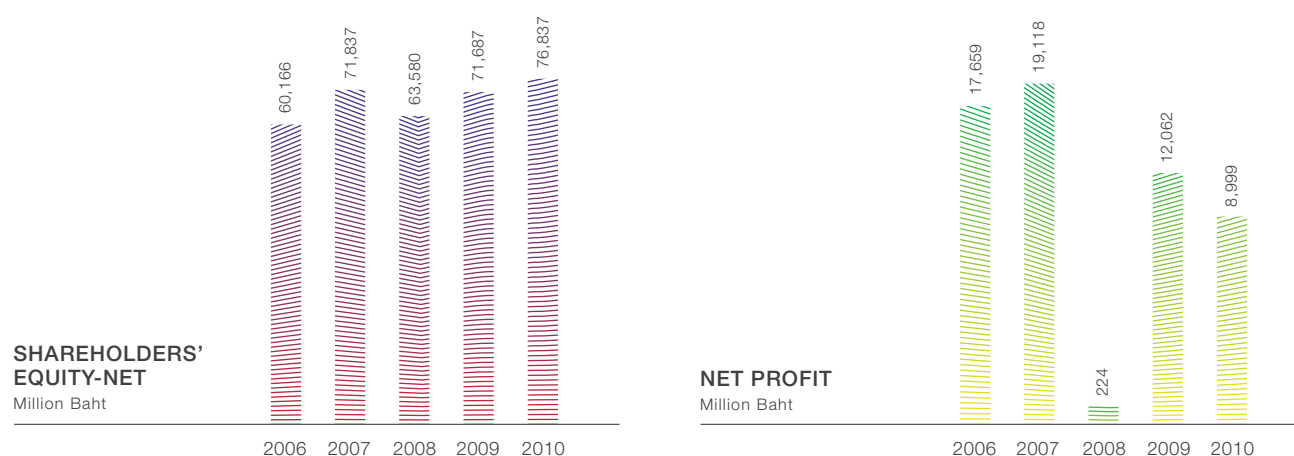


For Thaipol, the past 50 years mean more than flipping pages through a calendar. They are 50 years of growths in the history of Thai energy, with many memorable episodes along the way. What began as a private enterprise with a vision for the local energy industry went on to cooperate with the state in coping with the world's biggest oil crisis to ensure that Thailand is independent and self-sufficient in terms of energy. The next logical step was to become a public company; and a successful transition from domestic to Asia-Pacific perspective. There have been many obstacles and crises, but the will and determination of Thaipol's personnel always carried through. For each fall, we recovered stronger than ever. The past gave us valuable lessons. Thaipol has synthesized knowledge and understanding into new insights, added sharp vision to earn precious experiences that will guide us in building a strong future for our nation's energy and a long-lasting success for Thailand.

# FINANCIAL HIGHLIGHTS



		2010	2009	2008	2007 <sup>(1)</sup>	2006
<b>Operating</b>						
Sales revenue	million baht	<b>318,391</b>	284,123	399,125	261,051	279,109
EBITDA	"	<b>17,432</b>	21,393	7,949	28,959	24,577
Net profit	"	<b>8,999</b>	12,062	224	19,118	17,659
Earnings per share	baht per share	<b>4.41</b>	5.91	0.11	9.37	8.66
<b>Financial</b>						
Total assets	million baht	<b>146,607</b>	137,745	132,841	136,570	110,324
Total liabilities	"	<b>69,770</b>	66,058	69,261	64,733	50,158
Shareholders' equity-net	"	<b>76,837</b>	71,687	63,580	71,837	60,166



		2010	2009	2008	2007 <sup>(1)</sup>	2006
<b>Financial Ratios</b>						
Interest coverage ratio	times	<b>9.7</b>	10.1	3.8	16.8	12.8
Liquidity ratio	"	<b>2.7</b>	2.7	1.8	1.9	2.6
Net debt to equity	"	<b>0.4</b>	0.5	0.7	0.4	0.4
<b>Stock Data</b>						
Closing price at end of review period	baht per share	<b>78.25</b>	42.75	23.60	86.50	52.50
Market capitalization	million baht	<b>159,632</b>	87,211	48,145	176,462	107,101
Dividend payment	baht per share	<b>2.00<sup>(2)</sup></b>	2.55	2.75	4.50	3.50
Dividend yield <sup>(3)</sup>	percent	<b>2.8</b>	6.3	11.7	5.2	6.7
Book value	baht per share	<b>37.66</b>	35.14	31.17	35.21	29.49

**Notes:**

(1) Adjusted according to amended accounting policy for derivative financial instrument.

(2) Includes interim dividend payment for 2010 half-year results at 0.60 baht per share, which was paid on October 11, 2010. The remaining 1.40 baht per share to be proposed to the 2011 Annual General Meeting of Shareholders for approval.

(3) Calculated from the closing price at the end of the review period.

# MESSAGE FROM THE BOARD OF DIRECTORS

**Despite the entry of several new capacities into the market and the recovering demand for fuels previously stunted by the recent economic crisis, Thairoil Group posted remarkable performance in 2010 with a net profit of 8,999 million baht.**

This performance resulted from the policy and assorted strategic plans consistently developed and executed by the Board and the management over time. To illustrate, the new business ventures into downstream industries, including the aromatics industry, lube base oil, and power generation, effectively dilute the risks of over-dependence on oil refining. Another instance is the integrated business management within the Thairoil Group through joint supply planning for raw materials, as well as joint product distribution for full synergy. In addition, proactive management through communication of performance, together with joint planning and goal-setting of different units, by senior executives with employees via quarterly Operational Excellence workshops has given rise to new approaches and action plans that played pivotal roles in boosting the Thairoil Group's performance, including the supply sourcing of new grades of crude oil to feed the refinery.

In 2010, Thairoil produced many business and management achievements on through activities and projects. A case in point is the successful construction of the TDAE project by Thai Lube Base, which is ready for commercial operation in early 2011. Then there is the procurement of a 96,000-DWT oil tanker by Thairoil Marine, to add to its fleet. In addition, the Group jointly invested in Sapthip, an ethanol producer from cassava. Finally, Thairoil was chosen as the operator of two SPP power plants by the Electricity Generating Authority of Thailand. As for management achievements, Thairoil successfully executed the Business Process Transformation Project to maximize the efficiency of work and IT processes with the application of the SAP ECC Version 6.0 management software. All these projects represented just a part of Thairoil's activities initiated in 2010, which, the Board is convinced, will strengthen the foundation to facilitate future performance and enhance Thairoil Group's business competitiveness.

Apart from creating spectacular business returns for the shareholders, the Board is committed to value its core policy of corporate governance and pay due regard to the interests of all stakeholders. These have formed company practices





**(Mr. Pichai Chunhavajira)**  
Chairman of the Board of Directors  
Thai Oil Public Company Limited




**(Mr. Surong Bulakul)**  
Chief Executive Officer  
Thai Oil Public Company Limited

and have been promoted as a corporate culture through assorted activities as detailed in the report of the Corporate Governance Committee. The Board's CSR policy is clear: to combine the expertise, skills, and experiences of all Thairoil personnel with various foundations and organizations at domestic and international levels to develop the quality of life for remote communities facing hardship. This is an upgrading of Thairoil Group's CSR projects from within the refinery's immediate vicinity, which had been Thairoil's focus all along, to provincial areas nationwide. And to commemorate Thairoil's 50<sup>th</sup> anniversary of establishment, the Board is extending numerous special projects to improve lives of those around the refinery, whether by allocating a special budget or by providing potentially useful recommendations for the management to execute.

The year saw much acclaim given to Thairoil from leading national and worldwide institutions, including the Platts Top 250 Global Energy Companies Awards 2010, presented in Singapore; being a finalist contestant of leading companies at the Platts Global Energy Awards event in the US in the Downstream Operation of the Year (Operation Excellence) and the Community Development Program of the Year categories; the Top Corporate Governance Report Award, presented by the Stock Exchange of Thailand; and the Thailand Quality Class (TQC) Award, given by the Office of the Thailand Quality Award for a second straight year. All these illustrated the commitment of the Board, the management, and all employees of Thairoil Group to develop excellence in all aspects. The long road the Company has traveled along with Thailand for half a century has seen us grow from 35,000 barrels per day in capacity to today's 275,000 barrels per day by the region's leading modern refinery. Having reaped experience, expertise, and competence, Thairoil is poised to make giant strides in responding to the expectations of all stakeholders.

On behalf of Thai Oil Public Company Limited, the Board thanks the shareholders, joint-venture partners, customers, business partners, government agencies, and financial institutions worldwide for their trust in and support for Thairoil Group. The Board, the management, and the employees pledge to execute business and management practices filled with efficiency, transparency, and commitment to good corporate governance in tandem with responsibility for society, communities, and the environment—all the while determined to evolve great capability of Thairoil Group to foster healthy and sustainable growth.

# The Journey of Precious Experience

For five decades, Thaioil has refined its experiences, knowledge, and skills into the potential that turns Thaioil to the major leader in the country's energy sector in terms of production, marketing and management. We are determined to apply what we learned to create a stable and sustainable energy for Thailand.

## **The First Decade - Beginning with Determination**

The foundation of Thailand's energy industry was laid when Thaioil's refinery began its operation in 1961. With an energy vision, Thaioil began its journey with environmental and community concerns.

## **The Second Decade - Taking Major Role in Energy Sector**

Becoming a major national energy organization, Thaioil contributed in the participation and support for the security of energy for Thailand.

## **The Third Decade - Outstanding Growth**

A production capability and business vision, together with the support of all parties, led to the outstanding growth in every aspect. These contributions lead Thaioil to become the flagship of success in the Thai energy sector.

## **The Fourth Decade - Overcoming the Crises**

Global and domestic economic downturns did not diminish the determination of Thaioil personnel. Teamwork – the collaboration of minds, ideas, and utmost effort – gracefully carried the Company through the crises. The precious lessons we learned have established the strongest shield for any future adversities.

## **The Fifth Decade - Paving the Way to the Future**

Our strengths in refining capability are unprecedented. We can indefinitely add value to our products. Our knowledge and ability are totally integrated, as a result, we are visible to the world. We are fully ready to develop into a leading organization in the refining and petrochemical business.

10<sup>th</sup> Beginning with  
Determination

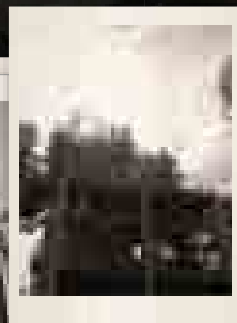
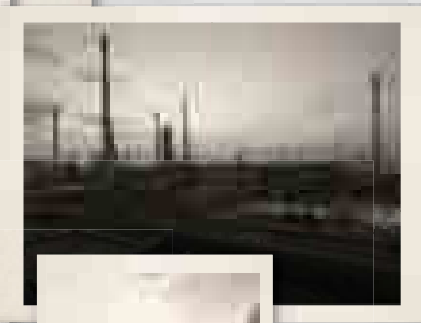


20<sup>th</sup>

Taking Major Role  
in Energy Sector



30<sup>th</sup> Outstanding  
Growth



40<sup>th</sup>  
Overcoming  
the Crises

50<sup>th</sup>

Paving the Way  
to the Future



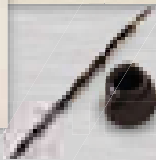
## 1961

- Establishment of Thai Oil Refinery Co., Ltd. (TORC) with registered capital of 10 million baht



## 1970

- His Majesty the King's gracious visit to TORC
- Inauguration of TOC-2 to raise the capacity to **65,000 bpd**

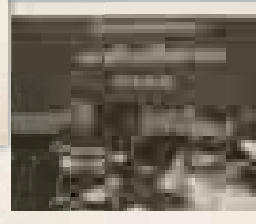


## 1962

Foundation stone laying for TOC-1 with a **35,000 bpd** capacity

## 1964

- Inauguration of TOC-1



## 1987

- Foundation stone laying for TOC-3 (HCU-1)

## 1988

- Recognition: Outstanding major industrial company with a key role in national development

## 1989

- Inauguration of TOC-3 (HCU-1) to raise the capacity to **90,000 bpd**
- Foundation stone laying for TOC-4 (CDU-3)

## 1985

- Name change to Thai Oil Company Limited

The logo for Thai Oil Company Limited, featuring the word 'Thaioil' in a stylized blue and red font.

## 1979

- Government approval granted for PTT's joint venture in TORC to raise the capacity to **120,000 bpd**

## 1980

- Recapitalization to 20 million baht, with PTT holding 49% of the shares

## 1981

- Transfer of TOC-1/2 land to the government and continuation of the lease for another 10 years

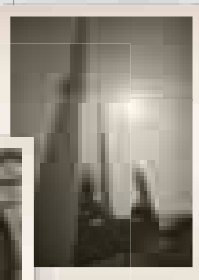
## 1991

- Her Royal Highness Princess Maha Chakri Sirindhorn's gracious visit to the Company on its 30<sup>th</sup> anniversary
- Recognition: Outstanding business operator for safety (large-industry category)



## 1994

- Capacity expansion to **220,000 bpd**



## 1990

- Recognition: Outstanding operator for accident prevention and Outstanding energy-saving plant

**Thaloi**

## 1992

- Buy-back of TOC-1/2 from the government for about USD 350 million along with a land and building lease from the government

## 1993

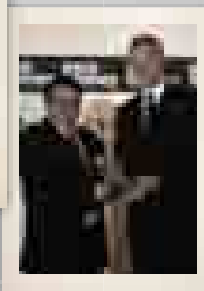
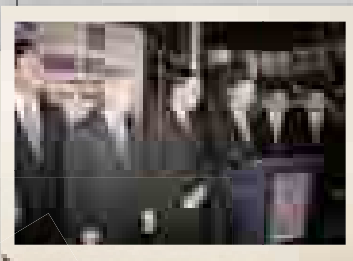
- Inauguration of TOC-3 (HCU-1) and the CCR unit together with a capacity rise to **205,000 bpd**
- Signing ceremony of a joint-venture agreement to establish Thai Lube Base, Thailand's first lube base oil plant
- Recognition: Outstanding business operator for work safety management

## 1995

- Inauguration of TOC-4 (CDU-3) together with foundation stone laying for TOC-5 (HCU-2) and the lube base oil plant
- Recognition: Outstanding conformance to environmental measures (industrial category)
- Recognition: Outstanding business operator for safety management, also known as the Prime Minister Award 1995

## 1997

- Her Royal Highness Princess Maha Chakri Sirindhorn's gracious visit to lay the foundation stone for Independent Power (Thailand) power plant, Thai Paraxylene plant, and inaugurate Thai Lube Base
- Signing of Thailand's first power purchase agreement for 700 MW with Independent Power (Thailand)
- Signing of a power purchase agreement under the SPP program with Thairoil Power



## 1998

- Debt suspension and debt restructuring talks announced by Thairoil amid an economic crisis

## 1999

- A massive accident: a major lesson learned and historic losses
- Recognition: Outstanding business operator for environmental quality preservation for 1999, presented by the Ministry of Industry
- Recognition: A certificate from Asiaweek as a company whose performance for 1998 ranked 545<sup>th</sup> of 1,000 Asian companies and ranked 5<sup>th</sup> of 20 major Thai companies

## 2004

### Listing on the Stock Exchange of Thailand (SET) and transformation into Thai Oil Public Company Limited

- Share-sale closure ceremony for Thai Lube Base and Thai Paraxylene, returning them to the fold of Thai Oil Group
- Recognition: Country Award – Asia Money 2004, Best Deal of the Year for IPO in Thailand, presented by Asia Money magazine
- Recognition: Best Equity Deals in Asia, presented by Euromoney magazine
- Recognition: IFR Asia's Thai Capital Markets Deal of the Year, presented by International Financial Review magazine
- Recognition: Best Equity Deal, Best IPO, Best Privatization, and Best Thailand Deal for the Year 2004, presented by Finance Asia magazine
- Recognition: Best Deal – Best IPO 2003, presented by The Asset magazine

## 2000

- Preparation of a business rehabilitation plan
- End of business rehabilitation
- Recognition: Reliability Award for 2000, presented by Shell Global Solutions

## 2002

- Recognition: EIA Monitoring Award

## 2005

- Recognition: Best Equity Deal in Asia 2005
- Recognition: Energy Award for outstanding energy conservation (oil refinery and chemical plant category)
- Recognition: Best Newly Listed Company of the Year

## 2007

- Capacity expansion to **275,000 bpd**
- Recognition: Forbes magazine's 1,354<sup>th</sup> largest listed company worldwide
- Recognition: 5<sup>th</sup> Best Managed Company under Investor Relations category and 6<sup>th</sup> Best Corporate Governance of Asia, presented by Finance Asia magazine
- Recognition: Platts Top 250 Global Energy Companies Award
- Recognition: EIA Monitoring Award for 2006 for Thai Paraxylene
- Recognition: EIA Monitoring Award for 2007 for Independent Power (Thailand)

## 2008

- Thai Paraxylene capacity expansion to 900,000 tons per year
- Commercial inauguration for SBM-2 to accommodate 2-million-barrel crude oil tankers
- Production of EURO IV-standard diesel by Thairoil, a first in Thailand, four years before official enforcement
- Signing ceremony between Thairoil and Shell Overseas Investment B.V., with Pattanakit Chemicals Co., Ltd., for 80.52% of Sak Chaisidhi's shares to be sold to Thairoil, together with an agreement on asset purchase for solvent distribution and marketing in Thailand and Vietnam with Shell Company of Thailand Ltd. and Shell Vietnam Ltd.

## 2010

- Successful formulation of the 900 SN grade of lube base oil by Thai Lube Base
- Signing ceremony of a joint-venture agreement between Thairoil Ethanol and Saphthip on ethanol business investment
- Inauguration of Thairoil Health and Learning Center for Communities
- Recognition: Thailand Quality Class (TQC) by Thairoil
- Recognition: Zero Accident Awards and plaques for Thairoil (gold) and Thai Paraxylene (bronze)
- Recognition: CSR-DIW plaque and certificate for Thai Paraxylene



## 2006

- Recognition: Best Newly Listed Company in Asia 2005 and Most Improved Companies in Asia, ranked 6<sup>th</sup>
- Recognition: Forbes Global 2000 list of major listed companies worldwide for 2006
- Recognition: Group of companies with very good corporate governance practices for 2006
- Recognition: Platts Top 250 Global Energy Companies Awards in the Platts Top Companies in Asia category, ranked 33<sup>rd</sup> in Asia and 140<sup>th</sup> worldwide

## 2008

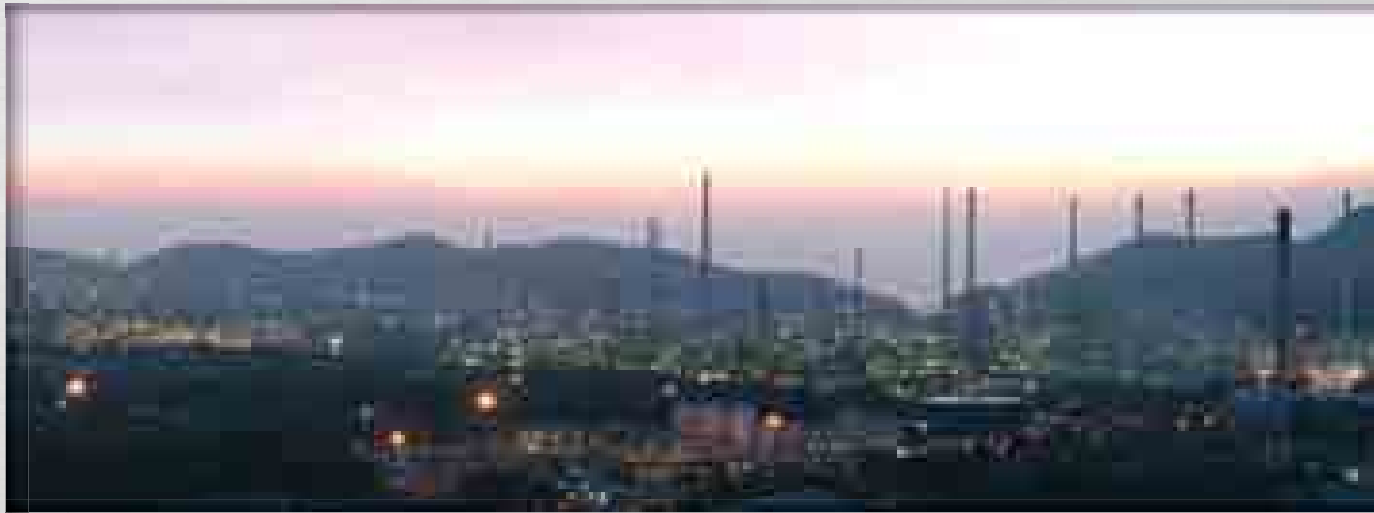
- Recognition: Asian Energy Award 2008
- Recognition: Thailand Energy Award 2008
- Recognition: Best CEO Awards 2008, presented by SET and Finance and Banking magazine
- Recognition: CSR-DIW plaques and certificates for Thairoil and Thai Lube Base
- Recognition: EIA Monitoring Awards 2008 for Thairoil, Thai Lube Base, and Independent Power (Thailand)
- ISO 9001 certification granted to Independent Power (Thailand)
- Recognition: Zero Accident Awards and plaques for Thairoil and Thai Lube Base

## 2009

- First production and sale of 91-octane and 95-octane gasoline of EURO IV standards in Thailand, 2.5 years ahead of official enforcement
- Achievement by Thai Lube Base in formulating Polymer Modified Asphalt and Bitumen 40-50
- Commercial inauguration of TOP Solvent Vietnam
- Recognition: Thailand Quality Class (TQC) for Thai Lube Base
- Recognition: Zero Accident Awards and plaques for Thairoil (gold) and Thai Paraxylene (bronze)
- Recognition: CSR-DIW plaque and certificate for Thai Paraxylene
- Recognition: Board of the Year Award
- Recognition: EIA Monitoring Awards 2009 for Thai Paraxylene and Independent Power (Thailand)



# Laying Foundation for Thai Energy



A sustainable energy business needs a long-standing vision and an awareness of energy's importance. As Thailand's pioneering refinery, Thainoil recognizes that the meaning of energy values more than the physical entity itself. Its extended connotation covers the force that drives Thai society steadily forward through all crises, as well as the creative force that brings endless joy to communities and society. **The skills and experiences obtained over the past 50 years prove that Thainoil has always been the creator of values in energy for Thai society. We are ready to take part in leading the country toward a sustainable future.**





#### Value Chain Enhancement

The technical nature of the business gives us a competitive advantage. By providing feedstock from the refining process into aromatic and lube base units, greater values are added to Thaioil's product-line, along with a balance in environmental and social responsibility.

#### Supply Chain Management

New business opportunities are sought by broadening internal integrated practices with trade partners. New products are created to satisfy demands, thus enhancing greater value-added product and potential customer-base.

#### Corporate Value: POSITIVE

Thaioil encourages everyone to be both smart and good through the POSITIVE value:

- >> Professionalism
- >> Ownership and Commitment
- >> Social Responsibility
- >> Integrity
- >> Teamwork and Collaboration
- >> Initiative
- >> Vision Focus and
- >> Excellence Striving

#### Green Energy

Thaioil emphasizes the importance of giving back to the society - from neighboring communities to national entities. Moreover, Thaioil is determined to produce clean energy to bring about a better environment for Thailand and the world.

# Leading for Success



From the initial refining capacity of 35,000 barrels per day to the current capacity of 275,000 barrels per day, our continuous growth over the past 5 decades has been proven not only for quantitative expansion but full-scale qualitative improvement. Today, Thaioil refinery is a leading complex refinery in Asia-Pacific with outstanding performance in financial, management, and CSR activities. Fifty years of experience tells us that a true leader must:

- >> Lead and inspire all personnel in the organization to work together as one
- >> Creatively integrate diverse ideas and knowledge
- >> Appropriately balance useful ideas with business practice

Being a leader in Thaioil's concept is to progress together hand-in-hand in a sustainable way.



#### **Operational Excellence**

Integrated management under the Operational Excellence project stresses the importance of employees' participation in the planning of operation, production and infrastructure systems, which proved that we can work cooperatively and flexibly even during a crisis period.

#### **Business Process Transformation (BPT)**

To create a proactive and efficient management, Thaioil developed and modified systems and operations so that they cooperate smoothly. The systems include information technology, accounting, treasury, maintenance and personnel. The enterprise will therefore respond more quickly to changes in the environment and be able to support future business expansion.

#### **Thailand Quality Class (TQC) 2009-2010**

A good management, an efficient system and professional staff together render good business. Thaioil's excellence has been recognized by winning the prestigious TQC award, in which everyone in Thaioil is justifiably proud to be a part of.

#### **Growing Together: CSR**

From the start, Thaioil has intended to be an environmentally friendly business. Hence, we make sure that every step of the production process does not affect our neighboring communities. We give encouragements and supports to strengthen the community. Through five decades of experience in helping society and environment, Thaioil is also exploring alternative energy businesses for more sustainable environment.

# To Be a Regional Leader



Collective experience and energy business sagacity mean that Thairoil has potential to serve market requirements beyond the national boundary. Today, as Thailand's energy industry pioneer, Thairoil is mustering its experiences, ideas and the skills of its personnel for the drive to become a leading company in the region.



#### **Strategic Focused Organization (SFO)**

To achieve solid and sustained growth, Thairoil is being positioned as a strategic organization with 360-degree vision and broad thinking; thus harmonizing the goals of all personnel.

#### **Innovation and Integration Value of Experience**

To satisfy the increasing demand for more diverse and higher quality products, Thairoil integrates in creating new products and initiated in new businesses to comprehensively serve all customers and trade partners.

Refinery and management expertise along with our experience in coping with crises are very valuable business assets. They can be shared with other organizations in Thailand and abroad to bring about further improvements.

#### **World Class Quality**

Thairoil's determination to become a regional leader in integrated oil refinery and petrochemical operation. The resulting efficiencies are recognized and honored by many respectable institutions in terms of production, management and environmental protection.

# Ready for the Future



One characteristic of an experienced organization is the ability to quickly and accurately analyzes economic and industrial trends with a long-range vision. Energy industry of the future will not be tied to the familiar model of the present. **Only those who are open to new ideas with positive outlook and courage to step ahead have the ability to foresee the energy trends and can grasp opportunities well before others.**



#### Alternative Energy

In the future, hydrocarbon is not going to be humanity's only source of energy. With this realization, Thaipol is preparing and studying other alternatives and creating new energy businesses to ensure sustainable energy for Thailand.

#### Knowledge Management (KM)

Senior's experiences provide learning short cut for the future. Thaipol has initiated in a systematic codification of corporate knowledge to transfer knowledge from one generation to the next by sharing experience to create a common future.

#### Green World

Thaipol strives to generate more eco-friendly products and improve the production process to significantly reduce pollution emission, as an effort to contribute to a clean environment.

# AUDIT COMMITTEE REPORT

## To the Shareholders

Appointed by the Board of Directors, the Audit Committee consisted of three Independent Directors, namely:

- |                           |          |
|---------------------------|----------|
| 1. Mr. Manu Leoparote     | Chairman |
| 2. Mr. Chaikasem Nitisiri | Member   |
| 3. Mr. Utid Tamwatin      | Member   |

All three are knowledgeable, with considerable experience in accounting, finance, economics, law, and the petroleum, petrochemical, and energy businesses. An expert in financial accounting, the Chairman is qualified to review the credibility of Thairoil's financial statements against the requirements of the Office of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

This committee held a total of six meetings during the year and one meeting with the external auditor in the absence of Thairoil management to seek free views on key issues for the preparation of financial statements and disclosure of key information to their users. In addition, the committee acknowledged the accounting audit performance, audit remarks, as well as problems and obstacles encountered during such audit.

The committee has performed its Board-assigned duties as indicated in its own charter, which completely aligns with the requirements of SEC and SET, namely the reviews of financial statements, risk management, and internal control. Below are the essences of such reviews:

**1. Financial Statements:** The committee reviewed quarterly and annual financial statements jointly with senior management and the external auditor to ensure that Thairoil commanded accurate and complete financial statements that are credible, bear generally accepted accounting principles, and contain adequate and timely disclosure of information for the benefit of investors and other users of the statements.

**2. Connected Transactions:** The committee reviewed the disclosure of connected transactions between Thairoil and its subsidiaries and affiliates with potential conflicts of interest against the announcements of SEC and SET. It concluded that Thairoil had observed regular business practices, fairness and rationales, without siphoning of benefits, and commanded complete and adequate disclosure of information in strict compliance with its corporate governance policy and the announcement of the SET.

**3. Risk Management:** The committee reviewed Thairoil's annual risk management plan and, each quarter, monitored the progress of such management affecting its business to ensure that Thairoil had efficiently managed its risks to acceptable levels. The year's review has shown that the Board and Thairoil executives had valued risk management while thoroughly implementing the plan to lower key risks and potential impacts on Thairoil's business. During the year, Thairoil hired a reputable, independent consultant to assess the quality of its risk management in its fourth consecutive year. The outcome of such assessment for Thairoil Group showed a score of 88%.



**4. Internal Controls:** The committee reviewed the adequacy of Thaioil Group's internal controls for 2010 to support its goal and objective achievement by continually following up on business improvement as recommended in the audit report and the committee's comments, and by improving its internal controls in line with changing circumstances. The committee considers Thaioil's internal controls both adequate and efficient.

**5. Internal Audit Supervision:** The committee reviewed the 2010 audit plan, acknowledged its implementation, and reviewed the audit findings while providing comments and following up on corrections of significant aspects as contained in the report to ensure good corporate governance. In addition, in 2010 the committee endorsed the hiring of a reputable consultant to assess the quality of Thaioil's present internal audit against international professional audit standards, and to recommend ways to improve the quality of internal audit by relying on the international standards defined by the Institute of Internal Auditors (IIA).

**6. Compliance with Securities and Exchange Laws, SET Requirements, and Relevant Laws:** The committee reviewed and supervised strict compliance with these laws and requirements.

**7. Appointment of the External Auditor for 2011:** Having chosen an external auditor with due independence and defining a reasonable compensation for the auditor, the committee has forwarded its opinion to the Board for the approval from the 2011 Annual General Meeting of Shareholders to appoint Mr. Winid Silamongkol Certified Public Accountant Registration No. 3378, or Mr. Chareon Phosamritlert, Certified Public Accountant Registration No. 4068, or Mr. Vairoj Jindamaneepitak, Certified Public Accountant Registration No.3565, of KPMG Phoomchai Audit Ltd., as Thaioil's external auditor for 2011.

February 9, 2011

On behalf of the Audit Committee



**(Manu Leopaiprote)**

Chairman of the Audit Committee

Thai Oil Public Company Limited

# NOMINATION AND REMUNERATION COMMITTEE REPORT

## To the Shareholders

To align with corporate governance guidelines for listed companies, the Board of Directors has appointed a Nomination and Remuneration Committee, consisting of at least three directors, most of whom must be independent and none of whom is to be either the Chairman of the Board or the CEO. Members of the committee must be knowledgeable and experienced, and must understand the qualifications, duties, and responsibility, apart from being able to devote adequate time to the fulfillment of the committee's duties. These duties, together with committee members' qualifications, are spelled out in the Nomination and Remuneration Committee Charter.

The committee deliberates recruitment criteria, approaches, and processes together with suitable compensation for the Board and sub-committees for the consideration of the Board before tabling them to the shareholders' meeting for approval every year. Compensation of the CEO, also deliberated by this committee, is proposed for approval by the Board.

The present Nomination and Remuneration Committee consists of

1. Mr. Goanpot Asvinvichit      Chairman (Independent Director)
2. Ms. Puongpech Sarakun      Member (Independent Director)
3. Mr. Tevin Vongvanich      Member

## Meetings and Performance

The committee performed all its duties spelled out in the charter and met three times, with perfect attendance, as shown on page 97. A summary of these meetings appears below:

1. For the CEO, assessed his performance and decided his salary rise commensurate with his performance against the criteria of the job, effective from January 1, 2010
2. Encouraged Thairoil to allow minor shareholders to propose agenda items and nominate directors for election at least three months ahead of the shareholders' meeting through Thairoil's website
3. Recruited and deliberated persons for the Board's consideration before tabling their names to the shareholders' meeting for approval to replace directors that completed their terms this year
4. Based the Board's compensation this year on criteria linking compensation to Thairoil's overall performance against listed companies of the same business group, as well as Thairoil's dividend payment
5. Recruited and nominated qualified persons to replace directors that had withdrawn their names before approval was sought at the shareholders' meeting

6. Recruited and nominated directors for seats on the Nomination and Remuneration Committee, Audit Committee, and Corporate Governance Committee to the Board for appointment in place of vacated posts
7. Recruited and nominated qualified persons to the Board for appointment in place of members who resigned before completing their terms
8. Organized an election for Chairman of this committee to replace the former one, who resigned from the post. This committee's meeting No. 3/2010 of June 4, 2010, endorsed Mr. Goanpot Asvinvichit as Chairman of the Nomination and Remuneration Committee in place of Mr. Nontigorn Kanchanachitra, with effect from June 4, 2010 onward.

January 24, 2011

On behalf of the Nomination and Remuneration Committee



**(Goanpot Asvinvichit)**

Chairman of the Nomination and Remuneration Committee  
Thai Oil Public Company Limited

# CORPORATE GOVERNANCE COMMITTEE REPORT

## To the Shareholders

Through efficient business execution with excellence in management and corporate governance, Thaipol is committed to becoming a leading regional company that meets its shareholders' expectations by respecting their rights and treating all stakeholders fairly.

Endorsing the appointment of the Corporate Governance Committee, the Board of Directors has assigned it to define a policy and development approach, monitor Thaipol's compliance with corporate governance principles, and encourage the publicity of the principles among all employees to observe and evolve their practices into a corporate culture.

This year the committee consists of three qualified directors:

1. Mr. Banphot Hongthong Chairman (Independent Director)
2. Mr. Apisak Tantivorawong Member (Independent Director)
3. Mr. Prajya Phinyawat Member

The committee held three meetings during the year, with the following performance summary under their chartered roles and responsibilities.

1. Endorsed the preparation of the third version of Thaipol's Corporate Governance Manual (CG manual), to keep its contents up to date and in compliance with the criteria and the standards of the Stock Exchange of Thailand (SET), Office of the Securities and Exchange Commission (SEC), and Thai Institute of Directors (IOD). CG manuals were given to the directors, management, and employees to study and comply with.
2. Endorsed the outcomes of the Board's performance of 2009.
3. Endorsed the amended assessment forms of the Board's performance of 2010.
4. Commented on and approved Thaipol's corporate governance development plan for 2011.
5. Recommended approaches for organizing Thaipol Group CG Day and participation in PTT Group CG Day activities to stimulate and promote corporate governance activities.
6. Recommended ways to improve Thaipol's corporate governance guidelines.

Other key activities undertaken by Thaipol to promote good corporate governance consisted of two meetings of the independent directors (to enable them to consult one another and propose useful approaches for the development of Board performance) and the improvement of the Thaipol website's corporate governance section (to serve as an efficient communication channel with all stakeholders directly and provide a clearer channel for making requests known, with complaint forms ready for downloading, together with online and email complaint filing). In addition, Thaipol undertook activities and projects by stakeholder group, with the following summary:

**Shareholders, Investors, Analysts, and Lenders** Annual refinery visits for shareholders and investors in general are in place to enhance their knowledge and understanding of Thaipol's businesses, as are quarterly meetings where performance summaries are presented to analysts and representatives of lending institutions. As a rule, these meetings are captured on videos for webcast to give everyone involved equal access.

**Employees** Annual Thaipol Group CG Day activities are in place to stimulate and promote compliance with corporate governance principles among employees. Thaipol also plans a project to improve e-learning media for corporate governance (the so-called CG E-Learning) with contents incorporating key points of corporate governance in the conduct of business. Its applications

are constantly improved and employees' training records monitored for greater efficiency. Once this project is completed, Thailoil plans to have all employees undergo such training to brush up on their knowledge and then use it as a learning tool during employee orientation to cultivate corporate governance principles among employees.

**Customers** Annual customers' satisfaction surveys are in place for service improvement apart from Thailoil's regular visits to its domestic and international customers.

**Business Partners** Thailoil, together with suppliers and contractors, organized a seminar on "CSR in Supply Chain 2010" to promote compliance by these business partners with corporate social responsibility (CSR) guidelines. Educational exhibitions on CSR were put up and a seminar held in conjunction with these business partners to share experiences and approaches for business improvement. Over 150 business partners were in attendance.

**Communities and the Environment** Thailoil has consistently launched business in parallel with cordial community and social relations. During the year, it undertook continual activities and community improvement efforts around its refinery, including a mobile public health clinic, activities launched through Thailoil Group's health and learning center, and community youth activities-including Thailoil Scholarship Fund, Knowledge plus Ethics Create Youth Leader Project, and Culture & Science Youth Camp. In addition, Thailoil launched community environmental projects like the Clean Beach Campaign and a project to control and lower process pollutants.

At the national level, Thailoil undertook social responsibility projects to preserve the environment and conserve energy under the Green Energy Mechanism in conjunction with the Foundation for Energy for Environment Foundation, which consisted of a hydropower project for communities, a transmission line extension for the hydropower project, and an activity to install Miang (tea plant leaves) Steaming Stoves Project.

Thanks to the corporate governance principles observed by Thailoil in conducting its business, as well its assorted activities to promote and upgrade its practices, Thailoil won the Top Corporate Governance Report Awards at the SET Awards 2010 event, hosted by SET, and won an 'excellent' rating for its corporate governance report of 2010, evaluated by IOD. The Corporate Governance Committee, the management, and all employees are firmly committed to the development, promotion, and application of corporate governance principles to its management and practice so as to bring Thailoil acceptance and trust by all stakeholders, as it forges ahead toward sustainable development.

January 24, 2011

On behalf of the Corporate Governance Committee



**(Banphot Hongthong)**

Chairman of Corporate Governance Committee  
Thai Oil Public Company Limited

# SUMMARY OF BUSINESS ACHIEVEMENTS

## **The Refinery Business's Competitive Advantage, Coupled with the Linkage between Petroleum Processing to Aromatics Processing and Lube Base Oil, Resulting in Value Chain Enhancement**

With the global economic recovery from the impacts of the crises in the US and Europe in late 2008, the demand for petroleum products was on the rise, as was the world crude oil price, which rose by about USD 14 a barrel. Yet, with new capacities from India and China in 2009, the gross refinery margin (GRM) was depressed in the first half of 2010 before taking off in the second half with rising demand by the industrial sector. Thairoil's gross accounting margin (Accounting GRM), incorporating impacts of oil inventory prices, came to USD 4.1 a barrel. At the same time, Asia's economic growth together with rising car sales—notably in China and India—benefited Thairoil's downstream businesses, including lube base oil and aromatics. These led to Thairoil Group's gross integrated margin (GIM) of around USD 6.5 a barrel, considered excellent among industry peers, particularly when taking into account Thairoil's operating expenses of only about USD 0.98 a barrel.

In 2010, Thairoil Group continued to manage its businesses through group integration with a focus on joint production and sales planning, synergy of benefits, and margin improvement through process efficiency improvement and maintaining of competitive costs under its “Operational Excellence, the Next Level” campaign. For the year, Thairoil operated at 95% of its 275,000-barrel-per-day capacity, focusing on optimizing of process linkage, namely the aromatics unit—to 85% of the capacity of 900,000 tons a year—and lube base oil unit—to 82% of the capacity of 275,000 tons a year. In short, these provided optimum value chain enhancement, which directly benefited Thairoil Group's overall performance. As a result, this year the Group reported a consolidated net profit of 8,999 million baht, which surpassed its goal.

## **Focus on “Operational Excellence, the Next Level”, Sales Efficiency Improvement, and Margin Improvement**

Building on its success in integrated management success through the “Operational Excellence” project of the past several years, Thairoil Group performed well despite the global financial crisis and industry downturn. With the gradual adjustment of the global and regional economies, Thairoil continued paying attention to this matter by building on an integration of sales and production planning, improvement of public utilities systems for greater operating flexibility and agility, and improvement of process efficiency together with cost reduction under the margin improvement task force. The key contributors to Thairoil Group's profitability in 2010 included the supply sourcing of new grades of crude oil that proved suitable for refining, yet cost less than Thairoil's usual grades, and the development of molecular linear program planning between the refinery and the aromatics plant. This gives Thairoil Group a choice of crude oil grades and planning capability based on molecular characteristics for maximum profitability.

In 2010, thanks to the Margin Improvement Project, Thairoil's profitability rose by about USD 0.48 a barrel.

## **Growth of Business Partner and Customer Bases, and New Products and Services While Retaining the Key Goal of Customer Satisfaction Enhancement**

One of Thairoil's strategic objectives is to venture into new businesses by extending its integration from within Thairoil Group to business partners under the Supply Chain Management Project to add value for stakeholders in the supply chain. In 2010,

Thaioil Group expanded its business partner and supplier base while increasing cooperation between the refinery and business partners to lower the costs of raw materials. Thaioil Group strived to grow its customer base together with other retail customers while still focusing on the provision of excellent services to existing ones. In 2010, Thaioil initiated in the development of e-ordering system along with the development of work processes and information technology, related to business process transformation (BPT). These projects enabled Thaioil to meet the needs of customers more efficiently through its ability to distinguish the customers' demand as well as customers' satisfaction.

In addition, Thaioil Group was committed to developing and selling new products of higher values and successfully satisfied customers through the likes of the 900 SN lube base oil and TRAE (both by Thai Lube Base) and specialty TOPSOL A-150 ND and TOPSOL X-2000 solvent (both by TOP Solvent).

Thaioil Group also adjusted its public utilities systems to fulfill customers' needs and serve customers in more flexible and diverse ways by leveraging the lorry loading station, completed in 2008. In 2010, Thaioil Marine secured a 96,000-DWT tanker for cargo and raw-material transport for customers in and outside the Group. Incidentally, TOP Solvent moved its warehouse from Chong Nonsee to Phra Pradaeng, which enabled it to better satisfy customers' needs apart from lowering storage and transport costs.

### **Good Progress on Investment in Strategic Projects like Value Chain Enhancement, Alternative Energy, and Energy Solutions Raises Revenue, Lowers Business Risks, and Contributes Internationally to Corporate Reputation and Image**

In 2010, Thaioil investigated new business opportunities and evolved strategic projects to supplement value, build on businesses, and grow future businesses. Besides the project to improve its oil distillation units, it executed assorted value chain enhancement projects, including construction of the 50,000-ton-a-year TDAE unit by Thai Lube Base to address the needs of the auto-tire industry in Europe; the project is now completed and ready for commercial start-up in early 2011.

As for alternative energy, Thaioil Group is keen on developing its ethanol business from agricultural supplies since Thailand commands the potential to become an ethanol hub to meet regional needs. Besides its joint venture in Maesod Clean Energy which runs the business of 200,000-liter-a-day ethanol production from sugarcane, in mid-2010 Thaioil Ethanol entered into a 50% joint investment with Sapthip which has a 200,000-liter-a-day ethanol-from-cassava plant. This joint venture is highly attractive because of the partner, which is well-versed in securing and export of cassava as one of Thailand's largest operators. This investment contributed to the planned progress of Thaioil Group's strategy on alternative energy.

Energy business consultancy is another strategic project for Thaioil Group. After Thaioil Energy Solutions had begun its service to PTT Group and Thaioil Group in 2009, this year it expanded its customer base outside PTT Group and the informational countries alike. To promote its consultancy reputation, it filed for a patent on its TES Alarm Management Solution (TEAMS). In addition, it multiplied its service options and successfully acquired more customers while adding more services. The year saw it working on 26 contracts, including:

- >> Technical Assessment and Due Diligence
- >> Alarm Assessment for Processes, Safety Integrity Level (SIL) Assessment, and HAZOP Revalidation
- >> Energy Efficiency and Loss Control
- >> Project Management
- >> Technical Training
- >> Others, including a Carbon Credit Project, Water Management Monitoring, and a Waste-to-Fuel Project.

### **Execution of the Business Process Transformation (BPT) Project with Due Regard for More Efficient Accounting Processing and Asset Development of Thairoil Group in Line with its Future Business Growth**

Recognizing the criticality of optimizing work process development and information processing to sustain market change and Thairoil Group's business growth, Thairoil undertook the BPT Project to update and overhaul its current processes and information systems, encompassing accounting, treasury, sales and procurement, materials, maintenance, asset and project development, and personnel aspects. Thairoil appointed a task force to investigate BPT approaches and set its deadline by year-end 2010. Determined and earnest execution of this project, striving to satisfy users' needs, resulted in project completion in only eight months—that is, on January 1, 2011.

BPT enables Thairoil to meet the new accounting standard for accounting processing (IFRS) and adds work process links in a more efficient way.

### **Thairoil Group's Commitment to Corporate Excellence and Business Leadership by Focusing on Good Corporate Governance, Social Responsibility, Strategy Execution, Risk Management, and Quality Improvement on a Par with International Practices Supports Thairoil Group's Sustainable Growth**

#### **Corporate Leadership and Management**

Thairoil Group's senior management's goal is to drive the Company toward regional leadership with a focus on excellence in all areas of management, which has led to various achievements, including performance that met shareholders' expectations with due regard for fair distribution of benefits among all stakeholders, and widespread acceptance from the business sector and the industrial sector alike. For instance, Thairoil was among the finalists for the Business Leader of the Year Award 2010, sponsored by CNBC TV station; Thairoil also won a Platts Top 250 Global Energy Companies Award 2010, sponsored by Platts of Singapore, under which aspects of its operation were compared with those of international peers; and Thairoil was ranked 9<sup>th</sup> in Asia for outstanding oil refinery and marketing execution and 12<sup>th</sup> worldwide in the oil and gas producers' group. In addition, based on its overall and financial performance (including the value of assets, revenue, earnings, and return on investment), Thairoil was ranked 36<sup>th</sup> in Asia and 137<sup>th</sup> worldwide among the oil and gas producers' group.

#### **Good Corporate Governance, Social Responsibility, and Care of Stakeholders**

Besides winning a Top Corporate Governance Report Award sponsored by the Stock Exchange of Thailand (SET) at the SET Awards 2010, Thairoil was rated "Excellent" in an assessment of corporate governance practices by Thai Institute of



Directors (IOD) and was among the finalists for the IR Excellence Awards hosted by SET at the same event, with a similar accolade given by IR Magazine of Singapore, signifying Thairoil's commitment to look after the interests of shareholders and investors in a fair manner.

During the past year, Thairoil Group heightened its goals and social responsibility from the communities around its refinery to the national level, which resulted in its nomination for the Community Development Program of the Year Award by Platts of the US. Thai Paraxylene and Independent Power (Thailand) —both under Thairoil Group—also won EIA Monitoring Awards 2009 for their conformance to measures spelled out in their EIAs and their outstanding environmental management.

#### **Strategic Execution, Risk Management, and a World-Class Corporation**

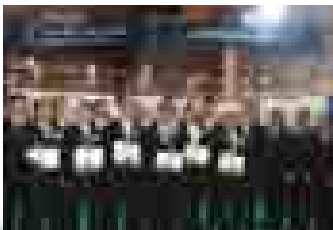
Thairoil Group strives to become a Strategic Focused Organization (SFO) through the application of Balanced Score Card, Performance Management, and Enterprise Risk Management to bolster confidence of achieving sustainable growth amid evolving business circumstances. Thairoil Group developed assorted work processes to sustain this strategy by furthering the concept of horizontal alignment through Key Focus Areas to drive strategic execution at every business unit and every unit against goals under the risk management framework in an integrated and proper way. This execution is a process innovation to drive cooperation across Thairoil Group and truly contribute to management success.

Continuous dedication to excellence has given Thairoil Group systematic and interconnected management—a key factor for its stride toward a world-class corporation and its winning the Thailand Quality Class (TQC) award in 2010 from the Office of the Thailand Quality Award (OTQA) for the second year in a row.

These accolades illustrate Thairoil Group's responsibility for all shareholders and stakeholders, as well as promotion of corporate governance among Thairoil Group as an integral part of the corporate culture, which will contribute to its sustainable growth.



# MILESTONES OF 2010



## February

### **Thai Paraxylene and Independent Power (Thailand)**

Thai Paraxylene and Independent Power (Thailand) won EIA Monitoring Awards 2009 for their conformance to the measures spelled out in their EIAs and for outstanding environmental management. The award was presented by the Office of National Resources and Environmental Policy and Planning.

### **Thaioil Ethanol**

Thaioil Ethanol signed a memorandum of understanding with PTT Plc. on the approach toward the conclusion of an ethanol sales agreement between the two.



## March

### **Thaioil**

Thaioil won a Thailand Quality Class (TQC) award for 2009 as a leading Thai corporation with an integrated, world-class management system.

### **TOP Solvent**

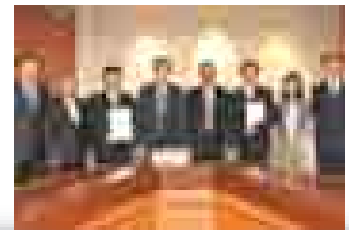
TOP Solvent signed a rental and storage service agreement with Siam Chemicals Plc. for greater efficiency of product storage and distribution to promptly meet customers' needs.



## April

### **Thai Paraxylene**

Thai Paraxylene signed a Technology License Agreement and an EM-2300 Catalyst Lease Agreement with the licensor for aromatics production of all Exxon Mobil Group of Companies.



## May

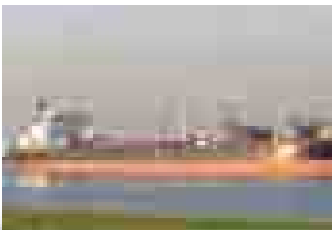
### **Thaioil**

Thaioil was named one of the ten companies in Thailand and Malaysia recognized as Best Managed Companies for 2009. It was ranked 11<sup>th</sup> by Finance Asia magazine for being Most Committed to a Strong Dividend Policy.

Thaioil offered 3,000 million baht's worth of unsubordinated, unsecured debentures to limited investors, known as "Thai Oil Public Company Limited Debentures".

### **Thaioil Ethanol**

Thaioil Ethanol signed a Share Sales and Purchase Agreement and a Shareholders Agreement with Sapthip, a 200,000-liter/day ethanol producer for fuel blending, to expand Thaioil's refinery-related business opportunities. This was also an investment in alternative energy.



## July

### Thai Paraxylene

Thai Paraxylene improved its process reliability by installing a new cooling water tower after 11 months of construction.

### Thaioil Marine

Thaioil Marine bought the Thaioil 12 tanker for petroleum product transport. At 96,000 DWT, the double-hulled tanker is Thaioil Marine's largest vessel.

## August

### Thaioil Power

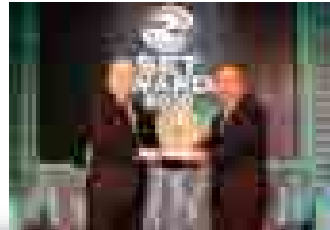
Thaioil Power signed a subsidy agreement from the Fund for Energy Conservation under the Demand Side Management by Bidding Mechanisms (DSM) Project with the Office of Energy Policy and Planning.



## September

### Thaioil and Thai Lube Base

Thaioil and Thai Lube Base were awarded the Golden Zero Accident Award for achieving 10 million man-hours and Silver Award for 3,000,000 - 9,999,999 man-hours without lost-time accident respectively.



## November

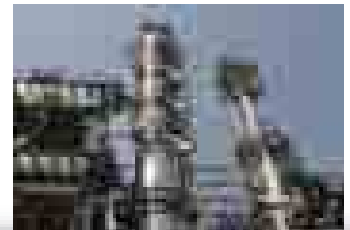
### Thaioil

Thaioil won a Top Corporate Governance Report Award, presented by SET, and was among the three finalists of SET's IR Excellence awards contest.



Thaioil was named a Platts Top 250 Global Energy Company, presented by Singapore-based Platts.

CNBC TV nominated Mr. Surong Bulakul, Thaioil's CEO, as a finalist in the Business Leader of the Year Award 2010 contest.



## December

### Thaioil

Thaioil was a finalist in a contest for Platts Global Energy Awards in the US in two categories: Downstream Operation of the Year (Operation Excellence) and Community Development Program of the Year.

### Thai Lube Base

Thai Lube Base completed the construction of its Treated Distillate Aromatic Extract (TDAE) project, ready for commercial operation.

# MARKET REVIEW 2010

## Industry and Global Economy

The global economy of 2010 featured 4.8% expansion (IMF, October 6, 2010), particularly in Q1, when the economies of the US, Europe, and China expanded rapidly as a result of governments' economic stimulus policies and injection of massive cash into economic systems to add liquidity. However, with the end of such stimuli, the global recovery rate slowed down in Q2. Europe's public debt crises arose, and China had to cool its economy and real-estate bubble by limiting domestic loans, resulting in its economic slowdown.

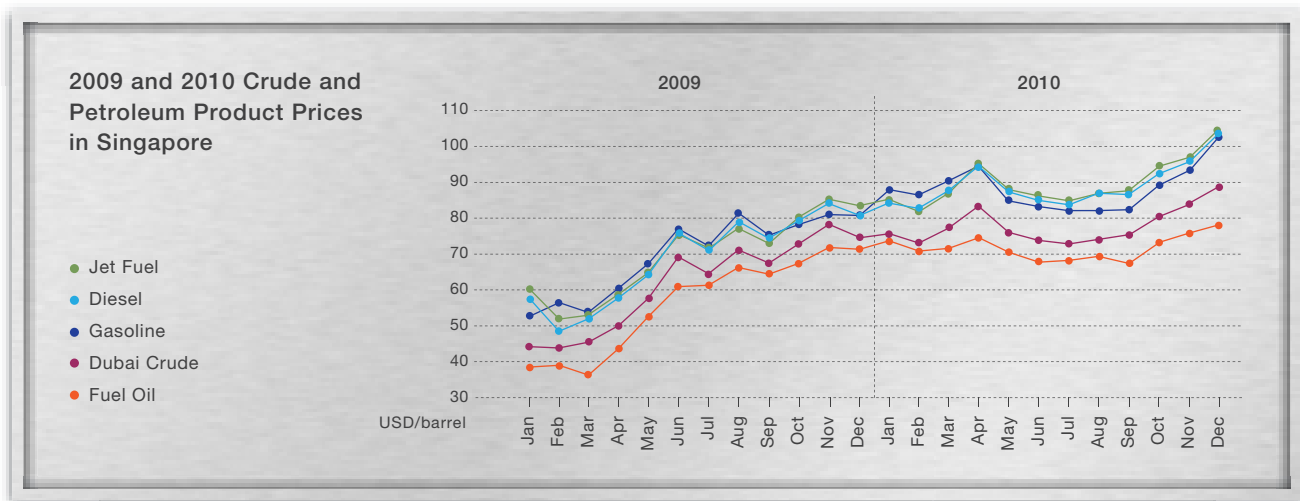
In the US, economic recovery proved fragile and unemployment remained high, causing the US Federal Reserves at its November 3 meeting to inject USD 600 billion more into its economy to keep it from shrinking. This measure directly weakened the US currency against others.

## Crude and Petroleum Products

The year saw crude oil prices hovering around USD 68-92 a barrel. The Dubai crude price averaged USD 78 a barrel, against USD 62 a barrel in 2009, with changes in fundamentals causing higher prices in line with the surge in world oil demand and the recovering economies worldwide. Meanwhile, the OPEC cartel did a good job of maintaining production outputs and keeping excess crude oil from being released to the market. Besides, investors returned to the oil market with greater confidence in the world economy, causing the crude price of Q1 to rise. However, the price dipped in Q2 with the slowdown in the economy while problems concerning debt crises and the Chinese measure to cool its own economy resulted in investors' withdrawal from the oil market in favor of the less-risky money market.

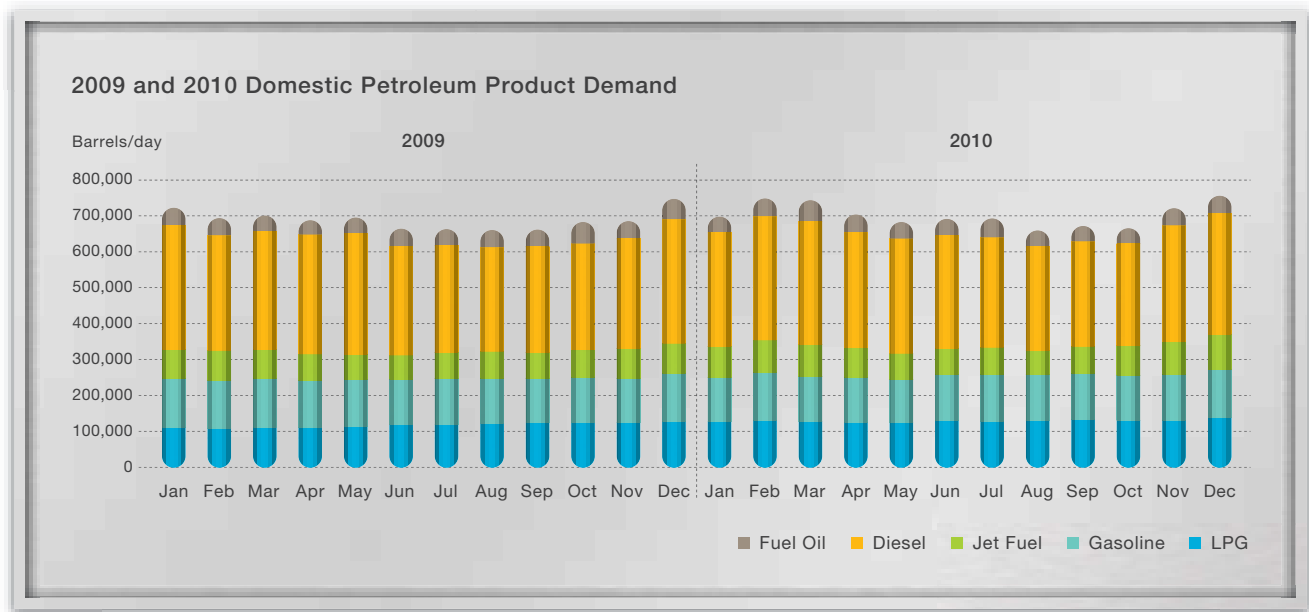
Because of worries about future crude supplies, with the notorious oil spill in the Gulf of Mexico prompting the enforcement of a ban on coastal drilling concurrently with more strict safety rules, the crude price found its way back up again in Q3. Yet, it was suppressed to USD 80 a barrel by the all-time-high US crude inventory. From then on, the price steadily rose to its 26-month high, surpassing USD 90 a barrel in Q4 as a result of the weak dollar and greater market liquidity—a repercussion of the second round of cash injection by the US Federal Reserves. Investors therefore returned to the oil and gold markets to pre-empt inflation-produced risks. The crude price was also buoyed by the climbing refined-product prices due to the much higher demand for diesel in both the US and Europe, both facing extremely cold weather.

During the year, petroleum product prices tracked crude oil prices. Their market as a whole saw higher prices propelled by strong demand across the industrial board, rising with the global economic recovery. This reduced high petroleum product inventories around the world since late 2009, coupled with the maintenance shutdowns of refineries in several countries, a huge earthquake in Chile, and the month-long protest at a French oil port and refinery. These affected refinery outputs, causing affected countries to import more refined products. Besides, the extremely cold weather of the US and Europe hiked the demand for diesel late in the year. These improved fundamentals widened the spreads between the prices of petroleum products and crude oil considerably this year.



### Domestic Petroleum Product Market

The domestic economy of 2010 tracked that of the world economic recovery, registering 7.9% growth (NESDB, November 22, 2010), supported by the global economic recovery and higher agricultural product prices. This caused all sectors—manufacturing, export, investment, private-sector consumption, and tourism—to improve. Such improved conditions have raised the domestic petroleum product demand by more than 1.9%, 4.8% for the jet fuel and 10.8% for LPG. However, the demand for fuel oil decreased by 4.2%. The rising world oil price (in line with the economic recovery) caused retail fuel prices to be much higher than for 2009, which in turn suppressed the domestic demand for gasoline and diesel. Compared with 2009, gasoline consumption shrank 1.4% while diesel consumption remained relatively constant.



Source: Energy Policy and Planning Office, Ministry of Energy

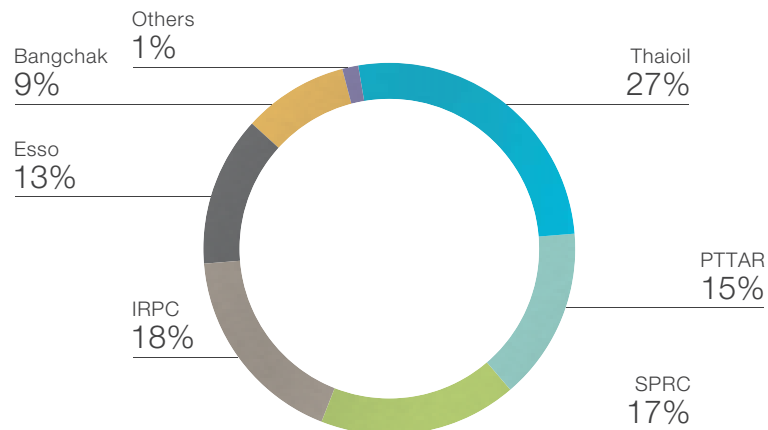
For the year, the total throughput at domestic refineries came to about 961,000 barrels a day, equivalent to a 2% rise from the previous year, thanks to the overall economic recovery, which contributed to the rising domestic demand and improved domestic refining margins. Thairoil continued to be the major producer of refined products, taking a 27% share of the throughput.

### Aromatics Market

It was an extremely volatile year for the aromatics market. During the first half, the market bore the brunt of oversupply due to capacity expansion in China, Thailand, Singapore, and the Middle East, beginning in 2009. Of the 10.5-million-ton/year rise in aromatics supply, paraxylene accounted for 5.3 million; benzene, 3 million; and toluene, 2.2 million tons/year. The year therefore saw a sharp price drop for aromatics, bottoming out in July, which caused several plants with high production costs—including those in Japan and Taiwan—to cut their capacities or move their maintenance shutdowns up.

Aromatics prices faced a sudden reversal, however, during the latter half of the year, once oversupply had eased thanks to regional producers' efforts to control outputs. In addition, external factors for the decreased supply included the production reconfiguration of many plants in Iran to produce gasoline for domestic consumption to make up for the import sanctions by many countries. At the same time, several aromatics plants were facing problems and had to be shut down, and seasonal demand rises arrived for Christmas and New Year presents. In addition, the shortage of cotton fiber in the world market

### Market Shares of Domestic Refinery Throughputs 2010



Source: Energy Policy and Planning Office, Ministry of Energy

gave rise to all-time-high cotton prices, prompting textile manufacturers to turn to polyester fiber—containing paraxylene as a major component. What was more, paraxylene demand arose from a new PTA plant with a total capacity of 600,000 tons a year, on stream late in the year. The extremely healthy paraxylene market, together with the higher feedstock prices, buoyed the prices of other aromatics.

### Lube Base Oil and Asphalt Market

The resurgent global economic recovery hiked the demand for lube base oil, particularly in Northeast Asia, led by China, where the demand (driven by the agricultural and automotive sectors) was rising steadily. On the other hand, limited supply partly resulted from regional lube base oil refineries that were forced to suspend their operation by problems, including one in Indonesia (which suspended its production in February) and another in Taiwan (which suspended its production in July). With the shortage in supply, the price of lube base oil rose steadily throughout the year.

During the year, the regional asphalt demand proved staggering, driven by regional economic stimulus plans, which steadily pushed the price up, surpassing the price of fuel oil since the beginning of 2010. As a rule, asphalt is cheaper than fuel oil. Despite extended floods and rains during the latter half of the year, its regional demand continued to be strong, particularly in China, as a result of state project investments.

### Solvent Market

The year saw an improved solvent market in line with the global economic recovery. The demand for solvent by industries rose by over 15% from the previous year. As a matter of fact, in Q1, demand expansion exceeded 20%, with remarkable growth registered by the automotive industry and downstream sectors like Thailand's auto-parts and tires for export, as well as by the electronics manufacturing sector—including computer and communications appliances. Domestic consumption for Q1 was consistent with exports. Yet, the solvent market bore the brunt of the political unrest in Thailand, environmental problems, and rallies around Map Ta Phut Industrial Estate during Q2, which delayed industrial outputs and caused export problems along with slow growth in solvent demand. With the situations getting under control and environmental problems easing in Q3, the demand approached the Q1 figures. In Q4, however, export manufacturers faced hardship due to baht appreciation, compounded by floods in several provinces, which depressed demand toward the year-end.

As for the supply situation for the year, it was found that domestic production of solvents was rising, with capacity expansions at several plants. As a result, some solvents were in oversupply for the domestic market, therefore giving rise to fierce domestic competition.

### Clean Product and Petrochemical Tanker Market

This market in 2010 as a whole picked up from last year in line with the global economic recovery and rising intra-regional trade volume—notably from China, South Korea, Japan, and Taiwan, all with high volumes of petrochemical trade. Contributing to this market improvement were brighter market conditions and more lucrative petrochemical prices, which resulted in greater demand for double-hull tankers and a 10-15% rise in freight rates from the previous year.

Toward mid-year, average freight rates fell with the slow petrochemical market before soaring in the latter half of the year, buoyed by the greater need for tankers to transport clean products and petrochemicals to serve an expanded market and by healthy product prices of both.

### Ethanol Market

In 2010, despite the government's push for ethanol consumption through tax measures to promote gasohol consumption, the growth in domestic demand for ethanol for gasohol stayed flat at 1.2 million liters a day.

Ethanol capacities for the year rose by 150,000 liters a day to 2.93 million liters a day, in contrast with only 1.2-1.3 million liters a day in domestic consumption. The modest surplus of about 0.14 million liters a day (or 10%) of domestic sales was exported.

The average price of ethanol rose to 23.4 baht a liter from 20 baht a liter in 2009. Higher raw-material prices, drought, plant pests, and plant diseases dwindled the supply of raw materials—notably cassava (29.1%) and sugarcane (5.3%).



## Power Industry

The year was dominated by high power consumption, carried over from 2009 and in line with the economic recovery, whether in consumption, private-sector investment, or industrial expansion. For the first 10 months, the total monthly consumption averaged 12,500 gigawatts/hour, a 10.9% rise from the previous year. The industrial sector remained the top consumer (45%), followed by the business sector and the residential sector.

As for supply, the year saw a rise in parallel with consumption trends. The monthly generation in 2010 was about 13,800 gigawatts/hour, an 11.2% rise from the previous year. Of this, the Electricity Generating Authority of Thailand (EGAT) generated 45%; IPP, 42%; SPP, 8%; and imports from neighboring countries, 5%. Natural gas remained the staple fuel for electricity generation, accounting for 72%; coal and lignite, 19%; hydropower, 3%; fuel oil, 0.4%; imports, 5%; and others, 2%.

The automatic adjustment mechanism (FT tariff) has remained constant since 2009 at 0.9255 baht a unit.

# INDUSTRY OUTLOOK 2011

## Global Market and Economy

The International Monetary Fund (IMF) has projected continued growth in the global economy at 4.2%. Developed economies will probably grow by 2.2%, whereas developing ones—led by China and India—are likely to grow by about 6.4%. The IMF expected China to remain the key driver of the Asian economy as well as the global economy.

However, the global economy could expand less than generally expected, since risk factors needing attention still remain, including high unemployment in developed countries, public debts of the European Union, and the bubble state of China's real-estate sector. Therefore, governments around the world would do well to manage a less ambitious financial policy for a while, including maintenance of a modest-interest policy or injection of cash through government bond purchase, to put the global economy back on track for sustained rehabilitation.

## Crude and Petroleum Products

In 2011, the Dubai crude price is likely to continue its volatility, with an average of around USD 85 a barrel, as opposed to USD 78 a barrel in 2010. This is because the global demand for crude oil looks set to rise in line with the global economic growth, which would bring down inventories of crude oil around the world from the high levels of 2009. Also, OPEC is expected to continue its oil output control to strike a market balance in prices. The risk factors to watch out for—investment fund migration, international politics, more stringent regulations, and seasonal variations and natural disasters—will likely raise the oil price in 2011 and make it continually volatile.

**Petroleum Product Demand:** The global demand will still continue to grow. The International Energy Agency (IEA) has projected the number for 2011 to average 89.0 million barrels per day, a 1.5-million barrels per day rise from 2010. More than half of this rise will be coming from Asia, led by China and India, while the demand from developed countries—the US, Europe, and Japan—may well shrink once again because of the higher oil consumption efficiency and the governments' push for alternative energy.

**Crude Oil Supply:** Non-OPEC supply is likely to grow in 2011, most of which will be coming from Latin America and former Soviet Union states, while OPEC natural gas supply will likely rise. Together, these will meet the growing global demand for crude oil in 2011. Therefore, the call for OPEC crude during the year should be comparable to that in 2010. It was also projected that OPEC's surplus capacity will remain high, which will somewhat depress 2011 prices.

**Crude and Product Inventories:** Worldwide inventories in 2011 are expected to remain high, with mild drops due to rising demand, and return to normal levels during the latter half. Offshore inventories are expected to fall with rising diesel consumption for winter heating.

**Regional Refining Capacity:** This is expected to rise by only 120,000 barrels per day, accounted for by refineries in China, India, and Pakistan. This number is much lower than previous projections because some refineries have delayed their commissioning dates, while others in Japan and China—totaling 420,000 barrels per day in capacity—are scheduled to shut down in 2011. These factors should ease the regional oversupply.

**Investment Fund Migration:** The year will probably see more such migration to the oil market because of greater market liquidity after the USD-600-billion injection by the US Federal Reserves from November 2010 to June 2011. The weak trend of the US dollar is also likely to induce investment in commodities, which include crude oil, to pre-empt risks. Still, with oil market fundamentals acting against prolonged high prices, a lack of confidence in the global economy, and debt problems in Europe, investors could dump oil contracts to turn to US dollar, government bond, or gold contracts—whichever is less risky.

**Political Situations in Oil-Producing Countries:** Nuclear project problems between Iran and Western nations, and Nigeria's domestic unrest, are expected to continue in 2011, though they should not dramatically affect oil prices as they had done before. This is because OPEC today commands considerable surplus output capacity, ready to intervene to instantly replace missing volumes.

**Seasons and Natural Disasters:** These factors produce seasonal variations in the oil price with different degrees of volatility, since the demand for each product varies differently with each season. For instance, gasoline consumption rises with the onset of the holiday driving season of the US, while diesel consumption rises with the onset of winter. Or the Atlantic hurricane season may affect the capacity of US production in the Gulf of Mexico, thus raising the oil price. In addition, potential natural disasters produce high oil price volatility due to potential suspension in crude oil production and demand.

**Laws and Regulations:** These factors include the trend for law enforcement on the US financial reform, the reform plan on deepwater drilling of the US (as a result of the infamous oil spill of 2010 in the Gulf of Mexico), the policy push for greater energy efficiency promotion, and the push for alternative energy. Any combination of these will affect future oil demand and output.

### **Domestic Oil Market**

The Fiscal Policy Office, Ministry of Finance, has projected that the domestic economy of 2011 looks set to expand by 4-5% (as of December 28, 2010), buoyed by domestic spending and the global economy, which is poised to keep expanding from the level of 2010. Still, the appreciation of the baht and the outlook for the policy interest rate will remain the key risks facing the new year's economy.

As for the outlook for petroleum product consumption for 2011, it is likely to rise by about 1-2%, particularly the demand for LPG, which is projected to grow by about 8-10%, thanks to the government's policy of fixing domestic LPG retail prices below the world market price. The demand for other petroleum products is expected to return to normal rates, with the calls for gasoline and diesel projected to be slightly increase to those of 2010 because of their retail prices, which will be rising with the world market prices, as well as the government's push for alternative energy. Finally, jet fuel demand is expected to grow by 4%; and fuel oil demand, 3%.

Domestic refineries are expected to produce comparable volumes to last year, or perhaps produce slightly less, because several are due for planned shutdowns or partial shutdowns so as to link up with new processing units for gasoline and diesel under Euro IV standards, which are due for enforcement on January 1, 2012 onwards.

### **Aromatics Market**

In 2011, several new aromatics plants in South Korea and China are due to join the market, totaling 1.9 million tons a year of additional paraxylene. In addition, the new MSAT II standard of the US, due for enforcement in 2011, limits the benzene component in gasoline to 0.62% by volume as opposed to the previous limit of 1%. This will leave 500,000 to 700,000 tons a year of benzene floating in the market while lowering the US demand for benzene imports.

Despite the new aromatics supply sources in 2011, the global economic growth will continually add to the market demand growth. That is to say, new capacities of downstream plants will lower market oversupply while widening product-to-feed spreads in 2011.

### **Lube Base Oil and Asphalt Market**

The overall demand for lube base oil tends to be still healthy, supported by assorted factors, including the rising demand in Asia, notably China and India, where the automotive sectors keep growing, thus causing a rise in lube base oil demand. Still, in 2011 the regional supply looks set to grow, as refineries in Indonesia and Taiwan, which had been shut down in 2010 due to fires, are expected to return to production—which will be the key factor suppressing the market in 2011, causing the price spread between lube base oil and fuel oil (the feedstock) to return to normal.

As for asphalt, its demand will probably remain high as it had been in 2010, buoyed by various regional countries' economic stimulus plans together with projects delayed from the end of 2010 because of floods in several countries, including China, where asphalt demand tops the regional figure.

### **Solvent Market**

The solvent market of 2011 is likely to improve because of the projected continued economic recovery around the world. Asian countries are expected to lead such recovery, thus raising the demand for industrial solvents along with growing consumption.

In Thailand, the demand posted by the paint, adhesive glue, apparel, and residential sectors are poised to grow with the improvement and repair work to residences, roads, vehicles, and assorted infrastructures in the wake of the notorious floods of 2010.

### **Clean Product and Petrochemical Tanker Industry**

The tanker market as a whole also commands a bright prospect in 2011, in line with the growing regional imports and exports of petroleum products and petrochemicals, which mirror global and Asian economic growth, notably China (which commands high economic growth). This will probably raise the demand for tankers to transport these commodities.

Ironically, considering the higher demand for tankers, the number of tankers available to serve this region is likely to fall because of the trade route expansion between the Middle East and China. This could cause the tankers to spend more time at sea and take longer to return and transport regionally—thus lowering spot-market tanker supply. What is more, more stringent port regulations for petroleum product and petrochemical tankers will put a premium on freight rates in 2011.

## **Ethanol Market**

Mild expansion is expected of the domestic ethanol demand in 2011, approaching 1.5 million liters a day from about 1.2 million liters a day in 2010. This is because of the higher prices of crude oil expected in 2011 and the government's push for alternative energy.

The year will see four new ethanol plants with a combined capacity of 1.6 million liters a day joining the producers' bandwagon, thus raising the total domestic capacity to 4.6 million liters a day. The actual output will, however, hinge on the domestic demand for ethanol, as well as the prices of raw materials. A portion of the ethanol output will go into inventories of refineries and oil traders, and the rest will be exported.

Ethanol prices are projected to rise further because its raw materials have been subjected to natural disasters (including the floods and drought of 2010), particularly the much lower cassava output. In contrast, the prices of molasses are projected to remain level, since the sugarcane output has hardly been affected.

## **Power Industry**

In line with the projected improvement in the domestic economy, the domestic call for electricity is projected to rise by 4.5% from 2010, which will result in consumption growth in the industrial and business sectors. In addition, such demand growth will likely be buoyed by the continued government policy of fixing the FT tariff to accelerate economic recovery and ease the public's hardship.

The domestic power generating capacity is projected to rise by 1,643 megawatts, with seven new power plants coming on-line and one retired.

# FUTURE PROJECTS

Thaioil's strategic investment plan aims for Thaioil Group to enhance its business capability for sustainable growth while adding stability amid future volatility of the oil and petrochemical industry. The plan stresses product value addition, work scope expansion in the petrochemical business, production of lube base oil, and related businesses. In addition, Thaioil is investigating more investment in the power and alternative-energy businesses to support its move toward leadership of the energy group in Asia Pacific.

## Ongoing Projects

### EURO IV Standard Products

In support of the planned enforcement of the new standards in 2012, Thaioil had begun this project as early as in 2007 and successfully refined diesel and gasoline of 95 and 91 octane ratings under EURO IV since 2008—four years before enforcement—which illustrated its readiness to comply with government policy to efficiently look after the environment.

As for gasohol, Thaioil constructed a sulfur-removal unit from Catalytic Cracking Gasoline (CCG) to lower the sulfur content in gasoline to the EURO IV standard. Completion of the 1.6-billion-baht project, currently under construction, is expected by Q3 of 2011, which would enable Thaioil to produce and sell diesel and gasoline of all grades under EURO IV before the government's enforcement.

### Thai Lube Base's TDAE

Despite Thai Lube Base's recent commercial production of Treated Distillate Aromatic Extract (TDAE), its sharply rising demand for use in high-standard auto-tires has prompted the company to raise TDAE productivity in its project to add value to the extract by reducing poly-cyclic aromatics (PCAs) below 3%. The 800-million-baht TDAE project, currently under construction, is due for completion in Q1 2011, which would raise TDAE output for another 50,000 tons per year.

### Thaioil Marine's Fleet Expansion

Thaioil Marine plans to buy petroleum and petrochemical product tankers to sustain the skyrocketing transport needs of such commodities by PTT Group. During the year, the company acquired the 96,000 dead weight ton (DWT) Aframax crude oil tanker for raw-material transport for Thai Lube Base, raising its transport capability from 53,000 to 152,500 DWT.

Thaioil Marine also plans to acquire more crude oil tankers for PTT Group's use at the expense of current spot-market tanker hiring, thus enhancing PTT Group's transport security.

### Thai Paraxylene's Aromatics Value Addition

Thai Paraxylene's Tatoray Project will be upgraded to Selective Toluene Disproportion (STDP) to turn toluene into paraxylene and benzene, thus adding value. The 1.4-billion-baht project, currently under engineering design, is due for completion by Q4 of 2012, after which the paraxylene capacity would rise to 527 thousand tons per year (KMTA), and benzene capacity to 259 KMTA.

### **Joint Venture in Ethanol Plant**

Thaioil Ethanol has been formed by Thaioil to manage assorted businesses dealing with ethanol with greater flexibility and efficiency. As a start, it has acquired 50% of the shares in Saphthip Company Limited, a 200,000-liter/day ethanol producer from cassava.

An affiliate of Sapsathaporn Company Limited, Saphthip commands robust raw-material capability, being a reputable, top-five exporter of cassava from Thailand with expertise in procuring cassava chips for export for over three decades. The company also operates 200,000-ton raw-material storage to support year-round production and three two-million-liter ethanol tank—considered its supply strength. As for demand, Thaioil is a part of PTT Group—which boasts the largest petroleum product marketing base and management readiness. This fact strengthens business association with Thaioil Ethanol and Saphthip to support the growth of both companies in the energy business.

### **New Power Plant Construction under SPP (Cogeneration)**

With the endorsement of the National Energy Policy Council in 2009, the government's policy is to support private investment in the generation and sale of electricity as SPPs—considered efficient generation of power through cogeneration. To support this policy, the Electricity Generating Authority of Thailand (EGAT) has issued its rules for power purchase agreement from cogeneration SPP (firm supply) for 2,000 megawatts of power supply from 2015 to 2021.

Thaioil has submitted its power sales proposal and won the selection to provide power under two SPP projects of 90 megawatts each. These two are due for commercial operation in 2015.

### **Projects under Feasibility Studies**

#### **Ethanol Export Investigation**

Thaioil is collaborating with The Oriental Scientific Instrument Import & Export (Group) Corporation (OSIC), a unit of China's Ministry of Science charged with ethanol imports, on a feasibility study of ethanol exports to China necessitated by currently limited domestic demand and surplus capacities. Such exports would benefit our industry while leveraging ethanol capacities most efficiently, which would in turn lower unit production costs and raise the competitive edge in the world market.

#### **Thai Lube Base's Product Quality Improvement**

Thai Lube Base is currently a "Group 1" lube base oil producer for standard-grade lubricants. With the rapid rise in demand for high-quality semi-synthetic and synthetic lubricants by automotive and industrial sectors, it is studying detailed approaches for process improvement to improve the quality of its products in preparation for stricter engine and environmental standards.

#### **Thai Paraxylene's Aromatics Value Addition**

Thai Paraxylene's feasibility study on the production of benzene derivatives with a business ally to add value to benzene could open up new opportunities in intermediate and downstream petrochemical industries.

### **PTT Group's Power Business Synergy**

PTT Group has continually expanded its businesses and invested in the power business for greater security of energy supporting its processes, apart from the sale of surplus power to EGAT for greater power supply security for the country.

In view of this, Thaioil stepped into the power business with an SPP investment of 118 megawatts for its group's own energy capability and sell to EGAT at 41 megawatts. The Company also invested in IPP for 700 megawatts for national power supply security. Its decade-plus experience in managing the power business today has enabled it to extend cooperation to PTT Group in the latter's feasibility study of restructuring its power business for maximum profitability, cost reduction, and most efficient use of human resources—all of which would add value to PTT Group's power business over the long term. This would also open up opportunities for joint investment in the power business overseas and strengthen PTT's coal mining business.



# REFINING AND PETROCHEMICAL OPERATIONS

In 2010, Thairoil Refinery averaged 260,823 barrels per day in crude run (94.8% of its processing capacity); Thai Lube Base, 226,825 tons per year (82% of its processing capacity); and Thai Paraxylene, 765,900 tons per year (85.1% of its processing capacity). In line with Thairoil Group's joint production plan, this maximized its value chain enhancement.

## Refining Operations

The year saw an average crude run of 260,316 barrels per day (94.7% of processing capacity), with Thairoil Refinery undergoing inspection and maintenance turnaround of certain units as planned so that the refinery can cater mainly to domestic fuel demand under factors concerning crude and fuel prices marked by high volatility. Illustrating the capability of a complex refinery, this enables Thairoil to remain a leading Asia Pacific refiner with a world-class standard.

To develop the capability of Thairoil Group for constant competition, this year the Group raised the efficiency of processing units, processing planning, and sales, apart from constant improvement in capability, inspection, and maintenance of processing equipment for optimum production operation.

## Thairoil

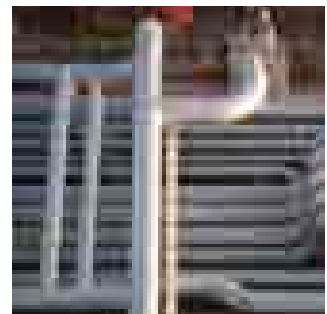
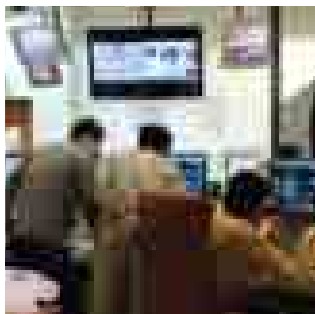
- >> Seriously and consistently focused on efficient energy consumption with loss prevention of crude oil, which raised in the energy consumption and loss prevention index this year, significantly exceeding goals and considered the best since Thairoil's establishment. The Corrected Energy and Loss index (CEL) registered 97.3. This resulted from the lower loss of crude oil, the installation of steam generators running on waste heat of exhaust gas from two gas turbines, and the development of an online optimization system to raise the efficiency of energy conservation at the utilities unit as well as that of the furnace and heat exchangers of various processing units.
- >> Developed an online optimization system for the crude distillation, vacuum distillation, and energy production units to add high-value products and lower process energy costs
- >> Developed and file a patent for its TES Alarm Management Solution (TEAMS)
- >> Managed margin improvement at USD 0.48 per barrel (or 1,452 million baht total) thanks to the higher efficiency of distillation units and sales planning, including the refining of new crude oil grades with superior economic value and the efficiency improvement of a process simulation model for the aromatics unit.
- >> Constantly valued environmental quality preservation through the replacement of gas turbine burners by the so-called dry low NOx burners and the installation of a vapor recovery system at the effluent treatment unit.

### Thai Lube Base

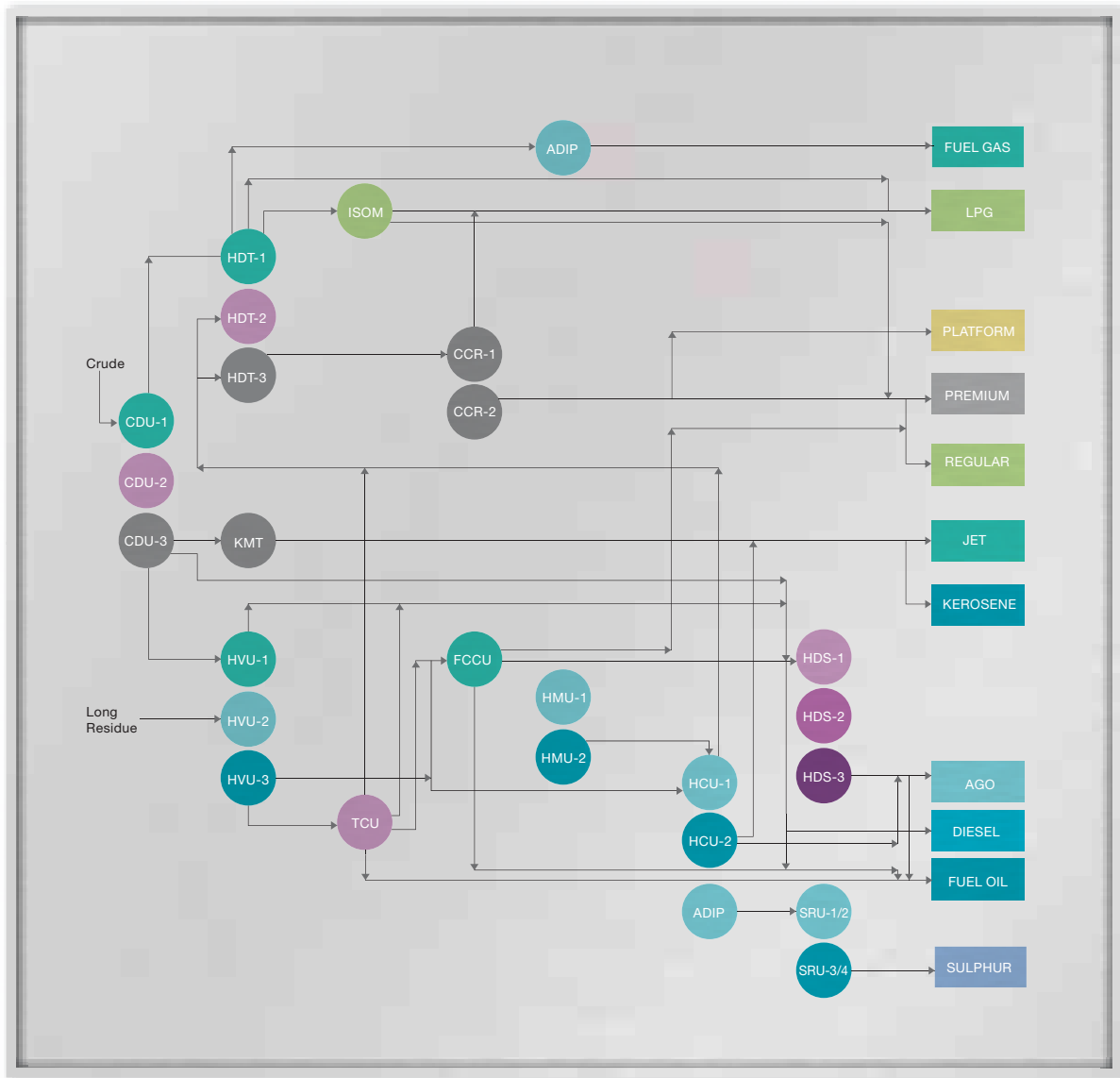
- >> Developed and sold two new products—900 SN and TRAE—to grow the market. The 900 SN made its market debut in March, and TRAE in November
- >> Executed the construction project of the new MPU unit to produce TDAE as planned for late 2010, resulting in 50,000 tons per year in additional TDAE.

### Thai Paraxylene

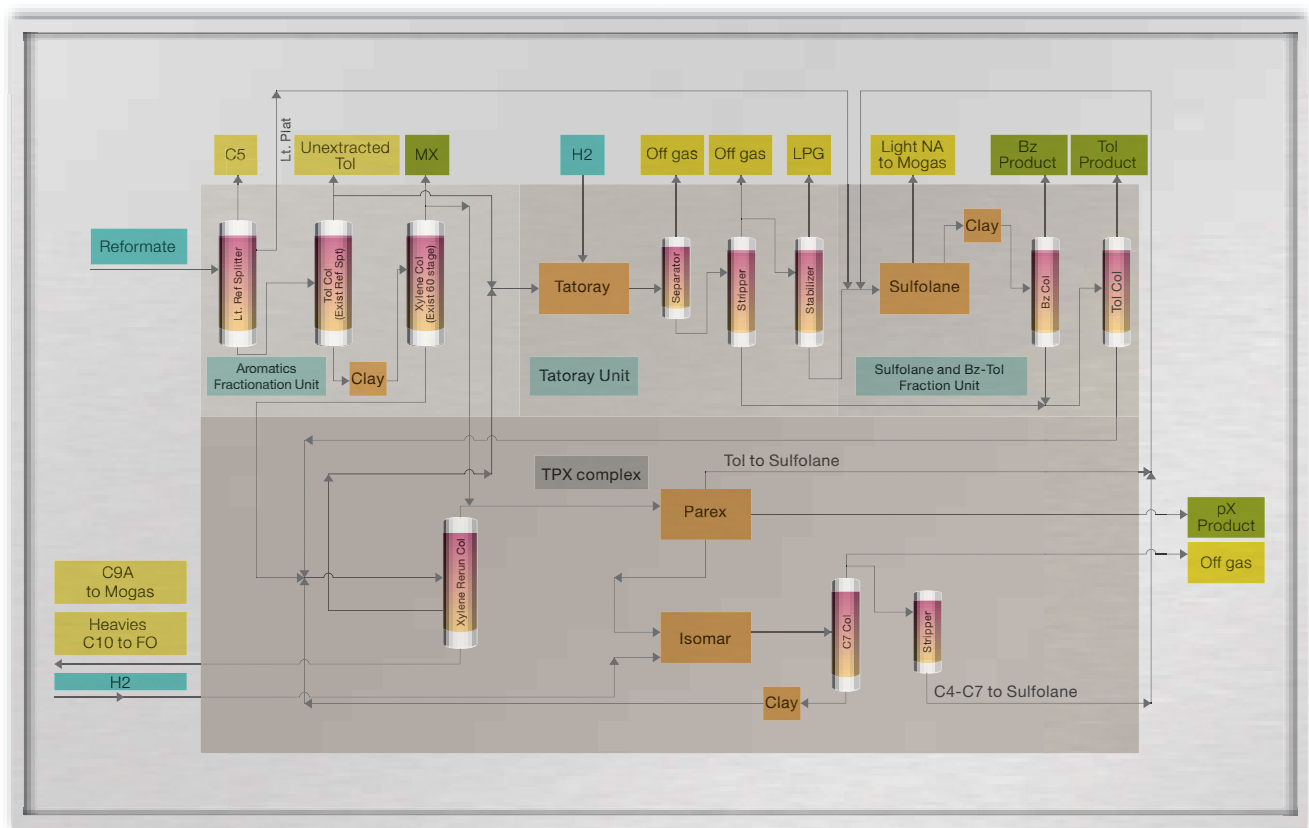
- >> Through furnace online cleaning, raised its productivity from 104% to 108% between January and June by importing mixed xylenes for greater paraxylene output
- >> Maintained the readiness of processing units to up to 99.8% against the 99.0% goal by improving the electricity grounding of control equipment and raising the efficiency of the safeguarding system
- >> Constructed a new cooling tower to provide enough water for the processes and lower risks from engine shutdowns due to the lack of cooling water
- >> Improved process efficiency to the point of cutting energy consumption in the aromatics processes by 5% over and above the goal.



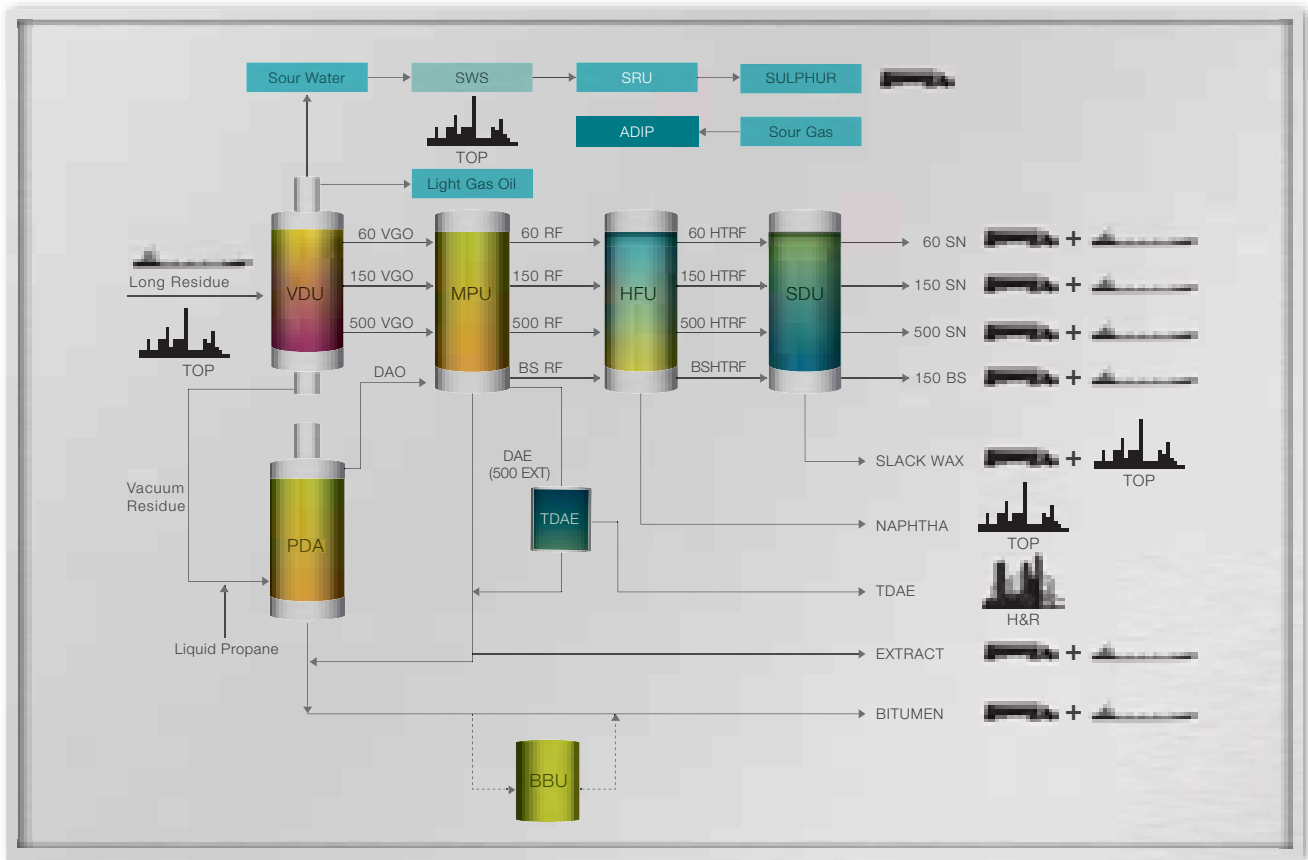
Crude and Feedstock Refining Processes (including Petrochemical and Lubricating Oil Processing) of Thairoil Group



Flow diagram of Thairoil Refinery



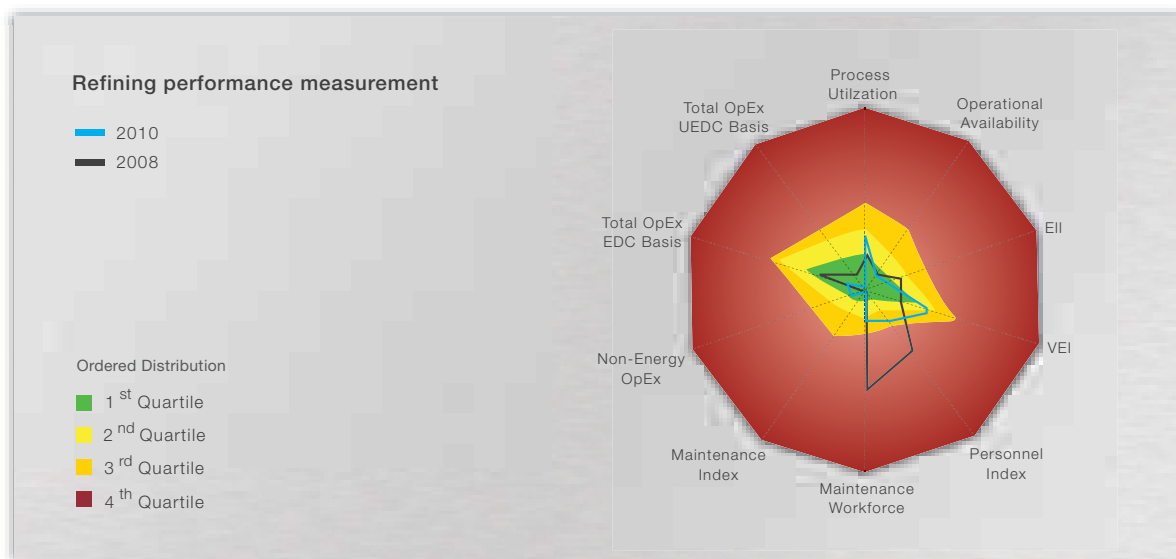
Flow diagram of Thai Paraxylene with aromatics outputs, feedstock for the downstream petrochemical industry



Flow diagram of Thai Lube Base with lube base oil outputs

### Refining Performance Measurement

Since Shell Global Solutions International (SGSI), Thairoil's technical consultant, has stopped reporting the annual refining performances beginning this year, Thairoil can no longer report benchmarking of its refining performance against those in the Shell refining group. However, to illustrate assorted performances over the past year in comparison with previous comparisons, the Company based its refining performance benchmarking with a group of Asia Pacific refineries, undertaken every two years by Solomon Associates of the US. As seen in the spider chart, Thairoil's performance is seen in the key indicators.



Benchmarking of Thairoil Refinery's performance in 2010 against 2008, based on the quartile results of an Asia Pacific refinery group participating in a 2008 study

Based on the refining performance trend and benchmarking between 2010 and 2008, Thairoil's operating expenses including the maintenance index, belonged to the first quartile. The energy intensity index improved this year. Thairoil's personnel index, including the maintenance workforce, registered remarkable improvement over the last survey since Thairoil improved its personnel data reporting format in line with the processing-related nature of work.

\*As defined by Solomon Associates, quartile means ordered distribution into four equal portions:

1<sup>st</sup> quartile (green): **good performance**

2<sup>nd</sup> quartile (yellow): **satisfactory performance**

3<sup>rd</sup> quartile (orange): **fair performance**

4<sup>th</sup> quartile (red): **poor performance**

## Environmental Performance

Thaioil Group's environmental activities have consistently been geared toward a balance between management, the environment, business development, and social development on a path toward corporate excellence and sustainability in Asia Pacific. Attention to production and management of every process to ensure environment-friendliness, improvement of combustion efficiency and reduction of substances affecting the global climate, workplace stewardship, and management of resources and the environment in a sustainable and systematic way—these show our commitment to resource management for maximum, integrated benefit through the integration of Thaioil Group's environmental management capacity to pursue community environmental projects.

### Attention to Production and Management of Every Process to Ensure Environment-Friendliness

Thaioil has installed a unit to produce EURO IV-standard gasoline unit for both 95-octane and 91-octane grades with tenfold reduction of sulfur in gasoline, and a Treated Distillate Aromatics Extract (TDAE) unit, which lowers the dissipation of hazardous contaminants due to worn-out auto-tires.

Thaioil pays attention to process management by installing an additional Sulfur Recovery Unit (SRU) and a Tail Gas Treating Unit (TGTU), together with a Vapor Recovery Unit (VRU) to control the level of volatile compounds in the surroundings during petroleum product loading.

### Improvement of Combustion Efficiency and Reduction of Substances Affecting the Global Climate

Thaioil is committed to cost-effective use of resources in its processes to minimize pollutants, with a goal to move into the first quartile for energy consumption in production processes in benchmarking by Solomon Associates, an internationally recognized body. It also plans to register several combustion efficiency projects as Clean Development Mechanism projects to illustrate its efforts to conserve energy and maintain global climatic conditions.

### Workplace Stewardship

Thaioil manages its Volatile Organic Compounds (VOCs) and participates in a VOC management project with the Department of Industrial Works by measuring, monitoring, preventing, maintaining, and calibrating its machines and equipment to eliminate VOC release in every area—including process equipment, storage tanks, product loading, combustion systems, and wastewater treatment systems—to ensure healthy workplaces for employees and the communities around Thaioil Group's facilities.

### **Management of Resources and the Environment in a Sustainable and Systematic Way**

Thaioil executes a “5 Years Environmental Master Plan” project to enhance its capability for resource and environmental management while listening to all its stakeholders and adjusting Thaioil Group’s environmental plans to ensure that environmental management aligns with all stakeholders’ needs for sustainable co-existence.

It also proceeded with the “Soil and Groundwater Quality Investigation” project under Thaioil Group’s management standard, featuring prevention and monitoring of ground contamination of chemicals or oil, as well as monitoring of surface water. Since Thaioil’s present surroundings have turned into an industrial zone and congested communities, Thaioil’s investigation provides information on current surroundings and leads to measures for monitoring Thaioil Group’s areas and surroundings in the future. This is a proactive project for the overall sustainability of the Group’s social responsibility.

Thaioil is investigating the feasibility of the ZERO Discharge project, involving the reprocessing of discharge to filter out contaminants for reverse osmosis, which represents cost-effective use of water and reduction of water consumption from local water resources. It has also launched a project to use such treated water for public service.

### **Development of Community Skills through Thaioil Group’s Environmental Capability**

Through the “Zero Waste” project, Thaioil focuses on executing its business in tandem with social and environmental responsibility. The project promotes knowledgeable communities by promoting the concept of turning unused items into useful ones with the advice of local experts and through Thaioil Group’s support.

### **Occupational Health and Safety Management**

Into its 50<sup>th</sup> year of business operations, Thaioil still remains committed to the continuous cultivation of awareness among its personnel to develop a sustainable corporate safety culture by integrating the internationally accepted Enhanced Safety Management (ESM) with TIS 18001 and OSHAS-18001. Annual key performance indicators (KPIs) having to do with occupational health, safety, fire prevention and firefighting are instituted to measure its performance, for which defined leading and lagging safety indicators—both quantitative and qualitative—illustrate an overview of safety management.

On the whole, Thaioil’s safety execution commands superior safety statistics to refineries of the SGSI (Shell Global Solutions International Benchmarking) group. Thaioil’s key actions in 2010 are as follows:

1. Staged QSSHE workshops to review the 5-year KPI Master Plan with experts from SGSI to identify development gaps and areas for management system improvement, and to review strategic plans, action plans, and goals (short-term and long-term) under the above-mentioned master plan.
2. Campaigned for more potential incident reports (PIRs) by stressing that Thaioil and contract employees must file PIRs, which deal with actual events that do not cause injuries to workers or properties, including unsafe acts and conditions,



and reports of near-misses. Thairoil required that PIRs be used as a leading indicator and as proactive accident prevention data. Such campaigning fostered work safety awareness for the entire workforce and developed a sustainable safety culture.

3. Integrated the TOP Group Emergency Management System by developing TOP Group Emergency Response Procedures with complete alignment throughout and with consolidation of resources (personnel, tools, and equipment), communication networks, and pre-fire and pre-incident planning. This past year, emergency plan drills helped prepare Thairoil Group for such events and helped in the review of such plans, which consisted of annual drills, TOP Group tabletop exercises, emergency drills with agencies under counterpart cooperative agreements, and emergency drills with government agencies—including Chon Buri emergency drills and port security drills under the jurisdiction of the First Naval Area Command, known by the code NSP-EX 2010 (Naval Security Port Exercise 2010).

4. Won a Zero Accident Award from the Ministry of Labour in the form of a certificate under the Zero Accident Project to reduce work accidents to zero for the second year in a row and a gold plaque, as Thairoil was recognized as a workplace continuously without work stoppage for 10 million man-hours or more. Incidentally, Thairoil was the first domestic oil refinery to win this distinction illustrating its commitment to responsibility for safety management under a high standard.

5. Supported government and external agencies in line with its policy to provide information and expertise, as well as continually sharing experience on safety and fire prevention and firefighting. Thairoil specialists were invited to discuss, train others, and demonstrate practices dealing with safety and fire prevention and firefighting, and to serve on panels drafting requirements and laws dealing with occupational health, safety, and fire prevention and firefighting management. A Thairoil executive also served as chairman of the Oil Industry Environment Safety Group Association's (IESG's) Inland Emergency Response Sub-Committee (IERSC). In addition, Thairoil served as a clearing house for academic and technological expertise on the management of occupational health, safety, and fire prevention and firefighting, with regular visits by public and private agencies together with domestic and foreign educational institutions.

# WE ARE THAI OIL GROUP



The most important factor that has brought Thairoil to our present position is Thairoil people. Those who have been with us from the start, saw the transitions, witnessed the growth, fought through obstacles and shared in the success. Positive outlook, openness to new ideas and new learning, flexibility, and common goal—are the qualities that run through all the generations in the past 50 years. For us, pride in the organization is the driving force and inspiration to write the next page in the history of Thai energy industry—as a worthwhile private experience and a heritage to the next generation of Thairoil people.



## Thairoil People : The Most Important Part of Our Refined Experience

### Performance Driven

At Thairoil, we place high importance on the outcomes. We all strive to produce the best possible performance.

### Masterly

At Thairoil, we are the top-class professionals. Everything we do must be well thought, well planned and well executed.

### Integrity

At Thairoil, we take pride in everything we do. Our integrity comes from our passion and renowned experience.

### Sustainable

At Thairoil, we do things with 'future' in mind. We work to sustain our business, our communities, and our environment.



# HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT

## Personnel Competency Building and Development

Along with leading consultants, Thaioil has developed success profiles for all employees—consisting of competency, organizational knowledge, work experience, and personal attributes—for use in steering personnel assessment and preparation to meet business needs (both present and future) and respond efficiently to organizational change, thus leading to operational excellence and a High-Performance Organization (HPO). For instance, through the so-called ‘assessment center’ exercise, success profiles frame personnel assessment for potential readiness to meet the demand of higher jobs.

By playing a part in the career modeling of the job family, both in the same line and across career lines or job groups, success profiles give competency development clear goals that respond to both business needs and career growth.

Thaioil has prepared individual career plans and individual development plans for all employees across the company by considering functional, core, and leadership competencies suiting current jobs and future ones. It has also defined specific development approaches for individual job groups—corporate leaders, high-potential, and operational—under different strategic needs and focuses by integrating the 10:20:70 model, that is, 10% programmed learning or training, 20% knowledge and skill transfer from supervisors and mentors and 70% on-the-job training.

## Personnel Readiness Preparation

Thaioil undertakes this exercise to meet current and future business needs by managing assorted processes and tools. For instance, in priming personnel for current needs, it focuses on having all executives and employees participate in and understand corporate directions and goals, as well as performance expectations. Individual successes will then form part of Thaioil's overall success. Pooling of ideas and joint definition of goals and action plans—at corporate, department, section, and individual levels—then take place among supervisors and employees, who jointly and continually monitor business progress against the plans. Supervisors provide feedback and suggestions, coach, and support employees through encouragement and promotion of behaviors to improve performances. Performance measurement takes place at midyear and year-end performance appraisals. Middle management upward undergo core and leadership competency assessment called the 360-Degree Appraisal, the outcome of which forms a part of the plan to continually develop employees' performances and capability.

Preparation for future business needs relies on the above-mentioned assessment center to gauge competencies for higher jobs. This has been done for middle management upward.

For middle management upward—the so-called corporate leaders—Thaioil applies the ‘strength finder’ process to identify each person's strengths to develop them further in conjunction with the mentoring process.

In manpower preparation, Thairoil in collaboration with a leading consultant company forecasts manpower rate to be needed for business support in the next decade. The manpower is categorized for executives and employees in order to define strategies for manpower management, development plans for existing employees, recruitment of external resources, and human resources development. These strategies will support the optimization of resources to achieve the highest efficiency and to be comparable to the benchmark of leading organizations in the same industry worldwide.

One of the tools to help all levels of executives to manage and prepare human resources efficiently is the information systems. Thairoil has brought into use the new version of computer system - SAP ECC Version 6.0 and has reviewed and improved work processes and systems of human resources development and management through SAP for higher efficiency and faster performance. It is also beneficial to line managers to utilize the system and access information conveniently (Manager Self Services: MSS) and to allow employees to access necessary information (Employee Self Services: ESS). This will help strengthen and improve human resources management system and enhance confidence for employees and related parties.

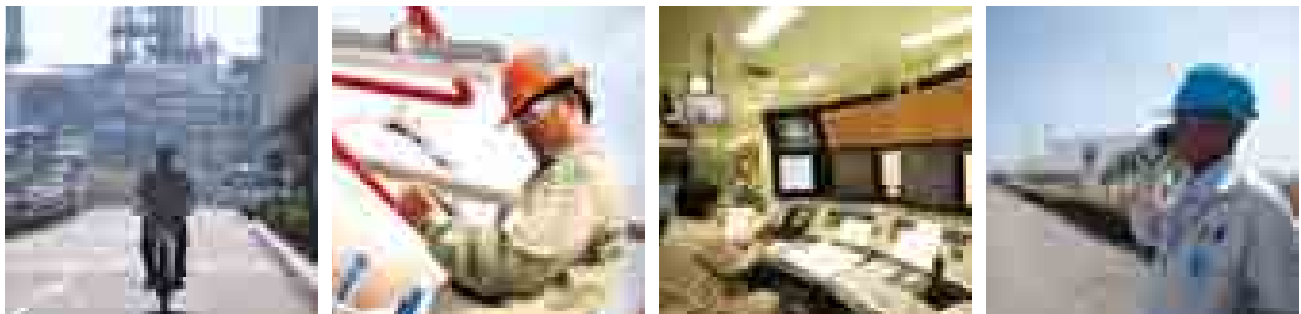
### **Integration of Personnel Capability and Engagement**

Recognizing that employee engagement plays a pivotal role in their work commitment and dedication to give Thairoil excellence and achievement of goals and mission, Thairoil takes good care of its personnel by promoting a happy workplace to give them career growth, suitable welfare, and a good family life. Employees participate in defining policies, services, and benefits through their lines of command and the Joint Advisory Committee (JAC)—now upgraded into the employee committee. Services and benefits, now standardized throughout Thairoil, were designed to suit the needs and expectations of employees of different groups and work conditions. At Thairoil, to assure employee engagement, a savings cooperative, cooperative store, and a provident fund have been set up for employees' sense of security, while a club has been built for physical fitness, recreational, religious, and cultural purposes to allow for a warm and livable society for families. Ideas and comments on various aspects have played a part in the improvement of such engagement, for which surveys are undertaken yearly. The survey outcomes have enabled Thairoil to modify its assorted work-related conditions. All these actions have raised employee engagement to over 82% (higher than leading Asia Pacific companies). Most employees retire at Thairoil, which has less than 0.25% in turnover—a very modest figure for leading companies.

Classified as a corporate strategic objective, Knowledge Management (KM) focuses on employee learning and development to overcome strategic challenges and develop personnel in time for business expansion and becoming a learning organization. Knowledge compilation and knowledge transfer among personnel proceed through the COSSAI (Capture, Organize, Store, Share, Apply, and Innovate) model. A KM governance committee of department representatives is jointly responsible for managing the KM process for unified companywide development and alignment with a focus on building corporate knowledge

base (KM portal), promotion of a knowledge-sharing culture among Thailoil Group through assorted activities—including Together We Share and KM Smile Award—for continual learning and capability expansion at the individual, group, and corporate levels.

Thailoil's corporate vision represents one of the great values of Thailoil Group that spawned its successes over nearly 50 years. Revised in 2007, this corporate value is now known by the acronym POSITIVE, which is the cornerstone of the development of core employee competencies aligning with the driving of Thailoil toward its goals. POSITIVE stands for Professionalism, Ownership and commitment, Social responsibility, Integrity, Teamwork and collaboration, Initiative, Vision focus, and Excellence striving. While aligning with PTT Group's values (SPIRIT) – a key supporting factor for the synergy of PTT Group companies based on trust, resulting from having the same objectives.



# CORPORATE SOCIAL RESPONSIBILITY

Thaioil has a vision to conduct a fully integrated refining and petrochemical business in the Asia-Pacific region for sustainable growth while appropriately creating satisfaction for stakeholders. To fulfill the vision, Thaioil takes into account balanced co-existence of the environment and social responsibility (CSR). As a leading energy producer in Asia, Thaioil is committed to developing a business for sustainable growth in parallel with due regard for the environment and safety and security of society. The Company earnestly reaches out to society through its CSR programs founded on its strengths and experience throughout 50 years in the energy industry. Thaioil's CSR programs starts from neighboring communities up to the national community with a focus on areas that still lack basic infrastructure. The Company focuses on blending the attempt on making the best use of energy with the Sufficiency Economy principle, which also stresses the best use of local natural resources. Thaioil, moreover, promotes efficient consumption of energy to enable remote communities lacking social opportunity to rely on themselves in managing their local resources so that their livelihood and quality of life could be raised. The five strategies Thaioil has been using in carrying out CSR programs are:

1. Applying the strengths and experience as an energy expert in CSR programs, which reflects the Company's commitment: 'Entering into the 50<sup>th</sup> year: Engineering Clean Energy, Sustaining Green World'.
2. Carrying out CSR programs in partnership with institutes or agencies that are opinion leaders, such as hospitals, universities, and NGOs, including the Energy for Environment Foundation (E for E).
3. By relying on Clean Development Mechanism, taking part in reducing global warming caused by imbalanced development
4. Putting more emphasis on in-depth CSR programs and activities for communities.
5. Creating public volunteering spirit among employees while encouraging participation in CSR projects and integrating CSR into their work.





Determined to grow a sustainable business while creating awareness of the environment and safety as well as providing earnest support for society, Thairoil Group has made use of their 50 years of experience, knowledge, and expertise in energy for the benefit of society, starting from communities in the refinery's neighborhood to those located away from public infrastructure. Thairoil subscribes to four principles:

**Workplace – Staff Participation :** This starts from within the Company by creating public volunteering spirit among staff to reach out to the community and follow the Company's CSR policy in running CSR activities.

**Environment – Clean Energy Leader :** In addition to striking a balance between doing business and taking care of the environment and society, Thairoil is a leader in the production of 'Cleaner Energy for Society' through the most advanced technology and innovation in environmentally friendly products to lessen global warming.

**Community – Strength Focused :** This is to further build up CSR strengths while upgrading the quality of life for community residents so that they can learn to go forward together in building up their sustainable livelihood on a sufficiency economy path with balanced and sustainable growth.

**Market Place – Integrated CSR to Thairoil Way :** This is to integrate strengths into expertise to create sustainability for society and stakeholders while applying a sustainable management approach into the organization to create values for enhancing competitiveness.

### CSR Projects Planned for 2011

Thairoil Group aims to run CSR activities in all parts of the country through projects based on the organization's nearly 50 years of knowledge and experience in energy for direct and immediate benefit to the community. More important, the development of these projects must involve employee participation for mutual knowledge and sustainability of the project. Thairoil Group will provide support in funds and technology and will follow up the progress of the project. The projects being implemented are:





#### >> Refinery Communities

1. Construction of '50 Years Thaioil' Emergency Building, Ao Udom Hospital, Sriracha
2. Alternative Energy Research and Development Center in collaboration with Kasetsart University, Sriracha Campus
3. Health Map (a survey on community health) in collaboration with Ao Udom Hospital and the Faculty of Nursing, Burapha University

#### >> National Communities

1. Projects to keep the 'Green Energy Mechanism' going, which run in partnership with E for E including
  - Small hydro-power plant
  - Power generation from biomass for health care stations in remote communities
  - Biogas production from animal farms at Ban Nares, Don Jaedee District, Supanburi Rrovince
  - Expansion of transmission lines from Huay Poo Ling Hydro-Power Plant to Ban Khun Ya School, Chiang Mai Province
  - Construction of a school building and donation of stationery items to Ban Khun Ya School
2. Project to build a sustainable clean energy city in honor of His Majesty the King at Umphang District, Tak Province, in collaboration with the Ministry of Energy and Energy for Environment Foundation
3. Renewable energy development project for communities in Mae Hong Son Province in collaboration with United Nations Development Programme (UNDP)
4. Commercialized renewable energy development
5. Projects in collaboration with many other organizations, including educational institutions and NGOs for the expansion of community development of renewable energy and support of efficient consumption of energy

#### CSR Projects Completed in 2010

In addition to activities incorporated into work processes where innovation is achieved from the most advanced technology with due regard for environmental impacts, environmental management, ecology development on Phubai Hill, and leadership in creating environmentally friendly products, Thaioil Group's CSR projects have gone beyond the Company's fence to Thai society at large. These programs fall into two categories:



>> **Refinery Communities**

**1. Health and Quality of Life Project : Thailoil Health and Learning Center for Communities** – Projects in this area were developed from continuous organization of public health and dental mobile units in collaboration with Ao Udom Hospital and the municipalities. These projects have now been expanded into provision of knowledge and skills to build up concrete and sustained strength of the community.

*In the words of the CEO: "It has been almost 50 years that Thailoil and the neighboring communities co-exist and play their roles as the protective fence for each other. Thailoil wants this center to be the people's second home where they can always visit and give advice the same way they do at home. They can be assured that their offspring will be brought up in an environment favorable for the development of their physical and mental health as well as their intellect."*

**2. Educational and Learning Support Projects :** Thailoil Scholarship Fund, Living Library (in collaboration with TK Park), Knowledge and Virtue Project, Creating Young Leaders Project, and Culture and Science Youth Camp

**3. Environmental Care Projects :** Environmental Conservation Project, project to study the processing of biodiesel from used cooking oil in collaboration with Kasetsart University

**4. Religious, Traditional, and Cultural Promotion Projects :** Various activities organized on religious and traditional occasions

**5. Development of Community Capability Projects :** Project to develop the capability of community committees, activities to enhance technical skills, and zero waste management

**6. Relationship-Building and Participation Promotion Projects :** Think and Do Together Project, Ban San Jai Open House Bringing Thai Youths to the Refinery Project, and Thailoil Young Ambassadors Project.



### >> National Communities

In collaboration with the Network for Sustainable Development, Thaioil Group relies on its CSR policy of making the best use of corporate strengths and specialty in energy for the benefit of society with a focus on bringing indigenous energy to generate electricity in remote areas and supporting efficient consumption of energy.

#### 1. “Green Energy Mechanism Project” in collaboration with E for E:

- Huay Poo Ling Hydro Power Plant in Chom Thong District, Chiang Mai Province : This project aims to help villagers living away from public infrastructure with a community hydro power plant.
- Project to enhance the efficiency of Stove Modification Tea Leave Steaming in Muang Pan District, Lampang Province: This project involves energy saving and promotion of a better environment while reducing the use of firewood. This year, the project resulted in the reduction of the use of firewood by 60% and deforestation of over 4,800 trees. Volunteer employees also played a part by jointly installing steamers with villagers.
- Community-scale hydro power plant to supply the temple and Champa Thong Waterfalls Park : A Pha Pa (monk robe presentation) ceremony was organized to raise funds for the power plant.
- Community-scale hydro power plant in Ban Pian village, Chiang Mai Province
- Community-scale hydro power plant in 31<sup>st</sup> Scout Troop Camp in Khlong Lan District, Kampaeng Phet Province, to support economic fishing in the area.

#### 2. National Learning Promotion

- Granting scholarships and institute funds : Her Royal Highness Princess Maha Chakri Sirindhorn Fund under the Patronage of Her Royal Highness Princess Maha Chakri Sirindhorn, ‘Thai Oil Public Company Limited Fund’ under the Anandamahidol Foundation
- Education support in collaboration with educational institutes: Chemical Engineering Practice School Program (ChEPS) project in collaboration with King Mongkut’s University of Technology Thonburi, Thaioil Scholarship Fund in commemoration of Professor Dr. Pramoj Chaivej, in collaboration with Engineering Institute of Thailand Foundation.

# THAILAND QUALITY AWARD

Thaioil strives for corporate excellence by comparing its performance against the Thailand Quality Award (TQA) criteria, a framework for management excellence accepted internationally and Thailand’s ultimate honor. Leveraging its steadily developed capability and firm commitment, Thaioil won the Thailand Quality Class (TQC) in 2009 from the first submission of report to be assessed by the Office of the Thailand Quality Award. Furthermore, Thaioil has maintained its high quality and won TQC again in 2010 from the second submission.

## 1. Preparation of Procedures and Performance under the TQA Application Report

This report illustrates well-coordinated management in various aspects against TQA criteria, with the following essences:

- >> A corporate structure that defines Thaioil as a whole together with factors about its essential characteristics and strategic circumstances, which serve as key premises for its policy and directions.
- >> Management tool arrangement and corporate format—meaning leadership, strategic planning, customer focus, knowledge measurement, knowledge analysis, and knowledge management. All these illustrate the relationship and integration of assorted tools to support Thaioil’s move toward management excellence.
- >> Key outcomes from various aspects of corporate management, illustrating levels, trends, comparisons, and integration of corporate performance indicators—which lead to tool development processes and consistent management systems; thus leading to the outcomes.

## 2. Assessment under TQA

This not only reviews compliance with the criteria, but also identifies strengths and weaknesses for management improvement toward excellence. That is to say, the outcomes of this assessment form development projects, such as:

Operational Excellence – further development toward excellence	Key Focus Area (5-year KPI) – collaboration between all levels of employee in striving for 5-year goal achievement
CG Excellence – maintenance of outstanding corporate governance	Proactive CSR Strategy - a proactive strategy for the sustainable development of cooperation with society and stakeholders
Enhanced STS Process and Alignment – potential development strategically that embellished both vertical and horizontal plane	Enterprise Risk Management – the organizational risk management for long-term and short-term security
Work System Verification & Improvement (ICT, BPT, and External Alliances) – internal process improvement and acquiring of alliances to address business needs	Enhanced HR System – the human resource management system

Thaioil remains committed to develop its management system for sustainability with the collaboration of all employees. TQA reflects the quality of corporate management against a set of criteria to generate ideas on corporate development and to keep making quality strides toward sustainability and security.

### **Operational Excellence**

Operational Excellence is the name given to a process of defining business strategies with an integration of buying, selling, and processing by Thaioil Group to achieve the goal of net profit from the performance of a given year.

At Thaioil, driven by executive management, Operational Excellence took off in 2008. The Company first instituted integrated business strategies by monitoring the movement and trends of the oil industry, the petrochemical industry, and related businesses for efficient and effective purchases of crude oil, product sales, and production by combining the initiatives of all employees while fostering the commitment of middle managers to promoting performance and enhancing linkages among internal units. In short, this cross-functional mode of work has enabled Thaioil to achieve its objectives and goals.

The Company stages quarterly Operational Excellence workshops. Each first-quarter workshop presents an overview of the global and domestic economy, the world oil market and aromatics market for defining or refining the strategies of units in charge of feedstock supply, product sales, and processing so that they can be assured of reaching their goals. The other quarterly workshops consist of performance monitoring and operating plan refinement to suit changing circumstances.

A total of four workshops took place this year, each time with senior and middle executives in attendance together with union representatives, totaling about 300. After each workshop, the executives conveyed essential business strategies to all employees through managers and line management for clear communication and genuine commitment to success.

Based on the assessment outcomes of such workshops, process development has arisen, consisting of learning, which does an excellent job of leading to common understanding among employees and healthy coordination among various units—thus promoting novel concepts. For the year, Thaioil had set a profit goal of 7,052 million baht. Early into the fourth quarter, the profit generated was approaching this number, so these successes were attributable to Operational Excellence, which illustrated how vital everyone's cooperation had been. Thaioil will therefore remain committed to developing the Operational Excellence process for sustainable growth and security of Thaioil Group.

### **Key Focus Areas**

As a result of Operational Excellence strategic formulation, Thaioil has initiated work processes to promote all employees' participation in its definition of Key Focus Areas (KFAs). In Q4 2009, a total of 16 KFA workshops were attended by employee representatives from all parts of the Company to identify the issues that they considered vital for work quality improvement and then include these issues in the 5-Year KPI Master Plan for 2010-2014, which charts the Company's move with continuous security and efficiency for goal achievement. Below are the KFAs for 2010.

- >> KFA 1 : Equipment Reliability
- >> KFA 2 : Human Resource Management
- >> KFA 3 : Quality, Safety, Occupational, Health, and Security Management
- >> KFA 4 : Productivity and Efficiency
- >> KFA 5 : Cost Management
- >> KFA 6 : Process Improvement
- >> KFA 7 : Income Growth
- >> KFA 8 : Corporate Social Responsibility.

The 2010-2014 5-Year KPI Master Plan was rolled out by executive management in February 2010, followed by workshops to convey operational plans to employees to cultivate awareness, forge understanding, and promote practices throughout the Company.

Executive management has instituted regular 5-Year KPI Master Plan refinement in the calendar in Q3 and Q4 of every year under the Plan-Do-Check-Act (PDCA) process for continuous improvement and alignment with corporate goals of assorted challenges every year. For 2011, a total of 12 KFAs are in force, with these KFAs added—KFA 9 (Innovation), KFA 10 (Value Chain Integration), KFA 11 (Enterprise Risk Management), and KFA 12 (Customer Focus)—to support achievement of more challenging operational excellence goals.

Thanks to KFA identification and the preparation of the 5-Year KPI Master Plan as a common operational approach for 2010, the cascading of Thairoil's goals to operating-level employees proved efficient, with employees commanding understanding and performing work that aligns with, supports, and promotes Thairoil Group's POSITIVE values in a tangible practice. Besides, all employees participated in the defining of goals and operational plans, heightened their awareness of respective ownership of goals, while jointly driving successful outcomes and achieving corporate goals in 2010 with pride.

### **Integrated Management System: ISO 9001/ISO 14001/TIS 18001/BS OHSAS 18001 and ISO/IEC 17025**

This integrated management system and this laboratory capability management system underscore Thairoil's definition of work processes dealing with quality, occupational health, safety, and the environment, which has constantly been concretely implemented since 1996 to win trust and credibility from public and private agencies, as well as other stakeholders. The focus is to institute systematic management quality development, consisting of formulation, implementation, maintaining, and continuous improvement.

This past year, Thairoil successfully underwent an audit by MASCI (Management System Certification Institute (Thailand)) of its integrated management system (ISO 9001/ISO 14001/TIS 18001/BS OHSAS 18001) and another by Thai Industrial Standards Institute of its laboratory capability management system (ISO/IEC 17025). Both audits showed no defect leading to non-conformity. Thairoil applied the requirements of such integrated management system to evolve innovative work processes with Thairoil Group, namely

1. Preparation of a reporting system for non-conformities and potential non-conformities, the so-called OFI (Opportunity For Improvement) Online, to promote workers' reporting of non-conforming work and events that could affect work processes—whether in the product quality, occupational health, safety, environmental, and security aspect or in the laboratory capability aspect. OFI Online has since been extended to Thai Paraxylene and Thai Lube Base.
2. With Thai Paraxylene, continuously maintained and improved the above-mentioned integrated management system and laboratory capability management system.

Staged QSHS Day 2010 “Commitment to Excellent QSHS” activities with participation by Thairoil Group employees and employees of business partners and cooperative partners serving Thairoil Group to promote these people's recognition of the benefit of such management systems. A ceremony was also held to present awards to those that had shown outstanding leadership and outstanding performance in various aspects of management.

### **Business Process Transformation (BPT) Project**

Spawned by the vision of Thairoil Group's management to improve work processes for greater efficiency, BPT is designed to facilitate business expansion and link performances among companies in the Group through these major changes:

- >> Substitution of SAP Version 4.7 by SAP ECC Version 6.0 after over a decade of service
- >> Substitution of the PACER maintenance software by the Plant Maintenance (PM) software
- >> Upgrading of the account processing system to support the IFRS accounting report format.

The first change involving SAP ECC Version 6.0—highly popular software accepted by leading worldwide organizations—links several work processes while being continually upgradable, thus raising business efficiency, shortening execution time, and lowering the volume of documents and reports. This not only lowers operating expenses, but also environmentally-friendly and able to responds to more needs on the part of customers.

BPT made its debut in April 2010 and is due to enter first-phase deployment by January 1, 2011, and to go full-steam ahead will be completely operated by June 2011.

# BOARD OF DIRECTORS

**Mr. Pichai Chunhavajira**

Chairman (Non-Executive)

Age 61 Yrs.



**Education**

- >> BA in Accounting, Thammasat University, Thailand
- >> MBA (Business Administration), Indiana University of Pennsylvania, U.S.A.
- >> Honorary Degree Doctor of Philosophy (Accounting), Thammasat University, Thailand
- >> Doctor of Philosophy (Honorable Financial Management), Mahasarakham University, Thailand
- >> National Defence College, Joint Public-Private Sector, Class 13, Thailand
- >> Certified Public Accountant, Registration No. 2918

**Training Courses for Directors of Thai Institute of Directors (IOD)**

- >> Certificate in Director Accreditation Program (DAP 49/2006)
- >> Certificate in Director Certification Program (DCP 110/2008)

**Other Training**

- >> Capital Market Academy Leadership Program, Capital Market Academy, Class 5

**Working Experience in the 5 Preceding Years**

- 2001-2007 Senior Executive Vice President, Corporate Finance & Accounting, PTT Public Company Limited
- 2003-2008 Director and Audit Committee Member, Siam Commercial Bank Public Company Limited
- 1996-2009 Director, Dhipaya Insurance Public Company Limited
- 2000-2009 Chairman, Thappline Company Limited
- 2005-2009 Director, PTT Chemical Public Company Limited
- 2007-2009 Director, PTT Aromatics and Refining Public Company Limited
- 2008-2009 Chief Financial Officer, PTT Public Company Limited

**Present Positions**

**1. Listed Company (5)**

- >> Director, PTT Public Company Limited
- >> Director, IRPC Public Company Limited
- >> Director, Bangchak Petroleum Public Company Limited
- >> Director, PTT Exploration and Production Public Company Limited
- >> Director, Thai Airways International Public Company Limited

**2. Public Company (1)**

- >> Director, Thai Lube Base Public Company Limited

**3. Limited Company (2)**

- >> Chairman, Thaioil Ethanol Company Limited
- >> Director, Thaioil Power Company Limited

**4. Other Organizations/Institutions (3)**

- >> University Council Member of Assumption University
- >> Audit Committee Member, Mahidol University
- >> Vice President and Chairman of the Managerial Accounting Committee, Federation of Accounting Professions

% of Shareholding	- None
Conflict of Interest	- None
Family Relationship among Company's Directors	- None
Dispute in the 10 preceding years	- None



**Mr. Manu Leopaibote**

Independent Director  
(Non-Executive)  
and Chairman of the  
Audit Committee  
Age 67 Yrs.

**Mr. Chaikasem Nitisiri**

Independent Director  
(Non-Executive)  
and Member of the  
Audit Committee  
Age 62 Yrs.

**Education**

- >> B.Sc. in Economics (Honors), Thammasat University, Thailand
- >> M.Sc. in Economics, University of Kentucky, U.S.A.
- >> Ph.D. in Business Administration (Honorary), Thammasat University, Thailand
- >> Certificate, Industrial Development, Nagoya Training Center, Japan
- >> National Defence College, Class 34

**Training Courses for Directors of Thai Institute of Directors (IOD)**

- >> Certificate in Role of Chairman Program (RCP 3/2001)
- >> Certificate in Director Certification Program (DCP 30/2003)

**Other Training**

- None

**Working Experience in the 5 Preceding Years**

- |           |  |
|-----------|--|
| 2004-2009 | Executive Chairman, Neighbouring Countries Economic Development Cooperation Agency (Public Organization) |
| 2005-2007 | Director, PTT Exploration and Production Public Company Limited  |
| 2005-2008 | Director, Thai Oil Public Company Limited  |
| 2005-2009 | Independent Director and Chairman of the Audit Committee, PTT Chemical Public Company Limited            |

**Present Positions****1. Listed Company (4)**

- >> Chairman, ARIP Public Company Limited
- >> Chairman, Polyplex (Thailand) Public Company Limited
- >> Chairman, Khon Kaen Sugar Industry Public Company Limited
- >> Chairman, Sherwood Chemicals Public Company Limited

**2. Public Company**

- None

**3. Limited Company (1)**

- >> Director, Thairoil Power Company Limited

**4. Other Organizations/Institutions (1)**

- >> Member of the Council of State, Group 5 (Trade and Industry Law)

% of Shareholding	0.0015
Conflict of Interest	- None
Family Relationship among Company's Directors	- None
Dispute in the 10 preceding years	- None

**Education**

- >> LL.B (Honours) Chulalongkorn University, Thailand
- >> Thai Barrister at law
- >> LL.M. Columbia University, U.S.A.
- >> Honorary Doctor of Law, Ramkhamhaeng University, Thailand
- >> Honorary Doctor of Law, North-Chiang Mai University, Thailand

**Training Courses for Directors of Thai Institute of Directors (IOD)**

- >> Certificate in Director Certification Program (DCP 8/2001)
- >> Certificate in Role of Chairman Program (RCP 16/2007)
- >> Certificate in Financial Statements for Directors Program (FSD 5/2009)

**Other Training**

- >> Justice Administration Executive Program, Class 1
- >> Certificate, National Defense College, Class 38
- >> Executive Civil Service Program 1, Class 14
- >> Politics and Governance in Democratic Systems for Executive Course, Class 9
- >> Capital Market Academy Leadership Program, Capital Market Academy, Class 5
- >> Certificate in International Procurement, Georgetown University (1981)
- >> Public Director Certification Program, Public Director Institute (PDI), Class 6/2010, King Prajadhipok's Institute

**Working Experience in the 5 Preceding Years**

- |      |   |
|------|---|
| 2000 | Director General, Dept. of Intellectual Property and International Trade Litigation |
| 2001 | Director General, Dept. of Litigation of the Attorney General                       |
| 2002 | Director General, Dept. of Legal Counsel, Office of the Attorney General            |
| 2003 | Deputy Attorney General, Office of the Attorney General                             |
| 2007 | Attorney General, Office of the Attorney General                                    |

**Present Positions****1. Listed Company (1)**

- >> Independent Director, Member of Audit Committee, and Chairman of CG Committee, PTT Public Company Limited

**2. Public Company**

- None

**3. Limited Company**

- None

**4. Other Organizations/Institutions (7)**

- >> Senior Public Prosecutor (Advisor to the Attorney General)
- >> Director and Executive Board Chairman, Government Housing Bank
- >> Member, Council of State Committee
- >> Member, Yo-Nok University Board
- >> Member, Saint John University Board
- >> Member, Board of Royal Thai Police
- >> Counsel to Chairman, CAT Telecom Public Company Limited

% of Shareholding	- None
Conflict of Interest	- None
Family Relationship among Company's Directors	- None
Dispute in the 10 preceding years	- None

**Mr. Utid Tamwatin**  
**Independent Director**  
**(Non-Executive)**  
**and Member of**  
**Audit Committee**  
 Age 61 Yrs.



**Mr. Goanpot Asvinvichit**  
**Independent Director**  
**(Non-Executive)**  
**and Chairman of Nomination**  
**and Remuneration Committee**  
 Age 54 Yrs.



**Education**

- >> LL.B. (Honour), Thammasat University, Thailand
- >> Barrister at Law, the Thai Bar
- >> LL.M., University of California, Berkeley, U.S.A.
- >> The Joint State-Private Course, Class of 399, National Defence College, Thailand
- >> NIDA-Wharton Executive Leadership Program: Wharton School, University of Pennsylvania, U.S.A.

**Training Courses for Directors of Thai Institute of Directors (IOD)**

- >> Certificate in Director Certification Program (DCP 3/2000)

**Other Training**

- >> The Civil Service Executive Development Program: Office of The Civil Service Commission, Program I, Class of XI
- >> Customs International Executive Management Program: Australian Customs Services (CIEMP)
- >> Mini Master of Management, National Institute of Development Administration (NIDA)
- >> Economic Value Management (EVM): State Enterprise Policy Office and Stern Stewart & Co., Ltd.
- >> The Programme for Senior Executives in Criminal Justice Administration: Judicial Training Institute, Class 11

**Working Experience in the 5 Preceding Years**

- 2006-2008 Deputy Permanent Secretary, Expenditure and Liability Management Cluster, Ministry of Finance
- 2008-1 Oct 2009 Director-General, the Customs Department, Ministry of Finance

**Present Positions**

**1. Listed Company (2)**

- >> Chairman, Eastern Water Resources Development and Management Public Company Limited
- >> Director, Siam Commercial New York Life Public Company Limited

**2. Public Company (1)**

- >> Director, Pan Rajdhevee Group Public Company Limited

**3. Company Limited (1)**

- >> Advisor, CPB Equity Company Limited

**4. Other Organizations/Institutions**

- None

- % of Shareholding - None
- Conflict of Interest - None
- Family Relationship among Company's Directors - None
- Dispute in the 10 preceding years - None

**Education**

- >> B.A. in Economics, Thammasat University, Thailand
- >> M.A. in Business Administration, University of Southern California, U.S.A.
- >> Diploma, the National Defence Course for the Joint State-Private Sector, the National Defence College, Thailand

**Training Courses for Directors of Thai Institute of Directors (IOD)**

- >> Certificate in Director Accreditation Program (DAP 72/2008)
- >> Certificate in Director Certification Program (DCP 134/2010)
- >> Certificate in Role of the Compensation Committee (RCC 11/2010)

**Other Training**

- >> Certificate in Capital Market Academy Leadership Program, Class 5
- >> Certificate in Democratic Politics and Governance, King Prajadhipok's Institute

**Working Experience in the 5 Preceding Years**

- 2004-2007 Chief Executive Officer, Government Savings Bank
- 2007-2008 Director, IRPC Public Company Limited
- 2007-2009 United Nations Advisors Group on Inclusive Financial Sectors

**Present Positions**

**1. Listed Company (2)**

- >> Chairman of the Board, Thai Packaging & Printing Public Company Limited
- >> Advisory Board, MFC Asset Management Public Company Limited

**2. Public Company**

- None

**3. Limited Company (1)**

- >> Chairman of the Board, CIMB-Principal Asset Management Company Limited

**4. Other Organizations/Institutions (2)**

- >> Advisory Board, Board of Trade of Thailand
- >> Chairman, MFC Energy Fund

- % of Shareholding - None
- Conflict of Interest - None
- Family Relationship among Company's Directors - None
- Dispute in the 10 preceding years - None

**Ms. Puongpech Sarakun**  
Independent Director  
(Non-Executive)  
and Member of the Nomination  
and Remuneration Committee  
Age 64 Yrs.



**Mr. Tevin Vongvanich**  
Director (Non-Executive)  
and Member of the Nomination  
and Remuneration Committee  
Age 52 Yrs.



#### Education

- >> Bachelor of Laws, Thammasat University, Thailand
- >> National Defence College, Class 43, Thailand

#### Training Courses for Directors of Thai Institute of Directors (IOD)

- >> Certificate in Director Certification Program (DCP 131/2010)

#### Other Training

- >> Applied Psychology Institute, Class 45
- >> Civil Service Executive Development Program, Visionary and Moral Leadership, Class 1/4
- >> Naval War College, Class 27

#### Working Experience in the 5 Preceding Years

1999-2007	Director and Audit Committee Member, Tourism Authority of Thailand
2000-2007	Deputy Secretary-General of the Council of State
2002-2007	Board Member, Financial Institution Development Fund, Bank of Thailand
	Member of the 13 <sup>th</sup> and 14 <sup>th</sup> National Labour Committee
2006-2007	Member of the Constituent Assembly and Constitution Drafting Committee
2006-2008	Board Member, Town and Country Planning Board
2009	Legal Advisor, Bureau of the Royal Household

#### Present Positions

1. Listed Company - None
2. Public Company - None
3. Limited Company - None
4. Other Organizations/Institutions (4)
  - >> Councilor, The Council of State
  - >> Legal Advisor, Designated Areas for Sustainable Tourism Administration Board
  - >> Qualified Member, Rajamangala University of Technology Phra Nakhon
  - >> Director, The Energy Conservation Promotion Fund

% of Shareholding	- None
Conflict of Interest	- None
Family Relationship among Company's Directors	- None
Dispute in the 10 preceding years	- None

#### Education

- >> Bachelor in Engineering (Chemical Engineering) - 1<sup>st</sup> Honors Chulalongkorn University, Thailand
- >> Masters of Science (Chemical Engineering), Rice University, Texas, U.S.A.
- >> Masters of Science (Petroleum Engineering), University of Houston, Texas, U.S.A.

#### Training Courses for Directors of Thai Institute of Directors (IOD)

- >> Certificate in Director Certification Program (DCP 21/2002)
- >> Certificate in Financial Statement for Directors (FSD 6/2009)

#### Other Training

- >> Certificate in Senior Executive Program (S.E.P. 7), SASIN Institute
- >> Certificate in Program for Global Leadership (PGL 3), Harvard Business School, U.S.A.
- >> Democracy for Senior Executives Program, Class 10, King Prajadhipok's Institute
- >> Certificate in Capital Market Academy Leadership Program, Class 6,
- >> National Defence College Class 2009 (NDC 2552)

#### Working Experience in the 5 Preceding Years

2004-2007	Executive Vice President, Corporate Business Development, PTT Public Company Limited
2008-2009	Senior Executive Vice President, Corporate Strategy & Development, PTT Public Company Limited
2009-2010	Chief Financial Officer and Acting Senior Executive Vice President, Corporate Strategy & Development, PTT Public Company Limited
2010-Present	Chief Financial Officer, PTT Public Company Limited

#### Present Positions

1. Listed Company (3)
  - >> Director, PTT Aromatics and Refining Public Company Limited
  - >> Director, PTT Chemical Public Company Limited
  - >> Director, PTT Exploration and Production Public Company Limited
2. Public Company - None
3. Limited Company (2)
  - >> Chairman, PTT ICT Solutions Company Limited
  - >> Director, PTT International Company Limited
4. Other Organizations/Institutions (2)
  - >> Fellow Member, Thai Institute of Directors (IOD)
  - >> Chairman of Thailand Management Association (TMA)

% of Shareholding	- None
Conflict of Interest	- None
Family Relationship among Company's Directors	- None
Dispute in the 10 preceding years	- None

**Mr. Banphot Hongthong**  
 Independent Director  
 (Non-Executive)  
 and Chairman of the Corporate  
 Governance Committee  
 Age 63 Yrs.



**Mr. Apisak Tantivorawong**  
 Independent Director  
 (Non-Executive)  
 and Member of the Corporate  
 Governance Committee  
 Age 57 Yrs.



**Education**

- >> B.A. (Economics), Northeastern University, U.S.A.
- >> M.A. (Economics Development), Northeastern University, U.S.A.

**Training Courses for Directors of Thai Institute of Directors (IOD)** - None

**Other Training**

- >> Certificate in Capital Market Academy Leadership Program, Class 9

**Working Experience in the 5 Preceding Years**

- 2007 Member, National Legislative Assembly
- 2008-2009 Director, Thaioil Ethanol Company Limited

**Present Positions**

**1. Listed Company (1)**

- >> Independent Director and Member of Audit Committee, Grand Canal Land Public Company Limited

**2. Public Company (1)**

- >> Advisor to the Board of Directors and Chief Executive Officer, Standard Chartered Bank (Thai) Public Company Limited

**3. Limited Company (1)**

- >> Director, Evergreen Plus Company Limited

**4. Other Organizations/Institutions (7)**

- >> Advisor to the Permanent Secretary, Ministry of Agriculture and Cooperatives
- >> Advisor to the Queen Sirikit Department of Sericulture
- >> Advisor, the Thai National Shippers' Council
- >> Honorable Committee of the Council Member of Rajamongkon University of Technology Isan
- >> Advisor to the Administration of the Land Development Department
- >> Honorary Advisor of the Committee on Agriculture and Cooperatives of the Senate
- >> Recruitment and Development Committee of Listed Companies, The Stock Exchange of Thailand

- % of Shareholding - None
- Conflict of Interest - None
- Family Relationship among Company's Directors - None
- Dispute in the 10 preceding years - None

**Education**

- >> B.Sc. in Chemical Engineering, Chulalongkorn University, Thailand
- >> MBA Industrial Management, University of Tennessee, U.S.A.

**Training Courses for Directors of Thai Institute of Directors (IOD)**

- >> Certificate in Director Certification Program (DCP 18/2002)

**Other Training**

- >> National Defence College, Joint State-Private Sector, Class 16

**Working Experience in the 5 Preceding Years**

- 2007-2009 Chairman, ASEAN Bankers' Association
- 2006-2010 Independent Director, Indorama Polymers Public Company Limited
- 2007-2010 Chairman, Thai Bankers' Association
- 2007-2010 Director, Thai Asset Management Corporation (TAMC)
- 2007-2010 Director, Board of Investment (BOI)
- 2004-Present President, Krungthai Bank Public Company Limited

**Present Positions**

**1. Listed Company (1)**

- >> Director and President, Krungthai Bank Public Company Limited

**2. Public Company**

- None

**3. Limited Company**

- None

**4. Other Organizations/Institutions**

- None

- % of Shareholding - None
- Conflict of Interest - None
- Family Relationship among Company's Directors - None
- Dispute in the 10 preceding years - None

**Mr. Prajya Phinyawat**  
 Director (Non-Executive)  
 and Member of the Corporate  
 Governance Committee  
 Age 58 Yrs.



**Pol. Gen. Adul Sangsingkeo**  
 Independent Director  
 (Non-Executive)  
 Age 56 Yrs.



#### Education

- >> B.E. in Civil Engineering, Chulalongkorn University, Thailand
- >> MS.c. in Civil Engineering, Stanford University, U.S.A.
- >> Ph.D. in Civil Engineering, University of Texas at Austin, U.S.A.
- >> Diploma, the National Defence Course for the Joint State-Private Sector, the National Defence College, Thailand

#### Training Courses for Directors of Thai Institute of Directors (IOD)

- >> Certificate in Director Certificate Program (DCP 14/2002)

#### Other Training

- >> Capital Market Academy Leadership Program, Capital Market Academy, Class 7

#### Working Experience in the 5 Preceding Years

- |              |  |
|--------------|--|
| 2004-2007    | Senior Executive Vice President, Petrochemicals and Refining Business Group, PTT Public Company Limited  |
| 2008-Present | Chief Operating Officer, Downstream Petroleum Business Group and Senior Executive Vice President Oil Business Unit, PTT Public Company Limited |

#### Present Positions

##### 1. Listed Company (4)

- >> Chief Operating Officer, Downstream Petroleum Business Group and Senior Executive Vice President, Oil Business Unit, PTT Public Company Limited
- >> Director, Chairman of Risk Management Committee, and Corporate Governance Committee, PTT Aromatics and Refining Public Company Limited
- >> Director, Chairman of the Corporate Governance Committee, and Director to the Nomination Committee, PTT Chemical Public Company Limited
- >> Director, Executive Director, and Corporate Governance Director, IRPC Public Company Limited

##### 2. Public Company (2)

- >> Director, Thai Lube Base Public Company Limited
- >> Director, Bangkok Polyethylene Public Company Limited

##### 3. Limited Company (9)

- >> Chairman of the Board, PTT Phenol Company Limited
- >> Chairman of the Board, PTT Polyethylene Company Limited
- >> Chairman of the Board, PTT Asahi Chemical Company Limited
- >> Chairman of the Board, PTT Polymer Logistics Company Limited
- >> Chairman of the Board, PTT Polymer Marketing Company Limited
- >> Chairman of the Board, PTT Tank Terminal Company Limited
- >> Chairman of the Board, HMC Polymers Company Limited
- >> Director, Royong Olefins Company Limited
- >> Director, Thai Paraxylene Company Limited

##### 4. Other Organizations/Institutions

- |   |        |
|---|--------|
| % of Shareholding                             | - None |
| Conflict of Interest                          | - None |
| Family Relationship among Company's Directors | - None |
| Dispute in the 10 preceding years             | - None |

#### Education

- >> B.A. Public Administration (Class 29), Royal Thai Police Cadet Academy, Thailand
- >> M.A. Social Science, Kasetsart University, Thailand
- >> Diploma National Defence College, Class 42, Royal Thai Armed Force, Thailand

#### Training Courses for Directors of Thai Institute of Directors (IOD)

- None

#### Other Training

- >> The Program for Senior Executives on Justice Administration, Class 14 National Justice Academy, Office of Judiciary
- >> Certificate in Capital Market Academy Leadership Program, Class 5
- >> Joint Staff Course, Class 33, Joint Staff College, Royal Thai Armed Forces
- >> Senior Crisis Management Seminar, Washington D.C., U.S.A.
- >> Mass Transit Security Seminar, Washington D.C., U.S.A.
- >> Antiterrorism Executive Forum, Washington D.C., U.S.A.

#### Working Experience in the 5 Preceding Years

- |              |  |
|--------------|--|
| 2006         | Assistant Commissioner General, Royal Thai Police Caretaker of Commissioner of Provincial Police Region 9, Acting Commissioner of the Command and Operation Center (Forward Post), Royal Thai Police |
| 2007         | Assistant Commissioner General, Acting Commissioner of the Command and Operation Center (Forward Post), Royal Thai Police  |
| 2009         | Advisor to Royal Thai Police (Security and Special Tasks)  |
| 2010-Present | Deputy Commissioner-General, Royal Thai Police   |

#### Present Positions

##### 1. Listed Company (1)

- >> Director, MFC Asset Management Public Company Limited

##### 2. Public Company

- None

##### 3. Limited Company (1)

- >> Director, Bothong Windfarms Company Limited

##### 4. Other Organizations/Institutions (2)

- >> Director, Board of the Market Organization, Ministry of Interior
- >> Director, Industrial Estate Authority of Thailand

- |   |        |
|---|--------|
| % of Shareholding                             | - None |
| Conflict of Interest                          | - None |
| Family Relationship among Company's Directors | - None |
| Dispute in the 10 preceding years             | - None |



**Mr. Naris Chaiyasoot**  
 Director (Non-Executive)  
 Age 55 Yrs.



**LTG. Tawatchai Samutsakorn**  
 Independent Director  
 (Non-Executive)  
 Age 58 Yrs.



**Education**

- >> B.A. Economics (Honor), Thammasat University, Thailand
- >> M.A. Economics (English Program), Thammasat University, Thailand
- >> Ph.D Economics, University of Hawaii, U.S.A.

**Training Courses for Directors of Thai Institute of Directors (IOD)**

- >> Certificate in Director Accreditation Program (DAP 32/2005)
- >> Certificate in Finance for Non-Finance Director (FND 19/2005)
- >> Certificate in Director Certification Program (DCP 82/2006)

**Other Training**

- >> Certificate in Population Studies, University of Hawaii, U.S.A.
- >> Certificate in National Defence College, Class 39
- >> Certificate in Capital Market Academy Leadership Program, Capital Market Academy, Class 4

**Working Experience in the 5 Preceding Years**

- 2006-2007 Inspector-General, Ministry of Finance
- 2008-2009 Chief Inspector-General, Ministry of Finance
- 2009-2010 Deputy Permanent Secretary, Ministry of Finance
- 2010-Present Director-General, Fiscal Policy Office, Ministry of Finance

**Present Positions**

- 1. Listed Company (1)**
  - >> (Acting) Chairman, PTT Public Company Limited
- 2. Public Company** - None
- 3. Public Enterprises (1)**
  - >> President, Export-Import Bank of Thailand
- 4. Other Organizations/Institutions (13)**
  - >> Chairman, National Economics Research Council
  - >> Chairman, Deposit Protection Agency
  - >> Board Member, Capital Market Supervisory Board (CMSB)
  - >> Board Member, National Economic and Social Development Board
  - >> Board Member, Government Pension Fund
  - >> Board Member, Bank of Thailand
  - >> Board Member, Thai Prosperity Advisory Company Limited
  - >> Board Member, Ananthamahidol Foundation, Thammasat Division
  - >> Board Member, Thammasat University Council
  - >> President, East West Center and Hawaii Alumni Group of Thailand
  - >> President, Thailand Special Olympics
  - >> President, Thammasat Association
  - >> President, Thewphaingarm Parent and Teacher Association

- % of Shareholding - None
- Conflict of Interest - None
- Family Relationship among Company's Directors - None
- Dispute in the 10 preceding years - None

**Education**

- >> Bachelor of Science, Chulachomkiao Royal Military Academy, Thailand
- >> Master of Development Administration, National Institute of Development Administration (NIDA), Thailand

**Training Courses for Directors of Thai Institute of Directors (IOD)**

- >> Certificate in Director Certification Program (DCP 138/2010)
- >> Certificate in Financial Statement for Directors (FSD 9/2010)

**Other Training**

- >> Royal Thai Armed Forces Staff College Class 63
- >> Army War College Class
- >> National Defence College 2005
- >> Social Peace Building, Class 1, King Prajadhipok's Institute
- >> Advanced Security Management Programme, Class 1, National Defence College

**Working Experience in the 5 Preceding Year**

- 2005 The 6<sup>th</sup> Infantry Division Commanding General
- 2007 The 2<sup>nd</sup> Army Area Deputy Commander
- 2009 The 2<sup>nd</sup> Corps Commander

**Present Positions**

- 1. Listed Company** - None
  - 2. Public Company** - None
  - 3. Limited Company** - None
  - 4. Other Organizations/Institutions** - None
- % of Shareholding - None
  - Conflict of Interest - None
  - Family Relationship among Company's Directors - None
  - Dispute in the 10 preceding years - None

**Mr. Surong Bulakul**  
 Director (Executive)  
 and Secretary to the Board  
 Age 55 Yrs.



**Mr. Somnuk Kyavatanakij**  
 Independent Director  
 (Non-Executive)  
 and Chairman of the Board  
 (Completed the term at 2010  
 Annual General Meeting  
 of Shareholders)  
 Age 50 Yrs.



#### Education

- >> B.Sc. in Industrial Engineering and Operations Research, Syracuse University, U.S.A.
- >> M.Eng. in Operations Research, Cornell University, U.S.A.
- >> MBA, Cornell University, U.S.A.

#### Training Courses for Directors of Thai Institute of Directors (IOD)

- >> Certificate in Director Certification Program (DCP 121/2008)

#### Other Training

- >> PMD, Harvard University, U.S.A.
- >> Certificate in Democratic Politics and Governance, Class 8, King Prajadhipok's Institute
- >> National Defence College, Class 4919
- >> Certificate in Capital Market Academy Leadership Program, Class 10

#### Working Experience in the 5 Preceding Years

- |           |   |
|-----------|---|
| 2005-2007 | Executive Vice President, International Trading, PTT Public Company Limited                     |
| 2008-2009 | Senior Executive Vice President International Trading Business Unit, PTT Public Company Limited |

#### Present Positions

##### 1. Listed Company (1)

- >> Senior Executive Vice President, Chief Operating Officer, PTT Public Company Limited

##### 2. Public Company (1)

- >> Director, Thai Lube Base Public Company Limited

##### 3. Limited Company (12)

- >> Chairman, PTT International Trading DMCC
- >> Chairman, PTT International Trading Pte. Ltd.
- >> Chairman, Thai Paraxylene Company Limited
- >> Director, PTT Green Energy Company Limited
- >> Director, PTT Polymer Marketing Company Limited
- >> Director, Thairoil Marine Company Limited
- >> Director, Independent Power (Thailand) Company Limited
- >> Director, Thairoil Energy Solutions Company Limited
- >> Director, Thairoil Ethanol Company Limited
- >> Director, Thairoil Power Company Limited
- >> Director, Thairoil Solvent Company Limited
- >> Director, Sapthip Company Limited

##### 4. Other Organizations/Institutions (1)

- >> Member Of PTIT Council Of Trustees

% of Shareholding	0.0032
Conflict of Interest	- None
Family Relationship among Company's Directors	- None
Dispute in the 10 preceding years	- None

#### Education

- >> B.Sc. in Industrial Engineering, Chulalongkorn University, Thailand
- >> M.Sc. in Operation Research, Florida Institute of Technology, U.S.A.

#### Training Courses for Directors of Thai Institute of Directors (IOD)

- >> Certificate in Director Accreditation Program (DAP 2003)
- >> Certificate in Director Certification Program (DCP 59/2005)
- >> Certificate in Role of Chairman Program (RCP 19/2008)

#### Other Training

- >> Certificate in Democratic Politics and Governance, Class 8, King Prajadhipok's Institute
- >> Certificate in Justice Program, Class 11, National Academy of Justice
- >> Certificate in Capital Market Academy Leadership Program, Class 9

#### Working Experience in the 5 Preceding Years

- |           |   |
|-----------|---|
| 2002-2008 | Director, East Water Public Company Limited   |
| 2005-2006 | Advisor, Subcommittee in Investments and Risk Management, Thailand Tobacco Monopoly |
| 2008      | Director, IRPC Public Company Limited   |
| 2009      | Chairman, Thairoil Ethanol Company Limited  |
| 2008-2010 | Chairman, Thai Oil Public Company Limited   |

#### Present Positions

##### 1. Listed Company (1)

- >> Director President and CEO, Tong Hua Communications Public Company Limited

##### 2. Public Company

- None

##### 3. Limited Company (8)

- >> Chairman, Internet Venture Company Limited
- >> Chairman, T.C. Exhibition Service Company Limited
- >> Chairman, V.R. One Radio Company Limited
- >> Chairman, Bangkok Ratanagosin Printing Company Limited
- >> President, Sacron and Son Company Limited
- >> Director, Thai Paraxylene Company Limited
- >> Director, Ital Siam Motor Sales Company Limited
- >> Director, Bangpa-in Golf Company Limited

##### 4. Other Organizations/Institutions (1)

- >> Director, The National Press Council of Thailand

% of Shareholding	- None
Conflict of Interest	- None
Family Relationship among Company's Directors	- None
Dispute in the 10 preceding years	- None

**Gen. Prayut Chan-O-Cha**  
**Independent Director**  
**(Non-Executive)**  
**and Chairman of the**  
**Corporate Governance Committee**  
 (Completed the term at 2010  
 Annual General Meeting  
 of Shareholders)  
 Age 56 Yrs.



**Mr. Prasert Bunsumpun**  
**Director (Non-Executive)**  
**and Member of the Nomination**  
**and Remuneration Committee**  
 (Completed the term at 2010  
 Annual General Meeting  
 of Shareholders)  
 Age 58 Yrs.



#### Education

- >> Armed Forces Academies Preparatory School (AFAPS), Class 12, Thailand
- >> Chulachomklao Royal Military Academy (CRMA), Class 23, Thailand
- >> Infantry Officer Basic Course, Class 51, Thailand
- >> Infantry Officer Advanced Course, Class 38, Thailand
- >> Command and General Staff College (CGSC), Class 63, Thailand
- >> National Defence College (NDC) 5020, Thailand

#### Training Courses for Directors of Thai Institute of Directors (IOD)

- >> Certificate in Director Certification Program (DCP 104/2008)

#### Other Training

- None

#### Working Experience in the 5 Preceding Years

2006-2008	Commanding General, 1st Army Area
2008-2009	Chief of Staff, Royal Thai Army
2007-2010	Independent Director (non-executive) and Chairman of the Corporate Governance Committee, Thai Oil Public Company Limited
2009-2010	Deputy Commander in Chief, Royal Thai Army
Present	Commander in Chief, Royal Thai Army

#### Decorations

1990	The Rama Medal for Gallantry in Action of the Honourable Order of Rama
1999	The Grand Companion (Third Class, Higher Grande) of the Most Illustrious Order of Chula Chom Klao
2002	Knight Grand Cross (First Class) of the Most Noble Order of the Crown of Thailand
2005	Knight Grand Cross (First Class) of the Most Exalted Order of the White Elephant
2008	Knight Grand Cordon of the Most Noble Order of the Crown of Thailand
2010	Knight Grand Cordon (Special Class) of the Most Exalted Order of the White Elephant

#### Present Positions

<b>1. Listed Company</b>	- None
<b>2. Public Company</b>	- None
<b>3. Limited Company</b>	- None
<b>4. Other Organizations/Institutions</b>	- None
% of Shareholding	- None
Conflict of Interest	- None
Family Relationship among Company's Directors	- None
Dispute in the 10 preceding years	- None

#### Education

- >> B.Sc. in Civil Engineering, Chulalongkorn University, Thailand
- >> MBA, Utah State University, U.S.A.
- >> Honorary Doctoral in Engineering, Chulalongkorn University, Thailand
- >> Honorary Doctoral in Management, National Institute of Development Administration (NIDA), Thailand
- >> Honorary Doctoral in Management, Phetchaburi Rajabhat University, Thailand
- >> National Defence College, Joint Public-Private Sector, Class 10, Thailand

#### Training Courses for Directors of Thai Institute of Directors (IOD)

- >> Certificate in Director Accreditation Program (DAP 26/2004)

#### Other Training

- >> Certificate in Advanced Management Program (AMP 155), Harvard Business School, Harvard University, U.S.A.
- >> Certificate in Democratic Politics and Governance, Class 6, King Prajadhipok's Institute
- >> Certificate in Capital Market Academy Leadership Program, Class 3

#### Working Experience in the 5 Preceding Years

2003-2007	President, PTT Public Company Limited
2007-2010	Director (Non-Executive) and Member of the Nomination and Remuneration Committee, Thai Oil Public Company Limited

#### Present Positions

##### 1. Listed Company (5)

- >> President & CEO, PTT Public Company Limited
- >> Chairman, PTT Exploration and Production Public Company Limited
- >> Vice Chairman, IRPC Public Company Limited
- >> Vice Chairman, PTT Chemical Public Company Limited
- >> Director, PTT Aromatics and Refining Public Company Limited

##### 2. Public Company (1)

- >> Chairman, Thai Lube Base Public Company Limited

##### 3. Limited Company (2)

- >> Chairman, Independent Power (Thailand) Company Limited
- >> Chairman, Thaioil Power Company Limited

##### 4. Other Organizations/Institutions

	- None
% of Shareholding	- None
Conflict of Interest	- None
Family Relationship among Company's Directors	- None
Dispute in the 10 preceding years	- None



**Mr. Krairit Nilkuha**  
Independent Director  
(Non-Executive)  
and Member of the  
Audit Committee  
(Resigned during  
the year 2010)  
Age 59 Yrs.



**Mr. Nontigorn Kanchanachitra**  
Independent Director  
(Non-Executive)  
and Chairman of the  
Nomination and  
Remuneration Committee  
(Resigned during  
the year 2010)  
Age 55 Yrs.



#### Education

- >> B.Sc. in Mechanics Engineering, Kasetsart University, Thailand
- >> M.Sc. in Petroleum Engineering, New Mexico Institute of Mining and Technology, U.S.A.

#### Training Courses for Directors of Thai Institute of Directors (IOD)

- >> Certificate in Audit Committee Continuing and Development Program (ACP 24/2008)

#### Other Training

- >> Certificate in Capital Market Academy Leadership Program, Class 8
- >> Diploma, the National Defense Course, Class 48 (2005), National Defence College

#### Working Experience in the 5 Preceding Years

2005-2007	Director, PTT Exploration and Production Public Company Limited
2005-2008	Director – General, Department of Mineral Fuels
2008-2009	Deputy Permanent Secretary, Ministry of Energy
2008-2010	Independent Director (non-executive) and Member of the Audit Committee, Thai Oil Public Company Limited

#### Present Positions

##### 1. Listed Company (2)

- >> Chairman of the Board, Bangchak Petroleum Public Company Limited
- >> Director and Member of the Remuneration Committee, PTT Public Company Limited

2. Public Company - None

3. Limited Company - None

##### 4. Other Organizations/Institutions (1)

- >> Director General Department of Alternative Energy Development and Efficiency, Ministry of Energy

% of Shareholding - None

Conflict of Interest - None

Family Relationship among Company's Directors - None

Dispute in the 10 preceding years - None

#### Education

- >> B.A. in Political Science, Chiang Mai University, Thailand
- >> MPA (Public Administration), Middle Tennessee State University, U.S.A.

#### Training Courses for Directors of Thai Institute of Directors (IOD)

- >> Certificate in Director Certification Program (DCP 102/2008)
- >> Certificate in Audit Committee Program (ACP 22/2008)
- >> Certificate in Financial Statement for Directors (FSD 1/2008)
- >> Certificate in Role of the Compensation Committee (RCC 6/2008)

#### Other Training

- >> National Defence College, Class 48
- >> Civil Service Executive Development Program, Visionary and Moral Leadership, Class 41
- >> Leadership Program, Capital Market Academy, Class 9

#### Working Experience in the 5 Preceding Years

2006-2008	Senior Advisor, Office of the Civil Service Commission
2008-2010	Deputy Secretary-General, Office of the Civil Service Commission Independent Director (non-executive) and Chairman of the Nomination and Remuneration Committee, Thai Oil Public Company Limited
2009-2010	Independent Director (non-executive) and Chairman of the Audit Committee, Asian Property Development Public Company Limited
2009-2010	Independent Director (non-executive) and Audit Committee, Interlink Communication Public Company Limited

#### Present Positions

##### 1. Listed Company (3)

- >> Chairman of the Board, PTT Chemical Public Company Limited
- >> Independent Director and Chairman of the Remuneration Committee, PTT Public Company Limited
- >> Independent Director, Corporate Governance and Social Responsibility Committee, Chairman of the Recruitment and Remuneration Committee, and Chairman of the Human Resource Development Committee, Krungthai Bank Public Company Limited

2. Public Company - None

3. Limited Company - None

##### 4. Other Organizations/Institutions (4)

- >> Secretary-General of Office of the Civil Service Commission
- >> Council Committee, Khon Kaen University
- >> Guest Lecturer, Faculty of Law, Chulalongkorn University
- >> Expert Committee in Personnel Management in various departments such as National Economic and Social Development Board, Department of Special Investigation, Department of Groundwater Resources

% of Shareholding - None

Conflict of Interest - None

Family Relationship among Company's Directors - None

Dispute in the 10 preceding years - None

## Information of Directors and Executive Officers and Control Executives as of December 31, 2010

Name	Thaioil	Subsidiaries												Affiliates			
		TPX	TLB	TP	IPT	TM	TES	TOS	TS *	SAKC **	TOP Solvent (Vietnam) ***	TET	Sapthip ****	Thappline	PTTICT	MCE	
1 Mr. Pichai Churnhavajira	❖		✓	✓													
2 Mr. Manu Leoparote	✓		✓														
3 Mr. Utid Tamwatin	✓																
4 Mr. Praiya Phinyawat	✓	✓															
5 Mr. Naris Chaiyasoot	✓																
6 Mr. Apisak Tantivorawong	✓																
7 Mr. Chaikasem Nitisiri	✓																
8 Ms. Puongpech Sarakun	✓																
9 Mr. Banphot Hongthong	✓																
10 Mr. Tevin Vongvanich	✓																
11 Pol. Gen. Adul Sangsingkeo	✓																
12 Mr. Goanpot Asvinvichit	✓																
13 LTG. Tawatchai Samutsakorn	✓																
14 Mr. Surong Bulakul	✓/	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				
15 Mr. Somkeirt Hudthagosol <sup>(1)</sup>	//	✓	✓	✓	✓	✓	✓	✓	✓	✓	❖	✓	✓				
16 Mr. Chaiwat Damrongmongkolgul	//	✓			✓		✓	✓	✓	✓	❖						✓
17 Mr. Wirat Uanarumit	//						✓	✓	✓	✓		✓	✓	✓			✓
18 Mr. Narongrit Tavoravisitporn	//						✓	✓	✓	✓		✓	✓				
19 Mr. Somchai Wongwattanasan	//						✓	✓	✓	✓		✓	✓				
20 Mr. Suphon Tubtimcharoon	//	✓/					✓	✓	✓	✓							
21 Mr. Abhinant Supatrabutra	//		✓/				✓	✓	✓	✓				✓			
22 Mr. Mitri Reodacha	//			✓/	✓/		✓	✓	✓	✓							
23 Mr. Teardchart Padungrat	//																
24 Mr. Nitas Krongvanitchayakul	//					✓/											
25 Mr. Somchai Jiranuntarat	//														✓/	✓	✓

Name	Thaioil	Subsidiaries											Affiliates			
		TPX	TLB	TP	IPT	TM	TES	TOS	TS *	SAKC **	TOP Solvent (Vietnam) ***	TET	Sapthip ****	Thappline	PTTICT	MCE
26 Mr. Klahan Tocharmanvit <sup>(2)</sup>	//															
27 Mr. Kosol Pinthanchai	//															
28 Mr. Danu Benjapolchai	//															
29 Ms. Duangporn Teerapabpaisit	//															
30 Mr. Bandhit Thamprajanchit	//															
31 Ms. Prapin Thongnum	//															
32 Mr. Pongpun Amornvivat	//					✓										
33 Mr. Porn-in Mammalai	//															
34 Ms. Pattaralada Sa-ngasang	//															
35 Ms. Bhawana Suphavitai	//							✓/								
36 Mr. Yuthana Pasurapunya	//			✓												
37 Mr. Watchara Mattanapochanart	//										✓					
38 Mr. Viroj Meenaphant	//					✓										
39 Ms. Siriporn Mahechariyawong	//															
40 Mr. Santi Wasanasiri	//															
41 Mr. Suchart Monyanont	//															
42 Mr. Supon Chalermkiatkul <sup>(1)</sup>	//												✓/			
43 Mr. Athavuth Vikitsreth <sup>(3)</sup>	//															
44 Ms. Acharee Tiyabhorn	//															

Notes: ❖ = Chairman    ✓ = Director    / = Managing Director or Chief Executive Officer    // = Executive Officer

(1) Retired on December 31, 2010

(2) Assigned to PTT Plc. from October 1, 2006

(3) Assigned to PTT Plc. from October 1, 2010

\* TOP Solvent Co., Ltd. is a subsidiary of Thaioil Solvent Co., Ltd., in which Thaioil holds 100% of shares.

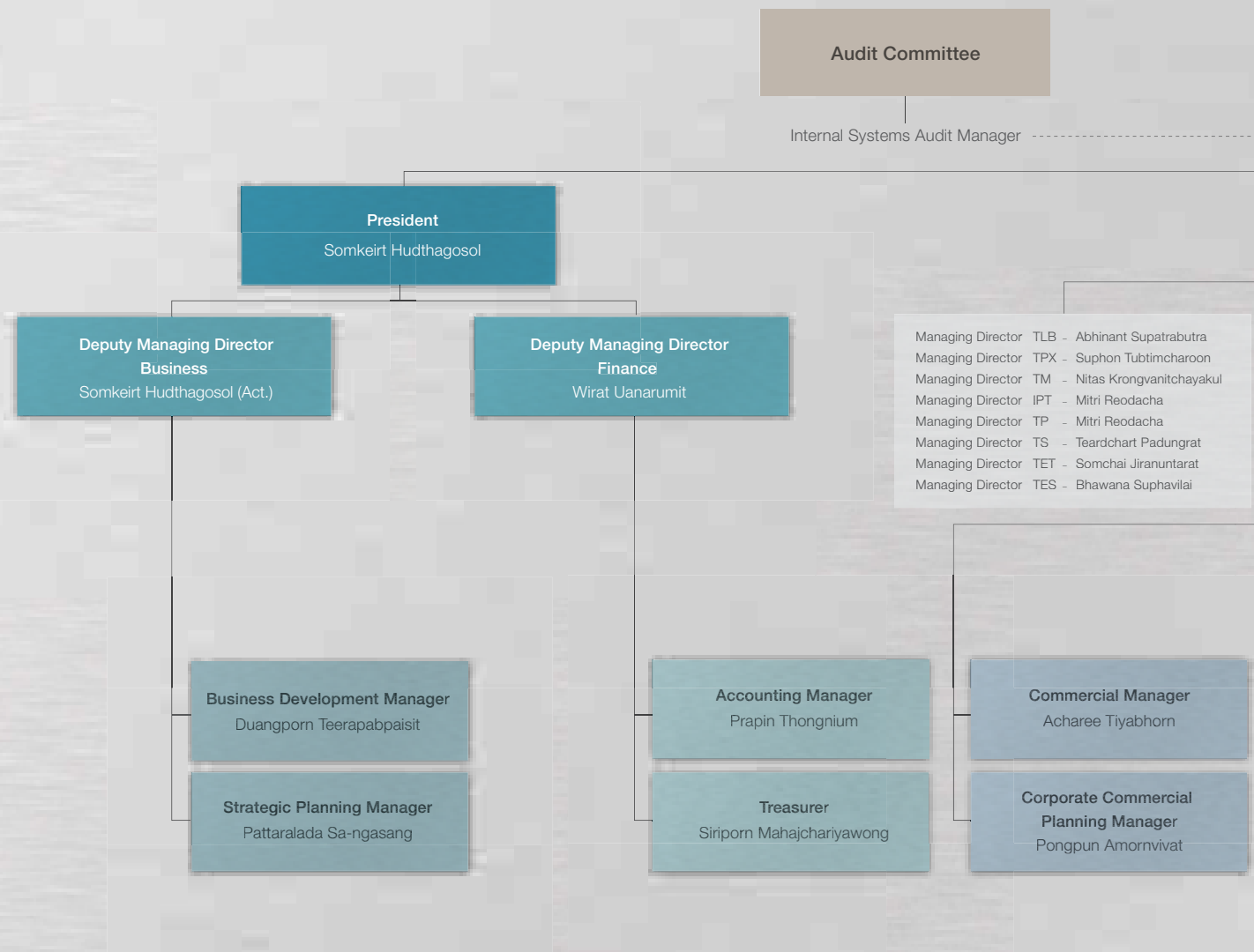
\*\* Sak Chaisidhi Co., Ltd. is a subsidiary of TOP Solvent Co., Ltd., holding 80.52% of shares.

\*\*\* TOP Solvent (Vietnam) LLC. is a subsidiary of TOP Solvent Co., Ltd., holding 100% of shares.

\*\*\*\* Sapthip Co., Ltd. is a subsidiary of Thaioil Ethanol Co., Ltd., holding 50% of shares.

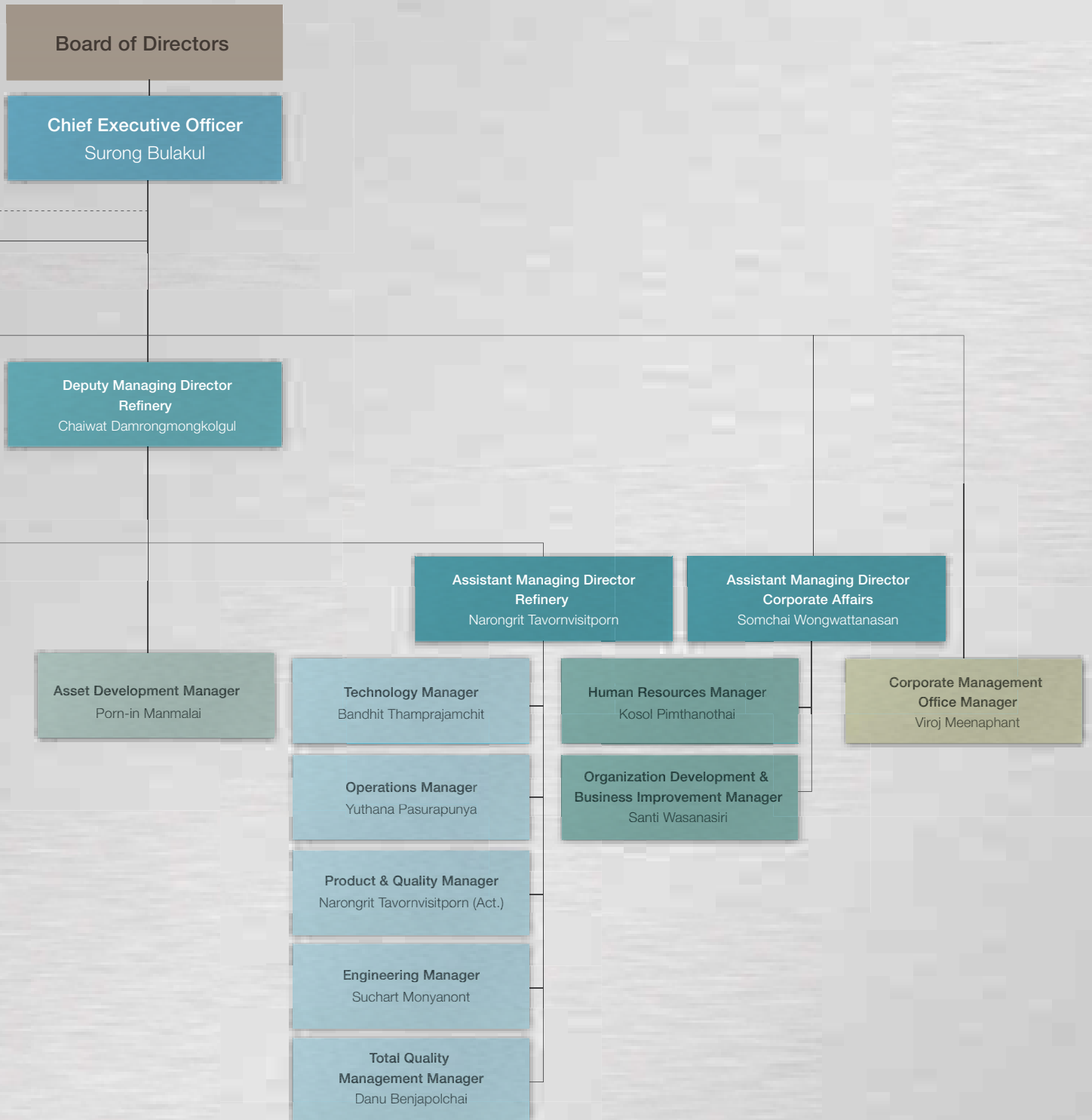
# ORGANIZATION STRUCTURE

As of 31 December 2010



**Remarks :**

- >> Klahan T. Department Manager (SA-5) assignment at PTT
- >> Athavuth V. Department Manager (SA-8) assignment at PTT



# SHAREHOLDING AND MANAGEMENT STRUCTURES

## Shareholding Structure

### Company Assets

#### Ordinary Shares

On the share registration book closing date for payment of interim dividend, as of September 28, 2010, the Company's registered capital was 20,400,278,730 baht and the paid-up capital was 20,400,278,730 baht, comprised of 2,040,027,873 ordinary shares at the par valued at 10 baht per share.

#### Debentures

The Company has a 10-year USD 350,000,000 Notes due on June 9, 2015 and four senior unsecured and unsubordinated debentures of 20,750 million baht in total, comprised of 2,750 million baht debentures due 2013, a 3,000 million baht debentures due 2012, a 12,000 million baht debentures due 2014 and a 3,000 million baht debentures due 2022.

### Shareholders

As of September 28, 2010, the first ten major shareholders, including shareholding as provided in Section 258 of the Securities and Exchange Act B.E. 2535, are as follows:

Top Ten Major Shareholders <sup>(1)</sup>	Number of Shares	Shareholding Percentage
1 PTT PUBLIC COMPANY LIMITED <sup>(2)</sup>	1,001,647,483	49.10
2 HSBC (SINGAPORE) NOMINEES PTE LTD	56,365,636	2.76
3 NIPPON OIL CORPORATION	36,137,200	1.77
4 STATE STREET BANK AND TRUST COMPANY	34,397,532	1.69
5 CHASE NOMINEES LIMITED 17	28,714,200	1.41
6 STATE STREET BANK AND TRUST COMPANY FOR LONDON	28,532,200	1.40
7 NORBAX INC., 13	24,245,600	1.19
8 CHASE NOMINEES LIMITED 15	23,113,200	1.13
9 IRPC PUBLIC COMPANY LIMITED	18,000,000	0.88
10 CHASE NOMINEES LIMITED 1	15,428,138	0.76
<b>Total</b>	<b>1,266,581,189</b>	<b>62.09</b>

#### Remark:

- (1) Excluding shareholders of Thai NVDR Co., Ltd., a subsidiary of the Stock Exchange of Thailand with the objective of promoting investor investment, particularly international investors, in order to invest in common stock of listed companies without being restricted by the foreign shareholding limit which does not have the right to vote at meetings of listed companies.
- (2) As a major shareholder of Thaioil, PTT Public Company Limited (PTT) participates in formulating the Company's management and operational policies through approval of the Board of Directors. As of yearend 2010, there are 5 directors from a total of 14 who are also holding position as PTT Board of Directors and/or Management Team.

**Dividend Policy**

The present dividend payout policy of the Board of Directors is to pay at least 25 percent of the consolidated net profit after deductions of all categories of reserves as specified in the Company's regulations and applicable laws. Payment of such dividend is subject to the cash flows and investment plans of Thairoil and Thairoil subsidiaries in each year, and other requirements and considerations as determined by the Board of Directors. The Board of Directors may consider paying the annual dividend with approval from the annual general meeting, except payment of interim dividend which the Board is authorized to approve periodically when the Company's profit deems it appropriate. The interim dividend payment shall be reported at the following shareholders meeting.

The dividend policy for Thairoil subsidiaries shall be considered and proposed by the Board of Directors of each subsidiary to the annual general meeting for approval. Consideration shall be given to investment plans and other requirements and considerations, such as the adequacy of cash flow of each company after deducting reserve funds in accordance with the law.

## Management Structure

The management structure of Thai Oil Public Company Limited comprises :

- >> The Board of Directors
- >> The 3 Board-Committees supporting the consideration of important issues as assigned by the Board of Directors are the Audit Committee, the Nomination and Remuneration Committee, and the Corporate Governance Committee, and another committee consists of management team – the Risk Management Committee
- >> The Management with the Chief Executive Officer as the highest executive of the Company

### The Board of Directors

Presently, the Board of Directors is comprised of 14 directors as follows:

- >> Thirteen non-executive directors, nine of which are independent directors
- >> One executive director, namely the Chief Executive Officer

#### The Board of Directors as of December 31, 2010 comprised of:

Name - Surname	Position	Appointment Date
1. Mr. Pichai Chunhavajira	Director Chairman of the Board	April 3, 2009
2. Mr. Manu Leopairote	Independent Director Chairman of the Audit Committee	April 3, 2009
3. Mr. Chaikasem Nitisiri	Independent Director Member of the Audit Committee	April 4, 2008
4. Mr. Utid Tamwatin	Independent Director Member of the Audit Committee	April 3, 2009
5. Mr. Goanpot Asvinvichit	Independent Director Chairman of the Nomination and Remuneration Committee	April 2, 2010
6. Ms. Puongpech Sarakun	Independent Director Member of the Nomination and Remuneration Committee	April 4, 2008
7. Mr. Tevin Vongvanich	Director Member of the Nomination and Remuneration Committee	April 2, 2010
8. Mr. Banphot Hongthong	Independent Director Chairman of the Corporate Governance Committee	October 1, 2008



<b>Name - Surname</b>	<b>Position</b>	<b>Appointment Date</b>
9. Mr. Apisak Tantivorawong	Independent Director Member of the Corporate Governance Committee	April 2, 2010
10. Mr. Prajya Phinyawat	Director Member of the Corporate Governance Committee	April 3, 2009
11. Mr. Naris Chaiyasoot	Director	April 3, 2009
12. Pol. Gen. Adul Sangsingkeo	Independent Director	April 2, 2010
13. LTG. Tawatchai Samutsakorn	Independent Director	June 25, 2010
14. Mr. Surong Bulakul	Director Secretary to the Board Chief Executive Officer	October 1, 2009

**The List of Directors who completed their terms and resigned during the year 2010 is as follows:**

<b>Name - Surname</b>	<b>Reasons</b>
1. Mr. Somnuk Kyavatanakij (Independent Director and Chairman of the Board)	Completed his term at the 2010 AGM on April 2, 2010
2. Mr. Prasert Bunsumpun (Director and Member of the Nomination and Remuneration Committee)	Completed his term at the 2010 AGM on April 2, 2010
3. General Prayut Chan-O-Cha (Independent Director and Chairman of the Corporate Governance Committee)	Completed his term at the 2010 AGM on April 2, 2010
4. Mr. Krairit Nilkuha (Independent Director and Member of the Audit Committee)	Resigned since June 3, 2010 onward
5. Mr. Nontigorn Kanchanachitra (Independent Director and Member of the Nomination and Remuneration Committee)	Resigned since August 5, 2010 onward

**Shareholding Report of the Board of Directors in 2009 and 2010**

Name - Surname	No. of Share		No. of Shares Addition (Reduction) During the Year
	Dec. 31, 09	Dec. 31, 10	
1. Mr. Pichai Chunhavajira	1,000	1,000	-
2. Mr. Manu Leopairote	31,000	31,000	-
3. Mr. Chaikasem Nitisiri	-	-	-
4. Mr. Utid Tamwatin	-	-	-
5. Mr. Goanpot Asvinvichit	-	-	-
6. Ms. Puongpech Sarakun	-	-	-
7. Mr. Tevin Vongvanich	-	-	-
8. Mr. Banphot Hongthong	-	-	-
9. Mr. Apisak Tantivorawong	-	-	-
10. Mr. Prajya Phinyawat	-	-	-
11. Mr. Naris Chaiyasoot	-	-	-
12. Pol. Gen. Adul Sangsingkeo	-	-	-
13. LTG. Tawatchai Samutsakorn	-	-	-
14. Mr. Surong Bulakul	64,700	64,700	-

**1. Structure of the Board of Directors**

According to the Company's Articles of Association, the Board of Directors shall consist of at least five members and not more than 15 members. Not less than half of the number of such directors must reside within the Kingdom of Thailand. A director needs not be a shareholder in the Company.

**2. Appointment and Termination of Directors**

The nomination, appointment, removal and resignation of directors are prescribed in the Company's regulation, which can be summarized as follows:

**Appointment of Directors**

Appointment of directors must be explicitly made at the Annual General Meeting of Shareholders under the following criteria and procedures:

- (1) Each shareholder shall have one share for one vote;
- (2) Each shareholder may exercise all the votes he or she has under (1) to elect one or several persons as directors, but the shareholder cannot divide his or her votes to any person in any number; and
- (3) Nominees who receive the largest number of votes in descending order shall be elected. In the event of nominees receiving equal votes and exceeding the number of vacancies to be filled, the chairman of the meeting shall cast the decisive vote.

Since 2007, the board has adopted a resolution to allow minor shareholders' nomination of qualified directors, which must be explicitly made before the AGM and under the Company's nomination criteria. Last year, there was no nomination proposed by minor shareholders (see detail in Corporate Governance Policy, Page 118-119).

### Removal and Termination of Directors

- >> At every annual ordinary shareholder's meeting one-third of the directors, or, if the number of directors cannot be divided exactly into three parts, the number of directors nearest to one-third shall vacate office. A vacating director may be eligible for re-election. The directors to vacate office in the first and second years following the registration of the conversion of the Company shall be drawn by lots. In subsequent years, the directors who have remained in office for the longest time shall vacate office.
- >> Apart from vacating at the end of his office term, a director shall vacate office upon death, resignation, lack of qualifications or disqualifications under the law pertaining to Public Company Limited and/or under the Securities and Exchange Act, removal pursuant to a resolution passed at the shareholders meeting under the Article 21, or removal pursuant to a court order.
- >> To resign from office, a director has to hand in his resignation letter. Such resignation shall become effective on the date when it reaches the Company. The director who has resigned may also inform the registrar of the facts.
- >> The shareholders' meeting may pass a resolution to remove any director from office prior to retirement by rotation, by a vote of not less than three-fourths of the number of shareholders attending the meeting and having the right to vote and the shares held by them shall, in aggregate, be not less than half of the number of shares held by the shareholders attending the meeting and having the right to vote.
- >> In the event that a position of director becomes vacant for any reason other than the end of his office term, the board of directors shall on the next board meeting appoint a qualified person, not having unacceptable qualities under the laws pertaining to Public Limited Company and the Securities and Exchange Act to be a new director, except if such office term remaining is less than two months. The replacement director shall hold office only for the remainder of the term of office of the director whom he replaces. The resolution of the board of directors pursuant to the first paragraph must be approved by the votes of not less than three-fourths of the number of the remaining directors.

### 3. Authorized Directors

According to the Company's regulations, two authorized directors shall jointly sign with affixation of the Company seal to represent the Company. The Board has the right to prescribe and rectify the list of the company's authorized directors.

Through the Board of Directors' Meeting No. 4/2010 on April 23, 2010, the Board of Directors has approved directors having authority to sign on behalf of the Company, namely Mr. Pichai Chunhavajira, Mr. Prajya Phinyawat, Mr. Manu Leopairote, and Mr. Surong Bulakul. The signatures of any two of the four representative directors jointly sign together with the affixation of the Company's seal.

#### **4. Board Roles and Responsibilities**

The Board of Directors is authorized to conduct roles and responsibilities under the law, company objectives, regulations, and resolutions approved by shareholder's meeting. The roles and responsibilities of the Board of Directors can be summarized as follows.

##### **Roles and Responsibilities**

- >> Manage the Company's business and affairs in compliance with laws, objectives, regulations and shareholder resolutions by upholding integrity and the best interests of the Company and shareholders.
- >> Elect one member as Chairman of the Board. If the Board of Directors considers it appropriate, one director or more may be elected as Vice Chairmen. The role of the Vice Chairman is defined in the Company Regulations with regard to activities assigned by the Chairman.
- >> Meet at least once every three months and may hold additional meetings as required.

In 2010, the Company had a policy for the Board of Directors to meet every month with the exception of major events or necessity for the cancellation. The Board of Directors met eight times in total last year. (See detail in the Meeting of the Board of Directors, year 2010, on page 97)

##### **Duties under the Corporate Governance Policy**

- >> Review and endorse activities required by law.
- >> Review and define the corporate vision with the Management for the best interest of Company, shareholders, and all stakeholders with due attention and prudence.
- >> Review and endorse significant strategies and policies as well as business objectives, financial targets, risks, work plans and budget, and ensure that the management follow policies and plans efficiently and effectively.
- >> Consider the result of annual performance assessment and approve the compensation for the Chief Executive Officer upon the endorsement of the Nomination and Remuneration Committee.
- >> Assign the Audit Committee to review the accounting system, financial reporting, and to ensure the efficient and effective processes in assessing the suitability of internal control and internal audit, as well as the reliability of financial reporting.
- >> Assign the Audit Committee to review the Risk Management Policy to ensure that it extends across the organization, and is practiced by management and reported in every meeting of the Audit Committee.
- >> Oversee and resolve potential conflicts of interest among stakeholders, and establish guidelines for transactions that may have a conflict of interest with a focus on maintaining the best interests of Company and shareholders at large; and establish standard procedures and thorough information disclosure of all potential conflicts of interest transactions.
- >> Establish and endorse the written corporate governance policy and code of business conduct. The Company shall propose a review of the corporate governance policy and shall evaluate performance in practicing such policy once a year.

## Board-Committees

The Board of Directors has appointed several committees to scrutinize and supervise the operation of the Company over specific issues, in order to perform their duties efficiently and effectively as well as to ensure that the Company complies with rules and regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). The Board-Committees, as of December 31, 2010 are as follows:

### 1. Audit Committee

The Board of Directors appointed the Audit Committee, with the qualification fully complied by criteria of the Stock Exchange of Thailand to review business operations, financial reports, and internal control systems, to select independent auditors, and to review conflicts of interest. The members of the Audit Committee have qualified knowledge and experiences to review the reliability of the financial statements.

As of December 31, 2010, the Audit Committee consists of three independent directors as follows:

Name	Position
1. Mr. Manu Leoparote	Chairman of the Audit Committee (Independent) with accounting and financial expertise
2. Mr. Chaikasem Nitisiri	Members of the Audit Committee (Independent)
3. Mr. Utid Tamwatin	Members of the Audit Committee (Independent)

Ms. Hasaya Nipatvaranan, Internal Systems Audit Manager, serves as Secretary to the Audit Committee.

### Roles and Responsibilities of the Audit Committee

1. Review financial reports for accuracy, reliability, and adequacy of information disclosure by cooperating with the external auditor and responsible executives in preparing financial reports both quarterly and annually.
2. Review internal control, internal audit systems, and risk management systems of Thaioil and its affiliates to ensure suitability and efficiency, and recommend further review or audit as necessary, which may also include improvements on internal control and risk management systems. These reports must be submitted to the board.
3. Ensure corporate practices in line with Securities and Exchange laws or SET requirements, as well as policies, regulations, rules, and other laws pertaining to the Company's operations.
4. Check corporate documents when in doubt about activities which could significantly impact the Company's financial status and operating performance, and when conflicts of interest, violation of laws, rules, and regulations are possible.
5. Deliberate disclosure of corporate information in case of related party transactions or potential conflicts of interest in accordance with laws and SET regulations to ensure sensible transactions and for the maximum benefits to the Company.

6. Select and recommend the appointment of independent auditors and their remuneration giving consideration to reliability and adequacy of resources, and financial auditing workload of such independent auditors, including experiences of personnel assigned to audit the Company's accounts; as well as arrange meetings with the Company's auditors without attendance of executive management at least once a year.
7. Reviews accuracy and effectiveness of information technology associated with financial reports and internal controls.
8. Promote the development of the Company's financial reporting system to meet international accounting standards.
9. Reviews the internal audit plan according to internationally accepted methods and standards.
10. Ensure independence of the Internal Audit section; provide guidelines on budgeting and manpower of the Internal Audit section; and endorse the appointment, rotation, and termination of the Internal Audit Manager, as well as his or her annual performance appraisal.
11. Prepare the Audit Committee report signed by the Chairman of the Audit Committee and disclose in the Company's annual report according to principles required by SET.
12. The Audit Committee may seek independent opinions from professional advisors when needed under the Company's expense with approval from the Board. The employment of advisors must comply with the Company's regulations.
13. Chairman or members of the Audit Committee shall attend the annual general meeting of shareholders in order to clarify issues related to the Audit Committee or appointment of the independent auditors.
14. Reviews and modifies the charter of the Audit Committee.
15. Performs other tasks as assigned by the Board of Directors and concurred by the Audit Committee.

#### **Audit Committee Activities in 2010**

1. Reviewed the quarterly and annual financial statements of 2010 with management, Internal Systems Audit Manager, and independent auditors to ensure the accuracy and reliability of the accounting system and financial reports, and that material information are completely and adequately disclosed in a timely manner according to generally accepted accounting principles and related regulations.
2. Reviewed the adequacy and effectiveness of internal controls and internal audit systems appropriate for the change in circumstances.
3. Reviewed the Company's compliance with laws governing securities and stock exchange, SET regulations, or other laws applicable to the Company's business.
4. Reviewed the disclosure of Company information, particularly in the event of related party transactions or potential conflicts of interest, to assure that these transactions are reasonable without transferring benefits.
5. Reviewed the annual internal audit plan and the audit report of the Company and its affiliates, and provided guidance on work modification to achieve greater effectiveness.
6. Evaluated the annual performance of the Internal Systems Audit Manager.
7. Select and recommend the appointment of independent auditors and their remuneration.

8. Attended meeting with the auditors authorized by the Company without the presence of executive management to obtain the report on the auditor's performance, remarks, and problems identified during the audit process.
9. Reviewed quarterly risk management reports.
10. Reviewed the Company's accounting and adjustment to be in line with the International Financial Reporting Standards (IFRS).
11. Endorsed to procure a renowned external assessor company to perform internal audit assessment. The result concluded that the performance of internal audit complied with the ethical standards; thus providing suggestions for work process improvement in order to optimize the effectiveness.

## 2. Nomination and Remuneration Committee

Appointed by the Board of Directors, the Nomination and Remuneration Committee consists of three directors, most of whom must be independent directors. They also must not be chairman of the board nor chief executive officer. Members of the Nomination and Remuneration Committee, as of December 31, 2010, are as follows:

Name	Position
1. Mr. Goanpot Asvinvichit	Chairman of the Nomination and Remuneration Committee (Independent)
2. Ms. Puongpech Sarakun	Member of the Nomination and Remuneration Committee (Independent)]
3. Mr. Tevin Vongvanich	Member of the Nomination and Remuneration Committee

Mr. Somchai Wongwattanasan, Assistant Managing Director - Corporate Affairs serves as Secretary to the Nomination and Remuneration Committee.

### Roles and Responsibilities of the Nomination and Remuneration Committee

#### Nomination Procedure

1. Define the procedure and criteria for director nomination.
2. Establish qualifications for director nominees with focus on skills, experience, and special expertise that would benefit the Company, available time, and commitment to performing role of director.
3. Select qualified candidates for nomination as directors and proposes to the Board of Directors for approval at the annual general meeting.
4. Encourage the Company to invite minority shareholders' nomination of director candidates.
5. Annually reviews the CEO succession plan and the list of qualified candidates.
6. Select qualified directors for appointment as Board committee members and proposes to the Board of Directors for approval upon vacancy.

**Remuneration Procedure**

1. Submit annual recommendation to the Board of Directors with respect to the structure and component of director remuneration.
2. Propose criteria for reviewing remuneration consistent with the roles and responsibilities of directors in accordance with the Company's overall performance in order to attract and retain accomplished and qualified directors of high quality and potential. The proposal shall be endorsed by the Board of Directors prior to proposing to the annual general meeting for approval.
3. Evaluate performance and considers appropriate remuneration for the Chief Executive Officer.

The activities of the Nomination and Remuneration Committee in 2010 are summarized in the report from the Chairman of the Nomination and Remuneration Committee on page 24

**3. Corporate Governance Committee**

Appointed by the Board of Directors, the Corporate Governance Committee consisted of three directors, most of whom must be independent directors. Members of the Corporate Governance Committee, as of December 31, 2010, are as follows:

<b>Name</b>	<b>Position</b>
1. Mr. Banphot Hongthong	Chairman of the Corporate Governance Committee (Independent)
2. Mr. Apisak Tantivorawong	Member of the Corporate Governance Committee (Independent)
3. Mr. Prajya Phinyawat	Member of the Corporate Governance Committee

Mr. Viroj Meenaphant, Manager of the Corporate Management Office and Company Secretary, serves as Secretary to the Corporate Governance Committee.

**Roles and Responsibilities of the Corporate Governance Committee**

1. Constantly define an international-standard corporate governance policy for the Company to adopt as their principles.
2. Define a self-assessment policy and procedure on corporate governance policy while promoting standard assessment from renowned and internationally accepted appraisers.
3. Oversee the Company's business to be in line with the principles set forth by regulating institutions, including SET and SEC.
4. Regularly review the Company's corporate governance policy to ensure compliance with international practices and the recommendations of regulatory or associated agencies.
5. Regularly promote sharing of the corporate governance culture among all executives and employees for clear understanding and adoption for the Company's implementation.
6. Advise the working committee in preparation for external corporate governance ranking, at least once in every three years.



7. Consider and endorse the board performance assessment form, including endorsing the assessment results for presentation to the board.
8. Take responsibility for other tasks assigned by the board.

The summary of Corporate Governance Committee activities in 2010 is shown in the Corporate Governance Committee Report on page 26.

#### **4. Risk Management Committee**

Thaioil Group's Risk Management Committee consists of the Risk Management Steering Committee (RMSC) and Risk Management Committee – Discipline (RMC Discipline). The roles and responsibilities of both committees are seamlessly aligned and support one another to ensure that risks in all core activities are being managed through integrated Mitigation Plan, and that related and associated risks are identified and addressed effectively for sustainable operation.

##### **Risk Management Steering Committee (RMSC)**

The Company appointed the Risk Management Steering Committee (RMSC), composed of high-level management of Thaioil Group, to drive the risk management effort of Thaioil Group to achieve greater efficiency in all activities and to support the embedment of risk management into daily work and corporate culture in order to realize set goals.

##### **Roles and Responsibilities of the RMSC**

1. Promote integrated risk management throughout Thaioil Group to continuously improve the overall risk management system, to be assessed by an external appraiser.
2. Investigate key risks and promote continuous improvement of risk management measures, at both operating level and corporate level; promote the use of risk management tools for greater efficiency and accuracy in order for the executives to make proper decisions.
3. Promote the integration of risk management and performance appraisals at all levels to lead to a risk-awareness corporate culture.
4. Promote trainings for more knowledge and understanding of risk management and control standard for all employees in Thaioil Group, to lead to sustainable risk management system and a risk-awareness corporate culture.

##### **Risk Management Committee - Discipline (RMC Discipline)**

To enable the continuous development of risk management throughout Thaioil Group and the efficient extension to all associated activities of subsidiary companies, the Risk Management Steering Committee (RMSC) formed the Risk Management Committee – Discipline (RMC Discipline) for various disciplines, namely commercial, refinery, strategic planning and business development, financial, and corporate management. Members of the RMC Discipline are comprised of management and related personnel.

#### **Roles and Responsibilities of the RMC Discipline**

1. Investigate risks and control measures or mitigation plans advocated by department heads for specific disciplinary risk planning and risk management to ensure alignment with related plans and corporate business goals.
2. In case of cross-functional risks, the heads of all disciplinary risk management committee should coordinate and cooperate with their counterpart heads to define solutions and propose them to the risk management steering committee.
3. Prepare and forward risk reports and risk progress reports to the risk management steering committee.
4. Review the risk register related to the overall group performance affecting the company's business goals.

In the year under review, the multi-discipline risk management committees continuously performed their duties in managing associated risks in Thaioil Group and recommending risk management measures to the Risk Management Steering Committee. Thaioil Group was able to review and manage risks efficiently by providing suggestions to improve optimization consistent with the ever-changing circumstances. The Committee also reports such risks to the Board of Directors in an appropriate timeframe, to ensure that Thaioil Group can review and manage risks in accordance with the plans and measures to reduce the impact effectively to meet the Company's goal.

## The Board of Directors and Board-Committees Meeting Attendance for the Year 2010

Name - Surname	Position	Board Meeting	Audit Committee	Nomination & Remuneration Committee	Corporate Governance Committee
1 Mr. Pichai Chunchavajira <sup>(1)</sup>	Director/Chairman of the Board of Directors	8/8			
2 Mr. Manu Leopairote	Independent Director/Chairman of the Audit Committee	8/8	6/6		
3 Mr. Chaikasem Nitisiri	Independent Director/Member of the Audit Committee	7/8	6/6		
4 Mr. Utid Tamwatin	Independent Director/Member of the Audit Committee	5/8	5/6		
5 Mr. Goanpot Asvinvichit <sup>(2),(4)</sup>	Independent Director/Chairman of the Nomination and Remuneration Committee	6/6		1/1	
6 Ms. Puongpech Sarakun	Independent Director/Member of the Nomination and Remuneration Committee	8/8		3/3	
7 Mr. Tevin Vongvanich <sup>(2)</sup>	Director/Member of the Nomination and Remuneration Committee	5/6		1/1	
8 Mr. Banphot Hongthong <sup>(7)</sup>	Independent Director/Chairman of the Corporate Governance Committee	5/8			3/3
9 Mr. Apisak Tantivorawong <sup>(6)</sup>	Independent Director/Member of the Corporate Governance Committee	7/8			3/3
10 Mr. Praiya Phinyawat	Director/Member of the Corporate Governance Committee	8/8			3/3
11 Mr. Naris Chaiyasoot	Director	7/8			
12 Pol.Gen.Adul Sangsingkeo <sup>(2)</sup>	Independent Director	4/6			
13 LTG.Tawatthai Samutsakorn <sup>(5)</sup>	Independent Director	3/3			
14 Mr. Surong Bulakul	Director/Secretary to the Board and Chief Executive Officer	8/8			

**Directors who completed their term and resigned during the year 2010**

1 Mr. Somnuk Kyavatanakij <sup>(6)</sup>	Independent Director/Chairman of the Board of Directors	1/2			
2 Mr. Prasert Bunsumpun <sup>(6)</sup>	Director/Member of the Nomination and Remuneration Committee	2/2		2/2	
3 Gen.Prayut Chan-o-cha <sup>(6)</sup>	Independent Director/Chairman of the Corporate Governance Committee	1/2			1/1
4 Mr. Krairit Nilkuha <sup>(3)</sup>	Independent Director/Member of the Audit Committee	3/4	1/1		
5 Mr. Nontigorn Kanchanachitra <sup>(6)</sup>	Independent Director/Member of the Nomination and Remuneration Committee	4/5		3/3	

**Notes :**

- (1) Re-appointed as director at the 2010 AGM on April 2,2010 and also appointed as Chairman of the Board at the BOD meeting no.3/2010 on April 8,2010
- (2) Appointed as director at the 2010 AGM on April 2,2010 and directors no. 5 & 7 also appointed as member of the Nomination and Remuneration Committee (NRC) at the BOD meeting no. 4/2010 on April 23,2010
- (3) Resigned from the Director and Audit Committee on June 3,2010
- (4) Appointed as the Chairman of the Nomination and Remuneration Committee (NRC) at the NRC meeting no. 3/2010 on June 4,2010
- (5) Appointed as director replacing Mr.Krairit Nilkuha at the BOD meeting no. 5/2010 on June 25,2010
- (6) Re-appointed as director at the 2010 AGM on April 2,2010 and also appointed as member of the Corporate Governance Committee (CG) at the BOD meeting no.5/2010 on June 25, 2010
- (7) Appointed as the Chairman of the CG committee at the CG meeting no.2/2010 on July 29,2010
- (8) Completed his term as Director at the 2010 AGM on April 2,2010
- (9) Resigned from the Director and NRC on August 5,2010

### Company Secretary

The Board of Directors appointed the Company Secretary to take responsibilities in providing advices to the Board and executives regarding the applicable laws and regulations that the Board must recognize and act upon, the corporate governance policies as well as the arrangement of the Board of Directors meetings and the annual general meeting of shareholders. The company secretary must also monitor and coordinate to ensure that the Board and shareholders' resolutions are fully complied. The Company secretary is also assigned to keep Company's important documents as required by the laws.

The Company has assigned a person who holds the department manager of the Corporate Management Office to perform the duties as the Company Secretary. presently Mr. Viroj Meenaphant.

#### Brief Biography:

Name:	Mr. Viroj Meenaphant
Education:	Bachelor Degree of Engineering (Chemical Engineering), Chulalongkorn University
Experience:	
2001 - 2003	General Manager, Corporate Affairs; Thai Lube Base (Public) Co., Ltd.
2003 - 2004	General Manager, Finance; Thai Lube Base (Public) Co., Ltd.
2005 - 2006	Assistant Manager of Business Development and Strategic Planning Department
2006 - 2007	Manager of Strategic Planning Department
2007 - 2009	Manager – Special Project and assigned to perform as the Managing Director of Thairoil Marine Co., Ltd.
2009 - Present	Manager of the Corporate Management Office and Company Secretary

### The Management

#### Roles and Responsibilities of the Chief Executive Officer

Assigned by the board to conduct the company's business under the approved work programs and budgets with stringency and integrity while protecting the best interests of the Company and its shareholders, the chief executive officer must not be engaged in any conflicts of interest with Thairoil Group. His roles and responsibilities include the following:

1. Prepare and propose to the board five-year and 10-year business plans, including the company's strategic imperatives.
2. Prepare and provide to the board information relevant to the Company's business and activities, as well as other information needed by the board.
3. Manage the Company's business and activities under the approved work programs and budgets, as well as business strategy.
4. Structure and manage the organization under the guidelines given by the board.
5. Fine-tune the Company's POSITIVE culture in support of its vision, mission, and strategic imperatives.
6. Execute all other tasks assigned by the board.
7. Delegate authority or assign others to act on his or her behalf, or both, under the company's rules, terms, principles, and orders given by the board or the Company, or both.
8. Prepare and present to the board significant company business performance and activity reports as well as other reports required by the board.
9. Represent the Company in dealing with third parties.

### Related Party Transactions or Acquisition or Disposal of Assets of the Company

In the event Thaioil or Thaioil subsidiaries\* becomes involved in a related party transaction or an activity in which substantial assets of the Company are acquired or disposed, according to the principles of SET, the Company must take the action stipulated by SET. This requires approval to be sought from shareholders to enter a related party transaction or to acquire or dispose of substantial assets of the Company with a majority vote not being less than three-fourths of all the votes of shareholders or proxies attending the meeting and eligible to vote without counting the votes of shareholders involved in the conflict of interest.

(\* Companies, in which Thaioil directly or indirectly, has a shareholding of more than 50 percent of the registered paid-up capital of such companies)

### Director and Executive Remuneration

#### Director Remuneration

The 2010 AGM set the monthly remuneration for the Company's directors and board-committees including a special bonus reflecting the Company's performance as follows:

Remuneration Structure	Year 2010
<b>Individual Remuneration</b>	Baht/Month
Chairman of the Board <sup>(1)</sup>	75,000
Member of the Board	60,000
<b>Special Bonus for the Board of Directors<sup>(2)</sup></b>	36 million baht/year

#### Board-Committee Remuneration

(Comprised of the Audit Committee, the Nomination and Remuneration Committee, and the Corporate Governance Committee)

Remuneration Structure	Year 2010
<b>Individual Remuneration</b>	Baht/Month
Chairman of the Committee <sup>(1)</sup>	31,250
Member of the Committee	25,000

#### Remark:

(1) Chairman of the Board and Chairman of the Committees shall receive monthly remuneration of 25% higher than the directors.

(2) Special bonus for directors who took position in 2009 and members who completed or resigned during 2009 by allocating the period of holding the position of individual Board Members. The Chairman of the Board shall receive the annual incentive of 25% higher than the directors.

In summary, the remuneration of 19 directors, which includes directors in office during 2010 for a period of 12 months ending as of December 31, 2010 and directors who completed their terms or resigned during 2010, totals 13.68 million baht. This comprised monthly remuneration for the Company's directors of 10.63 million baht and monthly remuneration for board-committees of 3.05 million baht. Directors' remuneration in the form of a special bonus for 2009 performance totalled to 36 million baht, which was resolved by the 2010 AGM on April 2, 2010. Consideration was given to the successful performance of the Company and the sacrifice and commitment of directors to the Company throughout 2009, which was affected by high-volatility of oil prices during the second half period.

The summary of the remunerations received by each director in 2010 is presented as follows:

## 2010 Directors Remuneration

No.	Name - Surname	Position	Sub - Committees					Special Bonus <sup>(1)</sup> for 2009 Performance
			BoD of Directors	Audit Committee	Nomination and Remuneration Committee	Corporate Governance Committee	Total Remuneration	
1	Mr. Pichai Chumhavanjira <sup>(2)</sup>	Director/Chairman of the Board of Directors	851,500	-	-	-	851,500	2,360,655.74
2	Mr. Manu Leopairote	Independent Director/Chairman of the Audit Committee	720,000	375,000	-	-	1,095,000	1,759,173.59
3	Mr. Chaikasem Nitisiri	Independent Director/Member of the Audit Committee	720,000	300,000	-	-	1,020,000	2,360,655.74
4	Mr. Utid Tamwatin	Independent Director/Member of the Audit Committee	720,000	300,000	-	-	1,020,000	1,759,173.59
5	Mr. Goanpot Asvinvichit <sup>(3) (5)</sup>	Independent Director/Chairman of the Nomination and Remuneration Committee	536,000	-	248,750	-	784,750	-
6	Ms. Puongpech Sarakun	Independent Director/Member of the Nomination and Remuneration Committee	720,000	-	300,000	-	1,020,000	2,360,655.74
7	Mr. Tevin Vongvanich <sup>(9)</sup>	Director/Member of the Nomination and Remuneration Committee	536,000	-	205,833	-	741,833	-
8	Mr. Banphot Hongthong <sup>(8)</sup>	Independent Director/Chairman of the Corporate Governance Committee	720,000	-	-	331,250	1,051,250	2,360,655.74
9	Mr. Apisak Tantivorawong <sup>(7)</sup>	Independent Director/Member of the Corporate Governance Committee	720,000	-	-	230,834	950,834	2,360,655.74
10	Mr. Praiya Phinyawat	Director/Member of the Corporate Governance Committee	720,000	-	-	300,000	1,020,000	2,360,655.74
11	Mr. Naris Chaiyasoot	Director	720,000	-	-	-	720,000	1,759,173.59
12	Pol.Gen.Adul Sangsingkeo <sup>(3)</sup>	Independent Director	536,000	-	-	-	536,000	-
13	LTG.Tawatchai Samutsakorn <sup>(6)</sup>	Independent Director	370,000	-	-	-	370,000	-
14	Mr. Surong Bulakul	Director/Secretary to the Board and Chief Executive Officer	720,000	-	-	-	720,000	595,014.60
<b>Directors who completed their term and resigned during the year 2010</b>								
1	Mr. Somnuk Kyatatanakij <sup>(8)</sup>	Independent Director/Chairman of the Board of Directors	230,000	-	-	-	230,000	2,950,819.67
2	Mr. Prasert Bunsumpun <sup>(8)</sup>	Director/Member of the Nomination and Remuneration Committee	184,000	-	76,667	-	260,667	2,360,655.74
3	GEN.Prayut Chan-o-cha <sup>(9)</sup>	Independent Director/Chairman of the Corporate Governance Committee	184,000	-	-	95,833	279,833	2,360,655.74
4	Mr. Krairit Nikuha <sup>(4)</sup>	Independent Director/Member of the Audit Committee	306,000	76,667	-	-	382,667	2,360,655.74
5	Mr. Nontigorn Kanchanachitra <sup>(10)</sup>	Independent Director/Member of the Nomination and Remuneration Committee	420,000	-	207,083	-	627,083	2,360,655.74
<b>Directors who completed their term and resigned during the year 2009 (receive a special bonus for 2009 performance)</b>								
1	Mr. Chakramon Phasukavanich <sup>(11)</sup>	Independent Director/Chairman of the Nomination and Remuneration Committee	-	-	-	-	-	601,482.14
2	Mr. Nibhat Bhukkanasut <sup>(11)</sup>	Independent Director/Chairman of the Audit Committee	-	-	-	-	-	601,482.14
3	Mr. Nit Chatramonklasri <sup>(11)</sup>	Independent Director/Member of the Audit Committee	-	-	-	-	-	601,482.14
4	Mr. Viroj Mavichak <sup>(11)</sup>	Director and Managing Director	-	-	-	-	-	1,765,641.14
<b>TOTAL</b>			<b>10,633,500</b>	<b>1,051,667</b>	<b>1,038,333</b>	<b>957,917</b>	<b>13,681,417</b>	<b>36,000,000</b>

**Notes :**

- (1) Special bonus for 2009 company performance as the resolution of the 2010 Annual General Meeting of Shareholders (AGM) on April 2,2010 which paid in the month of April 2010
- (2) Re-appointed as director at the 2010 AGM on April 2,2010 and also appointed as Chairman of the Board at the BOD meeting no.3/2010 on April 8,2010
- (3) Appointed as director at the 2010 AGM on April 2,2010 and directors no. 5 & 7 also appointed as the Nomination and Remuneration Committee (NRC) at the BOD meeting no. 4/2010 on April 23,2010
- (4) Resigned from the Director and Audit Committee on June 3,2010
- (5) Appointed as the Chairman of the Nomination and Remuneration Committee (NRC) at the NRC meeting no. 3/2010 on June 4,2010
- (6) Appointed as director replacing Mr.Krairit Nikuha at the BOD meeting no. 5/2010 on June 25,2010
- (7) Re-appointed as director at the 2010 AGM on April 2,2010 and also appointed as the Corporate Governance Committee (CG) at the BOD meeting no.5/2010 on June 25,2010
- (8) Appointed as the Chairman of the CG committee at the CG meeting no.2/2010 on July 29,2010
- (9) Completed his term as Director at the 2010 AGM on April 2,2010
- (10) Resigned from the Director and NRC committee on August 5,2010
- (11) Completed their term at the 2009 AGM on April 3,2009

**Executive Remuneration**

As of the fiscal year ended on December 31, 2010, the remuneration of 19 executives totalled to 176.79 million baht. This comprises remuneration in the forms of monthly salaries and allowances of 120.44 million baht, special bonus of 29.83 million baht, provident fund contributions of 11.61 million baht, and retirement gratuity fund payments of 14.91 million baht.

**Remark:**

>> The Remuneration for 19 executives as of December 31, 2010

Excluding the executives who work in the subsidiary companies are as follows:

Mr. Mitri Reodacha

Mr. Bowon Vongsinudom

Mr. Klahan Tochamnanvit

Mr. Sukrit Surabotsopon

Mr. Abhinant Supatrabutra

Ms. Bhawana Suphavilai

Mr. Nitas Krongvanitchayakul

Mr. Suphon Tubtimcharoon

Mr. Teardchart Padungrat

**Other Remuneration**

Executives who were provident fund members received contributions at the rate of 15% of salaries according to regulations of the provident fund which is the general practice of the Company.

# MANAGEMENT TEAM

As of December 31, 2010



**01 MR. SURONG BULAKUL**  
Chief Executive Officer

**02 MR. SOMKEIRT HUDTHAGOSOL**  
President  
Deputy Managing Director - Business (Act.)

**03 MR. CHAIWAT DAMRONGMONGKOLGUL**  
Deputy Managing Director - Refinery

**04 MR. WIRAT UANARUMIT**  
Deputy Managing Director - Finance

**05 MR. NARONGRIT TAVORNVISITPORN**  
Assistant Managing Director - Refinery  
Product & Quality Manager (Act.)

**06 MR. SOMCHAI WONGWATTANASAN**  
Assistant Managing Director -  
Corporate Affairs

**07 MR. SUPHON TUBTIMCHAROON**  
Assistant Managing Director -  
Assignment as Managing Director,  
Thai Paraxylene Co., Ltd.





**08 MR. ABHINANT SUPATRABUTRA**  
 Assistant Managing Director -  
 Assignment as Managing Director,  
 Thai Lube Base Plc.

**09 MR. MITRI REODACHA**  
 Assistant Managing Director - Assignment  
 as Managing Director, Independent Power  
 (Thailand) Co., Ltd. & Thairoil Power Co., Ltd.

**10 MR. KOSOL PIMTHANOTHAI**  
 Human Resources Manager

**11 MS. DUANGPORN TEERAPABPAISIT**  
 Business Development Manager

**12 MR. DANU BENJAPOLCHAI**  
 Total Quality Management Manager

**13 MR. TEARDCHART PADUNGRAT**  
 Department Manager -  
 Assignment as Managing Director,  
 TOP Solvent Co., Ltd.

**14 MR. NITAS KRONGVANITCHAYAKUL**  
 Department Manager -  
 Assignment as Managing Director,  
 Thairoil Marine Co., Ltd.



**15** MR. BANDHIT THAMPRAJAMCHIT  
Technology Manager

**16** MS. PRAPIN THONGNIUM  
Accounting Manager

**17** MR. PONGPUN AMORNIVIVAT  
Corporate Commercial Planning Manager

**18** MR. PORN-IN MANMALAI  
Asset Development Manager

**19** MS. PATTARALADA SA-NGASANG  
Strategic Planning Manager

**20** MS. BHAWANA SUPHAVILAI  
Department Manager -  
Assignment as Managing Director,  
Thaioil Energy Solutions Co., Ltd.

**21** MR. YUTHANA PASURAPUNYA  
Operations Manager

22 WATCHARA MATTANAPOTCHANART



23 VIROJ MEENAPHANT



24 SIRIPORN MAHAJCHARIYAWONG



25 SOMCHAI JIRANUNTARAT



26 SANTI WASANASIRI



27 SUCHART MONYANONT



28 SUPON CHALERMKIATKUL



29 ACHAREE TIYABHORN



**22 MR. WATCHARA MATTANAPOTCHANART**  
General Manager,  
TOP Solvent Co., Ltd.

**23 MR. VIROJ MEENAPHANT**  
Corporate Management Office Manager

**24 MS. SIRIPORN MAHAJCHARIYAWONG**  
Treasurer

**25 MR. SOMCHAI JIRANUNTARAT**  
Managing Director,  
Thaioil Ethanol Co., Ltd.

**26 MR. SANTI WASANASIRI**  
Organization Development &  
Business Improvement Manager

**27 MR. SUCHART MONYANONT**  
Engineering Manager

**28 MR. SUPON CHALERMKIATKUL**  
Managing Director,  
Sak Chaisidhi Co., Ltd.

**29 MS. ACHAREE TIYABHORN**  
Commercial Manager

# RISK MANAGEMENT

## Background

Recognizing the criticality of business risk management to achieve goals under changing internal factors and external factors, potentially affecting it, Thairoil has defined a risk management policy for Thairoil Group as a guideline for all Group members so that our management would be of a single standard. The Risk Management Steering Committee (RMSC)—consisting of Thairoil Group’s senior management teams—promotes, provides recommendations, monitors progress, and endorses the risks and their control measures, which are tabled by the RMC Discipline Committee for their suitability, thoroughness, and adequacy against the formulated policy. The Board of Directors gets reports on key risk management potentially affecting Thairoil’s business; the Audit Committee gets quarterly risk management updates. Coordination is in place between Risk Management Section and Internal Audit Section so that key risk information may be shared, leading to planned inspection of risk management measures.

Through meetings, seminars, training, and promotional activities, Thairoil encourages all its employees to be knowledgeable of risk management. It also commissioned Ernst & Young Corporate Services Limited (E&Y) to assess risk management quality for Thairoil Group this year, on which Thairoil Group scored 88%—an achievement against the 87% goal.

## Corporate Goals and Measures/Plans to Address the Goals

The 14 key risks for Thairoil Group are of five aspects. The main measures that Thairoil expects to be able to take to mitigate relevant impacts against goal achievement consist of the following:

### Strategic Risks

#### **1. Changes in Rules, Requirements, and Laws Relevant to Thairoil, including the Enforcement of Rules, Requirements, and Laws Resulting from Environmental Legislation, Particularly Impacts of the Enforcement of Section 67, Clause 2, of the Constitution of 2007**

Policy changes or the addition of measures, laws, and requirements by the public sector—particularly the above-mentioned enforcement of Section 67, Clause 2—wields direct impacts on the formulation of guidelines and business expansion investment of Thairoil, since its clear business policy is to comply with government policies and relevant laws, announcements, and rules. Vigilantly monitoring its impacts on the environment and communities, Thairoil stresses good relations, community participation, and cooperation with public agencies by providing information in support of new legislation or rule considerations. In addition, it stays prepared while preventing its business and projects from harming the communities and environment. Each project under Thairoil Group must specify in advance its guidelines that align with upcoming laws. Thairoil employees must be educated on such changes. Finally, internal coordination among refinery operators must be in place to plan contingency measures for all potential impacts.

#### **2. Strategic Execution Failing to Meet Planned Objectives (Short-Term and Long-Term)**

For tangible implementation of its strategic plans, Thairoil continually tracks these plans, strategic structures, and new-venture investigations through Strategic Thinking Session (STS) and the Growth Steering Committee. These groups deliberate the adequacy of resources (including financial and personnel) and explicitly assign responsible persons for the projects.

Working with these people and strategic planning is Business Development Department. Each month, Thairoil also monitors and reports performances against corporate goals. The Risk Management Group monitors and reviews the progress of risk management activities together with each unit to ensure goal achievement under Thairoil's strategic plans.

### **3. Business Returns Before and After Business Acquisitions Falling Short of Goals**

While new ventures lower risks arising from over-dependence on Thairoil's core business and form a key strategy for raising profitability, Thairoil could face problems and obstacles on account of limited expertise and experiences, thus risking the prospect of low investment returns. To prevent this, Thairoil requires detailed investment screening for both domestic and international ventures, namely political, financial, and economic factors, together with personnel development of Business Development and the hiring of well-versed financial and legal consultants. Finally, Thairoil's entity—Thairoil Energy Solutions Company Limited—consists of knowledgeable, skilled, and experienced employees in diverse fields who are Thairoil's veteran employees. This company will serve as a center for conducting project analysis to ensure good investment returns.

## **Business and Commercial Risks**

### **4. Volatility of the World Oil Price**

Since such volatility is the key parameter dictating the bottom line of the refinery industry, Thairoil has instituted close monitoring of the market to provide information for effective and accurate forecasts together with production and sale planning to ease the impacts of disappointing performances. Personnel of Corporate Commercial Planning undergo training development with a focus on market analysis and price risk management, along with training on efficient management of inventories. In addition, ideas from Operational Excellence seminars and Hydrocarbon Management Reviews (HMRs) maximize Gross Integrated Margins (GIMs) and lower the costs of securing raw materials, transport, and processing.

### **5. Oil Demand Drops**

Since economic impacts, natural disasters, and political instability could affect consumers' demand, Thairoil has laid down measures for tackling such risk factors. These measures consist of integrated management within the Group, market expansion to neighboring countries (including Indochina), manufacturing of specialty products (including Treated Distillate Aromatic Extract: TDAE), customer service quality improvement through expansion of sales channels (including construction of a new, efficient, land-based fuel distribution station for greater convenience and flexibility of individual product sale), and coordination with other refinery operators of surplus product management.

### **6. Procurement of Raw Materials**

Due to the limited crude oil supply worldwide and OPEC's measures to limit crude oil market supply—particularly that from the Middle East with properties matching the processes of Thairoil and Thairoil Group—coupled with the demand arising from new refineries in the region, Thairoil could face greater difficulty in securing crude oil with the desired quality. It has therefore taken assorted measures to improve its processes to handle crude oil of different grades and coordinated with PTT in supply sourcing and planning, as well as entering into long-term sales agreements for suitable volumes to ensure itself of adequate crude oil supply.

## **7. Technological Development and Changes**

While technological changes give consumers new opportunities and choices, they could lower the demand for Thairoil and Thairoil Group's assorted products, so Thairoil's strategic plan for new products addresses the market's likely demand, including TDAE, an environment-friendly product that meets the needs of customers in Europe. In addition, it is investigating other projects, including specialty products, Group II/III lube base oil, specialty asphalt, and wax, among others. It also cooperates with the Petroleum Institute of Thailand (PTIT), PTT's Research and Technology Institute, and leading educational institutions in investigations of novel products, building on its current ones, to address customers' demand.

## **Operations Risks**

### **8. Process Disruptions**

Because continuous operation is a key to Thairoil's healthy revenue and returns, Thairoil highly values it, together with product quality, safety, and the environment. Plans are in place for machinery and instrument maintenance so that they may be ready for use and not break down, thus causing processing disruption. Maintenance also extends service years and lowers the cost of finding spare parts. In addition, advanced process control systems find application in Thairoil's plants, along with alarm and safety systems for emergencies. Besides its regular drills conducted with internal units external agencies and employee training, Thairoil has a Business Continuity Management plan in place for unforeseen incidents to bolster confidence among its stakeholders.

### **9. Sabotage and Protests**

Because refinery shutdowns or transport blockades could lower Thairoil's revenue, it has defined plans and measures for such potential impacts. These include cooperation with government agencies on intelligence, compliance with Crisis Communication Management plans, scheduling of regular drills, and improvement of security and safety systems—including the additional installation of close-circuited cameras and collaboration with the community around the refinery on vigilant monitoring. Through a memorandum of understanding, Thairoil joins PTT Group and the Federation of Thai Industries in drawing up measures for potential marketing impacts. Finally, a Business Continuity Management plan is in place for emergencies.

## **Corporate Risks**

### **10. Failure to Develop Knowledgeable, Competent, and Experienced Personnel to Sustain Present and Future Businesses**

To handle this risk, Thairoil has drawn up a development plan for all Group employees, consisting of Individual Career Plans and Individual Development Plans, apart from Succession Plans and hiring of new, experienced employees. Finally, job rotation in Thairoil Group supports the growth of the group and its rising trend of retirement. These steps ensure that Thairoil Group will be able to run its business uninterrupted.

### **11. Community's Filing of Complaints to Government Agencies or Protests, Resulting in Business Disruptions or Disrepute**

In running a major business like that of Thairoil Group, Thairoil management has consistently focused on stewardship of

the environment and society—particularly the prevention of community repercussions—since this would cause community complaints or litigation, in turn bringing about disrepute or, at worst, shutdown by the authority. Thaioil Group therefore focuses on proactive public relations, engaging all groups in the community equally and continually to bolster confidence among them and establishing community learning centers to also act as a relations and communication clearing house. Yet, if an unforeseen or inevitable event should occur, Thaioil will follow the procedures under the Crisis Communication Management plans to dispel rumors or a negative image.

## Financial Risks

### 12. Volatility of the Baht

Because changes in the baht-dollar exchange rate directly and indirectly affect the bottom line of Thaioil, it has structured its loans proportionately with its performance, which is tied to the US dollar—in short, natural hedging—to ease the impacts of baht volatility. Other measures supporting financial risk management include holistic financial management for Thaioil Group and forward currency contracts aimed primarily at exchange rate risk prevention.

### 13. Commercial Credit with Business Partners

Impacts of the global economy and the collapse of several regional financial institutions, as well as the liquidity difficulty of banks and financial institutions, could jeopardize Thaioil's revenue. It has therefore drawn up measures to closely monitor the financial status and credibility of each customer and financial institution with which Thaioil conducts interactions. Credit Committees are in place to deliberate payment credit lines for Thaioil's products by customers and relevant contract partners, define proper risk levels of contract partners, and report monitoring outcomes regularly.

### 14. Returns on Investment Falling Below Targets

One of Thaioil and Thaioil Group's strategic plans is to grow several future businesses to steadily grow the Group while supplementing its overall business value. While the Group closely monitors and manage the risks facing each project, investment expenses could vary from projections because of several factors beyond control, including global economic uncertainty and policy changes in host countries. Besides Thaioil's measures to strictly comply with its financial policy, it has defined investment risk assessment and appointed a unit to conduct post-mortem analysis of investment returns to apply the experience to future management improvement.

# CORPORATE GOVERNANCE POLICY

Thaioil adheres to the principles of good Corporate Governance (CG) as guided by the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) and also consistently strives on raising its CG practice to international standards. The Board of Directors, management, and all employees of Thaioil Group always recognize the essential of CG principles and practices compliance. In 2010, the Company obtained the evaluation scores of 95 or equivalent to “**excellent**” rating, according to the Corporate Governance Report of Thai Listed Companies 2010, which was jointly conducted by Thai Institute of Directors (IOD), SEC and SET. The score received is the highest among the SET 50 group of companies. Thai Institute of Directors (IOD) has developed guidelines in line with the corporate governance principles from the Organization for Economic Cooperation and Development (OECD) and the SET’s principle of corporate governance for listed companies in 2006, as well as the assessment carried out by the SEC and the Thai Investors Association (TIA). The Company was also assessed for its arrangement of the 2010 Annual General Meeting of Shareholders with the score of 95 out of 100 points with no bonus points, the Company has been rated as an “outstanding level.”

Corporate governance principles are defined as a process under which there is a structure and an internal managing mechanism connecting relationship between the board, the management, employees and shareholders, as well as overall stakeholders, reflecting governing principles in the following areas:

1. **Responsibility** for performing duties with due competence and adequate efficiency
2. **Equitable Treatment** of all stakeholders
3. **Accountability** for one’s decisions and actions, with good rationales
4. **Creation of Long-Term Value**
5. **Transparency** in conducting business, openness to scrutiny, and transparent disclosure of corporate information to related parties
6. **Ethics** in conducting business by setting up the management structure that support equitable and fair relationship among the Board of Directors, management, and shareholders.

The Company has established written corporate governance policies and guidelines and incorporated in the Corporate Governance Manual (CG Manual) and in the Corporate Governance Committee Charter (CG Board Charter). The Corporate Governance Committee is responsible for supporting the Board of Directors in drafting CG policies and principles. The first revision was issued in 2001, which was consistently reviewed. Presently, the current CG Manual is the 3<sup>rd</sup> revision with the objective to provide a fully comprehensible and modern content, in accordance with the CG principles of SET and SEC. The CG Manual will be used as a medium to propagate CG policies to members of the Board, management, and employees to operate fairly and honestly. The Company requires directors, management, and all employees to sign upon receiving the CG manual to ensure the acknowledgment and hence adapt to practices. Shareholders and investors can download the CG Manual from the Company’s website ([www.thaioilgroup.com](http://www.thaioilgroup.com)).

Thaioil is also under progress to improve a learning material under the topic of Corporate Governance (CG E-Learning), which is expected to be complete in the middle of 2011. The objective is to modernize its content, corresponding with the CG Manual and Code of Conduct Handbook. The CG E-Learning is also used to promote the understanding of CG principles, in which newcomers can learn CG and code of conduct by themselves through the Company’s Intranet. After



completion of this program, they will receive a certificate of completion. On the activities in promoting CG, Thailoil organized activities in disseminating knowledge on CG within the Company and participated in PTT Group CG Day every year. This event aims to encourage employees to adopt the corporate governance principles as guidelines in performing task. As a result, this will create corporate culture and help support the Company to sustainable growth.

*Every Thailoil staff is well-aware of the responsibility in the refining and petrochemical business, which depends on natural resources and environment. The Company recognizes the importance of using natural resources effectively and efficiently. It also has environmental management process, operating to prevent and reduce future risks. In addition, Thailoil also instill the concept and practice, by focusing on CG principles as a foundation for sustainable growth of the Company.*

## Compliance with the Company's Corporate Governance in 2010

### Article 1: Right of Shareholders

The Company recognizes and respects the right of shareholders. Thus, issued policies to protect shareholders' rights by encouraging shareholders to exercise rights and prohibit any violation of shareholders' right as follows:

#### 1. Annual General Meeting of Shareholders (AGM)

- >> Arrange the Annual General Meeting of Shareholders (AGM) every year within 4 months after the end of each fiscal year. If there is an urgent need to consider any special matter that may or in connection with the interests of shareholders, which need shareholders' approval, the Board of Directors can call an extraordinary meeting of shareholders on case by case.

#### 2. The Issue of Invitation Notice to the Shareholders in Advance

- >> Send invitation notice, meeting agenda with the opinion of the Board of Directors along with proxy forms, comprised of form A, B, and C (for foreign shareholders that have appointed custodians in Thailand), in accordance with the Ministry of Commerce together with other supporting information. The Company shall publish these items on the Company's website prior to the delivery of the meeting notice at least 30 days in advance of the AGM.
- >> Prepare notice of the annual general meeting which clearly specifies meeting venue, date, time, agenda, and matters to be proposed to the meeting together with appropriate detail. The opinion of the Board of Directors, minutes of the previous meeting, annual report, all proxy forms and other relevant documents shall also be provided and distributed to shareholders not less than 14 days prior to the meeting. This is to ensure that the information related to voting decision received by the shareholders is sufficient, accurate, complete and transparent. The information must also be announced in the newspaper both Thai and English for 3 consecutive days and at least 3 days prior to the AGM for the shareholders to prepare themselves in joining the meeting.
- >> In the event of an emergency to protect the rights and benefits of the Company, notice shall be delivered not less than seven days in advance. Information on agenda items shall be made available at the corporate website prior to being delivered to shareholders.

### 3. To Facilitate the Shareholders

- >> To facilitate all the shareholders at the meeting date. Adequate number of officers shall be assigned to welcome and check registration documents. The Company will make registration process available 2 hours prior to the meeting, by using bar code system to shorten the registration process. In addition, the Company also arranged each shareholder's meeting at a venue of adequate size in Bangkok or its vicinity under good security and set up an emergency plan to increase confidence and security to all shareholders during the meeting.

### 4. The Shareholders' Meeting

- >> The Company must not deprive the rights of shareholders to attend their meetings. All shareholders can exercise their rights to attend the entire meetings.
- >> Before the meeting, Chairman of the Board will clarify rules and criteria in relation to the meeting, such as the opening of the meetings, voting procedures, and counting of shareholders' vote for each session, in accordance to the Company's Article of Association.
- >> The Company shall support the shareholders to exercise their rights in protecting their own interests by asking questions, expressing opinions, and making recommendations at the AGM. The shareholders also have rights to participate in the decision of important issues, which may affect the Company, for instance, the appointment or removal of directors, the selection of nominees to become independent directors, the approval of auditors for dividend payment, the reduction or addition of capital funds, set or revises rules and regulations and the approval of memorandum items, etc.

### 5. Practical Guidance on Reporting Conflicts of Interest

- >> The Company has specified director's interest in the invitation letter and in the Annual General Meeting of Shareholders. If any directors have particular interest or involved in any agenda, Chairman of the meeting must notify the participants prior to the meeting. The directors involved in the interests must not participate in the meeting and must not abstain on such matter.

### 6. The Operation After the Annual General Meeting of Shareholders

- >> The Company must prepare the minutes of the shareholder's meeting and shall notify the SET within 14 days after the meeting, in accordance to the SET regulations, and disseminate full details of the meeting. This includes a complete and appropriate records of the meeting, voting and questioning process of the shareholders in each session, along with the allocation of video recordings of the Annual General Meeting of Shareholders for their acknowledgment in the Company's website at [www.thaioilgroup.com](http://www.thaioilgroup.com)

## Article 2: Equitable Treatment of Shareholders

Regardless of their gender, age, skin color, race, nationality, religion, belief, political preference, or any physical handicap, the Company values all shareholders' investments in it by protecting their fundamental rights equally and fairly as follows:

- >> Provide the opportunity for shareholders to exercise the rights to propose agenda items and qualified nominees for election as directors in advance during the period specified by the Company at least 90 days ahead of the annual general shareholders' meeting by publishing the procedure on the Company's website.

- >> Shareholders are entitled to authorize others to attend shareholders' meetings and exercise their rights to vote on their behalf. The authorized parties can attend the shareholders' meeting and fully exercise the right to vote upon certifying his or her status. Shareholders may submit their proxy forms to an independent director, and are entitled to receive complete biographical and career information of independent directors for decision-making.
- >> The AGM shall be conducted according to the agenda notified in the notice and it is our policy not to add items to the agenda without advance notice to shareholders.
- >> Adequate time shall be allocated for the meeting and equal opportunities provided for shareholders to express their opinions, ask questions and exercise the rights to elect individual directors. Shareholders vote on every item using the polling card distributed at the meeting.
- >> Directors and Executives involved in matters on the agenda shall attend the AGM to answer the questions raised by shareholders. The main questions, answers and opinions shall be recorded in the minutes of the meeting for future review by shareholders.
- >> Opportunity shall be provided to shareholders to register using the barcode system two hours prior to the meeting. After this registration period has lapsed, shareholders who wish to attend the meeting can register to attend without losing their rights.
- >> Current information shall be published at the Company's website to inform shareholders of major Company's data and information which have changed, including information sheets disclosed in accordance with various regulations. After disclosure to SET, the information shall be published at the Company's website in Thai and English.
- >> The Company has in place measures to protect the use of inside information as set out in Article 4: Disclosure and Transparency.

### Article 3: Role of Stakeholders

Recognizing stakeholders' legitimate rights and any agreement with the Company, the Company treats all stakeholders fairly. The following guidelines clearly define work principles for all employees to strictly perform on stakeholder engagement.

#### 1. Equitable Treatment of Major Stakeholders

##### Shareholders

The Company, as a representative of the shareholders, is committed to conducting business with transparency, to put in place reliable financial and accounting systems, and to deliver optimum shareholder satisfaction. To achieve this, we shall take long-term growth of the Company and reasonable sustained returns into account. The executive board and all employees shall perform duties with integrity and make decisions in good faith and in fairness to major and minor shareholders alike, as well as for the good of relevant parties. They shall refrain from any activities that could cause conflicts of interest and serve self-interest. Confidential information shall not be divulged to outside parties.

##### Customers

Customer satisfactions shall be achieved by deliver quality products which meet their requirements; report the Company's status and performance to shareholders equally, regularly, and completely; perform duties with integrity and make decisions in good faith and in fairness to major and minor shareholders alike, as well as for the good of relevant parties; refrain from potential conflicts of interest with the Company; refrain from seeking undue benefits for oneself and related parties by exploiting inside information; and refrain from unduly disclosing the Company's confidential information.

**Business Partners, Business Competitors and Creditors**

Equity and honesty in conducting business, and the mutual interests of both parties shall be taken into account. This shall be achieved through strict compliance with legal requirements and other applicable rules, and adhering to business ethics.

The Company practices fair competition guided by the following approaches:

- >> Business Partners: Refrain from demanding from, accepting, and paying improper commercial benefits to business partners. Stringently, transparently, and equally observe contracts, agreements, and conditions given to business partners. If conditions cannot be observed, negotiate with business partners well in advance to jointly find reasonable remedies.
- >> Business Competitors: Comply with the rules of fair competition and treat business competitors fairly for mutually fair returns. Also, refrain from dishonestly or improperly seeking confidential information of business competitors and refrain from defaming business competitors through slander.
- >> Creditors: Stringently observe contracts, agreements, and conditions given to creditors and consistently report the Company's financial status with integrity, accuracy, and promptly to creditors. If conditions cannot be observed, negotiate with business partners well in advance to jointly find remedies and prevent damage.

**Employees**

Cultivate and develop a good working culture and environment, promoting teamwork to bolster employee confidence of career security in working for the Company. The following are guidelines to achieving this:

- >> Provide fair and proper compensation in line with the knowledge, ability, responsibility, and performance of each person
- >> Ensure that the work environment is always safe and healthy to employees and their properties
- >> Promote, transfer, reward, and punish employees fairly and in good faith while relying on their knowledge, ability, suitability, and behavior
- >> Treat employees fairly and value their development, knowledge, and competency transfer through extensive and regular opportunities given to them
- >> Pay attention to the views and comments of all employees in a fair manner
- >> Strictly obey laws and regulations related to employees
- >> Avoid unfair practices that could disrupt employees' job security
- >> Treat employees politely, as individuals, and with respect for human dignity
- >> Provide channel for report or complaint any ethical and illegal behavior
- >> Promote employees' understanding of the code of conduct and roles to promote compliance with the code throughout the Company
- >> Promote employees' participation in defining business directions and in remedying problems for units in question and the Company as a whole

**Communities, Society, and the Environment**

Take into consideration for the safety of society, the environment and quality of life of the public, recognize the importance of preserving natural resources to pass on to later generations, and promote energy efficiency to achieve sustainable development. This can be realized by following these guidelines:

- >> Utilization of natural resources shall take into account options with the minimum damage to the societies, the environment and quality of life of the public.
- >> Refrain from harming natural resources and the environment more than allowed by the law
- >> Promote efficient energy conservation for the sake of future generations
- >> Refrain from supporting activities that harm or threaten society or morality, or promote vices
- >> Institute a complaint-filing system for matters potentially impacting communities; probe causes, amend the situations, and inform complaint-filers about the company's action in due time
- >> Constantly cultivate an awareness of social and environmental responsibility in the Company and among the workforce
- >> Cooperate and ensure strict compliance with the spirit of the law and relevant rules
- >> Value community and social activities by ensuring social, community, and environmental development and promoting innovation and conservation of natural resources as well as provide support for youth education and activities for social benefit.
- >> Promptly and efficiently respond to events affecting communities and the environment because of the Company's business by lending full cooperation to public officials and relevant agencies

#### **Government Authorities and Associated Organizations**

Strictly comply with legal requirements on the environment, safety, labor, tax and accounting, as well as government announcements applicable to conducting the Company's business. Employees at every level must study and understand laws relating to their work and never violate such laws. Supervisors shall make available relevant laws to use as reference and shall continually monitor changes. Employees shall have easy access to data. The Company shall instill in employees at every level responsibility for constant compliance with laws, rules and Company Regulations. Good relations shall also be fostered through cooperation with related government units and associated organizations in providing information for the benefit of the country and the public.

#### **2. Enforcement of this Manual**

The Company has defined the duties and responsibilities of directors, the management, and all employees to acknowledge and comply with the policies and terms of this manual. All executives are to supervise, take responsibility for, and seriously take the promotion of their understanding and strict compliance with this manual.

The Company is to stringently obey the law while refraining from violating these corporate governance principles. If directors, the management, and employees violate these principles, they will face strict disciplinary punishment; if it is suspected that they have violated any law, regulation, rule, and requirement lay down by the public sector, they will be handed to public officials for prosecution.

If employees find it difficult to decide on any given matter or deal with any portion of the code of conduct not explicitly stated in the Company's code of conduct, they should ask themselves the following questions:

1. Is this action against the law?
2. Is this action against a Company policy, its code of conduct, or its image?
3. Is this action going to severely affect the company's stakeholders?

If employees detect violation of the law or the corporate governance principles, or both, they are to inform the Corporate Management Office about it, and the company will begin its probe while protecting whistle-blowers.

### 3. Whistle-Blowing Measures and Whistle-Blower Protection Mechanisms

The Company requires that executives at all levels assume responsibility for ensuring employees under supervision acknowledge, understand and comply rigorously with guidelines in the CG Manual. Employees who commit ethical violations shall receive disciplinary punishment. To ensure fair treatment of all stakeholders under the corporate governance principles, the Company has set up channels for complaints, suggestions, or recommendations indicating impacts or risks of impacts on stakeholders arising from its business or from wrongful action or violation of the code of conduct, as well as from behavior implying corruption, unfair treatment, or careless action. Provide such leads directly or in a letter to:



**Corporate Management Office Department**

**Office of Corporate Management**

Thai Oil Public Company Limited  
555/1 Energy Complex Building A, 11<sup>th</sup> floor  
Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900



cgcoordinate@thaioilgroup.com



+66(0) 2797-2900 or +66(0) 2797-2999 or +66(0) 2299-0000 ext. 7312-7315



+66(0) 2797-2973



CG Manual at [www.thaioilgroup.com](http://www.thaioilgroup.com)

The Company will proceed with its investigations as specified in its procedures and record the outcomes in writing without naming whistle-blowers, and will also keep their information confidential.

## Article 4: Disclosure and Transparency

### 1. Disclosure Information of Board of Directors and Executive Management Fee and Shareholding

Information of Board of Directors and Executive Management remuneration fee and shareholding be reported in the annual registration statement (Form 56-1), annual report (Form 56-2) information and also published at the Company's website ([www.thaioilgroup.com](http://www.thaioilgroup.com)).

Executives shall be responsible for reporting ownership in securities each time they are acquired and disposed to the Office of Securities and Exchange Commission according to Section 59 of the Securities and Exchange Act. The Company will sent a letter asking for cooperation in the refrain from buying, selling, or transferring of shares and securities in advance of at least 1 month before the end of the accounting period in each quarter. In addition, Company's directors and executives

must report their change of interests to the Company in every quarter and the information must be updated every year. The information will be used only within the Company in compliance with the announcement of the Capital Market Commission Tor Jor 2/2552 on the report of the interests of directors, executives, and persons involved.

## 2. Disclosure Information of the Company

The Company shall disclose information on material matters regarding the Company, including financial reports, non-financial information and other information as stipulated by SET and SEC that are accurate, clear, complete, easy to understand, transparent, adequate, reliable and timely, and which have been screened according to prescribed procedures. Governance policies and structure shall also be reported in the annual registration statement (Form 56-1), annual report (Form 56-2), and at the corporate website in Thai and English to ensure equitable access by shareholders. The Company shall further report on the responsibilities of the Board of Directors for the financial statements which appear together with the report of the independent auditors in the annual report. Besides, the Company establishes the internal control policy within each department or section to prevent confidential information from being disclosed to the public prior to formal announcement. Employees must not apply the Company's confidential information for personal or others' gains. They should maintain inside information and sensitive documents that could lead to undue exploitation for themselves, their families, or their associates, including any information influencing stock prices and the Company's proprietary commercial secrets, formulae, and inventions. Those who disclose important information and news to outsiders without approval from the Chief Executive Officer shall be subject to disciplinary action according to Company procedures and may face legal action.

## 3. Investor Relations

The Company attaches great importance to investor relations which is performed duties with utmost responsibility, integrity, and dedication on disclosure of correct, reliable and adequate Company information to investors, analysts and other related parties in a fair, transparent and comprehensive manner.

The Company has set up the Investor Relations Section (IR) as a focal point in conducting proactive investor relations activities, according to best practices of leading international organizations, to promote effective communication channels with investors, analysts and other related parties. Opportunities are also provided for investors to raise questions and receive Company information through various channels, such as the Company's road shows and seminars are participated in with domestic and international investors; quarterly presentations for analyst meetings; report on the operations of Investor Relations to the Board of Directors at least once a year; publish the results of the operation in webcast on the Company's website; provide shareholders and institutional investors to visit the refinery and meet business executives in order to generate understandings in the business of the Company; as well as to participate in annual exhibition organized by SET in providing educate and promoting knowledge to investors in SET in the City and Money Expo. All of which facilitate prompt communication to clarify and respond to investor queries in 3 channels are available:

1. Direct phone line +66(0) 2797-2961
2. E-mail: [ir@thaioilgroup.com](mailto:ir@thaioilgroup.com)
3. Investors information published at the Company's website, [www.thaioilgroup.com](http://www.thaioilgroup.com)

## Article 5: Board Responsibilities

### 1. Board Structure

#### Directors Compositions and Qualifications

The Board of Directors has assigned the Nomination and Remuneration Committee to nominate and select directors and Chief Executive Officer in case of vacancy. The composition of the Board of Directors must have a proportional number of independent directors for work balance of the Board as well as the Management's operation. The Board must be knowledgeable must possess diverse skills, including industrial, financial, business, management, international marketing, strategic management, crisis management, law, and auditing skills. At least three directors must be experts in the Company's core business, at least one in law, and at least one in finance and accounting. Independent directors on the Board represent at least one-third of all directors and must not be less than three directors. All the directors meet the qualifications specified in the Public Company Limited Act and none possess any of the forbidden qualities therein. Presently, the Board of Directors includes 14 directors which consisted of one executive director and 13 non-executive directors. The names of the directors, and the roles and responsibilities of the Board of Directors, Chief Executive Officer, and Company Secretary are defined in Shareholding and Management Structure on page 88-89.

#### Directors Nomination

Regarding the selection of qualified candidates for nomination as directors in replacement of those who are retired by rotation, the Company gives the opportunity to our shareholders to nominate candidates with qualifications required by Securities and Exchange laws and by the Company's regulations to be elected as directors. Announcement has been posted on the Company's website to invite nomination from shareholders. The Nomination and Remuneration Committee will then select qualified candidates and propose to the Board of Directors for consideration. After the Board's agreement, the list of such candidates will be proposed to the Annual General Meeting of Shareholders to approve the election by majority votes. The Nomination and Remuneration Committee also select qualified directors to be members of committees in replacement of the vacancy after the AGM and propose to the Board for approval.

#### Independent Directors Qualification

Independent directors are directors independent of majority shareholders or group of majority shareholders and management with power to express opinions freely in performing the assigned task of protecting the interests of minority shareholders. They are responsible for ensuring that the report is certified by their independence when they are appointed and disclose their independent information in the Company's annual report.

Independent Directors must possess all the following qualifications defined by the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) as follows:

- 1) Must not hold more than one percent of the total voting rights in the Company, the Company's subsidiary or affiliated companies.
- 2) Must not be an executive director, contractor, employee, or advisor who receive a salary, or a person with controlling power of the Company, its subsidiaries, or affiliated companies in the past two years.



- 3) Must not be a person who has blood ties or by the registered under the law to directors, executives, major shareholders, or a person who have the power to control the Company, its subsidiaries, or affiliated companies.
- 4) Must not be a person who has business relationships with the company during the past 2 years, both in the fields of professional services, such as the auditor, or a provider of professional services with a fee exceeding 2 million baht in commercial and business, e.g. no significant transactions with the Company.
- 5) Must not be a representative of directors, shareholders, or a person associated with the major shareholders.
- 6) Must not possess qualification or other manners that prevent the ability to provide independent opinion.
- 7) Must be able to participate in decision-making operation in the form of a quorum.
- 8) Must not operate the same business and in competition with the Company, its subsidiaries, or affiliated companies; shall not hold more than 1% shares; or being a director who is involved in administration, contractor, or employee who receives a salary or a person with power to control the business.

The Company requires independent directors to meet at least twice a year to promote the opportunity for them to meet among themselves to propose guidelines in improving the quality of Thaioil's corporate governance consistent with good governance practices of registered companies of the SET.

## 2. Remuneration of Directors

It is the Company's policy to compensate directors and the Chief Executive Officer at reasonable levels to motivate and retain quality directors, or at levels comparable to industrial practices. Remuneration is linked to the Directors performance and responsibility as well as the Company's performance. Directors tasked with greater responsibilities, including the chief executive officer, are paid more for such extra responsibilities. Chairmen may likewise receive higher compensation than directors. The Nomination and Remuneration Committee sets the remuneration principles, payment method, and reports the nomination and remuneration performance to the Board of Directors for approval at the AGM. Details of remuneration payments to directors and management in 2010 are set out in Shareholding and Management Structure on page 100.

## 3. Board's Performance Assessment

The annual performance assessment is done in three steps, namely:

- 1) Individual Director Assessment (Self- Assessment)
- 2) Board Assessment, and
- 3) Peer Assessment

The company's new appraisal form covers additional significant criteria as follows:

- 1) Board Policy,
- 2) Board Composition,
- 3) Board Meeting, and
- 4) Board Practices, which consist of preparedness of the Board, risk management and internal control, handling of conflicts of interest, financial control and monitoring, selection process, compensation process, and performance appraisal.

The criteria for the evaluation represent the percentage in each article as follows:

Over 85%	=	Excellent
Over 75%	=	Very Good
Over 65%	=	Good
Over 50%	=	Satisfactory
Under 50%	=	Poor

**Assessment for the year 2010 can be summarized as follows:**

<b>Comparison of the Performance Assessment of the Board of Directors</b>	<b>2009</b>	<b>2010</b>	<b>+ / (-)</b>
	(%)	(%)	(%)
Form 1: Individual Director Assessment (Self- Assessment)	97	97	-
Form 2: Board Assessment	97	95	(2)
Form 3: Peer Assessment	96	98	2
<b>Average Score</b>	<b>97</b>	<b>97</b>	<b>-</b>

The overall result of the Board assessment in 2010 in all areas indicates an average rating of **Excellent** for a score of 97%.

The scores as well as opinions of the directors in each category form the basis for improving the performance of the Board in the future. The Chief Executive Officer also participates in explaining his expectations for support from the Board.

#### **4. The Chief Executive Officer's Performance Assessment**

The Nomination and Remuneration Committee, in charge of the annual performance assessment of the Chief Executive Officer, must forward the assessment outcome to the Board for endorsement. Therefore, the performance assessment of the Chief Executive Officer is considered as confidential information and cannot be disclosed. The performance assessment for the Chief Executive Officer for 2010 has 3 parts, with a total of 100 points as follows:

**Part 1** Corporate Key Performance Indicator (KPI) Achievements – 60 points

**Part 2** Leadership Competency – 30 points

**Part 3** Efficiency on Budget and Project Management – 10 points

The performance appraisal outcome, dictating the pay rise for the Chief Executive Officer, is presented to the Board for further approval.

## 5. Development of Directors and Executives

The Company has promoted and provided support on training and education on corporate governance to directors, committee members, executives, the corporate secretary, and others as part of continuous operational development. The Company's continuous executive development program forges preparedness for its internal rotation of executives and this also applies to Chief Executive Officer succession through the senior management assessment program, including the Currently Estimated Potential (CEP), KPI-based Performance Evaluation, and 360-Degree Competency Assessment according to the Performance Management System (PMS). The Company has nominated assistant managing directors to PTT's executive pool under the Group Leadership Development (GLD) program. These executives undergo individual appraisal for their competence, preparedness, and strengths and weaknesses by independent assessors. Specific leadership development program, such as Individual Development Plan (IDP) has been designed for these. In addition, The Company has established a mentoring program for top executives who require specific development for future senior executive positions or the Chief Executive Officer. When the Chief Executive Officer position is available, the Company considers the qualifications and capabilities of assistant managing directors or other senior executives, as well as external qualified executives, for the selection process managed by the Nomination and Remuneration Committee.

Moreover, the Company has provided new directors with orientation documents, including business background and other useful materials. An orientation program is regularly provided to new directors with essential knowledge, business overview, corporate policy, and business outlooks. Directors have also undergone training organized by Thai Institute of Directors (IOD).

## 6. Board Meetings

Board meetings are scheduled in advance so that directors can schedule themselves to attend. In consultation with the Chief Executive Officer, the board chairman must endorse each meeting and its agenda. Other significant matters proposed by directors are also considered. The Company is responsible for preparing and delivering the meeting agenda and relevant documents to all directors well in advance. Given adequate preparation time, directors must investigate and make sound decisions.

The Company regulations call for the board to meet at least once a quarter, with at least half of the total board in attendance to make a quorum, with additional meetings as necessary. In 2010, the Board meets once every two months with a total of 8 meetings. Meeting invitations are delivered to directors at least seven days prior to meeting date to give them enough time to study, deliberate, make sound decisions on all agenda items, and schedule themselves properly to attend each meeting, as well as protect the rights and benefits of the Company. A clear agenda is set for each meeting and adequate supporting documents are distributed sufficiently in advance to allow directors to thoroughly review the details. Minutes of Board meetings, including its meeting outcomes and the Board's views, must be made clear for future reference. In 2010, the Company held Board of Directors meetings and Board Committees meetings, in which the Board of Directors meeting has been participated in a complete quorum. Details of meetings of the Board of Directors and Board committees and attendance at each meeting in 2010 are provided in Shareholding and Managing Structure on page 97.

## 7. Board Committees

The Board has appointed three committees: Audit Committee, Nomination and Remuneration Committee, and Corporate Governance Committee. The Nomination and Remuneration Committee is in charge of nominating and selecting qualified members for all the committees. With the exception of the Risk Management Committee, that is the prerogative of the Chief Executive Officer, for prudent, efficient screening of significant business matters, continuous improvement of the board's performance, and bolstering of confidence among stakeholders.

The standing committees in 2010 were:

### **Audit Committee**

Consist of three independent directors with qualifications as required by the SET announcement in regards to the qualifications and scope of work of the Audit Committee. It performs audits and balances the management of various Company functions to ensure reliability and integrity while serving the best interests of all shareholders. The names, roles and responsibilities of the Audit Committee are set out in Shareholding and Management Structure on page 91-93.

### **Nominating and Remuneration Committee**

Consists of three directors (two of them are independent directors, including the Committee Chairman). The names, roles and responsibilities are set out in Shareholding and Management Structure on page 93-94.

### **Corporate Governance Committee**

Consists of three directors (two of them are independent directors, including the Committee Chairman). The names, roles and responsibilities are set out in Shareholding and Management Structure on page 94-95.

### **Independent Directors**

As at the end of 2010, there were a total nine independent directors, which represented 64.29 percent of the Board. The names and qualification are set out in Shareholding and Management Structure on page 86 and Corporate Governance Policy on page 118-119.

### **Thaioil Group Risk Management Steering Committee**

Consists of 12 senior executives of the Company, the role and responsibilities are set out in Shareholding and Management Structure on page 95.

### **Specific Risk Management Committees**

Consists of department managers and personnel in related functions, the role and responsibilities are set out in Shareholding and Management Structure on page 95-96.

### Thai Institute of Directors Association (IOD) Courses attended by Directors in 2010

Director	Position	Role of Chairman Program (RCP)	Directors Certification Program (DCP)	Directors Accreditation Program (DAP)	Audit Committee Program (ACP)	Financial Statement for Directors (FSD)	Role of Compensation Committee (RCC)
1 Mr. Pichai Chunhavajira	Director/Chairman of the Board of Directors		DCP 110/2008	DAP 49/2006			
2 Mr. Manu Leoparote	Independent Director/ Chairman of the Audit Committee	RCP 3/2001	DCP 30/2003				
3 Mr. Chaikasem Nitisiri	Independent Director/ Member of the Audit Committee	RCP 16/2007	DGP 8/2001			FSD 5/2009	
4 Mr. Utid Tamwatin	Independent Director/ Member of the Audit Committee		DCP 3/2000				
5 Mr. Goanpot Asvinvichit	Independent Director/Chairman of the Nomination and Remuneration Committee		DCP 134/2010	DAP 72/2008			RCC 11/2010
6 Miss. Puongpech Sarakun	Independent Director/Member of the Nomination and Remuneration Committee		DCP 131/2010				
7 Mr. Tevin Yongvanich	Director/Chairman of the Corporate Governance Committee		DCP 21/2002			FSD 6/2009	
8 Mr. Banphot Hongthong	Independent Director/Chairman of the Corporate Governance Committee						
9 Mr. Prayja Phinyawat	Director/Member of the Corporate Governance Committee		DCP 14/2002				
10 Mr. Apisak Tantivorawong	Independent Director/Member of the Corporate Governance Committee		DCP 18/2002				
11 Pol.Gen.Adul Sangsingkeo	Independent Director						
12 Mr. Naris Chaiyasoot	Director		DCP 82/2006	DAP 32/2005		FSD 19/2005	
13 LTG.Tawatchai Samutsakorn	Independent Director		DCP 138/2010			FSD 9/2010	
14 Mr. Surong Bulakul	Director Secretary to the Board and Chief Executive Officer		DCP 121/2009				

# INTERNAL CONTROLS

Convinced that good internal controls lead to the management's confidence that business management and execution will fulfill its goals while producing efficient and effective outcomes, Thaioil values management moves to ensure good internal controls. To this end, the Audit Committee (consisting of Independent Directors) reviews internal controls for adequacy and suitability, as well as for business effectiveness and efficiency, economical and cost-effective use of resources, procedure streamlining and potential risks or negative effects, accurate and credible financial data and reports, and compliance with policies, laws, rules, and regulations. Thaioil has assigned all its executives to define adequate and suitable internal controls for their own businesses, and to ensure that their business procedures are efficient to ensure that Thaioil's business achieves company objectives.

Thaioil subscribes to the criteria of adequacy of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), under which its Internal Systems Audit Section audits key business processes for adequacy and effectiveness while auditing process compliance to lead to improved internal control standards of Thaioil Group, with reporting of the outcomes to the Audit Committee six times a year as a minimum. Below is a summary of the assessment:

## 1. Control Environment

To promote activities concerning the control environment, Thaioil has taken the following steps:

- >> Clearly defined business policies and strategies, and cascaded them down to all employees for their unity of goals
- >> Defined a proper organizational structure with clear lines of command and relationship among internal units in line with Thaioil Group's goals and nature of businesses
- >> Defined the job descriptions of all officers, with clear required competencies and skills for each job
- >> Instituted clear assessment methods for competencies and job performances, and developed Individual Development Plan (IDP) for efficient performance by each employee
- >> Defined in writing the corporate governance policy and issued a corporate governance manual along with the code of conduct of Thaioil Group. The manual was revised during the year to align with assorted criteria and standards to suit current circumstances. The revised manual was handed out to each employee to study and use as a guideline for policy compliance.

## 2. Risk Assessment

Recognizing the value of risk management to business execution under changing external and internal circumstances that affect the company, Thaioil has implemented an international-standard risk management system. This system consists of the continual review and monitoring of risk management of all units under Thaioil Group in line with changing circumstances; assignment of responsible parties and definition of complete supporting measures; regular and continual reporting of risk management outcomes and progress to executives; and establishing new databases to align with the risk management processes while being user-friendly to all Thaioil Group employees. Thaioil has also launched activities in support of risk management and invited external experts to assess the quality of Thaioil Group's risk management. As a result, it is confident

not only of achieving the goals under its business plans, strategic objectives, and corporate KPIs, which align with Thaioil Group's objectives and goals, but of employees' application of risk management approaches systematically and continually—ultimately turning risk management into a company culture, as indicated by the group's risk management policy. For details on risk management, see the Risk Management section on page 106.

### 3. Control Activities

These activities consist of preventive control and detective control of potential practical shortcomings. These controls—shown below—are meant to enable company business to proceed systematically and efficiently, so as to prevent and minimize risks from business execution.

- >> Definition in writing of policies, action plans, budget plans, and business procedures
- >> Clear division of key responsibilities to minimize risks from errors
- >> Clear decentralization of authority of executives and task performers by level in the corporate authorization procedures to ensure suitable internal controls and job flexibility
- >> Continual comparison of actual job performances against goals so as to be aware of problems and remedies
- >> Establishment of control measures for tangible properties and key documents—including process machinery, office equipment, cash, land, and other key title deeds—and requirement of responsible parties to establish property records and conduct random counts.

### 4. Information and Communication

Thaioil values information and communication systems by instituting systematic data processing processes, controlled in both access and abuse aspects. In addition, it establishes efficient and effective systems for data and communication channels, both internally and externally, that are complete, accurate, timely, supportive of decision-making, and in compliance with laws. Besides, it observes the Computer Offense Act and compiles computer traffic data as required by the Ministry of Information and Communications Technology.

This year, Thaioil launched a Business Process Transformation (BPT) project, in which its Enterprise Resource Planning (ERP) was upgraded from SAP version 4.7 to SAP ECC version 6.0 under the following objectives:

- >> To institute new, more efficient business processes to support business expansion and link with Thaioil Group more efficiently while changing machinery maintenance systems. Today, there is no upgraded version of the PACER system.
- >> To replace SAP version 4.7, in use since 2003 and with troubleshooting service expiring in 2012, with SAP ECC version 6.0.
- >> To improve the core accounting processing and IT systems to support the International Financial Reporting Standard (IFRS) reporting format in 2011.

Underway since April 2010 and can operate by 1 January 2011. The BPT project is expected to complete in June 2011.

## 5. Monitoring & Evaluation

Thaioil commands a monitoring system to support business goal achievement through KPIs at corporate, departmental, and sectional levels in four aspects—financial, stakeholders, internal processes, and learning—as recommended by the Balanced Scorecard approach. Performance is continually monitored at each monthly management meeting. In addition, each quarterly operational excellence workshop drives all units—particularly those related to marketing, finance, and production—so that they may be efficient, excellent, and achieve Thaioil’s vision, mission, and goals. To this end, execution follows the Plan-Do-Check-Act cycle.

In addition, in designing its annual audit, the Internal Systems Audit Section focuses on its audit of processes with key risks. Significant issues detected are reported to the manager of each audited unit to undertake corrective actions to ensure that Thaioil’s units command effective and efficient internal controls, together with adequate control activities. Audit outcomes are reported to the Audit Committee and senior management. External monitoring and assessment are to follow the ISO 19001, ISO 14001, and OHSAS/TIS 18001 standards.

## 6. Review of Internal Controls

Having reviewed Thaioil’s internal controls of 2010, the Audit Committee concluded that Thaioil commands adequately effective and suitable internal controls to prevent or minimize risks, a view shared by the external auditor.



# CORPORATE INFORMATION

## Thai Oil Public Company Limited

<b>Symbol</b>	TOP
<b>Registration Number</b>	0107547000711
<b>Business</b>	Operates a highly complex refinery utilizing modern and efficient processing technologies to produce petroleum products primarily for domestic distribution. Further diversifies investment into related business which includes petrochemical, lube base oil, ethanol, solvent, power generation, as well as marine and pipeline transportation of petroleum and petrochemical products.
<b>Registered Capital</b>	20,400,278,730 Baht Comprising 2,040,027,873 fully paid-up common shares of 10 baht per share
<b>Number of Employees</b>	877 (as of December 31, 2010)
<b>Address</b>	
<b>Bangkok Office</b>	555/1 Energy Complex Building A, 11 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900, Thailand Telephone : +66(0)-2797-2999, +66(0)-2797-2900, +66(0)-2299-0000 Fax : +66(0)-2797-2970
<b>Sriracha Office and Refinery Plant</b>	42/1 Moo 1, Sukhumvit Road Km. 124, Tungsukla, Sriracha, Chonburi 20230, Thailand Telephone : +66(0)-3840-8500, +66(0)-3835-9000 Fax : +66(0)-3835-1554, +66(0)-3835-1444
<b>Website</b>	<a href="http://www.thaioilgroup.com">http://www.thaioilgroup.com</a>
<b>Investor Relations</b>	Telephone : +66(0)-2797-2961 E-mail : <a href="mailto:ir@thaioilgroup.com">ir@thaioilgroup.com</a>

### General Information of the Subsidiary Companies

Company Name and Address	Registration Number	Business	Registered Capital in Baht	Type of Shares	Number of Shares (Issued)	Value of Share (Baht/Share)	Shareholding (%)
<b>Lube Base Oil Business</b> <b>Thai Lube Base Public Company Limited</b> 555/1 Energy Complex Building A, 1 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900, Thailand Tel : +66(0)-2299-0000, +66(0)-2797-2999 Fax : +66(0)-2797-2970	0107539000090	Lube base oil manufacturer and distributor	1,757,890,730	Common	175,789,073	10	100
<b>Petrochemical Business</b> <b>Thai Paraxylene Company Limited</b> 105/12 Moo 2 Sukhumvit Road, Tungskultra, Sriracha, Chonburi 20230, Thailand Tel : +66(0)-3835-1317-9, +66(0)-3835-1878 Fax : +66(0)-3835-1320	0105539103288	Upstream petrochemical manufacturer and distributor	2,572,414,160	Common	257,241,416	10	100
<b>Thaioil Solvent Company Limited</b> 555/1 Energy Complex Building A, 1 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900, Thailand Tel : +66(0)-2299-0000, +66(0)-2797-2999 Fax : +66(0)-2797-2970	0105551116050	Investment in solvent and petrochemical business	1,250,000,000	Common	125,000,000	10	100
<b>TOP Solvent Company Limited</b> 555/1 Energy Complex Building A, 1 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900, Thailand Tel : +66(0)-2299-0003, +66(0)-2797-2993 Fax : +66(0)-2797-2983	0105551116491	Solvent and petrochemical distributor	1,200,000,000	Common	120,000,000	10	100 (Shareholding through Thaioil Solvent)

Company Name and Address	Registration Number	Business	Registered Capital in Baht	Type of Shares	Number of Shares (Issued)	Value of Share (Baht/Share)	Shareholding (%)
<b>Sak Chaisidhi Company Limited</b> 555/1 Energy Complex Building A, 1 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900, Thailand Tel : +66(0)-2299-0003, +66(0)-2797-2993 Fax : +66(0)-2797-2983	0105527011880	Hydrocarbon solvent manufacturer and distributor	180,000,000	Common	1,800,000	100	80.52 (Shareholding through TOP Solvent)
<b>TOP Solvent (Vietnam) Limited Liability Company</b> Go Dau Industrial Zones, Long Thanh District, Dong Nai Province, Vietnam Tel : +84-83827-9030-4 Fax : +84-83827-9035	472043000745	Solvent and petrochemical distributor in Vietnam	178,000,000,000 VND or 330,000,000	Common	17,800,000	18.5	100 (Shareholding through TOP Solvent)
<b>Power Generation Business</b> <b>Thaioil Power Company Limited</b> 555/1 Energy Complex Building A, 1 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900, Thailand Tel : +66(0)-2299-0000, +66(0)-2797-2999 Fax : +66(0)-2797-2970	0105539103296	SPP power generation	2,810,000,000	Common	281,000,000	10	55
<b>Independent Power (Thailand) Company Limited</b> 555/1 Energy Complex Building A, 1 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900, Thailand Tel : +66(0)-2299-0000, +66(0)-2797-2999 Fax : +66(0)-2797-2970	0105539126962	IPP power generation	1,771,000,000	Common	177,100,000	10	24

Company Name and Address	Registration Number	Business	Registered Capital in Baht	Type of Shares	Number of Shares (Issued)	Value of Share (Baht/Share)	Shareholding (%)
<b>Transportation Business</b> <b>Thaioil Marine Company Limited</b> 2/84 Moo 15, Old Railway Road, Bangchak, Phraknong, Bangkok 10260, Thailand Tel : +66(0)-2331-0080-5 Fax : +66(0)-2331-0086	0105541047578	Marine transportation of petroleum and petrochemical products	630,000,000	Common	63,000,000	10	100
<b>Thai Petroleum Pipeline Company Limited</b> 2/8 Moo 11, Lumlukka Road, Ladsawai, Lumlukka, Pathumthani 12150, Thailand Tel : +66(0)-2991-9130-59 Fax : +66(0)-2533-2186	0105534002696	Pipeline transportation of petroleum products	8,479,000,000	Common	84,790,000	100	9
<b>Other Businesses</b> <b>Thaioil Energy Solutions Company Limited</b> 555/1 Energy Complex Building A, 1 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900, Thailand Tel : +66(0)-2299-0000, +66(0)-2797-2999 Fax : +66(0)-2797-2970	0105550078006	Energy consulting service	40,000,000	Common	4,000,000	10	100
<b>Thaioil Ethanol Company Limited</b> 555/1 Energy Complex Building A, 1 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900, Thailand Tel : +66(0)-2299-0000, +66(0)-2797-2999 Fax : +66(0)-2797-2970	0105551121754	Investment in ethanol business	220,000,000	Common	22,000,000	10	100

Company Name and Address	Registration Number	Business	Registered Capital in Baht	Type of Shares	Number of Shares (Issued)	Value of Share (Baht/Share)	Shareholding (%)
<b>Sapthip Company Limited</b> 68 Soi Santipap, Sap Road, Sipraya, Bangrak, Bangkok 10500, Thailand Tel : +66(0)-2233-0444-5 Fax : +66(0)-2233-0441	0105539017543	Ethanol production from casava	800,000,000	Common	8,000,000	100	50 (Shareholding through Thaioil Ethanol)
<b>Maesod Clean Energy Company Limited</b> 191/18-25 CTI Tower, 26 <sup>th</sup> -27 <sup>th</sup> Floor, Ratchadapisek Road, Klongteoy, Klongtoey, Bangkok 10110, Thailand Tel : +66(0)-2656-7761-3 Fax : +66(0)-2251-1138	0105549129891	Ethanol production from sugarcane	675,000,000	Common	67,500,000	10	30 (Shareholding through Thaioil Ethanol)
<b>PTT ICT Solutions Company Limited</b> 555/1 Energy Complex Building A, 4 <sup>th</sup> -5 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900, Thailand Tel : +66(0)-2140-2000 Fax : +66(0)-2140-2999	0105549076496	IT and communication services	150,000,000	Common	15,000,000	10	20

## Reference

### Securities Registrar

#### Thailand Securities Depository Company Limited

The Stock Exchange of Thailand Building,

62 Ratchadapisek Road, Klongtoey,

Bangkok 10110, Thailand

Telephone : +66(0)-2229-2888 (Call Center)

### Debenture Registrar and Principal Paying Agent

#### Thai Military Bank Public Company Limited

Head of Marketing & Sales Investor Services

393 Silom Road, Bangrak, Bangkok 10500, Thailand

Telephone : +66(0)-2230-6295, +66(0)-2230-5647

Facsimile : +66(0)-2230-6093

### Auditors

#### KPMG Phoomchai Audit Limited

22<sup>nd</sup> Floor, Empire Tower, 195 South Sathorn Road,

Bangkok 10120, Thailand

Telephone : +66(0)-2677-2000

Facsimile : +66(0)-2677-2222

### Other Services (Loss of share certificate, change of particulars in Securities Register, and other shareholder services)

#### Counter Service

1<sup>st</sup> Floor, The Stock Exchange of Thailand Building,

62 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand

Telephone : +66(0)-2229-2888 (Call Center)

or

#### Office of Registration Services

Thailand Securities Depository Company Limited

2/7 Moo 7 (North Park), Vibhavadi Rangsit Road,

Thung Song Hong, Laksi, Bangkok 10210, Thailand

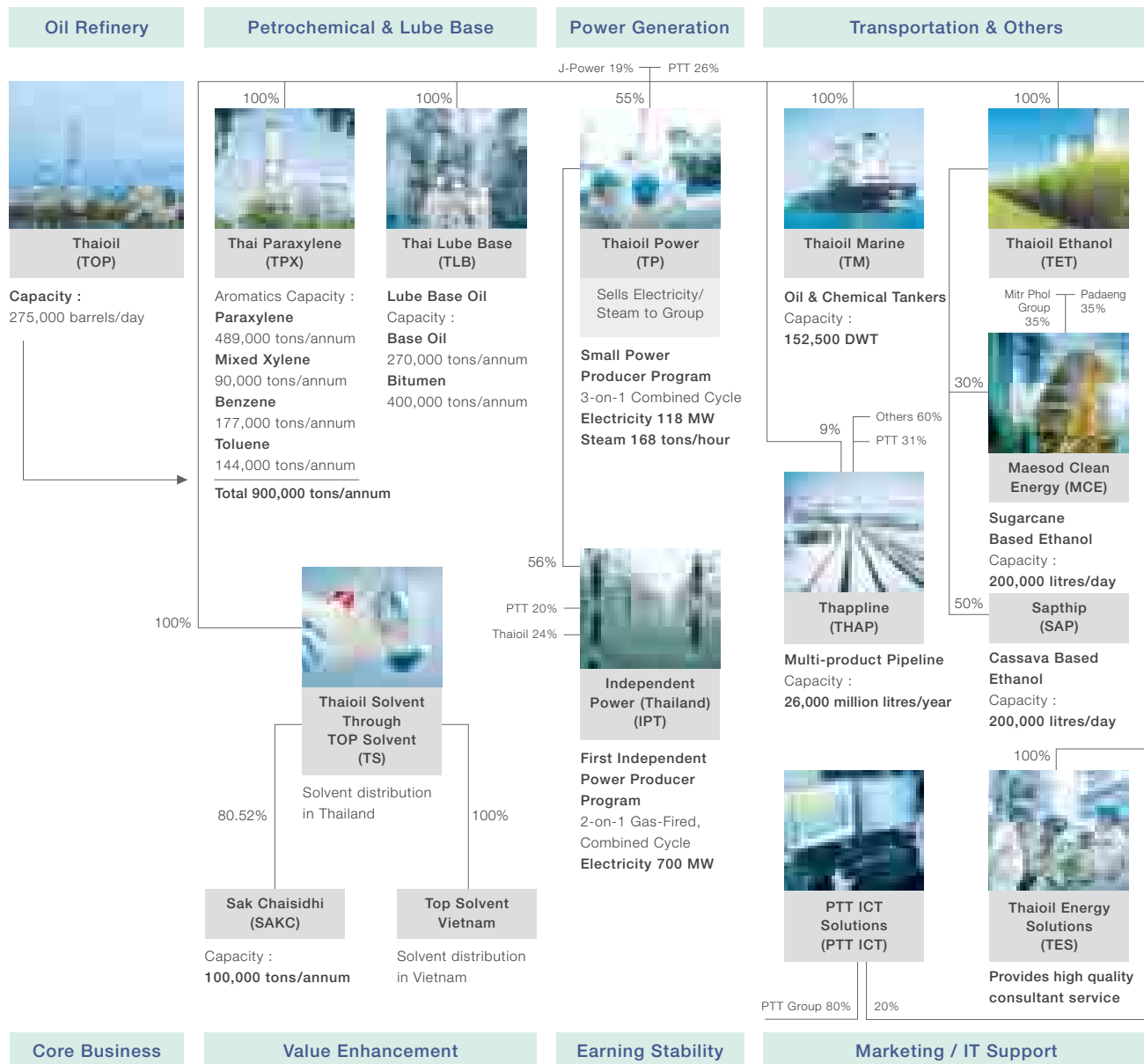
Telephone : +66(0)-2596-9302-10

Facsimile : +66(0)-2832-4994-6

# BUSINESS DESCRIPTION

Thaioil is Thailand's largest refiner and supplier of petroleum products. Founded in 1961, we operate one of the most efficient refineries in Asia-Pacific with a current processing capacity of 275,000 barrels per day. To complement our core oil refining business, we engage through our subsidiary companies in related businesses of paraxylene, lube base oil, power generation, marine and pipeline transportation of oil and petrochemical products, alternative energy, solvents and energy consultant.

## TOP Group Business Structure



# REVENUE STRUCTURE

Thaioil's core earnings were derived from our refinery business. Other revenue contributors were the lube base oil, petrochemical, power generation, oil and petrochemicals transportation and other businesses.

	Operator <sup>(5)</sup>	% of Thaioil stake	Fiscal year ended December 31					
			2008		2009		2010	
			million baht	%	million baht	%	million baht	%
<b>A. Net Sales</b>								
1. Oil refining	TOP	-	399,735	99	274,325	95	310,027	96
2. Lube base oil	TLB	100	22,213	6	16,981	6	20,523	6
3. Petrochemicals <sup>(4)</sup>	TPX/Thaioil Solvent	100/100	52,606	13	49,365	17	54,295	17
4. Power generation	TP/IPT	55/24	14,353	4	14,231	5	7,406	2
5. Oil and petrochemicals transportation	TM	100	984	-	968	-	1,045	-
6. Others	TES/TET	100/100	-	-	25	-	740	-
Less: Related party transactions			(90,766)	(23)	(71,772)	(25)	(75,645)	(23)
<b>Total</b>			<b>399,125</b>	<b>99</b>	<b>284,123</b>	<b>98</b>	<b>318,391</b>	<b>98</b>
<b>B. Negative Goodwill on Acquisition</b>								
1. Others	TES/TET	100/100	-	-	-	-	77	-
<b>C. Net Derivative Gain on Hedging <sup>(1)</sup></b>								
1. Oil refining	TOP	-	-	-	-	-	548	-
2. Petrochemicals <sup>(4)</sup>	TPX/Thaioil Solvent	100/100	-	-	-	-	(20)	-
<b>Total</b>			-	-	-	-	<b>528</b>	-
<b>D. Net Foreign Exchange Gain <sup>(2)</sup></b>								
1. Oil refining	TOP	-	-	-	1,480	1	2,620	1
2. Lube base oil	TLB	100	-	-	3	-	8	-
3. Petrochemicals <sup>(4)</sup>	TPX/Thaioil Solvent	100/100	-	-	17	-	(27)	-
4. Power generation	TP/IPT	55/24	-	-	72	-	122	-
5. Oil and petrochemicals transportation	TM	100	-	-	3	-	(2)	-
6. Others	TES/TET	100/100	-	-	-	-	1	-
<b>Total</b>			-	-	<b>1,575</b>	<b>1</b>	<b>2,722</b>	<b>1</b>



	Operator <sup>(5)</sup>	% of Thaioil stake	Fiscal year ended December 31					
			2008		2009		2010	
			million baht	%	million baht	%	million baht	%
<b>E. Other Revenues <sup>(3)</sup></b>								
1. Oil refining	TOP	-	2,977	1	2,331	1	3,059	1
2. Lube base oil	TLB	100	159	-	151	-	121	-
3. Petrochemicals <sup>(4)</sup>	TPX/Thaioil Solvent	100/100	285	-	329	-	325	-
4. Power generation	TP/IPT	55/24	63	-	41	-	680	-
5. Oil and petrochemicals transportation	TM	100	16	-	10	-	3	-
6. Others	TES/TET	100/100	-	-	-	-	11	-
Less: Related party transactions			(1,225)	-	(1,167)	-	(1,565)	-
<b>Total</b>			<b>2,275</b>	<b>1</b>	<b>1,695</b>	<b>1</b>	<b>2,634</b>	<b>1</b>
<b>Total revenue (A-E)</b>			<b>401,400</b>	<b>100</b>	<b>287,393</b>	<b>100</b>	<b>324,352</b>	<b>100</b>

## Remarks:

- Net derivative loss on hedging in 2008 and 2009.
- Net foreign exchange loss in 2008.
- Comprises received interests, export tax subsidy, revenues from services provided to subsidiary companies, land lease, single buoy mooring service fee, oil tank lease, service fee for use of oil filling station for vehicles, subsidy for Euro IV standard fuel, etc.
- Petrochemicals comprise paraxylene and solvent businesses.
- TOP : Thai Oil Public Company Limited.  
TLB : Thai Lube Base Public Company Limited.  
TPX : Thai Paraxylene Company Limited.  
TP : Thaioil Power Company Limited.  
IPT : Independent Power (Thailand) Company Limited, in which the shareholding of Thaioil is 56% through Thaioil Power and 24% held directly by Thaioil.  
TM : Thaioil Marine Company Limited.  
Thaioil Solvent : Thaioil Solvent Company Limited.  
TES : Thaioil Energy Solutions Company Limited.  
TET : Thaioil Ethanol Company Limited.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

The global oil demand bounced back in 2010 in line with the global economic recovery and OPEC's continued capacity restraint, coupled with the limited supply of lube base oil against rising demand, mainly from China, which contributed to the steady gain in the price of lube base oil. As a result, in 2010 the Thairoil posted a gross integrated margin (GIM) excluding oil stock impact of USD 5.7 per barrel, a rise of USD 1.4 per barrel from last year.

## Consolidated Results

		2010	2009	Change
GIM <u>excluding</u> oil stock impact <sup>(1)</sup>	USD/barrel	5.7	4.3	+1.4
GIM <u>including</u> oil stock impact <sup>(1)</sup>	USD/barrel	6.5	6.1	+0.4
Sales revenue	Million baht	318,391	284,123	+34,268
<b>EBITDA</b>	Million baht	<b>17,432</b>	<b>21,393</b>	<b>-3,961</b>
<b>Net Profit</b> <sup>(2)</sup>	Million baht	<b>8,999</b>	<b>12,062</b>	<b>-3,063</b>
Earnings per share	Baht	4.41	5.91	-1.50

Remarks:

(1) GIM includes Thairoil (TOP), Thai Paraxylene (TPX), and Thai Lube Base (TLB)

(2) Excluding the oil stock impact, the net profit was 7,042 million baht in 2010 and 5,651 million baht in 2009

For the year, Thairoil and its subsidiaries' consolidated sales revenue amounted to 318,391 million baht, a rise of 34,268 million baht from last year, thanks to rising product prices. Meanwhile, the Dubai crude price ended the year at USD 14 per barrel higher than last year, and the year-end it had risen by USD 23 per barrel from the year before, resulting in a milder impact from oil stock this year. Therefore, the Group posted an EBITDA of 17,432 million baht, a drop of 3,961 million baht from last year, with 8,999 million baht in net profit (3,063 million baht lower than last year) and 4.41 baht in earnings per share.

## Results by Company

In 2010, TOP grossed 310,027 million baht in sales revenue, a jump of 35,702 million baht from last year, thanks to rising oil prices, with Dubai averaging USD 78 per barrel, or USD 16 per barrel higher than last year. TOP's EBITDA amounted to 8,818 million baht. Note that TOP derived a net profit from financial hedging derivatives of 548 million baht, a net profit from foreign exchange of 2,620 million baht, a finance cost of 1,644 million baht, and an income tax liability of 1,733 million baht. Excluding dividend income receipt, TOP netted a profit of 4,364 million baht, a rise of 1,083 million baht from last year.

**Thai Paraxylene (TPX)** grossed 48,378 million baht in sales revenue, a rise of 2,810 million baht from last year, in line with rising product prices. The product-to-feed margin fell to USD 112 per ton because of the global oversupply of aromatics,

causing prices to plummet before recovering in the latter half of the year. In contrast, the steep rises in feedstock prices resulted in 4,348 million baht in EBITDA. TPX's finance cost amounted to 92 million baht and its income tax liability came to 457 million baht, thus a net profit of 2,697 million baht, a 4,394-million-baht drop from last year.

**Thai Lube Base (TLB)** grossed 20,524 million baht in sales revenue, a surge of 3,543 million baht, in line with the steady rise in lube base oil demand together with production problems and suspension at some regional lube base oil plants (notably those in Indonesia and Taiwan). The lube base oil price then rose by about 36%. TLB's EBITDA rose to 2,560 million baht, with 661 million baht in income tax, thus a net profit of 1,538 million baht, a rise of 532 million baht from last year.

**Independent Power (Thailand) (IPT)** grossed 3,588 million baht in sales revenue partly because of its shutdown to repair its steam turbines due to the April 27 accident, only to return to operation on November 30, with a repair charge of 982 million baht. With compensation claimed from its insurer, IPT netted a profit of 27 million baht.

**Thaioil Power (TP)** grossed 3,824 million baht in sales revenue and 620 million baht in EBITDA, along with 106 million baht in income tax liability. TP therefore netted a profit of 286 million baht, a rise of 46 million baht from last year.

Moreover, TOP was chosen by the Electricity Generating Authority of Thailand (EGAT) as an SPP with firm supply from a cogeneration plant, covering two projects with a total power generation capacity of 220 megawatts, 180 megawatts of which will be purchased by EGAT. The new plant will also be located next to Thaioil's refinery in Sriracha, Chonburi Province.

**Thaioil Marine (TM)** took delivery of a 96,000-DWT Thaioil 12 petroleum tanker to add to its fleet and began its commercial operation in May this year, thus bringing service revenue to 1,045 million baht. Yet, its EBITDA fell to 235 million baht because of the rising tanker repair charges. For the year, therefore, TM netted a profit of 6 million baht, a drop of 20 million baht from last year.

**Thaioil Solvent** saw a 16% rise in its solvent capacity utilization to 93%. It grossed 7,435 million baht in solvent sales revenue, a surge of 2,863 million baht, and registered 493 million baht in EBITDA, a rise of 115 million baht. Incidentally, its foreign exchange loss amounted to 120 million baht, 108 million baht more than last year. Including operating expenses and income tax liability, the company netted a profit of 124 million baht, a drop of 33 million baht from last year.

**Thaioil Ethanol (TET)** posted an investment income of 703 million baht and EBITDA of 163 million baht. Its share of loss due to its investment in Maesod Clean Energy Co., Ltd., totaled 72 million baht. Because of its investment in Sapthip Co., Ltd., in June this year, it realized negative goodwill income of 77 million baht. Including operating expenses, finance cost, and income tax liability, TET netted a profit of 37 million baht.

## Analysis of Consolidated Financial Position

Financial Position (Million Baht)	Dec. 31, 2010	Dec. 31, 2009	+/-
Total assets	146,607	137,745	+8,862
Total liabilities	69,770	66,058	+3,712
Shareholders' equity—net	76,837	71,687	+5,150

### Total Assets

As of year-end 2010, Thairoil and its subsidiaries commanded 146,607 million baht in total assets, a year-on-year increment of 8,862 million baht, mainly due to rising cash and cash equivalents as well as inventories.

### Total Liabilities

As of year-end 2010, Thairoil and its subsidiaries posted 69,770 million baht in total liabilities, a year-on-year increment of 3,712 million baht, due to rising current liabilities and long-term loans.

In April this year, the Company issued unsubordinated, unsecured, and reverse-inquiry debentures to up to 10 investors amounting to 3,000 million baht with a maturity of 12 years. The money will be invested for greater financial stability and long-term liquidity.

### Shareholders' Equity—Net

As of year-end 2010, Thairoil and its subsidiaries commanded 76,837 million baht in shareholders' equity—net, a rise of 5,150 million baht from last year-end, mainly due to its operating results with 8,999 million baht in net profit, less 4,419 million baht in dividend payment.

### Analysis of Cash Flow and Financial Ratios

As of year-end 2010, Thairoil Group commanded 13,217 million baht in cash and cash equivalents, with the following breakdown.

Cash flow from operating activities amounted to 13,536 million baht. This consisted of net profit adjusted by cash reconciliation items derived from operating activities of 18,809 million baht and cash flow expenses for the change in assets and operating liabilities of 5,273 million baht, mainly due to rising inventory items in line with rising oil prices and income tax payment.

Cash flow from investing activities totaled 4,030 million baht, mainly due to 3,187 million baht in cash outflow for purchases of property, plant, and equipment, 584 million baht in cash outflow on investments in subsidiaries, and 197 million baht in purchases of current investments.

Cash flow from financing activities amounted to 4,907 million baht, consisting of 4,419 million baht in dividend payment, 3,460 million baht in repaying short-term and long-term loans from financial institutions, 1,699 million baht in receipt of long-term loans from financial institutions, and 3,000 million baht in issuing debentures. The finance costs totaled 1,727 million baht.

### Financial Ratios

		2010	2009
Current ratio	(times)	2.7	2.7
Interest coverage ratio	(times)	9.7	10.1
Long-term loan to total capitalization	(%)	36	37
Long-term loan to equity	(times)	0.6	0.6
Total liabilities to equity	(times)	0.9	0.9
Net debt to equity	(times)	0.4	0.5

## CONNECTED TRANSACTIONS

For the 2010 accounting period, Thaioil and/or its subsidiaries conducted significant business transactions with subsidiaries and related parties with common shareholders and/or directors, as can be considered from the notes to the Company's financial statements. Connected transactions are based on market prices or, if there are no reference market prices, the prices agreed in previous contracts. Details of the relationships with these companies are as follows:

Company	Current Relationship with Thaioil as of December 31, 2010
<b>PTT Plc.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; Major shareholder holding 49.10% of the shares in Thaioil</li> <li>&gt;&gt; Common directors: Mr. Pichai Chunhavajira, Mr. Naris Chaiyasoot, and Mr. Chaikasem Nitisiri.</li> </ul>
<b>Thai Paraxylene Co., Ltd.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; 100% owned by Thaioil</li> <li>&gt;&gt; Common directors: Mr. Prajya Phinyawat and Mr. Surong Bulakul</li> <li>&gt;&gt; Thaioil management member on Thai Paraxylene's Board: Mr. Somkeirt Hudthagosol and Mr. Suphon Tubtimcharoon</li> </ul>
<b>Thai Lube Base Plc.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; 100% owned by Thaioil</li> <li>&gt;&gt; Common directors: Mr. Prajya Phinyawat, Mr. Pichai Chunhavajira, and Mr. Surong Bulakul</li> <li>&gt;&gt; Thaioil management members on Thai Lube Base's Board: Mr. Somkeirt Hudthagosol, Mr. Chaiwat Damrongmongkolgul and Mr. Abhinant Supatrabutra</li> </ul>
<b>Thaioil Power Co., Ltd.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; 26% of the shares held by PTT</li> <li>&gt;&gt; 54.99% of the shares held by Thaioil</li> <li>&gt;&gt; Common directors: Mr. Manu Leopairote, Mr. Pichai Chunhavajira and Mr. Surong Bulakul</li> <li>&gt;&gt; Thaioil management members on Thaioil Power's Board: Mr. Yuthana Pasurapunya and Mr. Mitri Reodacha</li> </ul>
<b>Thaioil Marine Co., Ltd.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; 100% owned by Thaioil</li> <li>&gt;&gt; Common director: Mr. Surong Bulakul</li> <li>&gt;&gt; Thaioil management members on Thaioil Marine's Board: Mr. Somkeirt Hudthagosol, Mr. Pongpun Amornvivat, Mr. Viroj Meenaphant, and Mr. Nitas Krongvanitchayakul</li> </ul>
<b>Independent Power (Thailand) Co., Ltd.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; 20% of the shares held by PTT</li> <li>&gt;&gt; 24% of the shares held by Thaioil</li> <li>&gt;&gt; 56% of the shares held by Thaioil Power, in which Thaioil holds 54.99% of the shares</li> <li>&gt;&gt; Common director: Mr. Surong Bulakul</li> <li>&gt;&gt; Thaioil management members on Independent Power's Board: Mr. Somkeirt Hudthagosol, Mr. Chaiwat Damrongmongkolgul and Mr. Mitri Reodacha</li> </ul>

Company	Current Relationship with Thairoil as of December 31, 2010
<b>TOP Solvent Co., Ltd.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; 100% owned by Thairoil</li> <li>&gt;&gt; Thairoil management members on TOP Solvent's Board: Mr. Somkeirt Hudthagosol, Mr. Chaiwat Damrongmongkolgul and Mr. Teardchart Padungrat</li> </ul>
<b>Sak Chaisidhi Co., Ltd.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; 80.52% of the shares held by Thairoil</li> <li>&gt;&gt; Thairoil management members on Sak Chaisidhi's Board: Mr. Somkeirt Hudthagosol, Mr. Chaiwat Damrongmongkolgul, Mr. Wirat Uanarumit, Mr. Narongrit Tavornvisitporn, Mr. Somchai Wongwattanasan and Mr. Teardchart Padungrat</li> </ul>
<b>IRPC Plc.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; 36.68% of the shares held by PTT</li> <li>&gt;&gt; Common directors: Mr. Pichai Chunhavajira and Mr. Prajya Phinyawat</li> </ul>
<b>PTT Aromatics and Refining Plc.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; 48.65% of the shares held by PTT</li> <li>&gt;&gt; Common director: Mr. Prajya Phinyawat</li> </ul>
<b>Bangchak Petroleum Plc.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; 28.46% of the shares held by PTT</li> <li>&gt;&gt; Common director: Mr. Pichai Chunhavajira</li> </ul>

## Connected Transactions of Thairoil and/or Subsidiaries with Major Shareholders

### Connected Transactions between Thairoil and PTT

Company	Transaction	Value in 2010 (million Baht)
<b>PTT Plc.</b>	<ul style="list-style-type: none"> <li>&gt;&gt; Revenue from the sale of oil products: Thairoil entered into a Product Offtake and Crude Supply Agreement (POCSA) with PTT. Both parties agreed on the sale and purchase of refined products at market prices and to follow the procedures to reach an agreed volume as well as other terms and conditions stated in the contract.</li> </ul>	161,355
	<ul style="list-style-type: none"> <li>&gt;&gt; Expenses on the purchase of oil and natural gas products: Thairoil entered into a POCSA with PTT. Both parties agreed on the sale and purchase of refined products at market prices and to follow the procedures to reach an agreed volume as well as other terms and conditions stated in the contract.</li> </ul>	114,342

Company	Transaction	Value in 2010 (million Baht)
	>> Thairoil entered into 8-year (2006-2013) and 15-year (2007-2021) contracts with PTT for the supply of natural gas to feed the refinery at an agreed volume based on regular market prices.	
	>> On a case-by-case basis, Thairoil makes a futures oil purchase contract with PTT using price hedging. In 2010, Thairoil made a gain from the hedge against the net price.	134

#### Connected Transaction between Thairoil Subsidiaries and PTT

Company	Transaction	Value in 2010 (million Baht)
<b>Thai Paraxylene Co., Ltd.</b>	>> Revenue from the sale of aromatics to PTT	997
<b>Thai Lube Base Plc.</b>	>> Revenue from the sale of lube base products to PTT	4,246
<b>Thairoil Power Co., Ltd.</b>	>> Thairoil Power entered into a 25-year gas sales agreement (1998-2022) with PTT at an agreed volume based on regular market prices.	2,060
<b>Independent Power (Thailand) Co., Ltd.</b>	>> Independent Power entered into a 25-year gas sales agreement (1999-2024) with PTT at an agreed volume based on regular market prices.	3,016
<b>Thairoil Marine Co., Ltd.</b>	>> Expenses on petroleum products	127



### Connected Transactions between Thairoil and Subsidiaries (with less than 100% Shareholding) or Other Related Companies

Company	Transaction	Value in 2010 (million Baht)
Thairoil Power Co., Ltd.	>> Thairoil entered into a 24-year contract starting from April 1, 1998, to provide maintenance and other supporting services as well as supply of feedstock, parts, and reserved fuels for Thairoil Power. The service charge is based on cost-plus pricing, considered normal business practice. >> Thairoil and Thairoil Power entered into a 24-year infrastructure sharing contract, starting from April 1, 1998. Thairoil Power agreed to pay for the consumption at 2% of its monthly revenue.	1,100
	>> Thairoil entered into a 25-year contract (1998-2022) with Thairoil Power for the supply of electricity and steam power at an agreed volume based on market prices.	1,439
IRPC Plc.	>> Revenue from occasional sale of petroleum products to IRPC, considered normal business practice	610
	>> Expenses on occasional purchases of oil products from IRPC, considered normal business practice	488
PTT Aromatics and Refining Plc.	>> Revenue from occasional sale of oil products to PTTAR, considered normal business practice	156
	>> Expenses on occasional purchases of oil products from PTTAR, considered normal business practice	137
Bangchak Petroleum Plc.	>> Thairoil made a contract with BCP for exchange of long residue and fuel oil at the prices agreed in the contract. Payment for netting is to be made at the prices stated in the contract. >> Thairoil entered into a 15-year contract to provide feedstock receiving service for BCP using Thairoil's single buoy mooring system. The service charge is based on market prices, with other terms and conditions similar to contracts with other parties.	6,206

### Connected Transactions between Subsidiaries and Related Companies

Company	Related Company	Transaction	Value in 2010 (million Baht)
Thaioil Power Co., Ltd.	Thai Paraxylene Co., Ltd.	>> Thaioil Power entered into a 25-year contract to supply Thai Paraxylene with electricity and steam power at market prices. The contract will end in 2022.	1,040
	Thai Lube Base Plc.	>> Thaioil Power entered into a 25-year contract to supply Thai Lube Base with electricity and steam power at market prices. The contract will end in 2022.	548
Thai Lube Base Plc.	IRPC Plc.	>> Purchase of by-products	863
Thai Paraxylene Co., Ltd.	IRPC Plc.	>> Sale of aromatics	1,786
		>> Purchase of aromatics	944
TOP Solvent Co., Ltd.	IRPC Plc.	>> Purchase of solvent products	781
Sak Chaisidhi Co., Ltd.	IRPC Plc.	>> Sak Chaisidhi made two contracts for the purchase of feedstock from IRPC at an agreed volume based on market price. The two three-year contracts started on April 1, 2007, and October 30, 2007.	404
	PTT Aromatics and Refining Plc.	>> Sak Chaisidhi made a contract for the purchase of feedstock from PTTAR at an agreed volume based on market prices. The five-year contract started on March 1, 2005. >> Sak Chaisidhi made a contract for the purchase of feedstock from PTTAR at an agreed volume based on market price. The contract started on March 1, 2005.	1,630

# BOARD OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Thai Oil Public Company Limited and subsidiaries have been prepared in conformity with the requirements of the Public Company Act B.E. 2535 (1992), the Securities and Exchange Act B.E. 2535 (1992), the Announcement of the Department of Commercial Registration dated September 14, 2001 issued in accordance with Section 11, Paragraph 3 of the Accounting Act B.E. 2543 (2000), and the accounting standards prescribed by the Federation of Accounting Professions.

The Board of Directors is responsible for the financial statements which have been prepared to provide assurance that the financial position, income, expenses and cash flows are true and fair, an effective internal control system has been established, accounting records have been properly and adequately maintained to safeguard assets and prevent fraud and other irregularities with material implications, suitable accounting policies have been selected in the preparation of the financial statements and consistently applied in accordance with generally accepted accounting standards, and key information has been adequately disclosed in the notes to the financial statements. The independent auditors have expressed their opinion on the financial statements of Thai Oil Public Company Limited and the consolidated financial statements of Thai Oil Public Company Limited and subsidiaries in the Auditors' Report.



**Pichai Chunhavajira**

Chairman of the Board

Thai Oil Public Company Limited



**Surong Bulakul**

Chief Executive Officer

Thai Oil Public Company Limited



# AUDIT REPORT OF CERTIFIED PUBLIC ACCOUNTANT

## To the Shareholders of Thai Oil Public Company Limited

I have audited the accompanying consolidated and separate balance sheets as at 31 December 2010 and 2009, and the related statements of income, changes in equity and cash flows for the years then ended of Thai Oil Public Company Limited and its subsidiaries, and of Thai Oil Public Company Limited respectively. The Company's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial positions as at 31 December 2010 and 2009 and the results of operations and cash flows for the years then ended of Thai Oil Public Company Limited and its subsidiaries, and of Thai Oil Public Company Limited respectively in accordance with generally accepted accounting principles.



**(Charoen Phosamritlert)**

Certified Public Accountant

Registration No. 4068

KPMG Phoomchai Audit Ltd.

Bangkok

21 February 2011

## Balance sheets

As at 31 December 2010 and 2009

Thai Oil Public Company Limited and its Subsidiaries

(in Baht)

Assets	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Current assets</b>					
Cash and cash equivalents	6, 17	13,216,886,070	8,618,114,654	10,796,419,127	5,675,290,263
Current investments	7, 17	817,659,755	619,978,540	-	-
Trade accounts receivable	5, 8	19,130,256,372	20,190,732,812	17,879,578,516	17,583,298,131
Short-term loans to related parties	5	-	-	4,596,500,000	4,007,500,000
Inventories	5, 9	32,994,880,978	28,936,590,245	28,225,633,234	24,546,077,830
Prepaid corporate income tax		232,322,067	218,313,384	208,649,768	213,162,875
Value added tax receivable		5,613,816,556	4,667,682,904	5,042,935,647	4,296,684,955
Other current assets	5, 10	2,717,871,281	1,220,001,142	1,398,980,658	899,707,382
<b>Total current assets</b>		<b>74,723,693,079</b>	<b>64,471,413,681</b>	<b>68,148,696,950</b>	<b>57,221,721,436</b>
<b>Non-current assets</b>					
Investments in subsidiaries	11	-	-	8,763,387,002	8,313,387,002
Investments in associates	12	129,844,023	202,310,745	30,000,000	30,000,000
Other long-term investments	7	1,001,035,825	1,012,335,174	1,001,035,825	1,012,335,174
Property, plant and equipment	5, 13, 17	66,939,326,501	67,784,536,506	31,627,049,342	34,375,979,165
Intangible assets	14	1,472,049,832	1,542,188,523	277,763,558	235,912,659
Deferred tax assets	15	238,954,398	324,957,605	221,391,882	319,337,859
Other non-current assets	16	2,102,358,438	2,406,957,050	1,745,428,191	2,003,703,103
<b>Total non-current assets</b>		<b>71,883,569,017</b>	<b>73,273,285,603</b>	<b>43,666,055,800</b>	<b>46,290,654,962</b>
<b>Total assets</b>		<b>146,607,262,096</b>	<b>137,744,699,284</b>	<b>111,814,752,750</b>	<b>103,512,376,398</b>

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

## Balance sheets

As at 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

(in Baht)					
Liabilities and equity	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Current liabilities</b>					
Short-term borrowings from					
financial institutions	17	460,000,000	1,300,000,000	200,000,000	1,300,000,000
Trade accounts payable	5, 18	18,983,698,593	18,108,349,029	19,423,801,049	16,992,551,665
Short-term borrowings from					
related parties	5, 17	-	-	2,997,517,664	3,165,670,801
Current portion of long-term					
borrowings from financial					
institutions	6, 7, 13, 17	2,501,757,668	2,144,962,498	592,700,000	296,350,000
Excise duty payable		1,030,467,396	757,541,010	1,030,467,396	757,541,010
Income tax payable		2,149,558,721	448,435,776	1,495,779,860	-
Other current liabilities	5, 19	2,248,397,078	1,538,362,723	1,246,794,928	1,384,294,876
<b>Total current liabilities</b>		<b>27,373,879,456</b>	<b>24,297,651,036</b>	<b>26,987,060,897</b>	<b>23,896,408,352</b>
<b>Non-current liabilities</b>					
Long-term borrowings from					
financial institutions	6, 7, 13, 17	9,880,473,926	10,381,953,489	6,537,950,000	5,630,650,000
Debentures	17	31,181,141,879	29,607,517,284	31,181,141,879	29,607,517,284
Deferred tax liabilities	15	1,171,263,557	1,329,503,487	1,150,316,097	1,302,371,118
Other non-current liabilities		162,929,572	441,199,191	305,245,324	597,844,359
<b>Total non-current liabilities</b>		<b>42,395,808,934</b>	<b>41,760,173,451</b>	<b>39,174,653,300</b>	<b>37,138,382,761</b>
<b>Total liabilities</b>		<b>69,769,688,390</b>	<b>66,057,824,487</b>	<b>66,161,714,197</b>	<b>61,034,791,113</b>

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

## Balance sheets

As at 31 December 2010 and 2009

Thai Oil Public Company Limited and its Subsidiaries

(in Baht)

Liabilities and equity	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Equity</b>					
Share capital	20				
Authorised share capital		20,400,278,730	20,400,278,730	20,400,278,730	20,400,278,730
Issued and paid-up share capital		20,400,278,730	20,400,278,730	20,400,278,730	20,400,278,730
Additional paid-in capital					
Premium on ordinary shares	21	2,456,261,491	2,456,261,491	2,456,261,491	2,456,261,491
Unrealised deficit					
Fair value changes on investment		(30,715,798)	(19,604,723)	(30,904,072)	(19,604,723)
Currency translation differences		(80,811,191)	(4,575,198)	-	-
Retained earnings					
Appropriated					
Legal reserve	21	2,040,027,873	2,040,027,873	2,040,027,873	2,040,027,873
Other		244,500,000	244,500,000	244,500,000	244,500,000
Unappropriated		46,387,683,525	41,671,653,809	20,542,874,531	17,356,121,914
<b>Total equity attributable to equity holders of the Company</b>		<b>71,417,224,630</b>	<b>66,788,541,982</b>	<b>45,653,038,553</b>	<b>42,477,585,285</b>
Minority interests		5,420,349,076	4,898,332,815	-	-
<b>Total equity</b>		<b>76,837,573,706</b>	<b>71,686,874,797</b>	<b>45,653,038,553</b>	<b>42,477,585,285</b>
<b>Total liabilities and equity</b>		<b>146,607,262,096</b>	<b>137,744,699,284</b>	<b>111,814,752,750</b>	<b>103,512,376,398</b>

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



# Statements of income

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

(in Baht)					
	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Revenues</b>					
Revenue from sale of goods and rendering of services	5, 29	318,390,526,170	284,123,035,628	310,026,968,863	274,324,864,770
Dividend income	5, 11	-	-	3,104,910,661	5,804,912,223
Negative goodwill from acquisition	4	76,809,865	-	-	-
Net derivative gain on hedging		527,656,107	-	547,686,550	-
Net foreign exchange gain		2,722,471,734	1,574,988,023	2,620,386,577	1,480,332,855
Other income	5, 23	2,634,384,335	1,695,248,457	3,059,322,167	2,331,676,970
<b>Total revenues</b>		<b>324,351,848,211</b>	<b>287,393,272,108</b>	<b>319,359,274,818</b>	<b>283,941,786,818</b>
<b>Expenses</b>					
Cost of sale of goods and rendering of services	5, 9	308,346,776,605	269,014,692,068	307,209,283,951	270,382,778,647
Selling expenses	5	200,717,173	200,596,508	450,008,553	383,206,730
Administrative expenses	5, 24	1,331,435,451	937,149,274	626,963,554	557,317,514
Management benefit expenses	5, 25	352,272,986	278,744,922	226,799,451	174,650,213
Net derivative loss on hedging		-	360,961,300	-	360,961,300
<b>Total expenses</b>		<b>310,231,202,215</b>	<b>270,792,144,072</b>	<b>308,513,055,509</b>	<b>271,858,914,404</b>
Share of loss of associates	12	72,466,722	26,887,524	-	-
<b>Profit before finance costs and income tax expense</b>		<b>14,048,179,274</b>	<b>16,574,240,512</b>	<b>10,846,219,309</b>	<b>12,082,872,414</b>
Finance costs	5, 27	1,796,302,722	2,114,723,892	1,643,738,848	1,872,759,954
<b>Profit before income tax expense</b>		<b>12,251,876,552</b>	<b>14,459,516,620</b>	<b>9,202,480,461</b>	<b>10,210,112,460</b>
Income tax expense	28	3,042,344,569	2,004,749,154	1,733,136,645	1,123,934,028
<b>Profit for the year</b>		<b>9,209,531,983</b>	<b>12,454,767,466</b>	<b>7,469,343,816</b>	<b>9,086,178,432</b>
<b>Profit for the year attributable to:</b>					
Equity holders of the Company		8,998,620,915	12,061,537,927	7,469,343,816	9,086,178,432
Minority interests		210,911,068	393,229,539	-	-
<b>Profit for the year</b>		<b>9,209,531,983</b>	<b>12,454,767,466</b>	<b>7,469,343,816</b>	<b>9,086,178,432</b>
<b>Basic earnings per share</b>	30	4.41	5.91	3.66	4.45

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

# Statements of changes in equity

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

	Consolidated financial statements							(in Baht)		
	Issued and paid-up share capital	Premium on ordinary shares	Fair value changes on investment	Currency translation differences	Retained earnings	Total equity attributable to equity holders of the Company	Minority interests		Total equity	
<b>Balance at 1 January 2009</b>	20,400,278,730	2,456,261,491	(10,939,251)	-	2,040,027,873	244,500,000	33,791,872,712	58,922,001,555	4,657,417,550	63,579,419,105
<b>Unrealised loss</b>										
Change in fair value recognised in equity	-	-	(8,665,472)	-	-	-	-	(8,665,472)	-	(8,665,472)
Currency translation differences	-	-	-	(4,575,198)	-	-	-	(4,575,198)	-	(4,575,198)
Total expense recognised directly in equity	-	-	(8,665,472)	(4,575,198)	-	-	-	(13,240,670)	-	(13,240,670)
Profit for the year	-	-	-	-	-	-	12,061,537,927	12,061,537,927	393,229,539	12,454,767,466
<b>Total recognised income and expense</b>	-	-	(8,665,472)	(4,575,198)	-	-	12,061,537,927	12,048,297,257	393,229,539	12,441,526,796
Dividends	31	-	-	-	-	-	(4,181,756,830)	(4,181,756,830)	(152,314,274)	(4,334,071,104)
<b>Balance at 31 December 2009</b>	20,400,278,730	2,456,261,491	(19,604,723)	(4,575,198)	2,040,027,873	244,500,000	41,671,653,809	66,788,541,982	4,898,332,815	71,686,874,797

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

# Statements of changes in equity

For the years ended 31 December 2010 and 2009  
That Oil Public Company Limited and its Subsidiaries

	Consolidated financial statements							(in Baht)			
	Note	Issued and paid-up share capital	Premium on ordinary shares	Fair value changes on investment	Currency translation differences	Retained earnings			Total equity attributable to equity holders of the Company	Minority interests	Total equity
						Legal reserve	Other				
<b>Balance at 1 January 2010</b>		20,400,278,730	2,456,261,491	(19,604,723)	(4,575,198)	2,040,027,873	244,500,000	41,671,653,809	4,898,332,815	71,686,874,797	
<b>Unrealised gain (loss)</b>											
Change in fair value recognised in equity		-	-	(11,111,075)	-	-	-	-	188,274	(10,922,801)	
Currency translation differences		-	-	-	(76,235,993)	-	-	-	-	(76,235,993)	
Total expense recognised directly in equity		-	-	(11,111,075)	(76,235,993)	-	-	-	188,274	(87,158,794)	
Change in minority interests from acquisition of subsidiaries' shares	4	-	-	-	-	-	-	-	447,095,100	447,095,100	
Profit for the year		-	-	-	-	-	-	8,998,620,915	210,911,068	9,209,531,983	
<b>Total recognised income and expense</b>				<b>(11,111,075)</b>	<b>(76,235,993)</b>			<b>8,998,620,915</b>	<b>658,194,442</b>	<b>9,569,468,289</b>	
Dividends	31	-	-	-	-	-	-	(4,282,591,199)	(136,178,181)	(4,418,769,380)	
<b>Balance at 31 December 2010</b>		<b>20,400,278,730</b>	<b>2,456,261,491</b>	<b>(30,715,798)</b>	<b>(90,811,191)</b>	<b>2,040,027,873</b>	<b>244,500,000</b>	<b>46,387,683,525</b>	<b>5,420,349,076</b>	<b>76,837,573,706</b>	

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

# Statements of changes in equity

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

	Separate financial statements							(in Baht)	
	Note	Issued and paid-up share capital	Premium on ordinary shares	Fair value changes on investment	Retained earnings				Total equity attributable to equity holders of the Company
					Legal reserve	Other	Unappropriated		
<b>Balance at 1 January 2009</b>		20,400,278,730	2,456,261,491	(10,939,251)	2,040,027,873	244,500,000	12,451,700,312	37,581,829,155	
<b>Unrealised loss</b>									
Change in fair value recognised in equity		-	-	(8,665,472)	-	-	-	(8,665,472)	
Total expense recognised directly in equity		-	-	(8,665,472)	-	-	-	(8,665,472)	
Profit for the year		-	-	-	-	-	9,086,178,432	9,086,178,432	
<b>Total recognised income and expense</b>		-	-	(8,665,472)	-	-	9,086,178,432	9,077,512,960	
Dividends	31	-	-	-	-	-	(4,181,756,830)	(4,181,756,830)	
<b>Balance at 31 December 2009</b>		20,400,278,730	2,456,261,491	(19,604,723)	2,040,027,873	244,500,000	17,356,121,914	42,477,585,285	

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

# Statements of changes in equity

For the years ended 31 December 2010 and 2009  
That Oil Public Company Limited and its Subsidiaries

	Separate financial statements						(in Baht)		
	Note	Issued and paid-up share capital	Premium on ordinary shares	Fair value changes on investment	Retained earnings			Total equity attributable to equity holders of the Company	
					Legal reserve	Other			Unappropriated
<b>Balance at 1 January 2010</b>		20,400,278,730	2,456,261,491	(19,604,723)	2,040,027,873	244,500,000	17,356,121,914	42,477,585,285	
<b>Unrealised loss</b>		-	-	(11,299,349)	-	-	-	(11,299,349)	
Change in fair value recognised in equity		-	-	(11,299,349)	-	-	-	(11,299,349)	
Total expense recognised directly in equity		-	-	(11,299,349)	-	-	-	(11,299,349)	
Profit for the year		-	-	-	-	-	7,469,343,816	7,469,343,816	
<b>Total recognised income and expense</b>		-	-	(11,299,349)	-	-	7,469,343,816	7,458,044,467	
Dividends	31	-	-	-	-	-	(4,282,591,199)	(4,282,591,199)	
<b>Balance at 31 December 2010</b>		20,400,278,730	2,456,261,491	(30,904,072)	2,040,027,873	244,500,000	20,542,874,531	45,653,038,553	

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

## Statements of cash flows

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

(in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Cash flows from operating activities</b>					
Profit for the year		9,209,531,983	12,454,767,466	7,469,343,816	9,086,178,432
<i>Adjustments for</i>					
Reversal of allowance for decline in value of inventories adjusted to net realisable value		(254,133,105)	(912,589,782)	(249,236,286)	(639,037,701)
Depreciation and amortisation	26	6,661,721,353	6,552,677,115	4,077,932,526	4,065,839,933
Finance costs	27	1,796,302,722	2,114,723,892	1,643,738,848	1,872,759,954
Negative goodwill from acquisition	4	(76,809,865)	-	-	-
Unrealised gain on foreign exchange		(1,655,353,980)	(845,931,177)	(1,440,886,518)	(683,834,165)
Share of loss of associates	12	72,466,722	26,887,524	-	-
Dividend income	11	-	-	(3,104,910,661)	(5,804,912,223)
(Gain) loss on disposal of property, plant and equipment		23,536,032	(23,602,967)	4,554,721	(482,801)
Gain on disposal of assets held for sale		-	(60,232,256)	-	-
Realisation of deferred land lease and other income		(10,494,815)	(10,443,950)	(102,741,903)	(102,700,252)
Income tax expense	28	3,042,344,569	2,004,749,154	1,733,136,645	1,123,934,028
		18,809,111,616	21,301,005,019	10,030,931,188	8,917,745,205
<i>Changes in operating assets and liabilities</i>					
Trade accounts receivable		1,139,433,606	(4,840,424,030)	(300,888,935)	(5,507,178,731)
Inventories		(3,336,956,838)	(7,341,716,263)	(3,430,319,117)	(6,137,031,146)
Other current assets		(2,680,215,772)	(436,258,551)	(1,518,944,297)	(772,290,476)
Other non-current assets		(9,227,422)	(210,111,352)	(21,481,342)	(163,171,980)
Trade accounts payable		934,742,432	2,482,531,862	2,449,203,796	2,676,653,575
Excise duty payable		272,926,386	595,526,125	272,926,386	595,526,125
Other current liabilities		140,195,496	222,828,654	(112,100,971)	325,980,846
Other non-current liabilities		(307,958,007)	73,279,129	(236,627,434)	82,126,689
Income tax paid		(1,436,649,404)	(861,144,004)	(291,634,271)	(208,664,921)
Income tax received		10,371,713	4,350,000,616	4,681,549	4,350,000,000
<b>Net cash provided by operating activities</b>		<b>13,535,773,806</b>	<b>15,335,517,205</b>	<b>6,845,746,552</b>	<b>4,159,695,186</b>

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

## Statements of cash flows

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

	Note	(in Baht)			
		Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Cash flows from investing activities</b>					
Dividends received		-	-	3,104,910,661	5,804,912,223
Purchase of current investments		(197,304,667)	(80,877,443)	-	-
Purchase of other long-term investments		-	(105,863,192)	-	(105,863,192)
Cash outflow on short-term loans to related parties	5	-	-	(1,839,000,000)	(1,848,500,000)
Cash inflow on short-term loans to related parties	5	-	-	1,250,000,000	1,000,000,000
Cash outflow on investments in subsidiaries	11	-	-	(450,000,000)	(219,000,000)
Cash outflow on acquisition	4	(584,188,529)	(1,154,082,128)	-	-
Proceeds from disposal of investments in associates	12	-	-	-	202,500,000
Cash outflow on long-term loans to savings co-operative of employees		-	(10,065,996)	-	(10,065,996)
Cash inflow on long-term loans to savings co-operative of employees		18,727,948	-	18,727,948	-
Purchase of property, plant and equipment		(3,221,837,617)	(1,353,382,258)	(788,296,494)	(673,108,162)
Sale of property, plant and equipment		35,015,500	53,335,170	3,032,991	1,838,656
Sale of assets held for sale		-	211,771,561	-	-
Purchase of intangible assets		(88,904,778)	(21,179,875)	(68,110,929)	(18,313,783)
Currency translation differences		8,180,891	(5,380,545)	-	-
<b>Net cash provided by (used in)</b>					
<b>investing activities</b>		<b>(4,030,311,252)</b>	<b>(2,465,724,706)</b>	<b>1,231,264,177</b>	<b>4,134,399,746</b>

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

## Statements of cash flows

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

(in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Cash flows from financing activities</b>					
Finance costs paid		(1,727,084,260)	(2,069,849,949)	(1,608,787,529)	(1,776,560,126)
Dividends paid		(4,418,769,380)	(4,334,071,104)	(4,282,591,199)	(4,181,756,830)
Repayment of short-term borrowings					
from financial institutions		(1,260,000,000)	(6,730,286,724)	(1,100,000,000)	(6,730,286,724)
Proceeds from short-term borrowings					
from related parties	5	-	-	-	3,165,670,800
Repayment from short-term borrowings					
from related parties	5	-	-	(168,153,137)	-
Repayment of long-term borrowings					
from financial institutions		(2,199,837,498)	(12,134,674,363)	(296,350,000)	(9,766,480,000)
Proceeds from long-term borrowings					
from financial institutions		1,699,000,000	1,001,000,000	1,500,000,000	1,000,000,000
Proceeds from issue of debentures		3,000,000,000	12,000,000,000	3,000,000,000	12,000,000,000
<b>Net cash used in financing activities</b>		<b>(4,906,691,138)</b>	<b>(12,267,882,140)</b>	<b>(2,955,881,865)</b>	<b>(6,289,412,880)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,598,771,416</b>	<b>601,910,359</b>	<b>5,121,128,864</b>	<b>2,004,682,052</b>
Cash and cash equivalents					
at beginning of year		8,618,114,654	8,016,204,295	5,675,290,263	3,670,608,211
<b>Cash and cash equivalents at end of year</b>	6	<b>13,216,886,070</b>	<b>8,618,114,654</b>	<b>10,796,419,127</b>	<b>5,675,290,263</b>
<b>Non-cash transaction</b>					
Payable on purchase of property, plant					
and equipment		418,300,977	70,479,758	46,633,462	59,048,205

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



# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

<b>Note</b>	<b>Contents</b>	<b>Note</b>	<b>Contents</b>
1	General information	21	Additional paid-in capital and reserves
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3	Significant accounting policies	23	Other income
4	Acquisitions	24	Administrative expenses
5	Related party transactions and balances	25	Employee benefit expenses
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10	Other current assets	30	Basic earnings per share
11	Investments in subsidiaries	31	Dividends
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13	Property, plant and equipment	33	Commitments with non-related parties
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16	Other non-current assets	36	Event after the reporting period
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20	Share capital		

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 February 2011

## 1 General information

Thai Oil Public Company Limited, the “Company”, is incorporated in Thailand and has its registered offices and refinery plant as follows:

Head office	:	555/1 Energy Complex Building A, 11 <sup>th</sup> Floor, Vibhavadi Rangsit Road, Kwang Chatuchak, Khet Chatuchak, Bangkok 10900, Thailand
Sriracha office and refinery plant	:	42/1 Moo 1, Sukhumvit Road Km. 124, Tambol Tungsukla, Amphur Sriracha, Cholburi 20230, Thailand

The Company was listed on the Stock Exchange of Thailand on 26 October 2004.

The Company is an entity in the PTT Public Company Limited (“PTT”) group of companies. PTT is incorporated in Thailand and is the major shareholder of the Company and owned 49.1% of the Company’s issued and paid-up share capital as at 31 December 2010 (31 December 2009: 49.1%).

The principal businesses of the Company are oil refining and distributions. Details of the Company’s direct and indirect subsidiaries as at 31 December 2010 and 2009 were as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			2010	2009
<b>Direct subsidiaries</b>				
Thai Paraxylene Co., Ltd.	Paraxylene manufacturing	Thailand	99.99	99.99
Thai Lube Base Public Company Limited	Lube base oil refining and distribution	Thailand	99.99	99.99
Thaioil Marine Co., Ltd.	Providing marine transportation services for petroleum and liquid chemical products	Thailand	99.99	99.99
Thaioil Energy Solutions Co., Ltd.	Power generation and providing of energy-related consulting services	Thailand	99.99	99.99
Thaioil Solvent Co., Ltd.	Investment in solvent and petrochemical businesses	Thailand	99.99	99.99
Thaioil Ethanol Co., Ltd.	Investment in ethanol business and alternative energy products	Thailand	99.99	99.99
Thaioil Power Co., Ltd.	Power and steam generation	Thailand	54.99	54.99

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			2010	2009
<b>Indirect subsidiaries</b>				
TOP Solvent Co., Ltd.	Distribution of solvent and petrochemical products	Thailand	99.99	99.99
Independent Power (Thailand) Co., Ltd.	Power generation	Thailand	80.00*	80.00*
Sak Chaisidhi Co., Ltd.	Solvent and petrochemical products manufacturing and distribution	Thailand	80.52	80.52
TOP Solvent (Vietnam) LLC.	Distribution of solvent and petrochemical products	Vietnam	100.00	100.00
Sapthip Co., Ltd.	Ethanol products manufacturing and distribution	Thailand	50.00	-

\* The Company and a subsidiary (Thaioil Power Co., Ltd.) hold a 24% and 56% interest in Independent Power (Thailand) Co., Ltd. respectively.

## 2 Basis of preparation of the financial statements

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Accounting Standards ("TAS") and Thai Financial Reporting Standards ("TFRS") including related interpretations and guidelines promulgated by the Federation of Accounting Professions ("FAP"), applicable rules and regulations of the Securities and Exchange Commission and with generally accepted accounting principles in Thailand.

The Company and local subsidiaries have adopted the revised Framework (revised 2009) for the Preparation and Presentation of Financial Statements (effective on 26 May 2010). The adoption of the revised Framework does not have any material impact on the consolidated and separate financial statements.

The FAP has issued during 2010 a number of new and revised TAS and TFRS which are not currently effective and have not been adopted in the preparation of these financial statements. These new and revised TAS and TFRS, which are relevant to the Company's and local subsidiaries' operations, are disclosed in note 37 to the financial statements.

The financial statements are prepared and presented in Thai Baht, rounded in the notes to the financial statements to the nearest thousand unless otherwise stated. They are prepared on the historical cost basis except as stated in the accounting policies.

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

The preparation of financial statements in conformity with TAS and TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes to the financial statements:

Note 4	to the financial statements	Acquisitions
Note 7	to the financial statements	Other investments
Note 14	to the financial statements	Intangible assets
Note 15	to the financial statements	Deferred income tax
Note 32	to the financial statements	Financial instruments

## 3 Significant accounting policies

### (a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

#### Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

#### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## **Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. The consolidated financial statements include the Group's share of the income, expenses and equity movements of associates, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

## **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## **(b) Foreign currencies**

### **Foreign currency transactions**

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

### **Foreign entities**

The assets and liabilities of foreign entities are translated to Thai Baht at the foreign exchange rates ruling at the reporting date.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are stated at exchange rates ruling at the reporting date.

The revenues and expenses of foreign entities are translated to Thai Baht at the average foreign exchange rates ruling during the periods.

Foreign exchange differences arising on translation are recognised in a separate component of equity until disposal of the investments.

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

Where monetary items, in substance, form part of the Group's net investment in a foreign entity, foreign exchange differences arising on such monetary items and related hedges are recognised directly in a separate component of equity until disposal of the investment.

## (c) Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

### Hedge of future foreign currency transactions

Forward foreign exchange contracts hedging future foreign currency transactions are revalued at the reporting date at the foreign exchange rate ruling on that date. Differences on revaluation are recognised in the statement of income.

### Cross currency swap and interest rate swap contracts

Financial assets and liabilities hedged by forward exchange contracts at the reporting date are translated at the contracted forward exchange rates. The differences from translation are recognised in the statement of income. The differences under interest rate swaps are recorded as adjustments to the interest expense relating to the financial obligations in the statement of income.

### Hedge of crack spread and time spread

Differences between the fixed prices of contracts and the settlement prices are recognised in the statement of income in the period in which the contracts mature.

## (d) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash balances, current and savings accounts, and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

## (e) Trade and other accounts receivable

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

## (f) Inventories

Inventories are stated at the lower of cost and net realisable value.

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

Cost of inventories is calculated using the weighted average cost. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

## (g) Investments

### **Investments in subsidiaries and associates**

Investments in subsidiaries and associates in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

### **Investments in other debt and equity securities**

Debt securities that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. The exceptions are impairment losses and foreign exchange gains and losses, which are recognised in the statement of income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the statement of income.

Equity securities which are not marketable are stated at cost less any impairment losses.

### **Disposal of investments**

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in the statement of income.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### (h) Property, plant and equipment

#### The Group's owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

#### Depreciation

Depreciation is charged to the statement of income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings	10 - 25 years
Leasehold improvements	5 - 20 years
Refinery plant and equipment (depreciated over the remaining estimated useful life starting from 1 October 1994)	20 years
Lube base oil refinery plant and equipment	16 - 20 years
Paraxylene plant	10 - 25 years
Power plant	25 years
Transmission facilities	20 years
Machinery, equipment and plant equipment	3 - 20 years
Oil and liquid chemical tankers	10 - 25 years
Furniture, fixtures, office equipment and others	5 - 10 years
Vehicles	5 years

No depreciation is provided on freehold land and assets under construction.

### (i) Intangible assets

#### Goodwill

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Negative goodwill in a business combination represents the excess of the fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition.

Goodwill is measured at cost less impairment losses. Goodwill is tested for impairment as described in note 3 (k) to the financial statements.

#### Customer database

Customer database is stated at cost less impairment losses.

#### License fee and computer software

License fee and computer software that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses.



# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## Amortisation

Amortisation is charged to the statement of income on a straight line basis over their estimated useful lives from the date that they are available for use. The estimated useful lives are as follows:

License fee	10 - 15 years
Computer software	5 - 10 years

## (j) Deferred charges

Deferred charges are amortised over the estimated periods to which the benefits relate, which are principally in line with the agreements to which such deferred charges relate.

## (k) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of income unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the statement of income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of income.

## Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of available-for-sale assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## (l) Discount on debentures

Discount on debentures, comprising the difference between proceeds from debentures issuance and redemption value on maturity, is recognised in the statement of income over the period of the borrowings on an effective interest basis.

## (m) Interest-bearing liabilities

Interest-bearing liabilities are stated at cost.

## (n) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

## (o) Employee benefits

### Provident fund

Obligations for contributions to provident fund are recognised as an expense in the statement of income as incurred.

### Retirement gratuity fund

Obligations for contributions to retirement gratuity fund are computed on the benefit formula at the reporting date and are recognised as an expense in the statement of income. Benefits are payable upon retirement, disability, death or resignation.

## (p) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## (q) Revenue

Revenue excludes value added taxes or other sales taxes and is arrived at after deduction of trade discounts.

### **Sale of goods and services rendered**

Revenue is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided.

### **Rental income**

Rental income from assets is recognised in the statement of income on a straight-line basis over the term of the lease.

### **Interest and dividend income**

Interest income is recognised in the statement of income as it accrues. Dividend income is recognised in the statement of income on the date the Group's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

## (r) Expenses

### **Operating leases**

Payments made under operating leases are recognised in the statement of income on a straight line basis over the term of the lease. Contingent rentals are charged to the statement of income for the accounting period in which they are incurred.

### **Repair and maintenance expenses**

Expenditure on repair and maintenance is charged to the statement of income in the period in which the expenditure is incurred. Expenditure of a capital nature is added to the cost of the related plant and equipment.

### **Finance costs**

Interest expenses and similar costs are charged to the statement of income for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

## (s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

### **Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 4 Acquisitions

On 1 June 2010 a subsidiary (Thaioil Ethanol Co., Ltd.) acquired 50% of the issued registered shares of Sapthip Co., Ltd. ("acquiree"). The acquiree's net assets at the acquisition date comprised:

	Recognised value	Fair value adjustments	Carrying amount
			(in thousand Baht)
Cash and cash equivalents	20,611	-	20,611
Trade accounts receivable	82,959	-	82,959
Inventories	467,201	-	467,201
Other current assets	24,630	-	24,630
Property, plant and equipment (cost and accumulated depreciation of the recognised value of Baht 1,767 million and Baht 93 million respectively)	1,674,200	314,514	1,359,686
Intangible assets	573	-	573
Other non-current assets	1,254	-	1,254
Interest-bearing borrowings	(985,000)	-	(985,000)
Trade accounts payable	(92)	-	(92)

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

	(in thousand Baht)		
	<b>Recognised value</b>	<b>Fair value adjustments</b>	<b>Carrying amount</b>
Other current liabilities	(45,223)	-	(45,223)
Other non-current liabilities	(32,408)	-	(32,408)
<b>Net identifiable assets and liabilities</b>	<b>1,208,705</b>	<b>314,514</b>	<b>894,191</b>
Less minority interests	(447,095)		
Negative goodwill from acquisition	(76,810)		
<b>Consideration paid</b>	<b>684,800</b>		
Cash received	(20,611)		
Share subscription payable	(80,000)		
<b>Net cash outflow</b>	<b>584,189</b>		

Sapthip Co., Ltd.'s operation for the period from 1 June 2010 to 31 December 2010 was reported a net profit of Baht 82 million.

On 2 November 2009 an indirect subsidiary (TOP Solvent (Vietnam) LLC.) acquired the solvent and petrochemical distribution business in Vietnam of the Shell Vietnam Limited ("acquiree"). The acquiree's assets at the acquisition date comprised:

	(in thousand Baht)		
	<b>Recognised value</b>	<b>Fair value adjustments</b>	<b>Carrying amount</b>
Trade accounts receivable	108,972	-	108,972
Inventories	137,567	-	137,567
Property, plant and equipment	175,716	57,538	118,178
<b>Net identifiable assets</b>	<b>422,255</b>	<b>57,538</b>	<b>364,717</b>
Goodwill on acquisition	731,827		
<b>Consideration paid</b>	<b>1,154,082</b>		

### 5 Related party transactions and balances

Related parties are those parties linked to the Group and the Company as shareholders or by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

Relationships with related parties that control or jointly control the Group or are being controlled or jointly controlled by the Group or have transactions with the Group are as follows:

Name of entities	Country of incorporation	Nature of relationships
PTT Public Company Limited	Thailand	Major shareholder
Thai Paraxylene Co., Ltd.	Thailand	Subsidiary and/or common directors
Thai Lube Base Public Company Limited	Thailand	Subsidiary and/or common directors
Thaioil Marine Co., Ltd.	Thailand	Subsidiary and/or common directors
Thaioil Energy Solutions Co., Ltd.	Thailand	Subsidiary and/or common directors
Thaioil Solvent Co., Ltd.	Thailand	Subsidiary and/or common directors
Thaioil Ethanol Co., Ltd.	Thailand	Subsidiary and/or common directors
Thaioil Power Co., Ltd.	Thailand	Subsidiary and/or common directors
TOP Solvent Co., Ltd.	Thailand	Indirect subsidiary and/or common directors
Independent Power (Thailand) Co., Ltd.	Thailand	Indirect subsidiary and/or common directors
Sak Chaisidhi Co., Ltd.	Thailand	Indirect subsidiary and/or common directors
TOP Solvent (Vietnam) LLC.	Vietnam	Indirect subsidiary and/or common directors
Sapthip Co., Ltd.	Thailand	Indirect subsidiary and/or common directors
PTT ICT Solutions Co., Ltd.	Thailand	Associate and/or common directors
Maesod Clean Energy Co., Ltd.	Thailand	Indirect associate and/or common directors
PTT International Trading Pte. Ltd.	Singapore	Subsidiary of major shareholder
PTT Exploration and Production Public Company Limited	Thailand	Subsidiary of major shareholder
Star Petroleum Refining Co., Ltd.	Thailand	Associate of major shareholder
IRPC Public Company Limited	Thailand	Associate of major shareholder
PTT Aromatics and Refining Public Company Limited	Thailand	Associate of major shareholder
Bangchak Petroleum Public Company Limited	Thailand	Associate of major shareholder
PTT Chemical Public Company Limited	Thailand	Associate of major shareholder
PTT Phenol Co., Ltd.	Thailand	Associate of major shareholder
Thai Petroleum Pipeline Co., Ltd.	Thailand	Related company and/or common directors

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Revenue from sale of goods and rendering of services, lease income, purchase of goods and assets	Market prices or, where no market price exists, at contractually agreed prices
Interest income and expense	Agreed rates stipulated in the agreements
Dividend income	Right to receive dividends
Other income and expenses	Contractually agreed prices
Directors' remuneration	Amounts approved by the Group's shareholders

Significant transactions for the years ended 31 December 2010 and 2009 with related parties were as follows:

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
<b>Major shareholder</b>				
Revenue from sale of goods and rendering of services	166,819,489	147,393,743	161,355,263	142,190,255
Purchase of crude oil and feedstock	119,610,218	134,987,205	114,342,425	123,950,427
Purchase-sale of crude oil and feedstock for legal reserve*	-	1,582,800	-	1,582,800
Other income	178,103	44,845	178,048	44,834
Other expenses	28,038	477,999	26,921	468,426
<b>Subsidiaries</b>				
Revenue from sale of goods and rendering of services	-	-	42,668,749	40,082,137
Purchase of crude oil and feedstock	-	-	30,885,003	29,648,241
Purchase-sale of crude oil and feedstock for legal reserve*	-	-	3,642,040	357,440

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Purchase of assets	-	-	5,519	14,795
Interest income	-	-	200,327	139,908
Dividend income	-	-	3,104,911	5,804,912
Land lease income	-	-	48,399	48,395
Other income	-	-	931,858	674,545
Interest expense	-	-	38,338	19,445
Other expenses	-	-	452,223	343,403
<b>Associate</b>				
Purchase of crude oil and feedstock	25,364	-	25,364	-
Other expenses	40,177	43,082	40,177	43,082
Purchase of assets	2,437	8,592	2,437	8,592
<b>Other related parties</b>				
Revenue from sale of goods and rendering of services	8,966,814	11,650,331	6,972,521	9,737,480
Purchase of crude oil and feedstock	5,215,067	2,577,503	624,478	301,960
Other income	6,497	20,424	4,421	20,424
Other expenses	78,881	62,697	78,881	62,697
<b>Directors' remuneration</b>	101,299	90,229	50,009	39,499

\* Purchase-sale of crude oil and feedstock transactions entered for the purpose of maintaining the legal levels of crude oil inventory are transacted with related parties and have already been reversed in the financial statements for the years ended 31 December 2010 and 2009.



## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

Balances as at 31 December 2010 and 2009 with related parties were as follows:

### Trade accounts receivable - related parties

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Major shareholder</b>				
PTT Public Company Limited	8,588,692	7,655,683	8,417,865	7,403,113
<b>Subsidiaries</b>				
Thai Paraxylene Co., Ltd.	-	-	4,210,395	3,242,357
Thai Lube Base Public Company Limited	-	-	172,422	126,065
Thaioil Power Co., Ltd.	-	-	48,761	65,417
<b>Other related parties</b>				
PTT International Trading Pte. Ltd.	-	801	-	-
PTT Exploration and Production Public Company Limited	246	-	-	-
Star Petroleum Refining Co., Ltd.	120	-	-	-
IRPC Public Company Limited	76,333	124,289	-	-
Bangchak Petroleum Public Company Limited	605,515	548,958	605,167	548,632
PTT Chemical Public Company Limited	1,390	1,432	-	-
Thai Petroleum Pipeline Co., Ltd.	197	2,404	-	-
	<b>9,272,493</b>	<b>8,333,567</b>	<b>13,454,610</b>	<b>11,385,584</b>
Less allowance for doubtful accounts	-	-	-	-
<b>Net</b>	<b>9,272,493</b>	<b>8,333,567</b>	<b>13,454,610</b>	<b>11,385,584</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### Other accounts receivable - related parties

(in thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Major shareholder</b>				
PTT Public Company Limited	348,051	10,137	68,982	9,124
<b>Subsidiaries</b>				
Thai Paraxylene Co., Ltd.	-	-	55,642	22,780
Thai Lube Base Public Company Limited	-	-	67,373	23,726
Thaioil Marine Co., Ltd.	-	-	3,056	3,046
Thaioil Energy Solutions Co., Ltd.	-	-	2,282	5,788
Thaioil Solvent Co., Ltd.	-	-	3,662	17,339
Thaioil Ethanol Co., Ltd.	-	-	1,562	162
Thaioil Power Co., Ltd.	-	-	80,156	23,233
TOP Solvent Co., Ltd.	-	-	1,480	404
Independent Power (Thailand) Co., Ltd.	-	-	1,170	2,559
Sak Chaisidhi Co., Ltd.	-	-	64	79
<b>Associate</b>				
PTT ICT Solutions Co., Ltd.	7,302	15,375	7,302	15,375
<b>Other related parties</b>				
Bangchak Petroleum Public Company Limited	140	-	140	-
Thai Petroleum Pipeline Co., Ltd	3,692	-	3,692	-
<b>Total</b>	<b>359,185</b>	<b>25,512</b>	<b>296,563</b>	<b>123,615</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### Short-term loans to related parties

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Subsidiaries</b>				
Thaioil Marine Co., Ltd.	-	-	1,882,500	1,622,500
Thaioil Solvent Co., Ltd.	-	-	2,559,000	2,385,000
Thaioil Ethanol Co., Ltd.	-	-	155,000	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,596,500</b>	<b>4,007,500</b>

Interest rates during the years of 2010 and 2009 were charged at money market rate (MMR) but not exceeding the average minimum loan rate (MLR) of 5 financial institutions less margin.

Movements of short-term loans to related parties during the years ended 31 December 2010 and 2009 were as follows:

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
At 1 January	-	-	4,007,500	3,159,000
Increase	-	-	1,839,000	1,848,500
Decrease	-	-	(1,250,000)	(1,000,000)
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>4,596,500</b>	<b>4,007,500</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### Trade accounts payable - related parties

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
<b>Major shareholder</b>				
PTT Public Company Limited	9,448,320	10,996,439	8,417,178	9,413,470
<b>Subsidiaries</b>				
Thai Paraxylene Co., Ltd.	-	-	2,572,527	2,025,225
Thai Lube Base Public Company Limited	-	-	346,485	166,960
Thaioil Power Co., Ltd.	-	-	128,777	97,294
Sak Chaisidhi Co., Ltd.	-	-	1,988	1,150
<b>Other related parties</b>				
IRPC Public Company Limited	102,112	55,901	1,728	-
PTT Aromatics and Refining Public Company Limited	103,376	110,720	-	-
PTT Phenol Co., Ltd.	7,747	-	-	-
<b>Total</b>	<b>9,661,555</b>	<b>11,163,060</b>	<b>11,468,683</b>	<b>11,704,099</b>

### Other accounts payable - related parties

	(in thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
<b>Major shareholder</b>				
PTT Public Company Limited	39,168	362,181	38,539	361,501
<b>Subsidiaries</b>				
Thai Paraxylene Co., Ltd.	-	-	29,289	268
Thai Lube Base Public Company Limited	-	-	-	12,519
Thaioil Marine Co., Ltd.	-	-	38,835	33,353
Thaioil Energy Solutions Co., Ltd.	-	-	2,032	9,138
Independent Power (Thailand) Co., Ltd.	-	-	18	5,290
<b>Associate</b>				
PTT ICT Solutions Co., Ltd.	16,311	24,428	16,311	24,428
<b>Other related party</b>				
Thai Petroleum Pipeline Co., Ltd.	5,989	2,748	5,989	2,748
<b>Total</b>	<b>61,468</b>	<b>389,357</b>	<b>131,013</b>	<b>449,245</b>

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## Short-term borrowings from related parties

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Subsidiaries</b>				
Thai Paraxylene Co., Ltd.	-	-	1,113,216	1,063,392
Thai Lube Base Public Company Limited	-	-	1,863,729	2,064,811
Thaioil Marine Co., Ltd.	-	-	20,573	37,468
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,997,518</b>	<b>3,165,671</b>

Interest rates during the years of 2010 and 2009 were charged at money market rate (MMR) but not exceeding the average minimum loan rate (MLR) of 5 financial institutions less margin.

Movements of short-term borrowings from related parties during the years ended 31 December 2010 and 2009 were as follows:

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
At 1 January	-	-	3,165,671	-
Increase	-	-	-	3,165,671
Decrease	-	-	(168,153)	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>2,997,518</b>	<b>3,165,671</b>

## Significant agreements with related parties

As at 31 December 2010 the Group had the following significant agreements with related parties.

### Raw Materials and Oil-Products Purchases and Sales Agreements

The Company has raw materials and oil products purchase and sale agreements with a subsidiary, whereby the purchase and sale volumes and prices of raw materials and oil products are specified in the agreements. These agreements are effective on the agreement date and shall be terminated by either party giving at least 6 months notice in writing to the other party.

### Oil-Products Sale and Purchase Agreements

The Company has oil products purchase and sale agreements with a subsidiary, whereby the purchase and sale volumes and prices are specified in the agreements. These agreements are effective on the agreement date and shall be terminated if either party does not comply with the terms stipulated in the agreements.

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## **By-Product Sale and Purchase Agreement**

The Company has a by-product purchase and sale agreement with a subsidiary, whereby the purchase and sale volumes and prices of the by-product are specified in the agreement. The agreement is for a period of 10 years expiring in September 2014, or until the termination by mutual consent.

## **Technology and Communication Service Agreement**

The Company has a technology and communication service agreement with an associate, whereby the service fees are specified in the agreement. The agreement is for a period of 5 years expiring in June 2011 and is renewable for additional periods of 5 years.

## **Crack Spread Swap and Time Spread Swap Agreements**

The Company has crack spread swap and time spread swap agreements with a subsidiary and a related company ("counterparties"). The Company has or the counterparties have commitments to make payments for the differences between the fixed price and floating price for each period.

As at 31 December 2010 the Company had oil volume under the agreements with the subsidiary and the related company of 0.12 million barrels and 0.63 million barrels respectively (31 December 2009: 1.81 million barrels with the related company).

## **Product Offtake and Crude Oil Supply Agreement**

The Company has a product offtake and crude oil supply agreement with a related company, whereby (a) the Company will sell and the related company will purchase refined petroleum products produced by the refinery for 49.99% of 270,000 barrels per day; and (b) the related party will supply and the Company will purchase crude oil and/or feedstock for the refinery required to produce 49.99% of 270,000 barrels per day. The credit term for crude oil shall be mutually agreed.

## **Feedstock Throughput Agreement**

The Company has an agreement with a related company to use the Company's single buoy mooring facility for receiving its feedstock. The agreement is for a period of 15 years expiring in 2023 and the throughput fee is stipulated in the agreement.

## **Crude Oil Processing Agreement**

The Company has an agreement for crude oil processing with a related company, whereby the related company will supply crude oil to the Company and the Company will provide a processing service. In this regard, the Company will either receive payments from or make payments to the related company depending on whether the processing fee for the different amount of products lifted by the related company is higher or lower than the value of relevant crude intake in the same month, including other expenses and finance costs, if any, incurred by both parties. There is no expiry date specified in the agreement.

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## Long Residue Cracking and Fuel Oil Exchange Agreement

The Company has a long residue cracking and fuel oil exchange agreement with a related company to exchange a related company's long residue for cracking in the Company's refinery process and to receive fuel oil left from the process for selling in the market. The agreement shall be terminated by either party giving at least 90 days notice in writing to the other party. Payments shall be made on a net settlement basis as stipulated in the agreement.

## Throughput Agreement

The Company has a throughput agreement with a related company, whereby the tariff fee is specified in the agreement. The agreement is for a period of 20 years expiring in 2014 and is renewable.

## Natural Gas Supply Agreements

The Company and two subsidiaries have natural gas supply agreements with a related company, whereby the related company agrees to supply the natural gas to the Company and the subsidiaries at quantities and prices as stipulated in the agreements. These agreements are effective for periods of 8 to 25 years expiring during 2014 and 2023.

## Cost Reimbursement Agreements

Certain subsidiaries have cost reimbursement agreements with the Company covering the reimbursement of construction costs of natural gas pipeline facilities and the use of the pipeline facilities, raw water pipeline and the use of land for the construction of a transmission line connecting the subsidiaries to the Electricity Generating Authority of Thailand (EGAT). Under the terms of the agreements, the subsidiaries agree to share the cost of investments with the Company on the basis and conditions stipulated in the agreements. These agreements are effective for a period of 25 years, or until the termination of the power purchase agreement entered into by the subsidiaries with EGAT, whichever is sooner.

## Power and Steam Purchase Agreements

Certain subsidiaries ("sellers") have power and steam purchase agreements with the Company and two subsidiaries for periods of 20 and 25 years expiring in 2023 and 2027, whereby the sellers will sell power and steam energy to the Company and the subsidiaries at the agreed quantities and prices as stipulated in the agreements.

## Services and Supplies Agreements

Certain subsidiaries have services and supplies agreements with the Company, whereby the Company provides the subsidiaries for the operating, repair and maintenance, management, controlling and administration, procurement, fuel transmission, waste water treatment and utilities, information technology, financial, accounting and human resource services. The subsidiaries agree to pay certain fees as stipulated in the agreements. These agreements are effective for periods of 3 years or 24 years or until the termination of the land lease agreement entered into by a subsidiary with the Company, whichever is sooner, or until the termination of the power purchase agreement entered into by another subsidiary with EGAT.

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### Land Lease Agreements

Certain subsidiaries have land lease agreements with the Company to lease/sublease certain parcels of land ending in September 2022 with total annual rental for the year 2010 of Baht 48.4 million, and the rate will be adjusted every 5 years.

### Raw Materials and Petrochemical Products Purchase and Sale Agreements

A subsidiary has raw materials and petrochemical products purchase and sale agreements with related companies, whereby the purchase and sale volumes and prices of raw materials and petrochemical products are specified in the agreements. These agreements are for periods of 3 to 15 years expiring during 2010 and 2017.

### Technical Service Agreements

A subsidiary has technical service agreements with the Company and three subsidiaries to provide a consultancy technical solutions service for energy-related and petrochemical businesses, whereby the service fees are specified in the agreements. These agreements are for a period of 3 years expiring during 2011 and 2013.

### Time Charter and Affreightment Agreements

A subsidiary has time charter and affreightment agreements with the Company and another subsidiary, whereby the freight rate is specified in the agreement. The agreements are for periods of 1 year and 3 years expiring in 2011 and 2013.

### Office Rental Agreements

A subsidiary has office rental agreements with a related company and another subsidiary, whereby the rental fees are specified in the agreements. These agreements have no specified expiry date so the compliance with conditions specified in the agreements is ongoing until either party giving at least 30 days written notice of termination to the other party.

### Ethanol Products Purchase and Sale Agreement

The Company has an ethanol products purchase and sale agreement with a subsidiary, whereby the purchase and sale volumes and prices of the ethanol products are specified in the agreement. The agreement is expiring in December 2010 and shall be automatically renewed for additional period of 1 year until either party giving at least 30 days notice in writing to the other party.



## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### 6 Cash and cash equivalents

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Cash on hand	2,298	1,856	581	580
Cash at banks - savings and current accounts	8,725,331	7,329,210	6,795,836	5,674,708
Cash at banks - fixed deposits (maturity period less than 3 months from the investment date)	489,257	1,236,942	2	2
Promissory notes issued by financial institutions	-	50,107	-	-
Bill of Exchange	4,000,000	-	4,000,000	-
<b>Total</b>	<b>13,216,886</b>	<b>8,618,115</b>	<b>10,796,419</b>	<b>5,675,290</b>

The currency denomination of cash and cash equivalents as at 31 December 2010 and 2009 was as follows:

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Thai Baht	12,741,078	7,883,352	10,794,492	5,673,037
United States Dollars	413,875	642,934	1,927	2,135
Other	61,933	91,829	-	118
<b>Total</b>	<b>13,216,886</b>	<b>8,618,115</b>	<b>10,796,419</b>	<b>5,675,290</b>

As at 31 December 2010 a subsidiary pledged its savings, current and fixed deposits totaling Baht 647 million (2009: Baht 1,267 million) as collateral for credit facilities as described in note 17 to the financial statements. The subsidiary can withdraw these deposits when needed as specified in the borrowing agreements.

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### 7 Other investments

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Current investments</b>				
Cash at bank - fixed deposits	326,228	455,115	-	-
Promissory notes issued by financial institutions	300,894	164,864	-	-
Debt securities - available-for-sale securities	190,538	-	-	-
	<b>817,660</b>	<b>619,979</b>	<b>-</b>	<b>-</b>
<b>Other long-term investments</b>				
Equity securities - available-for-sale securities	221,539	232,838	221,539	232,838
Other non-marketable securities	779,497	779,497	779,497	779,497
	<b>1,001,036</b>	<b>1,012,335</b>	<b>1,001,036</b>	<b>1,012,335</b>
<b>Total</b>	<b>1,818,696</b>	<b>1,632,314</b>	<b>1,001,036</b>	<b>1,012,335</b>

All other investments of the Group as at 31 December 2010 and 2009 were denominated entirely in Thai Baht.

#### Cash at banks - fixed deposits

As at 31 December 2010 a subsidiary pledged its fixed deposits totaling Baht 121 million (2009: Baht 455 million) as collateral for credit facilities as described in note 17 to the financial statements. The subsidiary can redeem these deposits when needed.

#### Equity securities - available-for-sale securities

In 2007 the Company entered into MFC Energy Open End Fund with certain companies so as to raise funds from financial institution investors who are interested in investing in energy or relating energy business. In consideration thereof, the Company has a commitment to purchase a holding in this Fund, comprising 40 million units at par value of Baht 10, amounting to Baht 400 million. During 2009 the Company invested an additional 10.59 million units, totaling Baht 105.9 million. As at 31 December 2010 the Company had holdings in this Fund at fair value of Baht 221.5 million (2009: Baht 232.8 million).

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## Other non-marketable securities

Type of Business	Consolidated/Separate financial statements						(in thousand Baht)
	Ownership interest		Paid-up capital		Cost method		
	2010 (%)	2009 (%)	2010	2009	2010	2009	
<b>Related party</b>							
Thai Petroleum Pipeline Co., Ltd.	9.19	9.19	8,479,000	8,479,000	779,497	779,497	-
					<b>779,497</b>	<b>779,497</b>	-

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### 8 Trade accounts receivable

		(in thousand Baht)			
		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
	<b>Note</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Related parties	5	9,272,493	8,333,567	13,454,610	11,385,584
Other parties		9,857,763	11,857,166	4,424,969	6,197,714
		<b>19,130,256</b>	<b>20,190,733</b>	<b>17,879,579</b>	<b>17,583,298</b>
Less allowance for doubtful accounts		-	-	-	-
<b>Total</b>		<b>19,130,256</b>	<b>20,190,733</b>	<b>17,879,579</b>	<b>17,583,298</b>
(Reversal of) doubtful debts expenses					
for the year		-	<b>(1,290)</b>	-	-

Aging analyses for trade accounts receivable are as follows:

		(in thousand Baht)			
		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
	<b>Note</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Related parties</b>					
Within credit terms		9,272,307	8,331,874	13,454,610	11,385,584
Overdue:					
Less than 3 months		179	1,693	-	-
3 - 6 months		-	-	-	-
6 - 12 months		7	-	-	-
Over 12 months		-	-	-	-
		<b>9,272,493</b>	<b>8,333,567</b>	<b>13,454,610</b>	<b>11,385,584</b>
Less allowance for doubtful accounts		-	-	-	-
<b>Net</b>	5	<b>9,272,493</b>	<b>8,333,567</b>	<b>13,454,610</b>	<b>11,385,584</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

	Note	(in thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		2010	2009	2010	2009
<b>Other parties</b>					
Within credit terms		9,727,221	11,762,874	4,424,969	6,197,714
Overdue:					
Less than 3 months		10,549	6,653	-	-
3 - 6 months		11,812	5,437	-	-
6 - 12 months		16,859	23,914	-	-
Over 12 months		91,322	58,288	-	-
		<b>9,857,763</b>	<b>11,857,166</b>	<b>4,424,969</b>	<b>6,197,714</b>
Less allowance for doubtful accounts		-	-	-	-
<b>Net</b>		<b>9,857,763</b>	<b>11,857,166</b>	<b>4,424,969</b>	<b>6,197,714</b>
<b>Total</b>		<b>19,130,256</b>	<b>20,190,733</b>	<b>17,879,579</b>	<b>17,583,298</b>

The normal credit term granted by the Group ranges from 15 days to 90 days.

Trade accounts receivable from other parties overdue for more than 12 months included receivable from a state enterprise of Baht 91 million (2009: Baht 58 million). As at 31 December 2010 the subsidiary is in the process of negotiation with the state enterprise and has taken appropriate legal advice that the debt should be received in full. Accordingly, no allowance for doubtful account has been made in respect of this debt.

The currency denomination of trade accounts receivable as at 31 December 2010 and 2009 was as follows:

	(in thousand Baht)				
	Consolidated		Separate		
	financial statements		financial statements		
		2010	2009	2010	2009
Thai Baht		15,926,600	15,433,934	16,715,637	14,264,147
United States Dollars		3,005,415	4,587,994	1,163,942	3,319,151
Other		198,241	168,805	-	-
<b>Total</b>		<b>19,130,256</b>	<b>20,190,733</b>	<b>17,879,579</b>	<b>17,583,298</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### 9 Inventories

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Crude oil and feedstock	14,679,442	11,324,636	12,773,084	9,403,067
Materials, spare parts and supplies	1,195,148	1,178,288	804,927	826,472
Finished and semi-finished oil products	9,488,203	7,222,639	7,014,390	5,099,471
Goods in transit				
Crude oil	7,633,232	9,452,995	7,633,232	9,452,995
Materials, spare parts and supplies	-	13,309	-	13,309
	<b>32,996,025</b>	<b>29,191,867</b>	<b>28,225,633</b>	<b>24,795,314</b>
Less allowance for decline in value of inventories adjusted to net realisable value	(1,144)	(255,277)	-	(249,236)
<b>Net</b>	<b>32,994,881</b>	<b>28,936,590</b>	<b>28,225,633</b>	<b>24,546,078</b>

As at 31 December 2010 the Group and the Company's inventories as stated above included a legal reserve amounting to Baht 8,108 million and Baht 7,696 million respectively (2009: Baht 7,888 million and Baht 7,350 million respectively).

The cost of inventories which is recognised as an expense and included in cost of sale of goods for the year ended 31 December 2010 amounted to Baht 308,102 million (2009: Baht 268,214 million) in the consolidated financial statements and Baht 307,209 million (2009: Baht 270,383 million) in the separate financial statements.

In 2010 the Group and the Company recognised an allowance for decline in value of inventories adjusted to net realisable value of Baht 1 million for the Group (2009: Baht 255 million and Baht 249 million respectively) and recognised a recovery of allowance for decline in value of inventories adjusted to net realisable value of Baht 255 million and Baht 249 million respectively (2009: Baht 1,168 million and Baht 888 million respectively).

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### 10 Other current assets

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Prepaid expenses	312,372	312,174	171,894	197,984
Other accounts receivable	822,922	296,521	668,372	168,158
Receivable from Oil Fuel Fund	349,507	295,569	349,507	295,569
Receivable from insurance company	957,388	-	-	-
Current portion of long-term loans				
to savings co-operative of employees	39,928	39,030	39,928	39,030
Other	235,754	276,707	169,280	198,966
<b>Total</b>	<b>2,717,871</b>	<b>1,220,001</b>	<b>1,398,981</b>	<b>899,707</b>

On 27 April 2010 a subsidiary's stream turbine was interrupted as a result of Lube oil leakage from lube oil cooler pipe breaking resulting in the whole power plant shutdown. This fault had been rectified and the power plant was able to resume to normal operation since 30 November 2010. The subsidiary has claimed the insurance compensation for property damage and business interruption from a local insurance company. As at 31 December 2010 the subsidiary had accounts receivable from the claim with the insurance company of Bath 957 million.

### 11 Investments in subsidiaries

	(in thousand Baht)	
	<b>Separate</b>	
	<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>
At 1 January	8,313,387	8,094,387
Acquisitions	450,000	219,000
<b>At 31 December</b>	<b>8,763,387</b>	<b>8,313,387</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

Investments in subsidiaries as at 31 December 2010 and 2009, and dividend income from those investments for the years then ended were as follows:

	Separate financial statements						(in thousand Baht)	
	Ownership interest		Paid-up capital		Cost method			Dividend income
	2010 (%)	2009 (%)	2010	2009	2010	2009		
<b>Subsidiaries</b>								
Thai Paraxylene Co., Ltd.	99.99	99.99	2,572,414	2,572,414	2,161,193	2,161,193	4,951,897	
Thai Lube Base Public Company Limited	99.99	99.99	1,757,891	1,757,891	1,978,726	1,978,726	676,788	
Thaioil Marine Co., Ltd.	99.99	99.99	630,000	630,000	630,000	630,000	-	
Thaioil Energy Solutions Co., Ltd.	99.99	99.99	40,000	40,000	40,000	40,000	-	
Thaioil Solvent Co., Ltd.	99.99	99.99	1,250,000	1,250,000	1,250,000	1,250,000	-	
Thaioil Ethanol Co., Ltd.	99.99	99.99	670,000	220,000	670,000	220,000	-	
Thaioil Power Co., Ltd.	54.99	54.99	2,810,000	2,810,000	1,545,500	1,545,500	154,550	
Independent Power (Thailand) Co., Ltd.	24.00	24.00	1,771,000	1,771,000	487,968	487,968	21,677	
<b>Total</b>			<b>11,501,305</b>	<b>11,051,305</b>	<b>8,763,387</b>	<b>8,313,387</b>	<b>5,804,912</b>	



## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### 12 Investments in associates

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
At 1 January	202,311	229,198	30,000	232,500
Share of net loss of investments - equity method	(72,467)	(26,887)	-	-
Disposals	-	-	-	(202,500)
<b>At 31 December</b>	<b>129,844</b>	<b>202,311</b>	<b>30,000</b>	<b>30,000</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

Investments in associates as at 31 December 2010 and 2009, and dividend income for the years then ended were as follows:

	Consolidated financial statements								(in thousand Baht)		
	Ownership interest		Paid-up capital		Cost method		Equity method		Dividend income		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
	(%)	(%)									
PTT ICT Solutions Co., Ltd.	20.00	20.00	150,000	150,000	30,000	30,000	39,611	40,026	-	-	
Maesod Clean Energy Co., Ltd.	30.00	30.00	675,000	675,000	202,500	202,500	90,233	162,285	-	-	
<b>Total</b>			<b>825,000</b>	<b>825,000</b>	<b>232,500</b>	<b>232,500</b>	<b>129,844</b>	<b>202,311</b>	<b>-</b>	<b>-</b>	

	Separate financial statements						(in thousand Baht)		
	Ownership interest		Paid-up capital		Cost method		Dividend income		
	2010	2009	2010	2009	2010	2009	2010	2009	
	(%)	(%)							
PTT ICT Solutions Co., Ltd.	20.00	20.00	150,000	150,000	30,000	30,000	-	-	
<b>Total</b>			<b>150,000</b>	<b>150,000</b>	<b>30,000</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

As at 31 December 2010 and 2009 the financial information on associates which have been accounted for using the equity method based on the percentage of ownership held by the Group are as follows:

	(in thousand Baht)				
	<b>Ownership interest (%)</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total revenues</b>	<b>Profit (loss)</b>
<b>2010</b>					
PTT ICT Solutions Co., Ltd.	20	1,322,437	1,124,381	1,180,528	(2,074)
Maesod Clean Energy Co., Ltd.	30	2,580,742	2,279,966	682,786	(240,173)
<b>Total</b>		<b>3,903,179</b>	<b>3,404,347</b>	<b>1,863,314</b>	<b>(242,247)</b>
<b>2009</b>					
PTT ICT Solutions Co., Ltd.	20	881,824	681,693	853,498	(34,469)
Maesod Clean Energy Co., Ltd.	30	2,767,497	2,226,546	340,716	(66,643)
<b>Total</b>		<b>3,649,321</b>	<b>2,908,239</b>	<b>1,194,214</b>	<b>(101,112)</b>

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## 13 Property, plant and equipment

	Consolidated financial statements										(in thousand Baht)		
	Land	Buildings	Leasehold improvements	Refinery plant and equipment	Paraxylene plants	Power plants	Transmission facilities	Machinery, equipment and plant	Oil and liquid chemical tankers and others	Furniture, fixtures, office equipment		Construction in progress	Total
<b>Cost</b>													
At 1 January 2009	2,625,422	1,053,636	5,365	78,561,337	21,758,674	15,553,311	192,637	3,185,226	2,078,999	484,615	33,994	1,221,995	126,755,211
Business acquisitions (Note 4)	-	-	-	-	-	-	-	175,716	-	-	-	-	175,716
Additions	-	-	-	-	-	-	-	4,751	1,163	9,763	2,415	1,304,505	1,322,597
Transfers, net	-	2,390	-	919,766	-	-	-	107,490	466,723	22,004	5,679	(1,524,052)	-
Disposals	(19)	-	-	(4,045)	-	-	-	(3,734)	(82,438)	(15,688)	(3,914)	-	(109,838)
Translation differences on consolidation	-	-	-	-	-	-	-	969	-	-	-	-	969
<b>At 31 December 2009 and</b>													
<b>1 January 2010</b>	<b>2,625,403</b>	<b>1,056,026</b>	<b>5,365</b>	<b>79,477,058</b>	<b>21,758,674</b>	<b>15,553,311</b>	<b>192,637</b>	<b>3,470,418</b>	<b>2,464,447</b>	<b>500,694</b>	<b>38,174</b>	<b>1,002,448</b>	<b>128,144,655</b>
Business acquisitions (Note 4)	395,700	499,355	-	-	-	-	-	845,307	-	9,018	6,038	11,823	1,767,241
Additions	718,980	1,386	-	-	-	-	-	167,462	-	11,362	2,905	2,669,060	3,571,155
Transfers, net	-	72,643	-	283,546	-	343,062	-	550,230	405,819	142,977	717	(1,798,994)	-
Disposals	-	-	-	-	-	-	-	(2,211)	(90,127)	(102,199)	(9,274)	-	(203,811)
Translation differences on consolidation	-	-	-	-	-	-	-	(24,719)	-	-	-	-	(24,719)
<b>At 31 December 2010</b>	<b>3,740,083</b>	<b>1,629,410</b>	<b>5,365</b>	<b>79,760,604</b>	<b>21,758,674</b>	<b>15,896,373</b>	<b>192,637</b>	<b>5,006,487</b>	<b>2,780,139</b>	<b>561,852</b>	<b>38,560</b>	<b>1,864,337</b>	<b>133,254,521</b>

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

	Consolidated financial statements										(in thousand Baht)		
	Land	Buildings	Leasehold improvements	Refinery plant and equipment	Paraxylene plants	Power plants	Transmission facilities	Machinery, equipment and plant	Oil and liquid chemical tankers and others	Furniture, fixtures, office equipment		Construction in progress	Total
<b>Depreciation</b>													
At 1 January 2009	-	712,413	1,749	42,267,946	3,334,330	5,645,875	97,523	1,426,416	289,086	360,239	23,947	-	54,159,524
Depreciation charge for the year	-	39,940	236	3,693,355	1,115,100	610,279	9,632	248,297	111,847	47,808	4,353	-	5,880,857
Disposals	-	-	-	(457)	-	-	-	(3,630)	(57,397)	(13,843)	(2,143)	-	(77,470)
Translation differences on consolidation	-	-	-	-	-	-	-	32	-	-	-	-	32
<b>At 31 December 2009 and 1 January 2010</b>	-	<b>752,353</b>	<b>1,985</b>	<b>45,960,854</b>	<b>4,449,430</b>	<b>6,256,154</b>	<b>107,155</b>	<b>1,671,115</b>	<b>343,536</b>	<b>394,204</b>	<b>26,157</b>	-	<b>59,962,943</b>
Business acquisitions (Note 4)	-	28,357	-	-	-	-	-	58,447	-	2,513	3,723	-	93,040
Depreciation charge for the year	-	56,514	236	3,721,883	1,115,862	705,682	6,276	231,765	118,362	44,695	4,078	-	6,005,353
Disposals	-	-	-	-	-	-	-	(1,948)	(42,446)	(92,308)	(7,665)	-	(144,367)
Translation differences on consolidation	-	-	-	-	-	-	-	(355)	-	-	-	-	(355)
<b>At 31 December 2010</b>	-	<b>837,224</b>	<b>2,221</b>	<b>49,682,737</b>	<b>5,565,292</b>	<b>6,961,836</b>	<b>113,431</b>	<b>1,959,024</b>	<b>419,452</b>	<b>349,104</b>	<b>26,293</b>	-	<b>65,916,614</b>
<b>Impairment losses</b>													
At 31 December 2009	397,176	-	-	-	-	-	-	-	-	-	-	-	397,176
At 31 December 2010	397,176	-	-	-	-	-	-	1,405	-	-	-	-	398,581
<b>Net book value</b>													
<b>At 1 January 2009</b>	<b>2,228,246</b>	<b>341,223</b>	<b>3,616</b>	<b>36,293,391</b>	<b>18,424,344</b>	<b>9,907,436</b>	<b>95,114</b>	<b>1,758,810</b>	<b>1,789,913</b>	<b>124,376</b>	<b>10,047</b>	<b>1,221,995</b>	<b>72,198,511</b>
<b>At 31 December 2009 and 1 January 2010</b>	<b>2,228,227</b>	<b>303,673</b>	<b>3,380</b>	<b>33,516,204</b>	<b>17,309,244</b>	<b>9,297,157</b>	<b>85,482</b>	<b>1,799,303</b>	<b>2,120,911</b>	<b>106,490</b>	<b>12,017</b>	<b>1,002,448</b>	<b>67,784,536</b>
<b>At 31 December 2010</b>	<b>3,342,907</b>	<b>792,186</b>	<b>3,144</b>	<b>30,077,867</b>	<b>16,193,382</b>	<b>8,934,537</b>	<b>79,206</b>	<b>3,046,058</b>	<b>2,360,687</b>	<b>212,748</b>	<b>12,267</b>	<b>1,884,337</b>	<b>66,939,326</b>

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

	Separate financial statements						(in thousand Baht)
	Land	Buildings	Refinery plant and equipment	Machinery, equipment and plant equipment	Furniture, fixtures, office equipment and others	Construction in progress	
<b>Cost</b>							
At 1 January 2009	2,621,090	722,334	72,121,992	1,111,611	284,288	15,309	77,742,263
Additions	-	-	-	-	4,666	-	644,109
Transfers, net	-	2,060	919,766	34,164	9,970	2,664	(968,624)
Disposals	(19)	-	(4,045)	(3,734)	(257)	(1,519)	(9,574)
<b>At 31 December 2009 and 1 January 2010</b>	<b>2,621,071</b>	<b>724,394</b>	<b>73,037,713</b>	<b>1,142,041</b>	<b>298,667</b>	<b>16,454</b>	<b>78,381,464</b>
Additions	13,500	-	-	-	-	-	761,241
Transfers, net	-	53,188	283,547	67,045	142,367	717	(546,864)
Disposals	-	-	-	(360)	(92,388)	(1,429)	(94,177)
<b>At 31 December 2010</b>	<b>2,634,571</b>	<b>777,582</b>	<b>73,321,260</b>	<b>1,208,726</b>	<b>348,646</b>	<b>15,742</b>	<b>79,062,028</b>
<b>Accumulated depreciation</b>							
At 1 January 2009	-	511,005	38,791,535	586,267	225,326	10,390	40,124,523
Depreciation charge for the year	-	23,647	3,378,864	62,411	22,066	1,408	3,488,396
Disposals	-	-	(457)	(3,629)	(208)	(316)	(4,610)
<b>At 31 December 2009 and 1 January 2010</b>	<b>-</b>	<b>534,652</b>	<b>42,169,942</b>	<b>645,049</b>	<b>247,184</b>	<b>11,482</b>	<b>43,608,309</b>
Depreciation charge for the year	-	23,318	3,407,382	54,570	30,514	1,436	3,517,220
Disposals	-	-	-	(360)	(85,937)	(1,429)	(87,726)
<b>At 31 December 2010</b>	<b>-</b>	<b>557,970</b>	<b>45,577,324</b>	<b>699,259</b>	<b>191,761</b>	<b>11,489</b>	<b>47,037,803</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

	Separate financial statements							(in thousand Baht)
	Land	Buildings	Refinery plant and equipment	Machinery, equipment and plant equipment	Furniture, fixtures, office equipment and others	Vehicles	Construction in progress	
<b>Impairment losses</b>								
<b>At 31 December 2009</b>	397,176	-	-	-	-	-	-	397,176
<b>At 31 December 2010</b>	397,176	-	-	-	-	-	-	397,176
<b>Net book value</b>								
<b>At 1 January 2009</b>	2,223,914	211,329	33,330,457	525,344	58,962	4,919	865,639	37,220,564
<b>At 31 December 2009 and 1 January 2010</b>	2,223,895	189,742	30,867,771	496,992	51,483	4,972	541,124	34,375,979
<b>At 31 December 2010</b>	2,237,395	219,612	27,743,936	509,467	156,885	4,253	755,501	31,627,049

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

The gross amounts of the Group's fully depreciated property, plant and equipment that were still in use as at 31 December 2010, amounted to Baht 1,619 million in the consolidated financial statements (2009: Baht 1,569 million) and amounted to Baht 1,312 million in the separate financial statements (2009: Baht 1,290 million).

A subsidiary mortgaged its power plant and another subsidiary mortgaged its land, building and machine as collateral for long-term borrowings as described in note 17 to the financial statements. The net book value of the power plant, land, building and machine as at 31 December 2010 amounted to Baht 6,194 million and Baht 1,144 million respectively (2009: Baht 6,618 million for power plant).

### 14 Intangible assets

(in thousand Baht)

	Consolidated financial statements					Total
	Note	License fee	Computer software	Customer database	Goodwill	
<b>Cost</b>						
At 1 January 2009		1,168,450	174,734	205,359	-	1,548,543
Business acquisitions	4	-	-	-	731,827	731,827
Additions		2,501	18,679	-	-	21,180
Translation differences on consolidation		-	-	-	4,038	4,038
<b>At 31 December 2009 and 1 January 2010</b>		<b>1,170,951</b>	<b>193,413</b>	<b>205,359</b>	<b>735,865</b>	<b>2,305,588</b>
Additions		4,976	83,929	-	-	88,905
Translation differences on consolidation		-	-	-	(73,598)	(73,598)
<b>At 31 December 2010</b>		<b>1,175,927</b>	<b>277,342</b>	<b>205,359</b>	<b>662,267</b>	<b>2,320,895</b>
<b>Accumulated amortisation</b>						
At 1 January 2009		595,486	95,203	-	-	690,689
Amortisation charge for the year		60,747	11,963	-	-	72,710
<b>At 31 December 2009 and 1 January 2010</b>		<b>656,233</b>	<b>107,166</b>	<b>-</b>	<b>-</b>	<b>763,399</b>
Amortisation charge for the year		58,371	27,075	-	-	85,446
<b>At 31 December 2010</b>		<b>714,604</b>	<b>134,241</b>	<b>-</b>	<b>-</b>	<b>848,845</b>
<b>Net book value</b>						
<b>At 1 January 2009</b>		<b>572,964</b>	<b>79,531</b>	<b>205,359</b>	<b>-</b>	<b>857,854</b>
<b>At 31 December 2009 and 1 January 2010</b>		<b>514,718</b>	<b>86,247</b>	<b>205,359</b>	<b>735,865</b>	<b>1,542,189</b>
<b>At 31 December 2010</b>		<b>461,323</b>	<b>143,101</b>	<b>205,359</b>	<b>662,267</b>	<b>1,472,050</b>



## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

(in thousand Baht)

	Separate financial statements		
	License fee	Computer software	Total
<b>Cost</b>			
At 1 January 2009	783,953	61,087	845,040
Additions	2,509	15,805	18,314
<b>At 31 December 2009 and 1 January 2010</b>	<b>786,462</b>	<b>76,892</b>	<b>863,354</b>
Additions	3,770	64,341	68,111
<b>At 31 December 2010</b>	<b>790,232</b>	<b>141,233</b>	<b>931,465</b>
<b>Accumulated amortisation</b>			
At 1 January 2009	570,129	29,606	599,735
Amortisation charge for the year	22,289	5,417	27,706
<b>At 31 December 2009 and 1 January 2010</b>	<b>592,418</b>	<b>35,023</b>	<b>627,441</b>
Amortisation charge for the year	19,988	6,272	26,260
<b>At 31 December 2010</b>	<b>612,406</b>	<b>41,295</b>	<b>653,701</b>
<b>Net book value</b>			
<b>At 1 January 2009</b>	<b>213,824</b>	<b>31,481</b>	<b>245,305</b>
<b>At 31 December 2009 and 1 January 2010</b>	<b>194,044</b>	<b>41,869</b>	<b>235,913</b>
<b>At 31 December 2010</b>	<b>177,826</b>	<b>99,938</b>	<b>277,764</b>

### 15 Deferred income tax

Deferred tax assets and liabilities determined after appropriate offsetting as at 31 December 2010 and 2009 are included in the balance sheets as follows:

(in thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Deferred tax assets	238,954	324,958	221,392	319,338
Deferred tax liabilities	(1,171,264)	(1,329,503)	(1,150,316)	(1,302,371)
<b>Net</b>	<b>(932,310)</b>	<b>(1,004,545)</b>	<b>(928,924)</b>	<b>(983,033)</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

Movements in deferred tax assets and liabilities during the years 2010 and 2009 were as follows:

(in thousand Baht)

	<b>Consolidated financial statements</b>			
	<b>(Charged) / Credited to:</b>			
	<b>At</b>	<b>Statement</b>	<b>Shareholders'</b>	<b>At</b>
	<b>1 January</b>	<b>of income</b>	<b>equity</b>	<b>31 December</b>
	<b>2010</b>	<b>(Note 28)</b>	<b>equity</b>	<b>2010</b>
<b>Deferred tax assets</b>				
Pension fund	96,056	6,183	-	102,239
Loss carry forward	78,410	(78,410)	-	-
Impairment losses on assets	119,153	-	-	119,153
Loss on cross currency and interest rate swap contracts	28,782	(28,782)	-	-
Loss on insurance claim for property damage	-	11,521	-	11,521
Other	2,557	3,484	-	6,041
<b>Total</b>	<b>324,958</b>	<b>(86,004)</b>	<b>-</b>	<b>238,954</b>
<b>Deferred tax liabilities</b>				
Depreciation	(1,287,082)	227,509	-	(1,059,573)
Provision for hedging on foreign exchange and forward contracts	(15,289)	7,705	-	(7,584)
Amortisation of transmission facilities transferred to EGAT	(27,132)	6,384	-	(20,748)
Gain on cross currency and interest rate swap contracts	-	(52,413)	-	(52,413)
Allowance for decline in value of inventories adjust to net realisable value	-	(30,746)	-	(30,746)
Other	-	(200)	-	(200)
<b>Total</b>	<b>(1,329,503)</b>	<b>158,239</b>	<b>-</b>	<b>(1,171,264)</b>
<b>Net</b>	<b>(1,004,545)</b>	<b>72,235</b>	<b>-</b>	<b>(932,310)</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

(in thousand Baht)

	<b>Consolidated financial statements</b>			
	<b>(Charged) / Credited to:</b>			
	<b>At</b>	<b>Statement</b>	<b>Shareholders'</b>	<b>At</b>
	<b>1 January</b>	<b>of income</b>	<b>equity</b>	<b>31 December</b>
	<b>2009</b>	<b>(Note 28)</b>	<b></b>	<b>2009</b>
<b>Deferred tax assets</b>				
Pension fund	99,519	(3,463)	-	96,056
Loss carry forward	1,261,275	(1,182,865)	-	78,410
Impairment losses on assets	119,153	-	-	119,153
Loss on cross currency and interest rate swap contracts	67,395	(38,613)	-	28,782
Other	2,790	(233)	-	2,557
<b>Total</b>	<b>1,550,132</b>	<b>(1,225,174)</b>	<b>-</b>	<b>324,958</b>
<b>Deferred tax liabilities</b>				
Depreciation	(1,367,646)	80,564	-	(1,287,082)
Provision for hedging on foreign exchange and forward contracts	(19,075)	3,786	-	(15,289)
Amortisation of transmission facilities transferred to EGAT	(33,517)	6,385	-	(27,132)
<b>Total</b>	<b>(1,420,238)</b>	<b>90,735</b>	<b>-</b>	<b>(1,329,503)</b>
<b>Net</b>	<b>129,894</b>	<b>(1,134,439)</b>	<b>-</b>	<b>(1,004,545)</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

(in thousand Baht)

	<b>Separate financial statements</b>			
	<b>(Charged) / Credited to:</b>			
	<b>At</b>	<b>Statement</b>	<b>Shareholders'</b>	<b>At</b>
	<b>1 January</b>	<b>of income</b>	<b>equity</b>	<b>31 December</b>
	<b>2010</b>	<b>(Note 28)</b>	<b>equity</b>	<b>2010</b>
<b>Deferred tax assets</b>				
Pension fund	96,056	6,183	-	102,239
Loss carry forward	72,790	(72,790)	-	-
Impairment losses on assets	119,153	-	-	119,153
Loss on cross currency and interest rate swap contracts	28,782	(28,782)	-	-
Other	2,557	(2,557)	-	-
<b>Total</b>	<b>319,338</b>	<b>(97,946)</b>	<b>-</b>	<b>221,392</b>
<b>Deferred tax liabilities</b>				
Depreciation	(1,287,082)	227,509	-	(1,059,573)
Provision for hedging on foreign exchange and forward contracts	(15,289)	7,705	-	(7,584)
Gain on cross currency and interest rate swap contracts	-	(52,413)	-	(52,413)
Allowance for decline in value of inventories adjust to net realisable value	-	(30,746)	-	(30,746)
<b>Total</b>	<b>(1,302,371)</b>	<b>152,055</b>	<b>-</b>	<b>(1,150,316)</b>
<b>Net</b>	<b>(983,033)</b>	<b>54,109</b>	<b>-</b>	<b>(928,924)</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

(in thousand Baht)

	<b>Separate financial statements</b>			
	<b>(Charged) / Credited to:</b>			
	<b>At</b>	<b>Statement</b>	<b>Shareholders'</b>	<b>At</b>
	<b>1 January</b>	<b>of income</b>	<b>equity</b>	<b>31 December</b>
	<b>2009</b>	<b>(Note 28)</b>	<b></b>	<b>2009</b>
<b>Deferred tax assets</b>				
Pension fund	99,519	(3,463)	-	96,056
Loss carry forward	1,238,765	(1,165,975)	-	72,790
Impairment losses on assets	119,153	-	-	119,153
Loss on cross currency and interest rate swap contracts	67,395	(38,613)	-	28,782
Other	2,790	(233)	-	2,557
<b>Total</b>	<b>1,527,622</b>	<b>(1,208,284)</b>	<b>-</b>	<b>319,338</b>
<b>Deferred tax liabilities</b>				
Depreciation	(1,367,646)	80,564	-	(1,287,082)
Provision for hedging on foreign exchange and forward contracts	(19,075)	3,786	-	(15,289)
<b>Total</b>	<b>(1,386,721)</b>	<b>84,350</b>	<b>-</b>	<b>(1,302,371)</b>
<b>Net</b>	<b>140,901</b>	<b>(1,123,934)</b>	<b>-</b>	<b>(983,033)</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### 16 Other non-current assets

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Long-term loans to savings				
co-operative of employees	527,425	546,153	527,425	546,153
Transmission facilities transferred				
to EGAT, net	69,161	90,441	-	-
Deferred natural gas pipeline facilities, raw water pipeline and the use of land, net	222,391	240,061	111,331	120,120
Deferred land lease arrangement and registration fees, net	505,435	548,627	505,435	548,627
Other deferred charges, net	643,781	861,819	557,551	747,542
Refundable deposits and other	134,165	119,856	43,686	41,261
<b>Total</b>	<b>2,102,358</b>	<b>2,406,957</b>	<b>1,745,428</b>	<b>2,003,703</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
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### 17 Interest-bearing liabilities

	Note	(in thousand Baht)			
		Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
<b>Current</b>					
Short-term borrowings from financial institutions					
- Unsecured		460,000	1,300,000	200,000	1,300,000
Short-term borrowings from related companies	5	-	-	2,997,518	3,165,671
Current portion of long-term borrowings from financial institutions					
- Secured		641,571	557,389	-	-
- Unsecured		1,860,187	1,587,573	592,700	296,350
		<b>2,961,758</b>	<b>3,444,962</b>	<b>3,790,218</b>	<b>4,762,021</b>
<b>Non-current</b>					
Long-term borrowings from financial institutions					
- Secured		1,821,280	2,026,281	-	-
- Unsecured		8,059,193	8,355,673	6,537,950	5,630,650
Unsecured debentures		31,181,142	29,607,517	31,181,142	29,607,517
		<b>41,061,615</b>	<b>39,989,471</b>	<b>37,719,092</b>	<b>35,238,167</b>
<b>Total</b>		<b>44,023,373</b>	<b>43,434,433</b>	<b>41,509,310</b>	<b>40,000,188</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

The periods to maturity of interest-bearing liabilities as at 31 December 2010 and 2009 were as follows:

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Within one year	2,961,758	3,444,962	3,790,218	4,762,021
After one year but within five years	33,894,465	25,006,958	30,551,942	20,255,654
After five years	7,167,150	14,982,513	7,167,150	14,982,513
<b>Total</b>	<b>44,023,373</b>	<b>43,434,433</b>	<b>41,509,310</b>	<b>40,000,188</b>

Secured interest-bearing liabilities as at 31 December 2010 and 2009 were secured on the following assets:

	<b>Note</b>	(in thousand Baht)			
		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Cash at banks - current, savings and fixed deposits	6	646,856	1,266,851	-	-
Current investments in fixed deposits	7	121,019	455,115	-	-
Power plant - carrying value	13	6,193,823	6,617,606	-	-
Land, building and machinery - carrying value	13	1,144,478	-	-	-
<b>Total</b>		<b>8,106,176</b>	<b>8,339,572</b>	<b>-</b>	<b>-</b>

As at 31 December 2010 the Group and the Company had unutilised long-term credit facilities totaling Baht 6,235 million and Baht 6,200 million respectively (2009: Baht 6,902 million and Baht 6,703 million respectively).



## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

The currency denomination of interest-bearing liabilities as at 31 December 2010 and 2009 was as follows:

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Thai Baht	28,627,540	28,399,360	28,078,168	28,277,526
United States Dollars	15,395,833	15,035,073	13,431,142	11,722,662
<b>Total</b>	<b>44,023,373</b>	<b>43,434,433</b>	<b>41,509,310</b>	<b>40,000,188</b>

Interest-bearing liabilities as at 31 December 2010 and 2009 were as follows:

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Short-term borrowings from financial institutions	460,000	1,300,000	200,000	1,300,000
Short-term borrowings from related companies	-	-	2,997,518	3,165,671
Long-term borrowings from financial institutions	12,382,231	12,526,916	7,130,650	5,927,000
Debentures	31,181,142	29,607,517	31,181,142	29,607,517
<b>Total</b>	<b>44,023,373</b>	<b>43,434,433</b>	<b>41,509,310</b>	<b>40,000,188</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### Long-term borrowings

Details of principal features of the Group's long-term borrowings as at 31 December 2010 and 2009 were as follows:

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>The Company :</b>				
1) Baht 4,927 million Syndicated Loan Facility agreement at interest 6-month (THBFIX) rate plus a margin, payable in semi-annual installments commencing in September 2010	4,680,650	4,927,000	4,680,650	4,927,000
2) Baht 1,000 million Sub-Syndicated Loan Facility agreement at interest 6-month (THBFIX) rate plus a margin, payable in semi-annual installments commencing in September 2010	950,000	1,000,000	950,000	1,000,000
3) Baht 4,000 million Revolving Credit Facility agreement at interest 6-month (FDR) rate plus a margin, principal will be repayable in full at the fifth anniversary of the date of the agreement	1,000,000	-	1,000,000	-
4) Baht 1,700 million or equivalent thereof in U.S. Dollar Revolving Credit Facility at interest 3-month (FDR) rate plus margin or interest 3-month USD LIBOR plus margin, principal will be repayable in full at the fifth anniversary of the date of the agreement	500,000	-	500,000	-

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	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Subsidiaries:</b>				
5) Baht 200 million Credit Facility agreements at interest rates ranging from 4.00% to 4.50% per annum, payable in semi-annual installments commencing in December 2010	175,000	1,000	-	-
6) U.S. Dollars 40 million Credit Facility agreement at interest LIBOR plus a margin, payable in semi-annual installments commencing in March 2000	484,741	630,116	-	-
7) Baht 1,000 million Credit Facility agreement at interest MLR less a margin, payable in semi-annual installments commencing in March 2000	409,406	481,052	-	-
8) Baht 920 million Credit Facility agreement at interest MLR less a margin, payable in semi-annual installments commencing in March 2000	374,287	439,787	-	-
9) Baht 371.4 million Credit Facility agreement at interest MLR less a margin, payable in semi-annual installments commencing in March 2000	148,227	174,167	-	-
10) Baht 308.6 million Credit Facility agreement at interest MLR less a margin, payable in monthly installments commencing in December 1999	69,970	91,500	-	-

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	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
11) U.S. Dollars 144 million Credit Facility agreement at interest LIBOR plus a margin, payable in semi-annual installments commencing in March 2000	441,220	767,049	-	-
12) Baht 2,625 million Loan Facility agreement at interest MLR less a margin, payable in semi-annual installments commencing in April 2009	1,575,000	2,100,000	-	-
13) Yen 9,438 million Syndicated Loan agreement at interest 3-month JPY LIBOR plus a margin, payable in semi-annual installments commencing in January 2009	1,038,730	1,915,245	-	-
14) Baht 565 million Loan Facility agreement at interest MLR less a margin, payable in three-month installments commencing in November 2010	535,000	-	-	-
<b>Total</b>	<b>12,382,231</b>	<b>12,526,916</b>	<b>7,130,650</b>	<b>5,927,000</b>

### Debentures

In 2009 the Company issued five-year-term debentures to general and institutional investors, totaling Baht 12,000 million, at face value of Baht 1,000 each, maturing on 13 February 2014 and bearing interest at the rate of 4.20% per annum for the first and second years, of 5.30% per annum for the third and fourth years and of 6.0% per annum for the fifth year, which will be repayable on every 13 February, 13 May, 13 August and 13 November in arrears.

In 2010 the Company issued twelve-year-term debentures to specific institutional investors with a limit of not more than ten investors, totaling Baht 3,000 million, at face value of Baht 1,000 each, maturing on 30 April 2022 and bearing interest at the rate of 4.80% per annum, which will be repayable on every 30 April and 30 October in arrears.

## Notes to the financial statements

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Details of the Company's debentures as at 31 December 2010 and 2009 were as follows:

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Debentures	31,187,344	29,615,734	31,187,344	29,615,734
Less discount on debentures	(6,202)	(8,217)	(6,202)	(8,217)
<b>Total</b>	<b>31,181,142</b>	<b>29,607,517</b>	<b>31,181,142</b>	<b>29,607,517</b>

As at 31 December 2010 the Company and a subsidiary have cross currency swap contracts with the local branches of foreign financial institutions for hedging foreign exchange and interest rate exposure of long-term debts for Baht and Yen currencies, totaling Baht 3,000 million and Yen 9,438 million respectively (2009: Baht 3,000 million and Yen 9,438 million respectively). All counterparties agree to pay the interest and the notional amount according to terms and conditions of the contracts.

### 18 Trade accounts payable

	<b>Note</b>	(in thousand Baht)			
		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Related parties	5	9,661,555	11,163,060	11,468,683	11,704,099
Other parties		9,322,144	6,945,289	7,955,118	5,288,453
<b>Total</b>		<b>18,983,699</b>	<b>18,108,349</b>	<b>19,423,801</b>	<b>16,992,552</b>

The currency denomination of trade accounts payable as at 31 December 2010 and 2009 was as follows:

	(in thousand Baht)				
	<b>Consolidated</b>		<b>Separate</b>		
	<b>financial statements</b>		<b>financial statements</b>		
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Thai Baht		10,968,463	12,681,412	11,617,732	11,825,671
United States Dollars		8,015,236	5,414,317	7,806,069	5,166,881
Other		-	12,620	-	-
<b>Total</b>		<b>18,983,699</b>	<b>18,108,349</b>	<b>19,423,801</b>	<b>16,992,552</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
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### 19 Other current liabilities

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Accrued operating expenses	974,735	215,778	272,671	132,547
Oil Fuel Fund payable	210,321	179,554	210,321	179,554
Other payables	707,133	864,982	450,813	805,325
Value added tax payable	7,311	40,410	-	-
Other	348,897	237,639	312,990	266,869
<b>Total</b>	<b>2,248,397</b>	<b>1,538,363</b>	<b>1,246,795</b>	<b>1,384,295</b>

### 20 Share capital

	Par value per share (in Baht)	(thousand shares / thousand Baht)			
		2010		2009	
		Number of shares	Amount	Number of shares	Amount
<b>Authorised</b>					
At 1 January					
- Ordinary shares	10	2,040,028	20,400,279	2,040,028	20,400,279
<b>At 31 December</b>					
- Ordinary shares	<b>10</b>	<b>2,040,028</b>	<b>20,400,279</b>	<b>2,040,028</b>	<b>20,400,279</b>
<b>Issued and paid-up</b>					
At 1 January					
- Ordinary shares	10	2,040,028	20,400,279	2,040,028	20,400,279
<b>At 31 December</b>					
- Ordinary shares	<b>10</b>	<b>2,040,028</b>	<b>20,400,279</b>	<b>2,040,028</b>	<b>20,400,279</b>

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## 21 Additional paid-in capital and reserves

### Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

### Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

### Fair value changes

The fair value changes account within equity comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

### Currency translation differences

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of foreign entities.

## 22 Segment information

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### Business segments

The Group comprises the following main business segments:

Segment 1 :	Oil refinery
Segment 2 :	Lube base oil refinery
Segment 3 :	Petrochemical
Segment 4 :	Power generation
Segment 5 :	Oil and chemical products transportation services
Segment 6 :	Other

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
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## Business segment results

	(in million Baht)																					
	Oil refinery			Lube base oil refinery			Petrochemical			Power generation			Oil and chemical products transportation services			Other		Eliminations		Total		
	2010	2009		2010	2009		2010	2009		2010	2009		2010	2009		2010	2009		2010	2009		
Revenue from sale of goods and rendering of services	310,027	274,325		20,523	16,981		54,295	49,365		7,406	14,231		1,045	968		740	25		(75,645)	(71,772)	318,391	284,123
Dividend income	3,105	5,805		-	-		-	-		-	-		-	-		-	-		(3,105)	(5,805)	-	-
Negative goodwill on acquisition	-	-		-	-		-	-		-	-		-	-		77	-		-	-	-	77
Net derivative gain on hedging	548	-		-	-		(20)	-		-	-		-	-		-	-		-	-	-	528
Net foreign exchange gain	2,620	1,480		8	3		(27)	17		122	72		(2)	3		1	-		-	-	2,722	1,575
Other income	3,059	2,331		121	151		325	329		680	41		3	10		11	-		(1,565)	(1,167)	2,634	1,695
<b>Total revenues</b>	<b>319,359</b>	<b>283,941</b>		<b>20,652</b>	<b>17,135</b>		<b>54,573</b>	<b>49,711</b>		<b>8,208</b>	<b>14,344</b>		<b>1,046</b>	<b>981</b>		<b>829</b>	<b>25</b>		<b>(80,315)</b>	<b>(78,744)</b>	<b>324,352</b>	<b>287,393</b>
Cost of sale of goods and rendering of services	307,209	270,383		18,211	15,472		50,436	41,691		7,343	12,984		868	788		611	12		(76,331)	(72,315)	308,347	269,015
Selling expenses	450	383		75	54		282	212		-	-		-	-		9	-		(615)	(448)	201	201
Administrative expenses	627	557		149	153		239	203		330	59		79	73		17	3		(110)	(111)	1,331	937
Management benefit expenses	227	174		18	18		33	33		28	30		10	8		13	5		23	10	352	278
Net derivative loss on hedging	-	361		-	-		-	-		-	-		-	-		-	-		-	-	-	361
<b>Total expenses</b>	<b>308,513</b>	<b>271,858</b>		<b>18,453</b>	<b>15,697</b>		<b>50,990</b>	<b>42,139</b>		<b>7,701</b>	<b>13,073</b>		<b>957</b>	<b>869</b>		<b>650</b>	<b>20</b>		<b>(77,033)</b>	<b>(72,864)</b>	<b>310,231</b>	<b>270,792</b>
Share of loss of associates	-	-		-	-		-	-		-	-		-	-		72	20		1	7	73	27



# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
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## Business segment results

(in million Baht)

	Oil refinery		Lube base oil refinery		Petrochemical		Power generation		Oil and chemical products transportation services		Other		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Profit (loss) before finance costs and income tax expense</b>	<b>10,846</b>	<b>12,083</b>	<b>2,199</b>	<b>1,438</b>	<b>3,583</b>	<b>7,572</b>	<b>507</b>	<b>1,271</b>	<b>89</b>	<b>112</b>	<b>107</b>	<b>(15)</b>	<b>(3,283)</b>	<b>(5,887)</b>	<b>14,048</b>	<b>16,574</b>
Finance costs	1,644	1,873	-	-	209	210	74	110	82	74	25	-	(238)	(152)	1,796	2,115
<b>Profit (loss) before income tax expense</b>	<b>9,202</b>	<b>10,210</b>	<b>2,199</b>	<b>1,438</b>	<b>3,374</b>	<b>7,362</b>	<b>433</b>	<b>1,161</b>	<b>7</b>	<b>38</b>	<b>82</b>	<b>(15)</b>	<b>(3,045)</b>	<b>(5,735)</b>	<b>12,252</b>	<b>14,459</b>
Income tax expense	1,733	1,124	661	432	525	86	119	350	1	12	3	-	-	-	3,042	2,004
<b>Profit (loss) for the year</b>	<b>7,469</b>	<b>9,086</b>	<b>1,538</b>	<b>1,006</b>	<b>2,849</b>	<b>7,276</b>	<b>314</b>	<b>811</b>	<b>6</b>	<b>26</b>	<b>79</b>	<b>(15)</b>	<b>(3,045)</b>	<b>(5,735)</b>	<b>9,210</b>	<b>12,455</b>
Attributable to :																
Equity holders of the Company	7,469	9,086	1,538	1,006	2,820	7,248	302	561	6	26	38	(15)	(3,174)	(5,850)	8,999	12,062
Minority interests	-	-	-	-	29	28	12	250	-	-	41	-	129	115	211	393
<b>Profit (loss) for the year</b>	<b>7,469</b>	<b>9,086</b>	<b>1,538</b>	<b>1,006</b>	<b>2,849</b>	<b>7,276</b>	<b>314</b>	<b>811</b>	<b>6</b>	<b>26</b>	<b>79</b>	<b>(15)</b>	<b>(3,045)</b>	<b>(5,735)</b>	<b>9,210</b>	<b>12,455</b>

# Notes to the financial statements

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## Business segment financial position

	(in million Baht)																	
	Oil refinery			Lube base oil refinery		Petrochemical		Power generation			Oil and chemical products transportation services		Other		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Trade accounts receivable	17,880	17,583	1,072	990	6,363	5,220	1,399	2,220	98	117	98	16	(7,780)	(5,955)	19,130	20,191		
Inventories	28,226	24,546	2,925	2,750	1,481	1,395	196	202	76	70	117	-	(26)	(26)	32,995	28,937		
Other current assets	22,043	15,093	2,230	2,269	2,849	2,878	3,010	2,346	68	90	277	24	(7,878)	(7,357)	22,599	15,343		
Investments in associates	8,793	8,343	-	-	-	-	-	-	-	-	90	162	(8,753)	(8,303)	130	202		
Property, plant and equipment	31,627	34,376	3,796	3,130	18,075	18,797	9,926	10,021	2,384	2,147	1,691	-	(560)	(670)	66,939	67,801		
Other non-current assets	3,246	3,571	119	69	1,289	1,414	1,338	371	7	6	6	-	(1,191)	(160)	4,814	5,271		
<b>Total assets</b>	<b>111,815</b>	<b>103,512</b>	<b>10,142</b>	<b>9,208</b>	<b>30,057</b>	<b>29,704</b>	<b>15,869</b>	<b>15,160</b>	<b>2,633</b>	<b>2,430</b>	<b>2,279</b>	<b>202</b>	<b>(26,188)</b>	<b>(22,471)</b>	<b>146,607</b>	<b>137,745</b>		
Trade accounts payable	19,424	16,993	1,005	1,388	4,935	3,761	1,110	1,662	55	89	27	6	(7,572)	(5,791)	18,984	18,108		
Current portion of long-term borrowings from financial institutions	593	296	-	-	1,217	1,291	572	558	-	-	120	-	-	-	2,502	2,145		
Other current liabilities	6,970	6,607	668	510	2,950	2,564	936	212	1,894	1,664	546	2	(8,076)	(7,514)	5,888	4,045		
Long-term borrowings from financial institutions	6,538	5,631	-	-	1,396	2,724	1,531	2,027	-	-	415	-	-	-	9,880	10,382		
Debentures	31,181	29,608	-	-	-	-	-	-	-	-	-	-	-	-	31,181	29,608		
Other non-current liabilities	1,456	1,900	30	31	37	33	21	27	-	-	-	-	(209)	(221)	1,335	1,770		
<b>Total liabilities</b>	<b>66,162</b>	<b>61,035</b>	<b>1,703</b>	<b>1,929</b>	<b>10,535</b>	<b>10,373</b>	<b>4,170</b>	<b>4,486</b>	<b>1,949</b>	<b>1,753</b>	<b>1,108</b>	<b>8</b>	<b>(15,857)</b>	<b>(13,526)</b>	<b>69,770</b>	<b>66,058</b>		

## Notes to the financial statements

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### 23 Other income

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Interest income	116,399	120,400	281,840	199,919
Land lease income	9,610	9,610	58,009	58,005
Service income	48,020	65,262	979,878	739,803
Euro IV compensation income	1,317,439	1,127,773	1,317,439	1,127,773
Subsidy income for cost of power plant equipment change	277,932	-	-	-
Insurance compensation on business interruption	303,283	-	-	-
Other	561,701	372,203	422,156	206,177
<b>Total</b>	<b>2,634,384</b>	<b>1,695,248</b>	<b>3,059,322</b>	<b>2,331,677</b>

### 24 Administrative expenses

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Advisory and legal fees	86,919	46,661	59,134	22,550
Personnel expenses	384,157	337,160	258,411	229,388
Depreciation	359,957	71,027	23,713	13,606
Other	500,402	482,301	285,706	291,774
<b>Total</b>	<b>1,331,435</b>	<b>937,149</b>	<b>626,964</b>	<b>557,318</b>

## Notes to the financial statements

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### 25 Employee benefit expenses

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Management</b>				
Salaries and wages	199,993	164,782	134,450	107,731
Contributions to provident fund	15,826	14,669	11,610	10,093
Retirement gratuity fund	23,248	12,575	14,914	10,704
Other	113,206	86,719	65,825	46,122
	<b>352,273</b>	<b>278,745</b>	<b>226,799</b>	<b>174,650</b>
<b>Other employees</b>				
Salaries and wages	1,554,411	1,409,026	1,134,475	1,091,060
Contributions to provident fund	106,205	98,938	86,141	86,366
Retirement gratuity fund	106,618	71,902	106,618	71,641
Other	347,494	226,133	246,584	203,305
	<b>2,114,728</b>	<b>1,805,999</b>	<b>1,573,818</b>	<b>1,452,372</b>
<b>Total</b>	<b>2,467,001</b>	<b>2,084,744</b>	<b>1,800,617</b>	<b>1,627,022</b>

The Group established a contributory registered provident fund to which the employees contribute monthly at rates ranging from 2% to 15% of their basic salaries and by the Group at rates ranging from 2% to 15% of the employees' basic salaries. Membership to the funds is on a voluntary basis. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

The Company has a retirement gratuity fund plan to provide retirement and gratuity benefits to all of its employees. Benefits are payable upon retirement, disability, death or resignation. Provisions are computed on the benefit formula assuming all employees are terminated at the reporting date.

## Notes to the financial statements

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### 26 Expenses by nature

The statements of income include an analysis of expenses by function. Significant expenses by nature are detailed as follows:

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Changes in finished goods and work in progress	(2,453,939)	(2,145,096)	(2,132,295)	(1,582,520)
Purchase and raw materials used	333,968,030	290,387,229	265,535,011	235,296,345
Natural gas used	7,217,438	12,478,346	1,164,395	1,129,347
Employee benefits expense	2,467,001	2,084,744	1,800,617	1,627,022
Depreciation and amortisation	6,661,721	6,552,677	4,077,933	4,065,840
Excise tax	34,947,347	28,073,301	34,947,347	28,073,301

### 27 Finance costs

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Interest expense:				
Financial institutions and other	1,744,167	2,057,799	1,600,547	1,824,803
Financial expenses	52,867	56,925	43,192	47,957
	<b>1,797,034</b>	<b>2,114,724</b>	<b>1,643,739</b>	<b>1,872,760</b>
Capitalised as cost of assets under construction	731	-	-	-
<b>Net</b>	<b>1,796,303</b>	<b>2,114,724</b>	<b>1,643,739</b>	<b>1,872,760</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### 28 Income tax expense

		(in thousand Baht)			
		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
<b>Note</b>		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Current tax expense</b>					
	Current year	3,114,580	870,310	1,787,246	-
<b>Deferred tax expense</b>					
	Movements in temporary differences	(72,235)	1,134,439	(54,109)	1,123,934
	<b>Total</b>	<b>3,042,345</b>	<b>2,004,749</b>	<b>1,733,137</b>	<b>1,123,934</b>

### Reconciliation of effective tax rate

		(in thousand Baht)			
		<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	Profit before income tax expense	12,251,876	14,459,517	9,202,480	10,210,112
	Income tax using the Thai corporation tax rate	3,675,563	4,337,855	2,760,744	3,063,034
	Income tax reduction	(15,000)	(510,506)	(15,000)	(510,506)
	Income not subject to tax	(478,218)	(1,535,842)	(1,032,403)	(1,440,669)
	Expenses not deductible for tax purposes	21,601	17,333	19,796	12,075
	Utilisation of previously unrecognised tax losses	(161,601)	(304,091)	-	-
	<b>Total</b>	<b>3,042,345</b>	<b>2,004,749</b>	<b>1,733,137</b>	<b>1,123,934</b>

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
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## Income tax reduction

Royal Decree No. 387 B.E. 2544 and dated 5 September 2001 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for the five consecutive accounting periods beginning on or after enactment. Listed companies that received income tax reduction under this Royal Decree are also eligible to continue the period of tax reduction under Royal Decree No. 475 but not beyond the 2010 accounting period ending on or after 31 December 2010.

Royal Decree No. 475 B.E. 2551 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the three consecutive accounting periods beginning on or after 1 January 2008.

The Company has calculated income tax on its taxable profit for the year ended 31 December 2010 at the 25% corporate income tax rate for taxable profit not exceeding Baht 300 million and for the year ended 31 December 2009 at the 25% corporate income tax rate. However, its subsidiaries have calculated income tax on their taxable profits for those years at the 30% corporate income tax rate.

## 29 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Company and certain local subsidiaries have been granted privileges by the Board of Investment relating to power and steam generation, petrochemical product production, petroleum and liquid chemical products transported by marine, offshore crude oil unloading facilities and industrial zone. The privileges granted include:

- a) an exemption from payment of import duty and tax on machinery and equipment as approved by the Board of Investment.
- b) an exemption from payment of corporate income tax for promoted operations for periods of 7 to 8 years from the dates on which the income is first derived from such operations, and
- c) a 50% reduction in the normal corporate income tax rate on the net profit derived from certain promotional operations for a period of five years, commencing from the expiry date in (b) above

As promoted companies, the Company and its subsidiaries must comply with certain conditions and restrictions provided for in the promotional certificates.

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
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Summary of revenue from promoted and non-promoted businesses:

(in thousand Baht)

	Consolidated financial statements					
	2010			2009		
	Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total
Export sales	5,481,673	57,148,458	62,630,131	13,350,419	39,993,563	53,343,982
Local sales	24,790,738	311,207,088	335,997,826	26,354,100	278,391,716	304,745,816
Eliminations			(80,237,431)			(73,966,762)
<b>Total revenues</b>			<b>318,390,526</b>			<b>284,123,036</b>

(in thousand Baht)

	Separate financial statements					
	2010			2009		
	Promoted businesses	Non-promoted businesses	Total	Promoted businesses	Non-promoted businesses	Total
Export sales	-	40,760,245	40,760,245	-	37,360,861	37,360,861
Local sales	-	269,266,724	269,266,724	-	236,964,004	236,964,004
<b>Total revenues</b>			<b>310,026,969</b>			<b>274,324,865</b>

### 30 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2010 and 2009 were based on the profit for the years attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

(in thousand Baht / thousand shares)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Profit for the year attributable to equity holders of the Company	8,998,621	12,061,538	7,469,344	9,086,178
Weighted average number of ordinary shares outstanding during the year	2,040,028	2,040,028	2,040,028	2,040,028
<b>Basic earnings per share (in Baht)</b>	<b>4.41</b>	<b>5.91</b>	<b>3.66</b>	<b>4.45</b>



# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

## 31 Dividends

At the meeting of the Board of Directors of the Company held on 11 September 2010, the Company's Board of Directors approved the appropriation of interim dividends for the six-month period ended 30 June 2010 at Baht 0.60 per share, totaling Baht 1,224 million. The interim dividends were paid to the Company's shareholders in October 2010.

At the annual general meeting of the shareholders of the Company held on 2 April 2010, the Company's shareholders approved the appropriation of 2009 annual dividends at Baht 2.55 per share, totaling Baht 5,202 million. After a deduction of the interim dividends of Baht 1.05 per share which were already paid to the Company's shareholders in September 2009, the remaining dividends of Baht 1.50 per share, totaling Baht 3,060 million, were paid to the Company's shareholders in April 2010.

At the meeting of the Board of the Directors of the Company held on 20 August 2009, the Company's Board of Directors approved the appropriation of interim dividends for the six-month period ended 30 June 2009 at Baht 1.05 per share, totaling Baht 2,142 million. The interim dividends were paid to the Company's shareholders in September 2009.

At the annual general meeting of the shareholders of the Company held on 3 April 2009, the Company's shareholders approved the appropriation of 2008 annual dividends at Baht 2.75 per share, totaling Baht 5,610 million. After a deduction of the interim dividends of Baht 1.75 per share which were already paid to the Company's shareholders in September 2008, the remaining dividends of Baht 1 per share, totaling Baht 2,040 million, were paid to the Company's shareholders in April 2009.

## 32 Financial instruments

### Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

### Capital management

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to the Group's shareholders and benefits to other stakeholders. The management sets strategies to support the Group's operations for more efficiency, and better performances and stronger financial status, including dividend and capital management policies to maintain the optimal capital structure and cost of capital.

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
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### Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. Hence, the Group has hedging agreements with various investment-grade financial institutions to protect against the risk of rising interest rates.

The effective interest rates of loans as at 31 December 2010 and 2009 and the periods in which those assets mature were as follows:

(in thousand Baht)

<b>Consolidated financial statements</b>				
<b>Effective interest rate</b>	<b>Within 1 year</b>	<b>After 1 year</b>	<b>Total</b>	
(% per annum)				
<b>2010</b>				
<b>Non-current</b>				
Long-term loans to savings				
co-operative of employees	MLR less margin	39,928	527,425	567,353
Loans to employees	MMR less margin	867	8,806	9,673
<b>Total</b>		<b>40,795</b>	<b>536,231</b>	<b>577,026</b>
<b>2009</b>				
<b>Non-current</b>				
Long-term loans to savings				
co-operative of employees	MLR less margin	39,030	546,153	585,183
Loans to employees	3.50 - 4.25	808	8,152	8,960
<b>Total</b>		<b>39,838</b>	<b>554,305</b>	<b>594,143</b>

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

		(in thousand Baht)		
		<b>Separate financial statements</b>		
	<b>Effective interest rate</b>	<b>Within 1 year</b>	<b>After 1 year</b>	<b>Total</b>
	(% per annum)			
<b>2010</b>				
<b>Current</b>				
Short-term loans to subsidiaries	MMR rate not exceeding the average MLR of 5 banks less margin	4,596,500	-	4,596,500
<b>Non-current</b>				
Long-term loans to savings co-operative of employees	MLR less margin	39,928	527,425	567,353
<b>Total</b>		<b>4,636,428</b>	<b>527,425</b>	<b>5,163,853</b>
<b>2009</b>				
<b>Current</b>				
Short-term loans to subsidiaries	MMR rate not exceeding the average MLR of 5 banks less margin	4,007,500	-	4,007,500
<b>Non-current</b>				
Long-term loans to savings co-operative of employees	MLR less margin	39,030	546,153	585,183
<b>Total</b>		<b>4,046,530</b>	<b>546,153</b>	<b>4,592,683</b>

The effective interest rates of borrowings from financial institutions and debentures as at 31 December 2010 and 2009 and the periods in which those liabilities mature were disclosed in note 17 to the financial statements.

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

### Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases of raw materials and long-term borrowings which are denominated in foreign currencies. However, the Group enters into short-term currency hedging contracts for short term foreign currency exposures when appropriate.

As at 31 December 2010 and 2009 the Group was exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	Note	(in thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		2010	2009	2010	2009
<b>U.S. Dollars</b>					
Cash and cash equivalents	6	413,875	642,934	1,927	2,135
Trade accounts receivable	8	3,005,415	4,587,994	1,163,942	3,319,151
Other receivables		195,433	23,115	195,433	4,779
Interest-bearing liabilities	17	(15,395,833)	(15,035,073)	(13,431,142)	(11,722,662)
Trade accounts payable	18	(8,015,236)	(5,414,317)	(7,806,069)	(5,166,881)
Other payables		(239,991)	(33,919)	(239,265)	(19,483)
		<b>(20,036,337)</b>	<b>(15,229,266)</b>	<b>(20,115,174)</b>	<b>(13,582,961)</b>
<b>Other currencies</b>					
Cash and cash equivalents	6	61,933	91,829	-	118
Trade accounts receivable	8	198,241	168,805	-	-
Trade accounts payable	18	-	(12,620)	-	-
Other payables		(3,849)	(24,656)	(3,011)	(22,143)
		<b>256,325</b>	<b>223,358</b>	<b>(3,011)</b>	<b>(22,025)</b>
<b>Net balance sheet exposure</b>		<b>(19,780,012)</b>	<b>(15,005,908)</b>	<b>(20,118,185)</b>	<b>(13,604,986)</b>

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
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## Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due. The Group has no significant credit risk with any single counterparty or group of counterparties since the Group maintains business with large customers in petroleum and power industries and requires full first class collateral for the rest.

## Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

## Fair values

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following methods and assumptions are used by the Group to estimate the fair value of each class of financial instrument.

The fair value of cash and cash equivalents, trade and other short-term receivables is taken to approximate the carrying value due to the relatively short-term maturity of these financial instruments.

The fair values of investments in equity securities, which are available for sales, are determined by reference to their net asset value at the reporting date.

The fair value of bank overdrafts and short-term borrowings from financial institutions and trade accounts payable and others, are taken to approximate their fair values due to the relatively short-term maturity of these financial instruments.

The fair value of long-term loans and borrowings carrying a floating rate, which is considered to be market rate, are taken to approximate their fair values.

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date or based on market price, if available.

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
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Fair values of debentures, together with the carrying values shown in the balance sheets as at 31 December 2010 and 2009 were as follows:

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>Fair</b>	<b>Carrying</b>	<b>Fair</b>	<b>Carrying</b>
	<b>value</b>	<b>value</b>	<b>value</b>	<b>value</b>
<b>2010</b>				
<b>Non-current</b>				
Debentures	(32,625,725)	(31,181,142)	(32,625,725)	(31,181,142)
<b>Total</b>	<b>(32,625,725)</b>	<b>(31,181,142)</b>	<b>(32,625,725)</b>	<b>(31,181,142)</b>
<b>2009</b>				
<b>Non-current</b>				
Debentures	(30,478,518)	(29,607,517)	(30,478,518)	(29,607,517)
<b>Total</b>	<b>(30,478,518)</b>	<b>(29,607,517)</b>	<b>(30,478,518)</b>	<b>(29,607,517)</b>

### 33 Commitments with non-related parties

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Capital commitments</b>				
Project construction agreements	3,168,150	1,054,232	1,551,238	683,088
<b>Total</b>	<b>3,168,150</b>	<b>1,054,232</b>	<b>1,551,238</b>	<b>683,088</b>

# Notes to the financial statements

For the years ended 31 December 2010 and 2009  
Thai Oil Public Company Limited and its Subsidiaries

	(in thousand Baht)			
	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Non-cancellable operating lease commitments</b>				
Within one year	175,355	177,867	174,426	174,426
After one year but within five years	988,676	755,060	984,963	751,467
After five years	1,295,285	1,747,341	1,292,434	1,743,543
<b>Total</b>	<b>2,459,316</b>	<b>2,680,268</b>	<b>2,451,823</b>	<b>2,669,436</b>
<b>Other commitments</b>				
Technical services agreements	203,204	364,500	203,204	364,500
Inventory management services agreements	133,998	44,689	-	-
Letters of guarantee issued by financial institutions	451,984	4,763,961	287,962	4,547,015
Crude oil purchase agreements	48,863,429	37,016,854	48,863,429	37,016,854
<b>Total</b>	<b>49,652,615</b>	<b>42,190,004</b>	<b>49,354,595</b>	<b>41,928,369</b>

## Long-term Maintenance Agreements

A subsidiary has combustion turbine supply and maintenance agreements with local companies ("service providers"), whereby the service providers will supply and repair parts used for yearly and scheduled repairs. In this regard, the subsidiary is committed to pay for the parts and maintenance service fees to the service providers at the prices specified in the agreements. These agreements are effective on the agreement date till the second major scheduled repair or the twelfth yearly scheduled repair.

## Power Purchase Agreements

Two subsidiaries have power purchase agreements for a period of 25 years with the Electricity Generating Authority of Thailand ("EGAT") expiring in 2023 and 2025 respectively whereby the subsidiaries will supply the electric energy to EGAT at the agreed quantity and price. As the contracted parties with EGAT, the subsidiaries must comply with conditions and restrictions provided for in the agreements.

## Throughput Agreement

A subsidiary had a throughput agreement for a period of 5 years with a non-related company for storage facilities expiring in November 2013. The subsidiary is committed to pay a quarterly service fee to the non-related company at the rates specified in the agreement. The subsidiary can terminate this agreement by giving a notice in advance to the non-related company not less than 1 year.

## Notes to the financial statements

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### Land Rental Agreement

An indirect subsidiary had a land rental agreement with Industrial Estate of Thailand (“Industrial Estate”) for land used in Map Ta Phut Industrial Estate for a period of 30 years expiring in January 2019. The subsidiary is committed to pay the annual rental fee to the Industrial Estate at the rates specified in the agreement.

### 34 Contingent liabilities and contingent assets

As at 31 December 2010 the Group had the following contingent liabilities and contingent assets:

- a) A subsidiary has been assessed by the Customs Department and the Revenue Department for the excise tax including penalty and surcharge for certain shipments of imported reduced crude oil totaling Baht 253.7 million (the Central Tax Court ruled in favor of the subsidiary). As at 31 December 2010 the case was in the process of consideration of the Supreme Court.
- b) A subsidiary has been assessed by the Revenue Department for the corporate income tax in respect to 1999 and 2000 revenues resulting to the utilisation of tax loss carry forwards in subsequent years (the Central Tax Court ruled in favor of the subsidiary). As at 31 December 2010 the case was in the process of consideration of the Supreme Court.
- c) The Company has crack spread swap and time spread swap agreements with foreign companies (“counterparties”). The Company has or the counterparties have commitments to make payments for the differences between the fixed price and floating price for each period.

As at 31 December 2010 the Company had oil volume under the agreements totaling 3.34 million barrels (31 December 2009: 5.12 million barrels).

### 35 Insurance policy

As at 31 December 2010 the Group has an All Risks and Loss of Profit Insurance Policy (“ALOP”) from a syndicate of insurers and reinsurers for a total insured value of U.S. Dollars 6,777 million (2009: U.S. Dollars 6,453 million). Such policy is renewed on an annual basis. Certain subsidiaries have assigned their rights to proceed from insurance claims under the ALOP to the lenders under certain borrowings agreements.

### 36 Event after the reporting period

At the meeting of the Board of Directors of the Company held on 21 February 2011, the Company’s Board of Directors approved the submission for approval at the annual general meeting of the shareholders of the Company the appropriation of 2010 annual dividends at Baht 2.00 per share, totaling Baht 4,080 million. After a deduction of the interim dividends of Baht 0.60 per share which were already paid to the Company’s shareholders in October 2010, the remaining dividends of Baht 1.40 per share, totaling Baht 2,856 million, scheduled for payment on 25 April 2011. This dividend is subject to the approval of the Company’s shareholders at the annual general meeting to be held on 1 April 2011.



# Notes to the financial statements

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## 37 Thai Accounting Standards and Thai Financial Reporting Standards not yet adopted

The Company and local subsidiaries have not adopted the following new and revised Thai Accounting Standards (“TAS”) and Thai Financial Reporting Standards (“TFRS”) that have been issued as of the reporting date but are not yet effective. The new and revised TAS and TFRS are anticipated to become effective for annual financial periods beginning on or after 1 January in the year indicated.

TAS/TFRS	Topic	Year effective
TAS 1 (revised 2009)	Presentation of Financial Statements	2011
TAS 2 (revised 2009)	Inventories	2011
TAS 7 (revised 2009)	Statement of Cash Flows	2011
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors	2011
TAS 10 (revised 2009)	Events after the Reporting Period	2011
TAS 11 (revised 2009)	Construction Contracts	2011
TAS 12	Income Taxes	2013
TAS 16 (revised 2009)	Property, Plant and Equipment	2011
TAS 17 (revised 2009)	Leases	2011
TAS 18 (revised 2009)	Revenue	2011
TAS 19	Employee Benefits	2011
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance	2013
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013
TAS 23 (revised 2009)	Borrowing Costs	2011
TAS 24 (revised 2009)	Related Party Disclosures	2011
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements	2011
TAS 28 (revised 2009)	Investments in Associates	2011
TAS 33 (revised 2009)	Earnings per Share	2011
TAS 34 (revised 2009)	Interim Financial Reporting	2011
TAS 36 (revised 2009)	Impairment of Assets	2011
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets	2011
TAS 38 (revised 2009)	Intangible Assets	2011
TAS 40 (revised 2009)	Investment Property	2011
TFRS 3 (revised 2009)	Business Combinations	2011
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations	2011

Management has determined the potential impact of adopting of these new and revised TAS and TFRS on the consolidated and separate financial statements. Significant details are as follows:

## Notes to the financial statements

For the years ended 31 December 2010 and 2009  
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### TAS 19 – Employee benefits

TAS 19, Employee Benefits, has been in effect for financial periods beginning on or after 1 January 2011. The Group, therefore, has not presently accounted for the costs of post-employment benefits under defined benefit plans and other long-term employee benefits until such costs are incurred.

The accounting treatments under this accounting standard are:

- (1) Recognising of expenses and provision for employee benefits in the period in which the service is performed. The accounting standard requires actuarial assumptions to measure the obligations and expenses of long-term benefits and to measure on a discounted basis due to the settlement of these benefits would incur in the subsequent years of services.
- (2) Permitting the transitional liability computed from period of service years of employees prior to its effective date, to be recognised and accounted for in 4 options. The Group has selected to adjust retrospectively at the initial adoption of this accounting standard.

Management has determined that the Group's and the Company's transitional liability as at 1 January 2011 for employee benefits is Baht 1,802 million and Baht 1,691 million respectively and the Group's and the Company's retained earnings at the same date would be decreased of Baht 1,257 million and Baht 1,183 million respectively.

### 38 Reclassification of accounts

Certain accounts in the consolidated balance sheet as at 31 December 2009 have been reclassified to conform to the presentation in the consolidated balance sheet as at 31 December 2010 as follows:

(in million Baht)

	<b>Consolidated financial statements</b>		
	<b>Before reclassification</b>	<b>Reclassification</b>	<b>After reclassification</b>
Property, plant and equipment	67,801	(16)	67,785
Intangible assets	790	752	1,542
Other assets	3,143	(736)	2,407
		-	

# Audit Fees of the Auditors 2010

## **1. Audit Fees**

The Company, subsidiaries and Thairoil Group Registered Provident Fund paid for the audit fees to the audits' company for the latest account period amounting to Baht 5,740,000 (Five million seven hundred and forty thousand baht only).

## **2. Non-Audit Fees**

The Company and subsidiaries paid for non-audit fees for monitoring the performance compliance with the condition of the BOI Promotion Certificate to the audit's company for the latest account period amounting to Baht 425,000 (Four hundred and twenty five thousand baht only).

## Abbreviations and Acronyms

**Unless otherwise stated, abbreviations and terms used in this annual report shall have the following meaning:**

AGM	Annual General Meeting of Shareholders
Bangchak Petroleum / BCP	Bangchak Petroleum Public Company Limited
bpd	Barrels per Day
BPT	Business Process Transformation
CDU-3	Crude Distillation Unit 3
CG	Corporate Governance
CSR	Corporate Social Responsibility
DWT	Dead Weight Ton
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EGAT	The Electric Generating Authority of Thailand
EIA	Environmental Impact Assessment
ERP	Enterprise Resource Planning
GDP	Gross Domestic Product
GIM	Gross Integrated Margin
GRM	Gross Refinery Margin
HCU	Hydrocracking Unit
IFRS	International Financial Reporting Standard
IPP	Independent Power Producer
Independent Power (Thailand) / IPT	Independent Power (Thailand) Company Limited
IRPC	IRPC Public Company Limited
ISO	International Organization of Standardization
KM	Knowledge Management
KMTA	Thousand Tons per Year
KPIs	Key Performance Indicators
Maesod Clean Energy / MCE	Maesod Clean Energy Company Limited
MPU	Methyl Pyrolidone Unit
NESDB	Office of the National Economic and Social Development Board
OPEC	Organization of Petroleum Exporting Countries
PTT	PTT Public Company Limited

PTTAR	PTT Aromatics and Refining Public Company Limited
PTT International Trading	PTT International Trading Private Limited
RMIS	Risk Management Information System
RMSC	Risk Management Steering Committee
Sapthip / SAP	Sapthip Company Limited
Sak Chaisidhi / SAKC	Sak Chaisidhi Company Limited
SEC	The Securities and Exchange Commission
SET	The Stock Exchange of Thailand
SGSI	Shell Global Solutions International
SPP	Small Power Producer
TDAE	Treated Distillate Aromatic Extract
Thaioil Energy Solutions / TES	Thaioil Energy Solutions Company Limited
Thaioil Ethanol / TET	Thaioil Ethanol Company Limited
Thaioil Marine / TM	Thaioil Marine Company Limited
Thai Paraxylene / TPX	Thai Paraxylene Company Limited
Thaioil Power / TP	Thaioil Power Company Limited
Thaioil Solvent	Thaioil Solvent Company Limited
Thapline / THAP	Thai Petroleum Pipeline Company Limited
Thai Lube Base / TLB	Thai Lube Base Public Company Limited
TOP / Thaioil / the Company	Thai Oil Public Company Limited
TOP Solvent / TS	TOP Solvent Company Limited
TOP Solvent (Vietnam) /	
TOP Solvent (Vietnam) LLC. / TSV	TOP Solvent (Vietnam) Liability Limited Company
TORC	Thai Oil Refinery Company Limited
TRAE	Treated Residual Aromatic Extract
TQA	Thailand Quality Award
TQC	Thailand Quality Class
USD	US Dollar







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