

Esso (Thailand) Public Company Limited



# Annual Report 2016



Energy lives here™







*In Remembrance of His Majesty  
King Bhumibol Adulyadej*

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*Management and Staff of  
Esso (Thailand) Public Company Limited*





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# Message from the Chairman

## To Our Shareholders

An unwavering commitment to reliable and safe operations, along with ongoing efforts to provide customers with high-quality products and services, yielded extraordinary financial and operating results for Esso in 2016. The accomplishments detailed in this annual report also underscore the value of a steadfast dedication to the highest standards of business conduct and an approach that responsibly and actively promotes positive impacts on local communities.

Net profit of Baht 6.7 billion represents a best-ever result, supported by an improvement in crude oil prices and paraxylene margins, strong operational reliability, and a record level of retail sales volume. The Company generated cash flow from operations of Baht 7.3 billion, allowing Esso to substantially improve its financial position and invest in projects that will create long-term shareholder value. The Company also strengthened the reliability of its operations, captured new business opportunities, and further improved the products and services offered to customers.

The refinery streamlined operations, increased the production of higher-margin products, and further reduced energy consumption. This included the successful and safe execution of 37 days of planned maintenance and greater crude diversification with the introduction of 12 new crudes. Logistics operations implemented terminal system upgrades to improve blending and distribution efficiency and installed heating tanks to support increased sales of high-margin Asphalt.

The retail business expanded its network of service stations for the third consecutive year while also increasing throughput per site. Efforts to expand services and improve product quality continued during the year, including the introduction of the Esso Smiles loyalty card program and a new fuels formula. These additional customer benefits and improved product quality combined with the presence of premium products at more sites,

nationwide marketing campaigns, and an expanded alliance portfolio helped Esso maintain its position as the largest international brand fuels retailer in Thailand. Commercial fuel sales volume increased as well with the capture of several new business opportunities. The Company also expanded its Mobil-branded lubricants business with successful marketing initiatives and greater product distribution in multi-branded outlets.

The talented men and women that work for Esso and their devotion to operational excellence and effective risk management underpinned the exceptional financial and operating results and led to strong environmental and safety performance. Esso employees carry out their daily activities supported by well-established processes and practices that aid in the management of financial and operational risks. This dedicated focus at every level of the organization to what we view as fundamental business methods is particularly evident this year with best-ever annual safety performance and the completion of a ninth consecutive year without a recordable spill.

Esso employs sound corporate governance as demonstrated by the core principles outlined in the Company's Standards of Business Conduct, which provide employees with guidelines for appropriately managing business activities. We greatly value the communities in which we operate and strictly adhere to principles and practices that make us a good corporate citizen. As recognition of these efforts, Esso received the Thailand American Chamber of Commerce (AMCHAM) recognition award for Corporate Social Responsibility for the seventh consecutive year.

On behalf of the Board of Directors, I appreciate the confidence you place in the Company and its employees as evidenced by your ongoing investment in Esso (Thailand) Public Company Limited. We reaffirm our commitment to you to work diligently to create long-term shareholder value.





*Neil A Hansen*

Mr. Neil A. Hansen  
Chairman and Managing Director  
Esso (Thailand) Public Company Limited





# Quality



## Quality Products

The Sriracha refinery manufactures and distributes high-quality, high-performing products for a superior customer experience.



## Quality Service

Esso service stations provide prompt, courteous, and reliable service to the motoring public.





SAFETY FIRST  ปลอดภัยไว้ก่อน

วาทะศิลป์  
Esso  
สูตรใหม่  
New Formula  
น้ำมันดีเซลพลัง



# Reliability



## **Reliable Operations**

We strive to sustain a high-level of reliability in every aspect of our business, through an unwavering commitment to operational excellence.



## **Safe Operations**

An unwavering focus on protecting the safety and health of employees, contractors, and communities is fundamental to the Company's long-term success.







# Responsibility



## **Environmental Responsibility**

Recognizing and managing potential risks to the environment is foundational, and accomplished by a firm commitment to policies and practices designed to enable environmentally responsible operations.



## **Social Responsibility**

Esso Thailand believes responsibly managing impacts on communities and making valued social investments are integral to long-term success and sustainability.







# Integrity



## **Strong Governance**

The Company employs a variety of policies and processes that meet or exceed international standards to ensure strong corporate governance.



## **Ethical Business Conduct**

Esso Thailand's expectations for the highest ethical standards of business conduct throughout the organization is a key competitive strength and critical to maintaining the Company's license to operate.



# General Information

## Company Information

Company Name	Esso (Thailand) Public Company Limited
Symbol	ESSO
Registration Number	0107539000073
Business	Integrated petroleum refining, petrochemical, and marketing
Registered Capital	Baht 17,110,007,246.71 Comprising 3,467,916,666 common shares of Baht 4.9338 per share
Paid-up Capital	Baht 17,075,181,200.40 Comprising 3,460,858,000 common shares of Baht 4.9338 per share
Head Office	3195/17-29 Rama IV Road, Klong Ton, Klong Toey District, Bangkok 10110 Telephone: 0 2262 4000
Website	<a href="http://www.esso.co.th">www.esso.co.th</a>
Investor Relations	Telephone: 0 2262 4788 E-mail: <a href="mailto:essolr@exxonmobil.com">essolr@exxonmobil.com</a>

## References

Securities Registrar	Thailand Securities Depository Company Limited The Stock Exchange of Thailand Building, 93 Ratchadaphisek Road, Din Daeng, Din Daeng, Bangkok 10400 Telephone: 0 2009 9999 (SET Contact Center)
Auditor	PricewaterhouseCoopers ABAS Limited 15 <sup>th</sup> Floor, Bangkok City Tower, 179/74-80 South Sathorn Road, Bangkok 10120 Telephone: 0 2344 1000







# Business Overview



Esso (Thailand) Public Company Limited (“the Company”) is an affiliate of Exxon Mobil Corporation, an industry leader in the global energy business. The Company has operated in Thailand for more than 120 years and employs ExxonMobil’s highly-disciplined business model with a focus on long-term fundamentals and growth in shareholder value. The benefits of majority ExxonMobil ownership include access to expertise in crude oil and raw material procurement services, a global sales network for refined petroleum products and chemicals, advanced technological, operational and engineering services, and research and development programs. We also benefit from the use of Esso and Mobil brands and other trademarks licensed from ExxonMobil as well as the availability of ExxonMobil and affiliated management, technical personnel, and corporate support services.

We are an integrated petroleum refining, petrochemical, and marketing company with the following key businesses:

- A complex refinery with a maximum rated capacity (based on stream days) of 174,000 barrels per day
- An aromatics plant with a capacity of 500,000 tons per annum of paraxylene
- A solvent production unit with a capacity of 50,000 tons per annum
- An extensive network of Esso-branded retail service stations throughout Thailand
- Direct commercial sales of petroleum products in the





industrial, wholesale, aviation, and marine sectors comprising of LPG, gasoline, jet fuel/kerosene, diesel, fuel oil, asphalt, and lubricants

- A premier line of Mobil 1 synthetic lubricants and a network of Mobil 1 centers
- Sales of aromatics and other chemical products

The Esso refinery is strategically located near the Laem Chabang deep sea port in Sriracha, Chonburi Province. Refinery configuration incorporates ExxonMobil's unique proprietary technologies that provide significant flexibility to process a wide range of crude oil and produce high-value products such as gasoline, diesel, and jet fuel. The site also benefits from its ready access to a deep sea port,

road networks, and a multi-product transmission pipeline. This provides the flexibility to deliver refined petroleum products via pipeline in addition to truck and marine transportation.

Aromatics production is fully integrated with the refinery operations. The Company produces aromatics, primarily paraxylene, which is used to make purified terephthalic acid (PTA), the raw material used for producing polyester film, packaging resin, and fabrics. Other chemical products in the Esso portfolio include solvents and plasticizers.



## Operation and Revenue Structure

Sales revenue in the downstream and petrochemical segments is divided as follows:

	2016 Million Baht	%	2015 Million Baht	%	2014 Million Baht	%
<b>Net Sales</b>						
Downstream segment:						
Refined petroleum products	134,586	89.2	152,157	89.5	194,431	88.1
Lubricants	3,094	2.0	3,683	2.2	3,825	1.7
Other <sup>(1)</sup>	1,752	1.2	797	0.5	3,339	1.5
Services <sup>(2)</sup>	667	0.4	586	0.3	605	0.3
<b>Total Downstream Segment</b>	<b>140,099</b>	<b>92.8</b>	<b>157,223</b>	<b>92.5</b>	<b>202,200</b>	<b>91.6</b>
Petrochemical segment:						
Paraxylene	6,568	4.4	7,609	4.5	11,336	5.1
Other <sup>(3)</sup>	4,312	2.8	5,016	3.0	7,163	3.3
Services	34	0.0	43	0.0	36	0.0
<b>Total Petrochemical Segment</b>	<b>10,914</b>	<b>7.2</b>	<b>12,668</b>	<b>7.5</b>	<b>18,535</b>	<b>8.4</b>
<b>Total Sales Revenue</b>	<b>151,013</b>	<b>100.0</b>	<b>169,891</b>	<b>100.0</b>	<b>220,735</b>	<b>100.0</b>

(1) Mainly sales of crude oil purchased from an affiliate and resold before processing. Also included are goods sold at convenience stores.

(2) Mainly franchise fees from dealers, product handling and storage fees from aviation customers, and rental income.

(3) Mainly sales of benzene, solvents, and plasticizers.

## Number of Employees of the Company as of December 31, 2016

Corporate	Refining & Distribution <sup>(1)</sup>	Retail & Lubricants <sup>(2)</sup>	Chemicals	Total
23	439	77	6	545

(1) Includes engineers, technical staff, and operators at Sriracha Refinery, together with commercial and export sales personnel.

(2) Includes retail and lubricant sales personnel.

## Subsidiaries, Associated and Related Companies

Company Name and Address	Business	Registered Capital (Baht)	Shareholding (%)
<b>Mobil Enterprises (Thailand) Limited (METL)</b> 3195/17-29 Rama IV Road, Klong Ton, Klong Toey District, Bangkok 10110 Telephone: 0 2262 4000	Currently dormant	3,333,000	100
<b>Industry Promotion Enterprises Limited (IPEL)</b> 3195/26 Rama IV Road, Klong Ton, Klong Toey District, Bangkok 10110 Telephone: 0 2262 4000	Real estate leasing	3,333,400	30 <sup>(1)</sup>
<b>United Industry Development Company Limited (UIDC)</b> 3195/27 Rama IV Road, Klong Ton, Klong Toey District, Bangkok 10110 Telephone: 0 2262 4000	Real estate leasing	10,000,000	49 <sup>(1)</sup>
<b>Pacesetter Enterprises Limited (PSE)</b> 3195/27 Rama IV Road, Klong Ton, Klong Toey District, Bangkok 10110 Telephone: 0 2262 4000	Real estate leasing	10,000,000	33 <sup>(2)</sup>
<b>Thai C-Center Company Limited (TCC)*</b> 3195/21 Rama IV Road, Klong Ton, Klong Toey District, Bangkok 10110 Telephone: 0 2262 4000	Service station and convenience store operations	50,000,000	0 <sup>(3)</sup>
<b>Thai Petroleum Pipeline Company Limited (THAPPLINE)</b> 2/8 Moo 11, Lumlukka Road, Ladsawai, Lumlukka, Pathumthani 12150 Telephone: 0 2991 9130	Petroleum products pipeline transportation	8,479,000,000	21
<b>Bangkok Aviation Fuels Services Public Company Limited (BAFS)</b> 171/2 Moo 10, Vibhavadi Rangsit Road, Sikan, Don Muang District, Bangkok 10210 Telephone: 0 2834 8900	Aircraft refuelling services	637,496,657	7

\*Following the conversion of all service stations previously operated by the Company to a dealer-operated model, Thai C-Center Company Limited (Thai C) registered its dissolution request with the Department of Business Development on 30 November 2016, and is currently undergoing the liquidation process.

(1) The remaining preferred shares are held by employees of the Company and/or ExxonMobil's affiliates.

(2) The remaining shares are held by UIDC and IPEL.

(3) The Company does not directly hold shares in TCC. All of TCC's issued shares are held by UIDC.



# Financial Highlights

Financial Highlights	2016	2015	2014
<b>(Millions of Baht, unless otherwise stated)</b>			
Sales revenue	151,013	169,891	220,735
Gross profit/(loss)	14,104	8,351	(5,938)
EBITDA	10,274	4,520	(9,689)
Profit/(loss) for the period	6,650	1,701	(10,306)
Earnings/(loss) per share (Baht) <sup>(1)</sup>	1.92	0.49	(2.98)
Total assets	58,751	56,702	63,973
Total liabilities	37,998	42,933	52,053
Total equity	20,753	13,769	11,920
Key Financial Ratios	2016	2015	2014
Net profit/(loss) margin (%)	4.4	1.0	(4.7)
Interest coverage (times)	20.3	5.8	(10.7)
Net debt to equity (times)	1.1	2.1	3.0
Dividend Payment	2016	2015	2014
Dividend payment per share (Baht) <sup>(1)</sup>	-	-	-

(1) Based on current number of shares: 3,461 million shares



# BEST-EVER



Safety Performance



Retail Sales Volume



Net Profit



Earnings per Share



Return on Equity



Debt to Equity

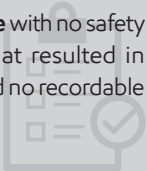


# Operational Highlights

The Company maintains an unwavering focus on safety, reliability, and operational excellence and seeks to improve the underlying business by investing in projects and activities that maximize production of high-value products and expanding sales through channels with the highest margins. Petroleum products are sold through diversified channels including retail, commercial, and export with the goal of optimizing product realizations. The Company believes a disciplined investment approach throughout the ups and downs of the business cycle will generate value for the shareholder over the long-term.

## 2016 Business Highlights

Continued **impressive safety and environmental performance** with no safety incidents that resulted in lost-time and no recordable spills.



Retained position as **the largest international brand fuels retailer in Thailand** with 13% market penetration.



**Further diversified crude mix** with the processing of an additional 12 new challenged crudes; **achieved a crude mix with 65% less expensive Regional and Middle East crudes**, representing a 5% increase from last year.

Maintained **high operational reliability and completed 37 days of planned maintenance** at the refinery, safely and on budget, while also investing in **margin enhancement and energy efficiency projects**.



Placed more than **94% of products in the higher-margin domestic and cross-border markets**, through integrated efforts across the downstream value chain.

Captured industry market demand growth, resulting in **a record high retail sales volume; increased asphalt sales** by 44%.

Improved **logistic and distribution systems** to enhance reliability and support sales growth, including upgrades to terminal facilities, installation of asphalt heating tanks, and implementation of an improved terminal automation system.

Converted all remaining company-operated Esso service stations to a **dealer mode of operation** to improve cost effectiveness and flexibility.



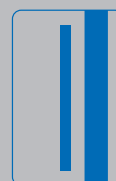
Opened **15 new service stations** and completed retail **site upgrades** for an additional 50 sites.

Increased the number of service stations offering premium products, with **80% of the retail network offering Supreme E20 and 55% offering Premium Diesel**.

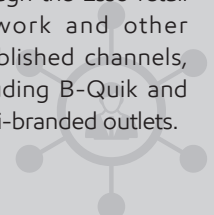


Launched **a new, upgraded fuels formula** for all fuel grades.

Further strengthened marketing programs by launching **the Esso Smiles loyalty card** program with 800,000 members signed up at the end of 2016; expanded **the alliance network** by an additional 39 stores



Grew **branded automotive lubricants** business, by increasing distribution through the Esso retail network and other established channels, including B-Quik and multi-branded outlets.



## Refining and Petrochemical

Average throughput at the Sriracha refinery was 133 thousand barrels per day, a decline from 140 thousand barrels per day in the prior year, due primarily to a higher amount of planned maintenance activities. The average gross refining margin in 2016 was \$7.7/bbl, higher than the average gross refining margin of \$4.7/bbl in 2015, mainly supported by a relative favorable stock impact, partly offset by a decline in the core refining margin from planned maintenance activities and lower industry refining margins. Total paraxylene production was 229 thousand tons in 2016, down from 244 thousand tons in 2015, mainly due to the impact of planned maintenance activities.

The refinery continued efforts to further enhance margin and cost efficiency with several improvement projects, including full utilization of streamlined operations and further crude diversification. As a result, the refinery achieved additional flexibility to optimize production by utilizing challenged crudes that are difficult to process and trade at a significant discount in the market. Efforts also facilitated increased production of high-margin asphalt. The refinery diversified its crude intake by employing an additional 12 new crudes, resulting in a reduction in raw material costs. The refinery also increased the production of asphalt by 42% in 2016.

In addition, the Company invested in logistics and distribution systems to enhance reliability and support sales growth. The improvements included upgrades to terminal facilities to support the roll out of a new fuels formula, installation of heating tanks to support incremental asphalt sales, and enhancements to terminal automation systems to improve blending and distribution efficiency.

The refinery received six ExxonMobil Global Standard of Excellence Awards for personal safety, process safety, environmental, reliability, earnings growth, and overall excellence.

### Sriracha Refinery Performance

12

new challenged crudes



5%

increase in the use of  
less-expensive Regional  
and Middle East crudes



42%

increase in production  
of high-margin Asphalt

6

ExxonMobil Global  
Standard of Excellence  
Awards





## Retail Fuel Sales

The Company is well-positioned to compete in the dynamic and competitive Thailand retail market with superior product quality and consistent supply reliability. A steady supply of fuels that meet high standards of quality is supported by a fully-integrated business including refining and distribution. Esso increased sales volume through its retail station network by 4% compared to 2015. Sales through the retail sales channel accounted for 40% of total fuel sales volume in 2016. As a result of nationwide marketing campaigns to promote brand awareness, value-added product offerings and promotions, and a new loyalty card program, Esso achieved record-high retail sales volume while retaining its position as the largest international brand fuel retailer in Thailand with 13% market penetration.

Esso service stations continued to provide quality fuels and services to customers. This included an expanded number of service stations offering premium products, which contribute to an even stronger brand equity and an increase in sales volume. The number of stations offering Premium Diesel and Supreme E20 ended the year at 298 and 436, respectively. Esso launched a new high-quality fuel product formula in 2016 designed to provide an improved level of performance. Esso also rolled-out a new loyalty card program - Esso Smiles – that allows consumers to earn points when they fill up at Esso service stations which are redeemable for many benefits including Esso fuel, Tesco-Lotus Club Card Points, and miles on Air Asia. The customer-focused loyalty program had approximately 800,000 members at the end of 2016.

The Company further optimized its retail network, making opportunistic enhancements to service stations while also maintaining capital and cost discipline. Esso completed the conversion of its service stations to a dealer-operated model, which will improve cost effectiveness and flexibility. Esso opened 15 new service stations during the year in an effort to optimize operations. Esso's retail network included 542 service stations at the end of 2016. Furthermore, Esso improved its service station network by completing site upgrades for an additional 50 sites. Site upgrades included appearance and equipment improvement as well as underground tank maintenance.

In addition to successful fuels marketing operations, Esso enhanced its non-fuel income through strong alliances. The Company actively grew non-fuel income by expanding existing alliance offers and establishing new alliance partners. Esso maintained strong partnerships with Tesco Lotus Express, Family Mart, McDonald's, Burger King, KFC, B-Quik, Bosch, Wizard, Rabika coffee, and Caffè D'oro, and developed offerings with new alliance partners namely Grand Coffee Boy and S MiniMart. The Company finished 2016 with 300 alliance stores across its retail network. These alliances helped optimize retail site profitability and provide high-quality offerings and services for customers.

### Retail Performance

**4%** growth in retail sales volume, resulting in a record high sales volume



**24%** increase in E20 sales volume

**542** stations with **300** alliance stores



**298** stations offering Premium Diesel, representing an increase of **58** sites



**436** stations offering E20, representing an increase of **36** sites



## Lubricants

Esso supplies automotive and industrial lubricant products directly to strategic customers and through distributors for resale. The Company grew its Mobil-branded lubricants business with successful marketing and sales initiatives, including the introduction of new products and services along with the launch of several promotions. Esso expanded its branded automotive lubricants business, supported by a network of 294 Mobil 1 Centers across Thailand. Mobil 1 Centers provide best-in-class car care services to consumers through consistent delivery of professional services and premium products. The Company also expanded the distribution of automotive lubricants through the Esso retail network and other established channels including its partnership with B-Quik and multi-branded outlets.

### Commercial Business Performance

#### Increase in Asphalt sales



44%

#### Increase in domestic industrial Fuel Oil sales



50%

#### Increase in sales to local fuel retailers



33%

#### Increase in fuel sales to neighboring countries



8%

### Commercial Fuel Sales

Commercial sales channels include four business-to-business segments: Wholesale Fuel, Asphalt, Aviation, and Marine. The Company implemented an on-line ordering system that provides customers with the ability to order products 24 hours a day using a computer, mobile phone, or tablet. The company also continued with various customer appreciation and support programs.

Sales through commercial channels accounted for 54% of total sales volume in 2016. This included an increase of domestic sales of industrial fuel oil by more than 50% to 3.2 thousand barrels per day. The additional volume resulted primarily from sales to EGAT (Electricity Generating Authority of Thailand) during a period of natural gas supply disruption that helped support the continuity of electricity supply. The Company captured other new business opportunities in the commercial sales channel, including an increase in sales to local fuel retailers by 33%, and sales of fuel products to neighboring countries by 8%. In addition, asphalt sales grew by 44%, including the sale of more than 3,000 tons to Australia.

The remaining 6% of petroleum products sold to commercial customers went through export sales channels, mainly within the Asia Pacific region. Export volumes decreased from 9% in 2015 as efforts continued to increase higher-margin retail and commercial sales within the domestic market and neighboring countries.



## Safety and Environmental Performance

Refinery reached **16.8 million man hours** without a lost-time safety incident

Refinery achieved **9 years** without a recordable spill

Terminal operations celebrated **23 years** without a lost-time safety incident

## Safety

The Company strongly encourages and consistently fosters a culture in which the value of safety is embedded at every level of the organization. The Operations Integrity Management System (OIMS) provides a robust framework for managing both the safety of the company's operations and its personnel. The Loss Prevention System (LPS) encourages employees to focus on underlying behaviors to identify enhancements to facilities, systems, and competencies. The Company's approach to safety and health management yields successful results and facilitates progress toward the objective of achieving a work environment in which *Nobody Gets Hurt*.

One critical success factor in achieving the goal of a work environment in which *Nobody Gets Hurt* is the empowerment of everyone in the Company to intervene and challenge when unsafe acts are observed. Each and every employee in the organization is empowered to caution their colleagues if they observe an unsafe situation or behavior. Employees are also encouraged to welcome suggestions on how to work more safely. As a result of these robust programs, the Company achieved several impressive safety milestones in 2016. For example, the Sriracha refinery complex achieved 16.8 million man hours without a lost-time safety incident and terminal operations reached 23 years without an injury that resulted in time away from work. Overall, the Company accomplished best-ever safety performance as measured by the rate of recordable incidents and the absence of any incidents that resulted in lost time. These impressive results are reflective of the strong safety culture that permeates every level of the organization.

## Environment

The Company conducts regular reviews of all aspects of its business to ensure compliance with environmental laws, regulations, and internal policies. Esso implements various pollution control and other environmental impact mitigation measures, including the use of ExxonMobil technologies that reduce emissions and conserve energy.

Refinery operations utilize sea water produced by two desalination plants, thus preserving natural fresh water resources. In addition, the Company installed vapor recovery units at Lumlukka and Sriracha terminals to reduce the hydrocarbon vapor released into the atmosphere by recovering it as a product.

## Quality Workforce

The Company's capable and dedicated employees are one of its greatest strengths. Employee development systems utilize integrated processes to support the development of a highly-productive, dedicated, and motivated workforce.

The Company recruits talented individuals and invests in employee development through work assignments, on-the-job experience, and career-long training and education. Career development is undertaken as a shared responsibility between the company and the employee. We promote from within and require managers and supervisors to foster an environment where continuous personal and professional growth is encouraged. The goal is to develop employees to have the highest technical and leadership capabilities in the industry. We leverage the ExxonMobil network to provide training and challenging assignments to employees, including foreign assignments in other affiliates. Equally important, we promote an environment of high expectations that recognizes and rewards employee contributions to both individual and team goals

# Management's Discussion and Analysis

Review of consolidated results for 2016

Statement of Comprehensive Income	2016	2015
(Million Baht)		
Revenue from Sales	151,013	169,891
Profit/ (loss) from sales	8,238	2,322
Downstream	9,654	5,280
Petrochemical	(1,416)	(2,958)
EBITDA	10,274	4,520
Finance costs, net	(501)	(770)
Income tax (expenses)/credit	(1,556)	(282)
Profit/(loss) for the period	6,650	1,701
Earnings/(loss) Baht/share <sup>(1)</sup>	1.92	0.49

(1) Based on current number of shares of 3,461 million shares

Revenue from sales for full year 2016 declined from the previous year due to lower product prices.

The full year profit from sales in 2016 was Baht 8,238 million, compared to Baht 2,322 million in 2015. The Downstream segment had a higher profit from sales by Baht 4,374 million resulting from a stock gain compared to a stock loss in 2015, partly offset by reduced production levels due to maintenance activities and lower industry refining margins. The Petrochemical segment had a lower loss from sales by Baht 1,542 million as a result of improved industry paraxylene margins, partly offset by reduced production levels due to maintenance activities.

2016 EBITDA was Baht 10,274 million, compared to Baht 4,520 million in 2015.

Net finance costs for full year 2016 decreased by Baht 269 million from the previous year, as a result of lower average interest rates and loan balances.

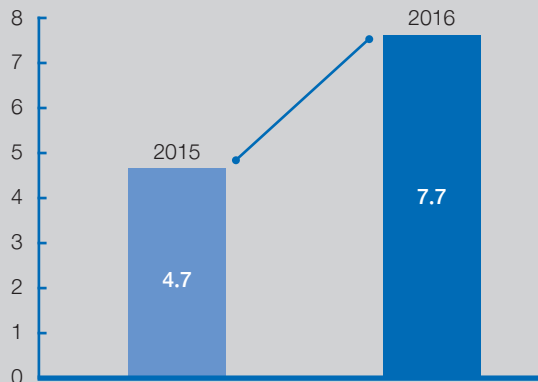
Income tax expense in full year 2016 was Baht 1,556 million, compared to Baht 282 million for full year 2015.

Profit for full year 2016 was Baht 6,650 million, supported by a stock gain, improved paraxylene margins, and a decline in energy costs.



## Gross Refining Margin (GRM)

USD per Barrel



Full year 2016 Gross Refining Margin (GRM) improved to \$7.7 per barrel versus \$4.7 per barrel in 2015. The \$3.0 per barrel increase in full year 2016 GRM resulted from a relative favorable stock gain/loss impact, partly offset by a decline in core margin from planned maintenance activities and lower industry refining margins.

## Statement of Financial Position

2016

2015

(Million Baht)

Total assets	58,751	56,702
Total liabilities	37,998	42,933
Total equity	20,753	13,769

Current assets as of December 31, 2016 increased by Baht 3,887 million from year-end 2015, mainly due to an increase in inventory value resulting from higher crude prices. Non-current assets decreased by Baht 1,838 million, primarily due to the utilization of a portion of the tax loss carry forward and lower property, plant and equipment as a result of depreciation, partly offset by current period capital expenditures.

Capital expenditures for the year were Baht 1,446 million, mainly for refinery capacity maintenance and enhancement projects to maintain and improve refining efficiency, along with investments to enhance the retail network.

Total liabilities decreased by Baht 4,935 million from year-end 2015. Current liabilities decreased by Baht 2,226 million, mainly resulting from the repayment of short-term loans, partly offset by higher crude purchase payables. Non-current liabilities decreased by Baht 2,709 million in 2016 primarily due to the repayment of long-term loans.

As of year-end 2016, total debt was Baht 22,969 million, a decrease of Baht 6,150 million from year-end 2015. Debt consisted of Baht 13,569 million of short-term loans and Baht 9,400 million of long-term borrowings. Short-term debt included Baht 1,199 million of Bills of Exchange, Baht 4,821 million of borrowings from financial institutions, and Baht 7,550 million of loans from related parties. New facilities in 2016 included a Baht 1,500 million 3-year floating rate loan from an ExxonMobil affiliate and a Baht 1,500 million 3-year floating rate loan from a financial institution. The Company maintains a credit rating of A+ from TRIS Rating agency and F1(th) from Fitch Ratings.

Total equity increased by Baht 6,984 million, primarily reflecting the impact of 2016 profit.

Statement of Cash Flows	2016	2015
(Million Baht)		
Cash flow from (used in) operating activities	7,316	6,926
Cash flow from (used in) investing activities	(812)	(776)
Cash flow from (used in ) financing activities	(6,212)	(6,295)

Cash flow from operating activities for 2016 was Baht 7,316 million, mainly resulting from the profit for the year. Cash flow used in investing activities was Baht 812 million, reflecting investments for refining capacity maintenance and retail network enhancements, partly offset by dividends received from an associate. Cash flow used in financing activities was Baht 6,212 million, primarily from the repayment of debt.

Liquidity and Debt to Equity Ratios	2016	2015
Current ratio (times)	0.9	0.7
Quick ratio (times)	0.2	0.2
Total debt to equity ratio (times)	1.1	2.1
Long term debt to equity ratio (times)	0.5	0.9
Net debt to equity ratio (times)	1.1	2.1

Current ratio	=	Current assets / Current liabilities
Quick ratio	=	(Cash and cash equivalents + Short term investments + Trade receivables) / Current liabilities
Total debt to equity ratio	=	Total debt / Total shareholders' equity
Long term debt to equity ratio	=	Non-current borrowings / Total shareholders' equity
Net debt to equity ratio	=	(Total debt - Cash and cash equivalents) / Total shareholder's equity





โดยได้รับพระบรมราชานุญาต



# Corporate Social Responsibility



## Inspired by His Majesty's dedication

His Majesty the late King Bhumibol Adulyadej performed his royal duties for the benefit and prosperity of the Thai people and inspired them to help the less fortunate through various royal initiatives.

As a company, we identify and support programs that benefit rural development, education, art, culture, environmental conservation, and health and safety in the communities surrounding Esso's operations and the country at large.

The Company received the Royal Garuda in 1998 for its operational integrity and commitment to aid in Royal efforts to develop the country of Thailand.



## Education

### Promoted education in remote areas

Esso renovated the library at the Walai School in Prachuab Khiri Khan province in 2016 and provided the school with laptops for distance learning activities under His Majesty's Distance Learning Television initiative. The library was initially built with the Company's support in 2006.

The Walai school was originally built under the direction of Her Royal Highness Princess Srinagarindra in 1966, and underwent renovations with a donation from His Majesty the late King Bhumibol Adulyadej in 2002. The school later became part of His Majesty's patronage and now provides kindergarten and primary education for grades one through six.



### Supported science and engineering studies at the university level

The Company has partnered with the Office of the Higher Education Commission (O.H.E.C.) since 1982 when the Esso-Rattanakosin Bicentennial Fund was established as part of the Rattanakosin Bicentennial celebration to provide scholarships to students across the country.

The Company awarded 86 scholarships this year to students studying engineering, science, technology, energy, and related fields from state universities nationwide. Esso has granted approximately 2,000 scholarships since the beginning of the partnership with O.H.E.C. with a total contribution of more than 15 million baht.

### Promoted science education and innovation

Recognizing that the study of science and technology plays a major role in a country's development, the Company has supported the Esso-Vocational Science Contest since 1991, which was organized by the Ministry of Education and the Science Society of Thailand under the Royal Patronage of His Majesty the King.

### Esso Sriracha refinery scholarships

The Esso Sriracha refinery established an educational fund in 1999 to grant scholarships to needy students. A total of 400 scholarships were given this year to 168 primary students, 109 junior high school students, and 123 high school students. The Company has awarded 3,678 scholarships to local students since the beginning of the program.



### Promoted science learning

Esso provided funding for the National Science Museum's (NSM) interactive programs and activities that help enhance science learning for children countrywide. The activities include the following: the "Science Caravan," which travels to schools in remote areas, providing a variety of exhibitions, laboratory kits, and science shows; the planetarium and movie dome at the National Science Museum; NSM's monthly publication which features fascinating science articles, including a column on science in the movies; and national science teacher seminars which also involve efforts to promote energy literacy.

### Supported engineering student camp

The "Yuwawissawakorn Borpit" rural development camp program was named by His Majesty King Bhumibol Adulyadej and is led by engineering students of Chulalongkorn University. The program, which the Company has supported for more than two decades, aims to build public amenities in remote areas.

The Yuwawissawakorn Borpit 44 camp built a water supply system for villagers at Ban Rai Silathong, Tambon Pichai, Amphoe Muang, Lampang Province.

### Supported computer center

Esso provided 20 laptops and made a donation to the Father Ray Foundation to assist in the establishment of a computer center at the Redemptorist Foundation for Children with Special Needs. The foundation seeks to provide children with special needs the skills they will need to work and live independently.

### Encouraged children to read

The Company promotes reading habits for children in rural areas via an educational tool called "Yam Panya" (Backpacks of Wisdom), which the Suphanburi National Library initiated in 2009.

In addition to reading promotion activities, the program this year provided schools in Suphanburi and Ayuthaya provinces with backpacks filled with books, toys, and games for one semester.



## Arts

### Provided venue for Thai artists

The Company recognizes the importance of promoting national arts and cultural heritage. We provided support this year to the 62<sup>nd</sup> National Exhibition of Arts. It represents the 34<sup>th</sup> consecutive year that Esso has participated in the National Exhibition of Arts. The prize-winning works from the event were on exhibition at the National Gallery in Bangkok for a month and then at Chiang Mai University, Khon Kaen University, Mahasarakham University, Naresuan University, Burapa University, Prince of Songkla University Pattani campus, and Thaksin University.

### Promoted masterpieces of Bangsai Arts and Crafts Center

Esso assists the Bangsai Arts and Crafts Center under the Royal Patronage of Her Majesty the Queen's Supplementary Occupations and Related Techniques (SUPPORT) Foundation, which organizes an annual exhibition to display and promote its masterpieces and fine products in Bangkok.





## Environmental conservation

### Supported Kung Krabaen Bay Royal Development Study Center

The Company's support of the Kung Krabaen Bay Royal Development Study Center started in 2007. We have helped the center promote sustainable conservation, including the release of approximately 1,000,000 tiger prawns into the sea and the creation of coastal fish habitats from biodegradable ropes.

Esso assisted this year with the "Joint Coordination for Cleanliness and Development of Sea Beach Project," which aimed at improving the shoreline environment

and restoring the coral reef near along the Khung Krabaen Bay to develop the area as a tourist attraction.

### Promoted natural conservation

Esso supported the Marine Science Club of Chulalongkorn University, which organizes a youth camp with activities focused on creating awareness of marine conservation. The Company's support of the program began in 1981.

## Health

### Supported healthcare in Chiang Rai

Esso participated in a joint effort between the School of Nursing and the School of Information and Technology





at Mae Fah Luang University to strengthen community health management systems in six villages in the Chiang Rai province.

The team of nursing students and lecturers interviewed the elderly and placed their health information in a mobile application, allowing the university volunteers to monitor their health and design personal health care programs. The team also provided the elderly with information about good nutrition and sanitation practices.

### Improved health care standards in Khon Kaen

Esso service station dealers, alliance partners, and the Esso employee club donated an Electrocardiogram (EKG) machine to the Nam Phong Hospital and a



respiratory machine to the Khon Kaen Hospital, which will help improve the healthcare standards among communities in Khon Kaen.

## Safety

### Promoted road safety among motorcyclists

Esso participated in the Thai Motorcycle Enterprise Association (TMEA) safety promotion campaign, "Safe Ride, 100% Fasten Safety Helmet," in support of the national agenda to improve road safety.

The campaign this year consisted of providing training and safety helmets to participating students and motorists in Lampang, Kanchanaburi, and Sriracha.





More than 120 employees of Esso (Thailand) Public Company Limited provided snacks, fans, and 40,000 portraits of King Bhumibol Adulyadej to mourners who came to pay respect to the late King Bhumibol Adulyadej and provided language interpretation services to assist the Thai Tourist Police.







# Board of Directors and Executives



## Mr. Neil A. Hansen

Chairman and Managing Director  
(Executive)

Age: 42

### Education:

- MS in Accounting, University of St. Thomas, Texas, USA
- MBA, Thunderbird School of Global Management, Arizona, USA

### Current Positions:

- Chairman and Managing Director, Esso (Thailand) Public Company Limited
- Chairman and Managing Director, ExxonMobil Limited
- Chairman and Managing Director, Mobil Enterprises (Thailand) Limited
- Director, ExxonMobil Exploration and Production Khorat Inc.

### Experience in the past 5 years:

2014 - 2016

- Chairman and Managing Director, Esso (Thailand) Public Company Limited
- Chairman and Managing Director, ExxonMobil Limited
- Chairman and Managing Director, Mobil Enterprises (Thailand) Limited
- Director, ExxonMobil Exploration and Production Khorat Inc.

2013 - 2014

- Finance Manager, Affiliate Finance, Treasurer's, Exxon Mobil Corporation, USA

2012 - 2013

- Manager, Planning and Financial Markets, Treasurer's, Exxon Mobil Corporation, USA

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: None



## Mr. Chai Jangsirikul

Director  
(Executive)

Age: 59

### Education:

- MBA, Thammasat University, Thailand

### Current Positions:

- Controller, Esso (Thailand) Public Company Limited
- Director and Controller, ExxonMobil Limited
- Controller, Industry Promotion Enterprises Limited
- Controller, United Industry Development Company Limited
- Controller, Pacesetter Enterprises Limited
- Controller, Thai C-Center Company Limited
- Controller, ExxonMobil Exploration and Production Khorat Inc.
- Controller, Mobil Enterprises (Thailand) Limited

### Experience in the past 5 years:

2012 - 2016

- Controller, Esso (Thailand) Public Company Limited
- Controller, ExxonMobil Limited
- Controller, Industry Promotion Enterprises Limited
- Controller, United Industry Development Company Limited
- Controller, Pacesetter Enterprises Limited
- Controller, Thai C-Center Company Limited
- Controller, ExxonMobil Exploration and Production Khorat Inc.
- Controller, Mobil Enterprises (Thailand) Limited

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: None



## Mr. Mongkolnimit Auacherdkul

Director and Member of  
Performance Evaluation Committee  
(Executive)

Age: 58

### Education:

- M.Sc in Mechanical Engineering, University of Cincinnati, USA

### Current Position:

- Public and Government Affairs Manager, Esso (Thailand) Public Company Limited

### Experience in the past 5 years:

2012 - 2016

- Public and Government Affairs Manager, Esso (Thailand) Public Company Limited

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company: None



### Mr. Yodpong Sutatham

Director  
(Executive)  
Age: 49

#### Education:

- MBA in General Management, Seattle Pacific University, USA

#### Current Positions:

- Retail Manager, Esso (Thailand) Public Company Limited
- Chairman and Managing Director, Industry Promotion Enterprises Limited
- Chairman and Managing Director, United Industry Development Company Limited
- Chairman and Managing Director, Pacesetter Enterprises Limited

#### Experience in the past 5 years: 2012 - 2016

- Retail Manager, Esso (Thailand) Public Company Limited
- Chairman and Managing Director, Industry Promotion Enterprises Limited
- Chairman and Managing Director, United Industry Development Company Limited
- Chairman and Managing Director, Pacesetter Enterprises Limited

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: None



### Mr. Somjate Saifon

Director  
(Executive)  
Age: 59

#### Education:

- M.Eng, Asian Institute of Technology, Thailand

#### Current Position:

- Chemical Manager, Esso (Thailand) Public Company Limited

#### Experience in the past 5 years: 2012 - 2016

- Chemical Manager, Esso (Thailand) Public Company Limited

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: None



### Mr. Adisak Jangkamolkulchai

Director  
(Executive)  
Age: 53

#### Education:

- Ph.D in Chemical Engineering, University of Tulsa, USA

#### Current Position:

- Refinery Manager, Esso (Thailand) Public Company Limited

#### Experience in the past 5 years: 2013 - 2016

- Refinery Manager, Esso (Thailand) Public Company Limited
- 2012 - 2013
- Refinery Process Manager, Esso (Thailand) Public Company Limited

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: None





### Ms. Ratrimani Pasiphol

Director  
(Executive)  
Age: 49

#### Education:

- MBA, University of Washington, USA

#### Current Positions:

- Treasurer / Tax Manager, Esso (Thailand) Public Company Limited
- Director and Treasurer / Tax Manager, ExxonMobil Limited
- Treasurer, Industry Promotion Enterprises Limited
- Treasurer, United Industry Development Company Limited
- Treasurer, Pacesetter Enterprises Limited
- Treasurer, Thai C-Center Company Limited
- Treasurer, ExxonMobil Exploration and Production Khorat Inc.
- Treasurer, Mobil Enterprises (Thailand) Limited

#### Experience in the past 5 years:

2012-2016

- Treasurer / Tax Manager, Esso (Thailand) Public Company Limited
- Treasurer / Tax Manager, ExxonMobil Limited
- Treasurer, Industry Promotion Enterprises Limited
- Treasurer, United Industry Development Company Limited
- Treasurer, Pacesetter Enterprises Limited
- Treasurer, Thai C-Center Company Limited
- Treasurer, ExxonMobil Exploration and Production Khorat Inc.
- Treasurer, Mobil Enterprises (Thailand) Limited

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: 10,000 shares (0.0003%)



### Mr. Somchai Poolsavasdi

Independent Director  
(Non-executive)  
Age: 60

#### Education:

- Bachelor of Laws, Thammasat University
- Master of Political Science, Thammasat University
- The Customs International Executive Management Program (CIEMP), Australia
- Diploma of The National Defense College of Thailand
- Managing Development Mini MM, Ministry of Finance

#### Current Position:

- Director General of The Excise Department

#### Experience in the past 5 years:

2012-2016

- Director General, The Excise Department, Ministry of Finance

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: None



### Mr. Wattana Chantarasorn

Independent Director and Member of Performance Evaluation Committee  
(Non-executive)  
Age: 70

#### Education:

- M.Sc in Chemical Engineering, Illinois Institute of Technology, USA

#### Current Position:

- -

#### Experience:

- Asia Pacific Refining Business Advisor, ExxonMobil Limited
- Asia Pacific Refining Business Advisor, Esso (Thailand) Public Company Limited
- Refinery Manager, Esso (Thailand) Public Company Limited

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: None



### Mr. Sompop Amatayakul

Independent Director and Chairman of Audit Committee  
(Non-executive)  
Age: 76

#### Education:

- MBA in General Management, University of Thai Chamber of Commerce
- Honorary Doctorate in Commerce, Thammasat University, Thailand
- Honorary Doctorate in Business Administration, National Institute of Development Administration, Thailand
- International Management Course, Columbia University, USA

#### Current Positions:

- Director of Civil Service Commission, Royal Thai Government
- Chairman of Sub-committee, Bureau of Classification and Compensations, Civil Service Commission
- Chairman of Thailand Quality Award (TQA)
- Chairman of Sub-committee of State Enterprise Performance Appraisal, State Enterprise Policy Office
- Vice Chairman of Foundation for Research of Thailand

#### Experience:

- Deputy Minister of Industry
- Chairman of the Board, Bangkok Metropolitan Bank PLC
- Chairman of the Board, The State Railway of Thailand
- General Manager, IBM Thailand Co., Ltd.

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: None



### Ms. Wattanee Phanachet

Independent Director and Member of Audit Committee  
(Non-executive)  
Age: 79

#### Education:

- M.A. (Accounting), University of Alabama, USA

#### Current Positions:

- Independent Director and Chairman of Audit Committee, Capital Nomura Securities Public Company Limited
- Specialist in the field of finance and accounting, Civil Service Commission

#### Experience:

- Associate Dean for Academic Affairs, member of the Executive Board, Faculty of Commerce and Accountancy, Chulalongkorn University
- Executive Committee and Subcommittee Member, The Federation of Accounting Professions
- Group Business Committee Member, Electricity Generating Public Company Limited
- Independent Director and Audit Committee Member, Electricity Generating PLC
- Independent Director and Chairman of Audit Committee, Thai Poly Acrylic Public Company Limited
- Independent Director and Chairman of Audit Committee, Delta Electronics Thailand Public Company Limited

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: None



### Mr. Smit Tiemprasert

Independent Director, Chairman of Performance Evaluation Committee and Member of Audit Committee  
(Non-executive)  
Age: 78

#### Education:

- M.S. in Industrial Engineering and Management, Oklahoma State University, USA

#### Current Position:

- -

#### Experience:

- Chief Operating Officer, Thai Petrochemical Industries Public Company Limited
- Logistics Director, Esso (Thailand) Public Company Limited

Records of violation of law\*: None  
Family Relationship with Executives of the Company: None  
Shareholding in the Company\*\*: None





### Mr. Phiroon Yolwised

Industrial and Wholesale Manager  
(Executive)

Age: 59

#### Education:

- MBA, Nova Southeastern University, Florida, USA

#### Current Position:

- Wholesale and LPG Manager, Wholesale and Specialties, Esso (Thailand) Public Company Limited

#### Experience in the past 5 years:

2012 - 2016

- Wholesale and LPG Manager, Wholesale and Specialties, Esso (Thailand) Public Company Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

Shareholding in the Company\*\*: None

### Mr. Warathum Tungtittiplakorn

Thailand Fuels Operations Manager  
(Executive)

Age: 50

#### Education:

- MBA, Old Dominion University, Virginia, USA

#### Current Positions:

- Thailand Fuels Operations Manager, Esso (Thailand) Public Company Limited
- Director, Thai Petroleum Pipeline Company Limited

#### Experience in the past 5 years:

2012 - 2016

- Thailand Fuels Operations Manager, Esso (Thailand) Public Company Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

Shareholding in the Company\*\*: None

### Ms. Sairuedee Suchato

Investor Relations and Planning  
Manager

(Executive)

Age: 52

#### Education:

- Master of Science; Major Industrial Management, New Jersey Institute of Technology, New Jersey, USA

#### Current Position:

- Investor Relations and Planning Manager, Esso (Thailand) Public Company Limited

#### Experience in the past 5 years:

2016

- Investor Relations and Planning Manager, Esso (Thailand) Public Company Limited

2013 - 2015

- Thailand Human Resources Manager, ExxonMobil Limited

2012 - 2013

- Payroll and Accounting Manager, ExxonMobil Limited

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

Shareholding in the Company\*\*: 5,800 shares (0.0001%)



## Mr. Suchart Phowattanasathian

Process Manager

(Executive)

Age: 45

### Education:

- Master of Science in Chemical Engineering; The Petroleum and Petrochemical College, Chulalongkorn University

### Current Position:

- Process Manager, Sriracha Refinery, Esso (Thailand) Public Company Limited

### Experience in the past 5 years:

2016

- Process Manager, Sriracha Refinery, Esso (Thailand) Public Company Limited

2013 - 2016

- Technical Manager, Singapore Refinery, ExxonMobil Asia Pacific Pte. Ltd.

2011 - 2013

- Baytown Process Department Head, Baytown Refinery, ExxonMobil Refining and Supply Company

Records of violation of law\*: None

Family Relationship with Executives of the Company: None

Shareholding in the Company\*\*: None

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\* This covers any of the following within the past 10 years:

- (1) a conviction under a criminal charge, excluding conviction for traffic offences and minor charges;
- (2) being declared bankrupt or having assets controlled; or
- (3) being dismissed from government service or a state organization or agency for dishonesty at work.

\*\* Information as of December 31, 2016



# Shareholding and Management Structure

## 1. Shareholders

The top 10 shareholders registered in the share register book as of March 21, 2016 were as follows:

Shareholders *	Number of Shares	Shareholding (%)
1. ExxonMobil Asia Holdings Private Limited	2,283,750,000	65.99
2. Vayupak Fund 1 by MFC Asset Management Public Co., Ltd.	126,875,000	3.67
3. Vayupak Fund 1 by Krung Thai Asset Management Public Co., Ltd.	126,875,000	3.67
4. Mr. Supachai Suthipongchai	31,160,300	0.90
5. East Fourteen Limited-Dimensional EMER MKTS Value Fund	20,984,400	0.61
6. State Street Bank Europe Limited	18,226,060	0.53
7. Mr. Chaipitak Vorapatrasilawong	18,000,000	0.52
8. State Street Bank and Trust Company	16,511,300	0.48
9. Mr. Prawit Phansaichuea	16,388,900	0.47
10. Chase Nominees Limited	14,697,680	0.42
<b>Total</b>	<b>2,673,468,640</b>	<b>77.25</b>

\*Excluding 166,763,728 shares (4.82%) under Thai NVDR Co., Ltd.

## 2. Dividend Policy

The Board of Directors may recommend annual dividends, subject to the approval of the Company's shareholders. The Board of Directors may, by resolution, decide to pay interim dividends as appear to the directors to be justified by Company profits. Distribution of an interim dividend must be reported to the shareholders at the next general meeting of shareholders following approval by the Board of Directors.

It is the current policy of the Board of Directors to recommend a dividend of not less than 40% of net profits after deduction of all specified reserves, subject to investment plans, applicable laws, contingencies and other relevant considerations. The actual dividend payout ratio may vary above or below the level indicated in the dividend policy and is subject to the risks outlined in associated regulatory filings.

### 3. Board of Directors

The Articles of Association provide that the Board of Directors (the "Board") will include at least five directors, not less than half of whom are required to reside in Thailand. In addition, one-third, or the number of directors closest to one-third if the number of directors is not a multiple of three, of the Board is required to retire at each annual general meeting of shareholders. Retiring directors are eligible for re-election.

The Board consists of qualified persons with relevant experience.

The Board of Directors serving in 2016 comprised the following:

Name	Position
1. Mr. Neil A. Hansen	Chairman
2. Mr. Chai Jangsirikul	Director
3. Mr. Mongkolnimit Auacherdkul	Director and Member of Performance Evaluation Committee
4. Mr. Yodpong Sutatham	Director
5. Mr. Adisak Jangkamolkulchai	Director
6. Mr. Somjate Saifon	Director
7. Ms. Ratrimani Pasiphol	Director
8. Mr. Somchai Poolsavasdi <sup>(1)</sup>	Independent Director
9. Mr. Wattana Chantarasorn	Independent Director and Member of Performance Evaluation Committee
10. Mr. Sompop Amatayakul	Independent Director and Chairman of Audit Committee
11. Mr. Smit Tiemprasert	Independent Director, Chairman of Performance Evaluation Committee and Member of Audit Committee
12. Ms. Wattanee Phanachet	Independent Director and Member of Audit Committee

Ms. Kathiona Lie and Ms. Angsna Pirentorn are the Company's secretaries

*(1) Mr. Somchai Poolsavasdi was appointed as an independent director to replace Mr. Sutthichai Sungkamee (who resigned from the independent director position effective October 1, 2016) effective November 28, 2016.*

#### Scope of Duties and Responsibilities of the Board

The Board of Directors has full power and authority to conduct the Company's business in accordance with the Company's policies, objectives, Articles of Association, Board and shareholder resolutions and applicable laws. The Board also has duties and responsibilities prescribed in applicable laws. The Board appreciates the importance of good corporate governance, and believes in the following principles:

1. Commitment to the creation of value to the business in the long run, management of the business with prudence, and the avoidance of conflicts of interest;
2. Operation of the business in a transparent way with adequate disclosure to relevant parties;



3. Operation of the business based on appropriate risk control and management systems;
4. Implementation of appropriate Standards of Business Conduct applicable to the Company's directors, officers, and employees.

The Board will issue a directors' report on the activities of the Company and its financial performance for review prior to the shareholders' meeting.

## Board Appointment

The appointment, removal or resignation of directors is prescribed in our Articles of Association which is summarized as follows:

1. The Board shall consist of at least five directors and not less than half of the directors are required to reside in Thailand.
2. The shareholders shall appoint directors in accordance with the following principles and procedures:
  - (a) In the election of each director, each shareholder will have vote(s) equal to the number of shares held by him/her.
  - (b) Each shareholder may vote all of his/her shares in the exercise of the right he/she has under (i) to elect each of the candidates of his/her choice as a director but he cannot split his/her shares and cast his/her split votes in favor of two or more candidates to one directorship; and
  - (c) Candidates who receive the largest number of votes in descending order from the highest to the lowest number of votes received will be elected until all director positions required at such time are filled. In the event of candidates receiving equal votes and exceeding the number of vacancies to be filled, the chairman of the meeting shall have a casting vote, or, in case the chairman is not the Company's shareholder, the decision shall be made by drawing a lot;
3. At each annual general meeting of shareholders, one-third or the number of directors closest to one-third, of the Board is required to retire. Retiring directors are eligible for re-election;
4. Any director who decides to resign must submit a letter of resignation to the Company. The resignation shall be effective on the date the Company receives the letter; and
5. Removal of a director before the end of the term shall require a resolution of shareholders passed by not less than three-fourths of the total votes of shareholders and proxies (if any) attending the meeting and eligible to vote and not less than one-half of the total number of shares held by shareholders and proxies (if any) attending the meeting and eligible to vote.

## Independent Directors

In addition to the qualification described in item 7 (Nomination of Directors and Executives), independent directors meet the following qualifications pursuant to the regulation of the Securities and Exchange Commission and Stock Exchange of Thailand:

1. Not hold shares exceeding 1% of the total number of voting rights of the Company, its parent company, its subsidiaries, affiliates, major shareholder or controlling person, including the shares held by related persons of the independent director;

2. Not be nor have been an executive officer, employee, staff, salaried consultant or a controlling person of the Company, its parent company, its subsidiaries, affiliates, same-level subsidiaries, major shareholder or controlling person unless foregoing status has ended not less than two years prior to the date of appointment except where the independent director(s) was the government officer or consultant of the government agency which is the major shareholders or a controlling person of the Company;
3. Not be a person related by blood or registration under laws, such as father, mother, spouse, sibling or child, including spouse of the children, executives or majority shareholders or controlling persons or persons to be nominated as executive or controlling persons of the Company or its subsidiaries;
4. Not have business relationship with the Company, its parent company, its subsidiaries, affiliates, major shareholder or controlling person which may interfere with his independent judgment and neither being nor having been a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, its subsidiaries, affiliates, major shareholder or controlling person unless the foregoing relationship has ended not less than two years prior to the date of appointment.

The term "business relationship" includes the normal business transaction, rent or lease of immovable property, transactions related to assets or services or granting or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, and any other similar actions which result in the Company or its counterparty being subject to indebtedness payable to the other party amounting to three (3) percent or more of the net tangible assets of the Company or Baht twenty (20) million, whichever is lower. The value of the business relationship shall be calculated according to the method stipulated by the Capital Market Supervisory Board governing rules on connected transactions. The consideration of such indebtedness shall include indebtedness occurred during the period of one year prior to the date on which the business relationship with the person commences;

5. Neither be nor have been an auditor of the Company, its parent company, its subsidiaries, affiliates, major shareholder or controlling person, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, its subsidiaries, affiliates, major shareholder or controlling person unless the foregoing relationship has ended not less than two years prior to the date of appointment;
6. Neither be nor have been any professional advisor, including legal advisor or financial advisor, who receives an annual service fee exceeding two million Baht from the Company, its parent company, its subsidiaries, affiliates, major shareholder or controlling person, and neither being nor having been a significant shareholder, controlling person or partner of the professional advisor unless the foregoing relationship has ended not less than two years prior to the date of appointment;
7. Not be a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder;
8. Not operate a business of the same nature as and in competition with the Company or subsidiaries nor be the partner or executive, director, employee, staff, salaried consultant or hold shares exceeding 1% of the total number of voting rights of the other companies operating the business of the same nature as and in competition with the Company or subsidiaries; and
9. Not have any characteristics which make him incapable of expressing independent opinions with regard to the Company's business affairs.



## 4. Audit Committee

The Audit Committee, which was appointed by the Board of Directors, is comprised solely of independent directors who meet the qualifications set out in the Securities and Exchange Commission and Stock Exchange of Thailand regulations. The Chairman and members of the Audit Committee hold office for a term of two years subject to them meeting the requisite qualifications and remaining as directors of the Company.

The Audit Committee members listed below were re-appointed for another 2 year term effective October 19, 2015:

Name	Position
1. Mr. Sompop Amatayakul	Independent Director / Chairman
2. Mr. Smit Tiemprasert	Independent Director / Member
3. Ms. Wattanee Phanachet	Independent Director / Member (with accounting and finance background)

Mr. Chai Jangsirikul is the Audit Committee secretary; Ms. Shanisara Rungsirijaratthong is the Audit Committee coordinator.

### Audit Committee Responsibilities

The scope of duties and responsibilities of the Audit Committee are as follows:

1. To review the Company's financial reporting process to ensure accuracy and adequacy;
2. To ensure that the Company has a suitable and efficient internal control system and an internal audit system, to determine the internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of internal audit;
3. To review the performance of the Company to ensure compliance with the securities and exchange law, regulations of the Stock Exchange of Thailand and laws relating to the business of the Company;
4. To consider, select, nominate and recommend remuneration of the Company's external auditors as well as to attend a non-management meeting with the external auditor at least once a year;
5. To review connected transactions or transactions that may lead to a conflict of interest so as to ensure that they are in compliance with laws and the Exchange's regulations, and are reasonable and for the benefit of the Company;
6. To prepare a report on monitoring activities of the Audit Committee and disclose it in the annual report of the Company, and have such report signed by the Chairman of the Audit Committee provided that it shall consist of at least the following information:
  - (a) an opinion on the reliability, completeness and credibility of the Company's financial reports,
  - (b) an opinion on the adequacy of the Company's internal control system,
  - (c) an opinion on the Company's compliance with the securities and exchange laws and regulations, and other laws applicable to the Company's business,
  - (d) an opinion on the suitability of the nominated external auditors,
  - (e) an opinion on transactions that may lead to conflicts of interest, if any,
  - (f) the number of audit committee meetings, and the attendance at such meetings by each committee member,

- (g) an opinion or general comment observed by the audit committee from its performance of duties in accordance with the charter, and
  - (h) other transactions, within the scope of duties and responsibilities assigned by the Board, which, according to the audit committee's opinion, should be disclosed to the shareholders and general investors;
7. To perform any other task assigned by the Board and agreed to by the Audit Committee;
8. To report to the Board for rectification within the period that the Audit Committee thinks fit if the Audit Committee found or suspected that there is a transaction or any of the following acts which may materially or significantly affect the Company's financial condition and operating results;
- (a) a transaction which causes a conflict of interest;
  - (b) any fraud, irregularity, or material defect in an internal control system; or
  - (c) an infringement of the securities and exchange laws and regulations, or any law applicable to the Company's business; and
9. To review without delay after receiving written notice from the external auditor of the discovery of any suspicious circumstance that the director, manager or any person responsible for the Company commits an offence as prescribed by the relevant Securities and Exchange regulations, report any finding confirming the suspicion of the external auditor to the Board and request the Board to disclose such finding to the Office of the Securities and Exchange Commission and/or the external auditor or to the Office of the Securities and Exchange Commission and/or the external auditor as required by the Securities and Exchange Act within thirty days.

## 5. Performance Evaluation Committee

The Performance Evaluation Committee was appointed by the Board of Directors. The Chairman and members of the Performance Evaluation Committee will hold office for a term of two years subject to them retaining their position as directors of the Company.

The Performance Evaluation Committee members listed below were re-appointed for another 2 year term effective November 29, 2015:

Name	Position
1. Mr. Smit Tiemprasert	Independent Director / Chairman
2. Mr. Wattana Chantarasorn	Independent Director / Member
3. Mr. Mongkolnimit Auacherdkul	Director / Member acting as Secretary of the Performance Evaluation Committee

### Performance Evaluation Committee Responsibilities

The scope of duties and responsibilities of the Performance Evaluation Committee are to assess the performance of the Managing Director, to review the Managing Director's performance with the Board, and to provide feedback to the Managing Director's home affiliate regarding such performance during the regular performance appraisal cycle.



## 6. Executive Officers

The following executive officers constituted the management committee as of December 31, 2016.

Name	Position
1. Mr. Neil A. Hansen	Chairman and Managing Director
2. Mr. Chai Jangsirikul	Director and Controller
3. Mr. Mongkolnimit Auacherdkul	Director and Public and Government Affairs Manager
4. Mr. Yodpong Sutatham	Director and Retail Manager
5. Mr. Adisak Jangkamolkulchai	Director and Refinery Manager
6. Mr. Somjate Saifon	Director and Chemicals Manager
7. Ms. Ratrimani Pasiphol	Director and Treasurer / Tax Manager
8. Mr. Phiroon Yolwised	Wholesale and LPG Manager
9. Mr. Warathum Tungittiplakorn	Thailand Fuels Operations Manager
10. Mr. Suchart Phowatthanasathian <sup>(1)</sup>	Refinery Process Manager
11. Ms. Sairuedee Suchato <sup>(1)</sup>	Investor Relations and Planning Manager

*(1) Became an executive officer effective November 1, 2016*

### Managing Director's Responsibilities

The Managing Director has full authority to manage the affairs of the Company in accordance with its policies, objectives, Articles of Association, Board and Shareholders' resolutions, and applicable laws provided that the Managing Director may not exercise such authority if he/she has a conflict of interest in any manner with the Company, in exercising such authority.

If the Managing Director delegates authority to a person, such person shall have the right to exercise such authority on the Managing Director's behalf, provided that such person may not exercise such authority if he/she has a conflict of interest in any manner with the Company, in exercising such authority.

## 7. Nomination of Directors

In the event a director vacancy arises or in the event that an additional director is to be appointed, the remaining directors will nominate a qualified director with relevant knowledge, experience and skill to fill the vacancy. An appointed director must have all the qualifications set out in Section 68 of the Public Limited Companies Act B.E. 2535 (and as amended) and the Securities and Exchange Commission Notification, "The Characteristics including a Lack of Suitability and Trustworthiness of the Director and Executive" (and as amended). For directors retiring by normal rotation or for election of new directors, after the Board has approved the list of director nominees, the Board will propose the list of nominees at a general meeting of shareholders in accordance with the voting procedure described under item 3 (Board of Directors).

## 8. Remuneration of Directors and Executives

### Directors Remuneration

The directors will determine the remuneration of directors taking into account all appropriate factors including market compensation levels for directors. The remuneration of directors who are not receiving separate compensation from the Company, or its affiliates for any type of full-time service is comparable to those paid by other companies, and is as follows:

1. Directors who also are members of the Audit Committee receive a monthly remuneration of 166,667 Baht.
2. Directors who are not members of the Audit Committee receive a monthly remuneration of 133,334 Baht.
3. Notwithstanding item (1) and (2), directors who receive separate compensation from the Company or its affiliates for any type of full-time service rendered are not eligible for remuneration as directors.

The following remuneration was paid to directors in 2016:

		Fiscal year ended December 31, 2016 (Baht)			
Name	Meeting allowance	Monthly remuneration	Bonus	Total	
1. Mr. Neil A. Hansen <sup>(1)</sup>	-	-	-	-	
2. Mr. Chai Jangsirikul <sup>(1)</sup>	-	-	-	-	
3. Mr. Mongkolnimit Auacherdkul <sup>(1)</sup>	-	-	-	-	
4. Mr. Yodpong Sutatham <sup>(1)</sup>	-	-	-	-	
5. Mr. Adisak Jangkamolkulchai <sup>(1)</sup>	-	-	-	-	
6. Mr. Somjate Saifon <sup>(1)</sup>	-	-	-	-	
7. Ms. Rattrimani Pasiphol <sup>(1)</sup>	-	-	-	-	
8. Mr. Somchai Poolsavasdi <sup>(2)</sup>	-	142,222	-	142,222	
9. Mr. Wattana Chantarasorn	-	1,600,008	-	1,600,008	
10. Mr. Sompop Amatayakul	-	2,000,004	-	2,000,004	
11. Mr. Smit Tiemprasert	-	2,000,004	-	2,000,004	
12. Ms. Wattanee Phanachet	-	2,000,004	-	2,000,004	
13. Mr. Sutthichai Sungkamanee <sup>(3)</sup>	-	1,200,006	-	1,200,006	
<b>Total</b>	<b>-</b>	<b>8,942,248</b>	<b>-</b>	<b>8,942,248</b>	

(1) Not eligible for director remuneration as they receive separate compensation from the Company or its affiliates for full-time services rendered.

(2) Appointed as an independent director effective November 28, 2016

(3) Resigned from his independent director position effective October 1, 2016



## Executive Remuneration

For the fiscal year ended December 31, 2016, the total remuneration for 11 executives (including the 2 executives who were appointed in 2016), which includes salaries, wages, benefits, and post-employment benefits, to the extent borne by the Company, was Baht 91.2 Million.

Compensation	2016		2015	
	Number of Executives	Amount (K Baht)	Number of Executives	Amount (K Baht)
Salaries and other short-term employment benefits	11	66,663	10	61,640
Post-employment benefits	11	24,564	10	22,683
Bonus	11	0	10	0
<b>Total</b>		<b>91,227</b>		<b>84,323</b>



## 9. Management Structure

The management structure of the Company, its subsidiaries, and associated companies as of December 31, 2016 is as follows:

Name	Company	Subsidiaries/Associated Company				
		1	2	3	4	5
1. Mr. Neil A. Hansen*	x, /, //	x, /, //				
2. Mr. Chai Jangsirikul*	/, //	//	//	//	//	
3. Mr. Mongkolnimit Auacherdkul*	/, //					
4. Mr. Yodpong Sutatham*	/, //		x, /, //	x, /, //	x, /, //	
5. Mr. Adisak Jangkamolkulchai*	/, //					
6. Mr. Somjate Saifon*	/, //					
7. Ms. Ratrimani Pasiphol*	/, //	//	//	//	//	
8. Mr. Somchai Poolsavasdi <sup>(1)</sup>	/					
9. Mr. Wattana Chantarasorn	/					
10. Mr. Sompop Amatayakul	/					
11. Mr. Smit Tiemprasert	/					
12. Ms. Wattanee Phanachet	/					
13. Mr. Phiroon Yolwised	//					
14. Mr. Warathum Tungittiplakorn	//					/
15. Mr. Suchart Phowatthanasathian <sup>(2)</sup>	//					
16. Ms. Sairuedee Suchato <sup>(2)</sup>	//					

x = Chairman    / = Director    // = Executive Officer    \* = Authorized Director

1. Mobil Enterprises (Thailand) Limited

3. United Industry Development Company Limited

5. Thai Petroleum Pipeline Company Limited

2. Industry Promotion Enterprises Limited

4. Pacesetter Enterprise Limited

(1) Appointed as an independent director to replace Mr. Sutthichai Sungkamanee (who resigned from his independent director position effective October 1, 2016) effective November 28, 2016

(2) Became executive officer effective November 1, 2016

## 10. Shareholding of Directors and Executives

Shareholding of directors and executives as of December 31, 2016 is as follows:

Name	Company			Shareholdings (%)	Subsidiaries (company/ No. of shares (%))
	No. of Shares as of December 31, 2016	No. of Shares as of December 31, 2015	Change Increase/ (Decrease) in 2016		
1. Mr. Neil A. Hansen Spouse and minor child (children)	- -	- -	- -	- -	- -
2. Mr. Chai Jangsirikul Spouse and minor child (children)	- -	- -	- -	- -	- -
3. Mr. Mongkolnimit Auacherdkul Spouse and minor child (children)	- -	- -	- -	- -	- -
4. Mr. Yodpong Sutatham Spouse and minor child (children)	- -	- -	- -	- -	- -
5. Mr. Adisak Jangkamolkulchai Spouse and minor child (children)	- -	- -	- -	- -	- -
6. Mr. Somjate Saifon Spouse and minor child (children)	- -	- -	- -	- -	- -
7. Ms. Ratrimani Pasiphol Spouse and minor child (children)	10,000 -	10,000 -	0 -	0.0003% -	Mobil Enterprises (Thailand) Limited 1 (0.003%) -
8. Mr. Somchai Poolsavasdi <sup>(1)</sup> Spouse and minor child (children)	- -	- -	- -	- -	- -
9. Mr. Wattana Chantarasorn Spouse and minor child (children)	- -	- -	- -	- -	- -
10. Mr. Sompop Amatayakul Spouse and minor child (children)	- -	- -	- -	- -	- -
11. Mr. Smit Tiemprasert Spouse and minor child (children)	- -	- -	- -	- -	- -
12. Ms. Wattanee Phanachet Spouse and minor child (children)	- -	- -	- -	- -	- -
13. Mr. Phiroon Yolwised Spouse and minor child (children)	- -	35,000 45,300	(35,000) (45,300)	- -	- -
14. Mr. Warathum Tungittiplakorn Spouse and minor child (children)	- -	- -	- -	- -	- -
15. Mr. Suchart Phowatthanasathian <sup>(2)</sup> Spouse and minor child (children)	- -	- -	- -	- -	- -
16. Ms. Sairuedee Suchato <sup>(2)</sup> Spouse and minor child (children)	5,800 -	5,800 -	0 -	0.0001% -	- -

(1) Appointed as an independent director to replace Mr. Sutthichai Sungkamanee (who resigned from his independent director position effective October 1, 2016) effective November 28, 2016

(2) Became executive officer effective November 1, 2016

Remark: Some of the employee directors and executives may own shares of Exxon Mobil Corporation through employee savings or other plans sponsored by Exxon Mobil Corporation and/or its affiliates.



# Corporate Governance

The Company believes the methods it employs to achieve results are as important as the results themselves. Directors, officers, and employees are expected to observe the highest standards of integrity and must comply with the Company's "Standards of Business Conduct". In addition, the corporate governance practices employed by the Company reflect the principles prescribed by the Stock Exchange of Thailand.

## 1. Standards of Business Conduct

The Company has well-established "Standards of Business Conduct" consisting of policies and guidelines regarding ethical behavior in all aspects of its operations and businesses, and these Standards apply to all officers and employees, without exception.

The Company's Standards of Business Conduct contain 17 foundational policies as follows:

- |                             |  |
|-----------------------------|--|
| 1. Ethics                   | 10. Health                                 |
| 2. Conflicts of Interest    | 11. Environment                            |
| 3. Corporate Assets         | 12. Safety                                 |
| 4. Directorship             | 13. Product Safety                         |
| 5. Gifts and Entertainment  | 14. Customer Relations and Product Quality |
| 6. Anti-corruption          | 15. Alcohol and Drug Use                   |
| 7. Political Activities     | 16. Equal Employment Opportunity           |
| 8. International Operations | 17. Harassment in the Workplace            |
| 9. Antitrust                |  |

While the Company's policies cover a wide range of subjects, the uncompromising requirement for honesty, integrity and ethical dealing is fundamental to all of them. In particular, the Company's stringent standards against corruption are clearly reflected in the Ethics, Conflicts of Interest, Directorship, Gifts and Entertainment, and Anti-Corruption policies. It is not only the policy of the Company to comply with all governmental laws, rules, and regulations applicable to its business, but the Company's Ethics policy also goes further and requires that even where the law is permissive, the Company chooses the course of highest integrity. The Company expects compliance with its Standards of Business Conduct throughout the organization and will not tolerate employees who achieve results at the cost of violation of law or who deal unscrupulously. The Company's directors and officers support, and expect the Company's employees to support, any employee who passes up an opportunity or advantage that would sacrifice ethical standards. Officers and employees are required to review these policies annually and provide written confirmation of compliance.

It is the Company's policy that all transactions be accurately reflected in its books and records. This, of course, means that falsification of books and records and the creation or maintenance of any off-the-record bank accounts are strictly prohibited. Employees are expected to record all transactions accurately in the Company's books and records, and to be honest and forthcoming with the Company's internal and independent auditors.

The Company expects candor from employees at all levels and adherence to its policies and internal controls. One harm which results when employees conceal information from higher management or the auditors is that other employees think they are given a signal that the Company's policies and internal controls can be ignored when they are inconvenient. That mindset can result in corruption and demoralization of an organization. The company's system of management

will not work without honesty, involving bookkeeping, budget proposals, and economic evaluation of projects. Local customs and practices may differ from place to place, but honesty is not subject to criticism in any culture.

The Company believes that a well-founded reputation for honest dealing is itself a priceless corporate asset. In support of these policies, the Company has adopted detailed guidelines and programs, such as:

1. Conflicts of Interest Guidelines
2. Directorship Guidelines
3. Gifts and Entertainment Guidelines
4. Guidelines for Interaction with Government Officials
5. Anti-corruption Legal Compliance Guide

These guidelines provide detailed explanations and practical rules for complying with the relevant policies, and avoiding conflicts between the Company's interests and those of officers and employees, whether real or apparent. In particular, these policies and guidelines seek to prevent corruption, and uphold the integrity of the Company in all its operations and businesses without exception. For example, The Gifts and Entertainment Guidelines defines the scope of "gifts" and "entertainment", the review and approval requirements for providing and receiving gifts and entertainment, and acceptable business contexts for providing and receiving gifts and entertainment. Another example is the Guidelines for Interaction with Government Officials, which defines "Government Officials", as well as "gifts", "entertainment" and "hosting" offered or provided to Government Officials, and the review and approval requirements for the same. It should be noted that the gift of cash or cash equivalents of any nature are strictly prohibited, as are facilitating payments of any kind. Further, high-value entertainment and hosting is subject to additional rules and stricter review processes.

## Anti-Corruption Practice

The Company's anti-corruption policy and compliance program are based on global ExxonMobil standards, which meet stringent US, UK, and EU standards. While these have always been part of the Company's way of doing business, the Company formalized the policy and programs in 2011 and 2012. The Company's board of directors adopted the Anti-Corruption policy in November 2011, and added it to its Standards of Business Conduct so it is explicit to all employees and stakeholders. The Company's Chairman formally endorsed a consolidated Anti-Corruption Compliance Program in November 2012, setting out the practical framework, which contains six (6) elements as follows:

1. Management Leadership and Accountability
2. Assessment of Risk
3. Prevention and Detection Procedures and Measures
4. Communication of Policies and Procedures
5. Training
6. Assessment of Effectiveness.

These elements require management to:

- Provide visible leadership and be accountable for the Company's anti-corruption efforts
- Continually assess anti-corruption risks in the Company's operations and businesses, review these with legal counsel, as needed, and take appropriate mitigation or corrective action
- Have in place appropriate controls and procedures to detect and prevent corruption
- Regularly communicate the Company's anti-corruption policy, guidelines, and programs to employees
- Regular training in all applicable anti-corruption laws, including US Foreign Corrupt Practices Act, UK Bribery Act and Thai anti-corruption laws, to ensure consistent understanding among all employees
- Regular internal audits and internal self-assessments to help ensure rigorous enforcement of the Company's ethical standards

Failure to behave honestly, to comply with law, the Company's policies, and the Company's internal controls may result in disciplinary action, up to and including separation. No one in the Company has the authority to make exceptions or grant waivers to the Company's foundation policies.

The Company also enforces these ethical standards with contractors and third parties acting on our behalf. Contractors and third parties acting on behalf of the Company are prohibited from making payments to or engaging in transactions with government officials that improperly influence the proper performance of their official duties. The Company's procurement contracts frequently include requirements to keep accurate books and records and, where appropriate, contains anti-bribery commitments from our vendors and suppliers.

Lastly, the Company has an open door communications, procedure set out in the Standards of Business Conduct which encourages employees to ask questions, voice concerns, and make appropriate suggestions regarding the business practices of the Company. Employees are expected to report promptly to management suspected violations of law, the Company's policies, and the Company's internal controls, so that management can take appropriate corrective action.

The full text of these foundational policies can be found on the Company's website at [www.esso.co.th](http://www.esso.co.th).

## 2. Corporate Governance Practices

The Company generally observes the principles of good corporate governance encouraged by the Stock Exchange of Thailand including the following:

### 2.1 Rights of Shareholders

The Company recognizes the rights of shareholders, including the right to freely buy, sell, or transfer shares; to participate in, express opinions at, raise questions during, or propose agenda items for the annual general meeting of shareholders; nominate directors; and vote at general meetings of shareholders regarding the Company's performance, election or removal of directors, directors' remuneration, appointment of external auditors, auditor's fee, declaration of final dividends, amendments to the Memorandum and Articles of Association, capital increases or decreases, and the approval of extraordinary transactions requiring shareholder approval. General meetings of shareholders are attended by relevant knowledgeable executives to answer questions.

Shareholders are provided with adequate information, including relevant opinions of the directors, regarding issues presented for voting at general meetings of shareholders in a timely manner to enable shareholders to exercise their voting rights effectively.

The Company facilitates and encourages its shareholders, including institutional shareholders, to attend the general meetings of shareholders. The Company attempts to select a meeting venue accessible by mass transportation for the convenience of its shareholders. In case of an appointment of a proxy, shareholders, including institutional shareholders, are encouraged to submit registration documents duly prepared in accordance with rules stipulated in the notice of the general meeting of shareholders along with all supporting documents to the Company prior to the meeting date. A barcode system is used for registration and vote counting to expedite the registration and vote computation process. The Company also provides stamp duty for the appointment of proxies.

### 2.2 Equitable Treatment of Shareholders

It is the Company's policy that directors, officers, and employees should avoid any actual or apparent conflict between their own personal interests and the interests of the Company. Furthermore, directors, officers, and employees are expected to avoid securities transactions that are based on material, non-public information obtained through their positions with the Company. In relation to the potential misuse of insider information, the Company has undertaken the following steps:



- Educate the Company's executives regarding their responsibilities to report holdings of the Company's shares, and the penalties for non-disclosure under the Securities and Exchange Act B.E. 2535 and SET regulations;
- Advise the Company's executives to report changes in such holdings of the Company's shares to the SEC in accordance with the Securities and Exchange Act B.E. 2535;
- Counsel the Company's executives on the sensitivities associated with the use of Company information which may have a bearing on the Company's share price. The Company advises relevant employees one month prior to the release of the Company's financial statements not to disclose any material information prior to disclosure of such information to the SET and the board of directors; and
- Remind the Company's directors, executives, employees, and officers, that they and their respective spouses and dependents, are prohibited from using the Company's information to sell, buy, transfer or receive any transfer of the Company's shares before such information is disclosed to the public. Any such use may violate applicable laws and subject the individual to disciplinary action by the Company.

## 2.3 Role of Stakeholders

The Company recognizes the importance of the legal rights of various groups of stakeholders. We strive to provide channels for stakeholders to communicate their concerns with regard to potential irregularities, incorrect financial reporting, deficiencies in internal controls, or unethical practices.

We recognize the importance and value of the communities and the environment in which we operate. We have a policy that sets the expectation of compliance with all applicable laws, rules, and regulations, and reiterates the importance of respect for local and national cultures. Above all other objectives, we are dedicated to running safe and environmentally responsible operations

## 2.4 Disclosure and Transparency

The Company expects compliance with its standards of integrity throughout the organization and will not tolerate employees who achieve results by violating laws or Company policies. It is expected that all transactions are appropriately and accurately reflected in the Company's books and records. The falsification of books and records or the creation or maintenance of any off-the-record bank accounts is strictly prohibited.

It is the Company's policy to make full, fair, accurate, timely, and understandable disclosures in reports and documents that the Company files with the authorities or in other public communications. Relevant information is disclosed to shareholders in accordance with applicable laws. In the past year, the Company disclosed essential matters as required by relevant rules and regulations through the Stock Exchange of Thailand in a timely manner. Financial reports and relevant information are also posted on the Company's website ([www.esso.co.th](http://www.esso.co.th)).

Moreover, the Company's Investor Relations function serves as a focal point to conduct investor relations activities and ensure effective communication with investors and securities analysts. Various communication channels and methods are utilized including the Company's website, quarterly analyst meetings, company visits, e-mails, and telephone calls. A direct IR phone line (0 2262 4788) and e-mail ([essolR@exxonmobil.com](mailto:essolR@exxonmobil.com)) are also provided for convenience.

## 2.5 Board Responsibilities

### Board Structure and Responsibilities

See the Board of Directors structure and responsibilities and the list of the directors serving on the Board in the section Shareholding and Management Structure under item 3 (Board of Directors).

## Board Meetings

In accordance with the Articles of Association, the Board normally meets once every three months. However, additional meetings may occur as required. The dates of the Board meetings throughout the year are scheduled with notification provided to each director in advance. Normally, the notice of the meeting is sent to the directors at least seven days prior to the date of the meeting.

The minutes of key items are documented and presented for approval at subsequent Board meetings, and retained for review by relevant persons.

Independent directors may meet to discuss Company items or issues without the presence of management. The outcome of such discussions are subsequently communicated to the Board.

The Board met 5 times in 2016 with details of attendance as follows:

Name	Board Meeting Attendance (times)
1. Mr. Neil A. Hansen	5/5
2. Mr. Chai Jangsirikul	5/5
3. Mr. Mongkolnimit Auacherdkul	5/5
4. Mr. Yodpong Sutatham	4/5
5. Mr. Adisak Jangkamolkulchai	5/5
6. Mr. Somjate Saifon	4/5
7. Ms. Ratrimani Pasiphol	5/5
8. Mr. Somchai Poolsavasdi <sup>(1)</sup>	1/1
9. Mr. Wattana Chantarasorn	5/5
10. Mr. Sompop Amatayakul	5/5
11. Mr. Smit Tiemprasert	5/5
12. Ms. Wattanee Phanachet	5/5
13. Mr. Sutthichai Sungkamanee <sup>(2)</sup>	4/4

(1) Appointed as an independent director to replace Mr. Sutthichai Sungkamanee (who resigned from his independent director position effective October 1, 2016) effective November 28, 2016.

(2) Resigned from his independent director position effective October 1, 2016

### Audit Committee

See the Audit Committee charter, responsibilities, and list of members in the section Shareholding and Management Structure under item 4 (Audit Committee).

The Audit Committee met 7 times in 2016 which included meetings involving individual discussions with the external auditors. The details of attendance are as follows:

Name	Audit Committee Attendance (times)
1. Mr. Sompop Amatayakul	7/7
2. Mr. Smit Tiemprasert	7/7
3. Ms. Wattanee Phanachet	7/7

### Performance Evaluation Committee

See the Performance Evaluation Committee charter, responsibilities, and list of members in the section Shareholding and Management Structure under item 5 (Performance Evaluation Committee).

The Performance Evaluation Committee assessed the Managing Director's performance for 2016, reviewed the assessment with the Board, and provided feedback to the Managing Director.

### Director Remuneration

Details of remuneration paid to directors is disclosed in the section Shareholding and Management Structure under item 8 (Remuneration of Directors and Executives).

### Executive Remuneration

Total remuneration paid to executives is disclosed in the section Shareholding and Management Structure under item 8 (Remuneration of Directors and Executives).

### Director and Executive Report of Interest

Directors and executives are required to file a report with the Company regarding their interest or related person's interest (i.e. information on shareholdings, directorships, or executive positions in other legal entity (ies)) which relates to management of the Company or its subsidiaries at the beginning of the year or upon a change.

### Director Development

It is expected that directors remain well-informed regarding current aspects of the Company's operations, projects, and best practices in corporate governance. In that regard, the Board encourages directors to participate in continuing education opportunities inside and outside of the Company, such as the programs offered by the Thai Institute of Directors Association (IOD).



Director participation in training courses sponsored by the IOD is summarized as follows:

	Name	Course	Date of Attendance	Course Attendance in year 2016
1.	Mr. Neil A. Hansen	DAP	6 Feb 2015	-
2.	Mr. Chai Jangsirikul	DAP	15 Feb 2011	-
3.	Mr. Mongkolnimit Auacherdkul	DAP	26 Sep 2008	-
4.	Mr. Yodpong Sutatham	DAP	30 Nov 2010	-
5.	Mr. Adisak Jangkamolkulchai	DAP	7 Nov 2008	-
6.	Mr. Somjate Saifon	DAP	26 Sep 2008	-
7.	Ms. Ratrimani Pasiphol	DAP	16 Jul 2012	-
8.	Mr. Somchai Poolsavasdi	DCP	Jul – Sep 2010	-
9.	Mr. Wattana Chantarasorn	DAP	27 Mar 2009	-
10.	Mr. Sompop Amatayakul	DAP	26 Sep 2008	-
11.	Mr. Smit Tiemprasert	DCP	Jan – Mar 2006	-
		FN	2005	-
12.	Ms. Wattanee Phanachet	DCP	12 Mar – 16 Aug 2002	-
		DCP Refresher	25 Feb 2007	-
		ACP	14 – 15 Feb 2007	-

*DAP = Director Accreditation Program*

*DCP = Director Certification Program*

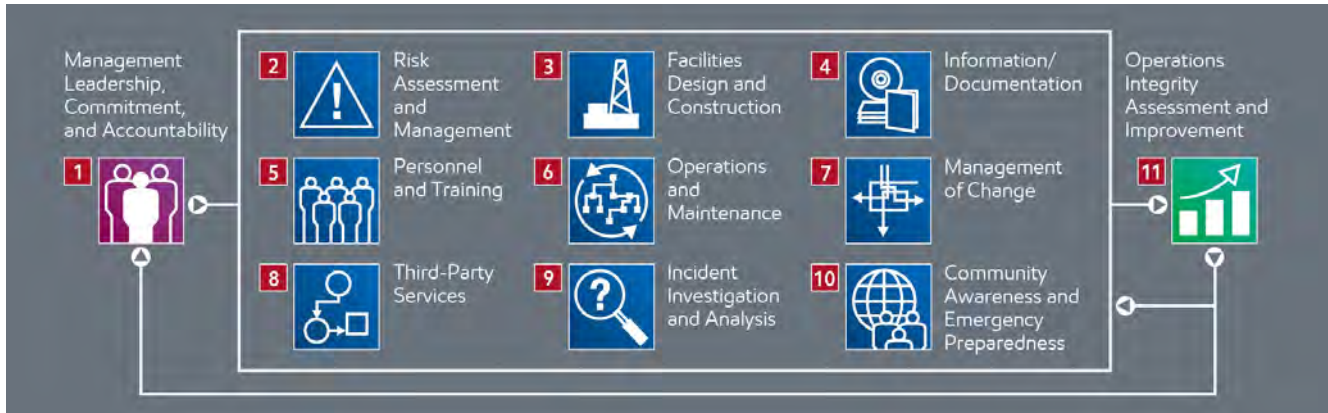
*ACP = Audit Committee Program*

*FN = Finance for Non-Finance Director*

### Auditor Remuneration

The audit fees paid to the office of the external auditor, PricewaterhouseCoopers ABAS Limited, for the 2016 accounting period were Baht 4,500,000. There were no other fees paid to the Company's auditor.

# Risk Management



## Comprehensive Risk Management

The Company systematically applies risk assessment and management practices and processes to address inherent risks in both the operational and financial aspects of its business. We have put in place processes to identify, analyze, and assess the significance of potential risks and determine mitigation measures to reduce those risks to acceptable levels. The ultimate goal is to safeguard shareholders' interests and company assets. The primary cornerstones of the Company's risk management approach are the Operations Integrity Management System (OIMS) and the Controls Integrity Management System (CIMS). OIMS is utilized for setting tolerance levels for safety, security, health, and environmental (SSH&E) risks while methodically managing them. The purpose of CIMS is to do the same for the financial and business risks faced by the company.

In accordance with the aforementioned frameworks and guidelines, risk management plans are embedded as an integral part of every business process. The plans are developed with consideration for both internal and external risk factors and include ongoing assessments and follow-up processes to ensure effective implementation and continuous improvement. As a result of this embedded risk management structure, the Company's management committee effectively assumes the roles and responsibilities of a risk management committee.

## Operations Integrity Management System (OIMS)

The Company is committed to conducting business in a manner that is compatible with the environmental and economic needs of the communities in which we operate, and strives to protect the safety, security, and health of its employees, those involved with

its operations, its customers, and the public. These commitments are documented in the Company's Safety, Security, Health, Environmental, and Product Safety policies. These policies are put into practice through a disciplined management framework called the Operations Integrity Management System (OIMS).

OIMS provides a systematic, structured, and disciplined approach to measure progress and track accountability across business lines, facilities, and projects. In 2013, Lloyd's Register Quality Assurance, Inc. attested that OIMS is consistent with the standard on environmental management systems of the International Organization for Standardization (ISO 14001:2004) and the Occupational Health and Safety Assessment Series for health and safety management systems (OHSAS 18001:2007). OIMS consists of the 11 elements illustrated in the above diagram.

## Control Systems

The System of Management Control Basic Standards (SMC) defines essential principles and concepts that form the foundation of the Company's business controls. The Controls Integrity Management System (CIMS) is designed to assess and measure financial and business risks. CIMS includes embedded procedures for mitigating risks, steps to monitor compliance with standards, and practices for reporting results to the appropriate operational and management groups. These company-wide controls meet or exceed the requirements of the Sarbanes-Oxley Act and NYSE listing standards.

PricewaterhouseCoopers LLP conducted an independent assessment of the Company's internal control systems and determined they are effective. Regular self-assessments and internal audits help ensure that every operating unit consistently implements these control standards.

## Risk Factors

The Company is subject to a variety of financial and operational risks inherent in the regional and global petroleum and petrochemical businesses. Although the company monitors and manages these risks through the comprehensive management systems mentioned previously, many of these risk factors are not within the Company's control and could adversely affect its business and financial and operating results. Some of these risk factors include the following:

### Supply and Demand

The petroleum and petrochemical businesses are fundamentally commodity businesses. This means the Company's operational and financial results, including stock gains and losses, may be significantly impacted by changes in refined petroleum and petrochemical product prices and margins. Refined petroleum and petrochemical product prices and margins are determined by local, regional, and global events or conditions that affect supply and demand for the relevant commodity.

### Economic Conditions

The demand for refined petroleum and petrochemical products correlates closely with general economic growth rates. The occurrence of recessions or other periods of low or negative economic growth will typically have a direct adverse impact. Other factors that affect general economic conditions in the world or in a major region, such as changes in population growth rates or periods of civil unrest, also impact the demand for energy and petrochemicals. Economic conditions that impair the functioning of financial markets and institutions also pose risks to the Company, including risks to the safety of financial assets and the ability of partners and customers to fulfill their commitments to the Company.

### Other Demand-Related

Other factors that may affect the demand for oil and petrochemicals include technological improvements in energy efficiency; seasonal weather patterns, which affect the demand for energy associated with heating and cooling; increased competitiveness of alternative energy sources that have so far generally not been competitive with oil and gas without the benefit of government subsidies or mandates; and changes in technology or consumer preferences that alter fuel choices such as alternative energy fueled vehicles.

### Other Supply-Related

Commodity prices and margins also vary depending on a number of factors affecting supply. For example, increases

in industry refining or petrochemical manufacturing capacity above current demand levels tend to reduce margins. The global petroleum and petrochemical industry can also be affected by other factors that reduce available supplies, such as adherence by OPEC member countries to production quotas, the occurrence of wars, hostile actions, natural disasters, or the unexpected unavailability of distribution channels. Technological change can also alter the relative costs to produce and refine oil and manufacture petrochemicals.

### Other Market Factors

The Company's results are also exposed to potential negative impacts due to changes in currency exchange rates, interest rates, inflation, and other local or regional market conditions. We generally do not use financial instruments to hedge such market exposures.

### Government Policies, Laws and Regulations

The Company's results can be adversely affected by changes in government policy, the laws that govern the Company's businesses, or other regulatory factors such as increases in taxes; restrictive permitting; price controls; changes in environmental regulations or other laws that increase cost of compliance or reduce or delay available business opportunities; adoption of regulations mandating the use of alternative fuels or other uncompetitive fuel components. The Company also may be adversely affected by the outcome of litigation or other legal proceedings including large and unpredictable punitive damage awards.

### Management Effectiveness

In addition to external factors, future business results depend on the ability to successfully manage those factors that are at least in part within the Company's control. The extent to which the Company can manage these factors will impact its performance.



### Operational Efficiency

An important component of the Company's performance, especially given the commodity-based nature of many of its businesses, is the ability to operate efficiently, including managing expenses and improving production yields. This requires ongoing management focus, technology improvements, cost control, productivity enhancements, and regular reappraisal of the asset portfolio.

### Safety, Business Controls and Environmental

The Company faces a variety of risks associated with safety, business controls, and the environment that are inherent to the petroleum and petrochemical businesses. The Company's results depend on management's ability to mitigate these risks and effectively control business activities. We apply rigorous management systems and maintain a constant focus to minimize or eliminate risks such as workplace safety, spills or other adverse environmental events, air emissions, and cybersecurity breaches. Substantial liabilities and other adverse impacts could result if management systems and controls do not function to mitigate these risks.

### Preparedness

The Company's ability to mitigate adverse impacts from natural disasters, human error, political or civil unrest, and similar events depends in part upon the effectiveness of rigorous disaster preparedness and response planning, as well as business continuity planning.

### Others

#### Dependence on Exxon Mobil Corporation and/or its affiliates for numerous services

The Company is highly dependent on Exxon Mobil Corporation and/or its affiliates with respect to several aspects of its operations, including access to expertise in crude oil and raw material procurement services, a global sales network for refined petroleum products and chemicals, advanced technological, operational and engineering services, research and development programs, trademarks and other services. We cannot assure that Exxon Mobil Corporation and/or its affiliates will continue to provide this support to us. If we were to lose the support of Exxon Mobil Corporation and/or its affiliates, or if any significant agreements with Exxon Mobil Corporation and its affiliates were terminated, and we are unable to secure alternative sources for such services or recruit additional key personnel, this could adversely affect the Company's business. Many of the agreements we have with ExxonMobil for services, technology, trademarks

and other support services contain automatic termination clauses in the event Exxon Mobil Corporation directly or indirectly ceases to own or control more than 50% of the ownership interest in the Company. Certain pre-emption rights apply if ExxonMobil shareholders wish to reduce their aggregate shareholdings in the Company to below 50%.

ExxonMobil shareholders are not bound to retain any minimum interest in the Company and may reduce their shareholdings in the Company at any time. In addition, Exxon Mobil Corporation and its affiliates are not obligated to grant loans or provide any other type of financial assistance and there can be no assurance that they will do so in the future.

#### Current and future litigation

We are defendants in a variety of litigation cases in the ordinary course of business. Any significant new litigation with an unfavorable outcome could have a materially adverse effect on the Company's business.

# Internal Controls

The Audit Committee independently assesses and evaluates the effectiveness of the Company's internal control systems to ensure that they are in compliance with good corporate governance principles. The Audit Committee performed an assessment of the effectiveness of the system of internal controls including a review of all internal audit findings and recommendations. Based on the Audit Committee's assessment, the Board concluded that the Company's internal control systems are suitable and adequate, and are functioning consistent with the good corporate governance aspects described below.

## Organization and Control Environment

The Company believes the existing organizational structure is appropriate and effective in operating the Company's businesses. It is the Company's policy that directors, officers, and employees are expected to observe the highest code of ethics and avoid any actual or apparent conflict between their own personal interests and the interests of the Company. They are also expected to deal fairly with each other and with the Company's suppliers, customers, competitors, and other third parties.

## Risk Management

The Company applies rigorous risk assessment and management practices in all aspects of its business. The Company has processes in place to analyze and assess the significance of potential risk and determine mitigation measures to reduce those risks to the extent feasible. Risk management plans are embedded as an integral part of business processes, developed with consideration for both internal and external risk factors, and designed to include follow-up processes to ensure effective implementation and continuous improvement.

## Management Control

The Company adopted a Delegation of Authority Guide which summarizes the responsibilities and authorities that form the overall framework for ensuring that business arrangements and transactions are reviewed and approved at an appropriate level. By delegating authority, management ensures that decisions will be made by individuals with the

required skills and knowledge. A basic premise is that the delegated authority bears with it the obligation to exercise good business judgment and due diligence as well as effective segregation of duties.

## Information and Communication

Meeting agendas and supporting information are provided to Board members in a timely fashion to ensure that material information is available to those responsible for making relevant decisions. Minutes of the Board meetings, including relevant comments by Board members, are properly documented for subsequent review. All financial and supporting documents are retained in accordance with the Company's Information Management System (IMS).

## Monitoring and Evaluation

Controls training is provided to all employees consistent with job requirements. Internal audit staff independently assesses compliance with policies and procedures and evaluates the effectiveness of all control systems relating to the business. Material control weaknesses, irregularities, and business practice issues are promptly addressed and reported to management and subsequently reviewed by the Board Audit Committee. Corrective actions, in accordance with internal audit findings and recommendations, are monitored by the management of each business unit until the issues are appropriately resolved. The Audit Committee periodically reviews and assesses the effectiveness of the management follow up process.

## Internal Control System

The Company recognizes the importance of an effective internal control system. In this regard, extensive internal controls and procedures, including those set out in the Company's System of Management Control (SMC) – Basic Standards and Controls Integrity Management System (CIMS), are fully established at all levels in the organization.

The internal control system, including compliance with policies and procedures, is formally assessed by independent internal audit staff and external auditors during each audit cycle. This includes a review of the effectiveness of all financial, operational, and related controls.

### System of Management Control (SMC)

The System of Management Control (SMC) sets forth basic control principles, concepts, and standards. The Company implemented this system of management control to ensure the effective, efficient, and proper utilization of the Company's resources. The basic purpose of the controls framework is to make sure business activities are conducted properly and in accordance with management's general and specific directives.

The SMC is based on 7 basic principles: Decentralization of Management, Segregation of Duties and Responsibilities, Documentation, Supervision and Review, Timeliness, Relevance to Risk, and Minimum Interdependence of Controls. Management at all levels and in all businesses is required to establish systems and procedures that meet or exceed these control principles.

### Controls Integrity Management System (CIMS)

The Controls Integrity Management System (CIMS) is a formal system of internal methods and analytical tools to assess and mitigate operational, financial, and administrative control risks. It also facilitates the timely reporting to management of control weaknesses and business practice issues. CIMS is based on the principles and standards of SMC and provides key attributes of an effective control system that helps to ensure the Company's policies and in-line controls are implemented and effectively sustained over time.

CIMS is comprised of seven elements: "Management, Leadership, Commitment & Accountability", "Risk Assessment", "Business Process Management & Improvement", "Personnel & Training", "Management of Change", "Reporting & Resolution of Control Weakness", and "Controls Integrity Assessment". Each element has five components: Objectives, Standards, Procedures, Expected Results, and Verification & Feedback Mechanism.

## Auditing and Compliance

### Business Practice Reviews (BPRs)

The Company has long recognized the importance and value of sound corporate governance, a straight-forward business model, and high ethical business standards. We believe the methods we use to obtain business results are as important as the results themselves. All employees are expected to be familiar with the Company's policies and standards of business conduct and apply them to their daily work. They are required to confirm their knowledge and compliance with the policies and standards on an annual basis. In addition, formal business practice reviews (BPR) are attended by all employees every four years. The BPR objectives are:

- Promote the Company's reputation for honesty and straightforward approach to business integrity;
- Promote clear understanding of and compliance with the Standards of Business Conduct;
- Demonstrate applicability of the Standards to all aspects of day-to-day business activities and practices at every level in the organization;
- Convey consequences for non-compliance with the Standards;
- Identify, evaluate, report, and where necessary, correct practices that may not be consistent with policies; and
- Report compliance concerns and ensure employee awareness of channels available for reporting concerns.

### Internal Audit

The internal audit staff independently assesses compliance with policies and procedures, and evaluates the effectiveness of all control systems related to the business. Management



of each business segment is obligated to consider all internal audit findings and recommendations, and take appropriate corrective actions. Generally, each segment of the business is subject to an internal audit every three years.

In addition, business segments appoint controls advisors to provide guidance on controls and facilitate self-assessments for their units at the mid-point of the audit cycle based on CIMS and audit standards.

The plan and results of internal audits are reviewed by the Audit Committee.

## Independent External Audit

Independent external auditors audit the Company's financial statements in accordance with generally accepted auditing standards in Thailand to ensure that the financial statements are free of material misstatement and in conformity with generally accepted accounting principles.

## Auditor's Remuneration

The audit fees paid to the office of the external auditor, PricewaterhouseCoopers ABAS Limited, for the 2016 accounting period were Baht 4,500,000. There were no other fees paid to the Company's auditor.

# Related Party Transactions

The Company executed numerous agreements with ExxonMobil and its affiliates in order to leverage their expertise in the global oil and gas industry. These agreements are beneficial to the Company and its operations. The terms and conditions of the agreements are on the same basis as those applied generally to all ExxonMobil affiliates worldwide and are appropriate and reasonable. All of the related party agreements were either reviewed by the Audit Committee or are consistent with prescribed criteria.

## Necessity and reasonableness of related party transactions

Related party transactions undertaken in the past year pursuant to these agreements are for the benefit of the Company and were subject to review by Audit Committee and the Company's external auditors as part of their audit of the Company's annual financial statements. The Audit Committee considered and provided an opinion that such transactions were entered into in the normal course of business, consistent with prescribed criteria, and were properly disclosed.

## Approval of related party transactions

Related party agreements are established in the normal course of business. The approval processes for related party agreements are consistent with those prescribed by the relevant rules and regulations of the Capital Market Supervisory Board and the Stock Exchange of Thailand. If there is a likelihood of a conflict of interest arising from the Company's entry into a related party agreement with a person who is a shareholder, director or executive of the Company, the said shareholder, director or executive will not participate in the approval process for the agreement.

On August 28, 2008, the Board of Directors provided an approval for the Company and its subsidiaries to enter into certain transactions with its directors, executives, and/or related persons (as defined in the Securities and Exchange Act) where, in principle, such transactions are on the same terms as those which may ordinarily be entered

into by persons with unrelated counterparties under similar circumstances, based on commercial negotiations, and without preference resulting from the status of being a director, executive or related person, as the case may be, or where the transactions reflect fair prices or are on a cost or cost plus basis pursuant to agreements between the Company and its affiliates, or where the charges under the transactions are consistent with those charged by other affiliates around the world for similar services or goods, or where the interest expense in connection with financing transactions with the Company's affiliates is generally based on market rates.

## New related party transactions

Any new related party agreements will comply with the Board resolution of August 28, 2008 described above, as well as the applicable laws and regulations of the Securities and Exchange Commission, the Capital Market Supervisory Board, and the Stock Exchange of Thailand.

Subject to the above, if the Company proposes executing a related party agreement not consistent with the August 28, 2008 Board resolution, the Audit Committee will review and render an opinion on such an agreement. The Audit committee's opinion will be communicated to the Board of directors or shareholders, as the case may be, to ensure the proposed agreement is in the best interest of the Company.

## Detail of related party transactions

Listed below are the main agreements with related parties as of December 31, 2016.

Parties/Relationship with the Company		2016 Transaction Value (Million Baht)		
Agreements	Main Purposes	Sales	Purchase	Service Expenses
<b>Goods and Services</b>				
Crude Oil, LPG, Products and Feedstock, and Lube Basestock Supply Agreement	ExxonMobil Asia Pacific Pte. Ltd. ("EMAPPL") EMAPPL is an affiliate of Exxon Mobil Corporation (EMC), EMC indirectly holds 100% of shares in EMAPPL	EMAPPL sells or procures for sale to Esso Asia Pacific crude oil. In addition to such crude oil, EMAPPL agrees to sell or procure for sale LPG, products and feedstock, and lube basestock. EMAPPL purchases crude oil, LPG, products, feedstock and lube basestock which Esso desires to sell and export.		
Paraxylene and Benzene Concentrate Supply and Offtake Agreement	<b>EMAPPL</b>	Esso sells EMAPPL paraxylene and benzene concentrate.		
Assignment and Assumption Agreement for the Manufacture and/or sale of Toyota Oil and Chemical Product	<b>EMAPPL</b>	EMAPPL assigns its rights and obligations under relevant agreement with Toyota Motor Corporation as a local blender and/or seller of Toyota branded oil and chemical products in Thailand to Esso.		
Inter-Affiliate Product Sale and Purchase Agreement	<b>EMAPPL</b>	Esso purchases finished lubricants, base oils, base stocks, and/or lubricant additives from EMAPPL.	50,956	1,194
Inter-Affiliate Product Sale and Purchase Agreement	<b>EMAPPL</b>	Esso sells finished lubricants, and/or lubricant additives as ordered by EMAPPL from time to time.	6,889	
Downstream Regional Headquarters/Affiliate Master Service Agreement	<b>EMAPPL</b>	EMAPPL provides services to Esso covering a wide range of management consulting, functional advice, administrative, technical, professional, and other supporting services relating to Esso's downstream business such as fuels marketing, refining and supply, etc.		
Chemical Regional Headquarters/Affiliate Service Agreement	<b>EMAPPL</b>	EMAPPL provides services to Esso covering certain management consulting, functional advice, administrative, technical, professional, and other supporting services in connection with Esso's chemical business such as accounting, legal, tax, human resources, office space, and clerical activities, computer network services and procurement services.		



Parties/Relationship with the Company		Main Purposes		2016 Transaction Value (Million Baht)	
Agreements		Sales	Purchase	Service Expenses	
<b>Goods and Services</b>					
Sale Agreement	ExxonMobil Chemical Asia Pacific ("EMCAP"), a division of EMAPPL EMCAP is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMCAP	EMCAP sells or causes to be sold to Esso chemical products in such a volume as Esso nominates from time to time.	2,236	213	
Paraxylene Sales Agreement	<b>EMCAP</b>	EMCAP sells to Esso paraxylene products in such a volume as Esso nominates from time to time.			
Crude Oil, Products and Feedstocks Supply Agreement	ExxonMobil Sales and Supply ("EMS&S") EMS&S is an affiliate of EMC, EMC indirectly holds 100% of shares in EMS&S	EMS&S sells or procures to sell non Asia Pacific crude oil. In addition to such crude oil, EMS&S agrees to sell or procure for sale products and feedstock to Esso. EMS&S purchases crude oil, LPG, products, feedstock and lube basestock which Esso desires to sell and export.	25,746		
"Bangkok Business Support Center" Master Service Agreement	ExxonMobil Limited ("EML") EML is an affiliate of EMC and a subsidiary of ExxonMobil International Holdings Inc. EMC indirectly holds 100% of shares in EML.	EML provides various services including certain management consulting, functional advice, administrative, technical, professional, and other supporting services relating to Esso's business and operations.		1,231	
Master Service Agreement	ExxonMobil Global Services Company ("EMGSC") EMGSC is an affiliate of EMC, EMC directly holds 100% of shares in EMGSC	EMGSC provides Esso with advice and assistance relating to (i) information technology services (ii) procurement services (iii) real estate services and facilities services.		96	
ExxonMobil Petroleum & Chemical Master Business Support Agreement	ExxonMobil Petroleum & Chemical ("EMPC") EMPC is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMPC	EMPC provides Esso a variety of services relating to accounting and administrative services through personnel based out of business centers established outside of Thailand.		7	
EssoAir Service Agreement	ExxonMobil Aviation International Ltd. ("EMA") EMA is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMA	EMA provides Esso a wide range of marketing and technical assistance appropriate to Esso's aviation fuel business including solicitation of aviation sales and general advisory services and consultancy.		60	

Parties/Relationship with the Company		2016 Transaction Value (Million Baht)		Service Expenses
Agreements	Main Purposes	Sales	Purchase	
<b>Goods and Services</b>				
Inter Affiliate Marine Transportation Services Agreement	Standard Tankers Bahamas Ltd (“STB”) STB is an affiliate of EMC, which EMC indirectly holds 100% of shares in STB	STB provides services related to (i) vessel pool activities and transportation for purchasers’ cargoes of crude oil, petroleum products, and chemicals (ii) chartering and transportation support services (iii) marine vetting services (iv) other supporting services related to the pool vessels as well as other marine transportation activities.	1,611	2
Standard Research Agreement	ExxonMobil Research and Engineering Company (“EMRE”) EMRE is an affiliate of EMC, which EMC directly holds 100% of shares in EMRE	Agreement is made for the purpose of (i) creation, acquisition and management of a body of technical information, technical services, and patent and copyright protection for the benefit of petroleum and chemical operations (ii) access to technical information and the use of patent and copyright protection (iii) engineering assistance and special research (iv) administer intellectual property and technical information acquired or made for the benefit of Esso.		206
Catalyst Lease Agreement	ExxonMobil Catalyst Technologies LLC (“EMCT”) EMCT is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMCT	EMCT, as a lessor, commits to supply and lease catalysts to Esso.		25
Catalyst Supply Agreement	<b>EMCT</b>	Esso purchases catalysts from EMCT.		
Trademark License Agreement	Exxon Mobil Corporation (“EMC”) EMC is the ultimate parent company of various affiliates and subsidiaries	EMC authorizes Esso to use Esso, Exxon, Esso Oval and Exxon Emblem trademarks in Thailand in association with the products and services sold or provided.		
Clearing House Service Agreement	<b>EMC</b>	EMC provides the service of operating the Trade Central Clearing House Sub-Account and other Central Clearing House Sub-Account for the purpose of facilitating efficient settlement and processing of transactions.		4

Agreements	Parties/Relationship with the Company	Main Purposes	2016 Transaction Value (Million Baht)		
			Sales	Purchase	Service Expenses
<b>Goods and Services</b>					
Service Agreement	ExxonMobil Hong Kong Limited ("EMHKL") EMHKL is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMHKL	EMHKL provides services to Esso covering managerial, professional and administrative, and other operational advice relating to their overall corporate operations to Esso.			0
Service Agreement	ExxonMobil Catalyst Services Inc. ("EMCSI") EMCSI is an affiliate of EMC, EMC directly holds 100% of shares in EMCSI	EMCSI provides services including arranging for supply of precious metals; arranging for the fabrication of catalysts, the reclamation of precious metals from spent catalysts, and catalyst operations such as regeneration as well as consulting services relating to catalysts.			2
Service Agreement	ExxonMobil Chemical Company ("EMCC") EMCC is a division of EMC	Esso provides certain services relating to marketing efforts in Thailand to EMCC.	0		
ExxonMobil Marine Fuels Supply and Services Agreement	ExxonMobil Marine Limited ("EMML") and EMAPPL EMML is an affiliate of EMC, which EMC indirectly holds 100% of shares in EMML	Esso sells and delivers marine fuels as well as provides related services to EMML and EMAPPL.	0		
Inter-Affiliate Product Sale and Purchase Agreement	<b>EMML</b>	Esso sells finished lubricants, lubricating oils, greases and/or other marine lubricant products as ordered by EMML from time to time.	10		
Other			2	7	129
<b>TOTAL (see note to financial statement no.31)</b>			<b>6,901</b>	<b>80,556<sup>(1)</sup></b>	<b>3,169</b>

(1) Baht 789 million service expenses paid to Thai Petroleum Pipeline Company Limited is not included.



		2016 Transaction Value (Million Baht)				
Agreements	Parties	Main Purposes	Loan Balance	Deposit Balance	Interest Expense	Interest Income
<b>Financial Assistance</b>						
Loan and Current Account Agreement	<b>EML</b>	Esso provides a loan facility to EML with the maximum principal amount of Baht 3,000 million. In the event that money from EML is deposited in current account, Esso can make use of such funds and is required to pay interest for the deposited amount.	2,139		33	
Short-Term Loan Agreement	ExxonMobil Development Finance Company ("EMDFC")	EMDFC provides a revolving loan facility to Esso with the maximum aggregate amount of Baht 12,000 million. Drawdowns and repayment can be made once per calendar month.	2,311		67	
Long-Term Loan Agreement	<b>EMDFC</b>	EMDFC provides a Thai Baht-denominated long-term loan to Esso of Baht 7,000 million with principal repayment every 3 months. The loan will mature in December 2019.	4,200		112	
Long-Term Loan Agreement	<b>EMDFC</b>	EMDFC provides a Thai Baht-denominated long-term loan to Esso of Baht 6,000 million with principal repayment every 3 months. The loan will mature in October 2020.	4,800		117	
Long-Term Loan Agreement	<b>EMDFC</b>	EMDFC provides a Thai Baht-denominated long-term loan to Esso of Baht 1,500 million with principal repayment every 3 months. The loan will mature in December 2019.	1,500		3	
<b>TOTAL (see note to financial statement no.31)</b>			<b>14,950</b>		<b>332</b>	

# Report of the Audit Committee

The Audit Committee consists of three independent directors, with competencies of financial accounting and reporting, refinery management, and international management. The Committee conducted seven meetings in 2016 involving the external auditors, the internal control manager, and the Company's management. The Committee presented findings and submitted reports to the Board of Directors on a quarterly basis.

The Committee reviewed with management and the external auditors the accounting policies applied to the financial statements, financial issues, and the management judgment made in connection with the financial statements. The Committee had a meeting with the external auditors without the presence of the Company's management, according to Stock Exchange of Thailand best practices, with regards to the appropriateness of accounting policies, the application of new financial reporting standards, and the adequacy of risk management processes related to the Company's financial reporting. The Committee also focused on crude oil price volatility and the potential for resulting significant stock gain or loss impacts on the Company's earnings.

The external auditors provided their opinion that the financial statements were fairly stated in conformity with Thai accounting standards and that there were no adjustments which had a material effect on the Company's financial statements. The external auditors reported no irregularities, fraud, or illegal acts involving the Company's management. Based on the results of the external auditors' report and the Committee's review, the Committee concluded that the financial statements were prepared in accordance with Thai Financial Reporting Standards (TFRS).

The Committee reviewed the appropriateness and reasonableness of related-party transactions and queried management regarding significant changes to the terms and conditions of key inter-company agreements. There were no issues identified and information related to transactions with related parties was adequately disclosed.

The Committee reviewed the risk management framework including risk identification, risk assessment, mitigation measures, and the controls that the Company deploys for risk management. The Committee also reviewed the internal controls in relation to risk management with the external auditors, who confirmed the adequacy of internal controls over financial reporting processes. The Committee concluded that the risk management system in place is comprehensive and appropriate.

The Committee had four meetings with the internal control manager to review the scope, activities, responsibilities, resources, and staffing for the internal control functions. The Committee reviewed the adequacy and integrity of internal controls, reports of findings from internal control activities covering major issues, and the corrective actions taken by management. In addition, the Committee reviewed significant violations of the policies stated in the Company's Standard of Business Conduct and determined that the corrective actions taken by the management were appropriate and adequate.

The Committee reviewed the Company's long-standing Anti-Corruption policies, related guidelines, compliance programs and monitoring and reporting procedures, which are consistent with international standards. The Committee also reviewed associated tools and documentation and were satisfied with the robustness of the Company's programs.

The Committee assessed legal and regulatory compliance, related controls and processes, the roles and responsibilities of Directors and Executives in overseeing business units and concluded that the Company's operations complied with the Company's policies, applicable laws and regulations.

The Committee participated in screening and reviewing the qualifications and remuneration of the external auditors as proposed by management and recommended to the Board of Directors to propose the external auditors for approval at the Annual General Meeting of Shareholders.



*S. Amatayakul*

**Mr. Sompop Amatayakul**  
Chairman of the Audit Committee



*Wattanee Phanachet*

**Mrs. Wattanee Phanachet**  
Audit Committee Member



*Smit Tiemprasert*

**Mr. Smit Tiemprasert**  
Audit Committee Member



# Statement of Board of Directors' Responsibilities for Financial Reporting

The accompanying consolidated financial statements of Esso (Thailand) Public Company Limited and its subsidiaries and the financial statements of Esso (Thailand) Public Company Limited have been prepared in conformity with the requirements of the Public Company Act B.E. 2535, the Securities and Exchange Commission Act B.E. 2535, the Announcement of the Department of Business Development dated September 28, 2011 issued in accordance with Section 11, Paragraph 3 of the Accounting Act B.E. 2543, and the Financial Reporting Standards prescribed by the Federation of Accounting Professions.

The Board of Directors is responsible for the financial statements which have been prepared in a prudent manner and contain accurate and complete material information to provide reasonable assurance that the financial position, results of operations and cash flows of the Company and its subsidiaries are presented accurately, 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, appropriate accounting policies have been consistently applied in accordance with Financial Reporting Standards and material information has been adequately disclosed in the notes to the financial statements. The independent auditor has expressed opinion on the financial statements of Esso (Thailand) Public Company Limited and its subsidiaries in the Auditor's Report.



**Mr. Neil A. Hansen**

Chairman and Managing Director  
Esso (Thailand) Public Company Limited

# ESSO (THAILAND) PUBLIC COMPANY LIMITED

## CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

# Independent Auditor's Report

## To the shareholders of Esso (Thailand) Public Company Limited

### My opinion

In my opinion, the consolidated financial statements of Esso (Thailand) Public Company Limited (the Company) and its subsidiaries (the Group) and the separate financial statements of the Company present fairly, in all material respects, the consolidated and separate financial position of the Group and of the Company as at 31 December 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### What I have audited

I have audited the accompanying consolidated and separate financial statements of the Group and the Company, which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the related consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

### Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of my report. I am independent of the Group and the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. I determine one key audit matter: Valuation of deferred tax assets on net losses carried forward. The matter was addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on the matter.



## Key audit matter

## How my audit addressed the key audit matter

**Valuation of deferred tax assets on net losses carried forward**

As of 31 December 2016, the balance of deferred income tax assets relating to net losses carried forward of the Group was Baht 1,110 million which represents approximately 2 percent of the Group's total assets. The Group recognises deferred tax assets from tax losses carried forward to the extent it is probable that future taxable profits will allow it to be recovered.

Management of the group has performed a financial projection including expected future taxable profit to support recoverability of such deferred tax assets. The projection is based on historical data and expected future outcome. The significant assumptions include refining margin, production volumes, and crude prices.

I focus on this area because there are a number of assumptions used in the Group's financial projection. Those assumptions involve significant judgement made by management in assessing the Group's future taxable profit. In addition, the balance of deferred income tax assets from net losses carried forward is significant to the consolidated financial statements.

I evaluated evidence supporting the recoverability of the deferred tax assets from net losses carried forward which is management's projected future taxable income by performing procedures below.

- Evaluating and challenging management's judgement and assumptions used in forming its three-year financial projection, which includes the assumptions for future growth of refinery margin, production volumes, and crude prices. The reasonableness of these underlying assumptions were verified against external sources, industry benchmarks, and historical information.
- Developing an independent projection of the Group's future taxable income using researched information and verified internal information, with no significant differences from the result that the Group's management prepared.

Based on procedures I have carried out, I consider that management's key assumptions underlying the projection of future taxable income to be within a reasonable range.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

## Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Group and the Company's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

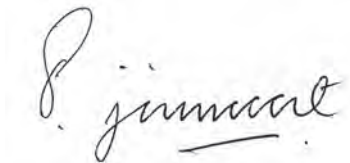
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers ABAS Ltd.



**Somchai Jinnovart**

Certified Public Accountant (Thailand) No. 3271

Bangkok

23 February 2017



## Esso (Thailand) Public Company Limited

**Statement of Financial Position**

As at 31 December 2016

(All amounts in Baht thousand unless otherwise stated)

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	5	557,033	264,476	557,033	221,668
Trade receivables, net	6	4,509,702	4,110,239	4,509,702	4,106,853
Trade receivables from a related party	31 f	-	-	-	201,242
Amounts due from related parties	31 f	30	4,345	44,400	44,574
Inventories, net	7	17,247,635	13,526,409	17,247,635	13,479,460
Other receivables, net	8	419,575	1,006,724	419,575	992,554
Other current assets	9	1,057,966	992,807	1,218,835	1,147,065
<b>Total current assets</b>		<b>23,791,941</b>	<b>19,905,000</b>	<b>23,997,180</b>	<b>20,193,416</b>
<b>Non-current assets</b>					
Investments in subsidiaries	10	-	-	114,589	114,589
Investments in an associate	10	2,147,978	2,330,800	1,729,360	1,729,360
Available-for-sale financial assets	11	1,631,250	1,316,250	1,631,250	1,316,250
Long-term loans to related parties	31 g	-	-	2,748,600	2,593,352
Deferred income tax assets, net	13	1,737,766	3,366,491	1,628,783	3,241,399
Property, plant and equipment, net	14	27,908,549	28,559,479	23,650,065	24,300,995
Intangible assets, net	15	136,603	130,071	136,603	130,071
Prepaid rental and deferred charges	16	1,304,693	1,005,248	2,309,589	2,174,195
Other non-current assets		92,484	88,276	92,210	72,277
<b>Total non-current assets</b>		<b>34,959,323</b>	<b>36,796,615</b>	<b>34,041,049</b>	<b>35,672,488</b>
<b>Total assets</b>		<b>58,751,264</b>	<b>56,701,615</b>	<b>58,038,229</b>	<b>55,865,904</b>



Director *Neie A. Hansen*

## Esso (Thailand) Public Company Limited

**Statement of Financial Position**

As at 31 December 2016

(All amounts in Baht thousand unless otherwise stated)

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Short-term borrowings from financial institutions	17	6,019,770	7,419,878	6,019,770	7,419,878
Trade and other payables	18	4,027,772	4,448,577	4,020,942	4,421,824
Short-term loans from related parties	31 h	7,549,571	9,699,940	7,562,863	9,749,433
Amounts due to related parties	31 f	7,803,733	6,145,496	7,803,017	6,147,766
Short-term provisions for employee benefits	19	756,822	669,145	756,822	606,728
<b>Total current liabilities</b>		<b>26,157,668</b>	<b>28,383,036</b>	<b>26,163,414</b>	<b>28,345,629</b>
<b>Non-current liabilities</b>					
Long-term borrowings from financial institutions	17	2,000,000	3,000,000	2,000,000	3,000,000
Long-term loans from related parties	31 h	7,400,000	9,000,000	7,401,558	9,001,084
Long-term provisions for employee benefits	19	2,435,790	2,548,031	2,435,790	2,548,031
Other non-current liabilities		5,435	1,358	5,435	1,358
<b>Total non-current liabilities</b>		<b>11,841,225</b>	<b>14,549,389</b>	<b>11,842,783</b>	<b>14,550,473</b>
<b>Total liabilities</b>		<b>37,998,893</b>	<b>42,932,425</b>	<b>38,006,197</b>	<b>42,896,102</b>

The notes on pages 91 to 127 are an integral part of these consolidated financial statements and separate financial statements.

## Esso (Thailand) Public Company Limited

**Statement of Financial Position**

As at 31 December 2016

(All amounts in Baht thousand unless otherwise stated)

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Liabilities and equity (continued)</b>					
<b>Equity</b>					
Share capital					
Authorised share capital					
3,467,916,666 ordinary shares with par value of Baht 4.9338 each	20	17,110,007	17,110,007	17,110,007	17,110,007
Issued and paid-up share capital					
3,460,858,000 ordinary shares with paid-up value of Baht 4.9338 each	20	17,075,181	17,075,181	17,075,181	17,075,181
Share premium	20	4,031,711	4,031,711	4,031,711	4,031,711
Retained earnings (deficit)					
Appropriated					
Legal reserve	21	653,243	653,243	653,243	653,243
Unappropriated		(1,770,224)	(8,418,978)	(2,485,309)	(9,210,935)
Other components of equity	22	755,026	420,602	757,206	420,602
Equity attributable to owners		20,744,937	13,761,759	20,032,032	12,969,802
Non-controlling interests		7,434	7,431	-	-
<b>Total equity</b>		<b>20,752,371</b>	<b>13,769,190</b>	<b>20,032,032</b>	<b>12,969,802</b>
<b>Total liabilities and equity</b>		<b>58,751,264</b>	<b>56,701,615</b>	<b>58,038,229</b>	<b>55,865,904</b>

The notes on pages 91 to 127 are an integral part of these consolidated financial statements and separate financial statements.



Esso (Thailand) Public Company Limited

**Statement of Comprehensive Income**

For the year ended 31 December 2016

(All amounts in Baht thousand unless otherwise stated)

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Revenue from sales	23	150,499,747	169,535,195	150,426,332	168,373,298
Subsidy from Oil Fuel Fund		513,496	355,924	513,496	355,924
Cost of sales		(136,909,574)	(161,539,648)	(136,872,815)	(160,998,214)
<b>Gross profit</b>		14,103,669	8,351,471	14,067,013	7,731,008
Selling expenses		(5,505,549)	(5,633,606)	(5,769,537)	(5,331,205)
Administrative expenses		(360,174)	(395,765)	(360,174)	(395,765)
<b>Profit from sales</b>		8,237,946	2,322,100	7,937,302	2,004,038
Other income		89,172	68,155	650,541	170,394
Interest income		4,558	4,488	172,583	167,825
Interest expense		(505,811)	(774,762)	(506,335)	(787,714)
Share of profit from an associate	10	379,755	363,239	-	-
<b>Profit before income tax expense</b>		8,205,620	1,983,220	8,254,091	1,554,543
Income tax expense	25	(1,556,078)	(282,181)	(1,528,465)	(285,762)
<b>Profit for the period</b>		6,649,542	1,701,039	6,725,626	1,268,781
<b>Other comprehensive income, net of income tax:</b>					
Item that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations	22	84,604	(4,251)	84,604	(4,251)
Share of other comprehensive expense of an associate accounted for using the equity method	22	(2,180)	-	-	-
Item that will be reclassified subsequently to profit or loss:					
Gain on remeasuring available-for-sale investments	22	252,000	153,000	252,000	153,000
<b>Total comprehensive income for the period</b>		6,983,966	1,849,788	7,062,230	1,417,530
<b>Profit attributable to :</b>					
Owners of the parent		6,648,754	1,700,236	6,725,626	1,268,781
Non-controlling interests		788	803	-	-
<b>Total comprehensive income attributable to :</b>		6,649,542	1,701,039	6,725,626	1,268,781
<b>Earning per share for profit attributable to the equity holders of the parent</b> (expressed in Baht per share)					
Basic/diluted	26	1.92	0.49	1.94	0.37

The notes on pages 91 to 127 are an integral part of these consolidated financial statements and separate financial statements.

	Consolidated financial statements										
	Attributable to owners of the parent					Other components of equity					
	Retained earnings (Deficits)					Other comprehensive income					
	Issued and paid-up share capital	Share premium	Appropriated - legal reserve	Unappropriated - retained earnings	Available-for-sale investments	Post-employment benefit obligations	Share of other comprehensive expense of an associate	Total other components of equity	Total attributable to owners of the parent	Non-controlling interests	Total equity
<b>Opening balance 2015</b>	17,075,181	4,031,711	653,243	(10,119,214)	871,200	(599,347)	-	271,853	11,912,774	7,431	11,920,205
<b>Changes in equity for the period 31 December 2015</b>											
Total comprehensive income (expense)	-	-	-	1,700,236	153,000	(4,251)	-	148,749	1,848,985	803	1,849,788
Dividend paid	-	-	-	-	-	-	-	-	-	(803)	(803)
<b>Closing balance at 31 December 2015</b>	17,075,181	4,031,711	653,243	(8,418,978)	1,024,200	(603,598)	-	420,602	13,761,759	7,431	13,769,190
<b>Opening balance 2016</b>	17,075,181	4,031,711	653,243	(8,418,978)	1,024,200	(603,598)	-	420,602	13,761,759	7,431	13,769,190
<b>Changes in equity for the period 31 December 2016</b>											
Total comprehensive income (expense)	-	-	-	6,648,754	252,000	84,604	(2,180)	334,424	6,983,178	788	6,983,966
Dividend paid	-	-	-	-	-	-	-	-	-	(785)	(785)
<b>Closing balance at 31 December 2016</b>	17,075,181	4,031,711	653,243	(1,770,224)	1,276,200	(518,994)	(2,180)	755,026	20,744,937	7,434	20,752,371

The notes on pages 91 to 127 are an integral part of these consolidated financial statements and separate financial statements.

Esso (Thailand) Public Company Limited  
**Statement of Changes in Equity**  
For the year ended 31 December 2016  
(All amounts in Baht thousand unless otherwise stated)

	Separate financial statements							Total equity
	Issued and paid-up share capital	Share premium	Retained earnings (Deficits)		Other components of equity			
			Appropriated - legal reserve	Unappropriated - retained earnings	Available-for-sale investments	Post-employment benefit obligations	Total other components of equity	
<b>Opening balance 2015</b>	17,075,181	4,031,711	653,243	(10,479,716)	871,200	(599,347)	271,853	11,552,272
<b>Changes in equity for the period 31 December 2015</b>	-	-	-	1,268,781	153,000	(4,251)	148,749	1,417,530
Total comprehensive income (expense)								
<b>Closing balance at 31 December 2015</b>	17,075,181	4,031,711	653,243	(9,210,935)	1,024,200	(603,598)	420,602	12,969,802
<b>Opening balance 2016</b>	17,075,181	4,031,711	653,243	(9,210,935)	1,024,200	(603,598)	420,602	12,969,802
<b>Changes in equity for the period 31 December 2016</b>	-	-	-	6,725,626	252,000	84,604	336,604	7,062,230
Total comprehensive income								
<b>Closing balance at 31 December 2016</b>	17,075,181	4,031,711	653,243	(2,485,309)	1,276,200	(518,994)	757,206	20,032,032

The notes on pages 91 to 127 are an integral part of these consolidated financial statements and separate financial statements.



## Esso (Thailand) Public Company Limited

**Statement of Cash Flows**

For the year ended 31 December 2016

(All amounts in Baht thousand unless otherwise stated)

	Notes	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Cash flows from operating activities</b>					
Cash generated from operations	27	7,778,762	7,951,523	7,838,446	8,526,350
Interest paid		(457,474)	(1,023,709)	(459,129)	(1,042,134)
Income tax paid		(5,301)	(2,067)	-	-
<b>Net cash generated from operating activities</b>		<b>7,315,987</b>	<b>6,925,747</b>	<b>7,379,317</b>	<b>7,484,216</b>
<b>Cash flows from investing activities</b>					
Loan payments received from related parties	31 g	-	-	41,462	41,101
Loans made to related parties	31 g	-	-	(196,709)	(217,552)
Purchase of property, plant and equipment	14	(1,403,315)	(926,919)	(1,403,315)	(926,919)
Purchase of intangible assets	15	(42,725)	(3,043)	(42,725)	(3,043)
Interest received		4,557	4,488	171,725	166,577
Dividend received from a subsidiary		-	-	2,500	2,500
Dividend received from an associate		560,397	108,956	560,397	108,956
Dividend received from available-for-sale financial assets		60,750	31,770	60,750	31,770
Proceeds from disposal of property, plant and equipment	27	8,800	8,938	8,800	8,938
<b>Net cash used in investing activities</b>		<b>(811,536)</b>	<b>(775,810)</b>	<b>(797,115)</b>	<b>(787,672)</b>
<b>Cash flows from financing activities</b>					
Net payments on short-term borrowings		(1,898,861)	(5,490,450)	(1,898,861)	(5,490,450)
Payments on long-term borrowings		(2,000,000)	(2,800,000)	(2,000,000)	(2,800,000)
Proceeds from long-term borrowings		1,500,000	1,000,000	1,500,000	1,000,000
Net (payments on) proceeds from short-term loans from related parties		(2,712,248)	1,396,674	(2,748,450)	938,133
Payments on long-term loans from related parties		(2,600,000)	(6,400,000)	(2,603,649)	(6,403,735)
Proceeds from long-term loans from related parties		1,500,000	6,000,000	1,504,123	6,004,020
Dividends paid to non-controlling interests		(785)	(801)	-	-
<b>Net cash used in financing activities</b>		<b>(6,211,894)</b>	<b>(6,294,577)</b>	<b>(6,246,837)</b>	<b>(6,752,032)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>292,557</b>	<b>(144,640)</b>	<b>335,365</b>	<b>(55,488)</b>
Cash and cash equivalents at the beginning of the period		264,476	409,116	221,668	277,156
<b>Cash and cash equivalents at the end of the period</b>	5	<b>557,033</b>	<b>264,476</b>	<b>557,033</b>	<b>221,668</b>

The notes on pages 91 to 127 are an integral part of these consolidated financial statements and separate financial statements.

Esso (Thailand) Public Company Limited

## Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2016

(All amounts in Baht thousand unless otherwise stated)

### 1 General information

Esso (Thailand) Public Company Limited ("the Company") is a public limited company incorporated and domiciled in Thailand. The address of its registered office is 3195/17-29 Rama IV Road, Klongton, Klongtoey, Bangkok, 10110.

The Company listed on the Stock Exchange of Thailand ("SET") on 6 May 2008.

The Company and its subsidiaries (together "the Group") are involved in the refining and marketing of petroleum products, which includes a network of retail service stations. The Group operates a refinery and chemical manufacturing plant in Sriracha, Thailand. The Group also operates distribution facilities and oil terminals throughout Thailand. The Group's products are sold through a network of retail service stations, directly to industrial customers, and through export. Additionally, the Group is involved in the sale of chemical products to both domestic and overseas customers.

The Company is a subsidiary of ExxonMobil Group which holds 65.99% of the Company's shares.

These consolidated and separate financial statements were authorised for issue by the Board of Directors on 23 February 2017.

### 2 Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with Thai generally accepted accounting principles ("Thai GAAP") under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

The consolidated and separate financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies for the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with Thai GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Note 3.

As at 31 December 2016, the current liabilities of the Group exceeded the current assets by approximately Baht 2,365,727 thousand. The Group currently has adequate financing sources to enable the payment of liabilities when they become due as follows: (1) uncommitted borrowing facilities from related companies and third parties in the amount of Baht 84,708,096 thousand, and (2) the ability to offer Baht 10,800,000 thousand of bills of exchange in a revolving program as approved by the Securities and Exchange Commission. Accordingly, the consolidated and separate financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to amounts or classification of liabilities that may be necessary if the going concern basis of preparing the consolidated and separate financial statements is not appropriate.

An English version of the consolidated and separate financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

## 2.2 New/revised financial reporting standards and interpretations

### 1) New/revised financial reporting standards and interpretations which are effective on 1 January 2016.

TAS 16 (revised 2015)	Property, plant and equipment
TAS 19 (revised 2015)	Employee benefits
TAS 24 (revised 2015)	Related party disclosures
TAS 27 (revised 2015)	Separate financial statements
TAS 36 (revised 2015)	Impairment of assets
TAS 38 (revised 2015)	Intangible assets
TAS 40 (revised 2015)	Investment property
TAS 41 (revised 2015)	Agriculture
TFRS 2 (revised 2015)	Share-based payment
TFRS 3 (revised 2015)	Business combinations
TFRS 4 (revised 2015)	Insurance contracts
TFRS 8 (revised 2015)	Operating segments
TFRS 10 (revised 2015)	Consolidated financial statements
TFRS 12 (revised 2015)	Disclosure of interests in other entities
TFRS 13 (revised 2015)	Fair value measurement
TFRIC 21 (revised 2015)	Levies

TAS 16 (revised 2015), 'Property, plant and equipment' clarifies how the gross carrying amount and accumulated depreciation are treated when an entity uses the revaluation model.

TAS 19 (revised 2015), 'Employee benefits' is amended to apply to contributions from employees or third parties to defined benefit plans and to clarify the accounting treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period.

TAS 24 (revised 2015), 'Related party disclosures' includes as a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.

TAS 36 (revised 2015), 'Impairment of assets' is amended to provide additional disclosure requirement when the recoverable amount of the assets is measured at fair value less costs of disposal. The disclosures include 1) the level of fair value hierarchy, 2) the valuation technique and key assumptions when fair value measurement is categorised within level 2 and level 3.

TAS 38 (revised 2015), 'Intangible assets' is amended to clarify how the gross carrying amount and accumulated amortisation are treated when an entity uses the revaluation model.

TFRS 8 (revised 2015), 'Operating segments' requires disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported to the chief operating decision maker.

TFRS 10 (revised 2015) 'Consolidated financial statements' is amended to define an investment entity and introduce an exception from consolidation. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss.

TFRS 12 (revised 2015) introduces disclosures for an investment entity.

TFRS 13 (revised 2015), 'Fair value measurement' is amended to clarify that the portfolio exception in TFRS 13 applies to all contracts (including non-financial contracts) within the scope of TAS 39 (when announced) or IFRS 9 (when announced).

The Group's management has determined that the revised accounting standards, revised financial reporting standards, and related interpretations did not significantly impact the financial information being presented.

## 2) New/revised financial reporting standards and interpretations which are effective on 1 January 2017.

TAS 1 (revised 2016)	Presentation of financial statements
TAS 16 (revised 2016)	Property, plant and equipment
TAS 19 (revised 2016)	Employee benefits
TAS 27 (revised 2016)	Separate financial statements
TAS 28 (revised 2016)	Investments in associates and joint ventures
TAS 34 (revised 2016)	Interim financial reporting
TAS 38 (revised 2016)	Intangible assets
TAS 41 (revised 2016)	Agriculture
TFRS 5 (revised 2016)	Non-current assets held for sale and discontinued operations
TFRS 10 (revised 2016)	Consolidated financial statements
TFRS 11 (revised 2016)	Joint arrangements
TFRS 12 (revised 2016)	Disclosure of interests in other entities



TAS 1 (revised 2016), the amendments provide clarification on a number of issues, including:

- *Materiality* - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- *Disaggregation and subtotals* - line items specified in TAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- *Notes* - confirmation that the notes do not need to be presented in a particular order.
- *OCI arising from investments accounted for under the equity method* - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

TAS 16 (revised 2016), the amendments clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

TAS 19 (revised 2016), the amendments clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

TAS 27 (revised 2016), the amendments allow an entity a policy choice to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as described in TAS 28. While current TAS 27 allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value (when announced), the election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.

TAS 28 (revised 2016), 1) the amendments allow an entity which is not an investment entity, but has an interest in an associate or joint venture which is an investment entity, a policy choice when applying the equity method of accounting. The entity may choose to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture and 2) the amendments allow an entity a policy choice to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method.

TAS 34 (revised 2016), the amendments clarify what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

TAS 38 (revised 2016), the amendments include a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either the intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or it can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

TFRS 5 (revised 2016), the amendments clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

TFRS 10 (revised 2016), the amendments clarify that: 1) the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities and 2) an investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

TFRS 11 (revised 2016), the amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. 1) they require an investor to apply the principles of business combination accounting and 2) existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained.

The Group's management has determined that the revised accounting standards, revised financial reporting standards, and related interpretations did not significantly impact the financial information being presented.

## 2.3 Group Accounting - Investments in subsidiaries and associates

### (a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are reported using the cost method. Details of the subsidiaries are included in Note 10.

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its shares of post-acquisition movements in reserves are recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount related to share of profit/(loss) of associates in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, the investment in an associate is reported using the cost method. Details of the associate are included in Note 10.

## 2.4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

## 2.5 Investments

### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Investments are initially recognised at fair value of consideration paid plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value based on the quoted bid price on the Stock Exchange of Thailand at the statement of financial position date.

Unrealised gains or losses arising from changes in the fair value of investments classified as available-for-sale are recognised, net of tax, in the consolidated and separate statement of comprehensive income. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated and separate statement of comprehensive income as part of other income or costs. Dividends on available-for-sale financial assets are recognised in the consolidated and separate statement of comprehensive income as part of other income when the Group's and Company's right to receive payment is established.

## 2.6 Trade receivables

Trade receivables are carried at original invoice amount and subsequently measured at the invoice amount less allowance for impairment. An allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the carrying amount and the amount expected to be collected. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'selling expenses'. The receivables are written-off against the allowance account when it is uncollectible. Subsequent recoveries of accounts previously written-off are credited against 'selling expenses' in the statement of comprehensive income.

## 2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined under the following methods:

Crude oil and petroleum products	First-in, first-out method
Chemical products	First-in, first-out method
Materials and supplies	Average unit cost method
Other merchandise	Average unit cost method

Purchase cost includes the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods is primarily comprised of raw materials, transportation costs, direct labour, and direct manufacturing expenditures. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made, where necessary, for obsolete, slow-moving, and defective inventories.

## 2.8 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.



The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

## 2.9 Intangible assets

### (a) *Royalties and licenses*

Acquired royalties and licenses are shown at historical cost. Royalties and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of royalties and licenses over their estimated useful lives (5 to 20 years).

### (b) *Computer software*

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overhead.

Computer software development costs recognised as assets are amortised over their estimated useful lives (5 to 15 years).

## 2.10 Property, plant and equipment

Land is stated at historical cost. All other property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated and separate statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset, except for land which is considered to have an indefinite life, to its residual value over its estimated useful life, as follows:

- Buildings, plant and equipment	3 to 25 years
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An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'selling expenses', 'administrative expenses' and 'other income' in the statement of comprehensive income.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted-average interest rate applicable to the outstanding borrowings during the year. Where funds are borrowed specifically for the construction of property, plant and equipment, the amount of borrowing costs for capitalisation is determined from the actual borrowing costs during the period less any income on the temporary investment of those borrowings.

## 2.11 Impairment of non - financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.12 Leases - where the Group is the lessee

The Group leases certain property, plant or equipment. Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is charged to the consolidated and separate statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

## 2.13 Borrowings

Borrowings are recognised initially at contractual amounts, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds, net of transaction costs, and the redemption value being recognised in the consolidated and separate statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting date.

## 2.14 Employee benefits

### (a) *Provident Fund Plan*

The Group operates a Provident Fund that is a defined contribution plan, the assets of which are held in a separate trust fund, in accordance with the Provident Fund Act B.E. 2530. The Provident Fund is funded by payments from employees and the Group. Contributions to the Provident Fund are charged to the statement of comprehensive income in the year to which they relate. All employees hired on or after 1 September 1997 are required to be members of the Provident Fund.

The Group provides for post-employment benefits, payable to Provident Fund members reaching normal retirement age, in accordance with Thai Labour Law. The benefit liability is recorded as the present value of estimated future cash outflows using interest rates which have terms to maturity approximating the terms of the related liabilities.

### (b) *Employee Separation Benefit and Long Service Allowance Plan*

The Group maintains a defined benefit plan for employees hired prior to 1 September 1997 and who do not elect to participate in the Provident Fund, with this plan being unfunded. The plan contains Employee Separation Benefit and Long Service Allowance Plans, which is in accordance with the retirement laws and regulations of Thailand. Entitlement to these benefits is based on a minimum service period, final month's salary, and the plan provisions.

Actuarial valuations of the benefit plan requirements are performed every 3 years using the projected unit credit method. Based on the valuation, appropriate provisions are accrued and all payments are made against the accumulated provisions. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of Thai Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

(c) *Employee Savings Plan*

Beginning 2009, the Group operates an Employee Savings Plan for all regular Thai employees. The entitlement to this plan is based on a minimum service period of three years and the plan's provisions on withdrawal rights after vesting. This plan will vest 50 percent after three years and 100 percent after six years.

## 2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events such that it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset at the time when reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## 2.17 Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Thai Baht, which is the company's functional and the group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.



When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

## 2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

### (a) Sales of goods

Sales of goods are recognised at the time when the risks and rewards of ownership have passed to the buyer, which is generally at the point of delivery.

### (b) Sales of services

The Group receives rental income and franchise fees from dealers who operate branded retail stations. Revenue is recognised in the period in which the services are provided.

### (c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### (d) Dividend income

Dividend income is recognised when the right to receive payment is established.

When inventories are exchanged or swapped for inventories which are of a similar nature and value, the exchange is not considered a transaction which generates revenue.

## 2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Financial instruments

## 2.20 Financial instruments

Financial assets carried on the statement of financial position include cash and cash equivalents, short-term investments, trade receivables, trade receivables from a related party, amounts due from related parties, loans to related parties, tax claim receivables, and other assets. Financial liabilities carried on the statement of financial position include borrowings, trade and other payables, amounts due to related

parties, loans from related parties, and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item where applicable.

## 2.21 Segment reporting

Segment results that are reported to the Group's Management Committee (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## 2.22 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower end of the carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continued use.

# 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not necessarily equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Recognition of deferred tax assets associated with tax losses carried forward*

A deferred tax asset is recognised to the extent it is probable that the tax losses carried forward will be utilised. Such an assessment is based upon management's review of the forecasted financial income.

#### *Asset retirement obligations*

It is recognised that the Group may incur asset retirement obligations for the dismantling and site restoration costs of its manufacturing facilities. The timing and amount of cash flows is difficult to estimate as the Group has no intention to decommission the sites in the near future. Accordingly and consistent with industry practice, no provision is recorded for asset retirement obligations as the amount cannot be measured with sufficient reliability due to the significant uncertainties involved.

# 4 Segment information

As at 31 December 2016, the Group is organised into two main business segments, namely:

- Downstream, which includes the refining and marketing of petroleum products; and
- Petrochemicals, which includes the manufacturing and marketing of chemical products.

Inter-segment transactions are priced under normal commercial terms and conditions that would also be available to unrelated third parties.

The segment information for the year ended 31 December 2016 are as follows:

	Downstream	Petrochemicals	Group
Total segment revenue	158,437,635	22,648,868	181,086,503
Inter-segment revenue	(18,338,763)	(11,734,497)	(30,073,260)
Revenue	140,098,872	10,914,371	151,013,243
Segment profit (loss) from sales	9,654,228	(1,416,282)	8,237,946
Segment fixed assets	25,381,026	2,527,523	27,908,549

The segment information for the year ended 31 December 2015 are as follows:

	Downstream	Petrochemicals	Group
Total segment revenue	180,122,110	27,275,919	207,398,029
Inter-segment revenue	(22,899,547)	(14,607,363)	(37,506,910)
Revenue	157,222,563	12,668,556	169,891,119
Segment profit (loss) from sales	5,279,978	(2,957,878)	2,322,100
Segment fixed assets	25,697,026	2,862,453	28,559,479

## 5 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash at bank	405,071	77,172	405,071	64,232
Cash on hand	151,962	187,304	151,962	157,436
Cash and cash equivalents	557,033	264,476	557,033	221,668

The average interest rate for cash at bank in 2016 was 0.8% (2015: 0.7%).

## 6 Trade receivables, net

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade receivables, gross	4,528,401	4,133,162	4,528,401	4,129,776
Less: Allowance for impairment of trade receivables (Note 27)	(18,699)	(22,923)	(18,699)	(22,923)
Trade receivables, net	4,509,702	4,110,239	4,509,702	4,106,853

Outstanding trade receivables, as at 31 December 2016 and 2015, are analysed as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Current	4,488,042	4,104,380	4,488,042	4,100,994
Overdue:				
- Less than 3 months	20,562	3,510	20,562	3,510
- 3 to 6 months	446	-	446	-
- 6 to 12 months	1	-	1	-
- Over 12 months	19,350	25,272	19,350	25,272
	<u>4,528,401</u>	<u>4,133,162</u>	<u>4,528,401</u>	<u>4,129,776</u>
Less: Allowance for impairment of trade receivables (Note 27)	(18,699)	(22,923)	(18,699)	(22,923)
	<u>4,509,702</u>	<u>4,110,239</u>	<u>4,509,702</u>	<u>4,106,853</u>

## 7 Inventories, net

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Crude oil	8,909,482	7,070,210	8,909,482	7,070,210
Petroleum products	6,476,473	4,642,935	6,476,473	4,601,563
Chemical products	896,877	885,203	896,877	885,203
Materials and supplies	958,590	918,543	958,590	918,543
Other merchandise	6,213	9,518	6,213	3,941
Inventories, net	<u>17,247,635</u>	<u>13,526,409</u>	<u>17,247,635</u>	<u>13,479,460</u>

As at 31 December 2016, petroleum and chemical products in the consolidated and separate financial statements of Baht 456,024 thousand was carried at net realisable value with this being lower than cost.

The provisions of the Oil Trading Act B.E. 2543 require the Group to maintain certain minimum levels of inventory at all times. As at 31 December 2016, the value of this inventory amounted to Baht 5,910,478 thousand (2015: Baht 4,268,176 thousand).

## 8 Other receivables, net

Other receivables primarily relate to value-added tax and subsidy claims which are expected to be refunded within 12 months.



## 9 Other current assets

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Accounts receivable - other	99,887	111,132	96,863	101,339
Prepaid expenses and deferred charges	958,079	881,675	1,121,972	1,045,726
	<u>1,057,966</u>	<u>992,807</u>	<u>1,218,835</u>	<u>1,147,065</u>

Prepaid expenses and deferred charges primarily relate to prepaid excise tax and the short-term portion of rental prepayments on service stations.

## 10 Investments in subsidiaries and an associate

### 10.1 Subsidiaries

The principal subsidiaries, all of which are incorporated and domiciled in Thailand, are:

Business		Investment value per cost method		% Ordinary share ownership	
		2016	2015	2016	2015
Mobil Enterprises (Thailand) Limited	Lubes and Specialties	833	833	100.00	100.00
Industry Promotion Enterprises Limited	Real Estate Leasing	51,484	51,484	100.00	100.00
United Industry Development Company Limited and its subsidiaries	Real Estate Leasing	58,939	58,939	100.00	100.00
- Pacesetter Enterprises Limited	Real Estate Leasing	3,333	3,333	99.99	99.99
- Thai C-Center Company Limited	Service Station Operator	-	-	99.99	99.99

The ownership percentages detailed above include the effects of both direct and indirect ordinary shareholdings, but exclude preferred shares. The Company does not own any of the preferred shares issued by these subsidiaries, but has the ability to govern the financial and operating policies of each subsidiary.

On November 30, 2016 Thai C-Center Company Limited (Thai C), a company over which the Company has control, has registered its dissolution with the Department of Business Development and is in the process of liquidation following the completion of the conversion of company service stations directly operated by Thai C to a third-party dealer operated model.

### 10.2 Associate

The Company holds a 20.78% interest in an associate, Thai Petroleum Pipeline Company Limited ("Thappline"), which is incorporated and domiciled in Thailand with its primary business activity being the operation of a petroleum pipeline business.

The movements in investments in an associate are as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
At 1 January	2,330,800	2,076,517	1,729,360	1,729,360
Share of profit from an associate (Note 27)	379,755	363,239	-	-
Dividend received	(560,397)	(108,956)	-	-
Share of other comprehensive expense (Note 22)	(2,180)	-	-	-
At 31 December	<u>2,147,978</u>	<u>2,330,800</u>	<u>1,729,360</u>	<u>1,729,360</u>

The Group's share of the results of its associate, which is unlisted, and its aggregated assets and liabilities, are as follows:

	Consolidated financial statements	
	2016	2015
Assets	2,335,011	2,515,975
Liabilities	(187,033)	(185,175)
Net assets	<u>2,147,978</u>	<u>2,330,800</u>
Revenues	<u>730,732</u>	<u>714,478</u>
Net profit	<u>379,755</u>	<u>363,239</u>

## 11 Available-for-sale financial assets

	Consolidated and Separate financial statements	
	2016	2015
At 1 January	1,316,250	1,125,000
Unrealised gain recognised in OCI (Note 22)	315,000	191,250
At 31 December	<u>1,631,250</u>	<u>1,316,250</u>

Available-for-sale financial assets consist primarily of an investment in equity securities of Bangkok Aviation Fuel Services Public Company Limited (BAFS) which is listed on the Stock Exchange of Thailand.

## 12 Fair value

### Fair value estimation

The table below demonstrates financial instruments carried at fair value, by the valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets that are measured at fair value Level 1 at 31 December 2016 and 2015.

	Consolidated and Separate financial statements	
	2016	2015
Available-for-sale financial assets		
▪ Equity securities	1,631,250	1,316,250
At 31 December	<u>1,631,250</u>	<u>1,316,250</u>

The Group and the Company have no financial assets that are measured at fair value Level 2 or 3. There were no changes in valuation techniques during the periods.

### 13 Deferred income tax, net

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Deferred tax assets:</b>				
- To be recovered within 12 months	1,270,311	783,304	1,270,311	767,196
- To be recovered after more than 12 months	786,505	2,839,237	677,522	2,730,253
	<u>2,056,816</u>	<u>3,622,541</u>	<u>1,947,833</u>	<u>3,497,449</u>
<b>Deferred tax liabilities:</b>				
- To be settled after more than 12 months	(319,050)	(256,050)	(319,050)	(256,050)
<b>Deferred tax assets, net</b>	<u>1,737,766</u>	<u>3,366,491</u>	<u>1,628,783</u>	<u>3,241,399</u>

Deferred income taxes are calculated on all temporary differences, under the liability method, using the statutory tax rates expected to apply in periods when the related deferred tax asset is realized or the deferred tax liability is settled.

The gross movement of the deferred income tax account is as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
At 1 January	3,366,491	3,681,380	3,241,399	3,564,348
Charged to profit or loss (Note 25)	(1,544,574)	(277,702)	(1,528,465)	(285,762)
Charged to OCI (Note 22)	(84,151)	(37,187)	(84,151)	(37,187)
At 31 December	<u>1,737,766</u>	<u>3,366,491</u>	<u>1,628,783</u>	<u>3,241,399</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Consolidated financial statements			
	At 1 January 2015	(Charged)/ Credited to profit or loss	Credited to OCI	At 31 December 2015
<b>Deferred tax assets</b>				
Depreciation	274,915	(41,648)	-	233,267
Pensions and employee benefits (Note 22)	602,770	39,588	1,063	643,421
Tax losses carried forward	2,792,516	(198,571)	-	2,593,945
Interest on zero coupon bonds	77,672	(77,672)	-	-
Others	151,307	601	-	151,908
Deferred tax assets	<u>3,899,180</u>	<u>(277,702)</u>	<u>1,063</u>	<u>3,622,541</u>
<b>Deferred tax liabilities</b>				
Unrealised gain on available-for-sale financial assets (Note 22)	(217,800)	-	(38,250)	(256,050)
Deferred tax liabilities	<u>(217,800)</u>	<u>-</u>	<u>(38,250)</u>	<u>(256,050)</u>

	Consolidated financial statements			
	At 1 January 2016	(Charged)/ Credited to profit or loss	Charged to OCI	At 31 December 2016
<b>Deferred tax assets</b>				
Depreciation	233,267	(75,498)	-	157,769
Pensions and employee benefits (Note 22)	643,421	16,121	(21,151)	638,391
Tax losses carried forward	2,593,945	(1,483,614)	-	1,110,331
Others	151,908	(1,583)	-	150,325
Deferred tax assets	<u>3,622,541</u>	<u>(1,544,574)</u>	<u>(21,151)</u>	<u>2,056,816</u>
<b>Deferred tax liabilities</b>				
Unrealised gain on available-for-sale financial assets (Note 22)	(256,050)	-	(63,000)	(319,050)
Deferred tax liabilities	<u>(256,050)</u>	<u>-</u>	<u>(63,000)</u>	<u>(319,050)</u>



	Separate financial statements			
	At 1 January 2015	(Charged)/ Credited to profit or loss	Credited to OCI	At 31 December 2015
<b>Deferred tax assets</b>				
Depreciation	274,915	(41,648)	-	233,267
Pensions and employee benefits (Note 22)	602,770	27,105	1,063	630,938
Tax losses carried forward	2,784,469	(194,148)	-	2,590,321
Interest on zero coupon bonds	77,672	(77,672)	-	-
Others	42,322	601	-	42,923
Deferred tax assets	<u>3,782,148</u>	<u>(285,762)</u>	<u>1,063</u>	<u>3,497,449</u>
<b>Deferred tax liabilities</b>				
Unrealised gain on available-for-sale financial assets (Note 22)	(217,800)	-	(38,250)	(256,050)
Deferred tax liabilities	<u>(217,800)</u>	<u>-</u>	<u>(38,250)</u>	<u>(256,050)</u>

	Separate financial statements			
	At 1 January 2016	(Charged)/ Credited to profit or loss	Charged to OCI	At 31 December 2016
<b>Deferred tax assets</b>				
Depreciation	233,267	(75,498)	-	157,769
Pensions and employee benefits (Note 22)	630,938	28,606	(21,151)	638,393
Tax losses carried forward	2,590,321	(1,479,990)	-	1,110,331
Others	42,923	(1,583)	-	41,340
Deferred tax assets	<u>3,497,449</u>	<u>(1,528,465)</u>	<u>(21,151)</u>	<u>1,947,833</u>
<b>Deferred tax liabilities</b>				
Unrealised gain on available-for-sale financial assets (Note 22)	(256,050)	-	(63,000)	(319,050)
Deferred tax liabilities	<u>(256,050)</u>	<u>-</u>	<u>(63,000)</u>	<u>(319,050)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

## 14 Property, plant and equipment, net

	Consolidated financial statements			
	Land	Buildings, plant and equipment	Construction in progress	Total
<b>At 1 January 2015</b>				
Cost	5,019,683	59,835,232	607,833	65,462,748
Less: Accumulated depreciation	-	(35,629,022)	-	(35,629,022)
<b>Net book amount</b>	<b>5,019,683</b>	<b>24,206,210</b>	<b>607,833</b>	<b>29,833,726</b>
<b>Year ended 31 December 2015</b>				
Opening net book amount	5,019,683	24,206,210	607,833	29,833,726
Additions	-	-	926,919	926,919
Disposals	-	(50,388)	(4,079)	(54,467)
Transfers	-	927,363	(927,363)	-
Depreciation charge (Note 27)	-	(2,146,699)	-	(2,146,699)
<b>Closing net book amount</b>	<b>5,019,683</b>	<b>22,936,486</b>	<b>603,310</b>	<b>28,559,479</b>
<b>At 31 December 2015</b>				
Cost	5,019,683	59,998,013	603,310	65,621,006
Less: Accumulated depreciation	-	(37,061,527)	-	(37,061,527)
<b>Net book amount</b>	<b>5,019,683</b>	<b>22,936,486</b>	<b>603,310</b>	<b>28,559,479</b>
<b>Year ended 31 December 2016</b>				
Opening net book amount	5,019,683	22,936,486	603,310	28,559,479
Additions	-	148	1,403,167	1,403,315
Disposals	-	(54,690)	(27)	(54,717)
Transfers	-	1,077,118	(1,077,118)	-
Depreciation charge (Note 27)	-	(1,999,528)	-	(1,999,528)
<b>Closing net book amount</b>	<b>5,019,683</b>	<b>21,959,534</b>	<b>929,332</b>	<b>27,908,549</b>
<b>At 31 December 2016</b>				
Cost	5,019,683	60,542,710	929,332	66,491,725
Less: Accumulated depreciation	-	(38,583,176)	-	(38,583,176)
<b>Net book amount</b>	<b>5,019,683</b>	<b>21,959,534</b>	<b>929,332</b>	<b>27,908,549</b>

	Separate financial statements			Total
	Land	Buildings, plant and equipment	Construction in progress	
<b>At 1 January 2015</b>				
Cost	675,420	59,469,960	607,832	60,753,212
Less: Accumulated depreciation	-	(35,177,971)	-	(35,177,971)
<b>Net book amount</b>	<b>675,420</b>	<b>24,291,989</b>	<b>607,832</b>	<b>25,575,241</b>
<b>Year ended 31 December 2015</b>				
Opening net book amount	675,420	24,291,989	607,832	25,575,241
Additions	-	-	926,919	926,919
Disposals	-	(50,387)	(4,079)	(54,466)
Transfers	-	927,363	(927,363)	-
Depreciation charge (Note 27)	-	(2,146,699)	-	(2,146,699)
<b>Closing net book amount</b>	<b>675,420</b>	<b>23,022,266</b>	<b>603,309</b>	<b>24,300,995</b>
<b>At 31 December 2015</b>				
Cost	675,420	59,632,742	603,309	60,911,471
Less: Accumulated depreciation	-	(36,610,476)	-	(36,610,476)
<b>Net book amount</b>	<b>675,420</b>	<b>23,022,266</b>	<b>603,309</b>	<b>24,300,995</b>
<b>Year ended 31 December 2016</b>				
Opening net book amount	675,420	23,022,266	603,309	24,300,995
Additions	-	148	1,403,167	1,403,315
Disposals	-	(54,690)	(27)	(54,717)
Transfers	-	1,077,118	(1,077,118)	-
Depreciation charge (Note 27)	-	(1,999,528)	-	(1,999,528)
<b>Closing net book amount</b>	<b>675,420</b>	<b>22,045,314</b>	<b>929,331</b>	<b>23,650,065</b>
<b>At 31 December 2016</b>				
Cost	675,420	60,177,439	929,331	61,782,190
Less: Accumulated depreciation	-	(38,132,125)	-	(38,132,125)
<b>Net book amount</b>	<b>675,420</b>	<b>22,045,314</b>	<b>929,331</b>	<b>23,650,065</b>

As at 31 December 2016, the cost of fully-depreciated property, plant and equipment of the Group and the Company, that were still in use amounted to Baht 11,366,694 thousand and Baht 11,030,414 thousand, respectively (2015: Baht 11,068,980 thousand and Baht 10,732,700 thousand).

## 15 Intangible assets, net

	Consolidated and Separate financial statements		
	Computer software	Royalties and licences	Total
<b>At 1 January 2015</b>			
Cost	612,148	805,248	1,417,396
Less: Accumulated amortisation	(566,249)	(673,358)	(1,239,607)
<b>Net book amount</b>	<b>45,899</b>	<b>131,890</b>	<b>177,789</b>
<b>Year ended 31 December 2015</b>			
Opening net book amount	45,899	131,890	177,789
Write-off*	-	-	-
Addition	3,043	-	3,043
Amortisation charge (Note 27)	(28,314)	(22,447)	(50,761)
<b>Closing net book amount</b>	<b>20,628</b>	<b>109,443</b>	<b>130,071</b>
<b>At 31 December 2015</b>			
Cost	615,191	802,047	1,417,238
Less: Accumulated amortisation	(594,563)	(692,604)	(1,287,167)
<b>Net book amount</b>	<b>20,628</b>	<b>109,443</b>	<b>130,071</b>
<b>Year ended 31 December 2016</b>			
Opening net book amount	20,628	109,443	130,071
Addition	42,725	-	42,725
Amortisation charge (Note 27)	(13,746)	(22,447)	(36,193)
<b>Closing net book amount</b>	<b>49,607</b>	<b>86,996</b>	<b>136,603</b>
<b>At 31 December 2016</b>			
Cost	657,916	802,047	1,459,963
Less: Accumulated amortisation	(608,309)	(715,051)	(1,323,360)
<b>Net book amount</b>	<b>49,607</b>	<b>86,996</b>	<b>136,603</b>

All amortisation charges are recorded in cost of sales, selling expenses and administrative expenses in the statement of comprehensive income based on the nature of the asset.

\* In 2015, the Company wrote off royalties and licences with a net book value of Baht 1, Baht 3,200,000 in cost, and Baht 3,199,999 in accumulated amortisation.

## 16 Prepaid rental and deferred charges

Prepaid rental and deferred charges primarily relate to the long-term portion of rental prepayments on service stations and refinery catalyst replacement.



## 17 Borrowings from financial institutions

	Consolidated and Separate financial statements	
	2016	2015
<b>Current</b>		
Bank overdrafts	21,017	64,878
Short-term borrowings	2,300,000	5,355,000
Bills of exchange	1,198,753	-
Current portion of long-term loan	2,500,000	2,000,000
	<u>6,019,770</u>	<u>7,419,878</u>
<b>Non-current</b>		
Bank borrowings	2,000,000	3,000,000
	<u>8,019,770</u>	<u>10,419,878</u>

Bank borrowings and other facilities detailed below are unsecured and bear interest at rates based on prevailing market rates. The interest rates in 2016 ranged between 1% to 2% per annum (2015: 1% to 2% per annum).

### Short-term borrowings

Short-term borrowings comprised of bank revolving facilities (overnight loans and promissory notes due within 3 months).

### Long-term borrowings

The long-term bank loans consisted of the following:

- A 7-year loan of Baht 8,000,000 thousand which was obtained in 2010 and is repayable in 20 quarterly installments commencing from February 2013 to November 2017. The loan bears interest at 1-month (BIBOR) rate plus a margin. As at 31 December 2016, the outstanding loan balance was Baht 1,600,000 thousand which is payable in 2017.
- A 5-year loan of Baht 1,000,000 thousand which was obtained in November 2014 and is repayable in 20 quarterly installments commencing from March 2015 to December 2019. The loan bears interest at 1-month (BIBOR) rate plus a margin. As at 31 December 2016, the outstanding loan balance was Baht 600,000 thousand, of which Baht 200,000 thousand is payable in 2017.
- A 5-year loan of Baht 1,000,000 thousand which was obtained in September 2015 and is repayable in 20 quarterly installments commencing from January 2016 to October 2020. The loan bears interest at 1-month (BIBOR) rate plus a margin. As at 31 December 2016, the outstanding loan balance was Baht 800,000 thousand, of which Baht 200,000 thousand is payable in 2017.
- A 3-year loan of Baht 1,500,000 thousand which was obtained in November 2016 and is repayable in 12 quarterly installments commencing from March 2017 to December 2019. The loan bears interest at 1-month (BIBOR) rate plus a margin. As at 31 December 2016, the outstanding loan balance was Baht 1,500,000 thousand, of which Baht 500,000 thousand is payable in 2017.

The carrying amounts at each year end of short-term borrowings and long-term borrowings reasonably approximate their fair values. All borrowings are denominated in Baht.

**Maturity of long-term bank borrowings**

	Consolidated and Separate financial statements	
	2016	2015
No later than 1 year	2,500,000	2,000,000
Later than 1 year and no later than 5 years	2,000,000	3,000,000
	<u>4,500,000</u>	<u>5,000,000</u>

**18 Trade and other payables**

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade accounts payable	2,485,719	2,973,088	2,484,648	2,957,594
Other tax payables	676,266	666,637	671,532	664,506
Other payables and accruals	865,787	808,852	864,762	799,724
	<u>4,027,772</u>	<u>4,448,577</u>	<u>4,020,942</u>	<u>4,421,824</u>

Other tax payable represents excise tax payable generated as a result of normal operations.

**19 Provisions for employee benefits**

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Statement of financial position				
liability in the statement of financial position	3,192,612	3,217,176	3,192,612	3,154,759
Profit or loss charge included in operating profit	273,236	281,568	273,236	266,568
Remeasurements	(105,755)	5,314	(105,755)	5,314

The movement in the defined benefit obligation over the year is as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
At 1 January	3,217,176	3,223,887	3,154,759	3,013,850
Current service cost	161,720	170,065	161,720	155,065
Interest cost	111,516	111,503	111,516	111,503
	<u>3,490,412</u>	<u>3,505,455</u>	<u>3,427,995</u>	<u>3,280,418</u>
Remeasurements recognised in OCI (Note 22)				
(Gain) loss from change in financial assumptions	(68,685)	70,961	(68,685)	70,961
Experience gain	(37,070)	(65,647)	(37,070)	(65,647)
	<u>(105,755)</u>	<u>5,314</u>	<u>(105,755)</u>	<u>5,314</u>
Payment from plans:				
Benefits paid	(192,045)	(293,593)	(129,628)	(130,973)
At 31 December	<u>3,192,612</u>	<u>3,217,176</u>	<u>3,192,612</u>	<u>3,154,759</u>
Analysis of total provisions for employee benefits:				
- Current	756,822	669,145	756,822	606,728
- Non-current	2,435,790	2,548,031	2,435,790	2,548,031
At 31 December	<u>3,192,612</u>	<u>3,217,176</u>	<u>3,192,612</u>	<u>3,154,759</u>

The principal actuarial assumptions used were as follows:

	Impact on defined benefit obligation					
	Change in assumption		0.5 % Increase in assumption		0.5 % Decrease in assumption	
	2016	2015	2016	2015	2016	2015
Discount rate	4.00%	3.75%	Decrease by 4.10%	Decrease by 4.43%	Increase by 4.37%	Increase by 4.73%
Salary growth rate	7.00%	7.00%	Decrease by 4.10%	Decrease by 4.43%	Increase by 4.37%	Increase by 4.73%

The discount rate used is based on Thai Government bonds with tenure approximating the tenure of the employee benefit liability. The salary growth rate takes into account market factors such as projected market salary growth and incorporates assumptions relating to inflation rates.

The Group does not anticipate a change in expected rate of salary increase based on historical data.

The above sensitivity analysis is based on a change in the discount rate assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit, the group is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields: a decrease in Thai Government bond yields will increase plan liabilities.

Expected maturity analysis of undiscounted employee benefits:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
- Less than a year	182,416	129,327	182,416	66,910
- Between 1-2 years	149,785	182,877	149,785	182,877
- Between 2-5 years	481,688	423,401	481,688	423,401
- Over 5 years	6,007,039	6,163,660	6,007,039	6,163,660
	<u>6,820,928</u>	<u>6,899,265</u>	<u>6,820,928</u>	<u>6,836,848</u>

## 20 Share capital and premium

	Issued and paid-up share capital			Total
	Number of Shares (thousands)	Ordinary shares	Share premium	
At 1 January and 31 December 2016 and 2015	<u>3,460,858</u>	<u>17,075,181</u>	<u>4,031,711</u>	<u>21,106,892</u>

As at 31 December 2016 and 2015, the total authorised number of ordinary shares is 3,467,917 thousand shares with a par value of Baht 4.9338 per share. All issued shares are fully paid.

## 21 Legal reserve

	Consolidated and Separate financial statements	
	2016	2015
At 1 January	653,243	653,243
Current year allocation of net profit	-	-
At 31 December	<u>653,243</u>	<u>653,243</u>

Under the Public Limited Companies Act B.E. 2535, the Company is required to set aside as a legal reserve at least 5 percent of its net profit after taking into account any accumulated deficit brought forward until the reserve is not less than 10 percent of the registered capital. The legal reserve is non-distributable.



## 22 Other component of equity

The movement of other component of equity which is the fair value revaluation of available-for-sale financial assets and the remeasurements of provisions for employee benefits are as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
At 1 January	420,602	271,853	420,602	271,853
Remeasurement of post-employment benefit obligations (Note 19)	105,755	(5,314)	105,755	(5,314)
Share of other comprehensive expense of associate, net of tax (Note 10)	(2,180)	-	-	-
Gain on remeasuring available-for-sale investments (Note 11)	315,000	191,250	315,000	191,250
Income tax relating to components of other comprehensive income (Note 13)	(84,151)	(37,187)	(84,151)	(37,187)
At 31 December	<u>755,026</u>	<u>420,602</u>	<u>757,206</u>	<u>420,602</u>

## 23 Revenue from Sales

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Revenue from sales of goods	149,798,719	168,906,360	149,724,275	167,694,019
Revenue from sales of services	701,028	628,835	702,057	679,279
	<u>150,499,747</u>	<u>169,535,195</u>	<u>150,426,332</u>	<u>168,373,298</u>

## 24 Expenses by nature

The following expenditure items, classified by nature, have been charged in arriving at the operating profit.

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Net changes in inventories of finished goods	(1,842,499)	3,203,176	(1,888,855)	2,986,615
Raw materials and consumables used	133,268,921	152,773,147	133,265,240	152,435,348
Depreciation and amortisation (Notes 14 and 15)	2,035,721	2,197,460	2,035,721	2,197,460
Employee expenses	1,585,596	1,548,976	1,585,596	1,548,976

## 25 Income tax expense

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Current tax :</b>				
Current tax on profits for the year	10,257	1,697	-	-
Adjustments in respect to prior year	1,247	2,782	-	-
<b>Total current tax</b>	<b>11,504</b>	<b>4,479</b>	<b>-</b>	<b>-</b>
<b>Deferred tax :</b>				
Deferred tax for the year (Note 13)	1,544,574	277,702	1,528,465	285,762
<b>Total deferred tax</b>	<b>1,544,574</b>	<b>277,702</b>	<b>1,528,465</b>	<b>285,762</b>
<b>Total income tax expense</b>	<b>1,556,078</b>	<b>282,181</b>	<b>1,528,465</b>	<b>285,762</b>

The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities and Company as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Profit before tax	8,205,620	1,983,220	8,254,091	1,554,543
Tax calculated at domestic tax rates	1,641,124	396,644	1,650,818	310,908
Tax effect of :				
Income not subject to tax	(88,812)	(121,201)	(124,729)	(28,645)
Expenses not deductible for tax purposes	3,766	6,738	2,376	3,499
Income tax expense	<b>1,556,078</b>	<b>282,181</b>	<b>1,528,465</b>	<b>285,762</b>

## 26 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Profit attributable to equity holders of the Company	6,648,754	1,700,236	6,725,626	1,268,781
Weighted average number of ordinary shares in issue (thousands shares)	3,460,858	3,460,858	3,460,858	3,460,858
Basic earnings per share (Baht per share)	1.92	0.49	1.94	0.37

There are no potential ordinary shares in issue during the years presented and as such diluted earnings per share is not presented.

## 27 Cash generated from operations

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Net profit for the year	6,649,542	1,701,039	6,725,626	1,268,781
Adjustments for :				
Depreciation (Note 14)	1,999,528	2,146,699	1,999,528	2,146,699
Amortisation (Note 15)	36,193	50,761	36,193	50,761
Allowance for impairment of trade receivables (Note 6)	(4,224)	(2,839)	(4,224)	(2,839)
Write-down of inventory to net realisable value	6,952	-	6,952	-
Loss on disposal of property, plant and equipment and intangible assets	45,917	45,528	45,917	45,528
Share of profit from an associate (Note 10)	(379,755)	(363,239)	-	-
Interest income	(4,557)	(4,488)	(172,583)	(167,825)
Interest expense	505,811	774,762	506,335	787,714
Dividend income	(60,750)	(31,770)	(623,647)	(143,226)
Income tax expense (Note 25)	1,556,078	282,181	1,528,465	285,762
Net unrealised foreign exchange (Gain) Loss	(8,126)	14,196	(8,126)	14,196
Changes in working capital				
Trade receivables	(394,929)	163,264	(398,315)	151,894
Trade receivables from a related party	-	-	201,242	766,841
Amount due from related parties	4,315	(4,345)	1,032	15,332
Inventories	(3,728,179)	5,675,501	(3,775,127)	5,445,563
Other receivables	587,149	170,495	572,979	138,363
Other current assets	(65,159)	(40,107)	(71,770)	(50,614)
Prepaid rental and deferred charges	(299,444)	(38,209)	(135,392)	125,842
Other non-current assets	(4,208)	11,874	(19,933)	10,842
Trade and other payables	(423,389)	945,518	(397,264)	1,016,684
Amount due to related parties	1,674,728	(3,529,811)	1,672,873	(3,512,081)
Provisions for employee benefits	81,192	(12,025)	143,608	135,595
Other non-current liabilities	4,077	(3,462)	4,077	(3,462)
<b>Cash generated from operations</b>	<b>7,778,762</b>	<b>7,951,523</b>	<b>7,838,446</b>	<b>8,526,350</b>

In the cash flow statement, proceeds from sale of property, plant and equipment:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Net book amount	54,717	54,466	54,717	54,466
Loss on disposal of property, plant and equipment	(45,917)	(45,528)	(45,917)	(45,528)
Proceeds from disposal of property, plant and equipment	8,800	8,938	8,800	8,938

## 28 Contingent liabilities

As at 31 December 2016, the Group had contingent liabilities in respect to bank guarantees arising in the ordinary course of business, amounting to Baht 68,295 thousand (2015: Baht 61,371 thousand) to third parties. It is not anticipated that any material liabilities will arise from these bank guarantees.

## 29 Commitments

### *Capital commitments*

Capital expenditures contracted for at the statement of financial position date but not yet incurred amounted to approximately Baht 187,065 thousand (2015: Baht 335,975 thousand).

### *Operating lease commitments - Group company as lessee*

The Group leases various plots of land on which retail service stations are operated under non-cancellable operating lease agreements. The lease terms generally range between 15 and 25 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Consolidated and Separate financial statements	
	2016	2015
No later than 1 year	128,888	114,109
Later than 1 year and no later than 5 years	482,652	364,598
Later than 5 years	775,497	562,751
	<u>1,387,037</u>	<u>1,041,458</u>

Certain subsidiaries lease land to the Company; however, there are no future minimum lease payments in respect to such leases which are prepaid (Notes 9 and 16).

### *Other commitments*

	Consolidated and Separate financial statements	
	2016	2015
Lease of compulsory stock obligation	<u>3,432</u>	<u>3,400</u>

## 30 Financial risk management

The Group's activities expose it to a variety of financial risks, which include market risk (including market prices for petroleum commodities risk, foreign exchange risk and interest rate risk), credit risk, liquidity risk, and capital risk.



## 30.1 Market risk

### (a) *Market prices for petroleum commodities risk*

The Group's financial results can be significantly affected from time to time by volatility and cyclical movement in the market prices for crude oil, petroleum, and petrochemical products. Given the large size and the long-term nature of its business, the Group expects that this risk will be moderated over time. The Group does not employ the use of derivative instruments to manage the risk.

### (b) *Foreign exchange risk*

The Group's activities are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Purchases of goods and export sales are primarily transacted in US Dollars. Domestic sales are transacted predominantly in Baht, and are thus not subject to foreign exchange risk.

As at 31 December 2016 and 2015, the Group had no short-term or long-term debt denominated in foreign currencies. In 2016, the Group did not enter into any forward foreign currency contracts. The Group's foreign exchange guidelines prohibit speculative foreign exchange transactions.

### (c) *Interest rate risk*

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The interest rate risk arises from borrowings that are issued at variable interest rates exposing the Group to cash flow interest rate risk. The Group continually optimises the mix in its borrowing facilities to maximise financing flexibility while minimising financing cost.

## 30.2 Credit risk

Credit risk is managed on a Group basis. Credit risk primarily arises from cash and cash equivalents, and credit exposures to commercial and retail customers, including outstanding receivables and committed transactions. Credit risk in respect to balances outstanding with related parties has been assessed to be low due to the overall strength of the ExxonMobil Group.

In the case of cash and cash equivalents, only independently rated banks with a minimum rating of at least BBB-, or equivalent, are accepted.

For trade customers, risk evaluations are performed internally which include reviews of financial position, business success indicators, past experience, and other factors. Individual risk limits are set based on the resulting internal ratings in accordance with limits set by management. Risk categories are established for individual customers based on internal credit guidelines ranging from very low to very high risk. The risk categories are intended to reflect the risk of payment default by a customer and are similar to the rating scales established by external rating agencies.

### 30.3 Liquidity risk

The Group manages liquidity risk by maintaining a minimum operating level of cash and cash equivalent balances. In addition, the Group maintains committed credit facilities as well as a number of uncommitted credit facilities from banks and related parties. The Group reviews requirements for future cash flows through the completion of an annual finance plan. The finance plan is completed for the forthcoming year to ensure that estimates of future requirements are analysed such that appropriate facilities can be made available.

The Group currently has adequate financing sources. As at 31 December 2016, the Group has uncommitted facilities of Baht 84,708,096 thousand (2015: Baht 79,055,707 thousand). The Group has also received an approval from the Securities and Exchange Commission to offer for sale Baht 12,000,000 thousand of bills of exchange in a revolving program, of which Baht 1,200,000 thousand has been utilised as of 31 December 2016.

Liquidity risk may also arise if customers are not able to settle obligations to the Group within the normal credit term. To manage this risk, the Group periodically assesses financial viability of customers and may require certain customers to provide bank guarantees or other similar instruments.

### 30.4 Capital risk

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders. In the future, the Group may adjust the amount of dividend paid to shareholders in order to maintain an appropriate capital structure. Annually, the Group completes a finance plan which seeks to establish positions for the current and future years' dividend projections.

## 31 Related party transactions

ExxonMobil Asia Holding Private Limited acquired 65.43% of the shares from ExxonMobil International Holdings Incorporated and 0.56 % of the shares from other companies within the ExxonMobil Group on 28 November 2014.

Therefore, the Group is controlled by ExxonMobil Asia Holding Private Limited incorporated in Singapore, which owns 65.99% of the Company's shares as at 31 December 2016. The ultimate holding company is Exxon Mobil Corporation incorporated in the United States of America. A further 7.33% of the shares are held by Vayupak Fund 1, a mutual fund established by the Ministry of Finance, with the remaining shares held by a variety of institutional and retail investors.

The Vayupak Fund 1 acquired the shares from the Ministry of Finance on 15 September 2010. The significant investments in subsidiaries and an associate are set out in Note 11.

The following transactions were carried out with related parties:

**(a) Sales of goods and services**

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Sales of goods and services:				
- Subsidiary	-	-	515,844	13,833,506
- Other related parties	6,900,710	9,536,682	6,900,710	9,536,682
	<u>6,900,710</u>	<u>9,536,682</u>	<u>7,416,554</u>	<u>23,370,188</u>

Sales of goods and services between related parties are based on market prices and primarily relate to the sale of petroleum and petrochemical products.

**(b) Purchases of goods and services**

	Consolidated and Separate financial statements	
	2016	2015
Purchases of goods:		
- Other related parties	80,555,502	96,776,460
Purchases of services:		
- An associate	789,268	811,657
	<u>81,344,770</u>	<u>97,588,117</u>

Purchases of goods from related parties primarily relate to the purchase of petroleum and petrochemical products. Purchases of services from an associate relate to the provision of pipeline transportation services for the Group's products. Purchases of goods and services are based on market prices.

**(c) Expenses**

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Expenses paid to:				
- Subsidiaries	-	-	340,542	358,611
- Other related parties	3,169,416	3,171,524	3,150,149	3,080,178
	<u>3,169,416</u>	<u>3,171,524</u>	<u>3,490,691</u>	<u>3,438,789</u>

Expenses primarily relate to the provision of support services and are charged on either a cost or cost plus basis.

**(d) Finance costs, net**

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Interest income received from:				
- Subsidiaries	-	-	168,031	163,381
	-	-	168,031	163,381
Interest expenses paid to:				
- Subsidiaries	-	-	525	13,013
- Other related parties	331,718	492,426	331,718	492,426
	331,718	492,426	332,243	505,439

Interest charges are based on market rates at the time the agreements were entered.

**(e) Key management compensation**

	Consolidated and Separate financial statements	
	2016	2015
Salaries and other short-term employment benefits	66,663	61,640
Post-employment benefits	24,564	22,683
	91,227	84,323

The above information is prepared in accordance with the Securities and Exchange Commission's regulations. This includes the managing director, the first four managers reporting to the managing director as well as all managers at the same level.

**(f) Year-end balances arising from sales/purchases of goods/services and expenses**

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade receivables:				
- Subsidiary	-	-	-	201,242
Amounts due from:				
- Subsidiaries	-	-	44,370	44,574
- Other related parties	30	4,345	30	-
	30	4,345	44,400	44,574
Amounts due to:				
- Subsidiaries	-	-	43	4,935
- Other related parties	7,803,733	6,145,496	7,802,974	6,142,831
	7,803,733	6,145,496	7,803,017	6,147,766

Trade receivables from a related party arise mainly from the sale of petroleum products with credit terms being approximately 25 days.



Amounts due from related parties relate primarily to dividends and interest receivables on long-term loans (Note 31g).

The amounts due to related parties reflect a net payable which arises mainly from the purchase and sales of petroleum and petrochemical products under standard industry terms.

### (g) Loans to related parties

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Long-term loans to:				
- Subsidiaries	-	-	2,748,600	2,593,352

Movements in long-term loans to related parties are analysed as follows:

	Separate financial statements	
	2016	2015
Opening amount as at 1 January	2,593,352	2,416,901
Additional borrowings	196,709	217,552
Repayments of borrowings	(41,461)	(41,101)
Closing amount as at 31 December	2,748,600	2,593,352

Long-term loans to related parties are unsecured. They bear interest based on the minimum lending rate of Bangkok Bank Public Company Limited.

### (h) Loans from related parties

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Current</b>				
Short-term loans from :				
- Subsidiaries	-	-	13,292	49,493
- Other related parties	4,449,571	7,099,940	4,449,571	7,099,940
	4,449,571	7,099,940	4,462,863	7,149,433
Current portion of Long-term loans from				
- Other related parties	3,100,000	2,600,000	3,100,000	2,600,000
	7,549,571	9,699,940	7,562,863	9,749,433
<b>Non-current</b>				
Long-term loans from :				
- Subsidiaries	-	-	1,558	1,084
- Other related parties	7,400,000	9,000,000	7,400,000	9,000,000
	7,400,000	9,000,000	7,401,558	9,001,084

Short-term loans from other related parties include:

- Revolving loan from a related party totaling Baht 2,310,657 thousand out of facility size Baht 12,000,000 thousand at the end of December 2016.
- Short-term loan from a related party under Loan and Current Account Agreement totaling Baht 2,138,914 thousand at the end of December 2016.

Short-term loans from related parties are unsecured. They have no fixed term of repayment and bear interest based on the adjusted minimum lending rate of Bangkok Bank Public Company Limited or Bangkok Interbank Offered Rate (BIBOR).

Long-term loans from other related parties include:

- A 5-year loan of Baht 7,000,000 thousand which was obtained in November 2014 and is repayable in 20 quarterly installments commencing from March 2015 to December 2019. The loan bears interest at 1-month (BIBOR) rate plus a margin. As at 31 December 2016, the outstanding loan balance was Baht 4,200,000 thousand, of which Baht 1,400,000 thousand is payable within 1 year.
- A 5-year loan of Baht 6,000,000 thousand which was obtained in September 2015 and is repayable in 20 quarterly installments commencing from January 2016 to October 2020. The loan bears interest at 1-month (BIBOR) rate plus a margin. As at 31 December 2016, the outstanding loan balance was Baht 4,800,000 thousand, of which Baht 1,200,000 thousand is payable within 1 year.
- A 3-year loan of Baht 1,500,000 thousand which was obtained in November 2016 and is repayable in 12 quarterly installments commencing from March 2017 to December 2019. The loan bears interest at 1-month (BIBOR) rate plus a margin. As at 31 December 2016, the outstanding loan balance was Baht 1,500,000 thousand, of which Baht 500,000 thousand is payable within 1 year.

Long-term loans from related parties bear interest based on the adjusted minimum lending rate of Bangkok Bank Public Company Limited or Bangkok Interbank Offered Rate (BIBOR).

#### Maturity of long-term loans from related parties

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
No later than 1 year	3,100,000	2,600,000	3,100,000	2,600,000
Later than 1 year and no later than 5 years	7,400,000	9,000,000	7,401,558	9,001,084
	<u>10,500,000</u>	<u>11,600,000</u>	<u>10,501,558</u>	<u>11,601,084</u>

# Corporate Separateness Notice

Nothing in this material is intended to override the corporate separateness of local entities. Working relationships discussed in this material do not necessarily represent a reporting connection, but may reflect a functional guidance, stewardship, or service relationship. Where shareholder consideration of a local entity matter is contemplated by this material, responsibility for action remains with the local entity.

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## Annual Report 2016

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Investors can obtain more information about the Company from the Company's Annual Registration Statement (Form 56-1) available at [www.sec.or.th](http://www.sec.or.th) or [www.esso.co.th](http://www.esso.co.th)