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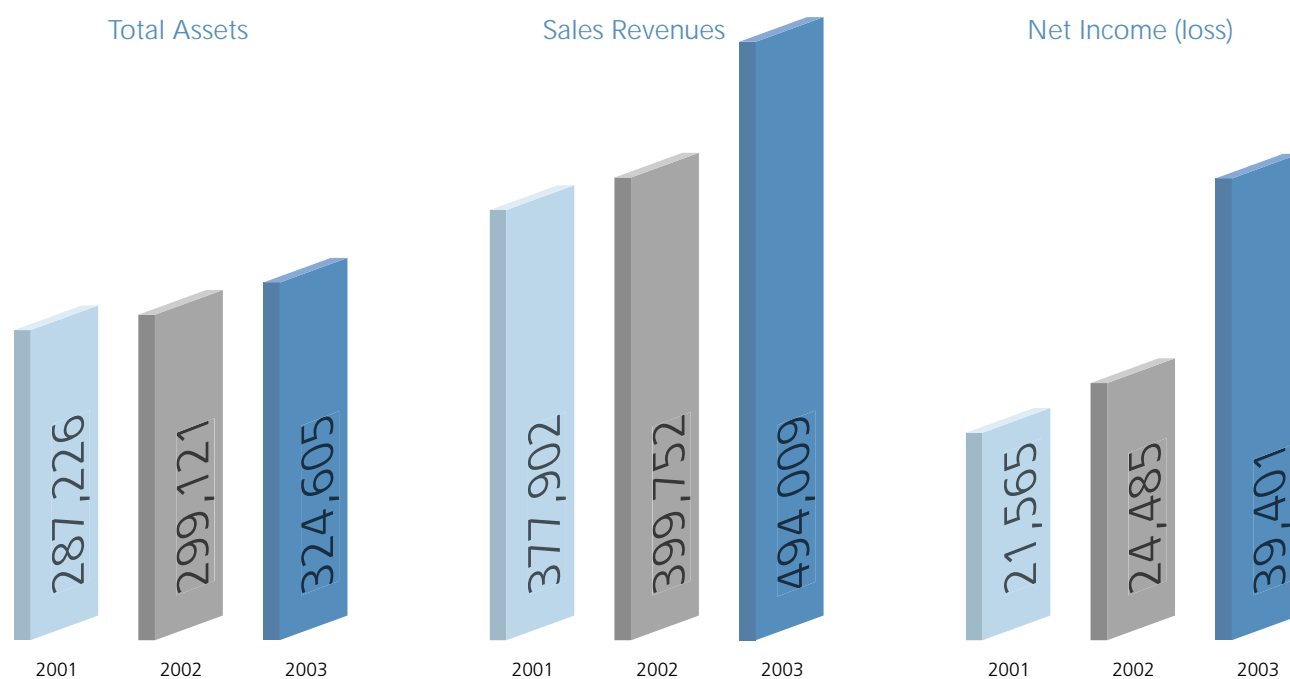
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# FINANCIAL HIGHLIGHT 2003

Financial Ratio	2001	2002	2003
Total Assets (million baht)	287,226	299,121	324,605
Total Liabilities (million baht)	217,108	202,323	195,676
Total Shareholder's Equity (million baht)	70,119	96,798	128,929
Sales Revenues (million baht)	377,902	399,752	494,009
Net Income (loss) (million baht)	21,565	24,485	39,401
Net Profit on Revenues (%)	5.58	5.99	7.68
Return to Shareholders	43.04	14.67	34.91
Return to Total Assets (%)	8.34	8.35	12.63
Debt to Equity Ratio (time)	3.10	2.09	1.52
Interest Coverage Ratio (time)	4.10	5.21	9.36
Net Income (loss) Per Share (baht)	7.71	8.75	14.09
Book Value Per Share (baht)	25.07	34.60	46.09

**Note:** This 2003 financial statement features a key structural change in PTT's consolidated statement for its group of companies. During the fourth quarter, PTT lowered its investment proportion in Thai Olefins Public Company Limited (TOC) (formerly known as Thai Olefins Company Limited), thereby changing a status of TOC from a subsidiary to an associated company. From November 2003 onward, PTT discontinued incorporating TOC's financial statement in its consolidated financial statement.



Unit : million baht



# PTT INFORMATION

**Name** PTT Public Company Limited

**Initial** PTT

**Registered Number** Bor Mor Jor 671

**Type of Business** Engage in integrated gas and petroleum business, other supports activities including with a dominant position in oil and investment in related business.

**Number of Employees** As of December 31, 2003 employees of

- PTT, its Subsidiaries and Joint-Ventures numbered : 4,125
- PTT Plc. : 3,026
- PTT Exploration and Production Plc. (PTTEP) : 743
- PTT Philippines, Inc : 17
- PTT International Trading Pte.Ltd. (PTTPI) : 2
- PTT Cambodia Ltd. (PTTCL) : 39
- Trans Thai-Malaysia (Thailand) Co.,Ltd. (TTM (T)) : 42
- Trans Thai-Malaysia (Malaysia) Co.,Ltd. (TTM ( M)) : 11
- Retail Business Alliance Co., Ltd (RBA) : 241
- District Cooling System and Power Plant Co.,Ltd. (DCAP) : 4

**Location** 555 Vibhavadi-Rangsit Road, Ladyao, Chatuchak, Bangkok 10900,Thailand

**Telephone** 0-2537-2000

**Telefax** 0-2537-3498-9

**Web Site** <http://www.pttplc.com>

**Registered Capital** Baht 28,500 million, including 2,850 million common shares,  
Baht 10 per share (as of December 31, 2002)

**Paid-up Capital** Baht 27,972,457,250, including 2,797,245,725 common shares,  
Baht 10 per share (as of December 31, 2002)

## References

**Share Registra** Thailand Securities Depository Company Limited,  
4 th floor, SET Building, 62 Ratchadapisek Road, Klongtoey,  
Bangkok 10500

**Telephone** : 0-2359-1200-1

**Telefax** : 0-2359-1259

**Auditor** Office of the Auditor General

Rama VI Road, Phayathai,  
Bangkok 10400, Thailand

**Telephone** : 0-2618-5803

**Telefax** : 0-2618-5807



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PTT... Dare to think ahead for Thailand.  
More Than the eyes can see.  
Better than it appears to be.

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As a major organization responsible for the nation's energy sector, PTT dares to be ambitious and exceed expectations. Success is not limited to just our operations but to the stability of the country's economy, the nation's prosperity, and a bright future for the people of Thailand. PTT is therefore committed to the development of the organization and to becoming the leader in the integrated energy business-including exploration, production, development and procurement of various forms of energy. PTT recognizes the significance of constructive change and is prepared to stand up to competition. Clearly, PTT has battled against obstacles alongside the people of Thailand for many decades.



# Major Petrochemical Investor, Upgrading the Industrial Sector, and Strengthening the Thai Economy

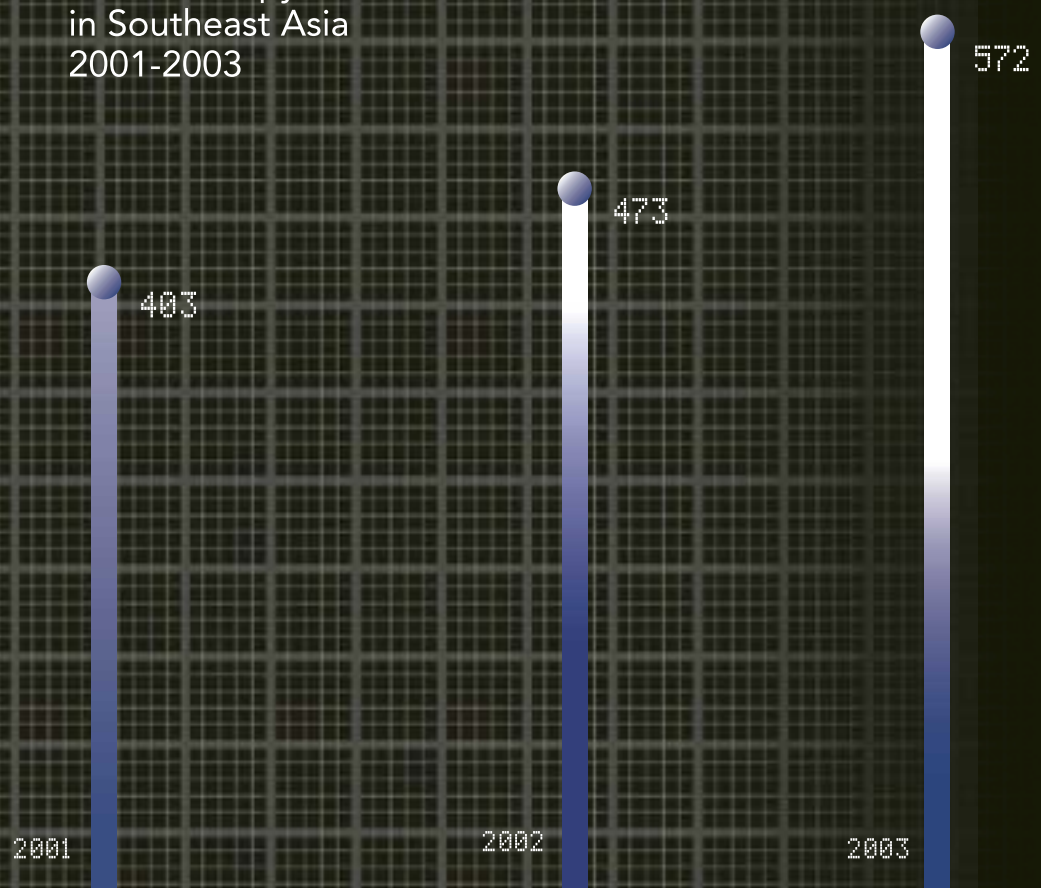
PTT strives to create optimal value for natural gas products by investing in gas separation and petrochemical businesses. The company extends the value chain for natural gas, meeting both domestic and international demand. Economic expansion, both in Thailand and worldwide, has resulted in exceptional growth for the petrochemical industry in 2003, especially for olefins products. It appears that this trend has not yet peaked and demand is expected to continue to rise.





# Price of Propylene Olefins in Southeast Asia 2001-2003

US\$/Ton





## Providing Quality Automotive Products...

## Serving as a Convenience Center for Travelers

PTT is committed to maintaining its status as a leading oil company, providing only quality fuels for the nation's automobiles. It has continually maintained the largest share of the domestic oil market. PTT aims to develop the excellence of its gas stations and believes that the service station is more than merely a retail center for automotive products. It is also a service center, providing many conveniences for everyday life - a friend on the road you can always count on wherever you are.









Searching for Promising  
Energy Sources...

## for the Nation's Sustainable Future

Abiding by its mission to strengthen national security, PTT actively searches for promising energy sources, such as in the Arthit, Tantawan and Benjamas Fields. PTT is speeding up the construction and expansion of the natural gas transportation system so that there will be adequate supply of this clean energy to meet the needs of industrial sector.





# Competent Oil Trader, Striving for Excellence in All Aspects of the Business

With its world-class competitiveness, a result of continuous organizational development, in conjunction with the country's geographical advantages in procurement and distribution, PTT is actively improving its efficiency in international trade and, in accordance with national policy, stepping up to a new and challenging role as a regional center for oil trading in Asia.







# Technological Development for a Decent Quality of Life and Clean Environment

PTT's philosophy of business is founded on environmental friendliness and promotion of quality of life. PTT is committed to energy forms that have the least impact on the environment. PTT Research and Development Institute serves as a key unit for the study and research of technological products. It makes recommendations and determines appropriate measures to ensure an optimum quality of life - for both today and the future.







# MESSAGE FROM THE CHAIRMAN

The economy of Thailand showed a marked improvement in 2003, expanding by 6-7% over the previous year thanks to the government's economic stimulus policy and the rising confidence of the private sector in the economy. This expansion triggered a rise in the consumption of petroleum, the primary commercial source of energy, by 6%. Despite this recent optimism, PTT continued to carry out its "Bold Vision for Thailand" policy through the improvement of operational efficiency in business strategies, finance and personnel; strengthening the internal control system; and adherence to good corporate governance. These factors improved the performance of PTT and its subsidiaries in 2003, registering sale revenue of 494.009 billion baht, a net income of 39.401 billion baht (9 % increase), and total assets of 324.605 billion baht (9% increase). PTT stocks captured a significant share of the entire stock market, garnering a great deal of interest from investors. Its total market value was approximately 517.445 billion baht, or 11% of market capitalization. In addition, Fitch Ratings (Thailand) Ltd. has rated PTT's long-term reliability as AA+ and its credit rating as stable-considered the highest current rating for Thai companies.

Throughout the past year, PTT attained its overall performance targets. Sales by its natural gas business rose 7% from 2002 to 2,635 million cubic feet per day (MMcfd) (at the heating value of 1,000 Btu per cubic foot). Output of products from gas separation plants (excluding natural gasoline from the Dew Point Control Unit) increased to 2.7 million tons. Economic recovery in Thailand and worldwide has set a continuous upward trend for the demand of natural gas, which is expected to reach 3,300-3,500 MMcfd during the period of 2006-2008. In response to this growing demand, PTT engaged in additional sales agreements and initial negotiations with operators of high-potential gas fields like the Arthit, Pailin and Tanta wan Fields.

In the oil business, PTT has secured its domestic marketing base through the continuous development of products and services, earning recognition in both domestic and international markets. Domestic sales increased by 11% to 14,698 million liters, resulting in the leading market share for the 11th consecutive year. In 2003, PTT launched several new products to expand its market, such as diesel, lubricants and cooking gas products for households and industrial customers. In addition, PTT was named "The Best Regional Jet Fuel Marketer 2003 in Asia-Pacific" by international airlines in a recent survey conducted by a leading magazine in the international airline industry.

The petrochemical and refining businesses ended the year with exceptional results. As the petrochemical industry was experiencing a growth cycle, the prices of aromatics and olefins rose. In addition, with the help of PTT, its affiliated petrochemical companies completed their financial restructuring, resulting in satisfactory profits. The refining business also registered satisfactory performance due to the rise in the prices of refined products and the refining margins. It is expected that the petrochemical and refining industries will continue to enjoy good prices and margins within the next couple of years, which will allow PTT to realize revenues and earn dividends from the affiliated companies in this group.



*Cherdpong Siriwit*

MR. CHERDPONG SIRIWIT  
CHAIRMAN OF THE BOARD

As for organization development, PTT implemented a comprehensive process to improve its operations. In information technology, Enterprise Resource Planning Project was put in place. Another was the E-Business Project, which was a tremendous success and was expanded into PTT Group. PTT and Aromatics (Thailand) Public Company Limited collaboratively developed DAVC – the first fully integrated aromatics supply chain system in Asia's petrochemical industry. In addition, PTT saved 140 million baht in procurement expenses through its " Reverse Auction" online procurement system.

At the same time, PTT continued to focus on human resource efficiency through an organizational culture that promotes a positive attitude toward work, such as a performance-based and profit-based working environment, and the focus on teamwork and customers. Safety, occupational health and environment have been at the core of PTT's operations. The company's oil depot and aviation fuel station in Phuket recently won two ISO certificates for occupational health and safety management standards- (TIS) 18001-2542 and OHSAS (Occupational Health and Safety Assessment Series) 18001-1999 – making PTT the first organization to win this international accreditation.

Throughout the years, PTT has remained committed to the development of the society and community, initiating and supporting various programs for sustainable development so that the environment and communities, which form the basis of PTT's success, can grow and prosper together with the company. PTT emphasizes good corporate governance, where management and operations of the company are transparent and auditable, which earned PTT the " Disclosure Report Award" for the second consecutive year. Moreover, it was one of four companies registered on the Stock Exchange of Thailand to win the " Popular Award" .

On behalf of the Board of Directors, I would like to express my gratitude to the shareholders, customers and employees of PTT; financial institutions; the government; the media; employees; the people of Thailand; and all related agencies for their support throughout the years. With this support and PTT's continuous commitment to its mission, I believe that the company will continue to attain its goals and firmly move forward.





# REPORT OF THE AUDIT COMMITTEE

The Board of Directors of PTT Public Company Limited (PTT) appointed the Audit Committee, comprising four experts in law, finance and organizational management. Mr. Olarn Chaipravat is appointed as the chairman with Mr. Chaiwat Wongwattanasna, Mr. Sunthad Somchevita and Mr. Prapan Naikovit as members.

During the year the Audit Committee held nine meetings with PTT's management and its units. (Of these, two were with high-level management and one with the Ministry of Finance to hear comments and recommendations about the State Enterprise Audit Committee Manual, in which PTT was selected to participate as pilot project.)

The committee reviewed PTT's quarterly and annual financial statements for 2003 in collaboration with management and the Office of the Auditor General of Thailand-the company's auditor-to ensure that the company's financial statements were prepared with accuracy, sufficient disclosure of information, and compliance to generally accepted accounting standards. Moreover, the Committee focused on connected transaction among PTT, its subsidiaries and associates, namely the Oil Business Group, Gas Business Group, Petrochemicals and Refining Group, and Head Office, for operations and transactions in relation to subsidiaries and associates companies to ensure that the company had conducted business under regular circumstances and in compliance with the regulations of the Stock of Exchange of Thailand, and that it had disclosed sufficient information for the benefit of investors.

The Committee reviewed the 2003 audit report to insure efficient and effective operations, a good internal control system, and compliance with the laws governing securities and stock exchange, as well as laws related to the company's businesses. In addition, in support of good corporate governance, it was meant to facilitate the monitoring of corrections recommended by the audit report on all significant issues. The Committee considered the annual audit plan for 2004 and the long-term audit plan for 2004-2006, which were founded on the assessment of the company's internal control system and its risk base profiles. The plans called for audit in information technology; accounting, finance and operations; safety, occupational health and environment; and the audit of subsidiaries and associates companies. The purpose was to ensure that the audit plan covers all significant issues, facilitating the prevention of potential risks and an appropriate internal control system to manage risks throughout the organization-and ultimately for the maximum benefit to the company and its shareholders.



A handwritten signature in black ink that reads "Olarn Chaipravat".

OLARN CHAIPRAVAT  
CHAIRMAN OF THE AUDIT COMMITTEE

The Committee also reviewed PTT's internal control system in compliance with the regulations of the Government's Audit Commission on the specifications of internal control standards of B.E. 2544, in 2003, PTT devised a self-assessment program for the organizations' internal control system. To confirm the efficiency and effectiveness of the organizations' internal control system for risk management, a consulting firm with expertise in computerized internal control systems was hired to assess the entire SAP system supporting primary operations. The assessment covered part of the system that had already been implemented at Head Office and the Gas Business Group as well as in the Oil Business Group, where the system was being installed. The conclusion was that PTT's internal control system and sufficient credibility. Moreover, the work of the Risk Management Committee was reviewed by the Committee at least once quarterly, specifically in the management of high-risk factor that could affect the operations of PTT. The committee also provided suggestions on the systematic management of risks to attain an acceptable level of risk exposure.

In a meeting with the Office of the Auditor General of Thailand, the issues discussed included assessment and effectiveness of the internal control system; information compilation and security of the computer network; the appropriateness of accounting principles used; reasons for significant accounting changes and their impact on the financial statement; significant limitations; potential responsibilities; requests; or evaluations that can affect the financial statement; and the assessment of the independence of the Office of the Auditor General of Thailand and the Office of Corporate Audit.

The Committee also considered the appropriateness of the regulations of PTT on the principles and guidelines of the Audit Committee (Audit Committee Charter of 2001), which were regarded as appropriate and comprehensive as generally practiced, and therefore issued the resolution to continue using the regulations. In addition the Audit Committee conducted a self-assessment of the component of the Committee, training and resources, meetings, activities of the Audit Committee, relations with the Executive Vice President, Office of Corporate Audit, external auditors and management, and the roles of the Audit Committee, which resulted in a "very good" rating for all aspects assessed.

The Audit Committee nominated the Office of Auditor General of Thailand as PTT's auditor and recommended remuneration for the auditor to the Board of Directors, which will be subject to the approval of the General Meeting of Shareholders of 2004.



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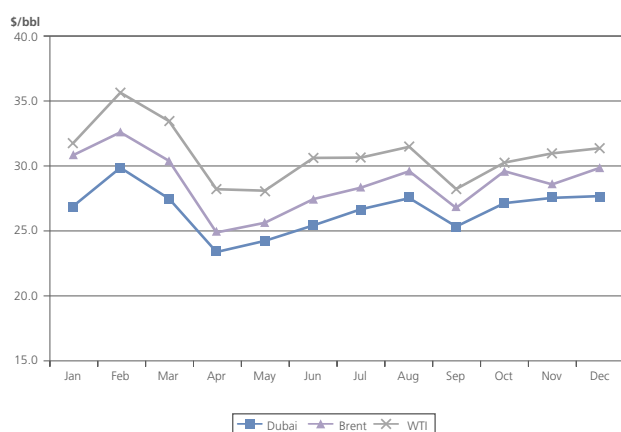
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# GLOBAL SITUATION

The global economy has shown clear signs of recovery in every economic sector after the end of the war in Iraq and the improvement in the SARS (Severe Acute Respiratory Syndrome) epidemic situation. The impact from these two incidents is less severe than expected, and is limited only to a small number of countries and economic sectors. In addition, the economic recovery has been expedited by a loosened monetary policy aimed at stimulating the economy.

### Crude Oil Price in 2003



### Petrochemical Products Price in 2003



The International Monetary Fund (IMF) estimated the expansion in the global economy was approximately 3.2% in 2003. In 2002, the increase was 3.0%. This expansion has resulted in an increase in world oil consumption of 1.7% or 1.3 million barrels per day (MMBD). Total consumption was 79.0 MMBD. This is the first time in three years that world oil consumption has increased by over 1% despite the rise in the price of crude oil. Dubai increased the cost of its crude oil by 12.6% (US\$3 per barrel (bbl)) to US\$26.8/bbl. This price hike resulted from the the political unrests and wars in the Middle East, strikes in Venezuela and Nigeria, and natural disasters-all of which contributed to an interruption in the production, export and transportation of oil. In addition, OPEC (Organization of Petroleum Exporting Countries) announced a reduction in their output level for the end of the year by 900,000 barrels per day (b/d), down to 24.5 MMBD. This reduction was contrary to market speculations that output would be increased. Meanwhile, economic growth has boosted the demand for petrochemical products especially from China. This rise in demand, coupled with a lack of new, significant oil production capacity, has led to a rise in prices of petrochemical products.

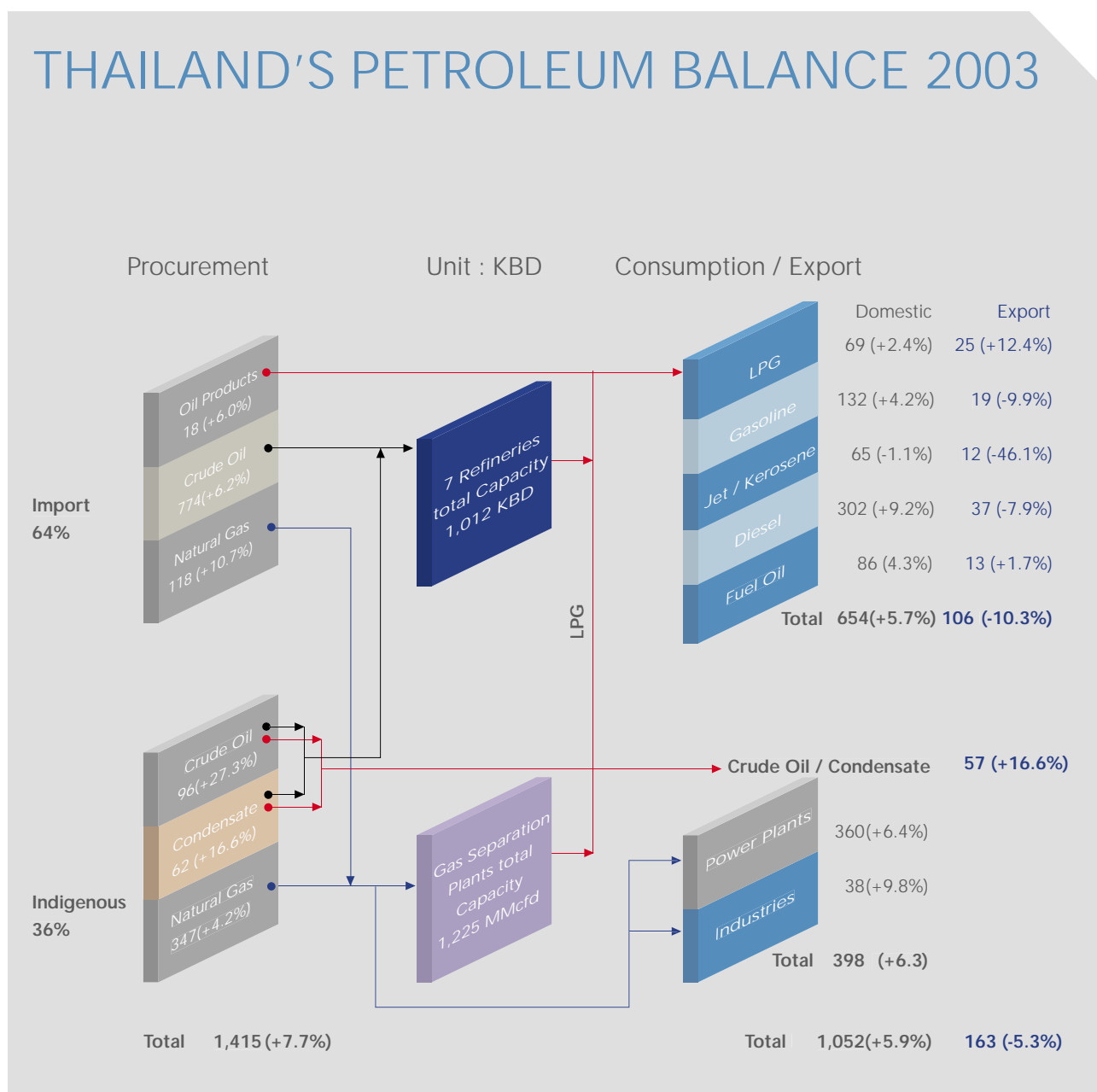


## Domestic Situation

The Thai economy expanded by 6.4% in 2003. Major factors influencing this expansion were the government's policy to boost spending, a substantial increase in exports, leading to a steady current account surplus, and the government's policies aimed at maintaining economic stability, such as the Bank of Thailand's policy toward real estate loans.

Consumption of petroleum, consisting of oil and natural gas (excluding the amount consumed by the petrochemical industry) was 1,052 thousand barrels per day (KBD), an increase of 5.9%. This increase matched closely the expansion of the overall economy. However, the consumption of jet fuel decreased due to the impact of the SARS epidemic and the fear of terrorism, which reduced the demand for air travel. The supply of petroleum, both from indigenous sources and imports, was 1,415 KBD, an increase of 7.7%. 64% was imported while 163 KBD were exported, a decrease of 5.3%.

The petrochemical industry experienced a recovery due to the economic expansion which in turn caused, an increase in the demand, consumption, and production of goods relating to petrochemical products.





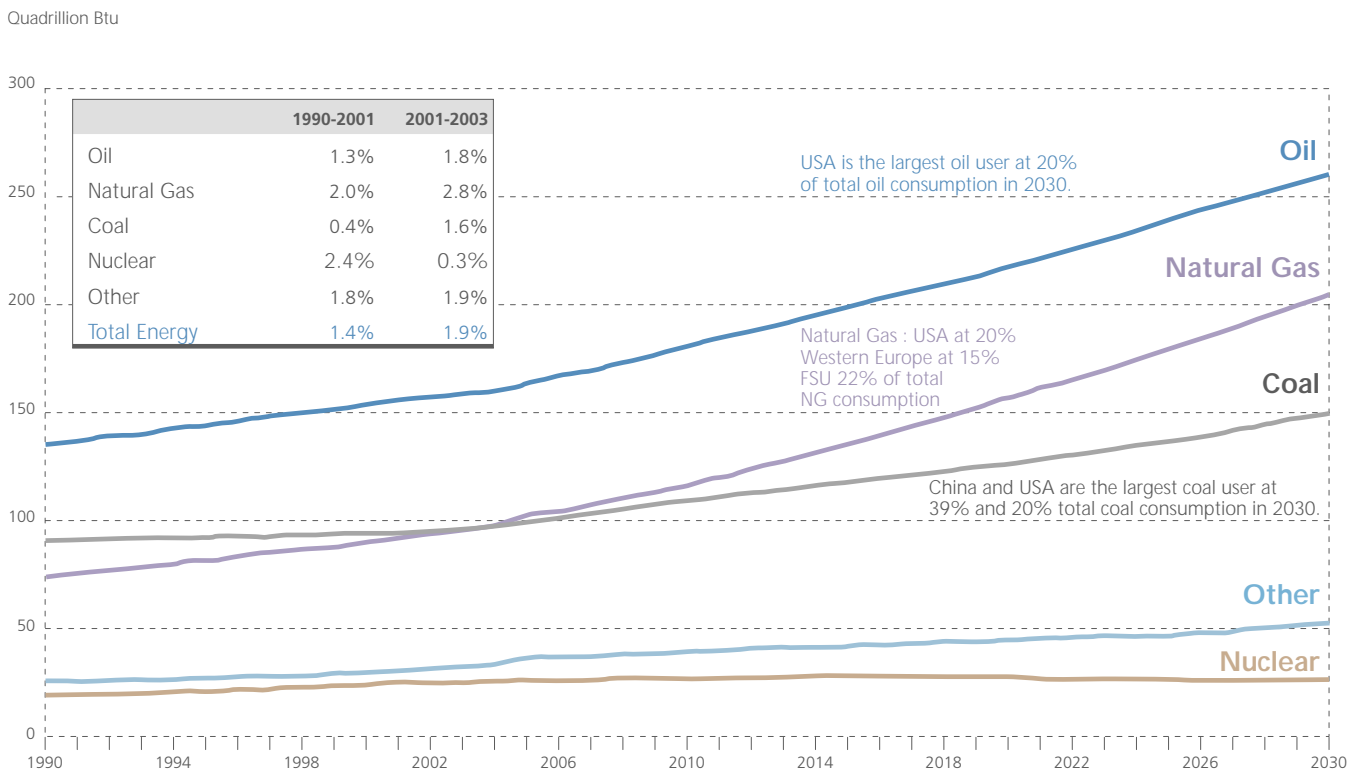
### Trends for 2004

In 2004, the global economy trend will probably continue to follow a recovery path. IMF expects a growth of 4.1%. This would result in an increase in world oil consumption of one MMBD, or 1.3%. The supply of oil from OPEC and non-OPEC nations is expected to exceed demand, and terrorism is expected to decrease and be prevalent in limited geographical areas. Therefore, the price of crude oil (Dubai) should fall to US\$23/bbl. Prices of petrochemical products are expected to peak during 2004 to 2006.

The clear recovery of the global economy and the continued growth of the Thai economy- a result of the government policy and investment by the private sector- will support economic expansion in 2004. Expansion is estimated at 7.8%. However, imbalances in global trade and financial systems may lead to trade discrimination and adjustments in foreign exchange rates. In addition, if interest rates rise, the economy in general may slow down due to an increase the seriousness of the debt repayment problems. Domestic consumption of refined petrochemical products is expected to increase by 9-10%, consumption of natural gas by 5-6%, and demand for electricity by 8-9%. In addition, consumption of petrochemicals is expected to increase 1.5-2 times the rate of economic expansion.

## WORLD PRIMARY ENERGY DEMAND OUT LOOK BY SOURCE

Natural Gas is expected to have the highest growth at 2.8% p.a. and will outpace coal by 2005.



Source : EIA International Energy Outlook 2003 (May 2003)





# 2003 OPERATING RESULTS

PTT's operating results in 2003 reflected a tremendously successful year for the Company, the major success factors being the exponential growth of the Thai economy, which consequently boosted domestic demand for petroleum, the high-growth cycle the petrochemical industry was experiencing, and the high prices of crude oil, petroleum products and petrochemicals. In addition, gas separation plants were operating at full capacity, and refineries at high capacity, and the average Gross Refinery Margin (GRM) increased from the previous year. A significant internal factor was the Company's assiduous effort toward developing an operating environment with the highest efficiency and international standards, shaping PTT into an organization of excellence and a leader in the regional energy arena.

## Gas Business Group

### Natural Gas Procurement

2003 was a year of continuous success for the Gas Business Group, the mainstay of PTT. PTT owns and operates a 2,700-kilometer natural gas transmission network with the maximum total transmission capacity of 3,170 million cubic feet per day (MMcfd). Procurement of gas from domestic and foreign sources totaled 2,651 MMcfd in 2003, an increase of 6.3% from the previous year. Of these, 1,965 MMcfd are from indigenous sources. The amount of natural gas imported from the Union of Myanmar increased to 686 MMcfd, raising the ratio of domestic-to-foreign sources to 74:26.

### Natural Gas Procurement-Supplying the Growing Demand

#### Natural Gas Supply

Unit : Million Cubic Foot per day

Field <sup>1</sup>	2001	2002	2003
Domestic	1,796	1,876	1,965
• Unocal <sup>2</sup>	853	830	849
• Bongkot	549	530	488
• Pailin	149	235	331
• Tantawan / Benchamas	187	225	249
• Namphong	58	56	48
Over Sea	498	618	686
• Yadana	379	418	411
• Yetakun	119	200	275
<b>Total</b>	<b>2,294</b>	<b>2,494</b>	<b>2,651</b>

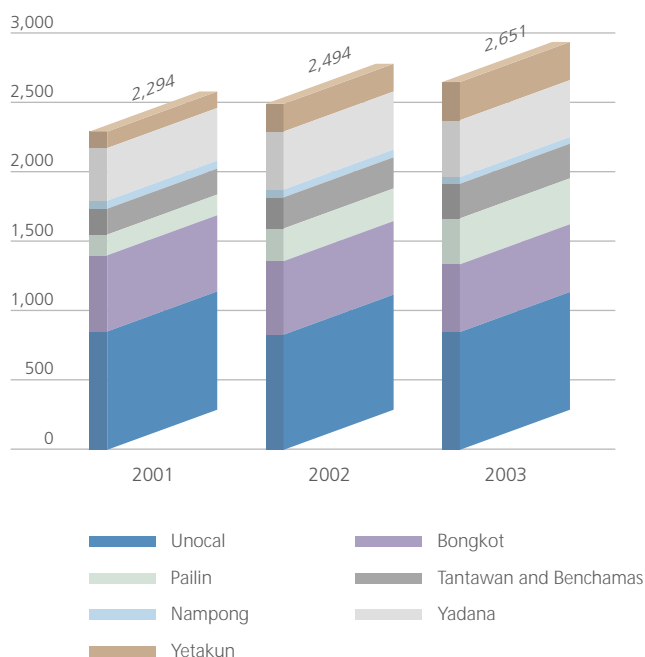
N.B. : Gas volume is calculated at a heat value of on 1,000 Btu per cubic foot.

1 Excluding procurement from JDA, where production has not yet started.

2 Including all contract areas under Unocal 1 and Unocal 2-3.

#### Gas Fields

Unit : Million Cubic Foot per day







As for long-term procurement for natural gas in 2003, PTT and the producers of the Arthit Field, a prodigious field located on the Vietnamese border, wrapped up the " Heads of Agreement" , whereby 330 MMcfd of gas will be delivered to PTT. Delivery is expected to begin in the second quarter of 2006. Moreover, PTT and the producers of the Pailin Field and the Tantawan/Benchamas Fields finalized amendments to existing gas sales agreements. PTT will purchase an additional 23 MMcfd of gas from the Pailin Field, up from 330 MMcfd, from October 2003 onward. Upon the completion of the 3rd gas pipeline in 2006, the contracted sales amount will be 368 MMcfd. For Tantawan/Benchamas Fields, PTT will extend the period of purchase for the amount specified in the amendment for 3 years and 10 months, from March 1, 2004, to December 31, 2007.

## Gas Distribution

Distribution of natural gas in 2003 amounted to 2,655 MMcfd, an increase of 7.3% from the previous year. This increase was due to the sharp rise in domestic demand for electricity. There were two new gas-fired power plants: Glow IPP Company Limited and Eastern Power and Electric Company Limited. Gas consumption by existing industrial customers increased while new industrial customers added to the demand. Furthermore, gas separation plants increased the amount of natural gas received. In 2003, 77% of natural gas was distributed to power producers (Ratchaburi Electricity Generating Company took over EGAT's combined-cycle power plant, reducing the level delivered to EGAT and increasing the level delivered to independent power producers), 8% to industrial and transportation sectors, and 15% to gas separation plants.

## Gas Sales-Steady Growth

Gas Sale

Unit : Million Cubic Foot per day

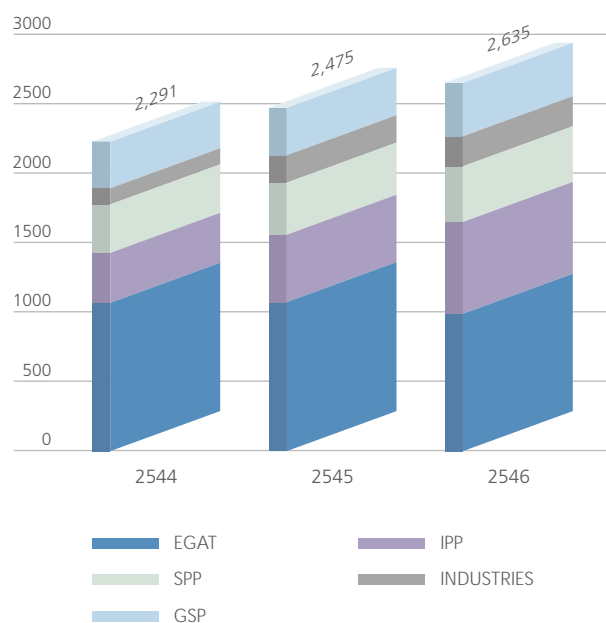
Customer Type	2001	2002	2003
EGAT	1,069	1,074	990
Independent Power Producers	360	486	662
Small Power Producers	349	375	401
Industries	177	198	218
Gas Separation Plant	336	342	364
<b>Total</b>	<b>2,291</b>	<b>2,475</b>	<b>2,635</b>

**Note:** Volume is calculated at a heat value of 1,000 Btu per cubic foot.

: Excluding Natural Gasoline from Dew Point Control Unit.

Customer Type

Unit : Million Cubic Foot per day



PTT also actively promotes consumption in the transportation sector in line with the government's energy policy via the Natural Gas for Vehicles (NGV) Campaign. In 2003, the Company opened 13 new natural gas service stations, resulting in a total of 18 stations. As of 2003, there were 1,389 gas-powered vehicles, and the level of NGV consumption rose by 125.4% from the previous year to 14,470 tons (equivalent to 1.43 MMcfd).



# NATURAL GAS TRANSMISSION PIPELINE SYSTEM AND FUTURE PROJECTS

MYANMAR

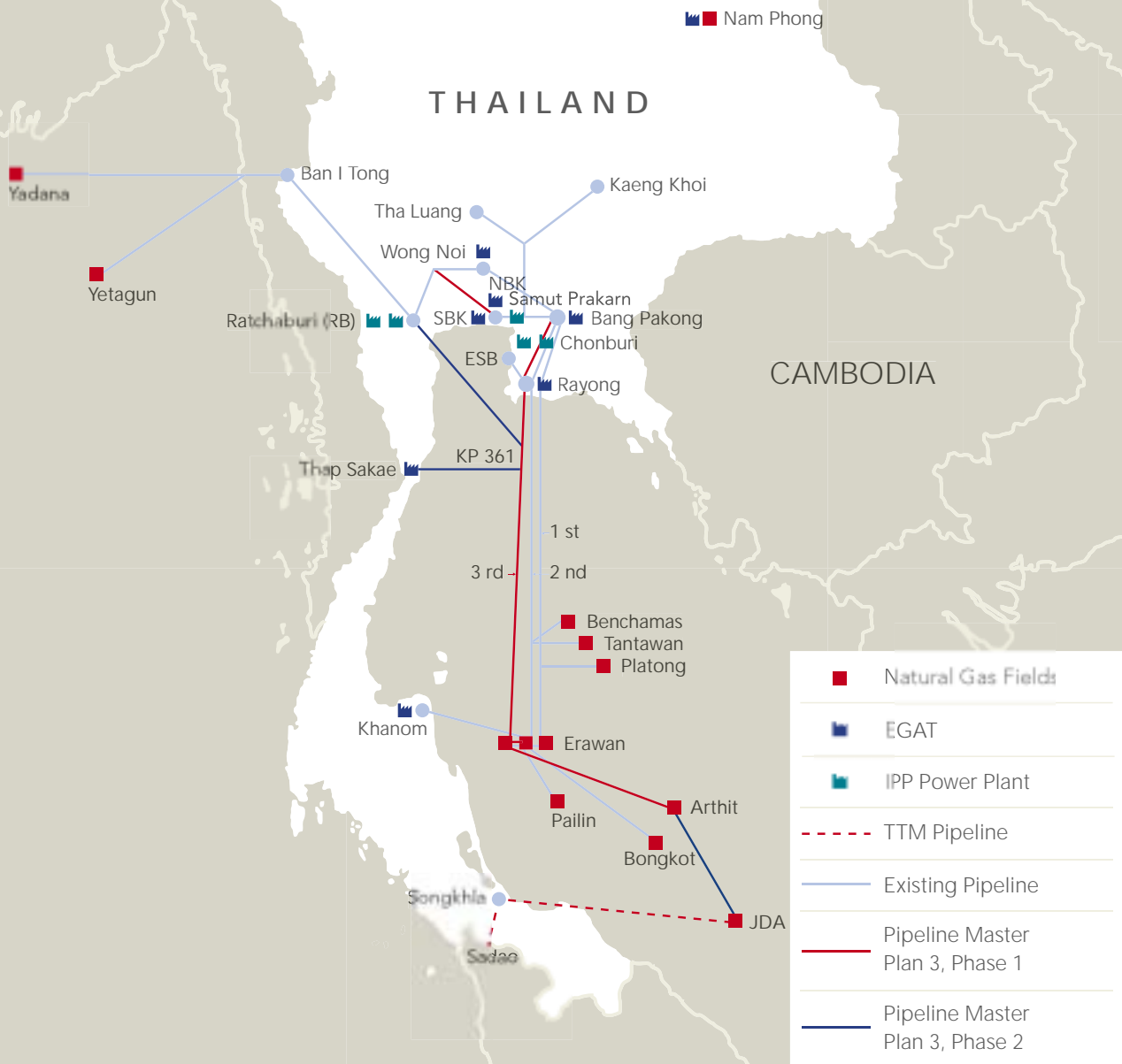
VIETNAM

LAOS

THAILAND

CAMBODIA

MALAYSIA





## Gas Separation Plants

All three units at Rayong Gas Separation Plants operated at capacities higher than their designed capacities. Production at Khanom Gas Separation Plant depended on the demand of the Khanom Power Plant. The output of products from gas separation plants increased across the board due to an increase in the amount of gas delivered and the improvement in the quality of gas before entering the plants.

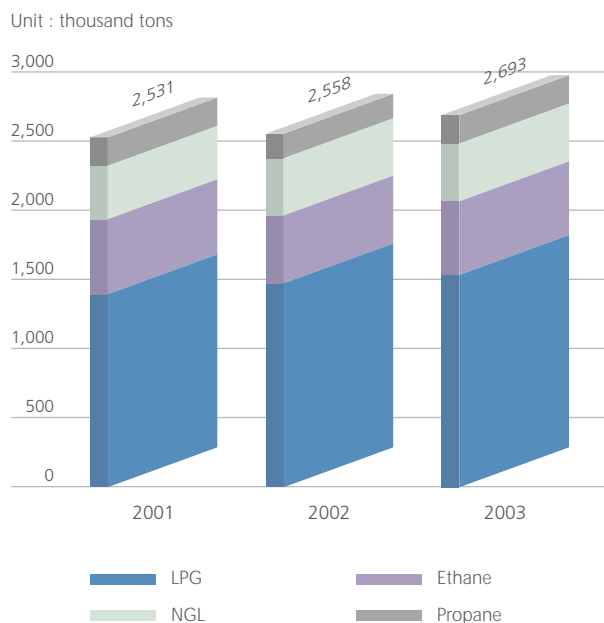
### Gas Separation Plants : Forging Ahead at Full Capacities

Gas Product Sales

Product	2001	2002	2003
Ethane	542,549	491,413	532,671
Propane	206,489	177,887	206,383
LPG	1,396,144	1,475,410	1,535,747
NGL	385,978	413,670	418,470
<b>Total</b>	<b>2,531,160</b>	<b>2,558,380</b>	<b>2,693,271</b>

**Note:** Including NGL From Dew Point Control Unit.  
Conversion Factor for NGL is one barrel equalling 0.1049 ton.

Gas Product



The petroleum exploration and production business, operated by PTT Exploration and Production Public Company Limited (PTTEP), sold 107,299 barrels of natural gas, crude oil, condensate and liquefied petroleum (LPG) gas per day. This is an increase from the previous year of 5.5%, most of which came from Pailin and Yetagun Fields. Proved petroleum reserves, taking into account stakes in Medco, on December 31, 2003, amounted to 112 million barrels of crude oil and condensate and 5,137 trillion cubic feet of natural gas, yielding a total of 882 million barrels of oil equivalent.

## Significant projects undertaken by Gas Business Group

To expand the capacity of the gas transmission system and meet future demand for natural gas, which is increasing at an average rate of 5% per year, PTT invested in construction of a third pipeline system with a transmission capacity of 1,750 MMcfd, to be completed in 2006. The Company also invested in the Gas Separation Plant Unit 5 Project, which will have a capacity of 530 MMcfd, to produce raw materials to meet increased production capacity at Thai Olefins Public Company Limited (TOC), and to produce LPG and natural gasoline (NGL) for domestic and foreign markets.

As for the western flank of the country, PTT expanded the capacity of the gas transmission pipeline from Myanmar by installing a compressor at the Blook Valve West No. 7 in Kanchanaburi. In addition, the gas pipeline project between Sai Noi and the North to South Bangkok Power Plants would help expand the gas transmission network in Bangkok and its perimeter to meet the demands of the power generating, industrial and transportation sectors.



Furthermore, on April 2, 2003, PTT entered into an investment with EGAT and the Metropolitan Electricity Authority (MEA), with stakes of 35:35:30 respectively, to start up a new company to produce and distribute electricity and chilled water to customers in the Suvarnabhumi Airport area through a gas pipeline directly connecting to PTT's gas transmission system. With a maximum transmission capacity of 25 MMcfd. As part of the project, there will also be a cogeneration power plant with a maximum capacity of 50 megawatts and a chilled water production unit (Steam Absorption Chiller) with a maximum capacity of 12,500 refrigerant tons. All facilities are expected to be completed one year before the new airport operates commercially.

## Oil Business Group

The Oil Business Group is engaged in two primary businesses:

1. Oil Marketing: Distribution of fuels and lubricating oils in the domestic market (Retail and Commercial Marketing), as well as in foreign markets (International Marketing)
2. Oil Trading: Importing and exporting crude oil, condensate, oil products, and raw materials for the petrochemical industry, and petrochemical products.

## Oil Marketing

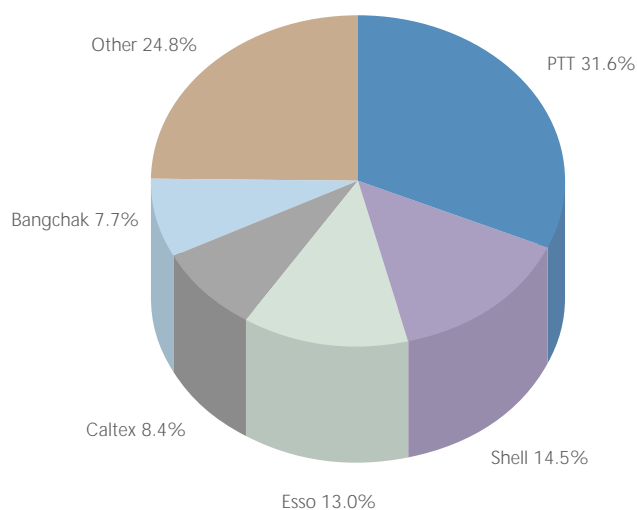
For operations in 2003, PTT continued to focus on maintaining its market share in both retail and commercial markets, successfully securing the largest market share (31.6%) for the 11<sup>th</sup> consecutive year. Domestic sales totaled 14,698 million liters, up 11.2% from the previous year, with an across-the-board increase in the sales of individual products. PTT was still the nation's largest provider of LPG with a market share of 36.3%. In 2003, the Company launched " Kapukluk" , a new size of LPG cylinder with a 7-kilogram capacity that is compact, convenient to transport and meets TIS (Thai Industrial Standards) safety standards. In the lubricating oil market, PTT's share rose to 15.6%.

### Oil Marketing Dominant Position with Strong Brand Image

Sale / Marketing

Marketing Share 2003

	2001	2002	2003
Market Share (%) <sup>1</sup>			
• Excluding fuel sold to EGAT	29.1	29.0	30.5
• Including fuel sold to EGAT	30.4	30.1	31.6
Service Station (No.) <sup>2</sup>	1,422	1,403	1,381
LPG Outlet (No.) <sup>2</sup>	992	1,015	1,007
LPG Bottling Plant (No.)			
Inventory (Storage Capacity)			
• Crude, refined Product (million liters)	1,388	1,534	1,550
• LPG (tons)	75,500	75,500	75,500



Source : PTT Market Share information is from Ministry of Energy

1 Including LPG used as petrochemical feedstock but excluding lubricants and asphalt

2 Of PTT and dealers



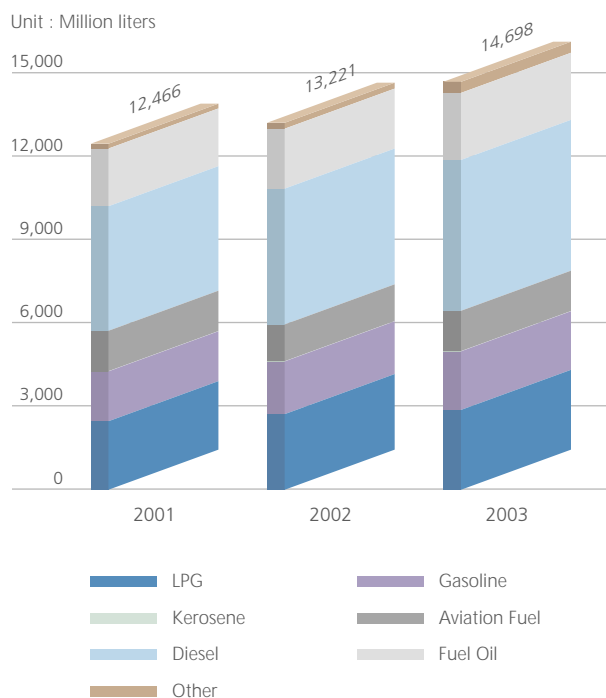
## Oil Products-World-Class Quality

### Sale Volume

Unit : Million liters

Products	2001	2002	2003
LPG	2,468	2,724	2,876
Gasoline	1,796	1,899	2,111
Kerosene	7	7	7
Aviation fuel	1,456	1,327	1,454
Diesel	4,487	4,892	5,435
Fuel Oil	2,079	2,159	2,416
Other	173	213	399
<b>Total</b>	<b>12,466</b>	<b>13,221</b>	<b>14,698</b>

### Product Type



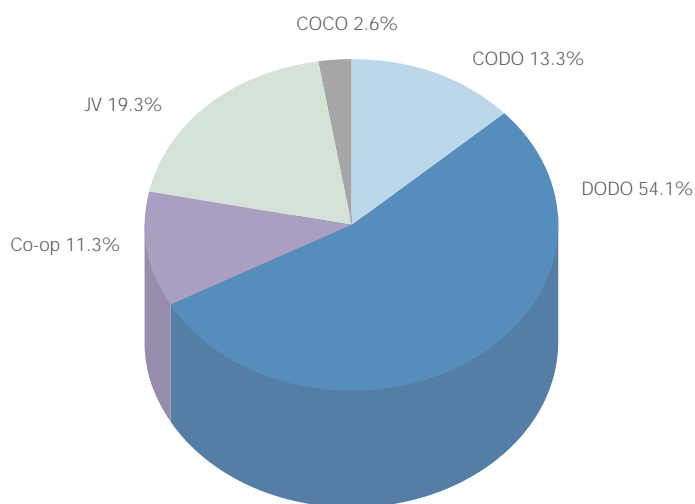
## Retail Oil Market-Service Station Leader

### No. of Service Station

Unit : Station

Type	2001	2002	2003
COCO	27	36	36
CODO	163	175	183
DODO	813	770	748
Co-op	113	120	119
JV	306	302	295
<b>Total</b>	<b>1,422</b>	<b>1,403</b>	<b>1,381</b>

### Type of Service Station



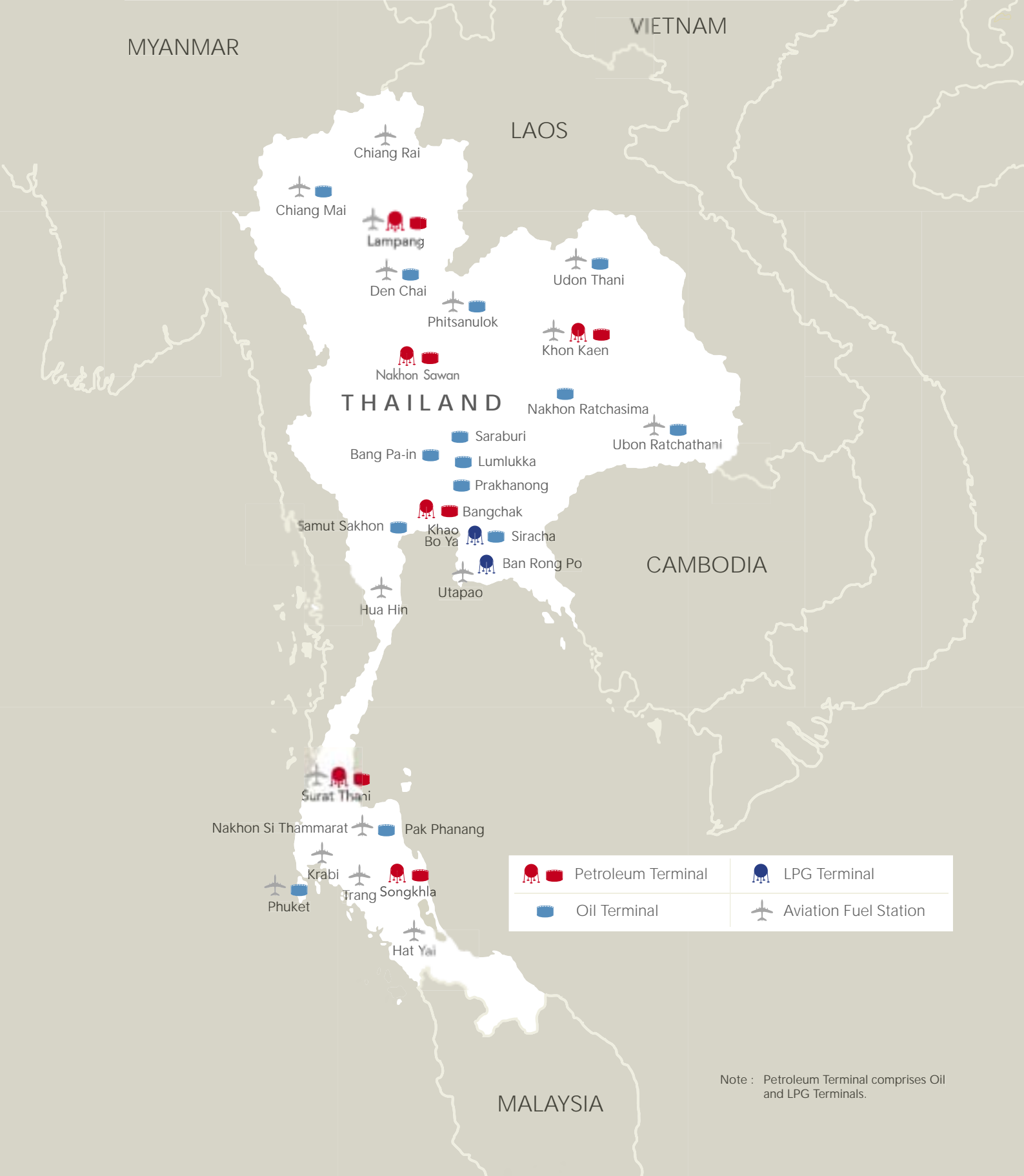
Source : PTT

Note: COCO = Company Owned Company Operated  
 CODO = Company Owned Dealer Operated  
 DODO = Dealer Owned Dealer Operated  
 Co-op = Co-operative  
 JV = Joint Venture

To maintain the status of market leader in the domestic oil industry, confirm PTT's operating standards and efficiency, and provide consumer confidence in the quality of PTT's products and services, all of the Company's oil and LPG depots throughout the country have received TIS-ISO 9001:2000 certification for quality management by the International Standards Organization (ISO).



# PTT PETROLEUM, OIL, LPG TERMINALS AND AVIATION FUEL STATIONS



	Petroleum Terminal		LPG Terminal
	Oil Terminal		Aviation Fuel Station

Note : Petroleum Terminal comprises Oil and LPG Terminals.



Furthermore, the Company's dedication to the development of product quality and the improvement of its operating efficiency has earned it the " Best Regional Jet Fuel Marketer Award 2003" from Asia-Pacific airlines.

Several steps were undertaken to promote the image of PTT service stations as a " One-Stop Service" . The number of 7-Eleven stores in the stations rose to 203. " Pro Check" Centers providing automobile checkup and oil-changing services were opened. Other added features at service stations were fast food restaurants, cafes under the name of " Café Amazon" , and " Film Drop Point" , a joint venture with Powerbuy that provides photo imaging services in 17 PTT service stations along the Vibhavadi-Rangsit and Phahonyothin Roads, extending from the Victory Monument to Thammasat University (Rangsit Campus).

To provide a less expensive alternative for users of 95-octane gasoline, support His Majesty the King's efforts in promoting alternative energy, and help provide more income for Thai farmers; PTT offered gasohol at 12 locations in Bangkok. PTT first offered gasohol at its Head Office station. It was the first oil company to do so in Thailand.

PTT Research & Technology Institute, the most technologically advanced research center in Southeast Asia, developed a new formula of diesel oil called " PTT Delta-X" , which contains " Extra Clean" high-efficiency cleaning agents that remove deposit from injectors and thereby provide for more complete combustion. This product was launched on March 25, 2003. Toward the end of the year, PTT led the oil product market once again by launching another diesel formula called " PTT Delta-X Euro III" . The sulfur content of this formula was reduced by 30% (from 0.05% to no more than 0.035% or 350 ppm) based on the Euro-III standard and a higher level of " Extra Clean" agents was added. The new product was launched on October 1, 2003, in Bangkok and its surrounding areas perimeter and will be available throughout the country on January 1, 2004. For motorcycles, PTT developed " PTT 4T Challenger" , a semi-synthetic, multigrade (SAE 10W-40) lubricating oil. Manufactured under international standards of API SG and Japanese standards of JASO MA, PTT 4T Challenger features exceptional resistance to heat and oxygen and prevents accumulation of deposit in engines, thereby extending engine life and the period between oil changes.

Sales of refined products in international markets amounted to 2,215 million liters, with a new customer at the Thai-Cambodian border and more purchase from PTT Cambodia Ltd. A total of 85,800 metric tons of LPG was exported, with increased purchases from Vietnam and new customers in the Philippines, India and Cambodia.

## Oil Trading

International oil trading at PTT reported total sales of 23,559 million liters of crude oil, condensate, refined products and petrochemicals, an increase of 17.0% from the previous year. The rise was due to the higher proportion of crude oil procurement using the spot system, the out-out expansion of the customer base for refined products into Singapore, the procurement of condensate for and sales of petrochemicals to the Aromatics (Thailand) Public Company Limited (ATC)- which was currently expanding its capacity- and the higher sales of condensate from Erawan and Pailin Fields due to higher production capacities.



## Oil Trading Volume-Moving into International Arena

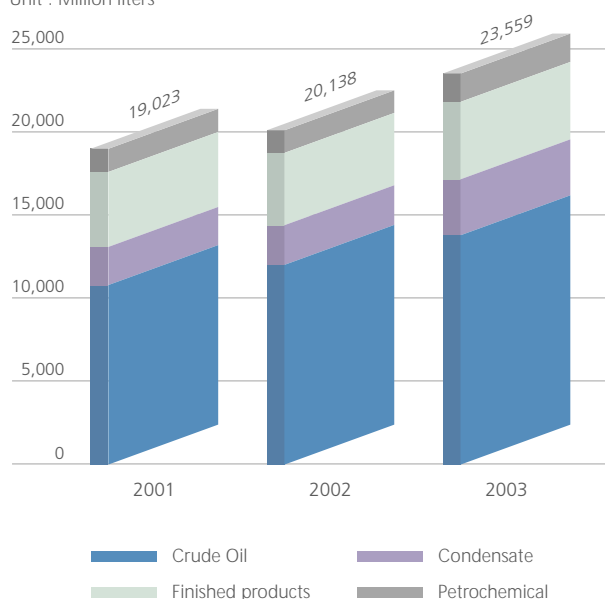
### International Trading Volume

Unit : Million liters

Product	2001	2002	2003
Crude Oil	10,814	12,031	13,815
Condensate	2,297	2,390	3,372
Finished Products	4,516	4,356	4,663
Petrochemical	1,396	1,361	1,709
<b>Total</b>	<b>19,023</b>	<b>20,138</b>	<b>23,559</b>

### Product Type

Unit : Million liters



## Petrochemicals and Refining Business Group

### Petrochemical Business

In 2003, the global petrochemical business was in an "up" cycle, as can be seen from rising prices of petrochemical products. Throughout the year, affiliated companies operated at high production capacities and planned to increase production capacities as well as integrating forward into downstream businesses to add value to their products. In 2003, National Petrochemical Plc. (NPC) was engaged in two projects: expanding its ethylene production capacity by 24,000 tons per year and installing high density polyethylene (HDPE) facilities with a production capacity of 250,000 tons per year, to be completed in 2004.

Thai Olefins Plc. (TOC) turned public on May 13, 2003, and raised capital in the stock exchange to fund the construction of an ethylene oxide/ethylene glycol (EO/EG) plant with a production capacity of 300,000 tons per year. TOC Glycol Company Limited was formed on November 27, 2003, for this purpose. Construction of additional facilities to increase the production capacity by 300,000 tons per year was ongoing and will be completed in 2005.

Aromatics (Thailand) Plc. is undergoing Phase 2 of its capacity expansion project to add value to toluene and mixed-xylene products from Phase 1 expansion. Production of paraxylene will increase to 495,000 tons per year and that of benzene to 467,000 tons per year after completion of Phase 2 in 2004.

### Refining Business

In 2003, the economy improved, both in Thailand and in the region, boosting the demand for oil. Therefore, most refineries were operating at high capacities and the average domestic Gross Refinery Margin (GRM) was higher than the previous year. Furthermore, the increase in GRM resulted from efforts of the refineries to form business alliances. On November 17, 2003, PTT, Thai Oil Refinery, and Bangchak Refinery signed a memorandum of understanding to engage in an alliance for the procurement of crude oil and the refining of international refined products for added value. The alliance would not only reduce operating costs and increase profits but also save on foreign currencies.

Refineries undertook several projects to further increase their profit margins in 2003. Thai Oil Refinery was engaged in its Hydrocarbon Management Review (HMR). Rayong and Star Refineries, which had been operating together under the name Alliance Refining Company Limited since 1999, launched the Hydrocarbon Management Improvement Program (HMIP) to increase their ability to generate profit.





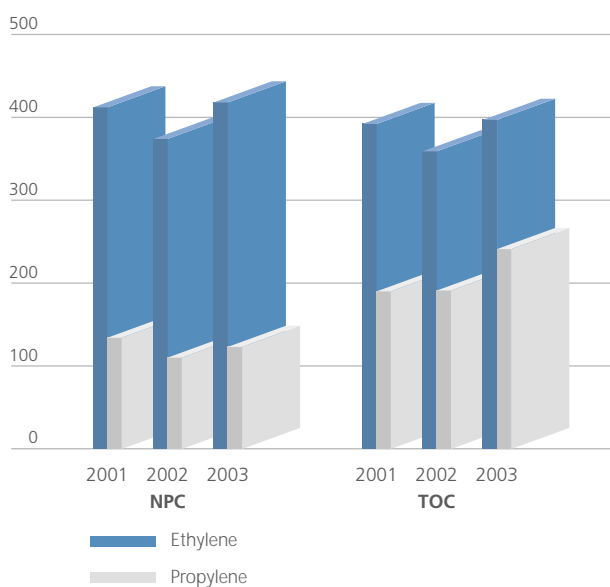
## Petrochemicals Group : Focus on Gas-based business

### Production Volume

Company	Products	Production (Tonnes)		
		2001	2002	2003
National Petrochemical Plc. (NPC)	Ethylene	412,328	374,529	418,737
	Propylene	134,779	110,369	123,122
Thai Olefins Plc. (TOC)	Ethylene	392,565	359,888	397,030
	Propylene	190,523	191,297	241,224
Aromatics (Thailand) Plc. (ATC)	Paraxylene	389,897	326,581	386,397
	Benzene	298,115	260,187	386,397
Thai Paraxylene Co., Ltd. (TPX)	Paraxylene	-	251,150	274,982

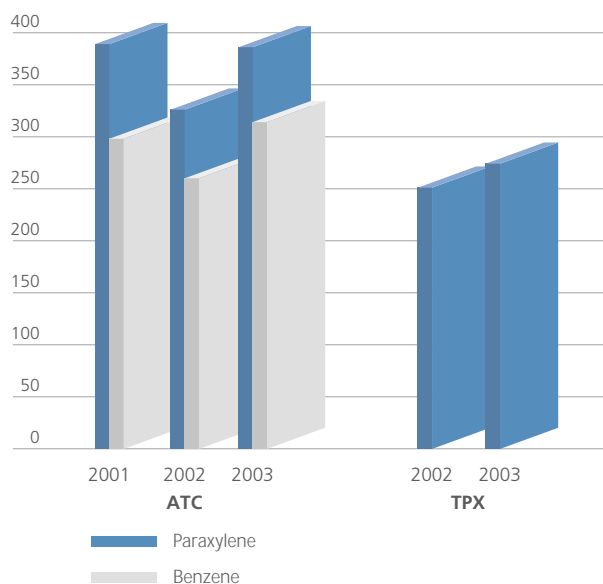
#### Olefins Product

Unit : 1,000 tonnes



#### Aromatics Product

Unit : 1,000 tonnes



With regard to refineries undergoing business and financial restructuring, Bangchak Refinery had completed its financial restructuring and was expected to successfully resolve its financial problems in the first quarter of 2004, which would eliminate the problem of debt clustering and reduce financial costs. Rayong Refinery was engaged in negotiations for debt restructuring, which was expected to end shortly due to a prevailing high GRM, thus improving its business performance.



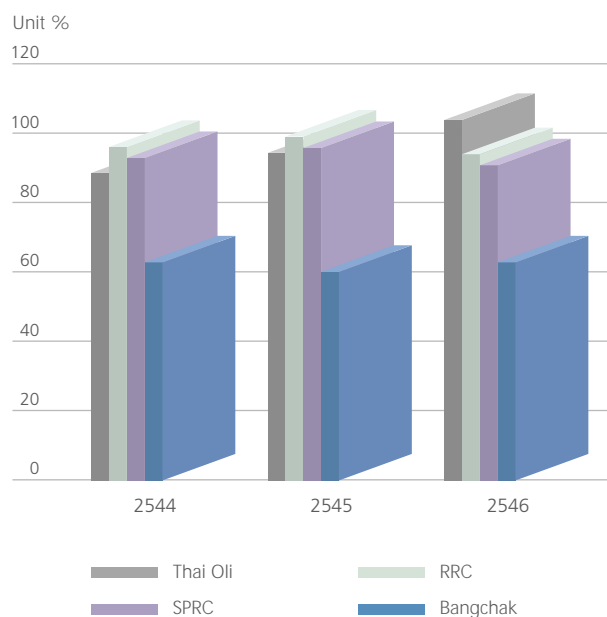
## Refining Business Group-World-Class Plants

### Utilization Rate

Refinery	Refining Capacity kbd	Utilization Rate (%)		
		2001	2002	2003
Thai Oil	220	88.7	94.5	104.0
RRC	145	96.2	99.2	94.1
SPRC	150	93.0	95.9	90.9
Bangchak	120	62.9	61.3	62.9

Source : Bureau of Fuel Trade and Stockpile

### Refinery



### Conclusion

PTT's operating performance in 2003 was, overall, a great overall success. The year saw continuous improvements in revenues, sales and net income and the highest market capitalization of 450 billion baht at the end of 2003. Coupled with those of its affiliates, PTT's market capitalization reaches an impressive 700 billion baht, or 16% of the total market capitalization of the Stock Exchange of Thailand. Part of this success can be attributed to PTT's commitment to improving efficiency through the development of its fundamental business structure, work processes, personnel, professional management and working culture. In addition, good corporate governance is clearly a priority at PTT, an essential mechanism that enhances the Company's competitiveness and business competencies. To ensure sustainable growth, PTT began construction of the third gas pipeline project, the Sai Noi-North/South Bangkok Power Plants gas pipeline, and the 5<sup>th</sup> Unit Gas Separation Plant in response to the increasing demand for natural gas and to add value to the organization so as to sustain the Company's long-term growth values.



# PTT AND ITS AFFILIATES

Company	Nature of Business	Shareholding percentage
<b>Subsidiaries : Oil Business Group</b>		
<b>1. PTT Philippines Inc. (PTTPI)</b>	Engage in wholesale and retail petroleum marketing through PTT gas stations and other non-oil business in the Philippines.	100.00
Office : 19th Fl., Tower One Bldg., Unit B Ayala Triangle, Ayala Avenue, Makati City, Metro Manila, Philippines Tel: (632) 848-6273-6 Fax : (632) 848-6271		
<b>2. PTT International Trading Pte., Ltd. (PTTT)</b>	Involve in international oil trading, sell oil to offshore facilities and participate in the bidding for oil sale to international industrial market and duty free market.	100.00
Office : 391 B Orchard Road, #93 - 10A, Ngee-Anh City, Tower B, Singapore Tel : (656) 734-6540 Fax : (656) 734-3397		
<b>3. PTT (Cambodia) Limited (PTTCL)</b>	Market and distribute PTT products, provide refueling service and asset management.	100.00
Office : 182 Norodom Boulevard, Sangkat Tunlebasac, Khan Chamkamorn, Phnom Penh, Cambodia Tel : 855-23-362819, 855-23-362821-2 Fax : 855-23-213987 Email : pttcambodia@bigpond.com.kh		
<b>4. Retail Business Alliance Co., Ltd. (RBA)</b>	Operate 7-Eleven C-store and Café Amazon in the PTT's gas station and provide management services to PTT's gas and NGV station that are owned by PTT.	49.00
Office : 555 Prakanong office and oil terminal Khlong toei Bangkok 10250 Tel : (662) 239-7895 Fax : (662) 239-7872		
<b>Natural Gas Business Group</b>		
<b>5. PTT Exploration and Production Plc. (PTTEP)</b>	Engage in petroleum exploration and production projects both in Thailand and overseas. Currently, PTTEP and its subsidiaries have invested in altogether 17 projects	63.61
Office : PTTEP Office Bldg. 555 Vibhavadi-Rangsit Rd., Chatuchak, Bangkok 10900, Thailand Tel : (662) 537-4000 Fax : (662) 537-4444 Website : www.pttep.com		



Company	Nature of Business	Shareholding percentage
<b>Associated : Refining Business Group</b>		
<b>6. Thai Oil Co., Ltd. (TOCL)</b>	Operate an oil refinery for domestic use and export, invest in petrochemical, power generation and chartering businesses.	49.99
Office : 12th ,Sun Tower B Bldg. 123 Vibhavadi-Rangsit Rd., Chatuchak, Bangkok 10900, Thailand Tel : (662) 617-8300 Fax : (662) 617-8299 Website : www.thaioil.co.th		
<b>7. Thai Lube Base PLC. (TLB)</b>	Manufacture lube base oil and bitumen	48.38
Office : 2nd Fl., PTTEP Office Bldg. 555 Vibhavadi-Rangsit Rd., Chatuchak, Bangkok 10900, Thailand Tel : (662) 537-3377, (662) 537-5713 Fax : (662) 537-5714 Website : www.thailube.co.th		
<b>8. Rayong Refinery Co., Ltd. (RRC)</b>	Operate an oil refinery for domestic use and export	36.00
Office : 1 I-3B Road, Mab Ta Phut Industrial Estate PO.Box 100, Mab Ta Phut, Rayong 21150, Thailand Tel : (6638) 699-000 Ext. 201 Fax : (6638) 699-999		
<b>9. Star Petroleum Refining Co., Ltd. (SPRC)</b>	Operate an oil refinery for domestic and export	36.00
Office : 1 I-3B Road, Mab Ta Phut Industrial Estate PO.Box 100, Mab Ta Phut, Rayong 21150, Thailand Tel : (6638) 699-000 Ext. 201 Fax : (6638) 699-999		
<b>10. Bangchak Petroleum Plc. (BCP)</b>	Operate an oil refinery and sell oil products and consumer products	20.01
Office : 210 Sukhumvit Road Soi 64, Bangchak Prakhanong, Bangkok 10260, Thailand Tel : (662) 335-4999 Fax : (662) 335-4009 Website : www.bangchak.co.th		
<b>Oil Business Group</b>		
<b>11. PTT Mart Co., Ltd. (PTT Mart)</b>	Supply service attendant for gas stations in Bangkok and greater Bangkok	49.00
Office : 2 Moo 15 Phrakhanong, Khlongtoei, Bangkok 10250, Thailand Tel : (662) 239-7888 Fax : (662) 239-7855 Ext. 7877		
<b>12. Thai Lube Blending Co., Ltd. (TLBC)</b>	Blend and bottle the lube oil under the trademark of PTT and TOTAL and provide the lube oil blending services for other companies	48.95
Office : 8th Fl. PTT. Phrakhanong Tower2 Arjnarong Road, Phrakhanong, Khlongtoei, Bangkok 10250, Thailand Tel : (662) 712-2000 Ext. 7838 Fax : (662) 712-2000 Ext. 7822		



Company	Nature of Business	Shareholding percentage
<b>13. Vietnam LPG Co., Ltd. (VLPG)</b>	Operate an LPG Depot and bottling plant, and provide other services related to LPG in Vietnam	45.00

Office : Dongnai Port, Long Binh Tan Ward, Bien Hoa City, Donghai Province, S.R.Vietnam  
Tel : (8461) 831-578, (8461) 831-988-9 Fax : (8461) 832-008

<b>14. Keloil-PTT LPG Sdn.Bhd. (KELOIL)</b>	Operate LPG bottling and wholesale to serve industrial customers in Malaysia	40.00
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Office : Lot 1663, Mukim Senak, 16020 Tawang, Bachok Kelantan Darulnaim, Malaysia  
Tel : (609) 776-9061, (609) 776-9063 Fax : (609) 776-9064

<b>15. PetroAsia (Thailand) Co., Ltd. (PA (Thailand) )</b>	Operate oil service stations and retail petroleum products received from PTT	35.00
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Office : 27th Fortune-House Tower 1 Rachadaphisek Road, Dindaeng, Bangkok 10320, Thailand  
Tel : (662) 641-1616, (662) 641-1629 Fax : (662) 641-1666

<b>16. Thai Petroleum Pipeline Co., Ltd. (Thapline)</b>	Provide oil transportation service through pipeline system from Sri Racha to Lamukka Depot, Don Maung International Airport and Saraburi Depot	30.60
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Office : 2/8 Moo 11 Lumlukka Road, Tambol Ladsawai, Lumlukka, Phatumthani 12150, Thailand  
Tel : (662) 991-9130-59 Fax : (662) 991-9162  
Website : [www.thapline.co.th](http://www.thapline.co.th)

<b>17. PetroAsia (Sanshui) Co., Ltd. (PA (Sanshui) )</b>	Operate oil depots, LPG storage and petroleum retail and wholesale in China	25.00
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Office : He Kou Cargo Railway Station West Side, Sanshui, Guangdong 528100, P.R.C.  
Tel : (86-757) 767-2328 Fax : (86-757) 767-2338

<b>18. PetroAsia (Huizhou) Co., Ltd. (PA (Huizhou) )</b>	Operate oil depots, LPG storage and petroleum retail and wholesale in China	25.00
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Office : 50 E-Ling Nan Road, Huizhou, Guangdong, P.R.C.  
Tel : (86-752) 227-1386

#### Petrochemical Business Group

<b>19. Aromatics (Thailand) Plc. (ATC)</b>	Manufacture and distribute aromatics used in petrochemical industry	46.33
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Office : 2nd Fl., PTTEP Office Bldg. 555 Vibhavadi-Rangsit Rd., Chatuchak, Bangkok 10900, Thailand  
Tel : (662) 537-5710-1 Fax : (662) 936-3097  
Website : [www.aromatics.co.th](http://www.aromatics.co.th)



Company	Nature of Business	Shareholding percentage
<b>20. Thai Olefins Plc. (TOC)</b>	Manufacture and distribute olefins to intermediate petrochemical plants in Mab Ta Phut Industrial Estate	44.92
Office : 2nd Fl., PTTEP Office Bldg. 555 Vibhavadi-Rangsit Rd., Chatuchak, Bangkok 10900, Thailand Tel : (662) 537-5615 Fax : (662) 537-5648 Website : www.toc.co.th		
<b>21. National Petrochemical Public Co., Ltd. (NPC)</b>	Manufacture olefins (ethylene and propylene) and by-products to intermediate petrochemical plants in Mab Ta Phut Industrial Estate	37.99
Office : 30-35th Fl., Sun Tower B Bldg. 123 Vibhavadi-Rangsit Rd., Chatuchak, Bangkok 10900, Thailand Tel : (662) 617-7800 Fax : (662) 617-7888 Website : www.npc.co.th		
<b>22. Thai Paraxylene Co., Ltd. (TPX)</b>	Manufacture and distribute aromatics products, e.g. paraxylene	23.48
Office : 105/12 Moo 2, Tambol Tungsukkala, Sri Racha, Chonburi 20230, Thailand Tel : (6638) 351-317-9 Fax : (6638) 351-320		
<b>23. National Fertilizer Public Co., Ltd. (NFC)</b>	Manufacture and distribute fertilizer	20.44
Office : 17-19th 333 Laopengnguan Tower 1, Vibhavadi-Rangsit Road, Chatuchak, Bangkok 10900, Thailand Tel : (662) 618-8100 Fax : (662) 618-8295 Website : www.nfc.co.th		
<b>Natural Gas Business Group</b>		
<b>24. PTT Natural Gas Distribution Co., Ltd. (PTT NGD)</b>	Operate pipeline distribution network to supply natural gas to potential customers located in industrial areas around Bangkok Metropolitan and nearby through its pipeline distribution network	49.00
Office : 23rd Fl. 555 Rasa Tower Bldg. Paholyothin Road, Latyao, Chatuchak, Bangkok 10900, Thailand Tel : (662) 937-0620-4 Fax : (662) 937-0627 Website : www.pttngd.co.th		
<b>Joint Venture : Oil Business Group</b>		
<b>25. Subic Bay JV (Philippines)</b>	Engage in international petroleum trading in Southeast Asia and rent, lease and sell vehicles e.g. ship and pipeline, etc., for the transportation of petroleum product to customers	50.00
Office : Bldg.8344, Sulu Road, Upper Cubi Point, Subic Bay Freeport Zone 2222 ,Philippines Tel : (6347) 252-8888, 252-8800 Fax : (6347) 252-8880, 252-8856		
<b>Natural Gas Business Group</b>		
<b>26. Trans Thai-Malaysia (Thailand) Ltd. (TTM (T))</b>	Provide pipeline transportation service of natural gas from JDA to use in Thailand and to Thai-Malaysia border, service of separation of natural gas and transportation of LPG to Thai-Malaysia border	50.00
Office : 2nd PTTEP Office Bldg. 555 Vibhavadi-Rangsit Road., Chatuchak, Bangkok 10900, Thailand Tel : (662) 537-5760 Fax : (662) 537-5761-6 Website : www.ttm-jda.com		



Company	Nature of Business	Shareholding percentage
<b>27. Trans Thai-Malaysia (Malaysia) Sdn. Bhd. (TTM (M))</b>	Provide pipeline transportation service of natural gas and LPG to use in Malaysia	50.00

Office : level 49, Tower 1, Petronas Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia  
Tel : (663) 207-5000 Fax : (663) 207-6654, 381-3563

#### Produce Electricity and Chilled Water Business Group

<b>28. District Cooling System and Power Plant Co., Ltd. (DCAP)</b>	Produce and sell electricity and chilled water.	35.00
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Office : 30 Building 171 Soi Chidlom, Ploenchit Road, Lumpini, Patumwan, Bangkok 10300  
Tel : (662) 256-3635 Fax : (662) 256-3636

#### Others : Oil Business Group

<b>29. Intoplane Services Co., Ltd. (IPS)</b>	Provide aircraft refueling services	16.67
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Office : 171/2 Moo 10 Vibhavadi-Rangsit Road, Si Kan, Donmuang, Bangkok 10210, Thailand  
Tel : (662) 565-3811 Ext. 251 Fax : (662) 565-3823

<b>30. PetroAsia (Shantou) Co., Ltd (PA (Shantou))</b>	Operate oil depots, LPG storage and petroleum retail and wholesale in China	15.00
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Office : 23rd Floor, Evergreen Commercial Center, Unit A, Jin Sha East Road, Shantou, Guangdong, P.R.C.  
Tel : (86-754) 816-6799 Fax : (86-754) 816-6806

<b>31. Bangkok Aviation Fuel Services Plc. (BAFS)</b>	Operate fuel depots and aircraft refueling services	7.06
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Office : 171/2 Moo 10 Vibhavadi-Rangsit Road, Si Kan, Donmueang, Bangkok 10210, Thailand  
Tel : (662) 565-3811-8 Fax : (662) 565-3825  
Website : [www.bafsthai.com](http://www.bafsthai.com)

<b>32. Fuel Pipeline Transportation Co., Ltd. (FPT)</b>	Provide oil transportation services from Bangchak refinery to Don Maung Airport and Bang Pa-in Depot	2.76
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Office : 424 Moo 11 Vibhavadi-Rangsit Road, Si Kan, Donmuang, Bangkok 10210, Thailand  
Tel : (662) 574-6180 Ext. 217 Fax : (662) 565-3656

#### Others Business

<b>33. Dhipaya Insurance Plc. (TIP)</b>	Operate non-life insurance and invest under the insurance law	13.33
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Office : 63/2 Rama 9 Road, Huai Khwang, Bangkok 10320, Thailand  
Tel : (662) 248-0059 Fax : (662) 248-7850, (662) 248-7873  
Website : [www.dhipaya.co.th](http://www.dhipaya.co.th)

# REVENUES STRUCTURE OF PTT AND ITS SUBSIDIARIES

Products/Services	Operated by	% Shareholding	2001		2002		2003	
			Million baht	%	Million baht	%	Million baht	%
1. Natural Gas Products	PTT (Natural Gas Business Group)		119,538.04	31.13	119,334.79	29.19	137,536.60	26.82
	PTT (Oil Business Group)- LPG sales		22,152.41	5.77	21,310.38	5.21	24,853.80	4.85
	PTTEP	/1	21,674.98	5.64	23,341.74	5.71	26,653.20	5.20
	Less Revenues from PTTEP Natural Gas sales to PTT		(20,682.17)	(5.39)	(21,662.14)	(5.30)	(24,230.16)	(4.73)
	Less Petroleum Royalties		(3,199.08)	(0.83)	(3,423.65)	(0.84)	(4,021.07)	(0.78)
<b>Total Revenues from Natural Gas Products</b>			<b>139,484.18</b>	<b>36.33</b>	<b>138,901.12</b>	<b>33.98</b>	<b>160,792.37</b>	<b>31.36</b>
2. Oil Products	PTT (Oil Business Group)		220,561.82	57.44	224,535.52	54.92	284,351.50	55.46
	PTTEP	/1	6,506.11	1.69	6,890.68	1.69	8,473.47	1.65
	Less Revenues from PTTEP Crude sales to PTT		(5,569.55)	(1.45)	(6,532.17)	(1.60)	(7,869.95)	(1.53)
	PTT Philippines, Inc.	100.00	546.55	0.14	424.34	0.10	442.70	0.09
	PTT International Trading Pte., Ltd.	100.00	2,029.38	0.53	7,003.04	1.71	8,639.63	1.68
	PTT (Cambodia) Co., Ltd.	100.00		0.00	381.23	0.09	474.78	0.09
<b>Total Revenues from Oil Products</b>			<b>224,074.31</b>	<b>58.36</b>	<b>232,702.64</b>	<b>56.92</b>	<b>294,512.13</b>	<b>57.44</b>
3. Petrochemical Products	PTT (Oil Business Group)		14,343.35	3.74	14,906.20	3.65	23,836.40	4.65
	Thai Olefins Public Co., Ltd. (TOC)	/2		0.00	13,242.26	3.24	14,868.08	2.90
<b>Total Revenues from Petrochemical Products</b>			<b>14,343.35</b>	<b>3.74</b>	<b>28,148.46</b>	<b>6.89</b>	<b>38,704.48</b>	<b>7.55</b>
4. Others								
4.1 Other Income			5,460.10	1.42	6,348.41	1.55	5,103.14	1.00
4.2 Gain (Loss) on Exchange Rate			3,013.62	0.78	549.62	0.13	1,334.65	0.26
<b>Total Revenues from Other Income</b>			<b>8,473.72</b>	<b>2.21</b>	<b>6,898.03</b>	<b>1.69</b>	<b>6,437.79</b>	<b>1.26</b>
5. Share of Net Income (Loss) of Associated Company			(2,399.25)	(0.62)	2,162.76	0.53	12,296.40	2.40
<b>Grand Total</b>			<b>383,976.31</b>	<b>100.00</b>	<b>408,813.01</b>	<b>100.00</b>	<b>512,743.17</b>	<b>100.00</b>

/1 In 2001, PTT's share in PTTEP was 60.97%

In 2002, PTT's share in PTTEP was 62.84%

In 2003, PTT's share in PTTEP was 63.61%

/2 In 2001, TOC was not included in PTT's consolidated financial statements.

In 2002, TOC was included in PTT's consolidated financial statements, at a rate of 63.03%

In 2003, TOC's operational performance from January-October was included in PTT's consolidated financial statements, at a rate of 63.03%





# DRIVING FORCE TOWARD EXCELLENCE IN QUALITY, SAFETY, OCCUPATIONAL HEALTH AND ENVIRONMENT

The areas of Quality, Safety, Occupational Health and Environment are high priorities at PTT and were included in the Company's Key Performance indicators to enhance the efficiency of the Company's operations. The result is an organization with the highest quality and standards in safety, occupational health, and the environment. This, in turn, leads to continuous and sustainable development for Thai society and for the Thai economy. PTT is dedicated to the best interests of its customers, and to the Thai people, and to "customer delight".

PTT operations have been certified under three international standards: ISO 9001 quality management system, ISO 14001 environmental management system; and TIS/OHSAS 18001 occupational health and safety management system. These certifications are proof of PTT's commitment to continuous improvement and increased efficiency of its operations as the nation's energy company. Furthermore, PTT's excellence has won trust from the international airline community. PTT was named the number one jet fuel marketer in the Asia-Pacific region and number seven in the world.

As PTT believes that prevention is the best policy, its operations strictly follow the International Safety Rating System (ISRS) and the TIS 18001 guidelines for occupational health and safety management. The two systems emphasize prevention and control of loss through assessment at every step of operation. Much attention is given to emergency preparedness; such as firefighting, fire evacuation, mitigation of emergencies resulting from pipeline and truck transportation, and marine oil spill clean-up. In addition, PTT constantly monitors the work environment and the health of its personnel, improves the incident/recommendation reporting process by using information technology, and regularly disseminates information to all personnel on serious incidents to prevent reoccurrence.

As for environmental management, PTT has implemented the ISO 14001 environmental management system in its major operations, continuously improved the efficiency of certified areas, and emphasized comprehensive control of the impact of its products and services on the environment. The "Green Label" program introduced by the Thai Industrial Standards Institute (TISI) has been implemented in six additional gas stations.

With its serious commitment to quality, safety, occupational health and the environment, PTT has continuously shared its experience and contributed to creating awareness among the general public in these four areas. Through activities such as the reforestation project in honor of His Majesty the King, the traffic and driving safety program, the "5S" youth program, and various lectures and exhibitions, PTT demonstrates its dedication to deliver the best to the Thai people.





# DRIVING FORCE TOWARD EXCELLENCE IN QUALITY, SAFETY, OCCUPATIONAL HEALTH, AND ENVIRONMENT IN 2003

1. PTT's aviation fuel station was named by international airlines as the No. 1 jet fuel marketer in the Asia-Pacific region and No. 7 in the world.
2. The gas separation plant, pipeline transmission, petroleum terminal, oil terminal, and gas terminal divisions received three types of certification: ISO 9001:2000 quality management system, ISO 14001 environmental management system, and TIS/OHSAS 18001 occupational health and safety system.
3. The oil terminals at Phra Khanong, Lam Lukka, Sara Buri, Chiang Mai, Lampang, Den Chai, Phitsanulok, Nakhon Sawan, Udon Thani, Nakhon Ratchasima, Surat Thani, Pak Phanang, Songkhla and Phuket received the " Outstanding Business Operator in Safety, Occupational Health and Work Environment Award" for the transportation industry from the Department of Labor Protection and Welfare, Ministry of Labor and Social Welfare, and received certificates and " White Operations" banners. The Surat Thani petroleum terminal has won this award for seven consecutive years.
4. Bangchak Petroleum Terminal, Khon Kaen Petroleum Terminal, Nakhon Ratchasima Oil Terminal and Ubon Ratchathani Oil Terminal received certificates and " White Operations" banners.
5. Chon Buri Operations Center, Chon Buri Natural Gas Pipeline System Division, Region 4 Operations Division in Songkhla, and Region 5 Pipeline Operations Division in Rayong received the " National Outstanding Business Operator in Safety, Occupational Health and Work Environment Award for 2003" from the Department of Labor Protection and Welfare, Ministry of Labor and Social Welfare, and received certificates and " White Operations" banners.
6. The oil terminal at Lam Lukka, Pathum Thani, received the Thai Labor Standard TLS 8001-2546 Certificate from the Ministry of Labor and Social Welfare for its social responsibility work.
7. The petroleum terminal in Lampang was selected as the province's model business operator in the " Thai Industries and Cleanliness Program" .
8. The Rayong Gas Separation Plant received the " Outstanding Industry Award in Safety Management" from the Ministry of Industry and the " Thai Labor Standard TLS 8001-2546 Certificate" from the Ministry of Labor and Social Welfare
9. The Khanom Gas Separation Plant received the " Outstanding Industry Award in Productivity" from the Ministry of Industry and won the 3<sup>rd</sup> place for the " Thailand 5 S Award" from the Thai-Japanese Technology Promotion Association.
10. Region 4 of the Pipeline Operations Division in Khon Kaen received the " Good Work Environment Award" from the Department of Health, Ministry of Public Health, for the third consecutive year.
11. PTT gas stations at Sukhapiban 3, Prachachuen, Pracharat, Kamphangpetch 2, Rajamangala Institute of Technology (Bangkok Technical Campus) was granted the right to display " Green Labels" for gas stations.
12. A total of 1,180 PTT gas stations received certification for fuel quality from the Department of Business Development, Ministry of Commerce.
13. The Quality, Safety, Occupational Health and Environment Department received ISO 9001:2000 certification for quality management.



# BOLD VISION FOR THAILAND



PTT was granted Golden Pins, the Grand Prize for its Reforestation Program.



PTT received Thailand Corporate Excellence Awards 2002

PTT is proud that its dedication to society and the environment has been recognized through the "Thailand Corporate Excellence Awards 2002" organized by the Sasin Graduate Institute of Business Administration of Chulalongkorn University. PTT received **first prize** for "Commitment to Social and/or Environmental Issue". Social and environmental activities undertaken by PTT are as follows:

**Youth and Educational Promotion:** Recognizing the significance of the development of the younger generation, the foundation for the nation's future, PTT supports various programs, including the construction of school buildings, the production of educational media, and extra-curricular educational activities, such as youth camps focusing on energy and the environment. The objective of these programs is to provide quality education to young people, especially those living in rural and poverty-stricken areas. PTT built their **11<sup>th</sup> school building** for Wat Thep Nimit School in Phuket. This building consists of four classrooms, a library and a computer room. PTT has also built its **7<sup>th</sup> Palang Thai Palang Pandin Library** at the Nong Lek School in Udon Thani. Other programs included **providing books and educational materials to libraries in 13 target schools and presenting scholarships** to needy students with good academic performance. Students receiving scholarships range from elementary to university level at institutions in the vicinity of PTT terminals throughout Thailand. The scholarships are provided for each student for the duration of their specific educational level.

To enhance the knowledge and experience of science teachers at the primary and secondary school levels, PTT organized the **Energy for Educators Program** for over 150 pilot high schools. This program involves brainstorming ideas for improvements in the teaching process and preparing activity materials entitled "Common Materials and Objects". For primary schools, PTT has produced educational materials about "Energy".

In 2003, "**The opening up the World of Natural Gas**" Mobile Exhibition and **Offsite Exhibitions** visited 192 schools and educational institutions, providing knowledge about natural gas to 54,000 students. To further promote understanding in energy and environmental conservation, PTT organized several youth camps, such as "Thai Youth for Environmental Conservation", "Secondary Schools for Environmental Conservation", and "Generation P Energy Conservation Youth Camp".



PTT's "5S" Program, encourages youth to adopt healthy lifestyles. It is ongoing and has entered another level. Apart from training programs, PTT also organizes **5S School Competition, Merit Bank, and 5S Promotion Center** to promote 5S concepts to neighboring communities.

The Contemporary Art Enhancement and Thai Artists Advancement Program, jointly organized by PTT and Silpakorn University, has entered its 18<sup>th</sup> year, showcasing over 1,500 masterpieces from Thai artists across the nation. The theme of this year's competition was "Coloring Dreams, Shaping Society". In addition, PTT also organized its third annual art competition for youth in the North in conjunction with Chiang Mai University.

**Community, Quality of Life, and Environmental Development:** Recognizing the danger and serious damage brought about by traffic accidents, PTT's "Safe Driving, Obeying Traffic Laws Program" was organized in the Bangkok metropolitan area and the provinces for the 7<sup>th</sup> year to foster a new generation of motorists that recognize the importance of complying with traffic laws and caring for fellow road users. As a result of the company's success in this area, PTT received the **"2003 Innovative Award in the Thai Transportation and Traffic Sector for the Outstanding Promotion of Safety in Transportation and Traffic" from H.E. Dr. Thaksin Shinawatra, the Prime Minister.** In addition, PTT organized several special activities during the holiday season in collaboration with various safety agencies: **encouraging gas stations to help reduce accidents during the Songkran season**, supporting operations of the Center for Road Safety, promoting the use of helmets and seatbelts, advocating an anti-drunk-driving campaign, and organizing the **"Safety During Cheng Meng and Songkran Festivals Program" and "Arriving Home Safely Program"**, where PTT assisted in the preparation of maps, public relations materials and safety equipment for traffic police.

Another successful program originated by PTT for the betterment of quality of life and health is the **"Helping Out the Community Program"**. PTT and its subsidiaries provide healthcare services at the clinic of PTT's Rayong Gas Separation Plant every Monday through Friday and mobile medical units reach out to communities. Furthermore, PTT supports the cost of oil and drought mitigation activities to help victims across the nation as in the **"Department of Mineral Resources-Provincial Electricity Authority-PTT-Provincial Waterworks Authority-Royal Thai Army Against Drought Program"**. This program is now in its third year. Another promising, ongoing activity is the promotion of NGV (Natural Gas Vehicles), a program that improves air quality in Bangkok. In this program PTT installed equipment for another 1,000 taxis free of charge.

PTT is particularly proud of its reforestation project in honor of His Majesty the King. In 2003, PTT received the **41 Golden Pins (First Prize) for Reforestation Project Competition** from Her Royal Highness Princess Maha Chakri Sirindhorn. PTT also commemorated outstanding individuals in the environmental field from across the nation in the Green Globe Project, which was one of the supplementary programs for sustainable reforestation. In addition, PTT supports the **Bhumiraksa Park Project**, which plants trees in urban areas.



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# RISK FACTORS

In addition to the usual risks in operating a business, some other risk factors need to be considered in the petroleum and petroleum-related industry.

## **1. Every Natural Gas Sales Contract Has a Take-or-Pay Condition.**

In every natural gas sales contract, there is a minimum quantity that PTT needs to purchase annually. In the event that the PTT cannot take the full amount of the minimum quantity stipulated, the PTT is required to pay for the natural gas not taken for that contracted year. However, PTT is entitled to take the pre-paid gas in subsequent years as a make-up. Consequently, the problems resulting from the requirement may affect the financial situation and the operation of the PTT.

## **2. Dependence on Primary Customer.**

Another risk factor lies in the fact that the PTT distributes most of its natural gas to EGAT, its primary customer. Although the quantity to be purchased and the fine penalties are stated in the contract, problems could occur should the customer was unable to abide by the contract for any reason.

## **3. Financial Support for Companies in the Group.**

The domestic economic recession since 1997 has adversely affected the finance and the business operation of several companies in the group. The PTT has to provide some financial support as obligated in accordance with their agreement. The risk then rises if associated companies fail to repay their debt obligation or have further financial difficulties which may require further assistance.

## **4. Product Price Fluctuation.**

The sale price for the products PTT and its affiliates in both domestic and foreign markets reflect prices in the international market. High fluctuations in the world market certainly effect the PTT's business operations.

## **5. Currency Exchange Fluctuations.**

Most of PTT's income is tied to currency exchange rates and is thus affected by the fluctuations in these rates both directly and indirectly. This is because the natural gas and crude oil prices are pegged to the world market price, quoted in US dollars.

## **6. Natural Gas Pipelines System Development.**

The success of business expansion relies heavily on the expansion of the natural gas pipelines system in order to meet increasing demand. However, certain factors in development projects are not under PTT's control. These include government approval, the study of a project's impact on the environment, the public hearing expense in order to meet the law and more stringent standards as well as relating to environment and safety. All these factors pose a considerable risk that projects may not be implemented as planned.



# CONNECTED TRANSACTIONS

The connected transactions described below arise from various contracts.

## 1. Transactions between PTT and state-owned enterprises

### Type of Transaction

As PTT is considered a national oil company, the Cabinet resolution dated November 26, 2002, stated that fuel purchases of 10,000 liters or more by all government agencies and state enterprises must be made only from either PTT or Bangchak Petroleum Plc. Therefore, PTT has sold fuel to the following state enterprises: Electricity Generating Authority of Thailand (EGAT), Bangkok Mass Transit Authority (BMTA), and the State Railways of Thailand (SRT). Should any state enterprise fail to pay for the fuel according to the agreed terms, PTT is entitled to charge interest on the balance.

## 2. Transactions between PTT and PTT Exploration and Production Plc. (PTTEP), a subsidiary of PTT

### Type of Transaction

PTT has entered into long-term contracts to purchase crude oil, natural gas, liquefied petroleum gas (LPG-cooking gas) and condensate from PTTEP, whereby delivery quantities for each product have been specified throughout the lifetime of each production project. The purchase takes effect immediately upon production by PTTEP of any of these products. In 2003, PTTEP sold 96.95% of the petroleum it produced to PTT at the same price PTT paid to other partners.

## 3. Transactions between PTT and affiliates in its Refining Business Group

### Type of Transaction

PTT has entered into agreements to supply crude oil to, and purchase refined products from, affiliate companies in the Group at quantities proportionate to PTT's ownership in each respective company. The details of the agreement with each are as follows:

#### Agreement with Thai Oil Co., Ltd. (TOCL)

PTT shall supply crude oil to, and purchase refined products from TOCL, totalling 49.99% of TOCL's refining capacity. By submitting a request in writing with at least 12 months' notice, each party may request termination of the agreement at the end of the 13<sup>th</sup> year after successful debt restructuring. Also, one party may choose to terminate the agreement, should the other party be found in violation of that agreement. If PTT wishes to purchase additional refined products beyond the 49.99% quantity as specified in the contract, it must pay market prices for the additional quantities.

#### Agreement with Rayong Refinery Co., Ltd. (RRC)

Shareholders of RRC may purchase refined products from the refinery at domestic market prices, provided that the purchase quantity is at least 70% of its total production capacity. The agreement expires exactly 12 years after official production commences but can continue indefinitely until each party is instructed otherwise.



#### Agreement with Star Petroleum Refining Co., Ltd. (SPRC)

SPRC shall supply crude oil to, and purchase refined products from, the refinery at the minimum quantity of 70% of the refining capacity of 126,000 barrels per day (b/d), i.e., 88,200 b/d, at domestic market prices. The remaining quantity shall be offered at market prices to PTT and Caltex Oil (Thai) Co., Ltd., the two shareholders, before being offered for sale to a third party.

#### 4. Transactions between PTT and affiliates in its Petrochemicals Business Group

##### Type of Transactions and Agreements with Thai Olefins Plc. (TOC)

PTT entered into agreements to supply natural gasoline and LPG to TOC for 15 years (1995-2010); ethane for four years (2000-2004); and ethane for TOC's plant expansion project for 15 years (2005-2020). The four-year agreement for ethane can be extended. The prices of these raw materials will vary according to TOC's selling prices for olefins based on the profit and loss sharing mechanism. There is also an agreement to purchase ethylene at the world market price from TOC's plant expansion project for seven years, beginning on the day the expanded section of the plant starts commercial operation.

##### Type of Transactions and Agreements with Aromatics (Thailand) Plc. (ATC)

PTT entered into a long-term agreement with ATC, whereby PTT shall be the sole supplier of condensate and naphtha to ATC for 15 years (1993-2008).

PTT entered into a long-term agreement to purchase all of ATC's primary products, whereby ATC would deliver products directly to the customers. This is a take-or-pay agreement whereby PTT guarantees to purchase the minimum contracted quantities and will receive fees for conducting marketing activities on behalf of ATC.

##### Type of Transactions and Agreements with National Petrochemical Plc. (NPC)

PTT supplies to NPC raw materials- namely ethane, propane, and LPG- from PTT's gas separation plants. Valid for 12 years from 1999 onward, the contract can be extended in five-year periods. The prices of the raw materials vary with NPC's selling prices for olefins based on the profit and loss sharing mechanism. Changes have been made to the long-term contracts regarding prices of ethane and propane. Effective July 1, 2003, until 2016, the price of ethane shall be based on the world market price. Effective January 1, 2004, until 2016, the price of propane shall be based on the world market price.

Moreover, NPC has entered into an agreement to sell fuel gas, the primary fuel in power generation, to PTT, effective from 1999. The quantity of gas delivered in the first year shall be 22 MMcfd. From 2000 onward, the quantity shall rise by 11 MMcfd to a total of 33 MMcfd. This 20-year contract can be extended for four more years.

#### Policy on Future Connected Transactions

Future connected transactions between PTT and related companies shall remain normal business transactions. No transactions shall be exceptional, nor shall they create undue advantages for PTT, its subsidiaries, associates, related companies or shareholders. Pricing between PTT and related businesses shall be determined based on normal practices within the industry, similar to the rates established for individuals/businesses that are not related to PTT. The prices of products purchased from subsidiaries shall be based on market rates.

Disclosure of information on connected transactions shall follow the regulations of the Securities and Stock Exchange Commission and the Stock Exchange of Thailand and the accounting standards established by the Institute of Certified Accountants and Auditors of Thailand regarding the disclosure of information on connected transactions between related individuals or businesses.





# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) AND OPERATING RESULTS

In 2003, the Thai economy expanded by 6-7%, thereby increasing domestic petroleum consumption by about 6%. Moreover, since the prices of petroleum and petrochemicals in the world market grew at an average rate of 17% and 35% respectively, PTT and its subsidiaries posted total sales revenue of 494.009 billion baht, an improvement of 94.257 billion baht or 23.6 % over the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to 62.368 billion baht, a rise of 8.195 billion baht or 15.1% over the previous year. Net income registered 39.401 billion baht, a rise of 14.916 billion baht or 60.9% over the previous year.

## Oil Business Group

Sales revenue in 2003 grew by 77.610 billion baht (28.9 %), thanks largely to the rise in sales of 14.7% or 4.763 billion liters from 32.404 billion liters (558,416 barrels of oil equivalent per day, or (BOED), per day) in 2002 to 37.168 billion liters (640,497 BOED) in 2003. Major factors for the rise were increases in domestic fuel sales, international trading and the average domestic selling prices for fuels. For the 11<sup>th</sup> consecutive year, PTT continued to dominate the domestic market with a 31.6% overall share.

## Natural Gas Business Group

Sales revenue in 2003 grew by 20.686 billion baht or 15.0% over the previous year because of an increase in sales of natural gas, (excluding natural gasoline obtained from the dew point control unit). The increase was 6.5%, or 160 million cubic feet per day (MMcfd) on average. Sales went from 2,475 MMcfd in 2002 to 2,635 MMcfd in 2003 (at the heating value of 1,000 Btu/cubic foot) primarily because of higher demand for natural gas in power generation, industrial plants, and gas separation plants. The sales of products from the gas separation plants, comprising LPG, ethane, propane, and natural gasoline, grew from 2,558,380 tons to 2,693,271 tons in 2003 (excluding 202,660 tons of LPG bought by PTT from petrochemical manufacturers for resale purposes). Sales of LPG, the primary gas separation product, grew from 1,475,410 tons in 2002 to 1,535,747 tons in 2003 while the average contract price (CP) for LPG rose by US\$50 per ton, from US\$243 to US\$293 per ton in 2003. Sales of ethane rose from 491,413 tons in 2002 to 532,671 tons in 2003 and for the same period, sales of propane went from 177,887 tons to 206,383 tons in 2003. The price of ethylene in the Southeast Asian spot market increased grew from US\$426 to US\$522 per ton while that of propylene rose from US\$473 to US\$572 per ton.

## PTT Exploration and Production Plc. (PTTEP)

In 2003, PTTEP, a subsidiary of PTT, posted a 16.0 % rise in sales revenue (4.297 billion baht). This resulted from higher sales prices, from US\$18.59 per barrel of oil equivalent (BOE) in 2002 to US\$20.62 in 2003. In addition, sales improved from 101,736 BOED in 2002 to 107,299 in 2003. The rise in sales stemmed mainly from sales of natural gas from the Pailin and Yetagun Projects as well as and condensate from the Pailin Project.

## Thai Olefins Plc. (TOC)

In late 2003, TOC became a public company and raised registered capital by offering its shares to investors and the public. PTT did not purchase these new common shares, thereby reducing PTT's stake in TOC from 63.03 % to 44.92 % and changing the status



of TOC from a subsidiary to an affiliate. Since November 2003, TOC has been removed from PTT's consolidated financial statements. Therefore, operating results for TOC included in PTT's consolidated income statement were only for a 10-month period ending October 31, 2003. For the first 10 months of 2003, sales revenue registered 14.868 billion baht, an improvement of 1.626 billion baht or 12.3% over the previous year (12-month period). This increase was due to the higher prices and increased sales of olefins.

#### **Net Income: Net income rose 14.916 billion baht or 60.9%**

In 2003, the net income of PTT and its subsidiaries registered 39.401 billion baht, a rise of 14.916 billion baht or 60.9% over the previous year, primarily as a result of the following factors:

- Products sold at higher quantities and prices – as described above.
- Net income received from investments under equity method by 10.134 billion baht, due to improved operating results of companies in the refinery and petrochemical business group. Improvement in their operating efficiency, higher prices for petrochemicals and gross refining margin, and profit from foreign currency exchange contributed to the higher income.
- Gain from PTT's foreign exchange by 785 million baht.
- Interests on debt fell by 1.553 billion baht.

These factors produced a net income 14.09 baht of per share for PTT and its subsidiaries in 2003, a rise of 60.9% from 8.75 baht per share in 2002.

#### **Analysis of the Financial Status of PTT and Its Subsidiaries at the End of 2003 vs. 2002**

In 2003, the status of TOC changed from a subsidiary to an affiliate of PTT. Therefore, as of December 31, 2003, TOC was excluded from the consolidated financial statements of PTT and its subsidiaries. Retail Business Alliance Company Limited, a subsidiary company, and District Cooling and Power Company Limited, a joint venture company, were included in the consolidated financial statements for 2003.

#### **Assets**

In 2003, total assets amounted to 324.605 billion baht, a rise of 25.485 billion baht or 8.5% over the previous year.

#### **Liabilities**

Total liabilities amounted to 195.676 billion baht, 3.3 % or 6.646 billion baht lower than 2002 figures. This resulted from the punctual repayment of short-term and long-term debts, the adjustment of TOC's loan by 11.843 billion baht, and new debts of 17.5 billion baht by PTT and its subsidiaries.

#### **Shareholders' Equity**

Shareholders' equity totaled 128.929 billion baht, a rise of 32.131 billion baht or 33.2 % from the previous year. This rise came primarily from an increase in net income of 39.401 billion baht.

#### **Liquidity**

The net cash balance of PTT and its subsidiaries in 2003 grew by 22.834 billion baht. Cash flows provided by operating activities were 53.079 billion baht including 27.038 billion baht used in investing activities, 2.647 billion baht used in financing activities, and 561 million baht in cash and cash-equivalent foreign exchange activities and adjustments in financial statements. Since the cash balance of PTT and its subsidiaries at the end of 2002 registered 33.609 billion baht, the net cash balance at the end of 2003 came to 56.443 billion baht.

On the whole, the financial status of PTT and its subsidiaries was much stronger: the total debt to equity ratio was cut from 2.09:1 at the end of 2002 to 1.52:1 at the end of 2003; and the interest coverage ratio increased from 5.21 in 2002 to 9.36 in 2003.



# ORGANIZATION CHART





# PTT'S BOARD OF DIRECTORS



<b>Mr. Cherdpong Siriwit</b>	Chairman
(%) Holding No	Age 57

**Qualification/Training**

- B.A. Economics (Honour), Thammasat University
- M.A. Economics, Georgetown University, U.S.A.

**Present**

- Permanent Secretary, Ministry of Energy
- Director of the Board, Thai Oil Co.Ltd.
- Chairman of the Board, Ratchaburi Electricity Generating Holding Plc.
- Chairman of the Executive Board, Thai Cane and Sugar Corporation Ltd.
- Director of the Board, PTT Exploration and Production Plc. (PTTEP)
- Chairman of the Board, Electricity Generating Authority of Thailand. (EGAT)

**Work Experience**

- 2000-2001 Director-General, Department of Mineral Resources, Ministry of Industry  
Director of the Board, Petroleum Authority of Thailand
- 2001-2002 Secretary General, Thai Industrial Standards Institute, Ministry of Industry  
Deputy Permanent Secretary, Ministry of Industry
- 2001-2003 Director of the Board, PTT Plc.



<b>Mr. Manu Leoparote</b>	Director and Chairman of Remuneration Committee
(%) Holding 0.013584	Age 60

**Qualification/Training**

- B.Sc. Economics (Honour), Thammasat University
- M.A. (Economics), University of Kentucky, U.S.A.
- National Defense College (Class No. 34)

**Present**

- Permanent Secretary, Ministry of Industry
- Chairman of the Board, PTT Exploration and Production Plc. (PTTEP)
- Chairman of the Board, National Petrochemical Plc. (NPC)
- Chairman of the Board, Small and Medium Enterprise Development Bank of Thailand
- Chairman of the Executive Board, Thai Cane and Sugar Corporation Ltd.

**Work Experience**

- 1999-2001 Chairman of the Board, Petroleum Authority of Thailand
- 2001-2003 Chairman of the Board, PTT Plc.



**Pol.Gen. Sant Sarutanond** Director and Chairman of Nominating Committee  
 (%) Holding No 0.000093 Age 59

**Qualification/Training**

- Police Cadet Academy (Class No. 20)

**Present**

- Commissioner-General, Royal Thai Police
- Director of the Board, Thai Airways International Plc.

**Work Experience**

- 2000-2001 Director of the Board, Petroleum Authority of Thailand



**Mr. Chaiwat Wongwattanasan** Director  
 (%) Holding No Age 54

**Qualification/Training**

- LL.B. (Hons.), Thammasat University
- Barrister at Law
- Master of Civil Law, Tulane University, U.S.A.
- Master of Laws, University of Michigan, U.S.A.

**Present**

- Secretary General, Office of the Council of State
- Director of the Board, Petchburi Assets Management Co., Ltd.
- Director of the Board, Government Pension Fund

**Work Experience**

- 2000-2001 Director of the Board, Petroleum Authority of Thailand



**Mr. Sunthad Somchevita** Director and Audit Committee Member  
 (%) Holding No Age 59

**Qualification/Training**

- B.Arch. Architecture, Chulalongkorn University
- M.S. Tropical Architecture, Pratt Institute, Brooklyn, New York, U.S.A.
- Certificate, Environmental Administration, EA, Japan
- National Defense College (Class No. 35)

**Present**

- Permanent Secretary, Ministry of Science and Technology
- Committee Member, Office of the Council of State
- Civil Service Sub-Commission, Office of the Civil Service Commission
- Honorary Director, Council of Chulabhorn Research Institute
- Director of the Board, Thai Academy of Science and Technology Foundation

**Work Experience**

- 1998-2001 Director of the Board, Petroleum Authority of Thailand
- 1998-2002 Permanent Secretary, Ministry of Science, Technology and Environment



**Gen. Chaisuk Ketudat Ph.D.** Director  
 (%) Holding No Age 61

**Qualification/Training**

- B. Sc (ARMY) Chulachomkloa Royal Military Academy
- Instructor Pilot Class 8-ARMYA viation Center
- Command and General Staff College Class 56
- Master of Arts (Military Science)
- Doctorate of Education Philosophy, Chulalongkorn University

**Present**

- Honourary Advisor to the Prime Minister

**Work Experience**

- 1999 Director General of Military Research and Development Office, Ministry of Defense
- 2001 Defense Inspector General



**Mr. Wisudhi Srisuphan** Director and Remuneration Committee Member  
 (%) Holding No Age 54

**Qualification/Training**

- B.Eng. in Civil Engineering, Chulalongkorn University
- LL.B. (Second Class Honour), Ramkhamhaeng University
- M.E. (C.E.), Lamar University, U.S.A.
- M.A.A. Business Economics, Thammasat University
- National Defense College (Class No. 38)

**Present**

- Director-General, The Treasury Department
- Director of the Board, PTT Exploration and Production Plc. (PTTEP)
- Chairman of the Board, The Government Housing Bank

**Work Experience**

- 1999-2002 Comptroller General, The Ministry of Finance
- 2002-2003 Director-General, Fiscal Policy Office
- 2000-2001 Director of the Board, Petroleum Authority of Thailand



**Mr. Pala Sookawesh** Director and Nominating Committee Member  
 (%) Holding No Age 63

**Qualification/Training**

- B.Eng. Electrical Engineering (Hons.), Chulalongkorn University
- M.S. Industrial Engineering (Operation Research), Oregon State University, U.S.A.
- National Defense College (Class No. 333)
- Certificate in Advanced Management Program, Harvard Business School, Harvard University, U.S.A.
- Honorary Doctorate Degree in Engineering, Chulalongkorn University

**Present**

- Chairman of the Aromatics (Thailand) Plc. (ATC)
- Director of the Board, Electricity Generating Authority of Thailand (EGAT)
- Director of the Board, PTT Exploration and Production Plc. (PTTEP)
- Director of the Board, Thai Olefins Plc. (TOC)
- Director and Audit Committee Member, Vinythai Public Co.,Ltd.
- Director of the Board, Ratchaburi Electricity Generating Holding Plc.
- Director of the Board, Thai Oil Co.,Ltd.
- Council of Trustees, Petroleum Institute of Thailand Foundation (PTIT)

**Work Experience**

- 1999-2001 Director of the Board, Petroleum Authority of Thailand



**Dr. Pisanu Sunthraraks** Independent Director and  
Remuneration Committee Member

(%) Holding No Age 49

**Qualification/Training**

- B.A. (History & Political Science), University of Kansas, U.S.A.
- M.A. (Political Science), University of Wisconsin at Madison, U.S.A.
- M.A. (Ibero-American Studies), University of Wisconsin at Madison, U.S.A.
- Ph.D. (Political Science), University of Wisconsin at Madison, U.S.A.

**Present**

- Lecturer, Law Faculty, Thammasat University
- Member, National Food Industry, Ministry of Industry
- Member, Thailand Productivity Institute, Ministry of Industry

**Work Experience**

- 1997-1998 Advisor to the Minister of Industry, Ministry of Industry



**Mr. Chakrawut Salyabongs** Independent Director and  
Nomination Committee Member

(%) Holding No Age 51

**Qualification/Training**

- B. Eng., Kasetsart University
- B.B.A. Construction Management, Sukhothai Thammathirat University

**Present**

- Senior Engineer & Management Consultant, Inter Engineering Management Co., Ltd.
- Director of the Board, PTT Exploration and Production Plc. (PTTEP)
- Director of the Board, The Aromatics (Thailand) Plc. (ATC)
- Chairman, Industrial Estate of Thailand

**Work Experience**

- 1994-1997 Senior Engineer, Keen Consultant Co., Ltd.
- 2001 Director of the Board, Petroleum Authority of Thailand  
Director of the Board, Mass Rapid Transit Authority of Thailand.



**Dr. Olarn Chaipravat** Director and Chairman Audit Committee

(%) Holding No Age 59

**Qualification/Training**

- B.S. (Magna Cum Laude), Economics, Wharton School, University of Pennsylvania, U.S.A.
- Ph.D. Economics, Massachusetts Institute of Technology (M.I.T.), U.S.A.

**Present**

- Director and Audit Committee Member of the Thai Airways International Plc.
- Director of Stock Exchange of Thailand
- Chairman of TSFC Securities Limited
- Chairman of Audit Committee, Director of Shin Corporation Plc.
- Director of Saha Pathana Inter-Holding Plc.
- Chairman of the Working Committee on Monitoring and Evaluating Economic Situation  
Ministry of Finance
- Vice Chairman of Suksapattana Foundation
- Chairman of the Working Committee on Monitoring
- Director of Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Director of Thai Olefins Plc. (TOC)
- Director of Ministry of Public Health
- Council Chairman, Shinawatra University

**Work Experience**

- 1999-2001 Advisor to Management Board, The Siam Commercial Bank Plc.



<b>Mr. Somchai Wongsawat</b>	Director
(%) Holding No	Age 56

**Qualification/Training**

- LL.B., Thammasat University
- Barrister at Law, Thai Bar Association
- Master Program of Public and Private Management, Administration National Institute of Development
- National Defense College (Class No. 38)

**Present**

- Permanent Secretary Ministry of Justice
- Director of the Board, The Electricity Generating Authority of Thailand. (EGAT)
- Director of the Board, Airports of Thailand Plc.

**Work Experience**

- 1998 Deputy Permanent Secretary, Ministry of Justice.



<b>Mr. Metta Banturongsuk</b>	Director
(%) Holding No	Age 52

**Qualification/Training**

- B.A. Accounting, Chulalongkorn University
- LL.B. Ramkhamhaeng University

**Present**

- Director General, Energy Policy and Planning Office

**Work Experience**

- 1995 Deputy General, National Energy Policy Office



<b>Mr. Prapun Naigowit</b>	Independent Director and Audit Committee Member
(%) Holding No	Age 56

**Qualification/Training**

- LL.B. (Hons.) Thammasat University
- Barrister-at-law (Thai Bar)
- Mater of Laws, Tulane University, U.S.A.
- Provincial Chief Public Prosecutor Training, Class 1<sup>st</sup>
- Certificate on Crime Prevention and Treatment of Offenders (UNAFEI, JAPAN)
- Diploma of the Course on Justice Administration for the Executives, Class 1<sup>st</sup>
- Diploma of the National Defense College of Thailand, Class 38<sup>th</sup>
- Diploma of the King Prajadhipok's Institute, Class 5<sup>th</sup>
- Director Accreditation Program Class 6/2003 (IOD)

**Present**

- Deputy Attorney General
- Member of Boards and Chairman Audit Committee of the Expressway and Rapid Transit Authority of Thailand
- Member of Boards of the Consumer Protection Commission
- Member of the Council of State
- Member of Boards of the Thai Bar Association

**Work Experience**

- 1999 Director General of the International Affairs Department
- 2000 Director General of the Department of Litigation of the Attorney General





<b>Mr. Prasert Bunsumpun</b>	Director and Secretary
(%) Holding 0.011648	Age 51

**Qualification/Training**

- B.Eng. Civil Engineering, Chulalongkorn University
- M.B.A. Utah State University, U.S.A.
- National Defense College (Class No. 4010)
- Certificate in Advanced Management Program, Harvard Business School, Harvard University, U.S.A.

**Present**

- Director of the Board, PTT Exploration and Production Plc. (PTTEP)
- Director of the Board, Trans Thai- Malaysia ( Thailand ) Co., Ltd.
- Director of the Board, PTT Natural Gas Distribution Co., Ltd.
- Director of the Board, Thai Olefins Co., Ltd. (TOC)
- Director of the Board, Thai Petroleum Pipeline Co., Ltd
- Director of the Board, Aromatics (Thailand) Plc. (ATC)
- Director of the Board, National Petrochemical Plc. (NPC)
- Director of the Board, Thai Oil Co., Ltd.
- Director of the Board, Thai Oil Power Co., Ltd.
- Director of the Board, Independent Power (Thailand) Co., Ltd.

**Work Experience**

- 1996-1999 President, Oil Business Group, Petroleum Authority of Thailand
- 1999-2001 President, Gas Business Group, Petroleum Authority of Thailand
- 2001-2003 Senior Executive Vice President, Gas Business Group, PTT Plc.

Additional information related to the directors and management of the Company:

- Records of violation of the law within the past 10 years regarding
  - (1) being sentenced with criminal charges or under criminal lawsuits, except for violation of traffic law, minor charges, or other charges of the likes,
  - (2) being sentenced to bankruptcy or having assets controlled,
  - (3) serving as the management or a person with authority in a company or partnership that has been sentenced to bankruptcy or had assets controlled.
    - None -
- Family relationships among management
  - None -



# PTT'S EXECUTIVE



<b>Mr. Prasert Bunsumpun</b>	President
(%) Holding 0.011648	Age 51

**Qualification/Training**

- B. Eng. Civil Engineering , Chulalongkorn University
- M.B.A. Utah State University, U.S.A.
- National Defense College (Class No. 4010)
- Certificate in Advanced Management Program, Harvard Business School, Harvard University, U.S.A.
- Politics and Governance in Development System for Executive Course, King Prajadhipok's Institutes

**Present**

- Director of the Board, PTT Exploration and Production Plc. (PTTEP)
- Director of the Board, Trans Thai- Malaysia ( Thailand ) Co., Ltd.
- Director of the Board, PTT Natural Gas Distribution Co., Ltd.
- Director of the Board, Thai Olefins Co.,Ltd. (TOC)
- Director of the Board, Thai Petroleum Pipeline Co., Ltd.
- Director of the Board, Aromatics (Thailand) Plc. (ATC)
- Director of the Board, National Petrochemical Plc. (NPC)
- Director of the Board, Thai Oil Co., Ltd.
- Director of the Board, Thai Oil Power Co., Ltd.
- Director of the Board, Independent Power (Thailand) Co., Ltd.

**Work Experience**

- 1996-1999 President, Oil Business Group, Petroleum Authority of Thailand
- 1999-2001 President, Gas Business Group, Petroleum Authority of Thailand
- 2001-2003 Senior Executive Vice President, Gas Business Group, PTT Plc.



**Dr. Prajya Phinyawat** Senior Executive Vice President, Petrochemicals and Refining Business Group  
 (%) Holding 0.003646 Age 52

**Qualification/Training**

- B.Eng. Civil Engineering, Chulalongkorn University
- M. Eng. Civil Engineering, Stanford University, U.S.A
- Ph. D. Civil Engineering, University of Texas at Austin, U.S.A.

**Present**

- Director of the Board, Rayong Refinery Co., Ltd. (RRC)
- Director of the Board, Star Petroleum Refining Co., Ltd. (SPRC)
- Director of the Board, National Fertilizer Co., Ltd. (NFC)

**Work Experience**

- 1999-2001 Deputy Governor, Corporate Plan and Development, Petroleum Authority of Thailand
- 2001-2002 Senior Executive Vice President, Corporate Strategy and Development, PTT Plc.
- 2002-2003 Senior Executive Vice President, Corporate Support



**Dr. Chitrapongse Kwangsukstith** Senior Executive Vice President, Gas Business Group  
 (%) Holding 0.004420 Age 54

**Qualification / Training**

- B. Eng. Mechanical Engineering, Chulalongkorn University
- M. Eng. Industrial Engineering, Lamar University, U.S.A.
- Ph.D. Industrial Engineering, Lamar University, U.S.A.
- Stanford Executive Program, Stanford University, U.S.A.
- National Defense College ( Class No.12)

**Present**

- Director of the Board, Thai Oil Power Co., Ltd.
- Director of the Board Medco Energy International Tbk.

**Work Experience**

- 1996-2001 Deputy Governor, Corporate Plan and Development, Petroleum Authority of Thailand
- 2001-2003 Director and President, PTT Exploration and Production Plc. (PTTEP)



**Mr. Apisit Rujikeatkamjorn** Senior Executive Vice President, Oil Business Group  
 (%) Holding 0.004047 Age 58

**Qualification/Training**

- B. Eng. Civil Engineering, Khonkaen University
- M. Eng. Civil Engineering, Lamar University, U.S.A.

**Present**

- Director of the Board, Independent Power (Thailand) Co., Ltd.
- Chairman of the Board, PTT Philippines, Inc.
- Director of the Board, Fuel Pipeline Transportation Co., Ltd.
- Director of the Board Thai Maritime Navigation Co., Ltd (Thai National Line)
- Director of the Board, Thai Lube Blending Co., Ltd.
- Director of the Board, Trans Thai-Malaysia (Thailand) Co., Ltd.
- Director of the Board, Bangchak Petroleum Plc.

**Work Experience**

- 1997-1999 Senior Assistant Governor, Office of the Governor, appointed as Senior Vice President, Star Petroleum Refining Co., Ltd.
- 2000 Director and Chief Executive Officer, Trans Thai-Malaysia (Thailand) Co., Ltd.



**Anon Sirisaengtaksin**

Senior Executive Vice President,  
Corporate Strategy & Development

(%) Holding 0.003040

Age 51

**Qualification/Training**

- B.Sc., GEOLOGY, Chulalongkorn University
- MBA. Thammasat University
- Certificate, Harvard University, U.S.A.

**Present**

- Director of the Board, PTT Natural Gas Distribution Co., Ltd. (PTTNGD)

**Work Experience**

- 1994-1999 Deputy President, Natural Gas Marketing & Transmission, PTT Gas Petroleum Authority of Thailand
- 2001-2002 Executive Vice President, Natural Gas Supply & Trading, Gas Business Group, PTT Plc.



**Mr. Pichai Chunhavajira**

Senior Executive Vice President,  
Corporate Finance and Accounting

(%) Holding 0.002816

Age 65

**Qualification/Training**

- B.A. Accounting, Thammasat University
- M.B.A. Business Administration, Indiana University of Pennsylvania, U.S.A.
- National Defense College (Class of 4313)

**Present**

- Director of the board, Dhipaya Insurance Plc.
- Director of the Board, Bangchak Petroleum Plc.
- Director of the Board, Arometics (Thailand) Plc. (ATC)
- Director of the Board, Thai Olefins Co.,Ltd. (TOC)
- Director of the Board, Thai Oil Power Co., Ltd.
- Director of the Board, PTT Exploration and Production Plc. (PTTEP)
- Director of the Board, Thai Petroleum Pipeline Co., Ltd.
- President of Thammasat University Commerce and Accountancy Alumni (T.C.A.A)
- Committee of Thammasat Association

**Work Experience**

- 2001 Senior Executive Vice President, Corporate Finance and Accounting, PTT Plc.
- 2003 Acting Director of the Board, Bangchak Petroleum Plc.



**Dr. Viroj Mavichak**

Senior Executive Vice President  
Appointed as President, NPC Plc.

(%) Holding 0.003646

Age 55

**Qualification/Training**

- B. Eng. Civil Engineering, Chulalongkorn University
- M. Eng. Civil Engineering, University of Texas, U.S.A.
- Ph. D. Civil Engineering, University of Texas, U.S.A.

**Present**

- Director of the Board, Thai Olefins Co.,Ltd. (TOC)
- Director of the Board, Thai Tank Terminal Limited
- Member of Council of Trustees, The Petroleum Institute of Thailand
- Director, Thailand Business Council for Sustainable Development

**Work Experience**

- 1998-2001 Deputy Governor, Petroleum Authority of Thailand



**Mr. Piti Yimprasert**

Senior Executive Vice President,  
Appointed as Member of Council of Trustees, Thai Oil Co., Ltd.

(%) Holding 0.003533

Age 58

**Qualification/Training**

- B.Eng. Civil Engineering, Chulalongkorn University
- M. Eng. Civil Engineering, University of Texas at Austin, U.S.A.
- Ph. D. Civil Engineering, University of Texas at Austin, U.S.A.

**Present**

- Director of the Board, Aromatics (Thailand) Plc. (ATC)
- Director of the Board, National Petrochemical Plc. (NPC)
- Director of the Board, Thai Paraxylene Co., Ltd.
- Director of the Board, Rayong Refinery Co., Ltd. (RRC)
- Director of the Board, Star Petroleum Refinery Co., Ltd. (SPRC)
- Director of the Board, Alliance Refining Co., Ltd.

**Work Experience**

- 2000-2001 Executive Director, Petrochemicals Sector Group, Petroleum Authority of Thailand
- 2001 President, Petrochemical & Refinery Business Group, Petroleum Authority of Thailand
- 2002-2003 Senior Executive Vice President, Petrochemicals and Refining Business Group

Additional information related to the directors and management of the Company:

- Records of violation of the law within the past 10 years regarding
  - (1) being sentenced with criminal charges or under criminal lawsuits, except for violation of traffic law, minor charges, or other charges of the likes,
  - (2) being sentenced to bankruptcy or having assets controlled,
  - (3) serving as the management or a person with authority in a company or partnership that has been sentenced to bankruptcy or had assets controlled.
    - None -
- Family relationships among management
  - None -

DETAILS OF THE BOARD OF DIRECTORS AND MANAGEMENT OF PTT, SUBSIDIARIES, ASSOCIATES AND RELATED COMPANIES AS OF DECEMBER 31/2003

Name	Subsidiaries										Associates and related Companies																				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
1. Mr. Cherdpong Siriwit	X	/				/																									
2. Mr. Manu Leopairo	/	X										X																			
3. Pol. Gen. Sant Sarutanond	/																														
4. Gen. Chaisuk Ketudat Ph.D.	/																														
5. Mr. Chaiwat Wongwattanasan	/																														
6. Mr. Wisudhi Srisuphan	/																														
7. Mr. Sunthad Somchevita	/																														
8. Mr. Pala Sookawesh	/					/					X	/																			
9. Dr. Olarn Chairavat	/					/					/																				
10. Dr. Pisanu Sunthraraks	/																														
11. Mr. Chakrawut Salayabongs	/					/					/																				
12. Mr. Somchai Wongswat	/																														
13. Mr. Metta Bunterngsuk	/																														
14. Mr. Prapan Naikovit	/																														
15. Mr. Prasert Bunsumpun	XX	/				/				/	/	/	/			X	/														
16. Mr. Anon Sirisaengtaksin	//	/									/	/	/			/															
17. Mr. Pichai Chunhavanjira	//	/				XX	/				/	/	/			/															/
18. Mr. Apisit Rujikeatkamjorn	//	/				/					X	/	/			/															/
19. Dr. Chitrapongse Kwangsukstith	//	/				/										XX															
20. Dr. Prajya Phinyawat	//	/				/				/	/	/	/			/															
21. Dr. Viroj Mavichak	//	/				/				/	XX	/	/			/															
22. Dr. Pitti Yimprasert	//	/				/				/	/	/	/			/															

Note 1 : X = Chairman XX = President / = Director // = Executive

1. PTT Exploration and Production Plc.

2. PTT Philippines, Inc.

3. PTT International Trading Pte., Ltd.

4. PTT Cambodia Co., Ltd.

5. Retail Business Alliance Co., Ltd.

6. Thai Oil Co., Ltd.

7. Bangchak Petroleum Plc.

8. Rayong Refinery Co., Ltd.

Note 2 : No. 24 Three Companies under PetroAsia China are PetroAsia Sanshui, Huizhou, Shantou

Note 3 : No. 25 Four Companies under Subic Bay are Subic Bay Energy Co., Ltd., Subic Bay Fuels Company Inc, Subic Bay Distribution, Inc., Clark Pipeline and Depot Company, Inc.

Note 4 : This table excludes Thai Oil Power Co., Ltd. (New Links) (TOP) which is the subsidiary of PTTEP

17. PTT Natural Gas Distribution Co., Ltd.

18. Trans Thai-Malaysia (Thailand) Co., Ltd

19. Trans Thai-Malaysia (Malaysia) Co., Ltd

20. District Cooling System and Power Plant Co., Ltd

21. Thai Lube Blending Co., Ltd.

22. PetroAsia (Thailand) Co., Ltd.

23. Vietnam LPG Co., Ltd.

24. Three Companies under PetroAsia China

25. Four Companies under Subic Bay

26. PTT Mart Co., Ltd.

27. KELOIL-PTT LPG Sdn. Bhd.

28. Bangkok Aviation Fuel Services Plc.

29. Fuel Pipeline Transportation Co., Ltd.

30. Intoplane Services Co., Ltd.

31. Dhipaya Insurance Plc.



# MANAGEMENT

## Top 10 shareholders

Following is the list of top 10 shareholders of PTT as of April 10, 2002 (the closing date of shareholders' roster for the General shareholders' Meeting No. 1/2546 on April 29, 2002).

Paid-up capital of PTT was equal to Baht 27,972,457,250.

Rank	List of Shareholders	No. of Shares	% of Total Shares
1.	Ministry of Finance	1,937,793,600	69.28
2.	Morgan Stanley & Co International Limited	71,669,675	2.56
3.	State Street Bank and Trust Company	56,127,687	2.01
4.	HSBC (Singapore) Nominees Pte., Ltd.	51,848,800	1.85
5.	Government Pension Fund	23,369,500	0.84
6.	HSBC Bank Plc-Clients General A/C	19,448,400	0.70
7.	Social Security Office	17,140,000	0.61
8.	Nortrust Nominees Ltd.	17,097,000	0.61
9.	The Bank of New York (Nominees) Limited	15,976,452	0.57
10.	Chase Nominees Limited 1	15,755,395	0.56

## Board of Directors

As of December 31, 2003, PTT's Board of Directors consisted of 15 directors as follows :

Name	Position
1. Mr. Cherdpong Siriwit	Chairman
2. Mr. Manu Leopairote	Director
3. Police General Sant Sarutanond	Director
4. Mr. Pala Sookawesh	Director
5. Mr. Wisudhi Srisuphan	Director
6. Mr. Somchai Wongsawat	Director
7. Mr. Olarn Chaipravat	Director
8. Mr. Chaiwat Wongwattanasan	Director
9. Mr. Sunthad Somchevita	Director
10. General Chaiyasuek Ketudat	Director
11. Mr. Metta Bunterngsuk	Director



	<b>Name</b>	<b>Position</b>
12.	Mr. Pisanu Suntharakas	Independent Director
13.	Mr. Chakrawut Salayabongs	Independent Director
14.	Mr. Prapan Naikovit	Independent Director
15.	Mr. Prasert Bunsumpun	Director and Secretary

Note: 1. Mr. Cherdpong Siriwit was appointed Chairman of the Board in accordance with the decision of PTT's Board of Directors No. 5/2546 on May 12, 2003  
2. Effective August 10, 2003, Mr. Prasert Bunsumpun is Director and Secretary of the Board.

### Directors Authorized to Sign on Behalf of the Company

The directors whose signatures are recognized as binding on the Company are : (1) Mr. Prasert Bunsumpun, authorized to sign and affix the Company's seal, or (2) two other directors, authorized to jointly sign and affix the Company's seal.

### Composition and Appointment of the Board of Directors

The composition, selection, appointment, removal and resignation of the Company's directors are defined in the regulations and can be summarized as follows :

1. The Company's Board of Directors (the Board) consists of at least five but not more than fifteen persons elected by the Company's shareholders meeting. The Board shall consist of at least three independent directors, at least half of the directors shall reside within the Kingdom of Thailand, and at least one director shall possess expertise in finance and accounting. All directors shall have the qualifications specified by the Law and by Company regulations.
2. The shareholders meeting shall elect qualified directors who were previously selected and nominated by the Nominating Committee under the following criteria and procedures:
  - 1) Each shareholder shall have one vote per share held.
  - 2) Each shareholder shall exercise all votes applicable under (1) in electing one or more persons as directors. Votes are not transferable.
  - 3) Candidates with the most votes shall be appointed directors according to the number of directors required. If two candidates receive an equal number of votes, the chairman of the meeting shall decide which one is appointed.
3. At every Annual General Meeting, one-third of the directors-or if the number is not divisible by three, then the number nearest to one-third-shall retire from office. The names of directors to retire during the first and second year after the company was listed will be drawn by lots. For subsequent years, the directors with the longest terms shall retire.
4. Any director wishing to resign shall submit a resignation letter to the Company. The resignation will become effective on the date that the Company receives the letter.
5. In voting for the removal of any director from office before expiration of the term of directorship, a three-quarters (3/4) vote of eligible shareholders present at the meeting shall be required, provided that the number of shares represented by the three-quarters vote is at least half of the total number of shares represented by the total number of eligible shareholders present at the meeting.

### Duties and Responsibilities of the Board of Directors

Under the Articles of Association of the Company, the Board has the authority and duty to manage the Company in compliance with laws, objectives, regulations, and resolutions of the shareholders meetings with integrity and business ethics while ensuring the best interest of the Company and its shareholders.

The Board shall elect one director to serve as Chairman and, if appropriate, one or more Vice Chairmen can be elected. The Board shall elect one director to serve as President and Secretary to the Board.





## Duties and Responsibilities of the President

Under the Articles of Association of the Company, the President shall have full authority to administer the Company's business as assigned by the Board. Business is to be administered strictly and with integrity in accordance with the plan or budget approved by the Board, and be in the best interest of the Company and its shareholders. The President's authority and duty shall extend to the following matters and activities:

1. Operate and/or manage day-to-day Company business
2. Hire, appoint, remove, transfer, promote, demote, reduce the salary or wage of, take disciplinary action against employees and contractors, and dismiss any employee or contractor as specified by the Board's regulations. For department heads or other positions, approval of the Board shall be required.
3. Ensure the preparation and submission of the Company's business policies, including the operating plan and budget, to the Board for approval, and report progress of work according to the approved plan and budget to the Board every three months.
4. Ensure the implementation of the policies, plan, and budget approved by the Board.

In addition, the Board authorizes the President to act on behalf of the Company in accordance with the following conditions and scopes of authority:

1. Administer the Company's business according to all of the objectives, regulations, policies, rules, specifications, directives and resolutions of the meetings of the Board and/or resolutions of the meetings of Company shareholders.
2. Order, contact, command, implement, and sign legal contracts, documents, orders, announcements or any correspondence with government agencies, state enterprises or other parties; and engage in any necessary and appropriate action that would facilitate the duty specified by 1.
3. Command every employee and contractor, and hire, appoint, remove, promote, demote, reduce the salary or wage of, take disciplinary action against, and dismiss any employee or contractor in accordance with the rules, regulations, or directives of the Board. For employees or contractors in the positions of advisors, experts, department heads or higher positions, approval of the Board shall be required. The President shall also be authorized to specify the conditions of employment of employees and contractors and issue rules governing the Company's operations provided they do not conflict with rules, regulations or directives of the Board.
4. Assign the power of attorney and/or delegate specific tasks to other persons, provided that such assignment and/or delegation is in compliance with this document concerning the power of attorney and/or rules, regulations, or directives of the Board and/or the Company.

The above-mentioned authorities and duties of the President shall be invalid, should there be any conflict of interest with the Company in any form resulting from the President's exercising of his powers.

## Connected Transactions or Acquisitions or Disposal of Assets

Should the Company or any of its subsidiaries (a business of which the Company holds over 50% of paid-up capital, whether directly or indirectly) enter into any connected transactions or acquisition or disposal of significant Company assets under the regulations of the Stock Exchange of Thailand, the Company shall follow the regulations of the Stock of Exchange of Thailand on the matter. If the Company requires approval of shareholders for a connected transaction or acquisition or disposal of significant Company assets, the minimum number of votes required is three-quarters (3/4) of total votes represented by eligible shareholders present in the meeting in person or by proxy, but excluding the votes of shareholders who have any interest in the transaction or acquisition or disposal of assets.

## Policies and Methods Against Insider Trading by Management

Directive No. 1/2544 of PTT's Board of Directors on the use of internal Company information for personal interests states that:



"To prevent the pursuit of personal benefit from internal information of PTT Public Company Limited that has not been disclosed to the public, which may affect the price of Company shares in the Stock Exchange of Thailand, PTT's Board of Directors issued a resolution at Meeting No. 1/2544 on October 1, 2001, prohibiting directors, management, employees, contractors, as well as the spouses and children of the above-mentioned persons, from using undisclosed internal information in regard to the sale, purchase, or transfer of Company shares before that information is disclosed to the public. Violators will be prosecuted according to the rules and regulations of the Company." This directive has been in effect since October 1, 2001.

### The Audit Committee

According to Meeting No. 1/2544 of PTT's Board of Directors on October 1, 2001, the Company's Audit Committee shall consist of Company directors appointed by the Board and possess the qualifications specified by securities and exchange laws and the Stock Exchange of Thailand. The committee shall consist of at least three members, at least one of whom shall be qualified in accounting and finance. Three members of the Audit Committee were appointed at that meeting. On July 29, 2003, in Meeting No. 7/2546 of PTT's Board of Directors, four members of the Audit Committee were appointed:

Name	Position
1. Mr. Olarn Chaipravat	Chairman
2. Mr. Chaiwat Wongwattanasan	Auditor
3. Mr. Prapan Naikovit	Auditor
4. Mr. Sunthad Somchevita	Auditor

The meeting unanimously appointed Mr. Trakool Chatdarong, Executive Vice President of the Internal Audit Office, as secretary of the Audit Committee.

### Scope of Duties and Responsibilities of the Audit Committee

1. Review the Company's financial reporting process to ensure accuracy and adequacy
2. Ensure appropriateness and effectiveness of the Company's Internal Control and Internal Audit systems
3. Ensure Company compliance with securities and exchange laws and the regulations of the Stock Exchange of Thailand, or laws concerning any aspect of the Company's business
4. Consider, select, nominate and recommend remuneration for the Company's external auditor
5. Consider the accurate and complete disclosure of Company information in case of connected transactions or potential conflicts of interest
6. Prepare a report on the Audit Committee's supervision of the Company's business, to be disclosed in the Company's annual report and signed by the Chairman of the Audit Committee
7. Perform any other assignment by the Company's Board of Directors with the approval of the Audit Committee
8. Perform any other duty as specified in the Company's regulations.

### The Nominating Committee

According to Meeting No. 1/2544 of PTT's Board of Directors on October 1, 2001, the Company's Nominating Committee shall consist of at least three Company directors appointed by the Board, where at least one member shall be an independent director. Three members of the Nominating Committee were appointed at that meeting. On May 12, 2003, in Meeting No. 5/2546 of PTT's Board, three members of the Nominating Committee were appointed as follows:



Name	Position
1. Police General Sant Sarutanond	Chairman
2. Mr. Chakrawut Salayabongs	Director
3. Mr. Pala Sookawesh	Director

#### Scope of Duties and Responsibilities of the Nominating Committee

1. Select qualified persons to be nominated as new directors or President of the Company
2. Determine the procedures and criteria for the nomination of Company directors or President so as to ensure transparency.

#### The Remunerating Committee

According to Meeting No. 1/2544 of PTT's Board on October 1, 2001, the Company's Remunerating Committee shall consist of at least three Company directors appointed by the Board, where at least one member shall be an independent director. Three members of the Remunerating Committee were appointed at that meeting. On May 12, 2003, at Meeting No. 5/2546 of PTT's Board, three members of the Remunerating Committee were appointed:

Name	Position
1. Mr. Manu Leopairote	Chairman
2. Mr. Pisanu Sunthraraks	Director
3. Mr. Wisudhi Srisuphan	Director

#### Scope of Duties and Responsibilities of the Remunerating Committee

1. Consider guidelines in the determination of remuneration for directors and the President
2. Determine the procedures and criteria for the fair and reasonable determination of remuneration for directors and the President, to be presented at the shareholders meeting for approval.

#### Management

The management of PTT's business operations shall follow the currently established guidelines and be carried out through the following 11 committees:

1. PTT Management Committee (PTTMC)
2. Oil Business Group Management Committee (OBMC)
3. Gas Business Group Management Committee (GBMC)
4. Petrochemicals and Refining Business Group Management Committee (PRMC)
5. Corporate Plan Committee (CPC)
6. Corporate Finance & Accounting Committee (FAC)
7. Corporate Human Resources Committee (HRC)
8. PTT Credit Committee
9. Supply Chain Management Committee (SCMC)
10. Research and Technology Institute Board of Management Committee (RTBM)
11. Risk Management Committee (RMC)



# CORPORATE GOVERNANCE



PTT was granted Disclosure Report Award and Popular Vote 2003.



PTT received Investor Relations Ranking Award 2003.

## Corporate Governance Policies

PTT Public Company Limited is aware of the importance of, and intends to operate its business based on, good corporate governance, which is a primary factor in promoting an efficient organization and is the foundation for sustainable business growth. Moreover, good corporate governance facilitates clear and transparent business operations and benefits all PTT stakeholders. PTT has established a philosophy which include the ethics and integrity of the Board of Directors, management, and all employees. This philosophy is stated in the Company's Good Corporate Governance Principles of 2001. In 2003, a handbook on Good Corporate Governance Principles was issued to all directors, management, and employees. Operations are to be carried out according to the policies and ethical standards stated in the above-mentioned principles, while adhering to PTT's six concepts for business administration and good corporate governance:

- (1) Accountability-responsibility for one's decisions and actions, and the ability to justify/clarify one's rationale
- (2) Responsibility-performing one's duties adequately and efficiently
- (3) Equitable Treatment-providing fair treatment to all stakeholders, being impartial to every party and able to clarify one's actions
- (4) Transparency-performing duties in ways that can be examined, openly disclosing information to all related parties
- (5) Vision to create long-term value-seeing ways to create value for the business in the long run
- (6) Ethics-possessing business ethics

The Board of Directors and management have the following duties with regard to business ethics:

- The Board and management shall carry out their duties in accordance with the law and the objectives and regulations of PTT, including resolutions of shareholders meetings.
- The Board and management shall administer business for the best interests of the Company, stakeholders and employees-both at present and in the future-and promote a positive corporate image of PTT.



- The Board and management shall administer business with integrity and impartiality and abstain from political affiliation. This is in the best interests of the Company, its shareholders, and employees; both at present and in the future.
- The Board shall play a significant role in controlling and deciding on Company policies, including the appointment of the management team for the administration of PTT's day-to-day operations. Both the Board and management must adhere to Company objectives and regulations. The Board shall grant management full authority in the administration of PTT's day-to-day operations and shall not interfere in management's duties unless interference is deemed necessary.
- The Board and management must not have any interest in any business related to PTT or in businesses that compete with PTT in any way, whether directly or indirectly.
- In the administration of business operations, the Board and management shall avoid any conflict of interests with PTT in order to facilitate full and efficient business administration. This means refraining from:
  - Using one's position as director for self interests
  - Misusing PTT's secrets
  - Accepting a position as director in a company which is in competition with PTT
  - Receiving benefits from PTT's contracts.
- The Board and management shall administer business with caution and shall not create obligations that may conflict with one's duties in the future.
- The Board and management shall not seek inappropriate benefit from their duties, whether directly or indirectly.
- The Board and management shall perform their duties to the best of their ability full capacity and for the best interest of PTT.
- The Board and management shall not operate or be a significant shareholder in a business that is similar to, in competition with, or does business with PTT, whether for the interests of one's self or others. This restriction extends to family members of the Board and management.
- The Board and management shall not engage in any administrative actions that would reduce the benefits to PTT or provide benefits to an individual or a juristic person, whether for the interests of one's self or others.
- The Board and management shall be committed to the prevention and elimination of any type of wrongdoing. Immediate, clear and decisive action must be taken against such wrongdoings to promote the positive values and image of PTT.
- The Board and management shall be independent in their decisions and actions, as well as in the acceptance of the decisions of the Board and management.

### **Shareholders : Rights and Equality**

PTT is required to organize an annual general shareholders meeting within four months of the annual closing date of PTT's accounting books. In 2003, PTT organized one shareholders meeting on April 29, 2003, for shareholders to voice their opinions on various matters concerning PTT's businesses. Ten working days before the meeting, PTT sent an invitation, information relevant to the meeting, an annual report/financial statement, and proxy to each shareholder whose name appears on the shareholder roster.

PTT's Board is aware of the right of shareholders to receive equal treatment in the meeting and to voice their opinions and concerns at the meeting according to the agenda. The chairman of the meeting must attentively address every opinion and concern, and the minutes of the meeting must completely and accurately document the meeting. Shareholders may exercise their right to vote on each matter.

In disclosing information, PTT will report the Company's current situation and future trends to shareholders equally, regularly, and accurately. In addition, PTT discloses information to the Stock Exchange of Thailand with transparency through the Capital Market & Investor Relations Division. PTT's website is continuously improved to provide shareholders with equal access to Company information.



## Rights of Stakeholders

PTT has taken into account all stakeholders by clearly establishing guidelines for addressing the needs of each group of stakeholders in the "PTT Handbook of Good Corporate Governance". The Board of Directors, management and employees of PTT shall comply with these guidelines and shall be committed to performing their duties as follows:

- Shareholders** : PTT is committed to being a good representative of shareholders in operating the business with transparency and taking into account long-term growth of the Company's value and positive returns.
- Employees** : PTT considers its employees a key success factor. PTT will supports the professional development of its employees, attends to the quality of the working environment, and provides fair and proper remuneration.
- Partners** : PTT will build good relationships geared toward mutual benefit and strictly adhere to agreements made with partners.
- Competitors** : PTT will abide by the framework of fair competition and will not destroy the reputation of business competitors through false accusations.
- Creditors** : PTT will strictly abide by obligations to creditors.
- Customers and the public** : PTT is committed to providing its customers and the public with satisfaction in PTT's products and services and with confidence in its good quality and suitable price.
- Communities, Society, and the Environment** : PTT cares for the safety of people in society, the environment, and people's quality of life PTT maintains continual interest in community and social activities while strictly complies with the spirit of the laws and regulations.

## Shareholders Meeting

PTT provides equal treatment toward all shareholders and organizes shareholders meetings in accordance with the law. For the shareholders meeting in 2003, PTT sent an invitation, information relevant to the meeting, an annual report/financial statement, and a proxy to every shareholder whose name appeared on the shareholder roster on the closing date of the roster. Moreover, an announcement of the time, date and agenda was placed in the newspapers-both English and Thai-for three consecutive days before the meeting. Six directors attended the meeting.

Before the meeting began, the chairman of the meeting clarified the rules of the meeting, including the vote counting method, in accordance with the Company's regulations on the voting process of shareholders. Members of the Board of Directors who attended the meeting were the Chairman, the President and the auditors. Everyone present at the meeting was encouraged to voice his opinions and concerns. The Board also presented its views and recommendations, allowed various parties to present their speeches within the requested time, and concluded the meeting by voting and reaching resolutions. In total, the shareholders meeting took about 90 minutes.

## Leadership and Vision

Based on the values of integrity, morality, and business ethics ; the Board of Directors shall see that the Company's business operations comply with the laws, regulations and resolutions of the shareholders meeting. They shall also ensure that the management team perform their duties according to the objectives and guidelines and thereby bring the maximum benefit to shareholders.

The Board shall determine the Company's vision, annually review and approve PTT's strategies, policies and financial and operating objectives, and follow up on management's implementation of the operating plan. The Board shall oversee the determination of financial and performance indicators and the Key Performance Indices (KPI) at the beginning of the year, and follow up on the Company's performance constantly throughout the year. Toward the end of the year, the Board shall present operating results within



the Board's responsibility according to the Performance Agreement (PA) system for the evaluation of annual performance. The Board shall also review the performance of the management team and report performance quarterly for follow-up and recommendation purposes. The Audit Committee has also been appointed to closely monitor management's work.

### Conflict of Interest

Under the Board of Directors' policy regarding conflict of interest, any business decision made by any PTT staff person must only be for the best interest of the Company. PTT considers it a duty of all personnel to avoid financial or other types of relationships with external parties that would result in a loss for PTT, a conflict in loyalty or interest, or the inefficiency of business operations. PTT's Internal Control Office and Audit Committee have been entrusted with the responsibility of monitoring and resolving issues related to conflicts of interest. To date, there has been no such case.

The Audit Committee shall present to the Board of Directors reports on connected transactions and any conflict of interest. These reports, must be prepared carefully and in compliance with the regulations of the Stock Exchange of Thailand which specifying that these issues must be reported and disclosed quarterly. Issues were also disclosed in the annual report and Form 56-1 (*listed under 9.2, sections entitled "Connected Transactions or Acquisitions or Disposal of Assets" and "Policies and Methods Against Insider Trading by Management"*).

### Monitoring of Internal Information

The sale, purchase, or transfer of PTT shares by directors and management-including their spouses and children who are minors-must be reported to PTT so that the Company can would inform the Securities and Exchange Commission according to Article 59 of the Securities and Exchange Act B.E. 2535. These transactions must be reported within three days from the date of sale, purchase or transfer. Management or agencies with access to internal information are prohibited from disclosing such information to external or irrelevant parties, and from engaging in any transaction of Company shares within one month before the financial statements are disclosed to the public.

### Business Ethics

PTT formulated Good Corporate Governance Principles to ensure a management system that is efficient, clear, transparent and accepted by all relevant parties. A handbook on the principles, policies, morals and ethics of good corporate governance was issued to the Board of Directors, management, employees and all relevant persons as a guideline in carrying out their duties according to with the highest standards. The Board, management, employees and all relevant persons have signed and acknowledged receipt and understanding of the guidelines and consider these guidelines a priority.

To confirm the propriety of a decision, the following questions should be addressed:

- Is the action right or wrong?
- Is it acceptable by society and can it be disclosed in public?
- Does it have a negative impact on PTT's reputation as an ethical organization?

PTT shall constantly monitor compliance with the Good Corporate Governance Principles, review and revise the handbook every year so that the content remains suitable and up to date.

### Balance of Power for Non-Executive Directors

The Board of Directors is comprised of 14 non-executive directors (including three independent directors) and one director from management (President). The number of independent directors must represent about 20% of the entire Board. Although this is less than one-third of the entire Board, the balance of power is appropriate and can ensured that the directors are representing



the best interests of shareholders because there are 14 non-executive directors. The Chairman of the Board is neither an executive director nor President. Furthermore, three committees were appointed to enhance the efficiency of the Board, namely the Audit Committee, the Nominating Committee, and the Remuneration Committee as mentioned in 9.3, 9.4 and 9.5 above.

### Aggregation or Segregation of Positions

The Chairman shall neither be the same person as the President nor have any relationship with management. The authority of the Chairman shall be separated from that of the President and management to ensure a clear distinction between supervisory, policy-making duties of the Chairman and day-to-day business administration.

### Remuneration of the Board of Directors and Management

#### • Remuneration of Directors

PTT clearly and transparently specifies the remuneration of directors to be comparable to the rest of the industry. There are currently two parts of the remuneration : the per-meeting remuneration, which is a fixed rate; and the bonus, which is tied to PTT's operating results. The Board will conduct a self-assessment once a year to determine the size of the bonus. The remuneration has been approved by the shareholders meeting and presented in page 76-77

### Meetings of the Board of Directors

Board of Directors meetings for PTT are held on the third Thursday of each month. Additional meetings may be called to discuss special agenda items. The Office of the President will send out an invitation along with the meeting agenda and relevant documents to each director 5-7 days before the meeting to allow adequate time to study the information. In every meeting, each director can openly and freely express his/her opinions. The minutes of each meeting are properly documented and, after approval from the Board, filed for auditing purposes. Each board meeting takes approximately 3-4 hours.

In 2003, the Board held 12 regular meetings and one special meeting. The attendance information for each director is as follows:

Name of PTT Directors	No. of Meetings Attended / Total No. of Meetings
1. Mr. Cherdpong Siriwit	13/13
2. Mr. Manu Leopairote	12/13
3. Police General Sant Sarutanond	7/13
4. Mr. Pala Sookawesh	13/13
5. Mr. Somchai Wongsawat	9/13
6. Mr. Pisanu Sunthraraks	13/13
7. Mr. Chakrawut Salayabongs	13/13
8. Mr. Olarn Chaipravat	10/13
9. Mr. Chaiwat Wongwattanasan	0/13
10. Mr. Sunthad Somchevita	13/13
11. Mr. Wisudhi Srisuphan	11/13
12. General Chaiyasuek Ketudat	(Appointed April 29, 2003) 9/9
13. Mr. Metta Bunternsuk	(Appointed April 29, 2003) 8/9
14. Mr. Prapan Naikovit	(Appointed April 29, 2003) 8/9
15. Mr. Prasert Bunsumpun	(Appointed August 10, 2003) 5/5





## Committees

The Board of Directors appointed committees with special knowledge and expertise to assist in the supervision of the Company's business, namely the Audit Committee, the Nominating Committee, and the Remuneration Committee. Each committee consists of non-management directors. The composition, scope of authority and responsibilities of each committee can be found in sections 9.3, 9.4 and 9.5.

### Internal Control and Audit System

The Board monitors performance of the management team through the approval of the Company's operating plan, budget, and operating goals. In addition, management is encouraged to recognize the importance of an internal control system that is efficient, given acceptable risk levels, and appropriate for various work conditions.

#### • Internal Control

It is the responsibility of the Board and the Audit Committee to ensure an internal control system that is effective and facilitates the management of risk at acceptable levels. Furthermore, the Board and the Audit Committee shall regularly monitor and evaluate the system for efficiency. The Audit Committee shall examine effective compliance of the Company in the following areas: the control environment, proper risk assessment, control activities, information and communication systems, and monitoring and evaluation processes. The internal control system is an important mechanism that assists management in the reduction of business risks, the efficiency of business operations through proper procurement of resources and attainment of goals, the protection of Company assets from losses and corruption, the accountability of financial reporting, the compliance of all personnel with laws and regulations, and the protection of shareholders' capital.

#### • Internal Audit

The Office of Internal Audit follows the highest standards of internal audit by examining the annual operating plan, which is consistent with the results of the Company's risk assessment, and reporting results of the audit to the Audit Committee every three months.

#### • Risk Management

The Risk Management Committee was appointed to manage risks within the entire organization, assess risks, and formulate a structure for the Company's risk management to reduce risks to an acceptable level. Types of risks include financial, operating, business, and events. Moreover, the Committee is responsible for preparing an analysis and assessment of potential risks, the potential effects on PTT both internally and externally, and a risk management report for presentation to the Board.

### Reports of the Audit Committee

Every quarter, the Audit Committee reviews the Company's financial reports in conjunction with PTT's Accounting Department and the Office of Auditor General and presents these financial reports to the Board of Directors. The Board is accountable for the consolidated financial statements of PTT and its subsidiaries, as well as the financial information (Report on the Board's Responsibility for Financial Reports) that is presented in the annual report. The financial statements are prepared under generally accepted accounting standards, certified and examined by the Office of the Auditor General. Significant information, including financial and non-financial information, is completely and truthfully disclosed regularly.

### Investor Relations

PTT recognizes the importance of accurate, complete, transparent and thorough disclosure of information. It also recognizes the importance of the release of operating results and organizational information to investors, shareholders, and related parties-both directly and indirectly.



Directly : PTT regularly presents Company information to analysts, investors and employees at analyst meetings, road shows and conference calls. Analysts, investors and interested parties can also arrange company visits to meet the management of PTT and make inquiries into the Company's progress. Activities can be summarized as follows:

- International Road Shows	About 7 times/year
- Domestic Road Shows	About 6-8 times/year
- Analyst Meetings	4 times/year
- Company Visits	About 70-120 times/year
- E-mails/Telephones	About 3-5 times/day

Indirectly : Information on the Company, its performance, financial statements and reports filed with the Stock Exchange of Thailand can be found on the Company's website : [www.pttplc.com](http://www.pttplc.com).

: Investors and interested parties can make inquiries through the Company's website : [www.pttplc.com](http://www.pttplc.com).

PTT established the Capital Market & Investor Relations Division as a center for the reporting of financial information and other significant information which might with impact on PTT shares.

#### Self-Assessment of the Board of Directors

The Board conducts an annual self-assessment in accordance with PTT's Good Corporate Governance Principles of 2001. In 2003, as in previous years, there were six topics under assessment but the format had been improved to better reflect the Board's performance. The self-assessment can be summarized as follows:

Topic	Conclusion of the Board
1. Composition of the Board, Election and Qualifications of the Board	<ul style="list-style-type: none"> <li>- 42.86% of the directors reported that having at least three independent directors, as is the case at present, was most suitable. ; 42.86% found it very suitable.</li> <li>- 50% were in favor and 35.71% were strongly in favor with the current nominating process for PTT directors which is under the supervision of the Nominating Committee.</li> <li>- 35.71% agreed and 64.69% strongly agreed that the current appointment process for PTT directors followed the specified agenda, was clear and transparent, and provided adequate information to shareholders for decision-making purposes.</li> <li>- 85.71% strongly agreed that the directors had full independence in performing their duties and voicing their opinions in Board meetings.</li> <li>- 78.57% strongly agreed that PTT directors did not serve on the Boards of companies and thereby create a conflict of interest with PTT.</li> <li>- 78.57% strongly agreed that PTT directors had not engaged in any activity conflicting with the interests of PTT throughout the year.</li> </ul>



Topic	Conclusion of the Board
2. Duties and Responsibilities of the Board	<ul style="list-style-type: none"><li>- 92.86% strongly agreed that the directors understood their duties and responsibilities as PTT directors.</li><li>- 57.14% strongly agreed, while 35.71% agreed, that the directors regularly studied information on the Company's business, business administration, and related laws and regulations.</li><li>- 42.86% strongly agreed, while 50% agreed, that directors participated in the formulation of strategic plans, significant policies, financial objectives and goals, and PTT's operating plan, as well as following up on management's implementation of the plans.</li><li>- 78.57% strongly agreed that they understood PTT's vision, mission, values and strategies.</li><li>- 42.86% strongly agreed, and 42.86% agreed, that they took part in suggesting guidelines or methods to solve current and potential problems.</li><li>- 71.43% strongly agreed that they understood PTT's business risks and were very cautious in making investment decisions for PTT.</li><li>- 57.14% strongly agreed, and 42.86% agreed, that the independent directors had acted independently in the formulation of strategies, business administration, and specification of rules/standards for the operation PTT, and were ready to challenge the decisions of other directors or management if there appeared to be any issue that might impact on the equal standing of all shareholders.</li><li>- 28.57% strongly agreed, and 50% agreed, that they had properly monitored and resolved potential conflicts of interest among PTT stakeholders.</li><li>- 64.29% strongly agreed, and 28.57% agreed, that they had contributed their special knowledge to the organization.</li><li>- 64.29% strongly agreed, and 21.43% agreed, that the directors played a role in enhancing PTT's credibility and acceptance by external parties.</li></ul>
3. Board Meetings	<ul style="list-style-type: none"><li>- 78.57% strongly agreed that they acknowledged the date, time and agenda of each meeting, and adequately studied and understood the rules and agenda of each meeting in advance.</li><li>- 85.71% strongly agreed that regular attendance at Board meetings was a high priority and that they had spent adequate time discussing each topic. 85.71% also said that they could provide extra time to PTT, should that become necessary at any time.</li><li>- 71.43% strongly agreed, and 7.14% agreed, that they provided reasons for not being able to attend Board meetings, 21.43% never missed a meeting.</li></ul>
4. Remuneration	<ul style="list-style-type: none"><li>- 35.71% strongly agreed, and 57.14% agreed, that the Remunerating Committee gave sound advice on the remuneration of the Board and the President.</li><li>- 21.43% strongly agreed, and 64.29% agreed, that any increase in duties and responsibilities, needed to be accompanied by an increase in remuneration.</li></ul>



Topic	Conclusion of the Board
	- 14.29% strongly agreed, 57.14% agreed, and 21.43% moderately agreed, that the current rate of remuneration was commensurate with the assigned duties and responsibilities.
5. Receipt of information that is important and necessary to the operation of the Board	<ul style="list-style-type: none"><li>- 42.86% strongly agreed, and 50% agreed, that they had received regular, adequate, accurate, and timely information from PTT.</li><li>- 28.57% strongly agreed, and 50% agreed, that they had adequate opportunity to attend necessary seminars and lectures aimed at enhancing their efficiency and performance of their duties.</li></ul>
6. Additional Recommendations or Plans for 2004	<ol style="list-style-type: none"><li>1. PTT should expand the businesses in which it had adequate competence and potential into international markets so as to improve PTT's income and the country's economy.</li><li>2. The bonus for directors-set by the State Enterprise Office of the Ministry of Finance-is too low, given the Company's net income of 25 billion baht.</li><li>3. It seems that many misunderstandings about the Thai-Malaysian gas pipeline project among various stakeholders and the public remain. PTT may have to work harder at informing the Thai people about the long-term benefits for all related parties.</li><li>4. PTT should accelerate the "PTT Group" management style.</li><li>5. PTT should improve the quality of all personnel and provide proper training.</li><li>6. PTT should change the mission of the Oil Business Group to "Retailer wholesale oil" and adjust the organization accordingly.</li><li>7. Compare "Peer Group" with of world-class oil companies.</li><li>8. Losses to PTT, such as through risky investments or contracts and legal cases should be prevented.</li><li>9. PTT's prosperity and stability should be supported.</li><li>10. PTT should create an understanding among the general public about the roles of PTT and its subsidiaries.</li><li>11. PTT should be made a leading energy company.</li><li>12. The operating results of PTT and its subsidiaries should be reported regularly.</li><li>13. One Board meeting should be held in Thailand and another outside Thailand each year.</li><li>14. Reports should be prepared on issues which have a critical impact on PTT and its subsidiaries.</li><li>15. The Board should consider giving management more authority so that they can be faster and more for flexible in performing their duties.</li></ol>

Note: One recommendation represents one opinion



## Remuneration of Management

### (1) Total Remuneration of the Board of Directors

Unit : Baht

Remuneration	2002		2003	
	Persons	Remuneration	Persons*	Remuneration
Bonus	14	9,000,000.00	15	11,922,575.00
Per-Meeting Compensation	14	5,160,000.00	15	7,882,495.00
Total		5,464,687.52		19,805,070.00

### (2) Total Remuneration of PTT Management (excluding secondees)

Unit : Baht

Remuneration	2002		2003	
	Persons	Remuneration	Persons	Remuneration
Total Salary	8	36,978,110.00	9	39,548,833.37
Total Bonus	8	13,866,791.25	9	16,895,347.25
Total		50,844,901.25		56,444,180.62

### (3) Provident Fund for Management (excluding secondees)

Unit : Baht

Remuneration	2002		2003	
	Persons	Remuneration	Persons	Remuneration
Provident Fund	8	3,697,811.00	9	5,102,350.00
Total		3,697,811.00		5,102,350.00

## Personnel

All employees, employees on probation, and the management of the Petroleum Authority of Thailand were transferred to PTT Public Company Limited on the Company's registered date, were receiving at least equal salaries, wages and benefits than before the transfer. Their tenure with the Petroleum Authority of Thailand was deemed as their tenure with PTT. Provident and pension funds remained in effect but with PTT as the employer instead.



The number of personnel classified according to major function as of December 31, 2001, December 31, 2002, and June 30, 2003, were as follows:

	Unit : Persons	
<b>Major Functions</b>	<b>2002</b>	<b>2003</b>
1. Natural Gas	764	765
2. Oil	1,458	1,434
3. Support	830	827
4. Subsidiaries and Joint Ventures	1,249	1,099
Total	4,303	4,125

\* The increase from previous year is due to the inclusion of personnel from Thai Olefins Plc. (480 persons), PTT (Cambodia) Co., Ltd. (53 persons). Also, and PTTEP employed had 45 new employees.

## (2) Remuneration of Personnel (excluding Management and secondees)

	Unit : Baht	
<b>Remuneration</b>	<b>2002</b>	<b>June 2003</b>
Total Salary	1,795,467,849.31	1,811,577,788.89
Total Bonus	663,316,454.81	985,435,604.59
Provident Fund	177,749,067.40	178,515,540.83
Others (if any)	664,347,807.30	426,286,160.51
Total	3,300,881,178.82	3,401,815,094.82

## 3) Other Remuneration

PTT allocated 47,245,725 new common shares at 10 baht per share for employees, employees on probation, the management team, employees who resigned under the 2<sup>nd</sup> 2001 Mutual Separation Plan, employees of the Petroleum Authority of Thailand who retired in 2001, and the "Provident Funds of PTT and Its Registered Joint Venture Companies". The purpose of this allocation program was to allow employees to share ownership in the Company and create a sense of involvement in the Company's management and development. The conditions of this share allocation were that no trading of these shares could be carried out for a period of three years, and that no more than one-third of the allocated shares could be sold in a single year. The conditions end by the end of 2004.

## (4) Personnel Development

PTT sees its personnel as precious resources that contribute to the efficient and effective achievement of its mission and objectives. Therefore, PTT's policy is to provide to its employees opportunities for continuous development and arranged beforehand so that they can realize their full potential under the Company's operating principles. PTT places an emphasis on Performance Evaluation Program, the Human Resources Mechanism Development Project, and E-Learning. The cultivation of a learning organization, and working environment improvement to support the career development are undertaken. These efforts will help the Company to become a "High-Performance Organization" in the future.



# REPORT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The financial statements of PTT Public Company Limited and its subsidiaries being consolidated have been prepared in compliance with notification of Department of Commercial Registration dated September 14, 2001 issued under the third paragraph of section 11 of Accounting Act. B.E. 2543. The financial statements have been conformed to accounting principles regulated by the Institute of Certified Accountants and Auditors of Thailand.

The Company's Board of Directors are responsible for the integrity and objectivity of the financial statements of PTT Public Company Limited and its subsidiaries in providing reasonable assurance that the financial statements present fairly financial position, results of operation, cash flows, the books and records of the Company accurately reflect all transaction, the Company's assets are properly safeguarded, including the control systems designed to protect against fraud and irregularity transaction. The financial statements have been prepared with the chosen accounting policy deemed appropriate and applied on the consistency basis in accordance with generally accepted accounting principles, and significant information has been adequately disclosed in note to financial statements, in which the independent auditor express an opinion on the financial statements of PTT Public Company Limited and its subsidiaries in the report of the auditor.

(Mr. Cherdpong Siriwit)  
Chairman of the Board

(Mr. Prasert Bunsumpun)  
President



# AUDITOR'S REPORT

TO : THE SHAREHOLDERS OF PTT PUBLIC COMPANY LIMITED

The Office of the Auditor General of Thailand has audited the accompanying consolidated and the Company balance sheets of PTT Public Company Limited and its subsidiaries as at December 31, 2003 and 2002, the related consolidated and the Company statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. The responsibility of the Office of the Auditor General of Thailand is to express an opinion on these financial statements based on the audits of the Office of the Auditor General of Thailand and other auditors' reports. Other auditors have audited the financial statements of Trans Thai-Malaysia (Thailand) Co., Ltd., Trans Thai-Malaysia (Malaysia) Co., Ltd., the joint venture projects of business group of PTT Exploration and Production Public Company Limited, PTT Philippines, Inc., PTT International Trading Pte., Ltd., PTT (Cambodia) Co., Ltd. and Retail Business Alliance Co., Ltd. which are joint ventures and subsidiaries included in the consolidated financial statements. The Office of the Auditor General of Thailand received the other auditors' reports and used them as a basis in auditing and expressing an opinion on the consolidated and the Company financial statements. As at December 31, 2003 and 2002, assets of the above joint ventures and subsidiaries included in the consolidated financial statements constitute 22.38% and 18.28%, respectively.

The Office of the Auditor General of Thailand conducted the audits in accordance with generally accepted auditing standards. Those standards require that the Office of the Auditor General of Thailand plans and performs the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Office of the Auditor General of Thailand believes that the audits and the other auditors' reports as stated in the above paragraph provide a reasonable basis for the opinion.

In the opinion of the Office of the Auditor General of Thailand, based on its audits and the other auditors' reports, the consolidated and the Company financial statements referred to above present fairly, in all material respects, the consolidated and the Company financial position of PTT Public Company Limited and its subsidiaries as at December 31, 2003 and 2002, and the results of the consolidated and the Company operations, changes in the consolidated and the Company shareholders' equity and the consolidated and the Company cash flows for the years then ended of PTT Public Company Limited and its subsidiaries, in conformity with generally accepted accounting principles.

Without qualifying opinion on the financial statements, the Office of the Auditor General of Thailand draws attention to Notes 2.1 and 3 with regard to basis for financial statement preparation and change in accounting policy, respectively.

(Signed) Jerarat Noppawong Na Ayutthaya  
(Jerarat Noppawong Na Ayutthaya)  
Deputy Auditor General  
for Auditor General

(Signed) Suchitra Sommanus  
(Suchitra Sommanus)  
Director of Audit Office

Office of the Auditor General  
February 24, 2004



# BALANCE SHEETS

## PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

AS AT DECEMBER 31, 2003 AND 2002

Unit : Baht

	Notes	Consolidated		The Company	
		2003	2002 (Restated)	2003	2002 (Restated)
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	4	56,442,959,550	33,657,521,788	36,958,301,408	17,176,878,782
Current investments	5	6,343,944,148	1,147,151,017	3,947,814,595	1,147,151,017
Trade accounts and notes receivable-others, net	6	31,889,215,182	37,587,962,211	30,947,739,075	35,761,726,264
Trade accounts receivable-related parties, net	7.1	12,448,681,275	12,834,067,681	12,431,341,766	13,357,191,658
Other accounts receivable, advances and short-term loans to related parties, net	7.2	1,299,840,948	583,916,223	1,730,784,943	1,077,847,266
Inventories	8	3,751,568,314	2,624,150,849	3,686,297,683	1,981,556,091
Materials and supplies - net	9	1,844,623,839	2,284,387,692	1,007,744,490	1,031,498,879
Other current assets	10	11,316,838,393	13,922,271,578	10,215,445,787	12,960,767,513
<b>Total Current Assets</b>		<b>125,337,671,649</b>	<b>104,641,429,039</b>	<b>100,925,469,747</b>	<b>84,494,617,470</b>
<b>Non-Current Assets</b>					
Investments accounted for under the equity method	11.5	33,923,959,237	20,559,588,726	55,520,606,230	38,496,022,062
Other long-term investments	12.2	1,008,140,127	832,627,575	1,008,140,117	831,127,565
Advances and long-term loans to related parties, net	7.3	4,096,099,907	2,151,109,378	4,096,099,907	2,151,109,378
Property, plant and equipment - net	13	122,093,282,529	127,361,317,013	65,445,460,168	64,645,355,387
Intangible assets	14	4,881,085,270	5,712,621,125	3,263,898,872	3,275,546,572
Deferred tax assets	15	1,639,371,718	2,250,622,591	1,583,686,286	1,608,576,412
Advance payment for gas purchased	16	26,352,053,274	28,112,055,533	32,678,290,625	34,568,505,737
Other non-current assets	17	5,273,709,204	7,499,237,676	4,545,513,459	4,083,731,826
<b>Total Non-Current Assets</b>		<b>199,267,701,266</b>	<b>194,479,179,617</b>	<b>168,141,695,664</b>	<b>149,659,974,939</b>
<b>Total Assets</b>		<b>324,605,372,915</b>	<b>299,120,608,656</b>	<b>269,067,165,411</b>	<b>234,154,592,409</b>

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

# BALANCE SHEETS

## PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES AS AT DECEMBER 31, 2003 AND 2002

Unit : Baht

	Notes	Consolidated		The Company	
		2003	2002 (Restated)	2003	2002 (Restated)
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities</b>					
Bank overdrafts and short-term loans from financial institutions		-	23,872,932	-	19,410,882
Trade accounts payable - others		21,019,909,017	24,777,658,956	20,383,028,672	23,495,132,491
Trade accounts payable - related parties	7.4	10,011,805,810	8,246,166,378	13,278,990,271	10,933,284,301
Other accounts payable - related parties	7.5	464,989,417	701,565,513	622,304,639	1,699,222,246
Current portion of long-term loans	19	17,764,279,503	11,815,190,858	17,764,068,603	8,487,730,638
Income tax payable		8,217,192,631	6,297,171,570	2,428,350,890	2,594,109,555
Accrued expenses		6,845,751,358	8,076,383,663	3,447,350,973	4,525,046,307
Other current liabilities	18	5,351,529,785	4,246,064,725	4,160,432,988	3,351,953,315
<b>Total Current Liabilities</b>		<b>69,675,457,521</b>	<b>64,184,074,595</b>	<b>62,084,527,036</b>	<b>55,105,889,735</b>
<b>Non-Current Liabilities</b>					
Long-term loans	19	107,460,872,933	120,119,789,462	89,335,556,793	92,355,851,617
Allowance for share of net loss over investments	11.7	-	1,238,461,291	-	1,257,331,422
Deferred tax liabilities	15	9,173,587,580	8,327,290,215	-	-
Provision for decommissioning costs	20	3,910,318,062	3,633,197,210	-	-
Deposits on LPG cylinders		3,456,994,768	3,149,107,442	3,456,994,768	3,149,107,442
Other non-current liabilities	21	1,998,954,393	1,670,630,713	1,880,173,900	1,427,937,536
<b>Total Non-Current Liabilities</b>		<b>126,000,727,736</b>	<b>138,138,476,333</b>	<b>94,672,725,461</b>	<b>98,190,228,017</b>
<b>Total Liabilities</b>		<b>195,676,185,257</b>	<b>202,322,550,928</b>	<b>156,757,252,497</b>	<b>153,296,117,752</b>

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



# BALANCE SHEETS

PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
AS AT DECEMBER 31, 2003 AND 2002

Unit : Baht

	Notes	Consolidated		The Company	
		2003	2002	2003	2002
			(Restated)		(Restated)
<b>Liabilities and Shareholders' Equity (Continued)</b>					
<b>Shareholders' Equity</b>					
Share capital	22				
Authorized share capital 2,850,000,000					
ordinary shares of Baht 10 each		28,500,000,000	28,500,000,000	28,500,000,000	28,500,000,000
Issued and paid-up share capital 2,797,245,725					
ordinary shares of Baht 10 each		27,972,457,250	27,972,457,250	27,972,457,250	27,972,457,250
Premium on share capital					
Premium on ordinary shares		17,992,830,666	17,992,830,666	17,992,830,666	17,992,830,666
Unrealized gain on available-for-sale securities		550,400,000	209,600,000	550,400,000	209,600,000
Currency translation differences		(721,543,059)	(403,354,164)	(721,543,059)	(403,354,164)
Retained earnings					
Appropriated					
Legal reserve	23.1	2,850,000,000	2,850,000,000	2,850,000,000	2,850,000,000
Reserve for Self-Insurance Fund	23.2	776,993,833	723,873,357	776,993,833	723,873,357
Unappropriated		62,888,774,224	31,513,067,548	62,888,774,224	31,513,067,548
Total parent's shareholders' equity		112,309,912,914	80,858,474,657	112,309,912,914	80,858,474,657
Minority interests		16,619,274,744	15,939,583,071	-	-
<b>Total Shareholders' Equity</b>		<b>128,929,187,658</b>	<b>96,798,057,728</b>	<b>112,309,912,914</b>	<b>80,858,474,657</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>324,605,372,915</b>	<b>299,120,608,656</b>	<b>269,067,165,411</b>	<b>234,154,592,409</b>

(Signed) Prasert Bunsumpun  
(Prasert Bunsumpun)  
President  
PTT Public Company Limited

(Signed) Pichai Chunhavajira  
(Pichai Chunhavajira)  
Senior Executive Vice President,  
Corporate Finance & Accounting  
PTT Public Company Limited

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

# STATEMENTS OF INCOME

PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Unit : Baht

	Notes	Consolidated		The Company	
		2003	2002	2003	2002
			(Restated)		(Restated)
Sales		494,008,980,728	399,752,220,696	478,922,034,891	387,094,824,267
Cost of sales		429,925,507,883	344,957,013,184	440,741,738,436	353,475,891,241
<b>Gross margin</b>		<b>64,083,472,845</b>	<b>54,795,207,512</b>	<b>38,180,296,455</b>	<b>33,618,933,026</b>
Selling and administrative expenses		13,772,949,052	14,426,994,527	11,336,125,983	11,535,063,597
Exploration expenses		2,311,755,940	150,031,223	-	-
<b>Income from sales</b>		<b>47,998,767,853</b>	<b>40,218,181,762</b>	<b>26,844,170,472</b>	<b>22,083,869,429</b>
Other income	25	6,437,792,275	6,898,034,452	5,350,517,858	6,044,060,992
Directors' remuneration		48,405,770	28,942,466	19,805,070	14,160,000
<b>Income from Operations</b>		<b>54,388,154,358</b>	<b>47,087,273,748</b>	<b>32,174,883,260</b>	<b>28,113,770,421</b>
Share of net income from investments under equity method	26	12,296,401,895	2,162,761,222	19,743,610,008	8,785,215,876
<b>Income before Interest and Taxes</b>		<b>66,684,556,253</b>	<b>49,250,034,970</b>	<b>51,918,493,268</b>	<b>36,898,986,297</b>
Interest expenses	29	8,070,040,812	9,623,449,641	6,084,819,443	7,371,262,841
Income taxes	15	14,413,925,589	10,445,283,355	6,432,696,357	5,042,641,278
<b>Income after Taxes</b>		<b>44,200,589,852</b>	<b>29,181,301,974</b>	<b>39,400,977,468</b>	<b>24,485,082,178</b>
Income of minority interests		4,799,612,384	4,696,219,796	-	-
<b>Net Income</b>		<b>39,400,977,468</b>	<b>24,485,082,178</b>	<b>39,400,977,468</b>	<b>24,485,082,178</b>
<b>Earnings per share</b>	<b>24</b>				
Basic earnings per share		14.09	8.75	14.09	8.75
Diluted earnings per share		14.09	8.75	14.09	8.75

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



# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

**PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

## CONSOLIDATED

	Issued and paid-up share capital	Premium on share capital	Unrealized gain (loss) on available-for-sale securities
<b>Balance as at January 1, 2002</b>	<b>27,972,457,250</b>	<b>17,992,830,666</b>	<b>(91,200,000)</b>
Cumulative effect of change in accounting policy of a subsidiary	-	-	-
<b>Balance after adjustment</b>	<b>27,972,457,250</b>	<b>17,992,830,666</b>	<b>(91,200,000)</b>
Currency translation differences	-	-	-
Unrealized gain on available-for-sale securities	-	-	300,800,000
Minority interests	-	-	-
Unrealized transactions in statement of income	-	-	300,800,000
Reserve for Self-Insurance Fund	-	-	-
Dividend paid	-	-	-
Net income	-	-	-
<b>Balance as at December 31, 2002</b>	<b>27,972,457,250</b>	<b>17,992,830,666</b>	<b>209,600,000</b>
Currency translation differences	-	-	-
Unrealized gain on available-for-sale securities	-	-	340,800,000
Minority interests	-	-	-
Unrealized transactions in statement of income	-	-	340,800,000
Reserve for Self-Insurance Fund	-	-	-
Dividend paid	-	-	-
Net income	-	-	-
<b>Balance as at December 31, 2003</b>	<b>27,972,457,250</b>	<b>17,992,830,666</b>	<b>550,400,000</b>

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



Unit : Baht

Currency translation differences	Legal reserve	Reserve for Self-Insurance Fund	Retained earnings	Minority interests	Total
(189,173,305)	2,850,000,000	662,597,447	8,777,415,162	12,143,991,509	70,118,918,729
-	-	-	(289,531,020)	(182,810,072)	(472,341,092)
(189,173,305)	2,850,000,000	662,597,447	8,487,884,142	11,961,181,437	69,646,577,637
(214,180,859)	-	-	-	-	(214,180,859)
-	-	-	-	-	300,800,000
-	-	-	-	3,978,401,634	3,978,401,634
(214,180,859)	-	-	-	3,978,401,634	4,065,020,775
-	-	61,275,910	(61,275,910)	-	-
-	-	-	(1,398,622,862)	-	(1,398,622,862)
-	-	-	24,485,082,178	-	24,485,082,178
(403,354,164)	2,850,000,000	723,873,357	31,513,067,548	15,939,583,071	96,798,057,728
(318,188,895)	-	-	-	-	(318,188,895)
-	-	-	-	-	340,800,000
-	-	-	-	679,691,673	679,691,673
(318,188,895)	-	-	-	679,691,673	702,302,778
-	-	53,120,476	(53,120,476)	-	-
-	-	-	(7,972,150,316)	-	(7,972,150,316)
-	-	-	39,400,977,468	-	39,400,977,468
(721,543,059)	2,850,000,000	776,993,833	62,888,774,224	16,619,274,744	128,929,187,658



# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

**PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

## THE COMPANY

	Issued and paid-up share capital	Premium on share capital	Unrealized gain (loss) on available-for-sale securities
<b>Balance as at January 1, 2002</b>	<b>27,972,457,250</b>	<b>17,992,830,666</b>	<b>(91,200,000)</b>
Cumulative effect of change in accounting policy of a subsidiary	-	-	-
<b>Balance after adjustment</b>	<b>27,972,457,250</b>	<b>17,992,830,666</b>	<b>(91,200,000)</b>
Currency translation differences	-	-	-
Unrealized gain on available-for-sale securities	-	-	300,800,000
Unrealized transactions in statement of income	-	-	300,800,000
Reserve for Self-Insurance Fund	-	-	-
Dividend paid	-	-	-
Net income	-	-	-
<b>Balance as at December 31, 2002</b>	<b>27,972,457,250</b>	<b>17,992,830,666</b>	<b>209,600,000</b>
Currency translation differences	-	-	-
Unrealized gain on available-for-sale securities	-	-	340,800,000
Unrealized transactions in statement of income	-	-	340,800,000
Reserve for Self-Insurance Fund	-	-	-
Dividend paid	-	-	-
Net income	-	-	-
<b>Balance as at December 31, 2003</b>	<b>27,972,457,250</b>	<b>17,992,830,666</b>	<b>550,400,000</b>

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



Unit : Baht

Currency translation differences	Legal reserve	Reserve for Self-Insurance Fund	Retained earnings	Total
(189,173,305)	2,850,000,000	662,597,447	8,777,415,162	57,974,927,220
-	-	-	(289,531,020)	(289,531,020)
(189,173,305)	2,850,000,000	662,597,447	8,487,884,142	57,685,396,200
(214,180,859)	-	-	-	(214,180,859)
-	-	-	-	300,800,000
(214,180,859)	-	-	-	86,619,141
-	-	61,275,910	(61,275,910)	-
-	-	-	(1,398,622,862)	(1,398,622,862)
-	-	-	24,485,082,178	24,485,082,178
(403,354,164)	2,850,000,000	723,873,357	31,513,067,548	80,858,474,657
(318,188,895)	-	-	-	(318,188,895)
-	-	-	-	340,800,000
(318,188,895)	-	-	-	22,611,105
-	-	53,120,476	(53,120,476)	-
-	-	-	(7,972,150,316)	(7,972,150,316)
-	-	-	39,400,977,468	39,400,977,468
(721,543,059)	2,850,000,000	776,993,833	62,888,774,224	112,309,912,914





# STATEMENTS OF CASH FLOWS

**PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Unit : Baht

	Consolidated		The Company	
	2003	2002 (Restated)	2003	2002 (Restated)
<b>Cash Flows from Operating Activities</b>				
Net income	39,400,977,468	24,485,082,178	39,400,977,468	24,485,082,178
Adjustment net income to net cash provided by (used in) operating activities :				
Depreciation, depletion and amortization	11,259,257,142	11,610,808,863	5,723,595,879	5,777,093,399
Impairment loss	82,005,640	60,521,922	82,005,640	60,521,922
(Gain) loss on disposal of assets	5,100,606	63,738,735	(6,401,082)	44,721,857
Gain on disposal of investments	(166,177,019)	(147,976,075)	(166,177,019)	(147,976,075)
Write-off assets adjustment	(40,576,373)	(14,340,940)	(40,417,190)	(34,907,491)
Allowance for obsolescence of materials and supplies	6,555,081	-	6,555,081	-
Share of net income from investments under the equity method	(12,942,025,275)	(2,162,761,222)	(19,743,610,008)	(8,785,215,876)
Income of minority interests	4,374,332,188	4,696,219,796	-	-
(Gain) loss on foreign exchange	(2,181,164,972)	(562,234,525)	(501,497,738)	224,682,654
Doubtful accounts	111,913,885	570,878,357	100,672,345	557,884,309
Amortization of exploration cost	2,031,986,659	33,780,561	-	-
Amortization of bond issue expenses	9,575,521	10,144,398	-	-
Amortization of bond discounts	1,108,849	1,108,849	-	-
Deferred income taxes	1,539,814,995	1,192,255,109	24,890,126	(93,546,115)
Amortization of deferred interest from finance leases	15,011,627	35,724,602	14,992,202	30,092,833
Amortization of deferred income from initial rights fee for using pipe rack	-	(10,351,446)	-	-
Dividend income	(36,720,000)	(37,696,000)	(36,720,000)	(37,696,000)
Income from donated assets	-	(8,396,700)	-	(8,396,700)
Net income from operating activities before changes in operating assets and liabilities	43,470,976,022	39,816,506,462	24,858,865,704	22,072,340,895

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

# STATEMENTS OF CASH FLOWS

PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Unit : Baht

	Consolidated		The Company	
	2003	2002 (Restated)	2003	2002 (Restated)
Changes in operating assets (increase) decrease				
Trade accounts and notes receivable-others	4,337,149,805	(9,123,556,102)	4,773,901,862	(8,911,936,321)
Trade accounts receivable-related parties	1,248,205,750	3,183,745,970	820,142,985	2,698,293,036
Other accounts receivable, advances and short-term loans to related parties	328,646,048	1,170,083,489	156,420,862	(144,290,570)
Inventories	(1,717,402,247)	1,808,715,886	(1,704,741,593)	1,728,646,282
Materials and supplies	(3,931,400)	5,227,311	(13,916,773)	(62,346,465)
Other current assets	(443,666,800)	(430,651,718)	72,504,444	(89,168,950)
Prepaid expenses	25,793,060	(456,892,004)	25,788,390	(449,494,045)
Advance payment for gas purchased	1,760,002,258	1,145,834,511	1,890,215,111	1,505,449,724
Accrued income	3,348,642,051	347,778,633	3,163,846,361	337,228,265
Other accounts receivable	(1,124,172,125)	1,035,714,705	(870,498,685)	991,203,440
Other non-current assets	(570,342,519)	(3,823,672,958)	(462,298,179)	(1,591,437,550)
Changes in operating liabilities increase (decrease)				
Income tax payable	1,534,244,818	1,092,384,388	(551,476,959)	1,318,566,270
Trade accounts payable-others	(3,321,848,234)	(2,104,814,702)	(3,063,043,728)	(1,105,669,559)
Trade accounts payable-related parties	1,878,157,216	1,854,006,627	2,348,979,200	2,362,043,134
Other accounts payable-related parties	(179,892,794)	(248,106,134)	(111,769,176)	592,650,212
Accrued expenses	(364,591,155)	60,250,826	(302,895,742)	81,313,221
Other current liabilities	(127,978,954)	(882,192,512)	(196,332,106)	(695,407,730)
Deposits on LPG cylinders	307,887,326	242,232,150	307,887,326	242,232,150
Pension fund	7,838,755	(2,023,330)	7,838,755	(2,023,330)
Other accounts payable	2,097,871,054	81,400,372	1,841,243,444	(446,486,682)
Other non-current liabilities	587,707,192	374,536,027	533,063,884	362,273,768
Prior year appropriation to the Ministry of Finance	-	(5,111,675,136)	-	(5,111,675,136)
	9,608,319,105	(9,781,673,701)	8,664,859,683	(6,390,036,836)
Net cash provided by operating activities	53,079,295,127	30,034,832,761	33,523,725,387	15,682,304,059

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



# STATEMENTS OF CASH FLOWS

**PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Unit : Baht

	Consolidated		The Company	
	2003	2002 (Restated)	2003	2002 (Restated)
<b>Cash Flows from Investing Activities</b>				
Proceeds from disposal of property, plant and equipment	16,721,427	9,355,887	16,721,427	9,286,454
Payment of property, plant and equipment	(19,801,683,207)	(13,662,932,283)	(7,249,593,326)	(4,951,356,851)
Payment of intangible assets	(251,361,432)	(331,394,467)	(219,313,702)	(199,859,217)
Long-term loans to related parties	(135,100,000)	(1,609,793,320)	(135,100,000)	(1,609,793,320)
Short-term loans to related parties	(653,580,000)	-	(653,580,000)	-
Payment of investments in subsidiaries	(664,302,014)	(1,543,428,038)	(664,792,014)	(3,797,655,626)
Payment of investments in joint ventures	-	-	(2,368,913,429)	(39,576,000)
Payment of investments in associates	(1,739,570,033)	(1,459,470,330)	(1,739,570,033)	(1,450,765,716)
Proceeds from disposal of long-term investments	158,208,679	-	158,110,520	-
Cash received from long-term loans to related parties	45,000,000	-	45,000,000	-
Cash received from short-term loans to related parties	7,500,000	-	7,500,000	-
Cash refund from investments in other companies	3,600,815	18,129,412	3,600,815	18,129,412
(Increase) decrease in current investments	(5,198,311,174)	384,696,737	(2,802,181,622)	384,696,737
Dividends received	1,174,990,035	1,125,327,319	3,271,407,300	2,907,760,000
Net cash used in investing activities	(27,037,886,904)	(17,069,509,083)	(12,330,704,064)	(8,729,134,127)
<b>Cash Flows from Financing Activities</b>				
Proceeds from ordinary share issuing	44,178,000	-	-	-
Proceeds from preferred stock issuing	510,000	-	-	-
Proceeds from long-term loans	-	12,092,660,147	-	-
Proceeds from bond issuing	17,500,000,000	-	15,000,000,000	-
Proceeds from notes payable issuing	220,000,000	1,900,000,000	220,000,000	1,900,000,000
Repayment of long-term loans	(4,560,444,720)	(23,058,161,058)	(2,395,249,720)	(7,655,419,204)
Redemption of bonds	(5,919,480,000)	(6,000,000,000)	(5,919,480,000)	(6,000,000,000)
Repayment of short-term loans	-	(6,163,123,800)	-	(6,163,123,800)
Repayment of notes payable	(220,000,000)	(1,900,000,000)	(220,000,000)	(1,900,000,000)
Payment of liabilities from finance leases	(102,306,219)	(135,932,910)	(102,095,319)	(114,147,236)
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(19,410,882)	1,144,780	(19,410,882)	922,348
Dividend paid	(9,589,708,846)	(8,519,488,405)	(7,972,150,316)	(6,993,114,312)
Net cash used in financing activities	(2,646,662,667)	(31,782,901,246)	(1,408,386,237)	(26,924,882,204)

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

# STATEMENTS OF CASH FLOWS

**PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Unit : Baht

	Notes	Consolidated		The Company	
		2003	2002	2003	2002
			(Restated)		(Restated)
Effects of exchange rate on cash and cash equivalents		(264,969,464)	(115,809,837)	(3,212,460)	(12,564,142)
Currency translation differences		(295,877,641)	(214,046,183)	-	-
Net increase (decrease) in cash and cash equivalents		22,833,898,451	(19,147,433,588)	19,781,422,626	(19,984,276,414)
Cash and cash equivalents at beginning of the year		33,609,061,099	52,804,955,376	17,176,878,782	37,161,155,196
<b>Cash and cash equivalents at end of the year</b>	<b>4</b>	<b>56,442,959,550</b>	<b>33,657,521,788</b>	<b>36,958,301,408</b>	<b>17,176,878,782</b>

## Cash and cash equivalents at beginning of the year comprises

Cash and cash equivalents at beginning of the year	33,657,521,788
Less Cash at beginning of the year of a subsidiary, transformed to be an associate	48,460,689
	<u>33,609,061,099</u>

## Supplemental disclosures of cash flows Information

### Cash paid during the year for

Interest expenses	8,106,945,451	9,912,122,119	6,232,989,862	7,407,766,931
Income taxes	10,237,318,669	7,257,418,197	5,697,526,213	2,819,793,896

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



# NOTES TO FINANCIAL STATEMENTS

**PTT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

## 1. General Information

PTT Public Company Limited ("the Company") is incorporated as a public company limited, and is listed on the Stock Exchange of Thailand. The address of its registered office is as follows:

555 Vibhavadi-Rangsit Road, Ladyao, Chatuchak, Bangkok, Thailand.

Its principal activity is to operate the petroleum business. The Company has invested in subsidiaries, associates and joint ventures ("the Group") that operate in petroleum exploration and production activities, natural gas operations, refining, oil marketing and international trading and petrochemical business.

As at December 31, 2003, the Group has operated in 10 countries and employed over 4,262 people (2002: 4,342 people), and staff cost of the Group for the year ended December 31, 2003 is Baht 4,972.04 million. (2002: Baht 4,779.35 million)

## 2. Accounting Policies

The significant accounting policies adopted in the preparation of these consolidated and the Company financial statements are set out below.

### 2.1 Basis of preparation

The consolidated and the Company financial statements have been prepared in accordance with generally accepted accounting principles under the Accounting Act, B.E. 2543 (2000) being those Thai Accounting Standards which issued by the Institute of Certified Accountants and Auditors of Thailand and approved under the law by the Board of Supervision of Auditing Practice appointed by the Minister of Commerce under the Auditor Act, B.E. 2505 (1962), and the financial reporting requirements of the Securities and Exchange Commission.

The Company presents financial statements in compliance with notification of Department of Commercial Registration, dated September 14, B.E. 2544 (2001), "Define the abbreviation component required in the financial statement, B.E. 2001" under the third paragraph of section 11 of the Accounting Act, B.E. 2543 (2000).

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdiction. The accompanying consolidated and the Company financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Thailand. Consequently, these consolidated and the Company financial statements are prepared based on assumption that the user of the financial statements have an understanding of Thai generally accepted accounting principles and practices.

The consolidated and the Company financial statements have been prepared under the historical cost convention except some certain amounts of fair value as disclosed in the accounting policies.

For convenience of the user, an English translation of the consolidated and the Company financial statements has been prepared from the statutory financial statements that are issued in Thai language.

During 2003, the Group's structure for consolidation had been changed as follows:

During 2003, the Company had incorporated Retail Business Alliance Co.,Ltd. (RBA) (Formerly Talingchan Management and Service Co., Ltd.), as a subsidiary, and District Cooling System and Power Plant Co., Ltd., (DCAP), as a joint venture as described in Note 11.



In the fourth quarter of 2003, the Company diluted its investment in Thai Olefins Public Co., Ltd. (Formerly Thai Olefins Co., Ltd) (TOC). As a result, TOC was changed from a subsidiary to an associate. Detail of this change is explained in Note 11.

## 2.2 Use of Estimates

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities together with disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

## 2.3 Investments in subsidiaries

Subsidiaries, which are those entities in which the Group has power to exercise control over the financial policies and operations, are consolidated. In assessment of controlling, the Group should have an interest of more than one half of direct and indirect voting rights.

Subsidiaries are consolidated from the date on which the control is transferred to the parent company, and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill according to Note 2.14 for the accounting policy on goodwill. Intercompany transactions, balances and unrealized gains or losses on transactions between the Group are eliminated. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the accounting policies adopted by the Group. Separate disclosure is made for minority interests in the consolidated balance sheet and the consolidated statement of income.

In the Company's separate financial statements, investments in its subsidiaries are accounted for under the equity method.

A list of subsidiaries of the Group is set out in Note 11.

## 2.4 Investments in associates

Investments in associates are accounted for under the equity method in the consolidated and the Company financial statements. Under this method, the Group's share of the post-acquisition gains or losses of associates is recognized in the statement of income. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has significant influence, but which it does not control. Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates unless the transaction provides evidence of an impairment of the transferred asset. The Group's investment in associates includes goodwill (net of accumulated amortization) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

A list of associates of the Group is set out in Note 11.

## 2.5 Investments in joint ventures

Investments in jointly controlled entities are accounted for by proportionate consolidation in the consolidated financial statements. Under this method, the Group combines its share of the joint ventures' individual income and expenses, assets and liabilities on a line-by-line basis with similar items in the Group's financial statements. The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognize its share of gains or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, the loss is recognized immediately. Accounting policies for the joint ventures have been changed to ensure consistency with the accounting policies adopted by the Group. Interests in joint ventures are presented in the Company financial statements under the equity method. A list of joint ventures of the Group is set out in Note 11.

Investments in jointly controlled assets are accounted for by proportionate consolidation in the consolidated financial statements. Under this method, the Group included its share of the joint ventures' individual expenses, assets and liabilities in the relevant components of the financial statements based on joint operating agreement. A list of joint ventures of the Group is set out in Note 11.



## 2.6 Other long-term investments

Investments other than investments in subsidiaries, associates and joint ventures are classified as available-for-sale securities and general investments.

Investments in marketable equity securities which are classified as available-for-sale securities are carried at fair value in the balance sheet. Increase/decrease in the carrying amounts are credited/charged against unrealized gains/losses on investment in available-for-sale securities in shareholders' equity. Fair value is calculated by reference to the Stock Exchange of Thailand current bid prices at the balance sheet date.

Investments in non-marketable equity securities which are classified as general investments are carried at cost in balance sheet and adjusted by investment impairment to recognize the unrealized losses on investments if the value of investment is substantial decrease. A test for impairment is carried out when there is a factor indicating that an investment might be impaired if the carrying value of the investment is higher than its recoverable amount.

On disposal of investments, the difference between the net disposal proceeds and the carrying amounts is charged or credited immediately to the statement of income.

When disposing of part of the Group's holding of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined by reference to the weighted average carrying amount of the total holding of the investment.

## 2.7 Foreign currency translations

Transactions in foreign currencies are translated into Baht by the Group at the exchange rates prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Baht at the exchange rate prevailing at that date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies, are recognized in the statement of income in that period.

Monetary assets and liabilities of integrated foreign operation are translated into Baht by the closing rate at the balance sheet date. Non-monetary assets and liabilities are translated by the historical rate. Revenue and expenses are translated by the average rate of the period. Differences arising on currency translations are recognized as income or expenses for the period.

Assets and liabilities of self-sustaining foreign entities are translated into Baht by the closing rate at the balance sheet date. Revenue and expenses are translated by the average rate of the period. Differences arising on translations are taken directly to shareholders' equity.

On disposal of foreign entities, accumulated currency translation differences are then recognized by the Group as gains or losses on disposal in the statement of income.

## 2.8 Financial instruments

Financial assets carried on the balance sheet include cash and cash equivalents, current investments, trade accounts and notes receivable-others, trade accounts receivable-related parties, other accounts receivable, advances, short-term loans to related parties and long-term loans to related parties. Financial liabilities carried on the balance sheet include bank overdrafts and short-term loans from financial institutions, trade accounts payable-others, trade accounts payable-related parties, other accounts payable-related parties and long-term loans. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group is also party to financial instruments that reduce risk exposure arising from fluctuations in foreign currency exchange, interest rates and oil market prices. These instruments, which mainly comprise foreign currency forward contracts, cross-currency and interest rate swap and futures oil contracts.

### Forward foreign exchange contracts

Forward foreign exchange contracts protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset will be realized or a foreign currency liability settled. Forward foreign exchange contracts are recognized in the financial statement at inception. The premium or discount incurred in establishing each agreement is amortized over the contract period.



### Cross-currency and interest rate swap contracts

Cross-currency and interest rate swap contracts protect the Group from fluctuations in exchange rates and interest rates. The cross-currency and interest rate swap contracts are not recognized in the financial statement at inception. Those contracts protect foreign monetary assets and liabilities transactions as at the balance sheet date are translated by the rate at the inception date. Gains or losses on early termination of contracts or on repayment of the borrowing before maturity are taken to the statement of income.

### Futures oil contracts

The Company has entered into futures oil contracts to hedge risk exposure from fluctuations in oil prices which related to oil business under the oil purchases and sales agreement by determining the future price and recognized gain or loss in the statement of income at the end of contracts.

## 2.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments which have original maturity not later than 3 months. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

## 2.10 Trade accounts receivable

Trade accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful accounts receivable based on a review of all outstanding amounts at the balance sheet date. Doubtful accounts are written-off during the period in which they are identified.

Allowance for doubtful accounts receivable that overdue over 6 months, excludes receivables from government agencies and stated enterprises, is provided at the following rates:

Aging of overdue balances	Percentage of allowance for doubtful accounts
Over 6 months-1 year	50
Over 1 year-2 years	75
Over 2 years	100

Some of receivables, receivables-related parties and government agencies and stated enterprises, the Group specified the allowance in accordance with doubtful recovery by approximate outstanding amounts at the balance sheet date, the payment history and the current financial status of receivables. Doubtful accounts will be written-off for specified items during the year.

## 2.11 Advance under Take-or-Pay-Agreement

The Company has entered into gas purchase agreement with natural gas producers, under which the Company is required to take delivery of natural gas at annual minimum quantity and also required to pay for the certain minimum quantities of natural gas which the Company cannot actually take during each contract year (Take-or-Pay). Thus, at the end of each contract year, the Company and the natural gas producers have to agree and accept in certain volume of gas that should be taken into calculation for Take-or-Pay prepayment, subject to certain basis and condition in the agreement. Under this agreement, the Company can take certain volumes of prepaid gas (Make-up) in subsequent years, which the Company is required to complete delivery of natural gas at certain minimum quantities of that given contract year. The Company recognizes its obligations under the agreement as advance payment for gas purchased.





## 2.12 Inventories

Inventories are stated at the lower of cost of acquisition and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. The subsidiaries and most associates apply the weighted average cost method to determine the inventory costs which effect of difference accounting policy for inventory are not substantial. The cost of imported petroleum products comprises various importing expenses and levies, surveyors' fees and contributions to or compensation from the Oil Stabilization Fund as the case may be. Net realizable value is the estimated selling price in the ordinary business, less the costs of completion and related selling expenses.

## 2.13 Material and supplies

Materials and supplies are valued at weighted average cost. Allowance is made in full for obsolete or defective and unserviceable items.

## 2.14 Intangible assets

Intangible assets include goodwill, expenditures on leasehold rights of land and/or buildings, land rights, other operations right and patents. Amortization is calculated on the straight-line method over the contract period ranging from 5-30 years.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries or associates at the date of acquisition. Goodwill on acquisitions is reported in the consolidated balance sheet as an intangible asset and is amortized using the straight-line method over a maximum period of 20 years.

The carrying amount of intangible assets are reviewed by the Group. Where an indication of impairment exists, the carrying amount of intangible assets is assessed and written-down immediately to its recoverable amount.

## 2.15 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and allowance for impairment.

### General properties

Depreciation is calculated on the straight-line method to write off the cost of each asset category, to their residual values over its estimated useful life as follows:

	Depreciation percentage rates per annum
Buildings and improvement	3.33-10.00
Machinery and equipment	3.33-10.00
Other assets	10.00-20.00

Where the carrying amount of an asset is the higher of the anticipated discounted cash flows from the continuing use of the asset and the obtainable amount from the sale of the asset less any costs of disposal, it is written-down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount, and are included in operating profit.

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

Subsequent expenditure on property, plant and equipment is only recognized as an asset when the expenditure improve the future economic benefit of the asset beyond its original standard of performance, for example, extend its useful life, an increase in its capacity, and reduction in previously assessed operating costs. Other expenditure is usually recognized as an expense in that period. When it incurred on repairs or maintenance of property, plant and equipment to the original standard of performance of the asset, for example, the overhaul repair and maintenance of property, plant and equipment.



## Oil and gas exploration and production properties

The Company's subsidiary account for its oil and gas exploration and production properties in accordance with the successful efforts method, which has accounting policy as follows:

### Cost of properties

Cost of properties comprising total acquisition costs of concession right or the portion of costs applicable of properties, drilling, development, equipment and operating costs of support equipment as well as the decommissioning costs. If exploratory wells establish proved reserves, and are included in the plan to develop in the near future, exploratory drilling costs (both tangible and intangible) are initially capitalized otherwise the related costs are charged as expenses.

Exploratory costs, comprising geological and geophysical costs as well as area reservation fees during the exploration stage, are charged to expenses as incurred.

Development costs, irrespective of whether relating to development wells or unsuccessful development wells, are capitalized.

### Depreciation, depletion and amortization

Capitalized of acquisition costs of concession right are depleted and amortized on the unit of production method, which is based on estimated proved recoverable reserves. Depreciation, depletion and amortization of exploratory wells, development equipment and operating costs of support equipment as well as the decommissioning costs, except unsuccessful projects are calculated on the unit of production method, which is based on estimated proved recoverable reserves and proved development reserves. Changes in reserve estimates are recognized prospectively.

Proved recoverable reserves and proved development reserves are calculated by the Group's own engineers and information from the joint ventures.

Depreciation for transportation pipeline of Yadana and Yetagun project is calculated on the straight-line method with an estimated useful life of 30 years.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, and are charged to the statement of income.

Expenditure for addition, renewal and betterment which result in a substantial increase in an assets current replacement value, are capitalized. Repair and maintenance costs are recognized as expenses when incurred.

## 2.16 Leases of property, plant and equipment-The Group is the lessee

Leases of property, plant and equipment, where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. At the inception, these leased assets are capitalized at the estimate present value of the underlying lease payments. Each lease payment is allocated between liability and finance charge in order to calculate at a constant rate on the remaining balance of the liabilities. The finance leases liability less finance charge are presented as long-term loans. Finance cost is charged as expenses in the statement of income over the lease period. Depreciation is charged on the straight-line method over the useful life of the relevant category of asset.

Leases of property, plant and equipment, where the lessor assumes a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line method over the lease period.

The expense to terminate the operating lease agreement before maturity, for example, the compensation paid to the lessor for such termination is charged as expenses in the statement of income for the period in which the termination takes place.

## 2.17 Provision for decommissioning costs

The Group recorded provision for decommissioning cost whenever it is probable that there is an obligation as a result of the past event and reliable amount of obligation.



The Group recognized provision for decommissioning costs, which are provided at the onset of production of the project, for the estimate of the eventual costs that relate to the removal of the production facilities. These costs were included as part of the oil and gas properties and were amortized based on proved reserves on a unit of production basis. The estimates of decommissioning costs have been determined based on reviews and estimates by the Group's own engineers and managerial judgement.

## 2.18 Pension fund and provident fund

The Company contributes monthly to the Pension Fund at a rate of 10% of its staff's salaries, and also contributes additional amount to provide an adequate reserve at a rate of 100% of the obligation which has maturity at the end of period. Interest earned from the assets of Pension Fund is recognized as income, while contributions to the fund are recognized as expenses in the statement of income.

The Group established provident funds, being defined contribution plans. The Company established a provident fund under the name of "The Registered Provident Fund of PTT Public Company Limited and Affiliates" (formerly "The Registered Provident Fund of the Petroleum Authority of Thailand and Affiliates"). All employees joining the Company on or after October 1, 1993 are required to be members of the provident fund. Employees joining prior to October 1, 1993 may elect to be members of the provident fund. The Company contributes monthly to the Provident Fund at a rate of 10% of the basis salaries and recognized as expenses in the statement of income.

PTTEP, a subsidiary in Thailand, established a provident fund under the name of "Staff of PTTEP Registered Provident Fund", and contributes monthly to the fund at a rate of 15% of the basis salaries and recognized as expenses in the statement of income.

## 2.19 Income taxes

The Group are taxed pursuant to the Revenue Code of Thailand and Petroleum Income Tax Act of 1971 (B.E. 2514) and Amendment 1989 (B.E. 2532) and the Corporate Income Tax of the Union of Myanmar, the Philippines, Malaysia, Singapore and Cambodia.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements in compliance with International Accounting Standard 12 "Income Taxes". The principal temporary differences arise from allowance for doubtful accounts, depreciation on property, plant and equipment, including the previous loss carried forward taxes and the difference of fair value and the tax base.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

## 2.20 Revenue recognition

Sales are recognized upon delivery of products.

Other revenues are recognized on the following bases:

- Interest income - on a time proportion basis by using the effective yield of an interest bearing asset.
- Royalty income - on an accrual basis in accordance with the substance of the underlying agreement.
- Dividend income - when the shareholders' right to receive payment is established.

Revenues other than the above mentioned are recognized on the accrual basis.

## 2.21 Related parties

Enterprises and individuals that, directly or indirectly, control or are controlled by or are under common control with the Company, including holding companies, subsidiaries and follow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company are also included as related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.



## 2.22 Earnings per share

Basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted average number of outside ordinary shares in issue during the year.

For the diluted earnings per share, the weighted average number of outside ordinary shares in issue is adjusted by the Group to assume conversion of all dilutive potential ordinary shares.

## 2.23 Reclassification

For the comparative purposes, the Group has reclassified certain items in the consolidated and the Company financial statements for the year ended December 31, 2002 to be in accordance with the presentation in the consolidated and the Company financial statements for the year ended December 31, 2003 which do not effect to the reported net income.

## 3. Change in accounting policy

During 2003, the Group recorded a provision for decommissioning costs. A provision is recognized, and is provided at the onset of production of the project, for the estimate of the eventual costs that relate to the removal of the production facilities. These costs were included as part of the oil and gas properties and were amortized based on proved reserves on a unit of production basis. The estimates of decommissioning costs have been determined based on reviews and estimates by the Group's own engineers and managerial judgment.

The Group restated the 2002 financial statements according to the above change. The effect of this change to the consolidated balance sheet as at December 31, 2002 is increase in property, plant and equipment, intangible assets, deferred tax assets and provision for decommissioning costs amounting to Baht 2,624.19 million, Baht 9.08 million, Baht 19.97 million and Baht 3,633.20 million, respectively. The effect of this change is also decrease in deferred tax liabilities, retained earnings and minority interest by Baht 481.64 million, Baht 311.24 million and Baht 187.07 million, respectively. Moreover, net income and income of minority interests in the statement of income for the year ended December 31, 2002 decrease by Baht 21.71 million and Baht 13.48 million, respectively.

The effect of this change to the Company balance sheet as at December 31, 2002 is decrease in investments accounted for under the equity method and retained earnings at the same amount of Baht 311.24 million, and decrease in net income for the year then ended by Baht 21.71 million.

## 4. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2003 and 2002 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2003	2002	2003	2002
Cash on hand	107.51	955.14	102.92	302.56
Deposits held at call with banks	8,676.92	1,209.54	3,540.32	374.32
Fixed deposits	6,090.72	5,300.42	2,600.00	1,000.00
Treasury bills	23,383.75	13,692.42	12,531.00	3,000.00
Promissory notes	13,000.00	11,500.00	13,000.00	11,500.00
Bank of Thailand bonds	5,184.06	1,000.00	5,184.06	1,000.00
<b>Total</b>	<b>56,442.96</b>	<b>33,657.52</b>	<b>36,958.30</b>	<b>17,176.88</b>

Cash and cash equivalents as at December 31, 2003 bear at the rates ranging from 0.0125% - 2.70% per annum, except for the fixed deposit of a subsidiary in the Philippines amounting to Baht 60.29 million bear interest at a rate of 6.46% per annum (2002: 0.25% - 3.61% per annum, except for the fixed deposit of a subsidiary in the Philippines amounting to Baht 46.50 million bear interest at a rate of 4.50% per annum).

## 5. Current investments

Current investments as at December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Fixed Deposits	749.49	1,029.40	749.49	1,029.40
Treasury bills	5,396.13	-	3,000.00	-
Promissory notes	183.49	96.38	183.49	96.38
General investments	14.83	21.37	14.83	21.37
<b>Total</b>	<b>6,343.94</b>	<b>1,147.15</b>	<b>3,947.81</b>	<b>1,147.15</b>

Cash at banks and promissory notes of the Group are the fixed deposits and promissory notes issued by financial institutes in Thailand as at December 31, 2003 bearing interest at the rates ranging from 0.02% - 2.00% per annum (2002: 1.00% - 2.40% per annum).

As at December 31, 2003, treasury bills of the Group bear interest at the rates ranging from 0.50% - 1.64% per annum.

As at December 31, 2003, general investments comprise investment in share capital of PetroAsia (Maoming) Co., Ltd. amounting to Baht 14.83 million, which are in the process of disposal.

## 6. Trade accounts and notes receivable-others, net

Trade accounts and notes receivable-others as at December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Trade accounts receivable	32,214.15	38,121.63	31,222.55	36,248.21
Notes receivable	1,652.69	1,452.20	1,652.69	1,452.20
<b>Total</b>	<b>33,866.84</b>	<b>39,573.83</b>	<b>32,875.24</b>	<b>37,700.41</b>
<u>Less</u> Allowance for doubtful accounts	1,977.62	1,985.87	1,927.50	1,938.68
<b>Trade accounts and notes receivable-others, net</b>	<b>31,889.22</b>	<b>37,587.96</b>	<b>30,947.74</b>	<b>35,761.73</b>

Outstanding balances of trade accounts and notes receivable-others as at December 31, 2003 and 2002 can be analyzed as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Current	28,600.38	34,362.24	27,765.02	32,606.61
Overdue				
- Up to 3 months	1,312.68	1,720.98	1,231.79	1,680.46
- Over 3-6 months	625.38	638.72	607.73	613.99
- Over 6-12 months	1,311.41	959.34	1,297.69	953.79
- Over 12 months	2,016.99	1,892.55	1,973.01	1,845.56
<b>Total</b>	<b>33,866.84</b>	<b>39,573.83</b>	<b>32,875.24</b>	<b>37,700.41</b>
<u>Less</u> Allowance for doubtful accounts	1,977.62	1,985.87	1,927.50	1,938.68
<b>Trade accounts and notes receivable-others, net</b>	<b>31,889.22</b>	<b>37,587.96</b>	<b>30,947.74</b>	<b>35,761.73</b>

Trade accounts and notes receivable-others, net as at December 31, 2003 included receivables from government agencies and state enterprises in the consolidated financial statements amounting to Baht 11,039.15 million (2002: Baht 13,166.46 million), and in the Company financial statements amounting to Baht 10,996.81 million (2002: Baht 13,117.21 million).



## 7. Related party transactions

The followings are significant transactions carried out with related parties:

### 7.1 Trade accounts receivable - related parties as at December 31, 2003 and 2002

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Subsidiaries	-	-	188.98	1,369.65
<u>Less</u> Allowance for doubtful accounts	-	-	-	1.87
	-	-	188.98	1,367.78
Associates	12,712.62	13,096.92	12,506.30	12,252.03
<u>Less</u> Allowance for doubtful accounts	264.64	263.27	264.64	263.27
	12,447.98	12,833.65	12,241.66	11,988.76
Other related parties	0.70	0.42	0.70	0.42
Joint ventures	-	-	-	0.27
<u>Less</u> Allowance for doubtful accounts	-	-	-	0.04
	-	-	-	0.23
Trade accounts receivable-related parties, net	12,448.68	12,834.07	12,431.34	13,357.19

Outstanding trade accounts receivable-related parties as at December 31, 2003 and 2002 can be analyzed as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Current	9,486.16	12,389.35	9,365.87	12,788.75
Overdue				
- Up to 3 months	1,898.87	467.83	1,980.96	525.23
- Over 3-6 months	44.15	11.63	62.69	50.87
- Over 6-12 months	1,273.88	61.39	1,276.20	80.63
- Over 12 months	10.26	167.14	10.26	176.89
Total	12,713.32	13,097.34	12,695.98	13,622.37
<u>Less</u> Allowance for doubtful accounts	264.64	263.27	264.64	265.18
Trade accounts receivable-related parties, net	12,448.68	12,834.07	12,431.34	13,357.19

### 7.2 Other accounts receivable, advances and short-term loans to related parties as at December 31, 2003 and 2002

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Other accounts receivable				
Subsidiaries	-	-	16.67	274.63
Associates	395.45	339.38	395.45	339.32
<u>Less</u> Allowance for doubtful accounts	117.72	178.90	117.72	178.90
	277.73	160.48	277.73	160.42
Joint ventures	-	-	404.27	216.13
	277.73	160.48	698.67	651.18



Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Advances				
Subsidiaries	-	-	10.00	3.23
Associates	2.80	-	2.80	-
Other related parties	373.23	423.44	373.23	423.44
	376.03	423.44	386.03	426.67
Short-term loans				
Associates	646.08	-	646.08	-
Total	1,299.84	583.92	1,730.78	1,077.85

Changes in short-term loans to related parties for the year ended December 31, 2003 are as follows:

Unit : Million Baht

	Consolidated	The Company
Balance as at December 31, 2002	-	-
- Reclassification	90.00	90.00
- Payment of loans granted	556.08	556.08
Balance as at December 31, 2003	646.08	646.08

Short-term loan to an associate amounting to Baht 556.08 million is unsecured bears interest at a rate of MOR of Krung Thai Bank plus 2% per annum, and receivable at call.

### 7.3 Advances and long-term loans to related parties as at December 31, 2003 and 2002

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Long-term loans				
Associates	7,453.96	7,363.86	7,453.96	7,363.86
Less allowance for share of net loss over investments	3,357.86	5,212.75	3,357.86	5,212.75
Total	4,096.10	2,151.11	4,096.10	2,151.11

Changes in long-term loans to related parties for the year ended December 31, 2003 are as follows:

Unit : Million Baht

	Consolidated	The Company
Balance as at December 31, 2002	7,363.86	7,363.86
- Reclassification	(90.00)	(90.00)
- Payment of loan granted	232.60	232.60
- Received from loan granted	(52.50)	(52.50)
- Adjustment of allowance for share of net loss over investment (Note 11.7)	(3,357.86)	(3,357.86)
Balance as at December 31, 2003	4,096.10	4,096.10

The long-term loans to associates carry interest at the rate ranging from 1-3.75% per annum. As at December 31, 2003, current portion amounting to Baht 90 million is reclassified to present as short-term loans in accordance with Note 7.2.



#### 7.4 Trade accounts payable-related parties as at December 31, 2003 and 2002

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Subsidiaries	-	-	3,338.47	2,868.14
Associates	10,003.13	8,240.72	9,931.84	8,059.69
Other related parties	8.68	5.45	8.68	5.45
<b>Total</b>	<b>10,011.81</b>	<b>8,246.17</b>	<b>13,278.99</b>	<b>10,933.28</b>

#### 7.5 Other accounts payable-related parties as at December 31, 2003 and 2002

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Subsidiaries	-	-	157.31	997.65
Associates	445.33	696.45	445.33	696.45
Other related parties	19.66	5.12	19.66	5.12
<b>Total</b>	<b>464.99</b>	<b>701.57</b>	<b>622.30</b>	<b>1,699.22</b>

#### 7.6 Revenue and expense transactions carried out with related parties.

For the years ended December 31, 2003 and 2002

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
<b>Revenue</b>				
<b>Sales :</b>				
Subsidiaries	-	-	8,367.75	6,920.10
Associates	146,491.24	115,541.93	139,039.53	105,701.15
Other related parties	4.12	3.60	4.12	3.60
Joint ventures	-	-	0.15	0.30
<b>Interest income :</b>				
Subsidiaries	-	-	-	44.39
Associates	75.82	206.26	75.82	206.26
<b>Other income :</b>				
Subsidiaries	-	-	229.80	394.76
Associates	817.40	280.73	817.40	280.73
Other related parties	59.58	2.19	59.58	2.19
Joint ventures	-	-	55.62	48.87
<b>Expenses</b>				
<b>Purchases :</b>				
Subsidiaries	-	-	32,377.63	8,851.60
Associates	164,082.86	91,223.28	162,685.70	88,176.23
Other related parties	71.85	57.01	71.85	57.01
<b>Other expenses :</b>				
Subsidiaries	-	-	31.64	43.31
Associates	42.52	45.94	42.52	45.94
Other related parties	213.49	192.60	213.49	192.60





Related party transactions as stated above exclude transactions carried out with government agencies and state enterprises.

Stipulation prices between the Company and its related parties are based on the normal prices used in the same type of business in transactions with others. Goods purchased from a subsidiary are at prices determined by the subsidiary with reference to world market prices.

## 8 Inventories

Inventories as at December 31, 2003 and 2002 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2003	2002	2003	2002
Oil products	3,391.85	2,075.39	3,326.58	1,593.12
Gas products	287.97	333.86	287.97	322.98
Petrochemical products	-	149.44	-	-
Others	71.75	65.46	71.75	65.46
<b>Total</b>	<b>3,751.57</b>	<b>2,624.15</b>	<b>3,686.30</b>	<b>1,981.56</b>

The company's inventories as stated above exclude legal reserve, which are presented as other non-current assets in Note 17.

## 9 Materials and supplies, net

Materials and supplies as at December 31, 2003 and 2002 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2003	2002	2003	2002
Spare parts, equipments and others	1,909.24	2,329.63	1,059.24	1,048.04
<u>Less</u> Allowance for obsolescence	64.62	45.24	51.50	16.54
<b>Total</b>	<b>1,844.62</b>	<b>2,284.39</b>	<b>1,007.74</b>	<b>1,031.50</b>

## 10. Other current assets

Other current assets as at December 31, 2003 and 2002 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2003	2002	2003	2002
Other accounts receivable	4,027.38	3,530.27	3,265.96	2,959.67
<u>Less</u> : Allowance for doubtful accounts	443.86	400.62	441.79	400.62
Other accounts receivable, net	3,583.52	3,129.65	2,824.17	2,559.05
Accounts receivable-forward foreign exchange contracts	336.72	43.81	336.72	43.81
Prepaid expenses	124.60	234.08	116.58	183.59
Refund receivable from Oil Stabilization Fund	3,322.80	7,627.07	3,322.80	7,626.97
Accrued interest income and others	3,091.70	1,991.11	3,080.91	1,940.58
Unrealized purchase tax	536.44	711.74	501.09	604.30
Others	321.06	184.81	33.18	2.47
<b>Total</b>	<b>11,316.84</b>	<b>13,922.27</b>	<b>10,215.45</b>	<b>12,960.77</b>

Mainly other accounts receivables are excise tax and recoverable tax receivable.

Accounts receivable-forward foreign exchange contracts are recognized under forward foreign exchange contracts for hedging the fluctuation of Yen and USD currencies exchange associated with the settlement of foreign loan repayment and export of products.



## 11. Investments accounted for under the equity method

Information of subsidiaries, associates and joint ventures of the Company are as follows:

### 11.1 Subsidiaries

Company	Country of Incorporation	Business	% Shareholding	
			2003	2002
<b>Subsidiaries :</b>				
PTT Exploration and Production Public Co., Ltd. (PTTEP)	Thailand	Petroleum exploration and production	63.61	62.84
PTT Philippines, Inc. (PTTPI)	Philippines	Oil Marketing	100.00	100.00
PTT International Trading Pte., Ltd (PTTT)	Singapore	Oil international trading	100.00	100.00
Thai Olefins Co., Ltd. (TOC)	Thailand	Petrochemical	-	63.03
PTT (Cambodia) Co., Ltd. (PTTCL)	Cambodia	Oil marketing	100.00	100.00
Retail Business Alliance Co., Ltd. (RBA)	Thailand	Management Service	49.00	-

### 11.2 Associates

Company	Country of Incorporation	Business	% Shareholding	
			2003	2002
<b>Associates :</b>				
Thai Oil Co., Ltd. (TOCL)	Thailand	Refining	49.99	49.99
Bangchak Petroleum Public Co., Ltd. (BCP)	Thailand	Refining	20.01	24.29
Rayong Refinery Co., Ltd. (RRC)	Thailand	Refining	36.00	36.00
Star Petroleum Refining Co., Ltd.(SPRC)	Thailand	Refining	36.00	36.00
Thai Lube Base Public Co., Ltd. (TLB)	Thailand	Refining	48.38	30.00
Thai Lube Blending Co., Ltd. (TLBC)	Thailand	Blending and bottle lube oil	48.95	-
Thai Petroleum Pipeline Co., Ltd. (THAPPLINE)	Thailand	Oil pipeline	30.60	30.60
Aromatics (Thailand) Public Co., Ltd. (ATC)	Thailand	Petrochemical	46.33	46.33
National Petrochemical Public Co., Ltd. (NPC)	Thailand	Petrochemical	37.99	37.94
Thai Olefins Co., Ltd. (TOC)	Thailand	Petrochemical	44.92	-
National Fertilizer Public Co., Ltd. (NFC)	Thailand	Petrochemical	20.44	20.44
Thai Paraxylene Co., Ltd. (TPX)	Thailand	Petrochemical	23.48	23.48
PTT Natural Gas Distribution Co., Ltd. (PTT NGD)	Thailand	Natural gas	49.00	49.00

### 11.3 Joint ventures

Company	Country of Incorporation	Business	% Shareholding	
			2003	2002
Trans Thai-Malaysia (Thailand) Co., Ltd. (TTM(T))	Thailand	Natural gas	50.00	50.00
Trans Thai-Malaysia (Malaysia) Co., Ltd. (TTM(M))	Malaysia	Natural gas	50.00	50.00
District Cooling System and Power Plant Co., Ltd. (DCAP)	Thailand	Generate and supply electricity and chilled water	35.00	-



#### 11.4 The principal subsidiaries, associates and joint ventures of subsidiaries are as follows:

Company	Country of Incorporation	Business	% Shareholding	
			2003	2002
<b>Subsidiaries :</b>				
PTTEP International Company Limited (PTTEPI)	Thailand	Petroleum exploration and production	100.00	100.00
PTB Partner Co., Ltd. (PTB)*	Thailand	Petroleum exploration and production	100.00	100.00
PTTEP Offshore Investment Company Limited (PTTEPO)	Cayman Islands	General investment operation	100.00	100.00
PTTEP Kim Long Vietnam Company Limited (PTTEPKV)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTTEP Southwest Vietnam Company Limited (PTTEPSV)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTTEP Middle East Company Limited (PTTEP ME)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTTEP Hoan-Vu Company Limited (PTTEP HV)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTTEP Hoang-Long Company Limited (PTTEP HL)	Cayman Islands	Petroleum exploration and production	100.00	100.00
PTTEP Algeria Company Limited (PTTEP AG)	Cayman Islands	Petroleum exploration and production	100.00	-
Continental Indochine Imp/Exp Co.,Ltd (CIL)	Cambodia	Aircraft refueling service	-	100.00

Company	Country of Incorporation	Business	% Shareholding	
			2003	2002
<b>Associates :</b>				
Thai Oil Power Company Limited (TOP)	Thailand	Power producer	26.00	26.00
New Links Energy Resources Limited (New Links)	Indonesia	General investment operation	40.00	40.00
PTT International Trading Co., Ltd. (PTTT (Cayman))	Cayman Islands	Oil international trading	-	100.00
FST Aviation Services Limited (FST)	Hong Kong	Aircraft refueling service	25.00	25.00
<b>Joint ventures :</b>				
<b>Jointly controlled entities :</b>				
Carigali-PTTEPI Operating Company Sdn. Bhd. (CPOC)**	Malaysia	Petroleum exploration and production	50.00	50.00
Moattama Gas Transportation Company (MGTC)	Myanmar	Natural gas pipeline-overseas	25.50	25.50
Taninthayi Pipeline LLC. (TPC)	Myanmar	Natural gas pipeline-overseas	19.3178	14.1667

\* PTB is in the liquidation process.

\*\* CPOC does not operate because of slow moving in JDA project (Block B-17 and C-19)

#### Jointly controlled assets entities

#### Joint Ventures of PTT Exploration and Production Public Co., Ltd. (PTTEP)

Project	Country	Operator	% Shareholding	
			2003	2002
Unocal 3	Thailand	Unocal Thailand Ltd.	5.00	5.00
E 5	Thailand	Exxon Mobil Exploration and Production Korat Inc.	20.00	20.00
E 5 North*	Thailand	Amerada Hess (Thailand) Co., Ltd.	20.00	20.00
S 1	Thailand	Thai Shell Exploration and Production Co., Ltd.	25.00	25.00
Bongkot	Thailand	PTT Exploration and Production Public Company Limited	44.4445	44.4445
Pailin (B12/27)	Thailand	Unocal Thailand Ltd.	45.00	45.00
Arthit	Thailand	PTT Exploration and Production Public Company Limited	80.00	80.00



### Joint Ventures of PTTEP International Limited

Project	Country	Operator	% Shareholding	
			2003	2002
Yetagun	Myanmar	Premier Petroleum Myanmar Limited	19.3178	14.1667
W 7/38	Thailand	Kerr-McGee (Thailand) Limited	15.00	15.00
Yadana	Myanmar	TOTALFINAELF Exploration and Production Myanmar	25.50	25.50
B 13/38**	Thailand	PTTEP International Limited	44.4445	44.4445
JDA (Block B-17 and C-19)	Thai-Malaysia	Carigali-PTTEPI Operating Company Sendirian Berhad	50.00	50.00
Block L 22/43	Thailand	Thai Shell Exploration and Production Co., Ltd.	35.00	-
Block G 4/43	Thailand	Chevron (Offshore) Thailand Limited	15.00	-

### Joint Ventures of PTTEP Kim Long Vietnam

Project	Country	Operator	% Shareholding	
			2003	2002
Block B and 48/95	Vietnam	Unocal Vietnam Exploration, Ltd.	8.50	8.50

### Joint Ventures of PTTEP Southwest Vietnam

Project	Country	Operator	% Shareholding	
			2003	2002
Block 52/97	Vietnam	Unocal Southwest Vietnam Exploration & Production, Ltd.	7.00	7.00

\* Counted as E5 project but separating of assets due to different operators

\*\* Counted as Bongkot project but separating of assets due to different companies holding the concessions

### Joint Ventures of PTTEP Hoan-Vu

Project	Country	Operator	% Shareholding	
			2003	2002
Block 9-2	Vietnam	Hoan-Vu Joint Operating Company	25.00	25.00

### Joint Ventures of PTTEP Hoang Long

Project	Country	Operator	% Shareholding	
			2003	2002
Block 16-1	Vietnam	Hoang Long Joint Operating Company	28.50	28.50

### The Changes of Joint Venture Interest and Investment in Jointly Controlled Entities

On September 12, 2003 PTTEP International Limited (PTTEPI), PTTEP Offshore Investment Company Limited (PTTEPO), which have a 14.1667% participation interest in the Yetagun Project and TPC's Gas Pipeline. Consequently, PTTEPI and PTTEPO acquired an additional 5.1511% participation interest, resulting in an increased stake from 14.1667% to 19.3178%. PTTEPI and PTTEPO acquired above participation interest with the excess of the cost of an acquisition over the fair value of net assets in proportion to the interest held by the Company. Such difference amounted to Baht 1,276.72 million (The fair value was Baht 1,854.93 million).



11.5 Investments accounted for under the equity method as at December 31, 2003 and 2002 are as follows:

**Consolidated**

Unit : Million Baht										
Company	% shareholding		2003			2002			Dividend	
	2003	2002	Cost method	Equity method	Allowance for share of net loss over investments	Cost method	Equity Method	Allowance for share of net loss over investments	2003	2002
<b>Associates:</b>										
Refining Business Group										
1 TOCL	49.99	49.99	9,480.74	5,862.16	-	9,480.74	1,568.25	-	-	-
2 BCP	20.01	24.29	104.48	-	-	1,268.10	-	-	-	-
3 RRC	36.00	36.00	13,649.94	-	-	13,649.94	-	-	-	-
4 SPRC	36.00	36.00	14,770.48	3,624.76	-	14,770.48	2,244.71	-	-	-
5 TLB	48.38	30.00	763.52	647.13	-	1,500.00	-	(1,238.46)	-	-
Oil Business Group										
6 THAPPLINE	30.60	30.60	880.52	-	-	880.52	-	-	-	-
7 TLBC	48.95	-	140.00	66.07	-	-	-	-	-	-
8 PTTT (Cayman)	-	100.00	-	-	-	4,067.50	0.15	-	-	-
Baht										
9 FST	25.00	25.00	1.13	0.77	-	1.13	0.81	-	-	-
Petrochemical Business Group										
10 ATC	46.33	46.33	2,888.83	-	(3,357.86)	2,888.83	-	(5,212.75)	-	-
11 NPC	37.99	37.94	1,185.14	4,661.11	-	1,176.00	3,730.38	-	353.34	352.80
12 TOC	44.92	-	3,688.34	6,196.17	-	-	-	-	-	-
13 NFC	20.44	20.44	1,792.91	-	-	1,792.91	-	-	-	-
14 TPX	23.48	23.48	1,743.81	929.61	-	1,743.81	1,229.28	-	-	-
Natural Gas Business Group										
15 PTT NGD	49.00	49.00	245.00	459.10	-	245.00	375.57	-	101.43	132.30
Other Business Group										
16 TOP	26.00	26.00	1,450.06	1,741.34	-	1,450.06	1,530.06	-	58.45	54.79
17 New Links	40.00	40.00	9,898.26	9,735.74	-	9,898.26	9,880.38	-	625.05	547.74
Total investments under the equity method			62,683.16	33,923.96	(3,357.86)	60,745.78	20,559.59	(6,451.21)		
Less: Allowance for share of net loss and net of long-term loans to related parties					3,357.86			5,212.75		
<b>Total</b>			<b>62,683.16</b>	<b>33,923.96</b>	<b>-</b>	<b>60,745.78</b>	<b>20,559.59</b>	<b>(1,238.46)</b>	<b>1,138.27</b>	<b>1,087.63</b>



The Company

Unit : Million Baht										
Company	% shareholding		2003			2002			Dividend	
	2003	2002	Cost method	Equity method	Allowance for share of net loss over investments	Cost method	Equity Method for share of net loss over investments	2003	2002	
<b>Subsidiaries :</b>										
1 PTTEP	63.61	62.84	4,195.21	30,210.34	-	3,530.90	25,030.72	-	2,779.92	2,384.96
2 PTTPI	100.00	100.00	349.21	239.36	-	349.21	252.74	-	-	-
3 PTTT	100.00	100.00	2.50	24.10	-	2.50	11.31	-	-	-
4 TOC	-	63.03	-	-	-	7,376.67	3,741.82	-	-	-
5 PTTCL	100.00	100.00	0.23	10.43	-	0.23	6.42	-	-	-
6 RBA	49.00	-	0.49	7.04	-	-	-	-	-	-
<b>Associates :</b>										
Refining Business Group										
7 TOCL	49.99	49.99	9,480.74	5,862.16	-	9,480.74	1,568.25	-	-	-
8 BCP	20.01	24.29	104.48	-	-	1,268.10	-	-	-	-
9 RRC	36.00	36.00	13,649.94	-	-	13,649.94	-	-	-	-
10 SPRC	36.00	36.00	14,770.48	3,624.76	-	14,770.48	2,244.71	-	-	-
11 TLB	48.38	30.00	763.52	647.13	-	1,500.00	-	(1,238.46)	-	-
Oil Business Group										
12 THAPPLINE	30.60	30.60	880.52	-	-	880.52	-	-	-	-
13 TLBC	48.95	-	140.00	66.07	-	-	-	-	-	-
Petrochemical Business Group										
14 ATC	46.33	46.33	2,888.83	-	(3,357.86)	2,888.83	-	(5,212.75)	-	-
15 NPC	37.99	37.94	1,185.14	4,661.11	-	1,176.00	3,730.38	-	353.34	352.80
16 TOC	44.92	-	3,688.33	6,196.17	-	-	-	-	-	-
17 NFC	20.44	20.44	1,792.91	-	-	1,792.91	-	-	-	-
18 TPX	23.48	23.48	1,743.81	929.61	-	1,743.81	1,229.28	-	-	-
Natural Gas Business Group										
19 PTT NGD	49.00	49.00	245.00	459.10	-	245.00	375.57	-	101.43	132.30
<b>Joint Ventures :</b>										
Natural Gas Business Group										
20 TTM (T)	50.00	50.00	2,721.08	2,452.22	-	509.58	304.82	-	-	-
21 TTM (M)	50.00	50.00	165.30	114.14	-	25.38	-	(18.87)	-	-
Other Business Group										
22 DCAP	35.00	-	17.50	16.86	-	-	-	-	-	-
			58,785.22	55,520.60	(3,357.86)	61,190.80	38,496.02	(6,470.08)		
<u>Less</u> Allowance for share of net loss and net of long-term loans to related parties										
						3,357.86				5,212.75
Total investments under the equity method, net										
			58,785.22	55,520.60	-	61,190.80	38,496.02	(1,257.33)	3,234.69	2,870.06



### 11.6 Movements in investments under the equity method as at December 31, 2003 are as follows:

	Unit : Million Baht	
	Consolidated	The Company
Balance as at December 31, 2002	20,559.59	38,496.02
- Share of net income from investments under the equity method	12,296.40	19,743.61
- Decrease in allowance for net loss over investments during the year	(3,093.35)	(3,112.22)
- Dividend received	(1,138.27)	(3,234.69)
- Reclassification	4,527.44	140.00
- Additional investments	772.36	3,806.06
- Loss from disposal of investments	(0.07)	-
- Currency translation difference	(0.14)	(318.18)
Balance as at December 31, 2003	<b>33,923.96</b>	<b>55,520.60</b>

### 11.7 Movements in Allowance for share of net loss over investments in associates and joint ventures as at December 31, 2003 are as follows:

	Unit : Million Baht	
	Consolidated	The Company
Balance as at December 31, 2002	1,238.46	1,257.33
<u>Add</u> Adjustment with long-term loans to related parties as at December 31, 2002	5,212.75	5,212.75
	6,451.21	6,470.08
<u>Less</u> Decrease in allowance for share of net loss over investments during the year	3,093.35	3,112.22
	3,357.86	3,357.86
<u>Less</u> Adjustment with long-term loans to related parties as at December 31, 2003	3,357.86	3,357.86
Balance as at December 31, 2003	-	-

### 11.8 Share of net assets (liabilities) and results of operation from joint ventures which are included in the consolidated financial statements as at December 31, 2003 and 2002 are as follows:

#### Balance Sheet:

As at December 31, 2003 and 2002

	2003			2002	
	TTM (T)	TTM (M)	DCAP	TTM (T)	TTM (M)
Current Assets	314.85	67.88	16.65	22.55	6.24
Non-current Assets	3,697.22	61.09	6.30	447.80	-
Current Liabilities	(1,559.85)	(14.83)	(6.09)	(166.23)	(25.11)
Net assets (liabilities)	<b>2,452.22</b>	<b>114.14</b>	<b>16.86</b>	<b>304.12</b>	<b>(18.87)</b>

#### Statement of income:

For the years end December 31, 2003 and 2002

	2003			2002	
	TTM (T)	TTM (M)	DCAP	TTM (T)	TTM (M)
Income	15.88	0.93	0.03	2.00	0.20
Expenses	(79.98)	(5.99)	(0.67)	(91.93)	(15.73)
Net loss	<b>(64.10)</b>	<b>(5.06)</b>	<b>(0.64)</b>	<b>(89.93)</b>	<b>(15.53)</b>



## 11.9 Significant events occurred during the year 2003

### TOC

On May 13, 2003, TOC privatized from a company limited to a public company limited, and changed the Company's name to Thai Olefins Public Co., Ltd.

On June 6, 2003, TOC decreased its par value of share from Baht 100 each to Baht 10 each, and on August 6, 2003, decreased its authorized share capital from 1,170.30 million ordinary shares with a par value of Baht 10 each to 585.15 million ordinary shares with a par value of Baht 10 each. The decrease in TOC's share capital does not effect to the percentage of the Company's shareholding.

On September 9, 2003, TOC increased its authorized share capital from 585.15 million ordinary shares with a par value of Baht 10 each to 821.15 million ordinary shares with a par value of Baht 10 each. TOC registered as a listed company in the Stock Exchange of Thailand on November 6, 2003. The Company does not acquire the additional shares from the increasing of TOC's share capital, hence it effects decrease in percentage of the Company's shareholding from 63.03% to 44.92% and to transform from a subsidiary to an associate. The Group has ceased to consolidate TOC's financial statements since November 2003.

The Company has recognized gain on dilution amounting to Baht 1,951.69 million as other income in the statement of income for the year ended December 31, 2003.

### RBA

RBA registered as a company limited on February 19, 2003. The Company is the wholly shareholder of ordinary shares corresponding to 49% of the total registered share capital of RBA amounting to Baht 0.49 million which comprise of common shares and preferred shares. Such investment represents 79.35% of the voting rights, which provides the Company power to exercise control over the financial policies and operations. Accordingly, RBA, a subsidiary of the Company, is consolidated.

### TTM (T)

During the year, the Company acquired incremental share of TTM (T) for 221.15 million shares according to the joint venture agreement amounting to Baht 2,211.50 million, which represent for 50% of total incremental shares. This does not effect the percentage of the Company's shareholdings.

### TTM (M)

During the year, the Company acquired incremental share of TTM (M) for 13.08 million shares according to the joint venture agreement amounting to Baht 139.91 million, which represent for 50% of total incremental shares. This does not effect the percentage of the Company's shareholding.

### DCAP

On April 2, 2003, the Company with the Electricity Generating Authority of Thailand (EGAT) and the Metropolitan Electricity Authority (MEA) are joint ventures to incorporate District Cooling System and Power Plant Co.,Ltd. (DCAP) to generate and supply electricity and chilled water to Suvarnabhumi Airport. The Company acquired DCAP's ordinary share 1.75 million shares amounting to Baht 17.50 million, represent for 35% of registered share capital.

### NPC

In the first quarter of 2003, the Company acquired NPC's ordinary shares, an associate for 0.18 million shares amounting to Baht 9.14 million. The additional share capital effect to the percentage of the Company's shareholding increase from 37.94% to 37.99%. Goodwill from this acquisition is amounting to Baht 34.96 million.

### BCP

In the third quarter of 2003, the Company sold 22.23 million ordinary shares of BCP amounting to Baht 158.11 million, hence it effects the percentage of the Company's shareholding to decrease from 24.29% to 20.01% and the Company has dilution gain amounting to Baht 158.11 million.





## TLB

On June 23, 2003 the Company, together with TLB's shareholders and creditors entered into a Debt Option and Purchase and Share Sale Agreement (DOPSSA) to release all financial commitments that each party previously had in respect of TLB.

On December 8, 2003, the court approved a rehabilitation plan of TLB. The major terms and conditions are that TLB had to decrease its share capital from Baht 5,000 million to Baht 1 million and TLB's creditors had to waive their debts in TLB amounting to USD 173.25 million and convert the residual debts of USD 41 million into equity. In addition, the Company has to provide a credit facility of USD 14 million (Baht 556.08 million) as financial support for TLB's working capital. Subsequently, the creditors sold TLB's shares to participating shareholders of TLB according to the conditions as specified in DOPSSA. The Company has acquired 84.96 million shares amounting to Baht 763.22 million, resulting in an increase in the Company's shareholding in TLB from 30% to 48.38% and recognizing negative goodwill on acquisition amounting to Baht 9.35 million. As at December 31, 2003, the Company has already fulfilled the financial commitments under the rehabilitation plan by providing a loan to TLB.

## PTTEPI (a subsidiary of PTTEP)

On July 17, 2003, PTTEPI signed a Concession Agreement with the Department of Mineral Fuels, Ministry of Energy in Block G9/43, which is part of That-Cambodian Overlapping Claims Area in the Gulf of Thailand. PTTEPI will be able to start operations after the resolution between the two countries is concluded. PTTEPI also signed two additional Concession Agreements to participate in offshore Block L22/43 which has percentage of interest 35% and operates by Thai Shell Exploration and Production Company Limited and onshore Block G4/43 which has percentage of interest 15% and operates by Chevron (Offshore) Thailand Limited.

## PTTEP Algeria Company Limited (PTTEP AG) (a subsidiary of PTTEP)

On October 8, 2003, PTTEP Algeria Company Limited (PTTEP AG) signed the assignment agreement with Petro Vietnam Investment and Development Company (PIDC) for a joint venture in onshore petroleum exploration block 433a & 416b in Algeria with interest 35%. Algeria's government is verifying to grant the right to join for PTTEP AG.

## PTTT (Cayman) (a subsidiary of PTTPI)

PTTT (Cayman) (a subsidiary of PTTPI) had ceased its business. The dissolution process was completed by the Registrar of Companies, Cayman Islands had issued the Certificate of Dissolution on August 8, 2003.

## 12. Other long-term investments

### 12.1 Information of other long-term investments are as follows:

Company	Country of Incorporation	Business	% Shareholding	
			2003	2002
Thai Lube Blending Co., Ltd. (TLBC)	Thailand	Blending and bottle lube oil	-	48.95
PetroAsia (Thailand) Co., Ltd. (PA(Thailand))	Thailand	Oil Marketing	35.00	35.00
PetroAsia (Sanshui) Co., Ltd. (PA (Sanshui))	China	Oil Marketing	25.00	25.00
PetroAsia (Huizhou) Co., Ltd. (PA (Huizhou))	China	Oil Marketing	25.00	25.00
Vietnam LPG Co., Ltd. (VLPG)	Vietnam	Bottling and selling LPG	45.00	45.00
PTT Mart Co., Ltd. (PTT Mart)	Thailand	Management Service	49.00	49.00
KELOIL-PTT LPG Sdn. Bhd. (KELOIL)	Malaysia	Load and selling LPG	40.00	40.00
Subic Bay (the Philippines) Group (Subic Bay JV)	Philippines	Petroleum Marketing	50.00	50.00
Fuel Pipeline Transportation Co., Ltd. (FPT)	Thailand	Oil pipeline	2.76	2.76
Intoplane Services Co., Ltd. (IPS)	Thailand	Aircraft refueling service	16.67	16.67



Company	Country of Incorporation	Business	% Shareholding	
			2003	2002
PetroAsia (Shantou) Co.,Ltd. (PA(Shantou))	China	Oil Marketing	15.00	15.00
Dhipaya Insurance Public Co., Ltd. (TIP)	Thailand	Insurance	13.33	13.33
Bangkok Aviation Fuel Service Public Co., Ltd (BAFS)	Thailand	Aircraft refueling service	7.06	7.06
Eastern Fluid Transport Co., Ltd. (EFT)	Thailand	Petrochemical pipeline maintenance	-	15.00

## 12.2 Other long-term investments as at December 31, 2003 and 2002

Unit : Million Baht

Company	% Shareholding		Consolidated		The Company		Dividend	
	Consolidated	Company	2003	2002	2003	2002	2003	2002
<b>Investments accounted for under the cost method</b>								
<b>Associates :</b>								
Oil Business Group								
1 TLBC	-	48.95	-	140.00	-	140.00	-	-
2 PA (Thailand)	35.00	35.00	131.25	131.25	131.25	131.25	-	-
3 PA (Sanshui)	25.00	25.00	7.17	7.17	7.17	7.17	-	-
4 PA (Huizhou)	25.00	25.00	15.16	15.16	15.16	15.16	-	-
5 V LPG	45.00	45.00	87.35	87.35	87.35	87.35	-	-
6 PTT Mart	49.00	49.00	78.40	78.40	78.40	78.40	-	-
7 KELOIL	40.00	40.00	21.50	21.50	21.50	21.50	-	-
<b>Joint Ventures :</b>								
Oil Business Group								
8 Subic Bay JV	50.00	50.00	121.32	121.32	121.32	121.32	-	-
Exploration and Production and Gas Business Group								
9 CPOC	50.00	50.00	9.90	9.90	-	-	-	-
			(Baht)	(Baht)				
<b>Other Related Parties :</b>								
10 FPT	2.76	2.76	44.00	44.00	44.00	44.00	-	-
11 IPS	16.67	16.67	0.02	0.02	0.02	0.02	-	-
12 PA (Shantou)	15.00	15.00	60.84	60.84	60.84	60.84	-	-
13 EFT	-	15.00	-	1.50	-	-	-	-
<b>Total investment accounted for under the cost method</b>			<b>567.01</b>	<b>708.51</b>	<b>567.01</b>	<b>707.01</b>	-	-
<u>Less</u> Allowance for impairment of investment			445.27	421.48	445.27	421.48	-	-
<b>Total investment accounted for under the cost method, net</b>			<b>121.74</b>	<b>287.03</b>	<b>121.74</b>	<b>285.53</b>	-	-
<b>Investments accounted for fair value</b>								
Other Related Parties-Available-For-Sale Securities :								
14 TIP	13.33	13.33	312.00	312.00	312.00	312.00	24.00	20.80
15 BAFS	7.06	7.06	24.00	24.00	24.00	24.00	12.72	16.90
<b>Total investments-available-for-sale securities</b>			<b>336.00</b>	<b>336.00</b>	<b>336.00</b>	<b>336.00</b>		
<u>Add</u> Allowance for increase in fair value of Investment			550.40	209.60	550.40	209.60		
<b>Total investments accounted for fair value</b>			<b>886.40</b>	<b>545.60</b>	<b>886.40</b>	<b>545.60</b>	<b>36.72</b>	<b>37.70</b>
<b>Total other long-term investments</b>			<b>1,008.14</b>	<b>832.63</b>	<b>1,008.14</b>	<b>831.13</b>	<b>36.72</b>	<b>37.70</b>



### 12.3 Movements of other long-term investments as at December 31, 2003 are as follows:

	Unit : Million Baht	
	Consolidated	The Company
Balance as at December 31, 2002	832.63	831.13
- Unrealized gain on available-for-sale securities	340.80	340.80
- Loss from impairment of investments	(23.79)	(23.79)
- Reclassification	(140.00)	(140.00)
- Adjustment of TOC's brought forward	(1.50)	-
Balance as at December 31, 2003	<b>1,008.14</b>	<b>1,008.14</b>

#### Subic Bay JV

Subic Bay JV comprises Subic Bay Energy Co., Ltd. (SBECL), Subic Bay Fuel Co., Inc. (SBFCI), Subic Bay Distribution, Inc. (SBDI) and Clark Pipeline and Depot Co., Inc. (CPDC), in which the Company and El Paso corporation (El Paso) (Formerly, Coastal Aruba Refining Company N.V.) hold 50% each of share capital. On December 18, 2003, the Company's Board of Director resolved that the Company acquired all shares of SBECL, SBFCI, and SBDI, which held by El Paso. The purchase price is a half value of assets as at December 31, 2003 of SBECL, SBFCI and SBDI. The acquisition effects the Company to have 100% share in Subic Bay JV, and change the status to be subsidiaries of the Company. At present, the Company is in the process of acquisition. For the investment in CPDC, the Company has entered into the disposal contract with El Paso, and is in the process of change in the shareholder registration.

The Company accounts for its investments in associates and joint ventures under the cost method and adjusted by allowance for impairment of investment since the Company intends to dispose, including investments in associates which amounts are immaterial to the financial statements. Those associates are as follows:

1. PTT Mart
2. VLPG
3. KELOIL
4. Subic Bay JV

Allowance for impairment of investments in associates, joint ventures and other related parties totaling Baht 445.27 million, comprise allowance for impairment of investment in PTT Mart, FPT, PA (Sanshui), PA (Huizhou), PA (Shantou), Subic Bay JV and PA (Thailand) amounting Baht 78.40, 44.00, 7.17, 15.17, 60.84, 108.44 and 131.25 million, respectively.

### 13. Property, Plant and Equipment, Net

Property, plant and equipment as at December 31, 2003 and 2002 are as follows:

	Unit : Million Baht						
<b>Consolidated</b>	<b>Land</b>	<b>Buildings</b>	<b>Machinery</b>	<b>Oil and Gas</b>	<b>Other Construction</b>	<b>Total</b>	
	<b>and buildings</b>	<b>and buildings</b>	<b>and</b>	<b>properties</b>	<b>assets</b>	<b>in progress</b>	
	<b>improvement</b>	<b>improvement</b>	<b>equipment</b>				
<b>Cost</b>							
At December 31, 2002	2,565.38	28,670.46	87,934.02	68,948.63	12,833.50	4,906.20	205,858.19
- Additions	263.09	301.02	238.78	10,972.42	748.84	11,318.66	23,842.81
- Borrowing costs	-	-	-	-	-	244.42	244.42
- Reclassification	0.04	163.33	130.58	-	469.98	(977.86)	(213.93)
- Disposals	-	(4.87)	(27.25)	(2,013.66)	(331.39)	-	(2,377.17)
- Currency translation differences	-	(0.01)	(2.20)	(673.83)	(0.62)	(2.23)	(678.89)
- Adjustment of decrease in TOC's assets (Note 11.9)	-	(16,616.37)	(1,074.09)	-	(76.11)	(4,485.42)	(22,251.99)
At December 31, 2003	<b>2,828.51</b>	<b>12,513.56</b>	<b>87,199.84</b>	<b>77,233.56</b>	<b>13,644.20</b>	<b>11,003.77</b>	<b>204,423.44</b>



Unit : Million Baht

**Consolidated**

	Land	Buildings and buildings improvement	Machinery and equipment	Oil and Gas properties	Other assets	Construction in progress	Total
<b>Accumulated Depreciation</b>							
At December 31, 2002	-	(11,632.59)	(38,011.57)	(20,256.37)	(7,935.38)	-	(77,835.91)
- Depreciation for the year	-	(1,227.45)	(3,781.59)	(5,207.16)	(1,362.89)	-	(11,579.09)
- Currency translation differences	-	-	1.40	26.93	0.52	-	28.85
- Reclassification	-	(131.96)	(48.88)	-	181.14	-	0.30
- Disposals	-	3.68	27.48	(119.59)	256.44	-	168.01
- Adjustment of decrease in TOC's assets (Note 11.9)	-	6,871.49	643.53	-	33.62	-	7,548.64
At December 31, 2003	-	(6,116.83)	(41,169.63)	(25,556.19)	(8,826.55)	-	(81,669.20)
<b>Allowance for Impairment loss</b>							
At December 31, 2002	(42.87)	(373.13)	(244.96)	-	-	-	(660.96)
At December 31, 2003	(42.87)	(373.13)	(244.96)	-	-	-	(660.96)
<b>Net Book Value</b>							
At December 31, 2002	2,522.51	16,664.74	49,677.49	48,692.26	4,898.12	4,906.20	127,361.32
At December 31, 2003	2,785.64	6,023.60	45,785.25	51,677.37	4,817.65	11,003.77	122,093.28

Unit: Million Baht

**The Company**

	Land	Buildings and buildings improvement	Machinery and equipment	Other assets	Construction in progress	Total
<b>Cost</b>						
At December 31, 2002	2,523.39	10,908.60	85,849.30	12,692.18	2,943.63	114,917.10
- Additions	80.64	101.81	95.37	712.31	5,106.51	6,096.64
- Borrowing costs	-	-	-	-	244.42	244.42
- Reclassification	0.04	163.33	130.58	469.98	(762.25)	1.68
- Disposals	-	(4.87)	(12.29)	(330.95)	-	(348.11)
At December 31, 2003	2,604.07	11,168.87	86,062.96	13,543.52	7,532.31	120,911.73
<b>Accumulated Depreciation</b>						
At December 31, 2002	-	(5,087.12)	(36,639.58)	(7,884.08)	-	(49,610.78)
- Depreciation for the year	-	(472.25)	(3,655.08)	(1,337.05)	-	(5,464.38)
- Reclassification	-	(131.96)	(48.88)	181.14	-	0.30
- Disposals	-	2.44	10.78	256.33	-	269.55
At December 31, 2003	-	(5,688.89)	(40,332.76)	(8,783.66)	-	(54,805.31)
<b>Allowance for impairment loss</b>						
At December 31, 2002	(42.87)	(373.13)	(244.96)	-	-	(660.96)
At December 31, 2003	(42.87)	(373.13)	(244.96)	-	-	(660.96)
<b>Net Book Value</b>						
At December 31, 2002	2,480.52	5,448.35	48,964.76	4,808.10	2,943.63	64,645.36
At December 31, 2003	2,561.20	5,106.85	45,485.24	4,759.86	7,532.31	65,445.46



As at December 31, 2003, plant, machinery and equipment of TOC amounting to Baht 22,047.60 million are pledged as collateral for long-term loan of TOC.

Borrowing cost amounting to Baht 244.42 million (2002: bath 47.43 million) is capitalized as part of cost of property, plant and equipment. The Company use capitalization rate at 7.54% (2002: 8.31%).

As at December 31, 2003 and 2002, other assets include vehicles, which are acquired under financial lease in the consolidated financial statements amounting to Baht 138.10 million (2002: Baht 333.99 million) and in the Company financial statements amounting to Baht 137.26 million (2002: Baht 282.96 million) as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Cost	264.08	494.31	263.09	422.57
Less Accumulated depreciation	125.98	160.32	125.83	139.61
Net book value	138.10	333.99	137.26	282.96

#### 14. Intangible Assets

Intangible assets as at December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated					The Company			
	Patent	Leasehold rights/ land rights	Other operating right	Goodwill	Total	Patent	Leasehold rights/ land rights	Other operating right	Total
<b>Cost</b>									
At December 31, 2002	958.70	5,887.40	192.27	1,952.89	8,991.26	404.37	5,682.63	54.42	6,141.42
- Additions	99.63	187.20	-	359.82	646.65	69.25	185.53	-	254.78
- Reclassification	2.13	-	31.22	(31.22)	2.13	2.13	-	-	2.13
- Disposals	-	(6.84)	(2.87)	-	(9.71)	-	(6.84)	(2.87)	(9.71)
- Currency translation difference	-	(24.78)	-	(7.06)	(31.84)	-	-	-	-
- Adjustment of decrease in TOC's assets (Note 11.9)	(63.75)	-	(137.77)	(1,035.14)	(1,236.66)	-	-	-	-
At December 31, 2003	996.71	6,042.98	82.85	1,239.29	8,361.83	475.75	5,861.32	51.55	6,388.62
<b>Accumulated amortization</b>									
At December 31, 2002	(452.30)	(1,532.75)	(70.64)	(120.69)	(2,176.38)	(249.48)	(1,495.79)	(18.34)	(1,763.61)
- Amortization for the year	(140.13)	(212.27)	(10.94)	(161.27)	(524.61)	(56.43)	(197.61)	(5.18)	(259.22)
- Reclassification	(0.30)	-	(3.90)	3.90	(0.30)	(0.30)	-	-	(0.30)
- Disposals	-	0.67	-	-	0.67	-	0.67	-	0.67
- Currency translation difference	-	7.59	-	4.48	12.07	-	-	-	-
Adjustment of decrease in TOC's assets (Note 11.9)	62.25	-	58.04	189.77	310.06	-	-	-	-
At December 31, 2003	(530.48)	(1,736.76)	(27.44)	(83.81)	(2,378.49)	(306.21)	(1,692.73)	(23.52)	(2,022.46)
<b>Allowance for impairment loss</b>									
At December 31, 2002	-	(1,102.26)	-	-	(1,102.26)	-	(1,102.26)	-	(1,102.26)
At December 31, 2003	-	(1,102.26)	-	-	(1,102.26)	-	(1,102.26)	-	(1,102.26)
<b>Net book value</b>									
At December 31, 2002	506.40	3,252.39	121.63	1,832.20	5,712.62	154.89	3,084.58	36.08	3,275.55
At December 31, 2003	466.23	3,203.96	55.41	1,155.48	4,881.08	169.54	3,066.33	28.03	3,263.90



## 15. Income Taxes and Deferred Income Taxes

Applicable tax rates for the Group are as follows:

	Tax rates
Petroleum income tax on petroleum business in Thailand	
Pursuant to Petroleum Income Tax Act, B.E.2514 (1971)	50%
Income tax under Revenue Code	30%
- Except for net income of the Company for the period of five years from 2002 to 2006	25%
- Except for net income of PTTEP in portion of amount not exceeding Baht 300 million for the period of five years from 2002 to 2006	25%
Income tax in the Union of Myanmar	30%
Income taxes of other countries in South-East Asia Region	20-32%

Income taxes recognized in the consolidated and the Company statements of income for the years ended December 31, 2003 and 2002 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2003	2002	2003	2002
Petroleum income tax				
Current income tax	5,566.19	3,544.35	71.08	-
Deferred income tax	640.74	1,077.11	-	-
Total	6,206.93	4,621.46	71.08	-
Income tax under Revenue Code				
Current income tax	6,502.66	5,239.49	6,336.73	5,136.19
Deferred income tax	609.35	(167.65)	24.89	(93.55)
Total	7,112.01	5,071.84	6,361.62	5,042.64
Income tax in the Union of Myanmar				
Current income tax	848.78	555.80	-	-
Deferred income tax	230.38	189.52	-	-
Total	1,079.16	745.32	-	-
Income taxes in the South-East Asia Region				
Current income tax	10.97	8.24	-	-
Deferred income tax	4.86	(1.58)	-	-
Total	15.83	6.66	-	-
<b>Total income tax expenses</b>	<b>14,413.93</b>	<b>10,445.28</b>	<b>6,432.70</b>	<b>5,042.64</b>

Deferred income taxes presented in the consolidated and the Company balance sheets as at December 31, 2003 and 2002 are as follows:

	Unit : Million Baht	
	Consolidated	The Company
Deferred tax assets		
Income tax under Revenue Code		
As at December 31, 2002	2,199.92	1,608.58
Income tax expenses	(609.35)	(24.89)
As at December 31, 2003	1,590.57	1,583.69



Unit : Million Baht

	Consolidated	The Company
Petroleum income tax		
As at December 31, 2002	24.83	-
Income tax expenses	2.94	-
As at December 31, 2003	27.77	-
Income tax in the Philippines		
As at December 31, 2002	25.88	-
Current income tax-MCIT	(5.79)	-
Income tax expenses	0.94	-
As at December 31, 2003	21.03	-
Total deferred tax assets	1,639.37	1,583.69
Deferred tax liabilities		
Petroleum income tax		
As at December 31, 2002	7,450.93	-
Income tax expenses	643.68	-
As at December 31, 2003	8,094.61	-
Income tax in the Union of Myanmar		
As at December 31, 2002	876.20	-
Income tax expenses	202.65	-
As at December 31, 2003	1,078.85	-
Income tax in Singapore		
As at December 31, 2002	0.16	-
Income tax expenses	(0.03)	-
As at December 31, 2003	0.13	-
Total deferred tax liabilities	9,173.59	-

Deferred tax assets mainly comprise allowance for doubtful accounts, accumulated depreciation of property, plant and equipments and amortization of decommissioning costs. Deferred tax liabilities mainly comprise accumulated depreciation of property, plant and equipments.

## 16. Advance Payment for Gas Purchased

Advance payment for gas purchased as at December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated	The Company
Balance as at December 31, 2002	28,112.06	34,568.51
Less Make up during the year	1,760.01	1,890.22
Balance as at December 31, 2003	26,352.05	32,678.29

The Company has paid in advance for the committed gas volume from Yadana and Yetagun gas fields in the Union of Myanmar, irrespective of take-up in 1998-2001, according to established conditions in the Export Gas Sales Agreements (Take-or-Pay). The Company has right to take certain volumes of prepaid gas (Make-up) in subsequent years, with no maturity period. As at December 31, 2003 the Company has received all gas for the year 1998 which was fully paid in advance.



## 17. Other Non-Current Assets

Other non-current assets as at December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Retention and refundable deposits	86.52	86.42	63.25	47.28
Prepaid expenses	590.09	484.36	-	-
Deferred expenses of bond issue	29.85	39.42	-	-
Cash at bank pledged as collateral	-	402.20	-	-
Promissory notes pledged as collateral	-	1,583.38	-	-
Advance payment	81.85	815.58	-	-
Inventories-legal reserve	4,482.26	4,036.45	4,482.26	4,036.45
Others	3.14	51.43	-	-
<b>Total</b>	<b>5,273.71</b>	<b>7,499.24</b>	<b>4,545.51</b>	<b>4,083.73</b>

As at December 31, 2002, cash at bank and promissory notes pledged as collateral amounting to Baht 1,985.58 million are wholly TOC's cash at bank and promissory notes which are held as collateral for creditors in compliance with the covenants stated in the long-term loan agreement.

## 18. Other Current Liabilities

Other current liabilities as at December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Other accounts payable	3,157.26	2,089.24	2,360.32	1,495.64
Accounts payable-forward foreign exchange contracts, net	164.17	22.48	164.16	22.48
Advance received	370.77	345.03	370.77	345.03
Unrealized sales tax	1,183.79	1,499.29	1,053.23	1,409.54
Retention (due not later than 1 year)	-	42.27	-	42.27
Others	475.54	247.75	211.95	36.99
<b>Total</b>	<b>5,351.53</b>	<b>4,246.06</b>	<b>4,160.43</b>	<b>3,351.95</b>

Accounts payable-forward foreign exchange contracts are recognized under forward foreign exchange contracts for hedging of risk exposure arising from foreign currency exchange fluctuations associated with the settlement of foreign loan repayment and raw materials imported.





## 19. Long-term loans

Long-term loans as at December 31, 2003 and 2002 are as follows:

### Current portion of long-term loans

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Local loans	3,300.00	9,069.48	3,300.00	7,919.48
Foreign loans	14,327.80	2,583.23	14,327.80	418.03
Liabilities from finance leases	136.48	162.48	136.27	150.22
<b>Total</b>	<b>17,764.28</b>	<b>11,815.19</b>	<b>17,764.07</b>	<b>8,487.73</b>

### Long-term loans

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Local loans	70,930.00	84,922.66	70,930.00	74,230.00
Foreign loans	3,389.12	17,973.16	3,389.12	17,973.16
Bonds	33,124.92	17,026.28	15,000.00	-
Liabilities from finance leases	16.83	197.69	16.44	152.69
<b>Total</b>	<b>107,460.87</b>	<b>120,119.79</b>	<b>89,335.56</b>	<b>92,355.85</b>

As at December 31, 2003, long-term loans balance amounting to Baht 80,446.92 million (2002: Baht 84,068.67 million) are secured by the Ministry of Finance.

As at December 31, 2003 and 2002 long-term loans can be classified by interest rate charges as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Floating interest rate	3,782.64	18,547.99	3,782.64	4,540.13
Fixed interest rate	121,442.51	113,386.98	103,316.99	96,303.45
<b>Total</b>	<b>125,225.15</b>	<b>131,934.97</b>	<b>107,099.63</b>	<b>100,843.58</b>

Interest rate charged on long-term loans at December 31, 2003 and 2002 are as follows:

	Consolidated		The Company	
	2003	2002	2003	2002
PTT bonds	3.49%-13.75%	3.49%-13.75%	3.49%-13.75%	3.49%-13.75%
Local loans	8.83%-9.06%	6.50%-13.00%	8.83%-9.06%	8.83%-13.00%
Foreign loans	1.23%-7.50%	1.42%-9.50%	1.23%-7.50%	1.42%-7.50%
Bonds	4.50%-7.63%	3.35%-7.63%	4.50%-5.75%	-
Liabilities from finance leases	3.50%-12.46%	8.63%-11.00%	8.65%-12.46%	8.63%-11.00%



## 19.1 Loans

Unit : Million Baht

	Consolidated			
	Currency			Total equivalent to Baht
	Baht	US Dollars	JapaneseYen	
Balance as at December 31, 2002	93,992.14	223.84	30,000.00	114,548.53
- Additions	-	-	-	-
- Repayment	(19,762.14)	(59.65)	-	(10,332.23)
- Gain from exchange rate	-	-	-	(426.72)
- Adjustment with TOC brought forward (Note 11.9)	(11,842.66)	-	-	(11,842.66)
- Current portion	(3,300.00)	(78.90)	(30,000.00)	(17,627.80)
Balance as at December 31, 2003	59,087.34	85.29	-	74,319.12

Unit : Million Baht

	The Company			
	Currency			Total equivalent to Baht
	Baht	US Dollars	JapaneseYen	
Balance as at December 31, 2002	82,149.48	173.84	30,000.00	100,540.67
- Additions	-	-	-	-
- Repayment	(7,919.48)	(9.65)	-	(8,337.51)
- Gain from exchange rate	-	-	-	(256.24)
- Current portion	(3,300.00)	(78.90)	(30,000.00)	(17,627.80)
Balance as at December 31, 2003	70,930.00	85.29	-	74,319.12

## 19.2 Bonds

Bonds as at December 31, 2003 and 2002 are as follows:

	Consolidated			
	2003		2002	
	Million USD	Million Baht	Million USD	Million Baht
Unsecured unsubordinated bonds				
- USD currency	393.28	15,624.92	393.28	17,026.28
- Baht currency	-	17,500.00	-	-
Total	393.28	33,124.92	393.28	17,026.28

	The Company			
	2003		2002	
	Million USD	Million Baht	Million USD	Million Baht
Unsecured unsubordinated bonds				
- Baht currency	-	15,000.00	-	-



In November 2003, the Company issued 15 million unsecured unsubordinated bonds with a face value of Baht 1,000 each, totaling Baht 15,000 million. The first lot 3,300,000 units have redemption period of 7 years, to be redeemed in 2010 with interest charged at a fixed rate of 4.50% per annum. The remaining 11,700,000 units have redemption period of 10 years, to be redeemed in 2013 with interest charged for year 1-5 at a fixed rate of 4.50% per annum and year 6-10 at a fixed rate of 5.75% per annum, and payable every 6 months.

PTTEP issued 2,500,000 unsecured unsubordinated bonds with a face value of Baht 1,000 each, totaling Baht 2,500 million. The bonds bear interest at a rate of 4.625% per annum, payable every 6 months and have redemption period of 15 years, to be redeemed on March 27, 2018.

PTTEP issued 230 unsecured unsubordinated bonds with a face value of Yen 100 million each, totaling Yen 23 billion. The bonds bear interest at a rate of 3.35% per annum and have a redemption period of 10 years, to be redeemed on September 19, 2007. On the date of the bond issuance, PTTEP entered into cross-currency and interest rate swap agreement with a financial institution in Japan to swap Yen for USD 193.28 million. Under this agreement, interest is charged at a rate of 7.86% per annum, and payable every 6 months.

PTTEP is the guarantor of 200,000 guaranteed unsubordinated bonds of USD 1,000 each, totaling USD 200 million issued by PTTEP International Limited (a subsidiary of PTTEP). The bonds bear interest at a rate of 7.625% per annum, payable every six months and have redemption period of 10 years, to be redeemed on October 1, 2006.

### 19.3 Liabilities from finance lease

Liabilities from finance lease as at December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Liabilities from finance leases				
- Not later than 1 year	140.33	182.03	140.12	165.03
- Later than 1 year and not later than 5 years	17.48	207.31	17.01	156.68
Future finance charges on finance leases	(4.50)	(29.17)	(4.42)	(18.80)
Present value of liabilities from finance leases	153.31	360.17	152.71	302.91
Present value of liabilities from finance leases				
- Current (Not later than 1 year)	136.48	162.48	136.27	150.22
- Non-current (Later than 1 year and not later than 5 years)	16.83	197.69	16.44	152.69
Total	153.31	360.17	152.71	302.91

Maturity of long-term loans as at December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated									
	2003					2002				
	Foreign currency loans	Loans currency loans	Bonds	Liabilities from finance leases	Total	Foreign currency loans	Local currency loans	Bonds	Liabilities from finance leases	Total
Not later than 1 year	14,327.80	3,300.00	-	136.48	17,764.28	2,583.23	9,069.48	-	162.48	11,815.19
Later than 1-2 years	404.45	7,530.00	-	11.57	7,946.02	14,279.90	4,550.00	-	150.61	18,980.51
Later than 2-5 years	1,290.71	27,000.00	15,624.92	5.26	43,920.89	1,362.97	30,550.00	17,026.28	47.08	48,986.33
Later than 5 years	1,693.96	36,400.00	17,500.00	-	55,593.96	2,330.29	49,822.66	-	-	52,152.95
Total	17,716.92	74,230.00	33,124.92	153.31	125,225.15	20,556.39	93,992.14	17,026.28	360.17	131,934.98



Unit : Million Baht

	The Company								
	2003					2002			
	Foreign	Loans	Bonds	Liabilities	Total	Foreign	Local	Liabilities	Total
	currency	currency		from		currency	currency	from	
loans	loans		finance		loans	loans	finance		
			leases					leases	
Not later than 1 year	14,327.80	3,300.00	-	136.27	17,764.07	418.03	7,919.48	150.22	8,487.73
Later than 1-2 years	404.45	7,530.00	-	11.18	7,945.63	14,279.90	3,300.00	136.73	17,716.63
Later than 2-5 years	1,290.71	27,000.00	-	5.26	28,295.97	1,362.97	26,530.00	15.96	27,908.93
Later than 5 years	1,693.96	36,400.00	15,000.00	-	53,093.96	2,330.29	44,400.00	-	46,730.29
Total	17,716.92	74,230.00	15,000.00	152.71	107,099.63	18,391.19	82,149.48	302.91	100,843.58

## 20. Provision for decommissioning costs

The Group recognized provision for liabilities as at December 31, 2003 for decommissioning costs expected to incur in the future as follows:

	Consolidated
Balance as at December 31, 2002	3,633.20
Exchange rate difference	(300.76)
Provision for decommissioning costs during the year	577.88
Balance as at December 31, 2003	3,910.32

## 21. Other non-current liabilities

Other non-current liabilities as at December 31, 2003 and 2002 are as follows:

	Consolidated		The Company	
	2003	2002	2003	2002
Accounts payable-forward foreign exchange contracts, net	-	1.31	-	1.31
Retention (due later than 1 year)	550.93	66.12	550.63	66.12
Provision for loss on lawsuit	1,325.42	1,356.79	1,325.42	1,356.79
Pension Fund	4.12	3.72	4.12	3.72
Others	118.48	242.69	-	-
Total	1,998.95	1,670.63	1,880.17	1,427.94

As at January 1, 2003, the Pension Fund's brought forward balance was Baht 3.72 million. During the year, the Company has contributed to the fund at a rate of 10% of its employees' salaries amounting to Baht 0.40 million according to Note 2.18 which was recognized as expenses in the statement of income. Therefore, the balance as at December 31, 2003 was Baht 4.12 million equaling to payment obligation.

## 22. Share Capital

The authorized share capital is 2,850,000,000 shares with a par value of Baht 10 each. The issued and fully paid-up share capital is 2,797,245,725 shares with a par value of Baht 10 each.



## 23. Reserves

### 23.1 Legal Reserve

Under the Public Company Limited Act B.E. 2535 (1992), the company is required to appropriate as legal reserve not less than 5 % of its annual net income until the reserve fund reaches 10% of the authorized share capital. The reserve is non-distributable.

### 23.2 Reserve for Self-Insurance Fund

Reserve for Self-Insurance Fund as at December 31, 2003 and 2002 are as follows:

	Unit : Million Baht	
	Consolidated	The Company
Balance as at December 31, 2002	723.87	723.87
Appropriated net income for 2003	53.12	53.12
Balance as at December 31, 2003	<b>776.99</b>	<b>776.99</b>

Self-Insurance Fund has been set up to provide insurance coverage for the Company's business. The Company appropriate reserve equivalent to the net income from operation and interest income to the fund.

## 24. Earnings per share

	Consolidated		The Company	
	2003	2002	2003	2002
Net income attributable to shareholders (Baht)	39,400,977,468	24,485,082,178	39,400,977,468	24,485,082,178
Weighted average number of ordinary shares				
which held by third parties during the year (shares)	2,797,245,725	2,797,245,725	2,797,245,725	2,797,245,725
Basic earnings per share (Baht/share)	14.09	8.75	14.09	8.75
Diluted earnings per share (Baht/share)	14.09	8.75	14.09	8.75

As at December 31, 2003, PTTEP issued warrants in Employee Stock Ownership Plan (ESOP) as follows:

The exercise of warrants 1.20 million units to purchase ordinary shares for 2.40 million shares by employees on August 16, 1998 (one warrant provides the right to purchase two ordinary shares) to the directors, managements and employees with exercised price of Baht 150 per share. The warrants are exercisable in 2001, 2002 and 2003, with employees limited to the exercise of 20%, 30% and 50% of the allocated warrants, respectively. The warrants are exercisable on the last working day of every three months starting from the first exercise date on September 14, 2001. The last exercise date on September 14, 2003, no employees exercised the warrants to purchase ordinary shares. Therefore, there is no change in the outstanding balances of warrants and ordinary shares as at December 31, 2003.

The exercise of warrants to purchase ordinary shares by employees (Employee Stock Ownership Plan or ESOP) for 5 year, total 10 million ordinary shares. As at December 31, 2003, the employees exercised the warrants to purchase 0.40 million shares. Therefore, there are remaining outstanding balances of shares reserve 9.60 million shares for;

- On August 1, 2002, PTTEP provides warrants to purchase ordinary shares 2 million units (one warrant provides the right to purchase one ordinary share) to its directors, managements and employees with exercised price of 111 Baht per share. The warrants are exercisable on the last working day of every three months starting from the first exercise date on July 31, 2003. As at December 31, 2003, 398,000 warrants have been exercised by 500 employees. Therefore, the remaining outstanding balances of warrants are 1,602,000 units and shares reserved 1,602,000 shares.
- On August 1, 2003, PTTEP provides warrants to purchase ordinary shares 2 million units (one warrant provides the right to purchase one ordinary share) to its directors, managements and employees with exercised price of 117 Baht per share. The warrants are exercisable on the last working day of every three months starting from the first exercise date on July 31, 2004.



For determining of diluted earnings per share, the Company assumed that PTTEP's warrants given to directors, management and employees that can be exercised are converted to ordinary shares. Exercising of those warrants results in net income, recognized in the Company's financial statements, adjusted by decreasing in proportion of shareholders. However, change in net income in this calculation is insignificant and, therefore, no effect to diluted earnings per share

## 25. Other income

Other income for the year ended December 31, 2003 and 2002 are as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2003	2002	2003	2002
Bank interest income	623.19	843.26	403.44	597.07
Penalty income	221.86	252.93	221.86	252.93
Transportation income	1,115.33	705.08	1,115.33	707.12
Dividend income	36.72	37.70	36.72	37.70
Compensation for loan interest of advance payment for gas purchased	2,014.70	2,517.94	2,014.70	2,517.94
Special discount received from gas purchased	-	624.94	-	638.00
Throughput into plane service income	186.48	165.41	186.48	165.41
Gain on disposal of investments	171.39	150.50	171.39	150.50
Gain from exchange rate	1,334.65	549.62	474.77	-
Income from carry forward right	-	79.24	-	142.64
Others	733.47	971.41	725.83	834.75
<b>Total</b>	<b>6,437.79</b>	<b>6,898.03</b>	<b>5,350.52</b>	<b>6,044.06</b>

## 26. Share of net income from investments under the equity method

Share of net income from investments under the equity method for the year ended December 31, 2003 and 2002 includes share of gain on foreign exchange as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2003	2002	2003	2002
Share of gain on foreign exchange	3,527.11	1,201.15	3,949.22	1,520.59

## 27. Operating income

The following expenditure items, classified by nature, have been charged in arriving at income from operations as follows:

	Unit : Million Baht			
	Consolidated		The Company	
	2003	2002	2003	2002
Gain (loss) on foreign exchange	1,334.65	549.62	474.77	(195.27)
Depreciation of property, plant and equipment				
- owned assets	11,487.45	11,033.16	5,383.70	5,430.68
- leased assets under finance leases	91.65	108.12	80.68	88.66
Amortization of intangible assets				
- goodwill	161.27	120.68	-	-
- other intangible assets	363.34	346.86	259.22	257.76
Staff cost	4,972.04	4,779.35	3,556.86	3,504.54



## 28. Reforestation

Under the Board of Directors' approval on February 23, 1994, the Company has participated in the Reforestation Campaign in Commemoration of the Royal Jubilee of His Majesty the King's Ascension to the Throne. The project is estimated to call for not more than Baht 3 billion of forestation covering an area of 1 million rai. An annual budget of Baht 600 million has been allocated for 5 years commencing from 1994. The Company has its own administration committee to manage the project both the reforestation and maintenance for a period of at least 5 years.

On September 16, 1998, the Board of Directors approved the extension of the project's period to a second stage of 6 years (1999-2004) using the budget as approved at the first stage of Baht 3 billion. The budget covers expenses for the principal project (reforestation and maintenance) and the support project (forest survival). The objective is to establish the long-term commitment among local people and youths who protect and concern about forest resources.

Since the beginning of the project up to December 31, 2003, the Company has completed 1,012,876 rai of the reforestation, covering areas in 48 provinces. For year 2004, the Company also has a duty to maintain the completed forest for the amount of 92,198 rai, before transferring all completed forest for the amount of 1,012,876 rai to the Department of Forest. As at December 31, 2003, the Company's accumulated expenses were Baht 2,860.51 million, of which expenses for year 2003 amounting to Baht 174.40 million have been shown in selling and administrative expenses in the statement of income.

## 29. Interest expenses

Interest expenses for the year ended December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Loans from financial institutions	6,391.56	7,950.10	5,843.92	7,108.77
Bonds	1,449.81	1,343.29	59.98	-
Liabilities from finance leases	11.75	30.09	11.73	30.09
Others	216.92	299.97	169.19	232.40
<b>Total</b>	<b>8,070.04</b>	<b>9,623.45</b>	<b>6,084.82</b>	<b>7,371.26</b>

## 30. Segmented financial information

The Company presented the financial information by business segments and did not present the financial information by geographical segments. The reason is that no other individual country, with the exception of Thailand, reported more than 10% of consolidated revenues, operating results and total assets.

Financial information by business segments presented in the consolidated financial statements for the years ended December 31, 2003 and 2002 are as follows:

### Consolidated

For the year ended December 31, 2003

Unit : Million Baht

	Oil	Natural Gas	Petroleum exploration and production	Petrochemical	Head Office expenses and others	Elimination	Total
Sales - others	342,598.81	137,536.59	3,026.57	14,868.08	-	-	498,030.50
- related parties	3,589.09	21,257.85	32,100.10	-	-	(56,947.04)	-
Petroleum royalties	-	-	(4,021.07)	-	-	-	(4,021.07)
<b>Net sales</b>	<b>346,187.90</b>	<b>158,794.44</b>	<b>31,105.60</b>	<b>14,868.08</b>	<b>-</b>	<b>(56,947.04)</b>	<b>494,008.98</b>
Gross margin	10,219.22	28,123.74	23,447.29	2,369.82	-	(76.60)	64,083.47



Unit : Million Baht

	Oil	Natural Gas	Petroleum exploration and production	Petrochemical	Head Office expenses and others	Elimination	Total
<b>EBITDA</b>	<b>5,579.92</b>	<b>29,181.71</b>	<b>24,997.54</b>	<b>2,744.94</b>	<b>(157.74)</b>	<b>21.48</b>	<b>62,367.85</b>
Depreciation and amortization	1,826.69	3,917.83	5,440.49	758.19	3.37	157.14	12,103.71
<b>EBIT</b>	<b>3,753.23</b>	<b>25,263.88</b>	<b>19,557.05</b>	<b>1,986.75</b>	<b>(161.11)</b>	<b>(135.66)</b>	<b>50,264.14</b>
Share of net income under the equity method							12,296.40
Interest-net							(7,744.87)
Other income							3,798.85
Income taxes							(14,413.93)
Minority interests							(4,799.61)
<b>Net income</b>							<b>39,400.98</b>
Segment assets	55,431.41	105,690.71	77,679.48	-	51,879.82	-	290,681.42
Inter-company assets	240.12	6,382.04	3,419.36	-	124,240.63	(134,282.15)	-
Investments accounted for under the equity method	0.77	-	11,477.07	-	22,446.11	-	33,923.95
<b>Total Assets</b>	<b>55,672.30</b>	<b>112,072.75</b>	<b>92,575.91</b>	<b>-</b>	<b>198,566.56</b>	<b>(134,282.15)</b>	<b>324,605.37</b>
Capital expenditure	1,206.38	8,212.63	11,300.51	3,252.14	157.98	-	24,129.64
Segment liabilities	23,832.15	16,759.34	40,573.86	-	114,510.83	-	195,676.18
Inter-company liabilities	2,081.19	(6,768.33)	6,327.92	-	8,419.74	(10,060.52)	-
<b>Total Liabilities</b>	<b>25,913.34</b>	<b>9,991.01</b>	<b>46,901.78</b>	<b>-</b>	<b>122,930.57</b>	<b>(10,060.52)</b>	<b>195,676.18</b>

### Consolidated

For the year ended December 31, 2002

Unit : Million Baht

	Oil	Natural Gas	Petroleum exploration and production	Petrochemical	Head Office expenses and others	Elimination	Total
Sales - others	268,560.87	119,334.64	2,038.11	13,242.26	-	-	403,175.88
- related parties	16.65	18,773.84	28,194.32	-	-	(46,984.81)	-
Petroleum royalties	-	-	(3,423.65)	-	-	-	(3,423.65)
Net sales	268,577.52	138,108.48	26,808.78	13,242.26	-	(46,984.81)	399,752.23
Gross margin	10,529.16	23,238.17	19,593.02	1,415.20	-	19.66	54,795.21
<b>EBITDA</b>	<b>6,368.75</b>	<b>24,113.37</b>	<b>22,210.92</b>	<b>1,964.84</b>	<b>(555.83)</b>	<b>71.28</b>	<b>54,173.33</b>
Depreciation and amortization	1,851.00	3,945.65	4,775.72	917.71	4.28	116.45	11,610.81
<b>EBIT</b>	<b>4,517.75</b>	<b>20,167.72</b>	<b>17,435.20</b>	<b>1,047.13</b>	<b>(560.11)</b>	<b>(45.17)</b>	<b>42,562.52</b>





Unit : Million Baht

	Oil	Natural Gas	Petroleum exploration and production	Petrochemical	Head Office expenses and others	Elimination	Total
Share of net loss under the equity method							2,162.76
Interest-net							(9,404.83)
Other income							4,306.13
Income taxes							(10,445.28)
Minority interests							(4,696.22)
<b>Net income</b>							<b>24,485.08</b>
Segment assets	58,177.17	104,475.42	70,137.50	17,340.55	28,430.37	-	278,561.01
Inter-company assets	488.77	7,390.81	2,845.37	966.00	105,178.82	(116,869.77)	-
Investments accounted for under the equity method	0.96	-	11,410.44	-	9,148.19	-	20,559.59
<b>Total Assets</b>	<b>58,666.90</b>	<b>111,866.23</b>	<b>84,393.31</b>	<b>18,306.55</b>	<b>142,757.38</b>	<b>(116,869.77)</b>	<b>299,120.60</b>
Capital expenditure	947.31	1,416.14	8,142.77	-	213.56	-	12,455.34
Segment liabilities	25,253.22	16,230.09	39,460.44	12,618.76	108,760.04	-	202,322.55
Inter-company liabilities	20,304.75	75,892.31	6,477.25	1,229.46	966.00	(104,869.77)	-
<b>Total Liabilities</b>	<b>45,557.97</b>	<b>92,122.40</b>	<b>45,937.69</b>	<b>13,848.22</b>	<b>109,726.04</b>	<b>(104,869.77)</b>	<b>202,322.55</b>

Head office expenses, revenue and others comprise general and administrative expenses associated with central operations and share of net income from the operations of associates.

EBITDA means Earnings before interest expenses, finance cost, income taxes, depreciation and amortization including other expenses and income which are not relevant to the operations.

EBIT means Earnings before interest expenses, finance cost, income taxes, including other expenses and income which are not relevant to the operations.

### 31. Disclosure of financial instruments

The principal financial risks faced by the Company are exchange rate, interest rate and oil market prices. The Company borrows at both fixed and floating rates of interest to finance its operations. Some portion of sales, purchase, and borrowing transactions are entered into in foreign currencies. The Company's management had made derivative instrument contracts to cover all these risks.

The objectives in using financial instruments are to reduce the uncertainty over future cash flows arising from movements in exchange rates and interest and to hedge financial risk exposure. The following strategies are employed to achieve these objectives. Forward foreign exchange contracts are taken out to manage the currency risks in the future. Interest rate risk exposures are managed through interest rate swaps and cross-currency swap contracts. Fluctuations risk exposures in oil price are managed by futures oil contracts.

Trading for speculative purposes is prohibited. All derivative transactions have to be supported by business transactions.

Responsible function to manage exposure from exchange rate risk, interest rate risk and fluctuation of oil market price has to report for details of cost and market value of all financial instruments, including forward foreign exchange contracts, cross-currency and interest rate swaps contract and futures oil contracts. These limits principally cover the risk exposure in respect of:

- foreign exchange transactions
- floating rate borrowings
- fluctuation in oil market prices



### 31.1 Risk from foreign exchange rates

The Company entered into the forward bought foreign exchange contracts to settle for procurement of raw materials and foreign loan repayment amounting to USD 177.23 million or equivalent to approximately Baht 7,171.75 million and Yen 18,800 million or equivalent to approximately Baht 6,652.15 million, matured within October 2004.

Forward sold foreign exchange contracts to settle for export of products are USD 14.09 million or equivalent to Baht 625.38 million, matured during January 2004-December 2004.

In 2002, TOC entered into the forward foreign exchange contracts with several commercial banks amounting to USD 14.10 million and Yen 1,051.80 million or equivalent to Baht 992.40 million, matured within 6 months.

Forward foreign exchange contract amounts and exchange rates as at December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
<b>Forward bought foreign exchange contracts</b>				
At the rate Baht 39.00-44.0560 = 1 USD	7,171.75	6,610.36	7,171.75	5,993.83
At the rate Baht 0.34750-0.35900 = 1 Yen	6,652.15	375.87	6,652.15	-
<b>Total</b>	<b>13,823.90</b>	<b>6,986.23</b>	<b>13,823.90</b>	<b>5,993.83</b>
<b>Forward sold foreign exchange contracts</b>				
At the rate Baht 42.7960-45.52085 = 1 USD	625.38	1,115.58	625.38	1,115.58

### 31.2 Risks from interest rates

On September 28, 1994, the Company entered into the loan agreement with The Meiji Mutual Life Insurance Company / The Industrial Bank of Japan Limited totalling Yen 6,913.80 million bears interest at fixed rate of 4.70% per annum. On August 15, 1994, the Company has also made cross-currency and interest rate swap to hedge risk exposure from Yen fluctuation by entering into ISDA : Interest Rate and Currency Exchange Agreement in USD equivalent to USD 69 million bears interest at the fixed rate of 7.50% per annum. The effective date of this loan was the withdrawal date which was on October 12, 1994.

For PTTEP, cross-currency and interest rate swap contracts have been entered in accordance with Note 19.2

The terms and notional principal amount of the outstanding cross-currency and interest rate swap contracts as at December 31, 2003 and 2002 are as follows:

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
USD 69 million /Yen 6,913.8 million	2,741.91	2,987.97	2,741.91	2,987.97
USD 193.28 million /Yen 23,000 million	7,680.42	8,369.66	-	-
<b>Total</b>	<b>10,422.33</b>	<b>11,357.63</b>	<b>2,741.91</b>	<b>2,987.97</b>

The maturity of contracts can be analyzed as follows :

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Later than 1 year-5 years	10,422.33	11,357.63	2,741.91	2,987.97
Later than 5 years	-	-	-	-
Later than 1 year-5 years	10,422.33	11,357.63	2,741.91	2,987.97

### 31.3 Risks from futures oil contract

As at December 31, 2003, outstanding balance of the futures oil contracts that the Company entered into have a maturity period within one to six months. The volume of oil according to such contract amounting to 2.10 million barrels.



### 31.4 Fair value of financial instruments

Most carrying value of financial assets and financial liabilities of the Group are classified as short-term category. The fair value of financial assets and financial liabilities approximately to their carrying values.

The Group will calculate the fair value of long-term loans and fixed interest rate bond by using the discounted cash flow based on the discount rate with similar borrowing condition. The forward foreign exchange contracts, the cross-currency and interest rate swap contracts, and the futures oil contracts presented fair value based on quoted market rate as follows:

Unit : Million Baht

	Consolidated			
	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term loan	74,319.12	83,650.73	92,203.16	104,990.85
Unsecured unsubordinated bonds	34,028.38	34,875.52	16,989.15	18,427.81
Forward bought foreign exchange contracts	13,823.90	14,026.88	6,986.23	6,978.81
Forward sold foreign exchange contracts	625.38	558.42	1,115.58	1,072.47
Cross-currency and interest rate swap contracts	10,422.33	10,328.24	11,357.63	12,647.72
Futures oil contracts	-	(23.82)	-	(10.26)

Unit : Million Baht

	Consolidated			
	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term loan	74,319.12	83,650.73	92,203.16	104,990.85
Unsecured unsubordinated bonds	15,000.00	14,887.45	-	-
Forward bought foreign exchange contracts	13,823.90	14,026.88	5,993.83	5,987.70
Forward sold foreign exchange contracts	625.38	558.42	1,115.58	1,072.47
Cross-currency and interest rate swap contracts	2,741.91	2,971.27	2,987.97	3,570.07
Futures oil contracts	-	(23.82)	-	(10.26)

### 32. Dividend payment

On April 29, 2003, the shareholders at the annual general shareholders' meeting passed a resolution to pay dividend at Baht 2.85 per share from the total 2,797,245,725 shares amounting to Baht 7,972.15 million. The Company has already paid on May 14, 2003.

### 33. Acquisition

In 2003, the Company acquired 5.32 million additional ordinary shares capital of PTTEP, a subsidiary, from third parties. This results in an increase in proportion of investment in ordinary shares capital from 62.84% (as at December 31, 2002) to 63.65% (as at June 30, 2003). Purchase consideration was Baht 664.30 million. The carrying value of net assets amounting to Baht 304.48 million are net fair value of assets received at the acquisition date. Goodwill arising from acquisition amounting to Baht 359.82 million is amortized using straight-line method over Reserve Life Index of PTTEP.

Details of net assets acquired and goodwill are as follows:

Unit : Million Baht

Purchase consideration	664.30
Less Fair value of net assets acquired	304.48
Goodwill (Note 14)	359.82