

PTT Public Company Limited

(registered in the Kingdom of Thailand as a public company with limited liability)

U.S.$350,000,000
5.875% Notes due 2035

Interest payable February 3 and August 3

Issue Price: 97.281%

The Notes will mature on August 3, 2035. Interest on the Notes will accrue from August 3, 2005, and the first interest payment date will be February 3, 2006. The Notes will be our direct, unconditional, unsecured and unsubordinated general obligations.

We may redeem the Notes in whole, but not in part, at any time at a price equal to their principal amount plus accrued interest, in the event of certain tax changes as described under "Description of the Notes — Optional Tax Redemption". In addition, we will, at the option of any holder, repurchase all of such holder's Notes at a price equal to their principal amount plus accrued interest, in the event that the Government of Thailand, directly or indirectly, ceases to own and control at least 50% of our issued and outstanding capital stock and each of our credit ratings by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services is reduced. See "Description of the Notes — Holders' Put Right".

Application has been made to the Hong Kong Stock Exchange for listing of, and permission to deal in, the Notes by way of selectively marketed securities (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and such permission is expected to become effective on August 4, 2005.

The Notes have been rated "A2" by Moody's Investors Service, Inc. and "BBB+" by Standard & Poor's Ratings Services. These ratings do not constitute a recommendation to buy, sell or hold Notes and may be subject to suspension, recission or withdrawal at any time by such rating organizations.

See "Risk Factors" beginning on page 9 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States and are being offered and sold in the United States only to qualified institutional buyers ("QIBs") in reliance on, and in compliance with, Rule 144A ("Rule 144A") under the Securities Act and to Persons (other than U.S. Persons) (each as defined in Regulation S) outside the United States in reliance on Regulation S ("Regulation S") under the Securities Act. Each prospective purchaser of the Notes that is a QIB is hereby notified that the offer and sale of Notes to it may be made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

The Notes will be represented by one or more global certificates in fully registered form, without coupons, which will be registered in the name of a nominee of The Depository Trust Company ("DTC"). We expect that delivery of the Notes will be made to investors in book-entry form through DTC on or about August 3, 2005, which is the fifth business day following the date of this offering circular (such settlement cycle being referred to as "T+5"). You should be advised that trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution".

Sole Bookrunner

JPMorgan

Joint Lead Managers

JPMorgan **Bear, Stearns & Co. Inc.**

July 27, 2005

You should rely only on the information contained in this offering circular or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this offering circular may only be accurate as of the date of this offering circular.

We, having made all reasonable enquires, confirm that (i) this offering circular contains all information with respect to us and the Notes which is material in the context of the issue and offering of the Notes, (ii) the statements contained herein relating to us and the Notes are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this offering circular with regard to the Issuer are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to us or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this offering circular misleading in any material respect and (v) all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements.

We accept responsibility for the information contained in this offering circular. We are furnishing this offering circular on a confidential basis in connection with an offering exempt from registration under the Securities Act and applicable state securities laws solely for the purpose of enabling a prospective investor to consider the purchase of the Notes. The information contained in this offering circular has been provided by us and other sources identified in this offering circular. No representation or warranty, express or implied, is made by the initial purchasers of the Notes or by their respective U.S. selling agents as to the accuracy or completeness of such information, and nothing contained in this offering circular and appendices is, or shall be relied upon as, a promise or representation by the initial purchasers or such agents or consultants. Any reproduction or distribution of this offering circular, in whole or in part, and any disclosure of its contents or use of any information herein is prohibited, except to the extent such information is otherwise publicly available. You should be aware that since the date of this offering circular there may have been changes in our business or otherwise that could affect the accuracy or completeness of the information set out in this offering circular.

This offering circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to us and the Notes.

The Hong Kong Stock Exchange takes no responsibility for the contents of this offering circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering circular.

Our consolidated financial statements as presented in this offering circular are prepared and presented in accordance with accounting principles generally accepted in Thailand ("Thai GAAP") and reporting practices in Thailand, which differ in certain significant respects from International Financial Reporting Standards ("IFRS"). For a discussion of differences between Thai GAAP and IFRS that are relevant to our financial statements, see "Summary of Principal Differences Between Thai GAAP and IFRS". Potential investors should consult their own professional advisors for an understanding of the differences between Thai GAAP and IFRS, and how these differences affect the financial information contained in this offering circular. This offering circular should not be considered as a recommendation by any of the initial purchasers that any recipient of this offering circular should purchase the Notes.

Our securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption from registration. You should be aware that you may be required to bear the risk of an investment in the Notes for an indefinite period of time.

You must comply with all applicable laws and regulations in force in any jurisdiction in connection with the distribution of this offering circular and the offer and sale of the Notes. See "Transfer Restrictions" for more information on these restrictions. In making an investment decision, you must rely on your own examination of our company and the terms of this offering including the merits and risks involved. You should not construe the contents of this offering circular and its appendices as legal, business, or tax advice. You should consult your own attorney, business advisor or tax advisor.

The securities we are offering have not been approved or disapproved by the United States Securities and Exchange Commission or any state or foreign securities commission or regulatory authority. The foregoing authorities have not confirmed the accuracy or determined the adequacy of this offering circular. Any representation to the contrary is a criminal offense.

We are entitled to withdraw this offering at any time before closing. We are making this offering subject to the terms described in this offering circular and the purchase agreement relating to the Notes described in "Plan of Distribution".

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

In connection with the issue of the Notes, J.P. Morgan Securities Ltd. may, itself or through its affiliates, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that J.P. Morgan Securities Ltd. (or any person acting on its behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of allotment of the Notes.

All references to "Thailand" or "Thai" herein are references to the Kingdom of Thailand. All references to the "Government" herein are references to the Government of Thailand. All references to "Myanmar" are references to the Union of Myanmar, formerly known as Burma. All references to "PTT", "PTT Plc.", "we", "our", "ourselves" and "us" are references to PTT Public Company Limited, a public company with limited liability registered in the Kingdom of Thailand, our predecessor entity the Petroleum Authority of Thailand and our consolidated subsidiaries as a combined entity, except where it is made clear that such term refers to only the parent company or our predecessor entity. All references to "PTTEP" are references to our 66.48%-owned subsidiary PTT Exploration and Production Public Company Limited.

In this offering circular, references to "$", "U.S. dollars", "U.S.$" and "dollars" are to United Stated Dollars, references to "Yen" and "¥" are to Japanese Yen and references to "Bt" and "Baht" are to Thai Baht. We maintain our accounts in Baht. This offering circular contains conversions of certain amounts into dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, all conversions of Baht to dollars have been made at the rate of Baht 39.15 = $1.00, the average interbank rate announced by the Bank of Thailand on March 31, 2005. See "Exchange Rate Information". No representation is made that the Baht, dollar or Yen amounts referred to herein could have been or could be converted into dollars, Baht or Yen, as the case may be, at this rate, at any particular rate or at all.

Any discrepancies in the tables included in this offering circular between the amounts listed and the totals are due to rounding.

Available Information

To preserve the exemptions for resales and transfers pursuant to Rule 144A, we will furnish, upon the request of a holder of the Notes, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act, to such holder or beneficial owner or to a prospective purchaser of the Notes or interest therein who is a "qualified institutional buyer" within the meaning of Rule 144A, in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such Notes or beneficial interest therein unless, at the time of such request, we are subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), or are included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act and therefore are required to furnish to the U.S. Securities and Exchange Commission certain information pursuant to Rule 12g3-2(b) under the Exchange Act.

Enforcement of Civil Liabilities

We are incorporated in the Kingdom of Thailand. All of our directors and executive officers and some of the experts named in this offering circular are residents of Thailand. Also, most of our assets and the assets of our directors, executive officers and certain of our experts are located in Thailand. As a result, you may not be able to:

- effect service of process upon us or these persons outside Thailand, or
- enforce against us judgments obtained in courts outside of Thailand. These judgments include judgments relating to the federal securities laws of the United States.

Our Thai counsel, Allen & Overy (Thailand) Co., Ltd. has advised us that Thai courts will not enter any judgment or order obtained outside Thailand, but a judgment or order from a foreign court, in the discretion of a court in Thailand, may be admitted as evidence of an obligation in a new proceeding instituted in that court, which will consider the issue or the evidence before it.

Prior to our corporatization under Thai law, all of our assets were exempt from attachment or other forms of execution. Under the Royal Decree associated with our corporatization, assets acquired both before and after the corporatization through the appropriation law and our entire pipeline network will continue to be exempt from attachment or execution. Thus, to the extent investors are entitled to bring legal action against us, they may be limited in their remedies and any recovery in any Thai proceedings might be limited depending on the relevant court's discretion.

Forward-looking Statements

This offering circular includes and incorporates by reference forward-looking statements. These forward-looking statements relate to analyses and other information, which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. You are cautioned not to rely on these forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our future overall business development and economic performance;
- our estimated financial information regarding, and the future development and economic performance of, our business.
- future earnings and cash flow;
- expected pipeline expansion plans, including Thailand's Gas Pipeline Master Plan III;
- our business strategy;

- the amount and nature of future exploration, development and other capital expenditures required by us and PTTEP, including for development of the Joint Development Area ("JDA") with Malaysia;
- wells to be drilled by PTTEP;
- future prices and demand for crude oil, natural gas, and refined petroleum and petrochemical products;
- estimates of PTTEP's proved oil and gas reserves;
- successful restructuring of debt and other financing plans of certain of our associated companies; and
- liberalization of the Thai gas industry.

The forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors including:

- fluctuations in prices of natural gas, crude oil, condensate, refined petroleum and petrochemical products;
- change in estimates of oil and natural gas reserves;
- continued availability of capital and financing;
- general economic and business conditions and energy demand and supply in Thailand and Southeast Asia;
- failure of PTTEP to continue to achieve exploration successes;
- failure or delays by PTTEP in achieving production from development projects or failure to achieve targeted production or sales volumes;
- liability for remedial actions under environmental regulations; and
- other factors beyond our control.

Our risks are more specifically described in "Risk Factors". If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. We do not undertake to update our forward-looking statements or risk factors to reflect future events or circumstances.

Table of Contents

	Page
Offering Circular Summary	1
Risk Factors	9
Use of Proceeds	20
Exchange Rate Information	20
Capitalization	21
Selected Historical Thai GAAP Consolidated Financial Data	22
Selected Operating, Sales and Asset Data	24
Management's Discussion and Analysis of Financial Condition and Results of Operations	25
The Petroleum and Petrochemical Industry in Thailand	53
Relationship with the Government and Regulatory Matters	62
Our Corporate Structure	67
Business	69
Principal Shareholders	137
Management	138
Description of the Notes	143
Taxation	157
Plan of Distribution	161
Transfer Restrictions	165
Legal Matters	167
Independent Accountants	167
General Information	168
Summary of Principal Differences Between Thai GAAP and IFRS	169
Glossary of Technical Terms	177
Glossary of Concession Partners	179
Index to Financial Statements	F-1

Offering Circular Summary

This summary may not contain all of the information that is important to you. You should read the entire offering circular, including the financial statements and related notes, before making an investment decision. You should pay special attention to the "Risk Factors" section beginning on page 9 of this offering circular to determine whether an investment in the Notes is appropriate for you.

Our Business

We are Thailand's only fully-integrated gas company and the majority owner of PTTEP, a leading exploration and production company in Thailand. Our primary business activities are:

- procurement, transmission, processing, marketing and distribution of natural gas and gas products; and

- exploration, development and production of natural gas, condensate and crude oil through our 66.48%-owned subsidiary PTTEP.

We also have a leading position in the marketing and trading of various crude oil, condensate, petrochemical and refined petroleum products in Thailand. In addition, through our interests in numerous companies, we participate in Thailand's petrochemical and refining industries.

For the three months ended March 31, 2005, our total sales revenue increased 39.4% to Baht 191,161 million and our net income increased 111.8% to Baht 25,996 million compared to the three months ended March 31, 2004. EBITDA increased 36.6% to Baht 24,316 million for the three months ended March 31, 2005 compared to the three months ended March 31, 2004. In 2004, our total sales revenue increased 31.6% to Baht 644,673 million and our net income increased 66.8% to Baht 62,666 million compared to 2003. EBITDA increased 27.1% to Baht 79,264 million for 2004 compared to 2003. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Segment Operations" for a definition of EBITDA.

Our core focus is our gas transmission, processing and marketing business, which contributed approximately 46.5% of our EBITDA for the year ended December 31, 2004. Total sales revenue from our gas transmission, processing and marketing business segment increased 19.4% to Baht 46,915 million and EBITDA increased 15.8% to Baht 9,879 million for the three months ended March 31, 2005 compared to the three months ended March 31, 2004. In 2004, total sales revenue from our gas transmission, processing and marketing segment increased 10.2% to Baht 174,980 million and EBITDA increased 26.3% to Baht 36,857 million compared to 2003.

We operate an integrated transmission and distribution pipeline system of approximately 2,727 kilometers with a capacity of 3,410 MMcf/d. In 2004, approximately 76.9% of our natural gas sales by volume was sold to the Electricity Generating Authority of Thailand ("EGAT") and private power producers in Thailand. For the three months ended March 31, 2005, approximately 74.9% of our natural gas sales by volume was sold to EGAT and private power producers in Thailand. In 2004 and for the three months ended March 31, 2005, approximately 9.0% and 8.9% of our natural gas was sold to industrial customers, respectively. Our natural gas separation plants, which have a total feed capacity of approximately 1,760 MMcf/d, produced value-added gas products in an amount equal to approximately 16.0% of the total volume of natural gas that we purchased for the three months ended March 31, 2005. These gas products include liquefied petroleum gas ("LPG"), ethane, propane and natural gas liquids ("NGL"), which are sold domestically and internationally and also as feedstock to our associated refineries and petrochemical companies.

Exploration and production of petroleum is conducted by our subsidiary PTTEP, which as of January 1, 2005 owned approximately 27% of the proved petroleum reserves in Thailand according to the Department of Mineral Fuels (the "DMF") of the Ministry of Energy (the "MOEN"). As of December 31, 2004, PTTEP's proved petroleum reserves (excluding the share of reserves from PTTEP's investment in P.T. Medco Energi Internasional Tbk ("Medco")) were 899 MMboe of which approximately 85%, or 5,011 Bcf, was natural gas. For the three months ended March 31, 2005, sales volume averaged approximately 142,685 Boe/d of which approximately 74% was natural gas.

Our oil business group purchases crude oil and condensate from producers within and outside of Thailand. Condensate and crude oil are sold as feedstock to our petrochemical and refining interests and also marketed by our trading arm. We generally purchase product offtake from Rayong Refinery Co., Ltd. ("RRC") and each of our associated companies in proportion to the feedstock that we supply to each such company. We market product offtake from RRC and our associated companies both in Thailand and internationally through various distribution channels, including our commercial, retail, reseller and international marketing businesses.

Competitive Strengths

We believe that our historical success and our potential for future growth are due primarily to our:

- *Fully integrated natural gas and oil business, which creates value and provides returns at every stage of operation, from gas field to end-user.* Our pipeline network links our upstream interests in PTTEP, our gas separation plants and out downstream marketing operations. Our downstream petrochemical and refining interests also purchase our gas products. Because of our ownership and control across this gas chain, we are able to extract returns from each segment and enhance the profitability of our gas business.

- *Dominant position in an established and growing natural gas market.* Natural gas consumption in Thailand grew at a compound annual growth rate of 8.1% from 2000 to 2004 according to the Energy Policy and Planning Office ("EPPO"). As sole owner of Thailand's natural gas transmission pipeline network and gas separation plants, we have the number one position in this growing market.

- *Operational synergies between our oil business group and our refining and petrochemicals business group.* Our strategic investments in petrochemical and refining companies and our marketing and trading businesses allow us to create operational synergies between feedstock supply and product offtake.

- *Diversified earnings reducing our exposure to oil price volatility and providing financial stability.* A substantial portion of our earnings are derived from our gas transmission tariffs, which are not linked to natural gas or oil prices. In addition, PTTEP's earnings are derived from natural gas prices linked to a basket of items and include an adjustable pricing floor.

- *Access to low cost and growing upstream operations through PTTEP.* PTTEP has an established track record for growing its production. As of December 31, 2004, approximately 56% of its 899 MMboe proved reserves (excluding the share of reserves from PTTEP's investment in Medco) were undeveloped, which provides a base for maintaining existing production and for future production growth. PTTEP's low finding and development cost structure allows for capital-efficient growth, while its low operating costs further enhance its returns.

- *Experienced management team.* Our highly experienced management team has a proven track record of consistently growing the business while improving and maintaining operating profitability of the business through both favorable and challenging market environments, including during the Asian financial crisis. Most of our key senior management have significant public-company management experience.

Overall Business Strategy

We intend to capitalize on our competitive position by implementing the following key strategies:

- *investing to maximize PTTEP's exploitation of domestic resources and secure reserves outside Thailand;*

- *increasing the value of our natural gas business by capturing growth opportunities and maximizing the benefits from our value-added and peripheral businesses;*

- *enhancing the profitability of our oil marketing and trading businesses by leveraging on infrastructure and network supremacy; and*

- *consolidating our interests in the refining and petrochemical sectors and expanding selectively as opportunities arise.*

Our Corporatization

We were established on October 1, 2001 as a result of the corporatization of our predecessor, the Petroleum Authority of Thailand. Our predecessor was established in 1979 under the Petroleum Authority of Thailand Act B.E. 2521 (A.D. 1978) (the "PTT Act") to serve as the national petroleum company. All of our businesses, assets, rights, debts, and liabilities were transferred to us from our predecessor under the State Enterprises Corporatization Act B.E. 2542 (A.D. 1999) (the "Corporatization Act"). Our principal executive offices are located at 555 Vibhavadi-Rangsit Road, Chatuchak, Bangkok 10900, Thailand. Our principal website address on the internet is *http://www.pttplc.com*. The information on our website is not part of this offering circular.

The Offering

The following is a brief summary of some of the terms of the Notes. For a more detailed description of the terms of the Notes, see "Description of the Notes". Terms used in this summary and not otherwise defined shall have the meanings given to them in the Indenture.

Issuer	PTT Public Company Limited
Offering	U.S.$350,000,000 aggregate principal amount of 5.875% Notes due 2035 are being offered (i) in the United States to qualified institutional buyers in reliance on Rule 144A and (ii) outside of the United States to non-U.S. persons in reliance on Regulation S. See "Plan of Distribution".
Issue Price	97.281% of the principal amount of the Notes, plus accrued interest, if any, from August 3, 2005.
Maturity Date	August 3, 2035.
Interest	The Notes will bear interest from and including August 3, 2005, at the rate of 5.875% per annum payable semi-annually on February 3 and August 3 of each year up to and excluding the maturity date, August 3, 2035, with the first interest payment to be made on February 3, 2006.
Status	The Notes will be unsecured and will be our direct, unconditional and unsubordinated general obligations and will rank *pari passu* among themselves and at least equally with all of our other outstanding unsecured and unsubordinated general obligations.
Holders' Put Right	In the event that (i) the Government, directly or indirectly, ceases to own and control at least 50% of our issued and outstanding stock and (ii) within 180 days from the date of such decrease in ownership our Credit Rating issued by each of the Standard & Poor's Ratings Service and Moody's Investors Service, Inc. is reduced below such Credit Rating in effect immediately prior to the time that the Government ceases to own and control at least 50% of our issued and outstanding capital stock, then each Holder will have the right, at such Holder's option to require us to repurchase all of such Holder's Notes at a price equal to 100% of the unpaid principal amount thereof plus accrued interest on the 20th Business Day after the Trustee mails to each Holder a notice regarding such event in the manner described under "Description of the Notes — Holders' Put Right — Put Procedures".
Certain Covenants	The indenture (the "Indenture") under which the Notes will be issued contains certain covenants that limit (i) the incurrence of liens, mortgages, or pledges on certain of our assets and (ii) certain sale/leaseback transactions. However, these limitations and restrictions are subject to important exceptions. See "Description of the Notes — Certain Covenants".
Events of Default	The Notes will be subject to certain events of default, including the failure by us to pay principal of (which must continue for 7 days) or interest on (which must continue for 30 days) the Notes and acceleration of certain other indebtedness. See "Description of the Notes — Events of Default".

Withholding Tax	See "Description of the Notes — Additional Amounts" and "Taxation — Thai Taxation".
Optional Tax Redemption	The Notes may be redeemed at our option, in whole but not in part, at a price equal to the principal amount thereof plus accrued and unpaid interest, in certain circumstances in which the Issuer would become obligated to pay Additional Amounts.
Further Issues	We may, from time to time, without the consent of the holders of the Notes, create and issue further securities having the same terms and conditions as the Notes in all respects so that such further issue shall be consolidated and form a single series with the Notes.
Use of Proceeds	The net proceeds from the sale of the Notes, which are estimated to be approximately $338.7 million after deduction of commissions to the initial purchasers but before expenses payable by us, will be used to refinance certain debt and for general corporate purposes.
Listing	Application has been made to the Hong Kong Stock Exchange for listing of, and permission to deal in, the Notes by way of selectively marketed securities.
Form, Denomination and Registration of Notes	The Notes offered hereby will be issued in fully registered form, issued in denominations of $100,000 and integral multiples of $1,000 in excess thereof. The Rule 144A Notes offered in the United States to qualified institutional buyers in reliance on Rule 144A, will be evidenced by a Rule 144A Global Note deposited with the Trustee, as custodian for, and registered in the name of a nominee of, DTC. Rule 144A Notes evidenced by the Rule 144A Global Note will settle in DTC's Same Day Funds Settlement System, and secondary market trading activity in such Rule 144A Notes will therefore settle in immediately available funds. Regulation S Global Notes offered outside the United States in reliance on Regulation S, will be evidenced by a Regulation S Global Note deposited with the Trustee, as custodian for, and registered in the name of a nominee of, DTC for its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.
Ratings	The Notes are rated "A2" by Moody's Investors Service, Inc. and "BBB+" by Standard & Poor's Rating Service, a division of The McGraw Hill Companies, Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.
Delivery of the Notes	Delivery of the Notes, against payment in same-day funds, is expected on or about August 3, 2005. See "Plan of Distribution — Delivery of the Notes".
Risk Factors	See "Risk Factors" beginning on page 9 for a discussion of certain risks that you should consider in connection with an investment in the Notes.
Trustee	Deutsche Bank Trust Company Americas will act as the Trustee under the Indenture for the Notes.
Governing Law	The Notes and the Indenture are governed by, and construed in accordance with, the laws of the State of New York.

Summary Financial Data

The summary financial data prepared in accordance with Thai GAAP as of and for the years ended December 31, 2002, 2003 and 2004 are derived from our audited consolidated financial statements for each of those years included elsewhere in this offering circular. All such consolidated financial statements have been, as required under Thai law, reported by the Office of the Auditor General of Thailand, the independent auditor for state enterprises. The summary financial data as of and for the three months ended March 31, 2005 and for the three months ended March 31, 2004 are derived from our unaudited reviewed consolidated financial statements for each of those periods included elsewhere in this offering circular. Our consolidated and unconsolidated financial statements are prepared and presented in accordance with Thai GAAP and reporting practices in Thailand. Thai GAAP varies in certain significant respects from IFRS. For a description of certain differences between Thai GAAP and IFRS, see "Summary of Principal Differences Between Thai GAAP and IFRS".

(in millions, except per share and other data)	Year Ended December 31,				Three Months Ended March 31,		
	2002[1]	2003[2]	2004	2004	2004	2005	2005
Income Statement Data:							
Sales[3]	Bt396,551	Bt489,713	Bt644,673	$16,465	Bt137,146	Bt191,161	$4,882
Cost of sales	341,889	425,666	565,827	14,451	119,660	165,663	4,231
Gross margin	**54,662**	**64,047**	**78,846**	**2,014**	**17,486**	**25,498**	**651**
Selling and administrative expenses	14,427	13,833	18,618	476	3,698	5,631	144
Exploration expenses	150	2,312	401	10	40	174	4
Income from sales	**40,085**	**47,902**	**59,827**	**1,528**	**13,748**	**19,693**	**503**
Other income	6,898	6,679	9,235	236	1,922	2,829	72
Directors' remuneration	29	48	55	1	7	11	—
Income from Operations	**46,954**	**54,533**	**69,007**	**1,763**	**15,663**	**22,511**	**575**
Share of net income from investments under equity method	2,163	10,342	26,742	683	3,752	5,766	147
Income before Interest and Taxes	**49,117**	**64,875**	**95,749**	**2,446**	**19,415**	**28,277**	**722**
Interest expenses	9,624	8,070	8,465	216	1,902	2,251	57
Income taxes	10,445	14,414	18,677	477	4,025	6,296	161
Income after Taxes	**29,048**	**42,391**	**68,607**	**1,753**	**13,488**	**19,730**	**504**
Income of minority interests	4,696	4,812	5,941	152	1,214	1,472	38
Income from ordinary activities	**24,352**	**37,579**	**62,666**	**1,601**	**12,274**	**18,258**	**466**
Extraordinary items	—	—	—	—	—	7,738	198
Net Income	**Bt24,352**	**Bt37,579**	**Bt62,666**	**$1,601**	**Bt12,274**	**Bt25,996**	**$664**
Other Financial Data:							
EBIT[4]	Bt42,411	Bt50,252	Bt64,992	$1,660	Bt14,218	Bt20,641	$527
EBITDA[4]	54,022	62,355	79,264	2,024	17,807	24,316	621
Interest Coverage (ratio)[5]	4.41	6.23	7.68	—	7.48	9.17	—

(in millions, except per share and other data)	As of December 31,				As of March 31,	
	2002	2003[2]	2004[6]	2004[6]	2005	2005
Balance Sheet Data:						
Cash and cash equivalents	Bt33,658	Bt56,452	Bt46,792	$1,196	Bt66,537	$1,700
Other current assets[7]	70,950	68,614	148,790	3,800	113,093	2,888
Total current assets	104,608	125,066	195,582	4,996	179,630	4,588
Property, plant and equipment, net	127,361	122,250	190,187	4,857	199,904	5,106
Other assets[8]	67,019	77,015	101,457	2,591	100,603	2,569
Total assets	**Bt298,988**	**Bt324,331**	**Bt487,226**	**$12,444**	**Bt480,137**	**$12,263**
Current liabilities (including current portion of long-term loans and current portion of long-term liabilities from finance leases)[9]	Bt64,145	Bt69,343	Bt138,912	$3,548	Bt103,219	$2,636
Non-current liabilities (excluding current portion of long-term loans and current portion of long-term liabilities from finance leases)[10]	138,178	126,046	163,399	4,173	164,953	4,213
Total liabilities	Bt202,323	Bt195,389	Bt302,311	$7,721	Bt268,172	$6,849
Total shareholders' equity	**Bt96,665**	**Bt128,942**	**Bt184,915**	**$4,723**	**Bt211,965**	**$5,414**

(1) In 2004, we changed our accounting policy with respect to the determination of costs of inventories from first-in, first-out to the weighted average method and we began recording LPG subsidies as a deduction from cost of sales rather than as sales revenue. We have restated sales, cost of sales and other current assets in this table for 2002 and 2003 to reflect these changes. However, these changes have not been incorporated in the audited financial statements for the year 2002 and 2003 included on pages F-98 to F-152 of this offering circular because such changes occurred subsequent to the date of the audit.

(2) In 2004, we also reclassified sales, cost of sales, selling and administrative expenses, other income and cash and cash equivalents due to our initial implementation of the SAP accounting software package, and reclassified gain on dilution from share of net income to shareholders' equity. We have restated sales, costs of sales, selling and administrative expenses, other income, share of net income from investments under equity method, income of minority interests, cash and cash equivalents and other current assets in this table for 2003 to reflect all these changes. Although these changes have been incorporated in the audited financial statements for the year 2003 included on pages F-37 to F-97 of this offering circular, they have not been incorporated in the audited financial statements for 2002 and 2003 included on pages F-98 to F-152 of this offering circular because such changes occurred subsequent to the date of the initial audit for 2003.

(3) Excludes gains (losses) on exchange rate and share of net income of subsidiaries.

(4) EBIT is defined as income before income tax and interest and EBITDA is defined as income before income tax, interest and depreciation and amortization. In the discussion and tables below EBIT and EBITDA are presented because we believe that EBIT and EBITDA are widely accepted financial indicators of an entity's ability to incur and service debt. EBIT and EBITDA should not be considered by an investor as alternatives to net income or income from operations, or as indicators of our operating performance or other combined operations or cash flow data prepared in accordance with generally accepted accounting principles, or as an alternative to cash flows as a measure of liquidity. Our computation of EBIT and EBITDA may differ from similarly titled computations of other companies.

(5) Interest coverage is equal to EBIT for any period, divided by interest expense during such period.

(6) In 2005, we reclassified certain current investments to cash and cash equivalents as a result of our incorporation of RRC's operations in our consolidated financial statements and have restated these line items as of December 31, 2004 in our reviewed financial statements for the three months ended March 31, 2005 included in this offering circular for comparative purposes. However, this change has not been incorporated in our audited financial statements for 2004 included in this offering circular because such changes occurred subsequent to the date of the audit for that year. The amounts for these line items that are set out in the table above as of March 31, 2005 are not directly comparable to the corresponding amounts as of December 31, 2004.

(7) Equals the sum of current investments, trade accounts and notes receivable, trade accounts receivable from related parties, other accounts receivable, advances and short-term loans to related parties, inventories, materials and supplies and other current assets.

(8) Equals the sum of investments under the equity method, other long-term investments, advances and long-term loans to related parties, intangible assets, deferred tax assets, advance payment for gas purchased and other non-current assets.

(9) Equals the sum of bank overdrafts and short-term loans from banks, accounts payable, amounts due to related parties, income tax payable, accrued expenses and other current liabilities.

(10) Equals the sum of long-term loans, allowance for share of net loss over investments, deferred tax liabilities, provision for decommissioning costs, deposits on LPG cylinders and other non-current liabilities.

Summary Operating, Sales and Asset Data

The following table sets out summary operating, sales and net asset data as of and for the years ended December 31, 2002, 2003 and 2004 and as of and for the three months ended March 31, 2004 and 2005.

	As of and for the Year Ended December 31,			As of and for the Three Months Ended March 31,	
	2002	**2003**	**2004**	**2004**	**2005**
Natural Gas Business					
Gas Procurement					
Volume (MMcf/d)[1]	2,496	2,651	2,767	2,595	2,997
Energy value (MMbtu)	911,117,554	967,590,217	1,012,639,845	236,157,692	269,768,214
Transmission and Distribution					
Pipeline capacity (MMcf/d)	3,170	3,170	3,170	3,170	3,410
Pipeline length (km)	2,700	2,700	2,700	2,700	2,727
Gas sales volume (MMcf/d)[2]	2,494	2,655	2,780	2,599	2,970
Gas sales energy value (MMbtu)	910,350,661	969,210,271	1,017,495,525	236,512,127	267,293,468
Gas Separation Plants					
Volume of gas processed (MMcf/d)[1]	1,219	1,237	1,233	1,246	1,530
Volume of gas extracted (MMcf/d)[1][3]	342	364	367	369	464
Product sales:					
LPG (tonnes)[4]	1,475,410	1,738,407	1,777,645	426,375	497,547
Ethane (tonnes)	491,413	532,671	546,762	137,708	190,470
Propane (tonnes)	177,887	206,382	206,802	52,476	59,014
NGL (tonnes)[5]	413,671	418,470	418,477	103,089	103,066
Total product sales	2,558,381	2,895,930	2,949,685	719,648	850,097
Exploration & Production (PTTEP)					
Natural gas sales (MMcf/d)	536	555	614	581	660
Crude oil (Kbd)	6.2	6.2	18.7	19.7	18.3
Condensate (Kbd)	13.0	14.7	15.8	14.7	16.6
LPG (tonnes per day)	74.6	69.1	273.3	281.7	266.7
Total sales (Boe/d)	101,736	107,299	134,070	129,187	142,685
Proved reserves:					
Natural gas (Bcf)	4,592	5,137	5,011	—[6]	—[6]
Crude oil and condensate (MMbbls)	98	112	139	—[6]	—[6]
Total proved reserves (MMboe)	768	882	899	—[6]	—[6]
Oil Business					
Marketing (million liters)					
Gasoline and diesel	6,745	7,523	7,794	2,054	2,861
Fuel oil	2,159	2,416	3,382	873	963
LPG	2,990	3,162	3,215	782	891
Aviation fuel	1,484	1,595	1,826	483	598
Other sales	224	406	346	113	191
Total sales volume	13,602	15,102	16,563	4,305	5,504
Number of retail stations	1,411	1,389	1,367	1,379	1,354
Trading (million liters)					
Crude oil	12,031	13,815	16,136	4,295	6,117
Condensate	2,374	3,372	3,545	816	934
Refined products	3,114	3,233	3,975	857	457
Petrochemical products	1,345	1,709	1,877	344	514
Total sales volume	18,864	22,129	25,533	6,312	8,022

(1) Natural gas volume is determined at an energy conversion factor of 1000 btu/cf.

(2) Including natural gasoline derived from Dew Point Control Units.

(3) Extracted gas is the amount of processed gas converted to gas products.

(4) Including sales of LPG purchased from petrochemical producers.

(5) Including natural gasoline derived from Dew Point Control Units.

(6) Reserve amounts are estimated annually and thus not available for the three months ended March 31, 2004 and March 31, 2005.

Risk Factors

You should carefully consider the following risk factors, as well as other information set out in this offering circular, prior to making an investment in the Notes. The risks described below are not the only ones that may affect the Notes. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. In general, investing in securities of issuers in emerging market countries such as Thailand involves risks not typically associated with investing in the securities of companies in countries with more developed economies. To the extent it relates to the Government or Thai macroeconomic data, the following information has been extracted from official Government publications or other third party sources and has not been independently verified by us.

Risks Relating to Our Business

The volatility of prices for crude oil, condensate, natural gas, petroleum and petrochemical products and the cyclical nature of the oil and gas industry affect our results of operations. Most of our revenues are attributable to the sale of natural gas, crude oil, condensate and petrochemical and refined petroleum products. Domestic and international prices for our products generally reflect price fluctuations in the international markets and are sensitive to other factors outside our control, including changes in worldwide industry capacity and output levels, cyclical changes in regional and global economic conditions, the price and availability of substitute products and changes in consumer demand, all of which from time to time have had a significant impact on product prices.

Historically, prices of natural gas, condensate and crude oil have fluctuated widely in response to many factors. For example, in June 2005, crude oil prices for Middle Eastern oil reached new highs of $54.02 per barrel. We do not and will not have control over the factors affecting international prices for natural gas, condensate and crude oil. The factors affecting prices include:

- global and regional economic and political developments in crude oil, condensate and natural gas producing regions, particularly in the Middle East;
- the ability of the Organization of Petroleum Exporting Countries and other petroleum producing nations to set and maintain crude oil and natural gas production levels and prices;
- global and regional supply and demand for crude oil, condensate, natural gas and refined petroleum products;
- competition from other energy sources;
- domestic and foreign government regulations;
- weather conditions; and
- global economic conditions.

Although our gas marketing business can pass natural gas price fluctuations along to the majority of our customers for our gas products, higher prices can negatively affect customer demand for these products. We have in the past refrained and may in the future refrain from passing along oil and natural gas price increases to our customers to maintain sales volumes, increase market share or protect consumers. These actions may negatively affect our margins and our results of operations. Further, the prices that we charge for our petrochemical and refined petroleum products are not always based on the prices that we pay for natural gas, condensate and crude oil, so we can be adversely affected by divergent fluctuations between the prices for petrochemical and refined petroleum products, on the one hand, and the prices for natural gas, condensate and crude oil, on the other hand. As a result, fluctuations in the prices of natural gas, condensate and crude oil can have an adverse affect on our business, financial condition and results of operations.

The tariff we are allowed to charge or our permitted return on investment in our pipeline transmission business could be lowered by the Government.

The natural gas prices we charge EGAT and private power producers in our pipeline transmission business are regulated by the Government and consist of a pooled gas price (which reflects the weighted average price we pay for natural gas) plus a marketing margin plus a transmission tariff. The transmission tariff we charge is approved by a Government regulator, currently the National Energy Policy Committee ("NEPC") and EPPO. The transmission tariff is calculated (based on regulatory guidelines) to allow us to receive an agreed internal rate of return on equity and to cover our investment, operating and maintenance costs.

The Government reviews the transmission tariff every five years. The next review is scheduled to take place in 2006. We cannot assure you that our transmission tariff will not change in the future as a result of this review. Any such actions by the Government could have an adverse effect on our growth prospects, business, financial condition and results of operations.

Government intervention in our pricing decisions may adversely affect our business.

The Government has historically, in certain instances, sought to control inflation and achieve other social and economic objectives through intervention in the prices we charge for our petroleum products. The Government has the ultimate discretion to regulate the prices at which we may sell our gas and oil products. Government intervention in our petroleum product pricing has from time to time resulted in increases in our cost of sales without corresponding increases in the prices at which we sell our products. Although it has stated its intention not to do so in the future, the Government may seek to intervene in our pricing decisions for gas and oil products, and this may have an adverse effect on our business, financial condition and results of operations.

Government liberalization of the natural gas industry may adversely affect our business.

In 1999, the Government endorsed a resolution passed by NEPC to liberalize the natural gas industry and enact the draft Energy Industry Act. The draft Energy Industry Act contemplates increased competition in the natural gas business and improved fairness and efficiency in the energy industry. We expect that the introduction of the Third Party Access Code ("TPA") will allow third parties to use excess capacity in our pipeline transmission system, build additional pipelines and sell natural gas directly to customers. We also expect that the TPA will allow third parties to compete directly with us in selling gas to customers in Thailand, which could impact our margins, sales volumes and general results of operations.

The proposed liberalization plan also contemplates that pipeline access and the prices we can charge for transmission of natural gas will be controlled by a new independent regulatory agency to increase fair competition. The independent regulatory agency will periodically review the marketing margin and transmission tariff we charge our customers. It is also planned that the independent regulatory agency will review the transmission tariff that may apply to excess capacity in our pipeline network. As a result, we cannot assure you that our marketing margin and tariff will not change in the future. Increased competition and changes in our marketing margin and tariff resulting from liberalization of the natural gas industry may adversely affect our revenues and the growth of our business.

Our growth strategies and plans require significant infrastructure development as well as continued growth in the demand for natural gas.

The successful growth of our business relies heavily on continued growth in natural gas demand in Thailand and the expansion of our natural gas transmission and distribution facilities to meet that growth. The limits of our existing gas transmission facilities currently constrain the expansion of natural gas production in Thailand and neighboring countries. Our current development plans call for the implementation of a number of ongoing natural gas projects including several projects under Gas Pipeline Master Plan III, the Trans Thai-Malaysia Pipeline and the associated gas separation plant at Amphur Chana, Songkhla province.

The future expansion of our natural gas infrastructure may be subject to a number of factors outside our control, including Government approvals. Before the commencement of certain construction projects, we must obtain approval of an environmental impact assessment report. Such approval may require a public hearing and may delay our construction plans. For example, construction of Phase I of the Trans Thai-Malaysia Pipeline was delayed until early 2004 due to the Government's reassessment of the environmental

impact of the project. See "Business — Gas Transmission — Trans Thai-Malaysia Pipeline and Gas Separation Plant Project". In addition, we may not be able to obtain sufficient financing for our various infrastructure projects. If we fail to accurately anticipate demand for natural gas or if we fail to complete our ongoing and proposed infrastructure projects on schedule, whether due to construction delays, an inability to obtain adequate financing or otherwise, our ability to expand our business and increase our revenues may be adversely affected. Any significant delays in our infrastructure development projects could have a material adverse effect on our financial condition and results of operations.

We rely on EGAT as our primary customer for the sale of natural gas.

We sold to EGAT approximately 996 MMcf/d and 990 MMcf/d of natural gas, representing approximately 36% and 33% of our total volume of gas sold in 2004 and the three months ended March 31, 2005, respectively. We are dependent to a significant extent on our sales to EGAT to generate sufficient cash flows for us to make payments to our suppliers pursuant to our gas purchase agreements. In addition to EGAT's obligations under direct agreements with us, EGAT is also obligated to pay us for gas not taken by certain independent power producers ("IPPs") under each IPP's individual gas sales agreement with us. Any significant reduction in our natural gas sales to EGAT, for example, due to a reduction in demand for electricity or financial difficulties at EGAT, could have a material adverse affect on our business, financial condition and results of operations.

In 2003, the Cabinet passed a resolution to corporatize and privatize EGAT. EGAT was corporatized on June 24, 2005 as Electricity Generating Public Company Limited, and is expected to make a public offering of its shares by the end of 2005. Although the Government has assured us that our contracts with EGAT will remain enforceable, we cannot assure you that the restructuring and privatization of EGAT will not have an adverse effect on our relationship with EGAT or adversely affect the volume of our gas sales to EGAT, thereby adversely affecting our financial condition and results of operations. In addition, Thailand's reliance on natural gas as the primary source of feedstock for electricity generation, and on us as the main provider of such feedstock, may cause the Government to promote the introduction of alternative fuels to generate electricity. If EGAT and other power producers are permitted to secure alternative sources of feedstock, our financial condition and results of operations may also be adversely affected.

We have financially supported our associated companies in the past and must continue to do so up to certain specified amounts.

As a result of petroleum industry overcapacity and the severe economic difficulties in mid-1997 associated with the Asian financial crisis, including currency depreciation, limited availability of credit and recession in Thailand, the financial condition and results of operations of a number of our associated companies have, in the past, been adversely affected. As a consequence, these associated companies were unable to meet their debt service obligations. In the year ended December 31, 2003, many of our associated companies had a net loss from operations.

We have in the past, including prior to the Asian financial crisis, financially supported some of our associated companies. Most recently, we have participated with the management, creditors and other principal shareholders of our associated companies in restructuring their debt obligations. Our participation in these restructurings has generally involved cash deficiency support ("CDS") to our associated companies, which generally takes the form of either subordinated debt, equity contributions and/or extended trade credit. As of March 31, 2005, we had provided cumulative amounts of $589 million in equity injections, $36 million in the form of a subordinated loan and Baht 765 million in the form of a tariff prepayment to fulfill our CDS obligations since 1999. As of the same date, we had extended trade credit lines for our associated companies totaling approximately $236.8 million, all of which is in the form of extended trade credit. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations — Investments in Associated Companies".

On November 30, 2004, we assumed 100% ownership of one of our former associated companies, RRC, after purchasing the 64% interest in RRC held by Shell International Holdings Limited ("Shell International") for $5 million. Thereafter, we accelerated RRC's financial restructuring with its original creditors and as a result, RRC's original debt of $1,335 million was reduced by $200 million, or by 15%, and the number of its creditors was reduced to one. In addition, we provided a shareholder's loan to RRC

in the amount of $1,135 million for repayment of its outstanding debt. As of June 30, 2005, RRC's outstanding debt had been reduced to $690 million. Under RRC's new debt and equity structure, we have committed to provide RRC with no more than $250 million in the form of equity. From time to time, we may also provide trade support by changing terms of payment for crude oil supplied to RRC from two days prior to delivery to 30 days after the bill of lading date.

We cannot assure you that our associated companies will repay their debt obligations to us or that our associated companies will not in the future have further financial difficulties that may require further financial assistance from us, any of which could have a material adverse effect on our financial condition and results of operations. In addition, a default by us or by one of our associated companies in respect of our shareholder support obligations may permit certain of our lenders to accelerate the repayment of some of our debt. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Cash Flows from Financing Activities". Further, we cannot assure you that we will not increase our equity interests in our associated companies above 50.0% or otherwise acquire control or joint control of these associated companies. Should we acquire control of these associated companies, under Thai GAAP we will be required to consolidate the financial accounts of such companies from the date of acquiring control, which may have an adverse affect on our consolidated financial condition.

Our development plans have significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties.

Our businesses, particularly our exploration and production segment and our gas transmission, processing and marketing segment, are capital intensive. Our ability to maintain and increase our revenues, net income and cash flows depends upon our continued capital spending. Our current business strategy calls for capital expenditures of approximately $5.6 billion from 2005 to 2009, and PTTEP's current business strategy calls for capital expenditures of approximately $2.1 billion from 2005 to 2009. However, our and PTTEP's actual capital expenditures may vary significantly due to various external factors including the Government's approval of our annual investment and debt financing plans (which may be sought from time to time for specific projects), unforeseen changes in the Thai economy, fluctuating demand for our products and feedstock, fluctuating prices for our products and the availability of external financing. Due to these and other factors, we cannot assure you whether, or at what cost, our capital projects will be completed or the success of these projects if completed.

Our ability to complete our capital expansion plans will depend in part on our ability to raise external financing. Prior to our corporatization, the Government guaranteed most of our debt at no cost to us. As of March 31, 2005, the Government guaranteed 41% of our consolidated debt and 50% of our unconsolidated debt. If the Government owns at least 70% of our capital stock, we will have the right to request Government guarantees for future indebtedness. The Government currently owns 52.5% of our capital stock. We cannot assure you that even if the Government's ownership increases to above the prevailing threshold, we will receive such guarantees in the future. In addition, the Government is currently drafting legislation that would permit it to charge state-owned enterprises as well as privatized state-owned enterprises, such as us, a guarantee fee determined by the Ministry of Finance ("MOF"). Our ability to obtain external financing on terms that are acceptable to us may be hindered if we must pay for or cannot obtain Government guarantees. In addition, as long as these Government guarantees are outstanding or available, the Government will monitor our debt to equity ratio.

Our ability to obtain external financing in the future is also subject to a variety of other uncertainties including:

- our future results of operations, financial condition and cash flows;
- the condition of the economies of Thailand and Southeast Asia and the markets for our products;
- the Government's policies relating to foreign currency borrowings;
- the amount of capital other Thai entities and foreign oil and gas companies may seek to raise in the international capital markets;

- the cost of financing and the condition of financial markets; and

- the projected risks associated with infrastructure development in Thailand.

Our inability to obtain sufficient funding on terms acceptable to us for our development plans could adversely affect our business, financial condition and results of operations. For additional information on our capital expenditure plans and financing requirements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources".

Our operations and those of our subsidiaries and associated companies may be affected by significant operating hazards and natural disasters and resulting losses for which we may not be fully protected by insurance.

Exploring for, producing and transporting natural gas and crude oil and producing and transporting petrochemical and refined petroleum products involve many hazards. These hazards may result in fires, explosions, oil spills, well blowouts, leakage, release of toxic fumes and other unexpected or dangerous conditions that may cause personal injuries or death, property damage, environmental damage and interruption of operations. Additionally, the majority of PTTEP's production facilities are located offshore and subject to dangers inherent in marine operations. These dangers include capsizing, sinking, grounding and damage from severe weather conditions, which could also result in injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage and suspension of PTTEP's operations.

Although we maintain insurance coverage that we believe is in accordance with industry standards, we may not be fully protected by insurance against all of these risks either because adequate insurance is unavailable or is prohibitively expensive. Although we believe that our subsidiaries and associated companies, including PTTEP, carry sufficient insurance based on industry standards, we have limited control over the amount of insurance which they maintain, and certain of these companies on which we rely to process petrochemicals and petroleum may not have adequate insurance. The occurrence of a significant event that we or our subsidiaries or associated companies are not fully insured against, or the insolvency of the insurer of such an event, could have a material adverse effect on our financial position, results of operations or prospects.

Our consolidated operating results depend in part on PTTEP's ability to develop existing reserves, replace existing reserves and develop newly discovered reserves.

Our consolidated operating results are dependent in part on the operating results of PTTEP, which in turn are dependent upon PTTEP discovering or acquiring additional oil and natural gas and condensate reserves and further exploring and developing its current reserve base. PTTEP's exploration and development activities for additional reserves expose it to inherent risks associated with drilling, including the risk that no economically productive oil or natural gas reservoirs will be discovered. PTTEP may, during exploration activities, face geological uncertainties, unusual and or unexpected rock formations and abnormal pressures in its wells, all of which may result in dry holes. Oil and natural gas exploration and development may involve unprofitable efforts from dry wells. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect PTTEP's production from successful wells. These conditions include delays in obtaining government approvals or consents, shut-in of connected wells resulting from extreme weather conditions or other geological or mechanical conditions. Although close well supervision and effective maintenance operations can help maximize production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Exploring for, developing and acquiring reserves is highly capital intensive. If these activities are unsuccessful and PTTEP does not acquire properties containing proved reserves, PTTEP's total proved reserves will decline, which may adversely affect PTTEP's results of operations and financial condition, may affect our ability to obtain natural gas and crude oil, and in turn may adversely affect our own consolidated results of operations and financial condition.

There are certain risks associated with doing business with Myanmar.

For 2004 and the three months ended March 31, 2005, approximately 26.2% and 28.3%, respectively, of our gas supply came from Myanmar territorial waters in the Gulf of Mataban. Since November 1997, Myanmar has been governed by the State Peace and Development Council, or SPDC, formerly known as the State Law and Order Restoration Council, a military-dominated regime that governed Myanmar from 1988 to November 1997. Myanmar has experienced opposition from pro-democracy, religious and ethnic groups. Such opposition has at times included armed resistance. Although the government of Myanmar has in recent years instituted certain market-based economic and financial reforms, much of the economy remains state dominated as a result of past socialist economic initiatives. The economy of Myanmar in recent years has also been characterized by high rates of annual inflation and large budget deficits. We cannot assure you that political or economic developments in Myanmar will not have a material adverse effect on our business or operations.

Our business may be adversely affected by the recent water shortage in Rayong and Chonburi provinces.

The Rayong and Chonburi provinces have recently experienced droughts that have caused the level of water in the various reservoirs that supply water to a number of industrial areas, including the Map Ta Put Industrial Estate in which a number of our affiliates are located, to decline significantly. As companies in our petrochemicals segment rely significantly on water to cool their plants, they are the most vulnerable to water shortages. We and these petrochemical companies have implemented a number of measures to address the reduction in water supply and are exploring other medium- and long-term solutions. However, if the water level in the reservoirs continues to be depleted and we are unsuccessful in procuring water from alternative sources or if the costs associated with obtaining water from alternate sources prove significant, we may need to decrease our production levels and our business could be materially and adversely affected.

Our petroleum exploration and production activities in foreign countries subject us to unforeseen risks.

To increase its oil and gas reserves and to become better known in the world market, PTTEP has expanded its investment base to focus on petroleum exploration and production activities in a number of foreign countries in the Asia-Pacific region, the Middle East and North Africa. These international operations are subject to special risks that can materially affect our results of operations. These risks include:

- increased reliance on oil and gas revenues and potential exposure to increased price volatility;
- unsettled political conditions, war, civil unrest, and hostilities in some gas or petroleum producing and consuming countries and regions where we operate or seek to operate;
- undeveloped legal systems;
- economic instability in foreign markets;
- the impact of inflation;
- fluctuations and changes in currency exchange rates; and
- governmental action such as expropriation of assets, general legislative and regulatory environment, exchange controls, changes in global trade policies such as trade restrictions and embargoes imposed by the United States and other countries.

To date, instability in the overseas political and economic environment has not had a material adverse effect on our financial condition or results of operations. We cannot predict, however, the effect that the current conditions affecting various foreign economies or future changes in economic or political conditions abroad could have on the economics of conducting exploration and production activities overseas. Any of the foregoing factors may have a material adverse effect on our international operations and, therefore, our business, financial condition and results of operations.

The natural gas and crude oil reserves data in this offering circular are only estimates, there is no independent reserve report available for PTTEP and PTTEP's actual production, revenues and expenditures with respect to their reserves may differ from these estimates.

This offering circular includes estimates made by PTTEP of its gross proved oil and natural gas reserves. No independent reserve report is available on the gross proved reserves of PTTEP, and we generally do not present natural gas and crude oil production and reserves data in accordance with the standards established by the United States Securities and Exchange Commission. Further, there can be no assurance that the methodology used by PTTEP to estimate its reserves is comparable to the methodology used by other exploration and production companies, and PTTEP's reserve data may not be comparable to reserve data from other companies. There are uncertainties inherent in estimating quantities of proved natural gas and crude oil reserves and in the timing of development expenditures and the projection of future rates of production. The reserve data set out in this offering circular represent estimates only. Adverse changes in economic conditions may render it uneconomical to develop certain reserves.

The reliability of reserve estimates depends on, among other things:

- the quality and quantity of technical and economic data;
- the prevailing oil and gas prices applicable to production;
- the production performance of the reservoirs;
- extensive reservoir and geological judgments; and
- the assumed effects of regulation by governmental agencies.

Additionally, estimates of economically recoverable crude oil and natural gas reserves based on risk of recovery and estimates of future net revenues expected from those reserves may vary substantially. Finally, new drilling, testing and production after the date the estimates are made may cause substantial upward or downward revisions in the estimates. PTTEP's actual production, revenues, taxes and development and operating expenditures with respect to its reserves may vary materially from estimates. These variances may affect our supply and the price we pay for our natural gas and crude oil supply, which could materially affect our business.

Our business operations may be adversely affected by present or future product quality requirements and environmental regulations.

Our business is subject to certain laws and regulations relating to product quality and to environmental and safety matters in the exploration for and development, construction, production, transmission and distribution of oil and natural gas. Our refining and petrochemical interests are also subject to increasingly stringent product quality and environmental and safety regulations. Many of the environmental laws and regulations and product quality standards applicable to us are significantly less developed than those in the United States and certain other developed market economies, and enforcement of existing requirements may be less rigorous than in such countries. We cannot assure you that any future environmental laws, or change in enforcement policies, will not result in a curtailment of production or a material increase in the costs of exploration, construction, production, development, transmission and distribution activities or otherwise adversely affect our operations and financial condition. Further, new legislation may result in material liabilities for our past discharge of oil, natural gas or other pollutants into the air, soil or water and may require us to incur costs to remedy the discharge. These costs could have a material adverse effect on our results of operations and business.

Our gas purchase agreements, through which we obtain all of our natural gas, require us to pay for natural gas even if we cannot take delivery until later.

We purchase natural gas from producers in Thailand and Myanmar under gas purchase agreements that contain take-or-pay provisions, which require us to pay for minimum quantities of natural gas each year whether or not we actually take delivery of that minimum quantity during that year. In the past, there were instances where the aggregate contracted annual minimum quantities our customers were required to purchase under our natural gas sales agreements were less than the aggregate contracted annual minimum quantities we were required to purchase under the take-or pay provisions of our gas purchase agreements with producers. As a result, pursuant to these take-or-pay provisions, we were required to pay approximately $830 million for gas that we could not take delivery of between 1998 and 2001. Although we are currently using this prepaid gas as permitted by our gas purchase agreements and expect to fully utilize prepaid gas from Yetagun and Yadana by 2009 and 2010, respectively, we cannot assure you that:

- we will not be required to prepay for additional gas in the future;
- our prepaid natural gas will be available for delivery at a future date; or
- there will not be an interruption in natural gas supplied from Myanmar.

Any of these future problems or any other problems with our take-or-pay obligations, or in financing or utilizing our prepaid gas, could adversely affect our financial condition and results of operations. See "Business — Gas Business Group — Gas Procurement — Principal Terms of Gas Purchase Agreements".

Risks Relating to Thailand

There are certain risks associated with doing business in Thailand.

From 1996 to 1998, Thailand's GDP growth slowed significantly in relation to historical levels and the country entered a recession. Since 1999, Thailand's economy has been recovering, recording positive GDP growth each year. According to the National Economic and Social Development Board, Thailand's GDP grew by 6.8% in 2004 and 6.5% in the first quarter of 2005. Prospects for the global and regional economy are uncertain. The demand for energy is generally correlated with GDP, thus a fall in Thailand's GDP could lead to a reduction in the demand for energy, which could have a material adverse effect on our financial condition and results of operations.

From 1996 to 1998, international credit rating agencies, including Moody's Investors Service, Inc. and Standard & Poor's Rating Group, lowered Thai sovereign as well as various Thai corporate debt ratings. With the improved performance of the Thai economy in 1999 through 2003, there was corresponding improvement in these credit ratings. Thailand's sovereign foreign currency long term ratings are currently "Baa1" with a stable outlook by Moody's Investors Service and "BBB+" with a positive outlook by Standard & Poor's. Future lowering of the credit ratings for Thai sovereign debt may make it more expensive for us to obtain additional debt financing for our working capital and capital expenditures, which could have an adverse effect on our financial condition. See also "Risks Relating to Our Business — Our development plans have significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties".

Political and economic conditions in Thailand will have a direct impact on our business and the market price of the Notes.

We are subject to a political, economic, legal and regulatory environment in Thailand that differs in certain significant respects from that prevailing in certain other countries with economies that are more developed than Thailand's economy. Our results of operations and those of most of our customers may be influenced in part by the political situation in Thailand and the general state of the Thai economy. The political situation in Thailand has been unstable from time to time in the past. Future political and economic instability in Thailand could have an adverse effect on our business and operations and those of our principal customers.

The Government frequently has intervened in the Thai economy and occasionally made significant changes in policy. The Government's actions to control inflation and effect other policies have included, among other things, wage and price controls, capital controls and limits on imports. Our business, financial condition and results of operations may be harmed by changes in policies involving petroleum products, tariffs, exchange controls, tax policies and other matters.

The consequences of terrorist attacks could adversely affect us and the price of the Notes.
The terrorist attacks in the United States on September 11, 2001 disrupted securities markets worldwide, have adversely affected economic conditions in the United States and elsewhere and have resulted in increased political and economic uncertainty worldwide. Further terrorist actions in Bali and Jakarta, Indonesia, and terrorist activity throughout Southeast Asia, including Thailand, have also increased political and economic uncertainty in Southeast Asia. In addition, the ongoing military operations and presence in Iraq which began in the early part of 2003 have further disrupted the world financial markets and worldwide economic activity from time to time. Political or economic developments related to these crises could adversely affect the Thai economy and could have an adverse effect on us and the price of the Notes.

Depreciation in the value of the Baht could adversely affect demand for our products and our financial condition and results of operations.
Since the Asian financial crisis began in July 1997, the value of the Baht against the dollar has fluctuated from a high of Baht 25.79 on June 30, 1997 (the last business day before the Bank of Thailand ceased foreign exchange intervention) to a low of Baht 56.06 on January 13, 1998. The Bank of Thailand interbank exchange rate equaled Baht 39.15 per dollar on March 31, 2005. We cannot assure you that the value of the Baht will not decline or continue to fluctuate significantly against the dollar or other currencies in the future.

Substantially all of our revenues and costs, although denominated in Baht, are directly or indirectly linked to or affected by the dollar. Depreciation in the value of the Baht tends to have a beneficial effect on our revenues and a detrimental effect on our costs, in Baht terms. Adverse economic conditions in Thailand incidental to the depreciation of the value of the Baht could increase energy prices in Thailand and reduce overall demand for our products and those of our customers, including EGAT. As a result, significant depreciation in the Baht against the dollar could have an adverse affect on our revenues and results of operations.

In addition, as of March 31, 2005 we had outstanding long-term foreign debt that equaled $1,094 million, which represented approximately 28.5% of our total outstanding long-term debt, and it is possible that a substantial portion of our capital expenditures for future expansion programs may be financed in foreign currencies. Any depreciation in the Baht against the dollar would increase our financing costs, in Baht terms, and there can be no assurance that we would be able to generate revenue increases sufficient to offset such increased financing costs. As a result, fluctuations in the value of the Baht against foreign currencies may adversely affect our financial condition and results of operations.

Non-enforceability of non-Thai judgments may limit your ability to recover damages from us.
Under Thai law, judgments entered by a United States court or any other non-Thai court, including actions under the civil liability provisions of the U.S. federal securities laws, are not enforceable in Thailand. An investor would have to bring a separate action or claim in Thailand. Although a non-Thai judgment could be introduced as evidence in a court proceeding in Thailand, a Thai court would be free to examine de novo issues arising in the case. Prior to our corporatization under Thai law, all of our assets were exempt from attachment or other forms of execution. Under the Royal Decree associated with our corporatization, assets acquired both before and after the corporatization through the appropriation law and our entire pipeline network will continue to be exempt from attachment or execution. In addition, under the laws of the Kingdom of Thailand, all of the Government's revenues and property are exempt from attachment or other forms of execution whether before or after judgment. Thus, to the extent investors are entitled to bring legal action against us, they may be limited in their remedies and any recovery in any Thai proceeding might be limited depending on the relevant court's discretion.

Our auditor is the Office of the Auditor General of Thailand which may not be considered independent under IFRS.

As required by Thai law for state-owned enterprises, our auditor is the Office of the Auditor General of Thailand. The Office of the Auditor General of Thailand is an independent auditor with respect to us within the meaning of the standards established for independent auditors in Thailand. We cannot assure you, however, that it would be considered to be an independent auditor with respect to our company within the meaning of such standards established in the United States or elsewhere.

Our financial statements are prepared in accordance with Thai GAAP, which differs from IFRS.

We are subject to financial reporting requirements of state-owned companies in Thailand that differ in significant respects from those applicable to companies in certain other countries, including the United States and the United Kingdom. Our financial statements are prepared in accordance with Thai GAAP, which differs in certain material respects from IFRS. See "Summary of Principal Differences Between Thai GAAP and IFRS".

In addition, the Office of the Auditor General of Thailand has only audited the financial information appearing in the offering circular in accordance with Thai GAAP and is not qualified to prepare a summary of differences between Thai GAAP and IFRS. Therefore, we have engaged an international auditing firm to advise and assist us in preparing the Summary of Principal Differences Between Thai GAAP and IFRS for inclusion in this offering circular. In accordance with accepted accounting practices in Thailand, neither we nor the Office of the Auditor General of Thailand has (i) performed a reconciliation of the financial statements included in this offering circular to IFRS, or (ii) quantified the differences between Thai GAAP and IAS with respect to such financial statements. If such a reconciliation or quantification had been performed, other material differences might have been identified and disclosed in the Summary of Principal Differences Between Thai GAAP and IFRS. Accordingly, there is no assurance that the identified differences in the Summary of Principal Differences Between Thai GAAP and IFRS represent all material differences related to us and our subsidiaries as of and for the years ended December 31, 2003 and 2004.

Risks Relating to this Offering

Our business activities in Myanmar may restrict the ability of U.S. persons to invest in the Notes.

In 1996, the U.S. Congress enacted legislation (Section 570 of the Foreign Operations Export Financing, and Related Programs Appropriations Act, 1997 (Public Law 104-208)) authorizing the President of the United States to impose economic sanctions on Myanmar to foster the protection of human rights and democratic government. On May 22, 1997, President Clinton issued Executive Order 13047, which prohibits "new investment" in Myanmar by U.S. persons and the facilitation by U.S. persons of new investment in Myanmar by foreign persons. The Burmese Sanctions Regulations ("BSR"), which implement Executive Order 13047, define new investment to include activities undertaken pursuant to agreements with the Government of Myanmar or non-governmental entities in Myanmar that involve: (a) entry into a contract that includes the economic development of resources located in Myanmar; (b) entry into a contract that provides for the general supervision and guarantee of another person's performance of such a contract; (c) entry into a contract providing for the participation in royalties, earnings, or profits in the economic development of resources located in Myanmar, regardless of the form of participation; or (d) purchase of an equity interest or share of ownership in the economic development of resources located in Myanmar.

PTTEP's subsidiary, PTTEP International Limited ("PTTEPI"), has entered into agreements to develop natural gas reserves located in Myanmar and we have contracted for the purchase of natural gas from Myanmar. Although we believe that a purchase of the Notes by a U.S. person would not constitute a prohibited "new investment" in Myanmar under the BSR, in part, because PTT's profits are (a) the result of legitimate commercial activity in Myanmar by a Thai company and (b) are not derived from the efforts of U.S. persons employed by PTTEPI, PTTEP or PTT, we cannot assure you that a U.S. court or regulatory agency would agree with this conclusion. A contrary determination could adversely affect our ability to raise funds from the U.S. capital markets and U.S. persons owning the Notes potentially could be required to divest themselves of the Notes.

In addition, the BSR prohibit the approval or other facilitation by U.S. persons of a transaction by a foreign person where the transaction would assist or support new investment in Myanmar. If the initial purchasers were found to have contravened the BSR by "facilitating" a new investment in Myanmar through the offering of the Notes, any regulatory action against the initial purchasers resulting from such finding could adversely affect holders of the Notes as a result of a decline in the price of the Notes or otherwise.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to QIBs in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see "Transfer Restrictions".

There is no public market for the Notes.

The Notes will be a new issue of securities with no existing trading market. We have applied to list the Notes on the Hong Kong Stock Exchange. However, we cannot assure you that the Notes will qualify for listing on that exchange or that a liquid trading market will develop for the Notes. The initial purchasers have informed us that they currently intend to make a market in the Notes, although they are not obligated to do so and any such market making activities may be discontinued at any time without notice. Accordingly, even though the Notes may be listed on an exchange, we cannot assure you that an active market will develop for the Notes or as to the liquidity of, or the trading market for, the Notes. If an active market does develop, future trading prices of the Notes will depend on many factors, including, among others, prevailing interest rates, our operating results and the market for securities similar to the Notes.

A downgrade in ratings may affect the market price of the Notes.

The Notes have been rated "A2" by Moody's Investors Service, Inc. and "BBB+" by Standard & Poor's Ratings Services. The ratings reflect our ability to make timely payments of principal and interest on senior unsecured debts. A rating is not a recommendation to buy, sell or hold any security, does not address the likelihood or timing of repayment of the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. There can be no assurance that the ratings assigned to us or the Notes will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant. A downgrade in ratings may affect the market price of the Notes.

Use of Proceeds

The net proceeds from the sale of the Notes, which are estimated to be approximately $338.7 million after deduction of commissions to the Initial Purchasers but before expenses payable by us, will be used to refinance certain debt and for general corporate purposes.

Exchange Rate Information

Prior to July 2, 1997, the Bank of Thailand maintained the value of the Baht based on a basket of foreign currencies, the composition of which was not made public, but of which the dollar was believed to be the principal component. On July 2, 1997, the Government announced that it would no longer intervene to maintain the exchange rate at any particular level, which resulted in a substantial decrease in the value of the Baht against the dollar.

The following table presents, for the periods indicated, exchange rate information relating to the conversion of Thai Baht into U.S. dollars. We are providing this information solely for your convenience. These are not necessarily the rates we used in the preparation of our financial statements and we make no representation that the Baht or U.S. dollar amounts set forth herein or referred to elsewhere in this Offering Circular could have been, or could be, converted into U.S. dollars or Baht, as the case may be, at the rates indicated, at any particular rates, or at all.

(Bt per dollar)	At Period End	Average[(1)]	Low	High
Period				
2000	43.32	40.19	37.01	44.31
2001	44.27	44.49	42.32	45.80
2002	43.20	43.01	40.37	44.24
2003	39.64	41.51	39.08	43.16
2004	39.11	40.28	38.88	41.69
2005				
January	38.55	38.75	38.43	39.24
February	38.33	38.49	38.25	38.61
March	39.16	38.60	38.28	39.36
April	39.61	39.53	39.23	39.70
May	40.52	39.82	39.44	40.52
June	41.32	40.91	40.51	41.32
July (through July 15)	41.79	41.76	41.43	42.05

Source: Bank of Thailand

(1) Averages are based on daily reference rates

Capitalization

The following table sets out our consolidated capitalization as of March 31, 2005, and as adjusted to give effect to the issuance of the Notes and the use of the proceeds as discussed in "Use of Proceeds". For additional information, see our consolidated financial statements and accompanying notes included elsewhere in this offering circular.

	As of March 31, 2005			
(in millions)	**Actual**		**Adjusted for the Offering**	
Short-term debt:				
Current portion of long-term loans[(1)]	Bt7,524	$192	Bt7,524	$ 192
Total short-term debt:	7,524	192	7,524	192
Long-term debt:[(2)]				
Long-term loans	74,960	1,914	74,960	1,914
Bonds	67,504	1,724	81,208	2,074
Total long-term debt:	142,464	3,638	156,168	3,988
Shareholders' equity:				
Surplus on dilution of investment in subsidiaries	2,098	54	2,098	54
Share premium	17,993	460	17,993	460
Common shares	27,972	714	27,972	714
Retained earnings	142,035	3,628	142,035	3,628
Unrealized losses from investment in available-for-sale securities	1,055	27	1,055	27
Losses from foreign currency translation	(743)	(19)	(743)	(19)
Equity before minority interests in subsidiaries	190,410	4,864	190,410	4,864
Minority interests in subsidiaries	21,555	551	21,555	551
Total shareholders' equity	211,965	5,415	211,965	5,415
Total capitalization	361,953	9,245	375,657	9,595

(1) Excludes current portion of finance lease liabilities of Baht 30 million and long-term finance lease liabilities of Baht 31 million as of March 31, 2005.

(2) There has not been any material change in our indebtedness or contingent liabilities since March 31, 2005, except for our issuance of Baht 4,040 million unsecured and unsubordinated 4.75% 10-year bonds on June 20, 2005, which we swapped into $100 million at an interest rate of 4.55% on the same day.

Selected Historical Thai GAAP Consolidated Financial Data

The selected historical consolidated financial data as of and for the years ended December 31, 2002, 2003 and 2004 are derived from our audited consolidated financial statements for each of those years included elsewhere in this offering circular. All such consolidated financial statements prepared in accordance with Thai GAAP have been, as required under Thai law, reported on by the Office of the Auditor General of Thailand the independent auditor for state enterprises. The selected consolidated financial data as of and for the three months ended March 31, 2005 and for the three months ended March 31, 2004 are derived from our unaudited consolidated financial statements for each of those periods included elsewhere in this offering circular. Our consolidated financial statements are prepared and presented in accordance with Thai GAAP and reporting practices in Thailand. Thai GAAP varies in certain significant respects from IFRS. For a description of certain differences between Thai GAAP and IFRS, see "Summary of Principal Differences Between Thai GAAP and IFRS".

(in millions, except per share and other data)	Year Ended December 31,				Three Months Ended March 31,		
	2002[1]	2003[2]	2004	2004	2004	2005	2005
Income Statement Data:							
Sales[3]	Bt396,551	Bt489,713	Bt644,673	$16,465	Bt137,146	Bt191,161	$4,882
Cost of sales	341,889	425,666	565,827	14,451	119,660	165,663	4,231
Gross margin	**54,662**	**64,047**	**78,846**	**2,014**	**17,486**	**25,498**	**651**
Selling and administrative expenses	14,427	13,833	18,618	476	3,698	5,631	144
Exploration expenses	150	2,312	401	10	40	174	4
Income from sales	**40,085**	**47,902**	**59,827**	**1,528**	**13,748**	**19,693**	**503**
Other income	6,898	6,679	9,235	236	1,922	2,829	72
Directors' remuneration	29	48	55	1	7	11	—
Income from Operations	**46,954**	**54,533**	**69,007**	**1,763**	**15,663**	**22,511**	**575**
Share of net income from investments under equity method	2,163	10,342	26,742	683	3,752	5,766	147
Income before Interest and Taxes	**49,117**	**64,875**	**95,749**	**2,446**	**19,415**	**28,277**	**722**
Interest expenses	9,624	8,070	8,465	216	1,902	2,251	57
Income taxes	10,445	14,414	18,677	477	4,025	6,296	161
Income after Taxes	**29,048**	**42,391**	**68,607**	**1,753**	**13,488**	**19,730**	**504**
Income of minority interests	4,696	4,812	5,941	152	1,214	1,472	38
Income from ordinary activities	**24,352**	**37,579**	**62,666**	**1,601**	**12,274**	**18,258**	**466**
Extraordinary items	—	—	—	—	—	7,738	198
Net Income	**Bt24,352**	**Bt37,579**	**Bt62,666**	**$1,601**	**Bt12,274**	**Bt25,996**	**$664**
Other Financial Data:							
EBIT[4]	Bt42,411	Bt50,252	Bt64,992	$1,660	Bt14,218	Bt20,641	$527
EBITDA[4]	54,022	62,355	79,264	2,024	17,807	24,316	621
Interest Coverage (ratio)[5]	4.41	6.23	7.68	—	7.48	9.17	—

(in millions, except per share and other data)	As of December 31,				As of March 31,	
	2002	2003[2]	2004[6]	2004[6]	2005	2005
Balance Sheet Data:						
Cash and cash equivalents	Bt33,658	Bt56,452	Bt46,792	$1,196	Bt66,537	$1,700
Other current assets[7]	70,950	68,614	148,790	3,800	113,093	2,888
Total current assets	104,608	125,066	195,582	4,996	179,630	4,588
Property, plant and equipment, net	127,361	122,250	190,187	4,857	199,904	5,106
Other assets[8]	67,019	77,015	101,457	2,591	100,603	2,569
Total assets	**Bt298,988**	**Bt324,331**	**Bt487,226**	**$12,444**	**Bt480,137**	**$12,263**
Current liabilities (including current portion of long-term loans and current portion of long-term liabilities from finance leases)[9]	Bt64,145	Bt69,343	Bt138,912	$3,548	Bt103,219	$2,636
Non-current liabilities (excluding current portion of long-term loans and current portion of long-term liabilities from finance leases)[10]	138,178	126,046	163,399	4,173	164,953	4,213
Total liabilities	Bt202,323	Bt195,389	Bt302,311	$7,721	Bt268,172	$6,849
Total shareholders' equity	**Bt96,665**	**Bt128,942**	**Bt184,915**	**$4,723**	**Bt211,965**	**$5,414**

(1) In 2004, we changed our accounting policy with respect to the determination of costs of inventories from first-in, first-out to the weighted average method and we began recording LPG subsidies as a deduction from cost of sales rather than as sales revenue. We have restated sales, cost of sales and other current assets in this table for 2002 and 2003 to reflect these changes. However, these changes have not been incorporated in the audited financial statements for the year 2002 and 2003 included on pages F-98 to F-152 of this offering circular because such changes occurred subsequent to the date of the audit.

(2) In 2004, we also reclassified sales, cost of sales, selling and administrative expenses, other income and cash and cash equivalents due to our initial implementation of the SAP accounting software package, and reclassified gain on dilution from share of net income to shareholders' equity. We have restated sales, costs of sales, selling and administrative expenses, other income, share of net income from investments under equity method, income of minority interests, cash and cash equivalents and other current assets in this table for 2003 to reflect all these changes. Although these changes have been incorporated in the audited financial statements for the year 2003 included on pages F-37 to F-97 of this offering circular, they have not been incorporated in the audited financial statements for 2002 and 2003 included on pages F-98 to F-152 of this offering circular because such changes occurred subsequent to the date of the initial audit for 2003.

(3) Excludes gains (losses) on exchange rate and share of net income of subsidiaries.

(4) EBIT is defined as income before income tax and interest and EBITDA is defined as income before income tax, interest and depreciation and amortization. In the discussion and tables below EBIT and EBITDA are presented because we believe that EBIT and EBITDA are widely accepted financial indicators of an entity's ability to incur and service debt. EBIT and EBITDA should not be considered by an investor as alternatives to net income or income from operations, or as indicators of our operating performance or other combined operations or cash flow data prepared in accordance with generally accepted accounting principles, or as an alternative to cash flows as a measure of liquidity. Our computation of EBIT and EBITDA may differ from similarly titled computations of other companies.

(5) Interest coverage is equal to EBIT for any period, divided by interest expense during such period.

(6) In 2005, we reclassified certain current investments to cash and cash equivalents as a result of our incorporation of RRC's operations in our consolidated financial statements and have restated these line items as of December 31, 2004 in our reviewed financial statements for the three months ended March 31, 2005 included in this offering circular for comparative purposes. However, this change has not been incorporated in our audited financial statements for 2004 included in this offering circular because such changes occurred subsequent to the date of the audit for that year. The amounts for these line items that are set out in the table above as of March 31, 2005 are not directly comparable to the corresponding amounts as of December 31, 2004.

(7) Equals the sum of current investments, trade accounts and notes receivable, trade accounts receivable from related parties, other accounts receivable, advances and short-term loans to related parties, inventories, materials and supplies and other current assets.

(8) Equals the sum of investments under the equity method, other long-term investments, advances and long-term loans to related parties, intangible assets, deferred tax assets, advance payment for gas purchased and other non-current assets.

(9) Equals the sum of bank overdrafts and short-term loans from banks, accounts payable, amounts due to related parties, income tax payable, accrued expenses and other current liabilities.

(10) Equals the sum of long-term loans, allowance for share of net loss over investments, deferred tax liabilities, provision for decommissioning costs, deposits on LPG cylinders and other non-current liabilities.

Selected Operating, Sales and Asset Data

The following table sets out selected operating, sales and net asset data as of and for the years ended December 31, 2002, 2003 and 2004 and as of and for the three months ended March 31, 2004 and March 31, 2005.

	As of and for the Year Ended December 31,			As of and for the Three Months Ended March 31,	
	2002	**2003**	**2004**	**2004**	**2005**
Natural Gas Business					
Gas Procurement					
Volume (MMcf/d)[1]	2,496	2,651	2,767	2,595	2,997
Energy value (MMbtu)	911,117,554	967,590,217	1,012,639,845	236,157,692	269,768,214
Transmission and Distribution					
Pipeline capacity (MMcf/d)	3,170	3,170	3,170	3,170	3,410
Pipeline length (km)	2,700	2,700	2,700	2,700	2,727
Gas sales volume (MMcf/d)[2]	2,494	2,655	2,780	2,599	2,970
Gas sales energy value (MMbtu)	910,350,661	969,210,271	1,017,495,525	236,512,127	267,293,468
Gas Separation Plants					
Volume of gas processed (MMcf/d)[1]	1,219	1,237	1,233	1,246	1,530
Volume of gas extracted (MMcf/d)[1][3]	342	364	367	369	464
Product sales:					
LPG (tonnes)[4]	1,475,410	1,738,407	1,777,645	426,375	497,547
Ethane (tonnes)	491,413	532,671	546,762	137,708	190,470
Propane (tonnes)	177,887	206,382	206,802	52,476	59,014
NGL (tonnes)[5]	413,671	418,470	418,477	103,089	103,066
Total product sales	2,558,381	2,895,930	2,949,685	719,648	850,097
Exploration & Production (PTTEP)					
Natural gas sales (MMcf/d)	536	555	614	581	660
Crude oil (Kbd)	6.2	6.2	18.7	19.7	18.3
Condensate (Kbd)	13.0	14.7	15.8	14.7	16.6
LPG (tonnes per day)	74.6	69.1	273.3	281.7	266.7
Total sales (Boe/d)	101,736	107,299	134,070	129,187	142,685
Proved reserves:					
Natural gas (Bcf)	4,592	5,137	5,011	—[6]	—[6]
Crude oil and condensate (MMbbls)	98	112	139	—[6]	—[6]
Total proved reserves (MMboe)	768	882	899	—[6]	—[6]
Oil Business					
Marketing (million liters)					
Gasoline and diesel	6,745	7,523	7,794	2,054	2,861
Fuel oil	2,159	2,416	3,382	873	963
LPG	2,990	3,162	3,215	782	891
Aviation fuel	1,484	1,595	1,826	483	598
Other sales	224	406	346	113	191
Total sales volume	13,602	15,102	16,563	4,305	5,504
Number of retail stations	1,411	1,389	1,367	1,379	1,354
Trading (million liters)					
Crude oil	12,031	13,815	16,136	4,295	6,117
Condensate	2,374	3,372	3,545	816	934
Refined products	3,114	3,233	3,975	857	457
Petrochemical products	1,345	1,709	1,877	344	514
Total sales volume	18,864	22,129	25,533	6,312	8,022

(1) Natural gas volume is determined at an energy conversion factor of 1000 btu/cf.

(2) Including natural gasoline derived from Dew Point Control Units.

(3) Extracted gas is the amount of processed gas converted to gas products.

(4) Including sales of LPG purchased from petrochemical producers.

(5) Including natural gasoline derived from Dew Point Control Units.

(6) Reserve amounts are estimated annually and thus not available for the three months ended March 31, 2004 and March 31, 2005.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements, selected historical consolidated and operating and reserves data, in each case together with the accompanying notes included elsewhere in this offering circular. The consolidated financial statements have been prepared in accordance with Thai GAAP, which differ in certain material respects from IFRS. For a description of certain differences between Thai GAAP and IFRS, see "Summary of Principal Differences Between Thai GAAP and IFRS".

Overview

We are Thailand's only fully-integrated gas company and the majority owner of PTTEP, one of Thailand's leading exploration and production companies. Our primary business activities are:

- procurement, transmission, processing, marketing and distribution of natural gas and natural gas products; and

- exploration, development and production of natural gas, condensate and crude oil through PTTEP.

We are also active in the marketing and trading of various crude oil, condensate, petrochemical and refined petroleum products. In addition, we participate in Thailand's petrochemical and refining industries through our interests in numerous companies.

Basis of Presentation

In 2004, we changed our accounting policy with respect to the determination of costs of inventories from first-in, first-out to the weighted average method and we began recording LPG subsidies as a deduction from cost of sales rather than as sales revenue. We have restated sales, cost of sales and other current assets for 2002 to reflect these changes and such changes are included in the following discussion. However, these changes have not been incorporated in the audited financial statements as of and for the year ended December 31, 2002 included on pages F-98 to F-152 of this offering circular because such changes occurred subsequent to the date of the audit for such financial statements.

In 2004, we reclassified sales, cost of sales, selling and administrative expenses, other income and cash and cash equivalents due to our initial implementation of the SAP accounting software package, and reclassified gain on dilution from share of net income to shareholders' equity. We have restated sales, costs of sales, selling and administrative expenses, other income, share of net income from investments under equity method, income of minority interests, cash and cash equivalents and other current assets for 2003 to reflect these changes. Although these changes are included in the discussion below and incorporated in the audited financial statements as of and for the year ended December 31, 2003 included on pages F-37 to F-97 of this offering circular for comparison with the audited financial statements as of and for the year ended December 31, 2004, they have not been incorporated in the audited financial statements as of and for the years ended December 31, 2002 and 2003 included on pages F-98 to F-152 of this offering circular because such changes occurred subsequent to the date of the initial audit for 2003.

In 2005, we reclassified certain current investments to cash and cash equivalents as a result of the incorporation of RRC's operations in our consolidated financial statements, resulting in a decrease in current investments and an increase in cash and cash equivalents. Accordingly, we restated these line items as of December 31, 2004 in our reviewed financial statements for the three months ended March 31, 2005 included on pages F-2 to F-36 of this offering circular for comparative purposes. However, these changes have not been incorporated in our audited financial statements for December 31, 2004 included in this offering circular because such changes occurred subsequent to the date of the audit for such financial statements.

Factors Affecting Our Results of Operations

Our results of operations and the comparability of our financial results over successive periods have been and will continue to be affected by a number of external factors, including general economic conditions and energy demand in Thailand, changes in the prices of natural gas, crude oil and refined petroleum products, Government intervention in our pricing decisions and fluctuations in exchange rates. Our results have also been affected by our investment policies, the terms of our long-term natural gas purchase agreements and natural gas sales agreements and the performance of our associated companies. For a further description of these factors and certain other factors affecting our financial performance, see "Risk Factors".

Natural Gas and Gas Product Prices

Our results of operations are substantially influenced by natural gas sales volume and prices. We purchase our natural gas from producers in Thailand and Myanmar through long-term take-or-pay gas purchase agreements. The gas prices at which we purchase natural gas under our gas purchase agreements are initially agreed with our producers and then periodically adjusted according to a formula that takes into account factors including fluctuations in fuel oil prices and the Baht/dollar exchange rate, as well as various economic indices which generally measure inflation. Under the terms of our gas purchase agreements, these gas prices are also subject to an adjusted price floor formula that protects the producers' revenues and an adjusted price ceiling formula that protects the competitiveness of natural gas against the price of our customers' principal alternative fuel, fuel oil. See "Business — Gas Business Group — Gas Procurement — Principal Terms of Gas Purchase Agreements".

Our natural gas is sold through our gas transmission, processing and marketing segment at a price that varies among our customers. We sell natural gas to EGAT, IPPs and small power producers ("SPPs") at a price based on a formula comprised of two major components - a gas charge and a transmission tariff. The gas charge is equal to a pooled price derived from the weighted average price we pay to purchase natural gas from various producers, plus a customer-specific marketing margin. The transmission tariff is composed of a demand charge and a commodity charge intended to recover our cost of investment in the transmission pipeline with a fixed return and related operating and maintenance expenses. We also charge certain customers an additional surcharge to cover the carrying costs of prepayments made to gas producers in Myanmar. The marketing margin and transmission tariff amounts are proposed by us and approved by the Government based on regulatory guidelines.

We also sell natural gas to industrial customers, including steel manufacturers, ceramic companies, metal work and glass work manufacturers, our associated and other petrochemical producers, refineries in which we have interests and other industrial customers. The price we charge our industrial customers for gas is based on a published reference price for their alternative fuel source, which is principally fuel oil.

The natural gas cost to our gas separation plants equals our pool price for natural gas from the Gulf of Thailand plus a marketing margin (to cover our supply costs) plus an offshore transmission tariff plus the surcharge to cover the carrying costs of prepayments made to gas producers in Myanmar. Our gas separation plants separate this natural gas into value-added gas products, some of which we sell to companies in our petrochemicals segment, generally on the basis of a formula linked to an international reference price of the particular value-added product. We also sell gas products to other customers based on published reference prices that generally reflect the supply and demand balance for these products.

We also sell LPG that is produced and sold from our gas separation plants to our oil business group at a transfer price that is linked to a Government-controlled supply price that in turn is linked to a published reference price (with discount). Our oil marketing segment then sells LPG in the domestic market at a wholesale price that is controlled by the Government plus a marketing margin and may be subsidized through the Oil Fund. Under this arrangement, the Fund is credited with the positive difference or debited with the negative difference between the Government-controlled supply price plus all applicable taxes (without the discount) and the wholesale LPG price controlled by the Government. As of March 31, 2005, the Government owed us Baht 4,649 million through the Oil Fund and has committed to pay us at least

Baht 713 million per calendar quarter, as the Government gradually liberalizes domestic LPG price controls. See "Business — Oil Business Group — Commercial Marketing Segment". We also sell LPG in export markets, generally at published reference prices. See "Business — Gas Business Group — Gas Marketing and Distribution".

Crude Oil and Condensate Prices

In 2004, we imported approximately 90% of our total crude oil requirements through our oil trading segment. In 2004, we purchased approximately 10 MMbbls of crude oil domestically and 92 MMbbls of crude oil from international sources. In 2004, our four largest foreign crude oil suppliers were the United Arab Emirates, Yemen, Oman and Saudi Arabia.

We import crude oil from major crude oil producers through our oil trading segment at published reference prices, which generally are determined by international market conditions and are sensitive to factors outside our control. We then resell imported crude oil through our oil trading segment to RRC and our associated refineries at our purchase price plus an industry standard margin. Due to the low margins in the crude oil market, sales of crude account for a large portion of our total revenues, but only a relatively small portion of our net income. See "Risk Factors — Risks Relating to Our Business — The volatility of prices for crude oil, condensate, natural gas, petroleum and petrochemical products and the cyclical nature of the oil and gas industry affect our results of operations".

We purchase crude oil and condensate from domestic sources through our oil trading segment under long-term supply agreements priced at the weighted average of a basket of international reference prices. We then resell domestic crude oil and condensate through our oil trading segment to companies in our refining and petrochemical interests at our price plus an industry standard margin. In 2004, we purchased approximately 22 MMbbls of condensate from domestic producers.

Refined Petroleum Product and Petrochemical Product Prices

We generally purchase refined petroleum products from our refining segment through our oil marketing and oil trading segments, typically in proportion to a percentage of the refining production capacity which reflects our percentage equity interest in the refineries. We then resell refined petroleum products in the domestic wholesale and retail markets through our oil marketing segment at competitive market prices and in export markets through our oil trading segment at competitive market prices, each of which are influenced principally by the price of crude oil, industry-wide refinery production capacity and the supply and demand balance for refined products. In certain cases, we also sell refined petroleum products on behalf of refineries in our refining segment on a commission basis through our oil trading segment. See "Business — Petrochemicals Business".

We generally purchase petrochemical products from our petrochemicals segment through our oil marketing and oil trading segments pursuant to long term contracts at published reference prices. We then resell these petrochemical products in the domestic market through our oil marketing segment and in export markets through our oil trading segment, in each case at published reference prices that are influenced by the price of crude oil (which also affects our price of natural gas), industry-wide petrochemical production capacity and the supply and demand balance for petrochemical products. In certain cases, we also sell petrochemical products on behalf of the companies in our petrochemicals segment on a commission basis through our oil trading segment.

The historical operating results of our petrochemical interests reflect in part the volatile and cyclical nature of the petrochemical industry. Historically, the petrochemical industry has experienced alternating periods of tight supply, resulting in increased prices and profit margins, followed by periods of substantial capacity addition, resulting in oversupply and declining prices and profit margins. In 2003 and 2004, significantly higher petrochemicals prices than in previous years led to extraordinary profits for our companies in our petrochemicals segment. In 2003, higher olefins prices resulted from rising crude oil prices due to uncertainty in the Middle East and limited supply of olefins due to unplanned shutdowns at a number of plants. In 2004, the global ethylene and propylene markets improved significantly as a result of strong economic growth worldwide and only limited new capacity during 2003 and 2004. See "Business — Refining and Petrochemicals Business Group".

Government Intervention in Our Pricing Decisions

Historically, in certain instances, the Government has sought to control inflation and achieve other social and economic objectives through intervention in our pricing decisions for our petroleum products. The Government has the ultimate discretion to regulate the prices at which we may sell our gas and oil products. Government intervention in our petroleum product pricing has from time to time resulted in increases in our cost of sales without corresponding increases in the prices at which we sell our products. For example, when military operations against Iraq commenced in the early part of 2003, the Government intervened to stabilize the price of oil for a period of four months, from February to May of that year. On January 10, 2004, the Government again intervened to stabilize the price of oil. Since October 2004, when the Government allowed the price of oil and gasoline to float, no interventions to stabilize the price of oil have been made. Although rising oil prices generally have a significant effect on refineries, our refining interests enjoy a subsidy from the Government by way of reimbursement from the Oil Stabilization Fund, which insulates them substantially from high prices. The most recent price adjustment by the Government was made with respect to high speed diesel and occurred on July 12, 2005, when the price was increased by Baht 0.40 per liter to Baht 22.09 per liter. Shortly thereafter, on July 13, 2005, the Government allowed the price of high speed diesel to float. See "Risk Factors — Risks Relating to Our Business — Government intervention in our pricing decisions may adversely affect our business".

Exchange Rates

Since the Asian financial crisis began in July 1997, the value of the Baht against the dollar has fluctuated from a high of Baht 25.79 per dollar on June 30, 1997 (immediately prior to the date when the Bank of Thailand ceased intervention) to a low of Baht 56.06 per dollar on January 13, 1998. The Baht/dollar exchange rate was Baht 39.15 per dollar on March 31, 2005. We cannot assure you that the value of the Baht will not decline or continue to fluctuate significantly against the dollar or other currencies in the future.

Substantially all of our revenues and costs, although denominated in Baht, are directly or indirectly linked to or affected by the dollar or other foreign currencies. Depreciation in the value of the Baht tends to have a beneficial effect on our revenues and a detrimental effect on our costs, in Baht terms. Adverse economic conditions in Thailand incidental to the depreciation of the value of the Baht could increase energy prices in Thailand and reduce overall demand for our products and our customers' ability to pay for them. In addition, any significant future depreciation in the value of the Baht against the dollar could adversely affect the financial condition and results of operations of EGAT, our primary customer. As a result, significant depreciation of the Baht against the dollar could have an adverse affect on our revenues and results of operations. In addition, as of March 31, 2005, we had long-term foreign currency debt of $1,094 million, which equaled approximately 28.5% of our total outstanding long-term debt, and it is possible that a substantial portion of our capital expenditures for future expansion programs may be financed in foreign currencies. Any depreciation in the Baht against the dollar would increase our financing costs, in Baht terms, and we cannot assure you that demand would be sufficient to generate revenue increases adequate to offset such increased operating costs.

Investments in Associated Companies

As a result of petrochemical and refining industry overcapacity and the severe economic difficulties associated with the Asian financial crisis, which included currency devaluation, limited availability of credit and recession in Thailand, the financial condition and results of operation of a number of our associated companies have been adversely affected with the result that these associated companies were unable to

meet their debt service obligations. The following table sets out our share of net income (loss) in RRC and our principal refining and petrochemical associated companies as reported in our consolidated financial statements using the equity method for the years ended 2002, 2003 and 2004 and the three months ended March 31, 2004 and March 31, 2005.

	Year Ended December 31,						Three Months Ended March 31,			
Company	**2002**		**2003**		**2004**		**2004**		**2005**	
Star Petroleum Refining Co., Ltd.	Bt527	$13	Bt1,380	$35	Bt5,175	$132	Bt921	$24	Bt1,052	$27
Rayong Refinery Co., Ltd.[1]	16	0.4	—	—	3,778	96	—	2	—	—
Thai Oil Public Co., Ltd.	1,173	30	4,294	110	8,107	207	2,162	55	1,782	46
National Petrochemical Plc.	759	19	1,275	33	1,928	49	360	9	473	12
Aromatics (Thailand) Plc.	(476)	(12)	1,855	47	4,774	122	425	11	1,243	32
Thai Olefins Public Co., Ltd.	—	—	(145)	(4)	2,911	74	314	8	1,175	30
Thai Lube Base Plc.[2]	(143)	(4)	1,122	29	340	9	190	5	—	—
Total share of net income (loss)	Bt1,856	$46	Bt9,781	$250	Bt27,014	$689	Bt4,372	$114	Bt5,725	$147

(1) Since November 30, 2004, when we assumed 100% ownership of RRC after purchasing Shell International's 64% interest, we have consolidated the results of RRC into our financial statements.

(2) Thai Lube Base Plc. ceased to be our associated company in October 2004 when we sold all of our equity interest in the company to Thai Oil Public Co., Ltd.

In the past, including prior to the Asian financial crisis, we financially supported some of our associated companies. Recently, we have participated with the management, creditors and other principal shareholders of certain of our associated companies in restructuring their debt obligations. Our participation in these restructurings has generally involved providing CDS to our associated companies, which generally takes the form of either equity contributions, subordinated debt and/or extended trade credit.

As of March 31, 2005, we had provided cumulative amounts of $589 million in equity injections, $36 million in the form of a subordinated loan and Baht 765 million in the form of a tariff prepayment to fulfill our CDS obligations since 1999. As of the same date, we had extended trade credit lines for our associated companies totaling approximately $236.8 million.

The following table sets out, as of March 31, 2005, the approximate amounts and forms of CDS and financial support we had provided to RRC and our associated companies as well as our outstanding obligations to provide such CDS and other forms of financial support in the future.

Company	**Currency**	**Limit**	**Equity**	**Drawn Extended Trade Credit**	**Others**	**Undrawn**
				(in millions)		
Rayong Refinery Co., Ltd.	$	162.0	162.0	—	—	—
Star Petroleum Refining Co., Ltd.	$	509.8	427.0	—	36.0[2]	46.8[3]
Aromatics (Thailand) Plc.	$	90.0	—	—	—	90.0
Thai Olefins Public Co., Ltd.	$	100.0	—	—	—	100.0
Thai Petroleum Pipeline Co., Ltd.	Baht	765.0	—	—	765.0[4]	—
Total	$	861.8	589.0	—	36.0	236.8
	Baht	765.0	—	—	765.0	—

(1) Since November 30, 2004, when we assumed 100% ownership of RRC after purchasing Shell International's 64% interest, we have consolidated the results of RRC into our financial statements. We have provided a shareholder's loan to RRC in the amount of $1,135 million to repay RRC's outstanding debt. As of June 30, 2005, the outstanding amount of RRC's debt had been reduced to $690 million.

(2) In the form of a subordinated loan.

(3) In the form of an extended trade credit line.

(4) In the form of tariff repayment.

On June 18, 2004, we entered into a shareholder loan agreement with ATC to replace the shareholder support agreement between us and ATC's original creditors. As a result, the original shareholder support agreement and our financial support obligations to ATC thereunder were terminated. See "Business — Refining — ATC — Restructuring of ATC".

We purchased Shell International's 64% interest in RRC for $5 million and assumed 100% ownership of RRC on November 30, 2004. Thereafter, we accelerated RRC's financial restructuring with its original creditors and as a result, RRC's original debt of $1,335 million was reduced by $200 million, or by 15.0%, and the number of creditors was reduced to one. In addition, we provided a shareholder's loan to RRC in the amount of $1,135 million for repayment of its outstanding debt. As of June 30, 2005, the outstanding debt had been reduced to $690 million. Under RRC's new debt and equity structure, we have committed to provide RRC with no more than $250 million in the form of equity. From time to time, we may also provide trade support by changing terms of payment for crude oil supplied to RRC from two days prior to delivery to 30 days after the bill of lading date. See "Business — Refining and Petrochemicals Business Group — Refining — RRC — Restructuring of RRC".

We have financially supported our associated companies in the past and must continue to do so up to certain specified amounts and conditions.

Payments Made Pursuant To Take-or-Pay Obligations

We purchase natural gas from producers in Thailand and Myanmar under gas purchase agreements that contain take-or-pay provisions requiring us to pay for minimum quantities of natural gas each year regardless of whether we actually take delivery of that minimum quantity. When the aggregate contracted annual minimum quantities our customers are required to purchase under our natural gas sales agreements are less than the aggregate contracted annual minimum quantities we are required to purchase under the take-or-pay provisions, we may be required to pay our producers for natural gas even if we are not able to take and resell such gas to our customers.

In 1995 and 1997 we executed natural gas purchase agreements having take-or-pay obligations with producers in Myanmar to purchase natural gas from the Yadana and Yetagun gas fields. Our take-or-pay obligations under these agreements required us to begin taking natural gas from Yadana in August 1998 and from Yetagun in July 2000. We undertook these gas purchase agreements pursuant to Government policy reflected in Cabinet resolutions requiring us to procure additional supply adequate to meet expected increased demand for the Ratchaburi gas-fired power plant, other IPPs and other gas users. The Ratchaburi power plant, however, did not become operational until October 2000 and domestic demand for natural gas was generally lower than expected due to the Asian financial crisis. As a result, we first satisfied the annual minimum quantity of natural gas from Yadana and Yetagun in late 2001.

Pursuant to a July 25, 2000 Cabinet resolution, the Government allocated to us and EGAT 11.4% and 12.8%, respectively, of the total carrying costs for our prepayments for gas from Yadana and Yetagun. The Government also directed us to allocate the remaining 75.8% of the total carrying costs among our gas customers, including our gas separation plants. Total carrying costs for these prepayments are the sum of expected interest payments through 2011 (based on certain assumptions regarding future offtake and supply of prepaid gas). Total carrying costs include and may be adjusted each year to reflect interest costs on additional prepayments, as well as the gain or loss on sales of prepaid gas. Gain or loss on sales of prepaid gas is the difference between our prepaid gas price and the realized price on future sales of prepaid gas. The annualized amount of total carrying costs remaining after giving effect to the adjustments is then allocated among ourselves, EGAT and our gas customers (which category also includes EGAT).

We bill EGAT's allocation of each annualized amount of total carrying costs in October of each year, and EGAT then has 30 days to remit full payment to us. We bill gas customers' allocation of each annualized amount of total carrying costs only to EGAT and IPPs as a surcharge on each gas sales transaction. This additional price component is recalculated each year to account for gains or losses on future sales of prepaid gas and the interest costs on additional prepayments.

Because we took more than our minimum requirement of gas in each of 2002, 2003 and 2004, we were entitled to take delivery of certain quantities of gas that we could not take between 1998 and 2001, but nevertheless had to pay for, at no additional charge ("make-up gas"). In 2001, our total advance payment for take-or-pay gas was booked as an asset in the amount of $830 million. In 2002, 2003 and 2004, we received make-up gas valued at approximately $58 million, $68 million and $103 million, respectively, at current prices. We believe that we will fully use our prepaid gas from Yetagun and Yadana by 2009 and 2010, respectively. In October 2002, we and the partners of the Yetagun field in Myanmar agreed to amend our gas purchase agreement in order to alleviate the burden of our carrying costs and accelerate our utilization of prepaid gas in exchange for our agreement to take higher quantities of gas. See "Risk Factors — Risks Relating to Our Business — Our gas purchase agreements, through which we obtain all of our natural gas, require us to pay for natural gas even if we cannot take delivery until later".

Our Corporatization and Privatization

We were incorporated on October 1, 2001 as a result of the corporatization of the Petroleum Authority of Thailand, our predecessor, under the Corporatization Act. As part of our corporatization, we succeeded to all of the assets, liabilities and business operations of our predecessor, and there have been certain significant changes which will affect our results of operations in the future, including the following:

Payment of Taxes and Dividends. Prior to our corporatization, our net income from operations was not subject to income tax in Thailand because we were a state enterprise wholly-owned by the Government. We also did not pay dividends to the Government. In lieu of taxes and dividends, we were required to pay an annual appropriation to the MOF of approximately 35% of our reported net income. Our annual appropriation to the MOF was charged directly to shareholders equity and was not recorded on our income statement.

For the first five years following December 6, 2001, the date our shares were listed on the Stock Exchange of Thailand ("SET"), we are subject to a reduced corporate income tax rate of 25% of annual net income. Thereafter, the rate will be increased to the prevailing corporate tax rate, which is currently 30%. We will record our income tax as an expense item on our income statement, which may have the effect of decreasing our net income compared to prior periods.

In addition, our board of directors may recommend future annual dividends, subject to the approval of our shareholders at our annual general meeting. It is the current policy of our board of directors to recommend to the shareholders an annual dividend of not less than 25% of net income.

Availability and Cost of Government Guarantees. As of March 31, 2005, approximately Baht 61,478 million, or 41.0% of our outstanding long-term debt was guaranteed by the MOF. Prior to our corporatization, we were a state enterprise wholly-owned by the Government and were not required to pay any fees to the MOF for the issuance of its guarantees, which guarantees were normally, although not always, issued upon our request. Under the Corporatization Act and the Royal Decree relating to our corporatization, all existing guarantees issued by the MOF for our current indebtedness continued with full force and effect after our corporatization.

Under current Thai law, as long as the Government owns 70% or more of the outstanding shares of any company, that company has the right to request Government guarantees for Government-approved new debt. The Government currently owns approximately 52.5% of our outstanding shares. So long as the Government owns less than 70% of our shares, we will not be eligible to apply for Government guarantees. In addition, the Government is currently drafting legislation that would permit it to charge state enterprises as well as privatized state-owned enterprises, a guarantee fee, as determined by the MOF.

Exploration and Production Accounting Standards

We include certain exploration and production figures in our historical financial segment data, which are derived from the financial statements of PTTEP. PTTEP follows the successful efforts method of accounting for its oil and gas exploration and production activities, particularly with respect to the following:

- acquisition costs of concession rights are capitalized;
- exploratory costs, comprising geological and geophysical costs, as well as area reservation fees during the exploration stage, are charged to expenses as incurred;
- exploratory drilling costs are initially capitalized. If exploratory wells do not establish proved reserves or are determined to be economically unsuccessful, the related costs are charged as expenses; and
- development costs, whether relating to development wells or unsuccessful development wells, are capitalized.

Changes in Accounting Policies

Inventory

In the first quarter of 2004, we changed our determination of cost of inventories from the first-in, first-out method to the weighted average cost method. Accordingly, we restated our consolidated financial statements for the years ended December 31, 2002 and 2003 for comparative purposes. This change is not reflected in the financial statements for 2002 appearing in this offering circular because it occurred subsequent to the date of the audit for such financial statements.

Gain on dilution

In the first quarter of 2004, we accounted for an incremental gain in shareholders' equity of subsidiaries and associates arising from the offering of securities to the public at prices higher than par value, resulting in a surplus on share capital in shareholders' equity. Accordingly, we restated our consolidated financial statements for the year ended December 31, 2003 for comparative purposes.

Decommissioning Costs

During the year 2003, we 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 our own engineers and managerial judgment in accordance with Thai Accounting Standards 53, Provision, Contingent Liabilities and Assets. We also restated our 2002 consolidated financial statements according to this new policy.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with Thai GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from our estimates. Some of our accounting policies require higher degrees of judgment than others in their application. The most significant policy involving our judgment and estimates is described below.

Oil and Gas Reserves

Estimates of physical quantities of oil and gas reserves are determined by PTTEP engineers and in some cases verified by third-party experts. Proved oil and gas reserves are the estimated quantities of crude oil,

natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Accordingly, these estimates do not include probable or possible reserves. Estimated oil and gas reserves are based on available reservoir data and are subject to future revision resulting from future changes in economic and operating conditions. See "Risk Factors — Risks relating to our business — The natural gas and crude oil reserves in this offering circular are only estimates, currently there is no independent reserve report available for PTTEP and PTTEP's actual production, revenues and expenditures with respect to their reserves may differ from these estimates". Significant portions of PTTEP's undeveloped reserves, principally in offshore areas, require the installation or completion of infrastructure facilities such as platforms, pipelines, and the drilling of development wells. Proved reserves are reported on a gross basis, which includes PTTEP's net working interest and related host country's interest.

Consolidated Results of Operations

The following table sets out certain income and expense items from our consolidated statements of income for the periods indicated.

	Year Ended December 31,				Three Months Ended March 31,		
(in millions)	**2002[1]**	**2003[2]**	**2004**	**2004**	**2004**	**2005**	**2005**
Sales[3]	Bt396,551	Bt489,713	Bt644,673	$16,465	Bt137,146	Bt191,161	$4,882
Cost of sales	341,889	425,666	565,827	14,451	119,660	165,663	4,231
Gross margin	**54,662**	**64,047**	**78,846**	**2,014**	**17,486**	**25,948**	**651**
Selling and administrative expenses	14,427	13,833	18,618	476	3,698	5,631	144
Exploration expenses	150	2,312	401	10	40	174	4
Income from sales	**40,085**	**47,902**	**59,827**	**1,528**	**13,748**	**19,693**	**503**
Other income	6,898	6,679	9,235	236	1,922	2,829	72
Directors' remuneration	29	48	55	1	7	11	—
Income from Operations	**46,954**	**54,533**	**69,007**	**1,763**	**15,663**	**22,511**	**575**
Share of net income from investments under equity method	2,163	10,342	26,742	683	3,752	5,766	147
Income before Interest and Taxes	**49,117**	**64,875**	**95,749**	**2,446**	**19,415**	**28,277**	**722**
Interest expenses	9,624	8,070	8,465	216	1,902	2,251	57
Income taxes	10,445	14,414	18,677	477	4,025	6,296	161
Income after Taxes	**29,048**	**42,391**	**68,607**	**1,753**	**13,488**	**19,730**	**504**
Income of minority interests	4,696	4,812	5,941	152	1,214	1,472	38
Income from ordinary activities	**24,352**	**37,579**	**62,666**	**1,601**	**12,274**	**18,258**	**466**
Extraordinary items	—	—	—	—	—	7,738	198
Net Income	**Bt24,352**	**Bt37,579**	**Bt62,666**	**$1,601**	**Bt12,274**	**Bt25,996**	**$664**

(1) In 2004, we changed our accounting policy with respect to the determination of costs of inventories from first-in, first-out to the weighted average method and we began recording LPG subsidies as a deduction from cost of sales rather than as sales revenue. We have restated sales, cost of sales and other current assets in this table for 2002 and 2003 to reflect these changes. However, these changes have not been incorporated in the audited financial statements for the year 2002 included on pages F-98 to F-152 of this offering circular because such changes occurred subsequent to the date of the audit.

(2) In 2004, we also reclassified sales, cost of sales, selling and administrative expenses, other income and cash and cash equivalents due to our initial implementation of the SAP accounting software package, and reclassified gain on dilution from share of net income to shareholders' equity. We have restated sales, costs of sales, selling and administrative expenses, other income, share of net income from investments under equity method, income of minority interests, cash and cash equivalents and other current assets in this table for 2003 to reflect all these changes. Although these changes have been incorporated in the audited financial statements for the year 2003 included on pages F-37 to F-97 of this offering circular, they have not been incorporated in the audited financial statements for 2002 and 2003 included on pages F-98 to F-152 of this offering circular because such changes occurred subsequent to the date of the initial audit for 2003.

(3) Excludes gains (losses) on exchange rate and share of net income of subsidiaries.

The following table shows income and expense items as a percentage of total revenues.

	Year Ended December 31,			Three Months Ended March 31,	
(% of total revenue)	**2002**	**2003**	**2004**	**2004**	**2005**
Sales	98.3	98.7	98.6	98.6	98.5
Cost of sales	84.7	85.8	86.5	86.0	85.4
Gross margin	13.5	12.9	12.1	12.6	13.1
Selling and administrative expenses	3.6	2.8	2.8	2.7	2.9
Exploration expenses	0.0	0.5	0.1	0.0	0.1
Income from sales	9.9	9.7	9.1	9.9	10.2
Other income	1.7	1.3	1.4	1.4	1.5
Directors' remuneration	0.0	0.0	0.0	0.0	0.0
Income from Operations	11.6	11.0	10.6	11.3	11.6
Share of net income from investments under equity method	0.5	2.1	4.1	2.7	3.0
Income before Interest and Taxes	12.2	13.1	14.6	14.0	14.6
Interest expenses	2.4	1.6	1.3	1.4	1.2
Income taxes	2.6	2.9	2.9	2.9	3.2
Income after Taxes	7.2	8.5	10.5	9.7	10.2
Income of minority interests	1.2	1.0	0.9	0.9	0.8
Income from ordinary activities	6.0	7.6	9.6	8.8	9.4
Extraordinary items	0.0	0.0	0.0	0.0	4.0
Net Income	6.0	7.6	9.6	8.8	13.4

Segment Operations

Our consolidated results of operations for the three months ended March 31, 2004 and 2005 have not been audited. The information for PTTEP presented in our exploration and production segment has not been adjusted for minority interests.

As used below in this historical segment financial data, EBITDA is defined as income before income tax, interest and depreciation and amortization and EBIT is defined as income before income tax and interest. In the discussion and tables below EBITDA and EBIT are presented because we believe that EBITDA and EBIT are widely accepted financial indicators of an entity's ability to incur and service debt. EBITDA and EBIT should not be considered by an investor as alternatives to net income or income from operations, or as indicators of our operating performance or other combined operations or cash flow data prepared in accordance with generally accepted accounting principles, or as an alternative to cash flows as a measure of liquidity. Our computation of EBITDA and EBIT may differ from similarly titled computations of other companies.

Sales Revenue

	Year Ended December 31,				Three Months Ended March 31,		
(in millions)	**2002**	**2003**	**2004**	**2004**	**2004**	**2005**	**2005**
Gas							
Transmission, Processing and Marketing							
External sales	Bt121,847	Bt137,536	Bt155,194	$3,964	Bt35,111	Bt41,320	$1,055
Intersegment sales	16,262	21,258	19,787	505	4,183	5,595	143
Total operating revenue	138,109	158,794	174,981	4,469	39,294	46,915	1,198
Exploration and Production (PTTEP)							
External sales	2,038	3,027	4,637	118	960	1,357	35
Intersegment sales	28,194	32,100	43,158	1,102	9,536	11,765	300
Petroleum royalties	(3,423)	(4,021)	(5,668)	(145)	(1,255)	(1,550)	(40)
Total operating revenue	26,809	31,106	42,127	1,075	9,241	11,572	295
Total sales revenue from gas business group	164,918	189,900	217,108	5,544	48,535	58,487	1,493
Petrochemical[1]							
External sales	13,242	14,868	1,597	41	—	1,711	44
Intersegment sales	—	—	—	—	—	—	—
Total operating revenue	13,242	14,868	1,597	41	—	1,711	44
Total sales revenue from petrochemical business segment	13,242	14,868	1,597	41	—	1,711	44
Oil							
Marketing of Petroleum Products							
External sales	123,232	150,745	196,029	5,007	47,849	69,852	1,784
Intersegment sales	2,522	3,587	135	3	53	48	1
Total operating revenue	125,754	154,332	196,164	5,010	47,902	69,900	1,785
Trading of Petroleum Products							
External sales	139,616	187,558	270,112	6,899	54,481	70,882	1,810
Intersegment sales	6	2	12,014	307	2,571	25,862	661
Total operating revenue	139,622	187,560	282,126	7,206	57,502	96,744	2,471
Elimination of intrasegment sales	—	—	(9,177)	(234)	(2,620)	(2,494)	(64)
Total sales revenue from oil business group	265,376	341,892	469,113	11,982	102,334	164,150	4,192
Refinery[2]							
External sales	—	—	22,772	582	—	7,589	194
Intersegment sales	—	—	3,028	77	—	24,477	625
Total operating revenue	0	0	25,800	659	0	32,066	819
Total sales revenue from refinery business segment	0	0	25,800	659	0	32,066	819
Total sales revenue before inter-company/intersegment eliminations	443,536	546,660	713,618	18,226	150,869	256,414	6,548
Elimination of inter-company/ intersegment sales	(46,985)	(56,947)	(68,945)	(1,761)	(13,723)	(65,253)	(1,667)
Combined sales revenue	Bt396,551	Bt489,713	Bt644,673	$16,465	Bt137,146	Bt191,161	$4,881

(1) Commencing from the initial public offering of Thai Olefins Plc. in the fourth quarter of 2003 through the third quarter of 2004, none of the results of our petrochemical associates had been consolidated in our financial results. Since the fourth quarter of 2004, when we purchased a 50% interest in Bangkok Polyethylene Plc. (BPE), we have consolidated the results of BPE into our financial statements.

(2) Since November 30, 2004, when we assumed 100% ownership of RRC after purchasing Shell International's 64% interest, we have consolidated the results of RRC into our financial statements.

External Sales

(in millions)	2002	2003	Year Ended December 31, 2004	2004	Three Months Ended March 31, 2004	2005	2005
Gas							
Transmission, Processing and Marketing	Bt121,847	Bt137,536	Bt155,194	$3,964	Bt35,111	Bt41,320	$1,055
Exploration and Production (PTTEP)	2,038	3,027	4,637	118	960	1,357	35
Total external sales from gas business group	123,885	140,563	159,831	4,082	36,071	42,677	1,090
Petrochemical[1]							
Total external sales from petrochemical business segment	13,242	14,868	1,597	41	—	1,711	44
Refinery[2]							
Total external sales from refinery business segment	—	—	22,772	582	—	7,589	194
Oil							
Marketing of Petroleum Products	123,232	150,745	196,029	5,007	47,849	69,852	1,784
Trading of Petroleum Products	139,616	187,558	270,112	6,899	54,481	70,882	1,810
Total external sales from oil business group	262,848	338,303	466,141	11,906	102,330	140,734	3,594
Total external sales	Bt399,975	Bt493,734	Bt650,341	$16,611	Bt138,401	Bt192,711	Bt4,922

(1) Commencing from the initial public offering of Thai Olefins Plc. in the fourth quarter of 2003 through the third quarter of 2004, none of the results of our petrochemical associates had been consolidated in our financial results. Since the fourth quarter of 2004, when we purchased a 50% interest in Bangkok Polyethylene Plc. (BPE), we have consolidated the results of BPE into our financial statements.

(2) Since November 30, 2004, when we assumed 100% ownership of RRC after purchasing Shell International's 64% interest, we have consolidated the results of RRC into our financial statements.

Segment Sales as Percentage of Total External Sales

(% of total external sales)	2002	2003	Year Ended December 31, 2004	2004	Three Months Ended March 31, 2005
Gas					
Transmission, Processing and Marketing	30.5	27.9	23.9	25.4	21.4
Exploration and Production (PTTEP)	0.5	0.6	0.7	0.7	0.7
Total external sales from gas business group	31.0	28.5	24.6	26.1	22.1
Petrochemical[1]					
Total external sales from petrochemical business segment	3.3	3.0	0.2	0.0	0.9
Refinery[2]					
Transmission, Processing and Marketing	—	—	3.5	—	3.9
Total external sales from refinery business segment	—	—	3.5	—	3.9
Oil					
Marketing of Petroleum Products	30.8	30.5	30.1	34.5	36.2
Trading of Petroleum Products	34.9	38.0	41.5	39.4	36.8
Total external sales from oil business group	65.7	68.5	71.7	73.9	73.0
External sales (before adjustments)	100.0	100.0	100.0	100.0	100.0

(1) Commencing from the initial public offering of Thai Olefins Plc. in the fourth quarter of 2003 through the third quarter of 2004, none of the results of our petrochemical associates had been consolidated in our financial results. Since the fourth quarter of 2004, when we purchased a 50% interest in Bangkok Polyethylene Plc. (BPE), we have consolidated the results of BPE into our financial statements.

(2) Since November 30, 2004, when we assumed 100% ownership of RRC after purchasing Shell International's 64% interest, we have consolidated the results of RRC into our financial statements.

Gross Profit, EBIT and EBITDA

	Year Ended December 31,				Three Months Ended March 31,		
(in millions)	**2002**	**2003**	**2004**	**2004**	**2004**	**2005**	**2005**
Gas Transmission, Processing and Marketing							
Sales revenue	Bt138,109	Bt158,794	Bt174,980	$4,469	Bt39,294	Bt46,915	$1,198
Cost of sales[1]	111,442	127,300	135,389	3,458	30,114	36,327	928
Gross profit	26,667	31,494	39,591	1,011	9,180	10,588	270
Selling and administrative expenses	2,682	2,375	2,854	73	664	716	18
Other operating income	128	58	120	3	15	7	—
Operating profit before depreciation & amortization (EBITDA)	24,113	29,177	36,857	941	8,531	9,879	252
Depreciation & amortization	3,946	3,918	3,981	102	980	1,161	30
Total operating profit (EBIT)	20,167	25,259	32,876	839	7,551	8,718	222
Exploration and Production (PTTEP)							
Sales revenue	26,809	31,106	42,127	1,076	9,241	11,572	296
Cost of sales	2,774	2,390	3,586	92	799	833	21
Gross profit	24,035	28,716	38,541	984	8,442	10,739	275
Selling and administrative expenses	1,709	1,450	2,096	54	540	1,127	29
Exploration expenses	150	2,312	401	10	40	174	4
Other operating income	35	43	59	2	10	16	—
Operating profit before depreciation & amortization (EBITDA)	22,211	24,997	36,103	922	7,872	9,454	242
Depreciation & amortization	4,776	5,440	8,096	207	2,044	2,028	52
Total operating profit (EBIT)	17,435	19,557	28,007	715	5,828	7,426	190
Petrochemical[2]							
Sales revenue	13,242	14,868	1,597	41	—	1,711	44
Cost of sales	10,918	11,747	1,362	35	—	1,590	41
Gross profit	2,324	3,121	235	6	—	121	3
Selling and administrative expenses	374	383	140	4	—	100	—
Other operating income	15	7	5	—	—	—	—
Operating profit before depreciation & amortization (EBITDA)	1,965	2,745	100	2	—	21	—
Depreciation & amortization	918	758	87	2	—	63	2
Total operating profit (EBIT)	1,047	1,987	13	—	—	(42)	(2)
Refinery[3]							
Sales revenue	—	—	25,800	659	—	32,066	819
Cost of sales	—	—	24,981	638	—	28,403	725
Gross profit	—	—	819	21	—	3,663	94
Selling and administrative expenses	—	—	205	5	—	323	8
Other operating income	—	—	22	1	—	6	—
Operating profit before depreciation & amortization (EBITDA)	—	—	636	17	—	3,346	86
Depreciation & amortization	—	—	195	5	—	8	—
Total operating profit (EBIT)	—	—	441	12	—	3,338	86

(in millions)	Year Ended December 31, 2002	2003	2004	2004	Three Months Ended March 31, 2004	2005	2005
Oil							
Marketing of Petroleum Products							
Sales revenue	Bt125,754	Bt154,332	Bt196,164	$5,010	Bt47,902	Bt69,900	$1,785
Cost of sales	117,243	146,494	188,181	4,806	45,852	67,654	1,728
Gross profit	8,511	7,838	7,983	204	2,050	2,246	57
Selling and administrative expenses	4,806	5,435	6,399	163	1,482	1,383	35
Other operating income	1,025	1,111	1,596	41	364	385	10
Operating profit before depreciation & amortization (EBITDA)	4,730	3,514	3,180	82	932	1,248	32
Depreciation & amortization	1,829	1,802	2,012	51	532	507	13
Total operating profit (EBIT)	2,901	1,712	1,168	31	400	741	19
Trading of Petroleum Products							
Sales revenue	139,622	187,561	282,126	7,206	57,052	96,744	2,471
Cost of sales	137,737	185,211	279,229	7,132	56,389	95,917	2,450
Gross profit	1,885	2,350	2,897	74	663	827	21
Selling and administrative expenses	732	1,079	3,074	79	179	1,054	27
Other operating income	353	796	2,640	67	67	1,067	27
Operating profit before depreciation & amortization (EBITDA)	1,506	2,067	2,463	62	551	840	21
Depreciation & amortization	22	24	1	—	—	—	—
Total operating profit (EBIT)	1,484	2,043	2,462	62	551	840	21
Total EBIT before unallocated and intercompany/intersegment eliminations	43,034	50,558	64,967	1,659	14,330	21,021	536
Elimination inter-company/ intersegment items	(63)	(136)	339	9	(52)	(266)	(7)
Unallocated items	(560)	(170)	(314)	(8)	(60)	(114)	(3)
Combined EBIT	Bt42,411	Bt50,252	Bt64,992	$1,660	Bt14,218	Bt20,641	$526

(1) Excludes cost of sales relating to gas separation plants which are included in the depreciation and amortization expenses of the same business segment.

(2) Commencing from the initial public offering of Thai Olefins Plc. in the fourth quarter of 2003 through the third quarter of 2004, none of the results of our petrochemical associates have been consolidated in our financial results. Since the fourth quarter of 2004, when we purchased a 50% interest in Bangkok Polyethylene Plc. (BPE), we have consolidated the results of BPE into our financial statements.

(3) Since November 30, 2004, when we assumed 100% ownership of RRC after purchasing Shell International's 64% interest, we have consolidated the results of RRC into our financial statements.

Three months ended March 31, 2005 Compared to Three months ended March 31, 2004

Sales. Our sales revenue increased by 39.4% to Baht 191,161 million in the three months ended March 31, 2005, from Baht 137,146 million in the three months ended March 31, 2004. The increase was attributable primarily to a 58.8% increase in sales revenue from our oil business group due to increases in sales volume from both domestic sales of high speed diesel, crude oil and benzene and trading sales of petrochemical products to customers in Thailand and China. Sales revenue from gas transmission, processing and marketing increased 19.4%, due primarily to increases in both natural gas prices and sales volume of gas transmission resulting from increased gas demand from power plants, industries and gas separation plants. The increase in sales revenue was also attributable to the change in accounting treatment of RRC from an associate to a subsidiary in December 2004 resulting in our consolidating its sales revenue in our results for the three months ended March 31, 2005, but not for the three months ended March 31, 2004.

Expenses

Cost of sales. Our cost of sales includes the purchase price for natural gas, production expenses, the cost of imported crude oil and the cost of petrochemical and refined petroleum products. Cost of sales increased by 38.4%, to Baht 165,663 million in the three months ended March 31, 2005, from Baht 119,660 million in the first three months of 2004. This increase was attributable primarily to a 60.8% increase in the cost of sales in the oil business group due to an increase in sales prices and in volume purchased of imported crude oil, and a 20.6% increase in the cost of sales in the gas transmission, processing and marketing segment due to an in increase in prices and in volume of gas purchased. Cost of sales also increased because of the change in accounting treatment of RRC from an associate to a subsidiary as its cost of sales were consolidated in our results for the three months ended March 31, 2005, but not for the three months ended March 31, 2004. As a percentage of total revenues, our cost of sales decreased slightly from 86.0% in the three months ended March 31, 2004 to 85.4% in the three months ended March 31, 2005.

Selling and administrative expenses. Selling and administrative expenses include, among other things, personnel expenses, advertising expenses, provisions for doubtful accounts, transportation and storage costs and rental expenses on usage rights to land and buildings. Our selling and administrative expenses increased by 52.3%, to Baht 5,631 million in the three months ended March 31, 2005, from Baht 3,698 million in the three months ended March 31, 2004. The increase was primarily attributable to our incurring higher rental expenses in our oil trading segment in connection with providing transportation services. In addition, the increase was due in part to the change in accounting treatment of RRC from an associate to a subsidiary, as its selling and administrative expenses were consolidated in our results for the three months ended March 31, 2005, but not for the three months ended March 31, 2004, and our incurring a loss on the disposal of our entire investment in New Links, an associate of PTTEP.

Exploration expenses. Exploration expenses include geological and geophysical costs and dry hole costs. Dry hole costs refer to unrecoverable drilling and exploration costs associated with fields which could not be commercially developed. Exploration expenses increased by 335.0%, to Baht 174 million in the three months ended March 31 2005, from Baht 40 million in the three months ended March 31, 2004. Substantially all of PTTEP's exploration expenses in the three months ended March 31, 2005 were attributable to seismic costs from the L22/43, L53/43 and L54/43 projects and increases in geological and geophysical expenses in the G4/43 and the Algeria 433A and 416B projects.

Other income. Other income includes interest income, transportation income, which is income from charges to third parties for transporting product on barges, penalty income and gains on exchange rates. Our other income increased by 47.2%, to Baht 2,829 million in the three months ended March 31, 2005, from Baht 1,922 million in the three months ended March 31, 2004, with the increase due primarily to increases in transportation income and gains on exchange rates.

Share of net income from investments under equity method. Our share of net income from investments under the equity method increased by 53.7%, to Baht 5,766 million in the three months ended March 31, 2005, from Baht 3,752 million in the three months ended March 31, 2004. The increase was primarily attributable to improved operating performance of our petrochemical associates by Baht 1,891 million, due primarily to improved efficiency, capacity expansion and higher petrochemical prices. This increase was offset by decreases in our share of net income from associates in the refinery and gas sectors, amounting to Baht 438 million and Baht 67 million in the three months ended March 31, 2005, respectively.

Interest expenses. Our interest expenses increased by approximately 18.3%, to Baht 2,251 million in the three months ended March 31, 2005, from Baht 1,902 million in the three months ended March 31, 2004. Our interest expenses increased mainly due to interest expenses incurred in connection with our Baht 19,000 million and $400 million unsecured and unsubordinated debentures issued in May and July 2004, respectively.

Income taxes. Our income taxes increased by 56.4%, to Baht 6,296 million in the three months ended March 31, 2005, from Baht 4,025 million in the three months ended March 31, 2004 and increased, as a percentage of total revenues, from 2.9% in the three months ended March 31, 2004 to 3.2% in the three months ended March 31, 2005. This increase in taxes was primarily due to an increase in net income in the three months ended March 31, 2005.

Income of minority interests. Income of minority interests in subsidiaries increased by 21.3%, to Baht 1,472 million in the three months ended March 31, 2005, from Baht 1,214 million in the three months ended March 31, 2004, principally because of an increase in net income reported by PTTEP.

Extraordinary items. We had extraordinary items of Baht 7,738 million in the three months ended March 31, 2005, due to RRC's gain on debt restructuring resulting from the reduction of RRC's debt. We did not have any extraordinary items in the three months ended March 31, 2004.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Sales. Our sales revenue increased by 31.6% to Baht 644,673 million in 2004, from Baht 489,713 million in 2003. Sales revenue from gas transmission, processing and marketing increased 10.2%, due to increases in both natural gas prices and sales volume resulting from increased gas demand from power plants, industries and gas separation plants. Sales revenue from the oil business group increased 39.9%, primarily due to an increase in sales volume resulting from an increase in both domestic sales of fuel oil, aviation oil and high speed diesel, and an increase in trading sales of crude oil to our refining associates, as well as higher sales prices. The increase in sales revenue was also attributable to the change in accounting treatment of RRC from an associate to a subsidiary as its sales revenues were consolidated in our results for the month of December 2004. The increase in sales revenue was partially offset by a decrease in revenues from TOC after its initial public offering in November 2003, at which point we no longer consolidated its results in our financial statements.

Expenses

Cost of sales. Our cost of sales increased by 32.9%, to Baht 565,827 million in 2004, from Baht 425,666 million in 2003. As a percentage of total revenues, cost of sales increased from 85.8% in 2003 to 86.5% in 2004. This increase in cost of sales occurred primarily in the oil business group and was attributable to significant increases in the cost and volume of imported crude oil. We also incurred increased cost of sales because of the change in accounting treatment of RRC from an associate to a subsidiary as its cost of sales were consolidated in our results beginning from December 1, 2004. In addition, PTTEP incurred higher operating costs due to its acquisition of additional stakes in the S1 project from Thai Shell. These increases in cost of sales were partially offset by decreased cost of sales incurred after we ceased to consolidate TOC's operations into our financial statements after its initial public offering in November 2003.

Selling and administrative expenses. Our selling and administrative expenses increased by 34.6%, to Baht 18,618 million in 2004, from Baht 13,833 million in 2003, largely due to increases in salary, bonuses and early retirement benefits, together with consulting expenses resulting from the initial implementation of the SAP accounting software package in 2004. Additionally, PTTEP incurred higher administrative expenses in connection with new projects. As a percentage of total revenue, selling and administrative expenses remained constant from 2003 to 2004 at 2.8%.

Exploration expenses. Our exploration expenses decreased by 82.7%, to Baht 401 million in 2004, from Baht 2,312 million in 2003. The decrease was due primarily to the write-off of dry wells in the Vietnam 9-2 and the Vietnam 16-1 projects, and the geological and geophysical studies in Oman 44 project in 2003, while most exploration expenses in 2004 were attributable to the geological and geophysical studies in the Myanmar M7, Myanmar M9, Vietnam 9-2 and Vietnam 16-1 projects.

Other income. Other income increased by 38.3% to Baht 9,235 million in 2004, from Baht 6,679 million in 2003, mainly due to increases in interest income and transportation income.

Share of net income from investments under equity method. Our share of net income from investments under the equity method increased by 158.6%, to Baht 26,742 million in 2004, from Baht 10,342 million in 2003. The increase was due primarily to improved operating performance of our refining associates by Baht 10,605 million and our petrochemical associates by Baht 6,823 million, resulting from improvements in business efficiency and higher gross refinery margins and petrochemical prices. This increase was partially offset by an increase in our share of losses from associates in the oil sector of Baht 379 million and decreases in our share of net income from associates in the gas and other sectors of Baht 135 million and Baht 514 million, respectively.

Interest expenses. Our interest expenses increased by approximately 4.9%, to Baht 8,465 million in 2004, from Baht 8,070 million in 2003. Our interest expenses increased primarily because of interest expenses incurred in connection with our Baht 19,000 million and $400 million unsecured and unsubordinated debentures issued in May and July 2004, respectively.

Income taxes. Our income taxes increased by 29.6% to Baht 18,677 million in 2004 from Baht 14,414 million in 2003. The increase was primarily due to an increase in petroleum income tax paid by PTTEP as a result of increased net income in 2004.

Income of minority interests. Income of minority interests in subsidiaries increased by 23.5%, to Baht 5,941 million in 2004, from Baht 4,812 million in 2003, primarily due to an increase in net income reported by PTTEP.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Sales. Our sales revenue increased by 23.5% to Baht 489,713 million in 2003, from Baht 396,551 million in 2002. Sales revenue from gas transmission, processing and marketing increased 15.0% due to increases in both natural gas prices and sales volume resulting from increased gas demand from power plants, industries and gas separation plants. Sales revenue from oil marketing increased 22.7% and sales revenue from oil trading increased 34.3%. The increases in our oil business group were primarily due to an increase in sales volume resulting from an increase in both domestic sales of high speed diesel, fuel oil and benzene, and trading sales of crude oil to Thai Oil Public Co., Ltd. ("TOP") and condensate to ATC, as well as higher sales prices.

Expenses

Cost of sales. Our cost of sales increased by 24.5%, to Baht 425,666 million in 2003, from Baht 341,889 million in 2002. As a percentage of total revenues, cost of sales increased from 84.7% in 2002 to 85.8% in 2003. This increase in cost of sales occurred primarily in the oil marketing and oil trading segments and was attributable to significant increases in the cost of imported crude oil and resulted in lower gross profit margins in these segments.

Selling and administrative expenses. Our selling and administrative expenses decreased by 4.1%, to Baht 13,833 million in 2003, from Baht 14,427 million in 2002, largely due to decreases in employee fringe benefits and provisions for damages and legal costs in connection with the construction of an onshore gas pipeline. As a percent of total revenue, selling and administrative expenses declined from 3.6% in 2002 to 2.8% in 2003. Additionally, in 2002 PTTEP had production bonus expenses from the Pailin project which did not reoccur in 2003.

Exploration expenses. Our exploration expenses increased by 1,441.3%, to Baht 2,312 million in 2003, from Baht 150 million in 2002. The increase was due primarily to increases in write-offs of dry wells, including costs carried for PetroVietnam in Block 9-2 and Block 16-1 and costs of geological and geophysical studies in Block 44.

Other income. Other income decreased by 3.2% to Baht 6,679 million in 2003, from Baht 6,898 million in 2002.

Share of net income from investments under equity method. Our share of net income from investments under the equity method increased by 378.1% to Baht 10,342 million in 2003, from Baht 2,163 million in 2002. The increase was due primarily to improved operating performance of our refining associates by Baht 5,224 million and our petrochemical associates by Baht 2,861 million, resulting from improvements in business efficiency, higher gross refinery margins and petrochemical prices and foreign exchange gains.

Interest expenses. Our interest expenses decreased by approximately 16.1%, to Baht 8,070 million in 2003, from Baht 9,624 million in 2002. Our interest expenses decreased primarily because of our repayment of bonds and loans and TOC's issuance of Baht debentures with a lower outstanding principal amount than the loans they were issued to replace.

Income taxes. Our income taxes increased by 38.0% to Baht 14,414 million in 2003 from Baht 10,445 million in 2002. The increase was primarily due to the increased petroleum income tax paid by PTTEP as a result of increased net income in 2003.

Income of minority interests. Income of minority interests in subsidiaries increased by 2.5%, to Baht 4,812 million in 2003, from Baht 4,696 million in 2002, primarily due to the increase in net income reported by PTTEP.

Liquidity and Capital Resources

Our primary sources of funding are cash provided by operating activities, short-term and long-term borrowings and capital contributions from the MOF. Historically, we use funds primarily for capital expenditures, repayment of short-term and long-term borrowings and investments in our subsidiaries and associates.

We finance a significant portion of our business operations with long-term borrowings. As of March 31, 2005, long-term debt comprised approximately 41.44% of our capital employed (net debt plus equity). Our ability to obtain adequate financing to satisfy our capital expenditure and debt servicing requirements may be limited by our financial condition and results of operations and the liquidity of the international and domestic capital markets. If we fail to timely roll over, extend or refinance any of our long-term liabilities, we may not be able to service our debts and/or pay our accounts payable and other obligations when they become due and payable. Our inability to obtain sufficient funding, or funding at prices acceptable to us, for our development plans could adversely affect our business, financial condition and results of operations. For additional information on our capital expenditure plans and financing requirements see "Risk Factors — Risks Relating to Our Business — Our development plans have significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties" and "— Capital Expenditures".

Our ability to obtain external financing in the future is also subject to a variety of other uncertainties including:

- our future results of operations, financial condition and cash flows;
- the condition of the economies of Thailand and Southeast Asia and the markets for our products;
- the Government's policies relating to foreign currency borrowings;
- the amount of capital other Thai entities and foreign oil and gas companies may seek to raise in the international capital markets;

- the cost of financing and the condition of financial markets; and

- the projected risks associated with infrastructure development in Thailand.

We plan to fund the capital and related expenditures described in this offering circular through cash provided by operating activities, short-term and long-term debt and with a portion of the net proceeds we receive from the combined offering. Net cash provided by operating activities during the three months ended March 31, 2005 was Baht 28,470 million. As of March 31, 2005, we had cash and cash equivalents of Baht 66,537 million.

The following table sets forth a condensed summary of the statements of cash flows for the periods indicated.

	Year Ended December 31,				Three Months Ended March 31,		
(in millions)	**2002**	**2003**	**2004**	**2004**	**2004**	**2005**	**2005**
Cash flows from operating activities:							
Net income from operating activities before changes in operating assets and liabilities[(1)]	Bt39,684	Bt43,616	Bt56,984	$1,455	Bt13,488	Bt16,641	$425
Changes in operating assets and liabilities	(9,649)	9,280	851	22	7,508	11,830	302
Net cash provided by operating activities	30,035	52,896	57,835	1,477	20,996	28,471	727
Cash flows from investing activities:							
Payment of property, plant, equipment and intangible assets	(13,994)	(20,053)	(40,256)	(1,028)	(15,506)	(13,277)	(339)
Investments in subsidiaries, associates and others	(3,003)	(2,404)	(9,545)	(244)	(1,593)	(1,448)	(37)
Net changes in other activities[(2)]	(72)	(4,581)	(48,155)	(1,230)	(891)	57,380	1,465
Net cash (used in) provided by investing activities	(17,069)	(27,038)	(97,956)	(2,502)	(17,990)	42,655	1,089
Cash flows from financing activities:							
Cash received from common share issue	—	45	294	8	5	5	—
Cash received from long-term loans	12,093	—	5,339	136	—	2,563	65
Cash received from bond issue	—	17,500	35,211	899	—	—	—
Cash received from short-term loans	1,900	220	27,578	704	—	—	—
Repayment of long-term loans	(23,058)	(4,560)	(16,707)	(427)	(17)	(44,272)	(1,131)
Repayment of bonds and debentures	(6,000)	(5,920)	(3,300)	(84)	(600)	(1,800)	(46)
Repayment of short-term loans	(8,063)	(220)	(13,610)	(348)	—	(12,471)	(319)
Payment of finance lease liabilities	(136)	(102)	(49)	(1)	(15)	(7)	—
Increase (decrease) in bank overdrafts	1	162	(182)	(5)	467	90	2
Dividend paid	(8,520)	(9,590)	(12,912)	(330)	—	—	—
Net cash (used in) provided by financing activities	(31,783)	(2,465)	21,662	552	(160)	(55,892)	(1,429)
Effects of exchange rate charges	(116)	(265)	(153)	(4)	(19)	103	(3)
Losses from foreign currency translation	(214)	(295)	(162)	(4)	(28)	(37)	(1)
Net increase (decrease) in cash and cash equivalents	(19,147)	22,833	(18,774)	(481)	2,799	15,300	389
Cash and cash equivalents at beginning of the period	52,805	33,658	56,452	1,442	56,955	51,237	1,309
Cash at beginning of period of subsidiary transformed to associates	—	(39)	—	—	—	—	—
Cash at beginning of period of subsidiary acquired	—	—	9,114	233	—	—	—
Cash and cash equivalents at period end	Bt33,658	Bt56,452	Bt46,792	$1,194	Bt59,754	Bt66,537	$1,698

(1) Represents net income as adjusted for depreciation, depletion and amortization, impairment losses, income (losses) on disposal of assets, adjustment to write off assets, obsolescence of material and supplies, share of net income (losses) of subsidiaries and associates, income (losses) of minority interests in subsidiaries, income (losses) on disposal of investments, income (losses) on withdrawal from joint ventures, income (losses) on foreign exchange, bad debt expenses, recovery from bad debts, amortization of exploration costs, amortization of bond and share issue expenses, amortization of bond discounts, deferred income taxes, amortization of deferred interest from finance leases, dividend income, adjustment for leasehold rights and adjustment of directors' fee.

(2) Represents cash increase (decrease) from disposal of assets, loans to related parties, cash refund from investments in other companies, increase (decrease) in short-term investments and dividends received.

Cash Flows from Operating Activities

Our net cash provided by operating activities was Baht 28,471 million for the three months ended March 31, 2005 compared to Baht 20,996 million for the three months ended March 31, 2004. This change was primarily due to an increase in adjusted net income from operating activities before changes in operating assets and liabilities from Baht 13,488 million in the three months ended March 31, 2004 to Baht 16,641 million in the three months ended March 31, 2005, as further adjusted by the following changes in operating assets and liabilities that resulted in a net cash inflow:

- an increase in trade accounts payable of Baht 21,916 million, mainly due to an increase in our importing of oil products for distribution to our affiliates in response to higher demand for crude oil, high speed diesel and fuel oil during the three months ended March 31, 2005, compared to an increase in trade accounts payable of Baht 9,104 million in the three months ended March 31, 2004.

- improved collection of our other accounts receivable resulting in a decrease in other accounts receivable of Baht 3,313 million, due primarily to payments received from the Revenue Department for the refund of input value added tax amounting to Baht 2,244 million, compared to a decrease of Baht 1,294 million in the three months ended March 31, 2004; and

- an increase in income tax payable of Baht 6,278 million, primarily due to increases in net income from PTTEP's and our improved business efficiency and the consolidation of RRC, compared to an increase of Baht 4,812 million in the three months ended March 31, 2004.

These increases in net cash were partially offset by the following:

- an increase in extraordinary items resulting in a non-cash restatement of Baht 7,739 million, primarily due to RRC's gains on debt restructuring resulting from the reduction of debt, compared to no extraordinary items in the three months ended March 31, 2004;

- an increase in trade accounts and notes receivable of Baht 13,804 million, due mainly to an increase in our sales of imported oil products to our affiliates resulting from higher demand, compared to an increase of Baht 6,193 million in the three months ended March 31, 2004; and

- an increase in inventories of Baht 2,669 million, due primarily to the consolidation of RRC since the fourth quarter of 2004 as its inventories were included in our operating assets as of March 31, 2005, compared to a decrease of Baht 329 million in the three months ended March 31, 2004.

Our net cash flow provided by operating activities for 2004 was Baht 57,835 million as compared to net cash provided by operating activities of Baht 52,896 million for 2003. This change was primarily the result of the following:

- an increase in trade accounts payable to third parties of Baht 3,005 million, relating primarily to an increase in imported crude oil for selling to RRC pursuant to the shareholders' agreement with RRC, compared to a decrease in accounts payable of Baht 3,504 million in 2003; and

- a decrease in accrued income of Baht 977 million, mainly due to compensation payments received from our gas producers in Myanmar for repair and maintenance expenses paid to EGAT, our gas customer, in relation to equipment in its power plants, compared to an increase of Baht 4,006 million in 2003.

Our net cash flow provided by operating activities for 2003 was Baht 52,896 million as compared to net cash provided by operating activities of Baht 30,035 million for 2002. This change was primarily the result of the following:

- a decrease in trade accounts receivable and notes receivable of Baht 4,399 million, due mainly to payments received from the Bangkok Mass Transit Authority ("BMTA"), compared to an increase of Baht 9,039 million in 2002; and

- a decrease in other accounts receivable of Baht 6,233 million, primarily due to payment received from the Oil Stabilization Fund for Government subsidies of the LPG retail price, compared to a decrease of Baht 1,036 million in 2002.

Cash Flows from Investing Activities

In the three months ended March 31, 2005, we had cash inflows from investing activities of Baht 42,655 million, compared to cash outflows of Baht 17,990 million in the three months ended March 31, 2004, mainly due to a decrease in current investments of Baht 47,248 million in the three months ended March 31, 2005. In 2002, 2003 and 2004, we had cash outflows from investing activities of Baht 17,069 million, Baht 27,038 million and Baht 97,956 million, respectively. We used approximately 82.0%, 74.2% and 41.0% of our net cash used in investing activities in 2002, 2003 and 2004, respectively, for capital expenditures, and 17.6%, 8.9% and 9.7% in 2002, 2003 and 2004, respectively, for investments in subsidiaries and associated companies.

Payment for Property, Plant and Equipment. Cash outflows for payments for property, plant and equipment decreased by Baht 2,229 million, or 14.4%, from Baht 15,506 million for the three months ended March 31, 2004 to Baht 13,277 million for the three months ended March 31, 2005, mainly attributable to a decrease in projects under construction of TTM (Thailand) Limited ("TTM (Thailand)") which are in their final stages. Cash outflows for payments for property, plant and equipment increased by Baht 20,203 million, or 100.7%, from Baht 20,053 million in 2003 to Baht 40,256 million in 2004, primarily due to PTTEP's acquisition of the S1 project from Thai Shell. Cash outflows for payments for property, plant and equipment increased by Baht 6,059 million, or 43.3%, from Baht 13,994 million in 2002 to Baht 20,053 million in 2003, primarily due to an increase in oil and gas properties and gas pipelines resulting from an additional investment in the Yetagun project by PTTEP and an investment in the pipeline of Taninthayi Pipeline Co. LLC.

Investments in Subsidiaries, Associates and Others. Cash outflows for investments in subsidiaries, associates and others decreased from Baht 1,593 million for the three months ended March 31, 2004 to Baht 1,448 million for the three months ended March 31, 2005. In the three months ended March 31, 2005 additional investments in subsidiaries, associates and others mainly comprised investments of Baht 957 million in PTTEP and Baht 119 million in Independent Power (Thailand) Co., Ltd. ("IPT"). In the three months ended March 31, 2004 additional investments in subsidiaries, associates and others mainly comprised investments of: Baht 784 million in PTTEP , Baht 487 million in Thai Petroleum Pipeline Co., Ltd. ("THAPPLINE"), Baht 250 million in Ratchaburi Power Company Limited ("RPCL") and Baht 173 million in PTT Natural Gas Distribution Co., Ltd. ("PTTNGD"). Cash outflows for investments in subsidiaries, associates and others increased by Baht 7,141 million, or 297.0%, from Baht 2,404 million in 2003 to Baht 9,545 million in 2004. In 2004, additional investments in subsidiaries, associates and others primarily comprised investments of: Baht 4,332 million in PTTEP, Baht 2,002 million in TOP, Baht 1,664 million in Bangkok Polyethylene Plc. ("BPE"), Baht 487 million in THAPPLINE, Baht 250 million in RPCL, Baht 240 million in PTT Utility Co., Ltd. ("PTTUT"), Baht 200 million in PTT Phenol Company Limited ("PPCL"), Baht 197 million in RRC and Baht 173 million in PTTNGD. In 2003, additional investments in subsidiaries, associates and others comprised investments of Baht 665 million in PTTEP, Baht 764 million in Thai Lube Base Public Co., Ltd. ("Thailube"), Baht 9 million in NPC and Baht 966 million in TOC. Cash outflows for investments in subsidiaries, associates and others amounted to Baht 3,003 million in 2002, with additional investments in subsidiaries, associates and others comprised investments of Baht 1,543 million in PTTEP, Baht 392 million in Star Petroleum Refining Co., Ltd. ("SPRC"), Baht 9 million in New Links Energy Resources Limited, and Baht 1,059 million in RRC.

Net changes in other investing activities. Cash provided by (used in) other activities increased from an outflow of Baht 891 million for the three months ended March 31,2004 to an inflow of Baht 57,380 million for the three months ended March 31, 2005. The net inflow resulted mainly from the repayment of credit-linked deposits of Baht 44,255 million received from Barclays Bank PLC ("Barclays"). Cash outflow from other activities increased due to an outflow of Baht 4,581 million in 2003 to Baht 48,155 million in 2004, primarily due to our investment in a credit-linked deposit of Baht 46,818 million made to Barclays.

Cash Flows from Financing Activities

Our cash outflows from financing activities increased from Baht 160 million for the three months ended March 31, 2004 to Baht 55,892 million for the three months ended March 31, 2005, mainly due to our repayment of long-term loans in the amount of Baht 44,272 million and short-term loans in the amount of Baht 12,471 million. Cash flows from financing activities increased from an outflow of Baht 2,465 million in 2003 to an inflow of Baht 21,662 million in 2004, primarily due to cash inflows of Baht 35,211 million from our issuance of debentures and Baht 27,578 million from short term loans in 2004. Cash outflows from financing activities decreased from Baht 31,783 million for the year 2002 to Baht 2,465 million for the year 2003, primarily due to higher repayments of loans in 2002 than in 2003.

The maturities of our long-term loans and bonds as of March 31, 2005 were as follows:

	Principal as of March 31, 2005							
(in millions)		**PTT**		**PTTEP**		**Other**		**Total**
Maturity								
Within 1 year	Bt7,130	$182	Bt—	$—	Bt394	$10	Bt7,524	$192
Between 1 to 2 years	17,412	445	7,849	200	756	19	26,017	664
Between 2 to 5 years	23,718	606	7,587	194	1,810	46	33,115	846
Beyond 5 years	73,786	1,885	2,500	64	7,046	180	83,332	2,128
Total long-term debt	Bt122,046	$3,117	Bt17,936	$458	Bt10,006	$256	Bt149,988	$3,831

The low interest rates and high liquidity in the Thai debt capital market continued into 2005, which has provided opportunities for us to raise long-term debt at favorable interest rates through issuance of long-term bonds. As of March 31, 2005, approximately 55.6% of our long-term debt had a maturity of longer than five years. On June 20, 2005, we issued unsecured and unsubordinated Thai Baht debentures in the amount of Baht 4,040 million, which we swapped for $100 million on the same day.

Our total consolidated short-term and long-term debt outstanding as of December 31, 2002, 2003 and 2004 and March 31, 2005, were as follows:

			As of December 31,		As of March 31,	
(in millions)	**2002**	**2003**	**2004**	**2004**	**2005**	**2005**
Overdraft and short-term debt	Bt24	Bt182	Bt11,761	$300	Bt90	$2
Current maturity of long-term debt	11,653	17,628	60,658	1,549	7,524	192
Long-term debt (excluding current maturity of long-term debt)	119,922	107,444	140,867	3,598	142,464	3,639
Total debt	Bt131,599	Bt125,254	Bt213,286	$5,447	Bt150,078	$3,833
Cash and cash equivalents	33,658	56,452	46,792	1,195	66,537	1,699
Net debt	Bt97,941	Bt68,802	Bt166,494	$4,252	Bt83,541	$2,134

Our long-term debt outstanding as of December 31, 2002, 2003 and 2004 and March 31, 2005 consisted of both local and foreign currency obligations. During this period, the outstanding amount of our long-term foreign currency debt obligations increased from the equivalent of Baht 34,999 million as of December 31, 2002 to the equivalent of Baht 42,842 million as of March 31, 2005, largely as a result of increased U.S. dollar borrowings. Over the same period, our long-term foreign currency debt decreased from approximately 26.6% of our total long-term debt to 28.6% as we refinanced with more local currency debt than foreign currency debt.

A substantial portion of our outstanding long-term debt is guaranteed by the MOF. The following table shows the composition by currency of our MOF-guaranteed and non-guaranteed debt as of the dates indicated.

			As of December 31,		As of March 31,	
(in millions)	**2002**	**2003**	**2004**	**2004**	**2005**	**2005**
Local currency debt guaranteed by MOF						
Loans	Bt3,000	Bt3,000	Bt3,000	$77	Bt3,000	$77
Notes	62,678	59,730	56,930	1,454	55,130	1,408
Total	65,678	62,730	59,930	1,531	58,130	1,485
Local currency debt not guaranteed by MOF						
Loans	19,843	6,000	6,619	169	6,637	170
Notes	8,472	23,000	41,500	1,060	41,500	1,060
Total	28,315	29,000	48,119	1,229	48,137	1,230
Total local currency debt	93,993	91,730	108,049	2,760	106,267	2,715
Foreign currency debt guaranteed by MOF						
U.S. dollars	7,528	6,525	3,343	85	3,348	86
Japanese Yen	10,863	11,192	—	—	—	—
Total	18,391	17,717	3,343	85	3,348	86
Foreign currency debt not guaranteed by MOF						
U.S. dollars	19,191	15,625	90,133	2,302	40,373	1,031
Total	19,191	15,625	90,133	2,302	40,373	1,031
Total foreign currency debt	37,582	33,342	93,476	2,387	43,721	1,117
Total local and foreign currency debt	131,575	125,072	201,525	5,147	149,988	3,832
Less: Current portion of long-term debt	11,653	17,628	60,658	1,549	7,524	192
Total outstanding long-term debt	Bt119,922	Bt107,444	Bt140,867	$3,598	Bt142,464	$3,640

Our loans and bonds guaranteed by the Government amounted to approximately Baht 61,478 million as of March 31, 2005, representing a decrease of approximately 2.8% from Baht 63,273 million as of December 31, 2004. Approximately 41.0% and 31.4% of our long-term debt was guaranteed by the Government as of March 31, 2005 and December 31, 2004, respectively. Pursuant to the Act Determining the Power of the Ministry of Finance to Guarantee Loans B.E. 2510 (1967), all Government guarantees of our outstanding loans and bonds currently in effect will remain effective until the maturity of those loans and bonds. Under current Thai law, as long as 70% of our capital stock is owned by the Government, we will be eligible to apply for guarantees from the Government of our additional Government approved indebtedness. The Government currently owns 52.5% of our capital stock. We cannot assure you that even if the Government's ownership increases to above the prevailing threshold, we will receive such guarantees in the future. In addition, the availability of such guarantees from the Government will be subject to, among other things, the Government's overall monetary and fiscal policies with respect to state enterprises, direction and support for infrastructure development in Thailand and, in particular, the energy sector. Each of our existing Government guarantees are and will continue to be provided to us at no additional cost until the existing obligation to which each such guarantee relates matures or is retired. However, the Government is currently drafting legislation that would permit it to charge state enterprises as well as privatized state-owned enterprises, such as ourselves, a guarantee fee, as determined by the MOF. In addition, our debt guaranteed by the Government generally contains provisions enabling our creditors to declare a default on our debt if the Government defaults on any of its external debt.

Our corporatization, pursuant to the Corporatization Act, obligated us to assume all of the business, assets and liabilities of our predecessor, the Petroleum Authority of Thailand. These assets and liabilities included our predecessor's rights and obligations under debt agreements with, and debt instruments held by, Thai and international creditors and under shareholder support agreements in respect of our associated companies. The transfer of our predecessor's rights and obligations to us constituted defaults under some of these shareholder support agreements. As a result of these defaults, the indebtedness of certain of our associated companies, and our potential obligation to provide up to $152.5 million of shareholder support in the form of additional equity investments, subordinated loans or extended trade credit, became subject to acceleration by the creditors of our associated companies. None of the debt of our associated companies has been accelerated since our corporatization, but we cannot assure you that any such debt will not be accelerated, thereby triggering our shareholder support obligations. A trigger of our shareholder support obligations because of a corporatization-related default may permit certain of our lenders to accelerate the repayment of some of our debt. If a significant amount of our shareholder support obligations or our debt becomes due at any one time our liquidity might be impaired, which could adversely affect our business, financial condition and results of operations.

Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations as of March 31, 2005.

		Payments due by period			
(in millions)	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Contractual Obligations					
Long-Term Debt Obligations	Bt149,988	Bt7,524	Bt26,017	Bt33,115	Bt83,332
Capital (Finance) Lease Obligations	62	30	31	—	—
Total	Bt150,049	Bt7,554	Bt26,048	Bt33,115	Bt83,332

Capital Expenditures

The following table sets out our capital expenditures by business sector for each of the years ended December 31, 2002, 2003 and 2004 and for the first three months of 2005, and the capital expenditures in each business sector as a percentage of our total capital expenditures for such periods.

	Year Ended December 31,						Three Months Ended			
(in millions, except percentage data)	2002		2003		2004		March 31, 2005		Total	
Gas Sales, Transmission, Processing and Marketing	Bt3,988	44%	Bt5,859	47%	Bt14,422	60%	Bt8,982	83%	Bt33,251	59%
Marketing of Petroleum Products	1,100	12	1,169	9	2,244	9	626	6	5,139	9
Trading of Petroleum Products	—	—	—	—	30	—	1	—	32	—
Petrochemical	—	—	—	—	19	—	14	—	33	—
Corporate and Investments in Joint Ventures	4,035	44	5,464	44	7,521	31	1,160	11	18,180	32
Total	Bt9,123	100%	Bt12,492	100%	Bt24,236	100%	Bt10,783	100%	Bt56,635	100%

The majority of the our capital expenditures during the past two years have been related to investments in expansion and improvement of our gas transmission pipeline network, particularly the feasibility study for the third transmission pipeline and the construction of our gas separation plant Unit 5. Capital expenditures in our marketing of petroleum products business segment were mainly for construction and renovation of retail stations, construction of LPG filling stations and for transportation and storage facilities.

The following table sets out our planned capital expenditures by business segment for each of the years 2005 through 2009, and the capital expenditures in each business segment as a percentage of total capital expenditures. Actual capital expenditures may differ materially from those currently planned.

(in millions, except percentage data)	Year ended December 31,											
	2005		2006		2007		2008		2009		Total	
Gas Sales, Transmission Processing and Marketing												
- Gas Pipeline Master Plan III9	Bt34,711	54%	Bt41,238	71%	Bt12,663	35%	Bt14,854	40%	Bt10,120	61%	Bt113,586	54%
- GSP Unit 5	2,119	3	—	—	—	—	—	—	—	—	2,119	1
- Other Projects & Long-term Plans	4,066	6	7,855	14	14,114	39	13,941	38	549	3	40,525	19
Subtotal	40,895	64	49,093	85	26,777	73	28,796	78	10,669	64	156,230	74
Marketing and Trading of Petroleum Products	5,371	8	3,392	6	2,982	8	3,041	8	2,645	16	17,430	8
Corporate and Investments in Joint Ventures	18,085	28	5,583	10	6,712	18	4,871	13	3,356	20	38,607	18
Total	Bt64,351	100%	Bt58,068	100%	Bt36,471	100%	Bt36,708	100%	Bt16,669	100%	Bt212,268	100%

We expect that investment in gas transmission pipeline facilities and gas separation plants will continue to represent the majority of our capital expenditures amounting to Baht 156,230 million or approximately 73.6% of our Baht 212,266 million overall capital expenditure program for the years 2005 to 2009. Most of our capital expenditures for our gas transmission, processing and marketing business segment for 2006 will be for the third transmission pipeline and a project to build a natural gas pipeline around Bangkok.

We expect to continue to focus our marketing of petroleum products business segment capital expenditures on adding new and modernizing existing retail stations. We also plan to invest in improvement programs for our depot facilities and logistics and transportation networks.

We plan to fund the capital and related expenditures described in this offering circular principally through cash provided by operating activities and long-term debt.

As part of our capital expenditure program, we expect to make equity contributions to our joint venture businesses. From 2005 to 2009, we anticipate that substantially all of our equity investments in our joint venture businesses will amount to Baht 38,607 million.

The above discussion does not include capital expenditure figures for PTTEP. PTTEP budgets and funds capital expenditures separately from us. The following table sets out PTTEP's total capital expenditures and expected capital expenditures for the periods indicated.

	Year ended December 31,			
(in millions)	**2002**	**2003**	**2004**	**Total**
Actual	Bt7,887	Bt9,744	Bt8,824	Bt26,455

	Year ended December 31,					
(in millions)	**2005**	**2006**	**2007**	**2008**	**2009**	**Total**
Expected[(1)]	Bt27,360	Bt25,430	Bt13,660	Bt10,370	Bt8,500	Bt85,320

(1) Actual capital expenditures may differ materially from those currently planned.

Inflation

According to the Bank of Thailand, Thailand's annual overall inflation rate as measured by the general consumption index was approximately 0.7% in 2002, 1.8% in 2003 and 2.7% in 2004. Core inflation registered year-on-year growth of 0.5% in 2004, which was well under the maximum target inflation rate of 3.5% set by the Bank of Thailand. As a result, inflation in Thailand has not had a significant impact in our results of operations in recent years.

Market Risks

Our primary market risk exposures are to fluctuations in crude oil and natural gas prices, exchange rates and interest rates.

Commodity Price Risks

We are exposed to fluctuations in prices of crude oil, natural gas, petrochemicals and refined products, all of which are subject to volatile price movement. We purchase substantial volumes of natural gas and crude oil from domestic and international suppliers and sell substantial volumes of gas, petrochemicals and refined petroleum products to domestic buyers. Certain of our associated companies to whom we sell natural gas products are especially exposed to fluctuations in the price of petrochemical and refined petroleum products. We enter various hedging arrangements, primarily with respect to a certain percentage of our sales of aviation fuel, with Thaioil and occasionally in respect of our crude oil sales to refineries to hedge our exposure in situations where the reference price with respect to which we purchase and sell such oil differs. This hedging activity exposes us to a certain amount of counterparty risk. However, fluctuations of prices of crude oil, petrochemicals and refined products have a significant effect on our cost of sales and net income.

Foreign Exchange Rate Risk

We conduct our business primarily in Baht, which is also our functional and reporting currency. However, substantially all of our revenues and costs are directly or indirectly linked to or affected by the dollar or currencies other than Baht. As a result, fluctuations in the value of the Baht against the dollar may adversely affect our financial condition and results of operations. Substantially all of our sales revenue is denominated in Baht, but the prices we pay for natural gas and crude oil are based on, or affected by, the dollar-denominated world prices of oil and gas. Additionally, we borrow significant amounts in foreign currencies, principally dollars, and it is possible that a substantial portion of our capital expenditures for future expansion programs may be financed in foreign currencies. Depreciation in the value of the Baht in general has tended to have a beneficial effect on our revenues, but a detrimental effect on our costs, in Baht terms. Adverse economic conditions in Thailand incidental to the depreciation in the value of the Baht

could reduce overall demand for our products and our customers' ability to pay for them. In addition, any significant future depreciation in the value of the Baht against the dollar could adversely affect the financial condition and results of operations of our primary customer, EGAT. See "Risk Factors — Risk Relating to Thailand — Depreciation in the value of the Baht could adversely affect demand for our products and our financial condition and results of operations".

We enter into forward exchange contracts and other foreign currency hedging arrangements to hedge our exposure to foreign currencies other than the dollar and to manage our exposure to movements in the U.S. dollar/Baht exchange rate in connection with our prepayments for gas purchased from Myanmar. For information on our swap arrangements in respect of certain of our Japanese Yen-denominated debt, see note 33 to our audited consolidated financial statements.

The following table provides information regarding our instruments that are sensitive to foreign exchange rates outstanding as of March 31, 2005. For debt obligations, the table presents principal amounts and related weighted average interest rates by expected maturity dates.

(Bt equivalent in millions, except interest rates)	Expected Maturity As of December 31,						
	2005[1]	2006	2007	2008	2009	Thereafter	Total
Assets[2]							
Cash and cash equivalents							
In U.S. dollars[3]	8,340	—	—	—	—	—	8,340
In Philippine Pesos[4]	306	—	—	—	—	—	306
Time deposits							
In U.S. dollars[3]	14,330	—	—	—	—	—	14,330
Other current investments							
In U.S. dollars	84	—	—	—	—	—	84
Liabilities[2]							
Debt in U.S. dollars[3]							
Fixed rate	—	7,851	7,587	—	—	15,568	31,006
Average interest rate per annum (%)	6.74	6.16	5.94	5.61	5.61	5.61	—
Variable rate	—	1,039	636	632	1,422	8,265	11,994
Average interest rate per annum (%)	3.76	5.07	5.17	5.23	5.25	5.23	—

(1) Figures for year 2005 represent the principal amounts due and interest rates applicable to amounts due in the first three months of 2005.

(2) Information as of March 31, 2005.

(3) Calculated at the rate of Baht 39.15 per U.S. dollar.

(4) Calculated at the rate of Baht 0.728 per Philippine Peso.

Interest Rate Risk

Our debts consist of fixed and variable rate debt obligations with original maturities ranging from 1 to 20 years. We are exposed to interest rate risk resulting from fluctuations in interest rates on our short-term and long-term debt. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of our outstanding floating rate borrowings. Fluctuations in interest rates can lead to significant fluctuations in the market values of our debt obligations.

The following table presents principal amounts and related weighted average interest rates by expected maturity dates of our interest rate sensitive financial instruments as of March 31, 2005.

(Bt equivalent in millions, except interest rates)	Expected Maturity As of December 31,						
	2005[1]	2006	2007	2008	2009	Thereafter	Total
Assets[2]							
In Baht	48,813	—	—	—	—	—	48,813
In U.S. dollars[3]	8,340	—	—	—	—	—	8,340
In Philippine Pesos[4]	306	—	—	—	—	—	306
Time deposits							
In U.S. dollars[3]	14,330	—	—	—	—	—	14,330
Other current investments							
In U.S. dollars	84	—	—	—	—	—	84
Liabilities[2]							
Debt in U.S. dollars[3]							
Fixed rate	—	7,851	7,587	—	—	15,568	31,006
Average interest rate per annum (%)	6.74	6.16	5.94	5.61	5.61	5.61	—
Variable rate	—	1,039	636	632	1,422	8,265	11,994
Average interest rate per annum (%)	3.76	5.07	5.17	5.23	5.25	5.23	—
Debt in Baht							
Fixed rate	1,817	8,041	11,032	8,014	9,414	63,615	101,933
Average interest rate per annum (%)	6.06	5.92	5.75	5.45	5.39	5.26	—
Variable rate	—	96	89	81	103	—	369
Average interest rate per annum (%)	3.30	4.25	4.50	5.25	5.75	—	—

(1) Figures for 2005 represent the principal amounts due and interest rates applicable to amounts due in the first three months of 2005.

(2) Information as of March 31, 2005.

(3) Calculated at the rate of Baht 39.15 per U.S. dollar.

(4) Calculated at the rate of Baht 0.728 per Philippine Peso.

The Petroleum and Petrochemical Industry in Thailand

The information in the section below has been derived, in part, from various government and private publications or obtained in communications with Government agencies in Thailand. This information has not been independently verified by us or the initial purchasers or any of our or their respective affiliates or advisors. The information may not be consistent with other information complied within or outside Thailand. Neither we nor the initial purchasers have any actual knowledge of any material misstatement contained in this section.

Overview

The petroleum and petrochemical industry in Thailand is organized into four industry segments consisting of:

- onshore and offshore exploration and production;
- the transmission, processing, marketing and distribution of natural gas and crude oil;
- the production of refined petroleum products and petrochemical products; and
- the distribution, marketing and trading of refined petroleum and petrochemical products.

The Thai government historically regulated the petroleum industry through volume, distribution and pricing controls which were administered by certain central government ministries including NEPC, EPPO, the MOEN and the MOF. Today, the Government regulates the domestic wholesale price of LPG and the gas sale price to EGAT and private power producers, which price includes gas prices, marketing margins and transmission tariffs.

Due to the Government's policy to reduce Thailand's dependency on petroleum products and to promote energy efficiency, crude oil as a percentage of total energy consumption in Thailand decreased from 50.6% in 2000 to 46.9% in the three months ended March 31, 2005 while natural gas as a percentage of total commercial primary energy consumption in Thailand increased from 33.2% in 2000 to 36.5% in the three months ended March 31, 2005. The following table sets out the total commercial primary energy consumption and the percentage of the total commercial primary energy consumption represented by coal, petroleum products, natural gas and hydro-electricity in Thailand for the periods indicated.

	Total Commercial Primary Energy Consumption	Percentage of Total Commercial Primary Energy Consumption			
Period		Lignite/Coal Import	Petroleum Products	Natural Gas	Hydro/ Imported Electricity
	(KBoe/d)	(%)	(%)	(%)	(%)
2000	1,144	13.5	50.6	33.2	2.7
2001	1,203	15.0	46.5	35.8	2.7
2002	1,282	14.6	46.0	36.5	2.9
2003	1,351	14.0	46.2	37.1	2.7
2004	1,450	14.7	47.4	35.7	2.2
Three months ended March 31, 2005	1,533	14.1	46.9	36.5	2.5

Source: Energy Policy and Planning Office, Ministry of Energy

The following table sets out the total natural gas consumption in Thailand as compared to that of petroleum products for the periods indicated.

Period	Natural Gas Consumption	Petroleum Products Consumption	Percentage Increase in Natural Gas Consumption	Percentage Increase in Petroleum Products Consumption
	(KBoe/d)	(KBoe/d)	(%)	(%)
2000	380	579	13.5	(5.3)
2001	431	560	13.4	(3.2)
2002	468	589	8.6	5.1
2003	502	624	7.2	5.9
2004	518	687	3.3	10.1
Three months ended March 31, 2005	560	719	2.3	15.3

Source: Energy Policy and Planning Office, Ministry of Energy

From 2000 to the three months ended March 31, 2005, natural gas consumption in Thailand increased from 380 KBoe/d in 2000 to 518 KBoe/d in 2004 and 560 KBoe/d in the three months ended March 31, 2005. Petroleum products consumption in Thailand increased from 579 KBoe/d in 2000 to 719 KBoe/d in the three months ended March 31, 2005. The significant growth in consumption of natural gas is a result of higher demand from power producers who are responding to higher demand for electricity and switching to natural gas from alternative fuel sources. Higher natural gas consumption was also the result of increased demand for electricity and increased demand for natural gas from industrial customers in Thailand. In addition, emissions standards enacted in 1997 required EGAT and industrial users to partially switch from fuel oil to natural gas as a cleaner fuel source for electricity generation.

The following table sets out the amount of electricity generated from various fuel sources in Thailand for the periods indicated.

Year	Natural Gas[(1)]	Fuel Oil	Lignite	Hydro	Diesel	Imported Electricity and SPP	Total	Growth Rate
				(in GWH)				(%)
2000	53,855	9,611	15,852	5,917	108	13,144	98,487	6.5
2001	62,748	2,420	17,722	6,206	248	14,528	103,872	5.5
2002	69,721	1,969	16,652	7,399	151	15,362	111,254	7.1
2003	76,027	2,434	16,856	7,240	75	15,779	118,411	6.4
2004	81,074	5,468	17,993	5,922	233	16,821	127,511	7.7
Three months ended March 31, 2005	20,701	1,512	4,388	1,849	47	3,966	32,462	6.9

Source: Energy Policy and Planning Office, Ministry of Energy

(1) Includes only electricity generated by EGAT and IPPs using natural gas.

Natural Gas Industry

Gas Transmission

Natural gas is transported by our pipeline system from the natural gas producing fields in the Gulf of Thailand and from the Thailand-Myanmar border to power plants, to gas separation plants and various end users. As of March 31, 2005, the total length of the offshore and onshore gas transmission network was 2,400 kilometers, excluding distribution pipelines and upstream collection pipelines between gas fields which feed into the network. Approximately 1,369 kilometers of our transmission system is offshore and approximately 1,031 kilometers is onshore.

Gas Processing

Gas separation plants extract natural gas products, including LPG, ethane, butane, propane and natural gas liquids, or NGL, for sale to various customers. LPG is principally used as cooking fuel and supplementary feedstock while ethane and propane are used as petrochemical feedstock. NGL is used as a petrochemical feedstock, as a solvent and blended in the gasoline pool. There are currently six gas separation plants operating in Thailand, five of which are owned by us and one of which is owned by PTTEP. We constructed the first gas separation plant in Thailand, which began operations in 1984, and is located in Rayong province. This plant was constructed to provide a domestic source for LPG to substitute for imports and provide feedstock for the emerging petrochemical industry in Thailand. Due to increased domestic demand for LPG and the expansion of the petrochemical industry in Thailand, we constructed the second and third gas separation plants which began operations in 1990 and 1996, respectively, both of which are located in Rayong province. We constructed the fourth gas separation plant at Khanom district in Nakhon Si Thammarat province, which began operations in 1995, to reduce the need to import and transport natural gas products from depots in the eastern part of the country. To keep pace with increasing demand for petrochemical feedstock and LPG, we constructed the fifth gas separation plant in 2002, which commenced operations in 2004. In addition, we expect to begin construction of an ethane separation plant and the sixth gas separation plant in 2006 to satisfy demand for ethylene from PTT Polyethylene Co., Ltd. ("PTTPE"), a joint venture between PTT and NPC. We also commenced construction of a gas separation plant in connection with Phase 1 of the Trans-Thai-Malaysia Gas Pipeline and Separation Project ("TTM Project") in 2003, which is expected to start operations in the beginning of 2006.

Gas Marketing and Distribution

Natural gas is delivered to end users either directly or through a distribution system that is linked to the natural gas transmission network. Large volume customers, such as power producers, receive their gas deliveries directly from the transmission network owned by us. Smaller volume customers, mainly industrial customers, receive their gas deliveries through a pipeline distribution system which is linked to the gas transmission network. We own a majority of the gas distribution network in Thailand, while the remaining portion is owned by our subsidiaries, PTTNGD and PTTEP Siam Limited, formerly known as Thai Shell.

Exploration and Production

The Government owns all of Thailand's petroleum resources and grants concessions to companies to conduct exploration and production activities in both onshore and offshore properties. Since Thailand's first gas field, Erawan, entered production in 1981, there have been over 32 active concessions covering 42 exploration blocks. In addition to PTTEP, a number of foreign-owned companies explore, develop and produce oil and gas properties in Thailand, including Unocal Thailand, Ltd. ("Unocal Thailand"), Chevron Offshore (Thailand) Ltd. ("Chevron") and ExxonMobil Exploration and Production Khorat Inc. ("ExxonMobil E&P", formerly named Esso Exploration and Production Khorat Inc.). See "Relationship with the Government and Regulatory Matters".

On January 23, 1991, the Malaysia-Thailand Joint Development Authority ("MTJA") was established for the exploration and exploitation of natural resources, particularly petroleum, in the overlapping continental shelf area in the Gulf of Thailand known as the JDA. The MTJA is a statutory body established under the laws of Malaysia and Thailand to assume all rights and responsibilities on behalf of the two governments. On April 21, 1994, the MTJA awarded two Production Sharing Contracts ("PSCs") in the JDA to contractors. Block A-18 was awarded to Triton Oil Company of Thailand and Petronas Carigali (JDA) Sdn. Bhd ("Carigali", recently renamed "PC JDA"). Blocks B-17 & C-19 were awarded to PTTEPI and Carigali. In July 1994, these contractors set up two operating companies to act as operators in their respective contract areas: Carigali-Triton Operating Company Sdn. Bhd. as operator for Block A-18 and Carigali-PTTEPI Operating Company Sdn. Bhd. as operator for Blocks B-17 and C-19.

Thailand's petroleum reserves are dominated by natural gas and approximately 75% of these reserves are located in the Gulf of Thailand. According to DMF, as of December 31, 2004, Thailand's gas reserves (including Thailand's 50.0% share in the JDA) totaled 33.52 trillion cubic feet, consisting of 12.51 trillion cubic feet of proved reserves, 10.87 trillion cubic feet of probable reserves and 10.14 trillion cubic feet of possible reserves. Based on DMF statistics for 2004, Thailand's reserve-to-production ratio for total natural gas reserves was 42 years, and approximately 16 years for natural gas proved reserves. Crude oil and condensate reserves totaled 1,419 MMbbls, consisting of 527 MMbbls of proved and probable reserves and 892 MMbbls of possible and probable reserves. Condensate reserves and production levels are largely associated with reserves and production levels of gas properties. The following table sets out Thailand's petroleum reserve balances over the last five years.

	Natural Gas		Crude Oil		Condensate	
As of December 31	Proved Reserves	Probable & Possible Reserves	Proved Reserves	Probable & Possible Reserves	Proved Reserves	Probable & Possible Reserves
	(Bcf)	(Bcf)	(MMbbls)	(MMbbls)	(MMbbls)	(MMbbls)
2000	12,705	21,000	272	447	244	458
2001	13,341	19,118	325	481	258	429
2002	15,579	17,476	364	350	328	463
2003	14,754	18,337	291	376	319	511
2004	12,508	21,008	289	278	238	614

Source: DMF Annual Reports 2000-2004

In 2004, natural gas proved reserves balances decreased 15.2% from 2003, while probable and possible reserves balances increased 14.6%. Crude oil proved reserves decreased 0.7% while condensate proved reserves also decreased 25.4%. The following table sets out Thailand's petroleum sales over the last five years.

As of December 31	Natural Gas	Crude Oil	Condensate
	(MMcf)	(MMbbls)	(MMbbls)
2000	671,703	20.5	19.4
2001	660,870	22.6	18.8
2002	685,933	27.3	18.7
2003	714,677	32.1	20.0
2004	746,418	31.1	21.8

Source: DMF Annual Report 2004

In 2004, sales of natural gas increased incrementally by 4.4% to 746,418 MMcf while crude oil sales decreased 3.0% to 31.1 MMbbls. The following table lists the top producing operators in Thailand, and the gross natural gas production and sales volumes for their respective properties in 2004.

Natural Gas Production & Sales

Operator	Production		Sales	
	(MMcf)	(%)	(MMcf)	(%)
Unocal Thailand	461,665	58.5	432,361	57.9
PTTEP	238,816	30.2	228,581	30.6
Chevron	76,552	9.7	72,775	9.8
ExxonMobil	12,791	1.6	12,701	1.7
Total	789,824	100.0	746,418	100.0

Source: DMF Annual Report 2004

Unocal Thailand's fourteen petroleum fields accounted for the largest portion of natural gas produced in Thailand in 2004. PTTEP was the second largest producing operator of natural gas in Thailand primarily through its Bongkot property. Produced natural gas to sales gas loss rate for Thailand averaged only 5.5%, which included flaring, some carbon dioxide removal and in-field energy use.

Oil Industry

Crude Oil Procurement, Transportation and Distribution

In 2004, more than 90% of crude oil demand in Thailand was supplied by imports. Crude oil production in Thailand increased by 11.0% to 31 MMbbls or 85,515 Bbls/d in 2004. Imported crude oil amounted to 869,958 Bbls/d, an increase of 12.1% from 2003. Of this amount, 40,911 million liters came from the Middle East, 6,737 million liters from the Far East and 2,973 million liters from other sources. Crude oil is transported within Thailand by marine tankers, pipelines, trucks or railway, depending on the location of the oil field and refinery.

All imported crude oil is shipped by oil tankers to oil jetties along the coastline of Thailand while domestic crude is mainly transported to refineries by rail. Most of the crude oil shipped to the oil jetties is delivered to refineries located in their vicinity through connection pipelines. Currently, Thailand's seven refineries are the principal processors of imported and domestic crude oil. Most of the refineries are located in the coastal region in Thailand and all of them have connecting pipelines to an oil jetty located nearby.

Refining of Petroleum Products

The manufacture of refined petroleum products in Thailand is currently dominated by seven refineries, four of which make up our refining segment.

As of December 31, 2004, we estimated that Thailand's primary distillation capacity was approximately 1,012 Kb/d, and Thailand's total refining throughput was approximately 829 Kb/d (48,265 million liters per year).

In 2004, Thailand's refining crude slate was approximately 48,265 million liters excluding asphalt. The following table sets out Thailand's total production of certain principal refined products for the periods indicated.

	Year Ended December 31,			Three Months Ended March
(in million liters)	**2002**	**2003**	**2004**	**31, 2005**
Product				
Gasoline	8,251	8,639	8,954	2,215
Diesel	17,375	18,734	20,254	4,784
Aviation Fuel	4,664	4,238	4,617	1,107
Fuel Oil	5,964	6,050	6,719	1,585
Kerosene	550	697	1,120	249
LPG	5,894	6,180	6,601	1,747
Total	42,698	44,538	48,265	11,687

Source: Department of Energy Business, Ministry of Energy

Trading and Marketing of Refined Petroleum Products

Trading of refined petroleum products in Thailand occurs through commercial, retail and international trading networks. The commercial distribution market is characterized by competition among several major players including ourselves. Retailing of refined petroleum products is open to domestic and foreign companies and Thai-foreign joint ventures. The following table sets out the number of service stations in Thailand as of December 31, 2004 and the market share by number of stations.

	Number of Service Stations	Market Share
		(%)
PTT Plc.	1,367	7.2
Bangchak Petroleum Plc.[(1)]	1,150	6.1
Esso (Thailand) Plc	650	3.4
Shell (Thailand) Co., Ltd.	618	3.3
Caltex (Thailand) Co., Ltd.	433	2.3
Paktai Chueplerng Co., Ltd.	222	1.2
Conoco (Thailand) Co., Ltd.	143	0.8
Siam United Services Plc.	141	0.7
Kuwait Petroleum (Thailand) Ltd.	116	0.6
Cosmo Oil Co., Ltd.	91	0.5
TPI Oil Co., Ltd.	73	0.4
PC Siam Petroleum Co., Ltd.	22	0.1
Thai Oil Public Co., Ltd.[(2)]	3	0.02
Other[(3)]	13,918	73.4
Total	18,947	100.0

Source: Department of Energy Business, Ministry of Energy

(1) We own 7.91% of Bangchak Petroleum Plc.

(2) We own 49.54% of Thai Oil Public Co., Ltd.

(3) Other service stations include independent operators and other dealers.

As of December 31, 2004, we had the largest number of service stations in Thailand, with 1,367 service stations located throughout the country. The Ministry of Commerce estimates that in 2004 our sales volume of refined petroleum products accounted for approximately 32.8% of Thailand's national total petroleum products consumption.

Refined Petroleum Products

The table below sets out the production, imports, exports and consumption of the major refined petroleum products in Thailand for the periods indicated.

		Year Ended December 31,			Three Months Ended March
(in million liters)		**2002**	**2003**	**2004**	**31, 2005**
Gasoline	Production	8,251	8,639	8,954	2,215
	Imports	224	139	193	—
	Exports	1,230	1,108	1,359	377
	Consumption	7,326	7,635	7,661	1,825
Diesel	Production	17,375	18,734	20,254	4,784
	Imports	706	605	713	289
	Exports	2,332	2,148	2,382	247
	Consumption	16,077	17,550	19,640	5,282
Kerosene	Production	550	697	1,120	249
	Imports	—	—	—	—
	Exports	319	109	59	—
	Consumption	62	36	23	6
Fuel oil	Production	5,964	6,050	6,719	1,585
	Imports	—	211	753	192
	Exports	767	780	1,078	350
	Consumption	4,783	4,991	6,064	1,469
Aviation fuel	Production	4,664	4,238	4,617	1,107
	Imports	51	43	50	1
	Exports	921	558	367	36
	Consumption	3,778	3,761	4,242	1,075

Source: Ministry of Energy

Transportation Infrastructure

Most refined products are transported by marine tankers, pipelines, trucks and railways. The current state of Thailand's pipeline network for refined petroleum products is not extensive and reliance on transportation by rail and water is expected to remain necessary until a more complete pipeline network is established. Currently, only a limited number of customers are directly connected to refineries by pipeline. As a result, distribution costs are determined largely by proximity of refining facilities to the consuming market. Refineries are located in the central regions of Thailand where the market demand for refined products is relatively stronger than in other regions.

The Petrochemical Industry

Thailand has been one of the world's most rapidly growing producers of petrochemicals in the last ten years. The Asia-Pacific region now represents a larger portion of global ethylene capacity than Western Europe and has been the driver of much of the growth in the global petrochemicals market over the past ten years, with growth in capacity in Thailand accounting for a significant portion of Asia-Pacific growth. Thailand's petrochemical segment produces more than 1,500 kinds of petrochemical products, which are widely used in different industries.

The Thai petrochemical industry is also characterized by the increased competitiveness of its chief players as downstream producers, such as Thai Petrochemical Industry Plc. and The Siam Cement Plc., have integrated their polymer plants upward by building their own crackers, and upstream producers, including our associated companies NPC and TOC, have integrated downstream. In August 2004, NPC completed construction of a high-density polyethylene plant having a nameplate capacity of 250 KTA.

Prior to the establishment of the National Petrochemical Complex in 1989, Thailand's petrochemical industry survived wholly on the supply of imported feedstocks. However, since the completion of the country's first national cracker, use of indigenous ethylene and propylene has risen steadily. In 2000, the Thai petrochemical industry was for the first time completely self-sufficient without having to import ethylene. Thailand's ethylene capacity utilization rate was 101% in 2004. Domestic production of ethylene has increased from 1.83 million tonnes in 2000 to 1.99 million tonnes in 2004, an increase of more than 8%. Domestic demand also increased from 1.44 million tonnes in 2000 to 1.89 million tonnes in 2004, an increase of more than 31%. In 2004, as the supply of ethylene outstripped domestic demand, Thailand exported 123 thousand tonnes of ethylene, a decrease of 6% from 2002. The following table shows the production, import, export and consumption of ethylene from 2000 to 2004.

Thailand's Ethylene Production, Import, Export and Domestic Consumption

(in KTA)	Production	Import	Consumption	Export
Year				
2000	1,832	—	1,444	388
2001	1,798	0	1,646	152
2002	1,892	11	1,771	131
2003	2,007	7	1,872	142
2004	1,993	20	1,889	123

Source: Petroleum Institute of Thailand

Propylene domestic production has also increased steadily over the past five years with an increase from 1.01 million tonnes in 2000 to more than 1.21 million tonnes in 2004. Thailand's propylene capacity utilization rate was 105% in 2004. Locally manufactured propylene constituted 100% of total domestic consumption. The following table shows the production, import, export and consumption of propylene from 2000 to 2004.

Thailand's Propylene Production, Import, Export and Domestic Consumption

(in KTA)	Production	Import	Consumption	Export
Year				
2000	1,083	34	1,048	69
2001	1,035	13	1,018	30
2002	1,134	53	1,163	24
2003	1,192	52	1,188	57
2004	1,215	20	1,195	39

Source: Petroleum Institute of Thailand

Domestic production of paraxylene increased from 639 thousand tonnes in 2000 to more than 906 thousand tonnes in 2004. Thailand's paraxylene capacity utilization rate was 96% in 2004. Locally manufactured paraxylene constituted more than 100% of total domestic consumption. The following table shows the production, import, export and consumption of paraxylene from 2000 to 2004.

Thailand's Paraxylene Production, Import, Domestic Consumption and Export

(in KTA)	Production	Import	Consumption	Export
Year				
2000	639	85	512	212
2001	696	70	538	228
2002	906	40	669	277
2003	1,057	81	841	297
2004	1,041	140	945	236

Source: Petroleum Institute of Thailand

Domestic production of benzene increased from 463 KTA in 2000 to more than 706 KTA in 2004. Thailand's benzene capacity utilization rate was 112% in 2004. Locally manufactured benzene constituted more all of domestic consumption. The following table shows the production, import, domestic consumption and export of benzene from 2000 to 2004.

Thailand's Benzene Production, Import, Domestic Consumption and Export

(in KTA)	Production	Import	Consumption	Export
Year				
2000	463	46	294	215
2001	509	2	321	190
2002	502	15	302	214
2003	580	0	361	219
2004	706	12	387	332

Source: Petroleum Institute of Thailand

Relationship with the Government and Regulatory Matters

General

We were established on October 1, 2001 as a result of the corporatization of our predecessor, the Petroleum Authority of Thailand. Our predecessor was established by the PTT Act to serve as the national petroleum company. All of our predecessor's businesses, assets, rights, debts, and liabilities were transferred to us on October 1, 2001 under the Corporatization Act. In an effort to increase efficiency, promote competition and reduce the Government's financial burden after the Asian financial crisis in 1997, the Government began the process of privatizing certain state-owned enterprises in 1998.

As a state enterprise, we are required to comply with certain government regulations not applicable to privately owned companies, including having the State Audit Office of Thailand as our auditor. Under current law, so long as the MOF or another agency of the Government owns more than 50.0% of our issued and outstanding shares, we will be a state enterprise subject to such regulations. The MOF has the responsibility to monitor the financial condition and maintain the financial integrity of state enterprises. Our board of directors is elected by our shareholders at a general meeting of shareholders. Because the MOF currently owns 52.5% of our outstanding shares, the MOF will be able to substantially influence such elections. A representative of the MOF serves on the board of directors of all major state enterprises, including ours. The MOF is also required by the Regulation on National Borrowing B.E. 2528 to ensure the compliance by state enterprises with the terms of their debts instruments. The Government has proposed setting up a holding company responsible for supervising all corporatized state enterprises that would replace the MOF as the government shareholder in these state enterprises to ensure that these state enterprises are managed professionally.

The MOEN was created in 2002 as part of a ministerial restructuring enacted by the current government. The creation of the ministry was aimed at achieving better integration and higher efficiencies in the formulation and implementation of the country's energy related policies. The majority of the departments under the ministry have been transferred from the Ministry of Industry with the key addition of the National Energy Policy Office, which was previously under direct control of the Prime Minister.

The MOEN and its key offices, including the DMF, the Department of Energy Business and the Energy Policy and Planning Office, make up an instrumental government body with the authority to formulate, make recommendations on, and oversee implementation of policies related to matters pertaining to the country's present and future energy requirements. Such policies include the management of the country's indigenous resources through the granting of concessions, after Cabinet approval, to explore and produce natural gas in the Gulf of Thailand. In addition, the Ministry of Energy is also responsible for implementing the Government's restructuring of the energy industry (including electricity and oil and gas) and overseeing policies with respect to the government's ownership in EGAT, PTT, and Bangchak Petroleum Plc ("Bangchak").

The NEPC is a committee set-up by the Cabinet and chaired by the prime minister with primary responsibility for overseeing and approving energy policies in Thailand. NEPC resolutions are the definitive statement of the Government on energy policy and once endorsed by the Cabinet, are binding. As a state energy company, we are required to cooperate with the MOEN and EPPO on the implementation of such policies. The permanent secretary of the MOEN is the Chairman of our board of directors and the Secretary of EPPO is a member of our board of directors.

Gas Pipeline Master Plan III

Gas Pipeline Master Plan III was approved by the Cabinet on September 25, 2001. We planned our projects under Gas Pipeline Master Plan III based on their current natural gas demand projections, which have been and may be adjusted in the future to reflect future changes in supply and demand for natural gas and other factors. Natural gas demand has been rising as a result of the country's economic recovery since 1997. Accordingly, we reviewed and adjusted our Gas Pipeline Master Plan III to correspond with an increase in gas demand as well as EGAT's Power Development Plan (2003 - 2016), or PDP 2003. One of our goals is to increase the capacity of the third offshore pipeline from 1,400 MMcf/d to 1,750 MMcf/d.

On December 9, 2003, the Cabinet approved our Gas Pipeline Master Plan III (as revised). On February 27, 2004, the Office of the National Social and Economic Development Board approved the implementation of various projects under this plan, with the exception of the offshore gas pipeline for the Thabsakae project.

On August 24, 2004, the Cabinet endorsed a resolution of the NEPC dated July 28, 2004 on the Power Development Plan for 2004-2015 ("PDP 2004"), prepared by EGAT. The plan was based on the assumption that power demand would rise by 6.5% per year, as compared to PDP 2003, which had assumed a rise in demand of 4.5% per year. This implied a faster rising demand for natural gas to fuel power generation, together with accelerated demand for natural gas in the industrial sector and gas separation plants, which was in line with the Government's latest economic expansion projections. Accordingly, we revised Gas Pipeline Master Plan III to keep up with the latest projections on natural gas demand. The revised Gas Pipeline Master Plan III not only implements further enhancements to the transmission capacity of the system from 1,750 MMcf/d to 1,860 MMcf/d, both onshore and offshore, but also accelerates project implementation under Phase 2. The latest revision of the Gas Pipeline Master Plan III, which was approved by the NEPC on December 23, 2004 and by the Cabinet on May 17, 2005, covers investment in eleven gas pipeline projects totaling Baht 157,102 million.

Regulation of Gas Pricing and Transmission

The Government of Thailand through NEPC and EPPO (formerly the National Energy Policy Office, or "NEPO") has regulated gas prices and tariffs charged to EGAT, IPPs and SPPs since 1996. An NEPC announcement promulgated by the Cabinet on October 24, 2001 (the "Announcement") sets out the current regulatory structure. In summary, the Announcement sets out the following principles and procedures.

Principles of Governance

The gas price is composed of two components, a gas charge and a transmission tariff. The Announcement mandates that the determination of both components take into account the interests of various stakeholders, including gas users, pipeline users, and pipeline owners and operators. In addition, the Announcement provides that gas prices and transmission tariffs be clear and transparent, that gas price and transmission tariff calculations reflect efficient costs of service and that their methodology of calculation be clearly stated.

Gas Price

The Announcement confirms the existing gas price mechanism, including pool prices and tariff zoning, and provides for gas prices for contracted gas to be based on the gas purchase price plus a marketing margin. The gas purchase price is the average heating value cost of gas derived from one of three gas pools. The first pool is sourced from the Gulf of Thailand and is allocated to gas separation plants. The second pool is sourced from the remaining gas from the Gulf of Thailand and gas from Myanmar, and is allocated to EGAT. The third pool consists of the remaining gas from the second pool plus LNG, and is allocated to IPPs, SPPs and other users. Until the introduction of LNG in Thailand, which is currently expected to be no earlier than 2010, gas purchase prices will continue to be based solely on the first two pools. The permitted marketing margin varies by customer, and is capped. See "Business — Gas Business Group — Gas Marketing and Distribution — Pricing".

Transmission Tariff

The Announcement confirms the existing transmission tariff structure and approves the tariff structure to be applied to pipeline expansions and extensions. The tariff charged varies by the three zones, and consists of a demand and commodity charge. The demand charge is intended to reflect invested costs and fixed operating expenses of a pipeline system, and is based on the quantity of contracted gas volumes. The commodity charge is intended to reflect variable expenses and is based on the actual quantity of gas delivered. Both are expressed in Baht per MMbtu.

The Announcement provides the following tariff calculation concepts to apply to existing pipelines:

- Internal rate of return on equity equal to 18.0%, with the operator to absorb associated foreign exchange risk;
- Pipeline project life between 1996 to 2028, although the life of individual pipelines may vary;
- Annual fixed operating and maintenance expenses at 3.0% of the investment cost of the project; and
- Financing with a debt to equity ratio of 3 to 1, an interest rate of 10.5% per annum and a repayment period of 10 to 13 years.

The Announcement provides for the reappraisal of the asset value and usage life of a pipeline in accordance with international standards upon the expiration of the pipeline's asset life. Usage life may be extended to match useful asset life. Investment incurred from new pipeline expansions, such as Gas Pipeline Master Plan III, or re-asset value from the existing pipeline extensions, is to be calculated separately, and included in to the existing system's tariff on a roll-in basis.

The parameters for calculating the tariff for Gas Pipeline Master Plan III and extended-usage life of existing pipelines, are similar to the existing tariff structure, except as summarized below:

- Internal rate of return on equity equal to 16.0%, with the operator to absorb associated foreign exchange risk;
- Pipeline project term of up to 40 years; and
- Financing repayment period to be approved by EPPO.

Review and Implementation

The tariff amount is to be reviewed every five years, and adjusted if there is any additional investment or expansion, or any material change in gas volume or gas heating value. Upon each review, the pipeline operator is required to submit to EPPO a proposed tariff amount and assumptions for approval, calculated based on the established parameters of the tariff structure. Once approved, the operator must announce the tariff to the pipeline users. Within the five-year review process, EPPO reserves the right to review tariff calculations as well as the supply and distribution of gas in the event of any major economic or social changes. The first review of the tariff began at the beginning of 2001. The next review is scheduled to take place in 2006.

Liberalization of the Gas Supply Industry

On February 16, 1999, the Cabinet endorsed a resolution approved by NEPC to liberalize the gas industry in Thailand. This liberalization plan has not yet been fully implemented by the Government but is likely to affect our natural gas business. According to the gas industry reform plan, our transmission pipeline business is to be separated from our gas supply and marketing business. After this separation, the gas transmission business will continue to be wholly owned by us.

The Government has announced that liberalization should focus on the new gas supply and demand, and should not impact our existing gas purchase and sales agreements. Competition in the gas industry will be promoted by the new TPA, which will allow third parties to access our existing pipeline network when surplus capacity is available in the network or in the new pipeline system. The TPA only allows our competitors to sell "new" gas supply. New petroleum concessions will be considered new gas supply on which third party access will be allowed. Agreements not in existence at the time of enactment of the TPA are considered to be new gas demand for which consumers can choose to purchase gas from sources other than us.

We will still have the right to transmit "existing" gas under existing gas purchase and sales agreements from producers and to consumers, respectively. The Government has provided the following definitions of existing gas supply and existing gas demand:

- existing gas supply includes all domestic concessions which are under contract with us, including gas supply for which contracts were being negotiated including Bongkot 4, JDA and extensions of the Yadana and Yetagun agreements;

- existing gas demand will include current agreements between natural gas customers and us, including gas sales agreements between ourselves and EGAT for the projects at Ratchaburi, Namphong, and for future projects at Nong Chok, and Surat Thani power plants; and

- existing gas demand will also include agreements between IPPs, SPPs, industrial customers and us until the end of contracted terms.

The main aspects of the Government's plan for liberalization of the gas industry can be summarized as follows:

Gas Transmission

- legally separate the transmission pipeline system from us within one year from our being listed on the stock exchange to provide greater transparency, fairness and accountability (the legal separation of the transmission pipeline system has been suspended while the Government revises the plan to be consistent with the country's privatization plan);

- establish an independent regulatory agency to regulate the pipeline tariff rate and the development of the gas transmission system master plan;

- allow third party access for new gas supply agreements through new pipeline systems or when excess capacity is available on our current pipeline;

- provide for load balancing;

- allow us to build pipelines as set forth in Gas Pipeline Master Plan III;

- allow open concession bidding for new pipeline concessions, or joint ventures between the public and the private sectors for the construction and operation of new transmission pipelines (we will be allowed to participate in the bidding); and

- ensure that we will be the single network operator of all pipeline networks connecting to our pipeline system to ensure stability of gas supply and gas quality as well as service efficiency.

Gas Supply and Marketing

- regulate the marketing margin for gas sales agreements signed prior to the restructuring of the industry; and

- allow the prices for supply and marketing of gas for new gas sales agreements to be determined by market forces.

Gas Distribution Pipeline System

- allow open concession bidding for the construction and operation of new distribution pipelines.

Exploration & Production Concessions

The Government owns all of Thailand's petroleum resources and has enacted Petroleum Act B.E. 2514 and Petroleum Income Tax Act B.E. 2514 (the "Petroleum Acts") to govern the award of concessions for exploration and production rights in Thailand. The Petroleum Acts have been amended over time into three different concession regimes, commonly referred to as "Thailand I", "Thailand II" and "Thailand III". Exploration and production of all properties in Thailand in which PTTEP has a working interest is governed by Thailand I, except for the PTTEP-1, B13/38, G4/43, L22/43, L53/43, L54/43 and B13/38 concessions which are governed by Thailand III.

Thailand I is applicable to all offshore concessions granted from 1971 to 1989 and all onshore concessions granted prior to 1982, and provides for exploration periods of eight years with an extension of four years at the discretion of the MOEN. After five years, a concessionaire is required to relinquish exploration rights with respect to 50.0% of the original concession area. Unless a concession period is renewed, the concessionaire must relinquish the right to explore the remaining area at the termination of the exploration period. If renewed, the concessionaire must relinquish 25.0% of the original exploration area at the commencement of the renewal period. Thailand I provides for a 30-year production period from the date of termination of the exploration period, with a discretionary extension by the Ministry of Energy of up to 10 years. Thailand I provides for a fixed 12.5% royalty, payable quarterly and a petroleum income tax of 50.0% of net income. For the purposes of determining the petroleum income tax due under Thailand I for any tax period, a taxpayer's Thailand I royalty may be credited against the corresponding petroleum income tax liability incurred in the tax period in which such royalty is incurred, but if the royalty exceeds the income tax liability in any year, the excess is not refunded and may not be carried forward for use in subsequent year.

Thailand III is applicable to all concessions granted since 1990, and provides for exploration periods of six years with an extension of three years at the discretion of the MOEN. Under Thailand III, after four years a concessionaire is required to relinquish exploration rights with respect to 50.0% of the original concession area. Unless a concession period is renewed, the concessionaire must relinquish the right to explore the remaining area at the termination of the exploration period. If renewed, the concessionaire must relinquish 25.0% of the original exploration area at the commencement of the renewal period. Thailand III provides for a 20-year production period from the date of termination of the exploration period, with a discretionary extension by the Ministry of Energy of up to 10 years. Thailand III provides for a royalty, payable monthly, of between 5.0% and 15.0%, based on the rate of sales, and a petroleum income tax of 50.0% payable on net income, as well as a special tax on profits exceeding a certain threshold at rates from zero to 75.0%. A taxpayer's Thailand III royalty may not be credited for purposes of determining the petroleum income tax liability due under Thailand III, but is deductible as an expense.

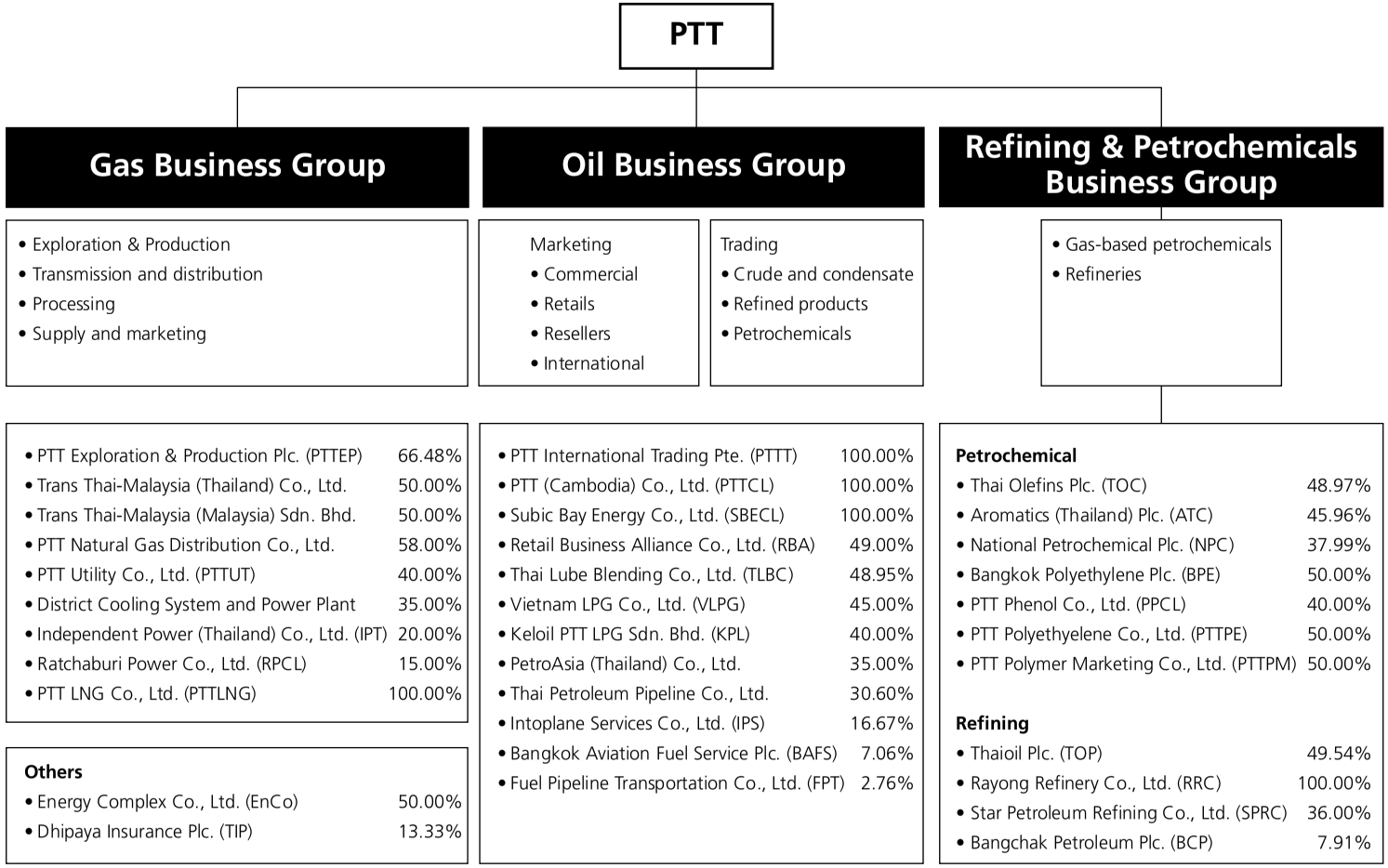
Under Thailand I, the MOEN granted exploration blocks of 10,000 square kilometers each, and no applicant could receive concessions for more than 50,000 square kilometers. Under Thailand III, onshore blocks of up to 4,000 square kilometers are granted, and each applicant may receive up to five concessions, in the aggregate containing no more than 20,000 square kilometers.

The Petroleum Acts provide that no juristic person may be awarded more than five concession blocks. This restriction does not apply to the acquisition of a less than 100.0% interest in an existing concession from one of the concessionaires.

Our Corporate Structure

We began operations in Thailand in 1978 as the Petroleum Authority of Thailand through the merger of the Oil and Fuel Organization of Thailand and the Natural Gas Organization of Thailand and pursuant to the Petroleum Authority of Thailand Act, B.E. 2521 (1978). The Petroleum Authority of Thailand, our predecessor, was a state enterprise established to develop and promote Thailand's petroleum industry and to ensure the security of energy supply in Thailand. We were incorporated on October 1, 2001 as a result of the corporatization of our predecessor under the Corporatization Act. As part of our formation, we succeeded to all businesses operations of our predecessor. Through the authority of the Royal Decree on Granting Powers, Rights and Interests of PTT Public Company Limited B.E. 2544, we were granted substantially all exemptions from regulations and other privileges previously enjoyed by our predecessor. We are organized into three business groups, a gas business group, an oil business group and a petrochemicals and refining business group.

The following chart presents our business structure as of March 31, 2005.



Business

Overview

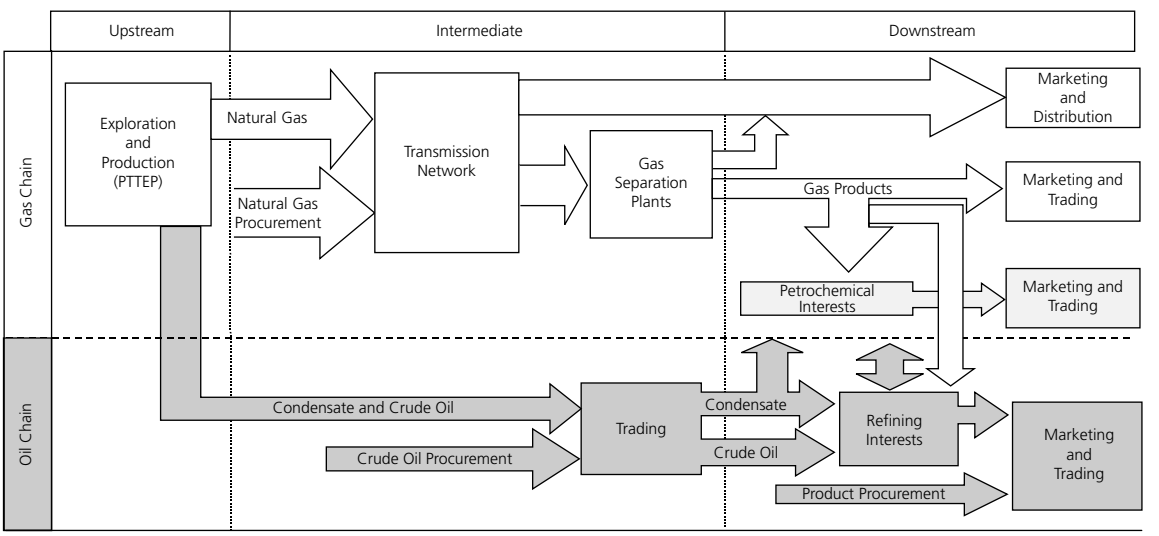
We are Thailand's only fully-integrated gas company and the majority owner of PTTEP, a leading exploration and production company in Thailand. Our primary business activities are:

- procurement, transmission, processing, marketing and distribution of natural gas and gas products; and

- exploration, development and production of natural gas, condensate and crude oil through our 66.48%-owned subsidiary PTTEP.

We also have a leading position in the marketing and trading of various crude oil, condensate, petrochemical and refined petroleum products in Thailand. In addition, through our interests in numerous companies, we participate in Thailand's petrochemical and refining industries.

The following diagram illustrates the integration of our operations.



We purchase natural gas from PTTEP and other producers of natural gas in Thailand and Myanmar for delivery to customers through our integrated pipeline transmission and distribution system. Our system is approximately 2,727 kilometers in length with a capacity of 3,410 MMcf/d. In the three months ended March 31, 2005, approximately 74.9% of our natural gas by volume was sold to EGAT and private power producers in Thailand, as compared with 77.0% in 2004. Our natural gas separation plants, which have a total feed capacity of approximately 1,760 MMcf/d, extract gas products in a volume equal to approximately 16.0% of the natural gas we purchase. These gas products include LPG and feedstocks sold to our refining and petrochemicals business group.

Exploration and production of petroleum is conducted by our subsidiary PTTEP, which as of January 1, 2005 owned approximately 27% of the proved petroleum reserves in Thailand according to the DMF. As of December 31, 2004, PTTEP's proved petroleum reserves (excluding the share of reserves from PTTEP's investment in Medco) were 899 MMboe of which approximately 85%, or 5,011 Bcf, was natural gas. For the three months ended March 31, 2005, sales volume averaged approximately 142,685 Boe/d of which approximately 74% was natural gas.

Our oil business group purchases crude oil and condensate from producers within and outside of Thailand. Condensate and crude oil are sold as feedstock to our petrochemical and refining interests and also marketed by our trading arm. We generally purchase product offtake from companies in our refining and petrochemicals business group in proportion to the feedstock that we supply to each such company. We market product offtake from these companies both in Thailand and internationally through various distribution channels, including our commercial, retail, reseller and international marketing businesses.

Competitive Strengths

We believe that our historical success and our potential for future growth are due primarily to:

- our fully integrated natural gas and oil business, which creates value and provides returns at every stage of operation, from gas field to end-user;
- our dominant position in an established and growing natural gas market;
- operational synergies between our oil business group and our refining and petrochemicals business group;
- our diversified earnings reducing our exposure to oil price volatility and providing financial stability;
- our access to low cost and growing upstream operations through PTTEP; and
- our experienced management team.

Our fully integrated natural gas and oil business, which creates value and provides returns at every stage of operation, from gas field to end-user

We are the owner and operator of Thailand's gas transmission and distribution pipeline system, which includes approximately 2,727 kilometers of onshore and offshore pipeline. This pipeline system is linked to PTTEP's upstream interests, as well as our four gas separation plants and certain downstream marketing operations. We have also invested in companies in our refining and petrochemicals business group that purchase our gas products. By participating in every stage of the gas supply chain, from the field to the end user, we are able to generate returns and create value from each segment of our operations. PTTEP's upstream operations provide us access to high returns in the exploration and production of natural gas, while our transmission business gives us the stable and strong returns of a regulated utility. Our gas separation plants allow us to extract gas products and sell them at higher margins than the cost of the natural gas we purchase. Finally, our natural gas distribution and marketing activities also provide us with marketing returns.

Our dominant position in an established and growing natural gas market

We enjoy a natural monopoly as the owner and operator of all of the transmission pipeline in Thailand. The natural gas market in Thailand is well established, and its transmission business has been regulated since 1996. In the three months ended March 31, 2005, approximately 36.5% of Thailand's primary energy consumption was from natural gas and in that same period, natural gas accounted for approximately 63.8% of fuel for power generation by EGAT, IPPs and SPPs, according to EPPO. Natural gas consumption has recently experienced strong growth, generating a compounded annual growth rate of approximately 8.1%, from 380 KBoe/d in 2000 to 518 KBoe/d in 2004, according to EPPO.

Operational synergies between our oil business group and our refining and petrochemicals business group

Our strategic investments in refining and petrochemical companies and our significant position in the oil marketing and trading businesses allow us to create operational synergies between feedstock supply and product offtake. The recognition by major oil producers of our status as the national purchaser of crude oil and condensate allows us to achieve competitive industry margins on our supply of feedstock. Our refining and petrochemical interests own modern and complex petrochemical and refining facilities capable of producing high quality offtake products that can attract competitive margins in both the domestic and international markets.

Our diversified earnings reducing our exposure to oil price volatility and providing financial stability

Our earnings are diversified and are derived from a number of business segments and associated companies, which reduce our exposure to oil price volatility. Our gas business accounts for a majority of our net income, and provides relative stability against price movements due to the pricing formulae of our supply contracts. Gas earnings are mainly derived from our transmission tariff, which is not linked to natural gas or oil prices. Long-term gas sales agreements with customers, together with assured supply through matching contracts with PTTEP, provide stable cashflows and a regulated internal rate of return on equity of 18.0% for transmission. In addition, PTTEP's earnings are driven primarily by natural gas prices. Such prices, which are less volatile than oil prices, are determined by formulas linked to a basket of items, and include adjustable price floors.

Our access to low cost and growing upstream operations through PTTEP

PTTEP's proved undeveloped reserves accounted for approximately 56% of its 899 MMboe proved reserves as of December 31, 2004. PTTEP intends to utilize this proved undeveloped reserve base and other reserve prospects to grow its production and sales. It has an established track record of growing its reserves and production. During the three months ended March 31, 2005, PTTEP's average daily sales volume increased approximately 10% as compared to the three months ended March 31, 2004, while its compound average growth rate as of the two years ended December 31, 2004 was approximately 15%. Key projects for growth include the further exploration and eventual development of the JDA and Arthit. PTTEP's low finding and development cost structure allows for the capital-efficient growth of its business, while its low operating costs further enhance returns and operating margins.

Our experienced management team

Our management has successfully led their respective business units. Almost all of our key senior management were involved with our initial public offering in 2001 and PTTEP's initial public offering in 1993 and follow-on offering in 1998. They have extensive experience in successfully managing a Thai publicly-listed and industry-leading company. Our management has extensive experience in the petroleum industry. As of March 31, 2005, all of our senior managers have Masters or Doctoral degrees and all have been employed by us for more than 20 years.

Overall Business Strategy

We divide our businesses into two main strategic groups: the core value creators and the integrated value enhancers. The core value creators consist of our exploration and production operations, which focus on domestic and foreign expansion, and our gas transmission, processing and marketing business, which focuses on maintaining strong, continuous growth. The integrated value enhancers consist of our oil business group, which will focus on efficiency improvement, value creation and business expansion, and our petrochemical and refining business interests, which will operate as a gas-based petrochemical complex to reinforce our business strengths and create overall value for us.

We intend to capitalize on our competitive position by implementing the following key strategies for these two groups.

Core Value Creation

- investing to maximize PTTEP's exploitation of domestic resources and secure reserves outside Thailand; and

- increasing the value of our natural gas business by capturing growth opportunities and maximizing the benefits from our value-added and peripheral businesses.

Integrated Value Enhancement

- enhancing the profitability of our oil marketing and trading businesses by leveraging on infrastructure and network supremacy; and

- consolidating our interests in the refining and petrochemical sectors and expanding selectively as opportunities arise.

Investing to maximize PTTEP's exploitation of domestic resources and secure reserves outside Thailand

One of our core strategies is the expansion of PTTEP's petroleum exploration and production investments in Thailand and Southeast Asia and beyond. In the short term, PTTEP plans to develop and produce natural gas from the Arthit and Oman 44 projects while undertaking exploration in the M7 & M9 and M3 & M4 projects in Myanmar. At the same time, PTTEP will consider investment opportunities in the Middle East, Africa and countries in other regions with high petroleum potential and export possibilities to Thailand. Such investment will serve to satisfy domestic demand and secure continued supply for our midstream and downstream operations, and also enhance the security of supply for Thailand generally. In addition, we believe that use of PTTEP's resources in this manner will result in the highest rate of return on capital as compared to our other business operations. PTTEP will also aim to expand its international business and look for business opportunities with strategic returns, particularly those that contribute to the value chain of our gas business group.

Increasing the value of our natural gas business by capturing growth opportunities and maximizing the benefits from our value-added and peripheral businesses

Through the following strategies, we plan to preserve and increase the value of our natural gas business in the face of industry liberalization by expanding our operations and activities to meet increased demand for natural gas as Thailand moves to cleaner energy sources:

- *Gas Demand Growth.* We plan to capitalize on growth in natural gas demand from our existing customer base, expand our sales to new customers (predominately in the industrial sector) and expand sales to power producers switching from alternative fuels to natural gas for electricity generation. We also intend to expand sales to EGAT and other private power producers, which, according to PDP 2004, will require the addition of 8,078 megawatts of electrical generating capacity between 2005 and 2010, 70.0% of which will require gas feedstock. We also plan to develop new demand for our natural gas by expanding markets for our gas products including expanding our LPG exports into growing regional markets. We also plan to increase the demand for our gas-based petrochemical feedstocks through our investment in the expansion of TOC and debottlenecking of NPC. Our involvement with companies in our petrochemicals segment in joint venture projects, such as PTT Utilities Co., Ltd, a power generation and steam plant, and PTT Polyethylene Co., Ltd., will also increase demand for our natural gas.

- *Network Expansion.* We are currently expanding our pipeline infrastructure through the development of other projects in order to secure additional transmission and processing capacity to meet increased demand. Gas Pipeline Master Plan III, with estimated total capital expenditures of Baht 157.1 billion, will include the construction of an additional third offshore and onshore pipeline, additional natural gas compressors and a natural gas pipeline around Bangkok. We have completed our fifth and Thailand's sixth gas separation plant and plan to make modifications to certain of our existing gas separation plants to increase the volume of gas products we extract from natural gas. In addition, we are also investing in the Trans Thai-Malaysia pipeline and gas separation plant joint venture project. The total investment cost for Phase I of this project is expected to be Baht 29,700 million.

- *Additional Procurement.* We will seek to secure new sources of natural gas supply in Thailand under long-term contracts as they become available. We have negotiated long-term gas purchase agreements with the joint venture partners in Arthit, the joint venture partners in Phu Horm and the joint venture partners with respect to Blocks A-18 and B-17 in the JDA. We have also recently signed an amendment to the gas purchase agreement for Bongkot to procure additional gas from that field. We intend to secure additional future gas and oil supplies through exploration, acquisition and production by PTTEP primarily in Thailand and Southeast Asia, and beyond the region.

- *Sustaining Efficiency.* We intend to leverage our low cost operations, well-developed infrastructure and experienced management team to sustain efficiency and strong returns from our gas operations. We have appointed Shell Global Solutions to assist us in enhancing our pipeline capacity and in increasing our efficiency in transporting natural gas in our transmission system.

These initiatives will support our competitive position and growth into the post-liberalization era of the natural gas market in Thailand.

Enhancing the profitability of our oil marketing and trading businesses by leveraging on infrastructure and network supremacy

We plan to increase the profitability of our oil marketing and trading businesses primarily by improving use of existing operations and networks.

- *Oil Marketing:* We plan to focus on improving our marketing margins and return on our investments. This will include selectively focusing new investments in our retail service stations on higher return opportunities and improving throughput per retail station by enhancing and reinforcing consumer confidence in our brand image. We also plan to allow our oil trading business to increase its use of our existing logistical network, such as sharing our depots and operations facilities. In retail marketing, we will seek to increase our revenues by promoting a variety and greater number of non-petroleum services at service stations, as well as by introducing NGV at more stations. Finally, we will continue to explore international LPG marketing opportunities in the region and expand our sales in this area when possible.

- *Oil Trading:* We intend to better use existing assets to create new marketing channels and expand revenue diversification in our oil trading business. We intend to increase the export value of our products by seeking new supply sources and locating new marketing channels such as marine bunkering and selling directly to end users. We intend to take advantage of Government initiatives to establish Thailand as a regional energy hub by further developing the Sriracha Terminal which will simplify trading and storage procedures for oil traders. We intend to provide trading services to companies in our petrochemicals segments to enhance our supply chain and risk management systems, which is expected to reduce our risk exposure and stabilize our revenue flow from this business.

Consolidating our interests in the refining and petrochemical sectors and expanding cautiously as opportunities arise

We intend to consolidate our interests in the refining and petrochemical sectors to achieve better operational integration through the following strategies:

- *Petrochemical Companies.* We intend to continue to invest in the cost-effective expansion of gas-based operations of companies in our petrochemicals segment, while rationalizing these investments by consolidating and capitalizing on existing synergies between these companies. The proposed amalgamation of TOC and NPC is one example of our plan to implement this strategy.

- *Refining Companies.* We intend to better integrate our oil marketing business with Thaioil's refinery operations and create opportunities for consolidation and cooperation among companies in our refining segment, with Thaioil as the flagship refinery. We believe that the planned merger of RRC and SPRC will improve the ownership structure of our refining segment and lower costs. We intend to leverage the logistics and customer network of our oil marketing and trading businesses to balance our offtake obligations among our various refining interests.

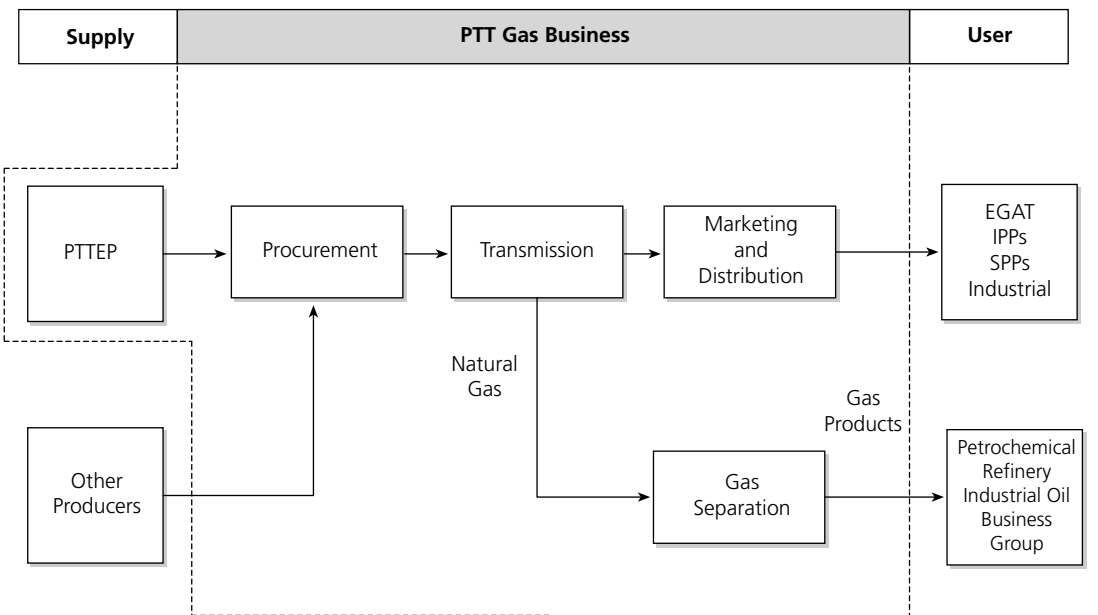
Efforts such as these will allow our petrochemical and refining interests to compete more effectively and assist us in ensuring that our overall Group strategy is being implemented.

Gas Business Group

Overview

We are the only fully-integrated gas company in Thailand engaged in the supply, transmission, processing, and marketing of natural gas. We are the owner of substantially all of Thailand's transmission pipeline network. We purchase natural gas from onshore and offshore producers in Thailand and Myanmar, transport the gas through our transmission network and sell it to EGAT and other power producers for use in electricity generation and other industrial sectors. In addition, at our gas separation plants we extract gas products from natural gas which we sell directly to our customers.

The following diagram illustrates the operations of our natural gas business.



Our gas pipeline network currently extends for approximately 2,727 kilometers, comprising approximately 2,400 kilometers in a transmission network and approximately 327 kilometers in a distribution network. Our pipeline system has a capacity of approximately 3,410 MMcf/d. The volume of natural gas sold by us in each of the last three years was approximately 2,494 MMcf/d in 2002, 2,651 MMcf/d in 2003 and 2,767 MMcf/d in 2004. We sold approximately 2,997 MMcf/d for the three months ended March 31, 2005.

Gas Procurement

Principal Sources of Supply

We purchase substantially all of the natural gas produced in Thailand, as well as gas produced offshore in Myanmar, through long-term take-or-pay gas purchase agreements with the various natural gas producers in these countries. We currently have ten gas purchase agreements with producers in Thailand and Myanmar. The following table sets out our natural gas sources gas purchase agreements and provides volumes and percentages of gas purchased under each gas purchase agreement for the periods indicated. For a discussion concerning natural gas sources in Thailand see "Relationship with the Government and Regulatory Matters — Exploration & Production Concessions" and "Petroleum and Petrochemical Industry in Thailand — Natural Gas Industry — Exploration and Production".

	Year Ended December 31,						Three Months Ended March 31,	
Natural Gas Purchase Agreement[1]	**2002**		**2003**		**2004**		**2005**	
	(MMcf/d)[2]	**(%)**	**(MMcf/d)[2]**	**(%)**	**(MMcf/d)[2]**	**(%)**	**(MMcf/d)[2]**	**(%)**
Domestic Agreements								
Unocal[3]	830	33.3	849	32.0	872	31.5	949	31.7
Bongkot	530	21.3	488	18.4	572	20.7	606	20.2
Pailin	235	9.4	331	12.5	342	12.4	353	11.8
Tantawan/Benchamas	225	9.0	249	9.4	222	8.0	208	6.9
Namphong	56	2.2	48	1.8	33	1.2	32	1.1
Subtotal	1,876	75.2	1,965	74.1	2,041	73.8	2,148	71.7
International Agreements								
Yadana	418	16.8	411	15.5	439	15.9	428	14.3
Yetagun	200	8.0	275	10.4	287	10.4	421	14.0
Subtotal	618	24.8	686	25.9	726	26.2	849	28.3
Total supply	2,494	100.0	2,651	100.0	2,767	100.0	2,997	100.0

Source: PTT Plc.

(1) Excluding procurement from the JDA and Arthit, where production has not yet started.

(2) The volume of natural gas is determined at a heating value of 1,000 btu/cf.

(3) Including natural gas supplied under Unocal 1, Unocal 2-3 gas purchase agreements.

The Gulf of Thailand continues to be our main source of natural gas and where most of our transmission pipeline is concentrated. To improve the security of our long-term gas supply and in anticipation of increasing demand for natural gas in Thailand, we entered into long-term gas purchase agreements with the gas producers from the Yadana and Yetagun fields in the Gulf of Mataban in Myanmar in February 1995 and March 1997, respectively. Procurement of gas from domestic and foreign sources totaled 2,767 MMcf/d in 2004, an increase of 4.4% from the previous year. Of this, 2,041 MMcfd was from domestic sources. The amount of gas imported from Myanmar increased to 726 MMcf/d, raising the ratio of foreign-sourced gas to 26.2%. Our transmission pipeline in the western region of Thailand extends from the border with Myanmar at Ban-I-Tong, Kanchanaburi province to the Ratchaburi power plant where it connects with our eastern pipeline system at Wang Noi.

In 1991, the Governments of Thailand and Malaysia established the MTJA, to exploit natural gas in the JDA in the Gulf of Thailand, overlapping the border of Thailand and Malaysia. The JDA consists of four concession areas, Blocks A-18, B-17, C-19 and B-17-01. In October 1999, we and Petroliam Nasional Berhad ("PETRONAS"), each as 50.0% purchasers, executed the first JDA gas purchase agreement with the MTJA and other sellers from Block A-18. Gas delivery during the first phase of development is 390 MMcf/d. In December 2004, the parties to the October 1999 JDA gas purchase agreement further entered into a Supplementary Agreement concerning Block A-18 to permit PETRONAS and us to purchase an additional 400MMcf/d from the second phase of development beginning in late 2007 to early 2008. In

addition, according to the balancing agreement between us and PETRONAS signed in October 1999, as amended by the supplemental agreement, PETRONAS shall have first rights to the initial delivery of 390 MMcf/d as well as the deliveries pursuant to the third phase of the development and we will have first rights to take the second phase of delivery of 400 MMcf/d.

Recent Developments

To further plan for long term procurement of natural gas, in January 2004 we agreed, pursuant to a gas purchase agreement with the producers in Arthit, to take delivery of 330 MMcf/d of gas, beginning in the first quarter of 2007. In addition, we and the producers of the Pailin field finalized amendments to existing gas sales agreements. We agreed to increase the volume of gas we take from Pailin from 330 MMcf/d to 353 MMcf/d, effective in 2003. After completion of the third gas pipeline in 2006, our purchase requirement will increase to 368 MMcf/d.

On June 16, 2005, we, together with the MTJA, PC JDA and PTTEPI, signed a gas sales agreement relating to the supply of gas from Blocks B-17, C-19 and B-17-01. Pursuant to the agreement, we will take delivery of 270 MMcf/d of gas for the first ten years, beginning in mid- to late-2008, and 250 MMcf/d for six years thereafter. During 2010-2012, the volume of gas may be increased to 470 MMcf/d for the remainder of the contract period, at the option of the gas sellers, subject to confirmation of gas reserves in late 2007.

On July 13, 2005, PTTEP, Total E&P Thailand ("Total E&P") and BG Asia Pacific Pte Limited, the Bongkot joint venture partners, signed the fourth amendment to the Bongkot Gas Sales Agreement and a side agreement for additional gas sales from the Bongkot Project. Pursuant to the amended agreement and side agreement, we will purchase an additional gas volume of 61 Bcf from Bongkot during the period from April 1, 2005 to October 1, 2008 and the existing development area of 1,586 square kilometers will be expanded to cover the current total concession area of the Bongkot Project, which measures 3,200 square kilometers. As an incentive for purchasing additional gas from Bongkot, the joint venture partners made an up-front payment to us in the amount of Baht 1,000 million.

On July 19, 2005, we signed a gas sales agreement for the Phu Horm Project with a group of sellers comprising PTTEP, PTTEPS, Amerada Hess (Thailand) Ltd., APICO LLC and ExxonMobil E&P. The gas purchased from Phu Horm will supply the Nam Phong power plant. We expect delivery of the gas to begin as early as April 2006 and no later than November 2006, depending on the timing of completion of equipment and our third gas transmission pipeline. Gas production is expected to commence at approximately 80 million MMcf/d and gradually increase to a maximum volume of 108 MMcf/d as gas sales volume of Nam Phong field decreases, so that the Nam Phong power plant will continue to run at full capacity. Gas pricing conditions and structures resemble other gas sales agreements, with a price discount of between 10.8% - 16.7% depending on the cumulative volume of gas purchased. A discount rate of 16.7% will be applied once the cumulative purchase volume exceeds 498 Bcf. Furthermore, in the event that the sellers find additional gas reserves in the future, we will be able to obtain a further discount with respect to the additional purchase volume.

Principal Terms of Gas Purchase Agreements

Pricing Mechanisms

Under the terms of our gas purchase agreements, we purchase natural gas from producers at an initially fixed base price, agreed with the producers and periodically adjusted according to agreed pricing formulae to reflect changes in fuel oil prices and other economic indices. The price is also subject to adjustable price ceiling and floor formulae. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations — Natural Gas and Gas Product Prices".

Under most of our contracts with producers in the Gulf of Thailand, our gas purchase prices are denominated in Baht and adjusted periodically to reflect:

- changes in the average price per barrel of medium sulfur fuel oil ex-Singapore;
- certain changes in the Baht/U.S. dollar exchange rate; and

- various economic indices which generally measure inflation, including the Thai wholesale price index and a U.S. producer price index for oil and gas field machinery and tools.

Gas purchase prices under our gas purchase agreements with producers in Myanmar and for natural gas to be produced in the JDA are denominated in U.S. dollars and adjusted periodically to reflect changes in a U.S. producer price index.

The specific factors used to determine purchase price adjustments, the relative weighting of the various adjustment factors and the frequency with which adjustments are made vary by agreement. Generally, however, movements in the price of fuel oil and the Baht/U.S. dollar exchange rate with respect to gas purchased from the Gulf of Thailand are the most significant adjustment factors, as fuel oil is a substitute for natural gas. The various economic indices in our gas purchase agreements are designed to reflect changes in our producers' costs.

We are engaged in discussions with gas producers in Myanmar to accelerate the use of our prepaid gas to mitigate our take-or-pay burden. We are also engaged in discussions with our producers in the Gulf of Thailand to improve the competitiveness of our natural gas supply from that region.

Purchase Volumes

Our gas purchase agreements generally require us to take delivery of annual minimum quantities of natural gas for periods ranging from 25 to 30 years, until depletion of the relevant gas fields or until expiration of the underlying concession. If we fail to take delivery of the annual minimum quantity, we are obligated to pay the producer for the untaken portion of the annual minimum quantity for that contract year. We may, however, take delivery of such prepaid natural gas in future contract years without expiration, provided that we have taken the annual minimum contract quantity in such year. Our gas purchase agreements generally provide for billing and statement of untaken portions of the annual minimum quantity only after the end of the applicable contract year.

To the extent that producers are unable to meet their delivery obligations under our gas purchase agreements, they are generally required to supply the amount of shortfall in the succeeding period at a discount of up to 25.0% of the contracted price. Our gas purchase agreements also give us the right to require our suppliers to deliver additional quantities, up to a contracted maximum delivery quantity which is generally 15.0% above the daily contract quantity ("DCQ"). Under certain of our contracts, beginning with the Bongkot contract in 1996, we can take delivery of excess quantities in any contract year, and earn credit in certain gas purchase agreements. These excess quantities can be applied against our annual minimum quantities for future years, up to a maximum of five years after the excess gas was purchased, provided that generally such credit carried forward shall be limited to 15% of the minimum offtake amount in the respective contract year.

We purchase natural gas from producers in Thailand and Myanmar under gas purchase agreements that contain take-or-pay provisions, which require us to pay for minimum quantities of natural gas each year, whether or not we actually take delivery of that minimum quantity during that year. In 1995 and 1997 we executed natural gas purchase agreements with take-or-pay obligations with producers in Myanmar to purchase natural gas from the Yadana and Yetagun gas fields. Our take-or-pay obligations under these agreements required us to begin taking natural gas from Yadana in August 1998 and from Yetagun in July 2000. We undertook these gas purchase agreements pursuant to Government policy, as reflected in Cabinet resolutions, which required us to procure additional supply adequate to meet expected increased demand for the Ratchaburi gas-fired power plant, other IPPs and other gas users. The Ratchaburi power plant, however, did not become operational until October 2000 and domestic demand for natural gas was generally lower than expected due to the Asian financial crisis. As a result, we first satisfied the annual minimum quantity of natural gas from Yadana and Yetagun in late 2001. The aggregate contracted annual minimum quantities our customers are required to purchase under our natural gas sales agreements currently exceed the aggregate contracted annual minimum quantities we are required to purchase under the take-or-pay provisions of our gas purchase agreements with producers. Because we took more than our minimum requirement of gas in each of 2002, 2003 and 2004, we were permitted to take delivery of certain quantities of gas that we could not take between 1998-2001, but nevertheless had to pay for, at

no additional charge ("make-up gas"). In 2001, our total advance payment for take-or-pay gas was booked as an asset in the amount of $830 million. In 2004, we received make-up gas valued at approximately $103 million, at current prices. We believe that we will fully use our prepaid gas from Yetagun and Yadana by 2009 and 2010, respectively.

Pursuant to a July 25, 2000 Cabinet resolution, the Government allocated to us and EGAT 11.4% and 12.8%, respectively, of the total carrying costs for our prepayments for gas from Yadana and Yetagun. The Government also directed us to allocate the remaining 75.8% of the total carrying costs to all of our gas customers, including our gas separation plants. Total carrying costs for these prepayments are the sum of expected interest payments through 2010 (based on certain assumptions regarding future sales of prepaid gas). Total carrying costs include and may be adjusted each year to reflect interest costs on additional prepayments, as well as the gain or loss on sales of prepaid gas. Gain or loss on sales of prepaid gas is the difference between our prepaid gas price and realized price on future sales of prepaid gas. The annualized amount of total carrying costs remaining after giving effect to the adjustments is then allocated among ourselves, EGAT and our gas customers.

We bill EGAT's allocation of each annualized amount of total carrying costs in October of each year, and EGAT then has 30 days to remit full payment to us. We bill gas customers' allocation of each annualized amount of total carrying costs only to EGAT and IPPs as a surcharge on each gas sales transaction.

Gas Transmission

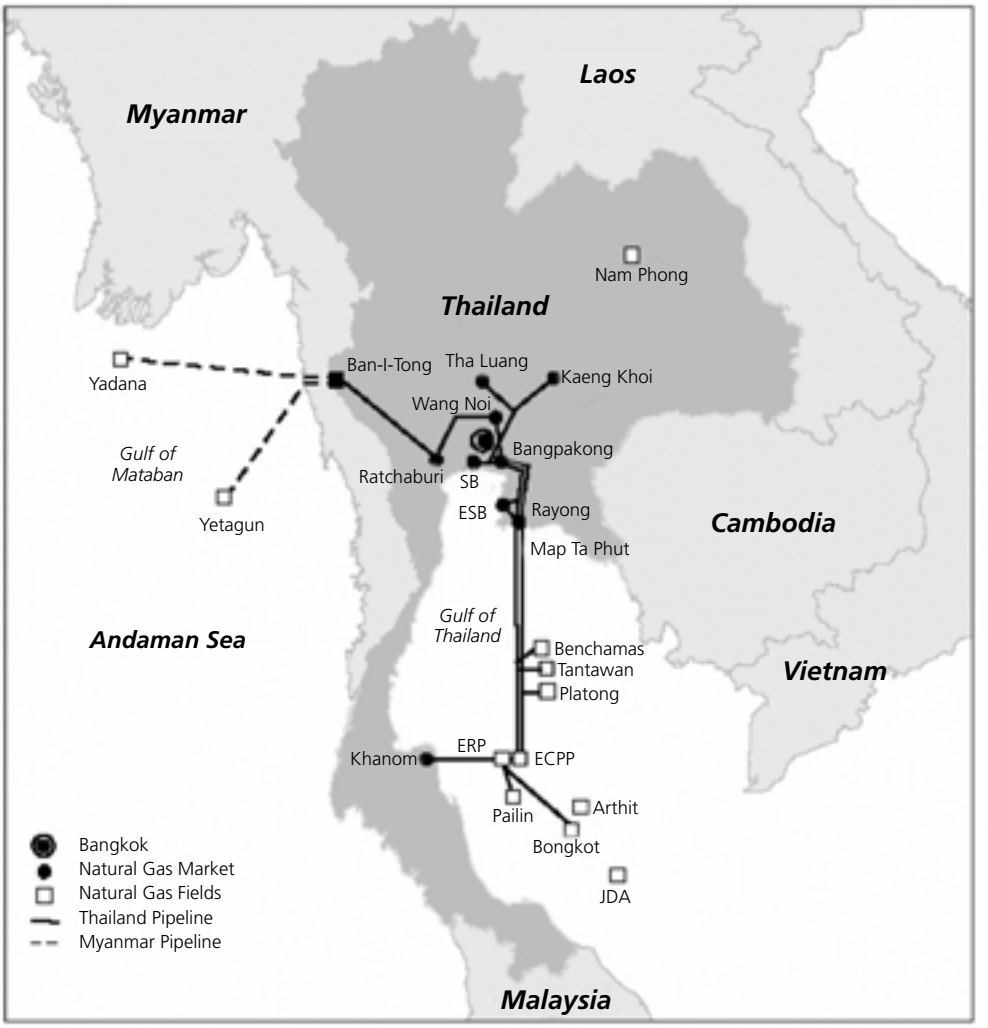
Existing Transmission Network

As of March 31, 2005 we owned and operated a transmission network of approximately 2,400 kilometers of pipeline, which represents substantially all of the offshore and onshore natural gas pipeline in Thailand. Approximately 1,369 kilometers of our transmission system is offshore and approximately 1,031 kilometers is onshore. Our existing natural gas pipeline forms a national gas supply network in Thailand and currently has a capacity of approximately 3,410 MMcf/d.

Our offshore natural gas pipeline network connects gas fields in the Gulf of Thailand to our onshore natural gas pipeline network in Map Ta Phut, Rayong province. The Rayong offshore natural gas pipeline system also includes other minor natural gas pipeline systems from the Pailin, Bongkot, Benchamas, Tantawan and Platong fields. Our other offshore pipeline system is centered in Khanom and connects the Erawan platform to our gas separation plant Unit 4 and the Khanom power plant in Nakhon Si Thammarat province in the western portion of the Gulf of Thailand.

Our onshore pipeline in western Thailand extends from the Thai-Myanmar border in Kanchanaburi province, where it receives gas from the Yadana and Yetagun fields, to the Ratchaburi power plant. In November 2000, we completed the extension of this onshore pipeline to Wang Noi where it connects with our onshore pipeline system in eastern Thailand. Our onshore natural gas pipeline in eastern Thailand extends from Map Ta Phut, Rayong province, through which gas is delivered to our gas separation plants Units 1, 2, 3 and 5, the Rayong power plant and the majority of our customers' facilities including EGAT, IPPs, SPPs and industrial customers in the eastern and central regions of Thailand. The interconnection of our two onshore pipeline systems creates an integrated transmission network and provides us flexibility in managing our gas supply and meeting demand in the two regions. We also operate a separate, shorter onshore pipeline which, at present, connects only the Namphong gas fields to EGAT's Namphong power plant.

The following map shows our existing transmission pipeline network.



Set out below is a table of our existing major transmission pipeline infrastructure in Thailand.

Pipeline	Length (km)	Diameter (inch)	Capacity[1] (MMcf/d)	Starting Year	Description
Offshore Pipeline System					
Erawan to Gas Separation Plant in Rayong province (Main Pipeline)	415	34	845	1981	Main pipeline from Erawan Central Processing Platform (ECPP) and PTT Riser Platform (PRP) to gas separation plants in Rayong province.
Bongkot to Erawan (Main Pipeline)	171	32	635	1996	Main pipeline from Bongkot to Erawan Riser Platforms.
Erawan to Gas Separation Plant in Rayong province (Parallel Pipeline)	418	36	1,115	1996	Parallel pipeline from Erawan Central Processing Platform (ECPP) and PTT Riser Platform (PRP) to gas separation plants in Rayong province.

Pipeline	Length (km)	Diameter (inch)	Capacity[1] (MMcf/d)	Starting Year	Description
Erawan Platform to Khanom Power Plant	161	24	210	1996	Pipeline from PRP to Khanom power plant in Khanom, Nakhon Si Thammarat province.
Onshore Pipeline System					
Rayong Gas Separation Plant to Bangpakong power plant (Main Pipeline)	104	28	540	1981	Main pipeline from gas separation plants in Rayong province to EGAT's Bangpakong power plant.
Bangpakong power plant to South Bangkok power plant (Main Pipeline)	57	28	n.a.[2]	1981	Main pipeline from Bangpakong power plant to EGAT's South Bangkok power plant in Samut Prakarn province.
Bangplee to Saraburi (Main Pipeline)	99	24	280	1981	Main pipeline from Bangplee Samut Prakarn province to Siam Cement Plc's cement plants in Saraburi province.
Namphong to Namphong Power Plant	3.5	16	140	1990	Pipeline connecting Namphong plant field to EGAT's Namphong power plant in Khon Kaen province.
Rayong Gas Separation Plant to Bangpakong power plant (Parallel Pipeline)	105	28	620	1996	Parallel pipeline from gas separation plants in Rayong province to EGAT's Bangpakong power plant.
Bangpakong to Wang Noi power plant (Parallel Pipelines)	101	36	860	1996	Parallel pipeline from Bangpakong plant, Chachoengsao province, to Wang Noi power plant, Ayudhya province.
Thai Myanmar border to Ratchaburi power plant	238	42	1,100	1998	Pipeline starting from the gas Ratchaburi power plant delivery point at the Thai- Myanmar border in Karnchanaburi province to Ratchaburi power plant
Ratchaburi-Wang Noi Pipeline	154	30	330	2000	Pipeline from Ratchaburi power plant to Wang Noi power plant in Ayuthaya province.

(1) Capacity amounts are for each pipeline and can vary from time to time depending on the composition of the gas being transmitted and the condition of the pipeline.

(2) Capacity is not determined due to reverse flow.

Natural gas that we purchase from the Gulf of Thailand is transmitted through our pipeline network through offshore platforms and either sent directly to our gas separation plants or to our Dew Point Control Units ("DPCUs"). Gas which has passed through the DPCUs is combined with sales gas from gas separation plants at the common header facility. The DPCUs and the common header facility allow us to control the dew-point temperatures, giving a verified, unified heating value to our gas from the Gulf of Thailand. The resulting mixture of natural gas is then sent to customers who use it for electricity generation, industrial fuel and NGV.

Natural gas we purchase from Myanmar is transmitted from our pipeline at the Thai-Myanmar border directly to power producers including the Ratchaburi power plant.

Future Network Expansion

Our experience in the development, management and operation of our existing natural gas pipelines has enabled us to develop relatively advanced technologies and skills for long distance pipeline development and automated operational communications in Thailand. We believe that we may benefit from these technologies and skills in the future expansion of our natural gas pipeline networks and their ancillary facilities.

To facilitate additional gas demand and supply in the future, we intend to build additional pipeline infrastructure. Our principal gas pipeline projects include:

- Gas Pipeline Master Plan III; and
- The Trans Thai-Malaysia Pipeline.

See "Risk Factors — Risks Relating to our Business — Our growth strategies and plans require significant infrastructure development as well as continued growth in the demand for natural gas".

Gas Pipeline Master Plan III

Gas Pipeline Master Plan III was approved by the Cabinet on September 25, 2001. We planned our projects under Gas Pipeline Master Plan III based on natural gas demand projections, which may be adjusted to reflect future changes in supply and demand for natural gas and other factors. Natural gas demand growth has been higher than projected as a result of the country's economic recovery since 1997. Accordingly, we reviewed and adjusted our Gas Pipeline Master Plan III to correspond with an increase in gas demand as well as EGAT's Power Development Plan (2003 - 2016). One of our goals is to increase the capacity of the third offshore pipeline from 1,400 MMcf/d to 1,860 MMcf/d.

On December 9, 2003, the Cabinet approved our Gas Pipeline Master Plan III (as revised). On February 27, 2004, the Office of the National Social and Economic Development Board sanctioned the implementation of various projects under this plan, with the exception of the offshore gas pipeline for the Thabsakae project. On August 24, 2004 the Cabinet endorsed a resolution of NEPC dated July 28, 2004 on PDP 2004, prepared by EGAT. The plan was based on the assumption that power demand would rise by 6.5% per year, as compared to PDP 2003, which had assumed a rise in demand of 4.5% per year. This implied a faster rising demand for natural gas to fuel power generation, together with accelerated demand for natural gas in the industrial sector and gas separation plants, which was in line with the latest economic expansion projections. Accordingly, we revised Gas Pipeline Master Plan III to keep up with the latest projections on natural gas demand. The revised Gas Pipeline Master Plan III not only implements further enhancements to the transmission capacity of the system from 1,750 MMcf/d to 1,860 MMcf/d, both onshore and offshore, but also accelerates project implementation under Phase 2.

The latest revision of the Gas Pipeline Master Plan III, which was approved by NEPC on December 23, 2004 and by the Cabinet on May 17, 2005, covers investment in eleven gas pipeline projects totaling Baht 157,102 million. We have financed and expect to continue to finance these investments from our income and through domestic and foreign loans. See "Risk Factors — Risks Relating to Our Business — Our development plans have significant capital expenditure and financing requirements, which are subject to a number or risks and uncertainties" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Gas Pipeline Master Plan III currently comprises the following projects, divided into three phases:

Phase 1

- Installation of a gas compressor at Block Valve West 7 (BVW#7) in Kanchanaburi to increase the capability to receive and transmit gas from Myanmar, with 1,200 MMcf/d as the goal. This project is due for completion in October 2005.

- The Sai Noi — North Bangkok — South Bangkok gas transmission pipeline project (formerly known as the Bangkok Ring Project), was designed to meet the gas demand of the combined-cycle power plants at North Bangkok and South Bangkok, together with industrial and transport demand to cut down on pollution in Bangkok Metropolis and its perimeter. We plan to lay a 30-inch gas pipeline over a distance of 70 km linking the Ratchaburi — Wang Noi pipeline at Sai Noi to the South Bangkok power plant, and a 20-inch pipeline over 10 km from Bang Yai to North Bangkok. This line has a capacity of 480 MMcf/d. Gas delivery through the Sai Noi — South Bangkok pipeline is due to begin in mid-2006 while the extension to North Bangkok is scheduled for completion to coincide with the completion of the renovations of the North Bangkok power plant, in March 2009.

- Installation of a back-up compressor unit at the Operations Division in Ratchaburi, designed to add stability and flexibility for transmitting the Myanmar gas to users in the Central Region, with completion scheduled for mid-2006.

- The Third Offshore Pipeline, both onshore and offshore portions, consisting of:

    - PTT Riser Platform ("PRP") construction, scheduled for completion in mid-2006;

    - 42-inch subsea gas pipeline from PRP to Rayong, a distance of 418 km, with a capacity of 700 MMcf/d, which will rise to 1,860 MMcf/d once offshore compressor installation is completed. Gas delivery under this project is scheduled to commence in mid-2006; and

    - 42-inch subsea gas pipeline from Arthit Field to PRP, a distance of 200 km, with a capacity of 1,500 MMcf/d. Gas delivery under this project is scheduled to commence by year-end 2006.

- 36-inch onshore gas pipeline from Rayong to connect with the parallel onshore pipeline system at the Bang Pakong Compressor Station, a distance of 110 km. After the installation of the compressor, capacity is expected to increase from 400 to 1,200 MMcf/d. Gas delivery under this project is expected to commence in early 2006.

Phase 2

- 42-inch subsea gas pipeline linking JDA to Arthit Field, a distance of 95 km, with a capacity of 1,000 MMcf/d, scheduled for completion in early 2007.

- Compressor installation for the third transmission pipeline, both onshore and offshore, to add transmission capacity, scheduled for completion in early 2007 and late 2006 respectively.

- 36-inch onshore gas pipeline linking Wang Noi to Kaeng Khoi in Sara Buri, a distance of 80 km, with a capacity of 510 MMcf/d, scheduled for completion in late 2006.

- Installation of compressor units to add onshore transmission capacity from Wang Noi to gas from the Gulf of Thailand destined for Ratchaburi, and the Sai Noi — South Bangkok — North Bangkok pipeline project, scheduled for completion in early 2009.

- 36-inch onshore gas pipeline linking Rayong to Wang Noi, a distance of 220 km, with a maximum capacity of 1,100 MMcf/d, scheduled for completion in early 2010.

Phase 3

- 32-inch onshore and subsea gas pipelines linking the tie-in point of the third offshore pipeline to the Gas Operations Division in Ratchaburi, a distance of 280 km, with a capacity of 500 MMcf/d, scheduled for completion in early 2012.

- 16-inch subsea gas pipeline linking to Amphoe Thup Sakae in Prachuap Khiri Khan, a distance of 150 km, with a capacity of 100 MMcf/d, scheduled for completion in early 2012.

The implementation of the above projects will result in an increase in the capacity of our entire gas transmission system, namely the eastern and western pipeline systems, from 3,170 MMcf/d to 5,350 MMcf/d. The individual construction projects contemplated by Gas Pipeline Master Plan III will require our board of directors' approval, will require us to obtain additional debt financing and are subject to approval of an environmental impact assessment report prior to the commencement of construction. See "Risk Factors — Risks Relating to Our Business — Our business operations may be adversely affected by present or future product quality requirements and environmental regulations".

We filed for special investment privileges with the BOI in relation to certain of the Gas Pipeline Master Plan III projects. Special investment privileges for the Sai Noi — South Bangkok power plant transmission pipeline were approved by the BOI on July 27, 2004. In addition, on December 27, 2004, the BOI approved these investment privileges for the following four projects:

- Third Gas Pipeline (Onshore and Offshore) Project;

- JDA — Arthit Subsea Transmission Pipeline Project;

- Compressor Project for the Third Gas Pipeline (Onshore and Offshore); and

- Wang Noi — Kaeng Khoi Transmission Pipeline Project.

Trans Thai-Malaysia Gas Pipeline and Gas Separation Plant Project

The TTM Project is the result of the co-operation between the governments of Thailand and Malaysia which began in 1978 when the two countries agreed to jointly develop and equally share the benefit from the petroleum resources in the disputed territory in the Gulf of Thailand now known as the JDA. Based on this understanding, the MTJA was subsequently established in 1990 for the purpose of managing the development of the JDA.

We expect the TTM Project to connect the JDA gas field overlapping the Thai-Malaysia border to the gas transmission networks in both countries. Under the first JDA gas sales agreement, we and PETRONAS of Malaysia are each required to take 50.0% of the natural gas produced in Block A-18 of the JDA area. Under a gas balancing agreement between us and PETRONAS, we have agreed that PETRONAS will take the initial delivery of 390MMcf/d required under the first JDA gas purchase agreement in respect of Block A-18. See "— Gas Procurement — Principal Sources of Supply".

To deliver the gas to the Thai and Malaysian gas transmission networks, we and PETRONAS have agreed to develop the Trans Thai-Malaysia pipeline together on a fifty-fifty basis, and we have jointly established a company in Thailand and a company in Malaysia to execute the project. TTM (Thailand) and TTM (Malaysia) Sdn. Bhd. ("TTM (Malaysia)" and together with TTM (Thailand), "TTM") were established as the investment vehicles to build, own, and operate the gas transmission pipeline system and the gas separation plant that will deliver natural and processed gas from the JDA to Thailand and Malaysia. TTM (Thailand) and TTM (Malaysia) are joint venture companies equally owned by us and PETRONAS and the two joint venture companies are registered in Thailand and Malaysia respectively. The construction plan for the TTM project is divided into two phases.

Phase I

- Laying of a 34-inch, subsea pipeline from Block A18 in the JDA to Amphoe Jana in Songkhla province, over a distance of 277 kilometers. This pipeline has 1,020 MMcf/d of transmission capacity.

- Laying of a 36-inch, onshore pipeline from Amphoe Jana to the border at Amphoe Sadao, Songkhla province, over a distance of 89 kilometers, then onward to connect with the distribution network of PETRONAS at Kedah state of Malaysia, a distance of 9 kilometers. This pipeline has 750 MMcf/d of transmission capacity.

- Construction of the TTM Project's first gas separation plant with a processing capacity of 425 MMcf/d to separate the gas arriving onshore at Songkhla province. The gas separation plant is expected to produce 166,800 tonnes of LPG and 43,000 tonnes of NGL per year.

- Laying of an 8-inch LPG line from the TTM Project's first gas separation plant in Songkhla province, parallel with the transmission line to the border at Amphoe Sadao, covering a distance of 89 kilometers, and on to Prai town in Penang state, Malaysia, covering a distance of 150 kilometers. This pipeline has 1,166 tonnes per day of LPG transmission capacity.

Phase II

- Laying of a 42-inch subsea pipeline from Block A18 to connect with our third offshore pipeline, a distance of 55 kilometers, with a planned tie-in for a line from Block B17. The pipeline, with a 800 MMcf/d transmission capacity, will be tied into the transmission line under Gas Pipeline Master Plan III, with the planned start-up date of transmission in 2008.

- Construction of the TTM Project's second gas separation plant, with a processing capacity of 425 MMcf/d, near the project's first gas separation plant, to provide expanded service.

All pipeline construction work has been completed and natural gas has been delivered to customers in Malaysia since February 19, 2005. The construction contractors will formally hand over the project soon, with a continued one-year work guarantee. Construction of the project's first gas separation plant is on schedule and it is expected to be commissioned by the end of 2005. The carbon dioxide separation unit is due to be commissioned in the third quarter of 2005.

The two TTM companies will provide transmission services for natural gas and LPG, and gas separation services for us and PETRONAS only pursuant to a services agreement. The companies currently provide offshore and onshore gas transmission to Malaysia without any processing or treatment, which will only be undertaken after the construction of the carbon dioxide unit is completed in the third quarter of 2005. Gas separation and pipeline transmission of LPG are projected to begin in early 2006.

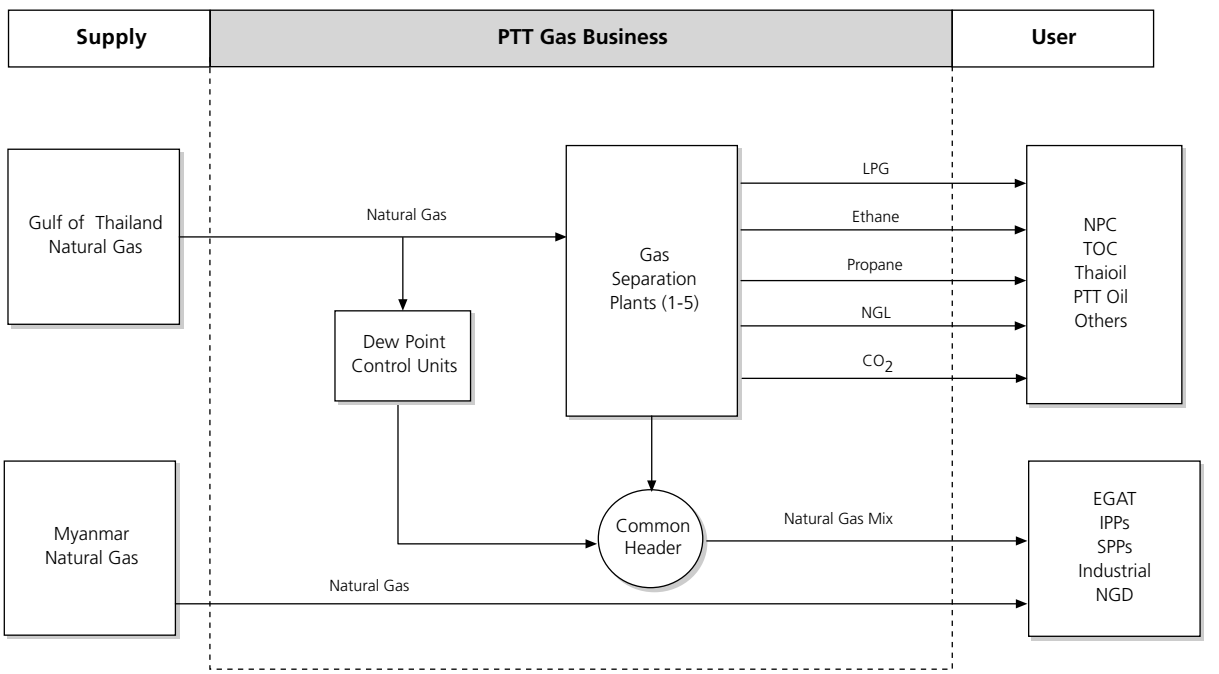
The following map highlights expected Gas Pipeline Master Plan III and TTM expansion and their integration with our existing pipeline network:



Gas Processing

Our five gas separation plants separate natural gas into gas products, including LPG, ethane, propane and NGL. The five plants currently have a combined processing capacity of approximately 1,760 MMcf/d. Gas separation plant Units 1, 2, 3 and 5 are located in Map Ta Phut, Rayong province, while gas separation plant Unit 4 is located in Khanom, Nakhon Si Thammarat province. Gas separation plant Unit 5, which was completed in December 2004 and which began commercial operations on February 14, 2005, is located in Map Ta Phut, Rayong province. Gas separation plant Unit 5 is currently operating at full capacity of 530 MMcf/d. The additional capacity provided by Unit 5 is primarily been used to produce additional ethane, LPG and NGL for TOC, which recently expanded its operations by adding a second plant.

During the three-month period ended March 31, 2005, approximately 16.0% of the natural gas we purchased was processed at our five gas separation plants. These gas separation plants produced gas products, equal in volume to approximately 798 thousand tonnes in the three month period ended March 31, 2005, which are sold to petrochemical companies and refineries, the majority of which are part of our refining and petrochemicals business group, and other end users. We also sold LPG to end users through our oil business group. We remix the remaining natural gas from our gas separation plants, which is predominately methane, with our gas from the Gulf of Thailand to be supplied to power producers and industrial users. The following diagram summarizes our gas separation operations and how they integrate with our gas transmission operations.



The following table sets out the total volume of gas products produced at our five gas separation plants for the periods indicated.

	Year Ended December 31,			Three Months Ended March
(in KT)	**2002**	**2003**	**2004**	**31, 2005**
Product				
Ethane	491	537	556	193
Propane	251	269	253	81
LPG	1,405	1,470[(1)]	1,522[(1)]	450
NGL[(2)]	263	249	241	74

Source: Petroleum Institute of Thailand

(1) Includes sales of LPG in the amount of approximately 203 KTA (2003) and 201 KTA (2004) that we purchased from petrochemical producers for resale.

(2) Excludes NGL from DCPUs.

The following table sets out gas sales from our various processed gas products and the percentage of total gas product sales for each product for the periods indicated.

	Year Ended December 31,						Three Months Ended March 31,	
	2002		2003		2004		2005	
	(KT)	(%)	(KT)	(%)	(KT)	(%)	(KT)	(%)
Product								
Ethane	491	19.2	533	18.4	547	18.5	190	22.4
Propane	178	6.9	206	7.1	207	7.0	59	6.9
LPG	1,475	57.7	1,738[(2)]	60.0	1,778	60.3	498	58.6
NGL[(1)]	414	16.2	419	14.5	418	14.2	103	12.1
Total	2,558	100.0	2,896	100.0	2,950	100.0	850	100.0

Source: Petroleum Institute of Thailand

(1) Includes NGL from DCPUs.

(2) Includes LPG in the amount of approximately 203 KTA (2003) and 201 KTA (2004) that we purchased from petrochemical producers from resale.

We plan to increase our gas separation capacity to meet expected demand for gas products. In 2006, we plan to increase the efficiency of gas separation plant Unit 1 through a revamping process which will increase the production of ethane by 50,000 tonnes per year. We expect to sell this increased production to NPC which is planning to increase its capacity in 2006 through a debottlenecking plan. In February 2004, we signed a memorandum of understanding with NPC to conduct a feasibility study concerning an ethane separation plant to increase ethane production by between 390,000 and 500,000 tonnes per year. See "Business — Petrochemicals Business — NPC". In addition, in November 2004, we received approval from our board of directors to implement the Ethane Separation Plant Project to produce ethane for the ethylene cracker of PTTPE and in March 2005, our board of directors agreed in principle to the construction of the sixth gas separation plant to produce additional ethane for the ethylene cracker of PTTPE.

In late 2004, we commenced construction of Thailand's seventh gas separation plant, in Songkhla province, in connection with Phase I of the TTM Project. We expect this gas separation plant to be completed by the end of 2005.

Gas Marketing and Distribution

During the three months ended March 31, 2005, we sold approximately 33.3% of our natural gas sales volume to EGAT under direct sales agreements, approximately 41.6% of our natural gas sales volume directly to small and independent power producers mainly in the eastern and central regions of the country and approximately 8.9% of our natural gas sales volume to other end users in the industrial sector. During the three months ended March 31, 2005, approximately 16.1% of our natural gas sales by volume was separated into ethane, propane, LPG natural gasoline and other gas products, which were then sold and transported through our pipeline system to petrochemical producers for use as feedstock, or transported to our depots for further distribution.

The table below sets out the volume and percentage of natural gas we sold to our customers for the periods indicated.

	Year Ended December 31,						Three Months Ended March 31,	
	2002		2003		2004		2005	
	(MMcf/d)[3]	(%)	(MMcf/d)[3]	(%)	(MMcf/d)[3]	(%)	(MMcf/d)[3]	(%)
Customers								
EGAT	1,074	43.4	990	37.6	994	35.7	990	33.3
IPPs	486	19.6	662	25.1	729	26.2	820	27.6
SPPs	375	15.2	401	15.2	418	15.0	416	14.0
Industrial[1]	198	8.0	218	8.3	251	9.0	265	8.9
Petrochemical and others[2]	342	13.8	364	13.8	389	14.0	479	16.1
Total	2,475	100.0	2,635	100.0	2,781	100.0	2,970	100.0

(1) Including sales of natural gas to PTT Natural Gas Distribution Co., Ltd.

(2) Represents natural gas used in our gas separation plants to generate products including ethane, propane, LPG and natural gasoline for sale to customers. A portion of the products sold through our oil business group excludes natural gasoline derived from DPCUs amounting to 19.0 MMcf/d, 20.6 MMcf/d and 22.2 MMcf/d in 2002, 2003 and 2004.

(3) Volume is calculated at a heat value of 1,000 btu/cf.

Sales to EGAT and Other Power Producers

Pricing

The price we charge EGAT, IPPs and SPPs for natural gas is comprised of two major components - a gas charge and a transmission tariff. The gas charge is equal to a pool gas price derived from the weighted average of prices we pay various natural gas producers, plus a customer-specific marketing margin. Our transmission tariff is comprised of a demand charge intended to recover our cost of investment in the transmission pipeline and fixed operating and maintenance costs and a commodity charge intended to cover our variable maintenance and operating costs. The gas price formula can be summarized as follows:

Total Gas Price	=	Gas Charge + Transmission Tariff
Gas Charge	=	Pool Price + Marketing Margin
Transmission Tariff	=	Demand Charge + Commodity Charge

In addition, under a July 25, 2000 Cabinet resolution we are permitted to pass through a surcharge to gas customers to cover 75.8% of our carrying costs for prepayments made to gas producers in Myanmar.

Gas Charge

Pool Price. The pool price is the weighted average of prices we pay gas producers. The pool price mechanism establishes a common base price for the gas we sell to EGAT and private producers, allowing us to pass on changes in the gas purchase prices we pay gas producers.

Marketing Margin. The marketing margin, set as a percentage of the pool price, is intended to generate a return in excess of our cost of procuring and marketing our gas supply. We charge EGAT and IPPs a different marketing margin than we charge SPPs. The table below summarizes our current marketing margins, which are subject to price ceilings.

Customer Type	Marketing Margin
EGAT	1.75% of the pool price, but not exceeding 2.1525 Baht per MMbtu
IPPs	1.75% of the pool price, but not exceeding 2.1525 Baht per MMbtu
SPPs	9.33% of the pool price, but not exceeding 11.4759 Baht per MMbtu

Transmission Tariff

The transmission tariff is charged to our customers for the transportation of the natural gas and is comprised of a demand charge and commodity charge.

Demand Charge. The demand charge is intended to cover our investment costs in the transmission pipeline (at an internal rate of return on equity approved by the Government at 18.0% for existing pipelines and 16.0% for new pipelines to be constructed under Gas Pipeline Master Plan III or for existing pipelines whose useful lives have been extended), and our fixed operating and maintenance expenses. The demand charge for each customer is determined by the geographical location of the customer delivery point, categorized by zone. The transmission network is divided into three pipeline zones. Each pipeline zone has a different tariff charge:

- Zone 1, or the offshore pipeline system landing in Rayong, connects the gas fields in the Gulf of Thailand to our gas separation plants Units 1, 2 and 3, and the Zone 3 pipeline system.

- Zone 2, or the offshore pipeline system landing in Nakhon Si Thammarat, connects the Erawan platform in the Gulf of Thailand to Khanom district, Nakhon Si Thammarat province. At Khanom district, the pipeline system connects to our gas separation plant Unit 4 and the Khanom power plant.

- Zone 3, or our onshore natural gas pipeline system, connects with the Zone 1 Pipeline at Rayong. Zone 3 serves our main customers including EGAT, IPPs, SPPs and industrial customers as well as our gas pipeline from the Yadana and Yetagun sources at the Thai-Myanmar border in Kanchanaburi.

The following table sets out the coverage, demand charge and customers for each zone as of March 31, 2005.

Coverage		Demand Charge	Customers
		(Bt per MMbtu)	
Zone 1.....	Offshore (Gulf of Thailand to Rayong province)	7.9365	Gas separation plant Units 1, 2 and 3
Zone 2.....	Offshore (Gulf of Thailand to Khanom district)	14.2177	Gas separation plant Unit 4, Khanom power station
Zone 3.....	Onshore	11.4664	EGAT's gas-fired power stations (excluding Namphong), IPPs and SPPs

For customers located in Zone 3, the total demand charge equals the combined demand charge for Zone 1 and Zone 3, Baht 19.4029 per MMbtu, because the gas must pass through both zones to reach the delivery point. The majority of power plants owned and operated by EGAT and private power producers are located within Zone 3. The tariff amount is reviewed every five years by the regulator and may be adjusted to sustain our approved internal rate of return to account for significant changes in the energy value or volume of gas sold or increased investment in the pipeline network. See "Relationship with the Government and Regulatory Matters".

EGAT and IPPs pay a fixed amount of demand charge based on agreed monthly contract volumes, while SPPs pay a variable amount of demand charge according to the quantity of gas taken subject to a minimum amount.

Commodity Charge. The commodity charge is intended to cover our variable operating costs and maintenance expenses and is calculated by reference to the actual volume of gas purchased. In 2004, our commodity charge, which is adjusted annually for inflation, was 0.3418 Baht per MMbtu. Our commodity charge for 2005 is also 0.3418 Baht per MMbtu.

Take-or-Pay Surcharge. In addition, pursuant to a Cabinet resolution dated July 25, 2000, we impose a surcharge on EGAT and IPPs, intended to cover a portion of our carrying costs in respect of prepayments made for natural gas from Yadana and Yetagun. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting our Results of Operations — Payments Made Pursuant to Take-or-Pay Obligations".

EGAT Sales Agreement

Our basic agreement with EGAT executed in 1996 covers sales of natural gas until September 30, 2015. For the purposes of planning delivery of the gas, at least three months before each contract year we and EGAT must agree on the volume of gas expected to be delivered on each day of the following contract year. At least two months before the end of each quarter, we and EGAT jointly determine the total amount of gas to be delivered for each month (the monthly contract quantity) during such quarter, which cannot vary by more than 5.0% from the sum of the daily contract quantities for that month. We invoice EGAT by the thirteenth day of each month for gas purchased and delivered during the previous month.

If EGAT intentionally fails to take its agreed minimum monthly contract quantity of natural gas from us because it has used substitute fuel to generate electricity or has purchased electricity from other power producers, EGAT must pay a penalty to us in an amount equal to 50.0% of the gas charge for gas not taken. EGAT is not entitled to make-up this gas in future periods and we may sell the contracted amount not taken to other customers. If we fail to deliver to EGAT its daily contracted amount of natural gas because we have sold it to other customers, we will be liable to EGAT for compensation at the rate of 50.0% of our gas charge in respect of the amount not supplied, or if we fail to deliver natural gas at the agreed upon quality and EGAT refuses to accept the relevant amount of natural gas, we are liable to EGAT for compensation at a rate of 25.0% of our gas charge for the natural gas.

IPP Program Gas Sales Agreements

Sales to independent power producers were 486 MMcf/d in 2002, 662 MMcf/d in 2003, 729 MMcf/d in 2004 and 820 MMcf/d in the three months ended March 31, 2005. Much of the increase since 2002 can be attributed to commencement of commercial operation by IPPs covered by EGAT's IPP Program, while the small decrease in average sales during the first three months of 2004 was due to the temporary shutdown of two IPP plants during the period.

Under the IPP Program, which was developed by the Government to promote the production of electricity from natural gas and to secure a steady supply of electricity to meet the country's needs, EGAT has entered into long-term contracts with certain IPPs for the purchase of electricity. We enter into gas sales agreements with individual IPPs, and we and EGAT entered into a Master IPP Program Gas Sales Agreement which details the minimum quantities that EGAT agrees to accept on behalf of each IPP. Pursuant to the Master IPP Program Gas Sales Agreement, the quantity of gas to be purchased by each IPP in each contract year is determined according to the amount of gas required to achieve the production of such IPP's contractual capacity and contractual available hours under its power purchase agreement with EGAT.

As a condition of the power purchase agreements between the IPPs and EGAT, the IPPs are obligated to purchase sufficient quantities of natural gas to meet their electricity production requirements under the agreement. As of March 31, 2005, we had entered into seven gas sales agreements to supply a total of 1,300 MMcf/d of natural gas to IPPs, five of which have begun taking our gas.

Under a Master IPP gas sales agreement, EGAT has a minimum take-or-pay liability, pursuant to which it is obligated to pay us for gas not taken by the IPP under each IPP's individual gas sales agreement with us, provided that if a particular IPP cannot take delivery of its specified minimum quantity specified then EGAT may redirect such gas to another IPP or to another EGAT power plant, as specified in the applicable contract between us and the IPP. When EGAT has paid a minimum take liability to us for a contract year, EGAT shall have the right to subsequently take the prepaid gas from us in any of the five succeeding contract years, after the IPPs and EGAT have fulfilled their annual minimum contract quantities for any such contract year.

Under the Master IPP gas sales agreement, EGAT's make-up right is extinguished if the gas sales contract expires or if the gas is not taken within the five succeeding contract years. When the volume of gas taken by all the IPPs in a given contract year is in excess of the sum of all the annual contract quantities, EGAT may carry forward such excess amounts to satisfy annual minimum contract quantity requirements for subsequent years, subject to certain limitations. This Master IPP Program Gas Sales Agreement will continue until the termination of all power purchase agreements between EGAT and IPPs.

Also under the IPP Program, we have signed two gas sales agreements in respect of the Ratchaburi Power Plant. The first agreement is the Ratchaburi Master Gas Sales Agreement between us and EGAT, in which EGAT agrees to accept a minimum take liability of natural gas for the Ratchaburi Power Plant. EGAT has the right to obtain prepaid gas from us for the Ratchaburi Power Plant or redirect such prepaid gas to other power plants, as stipulated in the agreement, for an indefinite period. In the event that the power plant cannot take the contracted quantity, EGAT can choose to redirect the natural gas to either the Wang Noi Power Plant or the South Bangkok Power Plant when it becomes operational. The second agreement, signed between us and Ratchaburi Electricity Generating Public Company Limited, is a 25-year gas purchase agreement with terms and conditions similar to those of other IPPs.

Sales to Small Power Producers

In 2004, sales to SPPs increased by 4.1% compared to 2003. Our agreements with SPPs are standard form long-term agreements requiring each SPP to purchase a minimum quantity of natural gas. This take-or-pay obligation is equal to not less than 85% of an annual contract quantity, which may be adjusted based on negotiations between us and the SPP, but which amount may not deviate more than 15% each year it is adjusted, and which in any event may not be less than the volume of natural gas required to generate the minimum power requirements specified under the power purchase agreement between EGAT and the SPP. Prepaid gas must be taken within the two following years, so long as the required minimum quantity of gas has been taken in such year. Pricing for gas sold to SPPs is based on the price formula used for EGAT with a marketing margin of 9.33%. As of March 31, 2005, we had gas sales agreements with 17 SPPs, 16 of which have begun taking our gas.

Sales to Industrial Customers

Our gas sales agreements with industrial customers generally are for five-year terms. Each agreement specifies the contracted amount to be delivered by us, however customers have the flexibility to adjust the volume by 15% per year.

Our industrial customers include ceramic companies, metal work and glass work manufacturers, petrochemical products manufacturers, refineries and other industrial customers. During the three months ended March 31, 2005, we had approximately 205 industrial customers, which accounted for approximately 8.9% of our natural gas demand. The price we charge our industrial customers for gas is based on the market price they would have to pay for alternative fuel sources, principally fuel oil.

Sales of Natural Gas Products

In addition to our gas sales, we also sell various gas products from our gas separation plants to the petrochemical industry and other industries. We sell ethane for use as feedstock by NPC and TOC to produce ethylene and propane is used to produce propylene. LPG, which is a mixture of propane and butane, is used as household cooking gas, as automotive and industrial fuel and as a feedstock to produce olefins. NGL, which is mixed as gasoline, serves as feedstock for petrochemical producers as well as for the solvent industry. Carbon dioxide is used to make dry ice, artificial rain and fire extinguisher chemicals, and also in the iron molding and welding industry, the beer and soft drink industry and the food preservation industry. The sales prices for ethane, propane and LPG used as feedstocks are calculated generally according to a profit and loss sharing formula that takes into account the price of natural gas, conversion costs at our gas separation plants and petrochemical plants and the published reference price of petrochemical products.

We currently have long-term agreements to sell stabilized NGL to TOC. The sale price for NGL is based on the international market price of naphtha. As of March 31, 2005, we had entered into 15 gas sales agreements for processed gas products from our gas separation plants.

Recent Developments

In 2004, we added NGV to another ten of our existing service stations, bringing the total number of stations offering NGV to 28 as of December 31, 2004. There are currently 4,765 gas-powered vehicles in Thailand and 29 NGV stations, and the level of NGV consumption rose by 76% from the previous year.

In May 2004, we signed a memorandum of understanding with Vietnam Oil and Gas Corporation to conduct a feasibility study on the installation of a 460-kilometer gas pipeline, designed to distribute gas from the Lan Tay-Lan Do gas field in southern Vietnam to 12 industrial parks in Ho Chi Minh City and neighboring provinces. The study is scheduled to be completed by the end of 2005.

On August 9, 2004, we and EGAT signed two agreements concerning the supply of natural gas. Pursuant to the first agreement, EGAT agreed to purchase and we agreed to supply an average of 400 MMcf/d to EGAT's combined-cycle power plants located in Bangpakong from 2007-2010. We also signed a memorandum of understanding with EGAT relating to the supply of natural gas to thermal power plants in Songkhla province at a minimum level of 215 MMcf/d for a period of ten years, beginning in 2006.

On November 15, 2004, we signed a gas supply agreement with Gulf Power Generation Co., Ltd. for the supply of natural gas to a combined-cycle power plant in Kaeng Khoi, Sara Buri, having a generating capacity of 1,468 MW, from 2007-2032. The average gas supply is to start at 125 MMcf/d in 2007, rising to 250 MMcf/d from 2008 onwards.

Investments in Power Businesses

In order to create value added from our natural gas supply chain, in 2004 and 2005 we increased our exposure to the power business by investing in three power projects.

Ratchaburi Power Co., Ltd.

On March 12, 2004 we acquired a 15.0% stake in RPCL. RPCL, formally known as Union Power, is a 1,400MW gas-fired IPP project located in Ratchaburi province. The plant is expected to become operational in 2008 and to supply electricity to EGAT under a 25-year power purchase agreement. The estimated project cost is approximately $890 million. In addition, on February 27, 2004 we entered into a 25-year gas sales agreement with RPCL to supply a total of 240 MMcf/d of natural gas to RPCL, beginning in March 2008.

PTT Utilities Co., Ltd.

On March 16, 2004, we entered into a memorandum of understanding with three of our petrochemical affiliates to operate the central utilities project. The central utilities project, which will be split into various phases, has been designed to accommodate our expansion and the expansion of our petrochemical affiliates. The initial phase will be comprised of a plant that will generate 37.5 MW of power and 90 tonnes per hour of steam to be supplied to TOC's new ethylene oxide/ethylene glycol ("EO/EG") project, together with other related industries such as an air separation plant. The first phase of the project is scheduled to commence operations by the second quarter of 2006. The initial investment in the project will be approximately Baht 3.2 billion. On July 13, 2004, PTTUT was registered as a limited company to operate the central utilities project. We acquired a 40.0% equity interest in PTTUT, while the other shareholders NPC, ATC and TOC each hold a 20.0% interest. NPC, due to its expertise in utilities, has been commissioned as a management consultant for the operation for the first phase.

Independent Power (Thailand) Co., Ltd.

On March 11, 2005, we acquired from Siemens AG a 20.0% equity interest in IPT, a 700 MW gas-fired power plant that has been in operation since August 2000 under the IPP program and sells electricity to EGAT under a 25-year contract. We supply 120 MMcf/d of natural gas to IPT under a 25-year gas sales agreement. IPT's other shareholders include Thai Oil Power Company Ltd ("TP") (56%) and TOP (24%).

Exploration and Production

Overview

Our exploration and production activities are conducted through our subsidiary PTTEP, a Thai public company listed on the SET. As of March 31, 2005, we held a 66.48% equity interest in PTTEP. Pursuant to a Cabinet resolution dated November 4, 1997 we are required to maintain a shareholding of not less than 51.0% in PTTEP. PTTEP's principal activity is the exploration, development and production of interests in natural gas and crude oil reserves in Thailand and in neighboring countries. As of December 31, 2004, PTTEP's proved reserves were approximately 899 MMboe, of which approximately 84.5% (or 5,011 Bcf) were natural gas and approximately 15.5% were crude oil and condensate. For 2004 and the first three months of 2005, PTTEP's sales volume averaged approximately 129,187 Boe/d and 142,685 Boe/d, of which approximately 72% and 74% was natural gas.

PTTEP conducts a substantial portion of its exploration and production activities through its working interests in petroleum concessions operated by joint ventures with international oil and gas companies. As of June 30, 2005, PTTEP had working interests ranging from 5.0% to 100.0% in 14 Thai, 11 regional and three international projects. Of PTTEP's 28 projects, 10 are under production, one is under production testing and 17 are in exploration and development phases. PTTEP is the operator of 13 projects including Bongkot, S1, PTTEP-1, Nang Nuan, Arthit, Block L22/43, Block L53/43 & L54/43, Block M7 & M9 (Myanmar), Block M3 & M4 (Myanmar), Cambodia B (Cambodia), CTJDA, Block 44 (Oman) and Saveh (Iran). In addition, PTTEP is also the joint operator of the MTJDA project, Block 9-2 and Block 16-1.

We work closely with PTTEP to maximize synergies between our two companies and to take advantage of each others strategic market position and expertise. We are solely responsible for gas transmission, distribution and marketing in Thailand, while PTTEP acts as our exploration and production arm both in Thailand and internationally. We work jointly with PTTEP to market natural gas to major power producers in Thailand.

Natural Gas, Crude Oil and Condensate Sales

Except for natural gas produced at the Sirikit oil field, a portion of which is sold directly to EGAT, all of PTTEP's natural gas production is sold to us under long-term gas sales agreements with take-or-pay volumes which are based on a minimum DCQ. For further information on terms of the sale contracts, see "— Gas Procurement — Principal Terms of Gas Purchase Agreements".

PTTEP's sales volume averaged 142,685 Boe/d in the first three months of 2005, an increase of 10% from the same period in 2004. The primary reasons for the increase were the increase in sales volume from the holdings in S1 Project and the resumption of Bongkot's production of its DCQ. The following table summarizes PTTEP's average sales volume and average selling price (excluding sales from Medco) for the periods indicated.

	Year Ended December 31,			Three Months Ended March
Item	**2002**	**2003**	**2004**	**31, 2005**
Natural Gas (MMcf/d)	536	555	614	660
Crude Oil (Kb/d)	6.2	6.2	18.7	18.3
Condensate (Kb/d)	13.0	14.7	15.8	16.6
LPG (Tonnes per day)	74.6	69.1	273	266.7
Total (Boe/d)	101,736	107,299	134,070	142,685
Average Selling Price (U.S.$/Boe)	18.59	20.62	23.38	24.42

Source: PTTEP

Natural Gas and Oil Reserves

As of December 31, 2004, PTTEP and its subsidiaries had estimated proved reserves of approximately 899 MMboe, consisting of 760 MMboe (5,011 Bcf) of natural gas reserves and 139 MMboe of crude oil and condensate reserves.

As of December 31, 2004, PTTEP, through its subsidiary, PTTEP Offshore Investment Company Limited ("PTTEPO"), indirectly held a 34.20% interest in Medco, an Indonesia upstream oil and gas exploration and production company. PTTEP's share of Medco's proved reserves as of December 31, 2004 were 36 MMboe for crude oil and condensate, and 165 Bcf for gas. The total proved reserves in terms of oil equivalent is 64 MMboe. On January 29, 2005, PTTEPO signed a conditional share purchase agreement with Encore International Limited to dispose of its interest in New Links Energy Resources Limited, the entity through which PTTEPO held its equity interest in Medco. The transaction was completed on February 17, 2005 and PTTEP no longer holds an interest in Medco.

PTTEP's total worldwide proved reserves as of December 31, 2004, including its investment in Medco, were 175 MMboe for crude and condensate, and 788 MMboe (5,176 Bcf) for gas, or approximately 963 MMboe combined.

PTTEP utilizes standards consistent with guidelines of the Society of Petroleum Engineers and the World Petroleum Congress to categorize as "proved" reserves that it intends to produce in the future based on existing engineering data and test results, current prices and economic conditions. In the case of natural gas and condensate reserves, PTTEP does not consider reserves from a particular prospect as "proved" until, in addition to the technical and economic recoverability required to establish "proved" oil reserves, agreement of material terms of a sales agreement for natural gas or condensate from such prospect has been reached with a purchaser (with the exception of the JDA for which an agreement as to commercial development is in place). Thereafter, it may categorize additional reserves from such prospect as "proved" when it determines that additional quantities are reasonably certain to be recoverable in the future under existing economic and operating conditions.

PTTEP's proved reserves are reported on a gross basis which include its net working interest and the related host country's interest. The table below sets out information concerning PTTEP and its subsidiaries' proved reserves for the years ended December 31, 2002, 2003 and 2004.

	2002	2003[1]	2004
Natural gas (Bcf):			
Proved reserves			
Beginning of year	4,640	4,592	5,137
Revisions of previous estimates	122	186	(25)
Extensions and discoveries	50	470	3
Improved or Enhanced recovery	(0.1)	—	—
Acquisitions of reserves in place	—	124	171
Sales of reserves in place	—	—	—
Production for the year	(220)	(235)	(275)
End of year	4,592	5,137	5,011
PT. Medco Energi International Tbk[2]	43	93	165
Total Worldwide	4,635	5,230	5,176
Crude oil and condensate (MMbbls):			
Proved reserves			
Beginning of year	98	98	112
Revisions of previous estimates	5	8	(1)
Extensions and discoveries	2	11	—
Improved or Enhanced recovery	0	—	—
Acquisitions of reserves in place	—	3	41
Sales of reserves in place	—	—	—
Production for the year	(7)	(8)	(13)
End of year	98	112	139
PT. Medco Energi International Tbk[2]	50	40	36
Total Worldwide	148	152	175

Source: PTTEP

(1) As of January 1, 2004, after giving effect to the acquisition of Thai Shell, PTTEP's proved reserves, including proved reserves of P.T. Medco Energi Internasional Tbk, were approximately 1,019 MMboe, of which approximately 81.1% were natural gas and approximately 18.9% were crude oil and condensate.

(2) As of December 31, 2004, PTTEP indirectly held a 34.20% interest in PT. Medco Energi International Tbk., an Indonesia upstream oil and gas exploration and production company. PTTEP sold its entire interest in Medco in February 2005.

Principal Properties

PTTEP has working interests in 28 exploration and production projects, 10 of which are in production. Of the other 18 projects, one is under production testing and 17 are under exploration and development.

The following table sets out certain information regarding PTTEP's principal active projects.

Project	Location	Operator[1]	Partners Working Interest (%)	PTTEP's Working Interest (%)[3]
In Production:				
Bongkot	Southern Gulf of Thailand	PTTEP	Total (33.3) BG (22.2)	44.4445
Pailin (B 12/ 27)	Southern Gulf of Thailand	Unocal Thailand	Unocal Thailand (35.0) Amerada Hess (15.0) MOECO (5.0)	45.0
Unocal III	Southern Gulf of Thailand	Unocal Thailand	Unocal Thailand (71.3) MOECO (23.8)	5.0
S1 (Sirikit)	North-Central Thailand	PTTEP	—	100.0
PTTEP-1	Central Thailand	PTTEPI	—	100.0
E5 (Nam Phong)	Northeast Thailand	ExxonMobil	ExxonMobil (80.0)	20.0
Yadana	Gulf of Mataban (Myanmar)	Total Myanmar	Total Myanmar (31.2) Unocal Myanmar (28.3) MOGE (15.0)	25.5[1]
Yetagun	Gulf of Mataban (Myanmar)	Petronas Carigali Myanmar	Petronas Carigali (40.9) Nippon Oil (19.3) MOGE (20.5)	19.3
B8/32	Gulf of Thailand	Chevron	Chevron (51.66) MOECO (16.71) PSTL (6.63)	25.0
B9A	Gulf of Thailand	Chevron	Chevron (51.66) MOECO (16.71) PSTL (6.63)	25.0
Under Production Testing:				
Nang Nuan	Gulf of Thailand	PTTEP	—	100.0
Under Exploration & Development:[2]				
MTJDA (B17, C19)	Southern Gulf of Thailand	Carigali - PTTEPI	Petronas Carigali (50.0)	50.0[1]
Arthit	Southern Gulf of Thailand	PTTEP	Unocal Thailand (16.0) MOECO (4.0)	80.0
Block B & 48/95	Vietnam	Unocal Vietnam	Unocal Vietnam (42.38) MOECO Vietnam (25.62) PVEP (23.5)	8.5
B 52/97	Vietnam	Unocal SW	Unocal SW (43.4) MOECO SW (19.6) PVEP (30.0)	7.0
L 22/43	Northern Thailand	PTTEPI	—	100.0
L53/43 & L54/43	Suphan Buri/Central Thailand	PTTEP	—	100.0
G4/43	Gulf of Thailand	Chevron	Chevron (85.0)	15.0
Phu Horm	Northeast Thailand	Amerada Hess	Amerada Hess (35.0) APICO LLC (35.0) EMEPKI (10.0)	20.0
Cambodia Block B	Cambodia	PTTEPI	Resourceful Petroleum Limited (60.0)	40.0
CTJDA	Thailand-Cambodia	PTTEPI	—	100.0
M3 & M4	Gulf of Mataban (Myanmar)	PTTEPI	—	100.0
M7 & M9	Gulf of Mataban (Myanmar)	PTTEPI	—	100.0
Block 44	Oman	PTTEP ME	—	100.0
Block 9-2	Vietnam	PTTEP/Joint	Soco Vietnam (25.0) Petroleum Vietnam (50.0)	25.0
Block 16-1	Vietnam	PTTEP/Joint	Petroleum Vietnam (41.0) Soco Vietnam (28.5) OPECO (2.0)	28.5
Block 433a & 416b	Algeria	PIDC	PIDC (40.0) Sonatrach (25.0)	35.0
Saveh	Iran	PTTEP	—	100.0

Source: PTTEP

(1) For full name of operators and concession parties, please refer to "Glossary of Concession Partners".

(2) Exploration areas comprise those areas in which the exploration period under the concession has not expired.

(3) PTTEP's attributable working interest in each of the Yadana, Yetagun and JDA projects is calculated under production sharing agreements.

Bongkot

Bongkot has the largest level of proved reserves in Thailand, and accounts for PTTEP's largest portion of natural gas and condensate reserves. PTTEP holds a 44.4% interest in the project and assumed operatorship from Total E&P in 1998. All of the natural gas and condensate produced at Bongkot is sold to us on a take-or-pay basis pursuant to a long-term agreement. Bongkot is located in the southern Gulf of Thailand, 180 kilometers from Songkhla province, Thailand. Natural gas from Bongkot is transported to our platform located at Erawan through our 171 kilometer offshore pipeline. The property, which began operations in 1993, was developed in three phases.

In the first three months of 2005, Bongkot maintained a field gas potential above its gas sales obligation with us, with average sales volume for natural gas and liquid hydrocarbons (condensate and oil) of 616 MMcf/d and 18,788 Bbls/d, respectively. In April 2005, the Bongkot partners installed a SPP platform for which hook-up and commissioning is ongoing. Other projects for the 2005 development program include drilling five development wells, constructing three wellhead platforms and undertaking pre-project work and a basic engineering study of the Bongkot South Gas Development zone, which is expected to produce gas by 2010.

Unocal III

PTTEP acquired a 5.0% interest in the Unocal III project in 1990. Unocal III is located north of Bongkot in the Gulf of Thailand, off the coast of Surat Thani province, and is operated by Unocal Thailand. All of the natural gas and condensate produced at Unocal III is sold to us on a take-or-pay basis pursuant to long-term agreements. Natural gas is transported to the Erawan platform for transmission into our 418 kilometer pipeline to Map Ta Phut, Rayong province. In 2004, Unocal III produced an average of 397 MMcf/d of natural gas and 27,165 Bbls/d of liquid petroleum (oil and condensate). The sales volume for the property in the first three months of 2005 averaged 455 MMcf/d of natural gas and 28,480 Bbls/d of liquid petroleum gas (oil and condensate).

S1

S1 is PTTEP's principal crude oil property. PTTEP acquired a 25.0% interest in S1 in 1985 from Thai Shell. On December 30, 2003, PTTEP executed a share purchase agreement to buy all the outstanding shares of Thai Shell, resulting in PTTEP and its subsidiaries becoming the operator and sole owner of S1 as of January 1, 2004. The property is located in the Sirikit field onshore in north-central Thailand in Kamphaengphet province. Natural gas produced at S1 is sold directly to EGAT to feed an adjacent power plant, while the crude oil produced at S1 is sold to us. LPG is processed at a plant located at S1 and sold to us. The joint venture partners have conducted an extensive review of S1 and concluded that more development drilling is required to maintain production from the block. The sales volume for the property in the first three months of 2005 averaged 16,945 Bbls/d of crude oil, 44 MMcf/d of natural gas and 267 tonnes per day of LPG.

In 2004, S1 produced an average of 17,641 Bbls/d of crude oil, 56 MMcf/d of natural gas and 274 tonnes per day of LPG. In the first three months of 2005, S1 produced an average of 16,945 Bbls/d of crude oil, 44 MMcf/d of natural gas and 267 tonnes per day of LPG. During 2005, PTTEP plans to drill 30 appraisal wells, nine development wells and 22 work-over wells.

PTTEP 1

In July 1993, PTTEP, through PTTEPI, acquired a 100.0% interest in PTTEP 1, which had been producing crude oil since 1991, from BP Exploration Operating (Thailand) Co., Ltd. PTTEP is the sole owner and operator of PTTEP1, which is located in central Thailand in Suphan Buri and Nakhon Pathom provinces. Crude oil produced at PTTEP 1 is currently transported 140 kilometers via roadway by PTTEP to a refinery owned by Bangchak. Crude oil is sold by PTTEP to us at the Bangchak refinery gate and immediately resold

by us to Bangchak. PTTEP has three planned development wells which will focus on partially offsetting field declines and enhancing oil recovery. The sales volume for the property in the first three months of 2005 averaged 486 Bbls/d of crude oil.

E5

In 1990, PTTEP acquired a 20.0% interest in E5 from Esso Exploration and Production Khorat Inc., the operator of the project. E5 is located onshore at Namphong, Khon Kaen province and production commenced in December 1990. All of the natural gas produced at E5 is sold to us on a take-or-pay basis pursuant to a long-term agreement. We then transport the gas from E5 to an EGAT power plant through a 3.5 kilometer transmission pipeline operated by us. The sales volume for the property in the first three months of 2005 averaged 34 MMcf/d of natural gas.

Pailin

PTTEP acquired a 45.0% working interest in Pailin in July 1993. Pailin, which is operated by Unocal Thailand, is located northwest of Bongkot in the Gulf of Thailand off the coast of Nakhon Si Thammarat province. All of the natural gas produced at Pailin is sold to us on a take-or-pay basis pursuant to a long-term agreement. The natural gas and condensate produced at Pailin is transported by pipeline to the Erawan platform, and the natural gas is then delivered by us to Map Ta Phut in Rayong province. Expansion of the project was completed in July 2002 to provide 330 MMcf/d of gross production capacity.

On October 10, 2003, we and the other partners in Pailin amended the gas sales agreement for Pailin to reduce the gas price by 3.0%, effective October 1, 2003. In return for this price reduction, we agreed to increase the volume of gas we purchase from 330 to 353 MMcf/d. The price discount will increase to 5.0% beginning from the date of completion of Gas Pipeline Master Plan III until the expiration of the agreement. In return for this further reduction, we agreed to increase the volume of gas we purchase from 353 to 368 MMcf/d. During 2005, the Pailin partners plan to drill 44 development wells and construct three wellhead platforms. The sales volume for the property in the first three months of 2005 averaged 365 MMcf/d of natural gas and 14,781 Bbls/d of condensate.

Yadana

In 1995, PTTEP's wholly-owned subsidiary, PTTEPI, acquired a 25.5% working interest in the production sharing contract for Yadana, a large gas project operated by Total Myanmar Exploration and Production ("Total Myanmar") at M-5 and M-6 located in the Gulf of Mataban, offshore Myanmar. Although PTTEPI's attributable interest in Yadana is 25.5%, its effective economic interest at the proposed production levels is 17.9%, after taking into account payment of royalties and certain discounts required under the production sharing contract.

PTTEPI and its joint venture partners sell the natural gas produced from Yadana to us on a take-or-pay basis pursuant to a 30-year agreement. The Yadana joint venture partners are required to deliver to us annually an average of 525 MMcf/d (64 MMcf/d net to PTTEPI after distribution under the production sharing contract) of natural gas for the first 19 years or until there is re-assessment of natural gas reserves. There was no drilling of development or other types of wells in Yadana in 2004. In 2005, the Yadana partners plan to develop the Sein field (WP-3) and drill two development wells there, and to develop a medium compression platform. The sales volume for the property in the first three months of 2005 averaged 650 MMcf/d.

Pursuant to the terms of the Yadana production sharing contract between the joint venture partners and Myanma Oil and Gas Enterprise ("MOGE"), the joint venture partners are entitled to allocate up to 50.0% of total natural gas and crude oil production to the recovery of their exploration, development, and production costs. The remaining natural gas and crude oil production is allocated between joint venture partners and MOGE. The joint venture partners are required to pay to the Government of Myanmar a royalty of 10.0% of the value of this remaining natural gas and crude oil production, as well as certain bonus payments due upon the attainment of certain specified production thresholds.

The allocation of natural gas production between the joint venture partners and MOGE (after the allocation for cost recovery) is reduced incrementally as daily production volumes increase until, at daily natural gas production volumes between 301 MMcf/d and 600 MMcf/d, the joint venture partners' allocation ranges from 30.0% to 45.0% and at daily natural gas production volumes above 900 MMcf/d, the joint venture partners' allocation is reduced to 10%. The Government of Myanmar also has an option to purchase up to 125 MMcf/d of additional natural gas for domestic use in Myanmar under a domestic gas supply agreement.

Similar incremental reductions in the allocation between the joint venture partners and MOGE apply to increased production of crude oil until the joint venture partners' allocation is reduced to 15.0% at daily production levels above 200,000 Bbls/d. In addition, up to 20.0% of the natural gas allocated to the joint venture partners must be made available to MOGE at a price that does not exceed 10.0% of the fair market value in order to fulfill Myanmar's domestic natural gas requirements.

To transport natural gas from Yadana to Thailand, PTTEP Offshore Investment Limited (a wholly owned subsidiary of PTTEP) and its joint venture partners, Total Myanmar, Unocal Myanmar Offshore Co., Ltd. and MOGE, established a gas transportation company, Moattama Gas Transportation Co., Ltd. to construct and operate an onshore pipeline section of approximately 63 kilometers and an offshore pipeline section of approximately 346 kilometers from the Yadana development area to the Thai border. The pipeline's capacity is approximately 660 MMcf/d. The construction of the onshore and offshore pipelines was completed in May and November 1997, respectively. In 2000, we completed an approximately 239 kilometer section of onshore pipeline from the Thai border to the EGAT electric power generating plant in Ratchaburi, near Bangkok.

Yetagun

In March 1997, PTTEPI, a wholly-owned subsidiary of PTTEP, acquired a 14.2% interest in Blocks M-12, M-13 and M-14 in the Yetagun natural gas project located in the Gulf of Mataban, southeast of Yadana. On September 30, 2003, PTTEPI increased its interest in the Yetagun project to 19.3% by exercising its right of first refusal, together with the other joint venture partners, to purchase the remaining shares of Premier Petroleum Myanmar Limited, the former operator of the project. Petronas Carigali Myanmar Inc. is the current operator of the Yetagun project. PTTEPI and its joint venture partners sell natural gas from Yetagun to us on a take-or-pay basis pursuant to a 30-year agreement. The project began operations in May 2000. The sales volume for the property in the first three months of 2005 averaged 416 MMcf/d and 7,582 Bbls/d as compared to 228 MMcf/d and 4,396 Bbls/d in 2004. During 2005, the Yetagun partners plan to undertake exploration drilling and prepare the Yetagun North Development area.

In October 2002, we and the Yetagun partners signed a side letter agreement amending the original gas purchase agreement. Pursuant to the amended agreement, we agreed to increase the annual volume of gas we purchase from 200 to 260 MMcf/d. In exchange, the provisions of the agreement relating to make-up gas were amended so that make-up gas is now calculated on a monthly basis rather than an annual basis, permitting us to use make-up gas more quickly. In addition, we agreed to increase the minimum daily contract quantity of gas we purchase to 400 MMcf/d upon completion of the gas compressor at Block Valve West 7 in Kanchanaburi province. The pricing terms of the agreement were also amended to be 90% of the price of fuel oil for gas taken above 300 MMcf/d.

Following cost recovery, the remaining natural gas and crude oil production is allocated between joint venture partners (40.0%) and MOGE (60.0%). In the event of any crude oil discovery, the incremental reductions apply to the allocation of crude oil production (after recovery of costs and expenses) between the joint venture partners and MOGE until at daily production levels above 150,000 Bbls/d the joint venture partners' allocation is reduced to 12.5%. In addition, the joint venture partners are obligated to make available to MOGE up to 20.0% of crude oil production at Yetagun at a 20% discount to fair market value.

The joint venture partners are required to pay the government of Myanmar a royalty equal to 10% of the value of this remaining natural gas and crude oil production, as well as certain bonus payments due upon the attainment of certain specified production thresholds.

To transport natural gas from Yetagun to Thailand, PTTEPI and its joint venture partners established a gas transportation company, Taninthayi Pipeline Company LLC, to construct and operate an offshore pipeline of 210 kilometers and an onshore pipeline of 67 kilometers (parallel to the Yadana pipeline) from the project to the Thai border. The pipeline capacity is approximately 622 MMcf/d of compressed natural gas. PTTEPI owns 14.2% of the company, through its wholly-owned subsidiary, PTTEP Offshore Investment Limited. The construction of the onshore and offshore pipelines was completed in 1999.

Nang Nuan

The Nang Nuan project is located in the Gulf of Thailand, approximately 25 kilometers offshore from Chumphon province, covering an area of 1,306 square kilometers. PTTEPS is the operator and holds a 100% interest in Nang Nuan Project (Block No. B6/27). In June 2005, PTTEPS began production testing at Nang Nuan producing crude oil at the rate of approximately 3,100 barrels per day from one production well. The targeted production rate is between 3,000- 5,000 barrels per day. In 2006, PTTEPS plans to drill two additional exploration and production wells to increase its crude oil reserves and increase production.

Principal Properties Under Exploration

Joint Development Area

Pursuant to a memorandum of understanding signed between the governments of Malaysia and Thailand in February 1979, MTJA was established in 1990 to award exploration and development rights for a period of up to 35 years in respect of petroleum resources in Blocks A-18, B-17 and C-19 in the 7,250 square kilometer area in the southeast Gulf of Thailand overlapping the border of Malaysia and Thailand.

In April 1994 PTTEPI formed a joint venture agreement with Carigali, a wholly-owned subsidiary of PETRONAS, the Malaysian state oil company, named Carigali-PTTEPI Operating Company Sdn. Bhd., to explore and develop Blocks B-17 and C-19, an area of 4,250 square kilometers adjacent to Bongkot off the coast of Malaysia. PTTEPI and Carigali each owns a 50.0% interest in a special purpose company that acts as operator of Blocks B-17 and C-19, and each has the right to receive 50.0% of the production and the obligation to bear 50.0% of the related costs and expenses. Under the joint venture agreement, a royalty equal to 10.0% of production is payable to the MTJA, 5.0% to Thailand and 5.0% to Malaysia.

In April 1998, the joint venture partners executed Heads of Agreement relating to the JDA providing for the sale of the natural gas to be produced from the JDA to PETRONAS and us. In 2004, we and PTTEP concluded a preliminary gas sales agreement with respect to B-17 in order to begin exploration and production of natural gas. On September 30, 2004, PTTEPI and PC JDA as "contractors" and the MTJA signed a production sharing contract for the right to explore and produce petroleum in Block B-17-01, with the contractors and MTJA sharing any potential production on a 50/50 basis. Supply of gas from Block B-17 is expected to commence in 2008. See "— Gas Procurement — Principal Sources of Supply".

Arthit

In 1988, PTTEP acquired a concession from the Government to explore and develop Blocks B-14, 15 and 16 in the joint area overlapping the border of Thailand and Vietnam in the Gulf of Thailand adjacent to the eastern end of Bongkot. Mineral rights in this area were established by a 1997 treaty between Thailand and Vietnam. Arthit, the Thai area under this treaty, equals 67.5% of the total joint area and consists of approximately 3,400 square kilometers. Results of five exploration wells drilled in 1999 and 2000 indicate

the presence of natural gas and crude oil. PTTEP sold a 16.0% interest to Unocal Thailand and a 4.0% interest to Mitsui Oil Exploration Co., Ltd. in order to reduce exploration and development costs and share the associated risks, thus reducing PTTEP's current interest in Arthit to 80.0%. Phase I of exploration consisted of seven exploration wells in 1999 and 2000. Phase II of exploration resulted in the drilling of 14 exploratory-appraisal wells between June 2001 and January 2002. The Arthit project conducted post-well and prospect re-evaluated studies based on the exploration and appraisal results and conducted Phase III of exploration, during which eight wells were drilled to support development phase planning and to explore for additional gas reserves in Blocks B14A and B15A.

Phase I of field development consists of constructing one production platform, one quarter platform, six wellhead platforms, five inter-field sealines and one condensate sealine. The Arthit partners expect to complete detailed engineering by the end of 2005 and for all major contracts to be awarded during the first half of 2005. The partners plan to install two wellhead platforms in the third quarter of 2005 and to commence drilling wells in the fourth quarter of 2005.

The Arthit Production Area was officially granted to PTTEP on June 5, 2003. We signed a Heads of Agreement with PTTEP in November 2003 and a gas purchase agreement on January 23, 2004 to take gas from Arthit, which is expected to produce its first gas in the first quarter of 2007 at a rate of 330 MMcf/d. We have the option to take up to 500 MMcf/d beginning in 2009.

Joint Venture Agreements

PTTEP holds the majority of its exploration and production interests through joint ventures with international oil and gas companies. Each joint venture participant holds an undivided interest in the concession area described in the concession, and in all rights and obligations of the concessionaire. The operator has exclusive charge of all petroleum-related operations, including exploration, appraisal, development and production, storage and transportation, and is required to report regularly to the other joint venture participants. The operator's activities are generally funded either by monthly cash calls based on amounts agreed to in the annual budget prepared by the operator and approved by a specified percentage of joint venture participants or as a certain percentage of available petroleum produced in connection with a project. The operator generally can be removed for gross negligence or willful misconduct, and may resign with notice under certain circumstances.

Joint venture participants holding a specified percentage interest in a concession have the right to issue guidelines governing the management of the concession by the joint venture. In addition, the joint venture participants holding such specified percentage interest have the right to approve development and exploration programs, production levels, annual budgets, and amendments and adjustments to such budgets, contracts for goods, services or capital expenditures in excess of specified amounts. Under the terms of its joint venture agreements, and given its percentage working interest in each concession, PTTEP effectively has a veto with respect to all such decisions to be made by the joint venture for Bongkot, Pailin, S1 and the JDA. Representatives of each joint venture participant may review joint venture accounts and records and periodic reports before they are sent to the relevant government agencies. Regular meetings are held to coordinate and review information and plans. Each joint venture participant is only permitted to engage in exploration work after consultation with the other joint venture partners. If these partners decline and the participant engages in such exploration work alone, it accepts all risks of venturing individually.

Liability arising in respect of operations not otherwise insured is generally borne by each participant in accordance with their respective interest in the concession. The joint venture agreements generally provide that the operator will acquire insurance on behalf of the participants, unless such participants choose to acquire insurance individually, or self-insure their risks. In addition, PTTEP currently maintains business interruption insurance with respect to its working interest in Bongkot.

PTTEP's joint venture agreements generally terminate on the earlier of an agreement by the parties to terminate the joint venture and the termination of the underlying concession or production sharing contracts. In addition, the ability of the participants (including the operator) to transfer or assign their rights under the agreement or otherwise withdraw from the joint venture is generally subject to pre-emptive or first refusal rights in favor of the remaining joint venture partners.

Recent Developments

In July 2003, PTTEP was awarded a new petroleum concession, Block G9/43, in the Gulf of Thailand, and a joint venture partner in Blocks G4/43 and L22/43. In December 2003, PTTEP purchased all the outstanding shares of Thai Shell from Shell International, making PTTEP the sole owner and operator of S1, Block 6/27 and Block L22/43. PTTEP also increased its investment in the Yetagun Project and was awarded the role of operator of Block M7 & M9 in Myanmar.

On October 8, 2003, PTTEP Algeria Company Limited ("PTTEP Algeria") signed an assignment agreement with Petrovietnam Investment & Development Company ("PIDC") giving PTTEP Algeria a 35.0% participating interest in Block 433a and Block 416b in the southeast of Algeria. The joint investment is subject to consent and approval from SONATRACH, the Algeria National Oil Company, and the Algerian Government.

On January 22, 2004, PTTEP was awarded the concession blocks from the 18th Petroleum Concession Bidding Round. PTTEP became the concessionaire and the operator for the whole of concession Blocks L53/43 and L54/43, which together cover an area of approximately 8,000 square kilometers. Both concession blocks are noted to have potential oil reserves, and are located in Suphanburi province next to PTTEP 1.

On January 29, 2004, PTTEP completed the purchase of shares of Thai Shell at an acquisition cost of Baht 7,638 million and became the operator with 100% interest in Project S1, Blocks L22/43 and B 6/27. As of January 1, 2004, S1 had proven reserves of 110 MMBoe. Effective January 1, 2004, PTTEP holds all the rights for Blocks S1, L22/43 and B6/27.

On January 29, 2004, PTTEP signed a memorandum of understanding with the Ministry of Petroleum, the Islamic Republic of Iran. The memorandum of understanding covers the cooperation between the two parties in the areas of petroleum exploration, development and utilization of petroleum and petroleum products, as well as training and other technical assistance in petroleum activities. On April 30, 2005, PTTEP Iran Company Limited ("PTTEP Iran") signed a service contract with the National Iranian Oil Company for the exploration and development of the Saveh Block in Iran. From 2005-2009, PTTEP Iran plans to conduct a 2-D seismic reprocessing for 1,900 kilometers, perform a 2-D seismic survey of 600 kilometers of the area, and drill one development well.

On August 7, 2004, PTTEPI signed a production sharing contract with MOGE, pursuant to which PTTEPI will serve as contract operator for the development of the Block M-3 and Block M-4 projects, which are located in the Gulf of Mataban. This initiative is consistent with the strategic plans of both PTT and PTTEP to move into international investment territories in an effort to enhance petroleum reserves and satisfy the country's demand for energy.

On August 11, 2004 we and PTTEP formed Energy Complex Co., Ltd. to develop and manage an area designed to become a national energy business center complex housing the new Ministry of Energy, PTT, PTTEP and affiliated companies, together with private companies in the energy business. During the initial period of development, we and PTTEP will split the equity evenly and others will be invited to hold equity interests at some point in the future. Construction of the complex is expected to be completed by the end of 2007 at an estimated cost of Baht 7,200 million.

On December 28, 2004, the Cabinet approved a 20% investment by PTTEP in the EU-1 exploration block. Preliminary exploration has been successful, raising optimism that this field will become the first major onshore gas field in Thailand. First gas production is expected in the fourth quarter of 2005.

On April 4, 2005, PTTEPI signed a farm-out agreement for Block B, offshore Cambodia, with Resourceful Petroleum Limited. PTTEPI will be the operator with a 40% interest. Participation will only be valid after obtaining approval, which has not been received, for the production sharing contract from the Cambodian government.

On May 27, 2005, PTTEP signed a Technical Evaluation Agreement with the Kingdom of Bahrain to jointly carry out technical studies and evaluate hydrocarbon potential in Block 1 & 2 offshore with the Bahrain Petroleum Company B.S.C. (Closed), the national oil company of Bahrain. Both blocks are situated offshore in the Northwest of Bahrain and cover a total area of 5,117 square kilometers. The 1-year geological and geophysical work program will cover extensive petroleum systems assessment, a seismic reprocessing test and detailed interpretation.

On July 18, 2005, PTTEPO signed a farm-in/farm-out agreement for Block Merangin 1, offshore Sumatra, Indonesia, with PT Medco E&P Merangin and Medco. PT Medco E&P Merangin will continue to be the operator of the field and PTTEPO will hold a 39% interest. The agreement is pending the approval of the Indonesia government.

On July 25, 2005, PTTEPI signed a production sharing contract with MOGE, pursuant to which PTTEPI will be the operator of the Block M-11 project, which is located in the Gulf of Mataban. This initiative is consistent with the strategic plans of both PTT and PTTEP to move into international investment territories in an effort to enhance petroleum reserves and satisfy the country's demand for energy.

Acquisition of Shares in Pogo Group

On June 17, 2005, PTTEPO, with a participation interest of 59.94%, and Mitsui Oil Exploration Co., Ltd., with a participation interest of 40.06%, signed a share purchase agreement with Pogo Overseas Production B.V. and Pogo Producing Company to jointly acquire from the Pogo Group in Thailand 100% of the shares of Thaipo Limited and 46.34% of the shares of B8/32 Partners Limited.

Pursuant to the share purchase agreement, PTTEPO will pay the total amount of approximately $490 million for this acquisition on the condition that the existing partners waive first rights of refusal under the Joint Operating Agreement.

Petroleum concession Block B8/32 is located in the Gulf of Thailand, covering an area of approximately 2,460 square kilometers and consisting of Tantawan field (in which Thaipo Limited holds a 46.34% interest), and Benchamas, Maliwan, Jamjuree and Chaba fields (in which Thaipo Limited and B8/32 Partners Limited each holds a 31.67% interest). The current petroleum production is approximately 98,800 Bbls/d, comprising crude oil of approximately 59,200 Bbls/d, and natural gas of approximately 240 MMcf/d. Petroleum concession Block 9A (in which Thaipo Limited holds a 46.34% interest) is located in the Gulf of Thailand, covering an area of approximately 81 square kilometers with no production at present.

This acquisition, when completed, will provide PTTEP with an immediate revenue stream from petroleum sales, increased petroleum production and proved reserves, and enhanced operational synergy with the adjacent G4/43 project (in which PTTEP is a joint venture partner holding a 15% interest).

Other Gas Businesses

PTT Natural Gas Distribution Co., Ltd.

PTTNGD, a joint venture between us, Suez-Tractebel S.A. of Belgium and Ladawan Capital Co., Ltd. was established on June 24, 1996. We currently own 58% of PTTNGD, which owns and operates a natural gas pipeline distribution network connected to our transmission pipeline, which supplies natural gas to customers located in industrial areas in the Bangkok Metropolitan area and nearby provinces.

PTTNGD currently supplies natural gas to the following six industrial parks: Bang Poo Industrial Park, Bang Plee Industrial Park, Ladkrabang Industrial Park, Rangsit Industrial Park, Rojana Industrial Park and Nawanakorn Industrial Park. PTTNGD plans to expand its distribution network in 2006 to include Hi-Tech Industrial Park and Bang Pa In Industrial Park. PTTNGD began selling natural gas to industrial customers in 1997 its sales volume in 2004 and the first three months of 2005 averaged 27.4 MMcf/d and 28.9 MMcf/d of natural gas, respectively.

PTT LNG Co., Ltd.

On June 24, 2004, our board of directors approved the formation of PTT LNG Co., Ltd. ("PTT LNG"). The new company was registered on August 31, 2004 to operate a LNG regasification and receiving terminal and to offer LNG storage services. The regasification plants will have a capacity of 5-10 million tonnes per year. PTT LNG will provide services in relation to and manage the operations and maintenance of the jetty, the LNG storage terminal and the regasification plant, and will charge users throughput and service fees. We will procure and distribute LNG which will be converted back to natural gas after the regasification process. The LNG terminal is expected to be completed and start commercial operations by 2010. Procuring and regasifying LNG in this manner will assist us in increasing alternative energy supply sources which will not only enhance supply reliability but also preserve existing indigenous gas reserves in Thailand to support the natural gas demand of the petrochemical sector.

District Cooling System and Power Plant Co., Ltd.

On April 2, 2003, we, together with our joint venture partners EGAT and the Metropolitan Electricity Authority ("MEA"), incorporated the District Cooling System and Power Plant Co., Ltd. ("DCAP") to generate and supply electricity and chilled water to Suvarnabhumi Airport. DCAP is owned 35% by us, 35% by EGAT and 30% by MEA. We expect that the total cost of this cooling system and power plant will be Baht 3,000 million. Completion of the cooling system and power plant is scheduled for the third quarter of 2005.

Oil Business Group

Marketing of Petroleum Products

We purchase refined petroleum products in Thailand from RRC, our 100% owned refinery, and our three associated refining companies: Thaioil, Bangchak and SPRC. In 2004, we supplied these refineries with approximately 68% of the crude oil they processed, on a weighted average basis. Companies in our refining segment produce a full range of refined petroleum products which we sell to commercial and retail markets in Thailand and abroad. In 2004, our refined petroleum marketing business had sales of approximately Baht 170,000 million, of which approximately 49% were sales to commercial customers and approximately 51% were to retail customers. We currently own and operate an extensive refined product storage network, with an aggregate capacity of approximately 1,600 million liters, which facilitates our market for refined petroleum products throughout Thailand and internationally.

Our commercial sales of refined petroleum products include sales to EGAT and other state-owned enterprises, Government agencies, the aviation industry, industrial end users, bottlers and retailers of LPG and end-users of LPG. As of March 31, 2005, our retail sales network for the distribution of refined petroleum products consisted of 1,354 service stations. We sell refined petroleum products to customers who act as resellers of these products, usually on a spot basis at a published reference price plus an industry standard margin. We sell LPG at a price which is controlled by the Government and subsidized through the Oil Stabilization Fund. We also sell refined petroleum products internationally through our international subsidiaries and interests of companies in our refining and petrochemicals business group throughout Southeast Asia, including in China, the Philippines, Vietnam, Malaysia, Cambodia, Myanmar, Laos and Hong Kong.

Market Share

In terms of sales volume, we believe we operate the largest marketing and distribution system for refined petroleum products in Thailand. Including fuel oil sold to EGAT, the Ministry of Energy reported that our share of the domestic market for refined petroleum products was approximately 32.8% in 2004. The total

volume of our sales of refined petroleum products was approximately 16.6 billion liters, including approximately 1.7 billion liters of fuel oil sold to EGAT. Excluding fuel oil sold to EGAT, the Ministry of Energy reported that we had a 30.3% market share in terms of sales volume for refined petroleum products in Thailand in 2004. In the three month period ended March 31, 2005 sales, excluding sales to EGAT, totaled approximately 5.1 billion liters, representing a 31.6% market share while sales in the same period including EGAT totaled 5.5 billion liters, representing a 33.9% market share each in terms of sales volume of refined petroleum products. During the years ended December 31, 2002, 2003 and 2004, and during the three months ended March 31, 2005, sales of fuel oil to EGAT have increased as a percentage of our total sales revenue. The following table sets out our sales volume and revenue and market share by sales volume for all refined petroleum products during the periods indicated.

	Year Ended December 31,			Three Months Ended March
Refined Petroleum Products	**2002**	**2003**	**2004**	**31, 2005**
Sales Volume (million liters)[1]				
Excluding fuel oil sold to EGAT	13,023	14,392	14,995	5,135
Including fuel oil sold to EGAT	13,602	15,102	16,563	5,504
Sales Revenue (million Baht)				
Excluding fuel oil sold to EGAT	120,947	148,435	173,234	63,886
Including fuel oil sold to EGAT	125,234	153,771	186,500	67,482
Market Share by Volume (%)[2]				
Excluding fuel oil sold to EGAT	29.0	30.5	30.3	31.6
Including fuel oil sold to EGAT	30.1	31.6	32.8	33.9

Source: PTT Plc., except for market share data from the Ministry of Energy

(1) Includes the volume of fuel oil, diesel, gasoline, kerosene, aviation fuel, LPG, lubricating oils and asphalt, but excludes LPG sold to the petrochemical industry as feedstock

(2) Includes LPG sold to the petrochemical industry as feedstock, but excludes lubricating oils and asphalt

Petroleum Products Procurement

Our offtake contracts with refineries in our refining segment generally require us to pay for a minimum quantity of product offtake each year, even if we do not take delivery of such minimum quantity, while allowing us to purchase an amount of product greater than our minimum offtake obligation up to a specified maximum. In certain of these agreements, our minimum offtake obligation may be reduced if the refinery's production capacity decreases below a certain specified percentage. Many of these agreements, in addition to specifying our annual minimum offtake obligations, also specify quarterly, or monthly minimum offtake obligations. Our rights and obligations under these agreements, as well as those of these refineries may not be assigned without the prior written consent of the other party. See generally " — Refining".

Our Petroleum Marketing Segment

We market refined petroleum products through each of our four petroleum sales segments, including:

- our retail marketing segment;
- our commercial marketing segment;
- our reseller marketing segment; and
- our international marketing segment.

The following table details our petroleum product sales by customer for the periods presented.

(Baht in millions)	Year Ended December 31, 2002	2003	2004	Three Months Ended March 31, 2005
Type of Customer				
Retail service stations	61,713	76,738	86,905	25,577
Commercial				
- Government	12,519	13,288	22,490	6,122
- Industrial	12,696	16,345	18,266	4,935
- Aviation and Marine	15,951	20,234	29,033	8,053
- LPG (cooking gas)	6,026	6,939	8,044	2,100
- International Marketing	3,171	4,639	5,400	1,406
Resellers	13,158	15,588	16,362	19,289
Total	125,234	153,771	186,500	67,482

Source: PTT Plc.

Note: The data in the table does not include PTT Philippines Inc., PTT Cambodia Co., Ltd. and PTT International Trading Pte., Ltd.

The following table sets out our sales revenue and volume for our petroleum products for the periods presented.[1]

	2002		2003		2004	
Products	**Sales**	**Volume**	**Sales**	**Volume**	**Sales**	**Volume**
	(million Bt)	**(million liters)**	**(million Bt)**	**(million liters)**	**(million Bt)**	**(million liters)**
Marketing						
LPG	16,404	2,990	18,917	3,162	21,736	3,215
Gasoline	24,141	1,883	29,955	2,098	34,928	2,127
Kerosene	93	7	107	7	114	7
Aviation Fuel	12,412	1,484	15,349	1,595	23,064	1,826
Diesel	54,149	4,862	66,041	5,425	73,759	5,667
Fuel Oil	15,035	2,159	18,455	2,416	28,082	3,382
Others[1]	3,000	217	4,947	399	4,817	339
Total Marketing	125,234	13,602	153,771	15,102	186,500	16,563
International Trading						
Crude Oil	79,600	12,031	102,591	13,815	150,586	16,136
Condensate	15,848	2,374	25,964	3,372	35,903	3,545
Refined Oil Products[2]	22,189	3,114	26,528	3,233	45,214	3,975
Petrochemical Products	14,906	1,345	23,836	1,709	41,177	1,877
Total International Trading[3]	132,543	18,864	178,919	22,129	272,880	25,533
Total	257,777	32,466	332,690	37,231	459,380	42,096

Source: PTT Plc.

(1) Includes distribution of asphalt, condensate, natural gasoline, additives and promotional items

(2) Includes naphtha and natural gasoline

(3) Excludes connected transactions within PTT Group and refining/processing contract with Thaioil

Commercial Marketing Segment

In 2004, we sold approximately 8,510 million liters of petroleum products, such as LPG, gasoline, fuel oil, diesel and jet fuel through our commercial marketing segment, representing approximately 51.4% of our

total sales volume of such refined petroleum products in our marketing segment. Sales from our commercial marketing segment sales include sales to Government entities which include state-owned enterprises, including EGAT, BMTA and State Railway of Thailand ("SRT"). Sales from our commercial marketing segment sales also include sales to the aviation industry, cargo bunkers and liners, industrial end users and bottlers and end users of LPG cooking gas.

Our largest commercial marketing segment in terms of sales volume is sales to Government entities. In 2004, we recorded sales volumes of approximately 2,242 million liters of refined petroleum products to Government entities. We have more than 1,500 separate accounts with Government entities for the sale of each of our refined petroleum products. Under Government policy, any Government entity purchasing more than 10,000 liters of refined petroleum product (per order) is required to purchase such amount from us. We sell these products based on the domestic retail price, with certain discounts for larger volumes purchased. However, a Cabinet resolution provides that EGAT procures 20.0% of its fuel oil requirements through open bidding on price, which consists of a published reference price and a margin. We have the right to supply EGAT with 80.0% of its fuel oil requirements, also based on a price determined by a published reference price and a margin. This margin is determined by negotiations between EGAT and us but is based on the margin paid by EGAT's supply of its 20.0% portion. These contracts are typically for four year periods and often run in parallel with each other. We have historically provided EGAT with 100.0% of its fuel oil requirements. We sold EGAT 1.6 billion liters of fuel oil in 2004, its total fuel oil requirement for that year.

We price sales of our products to Government entities by reference to domestic retail prices for such products. We have large accounts receivable with BMTA and are sometimes required to extend the period for payment (and are allowed to charge interest) in respect of these account receivables.

Sales to industrial customers have consisted mainly of fuel oil and diesel, which is used for power in operating various types of machinery. In 2004, we sold approximately 1,970 million liters of oil products to this customer group. We have more than 1,400 accounts in this customer segment with the largest customers being steel companies and the agriculture industry. As the market for refined petroleum products is highly competitive, in certain instances we construct storage facilities for our customers in order to satisfy that customer's demand. As there exists much opportunity for expansion in this market, we establish new business units to respond to increasing demands for other products, such as asphalt, base oil and chemicals. We price sales of our products to industrial end users by reference to domestic retail prices for fuel oil and diesel.

In Thailand, we are a major supplier of aviation fuel to more than 40 international and domestic airlines. In 2004, we supplied more than 1,826 million liters of aviation fuel to various airlines, Government entities and private customers. We estimate that we control approximately 28.7% of the market for aviation fuel in Thailand. While Bangkok Airport is a one of our major points of sale for aviation fuel, we are the sole supplier of aviation fuel at all provincial airports in Thailand. Moreover, we distribute aviation fuel at international airports in Hong Kong and Cambodia. We sell aviation fuel at a price determined by a negotiated margin over a reference price, which is typically the previous month's average aviation fuel price. Generally, we compete for aviation fuel contracts by bidding on the margin we charge the customers against other suppliers.

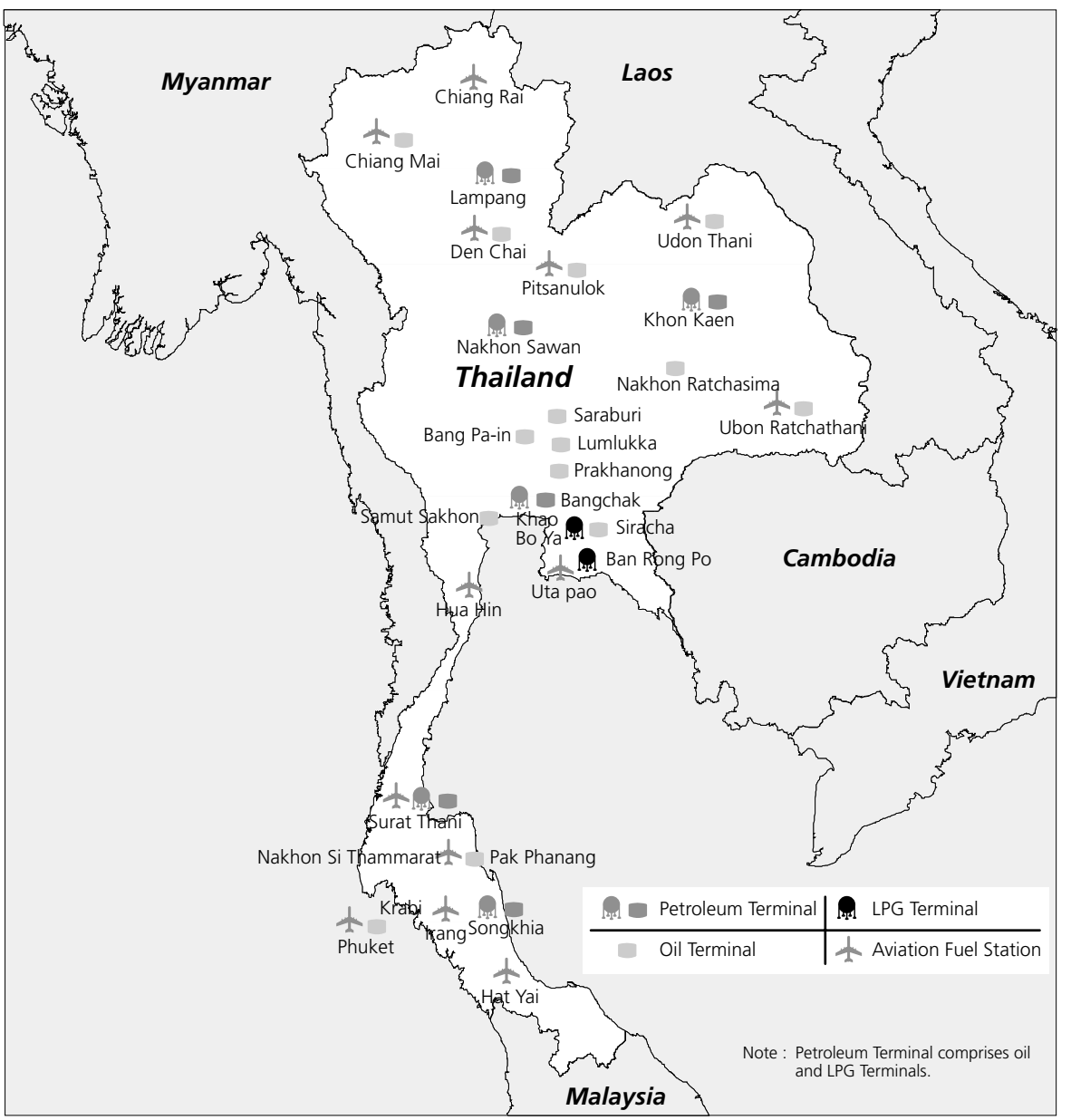
An important component of our commercial marketing segment is our LPG cooking gas segment. We handle the distribution of cooking gas from our gas separation plants and certain companies in our refining segment through seven bottling plants, each of which is located in one of our eight LPG depots. As of March 31, 2005, we had storage capacity of 75,500 tonnes and supplied cooking gas to 1,035 LPG retail outlets and 140 private bottling plants. We also sell LPG directly to industrial customers. In 2004, we were Thailand's largest cooking gas marketer with a 36.8% market share and total sales volume of 3,215 million liters.

The Ministry of Commerce currently caps the retail price of LPG cooking gas while EPPO currently fixes the wholesale and ex-refinery price, which is linked to a public reference price. Pursuant to a Prime Minister's Order, when the wholesale price (less taxes) we receive for LPG-cooking gas exceeds the ex-refinery price

we are required to contribute to the Oil Stabilization Fund managed by the MOF an amount equal to that price difference. Conversely, when the ex-refinery price for LPG cooking gas exceeds the wholesale price (less taxes) we are entitled to receive from the Oil Stabilization Fund an amount equal to the price difference. As of March 31, 2005 the Government owed us Baht 4,649 million from the Oil Stabilization Fund and has committed to pay us at least Baht 713 million each calendar quarter until the amount is fully paid. Pursuant to a Cabinet Resolution of July 10, 2001, NEPO (now EPPO), the MOF and the Ministry of Commerce were instructed to collaborate on the termination of price controls on LPG. The Government increased retail prices of LPG on two occasions in 2003 and once in 2004 to reflect the actual cost of LPG.

We sell refined petroleum products directly to our commercial marketing segment customers and through our distribution centers. Our distribution centers consist of 35 storage facilities with a total capacity of 1,623 million cubic meters. These storage facilities include two marine terminals, 22 ordinary petroleum depots and 13 aviation depots. Our distribution centers, which service both commercial and retail customers, are connected to our refining interests by railway, waterway and, in some cases, by pipelines. We also own dedicated oil wharfs, oil barges, rail tankers and oil trucks.

The following map illustrates the location of our storage facilities for refined petroleum products.



Retail Marketing Segment

We believe that we are currently Thailand's largest operator in the retail marketing segment, with a network of approximately 1,367 service stations operating under the PTT brand, representing a 7.2% market share in terms of the numbers of service stations and approximately 27.1% of market share in terms of volume of refined petroleum products sold. Through our service station network we can implement consistent pricing policies, maintain product and service quality standards and more efficiently manage the retail distribution of our refined petroleum products. Our network consists of service stations that are either:

- owned and operated by us;
- owned and operated by independent dealers;
- owned by us but operated by independent dealers;
- run through joint ventures between third parties and us; or
- cooperative service stations.

In 2004, we sold approximately 5,975 million liters of gasoline and diesel, representing approximately 78.7% of our total sales volume of gasoline and diesel, through our branded service stations. The following table sets out the number of our service stations by type as of the dates shown:

	As of December 31,						As of March 31,	
	2002		2003		2004		2005	
Service Stations	**Number of Stations**	**% of total**	**Number of Stations**	**% of total**	**Number of Stations**	**% of total**	**Number of Stations**	**% of total**
Owned and operated by us	36	2.6	36	2.6	41	3.0	40	3.0
Dealer owned and operated	778	55.1	756	54.4	727	53.2	721	53.2
Owned by us and operated by independent dealers	175	12.4	183	13.2	184	13.5	186	13.7
Joint ventures between independent dealers and us	302	21.4	295	21.2	296	21.7	288	21.3
Cooperative service stations	120	8.5	119	8.6	119	8.7	119	8.8
Total	1,411	100.0	1,389	100.0	1,367	100.0	1,354	100.0

Source: Ministry of Commerce and PTT Plc.

Our different types of service stations are operated in the following manner:

- *Service Stations Owned and Operated by Us* — These service stations are wholly-owned and operated by us.
- *Dealer Owned and Operated Service Stations* — These service stations are allowed to use our brand name in return for agreeing to purchase minimum monthly quantities of gasoline, diesel and other refined petroleum products from us and agreeing to comply with our operating standards. We have minimal support obligations with respect to these service stations. From time to time we may purchase a dealer owned and operated service station when we believe it is in our interest. Our contracts give us the right to revoke the right to use our brand name if the station breaches our supply agreement or consistently fails to meet our operating standards.

- *Service Stations Owned by Us and Operated by Independent Dealers* — These service stations are subject to a monthly rental fee charged by us and must execute a supply agreement where the dealer agrees to purchase a minimum monthly quantity of refined petroleum products from us at a specific price. These dealers are entitled to a discount on the purchase price of the petroleum product purchased from us once the minimum monthly quantity is sold.

- *Joint Ventures between Independent Dealers and Us* — These service stations are often established when a dealer owned and operated station can no longer survive independently. In these situations we agree to invest a small amount of capital and pay for other expenses in return for an additional fee for each sale made.

- *Cooperative Service Stations* — These service stations are operated by local governments in outlying rural areas in co-operation with us.

Our retail service stations are located throughout Thailand. Our service stations in densely populated urban areas face competition from numerous domestic and international retail gas service stations while we have a higher market share in provincial areas of the country. While we currently enjoy a leadership position in the retail oil sector, competition has increased in all aspects of our retail business. According to the Ministry of Energy, our major competitors include Bangchak, Esso (Thailand) Co., Ltd., Shell (Thailand) Co., Ltd. and Caltex Oil (Thailand) Limited ("COTL") which accounted for 6.1%, 3.4%, 3.3% and 2.3% of all gas stations in Thailand, respectively, as of December 31, 2004.

To remain competitive, where possible, we plan to adjust our supply chain operations to achieve cost savings, improve service station operations and better serve our customers by:

- improving inventory and depot management;

- improving collection of customer data on time and location variability of demand and supply;

- improving our segmentation of service levels for various customer groups; and

- improving our system of review and rewards to better manager our dealer relationships.

We intend to dispose of certain unprofitable service stations and renegotiate unfavorable dealer agreements. While we do not plan to expand the number of our retail service stations, we do intend to upgrade the quality of our existing service stations and to introduce additional services at profitable service stations to increase sales of higher margin products. This strategy includes the introduction of supporting non-fuel businesses such as 7-eleven convenience stores, car washes and restaurants to provide more value-added services to our retail customers and distinguish our service stations from those of our competitors.

Reseller Marketing Segment

We also engage in the sale of refined petroleum products to resellers of these products. Sales to resellers allow us to distribute our excess capacity of refined petroleum products to other refined petroleum marketers, many of whom are our competitors. These sales are usually made on a spot basis and not subject to long term agreements. Because of the opportunistic nature of these sales, it is difficult for us to predict with accuracy the sales volume for this business segment. Typically, sales volumes are highest for LPG, while we also sell varying volumes of gasoline, diesel and fuel oil. In 2004, revenue from sales of refined petroleum products to resellers totaled Baht 16,362 million, which constituted approximately 8.8% of our total sales revenue from refined petroleum products. Customers in this segment include Conoco (Thailand) Limited, Petronas Unique Petroleum (Thailand) Ltd. and Kuwait Petroleum (Thailand) Ltd.

International Marketing Segment

We are involved in the marketing of our refined petroleum products outside of Thailand, particularly in Southeast Asia. We have accomplished this through investing in subsidiaries and associated companies with interests in those areas and jointly investing with local companies in the petroleum business. Sales of refined products in international markets amounted to 557 million liters in 2004. A total of 150,160 tonnes of LPG was exported in 2004, with increased purchases from Vietnam, China and Laos.

We currently have distribution networks for our petroleum products in China, the Philippines, Laos, Vietnam, Myanmar, Cambodia and Malaysia.

The following information highlights some of our current international marketing and trading operations by country:

- *Republic of the Philippines*. We established PTT Philippines, Inc. to market and sell refined petroleum products through service stations in the Philippines. PTT Philippines, Inc. currently has 14 service stations in the Philippines. In 2004, PTT Philippines, Inc. merged with Subic Bay Distribution, Inc. to improve efficiency and lower operating costs. We also operate wholesaling and distribution activities in the Philippines through joint ventures.

- *Socialist Republic of Vietnam*. We entered into a joint venture with Petro Vietnam Gas Company Limited under the name of Vietnam LPG Company Limited to engage in the LPG cooking gas business, in which we hold a 45% equity interest.

- *Malaysia*. We entered into a joint venture with Keloil Bottling Sdn. Bhd. under the name of Keloil-PTT LPG Sdn. Bhd. to expand our LPG business in northern Malaysia. We have a 40% interest in this subsidiary which sells LPG primarily to wholesale customers.

- *Kingdom of Cambodia*. Through PTT Cambodia Company Limited we are currently providing receiving, storage and distribution services at Ream Oil Terminal in Kampongsom and we have expanded our oil fueling services at Pochanetong Airport.

- *Myanmar*. Myanmar's Government plans to construct a LPG bottling plant near Myanmar's border with Thailand and to secure LPG from us.

Trading of Petroleum Products

Over the past decade we have expanded our business in petroleum trading, which includes petrochemical trading. We are recognized by some major oil producers as a national oil purchaser and accorded open account status, which allows us to purchase crude oil from such major producers without a letter of credit to secure the transaction. We have leveraged this cost advantage and our agreements to supply feedstock to refineries in our refining segment into a growing business in the transmission, storage, trading and distribution of crude oil, refined petroleum products and petrochemical products. Our petroleum trading business now includes:

- purchasing crude oil and condensate from the international market for sales to domestic refineries and crude oil traders;

- feedstock and condensate sales to companies in our refining and petrochemicals business group;

- purchasing refined petroleum and petrochemical products for export;

- development of the Sriracha Petroleum Terminal, which we plan to use as a free trade zone area, to include petroleum storage and export processing facilities;

- operating a marine transport logistics business for transportation of petroleum products for international and domestic customers, including companies in our refining and petrochemicals business group; and

- managing various aspects of our information supply chain including foreign currency exposure as a risk management function.

We are involved in all aspects of our oil trading business, providing customers with a broad range of services, including product storage, transportation and logistics, risk management, marketing and international trading. Because of our large trading volumes, we are able to price a wide variety of products competitively including crude oil, refined petroleum products and petrochemical products.

Our oil trading business segment monitors the overall trends and price movements in the oil industry. This is a valuable service for the management of the oil business group and the refining and petrochemicals business group. We believe that in the future the oil business unit may be able to capitalize on this service to generate income from our associated companies and other companies in the oil business. This market knowledge is also important for overall supply chain management because it helps us to identify projected and current inefficiencies in our supply chain and make corresponding changes in our strategies to address them.

We also provide risk management services by managing petroleum price exposure that we have to commodity price fluctuations. We provide this service to help realize certain gross profit margins or minimize negative variance in oil price movements. We manage this through various swaps and hedging transactions including the purchase of futures and forward contracts.

Purchasing of Crude Oil and Condensate

In 2004, we purchased approximately 10 MMbbls of crude oil and approximately 22 MMbbls of condensate from domestic producers. We also purchased approximately 92 MMbbls of crude oil from international sources. We purchase crude oil at prevailing market prices and/or official government sales prices and resell it to refineries taking an industry standard margin. In 2004, our four largest foreign crude oil suppliers were the United Arab Emirates, Yemen, Oman and Saudi Arabia. We purchase condensate mainly from domestic sources and we market and trade the condensate domestically and abroad. The following table sets out the amount of crude oil we purchased from domestic and foreign sources for the periods indicated.

	Year Ended December 31,						Three Months Ended March 31, 2005	
	2002		2003		2004			
(in MMbbls, except percentage data)	**Quantity**	**%**	**Quantity**	**%**	**Quantity**	**%**	**Quantity**	**%**
Domestic Sources	9.4	11.7	10.8	12.3	10.5	10.2	3.4	8.8
Foreign Sources								
Far East[(1)]	4.6	5.7	6.6	7.5	10.7	10.5	4.4	11.4
Middle East[(2)] and Africa[(3)]	66.2	82.6	70.3	80.2	81.2	79.3	30.7	79.8
Total	80.2	100.0	87.7	100.0	102.4	100.0	38.5	100.0

Source: PTT Plc.

(1) Far East includes Malaysia, Indonesia, Brunei, Vietnam, China and Burma.

(2) Middle East includes Oman, United Arab Emirates, Saudi Arabia, Qatar and Yemen.

(3) Africa includes Algeria.

The following table sets out the amount of condensate we purchased for the periods indicated.

(in MMbbls)	Year Ended December 31, 2002	2003	2004	Three Months Ended March 31, 2005
Supplier				
Bongkot	6.0	6.0	6.2	1.7
Erawan	9.0	9.0	10.3	2.2
Pailin	4.0	5.0	5.3	1.3
Total	19.0	20.0	21.8	5.2

Source: PTT Plc.

In the three months ended March 31, 2005 we supplied 374 MMbbls of crude oil to companies in our refining segment. Crude oil is generally supplied through long-term agreements with these refineries. We are required under our agreements in respect of Thaioil, RRC and SPRC to supply crude oil in proportion to our shareholdings, which are 49.54%, 100.0% and 36.00%, respectively. We have no obligation to supply crude oil feedstock to the Bangchak refinery. We also supply condensate in varying quantities to these refineries at higher margins than we obtain on sales of crude oil. In 2004, condensate accounted for approximately 27.5% of our revenue in this segment but approximately 12.3% of our gross profit margin from oil trading. See "— Refining".

The following table sets out the volumes of crude oil we supplied to RRC, our wholly owned refinery, and each of our associated refineries and the percentage of the total volume of crude oil processed by each refinery for the periods indicated.

	Year Ended December 31,									Three Months Ended March 31,		
	2002			2003			2004			2005		
	Crude Oil Supplied	Total Crude Oil Processed	% of Total Crude Oil Processed	Crude Oil Supplied	Total Crude Oil Processed	% of Total Crude Oil Processed	Crude Oil Supplied	Total Crude Oil Processed	% of Total Crude Oil Processed	Crude Oil Supplied	Total Crude Oil Processed	% of Total Crude Oil Processed
	(MMbbls)	(MMbbls)	(%)	(MMbbls)	(MMbbls)	(%)	(MMbbls)	(MMbbls)	(%)	(MMbbls)	(MMbbls)	(%)
Thaioil[(1)]	37	75	49.5	42	82	51.2	36	82	43.9	10	19	52.6
RRC	18	52	34.7	18	49	36.4	20	54	37.0	12	13	92.3
SPRC	18	52	34.7	18	49	36.4	20	54	37.0	9	13	69.2
Bangchak	6	27	22.6	5	27	18.5	19	33	57.6	4	6	66.7

(1) These figures do not include feedstock supplied to Thaioil for which we paid Thaioil a processing fee only.

Each of Thaioil, RRC, SPRC and Bangchak refineries take delivery of crude oil directly at their storage facilities, and distribute refined product through transmission pipelines, railways, tanking and barges. These transportation systems provide the refineries with secure supplies of crude oil and facilitate the distribution of the refined products to the domestic market.

In addition to sales of crude oil and condensate to our refining segment and ATC, we have begun to selectively take advantage of opportunities to sell crude oil internationally to refineries and other purchasers. We plan to exploit our access to crude oil and condensate to expand this business.

Trading of Petrochemical and Refined Petroleum Products

We are developing our trading business to include the trading of refined petroleum products and petrochemical products.

We bid on sales of refined petroleum products from various refineries in Thailand with excess capacity and resell to customers, including end users, mainly outside of Thailand, who have a demand for these products. In 2004, we had sales volumes of 3,975 million liters of refined petroleum products from this business.

Our petrochemical trading business is the result of the vertical integration of our hydrocarbon value chain. We are the sole supplier of condensate to ATC and have the marketing rights to sell ATC's downstream products including paraxylene, toluene, benzene and other by products both internationally and domestically. ATC's customers include Asia Solvent Company Limited, Siam Styrene Monomer Company Limited, The Shell Oil Company of Thailand Limited, Thai-MC Company Limited, Thailube Blending Co., Ltd., TOC and Tuntex. We receive a marketing fee of approximately 0.5% of the value of petrochemical product sold.

Energy Hub

In late 2003 the Government announced an initiative to establish Thailand as an energy trading hub in Southeast Asia. The Government plans to establish an export zone for oil trading by amending regulations, particularly with regard to tax and money transfer issues, in order to be more competitive, and to improve the efficiency of its existing facilities and infrastructure. As part of this initiative, we opened Thailand's first excise- and customs-free petroleum exporting zone in Sriracha in early 2004. Phase 2 of this initiative involves the construction of a strategic land bridge and pipeline across the southern isthmus of Thailand.

Development of the Sriracha Custom Free Zone

An important part of our petroleum trading business is our use of the Sriracha Custom Free Zone as a storage facility and an export center. The terminal is the largest of its kind in Thailand and consists of storage tanks operating as a custom warehouse, an excise warehouse and a domestic warehouse. The terminals have been equipped with seven modern jetties, a depot with a storage capacity of approximately 890 million liters of petroleum products, 60 million liters of LPG and approximately 17 million liters of natural gasoline. The facility will be capable of accommodating 500 to 100,000 ton tankers.

In an effort to encourage oil traders to use the Sriracha Hub, the Government has agreed in principle to reduce corporate income tax rates from 30% to 10% but no regulations implementing this policy have been enacted. As of March 31, 2005, we had signed agreements with numerous petroleum firms for trading in the Sriracha zone.

This facility has the potential to greatly enhance our business opportunities in Thailand including international bunkering and commercial storage of petroleum. Storage facilities are an important part of our trading activities. These facilities provide us with flexible solutions in managing physical oil as well as rental income by providing rental space for other oil traders. We intend to work with the Government to develop this facility as a tax-free terminal and bonded warehouse to promote exports and foreign exchange earnings.

Strategic Energy Land Bridge

Phase 2 of the Government's strategy to establish Thailand as an Energy Hub in Southeast Asia will consist of the construction of a strategic land bridge in southern Thailand, an expanded petroleum pipeline linking the northern and north-eastern parts of Thailand, and several other infrastructure projects. We expect that the 230-kilometer land bridge linking the Andaman Sea and the Gulf of Thailand will provide a safer alternative to transporting petroleum products through the Strait of Malacca, where piracy is widespread, and the other infrastructure projects and additional pipeline will reinforce the country's position as a petroleum center. The Ministry of Energy is currently undertaking a feasibility study on the construction of the strategic land bridge.

Risk Management Services

We also provide risk management services by managing petroleum price exposure that we have with respect to our oil products. We manage this exposure through various swaps and hedging transactions including the purchase of futures and forward contracts.

Refining and Petrochemicals Business Group

We recently reorganized our business to include refining and petrochemicals as a standalone business group, in addition to our core gas business group and oil business group. In doing so, we recognize the importance of refining and petrochemical operations in maximizing the benefit of the gas value chain. Going forward, we intend to develop this business group through one core company for each segment in the group. Thaioil will be our flagship refinery and the company created as a result of the amalgamation of TOC and NPC, which we expect to occur by the end of 2005, will be our primary petrochemical company. See "— Overall Business Strategy".

Refining

We participate in the refining business through RRC, our wholly owned refinery, and through the following associated refineries in which we hold less than a 50% equity interest:

- ThaiOil Public Company Limited ("Thaioil") (49.54%);
- Star Petroleum Refining Co., Ltd. ("SPRC") (36.0%); and
- Bangchak Petroleum Plc. ("Bangchak") (7.88%).

Most of the crude oil we purchase is resold to companies in our refining segment as feedstock. We have entered into feedstock supply and product offtake agreements with these refineries, typically for an amount of the production capacity proportionate to our percentage ownership in each refinery. For the three months ended March 31, 2005 we purchased 100% of domestic crude oil production, approximately 38 Kb/d, for resale to the Thaioil and Bangchak refineries. We also resold approximately 390 Kb/d or 100% of imported crude oil purchases to companies in our refining segment.

We purchase refined petroleum products from our refining segment for marketing and distribution by our oil business group, usually in an amount representing the percentage of the refinery's production output proportionate to our percentage ownership interest. For the three months ended March 31, 2005, we purchased approximately 202 Kb/d of refined petroleum products produced by our refining segment, representing approximately 34.0% of total domestic production volume of refined petroleum products produced by these refineries.

The following table sets out the primary distillation capacity per day, crude oil throughput and utilization rate calculated based on primary distillation capacity per day for the periods indicated for each company in our refining segment.

	Year Ended December 31,									Three Months ended		
	2002			2003			2004			March 31, 2005		
	Distillation Capacity	Crude Oil Throughput	Utilization Rate	Distillation Capacity	Crude Oil Throughput	Utilization Rate	Distillation Capacity	Crude Oil Throughput	Utilization Rate	Distillation Capacity	Crude Oil Throughput	Utilization Rate
	(Kb/d)	(Kb/d)	(%)	(Kb/d)	(Kb/d)	(%)	(Kb/d)	(Kb/d)	(%)	(Kb/d)	(Kb/d)	(%)
Refinery												
Thaioil[(1)]....	220	208	94.5	220	229	104.0	220	227	103.2	220	209	95.0
RRC	145	144	99.2	145	136	94.1	145	148	101.7	145	148	102.1
SPRC.....	150	144	95.9	150	136	90.9	150	148	98.7	150	148	98.7
Bangchak[(2)].	120	74	61.3	120	75	62.9	120	96	79.6	120	75	62.8

Source: Department of Energy Business, Ministry of Energy.

(1) In the first quarter of 2005, Thaioil had major planned shutdown of the CDU-3 for 17 consecutive days, from February 12-28.

(2) In the first quarter of 2005, Bangchak had a planned shutdown of refining unit 3 for 25 consecutive days, from January 24 – February 17.

The refineries that make up our refining segment together produce a full range of refined petroleum products. The following table sets out the production volume of the principal refined petroleum products produced by these refineries for the periods indicated.

	Year Ended December 31,			Three Months Ended March
(in Kb/d)	**2002**	**2003**	**2004**	**31, 2005**
Product				
LPG[(1)]	31	31	34	30
Gasoline	97	99	108	99
Jet Fuel/Kerosene	71	66	72	67
Diesel	219	226	241	223
Fuel Oil	82	84	92	82
Asphalts	8	5	4	4
Others	60	61	67	62
Total	568	572	618	567

Source: Department of Energy Business, Ministry of Energy

(1) 1 tonne of LPG equals 11.65 barrels (or 1 barrel equals 0.0859 tonnes).

The following table sets out the total sales by volume for each company in our refining segment and the percentage of such volume sold domestically and for export for the periods indicated.

	Year ended December 31,									Three Months Ended		
	2002			2003			2004			March 31, 2005		
	Sales Volume	**Domestic Market**	**Export Market**	**Sales Volume**	**Domestic Market**	**Export Market**	**Sales Volume**	**Domestic Market**	**Export Market**	**Sales Volume**	**Domestic Market**	**Export Market**
	(Kb/d)	**(%)**	**(%)**	**(Kb/d)**	**(%)**	**(%)**	**(Kb/d)**	**(%)**	**(%)**	**(Kb/d)**	**(%)**	**(%)**
Refinery												
Thaioil	204	83.4	16.6	228	89.0	11.0	227	87.9	12.1	212	88.2	11.8
RRC	150	87.9	12.1	141	89.9	10.1	152	85.2	14.8	157	90.6	9.4
SPRC	147	79.5	20.5	141	82.0	18.0	155	83.0	17.0	149	95.4	4.6
Bangchak[(1)]	92	99.8	0.2	82	99.5	0.5	89	99.1	0.9	76	98.3	1.7

Source: PTT Plc.

(1) Bangchak has procured some refined petroleum products from local refineries for sales for the portion that its production could not meet up with demand.

RRC

Overview

RRC began operations in 1996 and currently processes 145 Kb/d, or 14.3% of Thailand's refining capacity. On November 30, 2004 we assumed 100% ownership of RRC after purchasing Shell International's 64% interest in RRC for $5 million. Accordingly, since December 1, 2004 we have consolidated RRC's results of operations into our financial statements. The board of directors of RRC consists of three members, all of whom are our representatives.

RRC, in alliance with SPRC, produces a wide range of refined petroleum products including LPG, propylene, naphtha, reformate, gasoline, kerosene, jet fuel, diesel, fuel oil, bitumen and others. For the three months ended March 31, 2005, RRC had net income of Baht 9,062 million. RRC exported approximately 9.4% of its products, by volume, to international markets.

Production

RRC has a high production capacity and the flexibility to switch between various production processes and types of crude, thus allowing it to maximize profitability. RRC has a hydrocracking unit and a thermal cracking unit with the capability of processing fuel oil into diesel and gasoline. RRC's refinery procures 100% of its crude oil requirements through PTT.

For the three months ended March 31, 2005 we purchased 100% of RRC's total production volume. The RRC refinery produces a wide range of light, middle and heavy refined petroleum products. The following table details the type and amount of the principal refined products produced by RRC, as well as the percentage of total production for each product, for the periods indicated.

	Year Ended December 31,						Three Months Ended	
	2002		2003		2004		March 31, 2005	
	Total Production Volume	Percentage of Production	Total Production Volume	Percentage of Production	Total Production Volume	Percentage of Production	Total Production Volume	Percentage of Production
	(Kb/d)	(%)	(Kb/d)	(%)	(Kb/d)	(%)	(Kb/d)	(%)
Product								
LPG	9.48	6.4	8.76	6.3	9.09	6.0	7.40	5.0
Gasoline	22.72	15.5	20.96	15.1	23.12	15.2	23.10	15.6
Jet Fuel/ Kerosene	13.07	8.9	11.48	8.3	14.07	9.3	14.2	9.6
Diesel/Gasoil	55.57	37.8	53.48	38.6	57.41	37.8	56.82	38.3
Fuel Oil	23.22	15.8	24.23	17.5	26.66	17.6	24.71	16.7
Propylene	2.11	1.4	1.95	1.4	2.24	1.5	2.54	1.7
Others	20.90	14.2	17.85	12.9	19.24	12.7	19.50	13.2
Total	147.08	100.0	138.69	100.0	151.84	100.0	148.32	100.0

Source: Department of Energy Business, Ministry of Energy.

Agreements with RRC

Product Offtake Agreement. On June 22, 1993, we and The Shell Company of Thailand Limited ("SCOT") entered into an agreement to purchase refined petroleum products from RRC. The initial term of the agreement is for a period of 12 years, and the contract will continue for a perpetual term thereafter, with each party having the right to terminate the agreement after the expiration of the initial term upon one year prior written notice. Pursuant to the agreement, we and SCOT have a monthly take-or-pay obligation to purchase a minimum amount of product from RRC. This monthly minimum take-or-pay obligation is equal to 70% of RRC's production capacity multiplied by the number of days the refinery is expected to be in operation during each month, multiplied by each party's equity interest (or lifting proportion). The refined petroleum products we purchase under this agreement are priced based on import parity (landed) cost. The take-or-pay obligation is reassessed periodically during the contract term, based primarily on RRC's production capacity.

Shareholder Support Agreement. Under a shareholder support agreement dated September 18, 1997, the shareholders of RRC are obligated to provide CDS in an aggregate amount of $450 million in proportion to their respective equity interest. Accordingly, our total CDS obligation in respect of RRC was $162 million. We have fulfilled these shareholder support obligations.

Restructuring of RRC

Rayong Refinery entered into a restructuring with its creditors in 1997, pursuant to which the main objective was to reschedule repayments of the outstanding principal. Since March 2002, RRC has been unable to make payments of principal on the debt but has continued to make interest payments. RRC attempted to negotiate further restructuring arrangements with its creditors but the parties failed to agree on satisfactory terms. On May 21, 2003, RRC's creditors issued a demand notice for repayment of the entire outstanding amount of $1,335 million, plus default interest.

In order to resolve the ongoing problems of RRC in restructuring its debt, we purchased Shell International's 64% interest in RRC and thereafter accelerated RRC's financial restructuring with its original creditors. As a result, the original debt of $1,335 million was reduced by $200 million, or 15.0%, and the number of creditors was reduced to one. In addition, we provided a shareholder's loan to RRC in the amount of $1,135 million for repayment of the outstanding debt. As of June 30, 2005, the outstanding debt had been reduced to $690 million. Under RRC's new debt and equity structure, we have committed to provide RRC with no more than $250 million in support to RRC in the form of equity. From time to time, we may also provide trade support by changing terms of payment for crude oil supplied to RRC from two days prior to delivery to 30 days after the bill of lading date.

Alliance between RRC and SPRC

On August 1, 1999, to optimize economic efficiencies and capital use, RRC and SPRC entered into an operating alliance agreement and incorporated a new company, Alliance Refining Company Limited ("ARC"), for the joint management and operation of their refineries. Each of RRC and SPRC owns 50% of the capital stock of ARC and each nominates three of the six members of ARC's board of directors.

Both refineries are located in the Map Ta Phut Industrial Estate in Rayong province. The alliance agreement did not alter the existing financing arrangements of either party, any ownership of or leasehold interest in or relating to any investment of either party or any arrangements under any offtake or crude supply agreements of either party. RRC and SPRC each has an undivided 50% interest in all alliance intakes, all general supplies, all alliance outputs, all alliance capital assets and utilization rights in the refineries.

Merger with SPRC

We are currently involved in discussions with Caltex Trading and Transport Corporation ("CTTC") to merge RRC and SPRC, with RRC as the surviving entity. On June 9, 2005, we and CTTC signed a memorandum of understanding regarding the merger containing certain confidentiality clauses. The completion of the merger is subject to, among other things, governmental approvals and the negotiation and conclusion of definitive agreements (including a shareholders' agreement and crude and feedstock supply and product offtake agreements). The merger will be in the form of a share swap, after which PTT and CTTC will hold 62% and 38%, respectively, of the equity interest in RRC, which will hold 100% of SPRC. We intend to refinance the debt of RRC and SPRC by obtaining a loan from external financing sources and subsequently to undertake an initial public offering and listing of the merged entity's shares on the SET, as required by an agreement entered into between RRC, SPRC and the Government. We are targeting the end of 2005 for completion of this exercise. After the initial public offering, it is anticipated that we and CTTC will each hold 35% of the equity interest in the merged company.

Thaioil

Overview

We hold a 49.54% equity interest in Thaioil, the largest and most complex refinery in Thailand. In October 2004, Thaioil completed its initial public offering of shares and listed on the SET. We nominate six directors to the 12-member board of directors, including the Chairman. The other six directors are nominated by representatives of Thaioil's lenders. For the year ended December 31, 2004, Thaioil had net income of Baht 15,073 million and for the three months ended March 31, 2005, Thaioil had net income of Baht 3,691 million.

Thaioil is the primary refinery in our refining segment. For the three months ended March 31, 2005 we purchased approximately 52% of Thaioil's total production volume. The Thaioil refinery produces a wide range of light, middle and heavy refined petroleum products. The following table details the type and amount of refined products produced by Thaioil, as well as the percentage of total production for each product, for the years ended December 31, 2002, 2003 and 2004 and for the three months ended March 31, 2005.

	Year Ended December 31,						Three Months Ended	
	2002		2003		2004		March 31, 2005	
(in Kb/d, except percentages)	Total Production Volume	Percentage of Production	Total Production Volume	Percentage of Production	Total Production Volume	Percentage of Production	Total Production Volume	Percentage of Production
Product								
LPG	10	4.8	11	5.1	12.9	5.7	13.0	6.4
Gasoline	43	21.3	49	22.3	52.2	23.1	45.2	22.2
Jet Fuel/ Kerosene	37	17.9	35	15.6	32.3	14.3	30.9	15.2
Diesel/Gasoil	85	41.4	95	42.8	95.7	42.3	85.8	42.1
Fuel Oil	19	9.2	22	10.1	24.2	10.7	20.9	10.2
Mixed Xylenes	8	3.7	8	3.6	8.8	3.9	7.9	3.9
Others	3	1.7	1	0.6	0.3	0.1	—	—
Total	204	100.0	221.7	100.0	226	100.0	204	100.0

Source: Department of Energy Business, Ministry of Energy.

Agreements with Thaioil

Product Offtake and Crude Oil Supply Agreement. On April 3, 2000, we entered into a Product Offtake and Crude Oil Supply Agreement ("POCSA") with Thaioil. Under the agreement, we agree to supply to Thaioil crude oil as feedstock for 49.99% of the refinery production capacity at prevailing market prices. We also have the right to supply crude oil to Thaioil in an amount exceeding 49.99% up to 100% of the refinery production capacity. After the 13th anniversary of the effective date, either party may terminate the agreement upon one year's prior written notice.

Under the POCSA, we also agreed to offtake products from Thaioil in an amount not less than 49.99% of its refinery production capacity, at competitive market prices. We also have the right to increase our offtake volume beyond 49.99% of the refinery production capacity.

Crude Oil Processing Agreement. On October 20, 1999, we also made an arrangement whereby Thaioil processes crude oil owned by us and collects processing fees based on the market rate for such services. This agreement is conducted on an evergreen basis; however, we have the right at absolute discretion to terminate by giving 45-days prior written notice.

Restructuring of Thaioil

On April 3, 2000, Thaioil concluded a debt restructuring with us, financial institution lenders and trade creditors which reduced its outstanding principal indebtedness from approximately $2.3 billion to $1.4 billion. The main components of the plan are as follows:

- We received a 49.99% equity interest in Thaioil in return for cancellation of overdue trade credit amounting to $101 million and a cash payment of $149 million.

- Mauritius Thaioil CHC and JGW Holdings Limited received a 49.99% equity interest in Thaioil on behalf of the lenders who accepted a reduction of accrued principal plus interest totaling $575 million to a $250 million equity contribution in Thaioil.

- CPB Equity Company Limited received a 0.02% equity interest in Thaioil in return for a cash payment of approximately $100,000.

- The lenders agreed to a voluntary repurchase of $346 million of principal indebtedness plus accrued interest by Thaioil for $175 million.

- The lenders agreed to defer payment on Thaioil's remaining senior indebtedness for a period of up to 10 years, extendable to 14 years at Thaioil's discretion upon payment of an extension fee.

- Thaioil disposed of certain non-core assets including a 45.0% interest in Thaioil Power Co., Ltd. for approximately $60 million and a 40% interest in Thai Carbon Products Co., Ltd. for $14 million. The proceeds from such sales were used to make payments to us in satisfaction of amounts outstanding for feedstock purchases, to repurchase debt outstanding under the debt restructuring agreement or to be used as working capital in Thaioil.

- We injected cash in the amount of $41 million in Thai Paraxylene Co., Ltd. ("TPX"), an associated company of Thaioil, in consideration for a 23.48% share interest in TPX. See "— TPX".

Solely as a result of the debt restructuring, Thaioil realized a gain of Baht 13,990 million for the year ended September 30, 2000.

In April 2004, Thaioil refinanced its long-term Baht, U.S. dollar and Yen indebtedness through a debt refinancing, repurchase and exchange of debt, as follows:

- Refinancing of Baht 13,503 million in debt into two 7-year term loans of Baht 6,655 million and US$173 million, each maturing in 2011, under two separate loan agreements;

- Repurchase of approximately US$213 million of U.S. dollar-denominated debt; and

- Exchange of US$451 million and Yen 3,518 million debt into two 6-year term loans, each maturing in 2010 under the Base Facility (US Dollar) and Base Facility (Yen) Loan Agreements.

On June 29, 2004, Thaioil prepaid (in the order of maturity) an amount equivalent to approximately US$100 million of its debt pro rata across all of its facilities. Thaioil has satisfied all principal repayments under these facilities until September 30, 2006.

In the second quarter of 2005, Thaioil received approval from its board of directors to issue a total of $680 million in debt. Of this amount, $630 million will be used to refinance existing debt and $50 million will be used for working capital. On June 3, 2005, Thaioil issued debentures in the amount of $350 million and entered into two loan facility agreements for an aggregate amount of $265 million.

In October 2004, Thaioil completed its initial public offering and listing on the Stock Exchange of Thailand. The initial public offering was made up of a total of 103,500,000 new shares and 828,598,137 existing shares, which were held by offshore lenders (represented by Mauritius Thaioil CHC), Thai financial institution lenders and us. As part of this IPO process, all of the offshore lenders and almost all of the Thai financial institution lenders sold their shares, while we maintained our shareholding in Thaioil.

Concurrent to the initial public offering, Thaioil planned to integrate its refinery operations with the operations of TPX and Thailube to enhance operational synergies. Accordingly, we sold our 23.48% interest in TPX and 55% interest in Thailube to Thaioil, making TPX and Thailube affiliates of Thaioil, and we have reinvested all of the proceeds from the sale of TPX and Thailube's shares in Thaioil's shares at the initial public offering price. The transaction was undertaken as part of our strategic goal to improve the ownership structure of our affiliated companies to create synergy and value for the group as a whole. Thaioil consolidates the operations of TPX and Thailube into its financial statements.

As a result of Thaioil's initial public offering and our sale of TPX and Thailube shares in exchange for Thaioil's initial public offering shares, we now hold a 49.54% equity interest in Thaioil. If we increase our equity interest in Thaioil above 50.0% or otherwise acquire control or joint control of Thaioil, then under Thai GAAP we will be required to consolidate the financial accounts of Thaioil from the date of acquiring control. Such consolidation may have an adverse affect on our consolidated financial condition. See "Risk Factors — Risks Relating to Our Business — We have financially supported our associated companies in the past and must continue to do so up to certain specified amounts".

Projects

Thaioil is currently involved in a project to debottleneck its refinery. Completion of the project is scheduled for the fourth quarter of 2006 at a projected cost of between $80-100 million and the expected capacity increase is 50 Kb/d.

Thaioil is also planning a project to install a power generator for the refinery and a project to expand/extend the single buoy mooring to reduce the cost of transporting crude oil to the refinery. These projects, which are scheduled for completion in 2006, are expected to reduce costs and enhance Thaioil's competitiveness.

SPRC

Overview

We hold a 36% equity interest in SPRC. The controlling shareholder of SPRC is Caltex Trading and Transport Corporation with a 64% equity interest. We nominate three directors to the eight-member board of directors of SPRC.

SPRC, in alliance with RRC, produces a wide range of refined petroleum products including LPG, propylene, naphtha, reformate, gasoline, kerosene, jet fuel, diesel, fuel oil, bitumen and others. For the year ended December 31, 2004 SPRC had net income of Baht 14,349 million and for the three months ended March 31, 2005, SPRC had net income of Baht 3,167 million.

Agreements with SPRC

Feedstock Supply Agreement. On March 8, 1996, we entered into Feedstock Supply Agreement with SPRC, pursuant to which SPRC is required to purchase 36% of its feedstock requirements from us at prevailing market prices. The agreement continues for an indefinite term, unless terminated in writing by mutual consent of the parties no less than 60 days prior to each anniversary date, provided that it remains in effect at least until the date that all project loans for the establishment, construction and start-up of SPRC's refinery have been repaid.

Purchase and Sale Agreement. On August 10, 1993, we and COTL entered into an agreement with SPRC for the purchase of refined oil products from SPRC. Pursuant to the agreement, in any given quarter which SPRC's average production volume equals an aggregate minimum quantity of 88,200 barrels per day, both we and COTL have an aggregate take-or-pay obligation to purchase not less than 88,200 barrels of product multiplied by the number of calendar days in such quarter. COTL is obligated to purchase a minimum of 64% of the aggregate minimum quantity and we are liable for 36% of the aggregate minimum quantity. This agreement terminates only after all outstanding term loans acquired by SPRC for the purpose of constructing its refinery have been fully repaid, and, as to each of us and COTL, one year after either we or COTL provides SPRC with written notice of its intention to terminate the agreement.

Shareholder Contingency Agreement. Under a shareholder contingency support agreement dated March 29, 1994, the shareholders of SPRC are obligated to provide CDS in aggregate amount of $775 million in proportion to their respective equity interests. Accordingly, our total CDS obligation in respect of SPRC was $279 million. We have fulfilled our obligations under this agreement in the form of equity injections and subordinated loans.

Restructuring of SPRC

On May 8, 2002, SPRC successfully restructured its $549 million debt by extending payment from 2007 to 2009.

Alliance and Merger with RRC

In 1999, SPRC entered into an operating alliance with RRC to optimize economic efficiencies and capital use. SPRC and RRC are currently involved in merger discussions. See "— RRC — Alliance between RRC and SPRC" and "— RRC — Merger with SPRC".

Bangchak

Overview

Bangchak is a Thai public company listed on the SET. As of March 31, 2005, we held a 7.91% equity interest in Bangchak, the MOF held 18.84% and individual investors owned the remaining 73.28%. In early 2004, Bangchak completed its financial restructuring by issuing new ordinary shares and convertible debentures in the form of depositary receipts, for a total value of Baht 7,000 million, and through a debt refinancing of Baht 12,500 million in order to reduce its interest payment burden. As part of the restructuring, we and the MOF had the right to exchange 10 ordinary shares for each 5 units of depositary receipts. We did not purchase any of the additional depositary receipts issued by Bangchak, which resulted in a decrease of our equity interest to 6.9%. On July 6, 2004 Bangchak registered a capital reduction, which resulted in an increase of our shareholding to 9.3%. Our stake in Bangchak has since been diluted to its current level of 7.88% when Bangchak registered a capital increase and certain convertible debentures were converted into shares. We nominate two directors to the 10-member board of directors of Bangchak.

The Bangchak refinery is a hydroskimming refinery which produces LPG, naphtha, reformate, gasoline, jet fuel, kerosene, diesel and fuel oil. We purchase refined products from the Bangchak refinery, but we have no specific offtake obligation. The products from the Bangchak refinery are principally sold to customers in Thailand through its retail stations with a small amount being exported. For the year ended December 31, 2004, Bangchak had net income of Baht 2,636 million and for the three months ended March 31, 2005, Bangchak had net income of Baht 438 million.

Agreements with Bangchak

On January 18, 2005, we entered into a 10-year agreement with Bangchak to purchase at least 130 million liters of refined oil products per month, effective from March 1, 2005 to February 28, 2015 at prevailing market prices.

On January 26, 2005, we entered into a 5-year agreement with Bangchak to purchase blended crude oil. Pursuant to the agreement, Bangchak has an obligation to deliver approximately 9-12 Kb/d in 2005, 20-30 Kb/d in 2006 and 2007 and 25-30 Kb/d in 2008 and 2009. The contract price for the delivered crude oil shall be the prevailing market price, less certain discounts to us. Also, on January 26, 2005, we entered into a supplementary agreement with respect to the sale and purchase agreement with Bangchak dated July 22, 2004 pursuant to which we will receive additional price discounts depending on the spread of the actual price to the stated price formula in the original agreement.

On March 31, 2005, Bangchak and Thaioil signed a memorandum of understanding to cooperate with respect to crude oil procurement and delivery. By jointly procuring and taking delivery of crude oil, Thaioil and Bangchak expect to reduce transportation costs and increase efficiency in the refining process.

Product Quality Improvement Project

Because of its traditionally high yield of fuel oil, Bangchak plans to add a hydrocracking unit to its refining facilities to reduce the fuel oil yield and increase the proportional yield of gasoline and diesel oil. The

addition of the hydrocracking unit will be beneficial primarily because fuel oil currently sells at lower prices than other refined petroleum products and crude oil and because EGAT and several power plants and industrial plants have switched to natural gas. In addition, effective January 1, 2011, the government will change specifications for gasoline and diesel oil. Bangchak also plans to improve its reformer unit and gas oil hydro-treating unit to ensure that its oil products meet required future specifications. Completion of this project is expected in 2008 and will coincide with the completion of the Product Quality Improvement Project.

Petrochemicals

We participate in the petrochemical industry through our 50%-owned consolidated subsidiary BPE and through our interests in the following three associated companies:

- Thai Olefins Plc. ("TOC") (in which we hold a 49.99% equity interest);
- Aromatics (Thailand) Plc. ("ATC") (45.96%); and
- National Petrochemical Plc. ("NPC") (37.99%).

We sell our oil and gas products as feedstock to companies in our petrochemicals segment and purchase value-added petrochemical products from them through offtake agreements. Most of these petrochemical companies are located near the refineries in our refining segment and our gas separation plants and are connected to these facilities by pipelines, providing transportation and logistical cost savings. We have representation on the boards of directors of each of these petrochemical companies and second personnel to the principal companies in our petrochemicals segment. Our domestic oil and gas operations provide feedstocks to the principal companies in our petrochemicals segment, minimizing production interruption.

TOC

Overview

TOC is the primary petrochemical company in our petrochemicals segment. In late 2003, TOC became a public company and raised registered capital by offering its shares to investors and the public. We did not purchase any of these new common shares, thereby reducing our stake in TOC from 63.0% to 44.9% and changing the status of TOC from a subsidiary to an associate. Accordingly, since November 2003, we ceased to consolidate TOC's results in our financial statements. Our shareholding in TOC was subsequently increased to its current level of 49.99% after we purchased 4.05% of TOC's shares as part of our acquisition of shares in BPE in October 2004 and approximately 1.03% of TOC's shares from NPC in July 2005. The other major shareholders of TOC are The Siam Cement Plc. with a 6.87% equity interest, Thai Petrochemical Industry Plc. ("TPI") with a 3.54% equity interest and Oman Oil Company S.O.A.C with a 3.06% interest. We nominate seven directors of the 15-member board of directors of TOC, including the Chairman. In addition, the President of TOC is seconded by us.

TOC has two olefins plants located in Map Ta Phut, Rayong province. In December 2004, TOC completed the construction of a second gas-based olefins plant, increasing its production capacity by 300,000 tonnes per year. TOC's current annual production capacity is 685,000 tonnes of ethylene and 190,000 tonnes of propylene. TOC also produces other hydrocarbon by-products such as pyrolysis gasoline, mixed C4s, cracker bottom and tailgas. TOC obtains its feedstock mainly from domestic sources and generally markets its products under 15-year sales contracts that account for approximately 82% of its nameplate capacity.

In 2004, TOC produced approximately 376,951 tonnes of ethylene and approximately 220,641 tonnes of propylene. The following table sets out the production volumes of TOC's principal chemical products for the three years ended December 31, 2004 and the three months ended March 31, 2005.

	Year Ended December 31,			Three Months Ended March
(in KT)	**2002**	**2003**	**2004**	**31, 2005**
Products				
Ethylene	360	397	377	144
Propylene	191	241	221	52

Source: TOC

For the year ended December 31, 2004, TOC had net income of Baht 6,482.2 million and for the first three months ended March 31, 2005, TOC had net income of Baht 2,496 million.

Agreements with TOC

In October 1991, we entered into an agreement with TOC to sell between 78,000 to 225,000 tonnes per year of stabilized natural gasoline to TOC for a period of 15 years from June 1, 1995, the date that TOC's facility became operational. The agreement may be extended for one or more periods of up to five years upon one year's prior written notice by either party prior to the end of the initial term or any subsequent renewal term. Price is based on a published reference price. TOC undertakes not to resell the stabilized natural gasoline in its original form.

In September 2000, we entered into an agreement with TOC to sell between 17,000 to 83,000 tonnes of ethane per year produced at our gas separation plants to TOC until December 31, 2004. The agreement may be extended for one or more periods of up to five years upon one year's prior written notice by either party. The price for ethane sold to TOC is on the same basis of the ethane price sold to major customers, which is calculated on the basis of a profit and loss sharing mechanism.

In September 2001, we entered into an agreement with TOC to sell between 370,000 to 500,000 tonnes of ethane per year to TOC for a term of 15 years commencing from the date that TOC's new ethane processing unit becomes operational. The price for ethane is calculated on the basis of profit and loss sharing mechanism, taking into account the conversion cost of TOC, the processing cost of gas separation plant Unit 5 and a published petrochemical reference price.

In February 2002, we entered into an agreement with TOC to purchase up to 300,000 tonnes per year of ethylene from TOC for an initial term of seven years from the start-up date of TOC's new ethylene process unit.

On March 19, 2004, we signed a memorandum of understanding with ATC, NPC and TOC to produce phenol and to build a co-generation plant. The phenol plant, which will be supplied with benzene from ATC and propylene from NPC and TOC, will support domestic demand, which is currently satisfied entirely by imports. The co-generation plant will supply utilities for petrochemical plants in Map Ta Phut. We hold a 40% interest in each project. Expected capital expenditures for the phenol and co-generation projects are $200 million and $61 million, respectively.

On June 10, 2004, we entered into an agreement with TOC to sell to TOC an additional quantity of 400,000 tonnes of LPG and 380,000-470,000 tonnes of NGL per year for a term of 15 years from gas separation plant Unit 5. The LPG and NGL is intended for use as feedstock after the debottlenecking of TOC's original olefins plant, which TOC expects will increase production capacity by 250,000 tonnes per year.

On June 3, 2005, we signed a memorandum of understanding with TOC to purchase 80,000 tonnes per year of methyl ester from Thai Oleochemicals Company Limited, a company established and wholly owned by TOC. See "— Methyl Ester/Fatty Alcohol Project".

Restructuring of TOC

In September 2000, TOC agreed to a debt restructuring with its creditors to reschedule $331 million by extending the final maturity of such indebtedness from 2005 to 2007. In connection with this restructuring, we entered into an additional shareholder support agreement with TOC in July 2001, pursuant to which we are obliged to provide up to $50 million in trade credit in respect of TOC's purchase of feedstock from us by deferral of payment for up to 180 days, and have agreed that not less than $40 million shall be drawn under this trade credit at all times. This trade credit bears interest at LIBOR plus a margin that increases over time. If TOC cannot service its debt obligations, we are also obligated to provide CDS in an amount up to $50 million. Either our trade credit or our CDS given in the form of a subordinated loan may be converted at any time to an equity contribution to TOC. In September 2003, TOC issued bonds in an aggregate principal amount of Baht 10,000 million to refinance a long-term bank loan that resulted in the reduction of interest payments and outstanding principal amount. In connection with this restructuring, our obligation under the previous September 2000 restructuring ended and we are currently obligated to provide up to $100 million in trade credit by allowing TOC to delay payment for up to 180 days. We are entitled to charge interest, calculated on a daily basis, on the commercial trade credit at an agreed rate.

EO/EG plant

TOC, through the formation of TOC Glycol Company Limited on November 27, 2003, is constructing an EO/EG plant with a planned production capacity of 300,000 tonnes of monoethylene glycol, or MEG, per year at an estimated cost of $210 million. TOC is also constructing an EO purification unit to produce additional EO feedstock for its planned EO derivatives plants, at an estimated cost of $22 million. TOC expects to complete construction of the EO/EG plant and purification unit in the second quarter of 2006.

EO Derivatives Complex

TOC has approved the establishment of Thai Ethanolamines Company Limited as an investment vehicle for the ethanolamines project and Thai Choline Chloride Company Limited as an investment vehicle for the choline chloride project. TOC is also planning to invest in a joint venture fatty alcohol ethoxylate plant. The ethanolamines plant is expected to have a nameplate capacity of 50,000 tons per annum, and is estimated to cost $45 million and be completed in the first quarter of 2007. The choline chloride plant is expected to have a nameplate capacity of 20,000 tons per annum, is estimated to cost $28 million and is expected to be completed in the first quarter of 2007. The fatty alcohol ethoxylate plant will be developed together with a joint venture partner, Cognis Thai Limited ("Cognis Thai"). TOC and Cognis Thai signed a joint venture agreement on January 10, 2005 and established Thai Ethoxylate Company Limited to construct a fatty alcohol ethoxylate plant with a nameplate capacity of 50,000 tons per annum. The joint venture partners estimate that the planned ethoxylate plant will cost approximately $20 million and that their respective equity investments will be approximately Baht 210 million. The plant is expected to be completed around the fourth quarter of 2006.

Methyl Ester/Fatty Alcohol Project

TOC established Thai Oleochemicals Company Limited with the registered capital of Baht 2,400 million as an investment vehicle for a methyl ester / fatty alcohol project. The project will have two main products: methyl ester, which is used to mix with diesel oil to improve its efficiency, and fatty alcohol, which is an important feedstock for TOC's Ethoxylates joint venture. On June 3, 2005, we signed a memorandum of understanding with TOC to purchase 80,000 tonnes per year of methyl ester from Thai Oleochemicals Company Limited. We plan to mix this methyl ester with conventional diesel, so that we will be the first to produce premium-grade bio diesel in Thailand. Initially, we plan to mix 5% methyl ester with conventional diesel and increase the proportion to 10% when additional supply of methyl ester is available. Commercial operations of the project are expected to commence in mid-2007.

Phenol Plant

We, together with TOC, NPC and ATC plan to construct a phenol plant with a nameplate capacity of 200,000 tonnes per annum which is expected to be the first phenol plant in Thailand. We and our three associated companies have established PTT Phenol Co., Ltd, a joint venture company, to construct the plant, with our shareholding in the joint venture being 40% and the shareholdings of each of TOC, NPC and ATC being 20%. We estimate that the phenol plant will cost approximately $200 million. We expect that the plant will be completed in the fourth quarter of 2007. As there are presently no domestic producers of phenol in Thailand, we believe that the phenol production of the planned phenol plant will potentially replace a portion of phenol imports into Thailand. We anticipate that PTT Phenol Co., Ltd will sell its phenol production primarily in the domestic market and export the remainder.

Acquisition of shares in BPE

In October 2004, we and TOC each acquired 50% of the shares of BPE, a downstream polyethylene manufacturer with a then current production capacity of 200,000 tonnes per year of high density polyethylene ("HDPE") and a major ethylene offtaker of TOC. This acquisition of shares constitutes an investment into the downstream business, creating value for TOC by providing a captive use for its ethylene production. The transaction also served as a means of resolving cross-shareholding issues of BPE's holding of 7.11% shareholding in TOC. BPE subsequently sold 3.06% of TOC shares to Oman Oil and the other 4.05% of the shares to us, thus increasing our shareholding in TOC to 49.99%.

PTT Utilities Co., Ltd.

In March 2004, we entered into a memorandum of understanding with NPC, TOC, and ATC to operate a central utilities project. Our board approved our involvement in the project on June 24, 2004. On July 13, 2004, PTTUT, was formed to construct a power generation and steam to sell utilities to the company's shareholders, their affiliates, and nearby plants. As of December 31, 2004, the company had a registered capital of Baht 800 million, of which Baht 600 million was paid-up. We will supply the natural gas feedstock for this plant. The utilities plant is under construction and we expect that it will be completed in several phases, beginning in April 2006. We have not agreed among our joint venture partners as to how the utilities supply will be allocated for each phase, although expect the planned utilities plant will serve the needs of TOC's EO/EG plant and possibly its other downstream expansion projects. We also expect that most of the utilities generated by the plant will be internally among the joint venture partners. We hold a 40% equity interest and each of NPC, TPC and ATC holds a 20% interest. NPC will be commissioned as a management consultant for the operation for the first phase, due to its expertise in utilities. See "Business — Gas Business Group — Recent Developments — Investments in the Power Business".

Proposed Amalgamation with NPC

On June 30, 2005, our board of directors approved an amalgamation of TOC and NPC, with completion targeted for the end of 2005. On July 1, 2005 the boards of TOC and NPC each approved the amalgamation. The amalgamation still subject to the approval of 75% of the shareholders attending the respective extraordinary general meetings of shareholders of TOC and NPC. The amalgamation will be effected by the assumption of all of the assets and liabilities of TOC and NPC by a newly created entity.

ATC

Overview

As of March 31, 2005, we held a 45.96% equity interest in ATC, a public company listed on the SET. The other major shareholders of ATC were Banpu Plc. and The Siam Cement Plc., which each owned approximately 8% of ATC. We nominate seven directors to the 15-member board of directors of ATC, including the Chairman.

ATC is the largest aromatics producers in Thailand. ATC produces aromatics mainly in the form of paraxylene, benzene, toluene, mixed xylenes and orthoxylene. Paraxylene is used primarily as feedstock for purified terephthalic acid (PTA), the preferred raw material for polyester. As of December 31, 2004, ATC

had a total paraxylene production capacity of 495 thousand tonnes per year. In 2004, the average capacity utilization rate for ATC's paraxylene production facilities was 89%. The following table sets out the production volumes of ATC's principal chemical products for the three years ended December 31, 2004 and the three months ended March 31, 2005.

	Year Ended December 31,			Three Months Ended March
(in KT)	**2002**	**2003**	**2004**	**31, 2005**
Products				
Paraxylene	328	386	441	110
Benzene	260	315	436	114
Toluene	117	174	13	—
Orthoxylene	44	65	65	17
Mixed Xylenes	45	70	90	31

In 2004, we and TOC supplied approximately 85.12% of the feedstock utilized by ATC. We have take-or pay obligations to purchase 80% of ATC's production capacity for benzene, toluene, orthoxylene, mixed xylenes, and paraxylene. For the year ended December 31, 2004, ATC had net income of approximately Baht 10,314 million, including a foreign exchange gain of approximately Baht 10,342 million and for the three months ended March 31, 2005, ATC had net income of Baht 2,698 million.

Agreements with ATC

On August 8, 1995, we entered into an agreement to purchase all of ATC's production of condensate residue up to a maximum of 585,000 tonnes per year. The agreement is effective from the signing date and for 15 years from February 1, 1997 and then continues for a perpetual term with either party having the right to terminate upon one year's prior written notice. Price is determined according to an actual yield value of condensate residue less a processing cost, or as mutually agreed. The parties amended pricing specifics for the product on March 12, 1999 and June 14, 2000, respectively.

On September 1, 1998, we entered into a long-term agreement with ATC, whereby PTT will be the sole supplier of condensate to ATC for 15 years from 1998 to 2013.

On August 12, 1997, we entered into an agreement with ATC with a take-or-pay obligation for us to purchase 250,000 tonnes of paraxylene annually from ATC for domestic sale for an initial term of 12 years from April 1, 1997 and thereafter for a perpetual term. Either party may terminate the agreement by giving one year's prior written notice. Price is determined on the basis of import parity delivered to the designated process site, minus our marketing and administrative expenses. On April 29, 2004, the agreement was amended to extend the termination period from 2009 to 2012.

On September 15, 1997, we entered into an agreement with ATC to purchase a maximum of 131,000 tonnes of paraxylene for export from ATC annually for an initial term of five years from February 1, 1997 and thereafter for a perpetual term. Either party may terminate the agreement by giving one year's prior written notice. Price is determined by reference to a published price, less our marketing and administrative expenses. On October 31, 2002, the agreement was amended to increase the volume to 203,000 per year.

On November 12, 1997, we entered into an agreement with ATC to purchase 100,000 tonnes of benzene per year from ATC with a take-or-pay obligation of 80,000 tonnes per year, for domestic sale. The initial term is from August 1, 1997 to December 31, 2012, and thereafter the agreement will continue on a perpetual basis. Either party may terminate the contract after the initial term upon four years' prior written notice. During the first 10 years of the agreement, price is determined at Platt's published Singapore contract price for benzene, less our marketing and administrative expenses. During the first six months of the tenth year of the contract, we and ATC are required to negotiate a new pricing formula to maintain a competitive price.

On October 3, 2000, we entered into an agreement with ATC to purchase from 90,000 to 140,000 tonnes of LPG per year for an initial period of 10 years from February 1, 1997, and thereafter for a perpetual term. Either party may terminate the agreement after the initial contract period upon two years' prior written notice. The price for LPG to be sold domestically shall be the ex-refinery price less our operating expenses. The price of exported LPG shall be equal to a published price less our operating expenses.

On March 31, 2000, we entered into an agreement with ATC to sell condensate to ATC as feedstock. We supply approximately 28,000 barrels of condensate per day under this agreement on a price which is based on a basket of crude oil prices. The agreement has a term of 15 years beginning on September 1, 1998. Upon 30 days' prior written notice either party may, upon certain events, suspend or terminate the agreement.

On January 1, 2003, we entered into a product offtake agreement with ATC for an additional 40,000 tonnes per year of paraxylene. The initial term is for 10 years, beginning January 1, 2003.

On January 1, 2004, we entered into an agreement with ATC to purchase 120,000 tonnes per year of paraxylene. The initial term is for three years, from January 2004 to December 2006, and thereafter on a perpetual basis. Either party may terminate the agreement by giving one year's prior written notice.

In September 2004, we entered into an agreement with ATC to purchase an additional 20,000 to 40,000 tonnes of paraxylene per year for a period of 7 years beginning August 2005 and ending December 2012. These quantities are in addition to the purchase requirements under our principle contract with ATC for the purchase of paraxylene. All terms and conditions of this subsequent contract are identical to the original contract.

Restructuring of ATC

Under a shareholder support agreement originally dated October 28, 1994, which was amended on March 30, 2001, the shareholders of ATC agreed to provide financial support upon request of ATC up to an aggregate amount of $210 million. Our portion of this shareholder support obligation was $148 million. Financial support was required to be provided in the form of subordinated loans, equity or other support, as agreed upon among the parties. Subordinated loans to ATC under the shareholder support agreement bear interest at a market rate per annum and can be converted into equity.

As of June 30, 2001, we had provided financial support in the amount of $136 million to ATC in the form of extended trade credit, and in July 2001 we provided our remaining support obligations in the amount of $12 million. On January 12, 2000, ATC signed a debt restructuring agreement with its creditors to reschedule the $125 million principal outstanding indebtedness and extend the final maturity from 2007 to 2009. Under a shareholder support agreement dated March 30, 2001, we agreed to provide additional financial support of up to $90 million to ATC on a revolving basis, either by extending credit under ATC's feedstock supply agreements or by making advance payments of amounts due under our offtake agreements with ATC. On September 27, 2001, our board of directors, together with other non-public shareholders, passed a resolution to convert accrued interest of our extended trade credit into our equity contribution provided that after such conversion we will have less than a 50% equity interest in ATC.

On June 26, 2003, ATC issued Baht 12,000 million bonds to refinance its existing debt. The bond issuance was conditioned on us retaining at least a 25% shareholding in ATC and agreeing to grant extended trade credit to ATC in the amount of $90 million.

On June 18, 2004, we entered into a shareholder loan agreement with ATC to replace the shareholder support agreement between us. This new shareholder loan agreement terminated our obligations to ATC under the original debt restructuring.

Expansion of ATC

In June 2002, ATC completed Phase I of its expansion project, the debottlenecking of its facility, which increased its production capacity by 25%. In February 2004, ATC completed Phase 2 of its capacity expansion project to add value to toluene products from Phase 1 expansion, which increased its production of paraxylene and benzene to 495,000 and 467,000 tonnes per year, respectively.

ATC is currently engaged in the construction of a second reformer and aromatics plant at a site adjacent to its current plant in Map Ta Phut ("Aromatics II"). Aromatics II, as currently conceived, will use the same technology as ATC's existing plant, produce the same products (although in different amounts) and have an initial nameplate capacity of 2,449,000 tonnes per year, including 565,000 tonnes per year of paraxylene and 297,000 tonnes per year of benzene.

ATC has budgeted approximately $710.0 million for the project, has procured the land for the project site and expects to select an engineering, procurement and construction contractor to construct the plant on a turnkey basis by the third quarter of 2005. ATC plans to fund the project in part through the proceeds of its issuance of $300 million unsecured notes on July 20, 2005 and from cash from its operations. ATC currently expects the project, which will be wholly-owned and self-financed, to become commercially operational in 2008, although this date remains subject to change.

Project Investments and Joint Ventures

In addition to its involvement in PTT Phenol Co., Ltd. and PTT Utilities Co., Ltd. mentioned above, ATC is also involved in the following investments and joint ventures.

ATC is currently in the process of expanding the capacity of its condensate splitter from 50,000 to 70,000 Bbls/d with an investment of $10.4 million. The project is expected to be completed in 2006.

ATC is in the process of constructing a cyclohexane plant with a capacity of 150,000 tonnes per year at an investment of $29.2 million. Approximately 139,000 tonnes per year of ATC's own benzene and 36,000 tonnes per year of hydrogen will be used as feedstock. This project is scheduled to commence operations in 2006.

NPC

Overview

NPC is a public company listed on the SET. As of March 31, 2005, our shareholding in NPC was 37.99%. The other major shareholders in NPC are The Siam Cement Plc. with a 24.97% equity interest and HMC Polymer with a 6.57% equity interest. We nominate four directors to the 13-member board of directors of NPC, including the Chairman, and the President is seconded from us.

NPC's principal business is the production of ethylene and propylene, collectively referred to as olefins. The olefins serve as feedstock in the production of plastic pellets and resins of downstream petrochemical plants. The following table sets out the production volumes of NPC's principal chemical products for the three years ended December 31, 2004 and the three months ended March 31, 2005.

	Year Ended December 31,			Three Months Ended March
(in KT)	**2002**	**2003**	**2004**	**31, 2005**
Products				
Ethylene	375	419	411	91
Propylene	110	123	120	29

NPC also produces and distributes water, steam and electricity for internal use and for downstream petrochemical plants at Map Ta Phut, and supplies electricity under the SPP Program. NPC also provides loading and unloading and storage services of chemical products for downstream petrochemical companies through NPC's jetty and buffer tank farms. In 2004, these businesses accounted for approximately 14% of NPC's revenue.

For the year ended December 31, 2004, NPC had net income of Baht 4,358 million and for the three months ended March 31, 2005, NPC had net income of Baht 1,102 million.

Agreements with NPC

On September 9, 1999, we entered an agreement to supply ethane, propane and LPG to NPC for a period of 12 years from January 1, 1999. We have agreed to use our best efforts to supply minimum annual quantities of ethane, propane and LPG sufficient for NPC to meet an olefins production of 500,000 tonnes per year, including from 403,200 to 470,400 tonnes of ethane, from 126,000 to 168,000 tonnes of propane, and from 142,800 to 285,600 tonnes of LPG. NPC has first priority for ethane delivery over any third party up to the minimum annual quantity and agrees to purchase feedstock only from us up to such minimum annual quantity. Pursuant to the original agreement, the price for these feedstock products is calculated on the basis of profit and loss sharing mechanism, taking into account NPC's conversion costs and the processing cost of gas separation plants. The long-term supply agreement was amended to revise the pricing of ethane and propane. Effective July 1, 2003, the price of ethane is based on a published petrochemical reference price and, effective January 1, 2004, the prices of propane and LPG are based on published petrochemical reference prices. The agreement, which expires in 2016, may be renewed for one or more periods of up to five years by either party upon one year's prior written notice.

In 1999, we also entered into a 20-year agreement with NPC to purchase fuel gas from NPC at a quantity of 22 MMcfd for the first year, and at 33 MMcfd from 2000 onward.

In February 2004, we signed a memorandum of understanding with NPC to conduct a feasibility study concerning the modification of our gas separation plant Units 2 and 3 to increase ethane production by between 390,000 and 500,000 tonnes per annum. If the project proves viable, NPC will have the right of first refusal to purchase the additional ethane production at prices and quantities in accordance with our existing agreements with NPC. NPC intends to invest in a new ethane cracker to produce value added products from the ethane purchased from us.

Expansion of NPC

NPC increased its ethylene production capacity, adding 36,000 tonnes per year by debottlenecking its ethylene cracker in 2002. In June 2005, NPC completed the second phase of its cracker debottlenecking project, which increased its ethylene production capacity by an additional 24,000 tonnes per year. NPC currently has a total ethylene production capacity of 461,000 tonnes per year and a propylene production capacity of 127,000 tonnes per year.

In August 2004, NPC completed the construction of its HDPE project with a production capacity of 250,000 tonnes per year.

Project investment and joint ventures

In addition to its involvement in PTT Phenol Co., Ltd. and PTT Utilities Co., Ltd. mentioned above, NPC is also involved in the following investments and joint ventures.

We and NPC formed a 50:50 joint venture called PTT Polyethylene Co., Ltd. to construct and operate a $761 million, 1,000,000 tonne per year ethylene cracker, a 300,000 tonne per year low density polyethylene ("LDPE") plant and a 400,000 tonne per year linear low density polyethylene plant. The three units are expected to commence operations in the first quarter of 2009 with an initial registered capital of Baht 1,500 million. NPC also plans to invest $118 million into the Autoclave LDPE & EVA (Ethylene Vinyl Acetate) Project, which is expected to have a production capacity of 100,000 tonnes per year. The aim of the project is to fulfill a continuous increase in demand especially in Asia, which is currently experiencing a high shortage of product.

NPC is jointly setting up a company with Itochu Corporation, Cement Thai Chemicals Company Limited, and NPC International Limited in the equity percentages of 10%, 12%, 38%, and 40%, respectively. NPC's portion of investment is $22.5 million. The HDPE plant is scheduled to begin operations in the first quarter of 2008.

NPC and Toyo-Thai Corporation have invested in a 60:40 ratio to form a company to provide maintenance and engineering services with a registered capital of Baht 30 million.

We, together with NPC and BPE, have established PTT Polymer Marketing Company Limited ("PTTPM") to market polymer products both domestically and internationally for companies in the PTT Group. Our shareholding in PTTPM is 50% while that of NPC and BPE is 25% each. This business cooperation not only reinforces our marketing strength of polymer products by promoting more competitiveness at an international level, but also reduces selling costs and encourages higher management efficiency.

NPC has established NPC Safety & Environmental Services Company Limited as a wholly-owned subsidiary to provide safety-related and environmental services to affiliated companies, government agencies and private enterprises.

NPC is in the process of implementing a project to install a gas turbine generator. The generator will have an output capacity of 35 MW together with a waste heat boiler and an output capacity of 70 tonnes per hour of steam, for which we will supply fuel gas by pipeline. The project requires investment of Baht 1,200 million and operations are expected to commence in the third quarter of 2006. The generator will increase the reliability of the electrical supply system, lower per-unit operating costs and lower the risk of opportunity losses in the supply of electricity to customers during planned maintenance shutdowns.

Proposed Amalgamation with TOC

On June 30, 2005, our board of directors approved an amalgamation of TOC and NPC, with completion targeted for the end of 2005. See "— TOC — Proposed Amalgamation with NPC".

BPE

Overview

BPE is our newly acquired petrochemical company. In October 2004, we and TOC each acquired 50% of the shares of Bangkok Polyethylene, a major ethylene offtaker of TOC. This acquisition of shares was an investment into the downstream business that creates value for TOC. The board of directors of BPE consists of seven members, four of whom represent PTT. BPE's main business is the production and sale of HDPE pellets and resins with a capacity of 225,000 tons/year.

The plant is located in Map Ta Phut Industrial Estate, Rayong. As of March 31 2005, we and TOC each held 50% of the equity of BPE. BPE was successful in expanding its HDPE capacity to 225,000 tonnes per year by the first quarter of 2005.

In 2004, BPE produced approximately 173,978 tonnes of HDPE. The following table sets out the production volumes of BPE's principal chemical products for the years ended December 31, 2004 and the three months ended March 31, 2005.

	Year Ended December 31,			Three Months Ended March
(in KT)	**2002**	**2003**	**2004**	**31, 2005**
Product				
HDPE	187	187	174	33

Source: BPE

For the year ended December 31, 2004, BPE had net income of Baht 2,270 million and for the three months ended March 31, 2005, BPE had a net loss of Baht 21 million. BPE had extraordinary income of Baht 2,066 million from the sale of 3.06% of its shares in TOC to Oman Oil and the remaining 4.05% of its shares in TOC to PTT.

Agreement with BPE

BPE's feedstock is ethylene, supplied by TOC under a long-term offtake agreement. Surplus offtake prices are to be tied to market prices.

Restructuring of BPE

On November 12, 2004, BPE entered into a loan agreement with Bangkok Bank Plc for the sum of 2,165 million baht for use in its refinancing and other general matters.

On November 16, 2004, BPE repaid a syndicated loan under a facility agreement dated March 11, 1993 in the amount of $172.9 million.

Expansion of BPE

BPE is planning to increase its production capacity to 250,000 tonnes per year of HDPE at an investment cost of $3.5 million. Production start-up is planned for the first quarter of 2006.

Project investment and joint ventures

We, together with NPC and BPE, have established PTTPM to market polymer products both domestically and internationally for companies in the PTT Group. Our shareholding in PTTPM is 50% while that of NPC and BPE is 25% each. We believe this business cooperation not only reinforces our marketing strength of polymer products by promoting more competitiveness at an international level, but also reduces selling costs and encourages higher management efficiency.

Recent Developments

As part of the debt restructuring of TPI, the Government, which is overseeing the debt restructuring of TPI, identified us as a potential strategic investor in TPI. On April 28, 2005, our board of directors approved our investment in 31.5% of the outstanding shares of TPI (which will later be diluted to 30% after the issuance of ESOP shares to employees of TPI and its subsidiaries), together with the major terms of the share purchase that have been agreed upon between us and the MOF, at an indicative purchase price of approximately Baht 20,270 million. However, the transaction and the indicative purchase price remain subject to, among other things, satisfactory confirmatory due diligence of TPI and its subsidiaries, agreement on the terms of the share purchase agreement and management control over TPI and its subsidiaries. In addition, the detailed terms and conditions of the share purchase agreement may only be agreed upon after TPI and its subsidiaries successfully complete their rehabilitation plan, which, according to the rehabilitation plan, must take place prior to November 4, 2005.

Water Shortage

The Rayong and Chonburi provinces have recently experienced droughts that have caused the level of water in the various reservoirs that supply water to a number of industrial areas, including the Map Ta Phut Industrial Estate in which a number of our affiliates are located, to decline significantly. In response, the Industrial Estate Authority of Thailand recently announced a plan, beginning June 27, 2005, to reduce by 40% the amount of water currently supplied to companies in certain industrial estates, including the Map Ta Phut Industrial Estate. This decision was subsequently overturned by the government, which has reassured that immediate measures will be taken to ensure a sufficient supply of water. All our plants in Rayong and Chonburi are running at normal capacity for the time being.

As companies in our petrochemicals segment rely significantly on water to cool their plants, they are the most vulnerable to water shortages. We and our affected affiliated companies, have implemented a number of measures to address the reduction in water supply, including shipping and trucking water from sources outside the affected provinces and recycling water. We are also collectively exploring other solutions for the medium and long term, including investment in pipelines to transport water from outside the region and construction of additional wells and/or water desalination or reverse osmosis plants. Neither we nor any of our affected affiliates has decreased or intends to decrease their production levels due to the shortage of water in the reservoirs. However, if the water level in the reservoirs continues be depleted and we are unsuccessful in procuring water from alternative sources or if the costs associated with obtaining water from alternate sources prove significant, our business could be materially adversely affected.

Competition

We face different competitors in each segment of our business. Our gas transmission, marketing and processing segment, although not yet subject to competition, will have increasing competition after the draft Energy Industry Act is enacted. COTL, Shell (Thailand) Co. Ltd., Bangchak and Esso (Thailand) Co., Ltd. compete with our downstream petroleum operations. PTTEP competes primarily with Unocal Thailand and Chevron. In addition, the companies in our refining and petrochemicals businesses group compete against one another as well as against other companies.

Gas Transmission, Distribution, Supply and Marketing Operations

We currently enjoy a favored position in the gas transmission, processing and marketing segment of our business that has allowed us to operate in a low-competitive environment in this segment since our inception. This, however, will change in the near future as the Government's plan to deregulate the gas industry is implemented. We expect that when third parties are granted access to our pipeline system we will face competition from domestic and international oil and gas companies who have experience in the gas marketing business. We believe that suppliers and end users may contract directly with each other, excluding us from the supply and marketing aspect of their transactions. See "Relationship with the Government and Regulatory Matters — Deregulation of the Gas Supply Industry" and "Risk Factors — Risks Relating to Our Business — Government liberalization of the natural gas industry may adversely affect our business".

Exploration and Production Operations

We participate in exploration and production through our interest in our subsidiary PTTEP. PTTEP produced more than 22% of the country's total crude oil equivalent in 2004, which makes it the largest petroleum producer in Thailand. PTTEP conducts a substantial portion of its exploration and production activities through its working interests in petroleum concessions operated by joint ventures with domestic and international oil and gas companies with whom PTTEP may compete for acquisition, exploration, development and production of other crude oil and natural gas properties. PTTEP also competes with domestic and international oil and gas companies who are not its joint venture partners in Thailand or elsewhere for the acquisition of additional property rights and the rights to explore and develop petroleum related properties. There is intense competition between oil and gas companies in Thailand for capital in the domestic and international capital to finance exploration and production activities.

Marketing, Sales and Distribution of Refined Petroleum Products

We compete primarily with Shell (Thailand) Co., Ltd., Esso (Thailand) Co., Ltd., COTL and Bangchak as well as independent operators in the commercial and retail markets for the sale of refined petroleum products. Market participants compete primarily on the basis of price, brand name, services offered, efficiency and proximity to customers. Because margins on the sale of gasoline and diesel are very low competition has developed for higher margin products that can be sold at service stations, including high margin oil products such as lube and gasoline additives and non-oil goods and service facilities. We are in the process of expanding our market for such higher margin products through the development and marketing of convenience stores and other high margin products and facilities in Thailand under our leading brand name. We cannot assure you that we will be able to maintain our leading brand name in Thailand or that these new products and facilities will allow our service stations to remain competitive in the retail petroleum industry.

Refining

There are currently seven refineries in Thailand, one of which is wholly owned by us and three of which are our associated companies. Companies in our refining segment compete among themselves and with other domestic and international suppliers for sales of refined petroleum products both inside of Thailand and abroad.

Petrochemicals

Companies in our petrochemicals segment compete domestically with The Siam Cement Plc. and TPI which were previously the main customers of our associated companies and only engaged in the downstream segment. After the liberalization of the upstream petrochemical industry in 1997, The Siam Cement Plc. and TPI expanded into the upstream segment and, as a result, became fully integrated petrochemical companies. As production capacity in Thailand is currently greater than domestic demand, upstream petrochemical companies must export a portion of their production to China and other neighboring countries, in competition with other petrochemical companies in the international market.

Research and Development

We perform our research and development functions through the PTT Research and Technology Institute ("PTT RTI"), which was formed in 1997 and is located in Amphur Wang Noi, Ayudhaya province, Thailand.

PTT RTI provides research and development services in the areas of petroleum and petrochemical products, production processes, engineering research and engine tests, market research and environmental research to enhance productivity, efficiency, reduce costs and strengthen the competitiveness of us and our subsidiaries.

As of March 31, 2005, 88 persons were engaged in research and development functions. PTT RTI is divided into four departments, namely Fuels and Lubricants Research Department, Engineering Research and Engine Test Department, Analytical and Petrochemical Research Department and Research Promotion Department.

Our expenditures for research and development were approximately Baht 105 million, Baht 118 million and Baht 151 million for the years 2002, 2003 and 2004, respectively. Approximately Baht 216 million is budgeted for research and development in 2005.

Trademarks and Service Marks

We have trademarked certain product names and businesses to protect our various brands in both the domestic and international market. We have not had any significant disputes with respect to any of our trademarks or service marks. We currently do not hold any patents for any of our products or processes.

Properties

Our major properties include natural gas pipelines, land and buildings, machinery and equipment, oil terminals, gas service stations, gas separation plants and other fixed assets used for exploration and production of petroleum. As of March 31, 2004, gas pipelines and other fixed assets used for our business accounted for approximately 95.4%, of our book value.

Our corporate headquarters and major production and ancillary facilities occupy an aggregate area of approximately 8.3 square kilometers (approximately 7.5 square kilometers of which are owned by us). The total gross floor area of office and warehouse space owned by us is approximately 118,000 and 55,000 square meters, respectively. Our headquarters is located at no. 555 Vibhavadi Rangsit Road, Chatuchak, Bangkok, on nine land title deeds, having a total area of approximately 33,864 square meters. SRT has executed a registration to give us the right of using such land without any rental fees for a term of 30 years commencing from April 1, 1983 until March 31, 2013. In consideration, we agree to build a building for SRT in an amount up to Baht 54 million. Pursuant to the registration, SRT also agrees to continually renew the registration period of 30 years without any rental fees or other remuneration. We also entered into a lease agreement with SRT in respect of an area of approximately 1,752 square meters which is part of the land covered by the above registration. The lease is for a term of 22 years and six months commencing from October 1, 1990 for an amount of Baht 8 million in total.

Employee Matters

As of March 31, 2005, we had 3,104 employees. The following table sets out the number of employees by business sector as of that date for us and for the PTT Group.

	PTT Only		PTT and PTT Group of Companies	
Major Functions	**Number of Employees**	**Percentage of Total**	**Number of Employees**	**Percentage of Total**
Natural Gas	844	27.2	844	14.4
Oil	1,402	45.2	1,402	23.9
Support Staff, Secondees to PTT Group of Companies	858[1]	27.6	779[2]	13.3
Subsidiaries and Joint Ventures	—	—	2,834	48.4
Total	3,104	100.0	5,859	100.0

(1) Including PTT employees seconded to affiliates.

(2) Excluding PTT employees seconded to affiliates.

We believe that we have a well-trained and experienced pool of employees. As of March 31, 2005, 2,338 members of our staff had graduate degrees and 2,338 of our employees had worked with us or the Petroleum Authority of Thailand, our predecessor entity, for over 20 years. We invest significant resources in an extensive employee training program and we regularly second employees to work with joint venture partners and subsidiaries. As of March 31, 2005, we had 79 employees seconded to work with international oil and gas companies and our subsidiaries and associated companies, both domestically and abroad, to gain technical experience in relevant areas of our business.

Our employees are graded in 18 different categories, with Level 18 being the most senior and Level 1 being the most junior. As of March 31, 2005, approximately 2,603 of our 3,104 employees in Levels 1-9 were members of a voluntary employee union, which is affiliated with the national state enterprise employees union, and which participates in our affairs. A committee made up of management and union members reports to a national state enterprise employees union representative on a monthly basis. Levels 10-18 consist of management personnel, none of whom are members of the union. We have not experienced any strikes or other labor disturbances that have interfered with our operations and we believe that our relations with our employees are excellent.

The total remuneration to our employees includes salary, bonuses and allowances. Employees may also receive certain subsidies in housing, health services, education and other miscellaneous items. Remuneration also includes an annual contribution of 10% of an employee's salary to a provident fund. Employees have the opportunity to contribute 5-10% of their annual salary to the fund. We believe that our remuneration levels are competitive within the Thai gas and petrochemical industry. We also have a comprehensive benefits package for our employees that includes, among other things, vacation, military leave, maternity leave, medical care, a child subsidy and a funeral subsidy.

Environmental Matters

We and our subsidiaries are subject to numerous national and local environmental laws and regulations concerning our oil and gas exploration, transmission and production operations, petroleum and petrochemical products and other activities. In particular, these laws and regulations may:

- require the submission and approval of environmental impact assessment reports prior to the commencement of certain exploration, production, refining transmission, gas separation and chemical projects and pipeline construction;

- restrict the type, quantities, and concentration of various substances that can be released into the environment;

- limit or prohibit drilling activities on certain lands lying within protected areas; and

- impose criminal and civil liabilities for pollution resulting from oil, natural gas and petrochemical operations.

These laws and regulations also restrict air emissions and discharges to surface and subsurface water resulting from the operation of natural gas processing plants, chemical plants, refineries, pipeline systems and other facilities that we own. In addition, our operations may be subject to laws and regulations relating to the generation, handling, storage, transportation, disposal and treatment of waste materials.

We anticipate that the environmental laws and regulations to which we are subject will become increasingly strict and are therefore likely to have an increasing impact on our operations. It is impossible, however, to predict accurately the effect of future developments in such laws and regulations on our future earnings and operations. Some risk of environmental costs and liabilities is inherent in certain of our operations and products, as it is with other companies engaged in similar businesses, and there can be no assurance that material costs and liabilities will not be incurred. However, we do not currently expect any material adverse effect on our financial condition or results of operations as a result of compliance with such laws and regulations.

To meet future environmental obligations, we are engaged in a continuing program to develop effective environment protection measures. This program includes research on:

- reducing sulphur levels in heavy fuel oil and diesel fuel;

- reducing olefin and benzene content in gasoline, improving the quality of emissions and effluents from our refineries and petrochemical plants; and

- developing and installing monitoring systems at our facilities and developing environmental impact assessments for major projects.

Insurance

We have a comprehensive insurance policy that covers all aspects of our business and all of our properties. We employ a risk management policy that helps us analyze what aspects of our business and properties need specific levels of insurance. In addition, we employ large international insurance brokers to help determine our risk profile each year so that we may apply our insurance resources in the most cost-effective manner. We also help certain subsidiaries determine their insurance needs.

Our coverage includes property damage, business interruption, third party liability (including employee liability) and personnel accident insurance. Our third party liability insurance covers environmental damages caused by us up to $50 million and our business interruption insurance covers all interruption events, including interruptions caused by third party suppliers. We consider our insurance coverage to be in accordance with industry standards.

Legal Proceedings

We are currently a party to an arbitration proceeding in connection with the construction of a natural gas pipeline to Rayong and Wang Noi Power Station. The claimant, IPCO-G&C Joint Venture ("IGC"), a Thai Joint Venture between IPCO Construction Private Limited, a company incorporated in Singapore, and Gregory and Cook SA, a Swiss company, entered into a contract with us in 1994 for construction of the mentioned natural gas pipeline for a fixed amount in 1994. The claimant brought this proceeding in January, 2000, alleging, among other things, that we failed to provide full access to the land along which the pipeline was to be constructed and that this failure caused extra expenses and certain damages to them. The arbitrator issued an arbitral award in favor of IGC in June 2001, determining that we were 70% liable for extra costs and expenses incurred in connection with the pipeline construction. On February 4, 2002, the arbitration panel issued the final award instructing us to pay $25.3 million plus interest. On January 31, 2003, IGC lodged a petition with the Thai civil court requesting the court to issue an

enforcement order of the arbitration award, and to order us to pay IGC a total of $31.4 million. On March 20, 2003, we filed an objection petition with the Thai civil court. The Thai civil court denied IGC's petition to enforce the arbitration award and IGC has appealed this decision to the Thai Supreme Court where the matter is pending.

Prior to the Thai civil court's decision, we filed a counterclaim against IGC on the grounds that IGC breached its delivery obligations under the project. We are claiming damages of approximately Baht 4,273.8 million. The Thai civil court is currently in the process of examining witnesses. On May 27, 2005, IGC proposed terms to our board of directors for settlement of their original claim and our counterclaim. On June 30, 2005, our board of directors accepted IGC's proposed settlement terms and agreed to pay IGC $16,000,000, excluding VAT.

We are currently a party to an administrative court proceeding involving landowners affected by our laying of pipeline in relation to the Sriracha-Saraburi oil pipeline project. Pursuant to the terms of the agreement relating to the pipeline project, we and TPP were required to lay pipeline across certain land plots owned by individuals and to compensate the affected landowners in accordance with the Petroleum Authority of Thailand Act, 1978. We determined that Susawas Limited Liability Partnership ("Susawas"), one of the affected landowners, was entitled to Baht 2 million in compensation. Susawas, however, was not satisfied with the compensatory amount and, together with other affected parties, filed an arbitration claim against us and TPP claiming damages of Baht 4,900 million. Susawas withdrew the case from arbitration on January 10, 2003 and lodged an action with the Administrative Court. In the current administrative action, Susawas and others claim that we and TPP did not have the right to lay pipeline across their land. We have authorized the Attorney-General of Thailand to represent us in this case. The case is still pending with the Administrative Court.

We are involved in certain other judicial and arbitral proceedings before Thai courts or arbitral bodies concerning matters arising in connection with the conduct of our businesses. We believe, based on currently available information, that the results of those other pending proceedings, in the aggregate, will not have a material adverse effect on our financial condition or operations.

Principal Shareholders

The following table details certain information about our shareholders, as shown on our share register as of March 31, 2005. Other than the shareholders listed below, no shareholder owns more than 5% of our outstanding common shares.

Name of Shareholder	Number of Shares Held	Percentage
Ministry of Finance	1,467,750,743	52.48%
Vayupak Fund[1]	435,800,000	15.58%
Others	893,694,982	31.94%
Total	2,797,245,725	100.00%

(1) The Vayupak Fund is a registered investment management fund in Thailand in which the Government is a major unitholder. The Government has rights of first refusal with respect to any of our shares to be sold by the fund. Although the fund's shareholding may be considered to be beneficially owned by the Government under international standards, such shares are not considered to be owned by the Government for the purposes of Thai law or our compliance with certain of our debt covenants.

Management

Directors

Our board of directors has ultimate responsibility for the administration of the affairs of our company. The Articles of Association provide for a board of directors of between five and 15 Directors, at least three of whom must be independent and one-third of whom are retired each year by rotation. As of May 31, 2005, our board of directors consisted of 15 members. The business address of all the Directors is our registered office.

The Directors are as follows:

Name	Age	Position
Mr. Prasert Bunsumpun	53	Director, President
Mr. Cherdpong Siriwit	58	Chairman
Mr. Suparat Kawatkul	54	Director
Mr. Wisudhi Srisuphan	56	Director
Mr. Metta Banturngsuk	53	Director
Mr. Somchai Wongsawat	57	Director (Independent)
Mr. Chakramon Phasukavanich	57	Director (Independent)
Dr. Phadhadej Dhamcharee	53	Director (Independent)
Gen. Chaisuk Ketudat Ph.D.	63	Director (Independent)
Mr. Ampon Kittampon	49	Director (Independent)
Mr. Pala Sookawesh	64	Director (Independent)
Dr. Olarn Chaipravat	60	Director (Independent)
Mr. Prapun Naigowit	58	Director (Independent)
Dr. Pisanu Sunthraraks	50	Director (Independent)
Dr. Suchart Thada-Thamrongvech	52	Director (Independent)

Certain information with respect to the Directors is set out below:

Mr. Prasert Bunsumpun currently serves as President of PTT Plc. He also serves as Chairman of the Board of RRC, PTTPE, IPT, TTM (Thailand), TTM (Malaysia), THAPPLINE, PPCL and PTTPM, and as a Director of the Board of PTTEP, TOC, ATC, NPC, TOP, RPCL and TP. He received his undergraduate degree in civil engineering from Chulalongkorn University and his MBA from Utah State University, U.S.A. Mr. Bunsumpun received a Certificate in Advanced Management Program from Harvard Business School, U.S.A. and attended the Politics and Governance in Development System for Executive Course from King Prajadhipoks Institutes. Mr. Bunsumpun served as President of the Oil Business Group, Petroleum Authority of Thailand from 1996 to 1999, President of the Gas Business Group, Petroleum Authority of Thailand, from 1999 to 2001, and Senior Executive Vice President of the Gas Business Group, PTT Plc from 2001 to 2003.

Mr. Cherdpong Siriwit currently serves as Permanent Secretary, Ministry of Energy, as Chairman of the Board of PTT Plc., PTTEP, TOP, NPC and Ratchaburi Electricity Generating Holding Plc., and as a Director of the Board of TP. He received a bachelor's degree in Economics from Thammasat University and a master's degree in Economics from Georgetown University, U.S.A.

Mr. Suparat Kawatkul currently serves as Permanent Secretary, Ministry of Finance, as Chairman of PTT's Nominating Committee, as Chairman of the Board of the Government Lottery Office, the Government Pension Fund (GPF), and the Student Loans Fund, as a Director of the Board of Thai Airways International Plc. ("Thai Airways"), as a Deputy Chairman of the Financial Institution Development Fund (FIDE), as a Member of the Board of Directors of the Securities and Exchange Commission and as a member of the Board of the Committee Office of the Council of State. He received a bachelor's degree in Economics from

London School of Economics and Political Science, University of London, U.K. and a M.Sc. (Econ.) from Queen Mary College, University of London, U.K. Mr. Kawatkul received a Certificate in Double Taxation from University of Southern California, U.S.A. and completed the Advanced Management Program at Harvard University, U.S.A.

Mr. Wisudhi Srisuphan serves as Director General, Treasury Department, as a member of PTT's Remuneration Committee, as a Director of the Board of PTTEP, and as Chairman of the Board of the Government Housing Bank. He previously served as Comptroller General of the Ministry of Finance, as Director General of the Fiscal Policy Office, and as Director of the Board of the Petroleum Authority of Thailand. Mr. Srisuphan received a bachelor's degree in Civil Engineering from Chulalongkorn University and a LL.B. from Ramkhamhaeng University. He also holds a M.E from Lamar University, U.S.A. and an M.A.A. in Business Economics from Thammasat University.

Mr. Metta Banturngsuk serves as Director General, Energy Policy and Planning Office. He previously served as Deputy General of the National Energy Policy Office. Mr. Banturngsuk received his bachelor's degree in Accounting from Chulalongkorn University and an LL.B. from Ramkhamhaeng University.

Mr. Somchai Wongsawat serves as Permanent Secretary, Ministry of Justice, as Chairman of PTT's Remuneration Committee, and as Director of the Board of TOP and the Airports of Thailand Plc. He previously served as Deputy Permanent Secretary, Ministry of Justice. Mr. Wongsawat received his LL.B from Thammasat University, is a Barrister at Law, Thai Bar Association. He attended the Master Program of Public and Private Management at the National Institute of Development Administration.

Mr. Chakramon Phasukavanich serves as Permanent Secretary, Ministry of Industry, as a member of PTT's Nominating Committee, as Director of the Board of TOP, the National Science and Technology Development, the Monetary Policy Committee, the Bank of Thailand, the Thai Asset Management Corporation, the Small and Medium Enterprises Promotion, the Thailand Automotive Institute, and the Thailand Productivity Institute. He received his undergraduate degree in Economics from Chulalongkorn University and a master's degree in Economics from California State University, Northridge, U.S.A.

Dr. Phadhadej Dhamcharee serves as Vice Minister in the Office of the Prime Minister and as a member of PTT's Audit Committee. He previously served as Advisor to the Deputy Minister of Finance, Vice Minister for Finance. He holds a bachelor's degree and a master's degree from Yale University, U.S.A., and a Ph.D. in Political Economy from the University of Amsterdam, The Netherlands.

Gen. Chaisuk Ketudat Ph.D. serves as Chairman of PTT's Corporate Governance Committee. He previously served as Honorary Advisor to the Prime Minister, as Defense Inspector General and as Director General of the Military Research and Development Office. He holds a bachelor's degree from Chulachomkloa, Royal Military Academy, a Master of Arts in Military Science and a Doctorate of Education Philosophy from Chulalongkorn University.

Dr. Ampon Kittampon serves as Secretary General of the Office of National Economic and Social Development Board, as a Director of the Board of the Bank of Thailand, the GPF, the Civil Service Commission, and as a member of the National Science and Technology Development Committee and the Monetary Policy Committee. He received his Master's Degree in Economics from Northeastern University, Boston, U.S.A. and a Ph.D. in Applied Economics from Clemson University, South Carolina, U.S.A.

Mr. Pala Sookawesh serves as Chairman of PTT's Nominating Committee, as the Chairman of the Board of ATC., Bangkok Polyethylene Plc. (BPE), and RPCL. He also serves as a Director of the Board of PTTEP, TOP, TOC, EGAT, and Ratchaburi Electricity Generating Holding Plc., and as a Director and member of the audit committee of Vinythai Plc. He previously served as Director of the Board of the Petroleum Authority of Thailand. Mr. Sookawesh received his undergraduate degree in Electrical Engineering from Chulalongkorn University and a master's degree in Industrial Engineering from Oregon State University, U.S.A.

Dr. Olarn Chaipravat serves as Chairman of PTT's Audit Committee, as Director of the Board of TOP, Thai Olefins Plc. (TOC), Thai Airways, the Stock Exchange of Thailand, and Sasin Graduate Institute of Business Administration of Chulalongkorn University. He also serves as Chairman of the Board of TSFC Securities Limited, as Chairman of the Audit Committee of Shin Corporation Plc., as Chairman of the Working Committee on Monitoring and Evaluating Economic Situation of the Ministry of Finance, as Vice Chairman of the Suksapattana Foundation, and as a member of the Council of Shinawatra University. He previously served as advisor to the Management Board of The Siam Commercial Bank Plc. He received his undergraduate degree in Economics from the Wharton School, University of Pennsylvania and a Ph.D. in Economics from the Massachusetts Institute of Technology, U.S.A.

Mr. Prapun Naigowit serves as Deputy Attorney General, as a member of PTT's Audit Committee, as a member of PTT's Corporate Governance Committee, as a member of the Board of Directors of TOP, as a member of the Board of Directors and Chairman of the Audit Committee of the Expressway and Rapid Transit Authority of Thailand, the Consumer Protection Commission, and the Thai Bar Association. He is also member of the Council of State, Governmental Information, the Sub-commission on Civil Service of the Ministry of Energy, and the Ministry of National Resource and Environment. He previously served as Director General of the International Affairs Department and the Department of Litigation of the Attorney General. He received his LL.B. (Hons.) from Thammasat University, a Master of Laws from Tulane University, U.S.A., and is a Barrister at Law, Thai Bar Association.

Dr. Pisanu Sunthraraks serves as a member of PTT's Remuneration Committee and as a member of PTT's Corporate Governance Committee. Currently he is a lecturer in the law faculty of Thammasat University, and a member of the National Food Industry and Thailand Productivity Institute for the Ministry of Industry. He received his undergraduate degree in History and Political Science from the University of Kansas, holds master's degrees in Political Science and Ibero-American studies and a Ph.D. in Political Science from the University of Wisconsin at Madison, U.S.A.

Dr. Suchart Thada-Thamrongvech serves as Eminent Advisor to the Prime Minister in the Field of Economics and as Associate Professor of Economics, Faculty of Economics, Ramkhamhaeng University. He serves as a member of PTT's Audit Committee, as a Director of the Board and Chairman of the Audit Committee of Ratchburi Electricity Generating Holding Plc., as Policy Advisor to the Minister of Energy, as Director of the Board of the Petroleum Committee, and as Advisor to the Board of Investment. He received his undergraduate degree in Economics from Thammasat University, a M.Sc. in Economics from The London School of Economics and Political Science U.K., and a Ph.D. in Economics from McMaster University, Canada.

Executive Officers

Certain information with respect to our executive officers is set out below:

Dr. Prajya Phinyawat is a Senior Executive Vice President, Petrochemicals and Refining Business Group. He served as Senior Executive Vice President, Corporate Support, from 2002 to 2003, Senior Executive Vice President, Corporate Strategy and Development, from 2001 to 2002, and Deputy Governor, Corporate Plan and Development, for the Petroleum Authority of Thailand from 1999 to 2001. He is also a Director of the Board of BPE, RRC, PTTEP, TOP, ATC, NPC, TOC, PTTUT, SPRC, PPCL, PTTPM, TPX and Thailube. Mr. Phinyawat received his undergraduate degree in Civil Engineering from Chulalongkorn University and a master's degree in Civil Engineering from Stanford University U.S.A. He also holds a Ph.D. in Civil Engineering from the University of Texas at Austin, U.S.A.

Dr. Chitrapongse Kwangsukstith is Senior Executive Vice President, Gas Business Group. He is also a Chairman of the Board of PTTNGD, PTTLNG, EnCo, PTTUT and DCAP, and a Director of the Board of PTTEP, IPT, TTM-T, TTM-M, RPCL and PTTPM. He is also a President of the Thailand Association for Natural Gas Vehicles. Dr. Kwangsukstith previously served as Director and President of PTT Exploration and Production Plc. (PTTEP) and, prior to that, as Deputy Governor, Corporate Plan and Development for the Petroleum

Authority of Thailand from 1996 to 2001. He received his undergraduate degree in Mechanical Engineering from Chulalongkorn University and also holds a master's degree and a Ph.D. in Industrial Engineering from Lamar University, Texas, U.S.A. Dr. Kwangsukstith attended the Stanford Executive Program at Stanford University, U.S.A.

Mr. Apisit Rujikeatkamjorn is a Senior Executive Vice President, Oil Business Group. He is also a Chairman of the Board of RBA, a Director of the Board of BCP, TTM-T, TTM-M, PA-Thai, Fuel Pipeline Transportation Co., Ltd., and Thai Maritime Navigation Co., Ltd. He previously served as Director and Chief Executive Officer of Trans Thai-Malaysia (Thailand) Co., Ltd. (TTM-T), as Senior Assistant Governor, Office of the Governor, and as Senior Vice President of Star Petroleum Refining Co., Ltd. He received his bachelor's degree in Civil Engineering from Khonkaen University and a master's degree in Civil Engineering from Lamar University, Texas, U.S.A.

Mr. Anon Sirisaengtaksin is the Senior Executive Vice President, Corporate Strategy and Development. He is also a Director of the Board of BPE, RRC, PTTPE, PTTNGD, IPT, SPRC, Thailube, TPX and ARC. Mr. Sirisaengtaksin previously served as Executive Vice President, Natural Gas Supply & Trading, Gas Business Group, for PTT Plc. And prior to that, as Deputy President, Natural Gas Marketing & Transmission, PTT Gas Petroleum Authority of Thailand. He received his undergraduate degree in Geology from Chulalongkorn University and holds an MBA from Thammasat University and Certificates in "Project Investment Appraisal and Management" and "Global Leadership" from Harvard University, U.S.A.

Mr. Pichai Chunhavajira is the Senior Executive Vice President, Corporate Finance and Accounting. He served as Executive Vice President of PTTEP from 1994 to 1996 before taking his current position. He also served as a director of Finance and Accounting for PTTEP from 1990 to 1994. He is currently also on the board of directors of PTTEP, RRC, ATC, TOC, BCP, TIP, THAPPLINE, Thailube, and TP. He received his bachelor's degree in Accounting from Thammasat University and his MBA in Finance from Indiana University of Pennsylvania, U.S.A.

Mr. Songwut Chinnawat is the Senior Executive Vice President, Corporate Support. He served as a member of the Board of Directors of PTTNGD and EnCo. before taking his current position. He was also a Director and General Manager of PTTNGD from 1998-2003. He received his bachelor's degree in Civil Engineering from Kasetsart University and a Masters of Engineering, with a concentration in Civil Engineering, from Lamar University, Texas, U.S.A.

Board Committees

The Board of Directors appoints committees with special knowledge and expertise to assist in the supervision of our business, namely the Audit Committee, the Corporate Governance Committee, the Nominating Committee, and the Remuneration Committee.

The Audit Committee

The Audit Committee consists of a minimum of three directors, at least one of whom is qualified in accounting and finance. Our Audit Committee:

- Reviews our financial reporting process to ensure accuracy and adequacy;
- Ensures that we have a suitable and efficient internal control system and internal audit system;
- Reviews our performance to ensure compliance with securities and exchange laws, regulations of the SET and other laws relating to our business;
- Considers, selects, nominates, and recommends the remuneration of our external auditor;
- Reviews information disclosed by us to ensure its accurateness and completeness, specifically with regard to connected transactions and transactions that may lead to conflicts of interest;

- Prepares a report on its monitoring activities and provides the report, signed by the Chairman of the Audit Committee, for inclusion in our annual report; and

- Performs any other act as assigned by the board of directors subject to the scope of work, duties and responsibilities of the Audit Committee and our internal regulations.

The Corporate Governance Committee

The Corporate Governance Committee consists of at least three independent directors. The Corporate Governance Committee proposes corporate governance guidelines to the board of directors, advises the board of directors on matters concerning corporate governance and ensures that the duties and responsibilities of all directors and members of management comply with corporate governance practices.

The Nominating Committee

The Nominating Committee consists of at least three directors, at least one of whom is an independent director. The Nominating Committee selects qualified persons to be nominated as new directors or President and determines procedures for the nomination of directors or President so as to ensure transparency.

The Remunerating Committee

The Remunerating Committee consists of at least three directors, at least one of whom is an independent director. The Remunerating Committee considers guidelines in the determination of remuneration for directors and the President. In addition, the Remunerating Committee determines the procedures for fair and reasonable determination of remuneration for directors and the President, to be presented at the shareholders meeting for approval.

Compensation

For the year ended December 31, 2004 and the three months ended March 31, 2005, the total remuneration (salary, discretion bonus and director fees) paid to our directors and principal executive officers as a group was approximately Baht 74.3 million and Baht 36.9 million, respectively.

Description of The Notes

The Notes will be issued under an indenture (the "Indenture") to be dated as of August 3, 2005 (the "Issue Date") between us and Deutsche Bank Trust Company Americas, as Trustee for the holders of the Notes (the "Trustee"). A copy of the Indenture is available upon request from us or the Trustee. The following summaries of certain provisions of the Indenture are not complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture, including the definitions therein of certain terms. Wherever particular sections or defined terms of the Indenture are referred to, such sections or defined terms will be deemed to be incorporated herein by reference. Copies of the Indenture will be available on or after the Issue Date at the corporate trust office of the Trustee and the Paying and Transfer Agent (as defined below).

General

The Notes will:

- constitute our direct, unconditional, unsecured and unsubordinated general obligations;
- rank equally among themselves, without any preference one over the other by reason of priority of date of issue or otherwise, and
- at least equally with all our other outstanding unsecured and unsubordinated general obligations.

Principal, Maturity and Interest

The Notes will be issued in an initial aggregate principal amount of $350,000,000 and will mature at a price equal to 100% of the principal amount on August 3, 2035 (the "Maturity Date"), unless earlier redeemed pursuant to the terms thereof and the Indenture. The Notes will be issued in denominations of $100,000 and integral multiples of $1,000 in excess thereof. The Notes will bear interest at a rate of 5.875% per annum from and including the Issue Date or from the most recent interest payment date to which interest has been paid or provided for. Interest on the Notes will be payable semi-annually in arrears on February 3 and August 3 of each year up to, and excluding the Maturity Date, August 3, 2035, with the first interest payment to be made on February 3, 2006, to the person in whose name such Note is registered at the close of business on the 15th calendar day prior to such interest payment date (whether or not a Business Day (as defined below)). In any case where the date for the payment of any principal of or interest on any Note is not a day on which banking institutions are open for business in Hong Kong, London and New York (a "Business Day"), then payment of such principal or interest need not be made at such time and place of payment but may be made on the next succeeding Business Day with the same force and effect as if made on the date for such payment of principal or interest, and no interest will accrue for the period after such date. All payments of principal of or interest on the Notes will be made in Dollars. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Optional Tax Redemption

The Notes may be redeemable, in whole but not in part, at our option, upon not less than 30 nor more than 60 days' notice, at any time at a redemption price equal to:

- 100% of the principal amount of the Notes to be redeemed, plus
- accrued interest to the date fixed for redemption

if as a result of any change in, expiration of or amendment to, the tax laws of the Kingdom of Thailand (or of any political subdivision or taxing authority thereof or therein) or any regulations or ruling promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which the Kingdom of Thailand (or such political subdivision or taxing authority) is a party, which change, expiration, amendment or treaty becomes effective on or after August 3, 2005, we are or would be obligated on the next succeeding due date for a payment with

respect to the Notes to pay additional amounts with respect to the Notes (or if additional amounts are payable by us as of August 3, 2005, we have or will become obligated to pay additional amounts in excess of any additional amounts which are payable by us as of August 3, 2005) and such obligation cannot be avoided by the use of reasonable measures available to us; provided, however, that (i) no such notice of redemption may be given earlier than 60 days prior to the earliest date on which we would be obligated to pay such additional amounts, and (ii) at the time such notice of redemption is given, such obligation to pay such additional amounts remains in effect. Prior to any redemption of the Notes, we will deliver to the Trustee a certificate and an opinion of counsel (which counsel is acceptable to the Trustee), to be made available for inspection by holders, stating that we are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred.

Additional Amounts

We will make all payments of principal of and interest on the Notes without withholding or deducting any present or future taxes imposed by the Kingdom of Thailand or any of its political subdivisions or any authority therein having power to tax, unless withholding or deduction is required by law. In the event that any such withholding or deduction in respect of principal or interest is required, we will pay additional amounts ("additional amounts") as necessary to ensure that you will receive the same amount as you would have received without any such withholding or deduction.

We will not pay, however, any additional amounts if you are liable for taxation because:

- you were or are connected with the Kingdom of Thailand or any political subdivision thereof (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Kingdom of Thailand) other than by merely owning the Note or receiving income or payments on the Note;

- you failed to (a) provide information concerning your nationality, residence or identity or (b) make any declaration or other similar claim or satisfy any information or reporting requirement, in the case of either (a) or (b), after we or the relevant tax authority requested you to do so;

- you failed to present your Note for payment within 30 days of when the payment is due. Nevertheless, we will pay additional amounts to the extent you would have been entitled to such amounts had you presented your Note for payment on the last day of the 30-day period;

- such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any European Union Directive implementing the conclusions of the ECOFIN Council meeting of January 21, 2003, December 13, 2001 and/or November 26-27, 2000 on the taxation of savings income (the "Directive") or any law implementing or complying with, or introduced in order to conform with, such Directive;

- you would have been able to avoid the withholding or deduction by the presentation (where presentation is required) of the relevant Note to, or otherwise accepting payment from, another paying agent in a member state of the European Union; or

- any combination of the above.

We will not pay any additional amounts for taxes on the Notes except for taxes payable through deduction or withholding from payments of principal, or interest on the Notes. Examples of the types of taxes for which we will not pay additional amounts include the following: estate or inheritance taxes, gift taxes, sales or transfer taxes, personal property or related taxes, assessments or other governmental charges. We will pay stamp or other similar taxes that may be imposed by the Kingdom of Thailand, the United States or any political subdivision or taxing authority in one of those two countries on the Indenture or be payable in connection with the issuance of the Notes.

References to principal or interest in respect of the Notes will be deemed also to refer to any additional amounts which may be payable as set forth in the Notes and the Indenture.

Certain Covenants

Limitation on Liens

So long as the Notes are outstanding, we will not, and we will not permit any Subsidiary to, create, incur, issue or assume or guarantee any External Indebtedness secured by any Security Interest on any Principal Property owned by us or any Restricted Subsidiary or on any shares of stock of any Restricted Subsidiary (such shares of stock of any Restricted Subsidiary being called "Restricted Securities") without in any such case effectively providing that the Notes (together with, if we shall so determine, any other indebtedness of ours or the Subsidiary then existing or thereafter created which is not subordinate to the Notes) will be secured equally and ratably with or prior to such secured External Indebtedness unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness, plus our Attributable Debt and the Attributable Debt of our Restricted Subsidiaries in respect of sale and leaseback transactions involving Principal Properties as described under the covenant entitled "— Limitation Upon Sale and Leaseback Transactions," would not exceed 10% of our Consolidated Net Tangible Assets.

The foregoing restrictions will not apply to External Indebtedness secured by:

(i) any Security Interest existing on the date of the Indenture;

(ii) any Security Interest existing on any Principal Property or Restricted Securities prior to the acquisition thereof by us or any of our Restricted Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(iii) any Security Interest securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Security Interest attaches to such Principal Property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;

(iv) any Security Interest existing on any Principal Property or Restricted Securities of any Restricted Subsidiary prior to the time such restricted Subsidiary becomes a Subsidiary of ours or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof; or

(v) any Security Interest arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Security Interest permitted by any of the foregoing clauses, to the extent of the amount of such External Indebtedness; provided that such External Indebtedness is not secured by any additional Principal Property.

Limitation Upon Sale and Leaseback Transactions

The Indenture provides that neither we nor any Restricted Subsidiary may enter into any arrangement, after the date of the Indenture, with any Person providing for the leasing by us or any Restricted Subsidiary for an initial term of three years or more of any Principal Property which has been or is to be sold or transferred to such Person or to any other Person to whom funds are advanced by such Person on the security of such Principal Property for a sale price of $1,000,000 (or the equivalent thereof) or more (a "sale and leaseback transaction") unless (i) our Attributable Debt and the Attributable Debt of our Restricted Subsidiaries in respect thereof and in respect of all other sale and leaseback transactions entered into after the date of the Indenture plus the aggregate principal amount of External Indebtedness secured by Security Interests on Principal Properties and Restricted Securities then outstanding without equally and ratably securing the Notes, would not exceed 10% of our Consolidated Net Tangible Assets; or (ii) we or a Restricted Subsidiary, within twelve months after such sale and leaseback transaction apply an amount equal to the net proceeds of such sale or transfer of the property or asset which is the subject of such sale and leaseback transaction to the retirement of our External Indebtedness or of a Restricted Subsidiary, as the case may be, which is not subordinate to the Notes provided that the amount to be applied will be reduced by (i) the principal amount of Notes delivered within 180 days after such sale and leaseback transaction for retirement and cancellation, and (ii) the principal amount of our External Indebtedness or of

a Restricted Subsidiary, other than the Notes, voluntarily retired by us or a Restricted Subsidiary within twelve months after such sale and leaseback transaction. Notwithstanding the foregoing, no retirement referred to in this clause may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision.

Certain Definitions

"Attributable Debt" means, as to any lease, at the date of determination, the lesser of (x) the fair market value of the property or asset subject to such lease and (y) the total present value of the net amount of rent required to be paid under such lease during the remaining term thereof including renewal terms at the option of the lessor (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rents), discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with Thai GAAP.

"Consolidated Net Tangible Assets" means the total amount of the assets of PTT Public Company Limited and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries and associated companies, after deducting therefrom (i) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible at the option of PTT Public Company Limited or its Subsidiary), and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent balance sheets of PTT Public Company Limited and its consolidated Subsidiaries and computed in accordance with Thai GAAP.

"Credit Ratings" means the credit rating assigned to the senior unsecured External Indebtedness of an entity or corporation by each of (i) the Standard & Poor's Ratings Services and (ii) Moody's Investors Service, Inc., or their respective successors and assigns.

"External Indebtedness" means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of the Kingdom of Thailand and which has a final maturity of one year or more from its date of incurrence or issuance.

"Long-term Debt" means any note, bond, debenture or other indebtedness for money borrowed having a maturity of more than one year from the date such indebtedness was incurred or having a maturity of less than one year but by its terms being renewable or extendible, at the option of the borrower, beyond one year from the date such evidence of indebtedness was incurred.

"Principal Property" means any gas, oil or power generation, transformation, transmission or distribution facility of PTT, PTTEP or any of PTTEP's subsidiaries located in the Kingdom of Thailand, whether at the date of the Indenture owned or thereafter acquired, including any land, buildings, structures or machinery and other fixtures that constitute any such facility, or portion thereof, other than any such facility, or portion thereof, reasonably determined by our board of directors not to be of material importance to the total business conducted by us and our Subsidiaries as a whole.

"Restricted Subsidiary" means any Subsidiary that owns a Principal Property.

"Security Interest" means any mortgage, pledge, lien, fixed or floating charge or other encumbrance.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by us.

Events of Default

The occurrence and continuance of the following events will constitute events of default ("Events of Default") under the Indenture:

- failure by us to pay interest on the Notes as and when the same will become due and payable, and such failure continues for 30 days;

- failure by us to pay principal on the Notes within 7 days after the due date;

- failure by us to perform any of the other covenants or agreements in the Indenture relating to the Notes that continues for 60 days after written notice specifying such failure, stating that such notice is a "Notice of Default" under the Notes and demanding we remedy the same, is given to us by the Trustee or holders of at least 25% in principal amount of the outstanding Notes; or

- any of our External Indebtedness of an amount equal to or greater than $25 million either (a) becoming due and payable by reason of acceleration following a default by us or (b) not being repaid by us, and remaining unpaid, after maturity (as extended by the period of grace, if any), or any guarantee given by us in respect of any External Indebtedness of another person or entity of an amount equal to or greater than $25 million not being honored and remaining dishonored after becoming due and called; provided that, if any such default has been cured or waived, the default under the Indenture will be deemed to have been cured and waived;

- we cease to own and control, directly or indirectly, at least 51% of the issued and outstanding capital stock of PTT Exploration and Production Public Company Ltd.; or

- certain events of bankruptcy, insolvency or reorganization relating to us, or our ceasing to carry on the whole or substantially the whole of our business.

It is understood and agreed that a Government mandated restructuring of the gas industry in Thailand that requires us to partially spin-off or separately incorporate our natural gas transmission processing or marketing businesses will not constitute an Event of Default so long as, following such event, we control, directly or indirectly, at least 51% of the issued and outstanding capital stock of the corporations that hold such natural gas transmission processing or marketing businesses.

If an event of default occurs and is continuing, the Trustee or the holders of not less than 25% in principal amount of the outstanding Notes may by written demand to us declare the principal amount to be due and payable. In certain cases, the holders of a majority in principal amount of then outstanding Notes can rescind and annul such declaration and its consequences.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is not obligated to exercise any of its rights or powers at the request or direction of any of its holders unless they have offered the Trustee security or indemnity. You may also not institute any proceedings to enforce the Indenture (other than proceedings for enforcing payments of principal or interest) unless the Trustee has failed to act for 60 days after it receives notice of a default, a written instruction to act by holders of not less than 25% of the outstanding Notes and an offer of indemnity satisfactory to the Trustee in its sole discretion. If the holders provide security or indemnity satisfactory to the Trustee, the holders of a majority in principal amount of the then outstanding Notes during an event of default may direct the time, method and place of conducting any proceedings for any remedy available to the Trustee under the Indenture or exercising any of the Trustee's trusts or powers with respect to the Notes.

The Indenture provides that the Trustee will, with certain exceptions, notify the holders of the Notes of any event of default known to it within 90 days after the occurrence of such event.

We are required to file an annual statement with the Trustee concerning our compliance with the Indenture.

Consolidation, Merger and Sale of Assets

We may, without your consent, consolidate with or merge into, or sell or lease all or substantially all of our property to, another corporation organized under the laws of the Kingdom of Thailand as long as:

- any successor corporation expressly assumes our obligations under the Notes and the Indenture;

- the consolidation, merger, sale or lease does not create a default under the Indenture; and

- certain other conditions in the Indenture are satisfied.

It is understood and agreed that this covenant does not prohibit a Government mandated restructuring of the gas industry in Thailand that requires us to partially spin-off or separately incorporate our natural gas transmission processing or marketing businesses so long as, following such event, we control, directly or indirectly, at least 51% of the issued and outstanding capital stock of the corporations that hold such natural gas transmission processing or marketing businesses.

Holders' Put Right

In the event that (i) the Government, directly or indirectly, ceases to own and control at least 50% of our issued and outstanding capital stock and (ii) within 180 days from the date of such decrease in ownership, each of our Credit Ratings is reduced below such Credit Rating in effect immediately prior to the time that the Government ceases to own and control at least 50% of our issued and outstanding capital stock (the "Put Event"), each Holder shall have the right (the "Holders' Put Right"), at such Holder's option, to require us to repurchase all of such Holder's Notes at a price equal to 100% of the unpaid principal amount thereof plus accrued interest (the "Put Price") on the 20th Business Day after the Trustee mails to each Holder a notice of such event referred to under "Holders' Put Right — Put Procedures" (the "Put Date").

Put Procedures

We will furnish the Trustee with a notice in sufficient time to permit the Trustee, promptly after becoming aware of, and in any event within seven days of, the Put Event to mail to each Holder such notice regarding the Holder's Put Right, which notice will state:

1. the Put Date;

2. the date of the Put Event and, briefly, the events causing the Put Event;

3. the date by which the Holder's Repurchase Notice (as defined below) must be given and the right of the Holders to require us to repurchase their Notes;

4. the name and address of the Paying and Transfer Agent;

5. the Put Price and the method by which such amount will be paid; and

6. the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights.

To exercise its right to require us to repurchase its Notes, a Holder must deliver an irrevocable written notice of the exercise of such right (a "Holder's Repurchase Notice") to the Paying and Transfer Agent on a Business Day not later than 10 Business Days prior to the relevant Put Date.

Payment of the Put Price upon exercise of a Holder's repurchase right in respect of any Notes for which a Holder's Repurchase Notice has been delivered will be made promptly following the relevant Put Date; provided, however, that if any Note is a Certificated Note that has not been delivered on or prior to the Put Date, payment will only be made promptly after the delivery of such Certificated Note (together with any necessary endorsements). If we have made available to the Paying and Transfer Agent on the Put Date money sufficient to pay the Put Price of any Note for which a Holder's Repurchase Notice has been delivered in accordance with the provisions of the Indenture, then, on and after such Put Date, whether or not such Certificated Note is delivered to the Paying and Transfer Agent, (i) such Note will cease to be outstanding; (ii) the interest on such Note will cease to accrue; (iii) such Note will be deemed paid; and (iv) all other rights of the Holder will terminate (other than the right to receive the relevant Put Price).

Defeasance and Discharge

We need not comply with certain restrictive covenants of the Indenture (including the limitations on liens and sale and leaseback transactions) with respect to the Notes, if:

- we deposit with the Trustee, in trust, money or U.S. government obligations (or a combination thereof) sufficient to pay the principal of and interest on the Notes when due;
- we are not in default under the Indenture;
- we deliver to the Trustee an opinion of counsel to the effect that the deposit will not cause the holders of the Notes to recognize income, gain or loss for U.S. federal income tax purposes;
- we deliver to the Trustee an opinion of counsel to the effect that the holders of the Notes (other than holders who are deemed residents of the Kingdom of Thailand or who carry on business in the Kingdom of Thailand) will not be subject to Thai taxation and that the payments out of the trust fund will be free and exempt from all withholding and other income taxes of the Kingdom of Thailand; and
- we deliver to the Trustee an officer's certificate and opinion of counsel stating that all conditions for the defeasance have been complied with.

In addition, we will be discharged from all obligations of the Notes (except for certain obligations to exchange or register the transfer of the Notes, replace stolen, lost or mutilated notes and maintain paying agencies) (i) if we deliver to the Trustee all the Notes for cancellation, together with an opinion of counsel and an officer's certificate stating that all conditions for the discharge have been complied with, and pay all other amounts payable under the Indenture, or (ii) if all Notes not delivered to the Trustee for cancellation have become due and payable, will become due and payable within one year or are to be called for redemption within one year, and we have irrevocably deposited with the Trustee, in trust, money or U.S. government obligations (or a combination thereof) sufficient to pay the principal of, and interest on, the Notes when due, together with an opinion of counsel and an officer's certificate stating that all conditions for discharge have been complied with, and pay all other amounts payable under the Indenture.

Repurchase

We and any of our Subsidiaries may, in accordance with all applicable laws and regulations, at any time purchase the Notes in the open market or otherwise at any price. If purchases are made by tender, such tender must be made available to all holders of the Notes alike. Any Notes we or any of our Subsidiaries repurchase may be held, cancelled or sold.

Modification and Waiver

With the consent of the holders of a majority in principal amount of the outstanding Notes, we may execute supplemental indentures with the Trustee to add provisions or change or eliminate any provision of the Indenture or any supplemental indenture or to modify the rights of the holders of the Notes. Without the consent of the holders of all the outstanding Notes, no such supplemental indenture will, with respect to the Notes:

- change their stated maturity;
- reduce the principal amount payable;
- change the place or currency in which they are payable;
- impair the right to institute suit for their enforcement; or
- reduce the percentage in principal amount of the outstanding Notes, the consent of the holders of which is required for any such supplemental indenture or for any modification to the provisions relating to modification and waiver.

The holders of a majority in principal amount of the outstanding Notes may:

- waive compliance by us of certain provisions of the Indenture; and
- waive any past default under the Indenture (except defaults relating to payment of principal of or interest on any Note).

Further Issuances

We may from time to time, without notice to or the consent of the holders of the Notes, create and issue further debt securities ranking *pari passu* with the Notes in all respects (or in all respects except for the payment of interest accruing prior to the issue date of the debt securities or except for the first payment of interest following the issue date of the debt securities). We may consolidate such further debt securities with the outstanding Notes to form a single series.

We may offer additional debt securities with original issue discount ("OID") for U.S. federal income tax purposes as part of a further issue. Purchasers of debt securities after the date of any further issue may not be able to differentiate between debt securities sold as part of the further issue and previously issued Notes. If we were to issue further debt securities with OID, purchasers of debt securities after such further issue may be required to accrue OID (or greater amounts of OID that they would otherwise have accrued) with respect to their debt securities. This may affect the price of outstanding Notes following a further issue. Purchasers are advised to consult legal counsel with respect to the implications of any future decision by us to undertake a further issue of debt securities with OID.

Replacement Notes

If a Note is mutilated, destroyed, lost or stolen, it may be replaced at the corporate trust office or agency of the Trustee in New York or at the office of the Paying and Transfer Agent (as defined below). You will have to pay any expenses incurred by us, the Trustee and the Paying and Transfer Agent and furnish any evidence and indemnity that we, the Trustee and the Paying and Transfer Agent may require. Mutilated Notes must be surrendered before we will issue new Notes to you.

Notices

Any notice required to be given by us to a holder of a Note (which will be DTC's nominee so long as the Notes are held in global form) will be mailed to the holder's last address indicated in the security register.

Concerning the Trustee

The holders of a majority in aggregate principal amount of all outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy or power available to the Trustee with respect to the Notes. However, the direction must not conflict with any rule of law or with the Indenture.

In case of an event of default, the Trustee will be required to exercise its powers with the degree of care and skill of a prudent person in the conduct of his own affairs. The Trustee is, however, under no obligation to exercise any of its rights or powers under the Indenture at the request of any of the holders of the Notes, unless they have offered to the Trustee security or indemnity satisfactory to the Trustee in its sole discretion.

Deutsche Bank Trust Company Americas is the Trustee under the Indenture. The corporate trust office of the Trustee is located at 60 Wall Street, 27th Floor, New York, NY 10005.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. We have agreed that any legal suit, action or proceeding arising out of or based upon the Indenture or the Notes may be instituted in any state or federal court in the State and City of New York, United States of America.

Payment and Transfer Agents

The New York office of the Trustee will serve as the initial principal paying and transfer agent (collectively with the Hong Kong Agent (as defined below), the "Paying and Transfer Agents"). The Paying and Transfer Agents may resign at any time or may be removed by us. If any of the Paying and Transfer Agents is removed or becomes incapable of acting as a Paying and Transfer Agent or if a vacancy occurs in the office of any of the Paying and Transfer Agents for any cause, a successor Paying and Transfer Agent will be appointed as provided by the Indenture provided that, upon the implementation of the Directive or any law implementing or complying with, or introduced in order to conform to, such Directive, we will ensure that we maintain a Paying Agent in a Member State of European Union that is not obliged to withhold or deduct tax pursuant to such Directive or law. In addition, an announcement of such issue will be made through the Hong Kong Stock Exchange.

Book Entry; Delivery and Form

Global Notes

The Notes will be issued in fully registered form without interest coupons. Notes sold in offshore transactions in reliance on Regulation S will initially be represented by one or more permanent global Notes in definitive, fully registered form without interest coupons (each, a "Regulation S Global Note") and will be deposited with the Trustee as custodian for, and registered in the name of, a nominee of DTC (and, together with any successor, the "Depository") for the accounts of Euroclear and Clearstream, Luxembourg.

Notes sold in reliance on Rule 144A will be represented by one or more permanent global Notes in definitive, fully registered form without interest coupons (each, a "Rule 144A Global Note" and, together with the Regulation S Global Note, the "Global Notes") and will be deposited with the Trustee as custodian for, and registered in the name of, a nominee of DTC.

Each Global Note (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "Transfer Restrictions". Except in the limited circumstances described below under "— Certificated Notes," owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of Certificated Notes (as defined below). The Notes are not issuable in bearer form.

Ownership of beneficial interests in the Global Notes will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified institutional buyers may hold their interests in Rule 144A Global Notes directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Notes on behalf of their participants through DTC.

So long as DTC, or its nominee, is the holder of the Global Notes, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the Global Notes for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream, Luxembourg.

Payments of the principal of, or interest on, the Global Notes will be made to DTC or its nominee, as the case may be, as the holder thereof. None of us, the Trustee or any Paying and Transfer Agent (as defined below) will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC or its nominee, upon receipt of any payment on the Global Notes, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the stated principal amount of the Global Notes as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the Global Notes held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures. See "— The Clearing Systems" below.

We expect that DTC will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the DTC interests in the Global Notes is credited and only in respect of such portion of the aggregate stated principal amount of the Global Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC will exchange the Global Notes for certificates representing the Notes, which it will distribute to its participants and which may be legended as set forth under "Notice to Investors".

Certificated Notes

If (i) DTC notifies us that it is unwilling or unable to continue as a depositary for such Rule 144A Global Note or Regulation S Global Note, as the case may be, and a successor depositary is not appointed by us within 90 days of such notice, (ii) either Euroclear or Clearstream, Luxembourg or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (iii) an Event of Default has occurred and is continuing, we will issue certificates representing the Notes ("Certificated Notes") in registered form in exchange for the Rule 144A Global Note and the Regulation S Global Note, as the case may be. Upon receipt of such notice from DTC, Euroclear, Clearstream, Luxembourg or the Trustee, as the case may be, we will use our best effort to make arrangements for the exchange of interests in the relevant Global Note for Certificated Notes and cause the requested Certificated Notes to be executed and delivered to the Paying and Transfer Agents in sufficient quantities and delivered to the Paying and Transfer Agents for delivery to holders.

A Certificated Note may be transferred in whole or in part (in a principal amount equal to the minimum authorized denomination or any integral multiple thereof) by surrendering such Certificated Note to be transferred, together with an executed instrument or assignment of transfer, at the corporate trust office of the Trustee or at the office of the Paying and Transfer Agent in New York. In the case of a permitted transfer of only part of a Certificated Note, a new Certificated Note in respect of the balance not transferred will be issued to the transferor. Each new Certificated Note to be issued upon the transfer of a Certificated Note will, upon the effective receipt of a duly completed form of transfer by a Paying and Transfer Agent at its respective specified office, be available for delivery three business days after issuance at such specified office, or at the request of the holder requesting such transfer, will be mailed at the risk of the transferee entitled to the new Certificated Note to such address as may be specified in such duly completed form of transfer. The transfer of the Certificated Notes will be effected without charge by or on behalf of us or any Paying and Transfer Agent but against such indemnity as we or the Paying and Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such transfer.

The Clearing Systems

General

DTC, Euroclear and Clearstream, Luxembourg have advised us as follows:

DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the Initial Purchasers. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. In addition, beneficial owners of Notes in DTC will receive all distributions of principal of, or interest on, the Notes from the Trustee through such DTC participant.

Euroclear. Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchasers. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator was granted a banking license by the Belgian Banking and Finance Commission in 2000, authorizing it to carry out banking activities on a global basis. It took over operation of Euroclear from the Brussels, Belgium office of Morgan Guaranty Trust Company of New York on December 31, 2000.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to the Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by Euroclear.

Clearstream, Luxembourg. Clearstream, Luxembourg is incorporated under the laws of The Grand Duchy of Luxembourg as a professional depositary. Clearstream, Luxembourg holds securities for its participants and facilities the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities

lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in several countries. As a professional depositary, Clearstream, Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream, Luxembourg participants are financial institutions around the world, including securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Initial Purchasers. Indirect access to Clearstream, Luxembourg is also available to others that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant either directly or indirectly.

Distributions with respect to the Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

Initial Settlement

Initial settlement for the Notes will be made in immediately available funds. All Notes issued in the form of Global Notes will be deposited with the Trustee, as custodian for DTC. Investors' interests in Notes held in book-entry form by DTC will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Euroclear and Clearstream, Luxembourg will initially hold positions on behalf of their participants through DTC.

Investors electing to hold their Notes through DTC (other than through accounts at Euroclear or Clearstream, Luxembourg) must follow the settlement practices applicable to United States corporate debt obligations. The securities custody accounts of investors will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their Notes through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear holders and of Clearstream, Luxembourg holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in same-day funds using DTC's Same Day Funds Settlement System.

Trading between Euroclear and/or Clearstream, Luxembourg participants. Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC seller and Euroclear or Clearstream, Luxembourg purchaser. When Notes are to be transferred from the account of a DTC participant to the account of a Euroclear participant or a Clearstream, Luxembourg participant, the purchaser must send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to settlement. Euroclear or Clearstream, Luxembourg, as the case may be, will receive the Notes against payment. Payment will then be made to the DTC participant's account against delivery of the Notes. After settlement has been completed, the Notes will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream, Luxembourg participant's account. Credit for the Notes will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Notes will accrue from, the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade date fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear participants or Clearstream, Luxembourg participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, they may take on credit exposure to Euroclear or Clearstream, Luxembourg until the Notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream, Luxembourg participants purchasing Notes would incur overdraft charges for one day, assuming they cleared the overdraft when the Notes were credited to their accounts. However, interest on the Notes would accrue from the value date. Therefore, in many cases, the investment income on Notes earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Because the settlement is taking place during New York business hours, DTC participants can employ their usual procedures for sending Notes to the relevant depositary for the benefit of Euroclear participants or Clearstream, Luxembourg participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a crossmarket transaction will settle no differently than a trade between two DTC participants.

Finally, day traders that use Euroclear or Clearstream, Luxembourg and that purchase Notes from DTC participants for credit to Euroclear participants or Clearstream, Luxembourg participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

(1) borrowing through Euroclear or Clearstream, Luxembourg for one day (until the purchase side of the day trade is reflected in their Euroclear account or Clearstream, Luxembourg account) in accordance with the clearing system's customary procedures;

(2) borrowing the Notes in the United States from a DTC participant no later than one day prior to settlement, which would give the Notes sufficient time to be reflected in the borrower's Euroclear account or Clearstream, Luxembourg account in order to settle the sale side of the trade; or

(3) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear participants or Clearstream, Luxembourg participants.

Trading between Euroclear or Clearstream, Luxembourg seller and DTC purchaser. Due to the time zone differences in their favor, Euroclear participants or Clearstream, Luxembourg participants may employ their customary procedures for transactions in which Notes are to be transferred by the respective clearing system to another DTC participant. The seller must send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream, Luxembourg will credit the Notes to the DTC participant's account against payment. Payment will then be made to the DTC participant's account against delivery of the Notes. The payment will then be reflected in the account of the Euroclear participant or Clearstream, Luxembourg participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg participant's account will be back-valued to the value date (which would be the preceding day when settlement occurs in New York). If the Euroclear participant or Clearstream, Luxembourg participant has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream, Luxembourg participant's account would instead be valued as of the actual settlement date.

As in the case with respect to sales by a DTC participant to a Euroclear or Clearstream, Luxembourg participant, participants in Euroclear and Clearstream, Luxembourg will have their accounts credited the day after their settlement date. See "— Trading between DTC Seller and Euroclear or Clearstream, Luxembourg purchaser" above.

Although DTC, Euroclear and Clearstream, Luxembourg are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we, the Trustee nor any Paying and Transfer Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Taxation

Thai Taxation

This summary contains a description of the principal Thai income tax consequences of the purchase, ownership and disposition of the Notes by an individual or corporate purchaser. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Notes. The summary is based upon the tax laws of Thailand in effect on the date of this offering circular.

PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISORS CONCERNING THE CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE CONSEQUENCES UNDER THAI LAW, THE LAWS OF THE JURISDICTION OF WHICH THEY ARE RESIDENT AND ANY TAX TREATY BETWEEN THAILAND AND THEIR COUNTRY OF RESIDENCE FOR TAX PURPOSES.

The tax liability of a prospective purchaser and the applicable rates of tax will depend on various factors such as whether the purchaser is a company or an individual, whether the purchaser is a resident of Thailand or is deemed to carry on business in Thailand and, if not, whether the purchaser is a resident of a country which has a double tax treaty with Thailand.

Income Tax

Individual Investors

Interest paid on the Notes will be subject to a withholding tax at the rate of 15% of the gross amount of the interest payment. PTT Plc. has a duty to withhold tax at such rate on payments of interest in respect of the Notes.

Capital gains arising on a transfer of the Notes will be subject to a withholding tax at the rate of 15% of the capital gains. The transferee or the payer of the gain has a duty to withhold tax at such rate on payments of gain in respect of the transfer of the Notes. However, if both the transferor and the transferee are outside Thailand, the withholding tax obligation is not applicable.

A holder has the right to elect to have the interest and/or the capital gains received assessed as part of the holder's annual income tax computation which may result in the interest and/or the capital gains being taxed at the progressive rates of 5%, 10%, 20%, 30% and 37% on the holder's total taxable income. In this connection, the holder can regard the 15% withholding tax as a tax credit.

Corporate Investors

In the case of a company or registered partnership established pursuant to Thai law, the interest received will be subject to a withholding tax at the rate of 1% of the gross amount of the interest payment. The withholding tax at the rate of 10% will be applied if the recipient is a taxable foundation or association. PTT Plc. has a duty to withhold tax at such rate on interest payment to such entity. The interest received and the capital gains arising on a transfer of the Notes will also be regarded as taxable income and subject to, on a net profit basis, corporate income tax at the rate of 30% or some other applicable lower rates. In this connection, the holder can regard the 1 or 10% withholding tax as a tax credit.

In the case of a company or registered partnership established pursuant to a foreign law which engages in business in Thailand or has employees or representatives or agents doing business in Thailand, interest received and/or capital gains arising on the transfer of the Notes through its Thai business base or employees or representatives or agents must be included as taxable income of such entity which will, on a net profit basis, be taxed at the rate of 30%. The interest received will also be subject to a withholding tax at the rate of 1% of the gross amount of the interest payment. In this connection, the holder can regard the 1% withholding tax as a tax credit. PTT Plc. has a duty to withhold tax at such rate on payment to such entity.

In the case of a company or registered partnership established pursuant to a foreign law which does not engage in business in Thailand but receives income (including interest paid on the Notes or a capital gain arising on a transfer of the Notes to a purchaser in Thailand) paid in or from Thailand, PTT Plc. or the purchaser, as the case may be, must withhold tax at the rate of 15% on any such payment.

Income tax on individuals or companies who are tax residents of countries having double tax treaties with Thailand

Presently, Thailand has double taxation avoidance treaties with 48 countries, namely Armenia, Australia, Austria, Bahrain, Bangladesh, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Hungary, India, Indonesia, Israel, Italy, Japan, Korea, Lao, Luxembourg, Malaysia, Mauritius, Nepal, Netherland, New Zealand, Norway, Oman, Pakistan, Philippines, Poland, Romania, Singapore, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, Ukraine, United States of America, Uzbekistan and Vietnam. Both individual and corporate purchasers receiving interest payments in respect of the Notes will be subject to income tax withheld by PTT Plc. at the rate of 15%. The rate of withholding tax, however, may be reduced to 10% depending on the terms of the particular tax treaty.

A limited number of corporate purchaser resident in such a country for tax purposes and not having a permanent establishment in Thailand may be entitled to an exemption from Thai capital gains tax depending on the terms and conditions of the particular tax treaty.

Specific Business Tax

A specific business tax may be imposed at the rate of 3.3% on interest and capital gains received.

Stamp Duty

No stamp duty is charged on transfer of the Notes (i.e., debentures).

United States Federal Income Taxation

Any United States federal tax discussion in this Offering Circular was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed on the taxpayer. Any such tax discussion was written to support the promotion or marketing of the Notes to be issued pursuant to this Offering Circular. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax adviser.

General

The following is a general summary of the material U.S. federal income tax consequences that may be relevant with respect to the ownership of the Notes. This summary addresses only the U.S. federal income tax considerations of holders that acquire the Notes at their original issuance and that will hold the Notes as capital assets.

This summary does not purport to address all U.S. federal income tax matters that may be relevant to a particular holder of the Notes (a "Noteholder"). In particular, this summary does not address tax considerations applicable to Noteholders that may be subject to special tax rules including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in securities, currencies or notional principal contracts; (iv) tax-exempt entities; (v) regulated investment companies; (vi) real estate investment trusts; (vii) persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes; (viii) persons that own (or are deemed to own) 10% or more of our voting shares (or interests treated as equity); (ix) persons whose "functional currency" is not the U.S. dollar; and (x) partnerships, pass-through entities, or persons who hold the Notes through partnerships or other pass-through entities. Further, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a Noteholder. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdictions other than the federal income tax laws of the U.S. federal government.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), United States Treasury Regulations and judicial and administrative interpretations thereof, and the Convention Between the Government of the United States of America and the Government of the Kingdom of Thailand for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "Treaty"), in each case as in effect and available on the date of this Offering Circular. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

Prospective investors should consult their own tax advisers with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Notes. U.S. Holders should also review the discussion under "Taxation — Thai Taxation" for the Thai tax consequences to a U.S. Holder of holding the Notes.

For the purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes that is, for U.S. federal income tax purposes:

(a) an individual citizen or resident of the United States;

(b) a corporation or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof (including the District of Columbia);

(c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

(d) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. As provided in United States Treasury Regulations, certain trusts in existence on 20th August, 1996, and treated as U.S. persons prior to that date that maintain a valid election to continue to be treated as U.S. persons also are U.S. Holders.

A "Non-U.S. Holder" is a beneficial owner of Notes that is not a U.S. Holder. If a partnership holds Notes, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding Notes should consult its tax advisor.

Payments of Interest

It is anticipated that the Notes will not be issued at a discount in excess of the statutory *de minimis* amount; therefore, the Notes will not be considered to have been issued with OID within the meaning of Section 1273 of the Code. If this is the case, interest on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. A U.S. Holder will also be required to include in income any additional amounts and any tax withheld from interest payments on the Notes notwithstanding the fact that such U.S. Holder does not receive such withheld tax. Subject to certain conditions and limitations, any tax withheld on interest may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. Interest on a Note, including additional amounts and any tax withheld, received by a U.S. Holder will be treated as foreign source income for purposes of calculating such holder's foreign tax credit limitation. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. The rules governing the foreign tax credit are complex. **Potential investors are urged to consult their own tax advisers regarding the availability of a foreign tax credit with respect to any Thai withholding tax under their particular circumstances.**

Sale, Exchange or Other Disposition of the Notes

A U.S. Holder's tax basis in a Note generally will be its cost. Upon the sale, exchange or retirement of a Note, a U.S. Holder will generally recognize capital gain or loss equal to the difference between the amount realized (not including any amounts attributable to accrued and unpaid interest) and the tax basis in the Note. **Prospective investors should consult their own tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals that have held the Notes for more than one year) and capital losses (the deductibility of which is subject to limitations)**.

Any gain or loss recognized by a U.S. Holder generally will be U.S. source capital gain or loss (except to the extent such amounts are attributable to accrued but unpaid interest). Consequently, a U.S. Holder may not be able to claim a credit for any Thai tax imposed upon a disposition of a Note unless, subject to applicable limitations, such credit (i) can be claimed under the Treaty by a U.S. Holder entitled to benefits under the Treaty or (ii) can be applied against tax due on other income treated as derived from foreign sources. **U.S. Holders are urged to consult with their own tax advisers regarding the availability of a foreign tax credit and the applicability of the Treaty with respect to any Thai withholding tax under their particular circumstances.**

Taxation of Non-U.S. Holders

Subject to the backup withholding tax discussion below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, exchange or other disposition of the Notes unless (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale or other disposition and certain other conditions are met. Non-U.S. Holders should consult their own tax advisers regarding the U.S. federal income and other tax consequences of owning Notes.

Information Reporting and Backup Withholding

Backup withholding and information reporting requirements may apply to certain payments of principal and interest on a Note, and of proceeds of the sale of a Note, made to U.S. Holders that are beneficial owners of Notes. We, our agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment, if the U.S. Holder fails (i) to furnish the U.S. Holder's taxpayer identification number, (ii) to certify that such U.S. Holder is not subject to backup withholding or (iii) to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements. Non-U.S. Holders who hold their Notes through a U.S. broker or agent or through the U.S. office of a non-U.S. broker or agent may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally may be claimed as a credit against such holder's U.S. federal income tax liability provided that the required information is furnished to the IRS. Noteholders should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Plan of Distribution

We and the initial purchasers named below (the "Initial Purchasers") have entered into a Purchase Agreement dated July 27, 2005 (the "Purchase Agreement") with respect to the Notes. J.P. Morgan Securities Ltd. is acting as sole bookrunner and J.P. Morgan Securities Ltd. and Bear, Stearns & Co. Inc. are acting as joint lead managers in this offering. Subject to the terms and conditions set forth in the Purchase Agreement, each of the Initial Purchasers has severally agreed to purchase the principal amount of the Notes set out opposite its name below.

Initial Purchasers	Principal Amount of Notes
J.P. Morgan Securities Ltd.	$227,500,000
Bear, Stearns & Co. Inc.	$122,500,000
Total	$350,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Notes is subject to, among other conditions, the delivery of certain legal opinions by counsel. The Initial Purchasers are obligated to take and pay for the entire principal amount of the Notes, if any such Notes are purchased. The Purchase Agreement also provides that if an Initial Purchaser defaults, the purchase commitment of the non-defaulting Initial Purchasers may be increased or the offering of the Notes terminated. The purchase price for the Notes will be the initial offering price set forth on the cover page of this Offering Circular less an underwriting discount of 0.50% of the principal amount of the Notes purchased. If all the Notes are not sold at the initial offering price, the Initial Purchasers may change the offering price and the other selling terms. The Initial Purchasers may offer and sell the Notes through certain of their affiliates.

The Purchase Agreement provides that we will indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments the Initial Purchasers may be required to make in respect thereof.

We have agreed not to, during the period ending 30 days after the initial offering of the Notes by the Initial Purchasers, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any United States dollar-denominated debt securities issued or guaranteed by us and having a maturity of more than one year from the date of issue.

We will reimburse the Initial Purchasers for certain of their expenses incurred in this offering.

New Issue of the Notes

The Notes are a new issue of securities with no established trading market. Application has been made for the Notes to be listed on the Hong Kong Stock Exchange. The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes and any such market-making may be discontinued at any time at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Notes.

No one has been or will be authorized to make any representation or use any information in connection with the offer, sale or distribution of the Notes other than as contained in this offering circular.

Price Stabilization and Short Positions

In connection with the offering, the Initial Purchasers are permitted, to the extent permitted under applicable laws and regulations, to engage in transactions that stabilize the market price of the Notes. These transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Notes. If the Initial Purchasers create a short position in the Notes in connection with the offering, i.e., if they sell more Notes than are set forth on the cover page of this Offering Circular, the Initial

Purchasers may reduce that short position by purchasing Notes in the open market. In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. If the activities are commenced, they may be discontinued by the Initial Purchasers at any time and shall in any event be brought to an end after a limited time. These transactions may be effected in the over-the-counter market or otherwise at any time. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of allotment of the Notes.

The Initial Purchasers also may impose a penalty bid. This occurs when a particular Initial Purchaser repays to the Initial Purchasers a portion of the underwriting discount received by it because the Initial Purchasers have repurchased the Notes sold by or for the account of such Initial Purchaser in stabilizing or short covering transactions.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers makes any representation that the Initial Purchasers will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Other Relationships

In the ordinary course of business, some of the Initial Purchasers and certain of their affiliates engage from time to time in various financing and investment banking transactions with us and our affiliates, for which they have received customary compensation.

Delivery of the Notes

We expect that the Notes will be delivered against payment in same-day funds, on or about August 3, 2005, which we expect will be the fifth business day following the date of this Offering Circular. Under Rule 15c6-1 of the U.S. Securities and Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date hereof or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date hereof or the next succeeding business day should consult their own advisor.

Selling Restrictions to the Offering

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to us or the Notes in any jurisdiction where action for that purpose is required. Each Initial Purchaser will comply, to the best of its knowledge and belief and in all material respects, with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this offering circular.

The Notes have not been registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "Notice to Investors".

Each Initial Purchaser has represented and warranted that with respect to offers and sales outside the United States that (i) the Notes have not been and will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Act or pursuant to an exemption from the registration requirements of the Act; and (ii) it has offered the Notes

and will offer and sell the Notes (A) as part of its distribution at any time and (B) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S and, accordingly, neither it nor any persons acting on its behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes, and any such persons have complied and will comply with the offering restrictions requirement of Regulation S.

United States

Each Initial Purchaser has agreed that it has and will solicit offers for the Notes only from, and will offer the Notes only to (A) in the case of offers inside the United States, persons whom the Initial Purchasers reasonably believe to be QIBs or, if any such person is buying for one or more institutional accounts for which such person is acting as fiduciary or agent, only when such person has represented to the Initial Purchasers that each such account is a QIB, to whom notice has been given that such sale or delivery is being made in reliance on Rule 144A, and, in each case, in transactions under Rule 144A and (B) in the case of offers outside the United States, to persons other than U.S. persons ("non-U.S. purchasers," which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)); *provided, however,* that, in the case of this clause (B), in purchasing such Notes such persons are deemed to have represented and agreed as provided under the caption "Transfer Restrictions" contained in the Offering Circular.

United Kingdom

Each Initial Purchaser has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to PTT; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Initial Purchaser has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances that do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or that do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are, or are intended to be, disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 32) of Hong Kong and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold, directly or indirectly, in Japan or for the account of any resident thereof, except pursuant to an exemption from registration requirements of the Securities and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law.

Singapore

The Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore and neither the Offering Circular nor any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may be circulated or distributed, and the Notes may

not be offered or sold, or made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

The Netherlands

The Notes may not be offered, transferred, delivered or sold in or from the Netherlands as part of their initial distribution or as part of any re-offering, and the Offering Circular or any document in respect of the offering of the Notes may not be distributed in or from the Netherlands, other than to individuals or legal entities, who or which trade or invest in securities in the conduct of their profession or trade (which include banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises). In addition, transfer requirements may apply to the Notes that qualify as savings certificates as defined in the Savings Certificates Act ("*Wet inzake spaarbewizen*").

Italy

The offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy ("Italy"), except: (i) to professional investors ("operatori qualificati"), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998 ("CONSOB Regulation No. 11522"), as amended; or (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "Financial Services Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Furthermore, any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 11522 and Legislative Decree No. 385 of September 1, 1993 (the "Banking Act"), as amended; (b) made in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, pursuant to which the issue or the offer of securities in Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, inter alia, on the aggregate value of the securities issued or offered in Italy and their characteristics; and (c) made in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and in compliance with any other applicable requirement or limitation that may be imposed from time to time by CONSOB or the Bank of Italy. Insofar as the relevant requirements are based on laws or regulations that are superseded at any time pursuant to the implementation of the EU Prospectus Directive (2003/71), such requirements shall be replaced by the applicable requirements under the EU Prospectus Directive.

Thailand

No invitation will be made to the public in the Kingdom of Thailand to subscribe for the Notes.

Transfer Restrictions

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

Each purchaser of the Notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

1. It (A)(i) is a qualified institutional buyer; (ii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A; and (iii) is acquiring such Notes for its own account or the account of a qualified institutional buyer, or (B) is outside the United States and is not a U.S. person;

2. It acknowledges that the Notes have not been and will not be registered under the Securities act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States except as set forth below;

3. It understands and agrees for the benefit of PTT that (A) this Note may be offered, resold, pledged or otherwise transferred, only (i) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in an offshore transaction in accordance with Rule 904 under the Securities Act, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (iv) in accordance with any applicable securities laws of any state of the United States, and (B) the holder will, and each subsequent holder is required to, notify any purchaser of this Note from it of the resale restrictions referred to in (A) above;

4. It agrees to, and each subsequent holder is required to, notify any purchaser of the Notes from it of the resale restrictions referred to in clause 3 above, if then applicable;

5. It understands and agrees that (A) Notes initially offered in the United States to qualified institutional buyers will be represented by a Rule 144A Global Note, (B) that Notes offered outside the United States in reliance on Regulation S will be represented by a Regulation S Global Note;

6. It understands that the Rule 144A Notes will bear a legend to the following effect unless otherwise agreed to by PTT:

   "THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER."

   "THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE."

   "THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE COMPANY THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THAILAND ONLY TO INSTITUTIONAL INVESTORS, AS DEFINED IN THE NOTIFICATION OF THE SECURITIES AND EXCHANGE COMMISSION OF THAILAND NO. GOR. JOR 32/2544 DATED OCTOBER 19, 2001 (AS AMENDED)."

7. It understands and agrees that if in the future it decides to resell, pledge or otherwise transfer any Regulation S Notes or any beneficial interest therein, such Notes may be resold, pledged or transferred only in accordance with the requirements of the legends set forth in clause 8 below;

8. It understands that the Regulation S Notes will bear a legend to the following effect unless otherwise agreed to be PTT:

"THE NOTES IN RESPECT OF WHICH THIS CERTIFICATE IS ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING DATE, AS DEFINED IN THE PURCHASE AGREEMENT DATED JULY 27, 2005 (THE "DISTRIBUTION COMPLIANCE PERIOD"), EXCEPT (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (B) WITHIN THE UNITED STATES TO A PERSON THAT THE TRANSFEROR, AND ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, PROVIDED, HOWEVER, THAT IN CONNECTION WITH ANY TRANSFER UNDER (B) ABOVE, THE TRANSFER AGENT SHALL HAVE RECEIVED A WRITTEN CERTIFICATION (IN THE FORM PROVIDED IN THE INDENTURE DATED AUGUST 3, 2005) (1) FROM THE TRANSFEREE TO THE EFFECT THAT SUCH TRANSFEREE (X) IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT (OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OVER WHICH ACCOUNT IT EXERCISES SOLE INVESTMENT DISCRETION) AND (Y) AGREES TO COMPLY WITH THE RESTRICTIONS ON TRANSFER SET FORTH UNDER "TRANSFER RESTRICTIONS" IN THE OFFERING CIRCULAR DATED JULY 27, 2005 AND (2) FROM THE TRANSFEROR TO THE EFFECT THAT THE TRANSFER WAS MADE IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A."

"UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, THE CERTIFICATIONS REQUIRED BY CLAUSE (1)(X) AND CLAUSE (2) OF THE PRECEDING PARAGRAPH SHALL NO LONGER BE REQUIRED, BUT THE TRANSFEREE SHALL BE REQUIRED TO CERTIFY AS PROVIDED BY CLAUSE (1)(Y) OF SUCH PARAGRAPH. UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, THIS SECURITY SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION, THE OFFER OR SALE OF THIS SECURITY BY THE HOLDER HEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES."

"THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE COMPANY THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THAILAND ONLY TO INSTITUTIONAL INVESTORS, AS DEFINED IN THE NOTIFICATION OF THE SECURITIES AND EXCHANGE COMMISSION OF THAILAND NO. GOR. JOR 32/2544 DATED OCTOBER 19, 2001 (AS AMENDED)."

9. It acknowledges that, prior to any proposed transfer of Notes in certificated form or of beneficial interests in Global Notes (in each case other than pursuant to an effective registration statement), the holder of Notes or the holder of beneficial interests in Global Notes, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Indenture; and

10. It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if only of such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of Notes are no longer accurate, it shall promptly notify the Issuer, and if it is acquiring any Notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Legal Matters

Certain matters in connection with this offering will be passed upon for us by Allen & Overy, Hong Kong, with respect to matters of U.S. law. Certain matters in connection with this offering will be passed upon for us by Allen & Overy (Thailand) Co., Ltd., Bangkok, Thailand with respect to matters of Thai law. Certain legal matters in connection with this offering will be passed upon for the initial purchasers by Simpson Thacher & Bartlett LLP with respect to matters of New York law and U.S. federal law.

Independent Accountants

Our audited financial statements and those of our subsidiaries as of and for the periods ended December 31, 2002, 2003 and 2004 have been included in this offering circular in reliance upon the reports of the Office of the Auditor General of Thailand, the auditor for state enterprises, dated February 24, 2004 and February 16, 2005, and upon the authority of said office as experts in accounting and auditing. The Auditor General and the Auditor-in-Charge are independent auditors with respect to us within the meaning of the standards established for independent auditors in Thailand. We cannot give you assurance, however, that they would be considered independent auditors with respect to us within the meaning of such standards established in the United States or elsewhere.

The Office of the Auditor General of Thailand has given and not withdrawn its written consent for the purposes of paragraph 8(2) of Appendix 1 Part C of the Listing Rules to the issue of this offering circular with references to its audit reports on our audited financial statements and those of our subsidiaries for the years ended December 31, 2004, 2003 and 2002 and with references to the Office of the Auditor General of Thailand in the form and context in which they appear.

General Information

1. The creation and issue of the Notes has been authorized by resolutions of our board of directors dated February 24, 2005.

2. Save as disclosed in this offering circular, there are no, nor have there been any, litigation or arbitration proceedings, including those which are pending or threatened, of which we are aware, which may have, or have had during the 12 months prior to the date of this offering circular, a significant adverse effect on our financial position.

3. Save as disclosed in this offering circular, there has been no significant change in our financial or trading position since December 31, 2004 and, since such date, save as disclosed in this offering circular, there has been no material adverse change in our financial position or prospects.

4. Copies of the following documents, all of which are published in English, may be inspected during normal business hours at the offices of the Principal Paying Agent or the offices of Allen & Overy at 9/F, Three Exchange Square, Central, Hong Kong after the date of this offering circular for so long as any of the Notes remains outstanding:

   (a) our Memorandum and Articles of Association;

   (b) the Indenture; and

   (c) our audited consolidated financial statements for the years ended December 31, 2002, 2003 and 2004 and our unaudited consolidated financial statements as of and for the three month periods ended March 31, 2004 and March 31, 2005.

5. The Notes are expected to be accepted for clearance through Clearstream, Euroclear and DTC. The ISIN, Common Code and CUSIP for each of the Rule 144A Notes and the Regulation S Notes is as follows:

	Rule 144A Notes	Regulation S Notes
ISIN	US69367CAB19	USY71548AX22
Common Code	022638084	022637908
CUSIP	69367CAB1	Y71548AX2

6. **Listing of Notes**: Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes. It is expected that dealing will, if permission is granted to deal in and for the listing of the Notes on the Hong Kong Stock Exchange, commence on or about August 4, 2005.

   Listing of the Notes on the Hong Kong Stock Exchange is conditional upon satisfaction of the requirements of that exchange, including execution of the Indenture.

Summary of Principal Differences Between Thai GAAP and IFRS

The following is a general summary of certain principal differences between Thai GAAP and International Financial Reporting Standards ("IFRS") as applicable to PTT Public Company Limited and its subsidiaries.

We have prepared audited financial statements for the years ended December 31, 2002, 2003 and 2004 and unaudited, reviewed financial statements for the three-month periods ended March 31, 2004 and 2005 in accordance with Thai GAAP (the "financial statements"). The financial statements comprise the consolidated financial statements of PTT and its subsidiaries (the "consolidated financial statements") and the separate financial statements of PTT only (the "Company only financial statements"). For the purposes of this offering circular, we provide below a summary of the significant differences between Thai GAAP and IFRS relevant to our financial statements.

The differences identified below are limited to those significant differences that are appropriate to our financial statements. However, they should not be construed as being exhaustive. Furthermore, no attempt has been made to identify future differences between Thai GAAP and IFRS as a result of prescribed changes in accounting standards nor to identify all future differences that may affect our financial statements as a result of transactions or events that may occur in the future.

For accounting periods ended on March 31, 2005, Thai GAAP, endorsed by the Supervisory Board on Audit Profession of the Business Development Department, the Ministry of Commerce, was comprised of one accounting framework, 31 Thai accounting standards ("TAS"), eight accounting interpretations and certain other guidance and clarification announcements. These standards are supplemented by the Stock Exchange of Thailand's requirements and the Thai Securities and Exchange Commission's requirements and announcements of the Federation of Accounting Professions. If Thai GAAP does not address a particular accounting issue, IFRS and U.S. GAAP may be used for guidance. In accordance with Stock Exchange of Thailand requirements, listed companies are required to issue annual audited financial statements and quarterly unaudited, reviewed interim financial statements.

References to IFRS and International Accounting Standards ("IAS") relate to those applicable for accounting periods beginning on or after January 1, 2005. Differences have been described as though IFRS had been applied to our financial statements in periods prior to those included in the Offering Circular. Accordingly, IFRS No. 1, *First-time Adoption of International Reporting Standards*, does not apply.

In certain instances, the disclosures required to present financial statements in accordance with Thai GAAP are different from those required to present financial statements in accordance with IFRS. These differences include but are not limited to disclosures of information for the following areas: related party transactions, investment property, financial instruments, inventories, impairment, current and deferred income taxes, employee benefits, share-based payments, cash flow statements and leases.

Accounting standards covering oil and gas exploration and production activities

There is currently no Thai GAAP pronouncement that deals specifically with accounting for oil and gas exploration and production activities.

The International Accounting Standards Committee, the predecessor of the current International Accounting Standards Board (IASB), the authority responsible for the issue of IFRS, issued an issues paper on financial reporting by enterprises in the extractive industries (in other words for mining and oil and gas companies), in November 2000. In 2004, the IASB decided that, although a comprehensive project in this area was not feasible in the near term, some interim guidance was essential for those entities with exploration for and evaluation of mineral resources ("E&E") activities that are required to adopt IFRS from 2005.

In December 2004, the IASB issued IFRS No. 6, *Exploration for and Evaluation of Mineral Resources*. The standard applies to all entities engaged in exploration for and evaluation of oil and gas and mineral resources for accounting periods beginning on or after January 1, 2006.

Until the publication of IFRS No. 6, IFRS did not address specifically the accounting for costs incurred in E&E. Expenditures on these activities were excluded from the scope of IAS No. 38, *Intangible Assets*, and mineral rights and mineral resources were excluded from the scope of IAS No. 16, *Property, Plant and Equipment*. Accounting practices applied to such items in accordance with various national GAAPs are diverse and there was no consensus for how such costs should be treated in accordance with IFRS.

IFRS No. 6 was developed to permit an entity to determine an IFRS accounting policy for E&E expenditure based on an entity's current national GAAP accounting policies. To facilitate this, IFRS No. 6 provides some limited relief from the IFRS hierarchy for selecting accounting policies in accordance with IAS No. 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

In addition, the standard provides guidance on the testing for impairment of amounts recognized as E&E assets and specifies disclosures for these assets and related expenditure.

The requirements and partial relief from other requirements of IFRS set out in IFRS No. 6 are limited to the exploration for and evaluation of mineral resources and are not available by analogy to activities that occur before and after E&E - such as pre-exploration activities and the development of reserves - or to similar activities such as non-E&E research.

In April 2005, the IASB issued an exposure draft of amendments to IFRS No. 6 to provide additional relief in respect of the transitional provisions for a first-time adopter of IFRS.

IFRS No. 6 allows companies to follow existing policies. As there is no Thai GAAP pronouncement in relation to this issue, in our financial statements, we have adopted U.S. Financial Accounting Standard (FAS) No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies.*

One major difference between IFRS and U.S. GAAP relates to disclosure. IFRS has no specific oil and gas disclosure requirements. U.S. GAAP for oil and gas exploration and production activities (FAS No. 69, *Disclosures about Oil and Gas Producing Activities*) requires publicly traded enterprises conducting significant oil and gas activities to disclose the following as supplementary information when presenting a complete set of annual financial statements, but not as part of the financial statements:

(a) Proved oil and gas reserve quantities;

(b) Capitalized costs relating to oil and gas producing activities;

(c) Costs incurred in oil and gas property acquisition, exploration, and development activities;

(d) Results of operations for oil and gas producing activities; and

(e) A standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities.

There are no explicit requirements for such disclosures under Thai GAAP or IFRS and we provide significantly less financial disclosures for these activities than would be provided under U.S. GAAP.

1. Specific balance sheet items

Site restoration and decommissioning costs

For accounting periods beginning on or after January 1, 2004, TAS No. 53, *Provisions, Contingent Liabilities and Contingent Assets* became effective. TAS No. 53 is similar to IAS No. 37, *Provisions, Contingent Liabilities and Contingent Assets*. Prior to this, Thai GAAP had no specific accounting standard that provided guidance on the timing of recognition of liabilities and IFRS had more defined criteria for determining the timing and extent of potential contingencies and liabilities that need to be recorded or disclosed. Accordingly, for periods prior to and including December 31, 2003, there may be a timing difference in the recognition of losses arising from contingent assets and liabilities.

Additionally, site restoration and decommissioning costs in the extractive industries, prior to the introduction of TAS No. 53, were not specifically addressed in Thai GAAP.

In accordance with IAS No. 37 (and accordingly with TAS No. 53), a provision should be recognized when (1) an enterprise has a present obligation (legal or constructive) as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. A provision for decommissioning costs for an oil installation should be recognized to the extent that the enterprise is obligated to rectify damage already caused.

For the year ended December 31, 2002, we made no provision for site restoration and decommissioning costs and such costs were expensed as incurred in the financial statements.

In 2003 we changed our accounting policy to bring it in line with IAS No. 37 by recognizing the estimated future costs of site restoration and decommissioning, net of estimated equipment salvage over the property's estimated productive life, and providing for such cost at the onset in the initial measurement of oil and gas field properties. Accordingly, the comparative figures were restated retrospectively.

Costs and depreciation of oil and gas properties

There is currently no Thai GAAP or IFRS that deals specifically with accounting for oil and gas activities that occur after exploration for and evaluation of mineral resources. However, companies are expected to adopt the requirements of IAS No. 16, *Property, Plant and Equipment*. The accounting concepts of IAS No. 16 are similar to those contained within FAS No. 19.

Accordingly, in the absence of specific guidance, we have applied FAS No. 19 to account for costs and depreciation of oil and gas properties. The cost of properties includes acquisition costs of concession rights or the portion of costs relating to properties, drilling, and development equipment and operating costs of support equipment as well as decommissioning costs. Under FAS No. 19:

- Acquisition costs of concession rights are capitalized;
- Exploratory costs, which are comprised of geological, geophysical costs and area reservation fees during the exploration stage, are charged to expenses as incurred;
- Exploratory drilling costs (both tangible and intangible) are initially capitalized. If exploratory wells do not establish proved reserves, are determined to be economically unsuccessful, or are not included in the plan to develop in the near future, the related costs are charged as expenses; and
- Development costs, irrespective of whether the costs relate to successful or unsuccessful development wells, are capitalized.

Depreciation of exploratory wells, development equipment and operating costs of support equipment as well as depreciation of decommissioning costs incurred on successful projects are calculated on the unit of production method, which is based on estimated proved recoverable reserves and proved development reserves. Changes in reserve and cost estimates are recognized prospectively. Proved recoverable reserves and proved development reserves are calculated by our own engineers.

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

Reserves

We capitalize exploratory drilling costs. These are amortized using the unit of production method, which is based on estimated proved recoverable reserves. We capitalize development costs, irrespective of whether the costs relate to successful or unsuccessful development wells.

In accordance with IFRS, there is no specific guidance on this issue.

Accounting for current and deferred income taxes

There is no Thai accounting standard currently effective in relation to accounting for current and deferred income taxes although Thai GAAP plans to adopt IAS No. 12 in 2007 with early adoption permitted. Although not specifically addressed in Thai GAAP, provisions for income taxes are typically based on corporate income taxes currently payable in the period under the Revenue Code of Thailand.

We have decided on early adoption and, as such, our accounting policy for income taxes is based on the liability method of IAS No. 12, *Income Taxes*. In accordance with this approach, provision is made for deferred tax using a balance sheet approach, with deferred tax calculated on temporary differences being the differences between the tax and book values of assets and liabilities. The deferred tax charge or credit is the change in the period in deferred tax liabilities and assets. In accordance with our accounting policy for deferred tax, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be fully utilized.

In our financial statements, we have disclosed less than is required to be fully disclosed in accordance with IAS No. 12.

Foreign currency translation

In accordance with TAS No. 30, *The Effects of Changes in Foreign Exchange Rates*, in our financial statements in connection with foreign operations, for the three month period ended March 31, 2005, non-monetary assets and liabilities are translated into Baht by using historical rates, the statement of income is translated into Baht using the average exchange rates during the year and all resulting exchange differences are recognized in the statement of income. These accounting treatments are different from IFRS.

In accordance with IAS No. 21, *The Effects of Changes in Foreign Exchange Rates*, which is applicable for accounting periods beginning on or after January 1, 2005, for foreign operations, assets and liabilities are translated at the closing rate at the date of the balance sheet, income and expenses are translated at exchange rates at the dates of the transactions or if this is not practical, at the average exchange rates during the year, and all resulting exchange differences are recognized as a separate component of equity.

Financial instruments recognition and measurement

Thai GAAP addresses disclosure requirements for financial instruments through TAS No. 48, *Financial Instruments: Disclosure and Presentation*, which is similar to IAS No. 32, *Financial Instruments: Disclosure and Presentation*. However, Thai GAAP has only limited guidance on the recognition and measurement of financial instruments.

IAS No. 39, *Financial Instruments: Recognition and Measurement*, has extensive guidance on the recognition and measurement of financial instruments, including the categorization of financial assets and liabilities, accounting for derivatives and hedging activities and impairment.

Accounting for derivatives

In accordance with IAS No. 39, our derivative instruments that include forward foreign exchange, cross currency swaps and future oil and gas contracts must be recorded on the balance sheet as either an asset or a liability measured at fair value. When a financial asset or liability is recognized initially, an enterprise should measure it at its cost, which is the fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial

assets and liabilities. For derivatives designed and qualified as fair value hedges, changes in fair values are recognized in earnings as offsets to the earnings recognition of changes in fair values of related hedged assets, liabilities or firm commitments. For derivatives designed and qualified as cash flow hedges, the effective portion of the change in fair value is recorded as a component of equity until the hedged transaction occurs ("hedge accounting"). The ineffective portion of a hedging derivative's change in fair value must be immediately recognized in earnings.

In our financial statements we have elected to recognize fair value gains and losses on available-for-sale securities in equity, which is consistent with IFRS.

In our financial statements, we have not applied hedge accounting. However, we did not recognize gains or losses on changes in the fair values of other financial instruments (i.e. forward foreign exchange, cross currency swap contracts, and future oil contracts) in the statement of income, which is not in accordance with IFRS. However, we disclosed information in relation to the fair value of these financial instruments in the notes to the financial statements.

Investments in subsidiaries, associates and joint ventures

In accordance with TAS No. 44, *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*, and TAS No. 45, *Accounting for Investments in Associates*, in our Company only financial statements, we account for investments in subsidiaries, associates and joint venture using the equity method.

In accordance with IAS No. 27, *Consolidated and Separate Financial Statements*, IAS No. 28, *Investments in Associates*, and IAS No. 31, *Interests in Joint Ventures*, investments in subsidiaries, associates and joint ventures that are not classified as held for sale in accordance with IFRS No. 5, *Non-current Assets Held for Sale and Discontinued Operations*, should be accounted for either at cost or in accordance with IAS No. 39. IAS No. 39 would initially recognize investments in subsidiaries, associates and joint ventures at fair value plus, in the event that the investments have not been designated as financial assets at fair value through profit or loss, transaction costs directly attributable to the acquisition. Subsequent measurement of the investments or interests would be either at cost, if the fair value cannot be reliably measured or at fair value, without deduction of transaction costs that may be incurred on sale or other disposal. If the investments or interests were to be designated as financial assets at fair value through profit or loss, then gains or losses arising from a change in fair value would be recognized in the statement of income. If the investments or interests were to be treated as available-for-sale, gains or losses arising from a change in fair value would be recognized, directly in equity except for impairment losses and foreign exchange losses until the investment or interest is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in the statement of income.

Transaction costs incurred on the issue of bonds

The accounting for transaction costs incurred on the issue of bonds is not specifically addressed in Thai GAAP. In our financial statements, transaction costs incurred in relation to our bond issues have been charged directly to the statement of income.

In accordance with IFRS, transaction costs are included in the initial measurement of all financial assets and liabilities.

Impairment of trade receivables

Thai GAAP provides limited guidance on the recognition and measurement of financial instruments, including trade receivables.

In accordance with IAS No. 39, an enterprise should assess at each balance sheet date whether there is any objective evidence that a financial asset or group of assets may be impaired. If such impairment evidence exists, the asset's recoverable amount should be estimated and the impairment loss recognized in the income statement. In our case, this applies to trade receivables.

Objective evidence that a financial asset or group of assets is impaired or uncollectible includes information that comes to the attention of the holder of the assets about:

- Financial difficulty of debtors;
- Breach of contracts;
- Concession granted;
- Probability of bankruptcy/financial reorganization;
- Credit rating downgrade;
- Recognition of an impairment loss on that asset in a prior financial reporting period; and
- Historical pattern of collections of accounts receivable that indicates that the entire face amount of a portfolio of accounts receivable will not be collected.

In our financial statements for the periods presented, we have provided an allowance for impairment loss for our trade receivables based on the payment history and financial status of related debtors.

In accordance with IFRS, in addition to reviewing the payment history and current financial status of debtors we would have to (i) review whether the groups of debtors had any breaches of contracts and any concessions granted by their creditors or suppliers and (ii) review the actual losses incurred on the group of trade receivables in prior financial reporting periods in order to determine an appropriate amount of allowance for impairment loss.

Business combinations

Fair value of business acquired

In accordance with TAS No. 43, *Business Combinations*, in our financial statements, on completion of a business combination, we recognize the identifiable assets and liabilities of the acquiree that existed at the date of acquisition together with any provisions for restructuring costs when the restructuring is an integral part of the acquirer's plan for the acquisition and the main features of the restructuring plan was announced at, or before, the date of acquisition. Contingent liabilities are not recognized in the financial statements.

In accordance with IFRS No. 3, *Business Combinations*, the acquirer shall recognize separately the acquiree's identifiable assets, liabilities and contingent liabilities. Contingent liabilities shall only be recognized where the fair value can be measured reliably and shall be excluded from the scope of IAS No. 37, *Provisions, Contingent Liabilities and Contingent Assets.*

Negative goodwill and goodwill

In accordance with TAS No. 43, we recognized the excess of our interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition as negative goodwill in non-current assets in the balance sheet. The negative goodwill is then amortized over its expected life.

In accordance with IFRS No. 3, if the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination then the acquirer should reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination and recognize immediately in the statement of income any excess remaining after that reassessment.

We also account for the net excess of the cost of the acquisition over the fair value of net assets of the acquired subsidiaries, as goodwill at the acquisition date. This is amortized over a period of not more than 20 years.

In accordance with IFRS No. 3, the positive goodwill shall not be amortized. Instead, the acquirer shall test it for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with IAS 36, *Impairment of Assets*.

Accounting for employee benefits

There is currently no Thai accounting standard in relation to accounting for employee benefits, including termination, retirement and post-retirement benefits. Our primary obligations in respect of employee benefits are contributions on behalf of employees to our provident funds, the payment of statutory severance and benefits on terminating employees involuntarily (i.e. redundancy or dismissal) and the gratuity payment on retirement at age 60 or voluntary resignation. Severance and termination benefits are variable according to various factors, including the employee's service life and salary.

In our financial statements we charge contributions to the provident funds and pension funds as incurred. We recognize our obligations under our pension funds for severance payments on termination of an employee's employment and for gratuity payments based on the benefit formula assuming all employees terminate at the balance sheet date.

In accordance with IFRS, employee benefits are accounted for in accordance with IAS No. 19. Accordingly, termination benefits are recognized as a liability and an expense when, and only when, the enterprise is demonstrably committed to either:

(a) terminate the employment of an employee or group of employees before the normal retirement date; or

(b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Also in accordance with this standard, our pension funds would be classified as a defined benefit scheme. Such a scheme should be accounted for on an actuarial basis using the projected unit credit method to determine the benefit obligation. The benefit obligation should be discounted using current market high-quality bond rates. Actuarial gains or losses outside a 10% "corridor" should be amortized over the average remaining useful lives of participating employees.

Surpluses on dilution of investments in subsidiaries and associates

Accounting for increases in the carrying value of investments in subsidiaries and associates that arise as a result of an increase in the equity value of the investments from their share issues at above par value is not specifically addressed in Thai GAAP or IFRS.

Prior to 2004, we recognized such gains in our income statement. In 2004, we changed our accounting policy to recognize the gains as a separate item in equity. This change is consistent with the notification announced by the office of the Thai Securities and Exchange Commission upon consultation with the Institute of Certified Accountants and Auditors of Thailand. We have restated the 2003 comparative figures accordingly.

2. Specific statement of income items

Share-based payments

Currently there is no formal guidance in Thai GAAP in relation to shares issued to employees under the Employee Share Participation Plan ("ESPP") and the Employee Stock Ownership Plan ("ESOP"). In our financial statements, shares issued to employees under the ESPP and ESOP are recorded in equity at the value of the consideration received in relation to the issue on the exercise date.

In accordance with IFRS No. 2, *Share-based Payment*, an entity shall recognize services received from employees in an equity settled share-based payment transaction as and when the services are received. The entity shall recognize a corresponding increase in equity when the services were received in an equity-settled share-based payment transaction, or a liability if the services were acquired in a cash-settled share-based payment transaction. In accordance with IFRS No. 2, shares issued to employees under the ESPP and ESOP are classified as an equity-settled share-based payment transaction.

In accordance with IFRS No. 2, the services received from employees in return for shares issued under the ESPP and ESOP should be recognized as expenses at the date of grant. For equity-settled share-based payment transactions, the entity shall measure the services received, and the corresponding increase in equity, directly, at the fair value of the services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of equity instruments granted.

Extraordinary items

In accordance with TAS No. 35, *Presentation of Financial Statements*, in our financial statements for the three month period ended March 31, 2005 we presented extraordinary items on the face of the statement of income. This is not in compliance with IFRS.

In accordance with IAS No. 1, *Presentation of Financial Statements*, extraordinary items are not permitted to be presented either on the face of the income statement or in the notes.

Glossary of Technical Terms

Unless otherwise indicated in the context, references to:

- "Appraisal wells" are to wells drilled after successful exploration wells to gain further information o newly discovered oil or gas reserves.
- "Bbls" are to barrels.
- "Bbls/d" are to barrels per day.
- "Bcf" are to billion cubic feet.
- "Billion" are to a thousand million.
- "Boe/d" are to barrels-of-oil equivalent per day.
- "btu" are to British Thermal Units, a universal measurement of energy.
- "btu/cf" are to British Thermal Units per cubic foot.
- "condensate" are to light hydrocarbons that are gaseous subsurface, but condense into a liquid similar to light crude oil at surface temperature and pressure.
- "Development wells" are to wells drilled to exploit the hydrocarbon accumulation defined by an appraisal well.
- "Development costs" are to costs incurred to obtain access to proved reserves and to provide facilities for extracting and gathering oil and gas production.
- "Dry gas" are to natural gas that contains typically lower amounts of hydrocarbons that can be liquefied, such as NGL, butane and propane.
- "Exploration wells" are to wells designed to initially test the validity of a seismic interpretation and to confirm the presence of hydrocarbons.
- "Finding costs" are to costs incurred for a period of time in identifying and exploring prospects.
- "GwH" are to Gigawatt hours.
- "JDA" are to Block A-18, B-17 and C-19 of the Malaysia-Thailand Joint Development Area.
- "KBoe/d" are to thousand of barrels-of-oil equivalent per day.
- "Kb/d" are to thousand of barrels per day.
- "KT" are to thousand of Tonnes.
- "KTA" are to thousand of Tonnes per year.
- "LPG" are to liquefied petroleum gas.
- "Mbbls" are to thousand barrels.
- "MMbbls" are to million barrels.

- "MMboe" are to million of barrels-of-oil equivalent. Unless otherwise indicated, cubic feet are converted to barrels at a ratio of 6,000 cubic feet to each barrel of oil.

- "MMbtu" are to million British Thermal Units.

- "MMcf" are to million cubic feet.

- "MMcf/d" are to million cubic feet per day.

- "MTJA" are to Malaysia-Thailand Joint Authority.

- "Natural gas liquids" (NGL) are to natural gasoline that can be extracted from natural gas at gas separation plants.

- "NGV" are to natural gas for vehicles.

- "Primary distillation capacity" are to crude oil throughout capacity of a refinery's basic distillation units, calculated by estimating the number of days in a year that such basic distillation units are expected to operate, including downtime for regular maintenance, and multiplying that number by the amount equal to the unit's optimal daily crude oil throughput.

- "Probable reserves" are to those reserves which analysis of drilling, geological, geophysical and engineering data does not demonstrate to be proved under current technology and existing economic conditions, but where such analysis suggests the likelihood of their existence and future recovery. Probable reserves to be obtained by the application of enhanced recovery processes are the increased recovery over and above that estimated in the proved category which can be realistically estimated for the pool on the basis of enhanced recovery processes which can be reasonably expected to be instituted in the future.

- "Proved developed reserves" are to proved reserves of oil and natural gas that can be expected to be recovered through existing wells with existing equipment and operating methods and through improved recovery techniques from successful pilot projects or installed programs.

- "Proved reserves" are those reserves estimated as recoverable under current technology and existing economic conditions, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data, including the reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir.

- "Proved undeveloped reserves" are to proved reserves that are expected to be recovered from new wells in undrilled areas, or from existing wells where significant expenditure is required for completion.

- "Throughput" are to the amount of material processed by a production unit in a year or other period as indicated.

- "Tonnes" or "tonnes" are to metric tonnes. A metric ton is equal to 1,000 kilograms, or approximately 2,204.6 pounds.

- "Utilization rate" are to the amount of production by a production unit per annum as a proportion of the capacity of that unit per annum at the end of a year.

- "Wet gas" are to natural gas that contains typically higher amounts of hydrocarbons that can be liquefied, such as NGL, butane and propane.

Glossary of Concession Partners

Unless otherwise indicated in the context, references to:

- "Amerada Hess" are to Amerada Hess Exploration (Thailand) Co., Ltd.
- "BG" are to British Gas Thailand PTE Limited
- "Carigali-PTTEPI" are to Carigali-PTTEPI Operating Company Sendirian Berhad.
- "Chevron" are to Chevron Offshore (Thailand) Ltd.
- "Esso" are to Esso Exploration and Production Khorat Inc.
- "Kerr McGee" are to Kerr-McGee (Thailand) Limited
- "MOGE" are to Myanma Oil and Gas Enterprise
- "MOECO" are to Mitsui Oil Exploration Co., Ltd.
- "MOECO SW" are to MOECO Southwest Vietnam Co., Ltd.
- "MOECO Vietnam" are to MOECO Vietnam Co., Ltd.
- "Nippon Oil" are to Nippon Oil Exploration Co., Ltd.
- "PETRONAS" are to Petroliam Nasional Berhad
- "PIDC" are to PetroVietnam Investment and Development Co., Ltd.
- "Premier" are to Premier Petroleum Myanmar Limited
- "PSTL" are to Palangsophon Two Company Limited
- "Total E&P" are to Total E&P Thailand
- "Thai Shell" are to Thai Shell Exploration and Production Co., Ltd.
- "Total Myanmar" are to Total Exploration and Production Myanmar
- "Unocal Myanmar" are to Unocal Myanmar Offshore Co., Ltd.
- "Unocal Thailand" are to Unocal Thailand Ltd.
- "Unocal Vietnam" are to Unocal Vietnam Exploration, Ltd.
- "Unocal SW" are to Unocal Southwest Vietnam Exploration and Production, Ltd.

Index to Financial Statements

Page

Financial Statements of PTT Public Company Limited for the Three-Month Periods Ended March 31, 2005 and 2004

Report of the Independent Auditor F-2

Balance Sheets as at March 31, 2005 and December 31, 2004 . . . . . F-3

Statements of Income for the Three-Month Periods ended March 31, 2005 and 2004 . . . . . F-6

Statements of Changes in Shareholders' Equity for the Three-Month Periods ended March 31, 2005 and 2004 . . . . . F-7

Statements of Cash Flows for the Three-Month Periods ended March 31, 2005 and 2004 . . . . . F-9

Notes to Financial Statements for the Three-Month Period ended March 31, 2005 and for the Year ended December 31, 2004 . . . . . F-12

Financial Statements of PTT Public Company Limited for the Years Ended December 31, 2004 and 2003

Report of the Independent Auditor F-37

Balance Sheets as at December 31, 2004 and 2003 . . . . . F-38

Statements of Income for the Years ended December 31, 2004 and 2003 . . . . . F-41

Statements of Changes in Shareholders' Equity for the Years ended December 31, 2004 and 2003 . . . F-42

Statements of Cash Flows for the Years ended December 31, 2004 and 2003 . . . . . F-44

Notes to Financial Statements for the Years ended December 31, 2004 and 2003 . . . . . F-48

Financial Statements of PTT Public Company Limited for the Years Ended December 31, 2003 and 2002

Report of the Independent Auditor F-98

Balance Sheets as at December 31, 2003 and 2002 . . . . . F-99

Statements of Income for the Years ended December 31, 2003 and 2002 . . . . . F-102

Statements of Changes in Shareholders' Equity for the Years ended December 31, 2003 and 2002 . . F-103

Statements of Cash Flows for the Years ended December 31, 2003 and 2002 . . . . . F-105

Notes to Financial Statements for the Years ended December 31, 2003 and 2002 . . . . . F-109

(TRANSLATION)

AUDITOR'S REVIEW REPORT

TO: THE SHAREHOLDERS OF PTT PUBLIC COMPANY LIMITED

The Office of the Auditor General of Thailand has reviewed the accompanying consolidated balance sheet of PTT Public Company Limited and its subsidiaries and the balance sheet of PTT Public Company Limited as at March 31, 2005, and the related consolidated and the Company's statements of income, changes in shareholders' equity, and cash flows for the three-month periods ended March 31, 2005 and 2004. 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 issue a report on these financial statements based on the reviews.

The Office of the Auditor General of Thailand conducted the reviews in accordance with generally accepted auditing standards applicable to review engagements. Those standards require that the Office of the Auditor General of Thailand plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit in accordance with generally accepted auditing standards, and accordingly, the Office of the Auditor General of Thailand does not express an audit opinion.

Based on the reviews, nothing has come to attention that causes the Office of the Auditor General of Thailand to believe that the consolidated and the Company's financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The Office of the Auditor General of Thailand previously audited the consolidated and the Company's financial statements for the year ended December 31, 2004 of PTT Public Company Limited and its subsidiaries and of PTT Public Company Limited in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements in report dated February 16, 2005. The consolidated and the Company's balance sheets as at December 31, 2004, presented for comparative purposes, are part of the financial statements which the Office of the Auditor General of Thailand has audited and issued a report thereon as stated above. The Office of the Auditor General of Thailand has not performed any other auditing procedures subsequent to the date of that report.

(Signed) Satja Sasanavin
(Satja Sasanavin)
Deputy Auditor General for Auditor General

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

May 6, 2005

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS
AS AT MARCH 31, 2005 AND DECEMBER 31, 2004

Unit: Baht

	Notes	Consolidated		The Company	
		March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
		(Unaudited Reviewed)	**(Audited)**	**(Unaudited Reviewed)**	**(Audited)**
ASSETS					
Current Assets					
Cash and cash equivalents	3	66,536,841,728	51,237,268,294	18,966,988,260	12,621,621,594
Current investments		4,685,024,366	51,914,264,243	1,169,254,126	46,652,712,981
Trade accounts and notes receivable — others, net	4	47,414,818,944	45,329,269,869	43,143,216,878	38,594,240,286
Trade accounts receivable — related parties, net	5.1	24,532,428,003	12,085,764,652	36,177,959,969	18,784,297,134
Other accounts receivable, advances and short-term loans — related parties, net	5.2	1,126,157,145	1,268,437,136	32,330,805,215	3,122,996,981
Inventories		13,749,446,129	11,144,338,142	6,633,563,837	4,548,656,167
Materials and supplies — net		2,921,285,020	2,663,175,058	1,273,851,091	1,155,603,181
Other current assets		18,663,811,445	19,939,160,848	13,897,703,225	14,389,962,278
Total Current Assets		179,629,812,780	195,581,678,242	153,593,342,601	139,870,090,602
Non-current Assets					
Investments accounted for under equity method	6.2	51,633,022,915	54,910,078,246	116,622,353,416	97,161,761,442
Other long-term investments	7.2	1,746,730,010	1,737,458,010	1,746,730,000	1,737,458,000
Advances and long-term loans — related parties,net	5.3	7,440,544,012	7,429,027,767	7,440,544,012	7,429,027,767
Property, plant and equipment — net	8	199,903,997,471	190,187,203,814	83,198,902,623	75,278,966,808
Intangible assets	9	4,186,086,339	3,410,752,158	3,114,806,639	3,120,029,443
Deferred tax assets		2,065,600,336	1,655,646,464	1,569,608,622	1,597,180,069
Advance payment for gas purchased	10	22,136,497,162	22,745,521,554	27,521,261,615	28,276,775,987
Other non-current assets		11,394,740,328	9,568,868,622	6,544,484,085	5,490,171,638
Total Non-current Assets		300,507,218,573	291,644,556,635	247,758,691,012	220,091,371,154
Total Assets		480,137,031,353	487,226,234,877	401,352,033,613	359,961,461,756

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS (CONT'D)
AS AT MARCH 31, 2005 AND DECEMBER 31, 2004

Unit: Baht

	Notes	Consolidated		The Company	
		March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
		(Unaudited Reviewed)	**(Audited)**	**(Unaudited Reviewed)**	**(Audited)**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Bank overdrafts and short-term loans from financial institutions		89,928,626	11,760,750,000	—	11,760,750,000
Trade accounts payable — others		43,056,329,327	24,175,153,957	40,391,397,200	22,608,672,717
Trade accounts payable — related parties	5.4	15,540,066,957	12,216,383,280	25,018,569,903	18,068,479,516
Other accounts payable — related parties	5.5	961,071,928	182,983,719	944,744,160	144,219,010
Current portion of long-term loans	11	7,553,947,987	60,688,648,039	7,159,648,749	7,959,441,241
Other short-term loans		—	868,436,250	—	—
Income tax payable		18,616,196,122	12,318,193,491	4,447,402,340	2,675,905,439
Accrued expenses		9,326,444,500	10,316,842,313	3,880,158,828	4,984,311,092
Other current liabilities		8,075,037,590	6,384,745,097	6,082,733,245	3,379,700,814
Total Current Liabilities		103,219,023,037	138,912,136,146	87,924,654,425	71,581,479,829
Non-current Liabilities					
Other long-term accounts payable — related parties	5.6	—	—	14,324,090	14,565,509
Long-term loans	11	142,495,432,688	140,904,310,498	114,947,567,592	115,925,102,343
Allowance for share of net loss over investments		—	—	1,485,409,438	1,597,942,764
Deferred tax liabilities		10,068,269,162	10,257,015,755	—	—
Provision for decommissioning costs	12	5,241,867,484	5,229,671,609	—	—
Deposits on LPG cylinders		3,764,328,896	3,711,089,732	3,764,328,896	3,711,089,732
Other non-current liabilities		3,382,848,289	3,297,047,976	2,805,145,635	2,757,094,602
Total Non-current Liabilities		164,952,746,519	163,399,135,570	123,016,775,651	124,005,794,950
Total Liabilities		268,171,769,556	302,311,271,716	210,941,430,076	195,587,274,779

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS (CONT'D)
AS AT MARCH 31, 2005 AND DECEMBER 31, 2004
Unit: Baht

	Notes	Consolidated		The Company	
		March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
		(Unaudited Reviewed)	**(Audited)**	**(Unaudited Reviewed)**	**(Audited)**
Shareholders' Equity					
Share capital					
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	13	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
Surplus on dilution of investments in subsidiaries and associates		2,097,927,820	2,089,284,252	2,097,927,820	2,089,284,252
Unrealized gain on available-for-sale securities		1,055,639,181	1,046,367,181	1,055,639,181	1,046,367,181
Currency translation differences		(743,114,458)	(765,711,742)	(743,114,458)	(765,711,742)
Retained earnings					
Appropriated					
Legal reserve		2,850,000,000	2,850,000,000	2,850,000,000	2,850,000,000
Reserve for Self-Insurance Fund		811,830,329	811,830,329	811,830,329	811,830,329
Unappropriated		138,373,032,749	112,377,129,041	138,373,032,749	112,377,129,041
Total parent's shareholders' equity		190,410,603,537	164,374,186,977	190,410,603,537	164,374,186,977
Minority interests		21,554,658,260	20,540,776,184	—	—
Total Shareholders' Equity		211,965,261,797	184,914,963,161	190,410,603,537	164,374,186,977
Total Liabilities and Shareholders' Equity		480,137,031,353	487,226,234,877x	401,352,033,613	359,961,461,756

Notes to financial statements form an integral part of these financial statements.

(Signed) Prasert Bunsumpun
(Prasert Bunsumpun)
President

(Signed) Pichai Chunhavajira
(Pichai Chunhavajira)
Senior Executive Vice President,
Corporate Finance & Accounting

STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004
Unit: Baht

	Notes	Consolidated		The Company	
		2005	**2004**	**2005**	**2004**
Sales		191,161,263,999	137,145,679,951	202,605,807,622	135,220,427,103
Cost of sales		165,663,032,756	119,660,323,378	190,190,097,372	124,231,225,473
Gross Margin		25,498,231,243	17,485,356,573	12,415,710,250	10,989,201,630
Selling and administrative expenses		5,630,993,840	3,697,863,053	3,866,744,118	3,047,653,417
Exploration expenses		173,868,523	40,036,273	—	—
Income from Sales		19,693,368,880	13,747,457,247	8,548,966,132	7,941,548,213
Other incomes	15	2,829,105,935	1,922,084,912	3,500,125,242	1,764,068,571
Directors' remuneration		10,713,708	7,359,988	6,878,750	5,751,250
Income from Operations		22,511,761,107	15,662,182,171	12,042,212,624	9,699,865,534
Share of net income from investments under equity method	16	5,765,556,984	3,752,432,461	17,755,330,552	6,006,847,353
Income before Interests and Taxes		28,277,318,091	19,414,614,632	29,797,543,176	15,706,712,887
Interest expenses		2,251,245,908	1,902,124,599	1,759,875,604	1,567,545,568
Income taxes		6,296,787,446	4,024,531,199	2,041,763,864	1,864,762,243
Income after Taxes		19,729,284,737	13,487,958,834	25,995,903,708	12,274,405,076
Income of minority interests		1,471,661,804	1,213,553,758	—	—
Income from ordinary activities		18,257,622,933	12,274,405,076	25,995,903,708	12,274,405,076
Extraordinary items	17	7,738,280,775	—	—	—
Net Income		25,995,903,708	12,274,405,076	25,995,903,708	12,274,405,076
Basic earnings per share	14				
Income before extraordinary items		6.52	4.39	9.29	4.39
Extraordinary items		2.77	—	—	—
Net income		9.29	4.39	9.29	4.39
Diluted earnings per share	14				
Income before extraordinary items		6.52	4.39	9.29	4.39
Extraordinary items		2.77	—	—	—
Net income		9.29	4.39	9.29	4.39

Notes to financial statements form an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004
CONSOLIDATED
Unit: Baht

	Note	Issued and paid-up share capital	Premium on share capital	Surplus on dilution of investments	Unrealized gain (loss) on available-for-sale securities	Currency translation differences	Legal reserve	Reserve for Self-Insurance Fund	Retained earnings	Minority interests	Total
Balance as at January 1, 2004		27,972,457,250	17,992,830,666	—	550,400,000	(721,543,059)	2,850,000,000	776,993,833	62,888,774,224	16,619,274,744	128,929,187,658
Cumulative effect of the change in accounting policy	2	—	—	1,966,620,101	—	—	—	—	(1,954,294,958)	—	12,325,143
Balance after adjustment		27,972,457,250	17,992,830,666	1,966,620,101	550,400,000	(721,543,059)	2,850,000,000	776,993,833	60,934,479,266	16,619,274,744	128,941,512,801
Currency translation differences		—	—	—	—	(39,329,651)	—	—	—	—	(39,329,651)
Unrealized gain on available-for-sale securities		—	—	—	591,263,181	—	—	—	—	—	591,263,181
Minority interests		—	—	—	—	—	—	—	—	1,413,708,554	1,413,708,554
Surplus on dilution of investments in subsidiaries and associates		—	—	134,202,439	—	—	—	—	—	—	134,202,439
Net income		—	—	—	—	—	—	—	12,274,405,076	—	12,274,405,076
Balance as at March 31, 2004		27,972,457,250	17,992,830,666	2,100,822,540	1,141,663,181	(760,872,710)	2,850,000,000	776,993,833	73,208,884,342	18,032,983,298	143,315,762,400
Balance as at January 1, 2005		27,972,457,250	17,992,830,666	2,089,284,252	1,046,367,181	(765,711,742)	2,850,000,000	811,830,329	112,377,129,041	20,540,776,184	184,914,963,161
Currency translation differences		—	—	—	—	22,597,284	—	—	—	—	22,597,284
Unrealized gain on available-for-sale securities		—	—	—	9,272,000	—	—	—	—	—	9,272,000
Minority interests		—	—	—	—	—	—	—	—	1,013,882,076	1,013,882,076
Surplus on dilution of investments in subsidiaries and associates		—	—	8,643,568	—	—	—	—	—	—	8,643,568
Net income		—	—	—	—	—	—	—	25,995,903,708	—	25,995,903,708
Balance as at March 31, 2005		27,972,457,250	17,992,830,666	2,097,927,820	1,055,639,181	(743,114,458)	2,850,000,000	811,830,329	138,373,032,749	21,554,658,260	211,965,261,797

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES **(UNAUDITED REVIEWED)**
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004
THE COMPANY
Unit: Baht

	Note	Issued and paid-up share capital	Premium on share capital	Surplus on dilution of investments	Unrealized gain (loss) on available-for-sale securities	Currency translation differences	Legal reserve	Reserve for Self-Insurance Fund	Retained earnings	Total
Balance as at January 1, 2004		27,972,457,250	17,992,830,666	—	550,400,000	(721,543,059)	2,850,000,000	776,993,833	62,888,774,224	112,309,912,914
Cumulative effect of change in accounting policy	2	—	—	1,966,620,101	—	—	—	—	(1,954,294,958)	12,325,143
Balance after adjustment		27,972,457,250	17,992,830,666	1,966,620,101	550,400,000	(721,543,059)	2,850,000,000	776,993,833	60,934,479,266	112,322,238,057
Currency translation differences		—	—	—	—	(39,329,651)	—	—	—	(39,329,651)
Unrealized gain on available-for-sale securities		—	—	—	591,263,181	—	—	—	—	591,263,181
Surplus on dilution of investments in subsidiaries and associates		—	—	134,202,439	—	—	—	—	—	134,202,439
Reserve for Self-Insurance Fund		—	—	—	—	—	—	—	—	—
Dividend paid		—	—	—	—	—	—	—	—	—
Net income		—	—	—	—	—	—	—	12,274,405,076	12,274,405,076
Balance as at March 31, 2004		27,972,457,250	17,992,830,666	2,100,822,540	1,141,663,181	(760,872,710)	2,850,000,000	776,993,833	73,208,884,342	125,282,779,102
Balance as at January 1, 2005		27,972,457,250	17,992,830,666	2,089,284,252	1,046,367,181	(765,711,742)	2,850,000,000	811,830,329	112,377,129,041	164,374,186,977
Currency translation differences		—	—	—	—	22,597,284	—	—	—	22,597,284
Unrealized gain on available-for-sale securities		—	—	—	9,272,000	—	—	—	—	9,272,000
Surplus on dilution of investments in subsidiaries and associates		—	—	8,643,568	—	—	—	—	—	8,643,568
Reserve for Self-Insurance Fund		—	—	—	—	—	—	—	—	—
Dividend paid		—	—	—	—	—	—	—	—	—
Net income		—	—	—	—	—	—	—	25,995,903,708	25,995,903,708
Balance as at March 31, 2005		27,972,457,250	17,992,830,666	2,097,927,820	1,055,639,181	(743,114,458)	2,850,000,000	811,830,329	138,373,032,749	190,410,603,537

Notes to financial statements form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004
Unit: Baht

	Consolidated		The Company	
	2005	**2004**	**2005**	**2004**
Cash Flows from Operating Activities				
Net income	25,995,903,708	12,274,405,076	25,995,903,708	12,274,405,076
Adjustment net income to net cash provided by (used in) operating activities:				
Depreciation, depletion and amortization	3,671,802,427	3,603,732,827	1,588,548,593	1,501,004,675
Impairment loss	9,239,948	7,066,150	9,239,948	7,066,150
(Gain)Loss on disposal of assets	(5,435,429)	2,851,149	(2,647,300)	1,038,100
(Gain) Loss on disposal of investments	577,873,705	—	—	—
Write-off assets adjustment	(1,219,562)	12,342,601	(1,219,562)	10,617,555
Share of net income from investments under equity method	(5,765,556,984)	(3,754,592,918)	(17,755,330,552)	(6,006,847,353)
Income of minority interests	1,471,661,804	1,213,553,758	—	—
(Gain) loss on foreign exchange	(923,405,047)	(281,685,474)	(368,801,421)	(60,903,114)
Doubtful accounts	(135,647,020)	53,099,544	(135,828,314)	48,604,314
Amortization of exploration cost	948,292	(128,149)	—	—
Amortization of bond issue expenses	2,393,880	2,393,880	—	—
Amortization of bond discounts	277,212	277,212	—	—
Deferred income taxes	(584,084,103)	835,284,004	27,571,447	(3,448,093)
Amortization of deferred interest from finance leases	1,144,840	1,619,741	1,144,840	1,619,741
Allowance for withdrawal from joint ventures	—	(481,831,169)	—	(481,831,169)
Provision for net realizable value	63,509,944	—	63,509,944	—
Extraordinary items	(7,738,724,507)	—	—	—
Net income from operating activities before changes in operating assets and liabilities	16,640,683,108	13,488,388,232	9,422,091,331	7,291,325,882
Changes in operating assets (increase) decrease				
Trade accounts and notes receivable — others	(1,281,382,238)	(5,101,714,862)	(4,199,012,836)	(4,497,791,341)
Trade accounts receivable — related parties	(12,522,721,387)	(1,091,475,861)	(17,469,718,915)	(5,174,773,938)
Other accounts receivable, advances and short-term loans — related parties	(1,089,253,837)	126,077,921	(614,088,542)	85,285,789
Inventories	(2,668,617,931)	329,198,703	(2,148,417,614)	351,647,120
Materials and supplies	(297,650,862)	(1,163,484,415)	(152,513,999)	(23,100,696)
Other current assets	(719,267,307)	(260,055,606)	(257,576,919)	(157,269,907)
Prepaid expenses	193,094,526	(212,079,216)	49,524,959	(221,654,113)
Advance payment for gas purchased	609,024,392	246,989,447	755,514,372	265,303,589
Accrued income	607,126,406	(200,722,277)	425,782,710	(140,366,880)
Other accounts receivable	3,312,687,211	1,294,413,100	2,398,593,715	1,195,731,040
Long-term advances — related parties	107,735	—	107,735	—
Other non-current assets	(1,840,425,866)	(41,615,386)	(1,054,307,137)	(61,241,203)
Changes in operating liabilities increase (decrease)				
Trade accounts payable — others	19,831,966,879	7,511,817,240	17,751,337,506	7,134,102,987
Trade accounts payable — related parties	2,083,939,426	1,591,801,262	7,005,815,635	5,159,293,172
Other accounts payable — related parties	449,142,652	234,104,533	787,494,672	260,597,791
Income tax payable	6,277,773,169	4,812,158,096	1,771,496,902	1,233,296,700
Accrued expenses	(1,347,137,529)	(1,294,445,864)	(1,174,126,829)	(952,655,358)
Other current liabilities	(224,868,138)	963,087,828	(88,553,930)	(129,534,539)
Deposits on LPG cylinders	53,239,164	75,566,822	53,239,164	75,566,822
Pension fund	(1,094,598)	(332,225)	(1,094,598)	(332,225)
Other accounts payable	315,088,426	(757,223,139)	1,097,243,913	(25,811,269)
Other long-term accounts payable — related parties	(1,729,545)	—	(241,419)	—
Other non-current liabilities	90,715,368	445,591,191	47,593,579	248,385,107
	11,829,756,116	7,507,657,292	4,984,092,124	4,624,678,648
Net cash provided by operating activities	28,470,439,224	20,996,045,524	14,406,183,455	11,916,004,530

Notes to financial statements form an integral part of these financial statements.

	Consolidated		The Company	
	2005	**2004**	**2005**	**2004**
Cash Flows from Investing Activities				
Proceeds from disposal of property, plant and equipment	11,771,169	1,124,191	4,826,000	1,124,191
Payment of property, plant and equipment	(13,206,337,828)	(15,422,167,477)	(9,468,669,102)	(2,835,928,385)
Payment of intangible assets	(71,100,595)	(84,034,721)	(51,961,713)	(45,230,810)
Long-term loans — related parties	(11,623,980)	—	(11,623,980)	—
Short-term loans — related parties	—	—	(44,255,250,000)	—
Payment of investments in subsidiaries	(1,002,451,236)	(855,821,884)	(1,401,951,236)	(957,608,658)
Payment of investments in joint ventures	—	—	(148,995,000)	(1,677,189,866)
Payment of investments in associates	(445,962,010)	(487,358,800)	(445,962,010)	(487,358,800)
Payment of investments in other companies	—	(249,750,000)	—	(249,750,000)
Cash received from disposal of long-term investments	8,909,861,560	—	784,050	—
Cash received from short-term loans	599,901,700	—	—	—
Cash received from short-term loans to related parties	622,401,700	22,500,000	15,652,303,400	22,500,000
Current investments (increase) decrease	47,248,516,142	(914,316,162)	45,473,418,233	(10,395,359)
Net cash provided by (used in) investing activities	42,654,976,622	(17,989,824,853)	5,346,918,642	(6,239,837,687)
Cash Flows from Financing Activities				
Cash received from issuing ordinary shares	5,010,300	4,750,800	—	—
Proceeds from long-term loans	2,563,437,145	—	—	—
Repayment of long-term loans	(44,272,319,412)	(17,069,412)	—	—
Redemption of bonds	(1,800,000,000)	(600,000,000)	(1,800,000,000)	(600,000,000)
Repayment of short-term loans	(12,470,855,218)	—	(11,602,418,968)	—
Payment of liabilities from finance leases	(7,239,718)	(15,507,369)	(7,193,468)	(15,461,119)
Increase in bank overdrafts and short-term loans from financial institutions	89,928,626	467,470,877	—	9
Dividend paid	(89,235)	(139,793)	—	—
Net cash used in financing activities	(55,892,127,512)	(160,494,897)	(13,409,612,436)	(615,461,110)

Notes to financial statements form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004
Unit: Baht

	Note	Consolidated		The Company	
		2005	**2004**	**2005**	**2004**
Effects of exchange rates on cash and cash equivalents		103,154,762	(18,972,548)	1,877,005	(1,328,680)
Currency translation differences		(36,869,662)	(27,836,735)	—	—
Net increase (decrease) in cash and cash equivalents		15,299,573,434	2,798,916,491	6,345,366,666	5,059,377,053
Cash and cash equivalents at beginning of periods		51,237,268,294	56,955,033,653	12,621,621,594	36,967,351,408
Cash and cash equivalents at end of periods	3	66,536,841,728	59,753,950,144	18,966,988,260	42,026,728,461
Supplemental disclosures of cash flows information					
Cash paid during the period for					
Interest expenses		2,953,133,043	2,017,555,725	2,118,419,155	1,654,420,273
Income taxes		393,226,413	380,708,680	—	—

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED, REVIEWED)
AND FOR THE YEAR ENDED DECEMBER 31, 2004 (AUDITED)

1. GENERAL INFORMATION

1.1 Purpose of the Interim Financial Statements

These interim financial statements are prepared in order to provide additional information other than that included in the most recent annual financial statements. Accordingly, these interim financial statements focus on the reporting of new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should, therefore, be read in conjunction with the most recent annual financial statements.

1.2 Preparation of the Interim Financial Statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 41 "Interim Financial Statements". The content of the interim financial statements comprises the balance sheets, statements of income, changes in shareholders' equity and cash flows, as presented in the most recent annual financial statements, together with the selected significant explanatory notes.

1.3 Basis of Preparation

The interim consolidated and the Company's financial statements are prepared under the same basis as the consolidated and the Company's financial statements for the year ended December 31, 2004.

During the three-month period ended March 31, 2005, the Company sold its entire investment in the ordinary shares of SBFCI and SBDI, which the percentage of the Company's shareholding in both of them are 100%, to SBECL, according to Note 6.4.

1.4 Summary of Significant Accounting Policies

The Company has prepared these interim financial statements by applying the same accounting policies and methods of computation as applied in the financial statements for the year ended December 31, 2004 which are prepared in accordance with generally accepted accounting principles.

1.5 Reclassification

For the comparative purposes, the Group has reclassified certain items in the financial statements for the three-month period ended March 31, 2004 and as at December 31, 2004 to be in accordance with the presentation in the financial statements for the three-month period ended March 31, 2005.

2. CHANGES IN ACCOUNTING POLICIES

2.1 Determination of Cost of Inventories

In 2004, the Company changed its determination of cost of inventories from first-in, first-out method to the weighted average cost method. This effects inventories and retained earnings as at January 1, 2004 to increase amounting to Baht 12.33 million.

2.2 The Recognition of the Incremental Value of Subsidiaries or Associates which Offer Their Securities to the Public at Higher Prices than Par Value as Surplus on Share Capital

During 2004, the Company accounted for the increase in shareholders' equity of subsidiaries or associates arising from offering their securities to public with higher prices than par value as surplus on share capital in shareholders' equity of the Company.

This change resulted in the Company presenting surplus on dilution of investments in subsidiaries and associates in shareholders' equity as at January 1, 2004 amounting to Baht 1,966.62 million and retained earnings decreased amounting to Baht 1,954.29 million, which is the net amount after deducting the incremental retained earnings from the determination of cost of inventories amounting to Baht 12.33 million as stated in Note 2.1.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at March 31, 2005 and December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Cash on hand	144.46	222.06	137.15	161.71
Deposits held at call with banks	17,561.59	15,262.53	7,341.32	3,997.49
Fixed deposits	14,460.39	5,503.37	—	—
Treasury bills	22,641.84	24,922.58	129.96	4,133.75
Promissory notes	1,138.70	4,259.41	768.70	3,539.41
Bank of Thailand bonds	10,589.86	1,067.32	10,589.86	789.26
Total	66,536.84	51,237.27	18,966.99	12,621.62

Cash and cash equivalents as at March 31, 2005 mainly bear interest rates ranging from 0.25%-2.59% per annum, except for deposits held at call with banks of a subsidiary in the Philippines amounting to Baht 827.02 million bear interest rate of 4.94% per annum (December 31, 2004: the interest rates ranging from 0.25%-3.98% per annum, except for deposits held at call with banks of a subsidiary in the Philippines amounting to Baht 231.81 million bear interest rate of 5.208% per annum).

4. TRADE ACCOUNTS AND NOTES RECEIVABLE — OTHERS, NET

Trade accounts and notes receivable — others as at March 31, 2005 and December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Trade accounts receivable	47,344.19	45,419.58	42,238.52	37,868.25
Notes receivable	2,728.86	2,709.28	2,727.52	2,705.42
Total	50,073.05	48,128.86	44,966.04	40,573.67
Less: Allowance for doubtful accounts	2,658.23	2,799.59	1,822.82	1,979.43
Trade accounts and notes receivable — others, net	47,414.82	45,329.27	43,143.22	38,594.24

Outstanding trade accounts and notes receivable — others as at March 31, 2005 and December 31, 2004 can be analyzed as follows:

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Current	40,506.54	37,704.55	36,618.00	31,179.25
Overdue				
— Up to 3 months	2,248.43	3,387.48	2,036.79	3,224.54
— Over 3 - 6 months	614.42	860.10	559.75	791.13
— Over 6 - 12 months	1,334.83	1,358.39	1,279.53	1,268.38
— Over 12 months	5,368.83	4,818.34	4,471.97	4,110.37
Total	50,073.05	48,128.86	44,966.04	40,573.67
Less: Allowance for doubtful accounts	2,658.23	2,799.59	1,822.82	1,979.43
Trade accounts and notes receivable — others, net	47,414.82	45,329.27	43,143.22	38,594.24

Trade accounts and notes receivable — others, net as at March 31, 2005 included receivables from government agencies and state enterprises in the consolidated financial statements amounting to Baht 17,440.86 million (December 31, 2004: Baht 13,006.47 million), and in the Company's financial statements amounting to Baht 17,267.08 million (December 31, 2004: Baht 12,824.93 million).

5. RELATED PARTY TRANSACTIONS

The followings are significant transactions were carried out with related parties:

5.1 Trade accounts receivable — related parties as at March 31, 2005 and December 31, 2004

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Subsidiaries	—	—	12,032.26	7,097.60
Less: Allowance for doubtful accounts	—	—	6.84	13.81
	—	—	12,025.42	7,083.79
Associates	20,714.87	10,517.05	20,328.34	10,129.92
Less: Allowance for doubtful accounts	272.69	269.93	272.69	269.93
	20,442.18	10,247.12	20,055.65	9,859.99
Other related parties	4,090.25	1,838.64	4,090.25	1,838.64
Joint ventures	—	—	6.64	1.88
Trade accounts receivable — related parties, net	24,532.43	12,085.76	36,177.96	18,784.30

Outstanding trade accounts receivable — related parties as at March 31, 2005 and December 31, 2004 can be analyzed as follows:

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Current	24,528.63	10,789.20	32,149.61	13,329.26
Overdue				
— Up to 3 months	109.61	1,338.37	249.34	1970.74
— Over 3 - 6 months	36.31	81.55	559.21	672.78
— Over 6 - 12 months	114.53	133.44	1,190.36	652.61
— Over 12 months	16.04	13.13	2,308.97	2,442.65
Total	24,805.12	12,355.69	36,457.49	19,068.04
Less: Allowance for doubtful accounts	272.69	269.93	279.53	283.74
Trade accounts receivable — related parties, net	24,532.43	12,085.76	36,177.96	18,784.30

5.2 Other accounts receivable, advances and short-term loans — related parties as at March 31, 2005 and December 31, 2004

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Other accounts receivable				
Subsidiaries	—	—	952.14	305.75
Less Allowance for doubtful accounts	—	—	0.11	0.06
	—	—	952.03	305.69
Associates	1,382.88	1,382.62	1,368.44	1,371.29
Less Allowance for doubtful accounts	664.23	664.23	664.23	664.23
	718.65	718.39	704.21	707.06
Other related parties	12.60	8.78	12.60	8.78
Less Allowance for doubtful accounts	5.85	5.85	5.85	5.85
	6.75	2.93	6.75	2.93
Joint ventures	—	—	632.25	596.72
	725.40	721.32	2,295.24	1,612.40
Advances				
Subsidiaries	—	—	10.00	10.00
Associates	127.99	246.75	0.43	0.43
Other related parties	235.17	240.27	162.28	240.27
	363.16	487.02	172.71	250.70
Short-term loans				
Subsidiaries	—	—	29,825.25	—
Associates	37.60	60.10	37.60	60.10
Joint ventures	—	—	—	1,199.80
	37.60	60.10	29,862.85	1,259.90
Total	1,126.16	1,268.44	32,330.80	3,123.00

Changes in short-term loans — related parties for the three-month period ended March 31, 2005 are as follows:

Unit: Million Baht

	Consolidated	The Company
Balance as at December 31, 2004	60.10	1,259.90
— Payment of loans granted	—	44,255.25
— Receipt from loans granted	(22.50)	(15,652.30)
Balance as at March 31,2005	37.60	29,862.85

Short-term loans to related parties are unsecured with the interest rates ranging from 1.81%-7.75% per annum.

5.3 Advances and long-term loans — related parties as at March 31, 2005 and December 31, 2004

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Advances				
Associates	1,058.79	1,049.66	1,058.79	1,049.66
Less Allowance for doubtful accounts	1,056.96	1,047.72	1,056.96	1,047.72
	1.83	1.94	1.83	1.94
Long-term loans				
Associates	7,387.56	7,387.56	7,387.56	7,387.56
Other related parties	51.15	39.53	51.15	39.53
	7,438.71	7,427.09	7,438.71	7,427.09
Total	7,440.54	7,429.03	7,440.54	7,429.03

Changes in long-term loans — related parties for the three-month period ended March 31, 2005 are as follows:

Unit: Million Baht

	Consolidated	The Company
Balance as at December 31, 2004	7,427.09	7,427.09
— Payment of loans granted	11.62	11.62
Balance as at March 31, 2005	7,438.71	7,438.71

The long-term loans to associates bear interest at the rates ranging from 1% - 3.125% per annum.

5.4 Trade accounts payable — related parties as at March 31, 2005 and December 31, 2004

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Subsidiaries	—	—	9,718.08	6,385.23
Associates	14,907.73	11,749.55	14,668.15	11,216.42
Other related parties	632.34	466.83	632.34	466.83
Total	15,540.07	12,216.38	25,018.57	18,068.48

5.5 Other accounts payable — related parties as at March 31, 2005 and December 31, 2004

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Subsidiaries	—	—	97.30	92.32
Associates	206.70	149.77	85.57	18.69
Other related parties	754.37	33.21	754.37	33.21
Joint ventures	—	—	7.50	—
Total	961.07	182.98	944.74	144.22

5.6 Other long-term payables — related parties as at March 31, 2005 and December 31, 2004

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Subsidiaries	—	—	14.32	14.57
Total	—	—	14.32	14.57

5.7 Revenues and expenses transactions carried out with related parties.

For the three-month periods ended March 31, 2005 and 2004

Unit: Million Baht

	Consolidated		The Company	
	2005	**2004**	**2005**	**2004**
Revenues				
Sales:				
Subsidiaries	—	—	26,887.11	1,104.48
Associates	52,792.19	40,343.56	51,841.10	40,343.56
Other related parties	7,341.49	4,112.75	7,341.49	4,112.75
Joint ventures	—	—	9.03	0.01
Interest income:				
Subsidiaries	—	—	359.48	—
Associates	58.08	62.50	58.08	62.50
Other related parties	7.68	—	7.68	—
Joint ventures	—	—	1.35	—
Other income:				
Subsidiaries	—	—	1,071.72	22.85
Associates	533.59	217.20	533.59	217.20
Other related parties	20.25	12.42	20.25	12.42
Joint ventures	—	—	18.77	25.70
Expenses				
Purchases:				
Subsidiaries	—	—	36,068.06	9,581.13
Associates	45,077.03	43,250.52	43,628.65	42,918.45
Other related parties	2,052.82	2,524.75	2,052.82	2,524.75
Other expenses:				
Subsidiaries	—	—	51.13	53.42
Associates	7.70	11.55	7.70	11.55
Other related parties	150.77	57.84	150.77	57.84
Joint ventures	—	—	—	17.00

Related party transactions as stated above exclude trade accounts receivable and sales to 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 except for the selling prices of natural gas between the Company and an associate which have a special discount for five years during 2002-2007 to support the manufacturing expansion of this associate. However, the purchase volume was not significant.

Goods purchased from a subsidiary are sold at prices determined by the subsidiary with reference to the world market prices.

6. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

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

Company	Country of Incorporation	Business	Shareholding Percentage	
			March 31, 2005	December 31, 2004
Subsidiaries				
PTT Exploration and Production Public Co., Ltd. (PTTEP)....	Thailand	Petroleum exploration and production	66.48	65.98
PTT (Cambodia) Co., Ltd. (PTTCL).....	Cambodia	Oil marketing	100.00	100.00
Subic Bay Energy Co., Ltd. (SBECL).....	Cayman Islands	Oil marketing	100.00	100.00
Subic Bay Fuels Co., Inc. (SBFCI).....	The Philippines	Oil marketing	—	100.00
Subic Bay Distribution, Inc. (SBDI).....	The Philippines	Oil marketing	—	100.00
Retail Business Alliance Co., Ltd. (RBA).....	Thailand	Management service and oil marketing	49.00	49.00
PTT International Trading Pte., Ltd. (PTTT).....	Singapore	Oil international trading	100.00	100.00
PTT Natural Gas Distribution Co., Ltd. (PTTNGD).....	Thailand	Natural gas	58.00	58.00
PTT LNG Company Limited (PTTLNG).....	Thailand	Natural gas	100.00	100.00
Bangkok Polyethylene Public Co., Ltd. (BPE).....	Thailand	Petrochemical	50.00	50.00
PTT Polyethylene Co., Ltd. (PTTPE).....	Thailand	Petrochemical	50.00	50.00
Rayong Refinery Co., Ltd. (RRC).....	Thailand	Refining	100.00	100.00
Energy Complex Company Limited (EnCo).....	Thailand	Commercial	50.00	50.00

Company	Country of Incorporation	Business	Shareholding Percentage	
			March 31, 2005	December 31, 2004
Associates				
Thai Oil Public Co., Ltd. (TOP)	Thailand	Refining	49.54	49.54
Star Petroleum Refining Co., Ltd. (SPRC)	Thailand	Refining	36.00	36.00
Thai Lube Blending Co., Ltd. (TLBC)	Thailand	Blending and bottling lube oil	48.95	48.95
Thai Petroleum Pipeline Co., Ltd (THAPPLINE)	Thailand	Oil pipeline	30.60	30.60
PetroAsia (Thailand) Co., Ltd. (PA (Thailand))	Thailand	Oil marketing	35.00	35.00
PetroAsia (Sanshui) Co., Ltd. (PA (Sanshui))	China	Bottling and selling LPG	25.00	25.00
Vietnam LPG Co., Ltd. (VLPG)	Vietnam	Bottling and selling LPG	45.00	45.00
Keloil-PTT LPG Sdn. Bhd. (KPL)	Malaysia	Oil marketing	40.00	40.00
Aromatics (Thailand) Public Co., Ltd. (ATC)	Thailand	Petrochemical	45.96	46.12
National Petrochemical Public Co., Ltd. (NPC)	Thailand	Petrochemical	37.99	37.99
Thai Olefins Public Co., Ltd. (TOC)	Thailand	Petrochemical	48.97	48.97
PTT Phenol Company Limited (PPCL)	Thailand	Petrochemical	40.00	40.00
PTT Utility Co., Ltd. (PTTUT)	Thailand	Generate and supply electricity, steam and water	40.00	40.00
Independent Power (Thailand) Co., Ltd. (IPT)	Thailand	Power producer	20.00	—
Joint Ventures				
Trans Thai-Malaysia (Thailand) Ltd. (TTM (T))	Thailand	Natural gas	50.00	50.00
Trans Thai-Malaysia (Malaysia) Sdn. Bhd. (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	35.00

6.2 Investments accounted for under equity method as at March 31, 2005 and December 31, 2004 are as follows:

Consolidated

Unit: Million Baht

Company	Shareholding Percentage		March 31, 2005			December 31, 2004			Dividend	
	March 31, 2005	December 31, 2004	Cost method	Equity method	Allowance for share of net loss over investments	Cost method	Equity method	Allowance for share of net loss over investments	2005	2004
Associates:										
Refining Business Group										
1 TOP	49.54	49.54	11,483.09	17,862.35	—	11,483.09	16,080.59	—	—	—
2 SPRC	36.00	36.00	14,770.48	9,851.90	—	14,770.48	8,800.09	—	—	—
Oil Business Group										
3 THAPPLINE	30.60	30.60	1,367.87	—	—	1,367.87	—	—	—	—
4 TLBC	48.95	48.95	140.00	79.66	—	140.00	74.38	—	—	—
5 PA (Thailand)	35.00	35.00	131.25	—	—	131.25	—	—	—	—
6 PA (Sanshui)	25.00	25.00	7.17	6.01	—	7.17	6.14	—	—	—
7 VLPG	45.00	45.00	87.35	91.60	—	87.35	89.10	—	—	—
8 KPL	40.00	40.00	21.49	9.42	—	21.49	9.93	—	—	—
9 FST	25.00	25.00	1.13	0.89	—	1.13	0.86	—	—	—
Petrochemical Business Group										
10 ATC	45.96	46.12	2,888.84	2,698.02	—	2,888.84	1,447.50	—	—	—
11 NPC	37.99	37.99	1,185.14	6,402.36	—	1,185.14	5,928.90	—	—	—
12 TOC	48.97	48.97	8,906.35	11,814.83	—	8,906.35	10,557.58	—	—	—
13 PPCL	40.00	40.00	200.00	197.91	—	200.00	198.96	—	—	—
Natural Gas Business Group										
14 PTTUT	40.00	40.00	401.00	399.69	—	240.00	239.77	—	—	—
15 IPT	20.00	—	400.19	384.49	—	—	—	—	—	—
16 AMATA NGD	50.00	50.00	80.00	119.23	—	80.00	109.08	—	—	—
17 TP	26.00	26.00	1,450.06	1,714.66	—	1,450.06	1,723.84	—	—	—
18 New Links	—	40.00	—	—	—	9,898.26	9,643.36	—	—	—
Total			43,521.41	51,633.02	—	52,858.48	54,910.08	—	—	—

The Company

Unit: Million Baht

	Shareholding Percentage		March 31, 2005			December 31, 2004			Dividend	
Company	March 31, 2005	December 31, 2004	Cost method	Equity method	Allowance for share of net loss over investments	Cost method	Equity method	Allowance for share of net loss over investments	2005	2004
Subsidiaries:										
1 PTTEP	66.48	65.98	9,483.34	45,492.15	—	8,526.69	41,815.95	—	—	—
2 PTTT	100.00	100.00	2.50	20.12	—	2.50	13.11	—	—	—
3 PTTCL	100.00	100.00	0.23	—	(72.02)	0.23	—	(75.95)	—	—
4 SBECL	100.00	100.00	0.41	—	(1,413.39)	0.41	—	(439.71)	—	—
5 SBFCI	—	100.00	—	—	—	8.45	—	(90.23)	—	—
6 SBDI	—	100.00	—	—	—	354.42	—	(992.05)	—	—
7 PTTNGD	58.00	58.00	418.14	497.18	—	418.14	747.70	—	324.80	—
8 PTTLNG	100.00	100.00	1.00	0.93	—	1.00	0.94	—	—	—
9 BPE	50.00	50.00	1,694.06	1,558.92	—	1,694.06	1,570.94	—	—	—
10 PTTPE	50.00	50.00	187.50	186.29	—	187.50	187.28	—	—	—
11 RRC	100.00	100.00	13,862.35	13,823.25	—	13,862.35	4,509.56	—	—	—
12 EnCo	50.00	50.00	400.00	399.75	—	0.50	0.45	—	—	—
13 RBA	49.00	49.00	0.49	15.62	—	0.49	14.34	—	—	—
Associates:										
Refining Business Group										
14 TOP	49.54	49.54	11,483.09	17,862.35	—	11,483.09	16,080.59	—	—	—
15 SPRC	36.00	36.00	14,770.48	9,851.90	—	14,770.48	8,800.09	—	—	—
Oil Business Group										
16 THAPPLINE	30.60	30.60	1,367.87	—	—	1,367.87	—	—	—	—
17 TLBC	48.95	48.95	140.00	79.66	—	140.00	74.38	—	—	—
18 PA (Thailand)	35.00	35.00	131.25	—	—	131.25	—	—	—	—
19 PA (Sanshui)	25.00	25.00	7.17	6.01	—	7.17	6.14	—	—	—
20 VLPG	45.00	45.00	87.35	91.60	—	87.35	89.10	—	—	—
21 KPL	40.00	40.00	21.49	9.42	—	21.49	9.93	—	—	—
Petrochemical Business Group										
22 ATC	45.96	46.12	2,888.84	2,698.02	—	2,888.84	1,447.50	—	—	—
23 NPC	37.99	37.99	1,185.14	6,473.14	—	1,185.14	6,000.06	—	—	—
24 TOC	48.97	48.97	8,906.35	12,223.07	—	8,906.35	11,048.54	—	—	—
25 PPCL	40.00	40.00	200.00	197.91	—	200.00	198.96	—	—	—
Natural Gas Business Group										
26 PTTUT	40.00	40.00	401.00	399.69	—	240.00	239.77	—	—	—
27 IPT	20.00	—	400.19	384.49	—	—	—	—	—	—
Joint Ventures:										
Natural Gas Business Group										
28 TTM (T)	50.00	50.00	4,240.00	3,788.99	—	4,240.00	3,892.48	—	—	—
29 TTM (M)	50.00	50.00	281.32	224.47	—	281.32	223.80	—	—	—
30 DCAP	35.00	35.00	350.00	337.42	—	201.00	190.15	—	—	—
Total			72,911.56	116,622.35	(1,485.41)	71,208.09	97,161.76	(1,597.94)	324.80	—

6.3 Share of net assets and results of operation from joint ventures which are included in the consolidated financial statements as at March 31, 2005 and December 31, 2004 are as follows:

Balance Sheets:

As at March 31, 2005 and December 31, 2004

Unit: Million Baht

	March 31, 2005			December 31, 2004		
	TTM(T)	**TTM(M)**	**DCAP**	**TTM(T)**	**TTM(M)**	**DCAP**
Current assets	909.25	182.47	72.79	646.79	148.65	152.37
Non-current assets	11,270.98	690.04	566.74	10,538.48	465.52	322.10
Current liabilities	(1,092.97)	(145.25)	(158.61)	(2,363.43)	(54.29)	(175.82)
Non- current liabilities	(7,298.27)	(502.79)	(143.50)	(4,929.36)	(336.08)	(108.50)
Net assets	3,788.99	224.47	337.42	3,892.48	223.80	190.15

Statements of Income:

For the three-month periods ended March 31, 2005 and 2004

Unit: Million Baht

	2005			2004		
	TTM(T)	**TTM(M)**	**DCAP**	**TTM(T)**	**TTM(M)**	**DCAP**
Revenues	1.22	1.62	1.30	17.89	0.19	—
Expenses	(104.71)	(1.03)	(3.02)	(17.83)	(0.80)	(1.36)
Income (loss) before income taxes	(103.49)	0.59	(1.72)	0.06	(0.61)	(1.36)
Income taxes	—	(0.15)	—	—	(0.04)	—
Net income (loss)	(103.49)	0.44	(1.72)	0.06	(0.65)	(1.36)

6.4 Significant events occurred during the three-month period ended March 31, 2005

SUBIC BAY GROUP (Comprises SBECL, SBFCI and SBDI)

On January 1, 2005, the Company changed the shareholding structure of Subic Bay Group by disposing of all investments in the ordinary shares of SBFCI and SBDI, amounting to 17.01 million shares and 13.06 million shares, respectively, totalling USD 0.20 million (approximately to Baht 0.78 million) to SBECL. However, the Company's shareholding in SBECL still remains at 100%.

DCAP

During the first quarter of 2005, DCAP called for additional share capital from shareholders for the full amount of the authorized share capital of Baht 1,000 million. The Company paid the remaining amount of Baht 149 million according to its shareholding.

ATC

On February 2, 2004, ATC issued registered and offered non-transferable warrants to acquire ordinary shares to its directors, managements and employees under the Employee Stock Ownership Program (ESOP) amounting to 14.60 million units. The stock had no offering price and had a maturity period of 48 months since the warrant issued date. The exercise right is one warrant to one ordinary share with the exercise price of Baht 10 each.

The holders of the warrants receive four separate warrants, each of which can be exercised for 25% of all allotted warrants. The warrants are exercisable every three months starting from the first exercise date on February 23, 2004 to the last exercise date on November 23, 2007.

As at March 31, 2005, warrants were exercised for 7,775,800 units. Therefore, the remaining unexercised warrants were 6,824,200 units. Hence, it effected a decrease in the percentage of the Company's shareholding in ATC from 46.12% to 45.96%. The gain on dilution amounting to Baht 7.87 million was recorded as surplus on dilution of investments in subsidiaries and associates in shareholders' equity.

IPT

The board of directors' meeting no. 4/2004 dated April 22, 2004 approved the Company to purchase IPT's ordinary shares from Siemens AG amounting to 35.42 million shares or equivalent to 20% of total shares at the price of Baht 400.19 million (equivalent to USD 10 million). The Company will pay the purchase consideration by instalment. On March 11, 2005, all common shares of IPT were transferred to the Company from Siemens AG. Therefore, IPT became an associate and negative goodwill arising from the acquisition was Baht 493.94 million. However, on March 31, 2005, the Company had not paid the remaining amount of the authorized share capital amounting to Baht 115.23 million (USD 3 million) and will pay in the second quarter of 2005.

PTTUT

On January 28, 2005, PTTUT called for additional 25% authorized share capital from shareholders to fulfil the whole amount of authorized share capital amounting to Baht 800 million. The Company paid the remaining amount of Baht 80 million according to its shareholding.

On March 24, 2005, PTTUT registered the additional authorized share capital of 8,100,000 shares with a par value of Baht 100 each, totalling Baht 810 million. The authorized share capital after the increase was Baht 1,610 million, by the first calling for the 25% additional share capital. The Company acquired an additional 3.24 million shares in PTTUT at Baht 81 million in order to maintain its shareholding according to the Joint Venture Agreement.

EnCo

On February 24, 2005, Enco increased its authorised share capital of 79,900,000 million shares with a par value of Baht 10 each, totalling Baht 799 million. The authorized share capital after the increase was Baht 800 million. All additional shares are fully paid-up. The Company acquired 39.95 million shares, in order to maintain its shareholding according to the Joint Venture Agreement amounting to Baht 399.50 million.

New Links (an associate of PTTEPO)

On February 17, 2005 PTTEP Offshore Investment Company Limited (PTTEPO) (a subsidiary of PTTEP) completed the sale of all of its shares in New Links to Encore Int'l Limited (Encore), in the total amount of Baht 9,101.84 million (USD 236.5 million) for the shares and warranty claims while the net book value of investment was Baht 9,679.71 million. Loss from disposal of the investment amounting to Baht 577.87 million was presented in the statement of income.

7. OTHER LONG-TERM INVESTMENTS

7.1 Information of other long-term investments is as follows:

			Shareholding Percentage	
Company	**Country of Incorporation**	**Business**	**March 31, 2005**	**December 31, 2004**
PetroAsia (Huizhou) Co., Ltd. (PA (Huizhou))	China	Oil marketing	25.00	25.00
PetroAsia (Shantou) Co., Ltd. (PA (Shantou))	China	Oil marketing	15.00	15.00
PTT Mart Co., Ltd. (PTT Mart)	Thailand	Management service	49.00	49.00
Fuel Pipeline Transportation Co., Ltd. (FPT)	Thailand	Oil pipeline	2.76	2.76
Intoplane Services Co., Ltd. (IPS)	Thailand	Aircraft refuelling service	16.67	16.67
Ratchaburi Power Company Limited (RPCL)	Thailand	Power producer	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 refuelling service	7.06	7.06
Bangchak Petroleum Public Co., Ltd. (BCP)	Thailand	Oil refining	7.91	7.91

7.2 Other long-term investments as at March 31, 2005 and December 31, 2004

Unit: Million Baht

Company	Shareholding Percentage		Consolidated		The Company		Dividend	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004	2005	2004
Investments Accounted for under Cost Method								
Associates:								
Oil Business Group								
1 PA (Huizhou)	25.00	25.00	15.16	15.16	15.16	15.16	—	—
2 PTT Mart	49.00	49.00	78.40	78.40	78.40	78.40	—	—
Joint Ventures:								
Exploration and Production and Gas Business Group								
3 CPOC	50.00	50.00	9.90 Baht	9.90 Baht	—	—	—	—
Other Related Parties:								
4 FPT	2.76	2.76	44.00	44.00	44.00	44.00	—	—
5 IPS	16.67	16.67	0.02	0.02	0.02	0.02	—	—
6 PA (Shantou)	15.00	15.00	60.84	60.84	60.84	60.84	—	—
7 RPCL	15.00	15.00	249.75	249.75	249.75	249.75	—	—
Total investments accounted for under cost method			448.17	448.17	448.17	448.17		
Less: Allowance for impairment of investment			198.40	198.40	198.40	198.40		
Total investments accounted for under cost method, net			249.77	249.77	249.77	249.77		
Investments Accounted for Fair Value								
Other Companies — Available-For-Sale Securities:								
8 TIP	13.33	13.33	312.00	312.00	312.00	312.00	—	—
9 BAFS	7.06	7.06	24.00	24.00	24.00	24.00	—	—
10 BCP	7.91	7.91	105.32	105.32	105.32	105.32	—	—
Total investments — available-for-sale securities			441.32	441.32	441.32	441.32		
Add: Allowance for increase in fair value of investments			1,055.64	1,046.37	1,055.64	1,046.37		
Total investments accounted for fair value			1,496.96	1,487.69	1,496.96	1,487.69		
Total other long-term investments			1,746.73	1,737.46	1,746.73	1,737.46	—	—

7.3 Significant events during the three-month period ended March 31, 2005

PTT MART

On March 10, 2005, the Company on behalf of the unsecured creditor of PTT MART submitted a request to the Custodian for the receipt of repayment amounting to Baht 133.45 million.

The Company accounted for its investments in associates under the cost method adjusted by allowance for impairment of investments in the event that the Company intended to dispose them. These associates are PTT Mart and PA (Huizhou).

Allowance for impairment of investments in associates and other related companies totalling Baht 198.40 million comprises allowance for impairment of investments in PTT Mart, PA (Huizhou), FPT and PA (Shantou) amounting to Baht 78.40, 15.16, 44.00 and 60.84 million, respectively.

8. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment as at March 31, 2005 and December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated						
	Land	Buildings and buildings improvement	Machinery and equipment	Oil and Gas properties	Other assets	Construction in progress	Total
Cost							
At December 31, 2004	3,106.08	15,841.29	150,530.03	107,894.59	7,601.06	31,597.56	316,570.61
— Additions	—	111.69	319.12	2,546.83	41.22	10,222.87	13,241.73
— Borrowing costs	—	—	—	—	—	143.49	143.49
— Reclassification	—	499.42	11,622.77	0.17	(211.14)	(11,921.43)	(10.21)
— Disposals	—	(2.95)	(243.11)	(0.95)	115.04	(41.87)	(173.84)
— Currency translation differences	—	(0.40)	(0.47)	10.43	0.55	0.57	10.68
At March 31, 2005	3,106.08	16,449.05	162,228.34	110,451.07	7,546.73	30,001.19	329,782.46
Accumulated Depreciation							
At December 31, 2004	—	(7,687.14)	(66,907.54)	(46,156.31)	(4,927.70)	—	(125,678.69)
— Depreciation for the period	—	(166.97)	(1,337.73)	(1,953.33)	(166.46)	—	(3,624.49)
— Currency translation differences	—	(0.28)	1.51	(3.01)	0.21	—	(1.57)
— Reclassification	—	—	(0.03)	0.03	—	—	—
— Disposals	—	24.08	346.17	(199.18)	(40.06)	—	131.01
At March 31, 2005	—	(7,830.31)	(67,897.62)	(48,311.80)	(5,134.01)	—	(129,173.74)
Allowance for Impairment Loss							
At December 31, 2004	(42.87)	(373.13)	(288.72)	—	—	—	(704.72)
At March 31, 2005	(42.87)	(373.13)	(288.72)	—	—	—	(704.72)
Net Book Value							
At December 31, 2004	3,063.21	7,781.02	83,333.77	61,738.28	2,673.36	31,597.56	190,187.20
At March 31, 2005	3,063.21	8,245.61	94,042.00	62,139.27	2,412.72	30,001.19	199,904.00

Unit: Million Baht

	The Company					
	Land	Buildings and buildings improvement	Machinery and equipment	Other assets	Construction in progress	Total
Cost						
At December 31, 2004	2,659.86	11,462.45	94,240.51	7,148.38	20,606.70	136,117.90
— Additions	—	20.83	255.34	25.68	9,004.38	9,306.23
— Borrowing costs	—	—	—	—	142.34	142.34
— Reclassification	—	499.43	11,633.99	3.85	(12,143.35)	(6.08)
— Disposals	—	(2.92)	(35.04)	(12.29)	—	(50.25)
At March 31, 2005	2,659.86	11,979.79	106,094.80	7,165.62	17,610.07	145,510.14
Accumulated Depreciation						
At December 31, 2004	—	(6,190.20)	(49,203.74)	(4,784.03)	—	(60,177.97)
— Depreciation for the period	—	(128.17)	(1,235.71)	(156.50)	—	(1,520.38)
— Disposals	—	1.98	33.88	12.21	—	48.07
At March 31, 2005	—	(6,316.39)	(50,405.57)	(4,928.32)	—	(61,650.28)
Allowance for Impairment Loss						
At December 31, 2004	(42.87)	(373.13)	(244.96)	—	—	(660.96)
At March 31, 2005	(42.87)	(373.13)	(244.96)	—	—	(660.96)
Net Book Value						
At December 31, 2004	2,616.99	4,899.12	44,791.81	2,364.35	20,606.70	75,278.97
At March 31, 2005	2,616.99	5,290.27	55,444.27	2,237.30	17,610.07	83,198.90

Borrowing cost amounting to Baht 142.34 million (December 31, 2004: Baht 658.53 million) is capitalized as part of cost of property, plant and equipment. The Company uses capitalization rate of 5.90% (December 31, 2004: 6.11%).

As at March 31, 2005 and December 31, 2004, other assets include vehicles, which are acquired under financial leases in the consolidated financial statements amounting to Baht 48.79 million (December 31, 2004: Baht 56.91 million) and in the Company's financial statements amounting to Baht 48.20 million (December 31, 2004: Baht 56.27 million) as follows:

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Cost	83.98	83.98	82.99	82.99
Less: Accumulated depreciation	35.19	27.07	34.79	26.72
Net Book Value	48.79	56.91	48.20	56.27

9. INTANGIBLE ASSETS

Intangible assets as at March 31, 2005 and December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated	The Company
Net book value as at December 31, 2004	3,410.75	3,120.03
— Additions	824.24	59.59
— Disposals	(8.99)	—
— Amortization	(50.14)	(71.23)
— Other changes	10.23	6.42
Net book value as at March 31, 2005	4,186.09	3,114.81

10. ADVANCE PAYMENT FOR GAS PURCHASED

Advance payments for gas purchased as at March 31, 2005 and December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated	The Company
Balance as at December 31, 2004	22,745.52	28,276.78
Less: Make-up during the period	609.02	755.52
Balance as at March 31, 2005	22,136.50	27,521.26

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.

11. LONG-TERM LOANS

Long-term loans as at March 31, 2005 and December 31, 2004 are as follows:

Current portion of long-term loans

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Local loans	6,798.28	7,598.28	6,730.00	7,530.00
Foreign loans	725.34	53,059.72	399.53	399.00
Liabilities from finance leases	30.33	30.65	30.12	30.44
Total	7,553.95	60,688.65	7,159.65	7,959.44

Long-term loans

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Local loans	63,847.12	64,828.02	62,400.00	63,400.00
Foreign loans	11,112.79	8,579.94	2,948.36	2,944.47
Local bonds	36,500.00	36,500.00	34,000.00	34,000.00
Foreign bonds	31,004.09	30,959.14	15,567.93	15,543.63
Liabilities from finance leases	31.43	37.21	31.27	37.00
Total	142,495.43	140,904.31	114,947.56	115,925.10

As at March 31, 2005, long-term loans balance amounting to Baht 61,477.89 million (December 31, 2004: Baht 63,273.47 million) are secured by the Ministry of Finance.

11.1 Loans

Movements in local and foreign loans as at March 31, 2005 and December 31, 2004 are as follows:

Unit: Million

	Consolidated		
	Currency		**Total equivalent to Baht**
	Baht	**US Dollars**	
Balance as at December 31, 2004	63,950.74	241.29	81,730.62
— Additions	35.00	64.25	2,618.76
— Repayment	(1,817.07)	(1,335.00)	(1,817.07)
— Loss on foreign exchange	—	—	(48.78)
— Current portion	(6,798.28)	(18.48)	(7,523.62)
Balance as at March 31, 2005	55,370.39	(1,047.94)	74,959.91

Unit: Million

	The Company		
	Currency		**Total Equivalent to Baht**
	Baht	**US Dollars**	
Balance as at December 31, 2004	70,930.00	85.29	74,273.47
— Repayment	(1,800.00)	—	(1,800.00)
— Loss on foreign exchange	—	—	4.42
— Current portion	(6,730.00)	(10.18)	(7,129.53)
Balance as at March 31, 2005	62,400.00	75.11	65,348.36

11.2 Bonds

Bonds as at March 31, 2005 and December 31, 2004 are as follows:

	Consolidated			
	March 31, 2005		December 31, 2004	
	Million USD	Million Baht	Million USD	Million Baht
Unsecured unsubordinated bonds				
— USD currency	789.87	31,004.09	789.78	30,959.14
— Baht currency	—	36,500.00	—	36,500.00
Total	789.87	67,504.09	789.78	67,459.14

	The Company			
	March 31, 2005		December 31, 2004	
	Million USD	Million Baht	Million USD	Million Baht
Unsecured unsubordinated bonds				
— USD currency	396.59	15,567.93	396.50	15,543.63
— Baht currency	—	34,000.00	—	34,000.00
Total	396.59	49,567.93	396.50	49,543.63

In May 2004, the Company issued three lots of 19 million unsecured unsubordinated bonds with a face value of Baht 1,000 each, totalling Baht 19,000 million. The first lot of 15 million units has a redemption period of 8 years, to be redeemed in 2012 with the interest charged for years 1-4 at a fixed rate of 4.25% per annum and years 5-8 at a fixed rate of 5.75% per annum. The second lot of 3 million units has a redemption period of 12 years, to be redeemed in 2016 with the interest charged for years 1-6 at a fixed rate of 5.00% per annum and years 7-12 at a fixed rate of 5.95% per annum. The third lot of 1 million units has a redemption period of 15 years, to be redeemed in 2019 with the interest charged at a fixed rate of 5.90% per annum. The interest of all three lots was payable every 6 months.

In July 2004, The Company issued 400,000 unsecured unsubordinated bonds with a face value of USD 1,000 each, sold at a discounted price of 99.12% of the face value totalling USD 396.48 million with the interest charged at a fixed rate of 5.75% per annum, payable every 6 months and have a redemption period of 10 years, to be redeemed on August 1, 2014.

PTTEP issued 2,500,000 unsecured unsubordinated bonds with a face value of Baht 1,000 each, totalling Baht 2,500 million. The bonds bear interest at the rate of 4.625 % per annum, payable every 6 months and have a 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, totalling Yen 23 billion. The bonds bear interest at the 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 has entered into a 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 the rate of 7.86% per annum, and is payable every 6 months.

PTTEP guaranteed 200,000 unsubordinated bonds, which have been issued by PTTEP International Company Limited (a subsidiary of PTTEP) with a face value of USD 1,000 each, totalling USD 200 million. The bonds bear interest at the rate of 7.625% per annum, payable every 6 months and have a redemption period of 10 years, to be redeemed on October 1, 2006.

11.3 Liabilities from Finance Leases

Liabilities from finance leases as at March 31, 2005 and December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	March 31, 2005	**December 31, 2004**	**March 31, 2005**	**December 31, 2004**
Liabilities from finance leases				
— Not later than 1 year	33.24	34.23	33.03	34.02
— Later than 1 year and not later than 5 years	32.13	38.40	31.92	38.13
Future finance charges on finance leases	(3.61)	(4.77)	(3.56)	(4.71)
Present value of liabilities from finance leases	61.76	67.86	61.39	67.44
Present value of liabilities from finance leases				
— Current (Not later than 1 year)	30.33	30.65	30.12	30.44
— Non-current (Later than 1 year and not later than 5 years)	31.43	37.21	31.27	37.00
Total	61.76	67.86	61.39	67.44

12. PROVISION FOR DECOMMISSIONING COSTS

The Group recognized provision for liabilities as at March 31, 2005 and December 31, 2004 for decommissioning costs expected to incur in the future amounting to Baht 5,241.87 and 5,229.67 million, respectively. The provision has been estimated using existing technology and current prices.

13. SHARE CAPITAL

As at March 31, 2005 and December 31, 2004, the Company has authorized share capital of 2,850,000,000 shares with a par value of Baht 10 per share. The issued and fully paid-up share capital is 2,797,245,725 shares with a par value of Baht 10 per share.

14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares which held by third parties during the period.

Basic earnings per share in the consolidated and the Company's financial statements for the three-month periods ended March 31, 2005 and 2004 are as follows:

	2005	**2004**
Income before extraordinary items (Baht)	18,257,622,933	12,274,405,076
Extraordinary items (Baht)	7,738,280,775	—
Net income attributable to ordinary shareholders (Baht)	25,995,903,708	12,274,405,076
Weighted average number of ordinary shares which held by third parties during the period (shares)	2,797,245,725	2,797,245,725
Income before extraordinary items (Baht/share)	6.52	4.39
Extraordinary items (Baht/share)	2.77	—
Basic earnings per share (Baht/share)	9.29	4.39

For determining of diluted earnings per share, the Company assumed that warrants of the Group given to directors, management and employees that can be exercised are converted to ordinary shares. Exercising of those warrants resulted in the net income of the Group, recognized in the Company's financial statements, adjusted by decreasing in proportion of shareholders.

Diluted earnings per share in the consolidated and the Company's financial statements for the three-month periods ended March 31, 2005 and 2004 are as follows:

	2005	2004
Net income attributable to ordinary shareholders before extraordinary items (Baht)	18,257,622,933	12,274,405,076
Adjustment of net income (Baht)	(14,667,798)	(4,631,377)
Income before extraordinary items for calculation of diluted earnings per share (Baht)	18,242,955,135	12,269,773,699
Extraordinary items (Baht)	7,738,280,775	—
Net income for calculation of diluted earnings per share (Baht)	25,981,235,910	12,269,773,699

	2005	2004
Weighted average number of ordinary shares which held by third parties during the period (shares)	2,797,245,725	2,797,245,725
Income before extraordinary items (Baht/share)	6.52	4.39
Extraordinary items (Baht/share)	2.77	—
Diluted earnings per share (Baht/share)	9.29	4.39

As at March 31, 2005, 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 June 16, 1998 (one warrant provides the right to purchase two ordinary shares) to the directors, managements and employees with the exercised price of Baht 150 per share. On the last exercise dated September 14, 2003, but no employee exercised the warrants to purchase ordinary shares. However, the annual general meeting of the shareholders has a resolution to reallocate 2.4 million ordinary shares reserved for the exercise of rights under the newly issued warrants by PTTEP in 2004-2006.

The exercise of warrants to purchase ordinary shares by employees (Employee Stock Ownership Plan or ESOP) is for 5 consecutive years, totalling 10 million ordinary shares. As at March 31, 2005, the employees exercised the warrants to purchase 1.37 million shares (2003: 0.40 million shares, 2004: 0.93 million shares and 2005: 0.04 million shares). Therefore, the remaining balance of shares reserved is 8.63 million shares for;

— On August 1, 2002, PTTEP provided warrants to purchase 2 million units of ordinary shares (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 March 31, 2005, 0.92 million warrants have been exercised by 1,185 employees. Therefore, the remaining balances of warrants are 1.08 million units and shares reserved 1.08 million shares.

— On August 1, 2003, PTTEP provided warrants to purchase 2 million units of ordinary shares (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. As at March 31, 2005, 0.45 million warrants have been exercised by 646 employees. Therefore, the remaining balances of warrants are 1.55 million units and shares reserved 1.55 million shares.

— On August 1, 2004, PTTEP provided warrants to purchase 2.8 million units of ordinary shares (one warrant provides the right to purchase one ordinary share) to its directors, managements and employees with exercised price of 183 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, 2005.

— On March 31, 2005, remaining balance of 3.20 million ordinary shares was reserved for providing warrants.

15. OTHER INCOME

Other income for the three-month periods ended March 31, 2005 and 2004 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2005	**2004**	**2005**	**2004**
Bank interest income	411.25	197.47	571.11	152.62
Penalty income	92.21	61.69	91.77	61.69
Transportation income	832.62	299.27	1,346.94	299.27
Compensation for loan interest of advance payment for gas purchased	502.07	430.98	502.07	430.98
Gain on foreign exchange	784.05	236.55	316.15	128.75
Others	206.94	696.12	672.09	690.76
Total	2,829.14	1,922.08	3,500.13	1,764.07

Compensation for loan interest of advance payment for gas purchased (Take-or-Pay) is the Company's compensation from the Electricity Generating Authority of Thailand (EGAT) and the Independent Power Plant (IPP) to absorb interest on loans, raised by the Company for advance payment for gas purchased.

16. SHARE OF NET INCOME FROM INVESTMENTS UNDER EQUITY METHOD

Share of net income from investments under equity method for the three-month periods ended March 31, 2005 and 2004 include share of gain on foreign exchange as follows:

Unit: Million Baht

	Consolidated		The Company	
	2005	**2004**	**2005**	**2004**
Share of gain on foreign exchange	123.24	220.61	553.31	279.97

17. EXTRAORDINARY ITEMS

In November 2004, the board of directors of the Company approved a short-term loan to RRC amounting to USD 1,134.75 million (Baht 44,255.25 million) with interest rate of LIBOR +2.5% per annum for refinancing of RRC's loan. On January 17, 2005, the lender allowed to decrease loan to RRC amounting to USD 200.25 million (Baht 7,738.28 million) or 15% of the previous loan of USD 1,335 million. As a result, the loan was reduced to USD 1,134.75 million (Baht 44,255.25 million).

The gain from the loan restructuring of Baht 7,738.28 million (USD 200.25 million) was recorded as an extraordinary item in the consolidated income statement for the three-month period ended March 31, 2005.

18. 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 the revenues, operating results and assets more than 10% of consolidated revenues, operating results and total assets.

Financial information by business segments presented in the consolidated financial statements for the three-month periods ended March 31, 2005 and 2004 are as follows:

Consolidated

For the three-month period ended March 31, 2005

Unit: Million Baht

	Oil	Natural gas	Petroleum exploration and production	Refining	Petro chemical	Others	Elimination	Total
Sales — others	140,734.13	41,320.42	1,357.15	7,588.87	1,711.48	—	—	192,712.05
— related parties	23,416.00	5,594.78	11,765.24	24,476.84	—	—	(65,252.86)	—
Petroleum royalties	—	—	(1,550.79)	—	—	—	—	(1,550.79)
Net sales	164,150.13	46,915.20	11,571.60	32,065.71	1,711.48	—	(65,252.86)	191,161.26
Gross margin	3,073.10	9,635.96	8,910.97	3,655.06	71.67	—	151.47	25,498.23
EBITDA	2,088.18	9,879.24	9,454.50	3,346.13	20.56	(111.01)	(361.94)	24,315.66
Depreciation and amortization	506.82	1,161.09	2,028.02	7.98	62.68	3.57	(95.54)	3,674.62
EBIT	1,581.36	8,718.15	7,426.48	3,338.15	(42.12)	(114.58)	(266.40)	20,641.04
Share of net income in associates	0.02	10.15	30.83	—	—	5,724.57	—	5,765.57
Interest — net								(1,815.88)
Other income								1,435.33
Income taxes								(6,296.78)
Extraordinary items								7,738.28
Minority interests								(1,471.66)
Net Income								25,995.90

Consolidated

For the three-month period ended March 31, 2004

Unit: Million Baht

	Oil	Natural gas	Petroleum exploration and production	Others	Elimination	Total
Sales — others	102,329.90	35,110.97	960.17	—	—	138,401.04
— related parties	3.42	4,183.18	9,536.20	—	(13,722.80)	—
Petroleum royalties	—	—	(1,255.36)	—	—	(1,255.36)
Net sales	102,333.32	39,294.15	9,241.01	—	(13,722.80)	137,145.68
Gross margin	2,713.47	8,360.52	6,442.58	—	(31.21)	17,485.36
EBITDA	1,483.64	8,531.52	7,871.47	(58.66)	(20.98)	17,806.99
Depreciation and amortization	532.04	980.45	2,044.02	1.04	31.40	3,588.95
EBIT	951.60	7,551.07	5,827.45	(59.70)	(52.38)	14,218.04
Share of net income in associates	0.06	—	(109.93)	3,862.30	—	3,752.43
Interest — net						(1,705.02)
Other income						1,247.04
Income taxes						(4,024.53)
Minority interests						(1,213.55)
Net Income						12,274.41

Pricing among business groups uses normal market prices except for pricing among sectors within the Company using net market prices, net from the management fees of petroleum terminals and operation fees.

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

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

The Group categorizes segments for major businesses as follows:

Oil Business

The Group conducts oil business in both domestic and overseas, which can be categorized into 2 income generating activities as follows:

1. Oil marketing: marketing of petroleum products and lubricant products through retail marketing, commercial marketing and international marketing.

2. International oil trading: importing and exporting crude oil, petroleum products, raw materials and petrochemical products.

Natural Gas Business

The Group conducts a fully-integrated gas business including procurement, natural gas pipeline transmission, natural gas separation and distribution in both domestic and overseas.

Exploration and Production Petroleum Business

The Group conducts exploration and production petroleum business in both domestic and overseas. The Group is the operator and jointly investment with the leading exploration and production companies. Most domestic projects are located in the Gulf of Thailand. Overseas projects cover Asia Pacific and Middle East regions.

Petrochemical Business

The Group conducts petrochemical business including procurement of petroleum feedstock for petrochemical plants, processing and distribution of main petrochemical products and by products to serve for both domestic and overseas markets.

Refining Business

The Group conducts refining business including processing and distribution of finished oil products in both domestic and overseas customers.

Other operations of the Group mainly comprise other segments, none of which constitute a separately reportable segment.

19. ACQUISITIONS

During the first quarter of 2005, the Company acquired 3.26 million additional ordinary shares of PTTEP, a subsidiary, from third parties. This resulted in an increase in proportion of investment in PTTEP's share capital from 65.98% to 66.48%. The purchase consideration amounting to Baht 956.65 million and the carrying value of net assets amounting to Baht 285.26 million are the fair value of total net assets received on the acquisition date. Goodwill arising from the acquisition amounting to Baht 671.39 million is amortized using the straight-line method over the Reserve Life Index of PTTEP.

PTTEP provided its employees with exercise warrants to purchase ordinary shares according to the Employee Stock Ownership Plan (ESOP) for 5 consecutive years, totalling 10 million ordinary shares. As at March 31, 2005, employees exercised the warrants to purchase 1.37 million shares. Therefore, the remaining balance is 8.63 million shares reserved. Consequently, it effects gain on dilution of investments amounting to Baht 38.71 million. The gain on dilution was recorded as surplus on dilution of investments in subsidiaries and associates in shareholders' equity.

20. PROMOTIONAL PRIVILEGES

The Company received promotional privileges from the Board of Investment (BOI) under the Investment Act, B.E. 2520 (1977) for the Gas Separation Plant Unit #5 and the distribution gas pipeline to the Rojana Industrial Park. The promotional privileges include exemption on import duty approved from BOI and corporate income tax for net income from promotional business for 8 years starting from the date of first sales are realized. As the Company received promotional privileges from BOI, the Company has to comply with all conditions and regulations for the promotional operations as stated in the Promotion Certificate.

21. COMMITMENTS AND CONTINGENT LIABILITIES

21.1 A foreign contractor has a dispute with the Company and has filed a complaint with the arbitrator of the International Chamber of Commerce (ICC) with regard to a construction contract of onshore parallel gas pipeline laying from Rayong-Bangpakong-Wang Noi. Damage and legal costs approximately to USD 61 million have been claimed. On February 4, 2002, the arbitrator made the decision that the Company had to pay for damage and expenses incurred in the administration of the case amounting to USD 28.43 million, together with interest charge and fee for letter of guarantee. However, the Company has always contended with and retained rights concerning the arbitration and the judicial process on this dispute. On March 20, 2003, the Company contended with the enforcement according to arbitrator's decision, which such foreign contractor has already filed a complaint to the civil court. The case is under the court consideration. As at March 31, 2005, the Company recorded the damage including interest and expenses incurred totalling Baht 1,395.01 million as other non-current liabilities. Nevertheless, the Company as the plaintiff has filed against the foreign contractor as a defendant in the civil court for the delay of work submission which caused the Company damages approximately to Baht 4,274 million. The case is in the process of taking evidence and has no progress.

21.2 Commitments to subsidiaries, associates, joint ventures and other related companies are as follows:

The Company entered into the Shareholder's Commercial Support Arrangements with two associates according to a condition with a financial institution. The Company has obligations concerning commercial trade credits in form of extended credit for raw materials and/or advance product payment with credit limits of USD 100 million and USD 90 million. As at March 31, 2005, the commercial credit lines have not been used.

The Company has an obligation in form of an extended credit for raw materials to a foreign subsidiary with a credit limit of USD 70 million. The commercial credit line had been used amounting to USD 65.15 million. As at March 31, 2005, the remaining commercial trade credit was USD 4.85 million.

As at March 31, 2005, the Company had obligations concerning Shareholder Agreements to associates to pay for ordinary shares in accordance with the Company's interest amounting to Baht 3,573.51 million.

21.3 As at March 31, 2005, the Company had contingent liabilities which are Letter of Guarantee amounting to Baht 732.14 million in the consolidated financial statements and Baht 23.69 million in the Company's financial statements.

22. SUBSEQUENT EVENTS

22.1 At the Annual General Shareholders' meeting of the Company held on April 12, 2005, the shareholders approved the followings:

22.1.1 The payment of dividends at Baht 6.75 per share for 2,797,245,725 shares, totalling Baht 18,881.41 million. The Company paid the dividends on April 29, 2005,

22.1.2 To acknowledge the issue and offer of 60,000,000 warrants to the President, executives, employees of the Company and employees of the Company's affiliates held permanent office in the Company under the ESOP scheme. The issue and offer of warrants were classified into two series as follows:

Series one	40,000,000 warrants were allocated to the President, executives, employees of the Company and employees of the Company's affiliates held permanent office in the Company in 2005(PTT W-1)
Series two	20,000,000 warrants were allocated to the President, executives, employees of the Company and employees of the Company's affiliates held permanent office in the Company in 2006(PTT W-2), detail of which will be presented to the shareholders' meeting next year for approval

The shareholders' meeting approved the issue and offer of 40,000,000 warrants to be allocated to the President, executives, employees of the Company and employees of the Company's affiliates held permanent office in the Company in 2005 (PTT W-1).

22.1.3 The reduction of the Company's registered capital by cancelling 52,754,275 authorized but unissued shares at a par value of Baht 10 each amounting to Baht 527.54 million from the existing registered share capital of Baht 28,500 million. After the reduction, the Company will have the authorised share capital of Baht 27,972.46 million which comprises 2,797,245,725 shares at a par value of Baht 10 each.

22.1.4 The increase of the Company's registered capital for an additional amount of Baht 400 million from the existing share capital of Baht 27,972.46 million to the new registered capital of Baht 28,372.46 million, comprising 2,837,245,725 shares by issuing additional 40 million ordinary shares with a par value of Baht 10 each in reserve for the exercise of warrants by the President, executives, employees of the Company and employees of the Company's affiliates held permanent office in the Company.

22.2 On April 27, 2005, the Company together with NPC and BPE jointly established PTT Polymer Marketing Co., Ltd. (PTTPM) for the purpose of domestic and international marketing of polymer products of the Group. The initial authorized share capital of PTTPM was Baht 40 million, comprising 400,000 ordinary shares with a par value of Baht 100 per share. The shares held by the Company, NPC and BPE represent 50%, 25% and 25%, respectively.

22.3 On April 28, 2005, the Company's board of directors meeting no. 4/2005 approved the Company's investment in 31.5% of the total shares of Thai Petrochemical Industry Public Company Limited (TPI) and the major terms of the share purchase which have been mutually agreed between the Company and the Ministry of Finance (MOF). The Company intended to purchase approximately 6,142.50 million shares of TPI at an indicative share price of Baht 3.30 per share, equivalent to approximately Baht 20,270 million. However, the transaction and the indicative share price of TPI shares remain subject to satisfactory confirmatory due diligence of TPI and its subsidiaries, term and conditions of the Share Purchase Agreement (SPA) to be agreed upon, success of TPI rehabilitation plan and management control over TPI. The payment for TPI shares took place after TPI and its subsidiaries succeeded completely in the rehabilitation plan but no later than November 4, 2005 in accordance with the timeline set out in the TPI rehabilitation plan.

22.4 On April 4, 2005, PTTEP Offshore Investment Company Limited (PTTEPO) (a subsidiary of PTTEP) signed a Farm-out Agreement for Block B, offshore Cambodia, with Resourceful Petroleum Limited (RPL). PTTEPO will be the operator with a 40% participation interest. Participation will be valid after obtaining approval on the Production Sharing Contract from the Cambodian government.

22.5 On April 5, 2005, the annual general shareholders' meeting of PTTEP approved the issue and offering of warrants amounting to 2.8 million units (one warrant provided the right to purchase one ordinary share) to the directors, managements and employees with the exercise price of Baht 278 per share. The annual general shareholders' meeting also approved to increase its share capital to 2.8 million shares for these exercised warrants.

22.6 On April 12, 2005, RRC changed its status from a company limited to a public company limited with the Department of Business Development, Ministry of Commerce and changed its name from Rayong Refinery Co., Ltd. to Rayong Refinery Public Co., Ltd.

At the extraordinary shareholders' meeting no. 1/2005 of RRC on April 20, 2005, the shareholders approved a decrease in RRC's authorized share capital from 379,164,867 shares with a par value of Baht 100 each, totalling Baht 37,916,486,700 to 2,274,980,202 shares with a par value of Baht 10 each, totalling Baht 22,749,892,020. The purpose was to reduce the loss carried forward of RRC by Baht 15,166,594,680.

22.7 The Audit Committee of the Company will approve the financial statements for public issuance on May 12, 2005.

AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF PTT PUBLIC COMPANY LIMITED

The Office of the Auditor General of Thailand has audited the accompanying consolidated balance sheets of PTT Public Company Limited and subsidiaries and the balance sheets of PTT Public Company Limited as at December 31, 2004 and 2003, and the related consolidated and the Company's 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 and other auditors' reports. The financial statements of subsidiaries abroad, subsidiaries arising from incremental investments during the year, subsidiaries arising from jointly invested between PTT Public Company Limited and associates or others, joint ventures which are jointly invested between PTT Public Company Limited and others, and between subsidiaries and others were audited by other auditors and 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's financial statements. As at December 31, 2004, assets and liabilities of the above subsidiaries and joint ventures included in the consolidated financial statements constitute 34.06% and 22.74% and as at December 31, 2003 constitute 22.38% and 2.47%, 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Office of the Auditor General of Thailand believes that the audits together with the other auditors' reports as above-mentioned provide a reasonable basis for the opinion.

In the opinion of the Office of the Auditor General of Thailand based on the audits and other auditors' reports, the consolidated and the Company's financial statements referred to above present fairly, in all material respects, the financial position of PTT Public Company Limited and subsidiaries and of PTT Public Company Limited as at December 31, 2004 and 2003, and the results of operations, the changes in shareholders' equity, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying opinion on the financial statements, the Office of the Auditor General of Thailand draws attention to Note 3 with regard to changes in accounting policies.

(Signed) Satja Sasanavin
(Satja Sasanavin)
Deputy Auditor General for Auditor General

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

February 16, 2005

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS
AS AT DECEMBER 31, 2004 AND 2003
Unit: Baht

	Notes	Consolidated		The Company	
		2004	**2003**	**2004**	**2003**
			(Restated)		**(Restated)**
ASSETS					
Current Assets					
Cash and cash equivalents	4	46,791,836,710	56,452,009,550	12,621,621,594	36,967,351,408
Current investments	5	56,359,695,827	6,343,944,148	46,652,712,981	3,947,814,595
Trade accounts and notes receivable — others, net	6	45,329,269,869	31,603,420,672	38,594,240,286	30,661,944,565
Trade accounts receivable — related parties, net	7.1	12,085,764,652	12,448,681,275	18,784,297,134	12,431,341,766
Other accounts receivable, advances and short-term loans — related parties, net	7.2	1,268,447,816	1,299,840,948	3,122,996,981	1,730,784,943
Inventories	8	11,144,338,142	3,766,593,380	4,548,656,167	3,701,322,749
Materials and supplies — net	9	2,663,175,058	1,844,623,839	1,155,603,181	1,007,744,490
Other current assets	10	19,939,150,168	11,306,667,935	14,389,962,278	10,205,275,329
Total Current Assets		195,581,678,242	125,065,781,747	139,870,090,602	100,653,579,845
Non-current Assets					
Investments accounted for under equity method	11.3,11.4	54,910,078,246	33,923,959,237	97,161,761,442	55,520,606,230
Other long-term investments	12.2,12.3	1,737,458,010	1,008,140,127	1,737,458,000	1,008,140,117
Advances and long-term loans — related parties, net	7.3	7,429,027,767	4,096,099,907	7,429,027,767	4,096,099,907
Property, plant and equipment — net	13	190,187,203,814	122,249,885,129	75,278,966,808	65,602,062,768
Intangible assets	14	3,410,752,158	4,724,482,670	3,120,029,443	3,107,296,272
Deferred tax assets	15	1,655,646,464	1,639,371,718	1,597,180,069	1,583,686,286
Advance payment for gas purchased	16	22,745,521,554	26,352,053,274	28,276,775,987	32,678,290,625
Other non-current assets	17	9,568,868,622	5,271,009,281	5,490,171,638	4,542,813,536
Total Non-current Assets		291,644,556,635	199,265,001,343	220,091,371,154	168,138,995,741
Total Assets		487,226,234,877	324,330,783,090	359,961,461,756	268,792,575,586

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS
AS AT DECEMBER 31, 2004 AND 2003
Unit: Baht

	Notes	Consolidated		The Company	
		2004	**2003**	**2004**	**2003**
			(Restated)		**(Restated)**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Bank overdrafts and short-term loans from financial institutions	18	11,760,750,000	181,974,620	11,760,750,000	—
Trade accounts payable — others		24,175,153,957	20,837,934,397	22,608,672,717	20,383,028,672
Trade accounts payable — related parties	7.4	12,216,383,280	9,977,029,021	18,068,479,516	13,244,213,482
Other accounts payable — related parties	7.5	182,983,719	484,235,020	144,219,010	641,550,242
Current portion of long-term loans	20	60,688,648,039	17,764,279,503	7,959,441,241	17,764,068,603
Other short-term loans		868,436,250	—	—	—
Income tax payable		12,314,158,164	8,217,192,631	2,675,905,439	2,428,350,890
Accrued expenses		10,317,852,006	6,852,050,855	4,984,311,092	3,453,650,470
Other current liabilities	19	6,387,770,731	5,028,470,734	3,379,700,814	3,837,373,937
Total Current Liabilities		138,912,136,146	69,343,166,781	71,581,479,829	61,752,236,296
Non-current Liabilities					
Other long-term accounts payable — related parties	7.6	—	15,531,185	14,565,509	15,531,185
Long-term loans	20	140,904,310,498	107,460,872,933	115,925,102,343	89,335,556,793
Allowance for share of net loss over investments	11.3,11.5	—	—	1,597,942,764	—
Deferred tax liabilities	15	10,257,015,755	9,173,587,580	—	—
Provision for decommissioning costs	21	5,229,671,609	3,910,318,062	—	—
Deposits on LPG cylinders		3,711,089,732	3,456,994,768	3,711,089,732	3,456,994,768
Other non-current liabilities	22	3,297,047,976	2,028,798,980	2,757,094,602	1,910,018,487
Total Non-current Liabilities		163,399,135,570	126,046,103,508	124,005,794,950	94,718,101,233
Total Liabilities		302,311,271,716	195,389,270,289	195,587,274,779	156,470,337,529

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES
BALANCE SHEETS
AS AT DECEMBER 31, 2004 AND 2003
Unit: Baht

	Notes	Consolidated		The Company	
		2004	**2003**	**2004**	**2003**
			(Restated)	**0**	**(Restated)**
Shareholders' Equity					
Share capital					
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	23	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
Surplus on dilution of investments in subsidiaries and associates		2,089,284,252	1,966,620,101	2,089,284,252	1,966,620,101
Unrealized gain on available-for-sale securities		1,046,367,181	550,400,000	1,046,367,181	550,400,000
Currency translation differences		(765,711,742)	(721,543,059)	(765,711,742)	(721,543,059)
Retained earnings					
Appropriated					
Legal reserve	24.1	2,850,000,000	2,850,000,000	2,850,000,000	2,850,000,000
Reserve for Self-Insurance Fund	24.2	811,830,329	776,993,833	811,830,329	776,993,833
Unappropriated		112,377,129,041	60,934,479,266	112,377,129,041	60,934,479,266
Total parent's shareholders' equity		164,374,186,977	112,322,238,057	164,374,186,977	112,322,238,057
Minority interests		20,540,776,184	16,619,274,744	—	—
Total Shareholders' Equity		184,914,963,161	128,941,512,801	164,374,186,977	112,322,238,057
Total Liabilities and Shareholders' Equity		487,226,234,877	324,330,783,090	359,961,461,756	268,792,575,586

Notes to financial statements form an integral part of these financial statements.

(Signed) Prasert Bunsumpun
(Prasert Bunsumpun)
President

(Signed) Pichai Chunhavajira
(Pichai Chunhavajira)
Senior Executive Vice President,
Corporate Finance & Accounting

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
Unit: Baht

	Notes	Consolidated		The Company	
		2004	**2003**	**2004**	**2003**
			(Restated)		**(Restated)**
Sales	26	644,673,052,334	489,713,413,115	614,258,390,407	474,626,467,278
Cost of sales		565,826,824,588	425,666,104,715	567,781,890,755	436,482,335,268
Gross Margin		78,846,227,746	64,047,308,400	46,476,499,652	38,144,132,010
Selling and administrative expenses		18,617,581,968	13,832,822,948	15,411,488,181	11,395,999,879
Exploration expenses		401,041,926	2,311,755,940	—	—
Income from Sales		59,827,603,852	47,902,729,512	31,065,011,471	26,748,132,131
Other incomes	27	9,235,008,617	6,679,054,779	8,598,533,315	5,591,780,362
Directors' remuneration		55,363,666	48,405,770	22,932,500	19,805,070
Income from Operations		69,007,248,803	54,533,378,521	39,640,612,286	32,320,107,423
Share of net income from investments under equity method	28	26,741,966,641	10,342,213,493	37,240,047,238	17,776,989,907
Income before Interests and Taxes		95,749,215,444	64,875,592,014	76,880,659,524	50,097,097,330
Interest expenses	31	8,465,019,526	8,070,040,812	6,885,397,229	6,084,819,443
Income taxes	15	18,676,570,512	14,413,925,589	7,328,793,124	6,432,696,357
Income after Taxes		68,607,625,406	42,391,625,613	62,666,469,171	37,579,581,530
Income of minority interests		5,941,156,235	4,812,044,083	—	—
Net Income		62,666,469,171	37,579,581,530	62,666,469,171	37,579,581,530
Earnings per share					
Basic earnings per share	25	22.40	13.43	22.40	13.43
Diluted earnings per share	25	22.39	13.43	22.39	13.43

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
CONSOLIDATED
Unit: Baht

	Notes	Issued and paid-up share capital	Premium on share capital	Surplus on dilution of investments	Unrealized gain (loss) on available-for-sale securities	Currency translation differences	Legal reserve	Reserve for Self-Insurance Fund	Retained earnings	Minority interests	Total
											(Restated)
Balance as at January 1, 2003		27,972,457,250	17,992,830,666	—	209,600,000	(403,354,164)	2,850,000,000	723,873,357	31,513,067,548	15,939,583,071	96,798,057,728
Cumulative effect of the change in accounting policy	3.1	—	—	—	—	—	—	—	(132,899,020)	—	(132,899,020)
Balance after adjustment		27,972,457,250	17,992,830,666	—	209,600,000	(403,354,164)	2,850,000,000	723,873,357	31,380,168,528	15,939,583,071	96,665,158,708
Currency translation differences		—	—	—	—	(318,188,895)	—	—	—	—	(318,188,895)
Unrealized gain on available-for-sale securities		—	—	—	340,800,000	—	—	—	—	—	340,800,000
Minority interests		—	—	—	—	—	—	—	—	679,691,673	679,691,673
Surplus on dilution of investments in subsidiaries and associates	3.2	—	—	1,966,620,101	—	—	—	—	—	—	1,966,620,101
Reserve for Self-Insurance Fund		—	—	—	—	—	—	53,120,476	(53,120,476)	—	—
Dividend paid		—	—	—	—	—	—	—	(7,972,150,316)	—	(7,972,150,316)
Net income		—	—	—	—	—	—	—	37,579,581,530	—	37,579,581,530
Balance as at December 31, 2003		27,972,457,250	17,992,830,666	1,966,620,101	550,400,000	(721,543,059)	2,850,000,000	776,993,833	60,934,479,266	16,619,274,744	128,941,512,801
Currency translation differences		—	—	—	—	(44,168,683)	—	—	—	—	(44,168,683)
Unrealized gain on available-for-sale securities		—	—	—	495,967,181	—	—	—	—	—	495,967,181
Minority interests		—	—	—	—	—	—	—	—	3,921,501,440	3,921,501,440
Surplus on dilution of investments in subsidiaries and associates	11.4	—	—	122,664,151	—	—	—	—	—	—	122,664,151
Reserve for Self-Insurance Fund	24.2	—	—	—	—	—	—	34,836,496	(34,836,496)	—	—
Dividend paid		—	—	—	—	—	—	—	(11,188,982,900)	—	(11,188,982,900)
Net income		—	—	—	—	—	—	—	62,666,469,171	—	62,666,469,171
Balance as at December 31, 2004		27,972,457,250	17,992,830,666	2,089,284,252	1,046,367,181	(765,711,742)	2,850,000,000	811,830,329	112,377,129,041	20,540,776,184	184,914,963,161

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
THE COMPANY
Unit: Baht

	Notes	Issued and paid-up share capital	Premium on share capital	Surplus on dilution of investments	Unrealized gain (loss) on available-for-sale securities	Currency translation differences	Legal reserve	Reserve for Self-Insurance Fund	Retained earnings	Total
										(Restated)
Balance as at January 1, 2003		27,972,457,250	17,992,830,666	—	209,600,000	(403,354,164)	2,850,000,000	723,873,357	31,513,067,548	80,858,474,657
Cumulative effect of change in accounting policy	3.1	—	—	—	—	—	—	—	(132,899,020)	(132,899,020)
Balance after adjustment		27,972,457,250	17,992,830,666	—	209,600,000	(403,354,164)	2,850,000,000	723,873,357	31,380,168,528	80,725,575,637
Currency translation differences		—	—	—	—	(318,188,895)	—	—	—	(318,188,895)
Unrealized gain on available-for-sale securities		—	—	—	340,800,000	—	—	—	—	340,800,000
Surplus on dilution of investments in subsidiaries and associates	3.2	—	—	1,966,620,101	—	—	—	—	—	1,966,620,101
Reserve for Self-Insurance Fund		—	—	—	—	—	—	53,120,476	(53,120,476)	—
Dividend paid		—	—	—	—	—	—	—	(7,972,150,316)	(7,972,150,316)
Net income		—	—	—	—	—	—	—	37,579,581,530	37,579,581,530
Balance as at December 31, 2003		27,972,457,250	17,992,830,666	1,966,620,101	550,400,000	(721,543,059)	2,850,000,000	776,993,833	60,934,479,266	112,322,238,057
Currency translation differences		—	—	—	—	(44,168,683)	—	—	—	(44,168,683)
Unrealized gain on available-for-sale securities		—	—	—	495,967,181	—	—	—	—	495,967,181
Surplus on dilution of investments in subsidiaries and associates	11.4	—	—	122,664,151	—	—	—	—	—	122,664,151
Reserve for Self-Insurance Fund	24.2	—	—	—	—	—	—	34,836,496	(34,836,496)	—
Dividend paid		—	—	—	—	—	—	—	(11,188,982,900)	(11,188,982,900)
Net income		—	—	—	—	—	—	—	62,666,469,171	62,666,469,171
Balance as at December 31, 2004		27,972,457,250	17,992,830,666	2,089,284,252	1,046,367,181	(765,711,742)	2,850,000,000	811,830,329	112,377,129,041	164,374,186,977

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
Unit: Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
		(Restated)		**(Restated)**
Cash Flows from Operating Activities				
Net income	62,666,469,171	37,579,581,530	62,666,469,171	37,579,581,530
Adjustment net income to net cash provided by (used in) operating activities:				
Depreciation, depletion and amortization	14,222,054,231	11,259,257,142	5,898,115,880	5,723,595,879
Impairment loss	72,427,586	82,005,640	28,664,014	82,005,640
(Gain) Loss on disposal of assets	37,924,494	5,100,606	9,467,101	(6,401,082)
Gain on disposal of investments	(338,242,703)	(166,177,019)	(15,205,972)	(166,177,019)
Write-off assets adjustment	22,312,028	(40,576,373)	22,868,710	(40,417,190)
Allowance for obsolescence of materials and supplies	2,607,290	6,555,081	2,607,290	6,555,081
Share of net income from investments under equity method	(26,741,966,641)	(10,987,836,873)	(37,240,047,238)	(17,776,989,907)
Income of minority interests	5,941,156,235	4,386,763,887	—	—
(Gain) loss on foreign exchange	(587,581,618)	(2,181,164,972)	314,286,645	(501,497,738)
Doubtful accounts	944,269,966	111,913,885	232,102,195	100,672,345
Amortization of exploration cost	24,175,401	2,031,986,659	—	—
Amortization of bond issue expenses	9,575,521	9,575,521	—	—
Amortization of bond discounts	1,108,849	1,108,849	—	—
Deferred income taxes	1,088,646,917	1,539,814,995	(13,493,783)	24,890,126
Amortization of deferred interest from finance leases	4,359,816	15,011,627	4,333,916	14,992,202
Dividend income	(43,680,000)	(36,720,000)	(43,680,000)	(36,720,000)
Allowance for withdrawal from joint ventures	(481,831,169)	—	(481,831,169)	—
Write off withholding tax	139,924,607	—	—	—
Net income from operating activities before changes in operating assets and liabilities	56,983,709,981	43,616,200,185	31,384,656,760	25,004,089,867

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
Unit: Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
		(Restated)		**(Restated)**
Changes in operating assets (increase) decrease				
Trade accounts and notes receivable — others	(6,966,942,277)	4,398,782,740	(7,973,594,849)	4,799,589,230
Trade accounts receivable — related parties	3,977,518,369	20,850,624	(4,884,202,147)	820,142,985
Other accounts receivable, advances and short-term loans - related parties	144,198,741	(873,056,301)	(837,799,155)	155,986,922
Inventories	(125,276,366)	(1,765,571,731)	(847,333,418)	(1,752,911,077)
Materials and supplies	(569,192,280)	(3,931,400)	(110,875,046)	(13,916,773)
Other current assets	(83,403,313)	(246,447,537)	(15,385,731)	72,504,444
Prepaid expenses	(1,345,112,360)	25,796,060	(1,313,915,075)	25,791,390
Advance payment for gas purchased	3,606,531,721	1,760,002,258	4,401,514,639	1,890,215,111
Accrued income	976,584,992	(4,006,269,662)	1,132,078,294	(4,191,065,352)
Other accounts receivable	(6,360,443,953)	6,232,969,062	(6,075,602,293)	6,486,642,502
Long-term advances — related parties	430,939	—	430,939	—
Other non-current assets	(970,936,000)	(666,966,257)	(947,416,637)	(558,921,917)
Changes in operating liabilities increase (decrease)				
Income tax payable	4,101,598,245	1,534,244,818	247,554,548	(551,476,959)
Trade accounts payable — others	3,005,122,830	(3,503,952,147)	2,287,050,721	(3,063,043,728)
Trade accounts payable — related parties	(3,716,179,634)	3,034,919,279	4,813,988,750	2,314,202,411
Other accounts payable — related parties	(422,600,592)	859,898,816	(498,512,292)	(76,026,712)
Accrued expenses	2,968,932,075	(369,897,418)	1,086,262,964	(308,202,005)
Other current liabilities	378,707,734	(192,119,380)	350,379,527	(260,472,532)
Deposits on LPG cylinders	254,094,964	307,887,326	254,094,964	307,887,326
Pension fund	4,170,055	7,838,755	4,170,055	7,838,755
Other accounts payable	690,155,545	2,141,135,498	1,127,564,889	1,884,507,888
Other long-term accounts payable — related parties	—	(965,676)	(965,676)	(965,676)
Other non-current liabilities	1,303,645,121	585,087,595	875,784,867	530,444,287
	851,604,556	9,280,235,322	(6,924,727,162)	8,518,750,520
Net cash provided by operating activities	57,835,314,537	52,896,435,507	24,459,929,598	33,522,840,387

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
Unit: Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
		(Restated)		**(Restated)**
Cash Flows from Investing Activities				
Proceeds from disposal of property, plant and equipment	9,516,565	16,721,427	6,031,189	16,721,427
Payment of property, plant and equipment	(39,667,260,887)	(19,801,683,207)	(15,032,109,624)	(7,249,593,326)
Payment of intangible assets	(588,364,559)	(251,361,432)	(300,103,695)	(219,313,702)
Long-term loans — related parties	(39,528,229)	(135,100,000)	(39,528,229)	(135,100,000)
Short-term loans	(2,903,764,720)	—	—	—
Short-term loans to related parties	(1,235,000,000)	(653,580,000)	(7,935,387,040)	(653,580,000)
Payment of investments in subsidiaries	(6,365,296,772)	(664,302,014)	(6,554,296,772)	(664,792,014)
Payment of investments in joint ventures	—	—	(1,818,456,107)	(2,368,913,429)
Payment of investments in associates	(2,929,701,200)	(1,739,570,033)	(4,459,382,440)	(1,739,570,033)
Payment of investments in other companies	(250,458,240)	—	(250,458,240)	—
Cash received from disposal of long-term investments	3,550,456,833	158,208,679	2,094,351,078	158,110,520
Cash received from long-term loans to related parties	—	45,000,000	—	45,000,000
Cash received from short-term loans	2,296,494,020	—	—	—
Cash received from short-term loans to related parties	1,911,080,000	7,500,000	7,404,294,640	7,500,000
Cash refund from investments in other companies	19,037,780	3,600,815	19,037,780	3,600,815
Payment of current investments	(52,714,275,359)	(5,198,311,174)	(45,258,512,639)	(2,802,181,622)
Dividends received	951,533,200	1,174,990,035	3,652,458,375	3,271,407,300
Net cash used in investing activities	(97,955,531,568)	(27,037,886,904)	(68,472,061,724)	(12,330,704,064)
Cash Flows from Financing Activities				
Cash received from issuing ordinary shares	293,790,000	44,178,000	—	—
Cash received from issuing preferred stock	—	510,000	—	—
Proceeds from long-term loans	5,339,360,913	—	—	—
Cash received from issuing bonds	35,210,631,955	17,500,000,000	35,210,631,955	15,000,000,000
Proceeds from short-term loans	27,578,280,921	—	24,781,980,000	—
Cash received from notes payable	—	220,000,000	—	220,000,000
Repayment of long-term loans	(16,707,341,965)	(4,560,444,720)	(14,074,949,818)	(2,395,249,720)
Redemption of bonds	(3,300,000,000)	(5,919,480,000)	(3,300,000,000)	(5,919,480,000)
Repayment of short-term loans	(13,609,872,611)	—	(11,712,150,000)	—
Repayment of notes payable	—	(220,000,000)	—	(220,000,000)
Payment of liabilities from finance leases	(49,189,991)	(102,306,219)	(48,979,091)	(102,095,319)
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(181,974,620)	162,563,738	—	(19,410,882)
Dividend paid	(12,911,654,610)	(9,589,708,846)	(11,188,982,900)	(7,972,150,316)
Net cash provided by (used in) financing activities	21,662,029,992	(2,464,688,047)	19,667,550,146	(1,408,386,237)

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
Unit: Baht

		Consolidated		The Company	
	Notes	**2004**	**2003**	**2004**	**2003**
			(Restated)		**(Restated)**
Effects of exchange rate on cash and cash equivalents		(153,615,894)	(264,969,464)	(1,147,834)	(3,212,460)
Currency translation differences		(162,694,583)	(295,877,641)	—	—
Net increase (decrease) in cash and cash equivalents		(18,774,497,516)	22,833,013,451	(24,345,729,814)	19,780,537,626
Cash and cash equivalents at beginning of periods		56,452,009,550	33,618,996,099	36,967,351,408	17,186,813,782
Cash at beginning of period of associates transformed to subsidiaries and cash from acquisitions		9,114,324,676	—	—	—
Cash and cash equivalents at end of periods	4	46,791,836,710	56,452,009,550	12,621,621,594	36,967,351,408
Supplemental disclosures of cash flows information					
Cash paid during the period for					
Interest expenses		8,536,322,532	8,106,945,451	7,003,017,312	6,232,989,862
Income taxes		15,000,775,324	10,237,318,669	6,206,911,996	5,697,526,213

Notes to financial statements form an integral part of these financial statements.

1. GENERAL INFORMATION

PTT Public Company Limited ("the Company") is incorporated as a public limited company, and is listed on the Stock Exchange of Thailand.

The Head Office of the Company is 555 Vibhavadi-Rangsit Road, 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, petrochemical business and other related businesses as described in Note 32 to be Segmented Financial Information.

As at December 31, 2004 and 2003, the Group has operated in 12 countries and employed over 5,698 people (2003: 4,262 people) and staff cost of the Group for the year ended December 31, 2004 is Baht 5,668.79 million (2003: Baht 5,067.43 million).

2. ACCOUNTING POLICIES

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

2.1 Basis for Preparation of Financial Statements

The consolidated and the Company's 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 under the Accounting Profession Act B.E. 2547 (2004), and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535 (1992).

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. 2544 (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 jurisdictions. The accompanying consolidated and the Company's 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's financial statements are addressed to those who are informed about Thai generally accepted accounting principles and practices.

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

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

During 2004, the Group's accounting structure for preparing consolidated and the Company's financial statements had been changed as follows:

The Group acquired additional ordinary shares of PTT Natural Gas Distribution Co., Ltd.(PTTNGD), the Subic Bay Group (comprises Subic Bay Energy Co., Ltd, Subic Bay Fuels Co., Inc. and Subic Bay Distribution, Inc.), Thai Lube Base Public Co., Ltd., Bangkok Polyethylene Public Co., Ltd. and Rayong Refinery Co., Ltd. From the additional investments, these companies have become subsidiaries of the Group during the year.

The Group acquired ordinary shares of the companies incorporated during the year 2004, which are PTT LNG Company Limited, PTT Polyethylene Co., Ltd. and Energy Complex Company Limited. These companies have status as subsidiaries. Moreover, the Group had incorporated PTT Phenol Company Limited and PTT Utility Company Limited, which have status as associates.

The above companies were included in the consolidated and the Company's financial statements for the year ended December 31, 2004 as described 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 the 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. Attention is directed to the substance of the control, and not merely the legal form.

Subsidiaries are consolidated from the date on which effective 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 compensations from the Group plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the identifiable net assets and liabilities of the subsidiary acquired is recorded as goodwill according to Note 2.15 for the accounting policy on goodwill. Intercompany transactions, balances and unrealized gains or losses on transactions among companies in the Group are fully eliminated except for unrealized losses which are not recoverable by the Group in the future. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the accounting policies adopted by the Group. Minority interests are presented separately in the consolidated balance sheet and the consolidated statement of income.

Investments in subsidiaries have been presented in the Company's financial statements 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's 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 in the shareholders' equity of associates are adjusted against the cost of investments. Associates are entities over which the Group has significant influence, but 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 investments in associates include 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 in liabilities or made payments on behalf of the associates. Where necessary, accounting policies of associates have been changed to ensure consistency with the accounting policies adopted by the Group.

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 includes its share of the joint ventures' individual income and expenses, assets, liabilities and cash flows 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 is attributable to other joint ventures. 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 sells 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. Where necessary, accounting policies of 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's financial statements under the equity method.

Investments in jointly controlled assets are accounted for by proportionate consolidation in the consolidated financial statements. Under this method, the Group includes its share of the joint ventures' individual expenses, assets and liabilities in the relevant components of the financial statements based on its Joint Operating Agreements.

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

2.6 Other Investments

Investments other than investments in subsidiaries, associates and joint ventures are classified as available-for-sale securities, held-to-maturity 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 is credited/charged against unrealized gains/losses on investment in available-for-sale securities in shareholders' equity. Fair value is calculated by reference to the current bid prices of the Stock Exchange of Thailand at the balance sheet date.

Investments in non-marketable equity securities which are classified as general investments are carried at cost in the balance sheet and adjusted by investment impairment to recognize the unrealized losses on investments if the value of investments decreases substantially. 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. Impairment loss is recognized in the statement of income immediately.

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 a 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 Related Parties

Enterprises or individuals which are related parties of the Company mean who control or are controlled directly or indirectly or are under common control by the Company, including holding companies, subsidiaries and follow subsidiaries. Moreover, these include associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, key management personnel, directors or employees of the Company.

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

2.8 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 into Baht by the historical rate. Revenue and expenses are translated into Baht by the average rate during the period. Differences arising from currency translations are recognized as revenue or expenses in the statement of income.

The Group translated assets and liabilities of overseas jointly controlled entities into Baht by the closing rate at the balance sheet date, whereas the income statement is translated by the average rate during the period. Differences arising from currency translation have been shown under the caption of "currency translation differences" in shareholders' equity.

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 from translations are taken directly to shareholders' equity.

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

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 within three months. In the balance sheet, bank overdrafts and short-term loans from financial institutions are included in borrowings in current liabilities.

2.10 Trade Accounts and Notes Receivable

Trade accounts receivable are carried at net realizable value. An estimate is made for doubtful accounts receivable based on a percentage of all outstanding receivables at the balance sheet date. Moreover, the expected non-collectible amounts based on a review of receivables' repayment history and current financial status.

2.11 Advance Payment for Gas Purchased under Take-or-Pay Agreement

The Company has entered into a 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 or net realizable value. Cost is determined by the weighted average cost method. The subsidiaries and some associates apply the first-in, first-out (FIFO) or last-in, first-out (LIFO) methods to determine the inventory costs which the effect of different accounting policies for inventories is 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. Allowance is recognized for obsolete, slow-moving and defective inventories.

2.13 Materials 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 Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost less accumulated depreciation and allowance for impairment.

Repair and maintenance costs are recognized to the income statement during financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits exceed the originally assessed standard of performance of the existing asset. Major renovations are depreciated over the remaining useful life of the related asset.

General Properties

Depreciation is calculated on the straight-line method 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 higher than net realizable value, which is the higher of the anticipated discounted cash flows from the continuing use of the asset or the obtainable amount from the sale of the asset less any costs of disposal, it is written-down immediately to its net realizable value. The decreasing amount is recorded in statement of income.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from sales with carrying amount on the disposal date, 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 income on the temporary investments of those borrowings.

Oil and Gas Exploration and Production Properties

The exploration and production group accounts for its oil and gas exploration and production properties in accordance with the successful efforts method, which has accounting policies as follows:

Cost of Properties

Cost of properties comprises 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 in the statement of income.

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

Depreciation, Depletion and Amortization
Capitalization of acquisition costs of concession right is 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 projects 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 is charged to the statement of income.

2.15 Intangible Assets
Intangible assets include expenditures on leasehold rights of land and/or buildings, land rights, other operation right, patents and goodwill. 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 identifiable assets and liabilities of the acquired subsidiaries, associates or joint ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures is reported in the balance sheet as an intangible asset and is amortized using the straight-line method over a maximum economic useful life of 20 years.

The carrying amounts 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.

2.16 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 lower of estimated present value of the underlying lease payments or fair value. Each minimum 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 lease liability less finance charges are recognized as long-term loans. Finance cost is charged as expenses in the statement of income over the lease period. Depreciation is charged on the shorter of the straight-line method over the estimated useful life of the relevant category of asset or lease period. However, if there is a certainty that the ownership of plant and equipment will be transferred to the lessee at the end of lease period, depreciation is charged over the estimated useful lives of those assets.

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 expenses 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 records provision for decommissioning costs whenever it is probable that there is an obligation as a result of the past event and the reliable amount of obligation.

The Group recognizes 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 judgment.

2.18 Pension Fund and Provident Fund

The Company contributes monthly to the Pension Fund at the rate of 10% of its employees' salaries, and also contributes additional amount to provide an adequate reserve at the rate of 100% of the obligation which due at the end of accounting period. Contributions are included in other non-current liabilities in the balance sheet. Interests earned from the assets of Pension Fund are recognized as income, while contributions to the fund are recognized as expenses in the statement of income.

The Company established a provident fund under the name of "The Registered Provident Fund of PTT Public Company Limited 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 either the Pension Fund or the provident fund. The Company contributes monthly to the Provident Fund at the rate of 10% of employees' salaries and recognizes as expenses in the statement of income.

The Group establishes a provident fund that is managed by an independent fund manager. The Group contributes monthly to the Provident Fund in a required rate and records as expenses in the statement of income for the period in which the contributions occur.

2.19 Income Taxes

The Group is taxed for the non-promotional businesses pursuant to the Revenue Code of Thailand and the Petroleum Income Tax Act B.E. 2514 (1971) and Amendment B.E. 2532 (1989) and the Corporate Income Taxes of Southeast Asian countries in which the Group has invested.

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, accumulated depreciation on property, plant and equipment, including the previous loss carried forward taxes and the difference of fair value of derived assets and the tax base.

Tax rates enacted at 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' rights to receive payment are established.

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

2.21 Earnings Per Share

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

For the diluted earnings per share, the Group adjusts net income attributable to ordinary shares. The weighted average number of ordinary shares held by third parties in issue is adjusted by the Group to assume conversion of all potential diluted ordinary shares.

2.22 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 rates, interest rates and oil market prices. These instruments mainly comprise:

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 statements on 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 statements on inception. Cross-currency contracts protect foreign monetary assets and liabilities transactions 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 related to oil business under the oil purchase and sale agreement by determining the future price and recognized gain or loss in the statement of income at the end of contracts.

Risk management's policy is described in Note 33 "Disclosure of Financial Instruments".

2.23 Reclassification
Where necessary, some comparative figures in the consolidated and the Company's financial statements for the year ended December 31, 2003 have been adjusted to confirm with changes in financial presentation in the consolidated and the Company's financial statements for the year ended December 31, 2004 which are not significant material to previous income statement.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Determination of Cost of Inventories and Provision for Decommissioning Costs
During 2004, the Company changed the determination of cost of inventories from the first-in, first-out method to the weighted average cost method. The Company restated the 2003 financial statements. The effect of this change to inventories and retained earnings at the same amount as at January 1, 2003 is decreased of Baht 132.90 million and as at January 1, 2004 is increased of Baht 12.33 million. During 2003, the inventories and net income increased by Baht 145.23 million.

During 2003, the Group recorded a provision for decommissioning costs. A provision is recognized and 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 prior year financial statements according to the above change.

3.2 The Recognition of the Incremental Value of Subsidiaries or Associates which Offer Their Securities to the Public at Higher Prices than the Par Value as Surplus on Share Capital.
During 2004, the Company accounted for the increase in shareholders' equity of subsidiaries or associates arising from offering their securities to the public at higher prices than par value as surplus on share capital in shareholders' equity of the Company. The Company has restated the financial statements for the year 2003, the first year that the transactions occurred.

This change resulted in the Company presenting surplus on dilution of investments in subsidiaries and associates in shareholders' equity as at December 31, 2003 amounting to Baht 1,966.62 million and a decrease in retained earnings at the same amount.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Cash on hand	222.06	175.62	161.71	171.03
Deposits held at call with banks	15,262.53	8,617.86	3,997.49	3,481.26
Fixed deposits	5,503.37	6,090.72	—	2,600.00
Treasury bills	20,477.15	23,383.75	4,133.75	12,531.00
Promissory notes	4,259.41	13,000.00	3,539.41	13,000.00
Bank of Thailand bonds	1,067.32	5,184.06	789.26	5,184.06
Total	46,791.84	56,452.01	12,621.62	36,967.35

Cash and cash equivalents as at December 31, 2004 mainly bear interest rates ranging from 0.12% - 1.40% per annum, except for the deposit held at calls with banks of subsidiaries in the Philippines amounting to Baht 231.81 million bear interest rate of 5.208% per annum (2003: the interest 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 rate of 6.46% per annum).

5. CURRENT INVESTMENTS

Current investments as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Fixed deposits	113.19	749.49	113.19	749.49
Treasury bills	10,036.49	5,396.13	549.50	3,000.00
Promissory notes	938.30	183.49	718.30	183.49
Bonds	992.44	—	992.44	—
Credit linked deposits	44,271.93	—	44,271.93	—
General investments	7.35	14.83	7.35	14.83
Total	56,359.70	6,343.94	46,652.71	3,947.81

Cash at banks and promissory notes of the Group are the fixed deposits and promissory notes issued by financial institutes in Thailand. Current investments as at December 31, 2004 bear interest at the rates ranging from 1.50% - 2.00% per annum (2003: 0.02% - 2.00% per annum).

As at December 31, 2004, treasury bills of the Group bear interest at the rates ranging from 1.17% - 2.10% per annum (2003: 0.50% - 1.64% per annum).

As at December 31, 2004, the general investment of Baht 7.35 million (2003: Baht 14.83 million) was the investment in the share capital of PetroAsia (Maomimg) Co., Ltd. that present net of allowance for impairment of investments, which is in the process of disposal.

6. TRADE ACCOUNTS AND NOTES RECEIVABLE — OTHERS, NET

Trade accounts and notes receivable — others as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Trade accounts receivable	45,419.58	30,743.79	37,868.25	29,752.19
Notes receivable	2,709.28	2,837.25	2,705.42	2,837.25
Total	48,128.86	33,581.04	40,573.67	32,589.44
Less: Allowance for doubtful accounts	2,799.59	1,977.62	1,979.43	1,927.50
Trade accounts and notes receivable — others, net	45,329.27	31,603.42	38,594.24	30,661.94

Outstanding balances of trade accounts and notes receivable — others as at December 31, 2004 and 2003 can be analyzed as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Current	37,704.55	28,329.07	31,179.25	27,493.70
Overdue				
— Up to 3 months	3,387.48	1,312.68	3,224.54	1,231.79
— Over 3 - 6 months	860.10	625.38	791.13	607.73
— Over 6 - 12 months	1,358.39	1,311.41	1,268.38	1,297.69
— Over 12 months	4,818.34	2,002.50	4,110.37	1,958.53
Total	48,128.86	33,581.04	40,573.67	32,589.44
Less: Allowance for doubtful accounts	2,799.59	1,977.62	1,979.43	1,927.50
Trade accounts and notes receivable — others, net	45,329.27	31,603.42	38,594.24	30,661.94

Trade accounts and notes receivable-others, net as at December 31, 2004 included receivables from government agencies and state enterprises in the consolidated financial statements amounting to Baht 13,006.47 million (2003: Baht 11,039.15 million), and in the Company's financial statements amounting to Baht 12,824.93 million (2003: Baht 10,996.81 million).

7. RELATED PARTY TRANSACTIONS

The followings are significant transactions were carried out with related parties:

7.1 Trade accounts receivable — related parties as at December 31, 2004 and 2003

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Subsidiaries	—	—	7,097.60	188.98
Less: Allowance for doubtful accounts	—	—	13.81	—
	—	—	7,083.79	188.98
Associates	10,517.05	12,712.62	10,129.92	12,506.30
Less: Allowance for doubtful accounts	269.93	264.64	269.93	264.64
	10,247.12	12,447.98	9,859.99	12,241.66
Other related parties	1,838.64	0.70	1,838.64	0.70
Joint ventures	—	—	1.88	—
Trade accounts receivable — related parties, net	12,085.76	12,448.68	18,784.30	12,431.34

Outstanding trade accounts receivable — related parties as at December 31, 2004 and 2003 can be analyzed as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Current	10,789.20	9,486.16	13,329.26	9,365.87
Overdue				
— Up to 3 months	1,338.37	1,898.87	1,970.74	1,980.96
— Over 3 - 6 months	81.55	44.15	672.78	62.69
— Over 6 - 12 months	133.44	1,273.88	652.61	1,276.20
— Over 12 months	13.13	10.26	2,442.65	10.26
Total	12,355.69	12,713.32	19,068.04	12,695.98
Less: Allowance for doubtful accounts	269.93	264.64	283.74	264.64
Trade accounts receivable — related parties, net	12,085.76	12,448.68	18,784.30	12,431.34

7.2 Other accounts receivable, advances and short-term loans — related parties as at December 31, 2004 and 2003

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Other accounts receivable				
Subsidiaries	—	—	305.75	16.67
Less: Allowance for doubtful accounts	—	—	0.06	—
	—	—	305.69	16.67
Associates	1,382.62	854.70	1,371.29	854.70
Less: Allowance for doubtful accounts	664.23	576.97	664.23	576.97
	718.39	277.73	707.06	277.73
Other related parties	8.78	—	8.78	—
Less: Allowance for doubtful accounts	5.85	—	5.85	—
	2.93	—	2.93	—
Joint ventures	—	—	596.72	404.27
	721.32	277.73	1,612.40	698.67
Advances				
Subsidiaries	—	—	10.00	10.00
Associates	246.76	2.80	0.43	2.80
Other related parties	240.27	373.23	240.27	373.23
	487.03	376.03	250.70	386.03
Short-term loans				
Associates	60.10	646.08	60.10	646.08
Joint ventures	—	—	1,199.80	—
	60.10	646.08	1,259.90	646.08
Total	1,268.45	1,299.84	3,123.00	1,730.78

Changes in short-term loans — related parties for the year ended December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated	The Company
Balance as at December 31, 2003	646.08	646.08
— Payment of loans granted	900.00	7,935.38
— Receipt from loan granted	(1,576.08)	(7,411.66)
— Reclassification	90.10	90.10
Balance as at December 31, 2004	60.10	1,259.90

Short-term loans to related parties are unsecured with the interest rates ranging from 1.81% - 7.75% per annum.

7.3 Advances and long-term loans — related parties as at December 31, 2004 and 2003

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Advances				
Associates	1,049.66	1,013.19	1,049.66	1,013.19
Less: Allowance for doubtful accounts loss over investment	1,047.72	1,013.19	1,047.72	1,013.19
Total	1.94	—	1.94	—
Long-term loans				
Associates	7,387.56	7,453.96	7,387.56	7,453.96
Less: Allowance for share of net loss over investments	—	3,357.86	—	3,357.86
	7,387.56	4,096.10	7,387.56	4,096.10
Other related parties	39.53	—	39.53	—
	7,427.09	4,096.10	7,427.09	4,096.10
Total	7,429.03	4,096.10	7,429.03	4,096.10

Changes in long-term loans — related parties for the year ended December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated	The Company
Balance as at December 31, 2003	7,453.95	7,453.95
— Payment of loans granted	39.53	39.53
— Reclassification	(66.39)	(66.39)
Balance as at December 31, 2004	7,427.09	7,427.09

The long-term loans to associates bear interest ranging from 1% - 3.125% per annum.

7.4 Trade accounts payable — related parties as at December 31, 2004 and 2003

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Subsidiaries	—	—	6,385.23	3,338.47
Associates	11,749.55	9,968.35	11,216.42	9,897.06
Other related parties	466.83	8.68	466.83	8.68
Total	12,216.38	9,977.03	18,068.48	13,244.21

7.5 Other accounts payable — related parties as at December 31, 2004 and 2003

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Subsidiaries	—	—	92.32	157.31
Associates	149.77	464.58	18.69	464.58
Other related parties	33.21	19.66	33.21	19.66
Total	182.98	484.24	144.22	641.55

7.6 Other long-term payable — related parties as at December 31, 2004 and 2003

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Subsidiaries	—	—	14.57	—
Associates	—	15.53	—	15.53
Total	—	15.53	14.57	15.53

7.7 Revenue and expenses transactions carried out with related parties for the years ended December 31, 2004 and 2003

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Revenue				
Sales:				
Subsidiaries	—	—	11,581.98	8,367.75
Associates	178,445.02	146,491.24	177,734.84	139,039.53
Other related parties	26,290.35	4.12	26,290.35	4.12
Joint ventures	—	—	—	0.15
Interest income:				
Subsidiaries	—	—	20.38	—
Associates	232.60	212.55	232.60	212.55
Other related parties	7.56	—	7.56	—
Joint ventures	—	—	50.04	—
Other income:				
Subsidiaries	—	—	774.73	229.80
Associates	2,156.25	817.40	2,134.23	817.40
Other related parties	269.65	59.58	269.65	59.58
Joint ventures	—	—	92.52	55.62
Expenses				
Purchases:				
Subsidiaries	—	—	46,691.18	32,377.63
Associates	196,063.76	164,082.86	194,678.25	162,685.70
Other related parties	13,946.76	71.85	13,946.76	71.85
Other expenses:				
Subsidiaries	—	—	185.69	31.64
Associates	155.40	42.52	13.90	42.52
Other related parties	310.34	213.49	310.34	213.49

Related party transactions as stated above exclude trade accounts receivable and sales to 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 except for the selling prices of natural gas between the Company and an associate which have a special discount for 5 years from 2002 to 2007 to support the manufacturing expansion of this associate. However, the purchase volume was not significant.

Goods purchased from a subsidiary are at normal prices determined by the subsidiary with reference to the world market prices.

8. INVENTORIES

Inventories as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Oil products	7,578.46	3,413.26	4,029.61	3,191.75
Gas products	264.16	281.58	264.16	281.58
Petrochemical products	2,887.94	—	—	—
Others	413.78	71.75	254.89	227.99
Total	11,144.34	3,766.59	4,548.66	3,701.32

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

9. MATERIALS AND SUPPLIES, NET

Materials and supplies as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Spare parts, equipments and others	2,971.60	1,909.24	1,209.71	1,059.24
Less: Allowance for obsolescence	308.42	64.62	54.11	51.50
Materials and supplies, net	2,663.18	1,844.62	1,155.60	1,007.74

10. OTHER CURRENT ASSETS, NET

Other current assets as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Other accounts receivable	7,120.08	4,017.22	5,302.89	3,255.79
Less: Allowance for doubtful accounts	558.65	443.86	557.09	441.79
Other accounts receivable, net	6,561.43	3,573.36	4,745.80	2,814.00
Accounts receivable — forward foreign exchange contracts, net	—	336.72	—	336.72
Prepaid expenses	1,737.58	124.60	1,395.60	116.58
Refund receivable from Oil Stabilization Fund	7,777.30	3,322.80	5,745.92	3,322.80
Accrued interest income and others	2,267.44	3,091.70	1,952.76	3,080.91
Unrealized purchase tax	891.96	536.44	549.88	501.09
Others	703.44	321.05	—	33.18
Total	19,939.15	11,306.67	14,389.96	10,205.28

Mainly other accounts receivable are excise tax and value added tax receivables.

Accounts receivable — forward foreign exchange contracts are incurred to hedge the fluctuation of Yen and USD currencies for loan repayment and export of products.

Refund receivable from Oil Stabilization Fund comprises compensation for manufactured or imported oil and subsidy from the Oil Stabilization Fund for exported oil or oil sold to transportation ships abroad. The compensation and refund rates are determined by the Committee on Energy Policy Administration.

11. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

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

Company	Country of Incorporation	Business	Shareholding Percentage	
			2004	**2003**
Subsidiaries:				
PTT Exploration and Production Public Co., Ltd. (PTTEP)	Thailand	Petroleum exploration and production	65.98	63.61
PTT Philippines, Inc. (PTTPI)	The Philippines	Oil marketing	—	100.00
PTT (Cambodia) Co., Ltd. (PTTCL)	Cambodia	Oil marketing	100.00	100.00
Subic Bay Energy Co., Ltd. (SBECL)	Cayman Islands	Oil marketing	100.00	—
Subic Bay Fuels Co., Inc. (SBFCI)	The Philippines	Oil marketing	100.00	—
Subic Bay Distribution, Inc. (SBDI)	The Philippines	Oil marketing	100.00	—
Retail Business Alliance Co., Ltd. (RBA)	Thailand	Management service and oil marketing	49.00	49.00
PTT International Trading Pte., Ltd. (PTTT)	Singapore	Oil international trading	100.00	100.00
PTT Natural Gas Distribution Co., Ltd. (PTTNGD)	Thailand	Natural gas	58.00	—
PTT LNG Company Limited (PTTLNG)	Thailand	Natural gas	100.00	—
Bangkok Polyethylene Public Co., Ltd. (BPE)	Thailand	Petrochemical	50.00	—
PTT Polyethylene Co., Ltd. (PTTPE)	Thailand	Petrochemical	50.00	—
Rayong Refinery Co., Ltd. (RRC)	Thailand	Refining	100.00	—
Energy Complex Company Limited (EnCo)	Thailand	Commercial	50.00	—

Company	Country of Incorporation	Business	Shareholding Percentage 2004	2003
Associates:				
Thai Oil Public Co., Ltd. (TOP)	Thailand	Refining	49.54	49.99
Bangchak Petroleum Public Co., Ltd. (BCP)	Thailand	Refining	—	20.01
Rayong Refinery Co., Ltd. (RRC)	Thailand	Refining	—	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
Thai Lube Blending Co., Ltd. (TLBC)	Thailand	Blending and bottling lube oil	48.95	48.95
Thai Petroleum Pipeline Co., Ltd. (THAPPLINE)	Thailand	Oil pipeline	30.60	30.60
PetroAsia (Thailand) Co., Ltd. (PA (Thailand))	Thailand	Oil marketing	35.00	—
Petro Asia (Sanshui) Co., Ltd. (PA (Sanshui))	China	Bottling and selling LPG	25.00	—
Vietnam LPG Co., Ltd. (VLPG)	Vietnam	Bottling and selling LPG	45.00	—
Keloil-PTT LPG Sdn. Bhd. (KPL)	Malaysia	Oil marketing	40.00	—
Aromatics (Thailand) Public Co., Ltd. (ATC)	Thailand	Petrochemical	46.12	46.33
National Petrochemical Public Co., Ltd. (NPC)	Thailand	Petrochemical	37.99	37.99
Thai Olefins Public Co., Ltd. (TOC)	Thailand	Petrochemical	48.97	44.92
NFC Fertilizer Public Company Limited (NFC) (Former name: National Fertilizer Public Company Limited)	Thailand	Petrochemical	—	20.44
Thai Paraxylene Co., Ltd. (TPX)	Thailand	Petrochemical	—	23.48
PTT Phenol Company Limited (PPCL)	Thailand	Petrochemical	40.00	—
PTT Natural Gas Distribution Co., Ltd. (PTTNGD)	Thailand	Natural gas	—	49.00
PTT Utility Co., Ltd.(PTTUT)	Thailand	Generate and supply electricity, steam and water	40.00	—
Joint Ventures:				
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	35.00

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

Company	Country of Incorporation	Business	Shareholding Percentage 2004	2003
Subsidiaries of PTTEP:				
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
PTTEP Siam Limited (PTTEP Siam)	Thailand	Petroleum exploration and production	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

* PTB registered for dissolution with the Ministry of Commerce on August 11, 2000. The liquidation process was completed on November 1, 2004.

Company	Country of Incorporation	Business	Shareholding Percentage 2004	2003
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	100.00
PTTEP (Thailand) Limited (PTTEP TH)	Thailand	Petroleum exploration and production	100.00	—
PTTEP Services Limited (PTTEP Services)	Thailand	Service operation	100.00	—
Subsidiary of PTTCL:				
Houakhong Trading Company Limited (Houakhong)	Laos	Oil marketing	80.00	—
Associates of PTTEP:				
Thai Oil Power Company Limited (TP)	Thailand	Power producer	26.00	26.00
New Links Energy Resources Company Limited (New Links)	Indonesia	General investment operation	40.00	40.00
Associate of PTTNGD:				
Amata Natural Gas Distribution Co., Ltd. (AMATA NGD)	Thailand	Natural gas	50.00	—
Associate of SBDI:				
FST Aviation Services Limited (FST)	Hong Kong	Aircraft refueling service	25.00	25.00
Jointly Controlled Entities of PTTEP:				
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	19.3178
Jointly Controlled Entity of RRC:				
Alliance Refining Co., Ltd. (ARC)	Thailand	Refinery management	50.00	—

** CPOC does not operate because of slow movement in the Joint Development Area Thailand-Malaysia Project

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

Project	Country	Operator	Shareholding Percentage 2004	2003
Unocal III	Thailand	Unocal Thailand Ltd.	5.00	5.00
E 5	Thailand	Exxon Mobil Exploration and Production Korat Inc.	20.00	20.00
Phu Hom (E 5 North)	Thailand	Amerada Hess (Thailand) Co., Ltd.	20.00	20.00
S 1	Thailand	PTTEP Siam Limited	25.00	25.00
Bongkot	Thailand	PTT Exploration and Production Public Company Limited	44.4445	44.4445
Pailin	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 Company Limited

Project	Country	Operator	Shareholding Percentage 2004	Shareholding Percentage 2003
Yetagun	Myanmar	Petronas Carigali Myanmar (Hong Kong) Ltd.	19.31784	19.31784
W 7/38	Thailand	Kerr-McGee (Thailand) Limited	—	15.00
Yadana	Myanmar	TOTAL E&P Myanmar	25.50	25.50
Bongkot (Block B 13/38)	Thailand	PTTEP International Limited	44.4445	44.4445
JDA (Block B-17 and B-17-01*)	Thailand -Malaysia	Carigali — PTTEPI Operating Company Sendirian Berhad	50.00	50.00
Block L 22/43	Thailand	PTTEP International Company Limited (2003: Thai Shell Co., Ltd.)	100.00	35.00
Block G 4/43	Thailand	Chevron Offshore (Thailand) Limited	15.00	15.00

* The Share Service Agreement was signed on September 30, 2004.

Joint Ventures of PTTEP Kim Long Vietnam Company Limited

Project	Country	Operator	Shareholding Percentage 2004	Shareholding Percentage 2003
Vietnam B and 48/95	Vietnam	Unocal Vietnam Exploration, Ltd.	8.50	8.50

Joint Ventures of PTTEP Southwest Vietnam Company Limited

Project	Country	Operator	Shareholding Percentage 2004	Shareholding Percentage 2003
Vietnam 52/97	Vietnam	Unocal Southwest Vietnam Exploration & Production, Ltd.	7.00	7.00

Joint Ventures of PTTEP Hoan-Vu Company Limited

Project	Country	Operator	Shareholding Percentage 2004	Shareholding Percentage 2003
Vietnam 9-2	Vietnam	Hoan-Vu Joint Operating Company	25.00	25.00

Joint Ventures of PTTEP Hoang Long Company Limited

Project	Country	Operator	Shareholding Percentage 2004	Shareholding Percentage 2003
Vietnam 16-1	Vietnam	Hoang Long Joint Operating Company	28.50	28.50

Joint Ventures of PTTEP Algeria Company Limited

Project	Country	Operator	Shareholding Percentage 2004	2003
Algeria 433a & 416b	Algeria	Petro Vietnam Investment and Development Company	35.00	—

Joint Ventures of PTTEP Siam Limited

Project	Country	Operator	Shareholding Percentage 2004	2003
PhuHom (Block EU-1)	Thailand	Amerada Hess (Thailand) Limited	20.00	—
S1	Thailand	PTTEP Siam Limited	75.00	—

11.3 Investments accounted for under equity method as at December 31, 2004 and 2003 are as follows:

Consolidated

Unit: Million Baht

Company	Shareholding Percentage		2004			2003			Dividend	
	2004	2003	Cost method	Equity method	Allowance for share of net loss over investments	Cost method	Equity method	Allowance for share of net loss over investments	2004	2003
Associates:										
Refining Business Group										
1 TOP	49.54	49.99	11,483.09	16,080.59	—	9,480.74	5,862.16	—	—	—
2 BCP	—	20.01	—	—	—	1,044.80	—	—	—	—
3 RRC	—	36.00	—	—	—	13,649.94	—	—	—	—
4 SPRC	36.00	36.00	14,770.48	8,800.09	—	14,770.48	3,624.76	—	—	—
5 TLB	—	48.38	—	—	—	2,263.23	647.13	—	—	—
Oil Business Group										
6 THAPPLINE	30.60	30.60	1,367.87	—	—	880.52	—	—	—	—
7 TLBC	48.95	48.95	140.00	74.38	—	140.00	66.07	—	—	—
8 PA (Thailand)	35.00	—	131.25	—	—	—	—	—	—	—
9 PA (Sanshui)	25.00	—	7.17	6.14	—	—	—	—	—	—
10 VLPG	45.00	—	87.35	89.10	—	—	—	—	19.21	—
11 KPL	40.00	—	21.49	9.93	—	—	—	—	—	—
12 FST	25.00	25.00	1.13	0.86	—	1.13	0.77	—	—	—
Petrochemical Business Group										
13 ATC	46.12	46.33	2,888.84	1,447.50	—	2,888.84	—	(3,357.86)	—	—
14 NPC	37.99	37.99	1,185.14	5,928.90	—	1,185.14	4,661.11	—	588.90	353.34
15 TOC	48.97	44.92	8,906.35	10,557.58	—	7,376.67	6,196.17	—	—	—
16 NFC	—	20.44	—	—	—	1,792.91	—	—	—	—
17 TPX	—	23.48	—	—	—	1,743.81	929.61	—	—	—
18 PPCL	40.00	—	200.00	198.96	—	—	—	—	—	—
Natural Gas Business Group										
19 PTTNGD	—	49.00	—	—	—	245.00	459.10	—	—	101.43
20 AMATA NGD	50.00	—	80.00	109.08	—	—	—	—	—	—
Other Business Group										
21 PTTUT	40.00	—	240.00	239.77	—	—	—	—	—	—
22 TP	26.00	26.00	1,450.06	1,723.84	—	1,450.06	1,741.34	—	73.06	58.45
23 New Links	40.00	40.00	9,898.26	9,643.36	—	9,898.26	9,735.74	—	245.89	625.05
			52,858.48	54,910.08	—	68,811.53	33,923.96	(3,357.86)		
Less: Allowance for share of net loss and net of long-term loans — related parties			—	—	—	—	—	3,357.86		
Total			52,858.48	54,910.08	—	68,811.53	33,923.96	—	927.06	1,138.27

The Company

Unit: Million Baht

Company	Shareholding Percentage		2004			2003			Dividend	
	2004	2003	Cost method	Equity method	Allowance for share of net loss over investments	Cost method	Equity method	Allowance for share of net loss over investments	2004	2003
Subsidiaries:										
1 PTTEP	65.98	63.61	8,526.69	41,815.95	—	4,195.21	30,210.34	—	2,823.26	2,779.92
2 PTTPI	—	100.00	—	—	—	349.21	239.36	—	—	—
3 PTTT	100.00	100.00	2.50	13.11	—	2.50	24.10	—	—	—
4 PTTCL	100.00	100.00	0.23	—	(75.95)	0.23	10.43	—	—	—
5 SBECL	100.00	—	0.41	—	(439.71)	—	—	—	—	—
6 SBFCI	100.00	—	8.45	—	(90.23)	—	—	—	—	—
7 SBDI	100.00	—	354.42	—	(992.05)	—	—	—	—	—
8 PTTNGD	58.00	—	418.14	747.70	—	—	—	—	196.62	—
9 PTTLNG	100.00	—	1.00	0.94	—	—	—	—	—	—
10 BPE	50.00	—	1,663.50	1,570.94	—	—	—	—	—	—
11 PTTPE	50.00	—	187.50	187.28	—	—	—	—	—	—
12 RRC	100.00	—	13,847.11	4,509.56	—	—	—	—	—	—
13 EnCo	50.00	—	0.50	0.45	—	—	—	—	—	—
14 RBA	49.00	49.00	0.49	14.34	—	0.49	7.04	—	—	—
Associates:										
Refining Business Group										
15 TOP	49.54	49.99	11,483.09	16,080.59	—	9,480.74	5,862.16	—	—	—
16 BCP	—	20.01	—	—	—	1,044.80	—	—	—	—
17 RRC	—	36.00	—	—	—	13,649.94	—	—	—	—
18 SPRC	36.00	36.00	14,770.48	8,800.09	—	14,770.48	3,624.76	—	—	—
19 TLB	—	48.38	—	—	—	2,263.23	647.13	—	—	—
Oil Business Group										
20 THAPPLINE	30.60	30.60	1,367.87	—	—	880.52	—	—	—	—
21 TLBC	48.95	48.95	140.00	74.38	—	140.00	66.07	—	—	—
22 PA (Thailand)	35.00	—	131.25	—	—	—	—	—	—	—
23 PA (Sanshui)	25.00	—	7.17	6.14	—	—	—	—	—	—
24 VLPG	45.00	—	87.35	89.10	—	—	—	—	19.21	—
25 KPL	40.00	—	21.49	9.93	—	—	—	—	—	—
Petrochemical Business Group										
26 ATC	46.12	46.33	2,888.84	1,447.50	—	2,888.84	—	(3,357.86)	—	—
27 NPC	37.99	37.99	1,185.14	6,000.06	—	1,185.14	4,661.11	—	588.90	353.34
28 TOC	48.97	44.92	8,906.35	11,048.54	—	7,376.67	6,196.17	—	—	—
29 NFC	—	20.44	—	—	—	1,792.91	—	—	—	—
30 TPX	—	23.48	—	—	—	1,743.81	929.61	—	—	—
31 PPCL	40.00	—	200.00	198.96	—	—	—	—	—	—
Natural Gas Business Group										
32 PTTNGD	—	49.00	—	—	—	245.00	459.10	—	—	101.43
Other Business Group										
33 PTTUT	40.00	—	240.00	239.77	—	—	—	—	—	—
Joint Ventures:										
Natural Gas Business Group										
34 TTM (T)	50.00	50.00	4,240.00	3,892.48	—	2,721.08	2,452.23	—	—	—
35 TTM (M)	50.00	50.00	281.32	223.80	—	165.29	114.14	—	—	—
Other Business Group										
36 DCAP	35.00	35.00	201.00	190.15	—	17.50	16.86	—	—	—
			71,162.29	97,161.76	(1,597.94)	64,913.59	55,520.61	(3,357.86)		
Less: Allowance for share of net loss and net of long-term loans to related parties			—	—	—	—	—	3,357.86		
Total investments under the equity method, net			71,162.29	97,161.76	(1,597.94)	64,913.59	55,520.61	—	3,627.99	3,234.69

11.4 Movements in investments accounted for under equity method as at December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated	The Company
Balance as at December 31, 2003	33,923.96	55,520.61
— Share of net income from investments under the equity method	23,384.12	35,821.48
— Dividend received	(933.07)	(3,634.00)
— Reclassification	(5,444.55)	(233.15)
— Additional investments	4,712.99	12,980.77
— Decrease in investments	(826.51)	(2,227.11)
— Reversal of allowance for loss on withdrawal from joint ventures	—	(1,061.93)
— Surplus on dilution of investments	97.16	122.66
— Currency translation difference	(11.19)	(124.31)
— Decrease in allowance for net loss over investments during the year	—	(10.43)
— Others	7.17	7.17
Balance as at December 31, 2004	54,910.08	97,161.76

11.5 Movements in allowance for share of net loss over investments as at December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated	The Company
Balance as at December 31, 2003	—	—
— Transfer to be deducted from long-term loans — related parties as at December 31, 2003	(3,357.86)	(3,357.86)
	(3,357.86)	(3,357.86)
— Share of net income from investments under equity method	3,357.86	1,418.57
— Reclassification	—	249.55
— Additional investments	—	1.20
— Currency translation differences	—	80.17
— Decrease in allowance for net loss over investments during the year	—	10.43
Balance as at December 31, 2004	—	(1,597.94)

11.6 Share of net assets and results of operation from joint ventures which is Included in the consolidated financial statements as at December 31, 2004 and 2003 are as follows:

Balance Sheets:

As at December 31, 2004 and 2003

Unit: Million Baht

	2004			2003		
	TTM(T)	TTM(M)	DCAP	TTM(T)	TTM(M)	DCAP
Current Assets	646.79	148.65	152.37	314.85	67.88	16.65
Non-current Assets	10,538.48	465.52	322.10	3,697.22	61.09	6.30
Current Liabilities	(2,363.43)	(54.29)	(175.82)	(1,559.85)	(14.83)	(6.09)
Non-current Liabilities	(4,929.36)	(336.08)	(108.50)	—	—	—
Net assets	3,892.48	223.80	190.15	2,452.22	114.14	16.86

Statement of income:

For the years end December 31, 2004 and 2003

Unit: Million Baht

	2004			2003		
	TTM(T)	**TTM(M)**	**DCAP**	**TTM(T)**	**TTM(M)**	**DCAP**
Income	59.81	0.38	0.19	15.88	0.92	0.03
Expenses	(138.47)	(3.34)	(10.40)	(79.98)	(5.73)	(0.67)
Loss before tax	(78.66)	(2.96)	(10.21)	(64.10)	(4.81)	(0.64)
Income tax	—	(0.09)	—	—	(0.25)	—
Net loss	(78.66)	(3.05)	(10.21)	(64.10)	(5.06)	(0.64)

11.7 Significant events occurred during 2004

SUBIC BAY GROUP (Comprises SBECL, SBFCI and SBDI)

On December 18, 2003, the Company's board of directors approved that the Company acquired all shares of Subic Bay Group from El Paso Corporation (El Paso) (former name, Coastal Aruba Refining Company N.V.). In January 2004, the Company acquired all of those shares amounting to Baht 1.20 million. The acquisition effects the Company to have 100% shares in Subic Bay Group. Goodwill arising from this acquisition is amounting to Baht 228.65 million according to Note 35.

TLB

On January 7, 2004, TLB registered to increase its authorized share capital from Baht 1,756,814,590 to Baht 2,124,719,280. TOP has acquired all those additional share capital. As a result, the percentage of the Company's both direct and indirect shareholding in TLB increased from 48.38% to 48.66%. The increase is in accordance with TLB's rehabilitation plan approved by the court on December 8, 2003.

On June 16, 2004, the Company acquired the additional shares of TLB for 70.82 million shares. As a result, the percentage of the Company's shareholding in TLB increased to 55%, and the percentage of the Company's both direct and indirect shareholding in TLB increased to 61.50%. TLB is transformed from an associate to a subsidiary. Negative goodwill arising from this acquisition is amounting to Baht 259.99 million according to Note 35.

On October 20, 2004, the Company disposed all shares of TLB for 155.81 million shares to TOP, an associate of the Group, amounting to Baht 1,250.45 million according to Note 36.

PTTNGD

On March 31, 2004, the Company acquired 0.45 million shares of PTTNGD amounting to Baht 173.14 million from Suez-Tractebel S.A. (former name, Tractebel S.A.). Hence, it effects increase in the percentage of the Company's shareholding from 49% to 58%, and PTTNGD is transformed from an associate to a subsidiary. Goodwill arising from this acquisition is amounting to Baht 79.68 million according to Note 35.

PTTPI

On June 14, 2004, PTTPI merged with SBDI, the Company hold 100% shares of both. PTTPI transferred all assets, liabilities, rights, privileges, commitments and staff to SBDI and PTTPI was dissolved. This merger does not effect the Company's financial statements.

BPE

On October 14, 2004, the Company and TOC acquired shares of BPE in the proportion of 50: 50 from the existing shareholders amounting to Baht 1,663.50 million. This acquisition effects to the percentage of the Company's direct and indirect voting rights in BPE for 74.49%, and BPE is a subsidiary. Goodwill arising from this acquisition is amounting to Baht 887.55 million according to Note 35.

RRC

On November 30, 2004, the Company acquired ordinary shares of RRC from Shell International Holdings Company Limited (Shell) for 242.67 million shares amounting to Baht 197.17 million (USD 5 million). Hence, it effects increase in the percentage of the Company's shareholding in RRC from 36% to 100%, and RRC is transformed from an associate to a subsidiary. Negative goodwill arising from this acquisition is amounting to Baht 6,520.19 million according to Note 35.

TTM(T)

During the first quarter of 2004, TTM(T), a joint venture of the Group, has increased its share capital. The Company acquired additional shares of TTM(T) in order to maintain the percentage of the Company's shareholding according to the Joint Venture Agreement amounting to 151.89 million shares, which represent 50% of total additional shares, amounting to Baht 1,518.92 million.

TTM(M)

During the first and the second quarters of 2004, TTM(M), a joint venture of the Group, has increased its share capital. The Company acquired additional shares of TTM(M) in order to maintain the percentage of the Company's shareholding according to the Joint Venture Agreement amounting to 11.09 million shares, which represent 50% of total additional shares, amounting to Baht 116.03 million.

DCAP

During the first and the fourth quarters of 2004, DCAP, a joint venture of the Group, has increased its share capital. The Company acquired additional shares of DCAP in order to maintain the percentage of the Company's shareholding according to the Joint Venture Agreement amounting to 33.25 million shares, which represent 35% of total additional shares, amounting to Baht 183.50 million.

ATC

On February 2, 2004, ATC issued registered and offered non-transferable warrants to acquire ordinary shares to its directors, managements and employees PwC1 under the Employee Stock Ownership Program (ESOP) amounting to 14.60 million units. The stock had no offering price and had a maturity period of 48 months since the warrant issued date. The exercise ratio was one warrant per one ordinary share with the exercise price of Baht 10 per share.

The holders of the warrants PwC2 received 4 separate warrants, each of which can be exercised for 25% of all allotted warrants. The warrants are exercisable every three months starting from the first exercise date on February 23, 2004 to the last exercise date on November 23, 2007.

As at December 31, 2004, warrants were exercised for 4,370,600 units. Therefore, the remaining unexercised warrants were 10,229,400 units. Hence, it effects decrease in the percentage of the Company's shareholding in ATC from 46.33% to 46.12%. The gain on dilution amounting to Baht 31.03 million was recorded as surplus on dilution of investments in subsidiaries and associates in shareholders' equity.

On June 18, 2004, the Company and ATC entered into the Shareholder Loan Agreement to substitute the Shareholders' Support Agreement (SSA), which was the terminated agreement between the Company and the former lenders. This new agreement terminated the Company's obligations with ATC. Therefore, the existing allowance for share of net loss over investments as at the terminated date amounting to Baht 2,160.44 million was reversed to other income in the statement of income.

THAPPLINE

On February 3, 2004, THAPPLINE registered to increase its authorized share capital from Baht 2,877.50 million to Baht 4,177.50 million by issuing of preferred shares amounting to Baht 1,300 million. The preferred shares carried voting rights of two votes per share. The Company had acquired the additional shares amounting to Baht 487.36 million, representing 37.49% of authorized preferred shares. However, it effects increase in the percentage of the Company's voting rights to 33.87%, including the percentage of the Company's existing ordinary shareholding of 30.60%.

TOP

On August 9, 2004, Thai Oil Company Limited was transformed from a company limited to a public limited company and rename to Thai Oil Public Company Limited.

On September 22, 2004, TOP increased its authorized paid-up share capital of 40 million shares with a par value of Baht 10 per share, amounting to Baht 400 million for allocation to directors and/or employees of TOP and Thaioil Marine Co., Ltd.(a subsidiary of TOP). The additional shares effected decrease in the percentage of the Company's shareholding in TOP from 49.99% to 48.96%. The loss on dilution amounting to Baht 39.19 million was recorded as surplus on dilution of investments in subsidiaries and associates in shareholders' equity.

On October 26, 2004, TOP registered as a listed company in the Stock Exchange of Thailand and offered 103.50 million ordinary shares and included ordinary shares of the existing shareholders for initial public offering at a price of Baht 32 per share. On the same date, the Company acquired additional 62.57 million ordinary shares of TOP from the Stock Exchange of Thailand amounting to Baht 2,002.34 million. This acquisition effected increase in the percentage of the Company's shareholding in TOC from 48.96% to 49.54%. Goodwill arising from this acquisition is Baht 351.50 million.

PPCL

On June 4, 2004, the Company, TOC, NPC, and ATC jointly established PPCL with the objectives to produce phenol products. The initial authorized share capital was Baht 800 million, divided into 8,000,000 ordinary shares with a par value of Baht 100 per share. As at December 31, 2004, total issued and paid up share capital amounted to Baht 500 million (62.50% of authorized share capital). The percentage of shareholding of the Company, TOC, NPC, and ATC represent 40%, 20%, 20% and 20%, respectively. The Company's investment in PPCL is Baht 200 million and PPCL is an associate.

PTTUT

On July 13, 2004, the Company, TOC, NPC, and ATC jointly established PTTUT with the objectives to produce and distribute stream power electricity and water supplies for using in the industries, commercial businesses and other infrastructures. The initial authorized share capital of PTTUT was Baht 800 million, divided into 8,000,000 ordinary shares with a par value of Baht 100 per share. As at December 31, 2004, total issued and paid up share capital was Baht 600 million (75% of authorized share capital). The percentage of shareholding of the Company, TOC, NPC, and ATC represent 40%, 20%, 20% and 20%, respectively. The Company's investment in PTTUT is Baht 240 million and PTTUT is an associate.

EnCo

On August 11, 2004, the Company and PTTEP jointly established EnCo with the objectives to develop and operate certain areas to be the national energy office centre. The initial authorized share capital was Baht 1 million, divided into 100,000 ordinary shares with a par value of Baht 10 per share. The Company and PTTEP jointly hold shares in the proportion of 50:50. As at December 31, 2004, issued and paid up share capital was Baht 1 million. EnCo is a subsidiary.

PTTLNG

On August 30, 2004, the Company established PTTLNG with the objectives to provide services and/or to manage the operations and maintenance of the liquefied natural gas (LNG) terminals, LNG depots and LNG regasification plants. The initial authorized share capital was Baht 1 million, divided into 100,000 ordinary shares with a par value of Baht 10 per share. The percentage of the Company's shareholding in PTTLNG is 100%. As at December 31, 2004, issued and paid up share capital was Baht 1 million.

TPX

On October 20, 2004, the Company disposed all 103.82 million shares of TPX to TOP for Baht 828.70 million.

TOC

On November 10, 2004, the Company acquired 33.25 million shares in TOC from BPE for Baht 1,529.68 million. As a result of this acquisition, the Company's interest in TOC increased from 44.92% to 48.97%. Goodwill arising from this acquisition is Baht 1,157.50 million.

PTTPE

On November 18, 2004, the Company and NPC jointly established PTTPE with the objectives to develop and operate the construction project of a factory to produce Ethylene products and to invest in the Ethylene Cracker Project and Low Density Polyethylene Plant Project (LDPE). The authorized share capital of PTTPE was Baht 1,500 million, divided into 15 million ordinary shares with a par value of Baht 100 per share. As at December 31, 2004, total issued and paid up share capital was Baht 375 million (25% of authorized share capital). The Company and NPC jointly hold shares in the proportion of 50:50. The Company's investment in PTTPE amounting to Baht 187.50 million, represents for direct and indirect voting rights of 69% and PTTPE is a subsidiary.

Changes in joint venture interests and investments in subsidiaries of PTTEP

On January 19, 2004, PTTEP incorporated PTTEP (Thailand) Limited with the objectives to operate the petroleum business including exploration, development, production, procurement, storage, and sales. The 10,000,000 authorized shares have a par value of Baht 10 per share. 49% of PTTEP (Thailand) Limited's shares are owned by PTTEP Middle East Company Limited and 51% are owned by PTTEP International Company Limited.

On January 28, 2004, PTTEP incorporated PTTEP Services Limited with the objectives to provide business service and management. The 100,000 authorized shares have a par value of Baht 10 per share. 75% of PTTEP Services Limited's shares are owned by PTTEP (Thailand) Limited and 25% are owned by PTTEP.

On January 29, 2004, PTTEP and PTTEP Offshore Investment Company Limited (PTTEPO) acquired all shares of Thai Shell Exploration and Production Company Limited at the proportions of 49% and 51%, respectively with the excess of the cost of an acquisition over the fair value of net identifiable assets by Baht 5,597 million (fair value was Baht 1,987 million) according to the Share Purchase Agreement signed with Shell Petroleum NV on December 30, 2003. Thai Shell Exploration and Production Company Limited is the Operator, which has 75% interest in block S1 and wholly owns block B6/27.

12 OTHER LONG-TERM INVESTMENTS

12.1 Information of other long-term investments is as follows:

Company	Country of Incorporation	Business	Shareholding Percentage 2004	Shareholding Percentage 2003
PetroAsia (Thailand) Co., Ltd. (PA (Thailand))	Thailand	Oil marketing	—	35.00
PetroAsia (Sanshui) Co., Ltd. (PA (Sanshui))	China	Oil marketing	—	25.00
PetroAsia (Huizhou) Co., Ltd. (PA (Huizhou))	China	Oil marketing	25.00	25.00
PetroAsia (Shantou) Co., Ltd. (PA (Shantou))	China	Oil marketing	15.00	15.00
Subic Bay Group (the Philippines) (Subic Bay JV)	The Philippines	Oil marketing	—	50.00
Vietnam LPG Co., Ltd. (VLPG)	Vietnam	Bottling and selling LPG	—	45.00
Keloil-PTT LPG Sdn. Bhd. (KPL)	Malaysia	Bottling and selling LPG	—	40.00
PTT Mart Co., Ltd. (PTT Mart)	Thailand	Management service	49.00	49.00
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
Ratchaburi Power Company Limited (RPCL)	Thailand	Power producer	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
Bangchak Petroleum Public Co.,Ltd. (BCP)	Thailand	Oil refining	7.91	—

12.2 Other long-term investments as at December 31, 2004 and 2003

Unit: Million Baht

Company	Shareholding Percentage		Consolidated		The Company		Dividend	
	2004	2003	2004	2003	2004	2003	2004	2003
INVESTMENTS ACCOUNTED FOR UNDER COST METHOD								
Associates:								
Oil Business Group								
1 PA (Thailand)	—	35.00	—	131.25	—	131.25	—	—
2 PA (Sanshui)	—	25.00	—	7.17	—	7.17	—	—
3 PA (Huizhou)	25.00	25.00	15.16	15.16	15.16	15.16	—	—
4 VLPG	—	45.00	—	87.35	—	87.35	—	—
5 PTT Mart	49.00	49.00	78.40	78.40	78.40	78.40	—	—
6 KPL	—	40.00	—	21.49	—	21.49	—	—
Joint Ventures:								
Oil Business Group								
7 Subic Bay JV	—	50.00	—	122.53	—	122.53	—	—
Exploration and Production and Gas Business Group								
8 CPOC	50.00	50.00	9.90 Baht	9.90 Baht	—	—	—	—
Other Related Parties:								
9 FPT	2.76	2.76	44.00	44.00	44.00	44.00	—	—
10 IPS	16.67	16.67	0.02	0.02	0.02	0.02	—	—
11 PA (Shantou)	15.00	15.00	60.84	60.84	60.84	60.84	—	—
12 RPCL	15.00	—	249.75	—	249.75	—	—	—
Total investment accounted for under cost method			448.17	568.21	448.17	568.21	—	—
Less: Allowance for impairment of investment			198.40	446.47	198.40	446.47	—	—
Total investment accounted for under cost method, net			249.77	121.74	249.77	121.74		
INVESTMENTS ACCOUNTED FOR FAIR VALUE								
Other Companies — Available-For-Sale Securities:								
13 TIP	13.33	13.33	312.00	312.00	312.00	312.00	28.80	24.00
14 BAFS	7.06	7.06	24.00	24.00	24.00	24.00	14.88	12.72
15 BCP	7.91	—	105.32	—	105.32	—	—	—
Total investments — available-for-sale securities			441.32	336.00	441.32	336.00		
Add: Allowance for increase in fair value of investment			1,046.37	550.40	1,046.37	550.40		
Total investments accounted for fair value			1,487.69	886.40	1,487.69	886.40		
Total other long-term investments			1,737.46	1,008.14	1,737.46	1,008.14	43.68	36.72

12.3 Movements of other long-term investments as at December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated	The Company
Balance as at December 31, 2003	1,008.14	1,008.14
— Unrealized gain from investment in available-for-sale securities	495.97	495.97
— Additional investments	249.75	249.75
— Reclassification	(16.40)	(16.40)
Balance as at December 31, 2004	1,737.46	1,737.46

12.4 Significant events during the year ended December 31, 2004:

BCP

According to the Cabinet's resolution on December 16, 2003, the Company was approved to swap all 104.48 million ordinary shares of BCP for the depository receipt on common stocks of BCP ("CSDR") at a swap ratio of 10 ordinary shares to 5 CSDR amounting to 52.24 million CSDR. The Company swapped the ordinary shares on January 22, 2004. BCP had increased its paid-up authorized share capital by issuing 231 million CSDR with a par value of Baht 1 per share. The Company did not acquire the additional CSDR from the increased share capital and hence,it effected decrease in percentage of the Company's shareholding in BCP from 20.01% to 6.94%. BCP is transformed from an associate to other related company. The gain on dilution amounting to Baht 105.32 million was recorded as surplus on dilution of investments in subsidiaries and associates in shareholders' equity.

During the third quarter of 2004, BCP decreased its authorized, issued and paid-up share capital with the Ministry of Commerce amounting to 189.62 million ordinary shares. The number of ordinary shares is consistent with the number of issued and offered CSDR. At the same time, BCP increased its authorized share capital of 24.00 million shares to support the warrants granted to directors, management and employees of BCP. During the third and the fourth quarters of 2004, BCP registered its additional paid-up share capital with the Ministry of Commerce for 97.14 million shares to support the convertible debentures that are convertible to ordinary shares. Hence, BCP's authorized share capital as at December 31, 2004 is 867.14 million shares and paid-up share capital is 660.56 million shares. The Company's interest in BCP is 7.91%.

RPCL

On February 27, 2004, the Company acquired 2.50 million shares of RPCL from the existing shareholders, amounting to Baht 249.75 million, which represented 15% of authorized and paid-up share capital.

NFC

During the second quarter of 2004, NFC performed its debt and equity restructuring according to the rehabilitation plan that had been approved by the Central Bankruptcy Court by decreasing the authorized fully paid-up share capital from 1,313,946,879 shares to 6,486,197 shares with a par value of Baht 10 per share. It effected decrease in the Company's shareholding from 248,661,972 shares to 1,325,805 shares. Later on, NFC increased its authorized and paid-up share capital twice in order to support the conversion from debt to capital of the creditors and for the private placement. As a result, NFC's paid-up share capital increased to Baht 2,486,619,720 or 248,661,972 ordinary shares with a par value of Baht 10 per share. It effected decrease in the Company's interest in NFC from 20.44% to 0.53%. NFC is transformed from an associate to other related company.

On July 22, 2004, the board of directors' meeting approved the Company to sell all of its 1,325,805 shares or a 0.53% interest in NFC under the tender offer with a price of Baht 11.50 per share. The gain on dilution net of related expenses amounting to Baht 15.21 million was recorded for as other income in the statement of income.

The Company accounted for its investments in associates under the cost method and adjusted by allowance for impairment of investments in the event that the Company intended to dispose them. These associates are PTT Mart and PA (Huizhou).

Allowance for impairment of investments in associates and other related companies totalling Baht 198.40 million comprises allowance for impairment of investments in PTT Mart, PA (Huizhou), FPT and PA (Shantou) amounting to Baht 78.40, 15.16, 44.00 and 60.84 million, respectively.

13. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated						
	Land	Buildings and buildings improvement	Machinery and equipment	Oil and Gas properties	Other assets	Construction in progress	Total
Cost							
At December 31, 2003	2,828.51	12,516.94	87,196.46	77,233.56	13,644.20	11,160.37	204,580.04
— Business acquisition (Note 35)	185.36	2,625.31	61,321.02	—	300.32	83.10	64,515.11
— Business disposal (Note 36)	—	(186.59)	(7,093.29)	—	(3.13)	(0.30)	(7,283.31)
— Additions	36.75	688.82	1,583.77	31,224.55	479.24	21,169.82	55,182.95
— Borrowing costs	—	—	—	—	—	658.53	658.53
— Reclassification	55.46	230.13	7,609.86	—	(6,535.94)	(1,428.75)	(69.24)
— Disposals	—	(32.63)	(86.96)	(456.64)	(282.51)	(44.30)	(903.04)
— Currency translation differences	—	(0.69)	(0.83)	(106.88)	(1.12)	(0.91)	(110.43)
At December 31, 2004	3,106.08	15,841.29	150,530.03	107,894.59	7,601.06	31,597.56	316,570.61
Accumulated Depreciation							
At December 31, 2003	—	(6,116.83)	(41,169.62)	(25,556.19)	(8,826.56)	—	(81,669.20)
— Business acquisition (Note 35)	—	(894.24)	(18,267.70)	—	(92.45)	—	(19,254.39)
— Business disposal (Note 36)	—	74.77	2,357.96	—	1.31	—	2,434.04
— Additions	—	(164.70)	(513.58)	(12,531.68)	—	—	(13,209.96)
— Depreciation for the year	—	(602.79)	(4,711.55)	(7,830.35)	(856.37)	—	(14,001.06)
— Currency translation differences	—	(0.62)	(0.11)	(256.82)	0.07	—	(257.48)
— Reclassification	—	0.03	(4,669.29)	—	4,669.33	—	0.07
— Disposals	—	17.24	66.35	18.73	176.97	—	279.29
At December 31, 2004	—	(7,687.14)	(66,907.54)	(46,156.31)	(4,927.70)	—	(125,678.69)
Allowance for Impairment Loss							
At December 31, 2003	(42.87)	(373.13)	(244.96)	—	—	—	(660.96)
— Business acquisition (Note 35)	—	(77.14)	(3,250.31)	—	(0.38)	—	(3,327.83)
— Business disposal	—	77.14	3,250.31	—	0.38	—	3,327.83
— Additions	—	—	(43.76)	—	—	—	(43.76)
At December 31, 2004	(42.87)	(373.13)	(288.72)	—	—	—	(704.72)
Net Book Value							
At December 31, 2003	2,785.64	6,026.98	45,781.88	51,677.37	4,817.64	11,160.37	122,249.88
At December 31, 2004	3,063.21	7,781.02	83,333.77	61,738.28	2,673.36	31,597.56	190,187.20

Unit: Million Baht

	The Company					
	Land	Buildings and buildings improvement	Machinery and equipment	Other assets	Construction in progress	Total
Cost						
At December 31, 2003	2,604.07	11,168.87	86,062.95	13,543.52	7,688.91	121,068.32
— Additions	0.33	95.88	666.80	403.72	13,642.83	14,809.56
— Borrowing costs	—	—	—	—	658.53	658.53
— Reclassification	55.46	230.13	7,570.26	(6,535.94)	(1,371.01)	(51.10)
— Disposals	—	(32.43)	(59.50)	(262.92)	(12.56)	(367.41)
At December 31, 2004	2,659.86	11,462.45	94,240.51	7,148.38	20,606.70	136,117.90
Accumulated Depreciation						
At December 31, 2003	—	(5,688.89)	(40,332.75)	(8,783.66)	—	(54,805.30)
— Depreciation for the year	—	(518.58)	(4,257.15)	(831.97)	—	(5,607.70)
— Reclassification	—	0.03	(4,669.36)	4,669.33	—	—
— Disposals	—	17.24	55.52	162.27	—	235.03
At December 31, 2004	—	(6,190.20)	(49,203.74)	(4,784.03)	—	(60,177.97)
Allowance for Impairment Loss						
At December 31, 2003	(42.87)	(373.13)	(244.96)	—	—	(660.96)
At December 31, 2004	(42.87)	(373.13)	(244.96)	—	—	(660.96)
Net Book Value						
At December 31, 2003	2,561.20	5,106.85	45,485.24	4,759.86	7,688.91	65,602.06
At December 31, 2004	2,616.99	4,899.12	44,791.81	2,364.35	20,606.70	75,278.97

Borrowing cost amounting to Baht 658.53 million (2003: Bath 244.42 million) is capitalized as part of cost of property, plant and equipment. The Company use capitalization rate of 6.11% (2003: 7.54%).

As at December 31, 2004 and 2003, other assets include vehicles, which are acquired under financial leases in the consolidated financial statements amounting to Baht 56.91 million (2003: Baht 138.10 million) and in the Company's financial statements amounting to Baht 56.27 million (2003: Baht 137.26 million) as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	2003	2004	2003
Cost	83.98	264.08	82.99	263.09
Less: Accumulated depreciation	27.07	125.98	26.72	125.83
Net book value	56.91	138.10	56.27	137.26

14. INTANGIBLE ASSETS

Intangible assets as at December 31, 2004 and 2003 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
Cost									
At December 31, 2003	996.71	5,886.38	82.85	1,239.29	8,205.23	475.75	5,704.72	51.55	6,232.02
— Business acquisition (Note 35)	1,090.12	215.08	1.23	—	1,306.43	—	—	—	—
— Business disposal (Note 36)	—	(108.79)	—	—	(108.79)	—	—	—	—
— Additions	158.64	438.40	0.06	(2,439.11)	(1,842.01)	54.44	260.43	—	314.87
— Reclassification	0.05	(3.71)	3.88	—	0.22	0.09	(3.71)	—	(3.62)
— Disposals	—	(152.72)	—	—	(152.72)	—	(128.77)	—	(128.77)
— Currency translation differences	—	3.99	(0.46)	—	3.53	—	—	—	—
At December 31, 2004	2,245.52	6,278.63	87.56	(1,199.82)	7,411.89	530.28	5,832.67	51.55	6,414.50
Accumulated Amortization									
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)
— Business acquisition (Note 35)	(307.16)	(96.05)	—	—	(403.21)	—	—	—	—
— Business disposal (Note 36)	—	35.57	—	—	35.57	—	—	—	—
— Amortization for the year	(121.06)	(246.28)	(9.16)	106.54	(269.96)	(63.64)	(221.56)	(5.18)	(290.38)
— Reclassification	(0.01)	—	(3.88)	—	(3.89)	(0.01)	—	—	(0.01)
— Disposals	—	114.47	—	—	114.47	—	114.47	—	114.47
— Currency translation differences	(0.08)	0.34	0.20	—	0.46	—	—	—	—
At December 31, 2004	(958.79)	(1,928.71)	(40.28)	22.73	(2,905.05)	(369.86)	(1,799.82)	(28.70)	(2,198.38)
Allowance for Impairment Loss									
At December 31, 2003	—	(1,102.26)	—	—	(1,102.26)	—	(1,102.26)	—	(1,102.26)
— Business acquisition (Note 35)	—	(49.92)	—	—	(49.92)	—	—	—	—
— Business disposal (Note 36)	—	49.92	—	—	49.92	—	—	—	—
— Reversal of loss on impairment of assets	—	6.17	—	—	6.17	—	6.17	—	6.17
At December 31, 2004	—	(1,096.09)	—	—	(1,096.09)	—	(1,096.09)	—	(1,096.09)
Net Book Value									
At December 31, 2003	466.23	3,047.36	55.41	1,155.48	4,724.48	169.54	2,909.73	28.03	3,107.30
At December 31, 2004	1,286.73	3,253.83	47.28	(1,177.09)	3,410.75	160.42	2,936.76	22.85	3,120.03

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 the Petroleum Income Tax Act, B.E.2514 (1971)	50%
Income tax under the 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 the 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 the South-East Asia region	20-32%

Income taxes recognized in the consolidated and the Company's statements of income for the years ended December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Petroleum income tax				
Current income tax	9,412.12	5,566.19	40.10	71.08
Deferred income tax	253.98	640.74	—	—
Total petroleum income tax	9,666.10	6,206.93	40.10	71.08
Income tax under Revenue Code				
Current income tax	7,695.02	6,502.66	7,302.18	6,336.73
Deferred income tax	(16.66)	609.35	(13.49)	24.89
Total income tax under the Revenue Code	7,678.36	7,112.01	7,288.69	6,361.62
Income tax in the Union of Myanmar				
Current income tax	1,109.88	848.78	—	—
Deferred income tax	221.20	230.38	—	—
Total income tax in the Union of Myanmar	1,331.08	1,079.16	—	—
Income taxes in the South-East Asia region				
Current income tax	16.30	10.97	—	—
Deferred income tax	(15.27)	4.86	—	—
Total income taxes in the South-East Asia region	1.03	15.83	—	—
Total income tax expenses	18,676.57	14,413.93	7,328.79	6,432.70

Deferred income taxes presented in the consolidated and the Company's balance sheets as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated	The Company
Deferred tax assets		
Income tax under Revenue Code		
As at December 31, 2003	1,590.57	1,583.69
Income tax expenses	16.67	13.49
As at December 31, 2004	1,607.24	1,597.18
Petroleum income tax		
As at December 31, 2003	27.77	—
Income tax expenses	(15.54)	—
As at December 31, 2004	12.23	—
Income tax in the Philippines		
As at December 31, 2003	25.32	—
Current income tax — MCIT	2.98	—
Income tax expenses	5.28	—
As at December 31, 2004	33.58	—
Income tax in Singapore		
As at December 31, 2003	—	—
Income tax expenses	2.60	—
As at December 31, 2004	2.60	—
Total deferred tax assets	1,655.65	1,597.18
Deferred tax liabilities		
Petroleum income tax		
As at December 31, 2003	8,724.85	—
Income tax expenses	238.44	—
As at December 31, 2004	8,963.29	—
Income tax in the Union of Myanmar		
As at December 31, 2003	1,078.85	—
Income tax expenses	214.88	—
As at December 31, 2004	1,293.73	—
Total deferred tax liabilities	10,257.02	—

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 payments for gas purchased as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated	The Company
Balance as at December 31, 2003	26,352.05	32,678.29
Less: Make up during the year	3,606.53	4,401.51
Balance as at December 31, 2004	22,745.52	28,276.78

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, 2004 the Company 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, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Retention and refundable deposits	85.36	86.52	67.92	63.25
Prepaid expenses	472.66	590.09	—	—
Deferred expenses of bond issue	20.27	29.85	—	—
Advance payment	80.76	81.85	—	—
Inventories — legal reserve	8,898.49	4,479.56	5,422.25	4,479.56
Others	11.33	3.14	—	—
Total	9,568.87	5,271.01	5,490.17	4,542.81

The Oil Fuel Trading Act, B.E. 2543 (2000) categorized the Company as an oil trader under section 7 of this Act to protect and prevent the shortage of oil. This Act determined the oil trader under section 7 to reserve oil throughout categories and planned volumes set by the Director General, Department of Energy Business. Currently, the Company reserves 5% of the planned volume as informed to the Director General, Department of Energy Business, the Ministry of Energy.

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

Bank overdrafts and short-term loans from financial institutions as at December 31, 2004 and 2003 are short-term loans from financial institutions with the interest rates ranging from 2.46% - 2.68% per annum and 2.06% per annum, respectively.

19. OTHER CURRENT LIABILITIES

Other current liabilities as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Other accounts payable	3,275.31	3,207.16	1,619.15	2,410.23
Accounts payable — forward foreign exchange contracts, net	116.36	164.17	116.36	164.16
Advance received	99.60	39.99	52.08	39.99
Unrealized sales tax	1,431.60	1,134.04	1,286.55	1,003.48
Retention (due not later than 1 year)	329.77	13.87	10.84	13.87
Others	1,135.13	469.24	294.72	205.64
Total	6,387.77	5,028.47	3,379.70	3,837.37

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

20. LONG-TERM LOANS

Long-term loans as at December 31, 2004 and 2003 are as follows:

Current portion of long-term loans

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Local loans	7,598.28	3,300.00	7,530.00	3,300.00
Foreign loans	53,059.72	14,327.80	399.00	14,327.80
Liabilities from finance leases	30.65	136.48	30.44	136.27
Total	60,688.65	17,764.28	7,959.44	17,764.07

Long-term loans

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Local loans	64,828.02	70,930.00	63,400.00	70,930.00
Foreign loans	8,579.94	3,389.12	2,944.47	3,389.12
Local bonds	36,500.00	17,500.00	34,000.00	15,000.00
Foreign bonds	30,959.14	15,624.92	15,543.63	—
Liabilities from finance leases	37.21	16.83	37.00	16.44
Total	140,904.31	107,460.87	115,925.10	89,335.56

As at December 31, 2004, long-term loans balance amounting to Baht 63,273.47 million (2003: Baht 80,446.92 million) are secured by the Ministry of Finance.

As at December 31, 2004 and 2003 long-term loans can be classified by interest rates charges as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Floating interest rate	62,886.11	3,782.64	3,343.47	3,782.64
Fixed interest rate	138,706.85	121,442.51	120,541.07	103,316.99
Total	201,592.96	125,225.15	123,884.54	107,099.63

Interest rates charged on long-term loans as at December 31, 2004 and 2003 are as follows:

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
PTT bonds	3.49% - 13.75%	3.49% - 13.75%	3.49% - 13.75%	3.49% - 13.75%
Local loans	3.25% - 9.06%	8.83% - 9.06%	8.83% - 9.06%	8.83% - 9.06%
Foreign loans				
— US Dollar	2.74% - 6.50%	3% - 7.50%	2.74% - 6.50%	3% - 7.50%
— Japanese YEN	—	1.78%	—	1.78%
Local bonds	4.25% - 5.90%	4.50% - 5.75%	4.25% - 5.90%	4.50% - 5.75%
Foreign bonds	5.75% - 7.86%	7.63% - 7.86%	5.75%	—
Liabilities from finance leases	3.50% - 9.81%	3.50% - 12.46%	5.50% - 9.81%	8.65% - 12.46%

20.1 Loans

Movements in local loans and foreign loans as at December 31, 2004 and 2003 are as follows:

Unit: Million

	Consolidated			
	Currency			Total equivalent to Baht
	Baht	**US Dollar**	**Japanese Yen**	
Balance as at December 31, 2003	74,230.00	164.19	30,000.00	91,946.92
— Additions	477.68	155.98	—	6,610.59
— Repayment	(4,020.39)	(158.99)	(30,000.00)	(21,676.57)
— Loss from exchange rate	—	—	—	(708.16)
— Acquisition of subsidiaries (Note 35)	861.73	1,433.59	—	57,893.18
— Current portion	(7,598.28)	(1,353.48)	—	(60,658.00)
Balance as at December 31, 2004	63,950.74	241.29	—	73,407.96

Unit: Million

	The Company			
	Currency			Total equivalent to Baht
	Baht	**US Dollar**	**Japanese Yen**	
Balance as at December 31, 2003	74,230.00	164.19	30,000.00	91,946.92
— Repayment	(3,300.00)	(78.88)	(30,000.00)	(17,627.83)
— Loss from exchange rate	—	—	—	(45.62)
— Current portion	(7,530.00)	(10.18)	—	(7,929.00)
Balance as at December 31, 2004	63,400.00	75.13	—	66,344.47

20.2 Bonds

Bonds as at December 31, 2004 and 2003 are as follows:

	Consolidated			
	2004		2003	
	Million USD	Million Baht	Million USD	Million Baht
Unsecured unsubordinated bonds				
— USD currency	789.78	30,959.14	393.28	15,624.92
— Baht currency	—	36,500.00	—	17,500.00
Total	789.78	67,459.14	393.28	33,124.92

	The Company			
	2004		2003	
	Million USD	Million Baht	Million USD	Million Baht
Unsecured unsubordinated bonds				
— USD currency	396.50	15,543.63	—	—
— Baht currency	—	34,000.00	—	15,000.00
Total	396.50	49,543.63	—	15,000.00

In May 2004, the Company issued three lots of 19 million unsecured unsubordinated bonds with a face value of Baht 1,000 each, totalling Baht 19,000 million. The first lot of 15 million units have a redemption period of 8 years, to be redeemed in 2012 with the interest charged for year 1-4 at a fixed rate of 4.25% per annum and year 5-8 at a fixed rate of 5.75% per annum. The second lot of 3 million units have a redemption period of 12 years, to be redeemed in 2016 with the interest charged for year 1-6 at a fixed rate of 5.00% per annum and year 7-12 at a fixed rate of 5.95% per annum. The third lot of 1 million units have a redemption period of 15 years, to be redeemed in 2019 with the interest charged at a fixed rate of 5.90% per annum. The interest of all three lots is payable every 6 months.

In July 2004, The Company issued 400,000 unsecured unsubordinated bonds with a face value of USD 1,000 each, sold at discounted price of 99.12% of the face value totalling USD 396.48 million with the interest charged at a fixed rate of 5.75% per annum, payable every 6 months and have a redemption period of 10 years, to be redeemed on August 1, 2014.

PTTEP issued 2,500,000 unsecured unsubordinated bonds with a face value of Baht 1,000 each, totalling Baht 2,500 million. The bonds bear interest at the rate of 4.625 % per annum, payable every 6 months and have a 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, totalling Yen 23 billion. The bonds bear interest at the 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 has entered into a 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 the rate of 7.86% per annum, and payable every 6 months.

PTTEP guaranteed 200,000 unsubordinated bonds, which have been issued by PTTEP International Company Limited (a subsidiary of PTTEP) with a face value of USD 1,000 each, totalling USD 200 million. The bonds bear interest at the rate of 7.625% per annum, payable every 6 months and have a redemption period of 10 years, to be redeemed on October 1, 2006.

20.3 Liabilities from Finance Leases

Liabilities from finance leases as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Liabilities from finance leases				
— Not later than 1 year	34.23	140.33	34.02	140.12
— Later than 1 year and not later than 5 years	38.40	17.48	38.13	17.01
Future finance charges on finance leases	(4.77)	(4.50)	(4.71)	(4.42)
Present value of liabilities from finance leases	67.86	153.31	67.44	152.71
Present value of liabilities from finance leases				
— Current (Not later than 1 year)	30.65	136.48	30.44	136.27
— Non-current (Later than 1 year and not later than 5 years)	37.21	16.83	37.00	16.44
Total	67.86	153.31	67.44	152.71

Maturities of long-term loans as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated									
	2004					2003				
	Foreign currency loans	**Local 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	53,059.72	7,598.28	—	30.65	60,688.65	14,327.80	3,300.00	—	136.48	17,764.28
Later than 1-2 years	638.98	8,137.06	7,838.56	37.21	16,651.81	404.45	7,530.00	—	11.57	7,946.02
Later than 2-5 years	3,083.54	28,813.70	7,576.95	—	39,474.19	1,290.71	27,000.00	15,624.92	5.26	43,920.89
Later than 5 years	5,734.68	27,000.00	52,043.63	—	84,778.31	1,693.96	36,400.00	17,500.00	—	55,593.96
Total	62,516.92	71,549.04	67,459.14	67.86	201,592.96	17,716.92	74,230.00	33,124.92	153.31	125,225.15

Unit: Million Baht

	The Company									
	2004					2003				
	Foreign currency loans	**Local 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	399.00	7,530.00	—	30.44	7,959.44	14,327.80	3,300.00	—	136.27	17,764.07
Later than 1-2 years	410.89	8,000.00	—	37.00	8,447.89	404.45	7,530.00	—	11.18	7,945.63
Later than 2-5 years	1,316.81	28,400.00	—	—	29,716.81	1,290.71	27,000.00	—	5.26	28,295.97
Later than 5 years	1,216.77	27,000.00	49,543.63	—	77,760.40	1,693.96	36,400.00	15,000.00	—	53,093.96
Total	3,343.47	70,930.00	49,543.63	67.44	123,884.54	17,716.92	74,230.00	15,000.00	152.71	107,099.63

21. PROVISION FOR DECOMMISSIONING COSTS

The Group recognized provision for liabilities as at December 31, 2004 for decommissioning costs expected to incur in the future as follows:

Unit: Million Baht

	Consolidated
Balance as at December 31, 2003	3,910.32
Exchange rate difference	(93.48)
Provision for decommissioning costs during the year	1,412.83
Balance as at December 31, 2004	5,229.67

22. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	2003	2004	2003
Retention (due later than 1 year)	1,334.71	537.06	1,304.91	536.76
Provision for loss on lawsuit	1,386.12	1,325.42	1,386.12	1,325.42
Deferred revenue	61.10	43.72	61.10	43.72
Pension fund	3.57	4.12	3.57	4.12
Others	511.55	118.48	1.39	—
Total	3,297.05	2,028.80	2,757.09	1,910.02

23. SHARE CAPITAL

As at December 31, 2004 and 2003, the Company has authorized share capital of 2,850,000,000 shares with a par value of Baht 10 per share. The issued and fully paid-up share capital is 2,797,245,725 shares with a par value of Baht 10 per share.

24. RESERVES

24.1 Legal Reserve

Under the Public Limited Companies Act B.E. 2535 (1992), the Company is required to appropriate a certain amount of its annual net income 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.

24.2 Reserve for Self-Insurance Fund

Reserve for Self-Insurance Fund as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated	The Company
Balance as at December 31, 2003	776.99	776.99
Appropriated net income for 2004	34.84	34.84
Balance as at December 31, 2004	811.83	811.83

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

25. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares which held by third parties during the period.

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Net income attributable to ordinary shareholders (Baht)	62,666,469,171	37,579,581,530	62,666,469,171	37,579,581,530
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)	22.40	13.43	22.40	13.43

For determining of diluted earnings per share, the Company assumed that warrants of the Group given to directors, management and employees that can be exercised are converted to ordinary shares. Exercising of those warrants resulted in net income of the Group, recognized in the Company's financial statements, adjusted by decreasing in proportion of shareholders.

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Net income attributable to ordinary shareholders (Baht)	62,666,469,171	37,579,581,530	62,666,469,171	37,579,581,530
Adjustment of net income (Baht)	(37,817,452)	(3,844,160)	(37,817,452)	(3,844,160)
Net income for calculation diluted earnings per share	62,628,651,719	37,575,737,370	62,628,651,719	37,575,737,370
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
Diluted earnings per share (Baht/share)	22.39	13.43	22.39	13.43

As at December 31, 2004, 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 June 16, 1998 (one warrant provides the right to purchase two ordinary shares) to the directors, managements and employees with the exercised price of Baht 150 per share. The last exercise dated September 14, 2003, but no employee exercised the warrants to purchase ordinary shares. However, the annual general meeting of the shareholders has a resolution to reallocate 2.4 million ordinary shares reserved for the exercise of rights under the newly issued warrants by PTTEP in 2004-2006.

The exercise of warrants to purchase ordinary shares by employees (Employee Stock Ownership Plan or ESOP) is for 5 consecutive years, totalling 10 million ordinary shares. As at December 31, 2004, the employees exercised the warrants to purchase 1.33 million shares (2003: 0.40 million shares and 2004: 0.93 million shares). Therefore, the remaining balance of shares reserve is 8.67 million shares for:

— On August 1, 2002, PTTEP provided warrants to purchase 2 million units of ordinary shares (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, 2004, 0.90 million warrants have been exercised by 1,150 employees. Therefore, the remaining balances of warrants are 1.10 million units and shares reserved 1.10 million shares.

— On August 1, 2003, PTTEP provided warrants to purchase 2 million units of ordinary shares (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. As at December 31, 2004, 0.43 million warrants have been exercised by 602 employees. Therefore, the remaining balances of warrants are 1.57 million units and shares reserved 1.57 million shares.

— On August 1, 2004, PTTEP provided warrants to purchase 2.8 million units of ordinary shares (one warrant provides the right to purchase one ordinary share) to its directors, managements and employees with exercised price of 183 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, 2005.

26. SALES

Sales for the years ended December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Oil products	423,698.29	293,997.71	394,318.54	288,063.88
Gas products	183,868.93	161,032.29	178,763.10	162,726.19
Petrochemical products	42,773.81	38,704.48	41,176.75	23,836.40
Less: Petroleum royalties	(5,667.98)	(4,021.07)	—	—
Total	644,673.05	489,713.41	614,258.39	474,626.47

Sales for the years ended December 31, 2004 and 2003 include sales to government agencies and state enterprises in the consolidated financial statements amounting to Baht 83,174.44 million (2003: Baht 71,080.25 million), and in the Company's financial statements amounting to Baht 82,247.44 million (2003: Baht 70,826.21 million).

27. OTHER INCOME

Other income for the years ended December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Bank interest income	1,605.85	623.20	1,417.17	403.44
Penalty income	353.38	220.07	339.05	220.09
Transportation income	3,345.42	1,301.81	3,785.09	1,301.81
Dividend income	37.66	36.72	37.66	36.72
Compensation for loan interest of advance payment for gas purchased	1,676.80	2,014.70	1,676.80	2,014.70
Gain on disposal of investments	338.25	171.38	15.21	171.38
Gain on foreign exchange	425.65	1,334.65	—	474.77
Others	1,452.00	976.52	1,327.55	968.87
Total	9,235.01	6,679.05	8,598.53	5,591.78

Compensation for loan interest of advance payment for gas purchased (Take-or-Pay) is PTT's compensation from the Electricity Generating Authority of Thailand (EGAT) and the Independent Power Plant (IPP) to absorb interest on loans, raised by PTT for advance payment for gas purchased.

28. SHARE OF NET INCOME FROM INVESTMENTS UNDER EQUITY METHOD

Share of net income from investments under equity method for the years ended December 31, 2004 and 2003 include share of gain on foreign exchange as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Share of gain on foreign exchange	1,116.50	3,527.11	1,763.66	3,956.31

29. OPERATING INCOME

The following expenditure items, classified by natures, have been charged in arriving at operating income as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Gain (loss) on foreign exchange	425.65	1,334.65	(458.22)	474.77
Depreciation of property, plant and equipment				
— Owned assets	13,960.44	11,484.76	5,567.28	5,381.07
— Leased assets under finance leases	40.62	94.33	40.42	83.31
Amortization of intangible assets				
— Goodwill (negative goodwill)	(106.54)	161.27	—	—
— Other intangible assets	376.50	363.34	290.38	259.22
Staff cost	5,668.79	5,067.43	4,062.93	3,652.25

30. 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 to extend the project's period to the 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 supporting project (forest survival). The objective is to establish the long-term commitment among local people and youth who protect and concern about forest resources.

Since the beginning of the project up to December 31, 2004, the last year for reforestation, the Company had reforested and developed deteriorating forests nationwide covering areas in 48 provinces. The Company's expenses for the year 2004 were Baht 85.16 million and as at December 31, 2004, the accumulated expenses were Baht 2,945.67 million which were in the budget approved by the board of directors. The expenses for the year are shown in selling and administrative expenses in the statement of income.

31. INTEREST EXPENSES

Interest expenses for the years ended December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Loans from financial institutions	5,360.61	6,391.56	5,337.85	5,843.92
Bonds	2,725.49	1,449.81	1,368.35	59.98
Liabilities from finance leases	4.13	11.75	4.10	11.73
Others	374.79	216.92	175.10	169.19
Total	8,465.02	8,070.04	6,885.40	6,084.82

32. 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, 2004 and 2003 are as follows:

Consolidated

For the year ended December 31, 2004

Unit: Million Baht

	Oil	Natural gas	Petroleum exploration and production	Refining	Petrochemical	Others	Elimination	Total
Sales — others	466,140.83	155,194.15	4,636.76	22,772.23	1,597.06	—	—	650,341.03
— related parties	2,972.29	19,786.57	43,158.00	3,027.64	—	—	(68,944.50)	—
Petroleum royalties	—	—	(5,667.98)	—	—	—	—	(5,667.98)
Net sales	469,113.12	174,980.72	42,126.78	25,799.87	1,597.06	—	(68,944.50)	644,673.05
Gross margin	10,880.83	36,297.39	30,607.53	626.42	148.90	—	285.15	78,846.22
EBITDA	5,643.35	36,857.33	36,102.08	636.31	99.78	(310.38)	235.28	79,263.75
Depreciation and amortization	2,012.97	3,981.01	8,095.64	194.99	86.88	3.33	(103.52)	14,271.30
EBIT	3,630.38	32,876.32	28,006.44	441.32	12.90	(313.71)	338.80	64,992.45
Share of net income in associates	0.08	26.49	209.03	—	—	26,506.37	—	26,741.97
Interest-net								(6,906.15)
Other income								2,455.93
Income taxes								(18,676.57)
Minority interests								(5,941.16)
Net Income								62,666.47
Segment assets	69,626.22	124,767.95	96,369.41	65,739.93	5,065.86	69,091.13	—	430,660.50
Inter-company assets	8,168.34	14,498.29	4,185.18	2,155.58	—	711.79	(29,719.18)	—
Investments accounted for under equity method	0.86	109.08	11,367.65	—	—	43,432.49	—	54,910.08
Total segment assets	77,795.42	139,375.32	111,922.24	67,895.51	5,065.86	113,235.41	(29,719.18)	485,570.58
Non-allocated assets								1,655.65
Total Assets								487,226.23
Segment liabilities	28,641.41	24,848.74	39,053.15	53,854.23	2,986.05	142,676.67	—	292,060.25
Inter-company liabilities	3,703.31	3,341.06	5,541.42	2,957.51	0.41	14,175.47	(29,719.18)	—
Total segment liabilities	32,344.72	28,189.80	44,594.57	56,811.74	2,986.46	156,852.14	(29,719.18)	292,060.25
Non-allocated liabilities								10,251.02
Total Liabilities								302,311.27
Capital Expenditures	1,561.42	20,740.89	32,715.51	146.09	83.16	532.98	—	55,780.05

Consolidated

For the year ended December 31, 2003

Unit: Million Baht

	Oil	Natural gas	Petroleum exploration and production	Petrochemical	Others	Elimination	Total
Sales — others	338,303.23	137,536.60	3,026.57	14,868.08	—	—	493,734.48
— related parties	3,589.09	21,257.85	32,100.10	—	—	(56,947.04)	—
Petroleum royalties	—	—	(4,021.07)	—	—	—	(4,021.07)
Net sales	341,892.32	158,794.45	31,105.60	14,868.08	—	(56,947.04)	489,713.41
Gross margin	10,187.68	28,119.12	23,447.29	2,369.82	—	(76.60)	64,047.31
EBITDA	5,581.44	29,177.09	24,997.54	2,744.94	(167.08)	21.48	62,355.41
Depreciation and amortization	1,826.69	3,917.83	5,440.49	758.19	3.37	157.14	12,103.71
EBIT	3,754.75	25,259.26	19,557.05	1,986.75	(170.45)	(135.66)	50,251.70
Share of net income in associates	0.03	—	750.14	—	9,592.04	—	10,342.21
Interest-net							(7,849.82)
Other income							4,061.46
Income taxes							(14,413.93)
Minority interests							(4,812.04)
Net Income							37,579.58
Segment assets	55,086.08	105,685.49	77,644.82	—	50,351.06	—	288,767.45
Inter-company assets	1.60	16,024.93	3,419.36	—	18.99	(19,464.88)	—
Investments accounted for under equity method	0.78	—	11,477.07	—	22,446.11	—	33,923.96
Total segment assets	55,088.46	121,710.42	92,541.25	—	72,816.16	(19,464.88)	322,691.41
Non-allocated assets							1,639.37
Total Assets							324,330.78
Segment liabilities	23,545.10	16,759.34	31,400.41	—	114,510.83	—	186,215.68
Inter-company liabilities	1,842.67	2,874.55	6,327.92	—	8,419.74	(19,464.88)	—
Total segment liabilities	25,387.77	19,633.89	37,728.33	—	122,930.57	(19,464.88)	186,215.68
Non-allocated liabilities							9,173.59
Total Liabilities							195,389.27
Capital Expenditures	1,206.38	8,212.63	11,300.51	3,252.14	157.98	—	24,129.64

Pricing among business groups uses normal market prices except for pricing among sectors within the Company using net market prices, net from the management fees of petroleum terminals and operation fees.

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

The Group categorizes segments for major businesses as follows:

Oil Business
The Group conducts oil business in both domestic and overseas which can be categorized into 2 income generating activities as follows:

1. Oil marketing: marketing of petroleum products, lubricant products through retail marketing, commercial marketing and international marketing.

2. International oil trading: importing and exporting crude oil, petroleum products, raw materials and petrochemical products.

Natural Gas Business
The Group conducts a fully-integrated gas business including procurement, natural gas pipeline transmission, natural gas separation and distribution in both domestic and overseas.

Exploration and Production Petroleum Business
The Group conducts exploration and production petroleum business in both domestic and overseas. The Group is the operator and jointly investment with the leading exploration and production companies. Most domestic projects are located in the Gulf of Thailand. Overseas projects cover Asia Pacific and Middle East regions.

Petrochemical Business
The Group conducts petrochemical business including procurement of petroleum feedstock for petrochemical plants, processing and distribution of main petrochemical products and by products to serve for both domestic and overseas markets.

Refining Business
The Group conducts refining business including processing and distribution of finished oil products in both domestic and overseas customers.

Other operations of the Group mainly comprise other segments, none of which constitute a separately reportable segment.

33. DISCLOSURE OF FINANCIAL INSTRUMENTS

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

Speculation of financial instruments is prohibited. All derivative transactions have been supported by business transactions.

Responsible department to manage exposure from exchange rate risks, and fluctuations of oil and gas market price has to report to managements for details of cost and market value of all financial instruments, including forward foreign exchange contracts, and outstanding futures oil and gas contracts. These limits principally cover the risk exposure in respect of:

- foreign exchange transactions

- floating rate borrowings

- fluctuations in oil and gas market prices
- credit risks

33.1 Risks 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 155 million or equivalent to approximately Baht 6,163.64 million, matured within January 2005.

RRC entered into the forward bought foreign exchange contracts amounting to USD 41 million or equivalent to Baht 1,622.17 million, matured within January 2005.

Receivable amounts and exchange rates of forward foreign exchange contracts as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Forward bought foreign exchange contracts				
At the rate Baht 38.9966-44.0560 = 1 USD	7,785.81	7,171.75	6,163.64	7,171.75
At the rate Baht 0.34750-0.35900 = 1 Yen	—	6,652.15	—	6,652.15
Total	7,785.81	13,823.90	6,163.64	13,823.90
Forward sold foreign exchange contracts				
At the rate Baht 42.7960-45.52085 = 1 USD	—	625.38	—	625.38

33.2 Risks from Interest Rates

For PTTEP, cross-currency and interest rate swap contracts have been entered into in accordance with Note 20.2.

The terms and notional principal amounts of the outstanding cross-currency and interest rate swap contracts as at December 31, 2004 and 2003 are as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
— USD 69 million / Yen 6,913.8 million	—	2,741.91	—	2,741.91
— USD 193.28 million / Yen 23,000 million	7,576.95	7,680.42	—	—
Total	7,576.95	10,422.33	—	2,741.91

The maturity of contracts can be analyzed as follows:

Unit: Million Baht

	Consolidated		The Company	
	2004	**2003**	**2004**	**2003**
Later than 1 year - 5 years	7,576.95	10,422.33	—	2,741.91
Later than 5 years	—	—	—	—
Total	7,576.95	10,422.33	—	2,741.91

33.3 Risks from Futures Oil and Gas Contracts

As at December 31, 2004, outstanding balance of the futures oil and gas contracts that the Company entered into have a maturity period within one to six months. The volume of oil according to such contracts is 3.10 million barrels. The outstanding balance of the futures gas contracts that the Company entered into have a maturity period within one to twelve months. The volume of gas according to such contracts is 4.25 million barrels.

33.4 Credit Risks

The Company has no significant concentrations of credit risks. The customers of the Company comprise oil, gas, and petrochemical customers. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

33.5 Fair Value of Financial Instruments

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

The fair values of long-term loans and financial derivatives as at December 31, 2004 are as follows:

Unit: Million Baht

	Consolidated			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term loan — domestic	64,828.02	70,025.93	70,930.00	80,261.61
Long-term loan — foreign	8,579.94	8,579.94	3,389.12	3,389.12
Unsecured unsubordinated bonds — Baht currency	36,500.00	35,636.22	17,500.00	17,022.43
Unsecured unsubordinated bonds — Foreign currencies	32,096.76	33,973.60	16,528.38	17,853.09
Forward bought foreign exchange contracts	7,785.81	7,662.28	13,823.90	14,026.88
Forward sold foreign exchange contracts	—	—	625.38	558.42
Cross-currency and interest rate swap contracts	7,576.95	6,572.83	10,422.33	10,328.24
Futures oil and gas contracts	—	333.18	—	(23.82)

Unit: Million Baht

	The Company			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term loan — domestic	63,400.00	68,597.91	70,930.00	80,261.61
Long-term loan — foreign	2,944.47	2,944.47	3,389.12	3,389.12
Unsecured unsubordinated bonds — Baht currency	34,000.00	33,376.76	15,000.00	14,887.45
Unsecured unsubordinated bonds — Foreign currencies	15,543.63	16,281.31	—	—
Forward bought foreign exchange contracts	6,163.64	6,054.98	13,823.90	14,026.88
Forward sold foreign exchange contracts	—	—	625.38	558.42
Cross-currency and interest rate swap contracts	—	—	2,741.91	2,971.27
Futures oil and gas contracts	—	333.18	—	(23.82)

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 discounted rates with similar borrowing conditions. The forward foreign exchange contracts, the cross-currency and interest rate swap contracts, and the futures oil and gas contracts presented fair value based on quoted market prices.

34. DIVIDEND PAYMENT

On April 9, 2004, the Annual General Shareholders' meeting of the Company passed a resolution to pay dividend at Baht 4.00 per share from 2,797,245,725 shares, totalling Baht 11,188.98 million. The Company has already paid on May 7, 2004.

35. ACQUISITION

During the year ended December 31, 2004, the Company acquired additional ordinary shares of Subic Bay Group (which comprises SBECL, SBFCI and SBDI), PTTNGD, TLB, BPE, RRC and Houakhong according to Note 11.7. Goodwill arising from these acquisitions is amounting to Baht 1,195.88 million and negative goodwill is amounting to Baht 6,783.90 million, which are amortized on a straight-line basis no later than 20 years.

Details of net assets acquired and goodwill are as follows:

Unit: Million Baht

	Subic Bay Group	PTTNGD	TLB	BPE	RRC	Houakhong	Total
Purchase consideration	1.20	173.14	0.71	1,663.50	197.17	—	2,035.72
Less: Fair value of net assets acquired	(227.45)	93.46	260.70	775.95	6,717.36	3.72	7,623.74
Goodwill (negative goodwill)	228.65	79.68	(259.99)	887.55	(6,520.19)	(3.72)	(5,588.02)

Assets and liabilities derived from the acquisitions are as follows:

Unit: Million Baht

	Subic Bay Group	PTTNGD	TLB	BPE	RRC	Houakhong	Total
Cash and cash equivalents	285.43	313.10	29.59	648.51	7,864.76	2.52	9,143.91
Current investments	—	—	—	3,211.99	—	—	3,211.99
Accounts receivable	8,072.75	211.48	436.69	170.16	6,992.03	6.15	15,889.26
Inventories and supplies	392.44	25.77	1,091.69	499.19	9,926.46	—	11,935.55
Other current assets	192.34	15.10	108.47	124.70	3,984.88	0.07	4,425.56
Long-term investments	—	82.58	—	—	—	—	82.58
Property, plant and equipment (Note 13)	56.34	726.95	1,566.90	2,690.27	36,891.14	1.30	41,932.90
Intangible assets (Note 14)	—	1.91	23.83	47.51	778.81	1.23	853.29
Other non-current assets	—	7.23	347.25	2.44	4.56	0.04	361.52
Bank overdrafts and short-term loans from financial institutions	—	—	(540.00)	—	—	—	(540.00)
Accounts payable	(10,218.61)	(127.64)	(639.16)	(879.57)	(2,502.47)	(5.71)	(14,373.16)
Other current liabilities	(57.18)	(25.54)	(90.63)	(163.50)	(502.99)	(0.62)	(840.46)
Loans (Note 20.1)	—	(192.55)	—	(4,765.34)	(52,935.29)	—	(57,893.18)
Other non-current liabilities	—	—	(305.98)	(34.46)	(6.01)	(0.33)	(346.78)
Minority interests	—	(436.12)	(781.06)	(775.95)	—	(0.93)	(1,994.06)
Share of net loss over investments (Prior investments under equity method)	1,049.04	(508.81)	(986.89)	—	(3,778.52)	—	(4,225.18)
Fair value of net assets acquired	(227.45)	93.46	260.70	775.95	6,717.36	3.72	7,623.74
Goodwill (negative goodwill)	228.65	79.68	(259.99)	887.55	(6,520.19)	(3.72)	(5,588.02)
Total purchase consideration	1.20	173.14	0.71	1,663.50	197.17	—	2,035.72
Less: Cash and cash equivalents in subsidiaries	285.43	313.10	29.59	648.51	7,864.76	2.52	9,143.91
Cash used for acquisition	(284.23)	(139.96)	(28.88)	1,014.99	(7,667.59)	(2.52)	(7,108.19)

Furthermore, during the year 2004, the Company acquired 16.07 million additional ordinary shares of PTTEP, a subsidiary, from third parties. This results in an increase in proportion of investment in PTTEP's share capital from 63.61% to 65.98%. The purchase consideration amounting to Baht 4,331.48 million and the carrying value of net assets amounting to Baht 1,182.55 million are the fair value of total net assets received on the acquisition date. Goodwill arising from the acquisition amounting to Baht 3,148.93 million is amortized using the straight-line method over the Reserve Life Index of PTTEP.

Details of net assets acquired and goodwill are as follows:

Unit: Million Baht

Purchase consideration	4,331.48
Less: Fair value of net assets acquired	1,182.55
Goodwill	3,148.93

PTTEP provides its employees the exercise warrants to purchase ordinary shares according to the Employee Stock Ownership Plan (ESOP) for 5 consecutive years, totalling 10 million ordinary shares. As at December 31, 2004, the employees exercised the warrants to purchase 1.33 million shares. Therefore, the remaining balance is 8.67 million shares reserved. Consequently, it effects gain on dilution of investments amounting to Baht 37.94 million. The gain on dilution was recorded as surplus on dilution of investments in subsidiaries and associates in shareholders' equity.

36. DISPOSAL

During the fourth quarter of 2004, the Company sold ordinary shares of TLB to TOP as discussed in Note 11.7.

Assets and liabilities derived from disposal are as follows:

Unit: Million Baht

Cash and cash equivalents	50.15
Accounts receivable	548.78
Inventories and supplies	1,308.79
Other current assets	114.78
Property, plant and equipment (Note 13)	1,521.44
Intangible assets (Note 14)	23.29
Other non-current assets	351.09
Bank overdrafts and short-term loans from financial institutions	(200.00)
Accounts payable	(735.74)
Other current liabilities	(395.57)
Other non-current liabilities	(309.57)
Less: Minority interests at disposal date	(876.84)
Investment accounted for under equity method at disposal date	1,400.60
Disposal consideration (Note 11.7)	1,250.45
Less: Cash and cash equivalents in a subsidiary	50.15
Net cash received from disposal of a subsidiary	1,200.30

37. PROMOTIONAL PRIVILEGES

The Company received promotional privileges from the Board of Investment (BOI) under the Investment Act, B.E. 2520 (1977) for the Gas Separation Plant Unit #5 and the distribution gas pipeline to the Rojana Industrial Park. The promotional privileges include exemption on import duty approved from BOI and corporate income tax for net income from promotional business for 8 years starting from the date of first sales are realized. As the Company received promotional privileges from BOI, the Company has to comply with all conditions and regulations for the promotional operations as stated in the Promotion Certificate.

Sales separated into promotional and non-promotional businesses for the year ended December 31, 2004 are as follows:

Unit: Million Baht

Promotional businesses	14.96
Non-promotional businesses	615,149.06
Total	615,164.02

38. COMMITMENTS AND CONTINGENT LIABILITIES

38.1 A foreign contractor has a dispute with the Company and has filed a complaint with the arbitrator of the International Chamber of Commerce (ICC) with regard to a construction contract of onshore parallel gas pipeline laying from Rayong-Bangpakong-Wang Noi. Damage and legal costs approximately to USD 61 million have been claimed. On February 4, 2002, the arbitrator made the decision that the Company had to pay for damage and expenses incurred in the administration of the case amounting to USD 28.43 million, together with interest charge and fee for letter of guarantee. However, the Company has always contended with and retained rights concerning the arbitration and the judicial process on this dispute. On March 20, 2003, the Company contended with the enforcement according to arbitrator's decision, which such foreign contractor had already filed a complaint to the civil court. The case is under the court consideration. As at December 31, 2004, the Company recorded the damage including interest and expenses incurred, totalling Baht 1,374.03 million as other non-current liabilities. Nevertheless, the Company as the plaintiff has filed against the foreign contractor as a defendant in the civil court for the delay of work submission which caused the Company damages approximately to Baht 4,274 million. The case is in the process of taking evidence and has no progress.

38.2 Commitments to subsidiaries, associates, joint ventures and other related companies are as follows:

The Company entered into the Shareholder's Commercial Support Arrangements with two associates according to a condition with a financial institution. The Company has obligations concerning commercial trade credits in form of extended credit for raw materials and/or advance product payment with credit limits of USD 100 million and USD 90 million. As at December 31, 2004, the commercial credit lines have not been used.

The Company has an obligation in form of an extended credit for raw materials to a foreign subsidiary with a credit limit of USD 70 million. The commercial credit line had been used amounting to USD 68.70 million. As at December 31, 2004, the remaining commercial trade credit was USD 1.30 million.

As at December 31, 2004, the Company had obligations concerning Shareholder Agreements to subsidiaries and joint ventures to pay for ordinary shares in accordance with the Company's interest amounting to Baht 4,400.47 million.

38.3 As at December 31, 2004, the Company had contingent liabilities which are Letter of Guarantee amounting to Baht 579.12 million in the consolidated financial statements and Baht 27.86 million in the Company's financial statements.

39. SUBSEQUENT EVENTS

On January 1, 2005, the Company disposed investments in share capital of SBFCI and SBDI totalling 17.01 million shares and 13.06 million shares, respectively amounting to USD 0.2 million (approximately to Baht 0.78 million) to SBECL according to approval from the board of directors of the Company as at December 13, 2004. However, the Company still retained 100% investment in SBECL.

On January 17, 2005, the Company and the Ministry of Finance (MOF), an agent authorized by the Business Reorganization Plan of Thai Petrochemical Industry Public Co., Ltd. (TPI) to select and allocate TPI shares to new qualified investors, have entered into a Memorandum of Understanding (MOU) in major principles and conditions of the Company's investment in TPI. Later, the Company's board of directors on the meeting No. 1/2005 held on January 27, 2005 approved the Company to enter into MOU with 2 potential strategic investors in order to conduct a detailed study and extensive due diligence of TPI and its subsidiaries.

On January 24, 2005, the Company provided a short-term loan to RRC in the form of promissory notes amounting to Baht 44,255.25 million (USD 1,134.75 million) with the interest rate of LIBOR+2.5% per annum, maturity on December 31, 2005. The loan is provided to refinance the existing loan of RRC. RRC will raise funds through outside loans and the rest is through an investment or a subordinated loan from the Company in order to repay the above short-term loan.

During January 2005, the Company and PTTEP's board of directors approved to increase their investments in EnCo in the proportion of 50: 50, totalling Baht 799 million. Furthermore, the board of directors approved both companies to provide loans to EnCo in proportion of 50: 50 totalling to Baht 1,600 million.

On January 29, 2005, PTTEPO entered into the Conditional Share Purchase Agreement of New Links with Encore Int'l Limited (Encore), an existing shareholder, and exercise its pre-emptive right to acquire the aforementioned shares.

The Company's board of directors will approve the financial statements for public issuance on February 24, 2005.

AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF PTT PUBLIC COMPANY LIMITED

The Office of the Auditor General of Thailand has audited the accompanying consolidated balance sheets of PTT Public Company Limited and its subsidiaries and the balance sheets of PTT Public Company Limited as at December 31, 2003 and 2002, and the related consolidated and the Company's 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 and other auditors' reports. 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's 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%, 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Office of the Auditor General of Thailand believes that the audits together with the other auditors' reports as above-mentioned provide a reasonable basis for the opinion.

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

February 24, 2004

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS
AS AT DECEMBER 31, 2003 AND 2002
Unit: Baht

	Notes	Consolidated		The Company	
		2003	**2002**	**2003**	**2002**
			(Restated)		**(Restated)**
ASSETS					
Current Assets					
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 — 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
Total Current Assets		125,337,671,649	104,641,429,039	100,925,469,747	84,494,617,470
Non-current Assets					
Investments accounted for under 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 — 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
Total Non-current Assets		199,267,701,266	194,479,179,617	168,141,695,664	149,659,974,939
Total Assets		324,605,372,915	299,120,608,656	269,067,165,411	234,154,592,409

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS
AS AT DECEMBER 31, 2003 AND 2002
Unit: Baht

	Notes	Consolidated		The Company	
		2003	**2002**	**2003**	**2002**
			(Restated)		**(Restated)**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
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
Total Current Liabilities		69,675,457,521	64,184,074,595	62,084,527,036	55,105,889,735
Non-current Liabilities					
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
Total Non-current Liabilities		126,000,727,736	138,138,476,333	94,672,725,461	98,190,228,017
Total Liabilities		195,676,185,257	202,322,550,928	156,757,252,497	153,296,117,752

Notes to financial statements form an integral part of these financial statements.

BALANCE SHEETS (CONT'D)
AS AT DECEMBER 31, 2003 AND 2002
Unit: Baht

	Notes	Consolidated		The Company	
		2003	**2002**	**2003**	**2002**
			(Restated)		**(Restated)**
Shareholders' Equity					
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	—	—
Total Shareholders' Equity		128,929,187,658	96,798,057,728	112,309,912,914	80,858,474,657
Total Liabilities and Shareholders' Equity		324,605,372,915	299,120,608,656	269,067,165,411	234,154,592,409

Notes to financial statements form an integral part of these financial statements.

(Signed) Prasert Bunsumpun
(Prasert Bunsumpun)
President

(Signed) Pichai Chunhavajira
(Pichai Chunhavajira)
Senior Executive Vice President,
Corporate Finance & Accounting

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME
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
Gross margin		64,083,472,845	54,795,207,512	38,180,296,455	33,618,933,026
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	—	—
Income from sales		47,998,767,853	40,218,181,762	26,844,170,472	22,083,869,429
Other incomes	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
Income from Operations		54,388,154,358	47,087,273,748	32,174,883,260	28,113,770,421
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
Income before Interests and Taxes		66,684,556,253	49,250,034,970	51,918,493,268	36,898,986,297
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
Income after Taxes		44,200,589,852	29,181,301,974	39,400,977,468	24,485,082,178
Income of minority interests		4,799,612,384	4,696,219,796	—	—
Net Income		39,400,977,468	24,485,082,178	39,400,977,468	24,485,082,178
Earnings per share	24				
Basic earnings per share		14.09	8.75	14.09	8.75
Diluted earnings per share		14.09	8.75	14.09	8.75

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
CONSOLIDATED
Unit: Baht

	Issued and paid-up share capital	Premium on share capital	Unrealized gain (loss) on available-for-sale securities	Currency translation differences	Legal reserve	Reserve for Self-Insurance Fund	Retained earnings	Minority interests	Total
Balance as at January 1, 2002	27,972,457,250	17,992,830,666	(91,200,000)	(189,173,305)	2,850,000,000	662,597,447	8,777,415,162	12,143,991,509	70,118,918,729
Cumulative effect of the change in accounting policy of a subsidiary	—	—	—	—	—	—	(289,531,020)	(182,810,072)	(472,341,092)
Balance after adjustment	27,972,457,250	17,992,830,666	(91,200,000)	(189,173,305)	2,850,000,000	662,597,447	8,487,884,142	11,961,181,437	69,646,577,637
Currency translation differences	—	—	—	(214,180,859)	—	—	—	—	(214,180,859)
Unrealized gain on available-for-sale securities	—	—	300,800,000	—	—	—	—	—	300,800,000
Minority interests	—	—	—	—	—	—	—	3,978,401,634	3,978,401,634
Unrealized transactions in statement of income	—	—	300,800,000	(214,180,859)	—	—	—	3,978,401,634	4,065,020,775
Reserve for Self-Insurance Fund	—	—	—	—	—	61,275,910	(61,275,910)	—	—
Dividend paid	—	—	—	—	—	—	(1,398,622,862)	—	(1,398,622,862)
Net income	—	—	—	—	—	—	24,485,082,178	—	24,485,082,178
Balance as at December 31, 2002	27,972,457,250	17,992,830,666	209,600,000	(403,354,164)	2,850,000,000	723,873,357	31,513,067,548	15,939,583,071	96,798,057,728
Currency translation differences	—	—	—	(318,188,895)	—	—	—	—	(318,188,895)
Unrealized gain on available-for-sale securities	—	—	340,800,000	—	—	—	—	—	340,800,000
Minority interests	—	—	—	—	—	—	—	679,691,673	679,691,673
Unrealized transactions in statement of income	—	—	340,800,000	(318,188,895)	—	—	—	679,691,673	702,302,778
Reserve for Self-Insurance Fund	—	—	—	—	—	53,120,476	(53,120,476)	—	—
Dividend paid	—	—	—	—	—	—	(7,972,150,316)	—	(7,972,150,316)
Net income	—	—	—	—	—	—	39,400,977,468	—	39,400,977,468
Balance as at December 31, 2003	27,972,457,250	17,992,830,666	550,400,000	(721,543,059)	2,850,000,000	776,993,833	62,888,774,224	16,619,274,744	128,929,187,658

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
THE COMPANY
Unit: Baht

	Issued and paid-up share capital	Premium on share capital	Unrealized gain (loss) on available-for-sale securities	Currency translation differences	Legal reserve	Reserve for Self-Insurance Fund	Retained earnings	Total
Balance as at January 1, 2002	27,972,457,250	17,992,830,666	(91,200,000)	(189,173,305)	2,850,000,000	662,597,447	8,777,415,162	57,974,927,220
Cumulative effect of the change in accounting policy of a subsidiary	—	—	—	—	—	—	(289,531,020)	(289,531,020)
Balance after adjustment	27,972,457,250	17,992,830,666	(91,200,000)	(189,173,305)	2,850,000,000	662,597,447	8,487,884,142	57,685,396,200
Currency translation differences	—	—	—	(214,180,859)	—	—	—	(214,180,859)
Unrealized gain on available-for-sale securities	—	—	300,800,000	—	—	—	—	300,800,000
Unrealized transactions in statement of income	—	—	300,800,000	(214,180,859)	—	—	—	86,619,141
Reserve for Self-Insurance Fund	—	—	—	—	—	61,275,910	(61,275,910)	—
Dividend paid	—	—	—	—	—	—	(1,398,622,862)	(1,398,622,862)
Net income	—	—	—	—	—	—	24,485,082,178	24,485,082,178
Balance as at December 31, 2002	27,972,457,250	17,992,830,666	209,600,000	(403,354,164)	2,850,000,000	723,873,357	31,513,067,548	80,858,474,657
Currency translation differences	—	—	—	(318,188,895)	—	—	—	(318,188,895)
Unrealized gain on available-for-sale securities	—	—	340,800,000	—	—	—	—	340,800,000
Unrealized transactions in statement of income	—	—	340,800,000	(318,188,895)	—	—	—	22,611,105
Reserve for Self-Insurance Fund	—	—	—	—	—	53,120,476	(53,120,476)	—
Dividend paid	—	—	—	—	—	—	(7,972,150,316)	(7,972,150,316)
Net income	—	—	—	—	—	—	39,400,977,468	39,400,977,468
Balance as at December 31, 2003	27,972,457,250	17,992,830,666	550,400,000	(721,543,059)	2,850,000,000	776,993,833	62,888,774,224	112,309,912,914

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
Unit: Baht

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
		(Restated)		**(Restated)**
Cash Flows from Operating Activities				
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 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

Notes to financial statements form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
Unit: Baht

	Consolidated		The Company	
	2003	2002	2003	2002
		(Restated)		(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 — 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

Notes to financial statements form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Unit: Baht

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
		(Restated)		**(Restated)**
Cash Flows from Investing Activities				
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)
Cash received 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)
Cash Flows from Financing Activities				
Cash received from issuing ordinary shares	44,178,000	—	—	—
Cash received from issuing preferred stock	510,000	—	—	—
Proceeds from long-term loans	—	12,092,660,147	—	—
Cash received from issuing bonds	17,500,000,000	—	15,000,000,000	—
Cash received from notes payable	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)

Notes to financial statements form an integral part of these financial statements.

PTT PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
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 periods		33,609,061,099	52,804,955,376	17,176,878,782	37,161,155,196
Cash and cash equivalents at end of periods	4	56,442,959,550	33,657,521,788	36,958,301,408	17,176,878,782
Cash and cash equivalents at beginning of period comprises					
Cash and cash equivalents at beginning of period		33,657,521,788			
Less: Cash at beginning of period of a subsidiary, transformed to be an associate		48,460,689			
		33,609,061,099			
Supplemental disclosures of cash flows Information					
Cash paid during the period 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

Notes to financial statements form an integral part of these financial statements.

1. GENERAL INFORMATION

PTT Public Company Limited ("the Company") is incorporated as a public limited company, and was listed on the Stock Exchange of Thailand.

The Head Office of the Company is 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's financial statements are set out below.

2.1 Basis for Preparation of Financial Statements

The consolidated and the Company's 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. 2544 (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's 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's financial statements are addressed to those who are informed about Thai generally accepted accounting principles and practices.

The consolidated and the Company's 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's financial statements has been prepared from the statutory financial statements that are issued in Thai language.

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

During 2003, the Company had incorporated Retail Business Alliance Co., Ltd. (RBA) (Former name: 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. (Former name: 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 power to exercise control, investments should have an interest of more than one half of direct and indirect voting rights.

Subsidiaries are consolidated from the date on which effective 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 of 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. Minority interests are presented separately in the consolidated balance sheet and the consolidated statement of income.

Investments in subsidiaries have been presented in the Company's financial statements 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 using the equity method of accounting. 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 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

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation in the consolidated financial statements. Under this method, the Group includes its share of the joint ventures' individual income and expenses, assets and liabilities in the relevant components of the 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 joint 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 sells 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. Where necessary, 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's financial statements under the equity method. A list of joint ventures of the Group is set out in Note 11.

The Group's interests in jointly controlled assets are accounted for by proportionate consolidation in the consolidated financial statements. Under this method, the Group includes its share of the joint ventures' individual expenses, assets and liabilities in the relevant components of the financial statements based on its Joint Operating Agreements. 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 is 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 quoting buying 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 in incomes 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 recognized 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 — related parties and long-term loans — 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. The forward foreign exchange contracts are recognized in the financial statements on 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 on inception. Cross-currency 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 sales/purchases 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 within three 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

For 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 agreements. Under these agreements, 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 or net realizable value. Cost is determined by the first-in, first-out (FIFO) basis. 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 Materials 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 is 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, 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 or 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 Properties

The exploration and production group accounts for its oil and gas exploration and production activities in accordance with the successful efforts method accounting, which has accounting policy as follows:

Cost of Properties

Costs of properties comprise 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 in statements of income. Development costs, irrespective of whether relating to successful or unsuccessful development wells, are capitalized as assets.

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 asset's 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 charges are recognized 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 expenses 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 judgment.

2.18 Pension Fund and Provident Fund

The Company contributes monthly to the Pension Fund at the rate of 10% of its staff's salaries, and also contributes additional amount to provide an adequate reserve at the rate of 100% of the obligation which due at the end of accounting period. Interests earned from the assets of Pension Fund are recognized as income, while contributions 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 the rate of 10% of the employees' 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 the rate of 15% of their 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 or individuals are related parties of the Company mean that who control or are controlled direct or indirect or are under common control by the Company, including holding companies, subsidiaries and fellow subsidiaries. Moreover, these include 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.

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

Where necessary, some comparative figures in the consolidated and the Company's financial statements for the year ended December 31, 2002 have been adjusted to confirm with changes in financial presentation in the consolidated and the Company's financial statements for the year ended December 31, 2003 which are not significant material to previous income statement.

3. CHANGE IN ACCOUNTING POLICY

During 2003, the Group recorded a provision for decommissioning costs. A provision is recognized, and 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's 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
Total	56,442.96	33,657.52	36,958.30	17,176.88

Cash and cash equivalents as at December 31, 2003 bear interest rates 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 rate 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 rate 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
Total	6,343.94	1,147.15	3,947.81	1,147.15

Cash at banks and promissory notes of the Group are the fixed deposits and promissory notes issued by financial institutes in Thailand. Current investments as at December 31, 2003 bear interest rates 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 rates 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
Total	33,866.84	39,573.83	32,875.24	37,700.41
Less Allowance for doubtful accounts	1,977.62	1,985.87	1,927.50	1,938.68
Trade accounts and notes receivable — others, net	31,889.22	37,587.96	30,947.74	35,761.73

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
Total	33,866.84	39,573.83	32,875.24	37,700.41
Less: Allowance for doubtful accounts	1,977.62	1,985.87	1,927.50	1,938.68
Trade accounts and notes receivable — others, net	31,889.22	37,587.96	30,947.74	35,761.73

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's financial statements amounting to Baht 10,996.81 million (2002: Baht 13,117.21 million).

7. RELATED PARTY TRANSACTIONS

The followings transactions were 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
Less: Allowance for doubtful accounts	—	—	—	1.87
	—	—	188.98	1,367.78
Associates	12,712.62	13,096.92	12,506.30	12,252.03
Less: 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
Less: 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
Less: 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 — 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
Less: 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
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
— Loan to an associate	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 rate at MOR of Krung Thai Bank plus 2% per annum, and receivable at call.

7.3 Advances and long-term loans — 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)
— Loans to associates	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 bear interest between 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
Total	10,011.81	8,246.17	13,278.99	10,933.28

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	997.656
Associates	445.33	696.45	445.33	696.45
Other related parties	19.66	5.12	19.66	5.12
Total	464.99	701.57	622.30	1,699.22

7.6 Revenues and expenses 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**
Revenue				
Sales:				
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
Interest income:				
Subsidiaries Subsidiaries	—	—	—	44.39
Associates	75.82	206.26	75.82	206.26
Other incomes:				
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
Expenses				
Purchases:				
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
Other expenses:				
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 trade accounts receivable and sales to 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 fixed 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
Total	3,751.57	2,624.15	3,686.30	1,981.56

The Company's inventories as stated above exclude legal reserve, which are presented as other non-current assets in accordance with 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
Less: Allowance for obsolescence	64.62	45.24	51.50	16.54
Total	1,844.62	2,284.39	1,007.74	1,031.50

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
Less: 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 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
Total	11,316.84	13,922.27	10,215.45	12,960.77

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

Accounts receivable — forward foreign exchange contracts are incurred to hedge the fluctuation of Yen and USD currencies for loan repayment and export of products.

11. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

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

11.1 Subsidiaries

Company	Country of Incorporation	Business	Shareholding Percentage 2003	Shareholding Percentage 2002
Subsidiaries:				
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 Percentage 2003	Shareholding Percentage 2002
Associates:				
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 Percentage 2003	Shareholding Percentage 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 Percentage 2003	2002
Subsidiaries:				
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

* PTB is in the liquidation process.

Company	Country of Incorporation	Business	Shareholding Percentage 2003	2002
Associates:				
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

Company	Country of Incorporation	Business	Shareholding Percentage 2003	2002
Joint ventures:				
Jointly controlled entities:				
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

** 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)

			Shareholding Percentage	
Project	**Country**	**Operator**	**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

			Shareholding Percentage	
Project	**Country**	**Operator**	**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

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

Joint Ventures of PTTEP Southwest Vietnam

			Shareholding Percentage	
Project	**Country**	**Operator**	**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

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

Joint Ventures of PTTEP Hoang Long

			Shareholding Percentage	
Project	**Country**	**Operator**	**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 respectively, and the other joint venture partners exercised their right to purchase the entire shares owned by Premier Petroleum Myanmar Limited (PPML) in the Yetagun Project and the 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 equity method as at December 31, 2003 and 2002 are as follows:

Consolidated

Unit: Million Baht

Company	Shareholding Percentage		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
Associates:										
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 Baht	0.15	—	—	—
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 Groups										
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, net of long-term loans — related parties					3,357.86			5,212.75		
Total			62,683.16	33,923.96	—	60,745.78	20,559.59	(1,238.46)	1,138.27	1,087.63

The Company

Unit: Million Baht

	Shareholding Percentage		2003			2002			Dividend	
Company	**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**
Subsidiaries:										
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	—	—	—	—	—	—
Associates:										
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
Joint Ventures:										
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	165.29	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)		
Less: Allowance for share of net loss, net of long-term loans — 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 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 period	(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	33,923.96	55,520.60

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
Add: Transfer to be deducted from long-term loans - related parties as at December 31, 2002	5,212.75	5,212.75
	6,451.21	6,470.08
Less: Decrease in allowance for share of net loss over 'investments during the period	3,093.35	3,112.22
	3,357.86	3,357.86
Less: Transfer to be deducted from long-term loans-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 Sheets:

As at December 31, 2003 and 2002

Unit: Million Baht

	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)	2,452.22	114.14	16.86	304.12	(18.87)

Statements of income:

For the years ended December 31, 2003 and 2002

Unit: Million Baht

	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	(64.10)	(5.06)	(0.64)	(89.93)	(15.53)

11.9 Significant events occurred during the year 2003

TOC

On May 13, 2003, TOC was registered to transform from a company limited to a public limited company, and rename to Thai Olefins Public Co., Ltd.

On June 6, 2003, TOC decreased its par value of share from Baht 100 per share to Baht 10 per share, and on August 6, 2003, decreased its authorized share capital from 1,170.30 million ordinary shares with a par value of Baht 10 per share to 585.15 million ordinary shares with a par value of Baht 10 per share. 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 per share to 821.15 million ordinary shares with a par value of Baht 10 per share. 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 onshore Block L22/43 which has percentage of interest 35% and operates by Thai Shell Exploration and Production Company Limited and offshore 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 PetroVietnam 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 Percentage 2003	Shareholding Percentage 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
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 Percentage		Consolidated		The Company		Dividend	
	Consolidated	Company	2003	2002	2003	2002	2003	2002
INVESTMENTS ACCOUNTED FOR UNDER COST METHOD								
Associates:								
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 VLPG	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	—	—
Joint Ventures:								
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 (Baht)	9.90 (Baht)	—	—	—	—
Other Related Parties:								
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	—	—	—	—
Total investment accounted for under cost method			567.01	708.51	567.01	707.01	—	—
Less: Allowance for impairment of investment			445.27	421.48	445.27	421.48	—	—
Total investment accounted for under cost method, net			121.74	287.03	121.74	285.53	—	—
INVESTMENTS ACCOUNTED FOR FAIR VALUE								
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
Total investments — available-for-sale securities			336.00	336.00	336.00	336.00		
Add: Allowance for increase in fair value of Investment			550.40	209.60	550.40	209.60		
Total investments accounted for fair value			886.40	545.60	886.40	545.60	36.72	37.70
Total other long-term investments			1,008.14	832.631	1,008.14	831.133	36.72	37.70

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 from investment in 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	1,008.14	1,008.14

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) (Former name 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 to 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

	Consolidated						
	Land	Buildings and buildings improvement	Machinery and equipment	Oil and Gas properties	Other assets	Construction in progress	Total
Cost							
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	2,828.51	12,513.56	87,199.84	77,233.56	13,644.20	11,003.77	204,423.44
Accumulated Depreciation							
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)
Allowance for Impairment loss							
At December 31, 2002	(42.87)	(373.13)	(244.96)	—	—	—	(660.96)
At December 31, 2003	(42.87)	(373.13)	(244.96)	—	—	—	(660.96)
Net Book Value							
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
Cost						
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
Accumulated Depreciation						
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)
Allowance for impairment loss						
At December 31, 2002	(42.87)	(373.13)	(244.96)	—	—	(660.96)
At December 31, 2003	(42.87)	(373.13)	(244.96)	—	—	(660.96)
Net Book Value						
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, 2002, plant, machinery and equipment of TOC amounting to Baht 22,047.60 million are pledged as collateral for long-term loans of TOC.

Borrowing cost amounting to Baht 244.42 million (2002: Baht 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's 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
Cost									
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
Accumulated amortization									
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)
Allowance for impairment loss									
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)
Net book value									
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's 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	—	—
Total income tax expenses	14,413.93	10,445.28	6,432.70	5,042.64

Deferred income taxes presented in the consolidated and the Company's 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
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

	Consolidated	The Company
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 period	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	—	—
Total	5,273.71	7,499.24	4,545.51	4,083.73

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
Total	5,351.53	4,246.06	4,160.43	3,351.95

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
Total	17,764.28	11,815.19	17,764.07	8,487.73

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
Total	107,460.87	120,119.79	89,335.56	92,355.85

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
Total	125,225.15	131,934.97	107,099.63	100,843.58

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

Movements in local loans and foreign loans as at December 31, 2003 and 2002 are as follows:

Unit: Million

	Consolidated			
	Currency			Total equivalent to Baht
	Baht	**US Dollars**	**Japanese Yen**	
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

	The Company			
	Currency			Total Equivalent to Baht
	Baht	**US Dollars**	**Japanese Yen**	
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 guaranteed 200,000 unsubordinated bonds which have been issued by PTTEP International Limited (a subsidiary of PTTEP) with a face value of USD 1,000 each, totaling USD 200 million. 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	**Local 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 currency loans	**Local currency loans**	**Bonds**	**Liabilities from finance lease**	**Total**	**Foreign currency loans**	**Local currency loans**	**Liabilities from finance leases**	**Total**
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:

Unit: Million Baht

	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:

Unit: Million Baht

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

23. RESERVES

23.1 Legal Reserve

Under the Public Limited Companies 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	776.99	776.99

Self-Insurance Fund has been set up to provide insurance coverage similar to the insurance company which the coverage was only in the Company's business. The Company appropriated reserve equivalent to the net income from operation and interest income each year 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 June 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 outstanding balance of warrants.

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 is remaining outstanding balance 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, the total of 500 people exercised the warrants to purchase 398,000 shares. 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 the 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 INCOMES

Other incomes 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
Total	6,437.79	6,898.03	5,350.52	6,044.06

26. SHARE OF NET INCOME FROM INVESTMENTS UNDER 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 operating income 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 to extend 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 youth 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 Royal Forestry Department. 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
Total	8,070.04	9,623.45	6,084.82	7,371.26

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	—	—	498,030.05
— related parties	3,589.09	21,257.85	32,100.10	—	—	(56,947.04)	—
Petroleum royalties	—	—	(4,021.07)	—	—	—	(4,021.07)
Net sales	346,187.90	158,794.44	31,105.60	14,868.08	—	(56,947.04)	494,008.98
Gross margin	10,219.22	28,123.74	23,447.29	2,369.82	—	(76.60)	64,083.47
EBITDA	5,579.92	29,181.71	24,997.54	2,744.94	(157.74)	21.48	62,367.85
Depreciation and amortization	1,826.69	3,917.83	5,440.49	758.19	3.37	157.14	12,103.71
EBIT	3,753.23	25,263.88	19,557.05	1,986.75	(161.11)	(135.66)	50,264.14
Share of net income under 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)
Net income							39,400.98
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 equity method	0.77	—	11,477.07	—	22,446.11	—	33,923.95
Total Assets	55,672.30	112,072.75	92,575.91	—	198,566.56	(134,282.15)	324,605.37
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)	—
Total Liabilities	25,913.34	9,991.01	46,901.78	—	122,930.57	(10,060.52)	195,676.18

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
EBITDA	6,368.75	24,113.37	22,210.92	1,964.84	(555.83)	71.28	54,173.33
Depreciation and amortization	1,851.00	3,945.65	4,775.72	917.71	4.28	116.45	11,610.81
EBIT	4,517.75	20,167.72	17,435.20	1,047.13	(560.11)	(45.17)	42,562.52
Share of net loss under 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)
Net income							24,485.08
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 equity method	0.96	—	11,410.44	—	9,148.19	—	20,559.59
Total Assets	58,666.90	111,866.23	84,393.31	18,306.55	142,757.38	(116,869.77)	299,120.60
Capital expenditure	947.31	1,416.14	8,142.77	1,735.56	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)	—
Total Liabilities	45,557.97	92,122.40	45,937.69	13,848.22	109,726.04	(104,869.77)	202,322.55

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. Some portion of sales, purchase, and borrowing transactions are entered into in foreign currencies. The Company borrows at both fixed and floating rates of interest to finance its operations. 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**
Forward bought foreign exchange contracts				
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	—
Total	13,823.90	6,986.23	13,823.90	5,993.83
Forward sold foreign exchange contracts				
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 according to 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	—	—
Total	10,422.33	11,357.63	2,741.91	2,987.97

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 prices 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

	The Company			
	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 amounting to Baht 664.30 million and the carrying value of net assets amounting to Baht 304.48 million are the fair value of total net assets received on 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

PTTEP provides its employees the exercise warrants to purchase ordinary shares according to the Employee Stock Ownership Plan (ESOP) for 5 consecutive years, totaling 10 million ordinary shares. As at December 31, 2003, the employees have exercised the warrants to purchase 0.40 million shares, therefore, there is remaining outstanding balance of 9.60 million shares reserved. Consequently, as at December 31, 2003, the Company's interest in PTTEP has decreased to 63.61 % according to Note 11.

34. COMMITMENTS AND CONTINGENT LIABILITIES

34.1 At the end of year 2000, the contractor for the Ratchaburi-Wang Noi Natural Gas Pipeline construction project has claimed for additional construction cost amounting to approximately USD 26.36 million. The Company and the project consultant have agreed that the additional construction cost should be approximately to Baht 447.02 million, comprises USD portion approximately to USD 5.85 million and Baht portion approximately to Baht 214.75 million. The Company has already recorded such amount as accrued expenses. The Company has agreed with the contractor and has already paid on February 2, 2004.

34.2 A foreign contractor has a dispute with the Company and has filed a complaint with the arbitrator of the International Chamber of Commerce (ICC) with regard to a construction contract of onshore parallel pipeline laying from Rayong-Bangpakong-Wang Noi. Damage and legal costs approximately to USD 61 million have been claimed. On February 4, 2002, the arbitrator made the decision that the Company shall pay for damage and expenses incurred in the administration of the case amounting to USD 28.43 million with interest charge and fees for letter of guarantee. However, the Company has always contended with and retained rights concerning the arbitration and the judicial process on this dispute. On March 20, 2003 the Company contended with the enforcement according to arbitrator's decision which such foreign contractor had already filed a complaint to the civil court on January 31, 2003. The case is under the court consideration. As at December 31, 2003, the Company has recorded the damage including interest charged and expenses incurred totaling Baht 1,313.83 million as other non-current liabilities. Nevertheless, the Company as the plaintiff has filed against such foreign contractor as a defendant in the civil court for the delay of work submission which caused the Company damages amounting to Baht 4,274 million. The case is in the process of taking evidence and has no progress.

34.3 On February 16, 1988, the Cabinet's resolution approved Petroleum Authority of Thailand (PTT) to purchase and sell local crude on behalf of the government with permission to deduct operating expenses from the margin before appropriation to the Ministry of Finance (MOF). Most purchase and sale of local crude came from Sirikit oil field (Phet Crude).

On February 17, 2004, the Cabinet approved that the Company would not have to submit the appropriation to the Ministry of Finance for the portion of gain from sales of Phet Crude.

34.4 Commitments to associates and joint ventures are as follows:

On September 22, 2003, the Company entered into Shareholder's Commercial Support Arrangement with an associate and a financial institution. The Company has an obligation concerning a commercial trade credit in form of extend credit and/or advance product payment with a credit limit of USD 100 million. As at December 31, 2003, the commercial credit line has not been used.

The Company has commitments to provide an adequate financial support to an associate including working capital based on Shareholders' Support Agreement amounting to USD 148.05 million (Baht 5,754.06 million). As at December 31, 2003, the Company has fully supported the whole amount to the associate by lending subordinated loan which includes accrued interest receivable amounting to Baht 53.63 million, totaling Baht 5,807.69 million. The Company recognized share of net loss over

investments amounting to Baht 3,357.86 million according to Note 7.3 which the Company accounted for subordinated loans from share of net loss over investments. In addition, on June 19, 2003, the Company entered into Shareholder's Commercial Support Arrangement with an associate and a financial institution. The Company has an obligation with this associate concerning a commercial trade credit in form of extend credit and/or advance product payment with a contingency support of USD 90 million. As at December 31, 2003, the commercial credit line has been used amounting to USD 43.90 million. The Company still has commitments at the balance of USD 46.10 million.

The cabinet approved the Company to establish a joint venture company according to the most urgent letter of the Secretary of the Cabinet No. Nor Ror 0504 / Wor (Lor) / 2063 dated February 14, 2003. Under the conditions of the joint venture agreement, the Company has a commitment to pay for its interest in the joint venture as share capital of Baht 350 million. Capital injection will be based on financial necessity or timing and the resolution of the joint venture's board of directors. As at December 31, 2003 the unfulfilled commitments are Baht 332.50 million

34.5 On January 23, 2004, Arthit's joint venture partners signed the Gas Sales Agreement with the Company. Following the gas sales condition, all partners have commitment to pay to the Company in 2006. PTTEP's portion to the commitment is approximately USD 32 million.

34.6 As at December 31, 2003, the Company has contingent liabilities which are letters of guarantee amounting to Baht 38.74 million for the Company financial statement and Baht 102.70 million for the consolidated financial statement.

35. PROMOTIONAL PRIVILEGES

The Company received promotional privileges from the Board of Investment under the Investment Act, B.E. 2520 (1977) on September 22, 2003 for the Gas Separation Plant Unit #5. The promotional privileges include taxes and corporate income tax. The corporate income tax exemption on net income of total promotional operations not greater than 100% of investment value, exclude land and working capital for 8 years starting from the date the first sales are realized. The Company has to comply with all conditions and regulations for the promotional operations as stated in Promotion Certificate.

36. SUBSEQUENT EVENTS

The Company

36.1 On January 22, 2004 the Board of director had approved the increasing of investment in PTTNGD from 49% to 58%. This effects that PTTNGD's status changed to be a State Enterprise in accordance with the Budgetary Procedure Act, B.E. 2502 (1959) and was transformed from an associate to a subsidiary.

36.2 On January 22, 2004 the Board of director had approved the sponsor support in the form of subordinated loan to TTM(T) and TTM(M) by cooperate with other shareholder in the proportion of 50:50. This is in accordance with condition identified by a financial institution to provide its loan with a credit limit of USD 520 million to the joint ventures.

PTTEP

36.3 On January 19, 2004, PTTEP incorporated PTTEP (Thailand) Limited, a subsidiary company, which is 49% owned by PTTEP Middle East Company Limited and 51% owned by PTTEP International Limited. PTTEP (Thailand) Limited was registered with 10,000,000 shares at 10 Baht each.

36.4 On January 22, 2004, PTTEP granted the onshore petroleum concession block L53/43 (an area of 3,968 square kilometers), and block L54/43 (an area of 3,987 square kilometers) from the Department of Mineral Fuels. Both blocks, in which PTTEP is the operator of both blocks with 100 percent participation interest.

36.5 On November 24, 2003, PTTEP as the operator of Arthit project, signed Heads of Agreement with the Company, and consequently, signed Gas Sales Agreement on January 23, 2004.

36.6 On January 28, 2004, PTTEP incorporated PTTEP Services Limited, a subsidiary company, which is 75% owned by PTTEP (Thailand) Limited and 25% owned by PTTEP. PTTEP Services Limited was registered with 100,000 shares at 10 Baht each.

36.7 On January 29, 2004, PTTEP and PTTEP Offshore Investment Company Limited (PTTEPO) acquired all of Thai Shell Exploration and Production Company Limited's shares at the portion of 49% and 51%, respectively with the acquisition cost of approximately USD 205 million, according to the signed Share Purchase Agreement with Shell Petroleum NV on December 30, 2003. Thai Shell Exploration and Production Company Limited is the operator and has 75% interests in S1 project, and wholly owned in Block 6/27.

THE COMPANY

PTT Public Company Limited
555, Moo 1, Vibhavadi Rangsit Road
Chatuchak, Bangkok 10900
Thailand

TRUSTEE, REGISTRAR, PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
New York, NY 10005

LEGAL ADVISERS TO THE COMPANY

As to U.S. Law

Allen & Overy (Hong Kong) Limited
9th Floor, Three Exchange Square
Central
Hong Kong

As to Thai Law

Allen & Overy (Thailand) Co., Ltd.
22nd Floor, Sindhorn Building III
130 Wireless Road
Bangkok 10330
Thailand

LEGAL ADVISERS TO THE INITIAL PURCHASERS

As to U.S. Law

Simpson Thacher & Bartlett LLP
7/F ICBC Tower
3 Garden Road
Central
Hong Kong

LEGAL ADVISORS TO THE TRUSTEE

As to U.S. Law

Clifford Chance
29th Floor
Jardine House
One Connaught Place
Hong Kong

AUDITOR OF THE COMPANY

Office of the Auditor General of Thailand
Soi Areesampan, Rama VI Road
Bangkok 10400
Thailand



Printed by IFN Financial Press Limited
25434