

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

For the year 2002, PTT and its subsidiaries' sales revenue was Baht 399,752 million, increased 5.8%, EBITDA was Baht 54,098 million, increased 5.8%, EBIT was Baht 42,644 million, increased 0.7% and net income was Baht 24,507 million, increased 13.6% from the year 2001.

## **Oil Business Unit**

Sales revenue increased Baht 8,924 million or 3.4% due to higher crude oil prices in the world market and the increase in sales volume. The Dubai crude oil prices increased from US\$ 22.8 per barrel in 2001 to US\$ 23.8 per barrel in 2002, while the total sales volume of the Oil business unit increased by 726 million liters from 31,678 million liters or equivalent to 545,898 barrels per day in 2001 to 32,404 million liters or equivalent to 558,416 barrels per day in 2002, mainly from the domestic sales volume.

## **Gas Business Unit**

Sales revenue increased by Baht 6,951 million or 5.3% due to the increase in average natural gas sales volume (include natural gasoline derived from Dew Point Control Units) by 187 million cubic feet per day (MMCFD) (calculated at heat value 1,000 BTU per cubic feet) or 8.1% from 2,307 MMCFD to 2,494 MMCFD. Gas separation plants' products sales volume, comprising of liquefied petroleum gas (LPG), ethane, propane and natural gas liquids, increased from 2,531,160 tons in 2001 to 2,558,381 tons in 2002. Sales volume of LPG, which is the main product of gas separation plants, increased from 1,396,144 tons in 2001 to 1,475,410 tons in 2002 while average LPG price decreased by US\$ 17 per ton from US\$ 260 per ton to US\$ 243. Sales volume of ethane and propane decreased from 542,549 tons and 206,489 tons in 2001 to 491,413 and 177,887 tons in 2002 respectively, while Ethylene price (South-East Asia Spot) decreased from US\$ 451 per ton to US\$ 426 per ton and propylene price increased from US\$ 402 per ton to US\$ 473 per ton.

## **PTT Exploration and Production Public Company Limited**

Sales revenue of PTT Exploration and Production Public Company Limited (PTTEP), PTT's subsidiary, increased by Baht 1,827 million or 7.3% due to the higher sales volume from 91,623 BOE per day to 101,736 BOE per day, the increase volume of which mainly came from the Pailin, Yadana and Yetagun fields.

## **Thai Olefins Company Limited**

In 2002, the status of the Thai Olefins Company Limited (TOC) has changed from an associate of PTT to a subsidiary, therefore, TOC's sales revenue of Baht 13,242 million, EBITDA of Baht 1,965 million and EBIT of Baht 1,047 million were consolidated into PTT's consolidated financial statements.

**Net Income : Net income in the year 2002 increased by Baht 2,942 million or 13.6%**

For the year 2002, PTT and its subsidiaries' net income was Baht 24,507 million, increased by Baht 2,942 million or 13.6%. The increase in net income was due primarily to the followings :

- Decrease in interest expense by Baht 1,003 million resulted from repayment and prepayment of short-term and long-term debt in an amount of Baht 24,068 million.

- Increase in share of net income from investment in associates by Baht 2,344 million as a result of their better financial performance in the year 2002, mainly due to higher products prices and foreign exchange gain

In 2002 the earnings per share was Baht 8.76, increased by 1.05 Baht/share or 13.6%.

**The Analysis of PTT and its subsidiaries' Financial Status**

**Assets**

Total assets were Baht 296,592 million, increased by Baht 9,366 million or 3.3% mainly due to the consolidation of TOC's assets into PTT's 2002 consolidated financial statements.

**Liabilities**

Total liabilities were Baht 199,296 million, decreased by Baht 17,812 million or 8.2%, despite the consolidation of TOC's debt. This was mainly due to the repayment and prepayment of short-term and long-term debt in an amount of Baht 24,068 million payment of Baht 5,112 million accrued appropriation to the Ministry of Finance in March 2002 and also the payment of Baht 5,594 million accrued dividend in May 2002.

**Shareholders' Equity**

Total shareholders' equity as of December 31, 2002 was Baht 97,296 million, increased by Baht 27,177 million or 38.8%, mainly due to the increase in Baht 24,507 million net income for the 2002 performance.

**Liquidity**

PTT and its subsidiaries had net cash provided from operating activities of Baht 30,035 million which was derived from Baht 24,507 million net income and adjusted with non-cash expenses of Baht 15,308 million and the increased in working capital of Baht 9,782 million. Which was mainly caused by the higher trade accounts receivable.

In sum, the financial standing of PTT and its subsidiaries has been substantially strengthened as witnessed by a decrease of debt/equity ratio from 3.10:1 in 2001 to 2.05:1 in 2002.