

MESSAGE FROM THE CHAIRMAN



The year 2002 was the first full year of PTT's operation as a public company and one in which we achieved considerable success. The financial standing of the Company has obviously been strengthened with the proceedings from the Initial Public Offering of shares in 2001 as well as the increase of operating revenue in 2002. This funding was partially utilized for pre-scheduled payment of long-term liabilities to minimize the company's interest burden which resulted in a decrease of debt to equity ratio from 3.10:1 to 2.05:1, with a further expected reduction to 1:1 by the end of 2003.

The economic recovery in the past year was a significant factor contributing to the expansion of domestic petroleum consumption by 5%. This left the PTT and its subsidiaries with total income of Baht 409,355 million in 2002, rising by 5.9%. The profit totalled Baht 24,507 million, increasing by 13.6%. The 9% rise in gas supply was in response to demand from power plants, enabling PTT receive make-up gas this year worth Baht 1,505 million.

As for the oil business, PTT's sale volume of oil products grew by 9.4%. This ensured that the PTT could once again secure the largest market share for oil products in the country, now for the tenth consecutive year. Moreover, with the determination to offer excellent products and services to consumers, the PTT at the end of 2002 launched a new gasoline formula, PTT Alpha-X, the first of its kind in Thailand with friction reduction abilities. The significant advances made by the company can also be perceived in the new look of the convenience stores in PTT's gas stations in cooperation with 7-Eleven, acknowledged experts in the retail business.

To accommodate long-term achievements, the PTT has formulated the vision of being the preeminent Thai energy corporation, operating a fully integrated oil and gas business, confident of being a regional leader and a high-performance organization. PTT has accordingly accelerated the improvement of corporate efficiency and implemented major corporate development projects like its Human Resources Mechanisms Project (HRM) and Enterprise Resource Planning Project (ERP), which integrates major work systems into the same database for optimum efficiency. A Risk Management Committee has also been appointed. Another project of substantial accomplishment was in E-business, through which a reverse auction reduced procurement expenses by Baht 46 million in 2002.

In addition, it is delightful that PTT's good corporate governance is acceptable to and praised by the Securities and Exchange Commission (SEC), which named the PTT as one of the leading companies with quality information disclosure. A disclosure report on additional information (form 56-1) and financial statements of 2001 was noted as having good quality information disclosure, while the quality of disclosure regarding risk factors and connected transactions was rated as setting a precedent for other firms.

MR. MANU LEOPAIROTE

CHAIRMAN OF THE BOARD OF DIRECTORS



Good quality, health, safety and environment, other prime focuses of the PTT, made considerable progress as anticipated. Outstanding in 2002 were the Prime Minister's Award won for productivity at our Gas Separation Plant and winning the EIA Award for the Yadana Gas Pipeline Project. The PTT's Gas Transmission system was also certified as meeting the TIS 18001 standard, while the PTT Gas Station on Sukhapiban 3 Road was the first in the industry to be awarded the Green Label emblem as environmentally friendly.

The most auspicious and memorable event for the PTT in 2002 was when His Majesty the King and HRH Princess Maha Chakri Sirindhorn graciously presided over the humble offer of about 400,000 acres (1.6 billion m²) of land as part of the PTT's Reforestation Project at mangrove forest FPTs 29 and 29/3 in Pran Buri District of Prachuap Khiri Khan Province. The company regarded this as part of the achievement of all Thais and the PTT who have contributed to this national program. A further commitment has been made to carry on with this mission of forest rehabilitation for the benefit of future generations.

Short-term future projects, requiring around Baht 107,985 million of investment over the next 5 years, include the 3rd Offshore Gas Pipeline Project, the Gas Separation Plant Unit 5 Project in Rayong Province and the Sai Noi-North/South Bangkok Power Plant Gas Pipeline Project, etc. PTT is fully aware that these projects are dependent on expertise and commitment, which will be the professional basis for further entry into business competition. As a Chairman of the Board, I would like to express my appreciation for all the support of related parties, i.e. customers, partners, joint ventures, shareholders, financial institutions, personnel, public and private sector agencies, the media, and the people of Thailand, who have entrusted PTT with their continual support and confidence.