



REPORT OF THE AUDIT COMMITTEE

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

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

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

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



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

OLARN CHAIPRAVAT
CHAIRMAN OF THE AUDIT COMMITTEE

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

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

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

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



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