

PTT's acquisition of Jet and Jiffy is worthwhile, and transparent. The deal is not an oil business monopoly.

The buyout of ConocoPhillips retail oil business in Thailand

Q: The reason for PTT's decision to purchase JET's oil stations in Thailand

A:

-The buyout of JET's station is the golden opportunity to expand oil's retail business and reinforce business performance.

-The business of ConocoPhillips in Thailand is interesting.

147 JET stations are high quality and located on a prime location. Most of them are located in Bangkok and greater Bangkok; many of them are on main roads. The size of the stations is quite large with an average of three rais and they are relatively new (9 years old on average)

They are fully equipped with efficient operating system, good images and business model which attract high end customers. The stations will enhance competitiveness of PTT.

JET/Jiffy's brands have a good reputation for cleanliness and high quality service, modernity as well as convenience. The station is designed to suit the customers' needs.

The stations are operated under COCO model or company owned-company operated, having experienced staff as management.

Having a good revenue structure.

- The acquisition of ConocoPhillips business in Thailand generates synergy between PTT and JET/Jiffy. Namely, the refineries under PTT Group have opportunities to sell more oil products.
- As PTT plans to increase 200 premium gas stations within five years, the buyouts will help save an investment budget and will immediately generate revenue for PTT.
- The acquisition augments value to PTT and benefit for all stakeholders including consumers in terms of price stability as PTT delays the price increase in order to lessen the impact of world oil price.

Q: Why did ConocoPhillips sell its business in Thailand?

A: To PTT's knowledge, the sale is the strategy of ConocoPhillips as ConocoPhillips aims to focus on upstream business i.e. exploration and production. JET's business is not a core business in term of the company's strategic operation. In addition, ConocoPhillips decides to sell all retail business or its non strategic business in Southeast Asian region, not only in Thailand.

Q: What is the acquisition structure?

A: PTT will set up a company which is 100% owned by PTT. The new company will buy all shares of the retail business companies of ConocoPhillips in Thailand e.g. Conoco (Thailand) Company Limited (operation), JET/Jiffy Shops Limited (employees to work at the gas station), Siam Conoco Terminal Limited (Oil storage) and Siam Conoco Land Limited (land).

Q: Is the buying price of JET at US\$ 275 million appropriate and worthwhile?

A:

- PTT is convinced that the business is worth buying and the buying price is right. The investment will increase value of PTT. PTT has commissioned international consultant to conduct a feasibility study and profitability of JET/Jiffy. The advisors which are investment banking institutions include N.M.Rothschild and The Quant Group. Pricewaterhouse is hired as an auditor, while White and Case LLP is commissioned as a legal consultant.

- PTT does not appraise the value of business acquisition of JET and Jiffy as the physical assets but the resources assets which encompass man, the management, process and technology. It also includes two land banks, 147 stations, Saraburi Oil Depot covering an area of 50 rai with a receiving capacity 85 million liters of four types of oil. It also includes blending facilities of gasohol. Besides, the gas station at Bang Boi Thong is also a training center. In addition, Jiffy and Jiffy Kitchen are non oil business which can supplement income. High quality and experienced 3,342 employees of Jet and Jiffy are transferred to PTT.

Q: Was the purchase transparent?

A: According to good corporate governance stipulating investigation and internal auditor procedure, PTT commissioned the financial consultant to offer the suitable price range to high executives of PTT and the Board of Directors to review the offering price to be submitted for bidding according to a procedure.

- The bidding process specifies date and time as well as procedures of bid submission clearly and transparently. This complies with the conditions of ConocoPhillips, the renowned giant American corporation. In opening Bid, ConocoPhillips also had international financial advisor to verify the bid submission and select the successful bidder. The acquisition negotiation took full five months in information research (September 2006-February 2007) and two bid submissions.

Q: Does acquisition of Jet enable PTT to monopolize the market?

A:

- Buying JET's stations is not a course of monopoly of oil business as it does not affect other oil traders. At present, PTT has a market share of 28.6% (excluding fuel oil); while JET has a share of 4.6%. When combined the share of both companies, it will be 33.2%. The remaining 66.8% consists of 33.8% share of international companies and 26.9% share of Thai companies. The acquisition of JET is therefore not a monopoly of oil market.

- Today, PTT is already the largest oil player and a leader in determining oil price. PTT still maintains the largest market share (for consecutive 13 years) 147 JET stations account of less than 5% of market share.

Q: What is the business plan of JET and Jiffy Convenience Store in the future?

A: JET stations will be incorporated into retail network of PTT. After the acquisition, PTT still uses JET/Jiffy brands for another 1-2 years before changing to PTT's brand gradually.

This will allow PTT to manage and provide service in an efficient manner and thoroughly. Presently, PTT has planned to merge the stations following the acquisition.

- Regarding the agreement with 7 Eleven Company on 7-11 Convenience Store at the gas stations. The convenience stores will be branded 7-11. Jiffy Convenience store will be at JET stations only. However, PTT will consider the effective measure to reap the mutual benefit of both convenience stores.

- PTT will survey the customers at JET stations. Within one or two months, it is anticipated to discover the result that reveals the type of station and additional investment in order to sustain excellent service stations and upgrade its services at its best.

- The products available at 147 stations are high quality products of PTT which include PTT's lubrication. In the past, JET has not yet products under its own brand.

Q: What is the plan for JET stations located near PTT station?

A:

- 147 JET stations do not cause any conundrum for PTT's business because only few stations are located near PTT's stations.

- PTT has set up a working team to study the best alternative by taking all factors into consideration. Some stations may be chosen to supply alternative fuels such as NGV.

- PTT realized the importance of all dealers who work side by side with PTT along the way. PTT confirms that the buyout will not affect the business of PTT's dealers. For concerned dealers of PTT, PTT will arrange the meeting to discuss with them for the best solutions.

Q: What is the plan for JET employees?

A: PTT strongly believes that the success of JET and Jiffy lies on the quality of employees who are experienced and dedicated themselves to working. Therefore, PTT will hire 3,342 employees of JET as we believe these employees will contribute significantly to the success of PTT in the future.