

## Executive Summary

Crude oil prices during the first quarter of 2015 continued to decline after OPECs decision in late 2014 to maintain production rates to protect market share. Dubai crude oil prices touched six year lows of USD 42/BBL in mid-January before rebounding USD 10/BBL in February from Libyan unrests which disrupted the country's exports. In addition, so far in 2015, E&P companies world-wide have announced spending cuts to cope with lower oil prices and US rig counts continued to decline. These factors also lent support to oil prices; however, downward pressure remained as oversupply conditions persisted due to increased production from OPEC members and the United States. Dubai crude oil prices during the first quarter of 2015 averaged USD 51.9/BBL, decreasing from the previous quarter's average of USD 74.4/BBL.

Economic outlook for the Thai economy in 2015 was weaker than expected, with the Monetary Policy Committee of the Bank of Thailand, in the first quarter, lowering their forecasted GDP growth rate for Thailand from 4.0% to 3.8%. Public spending by the government was constrained due to limitations on budget disbursements, while exports did not expand as expected due to the slowdown of the global economy. Nonetheless, lower oil prices encouraged consumer spending, and the tourism sector recovered during the quarter, which resulted in domestic energy demand for the first two months of 2015 amounting to 2.1 million barrels of oil equivalent per day (BOED), an increase of 3.8% year-on-year. Gas demand over the same period increased 8% year-on-year, and amounted to 4,641 million standard cubic feet per day (MMSCFD, or approximately 904,673 BOED).

Business operations for the first quarter of 2015 for PTTEP and its subsidiaries ("the Group") resulted in net profits of USD 264 million, an increase of USD 1,003 million, or more than 100% when compared to net losses in the fourth quarter of 2014 of USD 739 million. The increase was primarily due to the fact that during the first quarter of 2015, there was no recognition of asset impairment losses, while in the fourth quarter of 2014, the Group recognized asset impairment losses on the PTTEP Australasia Project and the Mariana Oil Sands Project for a total amount of USD 997 million. In addition, the Group's income tax expenses and exploration expenses decreased when compared with the fourth quarter of 2014. However, sales revenue during the first quarter of 2015 decreased as a result of lower average sales price which averaged USD 48.74 per barrel of oil equivalent (BOE) (for the fourth quarter of 2014 : USD 56.54 per BOE ), and a decrease in average sales volume to 327,145 BOED ( for the fourth quarter of 2014 : 347,925 BOED ) with the majority of the decrease coming from the PTTEP Australasia Project and the Contract 4 Project.

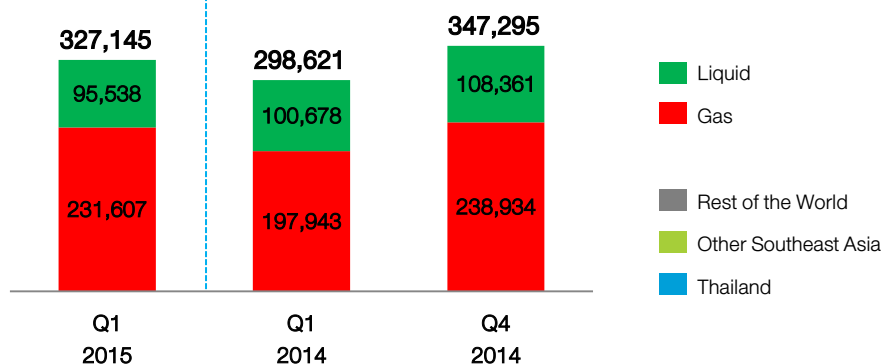
(Unit : Million USD)	Q1	Q1	Q4	%	%
	2015	2014 (Restated)	2014	Inc. (Dec.) YoY	Inc. (Dec.) QoQ
Total Revenue	1,497	1,827	2,026	(18)	(26)
Sales Revenue	1,435	1,785	1,807	(20)	(21)
EBITDA	1,084	1,268	1,209	(15)	(10)
Profit for the period	264	380	(739)	(31)	>100
Diluted earnings per share (USD)	0.07	0.10	(0.20)	(30)	>100
Profit from normal operation	248	392	183	(37)	36
Gain (loss) from non-recurring items	16	(12)	(922)	>100	>100

## Financial Performance

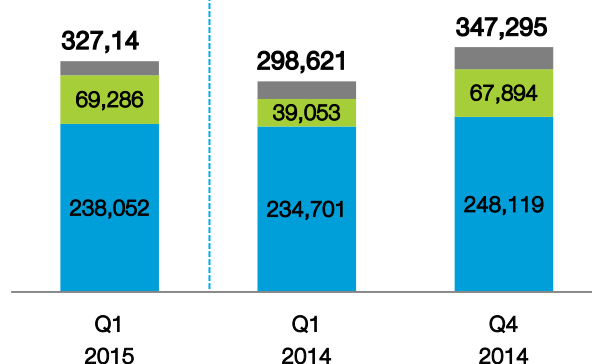
### Average Sales Volume

Unit: Barrels of Oil Equivalent per Day

#### By Product Type



#### By Geographical Region



### Summary of Operating Results segregated by segments

Average selling price and Dubai crude oil price (Unit : USD)	Q1	Q1	Q4	%	%
	2015	2014 (Restated)	2014	Inc. (Dec.) YoY	Inc. (Dec.) QoQ
Average selling price (/BOE)	48.74	64.92	56.54	(25)	(14)
Average Dubai crude (/BBL)	51.89	104.46	74.70	(50)	(30)

Net income (loss) (Unit : Million USD)	Q1	Q1	Q4	%	%
	2015	2014 (Restated)	2014	Inc. (Dec.) YoY	Inc. (Dec.) QoQ
Exploration and production	203	375	(838)	(46)	>100
Thailand	180	356	287	(49)	(37)
Overseas	23	19	(1,125)	16	>100
- Other Southeast Asia	80	81	20	(2)	>100
- Australia	(51)	(60)	(480)	15	89
- Americas	(4)	(11)	(642)	64	99
- Africa	(1)	5	(30)	>(100)	96
- Middle East	(1)	4	7	>(100)	>(100)
Pipeline transportation	115	38	113	>100	2
Head office and others	(54)	(33)	(14)	(65)	>(100)
<b>Total</b>	<b>264</b>	<b>380</b>	<b>(739)</b>	<b>(31)</b>	<b>&gt;100</b>

## Quarterly Comparison of the Results of Operations

### First quarter of 2015 compared with First quarter of 2014

#### Overall Results of Operations

For the results of operations for the first quarter of 2015, PTTEP and its subsidiaries had net profits of USD 264 million (earning of USD 0.07 per share), a decrease of USD 116 million or 31% when compared with the net profits for the first quarter of 2014 of USD 380 million (earning of USD 0.10 per share). The decrease was primarily due to sales revenue decreased of USD 350 million as a result of a decrease in average selling price to USD 48.74 per BOE (first quarter of 2014 : USD 64.92 per BOE), even though sales volume increased to 327,145 BOED (first quarter of 2014 : 298,621 BOED) from the Zawtika Project, which commenced its gas sale in Myanmar in March 2014 and reached its full production capacity in August 2014, and increases in participating interest in Contract 4 and Sinphuhorm projects of 15% and 35%, respectively.

However, the operating expenses decreased USD 117 million primarily due to PTTEP Australasia had recognized the expenses from the abnormal cost of a development well (H5) well during the first quarter of 2014 and the restructuring of participating interests in Canada Oil Sand KKD project. In addition, petroleum income tax expenses also decreased USD 325 million due to a decrease in net profits. On the other hand, depreciation expenses increased USD 229 million from increases in completed assets of Contract 4 and Arthit projects, as well as, an increase in depreciation expenses of Zawtika project due to an increase in production volume.

For the first quarter of 2015, the Group reported the gain from non-recurring items in the amount of USD 16 million, an increase of USD 28 million from the loss from non-recurring of USD 12 million for the first quarter of 2014. The gain from non-recurring items were primarily due to gain on financial derivatives from oil price hedging and a decrease in income tax expenses affected by the functional currency during the first quarter of 2015 when compared with the first quarter of 2014.

#### Results of Operations by Segments

For the first quarter of 2015, the Group reported net profits of USD 264 million, a decrease of USD 116 million or 31% when compared with the net profits for the first quarter of 2014 of USD 380 million. The decrease in net profits was primarily due to the decrease in net profits from the exploration and production segment of USD 173 million or 46%, while the pipeline transportation segment had an increase in net profits of USD 77 million or more than 100%.

#### Exploration and production segment

##### Thailand

For the first quarter of 2015, the Group reported net profits of USD 180 million, a decrease of USD 176 million or 49% when compared with the net profits for the first quarter of 2014 of USD 356 million. The decrease in net profits was primarily due to a reduction in sales revenue from the falling of world oil price. In addition, the depreciation expenses increased as a result of increases in completed assets of Contract 4 and Arthit projects. However, petroleum income tax expenses decreased due to a reduction net petroleum income.

## Overseas

For the first quarter of 2015, the Group reported net profits of USD 23 million, an increase of USD 4 million or 16% when compared with the net profits for the first quarter of 2014 of USD 19 million. The increase in net profits primarily due to decreases in net losses from Australia and America Segments, while net profits in Middle East decreased due to the revenue from sales decreased.

### Pipeline transportation segment

Pipeline transportation segment reported net profits for the first quarter of 2015 of US 115 million, an increase of USD 77 million or more than 100% when compared with the first quarter of 2014 of USD 38 million. The increase was primarily due to the revenue from pipeline transportation of Zawtika Project which commenced its natural gas export in August 2014.

### First quarter of 2015 compared with Fourth quarter of 2014

#### Overall Results of Operations

The operating results for the first quarter of 2015, PTTEP and its subsidiaries had net profits of USD 264 million (earning of USD 0.07 per share), an increase of USD 1,003 million or more than 100% when compared with the net losses for the fourth quarter of 2014 of USD 739 million (loss of USD 0.20 per share). The increases were primarily due to during the first quarter of 2015 there was no recognition of impairment loss of assets, while in the fourth quarter of 2014, the Group recognized an impairment loss of assets in PTTEP Australasia Project and Mariana Oil Sands Project, total amount of USD 997 million, as well as, a decrease in exploration expenses of USD 113 million from the decrease in the amount of exploration well write-off expenses. In addition, income tax expenses also decreased in the amount of USD 232 million, primarily due to a decrease in petroleum income tax as a result of a reduction in net petroleum income, and a decrease in income tax expenses affected by the functional currency due to the appreciation of Thai Baht against USD during the first quarter of 2015 when compared with the fourth quarter of 2014

On the other hand, the revenue from sales decreased of USD 372 million primarily from decreases in average selling price to USD 48.74 per BOE (for the fourth quarter of 2014 : USD 56.54 per BOE) and in average sales volume to 327,145 BOED (for the fourth quarter of 2014 : 347,295 BOED) from PTTEP Australasia Project, which decreased its oil offload for sales from 4 times in the fourth quarter of 2014 to 3 times in the first quarter of 2015 and from Contract 4 Project ,which resulted from PTT's low nomination and planned shutdown for maintenance in the first quarter of 2015.

For the first quarter of 2015, the Group reported net profits from non-recurring items in the amount of USD 16 million, an increase of USD 938 million when compared with the fourth quarter of 2014 that reported net losses of USD 922 million. The increase to net profits were primarily because there was no recognition of impairment losses of assets in the first quarter of 2015, while in the fourth quarter of 2014, the Group recognized such impairment losses for PTTEP Australasia, and Mariana Oil Sands Projects.

#### Results of Operation by Segments

For the first quarter of 2015, the Group reported net profits of USD 264 million, an increase of USD 1,003 million or more than 100% when compared with the net losses for the fourth quarter of 2014 of USD 739 million. The increase was primarily from the exploration and production segment which increased USD 1,041 million or more than 100%.

## Exploration and production segment

### Thailand

For the first quarter of 2015, the Group reported net profits of USD 180 million, a decrease in net profits of USD 107 million or 37% when compared with the net profits for the fourth quarter of 2014 of USD 287 million. The decrease in net profits was primarily due to a reduction in sales revenue as a result of the falling of world oil price, as well as, a decrease in sales volume when compared with the fourth quarter of 2014 mainly from Contract 4 project which resulted from PTT's low nomination and planned shutdown for maintenance in the first quarter of 2015. However, the petroleum income tax decreased due to a reduction in net petroleum income and a decrease in the income tax expenses affected by the functional currency due to the appreciation of Thai Baht against USD.

### Overseas

For the first quarter of 2015, the Group reported net profits of USD 23 million, an increase in net profits of USD 1,148 million or more than 100% when compared with the net losses for the fourth quarter of 2014 of USD 1,125 million. The increase in net profits was primarily due to decreases in net losses from Australia and America segments as well as an increase in net income from other Southeast Asia segment.

The Australia Segment reported net losses for the first quarter of 2015 of USD 51 million, a decrease in net losses of USD 429 million or 89% when compared with the net losses for the fourth quarter of 2014 of USD 480 million, primarily due to in the first quarter of 2015, there was no recognition of impairment loss of assets in PTTEP Australasia project, while there was a recognition of impairment loss of assets in the fourth quarter of 2014. The segment also recorded a decrease in depreciation, depletion and amortization due to the decreases in sales volume and in total assets as a result of impairment recognized in the fourth quarter of 2014.

The Americas Segment reported net losses for the first quarter of 2015 of USD 4 million, a decrease in net losses of USD 638 million or 99% when compared with the net losses for the fourth quarter of 2014 of USD 642 million, primarily due to in the first quarter of 2015, there was no recognition of impairment loss of assets in Mariana Oil Sands Project, while there was a recognition of impairment loss of assets in the fourth quarter of 2014.

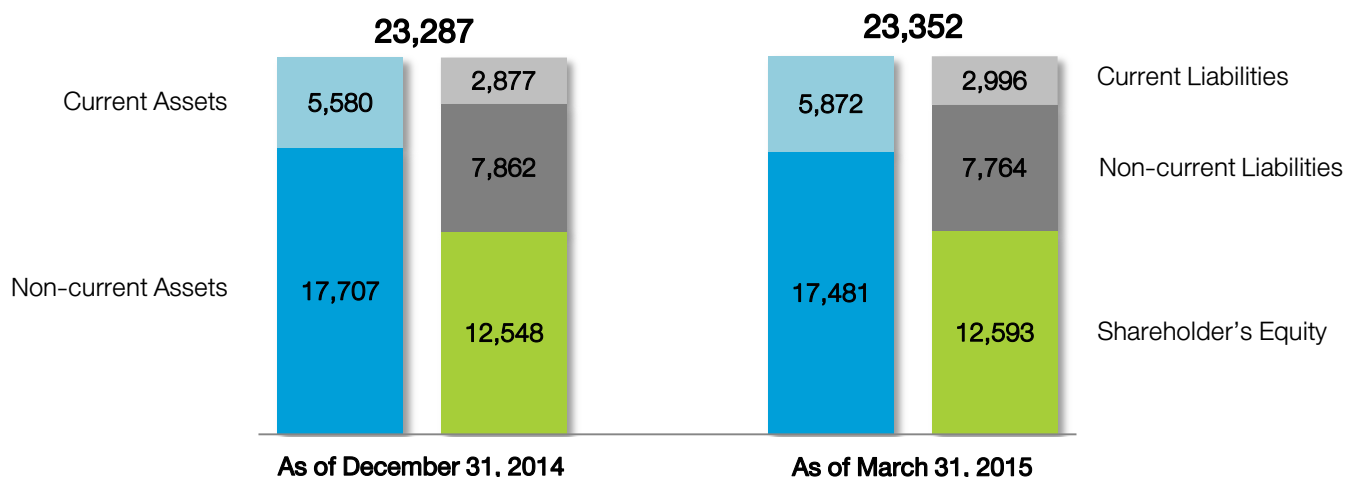
The Other Southeast Asia reported net income for the first quarter of 2015 of USD 80 million, an increase of USD 60 million or more than 100% when compared with the net profits for the fourth quarter of 2014 of USD 20 million, primarily due to a decrease in exploration expenses since there was no recognition of exploration well write-off expenses during the first quarter of 2015, while in the fourth quarter of 2014, the Group recognized exploration well write-off expenses in Yetagun, Indonesia Semai II and Natuna Sea A projects. In addition, income tax expenses for Vietnam 16-1, Yadana and Yetagun projects were also decreased.

## Head office and others segment

The head office and others segments reported net losses for the first quarter of 2015 of USD 54 million, an increase in net losses of USD 40 million or more than 100% when compared with the net losses for the fourth quarter of 2014 of USD 14 million. The increase in net losses was primarily due to the Group recognized a lower amount of gains on oil price hedging derivative and a decrease in administrative expenses.

## Financial Position

*Unit: Million USD*



### Assets

As at March 31, 2015, PTTEP and its subsidiaries had total assets in the amount of USD 23,353 million (equivalent to Baht 760,248 million), an increase of USD 66 million when compared with the total assets as of December 31, 2014 of USD 23,287 million (equivalent to Baht 767,607 million), primarily due to;

- (1) Current assets were primarily comprised of cash and cash equivalent, account receivable – parent company, short-term investment and materials and supplies. The current assets increased USD 292 million mainly from an increase in short-term investment of USD 441 million in the form of bank fixed deposit with the maturity of more than 3 months but within 12 months, while the account receivable – parent company and other current assets decreased of USD 166 million.
- (2) Non-current assets were primarily comprised of exploration and production assets in joint venture projects that are recognized as part of the property, plant and equipment – net, intangible assets – net, goodwill and deferred tax assets. The non-current assets decreased USD 226 million as a result of a decrease in exploration and production assets from its depreciation.

### Liabilities

As at March 31, 2015, PTTEP and its subsidiaries had total liabilities of USD 10,760 million (equivalent to Baht 350,269 million) which include interest bearing debt of USD 4,206 million, an increase of USD 21 million when compared with total liabilities as at December 31, 2014 of USD 10,739 million (equivalent to Baht 353,987 million), primarily due to;

- (1) Current liabilities were primarily comprised of current portion of long-term debts, accrued expenses, income tax payable and dividend payable. The current liabilities increased USD 119 million mainly due to the dividend payable for the second half of 2014 in the amount of USD 183 million which will be subsequently paid on 9 April 2015
- (2) Non-current liabilities were primarily comprised of debentures and loans from financial institution, deferred tax liabilities, and provision for decommissioning costs. Non-current liabilities decreased USD 98 million mainly from a decrease in deferred tax liabilities.

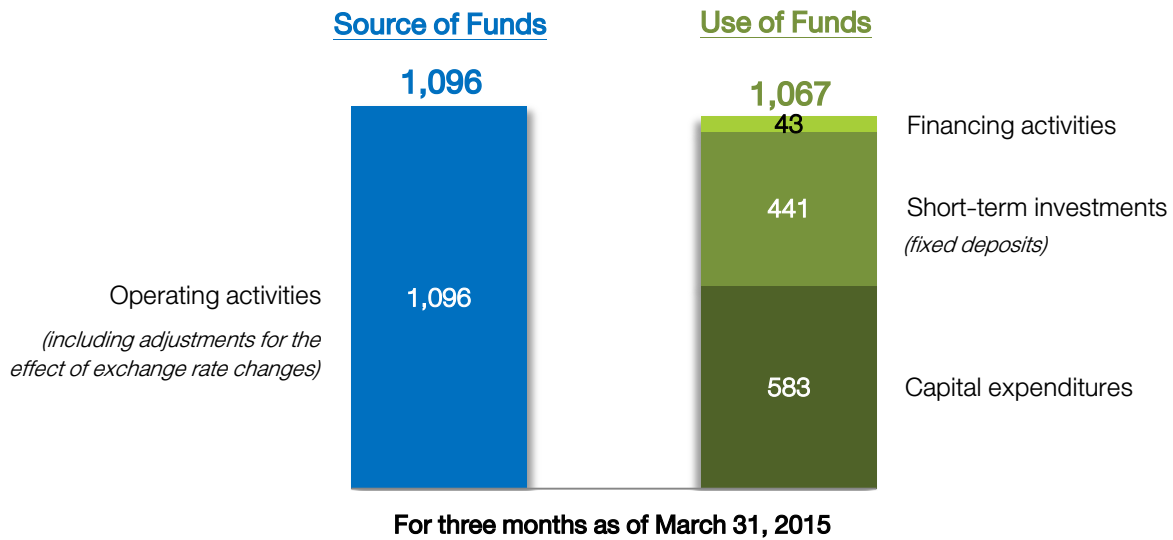
### Capital Structure

As at March 31, 2015, the capital structure of the Group comprises shareholders' equity in the amount of USD 12,593 million and total liabilities of USD 10,760 million, comprising of interest bearing debts of USD 4,206 million with a weighted average cost of debt of 4.13% and the average maturity of 6.83 years. 91% of these interest bearing debts were in USD and another 9% were in Canadian Dollar which are consistent with the assets and revenue of the Group that primarily denominated in USD and partially denominated in Canadian Dollars to support operations at the Mariana Oil Sands project in Canada. The proportion of the fixed interest rates to the floating interest rates is 78:22.

In the first quarter of 2015, the Group did not engage in financing activities that impact the Group's capital structure.

## Cash Flows

*Unit: Million USD*



As at March 31, 2015, PTTEP and its subsidiaries had cash and cash equivalents of USD 3,959 million, an increase of USD 29 million when compared to cash and cash equivalents as at December 31, 2014 of USD 3,930 million.

Sources of funds in amount of USD 1,096 million primarily came from net cash received from operating activities as a result of net positive cash flows from revenue from sales, which offset with cash payments for expenditures and income tax expenses.

Uses of funds in the amount of USD 1,067 million were primarily for:

- Cash used for additional investment activities for exploration and production assets, and intangible assets, primarily in the Zawtika, Arthit and Bongkot projects.
- Short term investments in form of bank fixed deposit with the maturity of more than 3 months but within 12 months.
- Cash used for financing activities, primarily for interest payments on debentures, loans and subordinated capital debentures.



## Key Financial Ratios

	Q1 2015	Q1 2014 (Restated)	Q4 2014
<b>Profitability Ratios</b>			
EBITDA to revenue from sales	73.70	69.98	65.50
Return on equity	4.62	13.65	5.58
Net profits margin	7.27	21.00	8.41
<b>Leverage Ratios</b>			
Debt to equity	0.33	0.34	0.34
Debt to EBITDA	0.82	0.79	0.80

Remark:

EBITDA to revenue from sales	=	Profit before deduction of interest, tax, and depreciation to revenue from sales including revenue from pipeline transportation
Net profits margin	=	Net profits to total revenue
Return on equity	=	Net profits to weighted average shareholders' equity
Debt to equity	=	Interest Bearing Debt to total shareholders' equity
Debt to EBITDA	=	Interest Bearing Debt to profit before deduction of interest, tax, and depreciation

## Operational Highlights

As of the first quarter of 2015, PTTEP's domestic and international operations altogether sum to 43 projects in 11 countries. The following are key project highlights.

### Projects in Thailand

PTTEP has 17 projects in Thailand, and the majority of projects are in the producing phase, located both in the Gulf of Thailand and onshore; including the Bongkot Project, the Arthit Project, and S1 Project and the Contract 4 Project. During the quarter, production operations were carried out continuously to maintain the production plateau.

### Projects in Southeast Asia

PTTEP has 15 projects in this region which are located in the Union of the Republic of Myanmar (Myanmar), the Socialist Republic of Vietnam (Vietnam) and the Republic of Indonesia (Indonesia).

Highlights of projects in the *producing phase* within this region include activities at the Zawtika Project and the Vietnam 16-1 Project. **The Zawtika Project** which is located offshore in the Gulf of Moattama, in Myanmar, carried out gas development operations continuously including the installation of an additional wellhead platform to maintain the production plateau. The project is also continuing a campaign to drill 10 appraisal wells which begun during the third quarter last year, and is expected to complete during the second half of 2015. Natural gas sales volume from the Zawtika project during the first quarter averaged 310 MMSCFD (46,500 BOED).

The **Vietnam 16-1 Project**, located offshore in the southeast of Vietnam, is constructing a well head platform to support production from the H5 area which is situated in the south of the Te Glac Trang Field (TGT). Production from this area will help maintain the field's production level, and is expected to begin during the fourth quarter of 2015. As of the first quarter of 2015, sales volume from the Vietnam 16-1 project averaged 30,960 barrels per day (BPD) of crude oil, 18 MMSCFD of natural gas (approximately 4,675 BOED).

For projects in the *exploration phase*, important highlights include the drilling campaign in the **Myanmar M3 Project** which is located offshore in the Gulf of Moattama, in Myanmar. The project has finished drilling five appraisal wells as planned. The drilling began during the third quarter of 2014 and was completed during the first quarter of 2015. Post-well evaluation will be undertaken to assess the field's resource potential and its prospects for commerciality.

The exploration campaign of the **PSC-G and EP2 Project**, which is located onshore in the Central Myanmar Basin, in Myanmar, is currently drilling the second of four planned exploration wells. This series of wells is expected to be completed during the fourth quarter of 2015.

The **MOGE 3 Project** is another onshore project located in the Central Myanmar Basin, in Myanmar, and contains areas adjacent to the EP2 Project. The project has completed the Environmental Impact Assessment (EIA) for 2D and 3D seismic, and the EIA report is currently under consideration by government agencies in Myanmar. Meanwhile, the project is undertaking preparations for 2D and 3D seismic acquisition planned for late 2017.

## Projects in Australasia

PTTEP has 1 project in this region which is located in the Commonwealth of Australia (Australia) and comprises 15 concession permits.

Fields in the *producing phase* include the **Montara Field** which produced at an average rate of 21,000 BPD during the first quarter of 2015. With respect to compensation claims from insurers, since the onset of the Montara Incident until the end of the first quarter of 2015, PTTEP has received USD244 million. In relation to claims submitted by the Government of Indonesia seeking compensation for the oil spill from the Montara Incident, PTTEP is ready to continue discussions with the Government of Indonesia to determine the impact (if any) using scientific evidence.

Fields in the *exploration phase* include the **Cash Maple Field**. During the first quarter, the project undertakes geological and geophysical reviews as well as commercial assessment to determine development concepts for the gas field.

## Projects in the American Continent

PTTEP has 3 projects in this region located in Canada and the Federal Republic of Brazil (Brazil).

Projects in the *exploration phase* include the Mariana Oil Sands Project, the Barreirinhas AP1 Project, and the BM-ES-23 Project.

The **Mariana Oil Sands Project**, located in Alberta, Canada, successfully completed the Winter Delineation Campaign (WDC) in early March with operating and financial efficiency that is in line with the Oil Sands Industry standard. The campaign was able to prove presence of oil resource as per targeted. The project is awaiting results of reserve assessment which will be submitted to the government of Alberta as supporting material for the approval of Thornbury Phase 1 development. Studies for the project's development plan, including Pre-FEED are also being undertaken.

PTTEP has two projects in Brazil. The **Barreirinhas AP1 Project** is located in the Barreirinhas Basin, offshore to the east of Brazil. The project is making preparations for 3D seismic acquisition and awaiting approval of its EIA report from Brazilian authorities. Exploration activities are expected to begin in the fourth quarter of 2015. The **BM-ES-23 Project** is located in the Espirito Santo basin, offshore, east of Brazil. The project has plans for two additional exploration wells in 2015. The first well, called Pacoca, was spud in March.

## Projects in Africa and the Middle East

PTTEP has 7 projects in this region, located in the Sultanate of Oman (Oman), the People's Democratic Republic of Algeria (Algeria), the Republic of Mozambique (Mozambique) and the Republic of Kenya (Kenya).

Significant activities for projects in the *development phase* include construction of production facilities and pipeline systems in the **Algeria 433a and 416b Project** which is located onshore northeast of the country. Production is expected to begin in the second half of 2015 with a capacity of 20,000 BPD.

Activities for projects in the *exploration phase* include the **Algeria Hassi Bir Rekaiz Project** which is currently in the Second Exploration Phase. The project is located onshore, in the eastern part of Algeria. During the first quarter of 2015, the project completed an appraisal well called OGB-2. The well is the second of six planned exploration and appraisal wells. Drilling results will be used for project development planning.

The **Mozambique Rovuma Offshore Area 1 Project**, which is also in the exploration phase, is a large gas project located offshore Mozambique. A total of five appraisal wells are planned in 2015 to further assess petroleum potential. During the first quarter of 2015, the project completed three appraisal wells, namely Tubarao Tigre-2, Golfinho-Atum G01 and Golfinho-Atum G02. Results from these wells are being assessed. The project is currently drilling Golfinho-Atum G03 and Golfinho-Atum G04 with expected completion in the second quarter of 2015. With respect to LNG development, the project is now in the tendering process for the LNG Engineering Procurement and Construction Contract, and targets for the first production and sales of LNG in 2019.

Located in the northern part of Mozambique, the **Mozambique Rovuma Onshore Project** completed the drilling of 1 exploration well, Kifaru-1, during the first quarter of 2015 and is currently conducting the post-well evaluation.

The **Kenya L5, L7, L11A, L11B and L12 Project** is carrying out geological and geophysics studies to identify and select an exploration prospect, and plans to drill in 2015.

### Portfolio Management

PTTEP continues to undertake portfolio management activities to achieve an optimal balance between project value-added and risk management, as well as to ensure that the Company's long term strategic objectives can be achieved. PTTEP consistently studies and analyses pertinent investment factors in addition to the impact of investments, to keep abreast of the constant changes in the social, economic, and political landscape, and to incorporate these variables into investment considerations and decisions. The Company also reviews its list of target countries for expanding its investments (Focused Countries) by grouping the countries according to petroleum potential and suitability with the Company's strategic directions and goals. The analysis covers factors such as geography, petroleum fiscal policy, operational and political risks, as well as PTTEP's competitive advantage.

Moreover, PTTEP has plans to selectively develop projects which have petroleum discoveries, as well as actively seek out opportunities to acquire additional projects, with a particular focus on projects in the producing phase or those which are in the final stages of development and almost ready to produce.

### Cost and Expenditure Management

PTTEP has adapted its investment plans to suit the lower oil price environment. In principle, the plan is as follows:

- 1) Prioritize and plan investment expenditures to correspond with current levels of oil price.
- 2) Reduce spending according to the SAVE to be SAFE initiative, which was first launched late 2014 and continues to today, to reduce operating costs in the short-term and long-term based on the following guidelines:
  - **Reduce:** Seek opportunities to reduce costs and identify effective work processes or technologies which will enable cost reduction in the short and long run.
  - **Remove:** Refrain from non-essential activities and focus on “need to have / need to do” rather than “nice to have / nice to do”.
  - **Reschedule:** Postpone investments in high risk projects by prioritizing expenditures to correspond with the oil price environment.

The cost and expenditure reductions must neither affect petroleum production levels such that adverse impact to petroleum needs in Thailand is avoided, nor be carried out at the expense of Security, Safety, Health and Environment which are of vital importance to PTTEP. In mid-February, the Company established a task force to identify and manage the cost reduction program. PTTEP's target in 2015 is to deliver a cost reduction of not less than 10% of the announced expenditure plan.

## Sustainable Development

PTTEP's strategic direction and long-term goals for sustainable growth are founded on the core philosophy that addresses the following three areas: business, society and environment. In 2014, PTTEP was listed for the first time on the Dow Jones Sustainability Index (DJSI) under the World Index of Oil and Gas Sector. In order to continuously improve PTTEP's sustainable development practices and maintain its listing on the DJSI, the Company has outlined a sustainable development plan for 2015, which has also been included in the Company's 2015 corporate objectives.

Further to the DJSI listing, PTTEP's notable performance in the areas of environment, social and corporate governance has resulted in the Company being elected as 1 of 100 companies with outstanding sustainable development operations by the Thaipat Institute. The Thaipat Institute's ranking is based on the ESG ratings of 567 publically listed companies on the Stock Exchange of Thailand.

Key sustainable development activities carried out by PTTEP during the first quarter of 2015 are summarized below from the perspective of the following three areas which make up our core philosophy:

### Business

PTTEP's business management adopts the principles of sustainability that encompasses three strategic objectives aforementioned in greater detail in the section on Results of Operations. These are namely, expanding production base (Big), extending reserves life (Long), and maintaining investment returns (Strong). In addition to our strategic objectives, PTTEP also recognizes and gives importance to the vital roles that technology and knowledge management play in enabling sustainable growth in the development and production of petroleum.

During the first quarter of 2015, PTTEP continued to develop technology with emphasis on creating effective linkages between business objectives and technological capabilities in order to promote business competitiveness. Coverage includes technologies applicable to PTTEP's current investments such as in the development of Oil Sands, and Deepwater petroleum fields, as well as technologies for future petroleum assets in Tight Oil / Tight Gas etc. The development of technology also encompasses plans for human resources and R&D infrastructure development, both of which are enablers to the success of PTTEP's technology development program.

### Social

PTTEP is dedicated to carrying out its business operations with responsibility to society, and recognizes its stakeholders in areas where it operates. During the first quarter of 2015, PTTEP engaged in the following noteworthy activities:

- The Crab Hatchery Learning Center Project at the Hua Khao Community in Songkhla province - The project is a collaboration between local fishermen communities, PTTEP, Rajamangala University of Technology Srivijaya, and the Institute of Coastal Aquaculture, to create awareness and cultivate knowledge on the conservation and restoration of aquatic resources, and breed crab species back into their natural habitat.
- The PTTEP Thai Heritage World Heritage project - The project began renovations on the Khao Yai Visitor Center, the Thung Yai Naresuan - Huai Kha Khaeng Exhibition Center, and eight nature trails in the in the world heritage forest to ensure that they are in good working condition. The renovations are expected to be complete in June 2015.
- The "30 Virtues - 30 Years PTTEP" project - This project was launched on the occasion of PTTEP's 30<sup>th</sup> anniversary to encourage PTTEP employee participation in CSR activities.

### Environment

PTTEP has an environmental management system which encompasses a project's entire life cycle, and is a subset of PTTEP's Safety, Security, Health and Environment Management System (SSHE MS). During the first quarter of 2015, PTTEP had a Lost Time Injury Frequency (LTIF) score of 0.12, and a Total Recordable Incident Rates (TRIR) score of 0.98. The Company's performance on both safety indicators is better than the average of the members in the International Association of Oil and Gas Producers (IOGP).

Moreover, PTTEP aims to become a Low Carbon Footprint organization, and has set a goal to reduce its greenhouse gas (GHG) emissions by not less than 20% in the year 2020 versus its 2012 base year figure. As of the first quarter of 2015, PTTEP reduced its greenhouse gas (GHG) emissions by 4.3% below its 2012 levels.

Notable activities during the first quarter include the following:

- The PTTEP reforestation project to reduce global warming – The project carried out operations on a forest area of 100,000 rai, which was planted in 2012 and 2013, to maintain the forest and protect against forest fires. A survey was also undertaken to identify 5,000 additional rai suitable for reforestation in 2015. The activities were undertaken in collaboration with the Department of Forestry, the Department of National Parks, and the Department of Marine and Coastal Resources.
- The PTTEP reforestation project to promote the study of ecological systems in the Si Nakhon Khuean Khan Park in Bang Ka Chao, Samut Prakarn – The project is carried out under the royal initiative of Her Royal Highness Princess Maha Chakri Sirindhorn, and in collaboration with the Department of Forestry and Kasetsart University. Between 2014 and the first quarter of 2015, the project reforested 40 rai and planted 8,600 local trees, as well as improved the natural park's landscape and two nature trails, a cycling trail and a route for wheelchairs.

## Business Outlook for 2015

Based on its operating plans, PTTEP expects sales volume in 2015 to grow as a result of a full year's volume of natural gas sales from the Zawtika project which began production during 2014, as well as from a full year's volume from the acquisition of Hess Thailand which was completed during the first half of 2014, and also from the start-up of oil production from the Algeria 433A & 416B project which is expected during the second half of 2015.

The price of crude oil is an important driver to PTTEP's operating performance, and PTTEP expects price volatility in crude oil markets to extend throughout the year from oversupply conditions in the market resulting from OPEC's decision to maintain production. During the second quarter of 2015, crude oil prices are likely to decline further as refineries enter their annual maintenance season, particularly in Asia, and crude oil demand decreases correspondingly. Furthermore, in June, the market will be monitoring the outcome of nuclear talks between Iran and the six world powers which agreed in March on a preliminary framework, and are now currently negotiating a Comprehensive Agreement which is expected to be completed in June. The outcome of successful negotiations would result in sanctions on Iran being lifted, allowing the nation to increase crude oil exports by up to 0.7MBD within 6-12 months from current export levels of approximately 1.1 – 1.3 MBD. Moreover, the return of Iranian crude oil volumes may also impact OPEC policy during their meeting, also scheduled for June.

During the second half of the year, crude oil prices will continue to face both upward and downward pressures. Amongst the bullish factors on crude oil prices is the political conflict in Yemen which has led to violent unrest. On the supply side, a decrease in crude oil production rates in the United States following spending cuts will also exert upward pressure on. On the demand side, bullish factors for oil prices include a European economic stimulus via the ECB's quantitative easing program, and satisfactory growth in the US economy. Bearish pressure on prices includes weak Chinese and Asian economies where growth rates are slowing down. In China, investments in real-estate and industrial sectors are declining. Risks that the Federal Open Market Committee (FOMC) in the US raises interests rates too early and adversely impacts the US economy is also bearish for crude oil prices.

An environment of low crude oil prices in 2015 will impact PTTEP's performance. However, PTTEP's main product is natural gas, for which prices are 30-50% linked to oil indices and adjusted periodically every 3-12 months. Thus, the oil price decline since the end of 2014 will exert a gradual impact on gas prices. On the other hand, for crude oil and condensate products, the Company maintains its risk management policy to hedge the oil price volatility using derivatives referenced to Brent crude oil prices.

The Company continuously monitors global economic conditions, events and factors which may impact crude oil prices, and undertakes preparations to cope with price volatility. PTTEP simulates scenarios with crude oil prices at various levels and prepares mitigation plans. The Company also continues with the SAVE to be SAFE campaign to reduce operating costs in the short-term and long-term and foster a cost conscious culture.

On financial matters, PTTEP stresses financial discipline and a strong capital structure where debt-to-equity ratios are at appropriate levels corresponding to the business profile, and liquidity levels are sufficient to cope with volatile oil prices and economic conditions, while business opportunities can also be seized. Last but not least, the Company also assesses counter-party risks and prepares mitigation plans accordingly.