

Executive Summary

The global economy during the third quarter continued to exhibit signs of recovery. Improvements in labor market conditions as well as business and consumer confidence drove the continued recovery of the economy of the United States. On other hand, the Chinese economy contracted slightly due to decreased domestic expenditure and a slowdown in real estate and industrial investments. The Eurozone similarly experienced a slowdown of economic activity as a result of lower business and consumer confidence arising from increased sanctions on Russia.

The Thai economy showed signs of sequential quarter on quarter growth during the second and third quarters supported by increased consumption and government expenditure. However, investments and industrial production continued to contract while exports recovered at a relatively slow pace. The Ministry of Energy reported that year-to-date domestic energy demand up to July 2014 averaged 2.03 million barrels of oil equivalent per day (MMBOED), an increase of 0.13% versus the same period last year.

The overall crude oil price environment during the third quarter of 2014 was bearish. Bullish drivers for oil prices such as continued unrest in the Middle East were overshadowed by increased crude oil supply coming out of Libya, Iraq, and the United States which reduced its crude oil imports from Europe and Africa as a result of increased domestic production. The result was a decrease in average Dubai crude oil prices from 106 US Dollar/BBL during the second quarter to 101.49 US Dollar/BBL in the third quarter.

For the third quarter of 2014, PTTEP and its subsidiaries had a net income of US Dollar 477 million, a decrease of US Dollar 83 million or 15% when compared with the net income for the second quarter of 2014 of US Dollar 560 million. The decreases were primarily due to increase of exploration and depreciation expenses even though overall operating expenses decreased. In addition, sales revenue increased from 1% increase in average sales volume to 325,248 Barrels of Oil Equivalent per Day (BOED) (second quarter of 2014 : 315,810 BOED), while the average petroleum sales price decreased to US Dollar 65.15 per Barrels of Oil Equivalent (BOE) (second quarter of 2014 : 67.70 per BOE).

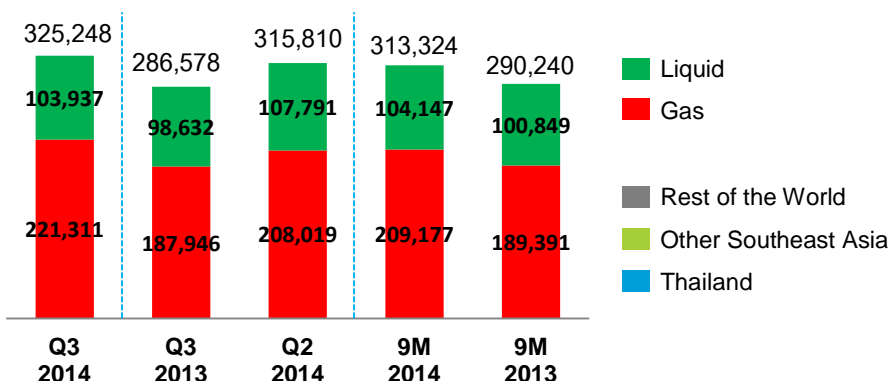
(Unit : Million US Dollar)	Quarter 3 2014	Quarter 3 2013 (Restated)	Quarter 2 2014	% Increase (Decrease) YoY	% Increase (Decrease) QoQ	Nine months 2014	Nine months 2013 (Restated)	% Increase (Decrease) YTD
Total revenue	2,093	1,840	2,107	14	(1)	5,991	5,544	8
Sales revenue	1,959	1,776	1,946	10	1	5,690	5,356	6
EBITDA	1,409	1,280	1,409	10	-	4,086	3,944	4
Profit for the period	477	566	560	(16)	(15)	1,417	1,608	(12)
Diluted earnings per share (US Dollar)	0.12	0.14	0.14	(14)	(14)	0.36	0.40	(10)
Profit from normal operation	426	600	537	(29)	(21)	1,355	1,720	(21)
Gain (loss) from non-recurring items	51	(34)	23	>100	>100	62	(112)	>100

Financial Performance

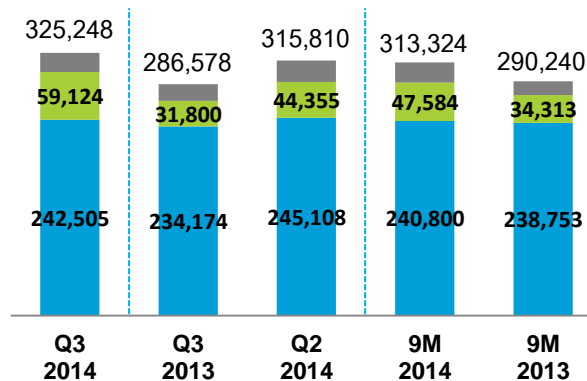
Average Sales Volume

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 : Million US Dollar)	Quarter 3 2014	Quarter 3 2013 (Restated)	Quarter 2 2014	% Increase (Decrease) YoY	% Increase (Decrease) QoQ	Nine months 2014	Nine months 2013 (Restated)	% Increase (Decrease) YTD
Avg. selling price (/BOE)	65.15	65.93	67.70	(1)	(4)	65.93	65.96	(0)
Avg. Dubai crude (/BBL)	101.41	105.95	106.00	(4)	(4)	103.97	105.00	(1)

Net income (loss) (Unit : Million US Dollar)	Quarter 3 2014	Quarter 3 2013 (Restated)	Quarter 2 2014	% Increase (Decrease) YoY	% Increase (Decrease) QoQ	Nine months 2014	Nine months 2013 (Restated)	% Increase (Decrease) YTD
Exploration and production	390	571	545	(32)	(28)	1,310	1,614	(19)
Thailand	381	488	474	(22)	(20)	1,211	1,441	(16)
Overseas	9	83	71	(89)	(87)	99	173	(43)
- Other Southeast Asia	113	69	76	63	49	270	230	17
- Australia	(59)	16	-	>(100)	>(100)	(119)	6	>(100)
- America	(3)	7	(1)	>(100)	>(100)	(15)	(18)	18
- Africa	(50)	(12)	(7)	>(100)	>(100)	(52)	(50)	(5)
- Middle East	8	3	3	>100	>100	15	5	>100
Pipeline transportation	88	59	59	48	49	185	174	6
Head office and others	(1)	(64)	(44)	98	97	(78)	(180)	57
Total	477	566	560	(16)	(15)	1,417	1,608	(12)

Quarterly Comparison of the Results of Operations

Third quarter of 2014 compared with third quarter of 2013

Overall Results of Operation

For the results of operation for the third quarter of 2014, PTTEP and its subsidiaries had a net income of US Dollar 477 million (US Dollar 0.12 per share-diluted), a decrease of US Dollar 89 million or 16% when compared with the net income for the third quarter of 2013 of US Dollar 566 million (US Dollar 0.14 per share-diluted). The decreases were primarily due to an increase of depreciation expenses in the amount of US Dollar 256 million in PTTEP Australasia project which began its offload crude oil sales in August 2013 and in contract 4 project which had a higher production volume as well as an increase in the completed assets. In addition, the exploration expenses were increased in the amount of US Dollar 77 million due to the exploratory well write-off cost in PTTEP Australasia and Kenya L10A projects. On the other hand, the operating expense decreased of US Dollar 40 million from the completion of the restructuring of the ownership interest in Canada Oil Sands KKD project under the Partnership Units Redemption Agreement (PURA) since May 2014.

However, the revenue from sales were increased in the amount of US Dollar 183 million due to an increase in average sales volume of 325,248 BOED from PTTEP Australasia and Zawtika projects (third quarter of 2013 : 286,578 BOED), while the average petroleum sales price decreased to US Dollar 65.15 per Barrels of Oil Equivalent (BOE) (second quarter of 2013 : 65.71 per BOE).

For the third quarter of 2014, the Group reported gain from non-recurring items in the amount of US Dollar 51 million, an increase of US Dollar 85 million when compared with the third quarter of 2013 that reported losses from non-recurring items in the amount of US Dollar 34 million. The increase was primarily due to gain from mark to market of oil price hedge forward contract as of September 30, 2014, by which the forward price had gone below the price hedging level.

Results of Operation by Segments

Net income for the third quarter of 2014 decreased in the amount of US Dollar 89 million or 16% to net income of US Dollar 477 million when compared with the net income for the third quarter of 2013 of US Dollar 566 million. The decrease in net income was primarily due to the lower net income from the exploration and production segment of US Dollar 181 million or 32%, while the head office and others segments had a decrease in net loss of US Dollar 63 million or 98%.

Exploration and production segment

Thailand

Net income for the third quarter of 2014 decreased in the amount of US Dollar 107 million or 22% to net income of US Dollar 381 million when compared with the net income for the third quarter of 2013 of US Dollar 488 million. The decrease in net income primarily due to an increase of depreciation, depletion and amortization which were in line with increases in production volume and completed assets, including an increase of operating expenses in Contract 4 project as a result of an increase of 15% participating interests. In addition, revenue from sales of gas and condensate in Contract 4 and Sinphuhorm projects were higher from increasing in participating interests in Contract 4 and Sinphuhorm projects of 15% and 35%, respectively. However, revenue from Bongkot project for the third quarter of 2014 decreased due to the planned full shutdown, while in the third quarter of 2013, it was a partial shutdown.

Overseas

Net income for the third quarter of 2014 decreased in the amount of US Dollar 74 million or 89% to net income of US Dollar 9 million when compared with the net income for the third quarter of 2013 of US Dollar 83 million. The decrease in net income was primarily due to a decrease of net income in Australia and Africa segments, while net income of other Southeast Asia segment had increased.

Australia reported a net loss for the third quarter of 2014 of US Dollar 59 million, an increase in net loss of US Dollar 75 million or more than 100% when compared with the third quarter of 2013 which had a net profit of US Dollar 16 million. The increase in net loss was primarily from exploratory well write-off costs in PTTEP Australasia project.

Africa reported a net loss for the third quarter of 2014 of US Dollar 50 million, an increase in net loss of US Dollar 38 million or more than 100% when compared with the net loss for third quarter of 2013 of US Dollar 12 million. The increase in net loss was primarily due to exploratory well write-off costs in Kenya L10A project.

Other Southeast Asia reported a net income for the third quarter of 2014 of US Dollar 113 million, an increase of US Dollar 44 million or 63% when compared with the net profit for the third quarter of 2013 of US Dollar 69 million. The increase in net profit was primarily due to an increase in revenue from sales of natural gas from Zawtika project, which began its natural gas sales in the Union of the Republic of Myanmar in March 2014 and began its export sales in August 2014.

Pipeline transportation segment

Net income for the third quarter of 2014 was US Dollar 88 million, an increase of US Dollar 29 million or 48% when compared with the third quarter of 2013 of US Dollar 59 million. The increase was primarily due to revenue from pipeline transportation of Zawtika project which began its natural gas sales in the Union of the Republic of Myanmar in March 2014 and started its export sales in August 2014.

Head office and Others segments

Head office and others segments comprise of an investment in business continuity projects and head office operation. The segment reported a net loss for the third quarter of 2014 of US Dollar 1 million, a decrease in net loss of US Dollar 63 million or 98% when compared with the net loss for the third quarter of 2013 of US Dollar 64 million. The decrease in net loss was primarily due to the recognition of gains on financial derivatives mainly from mark to market of oil price hedging because forward price as of September 30, 2014 had gone below the price hedging level.

Third quarter of 2014 compared with Second quarter of 2014

Overall Results of Operation

For the results of operation for the third quarter of 2014, PTTEP and its subsidiaries had a net income of US Dollar 477 million (US Dollar 0.12 per share-diluted), a decrease of US Dollar 83 million or 15% when compared with the net income for the second quarter of 2014 of US Dollar 560 million (US Dollar 0.14 per share-diluted). The decreases were primarily due to an increase in exploration expenses of US Dollar 60 million as a result of exploratory well write-off costs in PTTEP Australasia and Kenya L10A projects, as well as an increase of depreciation, depletion and amortization expenses in the amount of US Dollar 49 million for Zawtika project which began its natural gas export sales in August 2014. However, the operating expense decreased of US Dollar 32 million due to a decrease of maintenance expenses in MTJDA-B17 project.

However, revenue from sales increased in the amount of US Dollar 13 million from an increase in average sales volume which increased to 325,248 BOED (second quarter of 2014 : 315,810 BOED) from the Zawtika project which began its natural gas export sales in August 2014, while the average petroleum sales price decreased to US Dollar 65.15 per BOE (second quarter of 2014 : US Dollar 67.70 per BOE)

For the third quarter of 2014, the Group reported gain from non-recurring items in the amount of US Dollar 51 million, an increase of US Dollar 28 million when compared with the second quarter of 2014 that had gain from non-recurring items in the amount of US Dollar 23 million. The increases were primarily due to gain on financial derivatives mainly from mark to market of oil price hedge because forward price as of September 30, 2014 had gone below the price hedging level, while loss on foreign exchange increased in the amount of US Dollar 42 million. In the third quarter of 2014, loss on foreign exchange of US Dollar 33 million was primarily due to loss on foreign exchange of the PTTEP Canada Limited US Dollar loan resulted from the depreciation of Canadian Dollar against the US Dollar, while in the second quarter of 2014, the Group recognized gain on foreign exchange of US Dollar 9 million.

Results of Operation by Segments

Net income for the third quarter of 2014 decreased in the amount of US Dollar 83 million or 15% to net income of US Dollar 477 million when compared with the net income for the second quarter of 2014 of US Dollar 560 million. The decrease in net income was primarily due to the lower net income from the exploration and production segment of US Dollar 155 million or 28%, while the head office and others segments had a decrease in net loss.

Exploration and production segment

Thailand

Net income for the third quarter of 2014 decreased in the amount of US Dollar 93 million or 20% to net income of US Dollar 381 million when compared with the net income for the second quarter of 2014 of US Dollar 474 million. The decrease in net income primarily due to an increase of income tax expenses from petroleum income tax. The Depreciation, depletion and amortization were also increased due to an increase in production volume and completed assets, while exploration expenses decreased in B6/27 project in which the exploration well was written-off during the second quarter of 2014, as well as a decrease in sales revenue, partially from the S1 project.

Overseas

Net income for the third quarter of 2014 decreased in the amount of US Dollar 62 million or 87% to net income of US Dollar 9 million when compared with the net income for the second quarter of 2014 of US Dollar 71 million. The decrease in net income primarily due to a decrease in net income from Australia and Africa segments, while net income from other Southeast Asia segment had increased.

Australia reported a net loss for the third quarter of 2014 of US Dollar 59 million, an increase in net loss of US Dollar 59 million or 100% when compared with the second quarter of 2014, primarily due to exploratory well write-off costs in PTTEP Australasia project.

Africa reported a net loss for the third quarter of 2014 of US Dollar 50 million, an increase in net loss of US Dollar 43 million or more than 100% when compared with the net loss for the second quarter of 2014 of US Dollar 7 million, primarily due to exploratory well write-off costs in Kenya L10A project.

Other Southeast Asia reported a net income for the third quarter of 2014 of US Dollar 113 million, an increase of US Dollar 37 million or 49% when compared with the net profit for the second quarter of 2014 of US Dollar 76 million, primarily due to an increase in revenue from sales of natural gas from Zawtika project which began its export sales of natural gas in August 2014.

Pipeline transportation segment

Net income for the third quarter of 2014 was US Dollar 88 million, an increase of US Dollar 29 million or 49% when compared with the second quarter of 2014 of US Dollar 59 million, primarily due to revenue from pipeline transportation of Zawtika project which began its export sales of natural gas in August 2014.

Head office and Others segments

Head office and others segments reported a net loss for the third quarter of 2014 of US Dollar 1 million, a decrease in net loss of US Dollar 43 million or 97% when compared with the net loss for the second quarter of 2014 of US Dollar 44 million. The decrease in net loss was primarily due to the recognition of gains on financial derivatives mainly from mark to market of oil price hedging because forward prices as of September 30, 2014 had gone below the price hedging level. However, in the third quarter of 2014, the Group recognized loss on foreign exchange on the PTTEP Canada Limited US Dollar loan due to the depreciation of Canadian Dollar against the US Dollar.

Comparison of the Results of Operation for the nine month periods

Overall Results of Operation

For the nine months period of 2014, PTTEP and its subsidiaries had a net income of US Dollar 1,417 million (US Dollar 0.36 per share-diluted), a decrease of US Dollar 191 million or 12% when compared with the net income for nine months period of 2013 of US Dollar 1,608 million (US Dollar 0.40 per share-diluted). The decreases were primarily due to an increase in depreciation expenses in the amount of US Dollar 607 million from PTTEP Australasia project which began its offload crude oil sales in August 2013, higher production volume as well as an increase in completed assets in Contract 4 project, and from Zawtika project which began its natural sales in the Union of the Republic of Myanmar in March 2014 and started its export sales in August 2014. In addition, the exploration expenses were increased in the amount of US Dollar 92 million due to exploratory well write-off costs in PTTEP Australasia and Kenya L10A projects and an increase in operating expenses of US Dollar 64 million in PTTEP Australasia and Zawtika projects. On the other hand, the income tax expenses decreased of US Dollar 231 million primarily due to the decrease in petroleum income taxes from lower net petroleum income. The income tax expenses effect by the functional currency also decreased due to the appreciation of Thai Baht against US Dollar as at September 30, 2014, while the Thai Baht was depreciated against US Dollar as at September 30, 2013.

However, the revenue from sales were increased in the amount of US Dollar 334 million due to an increase in average sales volume of 313,324 BOED from PTTEP Australasia project which began its sales in August 2013 and Zawtika project which began its sales in March 2014, and an increase in participating interest of 15% in the Contract 4 project (for the nine months period of 2013 : 290,240 BOED), while the average petroleum sales price decreased to US Dollar 65.93 BOE (for the nine months period of 2013 : 65.96 per BOE)

For the nine months period of 2014, the Group reported gain from non-recurring items in the amount of US Dollar 62 million, an increase of US Dollar 174 million when compared with the nine months period of 2013 that had losses from non-recurring items in the amount of US Dollar 112 million. The increase primarily due to a decrease in income tax expenses effect by the functional currency due to the appreciation of Thai Baht against US Dollar as at September 30, 2014, while Thai Baht was depreciated against US Dollar as at September 30, 2013. In addition, the increase in gains from non-recurring items was primarily due to the recognition of gains on financial derivatives mainly from mark to market of oil price hedge because forward price as of September 30, 2014 had gone below the price hedging level.

Segment Operating Results

Net income for the nine months period of 2014 decreased in the amount of US Dollar 191 million or 12% to net income of US Dollar 1,417 million when compared with the net income for the nine months period of 2013 of US Dollar 1,608 million. The decrease in net income was primarily due to the lower net income from the exploration and production segment of US Dollar 304 million or 19%, while the head office and others segments reported a decrease in net loss of US Dollar 102 million or 57%.

Exploration and production segment

Thailand

Net income for the nine months period of 2014 decreased in the amount of US Dollar 230 million or 16% to net income of US Dollar 1,211 million when compared with the net income for the nine months period of 2013 of US Dollar 1,441 million. The decreases in net income were primarily due to an increase of depreciation, depletion and amortization from Contract 4 project resulted from an increase in production volume and completed assets. In addition, the operating expenses also increased from Contract 4 project due to a 15% increased in participating interest and an increase in maintenance expense for the Arthit project. However, the income tax expenses were decreased due to the decrease in net petroleum income.

The revenue from sales also decreased due to the decrease in revenue from Bongkot project resulted from the full planned shutdown during the nine months period of 2014, while during the nine months period of 2013, it was a partial shutdown. Other decreases in revenue include the planned maintenance shutdown from the S1 project. On the other hand, revenue from sales of Contract 4 and Sinphuhorm projects were increased due to an increase in participating interest of 15% and 35%, respectively.

Overseas

Net income for the nine months period of 2014 decreased in the amount of US Dollar 74 million or 43% to net income of US Dollar 99 million when compared with the net income for the nine months period of 2013 of US Dollar 173 million. The decrease in net income was primarily due to an increase in net loss from Australia segment, while net income from other Southeast Asia segment had increased.

Australia reported a net loss for the nine month period of 2014 of US Dollar 119 million, an increase in net loss of US Dollar 125 million when compared with the net income for the nine months period of 2013 of US Dollar 6 million. The increase in net loss was primarily due to an increase in depreciation, depletion and amortization in PTTEP Australasia during the nine months period of 2014 which began its offload crude oil sales in August 2013, an increase in the operating expense for the excess cost of the development well (H5), and an increase in the exploratory well write-off costs. However, revenue from sales for the nine months period of 2014 increased when compared with the nine months period of 2013 because it began its offload crude oil sales in August 2013.

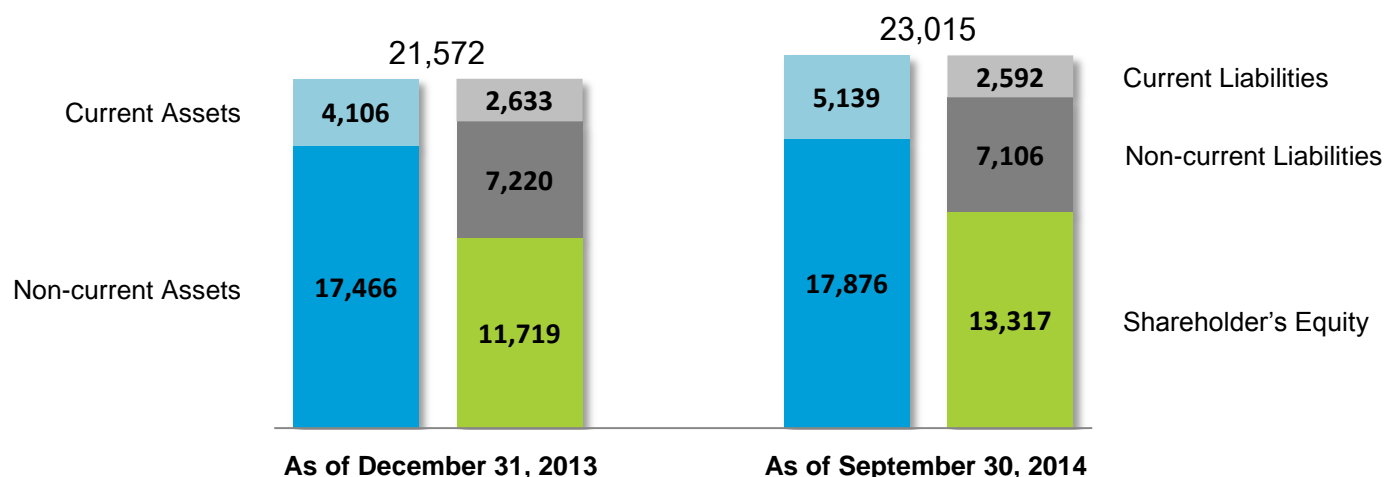
Other Southeast Asia reported a net income for the nine months period of 2014 of US Dollar 270 million, an increase of US Dollar 40 million or 17% when compared with the net profit for the nine months period of 2013 of US Dollar 230 million. The increase in net income was primarily due to an increase of revenue from sales in Zawtika project which began its natural gas sales in the Union of the Republic of Myanmar in March 2014 and began its export sales in August 2014. This also resulted in an increase in operating expense, depreciation, depletion and amortization expenses.

Head office and Others segment

Head office and others segments reported a net loss for the nine months period of 2014 of US Dollar 78 million, a decrease in net loss of US Dollar 102 million or 57% when compared with the net loss for the nine months period of 2013 of US Dollar 180 million. The decrease in net loss was primarily due to the recognition of gains on financial derivatives mainly from mark to market of oil price hedging because forward price as of September 30, 2014 decreased, and the recognition of net gains from the restructuring of the ownership interest in Canada Oil Sands KKD project under the Partnership Units Redemption Agreement or PURA in the nine months period of 2014.

Financial Position

Unit: Million US Dollar



Assets

As at September 30, 2014, PTTEP and its subsidiaries had total assets in the amount of US Dollar 23,015 million (equivalent to Baht 745,079 million), an increase of US Dollar 1,443 million when compared with the total assets as of December 31, 2013 of US Dollar 21,572 million (equivalent to Baht 707,868 million), primarily due to;

- (1) Increases of US Dollar 1,033 million in current assets which primarily comprise of cash and cash equivalent, account receivable – parent company, and materials and supplies. The majority of such increase came from an increase in cash and cash equivalent of US Dollar 1,191 million.
- (2) Increases of US Dollar 410 million in non-current assets which primarily comprise 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 increase was a result of the acquisition of shares of Hess Corporation subsidiaries which increased the exploration and production assets.

Liabilities

As at September 30, 2014, PTTEP and its subsidiaries had total liabilities of US Dollar 9,698 million (equivalent to Baht 313,951 million) which include liabilities with interest obligation of US Dollar 4,256 million, a decrease of US Dollar 155 million when compared with total liabilities as at December 31, 2013 of US Dollar 9,853 million (equivalent to Baht 323,332 million), primarily due to;

- (1) Decreases of US Dollar 41 million in current liabilities which primarily comprise of current portion of long-term debts, accrued expenses and income tax payable. The decreases were mainly came from;

- Decreased in income tax payable resulted from payment of corporate income tax for the year 2013.
- Decreased in accrued expenses of US Dollar 50 million from decreases in the construction cost of producing assets in PTTEP Australasia and Bongkot projects.
- Decreased in other current liabilities as a result of a decrease in other account payable in Canada Oil Sand KKD project.

On the other hand;

- The current portion of long-term debts increased from a reclassification of US Dollar debenture in the amount of US Dollar 700 million from non-current liabilities to current liabilities coupled with the payment of Thai Baht debenture of Baht 11,700 million (equivalent to US Dollar 360 million).
- (2) Decreases of US Dollar 114 million in non-current liabilities which primarily comprise of debentures and loans from financial institution, deferred tax liabilities, and provision for decommissioning costs. The decrease primarily due to a reclassification of US Dollar debenture in the amount of US Dollar 700 million from non-current liabilities to be presented as current liabilities under the current portion of long-term debts, net offset with the issuance of unsecured and unsubordinated debentures of Baht 19,600 million or approximately US Dollar 600 million.

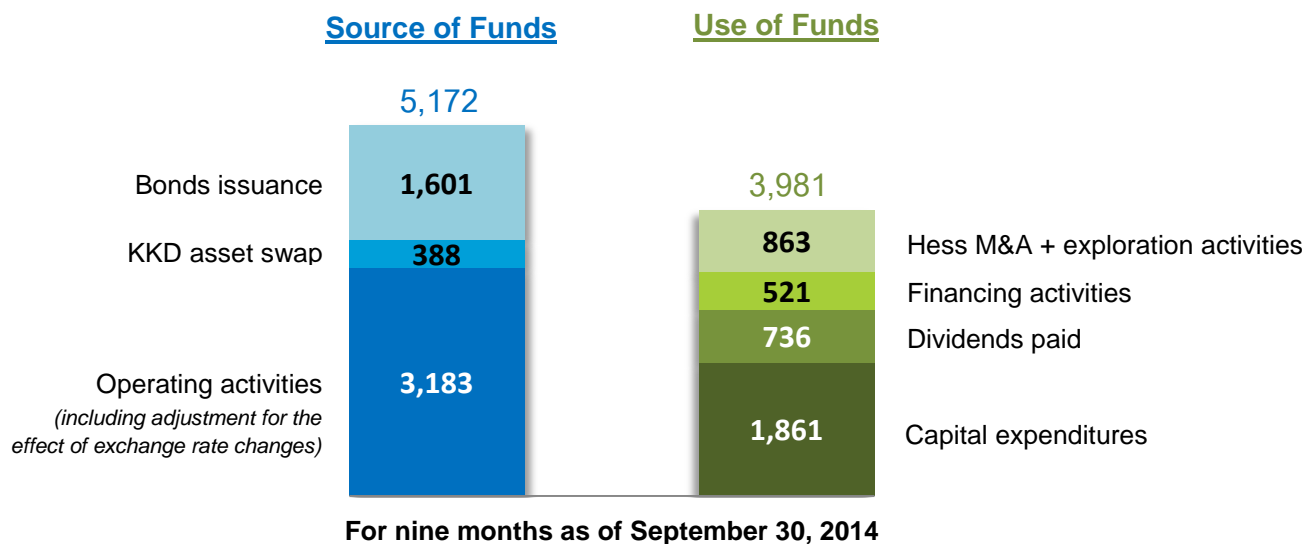
Interest bearing debts as of September 30, 2014 amounted to US Dollar 4,256 million, carrying an average cost of debt of 4.14% per annum, with an average loan life of 7.28 years. In terms of currency mix, 90% of PTTEP's interests bearing debts were denominated in US Dollar while 10% were denominated in Canadian Dollar. The currency mix of PTTEP's debt is in line with PTTEP's asset and revenue structures, and is mainly in the US Dollar currency, with only a relatively small portion is in the Canadian Dollar currency to support operations in the Mariana Oil Sands project in Canada. The proportion between fixed and floating interest rate debt was 77:23.

Shareholders' Equity

As at September 30, 2014, PTTEP and its subsidiaries had total shareholders' equity in the amount of US Dollar 13,317 million (equivalent to Baht 431,128 million). The amount primarily comprises of share capital and share premium, subordinated capital debentures, retained earnings and other components of shareholders' equity. The amount was increased of US Dollar 1,598 million when compared with the shareholders' equity as at December 31, 2013 of US Dollar 11,719 million (equivalent to Baht 384,536 million). The increases were primarily due to an increase in the retained earnings from the net income for the nine months period of 2014 of US Dollar 1,417 million which offset with the dividend payment for the second half of 2013 and first half of 2014 operations of US Dollar 736 million. In addition, in the second quarter of 2014, the Group has issued the subordinated capital debentures in the amount of US Dollar 1,000 million.

Cash Flows

Unit: Million US Dollar



As at September 30, 2014, PTTEP and its subsidiaries had cash and cash equivalent of US Dollar 3,548 million, an increase of US Dollar 1,191 million when compared to cash and cash equivalent as at December 31, 2013 of US Dollar 2,357 million. Source of cash receipts of US Dollar 5,172 million primarily came from;

- Net cash received from operating activities as a result of net positive cash flows from revenue from sales, offset with cash payments for expenditures and income tax expenses.
- Net cash received from the restructuring of the ownership interest in Canada Oil Sand KKD project and;
- Cash received from the issuance of subordinated capital debenture and Thai Baht debenture

Source of cash payments made of US Dollar 3,981 million primarily due to;

- Increase in net cash used in investment activities for the exploration and production assets and intangible assets, primarily from an investment in Zawtika, Arthit and Bongkot projects.
- Dividend payments for the six months period for the second half of 2013 and six months period for the first half of 2014.
- Cash used in financing activities primarily due to the repayment of Thai Baht debenture and interest, and;
- Cash payment for the acquisition of share of Hess Corporation's subsidiaries and cash payment for deposits to participate in exploration activities in the Federal Republic of Brazil.

Key Financial Ratios

	Quarter 3 2014	Quarter 3 2013 (Restated)	Quarter 2 2014
Profitability Ratios			
EBITDA to revenue from sales	71	71	71
Return on equity	14	22	14
Net profit margin	21	27	23
Leverage Ratios			
Debt to equity	0.32	0.35	0.32
Debt to EBITDA	0.80	0.78	0.82

Remark:

EBITDA to revenue from sales	=	Profit before deduction of interest, tax, and depreciation to revenue from sales including revenue from pipeline transportation
Net profit margin	=	Net profit to total revenue
Return on equity	=	Net profit 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 third quarter of 2014, PTTEP operates domestically and internationally, and has altogether 45 projects in 11 countries. The following are key project highlights.

Projects in Thailand

PTTEP has 18 projects in Thailand, the majority of which are assets in the producing phase located in the Gulf of Thailand and onshore. Operations were carried out continuously during the third quarter to satisfy Thailand's energy needs. Bongkot South, Contract 4 and Malaysia-Thailand-Joint Development Area (MTJDA) B17 projects, however, underwent scheduled maintenance shutdowns.

Projects in Southeast Asia

PTTEP has 16 projects in this region which are located in the Union of the Republic of Myanmar, Vietnam and Indonesia.

With respect to projects in the producing phase, a significant highlight is **the Zawtika Project** beginning its gas sales to PTT Plc. in August for use in Thailand. When combined with gas sales to the Myanma Oil and Gas Enterprise (MOGE) for use in Myanmar, the Zawtika project's average production rate is 345 million standard cubic feet per day (MMSCFD). Additional, the project is in progress of constructing 4 additional wellhead platforms to maintain the production plateau as well as drilling 10 appraisal wells planned for 2014 and 2015 to increase petroleum reserves to support long term production. The first of these wells was spudded in August.

For projects in the exploration phase, important highlights include an additional appraisal drilling campaign in **the Myanmar M3 Project** which began drilling the first of 6 wells in October, and the exploration campaign of **the PSC-G and EP2 Project** which continued studying the geological structures of the blocks, and in August, spudded the first of 4 exploration wells. Also during August, PTTEP South Asia Limited (PTTEP SA, a subsidiary of PTTEP) signed a Production Sharing Contract with MOGE for exploration and production rights in the **onshore MOGE 3 Block**, located onshore in the Central Myanmar Basin, in the Union of the Republic of Myanmar. PTTEP holds an 85% interest and is the operator of the block.

Projects in Australasia

PTTEP has 1 project in this region which is located in Australia and comprises 15 concession permits.

Highlights for producing phase assets include the **Montara Field** which carried out approximately 20 day maintenance shutdown as scheduled during the third quarter. The project has completed the maintenance shutdown and has resumed normal operations, with expected crude oil production rates in 2014 to average 17 thousand barrels per day (KBPD).

For assets in the exploration phase, during the third quarter of 2014, the Maple-East exploration well was completed in the **Cash Maple Field**, but the well was not commercial, and was therefore written-off during the quarter. PTTEP is currently studying the engineering design and development options for the Cash Maple field. During the third quarter, the company also relinquished the AC/P4 concession permit after having written off the Dillon South-1 exploration during the second quarter because it did not show commercial prospects. The relinquishment is pending official approval from the Australian government.

Projects in the American Continent

PTTEP has 3 projects in this region located in Canada and in Brazil.

All three projects are in the exploration phase. During the third quarter, project highlights include the preparation of **the Mariana Oil Sands Project's** Winter Delineation Campaign (WDC) which is expected to commence during the fourth quarter of 2014. The project is currently carrying out Pre-FEED activities as well as studying development options for Thornbury Phase 1.

In Brazil, during September 2014, PTTEP Brazil Investments in Oil and Gas Exploration and Production Limitada (PTTEP BL, a subsidiary of PTTEP) signed an agreement to acquire a 20% stake in the BM-ES-23 concession block from Shell Brasil Petroleo Ltda. This field is located in the Espirito Santo basin in offshore Brazil. PTTEP's farm-in to this field is subject to approval from Brazil's National Agency of Petroleum, Natural Gas and Biofuels (the ANP). This block is considered to be PTTEP's second venture into Brazil, an area recognized for its high petroleum potential. PTTEP's first official venture into Brazil was in April 2014, through its partnership with BG Brasil in 4 exploration blocks which already approved by ANP in August 2014.

Projects in Africa and the Middle East

PTTEP has 7 projects in this region, located in Oman, Algeria, Mozambique and Kenya.

The Algeria 433a and 416b Project is the only project in the development phase, and during the third quarter of 2014, continued to carry out the construction of its production facility and pipelines. Production is expected to begin by the end of 2014 at a rate of 20 KBPD.

With respect to exploration phase projects, during the third quarter of 2014, significant activities include the completion of the Ourico Do Mar-1 exploration well which forms part of a series of 6 planned exploration and appraisal wells in **the Mozambique Rovuma Offshore Area 1 Project**. The project is currently studying the drilling results, and plans to drill the Tubarao Tigre-2 and Orca-4 appraisal wells during the fourth quarter of 2014. The project also continues to carry out the LNG Engineering and Construction Development, and expects to deliver first production and sales of LNG in 2019. Regarding the Kenya L10A Project, the drilling expenses for the Sunbird-1 exploration which showed no commercial discoveries were written off during this quarter. The project, however, continues to study the well's drilling results for further geological use.

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 its long term strategic objectives can be achieved. To keep pace with the ever-changing social, economic, and political landscape, PTTEP, on a regular basis, studies and analyses pertinent investment factors in addition to the impact of investments, and incorporates these variables into its investment considerations and decisions. Additionally, the company reviews its list of target countries for expansion of investments (Focused Countries) by grouping the countries according to petroleum potential and strategic fit with the company's directions and goals. The analysis also covers factors such as geography, government-share, operational and political risks, as well as PTTEP's competitive advantage.

During the third quarter of 2014, PTTEP engaged in several portfolio management activities such as its participation in the onshore MOGE 3 exploration block in the Union of the Republic of Myanmar, its acquisition of a stake in the BM-ES-23 exploration block in Brazil, and its relinquishment of the AC/P4 exploration permit in Australia as discussed in the previous section.

Sustainable Development

On 11 September 2014, PTTEP, for the very first time, was listed in the 2014 Dow Jones Sustainability Index (DJSI). This achievement reflects PTTEP's commitment to sustainable business operations by maintaining a balance between business operations, social responsibilities as well as environmental responsibilities. DJSI is a family of indices evaluating the performance of sustainable development in leading global companies. PTTEP is one of 14 DJSI listed companies in the global oil and gas sector amongst a pool of over 100 companies worldwide.

Additionally, on 16 October 2014, PTTEP received a certificate acknowledging the company as a member of Thailand's Private Sector Collective Action Coalition against Corruption (CAC) from the CAC Council. The CAC project was established to promote awareness and widespread opposition against corruption. The project has support from the government as well as the National Anti-Corruption Commission (NACC) and the Center for International Private Enterprise (CIPE). As of October 2014, over 360 companies have expressed their intent to join the CAC project and 78 companies have been certified as having anti-corruption processes and measures in place.

Technological Development

PTTEP continued to give importance to the development and use of technology in its oil and gas operations. The company cooperates with domestic and international universities and research institutions such as with KJT Enterprises in the United States to enhance Electromagnetic Imaging in order to achieve clearer stratigraphic visualizations and subsurface geology which will lead to more accurate analysis and identification of petroleum fields. Moreover, the company in cooperation with Chiangmai University also launched an International Master's Degree in Petroleum Geophysics to address the urgent needs in personnel development. Other cooperative projects include the development of CO₂-to-Methane Conversion technologies which is aimed at reducing CO₂ emissions while maximizing its benefits. PTTEP is in continuous cooperation with the National Science and Technology Development Agency (NSTDA) to develop science and technology through research and development projects, of which the results will be leveraged to promote business sustainability and competitiveness for the company and for Thailand.

Improvement of Efficiency and Cost Optimization

During the third quarter of 2014, PTTEP's supply chain function reduced costs by USD 70.53 million, which is higher than the planned target, and is also a USD 21.84 million increase in cost reduction relative the second quarter of 2014. The achievement is a result of procuring substitute parts of equal quality to replace original parts, as well as employing procurement strategies suited to varying market conditions.

Safety, Security, Health and Environment (SSHE)

During the third quarter of 2014, PTTEP reported a lost time injury frequency (LTIF) score of 0.20 which places the company in the Top Quartile of the International Association of Oil and Gas Producers (OGP) members. With respect to Total Recordable Incident Rates (TRIR), the company scored 1.27, which ranks it in the second quartile of OGP members. Furthermore, during the first quarter of 2014, PTTEP reduced its greenhouse gas (GHG) emissions by 5.7% relative to the 2012 base year figure, a step closer towards its year 2020 target of 20% GHG emissions reduction versus the 2012 base year figure.

Corporate Social Responsibility (CSR)

PTTEP continued to consistently carry out CSR activities. During the third quarter of 2014, the company launched the PTTEP Teenergy Camp to create awareness of the importance of conserving of the Khao Yai National Park world heritage for youths nationwide, and to instill a sense of environmental awareness. PTTEP also realizes the importance of the roles that local communities play in environmental conservation, and has thus developed local curriculums to be taught in those communities. The curriculums include the study and conservation of tigers for communities surrounding the Huai Kha Kaeng Forest area, and the study and conservation of Irrawaddy Dolphins for communities around Songkhla Lake.

PTTEP also continued its reforestation campaign to reduce global warming in conjunction with The Department of Forestry, The Department of National Parks and the Department of Marine and Coastal Resources. Activities include reforestation of areas in the Si Nakhon Khuean Khan Park (Bang Ka Chao) to promote the study of the park's ecology, improvement of additional nature trails and park amenities as well as the setup of centers for classroom learning for visitors of the park. PTTEP also regularly organizes PTTEP GREEN UP activities in the Bang Ka Chao area to promote management and employee participation in social and environmental responsibility activities.

Business Outlook for the Fourth Quarter of 2014

With respect to global economic outlook for the fourth quarter of 2014, the International Monetary Fund (IMF) revised down its global GDP growth estimates for 2014 to 3.3% while noting that many economies, such as the Eurozone and Japan, are recovering at a slower pace than expected. Their outlook for 2015 sees the United States economy expand while the Eurozone and Japanese economies continue with gradual recovery and the Chinese economy slows down.

On the outlook for crude oil prices, which is a significant driver of PTTEP's performance, the company expects continued volatility due to a number of factors. Bearish factors include an abundance of crude oil supply in the market with Libya already returning to production levels of about 900 KBPD and expectations of it reaching 1.5 million barrels per day (MBPD) by year-end 2014. Positive outcomes of the Iranian Nuclear negotiations amongst the 6 world powers may result in the market seeing Iranian crude oil exports again, while the gloomy outlook of the Eurozone, Japanese and Chinese economies will also continue to weigh on crude oil prices. On the other hand, more bullish factors are weather related which could result in increased crude oil demand during winter, and also include possibilities that OPEC's November 2014 meeting could result in OPEC announcing a production curtailment for 2014 of up to 0.5 MBPD, which would bring the organization's combined production output to down to 29.5 MBPD.

PTTEP expects that the Thai economy will gradually return to normal during the rest of 2014 as the political situation has eased. Consumer and business sector confidence are expected to improve and drive economic activity to help offset a slow recovery of the export and tourism sector. As a result, economic growth this year is expected to be close to the projected figures of 1.5%, and result in energy demand similar to current levels, that is, a slight year-on-year increase.

The majority of PTTEP's production is natural gas, which in fact accounts for about 67% of total sales volume. Additionally, between 30-50% of the company's natural gas sales price is indexed to oil prices with a 3 month, 6 month or 1 year adjustment depending on the project. Therefore, the short-term outlook of lower oil prices has relatively subdued impact on gas prices.

The crude oil and condensates which account for about 33% of PTTEP's sales volume will be affected by lower oil prices. PTTEP, however, has managed risks from oil price volatility by hedging with oil derivatives based on Brent crude. During the fourth quarter of 2014, PTTEP has hedged approximately 70% of its crude oil and condensate volumes. The company also continuously monitors global economic conditions and events or factors which may impact crude oil prices, and simulates scenarios with crude oil prices at various levels to generate mitigation plans which will be implemented if such scenarios pan out.

PTTEP periodically reviews its supply plan and continuously strives improves production in order to sustainably meet the increase in Thai energy demand. The company focuses on maintaining production levels from existing projects while undertaking project management to deliver development projects as planned. Furthermore, PTTEP constantly seeks for investment opportunities in order to increase its reserves and meet the energy needs of Thailand. For 2014, based on the plans and results of past operations, the company expects sales volume to grow by approximately 8% year-on-year, driven primarily by the production start-up of the Zawtika Project during the year, and the acquisition of Hess Thailand's assets during the first half of the year. These projects will also continue to be key growth drivers in 2015.