

Executive Summary

Crude oil prices have continuously dropped in 2015 with Dubai crude oil price moved in the range of 45-65 USD/BBL in the first half of 2015. Despite a short-term recovery with Dubai hitting an annual high of 65 USD/BBL in the second quarter as geopolitical tensions broke out in the Middle East and US production beginning to signal decline, concerns of an oversupplied crude oil market dominated the oil price movement in the second half of the year. OPEC production stood at record high at more than 31.5 million barrels per day in the fourth quarter and the US production, which stood at 9.3 million barrels per day in the second half of 2015 or 0.2 million barrels per day lower compared to the first half, proved more resilient than expected. Furthermore, weaker global economy outlook especially that of China, the decision by OPEC not to lower production level, the US interest rate increase and the lifting of its crude oil export ban drove crude oil prices to below 40 USD/BBL, the lowest level in 11 years. The aforementioned factors put average Dubai crude oil price at 40.7 USD/BBL in the fourth quarter of 2015, considerably lower when compared to the average of 49.7 USD/BBL in the third quarter. Full-year average Dubai crude oil price in 2015 stood at 50.9 USD/BBL, nearly halved when compared to 96.6 USD/BBL in 2014.

On the Thai economy front, the Bank of Thailand projected a 2.8% year-on-year growth in 2015 as government spending and private sector consumption, especially tourism, pick up the pace in the second half of the year. The Monetary Policy Committee of the Bank of Thailand maintained the interest rate at 1.50% whilst the US Federal Open Market Committee (FOMC) increased the interest rate from 0.25% to 0.50% in December. This drove the Thai Baht to US Dollar exchange rate to 36.09 Baht / US Dollar at the end of 2015, a large depreciation compared to 32.96 Baht / US Dollar at the end of 2014 despite having slightly strengthened compared to 36.37 Baht / US Dollar at the end of the third quarter in 2015. The impact of Thai Baht depreciation on PTTEP is primarily through tax expense as a result of the difference between PTTEP's tax filing currency (Thai Baht) and functional currency (US Dollar). Please refer to the "Financial Performance" section for more details.

The decline in crude oil prices had significant impact to PTTEP's financial performance as the company recorded asset impairment losses of 1,385 MMUSD in the third quarter. The Company's performance was also affected by deferred tax expense amounted 279 MMUSD that arise from the difference between the functional currency and the tax filing currency. These factors were made according to the accounting standards and have no impact to the Company's cash flow. As a result, PTTEP reported a net loss of 854 MMUSD in 2015. Moreover, oil and gas companies globally have recorded asset impairment losses in the low oil price environment.

In 2015, PTTEP reported total revenue of 5,654 MMUSD, a decline compared to the amount of 7,834 MMUSD in 2014 mainly from the drop in average selling price, which followed the drop in crude oil prices, to 45.29 USD/BOE from 63.71 USD/BOE in the prior year. The Company did, however, record a 3% growth in sales volume, which averaged at 322,167 barrels of oil equivalent per day (BOED) in 2015 compared to 312,569 BOED in 2014 and in-line with expectation, whilst achieving milestone cost savings target. Total expenses excluding impairment in 2015 amounted 4,642 MMUSD, a decrease compared to 5,087 MMUSD in 2014, is primarily attributed to the cost reduction initiatives under the SAVE to be SAFE program, resulting in a 30% reduction of capital and operating expenditures in 2015 against the original plan. This brought the overall unit cost, which includes operating, general and administrative, exploration and financing costs, down from 43.45 USD/BOE in 2014 to 38.88 USD/BOE in 2015, or down by approximately 11%. The initiatives lead to increased efficiencies, includes shortening drilling days especially in the Gulf of Thailand operations, as a result of which well cost was brought down by more than 20%. Other cost reduction activities include logistics optimization (i.e. reducing number of vessels), better inventory management, renegotiation of major equipment rental and service contracts and maintaining a robust capital structure throughout.

Nonetheless, the lower oil prices and recovering economy have encouraged domestic energy demand for the first eleven months of 2015 amounting to 2.08 million barrels of oil equivalent per day (BOED), an increase of 1.2% year-on-year, according to the Energy Policy and Planning Office, the Ministry of Energy of Thailand.

Summary of Key Financial Results

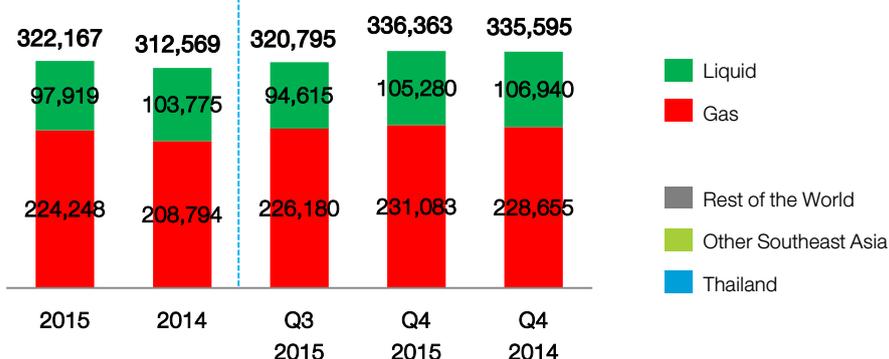
(Unit : Million US Dollar)	2015	2014 (Restated)	% Inc. (Dec.) YTD	Q3 2015	Q4 2015	Q4 2014 (Restated)	% Inc. (Dec.) YoY	% Inc. (Dec.) QoQ
Total Revenue	5,654	7,834	(28)	1,473	1,337	1,974	(32)	(9)
Sales Revenue	5,326	7,319	(27)	1,323	1,213	1,758	(31)	(8)
EBITDA	3,844	5,282	(27)	929	809	1,196	(32)	(13)
Profit (loss) for the period	(854)	677	>(100)	(1,284)	132	(739)	>100	>100
Basic earnings per share (USD)	(0.22)	0.16	>(100)	(0.32)	0.02	(0.19)	>100	>100
Profit (loss) from normal operation	718	1,538	(53)	264	13	183	(93)	(95)
Gain (loss) from non-recurring items	(1,572)	(861)	(83)	(1,548)	119	(922)	>100	>100

Financial Performance

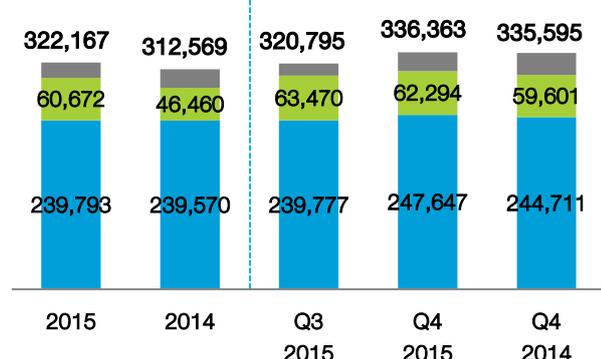
Average Sales Volume

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 : US Dollar)	2015		%	Q3		Q4		%	%
	2015	2014 (Restated)		Inc. (Dec.) YTD	2015	2015	2014 (Restated)		
Average selling price (/BOE)	45.29	63.71	(29)	44.83	39.18	56.95	(31)	(13)	
Average Dubai crude (/BBL)	50.91	96.60	(47)	49.74	40.71	74.40	(45)	(18)	

Net income (loss) (Unit : Million US Dollar)	2015		%	Q3		Q4		%	%
	2015	2014 (Restated)		Inc. (Dec.) YTD	2015	2015	2014 (Restated)		
Exploration and production	(1,072)	331	>(100)	(1,332)	17	(886)	>100	>100	
Thailand	373	1,441	(74)	2	68	258	(74)	>100	
Overseas	(1,445)	(1,110)	(30)	(1,334)	(51)	(1,144)	96	96	
- Other Southeast Asia	(101)	252	>(100)	(184)	20	11	82	>100	
- Australia	(630)	(645)	2	(472)	(49)	(490)	90	90	
- America	(653)	(657)	1	(629)	(16)	(642)	98	97	
- Africa	(28)	(82)	66	(17)	(6)	(30)	80	65	
- Middle East	(33)	22	>(100)	(32)	-	7	(100)	100	
Pipeline transportation	356	276	29	95	70	108	(35)	(26)	
Head office and others	(138)	70	>(100)	(47)	45	39	15	>100	
Total	(854)	677	>(100)	(1,284)	132	(739)	>100	>100	

Year to Year Comparison of the Results of Operations

Overall Results of Operations

For the results of operation for year ended 2015, PTTEP and its subsidiaries had a net loss of US Dollar 854 million, a decrease in operating results of US Dollar 1,531 million or more than 100% when compared with the net profit for the year ended 2014 of US Dollar 677 million. The decrease was primarily due to a decrease in sales revenue from a reduction in the average selling price to USD 45.29 per BOE (2014 : USD 63.71 per BOE), even though sales volume increased to 322,167 BOED (2014 : 312,569 BOED). The increase in the sales volume was mainly derived from the Zawtika Project, which commenced its gas sales in Myanmar in March 2014 and reached its full production capacity in August 2014. In addition, impairment loss of assets recognized increased US Dollar 388 million when compared with last year. However, a decrease in income tax expenses of US Dollar 606 million was consistent with a decrease in profit.

For the year ended 2015, the Group reported loss from non-recurring items in the amount of US Dollar 1,572 million, an increase in loss of US Dollar 711 million when compared with the year ended 2014 that reported loss from non-recurring items in the amount of US Dollar 861 million. The increase in loss from non-recurring items was primarily due to the increase in impairment loss of assets. The amount also increased from increases in income tax expenses affected by the functional currency and income tax expenses affected by revaluation of foreign currency transactions to Thai Baht in accordance with the Revenue Code which resulted from the depreciation of Thai Baht against US Dollar.

Segment Operating Results

For the year ended 2015, the Group reported a net loss of US Dollar 854 million, a decreased of US Dollar 1,531 million or more than 100% when compared with the net profit for the year ended 2014 of US Dollar 677 million. The decrease in operating result was primarily from the exploration and production segment which decreased of US Dollar 1,403 million or more than 100% and from the head office and other segments which decreased of US Dollar 208 million or more than 100%.

Exploration and production segment

Thailand

Net profit for the year ended 2015 decreased in the amount of US Dollar 1,068 million or 74% to net income of US Dollar 373 million when compared with the net profit for the year ended 2014 of US Dollar 1,441 million. The decrease in net profit was primarily due to a decrease in sales revenue resulted from a decrease in selling prices of the products. In addition, the segment also reported an increase in depreciation expenses which was mainly from Arthit and S1 projects due to increases in completed assets of these projects. However, the segment's income tax expenses were decreased consistent with a decrease in profit.

Overseas

The Group reported net loss for the year ended 2015 of US Dollar 1,445 million, an increase of net loss of US Dollar 335 million or 30% when compared with the net loss for the year ended 2014 of US Dollar 1,110 million. The increase in net loss was primarily due to an increase in net loss from other Southeast Asia segment.

Other Southeast Asia segment reported a net loss for the year ended 2015 of US Dollar 101 million, a decrease in operating results of US Dollar 353 million or more than 100% when compared with the net profit for the year ended 2014 of US Dollar 252 million. The decrease was primarily due to the recognition of impairment loss of assets. Moreover, the depreciation expenses also increased from Zawtika project which commenced its gas sale in Myanmar in March 2014 and reached its full production capacity in August 2014.

Head office and others segment

Head office and others segments reported a net loss for the year ended 2015 of US Dollar 138 million, a decrease in operating results of US Dollar 208 million or more than 100% when compared with the net profit for the year ended 2014 of US Dollar 70 million. The decrease of operating results was primarily resulted from an increase in income tax expenses affected by revaluation of foreign currency transactions to Thai Baht in accordance with the Revenue Code and a decrease in the amount of gain on financial derivatives.

Quarterly Comparison of the Results of Operations

Fourth quarter of 2015 compared with Fourth quarter of 2014

Overall Results of Operations

For the results of operation for the fourth quarter of 2015, PTTEP and its subsidiaries had a net profit of US Dollar 132 million, an increase in operating results of US Dollar 871 million or more than 100% when compared with the net loss for the fourth quarter of 2014 of US Dollar 739 million. The increase was primarily due to recognition of impairment loss of assets in the fourth quarter of 2014 of US Dollar 997 million, while in the fourth quarter of 2015, the Group did not recognize any impairment losses of assets. In addition, the depreciation expenses decreased US Dollar 167 million primarily from the PTTEP Australasia project in which the value of completed assets decreased due to the recognition of impairment loss of assets and from Contract 4 project due to an increase in petroleum reserve. Exploration expenses also decreased US Dollar 91 million due to a reduction in well write-off expense. However, revenue from sales decreased in the amount of US Dollar 545 million from a decrease in average selling price to US Dollar 39.18 per BOE (2014 : US Dollar 56.95 per BOE).

For the fourth quarter of 2015, the Group reported net profit from non-recurring items in the amount of US Dollar 119 million when compared with the net loss reported in the fourth quarter of 2014 of US Dollar 922 million. This is an increase of operating result of US Dollar 1,041 million which was primarily from the Group did not recognized any impairment loss of assets in the fourth quarter of 2015, while the Group recognized an impairment loss of assets in the amount of US Dollar 997 million in the fourth quarter of 2014.

Segment Operating Results

For the fourth quarter of 2015, the Group reported net profit of US Dollar 132 million, an increase in operating result of US Dollar 871 million or more than 100% when compared with the net loss for the fourth quarter of 2014 of US Dollar 739 million. The increase was primarily due to an increase in operating result from the exploration and production segment of US Dollar 903 million or over 100%.

Exploration and production segment

Thailand

Net profit for the fourth quarter of 2015 decreased in the amount of US Dollar 190 million or 74% to net profit of US Dollar 68 million when compared with the net profit for the fourth quarter of 2014 of US Dollar 258 million. The decrease in net profit was primarily due to a decrease in sales of petroleum product as a result of lower average sales price. However, the depreciation expenses in Contract 4 project decreased due to an increase in petroleum reserve. The exploration expenses also decreased from decreases in the well-written off expenses and petroleum royalties and remuneration expenses in accordance with sales revenue.

Overseas

For the fourth quarter of 2015, the Group reported a net loss of US Dollar 51 million, a decrease in net loss of US Dollar 1,093 million or 96% when compared with the net loss for the fourth quarter of 2014 of US Dollar 1,144 million. The decrease in net loss was primarily due to a decrease in net loss from America and Australia segments.

America reported a net loss for the fourth quarter of 2015 of US Dollar 16 million, a decrease in net loss of US Dollar 626 million or 98% when compared with the net loss for the fourth quarter of 2014 of US Dollar 642 million, primarily due to the recognition of impairment loss of assets in the fourth quarter of 2014 for Mariana Oil Sands Project, while there was no impairment loss recognized in the fourth quarter of 2015.

Australia reported a net loss for the fourth quarter of 2015 of US Dollar 49 million, a decrease in net loss of US Dollar 441 million or 90% when compared with the net loss for the fourth quarter of 2014 of US Dollar 490 million, primarily due to recognition of impairment loss of assets in the fourth quarter of 2014 for PTTEP Australasia project, while there was no impairment loss recognized in the fourth quarter of 2015.

Fourth quarter of 2015 compared with Third quarter of 2015

Overall Results of Operations

For the fourth quarter of 2015, PTTEP and its subsidiaries reported a net profit of US Dollar 132 million an increase in operating results of US Dollar 1,416 million or more than 100% when compared with the net loss for the third quarter of 2015 of US Dollar 1,284 million. The increase was primarily due to recognition of impairment loss on assets in the third quarter of 2015 of US Dollar 1,385 million, while there was no impairment loss recognized in the fourth quarter of 2015.

For the fourth quarter of 2015, the Group reported net profit from non-recurring items in the amount of US Dollar 119 million, an increase in operating results of US Dollar 1,667 million when compared with the third quarter of 2015 that reported a loss from non-recurring items of US Dollar 1,548 million. This was primarily due to the recognition of impairment loss on assets in the third quarter of 2015, while there was no impairment loss recognized in the fourth quarter of 2015. In addition, income tax expenses affected by the functional currency and income tax expenses affected by revaluation of foreign currency transactions to Thai Baht in accordance with the Revenue Code decreased as a result of an appreciation in Thai Baht when compared against US Dollar.

Segment Operating Results

For the fourth quarter of 2015, PTTEP and its subsidiaries reported a net profit of US Dollar 132 million, an increase in operating result of US Dollar 1,416 million or more than 100% when compared with the net loss for the third quarter of 2015 of US Dollar 1,284 million. The increase in operating result was primarily from the exploration and production segment which increased of US Dollar 1,349 million or more than 100% and from head office and other segments which increased of US Dollar 92 million or more than 100%.

Exploration and production segment

Thailand

Net profit for the fourth quarter of 2015 increased in the amount of US Dollar 66 million or more than 100% to net profit of US Dollar 68 million when compared with the net profit for the third quarter of 2015 of US Dollar 2 million. The increase in net profit was primarily due to the recognition of impairment loss on assets in the third quarter of 2015, while there was no impairment loss recognized in the fourth quarter of 2015. However, sales revenue decreased due to lower average selling price.

Overseas

The Group reported net loss for the fourth quarter of 2015 of US Dollar 51 million, a decrease in net loss of US Dollar 1,283 million or a decrease of 96% when compared to the net loss for the third quarter of 2015 of US Dollar 1,334 million. The decrease in net loss was primarily due to decreases in net loss from America, Australia and other Southeast Asia segments.

America reported a net loss for the fourth quarter of 2015 of US Dollar 16 million, a decrease in net loss of US Dollar 613 million or a decrease of 97% when compared with the net loss for the third quarter of 2015 of US Dollar 629 million, primarily due to the recognition of impairment loss on assets in the third quarter of 2015, while there was no impairment loss recognized in the fourth quarter of 2015.

Australia reported a net loss for the fourth quarter of 2015 of US Dollar 49 million, a decrease in net loss of US Dollar 423 million or a decrease of 90% when compared with the net loss for the third quarter of 2015 of US Dollar 472 million, primarily due to the recognition of impairment loss on assets in the third quarter of 2015, while there was no impairment loss recognized in the fourth quarter of 2015.

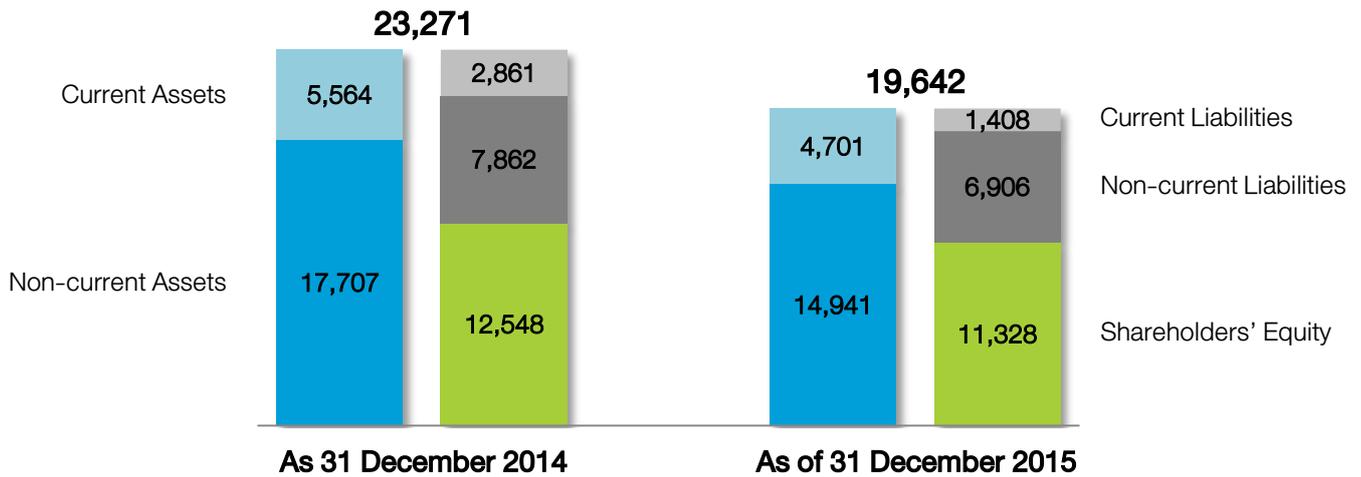
Other Southeast Asia reported a net profit for the fourth quarter of 2015 of US Dollar 20 million, an increase in operating result of US Dollar 204 million or more than 100% when compared with the net loss for the third quarter of 2015 of US Dollar 184 million, primarily due to the recognition of impairment loss on assets in the third quarter of 2015, while there was no impairment loss recognized in the fourth quarter of 2015.

Head office and others segment

The head office and other segment reported net profit for the fourth quarter of 2015 of US Dollar 45 million, an increase in operating result of US Dollar 92 million or more than 100% when compared with the net loss for the third quarter of 2015 of US Dollar 47 million, primarily due to decreases in income tax expenses affected by revaluation of foreign currency transactions to Thai Baht in accordance with the Revenue Code resulted from an appreciation in Thai Baht when compared against US Dollar.

Financial Position

Unit: Million USD



Assets

As at December 31, 2015, PTTEP and its subsidiaries had total assets in the amount of US Dollar 19,642 million (equivalent to Baht 708,864 million), a decrease of US Dollar 3,629 million when compared with the total assets as of December 31, 2014 of US Dollar 23,271 million (equivalent to Baht 767,073 million), primarily due to;

- (1) Current assets, which were primarily comprised of cash and cash equivalents, short-term investments, account receivable – parent company, and materials and supplies, decreased US Dollar 863 million mainly from a decrease of US Dollar 670 million in cash and cash equivalents offset with short-term investments. In addition, account receivable – parent company also decreased US Dollar 155 million.
- (2) Non-current assets, which 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 and goodwill, decreased US Dollar 2,766 million mainly due to a recognition of impairment assets and depreciation expenses even though the Group has additional investment in exploration and production assets during the period.

Liabilities

As at December 31, 2015, PTTEP and its subsidiaries had total liabilities of US Dollar 8,314 million (equivalent to Baht 300,053 million) which include interest bearing debt of US Dollar 3,005 million, a decrease of US Dollar 2,409 million when compared with total liabilities as at December 31, 2014 of US Dollar 10,723 million (equivalent to Baht 353,453 million), primarily due to;

- (1) Current liabilities, which were primarily comprised of trade accounts payable, accrued expenses and income tax payable, decreased US Dollar 1,453 million mainly due to a decrease in current portion of long-term debts of US Dollar 749 million from the repayment of debentures and loans from financial institution. In addition, the income tax payable and accrued expenses also decreased in the amount of US Dollar 660 million.

(2) Non-current liabilities, which primarily comprise debentures and loans from financial institution, deferred tax liabilities, provision for decommissioning costs, and provision for remuneration for the renewal of petroleum production decreased US Dollar 956 million mainly from repayment of long-term loan in Canadian Dollar (Canadian Dollar 475 million). In addition, the deferred tax liabilities and provision for remuneration for the renewal of petroleum production also decreased in the amount of US Dollar 427 million.

Capital Structure

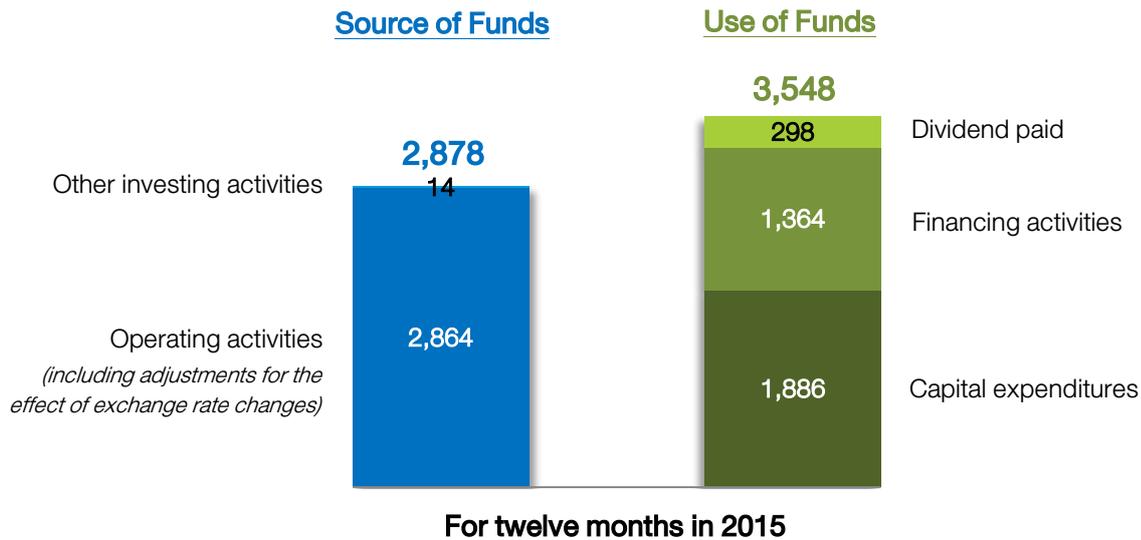
As of December 31, 2015, the capital structure of the Group comprises shareholders' equity in the amount of US Dollar 11,328 million and total liabilities of US Dollar 8,314 million, comprising of interest bearing debts of US Dollar 3,005 million with a weighted average cost of debt of 4.32% and the average maturity of 8.17 years. All of these interest bearing debts were in US Dollar. The proportion of the fixed and floating interest rate debts is 82:18.

In 2015, PTTEP completed the following financial activities;

- On July 19, 2015 and August 4, 2015, PTTEP Australia International Finance Pty Ltd (PTTEP AIF) has redeemed unsecured and unsubordinated debentures on the maturity date as amount of USD 500 million and US Dollar 200 million respectively.
- On September 21, 2015, PTTEP Canada International Finance Limited (PTTEP CIF) has transferred cash to prepay the long-term loan with JP Morgan, Chase Bank, N. A., (Toronto Branch) for the amount of Canadian Dollar 100 million.
- On September 30, 2015, PTTEP has transferred cash to prepay the long-term loan with Thanachart Bank Public Company Limited for the amount of US Dollar 50 million.
- On November 20, 2015 and November 26, 2015, PTTEP CIF has executed the loan prepayment with CITIBANK, N.A., Canadian Branch for the total aggregate amount of Canadian Dollar 75 million and with Bank of Tokyo-Mitsubishi UFJ (Canada), Mizuho Corporate Bank, Ltd., and Sumitomo Mitsui Banking Corporation of Canada for the total aggregate amount of Canadian Dollar 300 million respectively.

Cash Flows

Unit: Million USD



As of December 31, 2015, PTTEP and its subsidiaries had cash and cash equivalents, including short-term investment which was deposit with banks and financial institution with a maturity of more than three months, but less than twelve months of US Dollar 3,260 million, a decrease of US Dollar 670 million when compared to cash and cash equivalents as at December 31, 2014 of US Dollar 3,930 million.

Sources of funds in amount of US Dollar 2,878 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.
- Cash received from other investing activities which came from the dividend received from related parties and interest received from short-term investments and from loans.

Uses of funds in the amount of US Dollar 3,548 million were primarily for;

- Cash used for additional investment activities for exploration and production assets, and intangible assets, primarily in Arthit, Zawtika and Contract 4 projects.
- Cash used for financing activities, primarily for repayments of debentures and long-term loan from financial institution as well as interest payments.
- Dividend paid for the operating result for the second half of 2014 and the first half of 2015.

Key Financial Ratios

	2015	2014 (Restated)	Q3 2015	Q4 2015	Q4 2014 (Restated)
Profitability Ratios (%)					
EBITDA to revenue from sales	70.60	70.84	68.66	65.47	66.57
Return on equity	(7.15)	5.58	(14.07)	(7.15)	5.58
Net profits margin	(14.95)	8.61	(27.17)	(14.95)	8.61
Leverage Ratios (times)					
Debt to equity	0.27	0.34	0.29	0.27	0.34
Debt to EBITDA	0.78	0.80	0.77	0.78	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	=	Last 12 months net profits to total revenue
Return on equity	=	Last 12 months net profits to weighted average shareholders' equity
Debt to equity	=	Interest Bearing Debt to total shareholders' equity
Debt to EBITDA	=	Interest Bearing Debt to last 12 months profit before deduction of interest, tax, and depreciation

Operational Highlights

In 2015, PTTEP's domestic and international operations altogether sum to 38 projects in 11 countries. The following are key project highlights.

Projects in Thailand

PTTEP has 16 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. Sales volume from the projects in Thailand amounted to 239,793 BOED in 2015, which accounted for 74% of PTTEP's total sales volume.

Projects in Southeast Asia

PTTEP has 13 projects in this region which are located in the Republic of the Union of Myanmar (Myanmar), the Socialist Republic of Vietnam (Vietnam) and the Republic of Indonesia (Indonesia). Sales volume from the projects in the Southeast Asia region amounted to 60,672 BOED in 2015, which accounted for 19% of PTTEP's total sales volume.

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**, located offshore in the Gulf of Moattama, Myanmar, carried out and maintained production level as planned. The project completed the construction of one wellhead platform and is in the process of constructing three more wellhead platforms for the development phase 1B to maintain current production level. The project also completed the drilling of 10 appraisal wells, which began during the third quarter of 2014, and is currently in the process of results evaluation. In 2015, sales volume from the Zawtika project averaged 314 MMSCFD (approximately 47,541 BOED).

The **Vietnam 16-1 Project**, located offshore in the southeast of Vietnam, successfully commenced production from the H5 area, which is situated in the south of Te Glac Trang Field (TGT), in August. Crude oil production from the H5 area approximately stood at 11,000 BPD. In 2015, sales volume from the Vietnam 16-1 project averaged 31,294 BPD of crude oil and 16 MMSCFD of natural gas (approximately 3,981 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, Myanmar. The project completed the appraisal drilling campaign with four out of five wells drilled showed no commercial potential, which resulted in the expenditure write-off for those wells in the third quarter of 2015. The project is currently assessing the field's resource potential and its prospects for commerciality.

The exploration campaign of the **Myanmar PSC G and EP 2 Project**, which is located onshore in the Central Myanmar Basin, Myanmar, completed the drilling of four planned exploration wells in accordance with the work commitment during the first exploration period. The wells showed no commercial potential and were subsequently written off in 2015. The project is currently in the process of extending the exploration period with the government of Myanmar to further assess the petroleum potential.

Projects in Australasia

PTTEP has one project in this region which is located in the Commonwealth of Australia (Australia) and comprises 14 concession permits.

Fields in the *producing phase* include the **Montara Field**, which produced at an average rate of 16,288 BPD, which accounted for 5% of PTTEP's total sales volume and in-line with its production target. Fields in the exploration phase include the Cash / Maple Field, which in 2015 the Company is in the process of studying and evaluating development options. PTTEP is also in the process of assessing the petroleum potential in the other exploration concessions.

Projects in the American Continent

PTTEP has three 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, submitted the development proposal for Thornbury Phase 1 to the government of Alberta in May. The project is re-assessing the investment strategy going forward to reduce costs and mitigate development risks in response to the low oil price environment.

PTTEP has two projects in Brazil. The **Barreirinhas AP1 Project** is located in the Barreirinhas Basin, offshore to the northeast of Brazil. The project is preparing for 3D seismic acquisition after receiving approval from the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) on its environmental impact assessment (EIA) report. The seismic activities are expected to begin in the first quarter of 2016. The **BM-ES-23 Project** is located in the Espirito Santo basin, offshore, east of Brazil. In the fourth quarter of 2015, the project completed the drilling of one appraisal well, which did not encounter commercial petroleum potential and was subsequently written off, and one exploration well, which discovered petroleum and is currently in the process of evaluating the result.

Projects in Africa and the Middle East

PTTEP has 5 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).

The **Algeria 433a and 416b Project**, which is in the *producing phase* and located onshore in the eastern part of Algeria, successfully marked its first crude oil production at the level of around 20,000 BPD. First sales from the project were made in the fourth quarter of 2015.

The **Algeria Hassi Bir Rekaiz Project**, which is in the *exploration phase* located onshore in the eastern part of Algeria, is making progress under the Third Exploration Phase. In 2015, the project completed the drilling of five out of six planned exploration and appraisal wells.

The **Mozambique Rovuma Offshore Area 1 Project**, which is also in the exploration phase, is a large gas project located offshore Mozambique. The project completed the drilling of six appraisal wells and, with respect to LNG development, selected the contractor for the onshore LNG Engineering Procurement and Construction Contract. In addition, the Decree Law to support the project operations has been approved by the government and ratified by the congress of the Republic of Mozambique. The project is currently in the process of selecting contractors for the installation of offshore facilities and preparing for project finance.

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 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.

Significant portfolio management activities in 2015 include the divestment of 20% participating interest in the Myanmar PSC G and EP 2 project to a subsidiary of Mitsui Oil Exploration Co., Ltd. (MOECO) and Palang Sophon Offshore Pte. Ltd. PTTEP also divested 10% of participating interest in the Myanmar MOGE 3 project to a subsidiary of MOECO. In addition, PTTEP submitted the notices of relinquishment from the Indonesia Malunda project and Indonesia South Mandar project, as well as from the Mozambique Rovuma Onshore project, which are subject to the approval from the governments of the respective countries. Furthermore, PTTEP completed the relinquishments of the Kenya L10A project, the Indonesia Sadang project and the A4 & A5/48 project in Thailand after receiving approvals from the governments of respective countries.

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.

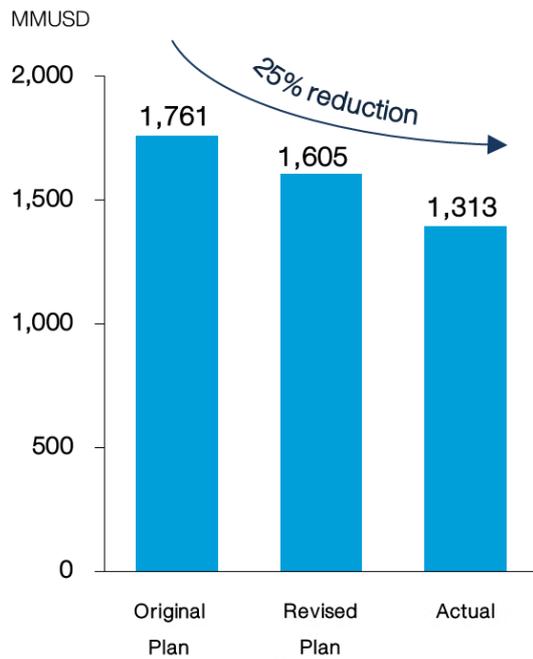
Cost Management

PTTEP has adapted its expenditure plan to suit the lower oil price environment under the SAVE to be SAFE program

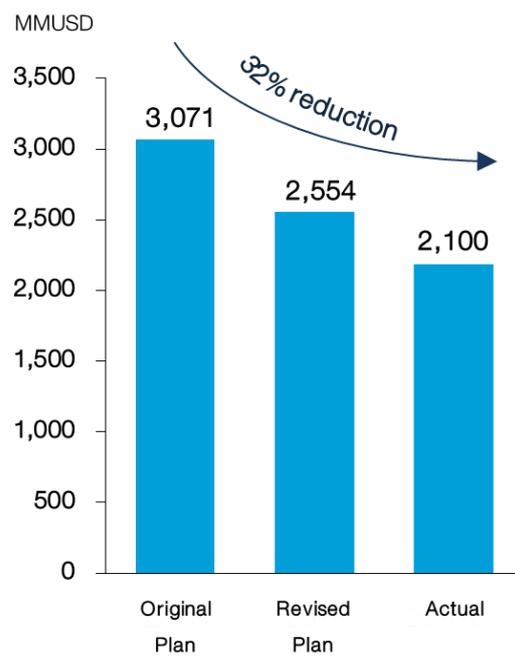
- **Reduce:** Seek opportunities to reduce costs and identify effective work processes or technologies which will enable cost reduction in the short and long run.
- **Remove:** Refrain from non-essential activities and focus on "need to have / need to do" rather than "nice to have / nice to do".
- **Reschedule:** Postpone investments in high risk projects by prioritizing expenditures to correspond with the oil price environment.

In 2015, PTTEP successfully reduced operating and capital expenditures by 25% and 32% respectively compared to the original expenditure plan, which amounted to 1.42 billion USD in operating and capital expenditures, whilst achieved sales volume growth of 3% as targeted. The cost reduction effort drove down total expenses, excluding the loss on asset impairment, to 4,642 MMUSD in 2015, or a decrease 445 MMUSD when compared to 5,087 MMUSD in 2014. This was achieved through improved work and cost efficiency such as shortening drilling days especially in drilling operations in the Gulf of Thailand, as a result of which well cost was brought down by more than 20% in comparison to 2014 performance, logistical optimization through reducing number of supply boats as well as better inventory management. The Company also pursued renegotiation of major equipment rental and service contracts, as well as actively maintained a robust capital structure through a prepayment of 1,100 MMUSD debentures.

2015 Operating Expenditure



2015 Capital Expenditure



Sustainable Development

PTTEP demonstrates its dedication and excellence in sustainable development, both domestically and globally. In April 2015, PTTEP received an Advanced Level certification from the United Nations Global Compact (UNGC), which is highest level of commitment to the Global Impact. As of present, only four of 33 UNGC participants from Thailand achieved the Advanced Level certification. PTTEP began its participation in the UNGC in 2011, adhering to the ten principles in the areas of human rights, labor standards, environment, and anti-corruption.

In September 2015, PTTEP was listed for the second consecutive year on the Dow Jones Sustainability Index (DJSI) under the World Index of Oil and Gas Sector. Moreover, in October 2015, PTTEP was declared as one of the listed companies under Thailand Sustainability Investment of 2015 by the Stock Exchange of Thailand. The enlistment was granted to companies for their outstanding performances in Environmental, Social, and Governance areas along with good business performances.

The achievements are proud reflections of PTTEP's aspiration to become a leading Asian E&P company through technology and green practices and drive the organization towards its goal of sustainable growth. In order to continuously enhance PTTEP's sustainable development practices, the Company has outlined a sustainable development plan for short-term and long-term, which has also been included in the Company's 2015 corporate objectives, around the three areas of business, social and environment. Key activities in 2015 are as follow.

Business

PTTEP aims for technological enhancements to support its business to achieve sustainable growth and apply those technologies to its projects to improve operating performance, reduce costs and prepare for new business opportunities. In 2015, PTTEP introduced the use of multi-purpose plant inspector octocopter (MPIO) to assist the inspection of wellhead platforms in the Arthit project in the Gulf of Thailand. The Company also developed more durable and less costly choke valves. In addition, PTTEP provided services to HMC Polymers Ltd., a PTT Group company, for the inspection of flare stacks in November 2015. In 2016, the MPIO will be mobilized in various applications, such as the inspection of oil pipeline and extend its services to other PTT Group companies. Furthermore, PTTEP is in the process of studying the use of electromagnetic technologies to improve production levels at the Sirikit oil field.

Social

PTTEP is dedicated to carry out its business operations with responsibility to society, in accordance with its social development strategy. The framework emphasizes on four development areas: fundamental needs, education, environment, and culture and sports. The Company organized many activities with local communities to ensure that their essential needs are met. Results of the activities were reviewed, evaluated and incorporated with improvement plan for the long-term benefits to the stakeholders in areas in which PTTEP operates as well as to the society as a whole.

In 2015, PTTEP engaged in the following noteworthy and socially responsible activities:

Activities in Thailand

- The Preservation and Development of Chan Palace project in the area of S1 project operations – PTTEP, in collaboration with the Yen-Sira-Phro-Pra-Boriban Foundation and the Fine Arts Department to preserve and develop the Chan Palace, in the Phitsanulok province, to be revered with historical importance to the community and younger generations. On 19 December 2015, Her Royal Highness Princess Maha Chakri Sirindhorn graced her presence to officiate the opening ceremony of the Chan Palace historical center.
- The PTTEP Thai Heritage World Heritage project – PTTEP has fulfilled the work identified in the memorandum with the Fine Arts Department to support the second phase of the World Heritage project (2014 – 2017). The project received guidance from Her Royal Highness Princess Maha Chakri Sirindhorn with the purpose to nurture the learning experience of world heritage sites in the history-enriched Phra Nakhon Si Ayutthaya province. The Company supported the architectural and archaeological analysis project by providing the learning tools on the ancient palace. The Company also helped establish learning trails and archeological exhibits, as well as promote the three-dimensional model of the ancient royal palace of the Phra Nakhon Si Ayutthaya province for the ease and interest of learning experience.
- The Learning Center (Phase 1) project at the Songkla province – the purpose of the project is to build a solid foundation for youth education in the local community. PTTEP believes that well-supported education leads to solid knowledge, which in turn helps to develop the local community and society. In December 2015, PTTEP, in collaboration with the city municipal and the provincial administration organization of the Songkla province, conducted the opening ceremony of the Songkla Learning Center at the Si Daeng building.
- The reforestation for ecological study at the Sri Nakhon Khuean Khan Park and Botanical Garden under the guidance of Her Royal Highness Princess Maha Chakri Sirindhorn at Bang Kachao - PTTEP, in conjunction with the Royal Forest Department and Kasetsart University, launched the campaign for ecological reforestation in over 40 Rais of land. The project also undertakes the land improvement initiatives in 108 Rais of land surrounding the Sri Nakhon Khuen Khan Park, restore the bicycle trails and wheelchairs, and promote exhibits on the preservation of green area “Khung Bang Kachao”. The project was presented to the Royal Forest Department and the Bang Kachao community in June.

Activities in Overseas

- PTTEP-LKC project – PTTEP, in collaboration with Dompot Dhuafa, a leading Indonesian non-profit organization dedicated to social responsibility, established a cost-free clinic to provide basic healthcare and sanitation for the Indonesian community at the Rorotan village, located in a remote area north of Jakarta. In April 2015, the clinic was officially inaugurated by the Minister of Health of Indonesia.

Safety, Security, Health and 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). In 2015, PTTEP had a Lost Time Injury Frequency (LTIF) score of 0.13, and a Total Recordable Incident Rates (TRIR) score of 1.11. 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. In 2015, PTTEP reduced its greenhouse gas (GHG) emissions by 4.7% below its 2012 levels.

Business Outlook for 2016

Crude oil price, which is one of the key factors that drive PTTEP's financial performance, is expected to remain at low levels for the first half of 2016 on oversupply concerns. OPEC is expected to retain high production levels to maintain its market share whilst non-OPEC production remains resilient to low oil prices. Furthermore, Iran is preparing to ramp up its crude oil export by 0.5-0.7 million BPD in the first half of 2015 following the sanction lift. Crude oil supply could slow in the second half of 2016 as investment cutbacks by non-OPEC producers, most notably the US, following persistently low oil prices since 2015 expectedly start to yield a more noticeable impact to global oil production capacity. This supply rebalance expectedly would support oil price recovery in the later part of the year.

On the economic front, the World Bank has toned down global economy growth in 2016 from 3.3% to 2.9% in January 2016. The downward revision is mainly driven by the slowdown in five major emerging national economies, namely Brazil, Russia, India, China and South Africa (BRICS). As for the Thai economy, the Monetary Policy Committee of the Bank of Thailand has forecasted the country's growth in 2016 at 3.5%, supported by increased government and private sector spending and continued growth momentum in the tourism sector.

PTTEP expects the Thai Baht currency to depreciate further on the likelihood of the FOMC to increase US interest rate further in 2016. The financial performance of PTTEP will be affected in the form of deferred taxes that arise from the difference between the Company functional currency and the tax filing currency and driven by a change in exchange rate. The majority of the difference, however, does not impact the Company's cash flow. Furthermore, the increase in interest rate is expected to have minimal impact on the Company's financial performance as more than 80% of total debt is made up of fixed interest rate debt.

Under the currently suppressed oil price environment, PTTEP has prepared plans to maneuver through 2016 as follows.

1. Continue to use oil price hedging instruments to alleviate the impact of a highly volatile oil price environment. Similar strategy was adopted in 2015, based on which the company was able to alleviate the price impact through profits made on oil price hedging of around 120 MMUSD.
2. Focus on further cost reduction through the SAVE to be SAFE program including consideration to delaying or stopping investments in high-cost projects. With continued fall in oil prices, renegotiation of key service and rig contracts will be re-visited and further savings from logistical optimization, inventory management and maintenance activity will also be worked on.
3. Manage production level by taking into consideration a balance of investment returns, profitability and cash flow; while ensuring there is no disruption to Thailand's energy supply.
4. Simulate various oil price and exchange rate scenarios to assess risk factors and prepare mitigation plans. Short-term and long-term investment program is created with some degree of flexibility to enable PTTEP to promptly respond to changes in oil price and the company's liquidity can always be maintained at an appropriate level
5. Emphasize on financial discipline and a strong capital structure where debt-to-equity ratios are kept 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.