

Executive Summary

During the first half of the year, crude oil traded in a narrow price range averaging US\$105 per barrel. Crude oil prices peaked at \$US 111 per barrel in June due to the concerns over violence in the Republic of Iraq (Iraq) and the State of Libya (Libya), but began a rapid decline during the third quarter as a result of increased shale oil production in the United States of America and lower than expected economic growth figures in the Europe, the People's Republic of China (China) and Japan. Moreover, OPEC's decision not to decrease production spawned concerns of oversupply leading to increased downward pressure on prices. During the fourth quarter, oil prices reached a five-year low, and averaged US\$74 per barrel, resulting in the full year average Dubai crude oil price of US\$96.64 per barrel, lower than the previous year's average of US\$105.4 per barrel.

Thailand's economy in 2014 is expected to have grown by 0.8% due to political events during the beginning of the year. As the political situation eased in the middle of the year, the economy began a gradual and continuous recovery, and domestic consumption increased respectively. The Ministry of Energy estimated domestic energy demand from January to November 2014 to have averaged 2.05 million barrels of oil equivalent per day (MMBOED); a 1.93% increase over the same period last year.

The weak oil price environment during the second half of 2014 had a slight impact on PTTEP's core performance. This is because natural gas volume, which represents a majority of the Company's product, is subject to pricing formula that is only 30-50% indexed to the oil price and is adjusted on a three-month to one-year basis based on past oil prices; the impact from the recent decrease in oil prices has therefore a relatively subdued impact on PTTEP's 2014 natural gas prices. In respect of crude oil and condensate, PTTEP has hedged, to a certain extent, its liquid product prices which are directly affected by oil price volatility. Nonetheless, as a result of the lower oil price outlook and in compliance with international accounting standards, PTTEP has conducted re-assessments on the asset values based on revised price projections. As a result, per the accounting standards, during the fourth quarter of 2014, PTTEP recognized non-cash impairment charges amounting to US\$997 million.

The result of the business for the year ended 2014, PTTEP and its subsidiaries had a net income of US Dollar 677 million, a decrease of US Dollar 1,170 million or 63% when compared to the net income for the year ended 2013 of US Dollar 1,847 million. The decrease was primarily due to the recognition of impairment loss of assets in PTTEP Australasia project and Mariana Oil Sands project and the increases of depreciation, depletion and amortization expenses and exploration expenses. However, the Group recorded a decrease in income tax expenses and an increase in sales revenues as a result of increase in average sales volume to 321,886 Barrels of Oil Equivalent per Day (BOED) (2013 : 292,629 BOED), while the average petroleum sales price decreased to US Dollar 63.38 per Barrels of Oil Equivalent (BOE) (2013 : 65.58 per BOE).

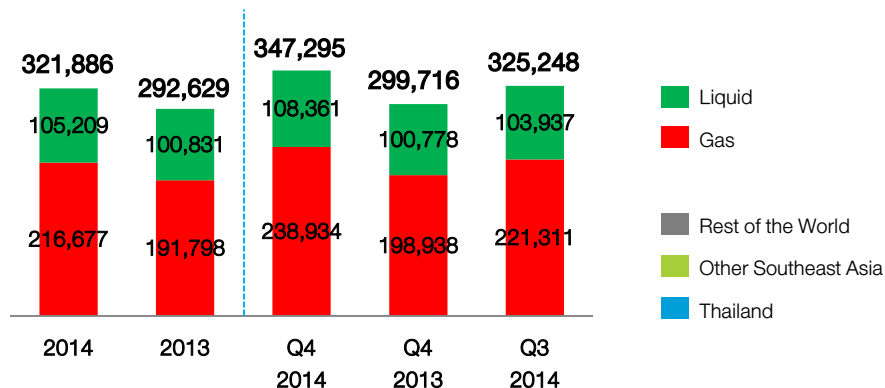
(Unit : Million US Dollar)	2014	2013	%	Q4	Q4	Q3	%	%
		(Restated)	Inc. (Dec.) YTD	2014	2013	2014	Inc. (Dec.) YTD	Inc. (Dec.) YTD
Total Revenue	8,017	7,445	8	2,026	1,904	2,093	6	(3)
Sales Revenue	7,496	7,172	5	1,807	1,816	1,959	(1)	(8)
EBITDA	5,295	5,168	2	1,209	1,223	1,409	(1)	(14)
Profit for the period	677	1,847	(63)	(739)	239	477	>(100)	>(100)
Diluted earnings per share (US Dollar)	0.16	0.46	(65)	(0.20)	0.06	0.12	>(100)	>(100)
Profit from normal operation	1,538	2,114	(27)	183	393	426	(53)	(57)
Gain (loss) from non-recurring items	(861)	(267)	>(100)	(922)	(154)	51	>(100)	>(100)

Financial Performance

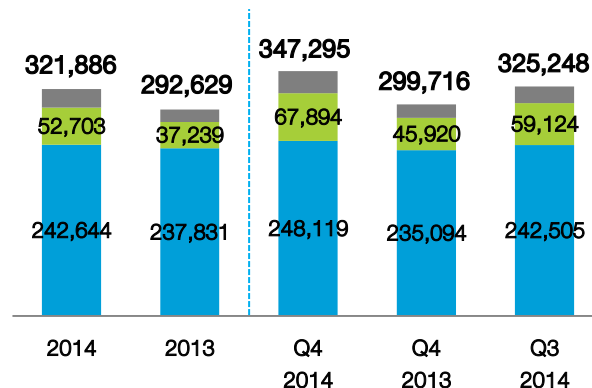
Average Sales Volume

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)			%	Q4	Q4	Q3	%	%
	2014	2013 (Restated)	Inc. (Dec.) YTD	2014	2013 (Restated)	2014	Inc. (Dec.) YTD	Inc. (Dec.) YTD
Average selling price (/BOE)	63.38	65.58	(3)	56.54	64.48	65.15	(12)	(13)
Average Dubai crude (/BBL)	96.60	105.52	(8)	74.40	106.82	101.45	(30)	(27)

Net income (loss) (Unit : Million US Dollar)			%	Q4	Q4	Q3	%	%
	2014	2013 (Restated)	Inc. (Dec.) YTD	2014	2013 (Restated)	2014	Inc. (Dec.) YTD	Inc. (Dec.) YTD
Exploration and production	471	2,080	(77)	(838)	465	390	>(100)	>(100)
Thailand	1,498	1,872	(20)	287	431	381	(33)	(25)
Overseas	(1,027)	208	>(100)	(1,125)	34	9	>(100)	>(100)
- Other Southeast Asia	289	276	5	20	45	113	(56)	(82)
- Australia	(599)	20	>(100)	(480)	14	(59)	>(100)	>(100)
- America	(657)	(37)	>(100)	(642)	(19)	(2)	>(100)	>(100)
- Africa	(82)	(58)	(41)	(30)	(8)	(50)	>(100)	40
- Middle East	22	7	>100	7	2	7	>100	-
Pipeline transportation	298	229	30	113	54	88	>100	28
Head office and others	(92)	(462)	80	(14)	(280)	(1)	95	>(100)
Total	677	1,847	(63)	(739)	239	477	>(100)	>(100)

Year to Year Comparison of the Results of Operations

Overall Results of Operation

For the results of operation for year ended 2014, PTTEP and its subsidiaries had a net income of US Dollar 677 million (earning of US Dollar 0.16 per share-diluted), a decrease of US Dollar 1,170 million or 63% when compared with the net income for the year ended 2013 of US Dollar 1,847 million (earning of US Dollar 0.46 per share-diluted). The decrease was primarily due to the recognition of impairment losses of assets in PTTEP Australasia project, and Mariana Oil Sands Project of US Dollar 997 million as well as the increment in depreciation expenses of US Dollar 926 million due to the higher completed assets and production volume of PTTEP Australasia project which began its offload crude oil sales in August 2013 and had recognized full year sales in 2014. In addition, the depreciation expenses were increased from the commencement of domestic gas sales in March 2014, and export gas sales in August 2014 from Zawtika project and from the higher completed assets and production volume of Contract 4 project. Moreover, there was an increase in the exploration expenses of US Dollar 161 million due to the exploratory well write-off expense in PTTEP Australasia, Kenya L10 A and L28/48 projects. However, a decrement in income tax expenses of US Dollar 421 million were primarily from lower petroleum income taxes as a result of lower net petroleum income and from a reduction in income tax expenses affected by the functional currency as a result of the less depreciation of Thai Baht against US Dollar .

However, the revenue from sales were increased by the amount of US Dollar 324 million due to an increment in average sales volume of 321,886 BOED (2013 : 292,629 BOED) primarily from full year sales in 2014 of PTTEP Australasia (began its first oil sales in August 2013) and from Zawtika project which commenced its domestic gas sales in March 2014 and export gas sales in August 2014. The revenue from sales also increased from acquiring additional 15% in participating interests of Contract 4 project, while the average petroleum sales price decreased to US Dollar 63.38 per Barrels of Oil Equivalent (BOE) (2013 : 65.58 per BOE).

For the year ended 2014, the Group reported loss from non-recurring items in the amount of US Dollar 861 million, an increase in loss of US Dollar 594 million when compared with the year ended 2013 that reported losses from non-recurring items in the amount of US Dollar 267 million. The increase in loss from non-recurring items were primarily due to the recognition of impairment losses of assets in PTTEP Australasia project, and Mariana Oil Sands Project of US Dollar 997 million while the Group had recognized a gain on financial derivatives from oil price hedging of US Dollar 197 million due to the market price as of December 31, 2014 gone below the price hedging level. In addition, income tax expenses affected by the functional currency for the year ended 2014 decreased when compared to the year ended 2013 due to less depreciation of Thai Baht against US Dollar .

Results of Operation by Segments

Net income for the year ended 2014 decreased in the amount of US Dollar 1,170 million or 63% to net income of US Dollar 677 million when compared with the net income for the year ended of 2013 of US Dollar 1,847 million. The decrease in net income was primarily due to the decrease in net income from the exploration and production segment of US Dollar 1,609 million or 77%, while the head office and others segments had a decrease in net loss of US Dollar 370 million or 80%.

Exploration and production segment

Thailand

Net income for the year ended 2014 decreased in the amount of US Dollar 374 million or 20% to net income of US Dollar 1,498 million when compared with the net income for the year ended 2013 of US Dollar 1,872 million. The decrease in net income primarily due to an increase in depreciation, depletion and amortization of Contract 4 project, which were in lined with the increases in production volume and completed assets. In addition, the decrease in net income resulted from decrease in sales revenue due to the reduction in oil price. However, the Group's income tax expenses were decreased due to lower petroleum income taxes and lower income tax expenses affected by the functional currency, as a result of the less depreciation of Thai Baht against US Dollar.

Overseas

The Group reported net loss for the year ended 2014 of US Dollar 1,027 million, a decrease of net profit of US Dollar 1,235 million or a decrease over 100% when compared to the net profit for the year ended 2013 of US Dollar 208 million. The decrease in net income was primarily due to an increase in net loss from Australia segment and America.

Australia reported a net loss for the year ended 2014 of US Dollar 599 million, a decrease of income amount of US Dollar 619 million when compared with the net income for the year ended 2013 of US Dollar 20 million. Although the sales revenue of PTTEP Australasia project was recognized full year in 2014 (began its offload crude oil sales in August 2013), resulted in higher sales revenue compared to year ended 2013, its depreciation, depletion and amortization was also much higher from the additional completed asset and higher production volume. Furthermore, PTTEP Australasia had recognized a loss on impairment of assets as a result of the decrease in the crude oil price. The operating expense also increased mainly due to the increase in production volume and the excess cost incurred from drilling H5 development well.

The America reported a net loss for the year ended 2014 of US Dollar 657 million, an increase in net loss of US Dollar 620 million or increased over 100% when compared with the net loss for the year ended 2013 of US Dollar 37 million. This was primarily due to the recognition of impairment loss of assets due to a decrease in crude oil price which resulted in the revision of the production plan.

Head office and Others segments

Head office and others segments reported a net loss for the year ended 2014 of US Dollar 92 million, a decrease in net loss of US Dollar 370 million or 80% when compared with the net loss for the year ended 2013 of US Dollar 462 million. The decrease in net loss was primarily resulted from the recognition of gains of US Dollar 197 million on financial derivatives from oil price hedging due to the market price as of December 31, 2014 gone below the price hedging level. In addition, the decrease of net loss was resulted from the decrement in loss from foreign exchange as well as the reduction of the income tax expenses affected by the functional currency for the year ended 2014 compared to the year ended 2013 due to less depreciation of Thai Baht against US Dollar .

Quarterly Comparison of the Results of Operations

Fourth quarter of 2014 compared with Fourth quarter of 2013

Overall Results of Operation

For the results of operation for the fourth quarter of 2014, PTTEP and its subsidiaries had a net loss of US Dollar 739 million (loss of US Dollar 0.20 per share-diluted), a decrease of US Dollar 978 million or over 100% when compared with the net income for the fourth quarter of 2013 of US Dollar 239 million (earning of US Dollar 0.06 per share-diluted). The decreases were primarily due to recognition of impairment losses of assets in PTTEP Australasia project, and Mariana Oil Sand Project of US Dollar 997 million as well as increases in depreciation, depletion and amortization expenses of US Dollar 320 million as a result of increases in completed assets and increases in production volume in PTTEP Australasia project and Contract 4 project and from commencement of the first gas sales in March 2014 of Zawtika project. In addition, revenue from sales decreased in the amount of US Dollar 9 million from a decrease in average petroleum sales price to US Dollar 56.54 per BOE (fourth quarter 2013 : US Dollar 64.48 per BOE), even though the average sales volume increased to 347,295 BOED (fourth quarter of 2013 : 299,716 BOED) from increases in the sales volume from the additional producing well within PTTEP Australasia and from Zawtika project that began its natural gas sales in March 2014 as well as increase of 15% participating interest in Contract 4 project.

On the other hand, the income tax expense decreased of US Dollar 191 million primarily from decrease in petroleum income taxes as a result of a decrease in net profit and decrease in income tax related to the impact from the depreciation of Thai Baht when compared between 2014 and 2013 as well as the recognition of gains of US Dollar 151 million on financial derivatives mainly from settlement of oil price hedging because market price went below the hedged price level.

For the fourth quarter of 2014, the Group reported net loss from non-recurring items in the amount of US Dollar 922 million, an increase of US Dollar 768 million when compared with the fourth quarter of 2013 that reported a net loss of US Dollar 154 million. The increases in net loss were primarily due to the recognition of impairment losses of assets in PTTEP Australasia project, and Mariana Oil Sand Project. The Group recognized an increase in gain on financial derivatives mainly from settlement of oil price hedge because market price went below the hedged price level.

Results of Operation by Segments

For the fourth quarter of 2014, the Group reported net loss of US Dollar 739 million, a decrease in net profit of US Dollar 978 million or over 100% when compared with the net income for the fourth quarter of 2013 of US Dollar 239 million. The decrease in net income was primarily due to the increase in net loss from the exploration and production segment of US Dollar 1,303 million or over 100%, while the head office and others segments had a decrease in net loss of US Dollar 266 million or 95%.

Exploration and production segment

Thailand

Net income for the fourth quarter of 2014 decreased in the amount of US Dollar 144 million or 33% to net income of US Dollar 287 million when compared with the net income for the fourth quarter of 2013 of US Dollar 431 million. The decrease in net income primarily due to a decrease in sales of petroleum product in S1 project as a result of lower average sales price and from the planned shutdown of Bongkot project in the fourth quarter of 2014, while in 2013 there was no planned shutdown of this project. In addition, the depreciation, depletion and amortization were also increased due to increases in completed assets and production volume in Contract 4 project. However, the petroleum income tax was decreased which was in line with the decrease in overall profit.

Overseas

For the fourth quarter of 2014, the Group reported a net loss of US Dollar 1,125 million, a decrease in net profit of US Dollar 1,159 million or over 100% when compared with the net income for the fourth quarter of 2013 of US Dollar 34 million. The decrease in net income was primarily due to a decrease in net income from Australia and America segments as well as a decrease in net income from other Southeast Asia segment.

Australia reported a net loss for the fourth quarter of 2014 of US Dollar 480 million, an increase in net loss of US Dollar 494 million or over 100% when compared with the net income for the fourth quarter of 2013 of US Dollar 14 million, primarily due to recognition of impairment loss of assets due to the decrease in crude oil price. The segment also recorded an increase in depreciation, depletion and amortization from increases in completed assets and production volume, while it had an increase in revenue from sales due to the increase in production volume.

America reported a net loss for the fourth quarter of 2014 of US Dollar 642 million, an increase in net loss of US Dollar 623 million or over 100% when compared with the net loss for the fourth quarter of 2013 of US Dollar 19 million, primarily due to the recognition of impairment loss of assets due to a decrease in crude oil price that result in the revision of the production plan.

Other Southeast Asia reported a net income for the fourth quarter of 2014 of US Dollar 20 million, a decrease of US Dollar 25 million or 56% when compared with the net profit for the fourth quarter of 2013 of US Dollar 45 million, primarily due to an increase in operating expenses from Zawtika project which began its export sales of natural gas in August 2014 as well as increase in the expenditure for the write off of exploration wells which mainly from Indonesia Semai II project. In addition, the segment recorded increases in depreciation, depletion and amortization due to increases in production volume in Zawtika project. However, revenue from sales increased in Zawtika project which commence its gas sales in March 2014 and began its natural gas export sales in August 2014, while revenue from sales in Vietnam 16-1 project decreased due to the planned production shutdown in the fourth quarter of 2014 and the decrease in crude oil price.

Head office and Others segments

Head office and others segments comprise of an investment in related business and the head office. The segments reported a net loss for the fourth quarter of 2014 of US Dollar 14 million, a decrease in net loss of US Dollar 266 million or 95% when compared with the net loss for the fourth quarter of 2014 of US Dollar 280 million. The decrease in net loss was primarily due to the recognition of gains on financial derivatives mainly from settlement of oil price hedging because market prices went below the hedged price level as well as a recognition of loss on foreign exchange and income tax due to the effect of a depreciation of foreign exchange.

Fourth quarter of 2014 compared with Third quarter of 2014

Overall Results of Operation

For the fourth quarter of 2014, PTTEP and its subsidiaries reported a net loss of US Dollar 739 million (loss of US Dollar 0.20 per share-diluted), a decrease in net income of US Dollar 1,216 million or over 100% when compared with the net income for the third quarter of 2014 of US Dollar 477 million (earning of US Dollar 0.12 per share-diluted). The decreases were primarily due to recognition of impairment losses on assets in PTTEP Australasia project, and Mariana Oil Sands project of US Dollar 997 million as well as increases in depreciation, depletion and amortization expenses of US Dollar 114 million as a result of increases in completed assets and increases in production volume in PTTEP Australasia project and Zawtika project.

In addition, revenue from sales decreased in the amount of US Dollar 152 million due to a decrease in average petroleum sales price decreased to US Dollar 56.54 per BOE (third quarter of 2014 : 65.15 per BOE), even though the average sales volume increased to 347,295 BOED (third quarter of 2014 : 325,248 BOED) from increases in the sales volume from Zawtika project which began its first export natural gas sales in August 2014 and fewer days for maintenance shutdown of PTTEP Australasia project when compared to the third quarter of 2014.

For the fourth quarter of 2014, the Group reported net loss from non-recurring items in the amount of US Dollar 922 million, a decrease of US Dollar 973 million when compared with the third quarter of 2014 that reported a gain from non-recurring items of US Dollar 51 million. The decrease was primarily due to the recognition of impairment losses on assets in PTTEP Australasia project, and Mariana Oil Sands project.

Segment Operating Results

For the fourth quarter of 2014, PTTEP and its subsidiaries reported a net loss of US Dollar 739 million, a decrease in net profit of US Dollar 1,216 million or over 100% when compared with the net income for the third quarter of 2014 of US Dollar 477 million. The decrease in net income was primarily from a decrease in net profit for the exploration and production segment of US Dollar 1,228 million or over 100%.

Exploration and production segment

Thailand

Net income for the fourth quarter of 2014 decreased in the amount of US Dollar 94 million or 25% to net income of US Dollar 287 million when compared with the net income for the third quarter of 2014 of US Dollar 381 million. The decrease in net income primarily due to a decrease in sales revenue in most projects from lower average sales price resulting from lower crude oil price. However, the segment recorded a decrease in income tax expenses as a result of decrease in petroleum income tax which was in line with the decrease in overall profit.

Overseas

The Group reported net loss for the fourth quarter of 2014 of US Dollar 1,125 million, a decrease in net profit of US Dollar 1,134 million or a decrease over 100% when compared to the net profit for the third quarter of 2014 of US Dollar 9 million. The decrease in net income was primarily due to an increase in net loss from Australia and America segment, and a decrease in net profit for other Southeast Asia segment.

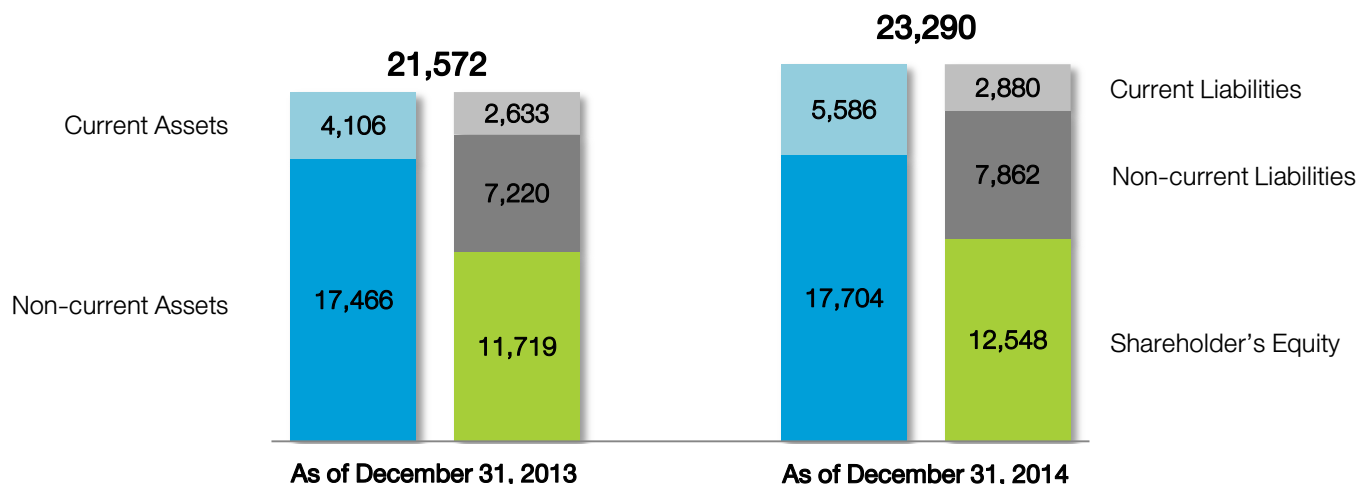
Australia reported a net loss for the fourth quarter of 2014 of US Dollar 480 million, an increase in net loss of US Dollar 421 million or an increase over 100% when compared with the net loss for the third quarter of 2014 of US Dollar 59 million. The increase in net loss was primarily due to the recognition of impairment loss on assets in PTTEP Australasia project as a result of a decrease in crude oil price. The segment also recorded an increase in depreciation, depletion and amortization from an increase in production volume.

America reported a net loss for the fourth quarter of 2014 of US Dollar 642 million, an increase in net loss of US Dollar 640 million or increased over 100% when compared with the net loss for the third quarter of 2014 of US Dollar 2 million, primarily due to the recognition of impairment loss on assets for the Mariana Oil Sands project due to a decrease in crude oil price that result in changes in the production plan.

Other Southeast Asia reported a net income for the fourth quarter of 2014 of US Dollar 20 million, a decrease of US Dollar 93 million or 82% when compared with the net profit for the third quarter of 2014 of US Dollar 113 million, primarily due to an increase in the exploration expenses as a result of the write off of exploration wells mostly in Indonesia Semai II project as well as increases in depreciation, depletion and amortization in Zawtika project which began its natural gas export sale in August 2014. Even though Zawtika project began its natural gas export sales in August 2014, revenue from sale was slightly increased due to a decrease in revenue from sales in Vietnam 16-1 project impacted by a decrease in crude oil price.

Financial Position

Unit: Million US Dollar



Assets

As at December 31, 2014, PTTEP and its subsidiaries had total assets in the amount of US Dollar 23,290 million (equivalent to Baht 767,725 million), an increase of US Dollar 1,718 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 1,480 million in current assets which primarily comprise of cash and cash equivalent, account receivable – parent company, and materials and supplies, were primarily from an increase in cash and cash equivalent of US Dollar 1,579 million, while account receivable – parent company decreased of US Dollar 250 million.
- (2) Increases of US Dollar 238 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, were from an acquisition of shares of Hess Corporation's subsidiaries and additional investment in production phase projects such as Arthit, Zawtika, and Bongkot projects. However, the Group has recognized impairment loss on assets for PTTEP Australasia and Mariana Oil Sands projects.

Liabilities

As at December 31, 2014, PTTEP and its subsidiaries had total liabilities of US Dollar 10,742 million (equivalent to Baht 323,332 million) which include interest bearing debt of US Dollar 4,229 million, an increase of US Dollar 889 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) Increases of US Dollar 247 million in current liabilities which primarily comprise of current portion of long-term debts, accrued expenses and income tax payable, mainly came from;
 - The current portion of long-term debts increased from a reclassification of US Dollar debenture in the amount of US Dollar 700 million and long-term loan from a financial institution of US Dollar 50 million which will be due within 1 year 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).

- Decreased in income tax payable resulted from lower petroleum income tax for the year 2014.
 - Decreased in other current liabilities, primarily from the decrease in other accounts payable of the joint venture projects.
- (2) Decreases of US Dollar 642 million in non-current liabilities which primarily comprise of debentures and loans from financial institution, deferred tax liabilities, and provision for decommissioning costs, primarily due to;
- Increased in provision for decommissioning costs due to higher estimated decommissioning cost and additional production facilities and wells. The amount was offset by
 - Decreased in deferred tax liabilities, primarily from the decrease in deferred tax liability of Canada Oil Sand KKD project as a result of entering into the PURA to restructure the ownership interests in the Canada Oil Sand KKD project. However, the deferred tax liability was increased due to the acquisition of share of Hess Corporation's subsidiaries.
 - Decreased in debentures and long-term loans from financial institutions from the reclassification of US Dollar debenture in the amount of US Dollar 700 million and long term loan from financial institution of US Dollar 50 million which will be due within 1 year 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.

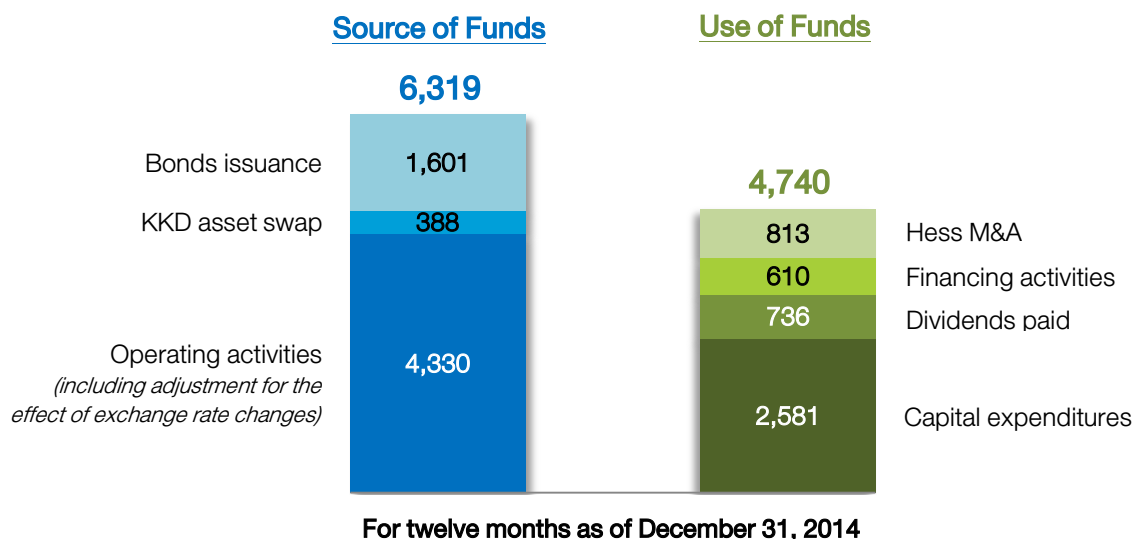
Interest bearing debts as of December 31, 2014 amounted to US Dollar 4,229 million, carrying an average cost of debt of 4.14% per annum, with an average loan life of 7.05 years. In terms of currency mix, 90% of PTTEP's interests bearing debts were denominated in US Dollar while 10% were denominated in 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 December 31, 2014, PTTEP and its subsidiaries had total shareholders' equity in the amount of US Dollar 12,548 million (equivalent to Baht 413,620 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 829 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 in the second quarter of 2014, the Group has issued the subordinated capital debentures in the amount of US Dollar 1,000 million and an increase in the retained earnings from the net income for the year 2014 of US Dollar 677 million which offset with the dividend payment for the second half of 2013 and first half of 2014 operations of US Dollar 736 million.

Cash Flows

Unit: Million US Dollar



As at December 31, 2014, PTTEP and its subsidiaries had cash and cash equivalent of US Dollar 3,936 million, an increase of US Dollar 1,579 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 6,319 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 4,740 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

Key Financial Ratios

	2014	2013	Quarter 4 2014	Quarter 4 2013 (Restated)	Quarter 3 2014
Profitability Ratios					
EBITDA to revenue from sales	69	71	66	66	71
Return on equity	6	16	6	16	13
Net profit margin	8	25	8	25	21
Leverage Ratios					
Debt to equity	0.34	0.34	0.34	0.34	0.32
Debt to EBITDA	0.80	0.78	0.80	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 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 end of 2014, PTTEP's domestic and international operations altogether sum to 43 projects in 11 countries. The following are key project highlights.

Projects in Thailand

PTTEP has 17 projects in Thailand, the majority of which are projects in the *producing phase*, and are located in the Gulf of Thailand and onshore. Production operations were continuously carried out over the course of the year to fulfill Thailand's energy needs. The company also expanded its domestic production capacity through its acquisition of Hess Corporation's 15% and 35% stakes in the Contract 4 and Sinphuhorm projects, respectively. The Contract 4 project is located in the Gulf of Thailand while the Sinphuhorm project is located onshore in Northeastern Thailand. The acquisitions were completed in April 2014.

With regards to projects in the *exploration phase*, key activities during 2014 include the drilling of the NKW-N01 exploration well in Project B6/27. The drilling made no commercial discovery, and the project currently continues to study the petroleum geology.

Projects in Southeast Asia

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

Key highlights of projects in the *producing phase* within this region include **the Zawtika Project**, which, in March 2014, began delivering natural gas to the Myanma Oil and Gas Enterprise (MOGE) for domestic use in Myanmar; and in August 2014, began delivering natural gas to PTT Plc. for use in Thailand. Since then, the project, which is located offshore in the Gulf of Moattama, was able to maintain the planned production rate of approximately 310 million standard cubic feet per day (MMSCFD) (approximately 47,950 barrels of oil equivalent per day, BOED), and is now in the process of constructing additional wellhead platforms to maintain the production plateau. Additionally, during the third quarter of 2014, a drilling campaign for additional 10 appraisal wells was launched with an objective to prove up additional petroleum reserves and support long term production. The drilling of these wells is expected to complete within 2015.

The **Vietnam 16-1 Project**, located offshore in the southeast of Vietnam, successfully appraised the H5 area situated in the south of the Te Glac Trang Field (TGT) and is preparing to install a production platform to support production from this area, with first production expected during 2015. Once come onstream, the field will help at sustaining the overall production level from the Project. In 2014, the project produced crude oil at an average rate of 34,000 barrels per day (BPD), and natural gas at an average rate of 22 MMSCFD (approximately 5,500 BOED).

For projects in the *exploration phase*, important highlights include the drilling campaign for six additional appraisal wells in the **Myanmar M3 Project** which commenced during the third quarter of 2014 and expect to complete in the first half of 2015. The project is located offshore in the Gulf of Moattama.

The exploration campaign of the **PSC-G and EP2 Project**, which is located onshore in the Central Myanmar Basin, is currently studying the geological structures and drilling the first of four planned exploration wells.

The **MOGE 3 Project** is another onshore project located in the Central Myanmar Basin. PTTEP holds an 85% interest and is the operator of this project. Production Sharing Contract of MOGE 3 was signed in August 2014 between PTTEP South Asia Limited (PTTEP SA, a subsidiary of PTTEP) and MOGE. The project is carrying out the Environmental Impact Assessment (EIA) which it expects to complete in the first quarter of 2015.

Projects in Australasia

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

Highlights of fields in the *producing phase* include the **Montara Field** which produced at an average rate of 18,000 BPD during 2014. Since the onset of the Montara Incident through to the end of 2014, PTTEP has received total compensation claims amounting to US\$244 million from the insurers. In relation to the claims submitted by the Government of Indonesia seeking compensation for the oil spill from the Montara Incident, PTTEP is ready to continue discussions with the Government of Indonesia to determine the impact (if any) using scientific evidence.

For fields in the *exploration phase*, notable activities during 2014 include the drilling of the Maple-East exploration well in the **Cash Maple Field**, which was completed without commercial discoveries. The project is currently undergoing geological and geophysical review, engineering study as well as commercial assessment to determine development concepts for the gas field.

Projects in the American Continent

PTTEP has 3 projects in this region located in Canada and the Federal Republic of Brazil (Brazil), all of which are in the *exploration phase*. The following are significant activities related to PTTEP in 2014 in this region.

The **Mariana Oil Sands Project** (formerly known as the Canada Oil Sands KKD Project), in May 2014, PTTEP completed the asset swap transaction as stipulated in the Partnership Units Redemption Agreement (PURA) with Statoil Canada Limited (SCL) resulting in PTTEPCA having 100% ownership of the Thornbury, Hangingstone, and South Leismer fields, and receiving US\$419 million in cash. The project is currently proceeding with the Winter Delineation Campaign (WDC), studying development plans and carrying out Pre-FEED activities for Thornbury Phase 1.

In Brazil, during April 2014, PTTEP Brazil Investments in Oil and Gas Exploration and Production Limitada (PTTEP BL, a subsidiary of PTTEP) farmed-in to the **Barreirinhas AP1 Project** to hold a 25% interest. The project comprises four exploration blocks called BAR-M-215, BAR-M-217, BAR-M-252 and BAR-M-254 located in the Barreirinhas Basin, offshore to the east of Brazil. The Brazilian government approved the transaction in August 2014, and the project is currently undertaking the EIA and making preparations for 3D seismic acquisition which is expected to begin in the second quarter of 2015.

Also in Brazil, PTTEP BL acquired a 20% stake in the **BM-ES-23 Project** in the Espirito Santo basin, offshore to the east of Brazil. The Brazilian government approved the acquisition in November 2014. During 2014, the project drilled two exploration wells, one of which discovered oil. Two more exploration wells are planned for 2015.

Projects in Africa and the Middle East

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

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

Notable activities for projects in the *exploration phase* include the Second Drilling Campaign of the **Algeria Hassi Bir Rekaiz Project** located onshore, in the eastern part of Algeria. In 2014, the project carried out 2D and 3D seismic acquisition and plans to follow up with the 5 well exploration and appraisal drilling campaign. The drilling began in the third quarter of 2014.

The **Mozambique Rovuma Offshore Area 1 Project**, which is also in the exploration phase, is a large gas project located offshore Mozambique. In 2014, the project completed drilling five of six planned exploration and appraisal wells, and successfully discovered an additional gas field from the Tubarao Tigre-1 well. In the fourth quarter of 2014, the project began drilling the Tubarao Tigre-2 appraisal well with completion expected during the first quarter of 2015. The project continues to advance its LNG Engineering and Construction Development activities with first production and sales of LNG expected in 2019.

The **Mozambique Rovuma Onshore Project** is located onshore in the north of Mozambique. During 2014, the project finished drilling the Tembo-1 well, which is one of two planned exploration wells in 2014. Drilling results for Tembo-1 are being evaluated, while the second exploration well called Kifaru-1 was spud at the end of 2014 with completion expected during the first quarter of 2015.

The **Kenya L10A Project**, located offshore Kenya, completed the Sunbird-1 exploration well which showed no commercial discoveries. Post-well result will be used to evaluate remaining geological potential in the area.

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

Portfolio Management

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

The following are key portfolio management activities undertaken by PTTEP in 2014:

- The restructuring of ownership in the **Mariana Oil Sands Project** (formerly known as Canada Oil Sands KKD Project) to give PTTEP the flexibility to adjust its portfolio and the timing of its capital expenditures, based on the current market situations, to achieve optimal investment returns.
- The acquisition of Hess Corporation's subsidiaries which own interests in natural gas projects onshore and offshore Thailand (aforementioned) representing a strategic fit to PTTEP's growth strategy of adding producing assets that contribute immediate revenue stream, accretion of volume growth and reserves and enhance the Company's position in Thailand.
- The signing of the Production Sharing Contract for the **Myanmar MOGE 3 Project** to build upon PTTEP's position and expand its investments in the Union of the Republic of Myanmar.
- The farm-in to the **Barreirinhas AP1 and BM-ES-23 Projects** which represent PTTEP's first steps into Brazil, a highly prospective hydrocarbon region.

However, in 2014, PTTEP has relinquished its rights to the **L21/48 concession block** in Thailand, the **Indonesia Sagari Project**, the **New Zealand Great South Project**, and the **L10B block in the Kenya Project**. Also relinquished during 2014, but awaiting official approval from the Australian Government, Indonesian Government and Thai Department of Mineral Fuels are the rights to the **AC/P4 field of the PTTEPAA Project**, the **Indonesia Semai II Project**, the **Indonesia Sadang Project**, as well as the **A4/48 and A5/48 Projects** in Thailand.

Sustainable Development

PTTEP's strategic direction and long-term goals for sustainable growth are founded on the core philosophy that addresses the following three areas: business, society and environment. 2014 marks the first year in which PTTEP became a listed member in the Dow Jones Sustainability Index (DJSI) under the World Index of Oil and Gas Sector. DJSI is a family of indices evaluating the performance of sustainable development in leading global companies. Additionally, during 2014, PTTEP also received a certificate acknowledging the company as a member of Thailand's Private Sector Collective Action Coalition against Corruption (CAC). Of more than 360 companies who have expressed their intent to join the CAC project, PTTEP was amongst one of 78 companies to have been certified as having anti-corruption processes and measures in place.

PTTEP's sustainable development operations during 2014 can be summarized from the perspective of the three areas which make up our core philosophy, as follows.

Business

PTTEP's business management adopts the principles of sustainability that encompass three strategic objectives, namely, expanding production base (Big), extending reserves life (Long), and maintaining investment returns (Strong). PTTEP's operations and portfolio management were carried out in accordance to the strategic objectives as outlined in the section on Operational Highlights. Moreover, the Company continuously monitors and manages its capital structure to ensure that adequate levels of liquidity are in place to allow it to take advantage of business opportunities that may arise under today's volatile market conditions.

PTTEP is committed to technology development for petroleum exploration and production as well as cultivation of knowledge management culture within the Company. The following are some notable activities in this area:

- The Company established the PTTEP Technology Center with the objective of researching and developing technologies for petroleum exploration and production to create value for the business. A Technology Development Steering committee was also established to oversee the development of various technologies.
- Cooperation with universities and research institutions locally and internationally such as:
 - Cooperation with KJT Enterprises in the United States to enhance Electromagnetic Imaging to achieve better visualizations of subsurface geology which can lead to more accurate analysis and identification of petroleum system;
 - Cooperation with Hitachi Zosen, a Japanese Engineering firm, on the development of CO₂-to-Methane Conversion technologies which are aimed at reducing CO₂ emissions while maximizing its benefits;
 - Cooperation with Kasetsart University's Faculty of Engineering on the development of Remotely Operated Vehicles (ROV) and Autonomous Underwater Vehicle (AUV) to increase local capabilities in technological innovation and reduce dependency on expensive foreign technology.

PTTEP is dedicated to carrying out its business operations with responsibility to society, and recognizes its stakeholders in areas where it operates. In 2014, PTTEP engaged in the following noteworthy CSR activities:

- The PTTEP Teenergy Camp to create awareness amongst youths nationwide of the importance of conserving the Khao Yai National Park and to instill a sense of environmental awareness. PTTEP realizes the importance of the roles that local communities play in environmental conservation.
- Dissemination of local curricula for elementary and high schools such as a local curriculum about tigers for schools surrounding the Huai Kha Kaeng Forest, and a curriculum about the conservation of Irrawaddy Dolphins for 14 schools surrounding the upper Songkhla Lake area.
- PTTEP GREEN UP activities to promote management and employee participation in social and environmental responsibilities activities. In 2014, a total of 2,436 management and employees joined the campaign.
- Learning Centers in cooperation with local fishing communities and the Institute of Aquaculture in Songkhla to promote the breeding and nursing of crab species back into the ecosystem.
- Scholarship programs in areas where PTTEP operates such as Suphanburi, Phitsanulok, and Kampaeng Phet. In 2014, PTTEP granted over 1,000 scholarships.
- Education, Health & Hygiene, and Social Development Projects for the communities and societies in the Union of the Republic of Myanmar such as, providing continuous scholarship grants up to undergraduate studies, parasite free schools, classroom buildings, potable water, hygienic toilets, and communal electricity infrastructure.
- Social Development projects in Indonesia such as the pre-school center for child development project (SIOLA), the health center project (PTTEP LKC DD) and scholarship grants projects (PTTEP-Beastudi Etos).

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 2014, PTTEP had a Lost Time Injury Frequency (LTIF) score of 0.22, and a Total Recordable Incident Rates (TRIR) score of 1.30. The Company performs better than average on both safety performance indicators, in comparison to 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 2014, PTTEP reduced its greenhouse gas (GHG) emissions by 5.1% below its 2012 levels. Notable activities in this area during 2014 include the following:

- Reforestation Campaign to plant 200,000 trees of forest between 2013 and 2020, carried out together with the Department of Forestry, the Department of National Parks, and the Department of Marine and Coastal Resources.
- Reforestation project to promote the study of ecological systems in the Si Nakhon Khuean Khan Park in Bang Ka Chao, Samut Prakarn. The reforestation will create a learning center about natural ecosystems and also create a green area in the heart of the city, following the royal initiative of Her Royal Highness Princess Maha Chakri Sirindhorn. The project also includes renovating and maintaining nature trails and facilities including learning center classrooms for visitors.
- Participation in Thailand's Voluntary Emission Reduction Program (T-VER) in the field of Sustainable Forestation, to support the voluntary participation in the carbon market initiative in Thailand, and encourage carbon dioxide emissions reduction, increased oxygen production and air pollution absorption.

In addition, PTTEP has also engaged in other environmental activities such as the signing of a Memorandum of Understanding with the Training Department of the Southeast Asian Fisheries Development Center, King Mongkut's University of Technology North Bangkok, Kasetsart University's Research and Development Institute, and the Institute of Marine Science of Burapha University, to develop ROV for environmental survey and research of marine life and habitat. This joint cooperation marks the first time that technology is being developed for environmental purposes in Thailand.

Business Outlook for 2015

Based on the operating plans, PTTEP expects sales volume in 2015 to grow approximately 6% year-on-year (yoy), primarily from realizing a full year's volume of natural gas sales from the Zawtika project which began production during 2014, as well as realizing a full year's volume from the acquisition of Hess Thailand which was completed during the first half of 2014, and also from the expected start-up of oil production from the Algeria 433A & 416B project during the second half of 2015.

The price of crude oil is an important driver to PTTEP's operating performance, and PTTEP expects price volatility in crude oil markets to continue in 2015. During the first half of the year crude oil prices could continue to face downward pressure from market oversupply of approximately 1.5 – 2.0 million barrels per day with no suggestion of OPEC reducing their crude oil production. This environment is expected to result in low crude oil prices during the first half of the year.

During the second half of the year, however, the industry could see positive factors on prices stemming from crude oil supply which is expected to grow at a slower pace as oil producers reduce their investments to cope with changes in the oil price and global crude oil demand which is also expected to pick up as the global economy recovers. The IMF forecasts that world GDP growth in 2015 will be 3.5%, which is higher than the expected 3.3% growth rate in 2014. Moreover, the reduction in oil prices will increase the buying power of consumers; and the combined effects are expected to result in a slight increase of future demand. There are, nonetheless, other factors to monitor that may have an impact of crude oil prices during 2015, such as geopolitics and unrest in Africa, particularly the violence in Libya. Additionally, if the outcome of nuclear negotiations between Iran and the G6 is successful, Iran may once again export crude oil to the world markets.

The Thai economy in 2015 is expected to gradually recover, but the rate of recovery risks being lower than previous estimates due to public and private spending power. Household debt and exports are both affected by the slow recovery of the Eurozone, Japan and Asia. Tourism is expected to be the engine of growth in 2015. However, there is also a possibility that the government will accelerate its fiscal disbursements while private household consumption and private sector investment could recover supported by lower energy prices. These factors may drive economic growth to 4.0% and subsequently result in increased energy demand versus 2014.

The continuous decline of crude oil prices in 2015 will continue to impact PTTEP's performance. Although PTTEP's main product is natural gas, PTTEP's natural gas prices are expected to begin reflecting the impact of the oil price decline since late 2014, albeit to a lesser magnitude. With respect to PTTEP's crude oil and condensate products, the Company maintains its risk management policy to hedge the oil price volatility using derivatives referenced to Brent crude oil prices.

The Company continuously monitors global economic conditions, events and factors which may impact crude oil prices, and undertakes preparations to cope with volatility through efficient financial management. As a result, PTTEP has created a robust capital structure with low gearing and high liquidity which is reflected in its cash on hand of approximately US\$4 billion at the end of 2014. In addition, PTTEP simulates scenarios with crude oil prices at various levels to generate mitigation plans which will be implemented if such scenarios pan out. PTTEP has adjusted its strategic and operating plans to allow for flexibility in business operations and investments by prioritizing its expenditures as follows:

- Producing projects will continue to produce, and their production rates will be maintained in order to avoid negative impacts to domestic petroleum demand;
- Projects in the development phase will be reassessed, and their investment plans will be adjusted accordingly to allow for flexibility in coping with the oil price environment;
- High risk exploration projects and those without commitments will be deferred as necessary.

Last but not least, PTTEP has a roadmap called "SAVE to be SAFE" aimed at achieving cost efficiencies in both the short run and long run. An integral part of our plan is to promote a culture of cost consciousness where resources are sensibly consumed.