

1. PTTEP Performance

Global macroeconomic overview: Based on the economic expansion of advanced economies and the recovery of Eurozone economies, the International Monetary Fund (IMF) projects global economic growth for 2014 to be 3.6%, an increase from the 3.0% growth rate reported in 2013. Economic growth rates during the second quarter of 2014 is expected to be higher than growth rates during the first quarter of this year, particularly for the United States (US) and European countries.

Regional macroeconomic overview: The US economy is expected to improve during the second quarter of 2014 after having contracted by 1.0% during the first quarter due to unusually cold weather. During the second half of 2014, expectations are for the US economy to show clear signs of recovery driven by employment, financial health of the private sector as well as loose monetary policies. However, the recovery of the US economy has prompted the US Federal Reserve's tapering of its Quantitative Easing (QE) program which has resulted in increased long term interest rates leading to increased risks in the US real estate sector. The most recent US Federal Open Market Committee (FOMC) meeting has resolved to keep policy rates between 0.00% and 0.25% per year for another interval despite current improvements in the unemployment and inflation rates.

After coming out of a recession during the first quarter of 2014, Eurozone economies are gradually recovering. During the first quarter, the Eurozone economy grew at 0.2% versus the previous quarter and shows signs of continued recovery during the second quarter as a result of increased domestic consumption and exports. The Eurozone, however, still faces high rates of unemployment as well as decreased loans to the investment sector. The European Central Bank (ECB) has vowed to implement further monetary easing policies such as decreasing interest rates and supporting commercial banks with liquidity for loans to the private sector. Since no clarity on the policy's details has been provided, and commercial banks are still cautious on providing private sector loans, the ECB policies may not benefit the Eurozone economies as expected.

The Japanese economy during the first quarter of 2014 grew at 1.6% versus the preceding quarter, driven by strong private sector consumption and the expansion of the export sector ahead of the increase in consumption tax rate from 5% to 8% effective on April 2014. The consumption tax increase resulted in a significant economic slowdown during the second quarter, but fiscal stimuli have been prepared to offset the impact. These include the approval of a stimulus budget and temporary tax breaks for specific industries. With a depreciating Yen and an improving export sector, domestic demand and industrial production is expected to recover in the forthcoming periods. The Japanese central bank will also continue to maintain a relaxed monetary policy for a certain period of time.

The Chinese economy contracted 1.4% during the first quarter versus the preceding quarter, and began stabilizing in the second quarter as result of increasing exports which is driven by the recovery of US and Eurozone demand. Nonetheless, domestic consumption is slowing down due to the implementation of economic restructuring policies aimed at balancing growth by shifting from reliance on government-expenditure-led growth to a domestic-consumption-led growth model. The Chinese government has controlled Shadow Banking activities, and supported SMEs. In the forthcoming periods, growth rates are expected to be in line with official expectations, and will be driven by a strengthening employment sector,

higher income, accelerated infrastructure investments, and investments in the industrial sector. Growth in the export sector is expected to offset a contraction in the real-estate sector.

The Office of National Economic and Social Development Board (NESDB) reported that the Thai economy contracted 2.1% during the first quarter of 2014 versus the preceding quarter, and 0.6% versus the first quarter of the previous year. The NESDB projects that growth rates this year should range between 1.5% to 2.5%. The economic contraction experienced during the first quarter was a result of the political impact on demand and tourism. Expectations are for the Thai economy to improve during the second half of 2014 after political changes coupled with increased private sector confidence lead to improved demand. The export sector will recover, albeit at a slightly lower than expected rate due to limited foreign demand and limitations from technology. Investments and private sector consumption are expected to contract versus the same periods last year but should show improvements versus the first quarter of this year. The Monetary Policy Meeting (MPC) has resolved, in their June 2014 meeting, to maintain the policy rate at 2.0% per year, after having considered the state of financial markets, and the stability of the Thai Baht. Inflation rates have been pressured by cost pass-through of increased LPG prices to food prices. However, the impact from the cost pass-through is expected to stabilize given the government's fuel price fixing policies. Overall, the Thai economy is expected to show improved recovery, with a projected economic growth rate of 5.5% in 2015 due to clarity on the domestic political situation.

Dubai crude oil prices increased during the beginning of the year as a result of unrest in oil producing nations such as Libya and Iraq. Crude oil prices subsequently decreased after tensions eased, but also decreased due to worries of a Chinese economic slowdown impacting oil demand. Balanced crude oil fundamentals from the increase in oil demand as a result of global economic recovery, and ample OPEC spare production capacity should warrant stable crude oil prices in the forthcoming periods. However, geopolitical conflict such as the unrest in Iraq could result in short-term higher prices than expected.

PTTEP closely monitors the economic and oil price conditions, and reviews its operating and investment plans accordingly, such that they are aligned with the company's strategic plan. PTTEP continuously carries out improvements in the organization's quality and capabilities to achieve sustainable growth in exploration, development and production.

Project and Operational Highlights: PTTEP operates in Thailand and internationally. As of the second quarter of 2014, PTTEP has altogether 43 projects in 11 countries. The following are highlights of project activities by region.

Projects in Thailand: PTTEP has 18 projects in Thailand, most of which are in the producing phase, and are located both onshore and in the Gulf of Thailand (GoT). During the second quarter of 2014, these producing projects are continuously operating as planned, resulting in an average sales rate of 245 thousand barrels of oil equivalent per day (KBOED), equivalent to 78% of PTTEP's total average sales rate during the quarter, an increase over the 235 KBOED rate achieved in the first quarter of 2014. The increase was primarily a result of PTTEP's acquisition of Hess Corporation's Thai subsidiaries during April 2014. The acquisition consisted of 15% of the Contract 4 Project which is located in the Gulf of Thailand, and 35% of the Siphuhorm project which is located onshore in Northeastern Thailand. However, during the second quarter, several projects such as the Bongkot Project, the Arthit Project, and the Malaysian-Thai-Joint-Development-Area (MTJDA) B17 Project underwent routine maintenance shutdown.

Key exploration activities in Thailand during the second quarter of 2014 include exploration drilling of the NKW-N01 well which is part of the B6/27 Project, located in the GoT. The drilling results did not show potential for commerciality, and are currently being studied for further geological analysis.

Projects in Southeast Asia: PTTEP has 15 projects in this region which are located in the Union of the Republic of Myanmar, Vietnam and Indonesia.

During the second quarter of 2014, projects in the producing phase accounted for an average sales rate of 45 KBOED, or 14% of PTTEP's total average sales rate during the quarter. Average sales rate increased versus the first quarter rate of 39 KBOED as a result of a full quarter production by the Yadana and Yetagun projects after a planned shutdown during the first quarter. Moreover, during the second quarter, the Zawtika Project also delivered gas to the Myanma Oil and Gas Enterprise (MOGE) for domestic use in the Union of the Republic of Myanmar. The Zawtika Project sold gas at an average rate of 55 million standard cubic feet per day (MMSCFD) during the second quarter of 2014.

Highlights of development phase projects in this region are related to a section of the Zawtika Project which will deliver gas to PTT. During the second quarter of 2014, the project carried out the construction of the Onshore Pipeline and Facilities which will export gas to Thailand at a rate of 240 MMSCFD. The project is expected to be ready to begin exporting gas to Thailand by the third quarter of 2014. The project is also progressing with the construction of four additional wellhead platforms to support the production plateau, as well as planning the drilling of ten appraisal wells between 2014-2015 to increase petroleum reserves and support long-term production levels. Drilling of these appraisal wells is scheduled to begin in August 2014.

The highlights of exploration phase projects in this region during the second quarter of 2014 include the Myanmar M3 Project which is currently preparing to drill six additional exploration and appraisal wells, with drilling of the first well of this series scheduled to begin during the fourth quarter of 2014. The PSC-G and EP2 Project, which is located onshore, is currently carrying out geological studies, and is also planning to drill four exploration wells during 2014-2015, with the first well expected to begin in July 2014.

Projects in Australasia: PTTEP has 1 project located in Australia, called the PTTEP Australasia Project, which comprises 16 concession permits.

Fields which are in the producing phase include the Montara Field which delivered an average sales rate of 20 thousand barrels per day (KBPD) during the second quarter of 2014, accounting for 6% of PTTEP's total average sales rate during the second quarter of 2014. The increase in average sales rate over the first quarter rate of 12 KBPD is a result of an increase in production volumes. The Montara field is currently producing at approximately 25 KBPD.

Exploration phase activities during the second quarter of 2014 in this region include drilling of an exploration well called Dillon South-1 in the AC/P4 Field, which resulted in no commercial discoveries. The well was subsequently written-off. The Cash Maple Field began drilling the Maple East exploration well in June 2014, and drilling is expected to be completed in August 2014.

Projects in North and South America: PTTEP has 2 projects in this region, located in Canada and in Brazil.

Projects in this region are all in the exploration phase. During the second quarter of 2014, after fulfilling outstanding conditions, PTTEP subsequently closed the transaction as stipulated in Partnership Units Redemption Agreement (PURA) with Statoil Canada Limited (SCL) resulting in PTTEP holding 100% ownership of the Thornbury, Hangingstone and South Leismer fields, and receiving USD 419 million in cash. PTTEP also changed the project name from Canada Oil Sands KKD to Mariana Oil Sands.

Additionally, during the second quarter, PTTEP also farmed-in to the Barreirinhas AP1 Project to hold a 25% interest. The project comprises for exploration fields called BAR-M-215, BAR-M-217, BAR-M-252 and BAR-M-254 located in Brazil. PTTEP's investment into this project will be official after receiving approval from Brazil's National Agency of Petroleum, Natural Gas and Biofuels (ANP).

Projects in Africa and the Middle East: PTTEP has 7 projects in this region which are located in Oman, Algeria, Mozambique, and Kenya.

Projects in the producing phase consists of only the Oman 44 Project which recorded an average sales rate of 6 KBOED during the second quarter of 2014, equivalent to 2% of PTTEP's total average sales rate during the quarter, and approximately flat when compared to the average sales rate during the first quarter of 2014.

Projects in the development phase include the Algeria 433a and 416b Project which is carrying out the construction of its production facility and pipelines. Production is expected to begin by the end of 2014 at a rate of 20 KBPD.

Projects in the exploration phase include the Mozambique Rovuma Offshore Area 1 Project which has plans to drill eight additional exploration and appraisal wells to further assess petroleum potential in the area. During the second quarter of 2014, the project completed drilling one exploration well called the Tubarao-Tigre-1 which successfully discovered additional natural gas. With respect to the development of LNG, the project continues to carry out LNG Engineering and Construction Development as planned, and expects to be able to deliver first LNG cargoes by the end of 2018 or during 2019. As for the Kenya L10A Project, which is another project in the exploration phase, an exploration well, called Sunbird-1, was drilled without commercial discoveries. The well is expected to be written-off during the third quarter of 2014, and the project is currently studying the drilling results for further geological use.

Portfolio Management: PTTEP continues to carry out portfolio management activities to achieve an optimal balance between project value-added and risk management, as well as to ensure that long term strategic objectives can be reached. To keep pace with the changing social, economic and political landscape, PTTEP, on a regular basis, studies and analyses pertinent investment factors as well as the impact of investments, and incorporates them into its investment considerations and decisions. Additionally, the company reviews its list of target countries for expansion of its investments (Focused Countries) by grouping the countries according to petroleum potential, appropriateness and consistency with the company's directions and goals. The analysis is also based other factors such as geography, government take, operational and political risks, and PTTEP's competitive advantage.

During the second quarter of 2014, PTTEP undertook a noteworthy portfolio management activity by completing its acquisition of subsidiaries of Hess Corporation's Thai natural gas producing assets in the GoT and onshore in Northeastern Thailand, aforementioned in the Regional Project update on Thailand. The acquisition is aligned with PTTEP's growth strategy of finding producing assets which are capable of adding immediate contribution to the Company's earnings, production volumes and reserves. Moreover, this acquisition also strengthens PTTEP's operating base in Thailand.

On the international front, PTTEP also farmed-in to the Barreirinhas API Project in Brazil, aforementioned in the Regional Project update on North and South America. The farm-in represents PTTEP's first step into Brazil, a territory renowned for its high petroleum potential.

Moreover, PTTEP withdrew its 15% stake in the Kenya L10B project, located in offshore Kenya. The withdrawal received official approval from the government of Kenya, and in May 2014, PTTEP transferred its entire ownership to the remaining stakeholders of the project. PTTEP also submitted documents for the relinquishment of concession field L21/48, an onshore exploration field in Thailand where PTTEP held 70% interest, and has received an acknowledgement letter for the relinquishment from the Department of Mineral Fuels (DMF).

2. Results of Operations

PTTEP has determined the USD to be its functional currency in accordance with Thai Accounting Standard No.21 (revised 2012) "The Effects of Changes in Foreign Exchange Rates". However, in submission of its financial statements to the Stock Exchange of Thailand and the Department of Business Development, the Company is also required to convert the financial statements from USD to the presentation currency, which is Thai Baht.

Detailed discussion of financial results by quarter are as follows:

2.1 Results of Operations - Quarterly Comparison

Earnings summary	1 st Quarter	2 nd Quarter	2 nd Quarter (restated)
(Unit : Millions of USD, excepting USD per share amounts)	2014	2014	2013
Total Revenues	1,827	2,106	1,851
Total Expenses	(1,105)	(1,313)	(987)
Operating Income	722	793	864
Share of gain from associates	-	1	2
Profit before income taxes	722	794	866
Income tax expenses	(342)	(234)	(504)
Profit for the period	380	560	362
Diluted earnings per share	0.10	0.14	0.09
Profit from normal operations	392	537	534
Gain(Loss) from non-recurring items	(12)	23	(172)
Profit for the period	380	560	362

Earnings summary	1 st Quarter	2 nd Quarter	2 nd Quarter (restated)
(Unit : Millions of Baht, excepting Baht per share amounts)	2014	2014	2013
Total Revenues	59,680	68,352	55,326
Total Expenses	(36,057)	(42,620)	(29,499)
Operating Income	23,623	25,732	25,827
Share of gain from associates	(4)	36	42
Profit before income taxes	23,619	25,768	25,869
Income tax expenses	(11,184)	(7,581)	(15,183)
Profit for the period	12,435	18,187	10,686
Diluted earnings per share	3.12	4.57	2.67

Second Quarter of 2014 compared with Second Quarter of 2013

For the results of operations in the second quarter of 2014, PTTEP and subsidiaries' net profit amounted to USD 560 million (equivalent to 18,187 million baht), or USD 0.14 per share-diluted (equivalent to 4.57 baht per share-diluted), an increase of USD 198 million or 55% against the second quarter of 2013, which was USD 362 million (equivalent to 10,686 million baht), or USD 0.09 per share-diluted (equivalent to 2.67 baht per share-diluted). The returns on shareholders' equity for the second quarter of 2014 were 14.21%.

However, PTTEP and subsidiaries' net profit amounted to USD 560 million for the second quarter of 2014, comprising the recurring net profit for this period, which amounted to USD 537 million, and the gain from non-recurring items, which amounted to USD 23 million.

For the results of recurring operations in the second quarter of 2014, PTTEP and subsidiaries' recurring net profit was USD 537 million, an increase of USD 3 million or 0.56% against the second quarter of 2013, which was USD 534 million. The returns from normal operations on shareholders' equity for the second quarter of 2014 were 15.66%.

For the second quarter of 2014, the total revenue was USD 2,106 million (equivalent to 68,352 million baht), an increase of USD 255 million or 14% against the second quarter of 2013, which was USD 1,851 million (equivalent to 55,326 million baht). The increase was mainly due to an increase of sales revenue of USD 165 million, caused by the following:

(1) There was a higher average sales volume in the second quarter of 2014, which increased to 315,810 barrels of oil equivalent per day (BOED) against the second quarter of 2013 which was 292,721 BOED. This average sales volume increased mainly as a result of;

- PTTEP Australasia project: Crude oil sales volume increased because Montara began offloading crude oil for sales in August 2013.
- Contract 4 project: Sales volume of natural gas and condensate increased due to an increase in participating interests of the project by 15% generated by the share acquisition of Hess Corporation's subsidiaries, for which the transaction was completed on April 22, 2014. In addition, sales volume of natural gas increased due to a higher nomination from PTT.
- Sinphuhorm project: Sales volume of natural gas and condensate increased due to an increase in participating interests of the project by 35% generated by the share acquisition of Hess Corporation's subsidiaries, for which the transaction was completed on April 22, 2014.
- Zawtika project: Sales volume of natural gas increased from its first gas sales in March 2014.

However,

- Bongkot project: Sales volume of natural gas and condensate decreased caused by a planned shutdown of Greater Bongkot North for annual maintenance in the second quarter of 2014.
- Canada Oil Sands KKD project: Sales volume decreased because sales revenue from April and May 2014 was recognized as other income. On March 31, 2014, related assets and liabilities in the Leismer and Corner areas for the restructuring of ownership of the Canada Oil Sands KKD project were reclassified as assets and liabilities held-for-sale as a result of a Partnership Units Redemption Agreement (PURA). On May 28, 2014, all the terms and conditions as prescribed in the PURA were fulfilled.

(2) There was a higher average petroleum sales price for the second quarter of 2014, which rose to USD 67.70 per barrel of oil equivalent (BOE) against the second quarter of 2013, which was USD 65.16 per BOE which is in line with an increase in crude price.

PTTEP and subsidiaries' revenue derived from pipeline transportation from proportionate revenue in Moattama Gas Transportation Company (MGTC) and Taninthayi Pipeline Company (TPC) decreased.

In the second quarter of 2014, PTTEP and subsidiaries had other revenues of USD 113 million, an increase of USD 101 million against the second quarter of 2013, when the figure was USD 12 million. The increase mainly resulted from:

- (1) The recognition of other income from the Canada Oil Sands KKD project in the amount of USD 56 million. On March 31, 2014, related assets and liabilities in the Leismer and Corner areas for the restructuring of ownership of the Canada Oil Sands KKD project were reclassified as assets and liabilities held-for-sale (as a result of PURA) resulting in the recognition of sales revenue as other income.
- (2) Gain from the restructuring of ownership in the Canada Oil Sands KKD project of USD 25 million (as a result of PURA).

PTTEP and subsidiaries incurred expenses amounting to USD 1,313 million (equivalent to 42,620 million baht) in the second quarter of 2014, an increase of USD 326 million against USD 987 million (equivalent to 29,499 million baht) for the second quarter of 2013. This increase was mainly driven by:

- (1) Depreciation, depletion and amortization expenses increased, amounting to USD 241 million, mainly from PTTEP Australasia project began offloading crude oil for sales in August 2013, and from Contract 4 project due to an increase in the completed assets and production volume.
- (2) Other expenses increased, amounting to USD 41 million. The expenses were cash call from the Canada Oil Sands KKD project before the restructuring of ownership had been fulfilled (as per PURA).
- (3) Exploration expenses increased amounting to USD 36 million, primarily resulting from higher exploratory well write-off costs of USD 33 million. The exploratory well write-off costs of the second quarter of 2014 amounting to USD 45 million were driven by the B6/27, the PTTEP Australasia and the S1 projects; while, there were USD 12 million exploratory well write-off costs in the second quarter of 2013, principally from the Kenya and the Mozambique Rovuma Offshore Area 1 projects.

In the second quarter of 2014, PTTEP and subsidiaries incurred income tax expenses of USD 234 million. The decrease of USD 270 million, compared to the second quarter of 2013 amounted to USD 504 million, mainly because petroleum income tax decreased.

For the second quarter of 2014, PTTEP and subsidiaries' recognized a gain from non-recurring items of USD 23 million, an increase gain of USD 195 million, against loss of the second quarter of 2013, which was USD 172 million, primarily stemming from the following:

- (1) For the second quarter of 2014, income tax expenses affected by the functional currency decreased, amounting to USD 132 million. Income tax expenses affected by the functional currency for the second quarter of 2014, caused a decrease of future income tax amounted of USD 31 million; whereas, such income tax expenses for the second quarter of 2013 caused an increase of income tax expenses in the future of USD 101 million.
- (2) Loss on foreign exchange decreased, amounting to USD 79 million. In the second quarter of 2014, there was a gain on foreign exchange of USD 9 million, while there was a loss on foreign exchange of USD 70 million in the second quarter of 2013.

Second Quarter of 2014 compared with First Quarter of 2014

For the results of operations in the second quarter of 2014, PTTEP and subsidiaries' net profit amounted to USD 560 million (equivalent to 18,187 million baht), or USD 0.14 per share-diluted (equivalent to 4.57 baht per share-diluted), an increase of USD 180 million or 47% from the first quarter of 2014's net profit of USD 380 million (equivalent to 12,435 million baht), or USD 0.10 per share-diluted (equivalent to 3.12 baht per share-diluted). Return on shareholder's equity for the second quarter of 2014 was 14.21%.

However, PTTEP and subsidiaries' net profit amounted to USD 560 million for the second quarter of 2014 comprising the recurring net profit for this period, which amounted to USD 537 million, and the gain from non-recurring items, which amounted to USD 23 million.

For the results of recurring operations in the second quarter of 2014, PTTEP and subsidiaries' recurring net profit was USD 537 million, an increase of USD 145 million or 37% against the first quarter of 2014 which was USD 392 million. The returns from normal operations on shareholders' equity for the second quarter of 2014 were 15.66%.

For the second quarter of 2014, the total revenue of PTTEP and subsidiaries was USD 2,106 million (equivalent to 68,352 million baht), an increase of USD 279 million or 15% against the first quarter of 2014, which was USD 1,827 million (equivalent to 59,680 million baht). The increase was mainly due to an increase of sales revenue of USD 161 million, caused by the following:

- (1) There was a higher average sales volume in the second quarter of 2014, which increased to 315,810 BOED against the first quarter of 2014, when the figure was 298,621 BOED. This average sales volume increased mainly as a result of;
 - Contract 4 project: Sales volume of natural gas and condensate increased due to an increase in participating interests of the project by 15% generated by the share acquisition of Hess Corporation's

subsidiaries, for which the transaction was completed on April 22, 2014. In addition, sales volume of natural gas increased due to a higher nomination from PTT.

- PTTEP Australasia project: Crude oil sales volume increased from new wells.
- Sinphuhorm project: Sales volume of natural gas and condensate increased due to an increase in participating interests of the project by 35% generated by the share acquisition of Hess Corporation's subsidiaries, for which the transaction was completed on April 22, 2014.
- Zawtika project: Sales volume of natural gas increased from its recognition of full-quarter sales in the second quarter of 2014 compared with one-month sales in March in the first quarter of 2014.

However,

- Bongkot project: Sales volume of natural gas and condensate decreased resulting from a planned shutdown of Greater Bongkot North for annual maintenance in the second quarter of 2014.
- Canada Oil Sands KKD project: Sales volume decreased because sales revenue from April and May 2014 was recognized as other income. On March 31, 2014, related assets and liabilities in the Leismer and Corner areas for the restructuring of ownership of the Canada Oil Sands KKD project were reclassified as assets and liabilities held-for-sale as a result of a Partnership Units Redemption Agreement (PURA). On May 28, 2014, all the terms and conditions as prescribed in the PURA were fulfilled.

(2) The average petroleum sales price for the second quarter of 2014 rose to USD 67.70 per BOE compared with the first quarter of 2014's price of USD 64.92 per BOE as a result of higher crude price.

PTTEP and subsidiaries' revenue from pipeline transportation from proportionate revenue in Moattama Gas Transportation Company (MGTC) and Taninthayi Pipeline Company (TPC) increased.

In the second quarter of 2014, PTTEP and subsidiaries had other revenues of USD 113 million, an increase of USD 104 million against the first quarter of 2014, when the figure was USD 9 million. The increase mainly resulted from:

- (1) The recognition of other income from the Canada Oil Sands KKD project in the amount of USD 56 million. On March 31, 2014, related assets and liabilities in the Leismer and Corner areas for the restructuring of ownership of the Canada Oil Sands KKD project were reclassified as assets and liabilities held-for-sale (as a result of PURA) resulting in the recognition of sales revenue as other income.

- (2) Gain from the restructuring of ownership in the Canada Oil Sands KKD project of USD 25 million (as a result of PURA).

PTTEP and subsidiaries incurred expenses of USD 1,313 million (equivalent to 42,620 million baht) in the second quarter of 2014, an increase of USD 208 million or 19% from the first quarter of 2014, which was USD 1,105 million (equivalent to 36,057 million baht). This increase stemmed from the net effect of:

- (1) Depreciation, depletion and amortization expenses increased, amounting to USD 119 million, mainly from an increase in production volume and the value of completed assets of the PTTEP Australasia and contract 4 projects.
- (2) Exploration expenses increased, amounting to USD 50 million, resulting from higher exploratory well write-off costs of USD 45 million. The exploratory well write-off costs of the second quarter of 2014 amounting to USD 45 million were driven by the B6/27, the PTTEP Australasia and the S1 projects; while, there were exploratory well write-off costs from 1 well in the first quarter of 2014 from the S1 project.
- (3) Other expenses increased, amounting to USD 41 million. The expenses were cash call from the Canada Oil Sands KKD project before the restructuring of ownership had been fulfilled (as per PURA).

However,

- (4) Operating expenses decreased, amounting to USD 77 million, since PTTEP Australasia project had abnormal cost of a development well (H5) amount of USD 62 million in the first quarter of 2014.

In the second quarter of 2014, PTTEP and subsidiaries incurred income tax expenses of USD 234 million, a decrease of USD 108 million or 32%, against that of the first quarter of 2014 of USD 342 million, mainly due to a decrease of petroleum income tax.

For the second quarter of 2014, PTTEP and subsidiaries recognized a gain from non-recurring items of USD 23 million, an increased gain of USD 35 million, against a loss from non-recurring items of the first quarter of 2014 of USD 12 million. The increase primarily resulted from income tax expenses affected by the functional currency decreased, amounting to USD 49 million. Income tax expenses affected by the functional currency for the second quarter of 2014, caused a decrease of future income tax amounted of USD 31 million; whereas, such income tax expenses for the first quarter of 2014 caused an increase of income tax expenses in the future of USD 18 million.

2.2 Results of Operations – First half year of 2014 Comparison

Earnings summary	Millions of USD		Millions of Baht	
	2014	2013 (restated)	2014	2013 (restated)
Total Revenues	3,929	3,716	127,904	110,909
Total Expenses	(2,414)	(1,884)	(78,549)	(56,196)
Operating Income	1,515	1,832	49,355	54,713
Share of gain from associates	1	3	32	89
Profit before income taxes	1,516	1,835	49,387	54,802
Income taxes expenses	(576)	(794)	(18,766)	(23,870)
Profit for the period	940	1,041	30,621	30,932
Diluted earnings per share	0.24	0.26	7.68	7.75

Profit from normal operations	929	1,120
Gain (Loss) from non-recurring items	11	(79)
Profit for the period	940	1,041

For the 6-month period of 2014 compared with the 6-month period of 2013

Regarding the results of operations for the first half of 2014, PTTEP and its subsidiaries' totaled a net profit of USD 940 million (equivalent to 30,621 million baht) or USD 0.24 per share-diluted (equivalent to 7.68 baht per share-diluted), a decrease of USD 101 million or 10% compared with the first half of 2013's net profit of USD 1,041 million (equivalent to 30,932 million baht) or USD 0.26 per share-diluted (equivalent to 7.75 baht per share-diluted). Return on shareholder's equity for the first half of 2014 was 14.21%.

However, PTTEP and subsidiaries' net profit amounted to USD 940 million for the first half of 2014, comprising the recurring net profit for this period, which amounted to USD 929 million, and the gain from non-recurring items, which amounted to USD 11 million.

For the results of recurring operations in the first half of 2014, PTTEP and subsidiaries' recurring net profit was USD 929 million, a decrease of USD 191 million or 17% against that of the first half of 2013 which was USD 1,120 million. The returns from normal operation on shareholders' equity for the first half of 2014 were 15.66%.

For the first half of 2014, the total revenue of PTTEP and subsidiaries was USD 3,929 million (equivalent to 127,904 million baht), an increase of USD 213 million or 6% from the first half of 2013's total of USD 3,716 million (equivalent to 110,909 million baht), which was chiefly due to higher sales, totaling USD 152 million. Reasons for these higher sales are detailed below:

(1) A higher average sales volume in the first half of 2014, which increased to 307,263 barrels of oil equivalent per day (BOED) against the first half of 2013, when the figure was 292,102 BOED. This average sales volume increased as a result of;

- PTTEP Australasia project: Crude oil sales volume increased because Montara began offloading crude oil for sales in August 2013.

- Contract 4 project: Sales volume of natural gas and condensate increased due to an increase in participating interests of the project by 15% generated by the share acquisition of Hess Corporation's subsidiaries, for which the transaction was completed on April 22, 2014. In addition, sales volume of natural gas increased due to a higher nomination from PTT.
- Sinphuhorm project: Sales volume of natural gas and condensate increased due to an increase in participating interests of the project by 35% generated by the share acquisition of Hess Corporation's subsidiaries, for which the transaction was completed on April 22, 2014.
- Zawtika project: Sales volume of natural gas increased from its first gas sales in March 2014.

However,

- S1 project: Crude oil sales volume decreased caused by a maintenance shutdown in the first half of 2014.
- Bongkot project: Sales volume of natural gas and condensate decreased, resulting from a planned shutdown of Greater Bongkot North for annual maintenance in the first half of 2014.
- Canada Oil Sands KKD project: Sales volume decreased because sales revenue from April and May 2014 was recognized as other income. On March 31, 2014, related assets and liabilities in the Leismer and Corner areas for the restructuring of ownership of the Canada Oil Sands KKD project were reclassified as assets and liabilities held-for-sale as a result of a Partnership Units Redemption Agreement (PURA). On May 28, 2014, all the terms and conditions as prescribed in the PURA were fulfilled.

(2) Higher average petroleum sales price for the first half of 2014, which rose to USD 66.35 per barrel of oil equivalent (BOE) against the first half of 2013 when the price was USD 66.09 per BOE.

In the first half of 2014, PTTEP and subsidiaries had an increase in other revenues of USD 94 million, primarily as a result of:

- (1) The recognition of other income from the Canada Oil Sands KKD project in the amount of USD 56 million. On March 31, 2014, related assets and liabilities in the Leismer and Corner areas for the restructuring of ownership of the Canada Oil Sands KKD project were reclassified as assets and liabilities held-for-sale (as a result of PURA) resulting in the recognition of sales revenue as other income.
- (2) Gain from the restructuring of ownership in the Canada Oil Sands KKD project of USD 25 million (as a result of PURA).

PTTEP and its subsidiaries incurred expenses for the first half of 2014 amounting to USD 2,414 million (equivalent to 78,549 million baht), an increase of USD 530 million or 28% compared with USD 1,884 million (equivalent to 56,196 million baht) for the first half of 2013. This increase was mainly due to:

- (1) Depreciation, depletion and amortization expenses increased, amounting to USD 350 million, mainly from the PTTEP Australasia project began offloading crude oil for sales in August 2013, and from Contract 4 project from an increase in the production volume and number of completed assets.
- (2) Operating expenses increased, amounting to USD 105 million, mainly from higher operating expenses of the PTTEP Australasia project driven by the abnormal cost of a development well (H5), which totaled USD 62 million and from its normal operating expenses (first sales in August 2013).
- (3) Other expenses increased, amounting to USD 41 million. The expenses were cash call from the Canada Oil Sands KKD project before the restructuring of ownership had been fulfilled (as per PURA).
- (4) Exploration expenses increased, amounting to USD 15 million, resulting from higher exploratory well write-off costs of USD 15 million. The exploratory well write-off costs for the first half of 2014 amounting to USD 45 million were driven by the B6/27, the PTTEP Australasia and the S1 projects; while, there were USD 30 million exploratory well write-off costs in the first half of 2013, principally from the Mozambique Rovuma Offshore Area 1 and the Kenya projects.

For the first half of 2014, PTTEP and subsidiaries incurred income tax expenses of USD 576 million, a decrease of USD 218 million of 27%, against that of the first half of 2013 of USD 794 million, mainly from a decrease in petroleum income tax.

For the first half of 2014, PTTEP and subsidiaries' recognized a gain from non-recurring items of USD 11 million. An increased gain of USD 90 million, against loss of the first half of 2013 of USD 79 million, primarily resulting from:

- (1) For the first half of 2014, income tax expenses affected by the functional currency decreased, amounting to USD 62 million. Income tax expenses affected by the functional currency for the first half of 2014, caused a decrease of future income tax amounted of USD 13 million; whereas, such income tax expenses for the first quarter of 2013 caused an increase of income tax expenses in the future of USD 49 million.
- (2) Gain on foreign exchange increased, amounting to USD 35 million. In the first half of 2014, there was a gain on foreign exchange of USD 5 million, while there was a loss on foreign exchange of USD 30 million in the first half of 2013.

2.3 Financial position

	Unit : Millions of USD		Unit : Millions of Baht	
	Jun 30, 2014	Dec 31, 2013 (restated)	Jun 30, 2014	Dec 31, 2013 (restated)
Total Assets	22,877	21,572	742,483	707,868
Current Assets	4,827	4,106	156,648	134,719
Non-current Assets	18,050	17,466	585,835	573,149
Total Liabilities	9,626	9,853	312,411	323,332
Current Liabilities	1,748	2,633	56,747	86,383
Non-current Liabilities	7,878	7,220	255,664	236,949
Shareholders' Equity	13,251	11,719	430,072	384,536
Total Liabilities and Shareholders' Equity	22,877	21,572	742,483	707,868

As of June 30, 2014, PTTEP and subsidiaries commanded total assets of USD 22,877 million (equivalent to 742,483 million baht), an increase of USD 1,305 million higher than the total on hand as of December 31, 2013 at which point total assets were USD 21,572 million (equivalent to 707,868 million baht). This increase was mainly due to:

(1) An increase of USD 721 million in current assets, mainly from cash and cash equivalents. An increase of USD 854 million of cash and cash equivalents, resulting from the net effect of cash inflow of operating activities and bond issuance, offset with cash outflow in the exploration and production assets, dividend payments for the second half of 2013, and repayment of bond and financial cost payments. However, account receivable-parent company decreased amount of USD 206 million.

(2) An increase of USD 584 million in non-current assets, mainly from an increase in participating interests of Contract 4 and Sinphuhorm projects by 15% and 35%, respectively from the share acquisition of Hess Corporation's subsidiaries which resulted in an increase of exploration and production assets, presented under property, plant, and equipment, net, including exploration and evaluation assets presented under intangible assets, net; and goodwill.

Most current assets of PTTEP and subsidiaries as of June 30, 2014, were cash and cash equivalents; account receivable-parent company; materials and supplies, net; and trade accounts receivable. A large proportion of the non-current assets were assets used in joint-venture exploration and production, presented under property, plant, and equipment, net; intangible assets, net; goodwill; and deferred income tax assets. PTTEP and subsidiaries' Current Ratio as of June 30, 2014, was 2.76 times.

As of June 30, 2014, PTTEP and subsidiaries had total liabilities of USD 9,626 million (equivalent to 312,411 million baht), a decrease of USD 227 million lower than the total on hand as of December 31, 2013, when total liabilities were USD 9,853 million (equivalent to 323,332 million baht), principally due to the net effect of:

(1) A decrease of USD 885 million in current liabilities mainly from a decrease in income tax payable in the amount of USD 456 million primarily due to the payment of income tax for the year 2013 in May 2014, and from the decrease of current portion of long-

term debts of USD 356 million from the redemption of Baht bonds of THB 11,700 million, equivalent to USD 360 million in the second quarter of 2014.

However,

- (2) An increase of USD 658 million in non-current liabilities mainly from
 - An increase in debentures of USD 607 million from the issuance of unsecured and unsubordinated debentures of THB 19,600 million, approximately equal to USD 600 million in June 2014.
 - An increase of USD 86 million in provision for decommissioning costs, mainly from an increase in participating interests of Contract 4 and Sinphuhorm projects by 15% and 35%, respectively from the share acquisition of Hess Corporation's subsidiaries.

Capital Structure

As June 30, 2014, PTTEP's shareholders' equity was USD 13,251 million; total liabilities were USD 9,626 million; and interest bearing debts were USD 4,274 million. PTTEP had an average cost of debt of 4.13% per annum and an average loan life of 7.51 years. 90% of PTTEP's interests bearing debts were denominated in USD while 10% were denominated in CAD. The debt currency mix was in line with PTTEP's assets and revenue structure which are mainly in the USD currency and a relatively small portion are in the CAD currency, to support operations in the Mariana Oil Sands project in Canada. The proportion between fixed and floating interest rate debt was 76: 24.

In 2nd Quarter of 2014, PTTEP completed the following financial activities:

On June 6, 2014, PTTEP issued 2 tranches of unsecured and unsubordinated debentures to institutional and high net-worth investors in Thailand for the total aggregate amount of Baht 19,600 million. The Baht 8,200 million 5-year debentures were offered with a coupon rate of 3.910% per annum and the Baht 11,400 million 15-year debentures were offered with a coupon rate of 4.820% per annum. The debentures were rated AAA by Tris rating Co., Ltd. Furthermore, PTTEP entered into Cross Currency Swap transactions with banks to swap the currency of both debentures from Thai Baht into USD. After the swap, the debentures are worth USD 600 million with average interest rates of 3.013 % per annum and 4.989% per annum for the 5-year debentures and the 15-year debenture respectively.

Additionally, on June 18, 2014, PTTEP issued subordinated perpetual capital securities (Securities) in an aggregate principal amount of USD 1,000 million. The Securities confer a right to receive distributions from the issue date at a fixed distribution rate of 4.875% per annum for the first 5 years, after which the distribution rates will be reset per the details prescribed in the Offering Memorandum. PTTEP has the right to early redeem the Securities on the 5th, or the 10th anniversary, or on every distribution payment date thereafter, or per the conditions specified in the Offering Memorandum. The Securities were rated Baa3 and BBB- by Moody's Investors Service (Moody's) and Standard & Poor's Ratings Services (S&P) respectively.

Cash Flows

For the period of 6 months ending on June 30, 2014, PTTEP and subsidiaries had a net cash flow from operations of USD 1,778 million, chiefly due to the cash received from sales revenue offset by cash payments for expenses and taxes.

PTTEP and subsidiaries had a net cash flow used in its investing activities of USD 1,675 million due to the net effect of

(1) Additional investment in exploration and production assets as well as intangible assets, amounting to USD 1,245 million, principally in Zawtika, Arhit, Bongkot, and S1 projects.

(2) Payment of 100% share acquisition of Hess Corporation's subsidiaries, which are Hess Thailand Holdings II Limited ("HTH") and Hess Exploration Thailand Company Limited ("HETCL"), amounting to USD 813 million (total consideration transferred of USD 1,007 million offset with cash received of USD 194 million).

(3) Net cash received from asset swaps of Canada Oil Sands KKD project totaling USD 382 million (cash received amounting to USD 419 million offset with cash on hand in the Leismer and Corner areas of USD 37 million).

PTTEP and subsidiaries had a net cash flow provided by (used in) financing activities of USD 751 million, resulting from the net effect of:

Cash receipts from:

- Issuance of subordinated capital debentures (Hybrid Bond) amounting to USD 1,000 million.
- Bond issuance amounting to USD 601 million.

Cash payments of:

- Bond payments amounting to USD 360 million.
- Dividend payments amounting to USD 367 million.
- Interest payments for loans / subordinated capital debentures amounting to USD 91 million.
- Others, amounting to USD 32 million

As of June 30, 2014, PTTEP and subsidiaries held cash and cash equivalents of USD 3,211 million, an increase of USD 854 million from that of December 31, 2013, at which point cash and cash equivalents totaled USD 2,357 million.

3. Major Factors with potential impact to operations

Crude oil prices during the second quarter of 2014 exhibited continued volatility. Geopolitical conflicts in the Middle East were primary drivers of the price volatility, and were led by violence in Iraq whereby the Islamic State of Iraq and Levant (ISIS) attacked and occupied northern territories of the country while continuing their attacks southward towards Iraq's capital, Baghdad. ISIS has occupied Baiji, the location of Iraq's largest refinery, and the continued fighting between ISIS and the Iraqi government troops resulted in average Dubai crude oil prices of 106 USD/BBL during the second quarter of 2014, an increase over the average price level of 104.43 USD/BBL recorded during the first quarter, as well as an increase over the previous year's second quarter average of 100.66 USD/BBL. However, the violence in Iraq has not yet impacted petroleum fields in Southern Iraq which account for 90% of the nation's exports.

Other factors which have potential impact on crude oil price volatility for the remaining half of 2014 include continued violence in Libya, which began since the middle of 2013, and has resulted in Libyan crude oil output falling from 1.4 million BPD to 500 KBPD. Talks between Iran and the six major world powers about its uranium enrichment program, and violent confrontations between Russia and Ukraine leading to Russia's gas supply cut-off to Ukraine which results in energy risks for other European nations, are amongst other geopolitical factors affecting crude oil price volatility. On the other hand, economic drivers such as weak oil demand from the delicate Eurozone economies as well as national energy policies also have the potential to drive price volatility. The United States approval of "processed condensates" export which is expected to help reduce the supply glut of light crude in the US is an example of the latter. Moreover, the United States' latest approval is also a positive indication of a potential relaxation of the crude oil export ban which has been in place for over 40 years.

Given the uncertainty and volatile conditions of the global economy and oil prices, PTTEP closely monitors global economic conditions and energy demand, and has developed the following guidelines for management of operations amidst the changing economic conditions.

Responding to the increase in energy demand: PTTEP's production rate during the second quarter of 2014 averaged 361,670 BOED, and is an increase over the previous quarter's average production rate of 332,491 BOED. Thailand's domestic energy demand, according to the Ministry of Energy (MOE), in May 2014, was approximately 2.04 Million BOED (for the period from January to May 2014), a year-on-year increase of approximately 0.2% from 2.03 Million BOED. The MOE has established the direction of energy policies for 2013-2014 with emphasis on balancing the need for energy security and the development of renewable energy for the future; for example, the production of ethanol, bio-plastics, and bio-diesel. The MOE has also established policies geared towards energy conservation and efficient energy usage as well as restructuring energy prices to accurately reflect actual costs.

PTTEP has reviewed its supply plan and improved production in order to meet the rise in energy demand. PTTEP continues to coordinate between buyers and related government agencies to collectively define an optimal supply plan from domestic and neighboring countries in order to meet short-term and long-term energy demand. PTTEP continuously reviews and adjusts its production and development plans to deliver optimal performance, and also constantly seeks new investment opportunities to increase its reserves and meet the growing energy needs of the country.

Improving efficiency and cost optimization: During the second quarter of 2014, PTTEP held the first official meeting of PTTEP’s Operational Excellence Committee. The committee approved the company’s strategic plan for improvement of efficiency and management of operational costs from 2014 to 2020. Moreover, on April 1, 2014, PTTEP received the Bronze Award from Dr. Pailin Chuchottaworn, President and Chief Executive Officer of PTT Public Company Limited, for “S1’s CSV Approach for Fire and Medical Emergency Preparedness,” during PTT Group’s 2014 OpEx Award ceremony. Moreover, PTTEP also participated in the Operational Excellence and OpEx Transformation Project meeting with other PTT Group companies to follow-up on efficiency improvement and management of operational costs. The meeting places great emphasis on continuous development and aligned objectives with PTT Group’s plan in order to ensure sustainable Operational Excellence.

During the second quarter of 2014, the Supply Chain functional unit reduced costs by USD 48.69 million, which is threefold higher than the set target. The achievement is attributed to the procurement of quality products to replace originals using appropriate sourcing strategies under varying market trends.

Supply Chain operational expenses remain on target for all activities including the management of marine gas oil consumption, management of support boats in the GoT, reduction of fuel consumption, and effective inventory management.

Managing Risks from price volatility: PTTEP enters into derivative contracts, using Brent crude as its reference price, to hedge pricing risks of the petroleum products related to the company. PTTEP continues to closely monitor events and economic conditions which have potential impact on oil prices. Moreover, PTTEP simulates scenarios of various oil price levels to assess and prepare operating plans for each scenario.

Capability Development: PTTEP and its subsidiaries operate globally to promote energy security. Technology is an important enabler for the company which will allow PTTEP to operate in deep waters, and in areas of increasingly complex geology, including operating in unconventional assets.

The company established the PTTEP Technology Center during the first quarter of 2014, with the objective of developing and disseminating modern technology to create value for the business. It encourages research and development of various technologies for application across the Company’s global upstream businesses.

During the second quarter, the Company established the Technology Development Steering Committee to oversee the development of various technologies designed for the Company. The committee reviewed and improved the operating structure of the Technology Center to ensure that it adequately covers all technology-related functions in PTTEP’s operations. The following is the list of modules under the Technology Center.

- 1) Subsurface Technology
 - a. Advanced Seismic
 - b. Basin Modeling
 - c. Field Modeling & Simulation
 - d. Unconventional Resources
- 2) Well Technology
 - a. Novel Drilling
 - b. Fracking and Stimulation
 - c. Deepwater Drilling

- 3) Engineering Technology
 - a. Innovative Facility Design
 - b. Smart Field
- 4) Green Technology

Safety, Security, Health and Environment (SSHE): PTTEP aims to become a SSHE incident free organization, “Target Zero”, by adopting and implementing an effective SSHE Management System (SSHE MS) as a common guideline for safe operations by every functional group. During the second quarter of 2014, PTTEP reported a lost time injury frequency (LTIF) score of 0.22 which currently ranks it in the Top Quartile of the International Association of Oil and Gas Producers (OGP) members. PTTEP scored 1.11 for its total recordable incidence rate (TRIR), which ranks it in the second quartile of OGP members. If PTTEP is able to continuously improve its SSHE records, it will be able to rank in the Top Quartile of OGP members in 2014.

Additionally, PTTEP has developed and published a SSHE Handbook for its employees and contractors as reference, and for awareness of their duties and fundamental statutory rights. The SSHE Handbook also provides guidelines for safe working practices. PTTEP realizes the importance of safety for its employees at all levels, as well as the role of SSHE in sustainable long-term development. The Company therefore communicates, to all employees across the organization, news related to SSHE risks from natural disasters, epidemics and any unrest which may have impact on the safety of its employees or its operations.

Sustainable Development (SD): PTTEP has adopted strategic directions and goals to enable long-term sustainable growth in economic, social and environmental performance on par with international standards. PTTEP held its second SD-SSHE Council meeting of 2014 on June 9, 2014 to follow up on the progress of its annual SD plans.

During the first half of 2014, PTTEP reduced its Greenhouse Gas (GHG) emissions by 4.6% versus 2013. This achievement is credited to excellent performance of the Flash Gas Recovery Unit (FGRU) at the Bangkok South Project which operated at over 98% of full capacity. By the year 2020, PTTEP aims to achieve a GHG emissions reduction of 20% from emission levels in 2013.

On June 16, 2014, PTTEP jointly signed a Memorandum of Understanding (MOU) 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 Remotely Operated Vehicles (ROVs) 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. PTTEP has pioneered the use of ROVs for environmental surveillance around its petroleum platforms with the vision that the use of ROVs for measurement and monitoring of the marine environment and marine life in real-time. As such, this technology has potential applications for environmental monitoring of the decommissioning process of offshore petroleum platforms which have reached the end of their useful lives.

Corporate Social Responsibility (CSR): During the second quarter of 2014, PTTEP continued carrying out CSR activities, including its reforestation campaign to reduce global warming. The Company also ensured that its previous reforestation of 50,000 rais in 2013 is well maintained and cared for with measures taken to prevent forest fires. Additionally, in conjunction with the Department of Forestry, the Department of National Parks, and the Department of Marine and Coastal Resources, PTTEP began reforesting areas planned for 2014. Furthermore, following the royal initiative of Her Royal Highness Princess Maha Chakri Sirindhorn, PTTEP, jointly with The Department of Forestry and Kasetsart University, also began reforesting 20 rais of land in the Si Nakhon Khuean Khan Park (Bang Ka Chao) to promote the study of ecological systems in the area.

In May, PTTEP launched a company-sponsored local curriculum on the study of tigers (of the Huai Kha Khaeng Forest) under the Company's campaign, "Thai Heritage & World Heritage." The campaign also includes sponsorship for the study of nature and wildlife in the Huai Kha Khaeng Forest. The Company also carried out PTTEP GREEN UP activities in the Bang Ka Chao area to promote social and environmental responsibility in employees, and instill a sense for the conservation of nature through reforestation activities.

With respect to local community development activities, PTTEP is currently implementing an educational project for the study of baby crabs, as well as another educational project called the PTTEP Smart Center as sources of knowledge for adolescents. These projects form part of a greater plan to develop a knowledge park in the Songkhla province.

In its international areas of operations, PTTEP continues to promote social welfare activities. For example, in Indonesia, PTTEP is participating in the SIOLA project (Preschool Center for Child development), the PTTEP LKC DD project (Health Center), and the PTTEP-Beastudi Etos project (provision of Scholarships).