

Executive Summary

The average Dubai crude oil price rose from 51.9 USD/BBL for the first quarter to 61.3 USD/BBL for the second quarter as conflicts between the Saudi Arabia-led alliance and the Houthis rebels in Yemen, as well as the civil war in Libya, continue to disrupt crude oil supply from the region. In addition, the decrease of US crude stock in April and lower US rig count, which dampened the US crude oil production outlook, together with eased pressure over the lifting of Iran sanctions as the country and the world powers could not finalize the deal by the end of the second quarter, added optimism on oil prices.

As the global economy is recovering at the slower pace than expected, the World Bank Group has lowered the world's GDP growth forecast in 2015 from 3.0% to 2.8% in June. During the same period, the Monetary Policy Committee of the Bank of Thailand lowered the country's GDP forecast in 2015 from 3.8% to 3.0% as exports are expected to contract along with the slowing global economy, although improving tourism sector and an outlook of increased public spending would alleviate the growth pressure. The committee also lowered the interest rate from 1.75% to 1.50% to stimulate the economy, which had led the Thai Baht currency to depreciate against the US Dollar from 32.55 Baht / US Dollar at the end of March to 33.78 Baht / US Dollar at the end of June.

Nonetheless, lower oil prices encouraged domestic energy demand for the first five months of 2015 amounting to 2.1 million barrels of oil equivalent per day (BOED), an increase of 1.2% year-on-year. Gas demand over the same period increased 2.0% year-on-year, and amounted to 5,170 million standard cubic feet per day (MMSCFD, or approximately 929,062 BOED).

Business operations for the second quarter of 2015 for PTTEP and its subsidiaries ("the Group") resulted in net profits of USD 35 million, a decrease of USD 229 million, or 87% when compared to net profits in the first quarter of 2015 of USD 264 million. The decrease was primarily due to increases in the income tax expenses and exploration expenses, as well as recognition of loss on financial derivatives.

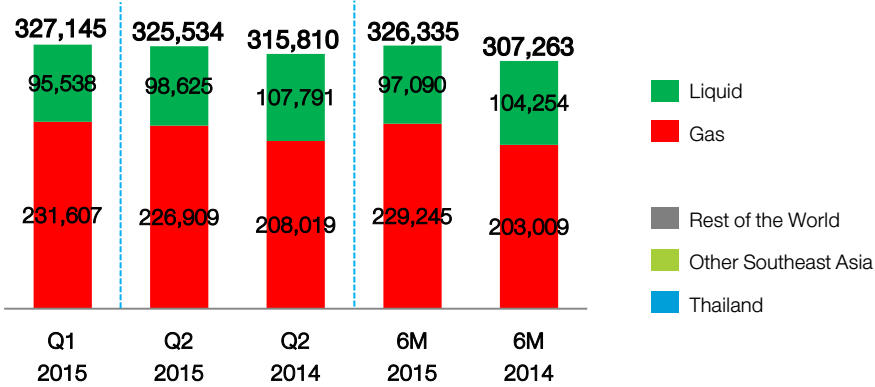
(Unit : Million USD)	Q1 2015	Q2 2015	Q2 2014 (Restated)	% Inc. (Dec.) YoY	% Inc. (Dec.) QoQ	6M 2015	6M 2014 (Restated)	% Inc. (Dec.) YTD
Total Revenue	1,497	1,486	2,105	(29)	(1)	2,976	3,928	(24)
Sales Revenue	1,435	1,436	1,946	(26)	0.07	2,871	3,731	(23)
EBITDA	1,084	1,022	1,409	(27)	(6)	2,106	2,677	(21)
Profit for the period	264	35	560	(94)	(87)	299	940	(68)
Diluted earnings per share (USD)	0.07	0.005	0.14	(96)	(93)	0.07	0.24	(71)
Profit from normal operation	248	194	537	(64)	(22)	442	929	(52)
Gain (loss) from non-recurring items	16	(159)	23	>(100)	>(100)	(143)	11	>(100)

Financial Performance

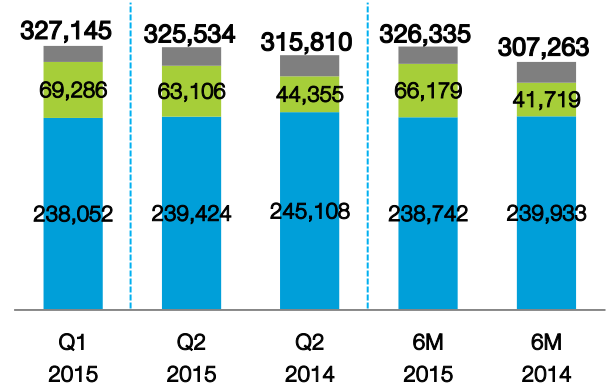
Average Sales Volume

Unit: Barrels of Oil Equivalent per Day

By Product Type



By Geographical Region



Summary of Operating Results segregated by segments

Average selling price and Dubai crude oil price (Unit : USD)	Q1	Q2	Q2	%	%	6M	6M	%
	2015	2015	2014 (Restated)	Inc. (Dec.) YoY	Inc. (Dec.) QoQ	2015	2014 (Restated)	Inc. (Dec.) YTD
Average selling price (/BOE)	48.74	48.47	67.70	(28)	(1)	48.61	66.35	(27)
Average Dubai crude (/BBL)	51.89	61.30	106.11	(42)	18	56.59	105.29	(46)

Net income (loss) (Unit : Million USD)	Q1	Q2	Q2	%	%	6M	6M	%
	2015	2015	2014 (Restated)	Inc. (Dec.) YoY	Inc. (Dec.) QoQ	2015	2014 (Restated)	Inc. (Dec.) YTD
Exploration and production	203	116	545	(79)	(43)	319	920	(65)
Thailand	180	162	474	(66)	(10)	342	830	(59)
Overseas	23	(46)	71	>(100)	>(100)	(23)	90	>(100)
- Other Southeast Asia	80	2	76	(97)	(98)	82	157	(48)
- Australia	(51)	(40)	-	(100)	22	(91)	(60)	(52)
- Americas	(4)	(4)	(1)	>(100)	-	(8)	(12)	33
- Africa	(1)	(4)	(7)	43	>(100)	(5)	(2)	>(100)
- Middle East	(1)	-	3	(100)	(100)	(1)	7	>(100)
Pipeline transportation	115	88	59	49	(23)	203	97	>100
Head office and others	(54)	(169)	(44)	>(100)	>(100)	(223)	(77)	>(100)
Total	264	35	560	(94)	(87)	299	940	(68)

Quarterly Comparison of the Results of Operations

Second quarter of 2015 compared with Second quarter of 2014

Overall Results of Operations

For the results of operations for the second quarter of 2015, PTTEP and its subsidiaries had net profits of USD 35 million (earning of USD 0.005 per share), a decrease of USD 525 million or 94% when compared with the net profits for the second quarter of 2014 of USD 560 million (earning of USD 0.14 per share). The decrease was primarily due to sales revenue decreased of USD 510 million as a result of a decrease in the average selling price to USD 48.47 per BOE (second quarter of 2014 : USD 67.70 per BOE), even though sales volume increased to 325,534 BOED (second quarter of 2014 : 315,810 BOED) from the Zawtika Project, which commenced its gas sale in Myanmar in March 2014 and reached its full production capacity in August 2014. In addition, depreciation expenses also increased of USD 108 million from increases in completed assets of Contract 4, S1, and Arthit projects, as well as increases in production volume in Zawtika project. However, the petroleum income tax expenses decreased of USD 97 million due to a decrease in net profits.

For the second quarter of 2015, the Group reported the loss from non-recurring items in the amount of USD 159 million, a decrease of USD 182 million compared to the gain from non-recurring of USD 23 million for the second quarter of 2014. The loss from non-recurring items were primarily due to loss on foreign currency exchange rate and an increase in income tax expenses affected by the functional currency, which resulted from a depreciation of Baht when compared against USD, during the second quarter of 2015 when compared with the second quarter of 2014.

Results of Operations by Segments

For the second quarter of 2015, the Group reported net profits of USD 35 million, a decrease of USD 525 million or 94% when compared with the net profits for the second quarter of 2014 of USD 560 million. The decrease in net profits was primarily due to the decrease in net profits from the exploration and production segment of USD 429 million or 79% and others segment had a decrease in net profits of USD 96 million or more than 100%.

Exploration and production segment

Thailand

For the second quarter of 2015, the Group reported net profits of USD 162 million, a decrease of USD 312 million or 66% when compared with the net profits for the second quarter of 2014 of USD 474 million. The decrease in net profits was primarily due to a reduction in sales revenue consistent with the downward trend of oil price. In addition, the depreciation expenses increased as a result of increases in completed assets of Contract 4, S1 and Arthit projects. However, petroleum income tax expenses decreased due to a reduction net petroleum income.

Overseas

For the second quarter of 2015, the Group reported net loss of USD 46 million, a decrease of USD 117 million or more than 100% when compared with the net profits for the second quarter of 2014 of USD 71 million, primarily due to decreases in profit reported by the Other Southeast Asia segment and a net loss reported by the Australia segment.

For the second quarter of 2015, the other Southeast Asia segment reported net profits of USD 2 million, a decrease of USD 74 million or 97% when compared with the net profits for the second quarter of 2014 of USD 76 million. The decrease in net profits primarily due to an increase in depreciation expenses from the Zawtika Project, which commenced its gas sale in Myanmar in March 2014 and reached its full production capacity in August 2014 as well as an increase in exploration expenses which mainly came from the write-off of an exploration well in the Myanmar PSG-G and EP2 project.

For the second quarter of 2015, Australia segment reported net loss of USD 40 million, an increase in net loss of USD 40 million or more than 100%, primarily due to reduction in sales revenue consistent with the downward trend of oil price, while the overall expenditures decreased as a result of decreases in depreciation expenses and exploration expenses.

Head office and others segment

The head office and others segments reported net losses for the second quarter of 2015 of USD 169 million, an increase in net losses of USD 125 million or more than 100% when compared with the net losses for the second quarter of 2014 of USD 44 million. The increase in net losses was primarily due to the segments' recognized other revenue as a result of restructuring of participating interests in the Canada Oil Sand KKD project in the second quarter of 2014. In addition, during the second quarter of 2015, the loss on financial derivatives also increased which mainly due to unrealized loss from mark-to-market of oil price hedging contracts.

Second quarter of 2015 compared with First quarter of 2015

Overall Results of Operations

For the results of operations for the second quarter of 2015, PTTEP and its subsidiaries had net profits of USD 35 million (earning of USD 0.005 per share), a decrease of USD 229 million or 87% when compared with the net profits for the first quarter of 2015 of USD 264 million (earning of USD 0.07 per share). The decrease was primarily due to an increase in income tax expenses also increased of USD 119 million affected by the functional currency during the second quarter of 2015 when compared with the first quarter of 2015 because Baht at the end of the second quarter of 2015 depreciated against USD, while Baht at the end of the first quarter of 2015 appreciated against USD. In addition, exploration expenses also increased by USD 25 million, mainly as a result of the write-off of an exploration well in the Myanmar PSG-G and EP2 project. In the second quarter of 2015, the Group also recognized loss on financial derivatives, primarily from oil price hedging contracts, of USD 55 million, while in the first quarter of 2015, the Group reported gain on financial derivatives of USD 7 million.

For the second quarter of 2015, the Group reported the loss from non-recurring items in the amount of USD 159 million, a decrease of USD 175 million from the gain from non-recurring of USD 16 million for the first quarter of 2015. The loss from non-recurring items was primarily due to loss on foreign exchange rate because of the depreciation of the Baht against USD at the end of the second quarter. In addition, during the second quarter of 2015, the Group also recognized loss on financial derivatives from the oil price hedging contracts, while in the first quarter of 2015, the Group reported gain on financial derivatives on these contracts.

Results of Operation by Segments

For the second quarter of 2015, the Group reported net profits of USD 35 million, a decrease of USD 229 million or 87% when compared with the net profits for the first quarter of 2015 of USD 264 million. The decrease in net profits was primarily due to the decrease in net profits from the exploration and production segment of USD 87 million or 43%, and head office and others segment reported increase in losses of USD 115 million or more than 100%.

Exploration and production segment

Thailand

For the second quarter of 2015, the Group reported net profits of USD 162 million, a decrease of USD 18 million or 10% when compared with the net profits for the first quarter of 2015 of USD 180 million. The decrease in net profits was primarily due to an increase in income tax expenses affected by the functional currency because the depreciation of Baht against USD. However, revenue from sales of S1 and Contract 4 projects increased due to increases in sales volume and selling price.

Overseas

For the second quarter of 2015, the Group reported net loss of USD 46 million, a decrease of USD 69 million or more than 100% when compared with the net profits for the first quarter of 2015 of USD 23 million, primarily due to decreases in net profit in the Other Southeast Asia segment netted with a decrease in loss in the Australia segment.

For the second quarter of 2015, the Other Southeast Asia segment reported net profits of USD 2 million, a decrease of USD 78 million or 98% when compared with the net profits for the first quarter of 2015 of USD 80 million. The decrease in net profits primarily due to a decrease in sales revenue as a result of planned shutdown for maintenance in the second quarter of 2015 for Yadana, Yetagun and Zawtika Projects. In addition, the segment reported an increase in exploration expenses which mainly came from the write-off of an exploration well in the Myanmar PSG-G and EP2 project.

For the second quarter of 2015, the Australia segment reported a net loss of USD 40 million, a decrease in net loss of USD 11 million or 22% when compared with the net loss for first quarter of 2015 of USD 51 million, primarily due to increases in revenue from sales as a result of increases in sales volume and selling prices.

Head office and others segment

The head office and others segments reported net losses for the second quarter of 2015 of USD 169 million, an increase in net losses of USD 115 million or more than 100% when compared with the net losses for the first quarter of 2015 of USD 54 million. The increase in net losses was primarily due to the segments' recognized loss on financial derivatives of USD 55 million in the second quarter of 2015, mainly from oil price hedging contracts which included realized loss from settlement of matured contracts due in the second quarter of 2015 of USD 19 million and unrealized loss from mark-to-market of USD 37 million, while the segments recognized gain on financial instruments in the first quarter of 2015 from these contracts.

Comparison of the Results of Operations for the six months period ended

Overall Results of Operations

For the results of operations for the six months period ended June 2015, PTTEP and its subsidiaries had net profits of USD 229 million (earning of USD 0.07 per share), a decrease of USD 641 million or 68% when compared with the net profits for the six months period ended June 2014 of USD 940 million (earning of USD 0.24 per share). The decrease was primarily due to sales revenue decreased of USD 860 million as a result of a decrease in average selling price to USD 48.61 per BOE (for the six months of 2014 : USD 66.35 per BOE), even though sales volume increased to 326,335 BOED (for the six months of 2014 : 307,263 BOED) from the Zawtika Project, which commenced its gas sale in Myanmar in March 2014 and reached its full production capacity in August 2014. In addition, depreciation, depletion and amortization expenses also increased of USD 337 million from increases in completed assets of Contract 4, and S1 projects, as well as increases in completed assets and production volume of Zawtika project.

However, the operating expenses decreased of USD 142 million, primarily due to in the first quarter of 2014, PTTEP Australasia project incurred additional expenditures in drilling of H5 development well and expenditures from the restructuring of participating interest in the Canada Oil Sand KKD project. In addition, the income tax expenses for the six months period of 2015 also decreased due to the decrease in net profit.

For the six months period ended 2015, the Group reported the loss from non-recurring items in the amount of USD 143 million, a decrease of USD 154 million from the gain from non-recurring items of USD 11 million for the six months period of 2014. The loss from non-recurring items were primarily due to loss on foreign currency exchange rate and an increase in income tax expenses affected by the functional currency as a result of depreciation of the Baht when compared against USD.

Results of Operation by Segments

For the six months period ended June 2015, the Group reported net profits of USD 299 million, a decrease of USD 641 million or 68% when compared with the net profits for the six months period ended June 2014 of USD 940 million. The decrease in net profits was primarily due to the decrease in net profits from the exploration and production segment of USD 601 million or 65% and head office and others segments had a decrease in net profits of USD 146 million or more than 100%. However, the revenue from pipeline transportation increased of USD 106 million or more than 100%.

Exploration and production segment

Thailand

For the six months period ended June 2015, the Group reported net profits of USD 342 million, a decrease of USD 488 million or 59% when compared with the net profits for the six months period ended June 2014 of USD 830 million. The decrease in net profits was primarily due to a reduction in sales revenue from the decrease in selling price. In addition, the depreciation expenses increased as a result of increases in completed assets of the Contract 4 and S1 projects. However, petroleum income tax expenses decreased due to a decrease in profit.

Overseas

For the six months period ended June 2015, the Group reported net loss of USD 23 million, a decrease of USD 113 million or more than 100% when compared with the net profits for the six months period ended June 2014 of USD 90 million. The decrease in net profits was primarily due to increases in net loss in Other Southeast Asia and Australia segments.

For the six months period ended June 2015, Other Southeast Asia segment reported net profit of USD 82 million, a decrease in net income of USD 75 million or 48% when compared with the net profit for the six months period ended June 2014 of 157 million. The decrease in net profit primarily due to decrease in sales revenue from the Vietnam 16-1 project as a result of a decrease in selling price. In addition, the segment also recognized write-off of an exploration well in the Myanmar PSG-G and EP2 project during the period. However, the results of performance from the Zawtika project have improved from its full production capacity since August 2014.

For the six months period ended June 2015, the Australia segment reported a net loss of USD 91 million, an increase in net loss of USD 31 million or 52% when compared with the net loss for the six months period ended June 2014 of 60 million, primarily due to a decrease in revenue from sales as a result of a decrease in selling price. However, the operating expenditure for the six months period ended June 2015 decreased when compared with the six months period of 2014 because during the six months period ended June 2014, the Group incurred additional expenditures in the drilling of H5 development well in the first quarter of 2014. In addition, the depreciation, depletion and amortization as well as the exploration expenses decreased during the period.

Pipeline Transportation

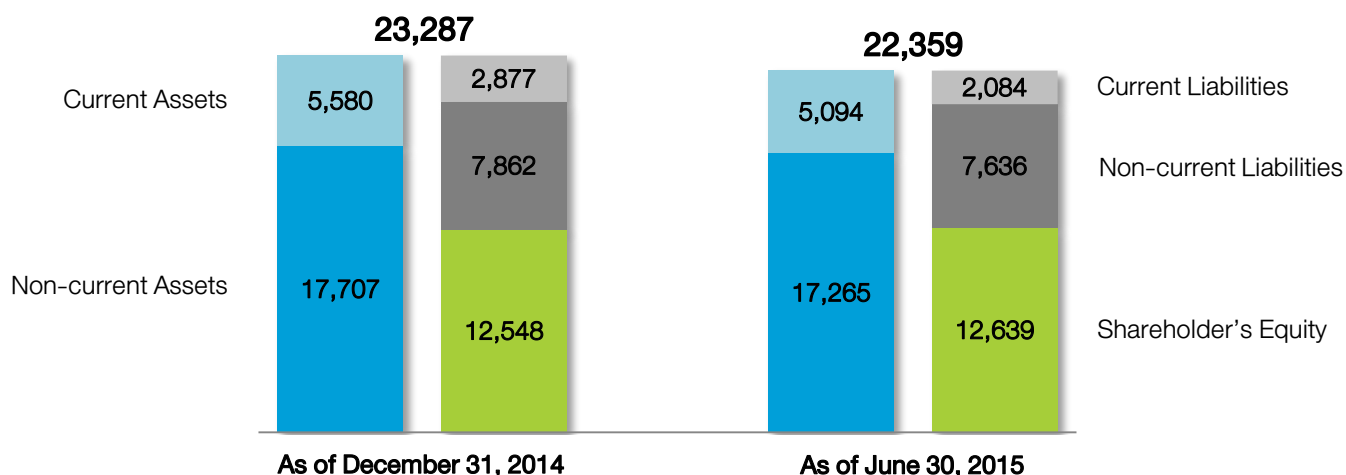
For the six months period ended June 2015, the segment reported net profit of USD 203 million, an increase of US Dollar 106 million or more than 100% when compared with the six months period ended June 2014 of US Dollar 97 million. The increase was primarily due to revenue from pipeline transportation of Zawtika project that commenced its natural gas export in August 2014.

Head office and others segment

The head office and others segments reported net losses for the six months ended June 2015 of USD 223 million, an increase in net losses of USD 146 million or more than 100% when compared with the net losses for the six months period ended June 2014 of USD 77 million. The increase in net losses was primarily due to the segments' recognition of other revenue as a result of restructuring of participating interests in the Canada Oil Sand KKD project in 2014. In addition, during the six months ended June 2015, the segments also recognized loss on financial derivatives which mainly due to unrealized loss from mark-to-market of oil price hedging contracts.

Financial Position

Unit: Million USD



Assets

As of June 30, 2015, PTTEP and its subsidiaries had total assets in the amount of USD 22,359 million (equivalent to Baht 755,204 million), a decrease of USD 928 million when compared with the total assets as of December 31, 2014 of USD 23,287 million (equivalent to Baht 767,607 million), primarily due to;

- (1) Current assets, which primarily comprise cash and cash equivalent, account receivable – parent company, short-term investment and materials and supplies, decreased USD 486 million mainly from a decrease in cash and cash equivalent of USD 974 million from payment of corporate income tax for the year ended 2014 in the second quarter of 2015, as well as a decrease in account receivable – parent company and other current assets of USD 273 million. On the other hand, short-term investment increased in the form of bank fixed deposits with the maturity of more than 3 months but within 12 months.
- (2) Non-current assets, which primarily comprise 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, decreased USD 442 million as a result of a decrease in exploration and production assets from its depreciation.

Liabilities

As of June 30, 2015, PTTEP and its subsidiaries had total liabilities of USD 9,720 million (equivalent to Baht 328,309 million) which include interest bearing debt of USD 4,183 million, a decrease of USD 1,019 million when compared with total liabilities as at December 31, 2014 of USD 10,739 million (equivalent to Baht 353,987 million), primarily due to;

- (1) Current liabilities, which primarily comprise current portion of long-term debts, accrued expenses and income tax payable, decreased USD 793 million mainly due to decreases in income tax payable and accrued expenses during the period.
- (2) Non-current liabilities, which primarily comprise debentures and loans from financial institution, deferred tax liabilities, and provision for decommissioning costs, decreased USD 226 million mainly from a decrease in deferred tax liabilities.

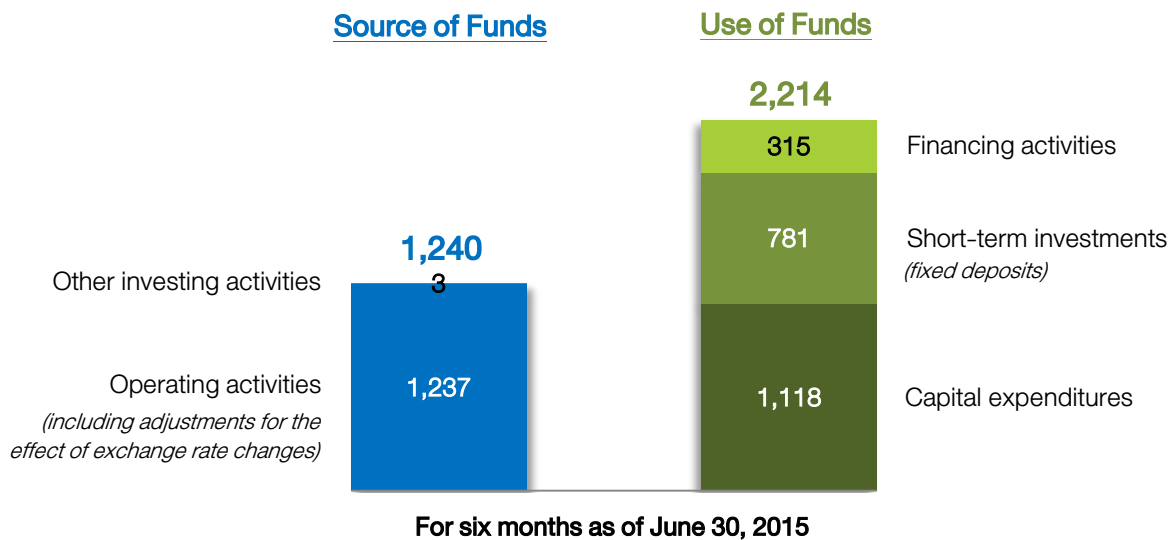
Capital Structure

As of June 30, 2015, the capital structure of the Group comprises shareholders' equity in the amount of USD 12,639 million and total liabilities of USD 9,720 million, comprising of interest bearing debts of USD 4,183 million with a weighted average cost of debt of 4.13% and the average maturity of 6.58 years. 91% of these interest bearing debts were in USD and another 9% were in Canadian Dollar which are consistent with the assets and revenue of the Group that are primarily denominated in USD and partially denominated in Canadian Dollars to support operations at the Mariana Oil Sands project in Canada. The proportion of the fixed interest rates to the floating interest rates is 77:23.

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

Cash Flows

Unit: Million USD



As of June 30, 2015, PTTEP and its subsidiaries had cash and cash equivalents of USD 2,956 million, a decrease of USD 974 million when compared to cash and cash equivalents as at December 31, 2014 of USD 3,930 million.

Sources of funds in amount of USD 1,240 million primarily came from;

- Net cash received from operating activities as a result of net positive cash flows from revenue from sales, which offset with cash payments for expenditures and income tax expenses, for which in the second quarter of 2015, the Group paid corporate income tax for the year ended 2014 of USD 895 million.
- Cash received from other investing activities which came from the dividend received from related parties.

Uses of funds in the amount of USD 2,214 million were primarily for;

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

Key Financial Ratios

	Q1 2015	Q2 2015	Q2 2014 (Restated)	6M 2015	6M 2014 (Restated)
Profitability Ratios (%)					
EBITDA to revenue from sales	73.70	69.69	71.17	71.70	70.60
Return on equity	4.62	0.28	14.22	0.28	14.22
Net profits margin	7.27	0.51	22.74	0.51	22.74
Leverage Ratios (times)					
Debt to equity	0.33	0.33	0.32	0.33	0.32
Debt to EBITDA	0.82	0.89	0.82	0.89	0.82

Remark:

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

Operational Highlights

As of the second quarter of 2015, PTTEP's domestic and international operations altogether sum to 40 projects in 11 countries. The following are key project highlights.

Projects in Thailand

PTTEP has 17 projects in Thailand, and the majority of projects are in the producing phase, located both in the Gulf of Thailand and onshore; including the Bongkot Project, the Arthit Project, and S1 Project and the Contract 4 Project. During the quarter, production operations were carried out continuously to maintain the production plateau. Sales volume from the projects in Thailand amounted to 239,434 BOED in the second quarter of 2015.

Projects in Southeast Asia

PTTEP has 13 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). Sales volume from the projects in the Southeast Asia region amounted to 63,106 BOED in the second quarter of 2015.

Highlights of projects in the *producing phase* within this region include activities at the Zawtika Project and the Vietnam 16-1 Project. **The Zawtika Project**, which is located offshore in the Gulf of Moattama, Myanmar, carried out gas development operations continuously. The project completed the drilling of 10 appraisal wells, which began during the third quarter last year, and is currently in the process of results evaluation. The project also had an annual maintenance shutdown in April, which brought average natural gas sales volume from the project during the second quarter to 276 MMSCFD (approximately 41,853 BOED).

The **Vietnam 16-1 Project**, located offshore in the southeast of Vietnam, is constructing a well head platform to support production from the H5 area which is situated in the south of the Te Glac Trang Field (TGT). Production from this area will help maintain the field's production level, and is expected to begin during the third quarter of 2015. As of the second quarter of 2015, sales volume from the Vietnam 16-1 project averaged 31,251 barrels per day (BPD) of crude oil, 16.36 MMSCFD of natural gas (approximately 4,169 BOED).

For projects in the *exploration phase*, important highlights include the drilling campaign in the **Myanmar M3 Project** which is located offshore in the Gulf of Moattama, in Myanmar. The project completed the appraisal wells drilling campaign as planned and is currently conducting the post-well evaluation process to assess the field's resource potential and its prospects for commerciality.

The exploration campaign of the **PSC-G and EP2 Project**, which is located onshore in the Central Myanmar Basin, in Myanmar, is currently drilling the last of four planned exploration wells, which is expected to be completed during the fourth quarter of 2015. The result of the first exploration well did not yield commerciality potential and the well was written off in the second quarter.

Projects in Australasia

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

Fields in the *producing phase* include the **Montara Field** which produced at an average rate of 16,448 BPD during the second quarter of 2015. With respect to claims submitted by the Government of Indonesia seeking compensation for the oil spill from the Montara Incident, PTTEP is ready to continue discussions with the Government of Indonesia to determine the impact (if any) using scientific evidence.

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

Projects in the American Continent

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

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

The **Mariana Oil Sands Project**, located in Alberta, Canada, submitted the development proposal for Thornbury Phase 1 to the government of Alberta. The project is also preparing for front-end engineering design (FEED) activities.

PTTEP has two projects in Brazil. The **Barreirinhas AP1 Project** is located in the Barreirinhas Basin, offshore to the east of Brazil. The project is preparing to conduct 3D seismic acquisition and awaiting approval of its environmental impact assessment (EIA) report from Brazilian authorities. Exploration activities are expected to begin in the fourth quarter of 2015. The **BM-ES-23 Project** is located in the Espirito Santo basin, offshore, east of Brazil. The project plans to commence the drilling of Pacoca exploration well in the fourth quarter.

Projects in Africa and the Middle East

PTTEP has 6 projects in this region, located in the Sultanate of Oman (Oman), the People's Democratic Republic of Algeria (Algeria), the Republic of Mozambique (Mozambique) and the Republic of Kenya (Kenya).

The **Algeria 433a and 416b Project**, which is in the *development phase* and located onshore in the northeastern part of Algeria, is proceeding with the construction of production facilities and pipeline systems. Production is expected to begin in 2015 with a capacity of 20,000 BPD.

The **Algeria Hassi Bir Rekaiz Project**, which is in the *exploration phase* located onshore in the eastern part of Algeria, is making progress under the Third Exploration Phase. The project completed the drilling of two appraisal wells in the second quarter, bringing the program tally to four out of six planned appraisal wells.

The **Mozambique Rovuma Offshore Area 1 Project**, which is also in the exploration phase, is a large gas project located offshore Mozambique. The project completed the drilling of Golfinho-Atum G03, Golfinho-Atum G04, Golfinho-Atum G05 and Golfinho-Atum G06 appraisal wells in the second quarter. With respect to LNG development, the project has selected a consortium of contractors for the onshore LNG Engineering Procurement and Construction Contract and targets for the first production and sales of LNG in 2019.

Located in the northern part of Mozambique, the **Mozambique Rovuma Onshore Project** completed the post-well evaluation of the Kifaru-1 exploration well with no commercial discovery.

The **Kenya L5, L7, L11A, L11B and L12 Project** is carrying out geological and geophysics studies to identify and select an exploration prospect and plans to drill one exploration well in 2016.

Portfolio Management

PTTEP continues to undertake portfolio management activities to achieve an optimal balance between project value-added and risk management, as well as to ensure that the Company's long term strategic objectives can be achieved. PTTEP consistently studies and analyses pertinent investment factors to keep abreast of the constant changes in the social, economic, and political landscape, and to incorporate these variables into investment considerations and decisions. The Company also reviews its list of target countries for expanding its investments (Focused Countries) by grouping the countries according to petroleum potential and suitability with the Company's strategic directions and goals. The analysis covers factors such as geography, petroleum fiscal policy, operational and political risks, as well as PTTEP's competitive advantage. During the second quarter, PTTEP submitted notices of withdrawal of the Indonesia Malunda Project, the Indonesia South Mandar Project and the Kenya L10A Project, all of which are subject to the approval of the governments in the projects' respective countries.

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

Cost and Expenditure Management

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

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

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

Sustainable Development

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

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

Business

PTTEP aims for technological enhancements to support its business to achieve sustainable growth and apply those technologies to its projects to improve operating performance and reduce costs. Examples of such enhancements are the utilization of the Seismic Processing Center to improve the quality of seismic data processing and interpretation, the use of unmanned aerial vehicles (drones) to assist the inspection of flaring chambers, and the development of more durable and less costly choke valves.

Furthermore, during the second quarter of 2015, PTTEP continued to develop technological capabilities to push the organization towards the aforementioned objective. This includes preparing human resources to drive technical development of Oil Sands, Deepwater petroleum fields, Tight Oil / Tight Gas, to name a few, and support long-term business competitiveness.

Social

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

- The PTTEP Thai Heritage World Heritage project – The project began renovations on the Khao Yai Visitor Center, the Thung Yai Naresuan - Huai Kha Khaeng Exhibition Center, and eight nature trails in the in the world heritage forest to ensure that they are in good working condition. The renovations are expected to be completed in July 2015.
- The Crab Hatchery Learning Center Project at the Hua Khao Community in Songkhla province - The project serves to breed crab larvae and release them back into their marine habitats as part of the natural conservation program. In the second quarter, the project and the local community of released over 10 million crab larvae in the Songkla provincial area.
- The PTTEP Health Care project – The project provides medical check-ups to more than 300 locals at the Wang Nam Yen district in Suphanburi province.
- The “30 CSR Activities, 30th Anniversary of PTTEP” project – The project was launched on the occasion of PTTEP's 30th anniversary to provide opportunities for PTTEP employees to participate in CSR activities. A total of 20 CSR activities including reforestation, DIY notebooks, blood donation and emergency survival kit packaging, were held from March to June.

Environment

PTTEP has an environmental management system which encompasses a project's entire life cycle, and is a subset of PTTEP's Safety, Security, Health and Environment Management System (SSHE MS). During the second quarter of 2015, PTTEP had a Lost Time Injury Frequency (LTIF) score of 0.18, and a Total Recordable Incident Rates (TRIR) score of 1.28. The Company's performance on both safety indicators is better than the average of the members in the International Association of Oil and Gas Producers (IOGP).

Moreover, PTTEP aims to become a Low Carbon Footprint organization, and has set a goal to reduce its greenhouse gas (GHG) emissions by not less than 20% in the year 2020 versus its 2012 base year figure. As of the second quarter of 2015, PTTEP reduced its greenhouse gas (GHG) emissions by 4.4% below its 2012 levels.

Notable activities during the second quarter are as follow:

- The PTTEP reforestation project to promote the study of ecological systems in the Si Nakhon Khuean Khan Park in Bang Ka Chao, Samut Prakarn - The project is carried out under the royal initiative of Her Royal Highness Princess Maha Chakri Sirindhorn, and in collaboration with the Royal Forest Department, Kasetsart University. The project reforested 40 rai inside Sri Nakhon Khuean Khan Park and Botanical Garden. The project also restored nature trails for cyclist and wheelchair users and developed a learning service area known as the "Recreational area for Eco-learning", which was presented to the Royal Forest Department and the Bang Kachao community on 10 June 2015

Business Outlook for 2015

Crude oil price, which is one of the key factors that drive PTTEP's financial performance, are expected to be volatile throughout the year. From the supply side, a number of downside factors to oil prices remain, particularly on the outset of OPEC's continued high level of production, which reached 31.6 million barrels per day in June. This was the group's highest production level in 3 years and also higher than its agreed production quota of 30 million barrels per day, which was maintained based on its most recent meeting earlier in the month. Added to the crude oil market oversupply situation is a prospect for the return of Iranian crude to export markets, following the Iran nuclear deal with the 6 world powers in July, which could see economic sanctions on the country lifted. PTTEP expects that there would be a lead time in the ramp-up of Iranian crude production such that Iran may be able to increase its crude oil exports by 0.25 – 0.50 million barrels per day by the beginning of next year at the earliest, from its current export level of approximately 1.2 million barrels per day. Furthermore, a recent increase in U.S. rig count in July could alleviate downward pressure in US crude oil supply if oil prices continue to fare at above 60 USD/BBL. Upside drivers to oil prices are the ongoing unrest in Syria, Libya and Iraq that could disrupt crude oil production.

From the demand side, key factors that will impact global demand for crude in the second half of 2015 include the stability of China's economy after a bubble burst in the country's stock market, the direction of the Eurozone economy, which depends on the circumstances surrounding Greece's debt crisis, and US FOMC's signal to increase in interest rate by the end of this year. According to the U.S. Energy Information Administration (EIA), the global crude oil market is expected to remain oversupplied albeit with a narrower supply gap; whereby the crude market is forecast to be oversupplied by approximately 1-1.5 million barrels per day by the end of this year, a lower difference compared to the first half of the year of around 2.2 million barrels per day.

Cost deflation is another important factor that affects the petroleum exploration and production industry. With the downturn in oil prices, leading oil and gas companies have taken initiatives to reduce capital and operating expenditures, such as supply chain management and oilfield service contract renegotiations. These initiatives are expected to lead to industry cost deflation. Since, however, a large part of industry expenditures is arranged under medium-to-long term contracts, the cost reduction effects are expected to become more evident on companies' performance from the second half of the year onwards.

As did the leading oil and gas companies, PTTEP continuously monitors global economic conditions, events and factors which may impact crude oil prices, and undertakes preparations to cope with price volatility. PTTEP simulates scenarios with crude oil prices at various levels and prepares mitigation plans, as well as progressing with the SAVE to be SAFE campaign to reduce operating costs in the short-term and long-term. Moreover, PTTEP stresses financial discipline and a strong capital structure where debt-to-equity ratios are at appropriate levels corresponding to the business profile, and liquidity levels are sufficient to cope with volatile oil prices and economic conditions, while business opportunities can also be seized. Last but not least, the Company also assesses counter-party risks and prepares mitigation plans accordingly.