

## Executive Summary

### Crude oil prices

In the first quarter of 2016, crude oil prices continue to decline from the level at the end of 2015. Dubai crude oil price reached a low point of 23 USD/BBL in January following the Iran sanction lift, mounting concerns on an oversupplied crude oil market. At the same time, the crude oil market received a number of positive reinforcements, such as the discussion between OPEC and non-OPEC members to limit production, additional Quantitative Easing (QE) by the European Central Bank, the liquidation of many US shale oil producers and the decrease in US oil rig count to 372, the lowest level since November 2009. These factors helped lift the crude oil prices towards the end of the first quarter of 2016 with Dubai crude oil price averaged 30.42 USD/BBL, a drop from the previous quarter at 40.71 USD/BBL.

### Thailand energy demand and exchange rate

In the first two months of 2016, Thailand energy demand stood at 2.13 million barrels of oil equivalent per day (BOED), an increase of 2.8% from the same period of the previous year (Source: The Ministry of Energy). One of the reasons for the increase is due to the lower energy prices. Another reason is the recovering Thai economy, stimulated by strong public sector investments and tourism, despite the Bank of Thailand trimming down 2016 economic growth forecast from 3.5% to 3.1%, partly due to weak exports from subdued economic outlook of Asian countries.

As for the Thai Baht to US Dollar exchange rate, which impact the financial performance of PTTEP in the form of tax expense as a result of the difference between PTTEP's tax filing currency (Thai Baht) and functional currency (US Dollar), the rate appreciated to 35.24 Baht / US Dollar at the end of the first quarter of 2016, compared to 36.09 Baht / US Dollar at the end of 2015, primarily due to the sustained US interest rate.

### Summary of the financial results for the first quarter of 2016

In the first quarter of 2016, the financial performance of PTTEP is impacted by the sustained low oil price levels and by the factors mentioned above. Total revenue amounted 1,093 MMUSD, a decrease from the previous quarter mainly due to lower average selling price, which dropped by 10% from the previous quarter to 35.08 USD/BOE and in correlation to the movement in global crude oil prices. Sales volume for the first quarter of 2016 stood at 329,858 BOED. This although represents a slight decrease from the previous quarter at 336,363 BOED mainly due to planned maintenance shutdowns of some projects, it remains largely on track with the business plan to maintain 2016 sales volume at a similar level to that of 2015.

To prepare for the low oil price environment, PTTEP carried out a number of cost reduction and efficiency improvement activities under the SAVE to be SAFE program since late 2014. In the first quarter of 2016, the unit cost is lowered to 28.57 USD/BOE from 35.18 USD/BOE in the fourth quarter of 2015, primarily due to decreases in depreciation, depletion and amortization expense, exploration expense, operating expense and general and administrative expense. The decrease in unit cost in the first quarter of 2016 has gone according to the unit cost reduction target in 2016 of no less than 10% compared to the 2015 level of 38.88 USD/BOE.

The reduction in expenses have resulted in a recurring net profit of 116 MMUSD for the first quarter of 2016. Furthermore, the Company recorded non-recurring gains of 41 MMUSD, the majority of which comes from tax savings driven by stronger Thai Baht currency versus the US Dollar. Consequently net profit for the first quarter of 2016 stood at 157 MMUSD, an increase of 25 MMUSD compared to that of the fourth quarter of 2015 at 132 MMUSD.

The financial position of the Company remains very strong as of the first quarter of 2016 with total assets amounted 19,795 MMUSD, which includes cash and short-term investments of 3,702 MMUSD. Total interest-bearing debt amounted to 3,018 MMUSD whilst cash flow from operations amounted 818 MMUSD in the period. Moreover, PTTEP has been affirmed credit ratings by renowned domestic and global rating agencies, including Moody's, Japan Credit Rating and TRIS Ratings, while many oil and gas companies globally faced credit rating downgrades as a result of low oil prices.

## Executive Summary (continued)

### Business outlook in 2016

Crude oil price, which is one of the key factors that drive the financial performance of PTTEP, is expected to recover for the remainder of 2016 as US shale oil production continues to decline. In terms of the global oil market fundamentals, crude oil demand is expected to grow as the global economy expands. The US Energy Information Administration (EIA) forecasts that global crude oil demand in 2016 could grow by approximately 1.2 million barrels per day from the 2015 level. With respect to oil supply, there expects to be a combination of upside and downside factors. Upside factors include the expected decline of US shale oil production in 2016 by more than 0.6 million barrels per day compared to the level in 2015 (Source: International Energy Agency) as certain areas cease production either due to unprofitability or the effects of investment reduction from 2015. Downside factors include the increase in crude oil exports from Iran, which is expected to be approximately 0.7 million barrels per day higher compared to the previous year.

The overall outlook of global crude oil demand and supply mentioned above, combined with the high levels of crude oil storage globally and the uncertainty of global economic growth especially China, will limit the upside potential on oil price recovery for the rest of 2016. This, in turn, will impact the average selling price of the Company, which is referenced to the global oil prices. Nevertheless, the Company maintains the sales volume target in 2016 to be at a similar level in 2015 of approximately 322,000 BOED.

The Thai Baht currency is expected to weaken as the US Federal Open Market Committee (FOMC) is expected to increase interest rates in 2016. The financial performance of PTTEP will be affected in the form of tax expense as a result of the difference between PTTEP's tax filing currency and functional currency, although the cash flow is not expected to be materially impacted. As for the expected increase in interest rates, the Company expects minimal impact on the cost of debt as approximately 80% of the debt structure are fixed interest rates. It should be noted that capital market continues to be very volatile, with the Bank of Japan's recent negative interest policy and the European Central Bank's plan towards deposit rate decrease. This will be monitored closely for any possible impact to the company's business.

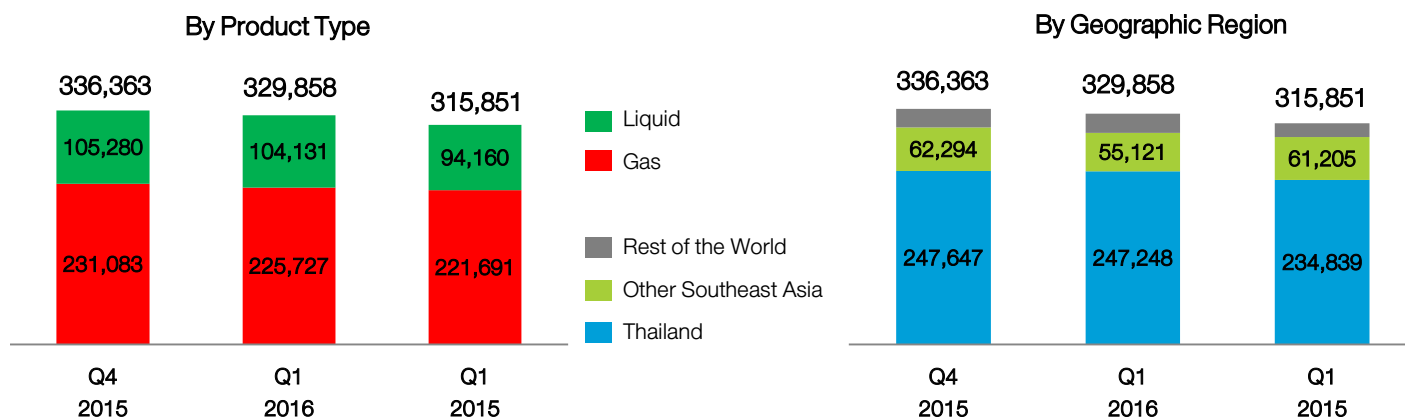
### Table of key financial results

(Unit: Million US Dollar)	Q4 2015	Q1 2016	Q1 2015 (Restated)	% Inc.(Dec.) YoY	% Inc.(Dec.) QoQ
Total Revenue	1,337	<b>1,093</b>	1,453	(25)	(18)
Sales Revenue	1,213	<b>1,053</b>	1,392	(24)	(13)
EBITDA	809	<b>789</b>	1,084	(27)	(2)
Profit for the period	132	<b>157</b>	264	(41)	19
Basic earnings per share (USD)	0.02	<b>0.04</b>	0.07	(42)	90
Profit from normal operation	13	<b>116</b>	248	(53)	>100
Gain from non-recurring items	119	<b>41</b>	16	>100	(66)

## Financial Performance

### Average Sales Volume

*Unit: Barrels of oil equivalent per day*



Average selling price and Dubai crude oil price (Unit: US Dollar)	Q4 2015	Q1 2016	Q1 2015 (Restated)	% Inc.(Dec.) YoY	% Inc.(Dec.) QoQ
Average selling price (/BOE)	39.18	<b>35.08</b>	48.95	(28)	(10)
Average Dubai crude oil price (/BBL)	40.71	<b>30.42</b>	51.89	(41)	(25)

### Summary of operating results segregated by segments

Net income (loss) (Unit: Million US Dollar)	Q4 2015	Q1 2016	Q1 2015 (Restated)	% Inc.(Dec.) YoY	% Inc.(Dec.) QoQ
Exploration and production	17	<b>129</b>	164	(21)	>100
Thailand	68	<b>190</b>	160	19	>100
Overseas	(51)	<b>(61)</b>	4	>(100)	(20)
- Other Southeast Asia	20	<b>(13)</b>	70	>(100)	>(100)
- Australia	(49)	<b>(48)</b>	(60)	20	2
- America	(16)	<b>1</b>	(4)	>100	>100
- Africa	(6)	<b>(3)</b>	(1)	>(100)	50
- Middle East	-	<b>2</b>	(1)	>100	>100
Pipeline transportation	70	<b>52</b>	109	(52)	(26)
Head office and others	45	<b>(24)</b>	(9)	>(100)	>(100)
<b>Total</b>	<b>132</b>	<b>157</b>	<b>264</b>	<b>(41)</b>	<b>19</b>

## Financial Performance (continued)

### Operating Results for First quarter of 2016 compared with First quarter of 2015

#### Overall Operating Results

For the first quarter of 2016, PTTEP and its subsidiaries had net profit of US Dollar 157 million, a decrease of US Dollar 107 million or 41% when compared with the net profit for the first quarter of 2015 of US Dollar 264 million. The decrease was primarily due to sales revenue decreased of US Dollar 339 million as a result of a decrease in average selling price to US Dollar 35.08 per BOE (for first quarter of 2015 : US Dollar 48.95 per BOE), even though sales volume increased to 329,858 BOED (for first quarter of 2015 : 315,851 BOED). However, the depreciation, depletion and amortization expenses decreased of US Dollar 210 million as a result of an increase in the petroleum reserve.

For the first quarter of 2016, the Group reported the profit from non-recurring items in the amount of US Dollar 41 million, an increase of US Dollar 25 million from the profit from non-recurring items of US Dollar 16 million for the first quarter of 2015. The increase was primarily due to an increase in tax benefits from income tax expenses affected by the functional currency and from income tax expenses affected by revaluation of foreign currency transactions to Thai Baht in accordance with the Revenue Department as well as an increase in the recognition of gain on foreign exchange resulted from the effect of an appreciation in Thai Baht against US Dollar. However, during the first quarter of 2016, the Group recognized loss on oil price hedging derivative contracts, while in the first quarter of 2015, the Group recognized gain on derivative contracts.

#### Operating Results by Segments

For the first quarter of 2016, the Group reported net profit of US Dollar 157 million, a decrease of US Dollar 107 million or 41% when compared with the net profit for the first quarter of 2015 of US Dollar 264 million. The decrease in operating results was primarily due to decreases in the pipeline transportation segment of US Dollar 57 million or 52% and the exploration and production segment of US Dollar 35 million or 21%.

#### Exploration and production segment

- **Thailand**

For the first quarter of 2016, the Group reported net profit of US Dollar 190 million, an increase of US Dollar 30 million or 19% when compared with the net profit for the first quarter of 2015 of US Dollar 160 million. The increase was primarily due to a decrease in depreciation, depletion and amortization expenses mainly from Contract 4 Project as a result of an increase in the petroleum reserve. However, sales revenue decreased as a result of a decrease in average selling price.

- **Overseas**

For the first quarter of 2016, the Group reported net loss of US Dollar 61 million, while the net profit for the first quarter of 2015 was US Dollar 4 million. This was primarily due to a reduction in operating results from Other Southeast Asia segment, net with the decrease in loss from Australia segment.

For the first quarter of 2016, Other Southeast Asia segment reported net loss of US Dollar 13 million, while the net profit for the first quarter of 2015 was US Dollar 70 million. This was primarily due to a decrease in sales revenue as a result of a decrease in average selling price. However, the depreciation, depletion and amortization expenses also decreased primarily from the Vietnam 16-1 Project and Zawtika Project as a result of increase in the petroleum reserve and decrease in the production volume.

For the first quarter of 2016, Australia segment reported net loss of US Dollar 48 million, a decrease of US Dollar 12 million or 20% when compared with the net loss for the first quarter of 2015 of US Dollar 60 million. The decrease in net loss was primarily due to a decrease in depreciation, depletion and amortization expenses from the PTTEP Australasia Project as a result of the recognition of impairment loss of assets in the third quarter of 2015.

#### Pipeline transportation segment

Pipeline transportation segment reported net profit for the first quarter of 2016 of US Dollar 52 million, a decrease of US Dollar 57 million or 52% when compared with the first quarter of 2015 of US Dollar 109 million. The decrease was primarily due to a decrease in revenue from pipeline transportation as a result of the decrease in the gas selling price.

## Financial Performance (continued)

### Operating Results for First quarter of 2016 compared with Fourth quarter of 2015

#### Overall Operating Results

For the first quarter of 2016, PTTEP and its subsidiaries had net profit of US Dollar 157 million, an increase of US Dollar 25 million or 19% when compared with the net profit for the fourth quarter of 2015 of US Dollar 132 million. The increase was primarily due to a decrease in depreciation, depletion and amortization expenses of US Dollar 94 million as a result of an increase in the petroleum reserve. However, sales revenue decreased of US Dollar 160 million primarily from a decrease in average selling price to US Dollar 35.08 per BOE (for the fourth quarter of 2015 : US Dollar 39.18 per BOE) and average sales volume to 329,858 BOED (for the fourth quarter of 2015 : 336,363 BOED)

For the first quarter of 2016, the Group reported the profit from non-recurring items in the amount of US Dollar 41 million, a decrease of US Dollar 78 million from the profit from non-recurring items of US Dollar 119 million for the fourth quarter of 2015. The decrease was primarily due to recognition of loss on financial derivatives during the first quarter of 2016 mainly from the oil price hedging derivative contract, while the Group recognized gain on financial derivatives in the fourth quarter of 2015. However, tax benefit from income tax expenses affected by the functional currency and from income tax expenses affected by revaluation of foreign currency transactions to Thai Baht in accordance with the Revenue Department increased as a result of the effect of an appreciation in Thai Baht against US Dollar.

#### Operating Results by Segments

For the first quarter of 2016, the Group reported net profit of US Dollar 157 million, an increase of US Dollar 25 million or 19% when compared with the net profit for the fourth quarter of 2015 of US Dollar 132 million. The increase was primarily from the exploration and production segment which increased US Dollar 112 million or more than 100%. However, Head office and others segment had a reduction in operating results of US Dollar 69 million or more than 100%.

#### Exploration and production segment

- **Thailand**

For the first quarter of 2016, the Group reported net profit of US Dollar 190 million, an increase of US Dollar 122 million or more than 100% when compared with the net profit for the fourth quarter of 2015 of US Dollar 68 million. The increase was primarily due to a decrease in depreciation, depletion and amortization expenses as a result of an increase in the petroleum reserve mainly from Arthit Project and MTJDA Project.

- **Overseas**

For the first quarter of 2016, the Group reported net loss of US Dollar 61 million, an increase in net loss of US Dollar 10 million or 20% when compared with the net loss for the fourth quarter of 2015 of US Dollar 51 million. This was primarily due to a reduction in operating results from Other Southeast Asia segment, net with an increase in operating results from America Segment.

The Other Southeast Asia segment reported net loss for the first quarter of 2016 of US Dollar 13 million, while the net profit for the fourth quarter of 2015 was US Dollar 20 million. This was primarily due to a reduction in operating results from an additional income tax expenses of Yadana Project and Yetagun Project. In addition, during the first quarter of 2016, the segment had recognized tax credit from tax privilege received from the Myanmar Government less than the fourth quarter of 2015. However, the well write-off expenses decreased as there was no any well write-off in the first quarter of 2016, while there were wells write-off in Myanmar PSC G and EP 2 Project in the fourth quarter of 2015.

The America segment reported net profit for the first quarter of 2016 of US Dollar 1 million, while the net loss for the fourth quarter of 2015 was US Dollar 16 million. This was primarily due to an increase in operating results as there was well write-off from Brazil BM-ES-23 Project in the fourth quarter of 2015, while there was no well write-off in the first quarter of 2016.

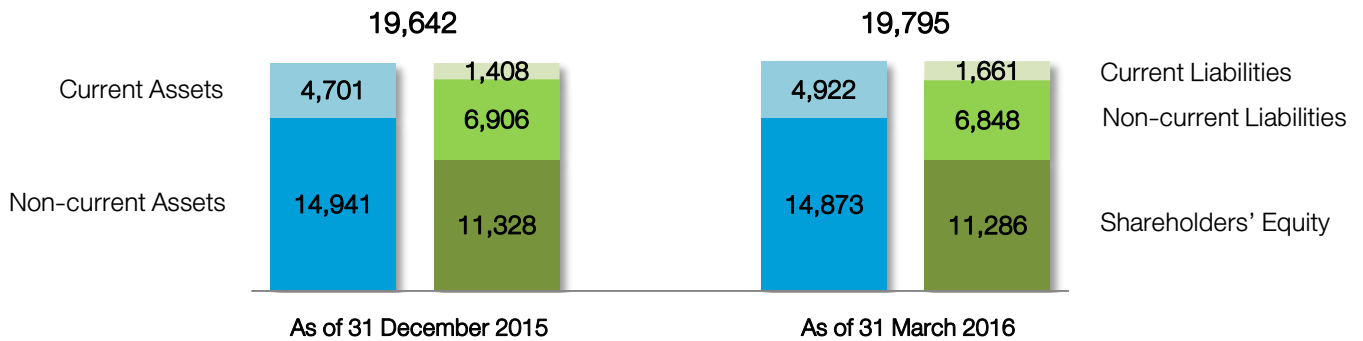
#### Head office and others segment

The head office and others segment reported net loss for the first quarter of 2016 of US Dollar 24 million, while the net profit for the fourth quarter of 2015 was US Dollar 45 million. This was primarily due to a reduction in operating results from a recognition of loss on financial derivatives in the first quarter of 2016 mainly from the oil price hedging derivative contracts, while the segment recognized gain on financial derivatives in the fourth quarter of 2015. However, the administrative expenses for the head office decreased.

## Financial Performance (continued)

### Financial Position

*Unit : Million USD*



#### Assets

As at March 31, 2016, PTTEP and its subsidiaries had total assets in the amount of US Dollar 19,795 million (equivalent to Baht 697,572 million), an increase of US Dollar 153 million when compared with the total assets as of December 31, 2015 of US Dollar 19,642 million (equivalent to Baht 708,864 million), primarily due to;

- (1) Current assets were primarily comprised of cash and cash equivalents, account receivable – parent company and materials and supplies, increased of US Dollar 221 million mainly from an increase of US Dollar 442 million in cash and cash equivalents offset with short-term investments, while account receivable – parent company and other current assets decreased of US Dollar 114 million and US Dollar 41 million, respectively.
- (2) Non-current assets were primarily comprised of exploration and production assets in joint venture projects that are recognized as part of the property, plant and equipment – net, intangible assets – net and goodwill, decreased of US Dollar 68 million mainly due to a recognition of depreciation, depletion and amortization expenses even though the Group had additional investment in exploration and production assets during the period.

#### Liabilities

As at March 31, 2016, PTTEP and its subsidiaries had total liabilities of US Dollar 8,509 million (equivalent to Baht 299,857 million) which include interest bearing debt of US Dollar 3,018 million, an increase of US Dollar 195 million when compared with total liabilities as at December 31, 2015 of US Dollar 8,314 million (equivalent to Baht 300,053 million), primarily due to;

- (1) Current liabilities were primarily comprised of trade accounts payable, accrued expenses, dividend payable and income tax payable, increased of US Dollar 253 million mainly due to the dividend payable for the second half of 2015 in the amount of US Dollar 226 million which will be subsequently paid in April 2016.
- (2) Non-current liabilities were primarily comprised of debentures, loans from financial institution, deferred tax liabilities, and provision for decommissioning costs, decreased of US Dollar 58 million mainly from a decrease in deferred tax liabilities.

#### Capital Structure

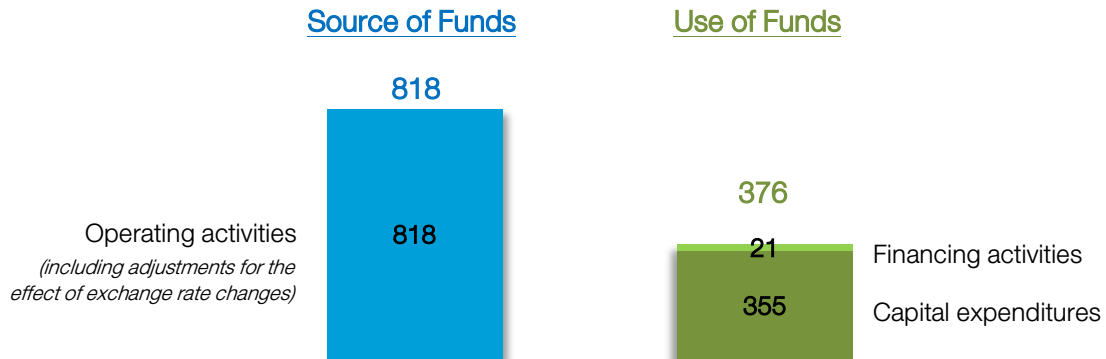
As at March 31, 2016, the capital structure of the Group comprised of shareholders' equity in the amount of US Dollar 11,286 million and total liabilities of US Dollar 8,509 million, comprising of interest bearing debts of US Dollar 3,018 million with a weighted average cost of debt of 4.42% and the average maturity of 8.54 years. All of these interest bearing debts were in US Dollar. The proportion of the fixed interest rates to the floating interest rates is 82:18.

In the first quarter of 2016, the Group did not engage in financing activities that impact the Group's capital structure.

## Financial Performance (continued)

### Cash Flows

*Unit : Million USD*



### For three months in 2016

As at March 31, 2016, PTTEP and its subsidiaries had cash and cash equivalents, including short-term investment in the form of bank fixed deposit with a maturity of more than three months, but within twelve months of US Dollar 3,702 million, an increase of US Dollar 442 million when compared to cash and cash equivalents as at December 31, 2015 of US Dollar 3,260 million.

**Sources of funds** in the amount of US Dollar 818 million primarily came from **Net cash received from operating activities** as a result of net positive cash flows from sales revenues, which offset with cash payments for expenditures and income tax expenses.

**Uses of funds** in the amount of US Dollar 376 million were primarily for **Cash used for additional investment activities** for exploration and production assets and intangible assets, primarily in Arthit, Zawtika and S1 Projects and **Cash used for financing activities** which mainly for the payment of interests and financial costs.

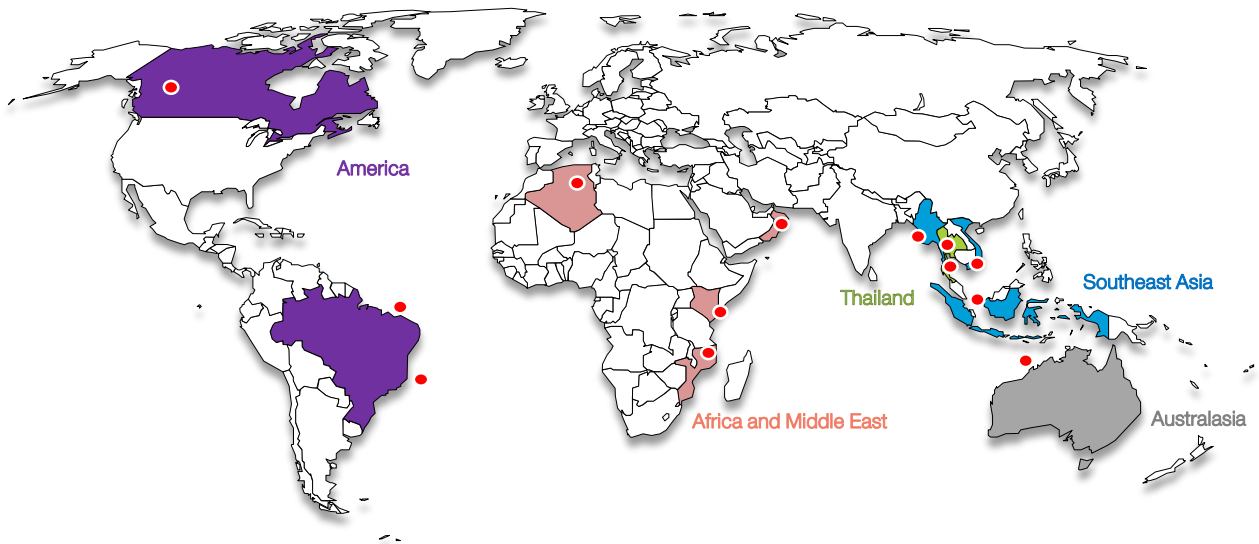
### Key Financial Ratios

	Q4 2015	Q1 2016	Q1 2015 <small>(Restated)</small>
<b>Profitability Ratios (%)</b>			
EBITDA to revenue from sales	65.47	73.73	75.95
Return on equity	(7.15)	(8.04)	4.62
Net profits margin	(14.95)	(17.96)	7.45
<b>Leverage Ratios (times)</b>			
Debt to equity	0.27	0.27	0.33
Debt to EBITDA	0.78	0.85	0.83

**Remark:**

- EBITDA to revenue from sales = Profit before deduction of interest, tax, and depreciation to revenue from sales including revenue from pipeline transportation
- Net profits margin = Last 12 months net profits to total revenue
- Return on equity = Last 12 months net profits to weighted average shareholders' equity
- Debt to equity = Interest Bearing Debt to total shareholders' equity
- Debt to EBITDA = Interest Bearing Debt to last 12 months profit before deduction of interest, tax, and depreciation

## Operational Highlights



As of the first quarter of 2016, PTTEP's domestic and international operations altogether sum to 38 projects in 11 countries. The following are key project highlights.

### Projects in Thailand

PTTEP has 16 projects in Thailand, and the majority of projects are in the producing phase, located both in the Gulf of Thailand and onshore; including the Bongkot Project, the Arthit Prioject, and S1 Project and the Contract 4 Project. During the first quarter of 2016, production operations were carried out continuously to maintain the production plateau. Sales volume from the projects in Thailand amounted to 247,248 BOED during the period, which accounted for 75% of PTTEP's total sales volume.

### Projects in Southeast Asia

PTTEP has 13 projects in this region which are located in the Republic of the Union of Myanmar (Myanmar), the Socialist Republic of Vietnam (Vietnam) and the Republic of Indonesia (Indonesia). Sales volume from the projects in the Southeast Asia region amounted to 55,121 BOED in the first quarter of 2016, which accounted for 17% of PTTEP's total sales volume.

Highlights of projects in the *producing phase* within this region include activities at the Zawtika Project and the Vietnam 16-1 Project. **The Zawtika Project**, located offshore in the Gulf of Moattama, Myanmar, carried out production operations as planned. During the first quarter of 2016, sales volume from the Zawtika project averaged 276 MMSCFD (approximately 42,123 BOED) during the period, decreased from the level seen in the previous quarter due to a planned maintenance shutdown. The project also completed the construction of 4 wellhead platforms and is in the process of preparing production wells for Phase 1B, which is expected to commence in the second quarter of 2016 to maintain production. As for the **Vietnam 16-1 Project**, located offshore in the southeast of Vietnam, crude oil sales volume averaged 27,275 BPD and natural gas averaged approximately at 15 MMSCFD (approximately 3,872 BOED).

For projects in the *exploration phase*, important highlights include the drilling campaign in the **Myanmar M3 Project**, located offshore in the Gulf of Moattama, Myanmar, which is currently assessing the prospects for commerciality and the resource potential in the remaining area. The exploration period of the **Myanmar PSC G and EP 2 Project**, located onshore in the Central Myanmar Basin, Myanmar, has been extended for a further 1.5 years until August 2017, to conduct geological studies and assess petroleum potential. As for the **Myanmar M11 Project**, located offshore in the Gulf of Moattama, Myanmar, the project completed 3D seismic in March 2016 and is currently evaluating the result to further assess the petroleum potential. The **Myanmar MD-7 and MD-8 Project**, located in the deepwater area in the Gulf of Moattama, Myanmar, is also in conducting 3D seismic survey, the completion of which is expected in the second quarter of 2016. In addition, the Government of Myanmar has granted 2-year extension to the exploration period of MD-7 Project to May 2018.

The **Myanmar MOGE-3**, located onshore in the Central Myanmar Basin, is in the preparation process for 2D and 3D seismic survey which is scheduled to begin in the fourth quarter of 2016.



## Operational Highlights (continued)

### Projects in the American Continent

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

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

The **Mariana Oil Sands Project**, located in Alberta, Canada, submitted the development proposal for Thornbury Phase 1 to the government of Alberta in May 2015. The project is re-assessing the investment strategy going forward to reduce costs and mitigate development risks in response to the low oil price environment.

PTTEP has two projects in Brazil. The **Barreirinhas AP1 Project** is located in the Barreirinhas Basin, offshore to the northeast of Brazil. The project is in the process of conducting 3D seismic survey, which is expected to be complete by the end of 2016. The **BM-ES-23 Project** is located in the Espirito Santo basin, offshore, east of Brazil. Now it is under petroleum potential study for further activities.

### Projects in Australasia

PTTEP has one project in this region which is located in the Commonwealth of Australia (Australia) and comprises 12 concession permits.

Fields in the *producing phase* include the **Montara Field**, which produced at an average rate of 18,146 BPD in the first quarter of 2016 and according to the production plan.

### Projects in Africa and the Middle East

PTTEP has 5 projects in this region, located in the Sultanate of Oman (Oman), the People's Democratic Republic of Algeria (Algeria), the Republic of Mozambique (Mozambique) and the Republic of Kenya (Kenya).

The **Algeria 433a and 416b Project**, which is in the *producing phase* and located onshore in the eastern part of Algeria, successfully marked its first sales of crude oil in the fourth quarter of 2015. Production for the first quarter of 2016 averaged 15,165 BPD.

The **Algeria Hassi Bir Rekaiz Project**, which is in the *exploration phase* located onshore in the eastern part of Algeria, began the final drilling campaign in 2015 and has since completed the drilling of six planned exploration and appraisal wells. During the first quarter of 2016, the project is currently drilling an additional appraisal well for the campaign. The **Mozambique Rovuma Offshore Area 1 Project**, which is also in the exploration phase, is a large gas project located offshore Mozambique. The project is currently in the process of negotiation for project finance, as well as progress in other areas of development plan, such as securing long-term LNG sales agreements.

## Portfolio and Cost Management

### 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 first quarter of 2016, key portfolio management activities include the withdrawal from the Mozambique Rovuma Onshore Project, which was approved by the government of Mozambique, and the notice of relinquishment of two exploration permits under the PTTEP Australasia Project, currently pending the approval from the government.

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

### Cost Management

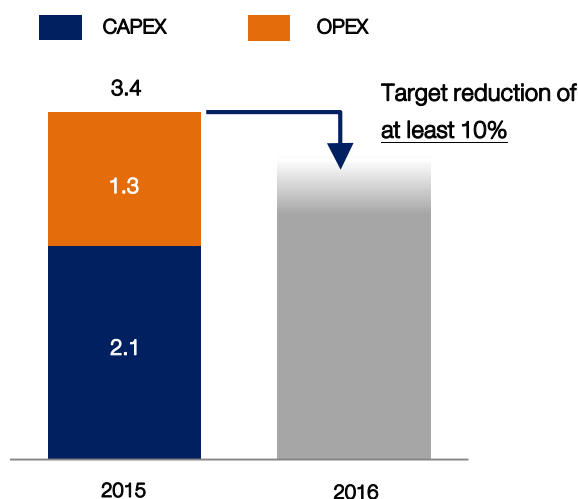
PTTEP has adapted its expenditure plan to suit the lower oil price environment under the SAVE to be SAFE program

- **Reduce:** Seek opportunities to reduce costs and identify effective work processes or technologies which will enable cost reduction in the short and long run.
- **Remove:** Rationalize spendings based on “need to have / need to do” rather than “nice to have / nice to do”.
- **Reschedule:** Postpone investments in high risk projects and prioritize expenditures to match the oil price environment.

In 2016, PTTEP plans to reduce capital and operating expenditures (CAPEX and OPEX) by no less than 10% compared to those of 2015. The reduction, however, will not impact the ability to meet the energy demand of the country and will continue to uphold the safety, security, health and environment standards, an area that PTTEP places utmost importance upon. The Company also plans to reduce the unit cost in 2016 by at least 10% compared to the level in 2015 of 38.88 USD/BOE.

**Reduction Target for CAPEX and OPEX Plan in 2016**

(Unit: Billion US Dollar)



## Sustainable Development

PTTEP continuously strive to become a sustainable development organization. In the first quarter of 2016, the Company continues its participation in the United Nations Global Compact (UNGC) for the fifth year and adherence to the ten principles in the areas of human rights, labor standards, environment, and anti-corruption. Having demonstrated utmost compliance to the compact, PTTEP received an Advanced Level certification from the UNGC, which is testimonial to the vision to become a leading Asian exploration and production company through technology and green practices and drive the organization towards its goal of sustainable growth. In order to continuously enhance PTTEP's sustainable development practices, the Company has outlined a sustainable development plan, both short-term and long-term, around the three areas of business, social and environment. Key activities during the first quarter of 2016 are as follow.

### Business

PTTEP provides support in research and development of subsurface and well engineering technologies and their applications in E&P, as well as in the development of human capabilities, knowledge and fundamental scientific and technological framework to enhance the organization's competitiveness and sustainable development. To support the business sustainability in three key objectives, the Company carried out the following activities : 1) Increase exploration success rate by establishing a dedicated processing center (DPC) to enhance seismic imaging quality for more accurate subsurface data interpretation and evaluation. 2) Increase production from existing fields through prototype testing, with the aid of electromagnetic technique, to monitor the fluid flows in the petroleum reservoirs, enhance the performance of water-flood processes, and study on the use of chemical enhanced oil recovery (EOR). 3) Environmentally-friendly business conduct through the development of mercury removal prototype for the gas and condensate pipelines in the Gulf of Thailand to support future decommissioning, as well as develop a procedure to remove wastes from drilling activities to reduce cost and preserve the environment.

### Social

PTTEP is dedicated to carry out its business operations with responsibility to society with emphasis in four development areas: fundamental needs, education, environment, and culture and sports. The Company organized many activities with local communities to ensure that their essential needs are met. Results of the activities were reviewed, evaluated and incorporated with improvement plan for the long-term benefits to the stakeholders in areas in which PTTEP operates as well as to the society as a whole. Key activities during the first quarter of 2016 include :

- The Thai Sea Heritage Project under the Royal Patronage of Her Royal Highness Princess Maha Chakri Sirindhorn PTTEP together with the Aquatic Resources Research Institute, Chulalongkorn University organized the Thai Sea Heritage Project under the Royal Patronage of Her Royal Highness Princess Maha Chakri Sirindhorn activities at the Royal Thai Marine Corps, Sattahip, Chonburi with an aim to cultivate awareness of environment conservation. Total 265 students from 44 schools in 31 provinces joined the activity.
- PTTEP Health Projects PTTEP together with Tambon Health Promoting Hospital, Village Health Volunteer and community committee organized the PTTEP Health Project at tambon Huakao, Singhanakorn district, Songkhla. Activities done under this project are conducting primary health survey, organizing health promoting event, conducting health checkup and knowledge sharing. The tambon Health Promoting Hospital and Village Health Volunteer will continue the health promoting activities.
- Phet S1 Project PTTEP awards 10 beachelor degree scholarship to underprivileged students with good GPA.

### Safety, Security, Health and Environment

PTTEP has an environmental management system which encompasses a project's entire life cycle, and is a subset of PTTEP's Safety, Security, Health and Environment Management System (SSHE MS). During the first quarter of 2016, PTTEP had no Lost Time Injury Frequency (LTIF) and a Total Recordable Incident Rates (TRIR) score of 0.50. 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 the 20% in the year 2020 versus its 2012 base year figure. As of the first quarter of 2016, PTTEP reduced its greenhouse gas (GHG) emissions by 4.9% below its 2012 levels.

## Company Strategy Under Current Oil Price Environment

PTTEP revised its 2016 strategic plan in the current oil price environment under the principles of “RESET REFOCUS RENEW”.

### **RESET the cost structure to maintain competitiveness in the industry**

- Build and instill a cost-conscious DNA in every employee
- Optimize work processes to build excellence in cost management and become competitive with the leading companies in the industry
- Maintain production to secure the energy needs for the country

### **REFOCUS investment plan towards areas of high expertise**

- Increase investments in Thailand and Southeast Asia, especially in Myanmar, the areas which PTTEP has extensive experience in and has low cost structure and low risks
- Reduce investments in areas with high risks
- Accelerate the development of high potential overseas projects, such as the Mozambique LNG, for value accretion
- Support the strengthening of relationships with foreign governments to expand opportunities of prospective investments, such as in the Middle East

### **RENEW long-term strategy for sustainable growth**

- Synergize with PTT in LNG business to meet the country’s growing energy demand in the future
- Consider investment opportunities in new areas with low cost structure, such as the US shale plays
- Strengthen and expand investment alliances in E&P business to increase synergy and maintain competitiveness
- Explore and evaluate new investment opportunities with growth prospects based on the experiences and capabilities of human resources in the Company

PTTEP also focuses on ensuring the effectiveness of financial management through maintaining a robust capital structure, an optimal level of debt-to-equity ratio for the nature of business, and the liquidity necessary to cushion the uncertainty around oil prices and the global economy as well as prepare for new investment opportunities. The Company also simulates various oil price and exchange rate scenarios to assess risk factors and prepare mitigation plans.