

## Executive Summary

In Q3/2017, PTTEP delivered its core operations as planned, with core quarterly performance figures benefitting from higher sales volume, a higher average selling price and lower unit costs. The strong performance reflects the Company's success in operational efficiency improvements to drive production volume growth as well as in maintaining low production costs. As a result, recurring net profit improved by 30% from Q2/2017. However, in Q3/2017, the Company recorded an impairment loss on assets of the Mariana Oil Sands Project (MOSP) in Canada due to the Company's decision to revise the project's development plan, after assessment of the industry and the commercial feasibility studies. The revised development plan involved delaying MOSP's Final Investment Decision (FID) and lead to the recognition of the impairment loss on assets of 558 MMUSD. The recognition of impairment losses was done in accordance with accounting standards and have no impact on the Company's cash on hand or cash flows. PTTEP continues to focus on delivering its planned level and cost of production, and is committed to participate in Thailand's bid round for the expiring concession, while also accelerating the progress on projects close to development such as the Mozambique Offshore Area 1 Project which is in the process of negotiating the LNG off-take agreements with potential buyers. The Company also continuously seeks investment opportunities in both upstream and LNG value chains to increase its petroleum reserves and support value accretive growth in the short and long term.

The Company reported sales revenue of 1,064 MMUSD in Q3/2017, an increase of 9% from the 975 MMUSD reported in the previous quarter. The increase reflects higher sales volume in this quarter of 298,139 barrels of oil equivalent per day (BOED) compared to last quarter's sales volume of 281,435 BOED, and was primarily driven by increased volumes from three projects. The MTJDA project delivered higher gas sales volume after the Malaysian off-taker problem was resolved; maintenance shutdown periods were shorter, especially for the Bongkot Project; and the Montara field in Australia had a higher number of crude loadings; while in general, projects in the Gulf of Thailand were successful in increasing condensate sales volume. These factors helped the Company deliver higher sales volume in Q3/2017 relative to the sales volume guidance 290,000 BOED. On the other hand, due to lower exploration activities during the quarter, the Company's unit cost was 2% lower than the previous quarter, standing at a level of 28.50 USD per barrel of oil equivalent (BOE) compared to the previous quarter's 29.08 USD per BOE.

PTTEP's recurring net profit of 218 MMUSD in Q3/2017 is a result of stronger sales volume. After taking into account losses from non-recurring items of 482 MMUSD, which include the loss from the recognition of impairment charges on the MOSP project, and the gains from tax savings from a stronger Thai Baht (THB) relative to the USD, PTTEP's net loss for the quarter amounts to 264 MMUSD.

Nonetheless, PTTEP's financial position as of the end of Q3/2017 remains healthy, with total assets amounting to 18,616 MMUSD, of which 4,055 MMUSD was cash and short-term investments; total liabilities standing at 7,387 MMUSD, comprising interest-bearing debt of 2,889 MMUSD; resulting in total shareholders' equity of 11,229 MMUSD.

### Table of key financial results

(Unit: Million US Dollar)	Q2 2017	Q3 2017	Q3 2016	% Inc. (Dec.) QoQ	% Inc. (Dec.) YoY	9M 2017	9M 2016	% Inc. YTD
Total Revenue*	1,032	1,134	1,109	10	2	3,252	3,281	(1)
Sales Revenue*	975	1,064	1,047	9	2	3,079	3,152	(2)
EBITDA	685	777	770	13	1	2,238	2,337	(4)
Profit(loss) for the period	220	(264)	156	>(100)	>(100)	305	388	(21)
Basic earnings(loss) per share from continuing operations (Unit: USD)	0.04	(0.07)	0.04	>(100)	>(100)	0.06	0.09	(33)
Profit from normal operation	167	218	75	31	>100	596	345	73
Profit(loss) from non-recurring items	53	(482)	81	>(100)	>(100)	(291)	43	>(100)

\* Revenue from continuing operations

## *Economic Overview in the third quarter of 2017*

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### *Crude Oil Prices*

Crude oil prices, an important determinant of the Company's performance, improved during the quarter supported by several factors. The driving season in the United States of America (the US) increased demand for crude, reflected in the U.S. Energy Information Administration (EIA) report of an approximate 9% reduction in US crude inventories during the Q3/2017. Amongst other factors, lower output from Russia by approximately 300,000 barrels per day helped support crude oil prices amidst bearish influences from incremental production from Libya and Nigeria as a result of improvement in political unrest. Nonetheless, crude oil price volatility was apparent during quarter, driven by other bearish news such as US shale production reaching a three-year high at 9.5 million barrels per day, and Hurricanes Harvey and Irma leading to a two-week shutdown of numerous refineries and resulting in low demand for crude oil. On the other hand, bullish news supporting crude oil included the geopolitical risks with the Korean Peninsula and political tensions between Iraq and Turkey. These bullish factors, together with positive outcome from the OPEC meeting, signaling continued production cuts until the end of 2018, helped crude oil prices rally, and the price of Dubai crude reaching a two-year high of 57 USD per barrels the end of the quarter.

### *Thailand's Energy Demand*

Thailand's energy demand from January to August of 2017 was reported at 2.14 million BOED, an increase of 1.5% relative to the same period of the previous year (Source: EPPO, The Ministry of Energy), and partly reflected Thailand's economic expansion. Crude oil and conventional sources of natural gas continued to be the primary sources of domestic energy supply; however, solar power and LNG imports are gradually being adopted as alternative sources of energy supply.

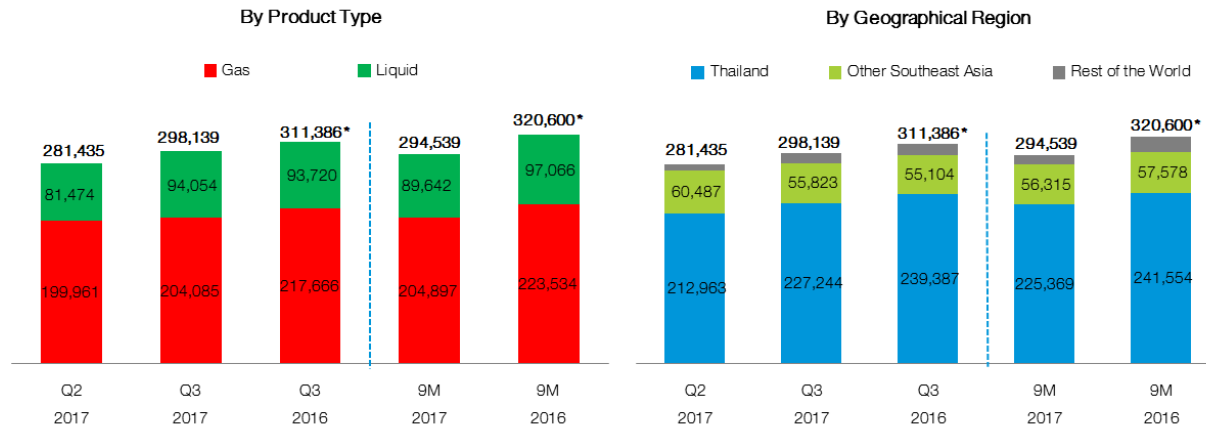
### *Exchange Rates (Thai Baht against US Dollar)*

With PTTEP's functional currency being the USD, and the currency of tax filing being the THB, the THB:USD exchange rate is another factor affecting the Company's financial performance. The Thai Baht appreciated during Q3/2017 due to a number of factors including the continued uncertainty in US fiscal policies, monetary policies of major global economies, and geopolitical risks with the Korean Peninsula. These factors resulted in heightened volatility in financial markets and of fund flows. For this quarter, the THB:USD exchange rate closed stronger at 33.37 THB/USD, appreciating by 0.61 THB/USD from 33.98 THB/USD at the end of Q2/2017, and leading to foreign exchange-related gains and tax savings for PTTEP.

Financial Performance

Average Sales Volume

Unit: Barrels of Oil Equivalent per Day



\*Included sales volume of Oman 44 Project until August 2016

Average selling price and Dubai crude oil price (Unit : US Dollar)	Q2 2017	Q3 2017	Q3 2016	% Inc. (Dec.) QoQ	% Inc. (Dec.) YoY	9M 2017	9M 2016	% Inc. (Dec.) YTD
Average selling price (/BOE)	38.08	38.78	36.32	2	7	38.29	36.00	6
Average Dubai crude oil price	49.68	50.43	43.17	2	17	51.06	38.92	31

For Third quarter of 2017 compared with Second quarter of 2017

PTTEP and its subsidiaries (the "Group") had the average sales volume for Q3/2017 in the amount of 298,139 barrels of oil equivalent per day (BOED), an increase from Q2/2017 of 281,435 BOED. The increase was primarily from the Malaysia-Thai Joint Development Areas ("MTJDA") project as the buyers in Malaysia was able to receive gas as normal after their technical problem was resolved, and Bongkot project due to lower maintenance shutdown activities. During Q3/2017, average selling price slightly increased to 38.78 USD/BOE (Q2/2017: 38.08 USD/BOE) mainly from an increase in natural gas price of projects in Myanmar.

For Third quarter of 2017 compared with Third quarter of 2016

The average sales volume for Q3/2017 of 298,139 BOED decreased when compared with the average sales volume for Q3/2016 of 311,386 BOED, primarily from decreases in the sales of the Bongkot and Sinphuhorm projects due to lower nomination from PTT. However during Q3/2017, average selling price increased to 38.78 USD/BOE (Q3/2016: 36.32 USD/BOE) following the upward adjustments of crude prices.

For the nine-month period ended September 2017 compared with 2016

The average sales volume for the nine-month period ended September 2017 decreased to 294,539 BOED when compared with the same period of 2016 (for the nine-month period ended September 2016 of 320,600 BOED). The decrease was primarily from decreases in sales volume of the PTTEP Australasia and MTJDA projects due to increases in number of shutdown days for maintenance when compared with 2016. However during the nine-month period ended September 2017, average selling price increased to 38.29 USD/BOE (for the nine-month period ended September 2016: 36.00 USD/BOE).

## Financial Performance (Continued)

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### Overall Operating Results

#### For Third quarter of 2017 compared with Second quarter of 2017

In Q3/2017, the Group had a net loss of 264 MMUSD, a decrease in operating results of 484 MMUSD or more than 100% when compared to Q2/2017 which reported a net profit of 220 MMUSD. The decreases were primarily due to 1) recognition of impairment loss on assets of the Mariana Oil Sand project of 558 MMUSD, 2) depreciation, depletion and amortization expenses increase of 32 MMUSD mainly from an increase in sales of the PTTEP Australasia project, while 3) revenue from sales increased by 89 MMUSD primarily from an increase in average sales volume.

In Q3/2017, the Group reported loss from non-recurring items of 482 MMUSD, a decrease in operating results of 535 MMUSD when compared with Q2/2017 which reported profit from non-recurring items of 53 MMUSD. The decrease was primarily due to recognition of impairment loss on assets of the Mariana Oil Sand project of 558 MMUSD during Q3/2017, while there was no recognition of such impairment loss in Q2/2017.

#### For Third quarter of 2017 compared with Third quarter of 2016

In Q3/2017, the Group had a net loss of 264 MMUSD, a decrease in operating results of 420 MMUSD or more than 100% when compared to the same period last year which reported a net profit of 156 MMUSD. The decreases were primarily due to 1) recognition of impairment loss on assets of the Mariana Oil Sand project of 558 MMUSD during Q3/2017, while 2) depreciation, depletion and amortization expenses decreased by 121 MMUSD mainly from an increase in the petroleum reserves and 3) sales revenue increased by 17 MMUSD primarily due to an increase in average selling price.

When compared to profit from non-recurring items of 81 MMUSD in Q3/2016, Q3/2017 had a decrease in operating results of 563 MMUSD. The decrease was primarily due to recognition of impairment loss on assets of the Mariana Oil Sand project of 558 MMUSD during Q3/2017, while there was no recognition of such impairment loss in Q3/2016.

#### For the nine-month period ended September 2017 compared with 2016

For the nine-month period ended September 2017, the Group had a net profit of 305 MMUSD, a decrease of 83 MMUSD or 21% when compared with net profit for the nine-month period ended September 2016 of 388 MMUSD. The decreases were primarily due to 1) recognition of impairment loss on assets of the Mariana Oil Sand project of 558 MMUSD during 2017, 2) sales revenue decreased by 73 MMUSD primarily due to a decrease in average sales volume, while 3) depreciation, depletion and amortization expenses decreased by 356 MMUSD mainly from an increase in the petroleum reserves, 4) the recognition of loss on financial instruments mainly oil price hedging was lowered by 133 MMUSD .

For the nine-month period ended September 2017, the Group reported loss from non-recurring items of 291 MMUSD, a decrease in operating results of 334 MMUSD when compared with profit from non-recurring items for the nine-month period ended September 2016 of 43 MMUSD. The decreases were primarily due to 1) recognition of impairment loss on assets of the Mariana Oil Sand project of 558 MMUSD during the nine-month period ended September 2017, while there was no recognition of such impairment loss in the same period last year, while 2) the recognition of loss on financial instruments mainly oil price hedging was lowered by 133 MMUSD and 3) the income tax expenses related to an appreciation of Thai Baht against US Dollar decreased by 81 MMUSD.

*Financial Performance (Continued)*

*Operating Results by Segments*

Net Profit (loss)	Q2	Q3	Q3	%	%	9M	9M	%
(Unit: Million US Dollar)	2017	2017	2016	Inc. (Dec.)	Inc. (Dec.)	2017	2016	Inc. (Dec.)
				QoQ	YoY			YTD
Exploration and production	139	(350)	138	>(100)	>(100)	3	408	(99)
Thailand	153	211	152	38	39	562	505	11
Overseas	(14)	(561)	(14)	>(100)	>(100)	(559)	(97)	>(100)
- Other Southeast Asia	5	16	37	>100	(57)	44	34	29
- Australia	(13)	(21)	(27)	(62)	22	(38)	(91)	58
- America	(2)	(559)	(2)	>(100)	>(100)	(561)	(8)	>(100)
- Africa	(4)	3	(22)	>100	>100	(4)	(32)	88
Pipeline transportation	63	69	50	10	38	175	158	11
Head office and others	18	17	(32)	(6)	>100	127	(181)	>100
Discontinued Operations	-	-	0.27	-	(100)	-	3	(100)
<b>Total</b>	<b>220</b>	<b>(264)</b>	<b>156</b>	<b>&gt;(100)</b>	<b>&gt;(100)</b>	<b>305</b>	<b>388</b>	<b>(21)</b>

*For Third quarter of 2017 compared with Second quarter of 2017*

For Q3/2017, the Group reported net loss of 264 MMUSD, a decrease in operating results of 484 MMUSD or more than 100% when compared with the net profit in Q2/2017 of 220 MMUSD, primarily due to a decrease in operating results of exploration and production segment in America of 557 MMUSD, while Thailand and Other Southeast Asia had an increase in operating results of 58 MMUSD and 11 MMUSD, respectively.

***Exploration and production segment***

- ***America***

For Q3/2017, America reported net loss of 559 MMUSD, an increase in operating loss of 557 MMUSD, or more than 100% when compared to net loss of 2 MMUSD reported in Q2/2017, primarily due to recognition of impairment loss on assets of the Mariana Oil Sand project of 558 MMUSD during Q3/2017.

- ***Thailand***

For Q3/2017, Thailand reported net profit of 211 MMUSD, an increase in net profit of 58 MMUSD or 38% from net profit in Q2/2017 of 153 MMUSD. The increase was primarily due to an increase in average sales volume as a result of MTJDA project as the buyers in Malaysia was able to receive gas as normal after their technical problem was resolved, and Bongkot project due to lower maintenance shutdown activities.

- ***Other Southeast Asia***

For Q3/2017, the Other Southeast Asia reported net profit of 16 MMUSD, an increase in net profit of 11 MMUSD or more than 100% from Q2/2017 of 5 MMUSD, primarily due to decrease in exploration expenses for 3D seismic activities of the Zawtika and Myanmar MOGE 3 projects which were completed in Q2/2017.

## *Financial Performance (Continued)*

### *Third quarter of 2017 compared with Third quarter of 2016*

For Q3/2017, the Group reported net loss of 264 MMUSD, a decrease in operating results of 420 MMUSD or more than 100% when compared with Q3/2016 which reported a net profit of 156 MMUSD, primarily due to a decrease in operating results of exploration and production segment in America of 557 MMUSD, while Thailand, Head office and other segment had a better operating results of 59 MMUSD and 49 MMUSD, respectively.

#### *Exploration and production segment*

- *America*

For Q3/2017, America reported net loss of 559 MMUSD, an increase in operating loss of 557 MMUSD, or more than 100% when compared to net loss of 2 MMUSD reported in Q3/2016, primarily due to recognition of impairment loss on assets of the Mariana Oil Sand project of 558 MMUSD during Q3/2017.

- *Thailand*

For Q3/2017, Thailand reported net profit of 211 MMUSD, an increase in net profit of 59 MMUSD or 39% from Q3/2016 net profit of 152 MMUSD. The increase was primarily due to a decrease in depreciation, depletion and amortization expenses from an increase in the petroleum reserves and decrease in sales volume, while the revenue from sales decreased mainly from lower average sales volume of the Bongkot and Sinphuhorm projects due to a lower nomination from PTT.

#### *Head office and others segment*

For Q3/2017, the head office and others segment reported net profit of 17 MMUSD, an increase in operating results of 49 MMUSD or more than 100% when compared with net loss in Q3/2016 of 32 MMUSD. The increase was primarily due to a decrease in income tax expenses related to changes in foreign exchange rate from an appreciation of Thai Baht against US Dollar. However, the segment recognized loss on oil price hedging in Q3/2017, while it recognized gain on oil price hedging in Q3/2016.

## *Financial Performance (Continued)*

### For the nine-month period ended September 2017 compared with 2016

For the nine-month period ended September 2017, the Group reported net profit of 305 MMUSD, a decrease in net profit of 83 MMUSD or 21% when compared with the nine-month period ended September 2016 of 388 MMUSD, primarily due to a decrease in operating results of exploration and production segment in America of 553 MMUSD, while the Group reported a better operating results in 1) Thailand of 57 MMUSD, 2) Australia of 53 MMUSD, and 3) Africa of 28 MMUSD, and 4) head office and other segment of 308 MMUSD.

#### Exploration and production segment

- **America**

For the nine-month period ended September 2017, America reported net loss of 561 MMUSD, an increase in operating loss of 553 MMUSD, or more than 100% when compared to net loss for the nine-month period ended September 2016 of 8 MMUSD, primarily due to recognition of impairment loss on assets of the Mariana Oil Sand project of 558 MMUSD.

- **Thailand**

For the nine-month period ended September 2017, Thailand reported net profit of 562 MMUSD, an increase in net profit of 57 MMUSD or 11% when compared to net profit for the nine-month period ended September 2016 of 505 MMUSD. The increase was primarily due to a decrease in depreciation, depletion and amortization expenses from an increase in the petroleum reserves and decrease in sales volume, while the revenue from sales decreased mainly from lower average sales volume of the MTJDA and Bongkot projects.

- **Australia**

For the nine-month period ended September 2017, Australia reported a net loss of 38 MMUSD, decrease in operating loss of 53 MMUSD or 58% when compared to net loss for the nine-month period ended September 2016 of 91 MMUSD, primarily due to an increase in average selling price which is referenced to the Dubai crude oil price in the global market coupled with the decrease in depreciation, depletion and amortization expenses as a result of a decrease in decommissioning costs and increase in the petroleum reserve.

- **Africa**

For the nine-month period ended September 2017, Africa reported a net loss of 4 MMUSD, decrease in operating loss of 28 MMUSD or 88% when compared to net loss for the nine-month period ended September 2016 of 32 MMUSD, primarily due to a recognition of provision for withdrawal of the Kenya L11A, L11B and L12 during the nine-month period ended September 2016, while there was no any recognition of this provision during the nine-month period ended September 2017.

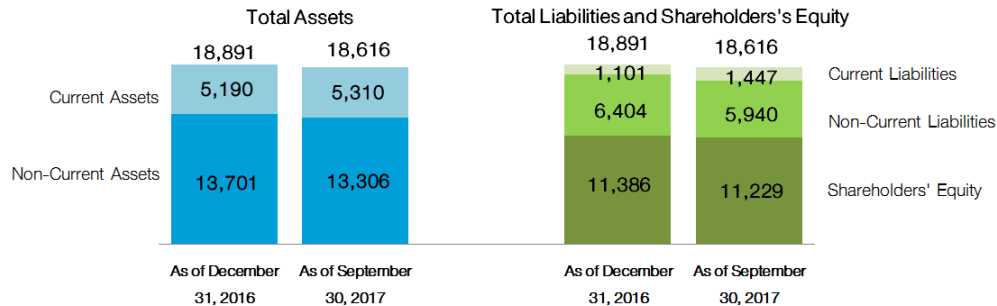
#### Head office and others segment

For the nine-month period ended September 2017, the head office and others segment reported net profit of 127 MMUSD, an increase in operating results of 308 MMUSD or more than 100% when compared with net loss during the nine-month period ended September 2016 of 181 MMUSD. The increase was primarily due to a recognition of gain on oil price hedging during the nine-month period ended September 2017, while the segment recognized loss on oil price hedging during the nine-month period ended September 2016 as well as a decrease in income tax expenses related to changes in foreign exchange rate from an appreciation of Thai Baht against US Dollar.

*Financial Performance (Continued)*

Financial Position

*Unit: Million US Dollar*



**Assets**

As at September 30, 2017, the Group had total assets in the amount of 18,616 MMUSD (equivalent to 621,204 MMTHB), a decrease of 275 MMUSD from the total assets as of December 31, 2016 of 18,891 MMUSD (equivalent to 676,890 MMTHB), primarily due to;

(1) Current assets, which were primarily comprised of cash and cash equivalents, short-term investments and account receivable – parent company, increased by 120 MMUSD mainly due to an increase of 33 MMUSD in cash and cash equivalents and short-term investments and 141 MMUSD in account receivable – parent company, while other current assets decreased by 36 MMUSD and inventories, materials and supplies decreased by 29 MMUSD.

(2) Non-current assets, which were primarily comprised of exploration and production assets in joint venture projects that are recognized as part of the property, plant and equipment, exploration and evaluation assets and goodwill. The decrease of 395 MMUSD was mainly due to 1) recognition of impairment loss on assets of the Mariana Oil Sand project, 2) depreciation, depletion and amortization expenses even though the Group had additional investment in exploration and production assets during the period, while 3) deferred tax assets increased by 167 MMUSD and 4) investment in associates increased by 163 MMUSD.

**Liabilities**

As at September 30, 2017, the Group had total liabilities of 7,387 MMUSD (equivalent to 246,499 MMTHB) which include interest-bearing debt of 2,889 MMUSD, a decrease of 118 MMUSD from total liabilities as at December 31, 2016 of 7,505 MMUSD (equivalent to 268,906 MMTHB), primarily due to;

(1) Current liabilities, which were primarily comprised of accrued expenses, current portion of debentures and income tax payable, increased by 346 MMUSD mainly due to an increase of current portion of debentures of 398 MMUSD, while income tax payable decreased by 65 MMUSD from the payment of corporate income tax for the year 2016.

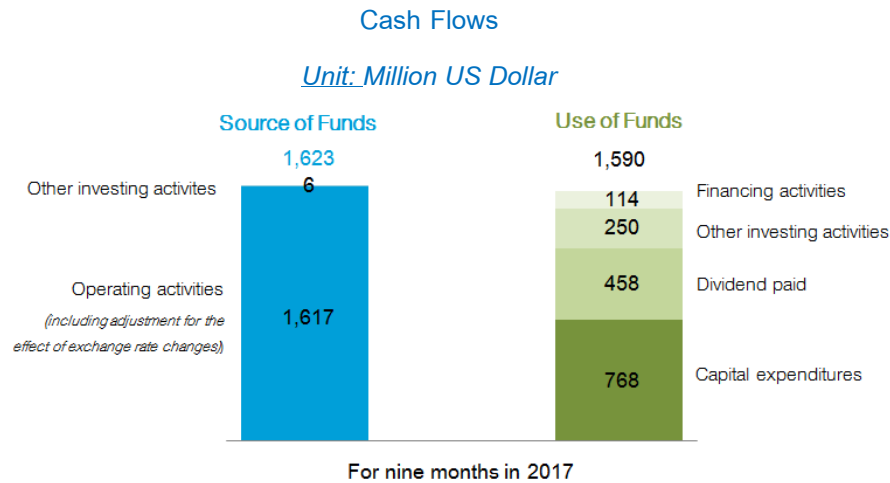
(2) Non-current liabilities, which were primarily comprised of provision for decommissioning costs, deferred tax liabilities and debentures, decreased by 464 MMUSD mainly from a reclassification some portion of debentures due within one year to current liabilities, deferred tax liabilities decreased by 76 MMUSD and financial derivative liabilities decreased by 65 MMUSD.

**Capital Structure**

As at September 30, 2017, the capital structure comprised of shareholders' equity in the amount of 11,229 MMUSD and total liabilities of 7,387 MMUSD, including the interest-bearing debts of 2,889 MMUSD with a weighted average cost of debt of 4.49% and the average maturity of 7.4 years. All interest-bearing debts are denominated in US Dollar currency. The proportion of the fixed interest rates to the floating interest rates is 80:20.



Financial Performance (Continued)



As at September 30, 2017, the Group 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 4,055 MMUSD, an increase of 33 MMUSD from cash and cash equivalents as at December 31, 2016 of 4,022 MMUSD.

**Sources of funds** in the amount of 1,623 MMUSD primarily came from **Net cash received from operating activities** as a result of the positive net cash flows from sales revenues, offset with cash payments for expenditures and income tax expenses.

**Uses of funds** in the amount of 1,590 MMUSD primarily came from **Net cash used in additional investment activities** for exploration and production assets, primarily for the Zawtika, Contract 4 and Arthit projects as well as an acquisition of share in the company operated in the LNG business in Malaysia, **Net cash used in financing activities** which mainly for the payment of dividend for the second half of 2016 and the first half of 2017.

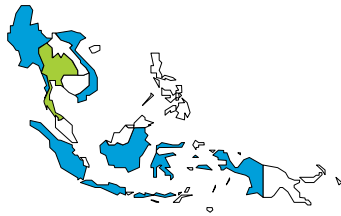
Key Financial Ratios

	Q2 2017	Q3 2017	Q3 2016	9M 2017	9M 2016
<b>Profitability Ratio (%)</b>					
EBITDA to revenue from sales	68.96	71.37	72.13	71.39	72.51
Return on equity	6.15	2.54	4.58	2.54	4.58
Net profit margin	16.45	6.66	11.20	6.66	11.20
<b>Leverage Ratio (Times)</b>					
Debt to equity	0.25	0.26	0.25	0.26	0.25
Debt to EBITDA	0.98	0.99	0.91	0.99	0.91

Remark:

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

## Operational Highlights



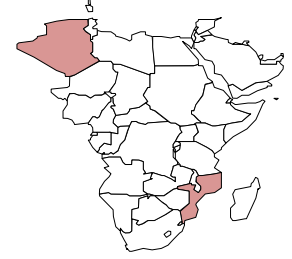
Thailand and Southeast Asia



America



Australasia



Africa

As of the third quarter of 2017, PTTEP's domestic and international operations, including projects in the exploration and production phase, altogether sum to 36 projects in 10 countries, with key project highlights as follows:

### Projects in Thailand

PTTEP currently has 16 projects in Thailand, the majority of which are in the production phase. These projects are located in both the Gulf of Thailand and onshore; including the Bongkot Project, the Arthit Project, the S1 Project, and the Contract 4 Project. For the third quarter of 2017, total sales volume from projects in Thailand amounted to 227,244 BOED, accounting for 76% of PTTEP's total sales volume. The total sales volume in this region increased by 7% compared to previous quarter, owing to recovered production levels from the MTJDA Project as the buyers in Malaysia was able to receive gas as normal after the Malaysian off-taker problem was resolved; lower maintenance shutdown activities, mainly at the Bongkot Project; and the successful increase of condensate production from Projects in the Gulf of Thailand.

### 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), the Federation of Malaysia (Malaysia) and the Republic of Indonesia (Indonesia). Sales volume for the third quarter of 2017 from the projects in the Southeast Asian region amounted to 55,823 BOED, representing 19% of PTTEP's total sales volume.

Most of the projects in the **production phase** have maintained production levels as planned. The highlights of key projects within this region for this quarter can be summarized as follows. **The Zawtika Project**, located in the Gulf of Moattama, Myanmar, has maintained its production as planned. The project is in the process of drilling additional producing wells in Phase 1B, and constructing 4 production platforms in Phase 1C with the objective to support the production plateau. Current gas sales volume was 315 MMSCFD (approximately 50,273 BOED).

For projects in the **exploration phase**, major highlights include **the Myanmar M3 Project**, which is located offshore in the Gulf of Moattama, Myanmar. The commercial feasibility and resources potential for this project are still being assessed. **The Myanmar M11 Project** and **the Myanmar MD-7 Project**, located in the in the Gulf of Moattama, Myanmar, are currently being assessed for the fields' resources potential. **The Myanmar MOGE 3 Project**, located onshore in the Central Myanmar Basin and **The Sarawak SK410B Project**, located offshore Sarawak, Malaysia, completed the seismic survey in this quarter and also in the process of evaluating the fields' resources potential. **The Vietnam B & 48/95 Project** and **the Vietnam 52/97 Project** are located offshore of Vietnam. In this quarter these projects achieved a significant milestone by signing a letter of agreement between joint venture partners on wellhead gas prices and transportation costs in order to approach further commercial contracts and other conditions before Final Investment Decision (FID).

## Operational Highlights (Continued)

### Projects in the Americas

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

All projects are in **Exploration Phase**. The **Mariana Oil Sands Project**, located in Alberta, Canada, revised its development plan with focus on cost reduction and risk mitigation.

PTTEP has 2 projects in Brazil. The **Barreirinhas AP1 Project** is located in the Barreirinhas Basin, offshore to the northeast of Brazil. The evaluation of the basin's petroleum potential through 3D seismic survey was completed in this quarter, and the project is in the process of evaluating the petroleum prospects. The **Brazil BM-ES-23 Project**, located offshore in the Espirito Santo basin, east of Brazil, is currently studying the petroleum potential for further preparation of the development plan.

### Projects in Australasia

PTTEP has 1 project in this region which is located in the Commonwealth of Australia (Australia), comprising 12 permits.

The **Montara Field** which is in **the production phase**, has sales volume for the third quarter of 2017 averaging 7,996 BPD which was in line with the production plans. The project is in the process of drilling producing well H5 in order to accelerate production levels in the fourth quarter of this year.

The **Cash Maple Field** is in **the exploration phase**. Currently, the project is carrying out the Pre-FEED study which is scheduled to be completed by the end of 2017 for further preparation of the development plans.

### Projects in Africa

PTTEP has 3 projects in this region, located in the People's Democratic Republic of Algeria (Algeria) and the Republic of Mozambique (Mozambique).

The **Algeria 433a and 416b Project**, which is in **production phase**, and is located onshore in the eastern part of Algeria, has production volumes for the third quarter of 2017 has averaging 17,180 BPD.

The **Algeria Hassi Bir Rekaiz Project**, which is in the **exploration phase**, and is located onshore in the eastern part of Algeria, successfully finished a drilling campaign with satisfactory crude oil and natural gas flow rates. Currently, the project's development plans are being prepared for submission to the Algerian government and expected to receive the approval to support the Final Investment Decision (FID) of the project within year-end 2017.

The **Mozambique Rovuma Offshore Area 1 Project**, which is also in the exploration phase, is a large gas project located in offshore Mozambique. During this quarter, the project has achieved another milestone by signing the marine concessions agreements with the government of Mozambique on 10 August 2017. The resettlement plan is currently in the preparation phase, and is scheduled to commence in the fourth quarter of 2017. The project is in the process of finalizing the LNG off-take agreements, and negotiating for project finance with financial institutions in order to support the Final Investment Decision (FID) of the project.

## Company Strategy

To enhance competitiveness and sustainable growth under the current oil price environment, the Company continuously carries out its operations through the concept of “RESET REFOCUS RENEW”. **RESET**: reduce the cost structure to maintain competitiveness in the industry under low oil price environment. **REFOCUS**: expand investments towards areas of high expertise and high potential. **RENEW**: focus on long-term strategy for sustainable growth.

### Capital Management

PTTEP focuses on ensuring effective financial management by maintaining a robust capital structure. As of the third quarter of 2017, the company's current debt-to-equity ratio is less than 0.3x which is also represented by a strong liquidity position, and also in line with the company strategic policies. The Company has approximately 4 billion USD of cash on hand which will be used to fund capital expenditures to maintain production, develop future projects in the pipeline, and carry out exploration activities as well as support new investment opportunities through Merger and Acquisitions (M&A).

In this quarter, the company implemented liability management activities through its group companies with respect to USD denominated debts. The details are as follows.

1. The repurchasing of the approximately USD 855 million in USD denominated subordinated perpetual capital securities, which were previously issued and offered in 2014 in the total aggregate principal amount of USD 1,000 million with a fixed interest rate of 4.875 percent per annum for the period from the issue date of the securities to 18 June 2019, with and the right to early redeem, which shall be first exercisable on 18 June 2019.

2. The issuance of new USD denominated subordinated perpetual capital securities, fully guaranteed by PTTEP, and offered by PTTEP Treasury Center Company Limited to investors offshore in an amount equal to the amount of the securities repurchased as specified in paragraph 1 above. The new securities were issued in 2 series, with the following details: Series 1: Securities offered and issued on 17 July 2017 in the total aggregate principal amount of USD 500 million with a fixed interest rate of 4.600 percent per annum for the period from the issue date of the securities to 17 July 2022, with the right to early redeem, which shall be first exercisable on 17 July 2022; and Series 2: Securities offered and issued on 26 July 2017 in the total aggregate principal amount of approximately USD 355 million with a fixed interest rate of 4.875 percent per annum for the period from the issue date of the securities to 18 June 2019, with and the right to early redeem, which shall be first exercisable on 18 June 2019.

The liability management activity above is part of the Company's continuous capital management efforts to increase the efficiency of company's financial management, support the current investment environment, as well as leverage PTTEP Treasury Center Company limited, the financial center of PTTEP group.

### Portfolio Management

The Company places great focus on adding petroleum reserves in both long and short term. The emphasized plans are as follows:

1. Sustain production capacity in existing projects with low operating cost by maximizing condensate production from the projects in Gulf of Thailand together with increasing production in S1 Project, Myanmar Projects and Montara Project.

2. Participate in the bidding process of expiring concessions in Gulf of Thailand, including the Bongkot and Erawan concessions. The company is well-positioned and ready to be a part of upcoming biddings within the Ministry of Energy's timeframe.

3. Accelerate progress to achieve Final Investment Decision (FID) of pre-development projects including the Mozambique Rovuma Offshore Area 1 Project, the Algeria Hassi Bir Rekaiz Project, the Contract 4 (Ubon Field) as well as the Vietnam B & 48/95 Project and the Vietnam 52/97 Project.

4. Engage in M&A deals with particular focus on producing assets or those which are in the final stage of development and close to production, located in PTTEP's region of experience such as South East Asia, or in other areas of high petroleum potential where the operating risk is moderately low, where there is market readiness, and where returns are attractive; and also accelerate exploration activities in exploration projects in the current portfolio, with particular focus on Myanmar and Malaysia, while also seeking new opportunities in the Company's strategic regions.

5. Expand the cooperation in the LNG value chain with PTT in order to achieve business growth and secure Thailand's energy security by seeking strategic investment opportunities in LNG projects globally. In this quarter, PTT Global LNG Company Limited (PTTGL), owned by PTT and PTTEP, acquired from Petronas, a 10% stake in MLNG Train 9, an LNG liquefaction plant in Malaysia, with a nameplate capacity of 3.6 million tons per annum.

## Company Strategy (Continued)

During the third quarter of 2017, key portfolio rationalization activities included the relinquishment of the Myanmar PSC G & EP 2 Project, due to the petroleum prospects not being economically viable. The relinquishment was effective on 31 August 2017.

### Organization Restructuring

In consideration of the changing industry landscape, and to support more efficient management and operational efficiency under changing business environments, PTTEP has updated its organizational structure in November 2017, and appointed Mr. Somporn Vongvuthipornchai as Chief Executive Officer (CEO), and Mr. Phongsthorn Thavisin as President of Exploration and Production (PEP) with responsibilities for management and oversight of Exploration and Production activities per the Company's strategic plans.

### Cost Management

The Company continues its focus on cost control and has initiated the SPEND SMART to Business Sustainability campaign with the theme "Think Smart, Work Smart for Better Efficiency" to become a low cost operator with long-term competitive advantages and sustainable growth. In this quarter, the Company has maintained its low unit cost levels, delivering a unit cost of USD 28.50 per BOE.

### Sustainable Development

During the third quarter of 2017, PTTEP has been selected as a member of the 2017 Dow Jones Sustainability Index (DJSI) in the World Oil and Gas Upstream & Integrated Industry for the fourth consecutive year, and was also 1 of 32 oil and gas companies selected as a constituent of the FTSE4Good Index Series: the FTSE4Good Emerging Index 2017 for the second consecutive year. This recognition underlines our ongoing commitment to sustainability as a leading sustainable organization. Key activities during the third quarter of 2017 are as follows:

#### Business

PTTEP promotes research and development of technologies and innovations to enhance the organization's competitiveness and sustainable development. Key activities in the third quarter of 2017 include the joint development with Mahidol University and Japan Oil, Gas and Metals National Corporation (JOGMEC), of electromagnetic tools to monitor the underground movement of liquids, including the software and data processing methods. A field test has been carried out and the consortium will further proceed for the patent application. In addition, PTTEP also signed a Memorandum of Understanding (MOU) with TOTAL E&P Thailand Limited for cooperation in Research and Development of Bio-Technology for applications in E&P development in the future

#### Social

PTTEP is committed to carrying out its business operations in a socially responsible manner, and focuses on four development areas: fundamental needs, education, environment, culture and sports. Key activities in the third quarter of 2017 include supporting Thailand's national sailing athletes who have won 2 gold medals, 6 silver medals and 4 bronze medals from the 29<sup>th</sup> SEA Games 2017, and were also selected for the 2017 Lazor Standard Men's World Championship in Croatia. Additionally, the Company also organized training for the Forest Volunteers on Environmental Protection campaign as well as for the Junior Guides of Sri Nakhon Khuen Khan Park campaign.

#### Safety, Security, Health and Environment

PTTEP has an environmental management system which encompasses a project's entire life cycle, and is a subset of PTTEP's Safety, Security, Health and Environment Management System (SSHE MS). In the third quarter of 2017, PTTEP had a Lost Time Injury Frequency (LTIF) score of 0.09 and a Total Recordable Incident Rate (TRIR) score of 0.70. The Company's performance on both safety indicators is superior to that of 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 revised a goal to reduce its greenhouse gas (GHG) emissions by a minimum 25% by the year 2030 versus its 2012 base year figure. In the third quarter of 2017, PTTEP reduced its GHG emissions by 6.2%.

## *Future Business Outlook*

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### *Oil Price Outlook*

PTTEP expects the price of Dubai crude in the last quarter of 2017 to average around the 55 USD per barrel marker, similar to the price level at the end of Q3/2017. Supportive supply-side factors include the possibility of OPEC announcing an extension to their production cuts until the end of 2018 during the upcoming OPEC meeting in November, and the projected reduction in global oil inventories. However, crude oil prices continue to face pressure from the US swing-supply which is forecasted to incrementally grow during Q4/2017 until 2018 as a result of improved crude oil prices. Furthermore, crude oil production policy in Libya and Nigeria will be closely monitored as there is a potential for these countries to participate in the production cuts after they are able to maintain production stability.

On the demand-side, the International Energy Agency (IEA) projects growth in global crude oil demand, with an estimated increase of 1.5 million barrels per day (BPD) over the previous year. The major contributors to demand growth are India and the Organization for Economic Cooperation and Development (OECD) countries, with demand expected to increase as early as in November from the resumption to normal operations of global refineries after their turnaround season. A number of other factors will drive uncertainty in demand for crude oil, including slower economic growth in China, and the economic stimulus policies of various economies such as those announced by the European Central Bank etc.

### *Thai Economy and Foreign Exchange Outlook*

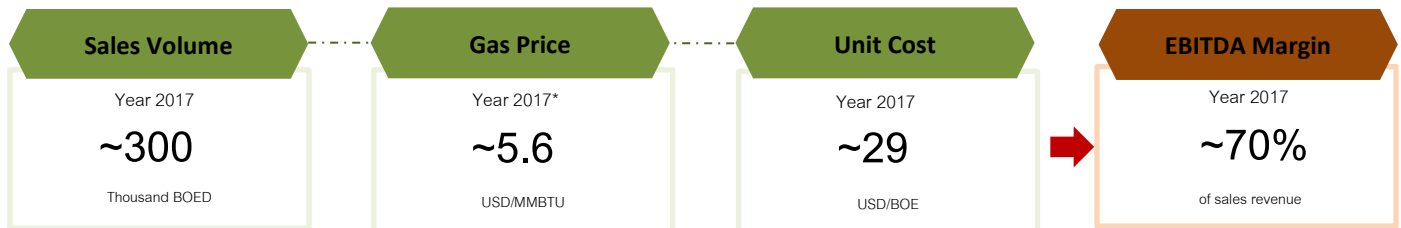
The Bank of Thailand expects the domestic economy to expand by 3.8% in 2017, which is higher than previous estimate. Key drivers to improved growth expectations for the economy include export growth and a recovery of the tourism sector, which reflect better global economic conditions as well as the fiscal stimulus from government spending and investments. Energy demand is likely to grow together with the economy.

The level of THB:USD exchange rate remains uncertain as capital markets are expected to remain volatile and require close monitoring due to a number of factors such as the possibility of interest rate increases by the FOMC in December, the lack of clarity on economic policy of the US and major industrialized countries, and the geopolitical risk with the Korean Peninsula. PTTEP's financial performance will be affected by the fluctuations in the THB:USD exchange rate which will mainly impact income taxes arising from the difference between the Company's functional currency and the currency in which it files its taxes. The effects, however, do not impact the Company's cash flows. Moreover, the possibility of increased interest rates is also expected to have minimal impact on the Company's financial performance as approximately 80% of total interest-bearing debt is fixed-rate debt.

*Future Business Outlook*

*PTTEP's performance outlook for 2017*

PTTEP's performance depends on 3 major factors including **Sales volume**, **Gas price** and **Unit cost**. The Company has revised 2017 guidance in order to reflect the latest changes in the operating plans and in the industry landscape, with the guidance summary as follows:



\*based on average Dubai price assumption of 52 USD/BBL for 2017

**Sales volume:**

Focus on maintaining the production level in Thailand with the estimated sales volume for 2017 of approximately 300,000 BOED, and expected sales volume in Q4/2017 improving from Q3/2017 volumes due to the increased gas sales nomination in the Gulf of Thailand, as well as production uplift initiatives in producing assets, mainly in projects in the Gulf of Thailand and in the S1 Project.

**Sales price:**

- PTTEP's liquid prices will fluctuate relative with global crude prices.
- PTTEP's gas prices are linked via a price formula with 6-12 months lag-time to referenced global oil prices indices. Average gas price for the year 2017 is estimated at approximately 5.6 USD/MMBTU, reflecting a better oil price environment. (Based on average Dubai price assumption of 52 USD/BBL for 2017)

**Unit Cost:**

Estimated unit cost for the year 2017 will be approximately 29 USD/BOE, which is in line with the Company's prior guidance.