

PTTEP Q3/2018 Analyst Meeting Edited Transcript

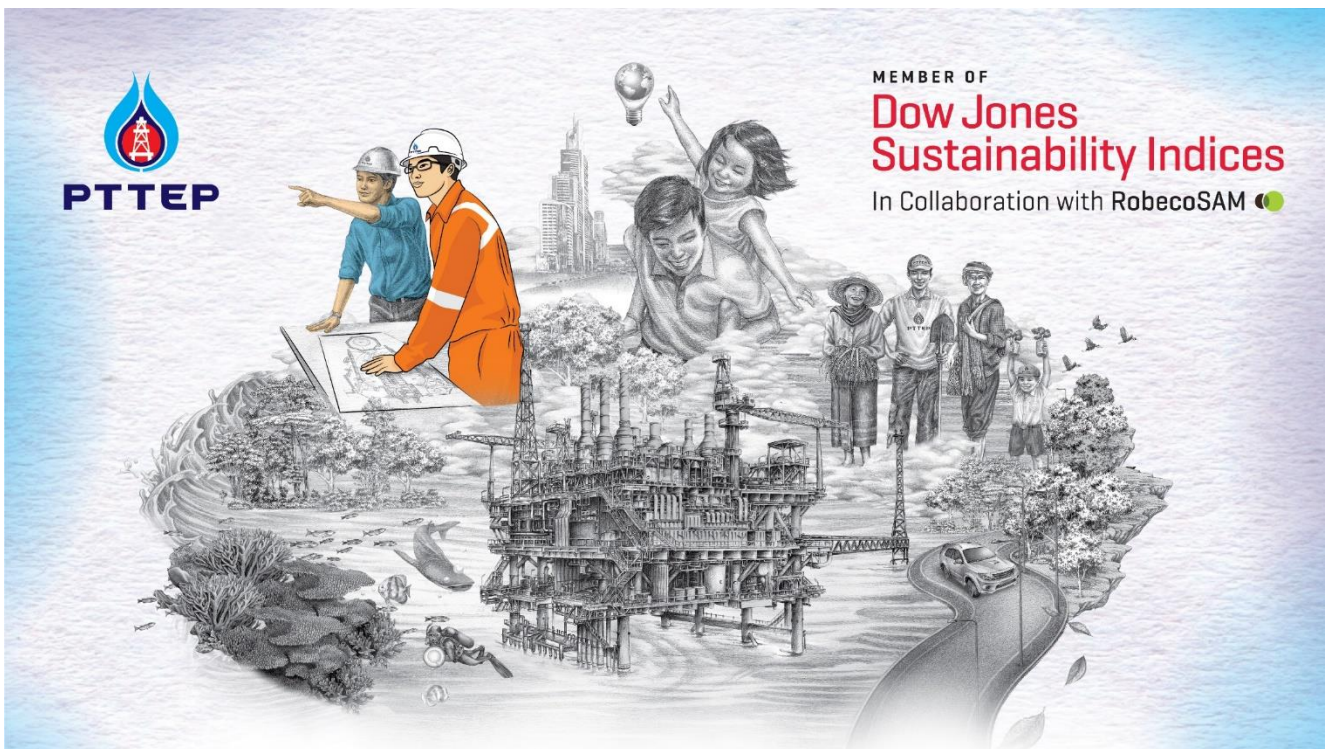
Venue: PTT Auditorium, 2nd floor, PTT Head Office, Bangkok, Thailand
16 November 2018
15:00 – 16:30 Hours

Speakers: Khun Phongsthorn Thavisin
Chief Executive Officer

Khun Montri Rawanchaikul
Executive Vice President, Strategy and Business Development Group

Khun Yongyos Krongphanich
Executive Vice President, Finance and Accounting Group

The slides of the presentation, as referenced throughout the transcript, can be found [here](#).



Introduction

Moderator

Welcome to PTTEP Q3/2018 Analyst Meeting, featuring the announcement of the Company's operating performance of the third quarter of 2018. Before we commence the session, please allow me to introduce the Company's executives who will be giving reports on the Company's operating performance today.

Khun Phongsthorn Thavisin, Chief Executive Officer

Khun Montri Rawanchaikul, Executive Vice President – Strategy and Business Development Group

Khun Yongyos Krongphanich, Executive Vice President – Finance and Accounting Group

And without further ado, please join me in welcoming Khun Phongsthorn to begin the presentation.

PART 1: Strategy Outlook

Khun Phongsthorn Thavisin
Chief Executive Officer



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2018 Key Achievements and Outlook

Unlocking value through concrete plan with solid financial position to capture business growth

This slide captures a quick snapshot of key achievements and outlook in 2018. One of the indicators of success is to achieve targeted sales volume by the end of the year, which we are quite confident that we can do so. Meanwhile, we are convinced that we can pursue more exploration blocks as well as expect to know the result of the bidding of expiring concessions in the Gulf of Thailand by December.

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Strategic Business Plan

Continue to operate under 3Rs "RESET REFOCUS and RENEW"

In order for business transformation to thrive, there are key targets; boosting reserves life, achieving production and sales growth, while at the same time equipping the organization with readiness to cope with upcoming business challenges. Over the past 30 years, PTTEP has been adapting itself to a certain extent, and with the low global oil prices that have been persistent over the past few years, we are now in the process of reviewing our operational protocols under the concept; RESET, REFOCUS and RENEW. For 'RESET', we have successfully sustained cost competitiveness, decreasing unit cost from about 40 USD/barrel to about 30 USD/barrel, and we believe this effort will continue. In the meantime, we place priority to increase reserve life to appropriate level that can establish investor confidence along with

maintaining credit rating. In terms of 'REFOCUS', we are now driving under the 'coming-home strategy', focusing on areas that we are familiar with being Thailand and Southeast Asia. On the other hand, the 'RENEW' initiatives will focus more on identifying new business opportunities. With the changing in the energy business landscape covering oil price volatility, and the trend on using green energy, more emphasis will be placed on alternative energy sources such as solar and wind energy. Despite this trend, oil and gas will still remain major energy sources for the world for many more years. However, the future trend of energy consumption will depend on advancements in technology development.

Recently, we have started the execution of the transformation project, or commonly known as re-engineering about 20 years ago. This endeavor features an organization-wide change and adaptation to thrive in the new ways of doing business. This project has been in execution for almost a year now and we have taken a close look at work processes and methodologies. In so doing, we have identified room for improvement in several areas in the E&P business, through facilitation of digitalization; AI, big data and robotics. With this, we need to do 'Old things, New ways', focusing on how to operate the business we have been doing for a long time in more effective ways. Furthermore, we will also go by 'New things, New ways', by exploring other businesses that can emerge with our core business and experiences. Part of the execution is an establishment of a subsidiary "AI and Robotics Ventures Company Limited" to apply robotics and drone technologies in our current operations and aim to expand to be service providers. The reason for establishing this endeavor as a new subsidiary is to encourage agility in operating the business. We are now in process of setting up the business plan and expect to formally launch the initiatives in early 2019.

I believe this is part of merging the value chain of PTTEP's portfolio, from the original notion of a sole focus on exploration and production, towards a more integrated energy business. For instance, we have a 'gas to power' project in Myanmar, with the ultimate aim of supporting the Myanmar Government campaign on providing thorough access to electricity for the whole country. Nevertheless, all of these initiatives will never be successful without strong foundations in different dimensions, and that is why we are in a critical need to undergo organizational transformation to be more agile and faster in the new social and environmental conditions. Therefore, we will drive the organization in a flatter structure and shorter line of supervision, in order to facilitate agility and speed in solving problems, which also involves the review and adjustments of work processes.

Most importantly, people are key success factor in all of these. No matter how advanced the equipment, processes and resources are, they will not yield effective results if our people do not have the same understanding. So people will be at the heart of driving PTTEP forward and succeeding in our goals.

We have reviewed our rather long vision statement "Leading Asian E&P Company, Driven by Competitive Performance through Advanced Technology and Green Practice" to a shorter version "Energy Partner of

Choice (through Competitive Performance and Technology for Long-Term Value Creation) to promote and adhere to the same understanding in the process of transforming the organization. By saying 'partner of choice', it does not mean just business partners, it also means partnership with governments of other countries, that they would want PTTEP to invest in their countries. Likewise, we seek to form partnerships with communities in which we are going to operate, to make sure that they would want to co-develop the communities together. In working with contractors and suppliers, we need to ensure justice and fairness and try to encourage win-win business collaborations. Same for competitors, we would anticipate business competitors to be our partners or even joint investors, since we cannot operate as a one man standing in this new era, and we need more collaborations than ever before. Lastly but most importantly, we want to be an 'employer of choice' for employees, with the aim of building engagement and driving for PTTEP's growth. Hence, 'Energy Partner of Choice' is not only easy to remember, but if understanding the true essence of it, it will help key stakeholders drive the business more effectively.

Talking about our operation, there have been several new exploration projects during this period, because this is a real growth of E&P business that will encourage revenue generations and tangible returns. Meanwhile, M&A execution is one of prioritized to fill gaps on production and reserves, however, it is quite hard to operate and achieve high rate of returns. That's why we have shifted the focus to exploration activities. Speaking of which, there are a few exploration blocks in Malaysia, and we are now pursuing a few more blocks in our neighboring countries and in the Middle East.

In the meantime, we intend to drive our current operating assets in 2019. In the past, we would wait for the market and opportunities to arise, but now we will be more proactive, meaning that if the market is not there, we will create one. For instance, the Gas-to-Power project, we believe we can deliver higher gas production from the Zawtika Project to support growing domestic gas demand. Thus, we have taken a proactive approach by discussing with the government of Myanmar to mutually drive this project together. As a result, we will be more active next year and wish to complete new investment in both domestic and international projects.

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PTTEP as a "Good" Thai Corporate Citizen

With focus on 3 pillars

In operating as a good corporate citizen and managing for sustainability, PTTEP will go by 3 pillars of thoughts; HPO (high performance organization), with the aim of transforming PTTEP to be an agile, lean and innovative organization, while at the same time maintaining the safety, health and environment standard, which we are able to keep level with the industry average. The second focus is on SVC (stakeholder value creation), where we take CSR to another level, featuring the creation of win-win situations between the government sector and the Company. For example, we have launched the Crab

Hatchery project to increase crab citizens in the eco-system, also improving quality of lives for fishermen. There will be new projects that will drive this endeavor further in 2019, and the team is working on producing various communication vehicles; video clips or short dramas, to make them known to the public, and we expect to provide more updates as we progress.

Lastly, the factor concerning GRC (governance risk and compliance) is also very important. Despite our attempt to restructure our work processes, corporate governance will not be compromised. We will have proper check and balance protocols in place to ensure that PTTEP can grow sustainably over the long run. And that is the overall highlight of current activities related to organizational transformation that will materialize consistent growth for PTTEP in years to come.

PART 2: Industry Update

Khun Montri Rawanchaikul

Executive Vice President, Strategy and Business Development Group



Oil Prices

Although global oil prices rally, volatility remains in focus

Today I have key industry updates to share with you all, after I have had an opportunity to travel to the Middle East to attend the global conference. This conference was participated by key persons; Minister of Petroleum from Saudi Arabia and the UAE, and the secretary-general of the OPEC. They discussed matters regarding the oil price direction and the demand-supply mechanism. One of the most interesting things that conference participants shared in common is that the factor influencing the oil price tendency had always been demand and supply, before the prevalence of shale oil production in the US, as seen from a large inflow of supply in 2010, consequently causing a major collapse in oil price in 2014. Then in 2016, the OPEC has introduced the production cut scheme, and since then, experts have agreed that apart from the demand-supply mechanism, there are a few other uncontrollable factors that can impact the global oil price; geopolitics, foreign exchange, interest rate, and the upcoming trade war between the US and China.

Currently, the global supply is approximately 100 million barrels per day (BPD), and the OPEC's production accounts for about 30%. Many parties have predicted that demand will grow slightly to 100 million BPD by 2020, and is likely to grow continuously. Despite the increasing trend on renewable energy and clean energy consumption, oil will remain demanded and can potentially increase to 110 million BPD. Back in

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early 2010 when there was supply glut, now the situation has turned the other way around and we are going to have high demand. So that the oil industry remains on its firm ground over the next 20-30 years whereas gas business will have a longer-term spectrum. Hence, OPEC will be focusing more on monitoring factors that can be controlled, rather than uncontrollable ones, and the controllable factor in this case is the demand and supply. If the supply is high and demand is low, production will drop, as it has been proven that the production cut scheme executed in 2016 has created positive outcomes in stabilizing the oil price.

Over the past two months, the global oil price has quite fluctuated and bounded to 80 USD/barrel in early October. Furthermore, the Iranian sanction is likely to cause Iranian supply shortage causing buyers to pile up oil inventory. However, due to the US waive provided to Iranian importers, the supply keeps entering to global market. Consequently, these occurrences caused oil price to drop to about 66-67 USD/barrel. From now on, OPEC's production will rely on demand and supply as the key mechanism to control the oil price. The pre-meeting was held prior to the OPEC meeting scheduled next month in Vienna and it has been agreed that further production cut of 500,000 BPD will be exercised, in order to keep the oil price stable in the range of 60-70 USD/barrel going forward.

Another key update to share is that there has been a talk going on about disintegrating the OPEC, which is formed of 15 countries, and principally led by Saudi Arabia and the UAE. However, since the King of Saudi Arabia has involved Russia on the matters that oil production mechanism does not depend on OPEC alone, but rather OPEC and Russia

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Key Highlights

US, shale super power still faces constraints. TH expiring concession's bidding steps forward

There has been a very interesting analysis. The blue line demonstrates the US production, which has exceeded that of Saudi Arabia, as displayed in the red line. It is also forecasted that the US shale oil production will continue for another 5-10 years. However, the potential drawback is that there is not enough pipeline capacity for export, which the US is resolving the sufficiency of pipelines. In this regard, a certain extent of balance between demand and supply will be required. If oil price declines, US might lower production, but the OPEC and Russia will also be affected. Back in 2010, there was a statement that the USA will be the oil exporter by the year 2015 and nobody believed it. Currently, the US oil export is approximately 7-8 million BPD, with the gradual increase in the future. Thus, the OPEC's production cut scheme and the relationship between OPEC and Russia, also known as 'OPEC Plus', are two significant factors that can affect the global oil price. Apart from this, geopolitical and unrest situations in Iran, Venezuela and Nigeria can also be triggers that cause price volatility, but demand and supply are still two

key factors determining the oil price over the long run. Another important factor is the upcoming G20 Summit and the agreement made between President Donald Trump and China on trade war issue.

Ultimately, the topic that I believe is at the center of everyone's attention is the bidding of expiring concessions, which has had material progress over time. The bidding is now in the evaluation process and so far two bid consortiums have passed the technical qualifications. The fourth envelope, which is about commercial terms, will be in consideration before proposing to the Petroleum Committee. Currently, the date has been set on December 25th to present the bidding results to the cabinet prior to having a formal announcement.

In this regard, PTTEP has submitted the bid on September 25th for both projects; G1/61 (Erawan) and G2/61 (Bongkot). For the Bongkot Project, some people may wonder why our partner; TOTAL, is not going with us, which is because TOTAL has shifted the investment focus to deep-water gas field in Myanmar. However, we still remain in good partnership with TOTAL for other investment opportunities in Myanmar. We do believe that the implementation of "the Gulf of Thailand model" will allow to efficiently operate as we have proven to be successful before. In the meantime, our partner for the Erawan Project is Mubadala Petroleum, reflecting our new vision 'Energy Partner of Choice', shifting from a competitor to a partner, in addition we always have regular discussions on future joint-investment plans opportunities.

With that, one of PTTEP's driving mechanism for growth in 2019 is the partnering strategy. And we will seek to identify prudent partners that share common value with us, and Mubadala Petroleum is one of them. There are going to be more partners although we cannot disclose the names for now. All in all, these are key updates with regards to industry outlook.

PART 3: Financial Performance

Khun Yongyos Krongphanich

Executive Vice President, Finance and Accounting Group



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Key Performance Drivers

Generated solid operating cash flow 9M2018 driven by strong core performance

The financial results for Q3/2018 have already been submitted to the Stock Exchange of Thailand on 9 November 2018 and today I will provide a quick snapshot once again. One of the key highlights on operational wise is that we have completed a series of portfolio rationalization through the acquisition of 22.2222% stake in the Bongkot Project and the divestment of non-core asset “Montara” oil field. Which is a mature field and operates with high cost. On the financial performance, we deliver strong net income for 9M2018 as a result of higher average selling price due to improved oil price environment and tax benefits from the appreciation of THB currency during the period.

Talking about 3 key performance drivers of the Company, firstly, the average sales volume for 9M2018 has increased by 2% from 294 thousand barrel of oil equivalent per day (KBOED) of 9M2017 to 300 KBOED, mainly from higher nomination in the Contract 4 and MTJDA projects, plus additional sales volume from the completion of the Bongkot acquisition. Next, the unit cost has increased from 28.36 USD per barrel of oil equivalent (BOE) in 9M2017 to 31.28 USD/BOE, driven by higher royalties from better sales revenue and growing DD&A from the acquisition of the Bongkot Project and more completed asset booked in mainly from the S1 Project.

Lastly, the average selling price has increased by 21% YoY to 46.25 USD/BOE reflecting a rallied oil price. For source and uses of funds, the operating cash flow for 9M2018 remained strong at 2,264 MMUSD, together with the cash received from the divestment of Montara of 133 million USD, ultimately leading to the source of fund of about 2,397 MMUSD. For uses of funds, CAPEX spending amounted to 860 MMUSD, business acquisition of the Bongkot Project accounts for 580 MMUSD, dividend payment for 556 MMUSD and loan prepayment and bond redemption of about 1 billion USD. Last but not least, the EBTDA margin has been maintained at 73%, as previously guided that the EBITDA can be in the range of 70-75%

Financial Position and Outlook

Healthy balance sheet, well positioned for future growth

The balance sheet has continued to remain healthy. The amount of asset in 9M2018 is around 19 billion USD at the same level as that of FY2017, despite an increase in liability of 5,486 million USD, which was initially allocated for the acquisition of the Bongkot Project. The interest-bearing debt has significantly decreased from 2,907 MMUSD to 1,947 MMUSD, mainly from the loan prepayment and bond redemption. In the meantime, the equity has increased slightly, from higher net income, less dividend payment.

The debt profile is 100% in the USD currency as before, with the weighted average cost of debt of 5.32%. The proportion of fixed and floating interest rate is 100:0, while the average loan life is 8.91 years. For the 2018 Financial Outlook on the right section, we have projected that the average sales volume will be delivered at 310 KBOED with the average gas price about 6.5 USD/MMBTU. The unit cost is expected to be approximately 31 USD/BOE, and the EBITDA margin is likely to be in the range of 70-75% of the sales revenues.

PART 4: QUESTIONS & ANSWERS (Q&A)

Question # 1

Could you update on the progress of the Mozambique LNG project?

Answer from PTTEP's management

The project has made significant progress. Anadarko, the operator, anticipates to take FID within the first half of 2019. The project is progressing well on the key elements required for FID, such as on the establishment of the Legal and Contractual Framework, and on the key terms for off-take volumes for 8-9 MTPA. At this stage, the project has fully executed two SPAs totaling 1.5 MTPA, and is focused on converting the remaining HOAs to binding commitments.

Question # 2

What will be PTTEP's focus on the investment in Gas-to-Power projects, and will it join-hands with GPSC on these projects?

Answer from PTTEP's management

Our focus is to expand our investment in the E&P value chain where there is a gas-demand, and in countries where we have an established footprint. Therefore, we aim to invest in Gas-to-Power projects in Myanmar, which has growing gas demand to support the development of new power plants, and where

we have producing and exploration projects to supply the gas feedstock. At this stage, we are talking with the Government on a development framework, and we are also exploring opportunities for partnerships.

Question # 3

Please provide an update on the low gas nomination situation in the Gulf of Thailand, and whether there will be any impact to PTTEP's sales volume?

Answer from PTTEP's management

We still expect a prolonged low nomination in the Gulf of Thailand, but we foresee a relatively lower impact compared to the previous year due to higher LNG prices. We believe that PTT would manage its portfolio to balance between contracted LNG volumes and gas volumes from the Gulf of Thailand. We continue to proactively discuss with PTT regarding their plans for gas demand management, and we reflect this situation in our sales volume guidance.



You can reach the Investor Relations team for more information and inquiry through the following channels:

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Forward-looking Information

The information, statements, forecasts and projections contained herein reflect the Company's current views with respect to future events and financial performance. These views are based on assumptions subject to various risks. No assurance is given that these future events will occur, or that the Company's assumptions are correct. Actual results may differ materially from those projected.

Petroleum Reserves and Resources Information

In this transcript, the Company discloses petroleum reserves and resources that are not included in the Securities Exchange and Commission of Thailand (SEC) Annual Registration Statement Form 56-1 under "Supplemental Information on Petroleum Exploration and Production Activities". The reserves and resources data contained in this transcript reflects the Company's best estimates of its reserves and resources. While the Company periodically obtains an independent audit of a portion of its proved reserves, no independent qualified reserves evaluator or auditor was involved in the preparation of reserves and resources data disclosed in this transcript. Unless stated otherwise, reserves and resources are stated at the Company's gross basis.

This transcript may contain the terms "proved reserves", "probable reserves", and/or "contingent resources". Unless stated otherwise, the Company adopts similar description as defined by the Society of Petroleum Engineers.

Proved Reserves - *Proved reserves are defined as those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.*

Probable Reserves - *Probable reserves are defined as those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable.*

Contingent Resources - *Contingent resources are defined as those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable. The reasons for non-commerciality could be economic including market availability, political, environmental, or technological.*