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AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF PTT PUBLIC COMPANY LIMITED

Opinion

The Office of the Auditor General of Thailand has audited the accompanying consolidated financial statements of PTT Public Company Limited and its subsidiaries (the Group) and separate financial statements of PTT Public Company Limited (the Company), which comprise the consolidated and separate statements of financial position, as at December 31, 2016, the consolidated and separate statements of income, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, note to the consolidated and separate financial statements, and a summary of significant accounting policies.

In the Office of the Auditor General of Thailand's opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated financial position of PTT Public Company Limited and its subsidiaries and separate financial position of PTT Public Company Limited, respectively, as at December 31, 2016, and its consolidated and separate financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing (TSAs). The Office of the Auditor General of Thailand's responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of the Office of the Auditor General of Thailand's report. The Office of the Auditor General of Thailand is independent of the Group and the Company in accordance with The State Audit Standards issued by the State Audit Commission and the Federation of Accounting Professions under the Royal Patronage of His Majesty the King's Code of Ethics for Professional Accountants that are relevant to the Office of the Auditor General of Thailand's audit of the consolidated and separate financial statements, and has fulfilled other ethical responsibilities in accordance with these requirements. The Office of the Auditor General of Thailand believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's opinion.

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Emphasis of Matter

The Office of the Auditor General of Thailand draws attention to Note 46.1 to the financial statements, which describes the event that Ombudsman of Thailand submitted a complaint to the Administrative Court (the Court) against the Company as the black case No. 510/2559, requesting the Court as follows:

- 1) To revoke the Cabinet Resolutions on December 18, 2007 and August 10, 2010.
- 2) To order the Minister of Finance, the Minister of Energy and the Company to conduct a separation and transfer of net assets according to the plaintiff's allegation as of September 30, 2001 amounting to Baht 68,569.69 million, including other compensations and benefits.
- 3) To revoke the separation of public assets and the preferential rights to establish the gas pipeline system according to the plaintiff's allegation.

Currently, the public prosecutor is preparing the statement and additional statement for submission to the Court. The case is under the consideration of the Court.

In conclusion, the Office of the Auditor General of Thailand's opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in the Office of the Auditor General of Thailand's professional judgment, were of most significance in the audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of the Office of the Auditor General of Thailand's audit of the consolidated and separate financial statements as a whole, and in forming the Office of the Auditor General of Thailand's opinion thereon, and the Office of the Auditor General of Thailand does not provide a separate opinion on these matters.

The Office of the Auditor General of Thailand identifies the followings as key audit matters:

1. Estimation of petroleum reserves

Estimation of petroleum proved reserves significantly affects the consolidated financial statements for test of impairment, including calculation of depreciation, depletion, and amortization expenses of petroleum exploration and evaluation assets. The estimated proved

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reserve may differ from the actual reserve used in the future because the estimation is based on the available information as of the date of the assessment. The estimated proved reserve at the beginning of the project is subjected to a higher deviation, but will reduce when the project approaches the end of its production life. This may impact the management's investment decision. In determining the estimated proved reserve, the Group's internal expert assigned by the management, uses the method consistent with the method applied by other companies in the petroleum exploration and evaluation industry. The expert has to use judgments as well as experiences to determine the appropriate method based on available information, therefore the amount of proved reserve may be different based on the expert's individual judgment and experience at the time of the assessment. In addition, changes in the estimated proved reserve will impact the recognition of depreciation, depletion and amortization expenses in the financial statements. As a result, the Office of the Auditor General of Thailand considers this as a key audit matter.

The Group disclosed estimation of petroleum proved reserves information in Note 3.2.13 Accounting Policies - Property, Plant and Equipment, Note 3.2.29 Use of Estimates and Significant Assumptions - Estimates of Petroleum Reserves, and Note 17 Property, Plant and Equipment.

The Office of the Auditor General of Thailand performed the followings;

1. Understand the proved reserve estimation processes and evaluate the sufficiency of the design of key internal controls, especially for the control over the reliability of the data used in the assessment of the estimated proved reserve and the used of the proved reserve data to calculate the depreciation, depletion and amortization expenses and the assessment of an impairment of assets.
2. Evaluate the qualification of the experts who are responsible for preparing and assessing the Group's estimated proved reserve.
3. Compare the consistency of estimated proved reserve information against the information assessed by the regulator of energy in Thailand who assigns its own experts and implements its own processes to audit the proved reserve report submitted by concessionaires (operators) conducted in Thailand. The Office of the Auditor General of Thailand compared the information of the Group's estimated proved reserve for the year 2015 to the estimated proved reserve quantity audited by the Energy Commission Regulation of Thailand and reconciled to the amount of estimated proved reserve during the year in order to determine the amount of the Group's estimated proved reserve for domestic projects in which the Group is an operator at the end of 2016.

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4. Test the appropriateness of the significant changes in the estimated proved reserve quantity during the period and the application of such changes to calculate the depreciation, depletion and amortization expenses, and ensure that it is complied with the Group's accounting policy.

2. Goodwill

The Group performs an impairment tests of goodwill on an annual basis in accordance with the Thai Financial Reporting Standard. The Group measures the recoverable amount of each cash-generating unit and compares the result with the net book value to determine whether goodwill impairment has occurred. To measure the recoverable amount, the Group uses estimates and significant assumptions regarding items such as petroleum exploration volume, oil prices, business plans, and discount rate. These estimates and assumptions were determined by the Group's management using significant judgment as described in Note 3.2.18 Significant Accounting Policies - Goodwill, Note 3.2.29 Use of Estimates and Significant Assumptions - Impairment of Assets, Note 20 Goodwill, and Note 21 Impairment of Assets. Because the measurement method of recoverable amount is complex, the management applies significant judgment in considering the assumptions relevant to the estimation of the recoverable amount. As a result, the Office of the Auditor General of Thailand considers this as a key audit matter.

The Office of the Auditor General of Thailand performed the followings:

1. Understand the processes, estimates, and assumptions used to measure the recoverable amount, and evaluate the sufficiency of the design of key internal controls by reviewing important procedures such as segregation of duties for measurement of recoverable amount, approval of assumptions relating to energy prices used for the preparation of the business plan, approval of the business plan by the Board of Directors, and approval of the results of the goodwill impairment tests by the management.
2. Assess the reasonableness of the estimates and significant assumptions used in the estimation of discounted free cash flows by
 - 2.1 Assess the correlation of energy prices and global price trends with the business growth and domestic economic growth rates.
 - 2.2 Assess the reasonableness of projected operating income and expenses by compare with historical operating income and expenses.
3. Assess the reasonableness of the discount rate and the components of the calculation of the weighted average cost of capital, and compare with the weighted average cost of capital of other companies in the same industry.
4. Test the calculation of the recoverable amount.

3. Provision for decommissioning costs

Provision for decommissioning costs is the significant item which included in provision for decommissioning costs in the consolidated financial statements. The decommissioning activity of the producing assets will occur at the end of the project. The methods used for the decommissioning depend on where the petroleum productions are located, for example, onshore facility and offshore where the main facilities are Central Processing Platforms, Well Head Platform, Development Well, Pipeline, and other production equipment. The regulations governed for the entire or partial decommissioning of each country and the history of decommissioning or specific characteristics of decommissioning itself that can be used as a reference to estimate the decommissioning costs are limited. The Group has to apply significant judgment and assumptions when calculating the decommissioning costs, inflation rate, discount rate and the timing of the decommission based on the expected useful life of the project which also depended on the petroleum price, and operating costs of the project, and these assumptions can be changed. The management used the Group's internal experts, comprise of Engineering and Development Group, Production Asset and Operations Support Group, Capital and Investor Relations Department, Petroleum Economics Departments and Accounting Division when estimate the provision for decommissioning costs.

The Group disclosed information about provision for decommissioning costs in Note 3.2.22 Significant Accounting Policies - Provision for Decommissioning Costs, Note 3.2.29 Use of Estimates and Significant Assumptions - Provisions, and Note 29 Provision for Decommissioning Costs.

The Office of the Auditor General of Thailand performed the followings;

1. Understand the Group's internal processes when estimating the decommissioning costs and evaluate the sufficiency of the design of internal control, on the preparation, review and change in the provision for decommissioning costs and related approval processes.
2. Evaluate the qualification of the experts who are responsible for preparing and assessing the Group's provision for decommissioning costs.
3. Evaluate the reasonableness of the assumptions used in the calculation of provision for decommissioning costs by
 - 3.1 Applying the Office of the Auditor General of Thailand's knowledge of the business coupled with the used of the information of decommissioning costs of other comparable projects when inquires the experts on the assumption used to evaluate the reasonableness of the decommissioning costs.

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- 3.2 Evaluating the consistency between the expected time of the decommissioning against the investment plan or other information relevant to the decommissioning time period.
- 3.3 Inquiring of the expert on the reasonableness of the inflation rate and discount rate and compared the information to the external sources.
4. For both projects that the Group is an operator and the projects that the Group is a non-operator, test the accuracy of the decommissioning cost calculation and compare to the information obtained from the Group's engineer.
 5. Test the significant changes in the estimate of the decommissioning costs during the year and the impact of such changes to the statements of income with the supporting documents.
 6. Test the calculation of the decommissioning costs.
 7. For project that the Group has sent the preliminary decommissioning plan and estimated costs to the regulator of energy in Thailand and the plan has been tested and certified for the accuracy of the decommissioning costs by the outside expert, the Office of the Auditor General of Thailand has assessed the reliability and competency of the outside expert by considering the qualification, work experience and the independence of the outside expert under criteria established by the regulator of energy for the appointment of the expert to test and certified the accuracy of the decommissioning costs.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and auditor's report thereon. The annual report is expected to be made available to the Office of the Auditor General of Thailand after the date of this auditor's report.

The Office of the Auditor General of Thailand's opinion on the consolidated and separate financial statements does not cover the other information and the Office of the Auditor General of Thailand will not express any form of assurance conclusion thereon.

In connection with the audit of the consolidated and separate financial statements, the Office of the Auditor General of Thailand's responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or the Office of the Auditor General of Thailand's knowledge obtained in the audit, or otherwise appears to be materially misstated.

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When the Office of the Auditor General of Thailand reads the annual report, if the Office of the Auditor General of Thailand concludes that there is a material misstatement therein, the Office of the Auditor General of Thailand is required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

The Office of the Auditor General of Thailand's objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the Office of the Auditor General of Thailand's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, the Office of the Auditor General of Thailand exercises professional judgment and maintain professional skepticism throughout the audit, including:

- Identifies and assesses the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, designs and performs audit

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procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concludes on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If the Office of the Auditor General of Thailand concludes that a material uncertainty exists, the Office of the Auditor General of Thailand is required to draw attention in the Office of the Auditor General of Thailand auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify the Office of the Auditor General of Thailand's opinion. The Office of the Auditor General of Thailand's conclusions are based on the audit evidence obtained up to the date of the Office of the Auditor General of Thailand auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Office of the Auditor General of Thailand is responsible for the direction, supervision and performance of the group audit. The Office of the Auditor General of Thailand remains solely responsible for the Office of the Auditor General of Thailand's audit opinion.

The Office of the Auditor General of Thailand communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and

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significant audit findings, including any significant deficiencies in internal control that the Office of the Auditor General of Thailand identifies during the Office of the Auditor General of Thailand's audit.

The Office of the Auditor General of Thailand also provides those charged with governance with a statement that the Office of the Auditor General of Thailand has complied with the State Audit Standards and relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the Office of the Auditor General of Thailand's independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the Office of the Auditor General of Thailand determines those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. The Office of the Auditor General of Thailand describes these matters in the Office of the Auditor General of Thailand auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the Office of the Auditor General of Thailand determines that a matter should not be communicated in the Office of the Auditor General of Thailand's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Signed) *Vanussanun Thongmeesee*
(Vanussanun Thongmeesee)
Inspector General 1

(Signed) *Sunan Wongmek*
(Sunan Wongmek)
Director of Financial Audit Office No.7

Office of the Auditor General
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