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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, 2017, 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, 2017, 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' 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.

On May 26, 2016, the Administrative Court ordered the Company to submit a defense. The Company had the public prosecutor prepared the statement and additional statement for submission to the Administrative Court. Currently, the case is under the consideration of the Administrative 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 production assets. Estimated proved reserves may differ from the actual reserves to be recoverable in the future because the estimation is based on available information at the time of the estimation. At the beginning of each project, the estimation may be subject to a high discrepancy, but the discrepancy will decrease when the project approaches the end of its production life. This may impact the management's investment decisions to sustain the Group's business. The management relies on the Group's internal teams of experts in estimating the proved reserves using the estimation methods consistent with those generally employed by the petroleum exploration and production industry. The experts have to exercise their judgment as well as experience in determining the appropriate estimation methods based on the available information at the time of the estimation. Therefore, the amount of proved reserves may vary with individual judgment and experience. In addition, changes in the estimated proved reserves 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 3.2.14 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 following key audit procedures:

1. Obtain an understanding of the proved reserve estimation processes, assess the adequacy of the designed key internal controls, and validate the key internal controls over the processes, especially the controls over the reliability of the data used in the preparation of reports related to the Group's proved reserves, and the controls for applying proved reserves data in the calculation of depreciation, depletion, and amortization expenses, as well as the consideration of impairment of assets.
2. Assess the qualifications of the experts who are responsible for estimating proved reserves and preparing the Group's proved reserves data.
3. Use the audit results of reserves estimation from the energy regulatory agency in Thailand, which has its own processes and experts for verifying the estimation of domestic petroleum reserves for projects of which the operators have submitted the

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required reports. The Office of the Auditor General of Thailand compared the Group's proved reserves for the year 2016 with the proved reserves verified by the regulatory agency and reconciled with the estimated proved reserves presented in internal reports related to the proved reserves during the year to determine the estimated proved reserves of domestic projects of which the Group was the operator at the end of 2017.

4. Test whether the Group recognized significant changes in the estimated proved reserves in the appropriate accounting period and in accordance with the Group's accounting policy, and those changes were applied to the calculation of depreciation, depletion, and amortization expenses appropriately.

2. Provision for decommissioning costs

Provision for decommissioning costs is the significant item which included in long-term provision for decommissioning costs in the consolidated financial statements. Decommissioning activities occur at the end of projects. The decommissioning methods vary with the locations of petroleum exploration and production, which are classified into onshore and offshore production areas, where the main infrastructure, including Central Processing Platforms, Well Head Platform, Development Well, Pipeline, and other producing properties, is installed. Also, the regulations in each country have varying requirements for decommissioning activities, which can be either total or partial removal. In addition, only a small number of decommissioning activities in the past or subject to certain natures have taken place, resulting in limited decommissioning cost information that can be used as a reference in the Group's estimation of future expenses. Due to these factors, the calculation of the provision for decommissioning costs has to rely significantly on the exercise of judgment in determining assumptions around decommissioning costs, inflation rates, discount rates, and timing of the decommissioning based on the estimated field life of a project. These assumptions are subject to change over time. The management relies on the Group's teams of experts, comprising those from Engineering and Development Group, Production Asset Group, Operations Support Group, and Finance and Accounting Group in estimating the provision for decommissioning costs. As a result, the Office of the Auditor General of Thailand considers this as a key audit matter.

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 28 Long-term Provision for Decommissioning Costs.

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The Office of the Auditor General of Thailand performed the following key audit procedures:

1. Obtain an understanding of the decommissioning cost estimation processes, assess the adequacy of the designed internal controls and validate the internal controls related to the estimation preparation, review and adjustment of the provision for decommissioning costs, as well as related approval.
2. Assess the qualifications of the Group's experts who are responsible for estimating the provision for decommissioning costs.
3. Evaluate the reasonableness of the assumptions used in the calculation of provision for decommissioning costs by
 - 3.1 Evaluating the reasonableness of the decommissioning costs through inquiry of the experts about the assumptions used, relying on the Office of the Auditor General of Thailand's business knowledge and decommissioning information of other comparable projects;
 - 3.2 Evaluating the consistency of the expected timing of decommissioning with investment plans or any other related information; and
 - 3.3 Evaluating the reasonableness of inflation rates and discount rates through inquiry of the experts and comparison with the information from external sources.
4. Validate the accuracy and consistency of the decommissioning costs used in the calculation of the provision for decommissioning costs with the information obtained from the Group's engineers, both for projects of which the Group is operator and for projects of which the Group is non-operator.
5. Validate significant changes in the estimated decommissioning costs incurred during the year and changes that impact the statements of income against supporting evidence.
6. Test the calculation of the provision for decommissioning costs.
7. For projects which the Group had submitted the initial decommissioning plan and the decommissioning cost estimation report, which were required to be audited and verified by the Group's external experts, to the energy regulatory agency in Thailand, the Office of the Auditor General of Thailand assessed the reliability of the external experts by ensuring that their qualifications, work experience and independence were in compliance with the requirements imposed by the regulatory agency for the appointment of third parties in auditing and verifying the accuracy of decommissioning cost estimates.
8. Compare the actual decommissioning cost incurred with the estimation made by the Group to assess the appropriateness of the estimation process. In case that there is significant difference, the Office of the Auditor General of Thailand assesses the

reasonableness of the clarification from the Group about the cause of difference, and also consider whether the Group used the experience from the actual decommissioning cost incurred within the current year to be the information for reviewing the estimation preparation process appropriately.

3. Impairment of Assets

Impairment of Assets under Mariana Oil Sands project is the significant item in the consolidated financial statements. According to the global economic uncertainty which affects the commodity price, and the US Dollars depreciation trend against Canadian Dollars, the Group had revised the development plan, including extending the Final Investment Decision of the Mariana Oil Sands project by considering the project's commercial cost-benefit analysis. The Group determined that this event might be an indicator that the project's assets may be impaired.

The Group determine the recoverable amount of the assets under Mariana Oil Sands project using the fair value less cost of disposal because the fair value less cost of disposal of exploration and evaluation assets of the project during the exploration phase will better reflect the recoverable amount of the assets and will be higher than the value in use. The fair value less cost of disposal is calculated from the estimation of discounted future cash flows. The significant assumptions included are the oil price forecast, discount rate of Oil Sands industry, production volume, and projected capitalization expenses and operating expenses. However, certain assumptions require the management to exercise significant judgement. This resulted in the risk which the fair value less cost of disposal estimated by the Group may be different from those using the overall market participant's assumptions. As a result, the Office of the Auditor General of Thailand considers this as a key audit matter.

The Group disclosed information about impairment of assets in Note 3.2.18 Significant Accounting Policies - Impairment of Assets, Note 3.2.29 Use of Estimates and Significant Assumptions - Impairment of Assets, and Note 21 Impairment of Assets.

The Office of the Auditor General of Thailand performed the following key audit procedures:

1. Assess the impairment indicator identification processes and obtain an understanding of the impairment testing processes and recoverable amount estimation processes.
2. Determine the appropriateness of the procedures used in the estimation of recoverable amount.

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3. Communicate with the auditors of the companies within the Group to obtain sufficient and appropriate audit evidence by reviewing the audit report of the impairment of assets performed by the auditors of the companies within the Group. The key audit procedures are as follows:
 - 3.1 Independent assessment for the fair value less cost of disposal with the self-developed model by using the best estimates of the future cash flows from the probable reserves in accordance with the external expert's report, which reflect the market perspective, and the comparable market indication, and perform sensitivity analysis to obtain the acceptable range of fair value less cost of disposal, and compare with the fair value less cost of disposal estimated by the companies within the Group whether they fall within the range.
 - 3.2 Assessment for the reasonableness of the assumptions which the external expert used in preparing the contingent resource and probable reserves report, which is the information used in the model.
 - 3.3 Evaluation for the knowledge, capability, and integrity of the external expert which involved with the preparation of the report.

4. Sale of investments

Sale of investments are the significant item in the separate financial statements. In 2017, the Company completed the shareholder restructuring of the Group, by transferring all shares, which the Company held, in the group of companies engaged in petrochemical business and relevant service businesses of which business operation are connected, including lending loan contracts and the rights to operate in projects and any other relevant assets as agreed to a subsidiary, which is positioned as the petrochemical flagship company. To determine the transaction price, the Company engaged an independent financial advisor to perform a fair value assessment of the transaction by determining the fair value of the shares and the assets of each company by using the fair value valuation method appropriate for each company, as well as estimates, critical assumptions, and significant management's judgement. As a result, the Office of the Auditor General of Thailand considers this as a key audit matter.

The Company disclosed information about the sale of investments in Note 12, the shareholder restructuring of the Group.

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

1. Understand the shareholder restructuring and sale of investments, estimates, and assumptions used to measure the fair value, and evaluated the adequacy and appropriateness of the designed internal controls relevant to the sale of investments.

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2. Assess the knowledge, ability, and independence of the independent financial advisor engaged by the Company to measure the fair value of shares and the assets of the transferred Group of companies.
3. Review the fair value valuation method and assessed the reasonable of the estimates and assumptions used to calculate the fair values, including the reasonable of discount rates by comparing them against the information from external sources.
4. Inquire with management as to the nature and objectives of the sale of investments.
5. Consider the adequacy of disclosures relating to the sale of investments.

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 will 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.

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.

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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, appropriate 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 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.

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- 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 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.

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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) *Poungchomnad Jariyajinda*
(Poungchomnad Jariyajinda)
Deputy Auditor General

(Signed) *Mayuree Juntamat*
(Mayuree Juntamat)
Director of Financial Audit Office No.7