

Management's Discussion and Analysis (MD&A) and operating results for the three-month and six-month periods ended June 30, 2014

Economic Overview in the second quarter of 2014

The world economy in the second quarter of 2014 (Q2/2014) expanded at a greater pace than the first quarter of 2014 (Q1/2014) but posted a slightly weaker-than-expected growth due to the advanced economies, especially US, started to improve after domestic consumption and investment contracted as a result of a harsh winter in Q1/2014. In addition, an improvement in labor market caused the Federal Reserve (FED) to continually reduce its Quantitative Easing program (QE). It decided in April and June to reduce its QE to US\$45 and US\$35 billion per month respectively. Meanwhile, the Euro economy continued to face fragile recovery amidst risk of deflation. As the result, the European central bank (ECB) cut its lending rate to 0.15% from 0.25% and the deposit rate to -0.10% from zero in order to stimulate the economy. Developing and emerging economies continued to improve, partly as a result of government stimulus measures. Thus, the International Monetary Fund (IMF) projected in July 2014 that the world economy to grow 3.4%, decreasing from its 3.7% previous projection in April.

According to the International Energy Agency (IEA) in June 2014, global oil demand in Q2/2014 averaged 92.0 million barrels per day (MMBD), increased 0.6 and 1.2 MMBD from Q1/2014 and Q2/2013 respectively caused by an increase in demand mainly from Europe, Middle East, and China.

Average Dubai crude oil price in Q2/2014 was US\$106.1 per barrel, rising from US\$104.5 and US\$100.8 per barrel seen in Q1/2014 and Q2/2013 respectively. An increase in oil price was caused by geopolitical factors i.e. political unrest in Iraq, tension between Russia and the western countries, and diminished Libyan oil exports, resulted from the port closures by the protestors in Libya. Petroleum product prices in the Singapore spot market plummeted, in contrast to Dubai and gasoline prices. Higher gasoline prices were caused by robust regional demand, especially Indonesia, and tightening supply from the refineries' turnaround in the region. The average diesel price remained the same as previous quarter. However, the average fuel oil price decreased due to the weak demand from Japan's power generation, China's teapot refinery, and bunker demand, coupled with the additional western supply.

Unit: US\$/bbl	Q2/2013	Q1/2014	Q2/2014	% Inc.(Dec.)		1H/2013	1H/2014	% Inc.(Dec.)
				YoY	QoQ			
Average Dubai crude oil price	100.8	104.5	106.1	5.3%	1.5%	104.5	105.3	0.8%

Petrochemical prices of Olefins in Q2/2014 rose from Q1/2014 due to tight supply amid crackers maintenance especially in North East Asia together with improved demand. Petrochemical prices of Aromatics, Benzene price declined in relation to US Benzene price and low demand in Taiwan and China. Paraxylene price also decreased, as a result of light buying activities from low polyester demand.

Unit: USD per Ton	Q2/2013	Q1/2014	Q2/2014	% Inc.(Dec.)		1H/2013	1H/2014	% Inc.(Dec.)
				YoY	QoQ			
Ethylene	1,262	1,440	1,447	14.7%	0.5%	1,329	1,444	8.7%
High Density Polyethylene (HDPE)	1,443	1,555	1,569	8.7%	0.9%	1,463	1,562	6.8%
Paraxylene	1,419	1,269	1,236	(12.9%)	(2.1%)	1,509	1,249	(17.2%)
Benzene	1,288	1,299	1,292	0.3%	(0.5%)	1,335	1,296	(2.9%)

Thai economy in Q2/2014 grew better than Q1/2014 after the political tensions eased since the end of May, result to improve domestic consumption. The National Council for Peace and Order (NCPO) also implemented various stimulus policy measures, especially 92 billion baht payments under rice pledging scheme and expedite the disbursement of the 2014 fiscal year budget, however, export sector remained weak. The Office of the National Economic and Social Development Board (NESDB) in May 19, 2014 projected Thai economy to grow 1.5-2.5% this year.

Non-recurring items in the second quarter of 2014

Summary of non-recurring items for Q2/2014 are as follows;

April 2014

- PTTEP has entered into an investment in petroleum exploration project in the deep water concession blocks of the Federal Republic of Brazil.
- PTTEP completed its acquisition of subsidiaries of Hess Corporation, including Hess Thailand Holdings II Limited (HTH) and Hess Exploration Thailand Company Limited (HETCL). As a result, PTTEP has 60% and 55% of participating interests in the Contract 4 and the Sinphuhorm projects, respectively.

May 2014

- PTTEP fulfilled the condition in Partnership Units Redemption Agreement (PURA) with Statoil Canada Limited, resulting in PTTEP holding 100% ownership and operator of Thornbury, Hangingstone and South Leismer fields, and receiving US\$ 200 million and CAD\$ 238 million calculated from working capital.

June 2014

- PTT sold its 15% investment in Rachaburi Power Co.,Ltd. (RPCL), operating electricity generation, to Global Power Synergy Co.,Ltd. (GPSC), compiled with power business restructuring policy of PTT Group.
- PTT extended Inter-Company Borrowing and Lending (ICBL) contract with IRPC
- IRPC had a fire incident in Vacuum Gas Oil Hydro Treating Unit (VGOHT), which provided feedstock to crackers mainly for Propylene production. The incident resulted in a temporary shutdown. Currently, it is in the process of appraising the damage. The insurance will cover the damage up to US\$ 1,200 million.

Overall performance of PTT and its subsidiaries

Financial performance of Q2/2014 compared with Q2/2013 and Q1/2014 as well as 1H/2014 compared with 1H/2013 are as follows:

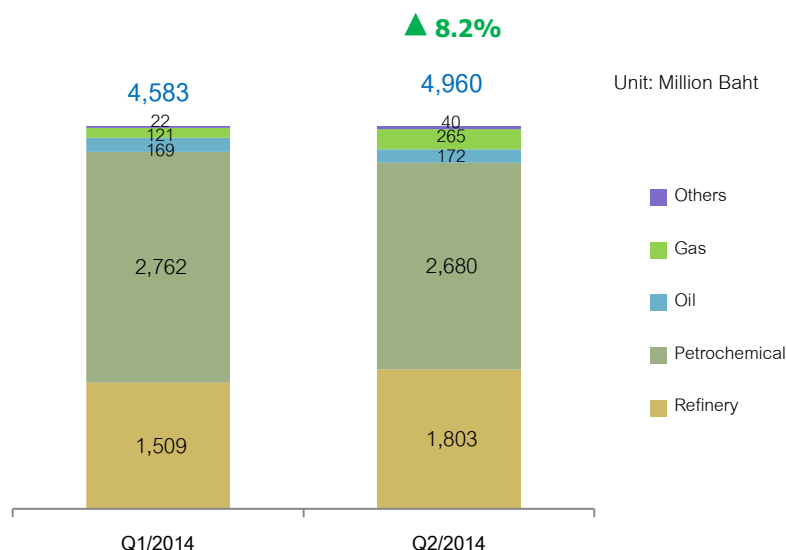
Unit : Million Baht	Q2/2013	Q1/2014	Q2/2014	% Inc. (Dec.)		1H/2013	1H/2014	% Inc. (Dec.)
				YoY	QoQ			
Sales & services income	669,543	716,571	716,692	7.0%	n.m.	1,369,407	1,433,261	4.7%
: Exploration & Production	54,396	59,192	64,255	18.1%	8.6%	109,082	123,447	13.2%
: Natural gas	131,315	131,116	145,243	10.6%	10.8%	263,001	276,360	5.1%
: Oil	152,994	166,706	165,408	8.1%	(0.8%)	308,695	332,114	7.6%
: International trading	376,246	411,314	396,335	5.3%	(3.6%)	778,648	807,649	3.7%
: Petrochemical	20,640	26,722	29,471	42.8%	10.3%	44,070	56,192	27.5%
: Coal	5,554	6,380	5,017	(9.7%)	(21.4%)	11,244	11,397	1.4%
: Others	976	885	1,059	8.5%	19.7%	1,930	1,943	0.7%
EBITDA	55,873	64,492	68,627	22.8%	6.4%	113,208	133,119	17.6%
: Exploration & Production	40,016	41,736	47,215	18.0%	13.1%	80,340	88,951	10.7%
: Natural gas	9,780	14,488	14,094	44.1%	(2.7%)	21,552	28,582	32.6%
: Oil	3,825	5,049	3,639	(4.9%)	(27.9%)	8,239	8,688	5.4%
: International trading	393	310	1,223	n.m.	n.m.	(1,376)	1,533	n.m.
: Petrochemical	224	1,150	1,077	n.m.	(6.3%)	970	2,227	n.m.
: Coal	1,213	1,352	1,036	(14.6%)	(23.4%)	2,460	2,388	(2.9%)
: Others	200	267	381	90.5%	42.7%	564	648	14.9%
EBIT	38,598	41,965	42,337	9.7%	0.9%	78,286	84,302	7.7%
: Exploration & Production	28,799	25,441	27,160	(5.7%)	6.8%	57,492	52,602	(8.5%)
: Natural gas	6,384	11,033	10,547	65.2%	(4.4%)	14,803	21,580	45.8%
: Oil	3,178	4,365	2,944	(7.4%)	(32.6%)	6,952	7,309	5.1%
: International trading								
- Excluding effect of FX	390	306	1,219	n.m.	n.m.	(1,381)	1,525	n.m.
- Including effect of FX	510	2,928	2,785	n.m.	(4.9%)	2,500	5,713	n.m.
: Petrochemical	(81)	822	759	n.m.	(7.7%)	359	1,581	n.m.
: Coal	(76)	45	(174)	n.m.	n.m.	(126)	(130)	(3.2%)
: Others	(218)	(188)	(81)	62.8%	(56.9%)	(274)	(269)	1.8%
Depreciation and amortization expenses	17,275	22,528	26,290	52.2%	16.7%	34,922	48,818	39.8%
Finance costs	5,082	5,394	5,622	10.6%	4.2%	10,031	11,016	9.8%
Gain (loss) on foreign exchange	(3,885)	2,690	1,897	n.m.	(29.5%)	3,134	4,587	46.4%
Income taxes	15,503	13,068	9,260	(40.3%)	(29.1%)	25,013	22,328	(10.7%)
Net income	11,687	27,448	30,438	n.m.	10.9%	47,491	57,886	21.9%
Earnings per share (Baht/share)	4.08	9.60	10.64	n.m.	10.8%	16.59	20.24	22.0%

Second quarter of 2014 compared with First quarter of 2014

Net income of PTT and its subsidiaries in Q2/2014 was Baht 30,438 million, increasing from Q1/2014 by Baht 2,990 million or 10.9% mainly due to better performance of PTTEP. This was caused by the acquisition of subsidiaries of Hess Corporation, which resulted to the 15% and 35% additional shareholdings in the Contract 4 and Sinphuhorm projects, respectively. In addition, there was more contribution from refining and Olefins petrochemical businesses. However, the performance of PTT decreased, especially international trading business, from refineries' turnaround and oil business due to lower sales volume from lower market demand.

In Q2/2014, sales revenue of PTT and its subsidiaries was Baht 716,692 million, increasing by Baht 121 million. The main reasons were higher sales volume of PTT's gas business due to the full resumption of PTT's Gas Separation Plants (GSP) Unit 5 since April 2014 and PTTEP's acquisition of Hess Corporation's subsidiaries during April 2014, causing the increase in shareholdings of the Contract 4 and Sinphuhorm projects. However, sales revenue of trading business decreased due to lower imported crude and condensate compared with Q1/2014. Earnings before interest, taxes, depreciation and amortization (excluding other non-operating incomes and expenses) (EBITDA) of PTT and subsidiaries was Baht 68,627 million, increasing by Baht 4,135 million or 6.4%, mainly from higher sales revenue and lower operating costs of PTTEP due to abnormal cost of a development well of the PTTEP Australasia project in Q1/2014.

Share of net income from investments in associates



In Q2/2014, the share of net income from investments in associates was Baht 4,960 million, increasing by Baht 377 million, mainly from the following reasons:

The performance of petrochemical associates slightly decreased, compared with Q1/2014. For Aromatics petrochemical associates, spread margins of Paraxylene still under pressured by continued oversupply since Q1/2014; although, the Paraxylene price marginally increased during the end of Q2/2014 because of capacity reduction of many Aromatics plants in Asia, together with the delay production of new Aromatics plants. The performance of Olefins petrochemical associates increased because spread margins of Olefins and Polymer continually rose from increasing demands which still over supplies in the market.

The performance of refining business associates increased as PTT Group refineries' Accounting GRM (including stock gain/loss and hedging gain/loss, excluding PTTGC's refining unit) increased from US\$ 3.82 per barrel in Q1/2014 to US\$ 5.28 per barrel in Q2/2014. The main reason was that there was stock gain in Q2/2014 while there was stock loss in Q1/2014, in relation to rapid rise in crude oil price during the end of Q2/2014. However, Market GRM of almost all products declined due to lower oil demand in North Asia from China's economic slowdown.

In Q2/2014, depreciation and amortization expenses increased by Baht 3,762 million or 16.7% from Baht 22,528 million in Q1/2014 to Baht 26,290 million, mainly caused by depreciation and amortization expenses of PTTEP in the PTTEP Australasia project, which began offloading crude oil for sales in August 2013, and the Contract 4 project in relation to an increase in production volume and the value of completed assets.

Gains on foreign exchange was Baht 1,897 million, decreasing by Baht 793 million or 29.5% from Baht 2,690 million in Q1/2014, mostly resulted from the drop of gains on foreign exchange of PTT because the Baht slightly depreciated against US\$.

Finance costs slightly increased by Baht 228 million or 4.2% from Baht 5,394 million in Q1/2014 to Baht 5,622 million.

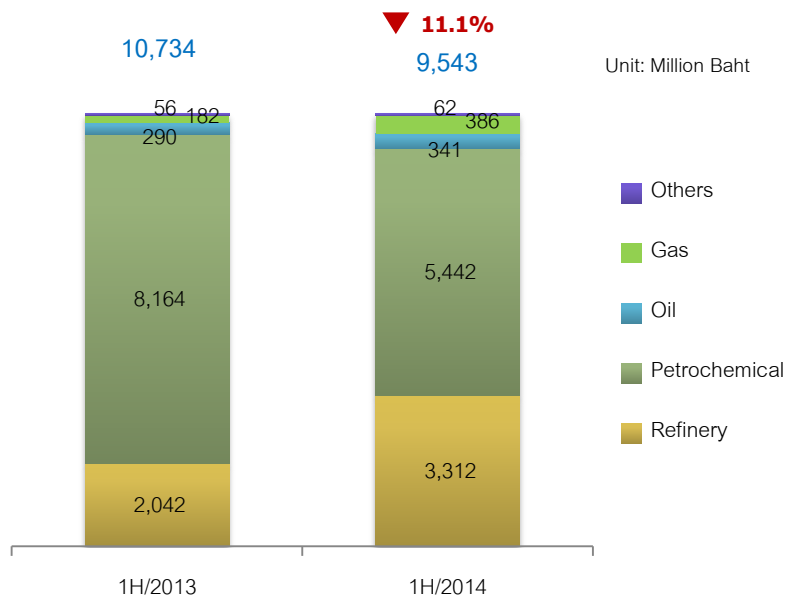
Income tax expenses were Baht 9,260 million, decreasing by Baht 3,808 million or 29.1% from Baht 13,068 million in Q1/2014, mainly due to lower domestic petroleum income taxes of PTTEP caused by maintenance shutdown of the Bongkot and Arthit projects.

First half of 2014 compared with First half of 2013

First half of 2014 (1H/2014), net income of PTT and its subsidiaries was 57,886 million, increasing by Baht 10,395 million or 21.9% from Baht 47,491 million in the first half of 2013 (1H/2013) mainly due to better performance of PTT, especially from gas business. This was contributed by higher average selling price of GSP products in relation to higher petrochemical reference prices and the Baht depreciation against US\$ compared with 1H/2013. Moreover, the performance of refining business was better as well due to stock gains.

In 1H/2014, sales revenue of PTT and its subsidiaries was Baht 1,433,262 million, increasing by Baht 63,855 million or 4.7%, mainly from sales revenue of international trading business group and oil business group as a result of higher oil prices following the global market price. The average Dubai crude oil price increased from US\$ 104.5 per barrel in 1H/2013 to US\$ 105.3 per barrel in 1H/2014. In addition, the sales volume of PTTEP increased due to the business acquisition of Hess Corporation's subsidiaries. Consequently, EBITDA of PTT and its subsidiaries was Baht 133,119 million, increasing by Baht 19,911 million or 17.6% compared with 1H/2013.

Share of net income from investments in associates



In 1H/2014, the share of net income from investments in associates was Baht 9,543 million, decreasing by Baht 1,191 million or 11.1% mainly from the following reasons:

The performance of petrochemical associates decreased in both Aromatics and Olefins. For Aromatics petrochemical associates, spread margins of Paraxylene considerably decreased, compared with 1H/2013. The main reason was oversupply from continuous increase in new Aromatics plants and lower downstream-product demands following China economic slowdown. For Olefins petrochemical associates, during Q1/2014, the unplanned and planned shutdowns of Olefins and derivatives plants caused the lower production and sales

volumes, compared with 1H/2013; although, spread margins of Olefins and Polymer products increased in relation to high demand in the market.

The performance of refining business associates increased as PTT Group refineries' Accounting GRM (excluding PTTGC's refining unit) increased from US\$ 3.87 per barrel in 1H/2013 to US\$ 4.54 per barrel in 1H/2014. The main reason was higher stock gain, compared with stock loss in 1H/2013, caused by continuous rise in crude oil price since the beginning of 2014. However, Market GRM of almost all products declined in relation to economic slowdown in China. Additionally, there were shutdowns for major turnaround in all refineries of PTT Group in 1H/2014.

In 1H/2014, PTT had gain on disposal of investments in Vietnam LPG Co.,Ltd. (VLPG), Nava Nakorn Electricity Generating Co.,Ltd. (NNEG), and Ratchaburi Power Co.,Ltd. (RPCL) totaling to Baht 1,033 million.

PTT and its subsidiaries' depreciation and amortization expenses increased by Baht 13,897 million or 39.8% from Baht 34,922 million in 1H/2013 to Baht 48,819 million. This was resulted from the higher depreciation and amortization expenses of PTTEP in the PTTEP Australasia project, which began offloading crude oil for sales in August 2013, and the Contract 4 project in relation to the increase in production volume and the value of completed assets.

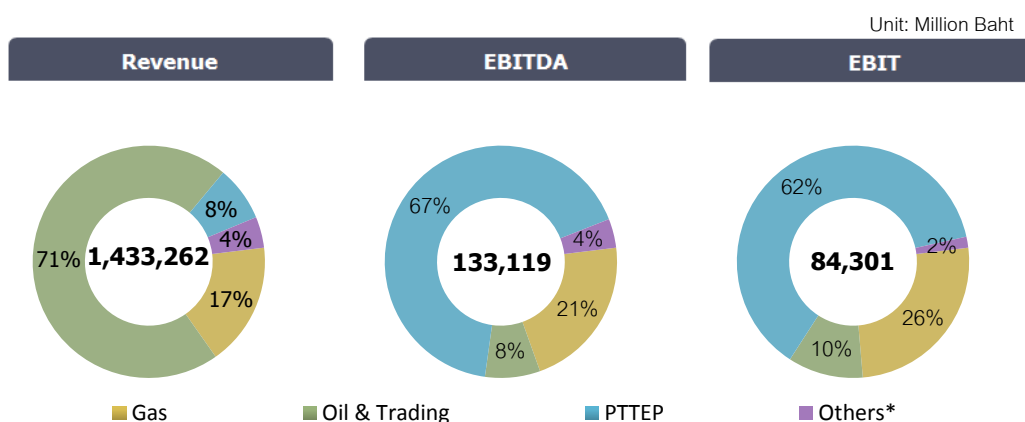
PTT and its subsidiaries had the gain on foreign exchange of Baht 4,587 million, increasing by Baht 1,453 million or 46.4% from Baht 3,134 million in 1H/2013. This was mainly resulted from the rise in gain on foreign exchange of PTT due to the Baht appreciation against US\$ in 1H/2014, while the Baht depreciation in 1H/2013.

PTT and its subsidiaries' finance costs increased by Baht 985 million or 9.8% from Baht 10,031 million in 1H/2013 to Baht 11,016 million in 1H/2014.

The corporate income taxes were Baht 22,328 million, decreasing by Baht 2,685 million or 10.7% from Baht 25,013 million in 1H/2013. The drop was mostly from domestic petroleum income taxes of PTTEP in relation to lower sales revenue as a result of planned shutdown of the Bongkot and S1 projects. However, income taxes of PTT increased in relation to higher operating income.

Segmentation performance of PTT and its subsidiaries

The details of revenue, EBITDA and EBIT of 1H/2014 by segmentation performance are as follow;



* Including petrochemical, coal, and others .

1. Upstream Petroleum and Natural Gas Business Group

Petroleum Exploration and Production Business: PTT Exploration and Production Public Co., Ltd. (PTTEP)

	Q2/2013	Q1/2014	Q2/2014	% Inc.(Dec.)		1H/2013	1H/2014	% Inc.(Dec.)
				YoY	QoQ			
Average selling price (US\$/BOE)	65.2	64.9	67.7	3.8%	4.3%	66.1	66.4	0.4%
Average sales volume (BOED)	292,721	298,621	315,810	7.9%	5.8%	292,102	307,263	5.2%

Second quarter of 2014 compared with First quarter of 2014

In Q2/2014, sales revenue of PTTEP, a subsidiary of PTT, was Baht 64,255 million, increasing by Baht 5,063 million or 8.6%, as a result of the higher average sales volume increasing by 5.8% from 298,621 barrels of oil equivalent per day (BOED) in Q1/2014 to 315,810 BOED in Q2/2014. The increasing sale volume was primarily from an increase in participating interests of the Contract 4 project from 15% to 60% and the Sinphuhorm project from 35% to 55% generated by the share acquisition of Hess Corporation's subsidiaries. In addition, the average sales volume of the Zawtika project increased from the recognition of full-quarter sales since its first gas sales in March 2014. On the other hand, the average sales volume of the Greater Bongkot North project decreased due to a planned shutdown for annual maintenance. Moreover, the sales revenue from April and May 2014 of the Canada Oil Sands KKD project was recognized as other income related to assets and liabilities in the restructuring of ownership of the Leismer and Corner areas reclassified as assets and liabilities

held-for-sales. In addition to an increase in the average sales volume, the average selling price increased by 4.3% from US\$ 64.9 per barrel of oil equivalent (BOE) in Q1/2014 to US\$ 67.7 per BOE in Q2/2014.

In Q2/2014, EBITDA was Baht 47,215 million, increasing by Baht 5,479 million or 13.1%, as a result of the rise in the average sales volume and selling price as aforementioned. Furthermore, operating expenses of the PTTEP Australasia project decreased since there was abnormal cost of a development well (H5) in Q1/2014. Nevertheless, exploration expenses increased due to higher exploratory well write-off costs from the B6/27, the PTTEP Australasia and the S1 projects, while there were exploratory well write-off costs from one well of S1 project in Q1/2014.

In Q2/2014, EBIT was Baht 27,160 million, increasing by Baht 1,719 million or 6.8%, as a result of an increase of EBITDA as aforementioned; even though, depreciation and amortization expenses of the PTTEP Australasia and Contract 4 projects increased mainly from an increase in production volume and the value of completed assets.

First half of 2014 compared with First half of 2013

In 1H/2014, sales revenue of PTTEP was Baht 123,477 million, increasing by Baht 14,365 million or 13.2% from 1H/2013, as a result of:

The higher average sales volume increasing from 292,102 BOED in 1H/2013 to 307,263 BOED in 1H/2014. The increase in sales volume was primarily from Montara of the PTTEP Australasia project, which began offloading crude oil for sales in August 2013, the Contract 4 and the Sinphuhorm projects generated by the share acquisition of Hess Corporation's subsidiaries, and the Zawtika project from its first gas sales in March 2014. Nevertheless, sales volume of the S1 and the Bongkot projects dropped due to planned shutdowns for annual maintenance.

The average selling price slightly increased by 0.4% from US\$ 66.1 per BOE in 1H/2013 to US\$ 66.4 per BOE in 1H/2014.

In 1H/2014, EBITDA was Baht 88,951 million, increasing by Baht 8,611 million or 10.7% from 1H/2013, mainly due to the increase in the average sales volume. However, EBIT in 1H/2014 was Baht 52,601 million, decreasing by Baht 4,891 million or 8.5% due to higher depreciation expenses of the PTTEP Australasia project, which began offloading crude oil for sales in August 2013, and the Contract 4 project, from an increase in production volume and the value of completed assets.

Natural Gas Business Group

The details of all product sales volume from gas separation plants are as follows:

Unit: Ton	Q2/2013	Q1/2014	Q2/2014	% Inc.(Dec.)		1H/2013	1H/2014	%Inc.(Dec.)
				YoY	QoQ			
LPG	746,073	637,576	667,025	(10.6%)	4.6%	1,422,087	1,304,601	(8.3%)
Ethane	523,314	476,393	501,002	(4.3%)	5.2%	1,075,764	977,395	(9.1%)
Propane	150,192	208,865	204,084	35.9%	(2.3%)	370,186	412,949	11.6%
NGL	183,496	181,119	184,409	0.5%	1.8%	363,523	365,528	0.6%
Total	1,603,075	1,503,953	1,556,520	(2.9%)	3.5%	3,231,560	3,060,473	(5.3%)

The details of reference product prices of GSP are as follows:

Unit: USD per Ton	Q2/2013	Q1/2014	Q2/2014	% Inc.(Dec.)		1H/2013	1H/2014	%Inc.(Dec.)
				YoY	QoQ			
LPG ^{1/4/}	771	948	817	6.0%	(13.8%)	846	883	4.4%
Ethylene ^{2/}	1,262	1,440	1,447	14.7%	0.5%	1,329	1,444	8.7%
Propylene ^{2/}	1,297	1,368	1,278	(1.5%)	(6.6%)	1,302	1,323	1.6%
HDPE ^{2/}	1,443	1,555	1,569	8.7%	0.9%	1,463	1,562	6.8%
Polypropylene (PP) ^{2/}	1,473	1,562	1,582	7.4%	1.3%	1,506	1,572	4.4%
Naphtha ^{3/}	780	858	876	12.3%	2.1%	834	867	4.0%

Note: 1/ Contract price (CP) 60:40

2/ South East Asia Spot Price

3/ MOP Singapore (MOP'S)

4/ LPG price is controlled by the Government via the Committee on Energy Policy Administration ("the Committee"). LPG ex-refinery price (LPG selling price at gas separation plants) was fixed at Baht 10.6101 per kilogram. However, on August 27, 2009, the Committee has approved the new LPG ex-refinery price to be capped at US\$ 332.7549 per ton with floating foreign exchange rate. The adjustment of the exchange rate will be based on the average exchange rate in the previous month.

Second quarter of 2014 compared with First quarter of 2014

In Q2/2014, sales revenue of Natural Gas Business was Baht 145,243 million which increased by Baht 14,127 million or 10.8% from Q1/2014 due to the followings:

The average natural gas sales volume (calculated at heating value of 1,000 BTU per cubic foot) increased by 318 million cubic feet per day (mmcf) or 7.1% from 4,450 mmcf in Q1/2014 to 4,768 mmcf in Q2/2014 due to the higher demand of IPP and Electricity Generating Authority of Thailand (EGAT) customers from hot weather during May to June 2014. Moreover, there were new IPP plants in June 2014.

The average natural gas selling price in Q2/2014 increased in all customer groups, except for industrial customers as a result of lower fuel oil reference prices compared with Q1/2014.

The sales volume of all products from GSPs (including NGL derived from Dew Point Control units) increased by 3.5% from 1,503,953 tons in Q1/2014 to 1,556,520 tons in Q2/2014 mainly due to the full resumption of PTT's GSP Unit 5 since April 2014 and higher demands of LPG and Ethane.

The selling prices of almost all products from the gas separation plants increased in relation to the global petrochemical prices, following the oil price and economic condition.

EBITDA of Natural Gas Business in Q2/2014 was Baht 14,094 million, decreasing by Baht 394 million or 2.7%. The main reason was that the loss of NGV business increased in relation to the increasing sales volume. Nevertheless, the rise in profit of products from GSPs was mainly caused by higher selling prices as a result of higher global reference petrochemical prices. Consequently, EBIT in Q2/2014 was Baht 10,547 million, decreasing by 4.4% from Q1/2014 in line with the drop in EBITDA.

First half of 2014 compared with First half of 2013

In 1H/2014, sales revenue of Natural Gas Business was Baht 276,360 million which increased by Baht 13,359 million or 5.1% from 1H/2013 due to the followings:

The average natural gas selling price in 1H/2014 increased in all customer groups as a result of the Baht depreciation.

The average natural gas sales volume (calculated at heating value of 1,000 BTU per cubic foot) decreased by 82 mmcf/d or 1.8% from 4,692 mmcf/d in 1H/2013 to 4,610 mmcf/d in 1H/2014 mainly due to the lower demand from IPP and EGAT.

The product prices of the gas separation plants in 1H/2014 increased in almost all products in relation to the global reference petrochemical prices and the Baht depreciation compared with 1H/2013.

The sales volume of products from GSPs (including NGL derived from Dew Point Control units) dropped by 5.3% from 3,231,560 tons in 1H/2013 to 3,060,473 tons in 1H/2014, especially Ethane and LPG, because PTT's GSP Unit 5, which shut down from lightning strike incident in August 2013, was resumed its normal production since April 2014. In addition, the gas separation plant shutdown increased by 13 days from 31 days in 1H/2013 to 44 days in 1H/2014.

EBITDA of Natural Gas Business in 1H/2014 was Baht 28,582 million, increasing by Baht 7,030 million or 32.6%. The main reason was the rise in profit of the gas separation plants as a result of the increase in GSP product selling prices in relation to global petrochemical price. Moreover, higher profit of natural gas sold to SPP and industrial customers was in relation to higher selling prices. However, the loss from NGV business increased in relation to an increase in sales volume. EBIT in 1H/2014 was Baht 21,580 million, increasing by 45.8%, in relation to the increase in EBITDA.

2. Downstream Petroleum Business Group

Oil Business Group

Unit : million liter	Q2/2013	Q1/2014	Q2/2014	% Inc.(Dec.)		1H/2013	1H/2014	% Inc.(Dec.)
				YoY	QoQ			
Average sales volume	6,299	6,306	6,199	(1.6%)	(1.7%)	12,267	12,505	1.9%

Second quarter of 2014 compared with First quarter of 2014

Sales revenue of Oil Business in Q2/2014 was Baht 165,408 million, decreasing by Baht 1,298 million or 0.8% from Q1/2014 because sales volume dropped by 107 million liters or 1.7% from 6,306 million liters or equivalent to 440,741 barrels per day in Q1/2014 to 6,199 million liters or equivalent to 428,479 barrels per day, mainly due to a decrease in sales volume of aviation fuel following China economic contraction. Nonetheless, selling prices increased as a result of the rise in the Dubai crude oil price from US\$ 104.5 per barrel in Q1/2014 to US\$ 106.1 per barrel in Q2/2014.

EBITDA in Q2/2014 was Baht 3,639 million, decreasing by Baht 1,410 million or 27.9% mainly due to the drop in margin of aviation fuel following lower sales volume, despite the rise in margin of non-oil business. Hence, EBIT in Q2/2014 was Baht 2,944 million, decreasing by Baht 1,421 million as a result of the drop in EBITDA as aforementioned.

First half of 2014 compared with First half of 2013

Sales revenue of Oil Business in 1H/2014 was Baht 332,114 million, increasing by Baht 23,419 million or 7.6% from 1H/2013 which resulted from the rise in oil prices. The average Dubai crude oil price increased from US\$ 104.5 per barrel in 1H/2013 to US\$ 105.3 per barrel in 1H/2014. Additionally, sales volume increased by 238 million liters or 1.9% from 12,267 million liters or equivalent to 426,281 barrels per day in 1H/2013 to 12,505 million liters or equivalent to 434,572 barrels per day in 1H/2014, mainly from the increase in aviation fuel following an increase in number of flights operating and higher gasoline caused by higher demand of imported oil in Indonesia.

EBITDA in 1H/2014 was Baht 8,688 million, increasing by Baht 449 million or 5.4% due to the rise in margins of gasoline and aviation fuel. Consequently, EBIT in 1H/2014 was Baht 7,309 million, increasing by Baht 357 million, in line with the increase in EBITDA as aforementioned.

International Trading Business Group

Unit : million liter	Q2/2013	Q1/2014	Q2/2014	% Inc.(Dec.)		1H/2013	1H/2014	% Inc.(Dec.)
				YoY	QoQ			
Average sales volume	18,605	17,232	17,035	(8.4%)	(1.1%)	36,444	34,266	(6.0%)

Second quarter of 2014 compared with First quarter of 2014

Sales revenue of International Trading Business was Baht 396,335 million in Q2/2014, decreasing by Baht 14,979 million or 3.6% from Q1/2014 because the sales volume in this quarter decreased by 197 million liters or 1.1% from 17,232 million liters or equivalent to 1,204,281 barrels per day in Q1/2014 to 17,035 million liters or equivalent to 1,177,434 barrels per day in this quarter, mainly due to the drop in sales volume of crude oil and imported condensate during refineries' turnaround compared to Q1/2014.

EBITDA in Q2/2014 was Baht 1,223 million, which increased by Baht 913 million. Hence, EBIT, which included effect on foreign exchange, in this quarter was Baht 2,785 million, decreasing by Baht 143 million from previous quarter, as a result of the drop in margin of petrochemical products and domestic crude oil.

First half of 2014 compared with First half of 2013

Sales revenue of International Trading Business was Baht 807,649 million in 1H/2014, increasing by Baht 29,001 million or 3.7% which resulted from the rise in oil price in accordance with global oil market prices. However, the sales volume in this quarter decreased by 2,178 million liters or 6.0% from 36,444 million liters or equivalent to 1,266,464 barrels per day in 1H/2013 to 34,266 million liters or equivalent to 1,190,783 barrels per day, mainly due to the drop in sales volume of crude oil and condensate from the out – out trading as well as petrochemical products.

EBITDA in 1H/2014 was Baht 1,533 million, which increased from 1H/2013 by Baht 2,909 million. Moreover, EBIT, which included effect on foreign exchange, in 1H/2014 was Baht 5,713 million, increasing by Baht 3,213 million from 1H/2013 mainly due to the higher margin of domestic condensate.

Petrochemical Business Group

Unit : US\$ per Ton	Q2/2556	Q1/2557	Q2/2557	% Inc.(Dec.)		1H/2556	1H/2557	% Inc. (Dec.)
				YoY	QoQ			
HDPE - Naphtha(MOP'J)	579	611	604	4.3%	(1.1%)	538	608	13.0%
PP - Naphtha(MOP'J)	605	617	617	2.0%	0.0%	580	617	6.4%
PX - Naphtha(MOP'J)	564	327	276	(51.1%)	(15.6%)	600	302	(49.7%)
BZ - Naphtha(MOP'J)	426	356	329	(22.8%)	(7.6%)	415	343	(17.3%)

Second quarter of 2014 compared with First quarter of 2014

Sales revenue of petrochemical subsidiaries and jointly controlled entities of PTT in Q2/2014 was Baht 29,471 million, increasing by Baht 2,749 million or 10.3% because petrochemical sales volume of PTTPM increased by 11.9%; even though, the average selling price decreased by 1.1%.

EBITDA and EBIT in Q2/2014 were Baht 1,077 million and Baht 759 million, respectively. EBITDA decreased by Baht 73 million or 6.3% and EBIT decreased by Baht 63 or 7.7%. The main reasons were the increase in cost of sales and selling expenses in line with the increase in sales volume.

First half of 2014 compared with First half of 2013

Sales revenue of petrochemical subsidiaries and jointly controlled entities in 1H/2014 was Baht 56,192 million, increasing by Baht 12,122 million or 27.5% mainly due to the rise in both petrochemical sales volume and average selling price of PTTPM. The sales volume increased by 17.6% and the average selling price also increased by 6.5%. Moreover, the sales volume of PTTAC and HMC increased as a result of maintenance shutdowns of PTTAC and HMC in 1H/2013. Moreover, spread margins of Polypropylene (PP) and Acrylonitrile (AN) in 1H/2014 increased by 22.2% and 16.1%, respectively.

In 1H/2014, EBIDA was Bath 2,227 million, increasing by Baht 1,257 million in 1H/2013. EBIT was Bath 1,581 million, increasing by Baht 1,222 million, mainly caused by the rise in sales volume and spread margin as aforementioned.

Coal Business

	Q2/2013	Q1/2014	Q2/2014	% Inc.(Dec.)		1H/2013	1H/2014	% Inc.(Dec.)
				YoY	QoQ			
Average selling price (US\$/ton)	74.3	68.1	64.2	(13.6%)	(5.7%)	75.4	66.2	(12.2%)
Sales volume (million ton)	2.5	2.9	2.4	(4.0%)	(17.2%)	5.0	5.3	6.0%

Second quarter of 2014 compared with First quarter of 2014

Sales revenue of coal business in Q2/2014 was Baht 5,017 million, decreasing by Baht 1,363 million or 21.4% since the sales volume decreased by 17.2%. The decrease was caused by sales reduction policy in order to lower impact during a low side of coal price. Moreover, the average selling price dropped by US\$ 3.9 per ton or 5.7%.

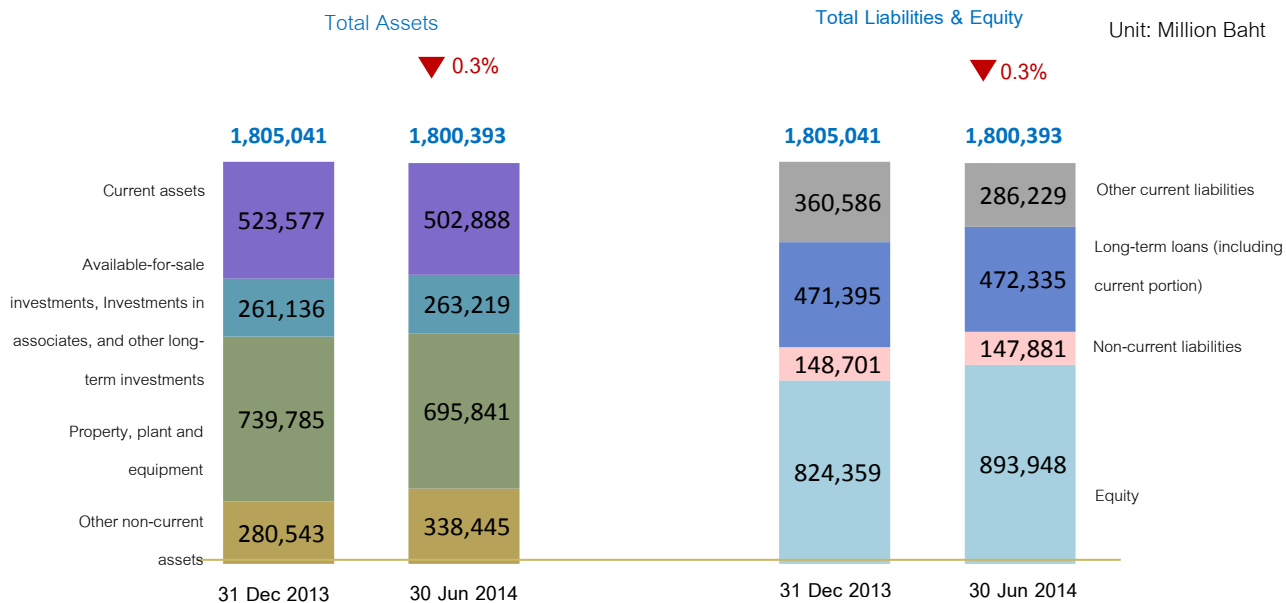
In Q2/2014, EBITDA was Baht 1,036 million, decreasing by Baht 316 million or 23.4%. However, EBIT decreased by Baht 219 million from Baht 45 million gain in Q1/2014 to Baht 174 million loss in Q2/2014, mainly due to the decreasing in sales volume and average selling prices as aforementioned.

First half of 2014 compared with First half of 2013

In 1H/2014, sales revenue of coal business was Baht 11,397 million, increasing by Baht 153 million or 1.4% since the sales volume increased by 6.0%, mainly from a rise in the sales volume of Sebkuku mine. However, the average selling prices decreased by US\$ 9.2 per ton or 12.2%.

In 1H/2014, EBITDA was Baht 2,388 million, dropping by Baht 72 million or 2.9% mainly due to a decrease in the average selling prices as aforementioned. However, the operating expenses in USD decreased by 11.1% as a result of production and logistic efficiency improvement programs. EBIT in 1H/2014 was Baht 130 million loss, additional loss of Baht 4 million or 3.2% which was caused by decreasing EBITDA as aforementioned.

The analysis of PTT and its subsidiaries' consolidated financial position as of June 30, 2014, compared with December 31, 2013



Assets

As of June 30, 2014, total assets of PTT and its subsidiaries were Baht 1,800,393 million, decreasing by Baht 4,648 million or 0.3% compared with December 31, 2013. This decrease was mainly from the net effect of the following:

: A decrease of Baht 43,944 million or 5.9% in property, plant and equipment was primarily from asset swap of Canada Oil Sands KKD project of PTTEP with Statoil Canada Limited, which resulted in a decrease of Baht 60,975 million in petroleum exploration and production assets. However, during Q2/2014, PTTEP completed its 100% shareholding acquisition of subsidiaries of Hess Corporation, including Hess Thailand Holdings II Limited (HTH) and Hess Exploration Thailand Company Limited (HETCL), leading to an increase of Baht 19,059 million in petroleum exploration and production assets.

: A decrease of Baht 20,689 million or 4.0% in current assets was mainly from

- A decrease of Baht 48,298 million in accounts receivable
- An increase of Baht 30,262 million in cash and cash equivalents mainly due to the net effect of cash inflow from asset swap of Canada Oil Sands KKD project and an issuance of debentures of PTTEP, offset with cash outflow in the additional investments in property, plants and equipment, the acquisition of subsidiaries of Hess Corporation, the repayment of loans, and dividends payment for 2H/2013 of PTT and PTTEP.

: An increase of Baht 57,902 million or 20.6% in other non-current assets mainly owing to an increase of Baht 56,755 million of intangible assets. This was caused by assets swap of Canada Oil Sands KKD project and the acquisition of subsidiaries of Hess Corporation, which resulted in an increase in exploration and evaluation assets of PTTEP.

Liabilities

As of June 30, 2014, PTT and its subsidiaries had total liabilities of Baht 906,445 million, decreasing by Baht 74,237 million or 7.6% from the year-ended 2013. This decrease was mainly from the net effect of the following:

- : A decrease of Baht 74,357 million or 20.6% in current liabilities was primarily from;
 - A decrease of Baht 50,419 million in trade account payable.
 - A decrease of Baht 14,044 million in income tax payable mostly from payment of income tax of PTTEP for the year 2013.

: Long-term loans (including the current portion within 1 year) were Baht 472,335 million, increasing by Baht 940 million or 0.2%. The increase was mainly from PTTEP's issuance of Thai Baht debentures amounting to Baht 19,600 million for the redemptions of matured debentures. The maturities of long-term loans and debentures are as follows:

Unit: million Baht

Maturity (since June 30, 2014)	PTT	PTTEP	PTTER	TTM(T)	PTTAC	HMC	EnCo	PTTPL	DCAP	PTTNGD	TTM(M)	Total
Within 1 year (June 30, 2015)	46,112	-	4,365	730	682	570	450	300	131	101	59	53,500
Over 1 year - 2 years	22,800	24,291	21	642	684	567	450	275	131	25	28	49,914
Over 2 years - 5 years	110,741	61,547	90	1,926	2,064	3,010	1,375	-	392	-	83	181,228
Over 5 years	124,626	52,862	19	4,358	1,034	-	1,150	-	91	-	140	184,280
Total	304,279	138,700	4,495	7,656	4,464	4,147	3,425	575	745	126	310	468,922

Note: Excluding liabilities under finance leases of Baht 3,413 million.

The outstanding loans (including long-term loans, debentures and bonds due within one year and later than one year) as of June 30, 2014 consisted of loans in Baht currency and foreign currencies. Details of which are as follows:

Unit: Million Baht

Long-term loans	PTT	PTTEP	PTTER	TTM(T)	PTTAC	HMC	EnCo	PTTPL	DCAP	PTTNGD	TTM(M)	Total
Baht currency	179,385	27,073	-	-	-	2,097	3,425	575	745	126	-	213,426
Foreign currency	124,894	111,626	4,496	7,656	4,465	2,050	-	-	-	-	309	255,496
Total	304,279	138,699	4,496	7,656	4,465	4,147	3,425	575	745	126	309	468,922
Proportion of long-term foreign currency loans to total long-term loans (%)	41%	80%	100%	100%	100%	49%	-	-	-	-	100%	54%

As of June 30, 2014, the loans amounting to Baht 4,500 million were guaranteed by the Ministry of Finance.

Equity

As of June 30, 2014, PTT and its subsidiaries had total shareholders' equity of Baht 893,948 million, increasing by Baht 69,589 million or 8.4% principally from

: An increase of Baht 34,533 million in unappropriated retained earnings mainly due to the performance of PTT and subsidiaries for 1H/2014 amounting to Baht 57,886 million and dividends paid for 2H/2013 amounting to Baht 22,849 million.

: An increase of Baht 36,117 million in non-controlling interests mostly from issuance of subordinated capital debenture (Hybrid Bond) of PTTEP, amounting to Baht 32,285 million.

: A decrease of Baht 1,061 million of other comprehensive income.

Liquidity

For the six-month period ended June 30, 2014, PTT and its subsidiaries had net increase in cash and cash equivalents amounting to Baht 30,263 million, while cash and cash equivalents at the beginning of the period was Baht 157,683 million. As a result, cash and cash equivalents at the end of the period was Baht 187,946 million. Details of cash flow by activities are as follows:

	Unit: Million Baht
Net cash provided by operating activities	87,809
Net cash used in investing activities	(54,758)
Net cash used in financing activities	(2,213)
Effects of exchange rates on cash and cash equivalents	(745)
Currency translation differences	170
Net increase in cash and cash equivalents during the period	30,263
Cash and cash equivalents at the beginning of the period	157,683
Cash and cash equivalents at the end of the period	187,946

Net cash provided by operating activities of Baht 87,809 million was derived from Baht 57,886 million of net profit attributable to equity holders of the company, adjusted by net profit to net cash provided (used in) by operating activities. The increase in net cash flow from operating activities mainly resulted from Baht 48,819 million of depreciation and amortization expenses, Baht 22,328 million of income taxes expenses, Baht 10,789 million of net profit attributable to non-controlling interests and Baht 10,561 million of interest expenses. However, the decrease in net cash flow from operating activities was mainly from share of income from investments in associates amounting to Baht 9,543 million, together with Baht 10,846 million of changes in net operating assets and Baht 41,075 million of income tax paid.

Net cash used in investing activities was Baht 54,758 million resulting mainly from;

: The cash outflow of investments in property, plant and equipment and intangible assets amounting to Baht 53,095 million mainly due to the additional investments of PTTEP in petroleum exploration and production assets and intangible assets totaling Baht 40,544 million mainly from the investments in Myanmar Zawtika, Arthit, Bongkot, and S1 projects. In addition, there were investments in various projects of PTT amounting to Baht 14,018 million principally from the Nakorn Sawan pipeline and Nakorn Rachasima pipeline projects.

: The payment of share acquisition of Hess Corporation's subsidiaries amounting to Baht 26,463 million.

: Net cash received from asset swaps of Canada Oil Sands KKD project totaling Baht 12,422 million.

: The proceeds of long-term investments amounting to Baht 2,696 million derived from Baht 144 million and Baht 2,417 million of disposal of investments in NNEG and RPCL (30% and 15% shareholdings held by PTT respectively) to Global Power Synergy Co.,Ltd. (GPSC) and US\$3.85 million or equivalent to Baht 122 million of the disposal of investment in VLPG (45% shareholdings held by PTT) to PetroVietnam Southern Gas Joint Stock Company.

Net cash used by financing activities was Baht 2,213 million, resulting mainly from dividends payment amounting to Baht 27,320 million, the repayment of PTTEP's debenture amounting to Baht 11,723 million, and interest payment amounting to 10,019 million. However, PTTEP issued subordinated capital debentures (Hybrid Bond) and Baht currency debentures amounting to Baht 32,557 million and Baht 19,582 million, respectively.

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Financial ratios and earnings per share of PTT and its subsidiaries

Financial ratios and Earnings per share	Unit	Q2/2013	Q1/2014	Q2/2014	1H/2013	1H/2014
<u>Profitability Ratios</u>						
Gross Profit Margin	%	8.25%	8.06%	8.63%	8.06%	8.34%
Net Profit Margin	%	1.75%	3.83%	4.25%	3.47%	4.04%
<u>Solvency Ratios</u>						
Interest Coverage	Time	8.17	16.98	9.56	9.10	12.86
<u>Earnings per share</u>						
Earnings per share	Baht/Share	4.08	9.60	10.64	16.59	20.24

Financial Ratios	Unit	December 31, 2013	March 31, 2014	June 30, 2014
<u>Liquidity Ratios</u>				
Current Ratio	เท่า	1.29	1.49	1.48
Quick Ratio	เท่า	1.08	1.07	1.23
<u>Solvency Ratios</u>				
Debt to Equity	เท่า	0.59	0.57	0.54

Note:

Gross profit margin	=	Gross profit divided by Sales and service income
Net profit margin	=	Net profit divided by Sales and service income
Interest coverage ratio	=	(Net cash flow from operating activities + Interest paid from operating activities + Taxes paid from operating activities) divided by Interest paid from operating and financing activities
Current ratio	=	Current assets divided by Current liabilities
Quick ratio	=	(Cash and cash equivalent + Current investments + Accounts receivable) divided by Current Liabilities
Debt to equity ratio	=	Interest bearing debt divided by Total shareholder's equity

Economic Outlook in the third quarter of 2014

The world economy in the third quarter of 2014 (Q3/2014) is expected to grow at the similar pace as Q2/2014 because advanced economies, especially US, continue to recover. Labor market tends to improve. Therefore, the FED continues to taper its QE and plans to end QE program in October 2014. For emerging and developing countries, especially China and India, the economies are expected to improve from the government stimulus measures which will support domestic consumption and investment. Thus, risk factors that need to be monitored are political tension in the Middle East and Ukraine, deflation in the Euro area, real estate slump in China, risk that developing and emerging economies would face from capital outflow and rising interest rate.

Dubai crude oil price in Q3/2014 is estimated to gain compare to previous quarter at the range of US\$105-108 per barrel as a result of refineries resumed operations after maintenance along with the continuing insurgence in Iraq. The prices of petroleum products are expected to be higher than Q2/2014 in line with crude oil prices. Despite the slight increase in gasoline price in the third quarter of this year, the gasoline crack spread is forecast to shrink, driven by weak demand especially from Indonesia. Diesel crack spread is estimated to remain unchanged compared to the previous quarter due to additional supply despite there is a strong demand from power generation during summer season. Fuel oil price is anticipated to increase, thanks to strong summer demand in addition to lower western arbitrage.

Dubai crude cracking in Singapore is forecasted to remain around US\$6.0 per barrel, resulting from a surge in diesel demand while gasoline demand contracted.

Olefins price in Q3/2014 is on an upward trend in parallel with improving buying activities. HDPE and PP prices are expected at US\$1,583 and US\$1,588 per ton respectively. Likewise, Aromatics price tends to recover with Benzene price expected at US\$1,331 per ton since Styrene producers return from maintenance and US continually imports Benzene. Paraxylene price will rise to US\$1,308 per ton as a result of tight supply from a cut run by high cost producers especially in Japan coupling with polyester producers building up inventory.

Thai economy in Q3/2014 is expected to expand at a greater pace than Q2/2014, driven by domestic consumption and investment after political landscape becomes more certain. The NCPO also implements various policy measures to stimulate the economy such as appointing directors to the Board of Investment committee in order to approve the pending projects, expediting the disbursement of the fiscal year 2014 budget, and completing the planning of the fiscal year 2015 budget. Moreover, export sector is expected to improve following the economic recovery of trading partners. Nevertheless, several risk factors need to be

monitored such as progress in the implementation of government policies and monetary policy of the FED that may affect Thai baht.

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Appendix

Natural gas business unit consists of PTT Natural Gas Distribution Co., Ltd. (PTTNGD), PTT LNG Co., Ltd (PTTLNG), the proportionate consolidation of Trans Thai-Malaysia (Thailand) Co.,Ltd. (TTM (T)), Trans Thai-Malaysia (Malaysia) Sdn. Bhd. (TTM (M)) and District Cooling System and Power Plant Co., Ltd. (DCAP).

Oil business unit consists of PTT (Cambodia) Co., Ltd. (PTTCL), Subic Bay Energy Co., Ltd. (SBECL), PTT Tank Terminal Co., Ltd. (PTT TANK), PTT Retail Business Co., Ltd. (PTTRB) and the consolidated Thai Lube Blending Company Limited (TLBC) due to the 100% TLBC's shareholding acquisition by PTTRB and PTT, and PTT Oil Myanmar Co., Ltd. (PTTOM).

International trading business unit consists of PTT international business unit and PTT International Trading Pte Ltd (PTTT).

Petrochemical business unit consists of PTT Polymer Marketing Co., Ltd. (PTTPM), PTT Polymer Logistics Co., Ltd. (PTTPL) and PTT PMMA Co., Ltd. (PTTPMMA) and the proportionate consolidation of PTT Asahi Chemical Co., Ltd. (PTTAC), HMC Polymers Co., Ltd. (HMC) and PTT MCC BioChem Co.,Ltd. (PTTMCC).

Coal business consists of Sakari Resources Ltd. (SAR), International Coal Holdings Pty Ltd (ICH), Straits (Brunei) Pte Ltd (Straits (Brunei)), and Yoxford Holdings (94.58% shareholding in SAR and 100% shareholdings in the others, held by PTT Mining Limited (PTTML), a 100% shareholding subsidiary of PTT Energy Resources Company Limited (PTTER)(Former: PTT International Co., Ltd. (PTTI)).

Other business consists of Energy Complex Co., Ltd. (EnCo), Business Services Alliance Co., Ltd. (BSA), PTT Green Energy Pte Ltd (PTTGE), PTT Energy Resources Company Limited (PTTER), and PTT Regional Treasury Center Pte. Ltd. (PTTRTC).

Earnings per share is calculated by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares which are held by third parties during the periods.