



(TRANSLATION)

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 the 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, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In the Office of the Auditor General of Thailand's opinion, the above mentioned consolidated and separate financial statements 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 their consolidated and separate financial performance and 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 ethical requirements set out in 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 the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's opinion.

Office of the Auditor General of Thailand



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 segregate 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 segregate 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 to communicate:

1. Estimation of petroleum reserves

Estimation of petroleum proved reserves, especially proved reserves, has a significant impact the consolidated financial statements in impairment testing and in the 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 an estimate 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 significant judgment as well as experience in determining the appropriate estimation methods for the information available 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 significant audit procedures as follows;

1. Obtaining an understanding of the proved reserve estimation processes, assessing the adequacy of the designed key internal controls, and performing tests of key controls of such 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 uses of proved reserves data in the calculation of depreciation, depletion, and amortization expenses, as well as the assessment of impairment of assets.

2. Assessing the qualifications of the Group's internal experts who are responsible for estimating proved reserves and preparing the Group's proved reserves data.

3. Using the results of the reserve estimation audit performed by the energy regulatory agency in Thailand, which has its own processes and experts for verifying the estimation of domestic petroleum reserves for projects the operators of which have submitted the required reports. The Office of the Auditor General of Thailand compared the Group's proved reserves for the year 2016 with those verified by the regulatory agency and reconciled them 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. Verifying that 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. 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, 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 with 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 Decommissioning Taskforce Team, 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.

The Office of the Auditor General of Thailand performed significant audit procedures as follows;

1. Obtaining an understanding of the decommissioning cost estimation processes, assessing the adequacy of the designed internal controls and performing tests of controls over the estimation, review and adjustment of the provision for decommissioning costs, as well as related approval.

2. Assessing the qualifications of the Group's experts who are responsible for estimating the provision for decommissioning costs.



3. Evaluating 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 knowledge of the businesses and decommissioning information of other comparable projects;

3.2 Evaluating the appropriateness of the expected timing of decommissioning used in the calculation of the provision for decommissioning costs by considering its consistency 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. Agreeing of the decommissioning costs used in the calculation of the provision for decommissioning costs to 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. Validating significant changes in the estimated decommissioning costs incurred during the year and changes that impact the statements of income against supporting evidence.

6. Testing the calculation of the provision for decommissioning costs.

7. In case of projects which the Group had submitted the initial decommissioning plan and the decommissioning cost estimate report, 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. Comparing actual decommissioning costs incurred with those estimated by the Group to evaluate the appropriateness of the estimation. In case that there were any significant variances, the Office of the Auditor General of Thailand considered the reasonableness of the clarifications made by the Group regarding the causes of such variances, as well as considered whether the Group incorporated the experience gained from the actual decommissioning in the current year into the review of the provision appropriately.

3. Impairment of Assets

Impairment of Assets under Mariana Oil Sands project is the significant item in the consolidated financial statements. Due to uncertainties in the global economy which affected commodity prices and the current trend of the US Dollar depreciation against the Canadian Dollar, the Group decided to revise the development plan, including the postponement of the Final Investment Decision of the Mariana Oil Sands project, by considering the commerciality



of the project. The Group determined that this event was an indicator that the assets of the project may be impaired. The Group measured the recoverable amount of the Mariana Oil Sands project's assets by using the fair value less cost of disposal method because the fair value less cost of disposal of exploration and evaluation assets of projects during the exploration phase better reflects the recoverable amount of the assets and is higher than their value in use. The fair value less cost of disposal was calculated from discounted future cash flow estimates. Key assumptions included oil price forecasts and discount rates of the oil sands industry, as well as estimated production volume, capital expenditures, and operating expenditures. However, certain assumptions relied on the management's exercise of significant judgment, leading to the risk that the fair value less cost of disposal measured by the Group may be different from those measured using the entire market participant 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 significant audit procedures as follows;

1. Evaluating the process of identifying impairment indicators and obtaining an understanding of the impairment testing and recoverable amount measurement processes.

2. Considering the appropriateness of the method used in measuring the recoverable amount.

3. Communicating with the component auditor to obtain sufficient and appropriate audit evidence by reviewing the audit work performed for impairment of assets by the component auditor. The key audit procedures are as follows:

3.1 Independent assessment of the fair value less cost of disposal with a self-developed model by using the best estimates of future cash inflows from probable reserves according to the external expert's report, which reflected the market's perspective, as well as using comparable market metrics and performing a sensitivity analysis to obtain an acceptable range of fair value less cost of disposal and ensure that the fair value less cost of disposal measured by the component fell within the range;

3.2 Evaluation of the reasonableness of the assumptions used by the external expert in preparing the contingent resources and probable reserves report which contained the information used in the model; and

3.3 Evaluation of the knowledge, competence, and objectivity of the external expert involved with the preparation of such report.



4. Sale of investments

Sale of investments is 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 a group of companies in petrochemical business and relevant service businesses of which business operation are connected, to a subsidiary. The restructuring also included a transfer of lending loan contracts and a sale of the rights to operate in projects and any other relevant assets as agreed to a subsidiary. This subsidiary is positioned as the petrochemical flagship company. To determine the transaction price, the Company engaged an independent financial advisors to perform a fair value assessment of the transaction by determining the fair value of the shares and the assets of each company. In the fair value valuation, the financial advisors used estimates, critical assumptions and significant management's judgement and also selected the appropriate valuation method for different companies. 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 significant audit procedures as follows;

1. Understanding the shareholder restructuring process, sale of investments, estimates, and assumptions used to measure the fair value, and evaluating the adequacy and appropriateness of the designed internal controls relevant to the sale of investments.
2. Assessing the knowledge, ability, and independence of the independent financial advisors who measured the fair value of shares and the assets of each company in the transferred group of companies.
3. Reviewing the fair value valuation method and assessing the reasonableness of the estimates and assumptions used to calculate the fair values and the reasonableness of discount rates by comparing them with the information from external sources.
4. Inquiring with management as to the nature and objectives of the sale of investments.
5. Considering 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 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.

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, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern 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 maintains professional skepticism throughout the audit. The Office of the Auditor General of Thailand also:

- 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.

- 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 auditor's report of the Office of the Auditor General of Thailand 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 auditor's report of the Office of the Auditor General of Thailand. 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.

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 auditor's report of the Office of the Auditor General of Thailand 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*
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Deputy Auditor General

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