BANPU

Management's Discussion and Analysis

For the third quarter ended

30 September 2016

Banpu Public Company Limited

ROBECOSAM
Sustainability Award
Gold Class 2016

ROBECOSAM
Sustainability Award
Industry Leader 2016

ROBECOSAM
Sustainability Award
Industry Mover 2016

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Banpu was selected for the second year as a member of the 2015 Dow Jones Sustainability Indices (DJSI)

No. BP 1116 /107

Bangkok Office

10 November 2016

Re: Management's Discussion and Analysis of the consolidated financial statements for the third quarter ended 30 September 2016

Attention: President

The Stock Exchange of Thailand

Attachment: 2 sets of consolidated financial statements for the third quarter ended 30 September 2016

Banpu Public Company Limited ("the company") hereby submits 2 sets of consolidated financial statements for the third quarter ended 30 September 2016 which were reviewed by auditors to the Stock Exchange of Thailand and accordingly to the general public.

The company's management would like to explain its performance for the second quarter ended 30 September 2016 in comparison with the same quarter ended 30 September 2015 and its statement of financial position as of 30 September 2016 compared with the statement of financial position as of 31 December 2015. The analysis topics are as follows;

1. Industry Analysis of Coal producers' operating performance in Coal industry
2. Company performance analysis
3. Consolidated statement of financial position
4. Consolidated statement of cash flows
5. Management Discussion & Analysis

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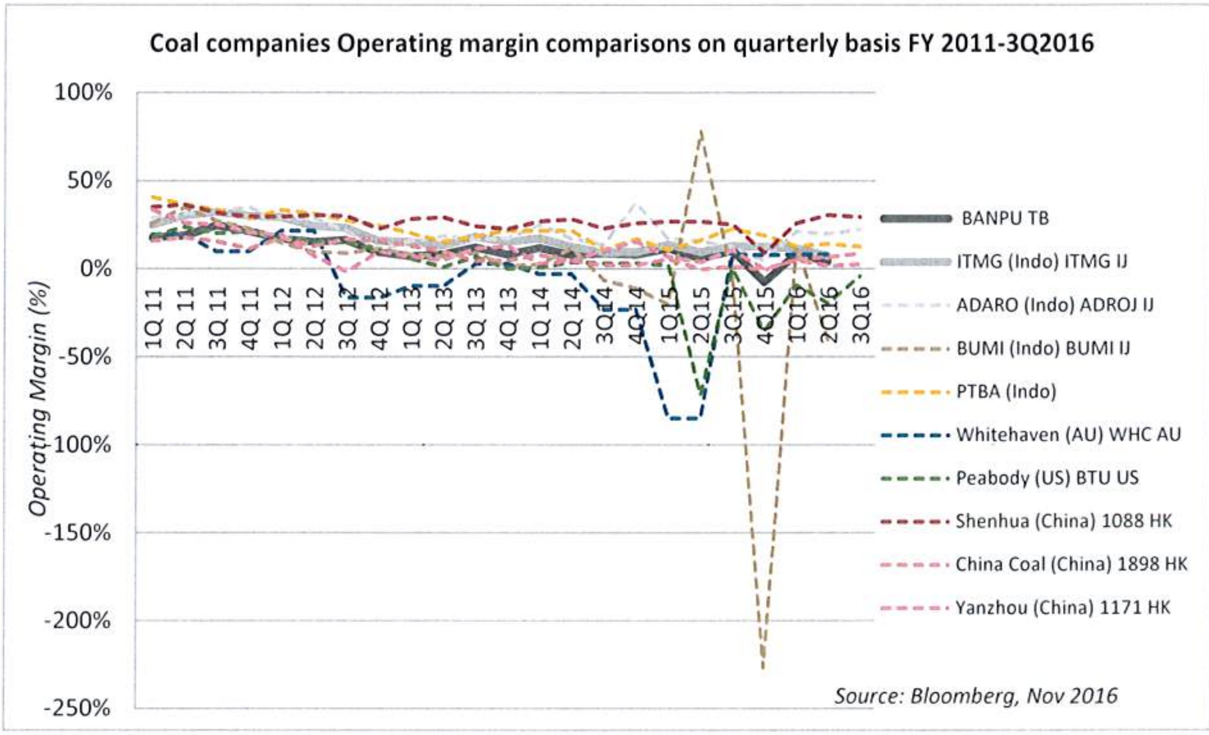
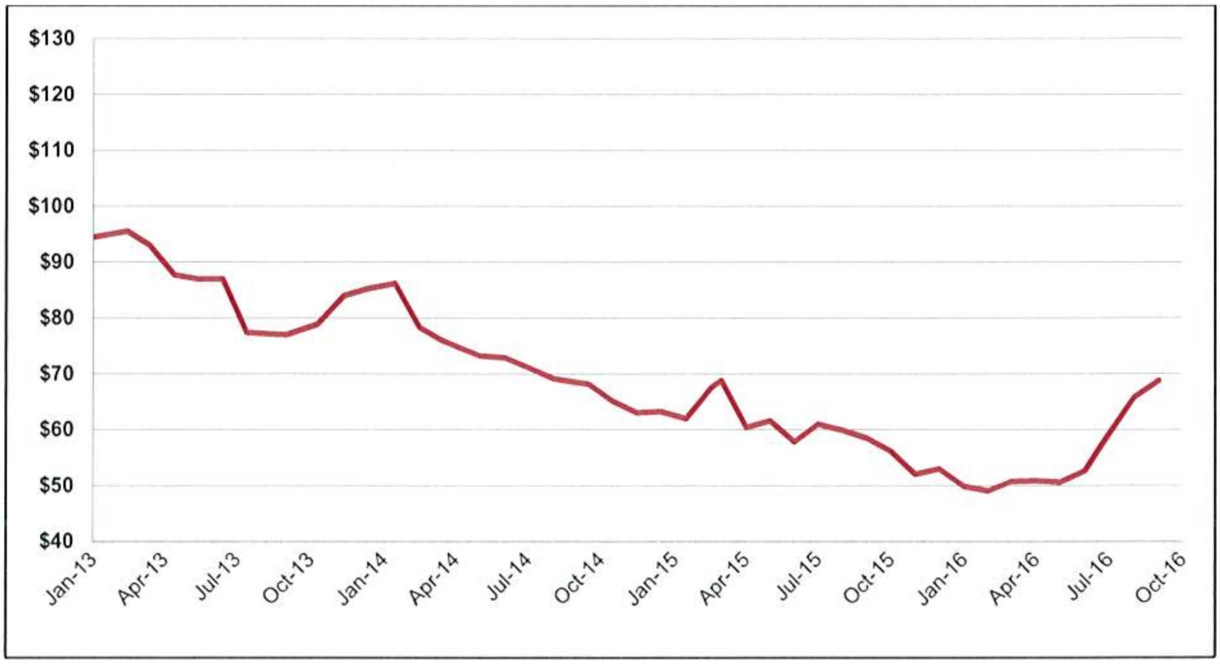
1. Industry Analysis - Coal producers 'operating performance in Coal industry

The market thermal coal price has gradually rebounded starting from July 2016 after coal price continuously declined since 2013. The following presentations illustrate the operating margin of major coal companies in each country and the coal price index;



Global Coal : Newc Index US$ per tonne (from 1 Jan 13 to 30 Sep 16)



2. Company Performance Analysis

The analysis and explanation of company performance for of the three-month periods ended 30 September 2016 and 2015 is as follows:

Consolidated statements of Income for the third quarter ended 30 September 2016 and 2015

Consolidated financial performance (Unit: Million USD)	3Q2016	3Q2015
Sales	586	598
Cost of sales	(404)	(400)
Gross margin	182	198
Selling expenses	(47)	(53)
Administrative expenses	(31)	(28)
Royalty fee	(56)	(60)
Profit sharing from associates	17	5
Other income (expense)	(10)	6
Financial costs	(34)	(33)
Profit before tax	21	35
Income tax	(8)	(27)
Net profit for the period	13	8
Owners of the parent	2	(2)
Non-controlling interest	11	10
Basic Earnings (Loss) per share(Unit: USD)	0.000	(0.001)
Diluted Earnings (Loss) per share (Unit: USD)	0.000	(0.001)

2.1 Sales revenue reported at $586 million (equivalent Baht 20,410 million), a decrease of $12 million or 2% compared to last year, was mainly from a decrease in coal selling price according to the declining of the global coal price. Details of the company's revenue are as follows:

- Revenue from coal sales of $544 million accounted for 93% of total sales revenue. The revenue from coal sales includes:
  - Sales revenue from Indonesia coal mines of $360 million;
  - Sale revenue from Australia coal mine of $184 million.
- Sales of power, steam and others of $42 million represented 7% of total sales revenue.

Revenue	3Q16 (Mil USD)	3Q15 (Mil USD)
Coal Business	544	557
Power/Steam Business	30	34
Gas	5	-
Others	7	7
Total	586	598

- Sales of Gas business has started to be included into the Group performance since this quarter.

Coal Business

Source of Coal	*3Q16* Sales Vol. Mil Tonne	*3Q15* Sales Vol. Mil Tonne	*3Q16* Avg. Price Per Tonne	*3Q15* Avg. Price Per Tonne	*3Q16* Avg. Cost Per Tonne	*3Q15* Avg. Cost Per Tonne
Indonesia Mine	7.08	6.91	US$51.35	US$57.47	US$32.79	US$36.42
Australia Mine	3.62	3.43	A$67.00	A$64.21	A$52.31	A$46.35
Total	10.70	10.34				

- Coal sale volume for the third quarter of 2016 was 10.70 million tonnes, increased by 0.36 million tonnes or 4%, consisted of 0.17 million tonnes and 0.19 million tonnes contributed by Indonesia mines and Australia mines, respectively.
- Average selling price was $50.73 per tonnes, compared to 2015 average selling price of $53.84 per tonnes, decreased by 6% which mainly from Indonesia mines as result of coal sales during this quarter were priced and used index of previous month.

Australia mines' average selling price was A$67.00 per tonnes, compared to 2015 average selling price of A$64.21 per tonnes an increase of A$2.79 per tonnes, mainly the net result of sales mix changes between domestic and export sales despite the decline in global coal market price compared to last year.

Australia mines	Sales volume (Mil Tonnes)		Average Selling price (A$/Tonne)	
	3Q16	*3Q15*	*3Q16*	*3Q15*
Domestics sales	2.34	2.30	64.79	55.78
Export sales	1.28	1.13	71.02	81.38
Total	3.62	3.43	67.00	64.21

Average domestic sale price per tonne was A$ 64.79, increased by A$ 9 as a result from proportion of high price contracts was more than legacy contracts in this quarter. While in 3Q15 Australia mines, Mandalong and Myuna faced difficult underground mining conditions and also an effect from a delay in production awaiting a mining license approval for Springvale mine. Production was less than plan and necessary to fulfill domestics sales using legacy contract. For export sales, average selling price per tonne was A$71.02, decreased by A$ 10 from a declining of market coal price during the quarter and a strength of Australian dollar against US dollar compared to 3Q15. AUD:USD in 3Q16 was 0.74 (3Q15: 0.72).

Power Business

	Power Sales (Mil USD)		Steam & Others (Mil USD)	
	3Q16	3Q15	3Q16	3Q15
CHP (Combined Heat & Power) Plants	16.65	20.33	11.91	13.21
Solar Power Plants	1.42	-	-	-
Total	18.07	20.33	11.91	13.21

Power and steam sales of 3 CHP power plants in China in 3Q16 were $28.56 million, $4.98 million decreased from the same period of last year. Mainly was from a decrease of power tariff rate and steam price compared to last year. Average power tariff was RMB 0.36 per MWh (3Q15: RMB 0.39 per MWh) and steam price was RMB 84.04 per tonne (3Q15: RMB 92.46 per tonne), a decrease was the result of a lower of coal cost that is the major fuel of power plants.

2.2 Cost of sales $ 404 million, increased by $ 4 million or 1% which was due to more sale volume and average cost of sales. Average cost of sales per tonne of Indonesia mines reduced by $3.63 which was mainly from lower of diesel cost and stripping ratio compared to the same quarter of last year. Average diesel cost per liter in 3Q16 was $0.45 per liter (3Q15: $ 0.48 per liter) and there was a reduction of the stripping ratio from 8.70 BCM per tonne in 3Q15 to 8.55 BCM per tonne in this quarter.

Average cost of sales per tonne of Australia mines increased by A$5.96 compared to last year. The unfavorable impact was from 1.70 million production tonnes less than the same period of last year as a result of higher cost per tonne. (Production tonne in 3Q16 to 3Q15: 6.10 MT to 7.81 MT).

2.3 Gross profit reported at $182 million, a decrease of $16 million or 8%. 2016 Gross profit margin was calculated at 31% derived from 31% of coal business and 30% of power business (2015: Gross profit was 33%, derived from 34% of coal business and 33% of power business). A decrease in coal business gross margin was a result of a declining of global coal market price. On the other hand, the lower coal price was favorable for coal fired power business.

2.4 Selling expenses reported at $47 million, a decrease of $6 million or 11%, resulted from a cost reduction program that has been continuously implemented throughout the Group.

2.5 Administrative expenses reported at $31 million, an increase of $3 million or 11% was mainly from fees relating to a subsidiary's initial public offering program that could not be offset against equity due to accounting standards requirements.

2.6 Royalty fees reported at $56 million, a decrease of $4 million or 7% was due to the lower coal selling price.

2.7 Equity income from associates reported at $17 million was the net result from profit sharing of BLCP of $9 million, Hongsa power plant of $2 million and gain sharing from China coal business and others of $3 million and $3 million, respectively.

Net equity income recognized in 3Q16 increased by $12 million or 240% compared to last year, mainly from the net results of increased profit sharing from Hongsa power plant & Phu Fai by $11 million resulted from full operation for all 3 units while only operated 1 unit in 3Q15. Profit sharing from BLCP decreased by $5 million was due to there was annual maintenance shutdown in this quarter while this event happened in 2Q15. The remaining increases were from China business and others of $3 million and $3 million, respectively.

2.8 Other expense of $10 million was comprised of;

2.8.1 Interest income of $2 million.

2.8.2 Loss from derivative financial instruments of $8 million which comprised of :

- Net realized loss of $10 million, which consisted of loss from coal swap & gasoil hedging, interest rate swap, forward foreign exchange contracts were $3 million, $2 million and $5 million, respectively.
- Net unrealized loss of $2 million, which was from a change in fair value of gasoil hedging contracts, interest rate swap and forward foreign exchange contracts were $0.96 ,$0.69 million, and $0.16 million, respectively.

2.8.3 Net loss on exchange rate of $8 million was net impact between realized gain on exchange rate incurred in the quarter and unrealized loss on exchange rate at the quarter end.

2.8.4 Management fees and others of $5 million.

2.9 Corporate income tax of $8 million, decreased by $19 million compared to last year.

2.9.1 An increase of $1 million from an increase of operating profit

2.9.2 A decrease of $17 million from a net increase of deferred tax assets

2.9.3 A decrease of $3 million was due to there was withholding tax on dividend income and prior year corporate income tax adjustment of a subsidiary in Indonesia during this quarter in last year by $1 million and $2 million, respectively.

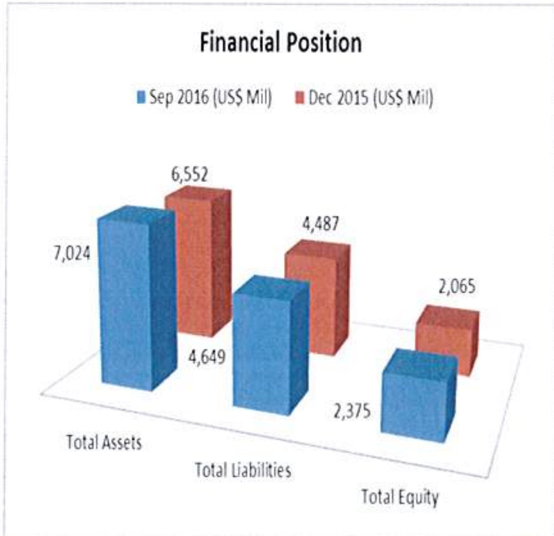
2.10 Net profit for the third quarter ended 30 September 2016 reported at $2 million, increased from last year by $4 million.

Basic Earnings per share reported at $0.000 per share, equivalent to Baht 0.017 per share (3Q/2015: ($0.001) per share or equivalent Baht (0.028) per share).

3. **Statements of Consolidated Financial Position as of 30 September 2016 in comparison with Statements of Consolidated Financial Position as of 31December 2015**

3.1 Total assets of $7,024 million, an increase of $471 million compared to total assets as of 31 December 2015 with details described below:

- Cash and cash equivalents of $400 million, an increased $3 million or 1% (See explanation in # 4 Consolidated Statement of Cash Flow)
- Accrued dividends income from related parties of $232 million were dividend receivable of domestic power business, increased by $11 million which was net result of received dividend and additional declared dividend during this year by $54 million and $80 million, respectively Also there was a loss from foreign exchange translation by $15 million.
- Investment in joint venture and associates of $869 million, increasing by $225 million or 35% from investment in Hongsa power plant of $210 million and China power plant of $24 million. Net of profit sharing recognized and dividend received during this year by $(9) million.



- Property plant and equipment of $1,335 million, an increased $155 million from purchased equipment of subsidiaries in Indonesia and Australia of $79 million netting with disposal of $4 million & additions from business acquisition of $166 million, depreciation expenses for the period of $109 million and gain from foreign exchange translation of $23 million.

3.2 Total liabilities of $4,649 million, an increased by $161 million compared to total liabilities as of 31 December 2015 with details described below:

- Short-term loans from financial institutions of $559 million, an increase of $329 million
- Current portion of long-term loans of $442 million, a net increase of $257 million or 139% was net impact between a reclassification of long term portion to current portion of $369 million, repayment during the period of $113 million and loss from foreign exchange translation of $1 million.
- Current portion of debenture decreased by $58 million or 100% was due to repayment during this quarter.
- Accrued overburden and coal transportation expenses of $84 million, a decrease of $33 million, mainly was from Indonesia coal business operations.
- Long-term loans of $1,360 million, net decreased by $327million was from new borrowing of $33 million offset against loan repayment, reclassification to current portion, loss from foreign exchange translation and amortization of deferred financing services fee of $10 million, $369 million, $17 million and $2 million, respectively.
- Debenture of $1,222 million, an increased by $42 million was from a loss on foreign exchange translation.
- Derivative liabilities of $94 million represented unrealized loss from change in fair value of interest rate swap, cross currency swap, forward exchange rate by $28 million, $64 million, and $2 million, respectively.

3.3 Shareholders' equity of $2,375 million, a net increase of $310 million was due to;

- An increase of $5 million from net profit for the nine-months
- An increase of $51 million from gain on subsidiaries' foreign exchange translations.
- An increase of $325 million from an increase of share capital
- An increase of $24 million from non-controlling interests
- A decrease of $21 million from a subsidiary's treasury stocks
- A decrease of $74 million from dividend payment.

3.4 Net debt-to-equity as of 30 September 2016 reported at 1.34 times for the consolidated statement of financial position (31 December 2015: 1.35 times for the restated consolidated statement of financial position).

4. Statements of Consolidated Cash Flows for the nine-month period ended 30 September 2016

Statement of consolidated cash flow for the nine-month period ended 30 September 2016 recorded an increase of net cash flow by $4 million (included the effect from exchange rate translation gain of $5 million) from 31 December 2015. The consolidated cash flows are divided into:

4.1 Net cash outflow from operation of $3 million; with major operating items as follows;

- Collection from coal sale of $1,611 million
- Payment to contractors and suppliers of $1,132 million
- Interest payment of $90 million
- Payment of corporate income tax of $64 million
- Royalty payment of $95 million
- Others of $233 million

4.2 Net cash outflow from investing activities of $399 million; with major items as follows;

- Payment in machine, equipment and project in progress of $100 million
- Payment for investments in joint ventures & others and short-term investments of $242 million
- Payment for new acquisition company $110 million
- Payment for loan to related companies and others of $60 million

- Dividend received from joint venture of $54 million
- Receiving from short-term investment of $51 million
- Receiving from interest income and others of $8 million.

4.3 Net cash inflow from financing of $400 million; comprised of

- Received from increase share capital of $325 million
- Proceeds from short-term, long-term loans from banks of $1,032 million
- Dividend payment of $74 million
- Payment for treasury stocks of a subsidiary of $19 million
- Repayment of bank loan, long-term loan and Debenture of $864 million

5. Management Discussion and Analysis

The financial statement of 3Q16 reported a consolidated net profit of USD 2.01 million. The operating income in this quarter improved significantly due mainly to a large increase in coal market prices, leading to stronger operating income for Indonesia, Australia, and China. The net profit as compared to the previous quarter was lower from USD 7.99 million as the strengthened Thai Baht caused a swing in foreign exchange from a gain of USD 3 million in 2Q16 into a loss of USD 8.25 million in this quarter.

Group EBITDA was USD 115 million (+9% YoY and +16% QoQ). EBITDA from coal business was USD 93 million (+2% YoY and +68% QoQ) reflecting benefit from coal price recovery during 3Q16 on some shipments that had exposure to prevailing market prices. EBITDA from power business was healthy at USD 19 million (+39% YoY and -54% QoQ). Gas business contributed an EBITDA of USD 2.7 million.

Revenue from Indonesia coal of USD 347 million increased 23% QoQ derived from coal sale volume of 6.75 million tonnes (+11% QoQ) with a significant increase in average coal selling price (ASP) by 11% QoQ to USD 51.35 per tonne. The higher ASP widened Gross Profit Margin (GPM) to 36% from 30% in previous quarter. Unseasonal rainfall in Indonesia during this quarter widely affected Indonesia's coal output and export for this period. In China, government measures to reduce working days for coal miners and early restocking of coal for winter usage by power plants had triggered a major rally in coal market prices, most notably during August and September.

Sale volume from Australia coal recovered by 19% QoQ to 3.62 million tonnes due to stronger output from Mandalong and Springvale which resumed their full production following Longwall changeovers in the previous quarter. Shipment split between domestic and export was 65% and 35% respectively. The ASP rose 8% QoQ to AUD 67 per tonne. The production cost of AUD 52.31 per tonne (+18% QoQ) continued to reflect good outcome from productivity improvement program but was impacted by the timing of longwall changeover. The GPM for this quarter was 22% compared to 28% in the previous quarter.

China coal reported a turnaround in operations largely due to higher domestic coal prices which raised equity income from China coal to USD 2.7 million compared to an equity loss of USD 5.4 million in previous quarter.

Income from Power business was led by solid operations at three Chinese power plants under BIC Group which reported a net profit of USD 4.66 million. Equity income from BLCP was adjusted lower to USD 9.1 million due to the planned maintenance shutdown in this quarter. Hongsa power plant which is still in its early stage of full commercial operation reported an equity income of USD 2 million including an FX loss of USD 4.3 million due to strengthening of Thai Baht.

Please be informed accordingly,

Sincerely yours,

BANPU
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BANPU PUBLIC COMPANY LIMITED

Somruedee Chaimongkol

Chief Executive Officer

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