BANPU

Management's Discussion and Analysis

For the third quarter ended

30 September 2017

Banpu Public Company Limited

ROBECOSAM
Sustainability Award
Gold Class 2017

ROBECOSAM
Sustainability Award
Industry Mover 2017

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Banpu recognized for fourth year as member of the Dow Jones Sustainability Indices (DJSI) in 2017

No. BP 1117 / 112

Bangkok Office

9 November 2017

Re: Management's Discussion and Analysis of the consolidated financial statements for the third quarter ended 30 September 2017

Attention: President

The Stock Exchange of Thailand

Banpu Public Company Limited ("the company") hereby submits a consolidated financial statements for the third quarter ended 30 September 2017 which were reviewed by auditors to the Stock Exchange of Thailand via electronic channel and accordingly to the general public.

The company's management would like to explain its performance for the three months ended 30 September 2017 in comparison with the same period ended 30 September 2016 and its statement of financial position as of 30 September 2017 compared with the statement of financial position as of 31 December 2016. 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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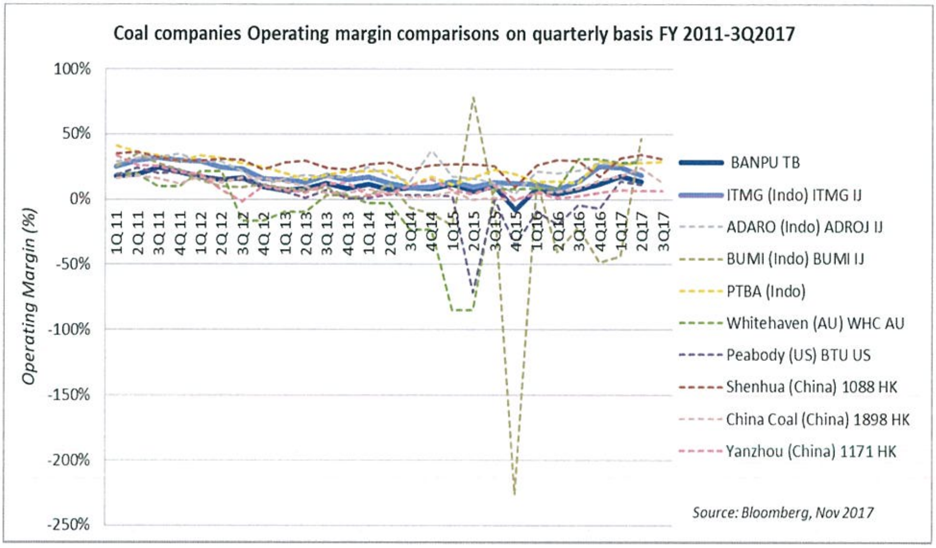
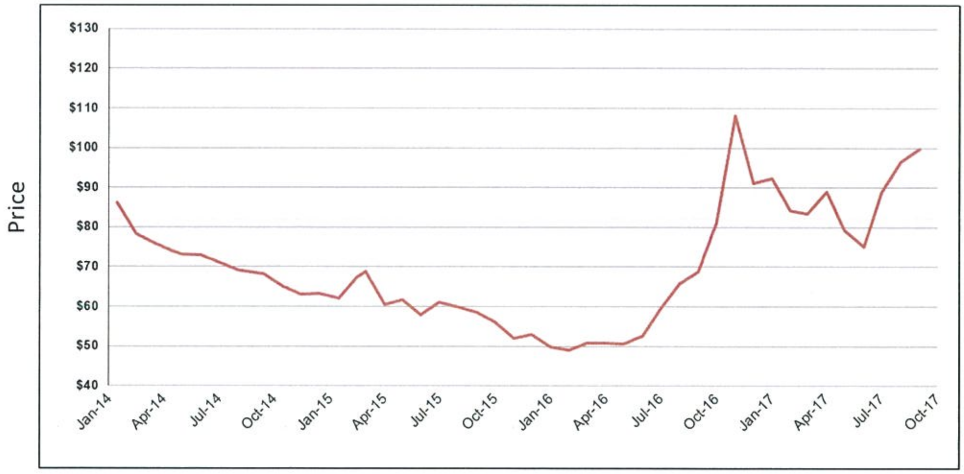
1. Industry Analysis - Coal producers' operating performance in Coal industry

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 Jan 2014 – September 2017)



2. Company Performance Analysis

The analysis and explanation of the company's performance for the third quarter ended 30 September 2017 and 2016 as follows:

Consolidated statements of Income for the third quarter ended 30 September 2017 and 2016

Consolidated financial performance (Unit: Million USD)	3Q17	3Q16
Sales	720	586
Cost of sales	(422)	(404)
Gross margin	298	182
Selling expenses	(42)	(47)
Administrative expenses	(66)	(31)
Royalty fee	(68)	(56)
Profit sharing from joint ventures	60	17
Other income (expense)	(27)	(10)
Financial costs	(36)	(34)
Profit before tax	119	21
Income tax	(31)	(8)
Net profit for the period	88	13
Owners of the parent	61	2
Non-controlling interest	27	11
Earnings per share (Unit: USD)	0.012	0.000

2.1 Sales reported at $720 million (equivalent Baht 24,026 million), an increase of $134 million or 23% compared to the same quarter of last year, was mainly from a net impact of a decrease of sale volume and a continued rising of the global coal price. Details of the company's revenue are as follows:

- Revenue from coal sales of $664 million accounted for 92% of total sales revenue. The revenue from coal sales comprise of :
  - Sales from Indonesia coal mines of $423 million.
  - Sales from Australia coal mines of $241 million.
- Sales of power and steam and others of $48 million represented 7% of total revenue.
- Sales of gas business of $8 million represented 1% of total revenue.

Revenue (Unit: Million $)	3Q17	3Q16
Coal business	664	544
Power & Steam business	40	30
Gas business	8	5
Others	8	7
Total	720	586

Coal Business

Source of Coal	*3Q17* Sales Vol. Mil Tonnes	*3Q16* Sales Vol. Mil Tonnes	*3Q17* Avg. Price Per Tonne	*3Q16* Avg. Price Per Tonne	*3Q17* Avg. Cost Per Tonne	*3Q16* Avg. Cost Per Tonne
Indonesia Mines	5.59	7.08	US$ 76.31	US$ 51.35	US$ 42.22	US$ 32.79
Australia Mines	3.40	3.62	A$ 90.09	A$ 67.00	A$ 54.33	A$ 52.31
Total	8.99	10.70				

- Coal sale volume of 3Q17 was 8.99 million tonnes, decreased by 1.71 million tonnes or 16%, from a decrease of sales volume from Indonesia mines by 1.49 million tonnes and from Australia mines by 0.22 million tonnes. A decrease of sales volume from Indonesia mines were from a lower of production volume as a result of heavy rain in Indonesia.
- Average selling price of 3Q17 was $73.83 per tonne, compared to 3Q16 average selling price that was $50.79 per tonne, increased by $23.04 million or 45% as a result of increasing in the global thermal coal market price compared to previous year. Indonesia mines' average selling price was $76.31 per tonne which increased by $24.96 per tonne or 49% from last year.

Australia mines' average selling price of 3Q17 was A$90.09 per tonne, compared to average selling price 3Q16 that was A$67.00 per tonne, an increase of A$23.09 per tonne, or 34% was mainly from an improve of domestic contract prices and a higher export selling price from the rising of global coal market price compared to last year.

Australia mines	Sales volume (Mil Tonnes)		Average Selling price (A$/Tonne)	
	3Q17	*3Q16*	*3Q17*	*3Q16*
Domestic sales	2.21	2.57	82.33	64.79
Export sales	1.19	1.05	102.22	71.02
Total	3.40	3.62	90.09	67.00

Average domestic sale price per tonne was A$ 82.33 increased by A$17.54 as a result from higher price contract sales as more legacy contracts expire and are replaced by new higher price contract sales. For export sales, average selling price per tonne was A$102.22, increased by A$31.20 from a rising of market coal price during the period offset by the impact of a strengthen of Australian dollar against US dollar compared to last year. Average AUD/USD in 3Q17 was 0.7892 (3Q16: 0.7578).

Power Business

	Power Sales (Mil $)		Steam & Others (Mil $)	
	3Q17	3Q16	3Q17	3Q16
CHP (Combined Heat & Power) Plants	18.91	16.33	15.28	12.23
Solar Power Plants	5.44	1.40	-	-
Total	24.35	17.73	15.28	12.23

Power sales, steam sales and others of 3 CHP plants in China were $34.19 million that increased by $5.63 million from last year due to an increase of power and steam sales volumes. Power and Steam sale volumes increased by 30 GWh and 0.09 million tons, respectively together with an increase of average power tariff and steam price. Average power tariff was RMB 0.38 per kWh (2016: RMB 0.36), increased by RMB 0.02 per kWh or 6% and steam price was RMB 94.34 per ton (2016: RMB 87.19), increased by RMB 7.15 per ton or 8%. The higher price is the effects from the higher of coal price which is a main fuel source of CHP plants.

Power sales volume from solar power plant increased by 37 GWh, due to an increase of number of solar power plants, which in 3Q17 there were 5 solar power plants (3Q16: 2 solar power plants).

2.2 Cost of sales $422 million, increased by $18 million or 4% which was a net result of an increase of power & steam business cost of sales of $12 million which was from a higher of coal costs that were a main fuel of CHP power plants in China. Average coal cost was RMB 620 per tonne (3Q16: RMB 368 per tonne), an increase of 69% compared to previous year. Coal cost has continued rising since 4Q16.

Cost of sales (Unit: Million $)	3Q17	3Q16
Coal business	383	378
Power & Steam business	33	21
Gas	5	3
Others	1	2
Total	422	404

Whereas coal business' cost of sales increased by $5 million that was net impact from a decrease of sale volume and an increase of average cost per tonne compared to previous year.

Indonesia mines' average cost per tonne increased by $9.43 was mainly from a higher of stripping ratio that increased from 8.55 to 12.42 and a rising of global market of diesel price during the period. Average diesel price per litre was $0.50 (3Q16: $0.45), offset with a decrease of other production costs resulting from continuously implemented cost saving program since previous year.

Australia mines' average cost of sales per tonne increased by A$2.02 compared to last year. Production volume at Mandalong mine was below the plan due to facing a difficult area (difficult geological condition) and underground gas issue.

2.3 Gross profit reported $298 million, an increase of $116 million or 64%. Gross profit margin was at 41% derived from 42% of coal business and 18% of power business (3Q16: Gross profit was 31%, derived from 31% of coal business and 30% of power business). A rising of market coal price was unfavorable to cost of coal fired power business, then it affected to a decrease of power business's gross profit compared to last year.

2.4 Selling expenses reported $42 million, a decrease of $5 million or 11% was from a decrease of $9 million from less export coal sale volumes of Indonesia mines. Whereas, an increase of $4 million from Australia mines due to more coal transportation from western mines to supply power plants than last year.

2.5 Administrative expenses reported at $66 million, an increase of $35 million or 113% was from;

2.5.1 Provision for doubtful account of loan receivable of a subsidiary of $ 2 million. The provision was based on ability of repayment from the receivable, both loan principle and interest within timeframe.

2.5.1 An increase of land and building tax of a subsidiary in Indonesia of $9 million.

2.5.3 An increase of $6 million from professional fees from more investments of the Group.

2.5.4 An increase from an effect of foreign exchange rate as a result of the appreciation of THB currency against US dollar currency, which affected to the higher expenses when converting THB expenses to US dollar currency. Average exchange rate of USD/THB was Baht 33.39 (3Q16: Baht 34.84).

2.6 Royalty fees reported at $68 million, an increase of $12 million or 21% was due to net impact from higher of coal selling price and lower of sale volumes compared to last year.

2.7 Equity income from joint ventures reported at $60 million consisted of profit sharing of BLCP, Hongsa power plant in Lao, coal business in China of $12 million, $18 million and $31 million, respectively and loss sharing from solar power plants in Japan of $1 million.

Equity income recognized in 3Q17 increased by $43 million or 248% compared to the same quarter of last year, was net impact of an increase of profit sharing from coal business in China, Hongsa power plant & Phu Fai and BLCP of $29 million, $16 million and $3 million, respectively.

Whereas, there was a loss sharing from solar projects in Japan of $3 million and others of $2 million.

2.8 Other expenses of $27 million was comprised of;

2.8.1 Interest income of $1 million.

2.8.2 Net loss from financial derivatives of $15 million which comprised of :

- Net realized loss of $15.85 million which was net impact of loss from coal swap contracts, foreign exchange rate forward contracts and interest rate swap contracts of $16.13 million, $2.72 million and $1.45 million, respectively, offsetting with a realized gain from oil hedging contracts, gas hedging contracts, and cross currency swap contracts of $4.05 million, $0.33 million and $0.07 million, respectively.
- Net unrealized gain of $0.69 million which was mainly from gain on change in fair value of coal swap contracts, interest rate swap contracts, oil hedging contracts and gas hedging contracts of $0.36 million, $0.04 million, $0.07 and $0.25 million, respectively. While there was a loss on change in fair value of foreign exchange rate forward contracts of $0.03 million.

2.8.3 Net loss on foreign exchange rate of $17 million was mainly from net unrealized loss on foreign exchange rate translation of THB currency borrowings as a result of an appreciation of THB currency against US dollar currency from last quarter. Average exchange rate of USD/THB as of 30 September 2017 was Baht 33.37 (As of 30 June 2017: Baht 33.98).

2.8.4 Management fees and other income of $4 million.

2.9 Corporate income tax of $31 million, increased by $23 million which comprised of;

2.9.1 Corporate income tax of $28 million, an increase of $14 million was mainly from a better operating profit of coal business.

2.9.2 An increase of income tax expense by $7 million was mainly from a decrease of deferred income tax assets according to higher operating profit.

2.9.3 An increase of income tax expense by $2 million was from withholding tax on interest payment of a subsidiary of $3.75 million netting a decrease of withholding tax on dividend received by $1.86 million.

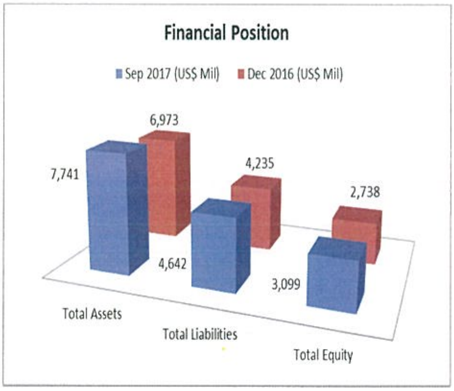
2.10 Net profit of 3Q17 reported $60.66 million, an increase of $59 million compared to the same quarter of previous year.

Earnings per share (EPS) reported at $0.012 per share or equivalent Baht 0.392 per share. (3Q16: $0.000 per share or equivalent Baht 0.017 per share)

3. **Statements of Consolidated Financial Position as of 30 September 2017 in comparison with the Statements of Consolidated Financial Position as of 31 December 2016**

3.1 Total assets of $7,741 million, an increase of $768 million compared to total assets as of 31 December 2016 with main details described below:

- Cash and cash equivalents of $586 million, an increase of $131 million or 29% (See explanation in # 4 Consolidated Statement of Cash Flow)
- Current and non-current portions of dividend receivable from related parties of $12 million and $235 million, respectively were dividend receivable from a joint venture who operates power business in Thailand. An increase of $23 million was a net result from additional declared dividend and received dividend during the period of $100 million and $91 million, respectively. Also, there was a gain on exchange rate translation at the end of period totaling of $14 million.



- Investment in joint ventures and associates of $1,114 million, increased by $223 million or 25% from the addition of investments in solar business in Japan and renewable energy business in Singapore totaling of $64 million, profit sharing recognized net with dividend received by $79 million and gain on foreign exchange rate translation at end of period by $80 million.
- Other investments of $86 million, an increase of $38 million was from an addition of investment in solar power business in Japan under a form of TK (TOKUMEI KUMIAI) agreement of $33 million and gain on foreign exchange rate translation at the end of period of $5 million.
- Property plant and equipment of $1,538 million, an increase of $254 million was from purchased equipment of subsidiaries in Indonesia and Australia of $180 million, additional investment in gas business in USA and solar power plants in China totaling of $136 million, depreciation expenses of $121 million, also gain on foreign exchange rate translation and others of $59 million.
- Other non-current assets of $233 million, a decrease of $75 million was mainly from
    - A decrease of $26 million from reclassification of advance payment for solar development project in Japan to other investments
    - A decrease of $115 million prepaid tax of subsidiaries in Indonesia.
    - An increase of $17 million from advance to others for investment in solar power plants in Japan.
    - An increase of $14 million from a reclassification of solar power plants in China's refundable VAT to be non-current assets.
    - An increase of $4 million from land use right from expansion phase of a CHP plant in China,
    - An increase of $24 million from right to operate and accrued subsidy income by $14 million and $10 million, respectively from solar power plants in China.
    - An increase of $13 million from project under development in Indonesia.
    - A decrease of $6 million from others.

3.2 Total liabilities of $4,643 million, increased by $407 million compared to total liabilities as of 31 December 2016 with main details described below:

- Short-term loans from financial institutions of $376 million, an increase of $93 million was from addition of $793 million, repayment of $709 million and loss on foreign exchange rate translation at the end of period of $9 million.
- Current portions of long- term loans of $146 million, a decrease of $184 million or 56 % was the net result of repayment of $313 million, reclassification from non-current portion of $130 million, and gain on foreign exchange rate of $1 million.
- Accrued overburden and coal transportation expenses of $112 million, an increase of $27 million was mainly from mining operations of subsidiaries in Indonesia.
- Long- term loans of $1,468 million, an increase of $84 million or 6 % was net result of addition loan during the period of $256 million, early repayment of $69 million, reclassification to current portion of long-term loans of $130 million, loss on foreign exchange rate translation of $30 million and amortization of defer financial cost of $27 million.
- Current portions of debenture of $165 million was from a reclassification from non-current portion of debentures of $165 million.
- Debentures of $1,399 million, an increase of $211 million was from a new bond issuance of $286 million, reclassification to be current portion of $165 million and loss on foreign exchange rate translation of $90 million.
- Derivative liabilities of $36 million represented unrealized loss from change in fair value of financial derivatives at the end of period which consisted of cross currency swap and interest rate swap contracts of $26 million and $10 million, respectively.

3.3 Shareholders' equity of $3,099 million, an increase of $361 million was mainly due to;

- An increase of $167 million from net profit of 9 months.
- An increase of $32 million from additional of paid-up share capital from exercised of BANPU warrants (BANPU-W3) during the year.

- An increase of $22 million from change in fair value of available for sales investments, hedged financial instruments and others.
- An increase of $100 million from non-controlling interests.
- An increase of $165 million from gain on foreign exchange translation of subsidiaries' financial statements.
- A decrease of $125 million from dividend payment.

3.4 Net debt-to-equity as of 30 September 2017 reported at 0.95 times for the consolidated financial statements (31 December 2016: 0.91 times).

4. Statements of Consolidated Cash Flows for nine months ended 30 September 2017.

Banpu's statement of consolidated cash flow for nine months ended 30 September 2017 recorded an increase of net cash flow by $131 million (including the effect from gain on exchange rate translation of $9 million). The consolidated cash flows are divided into:

4.1 Net cash inflow from operation of $230 million; with major operating items as follows;

- Collection from coal sales of $1,956 million
- Payment to contractors and suppliers of $1,053 million
- Interest payment of $88 million
- Payment of corporate income tax of $83 million
- Royalty payment of $196 million
- Others of $306 million

4.2 Net cash outflow from investing activities of $256 million; with major items as follows;

- Payment for machine, equipment and project in progress of $170 million
- Payment for addition of investment in solar business in Japan of $7 million
- Payment for renewable energy business in Singapore of $55.8 million, coal business in Indonesia of $7.5 million and Gas business in USA of $ 79.5 million and others of $0.5 million
- Payments for loan to related parties and others of $23 million

- Payment for Solar project development in Japan of $18 million.
- Dividend received from subsidiaries, joint ventures of $92 million.
- Receiving from interest income and others of $13 million.

4.3 Net cash inflow from financing of $148 million; comprised of

- Proceeds from short-term loans and long-term loan from banks & others of $1,046 million.
- Receive from debentures issuance of $287 million.
- Receive from an increase of share capital from exercised warrants during the year of $ 34 million.
- Repayment of short-term loans and long-term loans of $1,094 million.
- Dividend payment of $125 million.

5. Management Discussion and Analysis

The financial statement of 3Q17 reports strong operational performance from coal business on the back of resilient coal market prices. The operations of power business at Hongsa and BLCP proceed as planned while the China power plants report lower earnings due to higher coal cost. Group EBITDA was concluded at USD 263 million (23% higher QoQ) consisting of EBITDA from coal 225 million, from power 32 million and from gas 6 million.

Net profit before foreign exchange is sustained from previous quarter at USD 78 million and a sharp improvement from USD 10 million in last year. The continued appreciation in Thai Baht against the US Dollar caused a foreign exchange loss of USD 17 million, resulting in a net profit of USD 61 million for this quarter which is lower 8% QoQ but a huge recovery from the net profit of USD 2 million in last year.

Coal operation in Indonesia reported a flat sale volume of 5.34 million due to difficulty in mining condition following prolonged rainy period in this year. However, sales revenue rose 8% QoQ supported by strong Average Selling Price (ASP) of USD 76.3 per tonne which increased 8%

QoQ and 49% YoY. The unit cost of sale was relatively flat QoQ, thus further widening Gross Profit Margin (GPM) to 45% compared to 38% in previous quarter and 36% in last year.

Australia coal operation delivered strong quarterly performance. Coal sale volume was higher at 3.4 million tonnes (+8 QoQ, -6% YoY). Sale split between domestic and export market was 61% vs. 39% respectively. Both markets continued to gain benefit from strong coal market prices with an increase in ASP to AUD 90 per tonne (+12% QoQ, +34% YoY). The Average Cost of Sale was well-controlled at AUD 54.3 per tonne, resulting in an expansion in GPM to 40% compared to 29% in previous quarter and 22% in previous year.

China coal operation continued to perform well underpinned by strong domestic prices. The combined equity income from Gaohe and Hebi mines was USD 31 million, increasing 49% QoQ.

For Power business, BLCP reported a lower equity income of USD 11.7 million affected by lower seasonal demand of electricity and a planned maintenance shutdown by 2 weeks. Hongsa continued to deliver smooth operation. Its equity income of USD 16.8 million was caused by a 6-week shutdown for scheduled inspection and a foreign exchange loss of USD 8.4 million due to the strengthened Thai Baht against US Dollar. Net income from China CHP plants in this quarter was USD 0.6 million, caused by the rising coal cost.

Please be informed accordingly,

Sincerely yours,

BANPU
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BANPU PUBLIC COMPANY LIMITED

Somruedee Chaimongkol

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