Management's Discussion and Analysis

For the first quarter ended

31 March 2018

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

BANPU

No. 0118/040

Bangkok Office

11 May 2018

Re: Management's Discussion and Analysis of the consolidated financial statements for the quarter ended 31 March 2018

Attention: President

The Stock Exchange of Thailand

Banpu Public Company Limited ("the company") hereby submits a consolidated financial statements for the quarter ended 31 March 2018 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 31 March 2018 in comparison with the same period ended 31 March 2017 and its statement of financial position as of 31 March 2018 compared with the statement of financial position as of 31 December 2017. 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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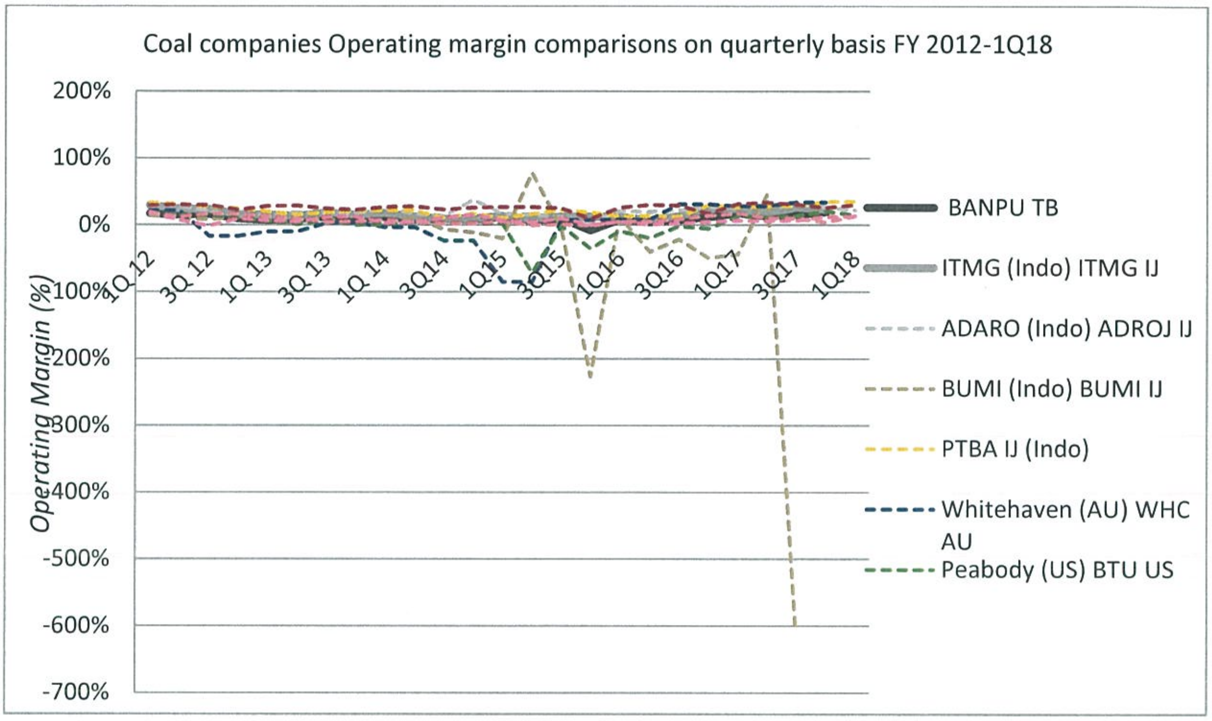
1. Industry Analysis - Coal producers' operating performance in Coal industry

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 ton (from 1 Jan 15 to 31 Mar 18)

2. Company Performance Analysis

The analysis and explanation of the Group's performance for the first quarter ended 31 March 2018 and 2017 as follows:

Consolidated statements of Income for the first quarter ended 31 March 2018 and 2017

Consolidated financial performance (Unit: Million USD)	1Q18	1Q17
Sales	700	633
Cost of sales	(468)	(392)
Gross margin	232	241
Selling expenses	(31)	(35)
Administrative expenses	(51)	(41)
Litigation Compensation	(86)	-
Royalty fee	(58)	(58)
Profit sharing from joint ventures	62	43
Other income (expense)	(5)	(16)
Financial costs	(41)	(32)
Profit before tax	22	102
Income tax	(39)	(36)
Net profit for the period	(17)	66
Owners of the parent	(40)	41
Non-controlling interest	23	25
Earnings(loss) per share (Unit: USD)	(0.008)	0.008

2.1 Sales reported at $700 million (equivalent Baht 22,083 million), an increase of $ 67 million or 11% compared to the same quarter of last year, was mainly net impact from a continued rising of the global coal price and a decrease of sales volume. Details of the Group's revenue are as follows:

- Revenue from coal sales of $593 million accounted for 85% of total sales revenue. The revenue from coal sales comprise of :
  - Sales from Indonesia coal mines of $376 million.
  - Sales from Australia coal mines of $217 million.
- Sales of power and steam and others of $81 million represented 11% of total revenue.
- Sales of gas business of $26 million represented 4% of total revenue.

Revenue (Unit: Million $)	1Q18	1Q17
Coal business	593	566
Power & Steam business	65	55
Gas business	26	7
Others	16	5
Total	700	633

Coal Business

Source of Coal	*1Q18* Sales Vol. Mil Tonnes	*1Q17* Sales Vol. Mil Tonnes	*1Q18* Avg. Price Per Tonne	*1Q17* Avg. Price Per Tonne	*1Q18* Avg. Cost Per Tonne	*1Q17* Avg. Cost Per Tonne
Indonesia Mines	4.42	5.39	US$ 85.33	US$ 69.32	US$ 45.91	US$ 37.76
Australia Mines	2.89	3.19	A$ 95.17	A$ 79.49	A$ 75.39	A$ 56.71
Total	7.31	8.58				

- Coal sale volume of 1Q18 was 7.31 million tonnes, decreased by 1.27 million tonnes or 15%, from a decrease of sales volume from Indonesia mines by 0.97 million tonnes due to heavy rain in Indonesia, since 2017 until this quarter from Australia mines by 0.30 million tonnes because of facing a difficult geological condition and underground gas issue.

- Average selling price of 1Q18 was $80.91 per tonne, compared to 1Q17 which average selling price was $65.86 per tonne, increased by $15.05 million or 23% as a result of increasing in the global thermal coal market price compared to previous year. Indonesia mines' average selling price was $85.33 per tonne which increased by $16.01 per tonne or 23% from last year.

  Australia mines' average selling price of 1Q18 was A$95.17 per tonne, compared to 1Q17 average selling price 1Q17 that was A$79.49 per tonne, an increase of A$15.68 per tonne, or 20% was mainly from a higher of domestic contract prices and a higher export selling price from the rising of global coal market price compared to last year, offset with a strengthen of Australian dollar against US dollar compared to prior year. It results a minor impact to export selling price.

Australia mines	Sales volume (Mil Tonnes)		Average Selling price (A$/Tonne)	
	1Q18	*1Q17*	*1Q18*	*1Q17*
Domestic sales	1.68	1.94	79.85	64.42
Export sales	1.21	1.25	116.28	102.93
Total	**2.89**	**3.19**	**95.17**	**79.49**

Average domestic selling price per tonne was A$ 79.85 increased by A$15.43 as a result from more, portion of higher price contract sales as almost legacy contracts expire and are replaced by new higher price contract sales. For export sales, average selling price per tonne was A$116.28, increased by A$13.35 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 1Q18 was USD 0.79 (1Q17: USD 0.76).

Power Business

	Power Sales (Mil $)		Steam & Others (Mil $)	
	1Q18	1Q17	1Q18	1Q17
CHP (Combined Heat & Power) Plants	27.36	23.86	32.42	27.47
Solar Power Plants	5.17	3.62	-	-
Total	**32.53**	**27.48**	**32.42**	**27.47**

Power sales, steam sales and others of 3 CHP plants in China were $59.78 million that increased by $8.50 million from last year due to an increase of power and steam sales volumes together with an increase of average steam price. Average power tariff was RMB 0.38 per kWh or same rate as prior year (1Q17: RMB 0.38 per kWh), and steam price was RMB 92.89 per ton (1Q17: RMB 91.68), increased by RMB 1.21 per ton or 1%. The higher price was the effects from the higher of coal price which was a main fuel source of CHP plants.

Power sales of solar power plants in China of $5.17 million, increased by $1.55 million compared with prior year, due to higher sales volume 9.89 GWh (1Q18: 41.77 GWh and 1Q17: 31.88 GWh) from full operation period of 5 plants in this quarter.

2.2 Cost of sales $468 million, increased by $76 million or 19% which was a net result of an increase of power & steam business cost of sales of $9 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 653 per tonne (1Q17: RMB 638 per tonne), an increase of 2% compared to previous year. Coal cost has continued rising since 4Q16.

Cost of sales (Unit: Million $)	1Q18	1Q17
Coal business	389	339
Power & Steam business	48	39
Gas	17	5
Others	14	9
Total	468	392

Whereas coal business' cost of sales increased by $50 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 $8.15 was mainly from a lower of production, a rising of global market of diesel price during the period. Average diesel price per litre was $0.61 (1Q17: $0.54) and a higher of stripping ratio that increased from 9.84 to 12.04 compare to the same quarter of prior year.

Australia mines' average cost of sales per tonne increased by A$18.68 compared to last year from lower production volume of 0.43 million tons compare to the same quarter of last year from facing a difficult geological condition and underground gas issue.

2.3 Gross profit reported $232 million, a decrease of $9 million or 4%. Gross profit margin was at 33% derived from 34% of coal business and 26% of power business (1Q17: Gross profit was 38%, derived from 40% of coal business and 28% 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 the same period of last year.

2.4 Selling expenses reported $31 million, a decrease of $4 million or 11% was from a decrease of export coal sale volumes of Indonesia mines and Australia mines.

2.5 Administrative expenses reported at $51 million, an increase of $10 million or 24% was mainly from professional fee and legal consultant fees of Gas business in USA $7 million.

2.6 Litigation compensation of $86 million was a litigation claim compensation that the 3 Defendants has to equally pay the Plaintiffs the sum of Baht 1,500 million plus interest at the rate of 7.50% per annum, totaling of THB 2,702 million according to the Supreme Court judgement on 6 March 2018. The Group has fully paid those claims to the Plaintiffs on 9 March 2018.

2.7 Royalty fees reported at $58 million, was the net impact from a decrease of sales volume with an increase of average coal prices compared to last year.

2.8 Equity income from joint ventures and associates reported at $62 million consisted of profit sharing from BLCP $17 million, Hongsa power plant in Lao $19 million, coal business in China and others of $26 million.

Equity income increased by $19 million or 43% compared to the same quarter of last year, was net impact of an increase of profit sharing from Hongsa power plant in Lao $15 million, coal business in China $3 million, and BLCP power plant of $1 million.

2.9 Other expenses of $5 million was comprised of;

2.9.1 Interest income of $2 million.

2.9.2 Net loss from financial derivatives of $3 million which comprised of :

- Net realized loss of $0.08 million which was net impact of loss from interest rate swap $1.08 million and coal swap contracts, $0.10 million, offset with a gain on foreign exchange rate forward contracts, cross currency swap and gas hedging contracts of $0.58 million, $0.16 million and $0.36 million, respectively.

- Net unrealized loss of $3 million which was mainly from change in fair value of cross currency swap $3.93 million. While there was gain on gas hedging contracts of $0.87 million, interest rate swap of $0.04 million and foreign exchange rate forward contracts of $0.01 million.

2.9.3 Net loss on foreign exchange rate of $33 million was mainly from net unrealized loss on exchange rate of THB currency borrowings as a result of an appreciation of THB currency against US dollar currency from prior year. Average exchange rate of THB/USD as of 31 Mar 2018 was Baht 31.23 (31 Dec 2017: Baht 32.68).

2.9.4 Management fees and other income of $29 million, was mainly from bargain purchase on business acquisition in USA of $24.47 million, that was differences of fair value of net assets and considerations at the acquisition date, and others of $5 million.

2.10 Corporate income tax of $39 million, increased by $3 million which comprised of;

2.10.1 Corporate income tax of $27 million, a decrease by $7 million was mainly from a lower of operating profit compare to same quarter of prior year.

2.10.2 Withholding tax of $16 million, an increase of $7 million was from more dividend received from subsidiaries of $4 million and from an increase of withholding tax on interest payments from subsidiaries of $1 million, and others of 2 million.

2.10.3 A recognition of net deferred tax asset of $4 million, an increase of $3 million compared to last year was due to more recognition of defer tax liabilities of Gas business in USA.

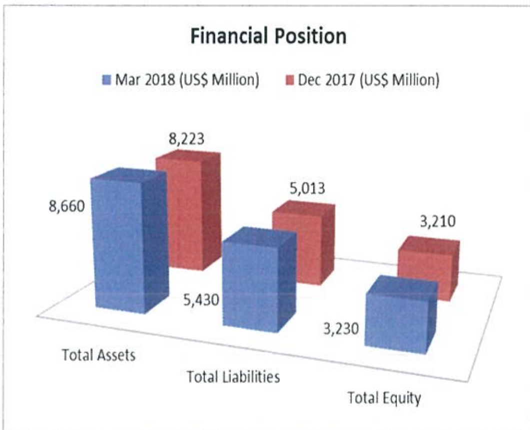
2.11 Net loss of the first quarter ended 31 March 2018, reported $40 million, compared to net profit of $41 million in same quarter of previous year.

Earnings (loss) per share (EPS) reported at ($0.008) per share or equivalent Baht (0.245) baht per share, decreased from 1Q17 (1Q17: $0.008 per share or equivalent to Baht 0.289 per share)

3. **Statements of Consolidated Financial Position as of 31 March 2018 in comparison with the Statements of Consolidated Financial Position as of 31 December 2017**

3.1 Total assets of $8,660 million, an increase of $437 million compared to total assets as of 31 December 2017 with main details described below:

- Cash and cash equivalents of $835 million, an increase of $152 million or 22% (See explanation in # 4 Consolidated Statement of Cash Flow)
- Current and non-current portions of dividend receivable from related parties of $2 million and $228 million, respectively were dividend receivable from a joint venture who operates power business in Thailand. A decrease of $10 million was a net result from additional declared dividend and received dividend during the period of $24 million and $45 million, respectively, and unrealized gain on foreign exchange translation at the end of quarter of $11 million.



- Investment in joint ventures and associates of $1,317 million, increased by $146 million or 12% from the addition of investments in solar business in Japan of $42 million and profit sharing from joint ventures and associates recognized net with dividend received by $40 million and unrealized gain on foreign exchange translation at the end of quarter of $64 million.
- Other investments of $120 million, an increase of $8 million or 7% was from an addition of investment in solar power business in Japan under a form of TK (TOKUMEI KUMIAI) agreement of $3 million and unrealized gain on foreign exchange translation at the end of quarter of $5 million.
- Property plant and equipment of $1,922 million, an increase of $144 million or 8% was from purchased equipment of subsidiaries in Indonesia and Australia of $59 million, an acquisition of gas business in USA and solar power plants in China totaling of $134 million, depreciation charges for the period of $51 million, also

unrealized gain on foreign exchange translation at the end of quarter and others of $2 million.

- Other non-current assets of $268 million comprised of prepaid tax of subsidiaries in Indonesia of $45 million, reclassification of refundable VAT that expected to utilize over 1 year and accrued subsidy income of solar power plants in China of $41 million and $23 million respectively, advance for project development in Indonesia and Japan of $35 million, land use right of $13 million, advance for others $20 million and others $91 million.

3.2 Total liabilities of $5,430 million, increased by $417 million compared to total liabilities as of 31 December 2017 with main details described below:

- Short-term loans from financial institutions of $760 million, an increase of $341 million or 81% was from addition of $393 million, repayment of $60 million and unrealized loss on foreign exchange translation at the end of quarter of $8 million.
- Current portions of long- term loans of $ 208 million, an increase of 54 million or 35 % was the net result of repayment of $82 million, reclassification from non-current portion of $136 million.
- Current portion of debenture of $176 million, an increase of 8 million was from an unrealized loss on foreign exchange translation at the end of quarter.
- Accrued overburden and coal transportation expenses of $107 million, an increase of $4 million or 4% was mainly from mining operations of subsidiaries in Indonesia.
- Long- term loans of $1,640 million, a decrease of $51 million or 3 % was net result of addition at loan of $86 million, reclassification to current portion of long-term loans of $136 million and unrealized gain on foreign exchange translation at the end of quarter of $1 million.
- Debenture of $1,485 million, an increase of $59 million or 4% was from unrealized gain on foreign exchange translation at the end of quarter.
- Current and non- current portion of derivative liabilities of $6 million and $7 million, respectively, totaling of $13 million represented unrealized loss from change in fair value of financial derivatives at the end of period which consisted of cross currency

swap $ 7 million, interest rate swap contracts of $1 million and foreign exchange rate forward contracts $5 million.

3.3 Shareholders' equity of $3,231 million, an increase of $20 million was mainly due to;

- A decrease of $40 million from net loss during the quarter.
- An increase of $8 million from change in fair value of available for sales investments, hedged financial instruments and others.
- An increase of $42 million from non-controlling interests.
- An increase of $58 million from gain on foreign exchange translation of subsidiaries' financial statements.
- A decrease of $48 million from dividend payment.

3.4 Net debt-to-equity as of 31 March 2018 reported at 1.06 times for the consolidated financial statements (31 December 2017: 0.92 times).

4. **Statements of Consolidated Cash Flows for the first quarter ended 31 March 2018.**

Banpu's statement of consolidated cash flow for the first quarter ended 31 March 2018 recorded an increase of net cash flow by $152 million (including the effect from gain on foreign exchange translation at the end of quarter of $12 million). The consolidated cash flows are divided into:

4.1 Net cash outflow from operation of $22 million; with major operating items as follows;

- Collections from coal sales of $756 million
- Payments to contractors and suppliers of $511million
- Interest payments of $29 million
- Payments of corporate income tax of $3 million
- Royalty payment of $60 million
- Payments of litigation compensation of $86 million
- Payments others of $89 million

4.2 Net cash outflow from investing activities of $176 million; with major items as follows;

- Payments for machine, equipment and project in progress of $68 million
- Payments advance project development of solar power plant in Japan of $10 million
- Additional investment in joint ventures and others of $45 million
- Payments for investment in Gas business in USA of $102 million
- Loan to related parties of $1 million
- Dividend receipts from joint ventures $45 million.
- Receipts from interest income and others of $5 million.

4.3 Net cash inflow from financing of $337 million; comprised of

- Receipts from short term and long term from financial institutions of $478 million.
- Repayments of short term and long term loans from financial institutions of $141 million.
- Receipts from an increase of a subsidiary's share capital from warrants exercised interest $ 2 million.
- Repayment of short term loan from related company and others of $2 million.

5. Management Discussion and Analysis

The financial performance in 1Q18 indicates healthy coal operations led by favorable coal prices and satisfactory contribution from power business. Group EBITDA for this quarter was concluded at USD 227 million, lower 17% QoQ but higher 5% YoY. EBITDA by business includes EBITDA from coal of USD 162 million, from power USD 51 million, and from gas USD 15 million.

Net profit however was impacted by a one-off court payment for the Hongsa case for the amount of USD 86 million. The rapid strengthening in Thai Baht against the US Dollar by 5% from previous quarter caused a foreign exchange loss of 33 USD million. Due to these two non-operation expenses, the consolidated financial statement reported a net loss of USD 40 million for this quarter.

Coal operations in Indonesia reported sale volume of 4.42 million tonnes. Coal production was affected by seasonal rainfall in Kalimantan and delayed access to mining area in Indominco, which caused sale volume to be lower by 34% QoQ and 18% YoY. The Average Selling Price (ASP) sustained at a high level of USD 85.33 per tonne, rising 4%QoQ and 23% YoY. The

Company continued to optimize the mine plans during favorable coal prices, resulting in Average Cost of Sale increased similarly 22% YoY. Gross Profit Margin (GPM) maintained at a strong level of 43% versus 43% in previous quarter and 47% in last year.

In Australia, coal sale volume was 2.89 million tonnes (-20%QoQ, -9% YoY) with Mandalong made a longwall changeover impacting production during March. Sale split between domestic and export market was 58% vs. 42%. Both markets continued to gain benefit from strong coal market prices as indicated by a robust ASP of AUD 95.17 per tonne (+2% QoQ, +20% YoY). The Average Cost of Sale rose higher at due to the low sale tonnage at AUD 75.39 per tonne, resulting in GPM of 21% compared to 36% in previous quarter and 29% 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 26 million increasing 35% QoQ and 16% YoY.

The Power business delivered strong performance in this quarter. BLCP reported an equity income at a good level of USD 17 million. Hongsa achieved smooth operation which enabled the plant to declare high available hours. Its equity income was at USD 19 million including a loss from foreign exchange of USD 11 million due to strengthening of Thai Baht against US Dollar. China CHP plants reported strong sale of steam during winter and completed capacity expansion at Luannan which resulted in a strong net income of USD 9 million in this quarter.

Please be informed accordingly,

Sincerely yours,

Somruedee Chaimongkol

Chief Executive Officer

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