BANPU

Management's Discussion and Analysis

For the first quarter ended

31 March 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).

BANPU

No. BP 0516 / 037

Bangkok Office

10 March 2016

Re: Management's Discussion and Analysis of the consolidated financial statements for the first quarter ended 31 March 2016

Attention: President

The Stock Exchange of Thailand

Attachment: 2 sets of consolidated financial statements for the first quarter ended 31 March 2016

Banpu Public Company Limited ("the company") hereby submits 2 sets of consolidated financial statements for the first quarter ended 31 March 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 first quarter ended 31 March 2016 in comparison with the same quarter ended 31 March 2015 and its statement of financial position as of 31 March 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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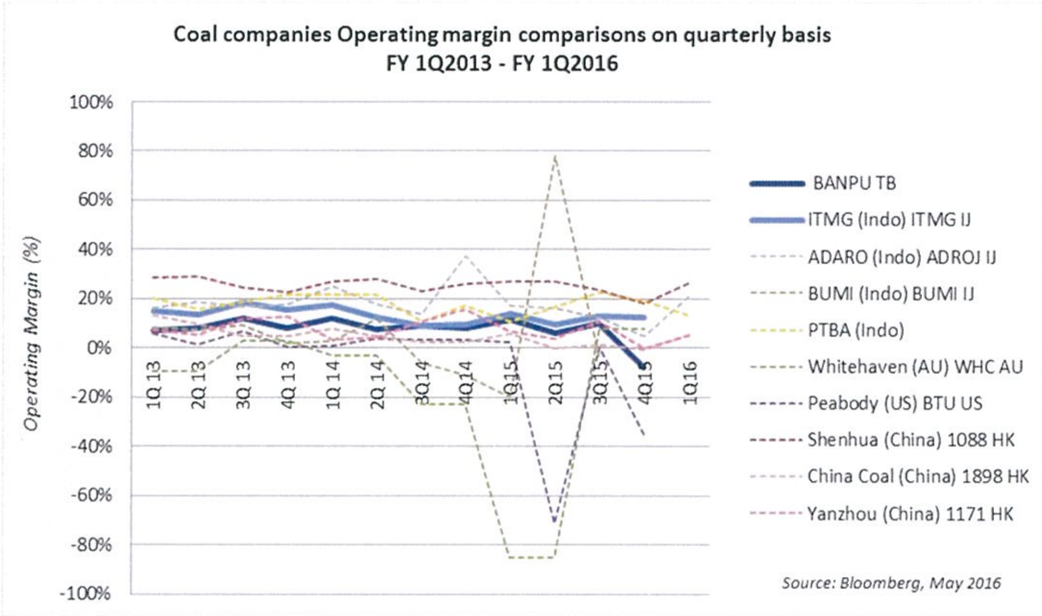
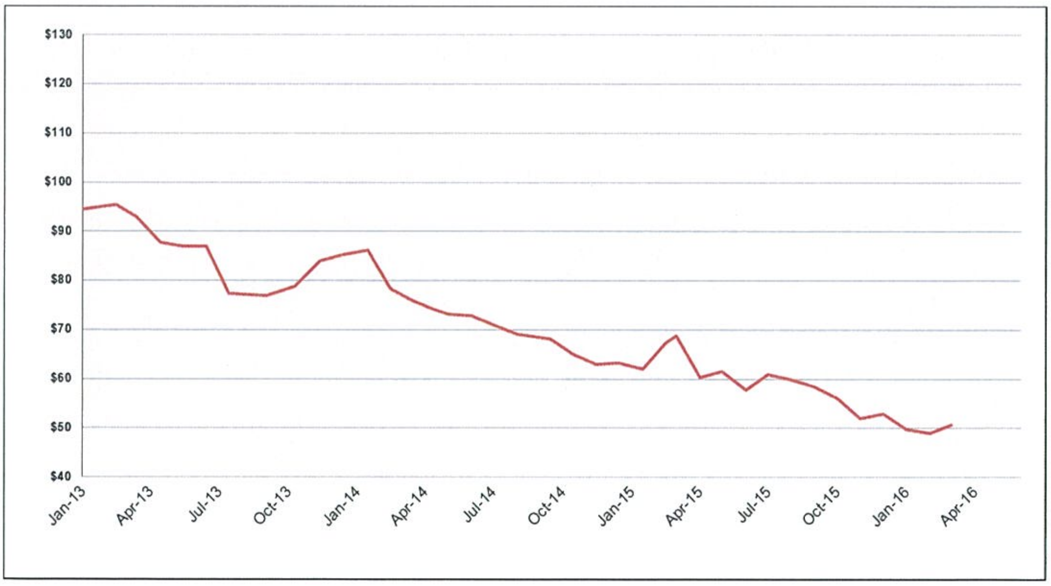
1. Industry Analysis - Coal producers' operating performance in Coal industry

The market thermal coal price has continuously stable since 2013 which has impacted the operating performance of all companies in coal industry. The following presentations illustrate the operating margin of major coal companies in each country and the coal price index during the past 3 years;



Global Coal :Newc Index US$ Per Tonne (from 2013 – Mar 2016)



2. Company Performance Analysis

The analysis and explanation of the company's performance for the first quarter ended 31 March 2016 and 2015 as follows:

Consolidated statements of Income for the first quarter ended 31 March 2016 and 2015

Consolidated financial performance (Unit: Million USD)	1Q16	1Q15
Sales	552	689
Cost of sales	(374)	(445)
Gross margin	178	244
Selling expenses	(42)	(62)
Administrative expenses	(38)	(36)
Royalty fee	(52)	(69)
Profit sharing from associates	11	14
Other income (expense)	(14)	(17)
Financial costs	(31)	(31)
Profit before tax	12	43
Income tax	(8)	(26)
Net profit (loss) for the period	4	16
Owners of the parent	(5)	2
Non-controlling interest	9	14
Earnings (loss) per share(Unit: USD)	(0.002)	0.001

2.1 Sales revenue reported at $552 million (equivalent Baht 19,691 million), a decrease of $137million or 20% compared to the same quarter of last year, was from a continued declining of the global coal price and sale volume. Details of the company's revenue are as follows:

- Revenue from coal sales of $497 million accounted for 90% of total sales revenue. The revenue from coal sales includes:
  - Sales revenue from Indonesia coal mines of $338 million;
  - Sale revenue from Australia coal mine of $159 million.
- Sales of power and steam and others of $55 million represented 10% of total sales revenue.

Revenue	1Q16 (Mil USD)	1Q15 (Mil USD)
Coal Business	497	631
Power/Steam Business	49	53
Others	6	5
Total	552	689

Coal Business

Source of Coal	*2016* Sales Vol. Mil Ton	*2015* Sales Vol. Mil Ton	*2016* Avg. Price Per Ton	*2015* Avg. Price Per Ton	*2016* Avg. Cost Per Ton	*2015* Avg. Cost Per Ton
Indonesia Mine	6.88	7.11	US$49.17	US$62.04	US$32.58	US$38.27
Australia Mine	3.41	3.66	A$64.82	A$65.97	A$49.62	A$46.26
Total	10.29	10.77				

- Coal sale volume of 1Q16 was 10.29 million tonnes, decreased by 0.48 million tonnes or 4%, which reduced from Australia mines and Indonesia mines by 0.25 million tonnes and 0.23 million tonnes, respectively.
- Average selling price of 1Q16 was $48.29 per tonne, compared to 2015 average selling price was $58.56 per tonne, decreased by 18% as a result of a decline in the global thermal coal market price. Indonesia mines' average selling price was $49.17 per tonne which decreased from the last year by $13 per tonne or 21%.

  Australia mines' average selling price was A$64.82 per tonne, decreased by A$1.15 per tonne which came from net result of higher of domestic selling price and lower of export selling price. Average domestic's selling price per tonne was A$60.05 (1Q15: A$ 54.93 per tonne) increased by A$5.12 which caused from a change of selling price mix between High price and Low price contracts. In 1Q16, proportion of High price contracts was more than last year. For export average selling price in 1Q16 was less than previous year which was net impact between a lower of average selling price according to a declining of global coal market price and a gain on foreign exchange rate conversion of export selling price in US dollar to Australian dollar as a result of a weakening of Australian dollar against US dollar (Average exchange rate AUD/USD in 1Q16 and 1Q15: 0.73 and 0.77, respectively.

2.2 Cost of sales $ 374 million, decreased by $71 million or 16% which was a result of a decrease in sale volumes and average cost of sales per tonne compared to last year. A decrease in Indonesia mines' average cost of sales per tonne of $5.69 was mainly from a lower diesel fuel cost resulting from a continued decline in global oil prices. Average fuel cost per liter in 1Q16 was $0.33 per liter (1Q15: $0.57 per liter). In addition, there was a production cost saving program that has been continuously implemented from previous year.

Australia mines' average cost of sales per tonne increased by A$3.36 compared to last year. It was net impact of cost saving program that has been continuously implemented from last year and additional cost per tonne as a result of a lower of production volume by 0.72 million tonne compared to last year. There was 1 mine, Angus Place has been put on care and maintenance during 2015 but it still had production in 1Q15.

2.3 Gross profit reported $178 million, a decrease of $66 million or 27%. 1Q16 Gross profit margin was calculated at 32% derived from 30% of coal business and 49% of power business (1Q15: Gross profit was 36%, derived from 36% of coal business and 42% of power business). A declining of market coal price was favorable for our coal fired power business, reflected by an increase of power business's gross profit compared to last year.

2.4 Selling expenses reported $42 million, a decrease of $20 million or 32% was from a decrease of export coal sale volumes at Indonesia and Australia mines that impacted a reduction of expenses by $17 million and a decrease of demurrage expenses by $3 million compared to last year. And also there was a cost saving from a gain on foreign exchange rate conversion of selling expenses from Australian dollar to US dollar compared to previous year as mentioned in 2.1

2.5 Administrative expenses reported at $38 million, an increase of $2 million or 5%.

2.6 Royalty fees reported at $52 million, a decrease of $17 million or 25% was due to the lower of coal selling price and coal sale volumes.

2.7 Equity income from associates and joint ventures reported at $11 million was the net result from profit sharing of BLCP and Hongsa Power Plant of $20 million and $1.9 million, respectively and loss sharing from China coal business of $10 million.

Net equity income recognized in 1Q16 dropped by $3 million or 21% compared to last year, was mainly from net results from more loss sharing from China coal business by $13 million and more profit sharing from BLCP and Hongsa Power Plant by $5 million and $5 million, respectively.

2.8 Other expenses of $14 million was comprised of;

2.8.1 Interest income of $1.2 million.

2.8.2 Loss from derivative financial instruments of $6.8 million which comprised of :

- Net realized loss of $6.7 million which consisted of loss from change in fair value of Gasoil hedging, interest rate swap and foreign exchange rate forward contracts were $0.4 million, $2.7 million and $3.6 million respectively.
- Net unrealized gain of $0.1 million which was from a change in fair value of interest rate swap contracts.

2.8.3 Net loss on foreign exchange rate of $15 million was mainly from net unrealized loss on foreign exchange rate translation on Thai Baht borrowings as a result of a appreciation of THB currency against USD currency from previous year. (Average exchange rate USD/THB as of March 2016 and December 2015: Baht 35.23 and Baht 36.08, respectively)

2.8.4 Management fees and other income of $6.3 million.

2.9 Corporate income tax of $8 million, decreased by $18 million compared to last year, which comprised of;

2.9.1 Corporate income tax of $17 million, a decrease of $6 million, which was result of a lower of net operating profit from coal business.

2.9.2 Deferred tax income of $15 million, net increase of $5 million was due to Thai Baht appreciated against USD currency compared to end of 2015. It was a result of difference in foreign exchange rate between tax base and accounting base. It impacted especially Thai entities which are USD functional currency but have to calculate corporate income tax using THB book for tax perspective.

2.9.3 Withholding tax on dividend income from a subsidiary of $0.3 million, a decrease of $3 million, which was in line with a lower of dividend declared by such subsidiary compared to last year.

2.9.4 In 2015, there was additional tax expense of $10 million recorded by a Indonesia's subsidiary net against an additional tax expense of $3 million recorded by a subsidiary in Singapore which were a result of taxes audit assessments assessed by tax authorities.

2.9.5 Withholding tax on interest on intercompany loan from a subsidiary of the group of $2.6 million which was none in previous year.

2.10 Net loss for the first quarter ended 31 March 2016 reported at $5 million, compared to the net profit of $2 million in last year.

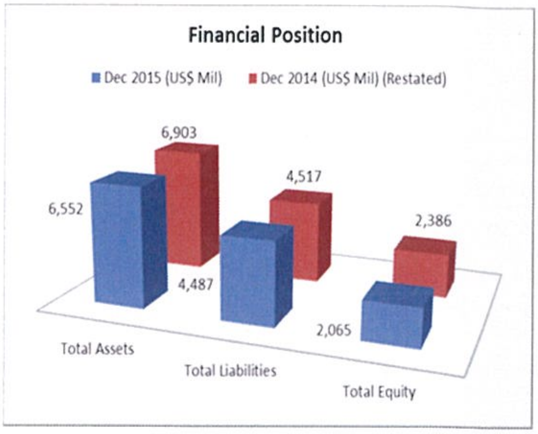
Earnings (loss) per share (EPS) reported at ($0.002) per share, equivalent Baht (0.071) per share (1Q15: $0.001 per share or equivalent Baht 1.027 per share)

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

3.1 Total assets of $6,904 million, an increase of $351 million compared to total assets as of 31 December 2015 with details was described below:

- Cash and cash equivalents of $448 million, an increase of $52 million or 13% (See explanation in # 4 Consolidated Statement of Cash Flow)
- Both current and non-current portions of dividend receivable from related parties of $215 million were dividend receivable of domestic power business, a decrease of $7

million was net result of received dividend and additional declared dividend during the period of $24 million and $14 million, respectively. There was gain from foreign exchange rate translation at end of this quarter by $3 million.



- Investment in joint venture and associates of $863 million, increased by $219 million or 34% from new investments of $212 million which consisted of power business in Laos of $204 million and power business in China of $8 million. And profit sharing recognized net against dividend received by $8 million. There was a gain from foreign exchange rate translation at end of this quarter by $15 million.
- Property plant and equipment of $1,304 million, an increase of $124 million was from purchased equipment of subsidiaries in Indonesia and Australia of $13 million & additions from business acquisition of $109 million netting with disposal, depreciation expenses of $34 million and gain from foreign exchange rate translation at end of this quarter of $36 million.

3.2 Total liabilities of $4,777 million, decreased by $290 million compared to total liabilities as of 31 December 2015 with details described below:

- Current portion of long-term loans of $277 million, a net increase of $92 million or 50% was the net impact of a reclassification of long term portion to current portion of $98 million, repayment during the quarter of $6 million.
- Current portion of debenture of $60 million, an increase of $1 million or 2% was the net impact of loss on foreign exchange rate translation at end of the quarter.
- Accrued overburden and coal transportation expenses of $78 million, a decrease of $39 million was mainly from the Indonesia operations.

- Long-term loans of $1,616 million, decreased by $71 million was from new borrowing of $11 million offset against loan repayment of $3 million, reclassification to current portion of $98 million and loss on foreign exchange rate translation at end of quarter by $19 million.
- Debenture of $1,205 million, increased by $25 million from loss on foreign exchange rate translation at end of the quarter.
- Derivative liabilities of $127 million represented unrealized loss from change in fair value of financial instruments from Cross Currency Swap, Interest rate swap and forward foreign exchange rate contracts by $63 million, $30 million and $34 million, respectively.

3.3 Shareholders' equity of $2,127 million, an increase of $62 million was due to;

- A decrease of $5 million from net loss of Q1/2016
- A decrease of $1 million from treasury stocks of a subsidiary
- A decrease of $2 million from dividend payment.
- A decrease of $1 million from dilution of investment in a subsidiary
- A decrease of $4 million from change in fair value of available for sales investments, hedged financial instruments and others.
- An increase of $9 million from non-controlling interests
- An increase of $66 million from gain on foreign exchange conversion of subsidiaries' financial statements.

3.4 Net debt-to-equity as of 31 March 2016 reported at 1.52 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 quarter ended 31 March 2016 in comparison with the statements of consolidated cash flows for the quarter ended 31 March 2015.**

Banpu's statement of consolidated cash flow for the quarter ended 31 March 2016 recorded an increase of net cash flow by $52 million (including the effect from exchange rate translation gain of $4 million). The consolidated cash flows are divided into:

4.1 Net cash inflow from operation of $27 million; with major operating items as follows;

- Collection from coal sale of $561 million
- Payment to contractors and suppliers of $333 million
- Interest payment of $24 million
- Payment of corporate income tax of $24 million
- Royalty payment of $32 million
- Others of $121 million

4.2 Net cash outflow from investing activities of $307 million; with major items as follows;

- Payment for machine, equipment, project in progress and business acquisition of $137 million
- Payments for investments in joint ventures & others and short-term investments of $212 million
- Payment for addition investment in subsidiary of $2 million
- Payment for treasury stocks of a subsidiary of $1 million
- Dividend received from subsidiaries and power business in Thailand of $24 million
- Receiving from interest income and others of $21 million.

4.3 Net cash inflow from financing of $327 million; comprised of

- Repayment of bank loan, long-term loan and Debenture of $369 million
- Proceeds from short-term, long-term loans from banks of $696million

5. Management Discussion and Analysis

The financial statement of 1Q16 continues to reflect consistent improvement in productivity and cost control at Indonesian and Australian coal operations. Results from these measures help to minimize impact from the unfavorable coal market presently. Meanwhile the stable contribution from power business led to a sound operating performance for the company. EBITDA in this quarter is $120 million, flat QoQ and 21% decline YoY due to lower coal prices.

The Indonesian Coal reported a sale volume as planned at 6.88 million tonnes. The volume was 5% lower QoQ due to seasonal impact from rainy season. The Average Selling Price (ASP) was $49.17 per tonne which declined 12% QoQ. Effective cost control continued to lead improvement in operation with Cost of Goods Sold (COGS) declining substantially 9% QoQ to $32.58 per tonne. The lower cost is mainly attributed to falling diesel prices to USD 0.33 per litre (-31% QoQ). As a result, the average Gross Profit Margin (GPM) maintained at a sound level of 34%

The Australia Coal operation improved from higher coal sale at Mandalong which resumed full production after undergoing Longwall changeover in previous quarter. The total sale volume from Australia reported at 3.41 million tonnes or 22% increase from the previous quarter. The ASP was sustained at A$64.82 per tonne due to a lower proportion of coal sale into the less attractive export market while selling prices of domestic market held up well. The average COGS reduced 10% QoQ to A$49.62 per tonne due to the higher productivity of Longwall at Mandalong. The lower cost directly lifted up GPM to 23% from 17% in the previous quarter.

For China Coal, unfavorable coal prices and weaker demand for processed coal in local market continued to result in subdued performance for Gaohe. In this quarter the equity income from China Coal reported a loss of $9.7 million which is a similar loss compared to the previous quarter.

Total EBITDA from coal business in this quarter is $78 million, which decreased 6% QoQ and decreased 35% YoY.

In Power business, BLCP reported a strong quarter with smooth operation and high dispatch rate. Its equity income was $20 million including an FX loss loss of $3 million. Hongsa operation was still in the ramp-up process with the last unit started commercial operation on March 2nd. It reported an equity income of 1.4 million for this quarter. Net profit contribution from China Power maintained at a solid level of $18 million

The EBITDA for Power business totaled at $42 million, 10% higher QoQ and 34% higher YoY.

Please be informed accordingly,

Sincerely yours,

BANPU
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BANPU PUBLIC COMPANY LIMITED

Somruedee Chaimongkol

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