BANPU

Management's Discussion and Analysis

For the year ended

31 December 2015

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 0216 / 008

Bangkok Office

18 February 2016

Re: Management's Discussion and Analysis of the consolidated financial statements for the year ended 31 December 2015

Attention: President

The Stock Exchange of Thailand

Attachment: 2 sets of consolidated financial statements for the year ended 31 December 2015

Banpu Public Company Limited ("the company") hereby submits 2 sets of consolidated financial statements for the year ended 31 December 2015 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 year ended 31 December 2015 in comparison with the year ended 31 December 2014 (restated) and its statement of financial position as of 31 December 2015 compared with the restated statement of financial position as of 31 December 2014.

Commencing 1 January 2015, the Group has applied for TAS16 (revised 2014) "Property, plant and equipment". The Group recognized spare parts and machinery supplies as property, plant and equipment if the spare parts and machinery supplies meet the definitions of property, plant and equipment. If they do not meet such definitions, they will be classified as an inventory. The Group also applied TAS 19 (revised 2014) "Employee benefits". The Group recognized re-measurements of post-employment benefit obligations in other comprehensive income in the period in which they incur. The Group recognized the pension expenses in profit or loss.

บริษัท บ้านปู จำกัด (มหาชน)
ทะเบียนเลขที่ 0107536000781
1550 อาคารธนภูมิ ชั้นที่ 27 ถนนเพชรบุรีตัดใหม่
แขวงมักกะสัน เขตราชเทวี กรุงเทพฯ 10400
โทร. +66(0) 2694 6600 โทรสาร +66(0) 2207 0695-8
www.banpu.com

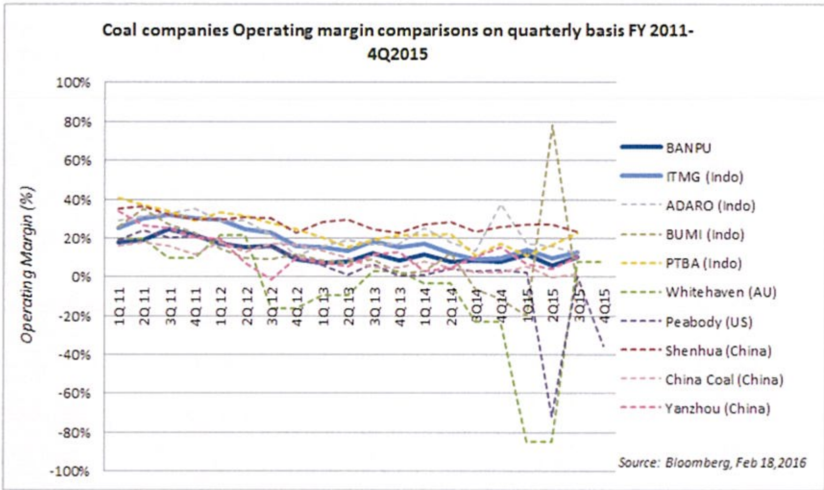
Banpu Public Company Limited
Registration No. 0107536000781
1550 Thanapoom Tower, 27th Floor, New Petchburi Road,
Makkasan, Ratchathewi, Bangkok 10400, Thailand
T. +66(0) 2694 6600 F. +66(0) 2207 0695-8
www.banpu.com

The Group has retrospectively applied these standards and the impact of the changes on the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of comprehensive income for the year ended 31 December 2014 are as follows:

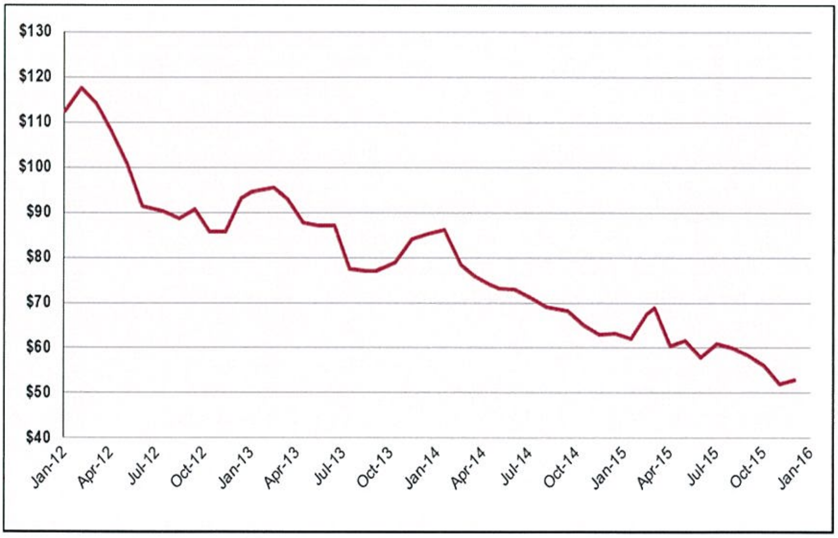
	USD'000		
	Before adjustments	Retrospective adjustments	After adjustments
Statement of financial position as at 31 December 2014			
Spare parts and machinery supplies, net	33,420	(2,240)	31,180
Property, plant and equipment, net	1,331,282	322	1,331,604
Deferred income tax assets, net	95,286	3,241	98,527
Projects under development	3,158	(3,158)	-
Other non-current assets	260,086	1,918	262,004
Employee benefits obligation	29,402	17,623	47,025
Retained earnings as at 1 January 2014	1,958,845	(4,822)	1,954,023
Retained earnings as at 31 December 2014	1,945,972	(9,481)	1,936,491
Non-controlling interests as at 1 January 2014	340,279	(2,596)	337,683
Non-controlling interests as at 31December 2014	343,922	(4,901)	339,021
Consolidated statement of Comprehensive Income for the year ended 31 December 2014			
Cost of sales and services	(2,138,732)	827	(2,137,905)
Income taxes	(69,667)	(74)	(69,741)
Profit for the period	155,972	753	156,725
Attributable to:			
Owners of the parent	82,246	489	82,735
Non-controlling interests	73,726	264	73,990
	155,972	753	156,725

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

The market thermal coal price has continuously declined since mid of 2012 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 years;



Global Coal :Newc Index US$ Per Tonne (from 2012 - 2015)



2. Company Performance Analysis

The analysis and explanation of the company's performance for the year ended 31 December 2015 and 2014 (restated) as follows:

Consolidated statements of Income for the year ended 31 December 2015 and 2014 (Restated)

Consolidated financial performance (Unit: Million USD)	Year 2015	Year 2014 Restated
Sales	2,477	3,145
Cost of sales	(1,672)	(2,138)
Gross margin	804	1,007
Selling expenses	(228)	(276)
Administrative expenses	(167)	(174)
Royalty fee	(239)	(303)
Profit sharing from associates	52	87
Other income (expense)	(10)	42
Financial costs	(130)	(132)
Profit before tax	82	251
Income tax	(98)	(70)
Reversal of deferred income tax assets for MRRT		(24)
Net profit (loss) for the year	(17)	157
Owners of the parent	(43)	83
Non-controlling interest	26	74
Earnings (loss) per share(Unit: USD)	(0.017)	0.032

2.1 Sales revenue reported at $2,477 million (equivalent Baht 84,650 million), a decrease of $668 million or 21% compared to last year, was from a continued decline of the global coal price. Details of the company's revenue are as follows:

- Revenue from coal sales of $2,285 million accounted for 92% of total sales revenue. The revenue from coal sales includes:
  - Sales revenue from Indonesia coal mines of $1,639 million;
  - Sales revenue from Australia coal mine of $646 million.
- Sales of power and steam and others of $191 million represented 8% of total sales revenue.

Revenue	2015 (Mil USD)	2014 (Mil USD)
Coal Business	2,285	2,953
Power/Steam Business	169	168
Others	22	24
Total	2,477	3,145

Coal Business

Source of Coal	*2015* Sales Vol. Mil Ton	*2014* Sales Vol. Mil Ton	*2015* Avg. Price Per Ton	*2014* Avg. Price Per Ton	*2015* Avg. Cost Per Ton	*2014* Avg. Cost Per Ton
Indonesia Mine	28.16	28.98	US$58.35	US$67.26	US$37.43	US$44.68
Australia Mine	12.99	15.47	A$65.90	A$68.53	A$49.41	A$49.70
Total	41.15	44.45				

- Coal sale volume of 2015 was 41.15 million tonnes, decreased by 3.30 million tonnes or 7%, which reduced from Australia mines and Indonesia mines by 2.48 million tonnes and 0.82 million tonnes, respectively.
- Average selling price of 2015 was $55.53 per tonne, compared to 2014 average selling price was $65.36 per tonne, decreased by 15% as a result of a decline in the global thermal coal market price. Indonesia mines' average selling price was $58.35 per tonne which decreased from the last year by $8.91 per tonne or 13%.

  Australia mines' average selling price was A$65.90 per tonne, decreased by A$2.63 per tonne which came from both domestic and export sales. Average domestic's selling price per tonne was A$56.88 (2014: A$ 59.17 per tonne) decreased by A$2.29 which caused from a change of selling price mix between old legacy contracts and new contracts.

In 2015, the proportion of new priced contracts was less than last year. For export average selling price in 2015 was slightly less than previous year which was net impact between a lower of average selling price according to a decline 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 17% weakening of Australian dollar against US dollar (Average exchange rate AUD/USD in 2015 and 2014: 0.75 and 0.90, respectively.

2.2 Cost of sales $ 1,672 million, decreased by $466 million or 22% 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 $7.25 was mainly from a lower diesel fuel cost resulting from a continued decline in global oil prices. Average fuel cost per liter in this year was 53 cents per liter (2014: $1.02 per liter). In addition, there was a reduction in the stripping ratio from 9.76 to 8.65 and production cost saving program that has been continuously implemented from previous year.

Australia mines' average cost of sales per tonne slightly decreased by A$0.29 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 2.2 million tonne compared to last year. There were 2 mines, Angus Place and Newstan, have been put on care and maintenance during this year.

2.3 Gross profit reported $804 million, a decrease of $203 million or 20%. 2015 Gross profit margin was calculated at 32% derived from 32% of coal business and 38% of power business (2014: Gross profit was 32%, derived from 32% of coal business and 33% of power business). A declining market coal price was favorable for our coal fired power business, reflected by an increase in the power business's gross profit compared to last year.

2.4 Selling expenses reported $228 million, a decrease of $49 million or 18% was from a decrease of export coal sale volumes at Indonesia and Australia mines that impacted a reduction of expenses by $25 million and a decrease of demurrage expenses by $5 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 $167 million, a decrease of $7 million or 4% was mainly from a decrease of expenses resulting from our cost reduction program that has been continuously implemented from last year.

2.6 Royalty fees reported at $239 million, a decrease of $64 million or 21% was due to the lower of coal selling price and coal sale volumes.

2.7 Equity income from associates and joint ventures reported at $52 million was the net result from profit sharing of BLCP of $62million and loss sharing from joint ventures in Laos and China coal business of $6 million and $4 million, respectively.

Net equity income recognized in 2015 dropped by $35 million or 40% compared to last year, was mainly from a lower profit sharing of BLCP by $9 million which resulted from unplanned outage of unit 1 and 2 incurred during the first quarter and the second quarter, respectively. It was impacted by lower of generation hours compared to previous year netting against a gain on foreign exchange rate as a result of a depreciation of Thai Baht against US dollar. BLCP's functional currency is in US dollar currency. More loss sharing from our joint venture in Laos by $2 million was net impact of more operating profit sharing by $5 million as a results of 2 units started their commercial operation date during the third quarter and the fourth quarter this year. Offset with an unrealized loss on foreign exchange rate as a result of translation of assets and liabilities denominated in US dollar, was due to its functional currency is Thai Baht. In addition, it has an unrealized loss on change in fair value of foreign exchange rate forward selling contracts. There was loss sharing from China coal business by $24 million resulting from a lower coal price in China market.

2.8 Other expenses of $10 million was comprised of;

2.8.1 Interest income of $7 million.

2.8.2 Loss from derivative financial instruments of $61 million which comprised of :

- Net realized loss of $80 million which consisted of loss from change in fair value of Cross Currency Swap, Coal swap, Gasoil hedging, interest rate swap and foreign exchange rate forward contracts were $1 million, $8 million, $36 million, $7 million and $28 million respectively which was resulted from volatility of commodity and financial markets during 2015.

- Net unrealized gain of $19 million which was mainly from a change in fair value of Gasoil hedging contracts.

2.8.3 Net gain on foreign exchange rate of $24 million was mainly from net unrealized gain on foreign exchange rate translation on Thai Baht borrowings as a result of a depreciation of THB currency against USD currency from previous year. (Average exchange rate USD/THB of 2015 and 2014: Baht 36.08 and Baht 32.96 respectively)

2.8.4 Management fees and other income of $20 million.

2.9 Corporate income tax of $98 million, increased by $29 million compared to last year, which comprised of;

2.9.1 Corporate income tax of $76 million, a decrease of $22 million, which was result of a lower of net operating profit.

2.9.2 Withholding tax on dividend income from a subsidiary of $ 8 million, decreased by $ 5 million, which was in line with a lower of declared dividend by such subsidiary compared to last year.

2.9.3 As a result of Thai Baht depreciated against USD currency during this year, it impacted more income tax expenses incurred especially Thai entities which are USD functional currency but have to calculate corporate income tax using THB book for tax perspective.

2.9.4 There were additional tax expenses of $ 28 million recorded by Indonesia's subsidiaries as a result of 2011 – 2012 tax audit assessments assessed by Indonesian tax authorities.

2.9.5 In 2014, there was an increase of $10 million for deferred tax assets mainly derived from recognized deferred tax assets of subsidiaries in Indonesia. It arose from a difference in costing calculation method between accounting standards practice and tax. Indonesian' Subsidiaries applied a new Interpretation of Financial Accounting Standard or IFRIC 20 "Stripping costs in the production phase of a surface mine" since 1 January 2014. This interpretation was effective on beginning on or after 1 January 2014. While the Indonesian' subsidiaries have to use the previous costing method for corporate tax calculation until such new costing method has been approved by the Indonesian tax department.

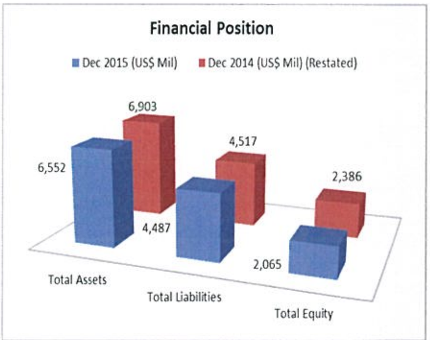
2.10 Net loss for the year ended 31 December 2015 reported at $43 million, decreased from last year by $126 million or 152%

Earnings (loss) per share (EPS) reported at ($0.017) per share, equivalent Baht (0.594) per share (2014: $0.032 per share or equivalent Baht 1.044 per share), decreased by 152%.

3. **Statements of Consolidated Financial Position as of 31 December 2015 in comparison with the Restated Statements of Consolidated Financial Position as of 31 December 2014**

3.1 Total assets of $6,552 million, a decrease of $350 million compared to total assets as of 31 December 2014 with details described below:

- Cash and cash equivalents of $396 million, an increase of $5 million or 1% (See explanation in # 4 Consolidated Statement of Cash Flow)
- Both current and non-current portions of dividend receivable from related parties of $221 million were dividend receivable of domestic power business, increasing by $4 million which was net result of received dividend and additional declared dividend during the year of $71 million and $137 million, respectively. There was a loss from foreign exchange rate translation at end of the year by $62 million.



- Investment in joint venture and associates of $644 million, increased by $82 million or 15% from new investment s of $154 million which consisted of solar power business of $4 million, power business in Laos of $140 million and power business in China of $10 million. And profit sharing recognized net against dividend received by $21 million and reclassification item of investment to other of $5 million. There was a loss from foreign exchange rate translation at end of the year by $46 million.
- Property plant and equipment of $1,180 million, a decrease of $152 million was from purchased equipment of subsidiaries in Indonesia and Australia of $200 million netting with disposal & reclassification items of $23 million, depreciation expenses

for the year of $164 million and loss from foreign exchange rate translation at end of the year of $165 million.

3.2 Total liabilities of $4,487 million, decreased by $30 million compared to total liabilities as of 31 December 2014 with details described below:

- Current portion of long-term loans of $185 million, a net increase of $25 million or 16% was the net impact of a reclassification of long term portion to current portion of $190 million, repayment during the year of $164 million and a gain on foreign exchange rate translation at end of the year by $1 million.
- Current portion of debenture of $58 million, a decrease of $18 million or 23% was the net impact of a reclassification of debenture long-term portion to current portion of $63 million, repayment of $70 million and a gain on foreign exchange rate translation at end of the year by $11 million.
- Accrued overburden and coal transportation expenses of $117 million, a decrease of $48 million was mainly from the Indonesia operations.
- Long-term loans of $1,687 million, an decreased by $29 million was from new borrowing of $256 million offset against loan repayment of $72 million, reclassification to current portion of $190 million and gain on foreign exchange rate translation at end of the year by $23 million.
- Debenture of $1,180 million, decreased by $40 million from new issue of $112 million, reclassification to current portion $63 million and gain on foreign exchange rate translation at end of the year by $89 million.
- Derivative liabilities of $29 million represented unrealized loss from change in fair value of financial instruments from Coal swap and forward foreign exchange rate contracts by $1 million and $28 million, respectively.

3.3 Shareholders' equity of $2,065 million, a decrease of $320 million was due to;

- A decrease of $43 million from net loss of 2015
- A decrease of $173 million from loss on foreign exchange conversion of subsidiaries' financial statements.
- A decrease of $141 million from dividend payment.
- An increase of $12 million from change in fair value of available for sales investments, hedged financial instruments and others.
- An increase of $25 million from non-controlling interests

3.4 Net debt-to-equity as of 31 December 2015 reported at 1.40 times for the consolidated statement of financial position (31 December 2014: 1.17 times for the restated consolidated statement of financial position).

4. Statements of Consolidated Cash Flows for the year ended 31 December 2015 in comparison with the restated statements of consolidated cash flows for the year ended 31 December 2014.

Banpu's statement of consolidated cash flow for the year ended 31 December 2015 recorded an increase of net cash flow by $5 million (including the effect from exchange rate translation loss of $10 million). The consolidated cash flows are divided into:

4.1 Net cash inflow from operation of $244 million; with major operating items as follows;

- Collection from coal sale of $2,591 million
- Payment to contractors and suppliers of $1,703million
- Interest payment of $123 million
- Payment of corporate income tax of $112 million
- Royalty payment of $243million
- Others of $410 million

4.2 Net cash outflow from investing activities of $319 million; with major items as follows;

- Payment in machine, equipment and project in progress of $197 million
- Payments for investments in joint ventures & others and short-term investments of $173 million

- Loan to related and other company of $25 million
- Dividend received from subsidiaries and power business in Thailand of $46 million
- Receiving from interest income and others of $30 million.

4.3 Net cash inflow from financing of $90 million; comprised of

- Dividend payment of $141 million
- Repayment of bank loan, long-term loan and Debenture of $600 million
- Payment for financial charge of $5 million
- Proceeds from short-term, long-term loans from banks of $836 million

5. Management Discussion and Analysis

The financial result of 2015 reflects good adaptability of the company's coal operations in coping with unfavorable coal market situation. In Indonesia and Australia, several measures to cut cost and increase productivity were undertaken which resulted in healthy cash flows and enhancing long-term competitiveness. On the other hand, the contribution from power business remained solid which helped to balance the earnings from the two core businesses. Earnings from power will gain further momentum following full commercial operation of Hongsa power plant expected in March 2016.

The group EBITDA for 2015 amounted to $492 million, lower 24% from previous year. EBITDA from coal was $382 million (lower 29%) and EBITDA from power was $110 million (higher 5%).

During 2015 the seaborne coal market continued its downward trend undermined by excessive coal supply and economic slowdown in China, a major coal importing country. The spot coal price, according to the Newcastle Export Index (NEX), fell from the average of $70.90 per tonne in 2014 to $59.37 per tonne in 2015 or a decline by 19%.

The unfavorable coal market continued to weigh on revenue from coal sale. Indonesia coal under ITM group recorded 18% lower sale revenue to the amount of $1,639 million, deriving from sale volume of 28.16 million tonnes (3% lower) and an average selling price of $58.38 per tonne (13% lower). The actively adjusted mine plans to increase the efficiency and reduce cost led to the lower average stripping ratio to 8.65 times compared to 9.76 times in previous year. The rapid fall in global oil prices during the year also boded well for fuel cost, with diesel price falling by 48% to an average of $0.53 per litre. ITM cost of goods sold therefore effectively reduced by 16% to $37.4 per tonne. The gross profit margin maintained at a sound level of 35% compared to 34% in previous year.

For 4Q/2015, sale volume of ITM was 7.3 million tonnes (5% QoQ) with ASP of $55.6 per tonne, (-3% QoQ). Its cost of sale was at $35.9 per tonne (-1 % QoQ) with average gross profit margin of 35% (37% in 3Q15)

Australia coal reported 16% lower equity sale volume in 2015 at 13 million tonnes due to a care-and-maintenance shutdown at a major mine Angus Place since February 2015. In 2014 this mine recorded sale volume of 1.7 million tonnes. The average selling price weathered well against the weak seaborne market as export allocation was only 38% of total sale volume. The strengthening of USD currency also had positive impact to the average selling price which was A$65.9 per tonne, or marginally lower by 4%. Cost of sale was flat at A$49.4 per tonne, leading to a reasonable gross profit margin of 25% compared to 28% in 2014.

In 4Q/2015, the equity sale volume was 2.81 million tonnes (-18% QoQ) because of the planned Longwall changeover at Mandalong. The ASP and unit cost of goods sold were A$66.2 per tonne (+3% QoQ) and A$55.2 per tonne (+19% QoQ) respectively. Gross profit margin was 17% compared to 28% in previous quarter.

China coal operations were largely affected by lower coal selling prices. In 2015, the operations at Gaohe and Hebi reported a combined equity loss of $3.2 million compared to an equity profit of $21 million in the preceding year. In 4Q15, the equity loss from China coal was $8.6 million.

Earnings from power were highlighted by strong performance at BLCP and BIC power plants in China. BLCP efficiently adjusted its operation plan to bring profit back on track after an unscheduled shutdown in early of the year. Its equity income was sustained at $61 million while in 4Q/2015 equity income was $12 million. The power plant in China generated a record annual net profit of $36 million, with winter demand pushed up quarterly net profit to $11 million in 4Q/2015. For Hongsa the commercial startup of the first two units, which reported an equity loss of $6 million in 2015 and an equity income of $9.8 million in 4Q2015, was not an indicator of its normalized operating performance. The company expects that the equity income will increase significantly after Hongsa begins full commercial operation for all 3 units in March 2016.

Please be informed accordingly,

Sincerely yours,

Somruedee Chaimongkol

Chief Executive Officer

BANPU
บริษัท บ้านปู จำกัด (มหาชน)
BANPU PUBLIC COMPANY LIMITED

Ms. Arisara Sakoongaravek

Tel. 0 2694 6614