BANPU

Management's Discussion and Analysis

For the first quarter ended

31 March 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 third year as member of
the Dow Jones Sustainability Indices (DJSI) in 2016

BANPU

No. BP 0517 / 046

Bangkok Office

15 May 2017

Re: Management's Discussion and Analysis of the consolidated financial statements for the first quarter ended 31 March 2017

Attention: President

The Stock Exchange of Thailand

Attachment: 2 sets of consolidated financial statements for the first quarter ended 31 March 2017

Banpu Public Company Limited ("the company") hereby submits 2 sets of consolidated financial statements for the first quarter ended 31 March 2017 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 2017 in comparison with the same quarter ended 31 March 2016 and its statement of financial position as of 31 March 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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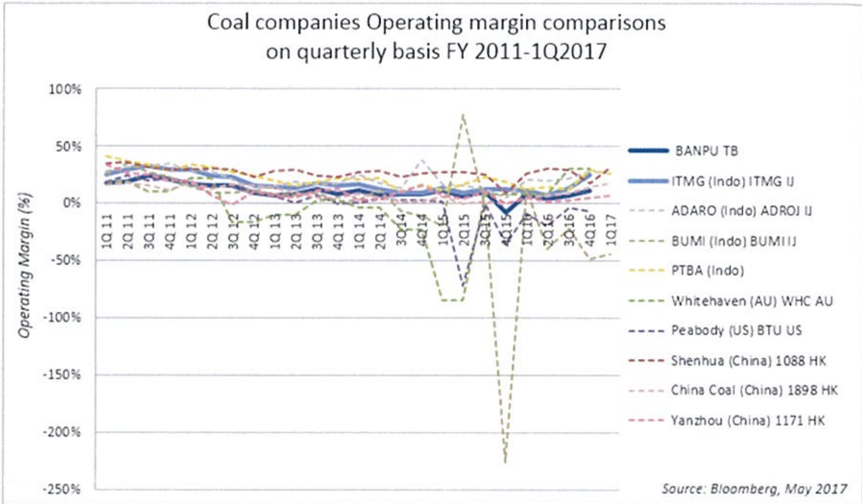
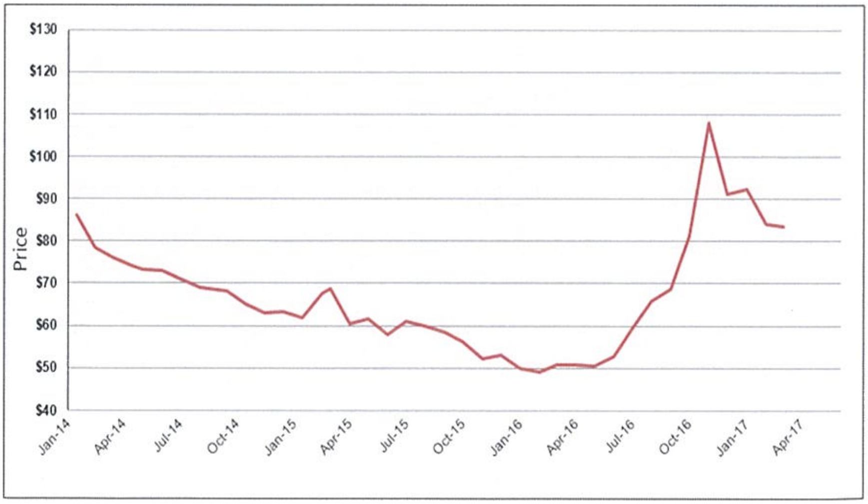
1. Industry Analysis - Coal producers' operating performance in Coal industry

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 2014 – Mar 2017)



2. Company Performance Analysis

The analysis and explanation of the company's performance for the first quarter ended 31 March 2017 and 2016 as follows:

Consolidated statements of Income for the first quarter ended 31 March 2017 and 2016

Consolidated financial performance (Unit: Million USD)	1Q17	1Q16
Sales	633	552
Cost of sales	(392)	(374)
Gross margin	**241**	**178**
Selling expenses	(35)	(42)
Administrative expenses	(41)	(38)
Royalty fee	(58)	(52)
Profit sharing from joint ventures	43	11
Other income (expense)	(16)	(13)
Financial costs	(32)	(32)
Profit before tax	**102**	**12**
Income tax	(36)	(8)
Net profit for the period	**66**	**4**
Owners of the parent	41	(5)
Non-controlling interest	25	9
Earnings (loss) per share(Unit: USD)	0.008	(0.002)

2.1 Sales reported at $633 million (equivalent Baht 22,225 million), an increase of $81 million or 15% compared to the same quarter of last year, was from a continued rising of the global coal price. Details of the company's revenue are as follows:

- Revenue from coal sales of $566 million accounted for 89% of total sales revenue. The revenue from coal sales comprise of :
  - Sales from Indonesia coal mines of $373 million;
  - Sales from Australia coal mines of $193 million.
- Sales of power and steam and others of $60 million represented 9% of total sales.
- Sales of gas business of $7 million represented 1% of total sales revenue.

Revenue (Unit: Million USD)	1Q17	1Q16
Coal business	566	497
Power & Steam business	55	49
Gas business	7	-
Others	5	6
Total	633	552

Coal Business

Source of Coal	*1Q17* Sales Vol. Mil Tonnes	*1Q16* Sales Vol. Mil Tonnes	*1Q17* Avg. Price Per Tonne	*1Q16* Avg. Price Per Tonne	*1Q17* Avg. Cost Per Tonne	*1Q16* Avg. Cost Per Tonne
Indonesia Mine	5.39	6.88	US$69.32	US$49.17	US$37.76	US$32.58
Australia Mine	3.19	3.42	A$79.49	A$64.82	A$56.71	A$49.62
Total	8.58	10.30				

- Coal sale volume of 1Q17 was 8.58 million tonnes, decreased by 1.72 million tonnes or 17%, which reduced from Australia mines and Indonesia mines by 0.23 million tonnes and 1.49 million tonnes, respectively.
- Average selling price of 1Q17 was $65.86 per tonne, compared to 1Q16 average selling price was $48.29 per tonne, increased by 36% as a result of increasing in the global thermal coal market price compared to previous year. Indonesia mines' average selling price was $69.32 per tonne which increased from the last year by $20.15 per tonne or 41%.

  Australia mines' average selling price was A$79.49 per tonne, compared to the same period of prior year average selling price of A$64.82 per tonne, an increase of A$14.67 per tonne, or 23% was mainly from an improve of domestic contract prices and higher export price from the rising of global coal market price compared to last year.

Australia mines	Sales volume (Mil Tonnes)		Average Selling price (A$/Tonne)	
	1Q17	*1Q16*	*1Q17*	*1Q16*
Domestics sales	1.94	2.40	64.42	60.06
Export sales	1.25	1.02	102.93	76.06
Total	**3.19**	**3.42**	**79.49**	**64.82**

Average domestic sale price per tonne was A$64.42, increased by A$4.36 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$102.93, increased by A$26.87 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 1Q17 was 0.76 (1Q16: 0.72).

Power Business

	Power Sales (Mil USD)		Steam & Others (Mil USD)	
	1Q17	1Q16	1Q17	1Q16
CHP (Combined Heat & Power) Plants	23.86	24.32	27.47	24.31
Solar Power Plants	3.62	-	-	-
Total	**27.48**	**24.32**	**27.47**	**24.31**

Power, steam sales and others of 3 CHP power plants in China were $51.33 million, $2.70 million increased from last year. Mainly from was an increase of power tariff and steam price offset with a decrease of power and steam sales volumes compared to last year. Average power tariff was RMB 0.38 per kWh (1Q16: RMB 0.36 per kWh), an increase of RMB 0.02 or 6% and average steam price was RMB 91.69 per tonne (1Q16: RMB 87.93 per tonne), an increase of RMB 3.76 or 4%. Such increase was the result of a flow through of the higher coal cost that was the major fuel of power plants.

2.2 Cost of sales $392 million, increased by $18 million or 5% which was a net result of an increase of power & steam business' cost of sales of $14 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 621 per tonne (1Q16: RMB 341 per tonne), an increase of 82% compared to previous year. Coal cost has continued rising since 4Q16.

Cost of sales (Unit: Million USD)	1Q17	1Q16
Coal business	339	346
Power & Steam business	39	25
Gas	5	-
Others	9	3
Total	392	374

Whereas coal business' cost of sales decreased by $7 million that was net impact from a decrease of sale volume and an increase of cost per tonne compared to previous year.

Indonesia mines' average cost per tonne increased by $5.18, was mainly from rising of global market diesel price, which the average price per litre was $0.54 (1Q16: $0.33), offset with the decrease of other production cost resulting from cost saving program.

Australia mines' average cost of sales per tonne increased by A$7.09 compared to last year. It was net impact of cost saving program that has been continuously implemented and additional cost per tonne as a result of a lower of production volume by 0.60 million tonne compared to last year.

2.3 Gross profit reported $241 million, an increase of $63 million or 35%. Gross profit margin was calculated at 38% derived from 40% of coal business and 29% of power business (1Q16: Gross profit was 32%, derived from 30% of coal business and 50% of power business). A rising of market coal price was unfavorable to our coal fired power business, reflected to a decrease of power business's gross profit compared to last year.

2.4 Selling expenses reported $35 million, a decrease of $7 million or 17% was from a decrease of export coal sale volumes at Indonesia and Australia mines that impacted a reduction of expenses by $4 million and a decrease of demurrage expenses by $2 million compared to last year, also from cost saving program that has implemented since last year.

2.5 Administrative expenses reported at $41 million, an increase of $3 million or 8%.

2.6 Royalty fees reported at $58 million, an increase of $6 million or 12% was due to net impact from lower sale volumes and higher of coal selling price.

2.7 Equity income from joint ventures reported at $43 million was the net result from profit sharing of BLCP, Hongsa power plant in Lao and coal business in China and others of $16 million, $5 million and $22 million, respectively.

Net equity income recognized in 1Q17 increased by $32 million or 291% compared to the same period of last year, was mainly from net results from more profit sharing from coal business in China, Hongsa power plant by $32 million and $3 million respectively, also from a decrease of loss sharing from solar projects in Japan $1 million. While lower of profit sharing from BLCP by $4 million was due to less production hour in March for tube leakage maintenance of unit 2 total 7 days, also the loss on foreign exchange rate as a result from the strengthen of THB to USD.

2.8 Other expenses of $16 million was comprised of;

2.8.1 Interest income of $1 million.

2.8.2 Loss from derivative financial instruments of $3 million which comprised of :

- Net realized loss of $6 million which was net impact of loss from interest rate swap, foreign exchange rate forward contracts of $2 million and $8 million, respectively. Offset with gain on gasoil hedging, coal hedging of $1 million, $3 million, respectively.
- Net unrealized gain of $3 million which was mainly from a change in fair value of cross currency swap and foreign exchange rate forward contracts of $1 million and $2 million, respectively.

2.8.3 Net loss on foreign exchange rate of $24 million was mainly from net unrealized loss on foreign exchange rate translation on THB currency borrowings as a result of an appreciation of THB currency against USD currency from previous year. (Average exchange rate USD/THB as of 31 March 2017 was Baht 34.45 (As of 31 December 2016: Baht 35.83).

2.8.4 Management fees and other income of $10 million.

2.9 Corporate income tax of $36 million, increased by $28 million which comprised of;

2.9.1 Corporate income tax of $28 million, an increase by $8 million, which was result of better operating profit from coal business.

2.9.2 An increase of withholding tax on dividend income from a subsidiary of $6 million according to more dividends declared by such subsidiary. Also there was an increase of $1 million from withholding tax on interest on loan from a subsidiary.

2.9.3 Corporate income tax of subsidiaries in Indonesia of $6 million which was additional assessed.

2.9.4 A decrease of $7 million of deferred income tax recognition compared to last year.

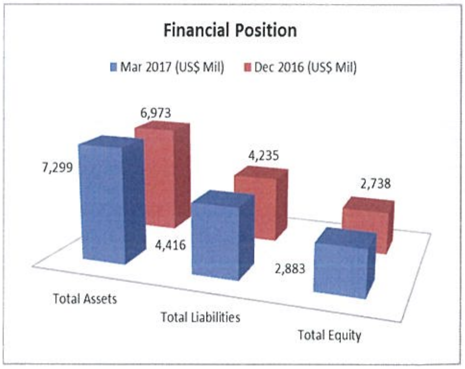
2.10. Net profit for this period reported $41 million (1Q16: net loss $5 million).

Earnings (loss) per share (EPS) reported at $0.008 per share, equivalent Baht 0.289 per share. (1Q16: $(0.002) per share or equivalent Baht (0.071) per share)

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

3.1 Total assets of $7,299 million, an increase of $326 million compared to total assets as of 31 December 2016 with details was described below:

- Cash and cash equivalents of $536 million, an increase of $81 million or 18% (See explanation in # 4 Consolidated Statement of Cash Flow)
- Both current and non-current portions of dividend receivable from related parties of $32 million and $196 million were dividend receivable of domestic power business. An increase of $3 million was a net result from additional declared dividend and received dividend during the period of $18 million and $15 million, respectively.



- Investment in joint venture and associates of $945 million, increased by $53 million or 6% from new investments in solar business in Japan of $8 million, profit sharing recognized net with dividend received by $24 million and gain on foreign exchange rate translation at end of period by $21 million.

- Other investments of $59 million, an increase of $11 million was from a new investment in solar power business in Japan in TK (TOKUMEI KUMIAI) agreement of $9 million and gain on foreign exchange rate translation at the end of this period of $2 million.
- Property plant and equipment of $1,443 million, an increase of $159 million was from purchased equipment of subsidiaries in Indonesia and Australia of $46 million, business acquisition of gas business in USA and solar power plants in China totaling of $119 million netting with depreciation expenses of $40 million and gain on foreign exchange rate translation and others of $34 million.
- Other non-current assets of $293 million, a decrease of $15 million was mainly from net result of a reclassification of advance payment for project development of solar project in Japan of $9 million to other investments and reclassification of advance to contractor of $2 million to loan to other company according to a termination of share purchase agreement of Thai Solar Consultant Co., Ltd and disposed back to seller. Also, a decrease of prepaid tax of subsidiaries in Indonesia by $14 million. While there were some increments in land use right of $4 million from expansion phase of a power plant in China, right to operate and accrued subsidy income of $3 million and $3 million, respectively as a result from more investments in solar power plants in China which already commenced their operations during this quarter.

3.2 Total liabilities of $4,416 million, increased by $181 million compared to total liabilities as of 31 December 2016 with details described below:

- Short-term loans from financial institutions of $503 million, an increase of $220 million was from addition of $299 million, repayment of $84 million and loss on foreign exchange rate translation at the end of period of $5 million.
- Current portion of long-term loans of $242 million, a net decrease of $88 million or 27% was the net result of repayment during the period of $125 million and reclassification of long term portion to current portion of $37 million.

- Accrued overburden and coal transportation expenses of $102 million, an increase of $17 million was mainly from operations in Indonesia.
- Long-term loans of $1,358 million, decreased by $25 million was from reclassification to current portion of $37 million, repayment $8 million and loss on foreign exchange rate translation $20 million,
- Debenture of $1,229 million, an increased by $42 million from loss on foreign exchange rate translation at end of the period.
- Derivative liabilities of $79 million represented unrealized loss from change in fair value of financial instruments at the end of period which was from cross currency swap, interest rate swap, foreign exchange rate forward and coal hedging contracts of $51 million, $12 million, $12 million and $4 million, respectively.

3.3 Shareholders' equity of $2,883 million, an increase of $145 million was due to;

- An increase of $41 million from net profit for the period
- An increase of $18 million from additional of paid-up share capital.
- An increase of $8 million from change in fair value of available for sales investments, hedged financial instruments and others.
- An increase of $31 million from non-controlling interests.
- An increase of $78 million from gain on foreign exchange conversion of subsidiaries' financial statements.
- A decrease of 31 million from dividend payment during the quarter

3.4 Net debt-to-equity as of 31 March 2017 reported at 0.96 times for the consolidated financial statements (31 December 2016: 0.91 times).

4. **Statements of Consolidated Cash Flows for the quarter ended 31 March 2017.**

Banpu's statement of consolidated cash flow for the quarter ended 31 March 2017 recorded an increase of net cash flow by $81 million (including the effect from gain on exchange rate translation of $4 million). The consolidated cash flows are divided into:

4.1 Net cash inflow from operation of $90 million; with major operating items as follows;

- Collection from coal sale of $619 million
- Payment to contractors and suppliers of $253 million
- Interest payment of $24 million
- Payment of corporate income tax of $17 million
- Royalty payment of $65 million
- Others of $170 million

4.2 Net cash outflow from investing activities of $111 million; with major items as follows;

- Payment for machine, equipment, project in progress and business acquisition of $43 million
- Payment for addition of other investment of $1 million
- Payments for loan to subsidiaries and others of $19 million
- Payment for business acquisition of solar power in Japan and gas business in USA of $64 million
- Dividend received from subsidiaries, joint venture and associates of $15 million
- Receiving from interest income and others of $1 million.

4.3 Net cash inflow from financing of $98 million; comprised of

- Proceeds from short-term loans from banks of $290 million
- Receive from increase in issued and paid up share capital of $ 18 million
- Repayment of short-term loans and long-term loans of $210 million

5. Management Discussion and Analysis

The financial statement of 1Q17 indicates strong earnings contribution from both coal and power businesses. Group EBITDA is reported at USD 216 million, an increase of 93% YoY and flat QoQ. EBITDA from coal business rose significantly 166% YoY and 2% QoQ to USD 171.5 million due to rising coal prices. EBITDA from power business was reported at lower by 19% YoY and 15% QoQ due mainly to the higher coal cost at China power plants while Hongsa delivered smooth operation.

Net profit for the quarter was reported at USD 40.86 million, relatively flat QoQ but a turnaround from a net loss of USD 5.15 million in the same period last year. In this quarter the company incurred a foreign exchange loss of USD 24 million due to strong appreciation of Thai Baht against US Dollar that impacted the accounting translation of Baht-denominated loans. Net profit excluding foreign exchange loss was USD 65 million, markedly increased by 596% YoY and 87% QoQ led by improvement from all units of coal operations.

Indonesia coal operation gained full benefit from market recovery during late of last year. The performance in this period was led by a higher Average Selling Price (ASP) by 41% YoY and 10% QoQ at USD 69.32 per tonne. The strong ASP helped sustain the revenue which was affected by a seasonally lower sale volume of 5.394 million tonnes (-23% YoY and -19% QoQ). The resilient outlook of coal market in this year has also allowed key open-pit operations including Indominco, Trubaindo and Bharinto to optimize their production plan by extracting coal from deeper mining areas which resulted in a higher Cost of Goods Sold by 16% YoY and 19% QoQ to USD 37.76 per tonne. The higher cost was partly due to rising diesel price by 65% YoY and 13% QoQ to USD 0.54 per litre. Gross Profit Margin sustained at 47% compared to 34% in last year and 50% in the previous quarter.

Australia operation reported sale volume of 3.194 million tonnes, flat QoQ but a lower by 6% YoY due to Longwall changeover at Mandalong and Springvale. The productivity improvement program continued to see Springvale and Airly achieved their new daily production records. Both domestic and export sale were able to capture market optimism with ASP rising 23% YoY and 5% QoQ to AUD 79.49 per tonne. The average Cost of Goods Sold was AUD 56.7 per tonne, an increase of 14% YoY due to the Longwall changeover but a saving of 6% compared to the previous quarter where

Mandalong also commenced a Longwall changeover. Gross Profit Margin achieved a sound level of 29% compared to 23% both in last year and 20% in the previous quarter.

China coal operation was led by strong domestic selling prices. The combined equity income from Hebi and Gaohe mines was reported at USD 22.77 million which switched from a loss of USD 9.7 million in last year.

For power business, BLCP resumed its full operation after a maintenance shutdown in late last year. It reported an equity income of USD 15.8 million. Hongsa delivered smooth running without interruption. Its equity income of USD 3.7 million, however, was impacted by an accounting foreign exchange loss of USD 11.6 million. Excluding the foreign exchange loss its operating income was the highest since the commercial startup in mid-2015. Lastly the net profit from China power was USD 11.29 million, reflecting high seasonal demand for electricity and steam while coal cost increased due to tightening in domestic coal market.

Please be informed accordingly,

Sincerely yours,

Somruedee Chaimongkol

Chief Executive Officer

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