BANPU

Management's Discussion and Analysis

For the second quarter ended 30 June 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 0817 / 076

Bangkok Office

11 August 2017

Re: Management's Discussion and Analysis of the consolidated financial statements for the three months ended 30 June 2017

Attention: President

The Stock Exchange of Thailand

Attachment: 2 sets of consolidated and separate financial statements for the three months ended 30 June 2017

Banpu Public Company Limited ("the company") hereby submits 2 sets of consolidated financial statements for the three months ended 30 June 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 three months ended 30 June 2017 in comparison with the same period ended 30 June 2016 and its statement of financial position as of 30 June 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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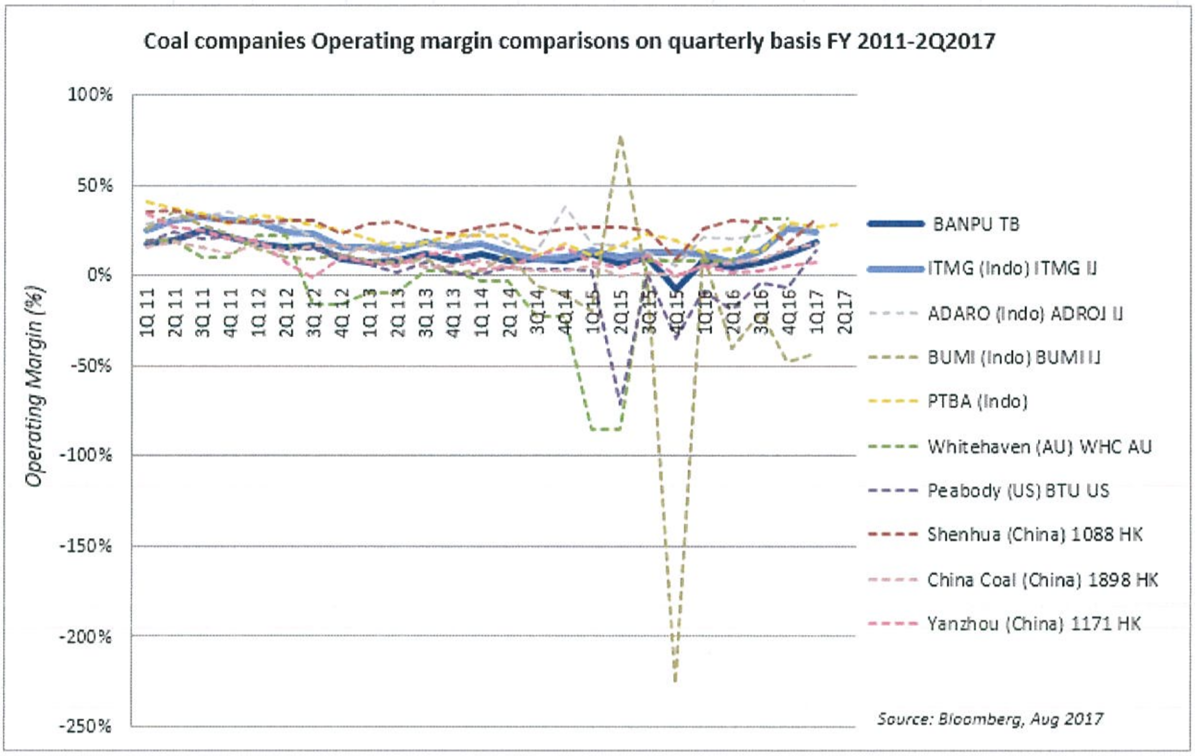
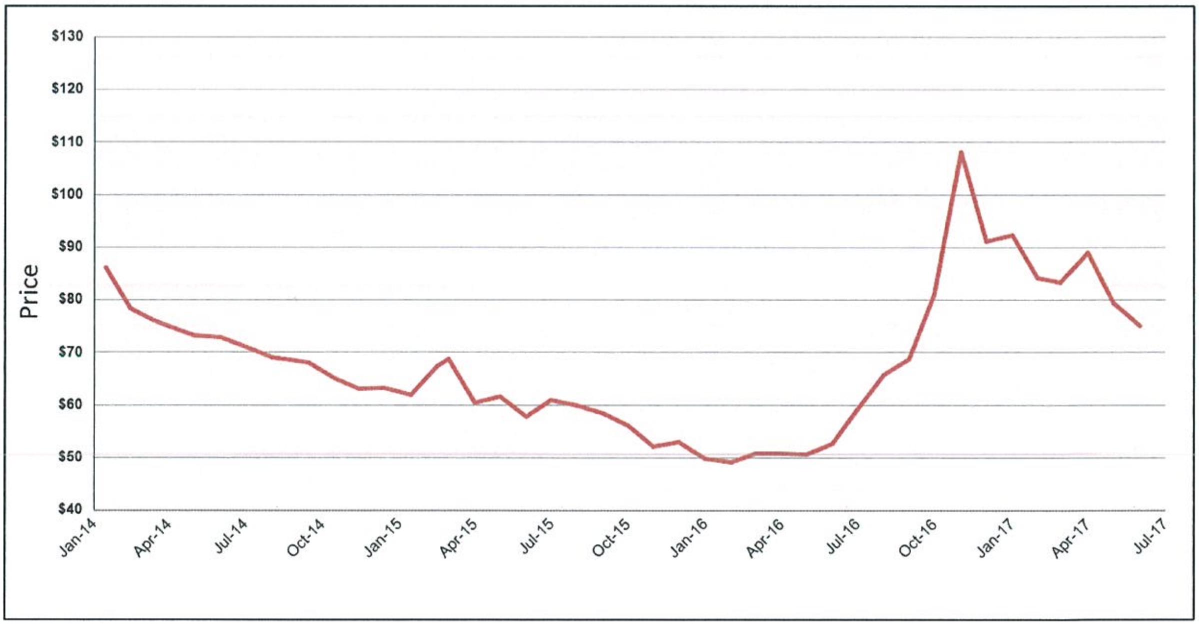
1. Industry Analysis - Coal producers' operating performance in Coal industry

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 – June 2017)



2. Company Performance Analysis

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

Consolidated statements of Income for the second quarter ended 30 June 2017 and 2016

Consolidated financial performance (Unit: Million $)	2Q17	2Q16
Sales	633	469
Cost of sales	(412)	(329)
Gross margin	**221**	**140**
Selling expenses	(39)	(43)
Administrative expenses	(41)	(32)
Royalty fee	(61)	(44)
Profit sharing from joint ventures	76	26
Other income (expense)	(7)	2
Financial costs	(34)	(35)
Profit before tax	**115**	**14**
Income tax	(22)	(1)
Net profit for the period	**93**	**13**
Owners of the parent	66	8
Non-controlling interest	27	5
Earnings per share (Unit: USD)	0.013	0.003

2.1 Sales reported at $633 million (equivalent Baht 21,707 million), an increase of $163 million or 35% 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 $582 million accounted for 92% of total sales revenue. The revenue from coal sales comprise of :
  - Sales from Indonesia coal mines of $394 million.
  - Sales from Australia coal mines of $188 million.
- Sales of power and steam and others of $43 million represented 7% of total revenue.
- Sales of gas business of $8 million represented 1% of total revenue.

Revenue (Unit: Million $)	2Q17	2Q16
Coal business	582	429
Power & Steam business	37	30
Gas business	8	4
Others	6	6
Total	633	469

Coal Business

Source of Coal	*2Q17* Sales Vol. Mil Tonnes	*2Q16* Sales Vol. Mil Tonnes	*2Q17* Avg. Price Per Tonne	*2Q16* Avg. Price Per Tonne	*2Q17* Avg. Cost Per Tonne	*2Q16* Avg. Cost Per Tonne
Indonesia Mine	5.56	6.24	US$ 70.43	US$ 46.35	US$ 43.12	US$ 32.58
Australia Mine	3.15	3.03	A$ 80.20	A$ 61.83	A$ 55.96	A$ 44.33
Total	8.71	9.27				

- Coal sale volume of 2Q17 was 8.71 million tonnes, decreased by 0.56 million tonnes or 6%, from a decrease of sales volume from Indonesia mines by 0.68 million tonnes, while an increase of sales volume from Australia mine by 0.12 million tonnes. A decrease of sales volume from Indonesia mine caused the reduction of production volume total 1.11 million tonnes compared to 2Q16, as a result of heavy rain in Indonesia. The production tonnes from Indonesia mine in 2Q17 was 4.93 million tonnes (2Q16: 6.04 million tonnes).
- Average selling price of 2Q17 was $66.66 per tonne, compared to 2Q16 average selling price that was $46.23 per tonne, increased by $20.43 million or 44% as a result of increasing in the global thermal coal market price compared to previous year. Indonesia mines' average selling price was $70.43 per tonne which increased by $24.08 per tonne or 52% from last year.

Australia mines' average selling price of 2Q17 was A$80.20 per tonne, compared to average selling price 2Q16 that was A$61.83 per tonne, an increase of A$18.36 per tonne, or 30% 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)	
	2Q17	*2Q16*	*2Q17*	*2Q16*
Domestics sales	1.89	1.84	69.33	56.10
Export sales	1.26	1.19	96.55	70.69
Total	**3.15**	**3.03**	**80.20**	**61.83**

Average domestic sale price per tonne was A$69.33 increased by A$13.23 as a result from higher of sales portion from new sales contracts that states higher sales price than legacy contracts which gradually expired and replaced by new favor sales contracts. For export sales, average selling price per tonne was A$96.55, increased by A$25.86 from a rising of market coal price.

Power Business

	Power Sales (Mil $)		Steam & Others (Mil $)	
	2Q17	2Q16	2Q17	2Q16
CHP (Combined Heat & Power) Plants	17.51	18.01	14.16	12.54
Solar Power Plants	5.69	-	-	-
Total	**23.20**	**18.01**	**14.16**	**12.54**

Power sales, steam sales and others of 3 CHP plants in China were $31.67 million that increased by $1.12 million from last year due to an increase of power and steam sales volumes , and an increase of power tariff. Average power tariff was RMB 0.37 per kWh (2Q16: RMB 0.36 per kWh), an increase of RMB 0.01 or 3% and average steam price was RMB 90.01 per tonne (2Q16: RMB 85.10 per tonne), an increase of RMB 4.91 or 6%. Such increase was the result of the higher coal market price that was the major fuel of power plants.

2.2 Cost of sales $412 million, increased by $83 million or 25% 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 576 per tonne (2Q16: RMB 337 per tonne), an increase of 71% compared to previous year. Coal cost has continued rising since 4Q16.

Cost of sales (Unit: Million $)	2Q17	2Q16
Coal business	375	305
Power & Steam business	30	21
Gas	5	2
Others	2	1
Total	412	329

Whereas coal business' cost of sales increased by $70 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 $10.54 was mainly from a higher of stripping ratio that increased from 8.77 to 10.37 and a rising of global market of diesel price during the period. Average diesel price per litre was $0.51 (2Q16: $0.42), offset with a decrease of other production costs resulting from continuously implemented cost saving program since last year.

Australia mines' average cost of sales per tonne increased by A$11.62 compared to last year. In last year, there was relocation of Longwall of 2 main mines; Mandalong and Springvale, for 8-9 weeks. It made a higher of related defer mining expenditure that caused a decrease of average cost per ton. Also, this quarter there was more washing cost as a result of more export sale volume and more maintenance cost compared to last year.

2.3 Gross profit reported $221 million, an increase of $81 million or 58%. Gross profit margin was at 35% derived from 36% of coal business and 19% of power business (2Q16: Gross profit was 30%, derived from 29% of coal business and 32% of power business). A rising of market coal price was unfavorable to coal fired power business, then it was affected to a decrease of power business's gross profit compared to last year.

2.4 Selling expenses reported $39 million, a decrease of $4 million or 9% was from a decrease of $1.5 million from less export coal sale volumes of Indonesia mines and a decrease of $2.5 million from less export coal sales volume from west Australia mines.

2.5 Administrative expenses reported at $41 million, an increase of $9 million or 28% was from;

2.5.1 An increase of staff related cost $1.36 million from an increase of number of staff according to growth of business especially solar business in China and head office.

2.5.2 An increase of $1.28 million from professional fees according to more investments of the Group.

2.5.3 An increase from an effect of foreign exchange rate as a result of the appreciation of THB currency against $ currency, which affected to the higher expense when converting THB expenses to $ currency. 2Q17 Average exchange rate $:THB was Baht 34.30 (2Q16 : Baht 35.28).

2.6 Royalty fees reported at $61 million, an increase of $17 million or 39% was due to net impact from higher of coal selling price and lower of sale volumes.

2.7 Equity income from joint ventures reported at $76 million consisted of profit sharing of BLCP, Hongsa power plant in Lao, coal business in China and others of $21 million, $30 million, $21 million and $4 million, respectively.

Equity income recognized in 2Q17 increased by $50 million or 196% compared to the same quarter of last year, was mainly from more profit sharing from coal business in China, Hongsa power plant, solar projects in Japan and others by $26 million, $17 million, $5 million and $2 million, respectively.

2.8 Other expenses of $7 million was comprised of;

2.8.1 Interest income of $1 million.

2.8.2 Net loss from financial derivatives of $1 million which comprised of :

- Net realized loss of $0.64 million which was net impact of loss from interest rate swap, foreign exchange rate forward contracts. oil hedging and gas hedging contracts of $1.59 million, $0.24 million, $0.10 million and $0.31 million, respectively offsetting with a realized gain from coal swap and cross currency swap contracts of $1.11 million and 0.49 million, respectively.

- Net unrealized loss of $0.61 million which was mainly from loss in fair value of foreign exchange rate forward contracts, coal swap and oil hedging contracts of $2.04 million, $0.36 million and $0.07 million, respectively. While there was a gain from interest rate swap and gas hedging contracts of $0.57 million and $1.29 million, respectively.

2.8.3 Net loss on foreign exchange rate of $13 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 $ currency from end of previous quarter. Average exchange rate $:THB as of 30 June 2017 was Baht 33.98 (As of 31 March 2017: Baht 34.45).

2.8.4 Management fees and other income of $6 million.

2.9 Corporate income tax of $22 million, increased by $21 million which comprised of;

2.9.1 Corporate income tax of $22 million, an increase by $12 million was mainly from a better operating profit from coal business.

2.9.2 An increase of income tax expense $9 million was from a decrease of deferred income tax assets according to more operating profit.

2.10 Net profit of 2Q17 reported $66 million, an increase of $58 million compared to the same quarter of last year.

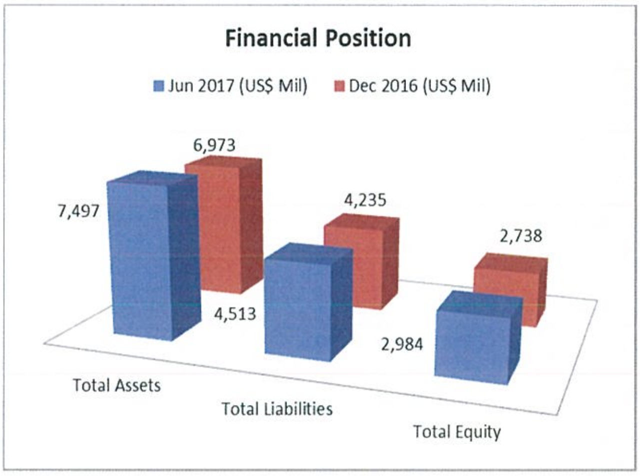
Earnings per share (EPS) reported at $0.013 per share, equivalent Baht 0.444 per share. (2Q16: $0.003 per share or equivalent Baht 0.096 per share)

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

3.1 Total assets of $7,497 million, an increase of $524 million compared to total assets as of 31 December 2016 with main details described below:

- Cash and cash equivalents of $549 million, an increase of $94 million or 21% (See explanation in # 4 Consolidated Statement of Cash Flow)

- Current and non-current portions of dividend receivable from related parties of $12 million and $231 million, respectively were dividend receivable of a joint venture who operates a domestic power business. An increase of $18 million was a net result from additional declared dividend and received dividend during the period of $63 million and $45 million, respectively.
- Investment in joint venture and associates of $1,003 million, increased by $112 million or 13% from addition of investments in solar business in Japan of $8 million, profit sharing recognized net with dividend received by $75 million and gain on foreign exchange rate translation at end of period by $29 million.



- Other investments of $78 million, an increase of $30 million was from an addition of investment in solar power business in Japan under a form of TK (TOKUMEI KUMIAI) agreement of $29 million and gain on foreign exchange rate translation at the end of period of $1 million.
- Property plant and equipment of $1,500 million, an increase of $216 million was from purchased equipment of subsidiaries in Indonesia and Australia of $115 million, additional investment in gas business in USA and solar power plants in China totaling of $136 million netting with depreciation expenses of $79 million, also a gain on foreign exchange rate translation and others of $44 million.
- Other non-current assets of $265 million, a decrease of $43 million was mainly from net result of a reclassification of advance payment for solar development project in Japan of $26 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 the seller. Also, a decrease of prepaid tax of subsidiaries in Indonesia by $23 million. While there was an increase of land use right of $4 million from expansion phase of a

CHP plant in China, right to operate and accrued subsidy income of $3 million and $7 million, respectively as a result of more investments in solar power plants in China which already commenced their operations during this year and others decrease of $6 million.

3.2 Total liabilities of $4,513 million, increased by $278 million compared to total liabilities as of 31 December 2016 with main details described below:

- Short-term loans from financial institutions of $352 million, an increase of $69 million was from addition of $549 million, repayment of $485 million and loss on foreign exchange rate translation at the end of period of $5 million.
- Accrued overburden and coal transportation expenses of $93 million, an increase of $8 million was mainly from mining operations in Indonesia.
- Current and non-current portions of long- term loans of $194 million and $1,388 million, respectively. A decrease of $131 million or 8 % was the net result of repayment of $257 million, early repayment of $17 million , addition of $118 million and loss on foreign exchange rate translation of $25 million.
- Current and non-current portions of debenture of $162 million and $1,377 million, respectively. An increase of $350 million was from a new bond issuance of $287 million and loss on foreign exchange rate translation of $63 million.
- Derivative liabilities of $44 million represented unrealized loss from change in fair value of financial derivatives at the end of period which was from cross currency swap, interest rate swap contracts of $33 million and $11 million, respectively.

3.3 Shareholders' equity of $2,984 million, an increase of $246 million was mainly due to;

- An increase of $107 million from net profit of 6 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 $15 million from change in fair value of available for sales investments, hedged financial instruments and others.
- An increase of $62 million from non-controlling interests.

- An increase of $103 million from gain on foreign exchange translation of subsidiaries' financial statements.
- A decrease of $73 million from dividend payment.

3.4 Net debt-to-equity as of 30 June 2017 reported at 0.98 times for the consolidated financial statements (31 December 2016: 0.91 times).

4. **Statements of Consolidated Cash Flows for six months ended 30 June 2017.**

Banpu's statement of consolidated cash flow for six months ended 30 June 2017 recorded an increase of net cash flow by $93 million (including the effect from gain on exchange rate translation of $7 million). The consolidated cash flows are divided into:

4.1 Net cash inflow from operation of $77 million; with major operating items as follows;

- Collection from coal sale of $1,243 million
- Payment to contractors and suppliers of $477 million
- Interest payment of $62 million
- Payment of corporate income tax of $66 million
- Royalty payment of $128 million
- Others of $433 million

4.2 Net cash outflow from investing activities of $146 million; with major items as follows;

- Payment for machine, equipment, project in progress and business acquisition of $103 million
- Payment for addition of other investment of $1 million
- Payments for loan to related parties and others of $25 million
- Payment for business acquisition of solar power in Japan and gas business in USA of $80 million
- Receiving from short-term investment of $10 million
- Dividend received from subsidiaries, joint venture and associates of $40 million
- Receiving from interest income and others of $13 million.

4.3 Net cash inflow from financing of $155 million; comprised of

- Proceeds from short-term loans and long-term loan from banks & others of $668 million
- Receive from debentures of $287 million
- Receive from an increase of issued and paid up share capital of $ 32 million
- Repayment of short-term loans and long-term loans of $759 million
- Dividend payment of $73 million.

5. Management Discussion and Analysis

The financial performance in 2Q17 indicates resilience in coal operations led by favorable coal prices and satisfactory contribution from power business particularly Hongsa power plant. Group EBITDA for this quarter was concluded at $215 million, relatively flat QoQ while more than double from last year. EBITDA by business included EBITDA from coal of $149 million, from power $59 million, and from gas $7 million.

Net profit before foreign exchange rose to $79 million, 21% increase QoQ and a sharp improvement from $5 million in last year. The continued strengthening in Thai Baht against the US Dollar caused a foreign exchange loss of $13 million, resulting in a net profit of $66 million for this quarter increasing 62%QoQ and a substantial improvement from net profit of $8 million in last year.

Coal operations in Indonesia reported sale volume of 5.56 million tonnes, slightly increased 3% QoQ but lower 11% YoY as a result of prolonged rainy season in this year. During this year all the company's mines experienced the heaviest rainfall in the last 7 years. The unusual weather condition is likely to affect production performance in short-term. Nevertheless, sale revenue rose higher 5% QoQ and 33% YoY driven by firmer coal prices. The Average Selling Price (ASP) reached $70.43 per tonne (+2% QoQ, 52% YoY). The favorable coal prices allowed company to optimize mine plans by mining from deeper areas, making Average Cost of Sale strategically increased to $ 43.12 per tonne (+14% QoQ, 32% YoY). Gross Profit Margin (GPM) maintained at a strong level of 38% compared with 47% in previous quarter and 32% in last year.

In Australia, coal sale volume was as planned at 3.15 million tonnes (flat QoQ, +4% YoY). Sale split between domestic and export market was 60% vs. 40%. Both markets continued to gain benefit from strong coal market prices as indicated by a sustained ASP of A$80.20 per tonne (+1% QoQ, +30% YoY). The Average Cost of Sale was maintained at A$55.96 per tonne, resulting in GPM of 29% that quite similar to previous quarter and 28% 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 $21.30 million, similar to previous quarter but a sharp turnaround from an equity loss of $5.40 million in last year.

The Power business delivered a remarkable performance in this quarter. BLCP reported an equity income at a good level of $21.36 million. Hongsa achieved smooth operation which enabled the plant to declare high available hours. Its equity income was at $29.86 million, representing the highest contribution since its first startup about 2 years ago. Net income from China CHP plants in this quarter was $1.76 million, caused by the seasonal low demand period for steam product and high coal cost.

Please be informed accordingly,

Sincerely yours,

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BANPU PUBLIC COMPANY LIMITED

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