



Banpu Power Public Company Limited
and Subsidiaries

Management's Discussion and Analysis

The Group Performance
For The 2nd Quarter ended 30 June 2020



1. Management Discussion and Analysis

Despite the economic uncertainty surrounding the COVID-19 crisis, the COVID-19 pandemic has had no negative impact on Banpu power operations. Banpu power reported 2Q2020 net profit from operation of THB 823 million, exclude the FX translation loss of THB 142 million due to strong THB against USD, therefore the company report net profit of THB 680 million. Main contributions come from our 2 major IPP plants, BLCP that maintain high reliability with equivalent availability factor or EAF of 100% and high dispatch from EGAT with all 100% of electricity to serve the need during high demand in summer, while HPC also performed well for unit 1 and unit 2 while the unit 3 underwent major maintenance. The company still reported strong EBITDA of THB 1,054 million.

The revenue from 3 CHPs plants was reported at THB 1,061 million, slightly increase compare to same period last year that reported THB 1,059 million. Though there is a seasonal demand for CHPs operation along the year, this quarter the volume of power and steam sold increase by 4% and 15% respectively compare to same period last year. The higher volume indicates strong demand within the area, and our CHPs plant have been well maintained to ensure the smooth dispatch to service the community as required. The soften China domestic coal price also help sustain the gross margin of 12% base on average coal cost of RMB 540 per ton or reduce by 11% compare to same period last year at RMB 605 per ton.

The share of profit from Joint Venture reported at THB 806 million, decrease by 41% compare to same period last year. The decline was mainly from HPC unit 3 underwent extended planned maintenance starting from end of April 2020 till August 2020. The extended maintenance schedule of HPC was resulted from symptoms of some equipment defect, therefore intense inspection was implemented for sustainable long-term performance. The reported profit sharing from HPC was THB 407 million included unrealized FX translation loss of THB 96 million. While BLCP consistently perform well with EAF of 100%. It reported profit sharing of THB 489 million, including unrealized FX translation gain of THB 120 million and deferred tax gain of THB 44 million. Banpu NEXT which consists of renewable business and Energy Technology business which are in the early stage of startup development phase and reported the loss sharing of THB 90 million.

The company continue to be mindful of potential impacts of COVID-19 given current conditions, and continue seeking for growth opportunities but remain cautious in utilizing our investment budget by focusing in the opportunities that could generate immediate cash flow such as the recent acquisition of El wind Mui Dinh onshore operating wind farm of 37.6 MW in Vietnam that has been operated since 23rd April 2019. While we keep close monitoring on progress of SLG project construction, Solar projects in Japan and Wind project in Vietnam to achieve COD as planned.

2. Group Performance Analysis

The analysis and explanation of Banpu Power Group performance for the 2nd Quarter ended 30 June 2020 and 2019:

Consolidated Statement of Income for the 2nd Quarter ended 30 June 2020 and 2019

Consolidated financial performance (Unit: Million Baht)	2Q2020	2Q2019	Change	
			Amount	%
Sales	1,061	1,283	(222)	-17%
Cost of sales	(933)	(1,079)	146	14%
Gross profit	128	204	(76)	-37%
Administrative expenses	(204)	(397)	193	49%
Share of profit from an associate and joint ventures	806	1,369	(563)	-41%
Other Income	80	77	3	4%
Other financial costs	(69)	(71)	2	3%
Profit before income taxes	741	1,182	(441)	-37%
Income taxes	(27)	(29)	2	7%
Profit for the year	714	1,153	(439)	-38%
Owners of the company	680	1,140	(460)	-40%
Non-controlling interests	34	13	21	162%
Basic earnings per share (unit : Baht)	0.223	0.374	(0.151)	-40%

Net profit for 2Q2020 reported at THB 680 million, decreased by THB 460 million or 40% compared to 2Q2019. This was mainly from a decrease of profit sharing from HPC power plant caused by temporary cease operation of unit no.3 from overhaul as an annual plan. Details of the group operating performance were described as followings:

2.1 Sales, Cost of sales and Gross profit

Sales represented electricity, steam and other sales of 3 CHP (Combined Heat and Power) plants. Sales reported at THB 1,061 million, decreased by THB 222 million or 17% compared to 2Q2019. The decrease was mainly from sales from solar power plants in China that was not consolidated as a result of the change in investment type from group restructuring (2Q19: THB 224 million) ; whereas, sales from CHP plants in China that was increased by THB 2 million. Details were as followings:

Items	Power Sold		Steam & Others Sold		Average Power tariff		Average Steam & others price	
	(GWh)		(Million Tonnes)		(RMB/GWh)		(RMB/Tonne)	
100 % Basis	2Q2020	2Q2019	2Q2020	2Q2019	2Q2020	2Q2019	2Q2020	2Q2019
Zhending CHP	89.86	90.43	0.17	0.15	0.33	0.33	105.80	99.73
Luannan CHP	145.82	149.97	0.26	0.27	0.34	0.34	108.15	109.29
Zouping CHP	126.62	107.52	0.70	0.57	0.41	0.43	84.54	96.35
Total CHP Power Plant	362.29	347.91	1.14	0.99	0.36	0.37	92.62	100.35
Solar Power Plants	-	59.64	-	-	-	0.83	-	-

Combined Heat and Power (CHP) plants in China: Increase THB 2 million

An increase of sales from CHP plants compared to 2Q2019 was derived from:

1. An increase of power sales volume 14.38 GWh.; whereas a decrease of average power tariff by RMB 0.01 per kWh. An average power tariff was RMB 0.36 per kWh (2Q2019: RMB 0.37 per kWh).
2. An increase of steam sales volume and others 0.14 million tonne, while a decrease of an average price per tonne was RMB 7.72. Average price of steam sales per tonne was RMB 92.62 (2Q2019: RMB 100.35).
3. The effects of foreign exchange rate translation due to a depreciation of RMB currency against THB currency compared to 2Q2019. This was impact to lower revenue in THB currency when converting from revenue in RMB currency. Average exchange rate of RMB/THB in 2Q2020 was 4.50 (2Q2019: 4.62).

Solar Power Plants in China:

After the completion of amalgamation since March 2020 to create “Banpu NEXT”, the group changed from consolidating net profits from solar power plants in China as subsidiaries, to be taking profit sharing from Banpu NEXT as an associate. According to this change in type of investment as mentioned, sales from solar power plant in China was not consolidated with the group since March 2020.

Cost of sales: Decrease 14%

Cost of sales was THB 933 million, decreased by THB 146 million or 14% compared to 2Q2019 as a net result of:

1. A decrease from CHP Plant in China of THB 79 million due to a decrease of average coal cost, main fuel. Average coal cost was RMB 540 per ton (2Q2019: RMB 605 per ton), decreased by RMB 65 per ton or 11% compared to 2Q2019. In addition, a decrease was from the effects of foreign exchange rate translation caused by a depreciation of RMB currency against THB currency.

2. The change in investment type from group restructuring as mentioned, thus, cost of sales from Solar power plant in China was not consolidated since March 2020 (2Q2019: THB 67 million)

**Gross profit:
Decrease 37%**

Gross profit reported at THB 128 million, decreased by 37% from 2Q2019. This was a result of the change in investment type from group restructuring as mentioned and an impact from a depreciation of RMB currency against THB currency.

**Administrative expenses:
Decrease 49%**

Administrative expenses of THB 204 million, decreased by THB 193 million or 49 % compared to 2Q2019. The expense mainly was staff expense, professional and consultant fees for business expansion in Japan since prior year. A decrease of administrative expense was from the change in investment type from group restructuring as mentioned.

Items	Profit (loss) sharing		Increase/(Decrease)	
	2Q2020	2Q2019	Amount	%
(Unit: Million Baht)				
BLCP	489	347	142	41%
HPC & PFMC	407	1,026	(619)	-60%
SLG (Under construction)	(0)	(1)	1	-62%
Holding Company for Solar Power in Japan	-	(2)	2	-100%
Banpu Next	(90)	-	(90)	100%
Holding Company for Solar Power in Indonesia	0	(1)	1	-102%
Total	806	1,369	(563)	-41%

Share of profit from joint ventures and associates

Profit sharing from joint ventures and an associate decreased by THB 563 million or 41% compared to 2Q2019. This was mainly from a decrease of profit sharing from HPC power plant and PFMC total of THB 619 million caused by the effects of foreign exchange rate translation of THB 95 million and decrease in operating profit of THB 524 million due to temporary cease operation of unit no.3 from overhaul as an annual plan. Also, from recognition of loss sharing from Banpu Next of THB 90 million. However, profit sharing from BLCP was increase of THB 142 million from the effects of foreign exchange rate translation of THB 119 million and from better operating profit of THB 23 million.

Other income

Other income of THB 80 million was comprised of:

1. Interest income of THB 117 million.
2. Management fee income of THB 46 million, mainly was fees charged to related companies and joint ventures.
3. Pipeline connecting fee income charged to new steam customers of CHP plants in China of THB 8 million.
4. Net loss on exchange rate of THB 142 million was mostly from unrealized loss on exchange rate from loan to related company in USD currency at the end of the period caused by a depreciation of USD currency against THB currency compared to prior quarter. Average exchange rate of USD/THB as at 30 June 2020 was 31.9473 (1Q2020: 32.6712).
5. Other income of THB 51 million consisted of ash & slag sales from CHP plants of THB 23 million, subsidy income from China government of THB 11 million and others of THB 17 million.

Interest expenses and finance cost: Decreased 3%

Interest expenses and finance cost of THB 69 million, decreased by THB 2 million mainly from more favorable interest rate and repayment of borrowing principals from financial institutions during the period.

Corporate income tax: decreased 7%

Corporate income tax of THB 27 million, decreased by THB 2 million compared to 2Q2019 was from:

1. A decrease of corporate income tax of THB 13 million from solar power business in China as a result of the change in investment type from group restructuring as mentioned.
2. An increase of corporate income tax of THB 9 million from higher operating profits from CHP power plant businesses in China.
3. An increase of deferred income tax liability of THB 2 million due to a reversal entry of deferred tax liability recognized since prior year from CHP power plants.

Net profit for the 2nd quarter ended 30 June 2020 reported at THB 680 million, decreased by THB 460 million from the same quarter of previous year.

Basic Earnings per Share reported at THB 0.223 (2Q2019: THB 0.374)

3. Statement of Consolidated Financial Position

Statement of Consolidated Financial Position as of 30 June 2020 in comparison with Statements of Consolidated Financial Position as of 31 December 2019.

Items	Financial Position		Increase/(Decrease)	
	30-Jun-20	31-Dec-19	Amount	%
(Unit: Million Baht)				
Assets	52,141	48,808	3,333	7%
Liabilities	11,936	8,992	2,944	33%
Equity	40,205	39,816	389	1%

3.1 Total assets of THB 52,141 million, an increase of THB 3,333 million compared to the 31 December 2019 was mainly described as follows:

Financial Position	Assets		Increase/(Decrease)	
	30-Jun-20	31-Dec-19	Amount	%
(Unit: Million Baht)				
Cash and cash equivalents	8,235	3,343	4,892	146%
Financial assets measured at amortised cost	231	3,235	(3,004)	-93%
Trade accounts receivable and note receivables	879	1,156	(277)	-24%
Current portion of dividend receivables from related parties	39	-	39	100%
Other current assets	3,658	1,165	2,493	214%
Total current assets	13,042	8,899	4,143	47%
Dividend receivables from related parties	600	639	(39)	-6%
Investments in an associate and joint ventures	22,711	20,545	2,166	11%
Other investments, net	-	3,799	(3,799)	-100%
Property, plant and equipment, net	7,542	11,896	(4,354)	-37%
Right of use assets, net	562	-	562	100%
Other non current assets	7,684	3,030	4,654	154%
Total non current assets	39,099	39,909	(810)	-2%
Total assets	52,141	48,808	3,333	7%

- Cash and cash equivalents of THB 8,235 million, increased by THB 4,892 million or 146% (Explanation in no. 4 Statement of Consolidated Cash Flows).
- Financial assets measured at fair value through profit or loss of THB 231 million, decreased by THB 3,004 million from short- term investment redemption as maturity date.

Dividend receivables from related parties	Financial Position		Increase/(Decrease)	
	30-Jun-20	31-Dec-19	Amount	%
(Unit: Million Baht)				
Current portion of dividend receivables from related parties	39	-	39	-
Dividend receivables from related parties	600	639	(39)	-
Total	639	639	0	-

- Current and non-current portions of dividend receivables from related parties totaling of THB 639 million was a dividend receivable from the domestic power plant joint venture.
- Investment in joint ventures and an associate of THB 22,711 million, increased by THB 2,166 million or 11%. This was a recognition of profit sharing from joint ventures THB 1,910 million, the additional investment in clean energy business (Banpu NEXT) THB 732 million according to the change in type of investment from group restructuring, also an increase from the impacts of new Thai Financial Reporting Standard No. 9 “Financial Instrument” that was effective in 2020 total THB 311 million, while a decrease from dividend declaration during the period THB 515 million and the effects of foreign exchange rate translation at the end of period THB 272 million.
- Other investments of THB 3,799 million was from the change in type of investment structure from group restructuring.
- Net property plant and equipment of THB 7,542 million, decreased by THB 4,354 million was from additions of machinery and equipment of CHP plants THB 128 million, from the effects of foreign exchange rate translation at the end of period THB 292 million; net with disposals THB 5 MB and depreciation charges THB 237 million. A decrease was also from the change in type of investment structure from the group restructuring THB 4,532 million.
- Right-of-used assets of THB 562 million was recognized according to the adoption of new accounting standards from the adoption of new Thai Financial Reporting Standard No. 16 “Leases” that was effective in 2020.
- Other non-current assets of THB 7,684 million, increased by THB 4,654 million was mainly from;
 1. An increase of loan to related parties of THB 6,906 million caused by the change in type of investment structure from group restructuring that the loan to a subsidiary was turn to be loan to an associate. As a result, there was no elimination of this transaction under the consolidated financial position.

2. A decrease of accrued subsidy income of THB 1,548 million, right in long –term power purchase agreement THB 200 million, refundable deposit THB 24 million a decrease of input vat of solar power plants from using credit vat during the period of THB 158 million. These was due to the change in type of investment structure from group restructuring.
3. A decrease from accounting entry due to the adoption of new Thai Financial Reporting Standard No. 16 “Leases” that was effective in 2020 total of THB 322 million that reclassified to rights of use assets.

3.2 Total liabilities of THB 11,936 million, increased by THB 2,944 million or 33% compared to total liabilities as of 31 December 2019 with details mainly described as follows:

Financial Position	Liabilities		Increase/(Decrease)	
	30-Jun-20	31-Dec-19	Amount	%
(Unit: Million Baht)				
Short-term loans from financial institutions	5,811	887	4,924	555%
Trade accounts payable	164	397	(233)	-59%
Current portion of long-term loans from financial institutions and finance lease liabilities	886	1,128	(242)	-21%
Current portion of lease liabilities	6	-	6	100%
Other current liabilities	1,121	1,432	(311)	-22%
Total current liabilities	7,988	3,844	4,144	108%
Long-term loans from financial institutions, net	3,876	5,029	(1,153)	-23%
Lease liabilities	18	-	18	100%
Other non current liabilities	54	119	(65)	-54%
Total non-current liabilities	3,948	5,148	(1,200)	-23%
Total liabilities	11,936	8,992	2,944	33%

- Short-term loans from financial institutions of THB 5,811 million, increased by THB 4,924 million was from a net result of additional loans THB 5,754 million and repayment THB 843 million. Also, there was the effects of foreign exchange rate translation at the end of period THB 13 million on loan in RMB currency due to an appreciation of RMB currency against THB currency. Average exchange rate of RMB/THB as of 30 June 2020 was THB 4.3677 (31 Dec 2019: THB 4.3147).
- Current portion of long-term loans from financial institutions of THB 886 million, decreased by THB 242 million or 21%. This was a net result of reclassification from non-current portion THB 407 million (including net front end fee), repayment THB 571 million. Also, a decrease was from the change in type of investment from group restructuring THB 88 million. The effects of foreign exchange rate translation at the end of period was THB 10 million from an appreciation of RMB currency against THB currency.

- Long-term loans from financial institutions of THB 3,876 million, a decrease of THB 1,153 million or 23%, was from additional loan THB 73 million (including net front end fee), net with reclassification to current portion THB 407 million. Moreover, a decrease was from the change in type of investment from group restructuring THB 865 million and the effect of foreign exchange rate translation at the end of period was THB 46 million that mainly from loan in RMB currency because of an appreciation of RMB currency against THB currency.
- Other current liabilities of THB 1,121 million, a decrease of THB 311 million mainly was from;
 1. A decrease of advance received from steam residential customers of CHP plants in China THB 180 million.
 2. A decrease of assets purchased payables of CHP plants by THB 55 million.
 3. A decrease of assets purchase payable by THB 30 million and accrued expense by THB 46 million from solar power plant in China as a result of the change in type of investment from group restructuring.

3.3 Shareholders' equity of THB 40,205 million, an increase of THB 389 million compared to shareholders' equity as of 31 December 2019 was due to:

Financial Position	Equity		+ / (-)	
	30-Jun-20	31-Dec-19	Amount	%
(Unit: Million Baht)				
Owners of the parent	39,405	39,079	326	1%
Non-controlling interests	800	737	63	9%
Total equity	40,205	39,816	389	1%

- An increase of THB 1,656 million from net profits for the six- month period ended 30 June 2020.
- An increase of THB 63 million from non-controlling interests.
- A decrease of THB 192 million from lower loss on foreign exchange translation of subsidiaries' financial statements.
- A decrease of THB 915 million from dividend payment.
- A decrease of THB 223 million from the change in fair value of hedged financial instruments.

Net debt to equity ratio as of 30 June 2020 from consolidated financial positions was 0.05 times (31 December 2019: 0.01 time)

4. Statements of Consolidated Cash Flows

Statement of consolidated cash flows for the six-month period ended 30 June 2020 recorded an increase of net cash flows from 31 December 2019 by THB 4,892 million (included the effect from exchange rate translation gain of THB 4 million). The consolidated cash flows were as follows:

Cash flow (Unit : Million Baht)	Consolidated
Net cash receipts from operating activities	52
Net cash receipts from investing activities	1,365
Net cash receipts from financing activities	3,471
Net decrease in cash and cash equivalents	4,888
Exchange differences on cash and cash equivalents	4
Cash and cash equivalents at beginning of the year	3,343
Cash and cash equivalents at end of the year	8,235

4.1 Net cash inflows from operating activities of THB 52 million comprised of;

- Collection from sales of power and steam THB 2,248 million.
- Payment to suppliers and contractors THB 1,914 million.
- Payment of interest expense THB 97 million.
- Payment of corporate income tax THB 185 million.

4.2 Net cash inflows from investing activities of THB 1,365 million comprised of;

- Receipts of dividends from joint ventures and others THB 515 million.
- Receipts from financial assets measured at amortised cost THB 3,235 million.
- Receipts from interest income THB 39 million.
- Receipts from restricted deposits THB 64 million.
- Receipts from short term loan to related party THB 177 million.
- Payments for machine, equipment, and project in progress THB 181 million.
- Additional investments in power business in China, solar power business in Japan THB 143 million.
- Cash payments for right-of-use assets in China THB 256 million
- Payments from restricted deposit THB 72 million.
- Payments for short term loan to related party THB 1,180 million.
- Payments for financial assets measured at fair value through profit or loss THB 144 million.
- The effect of change in types of investments from the group restructuring THB 689 million.

4.3 Net cash inflows from financing activities of THB 3,471 million comprised of;

- Receipts from short-term and long-term loans from financial institutions THB 5,816 million.
- Repayments of short-term and long-term loans from financial institutions THB 1,414 million.
- Payments for treasury stock THB 16 million.
- Payments for dividend THB 915 million.