

Management's Discussion and Analysis

The Group Performance for the 3rd Quarter 2022

Banpu Power Public Company Limited and Subsidiaries



1. Management Discussion and Analysis

The global geopolitical tensions and weather conditions have forced several countries to deal with an energy crisis. Energy security become a top priority for many nations since it is necessary to sustaining future economic growth. Banpu Power is one of the key cogs in strengthening energy reliability. The Company continues to give first priority to the availability and reliability of each of its power plants in order to generate and distribute electricity in a stable and consistent manner to meet social and community demand. Our portfolio is well-balanced. Banpu Power's main assets have long-term PPA, allowing them to generate consistent cash flow. Other of our assets are traded in the merchant market, where supply and demand determine the power price. They have the potential to capture more profits when there is a high demand. The Company has reported a strong performance despite rising fuel cost around the world. This demonstrated that the Company's portfolio is properly risk diversified and that we could effectively manage the fuel cost exposure. For those power plants in China, the high cost of coal remained a challenge. However, the Chinese government has made energy security a top priority. They took a number of actions to ensure energy security, for example, by unleashing domestic coal production capacity to alleviate high coal costs, controlling the coal price sold to IPP, and paying subsidies to SPP to support power generators' continued and sustainable operation.

Banpu Power reported a net profit of THB 2,315 million in Quarter 3, including FX translation gain and gain on mark-to-market of derivatives, a 288% increase from the same quarter last year. This is primarily owing to the Temple I gas-fired power plant, which has been invested in at the end of 2021, and the HPC power plant, which has run efficiently, as well as the SLG power plant's turnaround performance as a result of its capacity to substantially lower coal costs.

The Company reported revenue of THB 4,956 million, an increase of THB 3,908 million from the same quarter last year. This increase was mainly attributed by Temple I gas-fired power plant, which generated THB 3,860 million in revenue this quarter due to the summer season in Texas, where electricity demand was at its highest of the year. Due to this, power sold and power selling price increased in this quarter. It reported a gross profit of THB 733 million. Our three CHPs in China reported revenue of THB 1,096 million, up THB 48 million from the same quarter last year, owing to an increase in steam sales revenue.

In comparison to the same quarter last year, the company recorded profit sharing from joint ventures and associates of THB 1,156 million in this quarter, an increase of THB 696 million. This mostly comes from the HPC power plant, where it operated effectively and continuously. It reported EAF of 95%. Its profit sharing was THB 1,405 million, an increase of 97% year over year. BLCP also ran smoothly at its full capacity. Its EAF was reported at 100% this quarter. BLCP reported a share profit from operations of THB 323 million. After including deferred tax expenses and the impact of an unrealized loss on the translation of foreign currency of THB 314 million, it reported

profit sharing of THB 9 million. Nakoso IGCC reported a profit sharing of THB 2 million as a result of maintenance during the third quarter. SLG power plant has entered into a long-term coal supply contract, resulting in a 28% decrease in average coal cost from 1,061 RMB/ton in 3Q21 to 765 RMB/ton in 3Q22. This considerably improved SLG performance by reporting a share of loss of only THB 1 million. For investments in the renewable energy and energy technology business through Banpu Next, it reported a share of loss of THB 258 million, primarily due to the unrealized loss from translation led by the depreciation of the Baht currency.

Banpu Power will continue to add its quality megawatts in accordance with its Greener & Smarter strategy by focusing on power plants that use high-efficiency, low-emission (HELE) technology and renewable power plants. The Company will invest primarily in countries where we currently have a presence, including the United States, Vietnam, Thailand, China, Japan, Indonesia, Laos, and Australia to meet our 5,300 MW target by 2025. Under the energy trilemma, we must find a balance between energy security, energy affordability, and environmental sustainability in order to grow our business sustainably and create value to all of our stakeholders in the long run.

2. Group Performance Analysis

The analysis and explanation performance for the quartered ended 30 September 2022 and 2021:

Consolidated Statement of Income for the 3rd quarter ended 30 September 2022 and 2021:

Consolidated financial performance (Unit: Million Baht)	3Q2022	3Q2021	Change	
			Amount	%
Sales	4,956	1,048	3,908	373%
Cost of sales	(4,355)	(1,189)	(3,166)	266%
Gross profit	601	(141)	742	525%
Selling & Administrative expenses	(412)	(232)	(180)	78%
Share of profit from an associate and joint ventures	1,156	460	696	151%
Other Income (Expense)	3,070	566	2,504	442%
Other financial costs	(254)	(44)	(210)	473%
Profit before income taxes	4,161	609	3,552	583%
Income taxes	(441)	(8)	(433)	5518%
Profit for the period	3,720	601	3,119	519%
Owners of the company	2,315	597	1,718	288%
Non-controlling interests	1,405	4	1,401	33871%
Basic earnings per share (unit : Baht)	0.760	0.195	0.565	290%

The group reported net profit for 3Q22 at THB 2,315 million, increased by THB 1,718 million or 288% compared to 3Q21. This was mainly from Temple I Gas-fired power plant good performance that electricity demand is generally high when Texas entered summertime, including recognition of net gain on financial derivatives. Moreover, there was also an increase in profit sharing recognition from HPC which operate power plant efficiently, and from SLG power plant that entered into a long-term coal supply contract at favorable price, then lower its coal cost significantly. Meanwhile, the group also had higher finance cost from loan additions for new power plants investment during 2021 and debenture issuance during 2Q22.

Details of the group operating performance for 3Q22 were described as followings:

Sales, Cost of sales and Gross profit

Sales reported at THB 4,956 million, increased by THB 3,908 million or 373% compared to 3Q21. This was mainly from higher steam sales from CHP plants in China of THB 48 million and from electricity sales from Temple I gas-fired power plant in USA of THB 3,860 million. Details were described as followings:

Combined Heat and Power (CHP) plants in China: increase THB 48 million

An increase of sales from CHP plants compared to 3Q21 was derived from:

1. An increase of THB 44 million from steam sales and others. This was a result of an increase in average price of steam sales per tonne by RMB 49.73 that an average sale price per tonne was 178.21 RMB (3Q21: 128.48 RMG), while net with a decrease in steam sales and others of 0.29 million tons.
2. A decrease of THB 14 million from power sales. This was due to a decrease in power sales volume of 29.87 kWh compared to 3Q21. Sales in 3Q22 was 146.91 kWh (3Q21: 176.78 kWh).
3. The effects of foreign exchange rate translation of THB 18 million due to a depreciation of THB currency against RMB currency compared to 3Q21. This caused higher revenue in THB currency when converting from revenue in RMB currency. Average exchange rate of RMB/THB in 3Q22 was THB 5.3186 (3Q21: THB 5.0954).

Temple I Gas-Fired Power Plant in USA THB 3,860 million

Sales from Temple I gas-fired power plant business was THB 3,860 million derived from sale volume of 1,315.35 GWh. Sales was considerably high in this quarter because it was summertime that electricity demand is generally at its highest of the year. The group invested in this power plant since 4Q2021.

Cost of sales: Increase 266 %

Cost of sales was THB 4,355 million, increased by THB 3,166 million compared to 3Q21 from:

1. CHP Plants in China that cost of sales increased by THB 39 million from:
 - An increase in coal cost THB 36 million was from a higher average coal cost of RMB 265 per ton. Average coal cost was RMB 1,185 per ton (3Q21: RMB 920 per ton) or increased by 29 % compared to 3Q21.
 - The effects from a depreciation of THB currency to foreign exchange rate translation of THB 3 million. This affected to higher cost of sales in THB currency when converting from cost of sales

in RMB currency. Average exchange rate of RMB/THB in 3Q22 was THB 5.3186 (3Q21: THB 5.0954).

2. Temple I gas-fired power plant in USA that cost of sales was THB 3,127 million, mainly was natural gas THB 2,697 million.

**Gross profit:
Increase 525%**

Gross profit was THB 601 million, or increased by THB 742 million compared to 3Q21 was from:

1. An increase in operating performance due to a decrease of loss from CHP plants in China THB 9 million, caused by a higher steam and power price aligned with higher coal cost, main fuel of power plant and an increase in electricity price that partially adjusted aligned with market.
2. An increase from gross profit from Temple I gas-fired power plant in USA THB 733 million.

Selling and Administrative expenses: Increase 78%

Administrative expenses of THB 412 million, increased by THB 180 million compared to 3Q21. This was mainly from administrative expense from Temple I gas-fired power plant in USA.

Items (Unit: Million Baht)	Profit (loss) sharing		Increase/(Decrease)	
	3Q2022	3Q2021	Amount	%
BLCP	9	(54)	63	117%
HPC & PFMC	1,405	714	691	97%
SLG	(1)	(233)	232	100%
Holding Company for Nakoso power plant	2	103	(101)	-98%
Banpu Next	(258)	(69)	(189)	274%
Total	1,156	460	696	151%

Share of profit from joint ventures and associates: Increase 151%

Profit sharing from joint ventures and an associate was increased by THB 696 million compared to 3Q21 was a net result of:

1. An increase in profit sharing from BLCP of THB 63 million. Mainly was an increase in operating profit of THB 111 million, net with a deferred tax expense recognition and an impact from unrealized loss on foreign exchange rate translation of THB 48 million.
2. An increase in profit sharing recognition from HPC power plant and Phufai mine of THB 691 million caused by an increase in operating performance of THB 654 million and gain on exchange rate of THB 37 million.
3. A decrease in loss sharing recognition from SLG power plant of THB 232 million that was due to higher operating performance compared to 3Q21 from entered into a long-term coal supply contract at favorable price, then lower its coal cost significantly.

4. A decrease in profit sharing recognition from Nakoso power plant in Japan of THB 101 million due to performance affected from maintenance during 3Q22.
5. An increase in loss sharing recognition from investment in renewable power and energy technology business of THB 189 million, mainly was unrealized loss on exchanged rate caused by a depreciation of THB currency.

Other income

Other income of THB 3,070 million was comprised of:

1. Net gain on financial derivatives of THB 2,406 million was from unrealized gain on fair value financial derivatives THB 1,882 million and realized gain on financial derivatives THB 524 million. Most of financial derivatives was electricity call option contract from Temple I gas-fired power plant that aimed to generate stability cash inflows and mitigate price risk.
2. Interest income of THB 95 million.
3. Management fee income of THB 56 million, mainly was management fees charged to related companies and joint ventures.
4. Pipeline connecting fee income charged to new steam customers of CHP plants in China of THB 20 million.
5. Net gain on exchange rate of THB 474 million was mostly from unrealized gain on exchange rate from USD currency loans at the end of the period caused by a depreciation of THB currency against USD currency compared to 2Q22. Average exchange rate of USD/THB for 3Q22 was THB 36.4147 (2Q22: USD/THB 34.397).
6. Other income of THB 19 million consisted of ash & slag sales from CHP plants in China of THB 4 million, and others of THB 15 million.

Interest expenses

And finance cost:

Increase 473%

Interest expenses and finance cost of THB 254 million, increased by THB 210 million compared to 3Q21, primarily from loan additions to support new investment in power plants during 2021 and debenture issuance during 2Q22.

Corporate income tax:

Corporate income tax of THB 441 million, increased by THB 433 million compared to 3Q21. This comprised of:

1. An increase in corporate income tax of THB 163 million, mostly from unrealized gain on foreign exchange rate.
2. An increase in deferred income tax liabilities of THB 270 million from unrealized gain on financial derivatives from Temple I gas-fired power plant in USA.

Net profit for the 3rd quarter ended 30 September 2022 reported at THB 2,315 million, increased by THB 1,718 million compared to 3Q21.

Basic Earnings per Share reported at THB 0.760 (3Q21: THB 0.195)

3. Statement of Consolidated Financial Position

Statement of Consolidated Financial Position as of 30 September 2022 in comparison with Statements of Consolidated Financial Position as of 31 December 2021

Items (Unit: Million Baht)	Financial Position		Increase/(Decrease)	
	30-Sep-22	31-Dec-21	Amount	%
Assets	84,101	74,866	9,235	12%
Liabilities	27,569	25,287	2,282	9%
Equity	56,532	49,579	6,953	14%

3.1 Total assets of THB 84,101 million, an increase of THB 9,235 million or 12% compared to the 31 December 2021 was mainly described as follows:

Financial Position (Unit: Million Baht)	Assets		Increase/(Decrease)	
	30-Sep-22	31-Dec-21	Amount	%
Cash and cash equivalents	6,243	2,635	3,608	137%
Investment in debt instruments	22	530	(508)	-96%
Trade accounts receivable, net	1,595	1,311	284	22%
Fuel and Spare parts & supplies, net	1,259	1,186	73	6%
Current portion of dividend receivables from related parties	50	125	(75)	-60%
Other current assets	3,895	4,095	(200)	-5%
Total current assets	13,064	9,882	3,182	32%
Dividend receivables from related parties	114	239	(125)	-52%
Investments in an associate and joint ventures	39,959	33,766	6,193	18%
Property, plant and equipment, net	25,148	23,811	1,337	6%
Right of use assets, net	616	631	(15)	-2%
Other non current assets	5,200	6,537	(1,337)	-20%
Total non current assets	71,037	64,984	6,053	9%
Total assets	84,101	74,866	9,235	12%

- Cash and cash equivalents of THB 6,243 million, increased by THB 3,608 million or 137% (Explanation in no. 4 Statement of Consolidated Cash Flows).
- Investment in debt instrument of THB 22 million, decreased by THB 508 million or 96% was from an addition of THB 1,645 million; net with redemption of THB 2,153 million.

- Account receivable of THB 1,595 million, increased by THB 284 million or 22%. This was from Temple I gas-fired power plant in USA of THB 567 million, net with a decrease from CHP plant in China of THB 235 million, and an effect from foreign exchange conversion of THB 48 million.
- Fuel and Spare parts, net of THB 1,259 million, increased by THB 73 million or 6%. This was an increase from Temple I gas-fired power plant in USA of THB 208 million, while a decrease from CHP plant in China of THB 131 million, and effect from foreign exchange conversion of THB 4 million.
- Other current assets of THB 3,895 million, decreased by THB 200 million or 5% was mainly from a decrease in accrued interest income from related parties of THB 116 million. This was a net result of a recognition of interest income during the period of THB 235 million, cash receives THB 360 million settled by related company, gain on foreign exchange rate translation of THB 9 million, and a decrease in financial derivative assets of THB 52 million, and others of THB 32 million.
- Current and non-current portions of dividend receivables from related parties totaling of THB 164 million, decrease by 200 million from dividend receivables from a domestic power plant joint venture.

Dividend receivables from related parties (Unit: Million Baht)	Financial Position		Increase/(Decrease)	
	30-Sep-22	31-Dec-21	Amount	%
Current portion of dividend receivables from related parties	50	125	(75)	-60%
Dividend receivables from related parties	114	239	(125)	-52%
Total	164	364	(200)	-55%

- Investment in joint ventures and associates of THB 39,959 million, increased by THB 6,193 million or 18%. This was from additions in a joint venture in China of THB 402 million, a recognition of shares of profits from joint ventures of THB 5,179 million, other comprehensive income from joint ventures and an associate of THB 1,558 million, gain on foreign exchange rate translation at the end of period of THB 395 million, offset with dividend declaration during the period of THB 1,341 million.
- Net property plant and equipment of THB 25,148 million, increased by THB 1,337 million or 6%. This was from additions of machinery and equipment of CHP plants THB 180 million, net with disposals THB 51 million and depreciation charges THB 902 million and gain on foreign exchange rate translation at the end of period of THB 2,110 million.
- Right-of-used assets of THB 616 million, decreased by THB 15 million or 2%, was the amortization THB 25 million and gain on foreign exchange rate translation at the end of period 10 million.

- Other non-current assets of THB 5,200 million, decreased by THB 1,337 million or 20% was mainly from:
 1. A decrease in loan to related parties of THB 1,546 million from cash receives from loan to related parties' settlement of THB 1,554 million and gain on foreign exchange rate translation at the end of period of THB 8 million.
 2. An increase in deferred tax assets of THB 90 million, caused by loss on operating performance from CHP plant in China of THB 78 million, and effect from foreign exchange rate translation due to a depreciation of THB currency against RMB currency of THB 12 million.
 3. An increase in refundable deposit of THB 97 million, mainly from Temple I gas-fired power plant in USA.
 4. An increase in other assets of THB 22 million.

3.2 Total liabilities of THB 27,569 million, increased by THB 2,282 million or 9% compared to total liabilities as of 31 December 2021 with details mainly described as follows:

Financial Position (Unit: Million Baht)	Liabilities		Increase/(Decrease)	
	30-Sep-22	31-Dec-21	Amount	%
Short-term loans from financial institutions	1,865	6,551	(4,686)	-72%
Trade accounts payable	212	331	(119)	-36%
Current portion of long-term loans from financial institutions	1,194	1,439	(245)	-17%
Current portion of lease liabilities	13	13	0	3%
Other current liabilities	2,706	2,634	72	3%
Total current liabilities	5,990	10,968	(4,978)	-45%
Long-term loans from financial institutions, net	10,537	9,253	1,284	14%
Debenture, net	5,492	-	5,492	100%
Lease liabilities	8	18	(10)	-56%
Other non current liabilities	5,542	5,048	494	10%
Total non-current liabilities	21,579	14,319	7,260	51%
Total liabilities	27,569	25,287	2,282	9%

- Short-term loans from financial institutions of THB 1,865 million, decreased by THB 4,686 million or 72 % was from a net result of additional loans THB 6,488 million and repayment THB 11,178 million. Also, there was the effects of loss on foreign exchange rate translation at the end of period of THB 4 million on loan in RMB and USD currency due to a depreciation of THB currency against RMB currency. Average exchange rate of RMB/THB as of 30 September 2022 was THB 5.3397 (31 Dec 2021: THB 5.2507). Average exchange rate of USD/THB as of 30 September 2022 was THB 37.9067 (31 Dec 2021: THB 33.4199).

- Current portion of long-term loans from financial institutions of THB 1,194 million, decreased by THB 245 million or 17%. This was a net result of reclassification from non-current portion THB 530 million (including net front end fee), repayment THB 794 million and from the effects of loss on foreign exchange rate translation at the end of period was THB 19 million.
- Other current liabilities of THB 2,706 million, increase by THB 72 million or 3% was mainly from:
 1. An increase in derivative liabilities - electricity call option THB 72 million.
 2. An increase in accrued interest expense from related parties THB 118 million.
 3. An increase in accrued corporate income tax THB 168 million.
 4. An increase in payable from maintenance service for Temple I gas-fired power plant THB 390 million was from a reclassification from non-current liabilities THB 281 million and addition during the period THB 109 million.
 5. An increase in accrued expense others THB 73 million.
 6. A decrease in advance received from steam residential customers CHP plants in China THB 301 million.
 7. A decrease in payable from purchase of asset CHP plant 63 million.
 8. A decrease in amount due to related party THB 385 million.
- Long-term loans from financial institutions of THB 10,537 million, increase by THB 1,284 million or 14%, was from additional loan THB 1,555 million (including net front end fee), net with reclassification to current portion THB 530 million and the effect of loss on foreign exchange rate translation at the end of period THB 259 million on RMB loan and USD loan from a depreciation of THB currency against RMB currency and USD currency.
- Debentures, net of THB 5,492 million (including net financing fee) was from an issuance of unsubordinated and unsecured debentures during the year.
- Other non-current liabilities of THB 5,542 million, increase by THB 494 million or 10% was mainly from:
 1. An increase in long-term loan from related parties from unrealized loss on foreign exchange rate translation at the end of period of THB 633 million.
 2. An increase in deferred tax liabilities from unrealized gain on financial derivatives from Temple I gas-fired power plant in USA of THB 142 million.
 3. A decrease in other liabilities from a reclassification to current liabilities of payable from maintenance service for Temple I gas-fired power plant of THB 281 million.

3.3 Shareholders' equity of THB 56,532 million, an increase of THB 6,953 million or 14% compared to shareholders' equity as of 31 December 2021 was due to:

Financial Position (Unit: Million Baht)	Equity		+/(-)	
	30-Sep-22	31-Dec-21	Amount	%
Owners of the parent	51,587	45,635	5,952	13%
Non-controlling interests	4,945	3,944	1,001	25%
Total equity	56,532	49,579	6,953	14%

- An increase of THB 5,919 million from net profits for 9 months period.
- An increase of THB 1,406 million from cashflows hedge reserves of associate and joint venture.
- An increase of THB 152 million from the change in fair value of hedged financial instruments.
- An increase of THB 1,001 million from non-controlling interests.
- An increase of THB 761 million from foreign exchange translation of subsidiaries and joint ventures' financial statements.
- A decrease of THB 2,286 from dividend paid.

Net debt to equity ratio as of 30 September 2022 from consolidated financial positions was 0.23 times (31 December 2021: 0.28 time)

4. Statements of Consolidated Cash Flows

Statement of consolidated cash flows for the 3rd quarter ended 30 September 2022 reported an increase of net cash flows from 31 December 2021 total of THB 3,608 million (included exchange rate translation gain of THB 270 million). The consolidated cash flows were as follows:

Cash flow (Unit : Million Baht)	Consolidated
Net cash receipts from operating activities	560
Net cash receipts from investing activities	3,516
Net cash used in financing activities	(738)
Net increase in cash and cash equivalents	3,338
Exchange differences on cash and cash equivalents	270
Cash and cash equivalents at beginning of the period	2,635
Cash and cash equivalents at end of the period	6,243

4.1 Net cash inflows from operating activities of THB 560 million comprised of:

- Collection from sales of power and steam THB 6,168 million.
- Payment to suppliers and contractors THB 5,163 million.
- Payment of interest expense THB 398 million.
- Payment of corporate income tax THB 47 million.

4.2 Net cash inflows from investing activities of THB 3,516 million comprised of:

- Receipts of dividends from joint ventures THB 1,541 million.
- Receipts from interest income THB 385 million.
- Receipts from investment in debt instruments THB 2,153 million.
- Receipts from long term loan to related party THB 1,764 million.
- Payments for machine, equipment, and project in progress THB 245 million.
- Payments for addition of investment in a joint venture in China of THB 402 million.
- Payments for investment in debt instruments THB 1,645 million.
- Payment for restricted deposit at financial institutions of THB 35 million.

4.3 Net cash outflows from financing activities of THB 738 million comprised of:

- Receipts from short-term and long- term loans from financial institutions THB 8,030 million.
- Receipts from debentures of THB 5,500 million.
- Repayments of short-term and long-term loans from financial institutions THB 11,972 million.
- Payment for dividend of THB 2,286 million.
- Payment for lease liability of THB 10 million.