



Press Release

12 November 2012

Banpu Reports 3Q/2012 Performance

Mr. Chanin Vongkusolkit, CEO of Banpu Public Company Limited (BANPU) said that the third quarter profit this year was lower following the weakening of global coal prices. The Company, however, can maintain a gross profit margin (GPM) of coal business at a sound level thanks to the cost management program that has been implemented since the beginning of the third quarter.

The softening coal price derived from excess supply in the market while coal demand was also growing at a slower rate.

“The weakening coal prices earlier stem from higher production, causing excess volume of coal in the market. The growth in coal demand this year, however, stays at a favorable level of about 7 percent, driven by high demand of coal from major coal users such as China, India, and Japan, which is expected to grow further. This would bring a positive outlook to the future coal prices,” Mr. Chanin said

In response to the coal price downturn, BANPU has executed several measures to cope with the situation, including lowering of production cost, deferral of unnecessary investment plans, and reduction of other expenditures. These measures have begun to yield a result. In the third quarter, the Indonesian coal operations managed to produce at a lower cost of production of around USD 4 per tonne.

“Foreseeing the impact of lower average selling prices, the management team has responded by adjusting down mining stripping ratios of the Indonesian mines together with improvement in mine planning and logistics management. This brought the production cost down by 7 percent from the second quarter while the gross profit margin remains steady. BANPU will focus on continuing its cost management program to minimize impact from lower average selling prices. Our goal is to maintain strong net profit and financial position as well as our dividend payment capacity,” Mr. Chanin emphasized.

In the third quarter 2012, BANPU recorded a net profit of THB 2,262 million, a decrease of 46 percent from the same period last year and 17 percent from the second quarter this year. Sales revenue reported at THB 29,218 million, THB 1,467 million or 5 percent lower than the same quarter last year due mainly to lower coal prices. The total sales revenue comprised THB 27,755 million of coal sale (94 percent of total revenue) and THB 1,463 million of sales from power and steam (6 percent of total revenue.) GPM of this quarter is at 38 percent. GPM of coal business is 39 percent while power business is 30 percent.

Coal operations in Indonesia and Australia have increased their sales volume with lower production cost in this quarter, which lessened the impact on the profit margin. China coal business generated equity income of THB 22 million with a greater selling price compared to the second quarter. Gaohe Mine also started its commercial operation officially in late September this year after receiving production license from the Coal Industry Bureau of Shanxi Province.

The power business continued to perform steadily and contributed solid earnings. BLCP operated smoothly and delivered equity income of THB 899 million including foreign exchange gain of THB 129 million. China power business realized a net profit of THB 116 million. Meanwhile, the Hongsa Power project in Laos PDR has progressed well on its construction with around 30 percent completion, which is ahead of schedule. The court case is not related to the project both financial and development. Since an issuance of the verdict, the management team has worked with legal advisors to prepare for the appeal, and been assured of both factual and legal grounds of arguments which would be raised in the appeal.

"Currently, the management has been working with the lawyers and legal advisors for efficacy of the appeal," Mr. Chanin concluded.

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