



PRESS RELEASE

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Banpu Announces Measures in Coping with Softening Coal Prices

Banpu is tightening expenditures and postponing unnecessary investment plans in a bid to cope with softening coal prices. The Company believes that the price decline will be short-term and will not affect its middle- and long-term business plans.

Mr. Chanin Vongkusolkit, Chief Executive Officer of Banpu Public Company Limited, said that the weakening of coal prices at the moment was likely short-term and would not affect Banpu's medium and long-term business plans. However, to prevent risks possibly incurred from the situation, Banpu has taken precautions by curbing unnecessary operating expenses and postponing non-urgent investments in order to maintain cash flows and ensure financial stability while being able to continue creating added values to its stakeholders.

"To cope with the softening coal prices due to an excess supply, we are planning cost-cutting measures by lowering operating expenses of our Indonesian coal business by 6 – 7 percent. Besides, we also postpone not-so-necessary investment plans of all business units in order to maintain our financial strength within the Banpu Group. This is to ensure that we are able to handle this short-term coal price fluctuation and secure enough cash flows for any investment opportunity that may contribute to the Company's growth and generate returns to shareholders. In addition, we are now preparing to reduce additional expenses to accommodate our sales plans next year (2013)," said Mr. Chanin.

Mr. Chanin added that aside from its Indonesian coal business, Banpu owned assets, both coal and power businesses, that generate strong cash flow. This included the BLC Power Plant, the three Combined Heat and Power (CHP) Plants in China and the Hongsa Mine-Mouth Power Project of which the construction is in good progress and will therefore provide stability in revenue in the near future. For coal business, the Company earns a steady stream of incomes from Centennial Coal's domestic sales in Australia and the Chinese coal to domestic market.

For the outlook of Banpu's performance in 2012, Banpu's CEO said its total coal production and sales target should be around 44 million tonnes, an increase from last year's 42 million tonnes. This year's average selling price (ASP) of its Indonesian coal operations is estimated at around USD 95 per tonne, including a coal swap gain.

"For the latter half of 2012, we expect that coal production and sales volume from ITM in Indonesia and Centennial Coal in Australia should increase from the first six-month period. The

total production and sales of coal for the whole year from Indonesia and Australia will be 26 – 27 million tonnes and 15 – 16 million tonnes, respectively” he said.

On the move of natural gas and shale gas trend which, as substitute, may affect the coal market, Mr. Chanin insisted that the current price of shale gas at USD 2 per million BTU is far below the production cost and should be higher to cover additional investments in infrastructure such as pipelines, gas separation and filling plants. He added that since prices of gas had to be raised, there would always be a need for coal as a base fuel. However, Banpu’s management is considering a long-term plan for the issue.

“We still have a very strong financial position and we have a policy to create added values for our shareholders by continuing to pay our shareholders dividend. Based on the plans and the measures mentioned earlier, we believe that this will help Banpu being able to generate added values in a long and sustainable manner for our shareholders,” Mr. Chanin concluded.

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