

### **Banpu views short-term factors arising from events in China as positive support for coal price movement**

- **Floods in China would not have material impact on Banpu's coal sales distribution**
- **Banpu's coal logistics in China are not reliant on railway transportation**
- **Floods have led to a surge in thermal coal price due to restricted coal supply**
- **Strong thermal export coal price trend reflects strong continuous demand from China**
- **Banpu's earnings are expected to remain strong on the back of higher average selling prices and reasonable costs**

**Banpu Public Company Limited (BANPU), a pioneering Asian energy company operating power, coal and other related energy businesses,** views the short-term factors arising from recent events in China, including floods in the Southern part of China, and import restrictions, as supporting factors for a positive coal price trend. The Company is able to continue smooth production, while operating results remain strong on the back of higher fixed contract prices. Power business operating results also remain solid.

**Ms. Somruedee Chaimongkol, Chief Executive Officer of Banpu Public Company Limited stated,** "Banpu's coal business is unaffected by the recent floods in China, as our coal logistics do not rely on railway transportation. In contrast, the impact from the floods have led to a coal price rebound, for both China's coal price and the global coal price index, as thermal coal demand from China has surged to replace hydropower from China's top two hydropower plants; Three Gorges Dam and Gezhouba. They faced drastic capacity reductions in order to alleviate flood pressure. As a result, demand for thermal coal has increased. In the past weeks, the price of the standard thermal coal specification rose by RMB 20 per tonne to RMB 592 per tonne."

"Overall the level of coal consumption in China remains high. Such demand tightens the local coal market, resulting in a price surge in coal. Hence, export coal prices remain above USD 80 per tonne which is relatively high, and is likely to stay afloat." Ms. Somruedee added.

Regarding the restriction on coal imports, the Company expects no material impact as most of the Company's coal import to China is carried through large-sized ports.

Furthermore, Banpu is able to deliver smooth production with operating results remain strongly bolstered by higher fixed contract prices. The Company targets coal sales of 45 million tonnes in 2017. Banpu has already secured fixed and indexed pricing for around 50% of total Indonesia coal sales. Australia's Newcastle Index coal price is currently trading at USD 83 per tonne.

"With increasing coal prices, Banpu has decided to optimize the stripping ratio to maximize the value of our assets in the long term. Operating costs are expected to increase by USD 7-8 per tonne, which the Company considers reasonable as the increase in the average selling price would outpace that of the costs. Optimizing stripping ratios will also increase organic reserves, which the Company views as the most effective way to maximize reserves



by utilizing our existing infrastructure. This strategic investment will benefit shareholders in the long term.” Ms. Somruedee concluded.

“The Company is moving towards our new strategic plan that incorporates upstream, midstream and downstream. Our upstream business includes coal and shale gas businesses. Our midstream business includes supply chain management which aims to improve coal logistics cycle time for improvement in costs and profitability. In addition, upgraded coal quality through blending will be sold and distributed under our coal trading business. Our downstream business includes power business. Banpu has established solar farms in China and Japan and continues to evaluate opportunities in the CLMV market. Moreover, the Company also sees a potential in Indonesia where the government has announced plans to increase power generating capacity by 30,000 MW. The Company is seeking opportunities to increase cash flow by selling more electricity to decentralized markets rather than a few large customers at present. Banpu strongly believes that this strategic approach will chart a course for sustainable and balanced growth.”

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#### About BANPU

Banpu Public Company Limited is a pioneering Asian energy company, with power, coal and renewable energy businesses in nine countries; Thailand, Indonesia, China, Australia, Lao PDR, Mongolia, Singapore, Japan and the United States of America. As of 31 March 2017, Banpu’s assets totaled USD 7,299 million, an increase of USD 326 million compared to 31 December 2016.

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