BANPU

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Banpu's 2013 Business Strategies

Banpu's business strategies in 2013 will focus on strengthening its core businesses, creating growth from current assets or "organic growth", and streamlining financial structure. The Company will continue rationalizing its costs in order to grow sustainably in the long-term.

Mr. Chanin Vongkusolkit, Chief Executive Officer of Banpu Public Company Limited, said at the annual press conference that 2012 was a tough year for the coal industry worldwide with average thermal benchmark coal prices down by over 20 percent. The Coal prices were impacted globally by an unprecedented surge in the availability of US coal for export. This was caused by the trend in favor of gas-fired power domestically (based on new shale gas supplies) on top of continued supply growth from Indonesia and Australia. In responding to coal price downtrend, Banpu has taken decisive action to rationalize operating costs and capital expenditure as well as enhance productivity. With these measures, Banpu managed to cope with the challenges well last year.

Even though we see a sign of coal price recovery, Banpu must be prudent. The focus of the Company in 2013 will be on strengthening our core businesses and organic growth. That means rationalizing costs, enhancing our productivity, securing infrastructure access, streamlining systems and improving our skill base. Banpu will also be strengthening the synergies between its different businesses; marketing synergies between Indonesia and Australia, power market knowledge, vertically integrated coal to power opportunities, and Mongolia-China synergies.

In 2013, Banpu is targeting growth in output to 48 million tonnes or 4.2 million tonnes more than the previous year, of which 29 million tonnes will come from Indonesian coal mines, 15 million tonnes from Australian operations and about 3 million tonnes from Chinese operations. The increase will be mainly from Bharinto mine and Gaohe mine in Indonesia and China, respectively.

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“Banpu’s Indonesian mines are targeting a further 10 percent cut to operating costs through productivity improvements and reduction of stripping ratio, which will help offset the impact of softening coal prices. Moreover, we also aim to improve our existing infrastructure including the port facilities and haulage roads”, said Mr. Vongkusolkit.

On Banpu’s Australian mines, Mr. Vongkusolkit explained that the focus will be on increasing coal output to 15 million tonnes. At the same time, the Company will take measures to minimize longwall changeover periods and further reduce operating costs by another 5 – 7 percent.

In terms of Chinese operations, the Gaohe mine production target is set at 6 million tonnes, an increase of 2 million tonnes from last year. Gaohe is also working on land acquisitions for a railroad spur while Hebi mine expects normalized output in 2013. In Mongolia, Tsant Uul mine will start its production next year. In addition to power sector sales, Tsant Uul is also considering the potential for sales to the coal chemicals market in China.

Moreover, Banpu is streamlining its financial management by optimizing its capital structure and strategy. This includes measures to buy-back Banpu shares at low share prices, reducing the total amount of gross debt, lengthening debt maturities, enhancing the US dollar component of debt exposure – and pushing debt down in the group to asset and intermediary levels.

“I believe we are making good progress. We will definitely overcome any further challenges and take full advantage of any coal price recovery and other growth opportunities which may arise in the future. Our principle is not just to ‘prepare for the worst and hope for the best’; we are preparing deliberately both for the worst and the best,” concluded Mr. Vongkusolkit.

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