



Banpu continues to reduce costs further, focusing on applying “innovation” to build its competitiveness and expand its businesses in a bid to create growth

Mr. Chanin Vongkusolkit, CEO of Banpu Public Company Limited said during the annual press conference in Rayong Province that Banpu has made important changes to its cost and has fostered regional synergies between its coal businesses over the past two years in a bid to cope with slowdown global coal prices. In addition, the sound results of power business have provided much needed cashflow support during the down-cycle in coal prices. Banpu’s power business will continue to play a key role in the Company’s sustainability and growth strategy into the long term.

“In 2012 average benchmark coal prices in the Asia-Pacific region fell by over 20 percent, and in 2013 they fell again by around 13 percent year-on-year. These initiatives especially cost reduction program are strengthening the Company’s ability to withstand the downturn and should enhance long run returns to shareholders since power demand in Asia is still growing”, said Mr. Vongkusolkit.

In 2013, Banpu operations across the region successfully implemented cost rationalization measures. Total unit costs at the Indonesian coal operations were cut by 11 percent from USD70 per tonne in the previous year to around USD 62 per tonne. This was achieved mostly by adjusting mine plans and reducing stripping ratios at main operations. More efficient coal handling at Bontang terminal, lower fuel usage resulted from greater electrification and better ship management have also all contributed to lower costs at Banpu operations in Indonesia. Meanwhile, the unit cash costs of Australian operations were well managed, resulting in a decrease of production cost to AUD 52 per tonne or 2 percent from 2012.

This year, Banpu targets its coal production and sales volume from its coal operations in Indonesia, Australia and China of around 47 million tonnes. The Company is still focusing on productivity and logistics improvements while continuing to reduce costs further. The Indonesian

and Australian coal mines target to reduce costs by another 5 and 4 percent, respectively, from last year.

“Full implementation of the in-pit crusher conveyor system at Indominco East Block, renegotiation of barging contracts at Trubaindo and other cost rationalization measures should help keep costs of Indo Tambangraya Megah Tbk (ITM) low in 2014. Furthermore, ITM is under studying a conversion of truck fleets from diesel to LNG and possible further electrification. This could structurally reduce its cost base further”, Mr. Vongusolkit explained.

Mr. Vongusolkit added that new equipment at Mandalong, Myuna, and Springvale mines in Australia should all generate higher productivity. Logistics optimization relating to railroad configurations and port capacity management should also help the Company in reducing total costs.

In Mongolia, Banpu continues to focus on feasibility studies at the Tsant Uul (thermal coal) and Altai Nuurs (metallurgical coal) concessions. For the Tsant Uul project, Banpu has conducted a small pilot test with encouraging chemical yields. A further pilot plant will be developed this year with market product tests and further economic viability analysis. Subject to the on-going study, the objective will be to develop a commercial plant of around by next year.

Mr. Vongusolkit viewed that despite short term weakness, the coal price will gradually increase, particularly in the Asia-Pacific region. Coal consumption in India, Vietnam and The Philippines will increase strongly over the next two decades.

“With a low cost structure in place and more efficient organization structure, Banpu is now well positioned to benefit to the maximum from any upturn in the cycle. This in turn should generate strong returns to shareholders”, he said.

In the future, Banpu's core business will remain focused around coal-based energy in the Asia-Pacific region. The Company will continue to explore ways of growing our coal business both organically and inorganically, where possible. It will also continue adding value vertically and horizontally around our core upstream coal operations. It will further optimize and expand its infrastructure and logistics arrangements and will seek to synergize marketing, trading and blending strategies regionally. Banpu will also develop vertical integration into coal-fired power, coal-to-chemicals and metallurgical coal uses.

In pursuant of future strategies, Banpu intends to apply “innovation”, which is one the four guiding principles of Banpu Spirit to all aspects of its business, including its growth strategy. Therefore, the Company will not restrict its strategic thinking only to its comfort zone of coal-based energy. For a long time now it has been studying a wide range of new energy technologies. The objective is not just to assess their potentially disruptive effect in the long run on conventional fossil-fuel industries but is also intended to examine cutting-edge niches which may be of interest for investment by Banpu. This in return will help add value to stakeholders and mitigate risk for the Company.

Banpu Public Company Limited is one of the leading energy companies in the Asia-Pacific region. The Company manages coal and related energy businesses in six countries, namely, Thailand, Laos, Indonesia, Australia, China, and Mongolia.