BANPU

News Release

10th August 2023

2Q/2023 Results Highlight

Banpu has submitted to the SET its 2Q/2023 financial performance with full details.

During the 2nd quarter of 2023, the global economy exhibited signs of slowing down from the concerns over recession. Several economic indices especially from two major countries, the United States and China that are driving the global economy, indicate slower growth than anticipated. Additionally, ongoing geopolitical tensions further impacted the declining demand for energy, leading to a decrease in commodity prices. The Newcastle Coal Index in the 2nd quarter dropped to 163 USD/ton, and Henry Hub natural gas prices also dropped to 2.2 USD/Mcf. However, the changing weather patterns resulting from the El Niño phenomenon caused significant volatility in various regions around the world. The consistent demand for electricity, particularly in households, remained strong despite these changes. Therefore, global energy price trends are expected to rebound in the latter half of the year due to the aforementioned challenges. These challenges had repercussions on business performance, as 2nd quarter Banpu reports net loss of USD 13 million. Despite these challenges, Banpu continued to implement prudent cost management, focusing on efficiency improvements, developing innovative operational approaches to enhance value creation, allowing for sustainable cash flow generation. These strategies are poised to yield positive momentum and tangible results in the coming quarters.

In this quarter, Banpu reported a consolidated EBITDA of USD 280 million. The EBITDA from coal business amounting to USD 206 million, declined by 40% compared to the previous quarter, the natural gas business reported EBITDA of USD 4 million, a decline of 95%, and the power business reported EBITDA of USD 68 million, improved by 43%. The energy technology business turnaround to generate positive EBITDA of USD 2 million.

Within the Energy Resources business, Coal mines in Indonesia, Australia, and China continued to generate sustainable cash flow. However, the Gas sector in the US faced challenges due to low domestic gas prices and an elevated inventory level.

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In Indonesia, the coal business reported a sales volume of 5.4 million tons, marking a 19% increase compared to the previous quarter. This boost in production volume was supported by favorable dry conditions, particularly in the Indominco and Bharinto mines. The average selling price (ASP) was 114.2 USD/ton, down by -25% compared to the previous quarter, but the cost of sales improved to 63.2 USD/ton or reduced by 6% compared to the previous quarter. This was a result of cost control measures and lower fuel prices, ensuring that the Gross Profit Margin (GPM) remained robust at 45%.

In Australia, the coal business reported total sales of 1.6 million tons. The ASP stood at 162.4 AUD/ton. This improvement in ASP resulted from a combination of increased domestic price from repriced portions of new domestic contracts to 114.4 AUD/ton, improved by 25% compared to previous quarter while the export price was reported at 269.8 AUD/ton. However, production volume decreased by -6% due to unfavorable strata conditions and the relocation of the longwall at the Mandalong mine. This led to a higher unit cost of 184.5 AUD/ton. To address these challenges, cost-cutting measures for operating expenses were implemented, alongside a balanced approach to capital allocation across all sites.

China's coal business performs well, generating a profit share of USD 43.8 million. This was primarily due to resilient high domestic coal prices, as a result of increased domestic supply costs, despite the consistent supplies from domestic coal mines that contributed to maintaining healthy coal inventories.

The US gas business reported a total sales volume of 80 billion Cubic Feet (Bcf), showing a slight increase of 1% compared to the previous quarter. The average local price decreased to 1.92 USD/Mcf, or a decrease of 33% compared to the previous quarter. This decline was mainly driven by increased gas production contributed to higher-than-average inventory levels. The gas business remained focused on prudent capital expenditure management to align with current commodity prices and optimize cash flow generation.

In the Energy generation business, consistent cash flow contributions were driven by efficient operations at power plants, particularly the HPC and BLCP. The HPC power plant reported equity income of USD 30.5 million, achieving an Equivalent Availability Factor (EAF) of 90%. BLCP power plants generated equity income of USD 5.5 million, with an outstanding EAF of 99.8% due to uninterrupted dispatch. The Temple I Gas-fired power plant reported a profit contribution of USD 8.7 million, benefiting from an unexpected heatwave in Texas that surged electricity demand, despite planned maintenance in May 2023. In China, the 3 CHPs experienced seasonal demand, resulting in a loss impact of RMB 8 million. On the other hand, the Shanxi Lu Guang (SLG) power plant reported a share of profit of RMB 2 million, as the plant relied on long-term coal supply contract from a domestic supplier, lowering the average coal cost to 764 RMB/ton. The Nakoso IGCC power plant in Japan reported a share of profit of USD 1.4 million, accounting for expenses from planned yearly maintenance offset by compensation based on a long-term service agreement.

Within the **Renewable business portfolio**, operational performance was strong. The Solar business in China reported a net profit of RMB 15 million, the Solar business in Japan reported TK dividend distribution of JPY 317 million, and the Solar business in Australia contributed a profit of AUD 3.2 million. However, the Solar and Wind farm in Vietnam reported a net loss of USD 0.5 million.

The Energy Technology business continued its expansion, achieving notable milestones. The Solar rooftops & floating business expanded its presence throughout the Asia-Pacific region, accumulating a total capacity of 226 MW. Additionally, the Battery and ESS solution segment saw progress as Durapower launched its phase 2 target battery manufacturing capacity expansion, aiming to achieve 2GWh by the end of 2024. Another significant accomplishment involved the expansion of the energy management business, where Banpu NEXT Ecoserve has secured approximately 30 projects from customers in diverse business sectors and industries. Moreover, the Energy Trading business reported successful progress, securing contracts for up to 268 GWh for the first half of 2023 from over 500 small to medium-sized clients. As a company, Banpu remains committed to scaling up its clean energy initiatives and developing new energy solutions in response to evolving energy trends, all while supporting the transition towards a Net-Zero society.

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Summary of 2Q/2023 results

Year-end Dec ('M.USD)	2Q23	1Q23	2Q22	Note
Coal sales volume (M.Tonnes)	**7.5**	**6.9**	**7.9**	Indonesia5.4mt (+19%QoQ, +40%YoY), Australia1.6mt (-9%QoQ, -42%YoY),
Sales revenues	1,111.7	1,312.2	1,773.0	and Coal trading 0.5mt. ASP Indo US$114.2/t, ASP Australia A$162.4/t
Cost of sales	(862.6)	(872.6)	(841.9)	
Gross profit	249.1	439.6	931.1	GPM from coal 31% (GPM Indo coal 45%, GPM Australia coal -14%)
GPM	***22%***	***34%***	***53%***	GPM from Gas -22%, GPM from Power 21%
Adminstrative expenses	(76.7)	(69.5)	(65.4)	
Selling expenses	(46.0)	(50.1)	(51.1)	
Royalty	(91.3)	(125.3)	(131.2)	
Equity income	82.5	83.7	81.4	Equity income from China coal US$43.8m, HPC US$30.5m, BLCP US$5.5m
Other	16.1	23.6	12.7	SLG US$0.25m, Nakoso US$1.1m and Tech business US$1.4m
EBIT	**133.7**	**302.0**	**777.5**	
EBIT margin	***12%***	***23%***	***44%***	
Interest expenses	(85.9)	(86.0)	(54.1)	
Financial expenses	(2.6)	(2.4)	(1.8)	
Income tax - Core business	(36.6)	(50.7)	(74.0)	
Minorities	(49.8)	(80.3)	(101.5)	
Net profit before extra items	**(41.2)**	**82.6**	**546.1**	
Non-recurring items	4.2	81.6	157.4	
Gain (Loss) on Derivatives	16.3	(27.4)	(292.9)	Gain from financial derivative instruments
Income tax - Non core business	(32.0)	(2.0)	(16.3)	
Deferred tax income/expenses	(28.8)	26.8	(75.1)	
Net profit	**(81.6)**	**161.6**	**319.2**	
Net gains (losses) on exchange rate	68.6	(14.5)	52.6	FX gain from the depreciation of Thai Baht against US Dollar
Net profit	**(12.9)**	**147.1**	**371.8**	
EPS (USD/share)	(0.002)	0.017	0.055	
Depreciation	103.2	100.8	91.0	
Amortization	42.9	63.9	79.0	
Depre & Amortization	146.1	164.7	170.0	
EBITDA	**279.8**	**466.7**	**947.5**	EBITDA from Mining of US$206m, Gas US$4m, and Power US$68m
EBITDA margin	***25%***	***36%***	***53%***	and Energy Tech US$2m

DETAIL OF PROFIT&LOSS STATEMENT		2Q23	1Q23	2Q22
ROM Production (M. tonnes)				
Total production of Coal Indonesia		4.4	3.7	3.9
Total production of Coal Australia		1.7	1.8	2.8
Total Production	**M.Ton**	**6.0**	**5.5**	**6.7**
Coal sales volume (M tonnes)				
ITMG own		4.3	3.7	3.2
Other Source		1.1	0.8	0.6
Total Coal Sales - Indonesia		5.4	4.5	3.9
Coal Sales - Coal Australia		1.6	1.8	2.8
Coal Sales - China (traded coal)		0.5	0.6	0.7
Coal Sales - Others & Elimination		0.0	(0.0)	0.5
Total Coal sales volume	**M.Ton**	**7.5**	**6.9**	**7.9**
Natural Gas sales volume (Billion Cubic feed)				
Natural gas sales volume - Marcellus		13.0	13.9	11.8
Natural gas sales volume - Barnett		67.0	65.0	47.7
Total Gas sales volume	**Bcf.**	**80.0**	**78.9**	**59.5**
Sales revenue (M.USD)				
Sales revenue - ITMG		538.0	621.1	697.5
Other Sources		78.2	66.5	87.3
Sales revenue - Coal Indonesia		616.2	687.6	784.8
Sales revenue - Coal Australia		175.3	219.4	342.8
Sales revenue - China (traded coal) & Others		29.2	38.3	110.3
Revenue from COAL business		**820.7**	**945.3**	**1,237.9**
Revenue from GAS business		**145.1**	**222.9**	**386.8**
Revenue from POWER business		**96.5**	**116.6**	**139.3**
Revenue from OTHER business		**49.5**	**27.4**	**9.1**
Total revenues	**M.USD**	**2,223.5**	**1,312.2**	**1,773.0**
Cost of sale (M USD)				
Cost of sales - ITMG		(249.5)	(223.4)	(174.2)
Other Sources		(91.6)	(82.8)	(86.5)
Cost of sales - Coal Indonesia		(341.1)	(306.2)	(260.7)
Cost of sales - Coal Australia		(198.9)	(208.0)	(221.0)
Cost of sales - China (traded coal) & Others		(27.6)	(30.2)	(95.6)
COST OF SALE - COAL business		**(567.7)**	**(544.4)**	**(577.2)**
COST OF SALE - GAS business		**(177.7)**	**(190.1)**	**(132.4)**
COST OF SALE - POWER business		**(76.0)**	**(111.9)**	**(120.0)**
COST OF SALE - OTHER business		**(41.2)**	**(26.2)**	**(12.2)**
Total cost of sale	**M.USD**	**(862.6)**	**(872.6)**	**(841.9)**

DETAIL OF PROFIT&LOSS STATEMENT		2Q23	1Q23	2Q22
Gross profit (M USD)				
Gross profit - ITMG		288.5	397.7	523.3
Other Sources		(13.4)	(16.3)	0.8
Gross profit - Coal Indonesia		275.1	381.4	524.1
Gross profit - Coal Australia		(23.7)	11.4	121.8
Gross profit - China (traded coal)		1.6	8.1	14.7
Gross profit from COAL business		**253.0**	**401.0**	**660.7**
Gross profit from GAS business		**(32.6)**	**32.8**	**254.4**
Gross profit from POWER business		**20.5**	**4.7**	**19.2**
Gross profit from OTHER business		**8.3**	**1.1**	**(3.2)**
Total Gross profit	**M.USD**	**249.1**	**439.6**	**931.1**
Gross profit margin				
GPM - ITMG		54%	64%	75%
Other Sources		-17%	-25%	1%
GPM - Coal Indonesia		45%	55%	67%
GPM -Coal Australia		-14%	5%	36%
GPM - China (traded coal)		5%	21%	13%
GPM from COAL business		**31%**	**42%**	**53%**
GPM from GAS business		**-22%**	**15%**	**66%**
GPM from POWER business		**21%**	**4%**	**14%**
GPM from OTHER business		**17%**	**4%**	**-35%**
GPM for Banpu group		**22%**	**34%**	**53%**