



PETROVIETNAM OIL & GAS GROUP
PETROVIETNAM POWER CORPORATION
DAILY NEWS

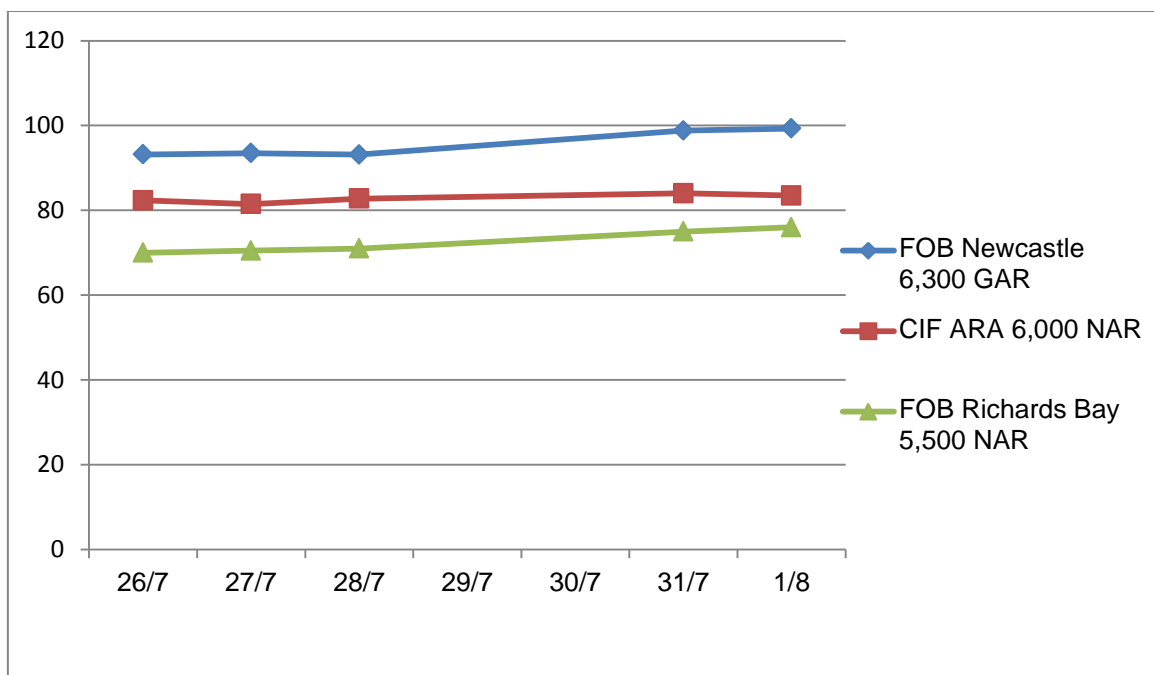
Date 04/08/2017

INTERNATIONAL COAL PRICE ASSESSMENTS

Daily prompt physical thermal coal assessments	Window 7 – 45 day	+/-	Window 90 - day	+/-
FOB Newcastle 6,300 GAR	99.30	+ 0.50	97.25	+ 0.50
CIF ARA 6,000 NAR	83.50	- 0.50	83.75	- 0.50
FOB Richards Bay 5,500 NAR	76.00	+ 1.00	N/A	N/A
FOB Kalimantan 5,900 GAR	N/A	N/A	74.70	+ 0.20
FOB Kalimantan 5,000 GAR	N/A	N/A	59.30	+ 0.20

China Coal Assessment	USD/tons	+/-	NDT/tons	+/-
PCC6 (CFR South China 3,800 NAR)	49.00	+ 0.00	328.09	- 0.27
PCC7 (CFR South China 4,700 NAR)	65.50	+ 0.10	438.57	+ 0.31
PCC8 (CFR South China 5,500 NAR)	80.00	- 0.10	535.66	- 1.10

DAILY PROMPT PHYSICAL THERMAL COAL ASSESSMENTS IN 2017



(Source: Platts Coal Trader International – Date 01/08/2017)

NEWS

Rio Tinto's half year profit hits \$US3.3 billion

Rio Tinto has almost doubled its half year net profit to \$US3.3 billion due to higher iron ore and coal prices. The mining giant said higher prices increased its underlying earnings by more than of \$US2.7 billion in the six months to June, with iron ore prices up 42 per cent from a year earlier, and coking coal more than three times higher. Rio's underlying earnings, which excludes impairments and exchange losses, more than doubled to \$US3.9 billion, which is slightly weaker than market expectations.

Chief executive Jean-Sebastien Jacques said Rio would deliver cash returns of \$US3 billion to its shareholders through an increased dividend and additional \$US1 billion buyback of its London-listed shares. The interim dividend of \$US1.10 is up from 45 US cents a year earlier. Prices for iron ore, Rio's primary earner, peaked at nearly \$US95 a tonne in February, but have moderated since amid concerns of oversupply and a slowing Chinese economy. Iron ore currently trades around \$US73 a tonne. The company's underlying earnings from iron ore increased 87 per cent to \$US3.3 billion, while earnings from its energy division increased almost eight-fold to \$US652 million. Rio Tinto expects capital expenditure to remain at around \$US5 billion in 2017 and around \$US5.5 billion in both 2018 and 2019.

U.S. coal exports surge thank China

U.S. coal miners are almost certainly cheering the sharp rise in exports of their product, but their good fortune is mainly the result of Chinese domestic policies that have driven up global prices for the polluting fuel. While U.S. President Donald Trump and his administration would no doubt like to claim credit for reviving the coal industry, it's likely there has been virtually no structural change that will ensure a sustained boost for U.S. coal exports. U.S. coal shipments were 51.9 million tonnes in the first seven months of the year, up 21.3 percent on the same period last year, according to the data. If the figure for the first seven months of 2017 is annualized, it puts U.S. exports on track for a total of around 89 million tonnes this year, which would be well above the 65.42 million of 2016 and 2015's 75.01 million.

Looking further into the detail and it appears a good portion of the increase in U.S. exports has been driven by demand from Asia. Shipments to the region were 17.94 million tonnes in the first seven months of this year, which would equate to about 30.8 million tonnes for the whole of 2017 if the pace is maintained. U.S. exports to Asia were 21.14 million tonnes in 2016 and 20.8 million tonnes in 2015, according to the vessel-tracking data. For the first seven months of 2017, U.S. exports to China stood at 4.03 million tonnes, a figure already exceeding the full year total of 2.82 million for 2016 and 2.97 million for 2015. While China is the world's biggest importer of coal, the U.S. supplies more to India, which ranks second. For the January-July period, U.S. exports to India were 6.39 million tonnes, on track to exceed the total of 8.67 million for 2016 and 7.6 million for 2015.

U.S. coal exports to Asia are almost certainly price-dependent, given they dropped off sharply when Asian coal prices fell for five consecutive years from 2011, but have started to recover as prices rallied in 2016 and maintained strength so far this year. The Asian benchmark price for thermal coal, the weekly index at the Australian port of Newcastle, ended at \$92.28 a tonne on July 28, largely steady from the \$94.44 at the end of 2016, but almost double the \$50.63 at the end of 2015. At the current price U.S. coal can compete in Asia, especially on the U.S. east or Gulf coast to India route, but also on the California to China or North East Asia route. Data from consultants CRU show that the weighted average business cost for U.S. thermal coal, or the price where 50 percent or more of operations in the country have positive cash flow, lies at \$83.22 a tonne. While this means that it's currently possible for many U.S. coal miners to export to Asia, they are still only just at viable levels, once freight costs are factored in. Not only do the main coal exporters of Australia and Indonesia have lower production costs, they also enjoy cheaper freight costs for cargoes bound for Asian customers.

Coal consumption to face difficulties

Vinacomin's report showed that in the first 7 months of 2017, the total coal output reached 22.14 million tons; coal consumes 20.26 million tons. Total revenue of the Group is estimated at VND 61,570 billion, achieving 57.6% of the plan. However, heavy rain in July affected the production, processing and consumption of coal. Coal consumption was low due to the low demand of coal-fired thermal power plant, as most of these plants were low-emission (less than 50% capacity). According to the demand for coal registration in the last 6 months of 2017, the coal output of TKV granted to factories in 2017 will decrease by 4.45 million tons compared to the registration at the beginning of the year and reduce 1.3 million tons with TKV's plan. This has made it difficult to meet the Group's target of consuming 36 million tonnes of coal in 2017.

In the first 7 months, TKV has cooperated with Departments of Quang Ninh province and localities to relocate households in flooded areas or high risk during rainy season. TKV also coordinated with Dong Bac Corporation and other units in Vinacomin to inspect the stations and latches on the coal transportation route of Dong Bac Corporation and TKV, unify the content of coordinated security management, property, resource mine boundaries. In August, Vinacomin targets to produce 2.4 million tonnes of raw coal and 2.66 million tonnes of coal consumption.

(Source: Platts)

INTERNATIONAL SPOT DRY BULK FREIGHT ASSESSMENTS

Size	From	To	Freight rates	Change
Capesize (150,000 tons)	Australia	China	7.40	+ 0.25
	Queensland	Japan	8.20	+ 0.25
	New South Wales	South Korea	8.45	+ 0.25
Panamax (70,000 tons)	Richards Bay	India West	10.40	+ 0.00
	Kalimantan	India West	7.20	+ 0.05
	Richards Bay	India East	10.65	+ 0.00
	Kalimantan	India East	6.15	+ 0.05
	Australia	China	9.35	+ 0.05
	Australia	India	10.70	+ 0.15

(Source: Platts Coal Trader International – Date 01/08/2017)