



Petrosea Background

Petrosea is the only Indonesian full-service mining solutions company able to provide a complete life-of-mine and pit-to-port solution.

Petrosea, a member of Indika Energy Group, was founded in 1972. Petrosea currently has 3 business lines: Mining Service, Engineering and Construction and POSB. It also owns a high quality coal asset

Share Data

Price (October 31, 2013)	Rp1,340
52-wk range	Rp910-Rp2,100
Bloomberg Code	PTRO IJ
Market Cap (Rp tn/US\$ mn)	1.35/120
Issued Shares (mn)	1,008,605,000
Avg. Daily T/O (Rp bn/US\$ mn)	12.1/1.23

Shareholding Structure

Indika Energy Tbk (INDY IJ)	69.8%
Public	30.2%

Contact Us

PT Petrosea Tbk.

Wisma Anugraha

Jl. Taman Kemang 32 B

Jakarta 12730

Email: investor.relation@petrosea.com

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PTRO 9 Months 2013 Newsletter

OPERATIONAL INDICATORS

- Overburden removal down by 9% yoy to 105.8 mbcm
- The company maintains 39 fleets (+0 fleets yoy) in 9M13 with annual rated capacity of 187mbcm.
- Average hauling distance in 9M13 decreased to 1.7 km from 1.8 km in 9M12

FINANCIAL HIGHLIGHTS

- PTRO's contracted backlog now at US\$1.6bn
- 9M13 revenues down by 6%yoy to US\$272.0mn driven by lower contract mining OB volumes
- Contract mining revenue per bcm stood at US\$2.3 a 5 cent decrease from the same period last year, as a result of lower hauling distances and rise and fall factors
- Total new capex spent at US\$20.5mn in 9M13

SANTAN BATUBARA (SB)

- Coal produced at 1.35Mt (-22.1%yoy)
- Average selling price was US\$74.1/ton (-19.1%yoy)

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9M13 Summary

Consolidated revenues decreased by 6% yoy to US\$ 272.0mn. About 88% of revenues were derived from our contract mining business, while 9% came from logistics services and the balance came from engineering & construction which have performed within expectations. Despite this, the rate of overburden growth in 9M13 is still running below relative to the current fleet capacities.

OB production decreased in 9M13 to 105.8 mbcmm (-9%yoy). Our OB production down by 9% yoy. This is mainly due to higher than expected rainfall as well as taking into account the revised production plans from our mining clients during this period.

Direct cost increased 1.4% yoy. Direct cost increased due to additional depreciation charges coming from the increased number of operating fleets as well as scheduled maintenance for some of our major equipment. On a qoq on basis, direct cost decreased by -3.6%.

Interest and Equity Income

Interest expense grew by 59%yoy to US\$15.5mn as a result of additional financing for capex and also due to the group-wide liability management exercise where US\$500mn 10-years 6.375% Notes due in 2023 was raised in January 2013, to prefund 2016 US\$230mn Bond callable in November 2013 where Petrosea's portion to also prefund is US\$110mn.

On the equity income side, share in the net income from Santan Batubara fell to US\$3.6mn loss due to falling ASP of US\$74.1per ton, lower sales volume of 1.39mt in 9M13 (-19.9%yoy, -3.0%qoq).

PTRO consolidated net profit fell by 55% yoy to US\$16.5mn mainly as a result of the fall in the net other income/expense as mentioned above. However, at operating level, gross profit fell to US\$66.1mn (-22% yoy) and EBITDA also fell to US\$91.0mn (-8% yoy).

Outlook

We continue to engage with our clients proactively addressing their needs on both the short and long term. We believe that mutual support from both ends would be a key factor in negating any ill effects of the current market condition. Should our clients appetite improve, PTRO would be ready within a reasonable time to fulfill any pent up needs given the equipment capacity that we have. We are also revisiting SB long-term mine plans including the sales and production plan during this challenging period to help mitigate rising costs.

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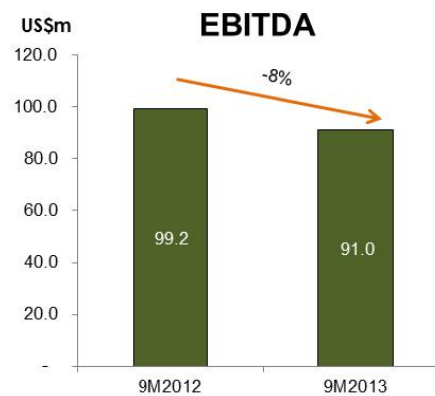
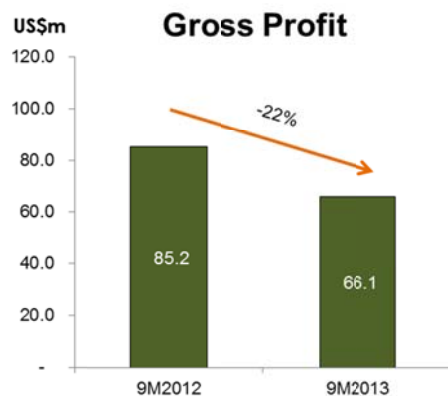
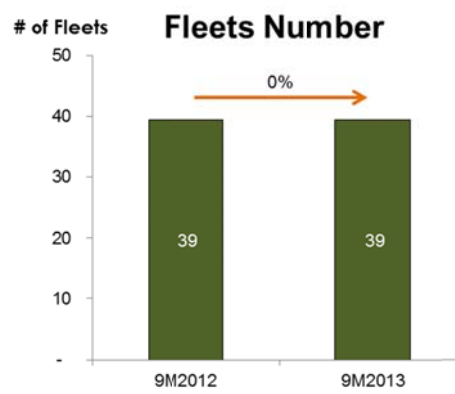
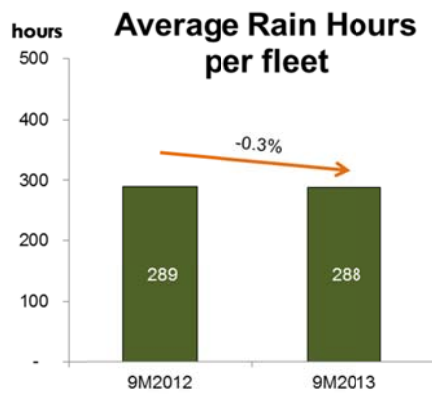
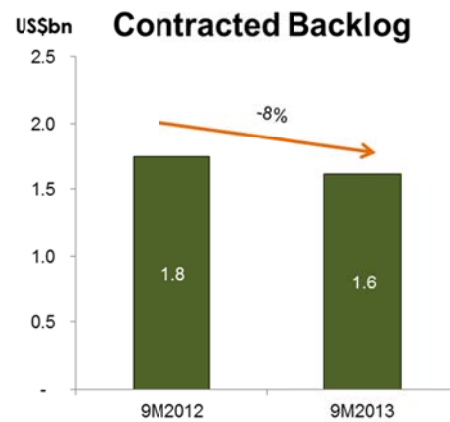
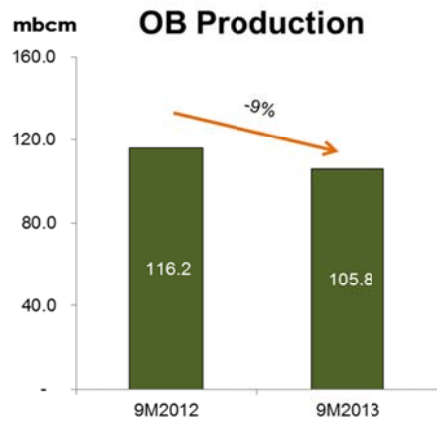
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Operational Highlights



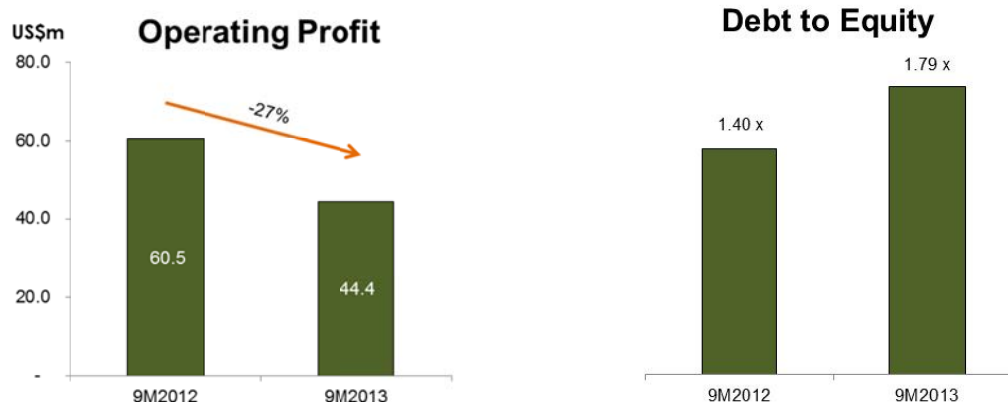
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PTRO Summary Financials

Profit & Loss (US\$ mn)	9M2012	9M2013	% Change
Revenue	288.1	272.0	-6%
Direct Cost	203.0	205.8	1%
Gross Profit	85.2	66.1	-22%
Operating Profit	60.5	44.4	-27%
EBITDA	99.2	91.0	-8%
Equity Income	2.0	-3.4	-273%
Net Profit	36.6	16.5	-55%

Balance Sheet (US\$ mn)	9M2012	9M2013	% Change
Total Asset	539.5	625.3	16%
Cash	26.7	51.8	94%
Current Asset	170.5	293.8	72%
Total Liabilities	364.7	428.4	17%
Current Liabilities	172.1	227.9	32%
Debt	243.1	351.5	45%
Equity	174.8	196.8	13%

Ratios	9M2012	9M2013
Gross Margin	30%	24%
Operating Margin	21%	16%
EBITDA Margin	34%	33%
Net Income (After Tax) Margin	13%	6%
Current Ratio (x)	0.99	1.29
Debt to Equity (x)	1.40	1.79

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