



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 (March 28, 2014)	Rp1,395
52-wk range	Rp1,020-Rp1,900
Bloomberg Code	PTRO IJ
Market Cap (Rp tn/US\$ mn)	1.41/124
Issued Shares (mn)	1,008,605,000
Avg. Daily T/O (Rp bn/US\$ mn)	3.9/0.37

Shareholding Structure

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

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PTRO 1st Quarter 2014 Newsletter

OPERATIONAL INDICATORS

- Overburden removal down by 8% yoy to 33.7 mbcm
- The company operated 38 fleets in 1Q14 with annual rated capacity of 169mbcm

FINANCIAL HIGHLIGHTS

- PTRO's contracted backlog stood at US\$1.5bn
- 1Q14 revenues down by 10%yoy to US\$81.5mn mainly due to lower contract mining OB volumes
- Contract mining revenue per bcm stood at US\$2.07 a 13 cent decrease from the same period last year, as a result of lower variable revenue in rise and fall factor
- Total new capex spent at US\$8.9mn in 1Q14, mostly for maintenance capex

SANTAN BATUBARA (SB)

- Coal produced at 0.29Mt (-43.70%yoy)
- Average selling price was US\$75.2/ton (1.5%yoy)
- Strip ratio down from 18.3x in 1Q13 to 3.9x in 1Q14

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1st Quarter 2014 Summary

Consolidated revenues decreased by 10% yoy to US\$ 81.5mn. About 86% of revenues were derived from our contract mining business while offshore logistics & ENC contributing the balance. 1Q14 revenue is within the expectation considering the current coal market. Contract mining volumes were lower by 8% yoy taking into account the revised production plan from our clients.

Direct cost decreased 13% yoy. Management continues to drive cost efficiency across all business lines especially contract mining through few key business priorities such as productivity & utilization improvement along with sustainable cost efficiency measures in the supply chain area, which improved the gross margin by 2% yoy.

Interest and Equity Income

Interest expense was lower due to repayment of debt and minimal purchase of equipment as existing fleet suffices the production plan in 1Q14, further lower interest rates due to the group-wide liability management exercise undertaken in the year 2013.

On the equity income side, share in the net income from Santan Batubara earned a profit of US\$0.55m in 1Q14 vis-à-vis the loss in 1Q13 of US\$2.08m due to lower stripping ratio from 18.3x in 1Q13 to 3.9x in 1Q14.

Other Income/Expense

Increase in other gains & losses in 1Q14 to US\$ 8.5m were primarily due to tax assessment of year 2012

PTRO consolidated net profit fell by 72% yoy to US\$2.1mn mainly as a result of lower mining OB volume and the higher net of other income/expense as mentioned above. However, PTRO's gross profit and EBITDA margin remained healthy at 27% and 39% respectively vs 25% and 34% in the same period last year

Outlook

PTRO contract mining being the main stream of revenue, management is focused to improve the return by improving the key business drivers such as productivity & utilization to achieve a sustainable cost effective operation. Further, PTRO continues to build its capacity in Oil & Gas Services and Engineering & Project Management (EPM) while with the plan to sustain contracting volume related to current capacity.

Amidst the current ongoing coal price trend, Santan Batubara operations are being reviewed going forward in relation to reducing costs and improve efficiency relative to the current coal price.

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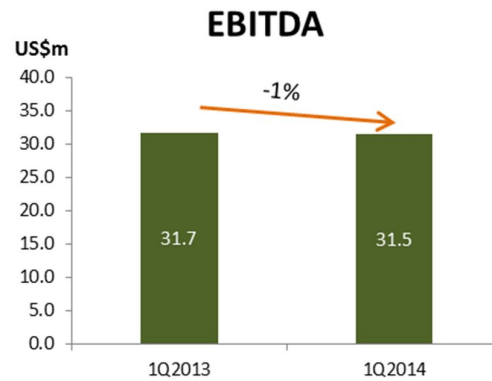
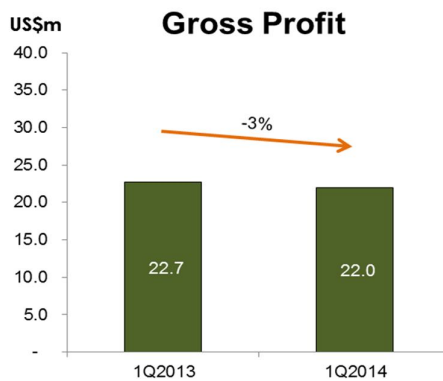
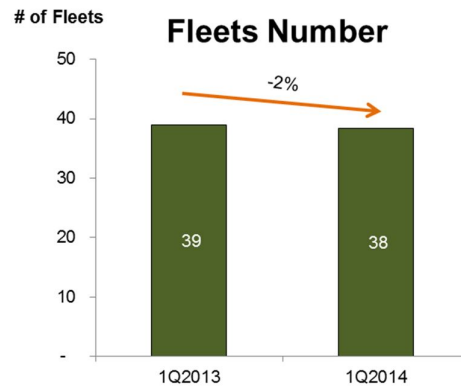
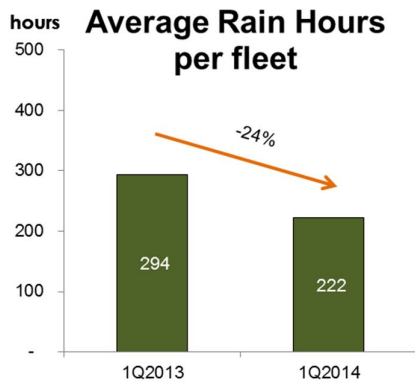
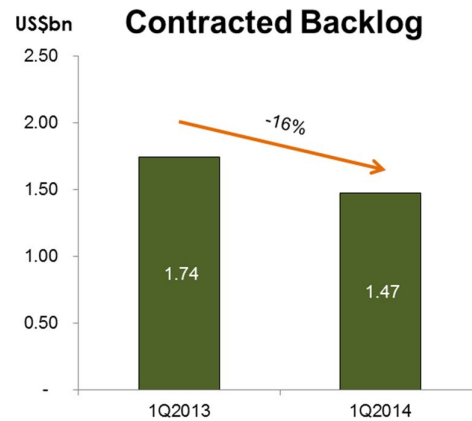
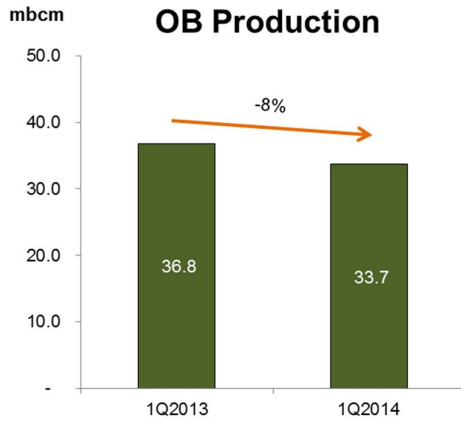
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Operational Highlights



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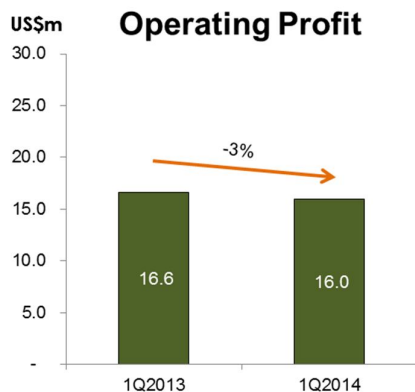
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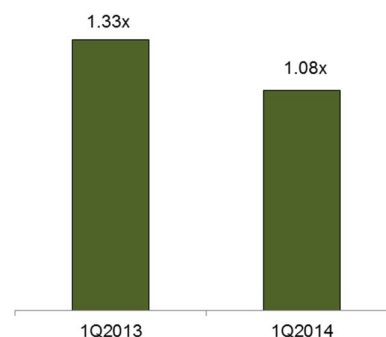
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Operating Profit



Debt to Equity



PTRO Summary Financials

Profit & Loss (US\$ mn)	1Q13	1Q14	% Change
Revenue	91.0	81.5	-10%
Direct Cost	68.7	59.5	-13%
Gross Profit	22.7	22.0	-3%
Operating Profit	16.6	16.0	-3%
EBITDA	31.7	31.5	-1%
Equity Income/(Loss)	-2.0	0.6	131%
Net Profit	7.6	2.1	-72%

Balance Sheet (US\$ mn)	1Q13	1Q14	% Change
Cash	53.9	67.4	25%
Other Current Assets	126.1	119.6	-5%
Non-current Assets	357.8	310.1	-13%
Total Assets	537.8	497.1	-8%
Current Liabilities	76.5	68.1	-11%
Current Portion of ST Debt	52.7	45.3	-14%
Long Term Debt	193.7	158.5	-18%
Non-current Liabilities	20.0	25.6	28%
Total Liabilities	342.9	297.5	-13%
Total Shareholder's Equity	194.8	199.7	2%

Ratios	1Q13	1Q14
Gross Margin	25%	27%
Operating Margin	18%	20%
EBITDA Margin	34%	39%
Net Income (After Tax) Margin	8%	3%
Current Ratio (x)	1.39	1.65
Debt to Equity (x)	1.33	1.08

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