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.
Founded in 1972 Petrosea currently has 3 business lines: Mining Service, Engineering and Construction and POSB. It also owns a high quality coal asset Santan Batubara.

Share Data

Price (May 13, 2013)	Rp1,570
52-wk range	Rp910-Rp4,325
Bloomberg Code	PTRO IJ
Market Cap (Rp tn/US$ mn)	1.584/0.169
Issued Shares (mn)	1,008,605,000
Avg. Daily T/O (Rp bn/US$ mn)	13.32/1.37

Shareholding Structure

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

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PTRO 1st Quarter 2013 Newsletter

OPERATIONAL INDICATORS

- Overburden removal grew by 15% yoy to 36.8mbcm due to increase in production across all sites
- The company has 39 fleets (+7 fleets yoy) in 1Q13 with annual rated capacity of 187mbcm
- Average hauling distance in 1Q13 decreased to 1.6 km from 1.87 km in 1Q12

FINANCIAL HIGHLIGHTS

- PTRO's 1Q13 contracted backlog now at US$1.75bn from US$1.95bn at 1Q2012
- 1Q13 revenues up by 14% yoy to US$91.0mn driven by contract mining OB volumes, as well as an increase in revenue/bcm on aggregate basis
- Contract mining revenue per bcm stood at US$2.22, -9 cents (-3.8% yoy)
- Total new capex spent at US$12.3mn in 1Q2013 (-67% yoy), primarily for maintenance & replacement

SANTAN BATUBARA (SB)

- Coal produced at 0.52Mt (+8% yoy)
- Average selling price was US$74.1/ton (-22.3% yoy)

1st Quarter 2013 Summary

Consolidated revenues increased by 14% yoy to US$ 91.0mn. About 90% of revenues were derived from our contract mining business, while the balance mainly came from logistics services which have performed within expectations. Despite this, the rate of overburden growth in 1Q13 is still running slightly below relative to the current fleet capacities.

OB production improved in 1Q13 to 36.8 mbcm (+15%yoy). Our OB production grew yoy by 15%. However, on a qoq basis OB volume dropped by 9%. This is mainly due to higher than expected rainfall, which in terms of average hours was 55% higher than last year as well as taking into account the revised production plans from our mining clients during this period.

Direct cost increased 20% yoy. Direct cost jumped higher than the revenue growth, which was brought about by the additional depreciation charges coming from the increased number of operating fleets as well as scheduled maintenance for major equipment. On a qoq on basis, direct cost dropped by 1.6%.

Interest and Equity Income
Our interest expense grew by 77%yoy to US$4.4mn primarily a result of the additional lease facilities acquired last year in the amount of US$115mn. On the equity income side, share in the net income from Santan Batubara fell to US$2.0mn loss due to falling selling prices of US$74.1per ton, lower sales volume of 0.42mt in 1Q13 (-21.8%yoy, -49.6%qoq) while continuing to operate at a higher stripping ratio.

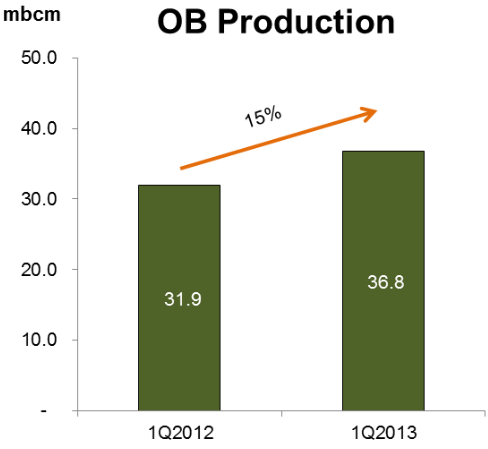
PTRO's consolidated net profit fell by 47% yoy to US$7.6mn mainly as a result of the fall in the net other income/expense as mentioned above. However, at operating level due to rise in direct costs, gross profit fell slightly to US$22.3mn (-1% yoy). EBITDA continues to grow to US$31.3mn (+13% yoy), while maintaining relatively the same respective margins of 2012.

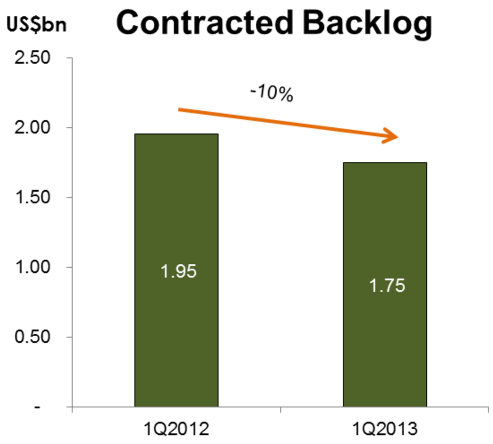
The company's financial position remains comfortable with debt to equity ratio of 1.33x.

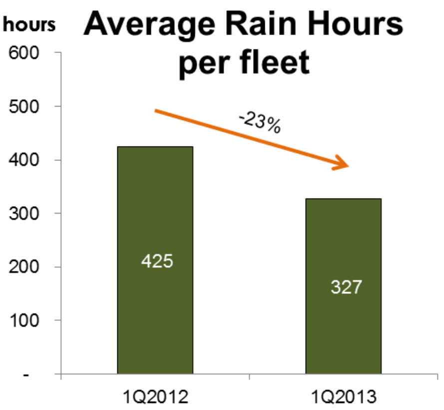
Outlook

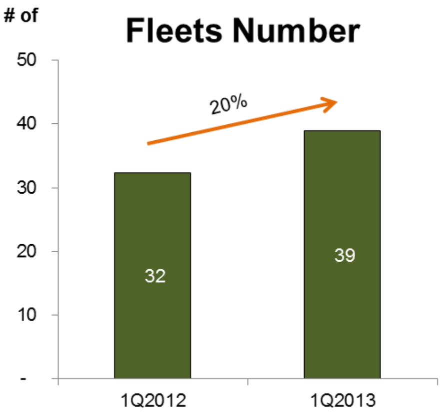
We continue to engage with our clients proactively addressing their needs on both the short and long term. We believe that mutual support from both ends would be a key factor in negating any ill effects of the current market condition. So far, we have not had any relevant price pressure, what both side are addressing is the management of cash flows by provide more flexibility on collection and payments respectively. Again, 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.

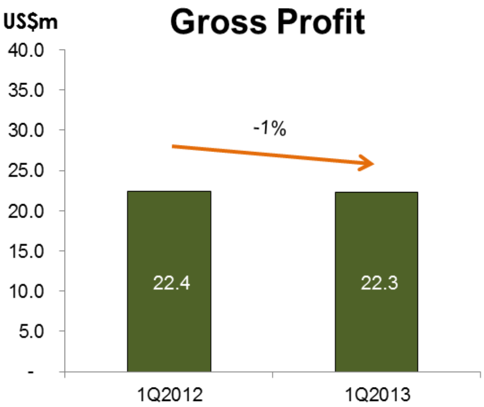
Operational Highlights

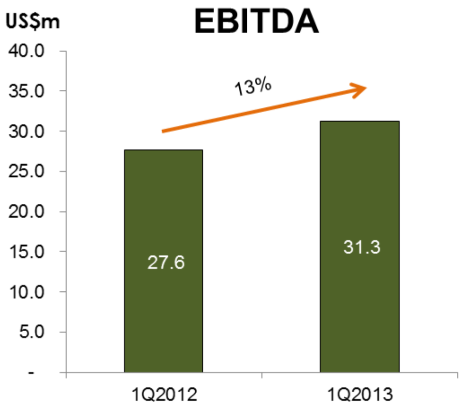


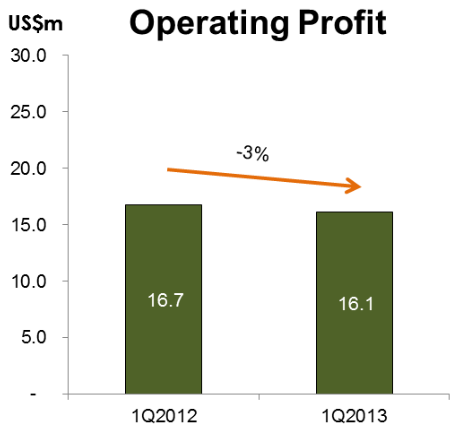


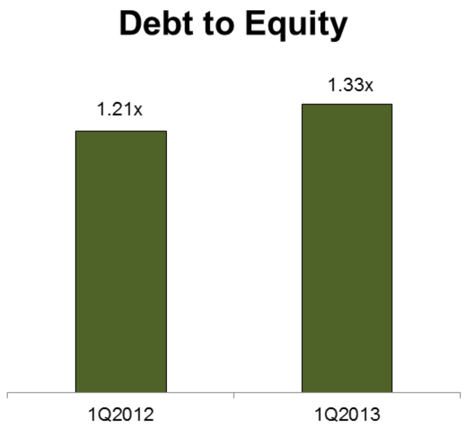












PTRO Summary Financials

Profit & Loss (US$ mn)	1Q2012	1Q2013	% Change
Revenue	79.8	91.0	14%
Direct Cost	57.4	68.7	20%
Gross Profit	22.4	22.3	-1%
Operating Profit	16.7	16.1	-3%
EBITDA	27.6	31.3	13%
Equity Income	2.3	-2.0	-186%
Net Profit	14.2	7.6	-47%

Balance Sheet (US$ mn)	1Q2012	1Q2013	% Change
Total Asset	422.4	537.8	27%
Cash	18.4	53.9	193%
Current Asset	121.5	180.0	48%
Total Liabilities	270.0	342.9	27%
Current Liabilities	130.0	129.3	-1%
Debt	183.6	258.9	41%
Equity	152.3	194.8	28%

Ratios	1Q2012	1Q2013
Gross Margin	28%	25%
Operating Margin	21%	18%
EBITDA Margin	35%	34%
Net Income (After Tax) Margin	18%	8%
Current Ratio	93%	139%
Debt to Equity	1.21	1.33