Announcement: Moody's: Indika's results meet expectations; environment remains challenging

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Singapore, August 01, 2013 -- Moody's Investors Service says that Indika Energy's 1H 2013 results were broadly in line with Moody's expectations and support the company's B1 corporate family and bond ratings and stable outlook.

"Indika's credit metrics have weakened, but remained within our expectations during 1H 2013. It recorded 6-month EBITDA of approximately $141 million and cash flow remained well-supported by dividends from Kideco. However, we see mounting pressure at its coal-related businesses, if the weak coal price environment persists", says Simon Wong, a Moody's Vice President and Senior Credit Officer.

Segments of Indika's businesses, including Kideco, Petrosea and MBSS, are highly exposed to the coal mining sector, which has seen a further downturn in prices in recent months due to ongoing oversupply concerns in the seaborne market.

The benchmark Newcastle thermal coal price fell to $76 per tonne in July 2013 from an average of $86 per tonne for H1 2013. Moody's has revised its full year Newcastle coal price estimate to approximately $80-85 per tonne for FY2013.

Indika will receive dividends of $36.8 million from Kideco in 2H 2013. The FY2013 dividends is unaffected by the recent market decline as they will be paid in respect of Kideco's FY2012 profits. However, estimated dividends for FY2014 will fall to approximately $50-$70 million, based on Moody's revised Newcastle coal price assumption.

Moody's had previously estimated that Indika would receive approximately $70-$100 million of dividends from Kideco in FY2014, based on an assumed Newcastle coal price of $90 per tonne for FY2013.

"We expect Indika's credit metrics to remain under pressure in FY2014, but its healthy liquidity position will continue to buffer the company against the poor operating environment," says Wong.

Moody's expects EBIT/interest to fall to 1.6-2.0x in 2014, below the downward threshold for Indika's ratings. Debt/EBITDA is expected to be at 3.5-4x, which is still within its rating parameters.

Indika had unrestricted cash on hand and time deposits of $460.3 million and $145.4 million respectively as at 30 June 2013, of which $230 million is earmarked for the early repayment of bonds in November 2013. Its debt maturity profile is well spread out, with the next major maturity in FY2018.

Indika is expected to further rationalize its capex plans in 2H 2013 and FY2014 to preserve its liquidity position. It wrote off $14.6 million of goodwill and intangible assets in 1H 2013 as it ceased exploration for its West Kalimantan project as it was deemed to be uneconomic in the current market.

Petrosea, Indika's 69.8% owned mining contractor arm, recorded $91 million of revenue in 2Q 2013, flat from the first quarter. Its overburden removal volumes is expected to face further pressure as existing customers lowered strip ratios to reduce mining costs and protect margins.

Petrosea's 50% coal mining subsidiary, Santan Batubara, showed a net loss in 1H 2013 with an average selling price of $74.4 per tonne and production cash cost of $80.6 per tonne.

PT Indika Energy Tbk 's ratings were assigned by evaluating factors that Moody's considers relevant to the credit profile of the issuer, such as the company's (i) business risk and competitive position compared with others within the industry; (ii) capital structure and financial risk; (iii) projected performance over the near to intermediate term; and (iv) management's track record and tolerance for risk. Moody's compared these attributes against other issuers both within and outside PT Indika Energy Tbk 's core industry and believes PT Indika Energy Tbk 's ratings are comparable to those of other issuers with similar credit risk.

PT Indika Energy Tbk is a listed integrated energy group based in Indonesia. Its principal investment is a 46%

stake in PT Kideco Jaya Agung, which is Indonesia's third-largest domestic coal producer by tonnage. In addition, Indika is involved in energy services businesses, primarily through its wholly owned subsidiary, Tripatra, and its 69.8% subsidiary, Petrosea Tbk. It is also engaged in energy infrastructure businesses, including coal transport and logistics services through its 51% stake in Mitrabahtera Segara Sejati (MBSS).

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