

# MOODY'S INVESTORS SERVICE

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

Global Credit Research - 01 Aug 2013

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 Mitrabahera Segara Sejati (MBSS).

Simon Wong  
VP - Sr Credit Officer/Manager  
Corporate Finance Group  
Moody's Investors Service Singapore Pte. Ltd.  
50 Raffles Place #23-06  
Singapore Land Tower  
Singapore 48623  
Singapore  
JOURNALISTS: (852) 3758 -1350  
SUBSCRIBERS: (65) 6398-8308

Philipp L. Lotter  
MD - Corporate Finance  
Corporate Finance Group  
JOURNALISTS: (852) 3758 -1350  
SUBSCRIBERS: (65) 6398-8308

Releasing Office:  
Moody's Investors Service Singapore Pte. Ltd.  
50 Raffles Place #23-06  
Singapore Land Tower  
Singapore 48623  
Singapore  
JOURNALISTS: (852) 3758 -1350  
SUBSCRIBERS: (65) 6398-8308



© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATION") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR**

**ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.