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29 March 2019

INDIKA ENERGY RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

Jakarta - **PT Indika Energy Tbk. (IDX: INDY)** reported its audited financial results for the year ended December 31, 2018. The results include the full year consolidation of Kideco's financials following the completed acquisition of an additional 45% stake in December 2017, increasing Indika Energy to majority shareholder (91%).

- **FY18 Revenues of US\$2,962.9 million increased 169.7% YoY** from US\$1,098.8 million reported in FY17. The strong year on year figures are attributed mainly to Kideco revenues of US\$1,802.2 million moving onto the income statement following the increased stake in December 2017. Additionally, Petrosea revenues also increased by 69.9% YoY to US\$441.4 million in full year 2018 from US\$259.9 million in the same period of 2017. .
- **Gross profit increased 421.7% year on year to US\$641.2 million** from US\$122.9 million reported in 2017 as result of inclusion of Kideco's gross profit for the full year in 2018 along with better performance at Petrosea. As Kideco operates at a higher margin than our ancillary businesses, the consolidation of Kideco's financials expanded our FY18 gross margin to 21.6% from 11.2% in the 2017.
- **Operating income jumped significantly 1,388.9% year on year to US\$508.1 million** from US\$34.1 million reported in full year 2017. Aside from the contribution from Kideco, which accounted for US\$448.6 million, Petrosea also contributed US\$50.3 million more than double from US\$21.9 million in 2017.
- **Equity in Net Profit of Associates and Jointly Venture Entities decreased by 84.8% to US\$20.6 million.** As Kideco was consolidated, it did not contribute to the associates and jointly controlled entities line item any longer whereas now the largest contributors are Cotrans, SBS, CEP and CEPR contributing US\$5.3 million, US\$4.9 million, US\$6.1 million and US\$4.8 million respectively.
- **Profit attributable to owners of the company decreased by 76.1% to US\$80.1 million from US\$335.4 million in 2017.** The company recorded gain on revaluation of US\$384.2 million in 2017 and the gain is associated with revaluation of existing 46% shares in Kideco.
- **Core Profit* of the company increased 78.2% to US\$168.4 million** from US\$94.5 million reported in the full year 2017.

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- The FY2018 Adjusted EBITDA totalled US\$652.5 million for the period ending December 31, 2018, compared to US\$291.9 million in the year ago period.**
- Cash, Cash Equivalent, Other Financial Assets, and Restricted Cash at year end 2018 stood at US\$763.1 million.**
- Capex realization spending during 2018 was US\$150.4 million.** Capex was primarily realized at Petrosea which accounted for US\$112.0 million in Capex realization with the majority toward new equipment purchases.

*) Core Profit is defined as Net Profit for the year Attributable to Owners of the Company excluding 1) increase in contingent liability related to Kideco Acquisition; 2) net amortisation of intangible assets related to the acquisition of MUTU and Kideco Acquisition; 3) impairment of assets, net of deferred tax (where relevant); and 4) one off extraordinary gain on revaluation of existing 46% shares in Kideco recognized in 2017

PT Indika Energy Tbk.

Descriptions (in USD mn)	4Q 2018					12M 2018		
	4Q18	4Q17	YoY	3Q18	QoQ	FY18	FY17	YoY
Total revenues	782.4	404.1	93.6%	733.2	6.7%	2,962.9	1,098.8	169.7%
Kideco	393.6	110.5	256.0%	469.9	-16.2%	1,802.2	110.5	1530.4%
Indika Resources	114.3	113.4	0.8%	81.8	39.7%	395.6	319.8	23.7%
Petrosea	139.6	79.0	76.7%	120.3	16.0%	441.4	259.9	69.9%
Tripatra	93.5	62.7	49.0%	71.2	31.2%	278.3	274.8	1.3%
MBSS	23.5	17.5	34.2%	19.5	20.4%	75.4	68.5	10.1%
Others	67.1	29.0	131.6%	3.5	1816.9%	102.3	79.8	28.1%
Elimination	(49.1)	(8.1)	506.2%	(33.0)	48.8%	(132.3)	(14.6)	809.0%
Cost of contracts and goods sold	(693.1)	(367.5)	88.6%	(559.1)	24.0%	(2,321.6)	(975.8)	137.9%
Gross profit	89.3	36.6	143.9%	174.2	-48.7%	641.2	122.9	421.7%
Selling, general and administrative expenses	(34.3)	(31.9)	7.5%	(33.3)	3.0%	(133.2)	(88.8)	50.0%
Operating profit	55.0	4.7	1067.2%	140.9	-60.9%	508.1	34.1	1388.9%
Equity in net profit of associates & joint venture entities	3.2	23.8	-86.7%	6.5	-51.4%	20.6	136.2	-84.8%
Investment income	6.7	5.3	26.4%	3.2	107.2%	13.7	9.0	52.4%
Finance cost	(25.2)	(28.7)	-12.0%	(25.4)	-0.5%	(100.0)	(76.9)	30.0%
Amortization of intangible assets	(33.9)	(12.7)	166.6%	(33.9)	0.0%	(135.7)	(18.0)	654.7%
Impairment of assets	(8.1)	(170.4)	N/A	(2.6)	N/A	(8.1)	170.4	-104.7%
Final tax	(3.4)	(2.8)	20.1%	(3.7)	-8.6%	(12.6)	(15.9)	-20.8%
Gain on revaluations	0.0	384.2	N/A	0.0	N/A	0.0	384.2	100.0%
Fair value changes on contingent consideration	(15.4)	0.0	-100.0%	0.0	N/A	(15.4)	0.0	N/A
Others- net	8.0	17.7	54.9%	(6.1)	-231.7%	(5.6)	17.8	-131.4%
Profit (Loss) Income before tax	(13.1)	221.1	-105.9%	84.2	-115.6%	265.1	300.1	-11.7%
Income tax expense	(19.2)	24.5	-178.5%	(40.5)	-52.6%	(167.2)	21.5	-877.1%
Profit (Loss) for the year/period :	(32.3)	245.6	-113.2%	43.7	-174.0%	97.9	321.6	-69.6%
Profit (Loss) attributable to owners of the company	(32.1)	254.1	-112.6%	35.9	-189.5%	80.1	335.4	-76.1%
Profit (Loss) attributable to non-controlling Interest	(0.2)	(8.5)	-97.7%	7.8	-102.5%	17.8	(13.8)	-229.1%
Core Profit of the Company	4.8	9.8	-51.0%	51.2	-90.7%	168.4	94.5	78.2%
Adjusted EBITDA	98.4	169.8	-42.0%	174.8	-43.7%	652.5	291.9	123.5%
LTM - Adjusted EBITDA*	652.5	291.9	123.5%	724.3	-9.9%	652.5	291.9	123.5%
EPS (USD/share)	0.0	0.0	-51.0%	0.010	-90.7%	0.032	0.018	78.2%
Gross margin	11.4%	9.1%	26.0%	23.8%	-51.9%	21.6%	11.2%	93.5%
Operating margin	7.0%	1.2%	502.8%	19.2%	-63.4%	17.1%	3.1%	452.2%
Net margin	-4.1%	62.9%	-106.5%	4.9%	-183.9%	2.7%	30.5%	-91.1%
Core profit margin	0.6%	2.4%	-74.7%	7.0%	-91.2%	5.7%	8.6%	-33.9%
Adjusted EBITDA Margin	12.6%	42.0%	-70.1%	23.8%	-47.2%	22.0%	26.6%	-17.1%
LTM - Adjusted EBITDA margin	22.0%	26.6%	-17.1%	28.0%	-21.4%	22.0%	26.6%	-17.1%

* Includes dividends from associates (last twelve months period ended 31 December 2018)

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In 2018, the consolidated revenues increased to US\$2,962.9 million, growing 169.7% YoY as a result of:

- a) **Kideco contributed revenues of US\$1,802.2 million on 34.1 MT of coal sold at an average selling price (ASP) of US\$52.9/ ton up from US\$51.9/ ton in 2017.** During 2018, Kideco's revenue was pressured by Domestic Market Obligation regulation introduced in March 2018 with price capped mechanism of US\$70 per ton for domestic sales. Kideco sold 9.9MT of coal or 29% of total production to the domestic market in 2018 of which 1.3MT was traded thru quota system to coal producers who need to fulfill DMO. In fourth quarter, we saw further decrease in pricing as China implemented an import quota as resulting in excess supply of lower calorific value coal in seaborne market. This drove prices index of low calorific value coal to decline to below US\$30 per ton in December 2018.
- b) **Indika Resources' revenues increased by 23.7% YoY to US\$395.6 million in 2018 from US\$319.9 million in 2017** due mainly to 1) revenue contribution from coal trading increased 3.0% YoY to US\$289.4 million in FY18 on 7.1 million MT coal traded increased from US\$280.4 million in FY17 on 6.8 MT coal traded; 2) revenue contribution from MUTU rose by 156.0% YoY to US\$106.3 million on 1.2 MT sales volume in FY18 vs US\$41.5 million on 0.5 MT sales volume in FY17.
- c) **Petrosea's revenues grew by 69.9% to US\$441.4 million in 2018 from US\$259.9 million in 2017** due mainly to higher revenue contribution from: 1) Contract mining revenue increased 54.6% YoY to US\$264.8 million in 2018 mainly from overburden removal which increased to 121.2 mbcm, from 83.8 mbcm in 2017. The increased in overburden removal was driven by additional volume from Kideco and Tabang mine. 2) E&C revenue increased 74.6% YoY to US\$122.6 million from US\$70.2 million in 2017 due to new E&C hauling roads contract. 3) Petrosea's port operation business reported an 98.5% revenue increase YoY to US\$32.2 million in 2018., 4) Petrosea reported a revenue of US\$19.3 million from KPI, following the internal restructuring in 2Q18.
- d) **Tripatra's revenues increased by 1.3% to US\$278.3 million compared to US\$274.8 million in FY17.** The slight improvement in revenue was contributed by 1) BP Berau revenues increased by 19.7% to US\$197.7 million in FY18 vs US\$165.1 million in FY17; 2) PLN Nias revenues of US\$16.7 million in FY18 vs US\$ 1.1 million FY17 as the project started in the second semester of 2017; 3) new Vopak project contributed US\$6.7 million to FY18 revenues (newly awarded contract of US\$38.9 million from PT Vopak Terminal Merak to build the expansion of a fuel storage tank facility). 4) ENI Muara Bakau project reported revenues of US\$16.3 million in FY18 vs US\$69.4 million in FY17. The lower revenue was a result of near completion project
- e) **MBSS's revenues increased by 10.1% YoY to US\$75.4 million** from US\$68.5 million in 2017 due to higher coal volume transported by barging (43.5% YoY to 22.1 MT in 2018 from 15.4 MT in 2017) and higher transhipment volumes (35.6% YoY to 11.8 MT in 2018 from 8.7 MT in 2017).

Cost of Contracts and Goods Sold increased by 137.9% YoY to US\$2,321.6 million in 2018 from US\$975.8 million in 2017 mainly due to full consolidation of Kideco's financials. Kideco's cash costs excluding royalties increased by 10.7% to US\$31.0/ton in 2018 from US\$28.0/ton YoY due to increases in the stripping ratio, fuel costs and contract mining rates.

Selling, General and Administrative expenses increased by 50.0% YoY to US\$133.2 million in 2018 from US\$88.8 million in 2017 due to the full consolidation of Kideco's financials. Kideco stand-alone contributed US\$43.7 million to SGA expenses in 2018.

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Equity in Net Profit of Associates & Jointly Venture Entities decreased 84.8% to US\$20.6 million in 2018 from US\$136.2 million in 2017 due mainly to exclusion of Kideco's profit which accounted for the majority of this prior to the acquisition. The following are the components of Equity in Net Profit of Associates & Jointly Controlled Entities:

- a) **SBS's (46% ownership by Indika) net income contribution to the Group increased by 43.1% to US\$4.9 million in 2018 from US\$3.4 million in 2017.** Overall, SBS reported net profit of US\$10.9 million which represents an increase from US\$7.6 million in 2017.
- b) **Cotrans' (45% ownership stake by Indika) net income contribution to Indika increased to US\$5.3 million in 2018 from US\$5.0 million (+6% YoY) in 2017.** Cotrans reported net profit of US\$11.5 million on revenue of US\$ 70.2 million.
- c) **CEP's net income contribution to Indika (20% ownership stake) decreased to US\$ 6.1 million profit in 2018 from US\$7.0 million in 2017.** CEP's overall net income decreased to US\$30.7 million in 2018 from US\$34.9 million in 2017 due to lower availability factor billed to PLN.
- d) **CEPR's net income contribution to Indika (6.25% ownership stake) increased to US\$ 4.8 million profit in 2018 from US\$1.8 million in 2017. Although** CEPR, 1,000 MW coal fired powerplant, is still under construction, it already recorded net profit due to recognition of revenues during the construction period in accordance to ISAK 16 accounting standard under Service Concession Agreement.

Finance Costs increased by 30.0% year on year to US\$100.0 million in 2018 from US\$76.9 million in 2017 primarily due to the additional interest expense on the Senior Notes of US\$575m due in 2024 issued in October 2017 to finance the acquisition of an additional 45% stake in Kideco.

The Company reported Profit Attributable to the Owners of the Company in the amount of US\$80.1 million in 2018, representing a 76.1% decrease from US\$335.4 million in 2017. The company recorded gain on revaluation of US\$384.2 million in 2017 and the gain is associated with revaluation of existing 46% shares in Kideco.

Core Profit in 2018 increased 78.2% to US\$168.4 million from US\$94.5 million reported in 2017. In our view, core profit is more reflective of the true business performance as it adjusts for one off and temporary accounting items.

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Descriptions (in USD mn)	FY18	FY17	YoY	9M18	Change 9M-FY18
Cash balance*	763.1	729.0	4.7%	785.4	-2.8%
Current assets	1,459.8	1,353.8	7.8%	1,436.1	1.7%
Total assets	3,670.0	3,635.7	0.9%	3,678.8	-0.2%
Current liabilities	670.4	659.5	1.7%	627.4	6.9%
Total Debt**	1,476.0	1,440.2	2.5%	1,433.6	3.0%
Shareholder equity	1,127.2	1,115.0	1.1%	1,196.5	-5.8%
Current ratio (X)	2.2	2.1	6.1%	2.3	-4.9%
Debt to equity (X)	1.3	1.3	2.3%	1.2	8.5%
Net debt to equity (X)***	0.6	0.6	-5.9%	0.5	10.8%

* includes restricted cash

** total debt with interest bearing

*** total debt minus total cash balance divided by shareholder equity

Kideco Financial and Operational Highlights

Descriptions (USD mn)	4Q18					FY18		
	4Q18	4Q17	YoY	3Q18	QoQ	FY18	FY17	YoY
Sales	393.6	400.1	-1.6%	469.9	-16.2%	1802.2	1633.0	10.4%
Gross profit	62.0	92.0	-32.7%	124.0	-50.0%	492.1	527.8	-6.8%
Operating profit	52.8	83.0	-36.3%	111.5	-52.6%	450.3	496.4	-9.3%
Net income	36.1	47.3	-23.7%	64.2	-43.9%	260.1	277.1	-6.1%
EBITDA	39.0	94.7	-58.8%	116.7	-66.6%	468.6	526.0	-10.9%
Gross margin	15.7%	23.0%	-31.5%	26.4%	-40.3%	27.3%	32.3%	-15.5%
Operating margin	13.4%	20.7%	-35.3%	23.7%	-43.4%	25.0%	30.4%	-17.8%
Net margin	9.2%	11.8%	-22.5%	13.7%	-33.0%	14.4%	17.0%	-14.9%
EBITDA margin	9.9%	23.7%	-58.1%	24.8%	-60.1%	26.0%	32.2%	-19.3%
Overburden (mn bcm)	55.3	51.3	7.7%	58.4	-5.4%	213.6	195.9	9.0%
Production volume (Mt)	8.6	7.9	9.0%	8.8	-2.2%	34.0	32.0	6.3%
Sales volume (Mt)	8.0	7.6	4.8%	8.8	-9.4%	34.1	31.5	8.3%
Stripping ratio (X)	6.4	6.5	-1.1%	6.6	-3.2%	6.3	6.1	2.6%
Cash Cost excl royalty (US\$/ton)	34.1	33.0	3.2%	31.9	7.0%	31.0	28.0	10.5%
Average selling price (US\$/ton)	49.2	52.5	-6.2%	53.3	-7.5%	52.9	51.9	1.9%

Recent Developments

- On December 5, 2018, PT Indika Energy Tbk declared an interim dividend of Rp. 283.6 billion (equivalent to ± US\$ 20 million), or Rp. 54.43 per share. This dividend is based on Indika Energy's 9M18 reported Net Profit of US\$112.2 million and Core Profit of US\$163.6 million. The dividend was distributed on December 28, 2018.
- On December 12, 2018, PT Indika Energy Tbk (IDX: INDY) through its subsidiary PT Indika Mineral Investindo made a strategic investment in Nusantara Resources Limited (ASX: NUS). The transaction has a total value of A\$7.68 million and will be completed in two tranches. For the first tranche, Indika Energy signed a Subscription Agreement with Nusantara to subscribe to 30.6 million

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shares of Nusantara at the price of A\$0.23 per share, with a transaction value of approximately A\$7.04 million. Post Completion of the placement, Indika Energy will become a 19.9% shareholder in Nusantara. In the second tranche, which is subject to Nusantara's shareholder approval, Indika Energy will subscribe to an additional 2.8 million shares (of the total of 14 million shares to be issued) at A\$0.23 per share (totaling A\$0.64 million) which will result in Indika Energy maintaining a 19.9% share in Nusantara. In addition, Indika Energy and the existing shareholders will be issued options on a 1 for 2 pro-rata basis to the share subscription. The options will be exercisable at A\$0.35 on or before November 30, 2020.

- On December 31, 2018, Indika Energy signed facility agreement with PT Bank Mandiri (Persero) Tbk, MUFG Bank, Ltd. and ICICI Bank Limited in the amount of US\$ 75 million to fund the construction of fuel storage project.

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ABOUT INDIKA ENERGY

PT Indika Energy Tbk. ("Indika Energy") is Indonesia's leading integrated energy company through its strategic investments in the areas of Energy Resources – coal production (PT Kideco Jaya Agung, PT Multi Tambangjaya Utama); gold production (Nusantara Resources Limited), coal trading (Indika Capital Investment Pte. Ltd.), Energy Services – EPC - oil & gas (PT Tripatra Engineers & Constructors, PT Tripatra Engineering); EPC – contract mining (PT Petrosea Tbk. (IDX: PTRO.)); information, communications and technology (PT Indika Digital Teknologi) and Energy Infrastructure – marine transportation, ports & logistics for bulk goods and natural resources (PT Mitrabahtera Segara Sejati Tbk. (IDX: MBSS), PT Sea Bridge Shipping, PT Cotrans Asia, PT Indika Logistic & Support Services, PT Kuala Pelabuhan Indonesia); fuel storage (PT Kariangau Gapura Terminal Energi); coalfired power plant (PT Cirebon Electric Power and PT Prasarana Energi Cirebon).

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