

## PT MITRABAHTERA SEGARA SEJATI TBK RESPONDING TO CHALLENGES

*The Company Records Revenues of US\$89.8 million and Operating Cash Flow of US\$30.1 million in 2015*

**Jakarta, March 31, 2016** – PT Mitrabahahtera Segara Sejati Tbk (MBSS) reported revenues of US\$89.8 million, gross profit of US\$15.1 million, EBITDA of US\$29.4 million and net loss for the year of US\$10.2 million in the audited financial statements for the period ended on December 31st, 2015. The complete financial statements for the period can be accessed on the company's website ([www.mbss.co.id](http://www.mbss.co.id)).

### Economy & Industry Review

Although MBSS' performance in 2015 was significantly affected by the challenging market condition, through prudent management and operations the company was still able to generate an operating cash flow of US\$30.1 million, leading to a sound balance sheet with solid cash reserves.

In 2015, Indonesia's economy grew by 4.8% compared to 5.0% in 2014, the slowest since 2009. This was in part due to depressed export commodity prices as Indonesia is highly reliant on the commodity sector. Conditions were even more challenging for the coal sector, which comprises the bulk of MBSS' clients. Coal prices fell further during the year, where the coal reference price known as HBA fell from US\$69.23 per ton at the end of 2014 to US\$53.31 at the end of 2015.

In term of production volume, national coal production volume declined by 17.9% to 376 million tons from last year's volume of 458 million tons, where export volume decreased by 23% to 382 million tons while domestic sales volume increased by 5.2% from 76 million tons to 80 million tons. These figures signify a shift in coal trade patterns that has been happening in the last three years and consequently, associated logistics transportation patterns from short distance/transshipment (representing export market) to more demanding long-haul inter-island voyages (representing domestic market). As a result, all players in the Indonesian coal industry, including MBSS, were impacted by these developments.

### Operational & Financial Review

Table 1. Summary of Operational Performance

Item	Unit	FY2015	FY2014	% Change
<b>Barging</b>				
Unit	sets	76	78	-2.6%
Volume	mn tons	22.2	31.1	-28.6%
<b>Floating Crane</b>				
Unit	units	6	7	-14.3%
Volume	mn tons	15.8	21.5	-26.5%
<b>Total Volume</b>	<b>mn tons</b>	<b>38.0</b>	<b>52.6</b>	<b>-27.8%</b>

Against this backdrop, MBSS recorded revenues of US\$89.8 million or a 33.6% decline from last year's revenues of US\$135.3 million. Barging segment contributed US\$57.4 million to revenues, or a 39.1% decline compared to previous year's revenue, while floating crane segment contributed US\$32.4 million to revenues or a 21.0% decline compared to previous year's revenue.

Table 2. Summary of Financial Performance

Item	Unit	FY2015	FY2014	% Change
Revenues	US\$ mn	89.8	135.3	-33.6%
Barging	US\$ mn	57.4	94.3	-39.1%
Floating Crane	US\$ mn	32.4	41.0	-21.0%
Direct Costs	US\$ mn	(74.6)	(91.9)	-18.7%
Gross Profit	US\$ mn	15.1	43.4	-65.2%
Operating Expenses	US\$ mn	(12.2)	(13.7)	-11.1%
Operating Income	US\$ mn	2.9	29.7	-90.2%

Other Income				
(Expenses)	US\$ mn	(13.1)	(8.1)	-61.7%
Income Before Tax	US\$ mn	(10.2)	21.6	-147.4%
Profit (Loss) for the				
Year	US\$ mn	(10.2)	21.6	-147.4%
EBITDA	US\$ mn	29.4	53.6	-44.9%

A major factor that contributed to the lower barging segment revenue is the lower availability of MBSS' vessels in 2015 as the company experienced its highest docking cycle in history, given the fact that most of its vessels were purchased between 2010-2012 and due to major 5-year docking cycle during the year. Market pressure on the logistic service prices also contributed to the segment's lower revenue. Weakening coal prices in 2015 compelled producers to reduce their cost structure and consolidate profit within their groups, leading to the coal producers negotiating logistics contracts with shorter terms, lower prices and without guaranteed volumes, as well as major producers allocated more volume to their affiliated parties. Another contributing factor is lower fuel prices in 2015 which led to lower fuel-adjusted freight rates as the contracts were made when the fuel prices were higher.

From above factors, high docking cycle contributed 18% to lower revenues, while market pressure and lower fuel-adjusted freight rates contributed 17% and 4%, respectively.

Meanwhile, for the floating crane segment, lower revenue is mainly influenced by lower coal demand from overseas market as indicated by 23% lower coal export in 2015 compared to 2014. This was exacerbated by increased supply of geared vessels that consequently offered lower price and buyers therefore prefer. Additionally, two of MBSS' floating cranes (FC Nicholas and FC Princesse Abby) entered into spot market in 2015 while another one (FC Princesse Rachel) only performed for nine months before it was acquired by client who exercised its purchase option on the floating crane. These factors combined led to 21% lower revenue in the floating crane segment.

Direct costs decreased by 18.7% to US\$74.6 million, driven mostly by lower fuel usage from 31.9 million liters in 2014 to 29.5 million liters in 2015 which in part due to lower cargo volume transported, and lower fuel price per liter from US\$1.0 in 2014 to US\$0.7 in 2015. Overall, decrease in fuel cost could not fully compensate lower revenue because as a variable cost that moves in line with revenue, it was countered by relatively stable depreciation cost, which is fixed in nature and therefore increased in term of proportion to total costs.

Operating expenses decreased by 11.1% to US\$12.2 million in 2015 due to company-wide cost reduction initiatives as well as staff reduction in Bengal onshore site. Finance cost also decreased by 15.4% to US\$4.2 million in 2015 due to lower outstanding loan balance in line with repayment schedule.

Several non-recurring items such as loss from release of FC Rachel and losses from asset impairments, totaling US\$11.6 million, eventually led to net loss for the period of US\$9.2 million. If we normalize these items however, the resulting profit for the year would be US\$1.4 million.

Table 3. Summary of Financial Position

Item	Unit	FY2015	FY2014	% Change
Total Assets	US\$ mn	307.8	351.6	-12.5%
Cash & Cash				
Equiv.	US\$ mn	41.7	48.1	-13.3%
Total Liabilities	US\$ mn	80.7	97.7	-17.4%
Total Bank Loans	US\$ mn	53.3	70.9	-24.9%
Total Equity	US\$ mn	227.1	253.9	-10.6%
Current Ratio	x	2.1	2.4	
DER	x	0.3	0.3	

Understanding the increased challenges faced in 2015, the management took a prudent and, measured approach to overcome them in all areas of the company's operations, off as well onshore. Cost saving initiatives are mostly notable in MBSS' ability to keep costs related to vessel maintenance managed, despite high number of vessel dockings following 5-year docking cycle during 2015. All of these efforts resulted in the company still

generated positive operating cash flow of US\$30.1 million or only decreased by 7.5% despite a 33.6% decrease in revenues and a strong ending cash position of US\$41.7 million, leading to a solid balance sheet.

### **Business Prospects**

With continuing uncertainty of coal prospects for 2016, MBSS anticipates continued pressure on the entire industry. However, domestic demand is expected to experience some growth mainly driven by coal demand from coal-fired power plants, in line with the Indonesian Government's plans to develop electricity infrastructure sector.

In line with these trends, MBSS expects intense competition to continue in 2016, as the demand for coal transportation is limited while on the supply side, market competition will be joined by geared Handymax and Panamax sized vessels. MBSS also recognizes the emergence of a hybrid type of projects where due to uncertainty of off-takers, clients enter into spot albeit repeated, deals with semi-dedicated fleet requirements.

Faced with the challenges ahead, MBSS is well positioned to overcome the challenges as MBSS has a solid competitive advantage over many competitors is its sizable vessels are able to carry out long-haul trips more efficiently, and its strong network and large fleet provide flexibility and should enable it to capitalize on spot charters well. MBSS' strong cash reserves should also enable it to last through the downturn and invest as needed in its capabilities. Finally, MBSS also has a strong track record of transporting non-coal bulk materials such as clinker and cement that could help in earning extra revenue going forward.

To cope with the continuing high docking cycle in 2016-2017, MBSS will continue to improve asset management which includes fleet management supported by asset economic cycle analysis with the aim to improve productivity, optimal asset utilization and in turn achieve optimal revenues and efficient cost structure. With regard to its customer base, the company is committed to servicing its existing and prospective clients in its core industry with service excellence MBSS is known for. Meanwhile, capitalizing on the rise of domestic demand in line with the development of electricity infrastructure and the shift in purchasing pattern, MBSS plans to develop the aforementioned hybrid type and spot charters by offering service solutions in close coordination with the clients.

Meanwhile, to respond to the market dynamics in the floating crane segment, MBSS will continue to pursue opportunities for its floating cranes by exploring opportunities to diversify regionally and by type of material handled.

To strengthen its human capital capabilities, MBSS has performed reorganization and initiated human capital development focusing on further improving competencies in spot charters and asset management. The company will also continue to provide required training and recruitment of qualified crewmembers with the experience and ability to handle demanding long towing voyages, in line with the ongoing shift in transportation pattern.

It should be noted that in the medium term, domestic coal demand is projected to grow at 6-7 % to meet requirements for power plants, whereas coal logistics service providers in general have stopped procuring assets in 2014 due to soft coal prices. Given that MBSS has the reserves to last through this downturn, it expects to emerge in a good position to compete.

\*\*\*\*\*

About PT Mitrabahtera Segara Sejati Tbk

[www.mbss.co.id](http://www.mbss.co.id)

PT Mitrabahtera Segara Sejati Tbk is an integrated service provider of sea logistics and transshipment focusing on natural resources and bulk materials with its strategic investments in PT Mitra Swire CTM, PT Mitra Alam Segara Sejati, Mitra Segara Sejati Pte. Ltd., PT Mitra Hartono Sejati and PT Mitra Jaya Offshore.

For further information, please contact:

Ika Bethari - Director of Finance and Corporate Planning

Office : +62 21 5794 4766

Email : [ika.bethari@mbss.co.id](mailto:ika.bethari@mbss.co.id)

Nikho Parulian - Head of Investor Relations

Office : +62 21 5794 4755

Email : [nikho.parulian@mbss.co.id](mailto:nikho.parulian@mbss.co.id)

Disclaimer:

All financial information, projections, plans, strategies and objectives of PT Mitrabahtera Segara Sejati Tbk contained in this news release, are statements that cannot be assumed as an estimate of the future statement as defined by applicable provisions.

PT Mitrabahtera Segara Sejati Tbk and/or its affiliates and/or other parties are not responsible for the accuracy and completeness of the forward declaration (if any) in this news release.