

MBSS records revenue growth in 2013

Setting strategies to face heavier challenges in 2014

PT Mitrabhastra Segara Sejati Tbk (MBSS), a provider of maritime logistic services for bulk materials, continued to perform well in its third year as a listed company, reporting revenues of US\$151.1 million and net profits of \$38.3 million, compared to 2012 revenue of \$141.4 million and net profits of \$36.5 million.

According to Rico Rustombi, MBSS' president director, although the average coal price in 2013 fell compared with 2012, coal production in Indonesia grew to 421 million tons, up by 9.1 percent from the previous year. In 2013, the volume of coal transported by MBSS stood at 38.4 million tons for barging and 20.9 million tons for floating cranes. MBSS' market share of the coal logistic industry is estimated at 14 to 16 percent.

Given that the coal mining industry has not yet recovered, the MBSS management faced considerable challenges in maintaining sustainable growth and providing clients with the best service. During 2013, according to Rico, the management undertook several strategic initiatives, such as performing scheduled fleet maintenance to ensure its fleet was always ready to support clients' logistical needs, carrying out fuel efficiency as one of its major operational costs, optimizing the use of the company's own vessels rather than renting from third parties, increasing the effectiveness of fleet insurance premiums and refinancing to reduce the amount of interest paid by the company. MBSS also actively provides its clients with integrated maritime logistic solutions, which is expected to increase the effectiveness and efficiency of clients' logistics.

One of the ways in which MBSS maintains the quality of its services is by equipping the entire fleet with GPS systems to help monitor vessel movements, ensuring that all client cargo arrives as scheduled. Another major aspect that MBSS prioritizes in its operations is Health, Safety and the Environment (HSE). For its commitment to HSE, MBSS was awarded Best Contractor for its HSE Management from KPC; a Zero Lost-Time Award from Berau Coal, and the Zero Accident Award from the Manpower and Transmigration Ministry.



Rico Rustombi,
MBSS' President Director

To maintain MBSS' performance in the future, the company aims to grow its client portfolio and diversify away from shipping bulk materials to materials such as bauxite, iron ore, pipes for the oil and gas industry and clinkers. In 2013, MBSS recorded significant growth from the diversification of bulk materials from \$500,000 in 2012 to \$1.7 million in 2013, an increase of 240 percent.

Continuous improvement

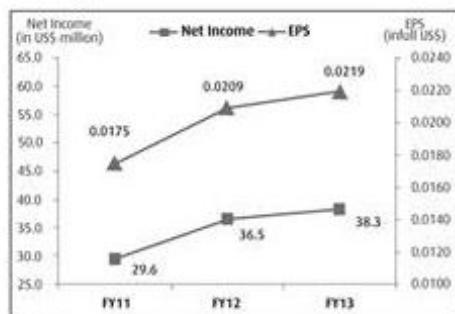
MBSS plans to increase its fleet capacity in 2014, for example by replacing 300 foot barges with capacity of 7,500 tons per trip to 365 ft barges with capacity of 12,000

tons per trip. "With an increased fleet capacity, it is expected that the amount of coal transported by the company will increase, with more economics of scale, both for clients and MBSS," said Ika Bethari, the company's finance and corporate planning director. Fleet conversions will take place in areas where the waters are deep enough to support the docking of larger vessels with bigger capacity.

MBSS is aware that the company will face even heavier challenges in 2014. The ongoing global economic recovery; slowing growth in China, which is the main market for Indonesian coal; high inflation and Indonesia's large current account deficit; the 2014 election; stagnant commodity prices, particularly coal at \$75 to \$80 per ton, as well as the renegotiation of contracts that will expire in 2014, are challenges that the MBSS management has to address to maintain performance. The management has already implemented a number of strategies to anticipate these challenges and reduce their impact on company growth. Rico further noted that hard work and continuous improvement was needed for MBSS to achieve its 2014 target of barging 42.5 million tons and transporting 24.4 million tons by floating crane.

Summary of operational performance	FY12	FY13	%Change
Barging			
Unit (Set)	74	75	1.4%
Volume(million tons)	29.3	38.4	31.1%
FloatingCranes			
Unit	7	7	0%
Volume(million tons)	17.5	20.9	19.4%

Summary of financial performance (in US\$ Million)	FY12	FY13	%Change
Revenue	141.4	151.1	6.8%
Barging	106.5	109.7	3.0%
Floating Cranes	34.9	41.4	18.6%
Direct Costs	85.0	90.4	6.4%
Net Income	36.5	38.3	4.9%



EPS: Earnings Per Share