

BUMI: Key Notes from Analyst Meeting

1Q11 Financial Results

Under the implementation of New GAAP, BUMI booked USD850.0mn of revenue in 1Q11, rose 17.3% YoY. However, net income trimmed by 17.9% YoY to reach USD112.0mn. It is already including the reversal of USD35.9mn gain incurred due to the cancellation of Gallo Oil disposal due to the recent political turmoil in Yemen. Under the New GAAP, BUMI made several adjustments on its financial statement including the treatment of consolidated revenue and expenses from JV agreement subsidiaries (KPC and Arutmin) and several adjustments on accounting treatment for BUMI's financial instruments.

	Previous GAAP		New GAAP	
	1Q10	1Q11	1Q10	1Q11
Revenue	1,017	1,229	703	850
COGS	672	756	469	532
Gross Profit	345	473	234	318
Opex	126	157	76	99
Operating Profit	219	316	158	219
Other Income (expense)	10	30	48	31
EBT	229	346	205	250
Tax Expense	(87)	(166)	(63)	(127)
Minority Interest	(45)	(68)	(10)	(11)
Net Profit	97	112	132	112

Source: Company

Reviewing the Operational Side

□ 1Q11 Operational Results

BUMI produced less coal in 1Q11, due to the lingering rainfall, in line with other coal peers. BUMI mined 14.2mn tons of coal in 1Q11, 5.7% YoY lower. However, the ASP increased significantly along with the surging global coal prices in 1Q11. ASP reached USD87.7/ton including the low rank EcoCoal, compared to USD62.9/ton in 1Q10. BUMI has signed a great deal with its Japanese buyer, which usually stood at around USD5.0/ton premium to Japanese Reference Price due to its geographical advantages. Therefore, management guides for USD90.0/ton of ASP in FY11.

Due to lingering rainfall, BUMI expects its coal production in 2Q11 to reach around 14.0mn-15.0mn tons, not so different compared to 1Q11. However, looking at its seasonality (45%-55% portion in 1H-2H), BUMI still optimistic the can fulfill its target of 66.0-68.0mn tons by the end of this year.

□ Reserve and Resource Revaluation

BUMI currently owns 2.8bn tons of coal reserve and 10.0bn tons of resource by Jan'11, the largest in our coal coverages. It is important to be noted that the reserve and resource calculation is using the USD74.0-75.0/ton of coal price assumption. Management plans to increase its long term coal price assumption, considering current coal prices, and expected to increase another reserve and resources.

□ On Track to Reach 100mn tons of Target

BUMI plans to reach 113mn tons of production by 2013, 71.2% higher than

2011 target of 66.0mn tons. The key infrastructure to bring BUMI to 113mn tons production would be the replication of the overland conveyor in KPC mine. BUMI expects the 32.0mn tons capacity conveyor to be finished by Mar'12 even though they were hoping to accelerate the accomplishment by the end of this year. The conveyor would bring KPC maximum capacity from 40.0mn tons to 70.0mn tons. Along with the conveyor, BUMI also prepares all the infrastructures needed across the coal supply chain, including the supporting facilities such as power plant. By 2013, BUMI expects its capacity already reached 120.0mn-130.0mn tons, exceeds its production target.

Vallar-BRMS Deal

BUMI is currently owns 87.0% stake in BRMS and expected to be 12.0% after the completion of Vallar-BRMS deal. As an exchange, BUMI will receive USD2.07bn of CB, which can be converted into Bumi Plc shares at ?15.8. It was a premium price compared to the share price right now, but it expected to increase once Bumi Plc listed on FTSE 100 (expected to be done in Oct'11). Even though there still uncertainty, BUMI actually has a flexibility to monetize its CB, including for the de-leveraging purpose, which we believe is what the market demanded.

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