Management Discussion & Analysis Third Quarter 2015
Toba Bara Sejahtra Tbk and Subsidiaries

September 2015

SUMMARY

Throughout the first three quarters in 2015, the global seaborne coal market remained under pressure from continued excess supply due to major producers' on-going output not being met by the predominantly lackluster Chinese import demands. Such weak import demands stemmed from China's weaker economic growth and tight import controls in an already oversupplied domestic market as well as its much improved access to renewable energy sources. Meanwhile, continued supply contributions from the major producers/exporters remain a major concern on the supply side. This oversupply continuously put downward pressure on the global coal prices such that the Newcastle (NEWC) Index price further fell by 8.0% from US$ 61.7/ton at the end of June 2015 to US$ 56.7/ton by the end of September 2015. Meanwhile on year-on-year (y-o-y) basis, the price corrected 16.1% from US$ 73.2/ton in 9M 2014 to US$ 61.4/ton in 9M 2015.

Given that the global coal prices are expected to remain subdued over the short-medium term until the market finds ground to rebalance, PT Toba Bara Sejahtra Tbk (the Company) is still well positioned in maintaining its costs structure for the year post a series of cost management initiatives conducted over the 2013 and 2014 periods. This enabled the Company to focus on profitable production output such that until end of September 2015, the Company continued on the positive momentum of its improved operational performance by producing 1.5 million tons per quarter and generating annual EBITDA/ton of around US$ 7-8/ton. Moreover, such figures were in line with the Company's 2015 annual production guidance of 6-8 million tons.

Having three concessions that are located adjacent to each other, the Company still has the ability to continually maximize cost management initiatives through a combination of joint mine plan execution and infrastructure sharing over the upcoming years. Considering the much lower NEWC Index price in 9M15 compared to 9M14, in 9M15, the Company managed to produce and sell 4.5 million tons and 4.8 million tons respectively, which were consistent with the Company's 2015 annual guidance. Given the three quarters' production and sales volume results, the Company is expected to maintain its quarterly production and sales volume run rates for the year to be in line with the Company's 2015 annual guidance.

Despite a 16.1% y-o-y correction in the NEWC Index price in 9M15, the Company was able to register an increase in its gross profit margin and EBITDA margin. In 9M15, the Company booked revenue of US$ 268.6 million, down 31.1% from 9M14 revenue, due to 21.3% y-o-y decline in sales volume and 12.8% y-o-y reduction in ASP. FOB (Free on Board) cash cost also fell by 15.1% from US$ 51.5/ton in 9M14 to US$ 43.7/ton in 9M15 as a result of continuous efficiency measures. While y-o-y operating profit dropped from US$ 47.8 million in 9M14 to US$ 32.9 million in 9M15, the Company's operating margin of 12.2% in 9M15 only presented a slight 0.1% difference compared to 9M14 operating margin of 12.3%. The main reason for this was due to operational improvements and cost management disciplines. These achievements were in line with the Company's expectation. Furthermore, while the Company anticipated lower gross profit and EBITDA due to declines in y-o-y production and sales volumes, the Company was able to achieve a sizeable y-o-y increase in gross profit margin from 17.1% to 19.2% and in EBITDA margin from 14.8% to 15.6%.

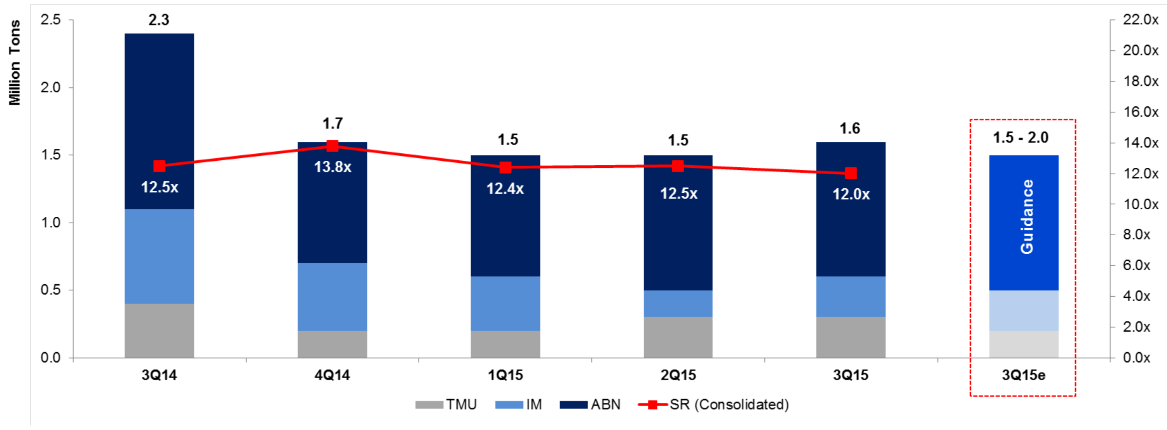
The Company has maintained solid financial position as shown by cash and cash equivalents increase of 2.9% to US$ 49.2 million in 9M15. Total assets decreased by 7.7% from US$ 300.6 million as at 31st December 2014 to US$ 277.6 million as at 30th September 2015, while total liabilities dropped much more by 20.0% from US$ 158.3 million to US$ 126.7 million over the same period. By the end of September 2015, the Company increased its equity value to US$ 150.9 million (excluding US$ 14.4 million of declared dividend) from US$ 142.4 million at 31st December 2014 due to accumulated profit for the period.

Special Note: *The following discussion on the Company's performance is based on the Consolidated Financial Statements as per 30th September 2015 (unaudited), which mainly focuses on the operational and financial performances of all three of its coal mining subsidiaries: PT Adimitra Baratama Nusantara (ABN), PT Indomining (IM), dan PT Trisensa Mineral Utama (TMU).*

PRODUCTION & OPERATION

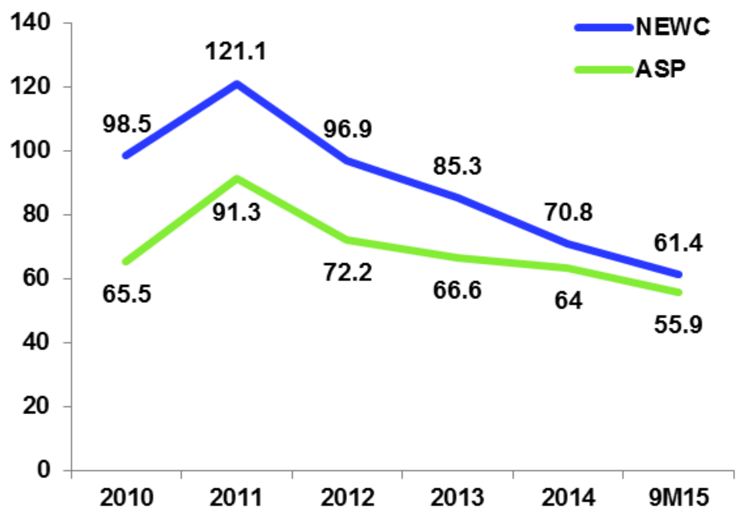
In 3Q15, the Company's production volume of 1.6 million tons came in line with its 2015 quarterly guidance of between 1.5 – 2.0 million tons. Such production volume resulted from operations of all three operating subsidiaries with the following respective contributions: ~1.0 million tons from ABN, ~0.3 million tons from IM, and ~0.3 million tons from TMU. To date, ABN remained as the main contributor to the Company's total production volume, while all three subsidiaries achieved their respective quarterly production volume targets consecutively over the last three quarters.

Production (million tons) and SR (x)



Y-o-y stripping ratio (SR) declined by 6.8% to 12.3x in 9M15 from 13.2x in 9M14, reflecting the Company's continued efforts in improving its operational performance amidst the low coal price environment. This was in line with achieving the Company's 2015 annual SR target of 11x – 12x. ABN lowered its SR from 13.8x in 9M14 to 13.1x in 9M15, IM from 13.2x to 12.2x, and TMU from 12.7x to 9.3x over the same period. With the strategy to continually lower overall costs towards maintaining certain profitability margin, the Company managed to reduce its SR and to sustain stable overburden dump (OB) distance, which, including fuel cost, typically account for 65%-70% of FOB cash cost.

NEWC Index Price vs ASP (US$/ton)



The Company's ASP only contracted by 12.8% y-o-y from US$ 64.1/ton in 9M14 to US$ 55.9/ton in 9M15, which compared favorably with NEWC Index price that fell 16.1% y-o-y over the same period. The ASP outperformance over the NEWC Index price has so far materialized for two consecutive years in 2013 and 2014. The Company capitalized on the market momentum during the latter parts of 2013 and 2014 by selling forward to its quality buyers the majority portion of its sales volume predominantly based on fixed pricing. As of 9M15, the Company has secured contracts accounting for more than 90% of its 2015 sales volume target at fixed price. This marketing initiative has enabled the Company to maximize its pricing strategy given the adverse coal market condition.

Financial and Operational Highlights							
All figures are in million US$ unless otherwise stated		**2Q15**	**3Q15**	***Changes***	**9M14**	**9M15**	***Changes***
Operation							
Sales Volume	mn ton	1.4	1.5	*7.1%*	6.1	4.8	*(21.3)%*
Production Volume	mn ton	1.5	1.6	*6.7%*	6.4	4.5	*(29.7)%*
Stripping Ratio (SR)	x	12.5	12.0	*(4.0)%*	13.2	12.3	*(6.8)%*
FOB Cash Cost(1)	US$/ton	42.5	41.2	*(3.1)%*	51.5	43.7	*(15.1)%*
NEWC Index Price	US$/ton	59.6	59.0	*(1.0)%*	73.2	61.4	*(16.1)%*
Average Selling Price (ASP)	US$/ton	55.3	53.1	*(4.0)%*	64.1	55.9	*(12.8)%*
Financial Performance							
Profit (Loss)		**2Q15**	**3Q15**	***Changes***	**9M14**	**9M15**	***Changes***
Sales	US$ mn	79.1	77.8	*(1.6)%*	389.7	268.6	*(31.1)%*
Cost of Goods Sold	US$ mn	63.3	62.3	*(1.6)%*	323.3	217.0	*(32.9)%*
Gross Profit	US$ mn	15.8	15.5	*(1.9)%*	66.5	51.5	*(22.6)%*
Operating Profit	US$ mn	7.9	9.1	*15.2%*	47.8	32.9	*(31.2)%*
EBITDA(2)	US$ mn	12.1	12.2	*0.8%*	57.8	42.0	*(27.3)%*
Profit for the Period	US$ mn	4.8	5.0	*4.2%*	30.9	20.3	*(34.3)%*
EBITDA/ton	US$/ton	8.4	8.3	*(1.2)%*	9.5	8.8	*(7.4)%*
Capex	US$ mn	2.7	4.3	*59.3%*	11.9	9.3	*(21.8)%*
Balance Sheet		**2Q15**	**3Q15**	***Changes***	**Dec '14**	**9M15**	***Changes***
Interest Bearing Debt	US$ mn	57.6	62.5	*8.5%*	58.1	62.5	*7.6%*
Cash and Cash Equivalents	US$ mn	48.7	49.2	*1.0%*	47.8	49.2	*2.9%*
Net Debt(3)	US$ mn	8.9	13.3	*49.4%*	10.3	13.3	*29.1%*
Total Assets	US$ mn	281.8	277.6	*(1.5)%*	300.6	277.6	*(7.7)%*
Total Liabilities	US$ mn	135.9	126.7	*(6.8)%*	158.3	126.7	*(20.0)%*
Total Equity	US$ mn	145.9	150.9	*3.4%*	142.4	150.9	*6.0%*
Financial Ratios							
Gross Profit Margin	%	20.0%	19.8%		17.1%	19.2%	
EBITDA Margin	%	15.3%	15.7%		14.8%	15.6%	
Operating Profit Margin	%	10.0%	11.7%		12.3%	12.2%	

Notes:
(1)FOB Cash Cost = COGS including royalty and selling expense – depreciation and amortization
(2)EBITDA = Gross profit – selling expenses – G&A + depreciation and amortization
(3)Net Debt = Interest bearing debt – cash and cash equivalents

PROFIT (LOSS)

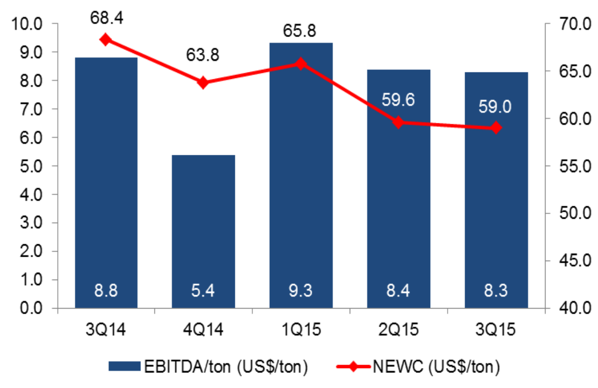
SALES
The 16.1% weaker y-o-y NEWC Index price only impacted the Company's overall ASP by 12.8% from US$ 64.1/ton in 9M14 to US$ 55.9/ton in 9M15. Nevertheless, weaker global coal prices combined with y-o-y lower sales volume of 21.3% exacerbated the impact to the Company's sales by 31.1% from US$ 389.7 million in 9M14 to US$ 268.6 million in 9M15.

COST OF GOODS SOLD
A 32.9% decrease in cost of goods sold from US$ 323.3 million in 9M14 to US$ 217.0 million in 9M15 stemmed from a reduction in FOB cash cost, slipping by a significant 15.1% y-o-y from US$ 51.5/ton to US$ 43.7/ton in 9M15. This resulted from cost management initiatives, better execution of mine plan, and lower fuel costs.

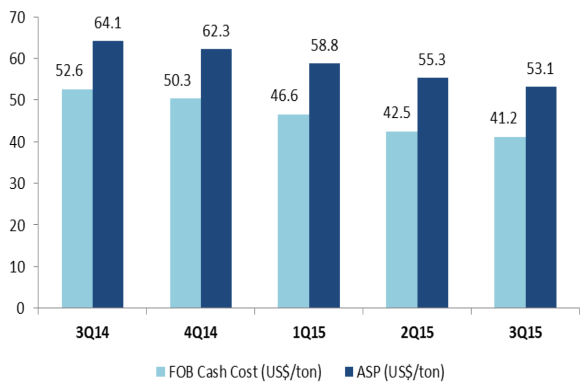
EBITDA
Meanwhile, EBITDA/ton stabilized at US$ 8.8/ton in 9M15 as a result of predominantly stable sales volume, better mine plan execution, and lower mining cost.

The first graph below depicts the EBITDA/ton evolution on q-o-q basis from US$ 8.8/ton in 3Q14 to US$ 8.3/ton in 3Q15 and the NEWC Index price from US$ 68.4/ton to US$ 59.0/ton over the same period. From 3Q14 to 3Q15, the Company successfully maintained solid EBITDA/ton and stable cash margin during continued weaker coal price environment.

Quarterly EBITDA/ton vs NEWC Index
3Q14 – 3Q15



ASP vs FOB Cash Cost
3Q14 – 3Q15



PROFIT FOR THE PERIOD
The Company booked total profit for the period (before minority interest) of US$ 20.3 million in 9M15.

FINANCIAL RATIOS
The Company anticipated lower profits and EBITDA due to lowered production and sales volumes and decreased NEWC Index price. However, due to the Company's resilience in operational performance, discipline in implementing cost management initiatives, and successful marketing strategies, the Company was able to achieve a y-o-y gross profit margin increase from 17.1% to 19.2%, EBITDA margin improvement from 14.8% to 15.6%, and only a marginal 0.1% decrease in operating margin.

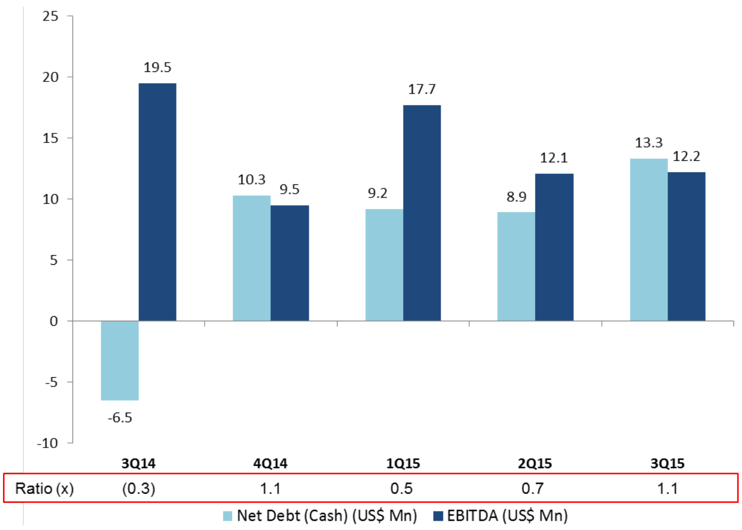
BALANCE SHEET

ASSETS
Total assets as at 30th September 2015 stood at US$ 277.6 million, a reduction of 7.7% from US$ 300.6 million as per 31st December 2014.

LIABILITIES

Total liabilities as at 30th September 2015 fell by 20.0% to US$ 126.7 million from US$ 158.3 million as per end-December 2014 and interest bearing debt increased by 7.6% to US$ 62.5 million from US$ 58.1 million over the same period. Meanwhile, leverage metrics, such as Net Debt to EBITDA ratio, have constantly recorded stability from quarter to quarter at way below 2x.

Net Debt to EBITDA



EQUITY

Total equity value at the end of September 2015 increased by 6.0% to US$ 150.9 million (excluding US$ 14.4 million of declared dividend) from US$ 142.4 million as of 31st December 2014, which was attributable to additional profit for the period.

CAPITAL EXPENDITURE (CAPEX)

Until 30th September 2015, the Company had realized total CAPEX of around US$ 9.3 million, which was mainly allocated for land compensation, operational facilities and equipment, and palm oil mill in progress.

CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash from operating activities in 9M15 stood at US$ 16.2 million, a reduction from US$ 23.1 million in 9M14. This 29.9% reduction was mainly caused by lower NEWC Index price and sales volume, combined with the absence of receipt of claimed tax refund for this period.

CASH FLOWS FROM INVESTING ACTIVITIES

Due to the Company's active investment activities in exploration, development, and fixed assets throughout 2013 and 2014, such capital cost requirements have subsided since. This was depicted by a 22.9% y-o-y decrease in the net cash used in investing activities from US$ (9.6) million in 9M14 to US$ (7.4) million in 9M15.

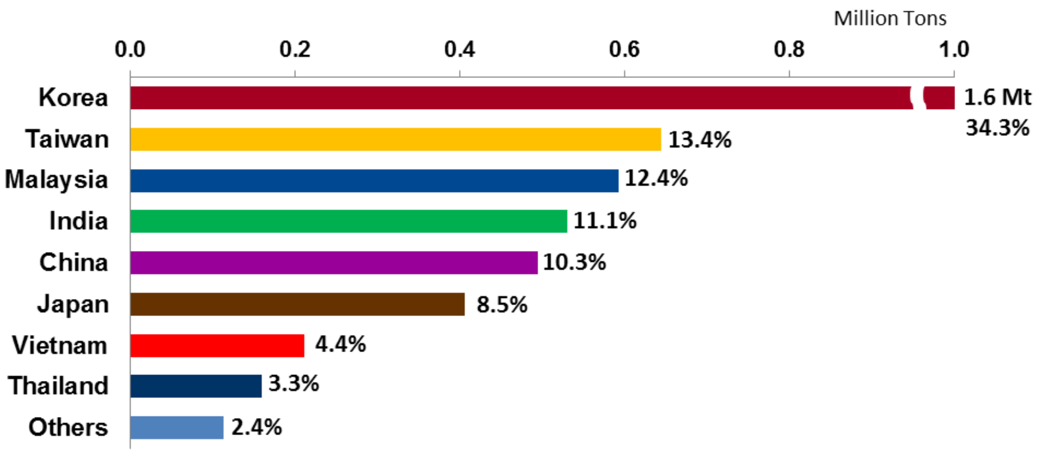
CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities in 9M15 stood at US$ (6.6) million stemming mainly from dividend payments to shareholders and minority shareholders of subsidiaries.

MARKETING

During 9M15, the Company sold its coal mainly to Asian countries, such as Korea, Taiwan, Malaysia, and India underscoring its ability to swiftly and continually diversify away from any concentration risk of dealing with a single major country. Some of the large reputable international traders and end-users such as power generation companies make up the Company's main customers. In 2014, the Company successfully surpassed its 2013 marketing milestone by growing a more diversified and higher quality customer base through expanding export market coverage and maximizing its pricing strategy. Its marketing team entered the Japanese market by tapping into high quality end-customers. To date, the Company has secured more than 90% of its 2015 total sales volume target.

Sales Destinations by Country 9M15
Total Sales Volume: 4.8 Mt



2015 STRATEGY

Given the continued adverse and more complex market forces at play as mentioned in the Summary section, the Company is expected to focus its resources and efforts on maintaining business sustainability and resilience for the rest of the year. For the past few years, the Company has been continuously improving cost efficiencies by running executable mine plans that meet the combined objective of achieving profitable targets and preserving long term reserves. In line with this objective, the Company focuses on its continuous combined strategy of improving operational, cost management, marketing, and CAPEX capability.

- **Operational Improvement**
  The Company targets 2015 production volume of 6 - 8 million tons, while stabilizing SR at 11x – 12x level. As it is the Company's core objective to maintain its current mine plan, while still able to preserve long-term reserve , its 2015 mine plan remains as intact as that of 2014 without having to resort to any high-grading activities.

- **Cost Management Discipline**
  As has been reflected in the y-o-y FOB cash cost savings of 15.1%, the Company continues to benefit from its cost management initiatives through combination of internal and external factors such as achieving more favorable contractor rates, reduced barging and handling costs, as well as lower than expected fuel costs.

- **Marketing Strategy**
  The Company plans to continue with its on-going combined strategy of building a well-diversified customer base (increasing more sales exposure to end user customers), securing good quality sales backed by quality buyers, engaging in favorable terms of payment, and improving quality control on product delivery.
- **Capital Expenditure**

After completing its 2013 program of undergoing infrastructure capacity upgrade from the then 13 million tpa (tons per annum) to become 16 million tpa, the Company plans to allocate CAPEX of US$ 10-14 million for 2015 to support its on-going sustainability strategy. The planned CAPEX is expected to support operational facilities and equipment (conveyor and heavy equipment) and partially, for land compensation. Hence, to date, the Company has realized total CAPEX of around US$ 9.3 million. With regard to the Company's ownership in PT Perkebunan Kaltim Utama I (PKU), a wholly-owned palm oil plantation subsidiary, construction of palm oil mill with capacity of 30 fresh fruit bunch (FFB) tons/hour has been underway since early this year and is expected to be completed by year-end. While construction CAPEX of around US$ 4.3 million has been realized up to 30 September 2015, the mill is due to commence operation by early 2016.

Moreover, as an effort to maximize our existing assets and ensure sustainable growth through more stable revenue stream, the Company plans to diversify and develop its core business by exploring various midstream to downstream opportunities, especially in developing coal-fired power plants over the medium term.

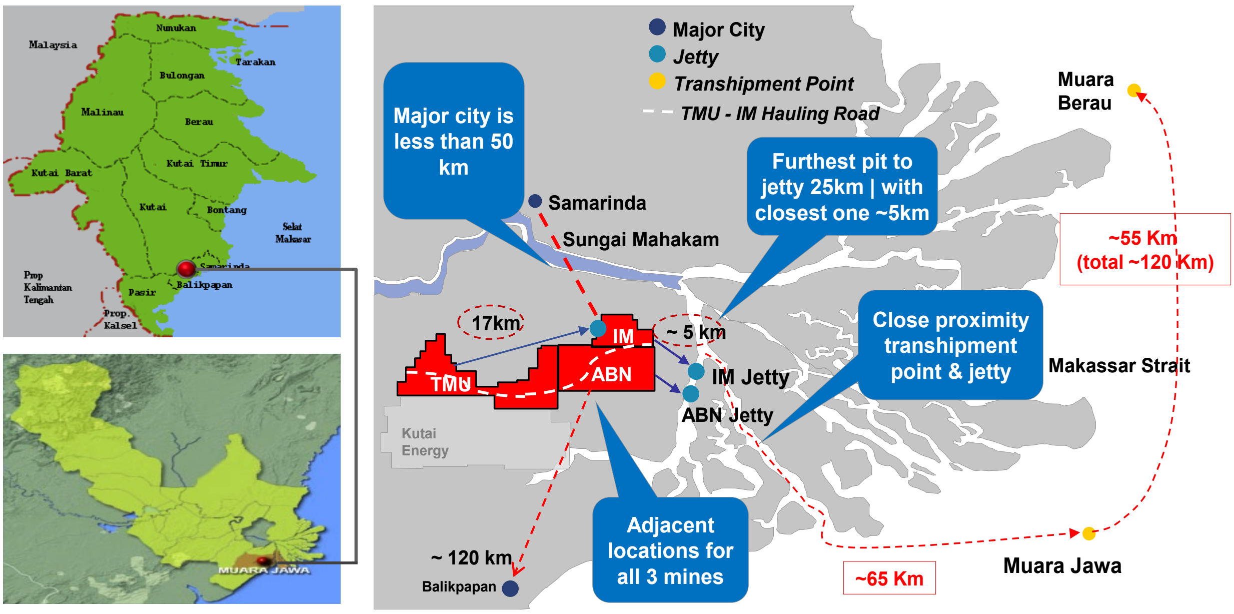
SNAPSHOT OF PT TOBA BARA SEJAHTRA TBK

PT Toba Bara Sejahtra Tbk ("The Company") is one of the major competitive producers of thermal coal in Indonesia. The Company has grown into a major coal producer operating 3 (three) coal mine concessions in East Kalimantan. These adjacent coal mining concessions, which are held through various operating companies, all enjoy highly favorable mine locations, with close proximity to local river ports. The Company's concession areas total approximately 7,087 hectares.

The Company currently has four operating subsidiaries, three in coal mining namely PT Adimitra Baratama Nusantara (ABN), PT Indomining (IM), PT Trisensa Mineral Utama (TMU) and one in palm oil namely PT Perkebunan Kaltim Utama I (PKU). The Company's ownerships in ABN, IM, TMU and PKU are 51.00%, 99.99%, 99.99% and 90.00% respectively.

On 6th July, 2012, the Company listed its shares at the Indonesia Stock Exchange (IDX) under the ticker 'TOBA' and released as many as 210,681,000 shares or 10.5% of its paid up capital with an IPO proceed of IDR 400.3 billion.

Locations of Toba Bara's Concessions



ABN is located in Sanga-Sanga, Kutai Kartanegara, East Kalimantan and is operated under the IUPOP permit. It started operations in September 2008. ABN covers an area reaching 2,990 hectares and has estimated coal resources of around 156 million tons.

IM is located in Sanga-Sanga, Kutai Kartanegara, East Kalimantan and is operated under the IUPOP permit. It started operations in August 2007. IM covers 683 hectares of land and has estimated coal resources of 37 million tons.

Meanwhile, TMU is located in Loa Janan, Muara Jawa and Sanga-Sanga, Kutai Kartanegara, East Kalimantan. With IUPOP permit, TMU started operations in October 2011. TMU covers 3,414 hectares of land and has estimated coal resources of 43 million tons. Altogether, the total coal resources of the Company are estimated at 236 million tons.

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