Management Discussion and Analysis

2010 Macroeconomic Review

The global economy finally gained its footing in 2010. Despite several insurgencies in Europe and the Middle East that emerged throughout the last 18 months, majority of economies have essentially reached rock bottom and are currently in the early stages of recovery.

In the case of Indonesia, the whole affairs had confirmed the country's stance as the Asian economic miracle reborn, but one defined by growth, stability, and prosperity, following its jubilant journey across the global economic turmoil. The country's GDP increased by 6.1% in 2010 and GDP per capita finally surpassed the critical US$ 3000 threshold (Central Bureau of Statistics data). The entire sectors of the economy, from agriculture, mining, and forestry, to construction, financial, and services, posted positive growth.

2010 Industry Overview

The enactment of Law Nr. 17 of 2008, Government Regulation Nr. 44 of 2005, and Presidential Instruction Nr. 5 of 2005 on cabotage principle, which established that all domestic shipments of oil, coal, gas and other bulk commodities are to be carried by Indonesian-flagged vessels only starting January 1, 2010; and only locally registered vessels to transport domestic passengers and cargo (including FSO and FPSO) from January 1, 2011, increased the opportunities for Indonesian shipping companies to contribute in providing sea transportation services in Indonesian water.

More importantly, the new law would make the shipping industry more attractive to investors and creditors by increasing the cargo volume for national freighters and providing a stronger basis for shipping companies to use their ships as collaterals for bank loans (traditionally, national shipping companies have no funds for expanding their fleet capacity because banks consider shipping services high-risk, low-yield business).

Other force accelerating the growth of the industry is the increasingly bigger demand for inter-island shipments of coal, oil products, palm oil and other commodities. Coal shipments alone are projected to rise significantly in less than a decade, driven by the demand for coal by new coal-fired power plants in Java that require supplies from Kalimantan and Sumatra.

The law also ended the monopoly and the regulatory function of the four state-owned port management companies in port operations, by allowing private national and foreign investors to build and manage seaports. This competition is expected to force the state port management companies to improve poor and inefficient port handling services, which have become one of the main causes of inefficient logistics in Indonesia; thereby decreasing port-handling costs which are among the highest in ASEAN countries.

Trada Maritime in 2010: Sharpening Competitive Edges

With regard to PT Trada Maritime Tbk. (Trada Maritime/ the Company), the optimism was as high as ever: Our revenues increased by …% to Rp … from Rp 317.11 million in 2009, leading to a …% growth in net income to Rp … from Rp … in 2009. Not less importantly, we remained the undisputed leader in FSO business, commanding a market share of …%.

While these figures corroborate our optimism, we remain incessantly focused on our grand objective: Expanding our coverage by capitalizing on the opportunities in the international market, mainly in dry-bulk cargo transportation sector. In this regard, Trada Maritime concluded a number of key projects in support of our expansion, devoting not less than Rp … million to capital and development expenditures and nearly Rp … million to investments in new vessels.

One key progress was the induction of FSO Lentera Bangsa into our fleet, in relation to the 7.5-year contract won in 2009 from CNOOC, and acquisition of MT Concertina to support our liquid cargo-transportation contract with Pertamina. We also signed an agreement with Kumiai Senpaku on the purchase of MV Mercury K, getting ready to fulfill the demand for coal, grain, and iron ore transportation in Southeast Asian waters, Pacific Ocean, and Atlantic Ocean.

More importantly, in order to support our expansion, Trada Maritime secured US$ 35 million of new financing from International Finance Corporation (IFC) and US$ 15 million from Bank of Tokyo Mitsubishi. Not only that the capital would facilitate our expansion, it would also corroborate Trada Maritime's financial vigor and solid management; in turn facilitating the Company in securing new financing from domestic and overseas lenders in the near future.

Business Highlights 2010

- Continued focusing on the existing lines of business:
    - FSO : Focused on Lentera Bangsa conversion and renewed expiring charters.
    - Liquid Cargo : Acquired 1 additional tankers and respective contract.
    - Dry Bulk : Maintained existing fleet.
- Incurred USD 95 million in capital expenditure.
- Secured new financing of USD 62.5 million.
- Reduced debt by USD 13.3 million.
- Owned and managed 37 vessels, only 1 tanker is idle.
- Partnered with national and multinational major energy companies, including Pertamina, Medco Energi, Berau Coal, BP, and CNOOC.