

ANALYST BRIEFING

2Q22

PERFORMANCE RESULT

18 August 2022



OUR WAY IN ENERGY

www.itmg.co.id



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Transporting coal through hauling road

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Strong financial performance

Upbeat Bottom Line




Strong coal price has brought a solid positive impacts to ITM financial performance. 2Q22 net profit recorded at **\$247M** (+16% qoq or 228% yoy), with 1H22 at **\$461M**, almost reaching FY21 amount of \$475M.

Positive ASP continues




ITM's 2Q22 ASP increased to **\$202/ton** (+35% qoq or 152% yoy) as coal price remain strong and geopolitical conflict has affected energy commodities.

Strong cash flow generation and cash position



2Q22 EBITDA recorded at **\$389M** (+20% qoq or 170% yoy) while solid balance sheet is maintained with cash balance at **\$808M**.


Increasing production amidst rainfalls



2Q22 production level achieved slightly above targeted number at **3.9Mt** despite some higher-than-expected rain in several mine sites.


Committed as a good and responsible miner

Handing over 5,632Ha rehabilitated watershed throughout 1H22



ITM continues its effort in handing over the watershed rehabilitation with cumulative total of **20,056Ha**, proving the commitment toward sustainability.


Taking part in the development of “Nusantara”



ITM becomes government's partner in developing new capital city “Nusantara”, especially for **Mentawir Seed Nursery**, which will be in operational by 2023.


Moving towards greener, smarter transformation

On track progress of Bunyut solar PV plant



The construction of Bunyut PV solar power plant is on track to be finished within 2H22 (more than half has been finished during 1H22 or 55% of actual progress).

Additional solar rooftop contract in 2Q22



CPI has been established in 1Q22 to enter solar rooftop business. It has signed additional solar rooftop PPA in 2Q22, bringing total capacity to 7.27MWp.

Our solar renewable venture: greener, smarter energy provider

Bunut Solar PV power plant

- The project consists of 2MW Solar PV plant with 1MWh Battery Energy Storage System (BESS) with estimated CAPEX of \$3.4 million.
- The electricity generated from the Solar PV power plant will be used to support the operation at Bunyut port.
- The project is expected to be completed by 2H22.
- As of end of June 2022, the installation of Solar panel, mounting structure and inverters are already finished. Actual progress is 55% (ahead of the planned number).

CPI - Our solar rooftop business

- During early 2022, PT ITM Bhinneka Power (IBP), a subsidiary of ITM, established a new company named PT Cahaya Power Indonesia (CPI).
- CPI aims to develop solar rooftop business which focused on building and owned networking industry plants.
- CPI signed additional solar rooftop PPA of 1.39 MWp in 2Q22; bringing total agreement secured capacity to 7.27 MWp.
- Further exploration opportunity with potential customers for solar rooftop installation is continuing.

Bunut Solar PV power plant pictures

Topography survey



Material unloading



Mounting part installation



Solar panel installation



Bird's eye view



Inverters control panel



Our strong corporate responsibility allow us to take part in the development of capital city “Nusantara”

Background

- The Government plan to build 30 seed nursery center by 2024 to support Nusantara.
- ITM is offered to build the Mentawir nursery as it has shown many synergies:
 - Set a good example from Tandung Mayang concession mine closure with a final evaluation score 95 out of 100. The mine closure result has been appreciated and well-commended by related stakeholders, including the Government.
 - Operation areas are mostly in East Kalimantan area.
 - Appointed among 5 companies to develop super priority destination area at Menoreh (Yogyakarta International Airport - Borobudur temple).
 - No non-compliance issue, checked by law enforcement directorate of Ministry of Environment and Forestry
- This collaboration has once again exemplified ITM strong commitment to sustainability and how ITM is going to actively participate in the national development.

About Mentawir Nursery

- Located 30 km from the center of Capital City Nusantara, East Kalimantan, which is strategically adjacent to ITM existing operations.
- 3 parties involved, which are Ministry of Environment and Forestry, Ministry of Public Works and Public Housing, and ITM from Private Sector.
- Total area covers ~33 Ha with production capacity of 15 million seeds/year.
- This covers lake pond, seed nursery, germination house, office, accommodation house, open area, and transit area.
- Mentawir will be developed as multiculture nursery that is mainly focus on Kalimantan’s endemic plant.



Indonesian President, Pak Jokowi, during inauguration of Mentawir nursery.



The ceremony of laying the first stone with Ibu Siti Nurbaya Bakar, Minister of Environment and Forestry.



Pak Jokowi visited Mentawir Nursery on 22 June 2022 to check the progress of Mentawir nursery.

Real actions to ascertain our intention to be a responsible miner



ITM persists in its commitment to complying with regulations, norms, and customs.

Leading initiatives include **watershed rehabilitation** which we conducted in all sites with cumulative total of 20,056Ha.



ITM improves its contribution to conserve and enhance the state of the environment.

Leading initiatives include **clean water program** in Indominco site, which obtained **Silver Award** in CSR&SRD Award.

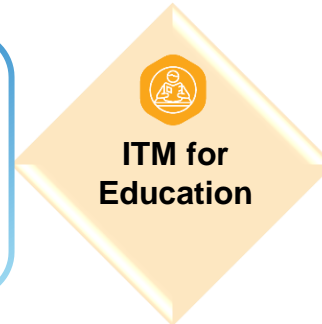
Awards in 2Q22



Received a total of 7 Awards in CSR and Sustainable Rural Development (SRD) award, held by Ministry of Villages, Development of Disadvantaged Regions, and Transmigration.



Received Top CSR Award #5 Stars and CSR commitment top leader in Top CSR Award which was held by "Top Bisnis" Magazine. This remarks two consecutive years receiving this award.



Sustainability strategy: to provide long-term value for stakeholders and achieve Company's goals in Sustainability.



ITM consistently manages empowerment initiatives for all stakeholders.

Leading initiatives include **fostering BUMDes** in Embalut site, which obtained **Gold Award** in CSR&SRD Award.



ITM realizes that education is the key factor to elevate people's quality of life.

Leading initiatives include **organizing computer school** at Trubaindo, which obtained **Silver Award** in CSR&SRD Award.

MINING

Organic coal reserve growth to maximize its existing coal assets

Underground coal gasification

Currently in the pre-feasibility study phase of coal to ammonia downstream project at Indominco site

Greenfield coal mines development in three new mines (GPK, NPR and TIS)

Investment opportunities in clean techs minerals by exploring potential investments in high growth energy trends such as mineral or metal mining businesses



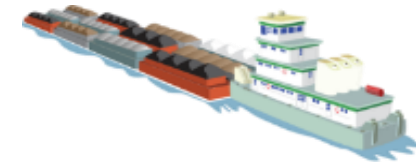
ENERGY SERVICES

Third-party coal sourcing to diversify the revenue source through third-party coal trading and blending

Natural capital solutions through Investment in reforestation and/or deforestation prevention for carbon offsetting along with land and biodiversity improvement

In-house mining contractor to expand its capacity and support operations efficiently

Utilizing existing logistics infrastructure such as port, to create more value creation and be a strategic business unit that generate profits



GREENER, SMARTER ENERGY

RENEWABLES AND OTHERS

Renewable energy generation with 2 solar PV hybrid plant (one is active while another is in construction), that currently used to generate power for our own operations. Another renewable energy source is also possible in the future, such as hydro power plant



Solar panel rooftop business to be one of the diversification toward renewable. The very 1st project will be held together with a business partner to ensure its going concern and risk-sharing for both parties



Digital solutions for mining operations which improves the monitoring and cost control capabilities



Coal inventory at the Port Stockyard area in Bunyut Port

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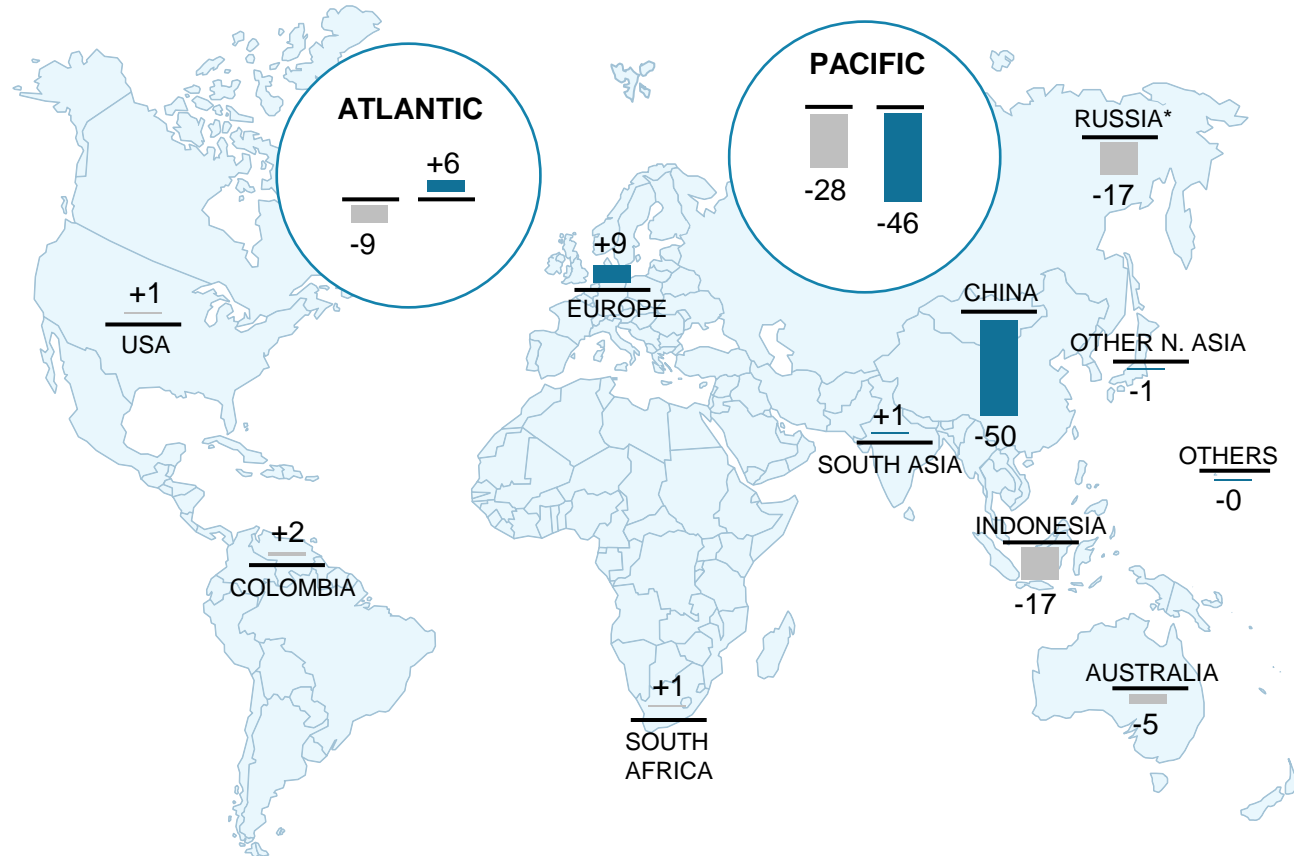
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Global thermal coal market

COAL DEMAND AND SUPPLY CHANGE – 2022E VS 2021

Unit: Mt ■ SUPPLY ■ DEMAND



TRENDS

DEMAND

Strong European demand and high gas prices keep Newcastle benchmark coal price at high level. Several Asian buyers could not afford at that price level, leading to some try to seek for lower CV coal while some others cut demand. China and India are ramping up domestic coal production to reduce dependency on import. Weak China and India demand pressures lower CV coal prices.

- **China:** slow economic recovery and high domestic coal production dents coal demand. An increase in seasonal hydropower output and continuing Covid-19 lockdowns in parts of the country have curtailed power consumption and coal burn. Government's intervention to stabilize coal prices will continue.
- **India:** strong demand on the increasing economic activity along with intense heatwaves. Government pushed utilities to import more coal to prevent power crisis.
- **JKT:** State-owned utilities excluding Russian coal are in their tenders while private companies continue to buy coal from Russia. South Korea's utilities shift to lower CV coal to decrease procurement costs.
- **Europe:** seasonal weak demand in Q2 but buyers race to secure supplies ahead of Russian coal sanctions deadline. Fear of gas supply cut elevated gas prices and boosted coal demand.

SUPPLY

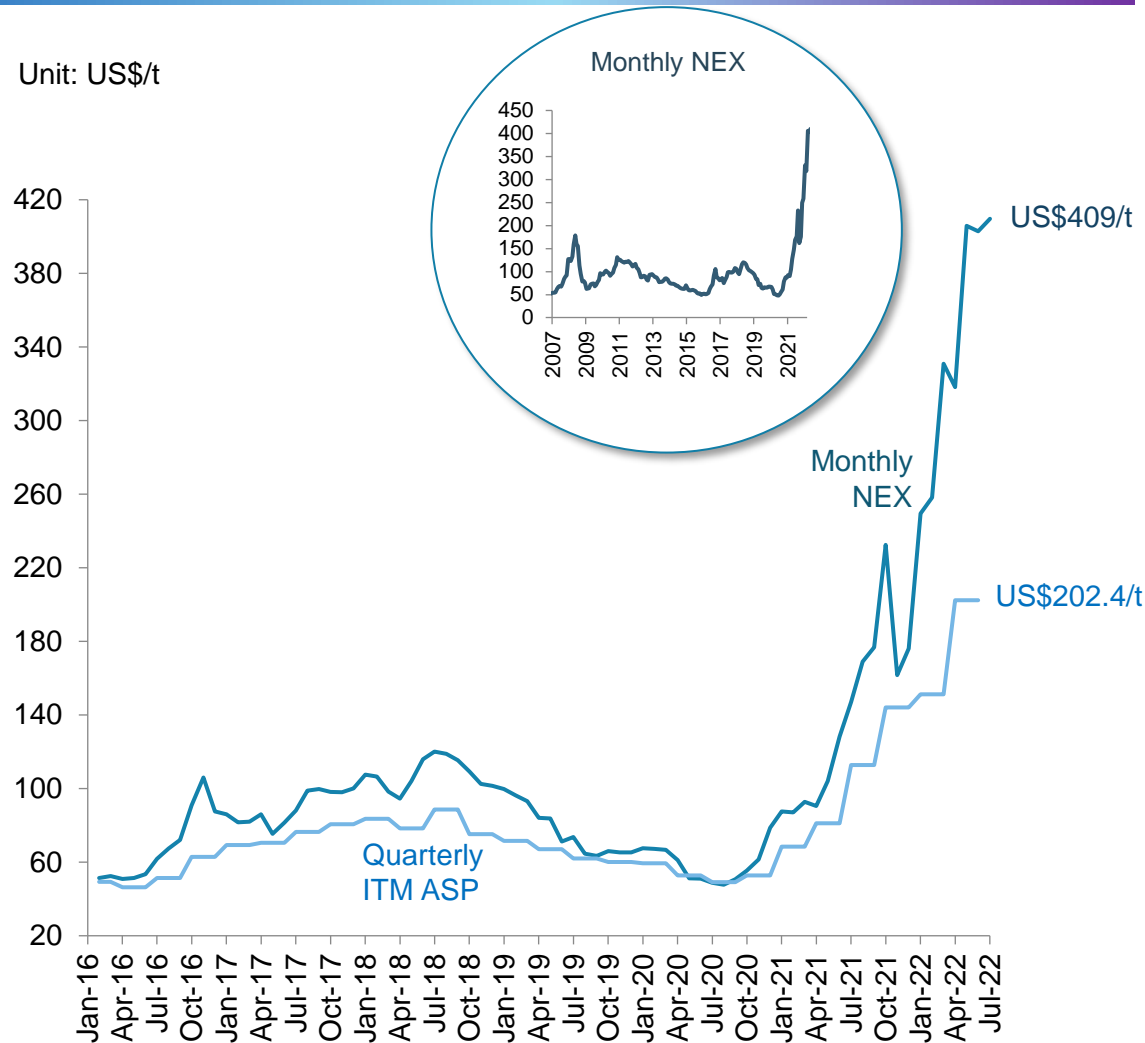
HCV supply tightness continues caused by supply disruption and strong European demand amid Russia-Ukraine crisis. Ample supply of cheap Russian coal to Asia pressured mid-to-low CV coal prices.

- **Indonesia:** production improves amid high domestic demand and weak China demand.
- **Australia:** rainy season and labour shortage continue to curb output. We believe majority of HCV supply is in the term contracts, leaving limited volume for spot.
- **Others:** Russian exporters shipped as much as they can to Europe before the sanction deadline while exports to China and India rose. South African HCV coal exports to Europe rose sharply but rail issues persist. In Colombia, the Government has suspended the sale of Prodeco's mines.

ITM ASPs vs thermal coal benchmark prices



ITM ASP VS BENCHMARK PRICES

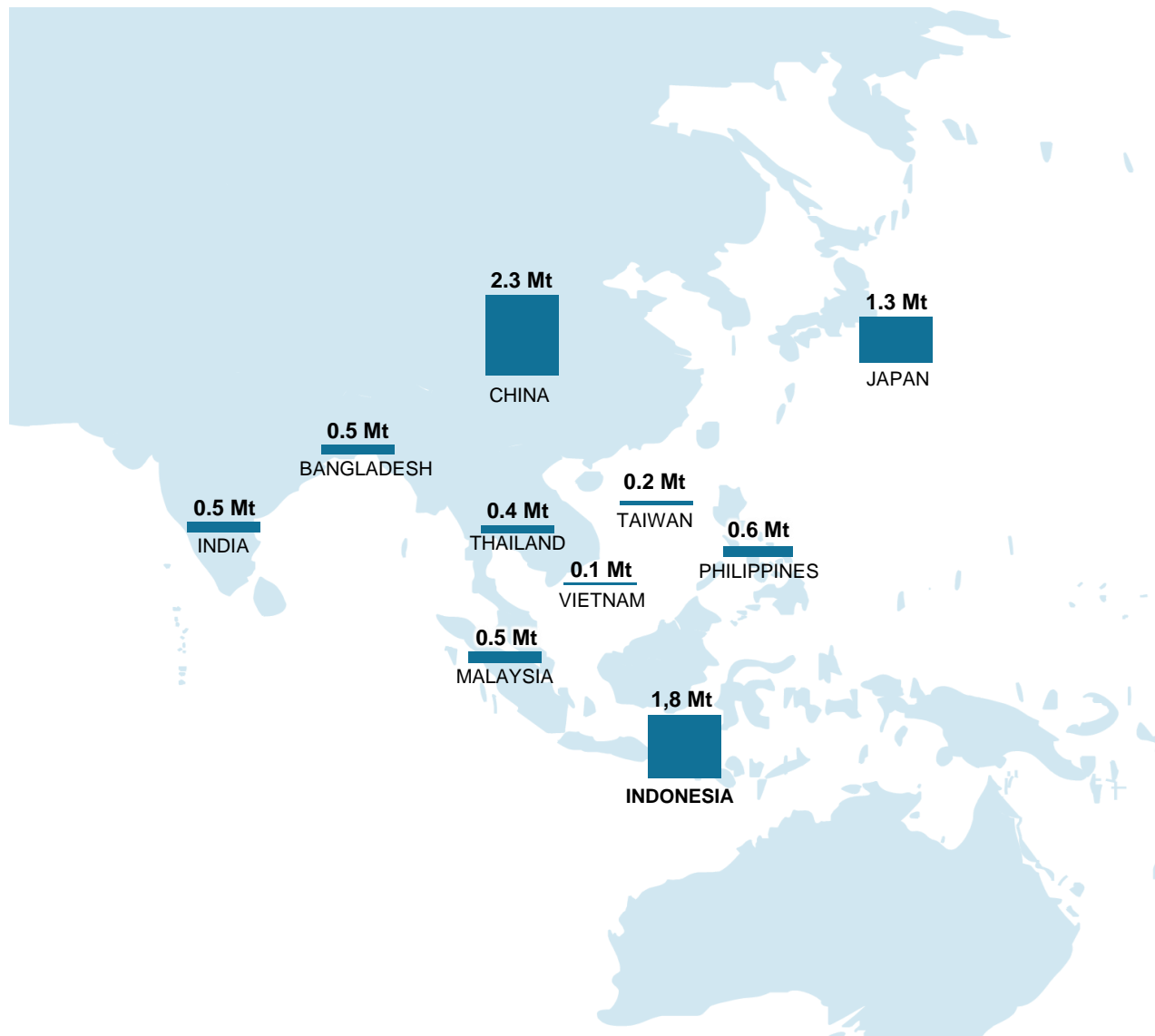


COMMENTS

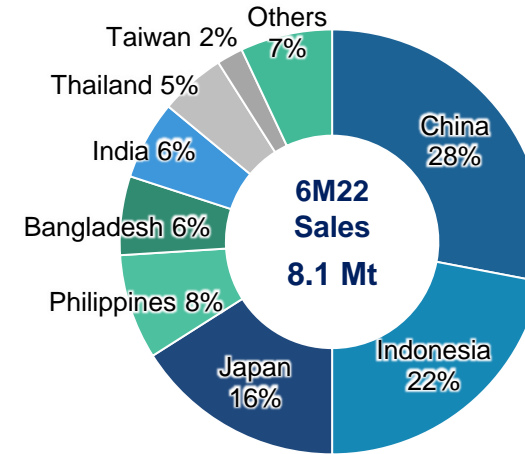
- Seaborne premium thermal coal market remained strong throughout 2Q22 due to upward movement of gas prices as a result of the prolonged Ukraine crisis, the unexpected halving of Russian piped gas, and US LNG disruptions.
- On 23 May 2022, GCNewc reached historical record price at US\$463/t due to market concerns over uncertainties in Russian gas supply, as well as the extended outage at Freeport US LNG export facility, which led to accumulation of coal stock. The coal market began to stabilize throughout June, but coal price levels remained relatively high with monthly GCNewc prices at US\$406.52/t and US\$397.63/t in May and June, respectively.
- Compared to the strong performance of thermal coal market, the lower spec coal market has been weakening throughout 2Q22, as a result of lower import demand from China. Monthly prices of ICI3 in May and June has dropped to US\$143.36/t and US\$138.48/t, respectively.
- Market tightness for premium thermal coal is expected to continue in the upcoming quarter due to supply shortages in major coal exporting countries. Concurrently, the off-spec thermal coal market has been weakened due to lower import demand from China, while supply, mainly from Indonesia, remain robust.
- ITM ASPs in 2Q22 continue to increase.
 - ITM ASP 2Q22 : US\$202.4/t* (+35% QoQ)
 - NEX (August 5, 2022)**: US\$399.71/t

Note: *Includes post shipment price adjustments as well as traded coal
 **The Newcastle Export Index (NEX)

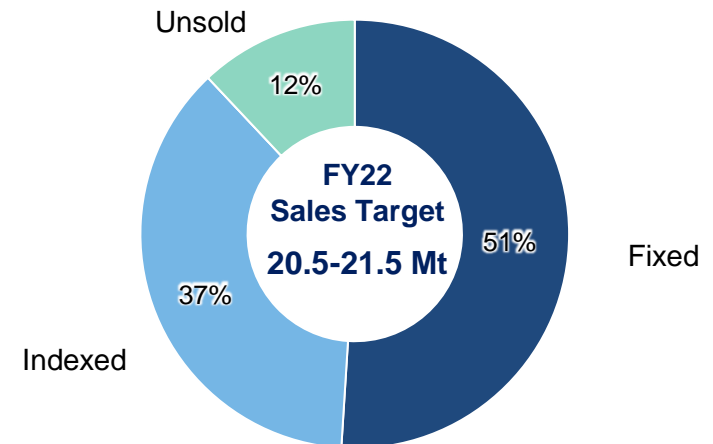
6M22 COAL SALES BREAKDOWN BY DESTINATION



COAL SALES 6M22



INDICATIVE COAL SALES FY22





Coal mining activities in Trubaindo mine

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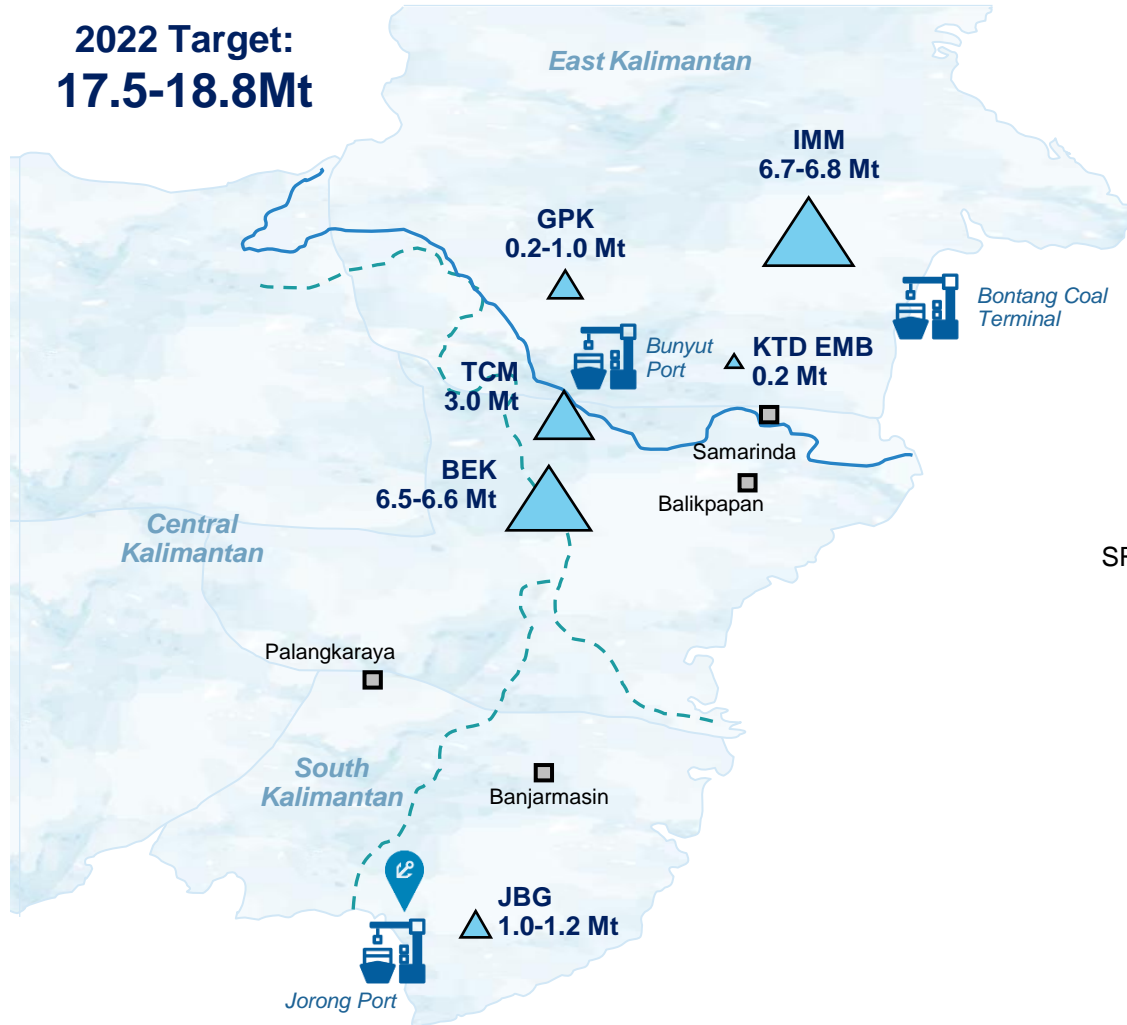
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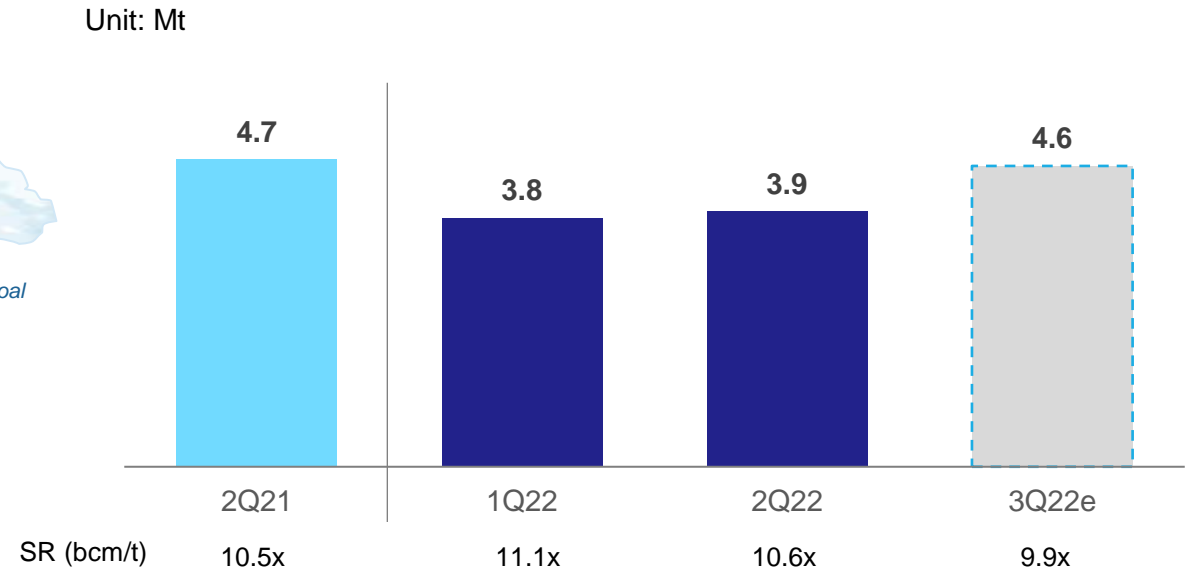
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Operational summary 2Q22

SCHEMATIC



OUTPUT TREND



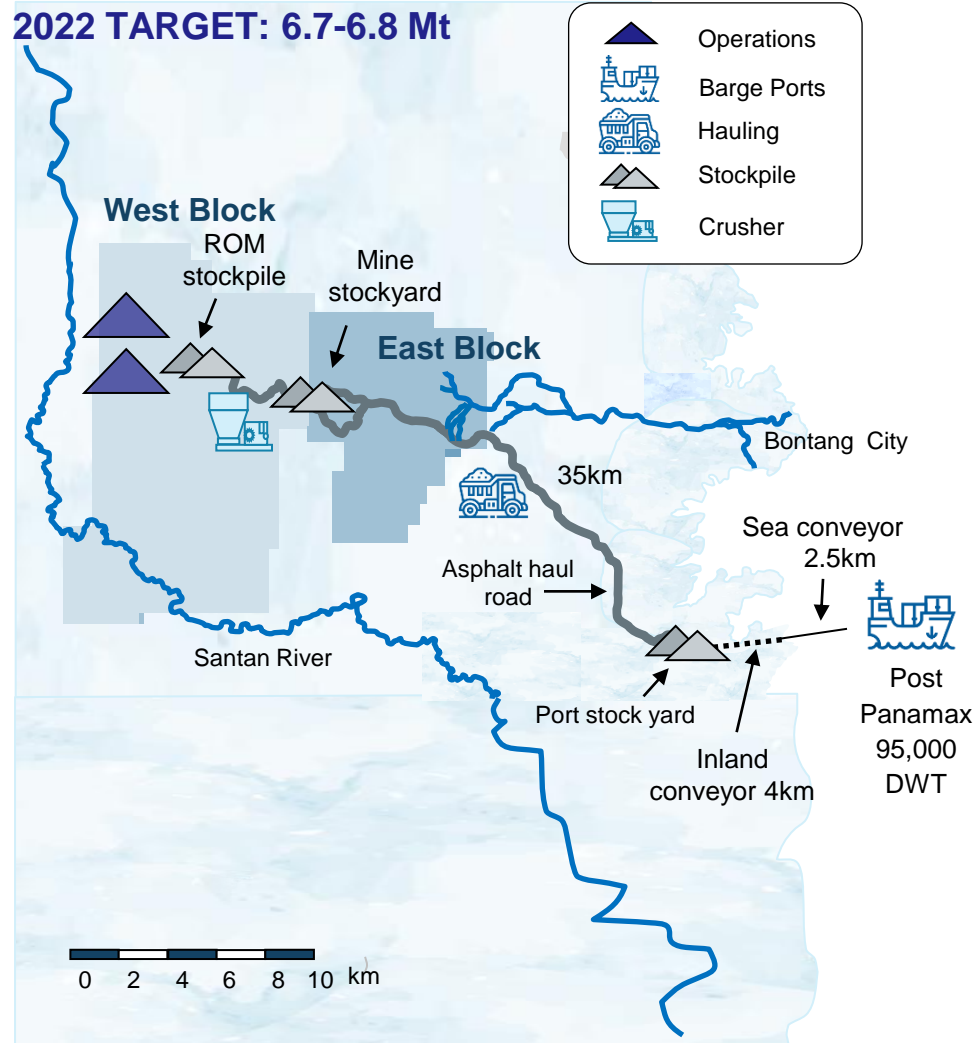
COMMENTS

- 2Q22 production is slightly above the target at 3.9mt despite challenging weather in Trubaindo, Bharinto and Jorong sites. Overall strip ratio is slightly improved at 10.6x.
- 3Q22 production target is expected at 4.6Mt, supported by expected good weather and efficiency improvement from the mining contractors.
- Expected lower total output for 2022 due to delay in GPK's production commencement.

Coal operations: Indominco Mandiri

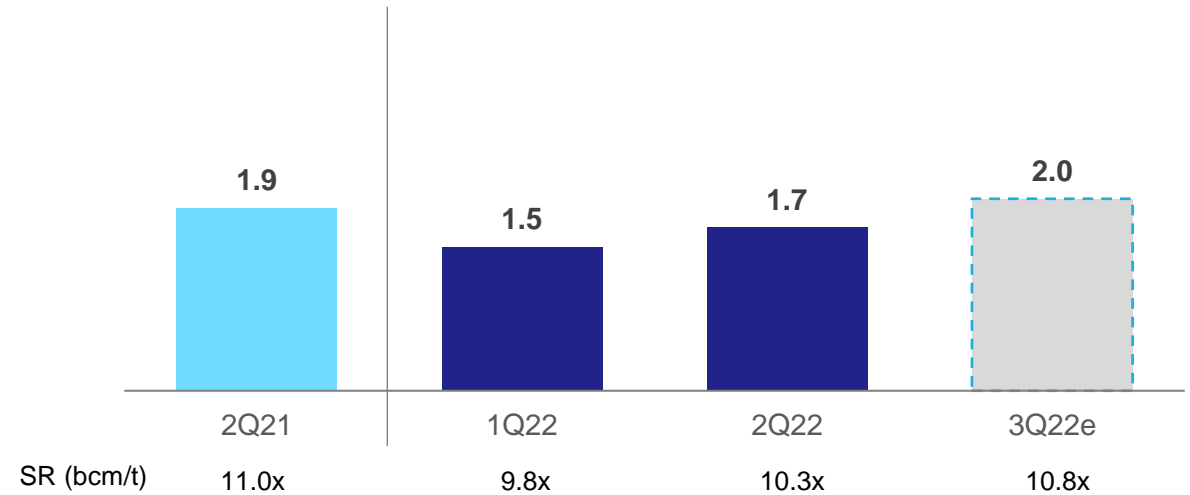
SCHEMATIC

2022 TARGET: 6.7-6.8 Mt



OUTPUT TREND

Unit: Mt



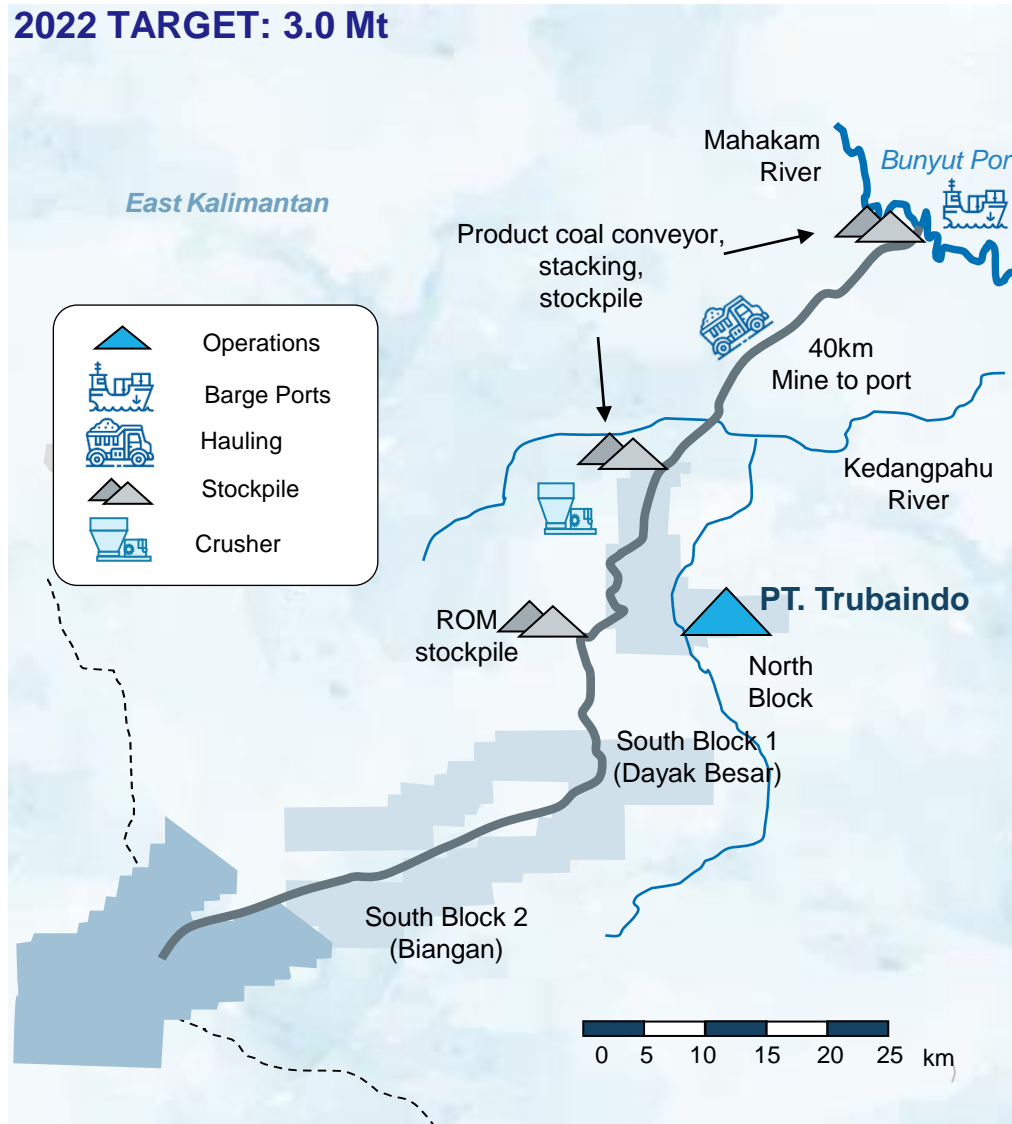
COMMENTS

- 2Q22 actual production achieved at 1.7Mt, supported by dry weather at site.
- 3Q22 output target will be at 2.0Mt, higher than 2Q22 actual production with expected strip ratio of 10.8x.

Coal operations: Trubaindo Coal Mining

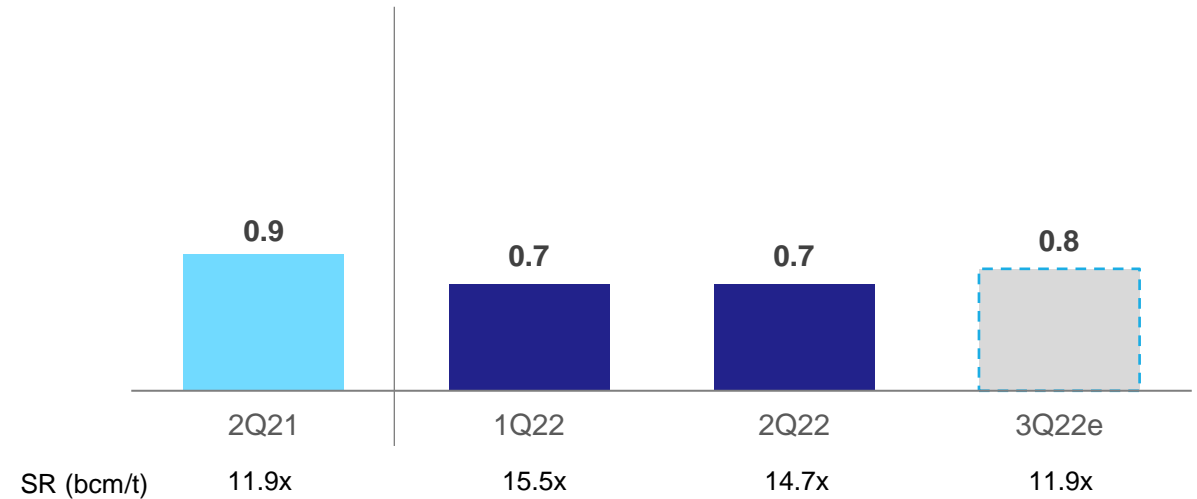
SCHEMATIC

2022 TARGET: 3.0 Mt



OUTPUT TREND

Unit: Mt



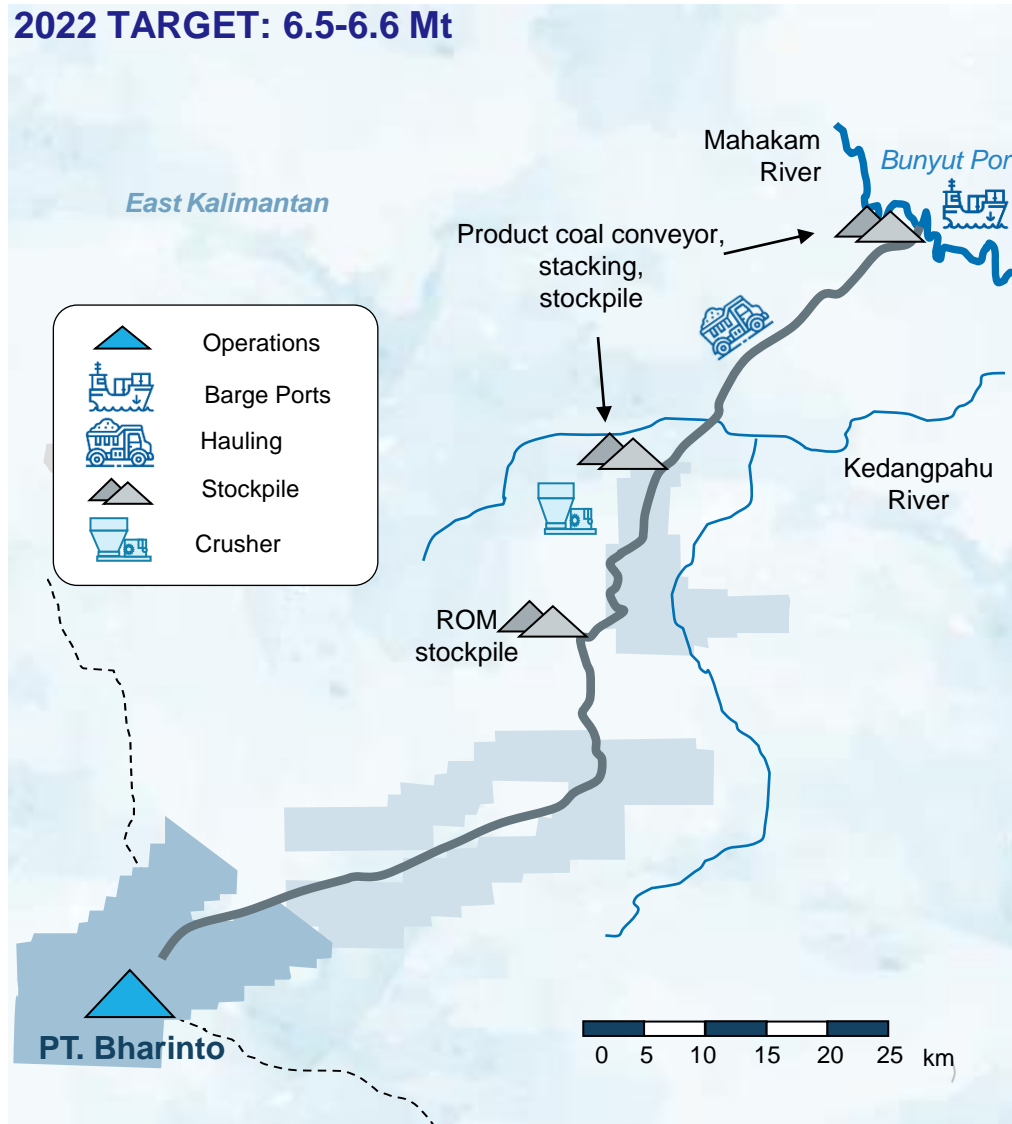
COMMENTS

- 2Q22 production achieved as target of 0.7Mt despite the mine was facing heavy rainfalls until the mid of 2Q22.
- 3Q22 output target will be slightly higher at 0.8Mt, as Trubaindo continues the initiatives to improve efficiency of mining contractors.

Coal operations: Bharinto Ekatama

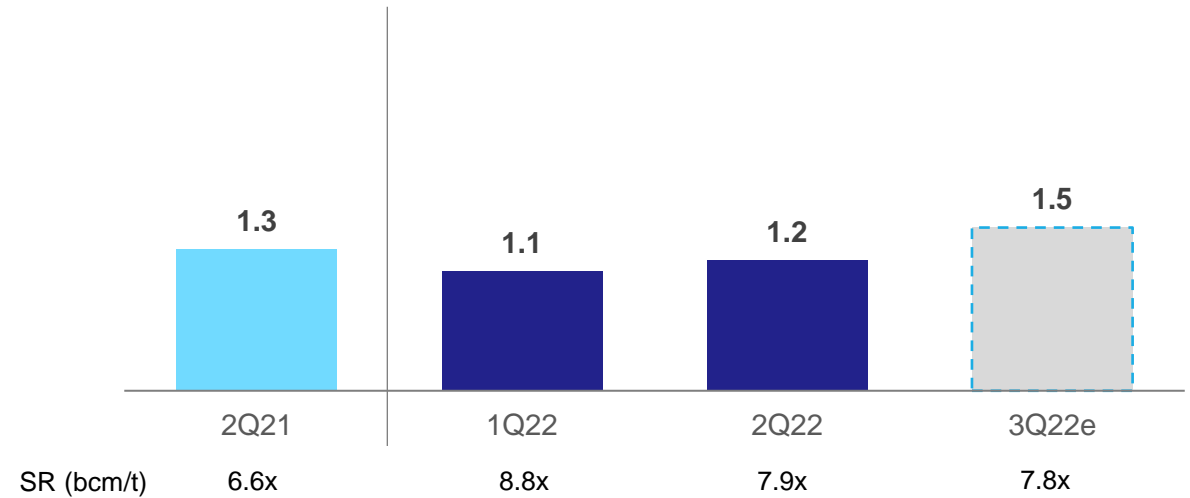
SCHEMATIC

2022 TARGET: 6.5-6.6 Mt



OUTPUT TREND

Unit: Mt

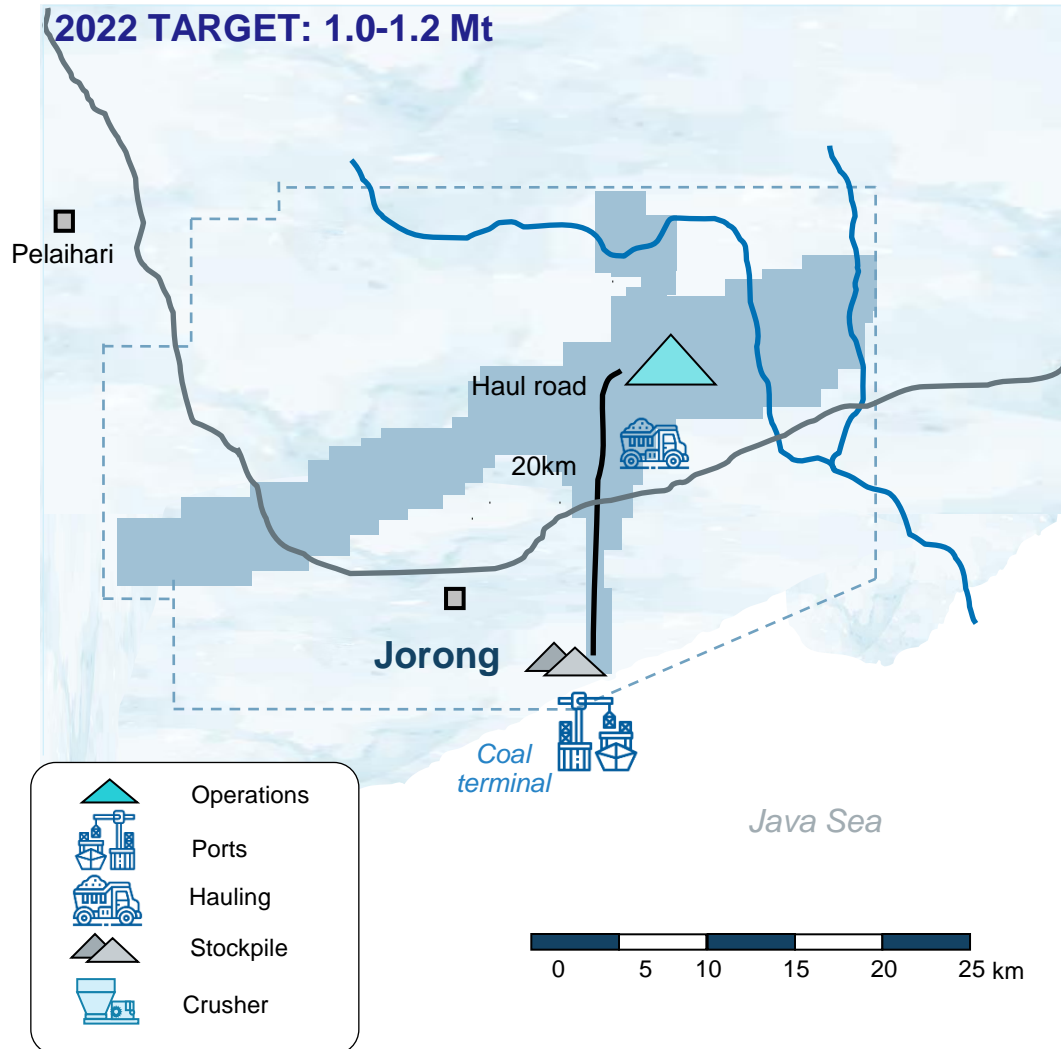


COMMENTS

- 2Q22 production achieved target of 1.2Mt amidst challenging weather situation, especially from longer rainfalls duration compared to the expectation.
- Bharinto continue to ramp up its production as a result of realizing its production from Central Kalimantan mining area. 3Q22e production will be higher compared to 2Q22 at 1.5Mt.

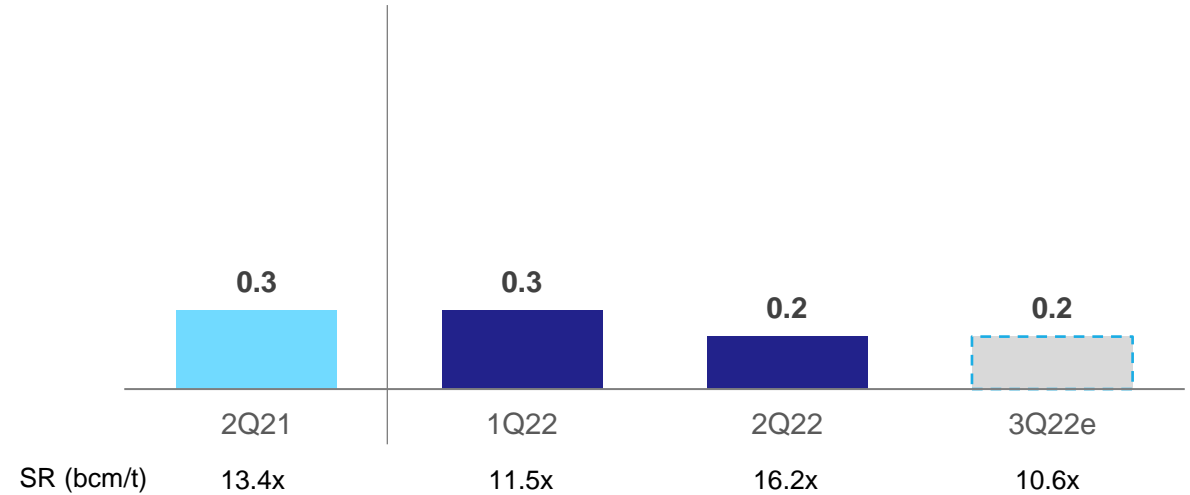
Coal operations: Jorong

SCHEMATIC



OUTPUT TREND

Unit: Mt



COMMENTS

- 2Q22 production achieved at 0.2Mt with higher strip ratio at 16.2x due to entering new working area during 2Q22.
- 3Q22 output target is maintained at 0.2Mt with lower strip ratio at 10.6x.



Command center of Bontang port

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Highlights of 2Q22 results



Key Figures

NPAT

Continue to record strong NPAT by capturing the momentum of elevated coal price

2Q22

\$247 M

Revenue

Utilizing high ASP, good customer service, and guaranteed product quality to achieve high revenue

\$782 M

Gross Margin

Achieving favorable gross profit margin

53%

Key Takeaways

1

Upbeat financial performance

ASP rose from \$150/t in 1Q22 to \$202/t in 2Q22, continuing the increasing ASP trend since 2Q21, as we continue to utilize the high coal price environment, which results in strong profitability.

2

Robust balance sheet and cash position

Cash position stayed adequately at \$808M which enable ITM to capture upcoming opportunities.

3

Cost is impacted by royalty and fuel

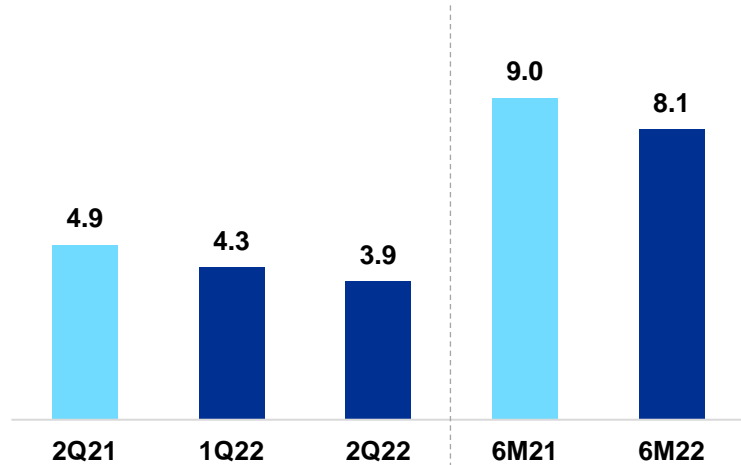
Total cost is rising coming from fuel price and royalty increase. Following high ASP, royalty has jumped from \$9/ton in 2Q21 to \$28/ton in 2Q22. However, we are still consistent in implementing discipline cost control to manage cost.

Profitability – Income statement



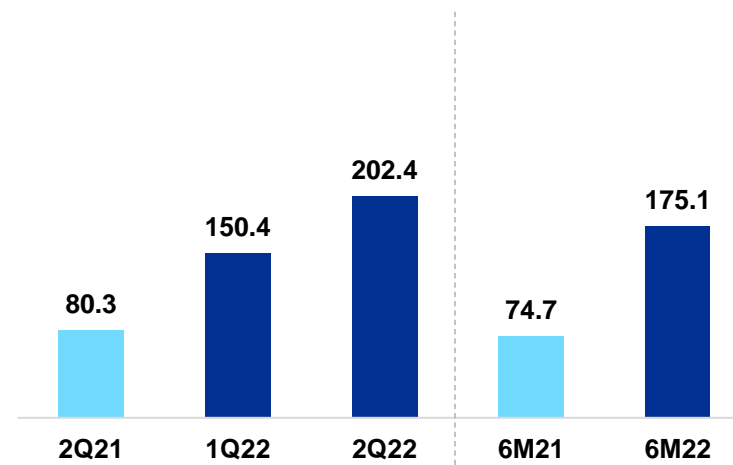
SALES VOLUME

Unit: Mt



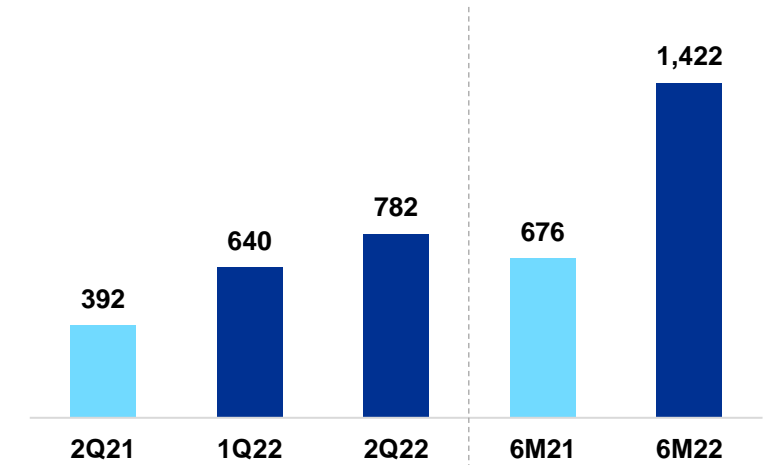
AVERAGE SELLING PRICE

Unit: US\$/t



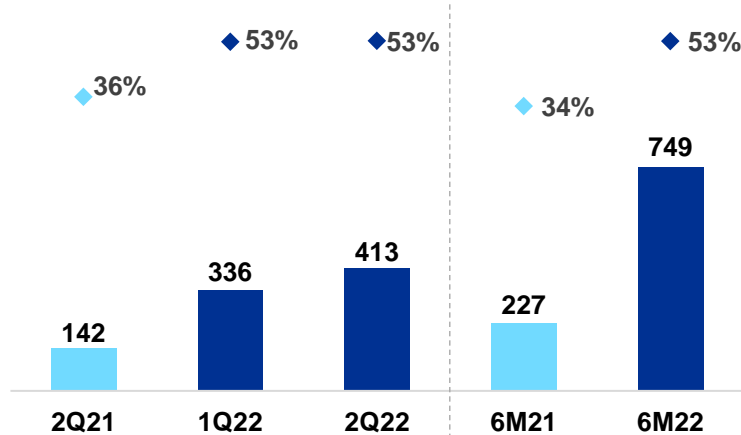
REVENUE

Unit: US\$ million



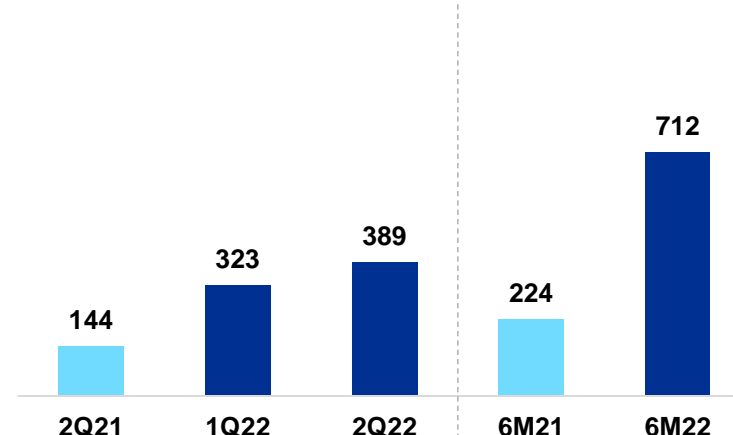
GROSS PROFIT AND GPM

Unit: US\$ million



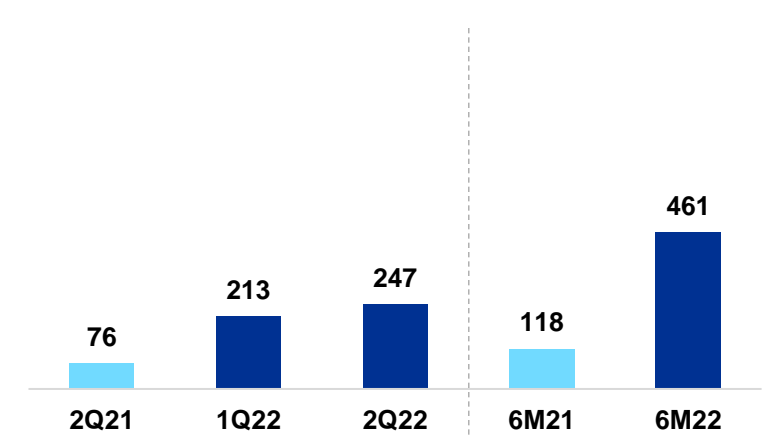
EBITDA

Unit: US\$ million



NET PROFIT

Unit: US\$ million

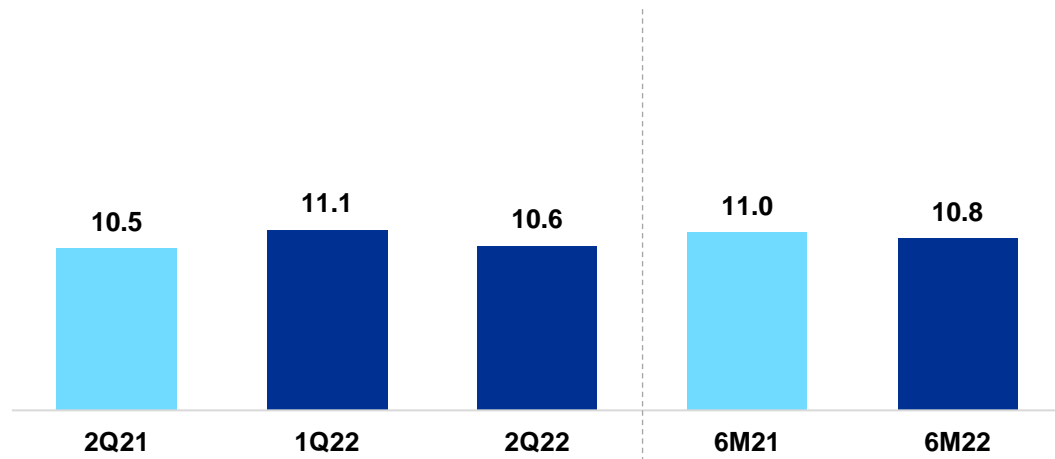


Cost analysis



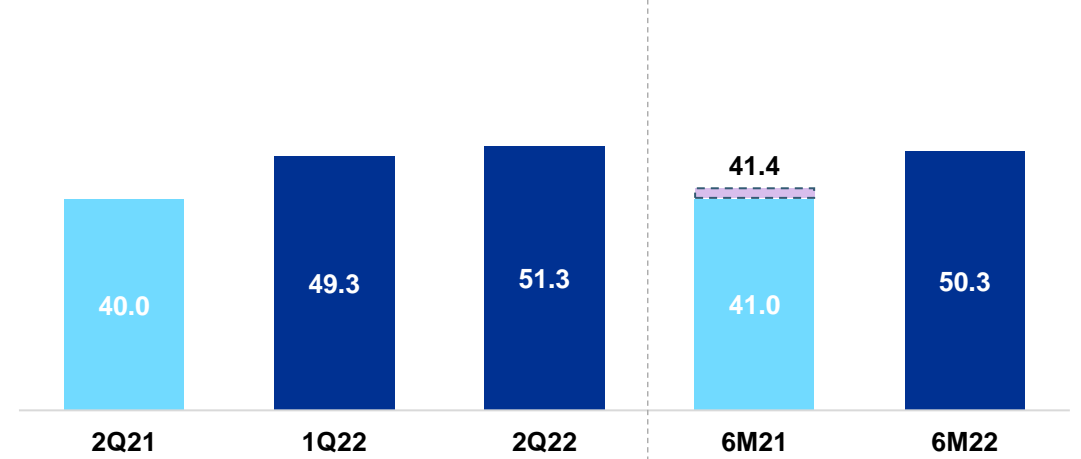
WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t



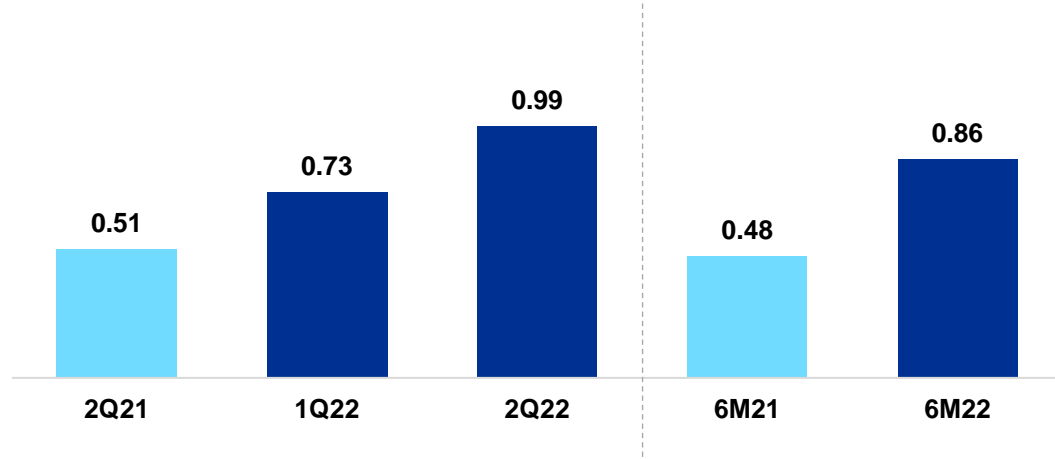
PRODUCTION COST

Unit: US\$/t



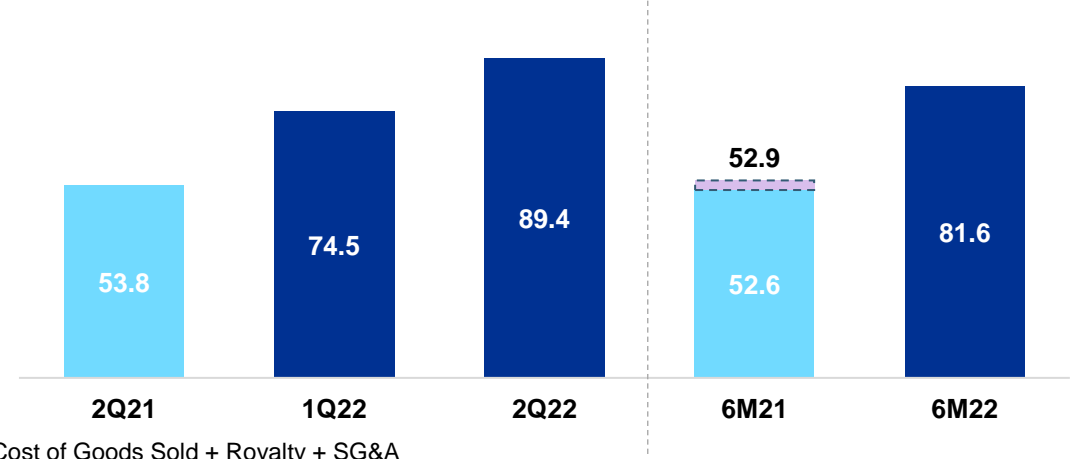
FUEL PRICE

Unit: US\$/Ltr



TOTAL COST*

Unit: US\$/t



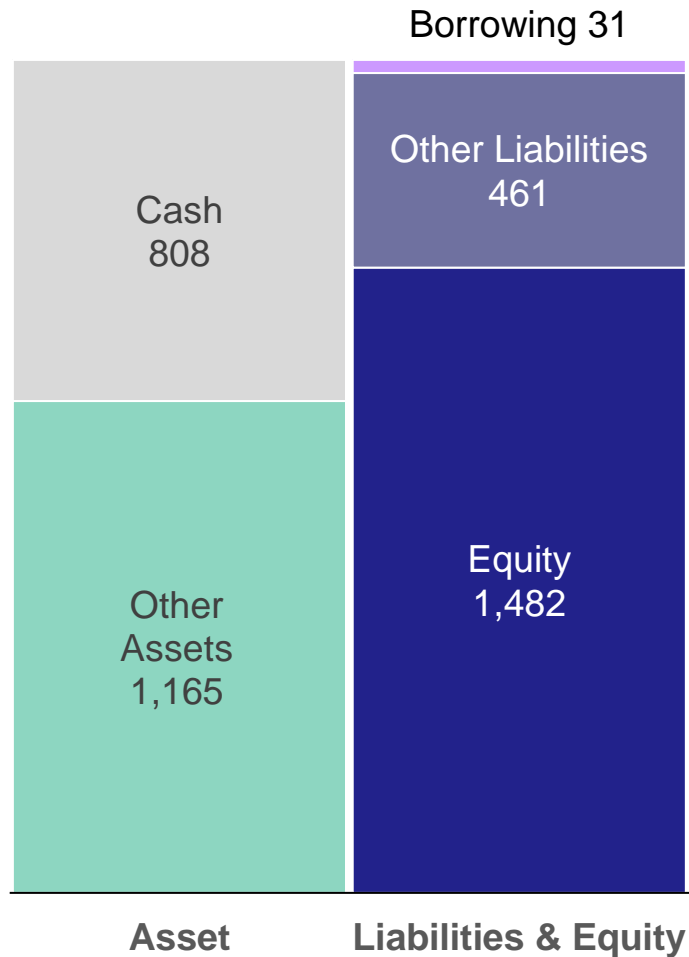
*Cost of Goods Sold + Royalty + SG&A

----- Cost from non-coal portion

Balance sheet

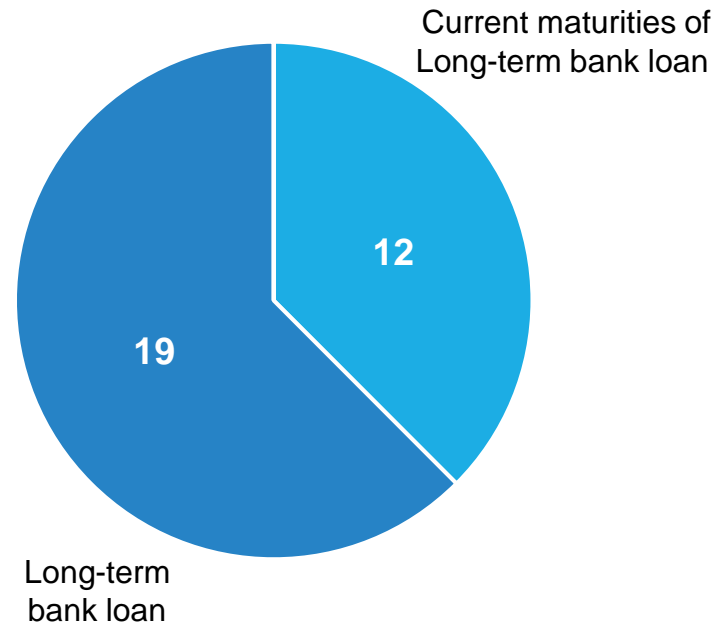
2Q22 BALANCE SHEET

Unit: US\$ million



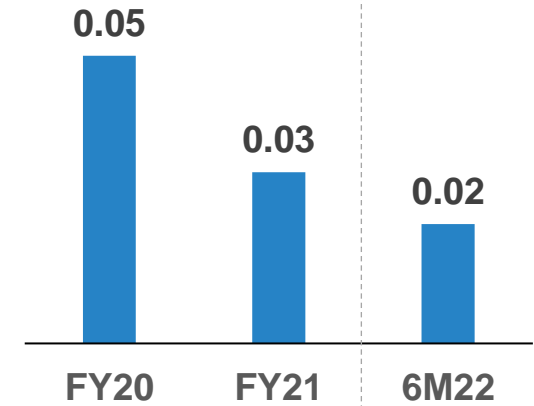
BANK LOAN DETAILS

Unit: US\$ million

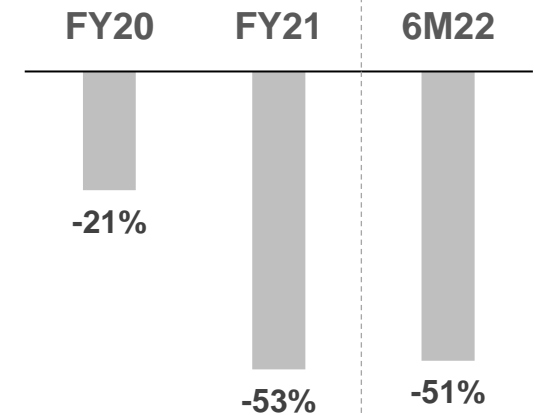


KEY RATIOS

Debt to Equity (x)



Net Gearing (%)



Note: Net gearing formula is net debt to total debt and equity

6M22 capital expenditure

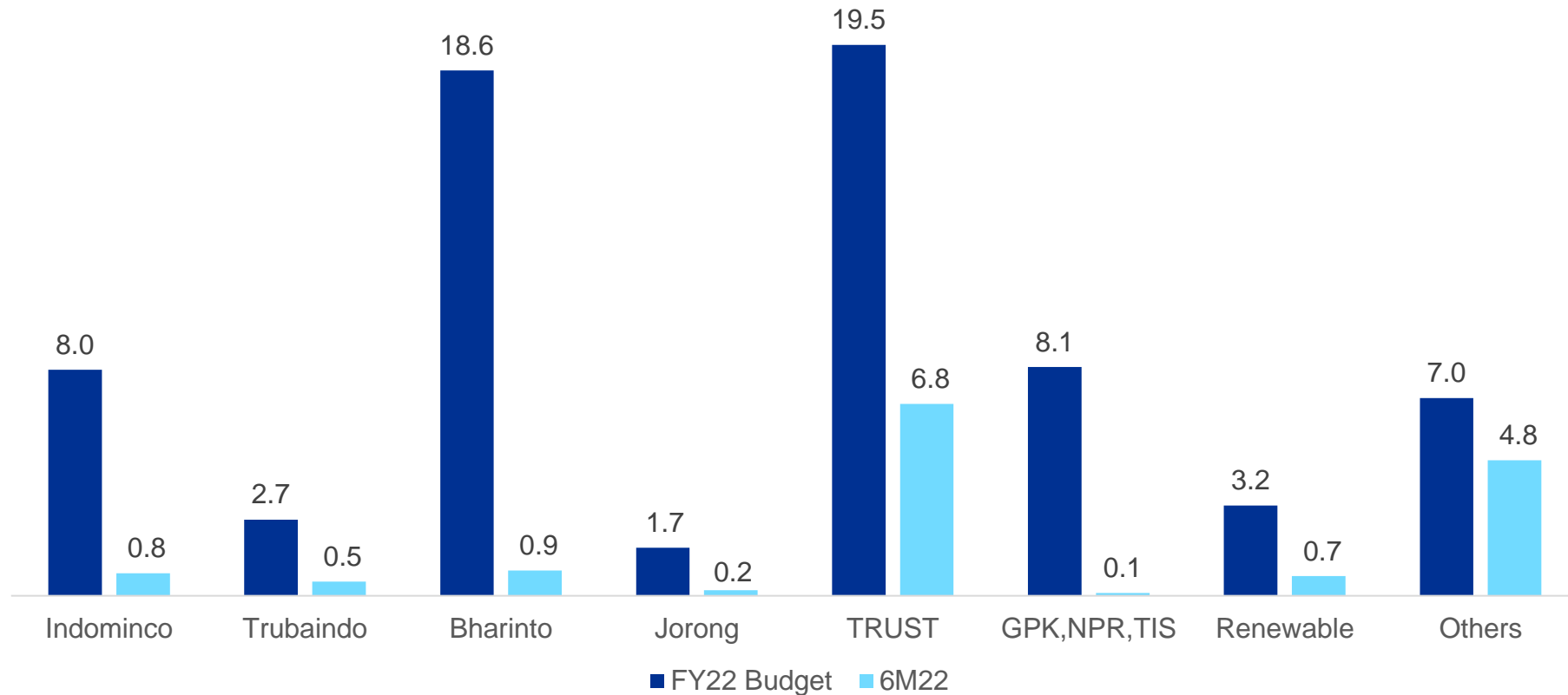


6M22 CAPEX total:

\$14.9 mn

FY22 CAPEX budget:

\$68.8 mn



Note: Total capex plan including Jakarta office after elimination.



Biodiversity conservation nearby mining area

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Income statement – 6M22 vs 6M21



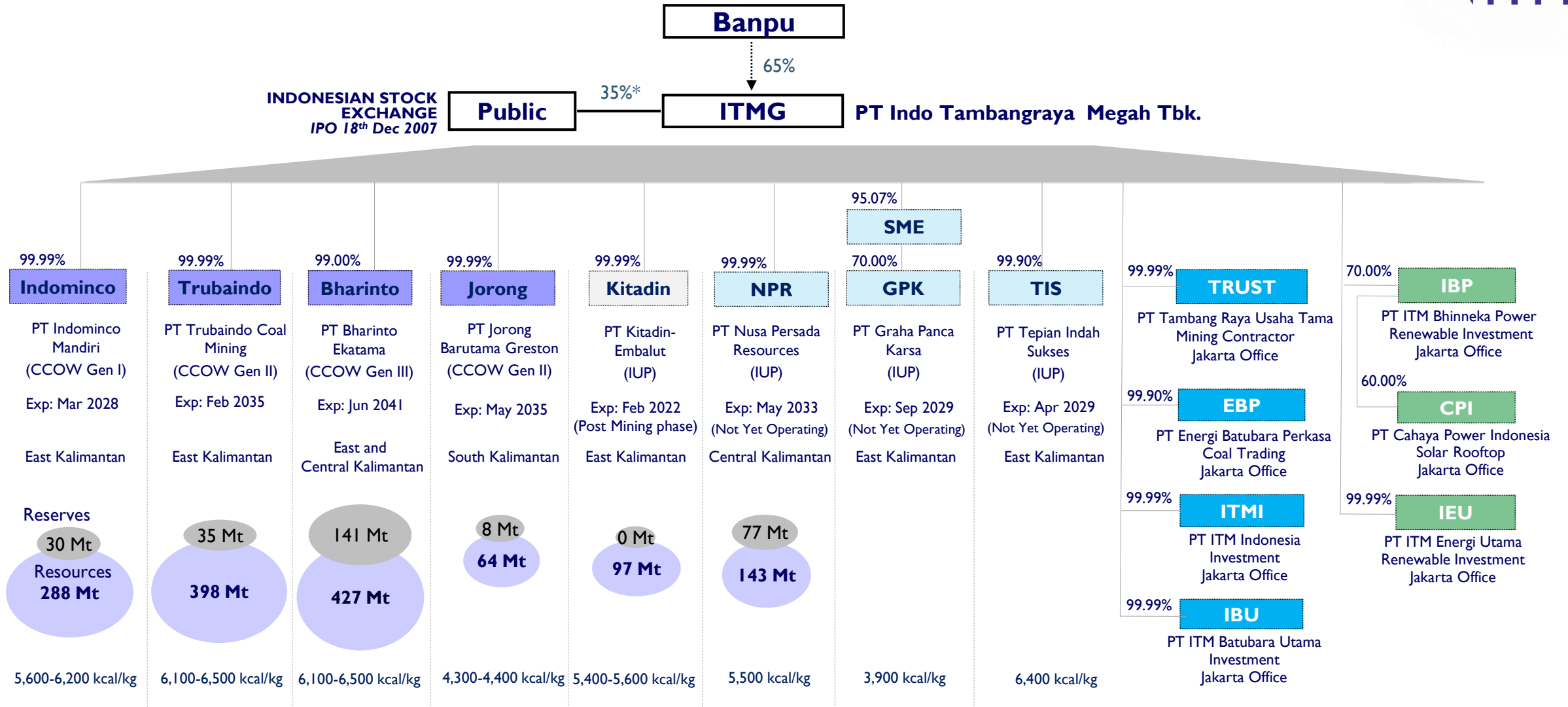
Unit: US\$ thousand	6M22	6M21	YoY%
Net Sales	1,421,541	676,303	110%
Gross Profit	749,160	227,344	230%
GPM	53%	34%	
SG&A	(79,796)	(46,850)	
EBIT	669,364	180,494	271%
EBIT Margin	47%	27%	
EBITDA	712,032	223,762	218%
EBITDA Margin	50%	33%	
Net Interest Income / (Expenses)	193	255	
FX Gain / (Loss)	(11,284)	(3,144)	
Derivative Gain / (Loss)	(57,794)	(19,432)	
Others	(3,615)	(3,977)	
Profit Before Tax	596,864	154,196	287%
Income Tax	(136,182)	(36,594)	
Net Income	460,682	117,602	292%
Net Income Margin	32%	17%	

Income statement – 2Q22 vs 1Q22



Unit: US\$ thousand	2Q22	1Q22	QoQ%
Net Sales	781,608	639,933	22%
Gross Profit	412,829	336,331	23%
GPM	53%	53%	
SG&A	(43,464)	(36,332)	
EBIT	369,365	299,999	23%
EBIT Margin	47%	47%	
EBITDA	388,912	323,120	20%
EBITDA Margin	50%	50%	
Net Interest Income / (Expenses)	250	(57)	
FX Gain / (Loss)	(9,743)	(1,541)	
Derivative Gain / (Loss)	(38,095)	(19,699)	
Others	576	(4,191)	
Profit Before Tax	322,353	274,511	17%
Income Tax	(74,894)	(61,288)	
Net Income	247,459	213,223	16%
Net Income Margin	32%	33%	

ITM structure



*) As of 30 June 2022, ITM has sold 2.95% of its treasury share back to the market.

Note: Reserves and Resources is as of 31st Dec 2021. The number disclosed above used the updated coal resources and reserves as of 31 Dec 2018 based on estimates prepared by competent persons (considered suitably experienced under the JORC Code) and deducted from coal sales volume during 2019-2021.