PT Indo Tambangraya Megah Tbk

Public Exposé
3Q17 Performance Results

Jakarta, 14 November 2017

Agenda

Highlights of 3Q17 and 9M17 results

Coal sales
5.6 Mt
Up 0.1Mt
+1% Q-Q

Coal sales
16.5 Mt
Down 3.6 Mt
-18% Y-Y

Unit: US$ million

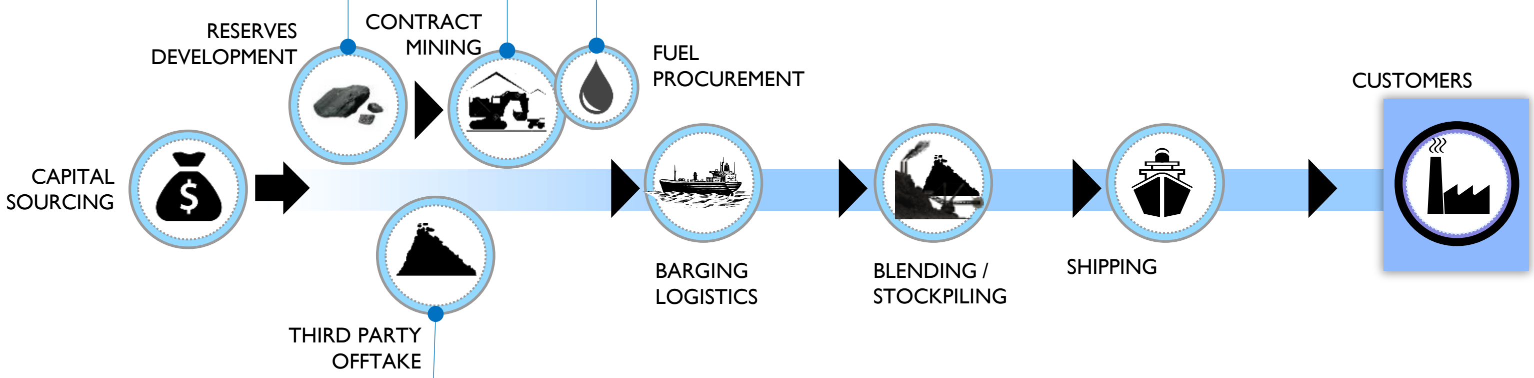
	2Q17	3Q17	Q-Q	9M16	9M17	y-y
Total Revenue	381	415	+9%	958	1,164	+21%
Gross Profit Margin	*26%*	*32%*	+6%	20%	*30%*	+10%
EBIT	71	107	+52%	105	267	+154%
EBITDA	84	123	+46%	142	310	+119%
Net Income	48	67	+39%	70	172	+147%
***ASP* (USD/ton)**	*$68.5*	*$73.9*	+8%	$47.5	*$70.3*	+48%

Towards a more sustainable integrated platform

- ✓ 4.7 Mt reserves acquisition
- ✓ Strategic value from existing infrastructure

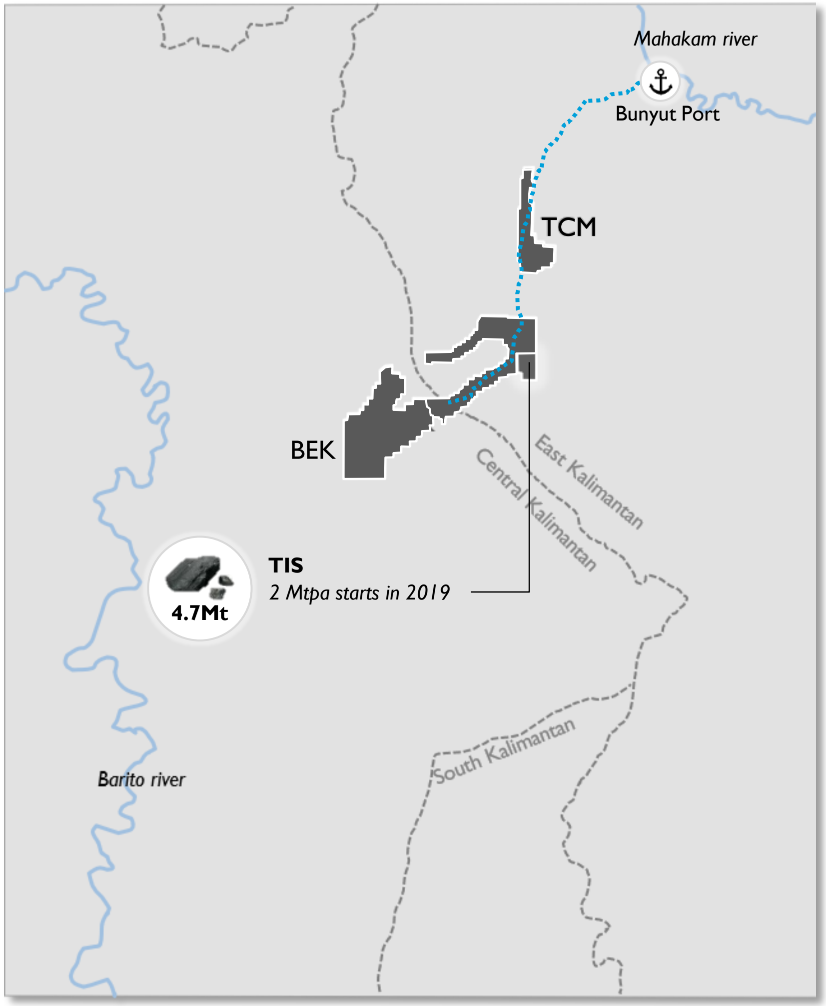
- ✓ Improved capacity from new equipment purchase

- ✓ Acquired a fuel distributor
- ✓ Improve fuel procurement logistics management
- ✓ Evaluate potential third-party fuel marketing strategies

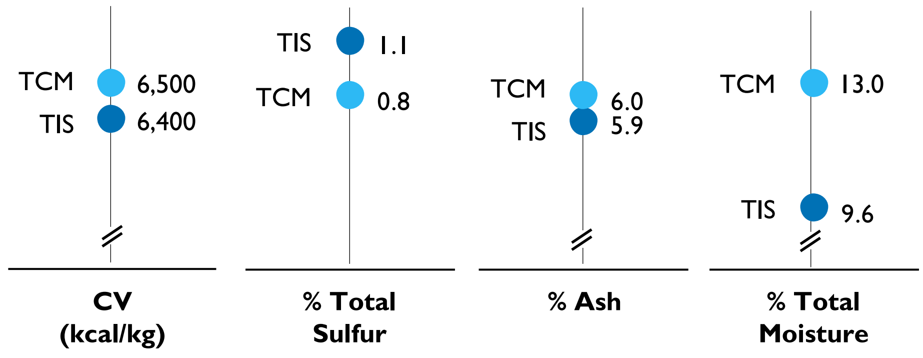


- ✓ Target to trade 1Mt in 2017, 2Mt in 2018
- ✓ Leverage on ITM's existing infrastructure and marketing, sales, and logistics capabilities

4.7 Mt coal reserves acquisition

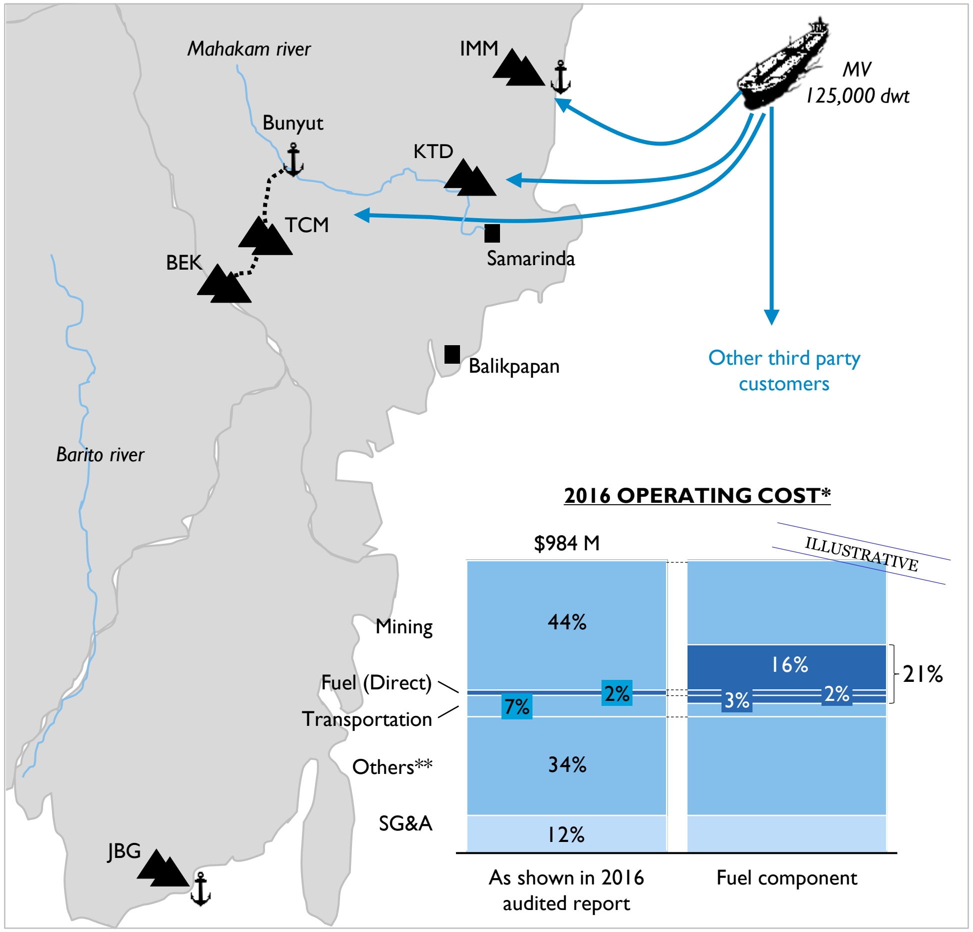


HIGH QUALITY SIMILAR TO TRUBAINDO COAL



- ITM has acquired 70% stake in PT Tepian Indah Sukses (TIS). Total transaction value would be $9.5M for 4.7 Mt (100% basis) reserves.
- TIS has IUP operation license for concession area of 2,065 ha in East Kalimantan; adjacent to Trubaindo concession.
- TIS is a high CV concession with on-spec sulfur – increasingly difficult to acquire in Indonesia.
- ITM would utilize current infrastructure of Melak operation to minimize capex.

Fuel business: cost savings, new revenue stream



- ITM has acquired a 75% stake in fuel distributor company named PT GasEmas (PTGE) to supply diesel to ITM mine sites and sell to 3rd party customers
- Initiative will be to: 1) increase security of supply of diesel to all ITM mines, 2) reduce cost and logistics premium, and 3) facilitate new revenues from 3rd party customers
- Fuel cost represents 21% of ITM total operating costs (excl. royalty), mostly embedded in Mining and Transportation
- Initiative will be introduced in stages as contracts are renegotiated. Overall fuel cost reduction target is approx. 5%.

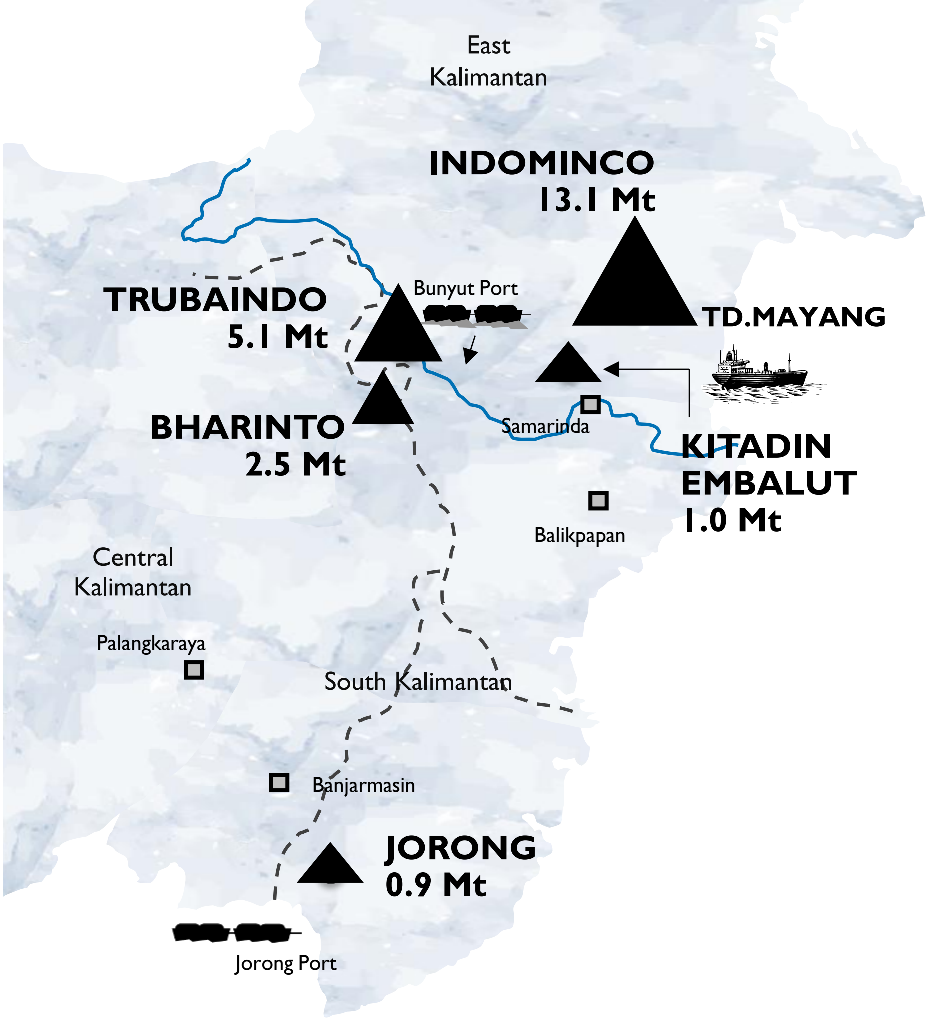
*excl. Royalty **incl. D&A, Maintenance, etc.

Agenda

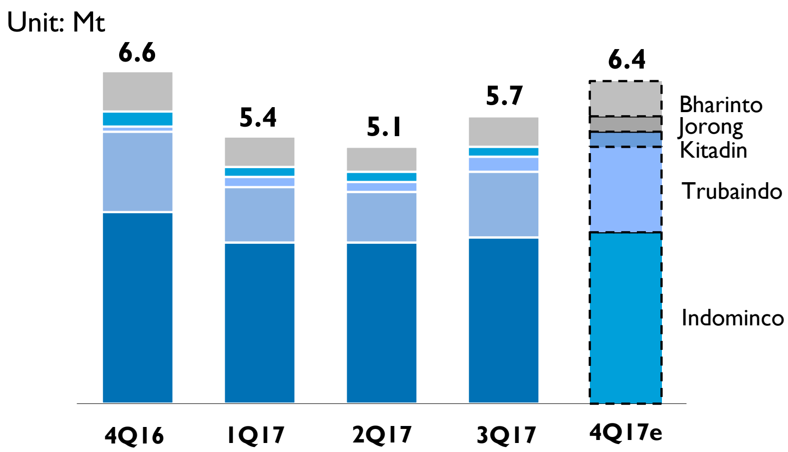
1	INTRODUCTION
2	OPERATIONAL REVIEW
3	COMMERCIAL REVIEW
4	FINANCIAL REVIEW
5	QUESTION & ANSWERS

Operational summary 2017

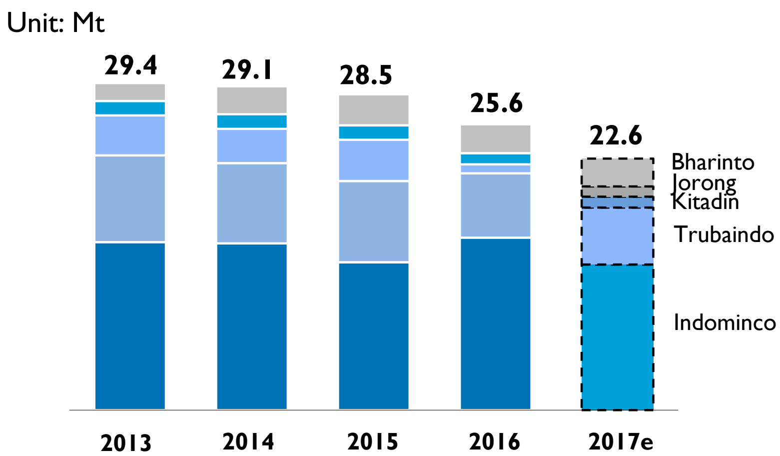
2017 TARGET : 22.6 Mt



QUARTERLY OUTPUT TREND

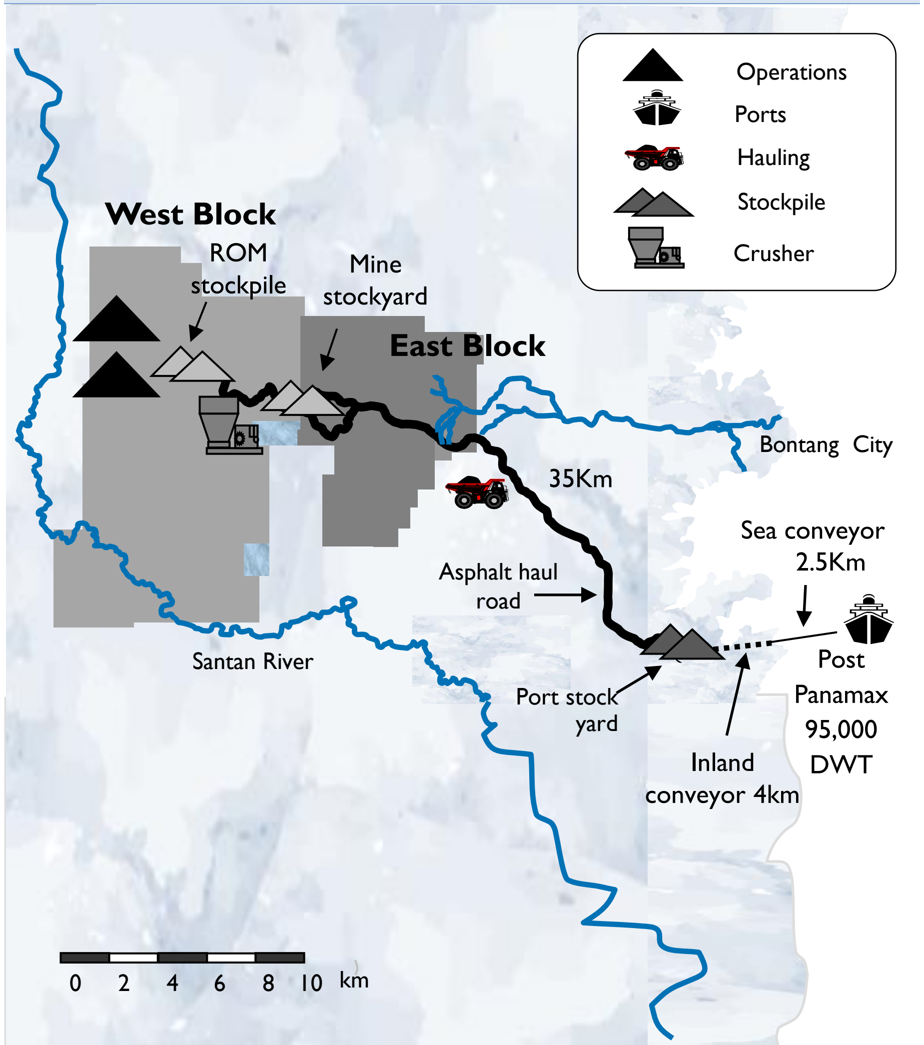


YEARLY OUTPUT TREND



Indominco Mandiri

INDOMINCO 2017 TARGET: 13.1 Mt

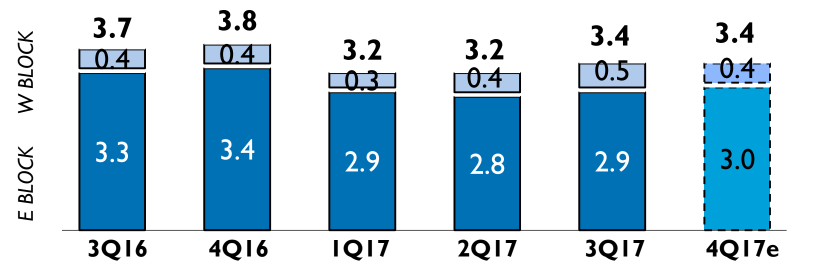


QUARTERLY UPDATES

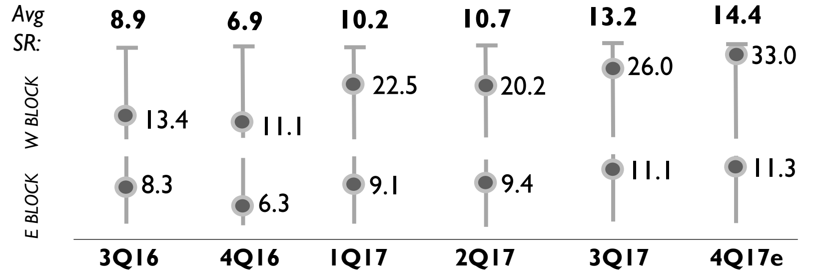
- 3Q17 production slightly lower than target due to rainy days affecting production at Indominco area.
- Higher average S/R in 2017 to optimize coal reserves
- West Block S/R is higher due to lower output and pre-strip activities.

QUARTERLY OUTPUT

Unit: Mt



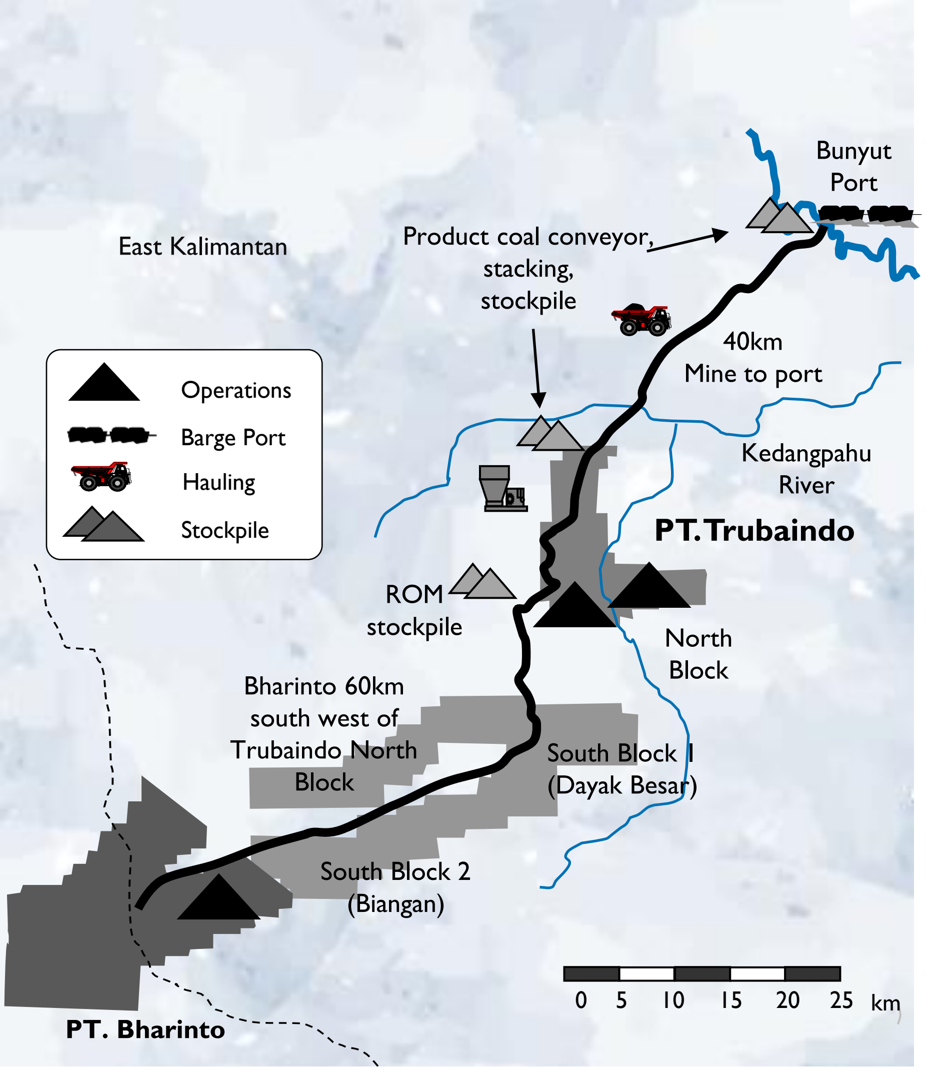
Unit: Bcm/t



*SR based on FC coal **SR FY16 IMM: 8.3 , WB: 14.1 , EB: 7.4

Melak group – Trubaindo and Bharinto

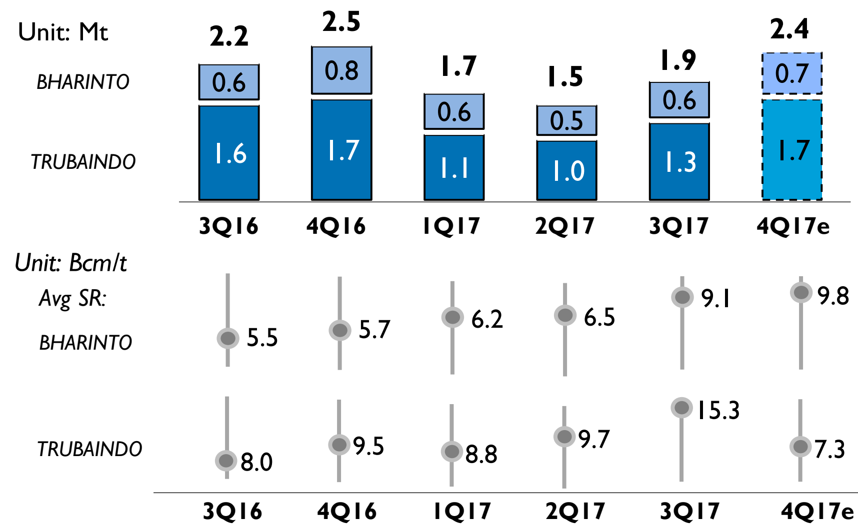
2017 TARGET: TCM 5.1 Mt, BEK 2.5 Mt



QUARTERLY UPDATES

- Trubaindo:
  - 3Q17 production output was slightly lower than target due to weather condition at Trubaindo area.
  - Higher SR during 3Q17 mainly due to pre-stripping activities and optimized mine coal reserved.
  - Continue hauling road improvement program from Trubaindo South Block to Bunyut port and expected to be completed by Dec 2017.
- Bharinto:
  - 3Q17 production output was slightly lower than target due to heavy rainfalls affecting mine production.
  - SR expected higher in 4Q17 due to optimized coal reserved.

QUARTERLY OUTPUT

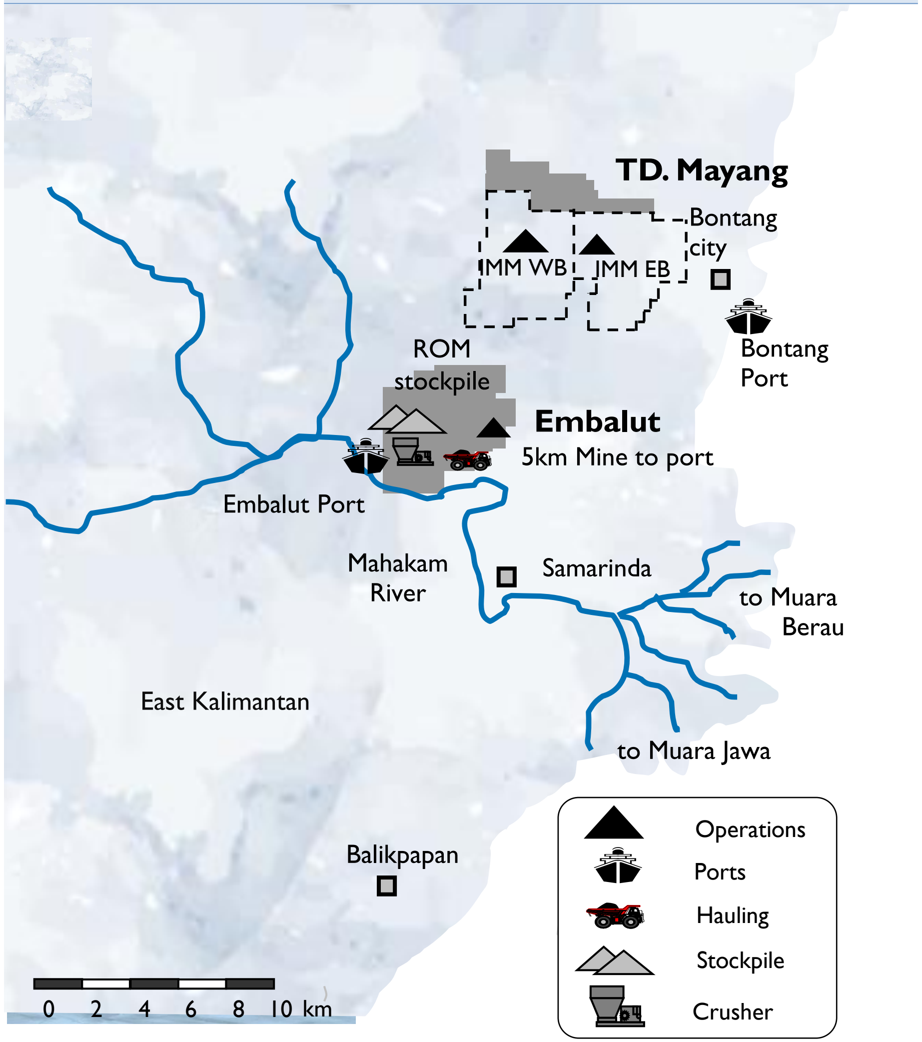


*SR based on FC coal

**SR FY16 TCM: 8.6 , BEK: 6.1

Kitadin Embalut and Tandung Mayang

EMBALUT 2017 TARGET: EMB 1.0 Mt

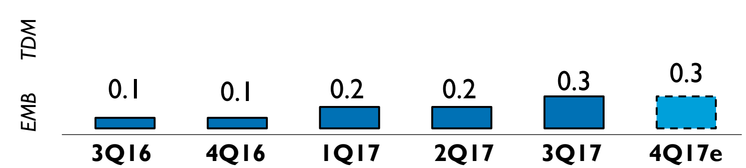


QUARTERLY UPDATES

- Kitadin Embalut:
  - 3Q17 production achieved according to target
- Kitadin Td.Mayang:
  - Continue mine closure activities including mine rehabilitation.

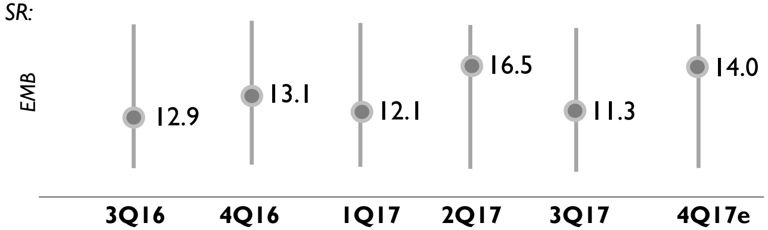
QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

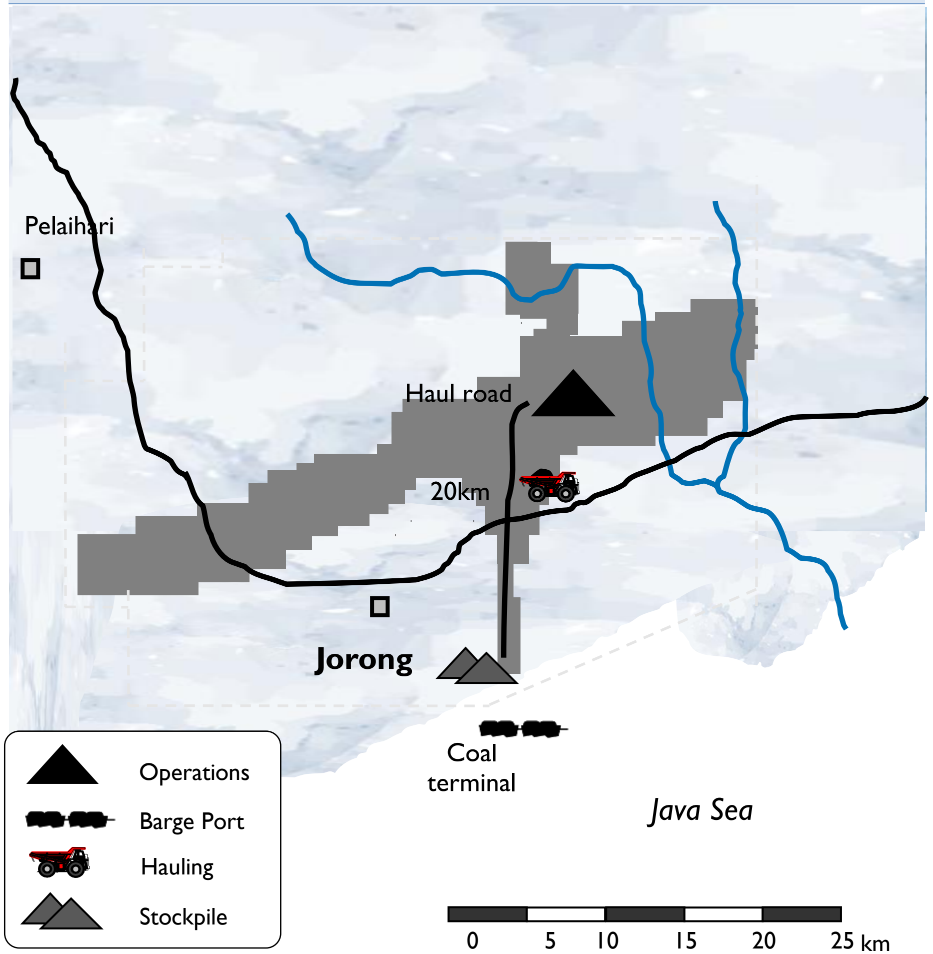
Avg SR:



**SR based on FC coal* ***SR FY16 EMB: 11.3*

Jorong

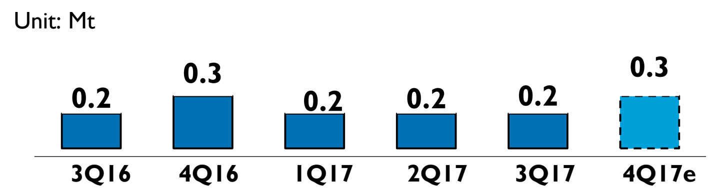
JORONG 2017 TARGET: 0.9 Mt

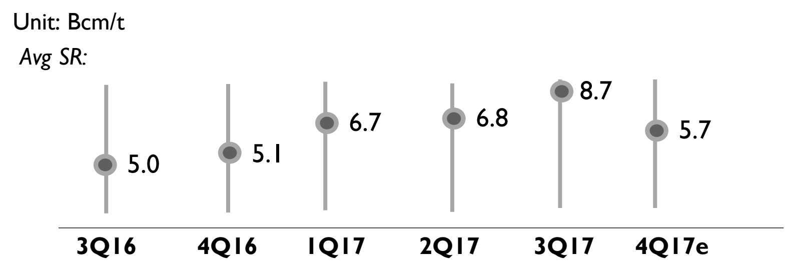


QUARTERLY UPDATES

- 3Q17 production output was slightly lower than target due to weather condition.
- SR higher in 3Q17 due to transition of new mining contractor.
- Remaining mine reserves will be depleted by 2019 and mine closure plan already approved by government.

QUARTERLY OUTPUT





*SR based on FC coal ***SR FY16 JBG: 4.5

Agenda

Global demand trends: 2017 vs 2016

GEOGRAPHY	CHANGE 2017-16 (Mt.)	COMMENTS
CHINA	+10	▪ Domestic supply continues struggle from disruptions caused by safety inspection ▪ Winter demand starts ▪ Government policy on banning coal import continues
INDIA	-12	▪ Strong coal burn after monsoon on weak hydro and wind generations ▪ Domestic supply problems persist as key coal producing regions struggled with flooding during monsoon season ▪ Low stocks will boost coal import but high international coal prices will limit purchase
OTHER N.ASIA	+21	▪ Strong coal burn in South Korea as government will carry out additional safety checks at nuclear reactors and increased operation of coal plants recently added ▪ Japan and Taiwan imports remains strong
EUROPE	+5	▪ Strong power prices, low renewable output in Germany and strong oil prices support coal market in Europe ▪ French nuclear reactor checks are helping underpin prices ▪ Nuclear and hydro constraints shape the outlook
OTHERS	+11	▪ Malaysia, Philippines and Pakistan are the main drivers which expected to add almost 8 Mt of demand growth ▪ Chile and Mexico will drive growth in Americas
GLOBAL	**+35**	*Nuclear shut down and Chinese domestic supply tightness drive import demand in Asia while nuclear outage in France and weak hydro drive demand in Europe. Strong demand is expected to continue into winter season in Q4.*

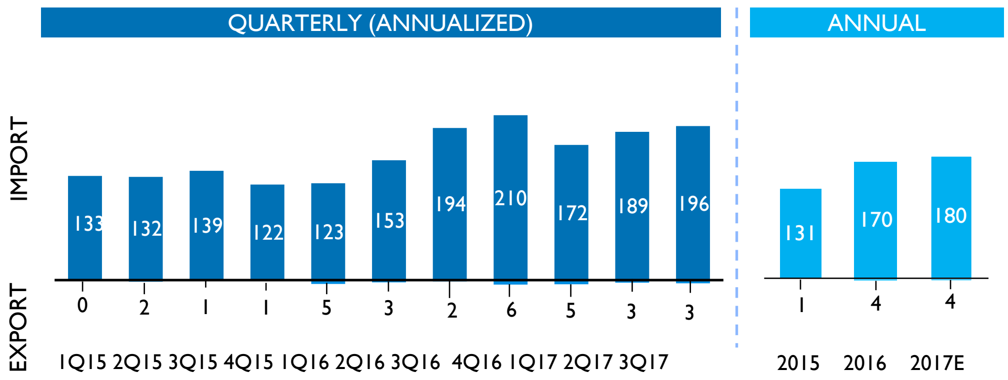
Note: Includes lignite but excludes anthracite

Global supply trends: 2017 vs 2016

GEOGRAPHY	CHANGE 2017-16 (Mt.)	COMMENTS
INDONESIA	+8	▪ Production improves due to less rainfall but Indonesia moving to rainy season in Q4
AUSTRALIA	-2	▪ Strikes tighten supply and will limit supply growth ▪ Japanese reference price was settled at $94.75/t for Oct'17 contract
COLOMBIA	0	▪ Rainfall kept production limited and expected to keep supply tightness through year ended
RUSSIA	+18	▪ Strong margins sustain coal export
S.AFRICA	0	▪ Labour strikes have not significant impact to the shipments due to high stocks but limit export growth
USA	+17	▪ High international price drives coal export
OTHERS	-6	▪ Export from Philippines and Poland are expected to decline
GLOBAL	+35	*US and Russia take benefit from rising demand to increase their exports as other exporting countries faced production constraints from bad weather and strikes. Supply tightness is expected to continue to the end of 2017 as the constraints remained.*

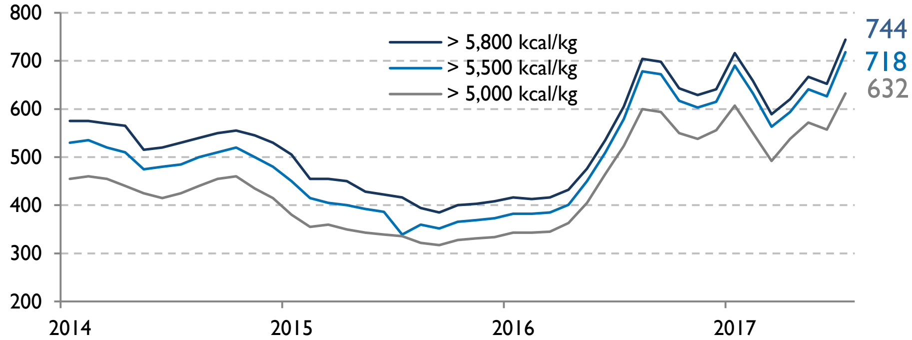
China: supply shortage overheats market

CHINA THERMAL COAL IMPORTS/EXPORTS*
Unit: Mt



Sources: Banpu MS&L estimates

CHINA DOMESTIC COAL PRICES
Unit: RMB/t



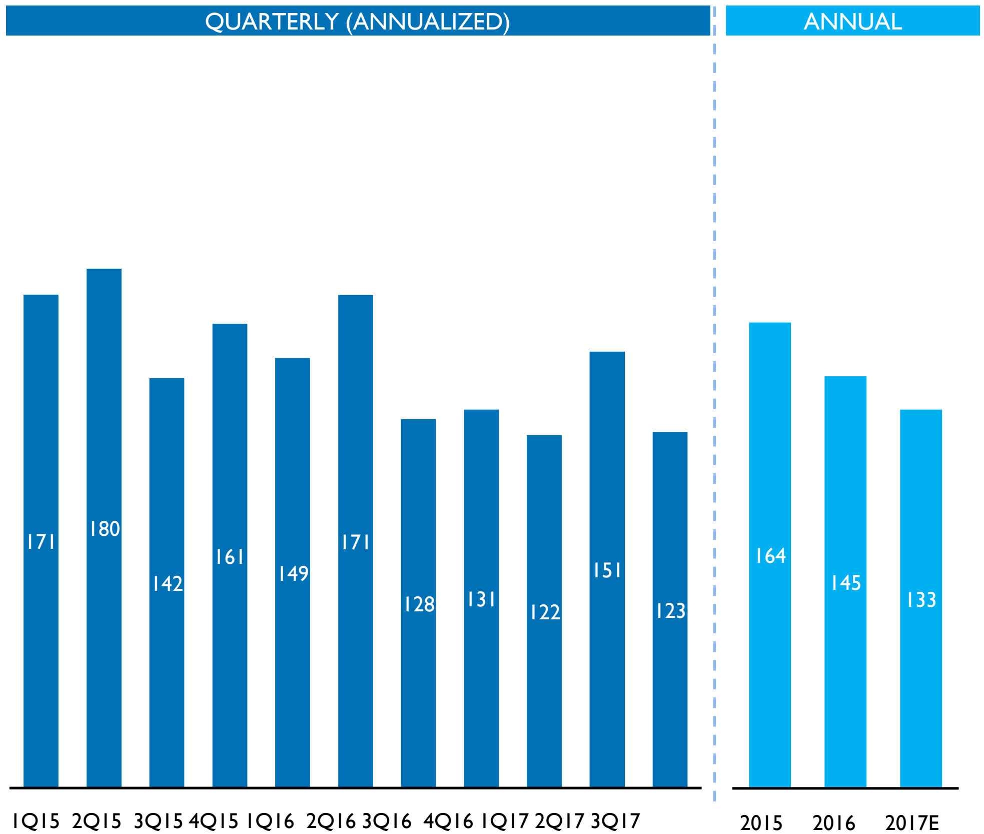
- Domestic thermal coal price for FOB Qinhuangdao 5,500 kcal/kg NAR coal breached RMB700/t in September and likely to strengthen further in Q4
- Supply shortage was the key reason for the price spikes.
- Not seen any clear signs of a substantial increase in coal output yet despite government pushing for speedier thermal coal production.
- Stringent safety inspections are on going and have hindered domestic production
- As end of Q3 2017, thermal coal import remains high but government policy limit growth.
- Winter restocking increased actual demand for coal.
- Supply tightness is unlikely to be relieved rapidly and expected to continue to the end of 2017.

Note: * includes lignite but ...
Source: www.sxcoal.com/cn 7 August 2017

India: domestic supply tightness driving prices up

INDIA THERMAL COAL IMPORTS*

Unit: Mt



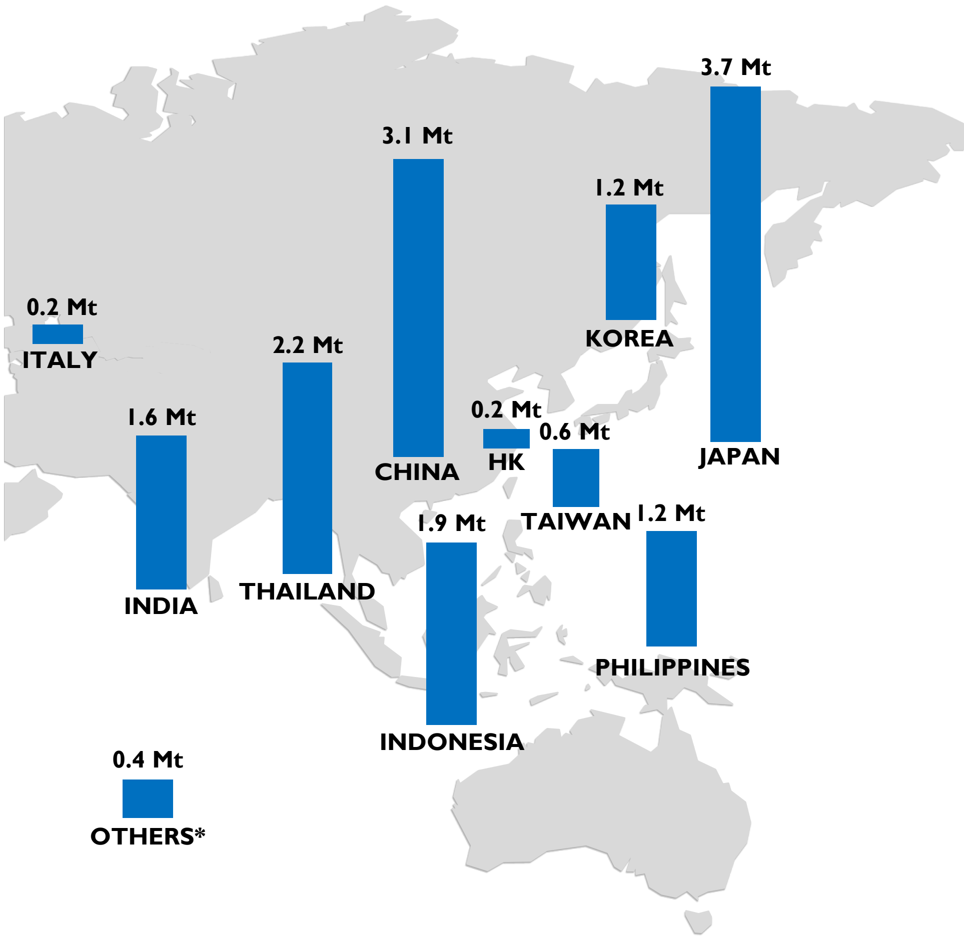
- Domestic coal production were struggled with flooding during monsoon season. Railroads also had impacted as bottlenecks which limited the ability of power plants to get timely coal delivery.
- Strong coal burn due to decline in nuclear , wind and hydro generation post-monsoon.
- Coal stockpiles are at record lows
- Coal prices in India is expected to remain strong in the next few months with the need for utilities to replenish low coal inventories.
- Potential for a speedy ramp up domestic coal production in the last quarter may not possible and could push up demand for seaborne coal.
- Since January 2017, India add 7,800 MW of new coal-fired power plant but 1,980 MW old plants have been retired while 1,320 MW plants were converted into captive power plants and were removed from national grid. Hence, net addition is about 4,500 MW.

Note: * includes lignite grade imp

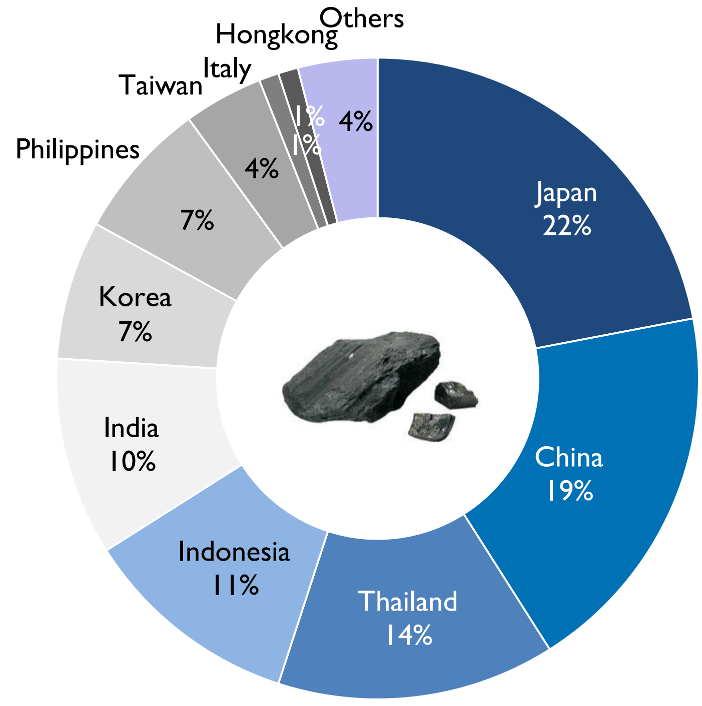
Sources:: Commodity Insights, Banpu MS&L Estimates

ITM coal sales 9M17

COAL SALES BREAKDOWN BY DESTINATION



COAL SALES 9M17

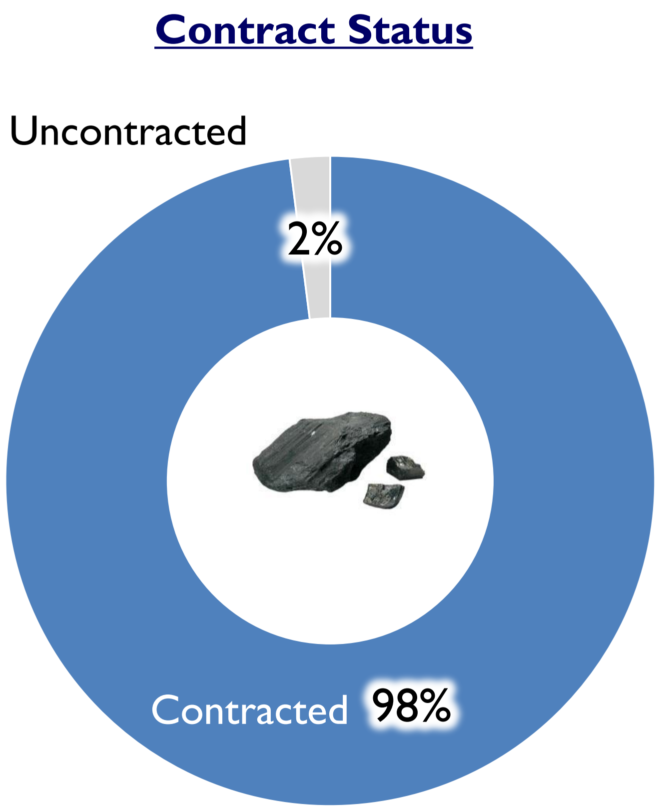


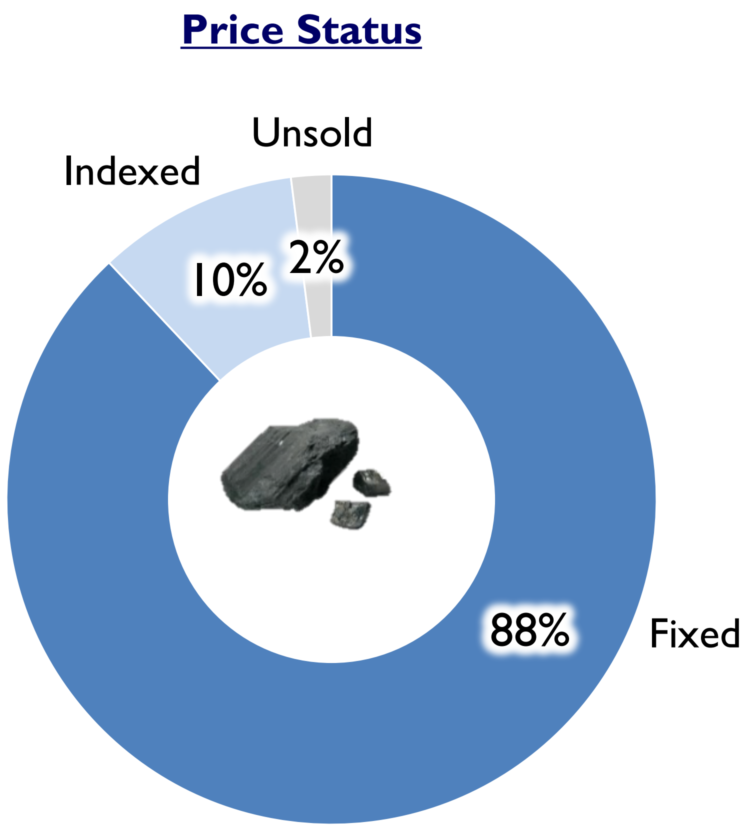
Total Coal Sales 9M17: 16.5 Mt

) Note: Bangladesh, Vietnam, New Zealand

Indicative coal sales 2017

COAL SALES CONTRACT AND PRICING STATUS

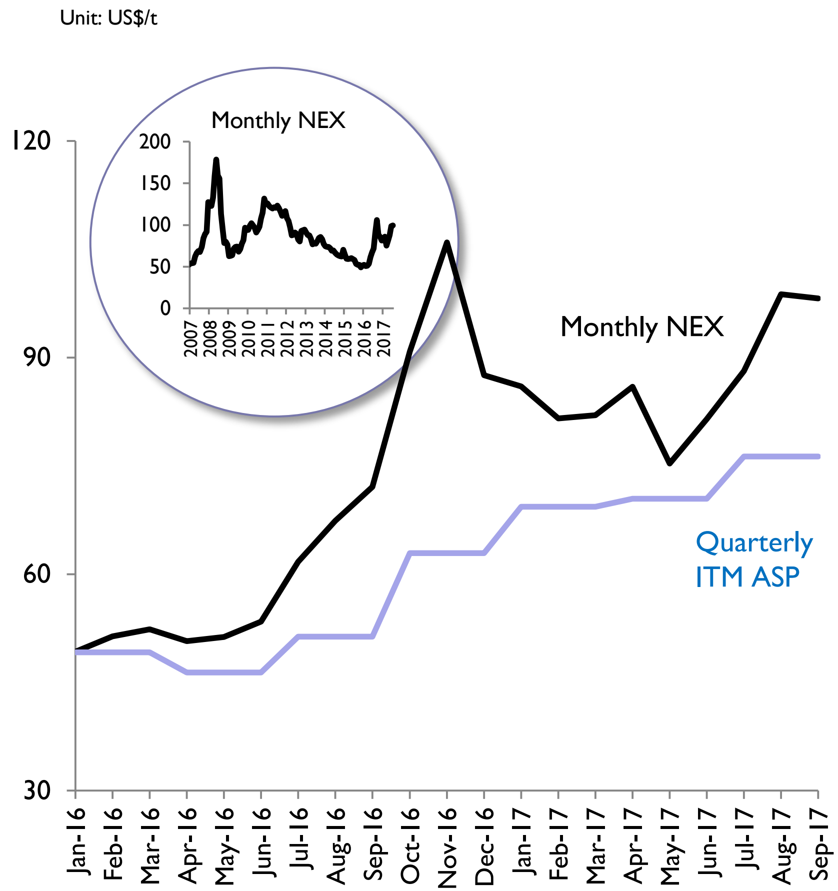




TARGET SALES 2017: 23.5 Mt

ITM ASPs vs thermal coal benchmark prices

ITM ASP VS BENCHMARK PRICES



Note: * Included post shipment price adjustments as well as traded coal
** The Newcastle Export Index (previously known as the Barlow Jonker Index – BJI)

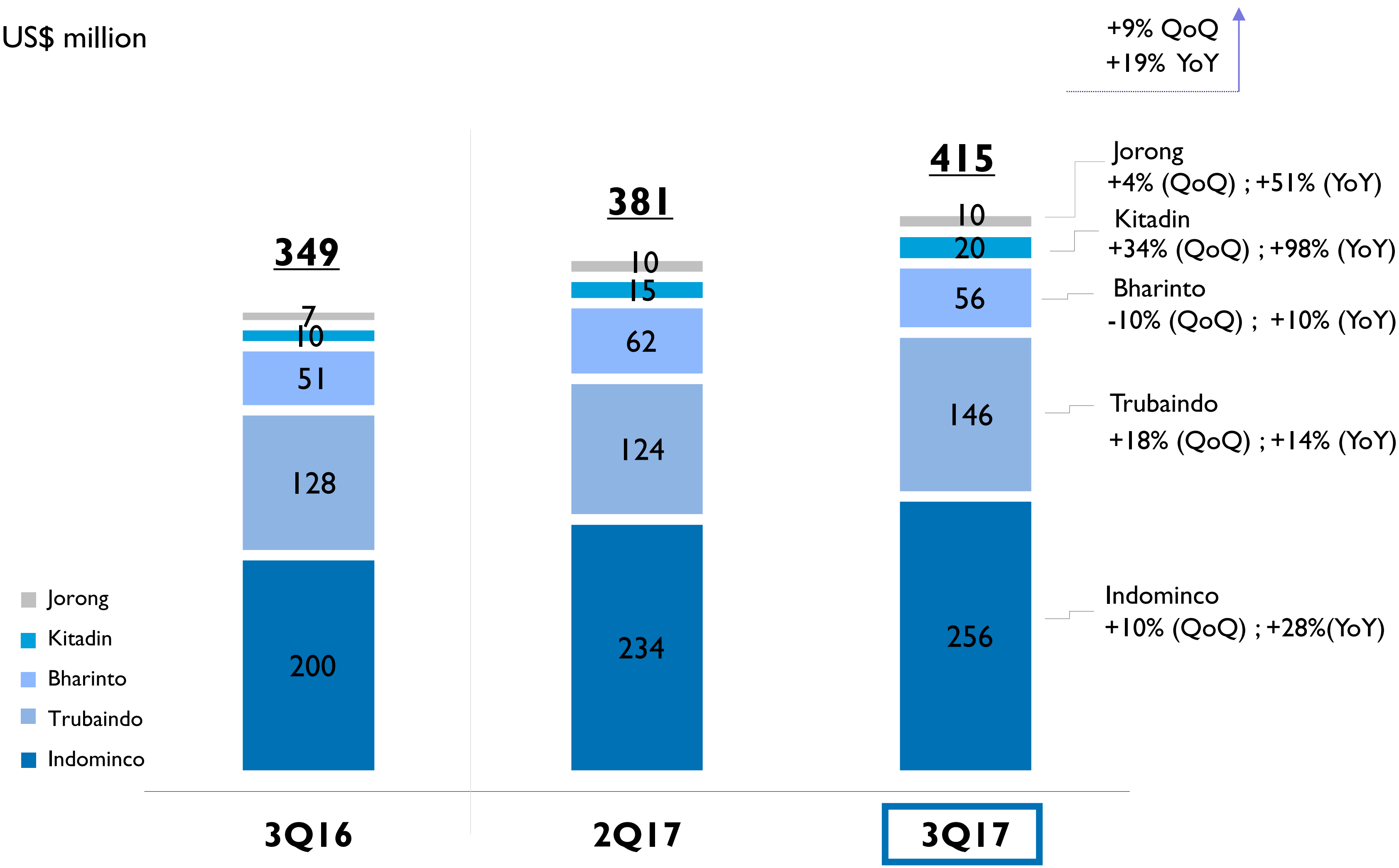
COMMENTS

- 3Q17 ASP firmed according to supply tightness
  - ITM ASP: US$73.9/t* (+8% QoQ)
  - NEX (Nov 10, 2017)**: US$100.7/t
- Market was strong in 3Q17 with significant increased QoQ
- Chinese policy remains a major influence, supply tightness due bad weather expected to continue into 4Q17

Agenda

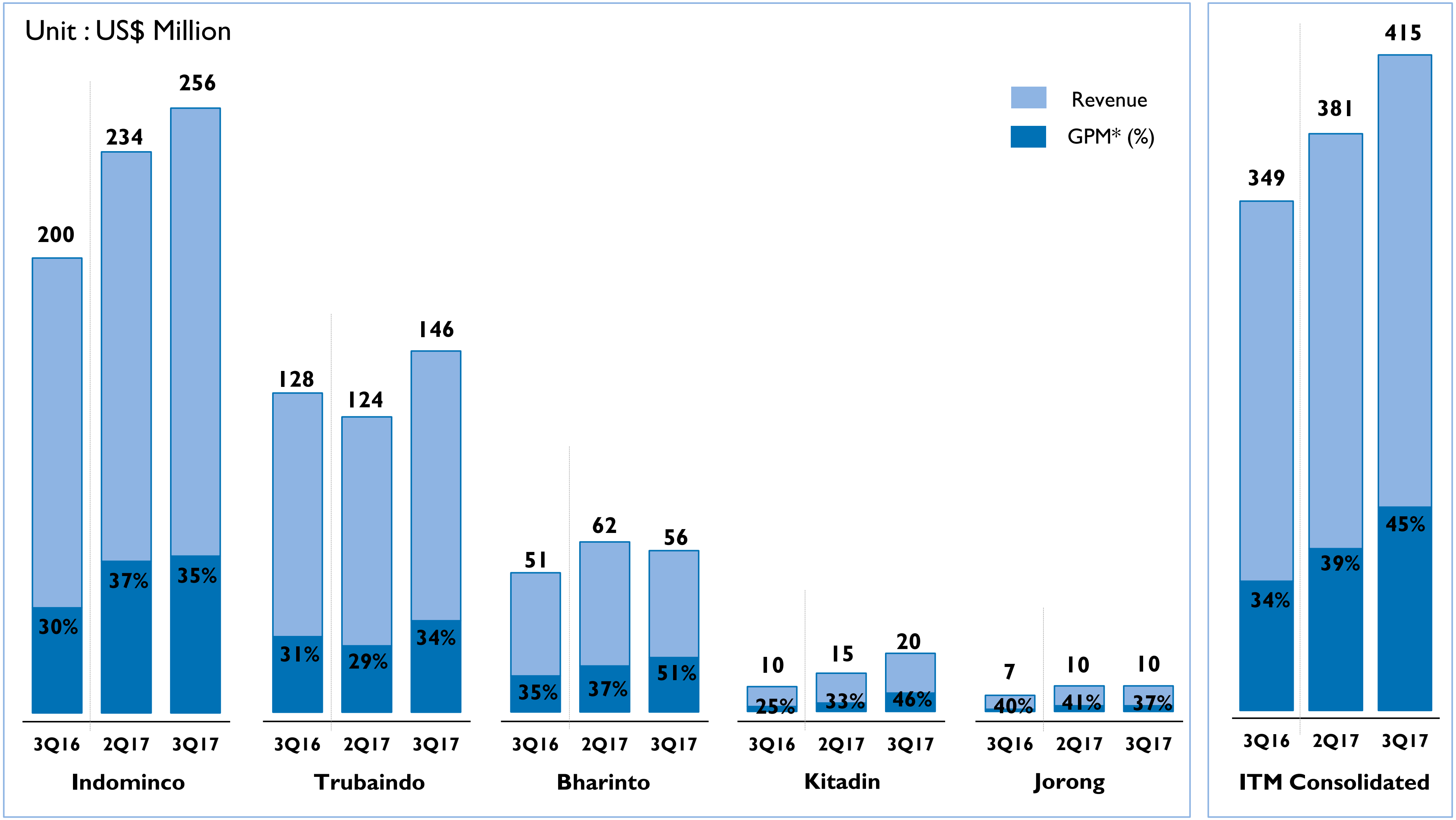
Sales revenue

Unit: US$ million



Note : Total consolidated revenue after elimination

Average gross margin



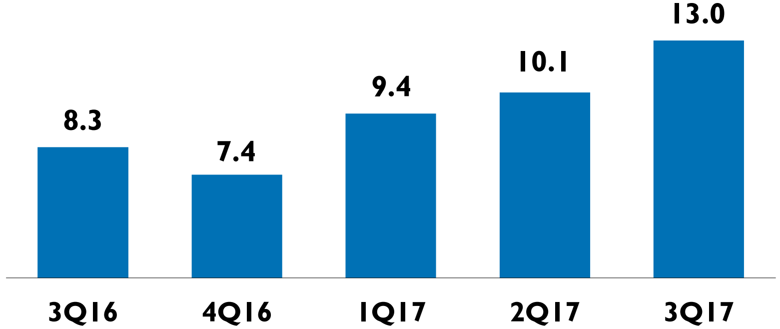
** Gross profit excluding royalty expense*

Cost analysis

WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

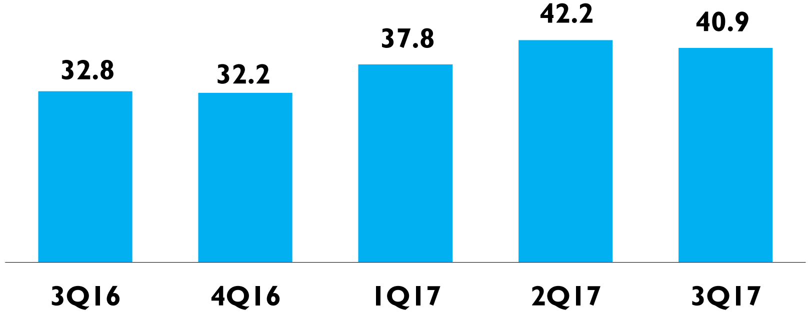
Avg. FY15 : 8.5
Avg. FY16 : 8.1



COST OF GOODS SOLD*

Unit: US$/t

Avg. FY15: $37.0/t
Avg. FY16: $32.1/t

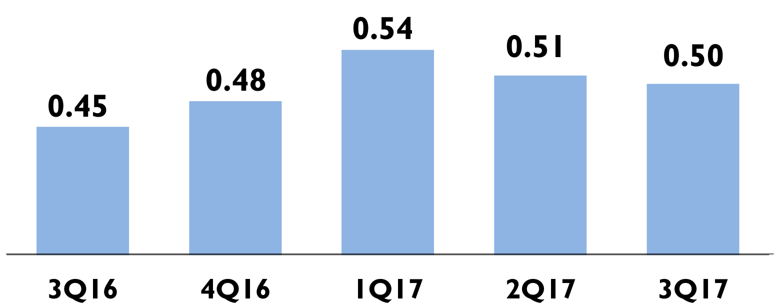


** Excluding royalty*

FUEL PRICE

Unit: US$/Ltr

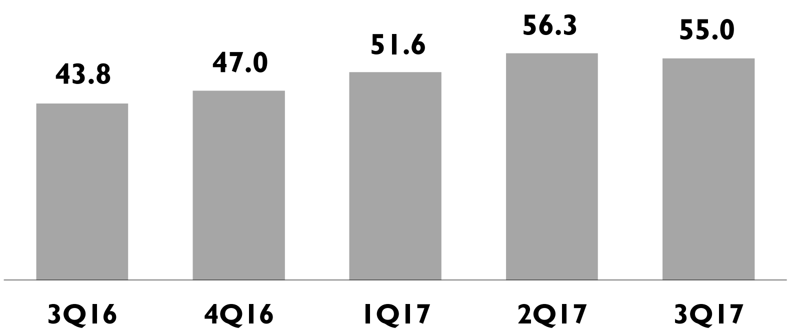
Avg. FY15: $0.55/ltr
Avg. FY16: $0.42/ltr



TOTAL COST**

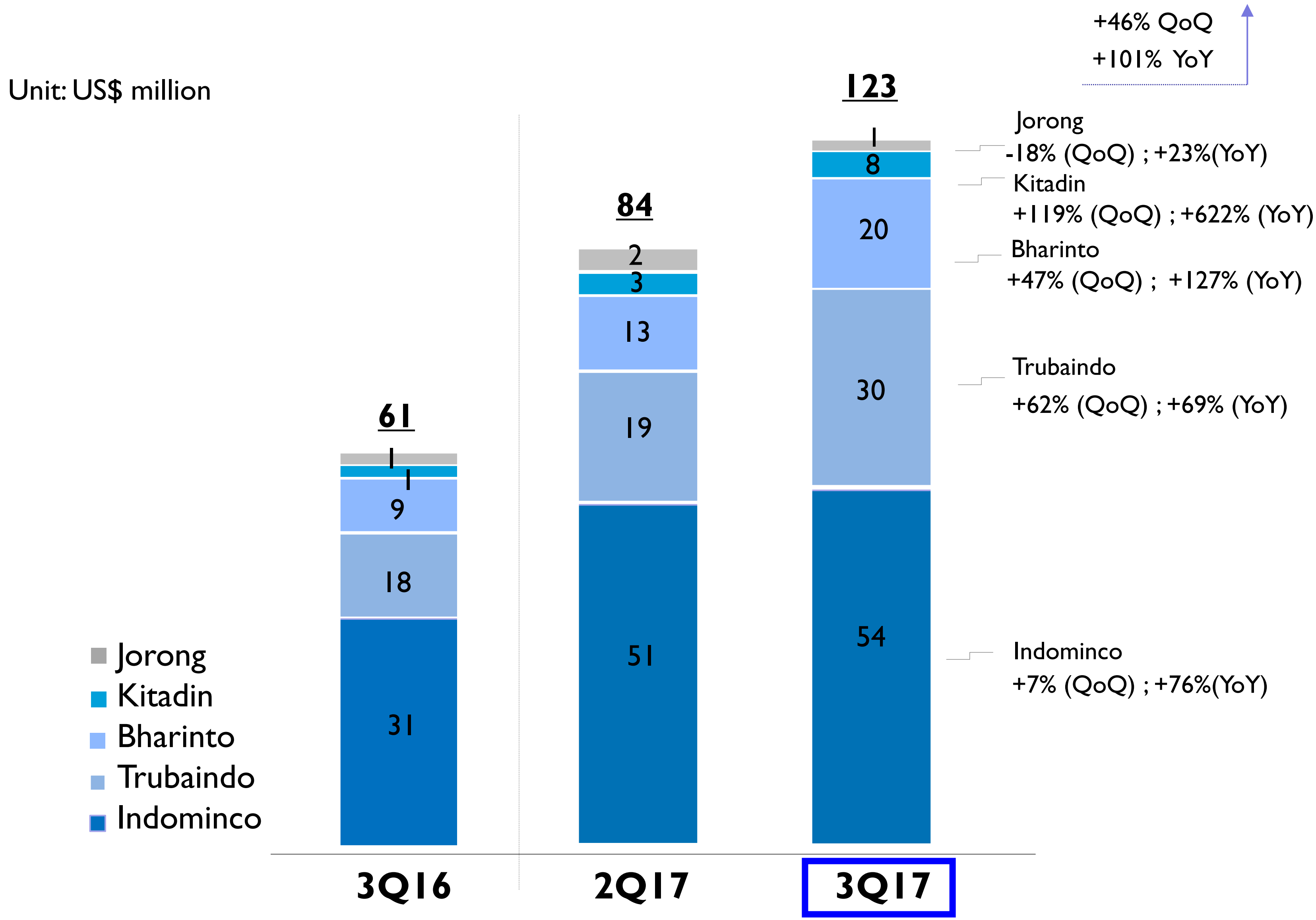
Unit: US$/t

Avg. FY15: $49.5/t
Avg. FY16: $43.8/t



*** Cost of Goods Sold + Royalty + SG&A*

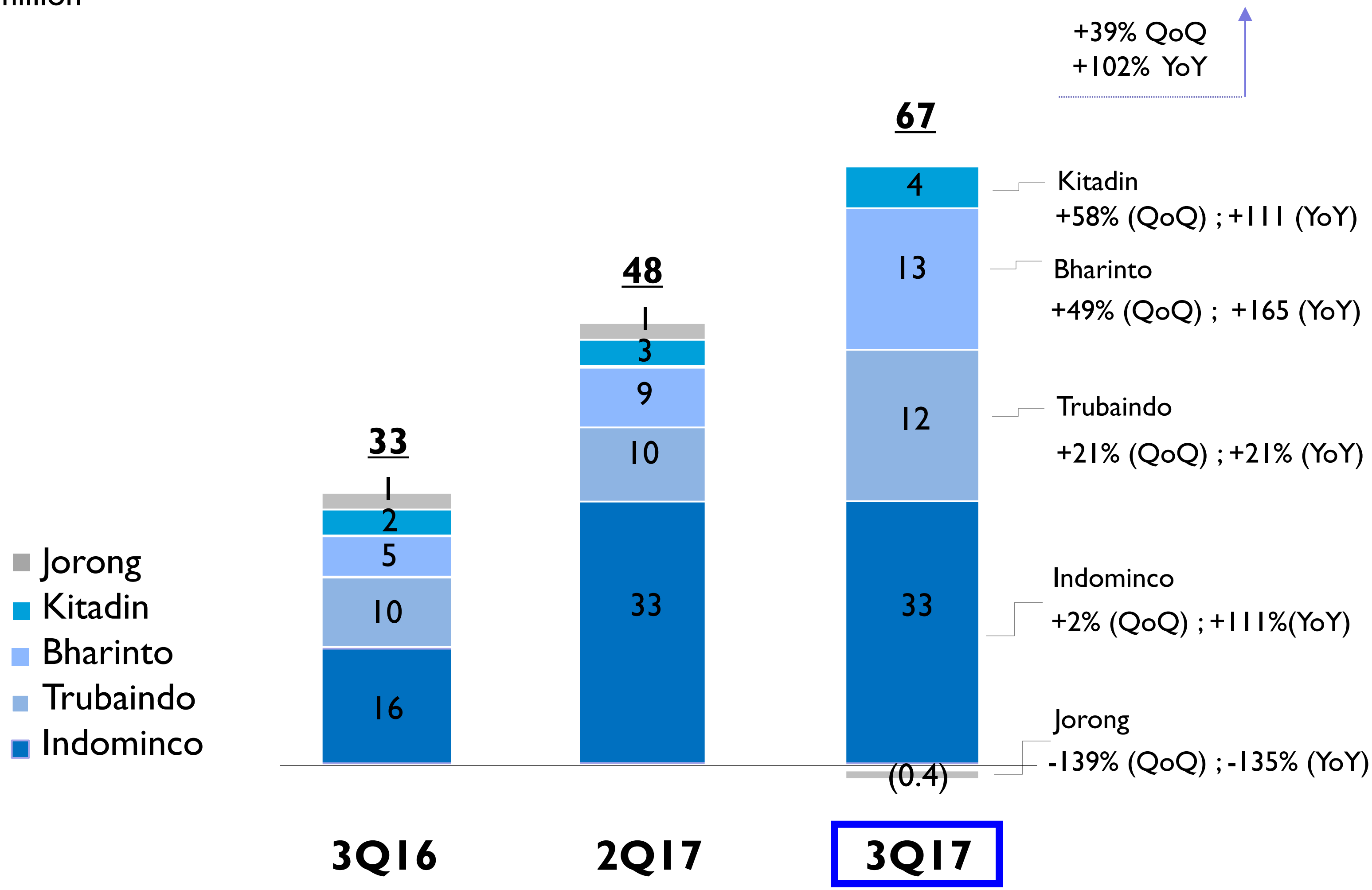
EBITDA



+46% QoQ
+101% YoY
Unit: US$ million
123
84
61
1
1
9
18
31
2
3
13
19
51
1
8
20
30
54
Jorong
-18% (QoQ) ; +23%(YoY)
Kitadin
+119% (QoQ) ; +622% (YoY)
Bharinto
+47% (QoQ) ; +127% (YoY)
Trubaindo
+62% (QoQ) ; +69% (YoY)
Indominco
+7% (QoQ) ; +76%(YoY)
Jorong
Kitadin
Bharinto
Trubaindo
Indominco
3Q16
2Q17
3Q17

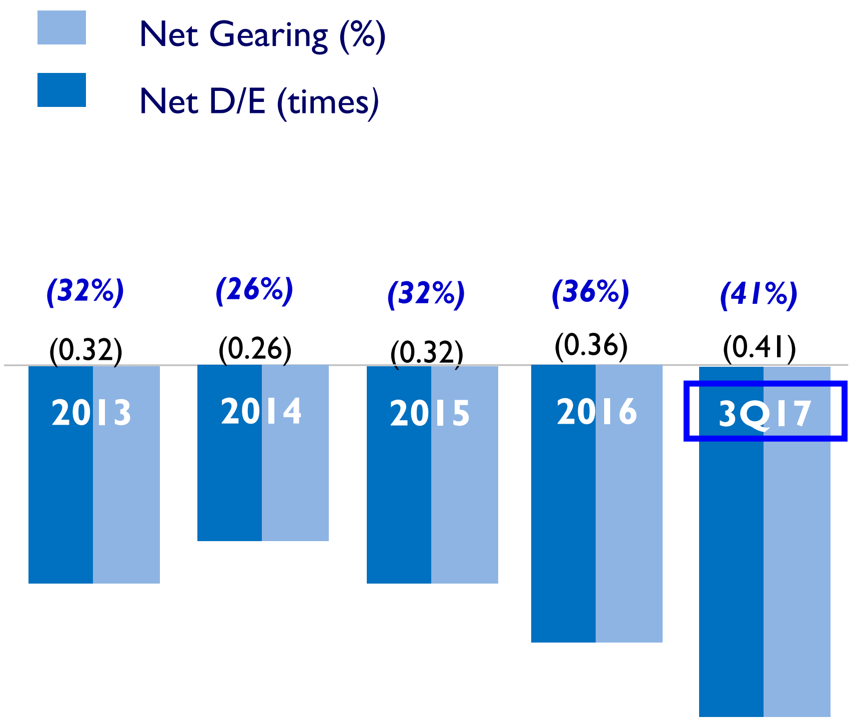
Net income

Unit: US$ million



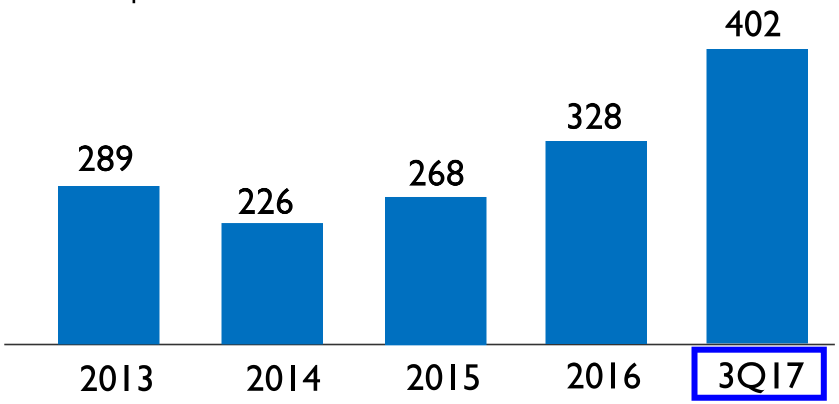
Balance sheet

KEY RATIOS



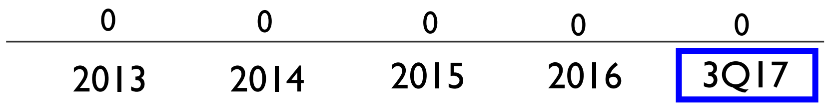
CASH POSITION

Unit: US$ million

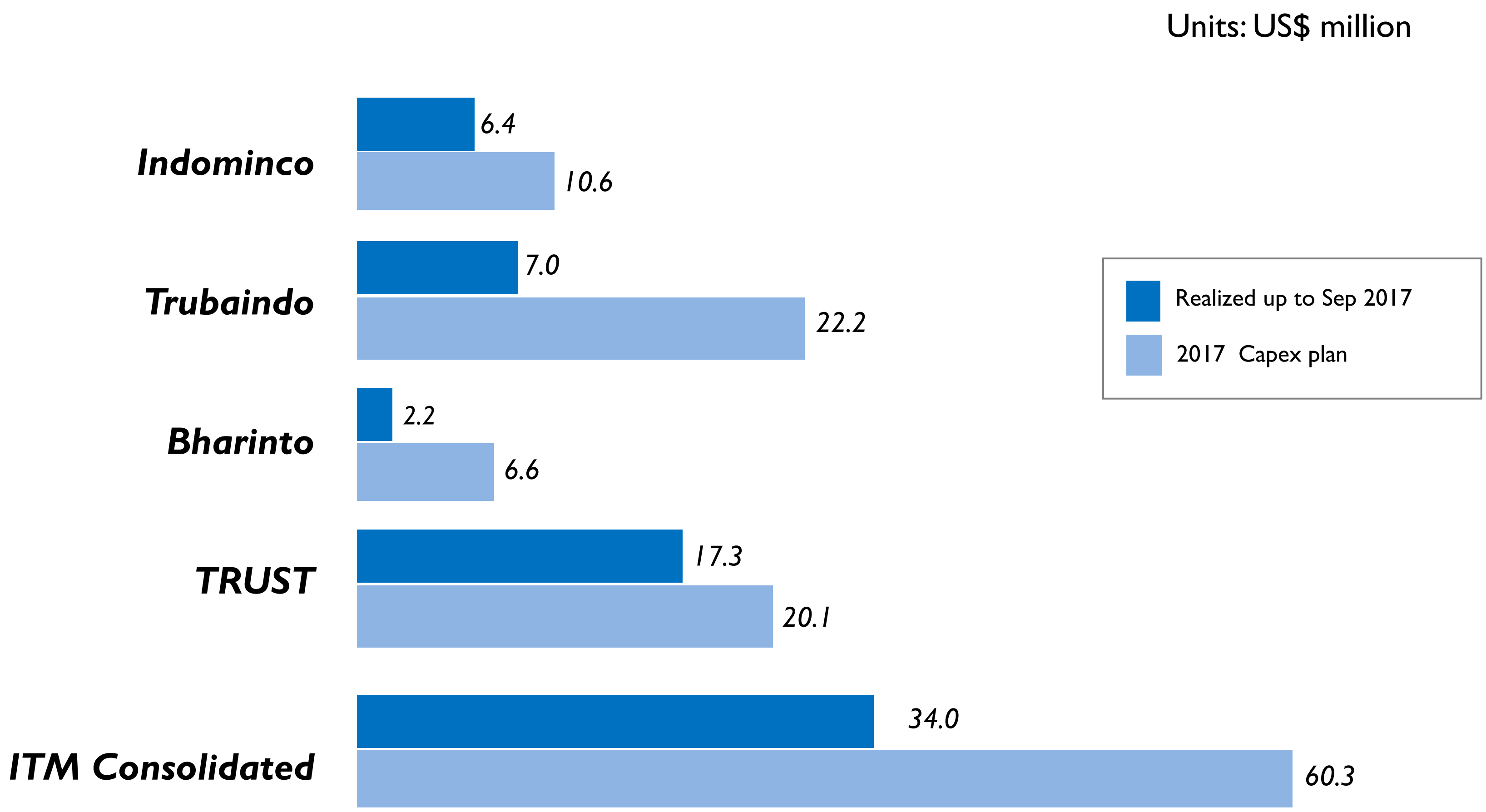


DEBT POSITION

Unit: US$ million



2017 capital expenditure plan



Note: Total capex plan including Jakarta office after elimination

Thank you

Questions & Answers

Appendices

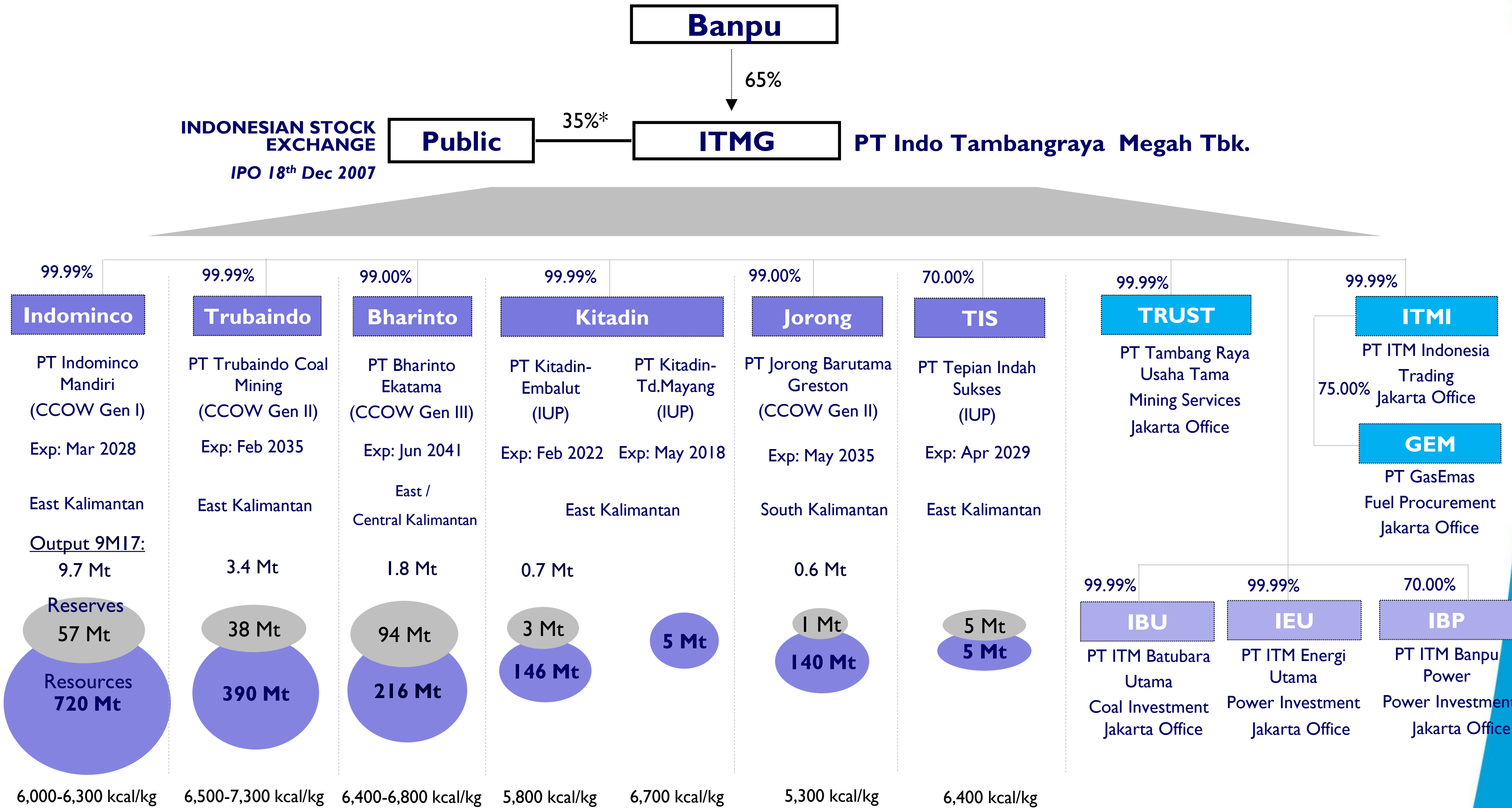
Income statement

Unit: US$ thousand	9M17	9M16	YoY%
Net Sales	**1,163,813**	**958,444**	**21%**
Gross Profit	**346,881**	**193,663**	**79%**
GPM	**30%**	**20%**	
SG&A	(79,782)	(88,623)	
EBIT	**267,099**	**105,040**	**154%**
EBIT Margin	**23%**	**11%**	
EBITDA	**310,274**	**141,757**	**119%**
EBITDA Margin	**27%**	**15%**	
Net Interest Income / (Expenses)	2,050	918	
Derivative Gain / (Loss)	426	(3,619)	
Others	(19,420)	(3,312)	
Profit Before Tax	**250,155**	**99,027**	**153%**
Income Tax	(77,983)	(29,437)	
Net Income	**172,172**	**69,590**	**147%**
Net Income Margin	**15%**	**7%**	

Income statement

Unit: US$ thousand	2Q17	3Q17	3Q16	QoQ%	YoY%
Net Sales	**380,910**	**415,029**	**348,968**	**9%**	**19%**
Gross Profit	**97,598**	**134,338**	**76,314**	**38%**	**76%**
GPM	**26%**	**1%**	**22%**		
SG&A	(27,092)	(26,917)	(30,719)	-1%	-12%
EBIT	**70,506**	**107,421**	**47,866**	**52%**	**124%**
EBIT Margin	**19%**	**2%**	**13%**		
EBITDA	**84,181**	**122,620**	**61,003**	**46%**	**101%**
EBITDA Margin	**22%**	**2%**	**17%**		
Net Interest Income / (Expenses)	638	747	297	17%	152%
Derivative Gain / (Loss)	533	(4,140)	(1,744)	-877%	137%
Others	(1,597)	(12,286)	(608)	669%	1921%
Profit Before Tax	**70,752**	**91,070**	**45,496**	**29%**	**100%**
Income Tax	(22,636)	(24,189)	(12,387)	7%	95%
Net Income	**48,116**	**66,881**	**33,109**	**39%**	**102%**
Net Income Margin	**13%**	**1%**	**9%**		

ITM structure



*: *ITM own 2.95% from share buyback program*

Note: Updated Coal Resources and Reserves as of 31 Dec 2016 based on estimates prepared by Competent Persons (consider suitably experienced under the JORC Code) in 30 Apr 2015 and deducted from coal sales volume in FY16, except for TIS

Strengthening our integration

BANPU'S INTERGRATED ENERGY SUPPLIER STRATEGY

	UPSTREAM	MIDSTREAM	DOWNSTREAM
EXISTING	COAL RESOURCE DEVELOPMENT, MINING	COAL LOGISTICS, TRADING, MARKETING	COAL-FIRED POWER GENERATION
NEW	UNCONVENTIONAL SHALE GAS	FUEL PROCUREMENT, CHEMICALS MARKETING	GAS-FIRED & RENEWABLES BASED POWER
UNDER EVALUATION	OTHER STRATEGIC ENERGY RESOURCES	REGIONAL ENERGY & CHEMICAL MIDSTREAM	SMART ENERGY SYSTEMS
	NEW ENERGY RESOURCES	SUPPLY CHAIN MANAGEMENT	SMART ENERGY