



PT Indo Tambangraya Megah Tbk

Analyst Briefing 4Q17 & FY17 Performance Results

Jakarta, 26 February 2018



1 INTRODUCTION

2 OPERATIONAL REVIEW

3 COMMERCIAL REVIEW

4 FINANCIAL REVIEW

5 QUESTION & ANSWERS

Highlights of 4Q17 and FY17 results



Coal sales
6.5 Mt
 ↑ **Up 0.9 Mt**
 +17% Q-Q

Coal sales
23.1 Mt
 ↓ **Down 3.7 Mt**
 -14% Y-Y

Unit: US\$ million

	<u>3Q17</u>	<u>4Q17</u>	<u>Q-Q</u>	<u>FY16</u>	<u>FY17</u>	<u>y-y</u>
Total Revenue	415	526	+27%	1,367	1,690	+24%
Gross Profit Margin	32%	30%	-2%	24%	30%	+6%
EBIT	107	121	+13%	205	388	+89%
EBITDA	123	137	+12%	269	448	+66%
Net Income	67	80	+20%	131	253	+93%
ASP (USD/ton)	\$73.9	\$80.8	+9%	\$51.0	\$73.0	+43%

2017 in review



\$448M EBITDA (+66%)
\$253M NPAT (+93%)

Despite challenges, ITM still recorded increase in EBITDA and net profit



RESERVES UP 39%

Gross increase in reserves by 77Mt



HIGHER SELLING PRICE

Tight supply pushed price to \$104/t in 4Q17. ITM's ASP increased by 43% to \$73/t in 2017



PRODUCTION HELD UP WELL

22.1 Mt production despite heavy rainfall and mine closure



FUEL COST INITIATIVE

PT GasEmas acquired for cost control and to capture additional margin



COAL MINE ACQUISITION

Additional 4.7 Mt high CV reserves from PT Tepian Indah Sukses acquisition



CORPORATE GOVERNANCE

Obtained several corporate governance awards from several leading institutions



CORP. SOCIAL RESPONSIBILITY

Obtained Gold and Platinum CSR Award 2017 from ICA institution

Awards and achievements in 2017

Best Indonesian Listed Companies

Best CG for non-finance category

Community Development Programs Awards

Runner-up for 2016 Annual Report Award

The Best Runner-up for Best Open-Pit Coal Mining



From Anugerah Bisnis Indonesia Award 2017 for mining sector



From Indonesian Institute for Corporate Directorship (IICD)



Obtain Platinum, Gold and Silver Awards from Indonesian Sustainable Development Goals Awards (ISDA)



From Otoritas jasa Keuangan and Bank Indonesia



Indominco was awarded 1st Runner-Up of the 2017 ASEAN Energy Awards for Best Practice in Surface Coal Mining category

Strategies: 2018 and beyond



CONTRACT MINING

Growing internal contribution

- PT TRUST US\$40 M capex to improve fleet productivity in 2018
- Further study to increase capacity to work at Melak cluster



FUEL PROCUREMENT

Cost control and additional margin

- Supply for own internal use
- Aim for cost reduction
- Build on capacity to sell to 3rd party customer

Capture margins along the value chain

Maximize long term value



COAL MINING

- **Increase reserves**
 - 77 Mt from organic reserves
 - Inorganic – 5Mt last year; continue to explore opportunities
- **Enhance margins** through operational excellence, productivity improvement, and business process enhancement
- **Long term focus** by expanding skills and competitive advantage



COAL TRADING

Blending for value-added

- Targeting 2.5 Mt in 2018
- Ramp up capacity to reach 5 Mtpa by 2020
- Synergy with Banpu to improve coal quality through blending technology



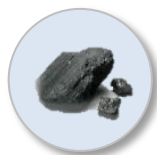
POWER GENERATION

Conventional and renewables

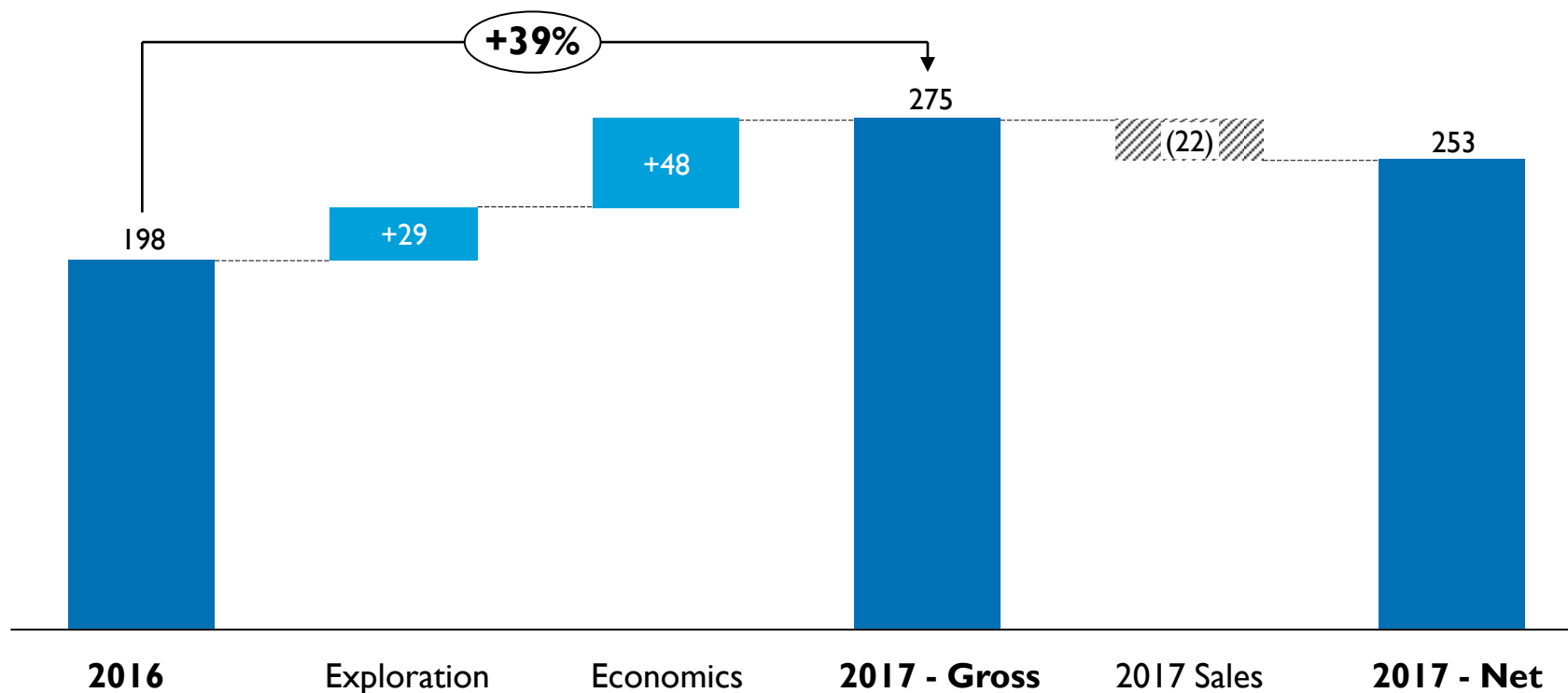
- Actively evaluate new investment opportunities both in conventional and renewable energy
- Participate in bidding power project with PLN
- Synergy with Banpu Power operational expertise

Additional reserves through organic expansion

Unit: Mt



Coal reserves increased by 77 Mt, to 275 Mt



Agenda

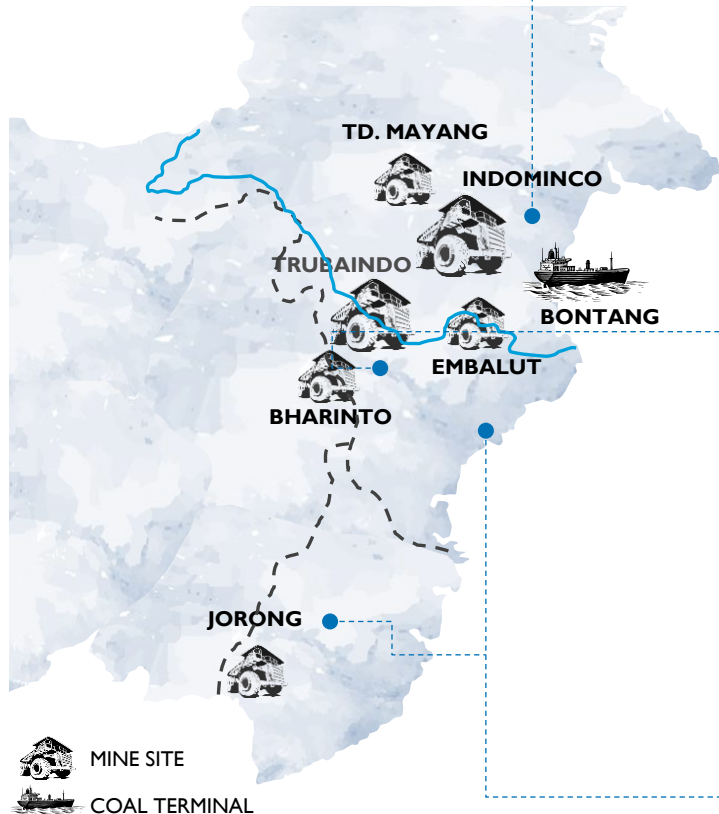
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INDOMINCO

- Indominco production volume 13.0 Mt in 2017 despite heavy rainfall at mine area
- Rationalized capex spending by 86% in 2017
- Indominco achieved Zero Accident Award from East Kalimantan Governor on Mar 2017
- Indominco achieved 1st Runner-up Best Practices in Surface Coal Mining Category by the ASEAN Center for Energy (ACE) in Philippines on Sep 2017.

TRUBAINDO - BHARINTO

- Trubaindo production output achieved 4.9 Mt and Bharinto achieved 2.4 Mt in 2017 despite heavy rainfall
- Trubaindo: rationalized capex spending by 40% in 2017
- Trubaindo achieved 2017 Best Rescue Emergency Response Team (ERT) from Fire Rescue Challenge (BFRC) at Balikpapan
- Bharinto: capex spending increased by 66% in 2017
- Bharinto achieved Zero Accident Award from Ministry of Employment of Indonesia on Jul 2017

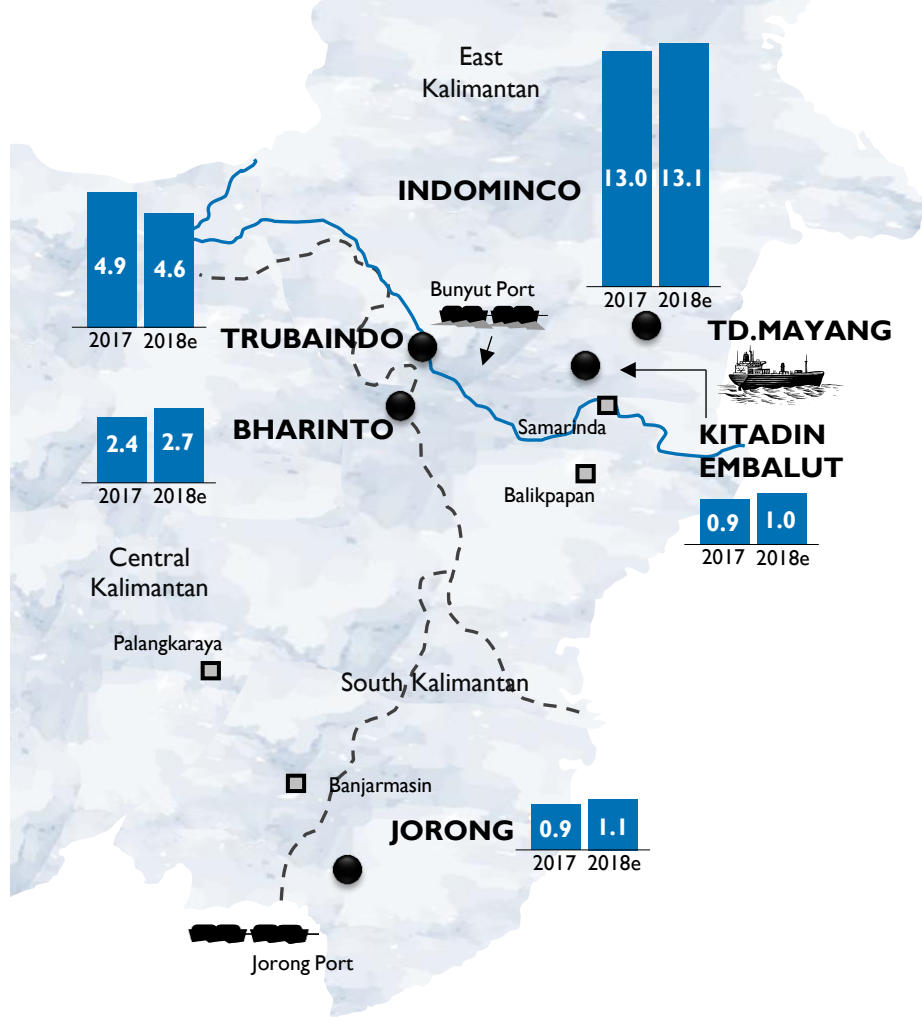
EMBALUT - JORONG

- Embalut production 0.9 Mt and Jorong 0.9 Mt in 2017
- Optimized mining reserves at Embalut mine
- Mine closure plan approved by government for Jorong mine

Operational summary 2017-2018

2017 OUTPUT : 22.1 Mt

2018 TARGET : 22.5 Mt

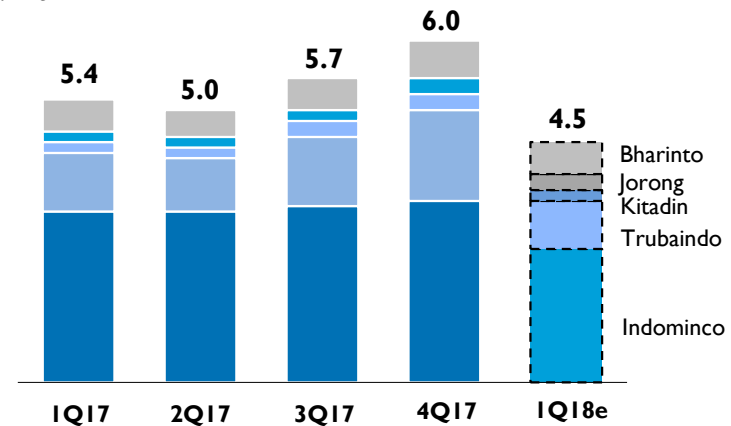


COMMENTS

- 4Q17 total output was lower than target due to heavy rainfall at Indominco and Melak area
- Higher output target in 2018 as compared to 2017
- 1Q18 production target lower YoY due to lower inventory at the end of 2017
- Expect higher SR in 1Q18 as a result of pre-stripping activities

QUARTERLY OUTPUT TREND

Unit: Mt

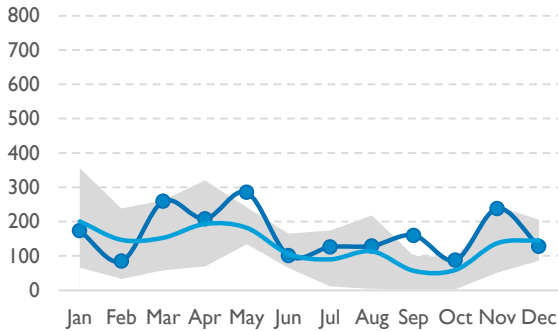


Rainfall 2012 - 2017



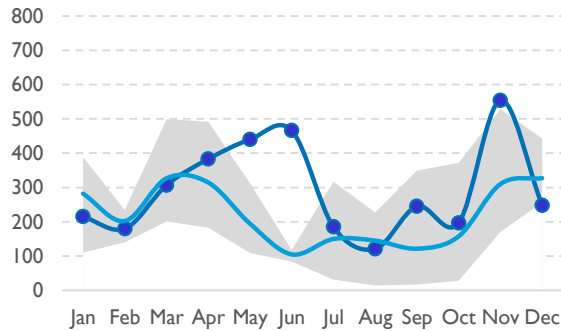
INDOMINCO

Unit: Millimeter



TRUBAINDO & BHARINTO

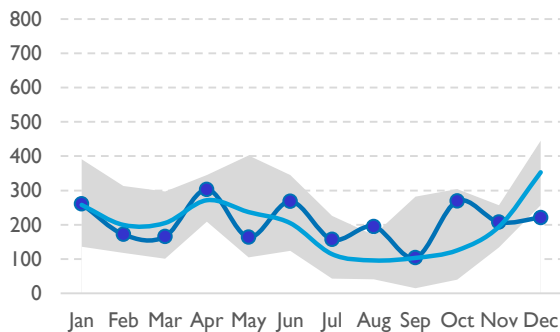
Unit: Millimeter



- Average 2017 rainfall levels at most mines reached highest levels in 6 years since 2010, with June –November’s level up steeply
- Trubaindo & Bharinto rainfall in 4Q17 was higher than expected, which impacts output production
- Jorong rainfall mid 2017 was higher than expected impacting output

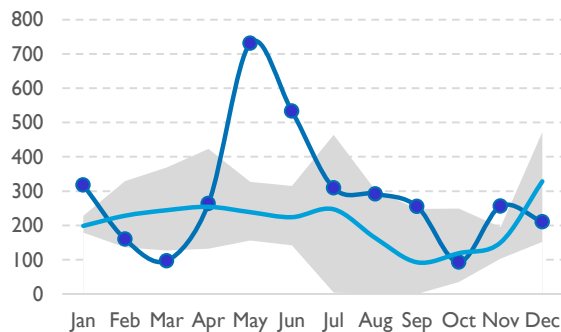
EMBALUT

Unit: Millimeter



JORONG

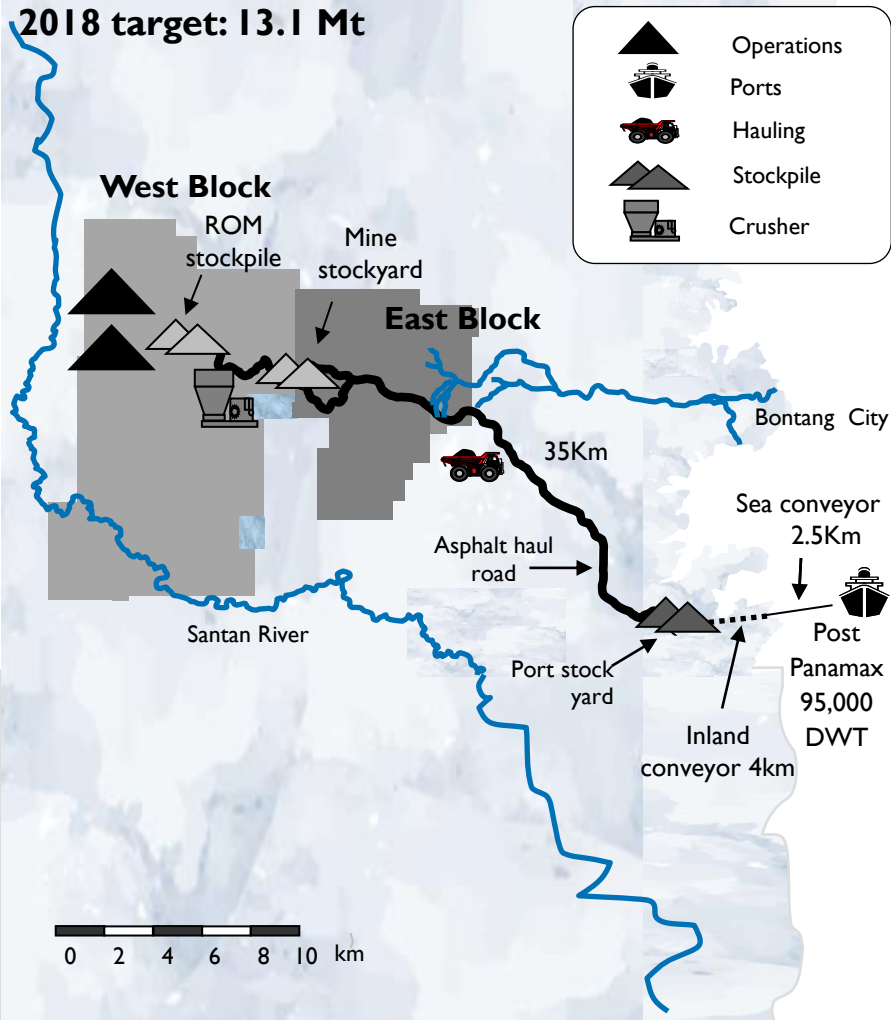
Unit: Millimeter



— 2010–16 average rainfall
 —●— 2017 rainfall
 2010-16 rainfall range

SCHEMATIC

2018 target: 13.1 Mt

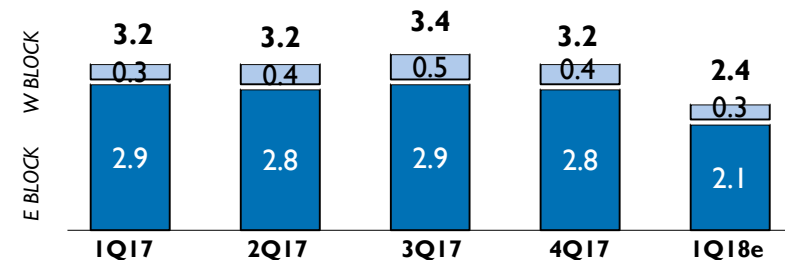


QUARTERLY UPDATES

- 4Q17 production was slightly lower than target due to rainfall affecting the mine production
- Pre-stripping activities in 1Q18 as a result of optimized coal reserves at pit area
- Average strip ratio in 2018 is expected to be higher than 2017 to optimize coal reserves

QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t



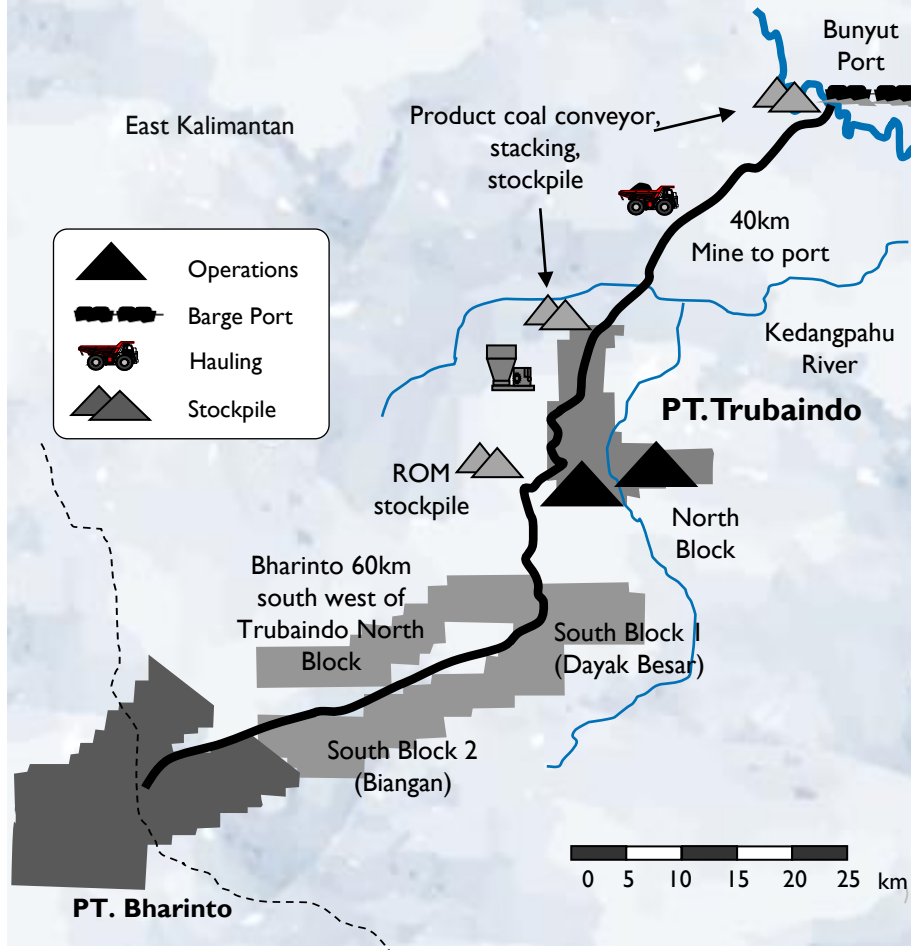
*SR based on FC coal

**SR FY17 IMM: 11.8, WB: 23.9, EB: 10.2

Melak group – Trubaindo and Bharinto

SCHEMATIC

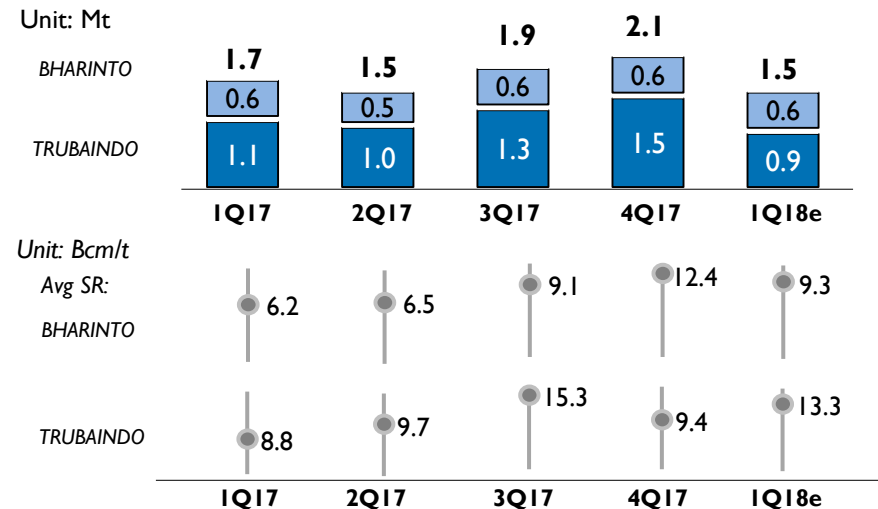
2018 target: TCM 4.6 Mt
BEK 2.7 Mt



QUARTERLY UPDATES

- Trubaindo:
 - 4Q17 production lower than target due to weather condition at Trubaindo area
 - Continue hauling road improvement program from Trubaindo to Bharinto area, expected to be completed by mid of 2018.
- Bharinto:
 - 4Q17 production was lower than target due to heavy rainfall affecting mine production.

QUARTERLY OUTPUT



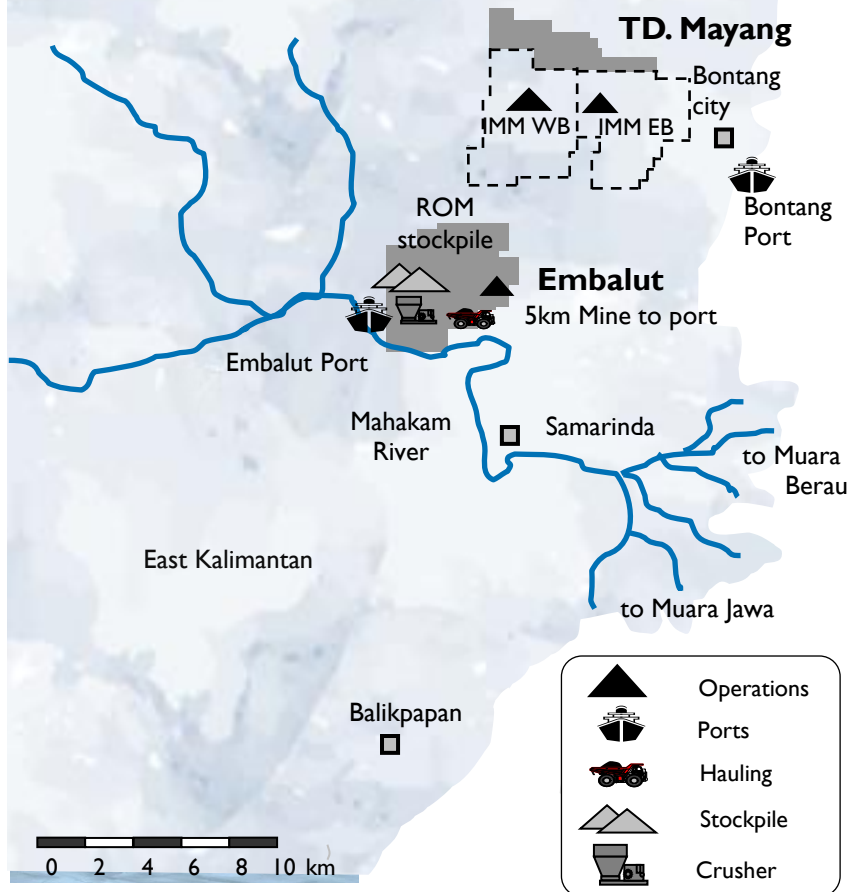
*SR based on FC coal

**SR FY17 TCM: 10.9, BEK: 8.6

Kitadin Embalut and Tandung Mayang

SCHEMATIC

2018 target: EMB 1.0 Mt



QUARTERLY UPDATES

- Kitadin Embalut:
 - 4Q17 production achieved according to target
 - Further study to optimize coal reserves
- Kitadin Td. Mayang:
 - Continue mine closure activities including mine rehabilitation.

QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

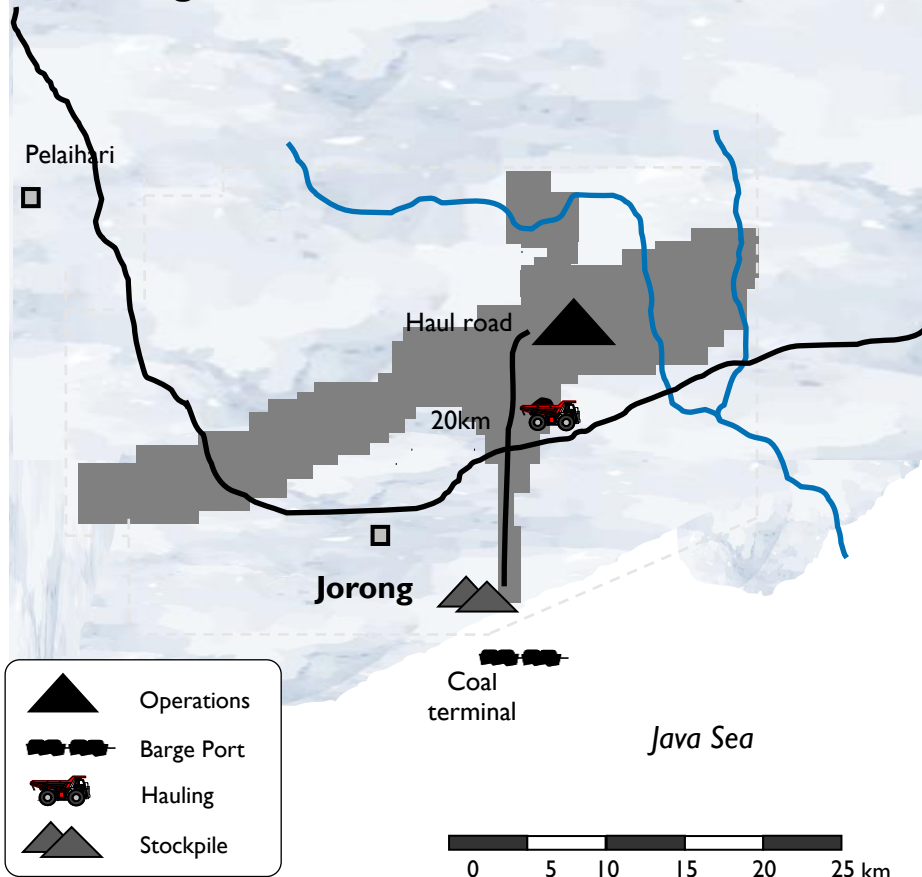
Avg SR:



*SR based on FC coal **SR FY17 EMB: 12.2

SCHEMATIC

2017 target: 1.1 Mt

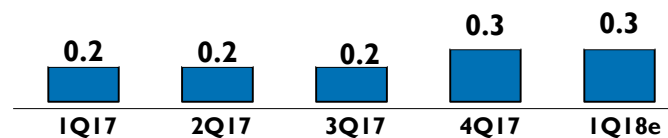


QUARTERLY UPDATES

- 4Q17 production achieved according to target
- Remaining mine reserves will be depleted by 2019 and mine closure plan approved by government.

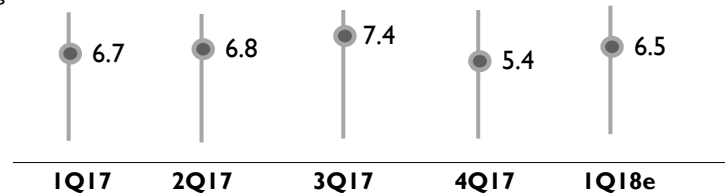
QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

Avg SR:



*SR based on FC coal

***SR FY17 JBG: 6.4

Agenda

1 INTRODUCTION


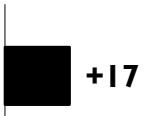



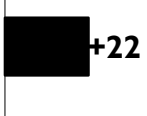



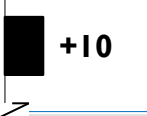

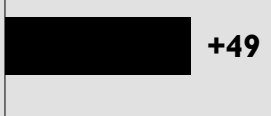
2 OPERATIONAL REVIEW

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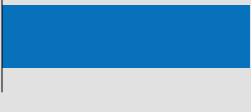
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Global demand trends: 2017 vs 2016

GEOGRAPHY	CHANGE 2017-16 (Mt.)	COMMENTS
 CHINA	 +17	<ul style="list-style-type: none"> ▪ Strong winter demand and gas shortages boosted coal consumptions ▪ Tighter supply drives coal prices rally. ▪ Temporary lifted coal import ban support imports.
 INDIA	 -8	<ul style="list-style-type: none"> ▪ Decline in hydro and nuclear power generation lifted coal burns. ▪ Domestic supply problems persist driven non-power consumers to use imported coal ▪ Pet coke ban increased import demand
 OTHER N.ASIA	 +22	<ul style="list-style-type: none"> ▪ Strong winter demand in North Asia ▪ 10 nuclear reactors in South Korea are shutdown during winter for safety checks ▪ Most of nuclear reactors in Japan remain shutdown
 EUROPE	 +8	<ul style="list-style-type: none"> ▪ Cold weather and low hydro supported coal burn. ▪ Delays in restarting nuclear reactors and full review of French nuclear regulator increased coal generation ▪ Turkey commenced 2x660 MW coal-fired power plants in Q4-2017
 OTHERS	 +10	<ul style="list-style-type: none"> ▪ Malaysia, Philippines, Vietnam and Pakistan are the main drivers which expected to add 9 Mt of demand growth ▪ Mexico drives growth in Americas
 GLOBAL	 +49	<p><i>Strong imported coal demand due to cold weather, nuclear outages, growing economy and continued Chinese domestic supply tightness. High oil prices and US dollar weakness also impacts spot prices. Strong demand is expected to continue into Q1-2018 as cold weather remains.</i></p>

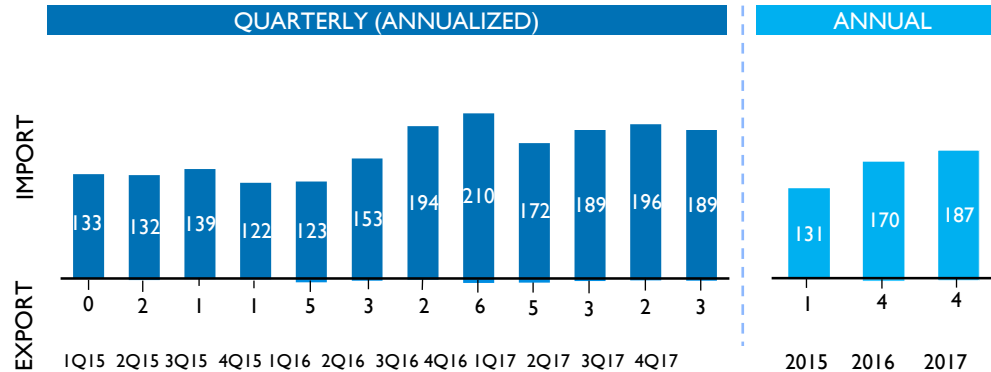
Global supply trends: 2017 vs 2016

GEOGRAPHY	CHANGE 2017-16 (Mt.)	COMMENTS
 INDONESIA	 +21	<ul style="list-style-type: none"> Substantial growth despite heavy rainfall almost the whole year. Slower domestic demand growth supported export.
 AUSTRALIA	0	<ul style="list-style-type: none"> Strikes continued tighten supply in Q4-2017 Bad weather and rail maintenance is expected to hamper coal shipments in Q1-2018.
 COLOMBIA	 -5	<ul style="list-style-type: none"> Torrential rain curbed production and exports.
 RUSSIA	 +16	<ul style="list-style-type: none"> Freezing conditions cause transport delays and impact port loadings. Strong margins continued support coal exports.
 S.AFRICA	 +7	<ul style="list-style-type: none"> High exports in Q4-2017 despite bad weather disrupted loading activity Shareholders pushed RBCT to increase exports in Q4 to avoid take-or-pay rail charges in 2017.
 USA	 +21	<ul style="list-style-type: none"> Suppliers lifted exports to capture more favourable prices in international market. Weaker US dollar helped to support the price of coal export.
 OTHERS	 -3	<ul style="list-style-type: none"> Exports from Philippines and Poland are declined
 GLOBAL	 +57	<p><i>Bad weather continued curtail supply in Asia and open opportunity for supply from US and Colombia. Chinese production recovered slowly while heavy snow continued delay coal transport. Supply tightness expected to continue into Q1-2018.</i></p>

China: demand up, supply constrained, drives prices

CHINA THERMAL COAL IMPORTS/EXPORTS*

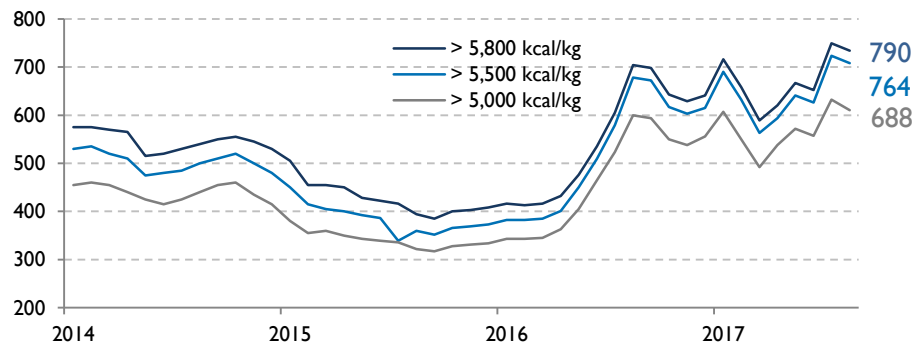
Unit: Mt



Sources: Banpu MS&L

CHINA DOMESTIC COAL PRICES

Unit: RMB/t



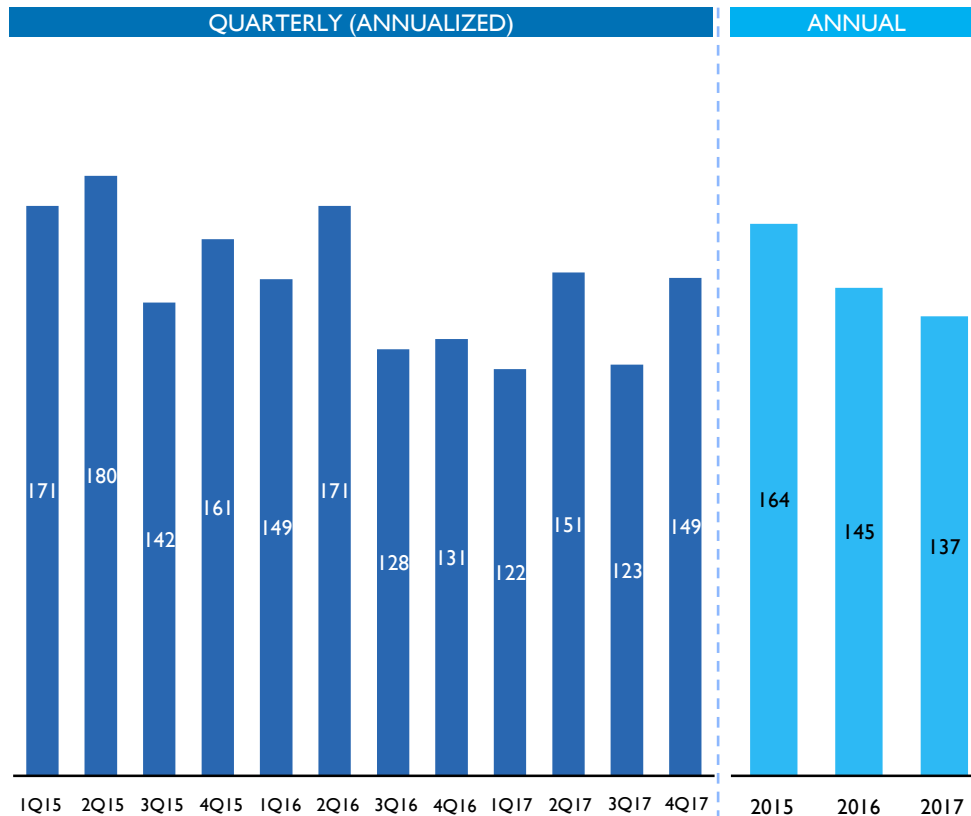
- Stably growing economy, cold temperature and gas shortages pushed up thermal coal demand.
- Domestic supply recovered slowly due to ongoing safety inspection.
- Railway bottlenecks due to snow delayed coal transport in the north
- Domestic thermal coal prices rose significantly above RMB700/t at end of 2017
- Government intervened markets aiming to stabilize coal prices.
 - Asked coal producers and end users signed long-term contracts for 2018 with higher contract volume aiming to reduce the size of spot market to curtail the impact of high spot prices on industries.
 - Lifted coal import ban from late December 2017 to 15 February 2018 for the coal using for electricity generation to increase supply to match stronger demand.
 - Relaxed production controls and urged producers to release new supply.
- Supply tightness is likely to continue into Q1-2018

India: domestic supply issues driving coal imports



INDIA THERMAL COAL IMPORTS*

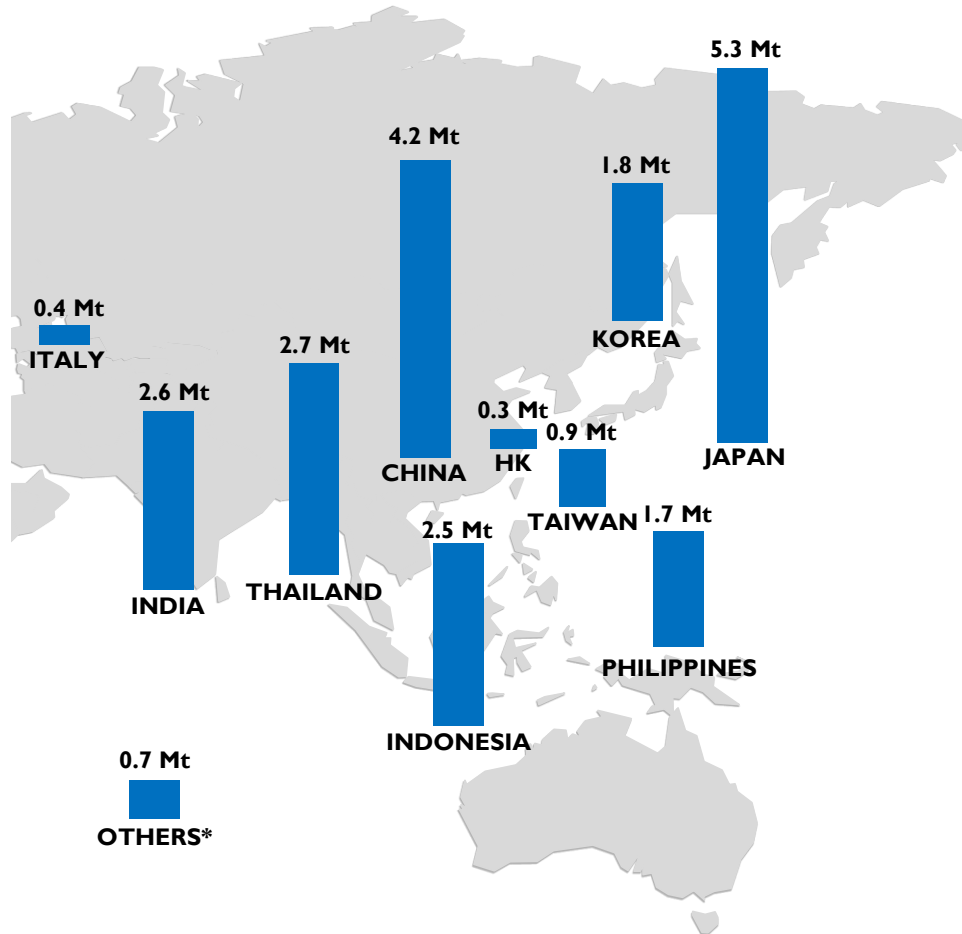
Unit: Mt



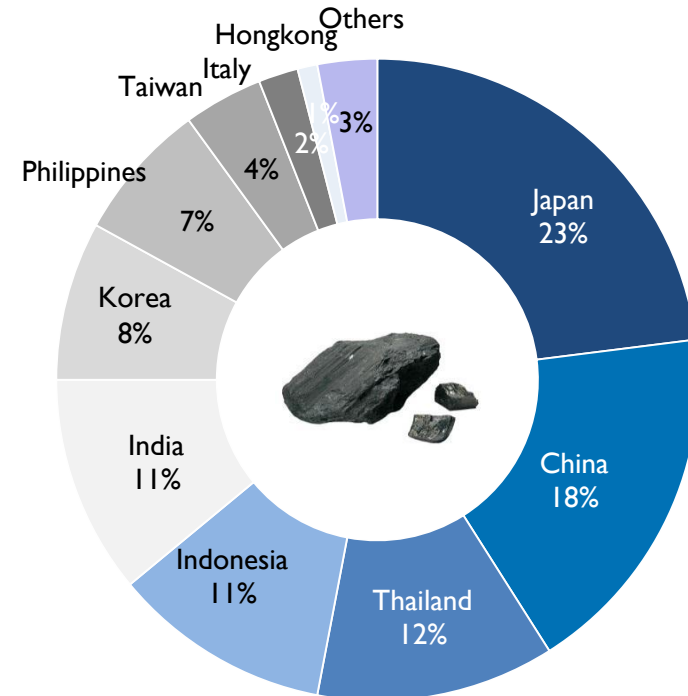
- Coal shortages restricted operations of 12 GW coal-fired capacity in Q4-2017.
- A steep decline in power plant stocks forced utilities to reduce generation, leading to unscheduled power cuts affecting different parts of the country.
- Coal India Ltd (CIL) prioritized supply to grid-connected power plants, less volume was available for sales in spot market.
 - *Captive power plants and other consumers experienced tighter supply, led to higher reliance on imported coal.*
- With stricter environmental regulation on petroleum coke use and higher import tariffs, US thermal coal imports were increased over the past few months.
- Government allows mines to expand up to 40% of its capacity without conducting a public hearing in order to ramp up supply.
- CIL announces ~10 % price increase for all grades of domestic thermal coal to offset the impact of a higher wage bill

ITM coal sales FY17

COAL SALES BREAKDOWN BY DESTINATION



COAL SALES FY17



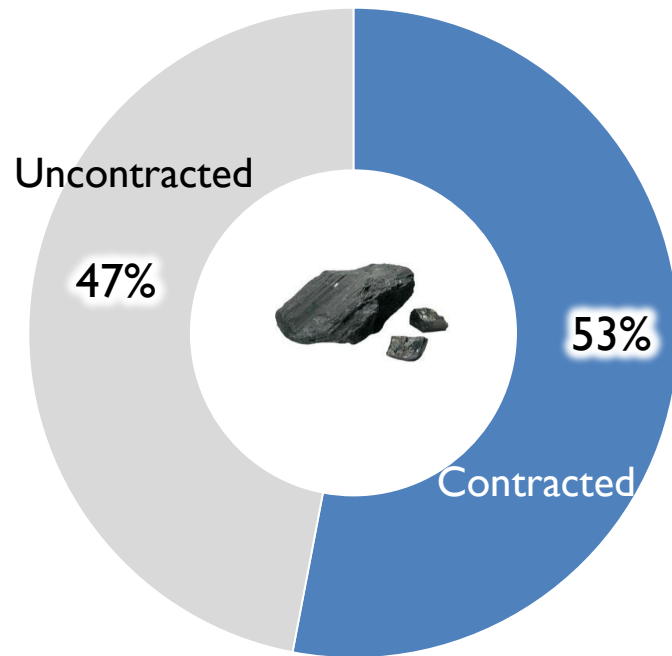
Total Coal Sales FY17: 23.1 Mt

*) Note: Bangladesh, Vietnam, New Zealand

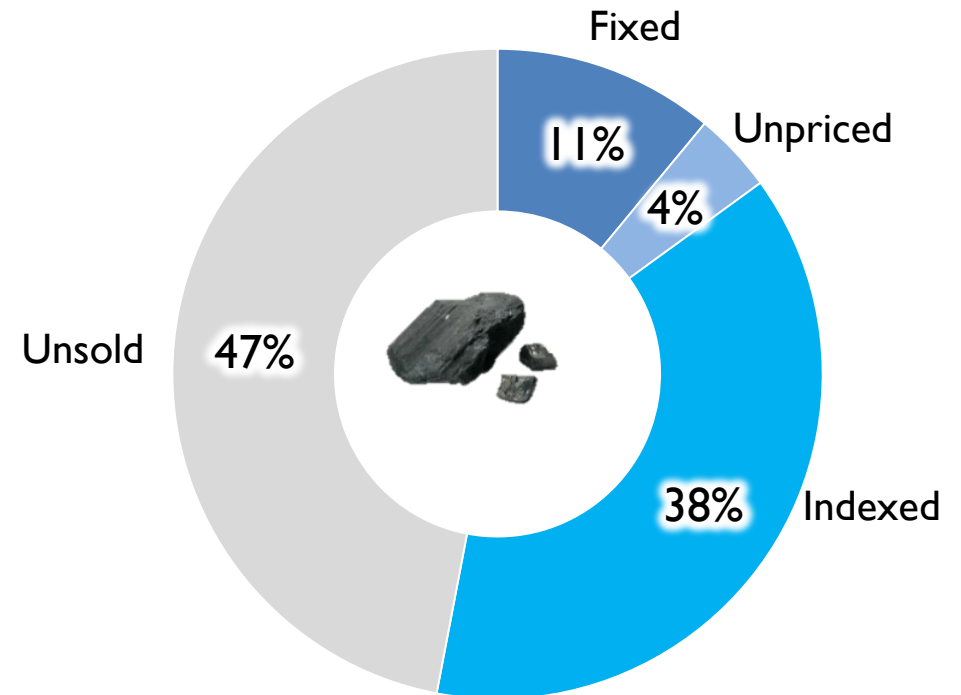
Indicative coal sales 2018

COAL SALES CONTRACT AND PRICING STATUS

Contract Status



Price Status



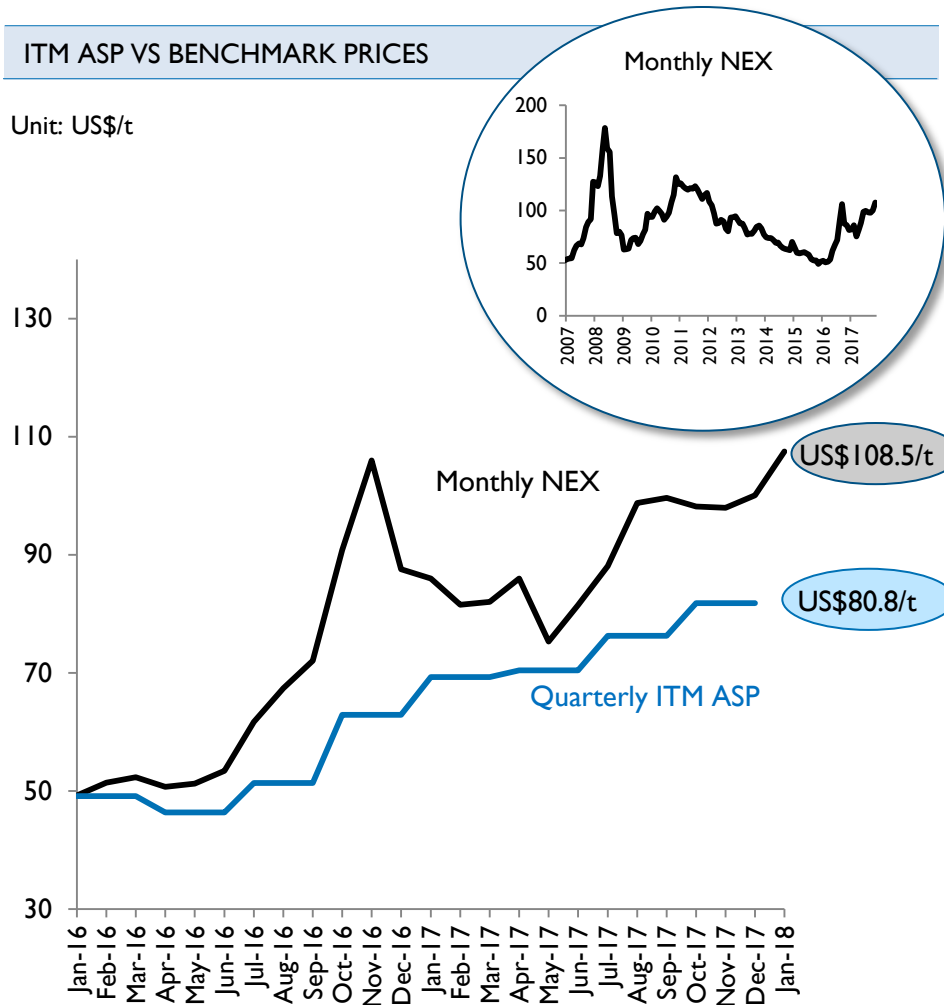
TARGET SALES 2018: 25.0 Mt

Banpu ASPs vs thermal coal benchmark prices



ITM ASP VS BENCHMARK PRICES

Unit: US\$/t



COMMENTS

- 4Q17 ASP firmed according to supply tightness
 - ITM ASP: US\$80.8/t* (+9% QoQ)
 - NEX (Feb 23, 2018)**: US\$108.9/t
- Market continued strong in 4Q17 with significant increased QoQ
- Supply tightness expected to continue into 1Q18 due to bad weather, together with strong winter demand.

Note: * Included post shipment price adjustments as well as traded coal

** The Newcastle Export Index (previously known as the Barlow Jonker Index – BJI)

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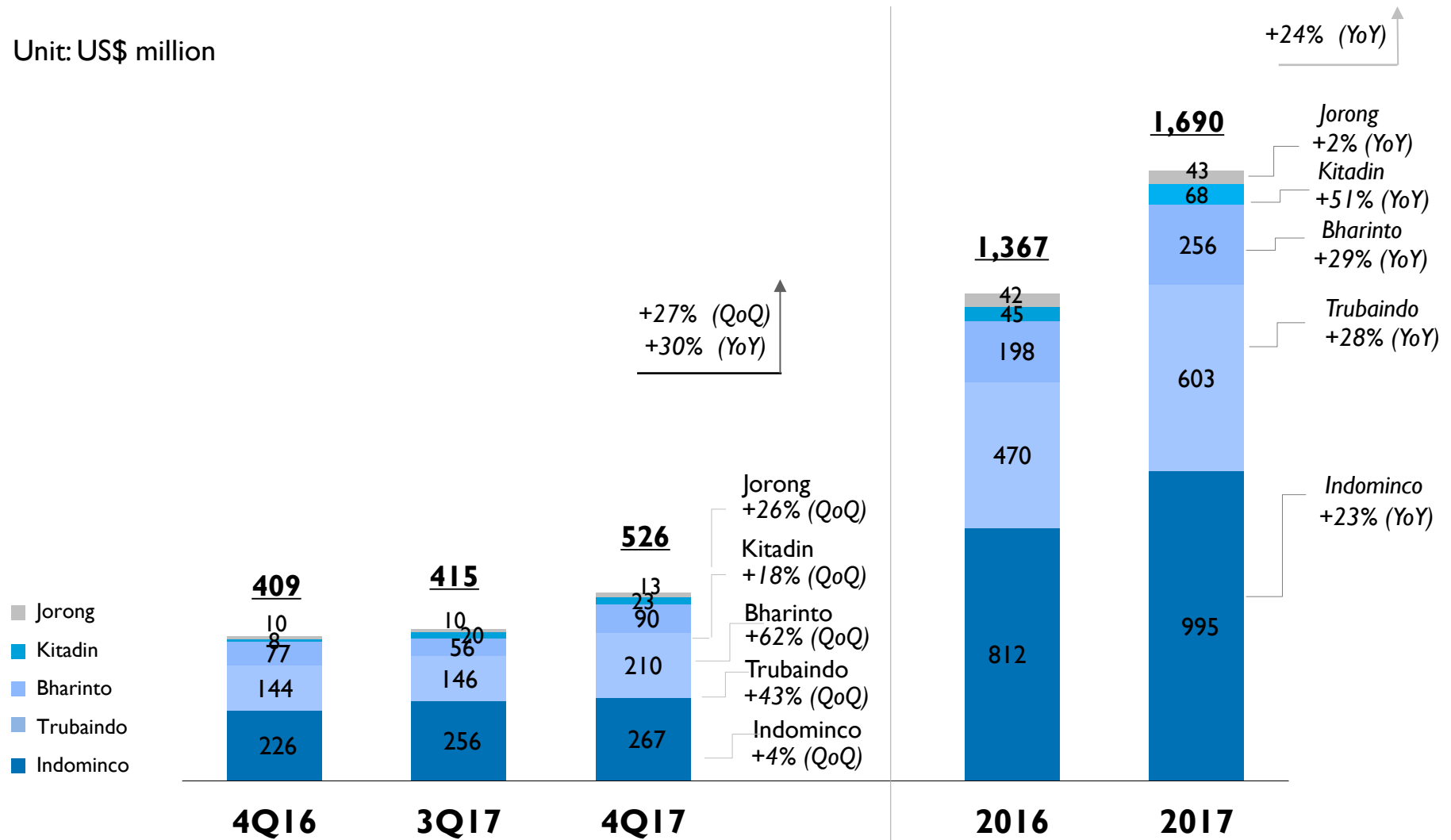
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Sales revenue

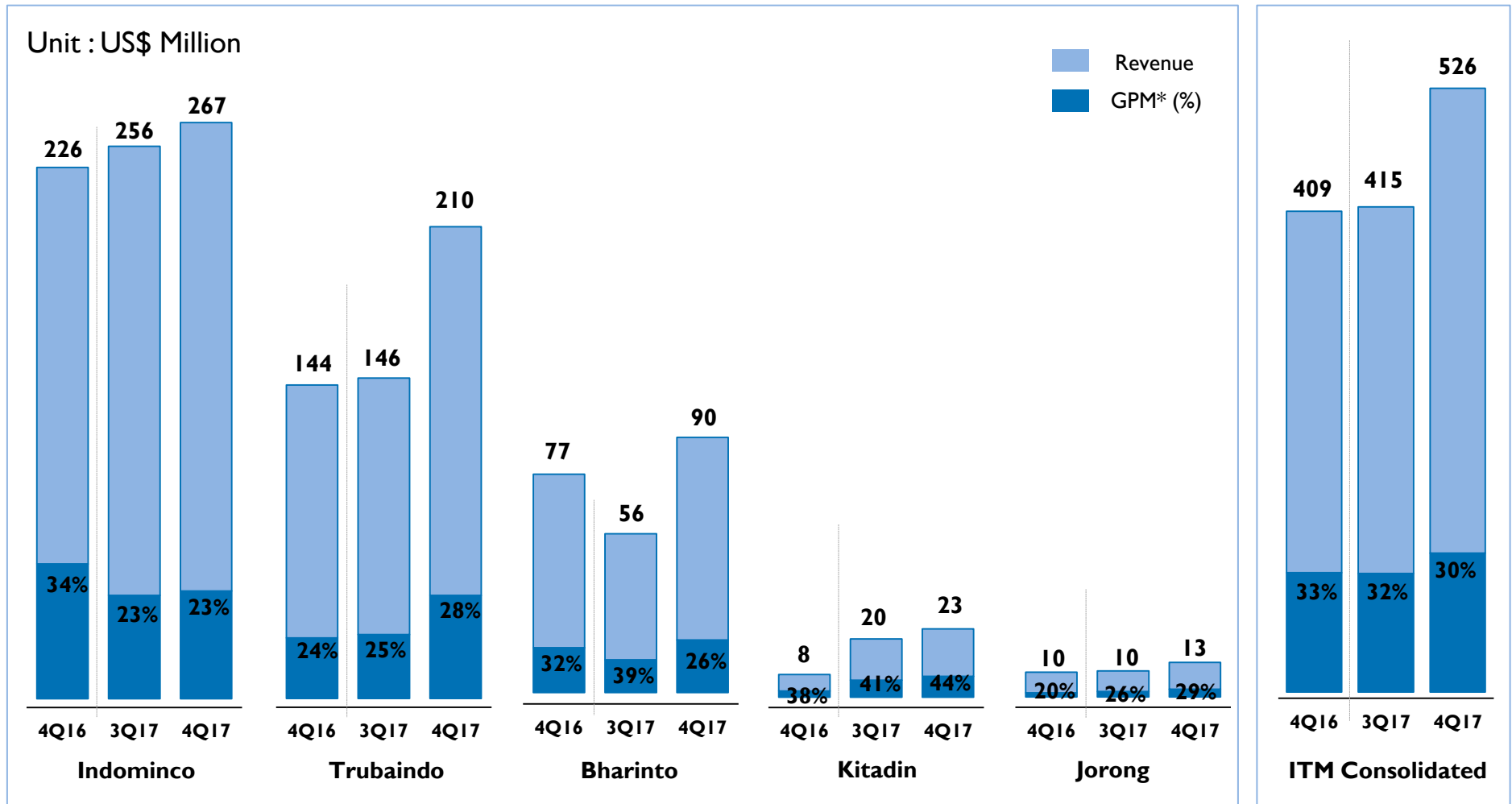


Unit: US\$ million



Note : Total consolidated revenue after elimination

Average gross margin



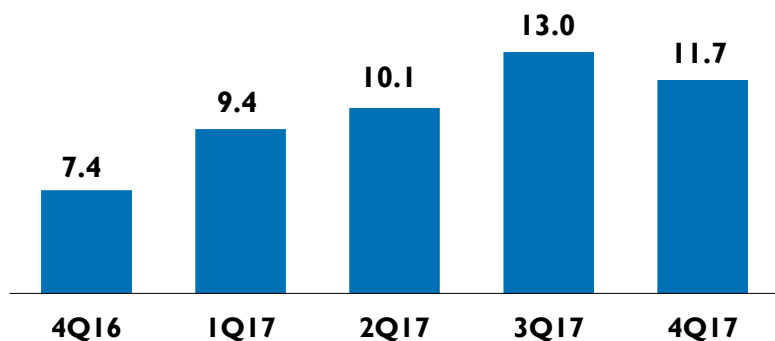
* Gross profit after royalty expense

Cost Analysis

WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

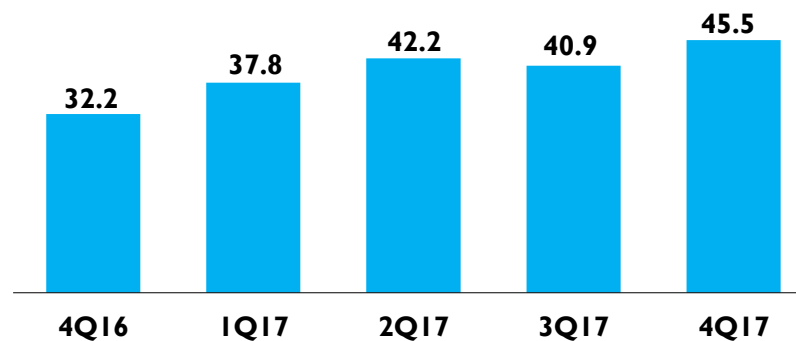
Avg. FY16 : 8.1
Avg. FY17 : 11.1



COST OF GOODS SOLD*

Unit: US\$/t

Avg. FY16: \$32.1/t
Avg. FY17: \$41.7/t

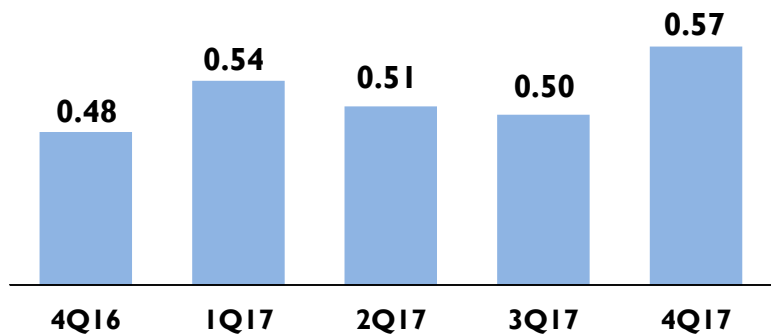


* Excluding royalty

FUEL PRICE

Unit: US\$/Ltr

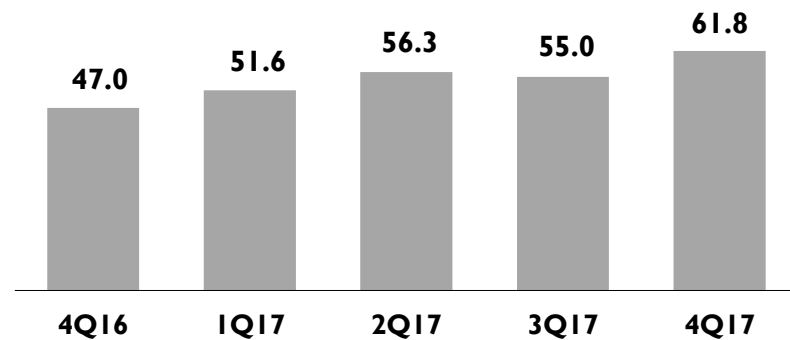
Avg. FY16: \$0.42/ltr
Avg. FY17: \$0.53/ltr



TOTAL COST**

Unit: US\$/t

Avg. FY16: \$43.8/t
Avg. FY17: \$56.4/t

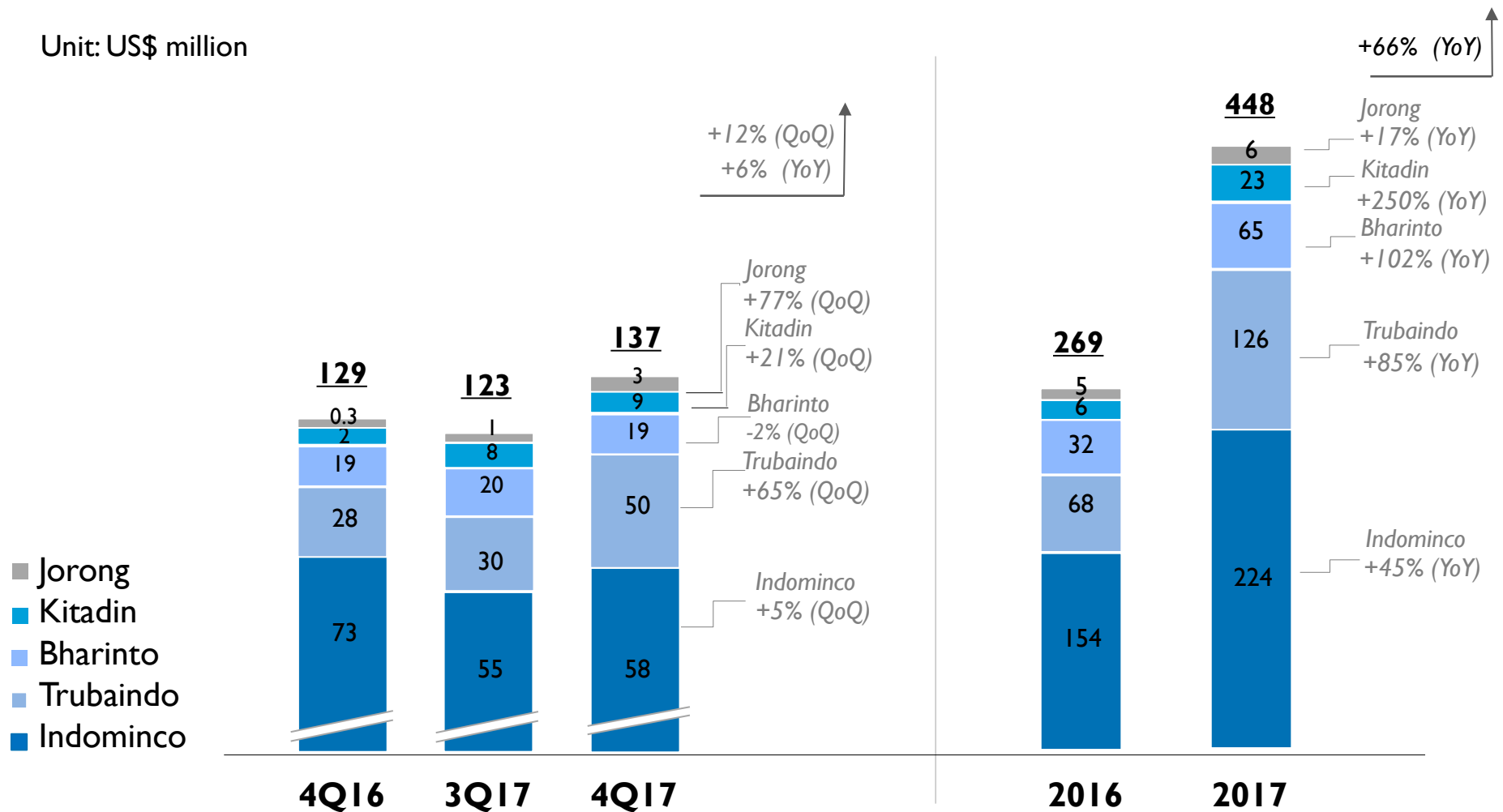


** Cost of Goods Sold + Royalty + SG&A

EBITDA



Unit: US\$ million

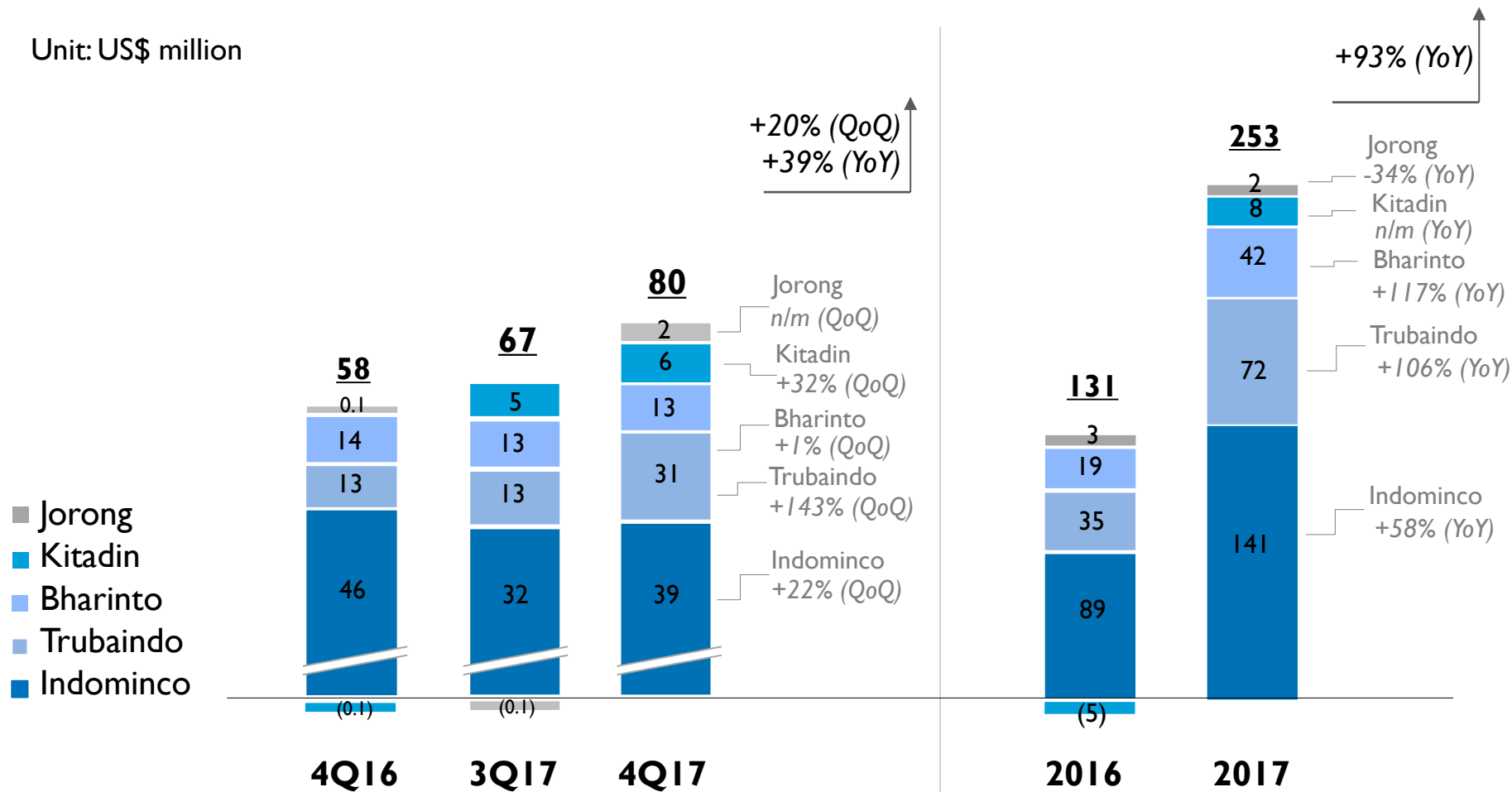


Note : Total EBITDA after elimination

Net income



Unit: US\$ million



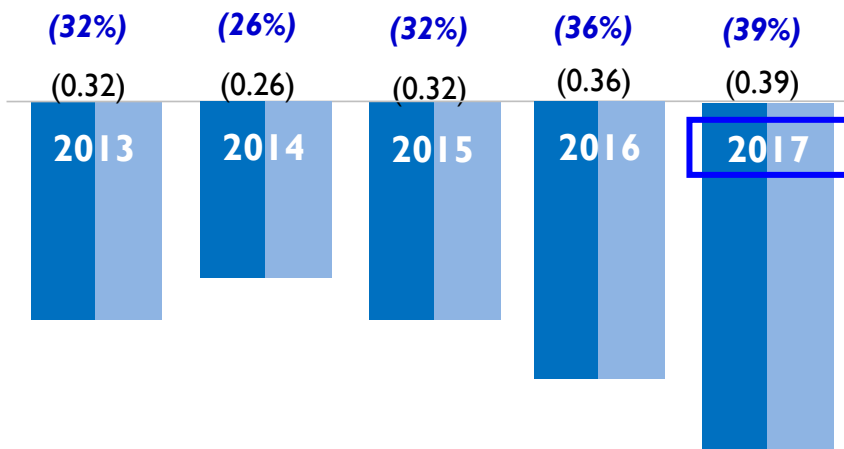
Note : Total consolidated net income after elimination

Balance sheet



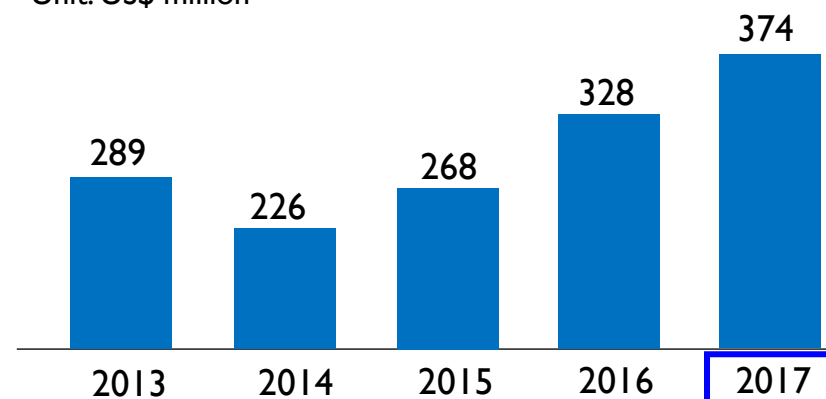
KEY RATIOS

- Net Gearing (%)
- Net D/E (times)



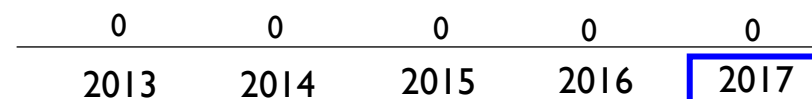
CASH POSITION

Unit: US\$ million



DEBT POSITION

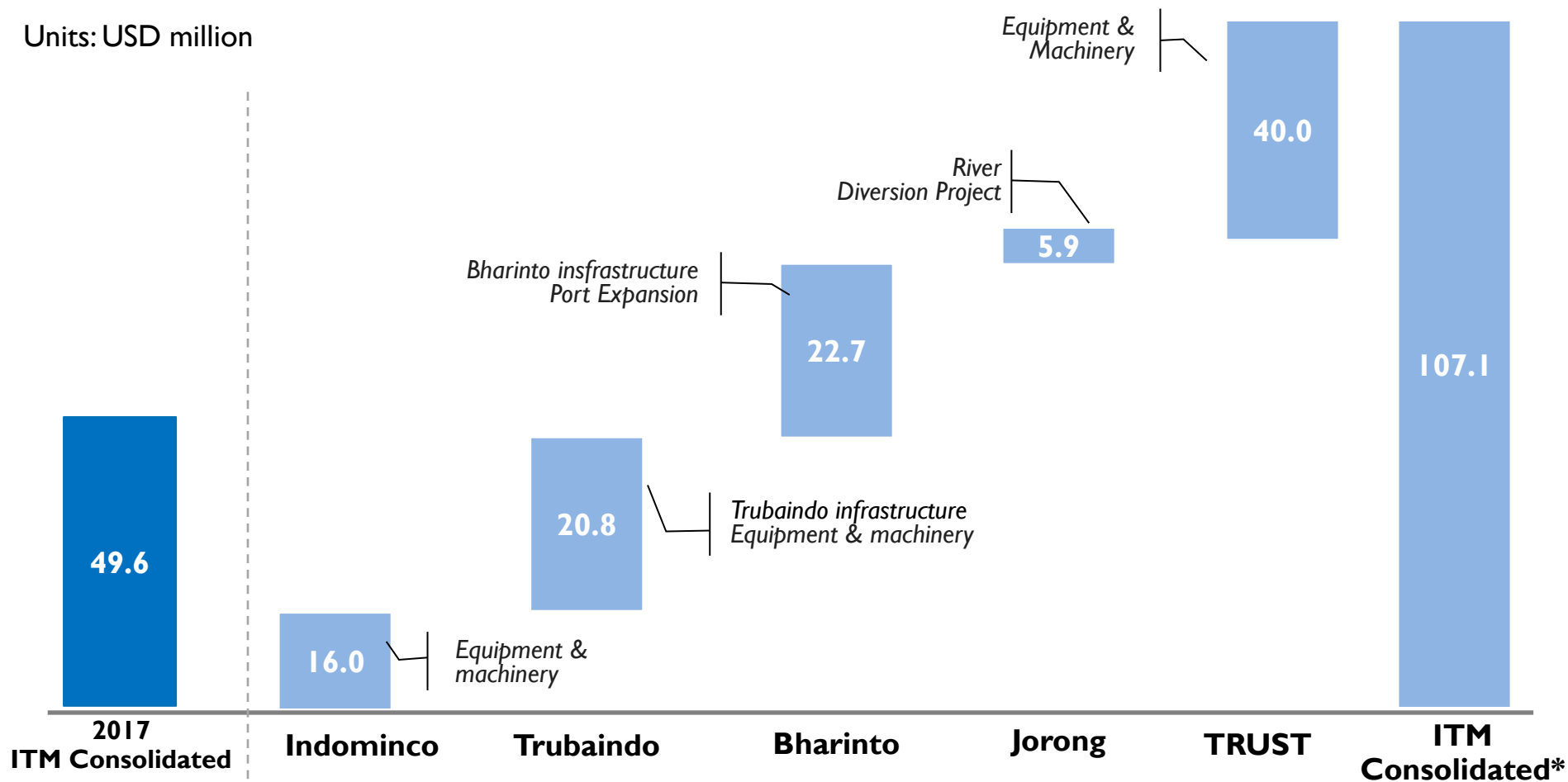
Unit: US\$ million



2018 capital expenditure plan



Units: USD million



Note: Total capex plan including Jakarta



Thank you
Question & Answer

Appendices

Income statement

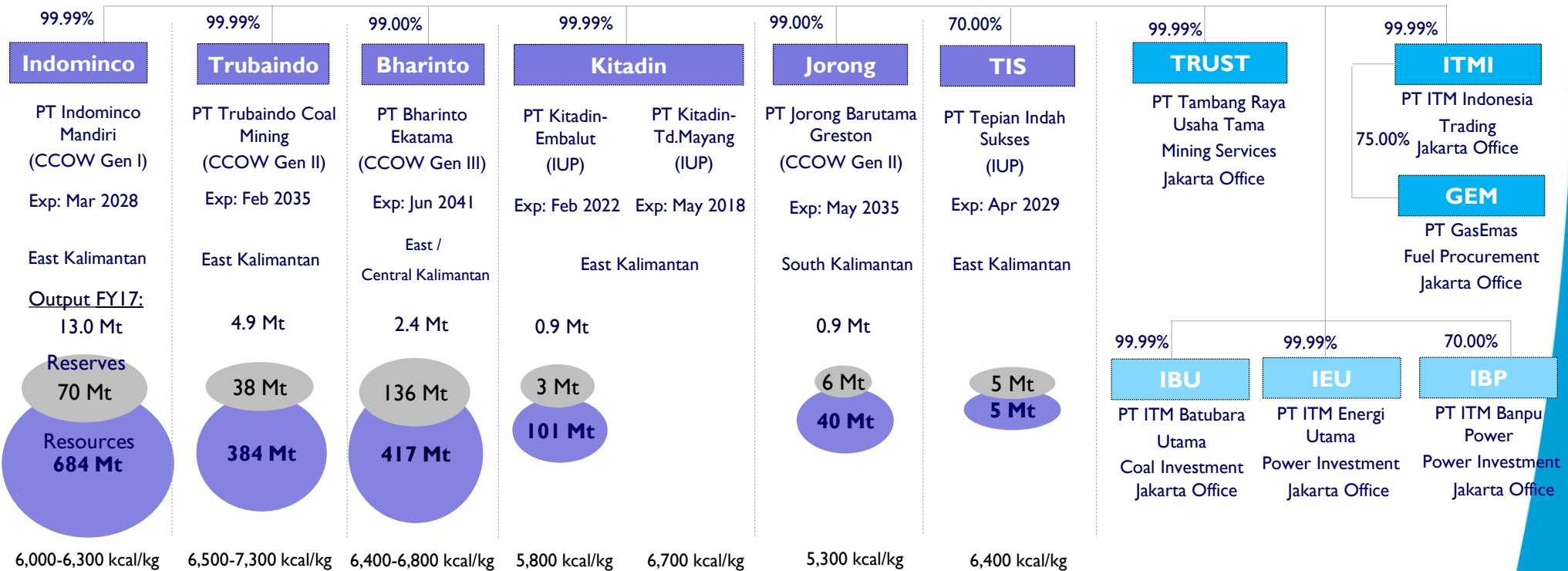
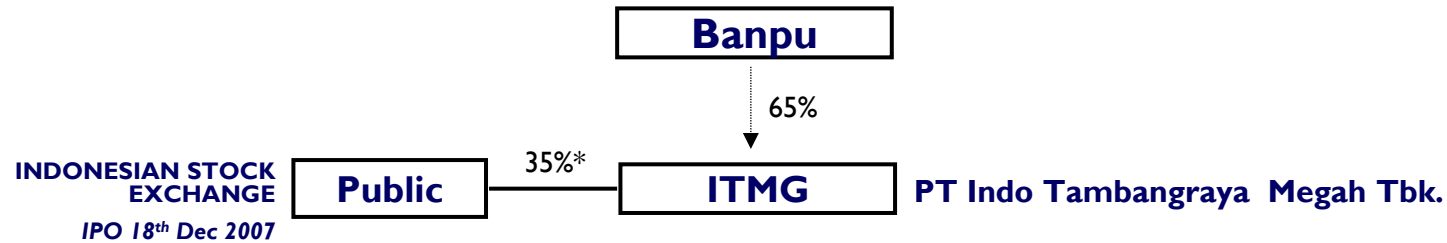


Unit: US\$ thousand	FY17	FY16	YoY%
Net Sales	1,689,525	1,367,498	24%
Gross Profit	505,448	330,699	53%
GPM	30%	24%	
SG&A	(117,362)	(122,141)	-4%
EBIT	388,086	208,558	86%
EBIT Margin	23%	15%	
EBITDA	447,507	269,033	66%
EBITDA Margin	26%	20%	
Net Interest Income / (Expenses)	2,594	1,469	77%
Derivative Gain / (Loss)	428	(4,245)	-110%
Others	(29,053)	(13,791)	111%
Profit Before Tax	362,055	191,991	89%
Income Tax	(109,352)	(61,282)	78%
Net Income	252,703	130,709	93%
Net Income Margin	15%	10%	

Income statement

Unit: US\$ thousand	4Q17	3Q17	4Q16	QoQ%	YoY%
Net Sales	525,712	415,030	409,054	27%	29%
Gross Profit	158,567	134,338	135,044	18%	17%
GPM	30%	32%	33%		
SG&A	(37,580)	(26,917)	(33,518)	40%	12%
EBIT	120,987	107,421	102,036	13%	19%
EBIT Margin	23%	26%	25%		
EBITDA	137,233	122,620	129,036	12%	6%
EBITDA Margin	26%	30%	32%		
Net Interest Income / (Expenses)	544	747	551	-27%	-1%
Derivative Gain / (Loss)	2	(4,140)	(626)	-100%	-100%
Others	(9,669)	(12,286)	(12,074)	-21%	-20%
Profit Before Tax	111,864	91,070	89,887	23%	24%
Income Tax	(31,369)	(24,189)	(31,845)	30%	-1%
Net Income	80,495	66,881	58,042	20%	39%
Net Income Margin	15%	16%	14%		

ITM structure



* : ITM own 2.95% from share buyback program

Note: Updated Coal Resources and Reserves as of 31 Dec 2017 based on estimates prepared by Competent Persons (consider suitably experienced under the JORC Code) and deducted from coal sales volume in FY17