



PT Indo Tambangraya Megah Tbk



ANALYST BRIEFING 1Q17 PERFORMANCE RESULTS

Jakarta, 22 May 2017

Agenda

1 INTRODUCTION

2 OPERATIONAL REVIEW

3 COMMERCIAL REVIEW

4 FINANCIAL REVIEW

5 QUESTION & ANSWERS

Highlights of 1Q17 results



Coal Sales: 5.4 Mt



Down 1.3 Mt
-19% Q-Q



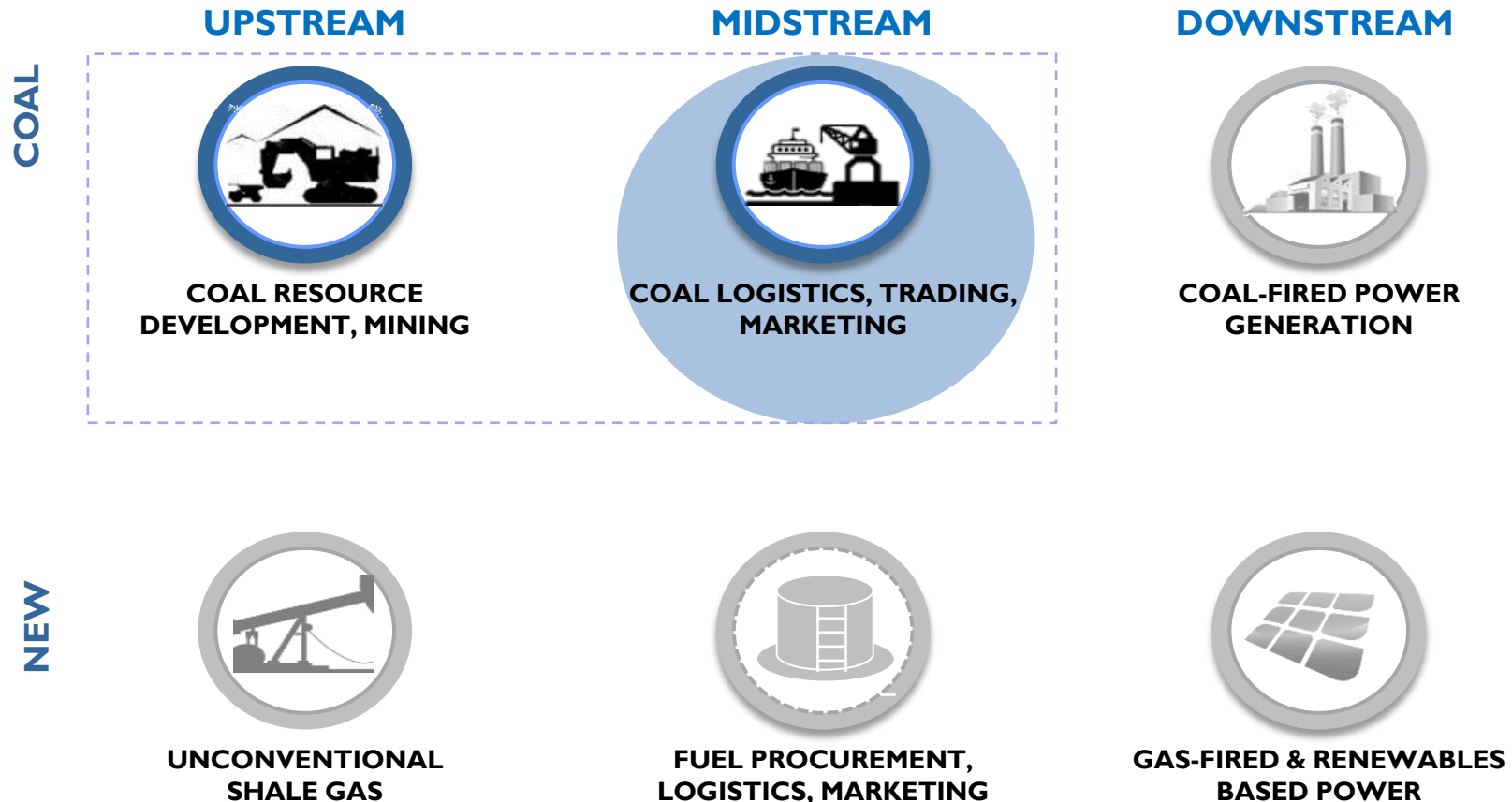
Down 1.5 Mt
-22% y-y

Unit: US\$ million

	<u>1Q17</u>	<u>4Q16</u>	<u>1Q16</u>	<u>Q-Q</u>	<u>y-y</u>
Total Revenue	368	409	331	-10%	+11%
Gross Profit Margin	31%	34%	21%	-3%	+10%
EBIT	89	104	38	-14%	+132%
EBITDA	103	131	50	-21%	+107%
Net Income	57	61	23	-6%	+148%
ASP (USD/ton)	\$67.5	\$59.8	\$47.7	+13%	+42%

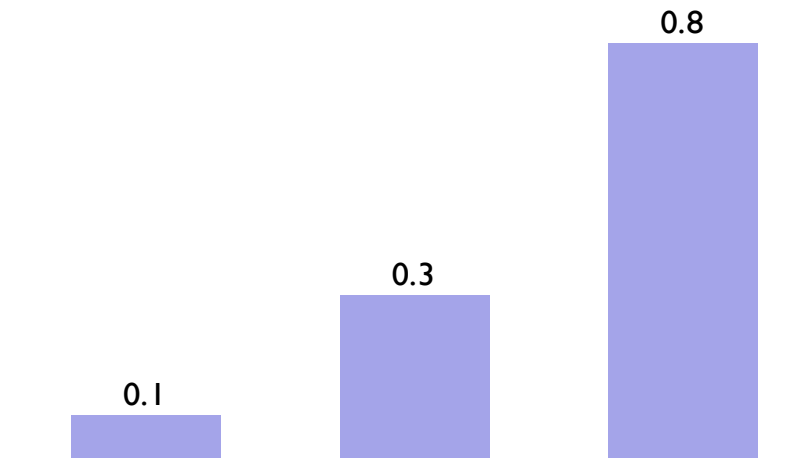
Strengthening our integration

BANPU'S INTEGRATED ENERGY SUPPLIER STRATEGY



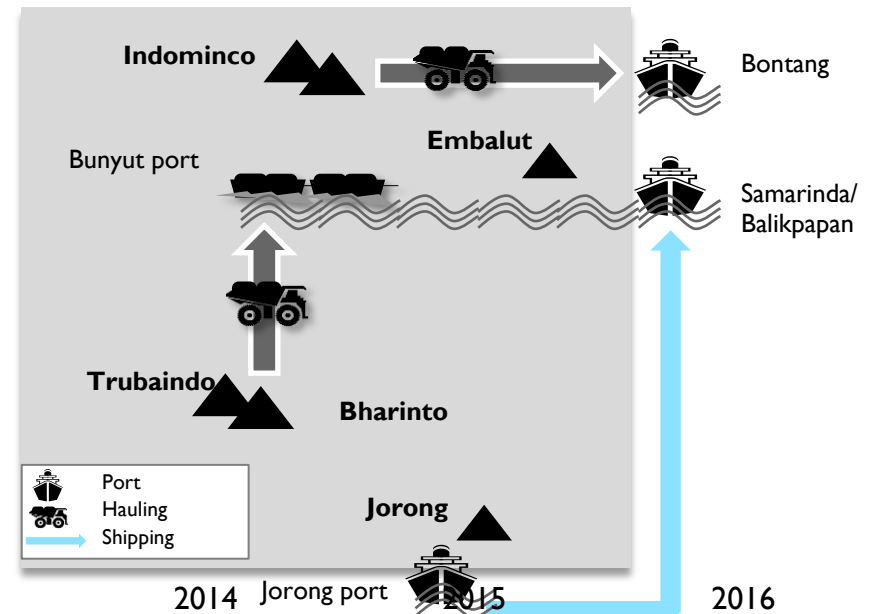
ITM is well positioned to capture opportunities

THIRD PARTY COAL SALES



SCHEMATIC OF INTEGRATED OPERATIONS AND LOGISTICS

Unit: Mt



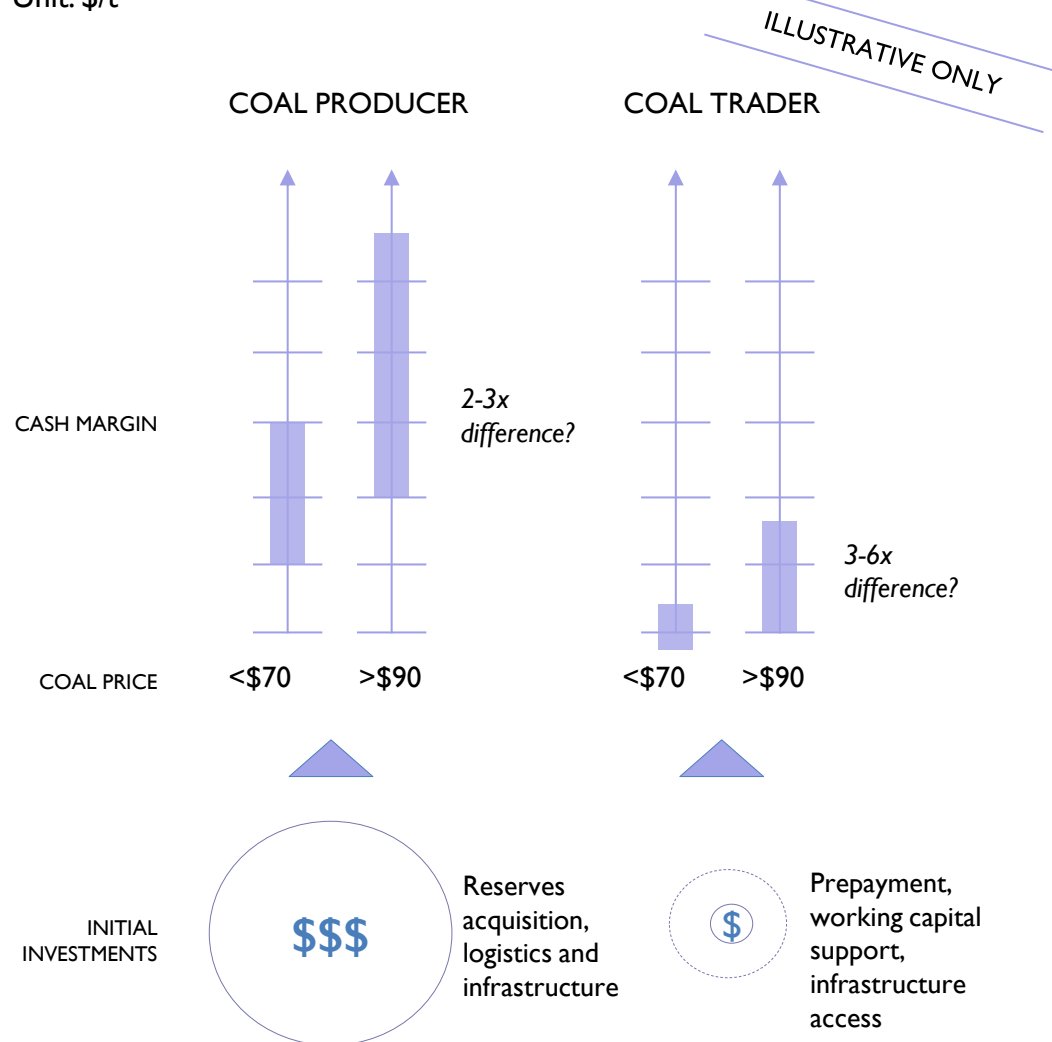
- Addition of trading and associated supports is a naturally evolving capability, which ITM is now broadening and developing further
- Enable ITM to capture additional margins without owning reserves

- Manage 27 Mt coal sales
- Diverse range of product quality
- Established logistics – haul road, access to 3 loading ports
- Strong brand in the market

Trading: asset light add-on to coal mining

CASH MARGIN UNDER DIFFERENT PRICE SCENARIOS

Unit: \$/t



- Comparing to coal production, coal trading requires much smaller investment in tangible assets.
- Although some working capital is required, overall investment is still significantly smaller than production
- Cash margin generated by coal producer depends on coal reserve quality and cost competitiveness
- Trading margin is likely to be more leverage between different coal price scenarios if coal quality combination and sources are right
- Prudent risk management and ability to add incremental value required to stay profitable in the downturn
- Provides an asset-light add-on to coal mining

Highlights of 1Q17

ANNUAL GENERAL MEETING OF SHAREHOLDERS



- ❖ Annual General Meeting of Shareholders conducted on 29 Mar 2017 declared total final dividend of **USD 130.5 Mln** or **99.8%** of the Company's 2016 Net Profit after tax, which payment are as follows:
 - ✓ In the amount of USD 36.5 Mln or equal to **IDR 434** per share has been distributed as interim dividend on 24 Nov 2016
 - ✓ The remaining amount of USD 94 Mln or equivalent to **IDR 1,143** per share was paid on 21 Apr 2017

BOARD OF COMMISSIONERS



Ibrahim Yusuf
President Commissioner & Independent



Somyot Ruchirawat
Commissioner



Prof. Djisman Simandjuntak
Independent Commissioner



Fredi Chandra
Commissioner (New Member)



Somruedee Chaimongkol
Commissioner



Rudijanto Boentoro
Commissioner



Mahyudin Lubis
Commissioner (New Member)

BOARD OF DIRECTORS



Kirana Limpaphayom
President Director



Leksono Poeranto
Director



A.H Bramantya Putra
Director



Jusnan Ruslan
Director



Stephanus Demo Wawin
Director



Yulius K.Gozali
Director



Muliando
Director



Ignatius Wurwanto
Director (New Member)

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2 OPERATIONAL REVIEW

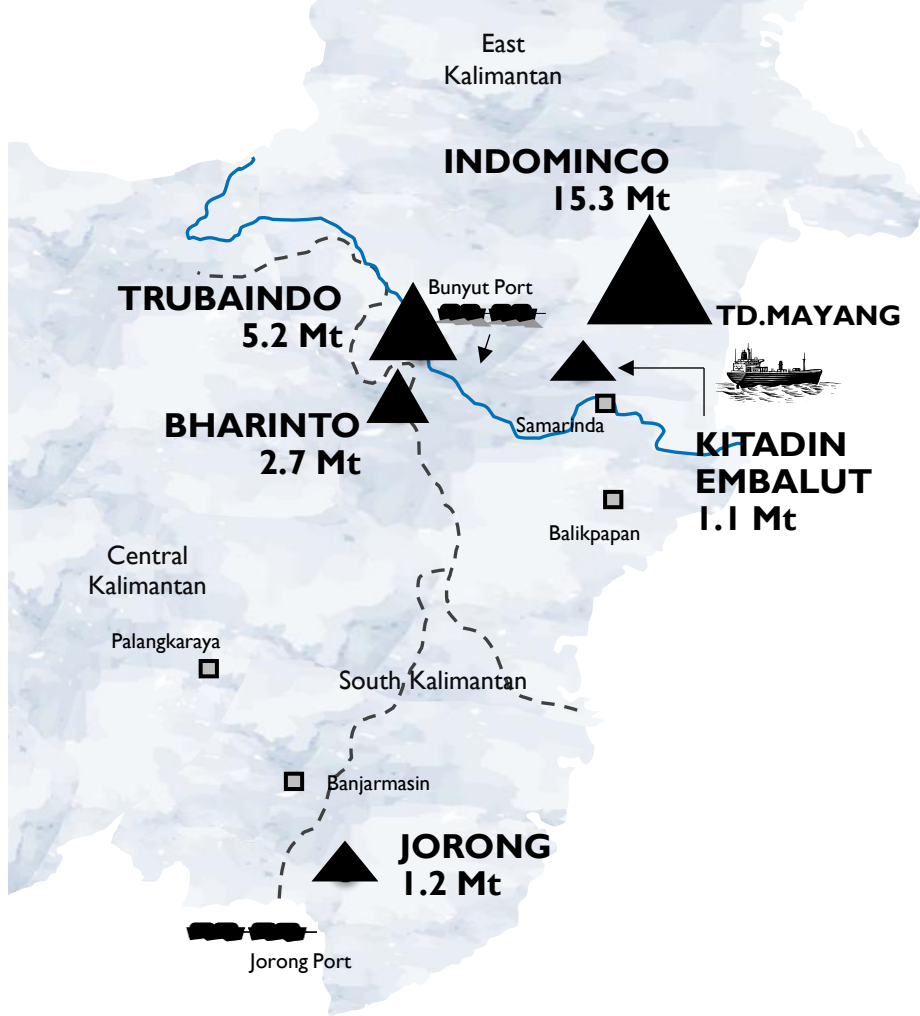
3 COMMERCIAL REVIEW

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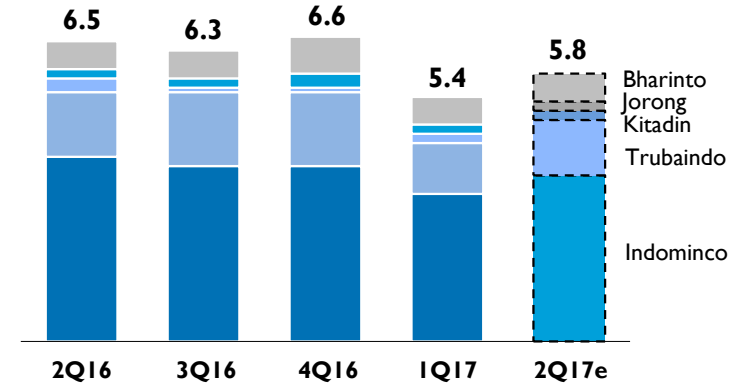
Operational summary 2017

2017 TARGET : 25.5 Mt



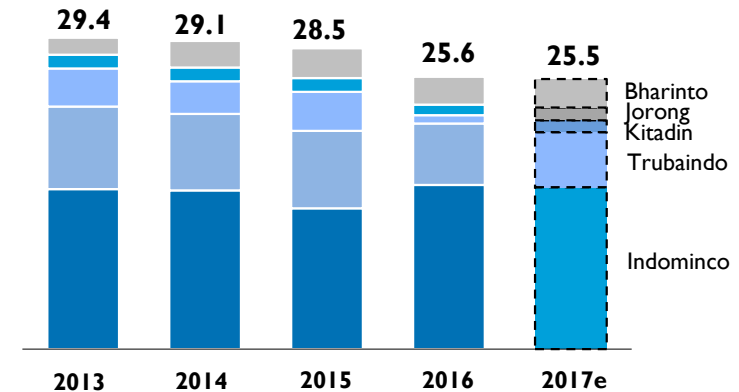
QUARTERLY OUTPUT TREND

Unit: Mt



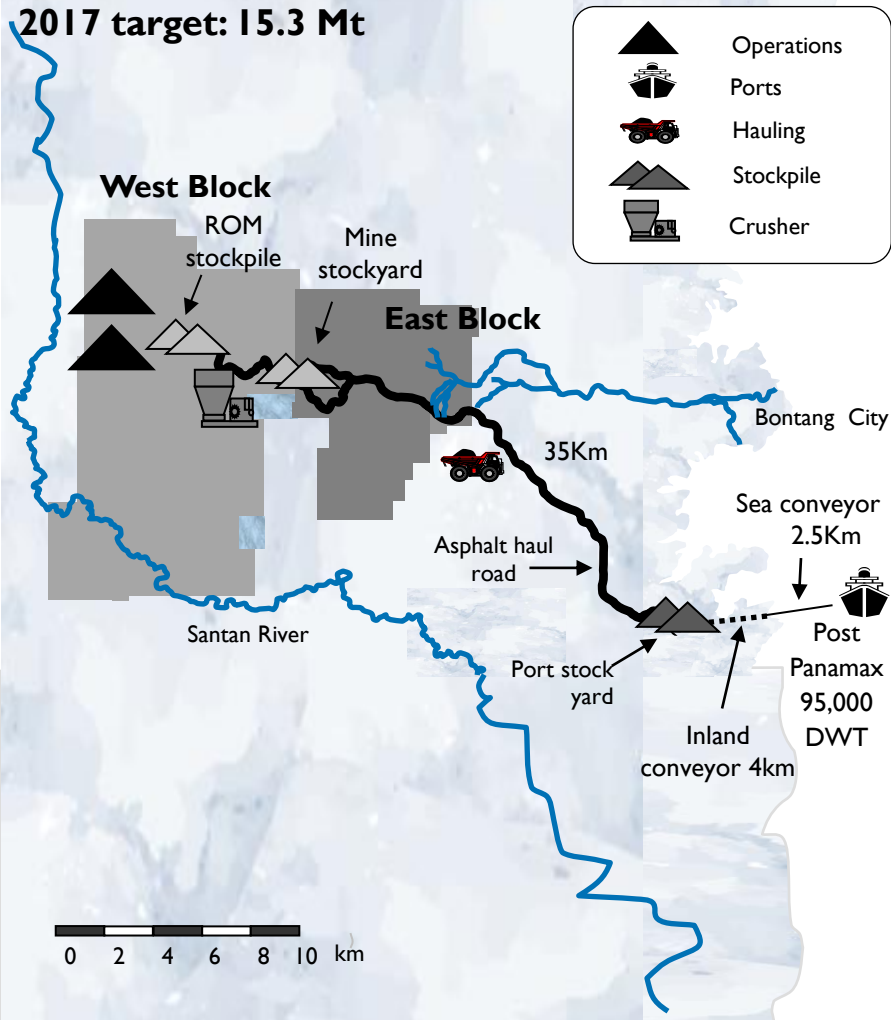
YEARLY OUTPUT TREND

Unit: Mt



SCHEMATIC

2017 target: 15.3 Mt

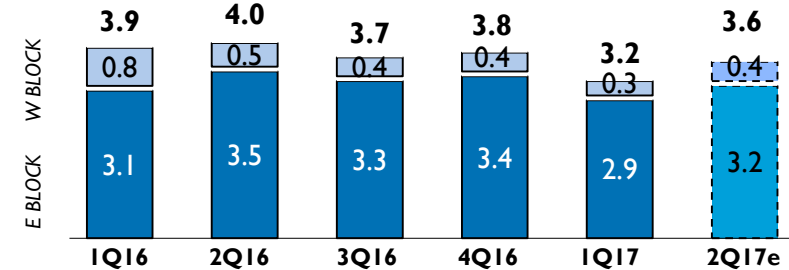


QUARTERLY UPDATES

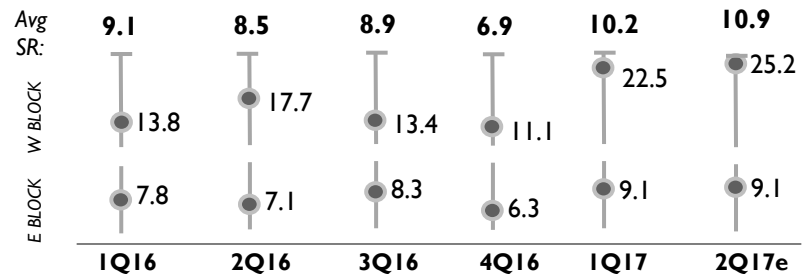
- 1Q17 production achieved according to target.
- Total average strip ratio in 2017 is expected to be higher than 2016 due to optimized coal reserved.

QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t



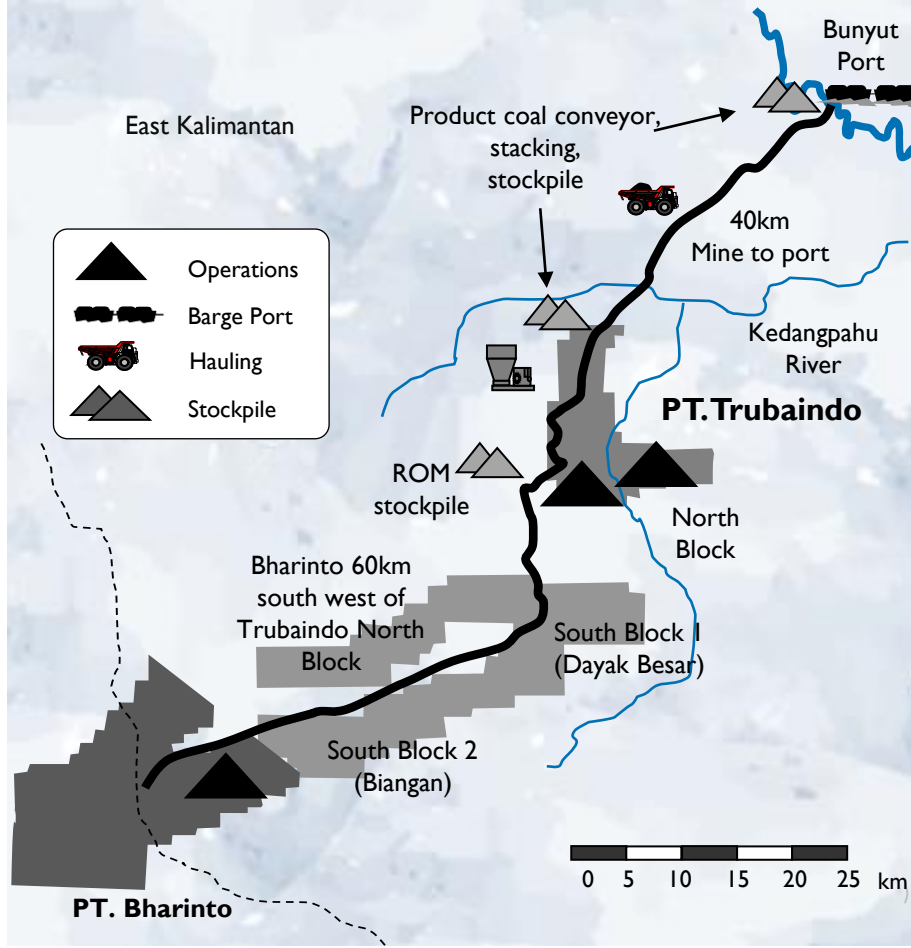
*SR based on FC coal

**SR FY16 IMM: 8.3, WB: 14.1, EB: 7.4

Melak group – Trubaindo and Bharinto

SCHEMATIC

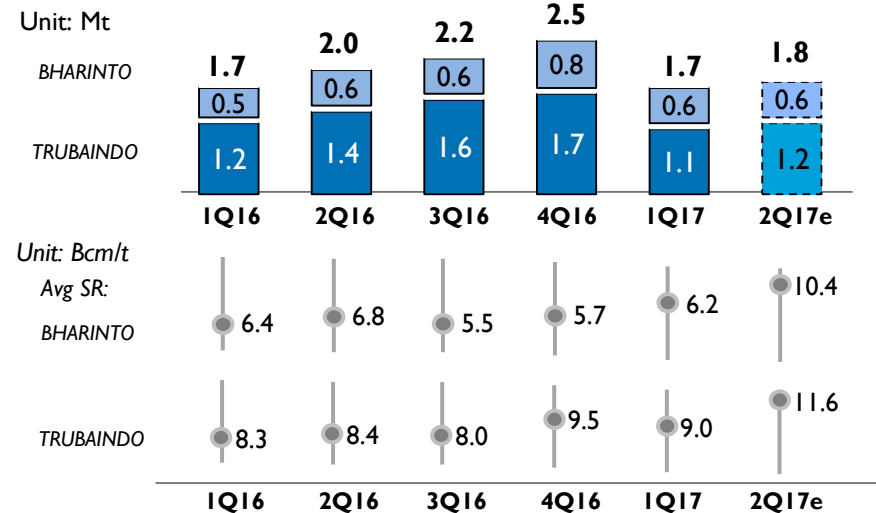
2017 target: TCM 5.2 Mt
BEK 2.7 Mt



QUARTERLY UPDATES

- Trubaindo:
 - 1Q17 production was slightly higher than plan due to exposed coal inventory from end of 2016
 - Continue hauling road improvement program from Trubaindo South Block to Bunyut port and expected to be completed by 4Q17.
- Bharinto:
 - 1Q17 production output was slightly lower than target due to rainy days affecting mine production.

QUARTERLY OUTPUT



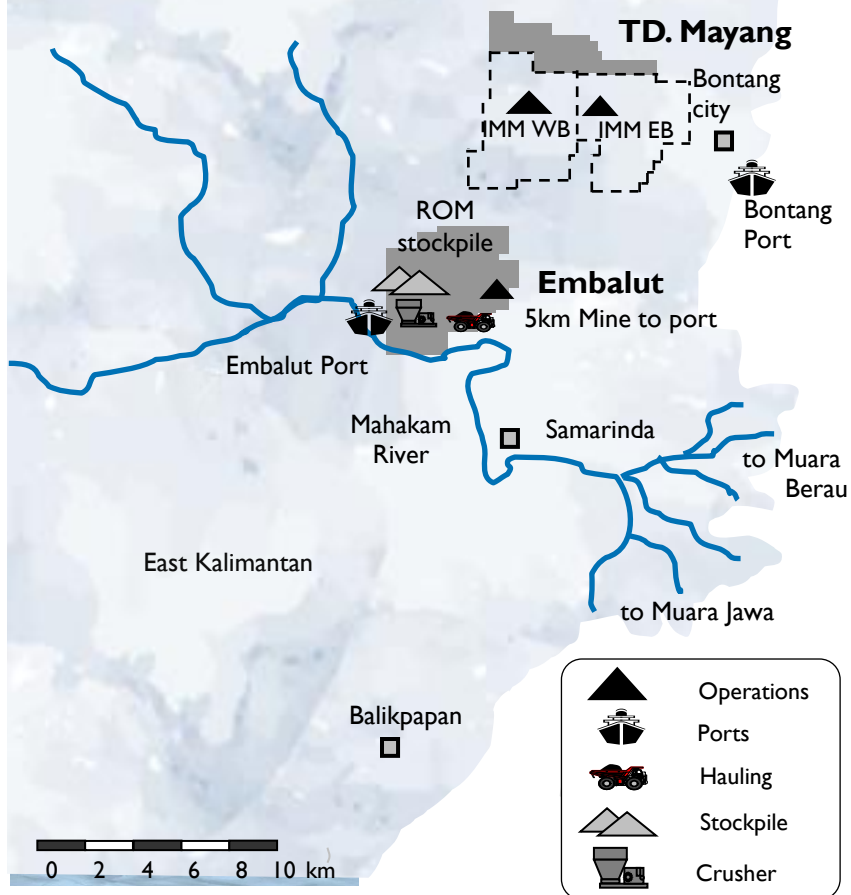
*SR based on FC coal

**SR FY16 TCM: 8.6, BEK: 6.1

Kitadin Embalut and Tandung Mayang

SCHEMATIC

2017 target: EMB 1.1 Mt



QUARTERLY UPDATES

- Kitadin Embalut:
 - 1Q17 production achieved according to target
- Kitadin Td.Mayang:
 - Continue mine closure activities including mine rehabilitation.

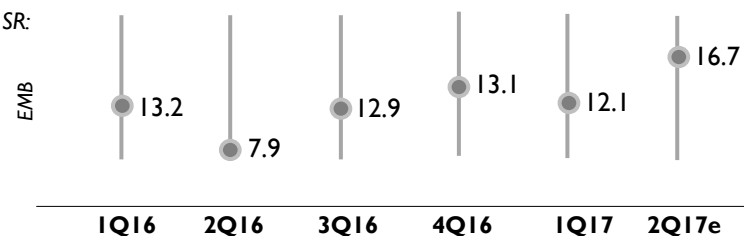
QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

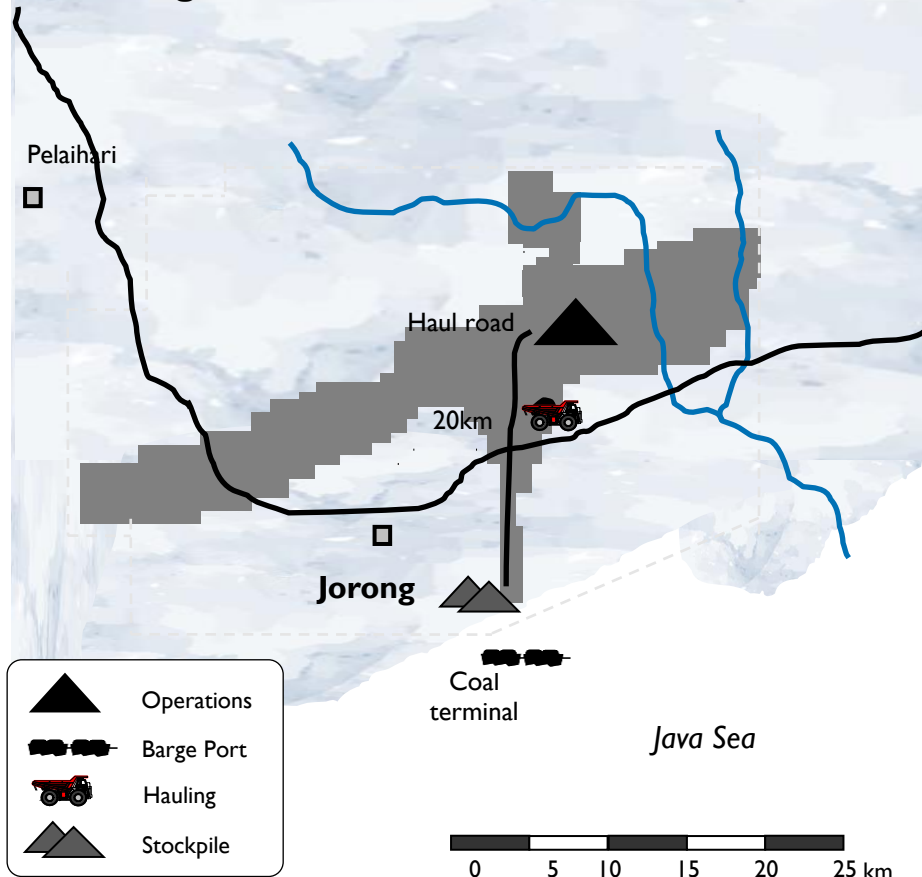
Avg SR:



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

SCHEMATIC

2017 target: 1.2 Mt

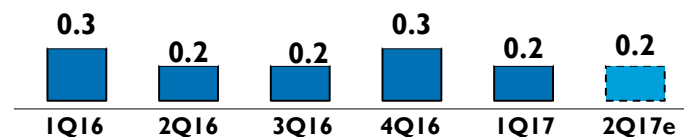


QUARTERLY UPDATES

- 1Q17 production achieved as according to target.
- Mine closure plan already submitted and being reviewed by government for approval.
- Remaining mine reserves will be depleted by 2018.

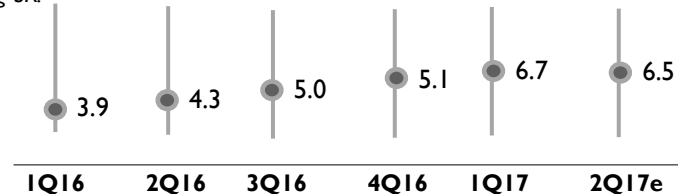
QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

Avg SR:



*SR based on FC coal

***SR FY16 JBG: 4.5

Agenda

1 INTRODUCTION






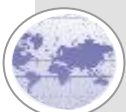
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Global demand trends: 2017 vs 2016

GEOGRAPHY		CHANGE 2017-16 (Mt.)	COMMENTS
	CHINA	0	<ul style="list-style-type: none"> Tight supply remains despite continued supply relaxation policy Strict countrywide safety inspections delay resumption of coal mines.
	INDIA	-5	<ul style="list-style-type: none"> Demonetization continued to impacted purchases High international coal prices hampered coal imports
	OTHER N.ASIA	+6	<ul style="list-style-type: none"> Taiwan and South Korea are the key drivers in north Asia. Slow economic growth and increased nuclear will limit growth
	EUROPE	+2	<ul style="list-style-type: none"> Falling coal burn in mainland Europe offset by growing requirements in Turkey
	OTHERS	+10	<ul style="list-style-type: none"> Malaysia, Philippines and Pakistan are expected to add 7 Mt of demand growth
	GLOBAL	+13	<p><i>Growing demand in North Asia and South East Asia, while requirement in Europe is expected to increase slightly, driven by new coal projects in Turkey and improved coal burn in Spain.</i></p>

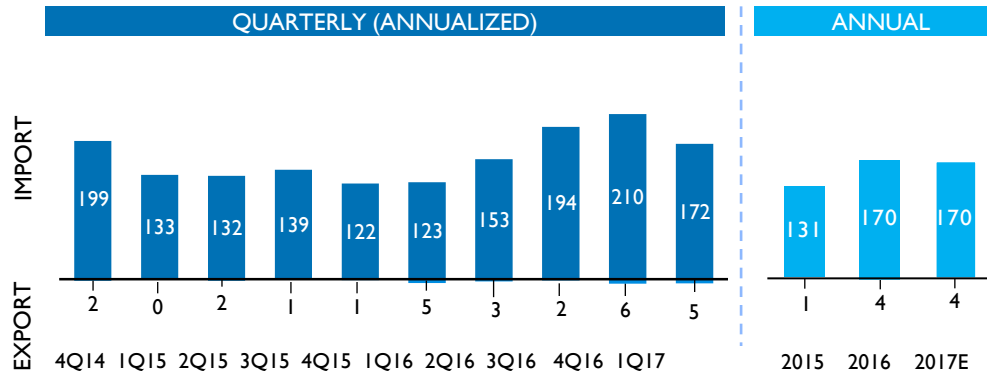
Global supply trends: 2017 vs 2016

GEOGRAPHY		CHANGE 2017-16 (Mt.)	COMMENTS
	INDONESIA	+15	<ul style="list-style-type: none"> Continued rainfall helped to limit export growth in near term, but output trends to increase as miners respond to higher prices.
	AUSTRALIA	-2	<ul style="list-style-type: none"> Cyclone Debbie hit Australia tightening supply especially coking coal
	COLOMBIA	+3	<ul style="list-style-type: none"> No supply issue Surge in Newcastle coal price facilitated more sales to Asia
	RUSSIA	+4	<ul style="list-style-type: none"> Increased share in Asia
	S.AFRICA	0	<ul style="list-style-type: none"> Weak Indian demand. No growth opportunities into Europe
	USA	+8	<ul style="list-style-type: none"> Arbitrage open but exports constrained by tight availability, suppliers prioritise domestic market
	OTHERS	-13	<ul style="list-style-type: none"> High cost producers reluctant to come back as future is uncertain
	GLOBAL	+15	<p><i>Bad weather limited supply from Indonesia and Australia in early of the year while the decline in India and uncertainty China demand will challenge growth prospects for all suppliers in 2017.</i></p>

China: supply relaxed but structural reform continues

CHINA THERMAL COAL IMPORTS/EXPORTS*

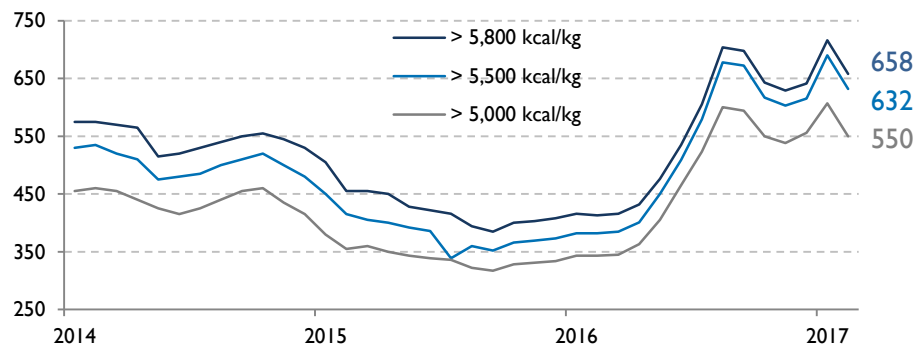
Unit: Mt



Sources: Banpu MS&L estimates

CHINA DOMESTIC COAL PRICES

Unit: RMB/t

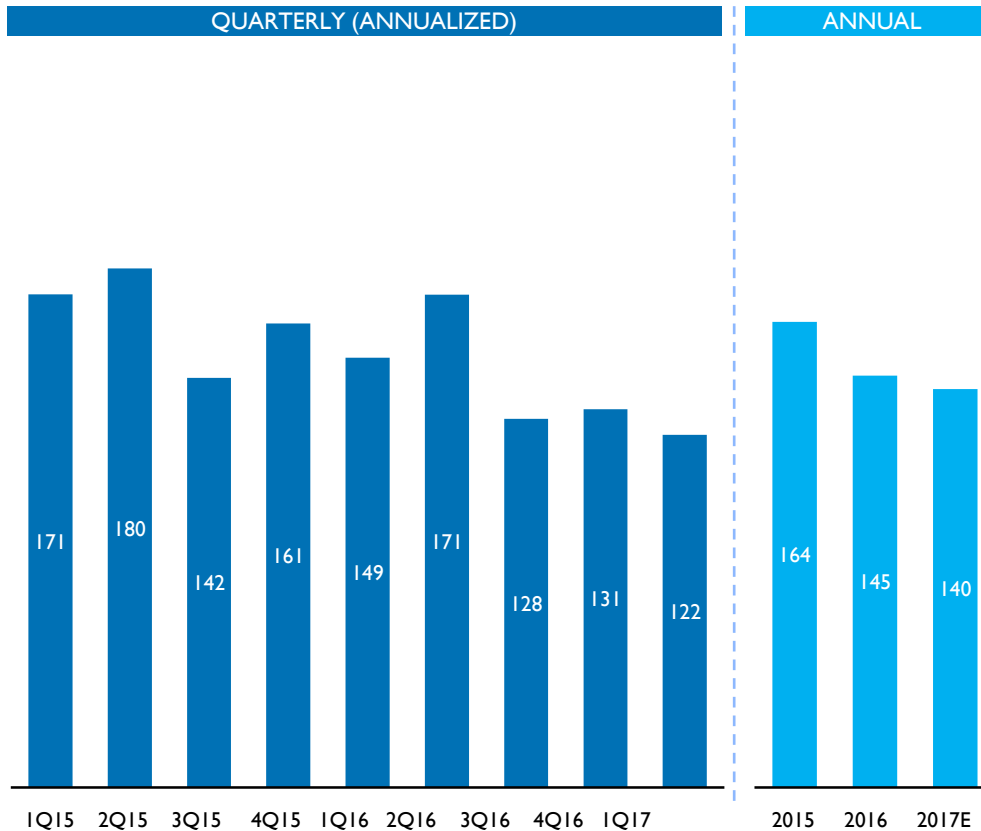


- Thermal coal prices maintained their upward momentum in Q1, driven by strong demand and restocking
- Unavailability of supply in the near term was the main factor of price increase.
- Large-scale safety and environmental inspections in major coal producing provinces main reason for the delay in resuming production
- March 7, NDRC official outlined that a return to 276-days working capacity as a national policy was not the intention for the remainder of the year.
- Despite the relaxation in production control policies, we expect supply in 2017 to remain tight although total output will see 2-3% year-on-year growth
- Chinese import restrictions could also influence price direction and increase decoupling between domestic and seaborne coal into south China

India: institutional and structural adjustments

INDIA THERMAL COAL IMPORTS*

Unit: Mt

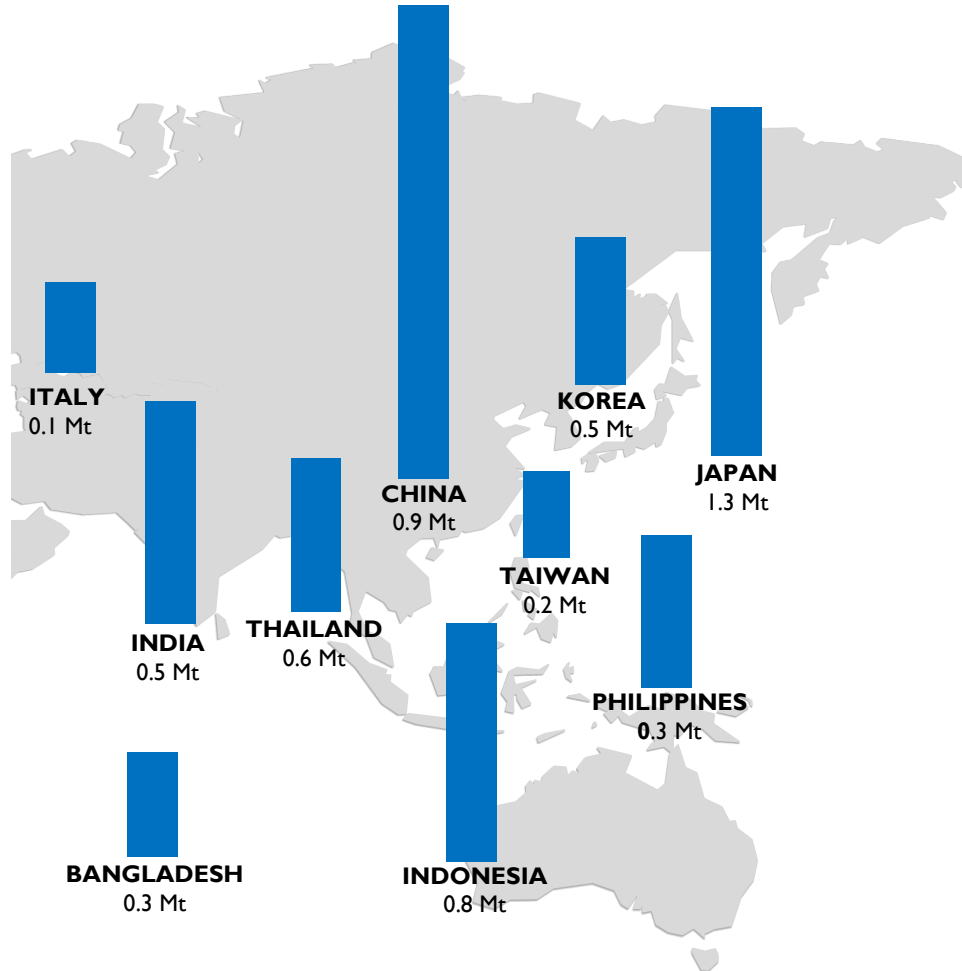


- De-monetization has impacted purchases and slowed buying activity amid weak power demand
- Price-sensitive Indian buyers have borne full brunt of the hike in import prices, which will likely contribute to a reduction in imports
- Further domestic penetration into domestic and import based plants continues hamper the import
- India added 14 GW of coal-fired capacity in Q1 2016, but only 4 GW came online in the remaining three quarters of the year. More than half of India's total generation capacity was in reserve in 2016, including around 60 GW of spare coal capacity
- The bottlenecks in getting power supply out to market because of the distributions companies' financial situations remain a significant constraint for coal consumption and, hence, imports

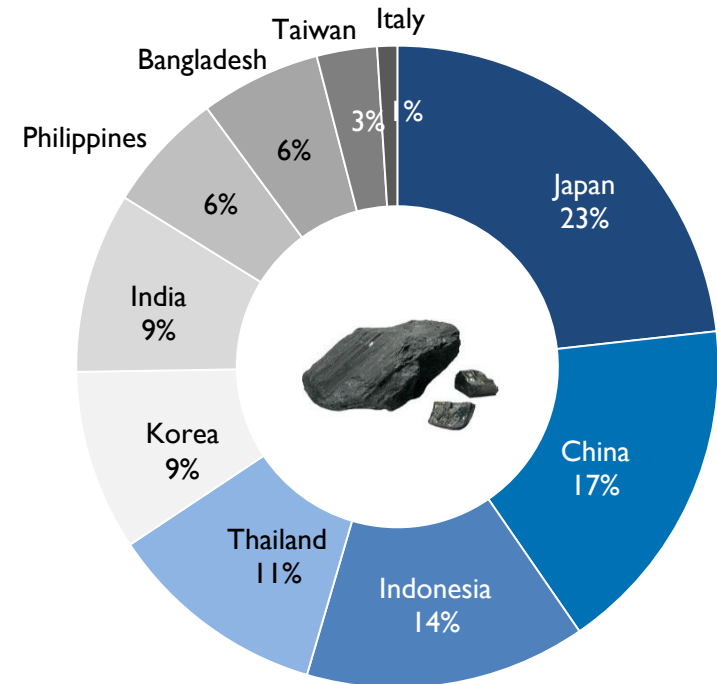
ITM coal sales 1Q17



COAL SALES BREAKDOWN BY DESTINATION



COAL SALES 1Q17

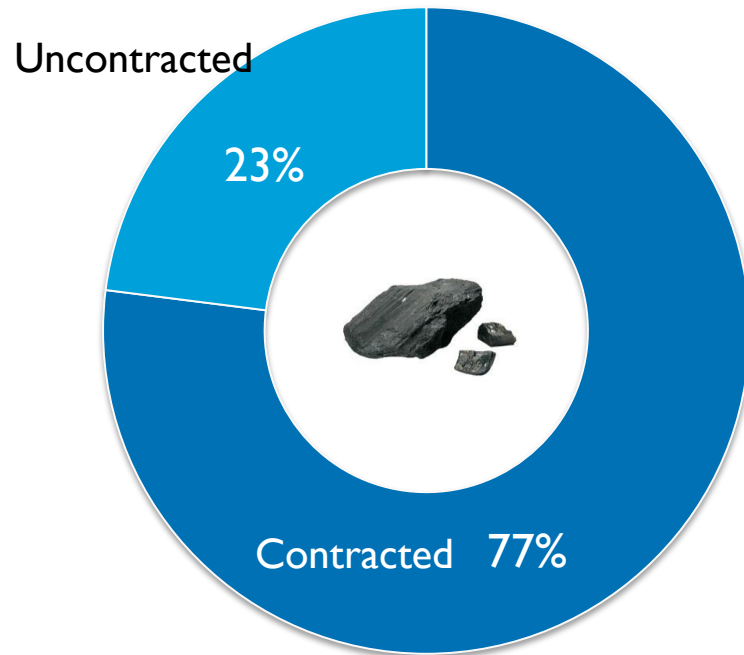


Total Coal Sales 1Q17: 5.4 Mt

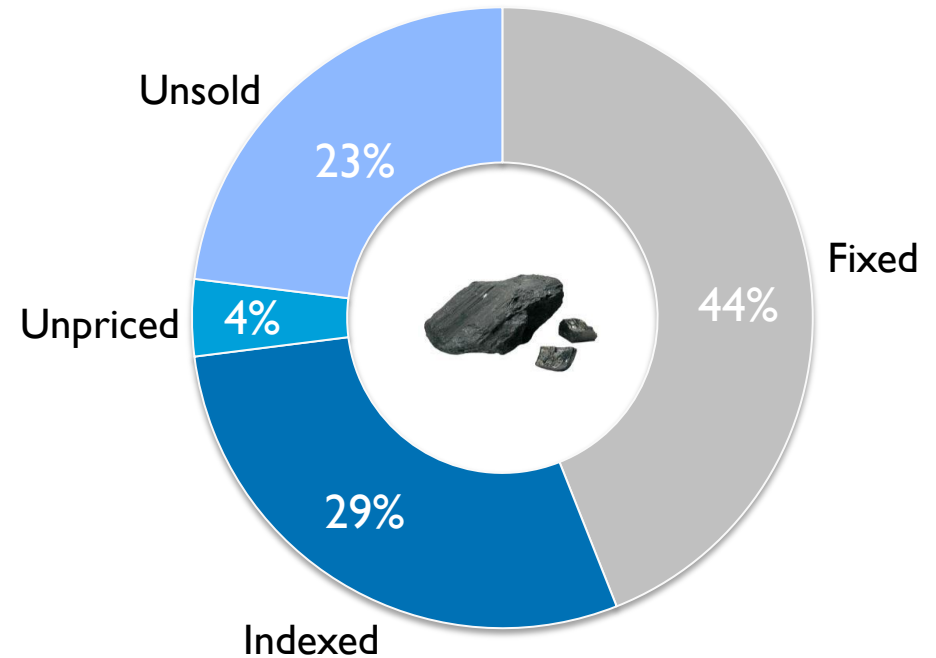
Indicative coal sales 2017

COAL SALES CONTRACT AND PRICING STATUS

Contract Status



Price Status



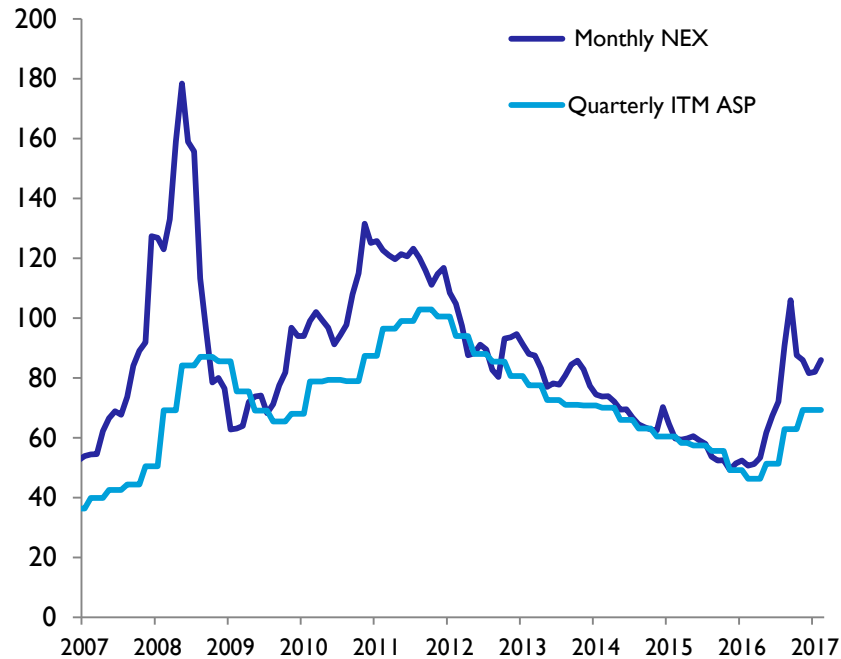
TARGET SALES 2017: 27.0 Mt

ITM ASPs vs thermal coal benchmark prices



ITM ASP VS BENCHMARK PRICES

Unit: US\$/t



COMMENTS

- 1Q17 ASP continued firm according to Chinese output policy and supply tightness
 - ITM ASP: US\$67.5/t* (+13% QoQ)
 - NEX (May 19, 2017)**: US\$73.5/t
- Price soften to its fundamental in 1Q17 after a spike during 4Q16. Chinese policy continue a major influence

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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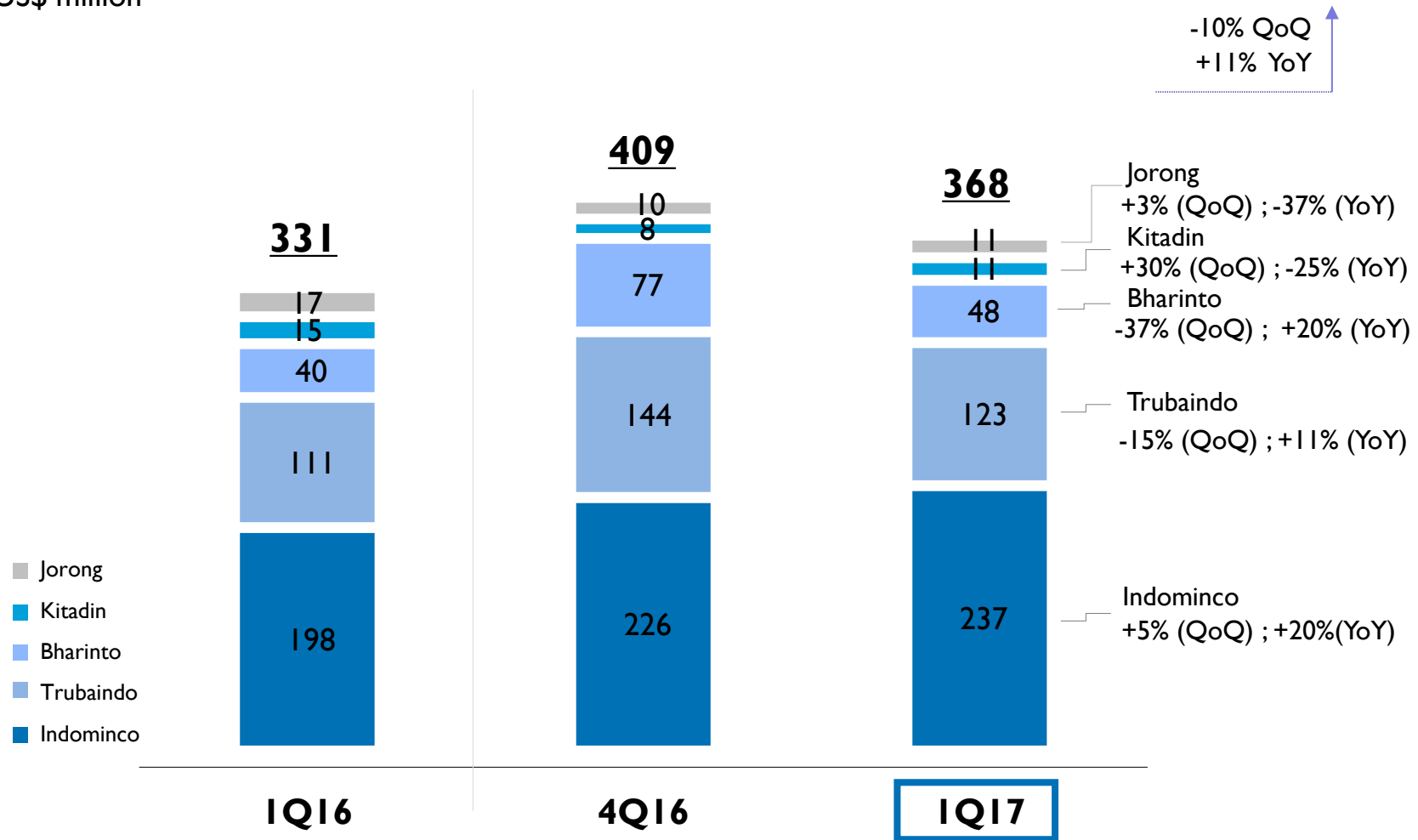
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Sales revenue



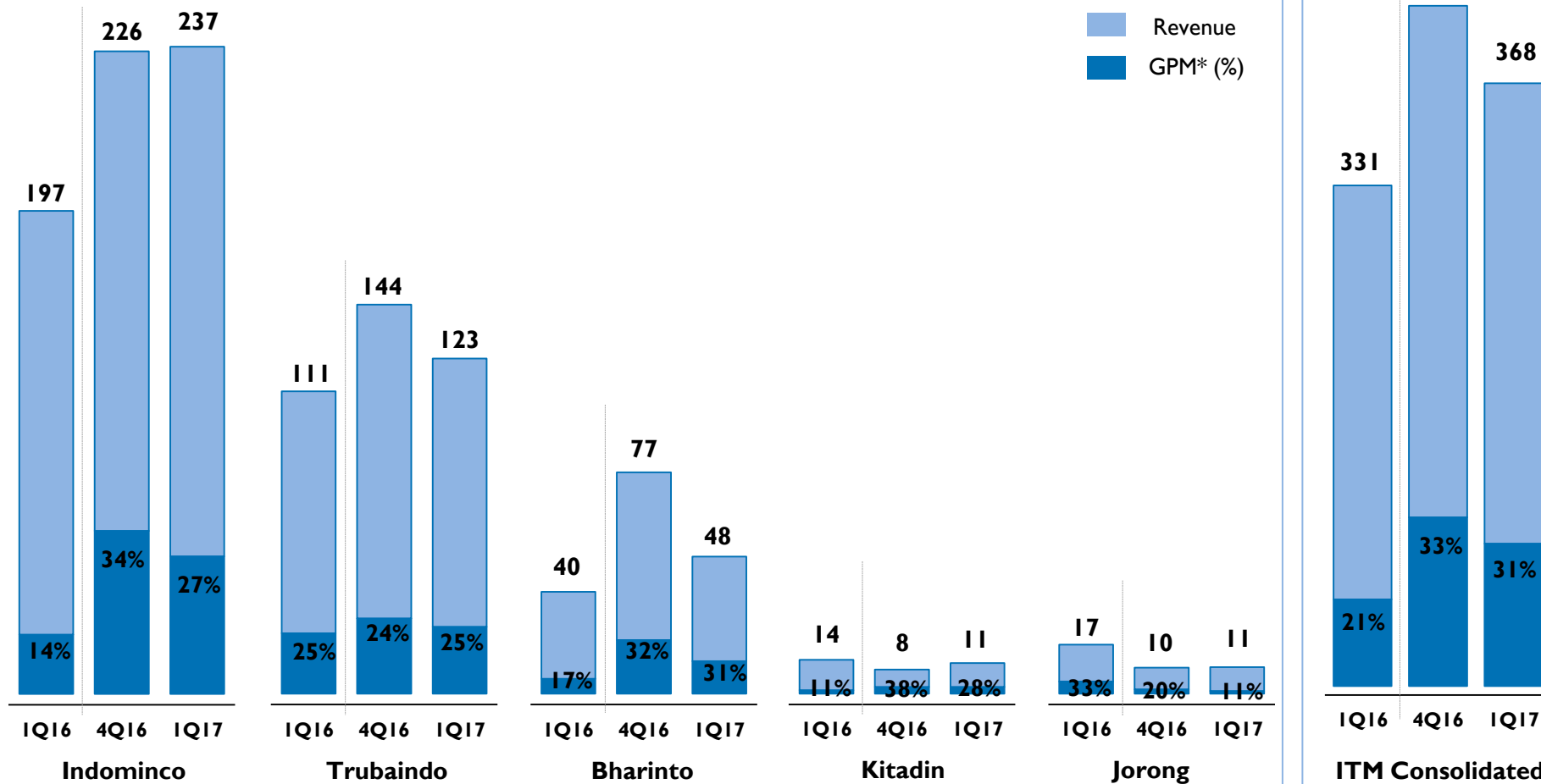
Unit: US\$ million



Note : Total consolidated revenue after elimination

Average gross margin

Unit : US\$ Million



* Gross profit after royalty expense

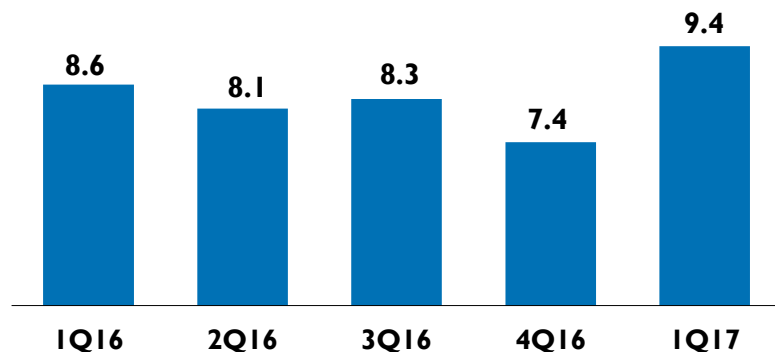
Total cost



WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

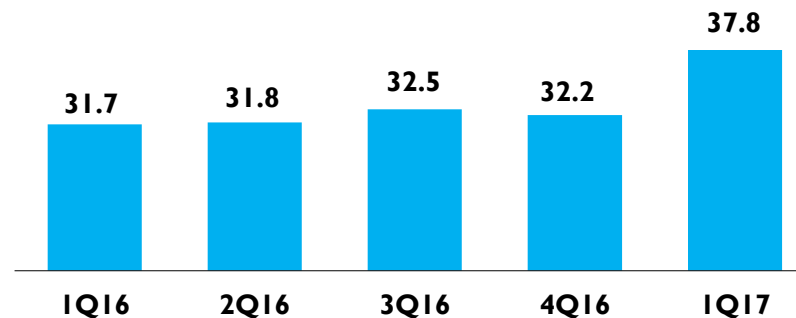
Avg. FY15 : 8.5
Avg. FY16 : 8.1



COST OF GOODS SOLD*

Unit: US\$/t

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

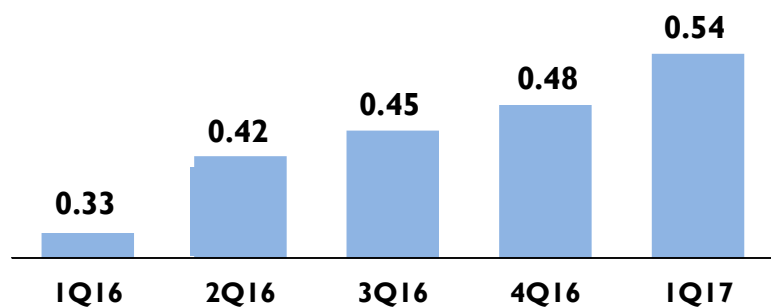


* Excluding royalty

FUEL PRICE

Unit: US\$/Ltr

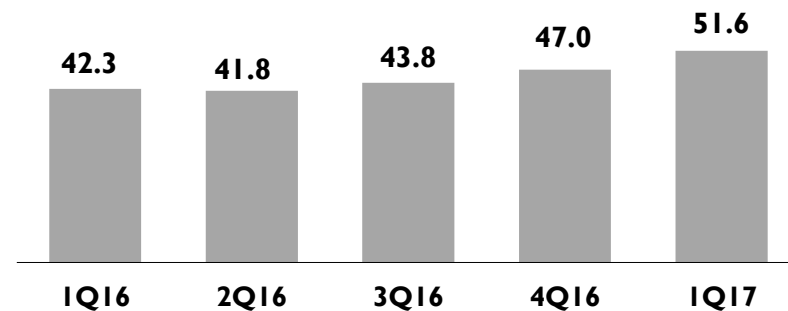
Avg. FY15: \$0.55/ltr
Avg. FY16: \$0.42/ltr



TOTAL COST**

Unit: US\$/t

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

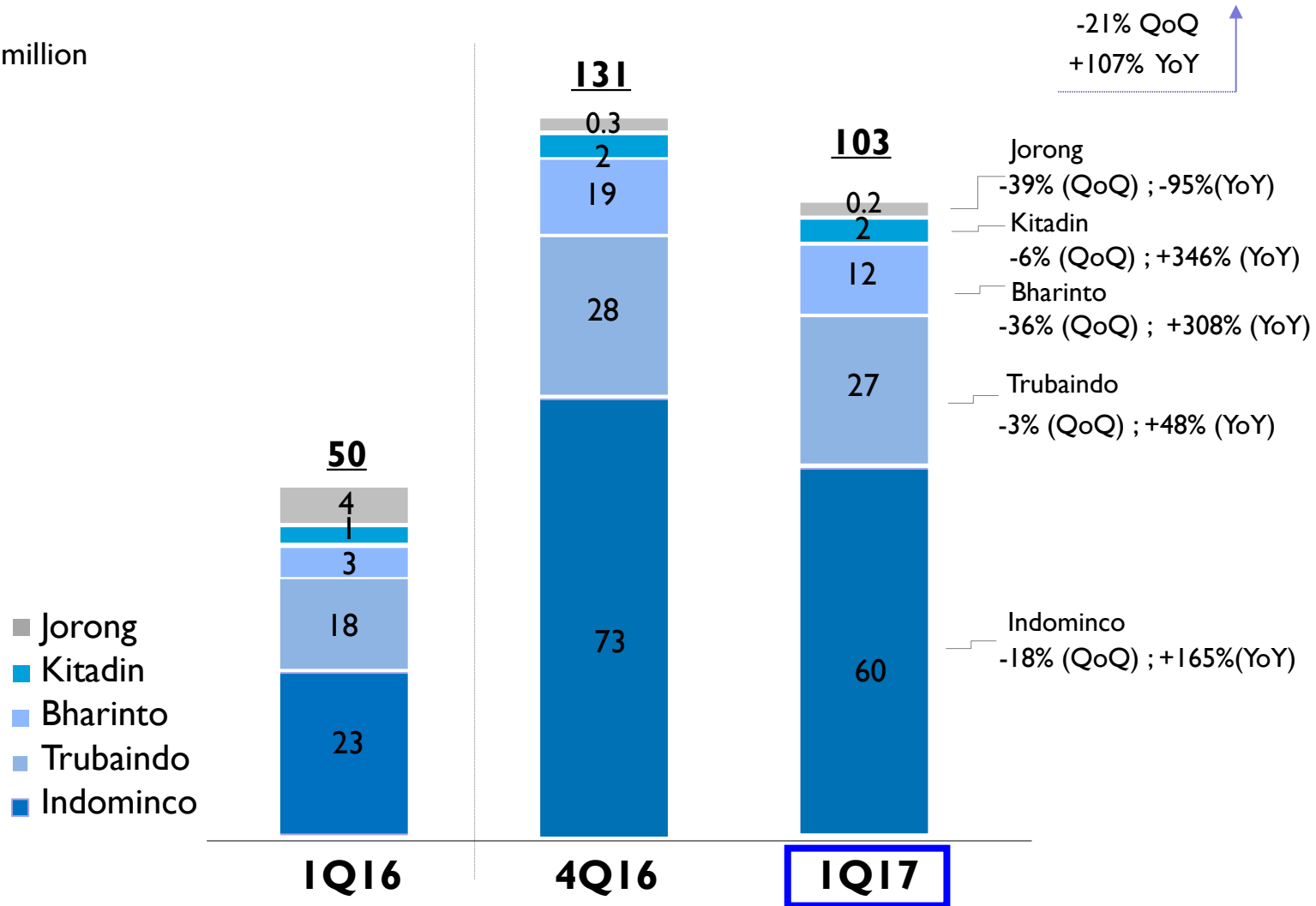


** Cost of Goods Sold + Royalty + SG&A

EBITDA



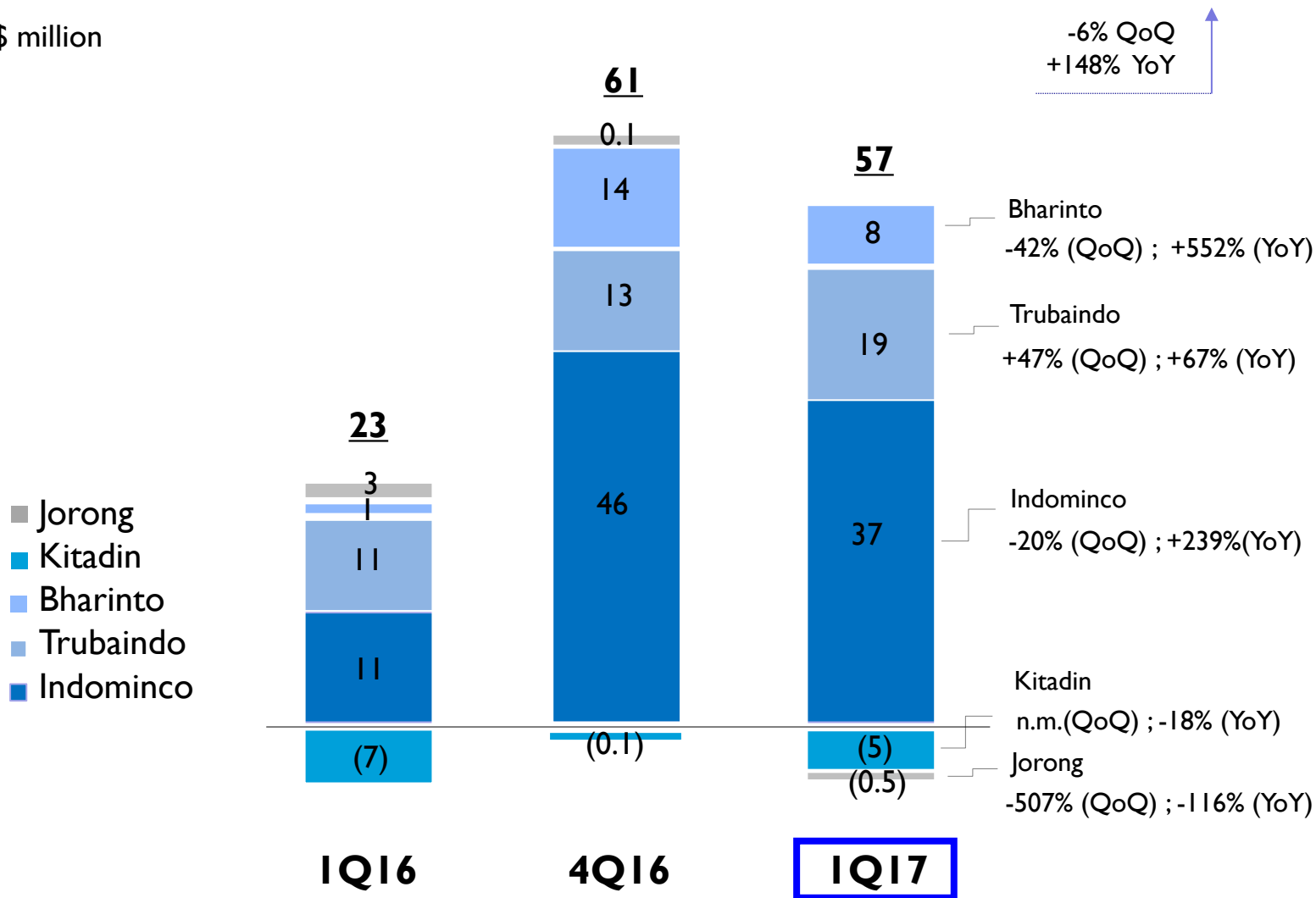
Unit: US\$ million



Net income



Unit: US\$ million

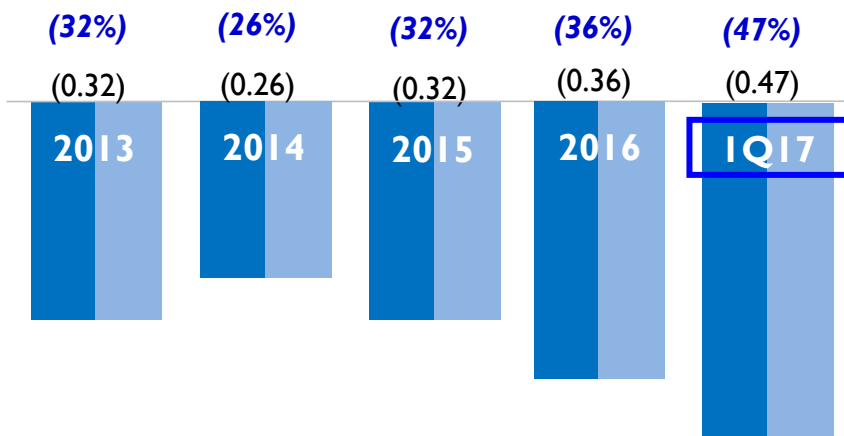


Balance sheet



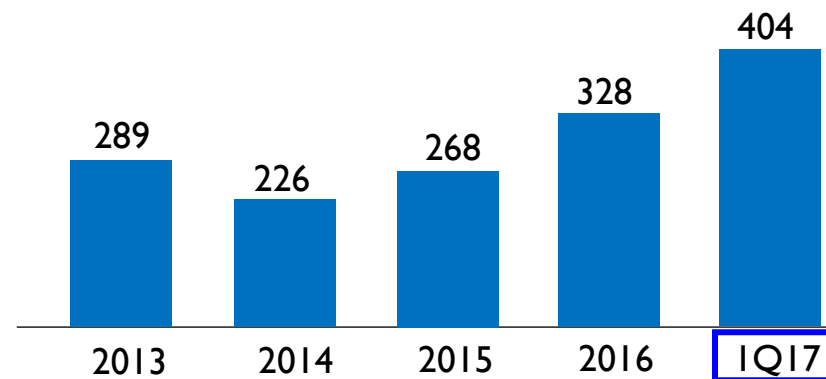
KEY RATIOS

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



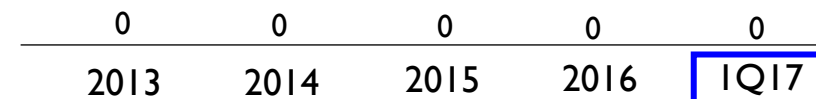
CASH POSITION

Unit: US\$ million



DEBT POSITION

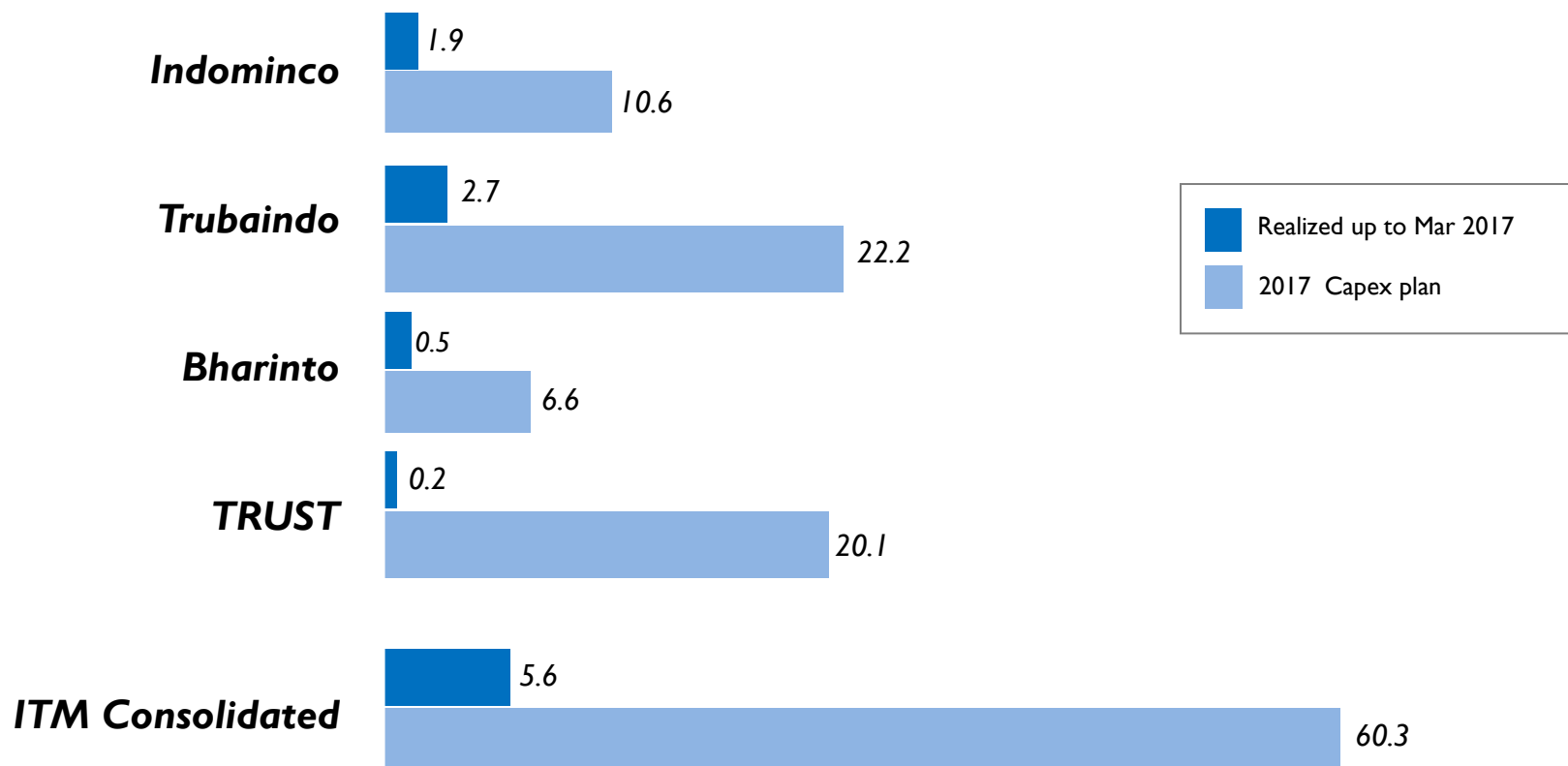
Unit: US\$ million



2017 capital expenditure plan

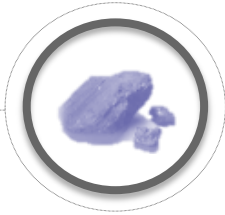


Units: US\$ million



Note: Total capex plan including Jakarta office after elimination

1Q17 – key takeaways



Coal price higher in 1Q17 – expected to be more stable in FY17



5.4 Mt sales 1Q17 – achieved according to target



Stronger financial performance in 1Q17 due to higher ASP



Improved 1Q17 ASP \$67.5/t, +13% (QoQ)



Strip ratio in 2017 is expected to be higher due to optimized coal reserved



Rainfalls still higher in 1Q17 in mine area



Thank you

Question & Answer

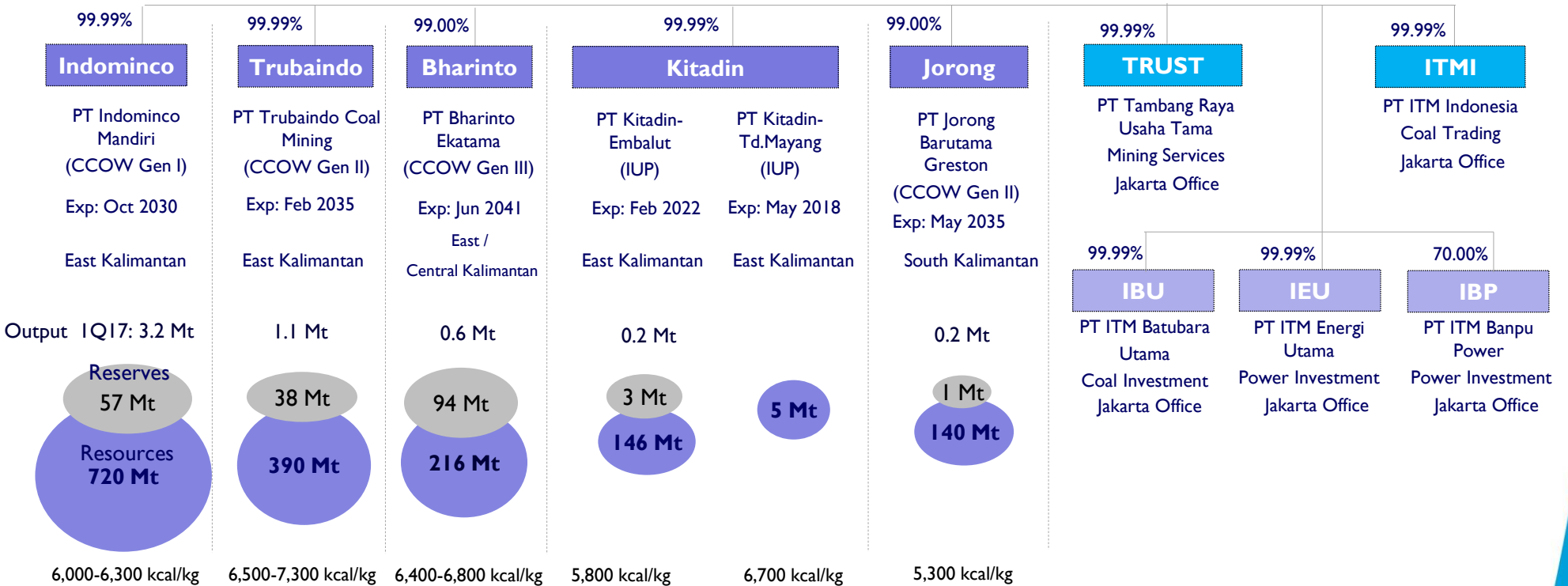
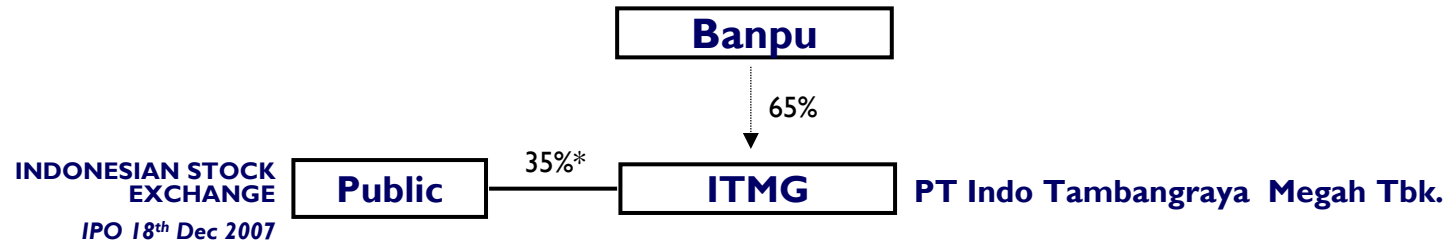
Appendices

Income statement



Unit: US\$ thousand	1Q17	4Q16	1Q16	QoQ%	YoY%
Net Sales	367,874	409,054	331,105	-10%	11%
Gross Profit	114,945	137,036	69,664	-16%	65%
GPM	31%	34%	21%		
SG&A	(25,773)	(33,518)	(31,213)		
EBIT	89,172	103,518	38,451	-14%	132%
EBIT Margin	24%	25%	12%		
EBITDA	103,204	130,516	49,819	-21%	107%
EBITDA Margin	28%	32%	15%		
Net Interest Income / (Expenses)	665	551	278		
Derivative Gain / (Loss)	4,033	(628)	(470)		
Others	(5,537)	(10,477)	(4,779)		
Profit Before Tax	88,333	92,964	33,480	-5%	164%
Income Tax	(31,158)	(31,845)	(10,451)		
Net Income	57,175	61,119	23,029	-6%	148%
Net Income Margin	16%	15%	7%		

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.