



PT Indo Tambangraya Megah Tbk



ANALYST BRIEFING 1Q18 PERFORMANCE RESULTS



Jakarta, 16 May 2018

1 INTRODUCTION

2 OPERATIONAL REVIEW

3 COMMERCIAL REVIEW

4 FINANCIAL REVIEW

5 QUESTION & ANSWERS

Highlights of 1Q18 results



Coal Sales: 4.4 Mt



Down 2.1 Mt
-32% Q-Q



Down 1.0 Mt
-19% y-y

Unit: US\$ million

	<u>1Q18</u>	<u>4Q17</u>	<u>1Q17</u>	<u>Q-Q</u>	<u>y-y</u>
Total Revenue	379	526	368	-28%	+3%
Gross Profit Margin	29%	30%	31%	-1%	-2%
EBIT	88	121	89	-28%	-2%
EBITDA	99	137	103	-28%	-4%
Net Income	58	80	57	-28%	+2%
ASP (USD/ton)	\$83.6	\$80.8	\$67.5	+3%	+24%

Highlights of 1Q18

ANNUAL GENERAL MEETING OF SHAREHOLDERS



- ❖ Annual General Meeting of Shareholders conducted on 23 Mar 2018 declared total final dividend of **USD 252 Mln** or **100%** of the Company's 2017 Net Profit after tax, which payment are as follows:
 - ✓ In the amount of USD 105 Mln or equal to **IDR 1,300** per share has been distributed as interim dividend on 21 Nov 2017
 - ✓ The remaining amount of USD 147 Mln or equivalent to **IDR 1,840** per share was paid on 20 Apr 2018

BOARD OF COMMISSIONERS



Prof. Djisman Simandjuntak
President Commissioner & Independent



Somruedee Chaimongkol
Commissioner



Rudijanto Boentoro
Commissioner



Somsak Sithinamsuwan
Commissioner (New Member)



Mahyudin Lubis
Commissioner



Fredi Chandra
Commissioner



Prof. Djoko Wintoro, PhD
Commissioner (New Member)

BOARD OF DIRECTORS



Kirana Limpaphayom
President Director



A.H Bramantya Putra
Director



Jusnan Ruslan
Director



Stephanus Demo Wawin
Director



Yulius K. Gozali
Director



Mulianto
Director



Ignatius Wurwanto
Director



Padungsak Thanakij
Director (New Member)

Synergy: coal business focus

HARD SYNERGY (INPUTS)

SOFT SYNERGY (SKILLS)

WITHIN BUSINESS UNIT

ACROSS BUSINESS UNIT

SYNERGY

RESULTS



CONTRACT MINING
In-house contract mining at ITM

Target 30% of ITM's OB removal volume



COAL MARKETING
Secure third party coal for blending and trading

Enable quality upgrade and enhance pricing through blending



ARBITRAGE
Sharing of market insights and mechanism

[Enhance competitiveness and add value]



COAL MINING
Cross-fertilization of UG mining expertise

Development of UG mining at Indonesian operations

SYNERGY

RESULTS



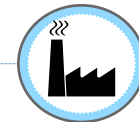
ESCM
Supply diesel for ITM internal use

Target fuel cost reduction by \$3/bbl



COAL MINING
Additional margins from other business

Optionality for reserves optimization



POWER
Sharing of coal mining expertise

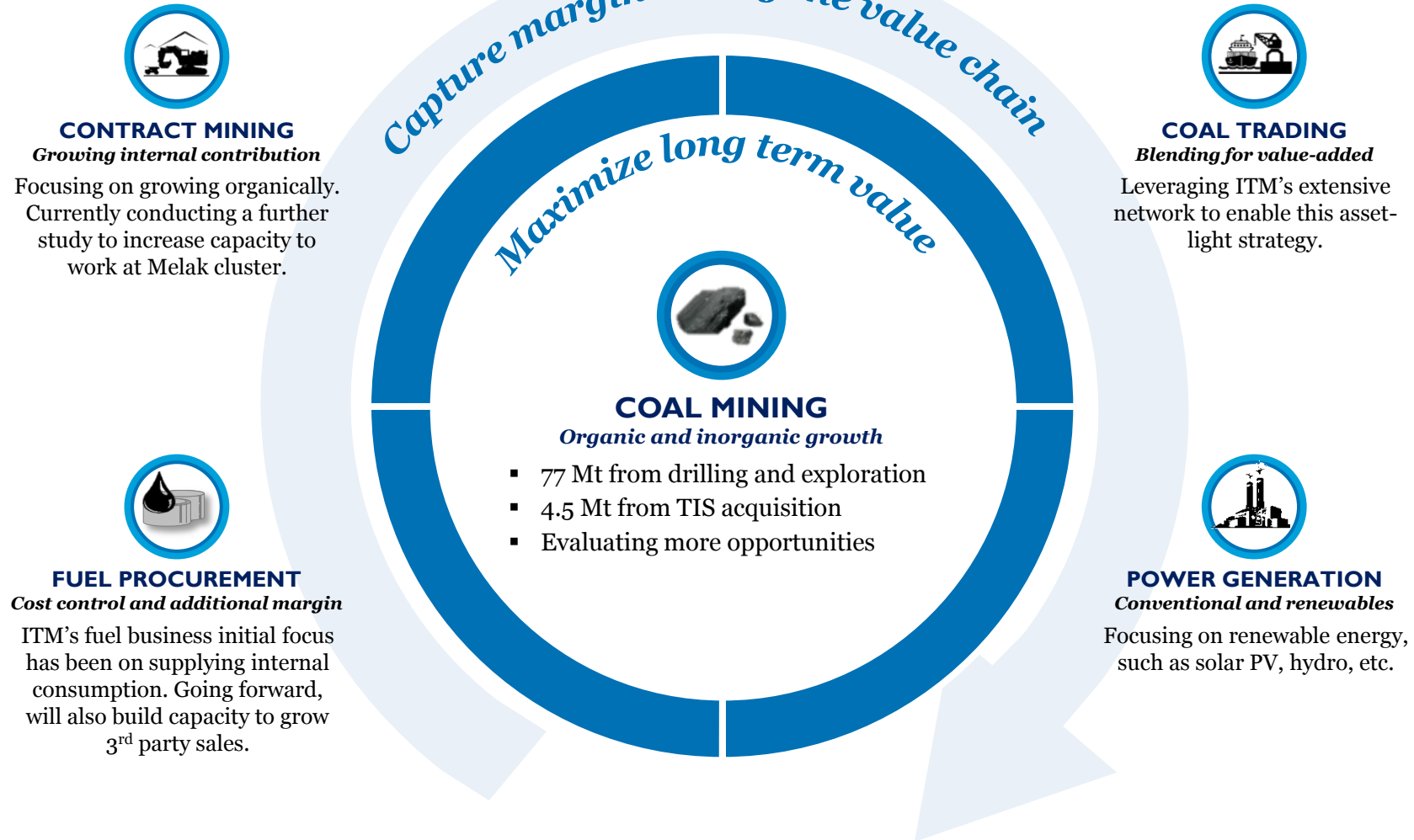
Improve coal productivity



ITM-BPP
Sharing of power operational expertise

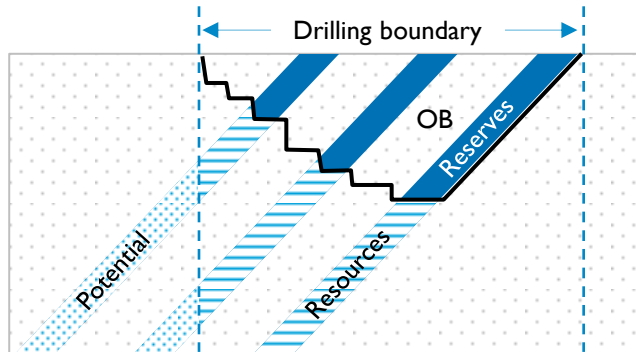
Develop renewable energy at several locations

● OPERATIONAL ○ DEVELOPMENT

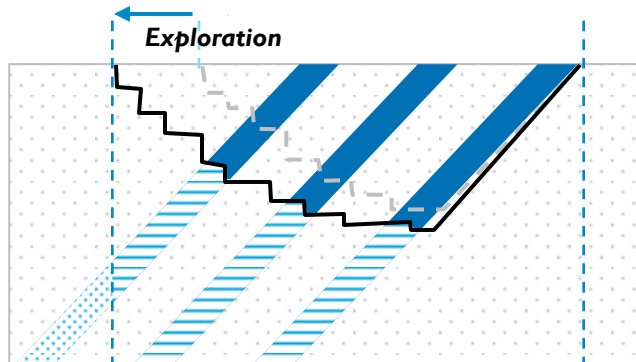


Organic growth provides additional reserves at a relatively attractive price

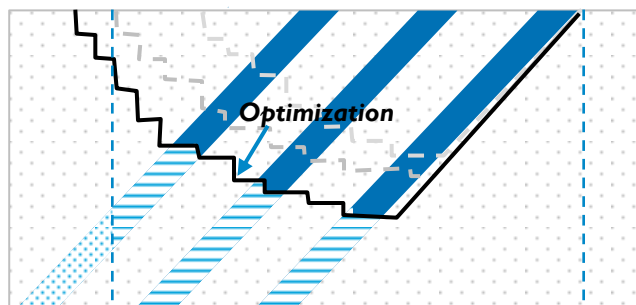
SIMPLIFIED AND ILLUSTRATIVE



- Current reported reserves/resources are based on current exploration
- Does not include potential reserves, which could be proven by doing more exploration



- More exploration can confirm and identify more resources/reserves
- Also increases optionality to convert more resources into reserves
- \$7-8 M p.a. drilling and exploration capex



- Options to increase reserves with updated economics, technology
- Productivity, efficiency, and additional margins along the value chain would also lead to better economics and in turn, more reserves



77 Mt
additional reserves

Agenda

1 INTRODUCTION

2 OPERATIONAL REVIEW

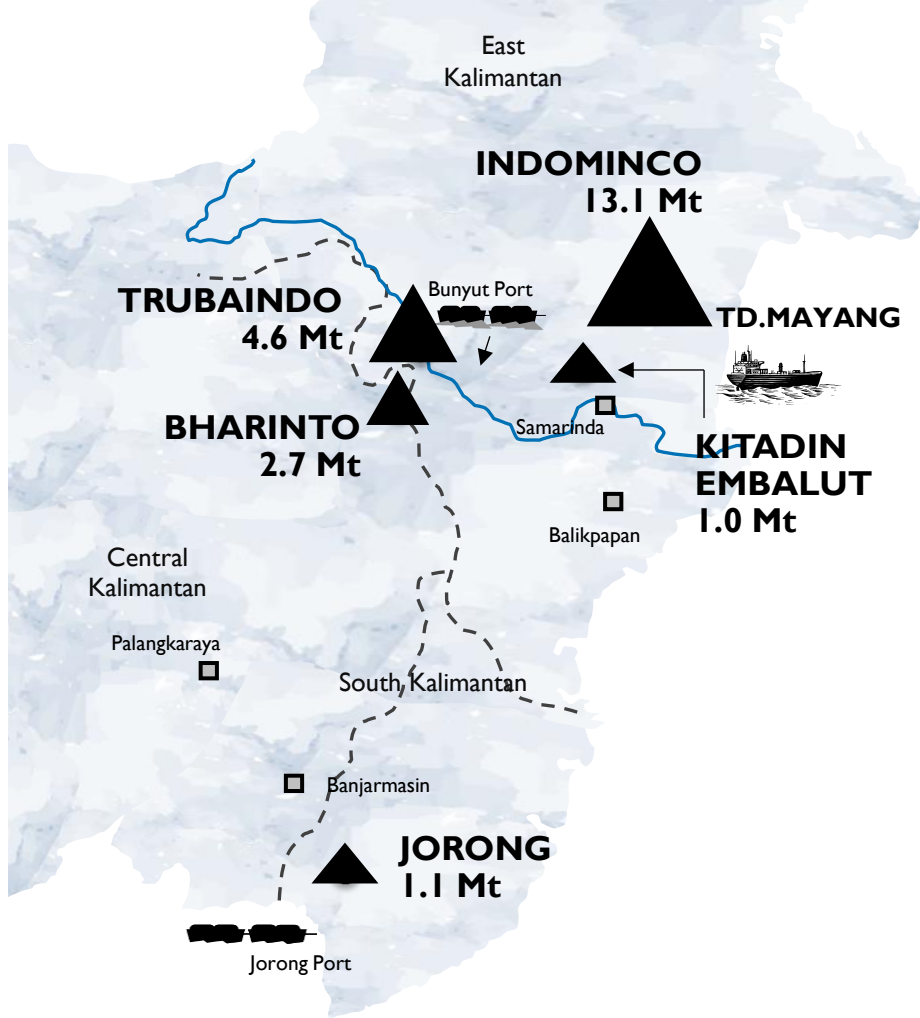
3 COMMERCIAL REVIEW

4 FINANCIAL REVIEW

5 QUESTION & ANSWERS

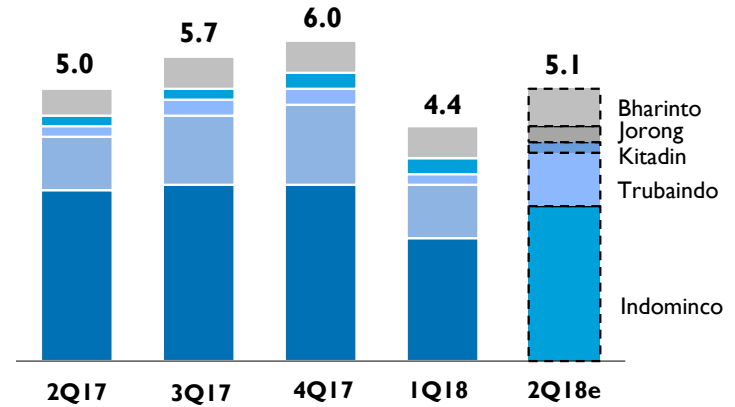
Operational summary 2018

2018 TARGET : 22.5 Mt



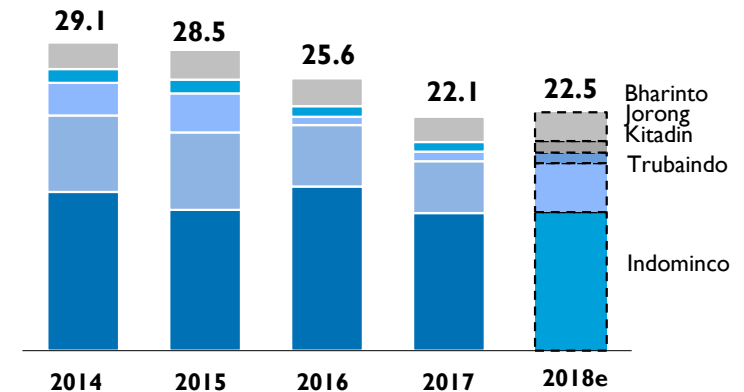
QUARTERLY OUTPUT TREND

Unit: Mt

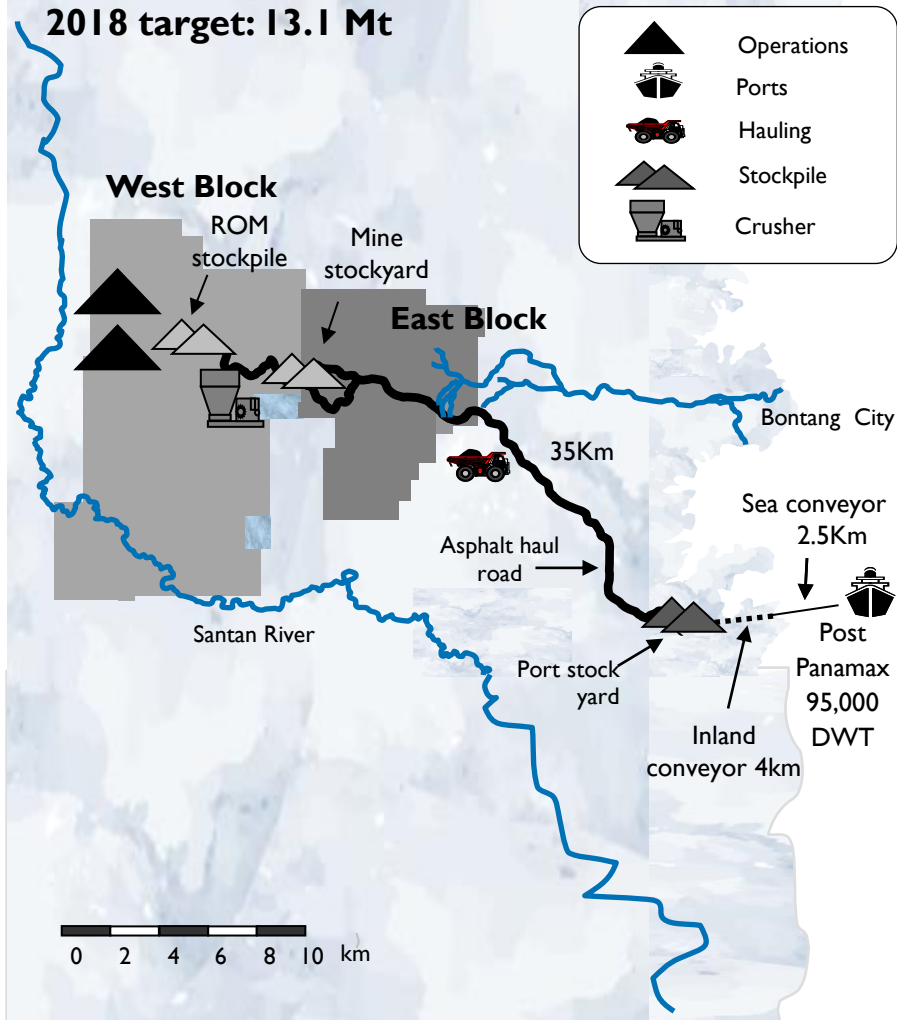


YEARLY OUTPUT TREND

Unit: Mt



SCHEMATIC

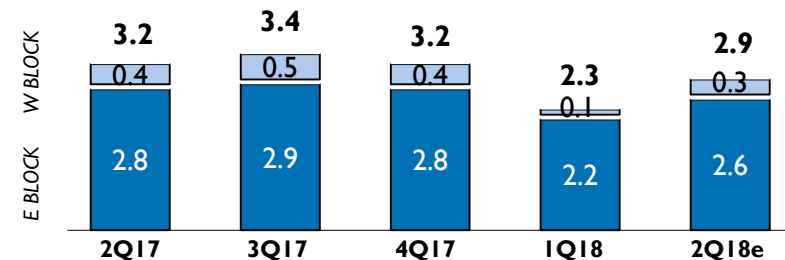


QUARTERLY UPDATES

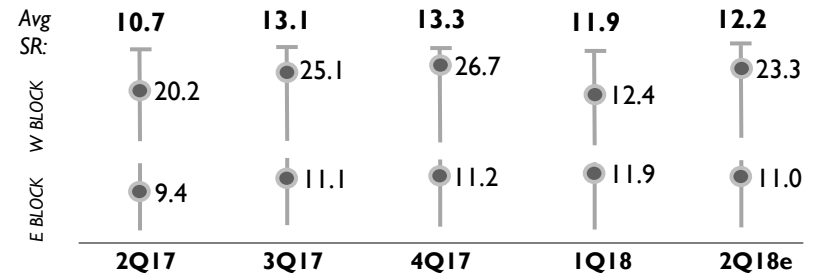
- 1Q18 production was slightly lower than target due to weather condition affecting the mine production.
- Average strip ratio in 2018 is expected to be higher than 2017 to optimize coal reserves.

QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t



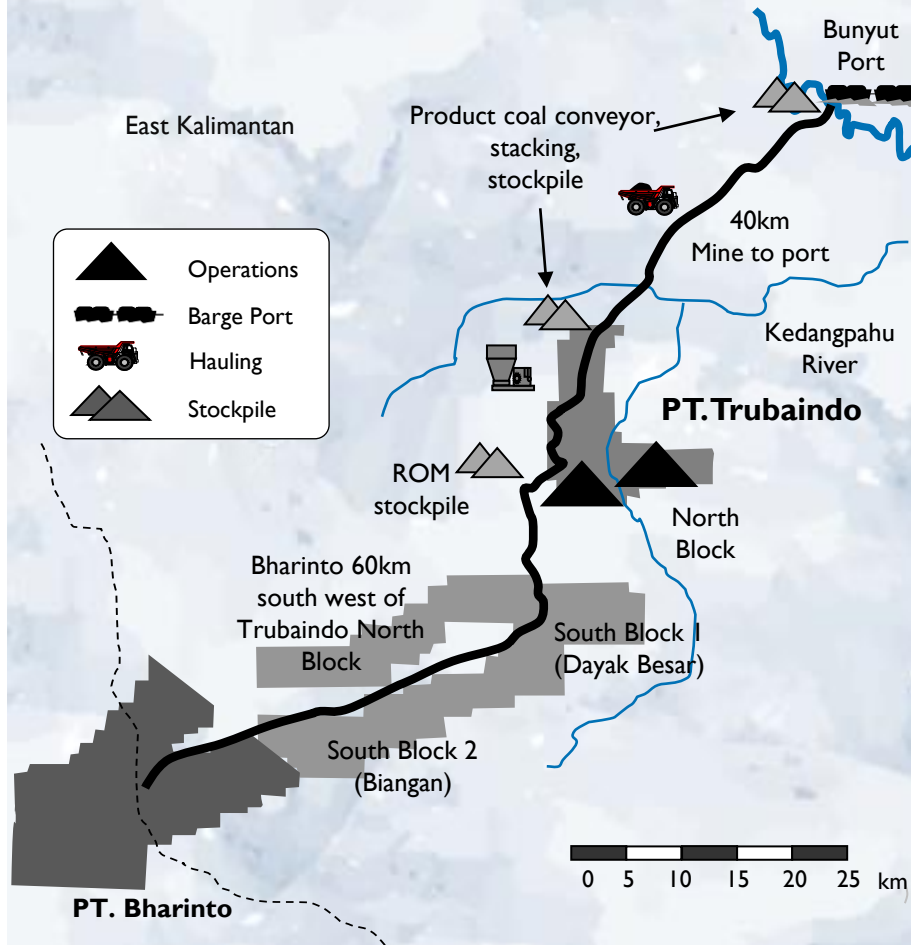
*SR based on FC coal

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

Melak group – Trubaindo and Bharinto

SCHEMATIC

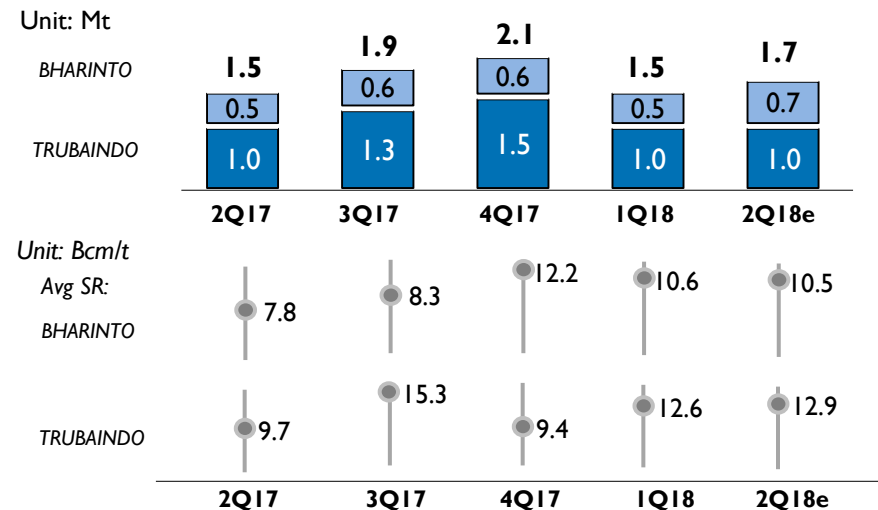
2018 target: TCM 4.6 Mt
BEK 2.7 Mt



QUARTERLY UPDATES

- Trubaindo:
 - 1Q18 production output slightly above than target.
 - Continue hauling road improvement program from Trubaindo to Bharinto area, expected to be completed by mid of 2018.
- Bharinto:
 - 1Q18 production was close to target despite weather condition affecting mine production.

QUARTERLY OUTPUT



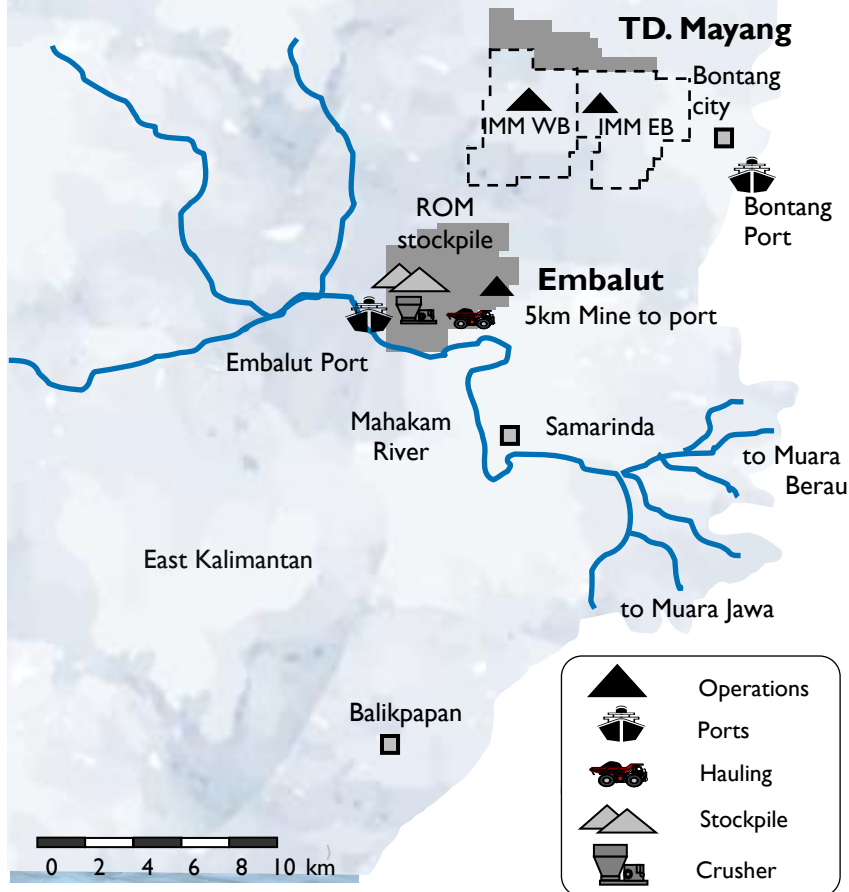
*SR based on FC coal

**SR FY17 TCM: 10.9, BEK: 8.6

Kitadin Embalut and Tandung Mayang

SCHEMATIC

2018 target: EMB 1.0 Mt

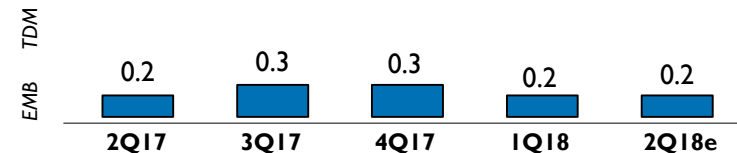


QUARTERLY UPDATES

- Kitadin Embalut:
 - 1Q18 production achieved according to target
 - Further study to optimize coal reserves
- Kitadin Td.Mayang:
 - Continue mine closure activities including mine rehabilitation.

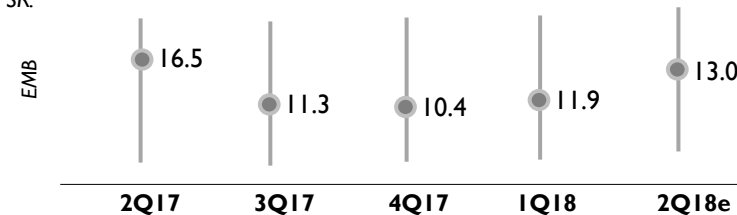
QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

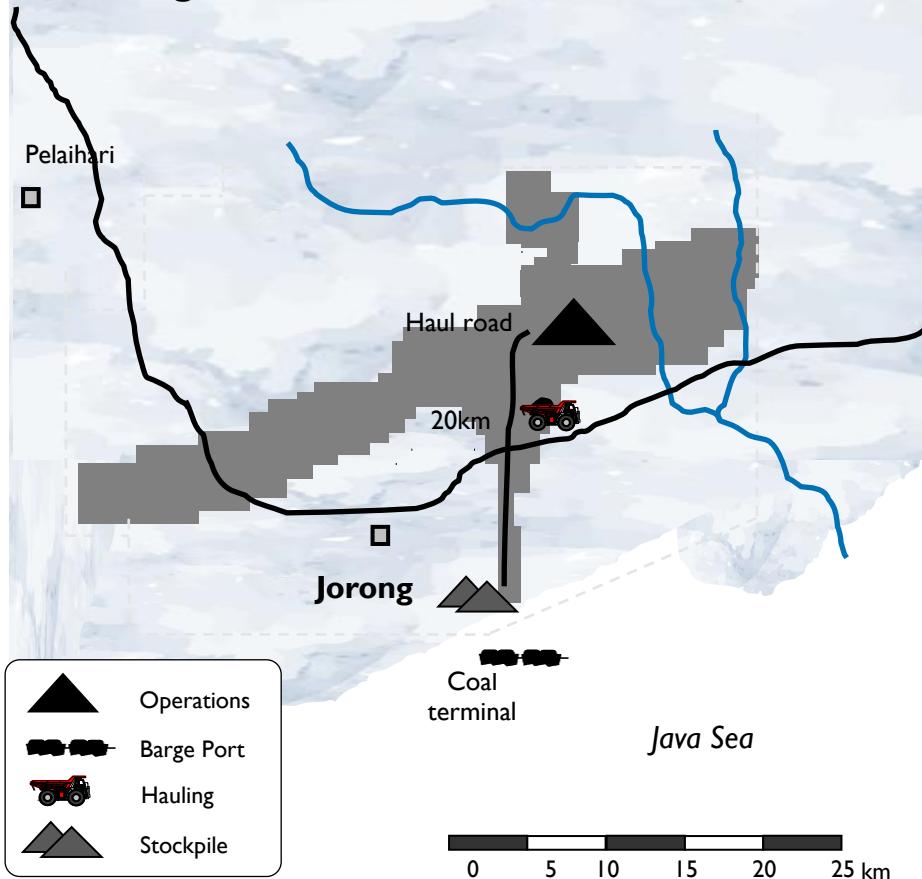
Avg SR:



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

SCHEMATIC

2017 target: 1.1 Mt



QUARTERLY UPDATES

- 1Q18 production achieved according to target.
- Additional reserves from river diversion project would extend the life of the mine beyond 2019.
- Permit requirement by government is in progress.

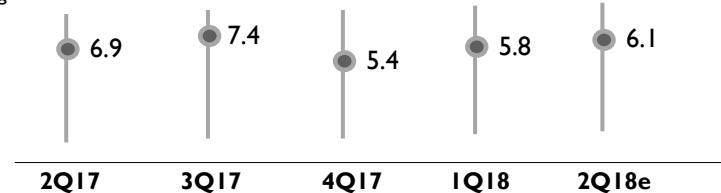
QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

Avg SR:



*SR based on FC coal

***SR FY17 JBG: 6.4

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3 COMMERCIAL REVIEW

















4 FINANCIAL REVIEW

5 QUESTION & ANSWERS

Global demand trends: 2018 vs 2017

GEOGRAPHY		CHANGE 2018-17 (Mt.)	COMMENTS
	CHINA	-10	<ul style="list-style-type: none"> Winter demand and tight domestic supply boosted import in IQ18 Domestic coal prices fell sharply after Chinese New Year after end winter season and improving supply Import restriction has been introduced in April to support domestic coal prices.
	INDIA	+7	<ul style="list-style-type: none"> Strong demand due to improvement in domestic economy. Domestic supply shortfall persist in IQ18 resulted in stronger import
	OTHER N.ASIA	+3	<ul style="list-style-type: none"> South Korea shut down 2.32GW old coal units during Mar-Jun but coal burn is likely to remain comparatively high following the addition of six coal-fired units last year. Coal-fired capacity additions and nuclear restrictions helps to boost coal burn in Taiwan
	EUROPE	-5	<ul style="list-style-type: none"> Greater renewables output, low gas prices and higher nuclear availability are expected to depress coal burn. Turkey plans to commence 1.32GW coal-fired power plants this year
	OTHERS	+17	<ul style="list-style-type: none"> South East Asia and Pakistan drive demand growth on addition of new coal-fired power plants
	GLOBAL	+12	<p><i>Although China is seeking to reduce thermal coal imports this year to meet 2020 goals, based on year-to-date import rates, a year-on-year reduction will be difficult while trying to keep price within a healthy range at the same time. While demand growth from other developing economies will offset China declines.</i></p>

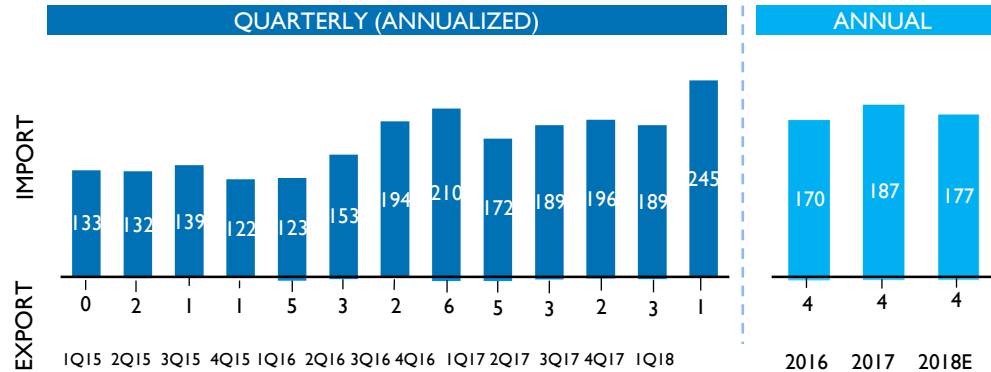
Global supply trends: 2018 vs 2017

GEOGRAPHY	CHANGE 2018-17(Mt.)	COMMENTS
 INDONESIA	 +1	<ul style="list-style-type: none"> ▪ Domestic price cap at \$70/t will encourage producers to export more coal ▪ Slow global demand growth will limit Indonesian export
 AUSTRALIA	 +7	<ul style="list-style-type: none"> ▪ Bad weather and maintenance limited supply growth in Q1-2018
 COLOMBIA	 +2	<ul style="list-style-type: none"> ▪ Weak European demand will force Colombian producers to seek alternative buyers. ▪ Colombian coal is competitive for delivery to Asia
 RUSSIA	 +3	<ul style="list-style-type: none"> ▪ Russian coal still competitive in Asia
 S.AFRICA	 -1	<ul style="list-style-type: none"> ▪ Increasing competition from other suppliers ▪ Increasing domestic demand
 USA	 +3	<ul style="list-style-type: none"> ▪ Weak domestic coal demand due to competition with natural gas ▪ US producers will be forced to divert more coal to exports
 OTHERS	 -1	<ul style="list-style-type: none"> ▪ Exports from Poland and other European countries are expected to decline
 GLOBAL	 +14	<p><i>We expect sufficient near-term supply to meet 2018 demand. Suppliers in all exporting countries are expecting to see their export rise this year but some are going to be disappointed.</i></p>

China: enter weak demand season

CHINA THERMAL COAL IMPORTS/EXPORTS*

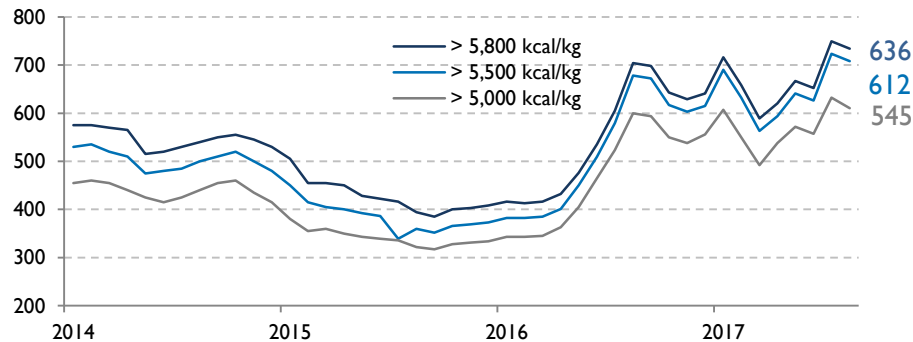
Unit: Mt



Sources: Banpu MS&L

CHINA DOMESTIC COAL PRICES

Unit: RMB/t



1Q18

- Supply tightness continued in Jan-Feb 2018 due to winter demand and slow supply recovery resulted in coal prices surged.
- Chinese government capped QHD FOB 5500 NAR at RMB750/t from 5 Feb 2018.
- Domestic coal prices fell sharply in March due to improving supply and weakening demand as winter ended.
- In late March, China import curbs change price direction

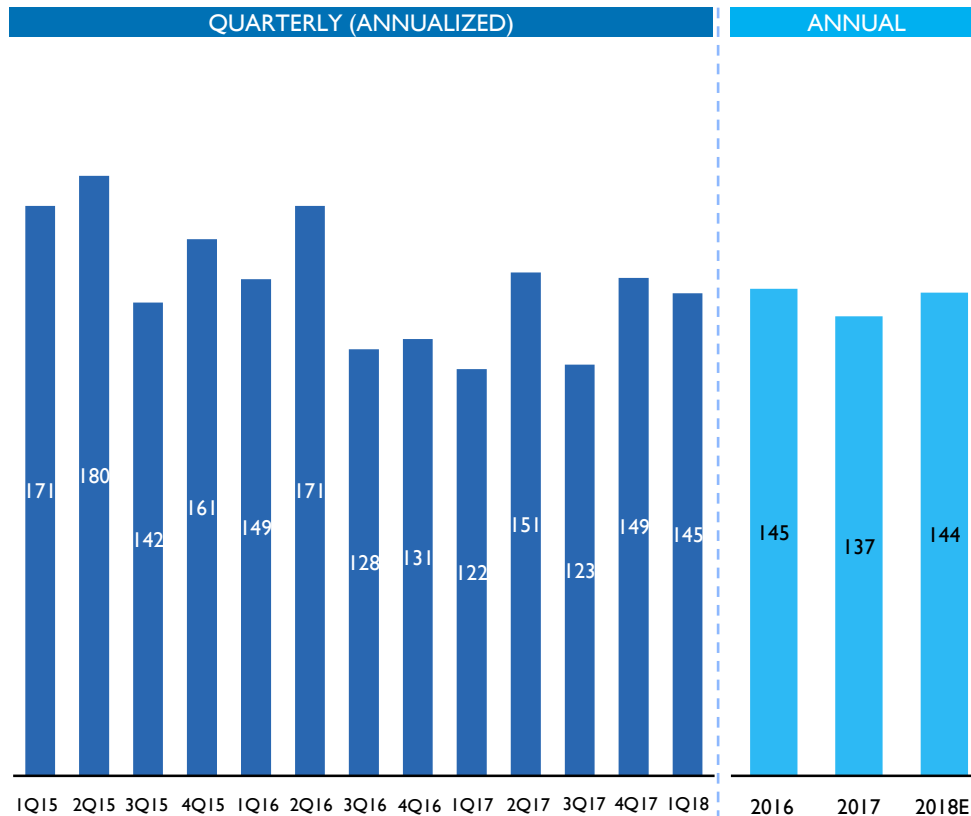
Outlook

- Domestic coal production is improving but demand also growing.
- Further import restrictions will subject to coal price whether it's within China's preferred range (RMB500-570/t) or not.
- We expect thermal coal import to remain relatively strong.
- China also continues to cause significant regulatory uncertainty.

India: growing economy, increase electricity demand

INDIA THERMAL COAL IMPORTS*

Unit: Mt



1Q18

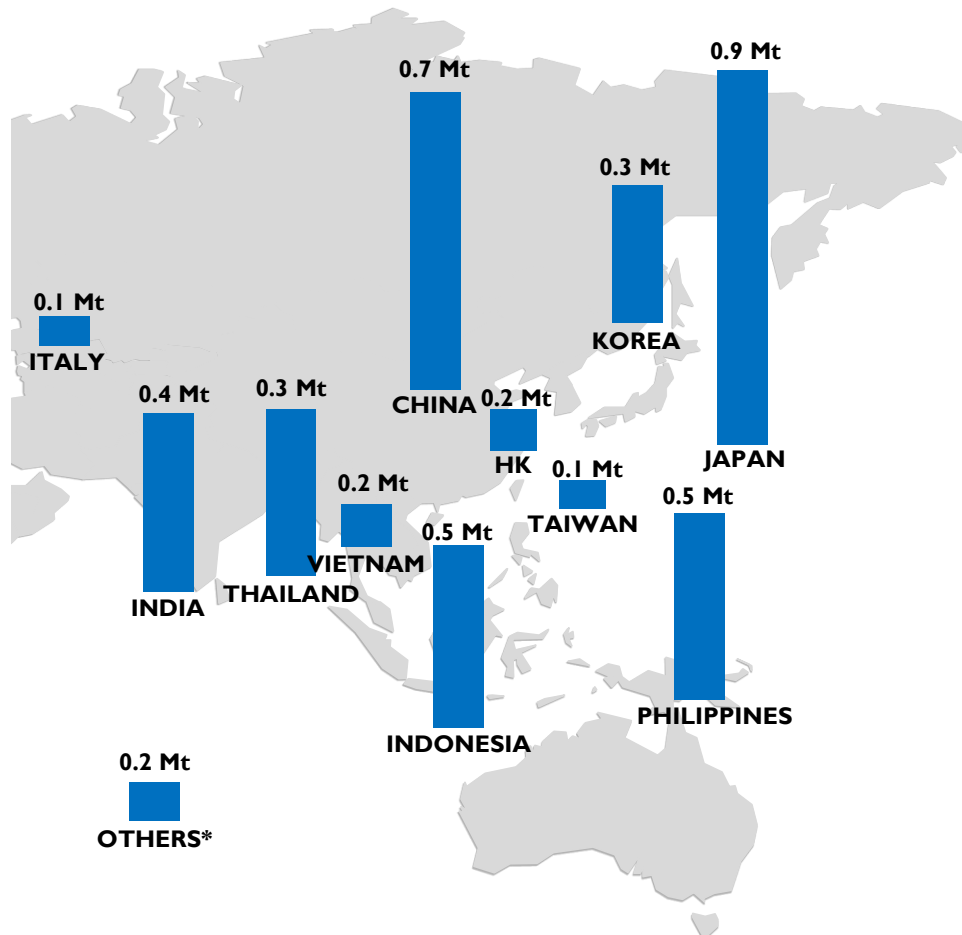
- Coal demand is growing due to improvement in the domestic economy.
- Domestic supply shortfall and rail capacity constraints led to Southern and Western power plants scouting out for imported thermal coal.
- Some plants in Western India preferred shutting down as the costs of shutting down was lower than to continue to operate.
 - 10.9 GW was idled at the end of March, out of which about 5.5 GW are designed to use imported coal.
- Price volatility of imported coal in international market as well as the price differential between domestic coal, e-auction coal and imports is likely to govern the demand for coal imports.

Outlook

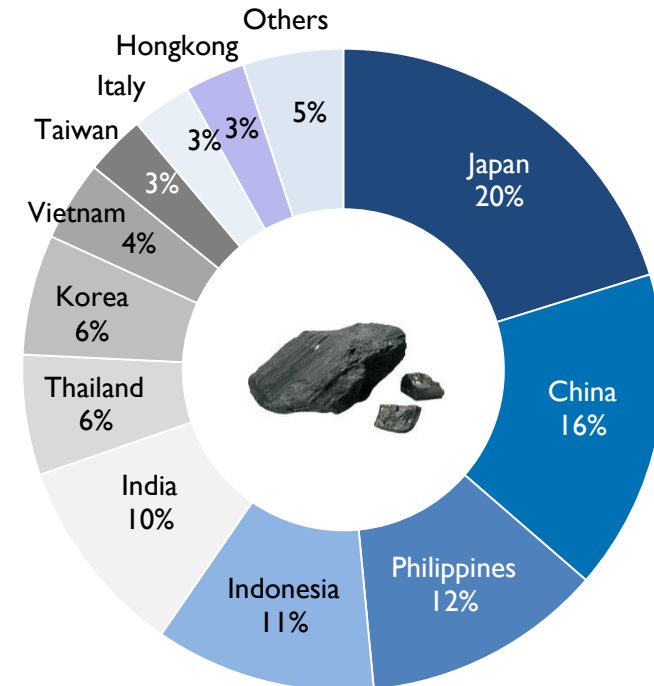
- Domestic coal supplies are expected to fall short of production targets again in 2018 and there is potential to increase imports.

ITM coal sales 1Q18

COAL SALES BREAKDOWN BY DESTINATION



COAL SALES 1Q18



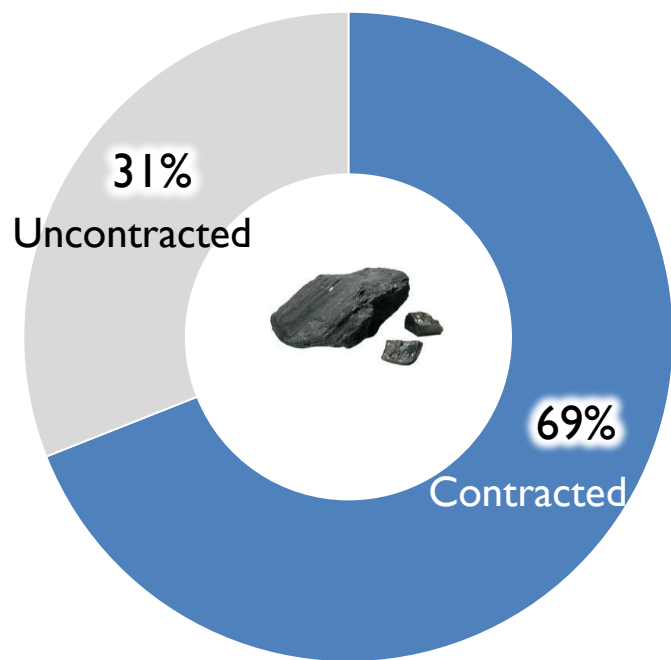
Total Coal Sales 1Q18: 4.4 Mt

*) Note: Bangladesh, New Zealand

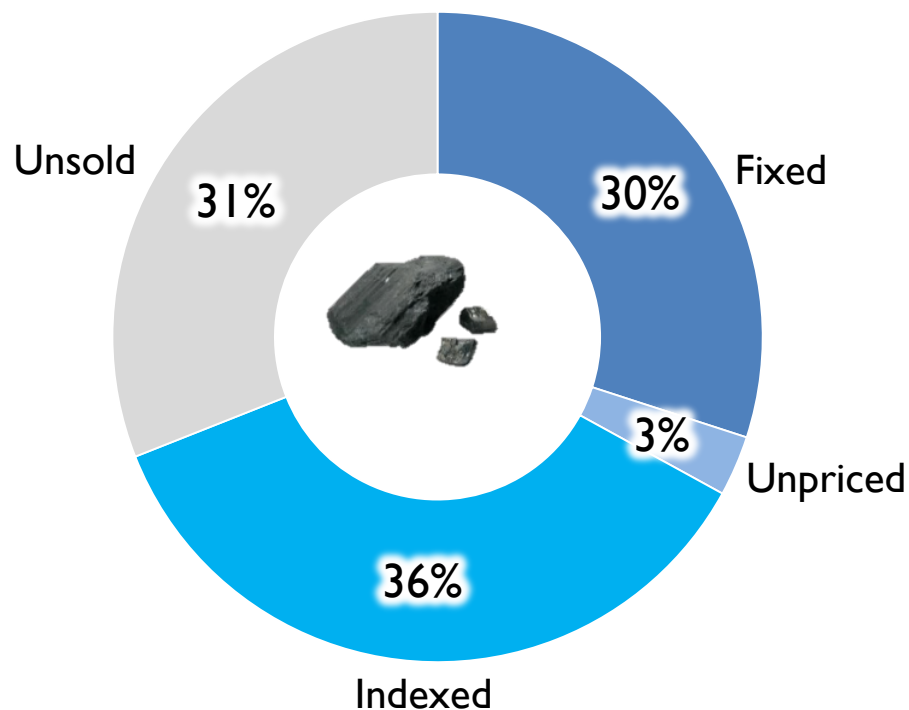
Indicative coal sales 2018

COAL SALES CONTRACT AND PRICING STATUS

Contract Status



Price Status

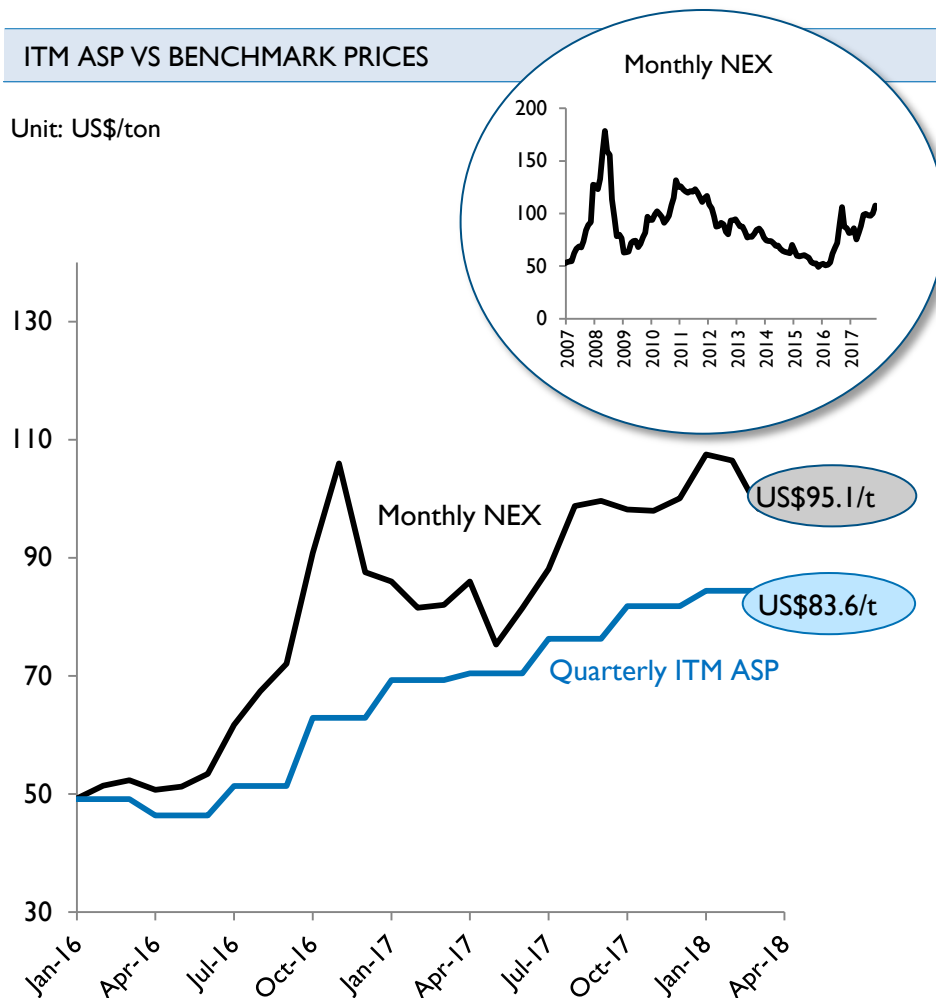


TARGET SALES 2018: 25.0 Mt

ITM ASPs vs thermal coal benchmark prices

ITM ASP VS BENCHMARK PRICES

Unit: US\$/ton



COMMENTS

- 1Q18 ASP continued firm according to supply tightness.
 - *ITM ASP: US\$83.6/t* (+3% QoQ)*
 - *NEX (Apr 27, 2018)**: US\$95.1/t*
- Market remained strong in 1Q18 with a bullish sentiment during Jan-Feb, then eased to its fundamental level in late March.
- Supply tightness expected to soften in 2Q18 as market is moving to low demand season. Chinese policy remains 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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3 COMMERCIAL REVIEW

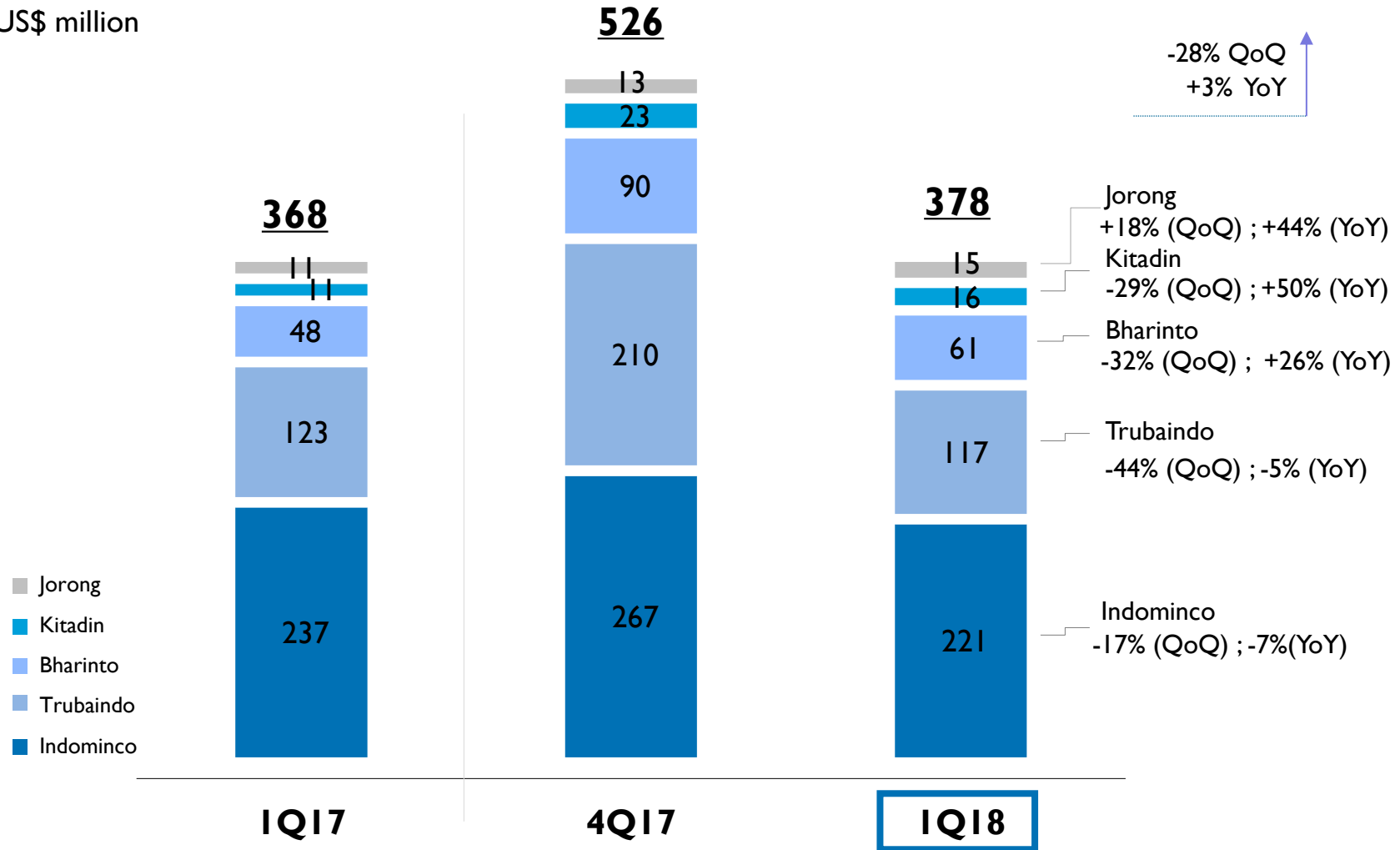
4 FINANCIAL REVIEW

5 QUESTION & ANSWERS

Sales revenue

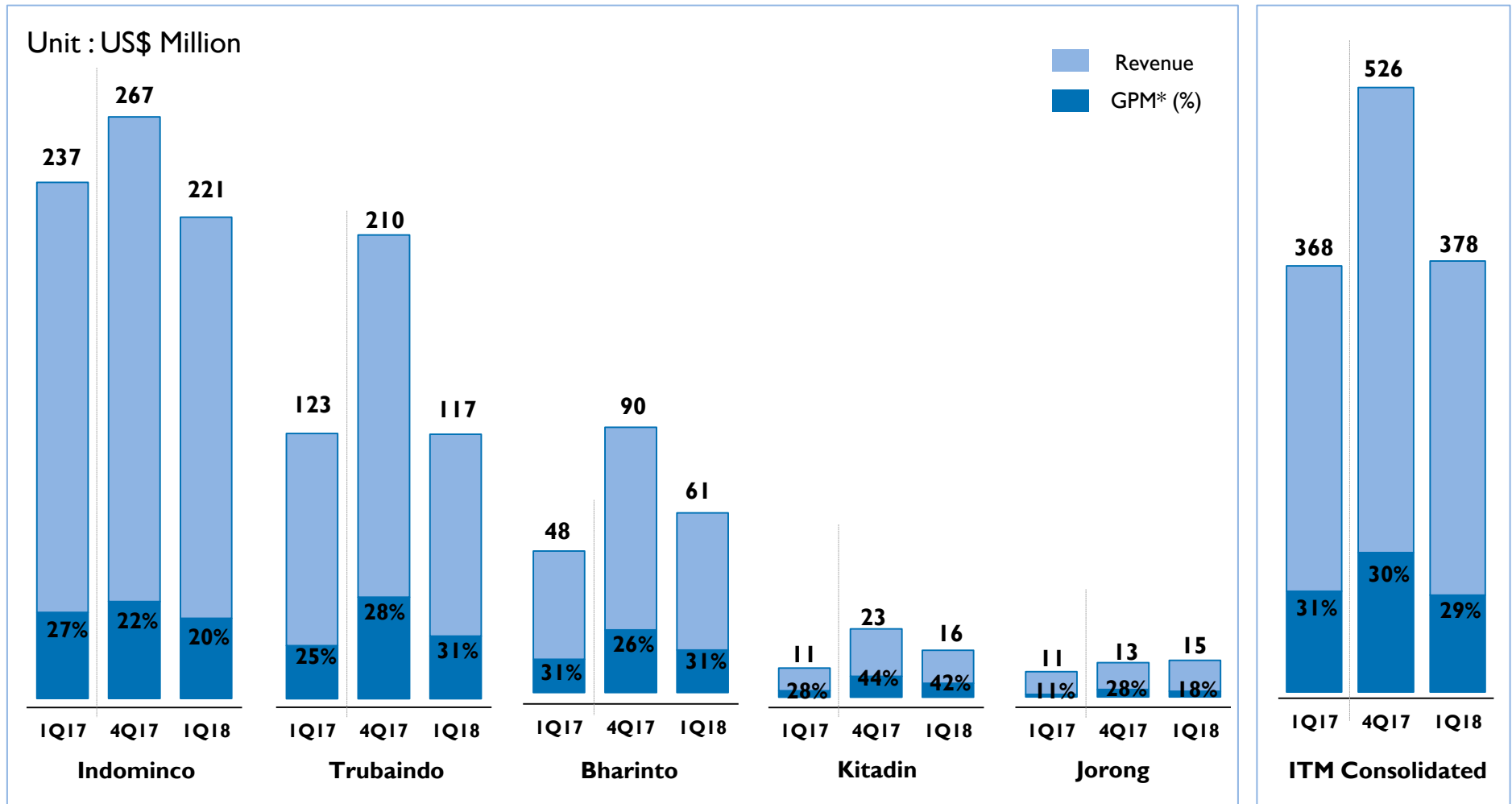


Unit: US\$ million



Note : Total consolidated revenue after elimination

Average gross margin



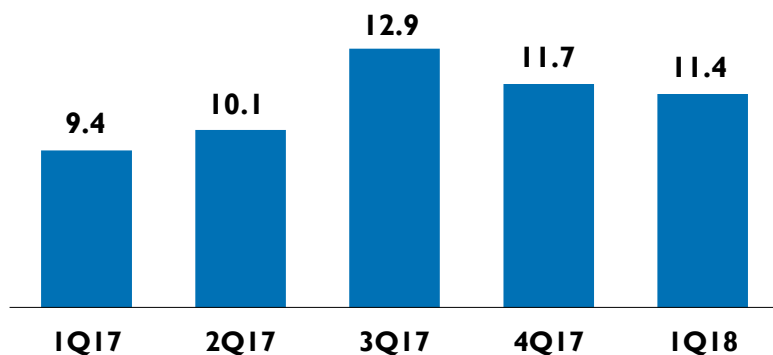
* Gross profit after royalty expense

Cost Analysis

WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

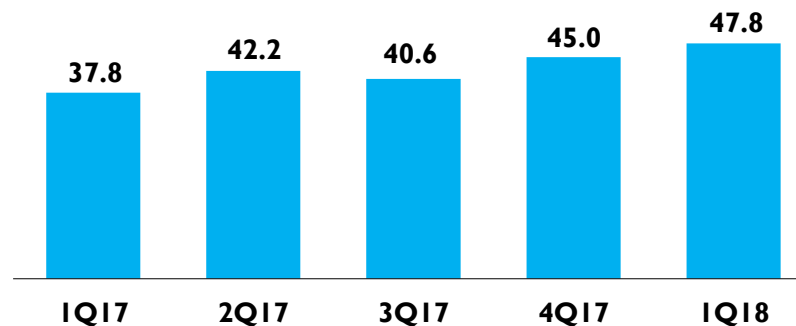
Avg. FY16 : 8.1
Avg. FY17 : 11.1



COST OF GOODS SOLD*

Unit: US\$/t

Avg. FY16: \$32.1/t
Avg. FY17: \$41.6/t

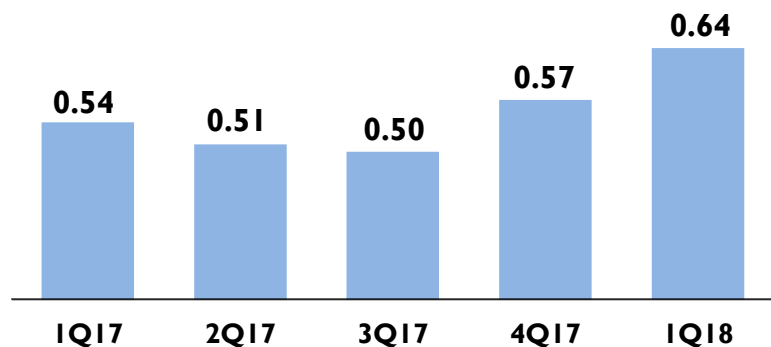


* Excluding royalty and fuel business

FUEL PRICE

Unit: US\$/Ltr

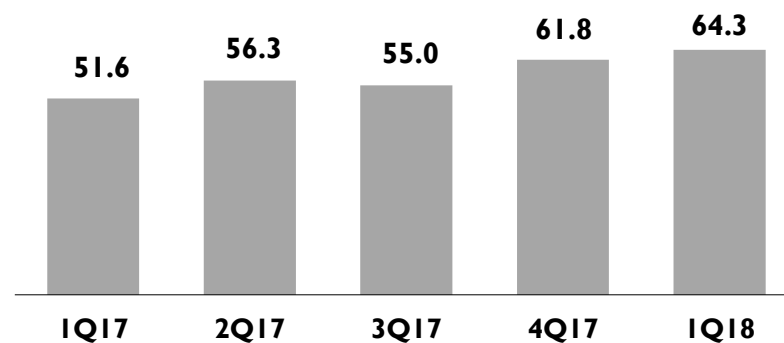
Avg. FY16: \$0.42/ltr
Avg. FY17: \$0.53/ltr



TOTAL COST**

Unit: US\$/t

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

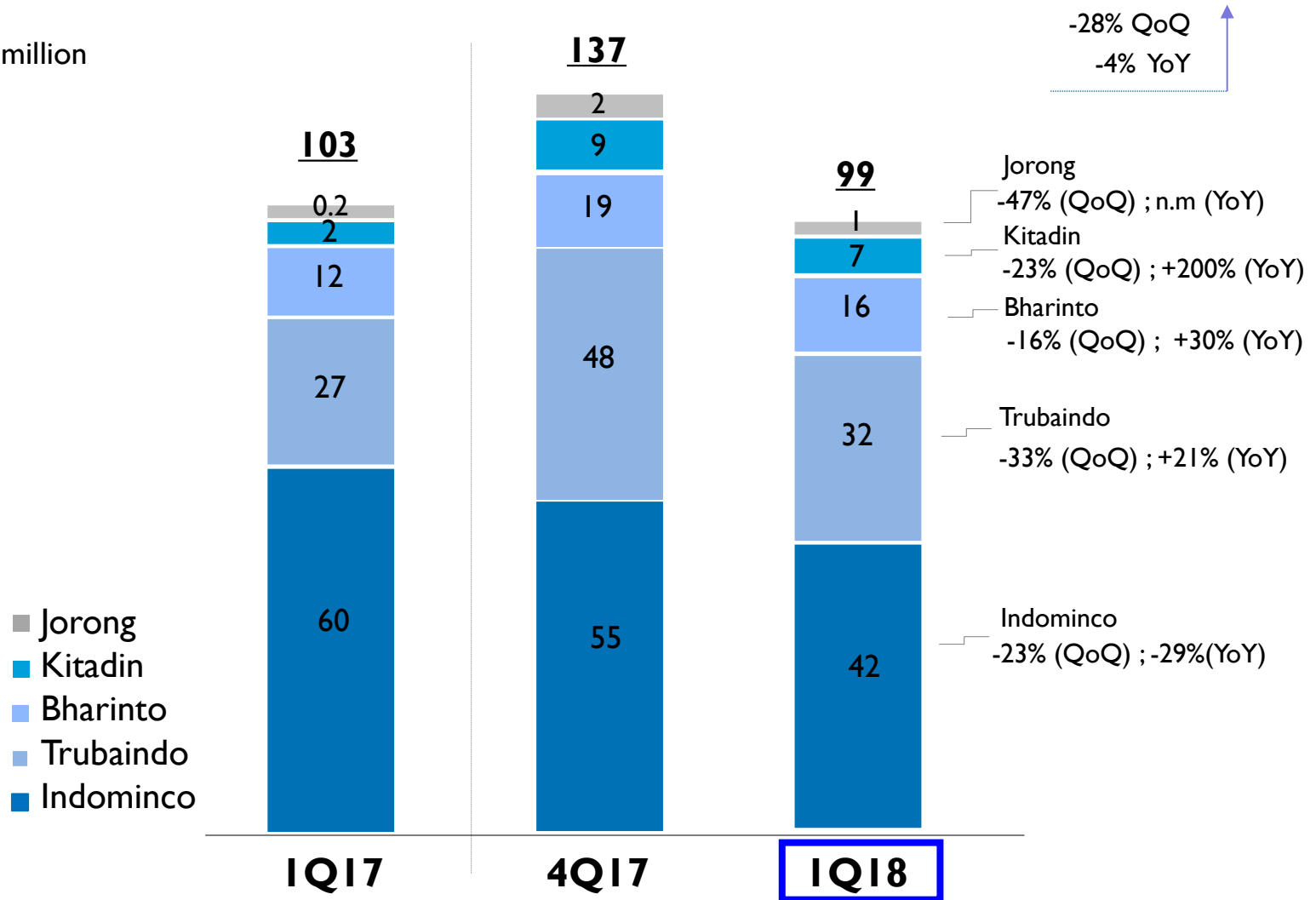


** Cost of Goods Sold + Royalty + SG&A (Exc. Fuel business)

EBITDA



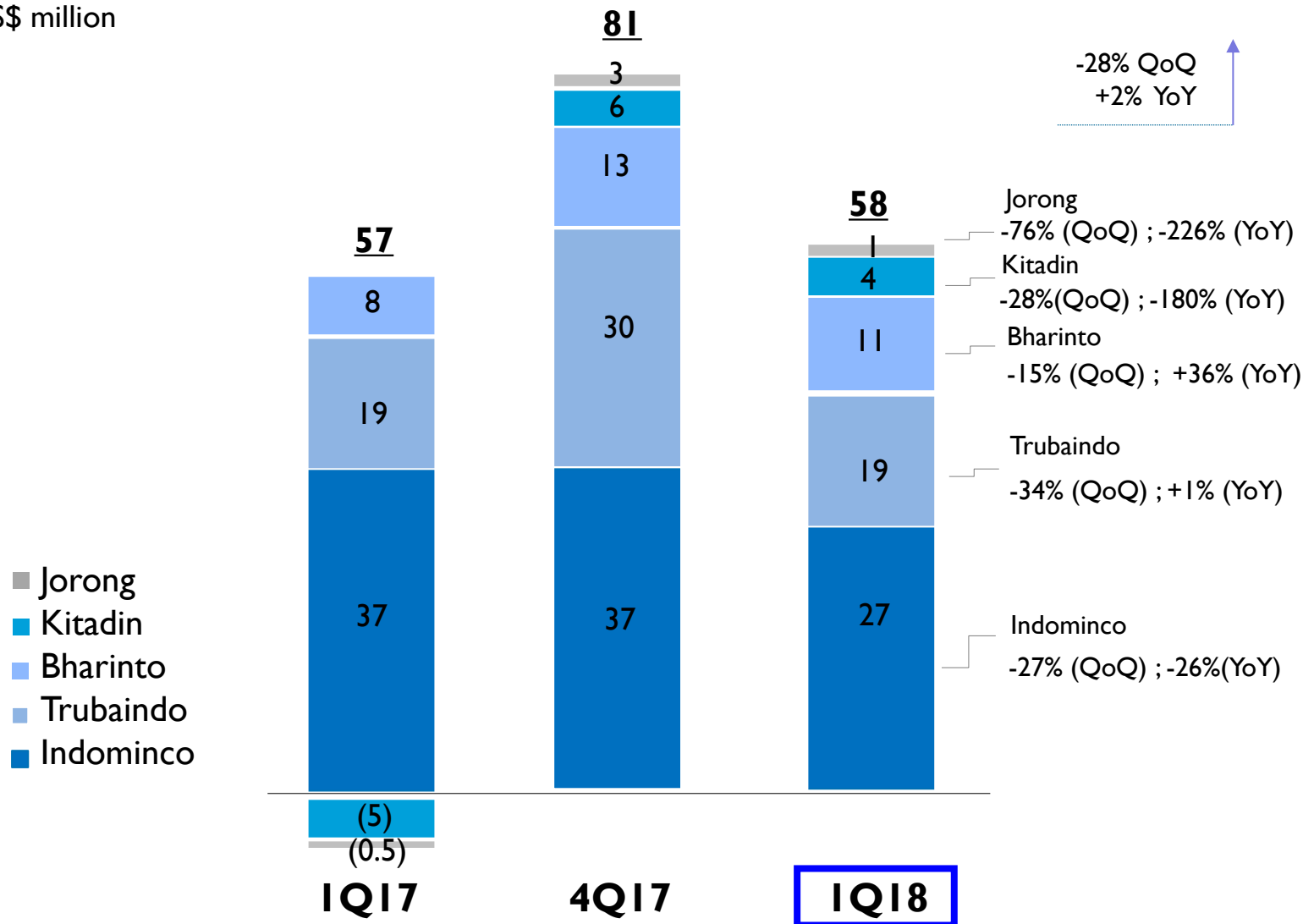
Unit: US\$ million



Net income



Unit: US\$ million

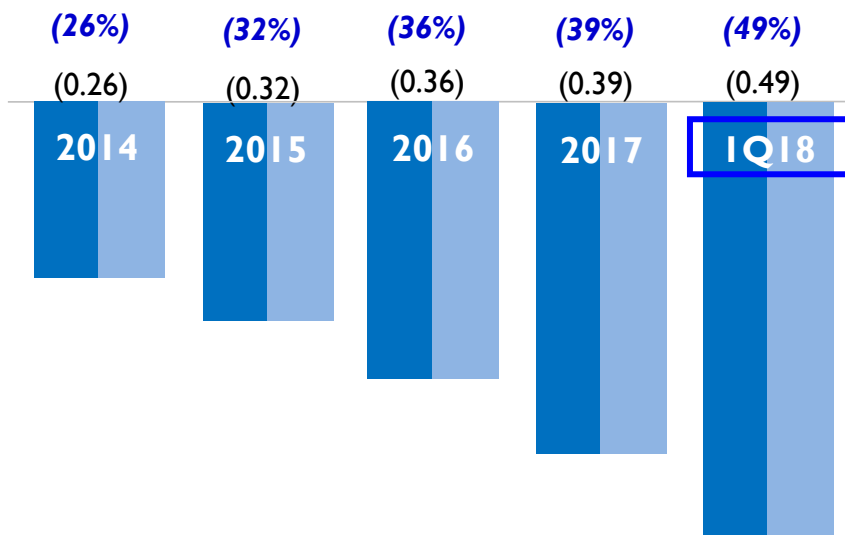


Balance sheet



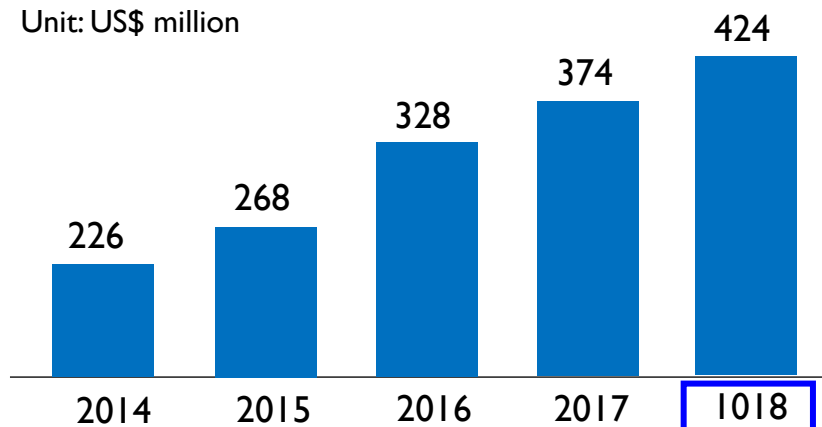
KEY RATIOS

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



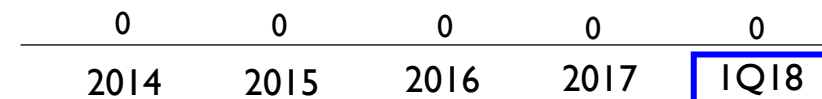
CASH POSITION

Unit: US\$ million



DEBT POSITION

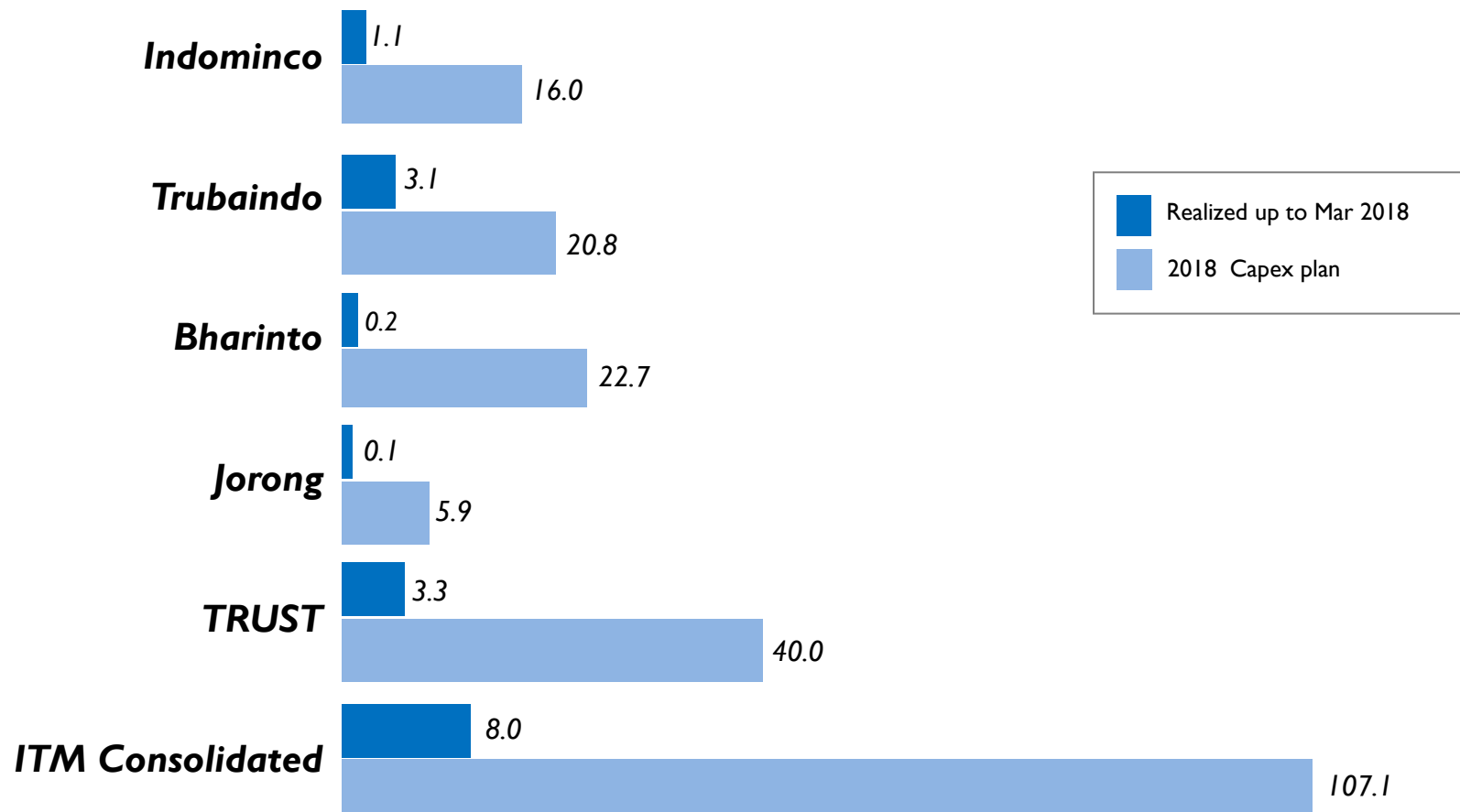
Unit: US\$ million



2018 capital expenditure plan



Units: US\$ million



Note: Total capex plan including Jakarta office after elimination

1Q18 – key takeaways



*Improved 1Q18 ASP
\$83.6/t, +3% (QoQ)
and +24% (YoY)*



*4.4 Mt sales 1Q18 –
in line with the target*



*Financial performance
in 1Q18 remain strong*



*Dividend declaration –
final dividend
IDR 1,840/share and full
year 2017 IDR 3,140/share*



*Rainfalls still higher
in 1Q18 in mine area*



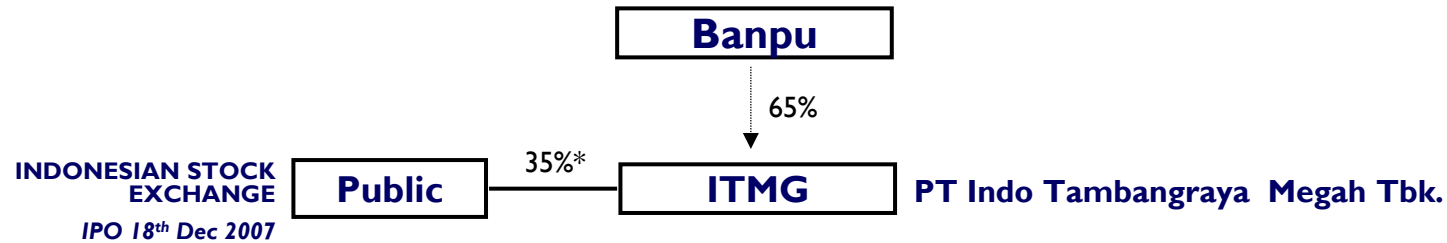
*Strip ratio in 2018 is
expected to be higher
due to optimized coal
reserve*



Thank you
Question & Answer

Appendices

ITM structure



Company	Ownership	Exp.	Location	Output IQ18	Reserves	Resources	Calorific Value
Indominco PT Indominco Mandiri (CCOW Gen I)	99.99%	Mar 2028	East Kalimantan	2.3 Mt	68 Mt	684 Mt	6,000-6,300 kcal/kg
Trubaindo PT Trubaindo Coal Mining (CCOW Gen II)	99.99%	Feb 2035	East Kalimantan	1.0 Mt	37 Mt	384 Mt	6,500-7,300 kcal/kg
Bharinto PT Bharinto Ekatama (CCOW Gen III)	99.00%	Jun 2041	East / Central Kalimantan	0.5 Mt	136 Mt	417 Mt	6,400-6,800 kcal/kg
Kitadin PT Kitadin-Embalut (IUP)	99.99%	Feb 2022	East Kalimantan	0.2 Mt	3 Mt	101 Mt	5,800 kcal/kg
Jorong PT Jorong Barutama Greston (CCOW Gen II)	99.00%	May 2018 May 2035	South Kalimantan	0.2 Mt	6 Mt	40 Mt	6,700 kcal/kg
TIS PT Tepian Indah Sukses (IUP)	70.00%	Apr 2029	East Kalimantan	5 Mt	5 Mt		5,300 kcal/kg
TRUST PT Tambang Raya Usaha Tama Mining Services Jakarta Office	99.99%						6,400 kcal/kg
ITMI PT ITM Indonesia Trading Jakarta Office	99.99%						
GEM PT GasEmas Fuel Procurement Jakarta Office	75.00%						
IBU PT ITM Batubara Utama Coal Investment Jakarta Office	99.99%						
IEU PT ITM Energi Utama Power Investment Jakarta Office	99.99%						
IBP PT ITM Banpu Power Power Investment Jakarta Office	70.00%						

* : 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 IQ18

Income statement

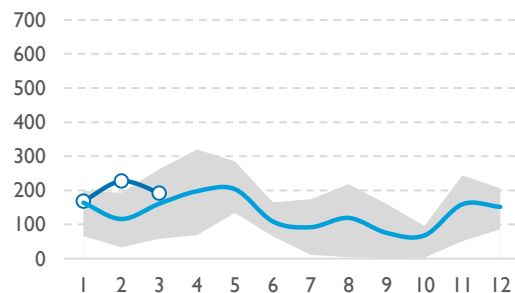


Unit: US\$ thousand	IQ18	4Q17	IQ17	QoQ%	YoY%
Net Sales	378,247	525,712	367,874	-28%	3%
Gross Profit	111,053	158,567	114,945	-30%	-3%
GPM	29%	30%	31%		
SG&A	(23,350)	(37,580)	(25,773)		
EBIT	87,703	120,987	89,172	-28%	-2%
EBIT Margin	23%	23%	24%		
EBITDA	99,486	137,233	103,204	-28%	-4%
EBITDA Margin	26%	26%	28%		
Net Interest Income / (Expenses)	822	544	665		
Derivative Gain / (Loss)	(104)	2	4,033		
Others	(5,842)	(9,669)	(5,537)		
Profit Before Tax	82,579	111,864	88,333	-26%	-7%
Income Tax	(24,482)	(31,369)	(31,158)		
Net Income	58,097	80,495	57,175	-28%	2%
Net Income Margin	15%	15%	16%		

Rainfall 2013-2018

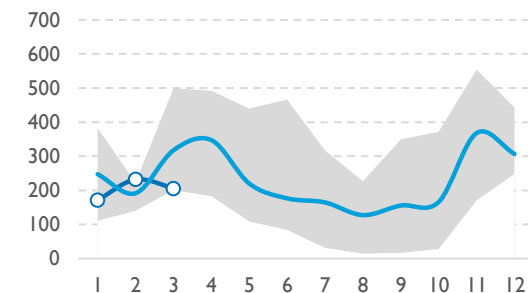
INDOMINCO

Unit: Millimeter



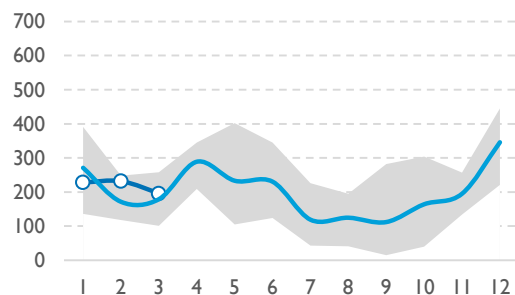
TRUBAINDO & BHARINTO

Unit: Millimeter



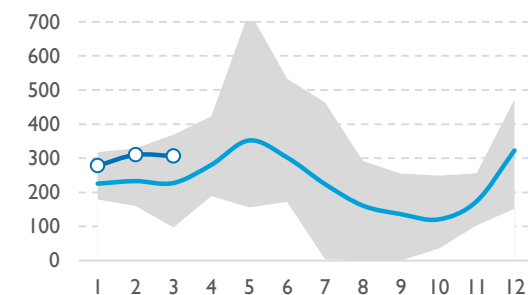
EMBALUT

Unit: Millimeter



JORONG

Unit: Millimeter



— 2013-17 average rainfall
 —○— 2018 rainfall
 2013-17 rainfall range

- Except for Melak cluster (i.e. Trubaindo and Bharinto), rainfall has been above 5-year average this year
- Rainfall(s) in February 2018 were exceptionally high; At Indominco it was even the highest in 5 years