



ANALYST BRIEFING

3Q18 PERFORMANCE RESULTS



Jakarta, 14 November 2018

1 INTRODUCTION

2 OPERATIONAL REVIEW

3 COMMERCIAL REVIEW

4 FINANCIAL REVIEW

5 QUESTION & ANSWERS

Highlights of 3Q18 and 9M18 results



Coal sales
6.4 Mt
 ↑ Up 1.1Mt
 +21% Q-Q

Coal sales
16.1 Mt
 ↓ Down 0.4 Mt
 -2% Y-Y

Unit: US\$ million

	<u>2Q18</u>	<u>3Q18</u>	<u>Q-Q</u>	<u>9M17</u>	<u>9M18</u>	<u>y-y</u>
Total Revenue	431	606	+41%	1,164	1,415	+22%
Gross Profit Margin	27%	33%	+6%	30%	30%	0%
EBIT	79	154	+95%	267	321	+20%
EBITDA	93	170	+82%	310	366	+18%
Net Income	44	95	+113%	172	197	+15%
ASP (USD/ton)	\$78.3	\$88.6	+13%	\$70.3	\$84.2	+20%

SHAREHOLDERS VALUE



RESERVES

Growing synergistic premium coal reserves

- Grow organically (e.g. new mining methods, exploration activities).
- Expand inorganically focusing on synergic acquisition around current operations.
- Focus on premium coal, medium to high CV, which is increasingly difficult to source.
- Leverage ITM's capability and infrastructure to synergize with nearby concessions.



PRODUCTION

Enhance margins along coal production value chain

- Focus on operational excellence, productivity improvement, contractor management and utilize new technology.
- Optimize infrastructure and logistics efficiencies (e.g. Trubaindo/ Bharinto hauling road improvement).
- Review and optimize coal flow process.
- Expand in-house mining contractor business.
- Grow fuel business through increase in 3rd party volume to reach economics of scale.



MARKETING

Expand product range, market and profitability

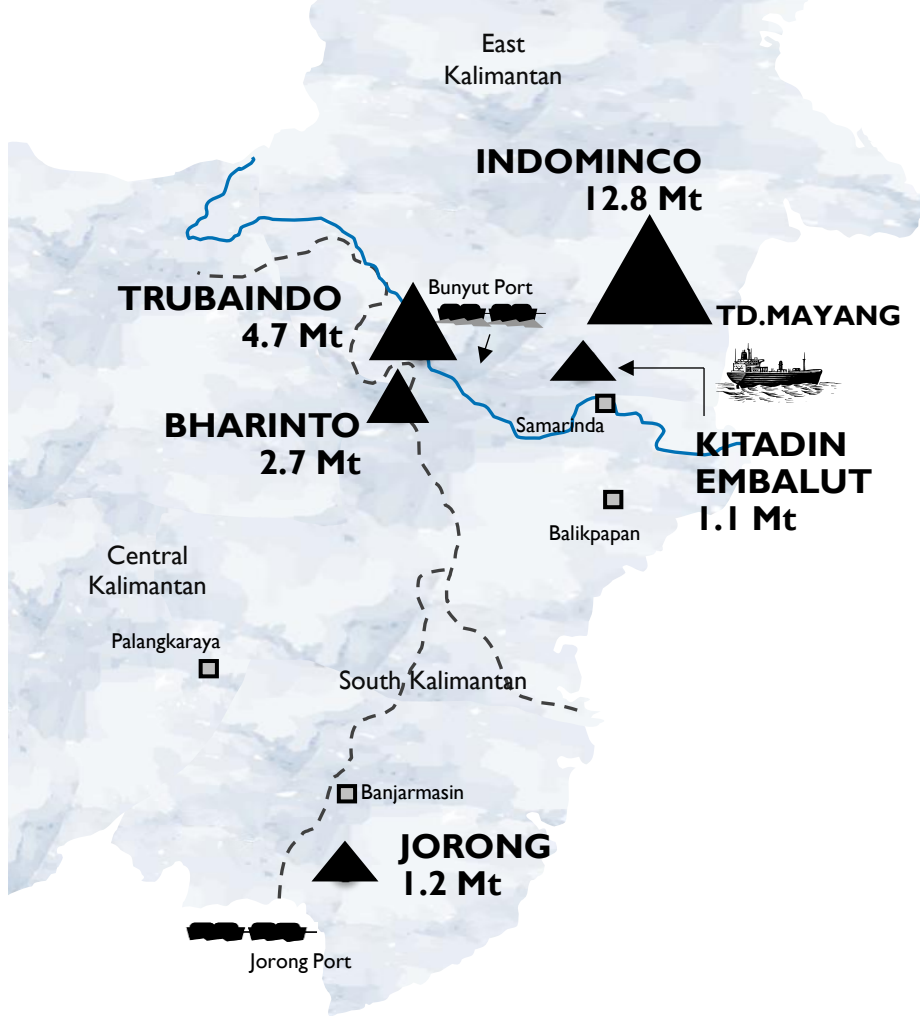
- Aim for new customer segments in domestic & SEA markets, e.g. Vietnam, Myanmar.
- Expand coal trading capacity and leverage vast network to capture opportunities in growth market.
- Increase coal trading activities to provide diverse range of products, especially medium-low CV coal to tap the growth market.
- Synergize with Banpu to improve coal quality through blending.
- Maintain and continue brand elevation.

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Operational Summary 2018

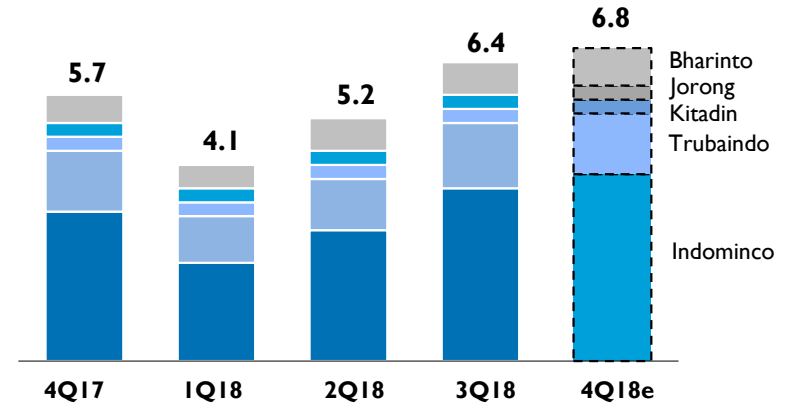


2018 TARGET: 22.5 Mt



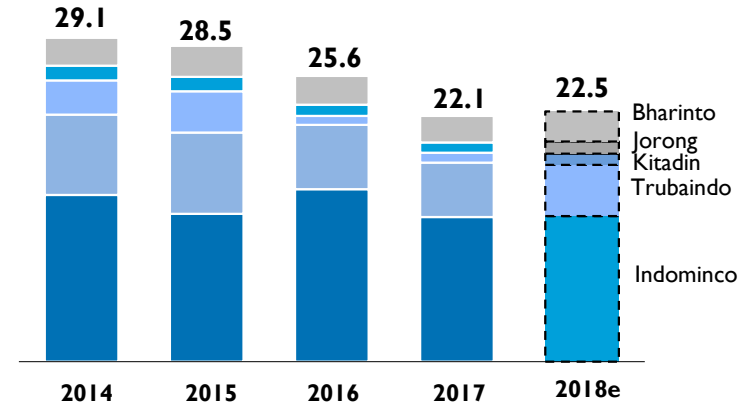
QUARTERLY OUTPUT TREND

Unit: Mt

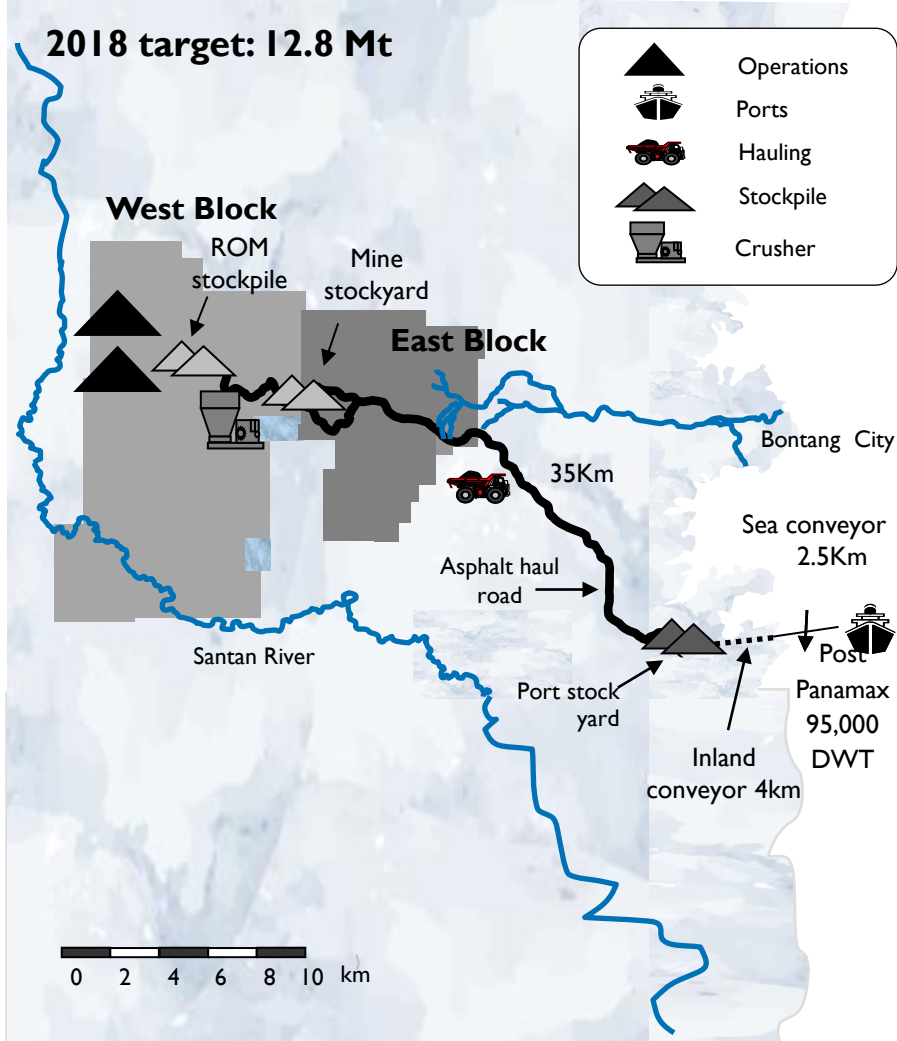


YEARLY OUTPUT TREND

Unit: Mt



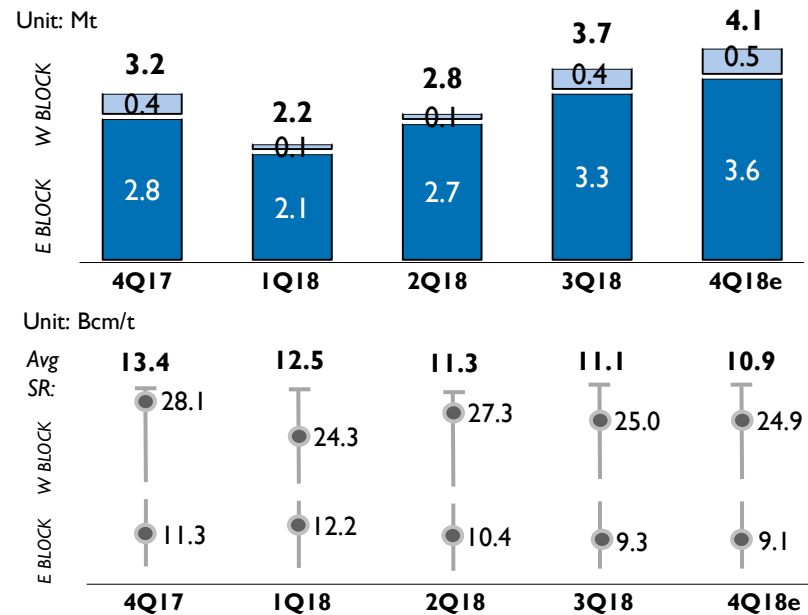
SCHEMATIC



QUARTERLY UPDATES

- 3Q18 production achieved above target due to good weather condition.
- Additional loading capacity has been prepared to cater for the increased output during 4Q18.
- Average strip ratio in 2018 expected to be lower than 2017 due to higher contribution from East Block operation.

QUARTERLY OUTPUT

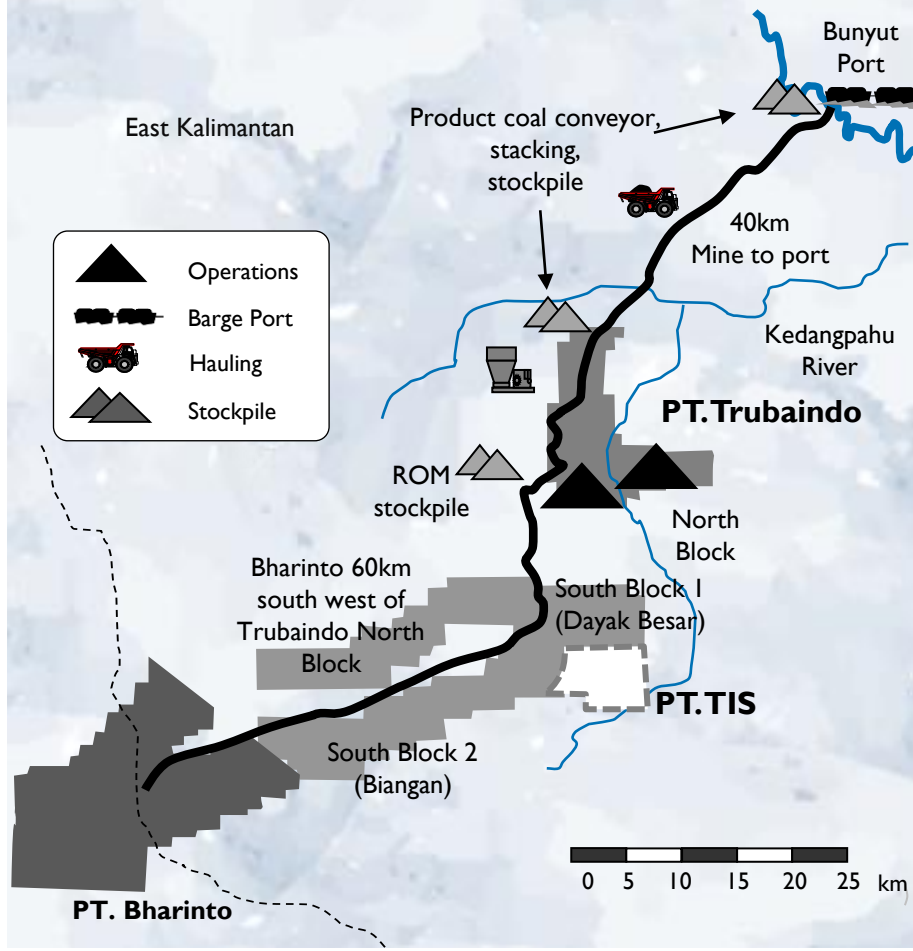


*SR based on ROM coal **SR 9M18 IMM: 11.5, WB: 25.5, EB: 10.4

Melak group – Trubaindo and Bharinto

SCHEMATIC

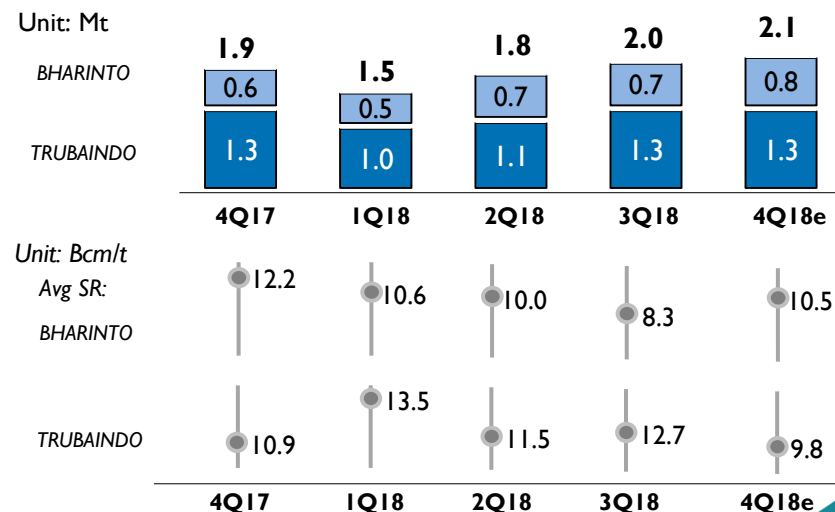
2018 target: TCM 4.7 Mt
BEK 2.7 Mt



QUARTERLY UPDATES

- Trubaindo:
 - 3Q18 production output slightly higher than target.
 - Continue hauling road improvement activities from Trubaindo to Bharinto area and expected to be completed by end of 2018.
- Bharinto:
 - 3Q18 production achieved closed to target.
 - Additional fleets from mining contractor are being prepared to support future production.

QUARTERLY OUTPUT



*SR based on ROM coal

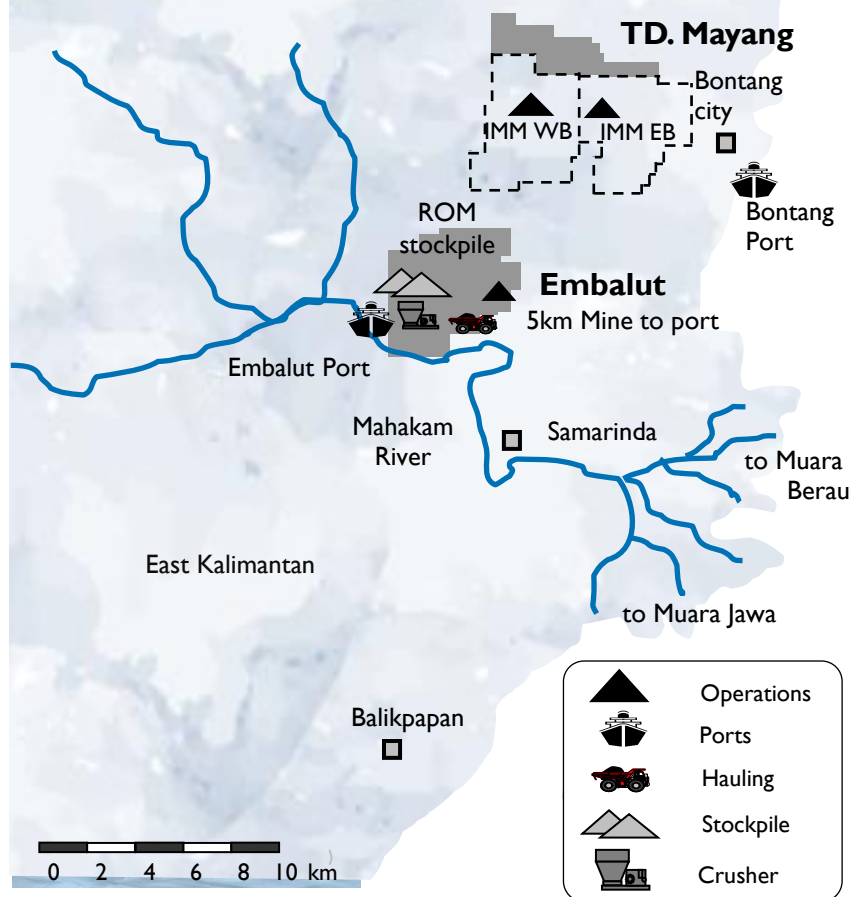
**SR 9M18

TCM: 12.6, BEK: 9.5

Kitadin Embalut and Tandung Mayang

SCHEMATIC

2018 target: EMB 1.1 Mt

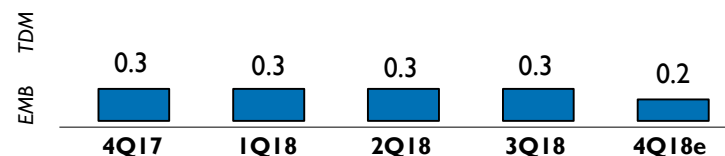


QUARTERLY UPDATES

- Kitadin Embalut:
 - 3Q18 production output was above the target.
 - On-going study to optimize coal reserves.
- Kitadin Td.Mayang:
 - Continue mine closure activities including mine rehabilitation.

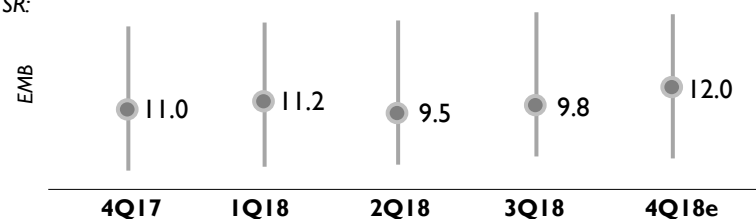
QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

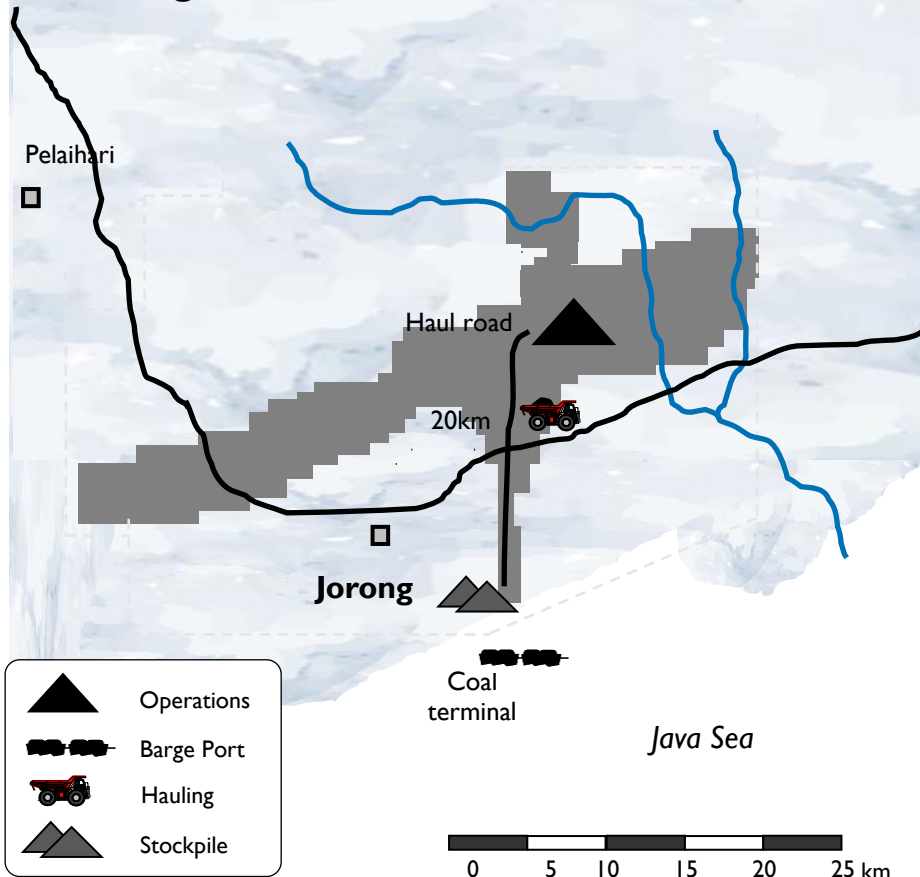
Avg SR:



*SR based on ROM coal **SR 9M18 EMB: 10.1

SCHEMATIC

2018 target: 1.2 Mt

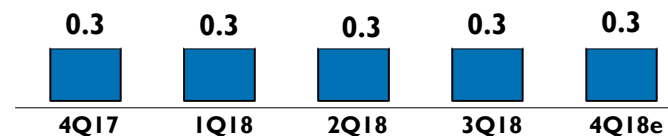


QUARTERLY UPDATES

- 3Q18 production achieved according to target.
- Additional drilling and coal price improvement resulted in potential additional reserves – for better mine closure activities.

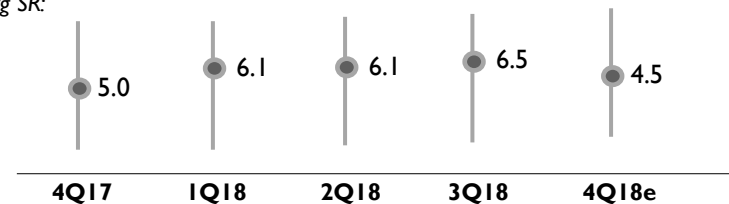
QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

Avg SR:



*SR based on ROM coal

**SR 9M18 JBG: 6.2

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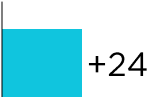













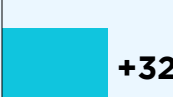
5 QUESTION & ANSWERS

Global demand trends: 2018 vs 2017

GEOGRAPHY		CHANGE 2018-17 (Mt)	COMMENTS
	CHINA	+5	<ul style="list-style-type: none"> Several typhoons helped reduce temperature in the coastal area resulted in lower power consumption for air conditions and led to weak coal burn and high stocks Maintain coal import restriction
	INDIA	+24	<ul style="list-style-type: none"> Strong demand due to continuous industrial production growth Domestic production constraints amid monsoons 2 GW nuclear capacity has remained in maintenance
	OTHER N.ASIA	-3	<ul style="list-style-type: none"> Air pollution control continued to curtail coal burn Rising demand of high quality coals Nuclear recovery could weigh on coal imports
	EUROPE	-7	<ul style="list-style-type: none"> Rising gas prices, nuclear outages and lower hydro increase coal burn in 2H18
	OTHERS	+23	<ul style="list-style-type: none"> Demand growth driven by Malaysia, Philippines, Vietnam and Pakistan on addition of new coal-fired power plants
	GLOBAL	+38	<p><i>Strong high quality coal demand from north Asia due to environmental issue will keep high grade coal price at high level. China import restriction will limit demand for lower quality coals in 2H18</i></p>

Note: Includes lignite but excludes anthracite

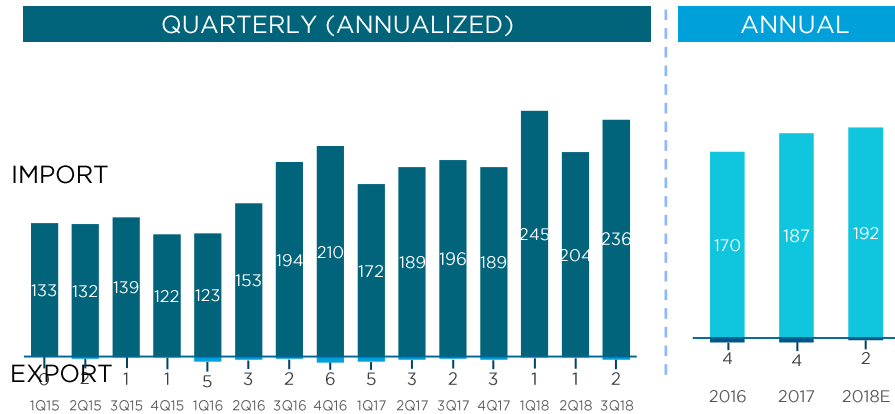
Global supply trends: 2018 vs 2017

GEOGRAPHY	CHANGE 2018-17 (Mt)	COMMENTS
 INDONESIA	 +24	<ul style="list-style-type: none"> ▪ Government attempts to boost exports to support currency ▪ Exports has been driven by seaborne demand, particularly China, rather than government intervention
 AUSTRALIA	 +6	<ul style="list-style-type: none"> ▪ High producer discipline continued to tighten high CV market
 COLOMBIA	 -4	<ul style="list-style-type: none"> ▪ Production constraints continued to curtail export growth ▪ Rainy season will impact production in Q4
 RUSSIA	 +3	<ul style="list-style-type: none"> ▪ Seasonal tightness in rail capacity
 S.AFRICA	 -2	<ul style="list-style-type: none"> ▪ Strong domestic demand ▪ High stocks of lower CV coal at RBCT port ▪ Shortage of high quality product
 USA	 +10	<ul style="list-style-type: none"> ▪ Strong domestic demand constrained availability for export ▪ Increase discounted other origin off-spec coals and strengthen US dollar threaten US export
 OTHERS	 -5	<ul style="list-style-type: none"> ▪ Exports from Poland, China and Canada are expected to decline
 GLOBAL	 +32	<p><i>High quality product is likely to continue to be tight due to limited supply and high producer discipline but supply of lower quality coal is improving</i></p>

China: strong demand amid tight supply

CHINA THERMAL COAL IMPORTS/EXPORTS*

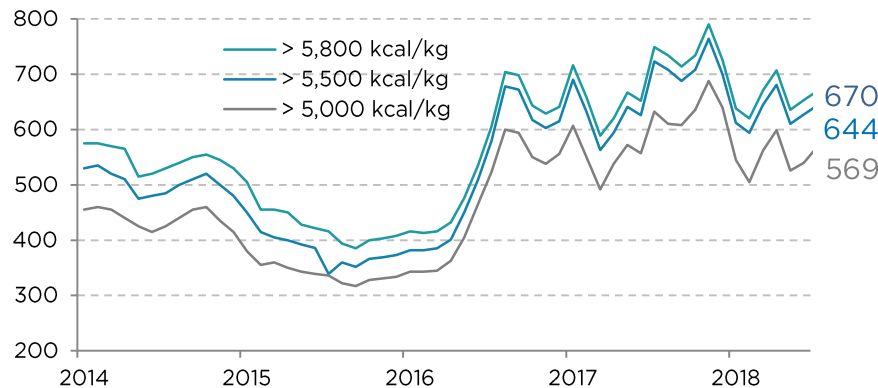
Unit: Mt



Sources: Banpu MS&L

CHINA DOMESTIC COAL PRICES

Unit: RMB/t



Note: * includes lignite but excludes anthracite imports/exports
Source: www.sxcoal.com/cn 30 September 2018

3Q18

- Strong inland thermal coal demand due to hot weather but coastal demand was not as strong as it was inland due to several typhoons brought lower temperature with them.
- Weaker coal burn in coastal area led to high coal stocks at power plants.
- Domestic coal production keeps improving although safety monitoring continued.
- Environmental protection measures in industrial sector helps to boost power demand.
- Tough import control policies and strong demand from non-coastal power plants helped to boost domestic coal prices.
 - Widened spreads for off-spec coal prices in international market

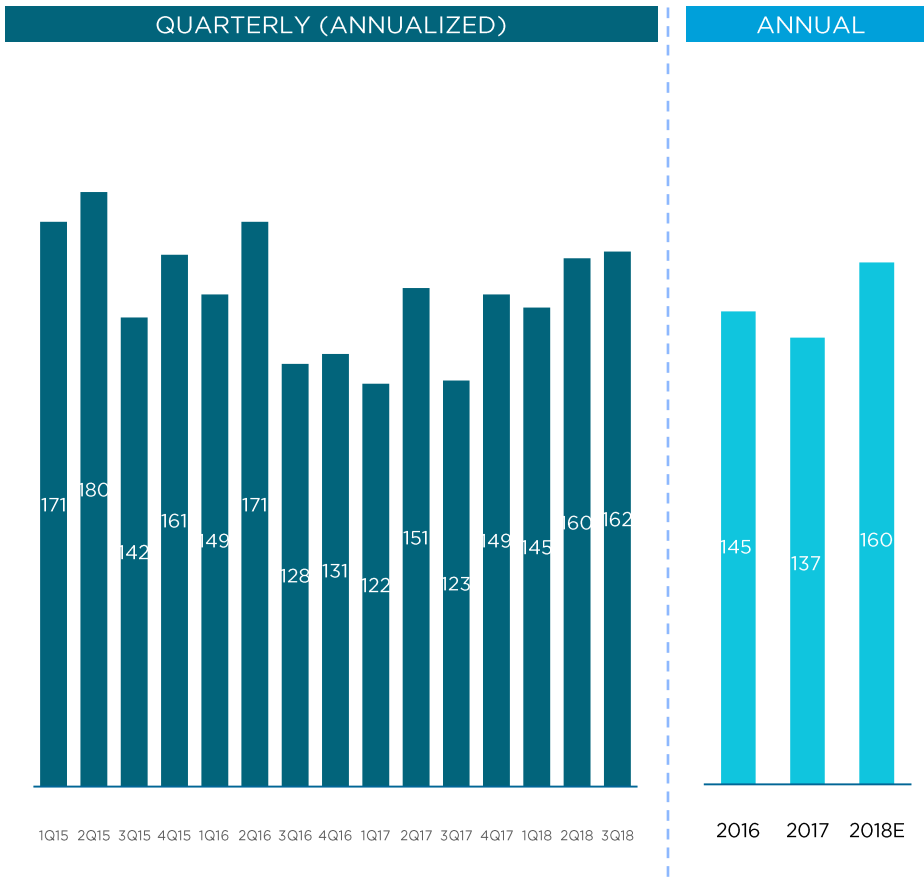
Outlook

- Domestic coal production is expected to continued improve in Q4.
- Expected low coal import in Q4 due to lack of import quota.
- Stimulus package to offset trade dispute's negative will boost coal demand.

India: robust demand amid supply deficit

INDIA THERMAL COAL IMPORTS*

Unit: Mt



3Q18

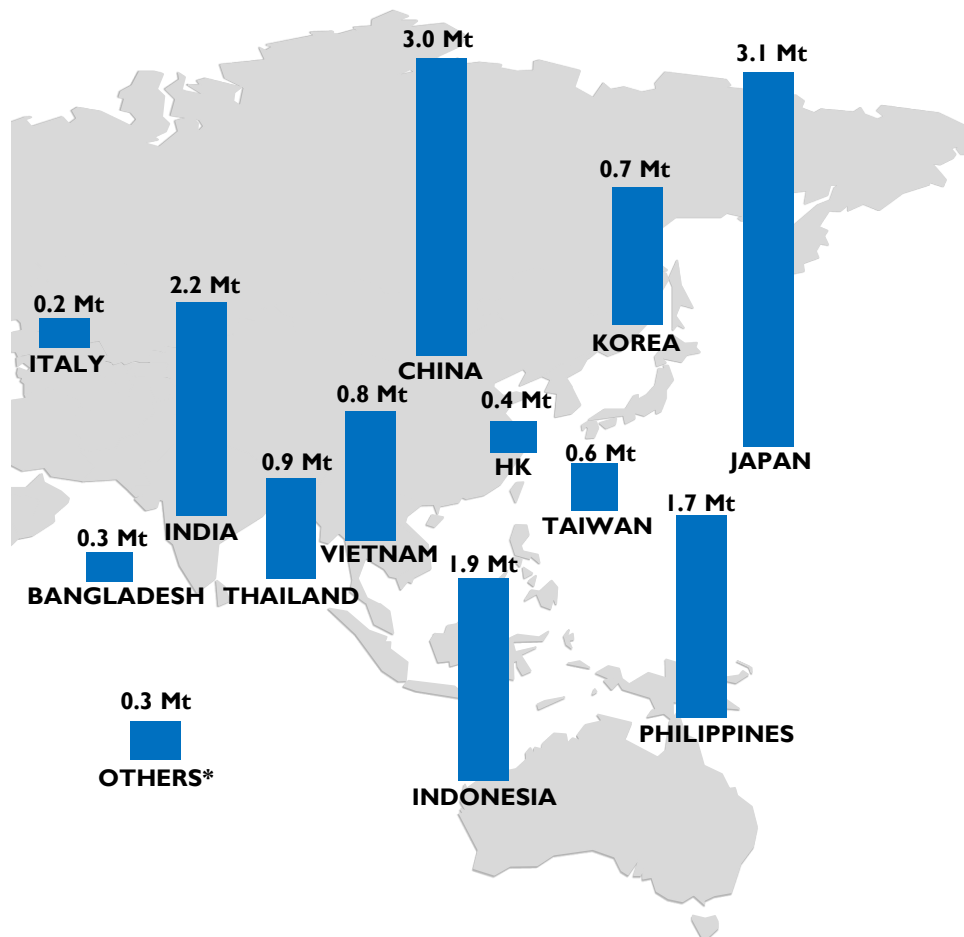
- Strong power demand growth due to increasing industrial production.
- A dip in supply from nuclear and hydropower led to increased reliance on coal power generation.
- Growth in domestic production and despatches can only partially meet the growing demand for coal.
- Policies to improve the power sector started to improve load factors at several plants.
- High import demand in non-power sector.

Outlook

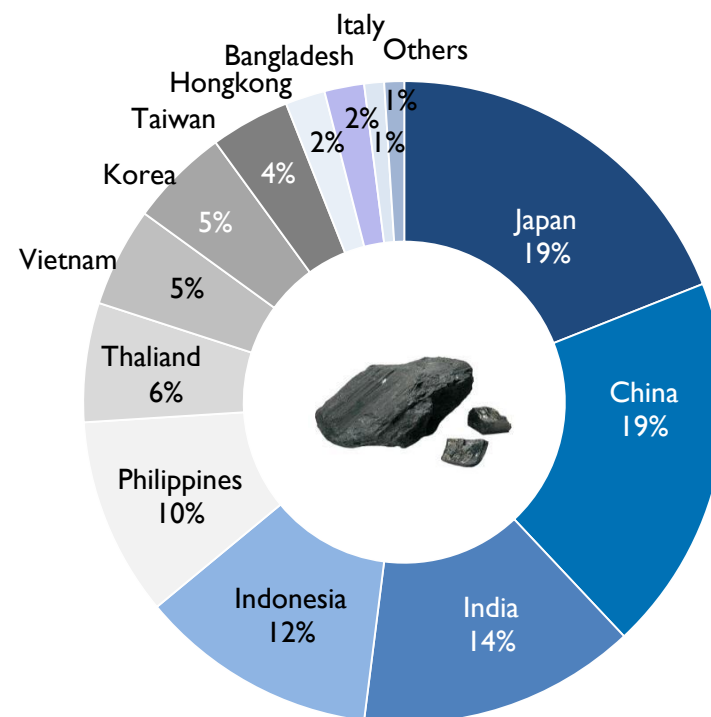
- State-owned power companies seek imported coal due to inadequate domestic supply.
- Supreme Court has agreed to changes in power purchase agreements (PPAs) in Gujarat state for the struggling privately owned coal-fired power utilities, allowing them to increase power tariffs to compensate for higher costs of imported coal.
 - This should enable the coastal generators to buy significantly more imported coal and ramp up utilization rates at underused plants.

ITM coal sales 9M18

COAL SALES BREAKDOWN BY DESTINATION



COAL SALES 9M18



Total coal sales 9M18: 16.1 Mt

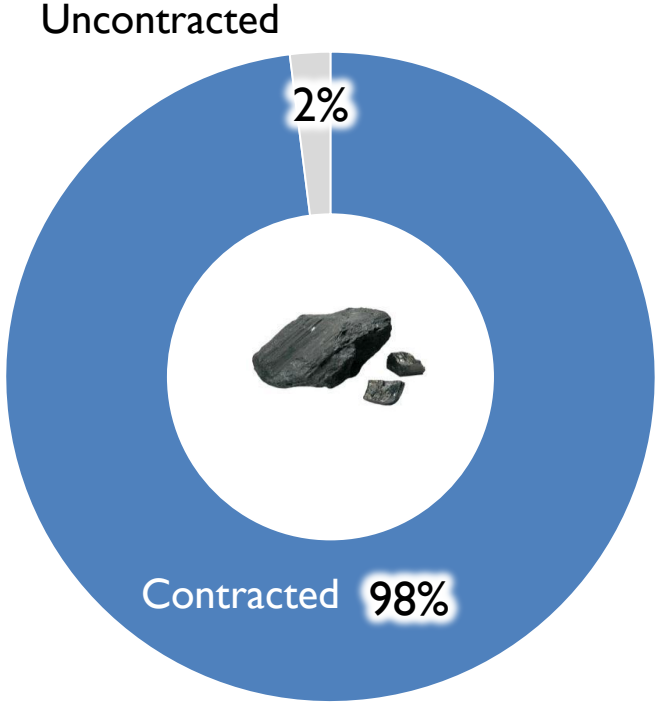
*) Note: New Zealand, Malaysia, Myanmar

Indicative coal sales 2018

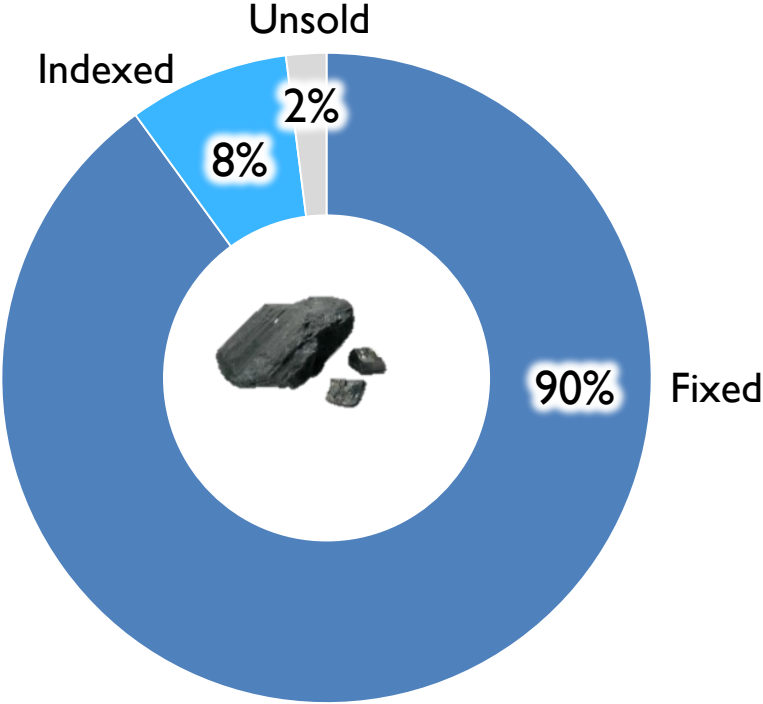


COAL SALES CONTRACT AND PRICING STATUS

Contract Status



Price Status

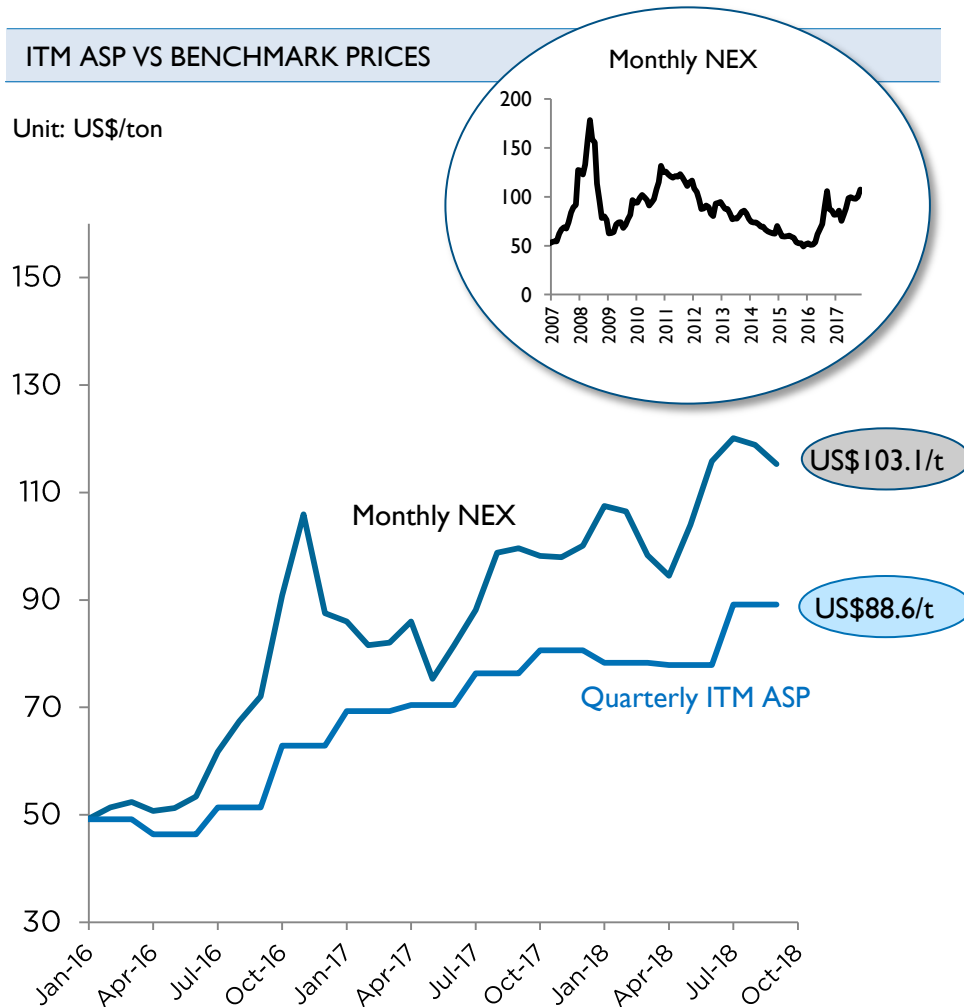


TARGET SALES 2018: 24.2 Mt

ITM ASPs vs thermal coal benchmark prices

ITM ASP VS BENCHMARK PRICES

Unit: US\$/ton



COMMENTS

- 3Q18 ASP firmed up according to strong market due supply tightness
 - ITM ASP: US\$88.6/t* (+13% QoQ)
 - NEX (Nov 09, 2018)**: US\$103.1/t
- Market continued strong in 3Q18, however, price gap between HCV and LCV coal was widening due a massive flow of lower quality coal from Indonesia and Chinese import restriction policy.
- Supply tightness continued to be a major factor on benchmark coal price, while 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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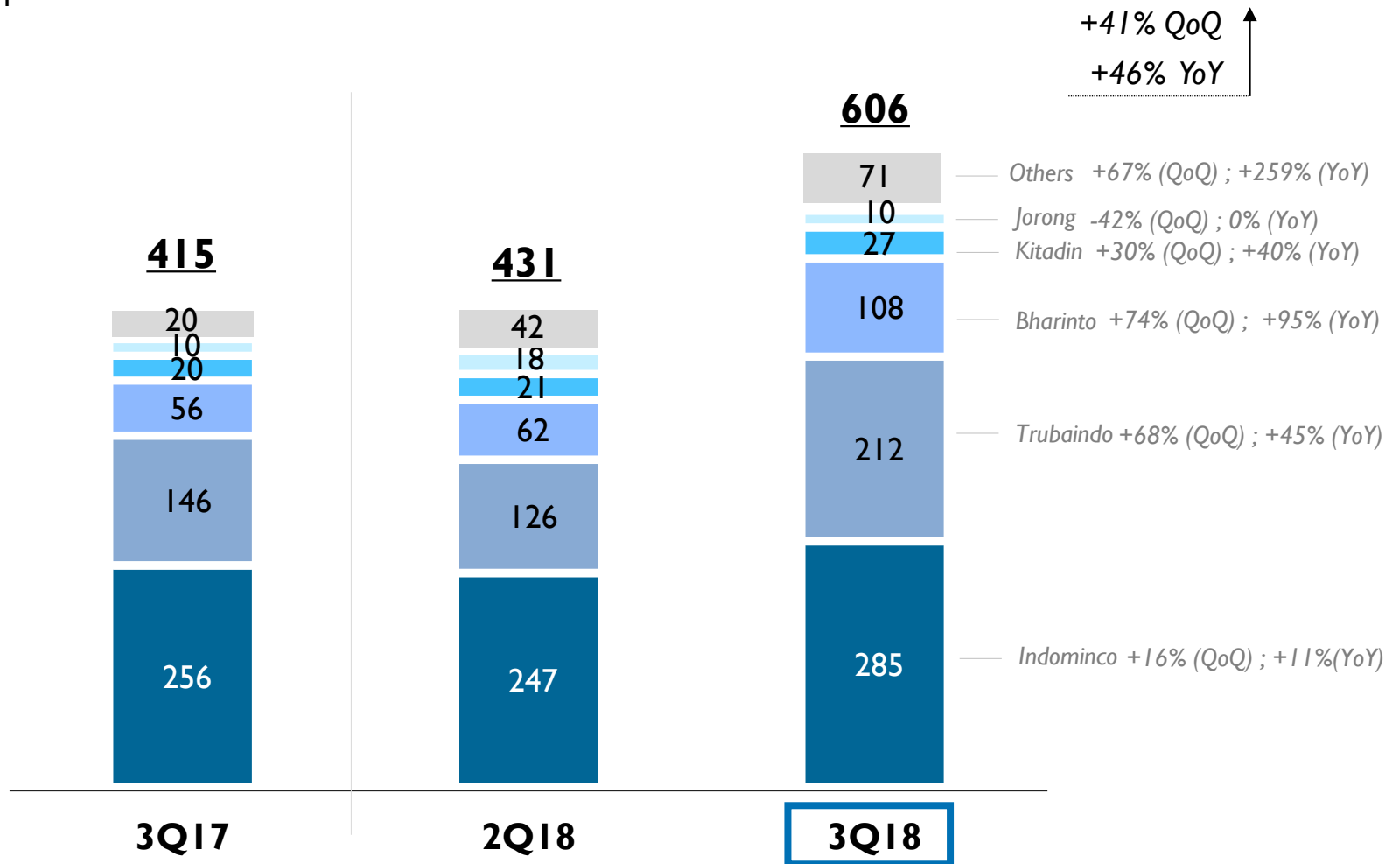
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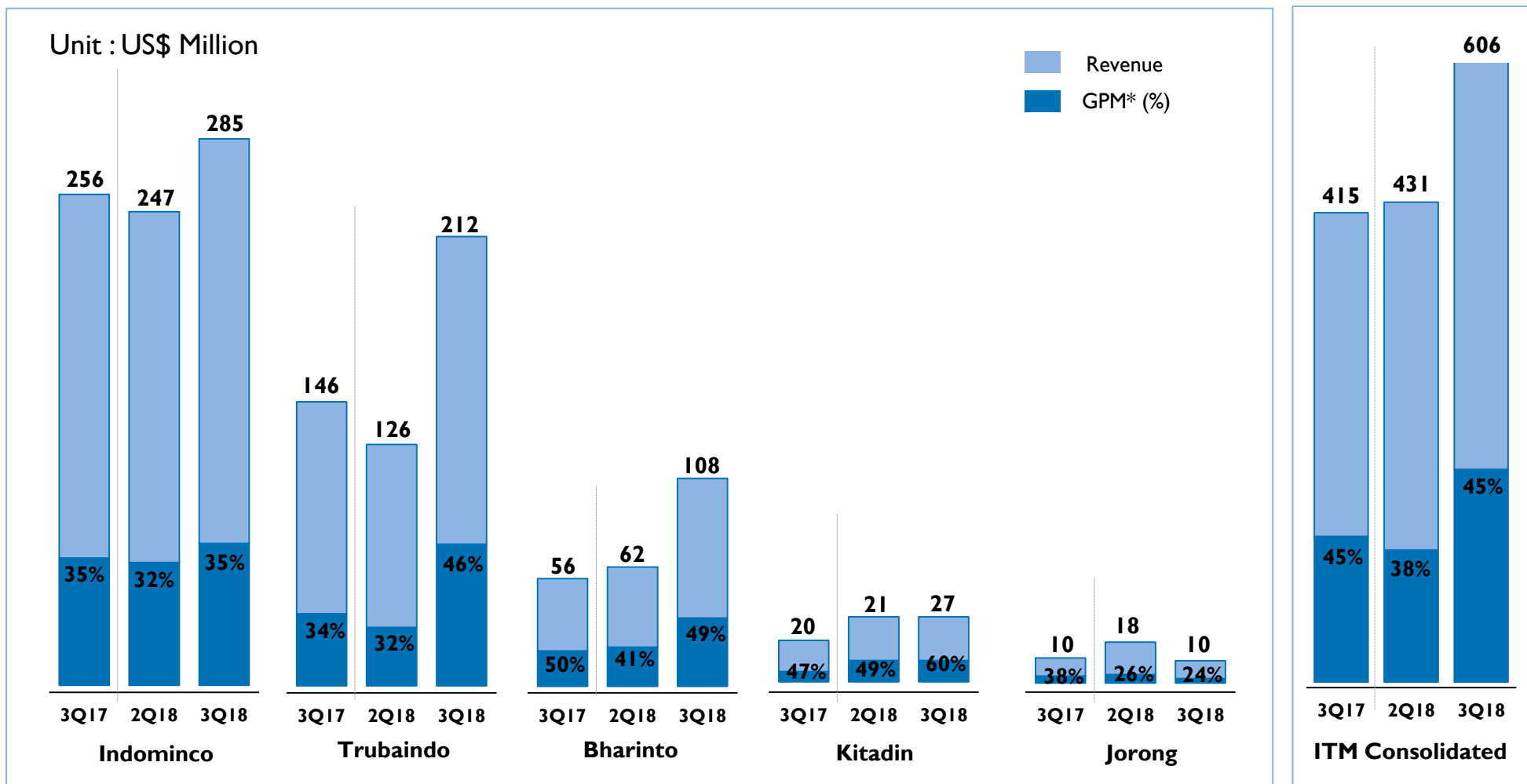
Sales Revenue



Unit: US\$ million



Average Gross Margin



Note: Excluding royalty

Cost Analysis

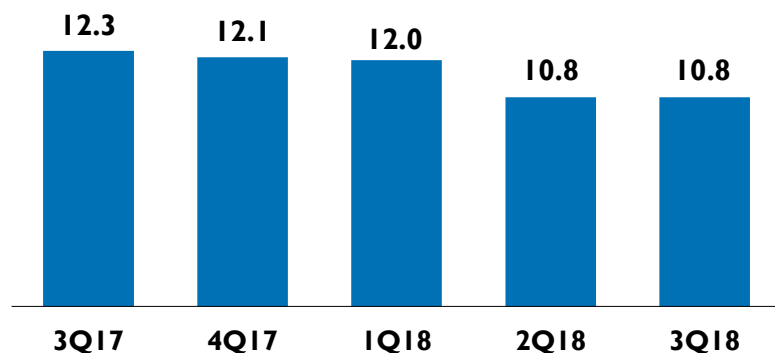


WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

Avg. 9M17: 10.9

Avg. 9M18: 11.1

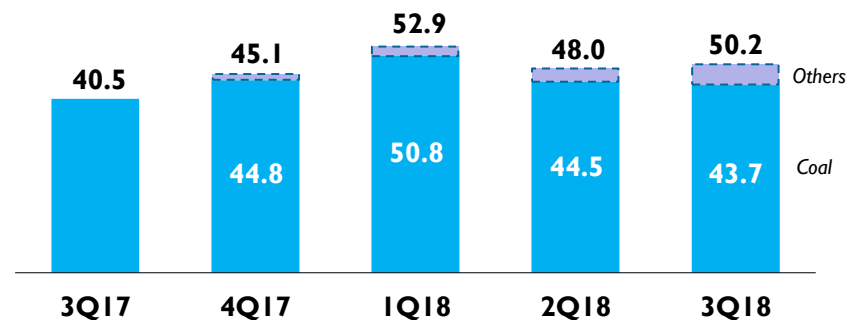


PRODUCTION COST

Unit: US\$/t

Avg. 9M17: \$40.3/t

Avg. 9M18: \$50.2/t

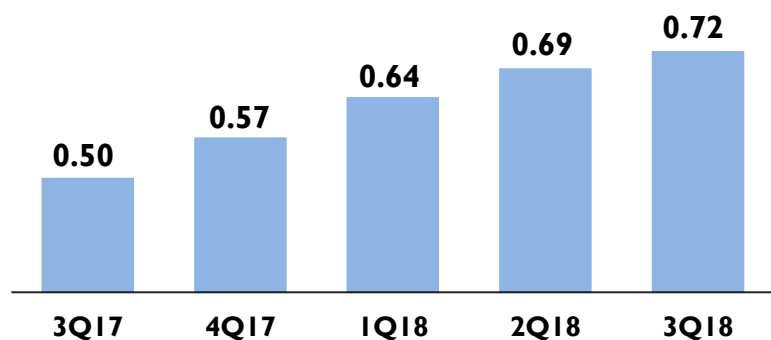


FUEL PRICE

Unit: US\$/Ltr

Avg. 9M17: \$0.52/ltr

Avg. 9M18: \$0.68/ltr

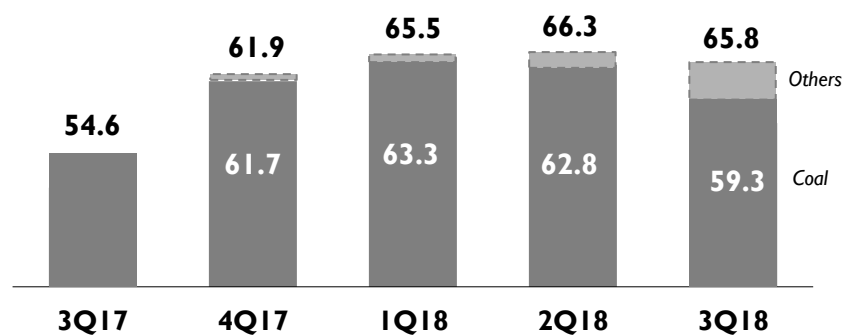


TOTAL COST*

Unit: US\$/t

Avg. 9M17: \$53.8/t

Avg. 9M18: \$65.9/t

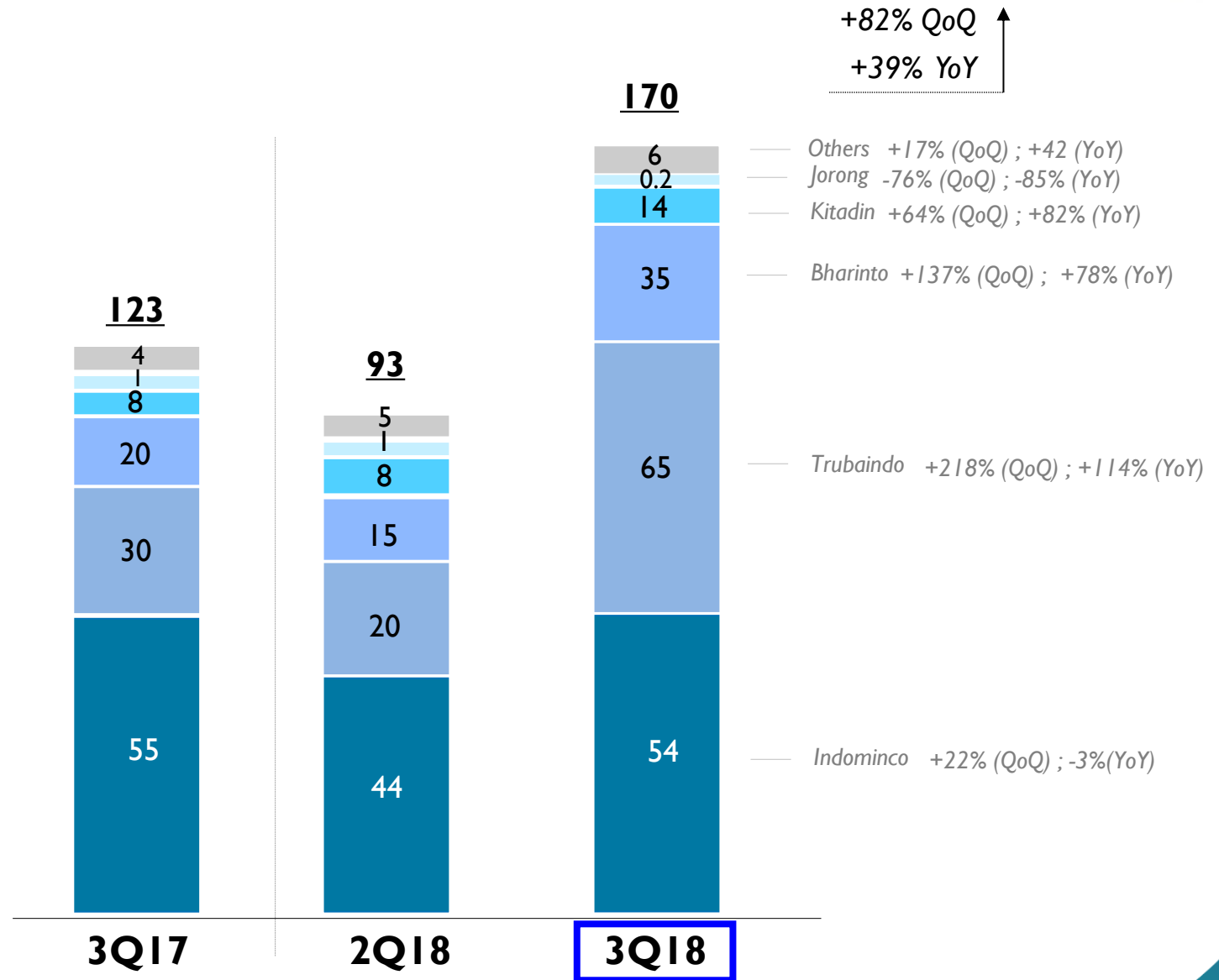


* Cost of Goods Sold + Royalty + SG&A

EBITDA



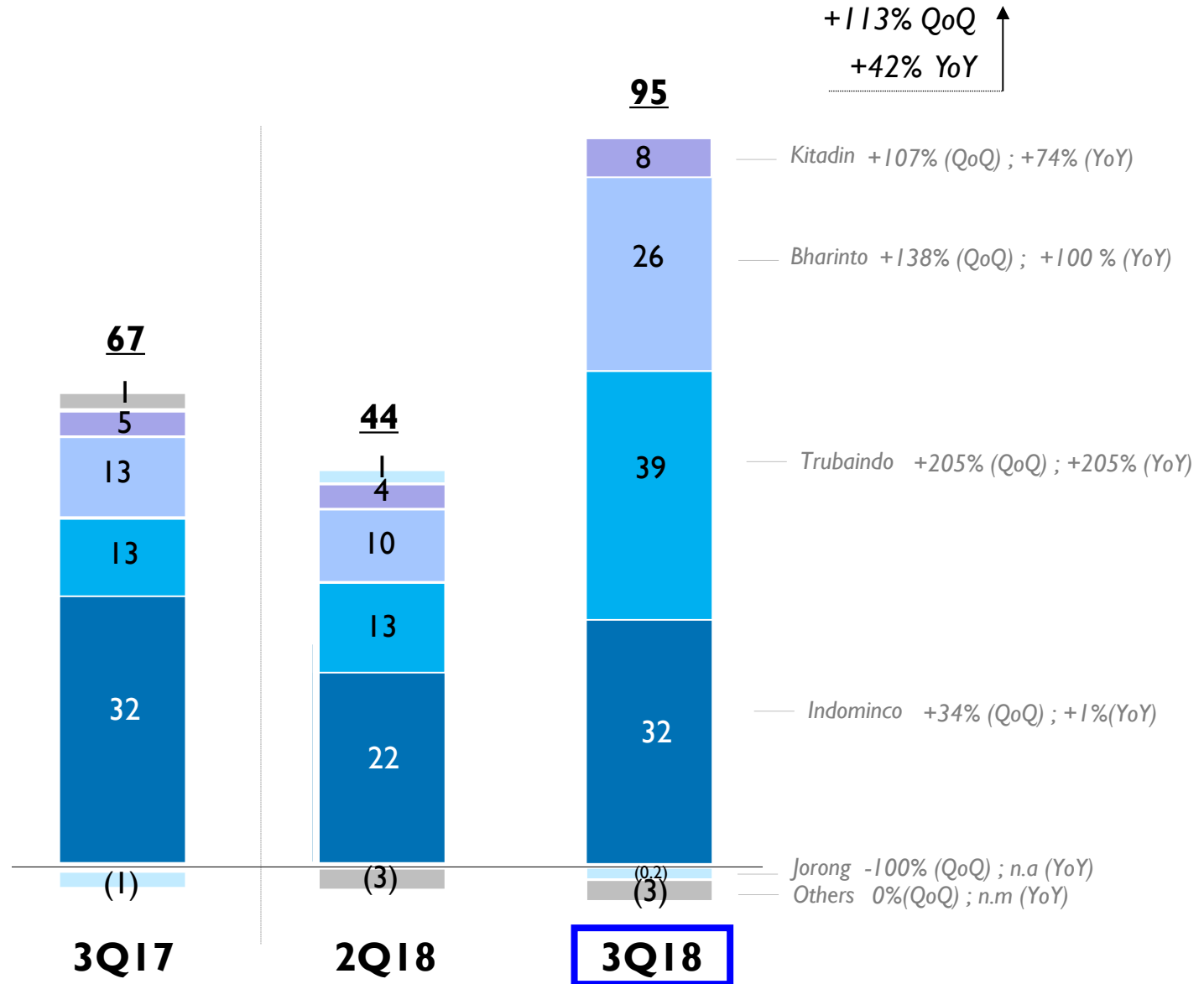
Unit: US\$ million



Net Income



Unit: US\$ million

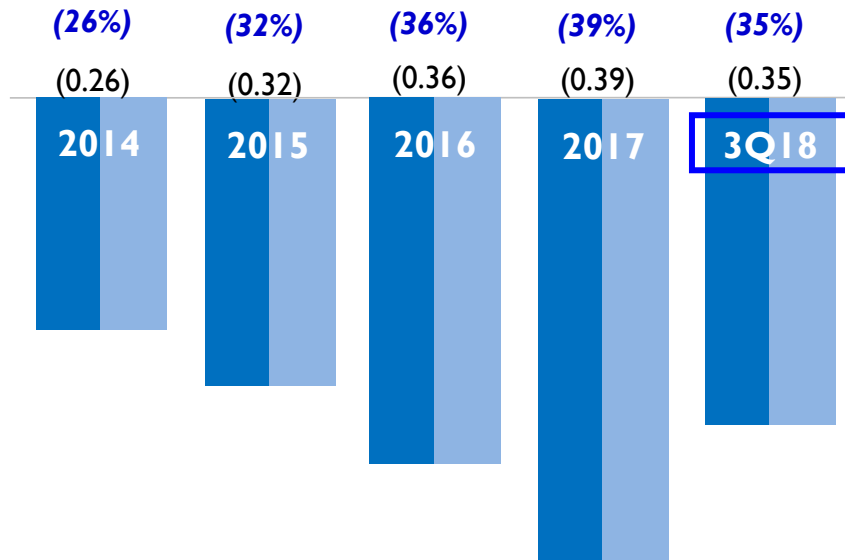


Balance Sheet



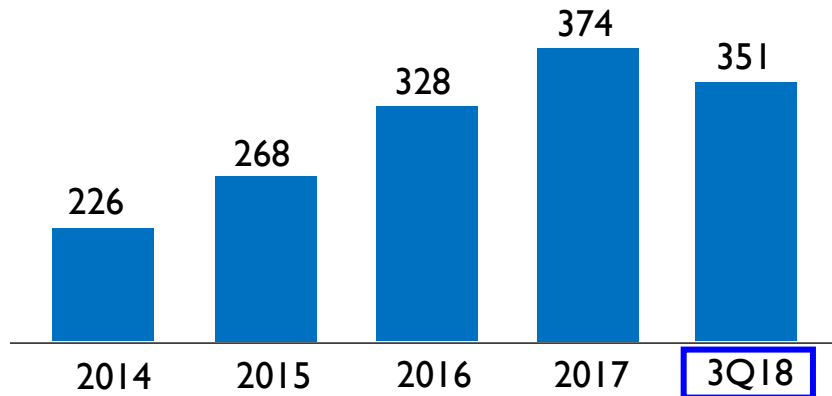
KEY RATIOS

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



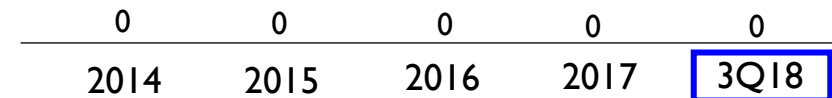
CASH POSITION

Unit: US\$ million



DEBT POSITION

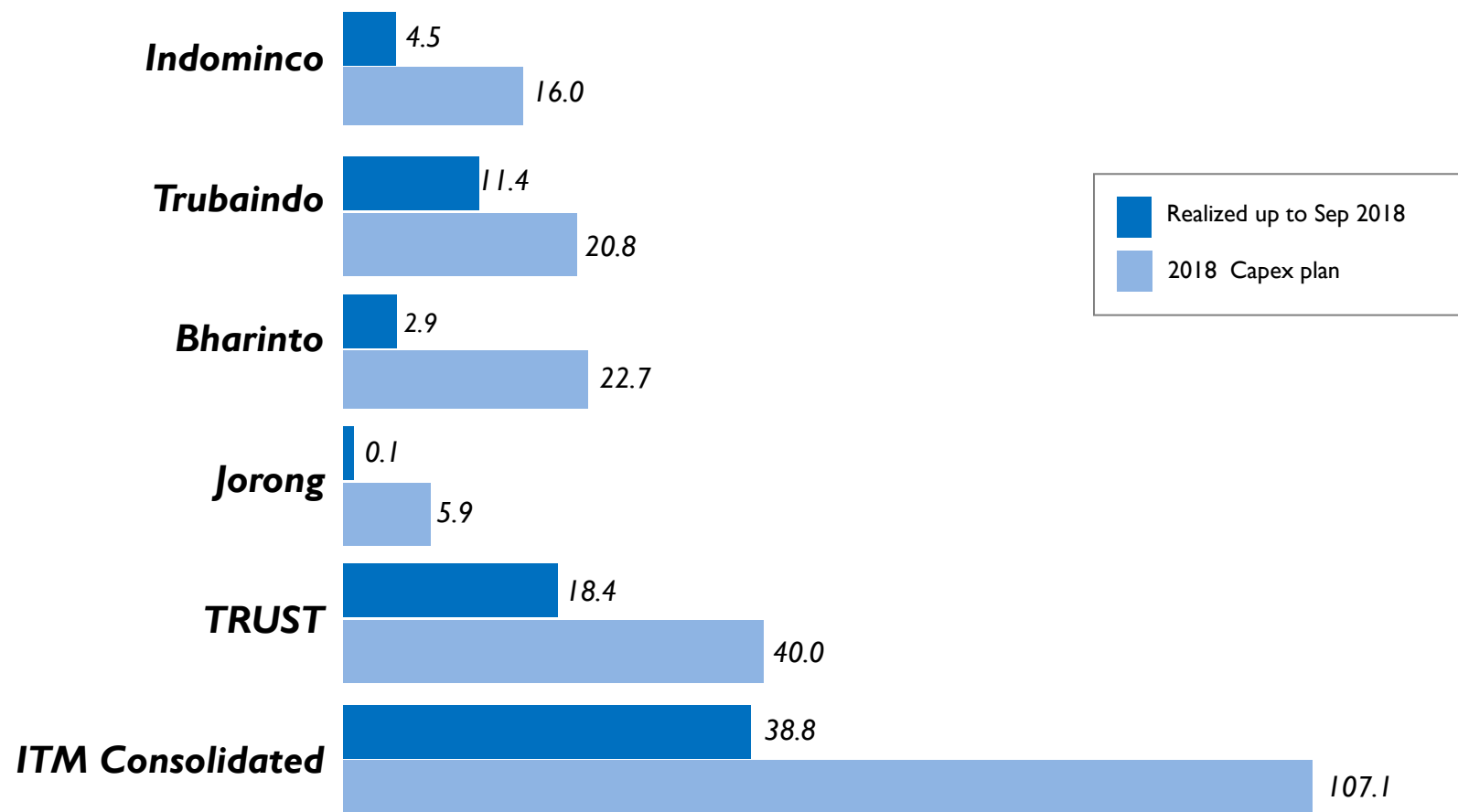
Unit: US\$ million



2018 Capital Expenditure Plan



Units: US\$ million





Thank you
Question & Answer

Appendices

Income Statement



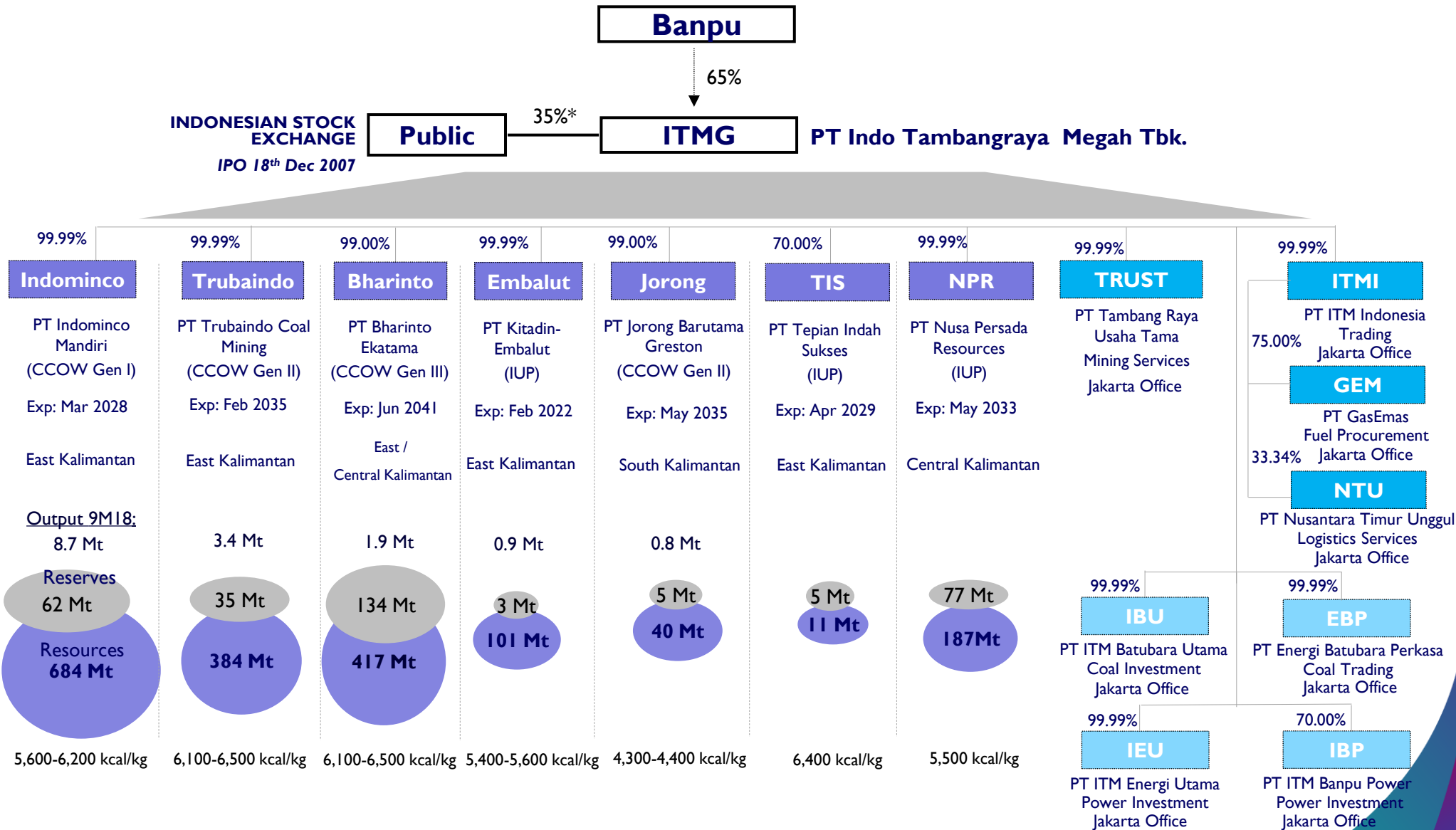
Unit: US\$ thousand	3Q18	2Q18	3Q17	QoQ%	YoY%
Net Sales	606,295	430,649	415,029	41%	46%
Gross Profit	203,104	114,692	134,338	77%	51%
GPM	33%	27%	32%		
SG&A	(48,993)	(35,833)	(26,917)	37%	82%
EBIT	154,111	78,859	107,421	95%	43%
EBIT Margin	25%	18%	26%		
EBITDA	169,877	93,405	122,620	82%	39%
EBITDA Margin	28%	22%	30%		
Net Interest Income / (Expenses)	871	606	747	44%	17%
FX Gain / (Loss)	(4,007)	(3,390)	(672)	18%	496%
Derivative Gain / (Loss)	(15,190)	(9,675)	(4,140)	57%	267%
Others	(2,067)	(1,586)	(12,286)	30%	-83%
Profit Before Tax	133,718	64,814	91,070	106%	47%
Income Tax	(39,057)	(20,401)	(24,189)	91%	61%
Net Income	94,661	44,413	66,881	113%	42%
Net Income Margin	16%	10%	16%		

Income Statement



Unit: US\$ thousand	9M18	9M17	YoY%
Net Sales	1,415,191	1,163,813	22%
Gross Profit	428,849	346,881	24%
GPM	30%	30%	
SG&A	(108,176)	(79,783)	
EBIT	320,673	267,098	20%
EBIT Margin	23%	23%	
EBITDA	365,534	310,273	18%
EBITDA Margin	26%	27%	
Net Interest Income / (Expenses)	2,299	2,050	
FX Gain / (Loss)	(9,776)	360	
Derivative Gain / (Loss)	(24,969)	426	
Others	(7,116)	(19,779)	
Profit Before Tax	281,111	250,155	12%
Income Tax	(83,940)	(77,983)	
Net Income	197,171	172,172	15%
Net Income Margin	14%	15%	

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 9M18.