

Analyst Briefing

1Q23 Performance Result

17 May 2023



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AGENDA

- 1 Highlights**
- 2 Coal Market Trends**
- 3 Operational Updates**
- 4 Financial Updates**
- 5 Q&A Session**



Highlights

1Q23 highlights – committed to persevere facing challenges

BUSINESS PERFORMANCE

ASP stay elevated



ITM 1Q23 ASP remained high at **\$151/ton** (-24% QoQ /+0% YoY) despite energy prices has started to decline.

Fulfill the coal production target



1Q23 production has achieved target of **3.8Mt** (-13% QoQ/0% YoY) amidst of rainy weather around the beginning of the year.

Moderate result amidst difficult externalities



ITM recorded net profit of **\$183M** (-40% QoQ/-14% YoY) and EBITDA of **\$239M** (-46% QoQ/-26% YoY) in 1Q23 following the declining of global coal price and sales volume from the previous quarter.

GREENER SMARTER

Commencement of solar hybrid plant



2MWp hybrid solar plant has started to generate electricity in 1Q23 to support port operations in Melak area.

GOOD RESPONSIBLE MINER

Commitment to preserve the environment



During 1Q23, ITM has handed over 3,645 ha of watershed rehabilitation area with cumulative total of 23,701 ha total handover.

Recognition as the government partner



ITM received Award as the Government Partner in Mentawir Development from Minister of Environment and Forestry during the ceremony of 40th Forester Day Commemoration.

Collaboration with the Ministry of Manpower



ITM signed MoU with the Ministry of Manpower to improve local workforce capacity by conducting training and certification program.

Received certification in cybersecurity



ITM obtained an international standard in managing information security management system through ISO/IEC 27001:2013 certification.

Efforts to withstand 2023 challenges, aiming for sustainable growth



Accountable measures for climate change
Implementing decarbonization and examining new greener business.



Agile responses to optimize profitability

Optimizing the key drivers of revenue and managing cost efficiently.



Adaptive expansion and diversification

Reserves expansion potential and new income stream from strategic options.

Agile responses to optimize profitability

Optimizing the key drivers of revenue



- Ensure production and sales target is achieved.
- Expand trading flexibilities: enrich blending alternatives as a mean to reach more consumers by broadening product quality and potentially increase ASP.
- Stay alert and maintain readiness to secure better margin amidst coal price volatility.
- Utilize strong brand of high-quality thermal coal to differentiate coal products and increase their value.

Managing cost effectively







- Conduct review of mining distance and sequence.
- Manage fuel consumption to ensure cost efficiency.
- Conduct cost effectiveness program across all business units to ensure all budgeted expenses are effective and reduce unnecessary cost.
- Maintain high standards on the supply chain (from pit to port) to avoid any demurrage.
- Ensure product quality produced is following the contract to avoid penalty.

Blending strategy

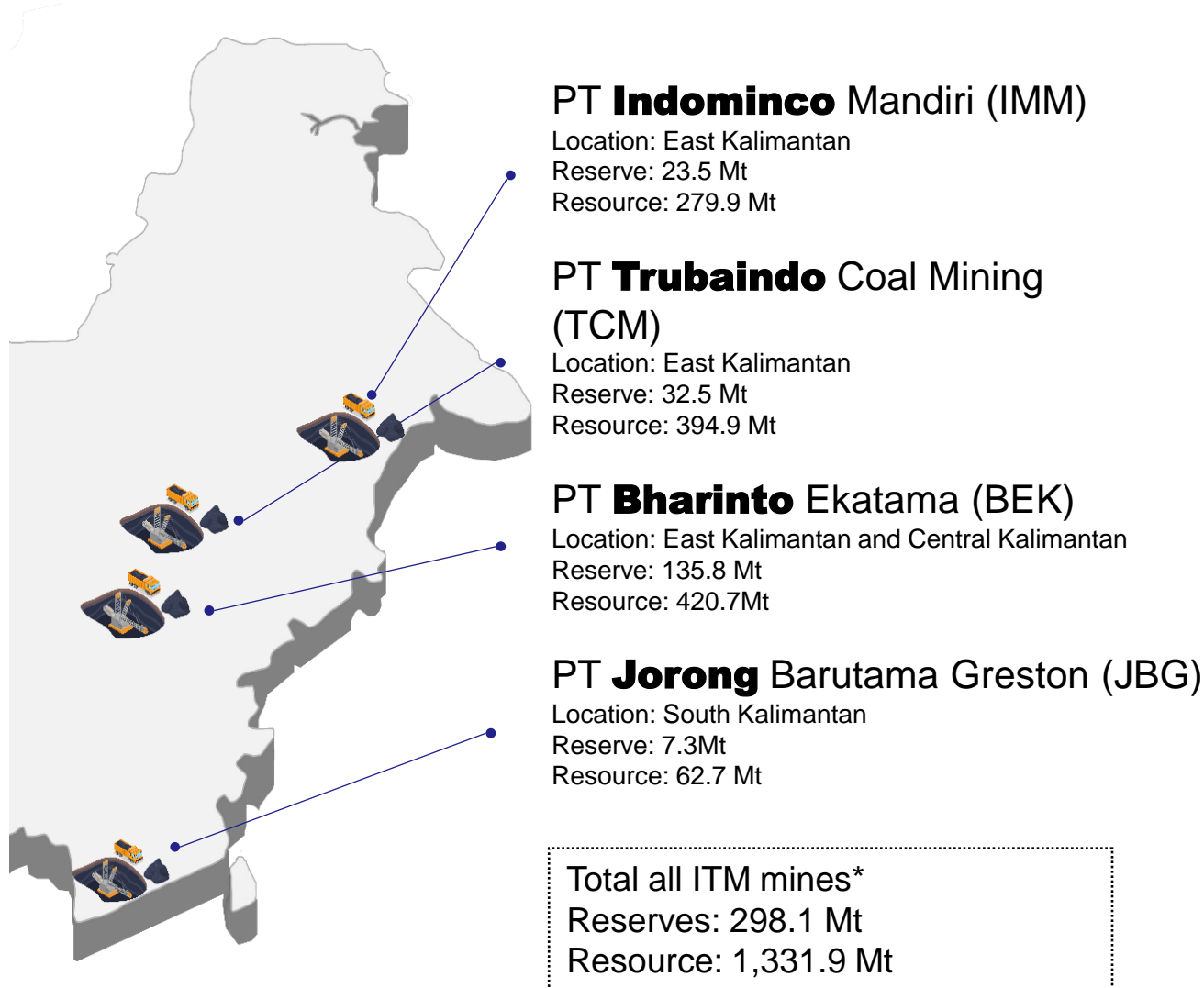
- To accommodate various needs, our own coal products could be blended with other coals from our other mine sites or 3rd party purchased.
- Benefits:
 - Potential ASP upside; use more favorable benchmark price.
 - Capacity to sell product with lower product quality.
 - Securing more sales contracts.

Illustrative only

	1) Shipper A – 51kt 6600 GAR, 0.5% TS Price based on GCNewc
+	
	2) Shipper B – 7.5 kt 5000 GAR, 1.5% TS Price based on ICI3
+	
	3) Shipper C – 7.5 kt 4200 GAR, 0.1% TS Price based on ICI4
=	
	Blended coal – 66kt 6200 GAR, 0.8% TS Price based on GCNewc (7% higher than weighted avg. price)

Adaptive expansion and diversification

Operating mine sites with active production



*) Not including TIS

Reserve expansion potential

- Current reserves calculation is based on estimates prepared by certified competent persons Indonesia (considered suitably experienced under the JORC) as of 31 Dec 2018 and deducted from sales volume during 2019-2022.
- Options to potentially expand reserves through exploration and updated economic assumptions.
- Alternative and viable methods to expand reserves and get more coal while considering economical, technical, and environmental aspect:
 - Underground mining.
 - Underground coal gasification: Indominco project to convert coal into ammonia.

New income streams from strategic options

- Production increase through greenfield mine operations: GPK, NPR, and TIS.
- Value enhancement from the mining business, e.g. enabling port and logistics to be its own strategic profit business unit; arranging coal offtake collaboration to secure higher trading margin.
- Business expansion focusing on the future acquisition of strategic clean-tech minerals.

Accountable measures for climate change: decarbonization strategy

Reduction

Improve **efficiency** in using carbon emitting resource and **substitute** the energy resource with more environmentally-friendly product.



Operational Excellence

Improve operational efficiency to reduce energy usage e.g., hauling optimization, less idle time for barging, optimum coal stock.



Energy Management

Strengthen usage of data to evaluate energy management, e.g., fuel consumption data, fleet system, coal hauling data.



Energy Substitution

Replace energy source with less intensive carbon source e.g., latest biofuel option, higher renewable energy mix.

Removal

Carbon sequestration from green areas



Carbon Absorption

Absorb the carbon through the green area, e.g., mine revegetation and watershed area.



Carbon Management

Improve carbon removal, e.g., having more accurate carbon data and carbon offsetting.

New business

Explore green business opportunities



Nature-Based Solutions

Study the potential of carbon trading, forestry products, and energy plantation (biomass).



Other Businesses

Tapping into other greener businesses, e.g., renewable energy, energy technology, and smart farm.

ITM way forward: a diversified energy company

MINING



Coal mining

Through organic exploration and greenfield mine development



Underground coal gasification

Exploring any opportunities in the downstream project



Mineral mining

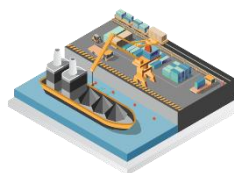
Potential investment in clean-tech mineral resources

ENERGY SERVICES



Contractor business

Capacity expansion and business process improvement



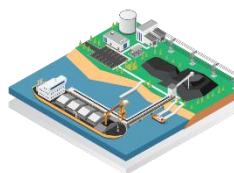
Coal trading

Optimize 3rd party coal purchased through coal blending and direct sales



Mining digital products

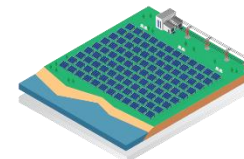
Digital solution for mining sector



Port

Utilize the existing infrastructure

RENEWABLES & OTHERS



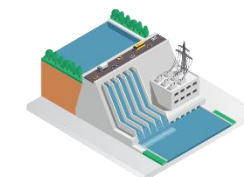
Solar farm

Solar PV hybrid powerplant



Solar rooftop

Focus in the commercial and industrial area



Hydro-based renewable

Clean energy generation



Nature-based solutions (NBS)

Prospecting on carbon offset and carbon trading

Note: Business segment in grey is under development.

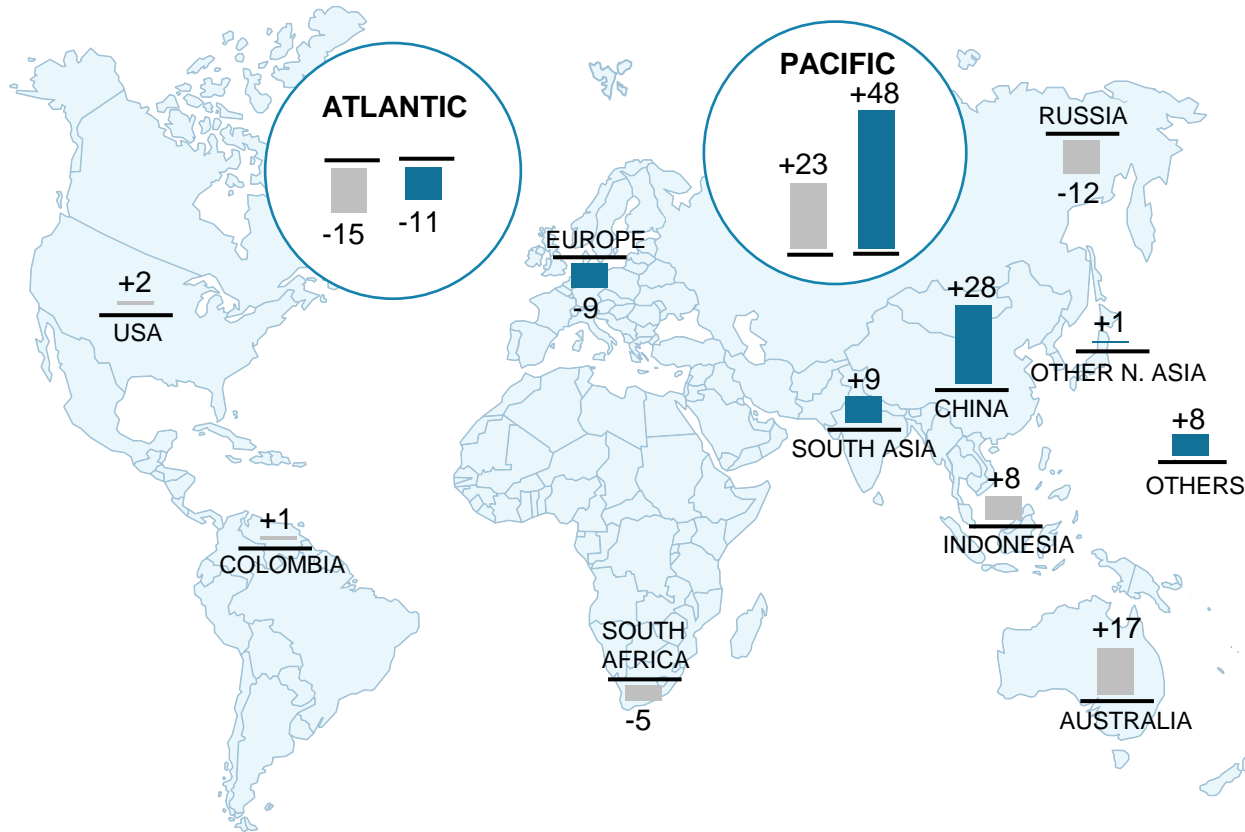


Coal Market Trends

Global thermal coal market

COAL DEMAND AND SUPPLY CHANGE – 2023E VS 2022

Unit: Mt ■ SUPPLY ■ DEMAND



Note: JKT = Japan, South Korea and Taiwan

TRENDS

DEMAND

Shoulder season has arrived in the northern hemisphere, but price remain supported by strong Indian demand. We expect China's import demand will remain strong this year while Southeast Asia will also continued import gains. Low gas prices and high gas inventory open opportunity for coal-to-gas switching in Europe but significant risk of gas supply will keep coal generation to be an important part of the energy mix.

- **China:** Thermal coal imports have been steady for the past six months. Economic activity is likely to steadily improve given policy support which should translate into stronger power demand in 2H, and likely to support seaborne demand.
- **India:** Coal burn has been strong. Thermal coal import demand remains steady as hotter weather is boosting consumption. Government directive to increase imports will push thermal coal imports further up this year.
- **JKT:** Warmer than normal weather capped electricity demand and curtailed coal burn in 1Q. Ample coal stocks curtail spot demand, but favourable generation economics will support coal burn in the 2H. We expect steady import demand this year.
- **Europe:** Diminishing coal demand across Europe is a product of reduced total energy demand, strong renewable performance, and weakening gas fundamentals. We expect coal import will slow down in April and May due to low seasonal demand before it resumes in June. Looking further, we expect coal will remain a staple in Europe as fuel-switching economics should start to favour coal again in 2H.

SUPPLY

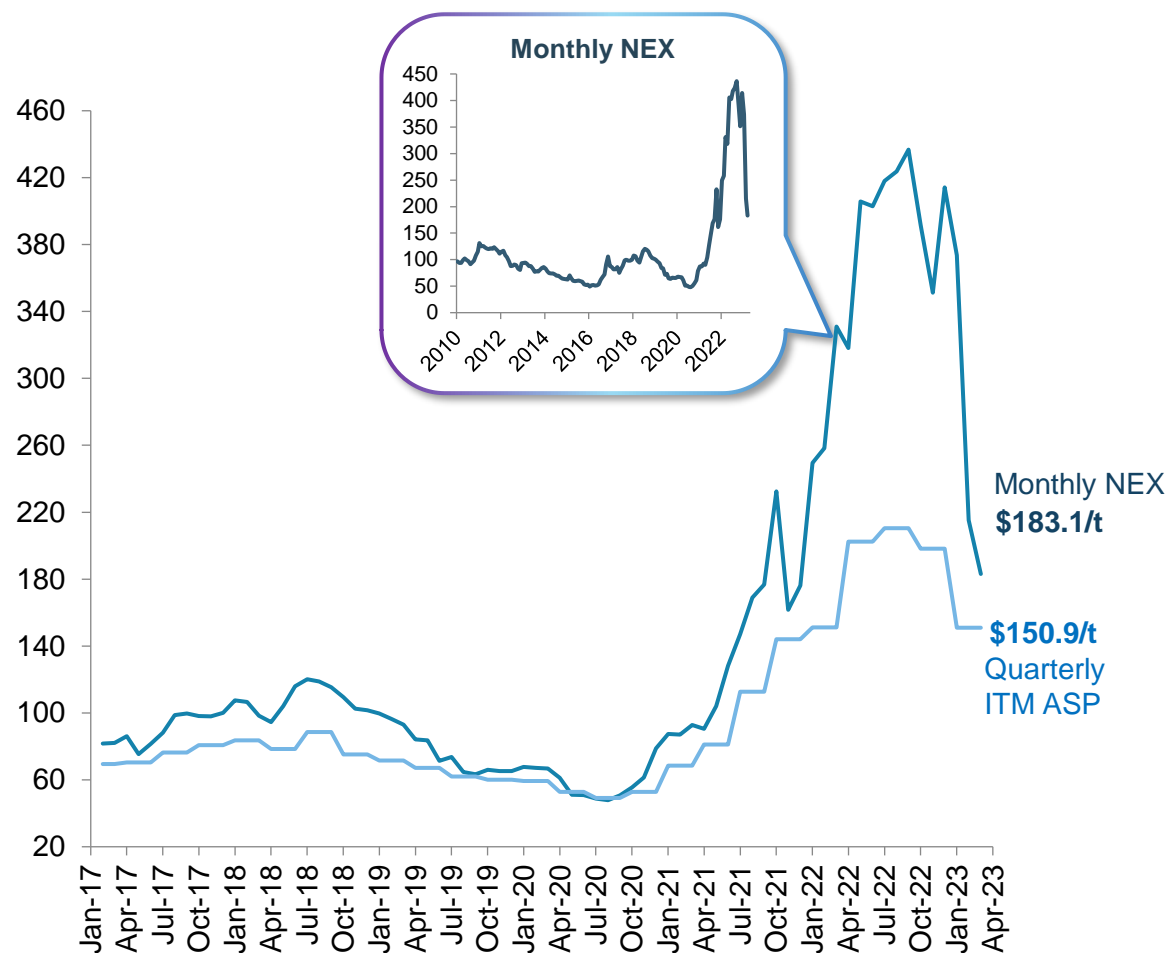
Even with additional global supply, we expect the market to remain tight through the year and provide support to coal prices. Significant growth of HCV supply is limited in the near term due to lack of investment during the past few years.

- **Indonesia:** Higher average rainfall has not significant impacted production, while miners are gearing up to increase output. Export is expected to remain strong, although incremental growth from current levels is becoming harder to come by.
- **Australia:** Exports bounce back from weather-related disruptions. Exports to China have been resumed following the end of restrictions.
- **Others:** Russian thermal coal exports supported by robust demand in China but trend to decline amid lower coal prices and limited rail. South African thermal coal exports swing back to Asian market while rail constraints persist. Blockades and port maintenance disrupt Colombian exports in 1H.

ITM ASP vs thermal coal benchmark prices

ITM ASP VS BENCHMARK PRICES

Unit: US\$/t



COMMENTS

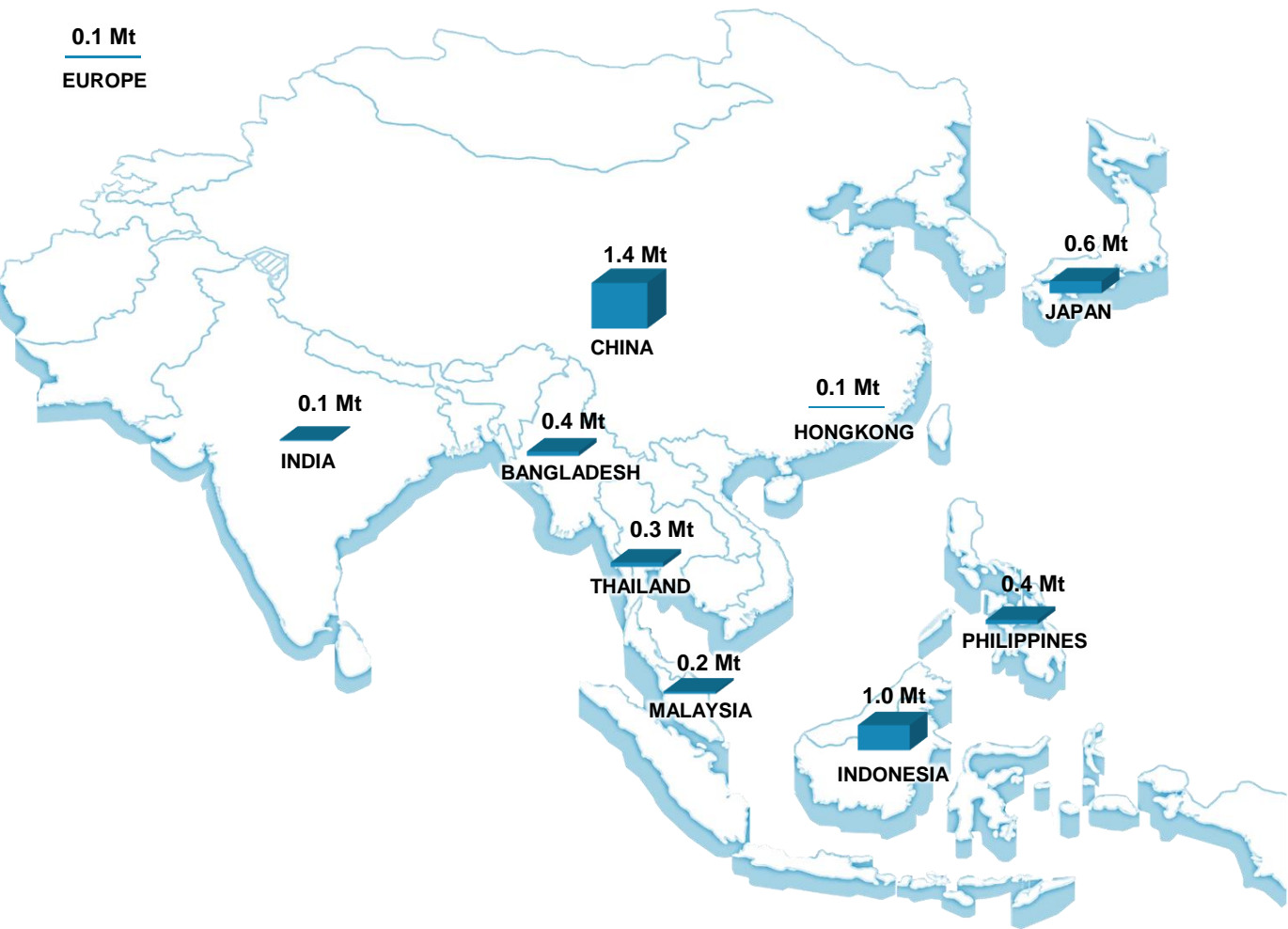
- Seaborne premium thermal coal market dropped significantly from mid Jan. until late Feb., then the market started stabilizing in the range of \$170-190 through March 2023. Weekly GCNewc is \$397.3 in the 1st week of Jan, hit the bottom (\$170.8/t) in the week of 17 March. End up \$178.5 in the last week of Q1 2023.
- The lower quality thermal coal market has been weakening too, while relatively stable to compare with GCNewc. During Q1 2023, ICI2 decreased from \$150.2 to \$118.2, ICI3 start from 111.4 in 1st week of Jan., end up with \$97.2 in the last week of March, ICI4 was dropping from \$90.5, weakening to \$73.5 in late March. In general, we see relatively strong base for lower spec thermal coal market thanks for the extremely strong import demand from China.
- We anticipate the global seaborne thermal market will be less volatile in the foreseeable future, as the overall demand/supply tend to be well balanced through the year.
- Key price metrics:
 - ITM ASP 1Q23: \$150.9/t* (-24% QoQ)
 - NEX (May 5, 2023)**: \$183.6/t

Note:

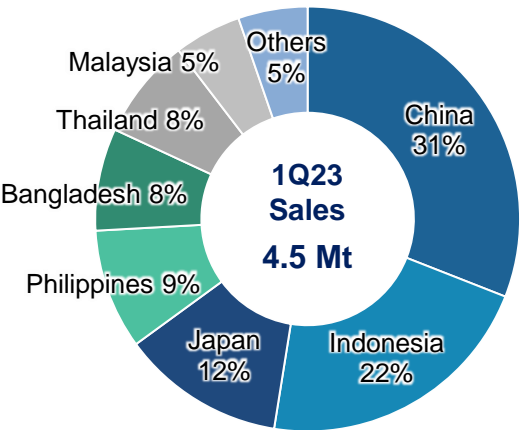
* Includes post shipment price adjustments as well as traded coal

** The Newcastle Export Index (NEX)

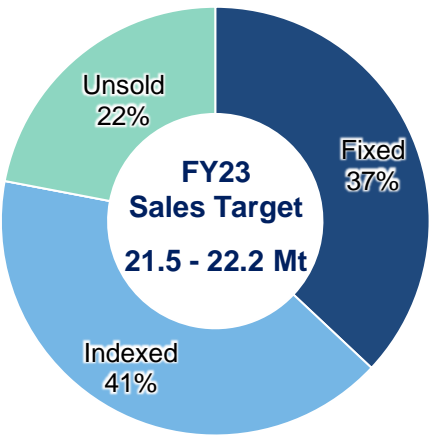
1Q23 COAL SALES BREAKDOWN BY DESTINATION



COAL SALES 1Q23



INDICATIVE COAL SALES FY23





Operational Updates

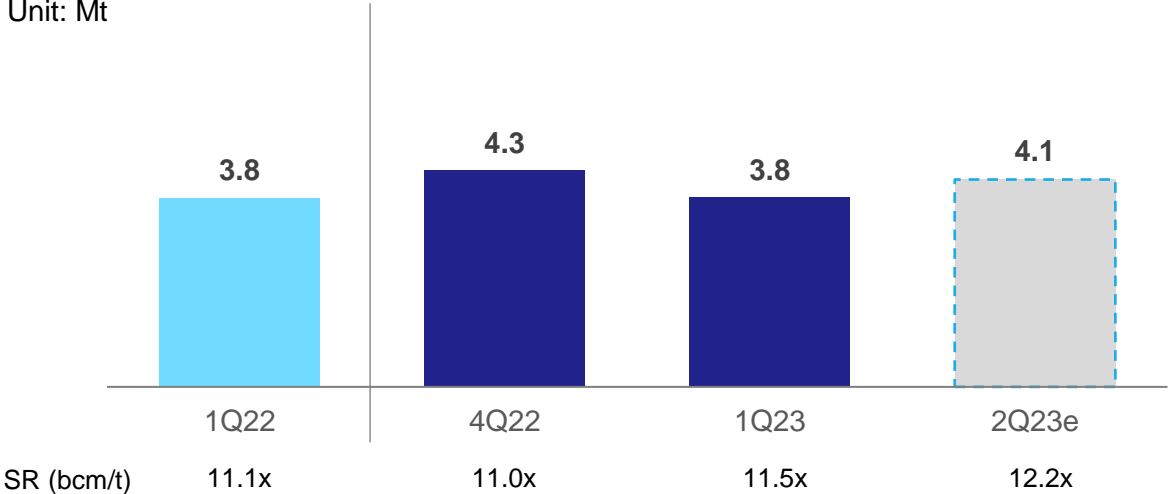


Operational summary 1Q23

2023 Target: 16.6-17.0Mt



Unit: Mt



- 1Q23 production achieved target of 3.8Mt despite rainy season during the early of 2023.
- 2Q23 production is targeted at 4.1 Mt, higher than previous quarter and same quarter last year as we expect more pleasant weather and increase in Indominco and Trubaindo production.
- Strip ratio in 2Q23 is expected to be slightly higher at 12.2x mainly due to higher strip ratio at Indominco.

Note: Higher production target is subject to further government approval

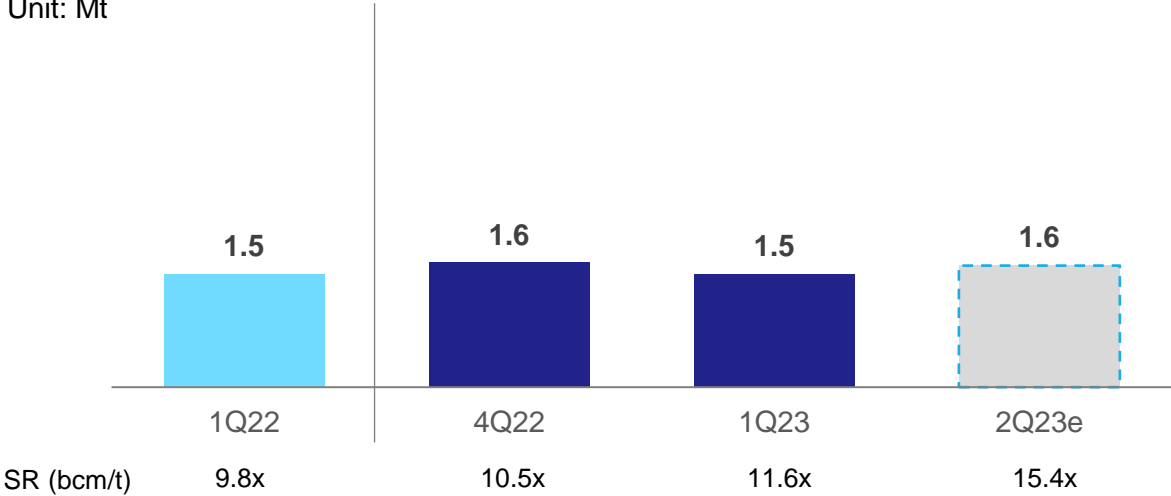
Coal operations: Indominco Mandiri



2023 Target: 6.4Mt



Unit: Mt



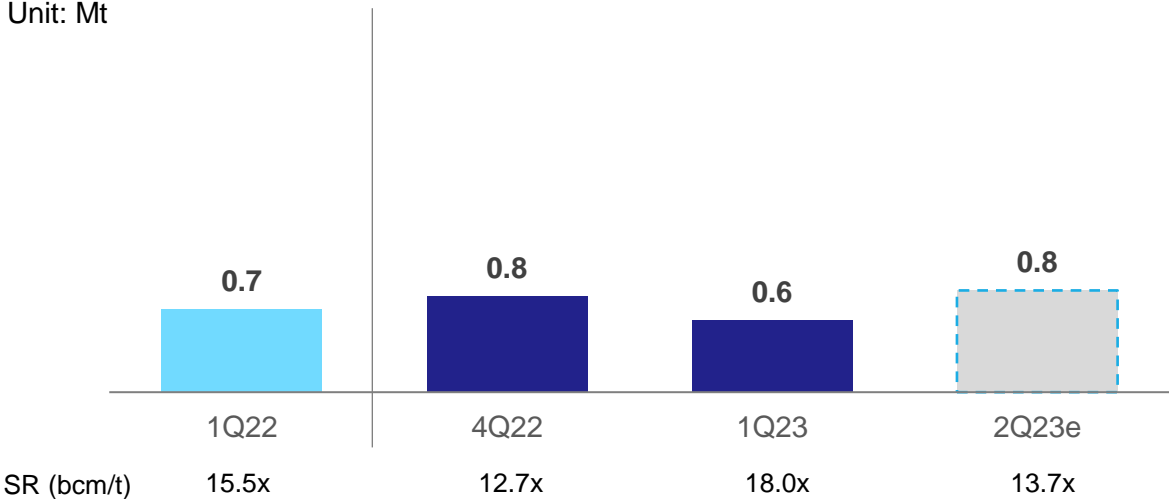
- 1Q23 production achieved target of 1.5Mt with strip ratio of 11.6x.
- 2Q23 production target will be slightly higher at 1.6Mt with higher strip ratio at 15.4x as we enter mining area with higher coal quality.
- In order to increase operations efficiency and reduce mud formed during rainfalls, Indominco will improve the water management system throughout 2023.

Coal operations: Trubaindo Coal Mining

2023 Target: 2.7Mt



Unit: Mt

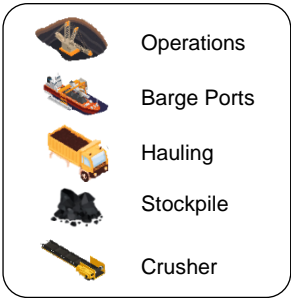


- 1Q23 production achieved target of 0.6Mt with strip ratio of 18.0x due to higher rainfalls which impede the operations.
- 2Q23 production target is set at 0.8Mt with a decrease in strip ratio at 13.7x.
- As part of the cost effectiveness program, Trubaindo seeks the opportunity to shorten distance and to reduce fuel consumption through re-evaluating truck cycle time.

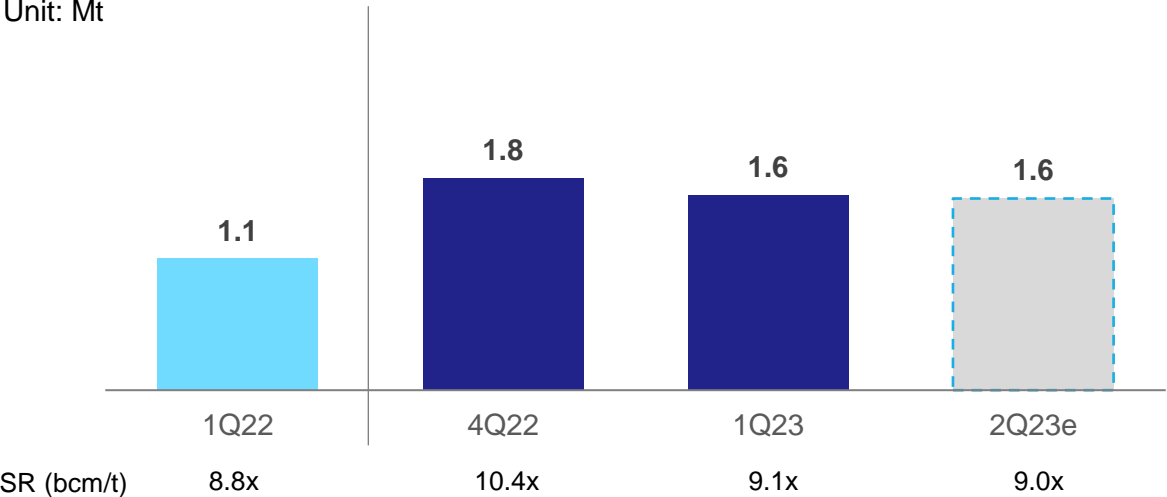
Coal operations: Bharinto Ekatama



2023 Target: 6.8Mt



Unit: Mt

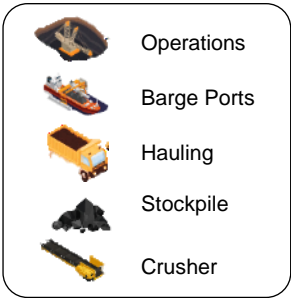
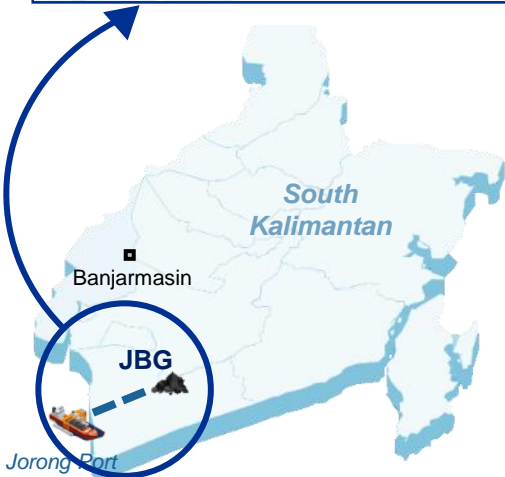


- 1Q23 production was slightly below the target at 1.6Mt due to extreme weather.
- 2Q23 production target is maintained at 1.6Mt with maintained strip ratio of 9.0x.
- To manage cost more efficiently, Bharinto is currently reviewing shorter distance for overburden and hauling activities.

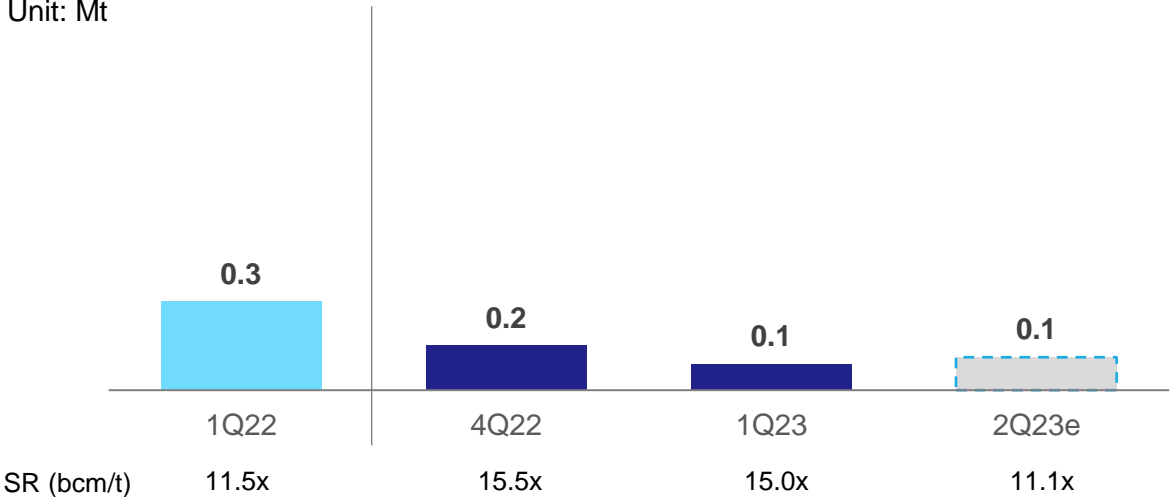
Coal operations: Jorong Barutama Greston



2023 Target: 0.5Mt



Unit: Mt



- Despite bad weather at the site, 1Q23 production achieved target of 0.1Mt with lower strip ratio of 15.0x as compared to target.
- 2Q23 output target will be maintained at 0.1Mt while strip ratio is expected to be lower at 11.1x following the mining sequence.



Financial Updates

Profitability – Income statement



Maintaining financial performance amidst external challenges

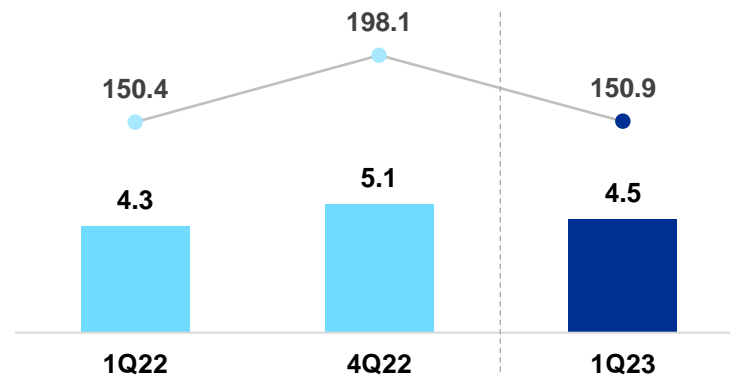
Revenue/ EBITDA/ net profit of 1Q23 decreased by **-33%/-46%/-40% QoQ**, respectively following the impact of decreasing ASP by 24% compared to the previous quarter as influenced by the lower benchmark price.

Sound cash management

1Q23 EBITDA and net profit were recorded at **\$239M** and **\$183M**, respectively. Consequently, the cash position at the end of 1Q23 increased to **\$1,531M**.

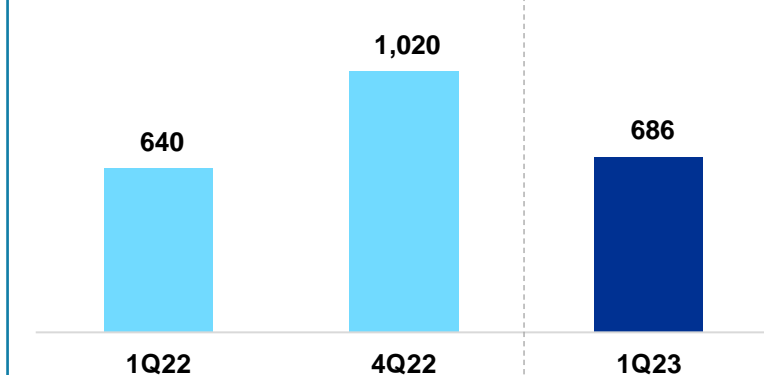
SALES VOLUME AND ASP

Unit: Mt and US\$/t



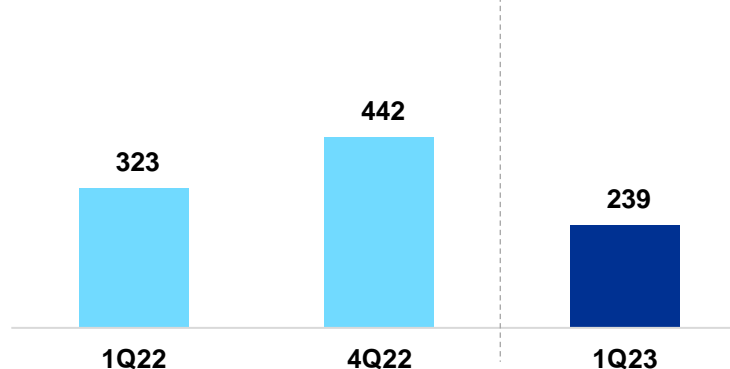
REVENUE

Unit: US\$ million



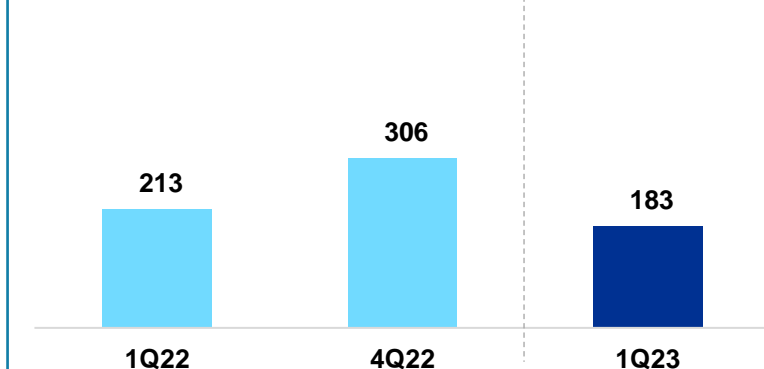
EBITDA

Unit: US\$ million



NET PROFIT

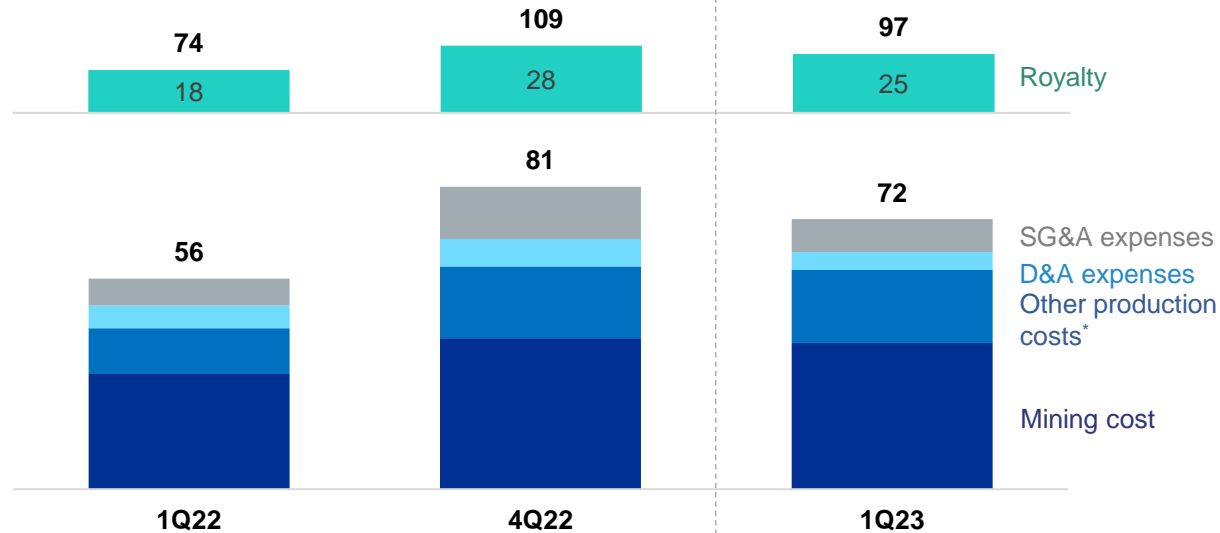
Unit: US\$ million



Cost analysis

TOTAL COST BREAKDOWN

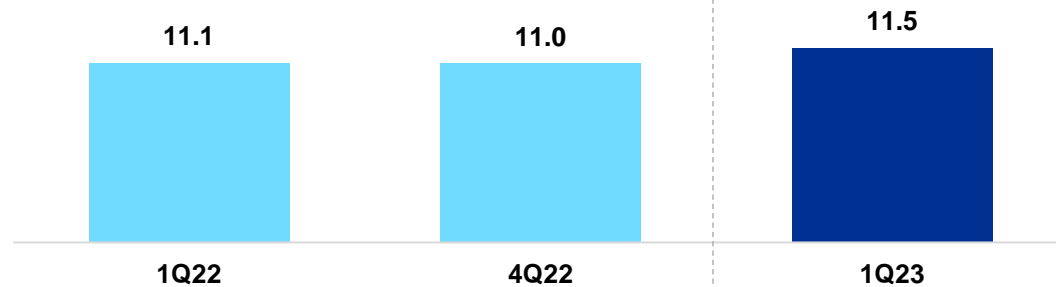
Unit: US\$/t



- Total cost excluding royalty declined from \$81/ton in 4Q22 to **\$72/ton** in 1Q23 (-11% QoQ) due to:
 - Declining of fuel price as one of key cost drivers.
 - Implementation of cost effectiveness program which started during the early of 2023.
- 1Q23 royalty decreased to **\$25/ton** (-12% QoQ) following the decrease in global coal price.

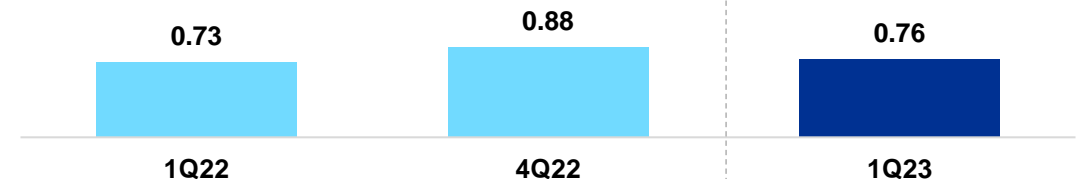
WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t



FUEL PRICE

Unit: US\$/Ltr



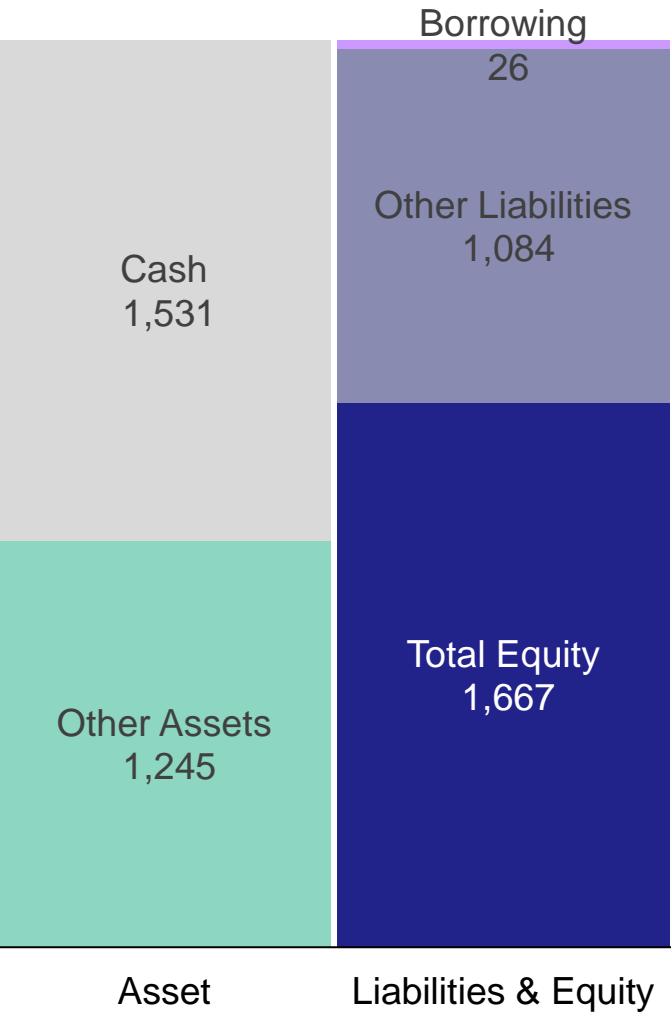
*Include repair and maintenance, salaries and allowances, inventory adjustment, others etc.

Balance sheet and key ratios



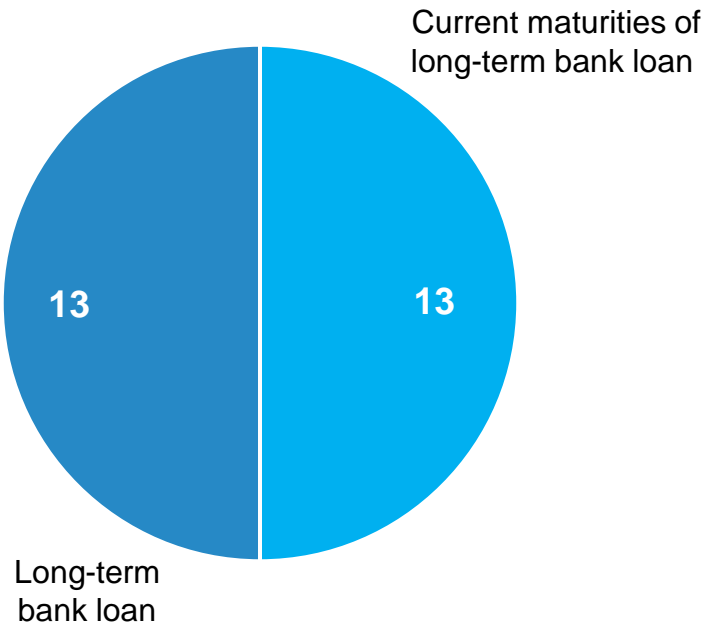
1Q23 BALANCE SHEET

Unit: US\$ million



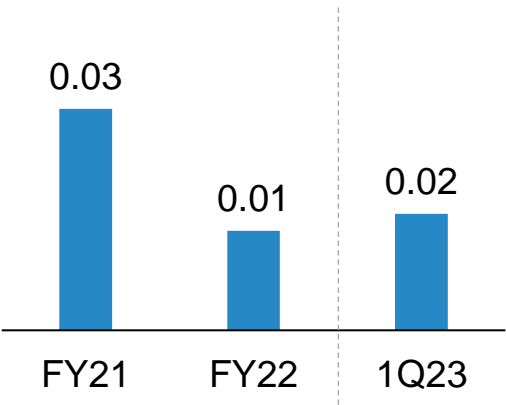
BANK LOAN DETAILS

Unit: US\$ million

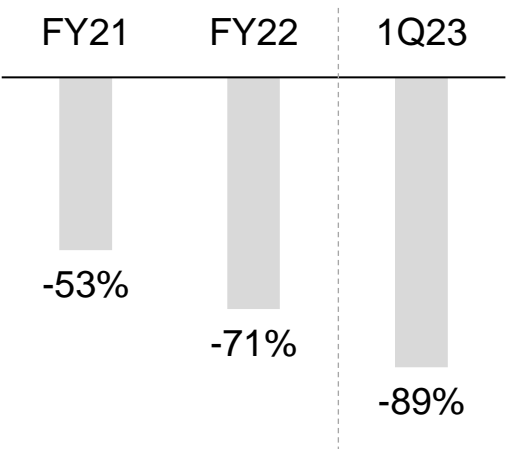


KEY RATIOS

Debt to Equity (x)

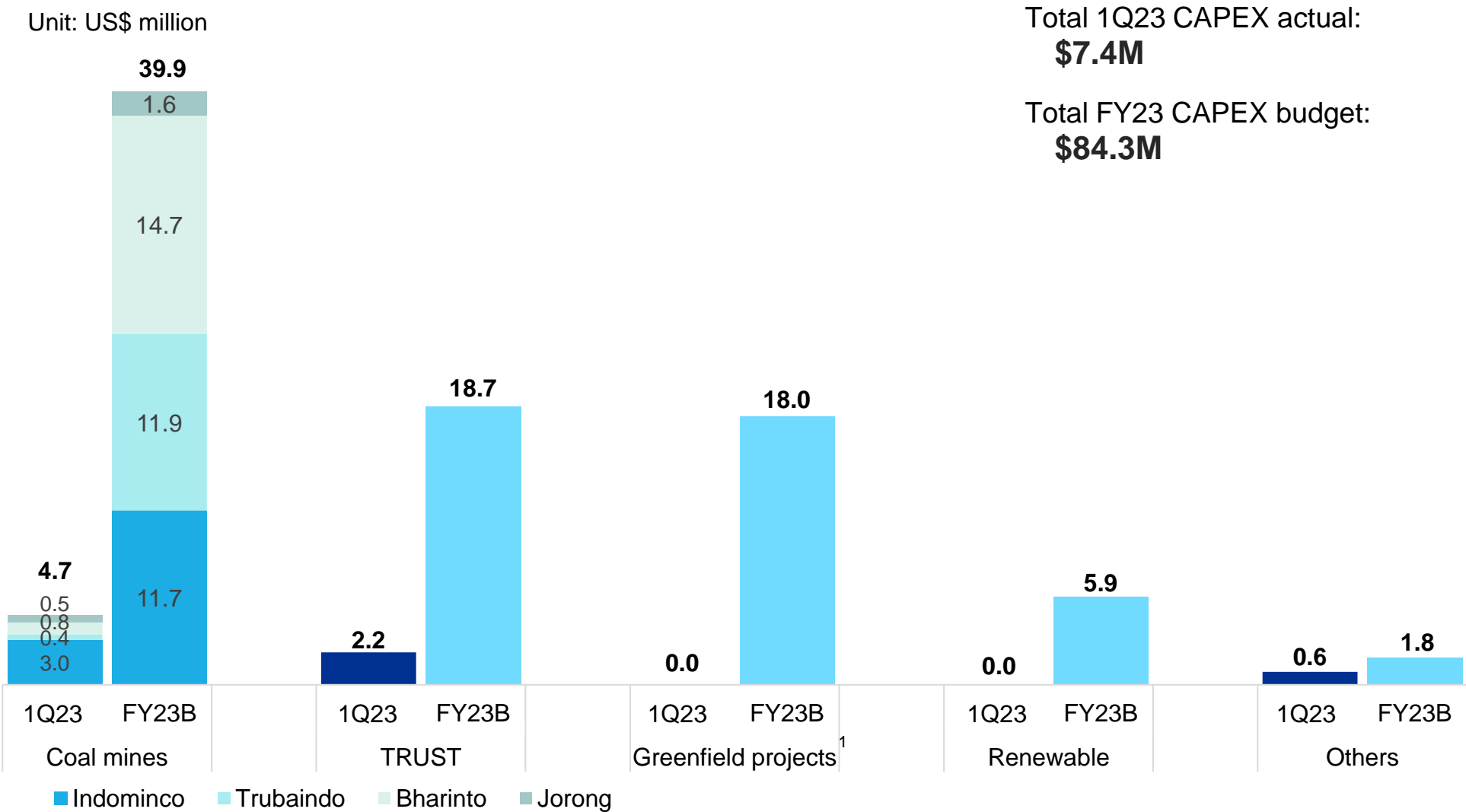


Net Gearing (%)



Note: Net gearing formula is net debt to total debt and equity

Capital expenditure



Note: 1) Greenfield projects consist of GPK, NPR and TIS



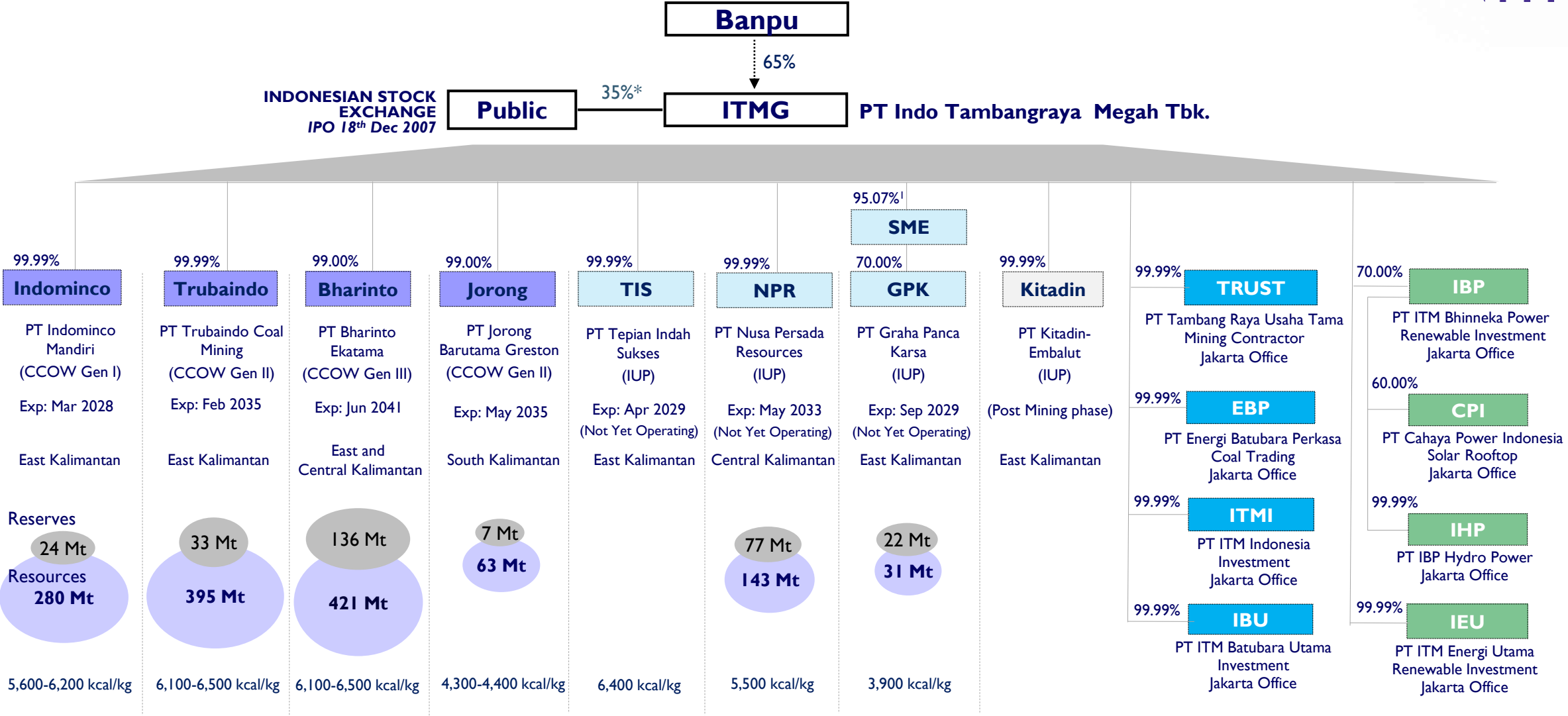
Q&A Session

Income statement



Unit: US\$ thousand	1Q23	4Q22	QoQ (%)	1Q22	YoY(%)
Net Revenues	685,586	1,019,775	(33%)	639,933	7%
Gross Profit	266,916	487,682	(45%)	336,331	(21%)
Gross Profit Margin	39%	48%		53%	
Selling Expenses	(35,289)	(63,079)	(44%)	(28,754)	23%
General And Administration Expenses	(10,768)	(14,995)	(28%)	(7,578)	42%
EBIT	220,859	409,608	(46%)	299,999	(26%)
EBIT Margin	32%	40%		47%	
EBITDA	238,951	441,529	(46%)	323,120	(26%)
EBITDA Margin	35%	43%		50%	
Finance Costs	(869)	(612)	42%	(986)	(12%)
Finance Income	9,445	5,056	87%	929	917%
Others, Net	4,603	(15,645)	(129%)	(25,431)	(118%)
Profit Before Income Tax	234,038	398,407	(41%)	274,511	(15%)
Income Tax	(51,438)	(92,612)	(44%)	(61,288)	(16%)
Net Profit	182,600	305,795	(40%)	213,223	(14%)
Net Profit Margin	27%	30%		33%	

ITM structure



Note: Reserves and Resources is as of 31st Dec 2022. The number disclosed above used the updated coal resources and reserves as of 31 Dec 2018 based on estimates prepared by competent persons (considered suitably experienced under the JORC Code) and deducted from coal sales volume during 2019-2022.

¹) Remaining 4.93% is owned by IBU which is owned by ITM.