



Analyst Briefing

2Q13 performance results

14 Aug 2013





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- 1 Introduction**
 - 2 Operational review
 - 3 Commercial review
 - 4 Financial review
- Appendices

Highlights of 2Q13 and 1H13 results

FINANCIAL SUMMARY

Coal sales
6.9 Mt
 **Down 0.2 Mt**
-3% Q-Q

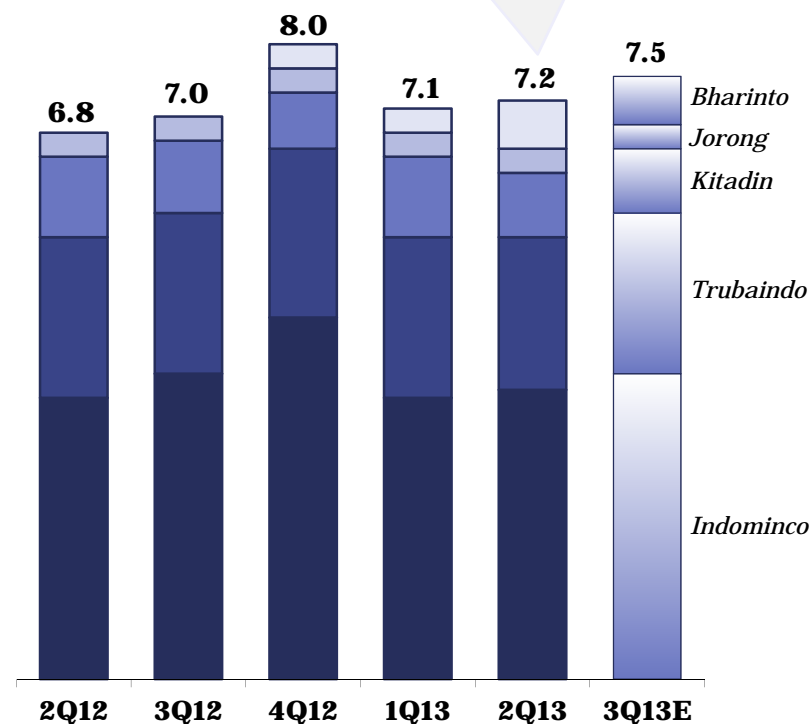
Coal sales
14.0 Mt
 **Up 1.6 Mt**
+13% y-y

	1Q13	2Q13	Q-Q	1H12	1H13	y-y
Total Revenue	563	527	-6%	1,204	1,090	-9%
GPM	23%	21%	-2%	34%	22%	-12%
EBIT	85	70	-18%	321	155	-52%
Net Income	72	52	-28%	247	123	-50%
ASP* (USD/ton)	\$80.0	\$76.8	-4%	\$97.7	\$78.4	-20%

QUARTERLY OUTPUT

Units: Mt



 **Up 0.1 Mt**  **Up 0.4 Mt**
+1% Q-Q **+6% y-y**





Overview of current strategic initiatives

REVENUE FOCUS	COST FOCUS
<ul style="list-style-type: none"> • Increase sales to 29.0 Mt from 27.2 Mt • Market development • Leverage high CV competitiveness • Consider to secure long-term price for off-spec products both internally and with third party blending • Strengthen product and shipment reliability 	<ul style="list-style-type: none"> • Lower SR to decrease production costs • Infrastructure improvement and logistics efficiency • Control overhead costs • Further operating cost reduction through IPCC, fuel substitution study etc.
FINANCIAL POLICIES	BEST PRACTICE
<ul style="list-style-type: none"> • Strong balance sheet • Prudent cash management • Maintain dividend payout policy 	<ul style="list-style-type: none"> • Continuous improvement on organization structure to support good corporate governance • Enhance risk management best practices • Rules and regulation compliance in all mine sites • Banpu Spirit as ITM people character

Progress review

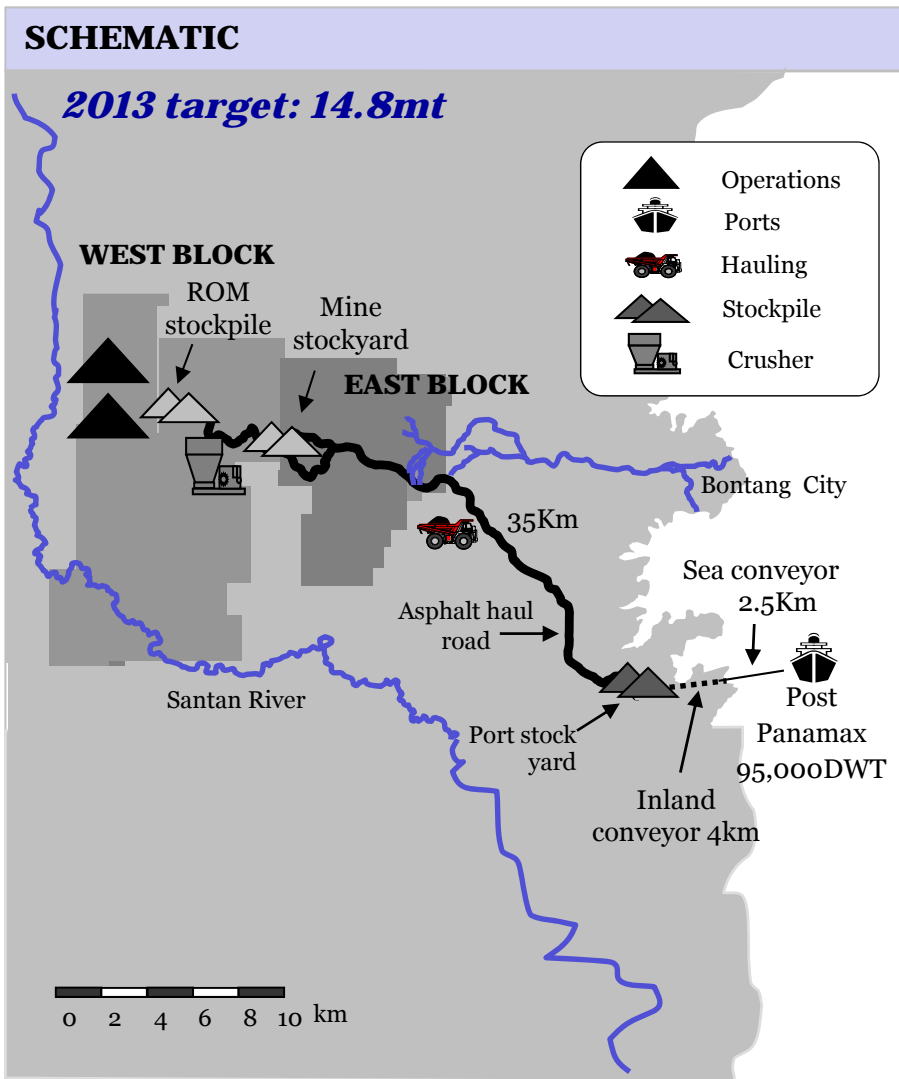
		2013 TARGETS	MID-YEAR REVIEW	FOCUS FOR 2H13
REVENUE		Revenue Focus	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
		<ul style="list-style-type: none"> Increase sales to 29.0 Mt from 27.2 Mt 	<ul style="list-style-type: none"> Achieved 14.0 MT sales for 1H13 	<ul style="list-style-type: none"> On track to meet the full year target
		<ul style="list-style-type: none"> Market development 	<ul style="list-style-type: none"> Trial shipment of Bharinto coal to non-Japan market 	<ul style="list-style-type: none"> Bharinto coal shipment to premium price market
		<ul style="list-style-type: none"> Consider to secure long-term price for off-spec products both internally and with third party blending 	<ul style="list-style-type: none"> Establishment of ITM trading company 	<ul style="list-style-type: none"> Look out for business opportunities
		<ul style="list-style-type: none"> Strengthen product and shipment reliability 	<ul style="list-style-type: none"> Bidding and winner selection for 1st stage of BoCT expansion 	<ul style="list-style-type: none"> Awarding and starting of construction
COST		Cost Focus	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
		<ul style="list-style-type: none"> Lower SR to decrease production cost 	<ul style="list-style-type: none"> Reduced SR by 11% HoH Lower S/R at Indominco and Trubaindo by 7% HoH and 19% HoH, respectively 	<ul style="list-style-type: none"> Plan to lower costs further through improved productivity
		<ul style="list-style-type: none"> Infrastructure improvement and logistics efficiency 	<ul style="list-style-type: none"> Facilities sharing between Trubaindo and Bharinto sites 	<ul style="list-style-type: none"> Road hauling improvement Reduce fuel consumption on tug boats and renegotiate barging contract
		<ul style="list-style-type: none"> Further operating cost reduction through IPCC, fuel substitution study etc. 	<ul style="list-style-type: none"> Installation of IPCC equipment at Indominco site 	<ul style="list-style-type: none"> IPCC expected to start around 4Q13 Trial of alternative/other supplier for explosive and fuel oil Coal recovery improvement at Bharinto site

Progress review – cont'd

		2013 TARGETS	MID-YEAR REVIEW	FOCUS FOR 2H13
POLICIES		Financial Policies	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
		<ul style="list-style-type: none"> Strong balance sheet 	<ul style="list-style-type: none"> Large cash balance with zero debt position 	<ul style="list-style-type: none"> Maintain zero debt position
		<ul style="list-style-type: none"> Prudent cash management 	<ul style="list-style-type: none"> Positive cash flow for ITM 	<ul style="list-style-type: none"> Maintain positive cash flow for ITM
		<ul style="list-style-type: none"> Maintain dividend payout policy 	<ul style="list-style-type: none"> Strong dividend payout for 2H12 performance 	<ul style="list-style-type: none"> Maintain dividend payout policy
BEST PRACTICE		Best Practice	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
		<ul style="list-style-type: none"> Continuous improvement on organization structure to support good corporate governance 	<ul style="list-style-type: none"> Software application to align all standard operating procedures across business function with company's key performance indicator 	<ul style="list-style-type: none"> Continue aligning with other business functions across the company Improve budgeting process
		<ul style="list-style-type: none"> Enhance risk management best practices 	<ul style="list-style-type: none"> Establishment of Compliance and Risk Management Department in the Organization Structure 	<ul style="list-style-type: none"> Strengthen Enterprise Risk Management (ERM)
		<ul style="list-style-type: none"> Rules and regulation compliance in all mine sites 	<ul style="list-style-type: none"> Establishment of compliance checklist for all mine sites 	<ul style="list-style-type: none"> Effective compliance monitoring
		<ul style="list-style-type: none"> Banpu Spirit as ITM people 	<ul style="list-style-type: none"> Banpu Spirit Retreat 	<ul style="list-style-type: none"> Enhance Banpu Spirit in practice

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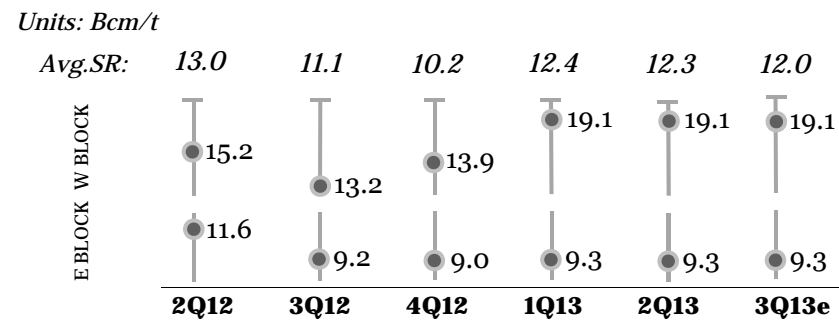
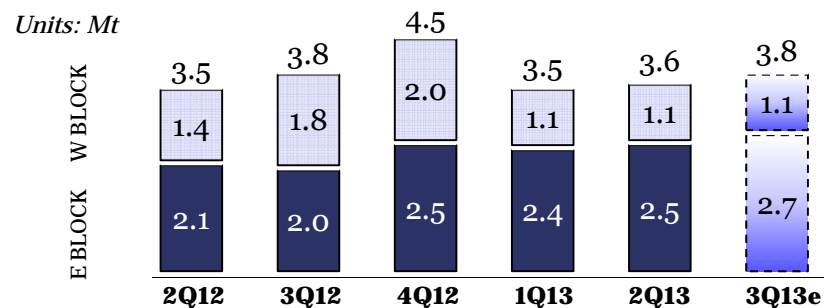
Indominco Mandiri



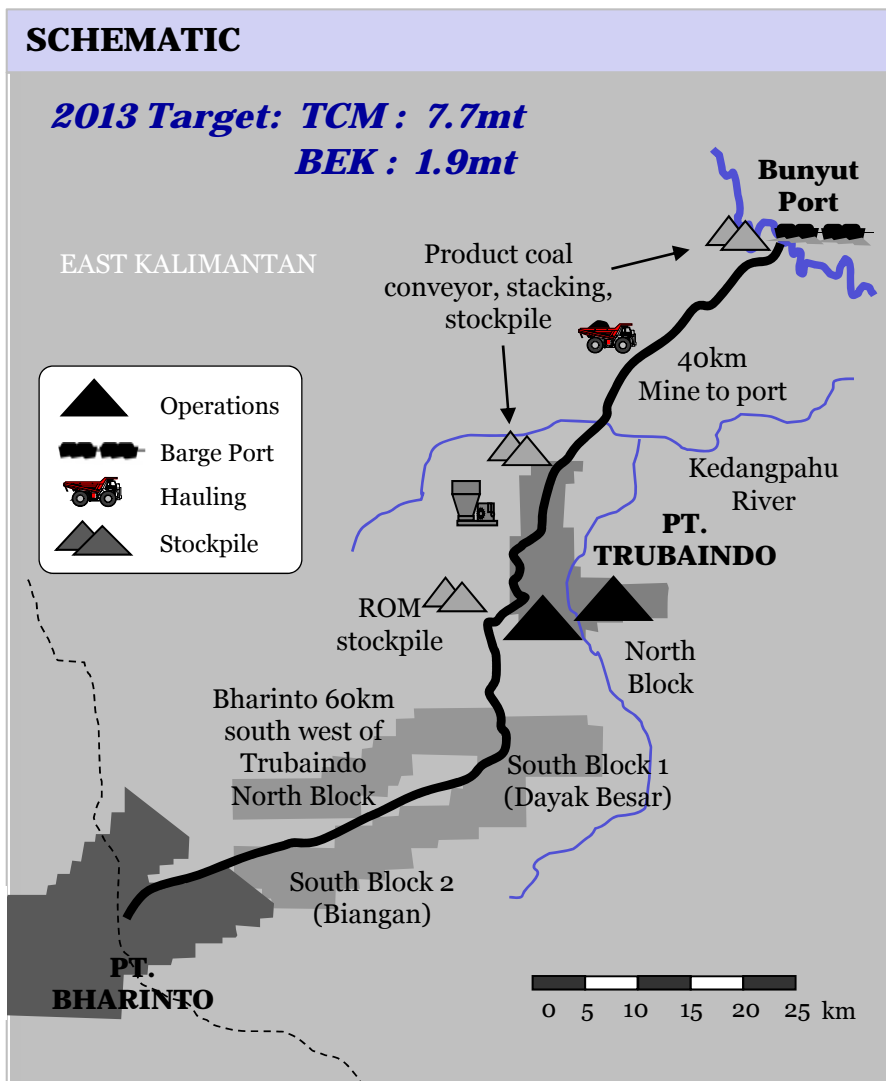
QUARTERLY UPDATES

- 2Q13 production achieved lower than target due to bad weather affecting the production performance.
- *IPCC trial stage:* installation of crushing equipment already 60% progress. Waiting to start for erection of conveying and stacking system. Project expected to commence by 4Q13.
- *Port expansion:* Under process of awarding bidding winner.

QUARTERLY OUTPUT



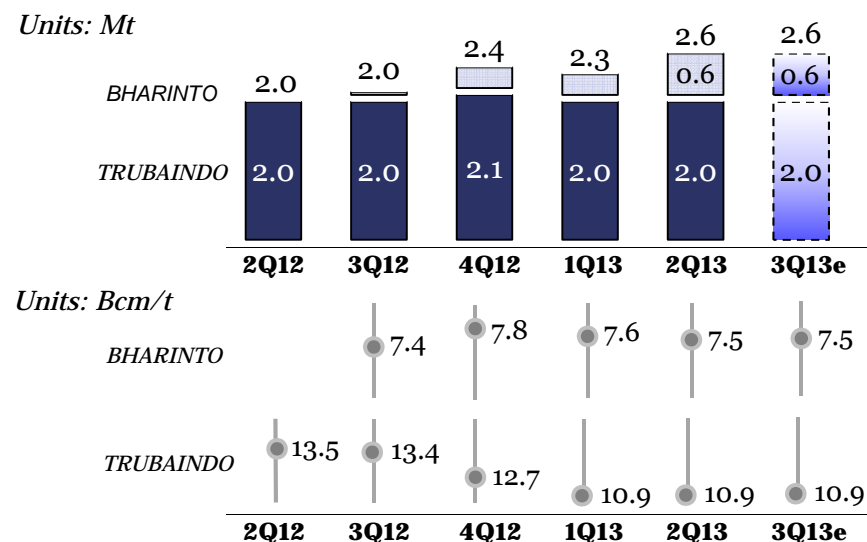
Trubaindo and Bharinto



QUARTERLY UPDATES

- Trubaindo:
 - 2Q13 production achieved higher than target due to adequate raw coal stock and better hauling performance.
 - *Bunyut port expansion:* Continue with EPC bidding process and waiting for EPC contractors to submit the bidding proposal.
- Bharinto:
 - 2Q13 production achieved higher than target due to improvement in hauling capacity.

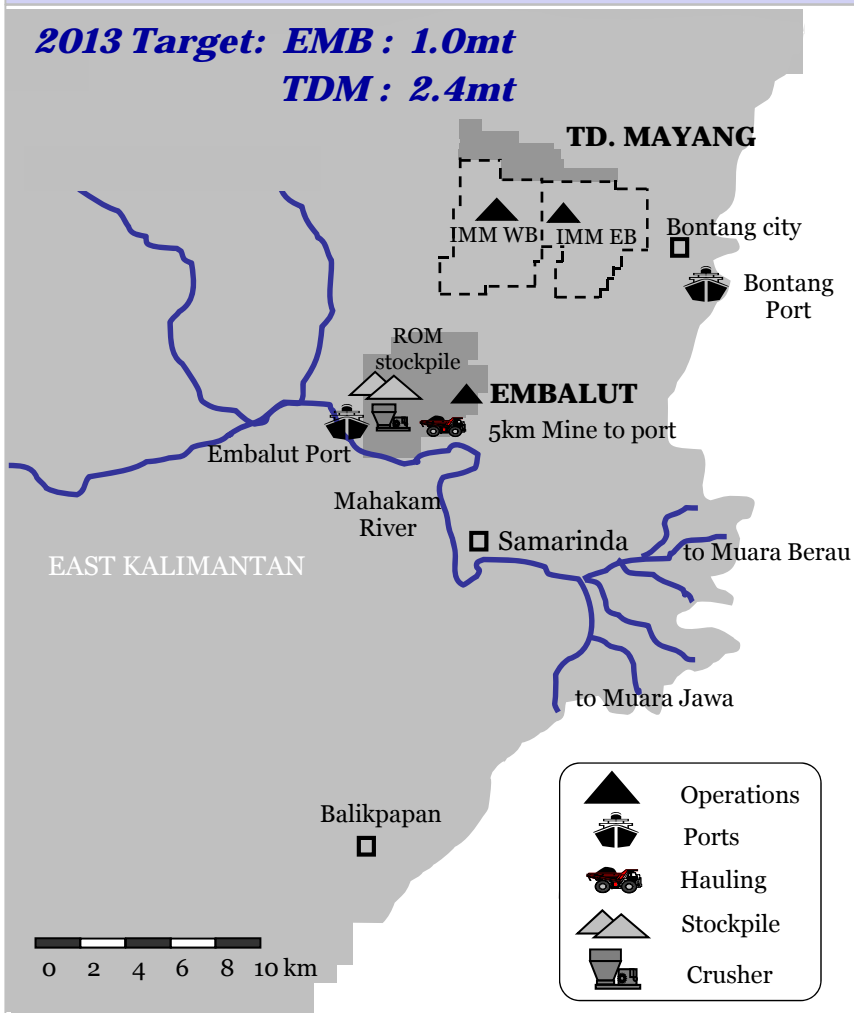
QUARTERLY OUTPUT



Kitadin Embalut and Tandung Mayang

SCHEMATIC

**2013 Target: EMB : 1.0mt
TDM : 2.4mt**

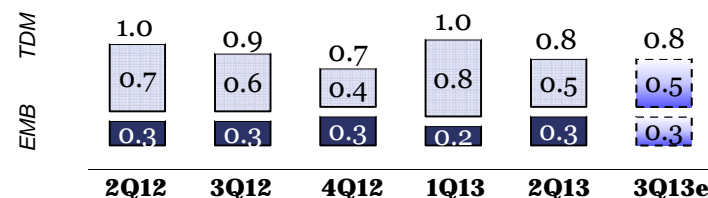


QUARTERLY UPDATES

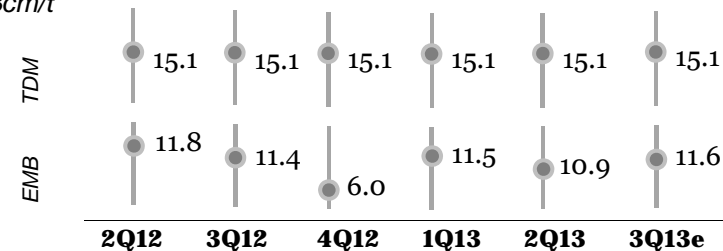
- Kitadin Embalut:
 - 2Q13 production is according to target.
- Kitadin Tandung Mayang:
 - 2Q13 production was lower than target due to change of mining plan.

QUARTERLY OUTPUT

Units: Mt



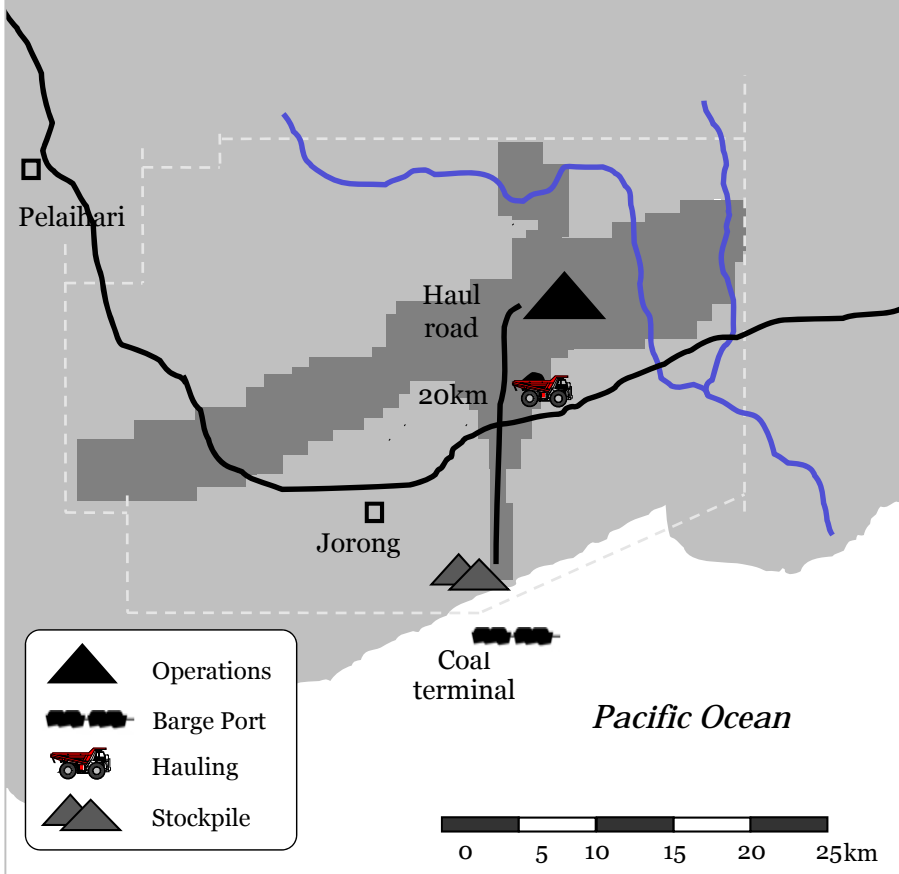
Units: Bcm/t



Jorong

SCHEMATIC

FY13 target: 1.2mt

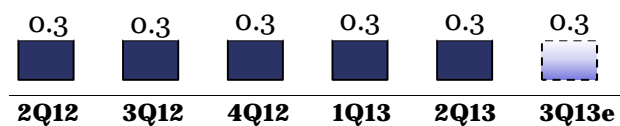


MAJOR QUARTERLY UPDATES

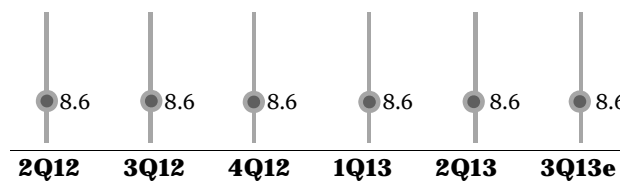
- 2Q13 production as according to target.
- Construction of river diversion project is nearly finished and expected to be completed within 3rd Qtr 2013.

QUARTERLY OUTPUT

Units: Mt






Units: Bcm/t









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View on seaborne thermal coal market

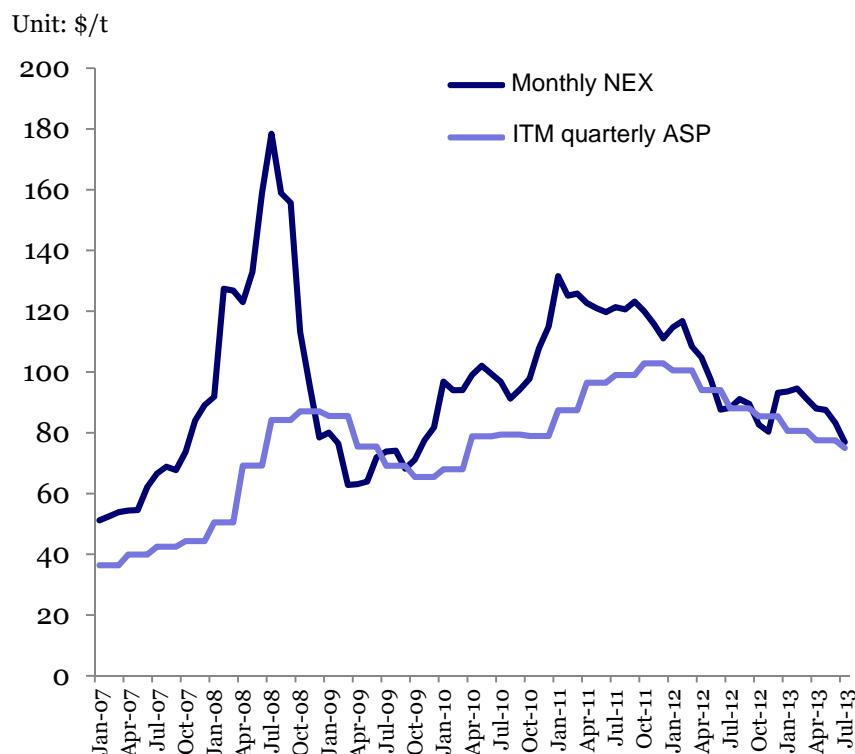
OVERALL VIEW	DEMAND	SUPPLY
 <ul style="list-style-type: none"> • Expect to see better conditions starting 2014 • New demand continues to soak up supply excess • Cutbacks gradually capped supply increase 	 <ul style="list-style-type: none"> • If US increase to 3.5 - 4.0% GDP growth by mid-2014, it would have positive impact and bring positive flow on to other economies especially coastal manufacturing in China. • Chinese stimulation, if of any substance by end-2013, would compound any upward lift 	 <ul style="list-style-type: none"> • The share of poorer grade coals in total exports continues to grow • Any sharp change, would encourage an upward spike, as the ability of producers to add near term capacity reduces as market weakness continues.

Seaborne thermal coal market drivers: 2Q update

CHINESE DEMAND	ASIA PACIFIC DEMAND	OTHER DEMAND DRIVERS
 <ul style="list-style-type: none"> • Despite high summer demand, oversupply to continue through 2013 • Political constraints add uncertainty, albeit no caps yet • Limited new demand while past investment leads to excess supply 	 <ul style="list-style-type: none"> • India has up-paced import with a likelihood to show 30 Mt YoY increase 	 <ul style="list-style-type: none"> • World still growing; positive GDP • Thermal coal demand still on course to be up almost 40 Mt YoY
WEATHER	INDONESIA AND AUSTRALIA	OTHER SUPPLY DRIVERS
 <ul style="list-style-type: none"> • All effects negative for coal • Good hydro. Good renewables • No major supply disruptions 	 <ul style="list-style-type: none"> • Indonesia still feeling a squeeze; many producers are not achieving sales plans • Depreciation of Australian dollar insulates Australian coal output from weak spot coal prices. South Africa and Columbia similar 	 <ul style="list-style-type: none"> • USA ceases to be big factor • Though mines cut back, new supply from past investments came online. Biggest cutbacks are in China • Supply interruptions in regions like Colombia, South Africa, Russia are only short-term

ITM ASPs vs thermal coal benchmark prices

ITM ASP VS BENCHMARK PRICES



ASP 2Q13	\$76.8
ASP 2Q12	\$94.6
NEX* Aug 01, 2013	\$77.1

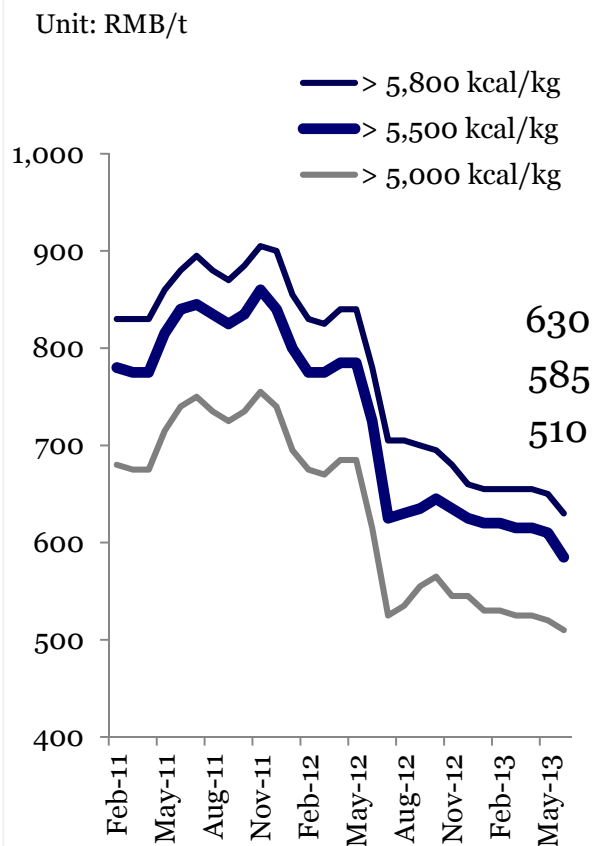
COMMENTS

- ASP declined marginally in 2Q, reflecting the general market weakness
- Despite healthy demand, continuing pressure from the well-supplied market impacts ASP
- July JPU benchmark was agreed at \$89.95/t, down from April JPU benchmark of \$95.00/t
- Concluded sales of 6.9 Mt in 2Q at ASP of \$76.8/t, down 4% QoQ

* Barlow Jonker Index: benchmark NSW FOB thermal coal index

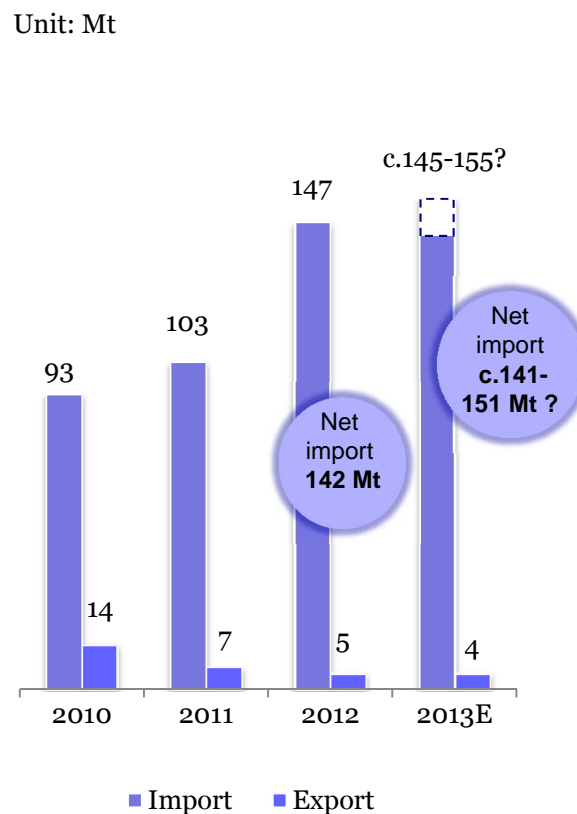
China thermal coal market review

CHINA DOMESTIC COAL PRICES



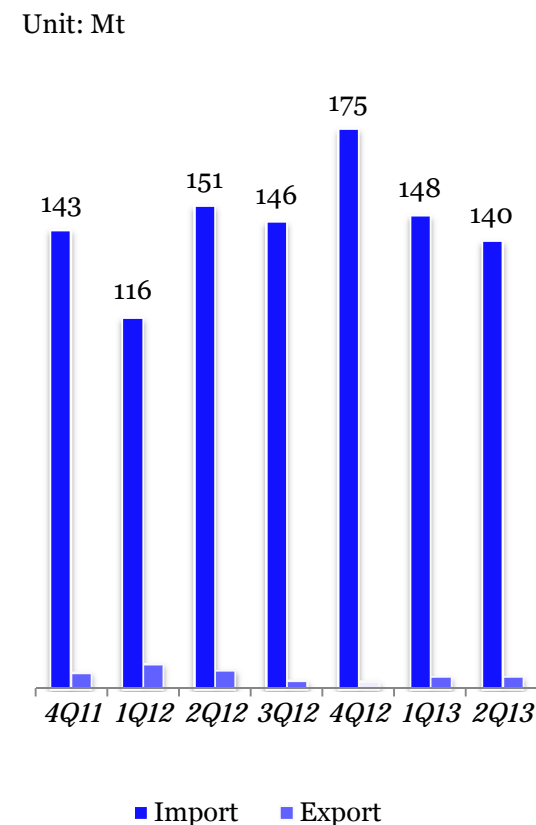
Source: www.sxcoal.com/cn 30 June 2013

CHINA THERMAL COAL IMPORTS/EXPORTS



Sources: China Coal Report Jan 2013, Banpu MS&L Estimates

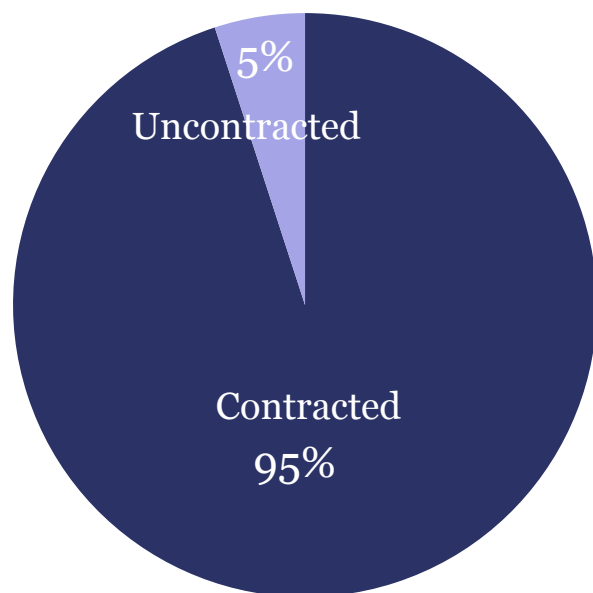
ANNUALIZED ACTUAL IMPORT 3Q11 - 4Q12 & 2Q13



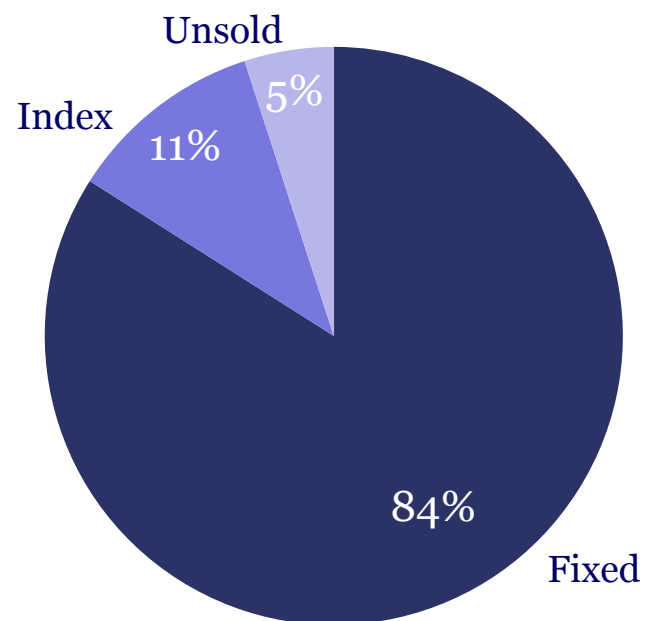
Indicative coal sales 2013

COAL SALES CONTRACT AND PRICING STAUTS

Contract Status

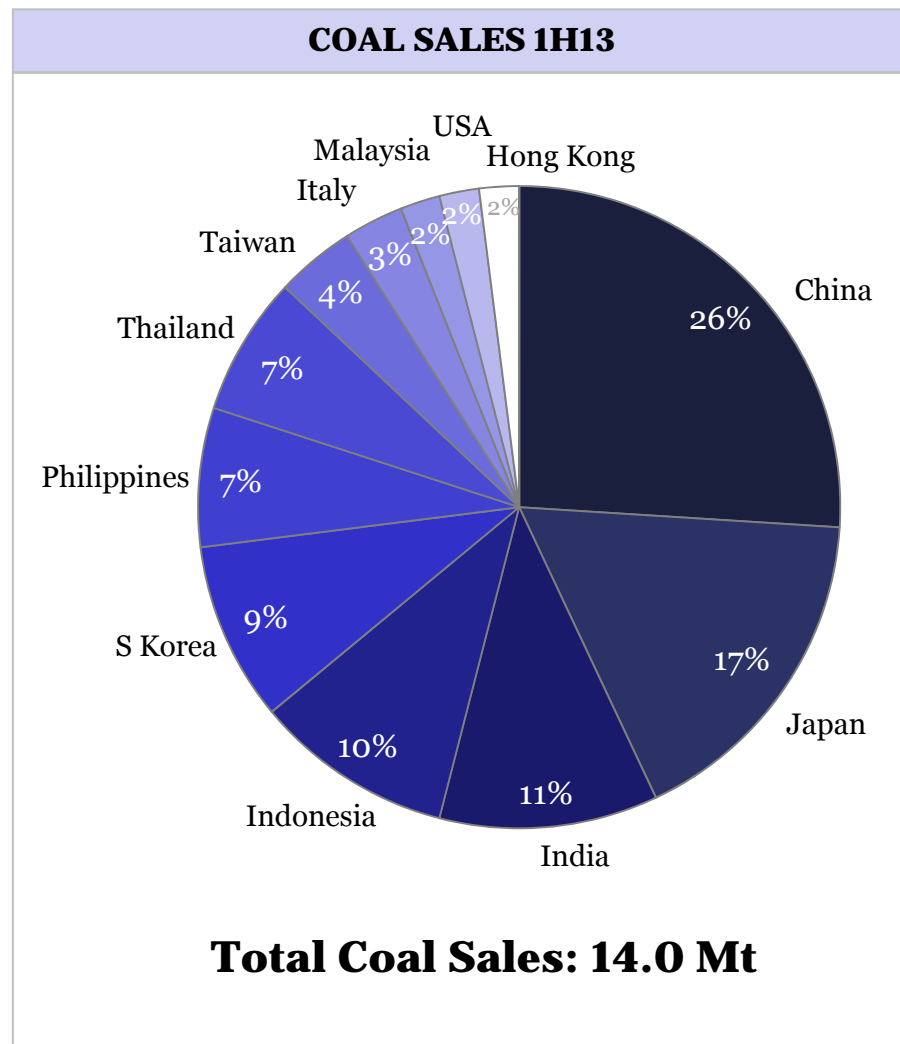
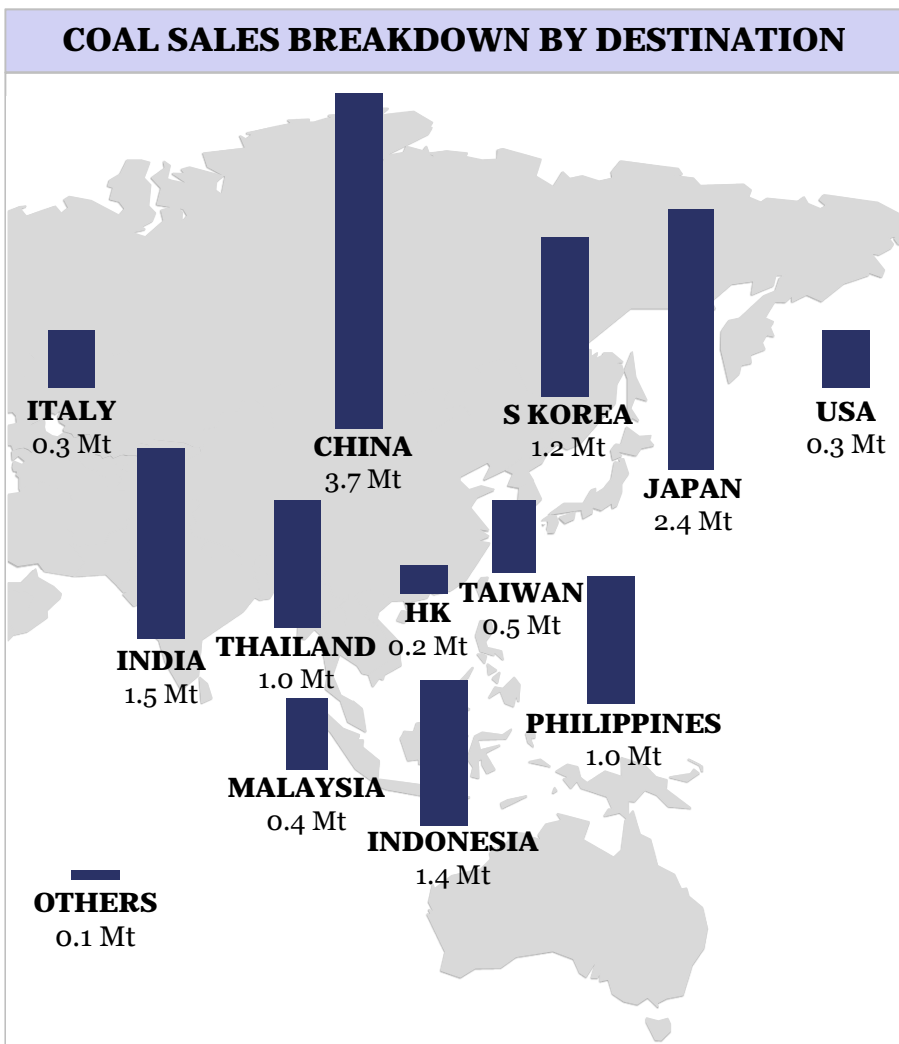


Price Status

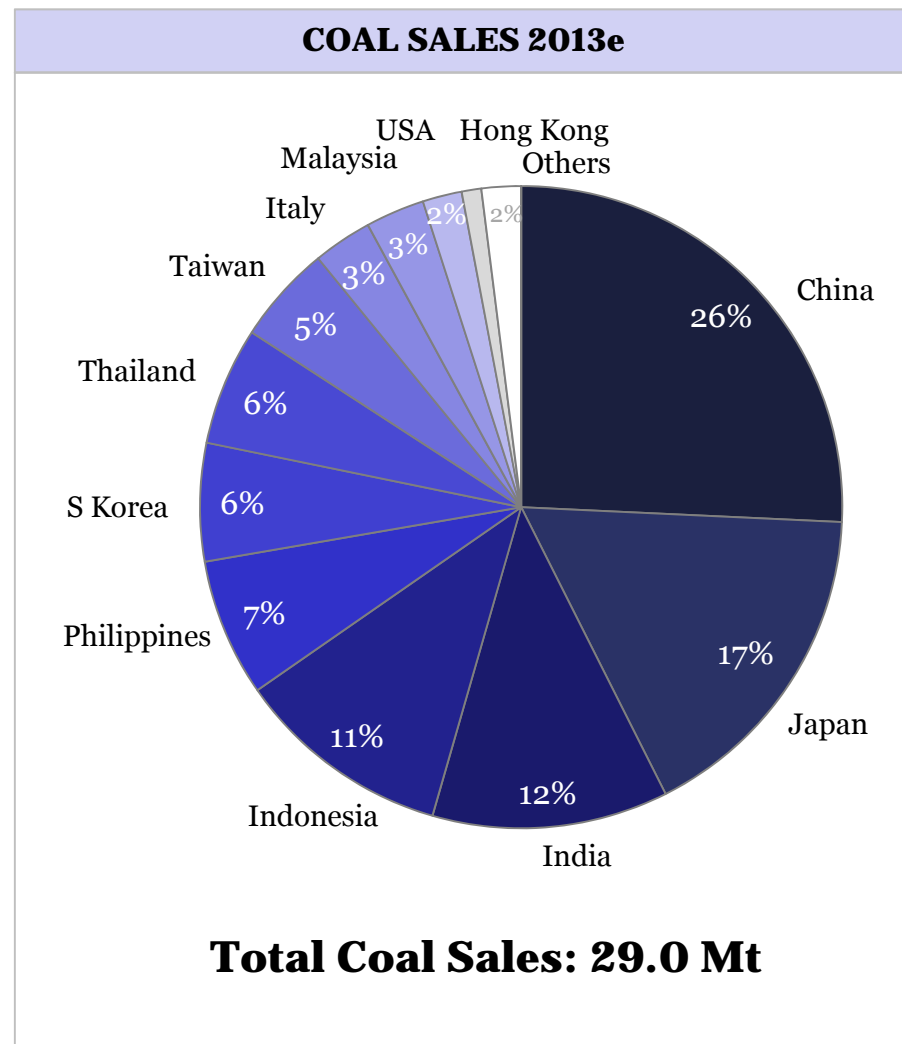
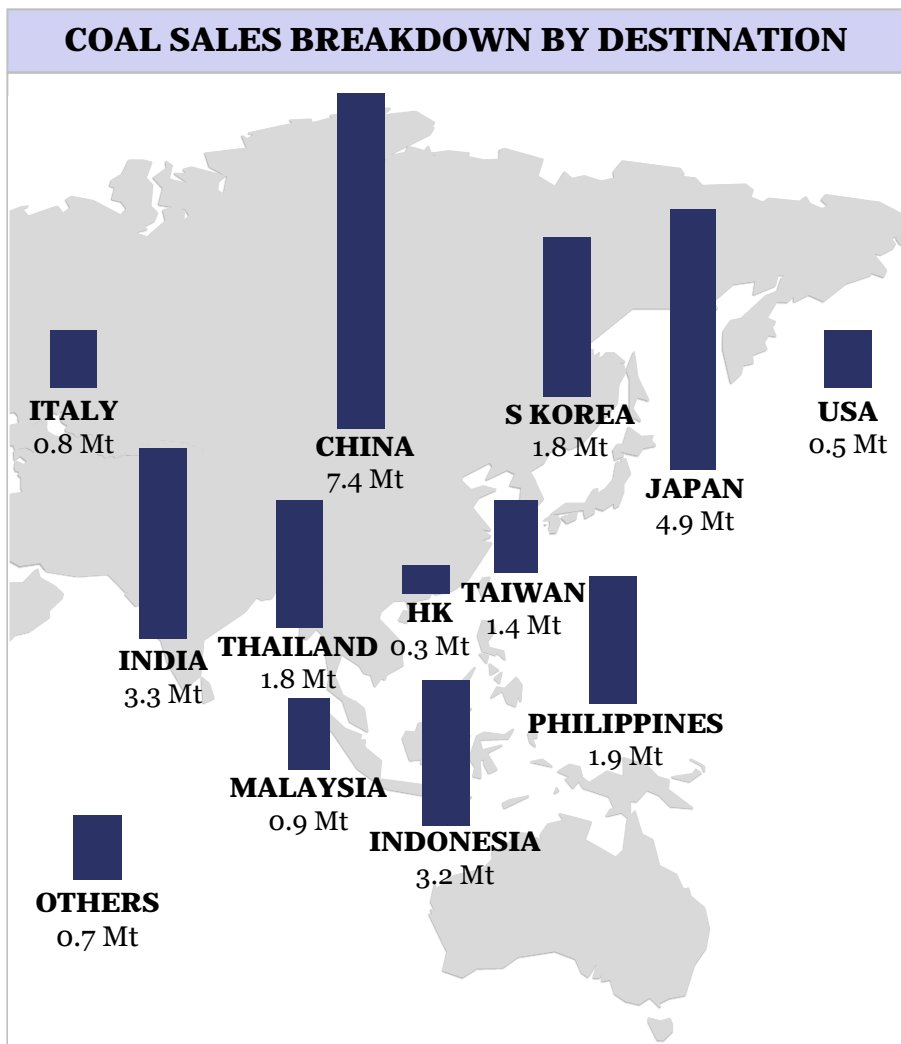


TARGET SALES 2013: 29.0 Mt

ITM coal sales 1H13

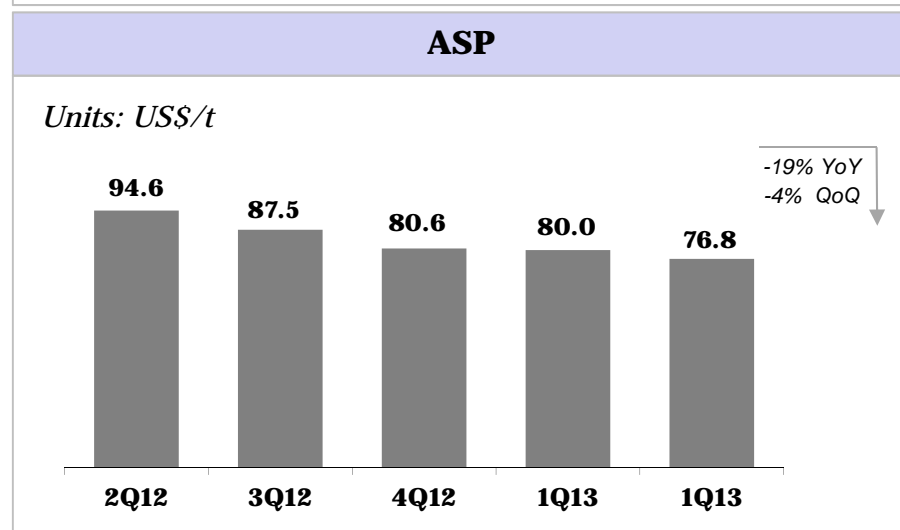
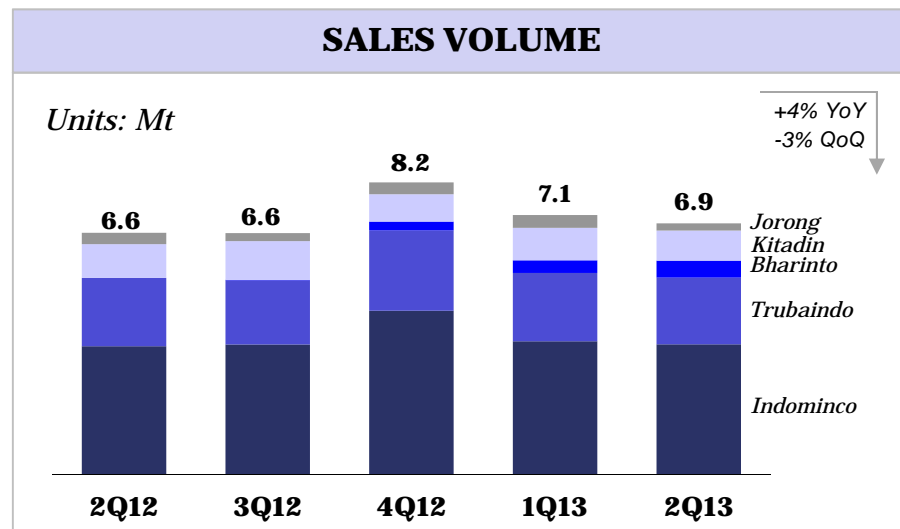
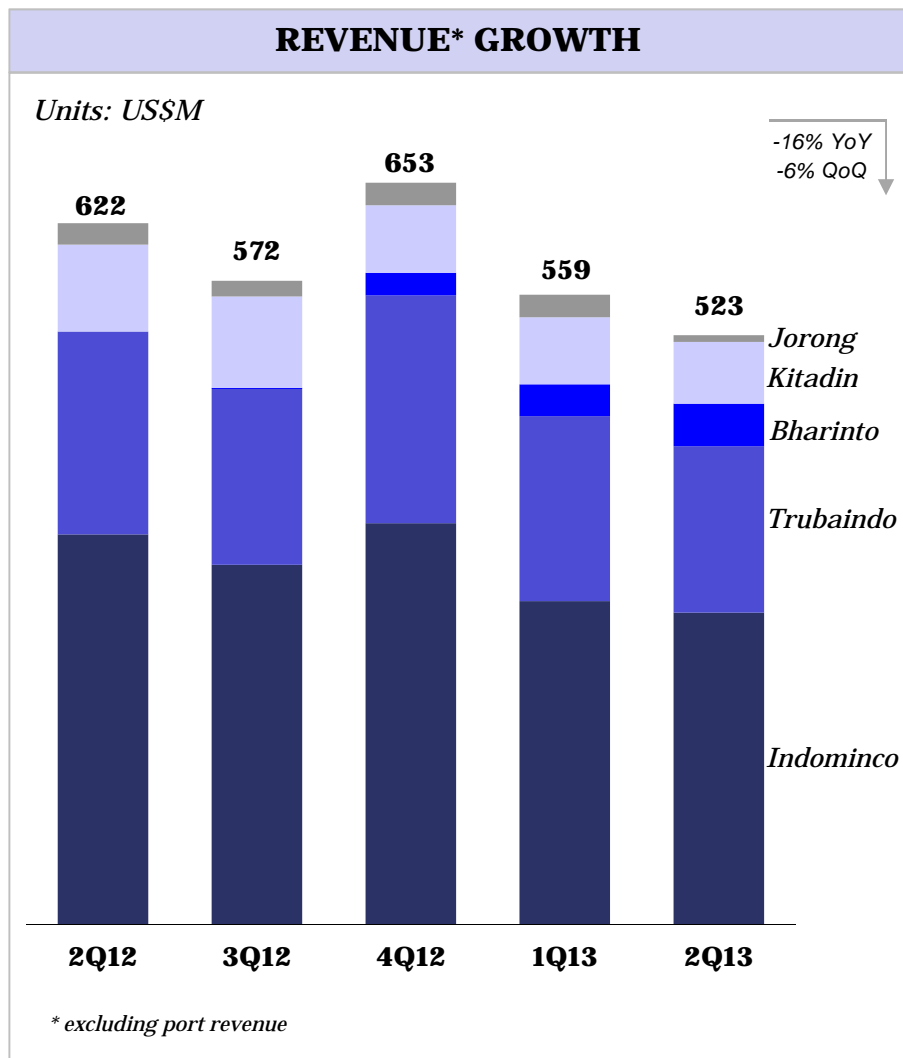


ITM coal sales 2013e

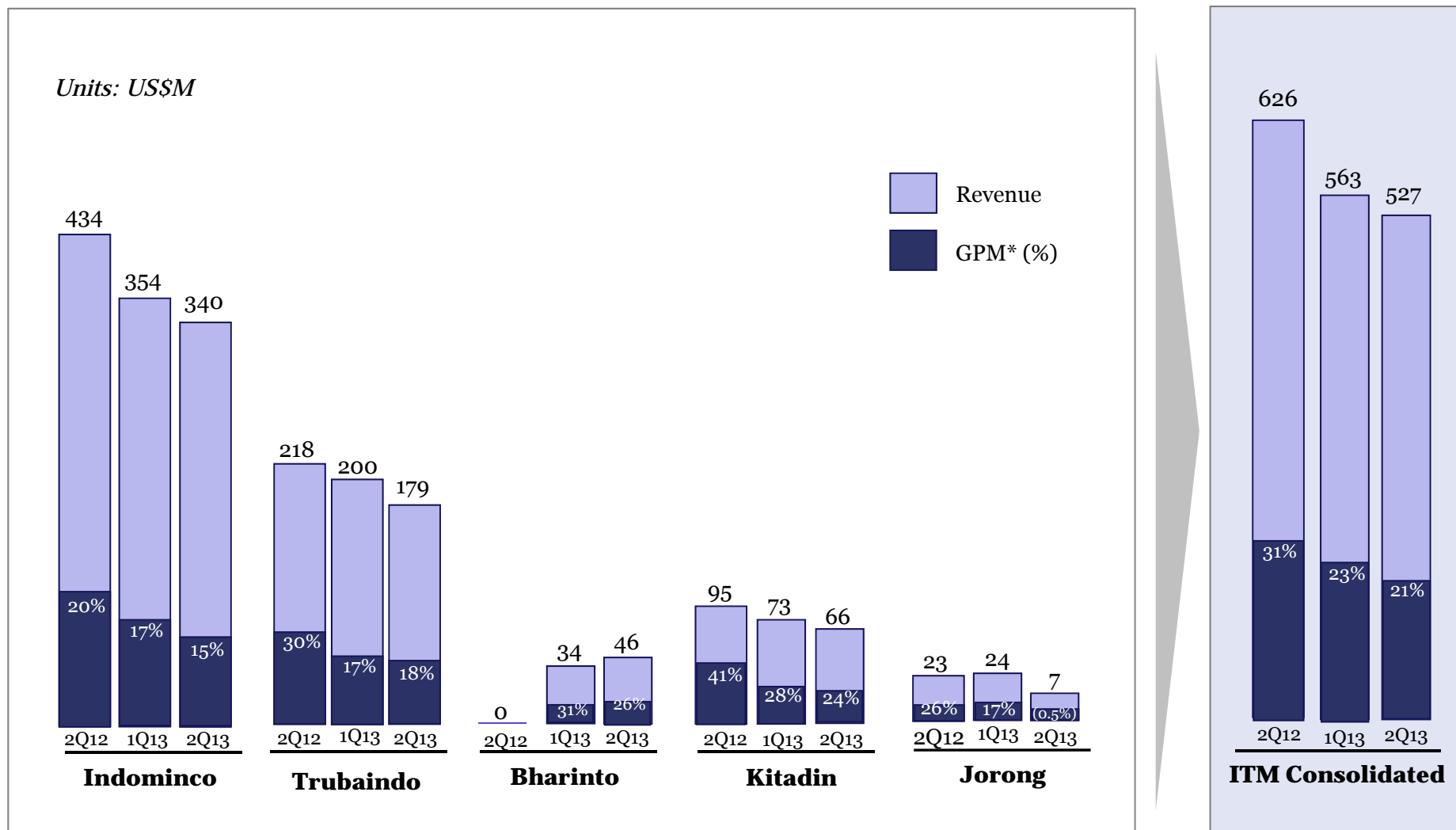


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Sales revenue



Average gross margin



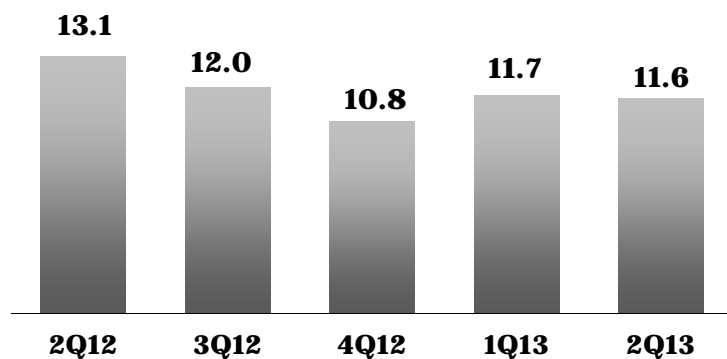
* COGS included royalty

Cash cost

WEIGHTED AVERAGE STRIP RATIO

Units: Bcm/t

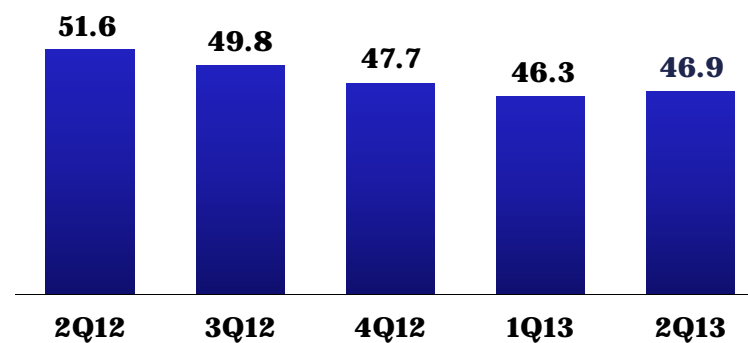
Avg.2011: 11.9
Avg.2012: 12.2



CASH PRODUCTION COST

Units: US\$/t

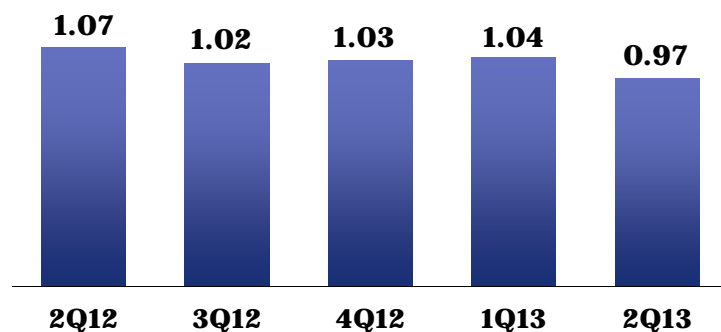
Avg.2011: \$46.4/t
Avg.2012: \$50.1/t



FUEL PRICE

Units: US\$/Ltr

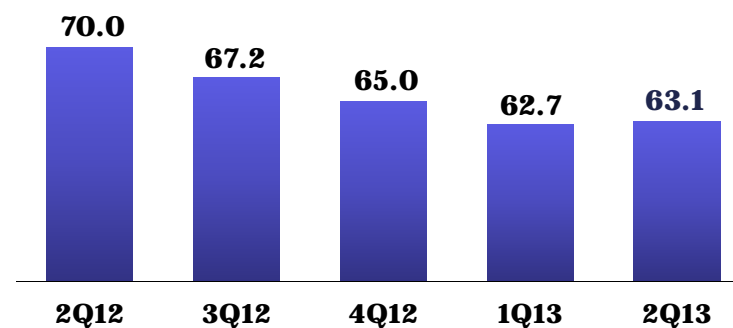
Avg.2011: \$1.02/ltr
Avg.2012: \$1.04/ltr



TOTAL CASH COST *

Units: US\$/t

Avg.2011: \$66.0/t
Avg.2012: \$68.0/t

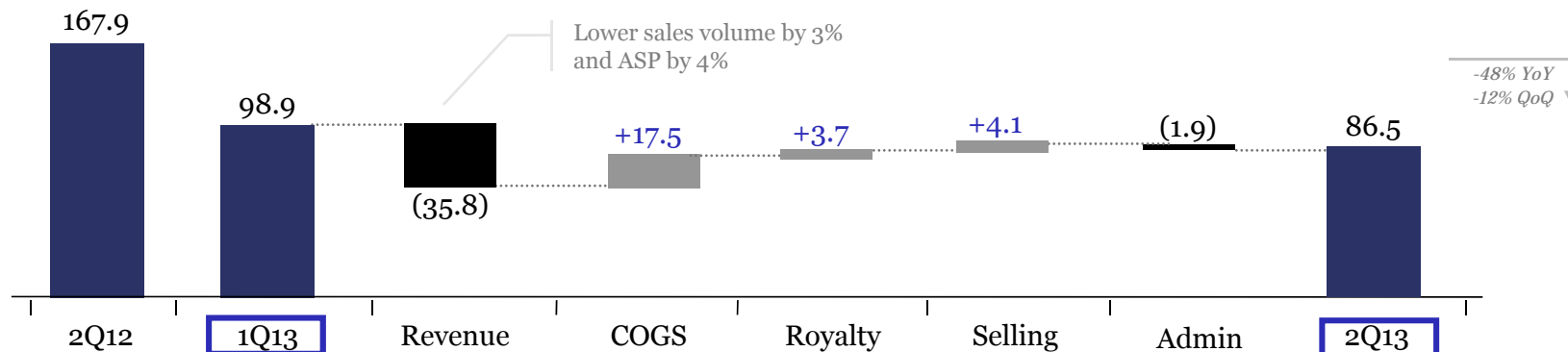


* Cash production cost + royalty + SG&A

EBITDA

CONSOLIDATED

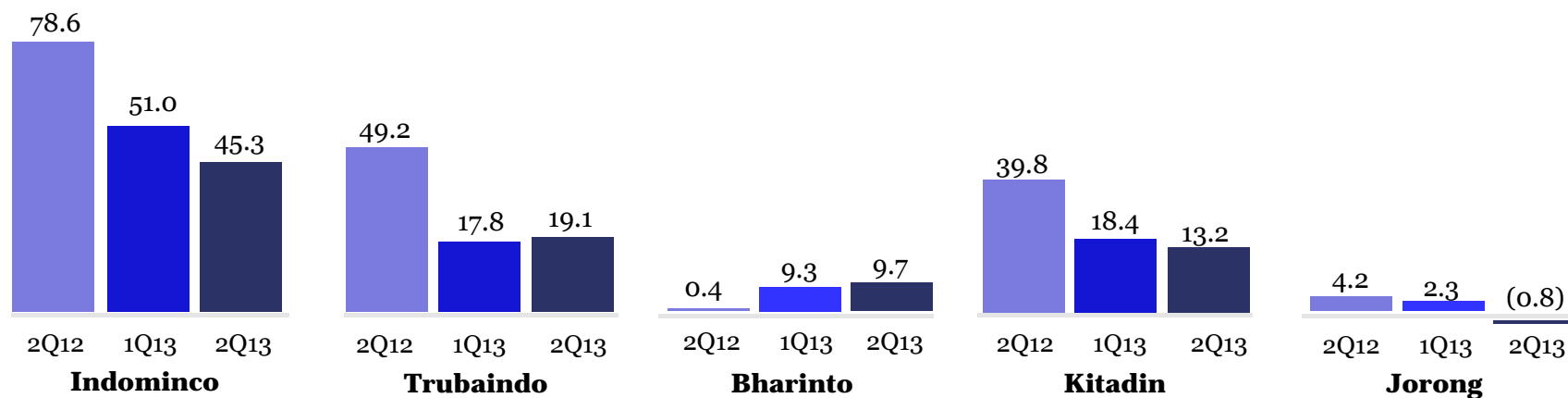
Units: US\$M



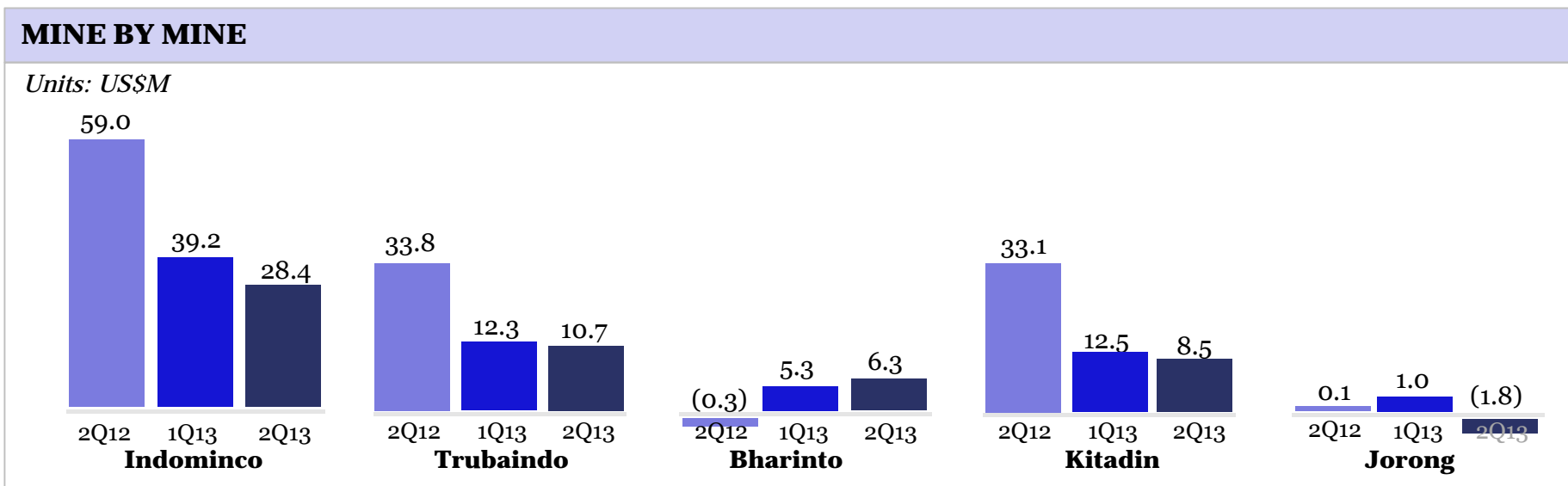
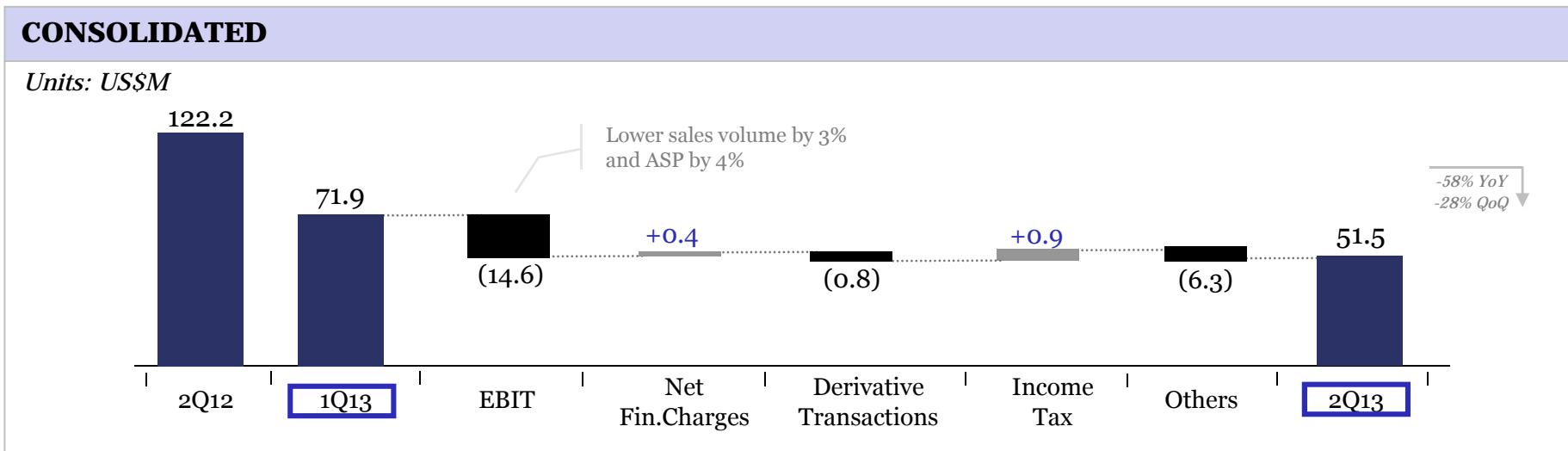
*COGS = Prod cost + Transport cost + Inv. movement

MINE BY MINE

Units: US\$M



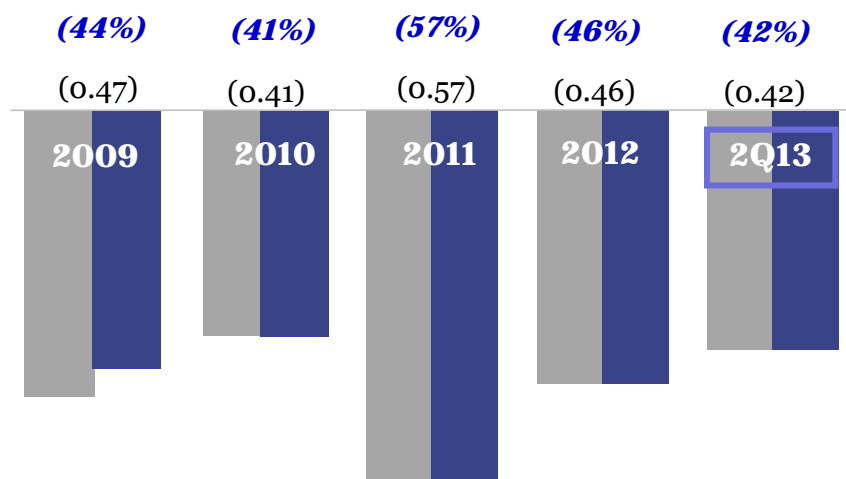
Net income



Balance sheet

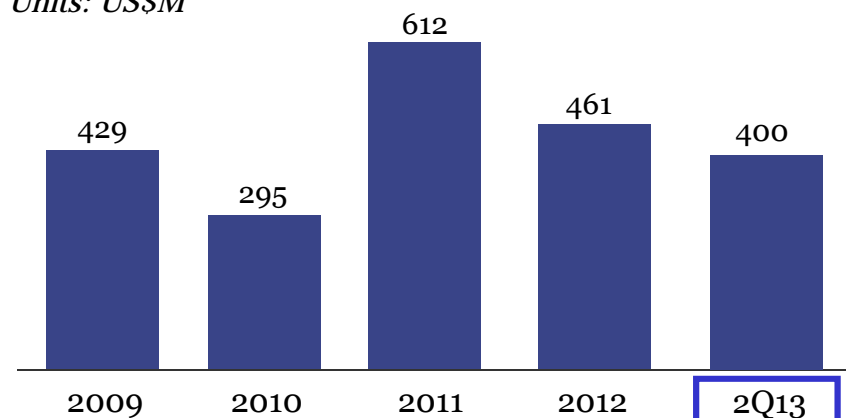
KEY RATIOS

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



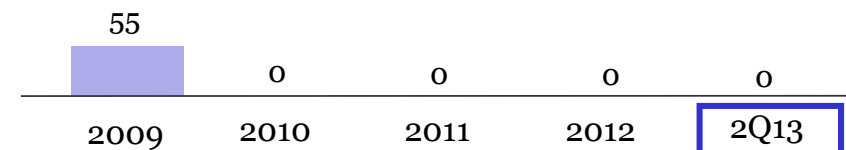
CASH POSITION

Units: US\$M



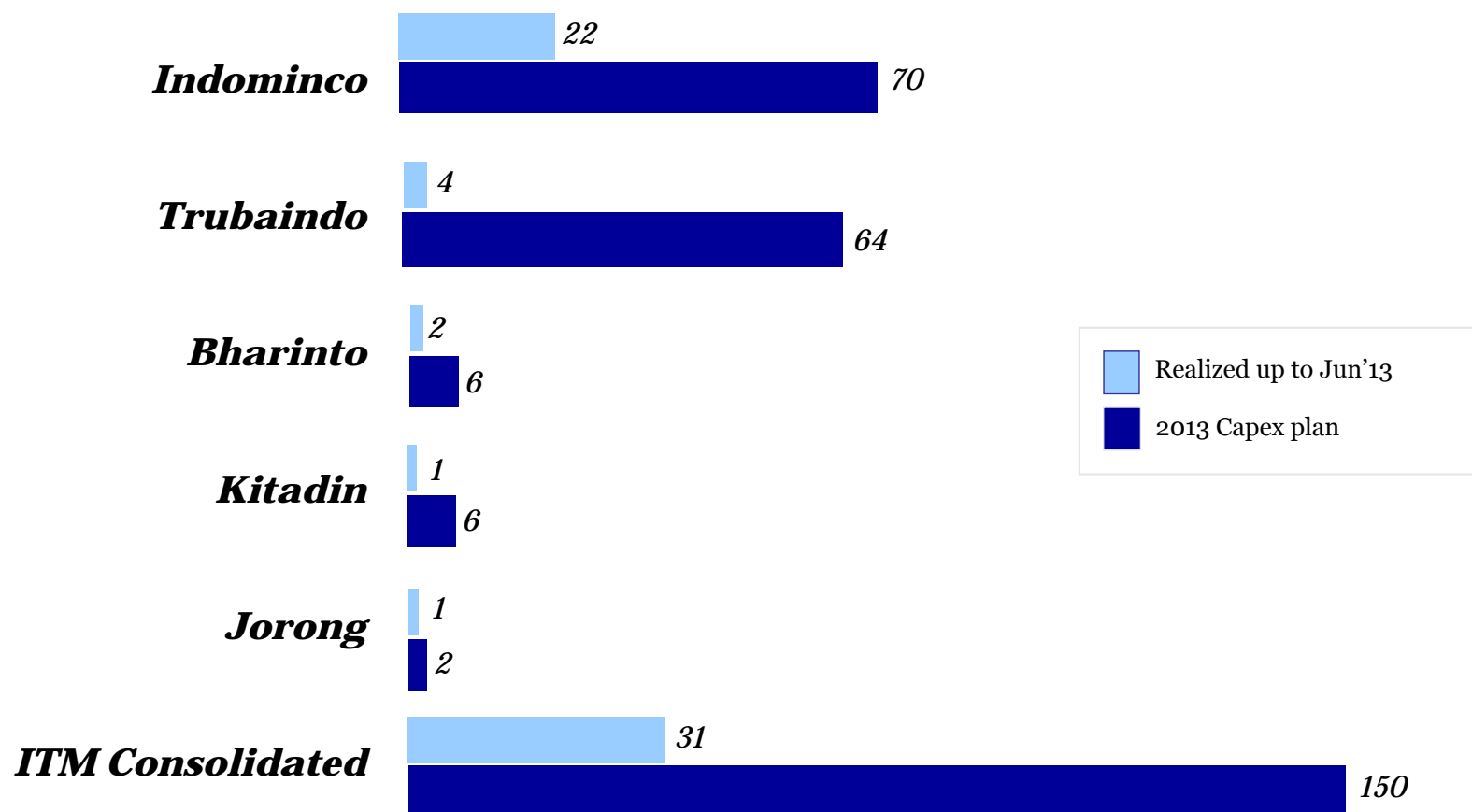
DEBT POSITION

Units: US\$M



2013 capital expenditure plan

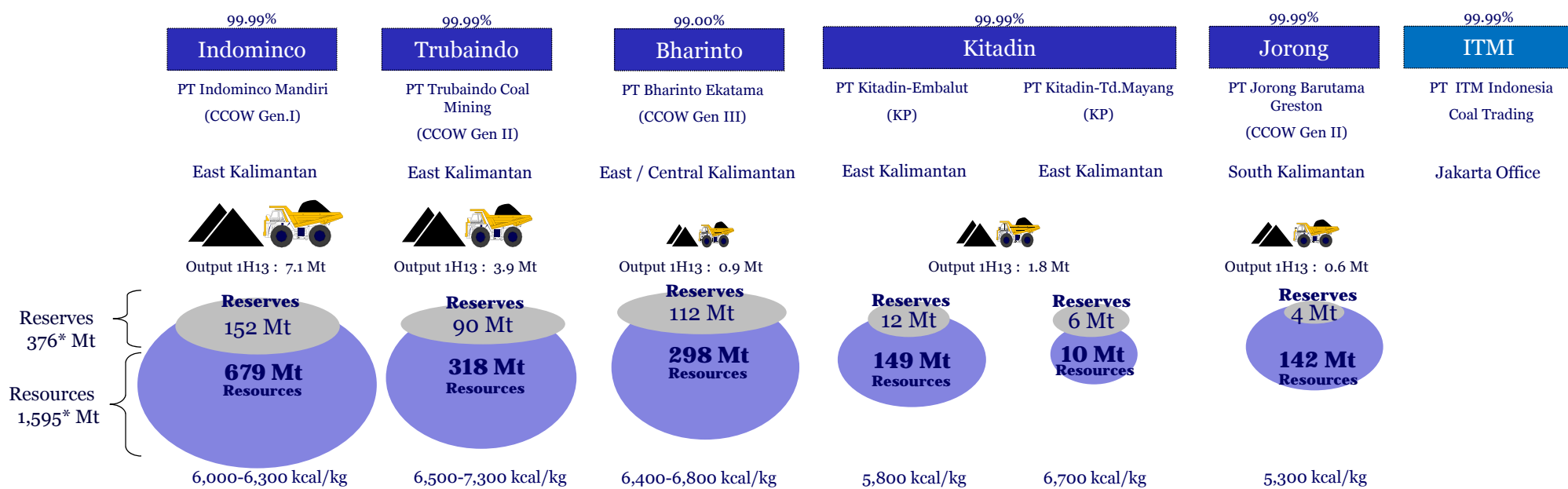
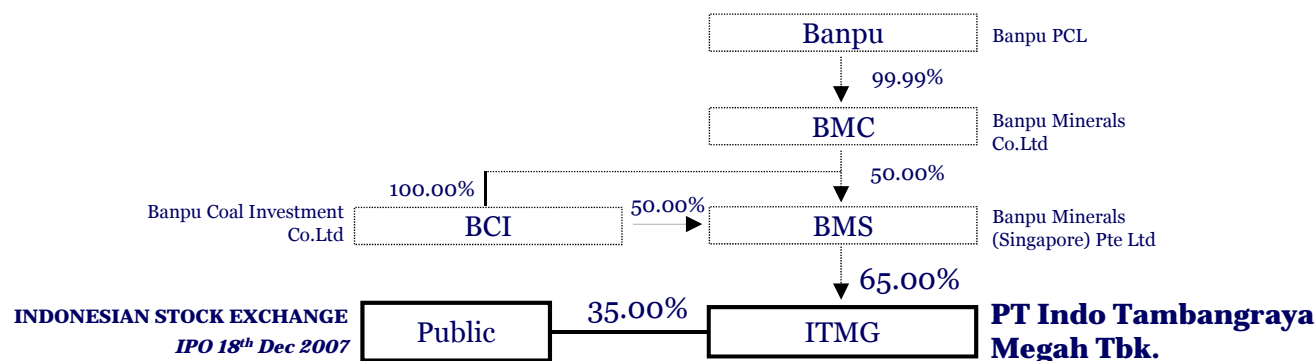
Units: USD million



Note: Total capex plan including Jakarta office

Appendices

ITM structure



Income statement

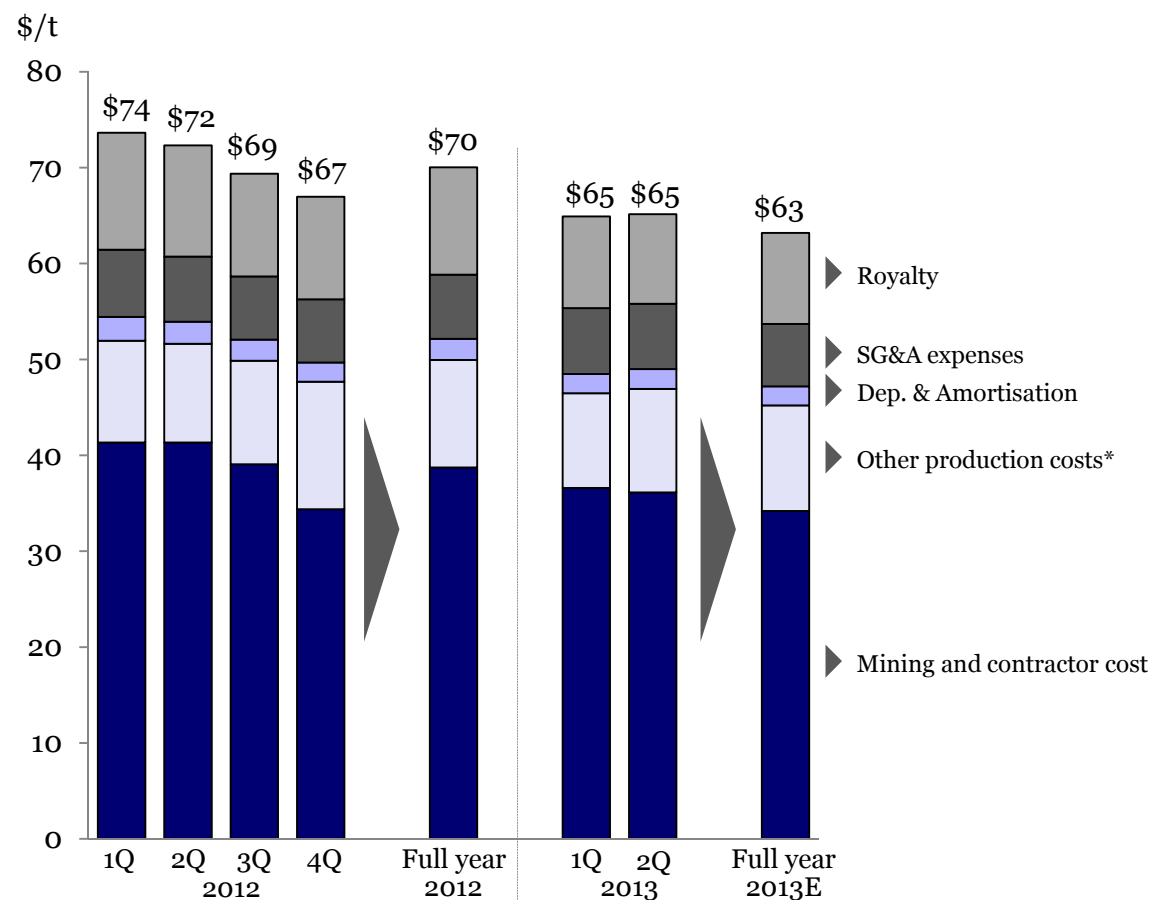
Unit: US\$ thousand	2Q13	1Q13	QoQ%
Net Sales	526,911	562,675	-6%
Gross Profit	111,644	128,422	-13%
GPM	21%	23%	
SG&A	(41,496)	(43,671)	
EBIT	70,148	84,751	-17%
EBIT Margin	13%	15%	
EBITDA	86,450	98,860	-13%
EBITDA Margin	16%	18%	
Net Interest Income / (Expenses)	2,515	2,070	
Derivative Gain / (Loss)	2,040	2,846	
Others	(921)	4,660	
Profit Before Tax	73,019	94,327	-23%
Income Tax	(21,487)	(22,429)	
Net Income	51,532	71,898	-28%
Net Income Margin	10%	13%	

Income statement

Unit: US\$ thousand	1H13	1H12	YoY%
Net Sales	1,089,586	1,204,358	-10%
Gross Profit	240,066	406,195	-41%
GPM	22%	34%	
SG&A	(85,167)	(84,922)	
EBIT	154,899	321,273	-52%
EBIT Margin	14%	27%	
EBIT DA	185,310	351,718	-47%
EBIT DA Margin	17%	29%	
Net Interest Income / (Expenses)	4,585	4,688	
FX Gain / (Loss)	(763)	(8,327)	
Derivative Gain / (Loss)	4,886	21,950	
Others	3,739	(10,081)	
Profit Before Tax	167,346	329,503	-49%
Income Tax	(43,916)	(82,762)	
Net Income	123,430	246,741	-50%
Net Income Margin	11%	20%	

Operating costs

2Q13 AVERAGE OPERATING COSTS



* Coal transportations, repair and maintenance, salaries and allowance, etc.

COMMENTS

- Able to lower operating costs by 11% HoH
- Average strip ratio of 11.6x in 2Q13 down from 13.1x in 2Q12.
- ITM will continue to reduce average strip ratios in 2013 to cope with lower coal price trend
- Continue to focus on cost reductions including implementation of cost reduction program such as IPCC, renegotiate barging contract, fuel substitute, etc.
- IPCC will lower usage of diesel truck and shovel and use more electricity from owned power plant