



Analyst Briefing

FY13 performance results

27 Feb 2014



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

Highlights of 4Q13 and FY13 results

Unit: US\$ Mln

Coal sales
7.7 Mt
 **Up 0.3 Mt**
 +4% Q-Q

Coal sales
29.1 Mt
 **Up 1.9 Mt**
 +7% y-y

	<u>3Q13</u>	<u>4Q13</u>	<u>Q-Q</u>	<u>FY12</u>	<u>FY13</u>	<u>y-y</u>
Total Revenue	543	546	+1%	2,439	2,179	-11%
Gross Profit Margin	26%	23%	-3%	30%	23%	-7%
EBIT	99	83	-16%	558	337	-40%
Net income	61	46	-25%	432	230	-47%
ASP* (USD/ton)	\$72.5	\$71.0	-2%	\$90.0	\$74.9	-17%

* Includes bonus/ penalty

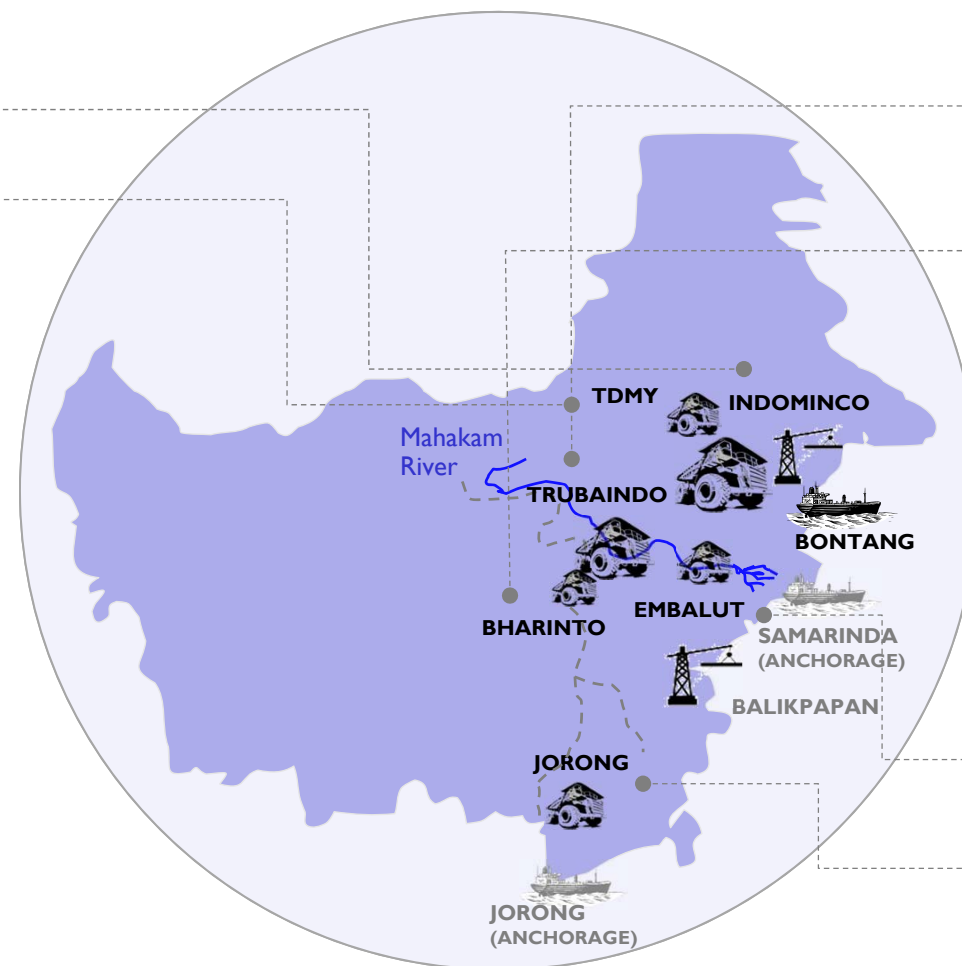
2013 in review: strengthening our core

Indominco – Td. Mayang

- Lower SR to reduce production costs
- IPCC trial commenced in Dec 2013
- Completed study for trucks to partially replace diesel with LNG
- Achieved TPM level 4 at Td.Mayang mine and level 3 at Indominco mine

Jakarta Office

- Establishment of PT. ITM Indonesia for coal trading business
- Establishment of PT. TRUST for in-house mining contractor business
- Establishment of Compliance and Risk Management Dept in the Org. Structure
- Reduce total cost by 11% to \$62/t in 2013
- Capex postponement and rationalization



Trubaindo - Bharinto

- Lower SR to reduce production costs
- Shortened OB hauling distance to dumping area
- Trial shipment of Bharinto coal to non-Japan market
- Reduce fuel consumption on tug-boats
- Renegotiating barging contract

Embalut - Jorong

- Optimized mining reserves at Embalut mine
- New conveyer belt system at Embalut port
- Prepared mine closure master plan at Jorong mine

Key achievement in 2013



PT Indo Tambangraya Megah Tbk. awarded **Corporate Governance Award** with “Best Overall” by the Indonesian Institute for Corporate Directorship (IICD)



PT Indo Tambangraya Megah Tbk received in the category of “excellence award” from International Convention on QC Circles 2013 by **Association of Pioneer Quality Control Research-Taiwan**



PT Indo Tambangraya Megah Tbk. Received **Social Business Innovation Awards** with the predicate of “Special Achievement for Community Development Recovery Initiative’ from Warta Ekonomi Magazine

CORPORATE GOVERNANCE



PT Indo Tambangraya Megah Tbk received **Indonesia Corporate Governance Awards** in the category of “Trusted Company” from SWA Magazine and collaboration with Institute of Corporate Governance (ICG)



PT Indo Tambangraya Megah Tbk. received 7 categories of **GKPM Award**. GKPM alone stands for **Community Development Works Exhibition** from Coordinating Ministry of People’s Welfare in collaboration with CFCD

2014 and beyond: further cost reduction

GROWTH



- Increase Bharinto production capacity up to 3.0 mtpa
- Trubaindo infrastructure development (hauling road improvement, bridge construction, etc.)
- Exploration drilling at Trubaindo and Bharinto area
- Bontang and Bunyut port capacity expansion
- Commencement of in-house mining contractor operation (PT. TRUST)
- Start coal trading activity through PT. ITM Indonesia
- Continue to look for coal and power opportunities

COST MANAGEMENT



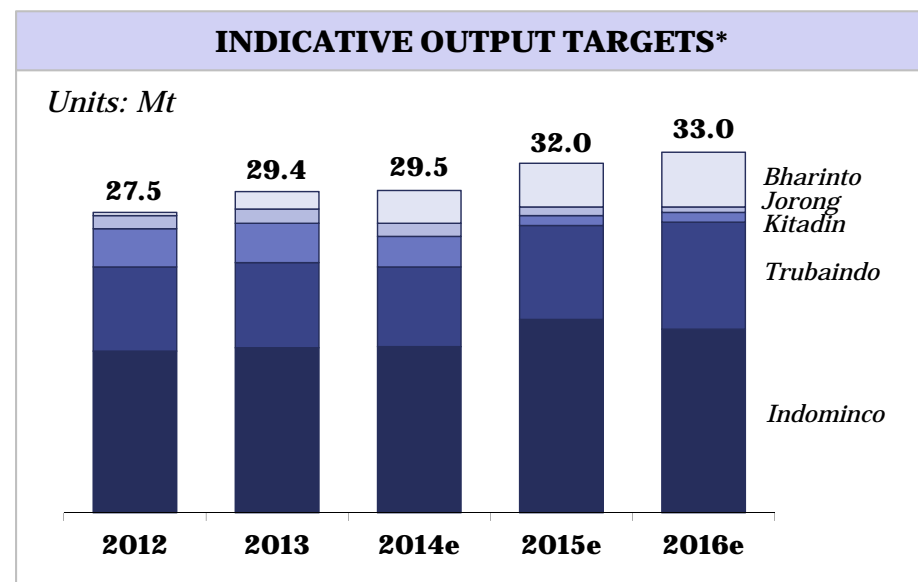
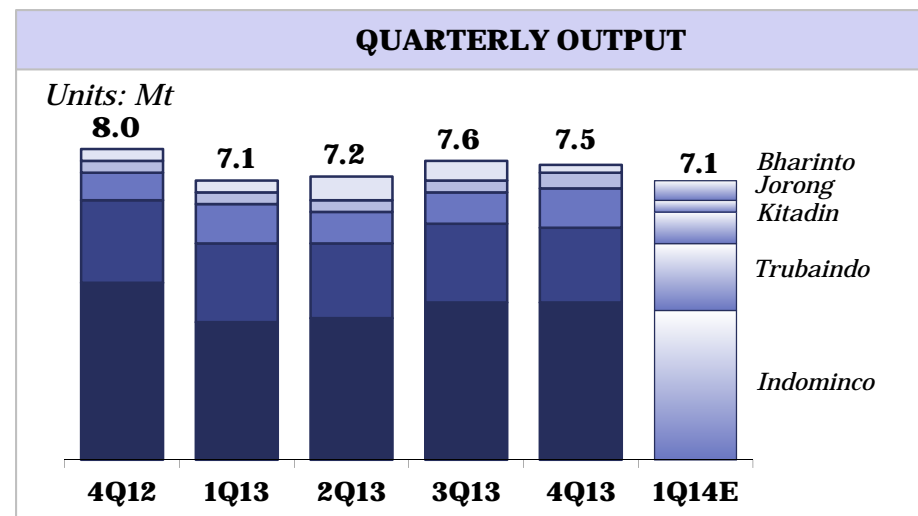
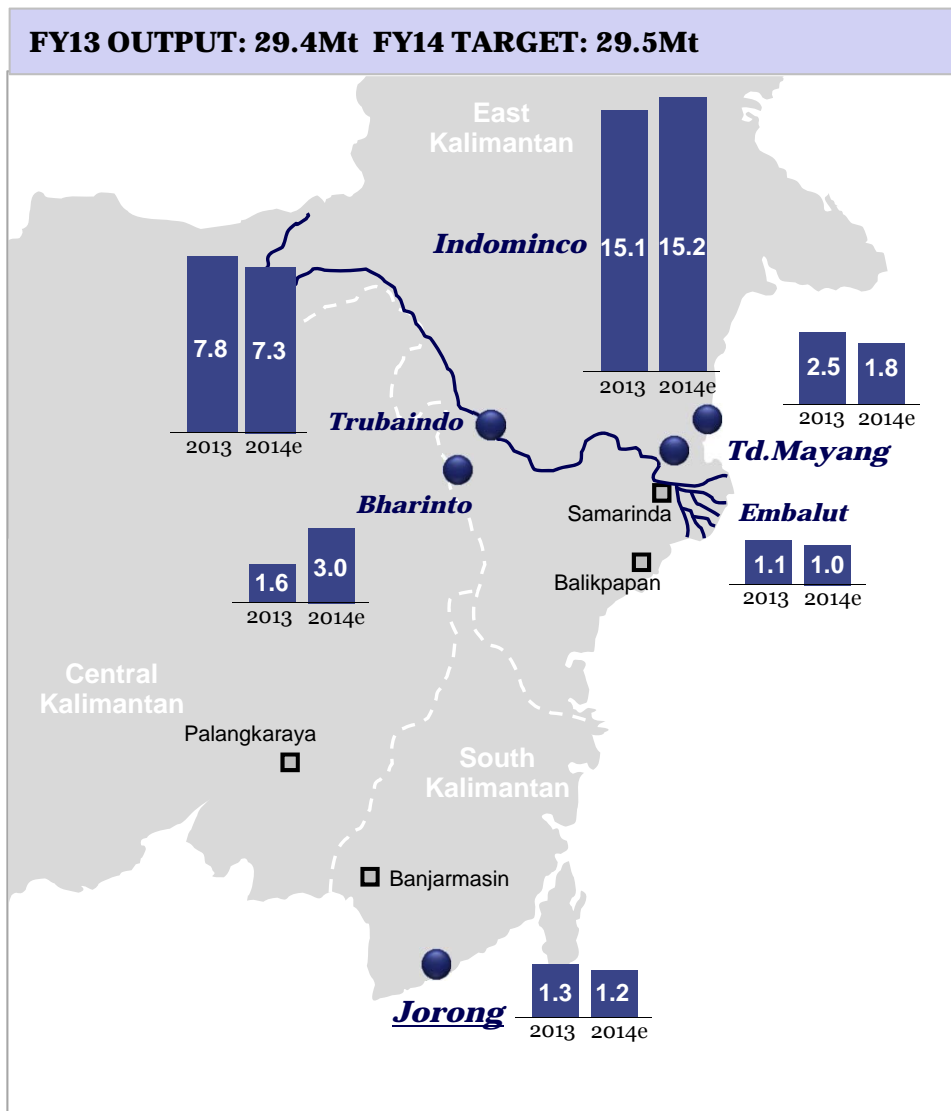
- Continue on cost reduction initiatives
- Contractor management
- Trial stage for coal and overburden hauling using bi-fuel (LNG) at Indominco mine
- Study on different mining techniques
- Further study for alternative mode of transportation (IPCC project, electrification, belt conveyer, etc.)
- Maximize utilization of power plant at Bontang port
- Energy saving schemes

BEST PRACTICE



- Comply with new Accounting Standard (ISAK 29)
- Strengthen CSR through Community Consultative Committee (CCC) together with mining contractors
- Become the Top 10 of ASEAN CG Score Card
- Strengthen safety and environment standard at all mine sites
- Further operational excellence through TPM implementation
- Enhance Risk Management best practices

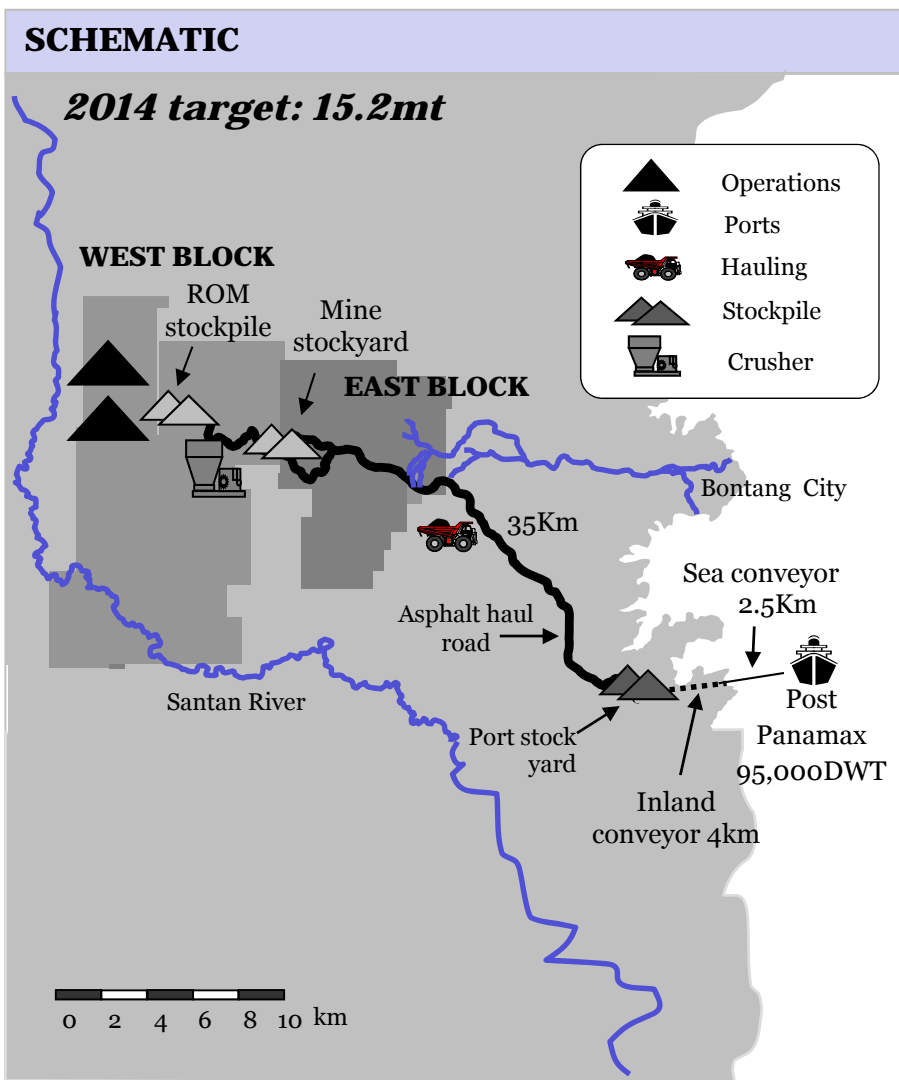
2013 vs 2014 operation summary



* Not including inorganic growth.
 Note: These output targets are indicative only and are subject to change

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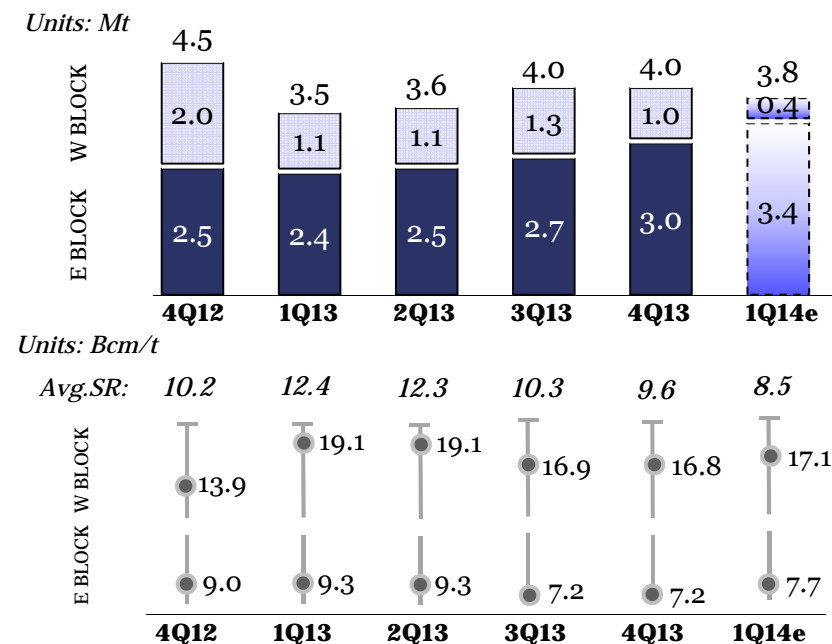
Indominco Mandiri



QUARTERLY UPDATES

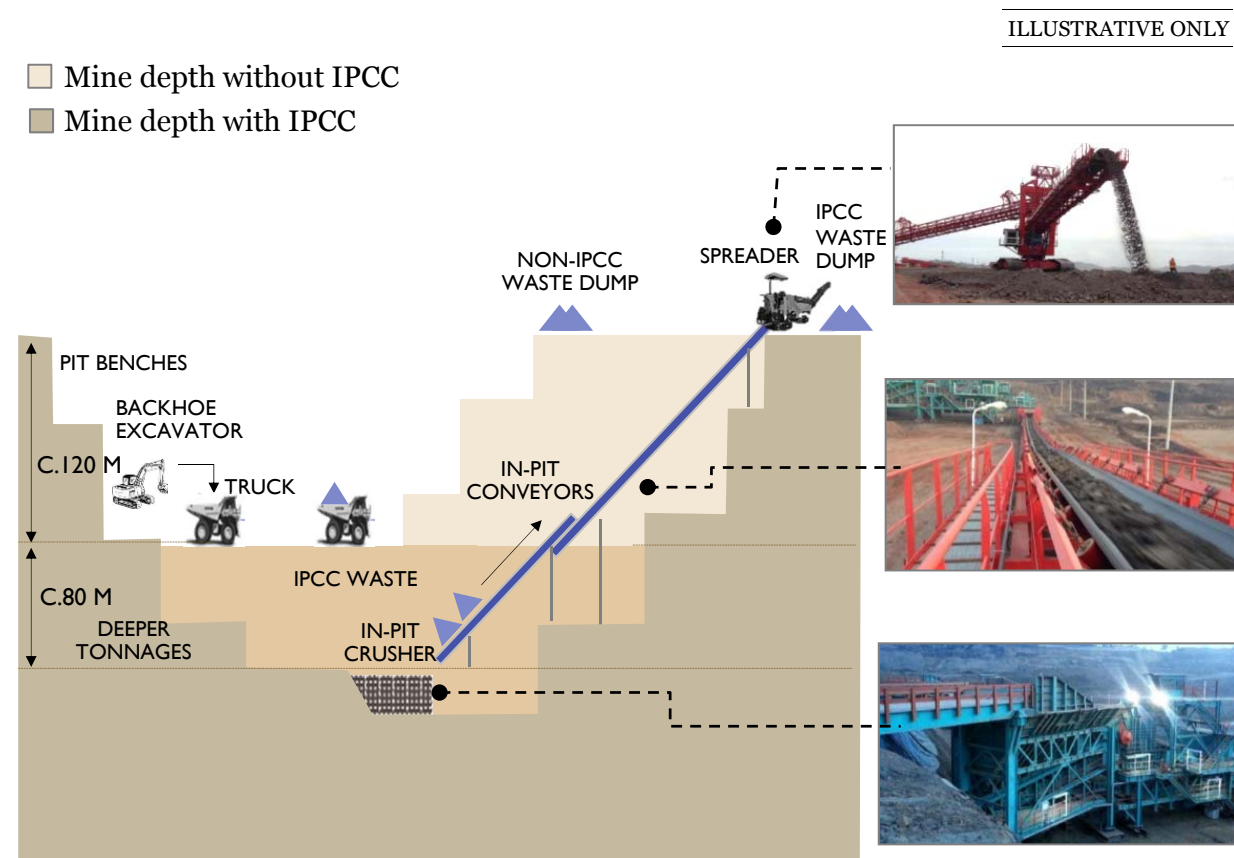
- 4Q13 production slightly lower than target due to weather condition.
- *IPCC Project*: project already commenced in Dec 2013. In process of handover from project team to operation team.
- *Coal Transport*: Project study and bi-fuel trial test already conducted successfully. In process of finalizing implementation plan.

QUARTERLY OUTPUT



In Pit Crushing Conveying (IPCC) system

CONCEPT OF IN-PIT CRUSHING AND CONVEYING (IPCC)

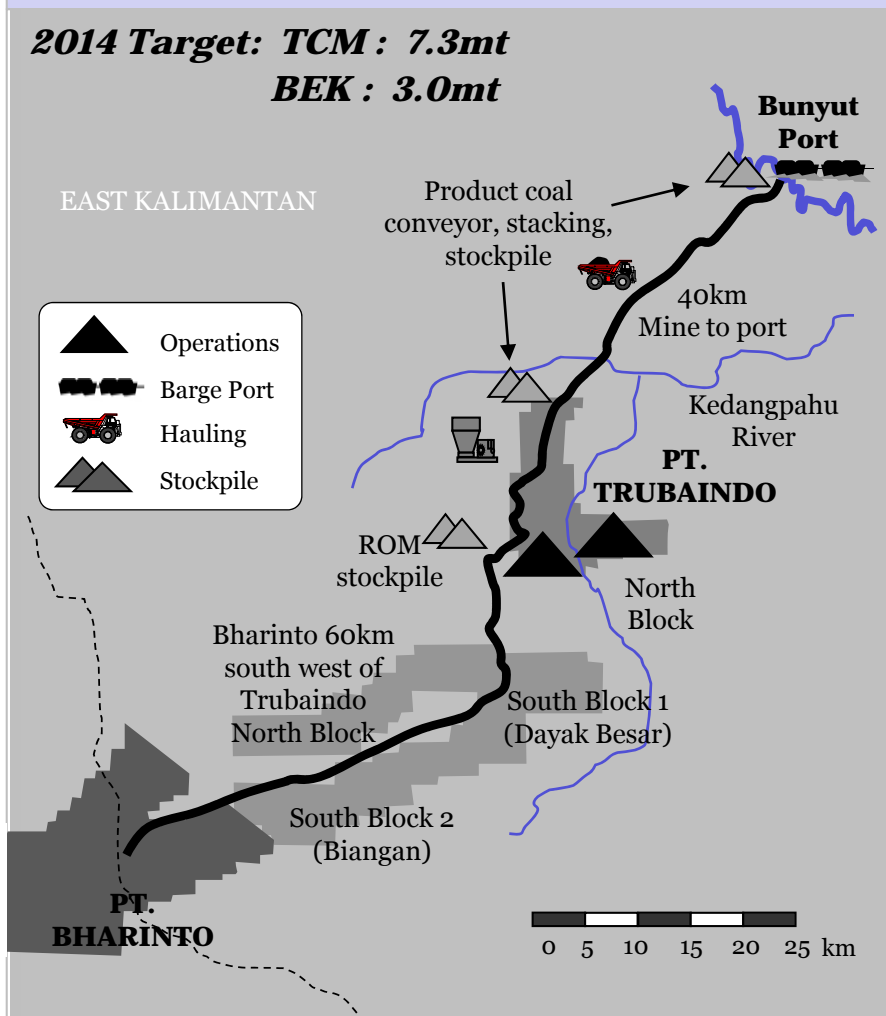


COMMENTS

- IPCC trial stage commenced in December 2013 at Indominco East Block
- OB removal capacity: 14 MBcm per year
- Using power from Indominco coal-fired power plant
- Estimated cost savings around 10% of OB costs
- Other benefits include access to deeper coal reserves and being more environmentally friendly (less dust, noise, emission)

Trubaindo and Bharinto

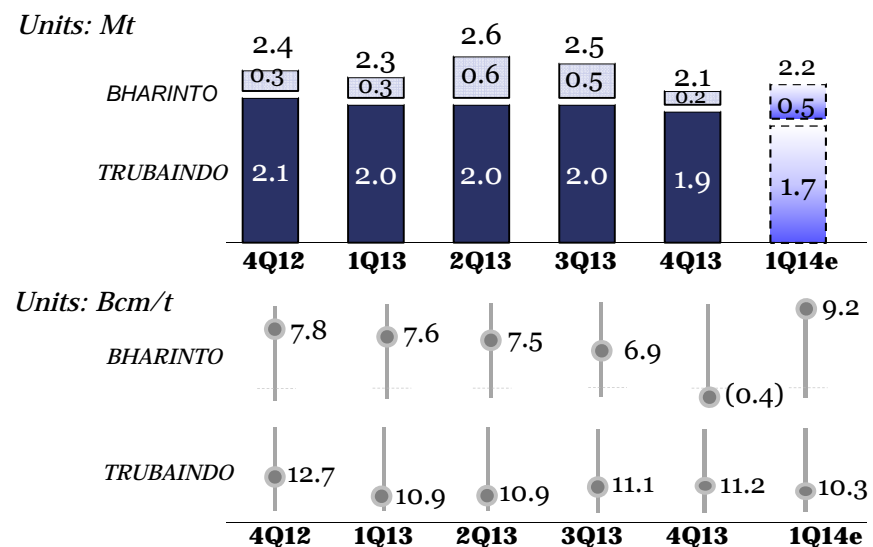
SCHEMATIC



QUARTERLY UPDATES

- Trubaindo:
 - 4Q13 production slightly lower than target due to weather condition.
 - *New crushing plant:* Select EPC bidders and negotiate for terms and conditions.
 - *Bunyut port expansion:* Engage with engineering design for barge loading system upgrade.
- Bharinto:
 - 4Q13 production slightly lower than target due weather condition.

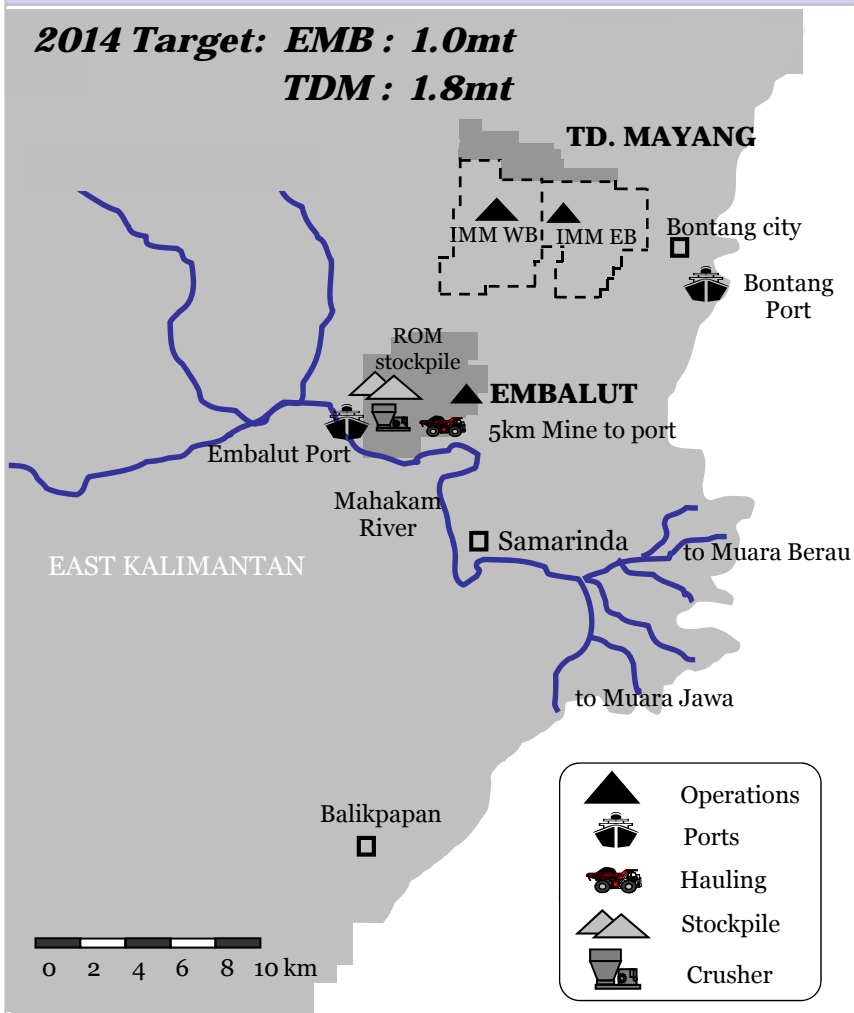
QUARTERLY OUTPUT



Kitadin Embalut and Tandung Mayang

SCHEMATIC

**2014 Target: EMB : 1.0mt
TDM : 1.8mt**

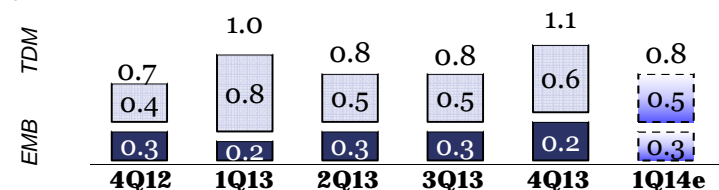


QUARTERLY UPDATES

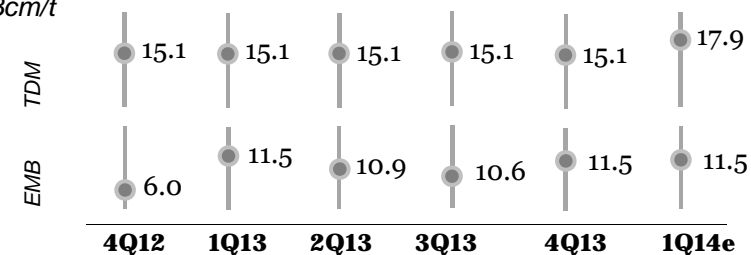
- Kitadin Embalut:
 - 4Q13 production is according to target.
- Kitadin Tandung Mayang:
 - 4Q13 production is according to target.
 - Start to transfer some fleets from own concession to contractors business.

QUARTERLY OUTPUT

Units: Mt



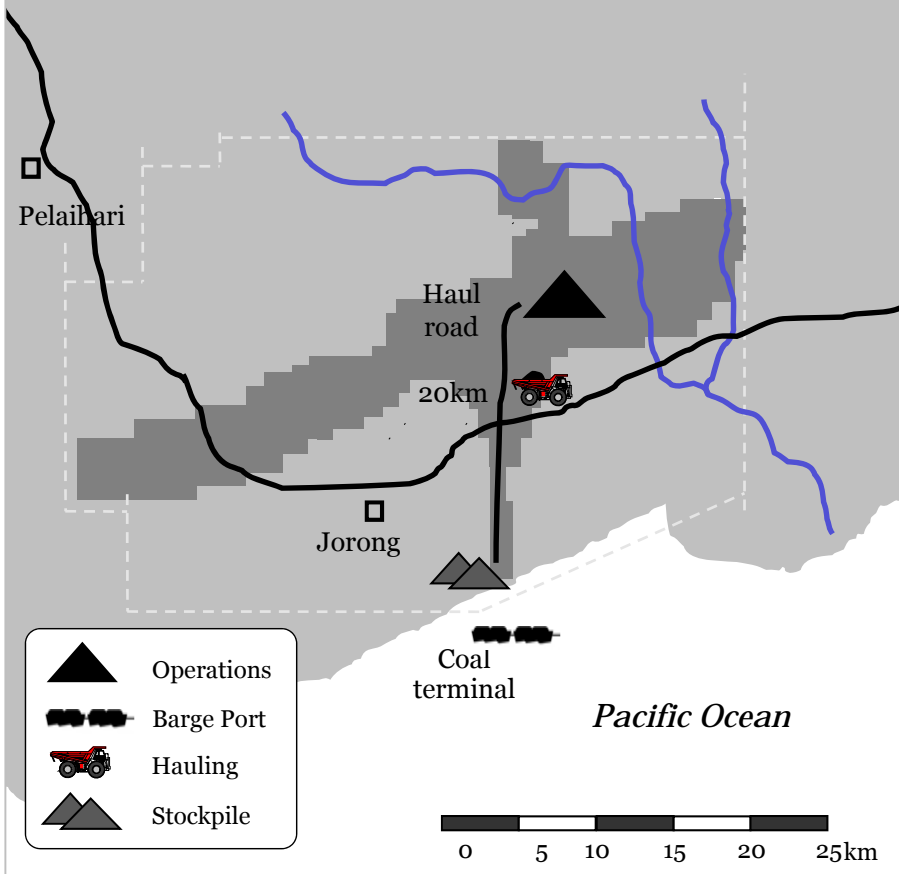
Units: Bcm/t



Jorong

SCHEMATIC

FY14 target: 1.2mt

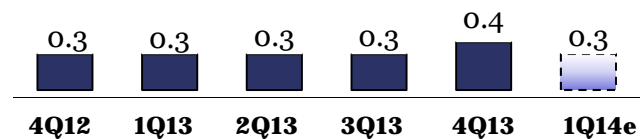


MAJOR QUARTERLY UPDATES

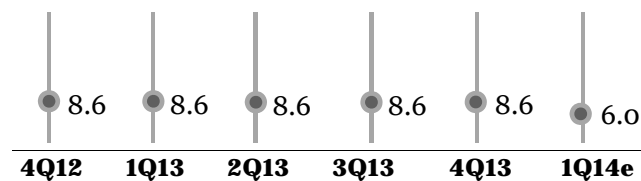
- 4Q13 production as according to target.

QUARTERLY OUTPUT

Units: Mt

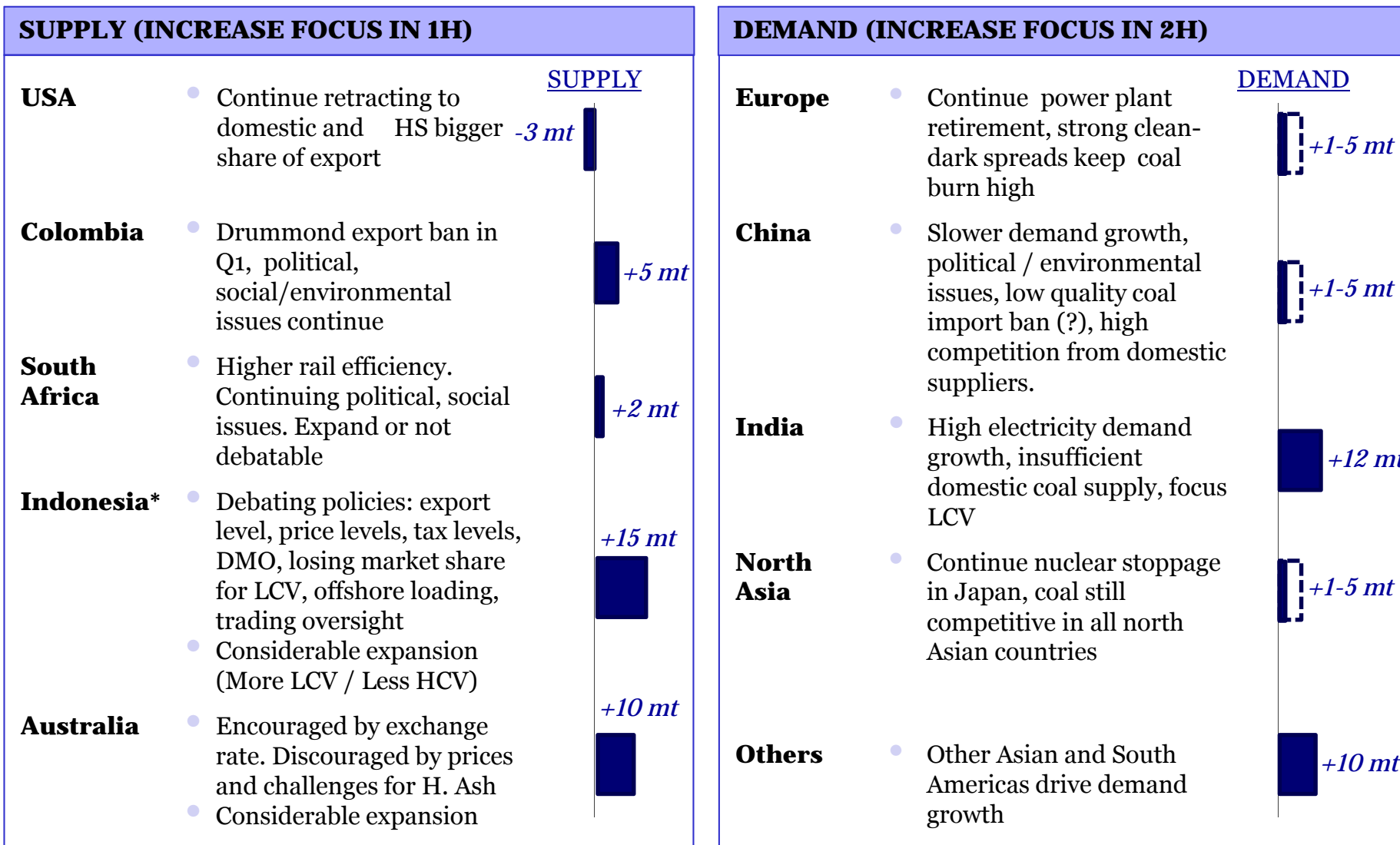


Units: Bcm/t



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New Emerging Thermal Trends for 2014

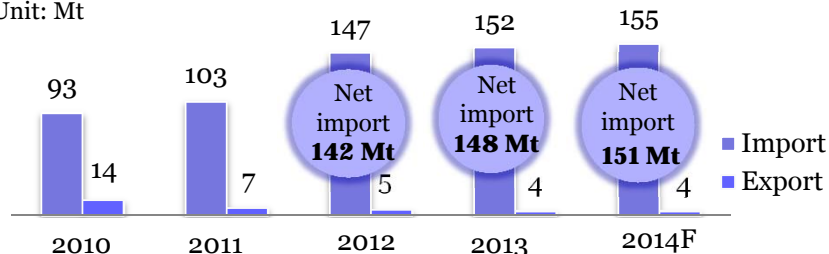


*Before government cap on production

China and India thermal coal market review

CHINA THERMAL COAL IMPORTS/EXPORTS

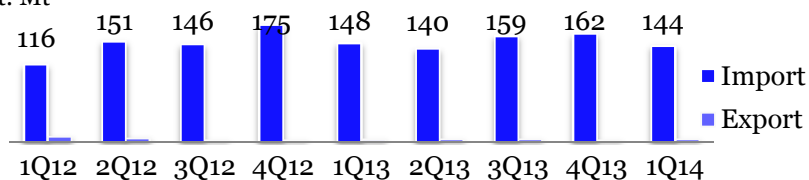
Unit: Mt



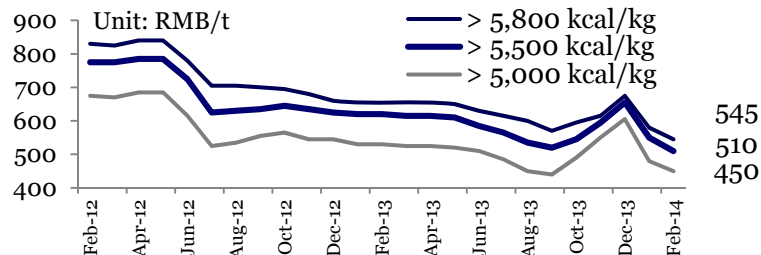
Sources: China Coal Report Jan 2014, Banpu MS&L Estimates

CHINA ANNUALIZED ACTUAL IMPORT 1Q12-4Q13&1Q14e

Unit: Mt



CHINA DOMESTIC COAL PRICES



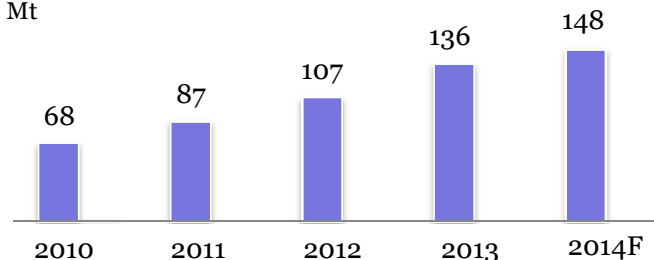
Source: www.sxcoal.com/cn 4 February 2014

COMMENTS

- Flat
- Weather?

INDIA THERMAL COAL IMPORTS

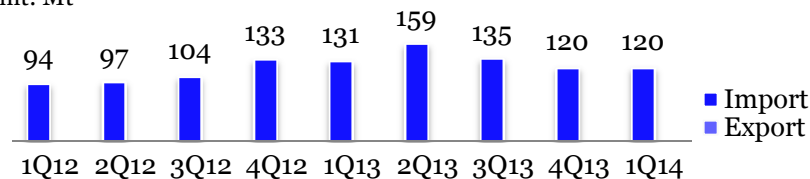
Unit: Mt



Sources: Salva Report India, Banpu MS&L Estimates

INDIA ANNUALIZED ACTUAL IMPORT 1Q12-4Q13&1Q14e

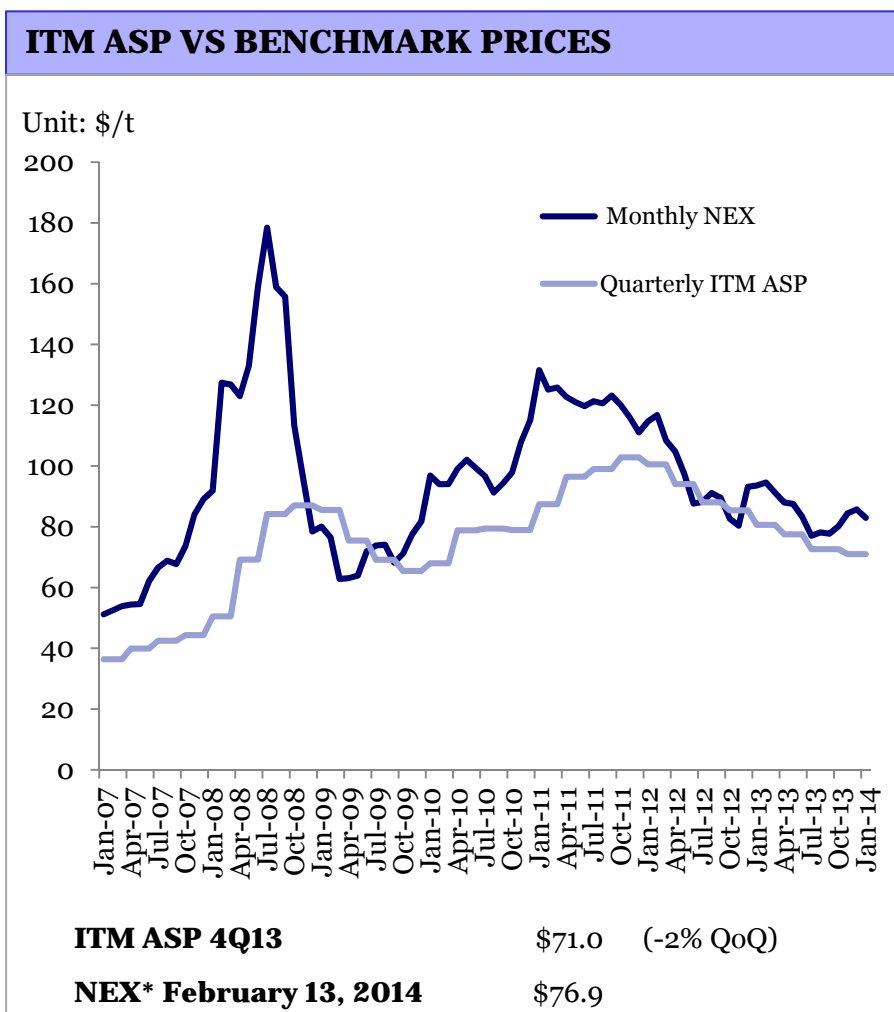
Unit: Mt



COMMENTS

- Electricity demand continues to grow
- Coal remains the base-load for power generation
- Insufficient domestic coal supply
- Depreciation of Rupee impact coal import.

ASP vs thermal coal benchmark prices

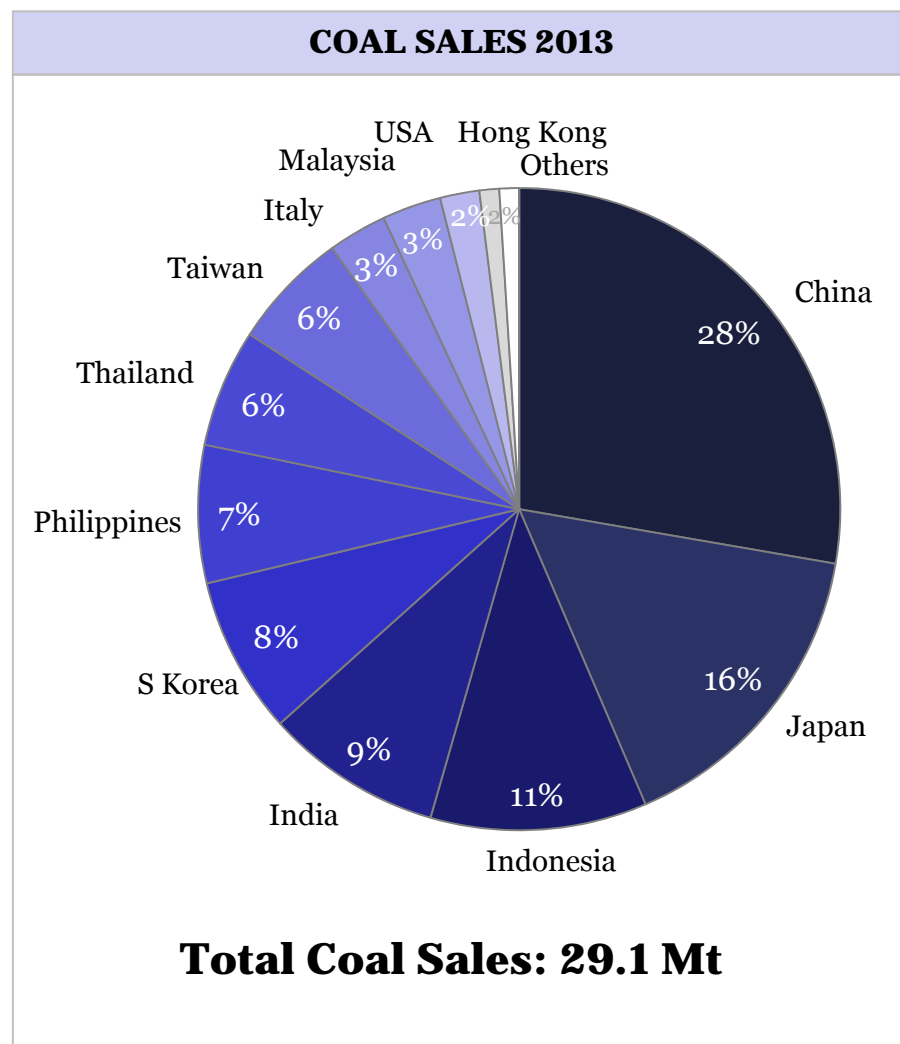
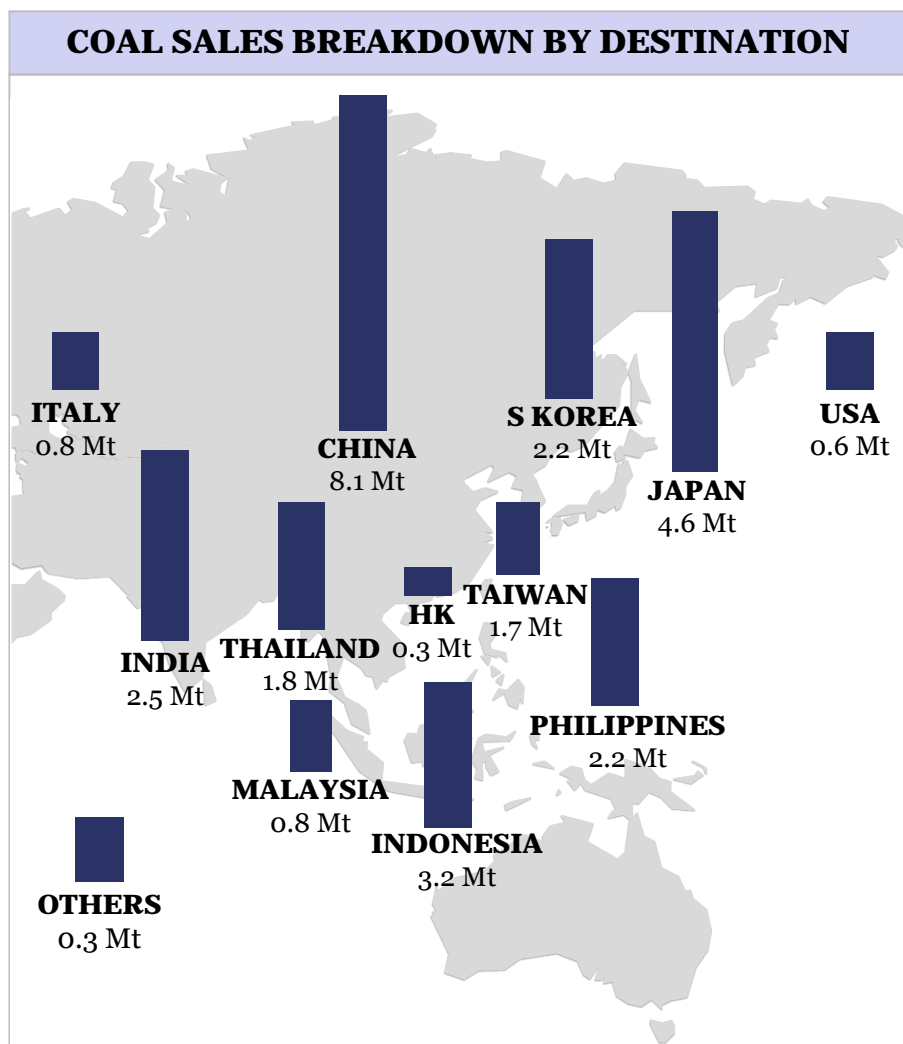


COMMENTS

- Declines in ASP are combination of continued market easing and product mixes.
- 2014 tonnages remain high for shipment, protecting total revenues.

* The Newcastle Export Index (previously known as the Barlow Jonker Index – BJI)

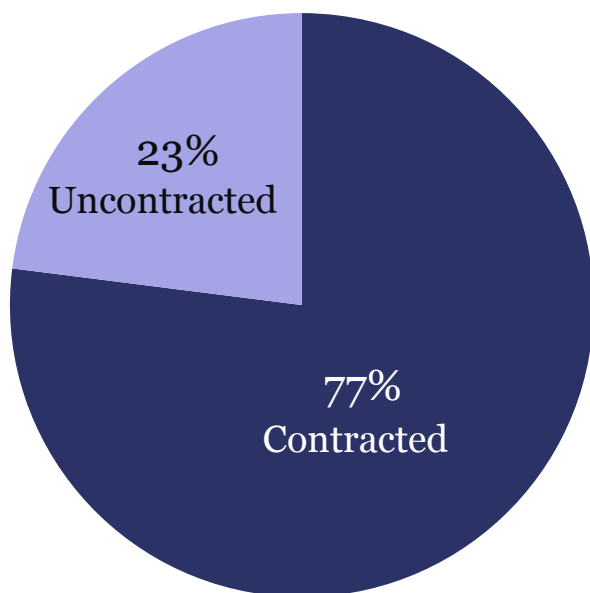
ITM coal sales 2013



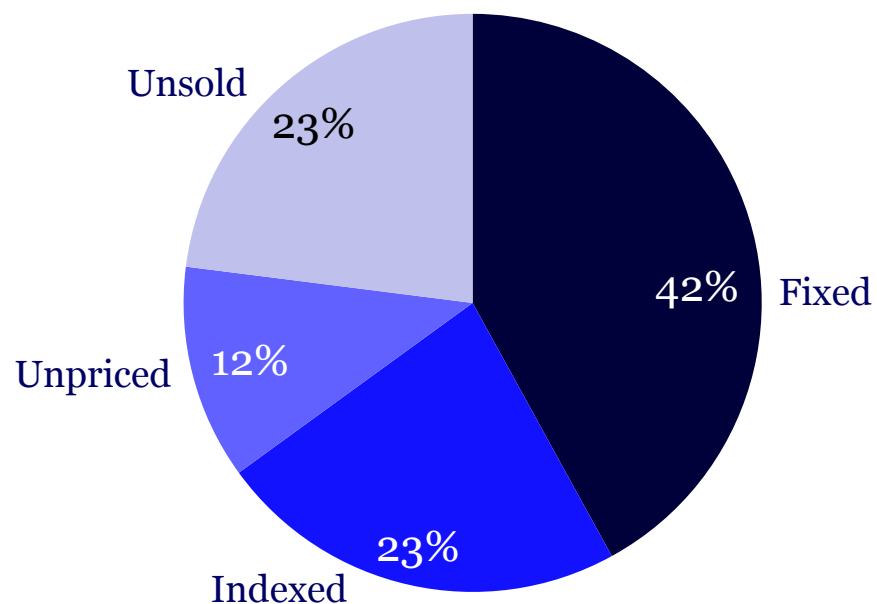
Indicative coal sales 2014

COAL SALES CONTRACT AND PRICING STATUS

Contract Status



Price Status

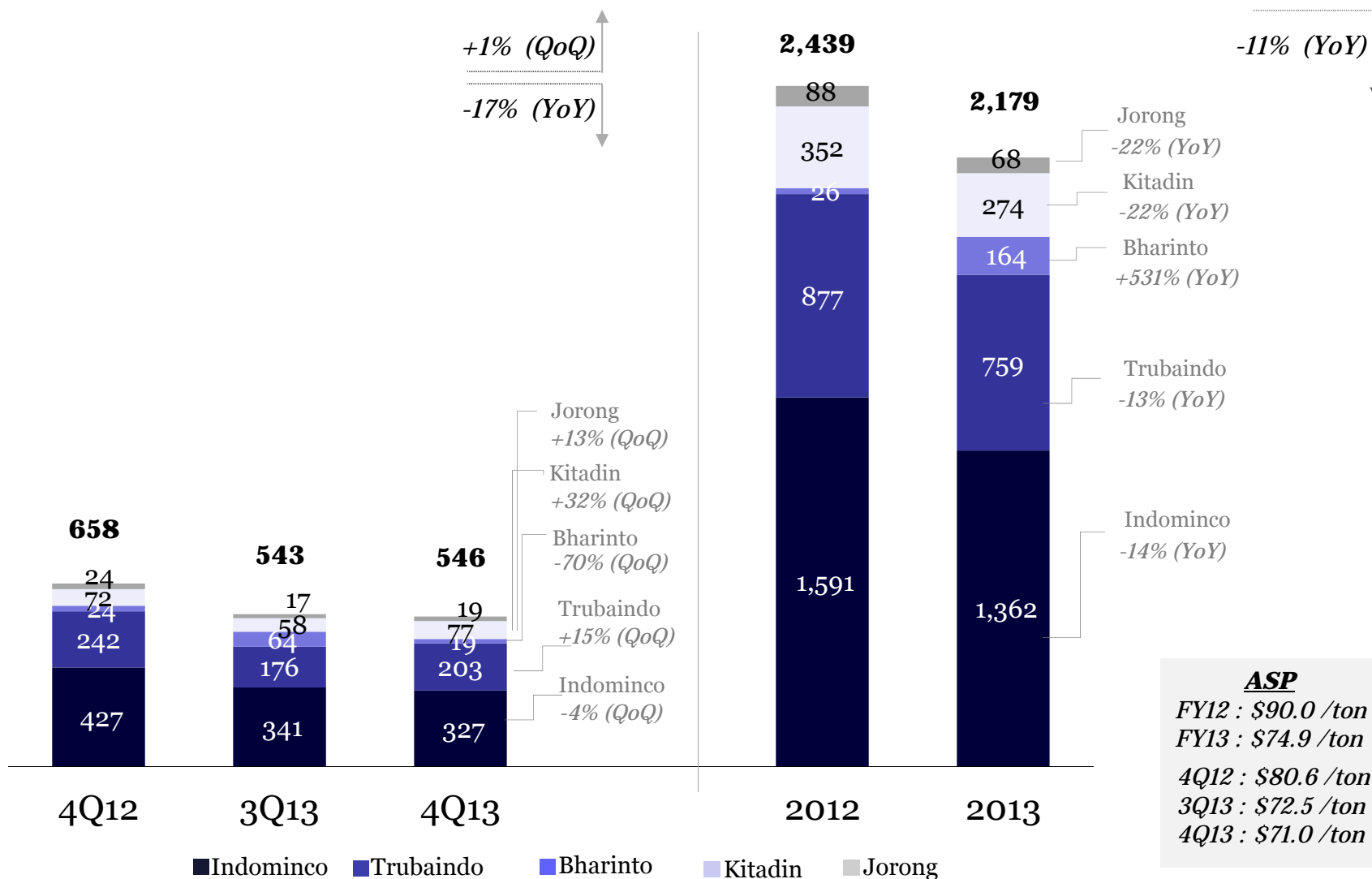


TARGET SALES 2014: 29.7 Mt

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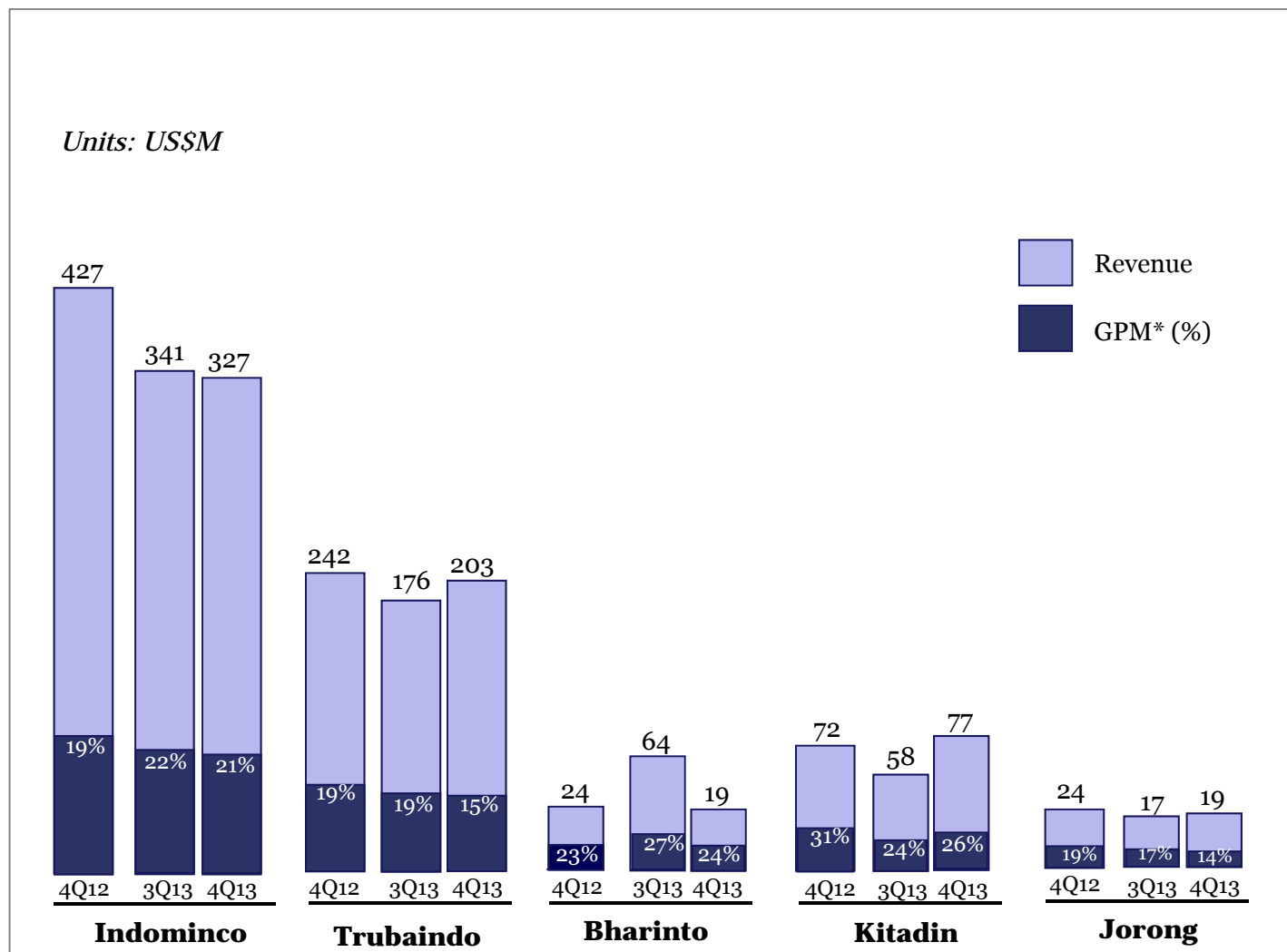
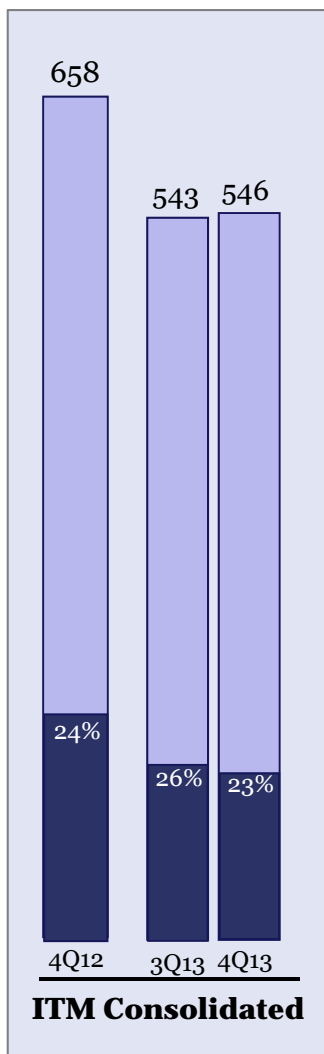
Sales revenue

USD million



Note : Total consolidated revenue after elimination

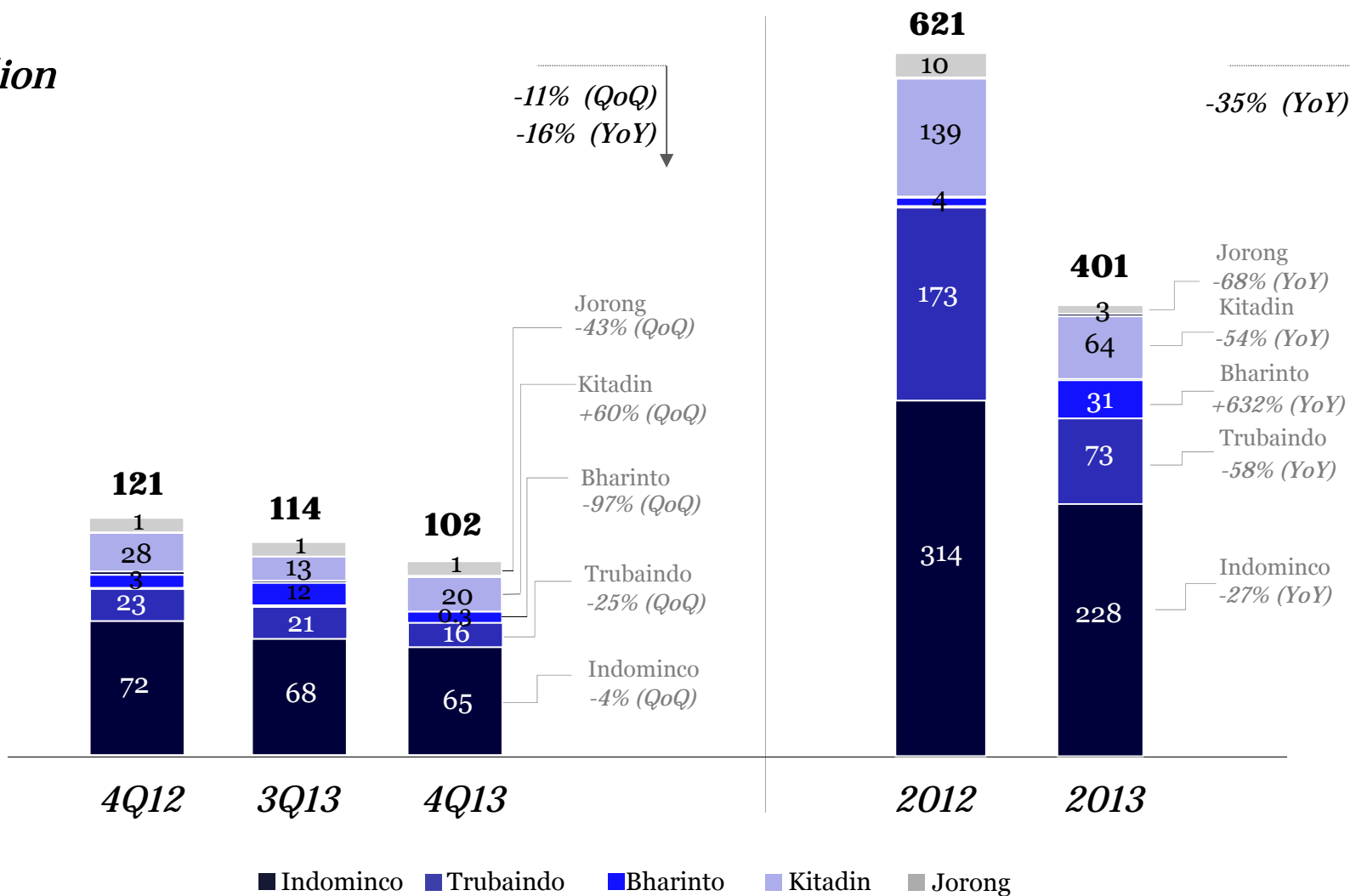
Average gross margin



* COGS included royalty

EBITDA

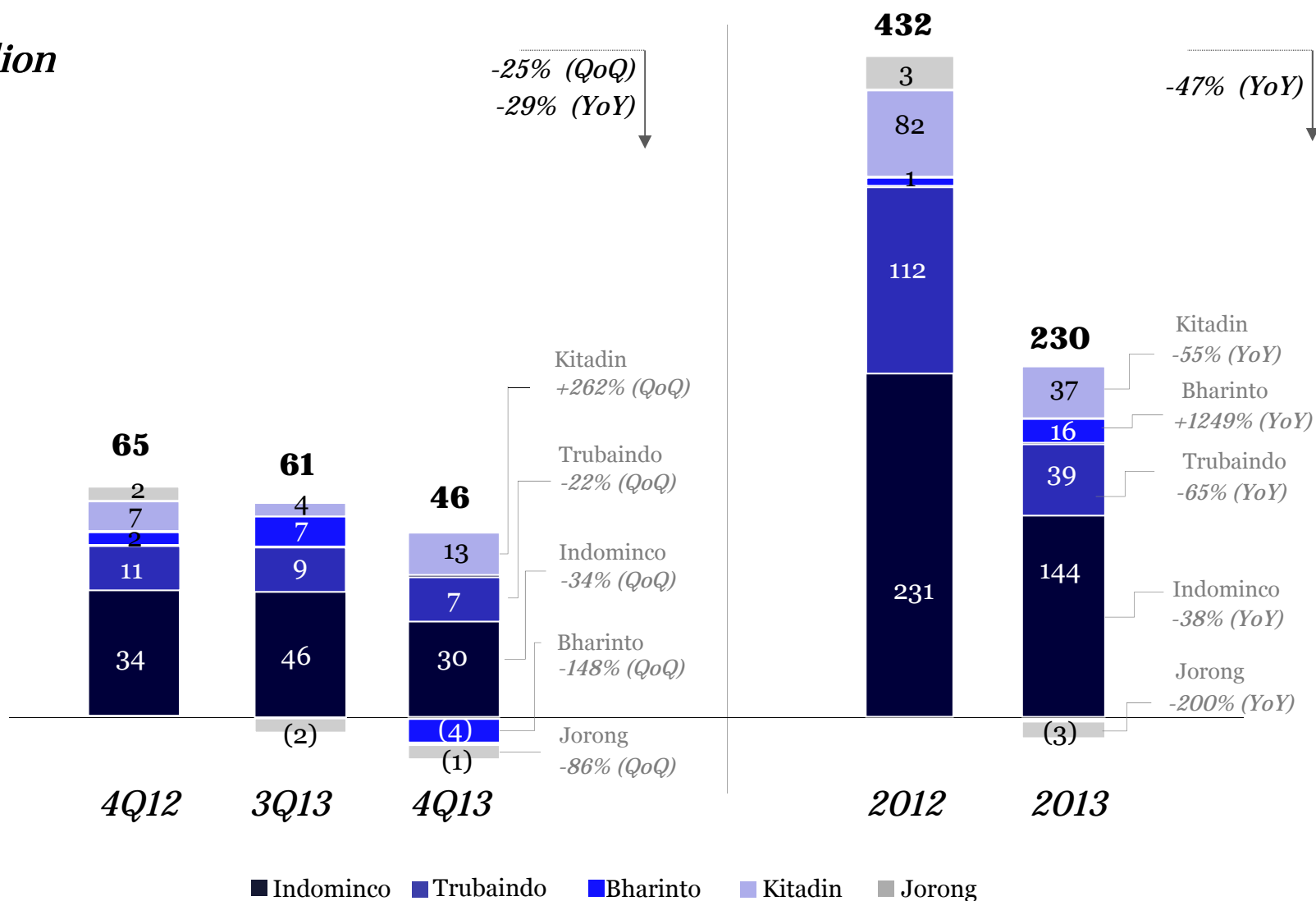
USD million



Note : Total consolidated EBITDA after elimination

Net Income

USD million

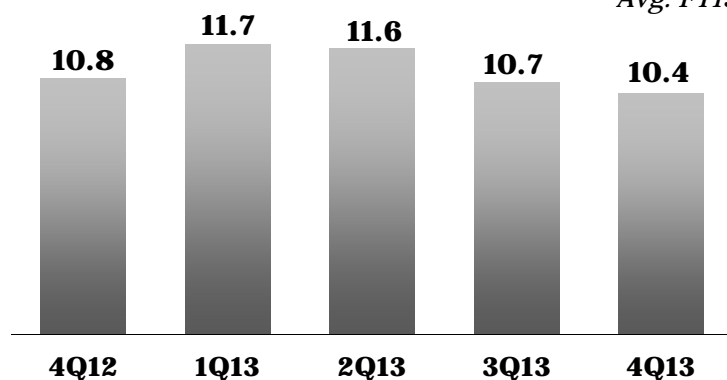


Cash cost

WEIGHTED AVERAGE STRIP RATIO

Units: Bcm/t

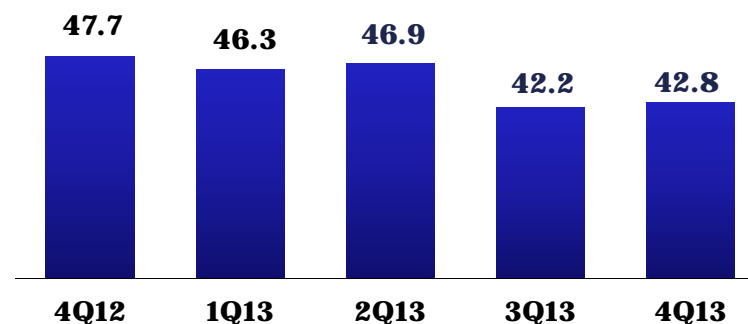
Avg. FY12: 12.2
Avg. FY13: 11.1



CASH PRODUCTION COST

Units: US\$/t

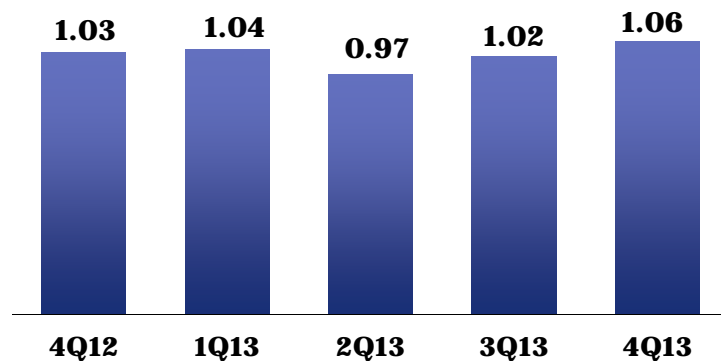
Avg. FY12: \$50.1/t
Avg. FY13: \$44.6/t



FUEL PRICE

Units: US\$/Ltr

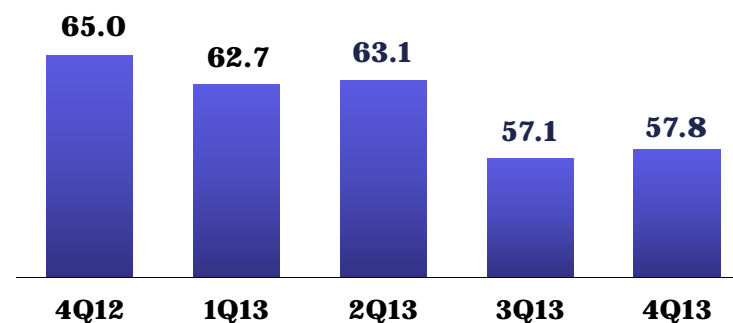
Avg. FY12: \$1.05/ltr
Avg. FY13: \$1.02/ltr



TOTAL CASH COST *

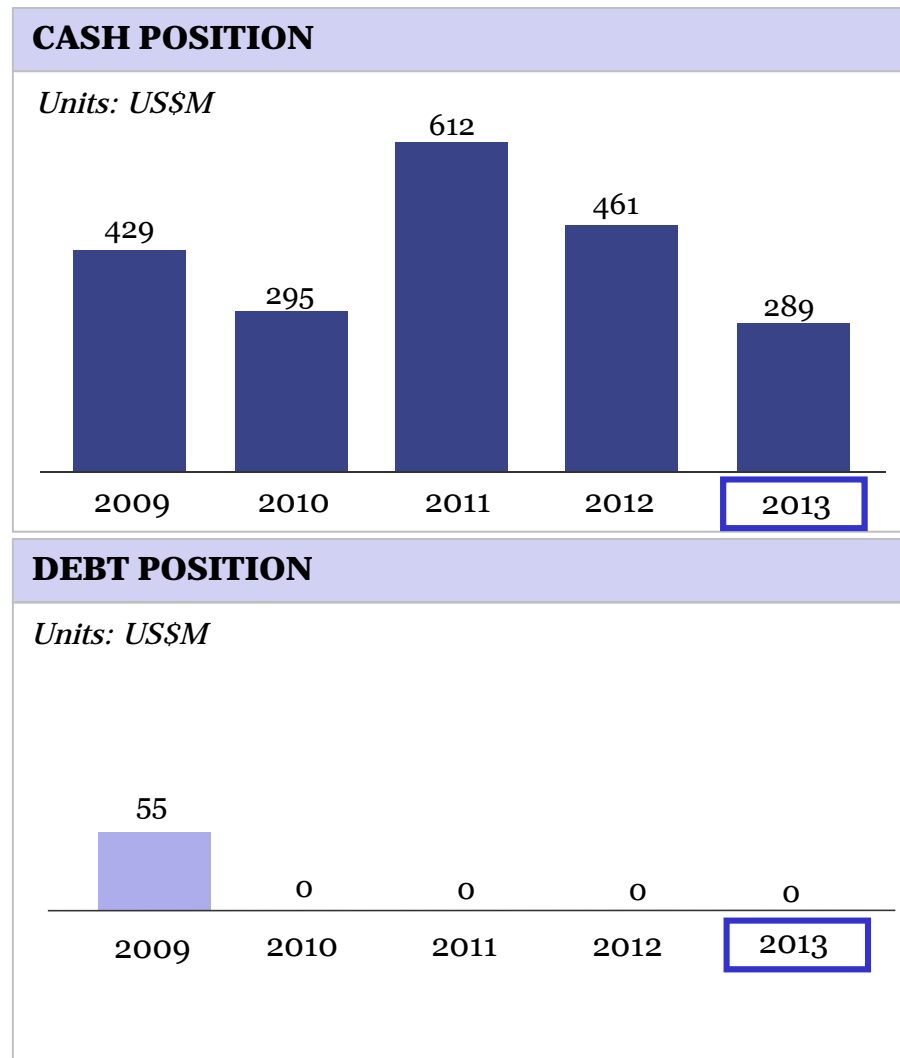
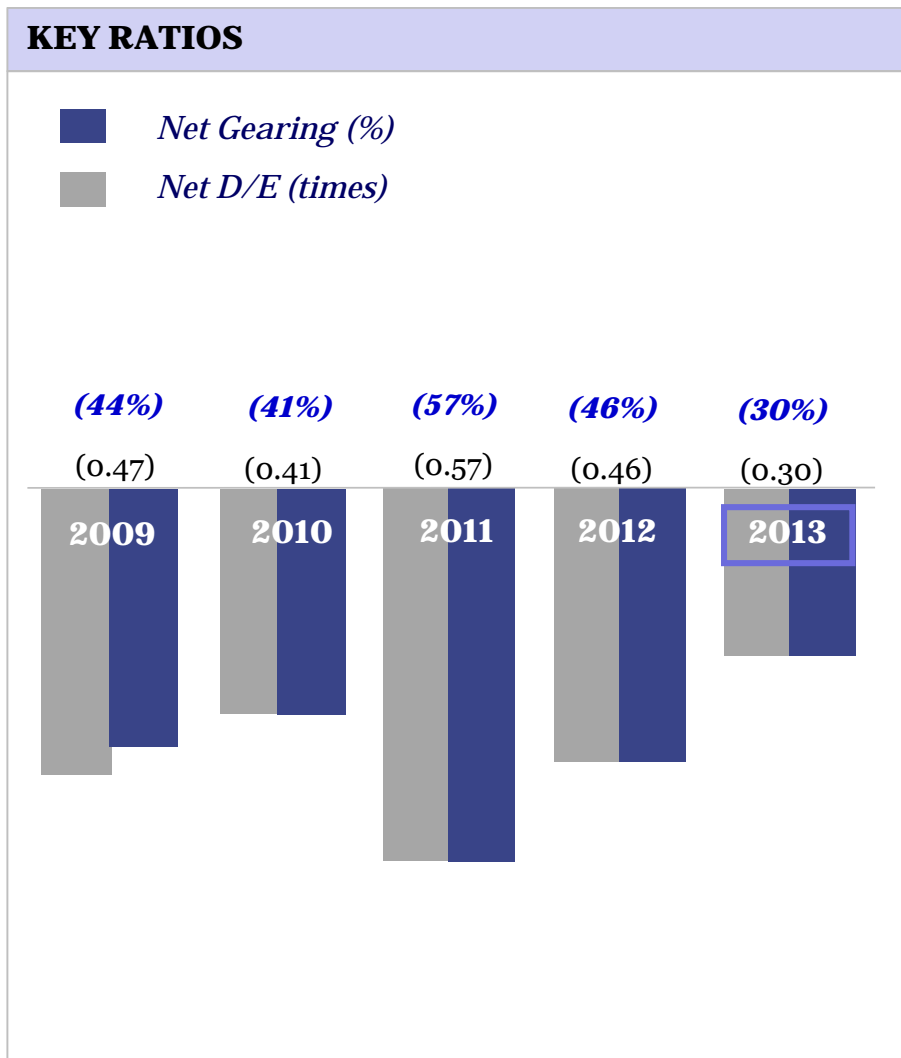
Units: US\$/t

Avg. FY12: \$68.0/t
Avg. FY13: \$60.3/t



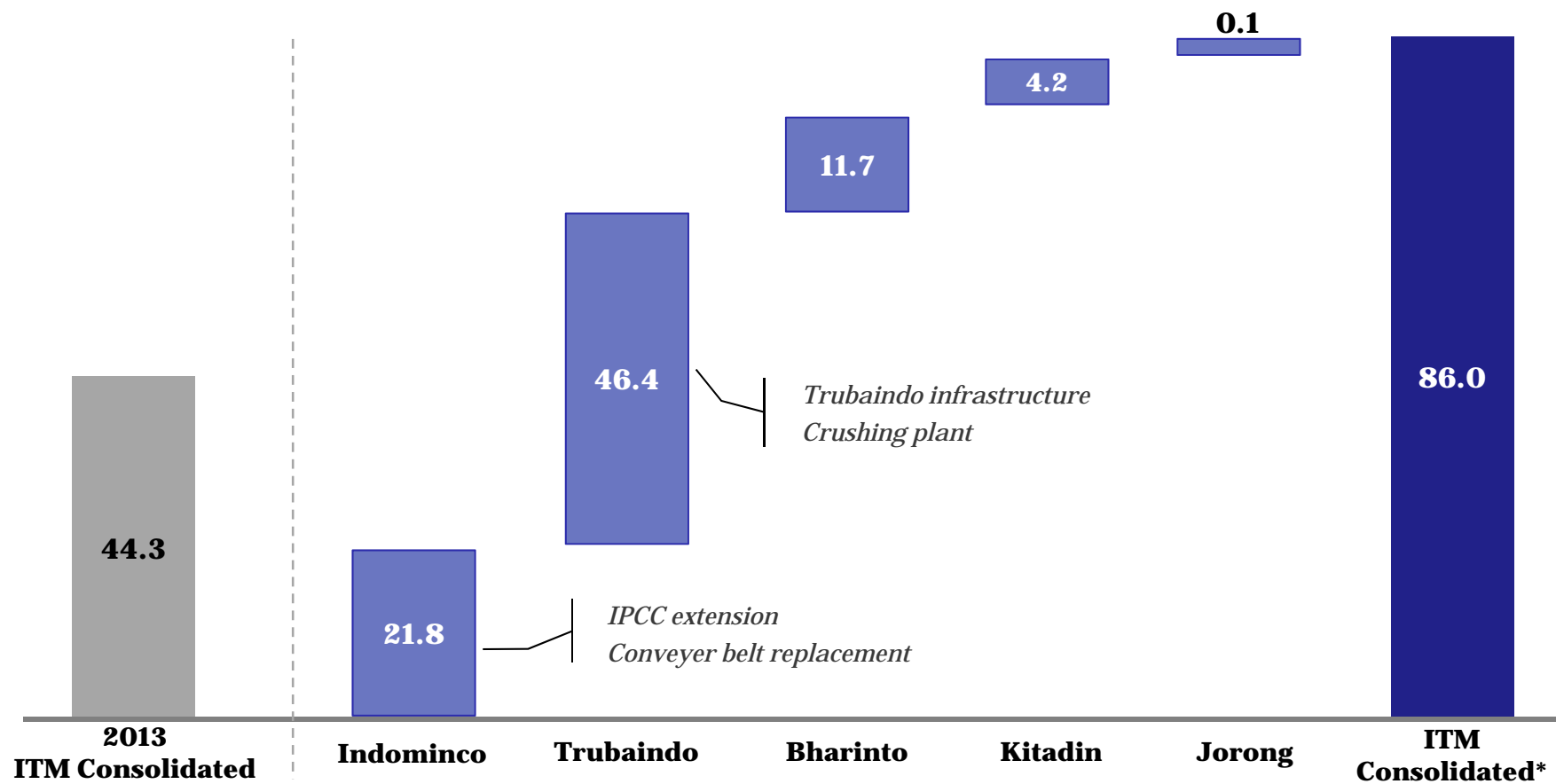
* Cash production cost + royalty + SG&A

Balance sheet



2014 Capital Expenditure plan

Units: USD million

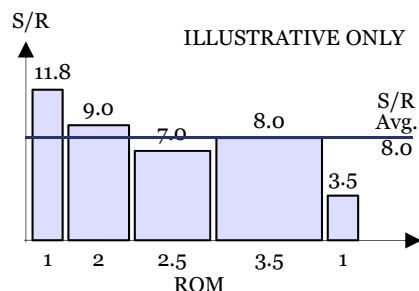


Note: Total capex plan including Jakarta office and PT. TRUST (Mining Contractor Business)

Implementation of ISAK29

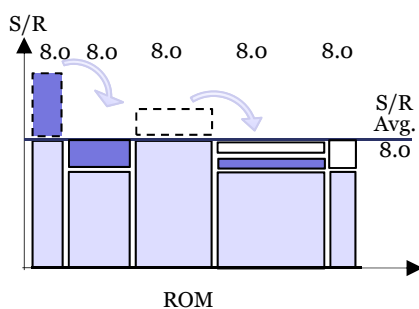
CURRENT PRACTICES

1. Cash basis



2. Life of mine

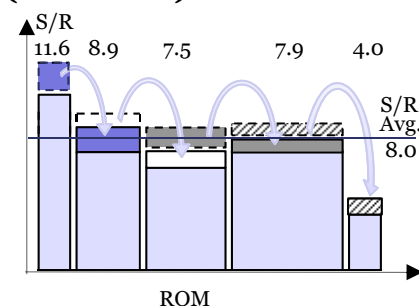
Based on LOM S/R



- Jorong
- Td. Mayang

3. Betterments (Levelized)

Based on S/R attributable to coal inventory

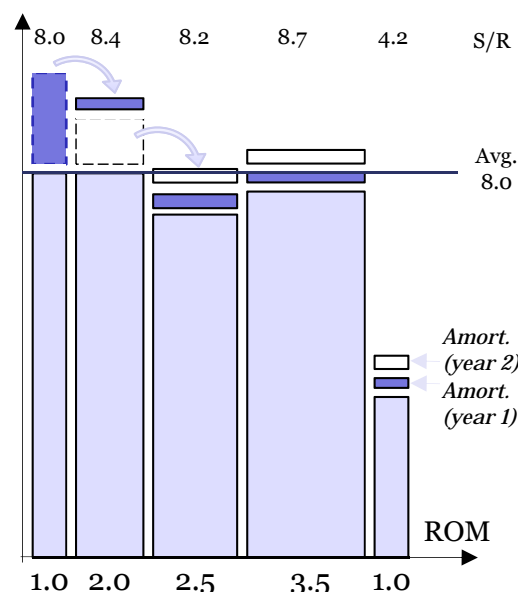


- Indominco
- Trubaindo
- Embalut
- Bharinto

ISAK 29

Based on LOM S/R, production and reserves

*New practice to be applied for all ITM mines



- Capitalized O/B if there is future benefit (e.g. access to coal)
- O/B above LOM avg. is capitalized
- Capitalized O/B is amortized according to production and remaining reserves by pit

COMMENTS

- ISAK 29 – Stripping Costs in the Production Phase of a Surface Mining
- ISAK 29 equivalent to IFRIC 20 under IFRS
- Stripping costs, which provides an improved access benefit to ore (coal) is recognized as an asset
- Effective date: January 1, 2014
- Compulsory for all mining companies with surface mines
- Change in accounting policy (retroactive and require restatement)
- First result will be shown in 1Q14 statements

Note: - Charts not drawn to scale.

- ISAK stands for Interpretasi Standar Akuntansi Keuangan (Interpretation of Financial Accounting Standard)

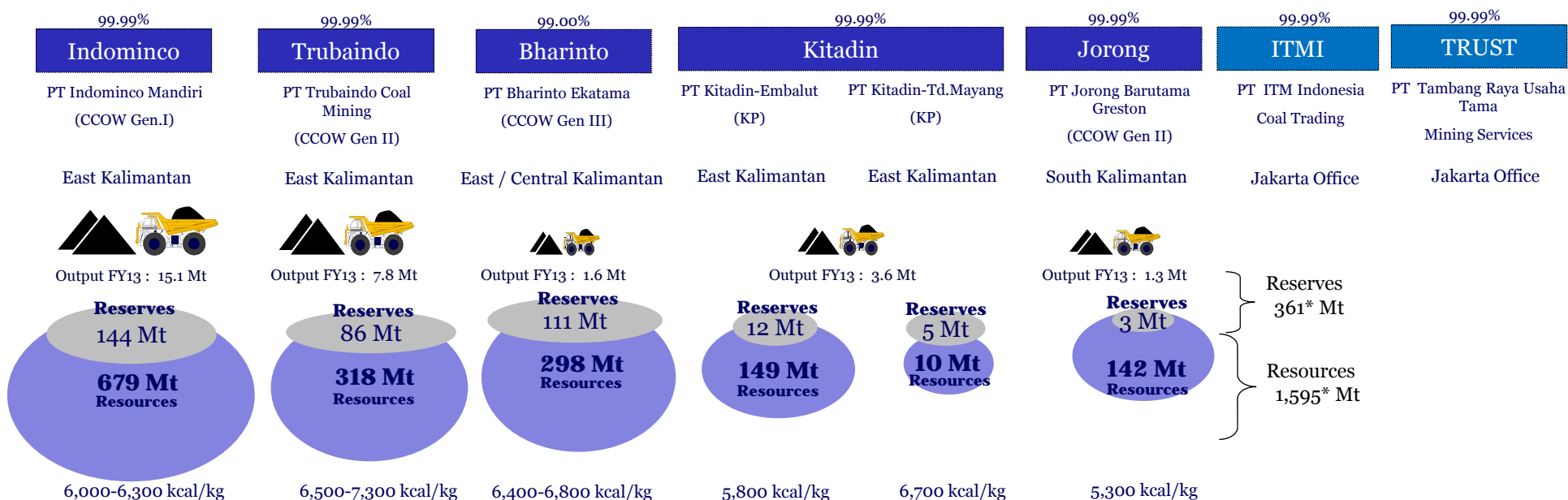
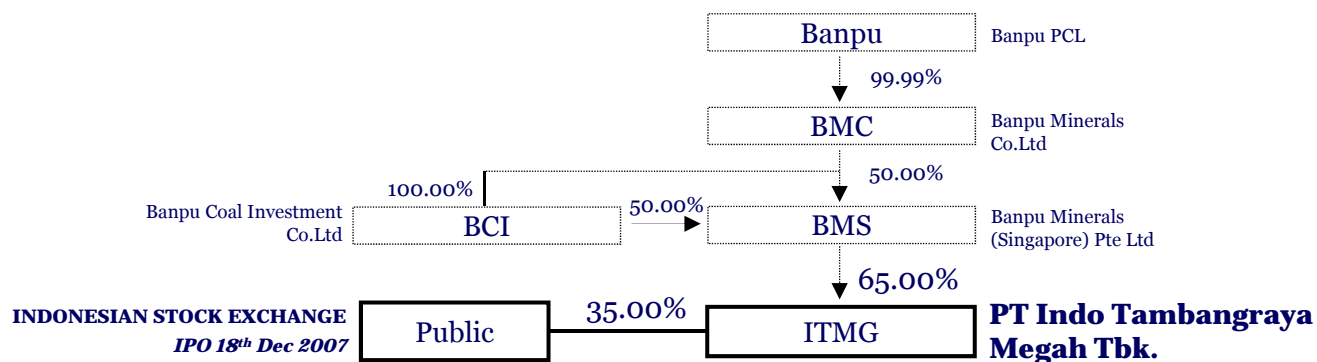
- IFRIC : International Financial Reporting Interpretation Committee

- IFRS : International Financial Reporting Standard

Q&A Session

Appendices

ITM structure



Note: * Updated Coal Resources and Reserves as of 31 Dec 2013

Income statement

Unit: US\$ thousand	FY13	FY12	YoY%
Net Sales	2,178,763	2,438,941	-11%
Gross Profit	509,194	741,167	-31%
GPM	23%	30%	
SG&A	(171,719)	(182,729)	
EBIT	337,475	558,438	-40%
EBIT Margin	15%	23%	
EBITDA	400,743	620,773	-35%
EBITDA Margin	18%	25%	
Net Interest Income / (Expenses)	7,946	13,269	
Derivative Gain / (Loss)	5,259	48,535	
Others	(29,732)	(29,133)	
Profit Before Tax	320,948	591,109	-46%
Income Tax	(90,464)	(159,066)	
Net Income	230,484	432,043	-47%
Net Income Margin	11%	18%	

Income statement

Unit: US\$ thousand	4Q13	3Q13	4Q12	QoQ%	YoY%
Net Sales	546,194	542,983	658,316	-18%	-17%
Gross Profit	126,370	142,758	158,638	-10%	-20%
GPM	23%	26%	24%		
SG&A	(43,170)	(43,382)	(53,980)		
EBIT	83,200	99,376	104,658	-5%	-21%
EBIT Margin	15%	18%	16%		
EBITDA	101,568	113,804	120,607	-6%	-16%
EBITDA Margin	19%	21%	18%		
Net Interest Income / (Expenses)	1,727	1,634	4,107		
Derivative Gain / (Loss)	(594)	967	(9,032)		
Others	(16,941)	(15,767)	(5,410)		
Profit Before Tax	67,392	86,210	94,323	-9%	-29%
Income Tax	(21,241)	(25,307)	(28,912)		
Net Income	46,151	60,903	65,411	-7%	-29%
Net Income Margin	8%	11%	10%		