



# Analyst Briefing

2Q14 performance results

14 Aug 2014



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

## Highlights of 2Q14 and 1H14 results

**Coal sales**  
**6.7 Mt**  
 ↓ **Down 0.4Mt**  
 -6% Q-Q

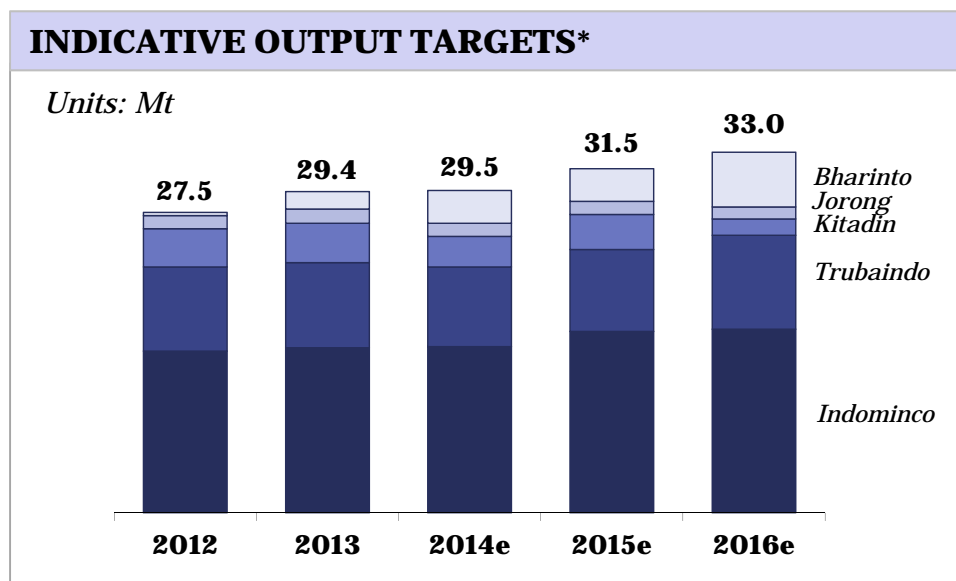
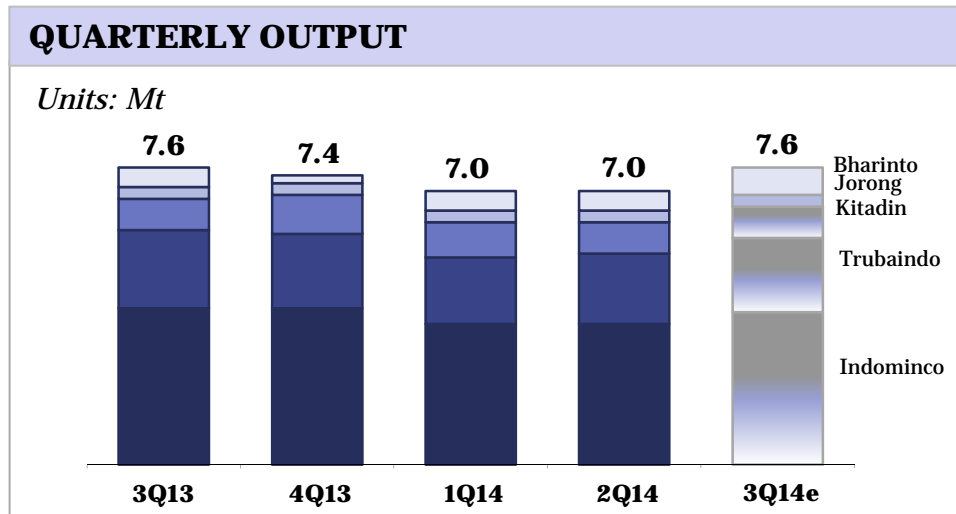
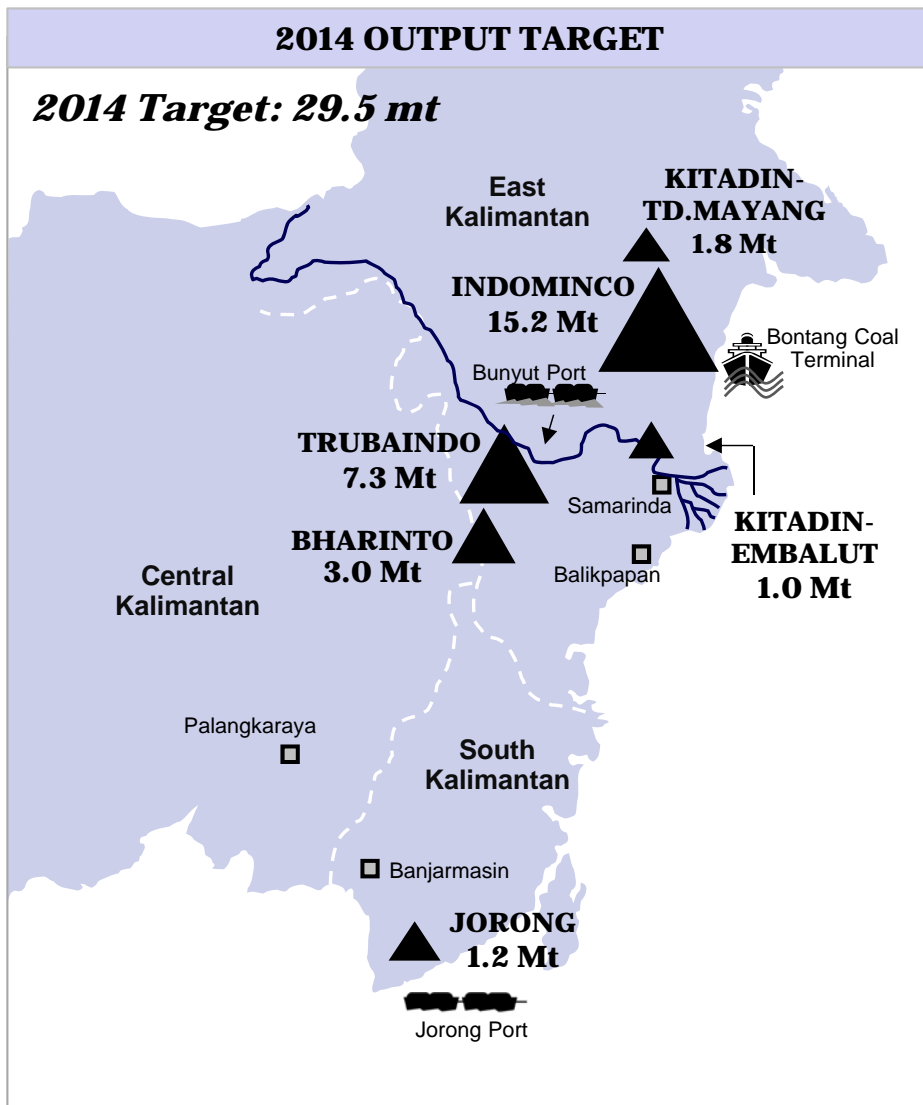
**Coal sales**  
**13.9 Mt**  
 ↓ **Down 0.1Mt**  
 -1% Y-Y

*Unit: USD Million*

	<u>1Q14</u>	<u>2Q14</u>	<u>Q-Q</u>	<u>1H13*</u>	<u>1H14</u>	<u>y-y</u>
<b>Total Revenue</b>	<b>504</b>	<b>462</b>	<b>-8%</b>	<b>1,090</b>	<b>965</b>	<b>-11%</b>
<b>Gross Profit Margin</b>	<b>26%</b>	<b>20%</b>	<b>-6%</b>	<b>20%</b>	<b>23%</b>	<b>+3%</b>
<b>EBIT</b>	<b>87</b>	<b>58</b>	<b>-33%</b>	<b>137</b>	<b>145</b>	<b>+6%</b>
<b>EBITDA</b>	<b>104</b>	<b>75</b>	<b>-28%</b>	<b>166</b>	<b>179</b>	<b>+8%</b>
<b>Net Income</b>	<b>96</b>	<b>52</b>	<b>-46%</b>	<b>105</b>	<b>148</b>	<b>+41%</b>
<b>ASP (USD/ton)</b>	<b>\$70.9</b>	<b>\$68.1</b>	<b>-4%</b>	<b>\$78.4</b>	<b>\$69.7</b>	<b>-11%</b>

*\*) Restated due to ISAK 29*

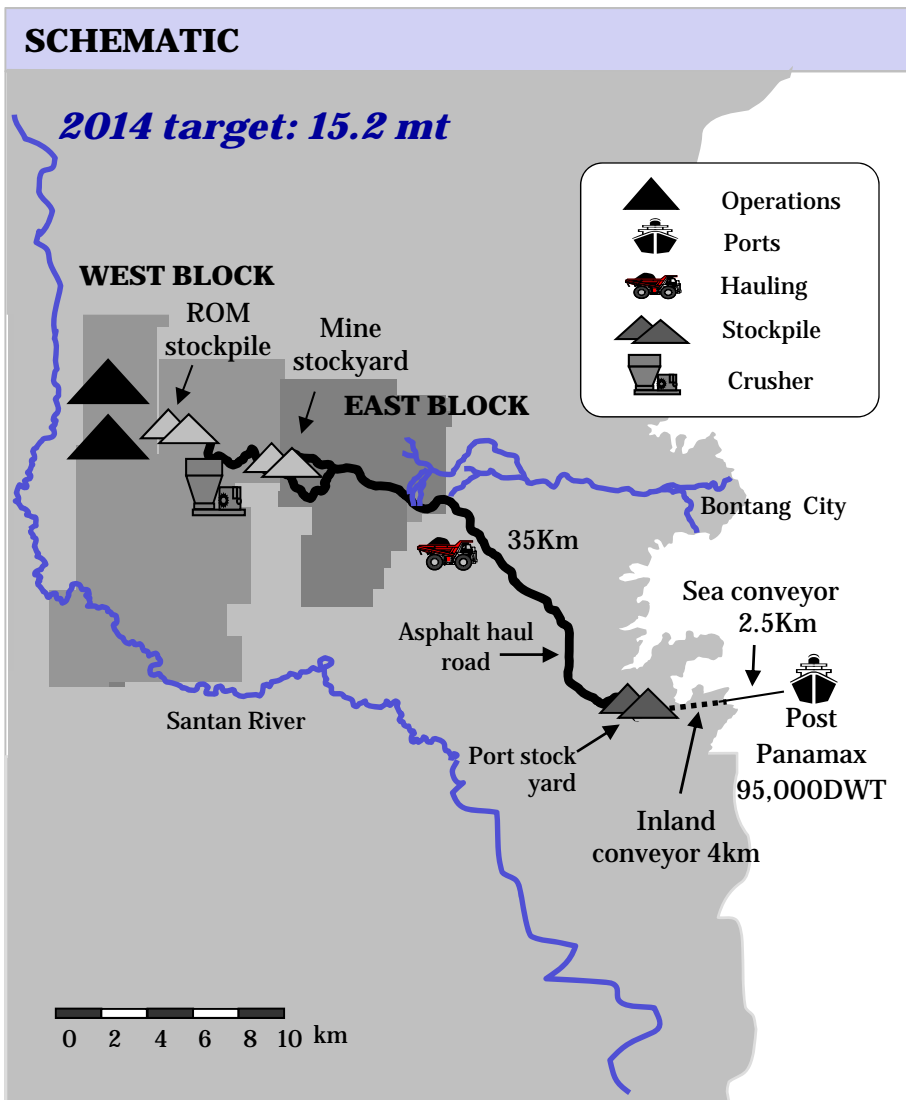
# 2014 operation summary



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

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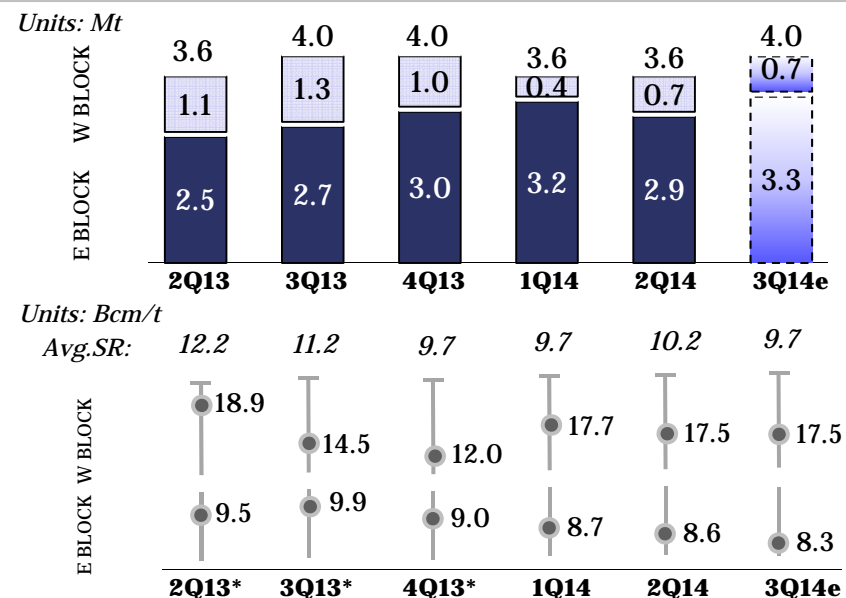
# Indominco Mandiri



### QUARTERLY UPDATES

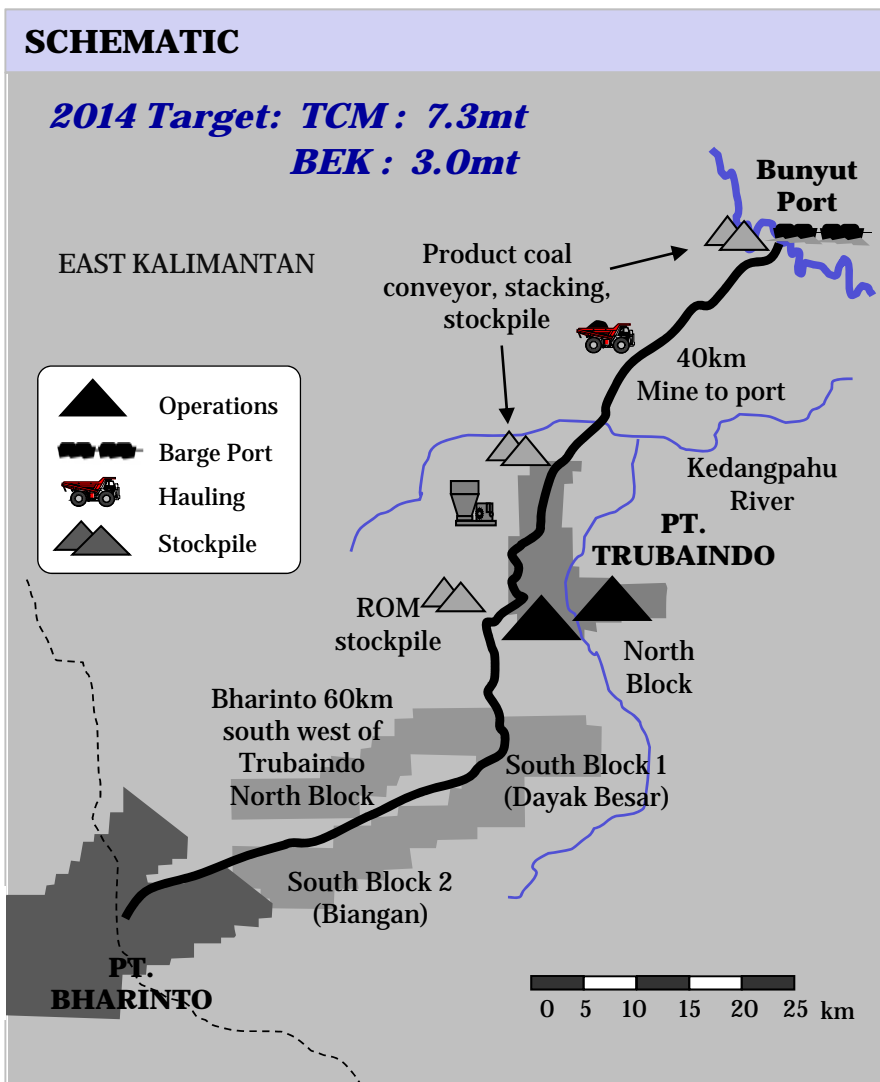
- 2Q14 production was lower than target due to heavy rainfalls.
- *IPCC project*: Test run and system adjustment done by the Operation team. Submit monthly report to ESDM and in process of getting the certification.
- *Coal transport*: Technical study already completed and start with commercial negotiation and agreement.

### QUARTERLY OUTPUT



\*) Restated due to ISAK 29    \*\*) SR FY13 IMM: 11.8, WB: 16.9, EB: 9.7

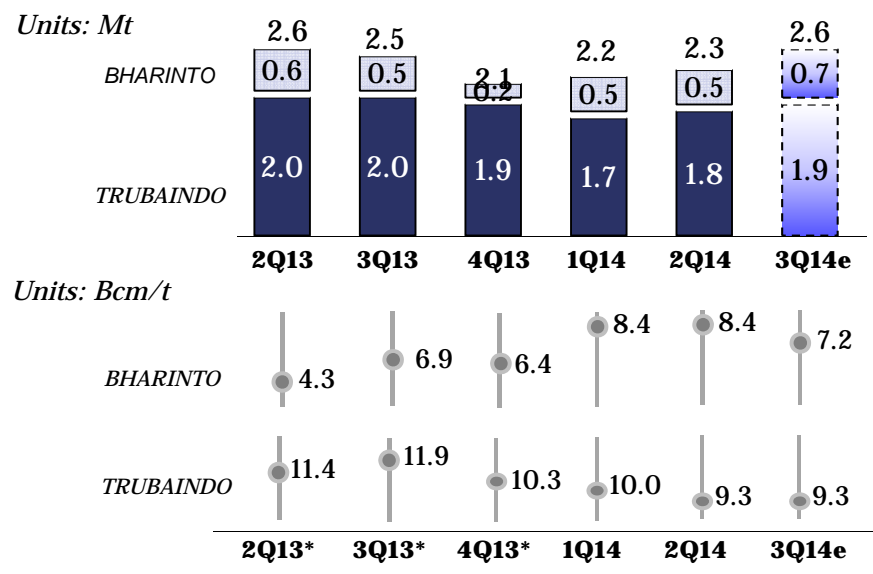
# Trubaindo and Bharinto



### QUARTERLY UPDATES

- Trubaindo:
  - 2Q14 production achieved slightly lower than plan due to higher rainfalls.
  - *Bunyut port expansion:* Preliminary works for crusher is in progress and request proposal for barge loader upgrade is on process.
- Bharinto:
  - 2Q14 production achieved higher than plan.

### QUARTERLY OUTPUT



\*) Restated due to ISAK 29

\*\*) SR FY13 TCM: 11.4, BEK: 5.2



# Bunyut Port Expansion

**New Crushing Plant**



**Barge Loader**



## Description

### New Crushing Plant:

- Primary and secondary crusher already at site.
- Steel pile already at site and will start piling works within this month.

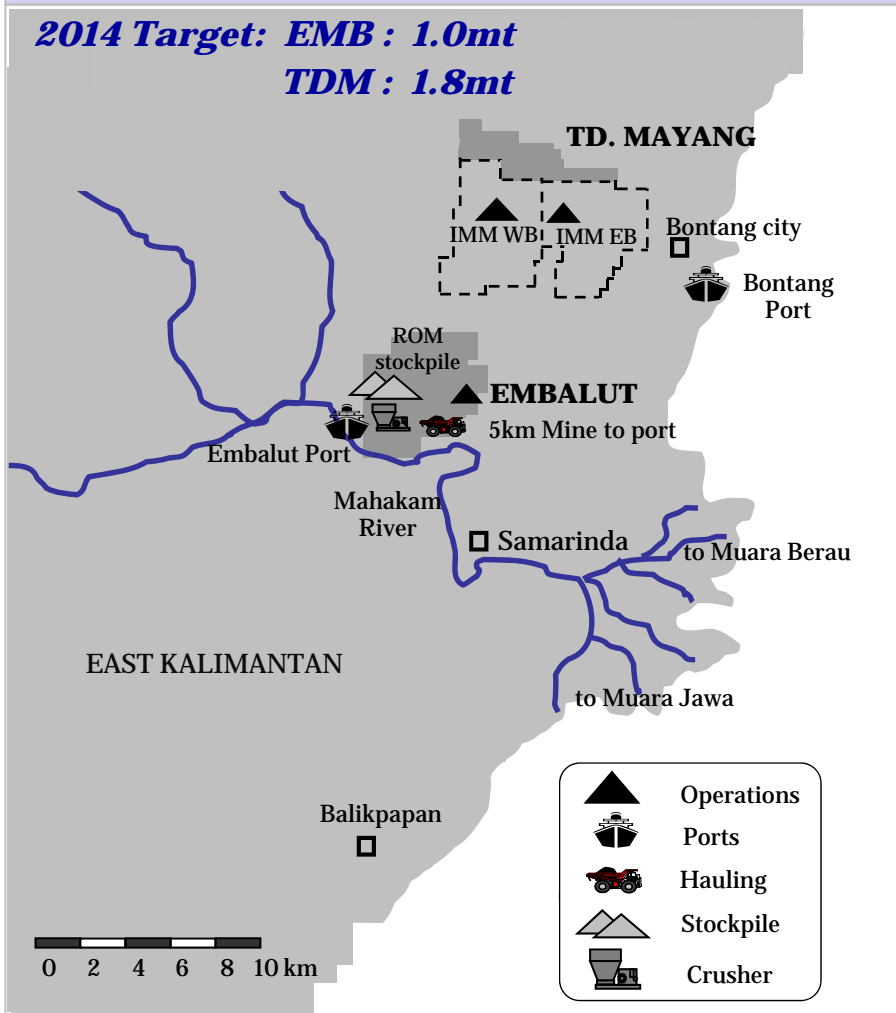
### Upgrade Barge Loader:

- Currently on bidding process and waiting proposal from contractor.

# Kitadin Embalut and Tandung Mayang

## SCHEMATIC

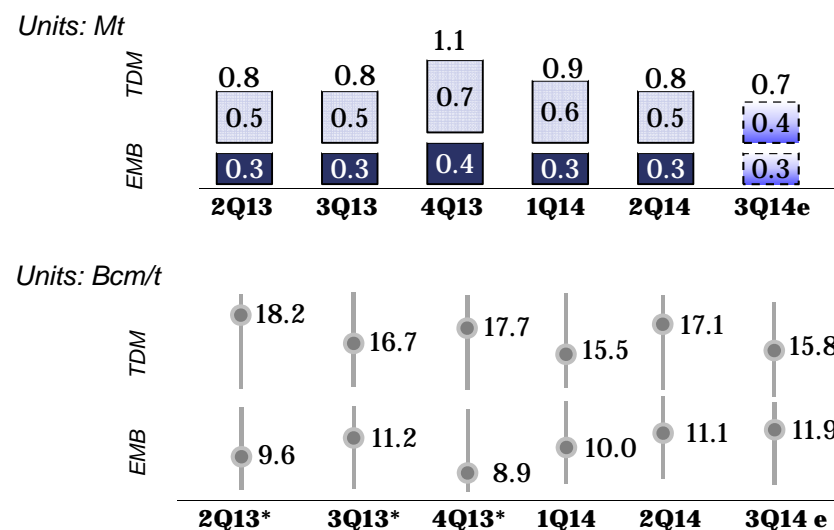
**2014 Target: EMB : 1.0mt  
TDM : 1.8mt**



## QUARTERLY UPDATES

- Kitadin Embalut:
  - 2Q14 production achieved as according to plan.
- Kitadin Tandung Mayang:
  - 2Q14 production was slightly higher than plan.
  - Mine reserves will be fully depleted by 2015. Mine closure activities will start in early 2016.
  - All remaining TDM's fleets will be transferred to PT. TRUST for mining contractor business.

## QUARTERLY OUTPUT



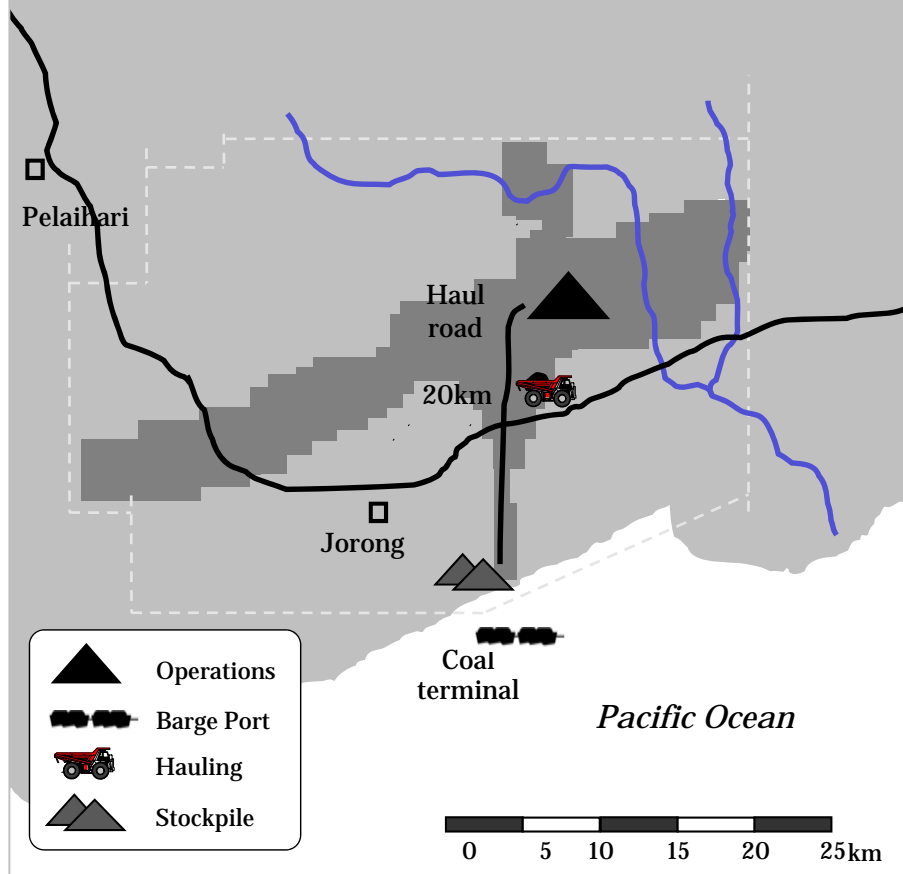
\*) Restated due to ISAK 29

\*\*) SR FY13 EMB: 10.2, TDM: 17.1

# Jorong

## SCHEMATIC

**FY14 target: 1.2mt**

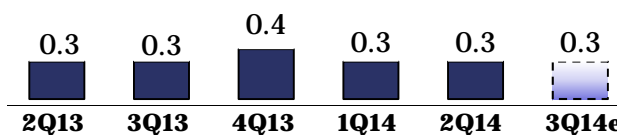


## MAJOR QUARTERLY UPDATES

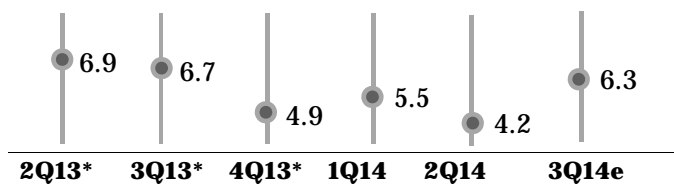
- 2Q14 production was according to plan.
- Katal-katal river diversion is already completed. Revised mine plan will extend mine life through mid 2017.

## QUARTERLY OUTPUT

Units: Mt



Units: Bcm/t

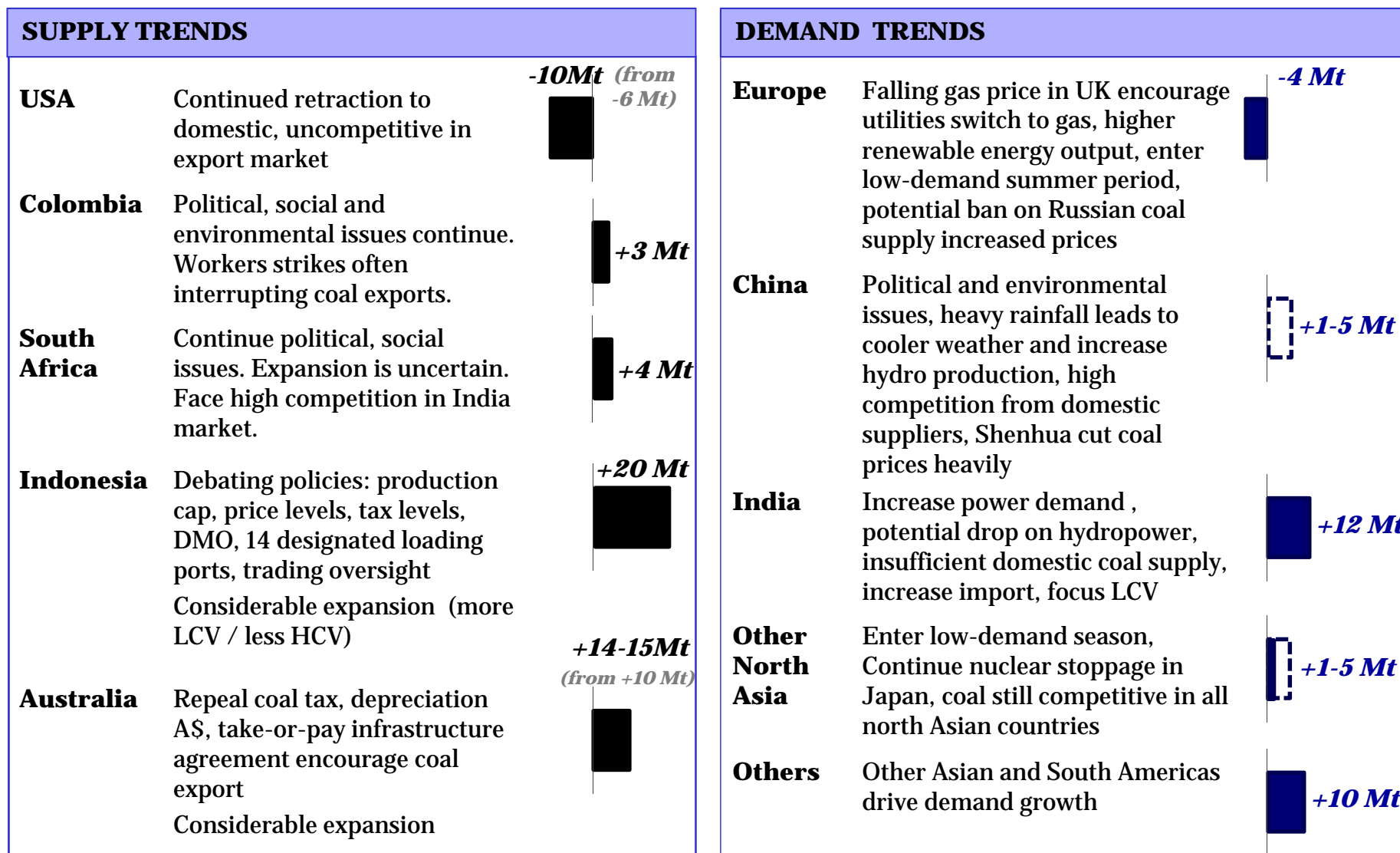


\*) Restated due to ISAK 29

\*\*) SR FY13 JBG: 6.4

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## Negligible net change: thermal trends for 2014

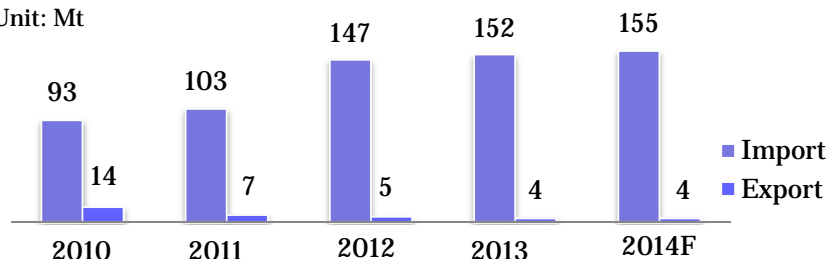


# China and India thermal coal market review

## CHINA

### CHINA THERMAL COAL IMPORTS/EXPORTS\*

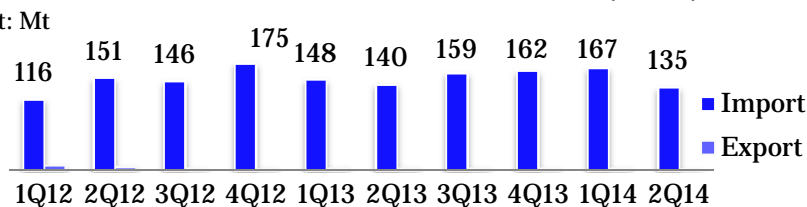
Unit: Mt



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

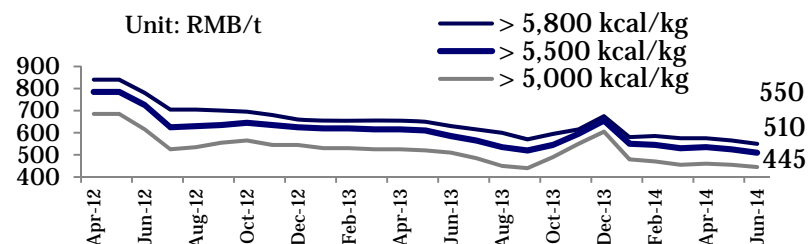
### CHINA ANNUALIZED ACTUAL IMPORT 1Q12-2Q14

Unit: Mt



### CHINA DOMESTIC COAL PRICES

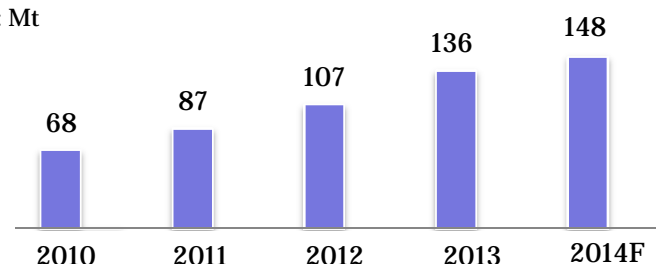
Unit: RMB/t



## INDIA

### INDIA THERMAL COAL IMPORTS\*\*

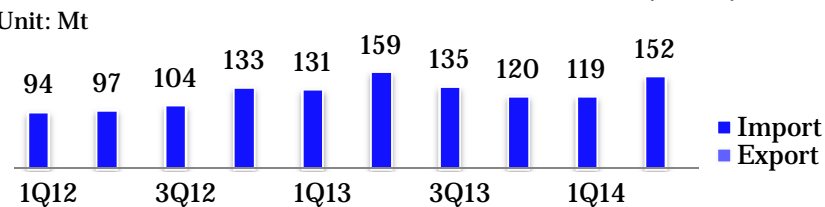
Unit: Mt



Sources: Salva Report India, Banpu MS&L Estimates

### INDIA ANNUALIZED ACTUAL IMPORT 1Q12-2Q14

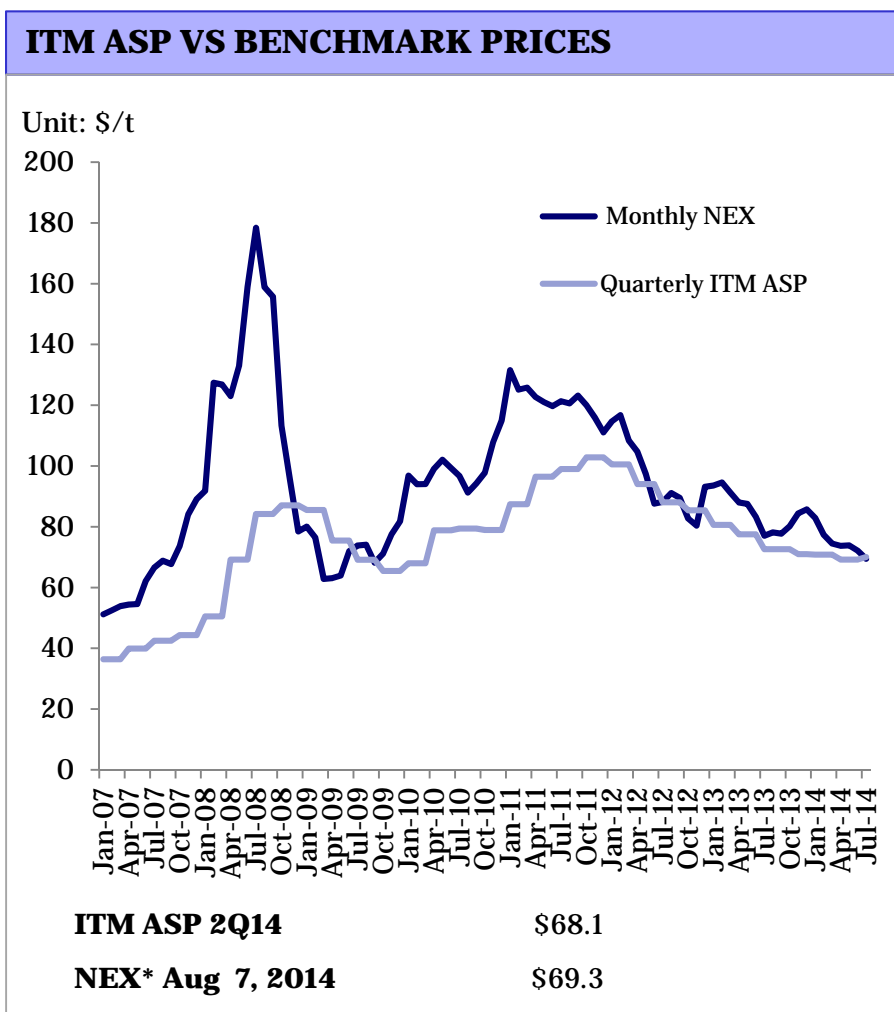
Unit: Mt



### INDIA FOCUS COMMENTS

- Insufficient domestic coal supply is likely to increase coal imports further
- Positive central government policy changes expected
- Weather and economic improvement lifts imports – still no major jump

# ASP vs thermal coal benchmark prices

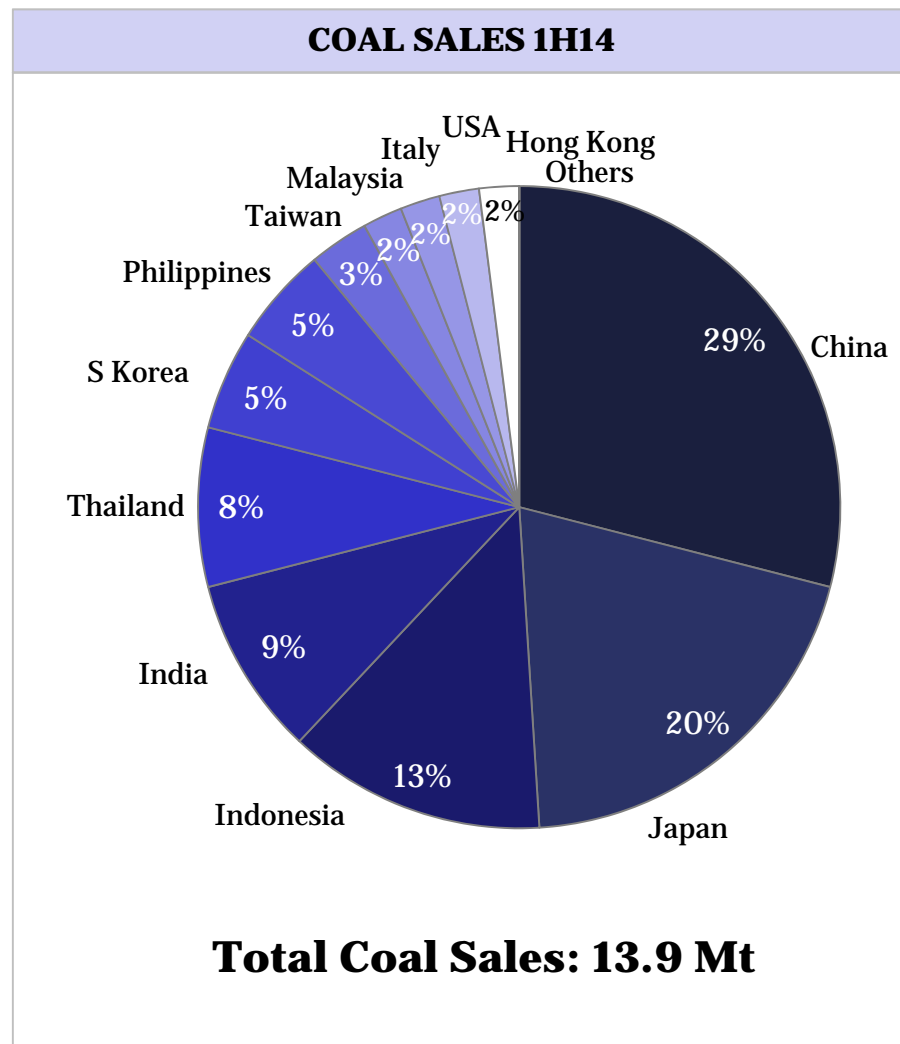
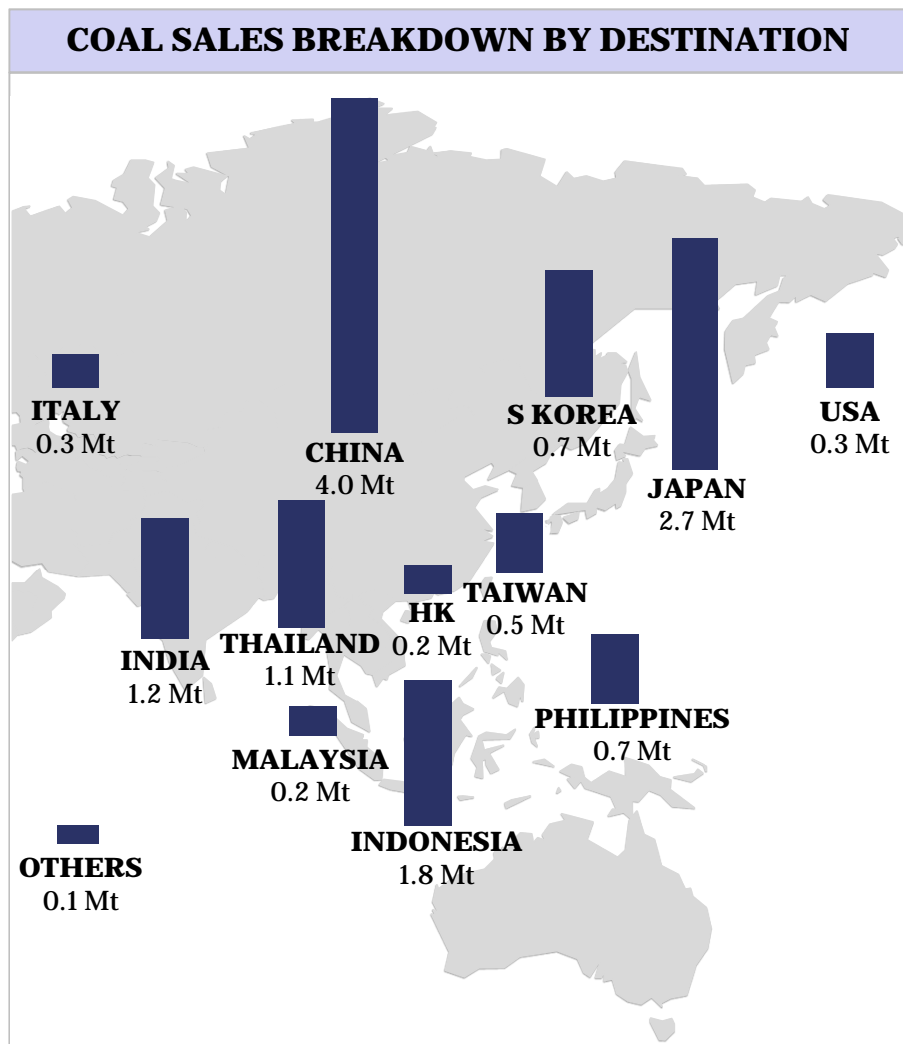


**COMMENTS**

- Marginal decline in ASP due to combination of continued market easing with product mixes and target market constraining the impact.

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

# ITM coal sales 1H14

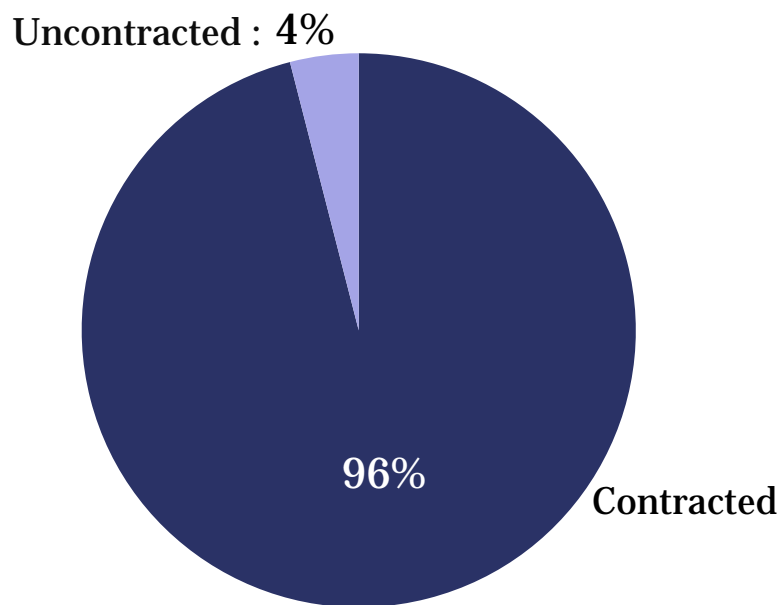




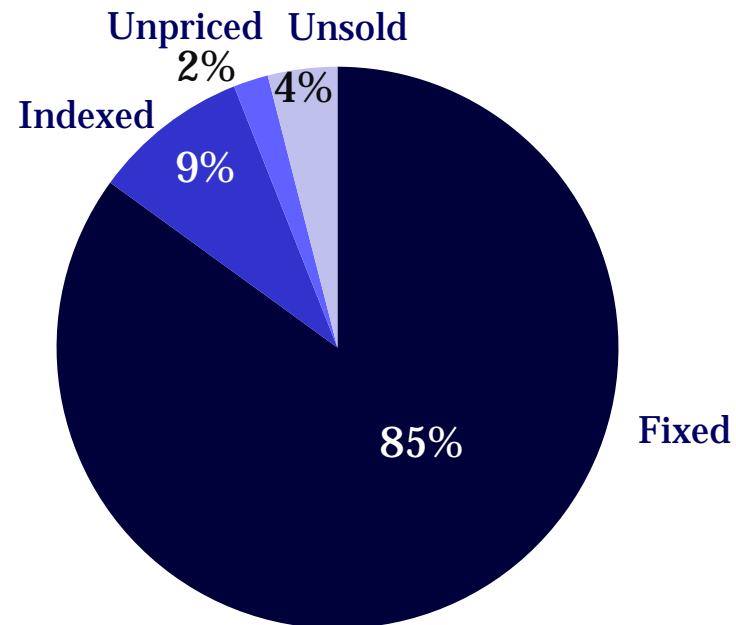
# Indicative coal sales 2014

## COAL SALES CONTRACT AND PRICING STATUS

**Contract Status**



**Price Status**

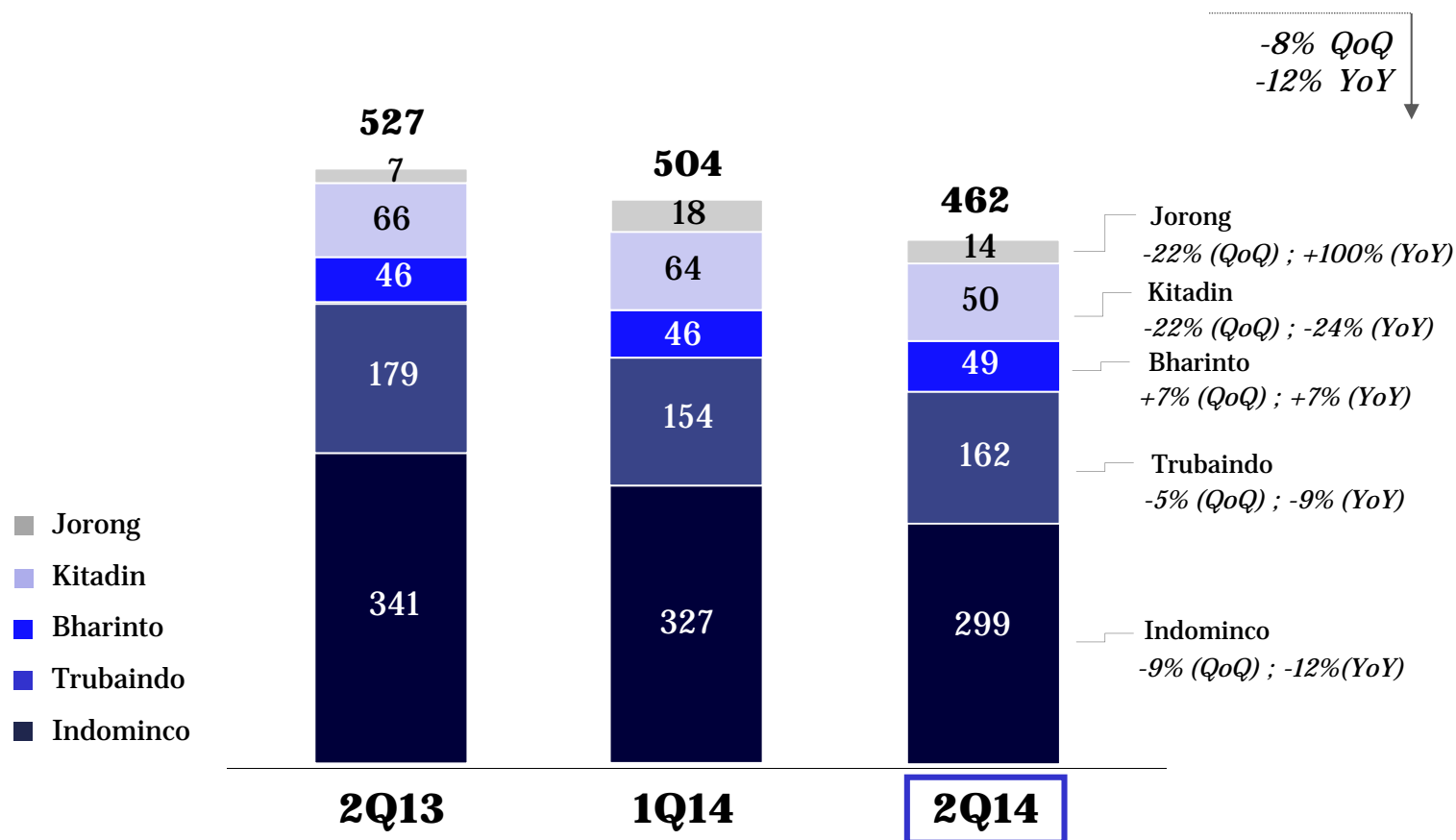


**TARGET SALES 2014: 30.0 Mt**

- 1 Introduction
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# Sales revenue

USD million

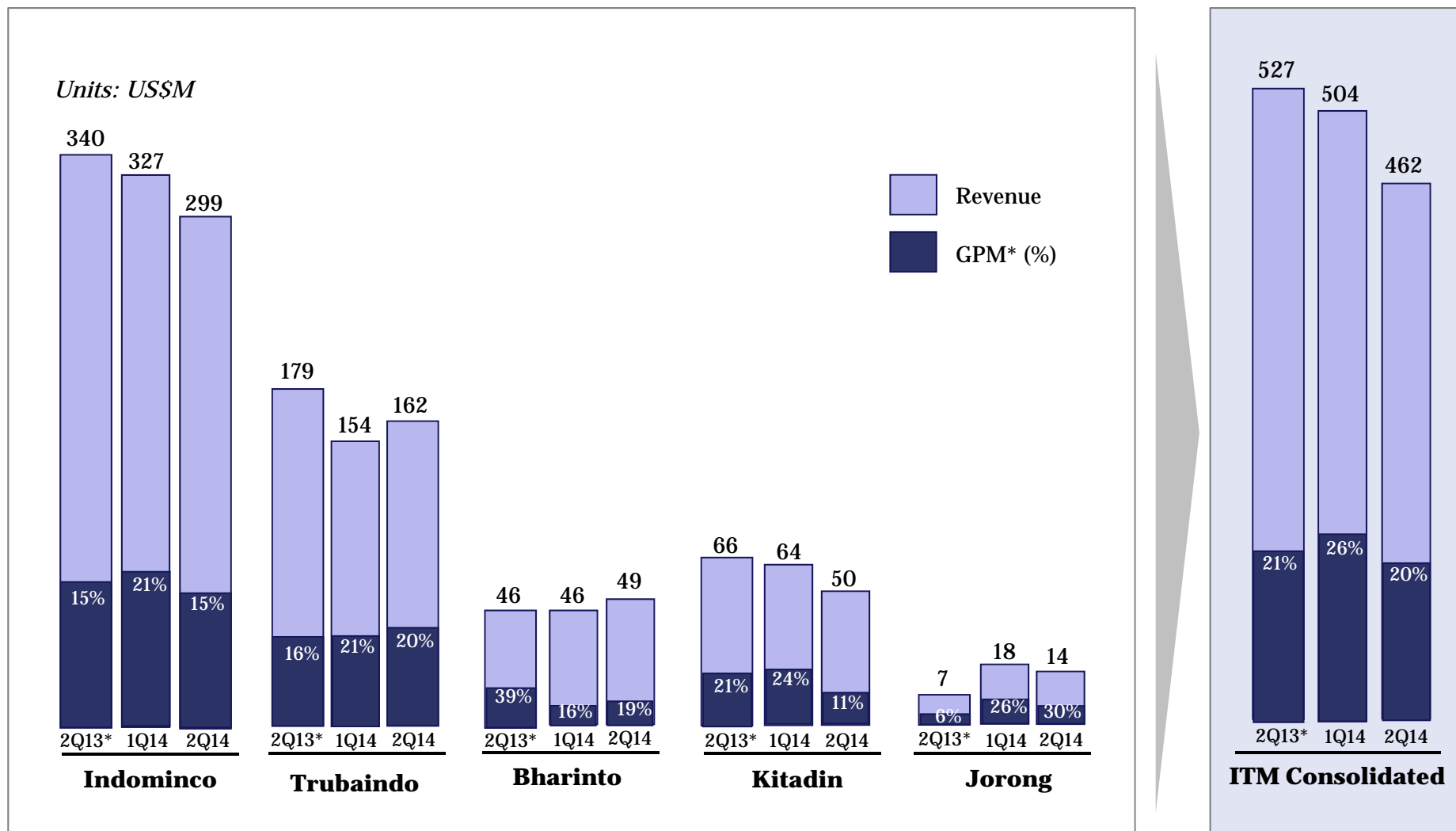


**ASP**

2Q14: \$68.1 /ton
1Q14: \$70.9 /ton
2Q13: \$76.8 /ton
1H14: \$69.7 /ton
1H13: \$78.4 /ton
FY13: \$74.9 /ton

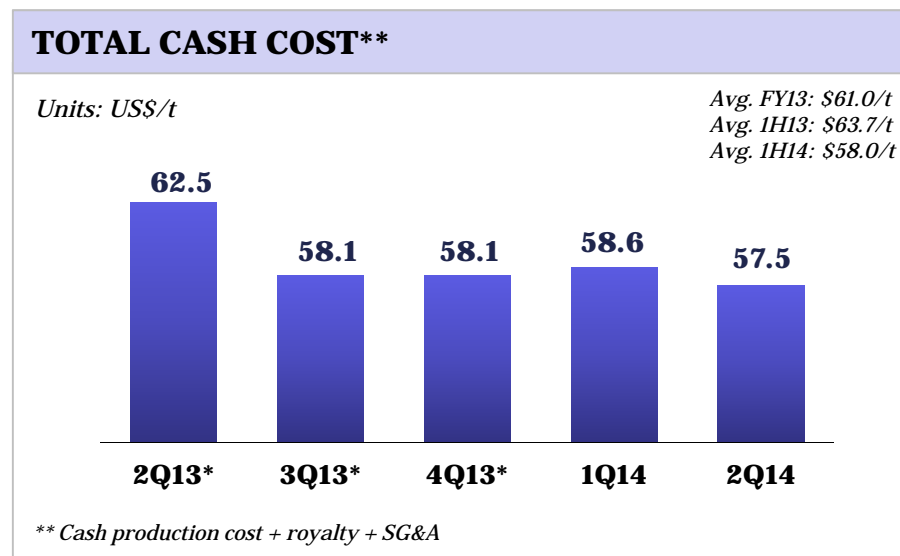
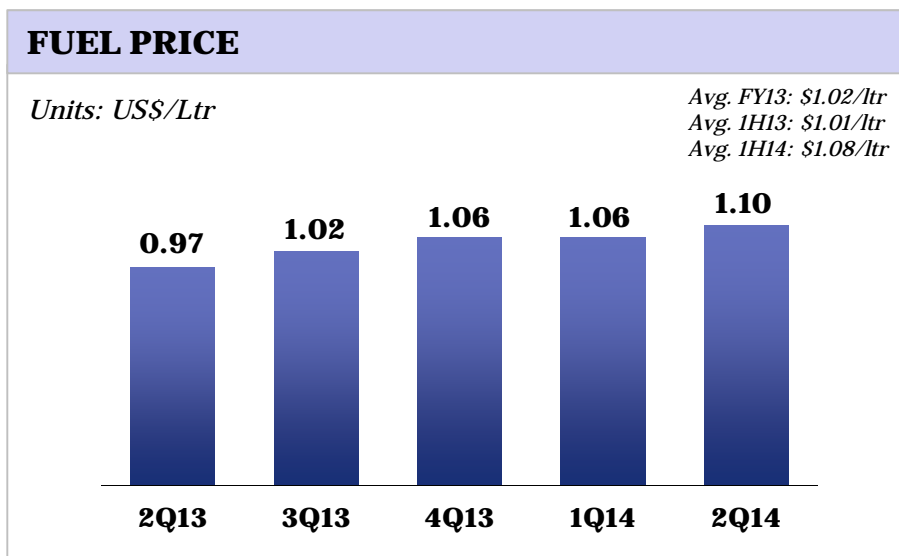
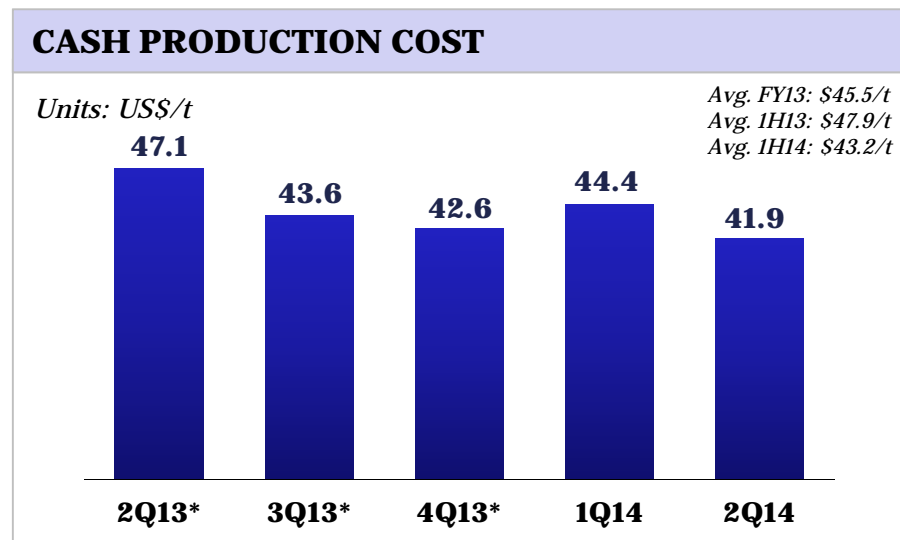
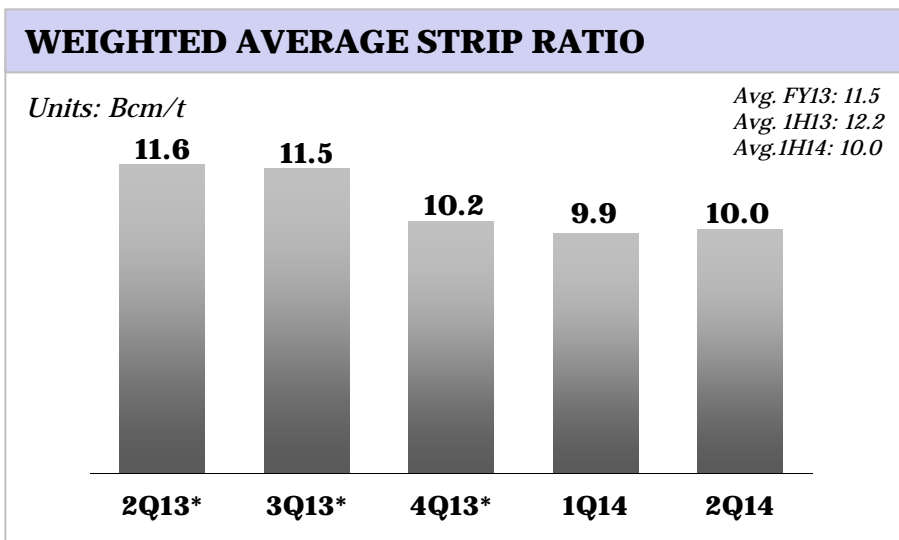
Note: Total consolidated revenue after elimination

# Average gross margin



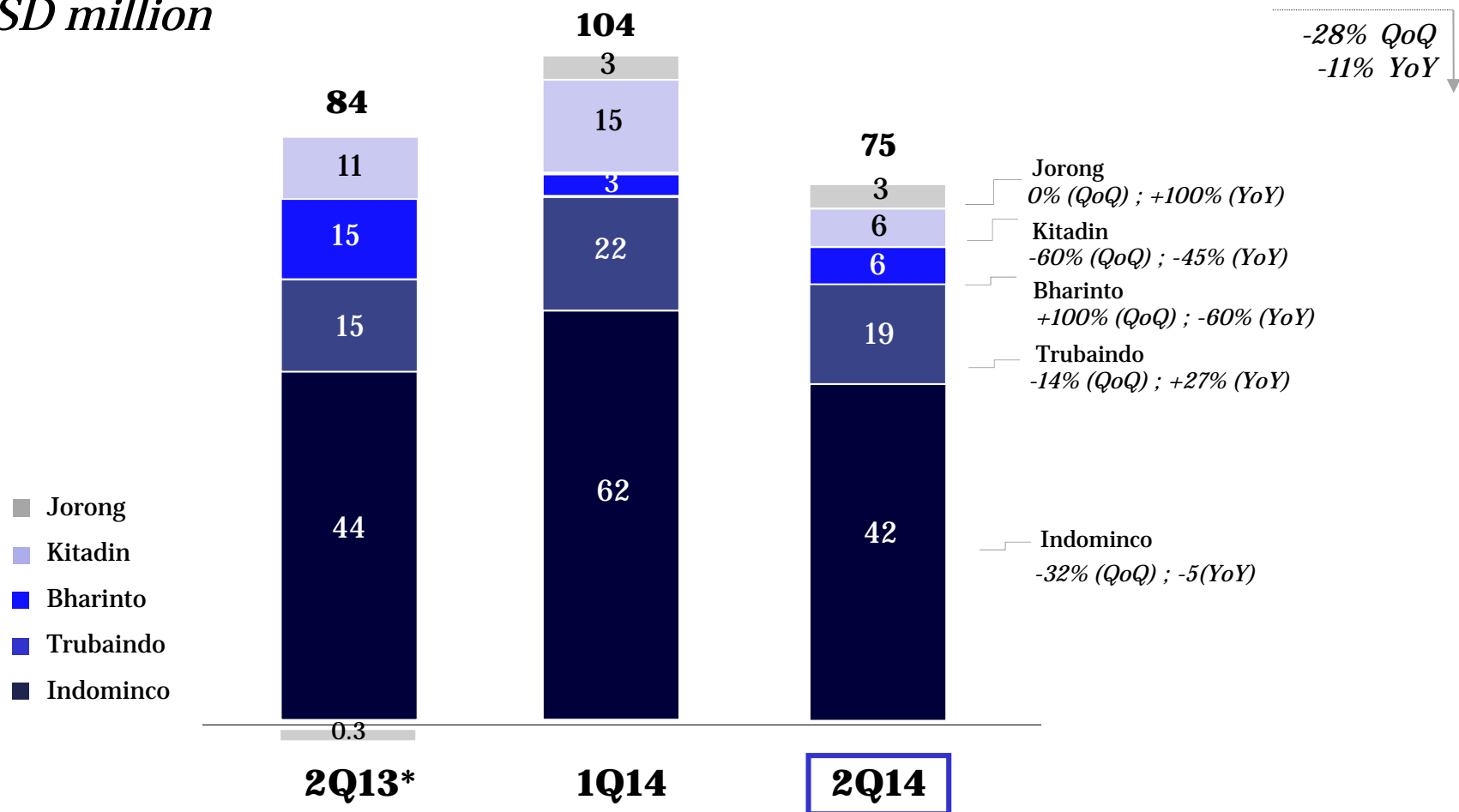
\*) Restated due to ISAK 29

# Cash cost



# EBITDA

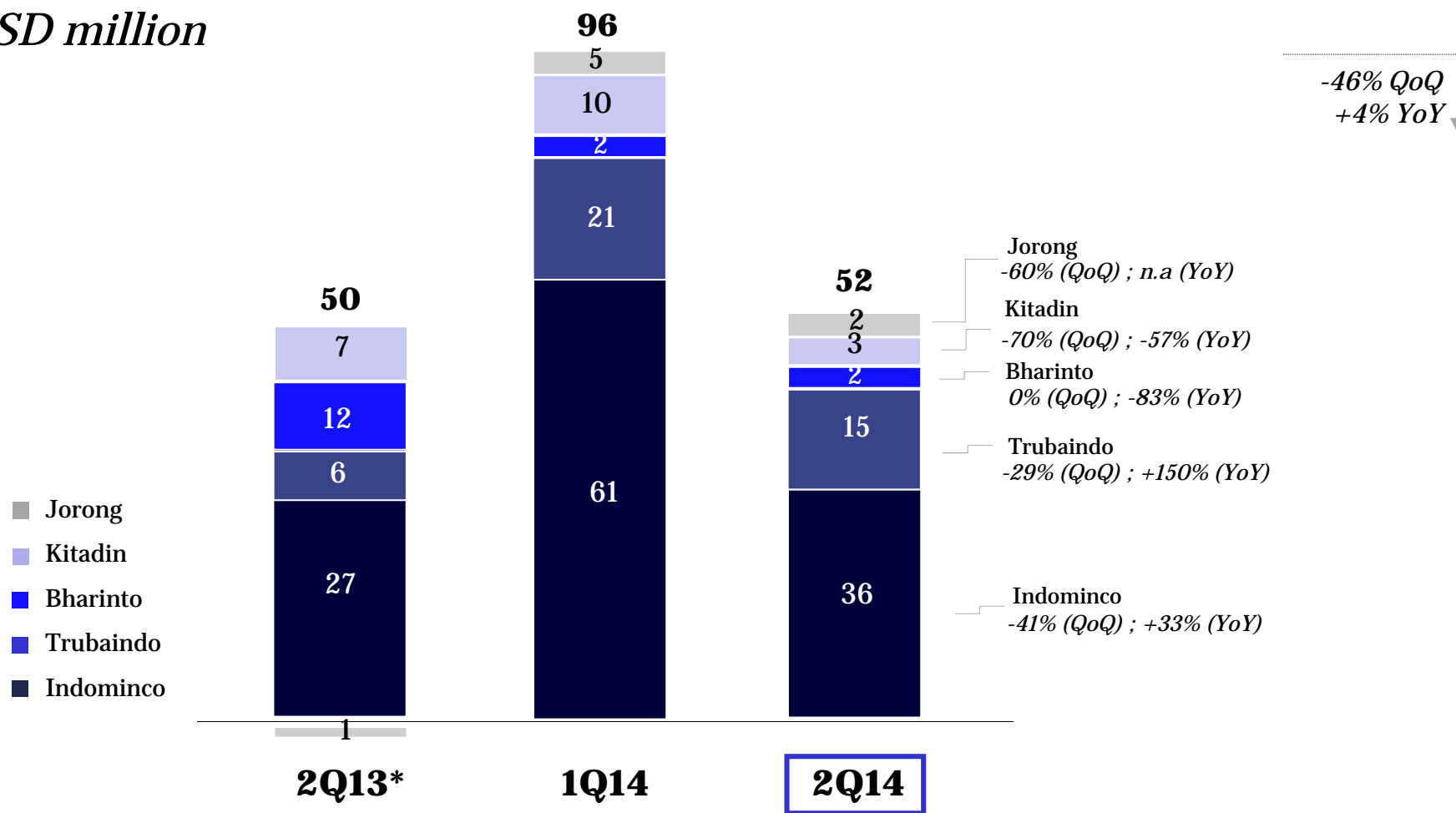
USD million



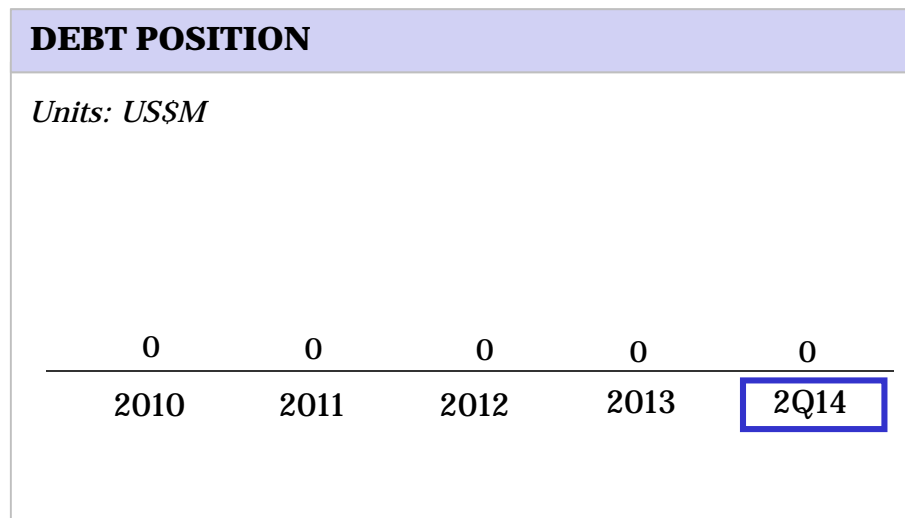
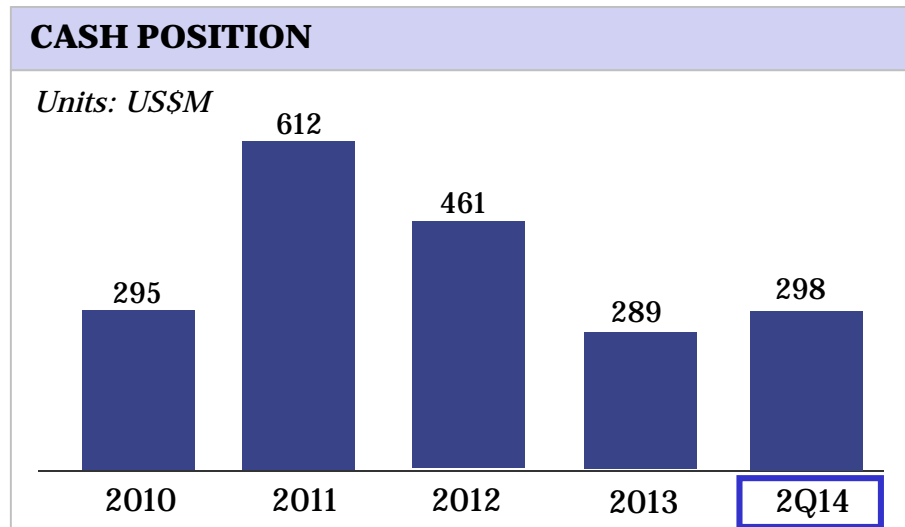
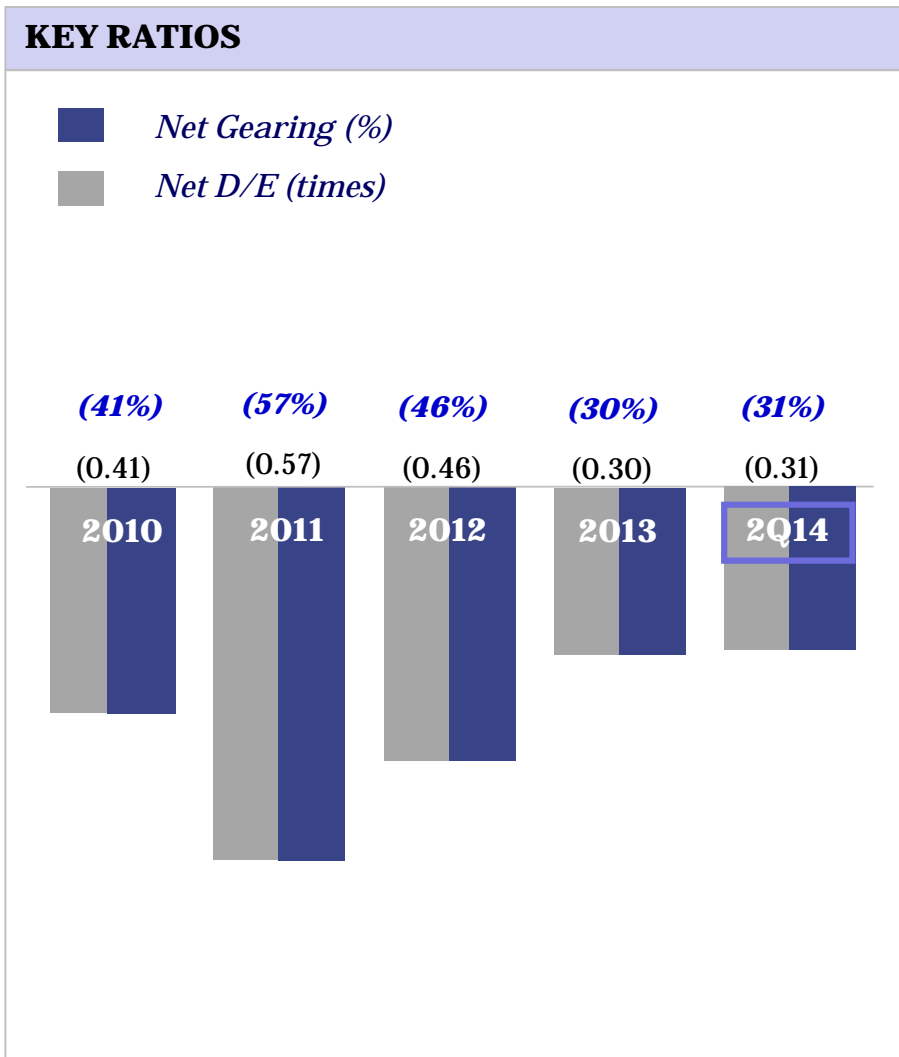
\*) Restated due to ISAK 29

# Net income

USD million



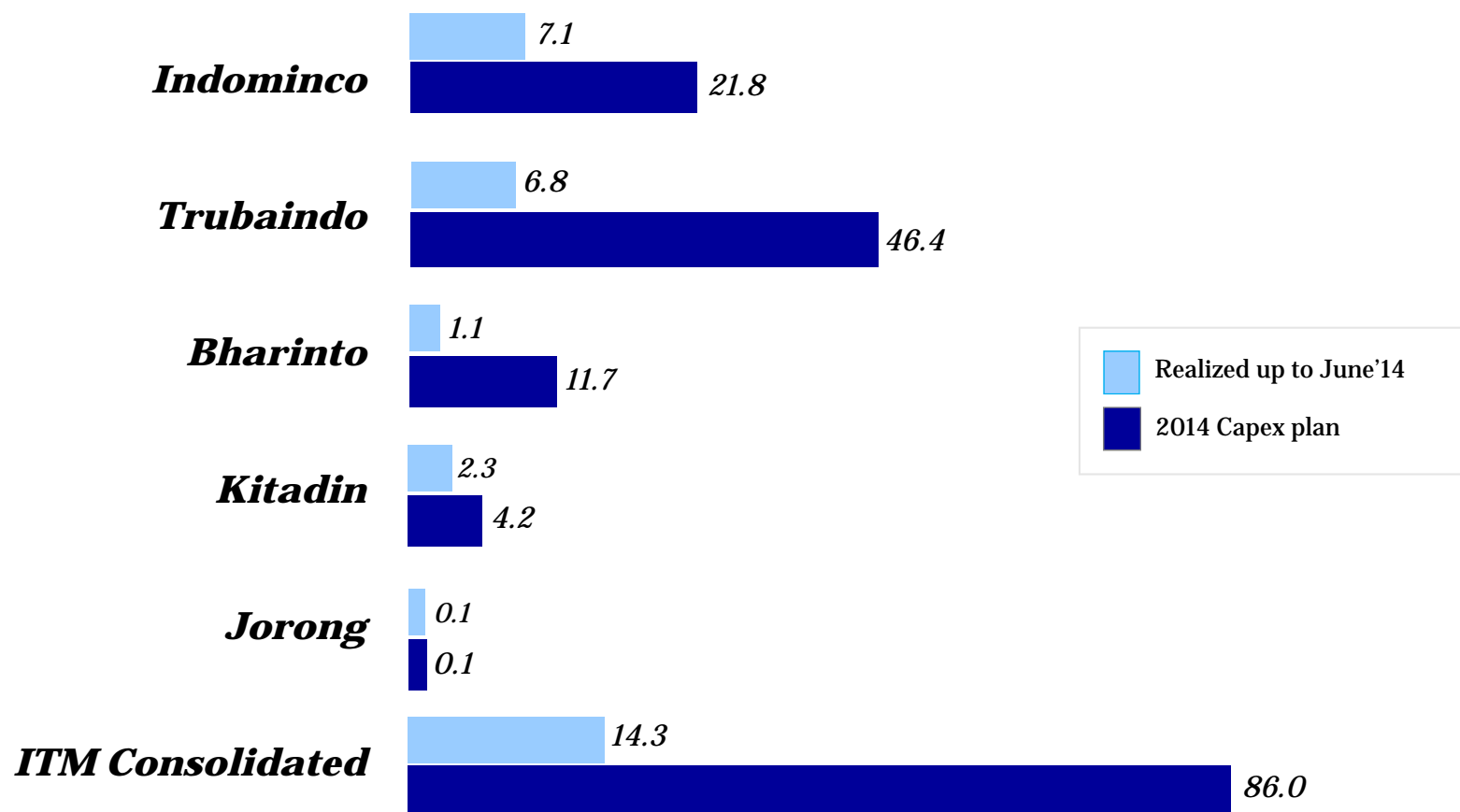
# Balance sheet





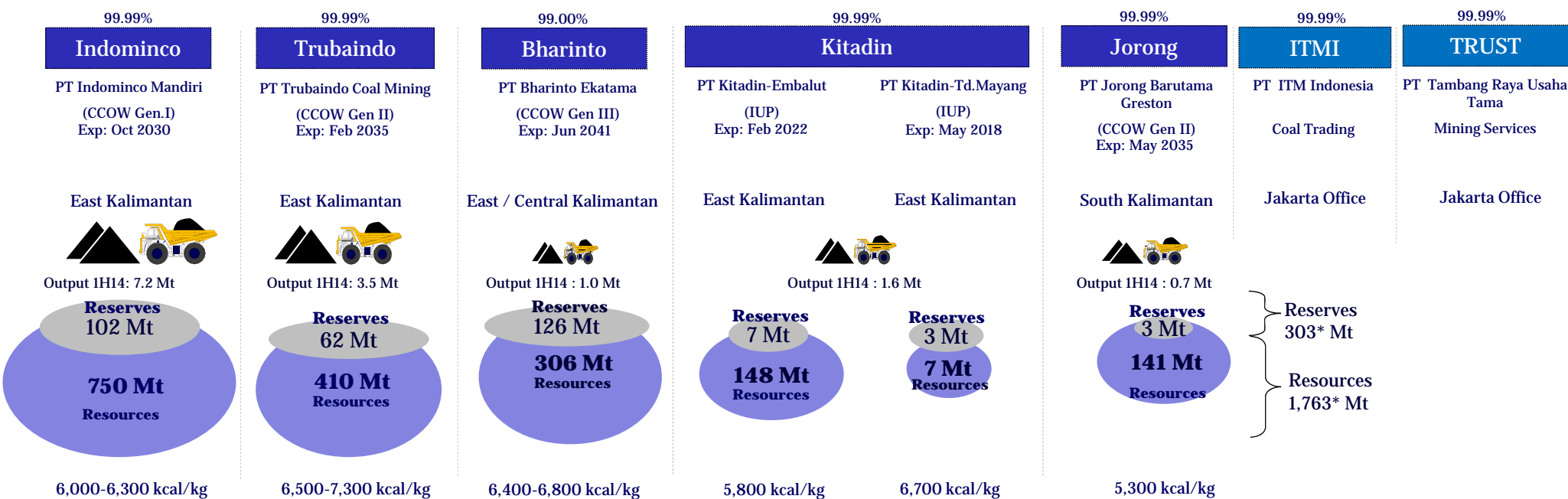
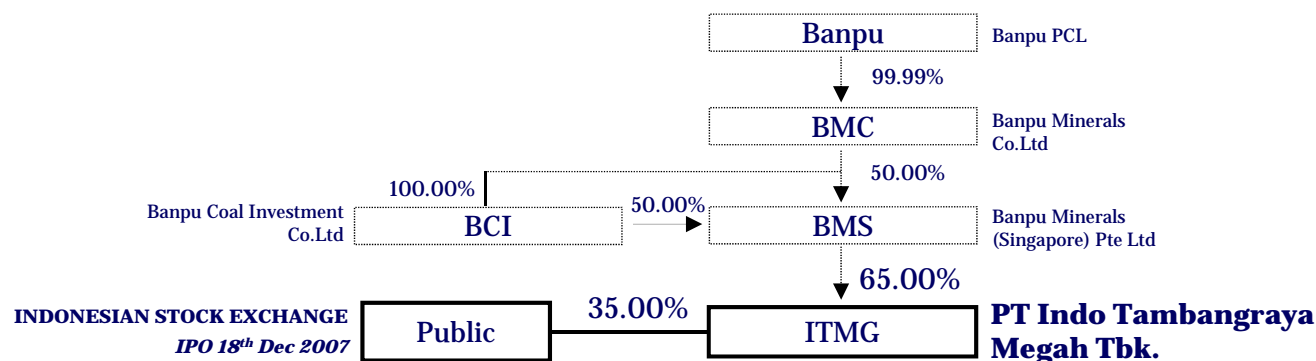
## 2014 capital expenditure plan

Units: USD million



## **Appendices**

# ITM structure



## Income statement

<b>Unit: US\$ thousand</b>	<b>2Q14</b>	<b>1Q14</b>	<b>QoQ%</b>
<b>Net Sales</b>	<b>461,633</b>	<b>503,593</b>	<b>-8%</b>
<b>Gross Profit</b>	<b>93,395</b>	<b>129,868</b>	<b>-28%</b>
<b>GPM</b>	<b>20%</b>	<b>26%</b>	
SG&A	(35,722)	(42,806)	
<b>EBIT</b>	<b>57,673</b>	<b>87,062</b>	<b>-34%</b>
<b>EBIT Margin</b>	<b>12%</b>	<b>17%</b>	
<b>EBIT DA</b>	<b>74,776</b>	<b>104,304</b>	<b>-28%</b>
<b>EBIT DA Margin</b>	<b>16%</b>	<b>21%</b>	
Net Interest Income / (Expenses)	1,571	1,313	
Derivative Gain / (Loss)	7,473	37,468	
Others	1,506	2,835	
<b>Profit Before Tax</b>	<b>69,317</b>	<b>128,678</b>	<b>-46%</b>
Income Tax	(17,260)	(32,714)	
<b>Net Income</b>	<b>52,057</b>	<b>95,964</b>	<b>-46%</b>
<b>Net Income Margin</b>	<b>11%</b>	<b>19%</b>	

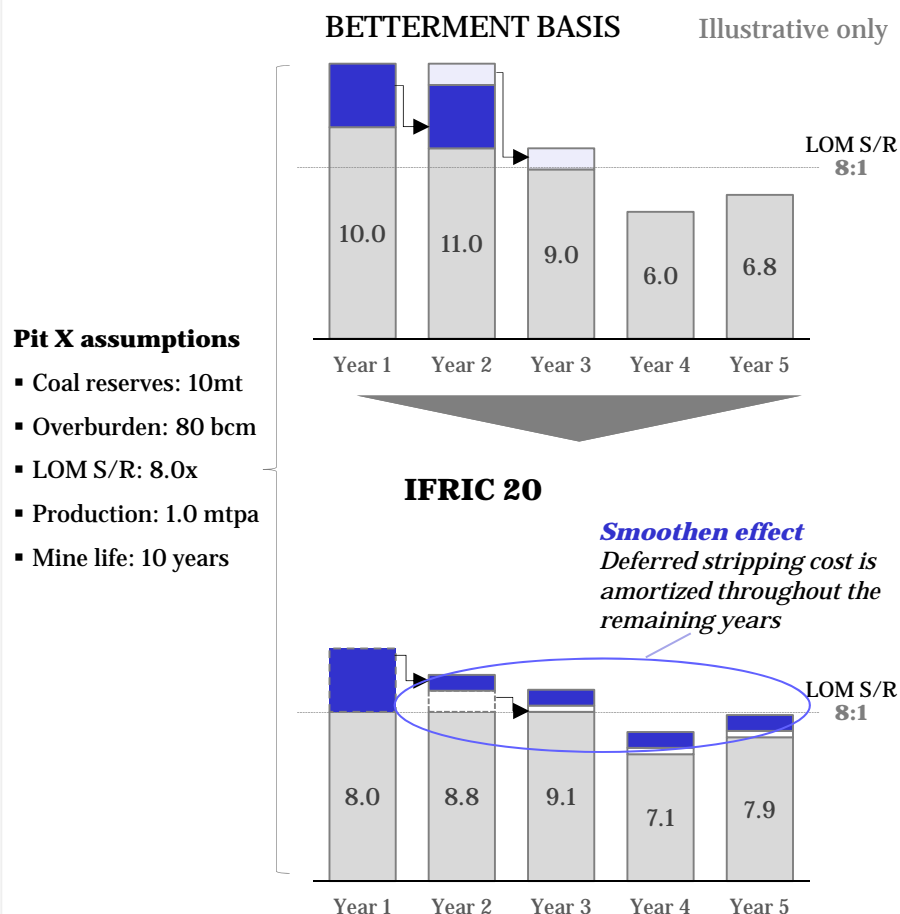
## Income statement

<b>Unit: US\$ thousand</b>	<b>1H14</b>	<b>1H13*</b>	<b>YoY%</b>
<b>Net Sales</b>	<b>965,226</b>	<b>1,089,586</b>	<b>-11%</b>
<b>Gross Profit</b>	<b>223,263</b>	<b>222,055</b>	<b>1%</b>
<b>GPM</b>	<b>23%</b>	<b>20%</b>	
SG&A	(78,528)	(85,167)	
<b>EBIT</b>	<b>144,735</b>	<b>136,888</b>	<b>6%</b>
<b>EBIT Margin</b>	<b>15%</b>	<b>13%</b>	
<b>EBIT DA</b>	<b>179,080</b>	<b>166,416</b>	<b>8%</b>
<b>EBIT DA Margin</b>	<b>19%</b>	<b>15%</b>	
Net Interest Income / (Expenses)	2,884	4,585	
FX Gain / (Loss)	1,094	(763)	
Derivative Gain / (Loss)	44,941	4,886	
Others	4,341	3,739	
<b>Profit Before Tax</b>	<b>197,995</b>	<b>149,335</b>	<b>33%</b>
Income Tax	(49,974)	(43,916)	
<b>Net Income</b>	<b>148,021</b>	<b>105,419</b>	<b>40%</b>
<b>Net Income Margin</b>	<b>15%</b>	<b>10%</b>	

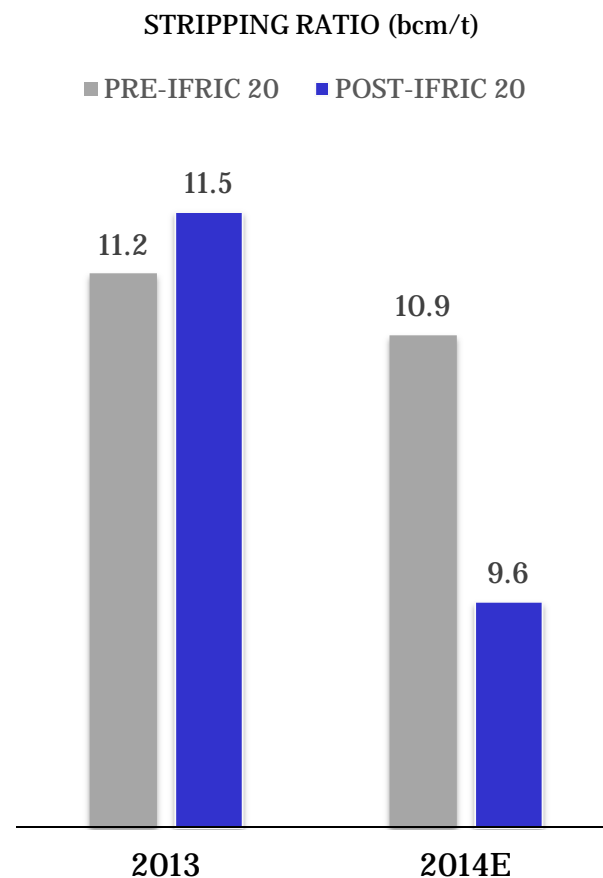
\*) Restated

# IFRIC20: accounting for waste removal costs

**IFRIC 20** is an adaption from the Betterment Basis to smoothen stripping cost amortization. Impact of IFRIC20 on deferred OB is adjusted in 2013 Retained Earnings.

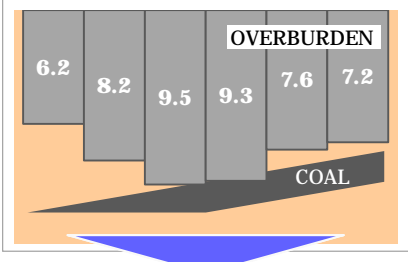
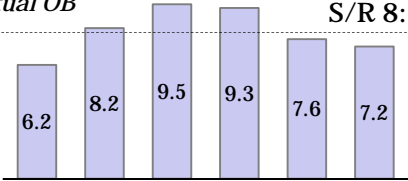
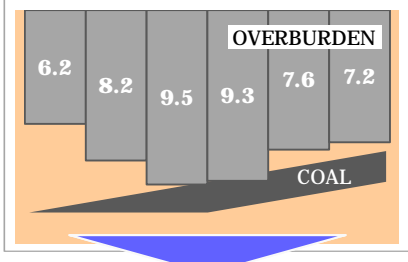
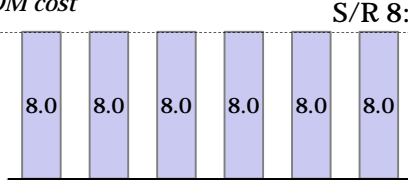
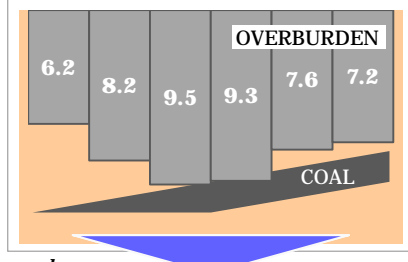
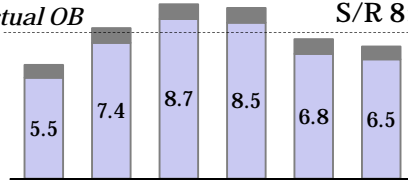


## ITM's overburden cost vs. new adjustment



# Methodologies for overburden cost recording

Illustrative  
OB stripping and  
cost recording  
Assume:  
Long-term stripping  
ratio of 8:1

	CASH BASIS	LIFE-OF-MINE BASIS	BETTERMENT BASIS
	 <p>Record actual OB</p> 	 <p>Record avg. LOM cost</p> 	 <p>Record deferred OB + actual OB</p> 
Estimation methodology	Based on cash cost from actual overburden stripping activities	Based on life-of-mine plan and straight-line approach	Based on company's mine planning
Pros	<ul style="list-style-type: none"> <li>Intuitive</li> <li>Reflect actual cash cost incurred</li> </ul>	<ul style="list-style-type: none"> <li>Simple and easy to understand</li> <li>Limited adjustments</li> </ul>	Align with sales revenue recognition
Cons	Not always align with sales revenue recognition	Not timely reflect actual cost incurred	<ul style="list-style-type: none"> <li>Misalignment between cost recording and actual cash outflow</li> <li>Subject to regular review</li> </ul>
Implementation in Indonesia Coal operations	None	For mine with relatively flat coal seam and low reserves e.g. Jorong and Kitadin – Tandung Mayang	<ul style="list-style-type: none"> <li>Indominco</li> <li>Trubaindo/Bharinto</li> <li>Kitadin – Embalut</li> </ul>