



PT Indo Tambangraya Megah Tbk



Analyst Briefing FY16 Performance Results

Jakarta, 27 February 2017

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1 INTRODUCTION

2 OPERATIONAL REVIEW

3 COMMERCIAL REVIEW

4 FINANCIAL REVIEW

5 QUESTION & ANSWERS

Highlights of 4Q16 and FY16 results



Coal sales
6.7 Mt
↓ **Down 0.3 Mt**
-4% Q-Q

Coal sales
26.7 Mt
↓ **Down 1.5 Mt**
-5% Y-Y

Unit: US\$ million

	<u>3Q16</u>	<u>4Q16</u>	<u>Q-Q</u>	<u>FY15</u>	<u>FY16</u>	<u>y-y</u>
Total Revenue	349	409	+17%	1,589	1,367	-14%
Gross Profit Margin	22%	34%	+12%	22%	24%	+2%
EBIT	47	104	+122%	194	209	+8%
EBITDA	60	131	+119%	258	272	+6%
Net Income	33	61	+85%	63	131	+107%
ASP (USD/ton)	\$49.9	\$59.8	+20%	\$56.4	\$51.0	-10%

2016 in Review



SIGN OF RECOVERY

Supply constraints pushed price in 4Q16 to the highest since 2013



COST CUTTING

Achieved from Step Change Productivity and cost rationalization program



\$272M EBITDA \$131M NET PROFIT

Improvement in EBITDA and bottom line profits



CORP.GOVERNANCE AWARDS

Obtained good corporate governance awards from several leading institutions



25.6 Mt PRODUCTION

25.6 Mt of production despite heavy rainfall and mine closure



SLIGHTLY LOWER ASP

ASP dropped by 10% from US\$56.4/t in 2015 to US\$50.6/t in 2016



SUCCESSFUL SHARE BUYBACK

67% share price increased, supported by share buyback scheme



CSR

Obtained award from NCSR for Sustainability Report in mining and metal

Awards and achievements in 2016

**Best Indonesian
Listed Companies**



From Anugerah
Perusahaan Tbk
Indonesia (APTI),
Economic Review
Magazine in
cooperation with
IPMI Business
School

**Best CG for non-
finance category**



From Indonesian
Institute for
Corporate
Directorship (IICD)

**The Top 10 of Top
50 Indonesian
Companies with
Best CG
Performance**



From Indonesian
Institute for
Corporate
Directorship (IICD)

**3rd Best GCG for
Indonesian Public
Companies**



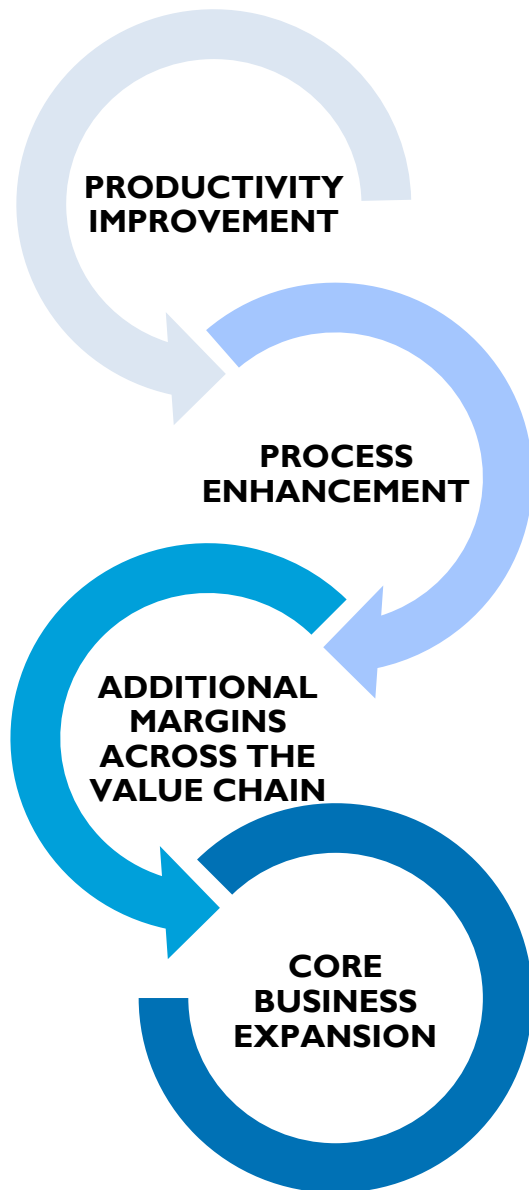
From Economic
Review magazine in
cooperation with
IPMI Business
School and Indonesia
Asia Institute

**1st Runner-up for
Best Sustainability
Report in Mining
and Metal**



From National
Center for
Sustainability
reporting (NCSR)

2017 and beyond



OPERATIONAL IMPROVEMENT



- Improvement of coal hauling road
- Optimize truck size and cycle time improvement
- Optimize barging cycle time
- Expansion of port stockyard at Bontang Coal Terminal



BUSINESS PROCESS ENHANCEMENT



- Manage procurement activity to be more efficient
- Business Process improvement and automation
- Promote innovation and people development



CAPTURE MARGINS ACROSS THE COAL VALUE CHAIN



- Contractor management and more usage of internal contractors
- 3rd party coal trading
- Leverage ITM's capability and infrastructure to synergize with nearby concessions
- Improvement in fuel procurement and logistics



EXPAND CORE BUSINESS

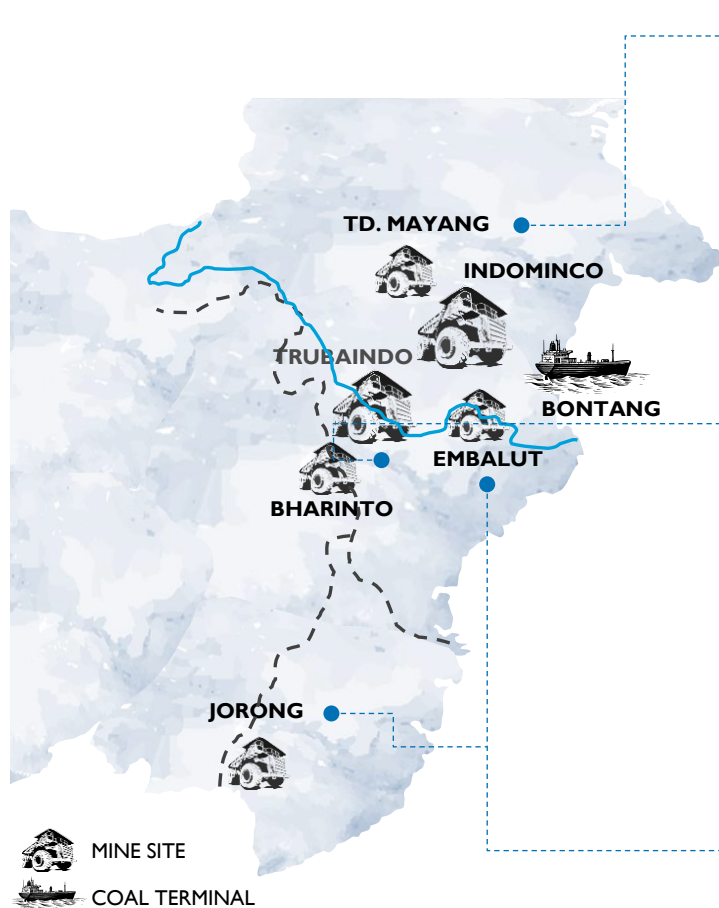


- Expand in-house mining contractor
- Investment in power business – capture opportunities from growing domestic electricity demand

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2016 operational review



Indominco

- Production cost down by 29% in 2016 due to cost reduction program
- Logistic cost at BoCT reduce by 15% in 2016
- Rationalized capex spending by 57% in 2016



Trubaindo - Bharinto

- Trubaindo: Logistic cost reduce by 24% in 2016
- Bharinto: Production cost reduce by 13% in 2016
- Rationalized capex spending by 63% in 2016
- Trubaindo achieved Blue Level for environmental management from Ministry of Environment and Forestry of Indonesia
- Bharinto achieved Zero Accident Award from Ministry of Manpower of Indonesia



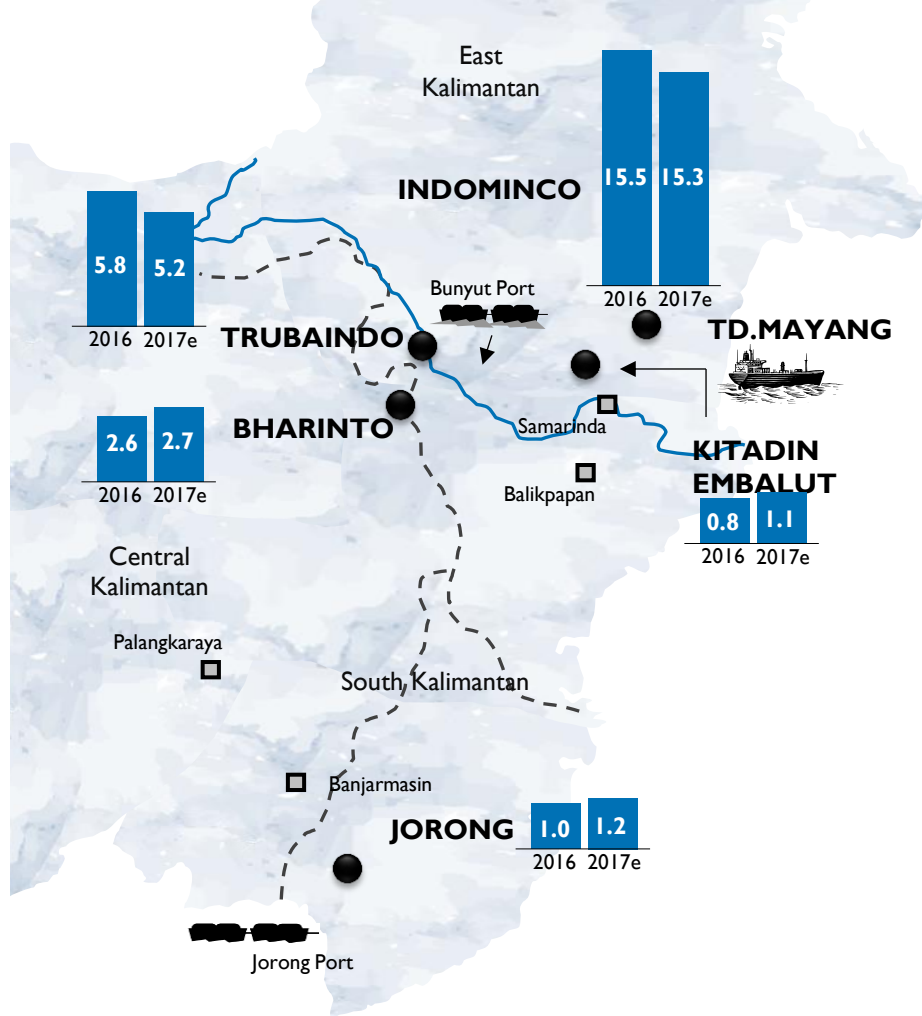
Embalut - Jorong

- Optimized mining reserves at Embalut mine
- Submitted mine closure plan to government at Jorong mine

Operational summary 2016-2017

2016 OUTPUT : 25.6 Mt

2017 TARGET : 25.5 Mt

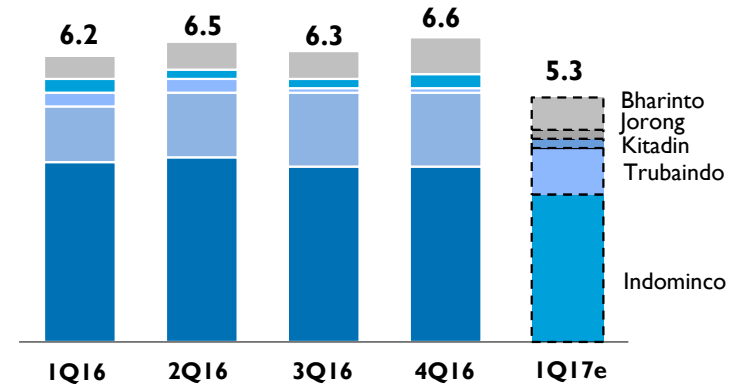


COMMENTS

- Similar production target compared to 2016 volume
- 1Q17 production target lower YoY given lower inventory at the end of 2016
- Higher optimized stripping ratios in 2017 as a result of coal price improvement
- 1Q17 strip ratio likely to be higher than average FY2017 target.

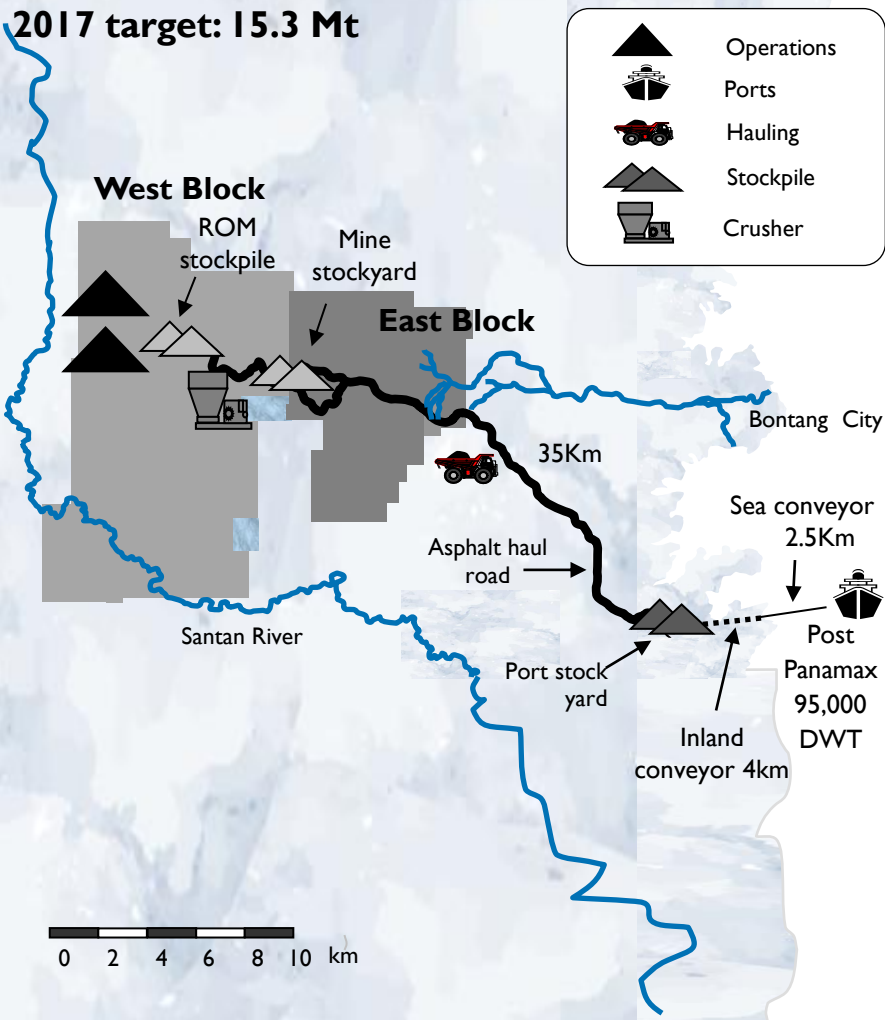
QUARTERLY OUTPUT TREND

Unit: Mt



SCHEMATIC

2017 target: 15.3 Mt

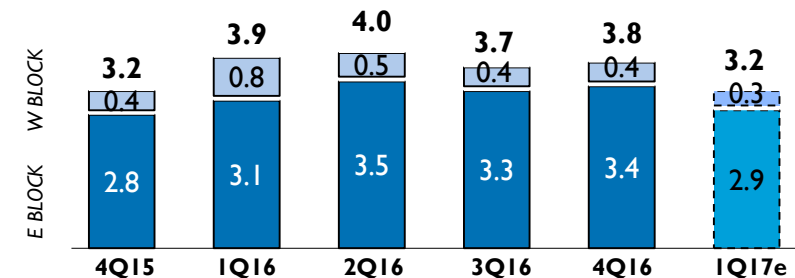


QUARTERLY UPDATES

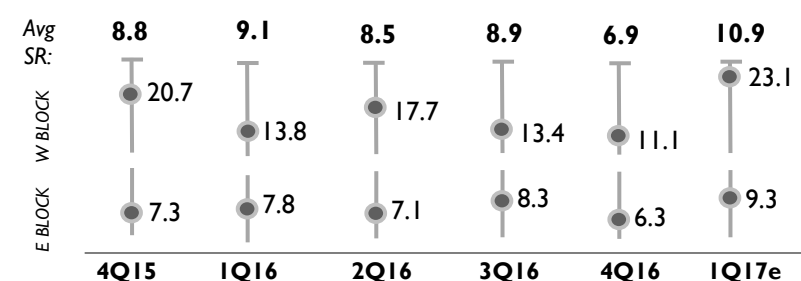
- 4Q16 production output was lower than target due to heavy rainfalls affecting mine production.
- Total average strip ratio in 2017 is expected to be higher than 2016 due to optimized coal reserved.

QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t



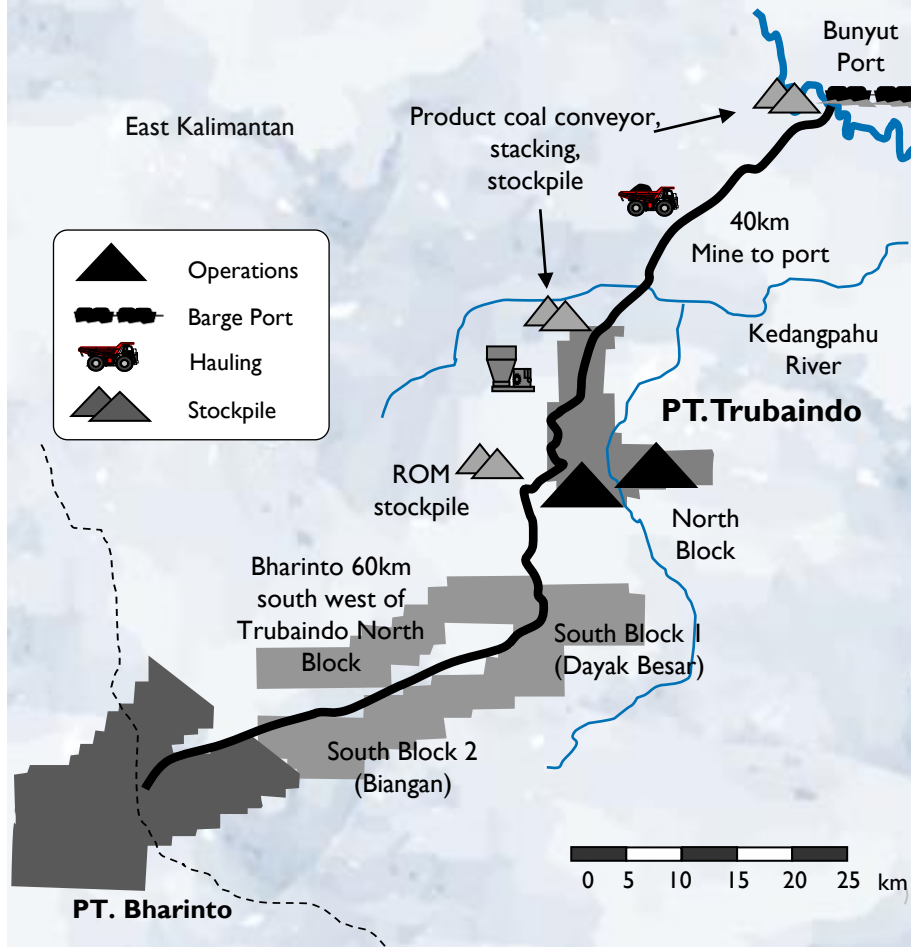
*SR based on FC coal

**SR FY16 IMM: 8.3, WB: 14.1, EB: 7.4

Melak group – Trubaindo and Bharinto

SCHEMATIC

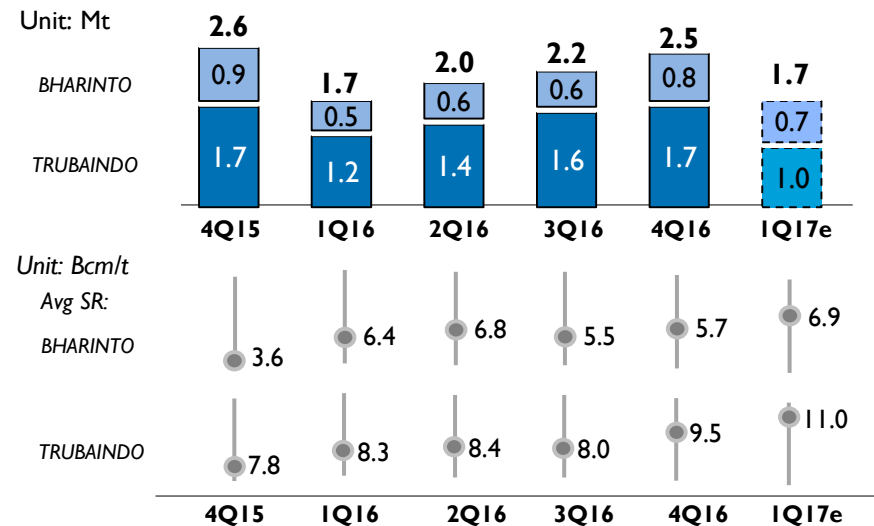
2017 target: TCM 5.2 Mt
BEK 2.7 Mt



QUARTERLY UPDATES

- Trubaindo:
 - 4Q16 production achieved as according to target.
 - Hauling road improvement from South Block Trubaindo to Bunyut port to accommodate for larger truck aims to reduce cost and improve efficiency. Expected to be completed by 4Q17.
- Bharinto:
 - 4Q16 production achieved according to target.

QUARTERLY OUTPUT



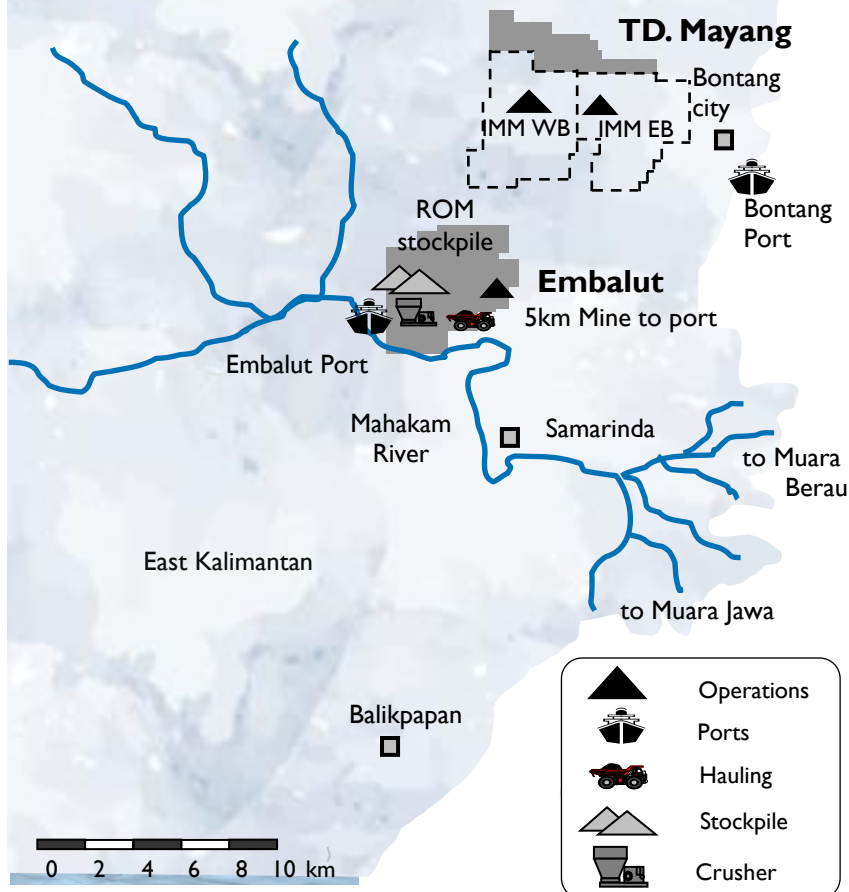
*SR based on FC coal

**SR FY16 TCM: 8.6, BEK: 6.1

Kitadin Embalut and Tandung Mayang

SCHEMATIC

2017 target: EMB 1.0 Mt



QUARTERLY UPDATES

- Kitadin Embalut:
 - 4Q16 production output was lower than target due to bad weather.
 - Following the increase in production volume, strip ratio will gradually go down.
- Kitadin Tandung Mayang:
 - Continue mine closure activities including mine rehabilitation.

QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

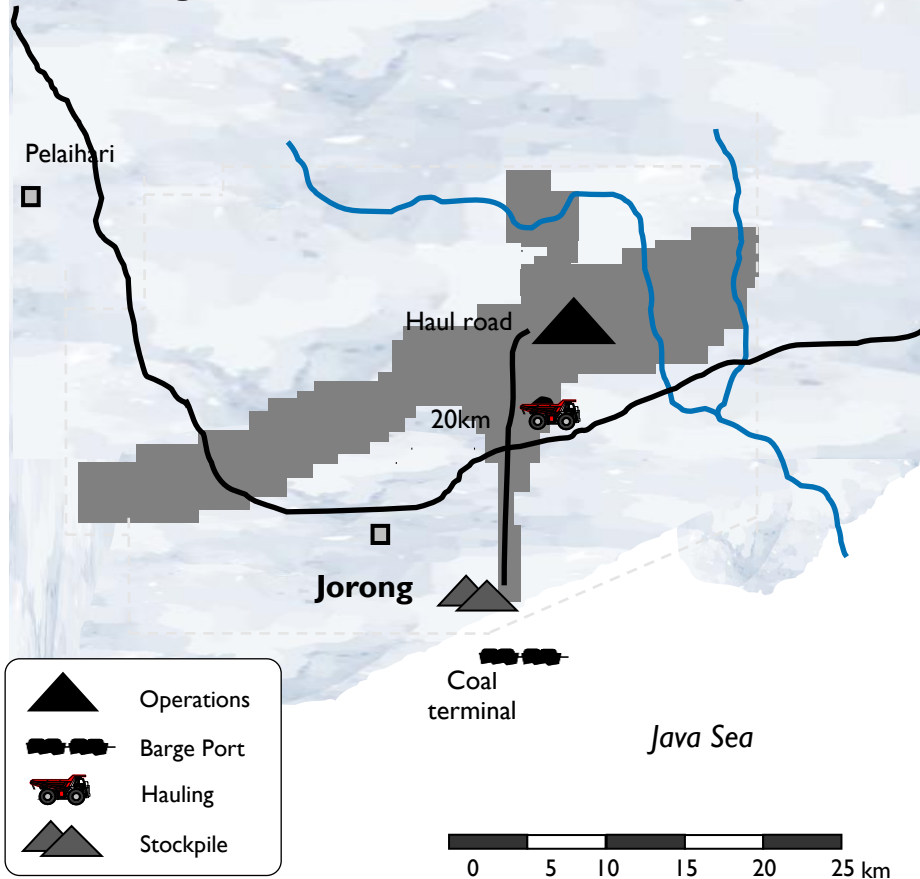
Avg SR:



*SR based on FC coal **SR FY16 EMB: 11.3

SCHEMATIC

2017 target: 1.2 Mt

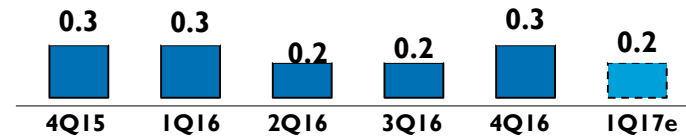


QUARTERLY UPDATES

- 4Q16 production achieved as according to target.
- Mine closure plan already submitted and being reviewed by government for approval.
- Remaining mine reserves will be depleted by 2018.

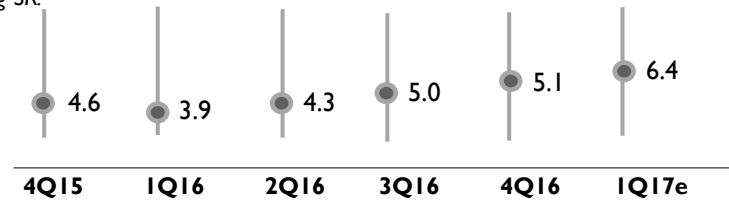
QUARTERLY OUTPUT

Unit: Mt



Unit: Bcm/t

Avg SR:









*SR based on FC coal

***SR FY16 JBG: 4.5









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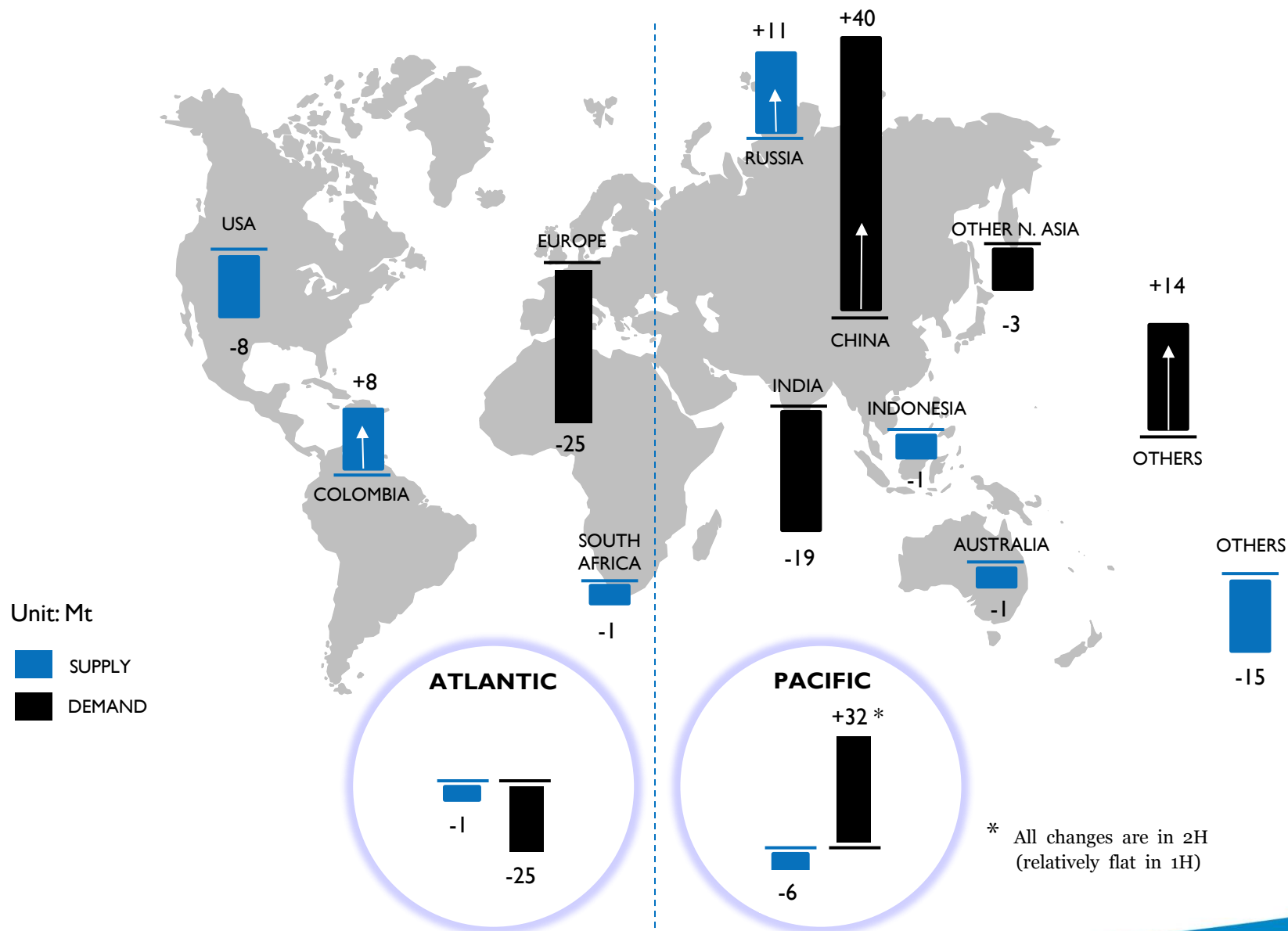
Global demand trends: 2016 vs 2015

GEOGRAPHY		CHANGE 2015-16 (MT.)	COMMENTS
	CHINA	+40	<ul style="list-style-type: none"> Relaxed capacity-cut policy; coal prices intervention; signed 2017 annual contracts; market more stabilized; coal prices softened
	INDIA	-19	<ul style="list-style-type: none"> Weak power demand; increased domestic production; currency demonetization and high coal prices hampered coal imports
	OTHER N.ASIA	-3	<ul style="list-style-type: none"> Slow economic growth; high renewable energy and plant maintenance lowered coal burn
	EUROPE	-25	<ul style="list-style-type: none"> Low UK imports; coal-to-gas switching; coal plants retirement and increased renewable energy
	OTHERS	+14	<ul style="list-style-type: none"> Vietnam, Philippines and Malaysia add c.12 Mt of demand
	GLOBAL	+7	<p><i>Global demand recovery driven by China and SEA; India, N. Asia and Europe showed lackluster performance; Chinese government introduced stabilizing scheme 2017: coal price likely to remain high.</i></p>

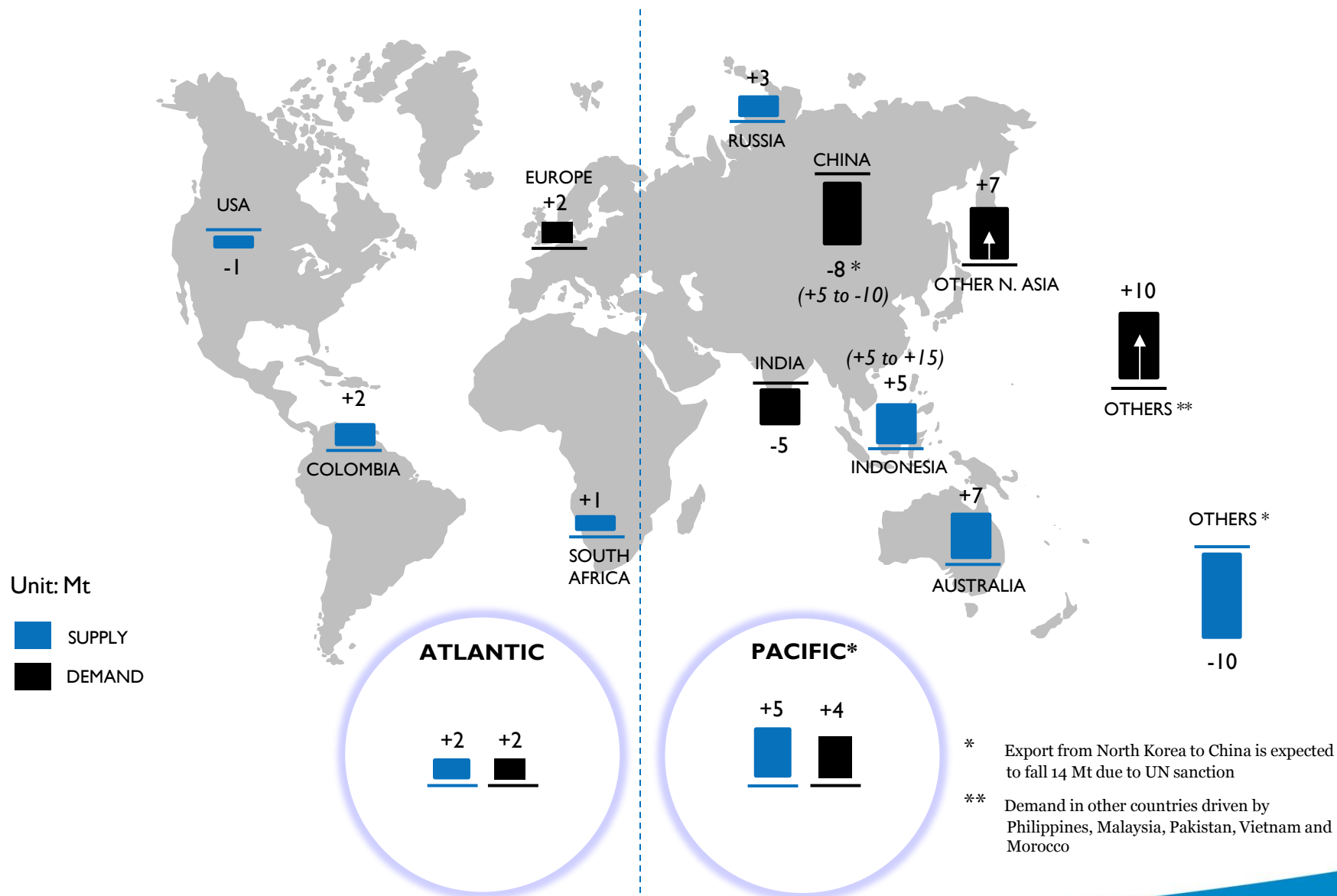
Global supply trends: 2016 vs 2015

GEOGRAPHY		CHANGE 2015-16 (MT.)	COMMENTS
	INDONESIA	-1	<ul style="list-style-type: none"> Increase China demand improved exports; cont. rainfall limited growth
	AUSTRALIA	-1	<ul style="list-style-type: none"> A focus on coking coal, bad weather and maintenance tightened supply
	COLOMBIA	+8	<ul style="list-style-type: none"> Heavy rain in Oct/Nov hampered operations; shipments were smooth
	RUSSIA	+11	<ul style="list-style-type: none"> Frosty weather and rail car shortage affected exports and tightened supply
	S.AFRICA	-1	<ul style="list-style-type: none"> Weak Indian demand, rising domestic demand and weather restrict export
	USA	-8	<ul style="list-style-type: none"> Improved domestic demand; limited volume for export
	OTHERS	-15	
	GLOBAL	-8	<p><i>Capacity-cut policy relaxation improved supply in China but all major exporting countries faced supply disruption due to unfavorable weather conditions and maintenance.</i></p>

Regional thermal coal market 2016 vs 2015



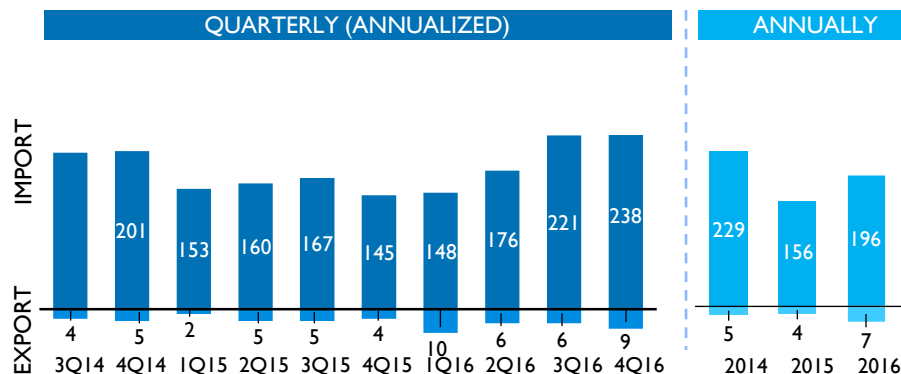
Regional thermal coal market 2017 vs 2016



China thermal coal market review

CHINA THERMAL COAL IMPORTS/EXPORTS*

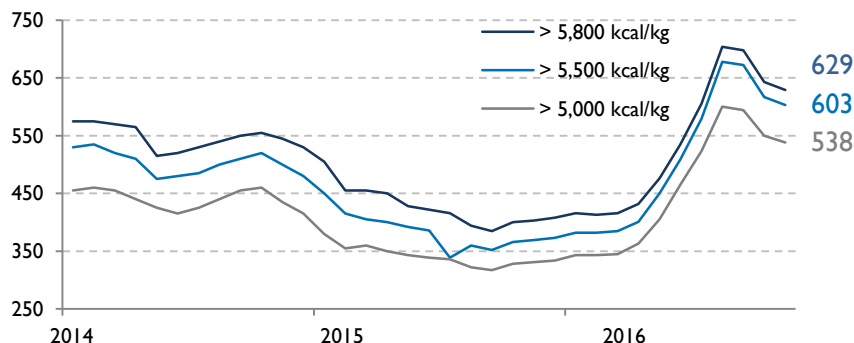
Unit: Mt



Sources: Banpu MS&L estimates

CHINA DOMESTIC COAL PRICES

Unit: RMB/t

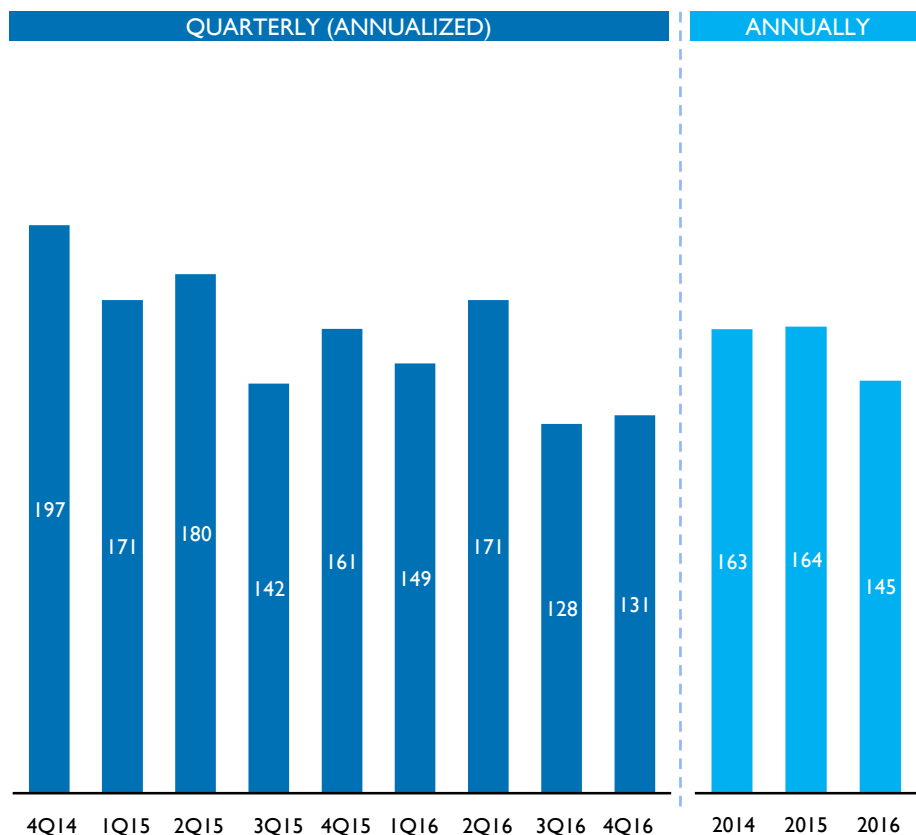


- In November, Chinese government relaxed supply constraints by allowing safety-compliant mines to operate 330 working days/year until March 2017
- NDRC intervened coal price index
- Most of 2017 annual term contracts have been signed, resulting in reduced spot demand as contract price cheaper than spot
- 13th five-year plan (2016-2020) released in December, China aims to continue supply structural reform and maintain imports
- NDRC issued scheme for 2017 to stabilize coal market and aim to control coal price in a range of RMB 500-570/t
- 2% import tax on Australian thermal coal will be removed from 1 January 2017
- China plans to launch national emissions trading scheme (ETS) in 2H17, meaning imports will move to higher quality

India thermal coal market review

INDIA THERMAL COAL IMPORTS*

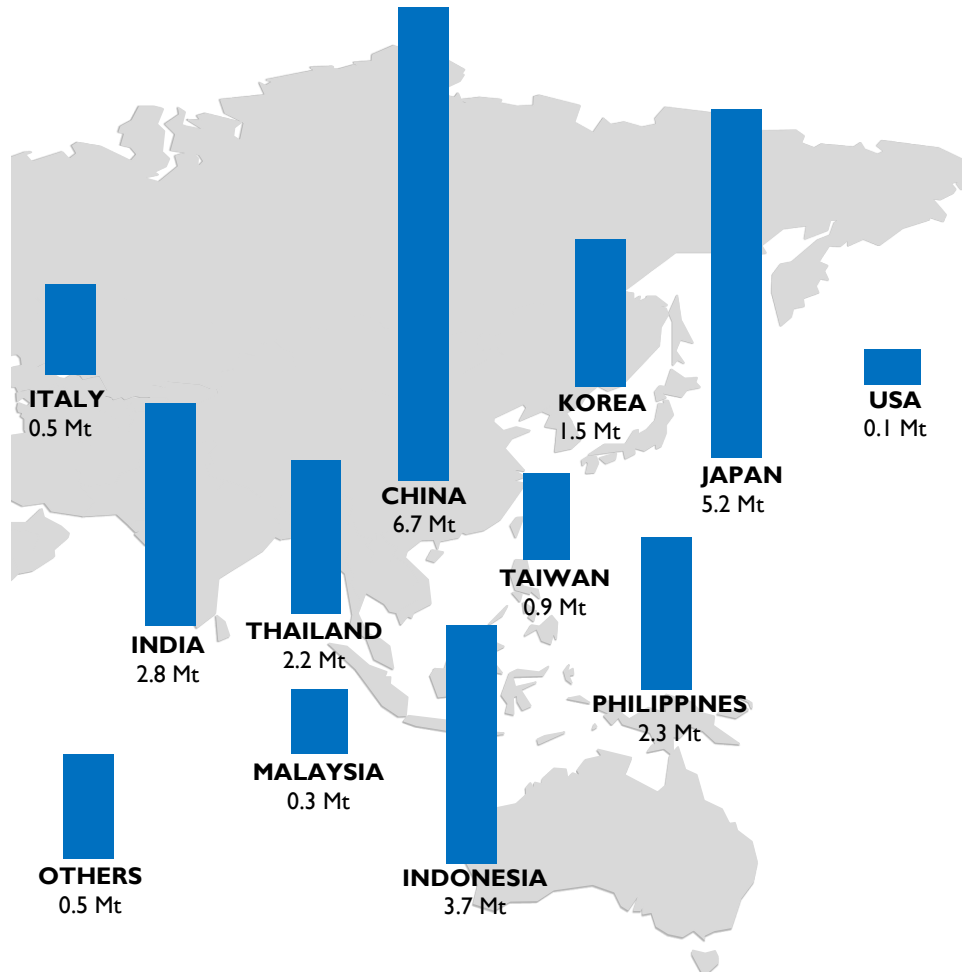
Unit: Mt



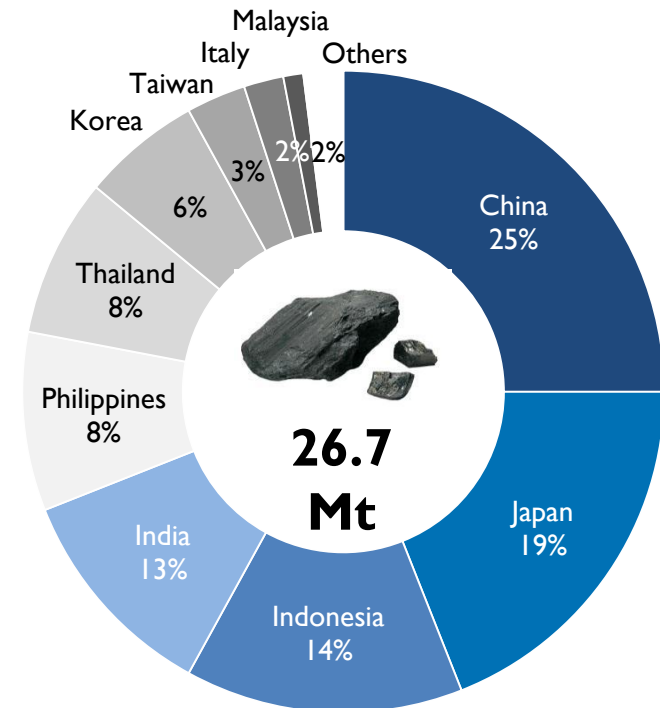
- Weak power demand and increased supply continues to hamper coal imports
- Currency demonetization hit coal imports in short-term as small traders and end-users usually conduct cash transactions
- Government continues to push state-owned coal-fired power plants to increase domestic coal consumption and reduce use of imported coal
- Indian buyers focus on domestic coal when imported coal become expensive
- Coastal plants continue to use imported coal due to delivery cost and quality advantage
- India's buyers shifted away from expensive South African coal to Indonesian coal 2H16
- Protectionism policy will limit import growth in medium term.

ITM coal sales FY16

COAL SALES BREAKDOWN BY DESTINATION



COAL SALES FY16

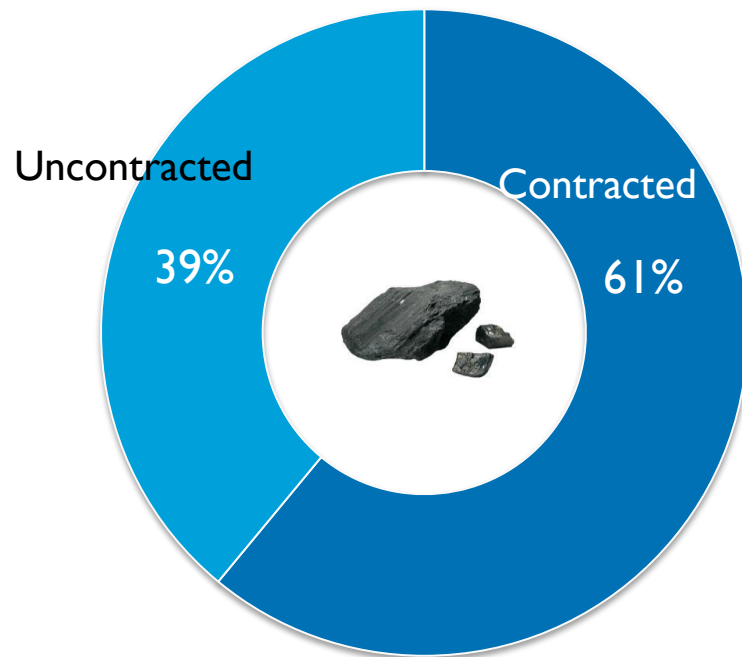


Total Coal Sales FY16: 26.7 Mt

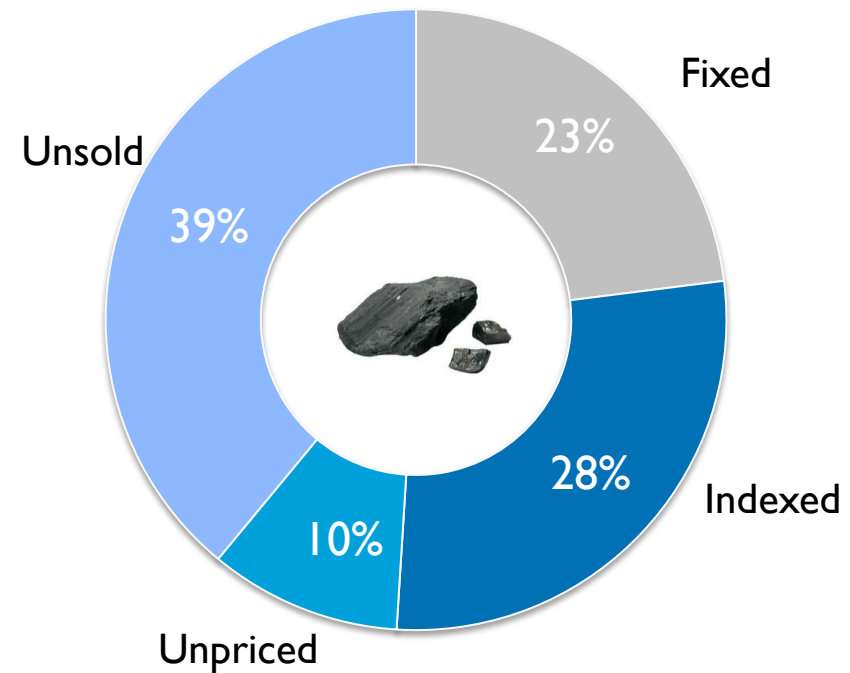
Indicative coal sales 2017

COAL SALES CONTRACT AND PRICING STATUS

Contract Status



Price Status



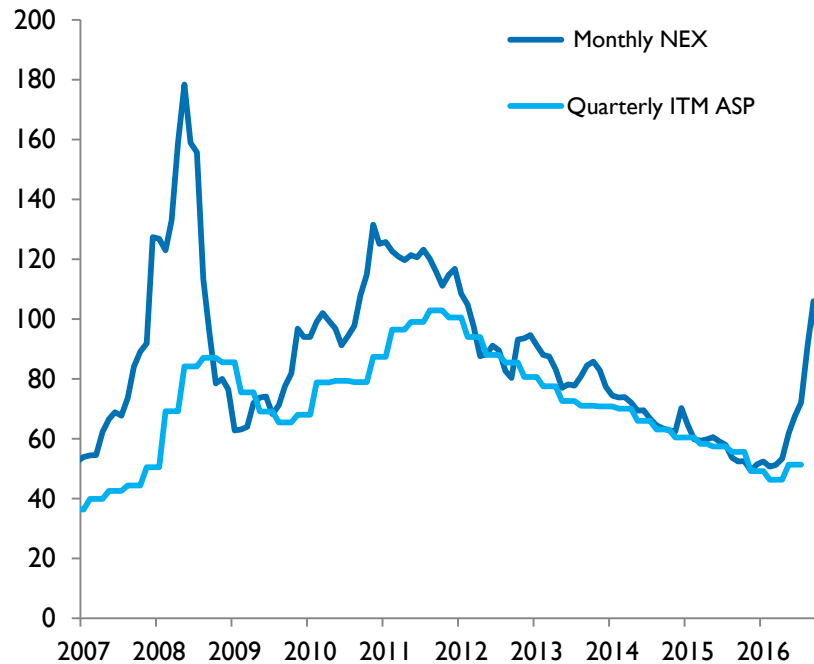
TARGET SALES 2017: 27.0 Mt

ITM ASPs vs thermal coal benchmark prices



ITM ASP VS BENCHMARK PRICES

Unit: US\$/t



COMMENTS

- 4Q16 ASP benefitted from bullish market driven by Chinese output cap policy and supply tightness
 - ITM ASP: US\$59.8/t* (+20% QoQ)
 - NEX (Feb 23, 2017)**: US\$81.9/t
- NEX benchmark prices surged in 4Q. Prices have softened in 2017. Chinese policy still major influence.

Note: * Included post shipment price adjustments as well as traded coal

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

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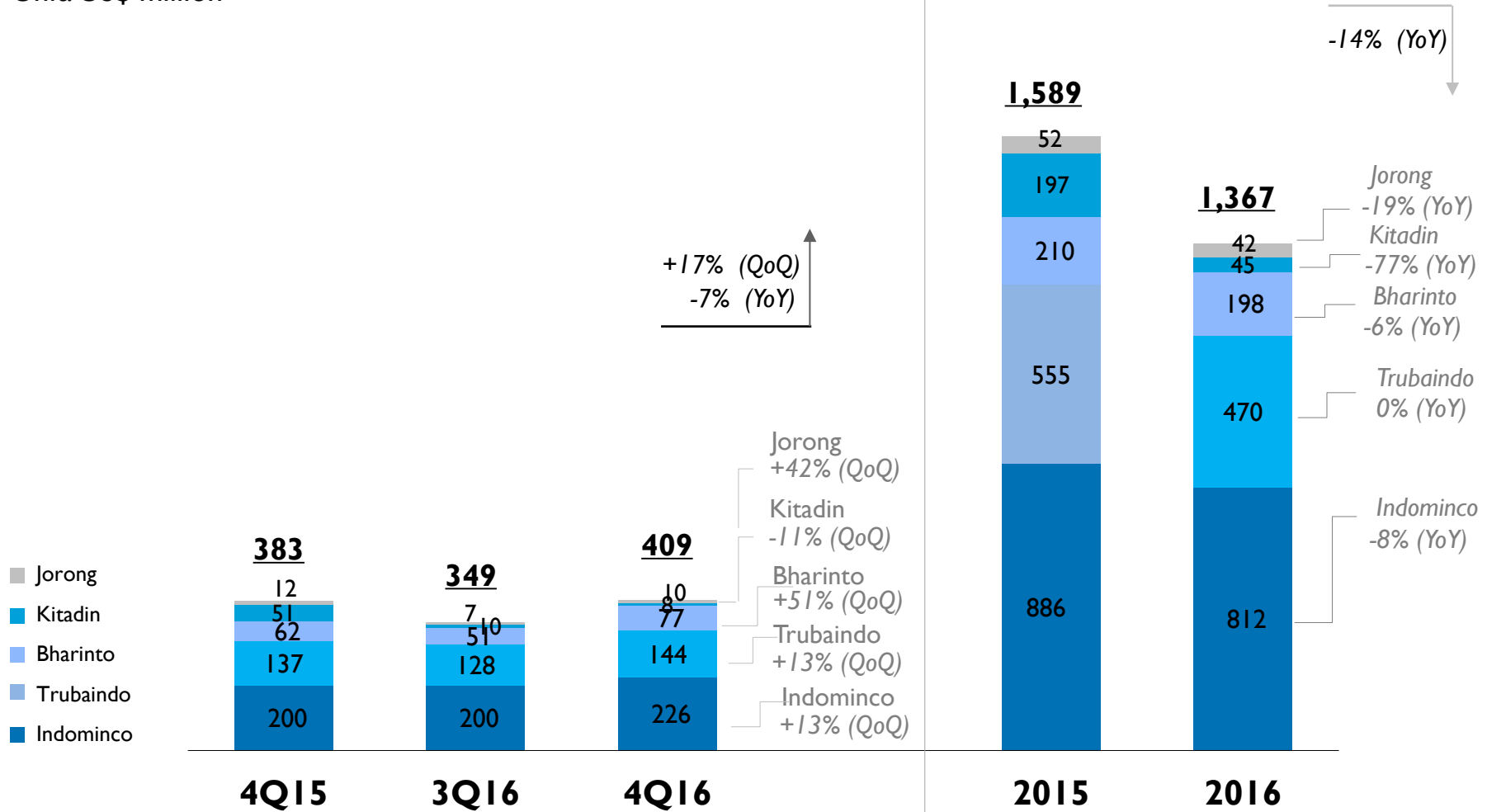
4 FINANCIAL REVIEW

5 QUESTION & ANSWERS

Sales revenue

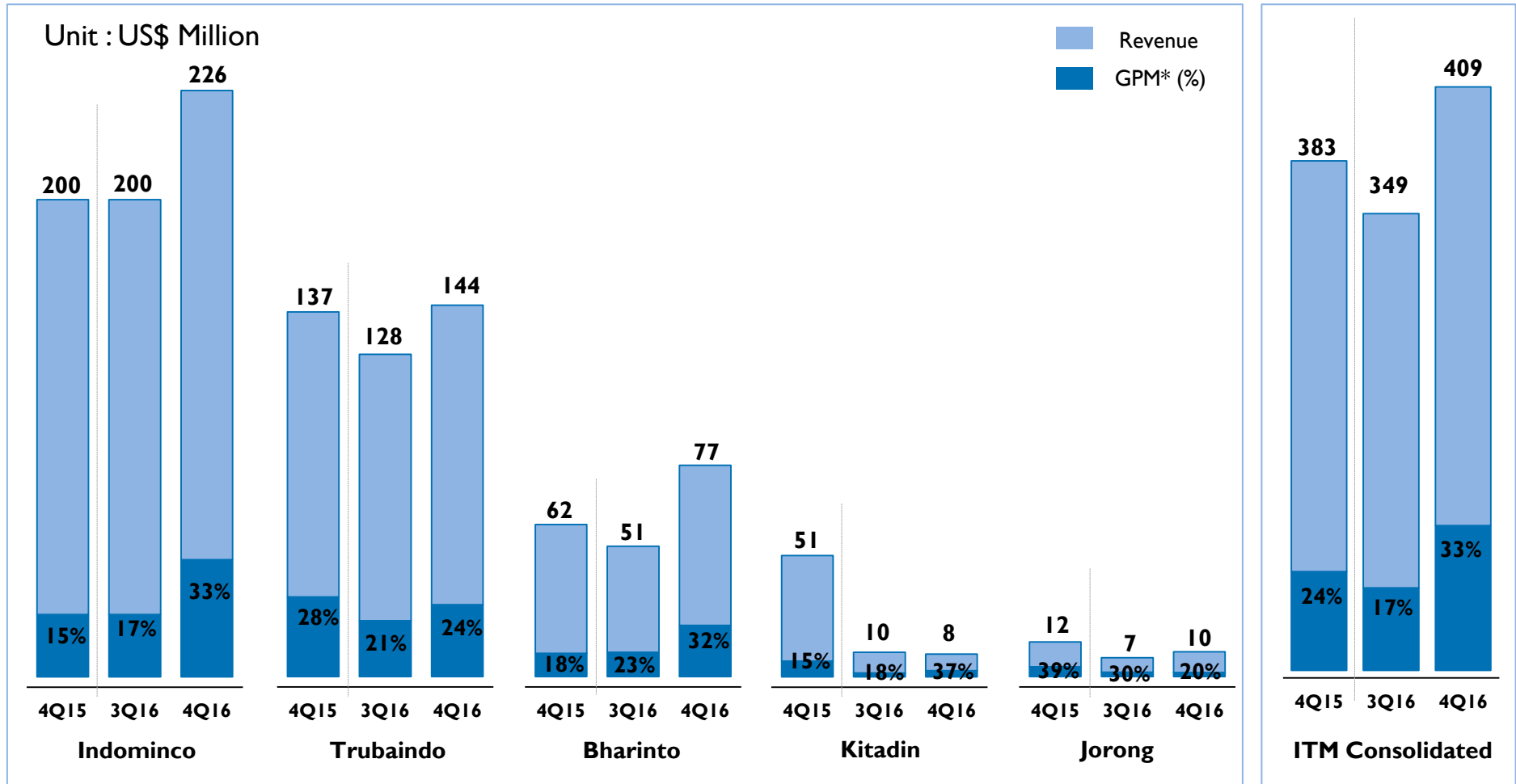


Unit: US\$ million



Note : Total consolidated revenue after elimination

Average gross margin



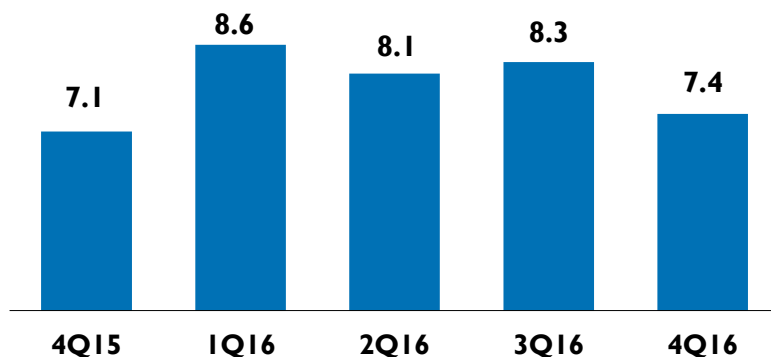
* Gross profit after royalty expense

Total cost

WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

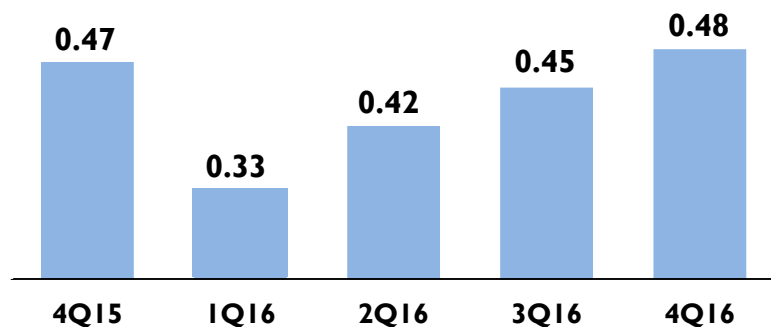
Avg. FY15 : 8.5
Avg. FY16 : 8.1



FUEL PRICE

Unit: US\$/Ltr

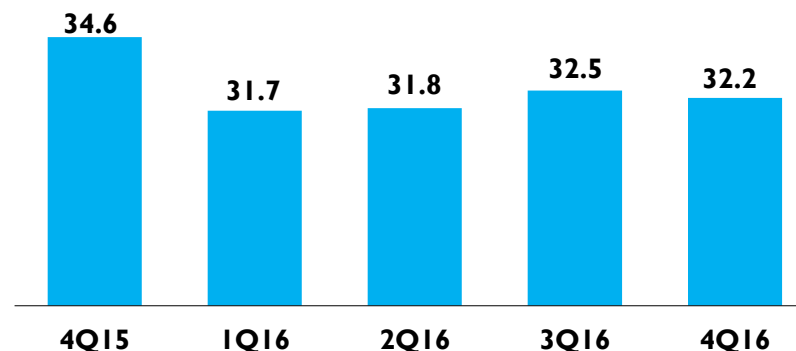
Avg. FY15: \$0.55/ltr
Avg. FY16: \$0.42/ltr



COST OF GOODS SOLD*

Unit: US\$/t

Avg. FY15: \$37.0/t
Avg. FY16: \$32.1/t

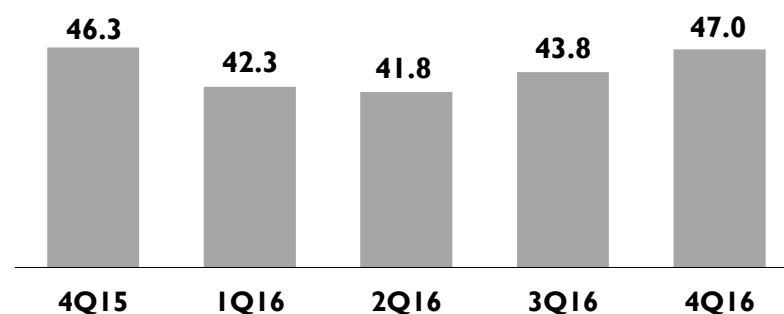


* Excluding royalty

TOTAL COST**

Unit: US\$/t

Avg. FY15: \$49.5/t
Avg. FY16: \$43.8/t

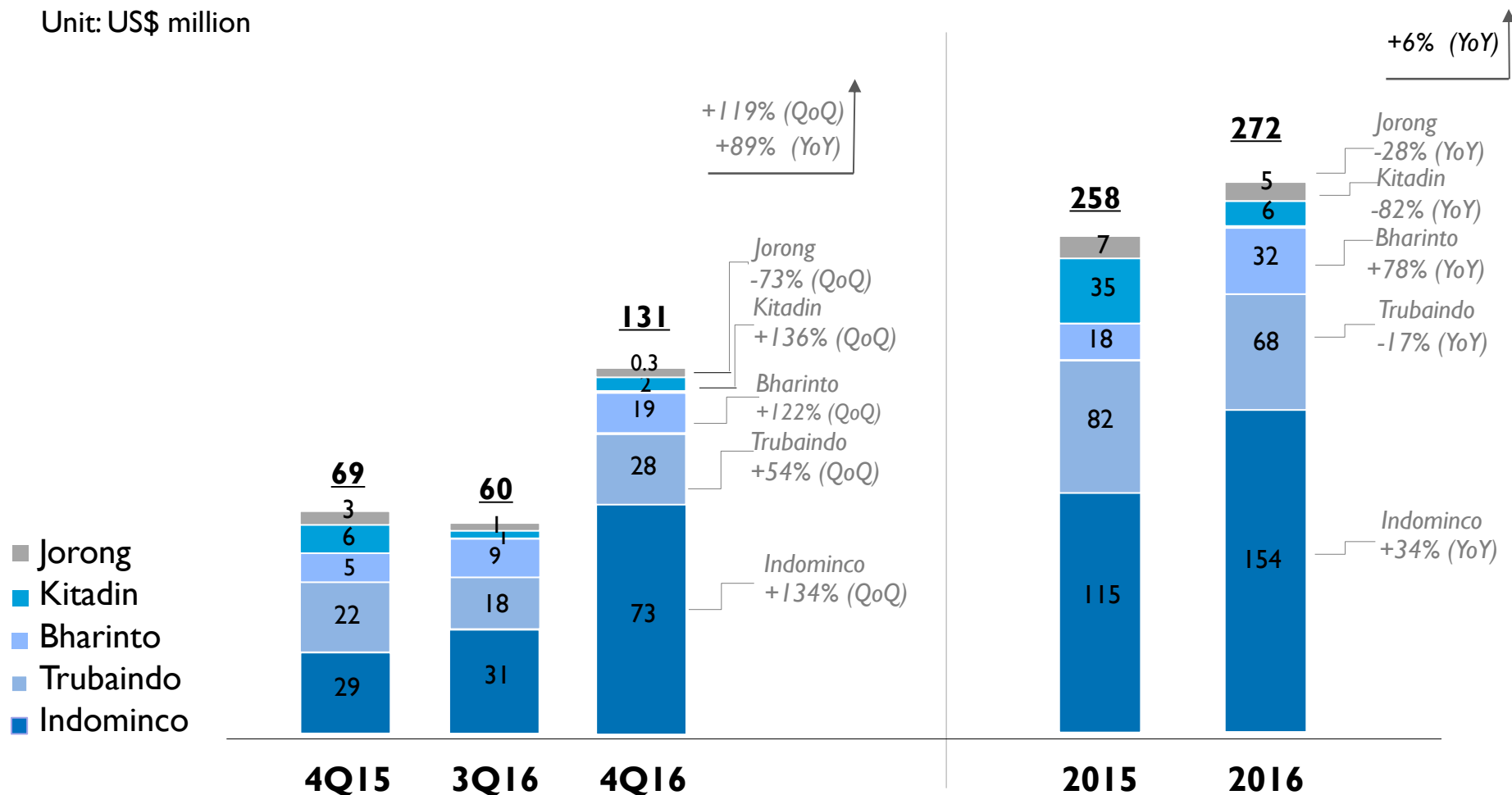


** Cost of Goods Sold + Royalty + SG&A

EBITDA



Unit: US\$ million

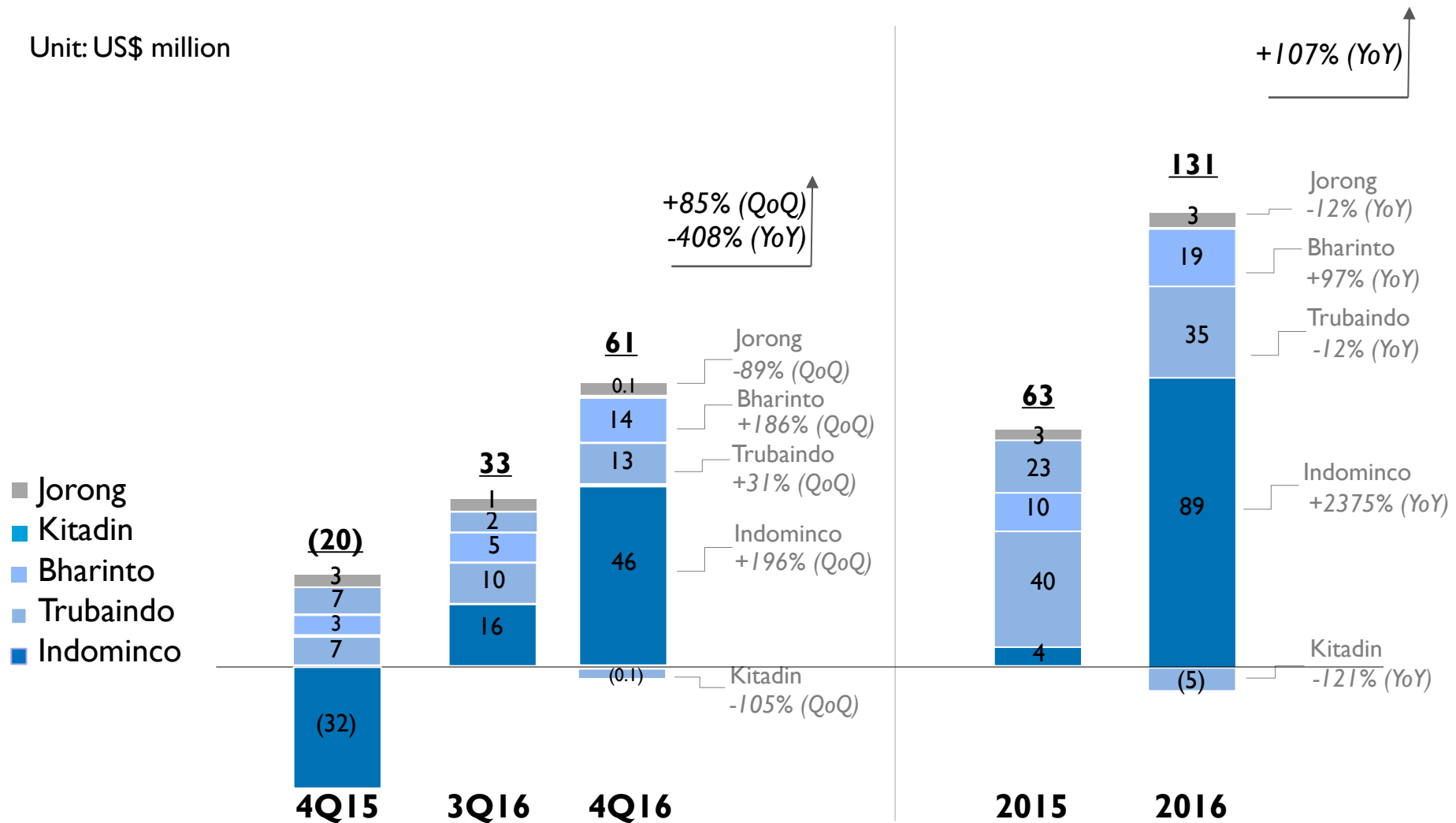


Note : Total EBITDA after elimination

Net income



Unit: US\$ million

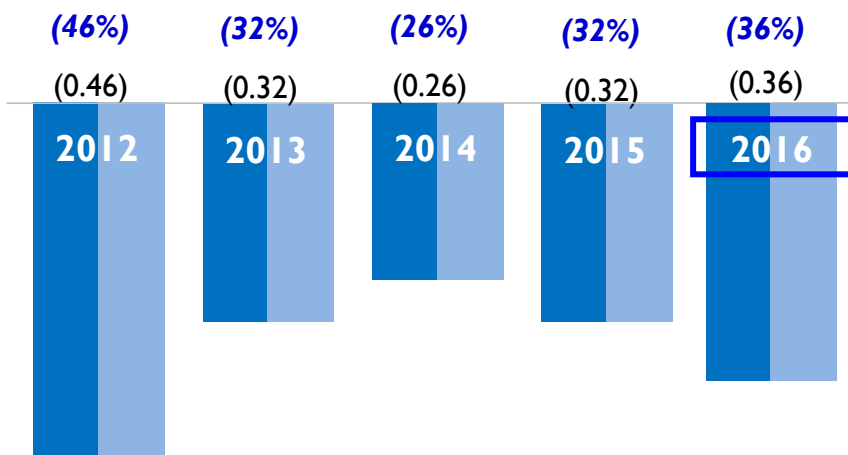


Note : Total consolidated net income after elimination

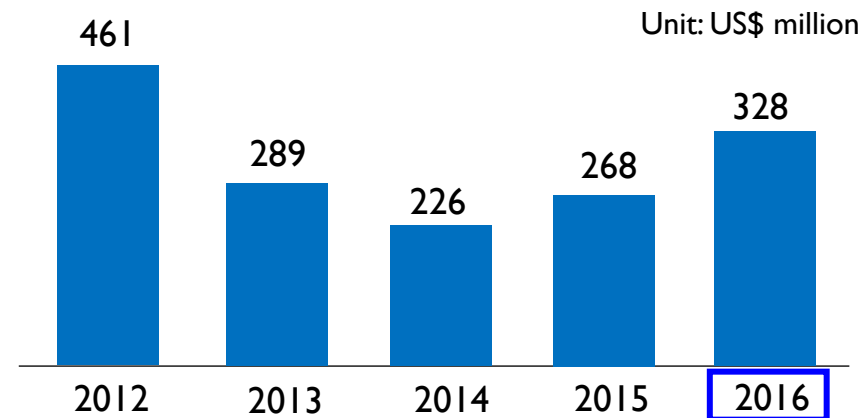
Balance sheet

KEY RATIOS

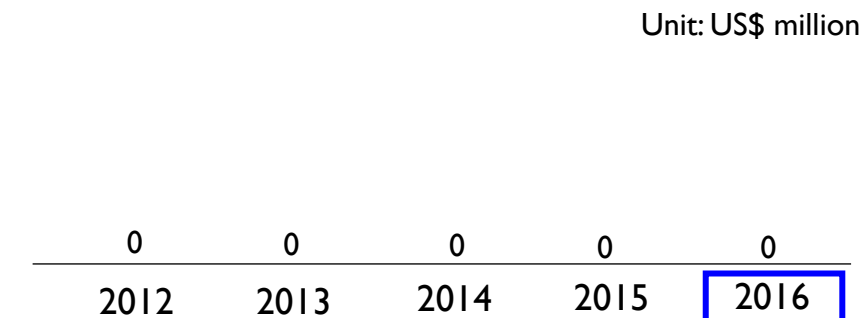
- Net Gearing (%)
- Net D/E (times)



CASH POSITION

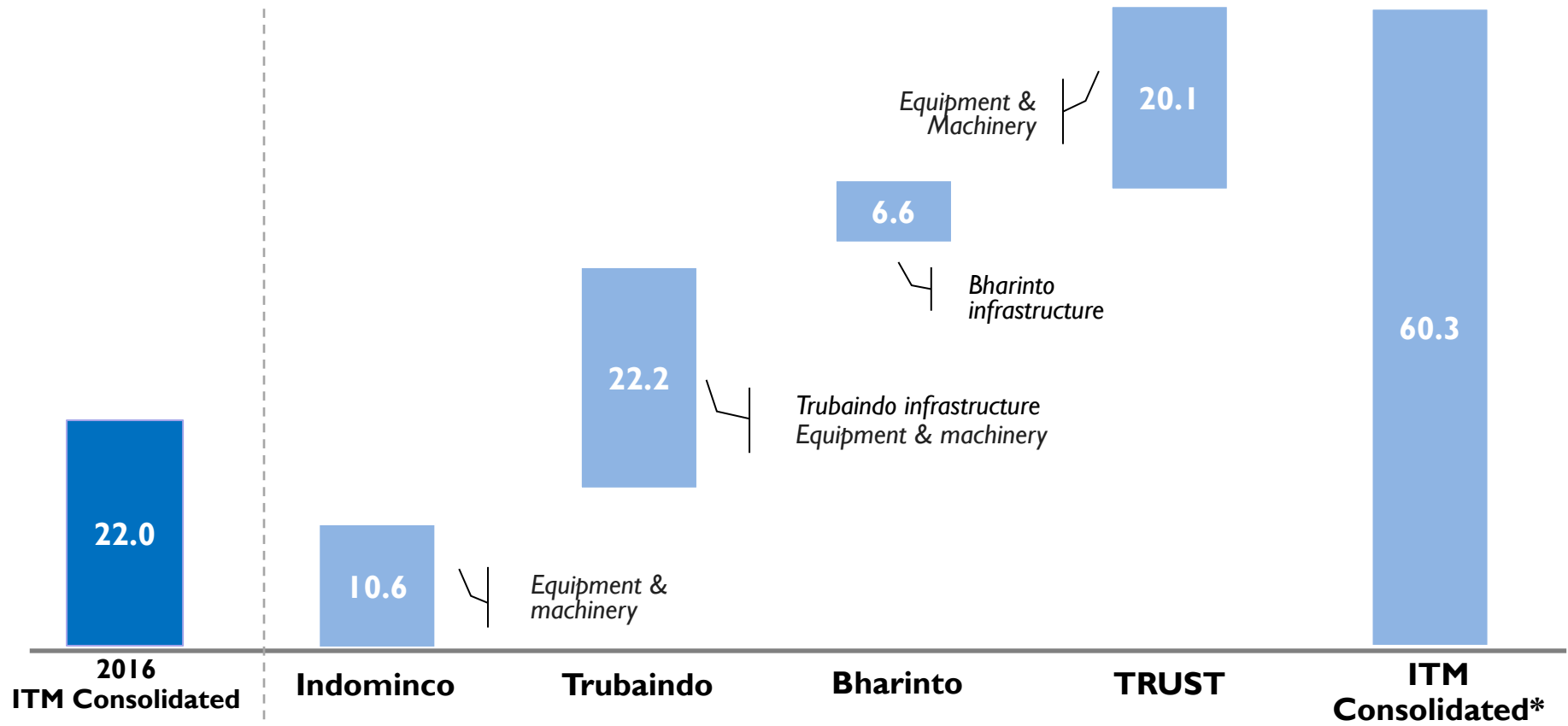


DEBT POSITION



2017 capital expenditure plan

Units: USD million



Note: Total capex plan including Jakarta

4Q16 – key takeaways



Coal price jumped in 4Q16 – expected to be more stable in 2017



6.7 Mt sales 4Q16 – slightly lower than target



Stronger financial performance in 4Q16 and FY16



Higher than expected rainfalls



Improved 4Q16 ASP \$59.8/t, +20% QoQ)



Capturing margins across the value chain



Thank you
Question & Answer



Appendices

Income statement

Unit: US\$ thousand	FY 16	FY 15	YoY%
Net Sales	1,367,498	1,589,409	-14%
Gross Profit	330,699	350,231	-6%
GPM	24%	22%	
SG&A	(122,141)	(156,649)	
EBIT	208,558	193,582	8%
EBIT Margin	15%	12%	
EBITDA	272,275	257,550	6%
EBITDA Margin	20%	16%	
Net Interest Income / (Expenses)	1,469	3,289	
Derivative Gain / (Loss)	(4,247)	(23,008)	
Others	(13,789)	(34,417)	
Profit Before Tax	191,991	139,446	38%
Income Tax	(61,282)	(76,339)	
Net Income	130,709	63,107	107%
Net Income Margin	10%	4%	

Income statement

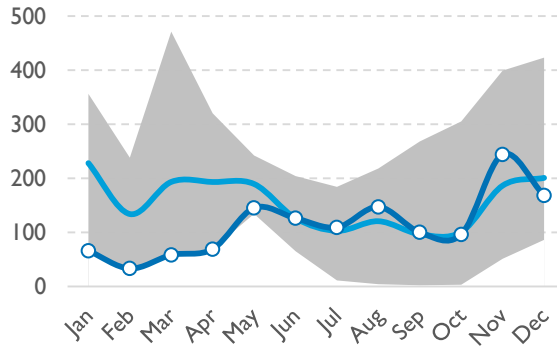


Unit: US\$ thousand	4Q16	3Q16	4Q15	QoQ%	YoY%
Net Sales	409,054	348,968	383,015	17%	7%
Gross Profit	137,036	77,251	90,589	77%	51%
GPM	34%	22%	24%		
SG&A	(33,518)	(30,719)	(43,387)		
EBIT	103,518	46,532	47,202	122%	119%
EBIT Margin	25%	13%	12%		
EBIT DA	130,518	59,669	69,101	119%	89%
EBIT DA Margin	32%	17%	18%		
Net Interest Income / (Expenses)	551	297	444		
Derivative Gain / (Loss)	(628)	(1,744)	(8,633)		
Others	(10,477)	(608)	(30,688)		
Profit Before Tax	92,964	45,496	8,325	104%	1017%
Income Tax	(31,845)	(12,387)	(28,166)		
Net Income	61,119	33,109	(19,841)	85%	-408%
Net Income Margin	15%	9%	-5%		

Rainfalls period 2010 - 2016

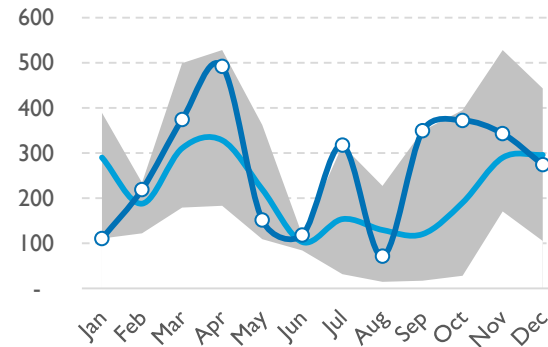
INDOMINCO

Unit: Millimeter



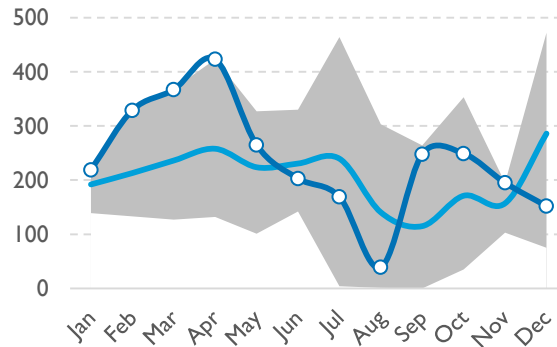
TRUBAINDO & BHARINTO

Unit: Millimeter



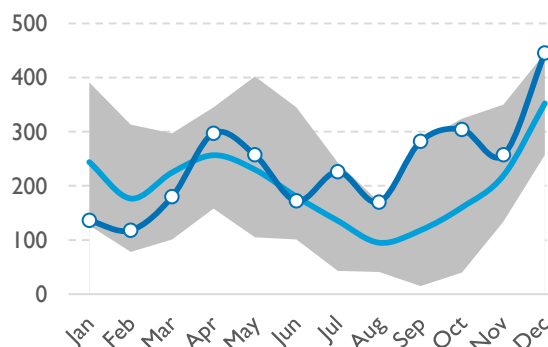
JORONG

Unit: Millimeter



EMBALUT

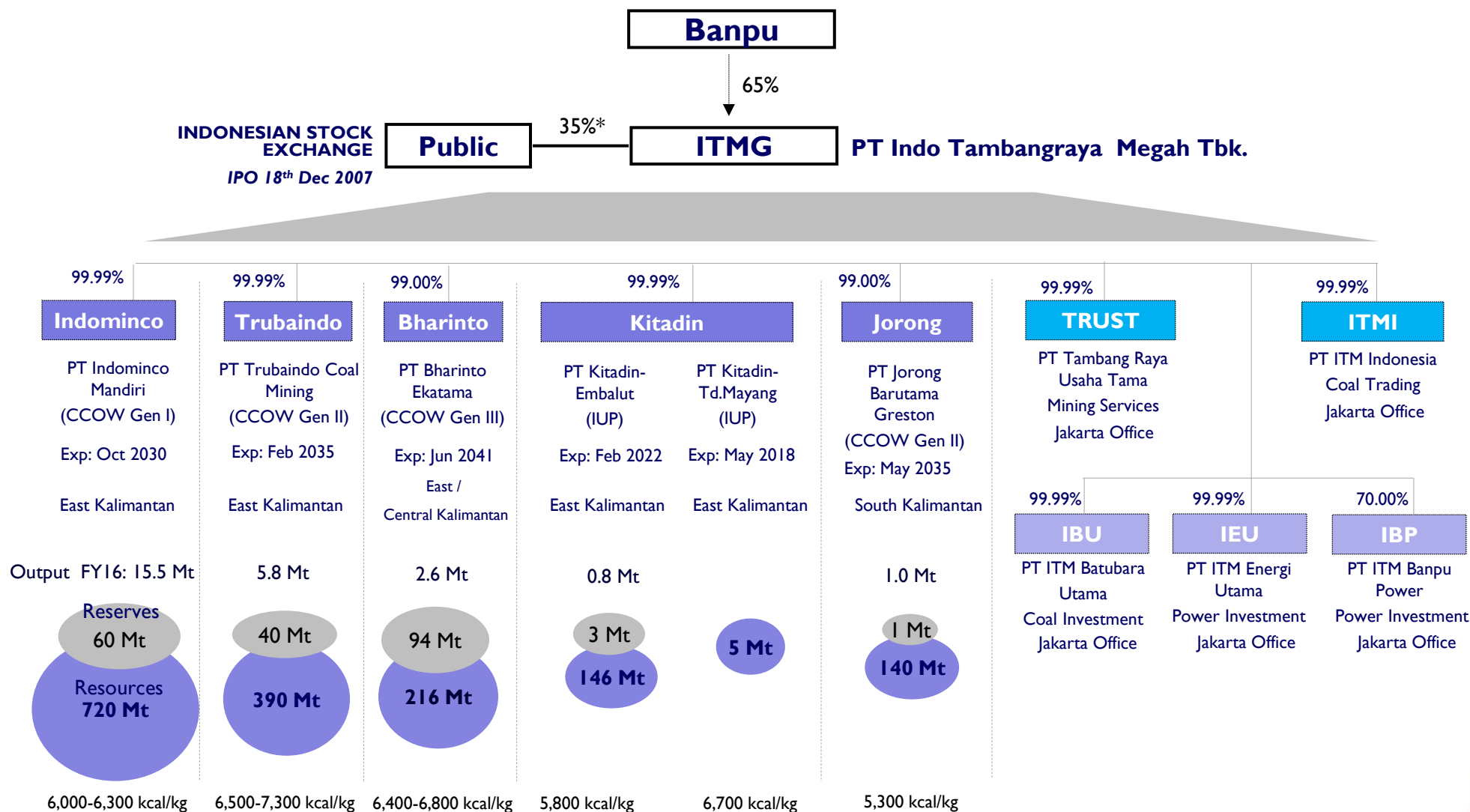
Unit: Millimeter



— 2010-15 average rainfalls ● 2016 rainfalls ■ 2010-15 rainfall range

- 2H16 rainfall levels at most mines reached highest levels in 6 years since 2010, with September –November's level up steeply
- Indominco's rainfall in 4Q16 was higher than expected, which impacts output production
- Trubaindo , Bharinto and Jorong achieved production record despite heavy rainfall. Indominco and Embalut yielded slightly lower-than-target production

ITM structure



* : ITM own 2.95% from share buyback program

Note: Updated Coal Resources and Reserves as of 31 Dec 2016 based on estimates prepared by Competent Persons (consider suitably experienced under the JORC Code) in 30 Apr 2015 and deducted from coal sales volume in FY16.