



ANALYST BRIEFING 1Q20 PERFORMANCE RESULTS

Jakarta, 13th May 2020

1

INTRODUCTION

2

OPERATIONAL REVIEW

3

COMMERCIAL REVIEW

4

FINANCIAL REVIEW

5

QUESTION & ANSWERS

Covid-19 impact, but early signs of recovery

EUROPE – RESTRICTION PARTIALLY EASED

- EU Q1 GDP down by 3% YoY
- **Germany:** re-opened of some non-essential shops
- **Italy:** resumed factories, construction sites, wholesale supply businesses
- **France:** prepare to ease restriction on May 11
- **UK:** restriction easing plan is being prepared

USA – RESTRICTION STILL IN PLACE

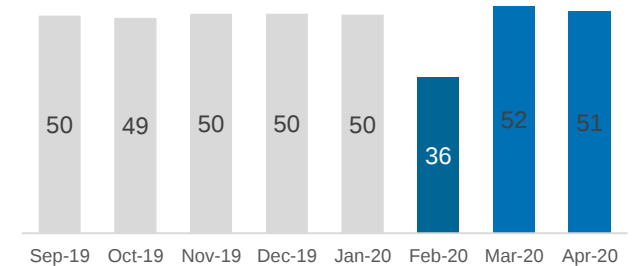
- Q1 GDP -5% YoY. Industrial production - 5% MoM, worst drop since 2009
- Unveiled guidelines but timeline is still unclear
- FED rate unchanged

OTHER ASIA PACIFIC – PHYSICAL DISTANCING PUT INTO EFFECT

- **Thailand:** further easing on physical distancing is set in mid-May if no surge in infections
- **Australia:** three-stage plan to ease restrictions is in place

CHINA – SIGNS OF RECOVERY

CHINA PMI INDEX



- PMI index started to rebound from record-low in Feb following successful outbreak prevention and control
- Further increase in economic activities is reliant on the recovery of service sector and domestic consumption as well as a rebound of overseas demand

NORTH ASIA – RESTRICTION EASED

- **Japan:** trade starting to improve with slower deterioration in imports
- **South Korea:** businesses reopen including malls and restaurants
- **Hong Kong:** businesses reopen with social distancing rules

 Show sign of recovery  Muted recovery

COVID-19: ITMG Three Focus Areas During Pandemic

Measures & Activities



Taking Care of Our Employees

ITM committed to protect its employees both physically and mentally from COVID-19 threat

- ITM closely monitor employees health condition with daily reporting and providing PPE at all site
- ITM is early in establishing necessary health protocol such as Work From Home (WFH), mobility restriction, and COVID-19 infection protocol
- ITM started employee morale program to keep close connection among employee



Securing Our Business

ITM maintain uninterrupted business operation through careful planning and decisive implementation

- Mining activity remain at normal level despite isolation restriction policy for worker and employee at mine site
- Completed business partner assessment along with alternative supply chain option arrangement
- All mine site had prepared reviews and evaluation for each mine plan and start cost reduction initiatives



Support Our Community

ITM is here to stay and continues its support to the community with sustainable approach

- Critical medical equipment and basic food donation has been distributed to adjacent communities where we operate
- Public education on basic hygiene and COVID-19 danger has been provided together with material donation
- Long term engagement will be maintained with community development as final goal

COVID-19: ITMG Business Continuity Plan



SALES & LOGISTIC

POTENTIAL KEY ISSUE

- Lower commodity price outlook due to global uncertainty and pandemic in which several countries have put in place large gathering restriction.
- Delay in sales administration and shipment process.
- Unreliable 3rd party coal supply
- Delay in fleet movement at port and anchorage area.

RESPONSE PLAN

- Closely monitor coal demand and country specific condition while consider alternate revenue stream.
- Manage sales administration process with flexible work arrangements while maintain close contact with customers.
- Secure cargo from performing suppliers and speed up blending permit process.
- Alternative supply chain & monitor logistic crew health



MINING OPERATION

- Large-scale social restriction policy limiting mobility.
- Potential productivity reduction from mining contractor.
- Spare parts supply potential delay and disruption.
- Limited access from outside to enter mine area
- Delay in key permit process.

- Monitor local gov't policy & activate Emergency Response Team to manage restriction enforcement.
- Review contractor condition & provide financial support.
- Manage critical inventory and find alternative vendor.
- Optimize manpower & contractor within mine area.
- Seek relaxation of obligation from gov't & evaluate potential liabilities.



FINANCE & ADMIN

- Lower cash inflows due to lower global coal price & deteriorating counterpart financial strength and credit risk.
- Limited operation time of banks, financial institution, & gov't bodies.
- Delay in material supply and shortages
- Inadequate IT system & infrastructure during "Work From Home" protocol for employee .

- Monitor revenue inflows and maintain available bank facilities to manage short-term liquidity.
- Ensure payment can be made digitally & remotely.
- Closely work with vendor while preparing temporary substitute material.
- Ensure all IT system & infrastructure work at optimum level, maintain backup capacity, & enable remote assistance through digital channels.



HSE

- *Implement isolation policy for worker at site*
- *Preventive measure board notice and daily health monitoring (DHM) protocol*
- *Continue CSR activities to community impacted by COVID-19*



ITM continues to support the communities in fighting COVID-19:

- **Medical equipment, Personal Protective Equipment (PPE) and sanitary-ware distribution** to health facilities such as regional hospital, public health center (Puskesmas) and local government health authority.
- **Basic foodstuff and food package distribution** to communities within mining operation vicinity that were impacted by COVID-19 condition.
- The situation may prolong in the site areas. Thus, **ITM contribution will not only for short period of time but ITM will continuously support** the communities directly or indirectly through the Association and Government channel.

Coal Sales: 5.8 Mt



Down 0.7 Mt
-11% Q-Q



Down 0.2 Mt
-3% y-y

Unit: US\$ million

	<u>1Q20</u>	<u>4Q19</u>	<u>1Q19</u>	<u>Q-Q</u>	<u>y-y</u>
Total Revenue	366	411	453	-11%	-19%
Gross Profit Margin	18%	22%	21%	-4%	-2%
EBIT	36	46	57	-22%	-37%
EBITDA	52	62	72	-17%	-29%
Net Income	14	28	39	-48%	-63%
ASP (USD/ton)	\$58.7	\$60.0	\$71.1	-2%	-17%

1

INTRODUCTION

2

OPERATIONAL REVIEW

3

COMMERCIAL REVIEW

4

FINANCIAL REVIEW

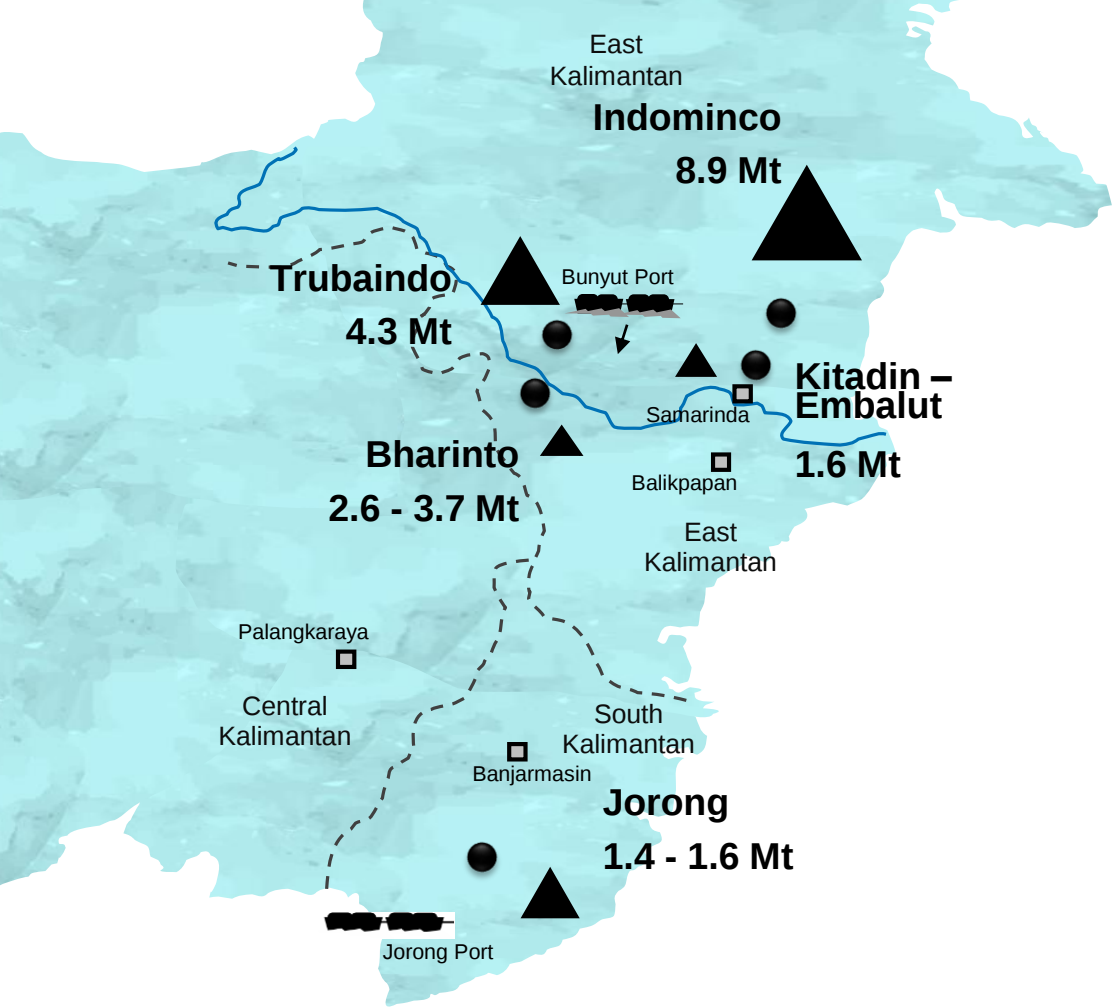
5

QUESTION & ANSWERS

Operational Summary 2020

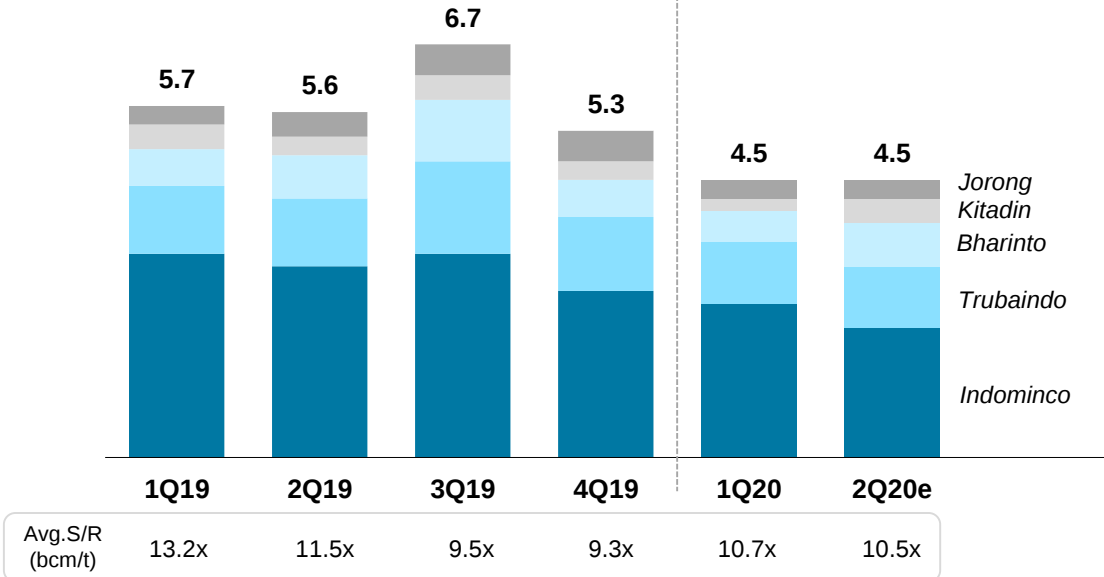


2020 TARGET: 19 - 20.1 Mt*



OUTPUT TREND

Unit: Mt

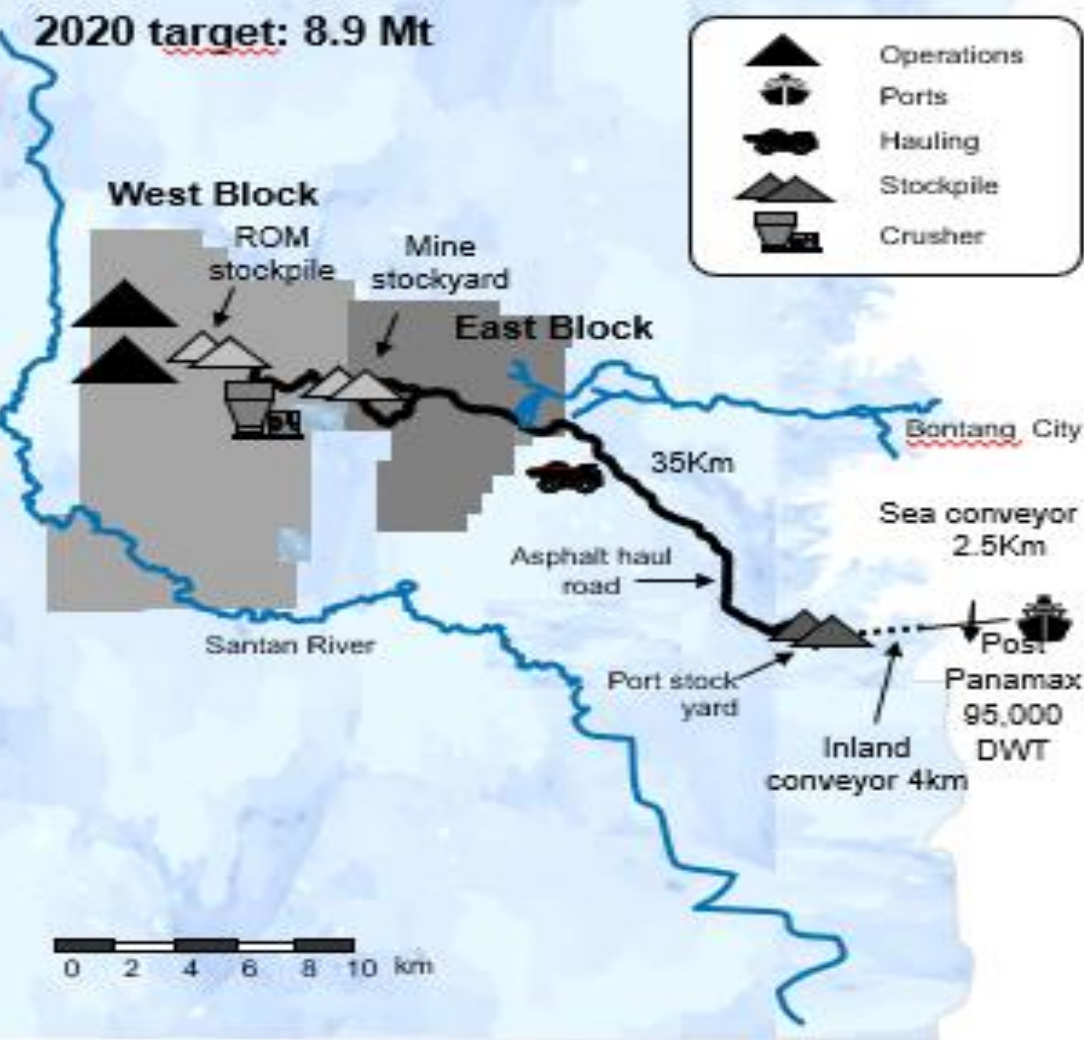


COMMENTS

- 1Q20 total output achieved target with strip ratio as expected.
- Next quarter production output will be maintained with lower strip ratio.

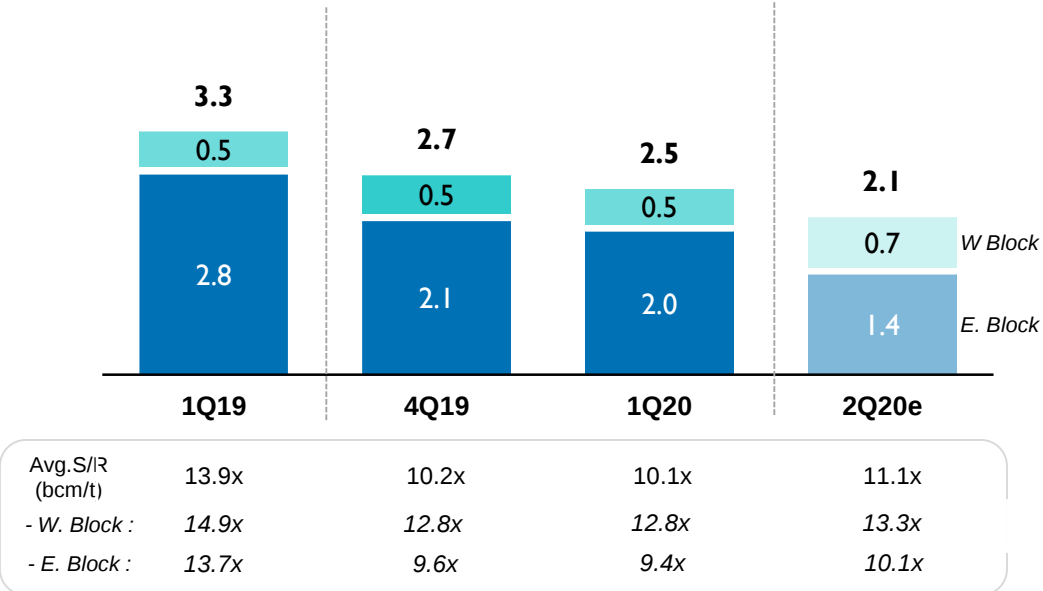
*) 2020 target subject to further government approval

SCHEMATIC



OUTPUT TREND

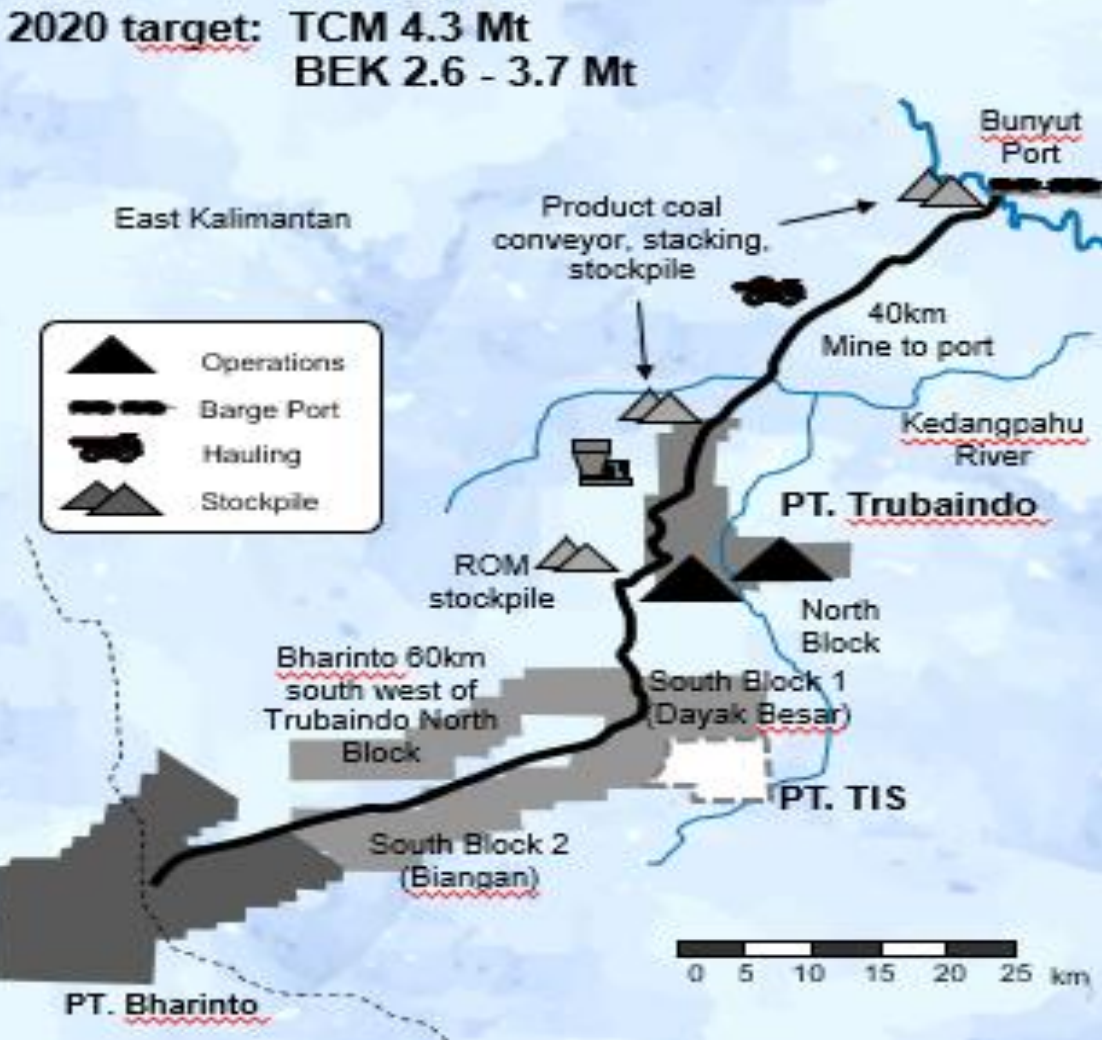
Unit: Mt



COMMENTS

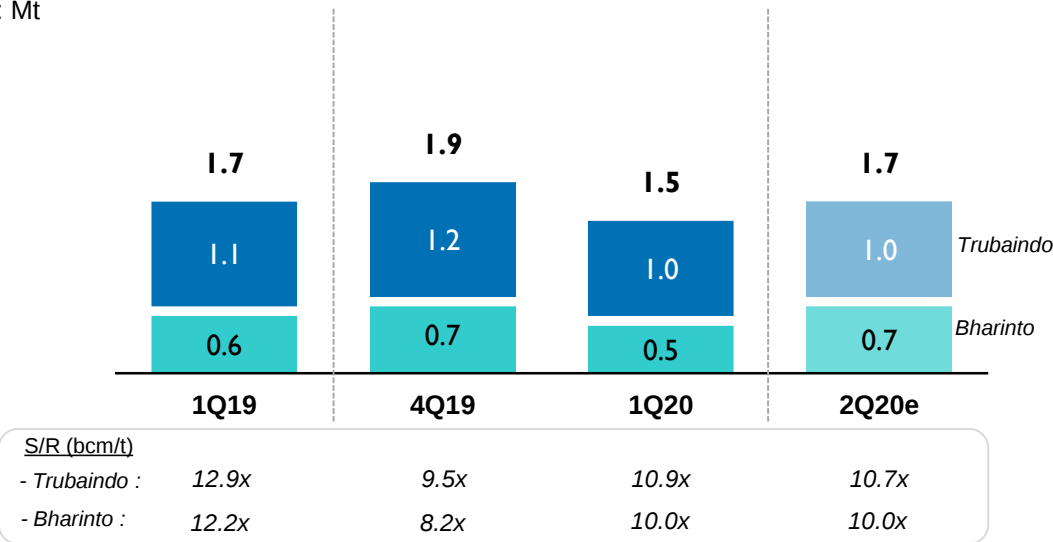
- 1Q20 production was higher than target.
- Indominco 2Q20 production target expected to be lower mainly due to manage against uncertain coal price condition.

SCHEMATIC



OUTPUT TREND

Unit: Mt



COMMENTS

- Trubaindo:
 - 1Q20 production achieved as according to target. Lower strip ratio than target.
 - To maintain 1Q20 production output level.
- Bharinto:
 - 1Q20 production below target due to low contractor capacity.
 - Further construction of road and improvement of port infrastructure continues in 2020.

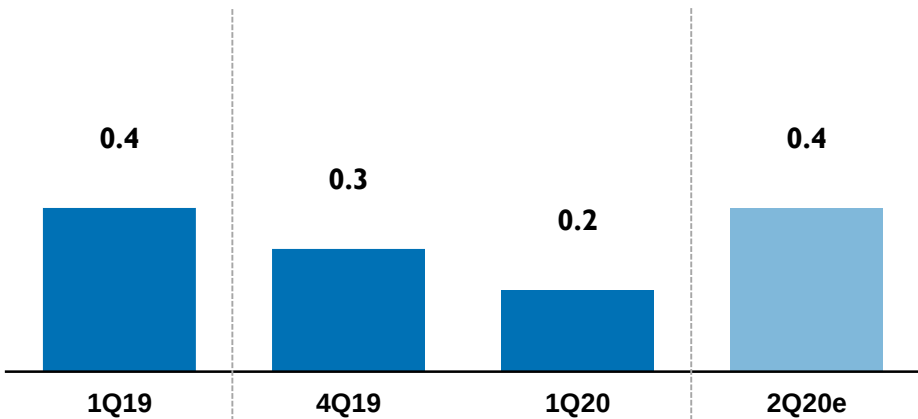
SCHEMATIC

2020 target: EMB 1.6 Mt



OUTPUT TREND

Unit: Mt

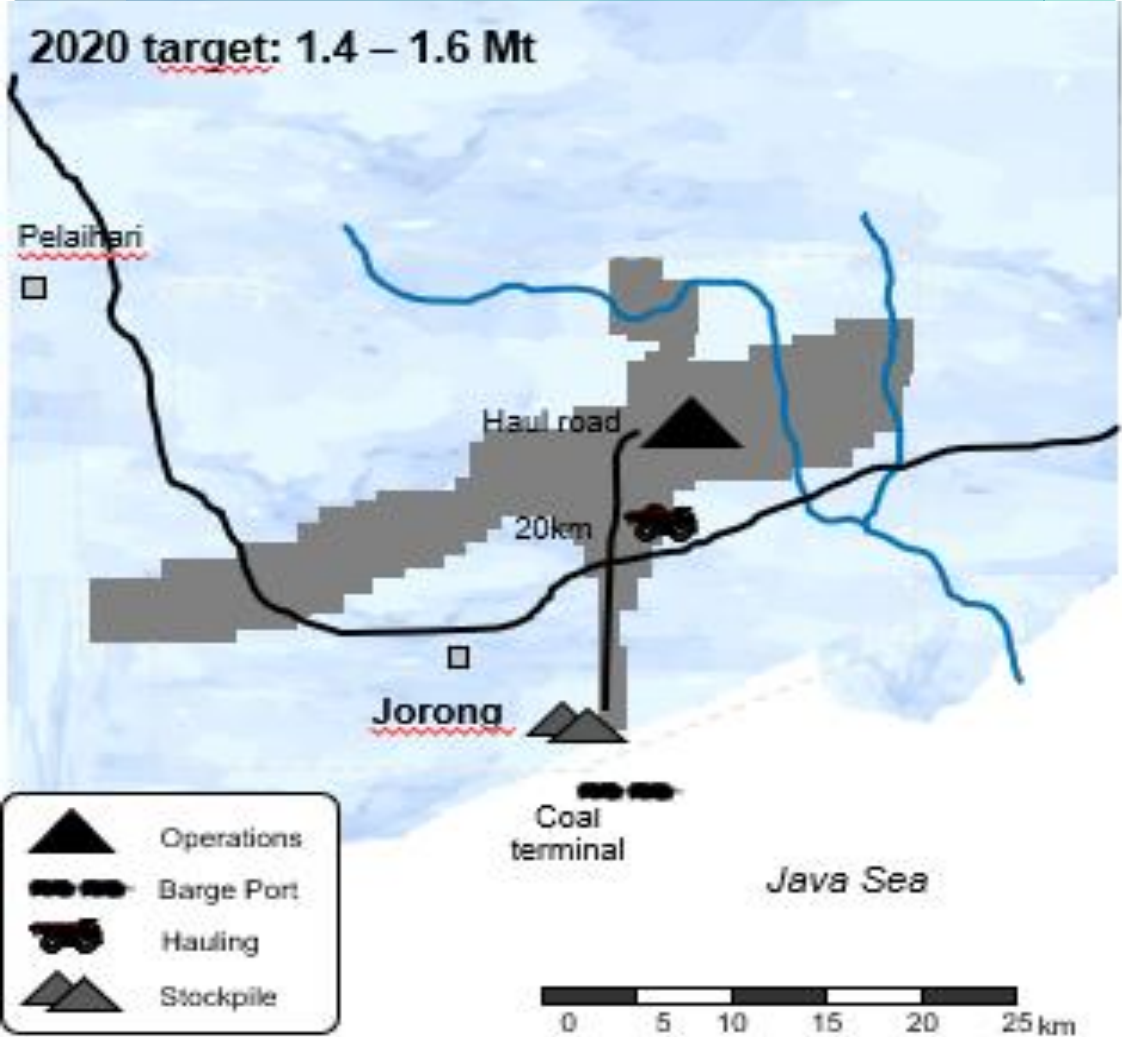


S/R (bcm/t)				
- Embalut :	11.9x	8.1x	16.4x	11.2x

COMMENTS

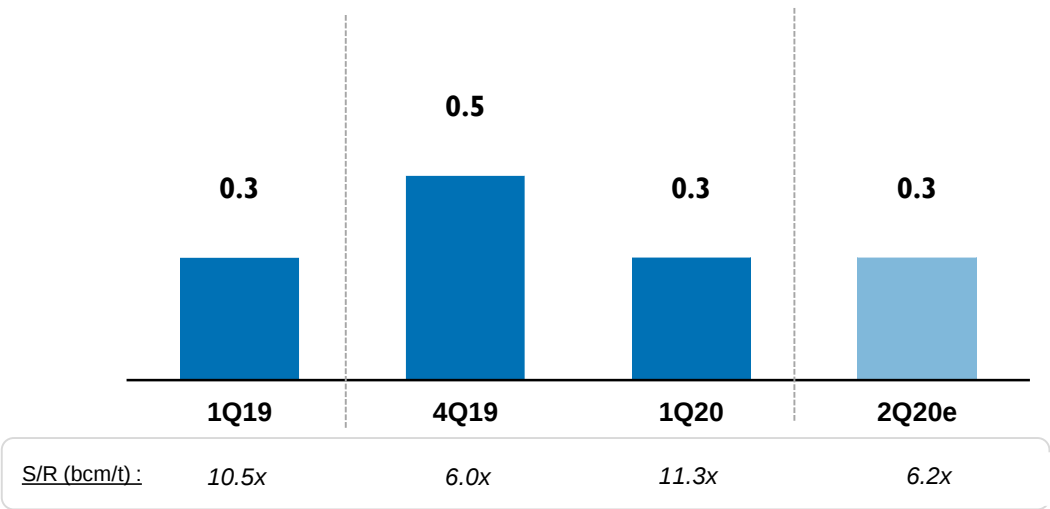
- Kitadin Embalut:
 - 1Q20 production achieved as according to target.
 - 2Q20 Strip ratio expected to be lower after pre-strip activities completed.
- Kitadin Td.Mayang:
 - Continue mine closure activities including mine rehabilitation activities.

SCHEMATIC



OUTPUT TREND

Unit: Mt



COMMENTS

- 1Q20 production achieved according to target.
- Overall strip ratio for 2020 will be lower than 1Q20 numbers due to mining sequence revision.

1

INTRODUCTION

2

OPERATIONAL

3

COMMERCIAL REVIEW

4

FINANCIAL REVIEW

5

QUESTION & ANSWERS

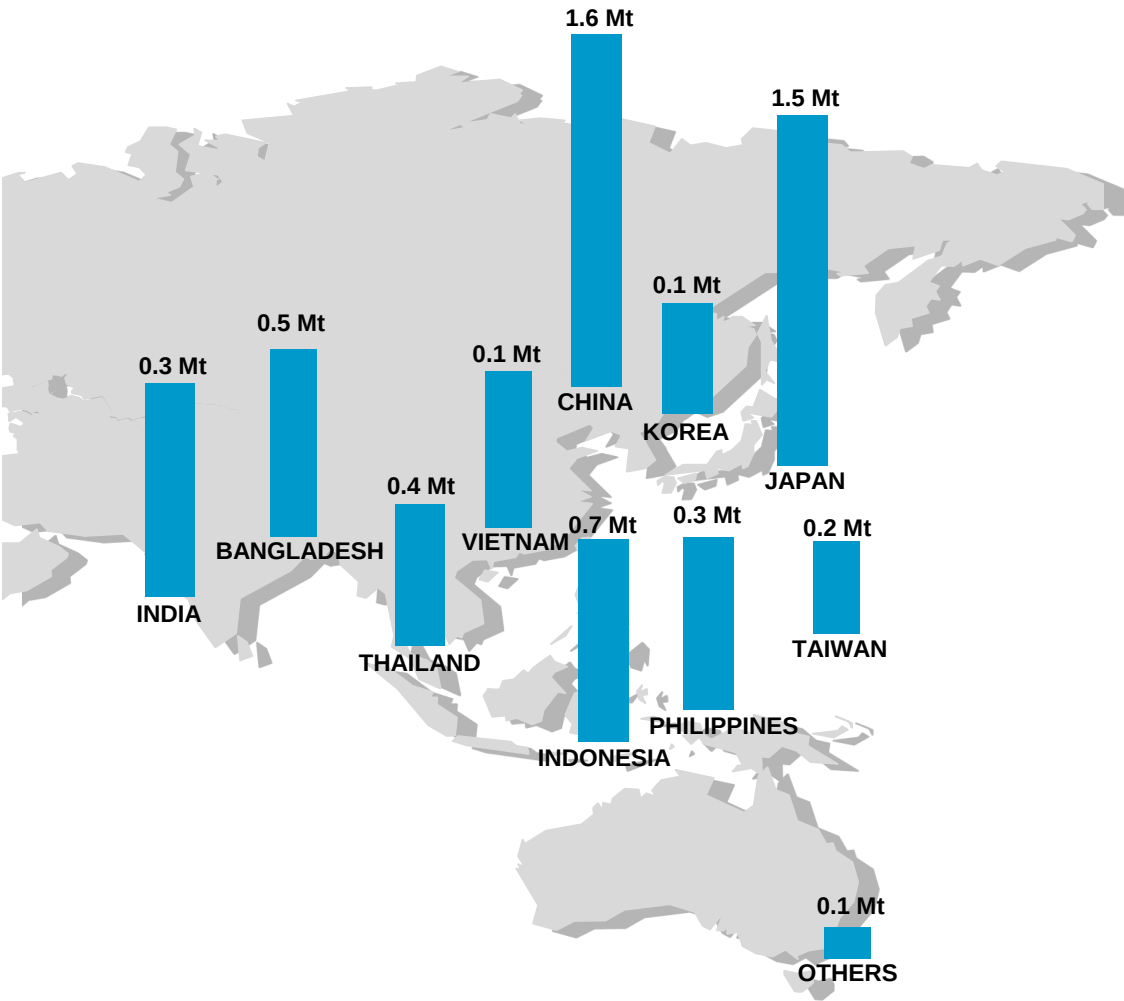
Global coal demand trends: 2020 vs 2019

GEOGRAPHY		CHANGE 2020-19 (Mt)	COMMENTS
	CHINA	-30	- Import remained strong in Q1 as buyers rushed to imports on the fear of domestic production disruption. - Domestic coal prices fell sharply and approach red zone due to oversupply. Government intervention to tighten import restriction. - Weak demand outlook as economy is unlikely to fully resume.
	INDIA	-25	- Indian economy face severe challenges due to coronavirus outbreak and a potential global recession. - Huge inventory overhang and weak demand outlook will weigh down imports through 2020.
	OTHER N.ASIA	-9	- Winter coal curtailment reduces coal burn in South Korea and Taiwan. - Outlook for coal burn remains weak amid lockdown and weak economic outlook. - Sustained low oil prices could significantly narrow the cost gap between coal and gas generation in South Korea and Japan which rising coal to gas fuel switching risk.
	EUROPE	-13	- Lockdowns across Europe have hit power demand, weakening coal generation despite carbon price decline. - Low gas prices keep natural gas generally more competitive than coal. - There is downside risk to thermal coal imports into Turkey, with cases and fatalities from COVID-19 rising rapidly.
	OTHERS	-3	- Vietnam has positive coal demand outlook due to power shortage - Import demand is expected to reduce in other SE countries due to reduced power demand and industrial activity from the lockdown.
	GLOBAL	-80	<i>Global market looks set for a demand slump due to COVID-19 pandemic. Thermal coal markets have also been challenged by the economic impacts from outbreak measures. Power demand has declined and industrial activity has slowed. Further downside risk if the outbreak is more severe and the containment efforts are prolonged.</i>

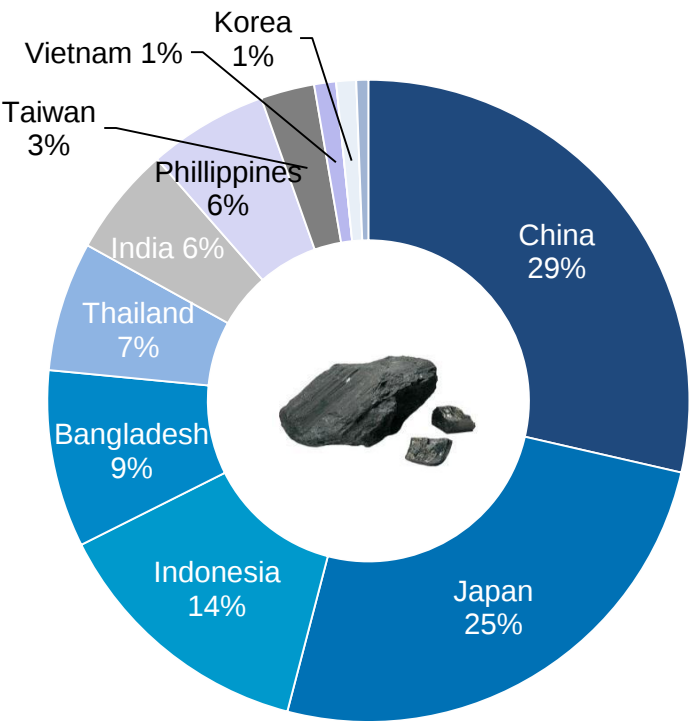
Global coal supply trends: 2020 vs 2019

GEOGRAPHY		CHANGE 2020-19 (Mt)	COMMENTS
	INDONESIA	-40	- Export is expected to slowdown from April onward as weak Chinese and Indian demand seems to hit Indonesia the most. - Weak demand are pushing supply lower but we have not seen significant supply cut announced from major producers.
	AUSTRALIA	-7	- Thermal coal export was relatively stable in Q1 and there is no supply impacts to date. - Take or pay obligations weigh on cutback decisions
	COLOMBIA	-6	- Most producers reduce production although coal mining has been exempted from national lockdown while government steps in to lift local communities blockaded. - However, export in Q1 remained strong due to low freight rates and depreciation of Peso open opportunity for Colombian coal to Asia.
	RUSSIA	-5	- Supply impacts remain small. - Falling rail car rates and devalued Rouble help to improve Russian competitiveness. - Supply will need to fall to rebalance with market demand, but the decline in exports should not be too great.
	S.AFRICA	-10	- National lockdown reduced power demand and coal burn significantly. - South African coal market turned to oversupply due to slumped demand both domestic and international markets. - Some miners operate at reduced production levels.
	USA	-10	- Supply impacts in the US due to Covid-1 are widespread but impact to thermal mines export is small. - Export trends to fall anyway, owing to market conditions, declining European demand
	OTHERS	-7	Expected supply cut due to sharply declining demand and price.
	GLOBAL	-85	COVID-19 has less impact on the supply side as coal is considered as essential business. Suddenly falling demand while supply cutbacks take time to implement turned global coal market into significant oversupply and resulted in a sharp drop on prices. More supply rationalization is necessary to prevent prices from falling further.

COAL SALES BREAKDOWN BY DESTINATION



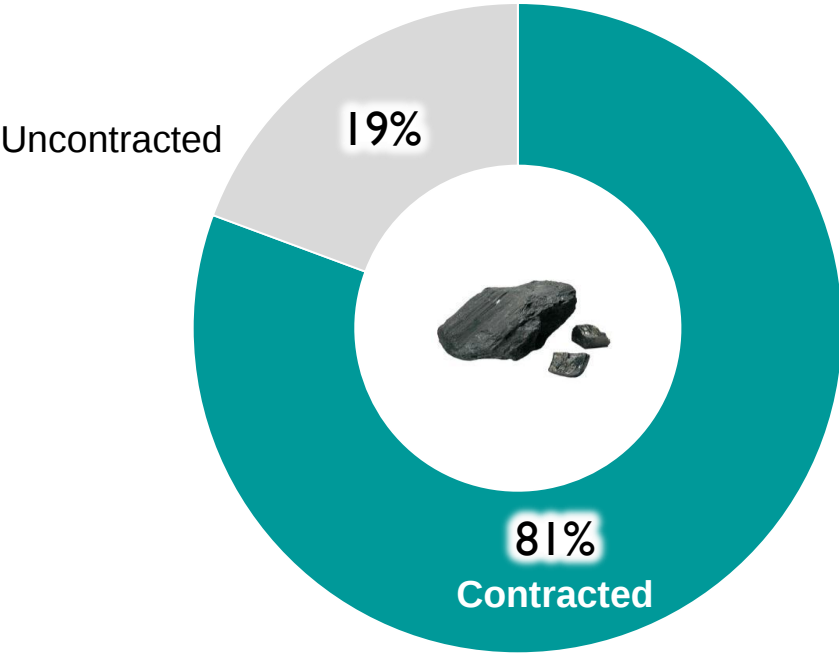
COAL SALES 1Q20



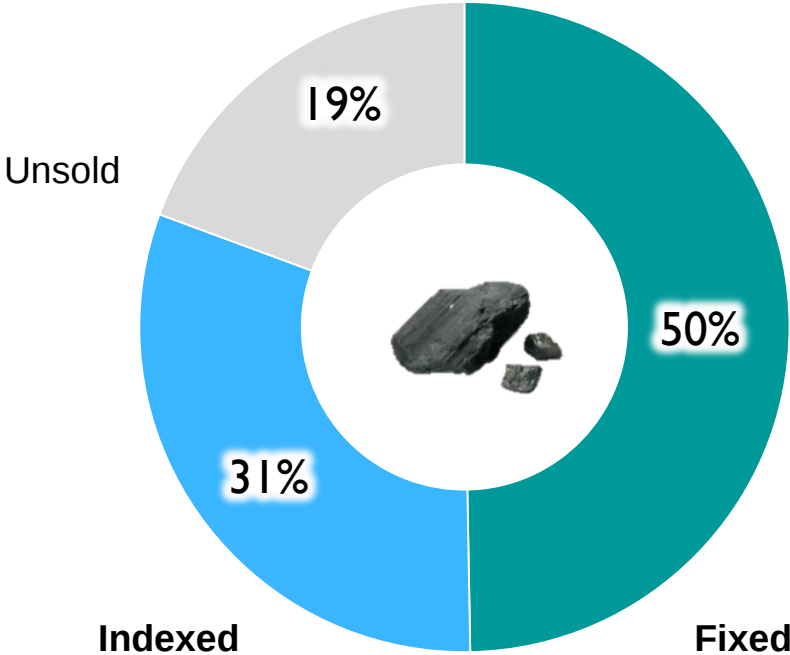
Total coal sales 1Q20: 5.8 Mt

COAL SALES CONTRACT AND PRICING STATUS

Contract Status



Price Status

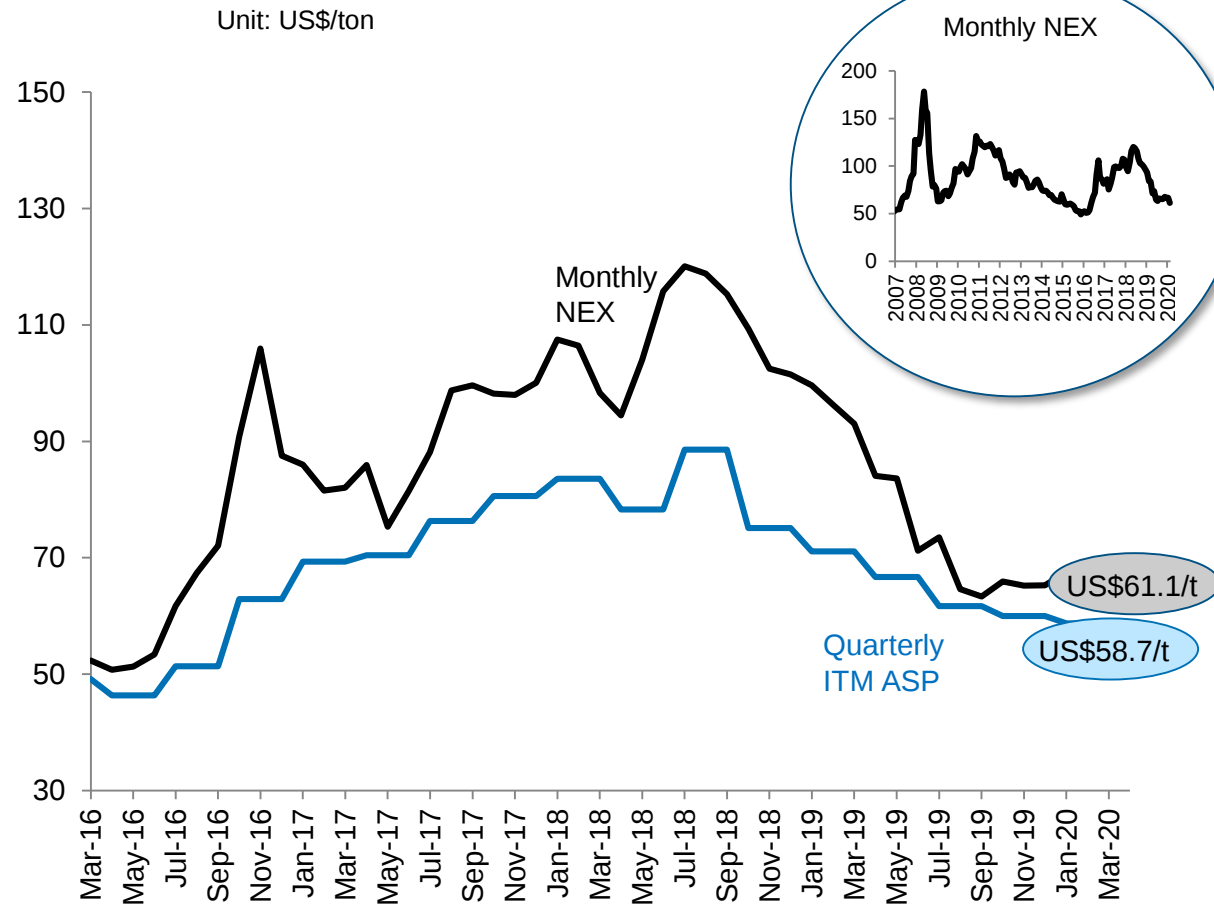


TARGET SALES 2020: 22.0 Mt

ITM ASPs vs thermal coal benchmark prices



ITM ASP VS BENCHMARK PRICES



COMMENTS

- Upper \$60's maintain through most of 1Q20.
- COVID 19 spread through China caused interruption in domestic coal production, hence increase demand of import coal, help support Indonesia Coal Price in first 2 months.
- Electricity Demand continue weakening through March with extend lockdown globally, become Pandemic and China production capacity recovery its strength.
 - ITM ASP: US\$58.7/t (-2% QoQ)
 - NEX (May 8, 2020)*: US\$50.3/t
- Spread of COVID 19 and extend "lockdown" further press demand as 2Q commence.
- Global recession signal price drop as demand quickly evaporated. Coal price take a major drop through April touching bottom level seen in early 2016.

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

1

INTRODUCTION

2

OPERATIONAL

3

COMMERCIAL REVIEW

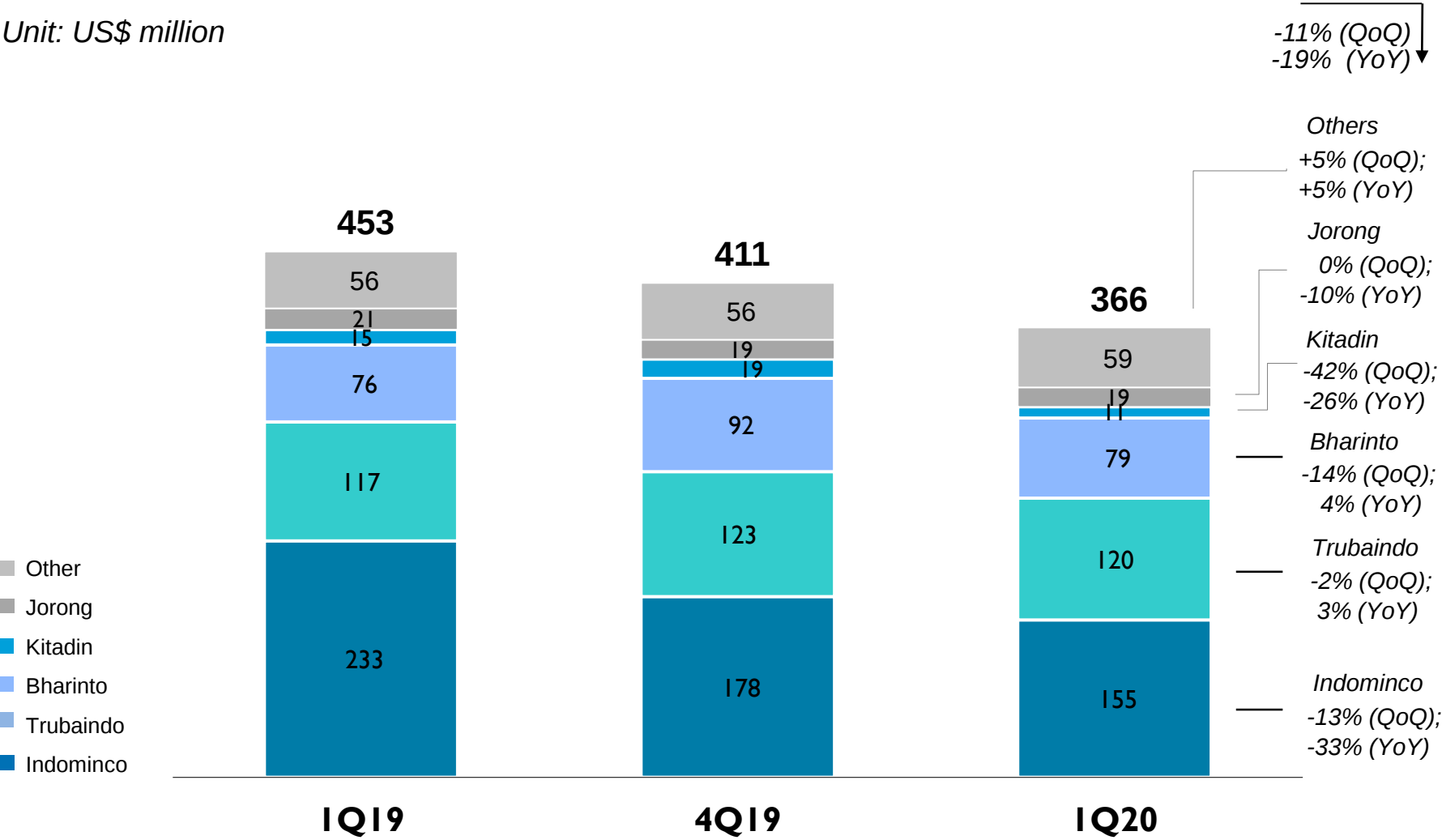
4

FINANCIAL REVIEW

5

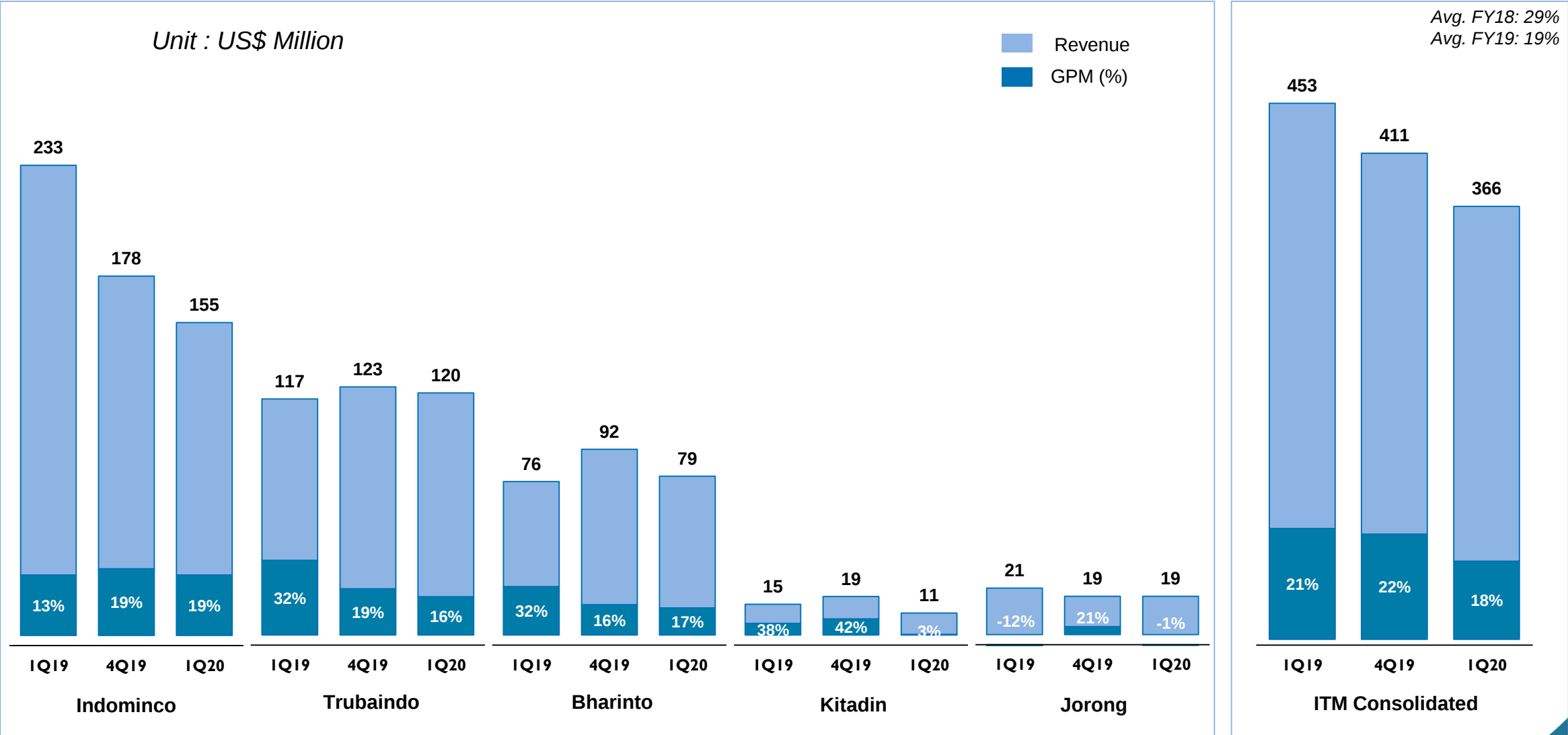
QUESTION & ANSWERS

Unit: US\$ million



Note : Total consolidated revenue after elimination

Average gross margin



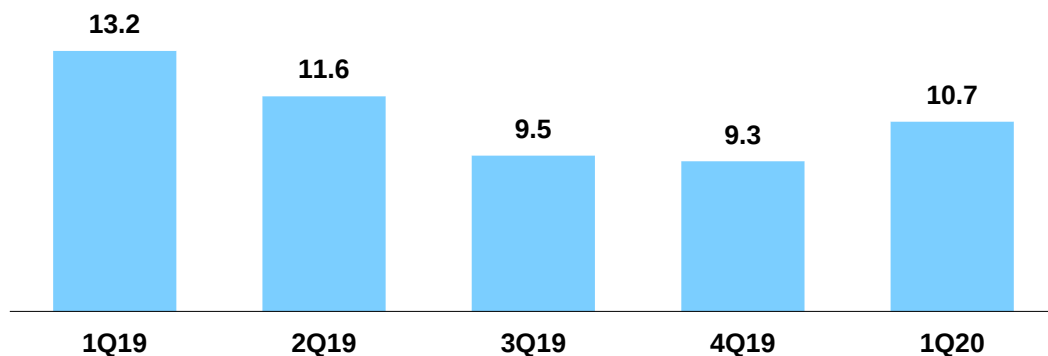
Note : Gross margin includes royalty

Cost analysis

WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

Avg. FY18: 11.1
Avg. FY19: 10.9



FUEL PRICE

Unit: US\$/Ltr

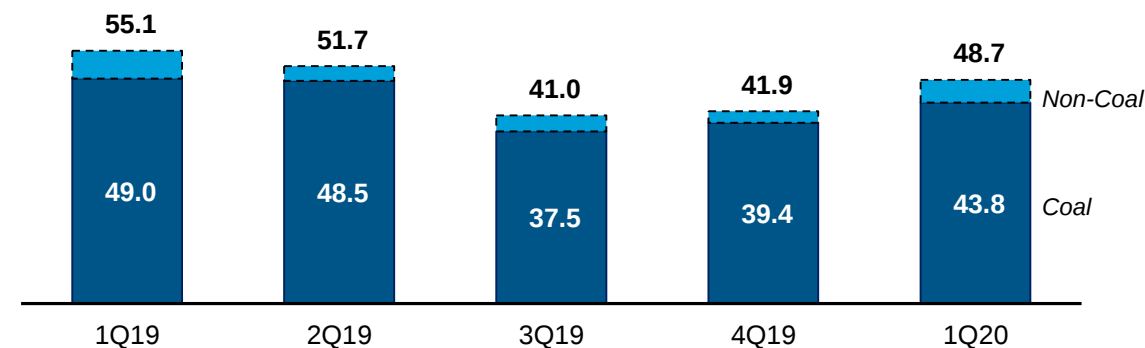
Avg. FY18: \$0.69/ltr
Avg. FY19: \$0.62/ltr



PRODUCTION COST

Unit: US\$/t

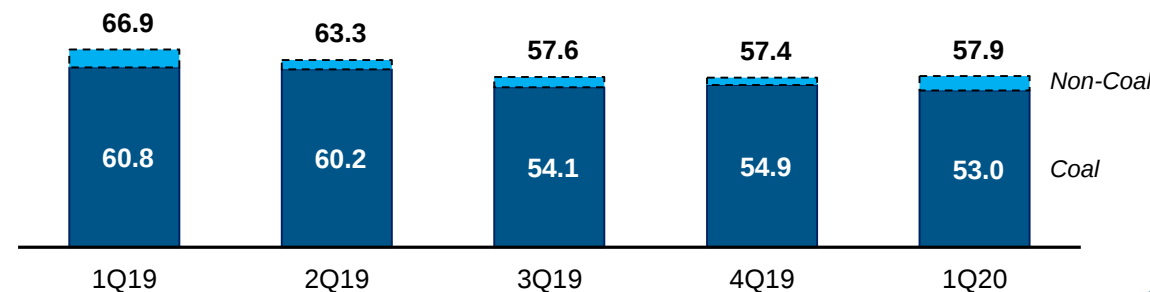
Avg. FY18: \$50.6/t
Avg. FY19: \$47.3/t



TOTAL COST*

Unit: US\$/t

Avg. FY18: \$64.7/t
Avg. FY19: \$61.2/t

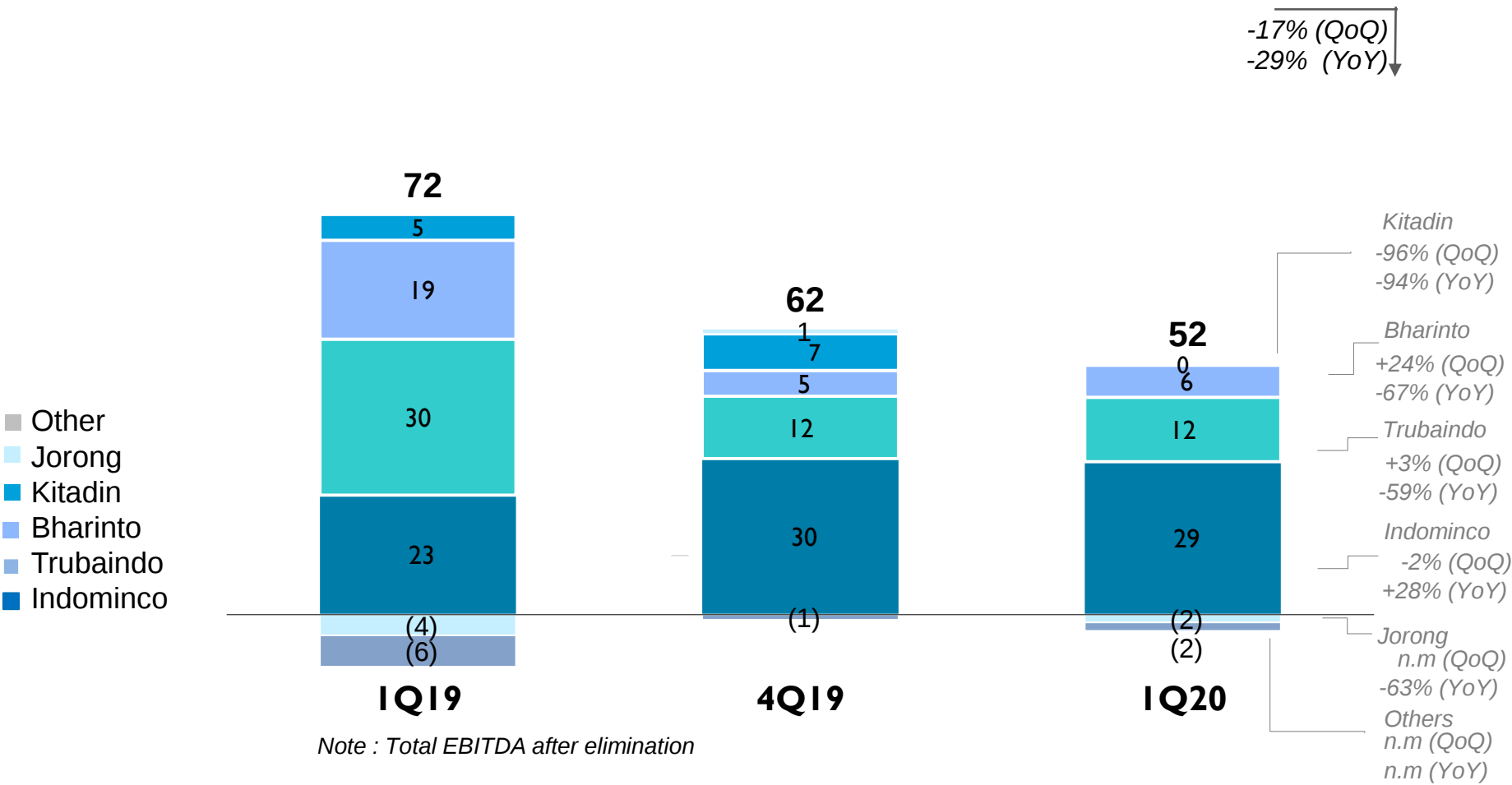


* Cost of Goods Sold + Royalty + SG&A

EBITDA



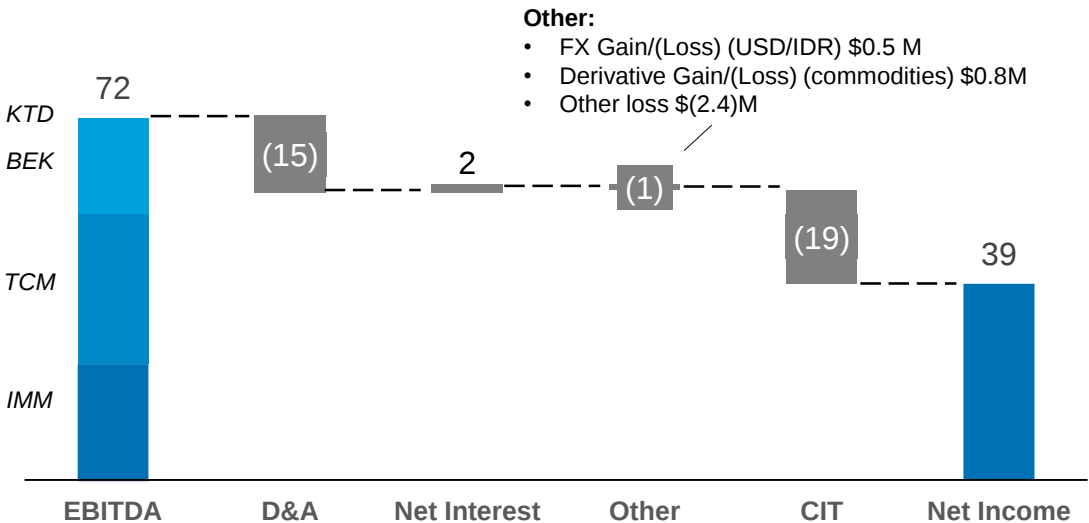
Unit: US\$ million



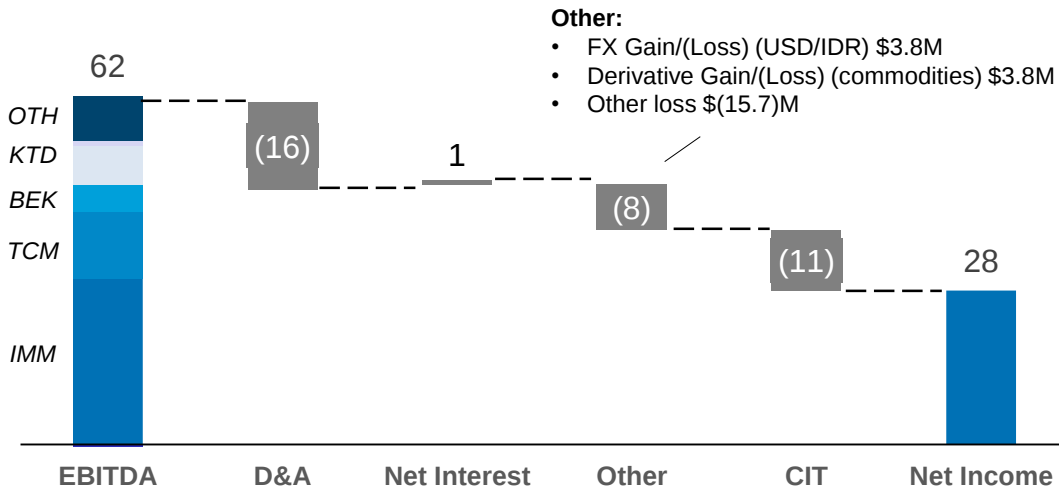
Net income



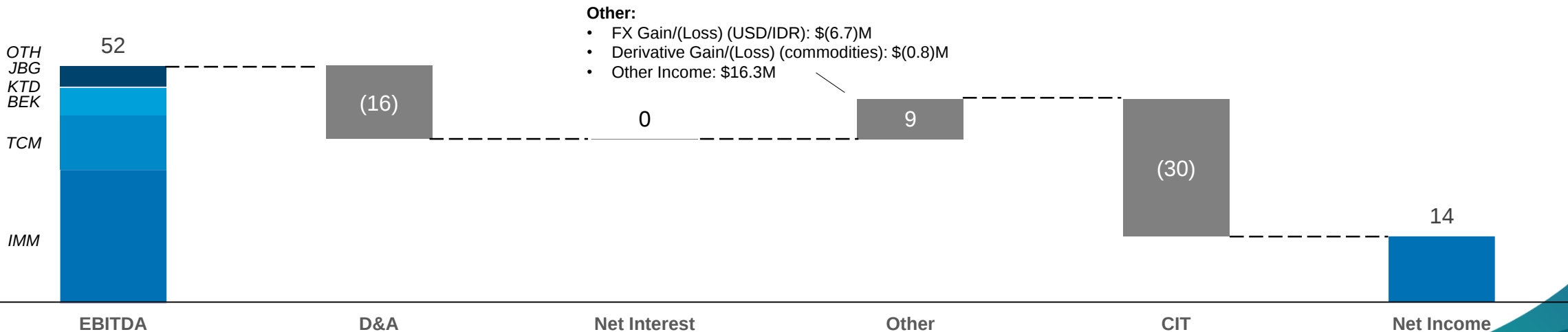
1Q19 NET INCOME



4Q19 NET INCOME



1Q20 NET INCOME

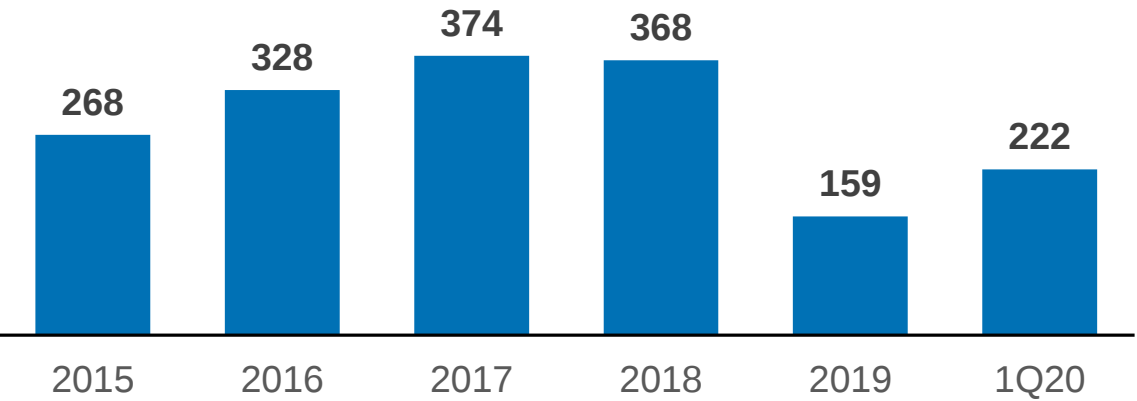


Balance sheet



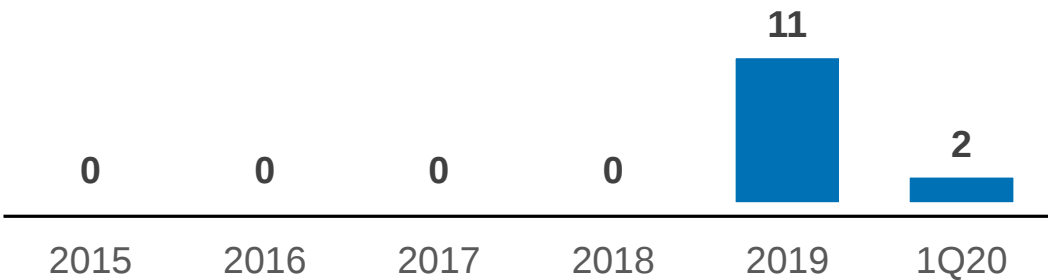
CASH POSITION

Unit: US\$ million



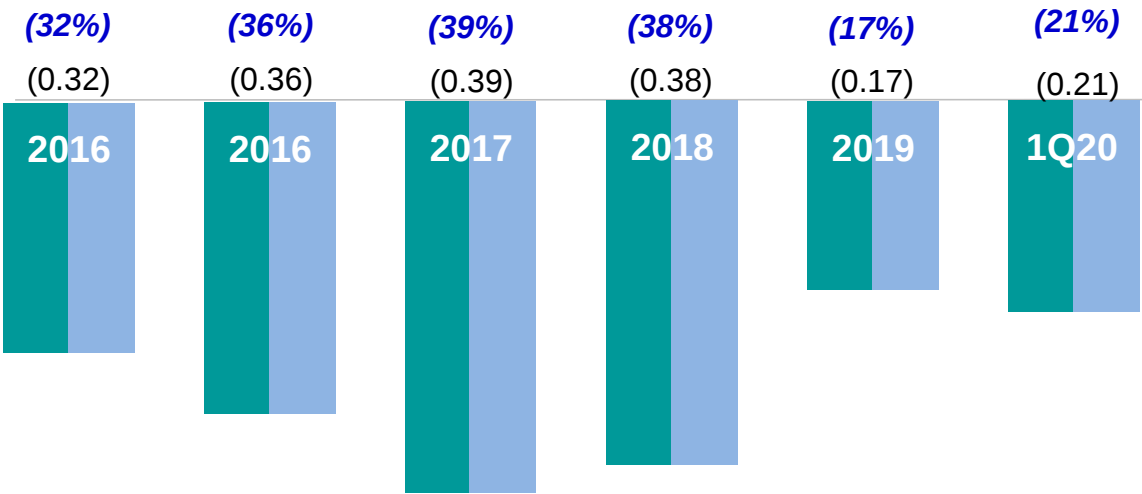
DEBT POSITION

Unit: US\$ million

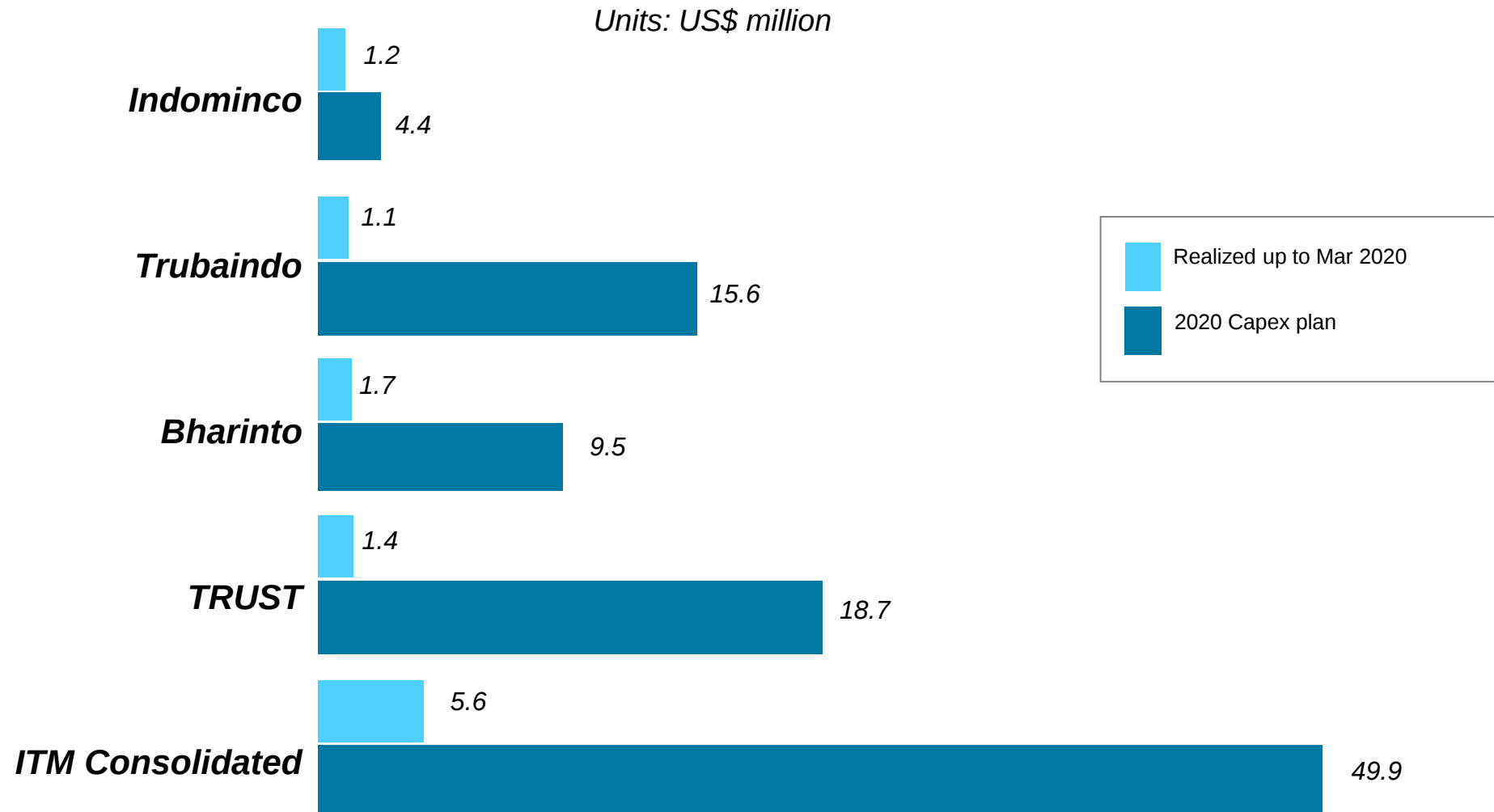


KEY RATIOS

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



1Q20 Capital expenditure realization



Note: Total capex plan including Jakarta office after elimination

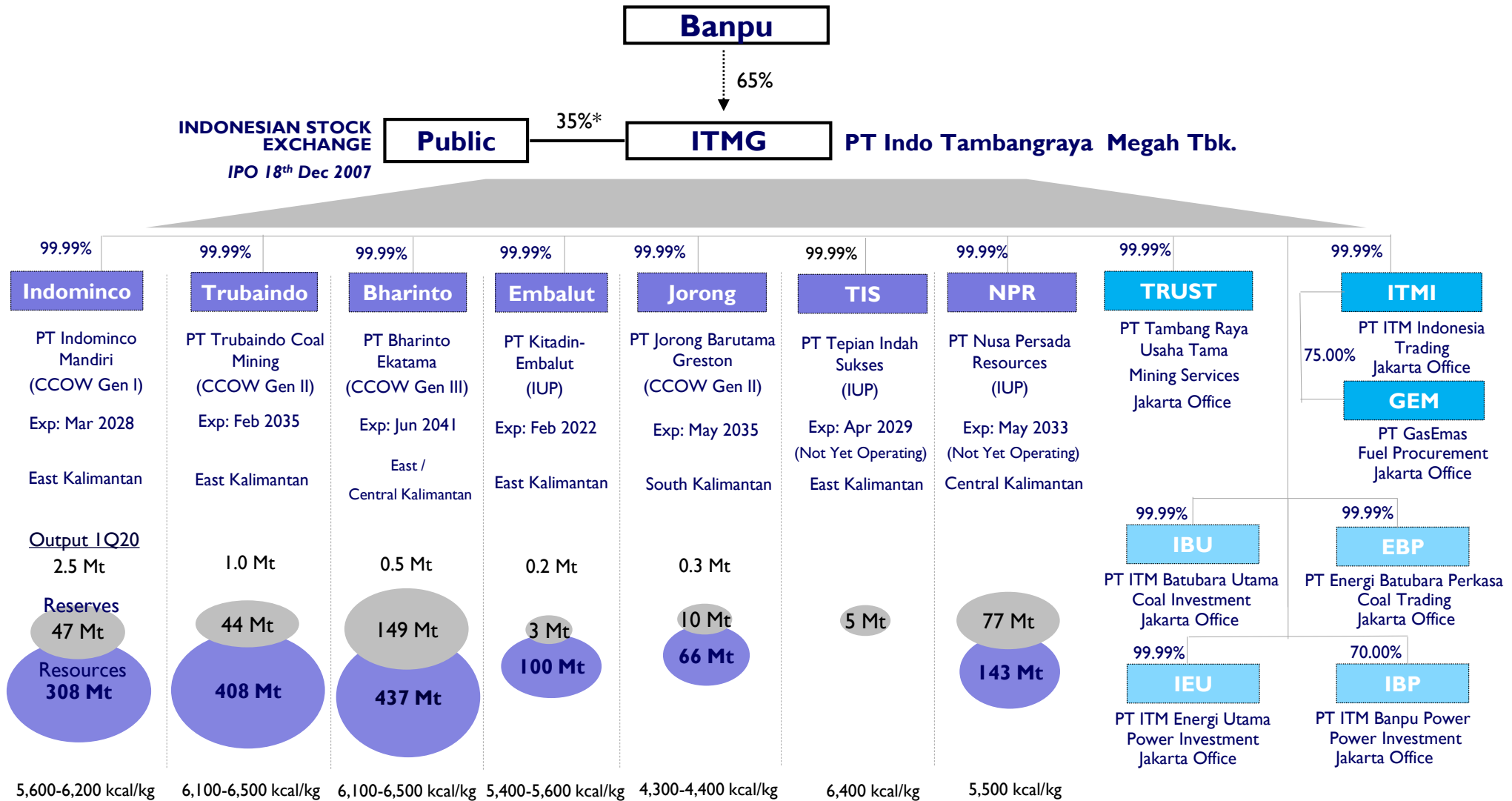


Income statement



<i>Unit: US\$ thousand</i>	1Q20	4Q19	1Q19	QoQ%	YoY%
Net Sales	365,903	410,812	453,025	-11%	-19%
Gross Profit	66,022	88,856	93,612	-26%	-29%
GPM	18%	22%	21%		
SG&A	(30,199)	(42,768)	(36,520)	-29%	-17%
EBIT	35,823	46,088	57,092	-22%	-37%
EBIT Margin	10%	11%	13%		
EBITDA	51,835	61,921	72,463	-16%	-28%
EBITDA Margin	14%	15%	16%		
Net Interest Income / (Expenses)	(141)	894	1,607	n.m	n.m
FX Gain / (Loss)	(6,690)	3,846	545	n.m	n.m
Derivative Gain / (Loss)	(758)	3,807	819	n.m	n.m
Others	16,302	(15,786)	(2,392)	n.m	n.m
Profit Before Tax	44,536	38,849	57,671	15%	-23%
Income Tax	(30,095)	(10,993)	(18,679)	174%	61%
Net Income	14,441	27,856	38,992	-48%	-63%
Net Income Margin	4%	7%	9%		

ITM structure



*: ITM own 2.95% from share buyback program

Note: 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 in IQ20.