PT INDOCEMENT TUNGGAL PRAKARSA Tbk.
H1 2020 Financial Results

Continuous Improvement: Leaner and Greener
AGENDA

Indonesia Cement Industry

Financial Update H1 2020

Investment Strategy

Outlook

Q & A
INDONESIA CEMENT INDUSTRY AT GLANCE

Strong Footprint in West Java as Key Advantage for Indocement

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**Indonesia Facts**

- **Capital City**: Jakarta
- **Population**: ~271 Million
- **Density**: 149/km²
- **GDP – Q1 2020**: USD 1,159 Trillion
- **GDP Per Capita**: USD 4,273
- **IDR/USD Rate**: ~14,000-15,000

**Cement Industry**

- **No. of Companies**: 16
- **Cement Capacity**: ~116 MTY
- **ITP Cement Capacity**: 24.9 MTY
- **Domestic Consumption**: ~65MT (2020 est)
- **Bag - Bulk Ratio**: ~75-25
- **Cement Consumption**: ~238 kg/capita
- **Main Players**: Semen Indonesia, Indocement, Conch, Bosowa, Cemindo

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**National Cement Consumption**

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2019</th>
<th>6M2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Java</td>
<td>55.9%</td>
<td>54.2%</td>
</tr>
<tr>
<td>Sumatera</td>
<td>20.5%</td>
<td>22.0%</td>
</tr>
<tr>
<td>Kalimantan</td>
<td>6.4%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Sulawesi</td>
<td>8.7%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Others</td>
<td>8.5%</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

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24.9 MT CEM Capacity

- 9 CEM Terminals
- 37 RMC Plants

2.8 MT AGG Capacity

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55.9%

20.5%

6.4%

8.7%

8.5%

54.2%

22.0%

6.5%

8.3%

9.0%
**INDONESIA CEMENT LANDSCAPE 2020**

**Sumatera: 16.9**
- SI: 9.4 (I+GM)
- SBI: 1.8 (I)
- SMBR: 3.9 (I+GM)
- BSM: 1.2 (GM)
- MP: 0.7 (I)

**Kalimantan: 6.1**
- INTP: 2.8 (I)
- CCI: 3.0 (I)
- SEM: 0.3 (GM)

**Sulawesi: 14.1**
- SI: 7.4 (I)
- BSM: 4.4 (I)
- CCI: 2.3 (I)

**West Java: 45.7**
- SI: 1.5 (GM)
- INTP: 22.7 (I)
- SBI: 6.0 (I)
- CCI: 4.4 (GM)
- MP: 4.8 (I+GM)
- SCG: 1.8 (I)
- JSI: 1.8 (I)
- Other: 2.7 (GM)

**Central Java: 9.4**
- SI: 3.0 (I)
- SBI: 3.4 (I)
- STAR: 1.8 (I)
- **GRB: 1.2 (I)**

**East Java: 22.4**
- SI: 14.7 (I)
- SBI: 3.6 (I)
- BSM: 1.8 (GM)
- MP: 1.0 (GM)
- Puger: 0.5 (I)
- **Hongshi: 0.8 (I)**

**East Indonesia: 1.9**
- SK: 0.4 (I)
- CCI: 1.5 (I)

**Indonesia: 116.4**
- Integrated: 101.1
- Grinding Mill: 15.3

*In million ton per annum; including grinding mill capacity*

**Growth 6M2020**
-7.7%

- <=0%
- >0%<=5%
- >5%<=10%
- >10%<=15%
- >15%

**MARKET**

**INDONESIA CEMENT CAPACITY SHARE**

*Capacity in Million Tons per Annum*

- Capacity to grow by 2.2% in 2020 (estimated)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capacity in mio ton</th>
<th>% Capacity Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>76</td>
<td>64%</td>
</tr>
<tr>
<td>2016</td>
<td>94</td>
<td>68%</td>
</tr>
<tr>
<td>2017</td>
<td>107</td>
<td>74%</td>
</tr>
<tr>
<td>2018</td>
<td>111</td>
<td>76%</td>
</tr>
<tr>
<td>2019</td>
<td>114</td>
<td>76%</td>
</tr>
<tr>
<td>2020</td>
<td>116</td>
<td>76%</td>
</tr>
</tbody>
</table>

1. Semen Indonesia + SBI (Ex Holcim): 44%
2. Indocement: 21%
3. Conch: 10%
4. Bosowa: 6%
5. Cemindo Gemilang (MP): 5%
6. Semen Baturaja: 3%
7. Panasia: 2%
8. Siam Cement: 2%
9. Juishin: 2%
10. Semen Kupang: <1%

Source: Asosiasi Semen Indonesia

*Data currently are halted but included for total capacity purpose*
CEMENT MARKET EVOLUTION

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>6.1%</td>
<td>12.5%</td>
<td>2.2%</td>
<td>4.1%</td>
<td>0.2%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Capacity</td>
<td>3.8%</td>
<td>7.1%</td>
<td>14.7%</td>
<td>6.5%</td>
<td>2.4%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

**Demand:**
- 2007-2010: 6.1%
- 2010-2013: 12.5%
- 2013-2016: 2.2%
- 2016-2019: 4.1%
- 2019-2022: 0.2%
- 2022-2025: 4.0%

**Capacity:**
- 2007-2010: 3.8%
- 2010-2013: 7.1%
- 2013-2016: 14.7%
- 2016-2019: 6.5%
- 2019-2022: 2.4%
- 2022-2025: 1.6%
Total Volume of 2020 H1 declines -7.7% YOY

2018 H1: 30,052
2019 H1: 29,424
2020 H1: 27,165

2018 H2: 39,489
2019 H2: 40,569
2020 H2: ?

National Election 2019

Source: ASI
- Outside Java market for 1st Semester of 2020 is at 46% higher than YTD 2019 of 44% driven by growth in East Indonesia region.
- Bag market proves to be more resilient with market portion of 76% vs. last year of 73%. Bulk market in Java region suffers from heavy rainfalls during the first 2 months of 2020 then followed by impact of Covid-19.
### Operational Result

<table>
<thead>
<tr>
<th>H1 2019</th>
<th>H1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume (k ton)</td>
<td>8,405</td>
</tr>
<tr>
<td>Net Revenues (IDR bio)</td>
<td>6,982.6</td>
</tr>
</tbody>
</table>

### Financial (IDR bio)

<table>
<thead>
<tr>
<th>H1 2019</th>
<th>H1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1,178.2</td>
</tr>
<tr>
<td>Net Income</td>
<td>640.0</td>
</tr>
</tbody>
</table>

### Financial Highlight

- **Operational Result**
  - Net Revenues % decreased less than sales volume (-11.6% vs. -12.4%) due to **higher average price in 2020**
  - Cost of Revenues decreased by -11.3% due to lower volume and continuous savings in Fuel & Power
  - Gross Profit reduced by 30bps from 30.7% to 30.4%
  - EBITDA reduced by 140bps from 16.9% to 15.5%
  - Reduction in Operating Income by 240bps from 8.5% to 6.1% due to 1x provision on impairment loss for machinery and equipment in the amount of IDR 73.5bio. Without such provision, our **Operating Income is at 7.3%**
  - This concluded to **lower Net Income** of IDR 470.0bio from IDR 640.0bio
  - Maintain strong **Cash Position at IDR 7.8trn with 0 debt**

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**Remain Alert & Cautious during Low Volume Season**

- Net Revenues % decreased less than sales volume (-11.6% vs. -12.4%) due to higher average price in 2020
- Cost of Revenues decreased by -11.3% due to lower volume and continuous savings in Fuel & Power
- Gross Profit reduced by 30bps from 30.7% to 30.4%
- EBITDA reduced by 140bps from 16.9% to 15.5%
- Reduction in Operating Income by 240bps from 8.5% to 6.1% due to 1x provision on impairment loss for machinery and equipment in the amount of IDR 73.5bio. Without such provision, our **Operating Income is at 7.3%**
- This concluded to **lower Net Income** of IDR 470.0bio from IDR 640.0bio
- Maintain strong **Cash Position at IDR 7.8trn with 0 debt**
### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>H1 2020 IDR Bio</th>
<th>H1 2019 IDR Bio</th>
<th>Variance IDR Bio</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales Volume (thousand tons)</td>
<td>7,364</td>
<td>8,405</td>
<td>-1,042</td>
<td>-12.4%</td>
</tr>
<tr>
<td>Domestic Sales Volume (thousand tons)</td>
<td>7,328</td>
<td>8,321</td>
<td>-994</td>
<td>-11.9%</td>
</tr>
<tr>
<td>Export Sales Volume (thousand tons)</td>
<td>36</td>
<td>84</td>
<td>-48</td>
<td>-57.0%</td>
</tr>
<tr>
<td>Net Revenues</td>
<td>6,175.2</td>
<td>6,982.6</td>
<td>-807.4</td>
<td>-11.6%</td>
</tr>
<tr>
<td>Cost of Revenues</td>
<td>-4,295.3</td>
<td>-4,840.0</td>
<td>544.7</td>
<td>-11.3%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>1,879.9</td>
<td>2,142.6</td>
<td>-262.7</td>
<td>-12.3%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>-1,465.3</td>
<td>-1,557.2</td>
<td>91.9</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Other Operating Income (Charge) - Net</td>
<td>-36.8</td>
<td>4.8</td>
<td>-41.7</td>
<td>-865.0%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>377.8</td>
<td>590.2</td>
<td>-212.4</td>
<td>-36.0%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>958.8</td>
<td>1,178.2</td>
<td>-219.4</td>
<td>-18.6%</td>
</tr>
<tr>
<td>Finance Income - Net</td>
<td>165.2</td>
<td>197.3</td>
<td>-32.1</td>
<td>-16.3%</td>
</tr>
<tr>
<td>Equity in Net Earnings of Associated Companies - Net</td>
<td>6.8</td>
<td>9.4</td>
<td>-2.6</td>
<td>-27.7%</td>
</tr>
<tr>
<td>Income before Final Tax and Income Tax Expense</td>
<td>549.8</td>
<td>797.0</td>
<td>-247.2</td>
<td>-31.0%</td>
</tr>
<tr>
<td>Net Income for the Period</td>
<td>470.0</td>
<td>640.0</td>
<td>-170.0</td>
<td>-26.6%</td>
</tr>
<tr>
<td>Total Comprehensive Income for the Period</td>
<td>457.9</td>
<td>639.7</td>
<td>-181.9</td>
<td>-28.4%</td>
</tr>
</tbody>
</table>

- Revenues decreased by -11.6% at lower rate than Sales Volume decreased of -12.4% due to slightly higher ASP/ton by +0.9%
- Cost of Revenues decreased by -11.3% driven mainly by lower volume and:
  - Lower Fuel & Power cost/ton of -5.5%:
    - lower unit price of coal
    - higher usage of LCV coal
    - higher usage of alternative fuels
- Lower Other Operating Income was mainly due to impairment loss for machinery & equipment of IDR 73.5bio
- Lower Finance Income was due to reduction of Interest Rate over past few months
Operating Efficiencies & Cost Discipline

H1 Composition of Manufacturing Cost

- Raw Materials & Direct Labor generally maintain over the years
- Lower coal price with higher usage of low CV coal and alternative fuel reduced overall Fuel and Power cost
- Increase in Manufacturing Overhead is due to fixed cost components with lower volume of 2020

H1 Operating Expenses (bio IDR)

- Both expenses were lower in line with lower sales volume during H1 2020
**Finance**

Monitor Fixed Cost to Improve Efficiency

**Gross Margin Development**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>29%</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Q2</td>
<td>23%</td>
<td>30%</td>
<td>29%</td>
</tr>
<tr>
<td>Q3</td>
<td>27%</td>
<td>35%</td>
<td>34%</td>
</tr>
<tr>
<td>Q4</td>
<td>40%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**EBITDA Margin Development**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>16%</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>Q2</td>
<td></td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Q3</td>
<td></td>
<td>15%</td>
<td>21%</td>
</tr>
<tr>
<td>Q4</td>
<td></td>
<td></td>
<td>23%</td>
</tr>
</tbody>
</table>

During low volume season with competitive environment, the Company continues to focus for:

- **Operational Excellence program**
- **Fixed cost reduction program**
- **Managing efficient kiln utilization**
**CONSOLIDATED BALANCE SHEET**

<table>
<thead>
<tr>
<th>Description</th>
<th>Jun 30, 2020 IDR Bio</th>
<th>Dec 31, 2019 IDR Bio</th>
<th>Variance Bio IDR</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>12,294.1</td>
<td>12,829.5</td>
<td>-535.4</td>
<td>-4.2%</td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td>14,743.3</td>
<td>14,878.3</td>
<td>-135.0</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>2,710.9</td>
<td>3,873.5</td>
<td>-1,162.6</td>
<td>-30.0%</td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td>788.4</td>
<td>754.0</td>
<td>34.4</td>
<td>4.6%</td>
</tr>
<tr>
<td>Equity</td>
<td>23,538.1</td>
<td>23,080.3</td>
<td>457.9</td>
<td>2.0%</td>
</tr>
<tr>
<td>Total Assets = Total Liabilities + Equity</td>
<td>27,037.4</td>
<td>27,707.7</td>
<td>-670.4</td>
<td>-2.4%</td>
</tr>
</tbody>
</table>

- Cash and cash equivalents of IDR 7.8trn as of June 2020
- Capex update estimation for 2020 is IDR 1.1trn, spending up to Jun 2020 is at IDR 574bio
- From the Annual General Meeting of Shareholders on July 28th, 2020, it was decided total dividend to be distributed for 2020 is IDR 1,841bio or IDR500/share

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>5,012</td>
<td>5,293</td>
<td>4,357</td>
<td>3,870</td>
<td>1,860</td>
<td>1,146</td>
<td>1,835</td>
<td>470</td>
</tr>
<tr>
<td>Dividend *</td>
<td>3,313</td>
<td>4,970</td>
<td>1,528</td>
<td>3,420</td>
<td>2,577</td>
<td>2,025</td>
<td>1,841</td>
<td>N/A</td>
</tr>
<tr>
<td>% of Dividend Payout</td>
<td>66.1%</td>
<td>93.9%</td>
<td>35.1%</td>
<td>88.4%</td>
<td>138.6%</td>
<td>176.7%</td>
<td>100.3%</td>
<td>N/A</td>
</tr>
<tr>
<td>% of Dividend Yield **</td>
<td>4.5%</td>
<td>5.4%</td>
<td>1.9%</td>
<td>6.0%</td>
<td>3.2%</td>
<td>3.0%</td>
<td>2.6%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* To be distributed in the following year
** End of prior year stock price
AGENDA

- Indonesia Cement Industry
- Financial Update H1 2020
- Investment Strategy
- Outlook
- Q & A
INDOCEMENT SUSTAINABILITY PROJECT
for Reducing Dust Emission

- New regulation require continues emission monitoring and mandatory online reporting by end 2020
- Indocement received Green Label Indonesia GOLD Certification for PCC Cement Type at Citeureup & Cirebon plants
- Green Label is a certification for environmental friendly and sustainable product that will eventually get priority to supply Government Projects and other Environmentally concern Projects

Master plan reducing dust emission by converting ESP (Electrostatic Precipitator) to Fabric Bag House Filters

<table>
<thead>
<tr>
<th>Year</th>
<th>P9 Dust Emission (mg/m³)</th>
<th>P10 Dust Emission (mg/m³)</th>
<th>P4 Dust Emission (mg/m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>55.0</td>
<td>59.8</td>
<td>32.8</td>
</tr>
<tr>
<td>2019</td>
<td>13.7</td>
<td>12.8</td>
<td>4.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>P8 Dust Emission (mg/m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>55.0</td>
</tr>
<tr>
<td>2021</td>
<td>59.8</td>
</tr>
<tr>
<td>2022</td>
<td>32.8</td>
</tr>
</tbody>
</table>

GOLD Certification for PCC Cement Type at Citeureup & Cirebon plants.
- Ready for Commercial production on August 2020 *(revised)*
- Production target is 100k ton/month of Aggregates product for the first year
- Annual production capacity of 2.5mio ton/year
- Ready to supply strategic projects such as High Speed Railway, Jakarta-Cikampek Southern Part, Harbour Toll Road, etc
NEW INSTANT CEMENT PRODUCT: GREY MORTAR

- TIGA RODA Grey Mortar (Instant Cement Mix) is to be launched within near future
- Target Production Capacity: 180k ton/year
- Target Market: Jabodetabek & other West Java region
- Source of Raw Materials: Internal Sourcing from Citeureup Quarry & Plant including Limestone sand (CaCO3)

Project Rationale:
- Huge demand of instant cement is anticipated with lack of good & reliable quality supply
- Better performance than traditional mixing
- High Quality materials available at plant
- TR 10 Mortar Serbaguna (multi purpose), TR 15 Thinbed, and TR 20 (Plester Plus) in addition to our current White Mortar product HC TR 30
AGENDA

Indonesia Cement Industry

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CEMENT MARKET OUTLOOK

Full Year Demand growth is expected to be -7% to -10% in 2020 (NB: Growth YTD June 2020: -7.7%). Expected to have higher demand in H2/2020 by having relaxing of PSBB lockdown, but mitigated by lower demand in December due to Regional Election and the holiday shifting from last May (Idul Fitri).

Price is expected to stay flat, except probably some slight adjustment needed towards East and Central Java region in Q4 2020 after Hongshi & Semen Grobogan starts distributing their product estimated in Q4 2020.

Production cost will remain low following to lower Coal Purchase Index, except risk of stronger USD against IDR.

From beginning of the year with policy rate of 5%, **BI has cut the rate 4x to 4.0% (in July)**. With reduction of tax on high end housing and LTV relaxation, this would help for a rebounding demand for residential property.

Delay implementation of **ODOL Policy (Over Dimension & Over Loading) in 2023 is a good news for Cement industry** \(\rightarrow\) keep logistic cost under control!
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