



INDOCEMENT
HEIDELBERGCEMENT Group

PT Indocement Tunggal Prakarsa Tbk Q1 2018 Results

Jakarta, 18 May 2018





Indocement Fact Sheet & Indocement Today

Current Domestic Market Condition

Financial Update Q1 2018

Investment Strategy

Outlook 2018



Indocement Fact Sheet



43 Batching Plants
in 31 Strategic Locations



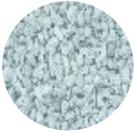
601
Truck
Mixers



Ready Mix
Capacity:
5 million
m3



Aggregate
Capacity:
2.8 million
tons



3 Factory
Locations with
8 Terminals
(+1 under
Construction)



13 Kiln
Lines
26 Grinding
Units



Clinker
Capacity:
19 million
tons



Cement
Capacity:
24.9 million
tons



18 distributors
18,500 retailers
172 warehouses



1985 -
Start:
Merger 6
Companies
with 8
Plants



1989:
Go Public



1991:
Plant 9 +
RMC
Business
1996/97:
Plant
10/11



1998:
Merge
with IKC/
Plant 12



2001:
HC Group



2005:
PCC



2007:
P8
Modification
+
Aggregates
Business



2010:
Cirebon
Mill
Expansion



2013:
P14
Construction
Started



2014:
VRM



2016:
Kiln P14



2017:
P14
Completed



Indocement Today



The **second largest** listed cement manufacturer in Indonesia

Integrated cement operations

Total current production **capacity of 24.9 mt of cement**

As of 31 March 2018:

Market capitalization IDR ~59 trillion (IDR 16,000/share) - one of the largest in IDX.

with 6,034 employees (Cement 4,164; RMC & Aggregates 1,870)



Diversified product range:

**OPC, PCC, PPC, TR Rapid, PCC Industry,
and the new products – Slag Cement**

The one and only White Cement producer in Indonesia to date.

Leading Indonesian Producer of Quality & Specialty Cement Products

Well established **“Tiga Roda”**
and **“Rajawali”** brand which just launched in **October 2016**

HEIDELBERGCEMENTGroup

**One of the world’s largest cement producers -
is the majority & controlling shareholder**

Green Product ✓

Harga Terjangkau ✓ **Kualitas Premium** ✓

SEMEN PORTLAND KOMPOSIT
— KUALITAS PRIMA —
PCC
SN
TIGA RODA
NIP 113-002-00424

BERAT BERSIH 40 kg

PRODUKSI
PT INDOCEMENT TUNGGAL PRAKARADA TUA,
CITURUH, INDONESIA

www.sementigaroda.com

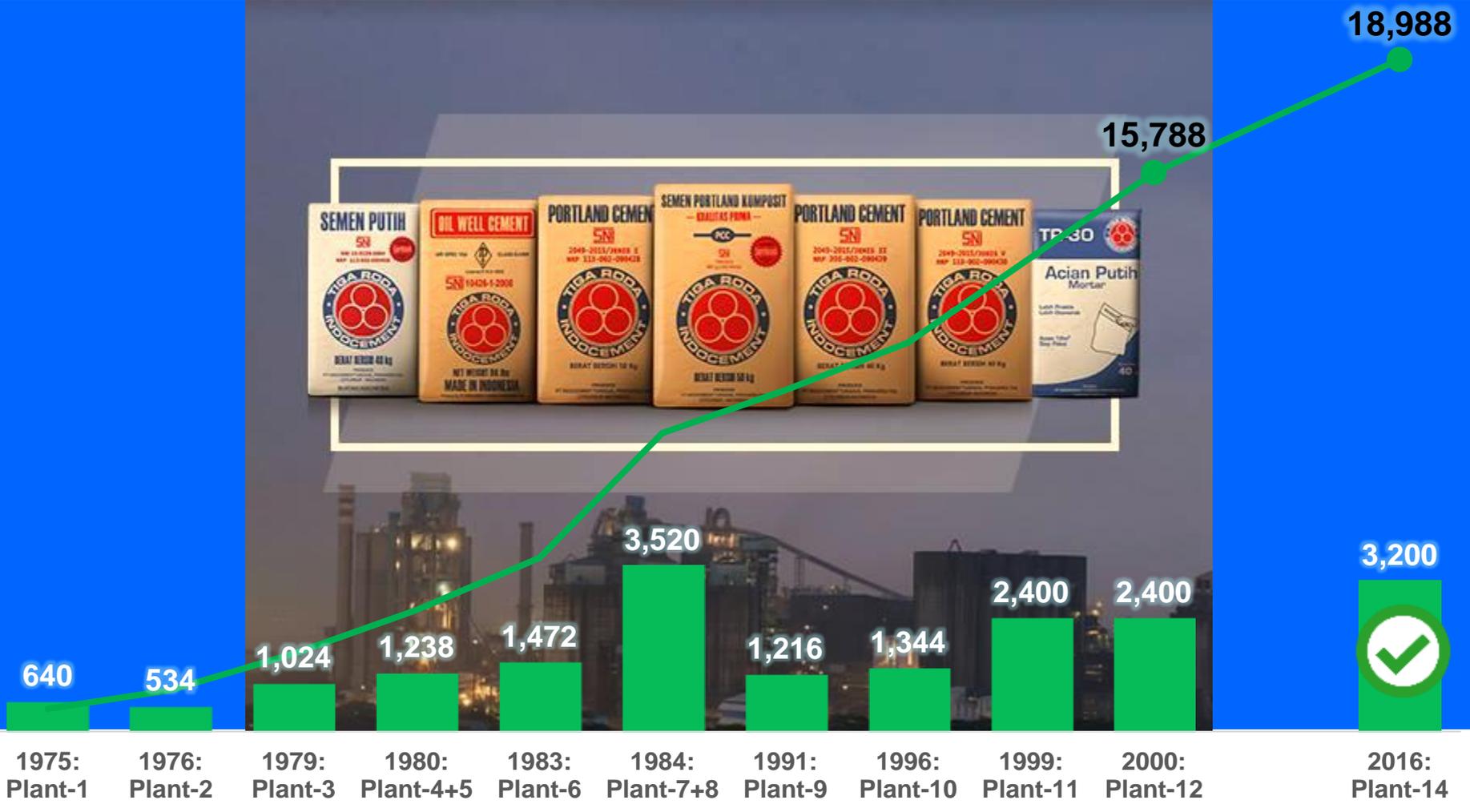


Clinker Capacity:

Scaling Up Production Capacity in Indonesia



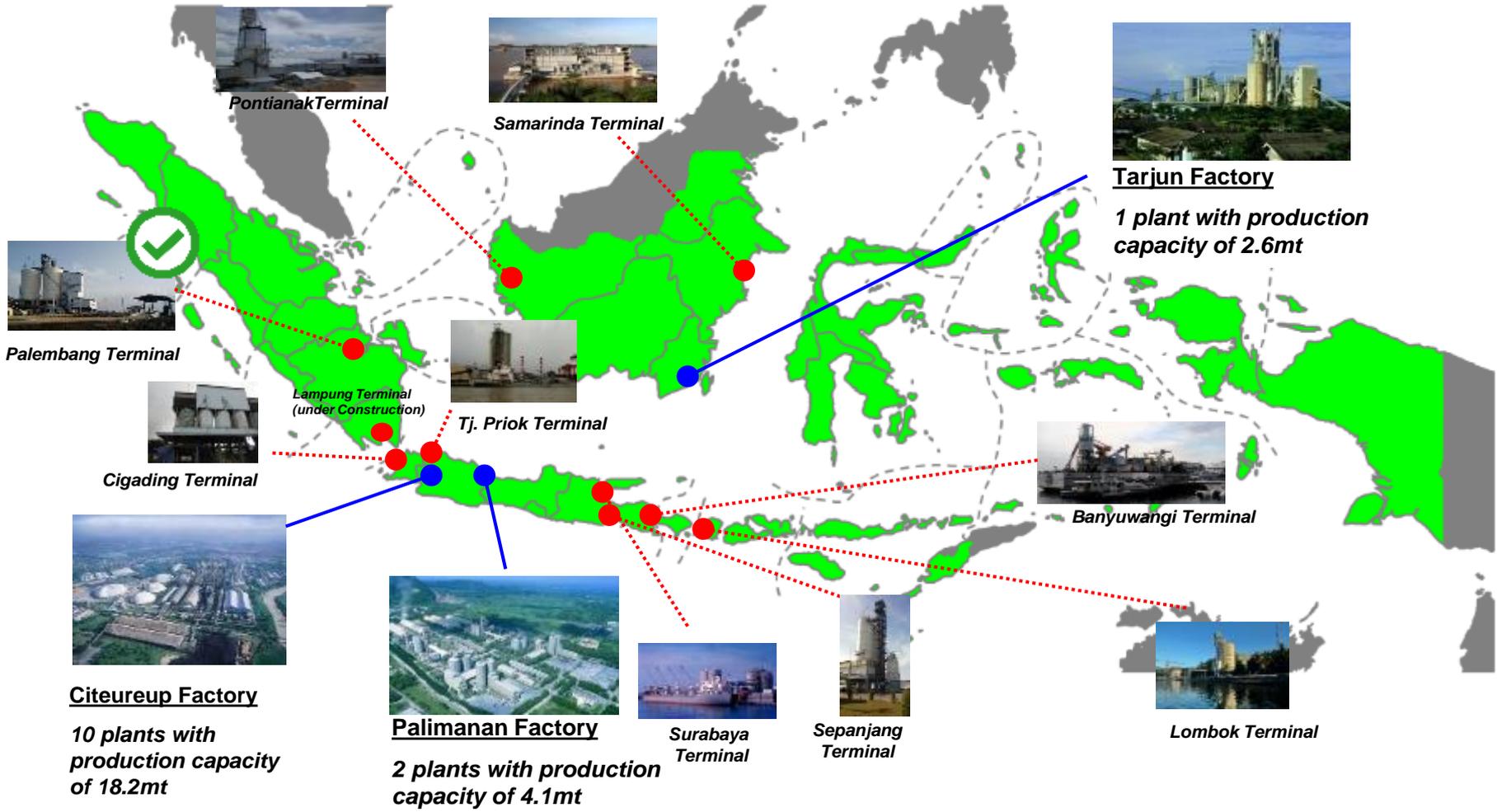
In Thousand Tons Cinker Per Year



Cement Grinding Production Capacity
24.9 Million Ton per Year

Geographical Position

13 Plants at 3 locations and 8 cement terminals



Citeureup Factory is one of the largest integrated factory complexes in the world.
State-of-art technology with some of the most efficient kilns in operation today.
Current total capacity is 24.9 mt of cement.
Cement distribution using train for some locations.

Agenda



Indocement Fact Sheet & Indocement Today



Current Domestic Market Condition



Financial Update Q1 2018



Investment Strategy

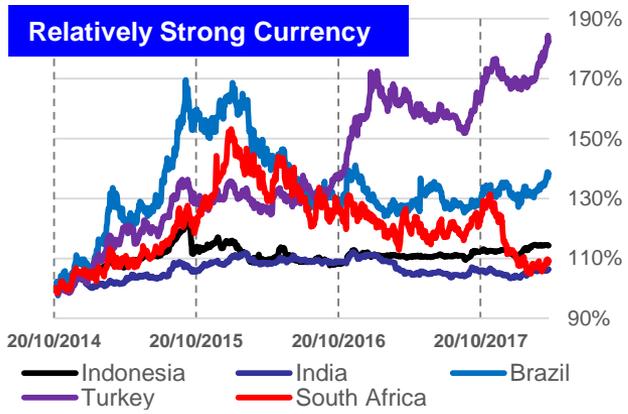


Outlook 2018



Macro Summary

Strong Investor Trust



Rating Agencies	Indonesia Sovereign Credit Rating	Outlook
Standard & Poor's	BBB-	Stable
Fitch Ratings	BBB	Stable
Moody's Investor Service	Baa2 <i>(Upgraded from Baa3 on April 6th)</i>	Stable
Japan Credit Rating Agency	BBB-	Positive
Rating and Investment Information Inc.	BBB-	Positive

- Government aims consistently try to keep budget deficit at 2.19% of GDP this year by continuing its effort to ease business despite its current populism policy near presidential election (increase social fund, subsidized energy, Coal DMO, toll tariff reduction - on plan)
- Simplified Tax Holidays announced to the market.
- Continued Infra structure programs to aim long term benefits.



- Nevertheless, Government efforts came with challenges:
- Its costly infra structure programs, increase the debt level, thus,
 - Forex reserve as of March declined by US\$ 2bio to US\$ 126 bio due to forex loan payment and also IDR stabilization amid global protectionism lead by US and triggered monetary tightening on some countries.
 - Energy recovery potentially push the inflation, on March, inflation rose to 3.4% attributable to increase of non-subsidized fuel prices
 - No kickback from Government efforts - consumption yet increased: housing sector still indicates slow growth, despite recovery on commodity sector.

Indonesia Cement Industry 2018 Landscape

Sumatera: 18.2

- SI: 11.2 (I)
- LHI: 1.8 (I)
- SMBR: 3.8 (I)
- BSM: 1.0 (GM)
- MP: 0.4 (I)

Kalimantan: 5.3

- INTP: 2.8 (I)
- CCI: 2.5 (I)

Sulawesi: 12.4

- SI: 7.8 (I)
- BSM: 4.1 (I)
- CCI: 0.5 (I)

Indonesia: 108.6

- Integrated: 94.3
- Grinding Mill: 14.3

West Java: 42.6

- SI: 1.0 (GM)
- INTP: 21.4 (I)
- LHI: 4.9 (I)
- CCI: 4.0 (GM)
- MP: 4.7 (I)
- SCG: 2.0 (I)
- JSI: 2.0 (I)
- Other: 2.7 (GM)

Central Java: 7.7

- SI: 1.6 (I)
- LHI: 4.1 (I)
- STAR: 2.0 (I)

East Java: 20.8

- SI: 14.4 (I)
- LHI: 3.2 (I)
- BSM: 1.5 (GM)
- MP: 1.2 (GM)
- Puger: 0.5 (I)

East Indonesia: 1.6

- SK: 0.6 (I)
- CCI: 1.0 (I)

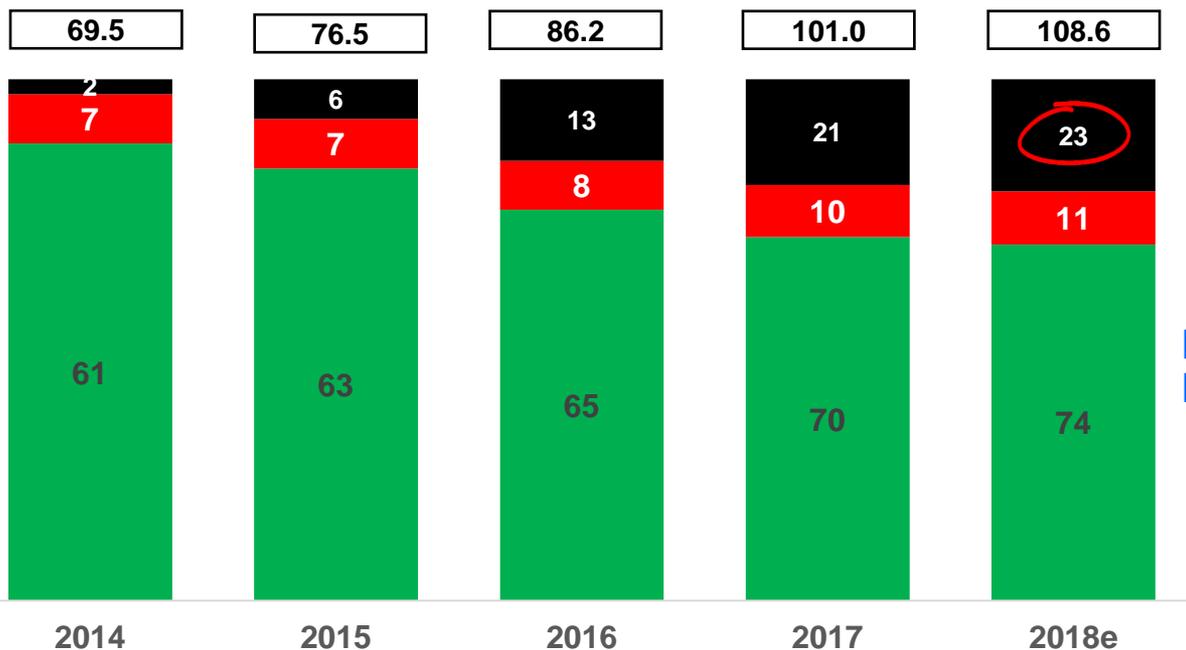
* In million ton per annum; including grinding mill capacity

SI: Semen Indonesia, INTP: Indocement, LHI: Lafarge Holcim, CCI: Conch, MP: Merah Putih, SCG: Siam, JSI: Jui Shin, SMBR: Baturaja, BSM: Bosowa, SK: Semen Kupang, Puger, STAR: Semen Bima, Other: Hao Han, Semen Jakarta, Sun Fook



Indonesia Cement Industry 2018 Capacity Share

Capacity in million Tons per Annum



- New Entrants (CG, JSI, SJW, STA, CCI)
- 2nd Tier Incumbents (SBM, SB, SK)
- Top 3 Incumbents (ITP, SI, LHI)

(Capacity Share)



1. Semen Indonesia: 36.0 (33.1%)
 2. Indocement: 24.9 (22.3%)
 3. LHI: 14.0 (12.8%)
 4. Conch: 8.0 (7.4%)
 5. Bosowa: 6.7 (6.1%)
 6. Cemindo Gemilang: 6.3 (5.8%)
 7. Semen Baturaja: 3.8 (3.5%)
 8. Pania: 2.0 (1.8%)
 9. Siam Cement: 2.0 (1.8%)
 10. Juishin: 2.0 (1.8%)
 11. Semen Kupang: 0.6 (0.6%)
- Puger, Hao Han, Semen Jakarta, Sun Fook: 3.2 (2.9%)

Capacity Grew by 7.6% YoY or 7.6 mtpa in 2018e

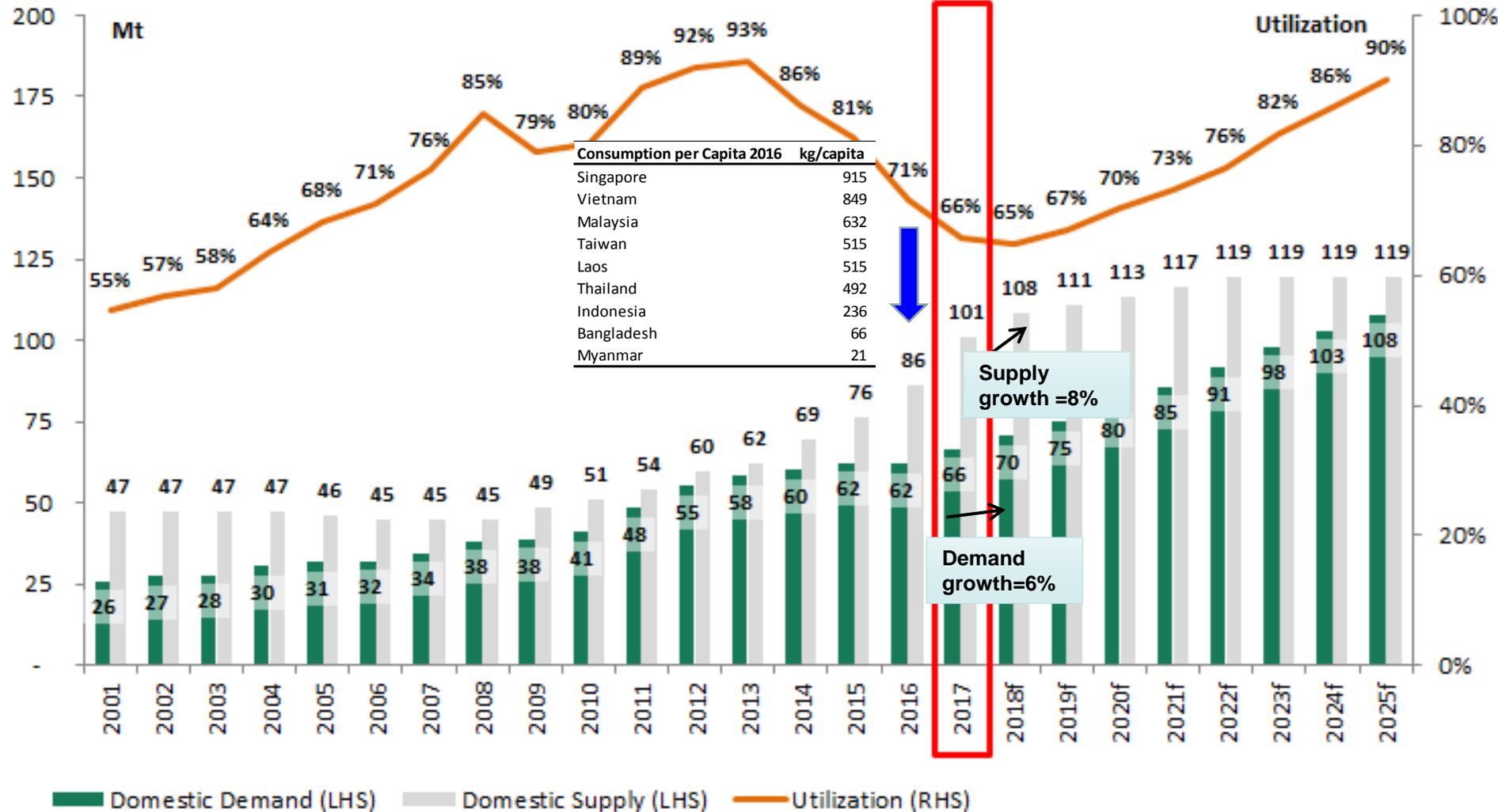
Source: Asosiasi Semen Indonesia



Over Supply market in Indonesia is widened

still grow by 8% in 2018

Overcapacity of 34 Mt in 2017



Additional Capacity in 2018 – 7.6 mt:

Semen Indonesia: 3.8 mt (Rembang Plant, Cilegon Grinding, and upgrade in Padang)

Baturaja: 1.0 mt (capacity upgrade)

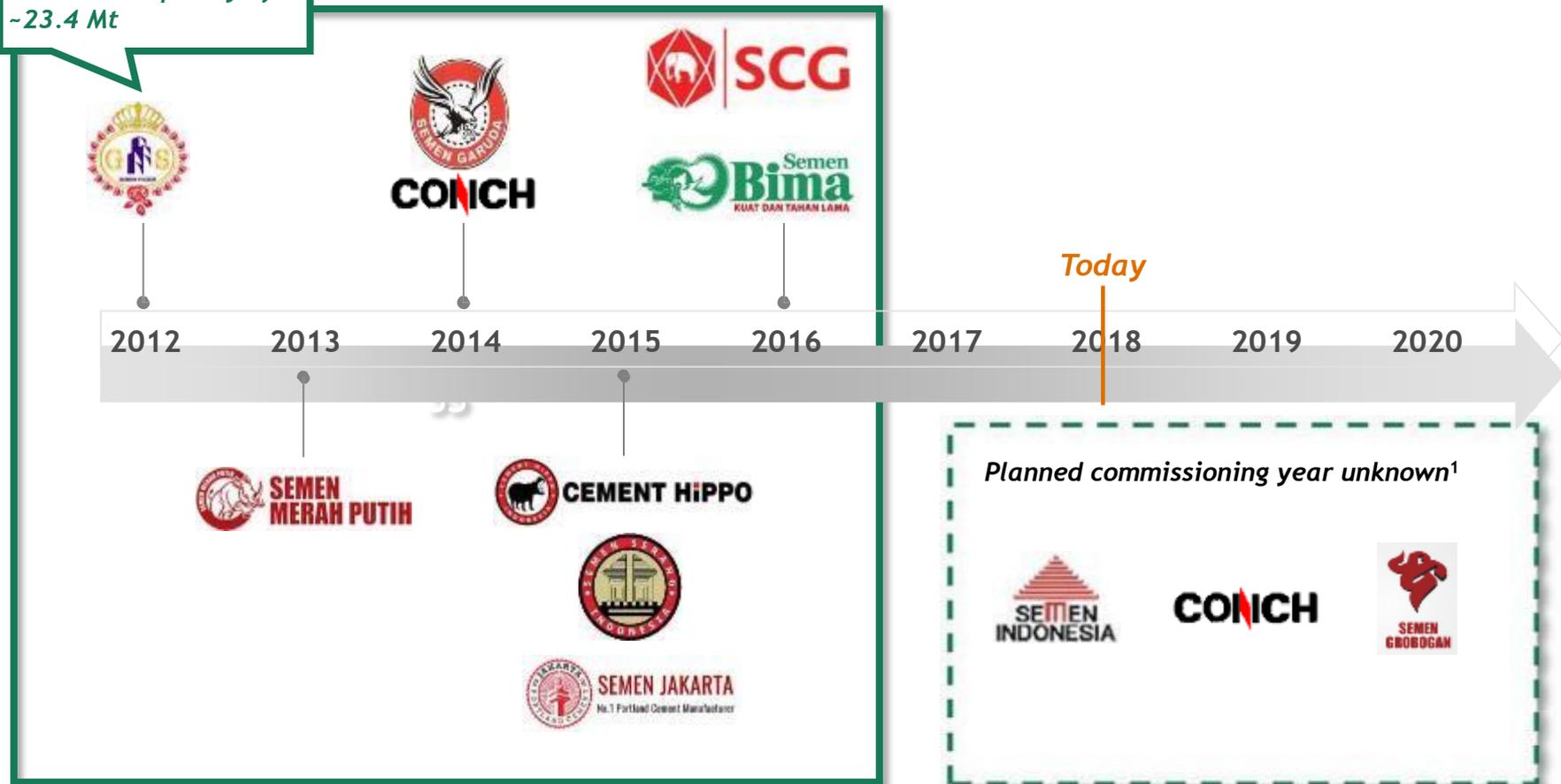
Anhui Conch: 2.9 mt (Merak Grinding Plant and start up of Bolmong North Sulawesi)

Supply Side:

9 New Players In The Last 6 Years and At Least 1 More Showed Interest in Entering Indonesia Market

9 new players in 2012-2016 with current combined capacity of ~23.4 Mt

Timeline of cement new entrants commissioning year



1. Incoming capacity up to 2020: Semen Indonesia Aceh, Semen Indonesia Jayapura, Conch North Sulawesi, Conch South Sulawesi; and Semen Grobogan in 2021



Regional Shift of Demand:

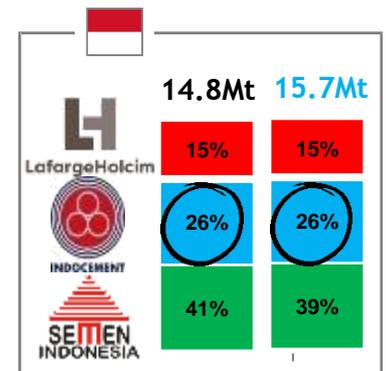
Better Growth Outlook in Central & East Java and Sumatera



Market shares based on cement domestic sales (Q1 2017, Q1 2018)

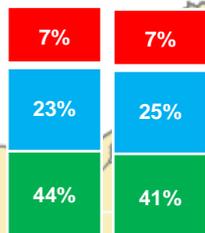
Data in Box: Utilization Rate and Growth Rates YoY per area for Q1 2018

Indonesia:
58% , +6.6%



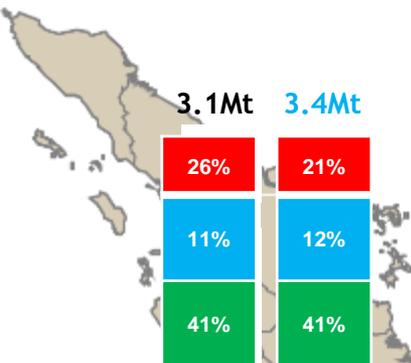
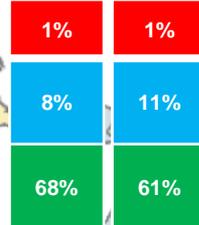
Kalimantan:
78% , +11.5%

0.9Mt 1.0Mt



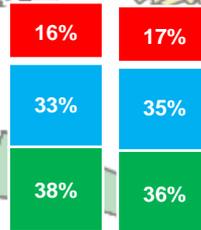
Sulawesi:
41% , +5.9%

1.2Mt 1.3Mt



Sumatera:
75% , +11.7%

8.3Mt 8.8Mt



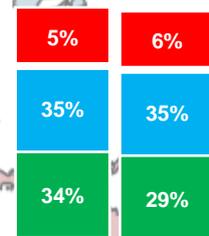
Java:
49% , +6.1%

Western Java:
40% , +7.8%

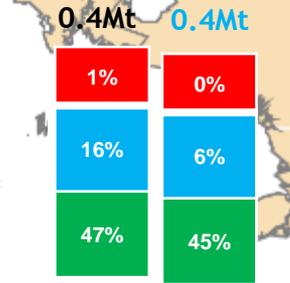
Central Java:
122% , +12.1%

East Java
42% , -2.4%

0.9Mt 0.8Mt



Nusa Tenggara:
529% , -9.2%



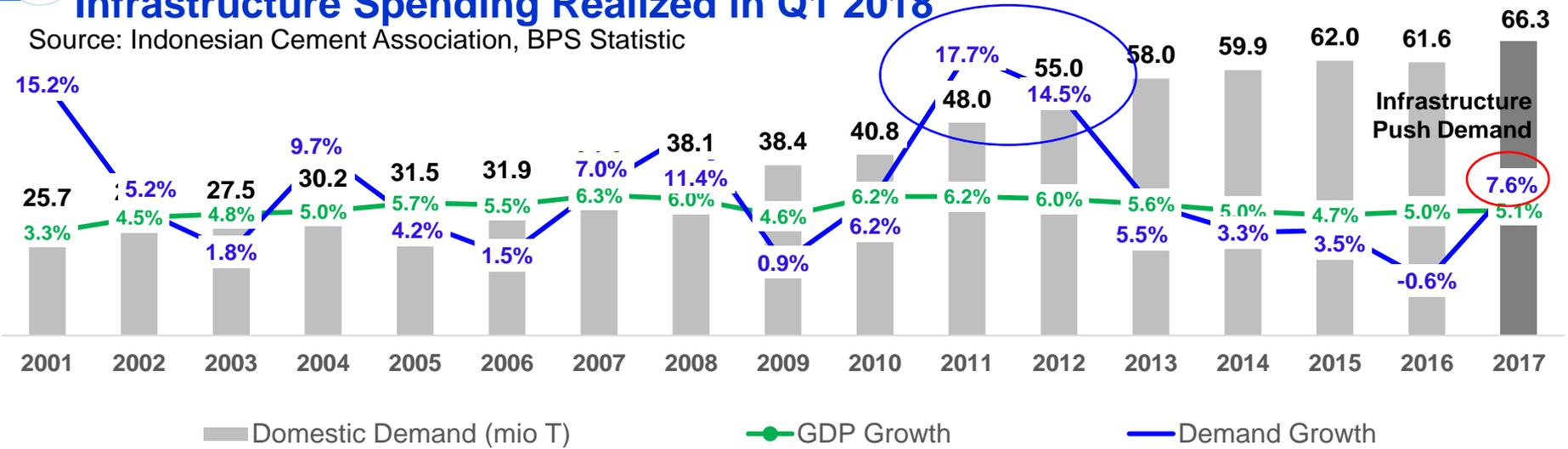
East Indonesia:
166% , +0.5%

Source: Asosiasi Semen Indonesia



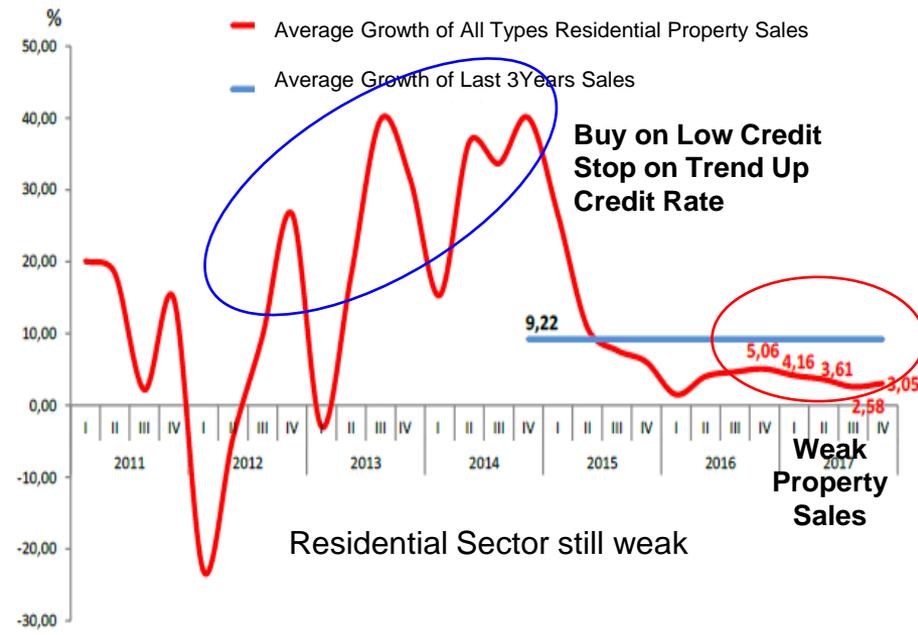
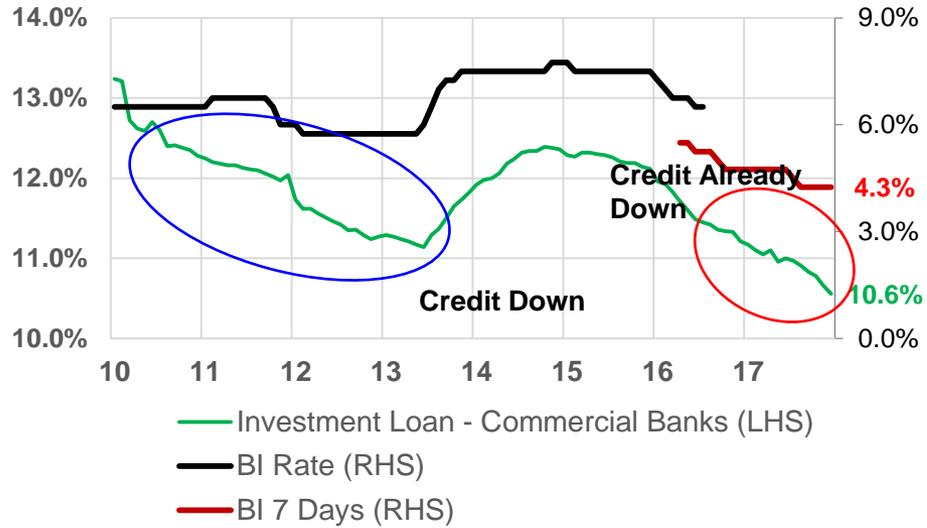
Cement Demand Rebounds After 4 Years of Down Trend Infrastructure Spending Realized in Q1 2018

Source: Indonesian Cement Association, BPS Statistic



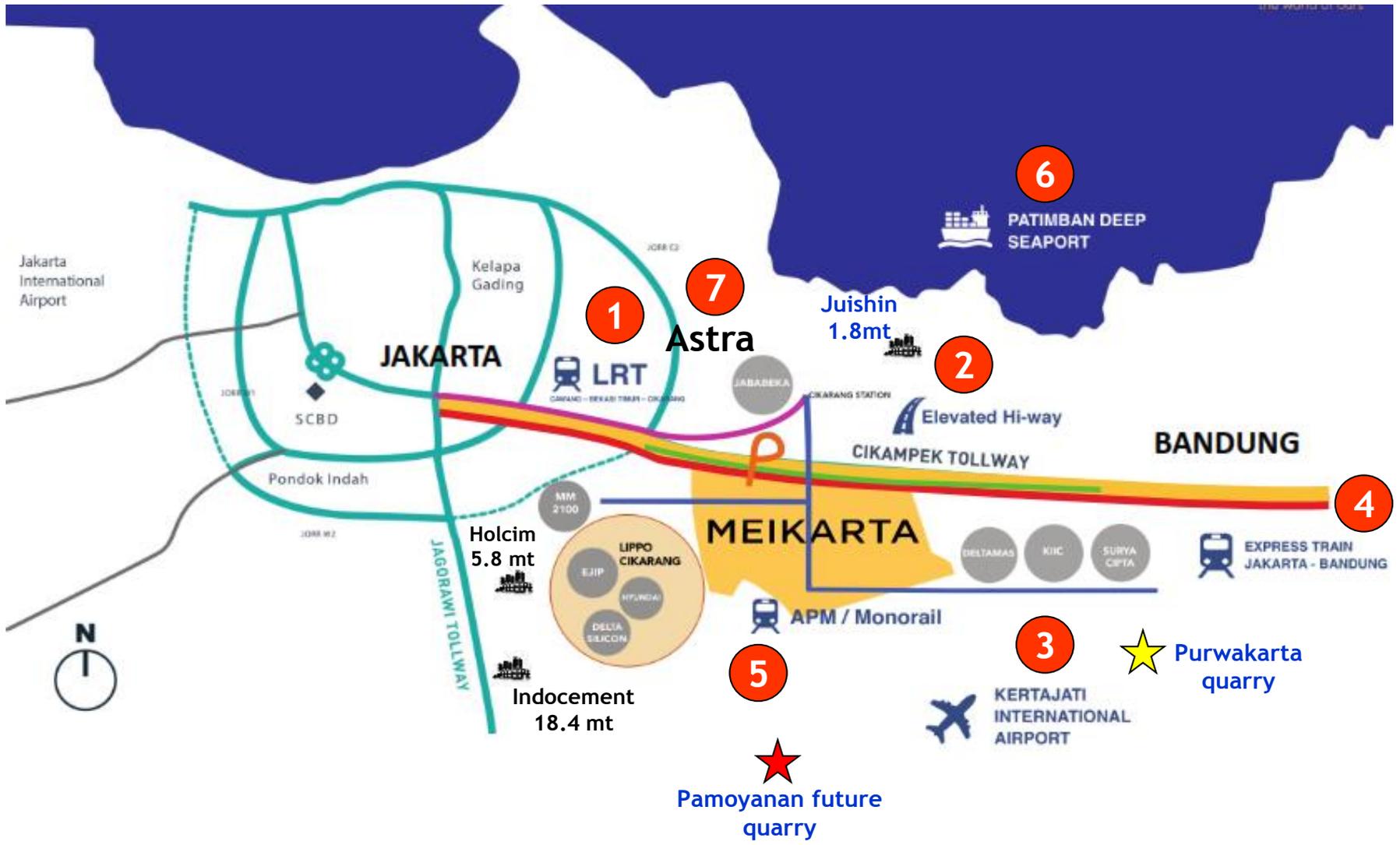
Cement Demand Q1 2018 supported by Infrastructure

Weighing by relatively high mortgage rate



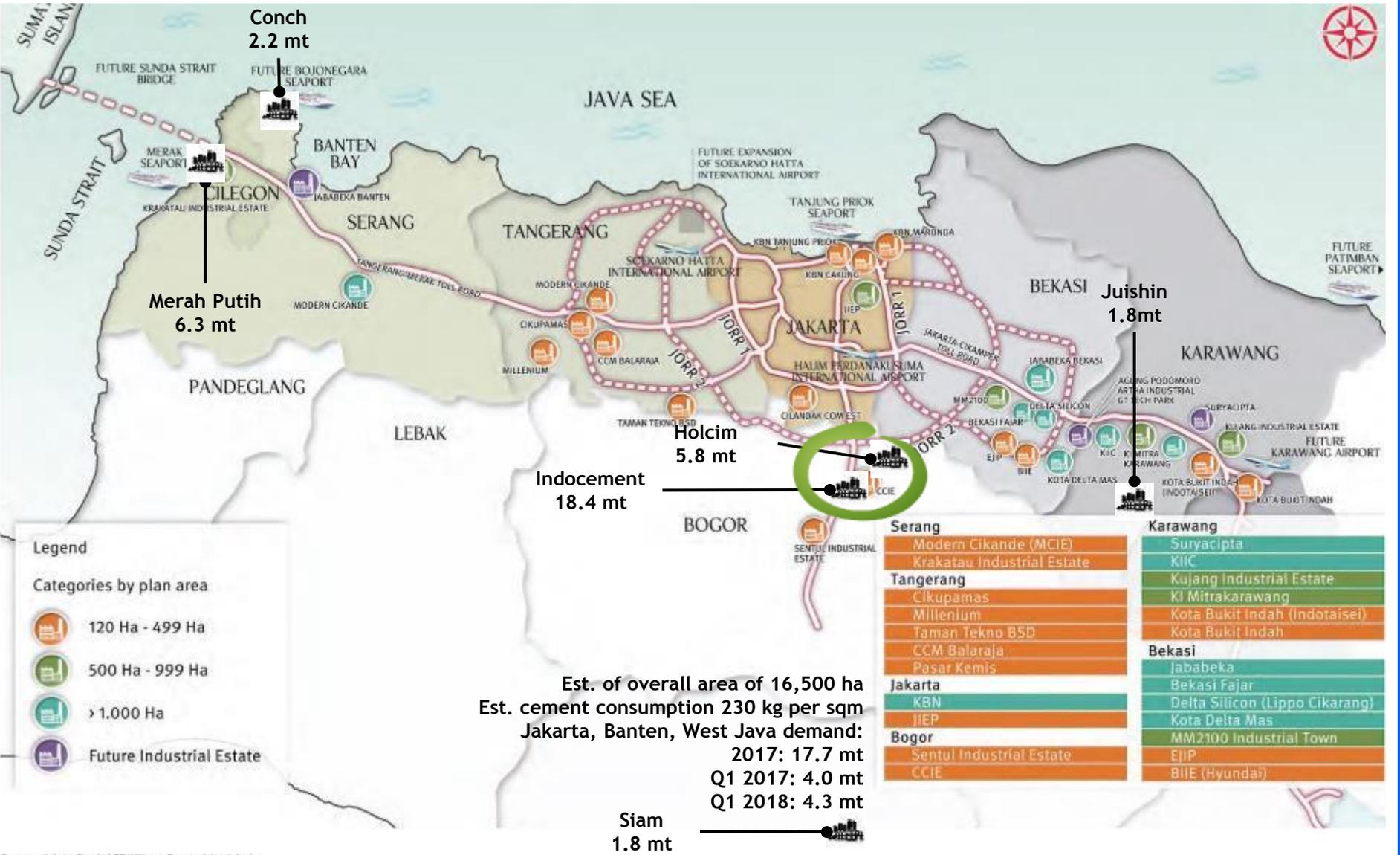


7 New Infrastructure Development in Greater Jakarta to Create High bulk demand





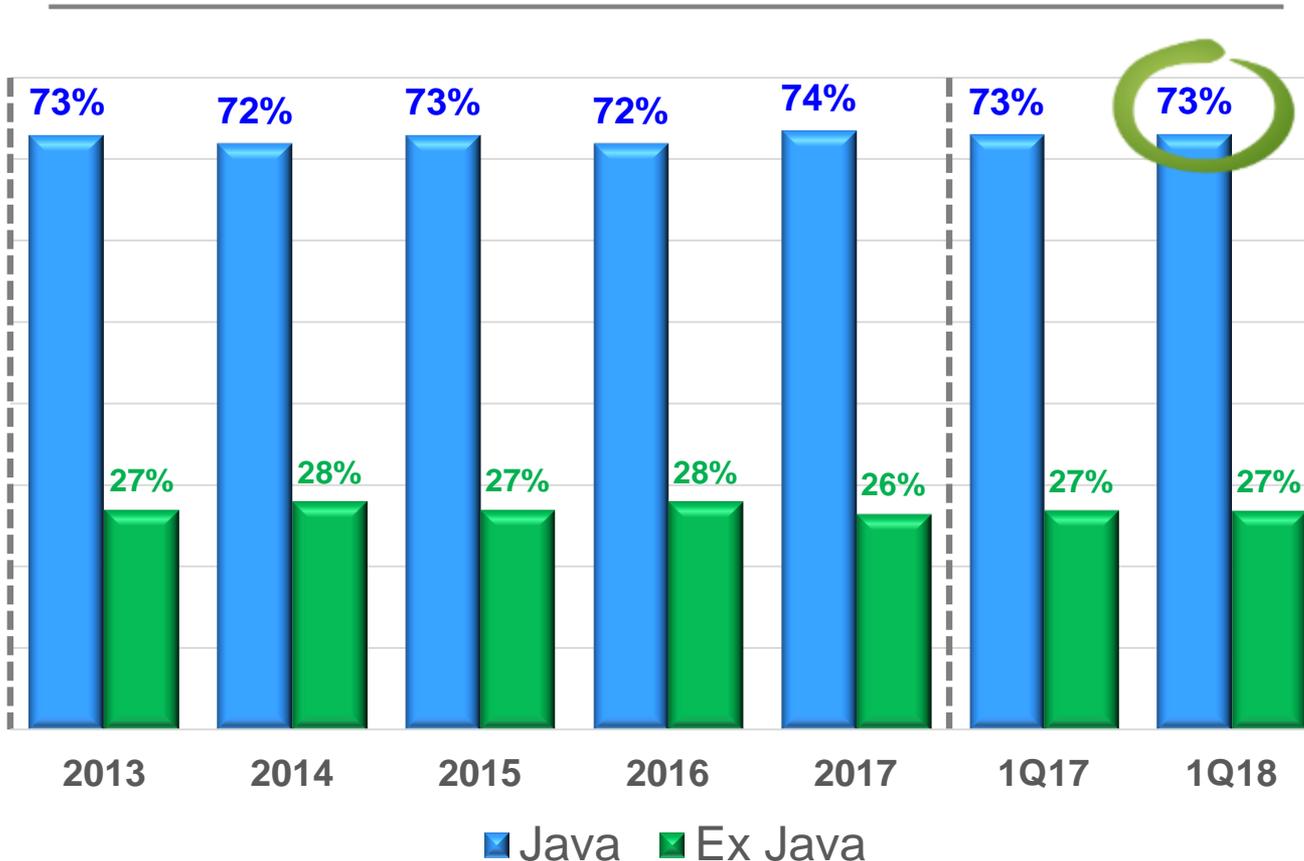
Multiplier Effects After Infrastructure Established: Industrial Estates in Greater Jakarta





Indocement's Strategies Under Current Tight Competition: *Rebalance Portfolio and Focus on Home Market*

Java Presence Grows



- To reduce logistics cost and to defend market share at home markets sales are targeted towards home market
- Central Java is one of the fastest growing market and underserved (high utilization rate)
- Multiplier effects across Java generally, and greater Jakarta specifically are observed since Q2 2017

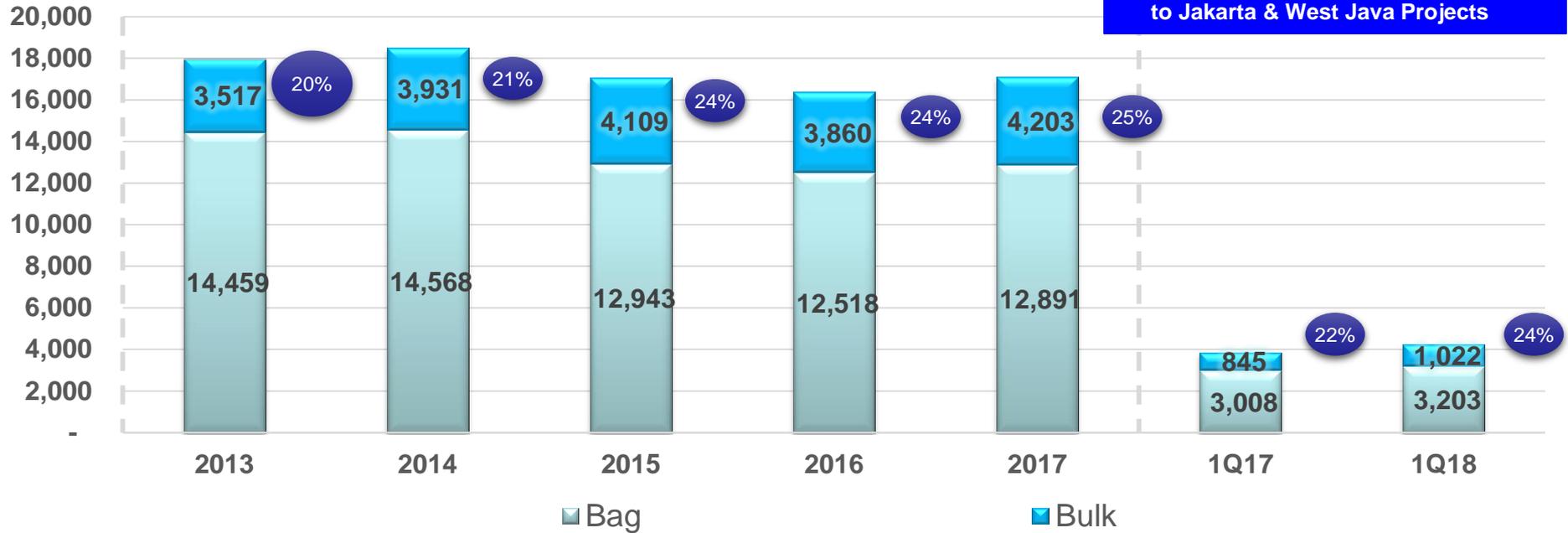


Indocement's Strategies under Current Tight Competition: More bulk sales focus - as Jakarta & West Java Projects started



Bag/Bulk sales composition Jan - Dec

In thousand tons



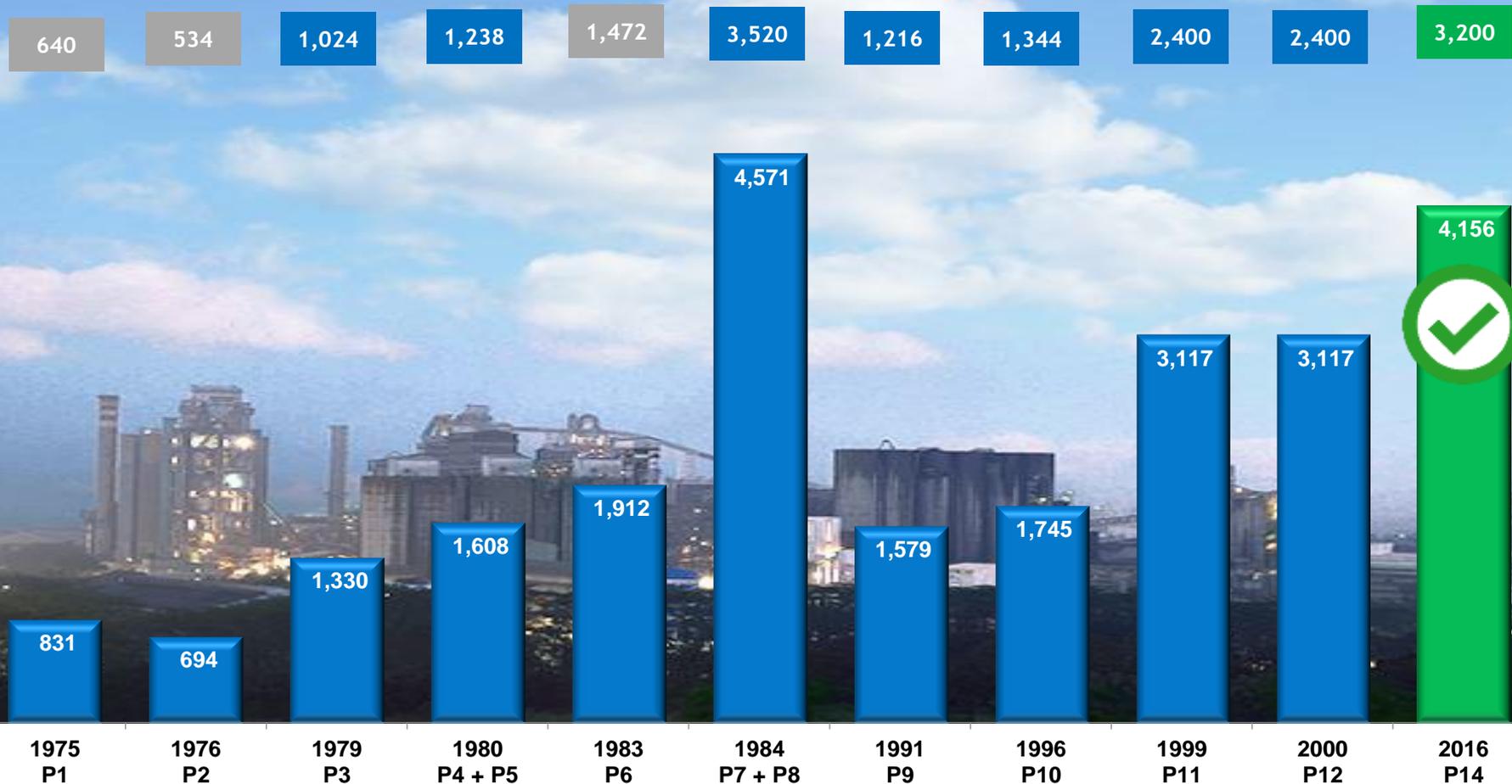
- High bulk volume in Jakarta
- Indocement benefits from proximity to Jakarta & West Java Projects

- Portion of bulk sales increased in Q1 2018
- Composition of bag vs bulk sales in Q1 2018 is 76.0% vs. 24.0%
- Indocement positions itself as a reliable partner for infrastructure projects providing quality bulk cement and concrete at timely delivery



Indocement's Strategies under Current Tight Competition: Shut Down Old Kilns and Run the most efficient kilns

Run P14 production (10,000 tpd) in full-swing in 2018 will help to reduce production cost up to **USD 7-8 per ton**

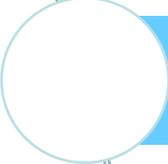


In '000 ton; top: clinker capacity, bottom: cement mill capacity

Agenda



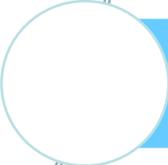
Indocement Fact Sheet & Indocement Today



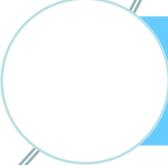
Current Domestic Market Condition



Financial Update Q1 2018



Investment Strategy



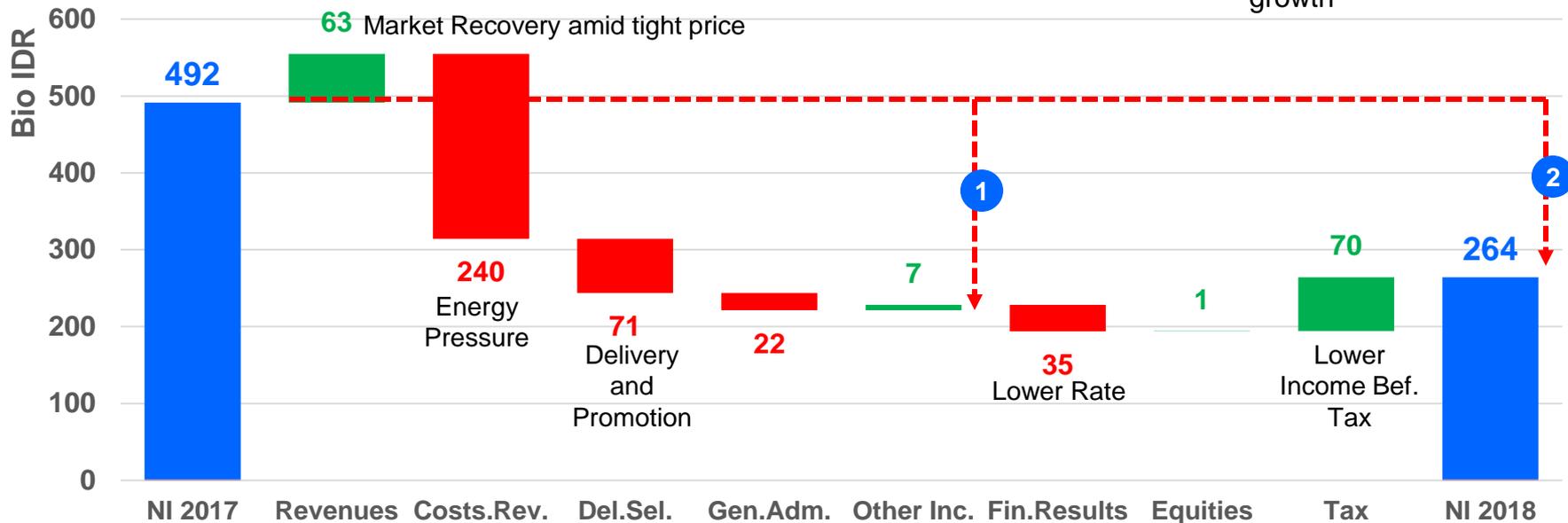
Outlook 2018



Consolidated Statement of Comprehensive Income

Description	Q1 2018 Bio IDR	Q1 2017 Bio IDR	Variance	
			Bio IDR	%
Total Sales Volume (thousand tons)	4,432	4,072	360.8	8.9%
Domestic Sales Volume (thousand tons)	4,420	4,039	381.1	9.4%
Export Sales Volume (thousand tons)	12	32	-20.3	-62.5%
Net Revenues	3,439.5	3,376.4	63.1	1.9%
Gross Profit	986.8	1,163.9	-177.1	-15.2%
% of Net Revenues	28.7%	34.5%		
Operating Income	236.7	499.8	-263.1	① -52.6%
% of Net Revenues	6.9%	14.8%		
EBITDA	560.1	775.0	-214.8	-27.7%
% of Net Revenues	16.3%	23.0%		
Income before Final Tax and Income Tax Expens	325.5	622.7	-297.2	② -47.7%
Income for the Year	264.3	491.6	-227.3	-46.2%
Other Comprehensive Income (Loss) for the Period	1.0	0.0	0.9	-2297.5%
Total Comprehensive Income for the Year	265.2	491.6	-226.4	-46.0%

- EBITDA margin reduction from 23.0% to 16.3% contributed by
 - lower pricing that offset by volume recovery
 - higher cost of production amidst soaring coal prices,
 - higher delivery expenses related to Tarjun plant overhaul prompting delivery to Eastern Indonesia from Citeureup
 - Active end user program scheduled from February to July 2018 to support volume growth



Balance Sheet

Description	Mar 31, 2018 Bio IDR	Dec 31, 2017 Bio IDR	Variance	
			Bio IDR	%
Current Assets	12,827.1	12,883.1	-55.9	-0.4%
Non-Current Assets	15,779.2	15,980.6	-201.4	-1.3%
Current Liabilities	2,965.8	3,479.0	-513.3	-14.8%
Non-Current Liabilities	818.9	828.1	-9.3	-1.1%
Equity	24,821.7	24,556.5	265.2	1.1%
Total Assets = Total Liabilities + Equity	28,606.3	28,863.7	-257.3	-0.9%

- Cash and cash equivalents at IDR 8.0 trn.
- Trade receivables balance increased due to higher revenues.
- Capital expenditures for Q1 2018 was IDR 106.8 bio.
- Dividend Payment history:

<i>in Bio IDR</i>	2012	2013	2014	2015	2016	2017
EBITDA	6,650	6,874	6,853	6,011	4,649	3,050
Income for the Year	4,763	5,012	5,271	4,357	3,870	1,860
Capex	1,063	2,200	3,865	2,644	1,839	1,557
Dividend*	1,657	3,313	4,970	1,528	3,420	TBD
% Div. Payout	34.8%	66.1%	94.3%	35.1%	88.4%	TBD

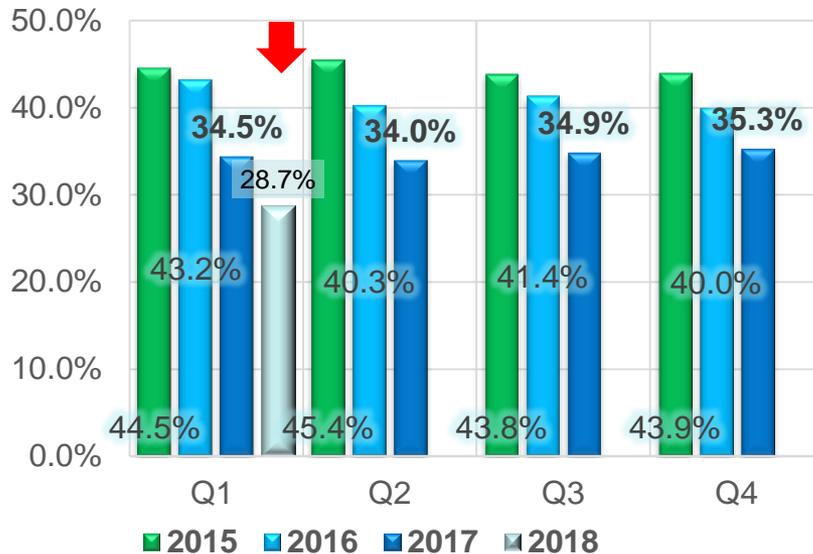
**To be distributed in the following fiscal year*



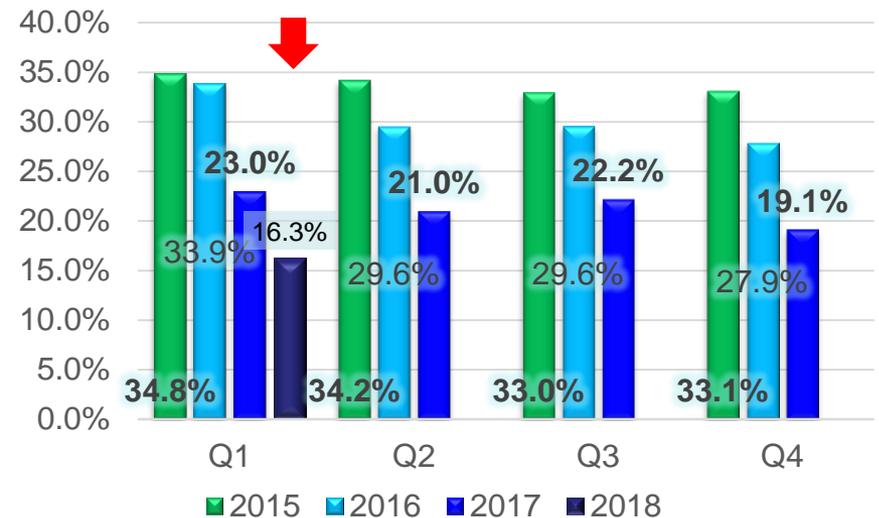
Continue in Cost Leadership to Maintain a Decent Margin

New market entrants leading to higher competition and pricing pressure combined with higher fuel cost continued to depress margin

INTP Gross margin development



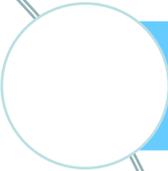
INTP EBITDA margin development



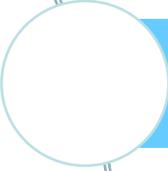
Continuing competitive environment, Management focus in taking respective initiatives early on during the year:

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

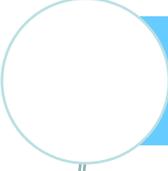
Agenda



Indocement Fact Sheet & Indocement Today



Current Domestic Market Condition



Financial Update Q1 2018



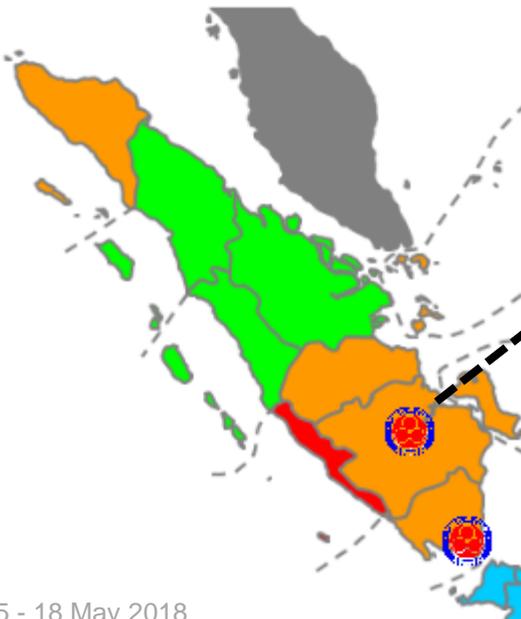
Investment Strategy



Outlook 2018

(New) Palembang Terminal: Commissioning in March 2018

- Located in Palembang, South Sumatera
- Coverage area : Palembang & South Sumatera
- 2 Silos Cement @ 5.000 ton
- 1 packers 120 ton/hour
- 1 Line of bulk loading system
- 1 Warehouse: 1,458 M2
- Truck scale cap. 80 ton
- Area 3.2 Ha
- 1 Jetty Port



Palembang Terminal
(March 2018)





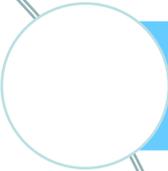
(New) Terminal Lampung: Under Construction

- Located in Katibung, South Lampung
- Coverage area : Lampung
- 3 steel silos cement @ 4,000 ton (total cap. 12,000 ton)
- 1 Packers 180 ton/hour
- 1 Line of bulk loading system
- 1 Truck scale cap. 100 ton
- 1 Warehouse 1,000 M2
- Area 4.2 Ha
- 1 Jetty Port
- Operating **Target Q3 - 2018**

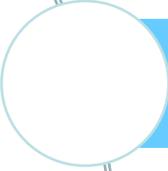


Lampung Terminal
(under construction)

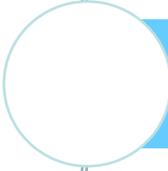
Agenda



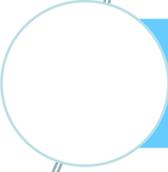
Indocement at Glance



Current Domestic Market Condition



Financial Update 2017



Investment Strategy



Outlook 2018



Outlook of Indonesian Cement Market



National cement consumption growth started **to turn positive and grew by 7.6% in 2017** (versus negative growth of -0.6% in 2016) and expected to grow by 6-7% in 2018



Consumption in 2018 will still be driven by infrastructure projects and some of commercial and residential projects that have been launched in 2017. However, US policies to increase interest rate and reduce corporate tax will somewhat affect Indonesia, i.e.: weakening exchange rate of IDR/USD and possible IDR interest rate increase. In turn, such macroeconomic condition will weaken demand in 2018



Strong concrete and bulk cement demand anticipated in Sumatera, Greater Jakarta, Central, and East Java in 2018 due to **Government's infrastructure projects and the multiplier effect projects.**



Coal price to approx. \$100 as the price has now dropped a little.



Over supply will continue in next few years -- We still expect the continuing tight competition among 19 brands from 15 players (from 9 brands and 9 players previously) especially in Jakarta and West Java due to more players located in these areas will hinder the price to increase.



Action Plan



Run P14 production (10,000 tpd) in full-swing in 2018 will help to reduce production cost up to USD 7-8 per ton. Optimize product mix from 13 line of cement production will bring competitive advantages of Indocement to introduce different types of cement (OPC, PCC, PPC, TR Rapid, PCC Industry and future products- slag cement). Possible ASP increase in second half of 2018 in certain growth area.



Indocement expansion in cement terminals in Sumatera and batching plants will be ready in 2018.



Clinker exports and domestic clinker sales will be done more during oversupply to abroad countries.

Strengthen our Pull demand in bagged cement segment for end-user customers through strong Retail/ Distribution channel, will continue to enhance our brand image, TIGA RODA



Using RAJAWALI brand as fighting brand to get some volume from customers, who perceive cement as “commodity” product and in low-price cement segment - in competition with 2nd tier brands out of new players; currently offered in Jakarta, Banten, West Java (excl. Bandung), Central Java (4 cities), Bali, and Pontianak



Develop new business line of prefabricated affordable housing products “*Rumah Pabrikasi Indocement*” through new subsidiary.



Keep expanding in RMC and aggregates as well as limestone sand business to enable Indocement offering bundling package





Indocement's Strategies under Current Tight Competition: Super Slag Cement – The most environmentally friendly product

Durable and Ecofriendly Product



Table. 1: A comparison of Carbon Footprint of cementitious materials

S.No.	Embodied CO ₂ Emission for Raw Material	CO ₂ Emission (kg/Tonne)	% Reduction Compared to OPC Type I
1	OPC Type 1	768.55	---
2	15% Fly Ash + 85% OPC	703.04	8.52
3	Slag Cement: Low Heat	339.80	55.78
4	Slag Cement: General Purpose	351.18	54.31

Table 2: A comparison of Cradle to Gate Carbon Footprint for mixes

Mix Type	Cradle to Gate CO ₂ Emission kg / m ³	% Savings in CO ₂ Emission
FC 30 Concrete having 100% OPC Type I	450.19	---
FC 30 concrete having 15% Fly Ash + 85% OPC Type I	436.98	2.93
FC 30 concrete having Slag Cement: Low Heat	288.12	36
FC 30 concrete having Slag Cement: General Purpose	292.43	35

- Slag cement is a product of Consistent Quality
- Conservation of Natural Resources and Lower Green House Emission
- Long-term Compressive Strength Development due to continued hydration

Low Heat Slag Cement :
Suitable for Mass Concrete Applications

- No Thermal Cracks

General Purpose Slag Cement :
Suitable for Marine Applications

- Long-Term Durability:
 - Resistance to Water Penetration
 - Resistance to Sea Salt Attack on rebar steel
 - Resistance to Sulfate Attack on concrete



Indocement's Strategies under Current Tight Competition: *End-User Program to Boost Customer Loyalty in Weak Demand Period*



Want to win a lot? Buy "Tiga Roda" because the "Tiga Roda Menang Banyak" Promo has been launched since Monday (19/02/2018) and will end on July 31, 2018.

In accordance with its tagline, "Tiga Roda Menang Banyak" Promo distributed tens of thousands of prizes to cement buyers Tiga Roda 40 & 50 Kg with special marks on their zak.



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