



INDOCEMENT
HEIDELBERGCEMENT Group



Agenda



Indocement : a well positioned player

Market & Financial Update

Vision 2020 – Strategies & Outlook

Final Message

Indocement: a well positioned player

Favorable regional exposure

- Presence in strongly growing markets West and Central Java
- Strong RMC position in Jakarta with pull-through on CEM

Innovative ways to maintain cost efficiency

- Innovative ways to maintain competitive cash cost, while still maintaining high product quality, environmental, social, and governance
- Absence of interest costs further enhances our competitiveness

Best access to market

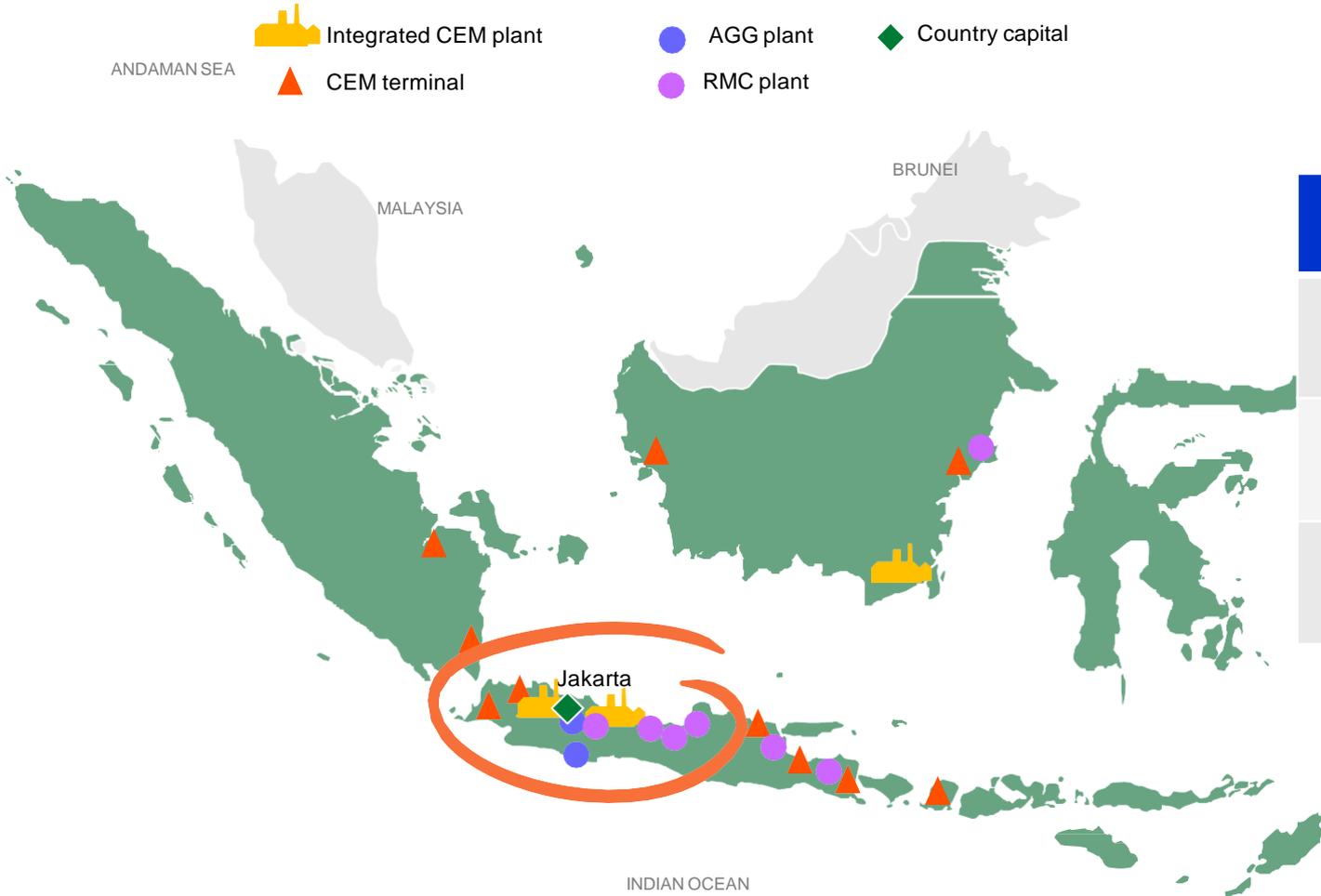
- Strong distributors' network and strategic terminals location, in addition to our Plant proximity to home market area
- Tiga Roda awarded Best Brand for 11th consecutive year

Further potential from market upswing

- Supply-demand gap set to reduce
- Multiplier effect to private sectors after massive infrastructure built
- Favorable macroeconomic drivers population: growth & urbanization
- Consolidation imminent: smaller players operating at cash losses

Strong position with further upside potential

Strong footprint in West Java as a key advantage



Asset base

25 mt CEM capacity

2.8 mt AGG capacity

43 RMC plants

West Java is one of the fastest growing part of the country

Strategic location of plants & terminals

13 CEM plants

8 CEM terminals

2 AGG plants

39 RMC plants

18 distributors

172 warehouses

Market position	Trends & potential	Strategy & focus
<ul style="list-style-type: none"> ➤ 50% market share in West Java and 40% in Jakarta. ➤ Strong RMC presence in Jakarta with pull-through effect on cement. ➤ Strategically-placed warehouses in all main areas of Jakarta. ➤ Well-known premium “Tiga Roda” brand. 	<ul style="list-style-type: none"> ➤ Huge infra projects in West Java, such as Jakarta-Cikampek & Bogor-Ciawi toll road, LRT, MTR and Kertajati airport. ➤ Increased demand for better quality housing in the capital region driving cement consumption per capita. 	<ul style="list-style-type: none"> ➤ Defending market share in home market by dual-brand strategy, marketing initiatives and increasing the RMC footprint. ➤ Being a reliable partner for infrastructure providing quality bulk cement & concrete. ➤ Increasing AGG presence to benefit from vertical integration.

Close location to the strongest growing markets of West Java & Jakarta

Brand is a very important marketing tool in Indonesia

Our premium brand	Perception	Award
	<ul style="list-style-type: none"> • “Tiga Roda” brand is perceived to have best quality & service in the country. • “Top Brand” since eleven years. • In 2017, we won in the three categories: cement, white cement and mortars. 	

Results of the Top Brand survey 2017

Cement		White cement		Mortar	
Brand	Votes	Brand	Votes	Brand	Votes
Tiga Roda	53%	Tiga Roda	38%	Tiga Roda	35%
Semen Gresik	15%	Semen Gresik	17%	Mortar Utama	27%
Tonasa	13%	Mortar Utama	17%	Holcim	19%

“Tiga Roda” is the strongest brand in Indonesia

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Indocement : a well positioned player

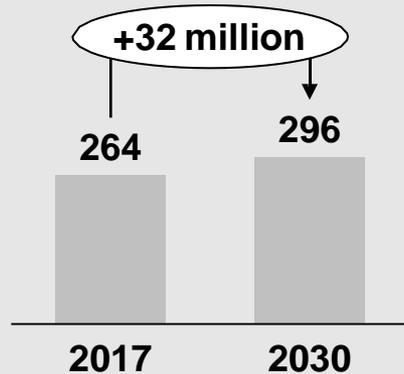
Market & Financial Update

Vision 2020 – Strategies & Outlook

Final Message

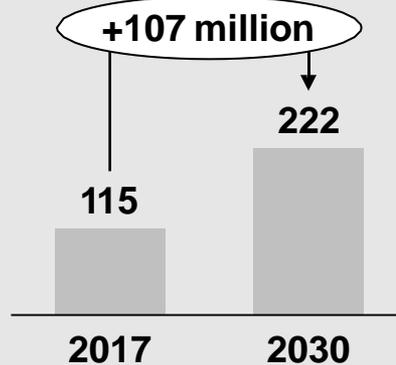
Indonesia – Favorable macroeconomic environment

Strong population growth



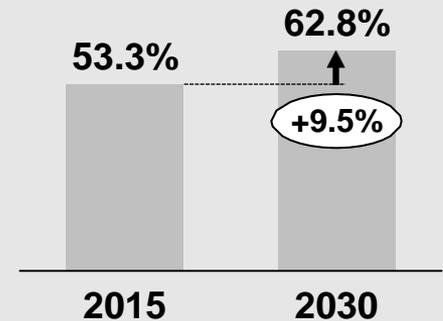
One of the fastest growing countries globally

Key: growing middle class



Middle class will have doubled by 2030

Upward trend in urbanization

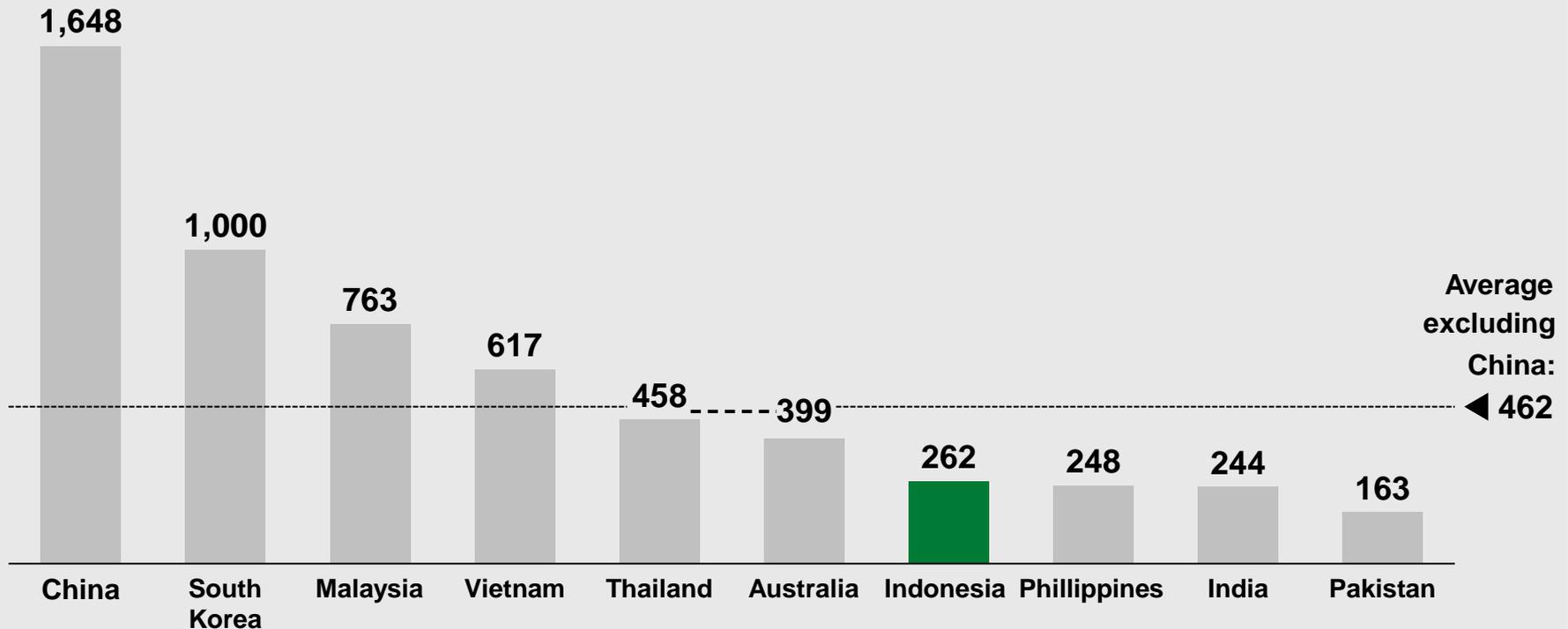


By 2050 almost 75% of the population will live in urban centers

Significant long-term growth potential

Long-term potential of Indonesia is clearly visible

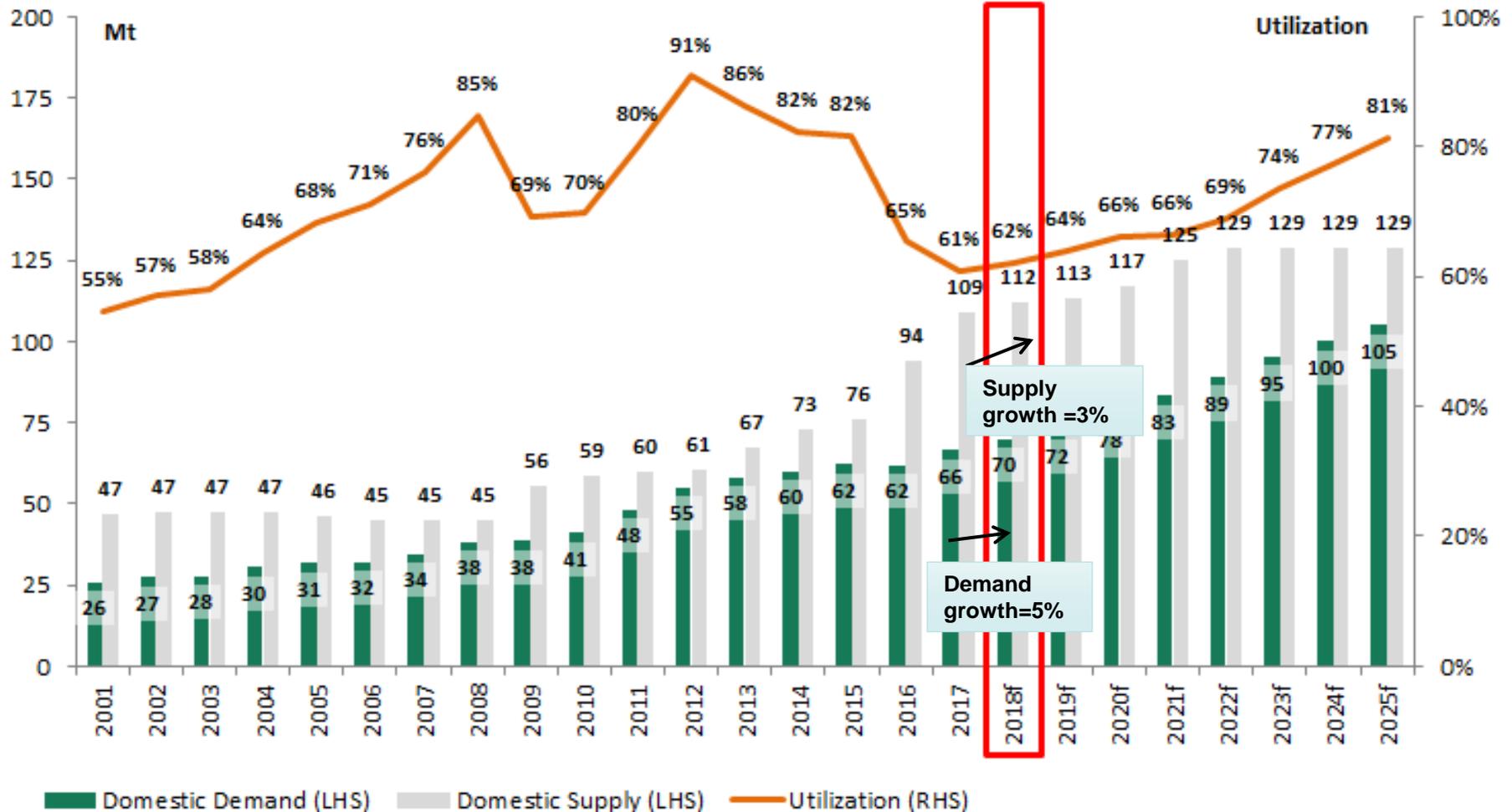
Cement consumption tons per capita in kg



Significant headroom for growth

Over Supply market in Indonesia remains high

Overcapacity of 42 Mt in 2018 and 41 Mt in 2019

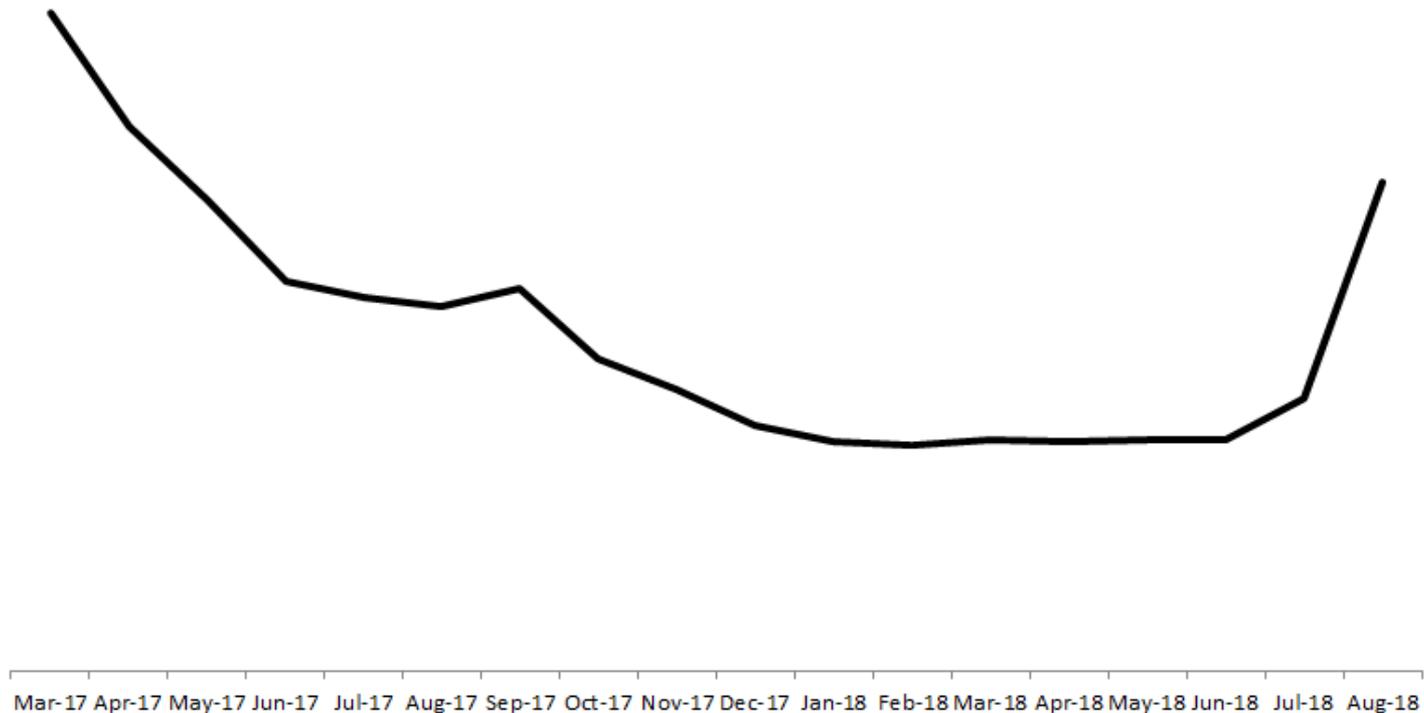


Additional Capacity in 2018 – 2.6 mt:
 Semen Indonesia: 1.5 mt (upgrade in Padang)
 Anhui Conch: 1.1 mt (start up of Bolmong North Sulawesi)

Recent years were challenging but the worst is left behind

New entrants adopted low-pricing policies to gain market share which put pressure on pricing in the recent years.

**Declining ASP in 2017 was halted in 2018
with flat ASP in H1 and hiked ASP in Q3 2018**



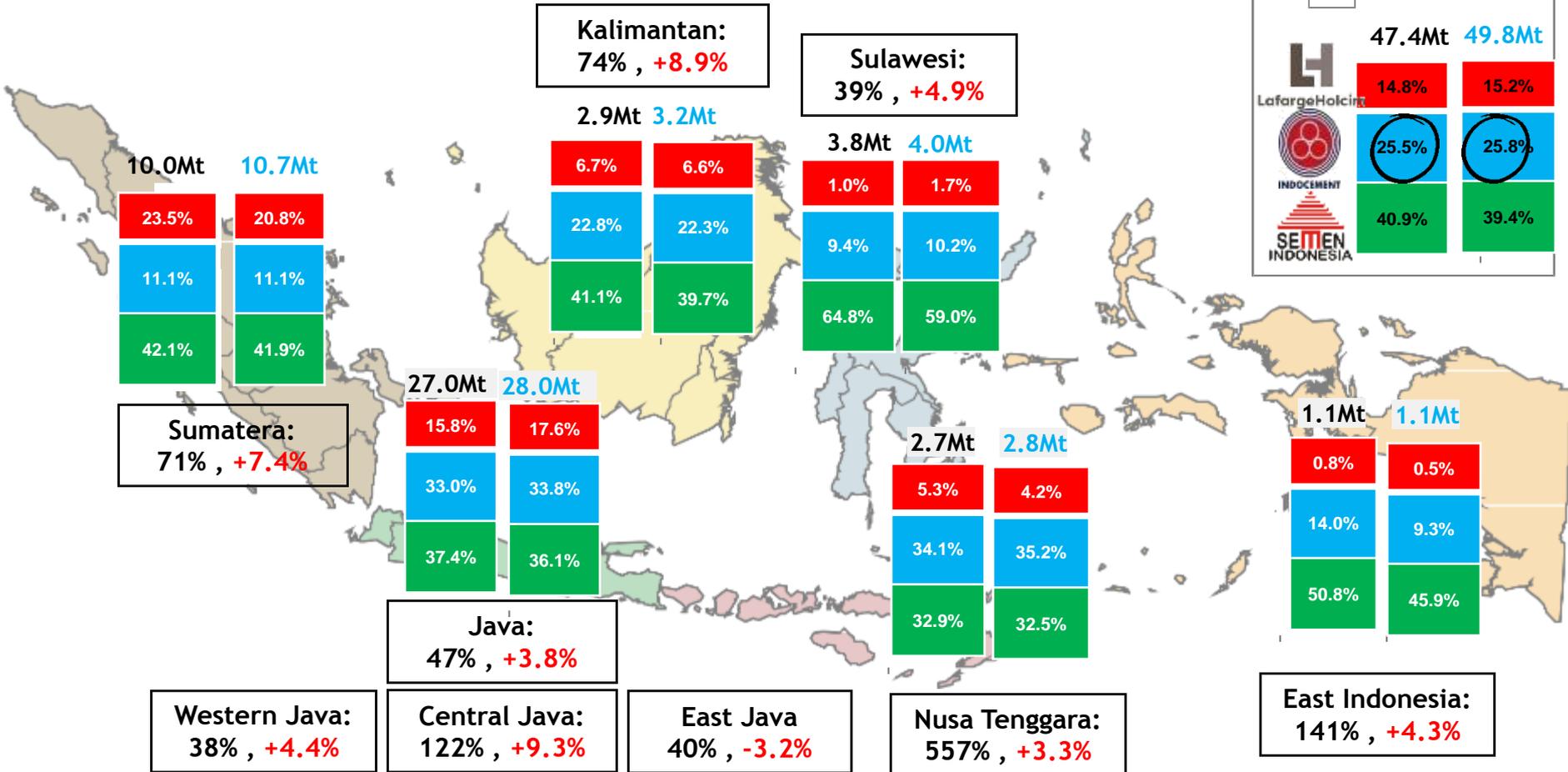
Our dual-brand strategy has successfully stopped a falling trend in pricing.

Regional Shift of Demand:

Better Growth Outlook in Central Java and Sumatera

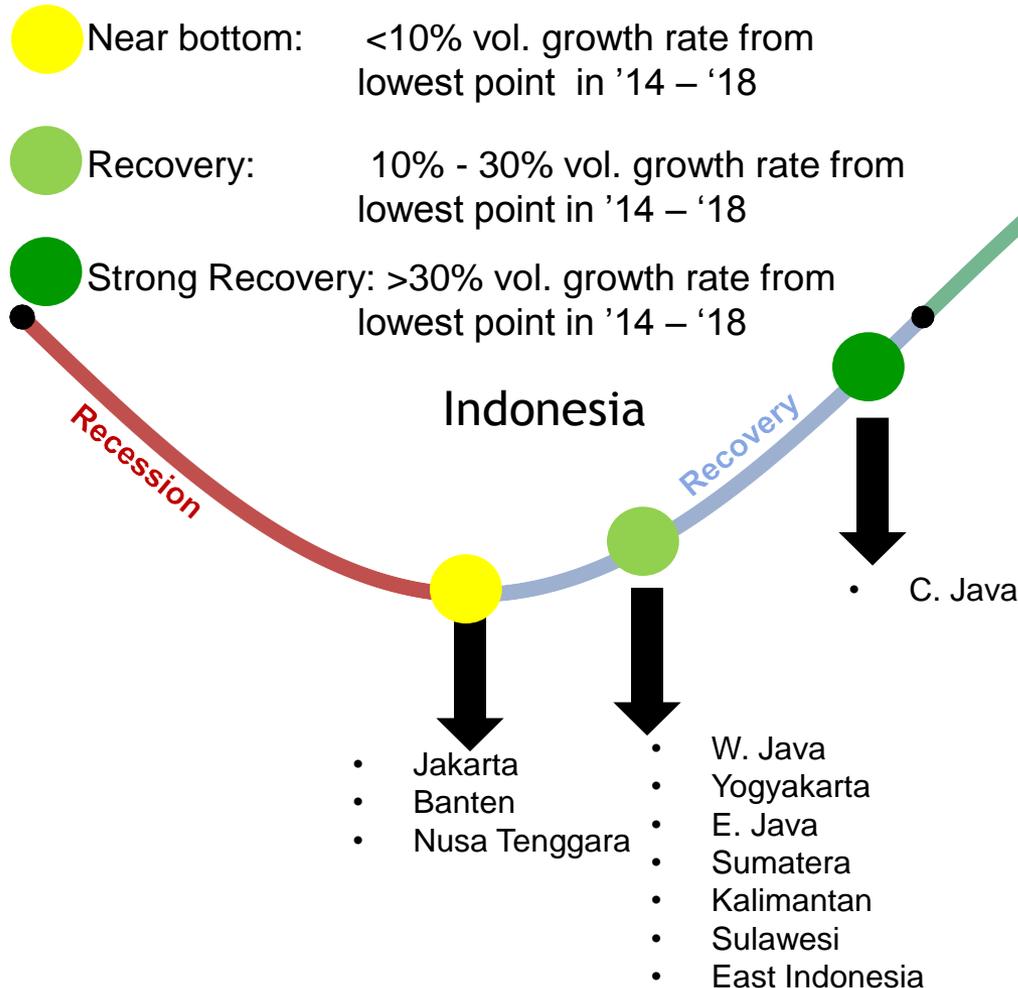
Market shares based on cement domestic sales (Q3 2017, Q3 2018)

Data in Box: Utilization Rate and Growth Rates YoY per area for Q3 2018



Source: Asosiasi Semen Indonesia

Solid footing to capitalize on demand recovery in key markets



Regions	Year-to-Date (in Tons)		
	2018	2017	Inc./Dec.
Jakarta	3,441,707	3,529,653	-87,946 -2.5%
Banten	2,430,686	2,252,108	178,578 7.9%
West Java	7,336,292	6,869,979	466,313 6.8%
Central Java	7,186,103	6,524,317	661,786 10.1%
Yogyakarta	821,153	800,466	20,687 2.6%
East Java	6,764,073	6,985,381	-221,308 -3.2%
Java	27,980,014	26,961,905	1,018,110 3.8%
Western Java	13,208,685	12,651,740	556,945 4.4%
Sumatera	10,729,895	9,987,688	742,207 7.4%
Kalimantan	3,160,342	2,902,274	258,067 8.9%
Sulawesi	4,030,100	3,841,412	188,688 4.9%
Nusa Tenggara	2,776,589	2,687,150	89,439 3.3%
East Indonesia	1,096,546	1,051,627	44,919 4.3%
Outside Java	21,793,472	20,470,151	1,323,321 6.5%
Indonesia	49,773,486	47,432,056	2,341,431 4.9%

Significant future potential as key markets are nearing bottom and enter recovery phase

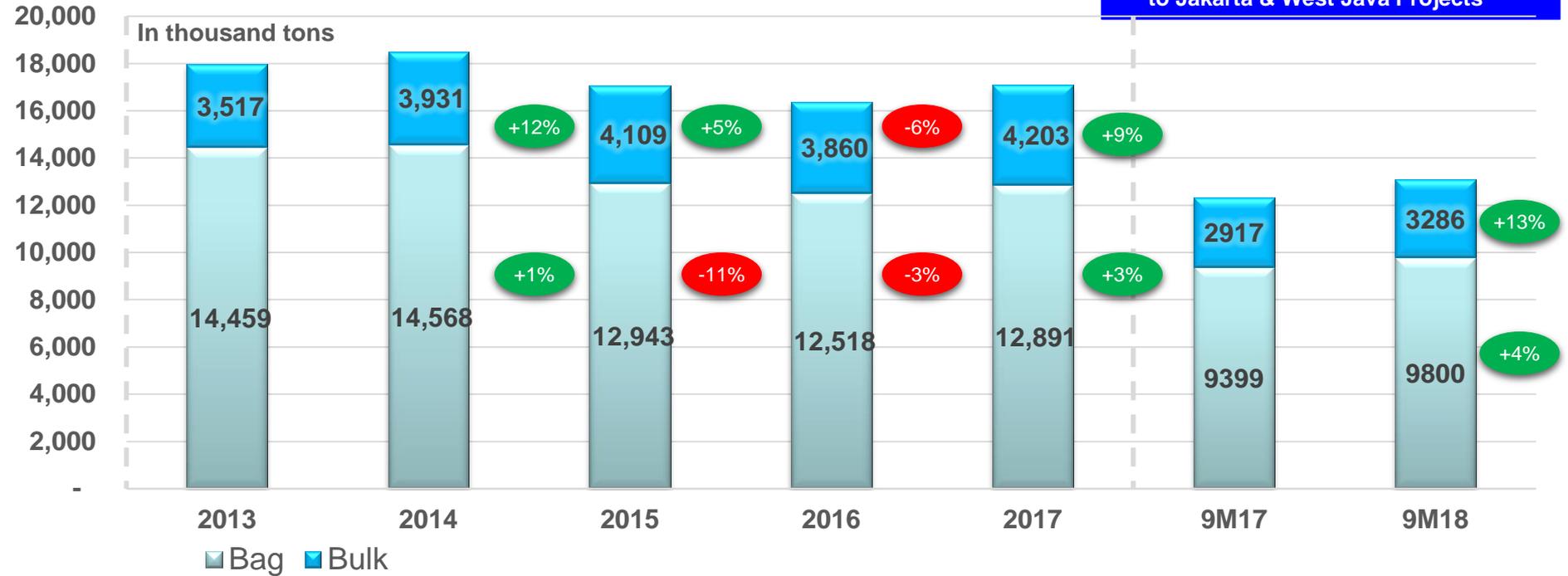
Source: Indonesia Cement Association

Indocement's Strategies under Current Tight Competition:

More bulk sales focus - as Jakarta & West Java Projects started

Bag/Bulk sales composition

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

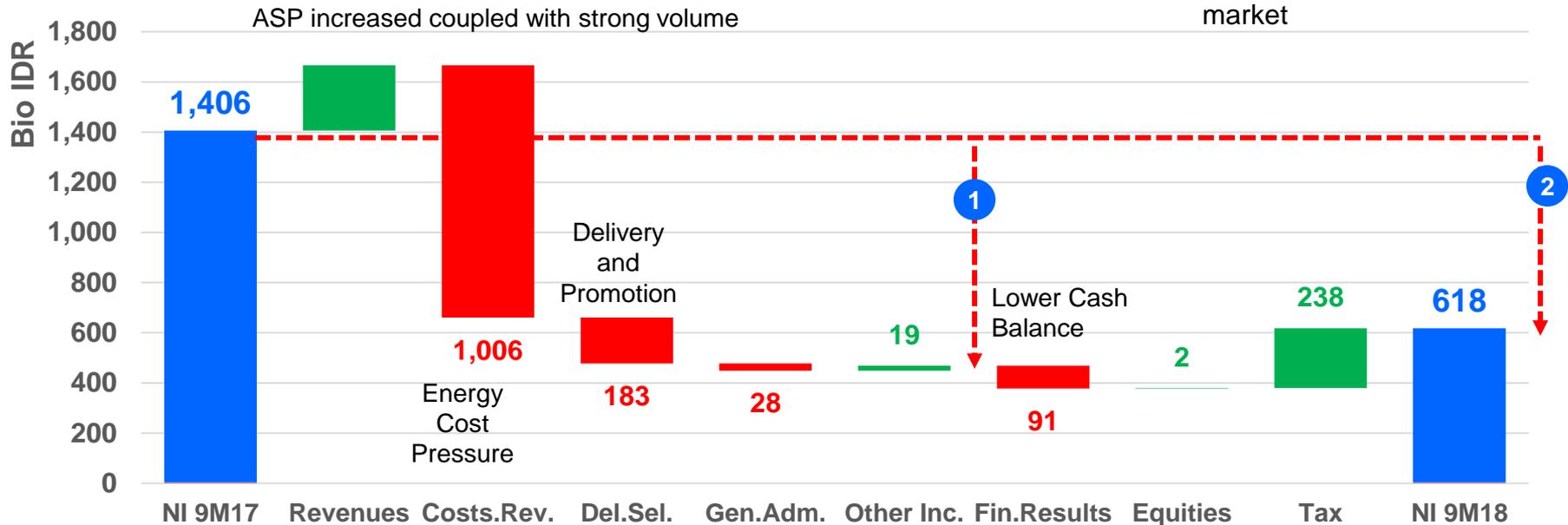


- Recovery of bag sales pointing to higher growth in the Q4 2018
- Composition of bag vs bulk sales in 9M 2018 is 75% vs. 25%
- Indocement positions itself as a reliable partner for infrastructure projects providing quality bulk cement and concrete at timely delivery

Consolidated Statement of Comprehensive Income

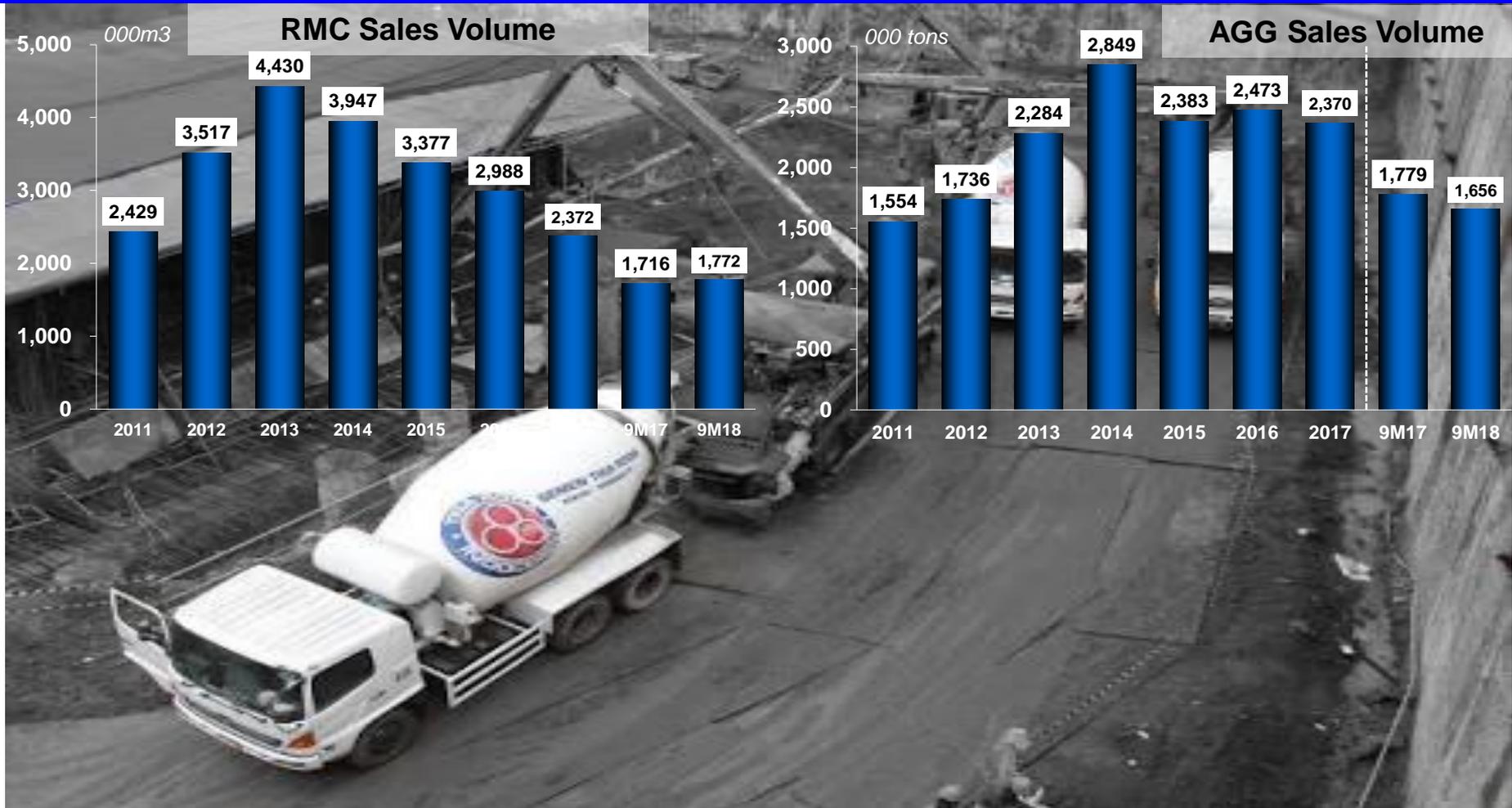
Description	Q1 2018	Q2 2018	Q3 2018	Q3 '18 vs. Q2 '18	9M 2018	9M 2017	9M18 vs. 9M17
	Bio IDR	Bio IDR	Bio IDR	%	Bio IDR	Bio IDR	%
Total Sales Volume (thousand tons)	4,432	3,915	5,411	38%	13,759	12,908	7%
Domestic Sales Volume (thousand tons)	4,420	3,898	5,341	37%	13,659	12,767	7%
Export Sales Volume (thousand tons)	12	17	71	321%	100	141	-29%
Net Revenues	3,439.5	3,044.9	4,288.4	41%	10,772.9	10,512.6	2%
Gross Profit	986.8	712.8	1,178.9	65%	2,878.5	3,624.6	-21%
% of Net Revenues	28.7%	23.4%	27.5%		26.7%	34.5%	
Operating Income	236.7	18.1	271.9	1405%	526.7	1,464.5	-64%
% of Net Revenues	6.9%	0.6%	6.3%		4.9%	13.9%	
EBITDA	560.1	316.0	618.8	96%	1,494.9	2,318.2	-36%
% of Net Revenues	16.3%	10.4%	14.4%		13.9%	22.1%	
Income before Final Tax and Income Tax Expense	325.5	101.0	335.0	232%	761.5	1,788.3	-57%
Net Income for the Period	264.3	90.8	262.6	189%	617.7	1,406.5	-56%
Other Comprehensive Income for the Period, Net of Tax	1.0	0.6	0.8	25%	2.3	1.9	25%
Total Comprehensive Income for the Period	265.2	91.4	263.3	188%	620.0	1,408.3	-56%

- EBITDA margin in Q3 normalized after one-off additional expenses related to power plants overhaul in two plants that were shutdown in Q2. EBITDA margin for YTD Sept. '18 of 13.9% can be attributed to:
 - Higher volume by +6.6%
 - Higher blended ASP of +2% in Q3
 - Still high coal price increased fuel and power cost
 - IDR depreciation increased packaging cost
 - Higher delivery expense to serve growing demand outside of home market



Indocement's Strategies under Current Tight Competition: Vertical Integration in Ready-Mix Concrete & Aggregates

Strengthening Ready-Mix Concrete business particularly high-grade quality in order to meet the increase demand of infrastructure development in Indonesia.



Balance Sheet

Description	Sept. 30, 2018	Dec. 31, 2017	Variance	
	IDR Bio	IDR Bio	IDR Bio	%
Current Assets	11,170.5	12,883.1	(1,712.6)	-13.3%
Non-Current Assets	15,463.8	15,980.6	(516.8)	-3.2%
Current Liabilities	3,250.0	3,479.0	(229.0)	-6.6%
Non-Current Liabilities	784.7	828.1	(43.5)	-5.2%
Net Equity	22,599.7	24,556.5	(1,956.7)	-8.0%
Total Assets = Total Liabilities + Equity	26,634.3	28,863.7	(2,229.3)	-7.7%

- Cash and cash equivalents at IDR 5.8 trn.
- Capital expenditures for YTD September 2018 was IDR 427.9 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	3,065
Net Income	4,763	5,218	5,154	4,259	3,800	1,838
Capex	1,063	2,200	3,865	2,644	1,839	1,547
Dividend*	1,657	3,313	4,970	1,528	3,420	2,577
% Div. Payout	34.8%	66.1%	94.3%	35.1%	88.4%	138.6%

**To be distributed in the following fiscal year*

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Vision 2020 – To be the prominent cement producer in Indonesia

❖ Highest operating margin in the industry

- Turn around in selling price
- Cost leadership

❖ Highest customer satisfaction & increase market share

- “Sales is a Science” program to increase our sales and create customer value
- “Customers’ Choice” due to quality and on-time delivery services
- “Dual-brand strategy” to keep high market share in home market in Java

❖ Stronger vertical integration

- Expanded aggregates position
- Strong RMC business in Java with a significant pull-through in cement

❖ Digitalized supply chain

- Enhance end-to-end supply chain to optimize logistic & distribution cost

❖ Generate higher cash flow

- Shared service center covers all business lines to enhance working capital management

Keep position as “Strong & Trusted” products with the prominent quality and services

Clear drivers of future growth



Potential market consolidation as an additional upside

Newcomers operate at cash losses

Unfavorable cost structure due lower capacity and inferior equipment

Interest to be paid on debt-financed investment

Weak pricing & energy cost inflation



No sustainable business model

Consolidation seems to be imminent

Newcomers actively look for buyers for their assets

Consolidation will clearly improve the pricing in the market

We cautiously check the possible options in the market



We will participate the consolidation only if there is a clear value creation, limited operational risks and a reasonable price

Newcomers under cash pressure as market turned down since they commissioned new capacities

New Terminal Lampung - Progress September 2018

85 % (Civil & Mechanical)

- ✓ 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
- ✓ **Commissioning: end of August 2018 (only for 1 silo, other 2 silos follows readiness status)**
- ✓ **Operating Target: October 2018**



New Terminal Lampung - Progress September 2018 (2)



Jetty is finished and operational



Bulk loading system construction in progress



Empty bag storage is finished



Office construction in finishing phase

DAWUAN LAND SILO - Progress september 2018

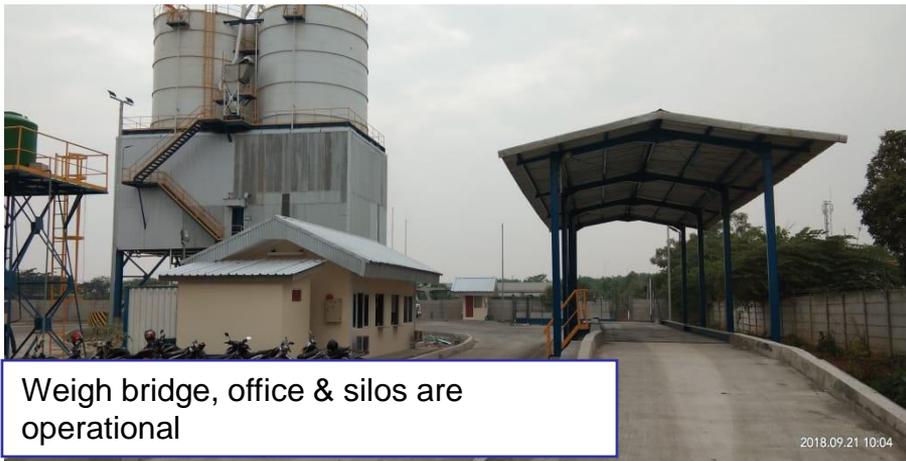
- ✓ Located in Puspanegara village, Karawang – West Java
- ✓ Coverage area : Karawang & vicinity
- ✓ 2 steel silos cement @ 500 ton (total cap. 1,000 ton)
- ✓ 1 Line of bulk loading system
- ✓ 1 Truck scale cap. 80 ton
- ✓ Area 500 M²
- ✓ **Commissioning: mid of August - 2018**
- ✓ **Operating: end of Aug '18**

Building Permit process

97% (Civil & Mechanical)



Land silo is operational & additional works are in finishing phase



Weigh bridge, office & silos are operational



Concrete pavement is operational

DAWUAN LAND SILO - Progress september 2018 (2)



Office & worker facilities are operational



Additional office is ready to use



Bulk loading system is operational

Cost Efficiency Measure

Increasing Usage of Alternative Fuel

- Signed agreement with Governor of West Java on Sept. 4, 2018 to purchase 500 ton of *Refuse Derived Fuel*, converted from 1,500 ton of municipal waste. The usage of RDF will reduce reliance to coal as a source of fuel
- Close distance between RDF collection to Citeureup plant of only 6.6 km

Sources	2015	2016	2017	2018	2030
Coal	96.3%	95.5%	95.8%	94.2%	70.0%
Natural Gas	0.5%	0.2%	0.4%	0.5%	
Fuel Oil	0.9%	0.9%	0.6%	0.4%	
Tire	0.2%	0.0%	0.0%	0.6%	
Rice Husk	0.6%	1.9%	1.5%	1.6%	30.0%
Sawdust	1.0%	0.4%	0.5%	0.7%	
Sludge & Waste Fuel	0.3%	0.1%	0.4%	0.1%	
Other AF	0.3%	1.0%	0.7%	1.9%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%



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 5% in 2018



Consumption in 2018 is still driven by infrastructure projects and completion of commercial and residential projects that was launched in 2017. However, US policies to increase interest rate and reduce corporate tax has impacted Indonesia's economy, i.e.: weakening exchange rate of IDR/USD prompting BI to hike interest rate. Additional measure to boost demand from residential projects such as reduction of tax on high end housing and LTV relaxation have not borne fruit as residential property demand remained soft in 2018. As vacancy rate in commercial property is still rather high, cement demand came also from industrial estates that was coupled with infrastructure projects as a strategy by government to increase economic feasibility of these infrastructure projects. Additional FDI from IMF and World Bank Summit 2018 is promising for demand in 2019 and onward.



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



Coal price remained at elevated level.



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 limit ability and slow the pace of price increase.

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Strong position with further upside potential

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