



INDOCEMENT
HEIDELBERG CEMENT Group



**Continuous
Improvement:**
Leaner and **Greener**

AGENDA



Indocement Fact Sheet & Indocement Today



Current Domestic Market Condition



Financial Update 2019



Investment Strategy



Outlook 2020



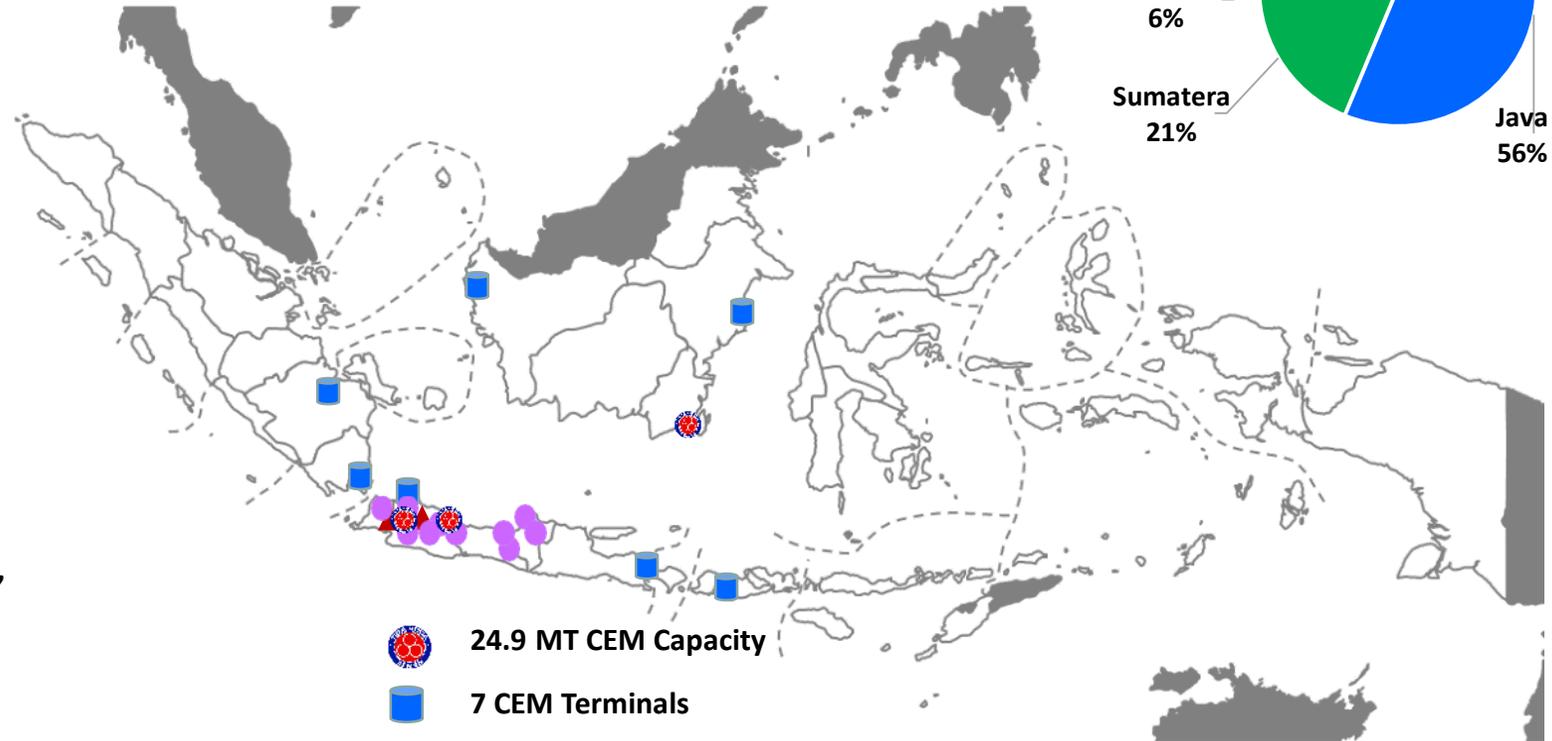
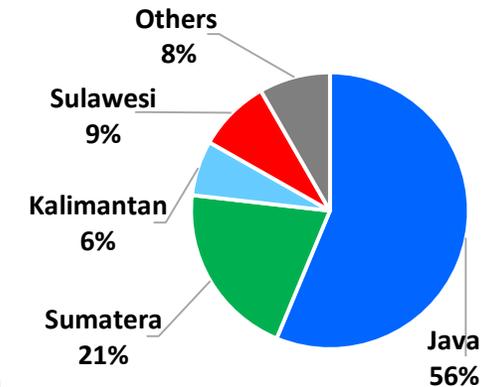
Q & A



INDONESIA AT GLANCE

Strong Footprint in West Java as Key Advantage for Indocement

Cement Consumption FY2019



-  24.9 MT CEM Capacity
-  7 CEM Terminals
-  2.8 MT AGG Capacity
-  42 RMC Plants

Indonesia Facts

Capital City : **Jakarta**
 Population : ~ **261.1 Million**
 Density : 138/km² (357.4/sq mi)
 GDP (2019E) : USD 1,100 Trillion
 GDP Per Capita : **USD 4,120**
 IDR/USD Rate : ~13,500-14,500

Cement Industry

No. of Companies : 16
 Cement Capacity : ~**115 MTY**
 ITP Cement Capacity : 24.9 MTY
 Domestic Consumption : ~**70MT (2019A)**
 Bag - Bulk Ratio : ~**77-23**
 Cement Consumption : ~262 kg/capita
 Main Players : **Semen Indonesia, Indocement, Conch, Bosowa, Cemindo**

“TIGA RODA” IS THE STRONGEST BRAND INDONESIA



Our premium brand

Perception

Award



“Tiga Roda” brand is perceived to have best quality & service in the country

“Top Brand” since twelve years

In 2019, we won in the three categories: **cement, white cement and mortars**



Results of the Top Brand survey 2019

Cement		White cement		Mortar	
Brand	Votes	Brand	Votes	Brand	Votes
Tiga Roda	44%	Tiga Roda	39%	Tiga Roda	30%
Semen Gresik	18%	Semen Gresik	28%	Mortar Utama	20%
Holcim	13%	Mortar Utama	15%	Grand Elephant	13%

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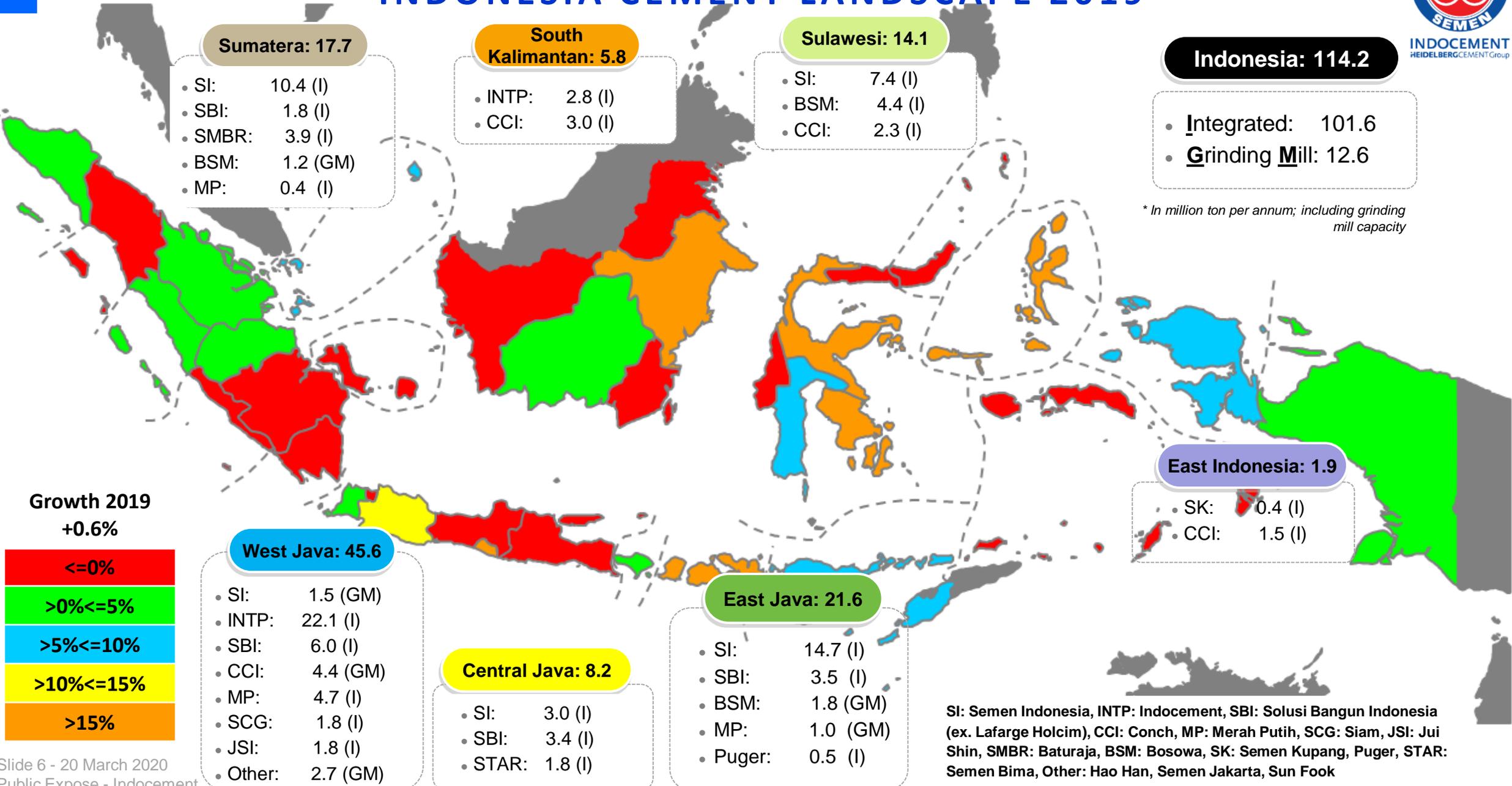
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INDONESIA CEMENT LANDSCAPE 2019



Sumatera: 17.7

- SI: 10.4 (I)
- SBI: 1.8 (I)
- SMBR: 3.9 (I)
- BSM: 1.2 (GM)
- MP: 0.4 (I)

South Kalimantan: 5.8

- INTP: 2.8 (I)
- CCI: 3.0 (I)

Sulawesi: 14.1

- SI: 7.4 (I)
- BSM: 4.4 (I)
- CCI: 2.3 (I)

Indonesia: 114.2

- Integrated: 101.6
- Grinding Mill: 12.6

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

East Indonesia: 1.9

- SK: 0.4 (I)
- CCI: 1.5 (I)

West Java: 45.6

- SI: 1.5 (GM)
- INTP: 22.1 (I)
- SBI: 6.0 (I)
- CCI: 4.4 (GM)
- MP: 4.7 (I)
- SCG: 1.8 (I)
- JSI: 1.8 (I)
- Other: 2.7 (GM)

Central Java: 8.2

- SI: 3.0 (I)
- SBI: 3.4 (I)
- STAR: 1.8 (I)

East Java: 21.6

- SI: 14.7 (I)
- SBI: 3.5 (I)
- BSM: 1.8 (GM)
- MP: 1.0 (GM)
- Puger: 0.5 (I)

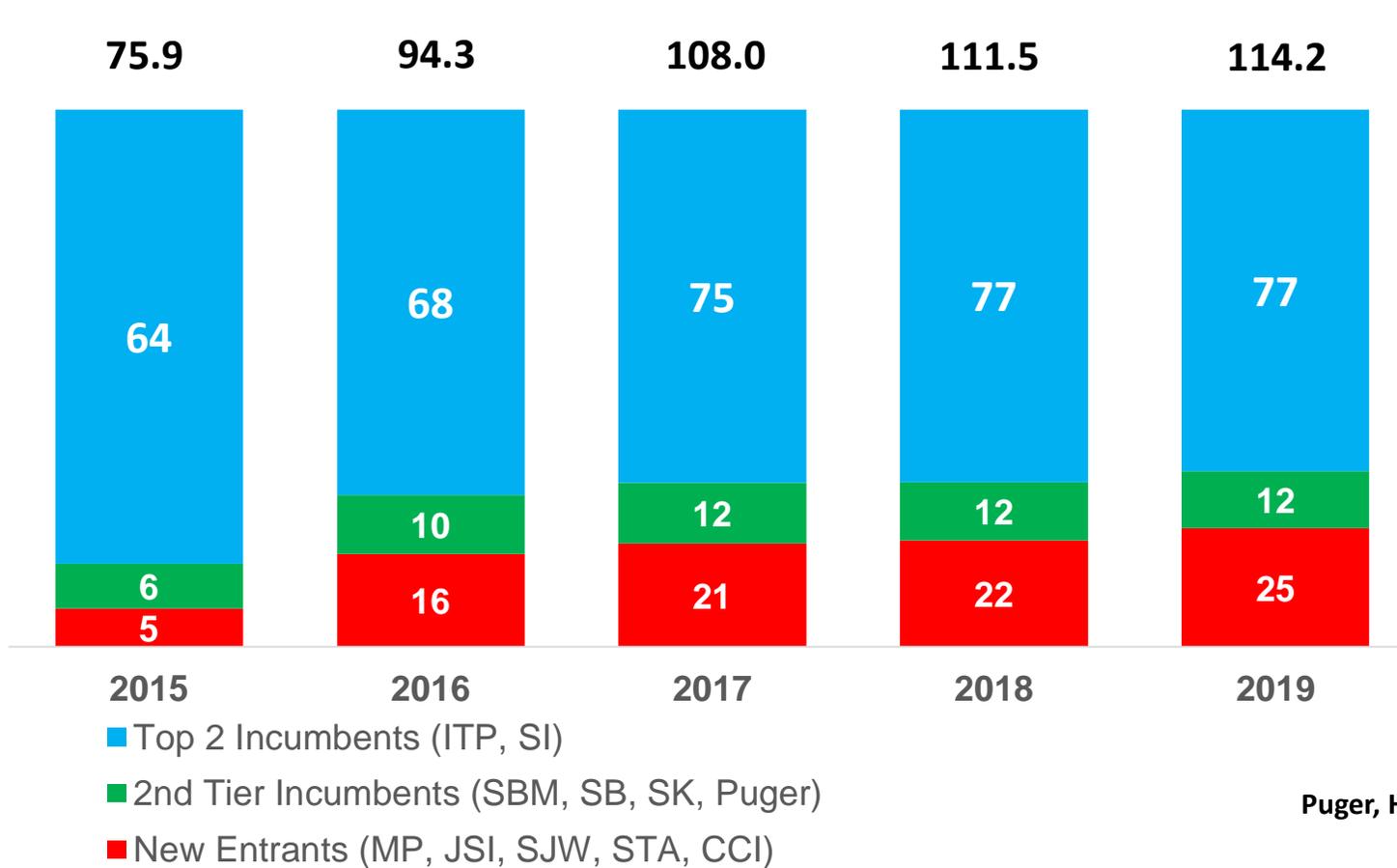
Growth 2019 +0.6%



SI: Semen Indonesia, INTP: Indocement, SBI: Solusi Bangun Indonesia (ex. 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 CAPACITY SHARE

Capacity in million Tons per Annum



- 1. SI: Semen Indonesia+ SBI (Ex Holcim): 51.7 (45.1%)
- 2. Indocement: 24.9 (22.2%)
- 3. Conch: 11.2 (9.7%)
- 4. Bosowa: 7.4 (6.4%)
- 5. Cemindo Gemilang (MP): 6.1 (5.3%)
- 6. Semen Baturaja: 3.9 (3.4%)
- 7. Panasia: 1.8 (1.6%)
- 8. Siam Cement: 1.8 (1.6%)
- 9. Juishin: 1.8 (1.6%)
- 10. Semen Kupang: 0.4 (0.3%)

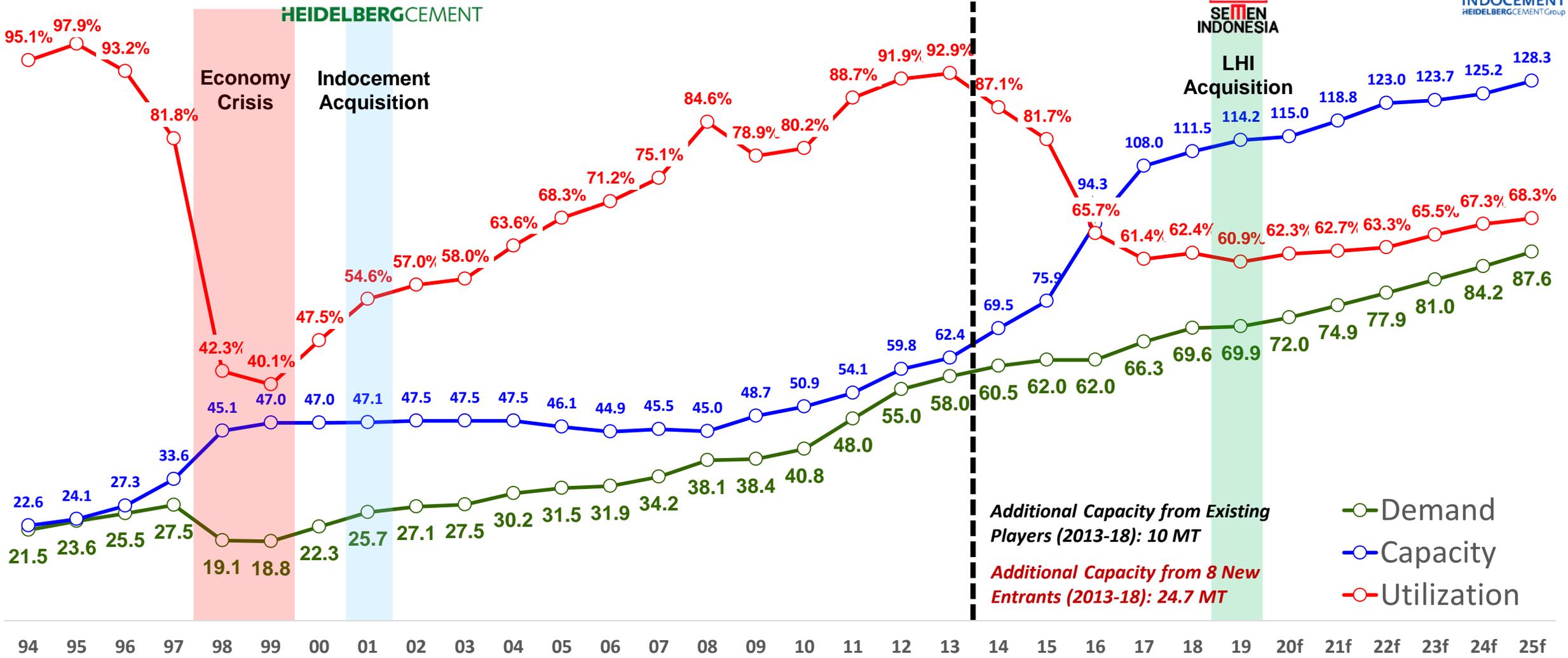
Puger, Hao Han & Sun Fook (stop operation) and Semen Jakarta: 3.2 (2.8%)

Source: Asosiasi Semen Indonesia

Data above shows: Capacity in mio ton & % Capacity Share

Capacity Grew by 3% in 2019

CEMENT MARKET EVOLUTION



Additional Capacity from Existing Players (2013-18): 10 MT
Additional Capacity from 8 New Entrants (2013-18): 24.7 MT

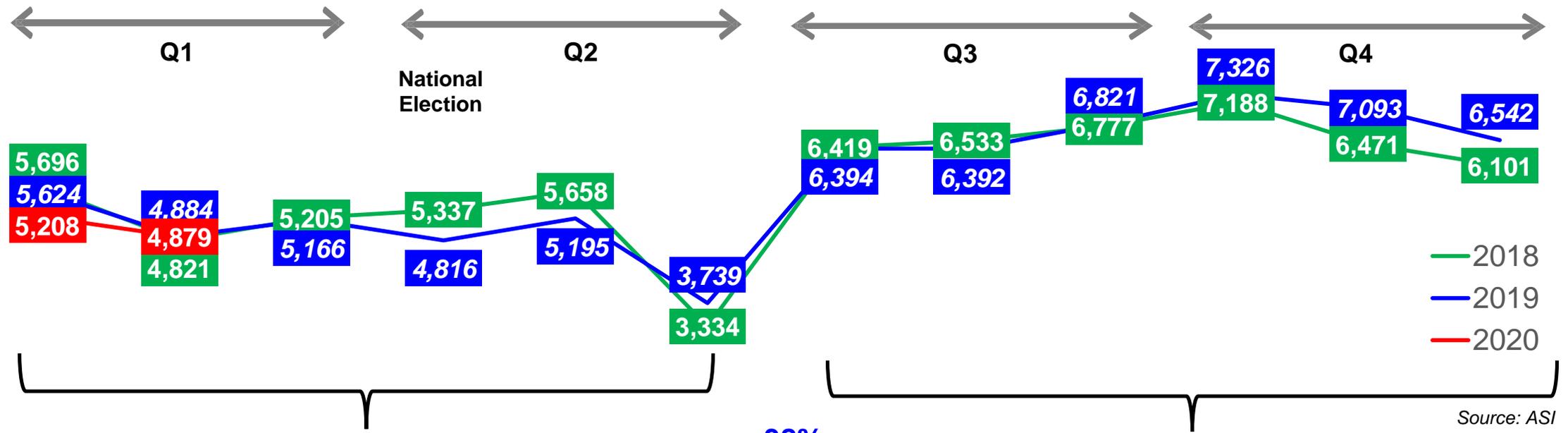
- Demand
- Capacity
- Utilization

CAGR	'07A-10A	'10A-13A	'13A-16A	'16A-19A	'19A-22F	'22F-25F
Demand	6.1%	12.5%	2.2%	4.1%	3.7%	4.0%
Capacity	6.5%	5.7%	13.0%	6.8%	2.3%	1.6%

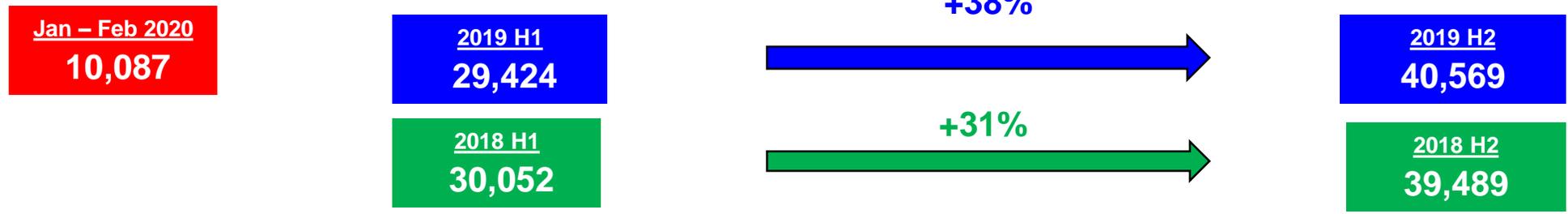
INDONESIA MONTHLY SALES VOLUME



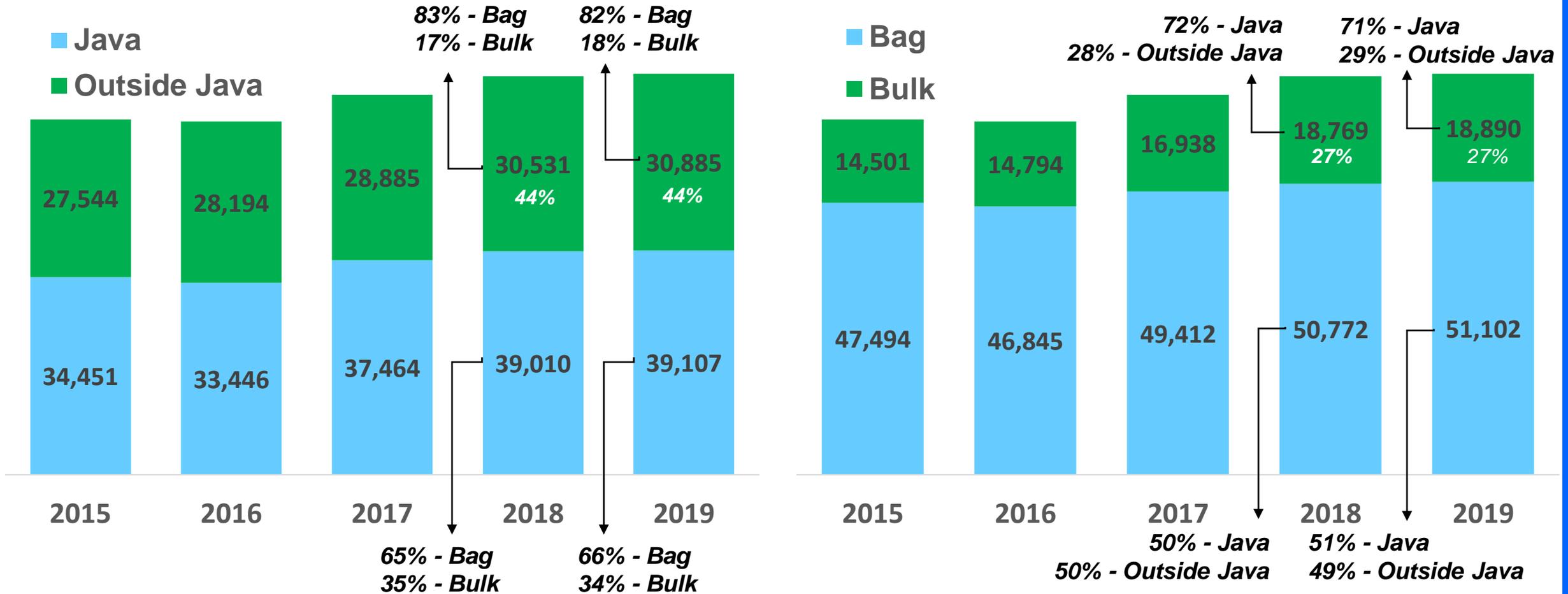
Total Volume for 2019 grows +0.6%
With recovery during the last 4 months of the year



Source: ASI



(OUTSIDE) JAVA and BAG/BULK MARKET



- Outside Java growth (+1%) is driven mostly by East region: Sulawesi, Nusa Tenggara, & Papua. While Java market relatively flat.
- Growth rate for Bulk is relatively same with Bag (+1%), bulk market is calmer after prior year's jump, the driver in Java mainly from West Java & Yogyakarta while outside Java is mainly from Kalimantan & Sulawesi

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FINANCIAL HIGHLIGHT

■ YTD 2018 ■ YTD 2019

Financial Attributes sign Positive Signals

- Net Revenues increased contributed by **price recovery starting in H2 2018**
- Cost of Revenues decreased by -3.5% amid **low sales volume coupled with lower Cost of Revenues** per ton by -2.4%
- thus, **Gross Profit improved** by +25.9% to IDR 5.5 trillion vs. IDR 4.4 trillion
- As the result ... **EBITDA margin improved!**
- **Improved Operating Income** by 490 bps from 7.1% to 12.0%
- Strong cash position resulting **positive finance result** that increased by +12.5% from IDR 313.4 billion to IDR 352.5 billion
- As the result ... **Net Income increased!**
- **Cash position of IDR 7.7 trillion with 0 debt**

Operational Result (IDR bio)

Increase +32.0%

Increase +60.2%



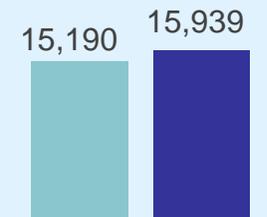
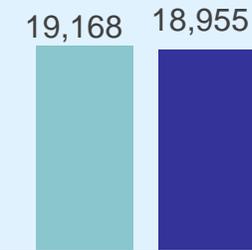
EBITDA

Net Income

Operational Result (IDR bio)

Decrease -1.1%

Increase +4.9%



Sales Volume (k ton)

Revenue

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



Description	2019 Bio IDR	2018 Bio IDR	Variance	
			Bio IDR	%
Total sales volume (thousand tons)	18,955	19,168	-213.5	-1.1%
Domestic Sales Volume (thousand tons)	18,831	19,033	-202.2	-1.1%
Export Sales Volume (thousand tons)	124	135	-11.3	-8.4%
Net Revenues	15,939.3	15,190.3	749.1 ①	4.9%
Cost of Revenues	-10,439.0	-10,821.3	382.2 ②	3.5%
Gross Profit	5,500.3	4,369.0	1,131.3	25.9%
<i>% of Net Revenues</i>	<i>34.5%</i>	<i>28.8%</i>		
Operating Expenses	-3,503.2	-3,322.6	-180.7	5.4%
Other Operating Expense - Net	-92.0	27.6	-119.7	-433.1%
Operating Income	1,905.1	1,074.1	830.9	77.4%
<i>% of Net Revenues</i>	<i>12.0%</i>	<i>7.1%</i>		
EBITDA	3,123.7	2,365.7	758.0	32.0%
<i>% of Net Revenues</i>	<i>19.6%</i>	<i>15.6%</i>		
Finance Income - Net	352.5	313.4	39.1	12.5%
Equity in Net Earnings of Associated Companies - Net	17.2	13.3	3.9	29.6%
Income before Final Tax and Income Tax Expense	2,274.8	1,400.8	874.0	62.4%
Net Income for the Year	1,835.3	1,145.9	689.4 ③	60.2%
Total Comprehensive Income for the Year	1,883.3	1,241.9	641.4	51.6%

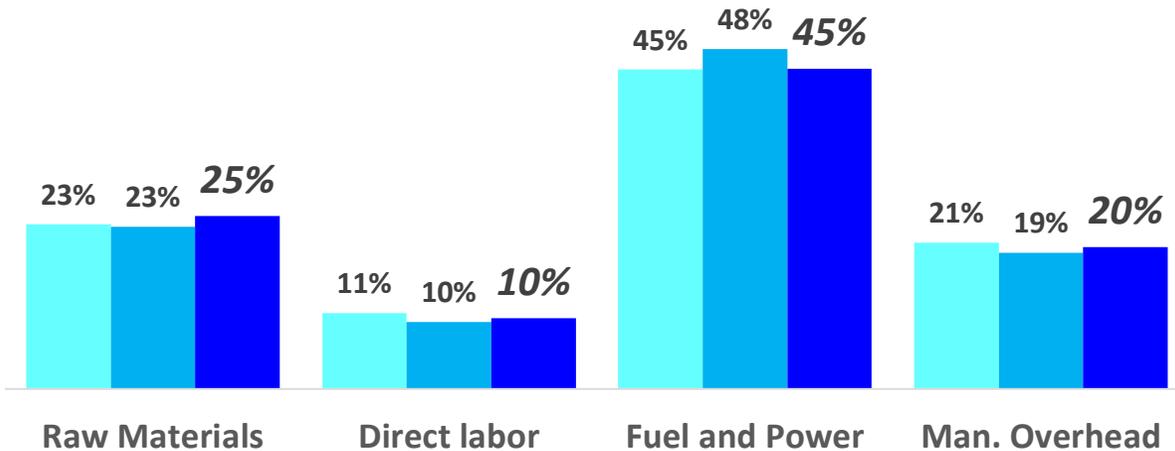
- Sales Volume decreased by -1.1% but Revenues increase by +4.9% is due to higher ASP/ton by +6.1%
- Cost of Revenues decreased by -3.5%:
 - Fuel & Power cost -10.1%, driven by:
 - lower unit price of coal
 - higher usage of LCV coal
 - higher usage of alternative fuels
- Delivery and selling expenses impacted by Tarjun maintenance, resulting in additional deliveries from Citeureup to outside Java
- Cost savings and price improvements contributes to the EBITDA improving by 400bps from 15.6% to 19.6%



Strategic cost allocation to capitalize on market growth

Composition of Manufacturing Cost

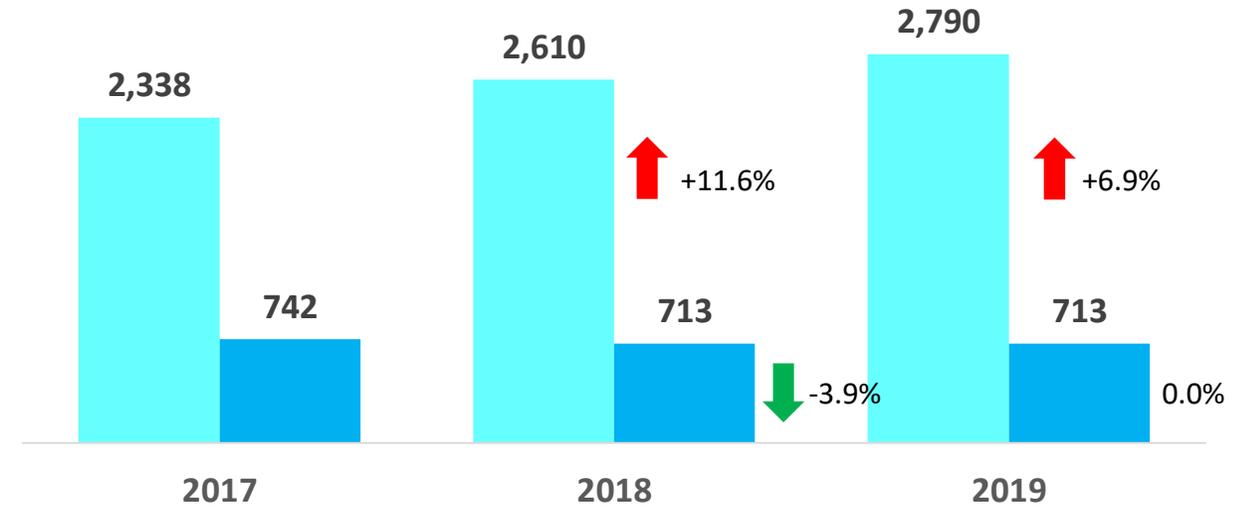
■ 2017 ■ 2018 ■ 2019



- Raw Materials & Direct Labor generally followed inflation & wage increase
- Low coal price and higher usage of low CV coal reduced overall Fuel and Power cost
- Manufacturing Overhead increased was mainly due to repair and maintenance of Tarjun power plant

Operating Expenses – Bio IDR

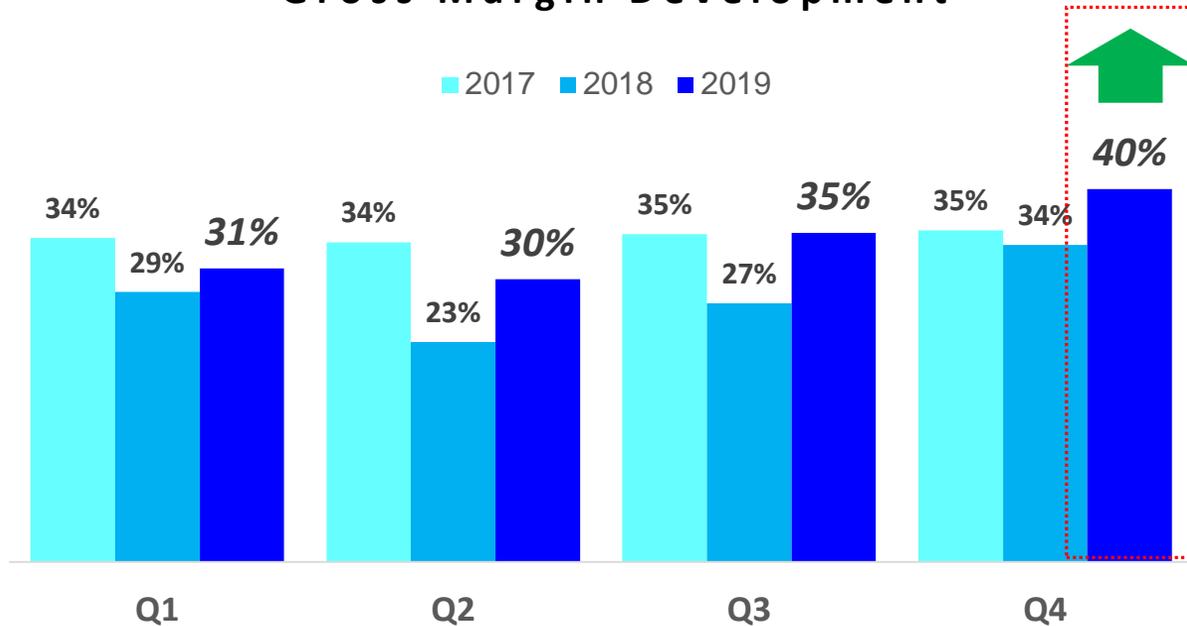
■ Selling Expense ■ G&A Expense



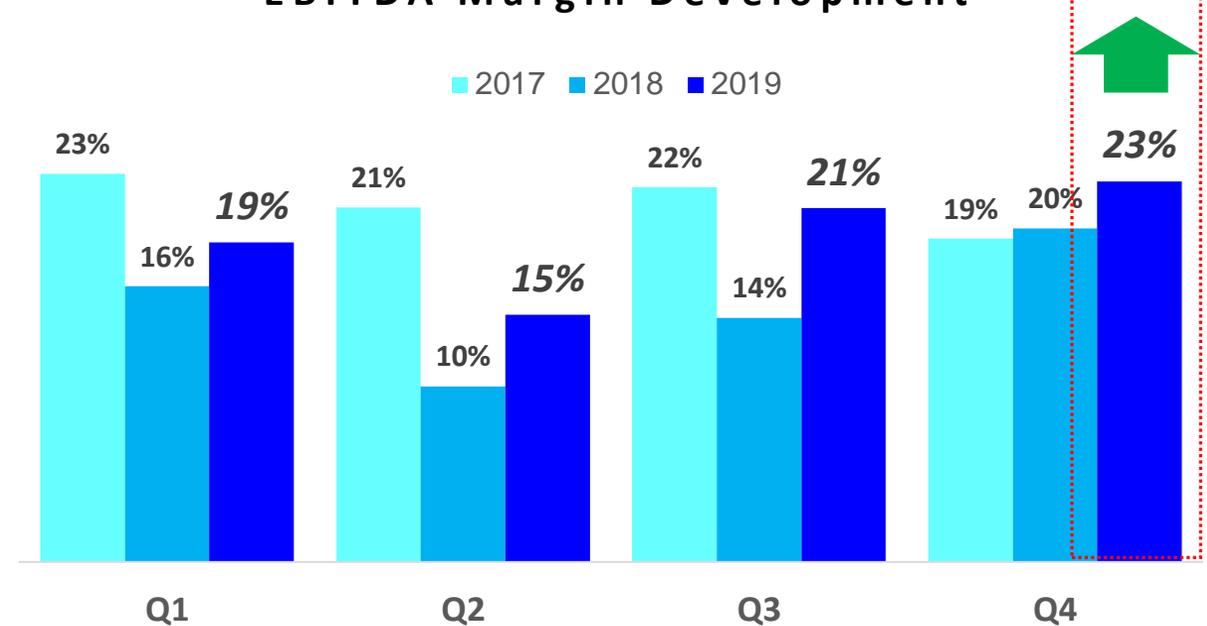
- Higher Selling Expense was due to operation of new terminals (Lampung & Palembang) starting in 2018 and Tarjun power plant maintenance during Q3 2019 (rerouted from Citereup plant)
- Stable G&A Expense was due to various efficiency cost programs

Continue in Cost Leadership maintaining decent margin

Gross Margin Development



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**

**Pricing discipline point to sustain recovery period
while continuing efficiency effort on fixed cost**

CONSOLIDATED BALANCE SHEET



Description	Dec 31, 2019	Dec 31, 2018	Variance	
	IDR Bio	IDR Bio	Bio IDR	%
Current Assets	12,829.5	12,315.8	513.7	4.2%
Non-Current Assets	14,878.3	15,472.8	-594.5	-3.8%
Current Liabilities	3,873.5	3,925.6	-52.2	-1.3%
Non-Current Liabilities	754.0	641.3	112.7	17.6%
Equity	23,080.3	23,221.6	-141.3	-0.6%
Total Assets = Total Liabilities + Equity	27,707.7	27,788.6	-80.8	-0.3%

- Cash and cash equivalents at IDR 7.7 trn as of 31 December 2019.
- Total 2019's Capex: IDR 723 bio. Total Capex in the Budget 2020: IDR ~1.4 trillion
- Dividend Payment history:

<i>In Bio IDR</i>	2012	2013	2014	2015	2016	2017	2018	2019
Net Income	4,763	5,012	5,293	4,357	3,870	1,860	1,146	1,835
Dividend *	1,657	3,313	4,970	1,528	3,420	2,577	2,025	TBD
% of Dividend Payout	34.8%	66.1%	93.9%	35.1%	88.4%	138.6%	176.7%	TBD
% of Dividend Yield**	2.0%	4.5%	5.4%	1.9%	6.0%	3.2%	3.0%	TBD

* To be distributed in the following year

** End of prior year stock price

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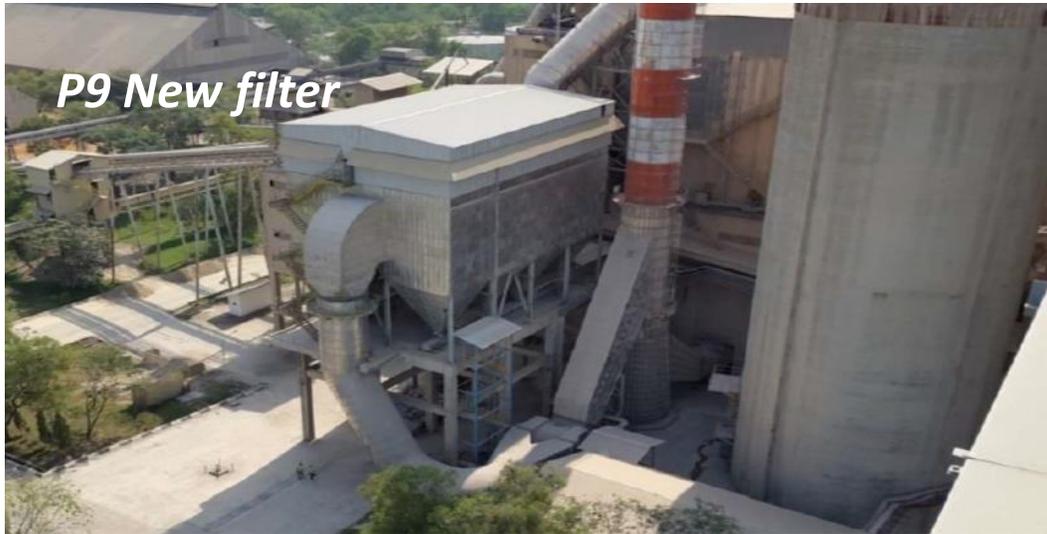


INDOCEMENT'S MASTER PLAN

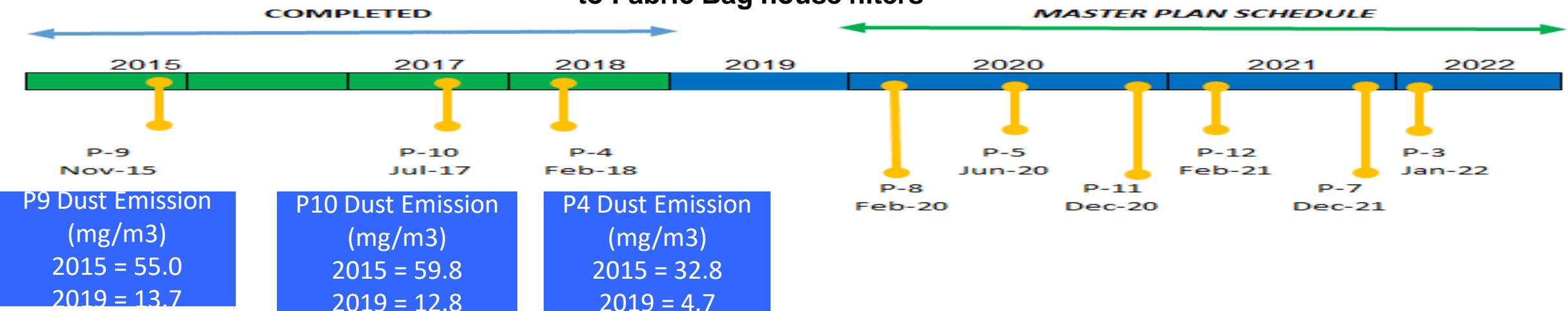
for reducing dust emission

SUSTAINABILITY PROJECTS

- Environmental requirements becomes more stringent and authorities compliance focus increases
- New regulation require continues emission monitoring and **mandatory online reporting by end 2020**
- Majority of Indocement's main process filters are electrostatic precipitators (ESP) which, compared with today's industrial standards, is an older technology with higher particle emissions



Master plan reducing dust emission by converting ESP to Fabric Bag house filters



PROJECT SUMMARY as of February 2020

- Land acquisition for overland conveyor completed
- Civil works progressing well
 - Crushing plant done
 - Partition wall on sales area in progress
- Secondary / Tertiary plant to be commissioned
 - 2 conveyors remaining to test
 - Screens tested, crusher motors tested, remaining hydraulics interlocking

Commercial Production expected by April 2020

TIGA RODA'S MORTAR



- **Commercial Production by: March 2020**
- **Total Planned Production Volume:** about 35 KT for first year production
- **Targeted Market:** Jakarta, Banten, and West Java Market
- **Source of Raw Materials:** Internal Sourcing from Citeureup Quary & Plant including CaCO₃

Project Rationale

- **Huge gap between demand and production volume** of instant cement.
- **Instant cement will give a better performance** sand cement mix compared to traditional mixing.
- High Quality materials available at plant, hence **ITP can produce a premium quality mortar**
- TR 10 Mortar Serbaguna (multi purpose), TR 15 Thinbed, and TR 20 (Plester Plus) as complement of existing HC TR 30 White Mortar

NEW BRANDED FEATURE OF TIGA RODA BRAND



A logo representing Semen Tiga Roda with three circles, describing the three main components forming one strong best quality and consistent cement formula that has been perfected through 45 years of experience and mastery:

1. Best materials making up the cement
2. Consistent cement composition
3. Produced with a highly integrated and green technology

Before

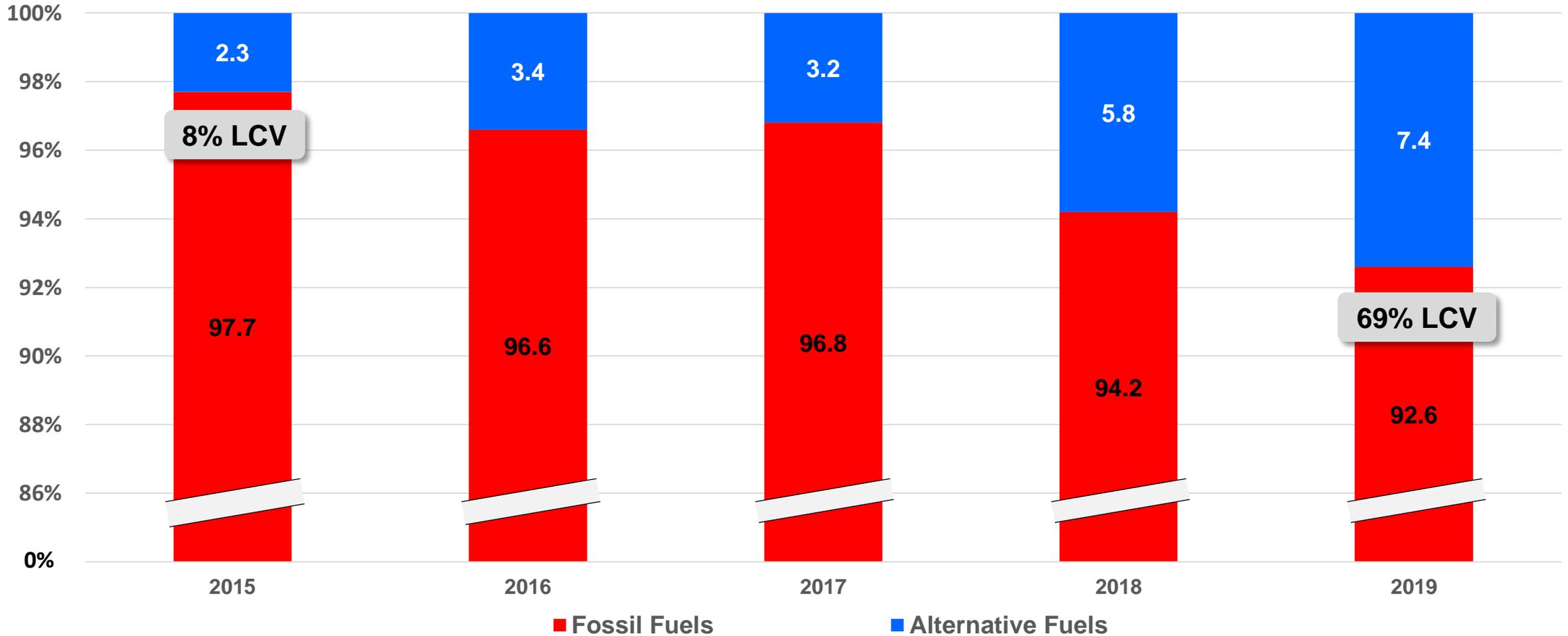


After



1 Apr 2020, starting with Greater Jakarta

INVESTMENT
Cost Efficiency Measure
Increasing Usage of Alternative Fuel



Continuous efforts on reducing coal as primary source of energy

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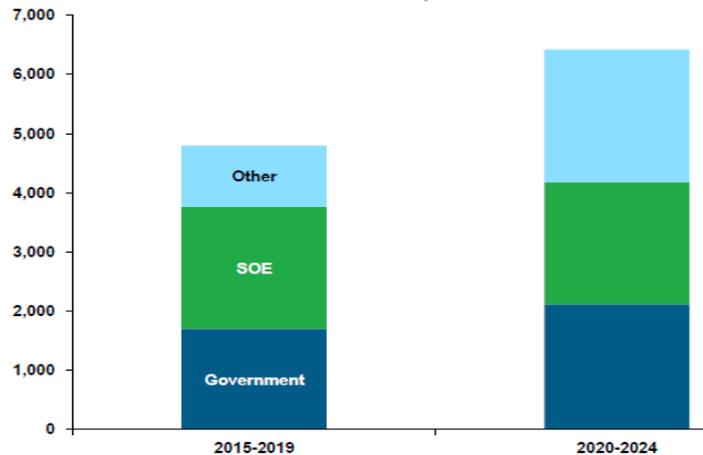


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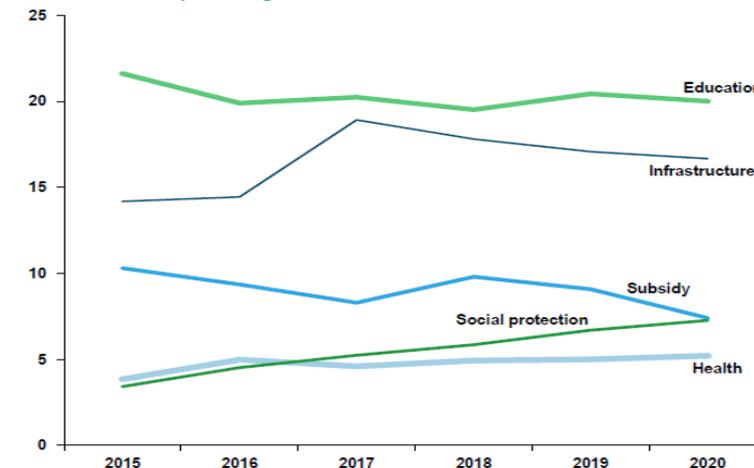
OUTLOOK 2020: ECONOMY

- Global uncertainty that will get negative effect toward our Cement Industry: US-China Trade Deal and COVID-19
- Bank Indonesia has cut policy rate by 25bp after the last one 4 months ago & the first cut in 2020. The decision came after Indonesia's 4Q19 GDP growth missed BI's expectation, and in view of *disruptions caused by the COVID-19 outbreak*.
- Finance Minister estimated that a drop of 1% to China's GDP will drop Indonesia's GDP of 0.3% to 0.6%
- Infrastructure spending is still on Indonesia Government's PRIORITY for the next 5 years with the expectation of for private sector to play bigger role → plus: expected domino-effect in Property & Industrial Estate & Tourism area after Infrastructure installed
- 2020 budget will also focus on Human Capital Development: to prepare qualified human resource for Digital Economy & Industry 4.0 era, including vocational development to support growth in priority sectors

Government targets investment of USD 458bn towards infrastructure from 2020-24
Government infrastructure, SOE capex, IDR tn



Government allocates more spending for human development
Government spending, % of total



Indonesia Economic Projections



Source: Standard Chartered

Source: Standard Chartered

Source: Kontan Indonesia

OUTLOOK OF INDONESIA CEMENT MARKET



FY2019 cement industry growth recorded at +0.6% and Year 2020 is deemed to be a busy year for our home market in Jabodetabek and West Java areas as constructions of various infrastructure projects continue, e.g. integrated transportation modes, stadiums, dams, and roads. However with the COVID-19 virus pandemic impact and fuel/ coal's significant drop, we revise our expected **growth in 2020 become about 1 to 2% only.**



Reduction of tax on high end housing and LTV relaxation including lower BI interest rate are expected to increase demand market for residential property.



Expectation for the new cabinet to provide **breakthrough steps that opened up Indonesia's economic opportunities to grow** amid on-going trade tension and global slowdown.

ODOL Policy (Over Dimension & Over Loading) which will increase all cement players trucking cost significantly. The Government has started ODOL restriction for Tj Priok – Bandung toll road starting Monday 3rd April 2020 but agree to give exception for all other routes for Cement Trucking until end of Year 2023.

With over supply condition continues of ±40mio ton, and additional of 2 new players in Year 2020, HongShi and Semen Grobogan, tight competition will remain and limited pricing competition especially in the East of Java is expected to happen in H2/2020.

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KOKOH
TERPERCAYA**

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For further information please contact

PT Indocement Tunggal Prakarsa Tbk.

Wisma Indocemen, 8th Floor

Jl. Jend. Sudirman Kav 70 - 71

Jakarta 12910, Indonesia

Phone : +62 21 2512121

e-mail: investor.relations@indocement.co.id.

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