

Optimizing Capabilities to Lead The Market
Earnings Call 1st Half of 2023 Unaudited Financial Report



OPTIMIZING CAPABILITIES TO LEAD THE MARKET

1H23 Performance Highlights
Company Profile & Sector Update
SIG Resilient Strategies
Seizing Turnaround Momentum

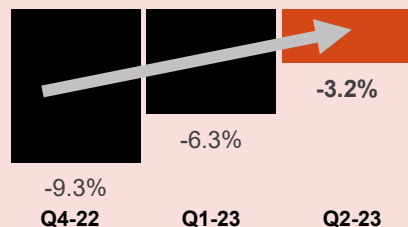
2
5
10
14

1H23 PERFORMANCE HIGHLIGHTS

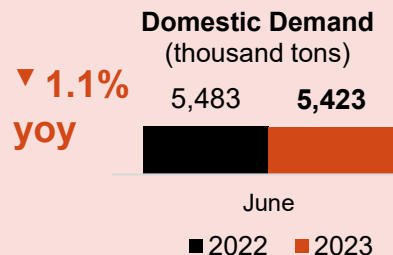
Through improvement in sales volume and cost management, SIG successfully recorded 3% yoy improvement in net profit

Industry update in 1H 2023

Positive trend in quarterly demand growth*...



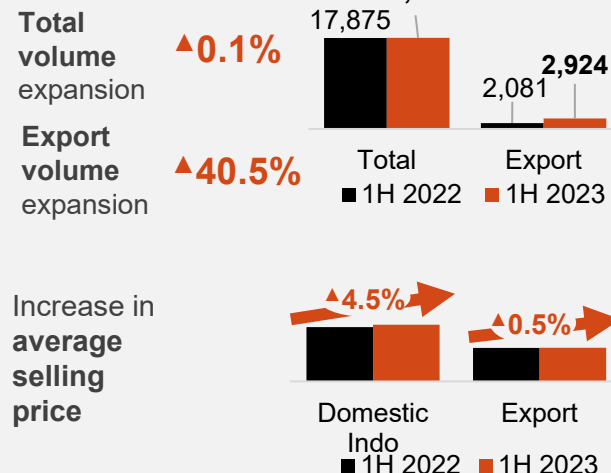
...which continued in June-23 with -1.1% growth compared to -5.7% demand contraction ytd May-23.



Furthermore, our July sales release indicated **positive demand growth** should be expected for 2H23

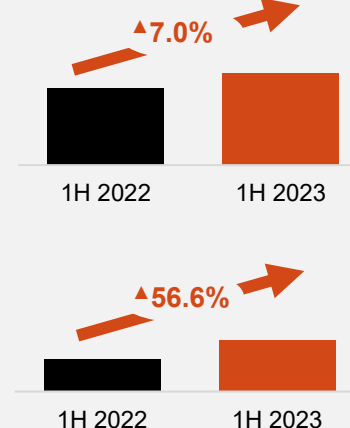
Maintain Focus on 4 Main Strategies

Red Ocean

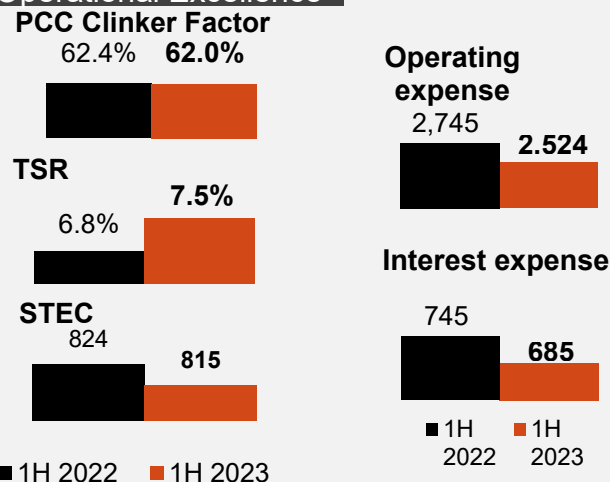


Blue Ocean

Volume Trend



Operational Excellence



Decarbonization

Emission Intensity - Scope 1 (Specific Net - kg CO₂/ton cement eq)



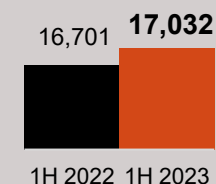
Balance IDR 7,571 Bio

Interest Rate 0.3-0.4% lower

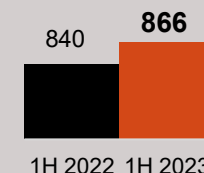
KPI Scope 1 Carbon Emission

Improved Profitability in 1H23

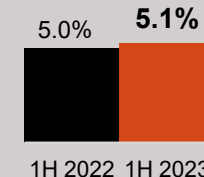
1H 2023 IDR bio



▲ 2.0% Increase in revenue



▲ 3.1% Increase in absolute net profit**



▲ 0.1% Increase in net profit margin

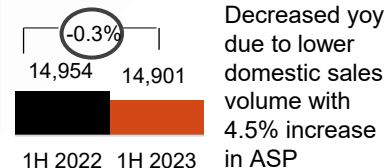
*Source: Demand data 2022-2023 from Indonesia Cement Association, adjusted

**attributable to owners of parent entity

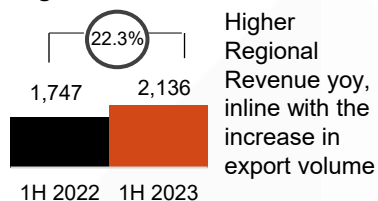
Minimize the impact of fuel price increase through revenue optimization, operational excellence and deleveraging

(in IDR billion)

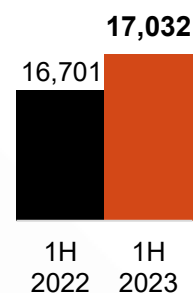
Domestic Revenue



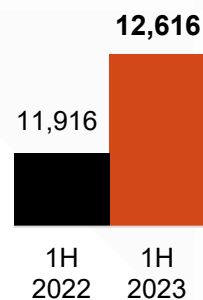
Regional Revenue



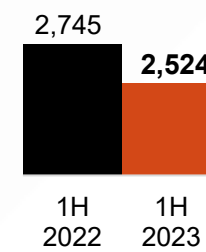
▲ **2.0%**
Change in Total Revenue yoy



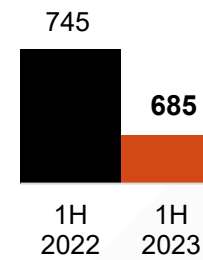
▲ **5.9%**
COGS increase



▼ **8.1%**
Lower operating expenses*



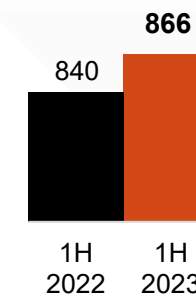
▼ **8.1%**
Decrease in finance cost



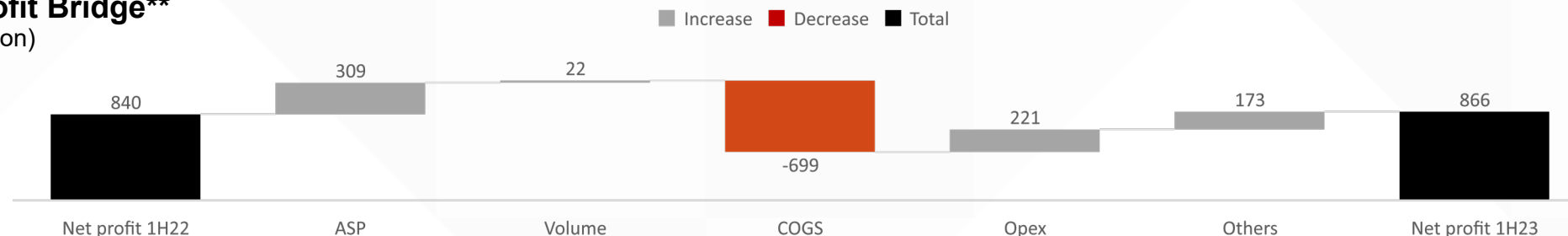
▲ **0.1%**
Net profit margin growth



▲ **3.1%**
Improvement in net profit*



Net Profit Bridge** (IDR billion)



Increase in revenue
Contributed by higher sales volume and blended ASP increase

Higher COGS
as an impact of higher fuel price, affecting the logistics cost of energy, distribution and raw material

Lower operating expenses
From lower transportation cost

Lower finance cost
Contributed by lower interest bearing debt balance

*include other operating income/expense

**attributable to owners of parent entity

COMPANY PROFILE & SECTOR UPDATE

Company Profile



#1

Largest cement producer in Indonesia



56.5 MT p.a.

Largest designed cement production capacity in Indonesia



~50%

Largest domestic market share



Gold & Green

PROPER rating by Indonesia Ministry of Environment & Forestry

Shareholders

51%

17%

32%

- Government of Indonesia
- National Public
- Foreign Public

Company Milestones



2022

Integrate **PT Semen Baturaja** through rights issue transaction

2019

Acquired **PT Holcim Indonesia** to solidify market dominance, renamed as Solusi Bangun Indonesia

2013

Transformation to strategic holding, renamed as **Semen Indonesia**

2012

Acquired Thang Long Cement Company from **Vietnam** for global reach

1995

Consolidated with PT Semen Padang & PT Semen Tonasa, became **largest national cement producer**

1991

First SOE to be listed in **Jakarta Stock Exchange**

1957

Established as PT **Semen Gresik**

Lines of Business



Cement Manufacturing

- ✓ **6+1 Brands**, Strong presence in Indonesia
- ✓ **Multipurpose Cement**
- ✓ **Special Application Cement**



Green Label certification from Green Product Council Indonesia (GPCI)



Cement Downstream Businesses

- ✓ **Readymix Concrete**
- ✓ **Mortar**
- ✓ **Precast**



Self-Declaration of **EcoLabel** from Ministry of Environment & Forestry



End-to-end Businesses

- ✓ **Mining**
- ✓ **Packaging**
- ✓ **Waste Management**
- ✓ **Logistic**
- ✓ **IT Services**
- ✓ **Industrial Estate**



Sustainable production process from Ministry of Industry

Extensive Distribution Network across Indonesia & the Region

Production & Distribution Facilities

9

Integrated Plant Locations

7

Ports

26

Packing Plant Locations

8

Grinding Plants

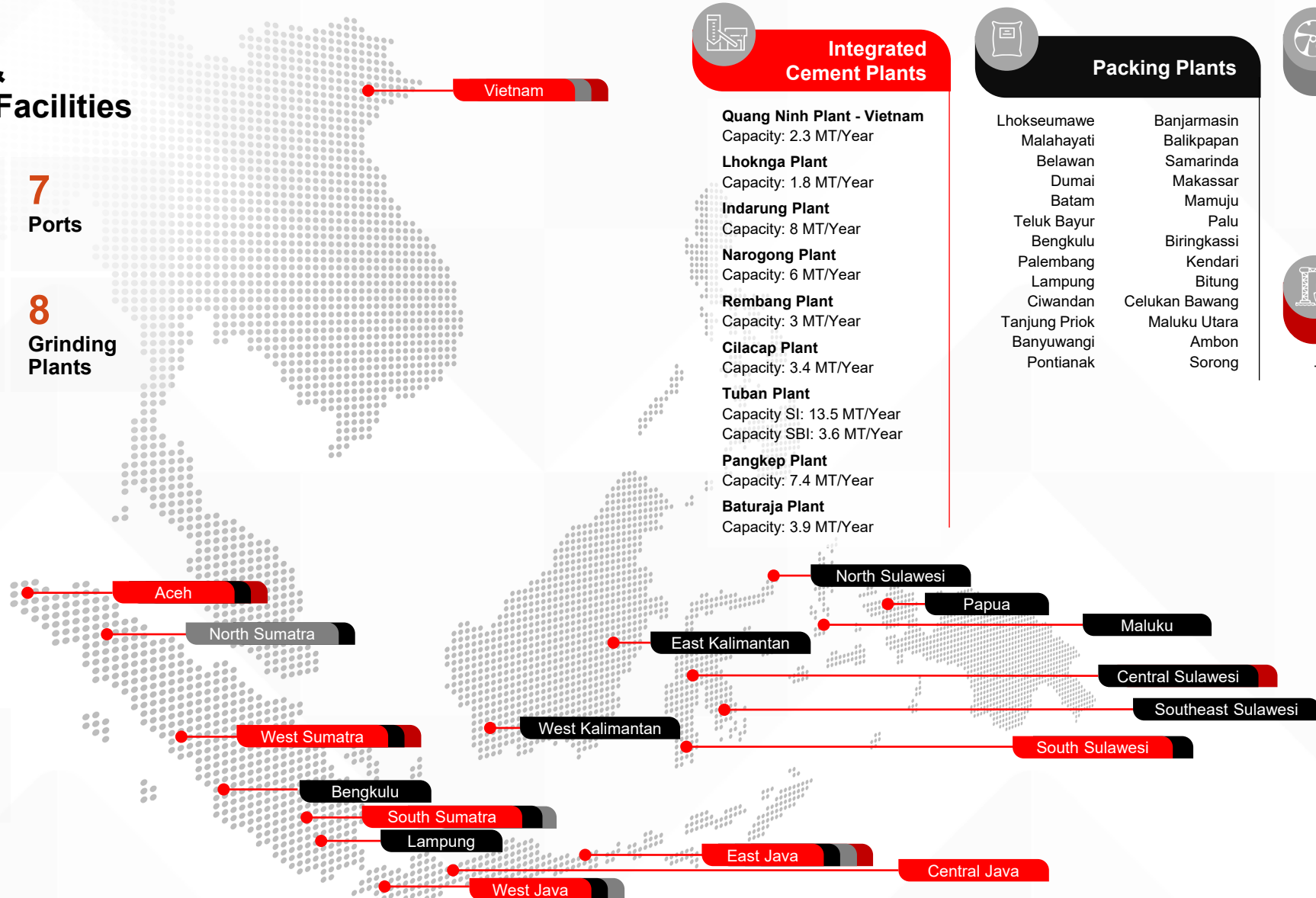
Distribution Channels

385

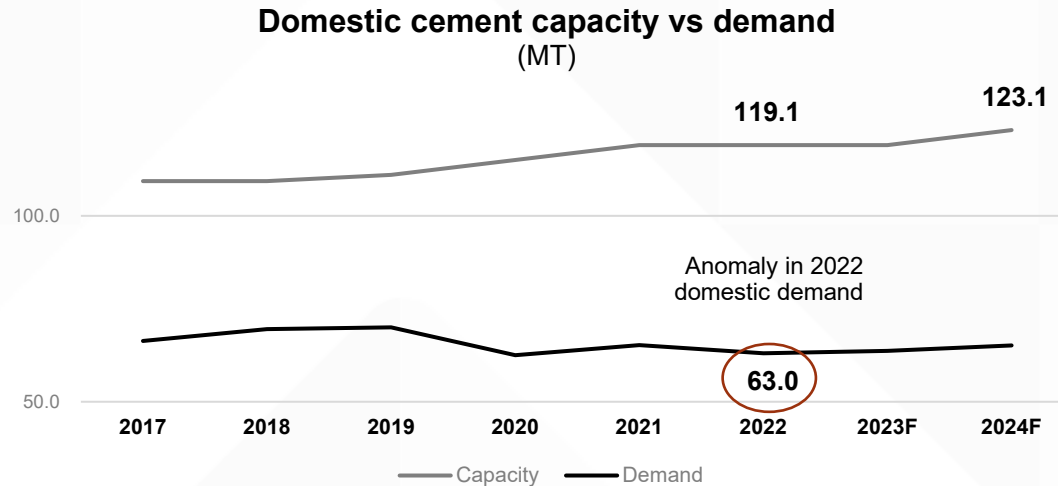
Distributors

>70,000

Retail Stores



Industry supply & demand will be driven by potential growth of retail and infrastructure projects



This anomaly was mainly contributed from soft bag demand due to a **shift in household spending priorities and inflation of goods and services**

	1Q23 Market Share	1Q23 Capacity Share
Semen Indonesia*	50.9%	45.6%
Indocement**	27.1%	26.2%
Conch	7.0%	7.3%
Merah Putih	6.7%	8.9%
Singa Merah	2.7%	2.5%
Jui Shin	2.1%	1.5%
Semen Jawa (SCG)	1.8%	1.5%
Semen Bima (STAR)	1.7%	1.5%
Semen Kupang	0.0%	0.3%
Semen Grobogan	N/A	2.5%
Semen Serang	N/A	0.8%
Semen Jakarta	N/A	1.0%
Hippo	N/A	0.4%

Only 4 players cover ~92% demand

15 players 2021 → 14 players 2022

- Semen Baturaja integrated into SIG
- Bosowa leased their facilities to Indocement

*including Semen Baturaja
**including Semen Bosowa

Cement Demand Drivers

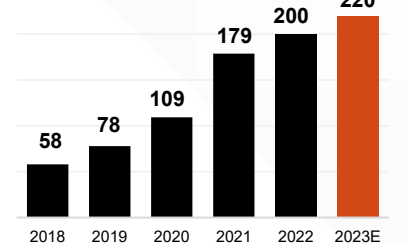
Bag

Property & Housing developments

~1%
Estimated annual pop. growth from 270 million Indonesia pop. in 2021

12.75 million units
Backlog national housing construction per 2022

Housing Payment Liquidity Facility (FLPP)
(K unit)

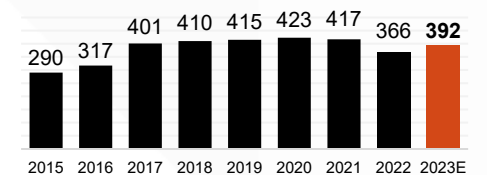


Bulk

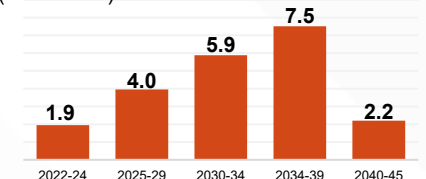
Infrastructure developments

High Budget Allocation for Infrastructure up to 2024
Based on National Dev. Plan 2020-24

Government Infrastructure Budget
(Trillion IDR)



Cement Needs for New Capital
(Million Ton)



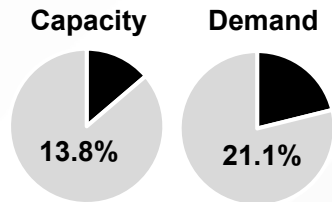
21.5 million ton
Potential Cement Demand for New Capital

Source: Demand data up to 2022 from Indonesia Cement Association. Demand forecast from Indonesia Cement Association and SIG calculations (~5% CAGR). New Capital investment from E-Monitoring PUPR, Oct-2022, Web-based demand estimation, UU RI No.3 2022.

Distribution of supply and demand in Indonesia

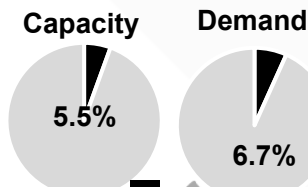
Sumatra

Capacity (mio ton)	
SIG (I+GP) ▲	14.5
Merah Putih (GP) ■	1.9
Total capacity	16.4
Demand	13.3



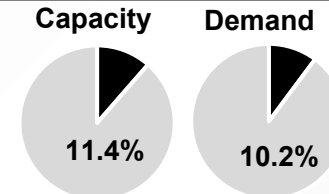
Kalimantan

Capacity (mio ton)	
Indocement (I) ■	2.6
Conch (I) ●	3.0
Merah Putih (GP) ■	1.0
Total capacity	6.6
Demand	4.2



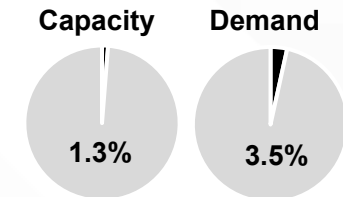
Sulawesi

Capacity (mio ton)	
SIG (I) ▲	7.4
Semen Bosowa (I) ■	4.2
Conch (I) ●	2.0
Total capacity	13.6
Demand	6.4



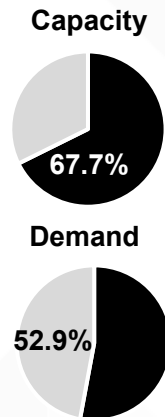
East Indonesia

Capacity (mio ton)	
Conch (I) ●	1.5
Total capacity	1.5
Demand	2.2



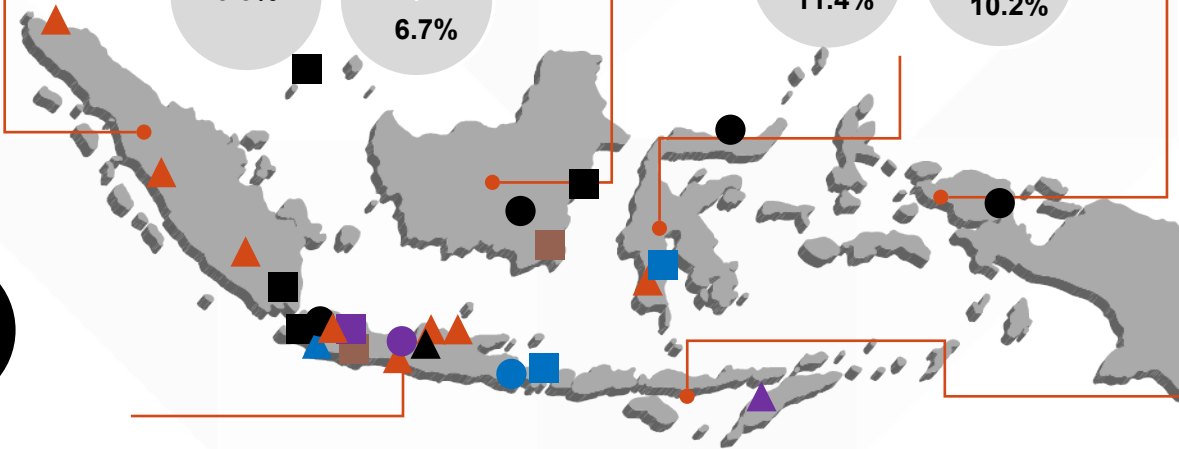
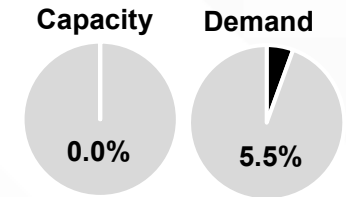
Java

Capacity (mio ton)	
SIG (I+GP) ▲	32.2
Indocement (I) ■	22.3
Merah Putih (I) ■	7.8
Semen Grobogan (I) ▲	3.0
Semen Singa Merah (I) ●	3.0
Conch (GP) ●	2.2
Semen Bosowa (I) ■	2.0
Semen Jawa (I) ▲	1.8
Jui Shin (I) ■	1.8
Semen Bima (I) ●	1.8
Others	2.7
Total capacity	80.6
Demand	33.3



Bali Nusra

Capacity (mio ton)	
Semen Kupang (I) ▲	0.4
Total capacity	0.4
Demand	3.5



Supply & demand imbalance, where some of the supply capacity are located far from the source of demand, while it is costly to distribute cement from the plant.

SIG RESILIENT STRATEGIES

Strengthen the 4 main strategies to create more sustainable values

Revenue Optimization

Red Ocean

“Optimize utilization”

Domestic market

Micromarket
strategy

Digital CRM
to gain better visibility on retail level

Bulk market
maintain leadership in strategic national projects

Maximize export market

Up to **8.5 mio ton**
Port capacity for export

Attractive price
▲ **25.5%**
Increase in export price yoy (2022)

Blue Ocean

“Expand the business”

Existing product & solution

Ready mix solution

Non-OPC bulk cement

Masonry

Mortar

Further invest in BM solution, including distribution & logistics

SIG wide operations

385 Distributors

>70,000 Retail stores

Cost Management

Operational Excellence

“Optimize production index”

Up to **11%**
(2019-2030)
Clinker factor reduction

Coal index
reduction

SEEC
Specific Electrical Energy Consumption Reduction

STEC
Specific Thermal Energy Consumption Reduction

“Cargo consolidator”

~**3,000 routes**
~88% land and 12% sea routes

~**9,800 trucks**
~11% owned

Decarbonization

“Reduce emission”

AFR
▲ **20%**
Thermal Substitution Rate 2030 Target

RDF
Tonasa & Tuban
RDF plant facilities

Solar Panel
▲ **572 MWp***
Solar Panel Rollout 2021-2030 Target

SMBR Integration

“Value creation”

Integrated functions & group policies:

- ✓ Sales & marketing
- ✓ Supply chain
- ✓ Procurement
- ✓ Finance
- ✓ Production
- ✓ Human Capital
- ✓ ICT

>1.7
IDR Tn

potential value creation in 5 years

Optimizing utilization for improved profitability

1 Revenue optimization



Big projects potential

500k tons
IKN (New Capital City)

350k tons
National Infra & Strategic Projects

- Trans Sumatera Toll Road
- Patimban Port
- Trans Java Toll Road

Export potential

74.6mio tons
potential market for cement & clinker in Asia & Oceania 2023

Despite the market challenge and increasing price, SIG is able to manage its cost in order to maintain profitability

2

Cost Management

**COGS – VAR per
Ton sales volume**

Mainly driven by **rising freight cost** for coal & raw material transport, **packaging cost** and **logistic cost** (per ton domestic sales volume)

COGS – FIXED

Mainly driven by **y.o.y inflation** (4%), increase in **mining retribution rate** in East Java, and **maintenance cost** to support the increasing sales volume

Selling expense

Mainly driven by **promotion cost** (1% to revenue, flat yoy)

G&A

y.o.y inflation

Interest expense

Mainly driven by repayment of bank loan amounted to **IDR 1.1 trillion**

Key initiatives

- **Optimize production index** (clinker factor, coal index, TSR, and Energy consumption index)
- **Supply chain optimization with least cost to serve principal**
- **Integrated function & group within SIG Group**
- **Promotion activities to support the sales volume growth**
- **Cargo consolidation**
- **Continuous budget control**
- **Cash flow discipline**

SEIZING TURNAROUND MOMENTUM

Proceed usage and SMBR integration

Rights issue proceed usage

**5.41
IDR Tn**

Proceed

2.85 IDR Tn

SIG ownership in
PT Semen Baturaja Tbk
(SMBR) post share swap



2.56 IDR Tn

Cash proceed from the
public shareholders



Supporting IDR 2 Tn CAPEX investment for ESG initiatives:

1. Thermal Substitution Rate (TSR)
2. Clinker Factor Reduction

2023-2024 instalation plan

- Kiln backend
- AF feeding facility
- Preprocessing facility
- Hydrogen project
- Bag filter



Logistics business development through SILOG

- Increasing cargo management capacity:
 - storage facilities
 - ports
 - land and sea armadas

SMBR Integration

Operational Metrics

Sales & Marketing



Increase Average Selling Price (ASP) Net

Distribution Network Optimization (Cross-Selling)

Supply Chain Management



Utilization optimization

Reduce CTS/Ton

Production



Decrease PCC Clinker Factor

Increase TSR

Best practice sharing

Procurement



Best tariff & economies of scale

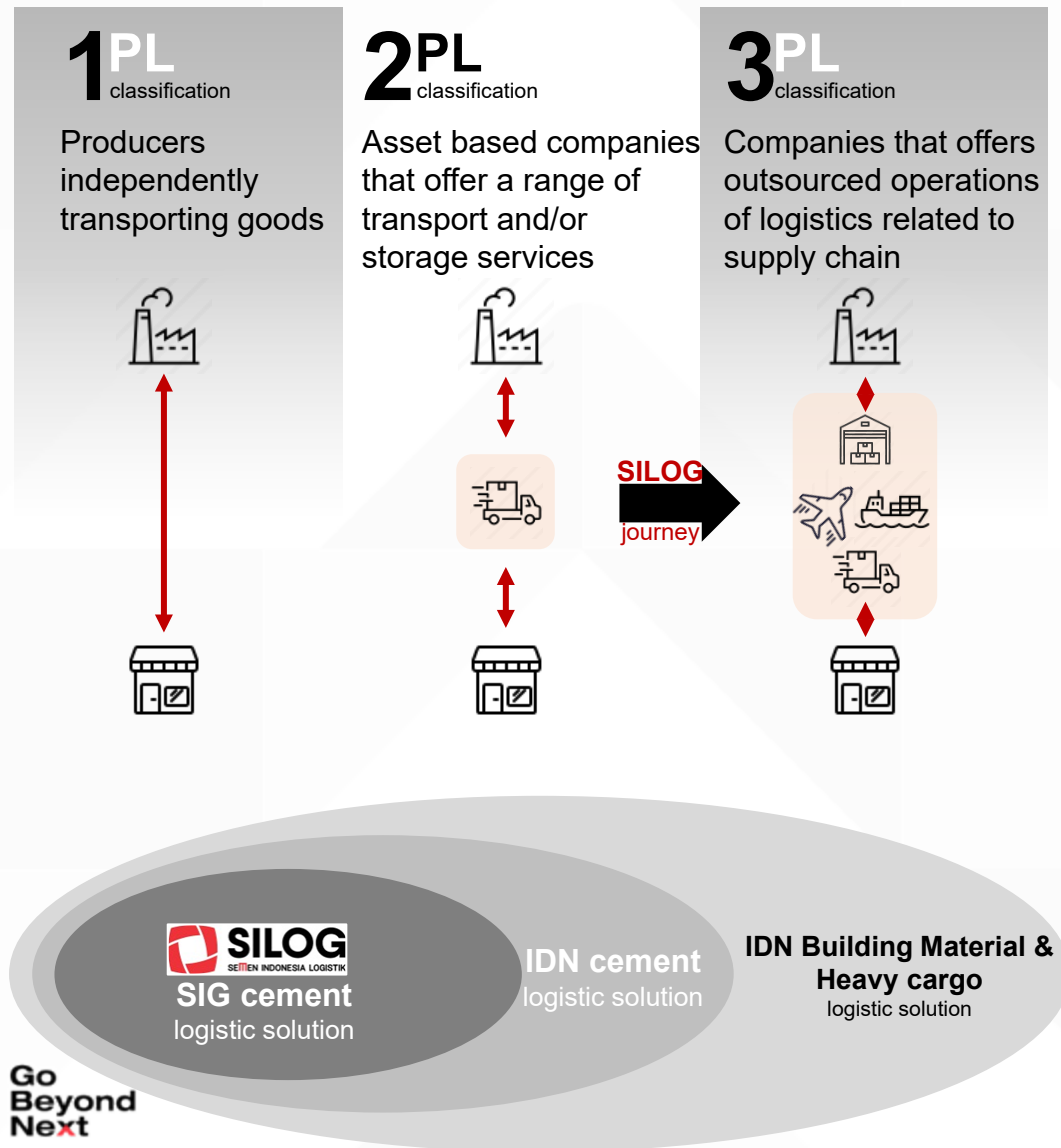
Others



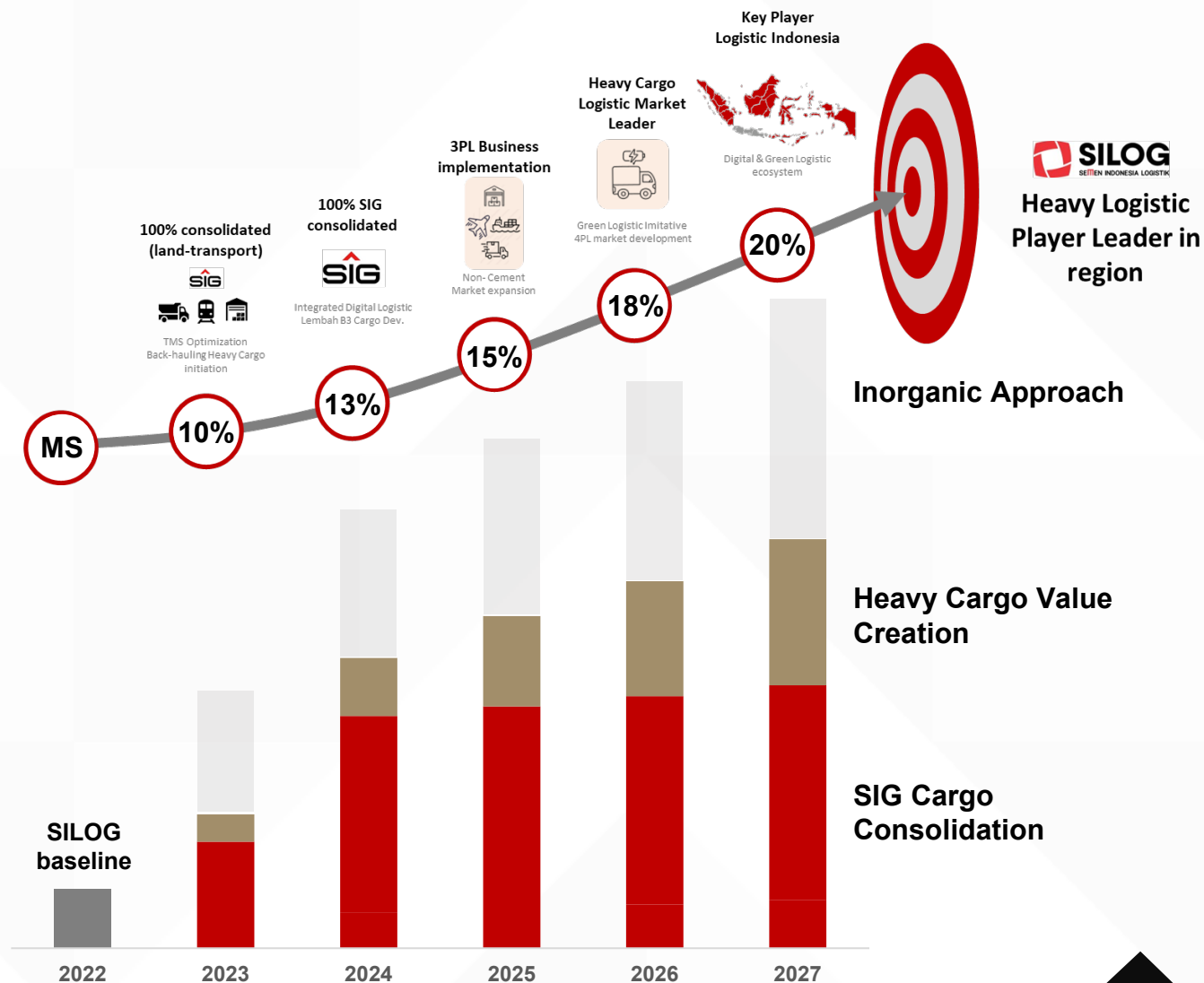
Refinancing through Sustainability Linked Loan (SLL)

To be Heavy Logistic Player Leader in the Region

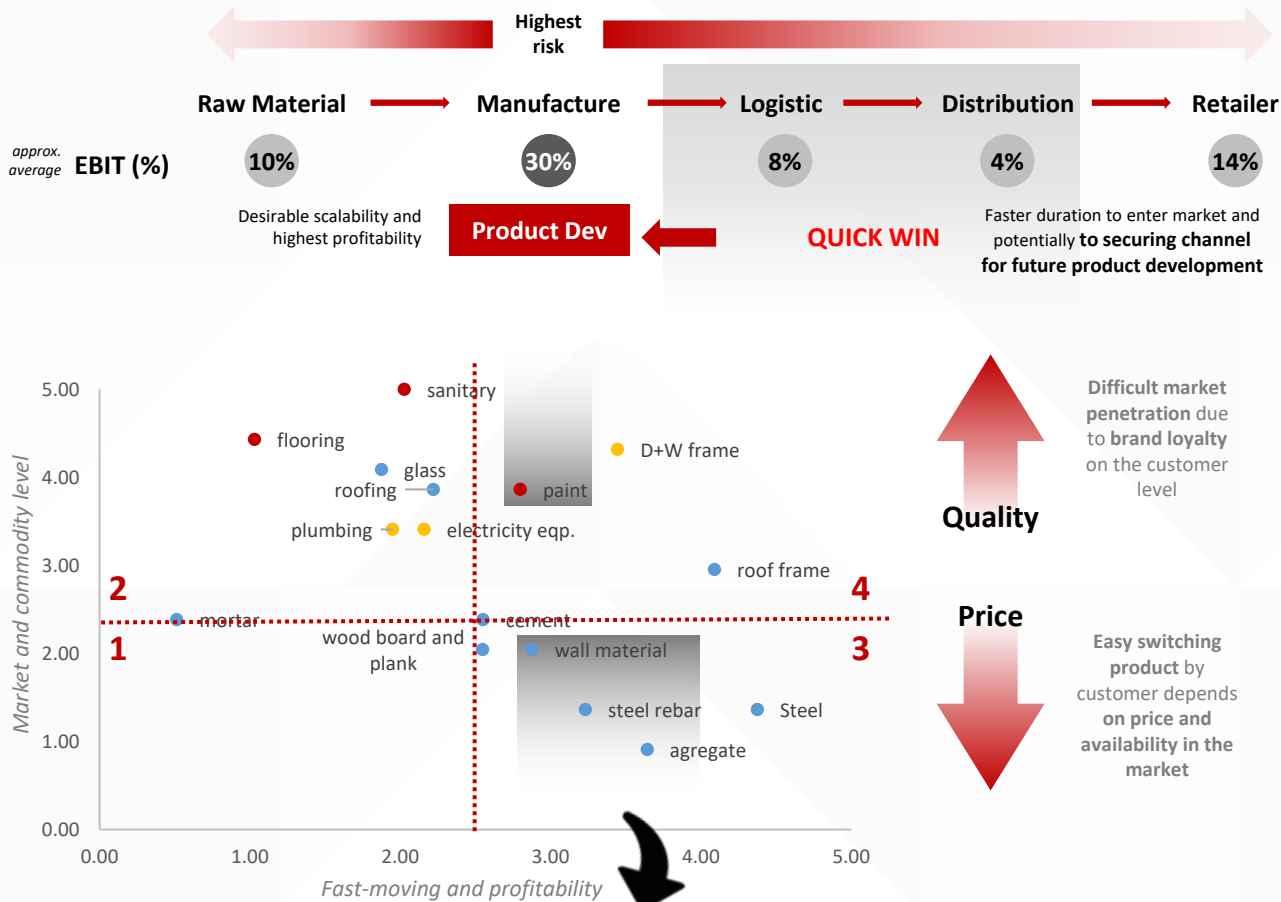
Logistic Service Classification



Roadmap Target from Heavy Cargo Logistic



Background and Strategy Development



White Label Product Domination

Preparing channel for new product introduction as entering strategy

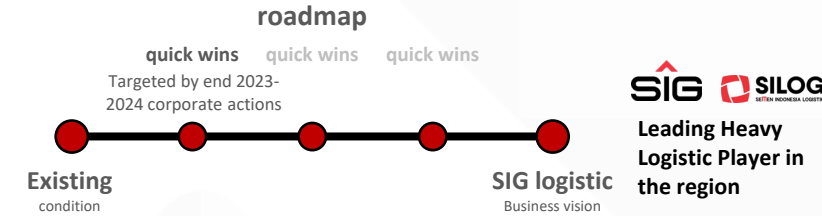
Products in this category has customers with low brand loyalty and more price sensitive.

Buying product decision commonly decide on product availability and price competitiveness, introducing new brand or product to penetrate the market can be accepted with support of channel security and the right price positioning

Strengthening Logistic - Distribution to securing the channel and guarantee product availability



SIG engaged with top consulting firm in Asia to develop Logistic business strategy and roadmap



MAY '23

JULY '23

DEC '23

BUSINESS PLAN & ROADMAP DEVELOPMENT

STRATEGY EXECUTION PROJECT ADHOC :

- INTERNAL IMPROVEMENT
- INORGANIC GROWTH

SILOG 2023 non-SIG Logistic :

- Start focusing to expand to non-SIG logistic market by adjusting Organization Structure to create focused team for exploring the new opportunities
- Involved in developing logistic roadmap as counterpart

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**“Leading the industry
transformation towards carbon
economy”**



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