

Optimizing Capabilities to Lead The Market
July 2023



OPTIMIZING CAPABILITIES TO LEAD THE MARKET

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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



- 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

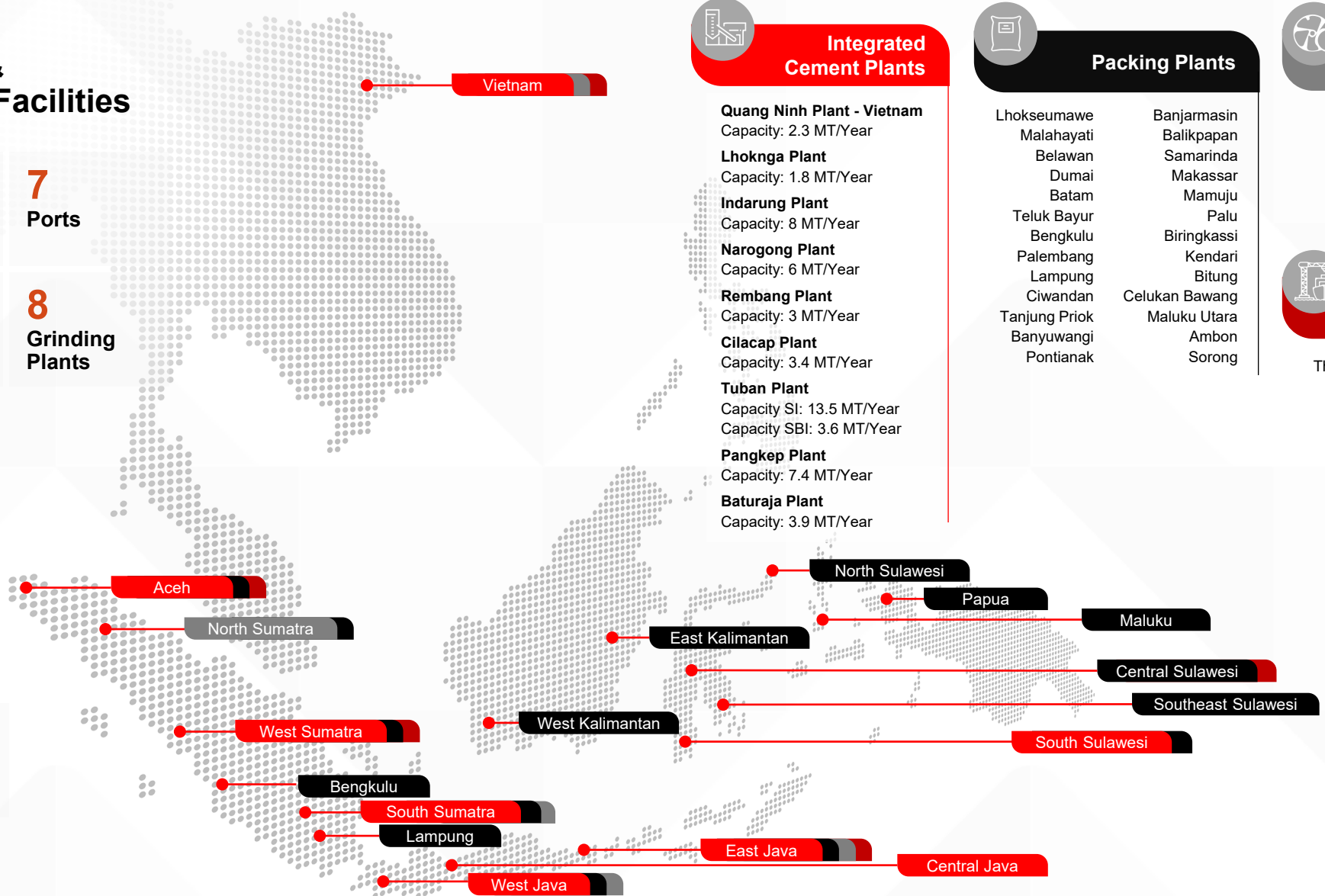
26
Packing Plant Locations

8
Grinding Plants

Distribution Channels

385
Distributors

>70,000
Retail Stores



Integrated Cement Plants

- Quang Ninh Plant - Vietnam**
Capacity: 2.3 MT/Year
- Lhoknga Plant**
Capacity: 1.8 MT/Year
- Indarung Plant**
Capacity: 8 MT/Year
- Narogong Plant**
Capacity: 6 MT/Year
- Rembang Plant**
Capacity: 3 MT/Year
- Cilacap Plant**
Capacity: 3.4 MT/Year
- Tuban Plant**
Capacity SI: 13.5 MT/Year
Capacity SBI: 3.6 MT/Year
- Pangkep Plant**
Capacity: 7.4 MT/Year
- Baturaja Plant**
Capacity: 3.9 MT/Year

Packing Plants

- | | |
|---------------|----------------|
| Lhokseumawe | Banjarmasin |
| Malahayati | Balikpapan |
| Belawan | Samarinda |
| Dumai | Makassar |
| Batam | Mamuju |
| Teluk Bayur | Palu |
| Bengkulu | Biringkassi |
| Palembang | Kendari |
| Lampung | Bitung |
| Ciwandan | Celukan Bawang |
| Tanjung Priok | Maluku Utara |
| Banyuwangi | Ambon |
| Pontianak | Sorong |

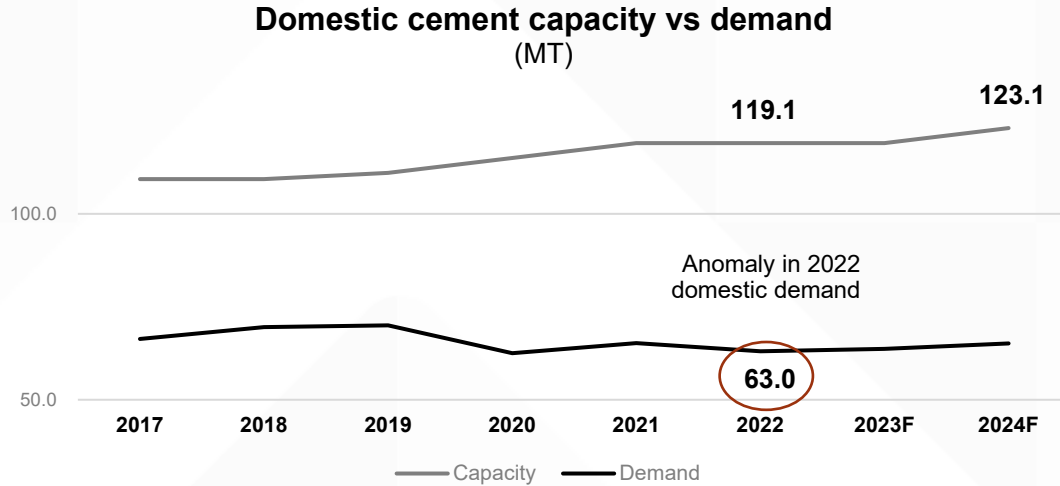
Grinding Plants

- Ho Chi Minh
- Kuala Indah
- Dumai
- Cigading
- Ciwandan
- Gresik
- Palembang
- Panjang

Ports

- Thang Long Port
- Lhoknga
- Dumai
- Teluk Bayur
- Tuban
- Gresik
- Biringkassi

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

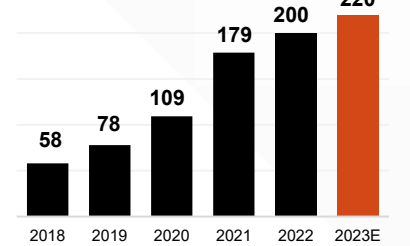
Bag

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)

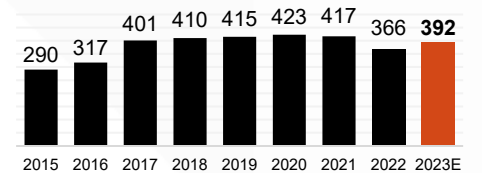


Bulk

Infrastructure developments

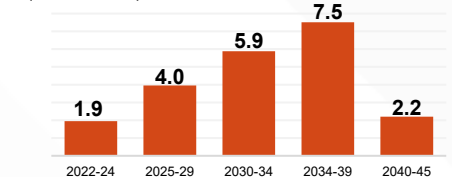
High Budget Allocation for Infrastructure up to 2024
Based on National Dev. Plan 2020-24

Government Infrastructure Budget
(Trillion IDR)



21.5 million ton
Potential Cement Demand for New Capital

Cement Needs for New Capital
(Million Ton)

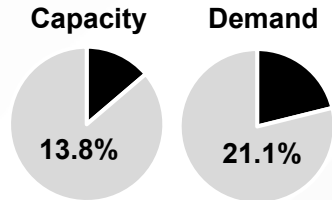


Source: Demand data up to 2022 from Indonesia Cement Association. Demand forecast from Indonesia Cement Association and SIG calculations (~5% CAGR). New Capital investment from E-Monitoring PUPR, Oct-2022. Web-based demand estimation, UU RI No.3 2022.

Distribution of supply and demand in Indonesia

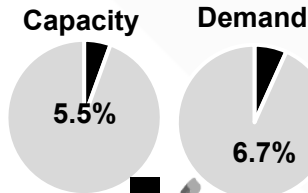
Sumatra

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



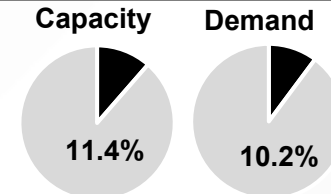
Kalimantan

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



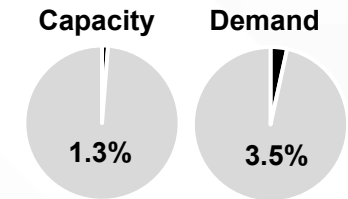
Sulawesi

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



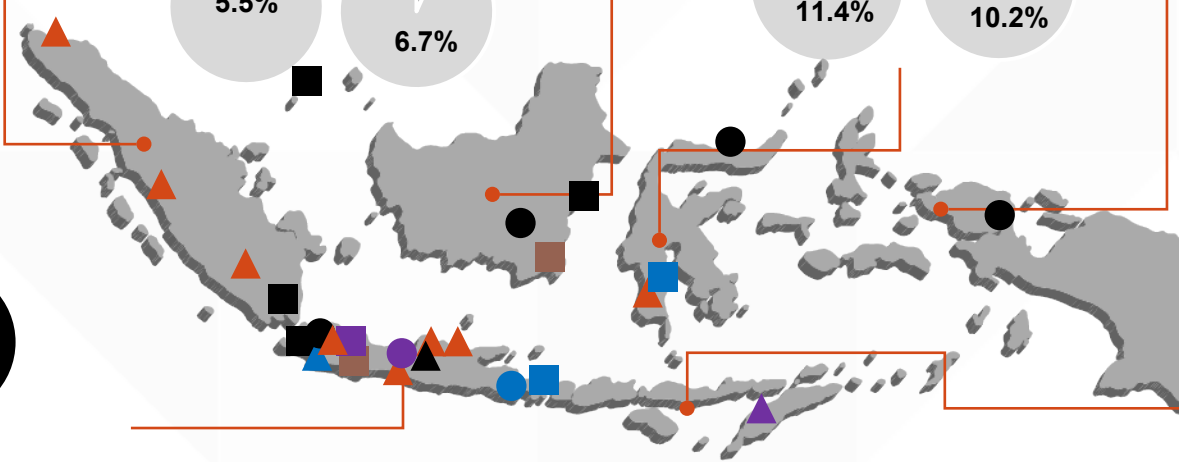
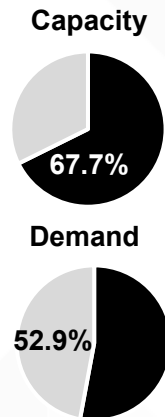
East Indonesia

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



Java

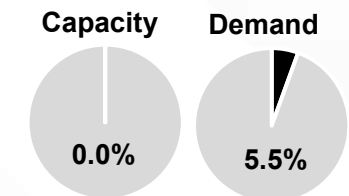
Capacity (mio ton)	
SIG (I+GP) ▲	32.2
Indocement (I) ■	22.3
Merah Putih (I) ■	7.8
Semen Grobogan (I) ▲	3.0
Semen Singa Merah (I) ●	3.0
Conch (GP) ●	2.2
Semen Bosowa (I) ■	2.0
Semen Jawa (I) ▲	1.8
Jui Shin (I) ■	1.8
Semen Bima (I) ●	1.8
Others	2.7
Total capacity	80.6
Demand	33.3



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.

Bali Nusra

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



Note: Capacity & demand are percentage of FY 2022 national total capacity & demand, respectively

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:

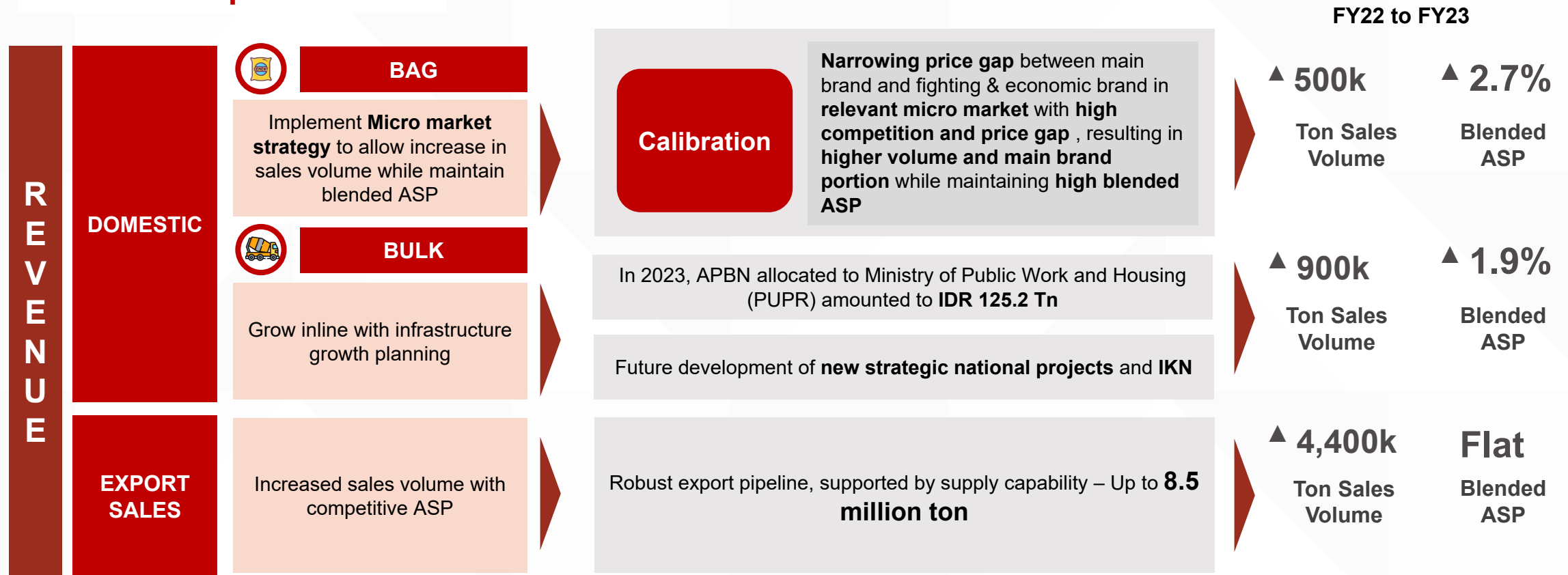
- ✓ Sales & marketing
- ✓ Supply chain
- ✓ Procurement
- ✓ Finance
- ✓ Production
- ✓ Human Capital
- ✓ ICT

>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

FY22 to FY23

**COGS – VAR
per Ton
sales volume**

▲ **4.1%**

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

**COGS –
FIXED**

▲ **5.0%**

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**

▲ **12.6%**

Mainly driven by **increase in freight cost** (per ton franco) and **promotion cost** (0,7% to revenue, flat yoy)

G&A

▲ **4.0%**

y.o.y inflation

**Interest
expense**

▼ **1%**

Mainly driven by repayment of bank loan amounted to **IDR 1.2 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**

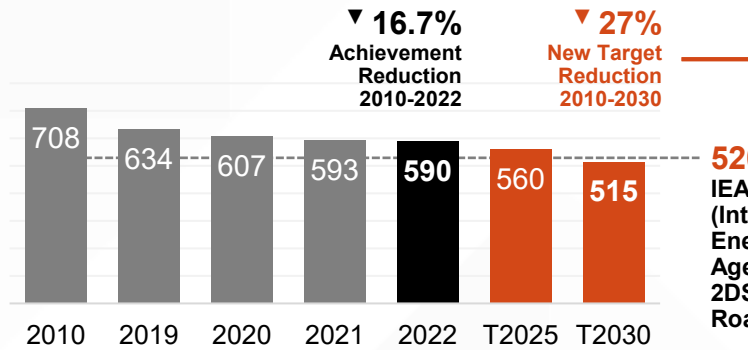
SIG is in the process of developing further cooperation with Taiheiyo Cement Company (TCC)

Initiatives	Benefits & Potentials	Timeline
1 Type V cement offtake for US market	▲ 500k-700k ton Additional annual cement sales volume	2024 onwards
2 Clinker & cement export opportunities (outside US)	▲ ~ 2,000k ton Additional annual clinker & cement sales volume	2021 onwards
3 Waste management	Finding new potential Japanese AR/AF customers	2022 onwards
4 Business & solution development <ul style="list-style-type: none"> ✓soil stabilization ✓limestone business ✓HES* concrete ✓waterproof cement 	Differentiated products and exploring new business/markets	2022 onwards
5 Other cooperations <ul style="list-style-type: none"> ✓technical advisory ✓R&D cooperation ✓employee secondment 	Conduct best practices in cement business operations and development	Under discussion with TCC

*high early strength

Decarbonization: improve capability to achieve ambitious targets

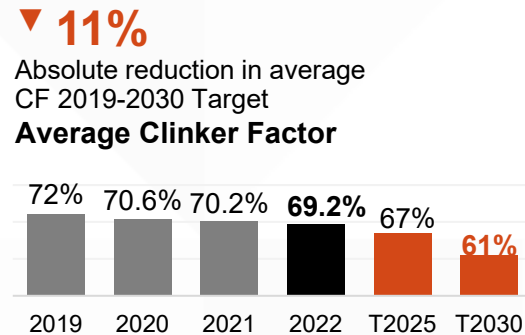
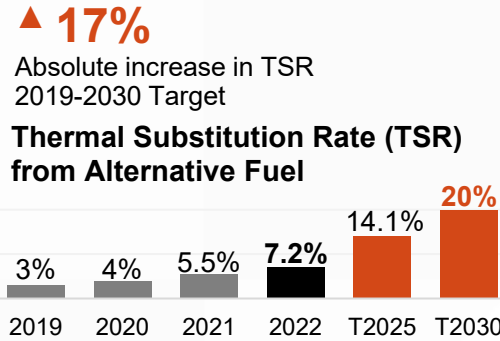
CO₂ Emission Intensity Scope 1 – From Internal Process (KgCO₂/Ton cement eq.)



520
IEA
(International Energy Agency)
2DS 2030
Roadmap

IDR 2.0 Tn

Dedicated capex to support decarbonization initiatives financed by rights issue proceed

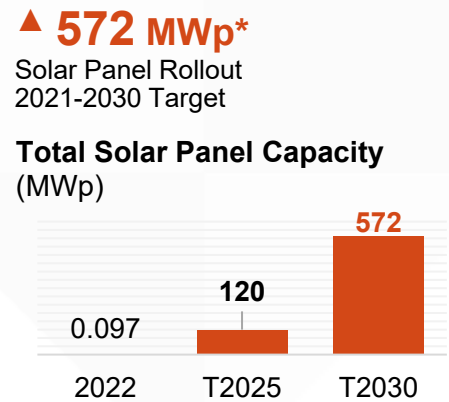
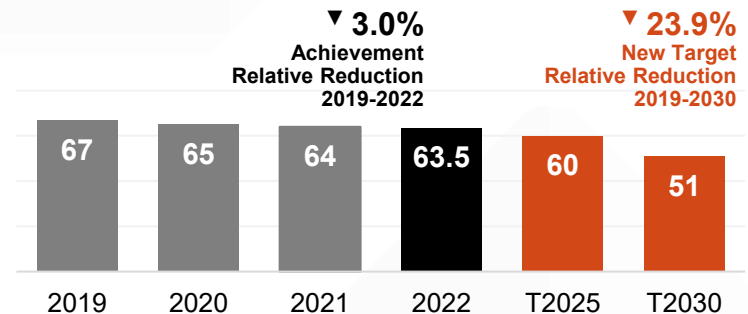


- #### Increase Alternative Fuel & Raw Material (AFR) Use
- ▶ AFR pre-processing & feeding facility improvement
 - ▶ Anticipation in process/emission improvement
 - ▶ Refused Derived Fuel (RDF) initiatives around plant operations (*Pilot Project at Cilacap Plant*)
 - ▶ Multi-stakeholder cooperation

- #### Reduce Clinker Factor (CF) in Cement Production
- ▶ Substitution of CO₂ intensive clinker in cement with fly ash & bottom ash
 - ▶ Promotion/advocacy for performance-based cement standard with lower clinker factor (*Revenue from Non-OPC Cement : 83,81%*)

- #### Optimize Specific Thermal Energy Consumption (STEC)
- ▶ Efficient plant thermal energy consumption
 - ▶ Advanced process control rollout
 - ▶ Innovation technology such as Hydrogen injection (*Pilot project in Narogong Plant reducing 2% STEC*)

CO₂ Emission Intensity Scope 2 – From Indirect Use of Electricity (KgCO₂/Ton cement eq.)



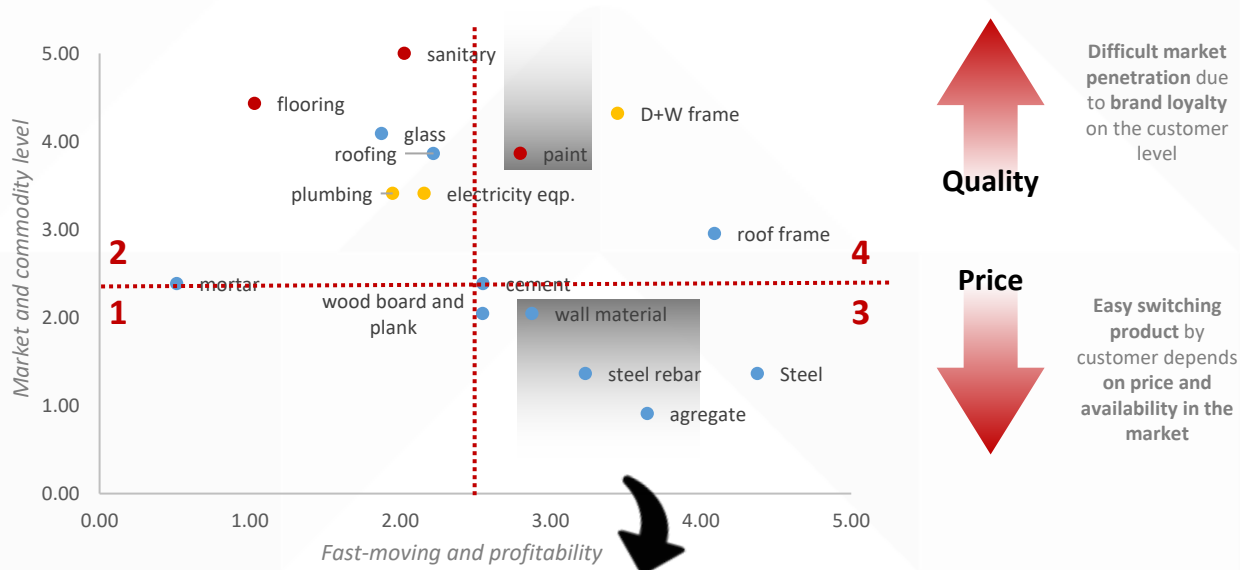
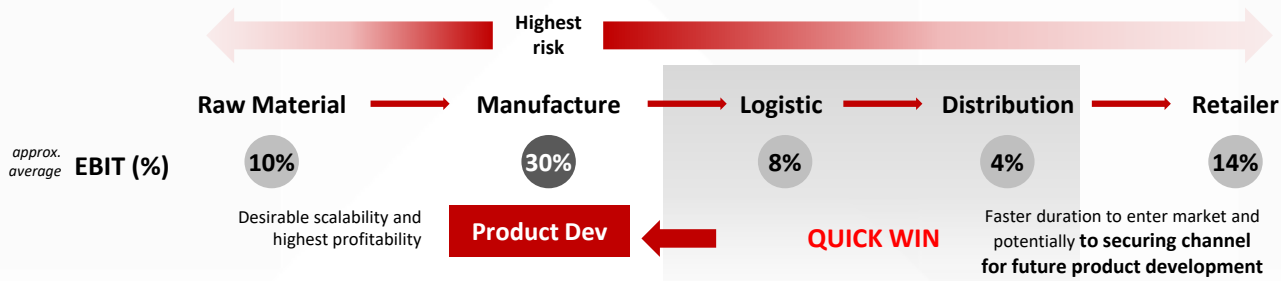
*subject to regulation, land availability and discussion on current contract with PLN

- #### Renewable Energy Supply
- ▶ Solar Panel installation via Partnership with local provider— Scheduled to scale up by 7.5 MWp in 2023
 - ▶ Other renewable initiatives such as optimize use of existing waste heat recovery power generator (WHRPG) with 29.5 MW installed capacity

<ul style="list-style-type: none"> ✓ Solar panel offtake agreement SBI Tuban <ul style="list-style-type: none"> ▪ Finalized 2022 ▪ Installation 2022 ▪ Operation 2024 	<ul style="list-style-type: none"> ✓ On progress solar panel procurement 2023 <ul style="list-style-type: none"> ▪ Indarung plant ▪ Tonasa plant ▪ SBI Narogong & Cilacap plant ▪ Rembang plant
<p>Total 46 MWp</p>	

LOGISTIC BUSINESS DEVELOPMENT

Background and Strategy Development



- High Brand image perceptions
- Medium Brand image perceptions
- Less to Non Brand image perceptions

White Label Product Domination

Preparing channel for new product introduction as entering strategy

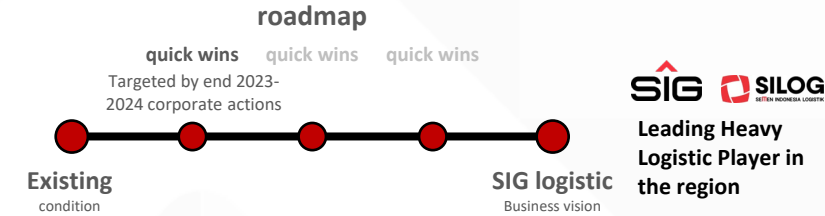
Products in this category has customers with low brand loyalty and more price sensitive.

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

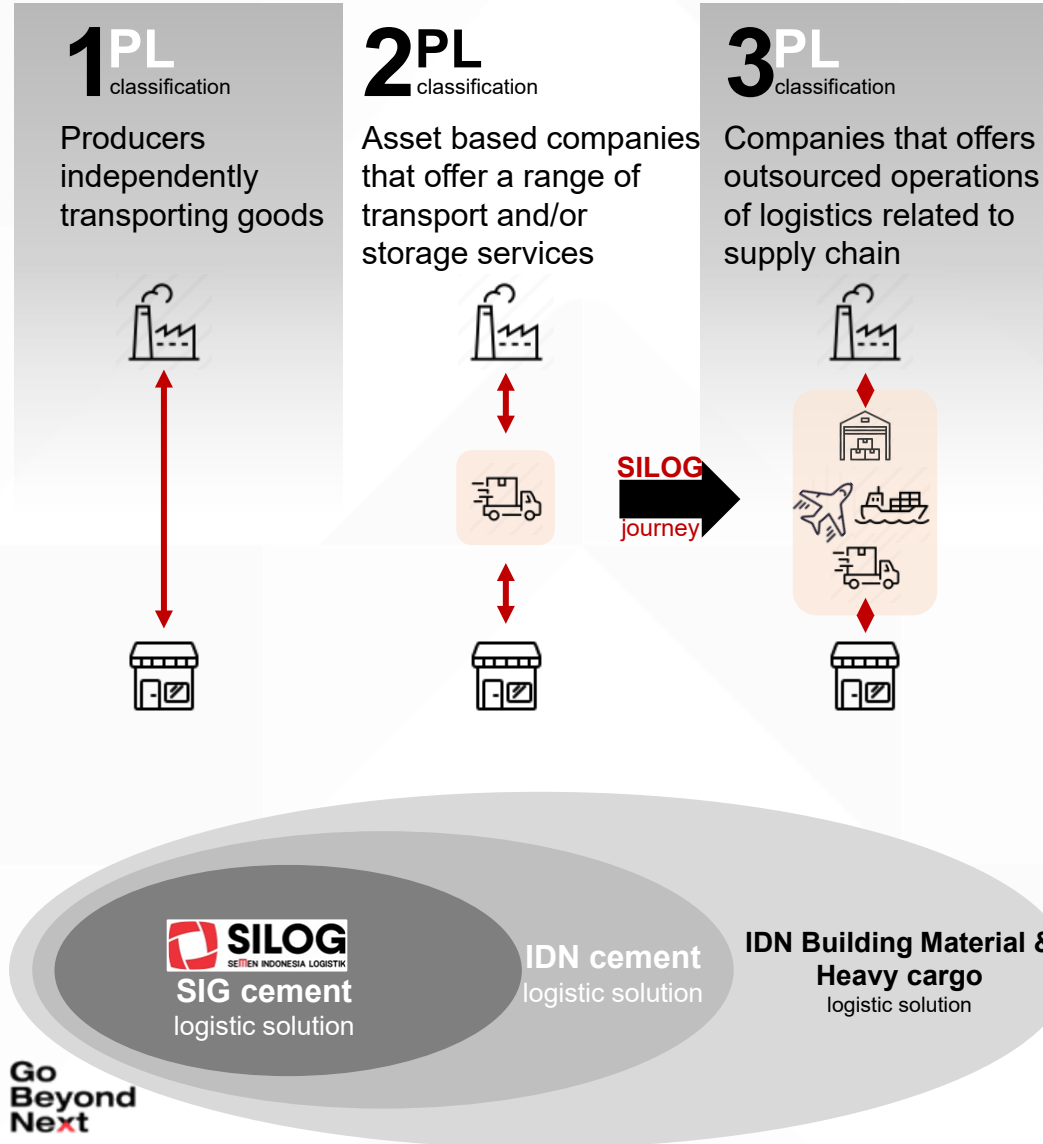


SILOG 2023 non-SIG Logistic :

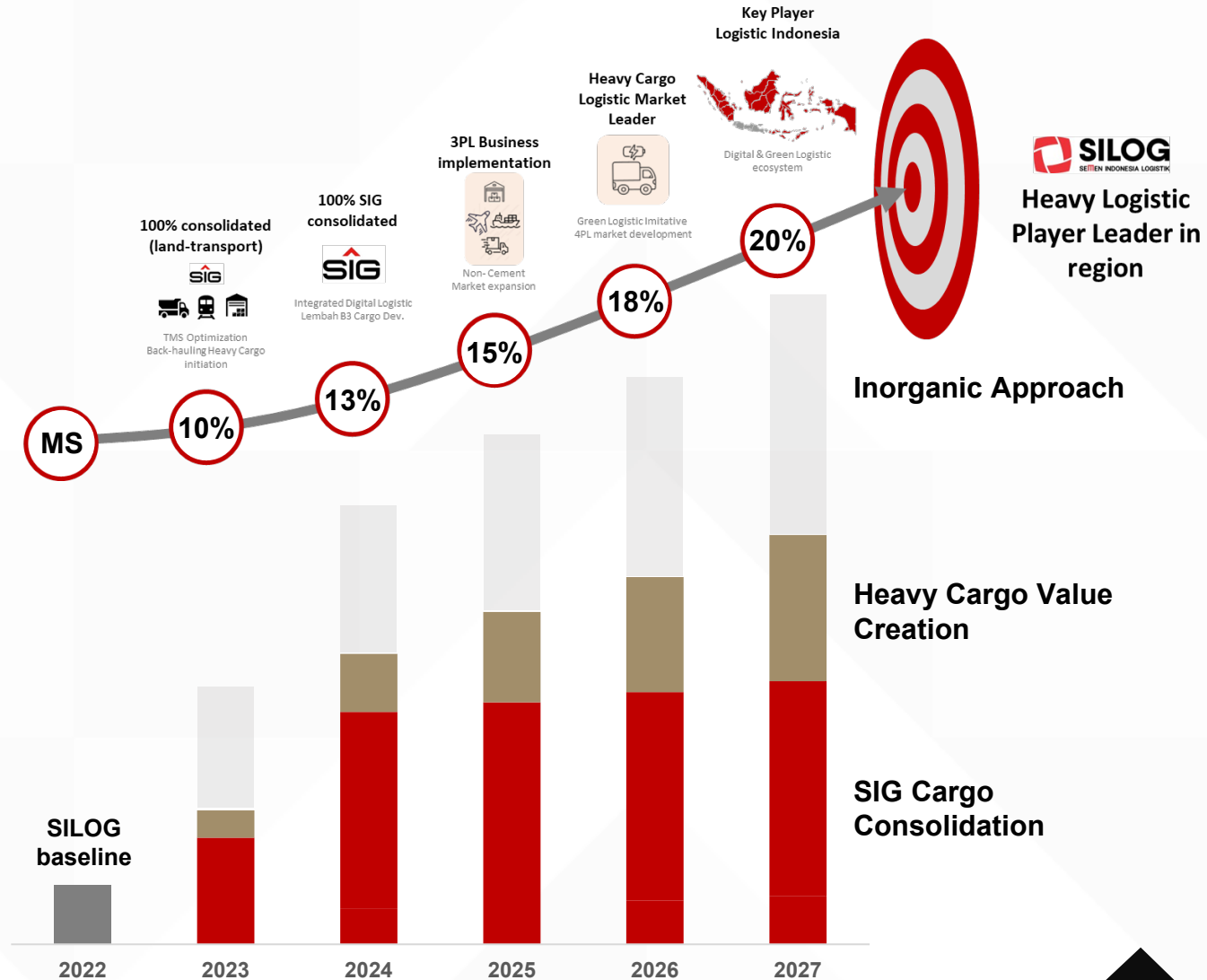
- Start focusing to expand to non-SIG logistic market by adjusting Organization Structure to create focused team for exploring the new opportunities
- Involved in developing logistic roadmap as counterpart

To be Heavy Logistic Player Leader in the Region

Logistic Service Classification



Roadmap Target from Heavy Cargo Logistic

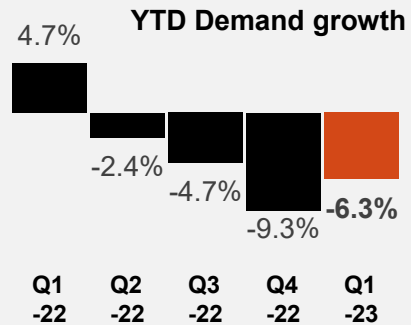


1Q23 PERFORMANCE HIGHLIGHTS

SIG has consistently shown resilience during challenging time of increasing competition, slowing demand & high coal price

Industry challenges in Q1 2023

Contraction in Q1 2023 demand*...



...due to continuing trend of previous quarters, Q1 2022 high base and fasting month shifting.

30.7% subsidized fuel price increase in Q4 2022, impacting:

transportation cost

inbound cost for materials

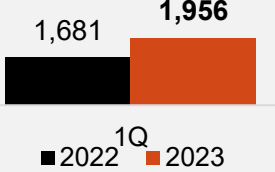
Focus on 4 Main Strategies

Red Ocean

Export volume expansion

▲16.4%

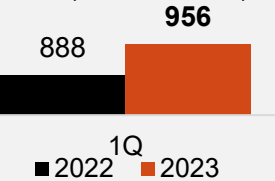
Regional Sales Volume
(thousand tons)



Multibrand & dynamic pricing

▲7.7%

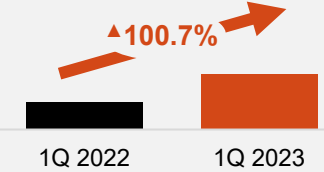
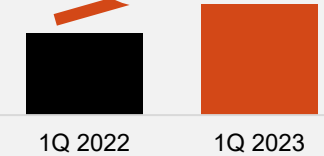
Blended ASP Domestic
(IDR thousand)



Blue Ocean

Volume Trend

▲10.8%

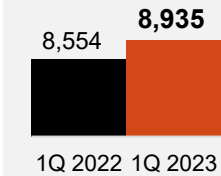


Ready mix
SpeedCrete|
ThruCrete|
Minimix
(thousand m³)

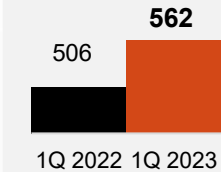
Masonry Volume
(thousand tons/month)

Improved Profitability Amidst Challenges

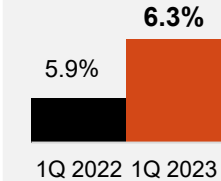
1Q 2023 IDR bio



4.5% Increase in revenue



11.1% Increase in absolute net profit**

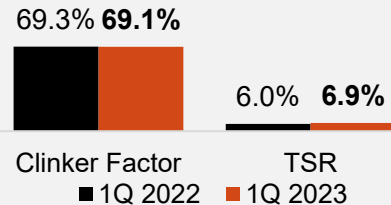


0.4% Increase in net profit margin

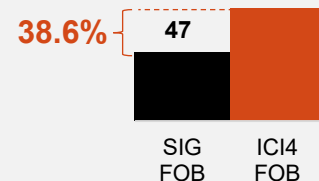
Operational Excellence

Improving production index

Clinker Factor & TSR (%)



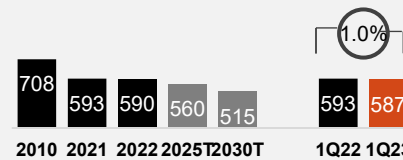
Coal price (USD) 77



Fully securing coal supply at DMO price

Decarbonization

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



Amount	IDR 7,300 Bio
Interest Rate	0.3-0.4% lower
KPI	Scope 1 Carbon Emission

CO₂ emission reduction

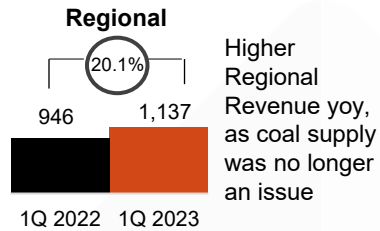
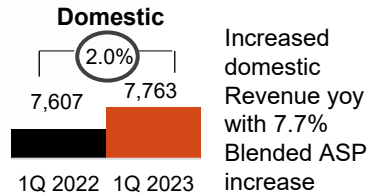
Sustainability linked loan

*Source: Demand data 2021-2023 from Indonesia Cement Association, adjusted

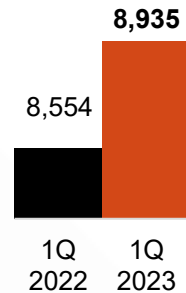
**attributed to owners of parent entity

On track to grow profitability by managing ASP, securing coal at DPO & continue improving operational excellence

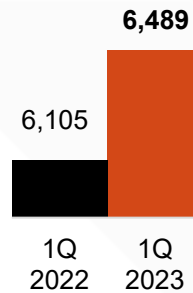
(in IDR billion)



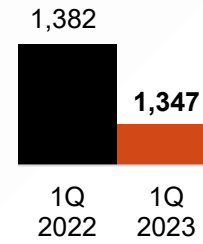
▲ **4.5%**
Change in Total Revenue yoy



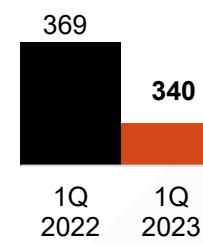
▲ **6.3%**
COGS increase



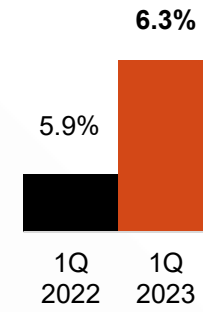
▼ **2.5%**
Lower operating expenses



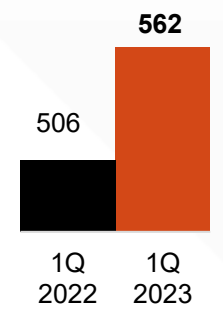
▼ **7.8%**
Decrease in finance cost



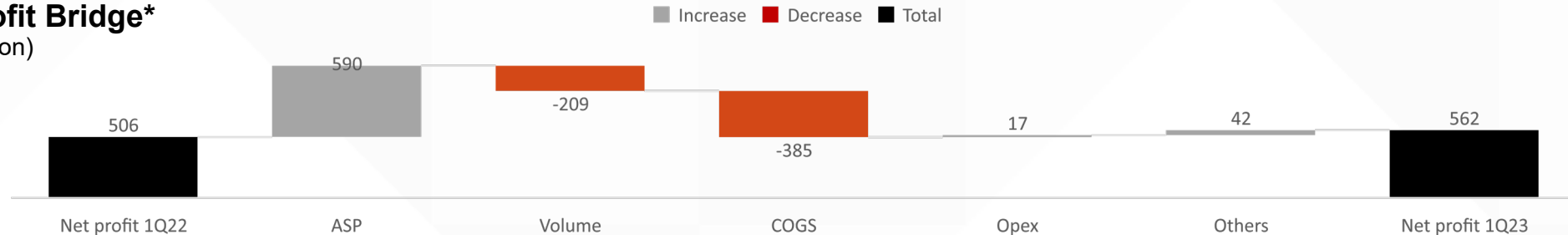
▲ **0.4%**
Net profit margin growth



▲ **11.1%**
Improvement in net profit*



Net Profit Bridge* (IDR billion)



Increase in revenue
Where lower total sales volume compensated by ASP increase

Higher COGS
From higher manufacturing overhead, mainly due to distribution cost

Lower operating expenses
From lower transportation cost

Finance cost efficiency
Contributed by lower interest bearing debt balance

*attributed to owners of parent entity

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