

**SIG 1H2021 Earnings Call**

Date: Tuesday, August 3 2021

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[bit.ly/SIG\\_1H2021](https://bit.ly/SIG_1H2021)

**Panelists:**

Mr. Doddy Sulasmono Diniawan - Director of Finance  
Mr. Adi Munandir - Director of Marketing & Supply Chain  
Mr. Andriano Hosny - SVP of Finance  
Mr. Rahman Kurniawan - SVP of Sales  
Ms. Ami Tantri - SVP of SMO & IR  
Ms. Febriandita Kusuma - GM of Investor Relations  
Mr. Radityo Widinugroho - Investor Relations Officer  
Ms. Khalisha Anjani - Investor Relations Officer

**Khalisha:** Let us begin our call for today, I would now like to give the floor to Radityo for opening statements.

**Radityo:** Thank you Khalisha and good afternoon everybody. I am Radityo from the Investor Relations team and I will be delivering the summary of the 1<sup>st</sup> half 2021 results.

Bulk cement demand showed a hopeful development, as its weak growth in the 1st quarter 2021 has improved in the 2nd quarter 2021, narrowing down the decrease in our domestic volume growth to 1.5% YoY. On the regional sales, the Company was able to book an increase of 35.5% YoY, resulting in a 5.7% increase in total sales volume to 19,159 thousand tons in the 1st half 2021.

The Company booked an increase in revenue of 1.2% YoY to IDR 16,213 billion. This increase was mainly due to the increase in regional sales volume, in line with the improving economy of our destination countries, such as China.

The Cost of Revenue in the 1st half of 2021 was 3.7% higher YoY, in line with the increasing total sales volume during the period.

Depreciation & amortization increased due to the implementation of Indonesian Financial Accounting Standards (IFAS) No. 73 “Leases” started in 9M 2020 report, where there was a reclassification of rental cost from distribution expense to the depreciation & amortization.

Despite the increasing sales volume, the Company was able to record lower other manufacturing overhead of 6.0% YoY in the 1st half of 2021, from the lower distribution cost related to the optimization of distribution routes & transport modes and the increasing of regional sales volume portion which has lower distribution cost. The reclassification of rental cost as part of distribution expense to the depreciation & amortization related to SFAS No. 73 “Leases” also impacted the decrease in other manufacturing overhead.

Operating expenses (including other operating expenses/income) went down by 4.0% YoY to IDR 2,589 billion in the 1st half of 2021, which came from the lower transportation and handling cost from lower domestic sales volume. General & administrative expenses, such as business trips, rentals, and promotion & entertainment expenses, decreased in line with the Work from Home (WFH) arrangement and mobility restrictions (PPKM) imposed by the government.

The Company experienced a 4.7% Gross Profit decrease YoY in the 1st half of 2021, with Gross Profit Margin decreased by 1.7% YoY to 28.3%. However, our EBITDA increased by IDR 72 billion YoY, with EBITDA Margin increased by 0.2% YoY to 21.9% in the same period. Through the continuous debt management, we were able to book lower finance cost in the 1st half of 2021 by IDR 334 billion, which in turn contributed to the 29.7% increase in Net Profit Attributable to Parent Entity and 1.1% increase in Net Profit Margin in the same period.

And that's the summary of our 1<sup>st</sup> half 2021 results. Thank you, back to Khalisha for the Q&A Session.

**Khalisha:** Thank you Radit for the brief presentation. If you have any questions, please press the "raise hand" function and then I will unmute you. You only need to select the small icon in the platform "raise hand".

We have our first question from Brijesh. You may proceed.

**Brijesh:** Hi Good afternoon everyone, thank you for the opportunity. I have 2 questions to start with. Firstly, on the cement pricing outlook and if you could just give us a little more colour on how the cement pricing evolved in the last quarter, especially in the eastern and central Java region and what do you think will be the outlook for 2<sup>nd</sup> half of 2021 considering the significant coal price rise. And the second question probably relates more on coal, if you can give us a guidance on how do you think the coal price is going to impact the P&L in the second half.

**Febriandita:** Pak Adi please can answer the first question and maybe the second question from Pak Doddy or Pak Hosny. Thank you

**Adi Munandir:** Okay thank you very much Brijesh for the question. The first one is regarding the cement pricing outlook, okay for the last two quarters in the first half of this year, the pricing for the cement basically has the tendency of slightly decreasing because of the maneuver from all these eco players who are searching for more utilizations and then facing a situation where the demand growth is a little bit softer in some areas, so for the quarter one and quarter two, the maneuvers from those players who are aggressively putting a very very low price setting compared to our own price setting- in some areas might up to 10.000 rupiah/bag, and that leads in many areas, in general the price of cement is decreasing. Some players would respond to that situation by decreasing their main brand directly, but our strategy is to be very careful to respond to the situation in the market by maintaining our margin from our premium brand, our premium position, and then try to implement the multibrand strategy, so we are able to respond to those players carefully, limited and controlled but having these kind of strategy in place has also made our average selling price a little bit decreasing, but not quite significant.

And then for the second half I think, there are some more risks, there are some drivers that might stimulate all the players to increase the price due to the coal price, that's one thing and the second one usually we are expecting to have a peak season during the second half, so if the demand increases as we expected and the government will spend their budget for the delayed projects and then for another project that has been decided to be implemented in the rural areas, I think hopefully it will increase the demand as well. So they have some pressure on the coal price to their COGM and then we are facing a situation where we face the peak season, so there might be some opportunity to increase price in the second half. But I think its going to be depend on each areas, because in every areas we are going to face different competition landscape, and then the demand growth also is not going to be equal in all of the areas in Indonesia. Also in Java for Central, East, and West Java. So I think there is going to be some increase but its going to be very fluctuative in some areas because many players have to compensate the coal price increment so I think there are some motive for other players to increase the selling price for cement for the second half. How big it is? That's going to depend on the demand growth that's going to happen on the second half. I think that's my answer.

**Brijesh:** Okay, can I just follow up on the multibrand strategy. So what is the kind of tier 2 brand share as part of the total volume for you?

**Adi Munandir:** Right now its below than 5%, for the eco brand, because we are implementing the multibrand strategy in selective areas where we face a very aggressive attack from the eco player wars putting a very low pricing strategy. But in areas where we have a really good situation, where we might only have one or two competitors, and we are able to maintain the price level that we have, and have the necessity to implement the eco brand for the multibrand strategy in that area.

**Brijesh:** Ok got you.

**Andriano Hosny:** Ok, Brijesh. I will answer the second question regarding the coal price. So up to June 2021, our average coal price is around Rp 611.000 which is an increase around 4% from last year. But as you know if you see the benchmark price for example like the Newcastle is already reached like \$148 and the local ESDM benchmark price already around \$120. Now the reason behind because our pricing for the coal is basically priced on a periodic of quarterly basis so we still have some inventories from the previous old prices in the 1<sup>st</sup> half of 2021, but the second half especially starting to kick in on the third quarter, we already get the impact of the increase of the coal price.

Hopefully that the Q4 the price will ease up a bit, but our prediction second half compared to last year 2<sup>nd</sup> half, year on year we expect an increase in coal price around 14-18% depending on how the coal price will move in the Q4, end of Q3, beginning of Q4 which we will basically consume for our productions in the late of Q4. But all in all for FY21 we expect an increase around 10-14% compared last year which is comprised of around 1.5-2% increase of COGS per tonne.

**Brijesh:** OK, got you. Thank you very much.

**Febriandita:** Next question Khalisha.

**Khalisha:** Next question we have from Mardha, I will unmute your mic. Please proceed.

Hello?

Mardha we cannot hear you.

You can place your question on the chat box and I will read it out loud as I have unmuted you and we are still unable to hear you.

**Mardha:** Yes what about now?

**Khalisha:** Oh hello! Yes.

**Mardha:** So my question was you already spoke about price hikes happening but my understanding was that the smaller players in the Indonesian cement sector would have lower margins versus the two largest players. So if coal price is going up by so much, shouldn't price hikes happen at a good pace and even the smaller players have a lot of debt on the balance sheet, so shouldn't that accelerate price hikes in the industry? How does the smaller players survive if the coal price remains \$120-\$150?

**Febriandita:** Pak Adi? Or Pak Rahman? Can you respond to that question?

**Adi Munandir:** Yes, sorry. I haven't unmuted. Ok ya regarding the small players in some areas, just they are putting a very low price. They are experiencing a very low margin, yes that is true, and then some of the players- the smaller players- the eco players, they are also, they have initiated, they have announced the initiative to increase the price. So its happening because they have a very big pressure on their cost structure.

Since they have done a huge aggressive maneuver in the first half, putting a very low price right now, getting our market share. If we look at the market share trend up to June 2021, we lost market share. Almost 3%, but the one that has been increasing on the market share are the small players. They're getting the market share around 3.2%. They are able to do it because of the low pricing strategy they have applied. So they are trying to increase the price but some are still hesitating to do it because they are still waiting on the forecast of demand growth, because if they don't see any demand growth and then they are increasing the price, then they will face the risk of losing market share, of losing volume and end up with getting nothing because of the price increase but the volume is not expected to grow- its not growing as they expected, so how they are going to survive in that situation? I think their only hope is to increase the price but there is going to be depend on the situation in the market because they are not the market leader, so they have to test the odds where they are going to be increasing the price and hope maybe other players follow along or increasing the price and losing revenues, so those are the options of those small players are facing right now and due to the pandemic and the situation that we have right now with the restrictions from the PPKM, there are some uncertainties on the demand growth.

But what we are doing right now in SIG, the keyword that we are trying to implement is to "Be ready." For any situation. We are now preparing ourselves to be ready if the demand growth is not as what we expected but also we are getting ready if the demand growth is happening as we expected because now we are doing our homework in the distribution in many areas, for example we are able to increase our performance in West Java- the area where we have a huge homework in that area, we are able to increase the numeric distribution through our distribution fundamentals in many areas and during last June I think we are able to increase our market share 2.5% in West Java while our competitor lose market share around -2.5% so during this situation we are responding to the dynamics of the market, the uncertainty of the demand, the aggressivity of the small players very carefully.

We are being very selective and controlled, so we are not accelerating the decay of our margin and maintain the profitability that we have. At the same time, we are building our fundamental in the market, that's why we are going to be ready for any situations- if the market is going to be increase, grow as we expected then we are going to be one of the players who will be ready to acquire those opportunities. So I think that's my response to that question. Back to you Khalisha.

**Mardha:** And just one more question from my side, any updated EBITDA margin guidance for this full year, given where the coal prices are and we expecting some price hikes to happen possibly on the second half, so what will the margins look like?

**Andriano Hosny:** Ok, in regards to the margin and looking at the external situations whereby the PPKM is still continued, I think end of this year we are hoping basically we are looking to try our best to basically maintain our EBITDA margin but it seems like depending also on the market demand, but I think its really hard to predict right now. I think by end of third quarter there is something more palpable for us to give a guidance on the EBITDA margin for the full year.

**Mardha:** Okay, good. Thank you.

**Khalisha:** For the next question, we have Kevin from Verdhana, I will allow you to unmute yourself. Please proceed.

Hello? Kevin?

**Febriandita:** Hello Kevin, maybe you can click your speaker button?

**Khalisha:** If you are unable to unmute yourself, please write the question you were going to ask on the chat box and I will read it out loud. In the mean time, we will go to the next question. From Akshay, I will allow you to unmute yourself.

**Akshay:** Hi. Can you hear me clearly?

**Khalisha:** Yes we can.

**Akshay:** So, I just have a couple of questions. Firstly, I didn't quite hear on the cost side. How much is your target for full year expectation of the fuel & power cost per tonne increase. And how much do you think that will come from the coal. And then secondly on the debt side. I know there's a lot of debt repayment so far on the second quarter, do you expect to repay down more debt in the second half of the year?

**Andriano Hosny:** Hi Akshay, Yes, as I explained previously, basically the impact on our fuel and energy basically most of the impact will come from the movement of the cost of coal, because there is no movement of the price of electricity, and therefore impact mostly from coal. As you know the price up to June has increased 4% but mostly because we still have some inventory from the previous quarters price that we booked from our suppliers.

Coming into q3, definitely there will be a price hike, second half depending again on the movement of price of coal. It will roughly increase second half roughly around 22-32% depending on the price per tonne on the benchmark price. Year on Year is around 14-17%. But as a composite base to the impact of the COGS per tonne it will increase around effectively 1.5-2% of the total COGS per tonne, depending also again on the production utilization, but that's actually assuming that we are producing on our optimum level.

**Akshay:** So the 1.5-2% increase per tonne is the total COGS?

**Andriano Hosny:** Yes that's right.

**Akshay:** Ok got it. And then just a follow up from that. How much of the contracts are at a fixed price?

**Andriano Hosny:** Ok so basically our contracts again will be priced on a quarterly basis, basically we cannot do a long-term fixed price. There is- no one will do that in the market, so you know we can do as much as one quarter for fixing the prices.

**Akshay:** Got it. And then my next question is on the debt side, so do you plan to repay down more debt on the second half of the year?

**Andriano Hosny:** Ok. So to be honest we already did an early repayment up until now around 1.5 trillion plus 3.1 trillion from the recently Rights Issue of SBI, from our strategic partner, Taiheiyo. So total around 4.6 trillion already. We have this scheduled payment around 200 billion IDR for the remaining second half, we are looking to do more early repayment, but again we basically will focus more in terms of focusing to support our working capital due to this PPKM, which will also impact to our distributor and supply chain. So we'll see around the situation coming up on the second half, but definitely if lets say things get better and basically we see our cash flow operation is smooth as planned, we might want to do another early repayment by end of 2021. Although as per now our Debt to Equity ratio, our capital structure pretty much is already pretty much on the optimum range. But again based on our calculations, if we do another early repayment, its still have a similar impact on our Weighted Average Cost of Capital and Debt to EBITDA level is also already in a green zone now, expecting around 1.9-2x by end of the year. So in terms of the leverage and capital structure wise we should be on in a good position as per now.

**Doddy Sulasmono Diniawan:** Pak Hosny, correction. Not 4.6, I think we already paid almost 5 trillion. 1.9 and 3.1. Right?

**Andriano Hosny:** Yes pak. So the 400 is actually scheduled payment. But yes, you are correct. So all in we already paid 4.9.

4.5 is the early repayment part, and the rest is actually for the scheduled payment.

**Akshay:** Noted. So how many percent of the funds received from Taiheiyo Cement was used to repay the debt?

**Andriano Hosny:** 3.1 trillion

**Akshay:** Got it. And then my last question is going to be on the ASP side. I know that the total ASP fell quite a bit in the first half of the year. So can you just provide some colour on how much the growth or the decline on domestic vs exports?

**Febriandita:** Pak Rahman? Regarding the price..

**Rahman:** Okay. Can you repeat the question? Domestic vs Export for...?

**Akshay:** Ya, for 1<sup>st</sup> half and second quarter because it seems that the consolidated basis ASP was down year to date.

**Rahman Kurniawan:** Okay, for the second quarter on export. China was on lockdown, three ports in China was lockdown in June for a week, but the clearance took one month. And then after that China also put regulations that vessels coming from Indonesia have to be quarantined for 14 days before departing the port. It raised the freight cost quite significant and then reduced our FOB as a result of that. It is quite challenging, that's why we switched our export mainly to Bangladesh then. We stopped to China for a while in July, there was no shipment for China. So that's the impact. And also the impact of Bangladesh lockdown in July also giving us a big pressure on the pricing. But we've seen changes, better on this month of August- in terms of volume and demand start to increase again like it was in June, and hopefully pricing will coming back again.

**Akshay:** So what was the first half domestic ASP growth?

**Rahman Kurniawan:** Domestic ASP for first half is dropped by almost 1% actually. But if we show quarter to quarter, its dropped simply because the first quarter drop quite significant but second quarter we managed to increase again the ASP compared to first quarter.

**Akshay:** Got it. Thanks a lot everyone for answering the questions. Thats all from my end. Thank you

**Khalisha:** For the next question, before we move on to the next person, I will read out the questions that we have on our chat box. Also a reminder, can you please fill in the attendance list that we have on the chat box? Thank you.

From Kevin, his question was- Does Semen Indonesia volume forecast for the full year of 2021 guidance expectation still maintained? And also another one from Tansino, could you talk about the potential imposition of Carbon Tax? The proposed regulations said minimum of Rp 75/tonne of CO2. What is the likelihood of this being imposed?

Bu Febri, if you would like to take the question.

**Febriandita:** For the SIG volume guidance, maybe Pak Adi could respond better on that.

Hello Pak Adi? Or Pak Rahman.

**Adi Munandir:** Sorry I have a bad connection just then. Can you repeat the question please.

**Febriandita:** The guidance for SIG volume full year 2021. Do we have any revision on that pak?

**Adi Munandir:** Okay, for 2021 I think we are going to optimize our sales and try to find any opportunity that arise in the market. And I think we have a very good chance to acquire those opportunities. The first opportunity is going to come from the projects- the national strategic project. And then we have a very good network to acquire all of those projects due to we have been able to tap in most of the projects. There are around- more than 10 projects that we already tapped in but delayed due to the pandemic situation. And hopefully those projects will be able to run again in the second semester and then we are ready to supply those markets.

The second one is a project funded by the Government province. I think this is one of the opportunities that we were able to acquire because we have a very fast distribution network that are covering almost all over Indonesia, that's why when the village fund being disbursed and implemented, this is also our opportunity since we have our retail network down to rural areas and then the second opportunity for the retail in the second half, I think like I mentioned earlier, we are now progressing very good, increasing our capability, our fundamental in the distribution, build up our distribution capabilities in those areas and also the multibrand strategy that we are applying right now have opened an opportunity to have a head-to-head competition with the small players and able to maneuver accordingly. So we are able to withstand any market dynamics, and those activities that we have done have given us a positive result because I think for the last four months we have a positive month-on-month market share growth contributing from areas where we used to lose our market share in that area or low performance in that area.

So I think hopefully we are able to maintain our performance compared to last year or even slightly higher when the market is in our favor. But then again there are some uncertainties happening right now that we are unable to define, like for example the development of the pandemic that we are facing right now, the way the government is handling the increase in numbers of positive victims. If both areas are able to be maintained and contained, hopefully the market will bounce and I think we are ready to acquire those opportunities when the time is come. I think that will be my response to the question pak, Bu Febri back to you.

**Febriandita:** Thank you Pak Adi. And for the second question regarding the carbon tax maybe Bu Ami can explain better on that. Bu Ami?

**Ami Tantri:** Yes. Hi. The government... I think the tax office and the industry associations are still in discussion. So the government is listening to the input from the industry associations. Obviously the cement association is actually screaming louder than the others as cement operation is basically CO2 producer. We are actually proposing... My understanding from listening what they say is that they are trying to propose to the government, if they had to charge this because of international pressure, the amount, they have to consider the amount and the implication to the industry because otherwise lets say if they charge us like 75 rupiah/kg that would cost us a lot of money, and who is going to pay for that? Obviously the buyers or the consumers would have to pay and we don't think that the country is actually ready for that so the implementation could be delayed so later they might have to put carbon tax into the law because otherwise the government has to come back to parliament to get approval that the amount of Rp 75/kg may not be there, it would be stated in the.. what is it .. the government regulation later on. Most of the association is obviously saying no. Even the power companies are also saying No, cause otherwise they have to raise the power price that would also hurt the economy cause all prices would have to go up anyhow. So from there,

I personally haven't heard anything from the update. Its being talked within the parliament, so when they make the progress from the meeting we'll probably hear back further updates or progress from this. But the industry actually you know. The government is actually listening to the industry, hopefully we can have like a persuade them to delay or reduce or have a different scheme to encourage us to improve our environment, the way we treat the environment because that is actually very important as well for us and for the country and also for the world. But we cannot do it like charge almost immediately like that, we cannot do that. We need the time to do that, and we actually trying to improve our ESG as well improving the CO2 emission with the things we can do, because that also requires CAPEX. And in a difficult situation like this, Pak Doddy and Pak Hosny are always not allowing us to spend a single cent for something which may not get a good return in the near or medium term. So we really have to consider about this because that requires investment as well. I think that's the best thing I can give to answer you right now because the government is still considering and discussing with the industry players so we can hear more positive news from that. But charging carbon tax is probably a thing that we will have to do in the future. Probably not immediately, but that's something we need to look at in the future. I think that's the best thing I can answer for that.

**Khalisha:** Thank you Bu Ami for your response. Next question we have from Ricky Ho. I will allow you to unmute yourself. Please proceed.

**Ricky Ho:** Thanks Khal. I got couple questions. First to Pak Rahman, can you give us the latest colour on the export for the month of July and also August pak, if you may. And with regards to the coal price, have you also started seeing that the strong coal price impacted demand in Sumatera and also Kalimantan in the past couple of months? Any multiplier you could share with us from the internal expectation? I do believe that you somewhat calculate the demand like we talked before. And for Pak Hosny I think given the Taiheiyu transaction has been completed, when should we expect the impact of the deleveraging from those proceeds? Can we expect directly in the third quarter or should we wait to be conservative in the 4<sup>th</sup> quarter? And with the regards to the PPKM hit on the utilization of the plan for example, any estimate- how much should we expect for the month of July only? And for Pak Adi I think, can you talk about clinker ratio for second quarter and any range you could share for the rest of the year? Appreciate any colour on that Pak. Thanks, I'm going to stop here.

**Rahman Kurniawan:** Thank you Ricky. July export was dropped because two things. First, China, one of our main destination in the first quarter, they were having congestion in end of June and then continue to clear up all the queing vessel took one month until it cleared up. But then since the pandemic in Indonesia is increasing, then China implemented a new rule that any vessel coming from Indonesia they have to be quarantined for 14 days before it on the port. That increases the freight cost quite significant and as a result giving pressure to our FOB price, and then all the deal is broken suddenly- all the deals that we have made one month prior to July, then also another one the second biggest destination, Bangladesh also was lockdown. Fully lockdown. For 2 weeks in July. However, situation is getting better now in August, the brick building that we received is already back to normal situation in June and hopefully we can keep the volume back as it was in June. So double in July-compared to July.

**Ricky Ho:** Ok thanks pak.

**Rahman Kurniawan:** Ok thank you Ricky, so the next question is Hosny right?

**Andriano Hosny:** Hi Ricky. So the proceed of SBI Rights Issue has completed last July and we have utilized the whole proceeds 3.1 trillion to repay the debt at SBI level 3.1 trillion. So its done already.

**Ricky Ho:** I see. So basically the lower finance cost then will follow in the next quarter right?



**Andriano Hosny:** Exactly, that's right.

**Ricky Ho:** Okay, thanks pak. And if you could give any hints on the utilization rate hit like should we expect 40% lower or should we expect only less than 5 or any range you are comfortable to share? Because I think if the hit is only like less than 5% given that the second half is much higher in terms of utility to the cement sector impact the performance or profitability for the company, right?

**Andriano Hosny:** Well so basically we're trying to balancing domestic and exports as much as we can. So basically we try to maintain the optimum utilization as a constraint but then Pak Adi and Pak Rahman will try the best they can to basically balance it out- so therefore looking at the domestic and export situation. I think in regards to that it depends if the demand in the domestic is lower than expected, then we have to do more exports which basically you know lower down the margins as you know when we do exports we sell clinkers mostly with lower margins, but then with domestic on the other side is actually picking up then we can try to you know, optimize our margins going forward for the second half.

**Ricky Ho:** I see ok thanks pak. Perhaps I just want to ask one more question, on the clinker ratio. Second quarter. Could you share the clinker ratio for second quarter? And any range that we should expect for the rest of the year?

**Andriano Hosny:** What do you mean by clinker ratio? Clinker ratio from the revenue point of view? Volume sales?

**Ricky Ho:** Correct. Yes. How much clinker you use to produce one tonne of cement.

**Andriano Hosny:** Oh okay. I think nowadays we're trying to optimize around 65 to 68%, around there somewhere for producing cement.

**Ricky Ho:** Ok got it. Thanks. I got what I need pak. Thanks.

**Khalisha:** Thank you Pak Hosny and Pak Rahman for the answers. Next we have a question from Andreas, I will allow you to unmute yourself.

Hello? Andreas? Hello?

Alright we will move on to our next question from Sintia, Verdhana. I will allow you to unmute yourself.

**Sintia:** Yes, Hi. Thank you Khalisha, thank you for the whole Semen Indonesia management team. I am Sintia from Verdhana. So maybe my question is first to resummarize and pinpoint on the volume guidance based on Kevin's previous question. So is it true that we will maintain the 5% YoY volume growth guidance by full year 2021 and that means that we are expecting for a higher second half coming from the national infrastructure programme. Is that right Pak and Bu? Can you help me reconfirm on this? Also my second question would be the cooperation agreement on the Taiheiyo cement. When can we expect the whole cooperation to happen and materialize and then we can see the impact on the SBI level? That's my question, thank you.

**Febriandita:** Pak Adi maybe for the first question, the expectation for the second half demand.. or Pak Rahman?

**Rahman Kurniawan:** Okay let me answer. For now, in this uncertain situation because we also have no basis to do the prediction, the prediction on the economic growth is also keep on changing month by month, yes we still looking at that number as a baseline for us as a demand growth for this year. It's a base for us to reach, Sintia. That's for now, we haven't changed yet.

**Sintia:** Yeah thank you pak. That answers my question. And maybe on my second question, on the Taiheiyo cement Bu Febri? And also pak.

**Febriandita:** Bu Ami? If you can respond? Or Pak Hosny with the Taiheiyo Cement?

**Ami Tantri:** with Taiheiyo Cement, its done. The funds were used to refinance the debt on the SBI level and what else ya..

**Sintia:** Any other cooperation?

**Ami Tantri:** Any other cooperation... hmm.. no.. still the same, we haven't really changed anything. Like the exporting, its been there for a long time. We also have an agreement with Taiheiyo at SIG level for further cooperation but we haven't actually stated any details on that one. There's other opportunities that we can have to work together with Taiheiyo especially because they have the expertise in the what you call.. building material products.. you know, more advanced in building material products and processing of limestone as well as the use of waste.. which is necessary for us in the future that we can actually replace some of the coal with the waste and other fuel alternatives. But we haven't really actually.. what you call.. added more details and more definitive agenda for that one. So we still keep things as they are.

**Sintia:** Ok. So on the SBI level, the start of SBI and Taiheiyo starting on the export cooperation will also has yet to be decided ya Bu Ami ya?

**Ami Tantri:** Well Taiheiyo took like 15% of SBI so they become a shareholder in SBI. They are like any other shareholder in SBI.

**Sintia:** Ok noted. If I can have another question Bu Febri, and the whole Semen Indonesia team on the ASP hike plans. Can you specify on which areas do you think there is possibility to absorb the ASP hike and also if the tier 2 players are not going to follow then will you go back to your normal ASP or will you prioritize profitability at that point?

**Febriandita:** Pak Rahman if you can answer to that question? Regarding the ASP.

**Rahman:** So the... let me try to understand the question. Are you asking ASP versus profitability, Sintia? Or

**Sintia:** The question was.. I understand that Semen Indonesia plans to have an ASP increase if the coal price remains elevated. First question was which areas if you can specify where you want to increase your ASP? And the second question was, if the tier 2 players are not going to follow with the same ASP increase, are you going to lower down again your ASP? Or will you still increase your ASP and prioritize profitability at that point?

**Rahman:** Basically we have increased ASP in selected some areas started July first. We did that in the selected areas where we think we are able to increase our main brand. We have to see the reaction from the competition before we go further and we also combine with our multibrand strategy because those who dragging down our pricing are all the eco players. Our eco brand distribution we expand it simply to be honest to stop the aggressivity of the eco players. Thus by having that, we are able to go further with the price increase for our main brand in those areas. So the next steps are depending on the market reaction.

**Sintia:** Noted, thank you.

**Khalisha:** Thank you Pak Rahman for the answer. For the last question of the day we have Benjamin, I will allow you to unmute yourself.

**Benyamin:** Hi, thank you Khalisha and Semen Indonesia team for the presentation. Just one quick question, how many percent of the alternative fuel usage the target for this year? For the alternative fuel to total energy usage for this year? Thank you

**Febriandita:** Okay I will answer to that. In 2020 we were able to achieve around 4% and we gradually tried to increase the Thermal Substitution Rate to use the alternative fuel to replace the coal. And it needs time, as Bu Ami mentioned before that it would require CAPEX or some investment to do so to increase and that actually the alternative fuel is not really that easy to be implemented. We need to do some kind of evaluation on how it will disturb our process, so we will try to increase that gradually, hopefully we can increase up to 2030 by around 10% but in 2020 it was around 4% slightly increase up to June 2021 and for the full year we will report that through our Sustainability Report.

**Benyamin:** Ok, noted. So in 2030 you are targeting 10% substitution of thermal energy?

**Febriandita;** We expect to be able to increase, yes.

**Benyamin:** Just wonder why? Like INTP they are targeting 25% of alternative fuel to total energy usage. Why Semen Indonesia cannot reach closer to Indocement?

**Ami Tantri:** I think to answer your question we probably need to ask INTP how can they do that because my understanding is that replacing the main source of energy could cause the deterioration of the quality of the clinker. So our equipment currently can go up as high as 15%- that's already at maximum level. And the other thing apart from that is the collection of the alternative fuels. Maybe the location of our plants are as not as – obviously not the same as INTP, where theirs are actually closer to the source of the alternative fuels compared to ours. Therefore, that actually also dictates how much they can actually absorb. And obviously we also don't want to sacrifice our clinker quality by putting too much garbage or whatever the alternative.. Because the reason is not because we cannot burn them but its because the calorific value is much much lower compared to the main fuel- coal or gas or whatever. So that actually will disrupt the quality of the clinker and we have to be very careful with that one.

**Benyamin:** Okay, I see. Noted. Thank you bu for the clear answer.

**Khalisha:** Thank you Bu Ami for the response. And that concludes our call for today. Thank you to our panelist for answering those questions, and thank you to all the participants for joining us today, if there are any further questions please don't hesitate to contact the investor relations team. it was a pleasure to have you with us. Thank you and good evening to all.

**All:** Thank you everyone. Stay safe. Good afternoon.