

**Optimizing Capabilities to Lead The Market**  
**Earnings Call 1<sup>st</sup> Half of 2023 Unaudited Financial Report**



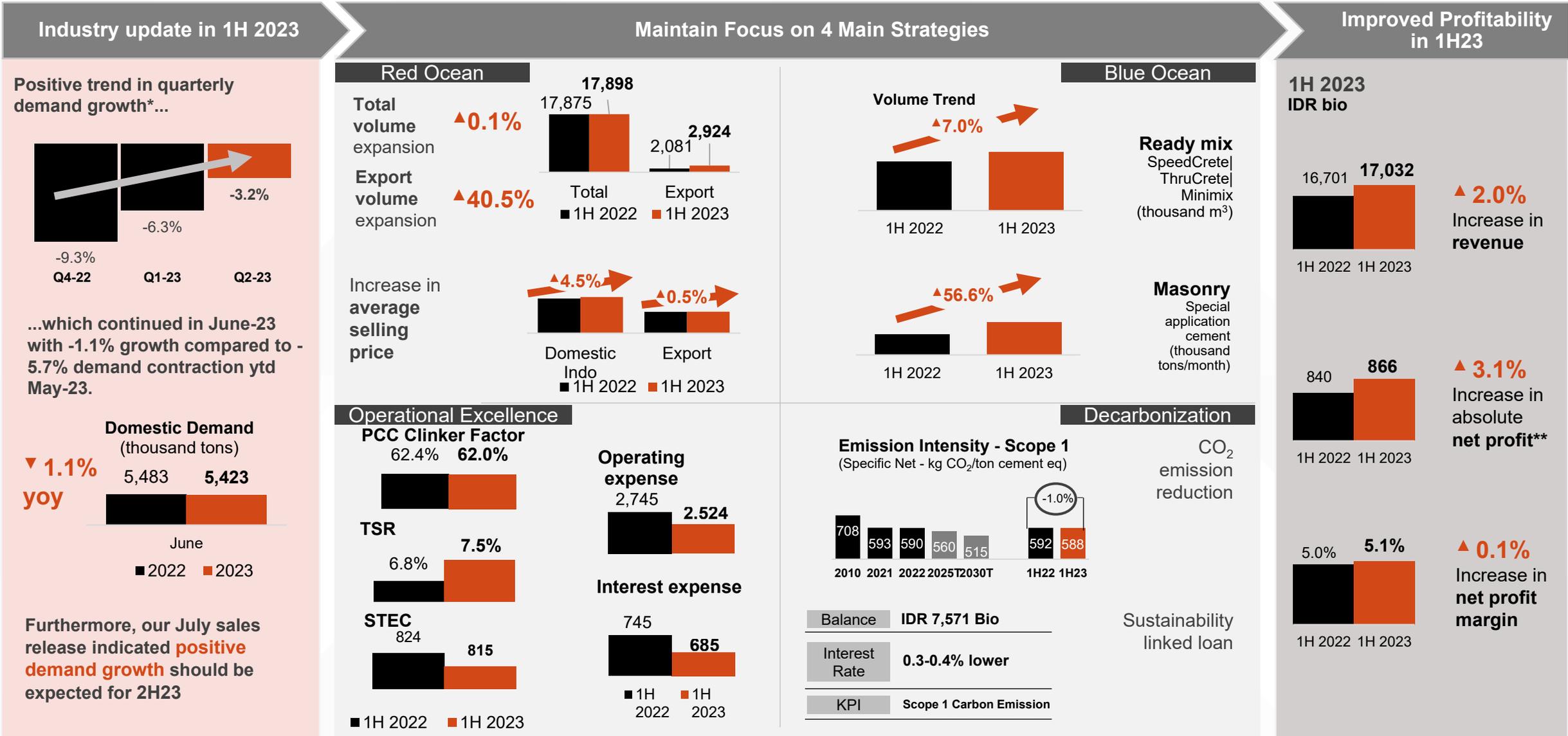
# OPTIMIZING CAPABILITIES TO LEAD THE MARKET

1Q23 Performance Highlights	2
Company Profile & Sector Update	5
SIG Resilient Strategies	10
Seizing Turnaround Momentum	14

# 1Q23 PERFORMANCE HIGHLIGHTS

— KEY HIGHLIGHTS

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



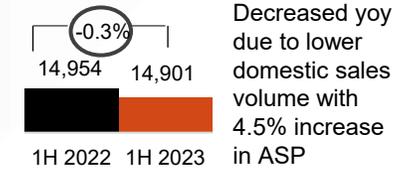
\*Source: Demand data 2022-2023 from Indonesia Cement Association, adjusted

\*\*attributable to owners of parent entity

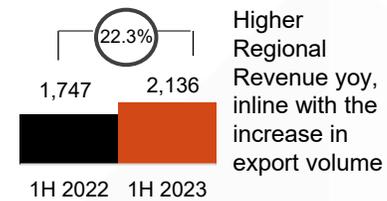
# Minimize the impact of fuel price increase through revenue optimization, operational excellence and deleveraging

(in IDR billion)

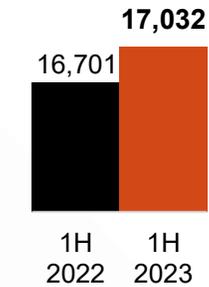
### Domestic Revenue



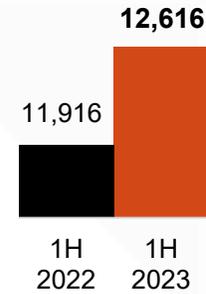
### Regional Revenue



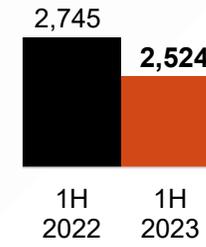
▲ **2.0%**  
Change in Total Revenue yoy



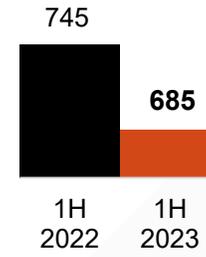
▲ **5.9%**  
COGS increase



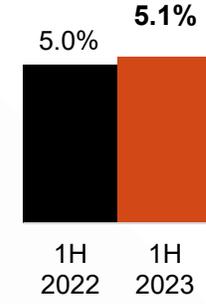
▼ **8.1%**  
Lower operating expenses\*



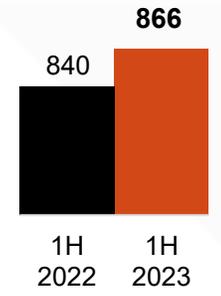
▼ **8.1%**  
Decrease in finance cost



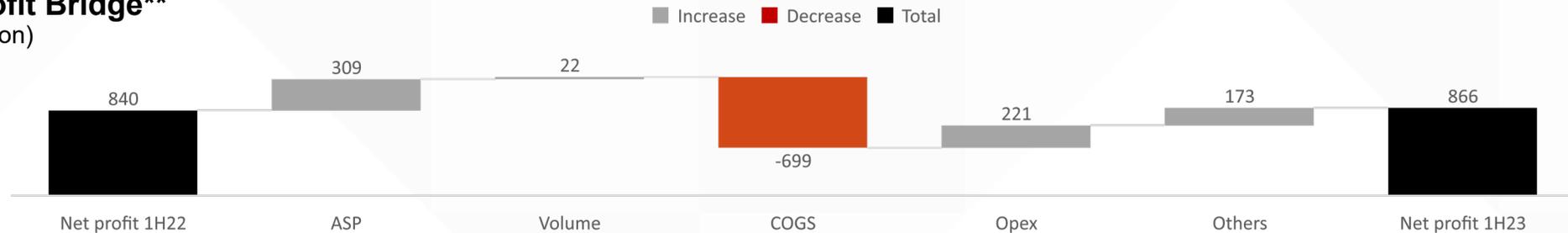
▲ **0.1%**  
Net profit margin growth



▲ **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



- 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

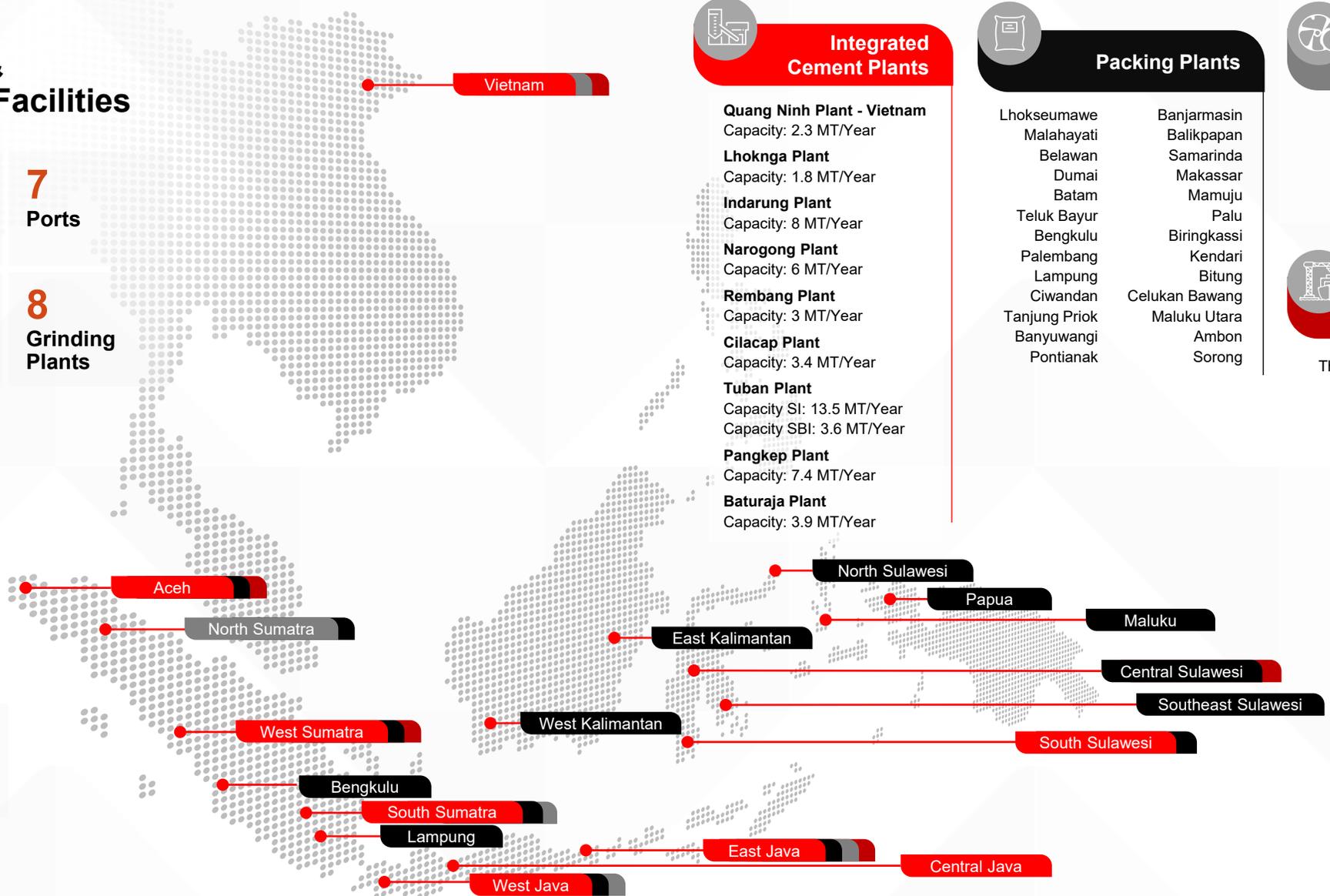
**26**  
Packing Plant Locations

**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         |

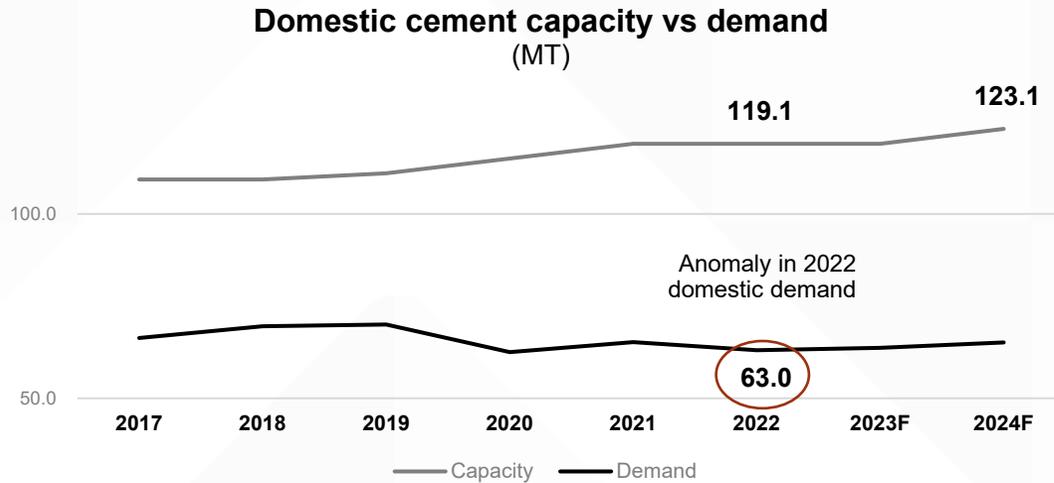
### Grinding Plants

- 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
<b>Semen Indonesia*</b>	<b>50.9%</b>	<b>45.6%</b>
<b>Indocement**</b>	<b>27.1%</b>	<b>26.2%</b>
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

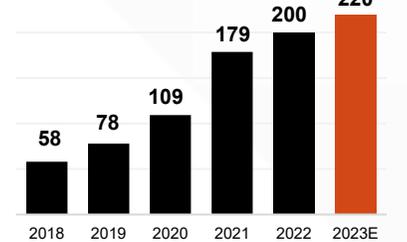
### Bag

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)

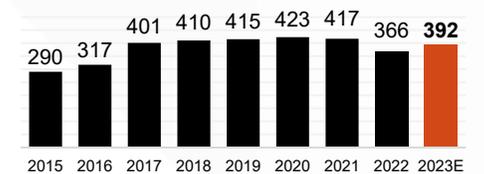


### Bulk

Infrastructure developments

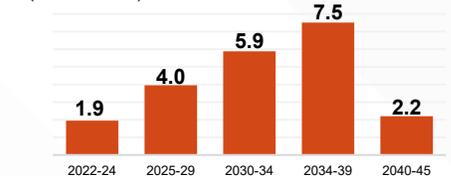
**High Budget Allocation for Infrastructure up to 2024**  
Based on National Dev. Plan 2020-24

**Government Infrastructure Budget**  
(Trillion IDR)



**21.5 million ton**  
Potential Cement Demand for New Capital

**Cement Needs for New Capital**  
(Million Ton)

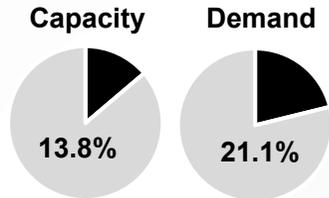


Source: Demand data up to 2022 from Indonesia Cement Association. Demand forecast from Indonesia Cement Association and SIG calculations (~5% CAGR). New Capital investment from E-Monitoring PUPR, Oct-2022. Web-based demand estimation, UU RI No.3 2022.

# Distribution of supply and demand in Indonesia

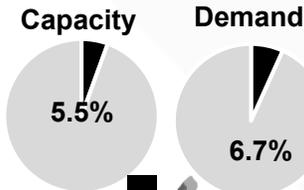
## Sumatra

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



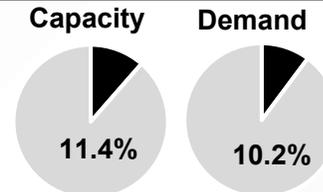
## Kalimantan

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



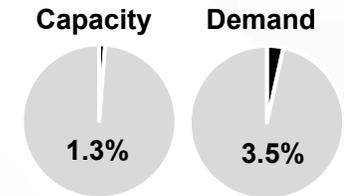
## Sulawesi

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



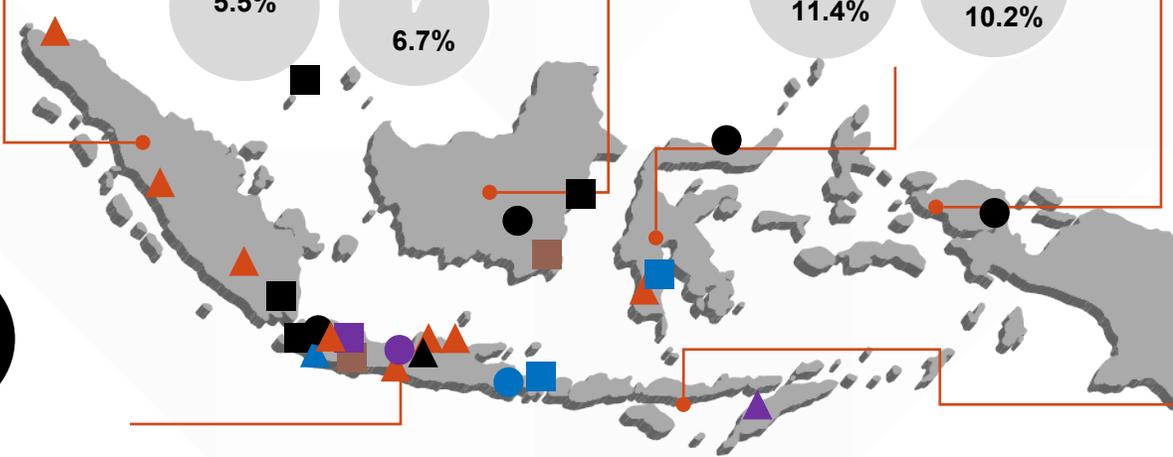
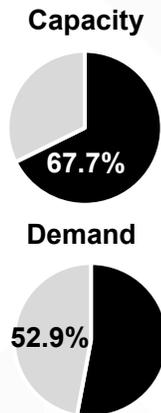
## East Indonesia

Capacity (mio ton)	
Conch (I) ●	1.5
<b>Total capacity</b>	<b>1.5</b>
<b>Demand</b>	<b>2.2</b>



## Java

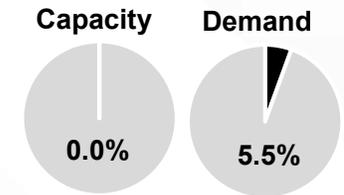
Capacity (mio ton)	
SIG (I+GP) ▲	32.2
Indocement (I) ■	22.3
Merah Putih (I) ■	7.8
Semen Grobogan (I) ▲	3.0
Semen Singa Merah (I) ●	3.0
Conch (GP) ●	2.2
Semen Bosowa (I) ■	2.0
Semen Jawa (I) ▲	1.8
Jui Shin (I) ■	1.8
Semen Bima (I) ●	1.8
Others	2.7
<b>Total capacity</b>	<b>80.6</b>
<b>Demand</b>	<b>33.3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



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
<b>Total capacity</b>	<b>0.4</b>
<b>Demand</b>	<b>3.5</b>



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”

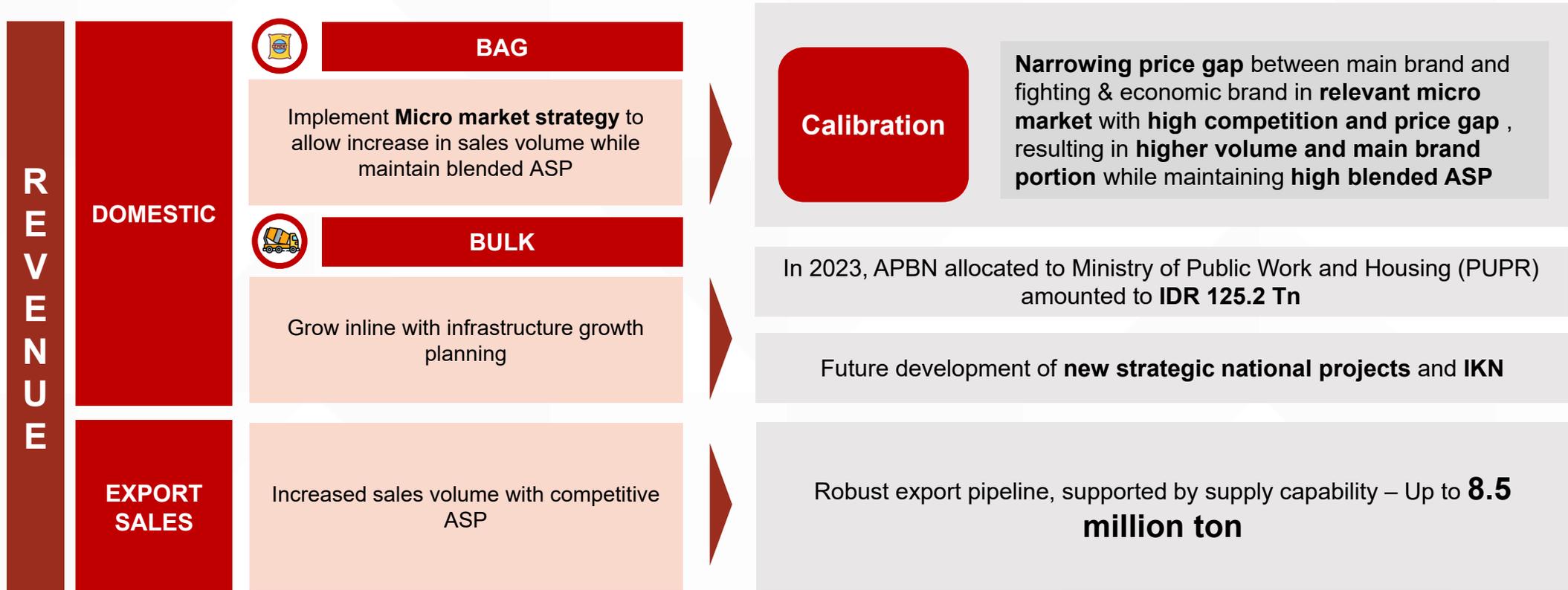
Integrated functions & group policies:  
 ✓ Sales & marketing  
 ✓ Supply chain  
 ✓ Procurement  
 ✓ Finance  
 ✓ Production  
 ✓ Human Capital  
 ✓ ICT

**>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

**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

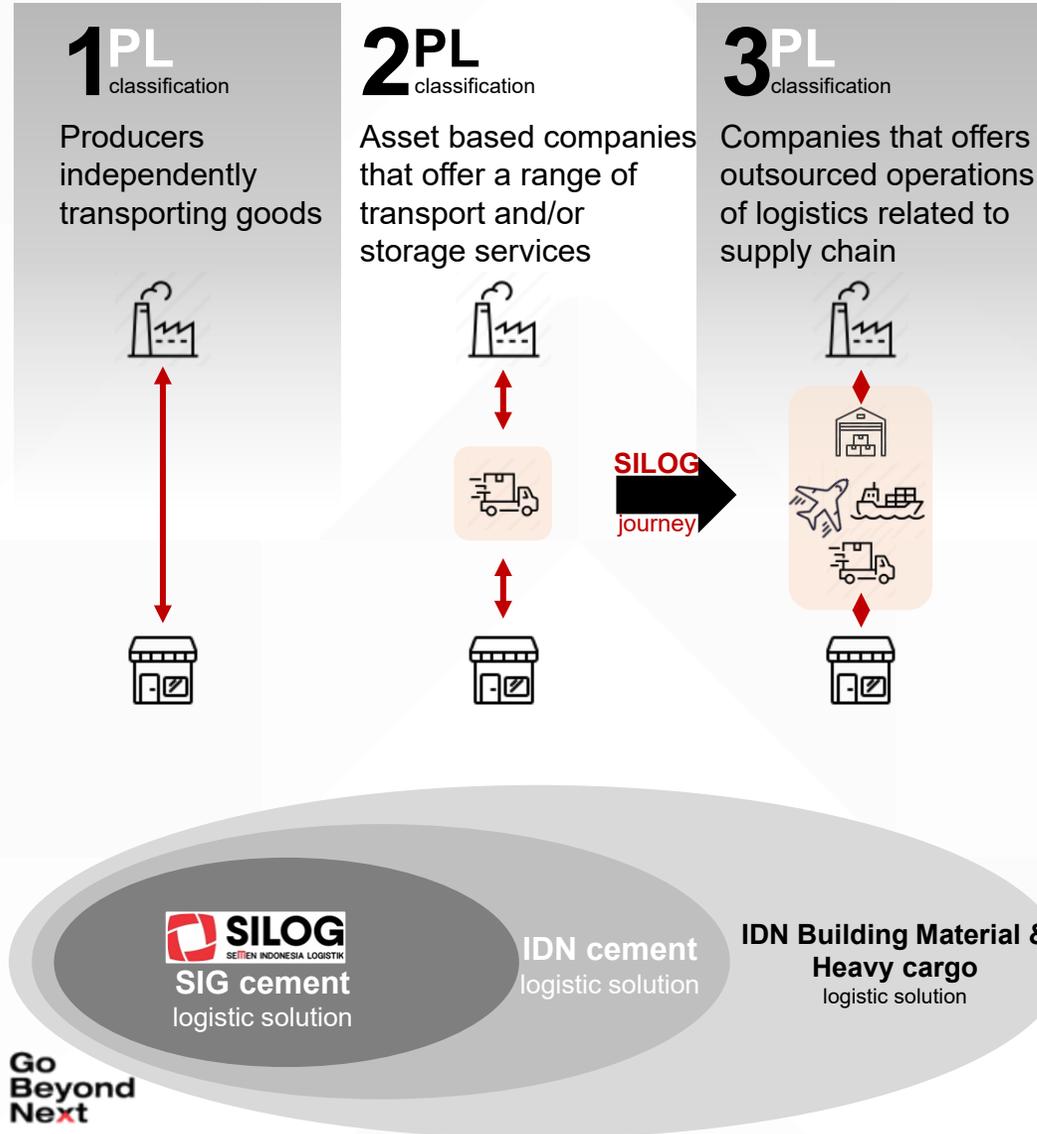
**Others**



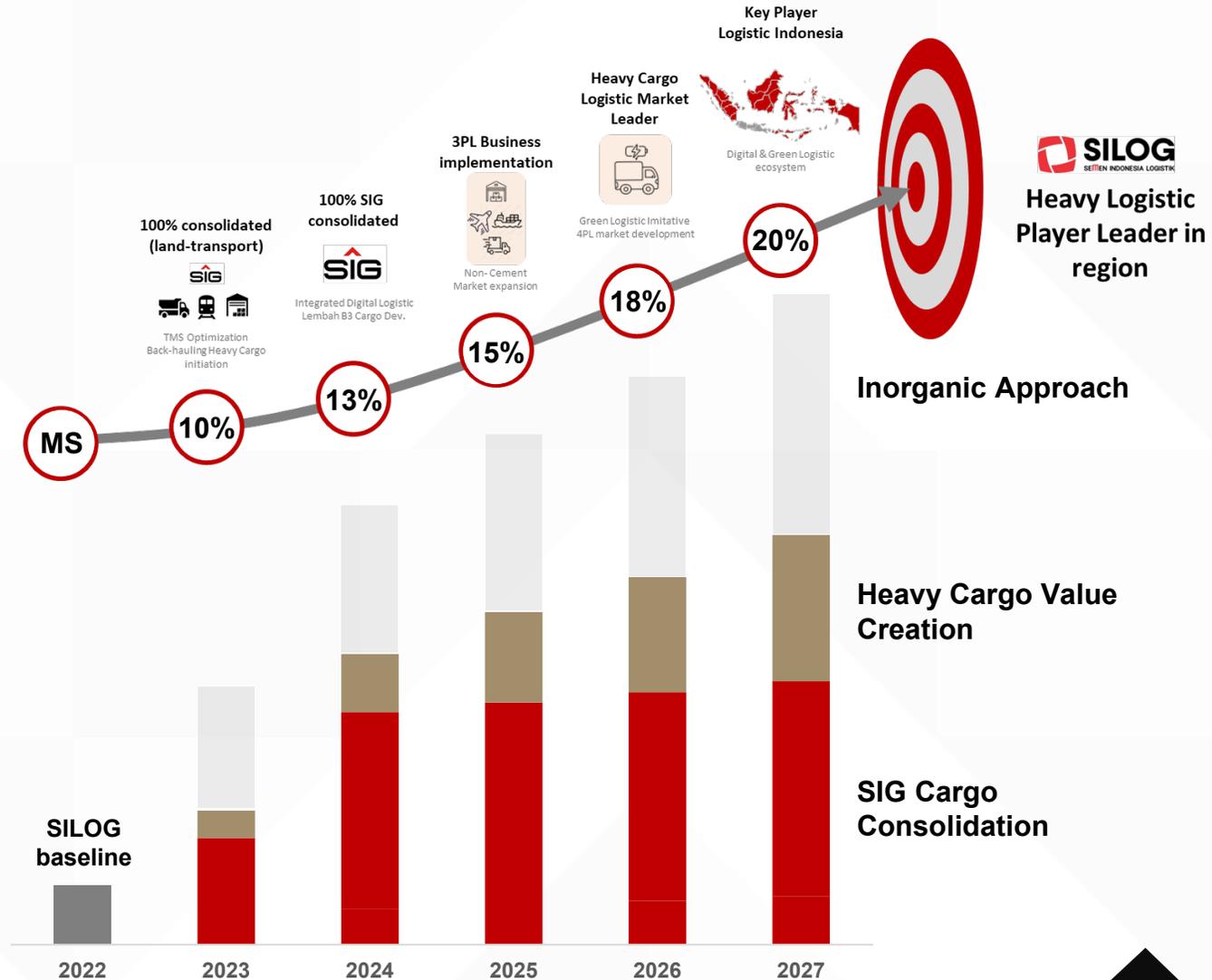
Refinancing through Sustainability Linked Loan (SLL)

# To be Heavy Logistic Player Leader in the Region

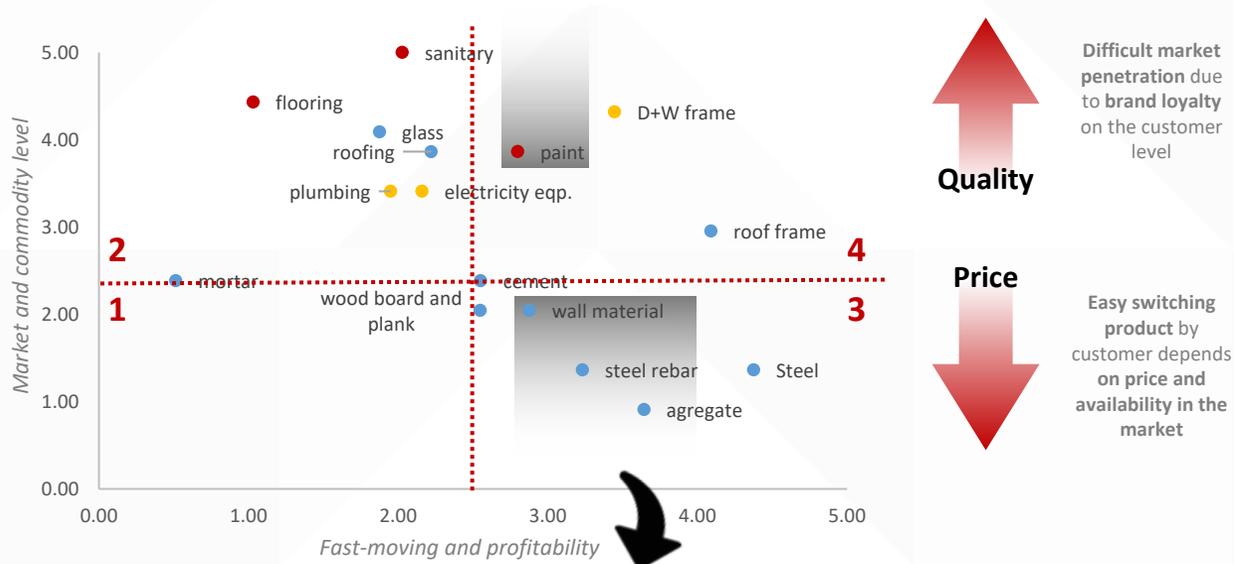
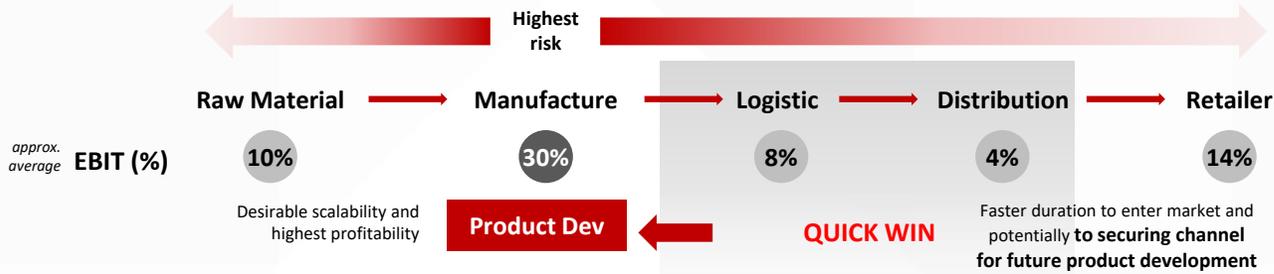
## Logistic Service Classification



## Roadmap Target from Heavy Cargo Logistic



# Background and Strategy Development



### White Label Product Domination

Preparing channel for new product introduction as entering strategy

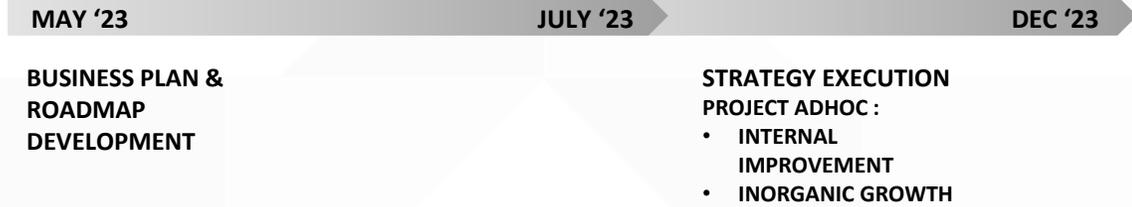
Products in this category has customers with low brand loyalty and more price sensitive.

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



### 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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