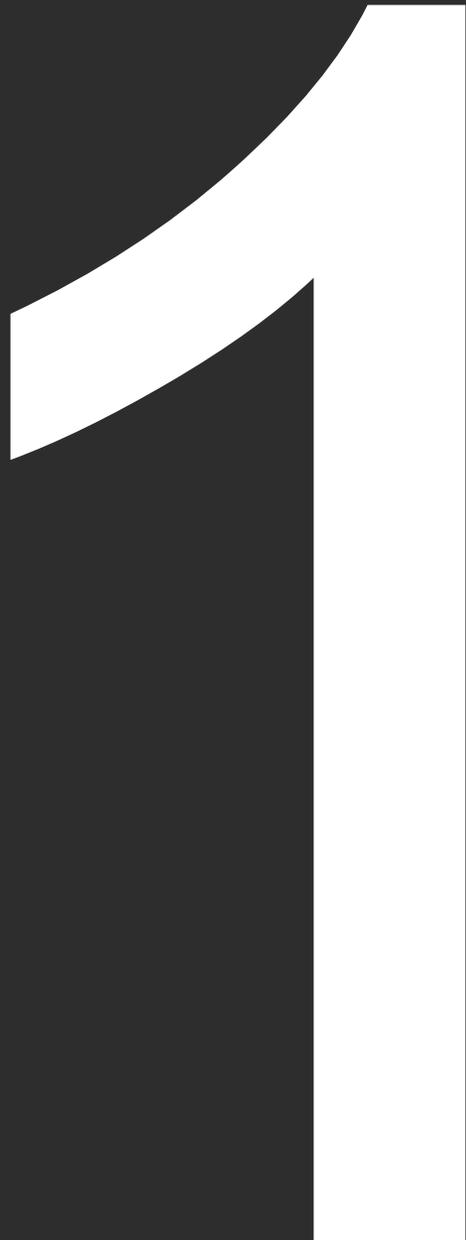


ESDM – Focus Group Discussion

# Outlook for Investment Opportunities in Indonesian Mining Sector

August 2020





# Mine 2020

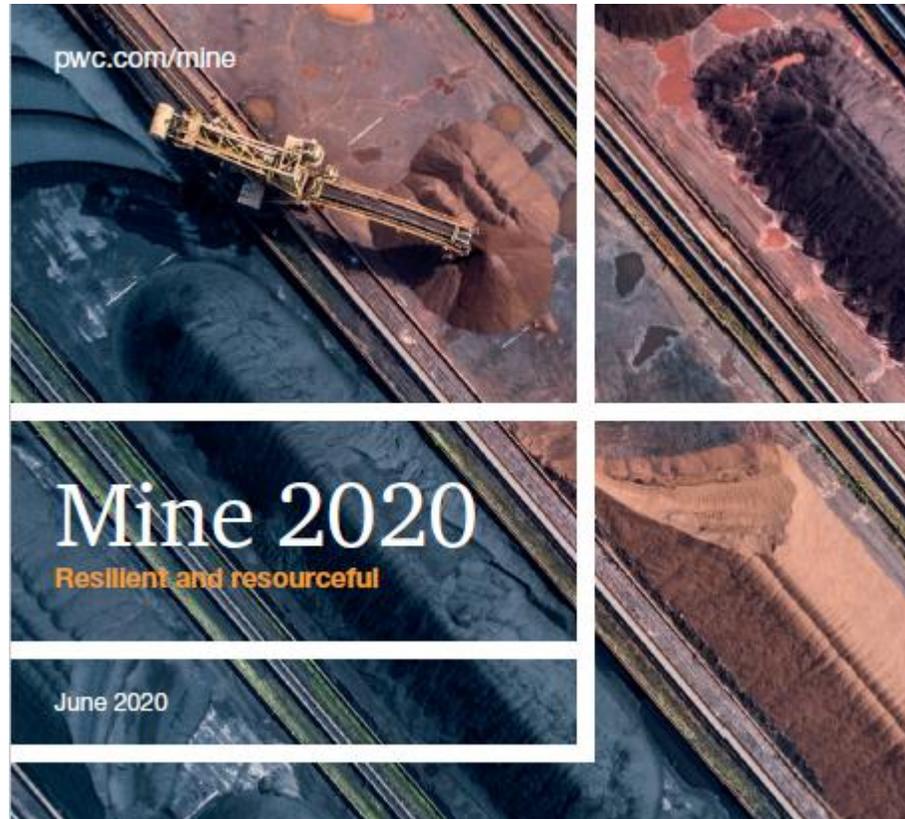
**Resilient and resourceful**

Review of global trends  
in the mining industry

# What is Mine?

Access the full report – Mine 2020 “resilient and resourceful at:

<https://www.pwc.com/id/mine-2020>



- Annual review of global trends in the mining industry
- Represented by the Top 40,
- Listed by market capitalisation

# Financial stability in turbulent times

The Top 40 mining companies are so far **weathering the COVID-19 storm mostly unscathed**, and certainly better than many other sectors.

They should take advantage of their financial stability to **revisit their strategies**.



## Financial metrics

Revenue up 4% to US\$692bn

EBITDA flat at US\$168bn

Profit before tax (PBT) down 11% to US\$89bn

Dividends paid up 25% to US\$55bn

Share buybacks down 51% to US\$7bn

Market capitalisation up 19% (US\$696bn) (reduced to US\$752bn on 30 April 2020)

Capex up 11% to US\$61bn



## COVID-19 Impact

EBITDA forecast to reduce 6% in FY20, largely driven by commodity prices

Expected capital spend reduction of at least

20% for FY20

In excess of US\$380m pledged by the Top 40 for COVID-19 relief



## Deal activity

Enterprise value of mega gold deals totalling US\$19.2bn in FY19



## Cyber

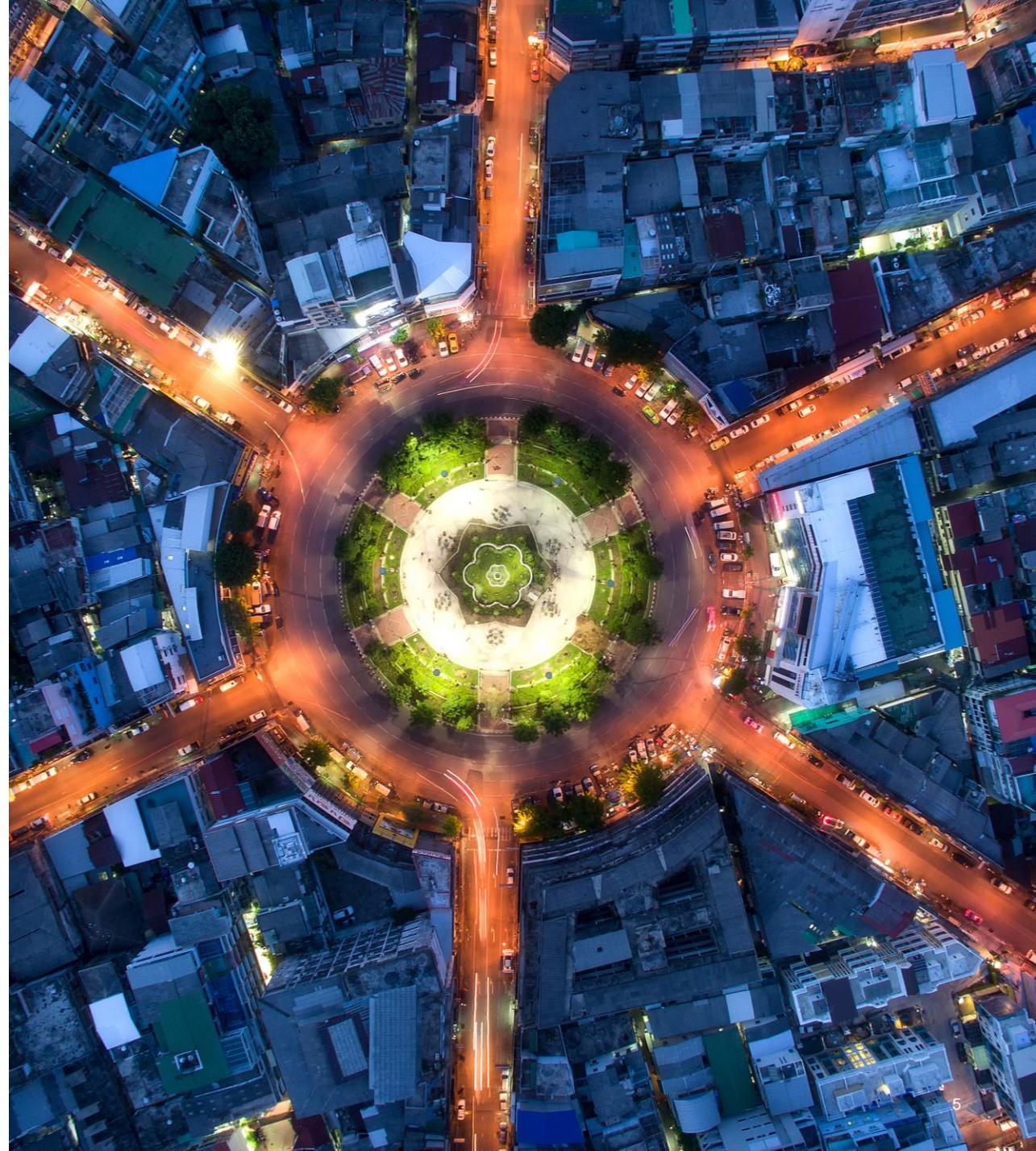
Currently just 12% of mining and metals companies' CEOs are extremely concerned about cyber (down from 21% in FY18 and 14% in FY19)

# COVID-19: Taking lessons from the lockdown

**COVID-19 is challenging several long-held truths about mining, particularly around:**

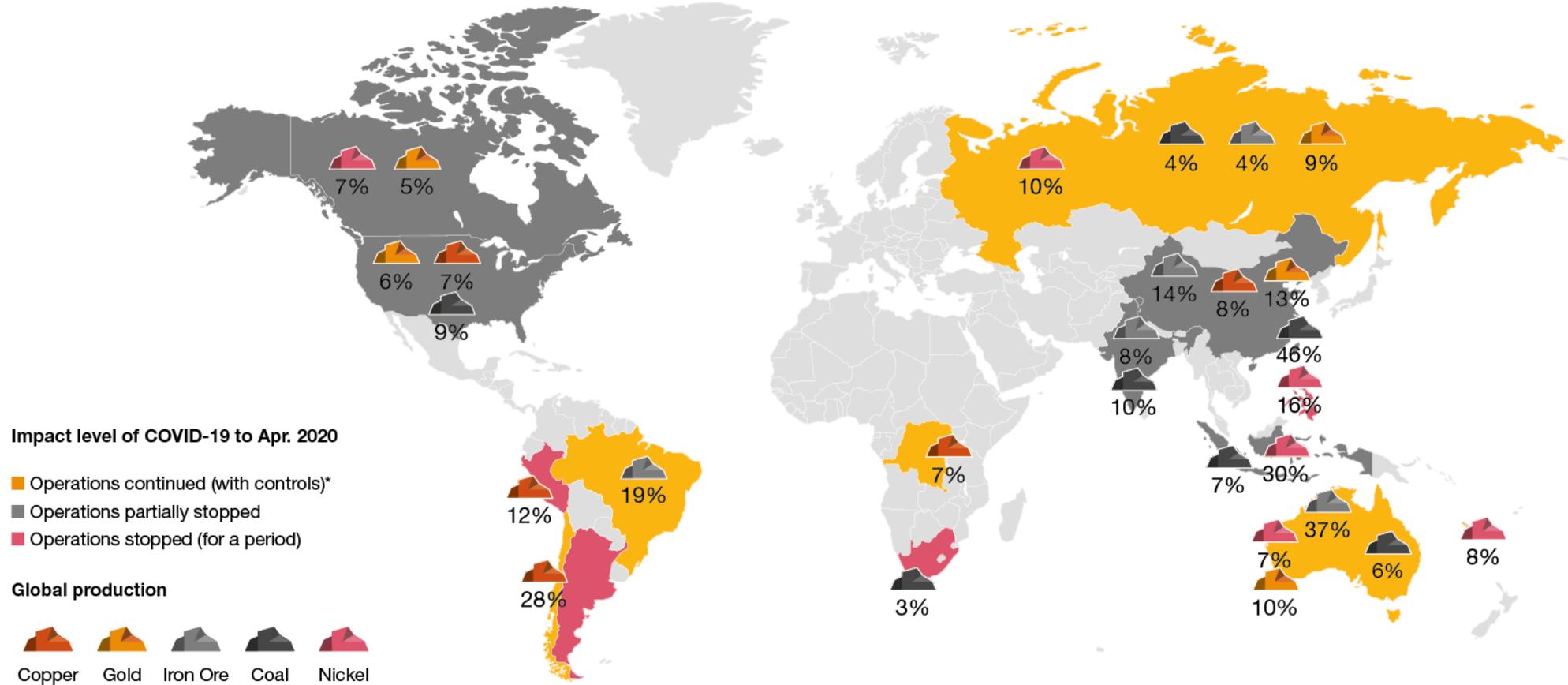
- Global supply chains
- Ultra-lean operations
- Specialisation

But the pandemic is also highlighting the sector's **resilience** and the role that miners play in **supporting communities** and the broader economy.



# COVID-19: Taking lessons from the lockdown

## Global production overview and COVID-19 impact on mining operations



\*Operations continued' signifies 'no material or significant production interruptions'

Note: Percentages reflect geographical split of production, by commodity.

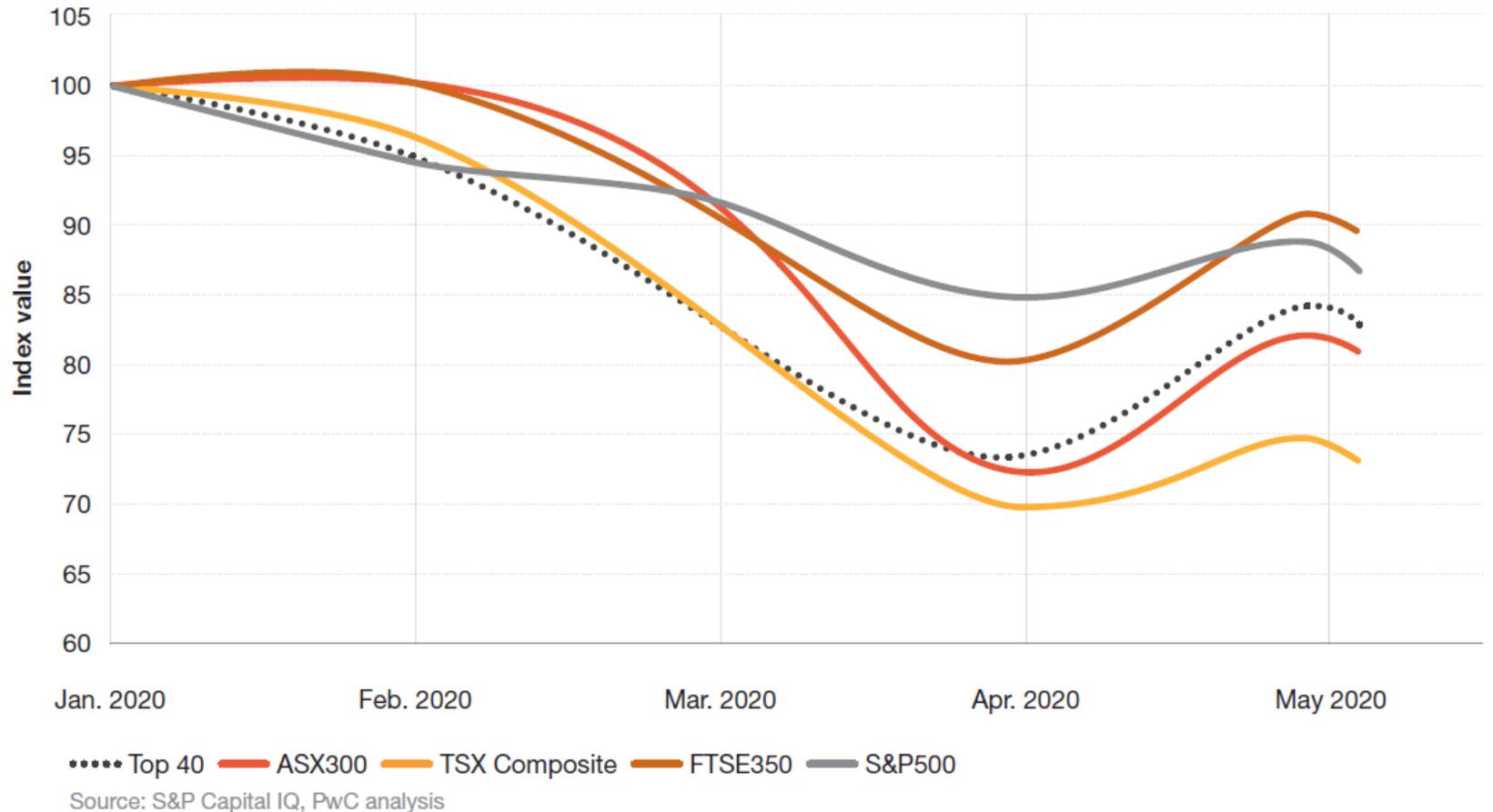
Source: USGS Mineral Commodity Summaries, 2020; BP Statistical Review of World Energy, 1965-2018; PwC analysis

# Financial analysis: In great shape to face a crisis

Exhibit 2: Market index performance (YTD 7 May 2020)

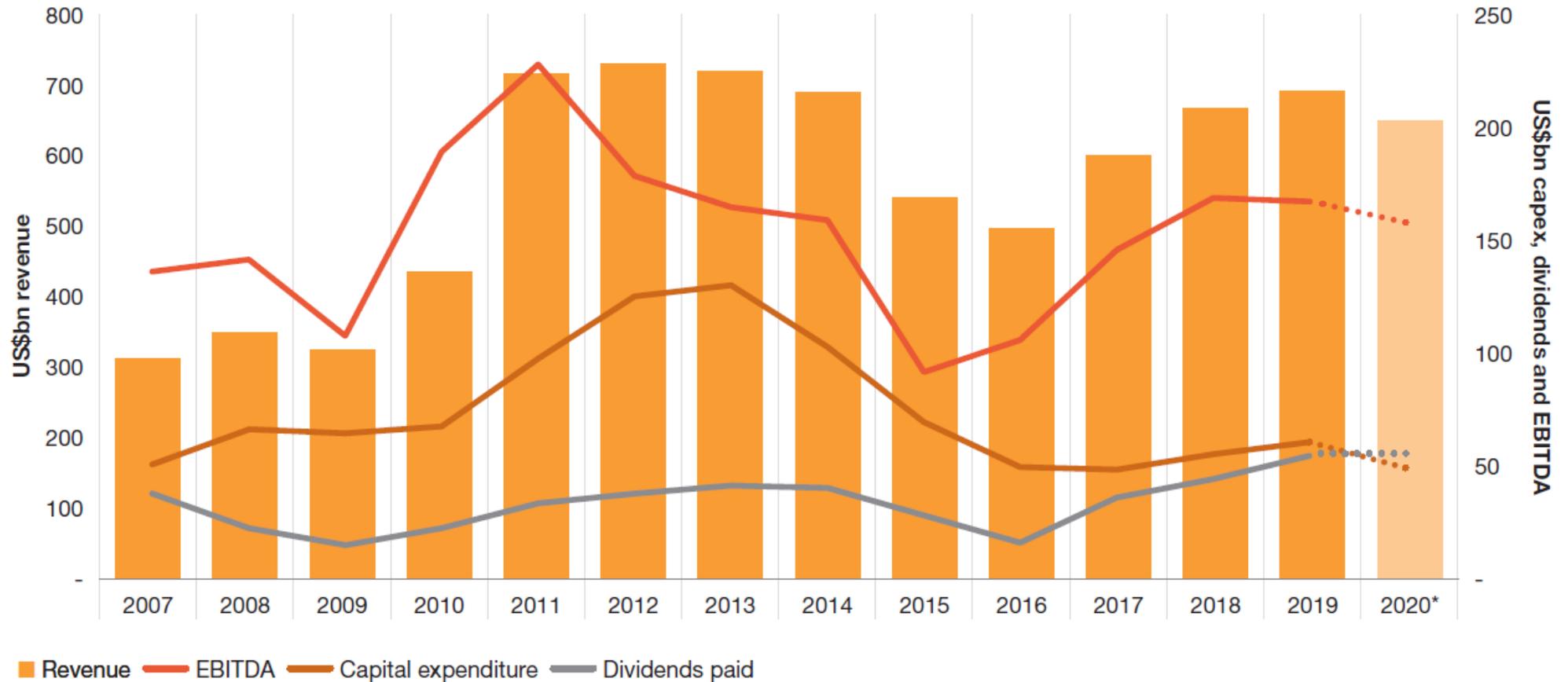
The global economy is entering **uncertain times** following the COVID-19 outbreak, with the IMF predicting at least a **3% contraction** in the global economy for 2020.

But the Top 40 are in an **excellent position** to weather the storm.



# Financial analysis: In great shape to face a crisis

Exhibit 3: Top 40 mining companies performance trend (US\$bn)



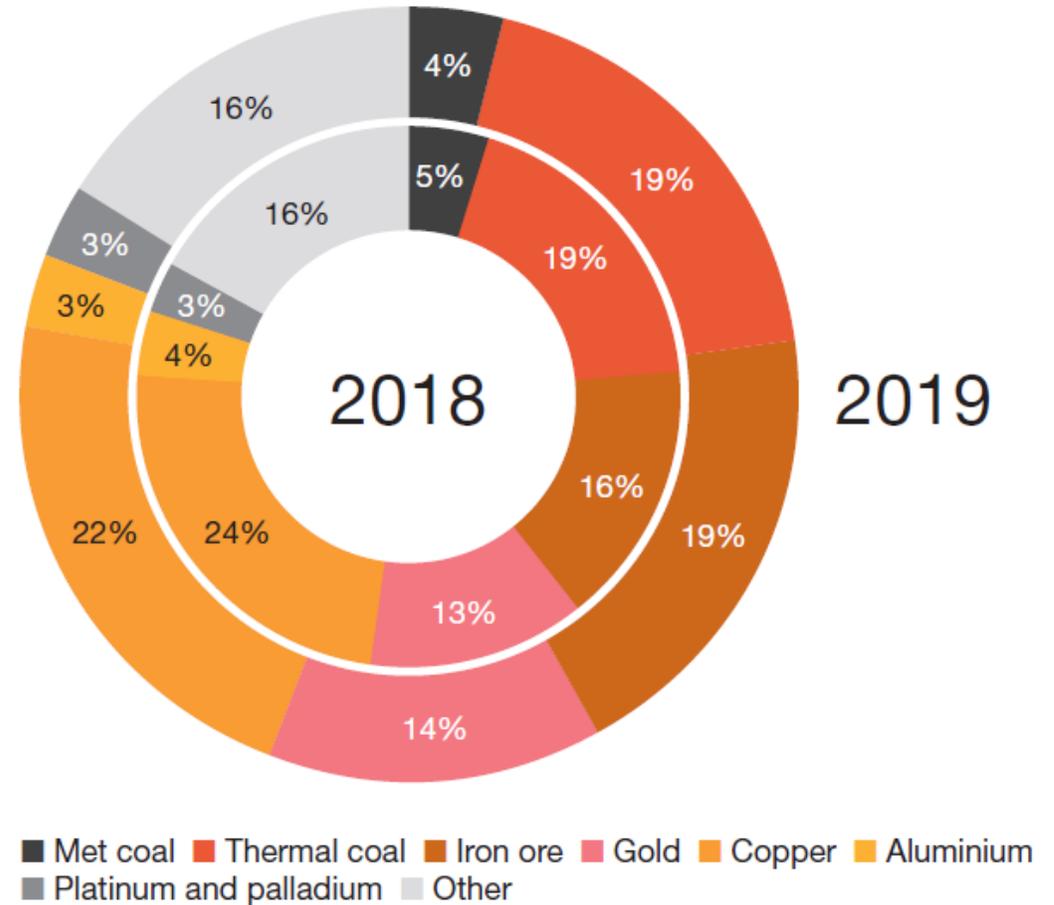
\*2020 outlook. Source: Annual reports, PwC analysis

# Financial analysis: In great shape to face a crisis

Exhibit 4: Top 40 revenue-based commodity mix remains consistent

## Revenue up, but profit hit by one-offs:

- Top 40 revenue was US\$692bn for 2019 (up 4% from 2018), largely a result of rising commodity prices.
- Coal's contribution to revenue remained steady
- Iron ore grew on the back of a five-year price peak of nearly US\$130 a tonne



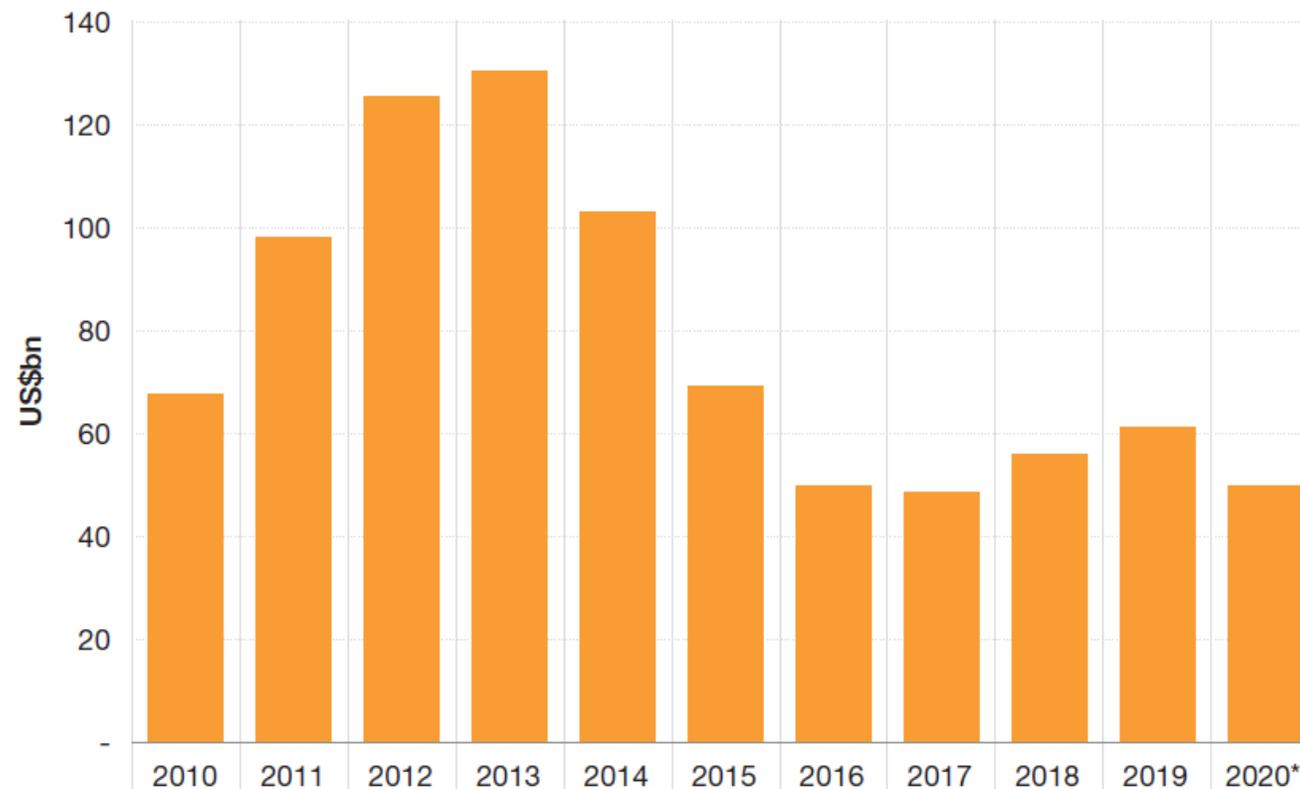
Source: Annual reports, PwC analysis. 2018 calculated on revenue reported in PwC's *Mine 2019: Resourcing the future*

# Financial analysis: In great shape to face a crisis

Exhibit 5: Top 40 capital expenditure, 2010-20 (US\$bn)

## Spending wisely:

- The Top 40 continued to invest, buoyed by solid performance in the year and confidence in the long-term market outlook
- Capex increased for the second consecutive year, up 11% from 2018 to US\$60.9bn.
- Capital projects largely financed through cash generated from operations and long-term debt.



\*2020 outlook. Source: Annual reports, PwC analysis

# Financial analysis: Balance sheets are rock solid

## Top 40 financial position

| US\$bn                                      | 2019         | 2018         | Change %   |
|---|--------------|--------------|------------|
| <b>Current assets</b>                       |              |              |            |
| Cash  | 88           | 94           | -6%        |
| Inventories                                 | 83           | 77           | 9%         |
| Accounts receivable                         | 48           | 54           | -11%       |
| Other                                       | 62           | 68           | -9%        |
| <b>Total current assets</b>                 | <b>282</b>   | <b>293</b>   | <b>-4%</b> |
| <b>Non-current assets</b>                   |              |              |            |
| Property, plant and equipment               | 649          | 611          | 6%         |
| Goodwill and intangible assets              | 57           | 53           | 7%         |
| Investment in associates and joint ventures | 55           | 46           | 19%        |
| Other investments and loans granted         | 25           | 25           | 1%         |
| Other                                       | 71           | 62           | 15%        |
| <b>Total non-current assets</b>             | <b>857</b>   | <b>797</b>   | <b>8%</b>  |
| <b>Total assets</b>                         | <b>1,139</b> | <b>1,090</b> | <b>5%</b>  |
| <b>Current liabilities</b>                  |              |              |            |
| Accounts payable                            | 98           | 93           | 5%         |
| Borrowings                                  | 45           | 33           | 36%        |
| Short-term lease liabilities                | 3            | 0            | 1,434%     |
| Other                                       | 54           | 53           | 1%         |
| <b>Total current liabilities</b>            | <b>199</b>   | <b>180</b>   | <b>11%</b> |
| <b>Non-current liabilities</b>              |              |              |            |
| Borrowings                                  | 202          | 216          | -7%        |
| Long-term lease liabilities                 | 11           | 1            | 888%       |
| Environmental provisions                    | 60           | 53           | 12%        |
| Other                                       | 104          | 94           | 11%        |
| <b>Total non-current liabilities</b>        | <b>377</b>   | <b>365</b>   | <b>3%</b>  |
| <b>Total liabilities</b>                    | <b>576</b>   | <b>545</b>   | <b>6%</b>  |
| <b>Net assets</b>                           | <b>563</b>   | <b>545</b>   | <b>3%</b>  |
| <b>Total shareholders equity</b>            | <b>563</b>   | <b>545</b>   | <b>3%</b>  |

Source: Annual reports, PwC analysis

## Key financial position ratios

|   | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|------|------|------|------|------|
| <b>Total borrowings (US\$bn)</b>                        | 261  | 251  | 277  | 288  | 306  |
| <b>Short-term borrowings as a % of total borrowings</b> | 18%  | 13%  | 16%  | 15%  | 16%  |
| <b>Gearing ratio</b>                                    | 31%  | 29%  | 31%  | 41%  | 47%  |
| <b>Net borrowings to EBITDA</b>                         | 1.03 | 0.93 | 1.20 | 1.92 | 2.46 |
| <b>Total borrowings to equity</b>                       | 46%  | 46%  | 50%  | 59%  | 64%  |
| <b>Net working capital (US\$bn)</b>                     | 34   | 38   | 48   | 41   | 38   |
| <b>Current ratio</b>                                    | 1.41 | 1.63 | 1.49 | 1.42 | 1.41 |

Source: Annual reports, PwC's Mine 2019: Resourcing the future

The Top 40 are in a **strong financial position** as they enter one of the more **uncertain economic periods** in living memory.

# Financial analysis: Impact of COVID-19 ‘relatively moderate’

## Top 40 financial performance and metrics

| US\$bn                            | 2020 outlook | 2019       | 2018       | % change     |              |
|-----------------------------------|--------------|------------|------------|--------------|--------------|
|                                   |              |            |            | 2019 to 2020 | 2018 to 2019 |
| Revenue                           | 649          | 692        | 667        | -6%          | 4%           |
| Operating expenses                | (484)        | (515)      | (491)      | -6%          | 5%           |
| Other operating income/(expenses) | (8)          | (9)        | (7)        | -13%         | 33%          |
| <b>EBITDA</b>                     | <b>157</b>   | <b>168</b> | <b>169</b> | <b>-6%</b>   | <b>-1%</b>   |
| Depreciation and amortisation     | (55)         | (50)       | (47)       | 9%           | 8%           |
| Impairment reversal/(expense)     | (14)         | (14)       | (9)        | 3%           | 53%          |
| Net finance costs                 | (14)         | (14)       | (13)       | -2%          | 12%          |
| <b>Profit before tax</b>          | <b>75</b>    | <b>89</b>  | <b>100</b> | <b>-17%</b>  | <b>-11%</b>  |
| Income tax expense                | (23)         | (29)       | (26)       | -19%         | 9%           |
| <b>Net profit</b>                 | <b>51</b>    | <b>61</b>  | <b>74</b>  | <b>-15%</b>  | <b>-18%</b>  |
| <b>Profitability measures</b>     |              |            |            |              |              |
| EBITDA margin                     | 24%          | 24%        | 25%        |              |              |
| Net profit margin                 | 8%           | 9%         | 11%        |              |              |
| Return on capital employed        |              | 11%        | 10%        |              |              |
| Return on equity                  |              | 11%        | 14%        |              |              |

Source: Annual reports, PwC analysis



# Financial analysis: IDX listed mining companies



## Financial position

| US\$m                                       | % Change      |               |               |                 |              |
|---|---------------|---------------|---------------|-----------------|--------------|
|   | Q1 2020       | 2019          | 2018          | Q1 2020 to 2019 | 2019 to 2018 |
| <b>Current Assets</b>                       |               |               |               |                 |              |
| Cash  | 4,130         | 4,107         | 3,858         | 1%              | 6%           |
| Inventories                                 | 1,569         | 1,821         | 1,530         | -14%            | 19%          |
| Accounts Receivable                         | 1,869         | 2,269         | 2,277         | -18%            | 0%           |
| Other                                       | 1,846         | 1,978         | 1,682         | -7%             | 18%          |
| <b>Total Current Assets</b>                 | <b>9,414</b>  | <b>10,175</b> | <b>9,347</b>  | <b>-7%</b>      | <b>9%</b>    |
| <b>Non Current Assets</b>                   |               |               |               |                 |              |
| Property, Plant and Equipment               | 8,161         | 8,686         | 8,293         | -6%             | 5%           |
| Goodwill and Intangible Assets              | 7,724         | 7,635         | 8,480         | 1%              | -10%         |
| Investment in associates and joint ventures | 2,292         | 2,414         | 2,518         | -5%             | -4%          |
| Other                                       | 3,777         | 3,629         | 2,787         | 4%              | 30%          |
| <b>Total Non Current Assets</b>             | <b>21,954</b> | <b>22,364</b> | <b>22,079</b> | <b>-2%</b>      | <b>1%</b>    |
| <b>Total Assets</b>                         | <b>31,369</b> | <b>32,539</b> | <b>31,425</b> | <b>-4%</b>      | <b>4%</b>    |
| <b>Current Liabilities</b>                  |               |               |               |                 |              |
| Accounts Payable and accruals               | 3,221         | 3,451         | 3,393         | -7%             | 2%           |
| Borrowings                                  | 2,103         | 2,705         | 1,498         | -22%            | 81%          |
| Short term lease liabilities                | 235           | 182           | 153           | 29%             | 19%          |
| Other                                       | 1,301         | 1,408         | 1,543         | -8%             | -9%          |
| <b>Total Current Liabilities</b>            | <b>6,860</b>  | <b>7,746</b>  | <b>6,586</b>  | <b>-11%</b>     | <b>18%</b>   |
| <b>Non Current Liabilities</b>              |               |               |               |                 |              |
| Borrowings                                  | 6,211         | 5,969         | 5,906         | 4%              | 1%           |
| Long term lease liabilities                 | 440           | 379           | 346           | 16%             | 10%          |
| Environmental Provisions                    | 644           | 672           | 587           | -4%             | 14%          |
| Other                                       | 2,034         | 2,163         | 2,424         | -6%             | -11%         |
| <b>Total Non Current Liabilities</b>        | <b>9,329</b>  | <b>9,183</b>  | <b>9,264</b>  | <b>2%</b>       | <b>-1%</b>   |
| <b>Total Liabilities</b>                    | <b>16,189</b> | <b>16,929</b> | <b>15,849</b> | <b>-4%</b>      | <b>7%</b>    |
| <b>Net Assets</b>                           | <b>15,180</b> | <b>15,609</b> | <b>15,576</b> | <b>-3%</b>      | <b>0%</b>    |
| <b>Total Shareholders Equity</b>            | <b>15,180</b> | <b>15,609</b> | <b>15,576</b> | <b>-3%</b>      | <b>0%</b>    |

Source: Annual Report, Company's website, PwC analysis

## Key financial position ratios

|   | Q1 2020 | 2019  | 2018  |
|---|---------|-------|-------|
| <b>Total Borrowings (\$mn)</b>                          | 8,989   | 9,234 | 7,903 |
| <b>Short term borrowings as a % of total borrowings</b> | 26%     | 31%   | 21%   |
| <b>Gearing ratio</b>                                    | 32%     | 33%   | 26%   |
| <b>Net borrowings to EBITDA</b>                         |         | 1.19  | 0.73  |
| <b>Total borrowings to Equity</b>                       | 59%     | 59%   | 51%   |
| <b>Net Working Capital (\$mn)</b>                       | 218     | 639   | 414   |
| <b>Current ratio</b>                                    | 1.37    | 1.31  | 1.42  |

Source: Annual Report, Company's website, PwC analysis

### Notes

Certain mining companies listed on IDX were excluded from the analysis due to there is no financial information publicly available for these companies.

Consistent with the Top 40, IDX listed mining companies were also in a **strong financial position** as they entered 2020.

# Financial analysis: IDX listed mining companies



## IDX listed mining companies financial performance and metrics

| US\$m                             |            |                 |              |              | % Change     |              |
|-----------------------------------|------------|-----------------|--------------|--------------|--------------|--------------|
|                                   | Q1 2020    | 2020 Annualised | 2019         | 2018         | 2020 to 2019 | 2019 to 2018 |
| Revenue                           | 4,785      | 19,141          | 21,233       | 20,408       | -10%         | 4%           |
| Operating expenses                | (3,875)    | (15,499)        | (17,016)     | (14,924)     | -9%          | 14%          |
| Other operating income/(expenses) | (23)       | (94)            | 87           | 35           | -208%        | 147%         |
| <b>EBITDA</b>                     | <b>887</b> | <b>3,548</b>    | <b>4,305</b> | <b>5,519</b> | <b>-18%</b>  | <b>-22%</b>  |
| Depreciation and amortisation     | (392)      | (1,569)         | (1,540)      | (1,326)      | 2%           | 16%          |
| Impairment reversal/(expense)     | -          | -               | (32)         | (140)        | -100%        | -77%         |
| Net finance costs                 | (183)      | (732)           | (622)        | (556)        | 18%          | 12%          |
| <b>Profit before tax</b>          | <b>312</b> | <b>1,248</b>    | <b>2,112</b> | <b>3,497</b> | <b>-41%</b>  | <b>-40%</b>  |
| Income tax expense                | (110)      | (439)           | (689)        | (1,135)      | -36%         | -39%         |
| <b>Net profit</b>                 | <b>202</b> | <b>809</b>      | <b>1,423</b> | <b>2,362</b> | <b>-43%</b>  | <b>-40%</b>  |

Source: Annual Report, Company's website, PwC analysis

| Profitability Measures     | 2020        |      |      |
|----------------------------|-------------|------|------|
|                            | Outlook (*) | 2019 | 2018 |
| EBITDA margin              | 19%         | 20%  | 27%  |
| Net profit margin          | 4%          | 7%   | 12%  |
| Return on capital employed | 14%         | 17%  | 22%  |
| Return on equity           | 5%          | 9%   | 15%  |

Source: Annual Report, Company's website, PwC analysis

\* 2020 profitability measure outlook is based on Q1 2020 annualised figures and assuming that the consolidated financial position of the companies at the end of 2020 will be similar with those of Q1 2020

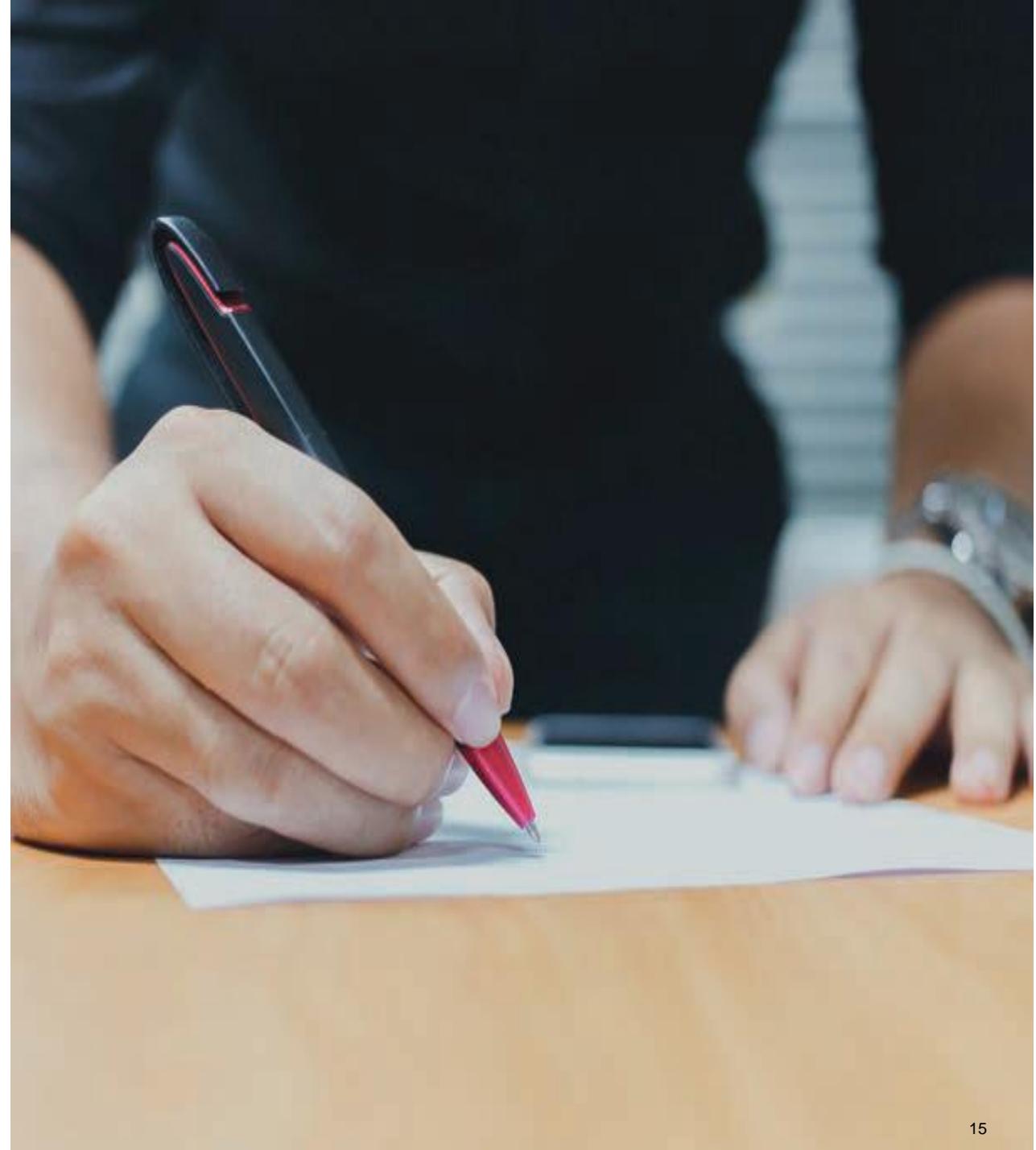
This is a simple arithmetic analysis and should not be considered a forecast.

2020 Outlook for financial performance of **IDX listed mining companies** is likely to **underperform** the Top 40 as the IDX listed mining company results are heavily weighted to **coal producers** and **coal prices were hit harder** than other major commodities such as iron ore, copper, gold, etc.

# Deals in mining: Time for a different deal

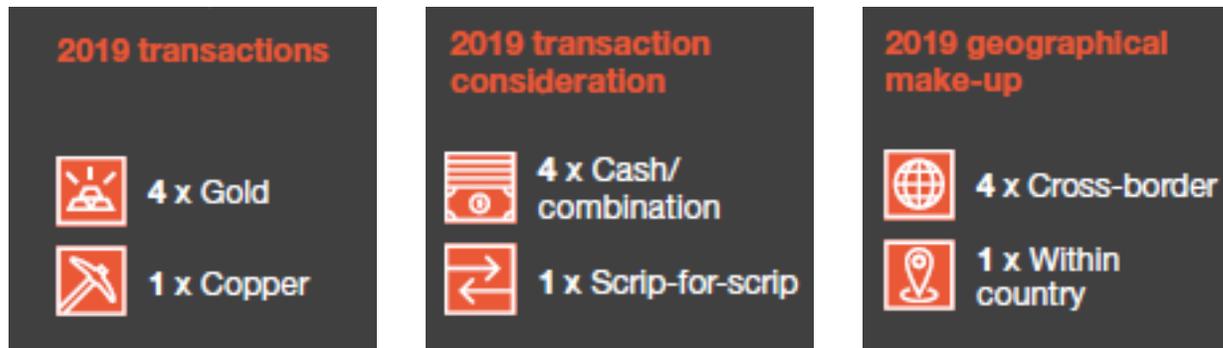
## Top 40 in good shape to capitalise on deal opportunities this year:

- While well-placed for big deals, miners may find value in doing smaller, high-quality deals closer to home.
- In the first four months of 2020, miners sought 39% less fixed income and equity capital compared to the same period last year.
- At the end of 2019, the Top 40 had \$US88bn in cash holdings and gearing of 31%.



# Deals in mining: Not a year for mega-deals

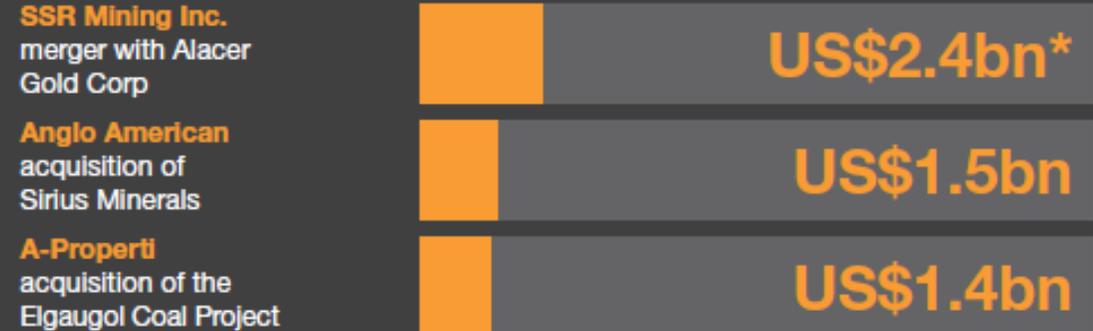
Over the past few years, the Top 40 have made **disciplined investment decisions** in line with their long-term strategies.



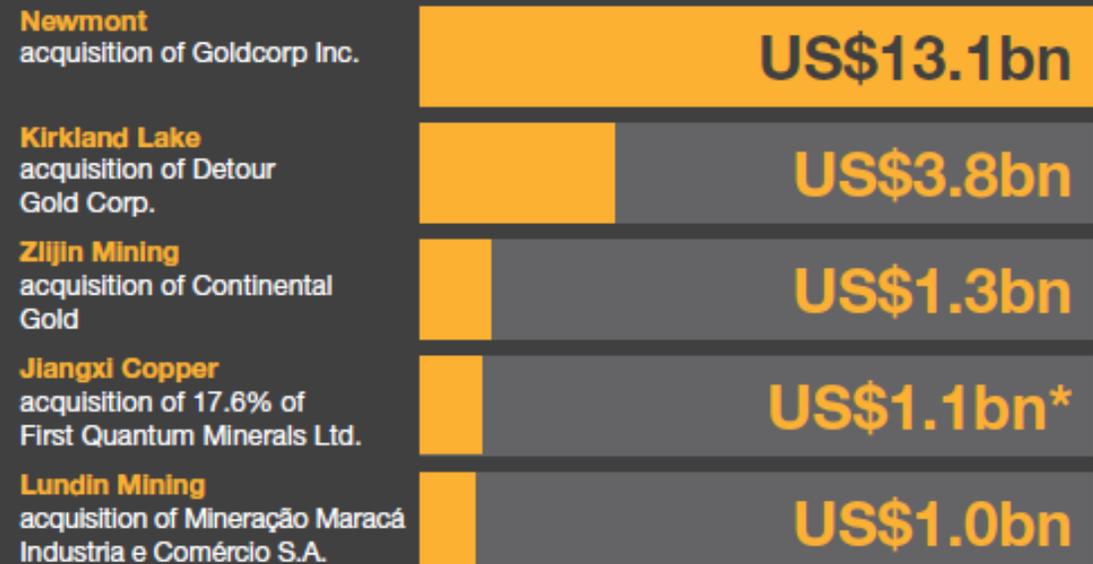
We expect 2020 will be a **slower year for M&A** compared to 2019, particularly for large transactions.

## Mega-deals >US\$1bn in 2019 and YTD20

### 2020



### 2019



# ESG: Who's transparent and accountable?

Exhibit 11: Top 40 ESG disclosures



**11 companies**

Demonstrate all three key factors



**25 companies**

Demonstrate at least one key factor



**4 companies**

Currently not completely addressing any key factors

■ Diversified ■ Base metal ■ Precious metal ■ Other



## Key factors:

1

Sets detailed and defined ESG commitments and targets

2

Links to KPIs and reports consistently against them

3

Links to executive and management performance

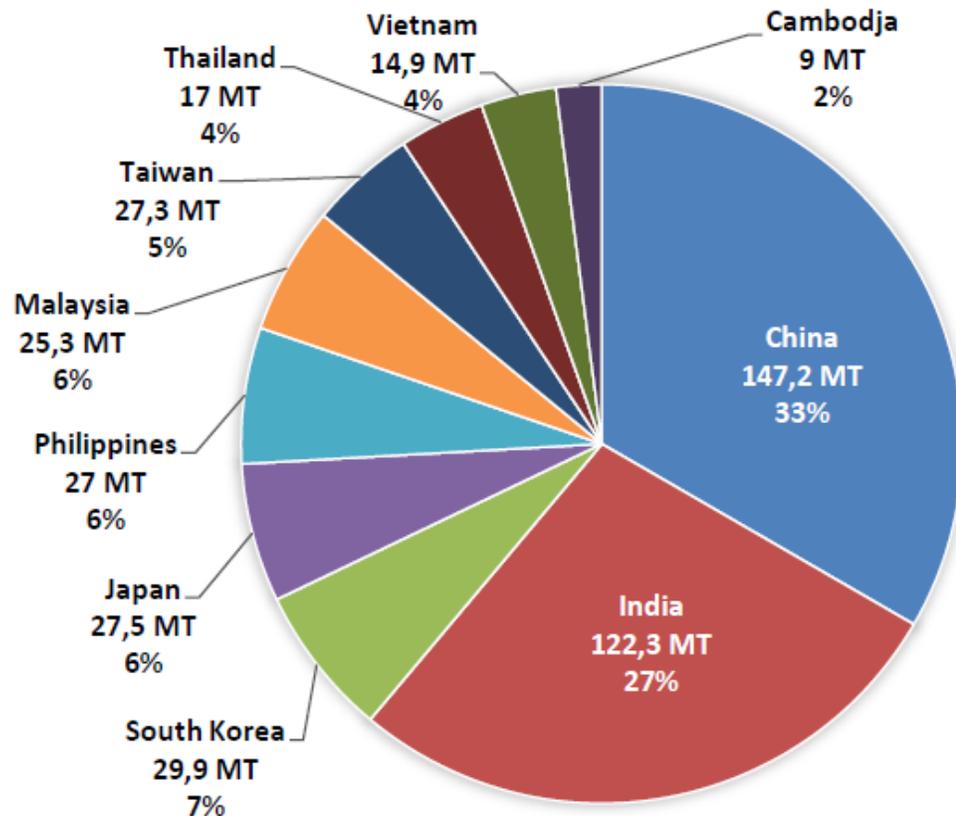
Source: Annual sustainability reports, PwC analysis

2

Indonesian mining  
industry in perspective

# Indonesia's coal export destination

Indonesia's Coal Export Destinations in 2019



Source: APBI

- Indonesia is one of the world's largest coal exporters. In 2019, Indonesia's coal export reached 454 MT with a value of US\$21.5 billion. Coal export has increased for 4<sup>th</sup> consecutive years in 2019.
- China and India are Indonesia's two major coal export destination countries.
- In 2019, China imported approximately 300 MT of coal, of which 147 MT coming from Indonesia (source: CNCA). During H1 2020, China is reported to import 85 MT of coal from Indonesia (up 11%) and expected to import another 50-60 MT of coal from Indonesia during H2 2020. However, various factors may affect this estimate, e.g. the actual vs anticipated economy improvement of China, widening gap between China's domestic vs import coal prices, the level of China's coal inventory stockpile, etc.
- India imported approx. 122 MT of coal from Indonesia in 2019, which is expected to decrease by 20% as a result of lower demand due to COVID-19.

# Chinese market factors, supply & demand interruptions

Total coal consumption in China and India is estimated to be around two-thirds of global consumption.

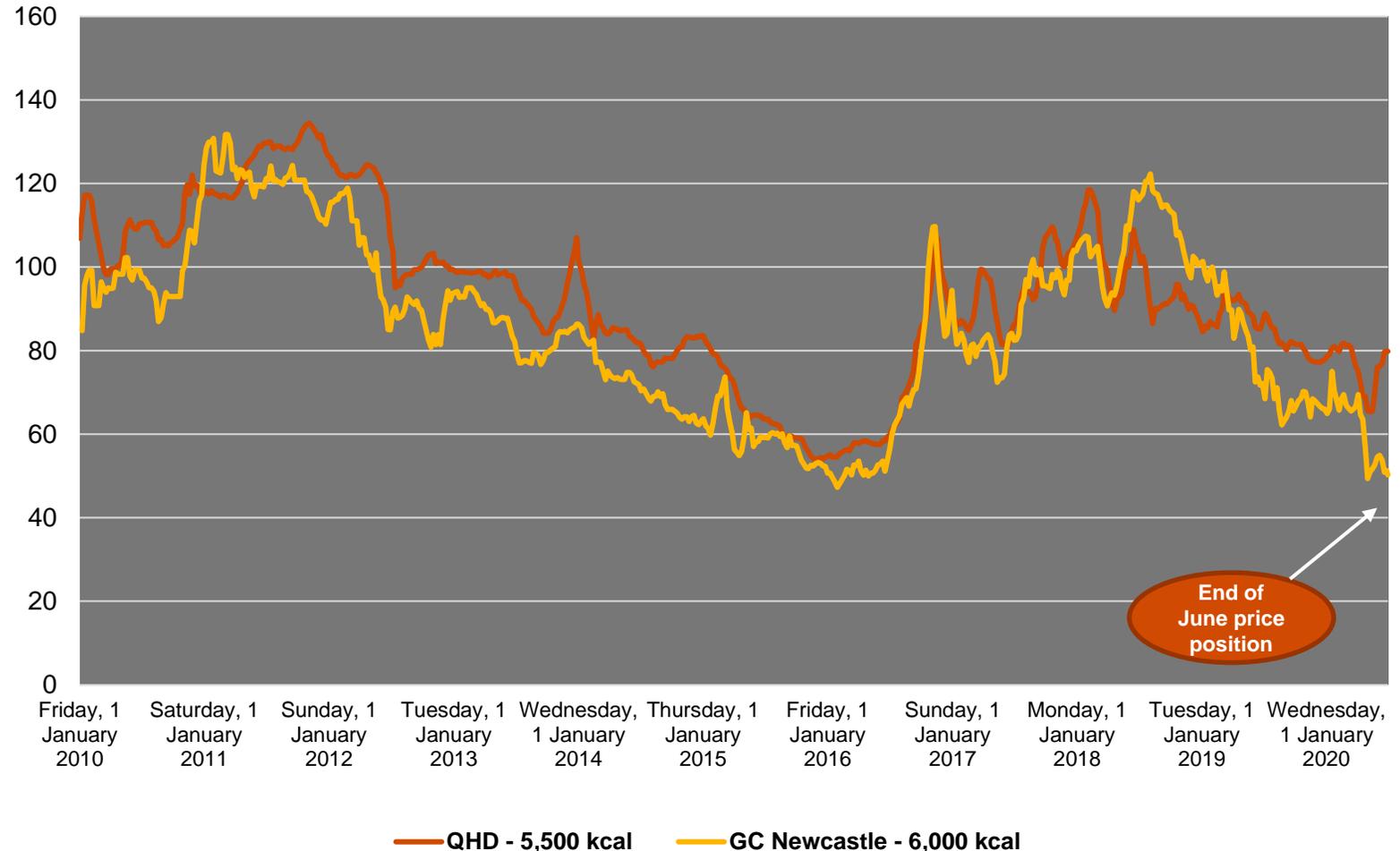
After reaching a peak early in the second half of 2018, coal prices continued on a downward trend throughout 2019 due to:

- Stricter Chinese import controls in 2019
- Global preference to shift towards higher energy-density and lower sulphur-content coal
- Recent slowdown in Chinese property market and steel demand

This trend continued in 2020 as the COVID-19 pandemic took effect.

In its April 2020 CMO Report, WB forecasted coal prices to fall by 17% in 2020. Long-term outlook for coal prices is also not encouraging due to the negative sentiment on coal.

QHD 5500 NAR vs Newcastle 6,000



Source: Bloomberg, IHS Markit

# Estimated 85 mt of coal demand destruction due to COVID-19

| 2020 Seaborne Demand Forecast (MT) |                             |                  |                |               |
|------------------------------------|-----------------------------|------------------|----------------|---------------|
| Country                            | January 2020<br>(Pre COVID) | Today<br>(COVID) | Change<br>(mt) | Change<br>(%) |
| China                              | 200.3                       | 190.0            | (10.3)         | (5.1%)        |
| India                              | 180.0                       | 140.0            | (40.0)         | (22.2%)       |
| Philippines                        | 30.0                        | 25.0             | (5.0)          | (16.7%)       |
| Japan                              | 128.0                       | 120.0            | (8.0)          | (6.3%)        |
| Korea                              | 100.0                       | 90.0             | (10.0)         | (10.0%)       |
| Taiwan                             | 55.0                        | 50.0             | (5.0)          | (9.1%)        |
| Other Global                       | 286.7.                      | 280.0            | (6.7)          | (2.3%)        |
| <b>Total Demand</b>                | <b>980.0</b>                | <b>895.0</b>     | <b>(85.0)</b>  | <b>(8.7%)</b> |

Source: APBI's Presentation – July 2020

## In Summary:

- Estimated c.85 MT of demand destruction as a direct impact of COVID 19 in 2020 YTD.
- There is potential for further downside to these demand numbers if lockdowns are extended or re-instated beyond what is announced/known today
- Lockdown in China Q1 2020 and ongoing lockdowns in India + Philippines have had the biggest impacts on thermal coal demand.
- Indonesian thermal coal flows have been majorly impacted given c.65% of Indonesian thermal coal exports are to these three (3) countries

# Production by Indonesia's major coal producers – Q1 2020

## Coal production and sales metrics – Indonesian major coal producers

| Coal production (mt) | 2020    | Q1 2020 | Q1 2020   | 2019   | 2018   | % Change       |              |
|----------------------|---------|---------|-----------|--------|--------|----------------|--------------|
|                      | target  | actual  | Vs 2020-T | actual | actual | 2020-T to 2019 | 2019 to 2018 |
| Adaro Energy         | 54 - 58 | 14.41   | 25% - 27% | 58.03  | 54.04  | (7%) - 0%      | 7%           |
| Bumi Resources       | 85 - 90 | 20.80   | 23% - 24% | 86.30  | 83.30  | (2%) - 4%      | 4%           |
| Bayan Resources      | 26.00   | 7.30    | 28%       | 32.00  | 28.00  | (19%)          | 14%          |
| Kideco               | 35.30   | 8.80    | 25%       | 34.30  | 34.00  | 3%             | 1%           |
| ITMG                 | 22.00   | 4.50    | 20%       | 23.40  | 22.10  | (6%)           | 6%           |
| PTBA                 | 30.30   | 5.50    | 18%       | 29.10  | 26.40  | 4%             | 10%          |

| Coal sales (mt) | 2020    | Q1 2020 | Q1 2020   | 2019   | 2018   | % Change       |              |
|-----------------|---------|---------|-----------|--------|--------|----------------|--------------|
|                 | target  | actual  | Vs 2020-T | actual | actual | 2020-T to 2019 | 2019 to 2018 |
| Adaro Energy    | 54 - 58 | 14.39   | 25% - 27% | 59.18  | 54.39  | (2%) - (9%)    | 9%           |
| Bumi Resources  | 85 - 90 | 21.50   | 24% - 25% | 87.70  | 80.60  | (3%) - 1%      | 9%           |
| Bayan Resources | 30 - 31 | 7.30    | 24%       | 29.00  | 28.00  | 3% - 7%        | 4%           |
| Kideco          | 35.30   | 8.80    | 25%       | 34.90  | 34.10  | 1%             | 2%           |
| ITMG            | 22.00   | 5.80    | 26%       | 25.30  | 23.50  | (13%)          | 8%           |
| PTBA            | 29.90   | 6.80    | 23%       | 27.80  | 24.70  | 8%             | 13%          |

Source: Annual Report, Company's presentation, PwC analysis

### Notes

- Kideco's coal production target for 2020 is 35.3 MT which comprise 29.7 mt already approved by the Gol and 5.6 MT additional target
- 2020 coal sales target of Adaro, Bumi and Kideco is assumed to be the same as the 2020 production guidance published by these companies.

## Production and sales of major coal producers in Q1 2020 do not appear to be severely affected by COVID-19

- All major coal producers recorded increases in production and sales in 2019, but have not set high targets for 2020.
- Bayan Resources cut its production target by 19% in 2020 although it expects an increase in sales. Bayan's Tabang coal mine suspended mining operations from 25 March 2020 until 14 May 2020 due to safety concerns over COVID-19.
- Based on published Q1 2020 results, the major coal producers are on track to achieve their production and sales targets for 2020. Only ITMG and PTBA are slightly behind their 2020 production targets as of Q1 2020 based on public information.
- However, the full impact of COVID-19 may not yet be seen in Q1 results.

# Growing domestic needs of coal

| Indonesia Coal Demand Segmentation Forecast (MT) |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
|  | 2020   | 2021   | 2022   | 2023   | 2024   |
| State Electricity Company (PLN)                  | 109    | 121    | 129    | 135    | 137    |
| Processing and Refining                          | 16.52  | 16.72  | 16.63  | 16.66  | 16.73  |
| Fertilizer                                       | 1.73   | 1.73   | 1.73   | 1.73   | 1.73   |
| Cement   | 14.54  | 15.02  | 15.49  | 15.99  | 16.65  |
| Textile  | 6.54   | 6.54   | 6.54   | 6.54   | 6.54   |
| Paper  | 6.64   | 7.11   | 7.61   | 8.14   | 8.71   |
| Briquettes                                       | 0.01   | 0.01   | 0.01   | 0.01   | 0.01   |
| Total  | 154.98 | 168.13 | 177.01 | 184.07 | 187.37 |

Source: ESDM, DirJen Minerba

- There has been an increase in supply to the domestic market for the fifth year in a row, with domestic supply representing 22.6% of production in 2019.
- The Government's target for 2020 is total coal production of 550 MT, with a DMO of 25% (137.5 MT).
- Coal will continue to contribute significantly to Indonesia's energy mix. Based on the 2019 RUPTL, coal will still contribute 54.4% of Indonesia energy's mix by 2028, from currently around 60%.

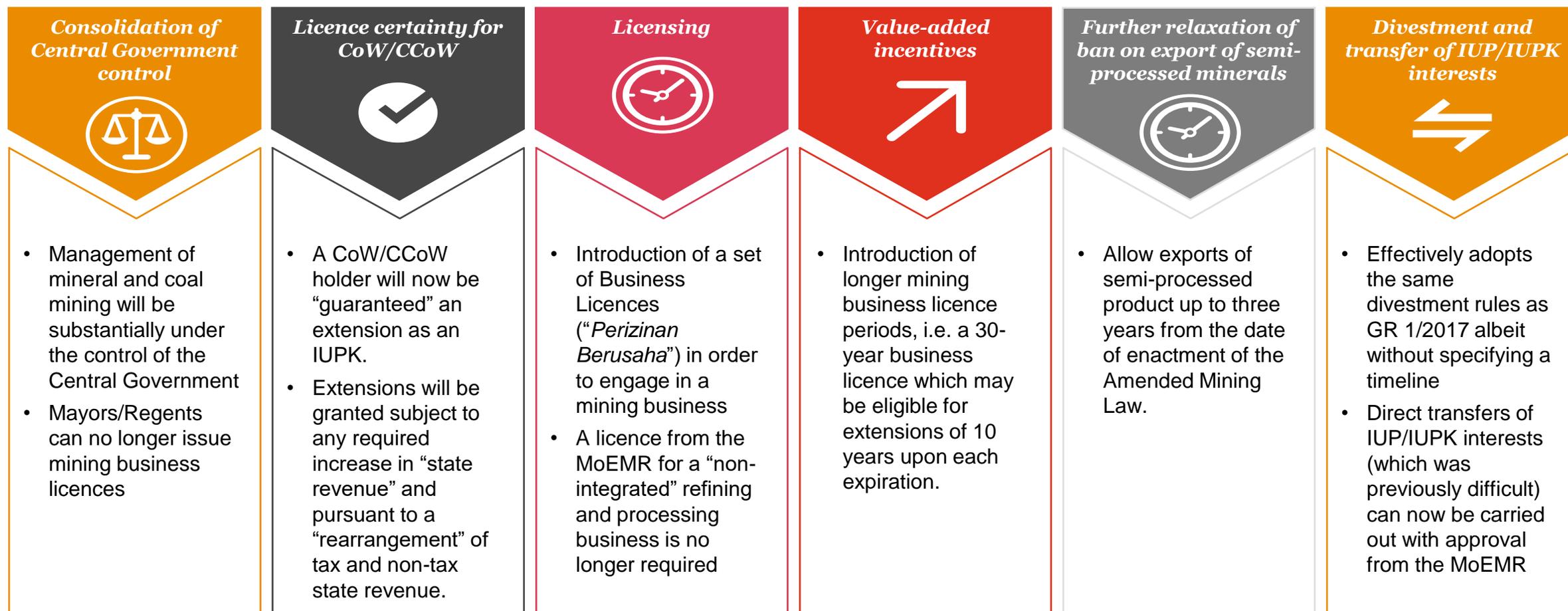
| Indonesian Coal Production data |      |      |      |      |                   |
|---------------------------------|------|------|------|------|-------------------|
|                                 | 2016 | 2017 | 2018 | 2019 | y-o-y (2018-2019) |
| Production (MT)                 | 434  | 461  | 557  | 610  | 9.5%              |
| Export (MT)                     | 344  | 364  | 442  | 472  | 6.7%              |
| Domestic (MT)                   | 90   | 97   | 115  | 138  | 20.0%             |

Source: APBI, ESDM

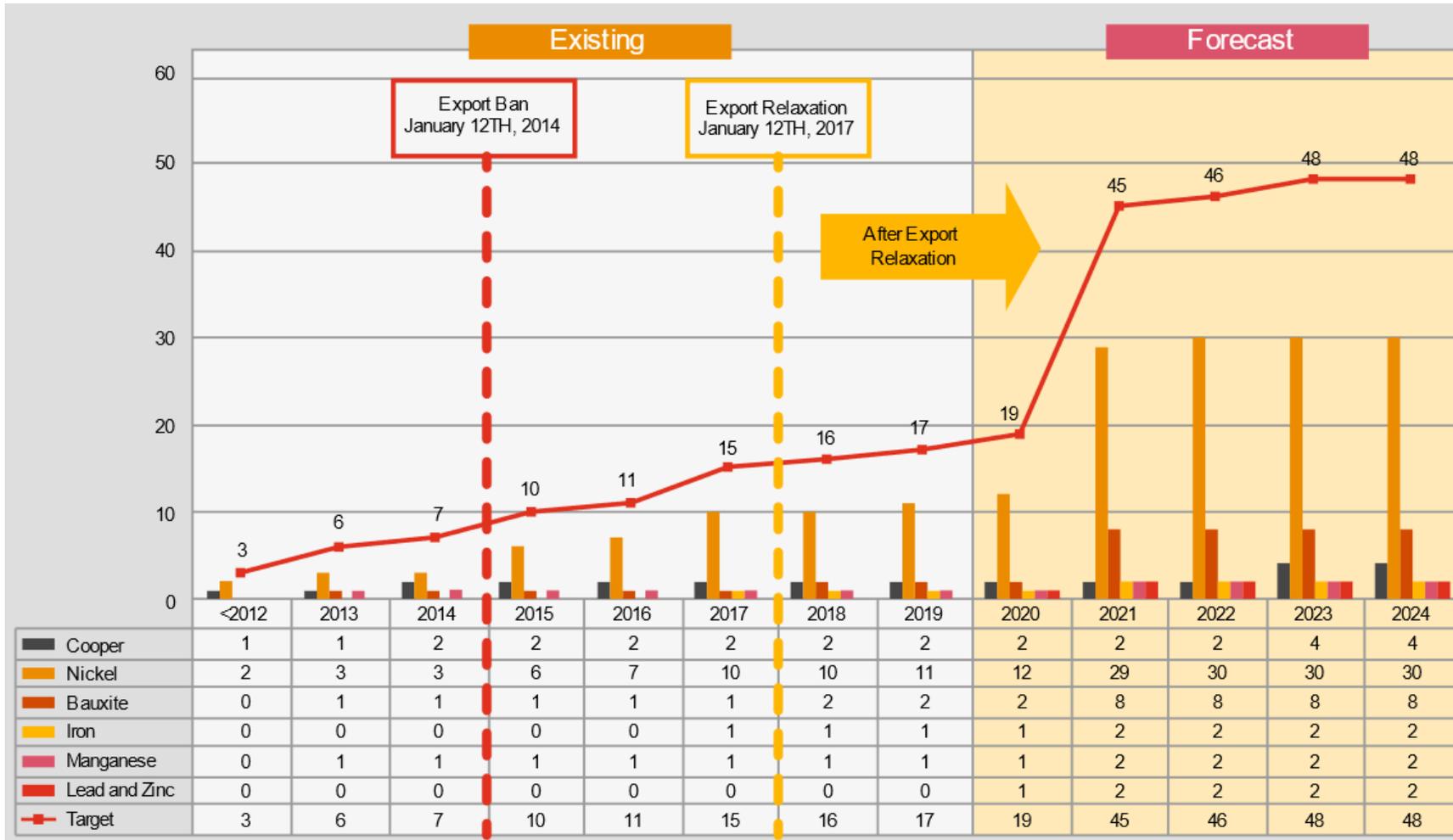
# Amendments to the Mining Law – Providing some certainty in uncertain times



Several key provisions in the Amendments to the Mining Law No. 4/2009



# Export ban regulation to stimulate smelters development in Indonesia



Source: ESDM

## Highlight on Nickel

- Substantial increase in the investments for nickel smelters since the export ban was introduced back in 2012.
- Compliance of PerMen ESDM No 11/2020 by all relevant stakeholders to address the nickel industry's ongoing issues.
- Utilisation of low-grade nickel ores (Ni content < 1.8%). An opportunity for investments in the smelters that can process low-grade nickel ore
- An opportunity to develop EV battery and EV vehicle industries in Indonesia

3

Key takeaways

# Key takeaways

## Outlook for Investments in Indonesia's Coal and Mineral Sector

- In overall, **mega deals for the mining sector are not expected for 2020** due to difficulties in doing transactions in a COVID-19 environment.
- Outlook for investment in the coal sector **is not particularly promising** due to current trend of coal prices, loss of demand due to COVID-19, long-term outlook on the coal prices as well as the negative sentiment on coal due to its impact on the environment. **However, given the growing needs of coal domestically** and the fact that coal will continue to play significant role in Indonesia's Energy Mix for many years to come, **there are potential for investment opportunities in Indonesian coal sector.**
- Opportunities for investments in **the nickel downstream sector** and/or **EV battery industry** which process low-grade nickel ores.

An aerial photograph of a construction site. A row of five rectangular concrete slabs is laid out horizontally across the upper portion of the image. Below them is a large, dark, textured area of earth, possibly a trench or a pile of soil, with some faint tracks or markings. The overall scene is in shades of grey and brown, with some highlights from the sky.

# Q&A

*Thank You*

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