PT Perusahaan Listrik Negara (Persero)
Going Through the 2008 Global Financial Crisis

Electricity for a Better Life
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Company Overview

PLN is the only state-owned power utility company in Indonesia

- PLN is Indonesia’s major full end-to-end (G-T-D) electricity provider
- Wholly-owned by GoI, supervised by the Ministry of State Owned Enterprises (MSOE), sectorally regulated by the Ministry of Energy and Mineral Resources (MEMR) & monitored financially by the Ministry of Finance (MoF)
- Law No.19/2003 on State Owned Enterprises (SOE’s): The government is obliged to provide subsidy for PLN’s PSO duty
- Presidential Decree No. 71/2006: 1st Phase of Fast Track Program (FTP I)
  - Procure and build 10,000 MW of coal-fired plants
- Presidential Decree No.04/2010: 2nd Phase of Fast Track Program (FTP II)
  - Procure 10,000 MW of renewable energy, gas and coal fired plants
  - To be developed by PLN and IPPs

<table>
<thead>
<tr>
<th>Generation</th>
<th>Transmission</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controls over 85% of national generation capacity (28,287 MW; up 10.4% from 25,611 MW a year earlier)</td>
<td>Sole provider of power transmission in Indonesia</td>
<td>Sole distributor of electricity to end customers in Indonesia</td>
</tr>
<tr>
<td>Main purchaser of electricity from Independent Power Producers (IPPs)</td>
<td>Transmission lines approximately 34,000 kmc (up 3% from 33,000 kmc a year earlier) and 60,000 MVA of power transformer capacity (up 5% from 57,000 MVA a year earlier)</td>
<td>Distribution lines of approximately 638,000 kmc (up 2.4% from 623,000 kmc six months earlier) and 34,500 MVA of transformer capacity (up 1.5% from 34,000 MVA six months earlier)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Serving close to 41 million customers (up 4% from 39.5 million customers a year earlier)</td>
</tr>
</tbody>
</table>

Note: 1 As of 30 June 2010
     2 As of 31 December 2009
**Resilience of the Indonesian Economy**

Indonesia remains in strong position to continue the improvement in its economy

**Better than expected economic outlook, upgraded ratings**
- Indonesia's economy grew at a faster-than expected 6.2% in the 2nd quarter on strong exports, investment and consumer demand
- S&P upgraded Indonesia’s credit ratings to BB from BB- in March 2010
- Fitch Ratings upgraded Indonesia’s credit ratings to BB+ in January 2010

**Global economic recovery bolster the external sector**
- Economic indicators from developed and emerging markets are showing signs of a global economic recovery
- Stronger private consumption coupled with rising production levels are leading US economic recovery
- Meanwhile, Japan began to experience positive economic growth in the final quarter of 2009.
- Strong growth in India and China are fuelling import. This will have a positive impact on trade partner countries, including Indonesia

**Solid Rupiah, Current Account & FX Reserves Support**
- Foreign exchange reserves have rose over 3% in a month to US$78.8 billion at end July 2010. This is equivalent to financing more than half a year of imports and foreign debt repayment
- The IDR has appreciated 7% against USD since July, reflecting increasing capital inflows and exports growth of 54% yoy
- The 2010 state budget currently has a surplus of around Rp150 trillion (≈ US$17 billion). Because of the surplus, the government saw no urgency in the issuance of foreign currency-denominated bonds, including Samurai bonds.

**Fiscal Stimulus had seen rise in consumption**
- Private consumption rose 3.9% yoy in the 1st quarter on top of stronger export performance
- This was confirmed by increases in a number of consumption indicators such as imports of consumption goods, automobile and motorcycle sales, and retail sales.
- Further growth in household consumption is expected with higher income levels as Indonesia progresses

**Controllable Inflation**
- Indonesia’s central bank has pledged special attention to rising inflation which is projected to remain within its target corridor of 5% + 1% in 2010 and 2011
- Core inflation declined 1.42% to 3.88% in February 2010 over January reflects relatively controllable inflation
- The proposed electricity tariff hike is not expected to trigger any large impact on inflation if implemented on larger customers

**Growth-supporting Interest Rate**
- Despite rising borrowing cost in the region, Indonesia has kept interest rates unchanged for an 11th month at 6.5% to strengthen economic growth before responding to faster inflation
- BI will continue to monitor and respond in order to maintain currency strength and anchor inflationary expectations
- Higher CAR then most regional banks and declining NPLs numbers ensure a healthy banking system in Indonesia

**Source:** BPS, Bank Indonesia, Ministry of Finance
Strong Government Support

Gol active involvement emphasizes the importance of PLN’s role in ensuring stable electricity supply in Indonesia

**Close Involvement of Gol**
- Gol is involved in almost every critical stage of PLN’s operations
  - Budget setting, capital expenditure plans, IPP developments and primary energy supply
  - Assisted by the Board of Finance and Development Control (BPKP) in verification and certification process during renegotiation of PPAs with several IPPs

**Government Financial Assistance**
- Extended government loan maturities, converted overdue & penalties into equity during 1998 crisis
- Waived interest on certain tax deferrals
- Channels loans which Gol as the primary obligor to lenders (2-step loan)
- Law No. 19/2003: Full commitment to support PLN for doing PSO
- Inject equity to fund development plan: Rp3.9tn in 2009 and Rp3.6tn in H1 2010
- In 2010, Gol approved a Rp7.5tn soft-loan to finance PLN’s 2010 capital expenditure

**Provision of Timely and Adequate Subsidies along with Tariff Increases**
- MoF Decree No. 111/PMK.02/2007 and its amendments: Blanket Subsidy
  - Continuous review ensuring adequate and timely subsidy payments
  - 5% margin for 2009 approved and has been effective since January 2009 (MoF letter issued in October 2009)
  - 8% margin for 2010 approved and has been effective since January 2010 (2010 State Budget)
  - Electricity tariff increase (MEMR Regulation No.007/2010)

**Total Government Subsidy to PLN (IDR trn)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>3.50</td>
</tr>
<tr>
<td>2005</td>
<td>12.50</td>
</tr>
<tr>
<td>2006</td>
<td>32.90</td>
</tr>
<tr>
<td>2007</td>
<td>36.60</td>
</tr>
<tr>
<td>2008</td>
<td>78.60</td>
</tr>
<tr>
<td>2009</td>
<td>53.70</td>
</tr>
<tr>
<td>H1 2009</td>
<td>24.70</td>
</tr>
<tr>
<td>H1 2010</td>
<td>27.54</td>
</tr>
</tbody>
</table>

**Notes:**
1. 2004-2010 are total revenues from electricity subsidies recognized by PLN in its audited financial statements
Favourable Demand / Supply Dynamics

Backed by strong macro indicators, energy demand in Indonesia is expected to grow at more than 9% p.a. in next few years. 

- Low electrification ratio 66.1% underscores undersupply and shows the intrinsic growth
- Projected demand growth of more than 9% p.a. is over the next ten years
- Urgent need for new generation capacity due to frequent power outages in recent years
- Assets are located all over Indonesia, mostly serving the densely populated Java-Bali islands
- 60% of Indonesia’s 237-million population live in Java island (world’s most populous island, with nearly 1,000 people per sq.km)
- Java-Bali represents ~80% of energy demand requirements in Indonesia and 75% of total generating capacity
- Peak load of 17.9 GW in Java-Bali (H1 2010) represents ~75% of the nation’s demand (22.7GW)
- Reserve margin of 24.7% in Java-Bali (H1 2010)

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### Projected Indonesian Energy Demand 2010 – 2019

![Projected Indonesian Energy Demand 2010 – 2019](image)

### 2010 – 2019

<table>
<thead>
<tr>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2013</th>
<th>2015</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Energy Demand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>147.8</td>
<td>161.1</td>
<td>193.5</td>
<td>233.6</td>
<td>334.4</td>
</tr>
<tr>
<td>Java-Bali</td>
<td>115.1</td>
<td>125.2</td>
<td>149.6</td>
<td>179.0</td>
<td>252.5</td>
</tr>
<tr>
<td>Western Indonesia</td>
<td>21.4</td>
<td>23.3</td>
<td>28.1</td>
<td>35.5</td>
<td>53.8</td>
</tr>
<tr>
<td>Eastern Indonesia</td>
<td>11.3</td>
<td>12.6</td>
<td>15.8</td>
<td>19.1</td>
<td>28.1</td>
</tr>
<tr>
<td>2. Electrification Ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>66.1</td>
<td>68.5</td>
<td>73.7</td>
<td>79.5</td>
<td>90.9</td>
</tr>
<tr>
<td>Java-Bali</td>
<td>72.2</td>
<td>74.8</td>
<td>80.5</td>
<td>86.9</td>
<td>98.2</td>
</tr>
<tr>
<td>Western Indonesia</td>
<td>64.3</td>
<td>66.3</td>
<td>71.3</td>
<td>80.5</td>
<td>98.0</td>
</tr>
<tr>
<td>Eastern Indonesia</td>
<td>48.5</td>
<td>50.5</td>
<td>55.1</td>
<td>60.2</td>
<td>72.6</td>
</tr>
</tbody>
</table>

Note:
COMPANY’S STRATEGIC INITIATIVES
## Accelerated Generation Expansion

### Overview of Fast Track Program
- Presidential Decree No. 71/2006: Mandated PLN to build coal-fired power plants in Indonesia
  - Reduce PLN’s costs, subsidy burden and meet rising domestic energy demand
- Presidential Decree No. 72/2006: Set up a Committee to monitor FTP progress
  - Members including Coordinating Minister of Economy, MoF, MSOE, MEMR and National Development Board (BAPPENAS)

### Key Drivers
- Shortage of electricity in Indonesia
- Abundance of coal reserves in Indonesia
- Coal-based electricity generation is cheaper than oil-based
- Long term strategy to replace oil-based with coal-powered generation to lower fuel costs

### Program Description
- Build 10 coal-fired power plants in Java-Bali and 26 outside Java-Bali totaling 9.9 GW
  - 20% will be completed by 2010 and another 50% by 2011
  - Reduce oil portion in energy mix from 35%\(^1\) in 2008 to below 5%\(^1\) in 2014 when completed.

### Financing
- 85% bank financing guaranteed by the GoI already committed
- 15% portion from PLN’s internal funding

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**Note:**

1. *Excludes IPPs and it is expressed in terms of percentage of total kilowatt hours generated by each fuel source*
Operations – Efficiency Program

Effective revenue and cost management provided for improved profitability in H1 2010

**System (Transmission & Distribution) Losses**

- **Transmission Losses:** 2.13% (2007), 2.10% (H1 2010)
- **Distribution Losses:** 10.10% (2007), 8.00% (H1 2010)
- **System Losses:** 11.08% (2007), 9.93% (H1 2010)

**Collection Period (days)**

- **Improving and Controlling System Losses:** 10.46% → 9.97%
- **Reducing Collection Period:** 12.2 → 8.2

**Energy Mix (kWh produced)**

- **Natural Gas:** 17% (2006), 17% (H1 2010)
- **Geothermal:** 3% (2006), 3% (H1 2010)
- **Coal:** 37% (2006), 35% (H1 2010)
- **Hydro:** 8% (2006), 12% (H1 2010)
- **Oil Fuel:** 35% (2006), 26% (H1 2010)

**Efficiency Program**

1. Improving Energy Mix → Reducing Oil Consumption
2. Improving and Controlling System Losses
3. Reducing Collection Period
4. Implementing Centralized Online Payment System & Cash Pooling
5. Introducing Prepaid System
THE CRISIS & COMPANY’S ACTIONS
The Global Financial Crisis 2008

Impacts

- Net income plunged to an all-time biggest loss of Rp12tn (USD1.2bn)
  - Unhedged forex-based operational expenses soared, especially fuel and energy purchase from IPP
  - Financial non-operational expenses (interest expenses and forex loss) almost tripled
- Cash strapped
  - Payment to supplier rose almost 100%
  - Cash balance fell far below minimum requirement
- Unfavorable market held PLN from issuing bonds in 2008

Actions

- Proposed increase in subsidy to adjust to the unfavorable macroeconomic conditions
- Restructured short-term liabilities to become long-term debt
- Refrained from issuing local and global bonds after successive issuance in 2006 and 2007
  - The next Global Bond issuance was in 2009 for USD2bn; local issuance in 2010 for Rp6tn (USD600mn)
- Business process reengineering
  - Reorganization by having special directorate for primary energy and strategic procurement
  - Change procurement business process to bring down operational expenses and investment cost
  - Grid system reconfiguration in order to shut down oil fuel-based power plants
Financial Profile, before and after the crisis...
PLN enjoys positive cash flows, higher EBITDA and a healthy balance sheet.

Sales and GoI Subsidy (IDR trn)

EBITDA (IDR trn) and EBITDA Margin (%)

PLN enjoys positive cash flows, higher EBITDA and a healthy balance sheet.
Financial Profile, before and after the crisis (cont’d)

The Company has sustainable gearing, higher return and good cash flow coverage

<table>
<thead>
<tr>
<th>Debt to EBITDA (x)</th>
<th>Consolidated Interest Coverage Ratio (CICR)</th>
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<tbody>
<tr>
<td>4,93</td>
<td>4,64</td>
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</table>

<table>
<thead>
<tr>
<th>Debt to Equity Ratio (%)</th>
<th>Profitability Ratio</th>
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</thead>
<tbody>
<tr>
<td>38.2</td>
<td>48.7</td>
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</tbody>
</table>

The Company has sustainable gearing, higher return and good cash flow coverage.
THANK YOU
Corporate Structure

100% Owned by GoI

Oversight

- Ministry of State Owned Enterprises (MSOE)
- Ministry of Energy and Mineral Resources (MEMR)
- Ministry of Finance (MoF)

PT PLN (Persero)

- Indonesia Power
  - Electricity Generation
- Pembangkitan Jawa Bali
  - Electricity Generation
- PLN Batam
  - Electric Utility
- PLN Tarakan
  - Electric Utility

- Majapahit Holding B.V.
  - Offshore Bond Financing Vehicle
- Icon+
  - Information & Communication Technology
- PLN Enjiniring
  - Engineering Services
- PLN Batu Bara
  - Coal Supplier
- PLN Geothermal
  - Geothermal Generation