

# mineIndonesia 2005\*

## review of trends in the Indonesian mining industry

december 2005



\*connectedthinking

PRICEWATERHOUSECOOPERS 

# Contents

|    |   |
|----|---|
| 1  | <b>Executive Summary</b>                      |
| 7  | <b>Highlights for 2004</b>                    |
| 11 | <b>Financial Performance</b>                  |
| 21 | <b>Investment</b>                             |
| 31 | <b>Financial Position</b>                     |
| 35 | <b>Contribution to the Indonesian Economy</b> |
| 39 | <b>Expenditures of Public Interest</b>        |
| 41 | <b>Employment</b>                             |
| 43 | <b>Survey Background and Details</b>          |
| 47 | <b>Survey Participants</b>                    |
| 49 | <b>10 year Summary</b>                        |
| 53 | <b>Contracts of Work and Coal Agreements</b>  |
| 55 | <b>Glossary and Endnotes</b>                  |
| 57 | <b>Acknowledgments</b>                        |
| 58 | <b>PricewaterhouseCoopers</b>                 |
| 59 | <b>Indonesian Mining Association</b>          |

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This report is based on a survey of data provided by several respondents, which has not been verified by PricewaterhouseCoopers or the Indonesian Mining Association. PricewaterhouseCoopers and the Indonesian Mining Association accept no liability (including liability in negligence) and take no responsibility for any loss or damage which a user of this publication or any third party may suffer or incur as a result of reliance on this publication.

Current year respondents who did not participate in last year's survey have reported their prior year figures when completing this year's questionnaire. Also certain respondents corrected some 2003 figures. These figures have been revised accordingly. Thus in some cases, figures for 2003 appearing in this report differ from the figures in previous reports.

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Cover: These pictures represent the entire mining cycle, from exploration through to closure.



**MINISTER OF ENERGY AND MINERAL RESOURCES  
REPUBLIC OF INDONESIA**

It is a great pleasure for me to commend to you the seventh PricewaterhouseCoopers report on trends in the Indonesian mining industry. PricewaterhouseCoopers and IMA are well known to government, business and investors for their commitment to the Indonesian mining industry and their desire to see the continuation of a strong and vibrant mining industry in Indonesia.

The Indonesian mining industry continues to be an important part of economic development and growth in Indonesia. In addition to the substantial direct impact on economic development and growth, there is an even larger indirect flow of benefits. The Government of Indonesia remains committed to the mining sector and encourages all private investors, both foreign and domestic, to continue their support of the Indonesian mining industry.

A number of uncertainties continue to affect the level of new investment in the industry- regional autonomy, delay in finalization of Coal and Mineral Law replacing Law No.11/1967 and over lapping with forestry regulations. The government is working towards removing this uncertainty. I have an expectation that with the removal of these obstacles and improvement in metal prices, the Indonesian mining industry will again show positive growth and become an increasing contributor to the economic development of Indonesia.

Again, I commend this publication to you and congratulate PricewaterhouseCoopers, IMA and the participating mining companies on their valuable contributions.

Jakarta, 20 January 2006  
Minister of Energy and Mineral Resources



Purnomo Yusgiantoro





## INDONESIAN MINING ASSOCIATION - IMA

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Jakarta, 20 January 2006

It is a great honor for me to present to you the seventh PricewaterhouseCoopers report on trends in the Indonesian mining industry. On behalf of IMA and the mining industry, I congratulate PricewaterhouseCoopers and thank them for their continued commitment and support to the industry.

The mining industry is important to Indonesia. It is a substantial provider of export earnings, economic activity and employment, and supports regional development.

IMA continues to work with its members, the government and other parties towards achieving the best regulatory environment to promote further exploration investment in mining.

**Jeffrey Mulyono**

Chairman

Indonesian Mining Association



# Executive Summary



The mining industry had a spectacular year in 2004, both in Indonesia and globally. This has principally been driven by the rise in commodity prices. However the challenge facing Indonesia is that whilst the mining industry is currently very profitable the longevity of a lucrative mining industry is in doubt if significant new investment is not made in Indonesia.

## The commodity boom continues

In respect of the companies analysed in Indonesia, revenue has increased by 25% and net profits increased by a staggering 62% in the 2004 year. This is consistent with the global trends. Based on a survey of 40 of the world's largest mining companies (referred to as the global 40<sup>i)</sup>) revenues increased 39% and profits doubled in 2004.

Other profit measures also show a broad-based industry improvement was experienced in 2004, both in Indonesia and globally.

| Key Ratios                        | Top 40 Companies - Global <sup>i)</sup> |       | Indonesia |       |
|-----------------------------------|---|-------|-----------|-------|
|                                   | 2003                                    | 2004  | 2003      | 2004  |
| <b>EBITDA Margin</b>              | 26.3%                                   | 29.7% | 38.2%     | 38.9% |
| <b>Net profit margin</b>          | 10.4%                                   | 15.2% | 14.9%     | 19.3% |
| <b>Effective tax rate</b>         | 27.9%                                   | 24.7% | 38.2%     | 37.0% |
| <b>Return on capital employed</b> | 7.6%                                    | 13.7% | 9.1%      | 13.3% |
| <b>Return on equity</b>           | 10.5%                                   | 18.9% | 18.6%     | 27.3% |
| <b>Net debt to equity ratio</b>   | 39.6%                                   | 25.4% | 65.1%     | 42.9% |

i) Aggregated results of 40 of the largest mining companies as per PwC mine\*

Commodity prices are the core driver of this outstanding performance. Increased demand worldwide particularly from China and the weaker US dollar have pushed commodity prices up.

With the Chinese government having set the target of doubling Gross Domestic Product (GDP) by 2020 and the increasing emergence of other countries such as India also being global players in the energy market, demand is expected to grow. Rather than being at the top of the commodity cycle, the industry may be undergoing a structural change in global demand.

(see page 11)

## The balance sheets of the global 40 mining companies are very strong and companies are now committing financial resources to development

The positive economic environment has led to a very strong industry balance sheet. The debt to equity ratios have decreased significantly over the last few years. With cash generated from operations increasing significantly, cash and cash equivalents of the global 40 stood at US\$22 billion at the end of 2004.

Many companies are now committing financial resources to development as they implement growth strategies to take advantage of buoyant market conditions. Key decisions about the destination of the next generation of minerals development are now being made.

The question is how Indonesia is placed to reap the rewards of the next wave of global spending.

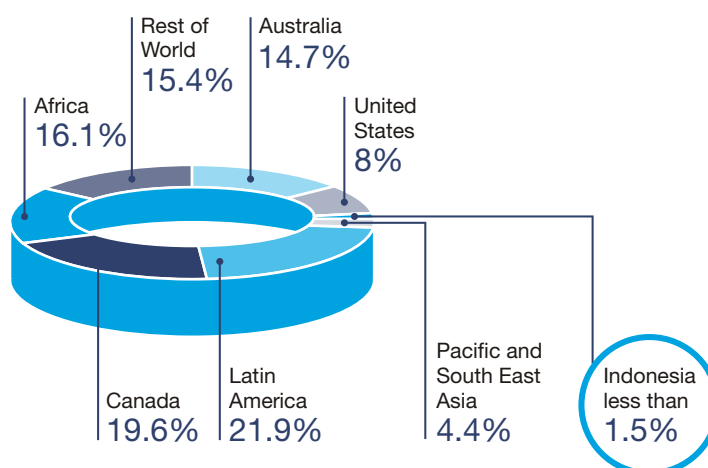
(see page 17)

## Global mining companies still perceive Indonesia's investment conditions to be poor relative to other countries.

The acid test in determining whether Indonesia is viewed as an attractive investment destination, despite its very good mineral prospectivity, is the level of exploration spending undertaken in Indonesia.

Exploration activity in Indonesia remains at low levels. In contrast, the level of global exploration expenditure has increased significantly in 2004 (up 58%<sup>iii</sup> from 2003). According to Canada's Metals Economics Group (MEG), budgeted worldwide exploration in 2004 is US\$ 3.8 billion. The current exploration spend in Indonesia is less than 1.5% of the global total.

### Worldwide exploration spending 2004



Source: Metals Economics Group (Indonesia added)

In Indonesia, the low level of exploration activity is a cause for concern as the long term success of the industry (and flow-on benefits to the people of Indonesia) depends on the continued exploration, discovery and development of new deposits. There is no doubt that Indonesia is a very mineral prospective country (rated in the top 6 according to the Fraser Institute). Whilst there has been increased activity by local investors and junior mining companies the low level of exploration expenditure by large global mining companies will continue until they are satisfied that investment conditions have improved.

Although new exploration activity remains at low level, several existing producers are looking to expand operations.

(see page 26)

## Are investment conditions in Indonesia improving fast enough to enjoy the benefits of the next generation of global minerals development?

mineIndonesia 2004\* listed seven priorities to improve investment conditions. These are listed below with a comment on progress to date. The concern is whether Indonesia is acting quickly enough to capture the next generation of global exploration spending.

| mineIndonesia 2004* - seven priorities to improving investment conditions  | Progress to December 2005   |
|--|---|
| <ul style="list-style-type: none"> <li>Restoring long-term certainty in the Contract of Work (CoW) system, including tax stability (locking in tax conditions for the CoW term).</li> </ul>                                | <ul style="list-style-type: none"> <li>The draft mining law has been completed. The current draft indicates that the CoW system will cease to exist for new projects. Reservations about the attractiveness of the draft law have been expressed by foreign investors.</li> </ul>   |
| <ul style="list-style-type: none"> <li>Improving the competitiveness of the taxation and royalty system relative to other prospective countries, including restoring VAT refunds for gold and coal producers.</li> </ul>   | <ul style="list-style-type: none"> <li>Tax reforms are heading in the right direction. Under the proposed new tax laws the corporate tax rate may reduce to 25% by 2010 and most mining products are to be VATable again (coal will be a VATable product but the reforms do not appear to extend to gold bars). The taxation of oil and gas companies and mining companies will be set by government regulation.</li> <li>A negative factor is the recent imposition of a 5% duty on the value of coal exported.</li> </ul> |
| <ul style="list-style-type: none"> <li>Resolving conflicts between CoW terms and forestry regulations, without imposing additional financial or other burdens onto the mining companies.</li> </ul>                        | <ul style="list-style-type: none"> <li>In August 2005 the Constitutional Court confirmed the status of Law no 19/2000 allowing mining in protected forests. However it permits only 13 existing concessions to mine in such forests.</li> </ul>   |
| <ul style="list-style-type: none"> <li>Reduce illegal mining.</li> </ul>   | <ul style="list-style-type: none"> <li>The government has acknowledged the need to clean up illegal activities. Success to date is unclear.</li> </ul>  |
| <ul style="list-style-type: none"> <li>Minimize potential for 'over regulation' in proposed changes to regulations affecting mining, including regulatory duplication between central and regional governments.</li> </ul> | <ul style="list-style-type: none"> <li>No significant progress noted.</li> </ul>  |
| <ul style="list-style-type: none"> <li>Ensure fairness in divestment of foreign interest and mine closures.</li> </ul>   | <ul style="list-style-type: none"> <li>No significant progress noted.</li> </ul>  |
| <ul style="list-style-type: none"> <li>Improving certainty of legal interpretation of CoWs and regulations.</li> </ul>   | <ul style="list-style-type: none"> <li>No significant progress noted.</li> </ul>  |

In addition to the above comments environmental and social responsibilities are becoming an increasing focus in the Indonesian mining industry. These issues have also been fuelled by the Newmont case.

(see page 29)

## The mining industry continues to be an important contributor to the Indonesian economy.

The mining industry continues to be an important contributor to the overall Indonesian economy. Mining products accounted for approximately 2.8% of the total Indonesian GDP.

The industry also continues to make significant contributions to regional and community development (Rp466 billion in 2004).

The total number of Indonesian national direct employees has increased by 6% from 33,620 in 2003 to 35,800 in 2004.

The total measured monetary benefit to Indonesia which is captured by the survey is significantly lower than the total monetary benefits. This is because of the indirect multiplier effect that the mining industry's direct contribution has on other economic activity.

(see page 38 and 40)

## Outlook

The global mining boom is continuing. Whilst the Indonesian mining industry's financial results are robust and are likely to continue to be so because of continued high minerals prices and global demand the concern is the longevity of a lucrative mining industry if significant new investment is not made in Indonesia.

Indonesia continues to be recognised by mining companies as being highly prospective and mining companies would be willing to increase their exploration activities if the investment conditions are improved.

Of particular concern is the Government's steadfast position that the contract of work system will be abolished for new projects, and that new investment will have to be made via a joint venture type arrangement with a state-owned mining enterprise, or alternatively via a mining licence directly obtained from the Regional Government. This proposed system has not been well received by foreign mining companies.

Whilst some improvement in investment conditions has been noted and there is more confidence that the Government is committed to improving investment conditions, the concern is whether the Government is acting quickly enough, and addressing investor's specific concerns, to ensure Indonesia benefits from the current wave of global exploration spending.



# Highlights for 2004



- Increases in mineral prices have driven profitability higher.
- Revenue increased by 25% and aggregate net profit by 62%.
- The return on shareholders' funds was 27.3%, compared to 18.6% in 2003 and 14.9% on average for the last 10 years.
- The profitability of Indonesian mines compares favourably with other countries.

- Mine production of coal and nickel increased.
- Production of gold, copper, and tin was lower.

- The government revenue from mining increased to US\$1,660 million.
- The total effective tax and royalty rate was 46.3%.

- Despite high prospectivity greenfields exploration activity remains at critically low levels – no new CoWs issued in last seven years.
- Indonesia's share of global exploration spending is less than 0.5% of the global total.
- Investment on new mines and production capacity increases remains low.
- Investment conditions are still perceived as being poor. There has been some progress. Proposed new mining law and regulations do not improve investment conditions.

|                                 | 2003<br>US\$ million | 2004<br>US\$ million | Year-on-year<br>Movement |
|---------------------------------|----------------------|----------------------|--------------------------|
| <b>Revenue</b>                  | 6,333                | 7,940                | ↑ 25%                    |
| <b>EBITDA</b>                   | 2,422                | 3,086                | ↑ 27%                    |
| <b>Net profit</b>               | 945                  | 1,533                | ↑ 62%                    |
| <b>Government revenue</b>       | 1,169                | 1,660                | ↑ 42%                    |
| <b>Total assets at year end</b> | 10,811               | 12,291               | ↑ 14%                    |
| <b>Borrowings at year end</b>   | 2,992                | 2,549                | ↓ 15%                    |

|  | 2003  | 2004  | Average<br>10 years |
|--|-------|-------|---------------------|
| <b>EBITDA Margin</b>                   |       |       |                     |
| Indonesia                              | 38.2% | 38.9% | 38.1%               |
| Top 40 companies - global <sup>i</sup> | 26.3% | 29.7% | n/a                 |
| Australia <sup>ii</sup>                | 28.0% | 33.7% | n/a                 |
| <b>Net profit margin</b>               |       |       |                     |
| Indonesia                              | 14.9% | 19.3% | 14.5%               |
| Top 40 companies - global <sup>i</sup> | 10.4% | 15.2% | n/a                 |
| Australia <sup>ii</sup>                | 6.9%  | 12.8% | 6.9%                |
| <b>Return on capital employed</b>      |       |       |                     |
| Indonesia                              | 9.1%  | 13.3% | 7.7%                |
| Top 40 companies - global <sup>i</sup> | 7.6%  | 13.7% | n/a                 |
| Australia <sup>ii</sup>                | 2.7%  | 5.2%  | 3.6%                |
| <b>Return on shareholders' funds</b>   |       |       |                     |
| Indonesia                              | 18.6% | 27.3% | 14.9%               |
| Top 40 companies - global <sup>i</sup> | 10.5% | 18.9% | n/a                 |
| Australia <sup>ii</sup>                | 7.4%  | 14.0% | 7.2%                |
| <b>Debt to equity ratio</b>            |       |       |                     |
| Indonesia                              | 65.1% | 42.9% | 145.7%              |
| Top 40 companies - global <sup>i</sup> | 39.6% | 25.4% | n/a                 |
| Australia <sup>ii</sup>                | 28.8% | 28.9% | 38.7%               |

(n/a=not available)

mining\*

PwC\*

\*connectedthinking

The image is a full-page background photograph of an industrial construction or maintenance site. In the center, a tall yellow crane is lifting a large, silver, cylindrical metal tank. The tank is suspended by cables and is positioned vertically. To the left, there is a complex structure of metal scaffolding and walkways, with yellow safety railings. To the right, a large, multi-story industrial building with a corrugated metal roof is visible. The sky is a clear, bright blue. The overall scene suggests a major engineering project, possibly related to mining or manufacturing.

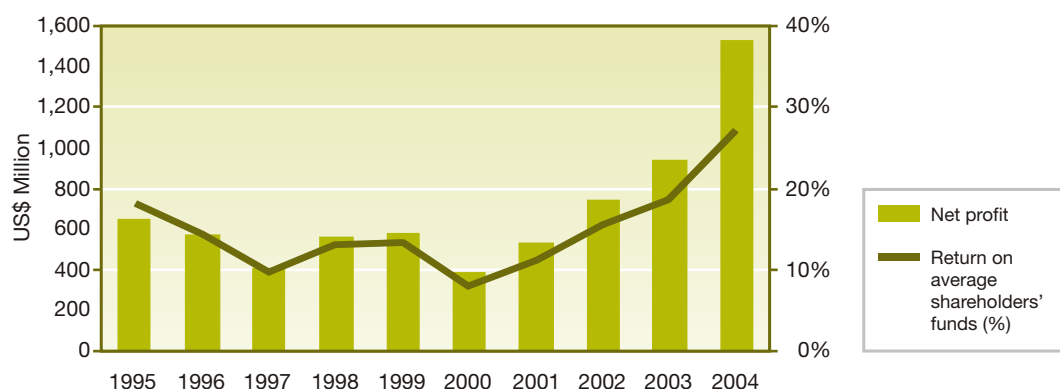
# Financial Performance

## Stronger mineral prices improve financial profitability

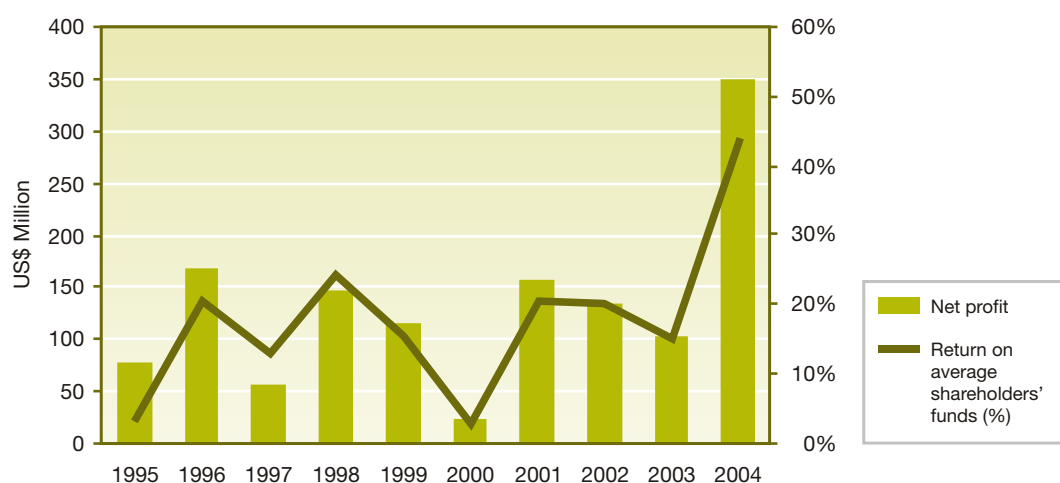
The significant increase in profitability over the last two years is mainly the result of increases in mineral prices, a decrease in amortization and depreciation partly due to Kelian and Minahasa gold mine closures and a general aging of assets, and lower interest and financing costs due to substantial debt repayments over the last three years.

### Net profit and rates of return

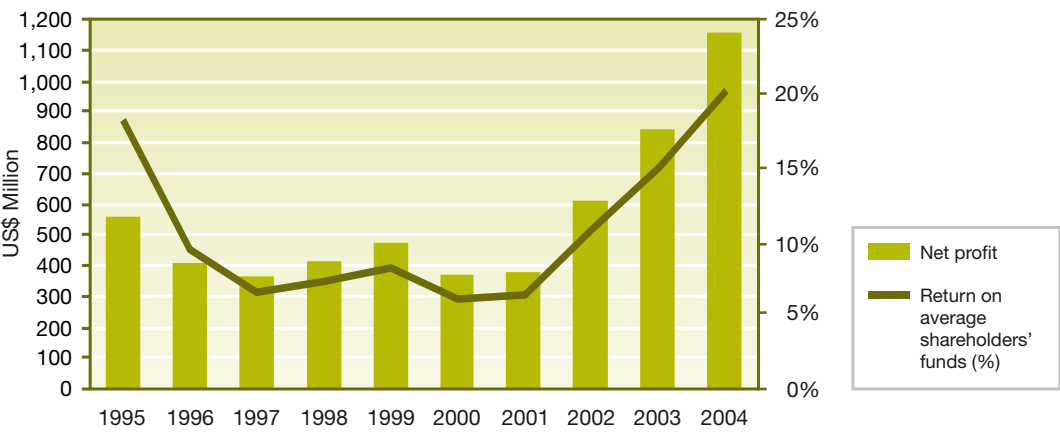
#### All companies



#### Coal companies



Hard rock companies



Aggregate profit & loss

All companies

|                                       | 2003<br>US\$ million | 2004<br>US\$ million | Year-on-year<br>Movement |
|---------------------------------------|----------------------|----------------------|--------------------------|
| Net sales revenue                     | 6,333                | 7,940                | ↑ 25%                    |
| Cash operating expenses               | 3,911                | 4,854                | ↑ 24%                    |
| <b>EBITDA</b>                         | <b>2,422</b>         | <b>3,086</b>         | <b>↑ 27%</b>             |
| Amortisation and depreciation         | 767                  | 586                  | ↓ 24%                    |
| <b>Profit before interest and tax</b> | <b>1,655</b>         | <b>2,500</b>         | <b>↑ 51%</b>             |
| Interest                              | 184                  | 148                  | ↓ 19%                    |
| <b>Profit before tax</b>              | <b>1,471</b>         | <b>2,352</b>         | <b>↑ 60%</b>             |
| Income tax                            | 526                  | 819                  | ↑ 56%                    |
| <b>Net profit</b>                     | <b>945</b>           | <b>1,533</b>         | <b>↑ 62%</b>             |

**Coal companies**

|                                       | 2003<br>US\$ million | 2004<br>US\$ million | Year-on-year<br>Movement |
|---------------------------------------|----------------------|----------------------|--------------------------|
| <b>Net sales revenue</b>              | 1,941                | 2,907                | ↑ 50%                    |
| Cash operating expenses               | 1,484                | 2,176                | ↑ 47%                    |
| <b>EBITDA</b>                         | 457                  | 731                  | ↑ 60%                    |
| Amortisation and depreciation         | 256                  | 122                  | ↓ 53%                    |
| <b>Profit before interest and tax</b> | 200                  | 610                  | ↑ 204%                   |
| Interest                              | 54                   | 63                   | ↑ 18%                    |
| <b>Profit before tax</b>              | 147                  | 546                  | ↑ 272%                   |
| Income tax                            | 44                   | 197                  | ↑ 351%                   |
| <b>Net profit</b>                     | 103                  | 349                  | ↑ 239%                   |

**Hard rock companies**

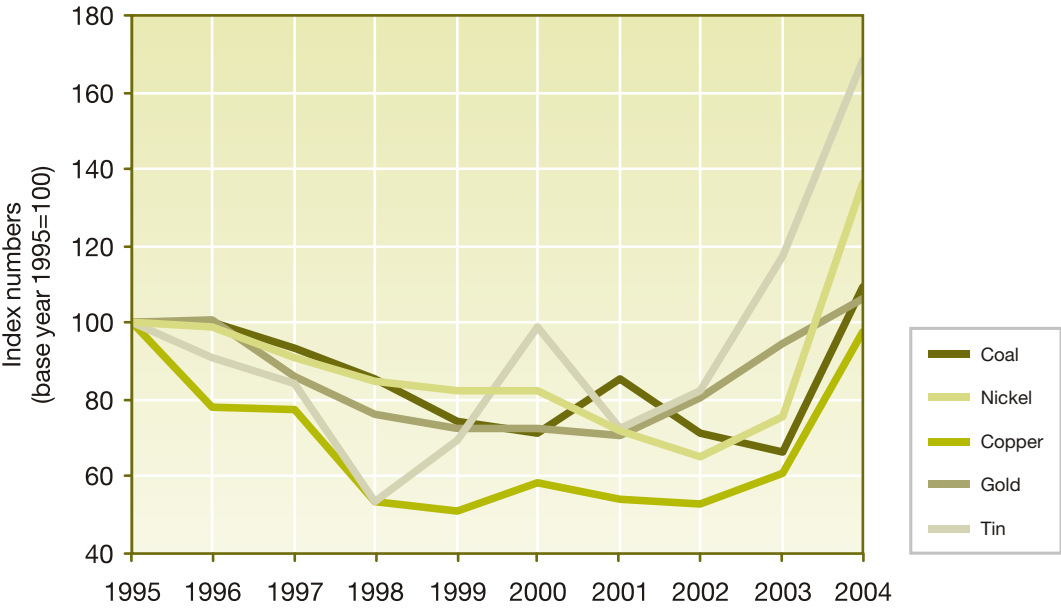
|                                       | 2003<br>US\$ million | 2004<br>US\$ million | Year-on-year<br>Movement |
|---------------------------------------|----------------------|----------------------|--------------------------|
| <b>Net sales revenue</b>              | 4,392                | 5,033                | ↑ 15%                    |
| Cash operating expenses               | 2,464                | 2,678                | ↑ 9%                     |
| <b>EBITDA</b>                         | 1,928                | 2,355                | ↑ 22%                    |
| Amortisation and depreciation         | 474                  | 464                  | ↓ 2%                     |
| <b>Profit before interest and tax</b> | 1,454                | 1,891                | ↑ 30%                    |
| Interest                              | 130                  | 85                   | ↓ 35%                    |
| <b>Profit before tax</b>              | 1,324                | 1,805                | ↑ 36%                    |
| Income tax                            | 483                  | 622                  | ↑ 29%                    |
| <b>Net profit</b>                     | 842                  | 1,184                | ↑ 41%                    |

The average prices of all major minerals has increased substantially in 2004, and above the highest levels for the past five years.

Continuing the 2003 trend, thermal coal prices have increased substantially in 2004, with the benefit of this being partly realised in 2005 and expected to continue into 2006.

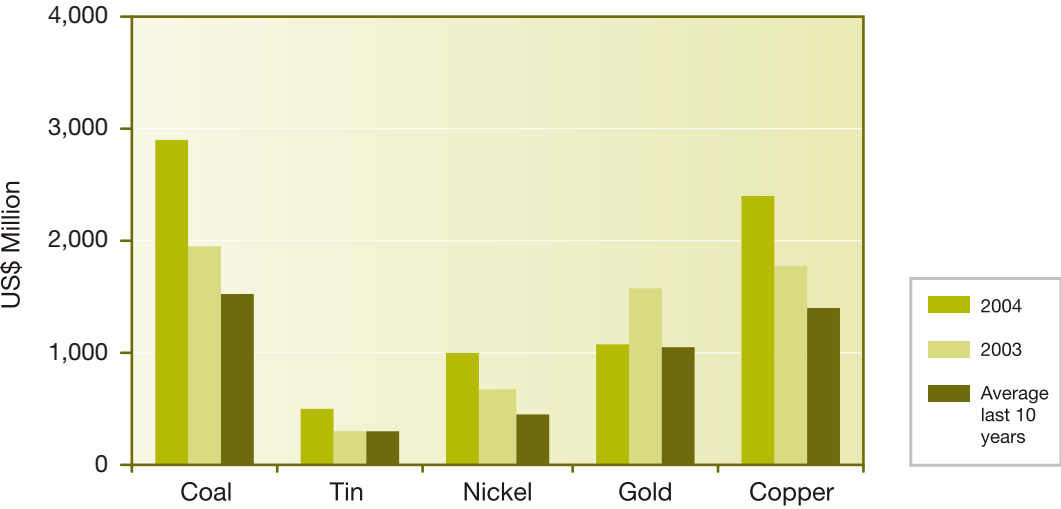
High prices for most minerals continue in 2005 and will underpin strong financial performance in 2005 and 2006.

Mineral prices



Source: LME average annual prices and Japan-Australia benchmark coal price

Sales revenue for major minerals



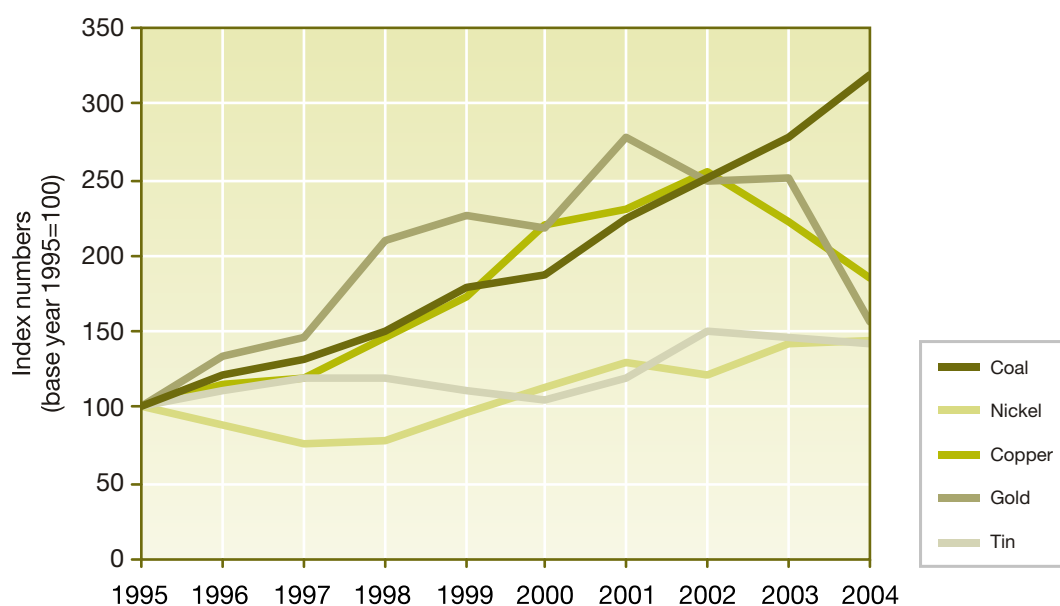
## 2004 Production levels variable

Production increases in coal have been driven by an increase in production from existing mines rather than new mines. Very strong coal prices in 2004 have driven considerable activity by most producers to rapidly expand production, including KPC's Bengalon and Bendili mines in early 2005.

The copper and gold production decrease was largely attributable to the Grasberg open pit slippage and closure of the Minahasa mine. Whilst some smaller scale gold mines are being developed in 2004/2005 the production from these mines is not expected to replace the fall in production from the Minahasa and Kelian mine closures.

Nickel production has continued to increase, mainly through plant optimization and higher production at Inco. However, Inco's higher production was offset by a decrease in Antam nickel production due to the planned overhaul of FeNi II. Antam's FeNi III production will increase nickel production in the future. PT Inco has also announced plans to increase production to meet stronger global demand for nickel.

### Production



# Profitability of Indonesian mines continues to be higher than the global average

The average profitability of Indonesian mines is relatively high compared to other countries. However this profitability is extremely variable and is distorted by a few large (and profitable) mines and companies with relatively low shareholders’ funds. The net profit of individual companies ranged from US\$1 million to almost US\$447 million. The return on shareholders’ funds for individual companies ranged from 9% to over 77%.

## Key profitability ratios

|  | 2003  | 2004  | Average 10 years |
|--|-------|-------|------------------|
| <b>EBITDA Margin</b>                   |       |       |                  |
| Indonesia                              | 38.2% | 38.9% | 38.1%            |
| Top 40 companies - global <sup>i</sup> | 26.3% | 29.7% | na               |
| Australia <sup>ii</sup>                | 28.0% | 33.7% | na               |
| <b>Net profit margin</b>               |       |       |                  |
| Indonesia                              | 14.9% | 19.3% | 14.5%            |
| Top 40 companies - global <sup>i</sup> | 10.4% | 15.2% | na               |
| Australia <sup>ii</sup>                | 6.9%  | 12.8% | 6.9%             |
| <b>Return on capital employed</b>      |       |       |                  |
| Indonesia                              | 9.1%  | 13.3% | 7.7%             |
| Top 40 companies - global <sup>i</sup> | 7.6%  | 13.7% | na               |
| Australia <sup>ii</sup>                | 2.7%  | 5.2%  | 3.6%             |
| <b>Return on shareholders’ funds</b>   |       |       |                  |
| Indonesia                              | 18.6% | 27.3% | 14.9%            |
| Top 40 companies - global <sup>i</sup> | 10.5% | 18.9% | na               |
| Australia <sup>ii</sup>                | 7.4%  | 14.0% | 7.2%             |
| <b>Debt to equity ratio</b>            |       |       |                  |
| Indonesia                              | 65.1% | 42.9% | 145.7%           |
| Top 40 companies - global <sup>i</sup> | 39.6% | 25.4% | na               |
| Australia <sup>ii</sup>                | 28.8% | 28.9% | 38.7%            |

(na=not available)

### Top 5 companies – by revenue

|                                      | 2003  | 2004  |
|--------------------------------------|-------|-------|
| <b>EBITDA Margin</b>                 | 39.9% | 44.5% |
| <b>Net profit margin</b>             | 16.4% | 21.3% |
| <b>Return on capital employed</b>    | 7.4%  | 12.6% |
| <b>Return on shareholders' funds</b> | 14.4% | 24.5% |
| <b>Debt to equity ratio</b>          | 76.8% | 43.0% |

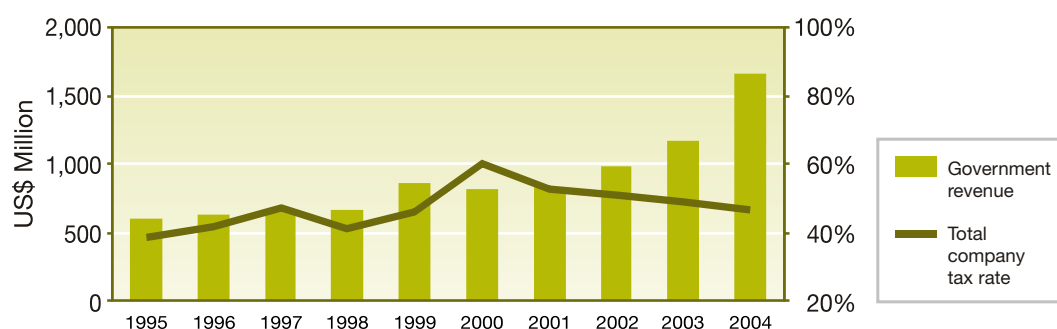
### Other companies - by revenue

|                                      | 2003  | 2004  |
|--------------------------------------|-------|-------|
| <b>EBITDA Margin</b>                 | 34.9% | 27.9% |
| <b>Net profit margin</b>             | 11.9% | 15.4% |
| <b>Return on capital employed</b>    | 4.1%  | 14.0% |
| <b>Return on shareholders' funds</b> | 6.8%  | 18.8% |
| <b>Debt to equity ratio</b>          | 34.1% | 39.9% |

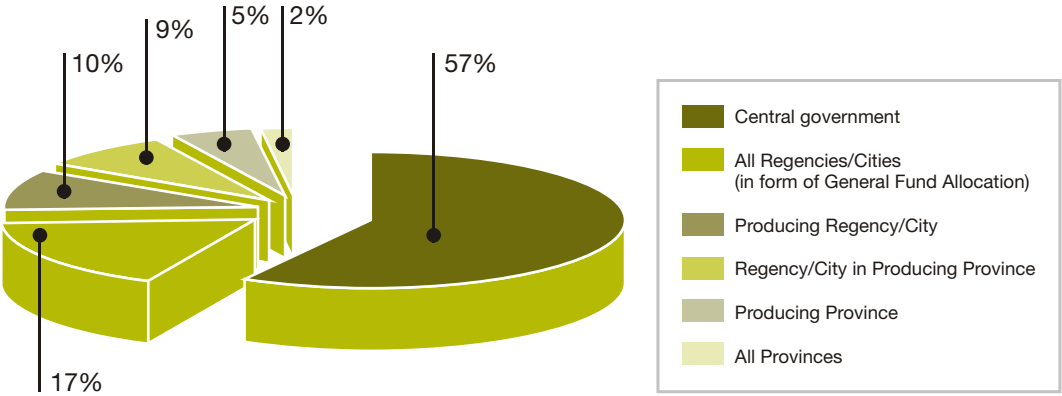
## The Government has benefited from the improved profitability of the industry

The increase in total government revenue in 2004 was approximately US\$491 million. The total tax and royalty rate for 2004 was 46.3%, down slightly from 48.1% in 2003.

### Government share of gross mining returns



### Government share allocation



### Government revenue

|                                       | 2003<br>US\$ million | 2004<br>US\$ million | Year-on-year<br>Movement |
|---------------------------------------|----------------------|----------------------|--------------------------|
| Income tax expense                    | 526                  | 819                  | ↑ 56%                    |
| Mineral and coal royalties            | 314                  | 424                  | ↑ 35%                    |
| <b>Total direct taxes</b>             | <b>841</b>           | <b>1,243</b>         | <b>↑ 48%</b>             |
| <b>Total indirect taxes</b>           | <b>58</b>            | <b>81</b>            | <b>↑ 40%</b>             |
| <b>Total tax expense on companies</b> | <b>899</b>           | <b>1,323</b>         | <b>↑ 47%</b>             |
| <b>Total taxes levied to others</b>   | <b>172</b>           | <b>221</b>           | <b>↑ 28%</b>             |
| <b>Total taxes</b>                    | <b>1,070</b>         | <b>1,544</b>         | <b>↑ 44%</b>             |
| Input VAT                             | 98                   | 116                  | ↑ 18%                    |
| <b>Total Government revenue</b>       |                      |                      |                          |
| - US\$ millions                       | 1,169                | 1,660                | ↑ 42%                    |
| - Rp billions                         | 10,019               | 13,924               | ↑ 39%                    |

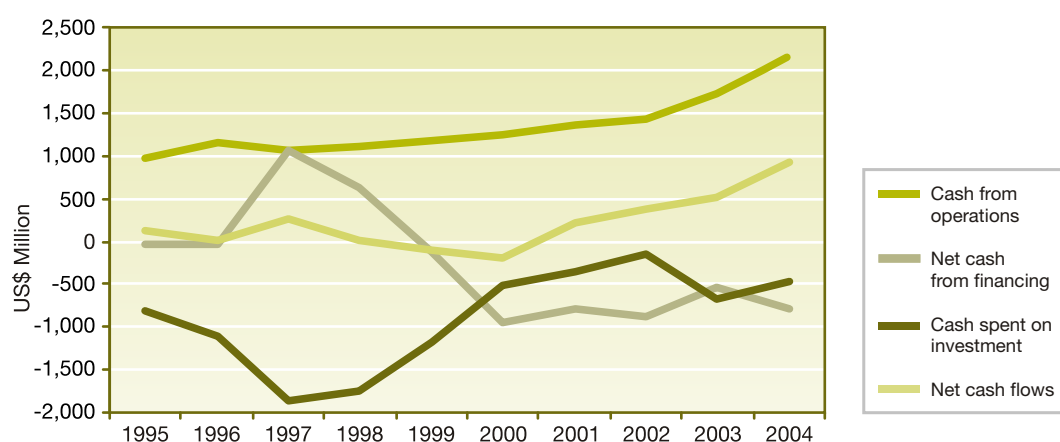
## Cash flows

Cash flow from operations increased mainly due to higher mineral prices compared to previous years.

Net cash from financing continues the recent trend reflecting substantial repayments of debt and low investment. There has been an overall outflow of approximately US\$787 million but it is noteworthy that this is net of Bumi Resources raising US\$0.4 billion, mainly for refinancing of its acquisition of KPC, and Antam's credit facility of approximately US\$30 million for its FeNi III expansion.

Cash spent on investment is still at low levels compared to that achieved in the mid nineties. This spending is mainly replacement or sustaining capital expenditure rather than spending on new mines and capacity expansions.

### Aggregate cash flows



### Aggregate cash flows

|                          | 2003<br>US\$ million | 2004<br>US\$ million | Year-on-year<br>Movement |
|--------------------------|----------------------|----------------------|--------------------------|
| Cash from operations     | 1,735                | 2,171                | ↑ 25%                    |
| Net cash from financing  | (538)                | (787)                | ↑ 46%                    |
| Cash spent on investment | (671)                | (460)                | ↓ 31%                    |
| Net cash flows           | 525                  | 924                  | ↑ 76%                    |

# Investment



The mining industry in Indonesia is at a critical juncture. Global investment in the mining industry is at its highest point since 1997, but Indonesia is seeing little of this increased activity which has been spurred on by high commodity prices. International surveys of mining companies continue to rank Indonesia highly in terms of mineral prospectivity, however the country continues to receive poor report cards for its mineral policies and investment climate. Urgent and meaningful action is required to ensure that Indonesia is able to reap the rewards of the burgeoning upturn in the global mining industry.

## Exploration

Exploration activity in Indonesia has continued its downward trend, and remains at critically low levels. Spending on greenfields exploration over the past few years is less than 20% of the level achieved in 1995-1997 and is less than 0.5% of the total global exploration spend. Other exploration is less than 1.5% of the total global exploration spend.

### Exploration expenditure in Indonesia

|                            | Greenfields<br>US\$ million | Other<br>US\$ million |
|----------------------------|-----------------------------|-----------------------|
| <b>Average 1995 - 1997</b> | 40                          | 94                    |
| <b>Average 1998 - 2000</b> | 19                          | 61                    |
| <b>Average 2001 - 2004</b> | 7                           | 26                    |

It should also be noted that the reported exploration expenditure includes indirect and administrative costs of exploration companies as well as field costs. The amount spent on pure exploration activities, therefore, is even lower. However, the reported totals exclude the spending of a few explorers with advanced projects which did not participate in the survey.

The low level of exploration activity is of serious concern for the long-term success of the industry (and the flow-on benefits to the people of Indonesia). An increase in exploration, discovery and development of new deposits is essential to sustain the industry beyond the short-term. The high risk of exploration activity compared to the rate of successful

discovery of economic deposits; and the lengthy process from discovery to production (at least 10 years), means that there will be no significant mine development in Indonesia for a number of years, other than existing known undeveloped deposits.

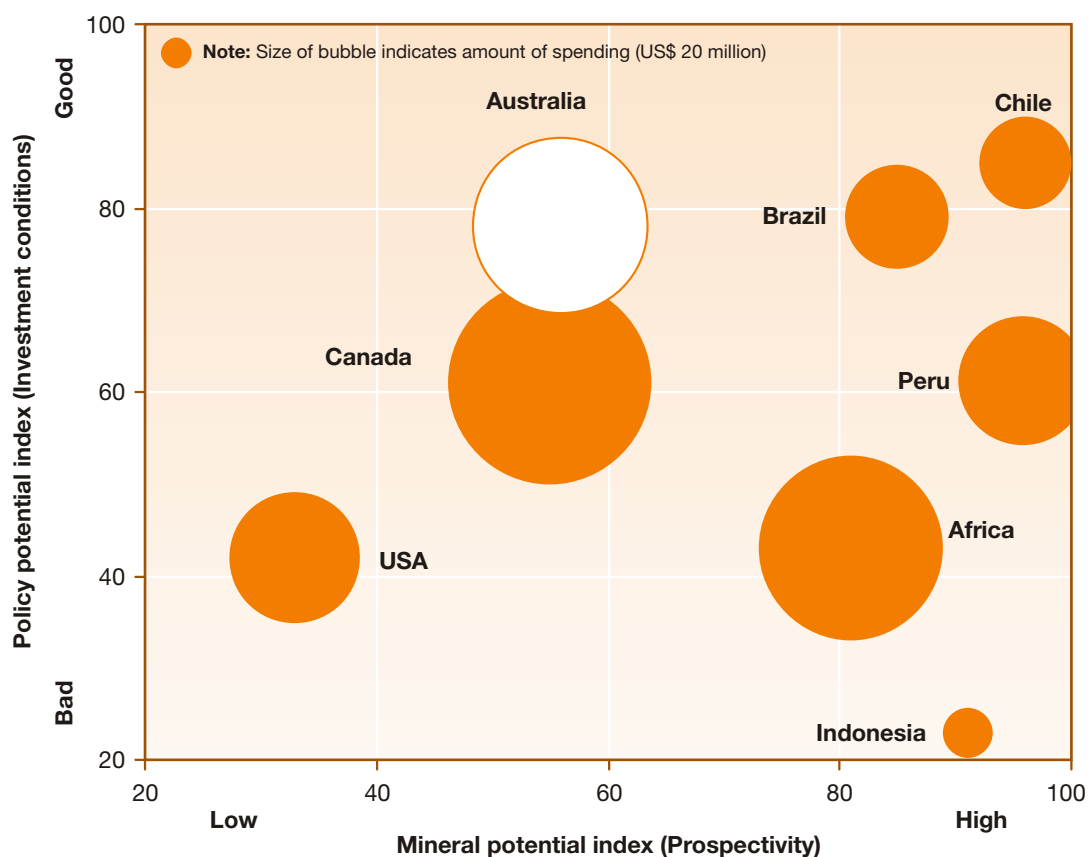
As indicated in the table below, there has been a huge increase in the global level of exploration expenditures, as global mining companies begin to use the “war chests” they have accumulated off the back of high commodity prices. This, combined with an increased appetite for exploration due to historical under-investments, creates a very favourable investment environment for highly mineral prospective countries such as Indonesia. However, it is clear that Indonesia has captured only a tiny portion of the global exploration spend. This is primarily because mining companies perceive Indonesia’s investment conditions to be poor relative to other countries.

#### Greenfields exploration spending

|                               | 2003<br>US\$ million | 2004<br>US\$ million | Year-on-year<br>Movement |
|-------------------------------|----------------------|----------------------|--------------------------|
| <b>In Indonesia</b>           | 7                    | 7                    | 0%                       |
| <b>Globally<sup>iii</sup></b> | 1,050                | 1,596                | ↑ 52%                    |
| <b>Indonesia’s share</b>      | <1%                  | <0.5%                |                          |

Indonesia’s mineral prospectivity (or exploration potential) remains a positive aspect and mining companies rate Indonesia as one of the top five countries in the world for its mineral potential, if best practices were applied<sup>iv</sup>. However, this does not guarantee exploration activity as can be seen from the low spending in recent years, and indicates that there is significant room for improvement. The low level of exploration expenditure will continue until mining companies are satisfied that the investment conditions have improved.

### Exploration conditions and spending by country



Source: Fraser Instituteiv and MEGiii (approximate figures for purposes of illustration)

### Investment on mine development and fixed assets

Investment on new mine development or expansions in production capacity are also at very low levels.

From 1996 to 1999, spending on development and fixed assets averaged more than US\$1,500 million per year. The average over the last four years is around 32% of this level at around US\$480 million.

### Development and fixed asset spending

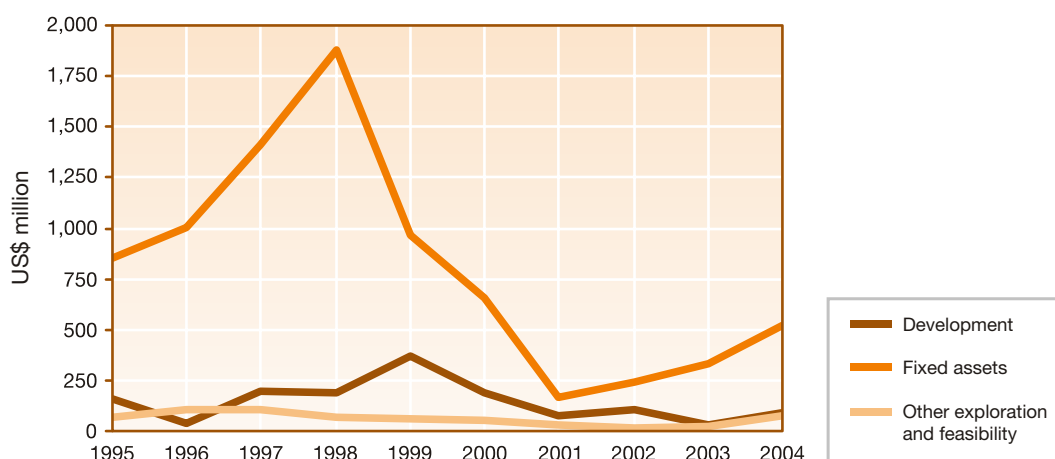
| US\$ million  | Average<br>1996 - 1999 | Average<br>2000 - 2004 | Year-on-year<br>Movement |
|---|------------------------|------------------------|--------------------------|
| <b>Development</b>  | 199                    | 99                     | ↓ 50%                    |
| <b>Fixed Assets</b>   | 1,315                  | 384                    | ↓ 71%                    |
| <b>Total investment on fixed assets and<br/>development</b> | 1,514                  | 483                    | ↓ 68%                    |

Indonesia's three largest mines represented 74% of the total spending on fixed assets in 2004. This was almost entirely spent on replacement capital expenditure rather than expansions.

The most significant new mine or expansionary activity during 2004 was Antam's FeNi III smelter construction and accompanying power plant and Inco's DC link project. In addition, a few small gold mines are in the development phase. Antam's FeNi III project will increase nickel production in the future. Inco has also announced plans to increase production to meet stronger global demand for nickel. Coal producers are also looking at expansions, including KPC's Bengalon and Bendili mine in early 2005.

Two of Indonesia's largest gold mining operations have exhausted reserves and closed during 2004 and early 2005. There are several junior mining companies developing gold mines however at this stage their reserves will not replace the closed mines exhausted reserves.

### Investment



Indonesia has a few large mineral deposits which have not been developed due to unresolved regulatory issues impacting investment decisions and the ability to obtain financing. This is despite the recent period of strong mineral prices, and the resultant significant increase in the investment appetite of global players.

## Investment conditions

Consistent with recent years, mining companies continue to indicate that there is significant room for improvement in Indonesia's mineral policies. Despite the fact Indonesia is ranked highly on geological prospectivity, Indonesia receives a poor report card for its mineral policies, based on the 2004/2005 survey undertaken by the Fraser Institute (the Fraser Survey<sup>iv</sup>).

The Fraser Survey was drawn from the views of 259 mining and exploration companies worldwide. It measures the mineral potential (prospectivity) and policy potential (investment conditions) of significant mining regions.

Indonesia scores very positively for its prospectivity, with a score of 97 (out of a maximum of 100) and is ranked 6<sup>th</sup> out of 64 regions. Only certain provinces of Canada and Australia ranked higher in the mineral potential index.

However, Indonesia is ranked very lowly for its investment conditions – scoring 12 (out of a maximum of 100) on the policy potential index<sup>v</sup>, which is a deterioration from last year's Fraser Survey score of 23/100. Indonesia is ranked third last, marginally ahead of the Democratic Republic of the Congo and Zimbabwe.

## Deterrents to investment

The three main individual factors contributing to Indonesia's poor policy potential rating were:

| Factor  | % of respondents who consider factor to be a strong deterrent to investment in Indonesia | Comments                    |
|---|--|-----------------------------|
| <b>Political stability</b>                        | 56%  | 4 <sup>th</sup> lowest rank |
| <b>Security</b>                                   | 56%  | 4 <sup>th</sup> lowest rank |
| <b>Regulatory duplication and inconsistencies</b> | 50%  | 5 <sup>th</sup> lowest rank |

Source: Fraser Institute <sup>iv</sup>

There were several other areas where Indonesia ranked in the lowest quartile of countries covered by the survey, including:

| Factor   | % of respondents who consider factor to be a strong deterrent to investment in Indonesia | Comments                    |
|--|--|-----------------------------|
| <b>Uncertainty concerning the administration, interpretation and enforcement of existing regulations</b> | 47%  | 9 <sup>th</sup> lowest rank |
| <b>Taxation regime</b>   | 32%  | 5 <sup>th</sup> lowest rank |
| <b>Infrastructure</b>  | 32%  | 8 <sup>th</sup> lowest rank |
| <b>Uncertainty concerning which areas will be protected as wilderness or parks</b>                       | 30%  | 8 <sup>th</sup> lowest rank |

Source: Fraser Institute <sup>iv</sup>

Interestingly, the taxation regime, which was not a strongly negative factor for Indonesia in last year's Fraser Survey, has moved into the top five issues impacting investment in Indonesia. This is consistent with anecdotal evidence that taxation issues are rated by many Indonesian mining executives as having a strong negative impact on exploration and investment.

A less competitive taxation regime compared to other similarly prospective countries has the effect of reducing Indonesia's exploration and investment spending allocation from global budgets.

## Significant exploration potential, provided investment conditions are improved

Respondents to the Fraser Survey also rated each region's mineral potential in two ways:

- based on existing regulations and land use restrictions; and
- assuming no regulations or land restrictions, and industry 'best practice' standards.

The difference in results for Indonesia was significant:

|  | Based on existing regulations and land use restrictions | Assuming no regulations or land restrictions and industry 'best practice' standards |
|--|---|---|
| <b>Indonesia's country rating for mineral policy</b> | 53%   | <b>97%</b>  |
| <b>Country ranking</b>                               | 43 <sup>rd</sup> (out of 64)                            | <b>6<sup>th</sup> highest rank</b>  |

The Fraser Survey notes that countries with a large difference in these two measures have significant room to improve, which highlights the potential for a significant increase in exploration activity in Indonesia under the right investment conditions.

The Fraser Survey also notes that certain countries with low mineral prospectivity are deemed more attractive based on existing regulations "considering the sometimes awful regulatory regimes in many jurisdictions with strong mineral potential, like Indonesia, Russia or California. If these jurisdictions incorporated a 'best practices' policy regime, exploration managers would be drawn away" from other jurisdictions with relatively low mineral potential. As the table above illustrates, if a best practice regime was implemented, Indonesia would be ranked 6th best in the world.

## Priorities to improving investment conditions

As illustrated above, substantial increases in exploration and development of new mines can only be expected to be achieved with a significant improvement in the mineral policy regime and the investment climate in general. While mining companies continue to rate Indonesia's policy framework negatively, exploration and investment dollars will continue to be drawn away to other countries with relatively less geological prospectivity.

## Are investment conditions in Indonesia improving fast enough to enjoy the benefits of the next generation of global minerals development?

mineIndonesia 2004\* listed seven priorities to improve investment conditions. These are listed below with a comment on progress to date. The concern is whether Indonesia is acting quickly enough to capture the next generation of global exploration spending.

| mineIndonesia 2004* - seven priorities to improving investment conditions  | Progress to December 2005   |
|--|---|
| <ul style="list-style-type: none"> <li>Restoring long-term certainty in the Contract of Work (CoW) system, including tax stability (locking in tax conditions for the CoW term).</li> </ul>                                | <ul style="list-style-type: none"> <li>The draft mining law has been completed. The current draft indicates that the CoW system will cease to exist for new projects. Reservations about the attractiveness of the draft law have been expressed by foreign investors.</li> </ul>   |
| <ul style="list-style-type: none"> <li>Improving the competitiveness of the taxation and royalty system relative to other prospective countries, including restoring VAT refunds for gold and coal producers.</li> </ul>   | <ul style="list-style-type: none"> <li>Tax reforms are heading in the right direction. Under the proposed new tax laws the corporate tax rate may reduce to 25% by 2010 and most mining products are to be VATable again (coal will be a VATable product but the reforms do not appear to extend to gold bars). The taxation of oil and gas companies and mining companies will be set by government regulation.</li> <li>A negative factor is the recent imposition of a 5% duty on the value of coal exported.</li> </ul> |
| <ul style="list-style-type: none"> <li>Resolving conflicts between CoW terms and forestry regulations, without imposing additional financial or other burdens onto the mining companies.</li> </ul>                        | <ul style="list-style-type: none"> <li>In August 2005 the Constitutional Court confirmed the status of Law no 19/2000 allowing mining in protected forests. However it permits only 13 existing concessions to mine in such forests.</li> </ul>   |
| <ul style="list-style-type: none"> <li>Reduce illegal mining.</li> </ul>   | <ul style="list-style-type: none"> <li>The government has acknowledged the need to clean up illegal activities. Success to date is unclear.</li> </ul>  |
| <ul style="list-style-type: none"> <li>Minimize potential for 'over regulation' in proposed changes to regulations affecting mining, including regulatory duplication between central and regional governments.</li> </ul> | <ul style="list-style-type: none"> <li>No significant progress noted.</li> </ul>  |
| <ul style="list-style-type: none"> <li>Ensure fairness in divestment of foreign interest and mine closures.</li> </ul>   | <ul style="list-style-type: none"> <li>No significant progress noted.</li> </ul>  |
| <ul style="list-style-type: none"> <li>Improving certainty of legal interpretation of CoWs and regulations.</li> </ul>   | <ul style="list-style-type: none"> <li>No significant progress noted.</li> </ul>  |

In addition to the above comments environmental and social responsibilities are becoming an increasing focus in the Indonesian mining industry. These issues have also been fuelled by the Newmont case.

leadership\*

insight\*

perspective\*

# Financial Position



## The industry's aggregate balance sheets have improved as a result of substantial mineral price increases this year

Key balance sheet ratios improved in 2004. The total funds employed has remained relatively stable during the past five years while total borrowings and debt to equity ratio show a constant decrease due to repayments. The level of investment in fixed assets, and exploration and development (deferred) assets has been relatively insignificant over the past four years.

### Aggregate balance sheet

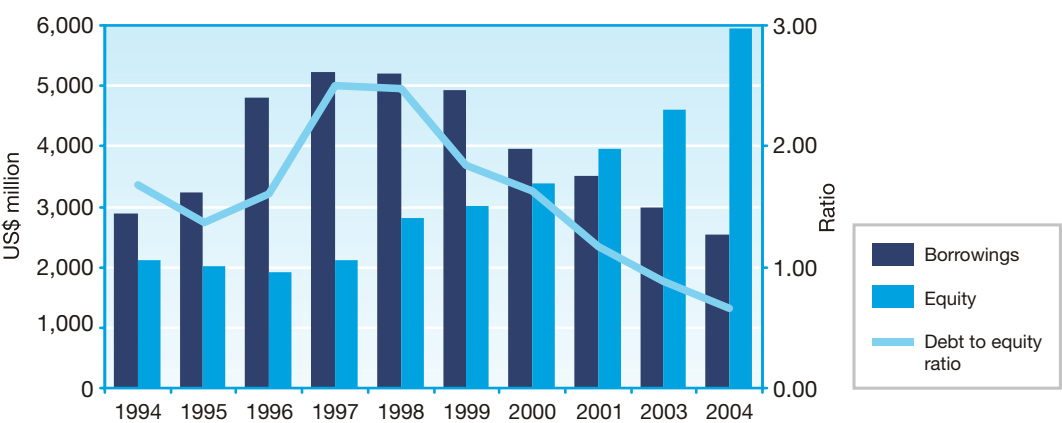
|  | 2003<br>US\$ million | 2004<br>US\$ million | Year-on-year<br>Movement |
|--|----------------------|----------------------|--------------------------|
| Current assets                                     | 2,624                | 3,625                | ↑ 38%                    |
| Fixed assets                                       | 6,241                | 6,624                | ↑ 6%                     |
| Exploration and development                        | 797                  | 793                  | ↓ 0%                     |
| Other assets                                       | 1,149                | 1,248                | ↑ 9%                     |
| <b>Total assets</b>                                | <b>10,811</b>        | <b>12,291</b>        | <b>↑ 14%</b>             |
| Current liabilities                                | 2,268                | 2,227                | ↓ 2%                     |
| Provision/reserve for restoration and mine closure | 170                  | 167                  | ↓ 1%                     |
| Other liabilities                                  | 786                  | 1,408                | ↑ 79%                    |
| <b>Total liabilities (excl. borrowings)</b>        | <b>3,223</b>         | <b>3,802</b>         | <b>↑ 18%</b>             |
| Shareholders' funds                                | 4,597                | 5,940                | ↑ 29%                    |
| Borrowings   | 2,992                | 2,549                | ↓ 15%                    |
| <b>Total funds employed</b>                        | <b>7,588</b>         | <b>8,489</b>         | <b>↑ 12%</b>             |
| <b>Total equity and liabilities</b>                | <b>10,811</b>        | <b>12,291</b>        | <b>↑ 14%</b>             |

## Debt levels fall further

The trends highlighted in the below graph reflect the repayment of debt by operating mines (profitability and cash flows of which, in general, are improving) and the low level of new investment in the Indonesian mining industry in the past few years. Against this trend, Bumi Resources raised debt of around US\$0.4 billion (mainly for the refinancing of existing debt) while Antam raised a credit facility loan of US\$30 million to finance its FeNi III project. Other large mining companies are also considering domestic and international debt offerings to finance planned expansions.

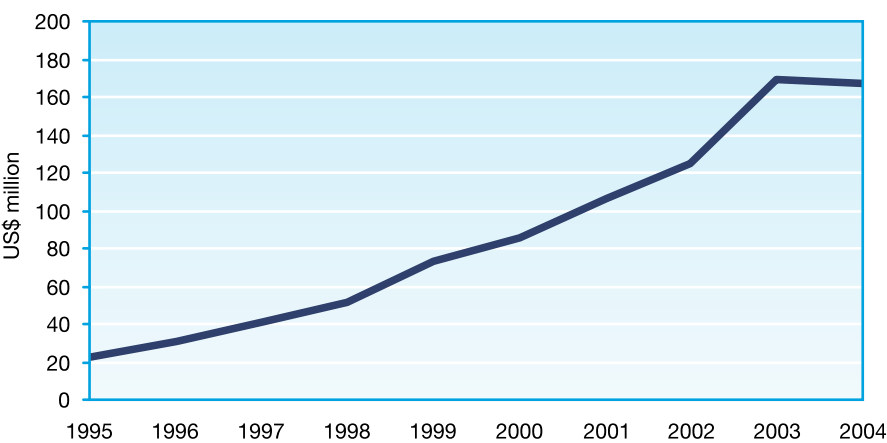
A significant level of debt has been repaid in 2004 and at the end of 2004 third party borrowings represented 71 % of total borrowings.

Equity & borrowings



Mine closure provision has plateaued in 2004

Environment and closure provision



building trust\*

enhancing value\*

improving performance\*

# Contribution to Indonesian Economy



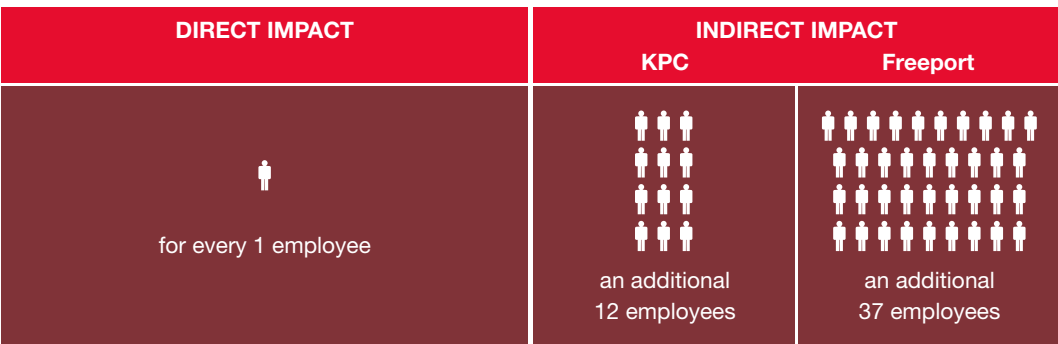
## The mining industry continues to be an important contributor to the Indonesian economy

The mining industry benefits Indonesia in many ways. One of the most significant benefits has been the development of many remote regions of Indonesia, which otherwise would not have occurred. This report attempts to capture the direct monetary impact on the Indonesian economy, however, it must be recognised that this measured impact does not include the indirect multiplier effect that the mining industry contribution has on other economic activity. This multiplier effect is significant.

A simple example to illustrate the multiplier effect is as follows: An Indonesian is employed by a mining company in Kalimantan and earns Rp20 million per month. Of this salary, Rp4 million is paid to the government in taxes, Rp12 million is spent on purchases for him and his family and Rp4 million is deposited into a bank account. Round one of the indirect effect is therefore the indirect benefit received by the government, suppliers and distributors and the banking sectors. Round two would be the indirect benefit flowing from the government spending, suppliers and distributors (for example salaries to employees and other purchases), and from the funds the bank lends out to other parties. These indirect benefits are repeated (multiplied) many times over. The total impact from the mining industry on the Indonesian economy is therefore in the order of several times the direct measured impact.

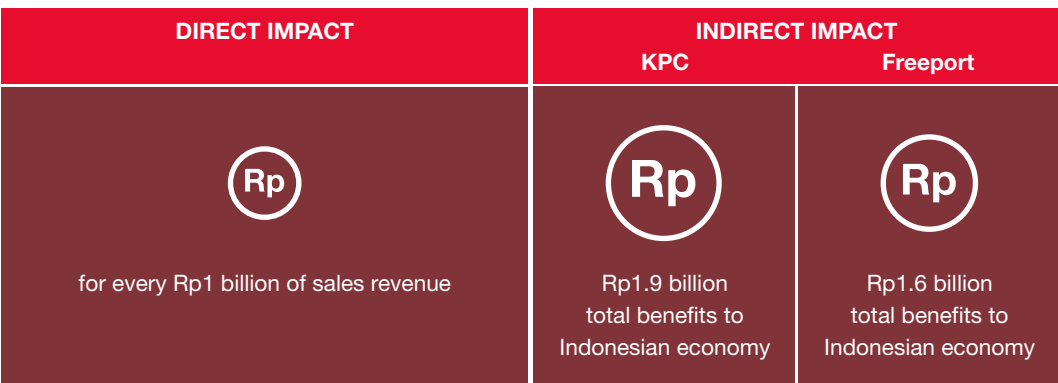
Two studies by the University of Indonesia<sup>vi</sup> on the economic impact of two of Indonesia's larger mining operations (Kaltim Prima Coal and Freeport Indonesia) demonstrate this multiplier effect on employment and economic activity. The studies indicate that, Kaltim Prima Coal and Freeport Indonesia, have output multipliers of 1.9 times and 1.6 times revenue from mineral sales in those areas, respectively, while the number of indirect jobs created as a result of mining activity was around 12 times and 37 times the direct employment, respectively.

Employment multiplier



Source: University of Indonesia<sup>vi</sup>

Output multiplier



Source: University of Indonesia<sup>vi</sup>

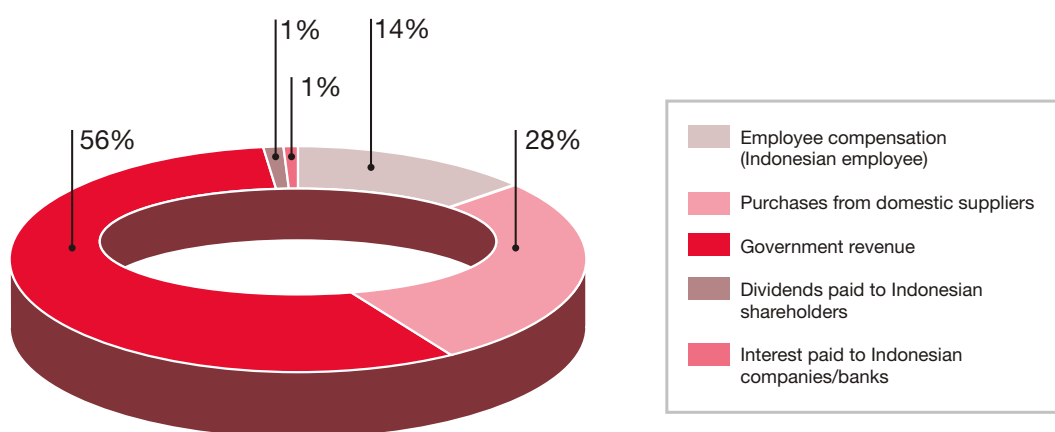
The measured impacts on the Indonesian economy which are covered by this report include salaries and benefits received by Indonesian employees, purchases from domestic suppliers, taxes and other revenues of the central, provincial and regional governments, dividends received by Indonesian shareholders and interest received by Indonesian banks.

Respondents of this year’s survey reported 25% increase in total contribution to the Indonesian economy. The figures reported do not include the indirect multiplier effect that this contribution has on other economic activity in Indonesia. In 2004, total Indonesian mining industry contribution to GDP has remained relatively stable compared to last year at Rp48 trillion. The Indonesian mining industry contributed approximately 2.8% to the total Indonesia GDP in 2004, but it should be noted that the mining industry represents a much larger component of the gross regional domestic product of several provinces, including Papua, Bangka-Belitung, West Nusa Tenggara and East Kalimantan.

### Direct contribution to the Indonesian economy

|  | 2003          | 2004          | Year-on-year Movement |
|--|---------------|---------------|-----------------------|
| <b>Rp billion</b>  |               |               |                       |
| Employee compensation (Indonesian employees)                 | 2,475         | 3,344         | ↑ 35%                 |
| Purchases from domestic suppliers                            | 7,341         | 6,750         | ↓ 8%                  |
| Government revenue   | 10,019        | 13,924        | ↑ 39%                 |
| Dividends paid to Indonesian shareholders                    | 329           | 269           | ↓ 18%                 |
| Interest paid to Indonesian companies/banks                  | 281           | 196           | ↓ 30%                 |
| <b>Total contribution</b>                                    | <b>20,445</b> | <b>24,483</b> | <b>↑ 20%</b>          |
| <b>Mining industry contribution to GDP<sup>viii</sup></b>    | <b>47,615</b> | <b>47,326</b> | <b>↓ 1%</b>           |
| <b>US\$ million</b>  |               |               |                       |
| <b>Total contribution to Indonesian exports<sup>ix</sup></b> | <b>7,588</b>  | <b>10,250</b> | <b>↑ 35%</b>          |
| <b>Export revenues of survey respondents</b>                 | <b>4,492</b>  | <b>6,089</b>  | <b>↑ 36%</b>          |

### Direct contribution by type (2004)

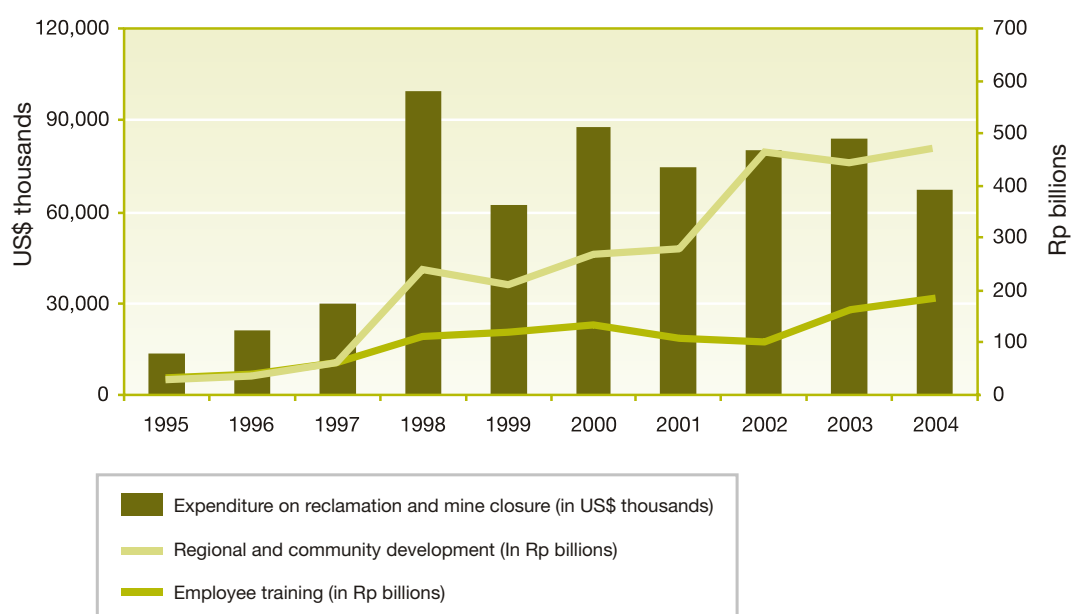


# Expenditures of Public Interest



Total spending on regional and community development, and contributions to charities and not for profit foundations has increased significantly in the past decade. Over the last five years respondents have spent more than Rp 3.1 trillion on these activities. This increase has in part been affected by the levels of profitability reported in the industry.

### Expenditures on public interest



### Expenditures of public interest

|  | 2003   | 2004    | Year-on-year Movement |
|--|--------|---------|-----------------------|
| <b>Rp billions</b>   |        |         |                       |
| Employee training  | 164    | 186     | ↑ 13%                 |
| Regional and community development   | 447    | 470     | ↑ 5%                  |
| Charitable donations and contributions to not-for-profit foundations           | 59     | 85      | ↑ 45%                 |
| <b>US\$ thousands</b>  |        |         |                       |
| Research and development   | 1,148  | 1,951   | ↑ 70%                 |
| Expenditure on reclamation, mine closure and environmental control             | 84,239 | 66,939  | ↓ 21%                 |
| Net increase in accumulated provision/reserve for reclamation and mine closure | 44,592 | (2,483) | ↓ 106%                |



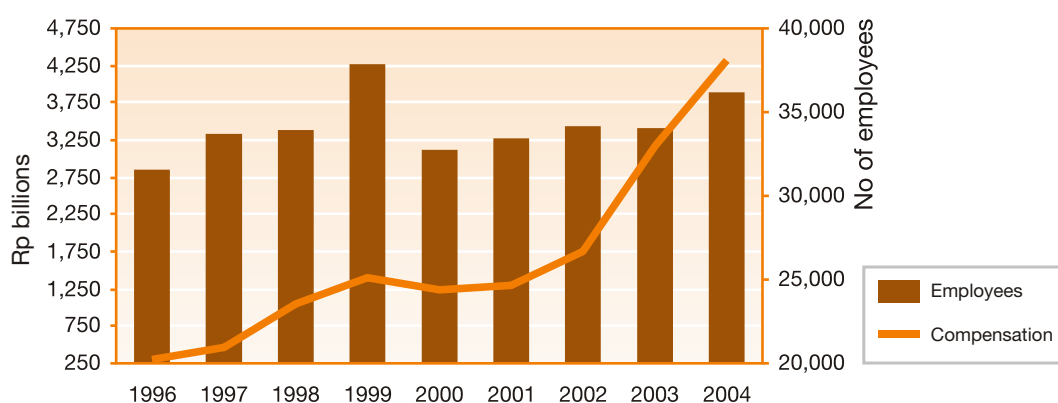
# Employment

The number of individuals directly employed by survey respondents remains relatively stable compared to that of the previous year. Continuing the trend of the past few years the number of expatriate employees has reduced.

Gross workforce compensation increased by 36% to Rp4.321 billion in 2004, partly impacted by certain respondents only starting to provide workforce compensation data for 2004.

The number of employees includes those persons under employment contracts who were directly supervised by the company. It does not include the many individuals whose employment indirectly relates to the mining industry through contractors and suppliers.

#### Employees numbers & compensation



#### Employees numbers & compensation

|  | 2003          | 2004          | Year-on-year Movement |
|--|---------------|---------------|-----------------------|
| Indonesian employees                       | 33,620        | 35,801        | ↑ 6%                  |
| Expatriate employees                       | 469           | 423           | ↓ 10%                 |
| <b>Total direct employees</b>              | <b>34,089</b> | <b>36,224</b> | <b>↑ 6%</b>           |
| Gross workforce compensation (Rp billions) | 3,183         | 4,321         | ↑ 36%                 |

# Survey Background and Details



The purpose of this annual survey is to inform the public and private sectors in Indonesia and abroad about the nature of Indonesia's mining industry, and the contribution made by the industry to the economic and social fabric of Indonesia.

This is the seventh year the survey has been published and unless otherwise indicated, the data presented in this report is on a calendar year basis.

## Survey sample and execution

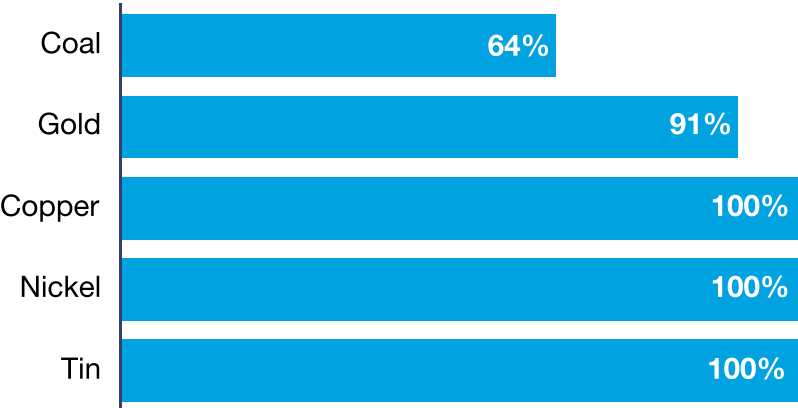
The report is based on the results of a confidential, comprehensive survey questionnaire circulated by PricewaterhouseCoopers to 33 producing companies and over 35 exploration companies that were involved with exploration projects in Indonesia during the period 1999 to 2004. Several exploration companies no longer contribute to the survey because they are now inactive. Survey responses have been reviewed, to the extent possible, for reasonableness and consistency, however, they have not been verified. This information was occasionally supplemented by publicly available reports.

## Coverage

The survey results for this year covers the activities of 17 (14 in 2003) producing companies and 15 (15 in 2003) exploration companies. Virtually all geographic areas of Indonesia are represented in the survey, and all major minerals are covered including coal, gold, copper, nickel, and tin. Industrial minerals (aggregates, for example), steel production and oil and gas are not included in the survey.

The survey participants represent a significant portion of Indonesia’s mineral production. The survey coverage of Indonesia’s 2004 production of major minerals is shown in the chart below:

Survey coverage



Although the data in this report is representative of the industry, not all exploration and producing companies participated in the survey, in particular coal producing companies. The data, therefore, does not offer a complete portrait of the industry. However, a substantial portion of the country’s major producing mines are represented in the survey. The data collected by the survey can be used to draw supportable conclusions about how the industry’s stakeholders (communities, employees, government, creditors, shareholders and suppliers) benefit from the industry, and to make credible observations about investment and spending trends in the industry. PricewaterhouseCoopers intends to continue conducting this survey and publishing this report annually.

The survey does not cover informal production - production by parties outside the official CoW/KP system.

bringing a fresh  
perspective\*

\*connectedthinking



# Survey Participants

The survey participants represent a significant portion of Indonesia's mineral production. The survey coverage of Indonesia's 2004 production of major minerals is shown below:

| Producing Companies            | Generation      | Principal Minerals     | Location                              | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--------------------------------|-----------------|------------------------|---------------------------------------|------|------|------|------|------|------|
| Adaro Indonesia                | 1 <sup>st</sup> | coal                   | South Kalimantan                      | •    | •    | •    | •    | •    | •    |
| Allied Indo Coal               | 1 <sup>st</sup> | coal                   | West Sumatera                         |      | •    |      |      |      |      |
| Aneka Tambang                  | n/a             | bauxite, gold & nickel | Sulawesi, Halmahera, Java, Bintan Is. | •    | •    | •    | •    | •    | •    |
| Arutmin Indonesia              | 1 <sup>st</sup> | coal                   | South Kalimantan                      | •    | •    | •    | •    | •    | •    |
| Bahari Cakrawala Sebuk         | 2 <sup>nd</sup> | coal                   | South Kalimantan                      |      |      | •    | •    |      |      |
| Berau Coal                     | 1 <sup>st</sup> | coal                   | East Kalimantan                       | •    | •    | •    | •    |      | •    |
| Kendilo Coal Indonesia         | 1 <sup>st</sup> | coal                   | South Kalimantan                      | •    | •    |      | •    | •    | •    |
| Bukit Baiduri Enterprise       | n/a             | coal                   | East Kalimantan                       |      |      | •    |      |      |      |
| Freeport Indonesia Company     | 5 <sup>th</sup> | copper & gold          | Papua                                 | •    | •    | •    | •    | •    | •    |
| Indominco Mandiri              | 1 <sup>st</sup> | coal                   | East Kalimantan                       | •    | •    | •    | •    | •    | •    |
| International Nickel Indonesia | 2 <sup>nd</sup> | nickel                 | Sulawesi                              | •    | •    | •    | •    | •    | •    |
| Kaltim Prima Coal              | 1 <sup>st</sup> | coal                   | East Kalimantan                       | •    | •    | •    | •    | •    | •    |
| Kelian Equatorial Mining       | 4 <sup>th</sup> | gold                   | East Kalimantan                       | •    | •    | •    | •    | •    | •    |
| Kideco Jaya Agung              | 1 <sup>st</sup> | coal                   | South Kalimantan                      |      | •    |      |      |      | •    |
| Kitadin                        | n/a             | coal                   | East Kalimantan                       |      |      |      |      |      | •    |
| Koba Tin                       | 2 <sup>nd</sup> | tin                    | Bangka                                | •    | •    | •    | •    | •    | •    |
| Newmont Minahasa Raya          | 4 <sup>th</sup> | gold                   | Sulawesi                              | •    | •    |      |      |      |      |
| Newmont Nusa Tenggara          | 4 <sup>th</sup> | copper                 | Sumbawa                               | •    | •    | •    | •    | •    | •    |
| Nusa Halmahera Minerals        | 6 <sup>th</sup> | gold & silver          | North Maluku                          |      | •    | •    | •    |      |      |
| Rio Tinto Indonesia            | 5 <sup>th</sup> | copper & gold          | Papua                                 | •    | •    | •    | •    | •    | •    |
| Tambang Batubara Bukit Asam    | n/a             | coal                   | Sumatera                              | •    | •    | •    | •    | •    | •    |
| Timah                          | n/a             | tin                    | Bangka                                | •    | •    | •    | •    | •    | •    |

| Exploration Companies          | Generation                        | Target Minerals                       | Location   | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--------------------------------|-----------------------------------|---------------------------------------|--|------|------|------|------|------|------|
| BHP Billiton Exploration Group | n/a                               | coal                                  | Central and East Kalimantan                          |      | •    | •    | •    | •    | •    |
| Bukit Tiang Minerals           | 6 <sup>th</sup>                   | gold                                  | West Kalimantan                                      | •    | •    | •    |      |      |      |
| Citra Palu Minerals            | 6 <sup>th</sup>                   | gold                                  | Central Sulawesi                                     | •    | •    | •    |      |      |      |
| Cyprus Amax Indonesia          | n/a                               | gold                                  | Papua  |      |      | •    | •    | •    | •    |
| Danum Bukit Minerals           | 6 <sup>th</sup>                   | gold                                  | Kalimantan   | •    | •    | •    |      |      |      |
| Danum Kelian Minerals          | 6 <sup>th</sup>                   | gold                                  | Kalimantan   | •    | •    | •    |      |      |      |
| Gag Nickel                     | 7 <sup>th</sup>                   | nickel                                | Gag Island, Papua                                    |      |      | •    |      |      |      |
| Gorontalo Minerals             | 7 <sup>th</sup>                   | copper, gold & silver                 | North Sulawesi                                       |      | •    | •    |      |      |      |
| Harita Persada Jaya Tambang    | n/a                               | coal                                  | Sumatera   | •    | •    | •    |      |      |      |
| Horas Nauli                    | 6 <sup>th</sup>                   | copper & gold                         | North Sumatera                                       |      | •    | •    |      |      |      |
| Ingold Group                   | 5 <sup>th</sup> & 7 <sup>th</sup> | base metals                           | Papua, Central Maluku & Jambi & South East Sulawesi  | •    | •    | •    |      |      | •    |
| Irja Eastern Mineral           | 5 <sup>th</sup>                   | copper, gold & silver                 | Papua  |      |      |      |      |      | •    |
| Kalimantan Surya Kencana       | 6 <sup>th</sup>                   | gold & base metals                    | Central Kalimantan                                   | •    | •    |      |      |      |      |
| Kalsika Indonesia              | 7 <sup>th</sup>                   | gold                                  | Kalimantan   | •    | •    |      |      |      |      |
| Kutaraja Tembaga Raya          | 6 <sup>th</sup>                   | copper & gold                         | Aceh   | •    | •    | •    | •    | •    | •    |
| Mandar Uli Minerals            | 7 <sup>th</sup>                   | gold                                  | South & Southeast Sulawesi                           | •    | •    | •    |      |      |      |
| Meratus Sumber Mas             | 4 <sup>th</sup>                   | gold                                  | South Kalimantan                                     |      |      |      |      | •    |      |
| Mitra Sumbawa Minerals         | 6 <sup>th</sup>                   | gold                                  | West Nusa Tenggara                                   | •    | •    | •    |      |      |      |
| Normandy                       | 6 <sup>th</sup> & 7 <sup>th</sup> | gold                                  | North Sumatra & Papua                                | •    | •    |      |      |      |      |
| Ocean Resources                | 6 <sup>th</sup>                   | diamond, gold & mineral sand          | Kalimantan, Sulawesi & Papua                         |      | •    | •    |      |      |      |
| Placer Dome                    | 6 <sup>th</sup>                   | gold                                  | Kalimantan, East Java & Sulawesi                     | •    | •    | •    |      | •    |      |
| Puncak Baru Jayatama           | 5 <sup>th</sup> & 6 <sup>th</sup> | gold                                  | Central Sulawesi, Nangroe Aceh Darussalam & Bengkulu | •    | •    |      |      |      |      |
| Rikit Alas Minerals            | 6 <sup>th</sup>                   | gold                                  | Aceh   | •    | •    | •    |      |      |      |
| Rio Tinto IRJA                 | 5 <sup>th</sup>                   | copper & gold                         | Papua  | •    | •    | •    | •    | •    | •    |
| Santan Batubara                | 3 <sup>rd</sup>                   | coal                                  | East Kalimantan                                      |      |      | •    |      |      |      |
| Sorikmas Mining                | 7 <sup>th</sup>                   | gold, copper, lead mollybdenam & zinc | North Sumatera                                       | •    | •    | •    | •    | •    | •    |
| Scorpion Sampanahan Mining     | 7 <sup>th</sup>                   | Gold                                  | South Kalimantan                                     |      |      |      | •    | •    | •    |
| Sumbawa Timur Mining           | 7 <sup>th</sup>                   | copper & gold                         | West Nusa Tenggara                                   |      |      | •    | •    | •    | •    |
| Sumber Barito Coal             | 3 <sup>rd</sup>                   | coal                                  | Central and East Kalimantan                          |      |      |      |      |      | •    |
| Weda Bay Nickel                | 7 <sup>th</sup>                   | nickel                                | East Kalimantan                                      |      | •    |      |      |      |      |

# 10 Year Summary



# Financial performance

## Major mineral prices

|        |         | 1995   | 1996   | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   |
|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Coal   | US\$/t  | 40.30  | 40.30  | 37.65  | 34.50  | 29.95  | 28.75  | 34.50  | 28.85  | 26.75  | 44.00  |
| Copper | US\$/lb | 1.33   | 1.04   | 1.03   | 0.71   | 0.68   | 0.78   | 0.72   | 0.71   | 0.81   | 1.30   |
| Gold   | US\$/oz | 384.40 | 387.80 | 331.30 | 294.00 | 278.60 | 279.10 | 271.00 | 309.80 | 363.30 | 409.72 |
| Nickel | US\$/lb | 3.73   | 3.40   | 3.14   | 2.00   | 2.59   | 3.69   | 2.70   | 3.07   | 4.37   | 6.28   |
| Tin    | US\$/lb | 2.82   | 2.80   | 2.56   | 2.39   | 2.33   | 2.33   | 2.03   | 1.84   | 2.14   | 3.84   |

(Yearly average price). Source: AME Mineral Economics

## Mineral production

|        |         | 1995   | 1996   | 1997   | 1998   | 1999   | 2000   | 2001   | 2002    | 2003    | 2004    |
|--------|---------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|
| Coal   | '000 t  | 41,316 | 50,346 | 54,822 | 61,931 | 73,777 | 77,040 | 92,540 | 103,372 | 114,491 | 132,255 |
| Copper | M lb    | 978    | 1,119  | 1,167  | 1,427  | 1,690  | 2,157  | 2,258  | 2,497   | 2,165   | 1,819   |
| Gold   | '000 oz | 1,741  | 2,326  | 2,559  | 3,641  | 3,929  | 3,802  | 4,856  | 4,326   | 4,389   | 2,719   |
| Nickel | M lb    | 123    | 108    | 93     | 96     | 120    | 141    | 161    | 151     | 174     | 177     |
| Tin    | '000 t  | 45     | 49     | 53     | 54     | 50     | 47     | 54     | 67      | 65      | 63      |

## Aggregate profit and loss

| US\$ millions                         | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  |
|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Net sales revenue</b>              | 2,325 | 3,344 | 3,582 | 3,665 | 3,540 | 3,841 | 4,811 | 5,010 | 5,374 | 6,333 | 7,940 |
| Cash operating expenses               | 1,506 | 1,990 | 2,281 | 2,524 | 2,096 | 2,148 | 2,978 | 3,241 | 3,373 | 3,911 | 4,854 |
| <b>EBITDA</b>                         | 820   | 1,354 | 1,301 | 1,140 | 1,444 | 1,693 | 1,834 | 1,768 | 2,001 | 2,422 | 3,086 |
| Amortisation and depreciation         | 228   | 281   | 322   | 358   | 455   | 517   | 805   | 602   | 653   | 767   | 586   |
| <b>Profit before interest and tax</b> | 592   | 1,073 | 979   | 782   | 989   | 1,176 | 1,029 | 1,167 | 1,349 | 1,655 | 2,500 |
| Interest                              | 70    | 101   | 97    | 109   | 129   | 251   | 371   | 273   | 225   | 184   | 148   |
| <b>Profit before tax</b>              | 522   | 972   | 882   | 673   | 860   | 925   | 658   | 893   | 1,124 | 1,471 | 2,352 |
| Tax                                   | 153   | 309   | 310   | 257   | 302   | 340   | 267   | 356   | 381   | 526   | 819   |
| <b>Net profit</b>                     | 369   | 663   | 571   | 417   | 559   | 585   | 391   | 538   | 742   | 945   | 1,533 |

## Profitability – Return on average shareholders' funds (%)

| US\$ millions           | 1995  | 1996  | 1997 | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  |
|-------------------------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|
| Indonesia               | 18.1% | 14.4% | 9.8% | 13.1% | 13.3% | 8.1%  | 11.1% | 15.5% | 18.6% | 27.3% |
| Australia <sup>ii</sup> | 9.2%  | 2.9%  | 1.8% | 3.7%  | 4.0%  | 13.9% | 12.9% | 7.9%  | 7.4%  | 14.0% |

## Aggregate cash flows

| US\$ millions            | 1995  | 1996    | 1997    | 1998    | 1999    | 2000  | 2001  | 2002  | 2003  | 2004  |
|--------------------------|-------|---------|---------|---------|---------|-------|-------|-------|-------|-------|
| Cash from operations     | 971   | 1,151   | 1,057   | 1,108   | 1,179   | 1,255 | 1,367 | 1,424 | 1,735 | 2,171 |
| Net cash from financing  | (30)  | (41)    | 1,059   | 634     | (118)   | (942) | (797) | (881) | (538) | (787) |
| Cash spent on investment | (810) | (1,103) | (1,861) | (1,739) | (1,174) | (515) | (346) | (160) | (671) | (460) |
| Net cash flows           | 131   | 7       | 255     | 3       | (113)   | (202) | 224   | 383   | 525   | 924   |

## Taxes and government revenue

| US\$ millions                         | 1995       | 1996       | 1997       | 1998       | 1999       | 2000       | 2001       | 2002       | 2003         | 2004         |
|---------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
| Income tax expense                    | 309        | 310        | 257        | 302        | 340        | 267        | 356        | 381        | 526          | 819          |
| Mineral and coal royalties            | 79         | 57         | 78         | 65         | 117        | 144        | 176        | 279        | 314          | 424          |
| <b>Total direct taxes</b>             | <b>388</b> | <b>368</b> | <b>334</b> | <b>367</b> | <b>457</b> | <b>411</b> | <b>532</b> | <b>660</b> | <b>841</b>   | <b>1,243</b> |
| <b>Total indirect taxes</b>           | <b>29</b>  | <b>33</b>  | <b>35</b>  | <b>24</b>  | <b>40</b>  | <b>173</b> | <b>68</b>  | <b>98</b>  | <b>58</b>    | <b>81</b>    |
| <b>Total tax expense on companies</b> | <b>417</b> | <b>401</b> | <b>369</b> | <b>391</b> | <b>497</b> | <b>584</b> | <b>601</b> | <b>758</b> | <b>899</b>   | <b>1,323</b> |
| <b>Total taxes levied to others</b>   | <b>106</b> | <b>125</b> | <b>162</b> | <b>132</b> | <b>182</b> | <b>135</b> | <b>163</b> | <b>179</b> | <b>172</b>   | <b>221</b>   |
| <b>Total taxes</b>                    | <b>522</b> | <b>526</b> | <b>532</b> | <b>523</b> | <b>679</b> | <b>719</b> | <b>764</b> | <b>938</b> | <b>1,070</b> | <b>1,544</b> |
| Input VAT                             | 79         | 103        | 127        | 131        | 184        | 98         | 73         | 44         | 98           | 116          |
| <b>Total Government revenue</b>       |            |            |            |            |            |            |            |            |              |              |
| - US\$ millions                       | 601        | 629        | 659        | 655        | 864        | 817        | 837        | 982        | 1,169        | 1,660        |
| - Rp billions                         | 1,351      | 1,473      | 1,900      | 6,588      | 6,798      | 6,863      | 8,569      | 9,147      | 10,019       | 13,924       |

## Investment

| US\$ millions                     | 1995  | 1996  | 1997  | 1998  | 1999  | 2000 | 2001 | 2002 | 2003 | 2004 |
|-----------------------------------|-------|-------|-------|-------|-------|------|------|------|------|------|
| Greenfields exploration spending  | 16    | 54    | 51    | 27    | 18    | 11   | 7    | 7    | 7    | 7    |
| Other exploration and feasibility | 71    | 107   | 104   | 69    | 60    | 56   | 31   | 12   | 22   | 41   |
| Development                       | 155   | 40    | 197   | 192   | 367   | 191  | 73   | 107  | 31   | 94   |
| Fixed assets                      | 849   | 1,006 | 1,410 | 1,879 | 963   | 657  | 167  | 240  | 330  | 524  |
| Total investment                  | 1,091 | 1,206 | 1,762 | 2,168 | 1,408 | 915  | 278  | 366  | 391  | 666  |

## Financial position

| US\$ millions                                      | 1995         | 1996         | 1997         | 1998         | 1999          | 2000          | 2001         | 2002          | 2003          | 2004          |
|--|--------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|---------------|---------------|
| Current assets                                     | 1,325        | 1,452        | 1,516        | 1,495        | 1,644         | 1,822         | 1,649        | 2,229         | 2,624         | 3,625         |
| Fixed assets                                       | 3,809        | 4,440        | 5,867        | 6,754        | 7,144         | 7,067         | 6,614        | 6,375         | 6,241         | 6,624         |
| Exploration and development                        | 823          | 817          | 1,008        | 1,116        | 1,230         | 969           | 678          | 807           | 797           | 793           |
| Other assets                                       | 154          | 238          | 277          | 253          | 313           | 252           | 546          | 648           | 1,149         | 1,248         |
| <b>Total assets</b>                                | <b>6,111</b> | <b>6,947</b> | <b>8,667</b> | <b>9,619</b> | <b>10,331</b> | <b>10,110</b> | <b>9,487</b> | <b>10,060</b> | <b>10,811</b> | <b>12,291</b> |
| Current liabilities                                | 739          | 1,218        | 1,070        | 953          | 1,136         | 1,626         | 1,419        | 1,703         | 2,268         | 2,227         |
| Provision/reserve for restoration and mine closure | 24           | 31           | 42           | 52           | 73            | 86            | 107          | 125           | 170           | 167           |
| Other liabilities                                  | 362          | 443          | 835          | 1,286        | 1,093         | 446           | 613          | 767           | 786           | 1,408         |
| Total liabilities (excl. borrowings)               | 1,125        | 1,692        | 1,947        | 2,291        | 2,302         | 2,157         | 2,139        | 2,595         | 3,223         | 3,802         |
| Equity   | 2,119        | 2,016        | 1,920        | 2,107        | 2,824         | 3,017         | 3,392        | 3,954         | 4,597         | 5,940         |
| Borrowings   | 2,898        | 3,239        | 4,800        | 5,221        | 5,205         | 4,935         | 3,956        | 3,511         | 2,992         | 2,549         |
| <b>Total funds employed</b>                        | <b>5,016</b> | <b>5,255</b> | <b>6,720</b> | <b>7,328</b> | <b>8,029</b>  | <b>7,952</b>  | <b>7,348</b> | <b>7,465</b>  | <b>7,588</b>  | <b>8,489</b>  |
| <b>Total equity and liabilities</b>                | <b>6,141</b> | <b>6,947</b> | <b>8,667</b> | <b>9,619</b> | <b>10,331</b> | <b>10,110</b> | <b>9,487</b> | <b>10,060</b> | <b>10,811</b> | <b>12,291</b> |

## Contribution to Indonesian economy

| Rp billions                                 | 1995         | 1996         | 1997         | 1998          | 1999          | 2000          | 2001          | 2002          | 2003          | 2004          |
|---|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contribution to Indonesian economy          |              |              |              |               |               |               |               |               |               |               |
| Employee compensation (excl. expatriates)   | 213          | 248          | 290          | 545           | 846           | 1,080         | 1,074         | 1,489         | 2,475         | 3,344         |
| Purchases from domestic suppliers           | 906          | 1,321        | 1,523        | 3,253         | 3,688         | 4,790         | 4,304         | 6,813         | 7,341         | 6,750         |
| Government revenue                          | 1,351        | 1,473        | 1,900        | 6,588         | 6,798         | 6,863         | 8,569         | 9,147         | 10,019        | 13,924        |
| Dividends paid to Indonesian shareholders   | 101          | 141          | 177          | 203           | 298           | 647           | 338           | 411           | 329           | 269           |
| Interest paid to Indonesian companies/banks | 230          | 140          | 266          | 875           | 294           | 259           | 264           | 473           | 281           | 196           |
| <b>Total contribution</b>                   | <b>2,802</b> | <b>3,324</b> | <b>4,157</b> | <b>11,463</b> | <b>11,924</b> | <b>13,641</b> | <b>14,549</b> | <b>18,332</b> | <b>19,545</b> | <b>24,483</b> |

## Expenditures of public interest

|   | 1995   | 1996   | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004    |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| <b>Rp billions</b>  |        |        |        |        |        |        |        |        |        |         |
| Employee training   | 33     | 39     | 60     | 113    | 119    | 135    | 108    | 100    | 164    | 186     |
| Regional and community development  | 29     | 35     | 60     | 238    | 211    | 270    | 279    | 466    | 606    | 466     |
| Charitable donations and contributions to not-for-profit foundations            | 8      | 9      | 10     | 41     | 44     | 80     | 40     | 68     | 59     | 85      |
| <b>US\$ thousand</b>  |        |        |        |        |        |        |        |        |        |         |
| Research and development  | 1,402  | 1,428  | 1,705  | 1,330  | 1,336  | 749    | 252    | 271    | 1,148  | 1,951   |
| Expenditure on reclamation, mine closure and environmental control              | 13,477 | 21,189 | 30,050 | 99,688 | 62,426 | 87,950 | 74,766 | 80,388 | 84,239 | 66,939  |
| Net increase in accumulated provision/ reserve for reclamation and mine closure | 15,905 | 7,402  | 10,719 | 9,863  | 21,503 | 12,260 | 21,240 | 17,971 | 44,592 | (2,483) |

## Employment

|  | 1995          | 1996          | 1997          | 1998          | 1999          | 2000          | 2001          | 2002          | 2003          | 2004          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Indonesian employees                       | 21,839.0      | 30,859.0      | 33,063.0      | 33,215.0      | 36,887.0      | 32,189.0      | 32,909.0      | 33,102.0      | 33,112        | 35,801        |
| Expatriate employees                       | 323.0         | 630.0         | 673.0         | 716.0         | 990.0         | 598.0         | 532.0         | 501.0         | 447           | 423           |
| <b>Total direct employees</b>              | <b>22,162</b> | <b>31,489</b> | <b>33,736</b> | <b>33,931</b> | <b>37,877</b> | <b>32,787</b> | <b>33,441</b> | <b>33,603</b> | <b>33,559</b> | <b>36,224</b> |
| Gross workforce compensation (Rp billions) | n/m           | n/m           | n/m           | 1,058.4       | 1,409.4       | 1,246.3       | 1,287.3       | 1,759.1       | 3,183         | 4,321         |

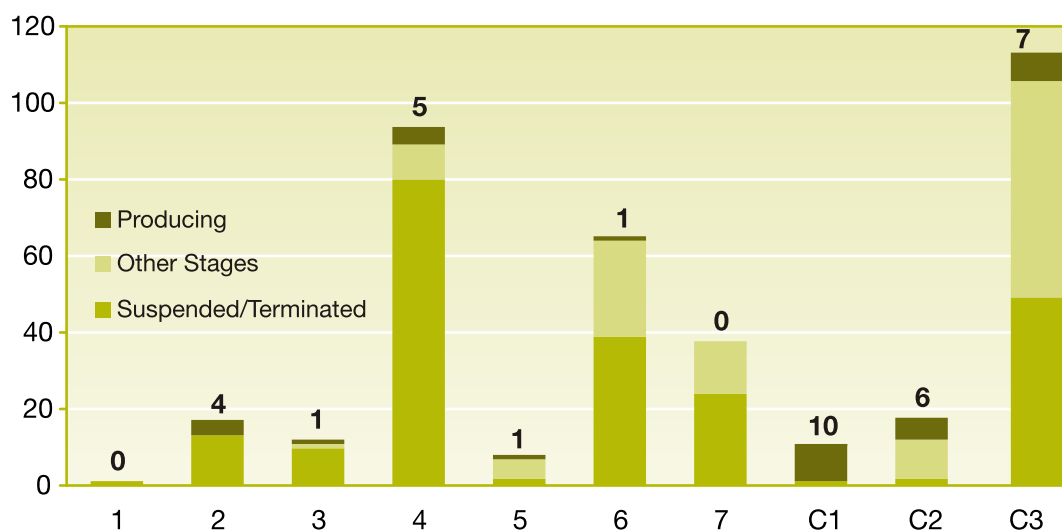
(n/m = not meaningful due to incomplete responses)

# Contracts of Work and Coal Agreements



### Mining Contracts of Work and Coal Agreements by generation and status

(No. of producing contracts shown)



Source: Directorate General of Mineral and Coal Enterprise

### Contracts of Work by generation and status

|                      | 1st      | 2nd       | 3rd       | 4th       | 5th      | 6th       | 7th       | Total      |
|----------------------|----------|-----------|-----------|-----------|----------|-----------|-----------|------------|
| Producing            | -        | 4         | 1         | 5         | 1        | 1         | -         | 12         |
| Other stages         | -        | -         | 1         | 9         | 5        | 25        | 14        | 54         |
| Suspended/Terminated | 1        | 12        | 10        | 80        | 2        | 39        | 24        | 169        |
| <b>Total</b>         | <b>1</b> | <b>17</b> | <b>12</b> | <b>94</b> | <b>8</b> | <b>65</b> | <b>38</b> | <b>235</b> |

Source: Directorate General of Mineral and Coal Enterprise

### Coal contracts by generation and status

|                      | C1        | C2        | C3         | Total      |
|----------------------|-----------|-----------|------------|------------|
| Producing            | 10        | 6         | 7          | 23         |
| Other stages         | -         | 10        | 57         | 67         |
| Suspended/Terminated | 1         | 2         | 49         | 52         |
| <b>Total</b>         | <b>11</b> | <b>18</b> | <b>113</b> | <b>142</b> |

Source: Directorate General of Mineral and Coal Enterprise

# Glossary and Endnotes

|                               |  |
|-------------------------------|--|
| Current ratio                 | $\frac{\text{Current assets}}{\text{Current liabilities}}$   |
| Debt to equity ratio          | $\frac{\text{Borrowings at year end}}{\text{Shareholders' funds at year end}}$   |
| EBITDA                        | Earnings before interest, tax depreciation and amortization.<br>A measure of financial performance that is close to the underlying cash earning stream of the company before servicing the asset base. |
| EBITDA margin                 | $\frac{\text{EBITDA}}{\text{Total revenues}}$  |
| Effective tax rate            | $\frac{\text{Income tax}}{\text{Profit before tax}}$   |
| Net profit margin             | $\frac{\text{Net profit}}{\text{Total revenues}}$  |
| Net sales revenue             | Net sales revenue is revenues net of freight, insurance, agent commissions and other direct costs relating to shipments. Net sales revenue is not net of royalties.                                    |
| Return on capital employed    | $\frac{\text{Net profit}}{\text{Property plant and equipment plus current assets minus current liabilities. (Average of opening and closing balances)}}$   |
| Return on shareholders' funds | $\frac{\text{Net profit}}{\text{Shareholders' equity and shareholders' borrowings (Average of opening and closing balances)}}$   |
| <b>Unit measures</b>          |  |
| t/Mt/Wmt                      | Metric tonnes/million tonnes/wet metric tonnes   |
| lb/MIb                        | Pounds/million pounds  |
| oz                            | Troy ounces  |

# Glossary and Endnotes

- i. From “mine\* enter the dragon, review of global trends in the mining industry in 2004” June 2005 and/or “mine\* review of global trends in the mining industry” May 2004 undertaken by PricewaterhouseCoopers.
- ii. From “Minerals Industry Survey Report 2005” undertaken by PricewaterhouseCoopers for the Mineral Council of Australia.
- iii. From research undertaken by Metals Economics Group ([www.metalseconomics.com](http://www.metalseconomics.com)), 2005.
- iv. From Fraser Institute’s Annual Survey of Mining Companies 2004/2005 ([www.fraserinstitute.ca](http://www.fraserinstitute.ca)), 2004 and 2005.
- v. The policy potential index measures “the effects on exploration of government policies including uncertainty concerning the administration, interpretation, and enforcement of existing regulations, environmental regulations, regulatory duplication and inconsistencies, taxation, uncertainty concerning native land claims and protected areas, infrastructure, socioeconomic agreements, political stability, labour issues, and geological database”.
- vi. Economic Impact Analysis of Kaltim Prima Coal (2002) and Freeport Indonesia (2003) undertaken by Institute for Economic and Social Research Faculty of Economics – University of Indonesia.
- vii. Government revenue allocation 2004 (before Special Funds Allocation) (Based on Law 33/2004).
- viii. From Badan Pusat Statistik - Indonesia.
- ix. From Data Statistik Bank Indonesia ([www.bi.go.id](http://www.bi.go.id)).
- x. The coal production figures represent total Indonesian production and were obtained from the Directorate General of Mineral and Coal Enterprise.

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Our commitment to the mining industry is unmatched and demonstrated by our active participation in industry associations around the world and our thought leadership on the issues affecting the industry. Through our involvement with the Indonesian Mining Association and Indonesian mining companies, we help shape the future of the industry.

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## Indonesian Mining Association

IMA is a non-governmental, non-political, and non-for-profit national mining organisation, established in Jakarta on 29 May 1975.

Membership is open to both organisations and individuals actively participating in the Indonesian mining industry.

The association serves as a link between Government and the mining industry; organising lectures, seminars and training activities for the members; organising periodic conferences on mining in Indonesia; publishes proceedings and mining information; and represents the Indonesian mining industry at national and international meetings.

IMA is a founding member for the Asean Federation of Mining Associations (AFMA). The aims and objectives of IMA are to support the Government in its policies to encourage the mining industry development, and to disseminate non-confidential and non-proprietary information to promote the exploration, mining, beneficiation and metallurgical aspects in Indonesia through:

- a. fostering mining development;
- b. facilitating professional and business exchange of know-how and experience of experts active in the industry;
- c. cooperation with similar organisation all over the world in promoting mining business and technology.

The association has 95 company members.



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