

PARTNER FOR FUTURE PROSPERITY



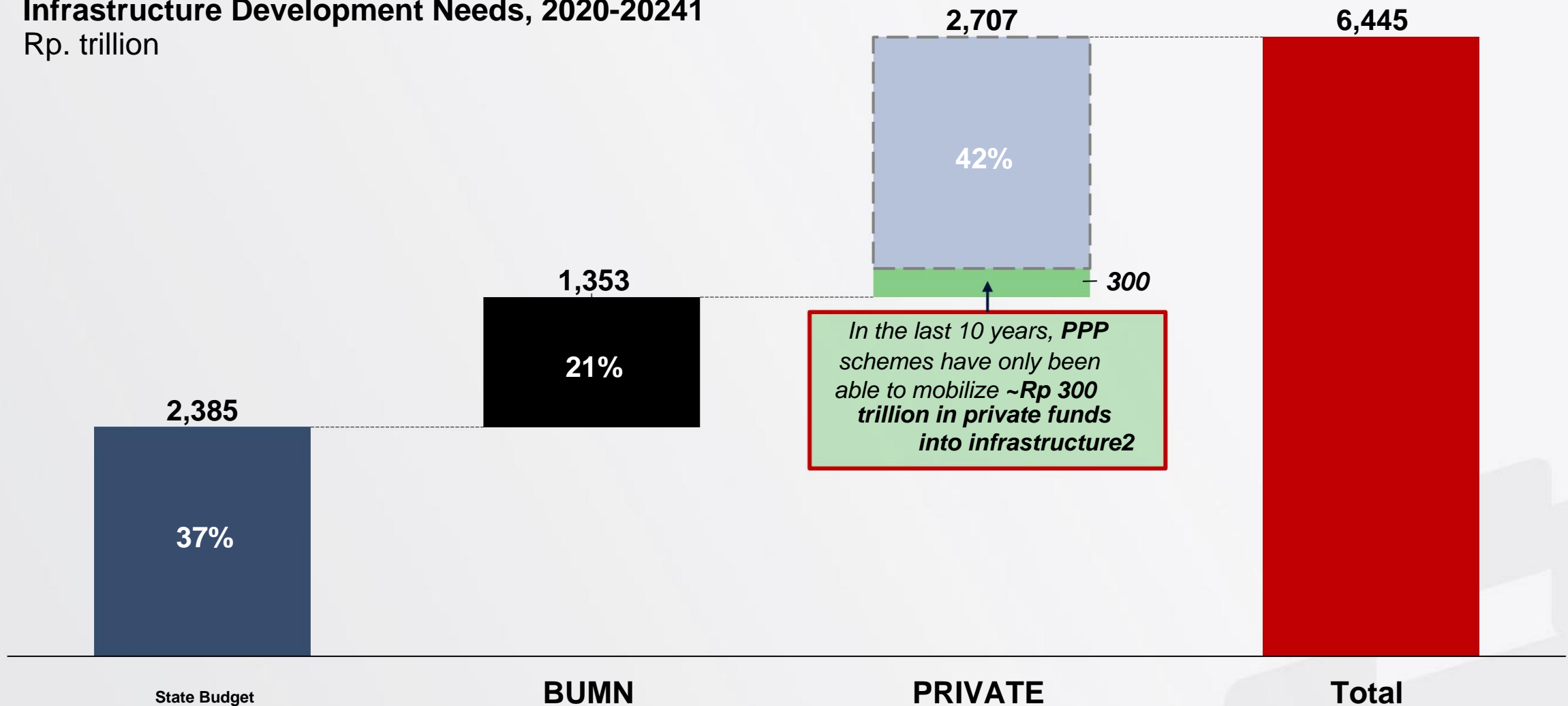
Indonesia Investment Authority (INA) / Investment Management Institution

Creative Infrastructure Financing (“CreatIFF”)

Ministry of PUPR in 2023

Private investment is needed for infrastructure development

Infrastructure Development Needs, 2020-20241 Rp. trillion



Source:

¹Ministry of National Development Planning / Bappenas (October 2019)

²Director General of Financing and Risk Management, Ministry of Finance (December 2023)

INA: Total investment IDR 38 trillion (EV) – 250 km of toll road – 4 sections


1. Medan – Binjai Toll Road

~17 kilometers

Investment in Q2 2023

Sumatra North

Rp. ~4 trillion (Enterprise Value)




3. Kanci – Pejagan Toll Road

~35 Investment in kilometers

Q4 2022

West Java/ Middle

Rp. ~5 trillion (Enterprise Value)





2. Bakauheni – Terbanggi Besar Toll Road

~141 kilometers

Invest in Q2 2023

Sumatra South

Rp. ~17 trillion (Enterprise Value)




4. Pejagan – Pemalang Toll Road

~58 kilometers

Invest in Q4 2022

Java Middle

Rp. ~11 trillion (Enterprise Value)



Total length toll road ~251km

Total value investment (enterprise value) Rp. ~38 trillion

Apart from **transportation and logistics infrastructure**, which currently covers 90% of INA's investment portfolio, INA also focuses on sectors **health, digital and green energy**

INA's initiative to attract investors to the toll road sector

INA's primary platform in the toll road sector

Primary toll road platforms
INA, ADIA, and APG have an MOU to establish an investment **platform** amounting to **IDR 54 trillion (USD 3.5 bn) in toll roads in Indonesia**



UAE sovereign wealth fund with AUM > USD 700 billion and ~5,000km of toll road portfolio in the world



Dutch pension fund with ~USD 550 billion AUM and ~3,000km of toll road portfolio in the world

Total investment commitment is ~Rp. 80 trillion (enterprise value¹)

INA's initiative to attract investors into the toll road sector Indonesia

1

Two toll roads Trans Java in the INA portfolio




INA together with ADIA and APG are currently fulfilling the transaction requirements to invest in the Kanci-Pejagan and Pejagan-Pemalang sections as the first transaction on the INA *primary platform*

2

Two toll roads Trans Sumatera in the INA portfolio




INA is currently looking for investor partners who can invest in the Medan-Binjai and Bakauheni-Terbanggi Besar sections

3

Other toll road investment opportunities in Indonesia

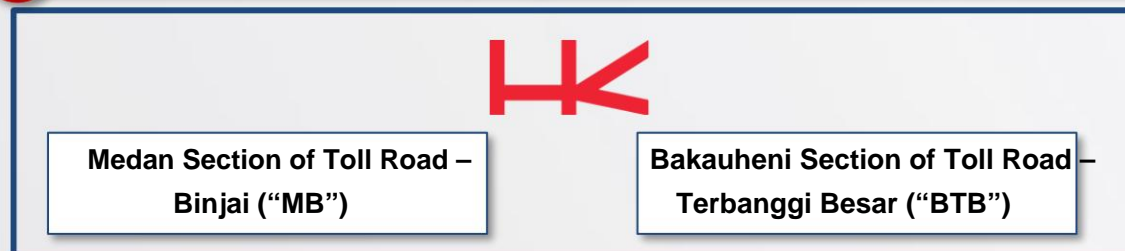


INA is also parallelly exploring other investment opportunities in the toll road sector in Indonesia

Examples of successful collaboration between INA and PUPR: investment in the Medan – Binjai and Bakauheni – Terbanggi Besar sections

1

Pre-transaction structure



PT Hutama Karya is the direct owner of concession rights for MB and BTB toll roads

2

Post-transaction structure



MB and BTB exist as their own entities; This transaction involves several quite complex processes, including:

- 1) Spin-off of concession rights and assets;
- 2) Novation of more than 200 contracts along with other rights and obligations; 3) Refinancing *non-recourse* debt at a *sustainable level*;
- 4) Development of complex transaction documents, etc.

Currently, **several global investors have shown interest in investing** in both sections of the Trans Sumatra toll road

- The transaction between the Indonesia Investment Authority and PT Hutama Karya **won an award** IJInvestor 2023 for the transportation sector in the Asia Pacific region



“The transaction involves a very complex carve-out and innovation process”

“Being one of the largest M&A transactions in Indonesia and a complex deal in itself should give confidence that innovative structures can be executed” – IJInvestor, 2023

- IJInvestor is a financial and infrastructure journal originating in London, UK - *IJInvestor Awards 2023* publishes awards for companies or transactions that create development the most exciting market of the year globally

This transaction was successfully carried out thanks to support full support from related parties, especially the Ministry of PUPR

Criteria sought – learning from global investors

Invests primarily in *brownfield* assets



*In general, global investors **will invest** after the operational phase to avoid land acquisition and construction risks*

Majority share ownership and/ or *joint control*



*In general, global investors want to have **significant control** over operational, financial and strategic decisions*

Predictable *traffic/demand* risk



*By **choosing a segment that is economically feasible**, or, in other countries, with **protected income**, eg minimum revenue guarantee, annuity, etc.*

Legal certainty

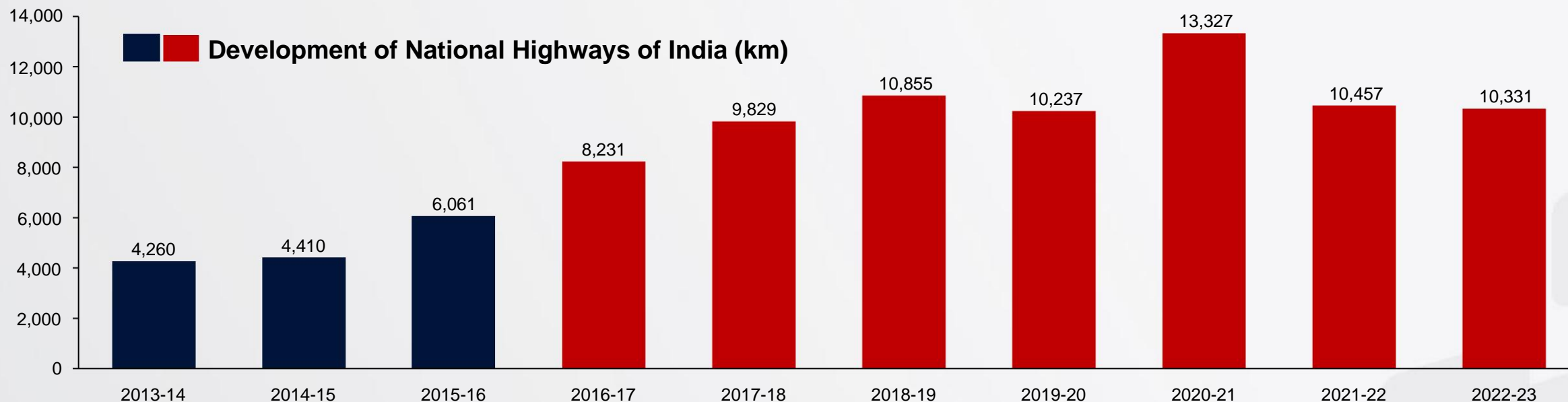


*Investors must have confidence that all **rights and obligations in the concession agreement** can be carried out in accordance with the agreement with the government*

The Indian government's initiative accelerates the construction of toll roads

INDIA : The government together with its toll road regulator, *the National Highways Authority of India* (NHAI) (equivalent to BPJT/DJBH) built nearly **90,000 km of National Highways in the last 10 years**.

INDONESIA : Over 8 years (2014-2022), the length of toll roads increased by **1,885 km¹** (~235km per year).



Greenfield assets are built by local contractors, but **asset recycling to investors can be done more quickly with high certainty** (~2 years from the start of construction) due to certainty of income for investors.









HAM has succeeded in increasing the investment attractiveness of the toll road sector

An initial look at BOT vs. BOT models Human rights, Indian case study

• **Build-operate-transfer (“BOT”): A concession model** in which BUJT builds, collects toll fees, and operates the asset during the concession period.

• **HAM: Hybrid Annuity Model (HAM) is a concession model** where the government provides part of the funding (40%) for construction costs, while the remainder (60%) is financed by BUJT. BUJT is then responsible for operating and maintaining assets and receiving income through *annuities* paid by the government during the concession period. The HAM model, which is relatively new, has now become quite popular in India.

• Government • BUJT

Models in India 	BOT	HAM	Information
Land acquisition 	•	•	In the BOT and HAM models in India, tenders/bidding are only carried out when land is available 80% is free and the government is obliged to release the rest in certain period of time – otherwise BUJT obligations will be reduced.
Construction 	•	• •	40% of construction costs are borne by the government, 60% are borne by BUJT . <i>Note: Cost overruns are borne by BUJT.</i>
Top income toll rates 	•	•	Income in the form of a stable annuity , using a formula that protects investors from the risk of inflation and increases in interest rates . The BOT model will not be feasible for investors if the economics of the project are not adequate .
Expected IRR 	~13 – 15%	~10 – 12%	Because of these advantages, investors' IRR expectations (through <i>annuities</i>) are higher low, and because the government has the right to collect toll revenues, the HAM concession model can be an economical source of financing ¹
Concession period 	10 – 30 years	15 years	The HAM model could use shorter concession periods compared to the BOT model, especially for road sections that have low economic feasibility.

Source: interviews with global investors and experts

1. The annuity paid by the government to BUJT can be partially offset by toll revenues received by the government

The key to the success of the alternative HAM concession model in India is attracting the private sector in developing toll road infrastructure in India

The human rights structure in India cannot function without the following principles:

- **Certainty and timeliness** in government-supported ***annuity*** payments
(eg *guarantee*, *AAA credit rating*)
- The annuity amount paid has a **protection mechanism from the risk of cost inflation and the risk of an increase *in the interest rate***
- **The control process implemented by the government** on building standards (during the construction phase) and services (during the operation phase) is carried out clearly , **fairly and on time**
- For the Government of INDIA (through NHAI) **to obtain guaranteed funding** to meet ***annuity obligations*** through several sources, eg **APBN allocation** and ***cess fund*** (tax on vehicle fuel sales)