

North Sumatra' Investment Book

A definitive guide on macroeconomic condition, data & information, key contacts, and potential investment projects in North Sumatra

Quarter 1 - 2019 edition



on picture : Lake Toba

On Issue

A glimpse of the enchanting tourism sector and the massive infrastructure projects

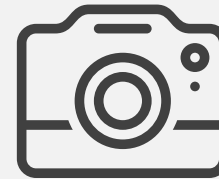


North Sumatra Invest (NSI) is a dedicated task force comprised of all North Sumatra's policy makers, including the Government of North Sumatra and Bank Indonesia, with full cooperation of Kamar Dagang Indonesia.

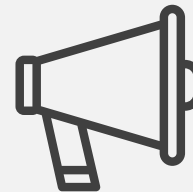
Our mission is to attract Foreign Direct Investment (FDI) in North Sumatra to foster economic growth.



Let us help you by



PROVIDING
Investors with the necessary
data & information



PROMOTING
the right investment
opportunities and projects



CONNECTING
investors with the right
business contacts



Indonesia's Strong Performance

Indonesia is one of the fastest growing economy in the world. Find how we perform relative to our peers.



Why North Sumatra?

North Sumatra isn't only a great market for your products, but also a perfect place for production base.



Potential Projects & Tourism Potential

Our handpicked potential projects for you, guaranteed by the government. In addition to that, we specifically collect the potential tourism site in North Sumatra.



Licensing in Indonesia

A quick guide on getting business license in Indonesia. It's never been easier to do business here.



Key Contacts

Who to contact if you want to invest and grow your business in North Sumatra?

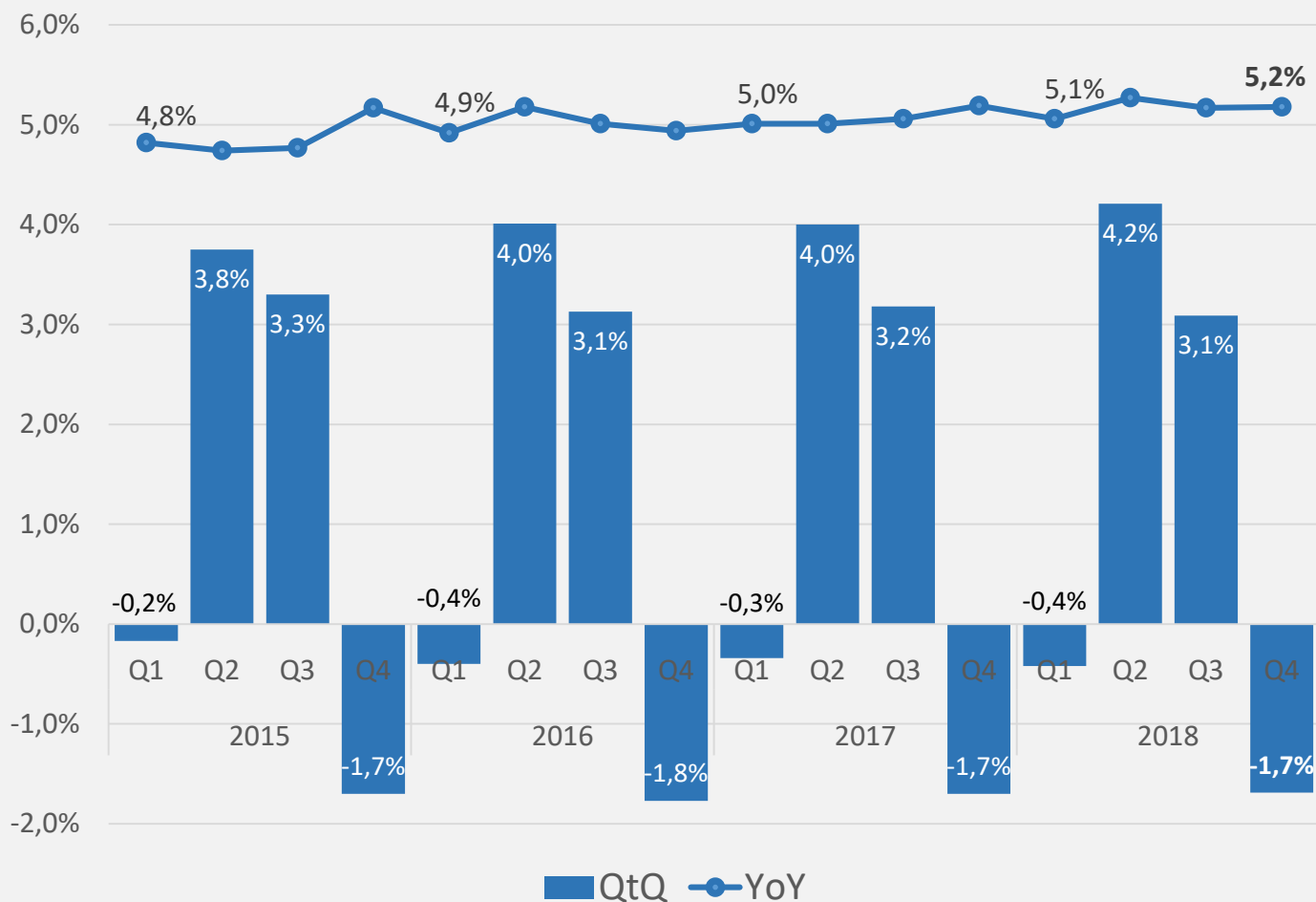
1st

INDONESIA'S STRONG PERFORMANCE



Indonesia GDP Growth

| % year-on year & % quarter-to-quarter



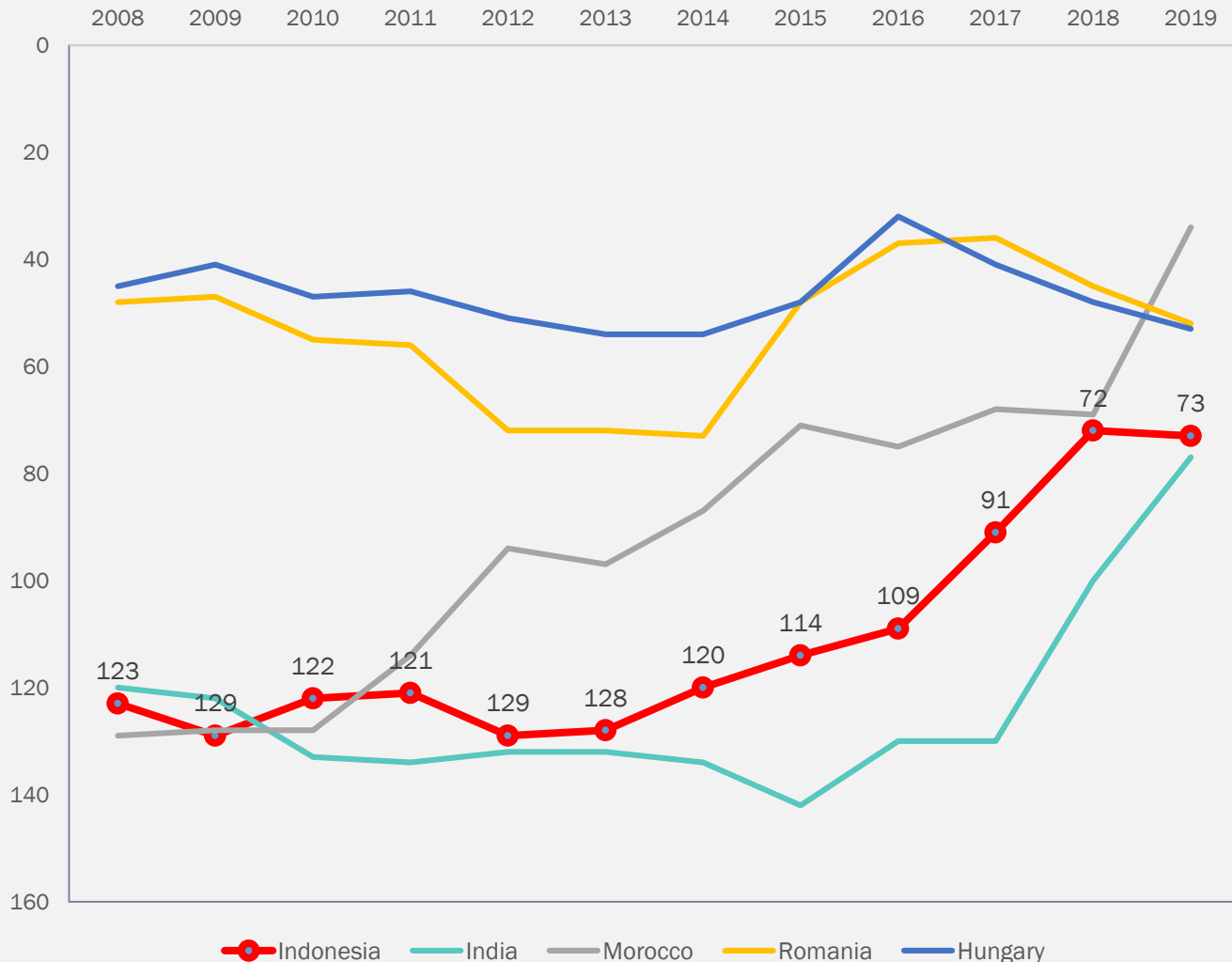
A Robust Outlook

Indonesian economy is expected to have a robust outlook in 2019, above the thriving economy

Institutions	2019 Growth (YoY)
2019 Budget	5.3
Bank Indonesia	5.0-5.4
IMF	5.1
World Bank	5.2
ADB	5.2
Consensus Forecast (February 2019)	5.1

Ease of Doing Business

| Index, Higher rank is better



Our concern to Business

Business has never been easier in Indonesia. In recent years, our government has put significant effort to boost business climate and we're happy to tell you that our ease of doing business rank has improved significantly.

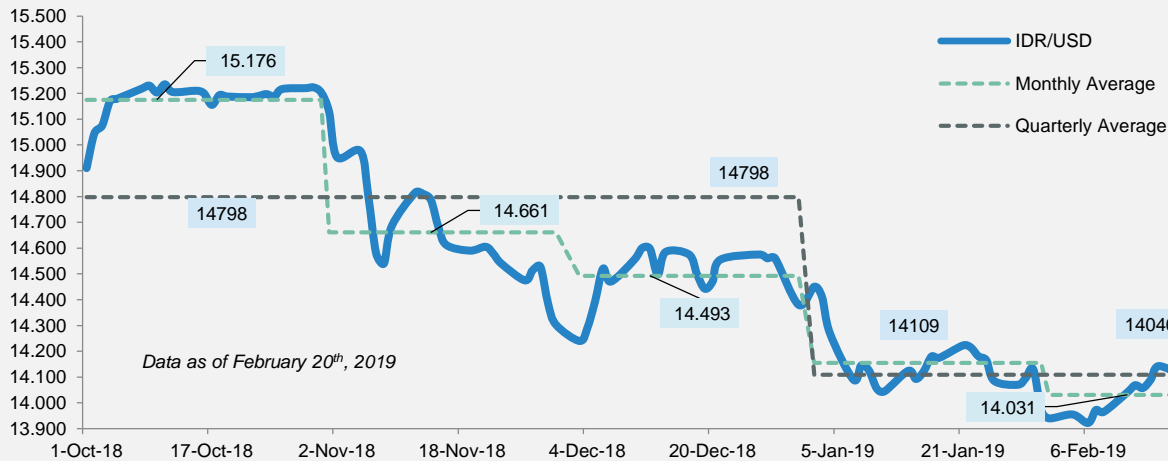
Our efforts to cut licenses gave an impact to the business player. And we plan to make it even easier. **There is no better time than now to invest in Indonesia.**

STABILITY

External risk reduced by adequate reserve

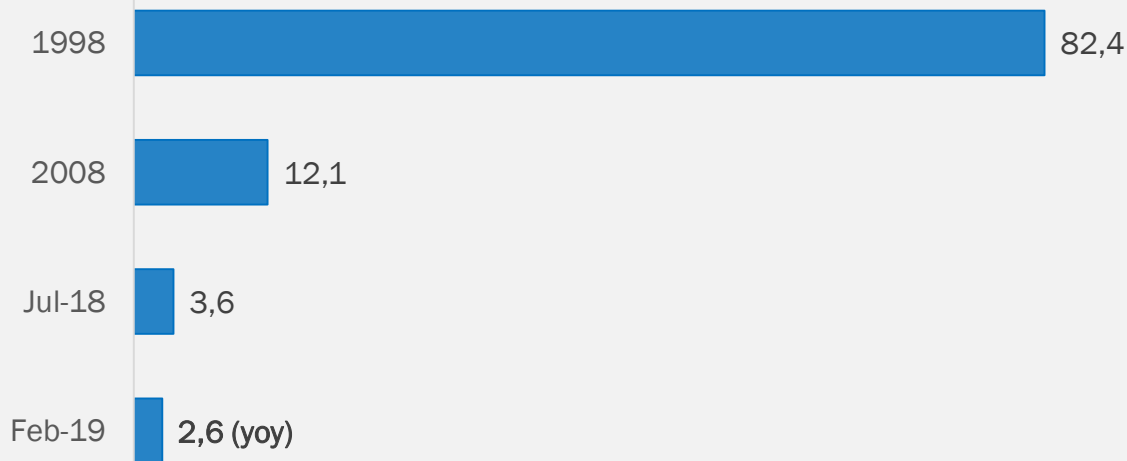
Rupiah exchange rate

| USD/IDR



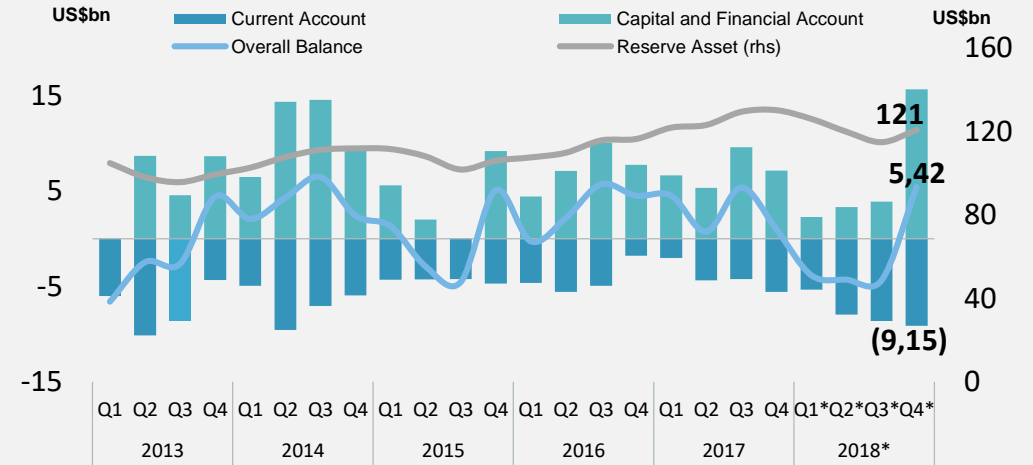
Inflation rate

| % year-on-year



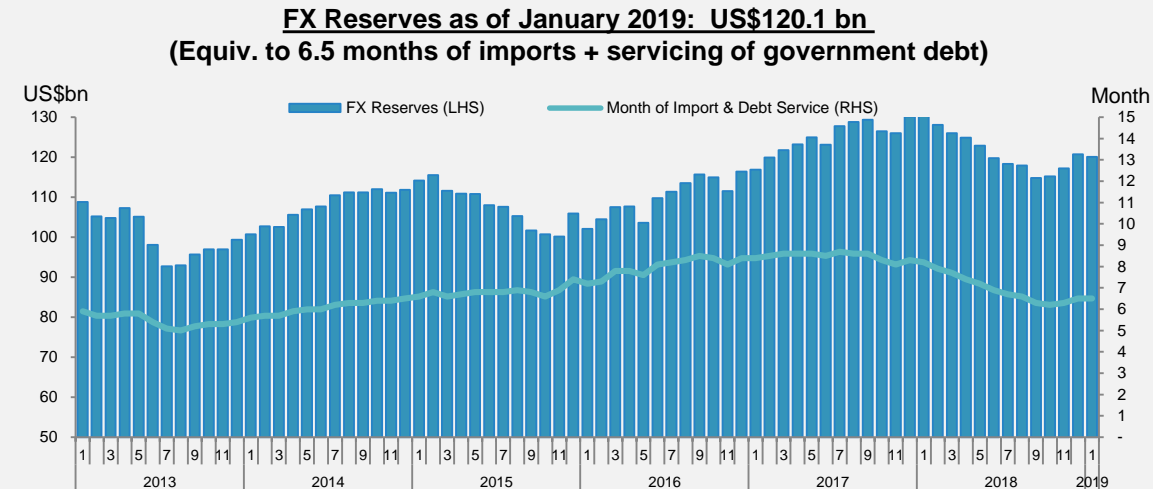
Balance of Payment

| USD bn



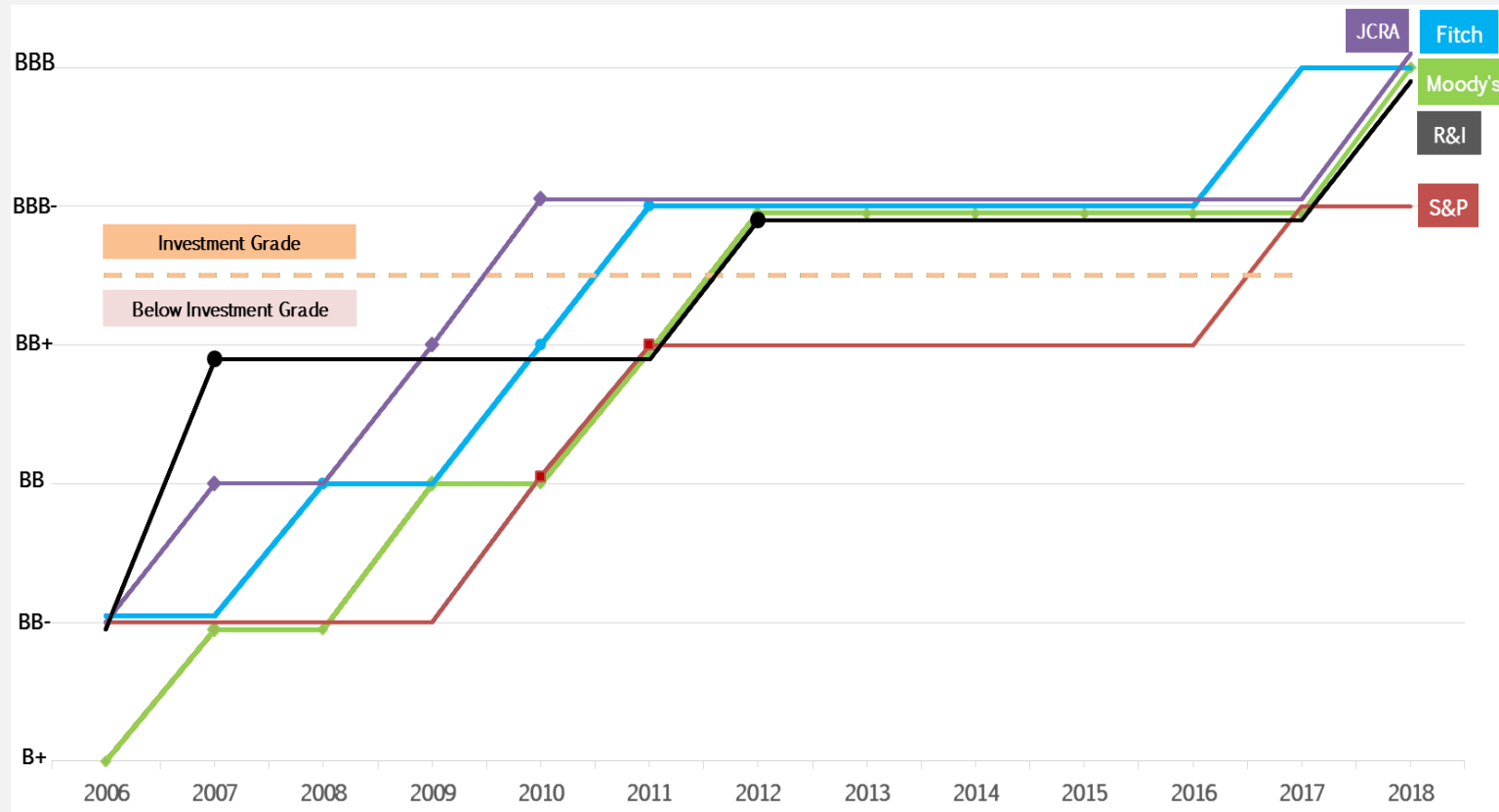
FX Reserves

| US\$ bn (LHS) and month of imports and debt services (RHS)



INV. GRADE

Investment grade approved!



FitchRatings

BBB / Stable

Dec 2017, BBB, Rating Upgraded

"Indonesia's resilience to external shocks has steadily strengthened in the past few years, as macroeconomic policies have consistently been geared towards maintaining stability."

S&P Global Ratings

BBB- / Stable

May 2018, BBB-, Stable Rating Affirmed

"The sovereign ratings on Indonesia are supported by the government's relatively low debt levels and its moderate fiscal performance and external indebtedness."

MOODY'S

Apr 2018, Baa2, Rating Upgraded

Baa2 / Stable

"The upgrade to Baa2 is underpinned by an increasingly credible and effective policy framework conducive to macroeconomic stability. Together with a build-up of financial buffers, prudent fiscal and monetary policy strengthens Moody's confidence that the sovereign's resilience and capacity to respond to shocks has improved."



BBB / Stable

March 2018, Rating Upgraded to BBB, Outlook Revised to Stable

"Indonesia's economy continues its strong performance, with inflation remaining low and stable. Fiscal deficits have been reined in, and government debt is low. The economy is becoming more resilient to external shocks, reflecting small current account deficits and ample foreign reserves."



BBB / Stable

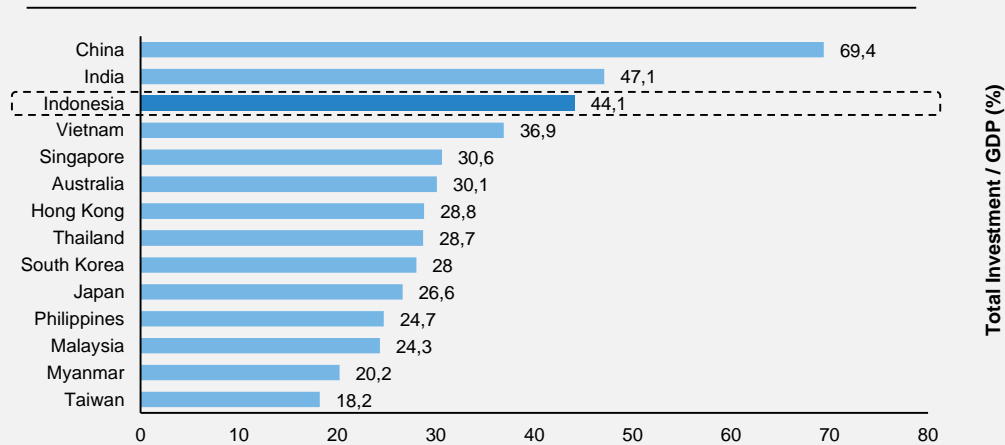
February 2018, Rating Upgraded to BBB, Outlook Revised to Stable

"...the government led by President Joko Widodo has been pressing ahead with structural reforms aimed to promote sustainable growth... First, the investment climate has significantly improved... Second, infrastructure development has been gaining momentum... Third, the external debt owed by the private sector has been curbed since 2016... Taking those into consideration, JCR has upgraded its ratings by one notch and changed the outlook to Stable."

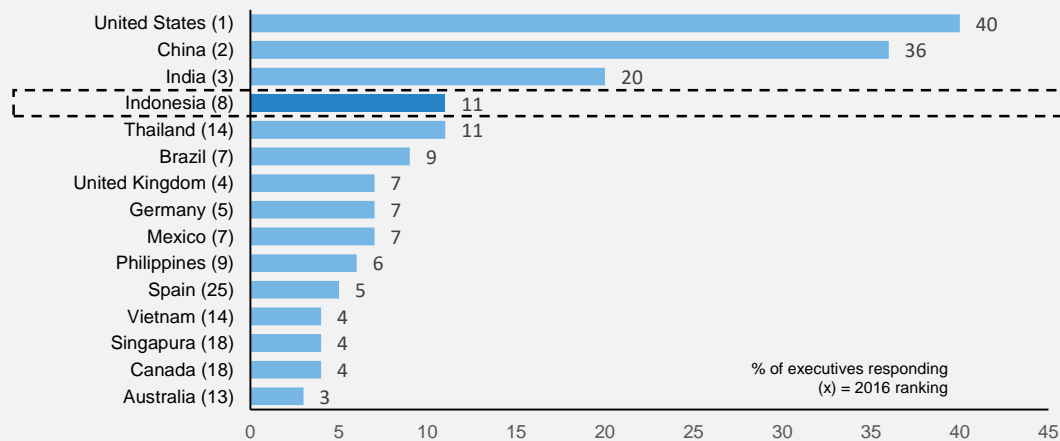
DESTINATION

Investors are flocking to Indonesia

The Economist: Indonesia rounds out the top five of Asian economies that can look forward to increased investment spending. (January 2018)¹

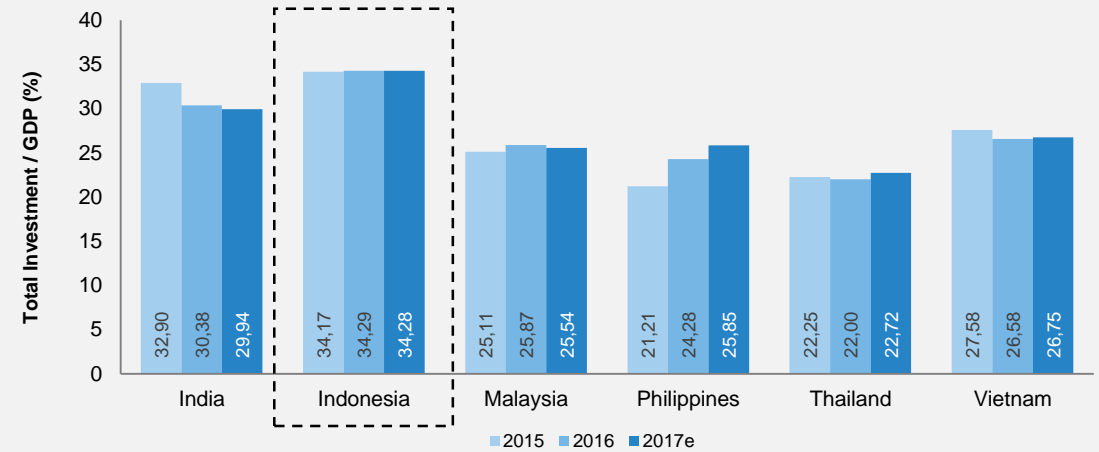


UNCTAD: Indonesia is listed as the top 5 prospective investment destination in the world (June 2017)³

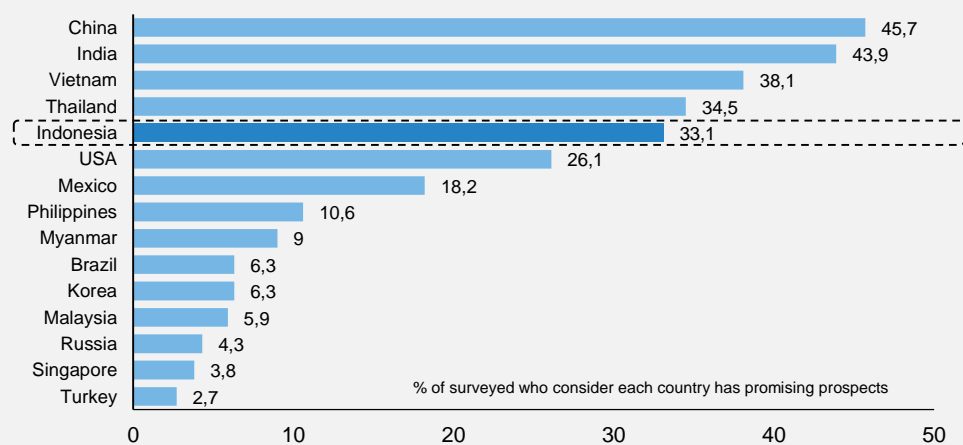


1. Source: The Economist – Asia Business Outlook Survey 2017
2. Source: IMF World Economic Outlook, Database October 2017

Indonesia Enjoys Large Investments Relative to Peers within the Region²



JBIC: Amongst ASEAN countries, Indonesia is the most preferred place for business investment (November 2017)⁴

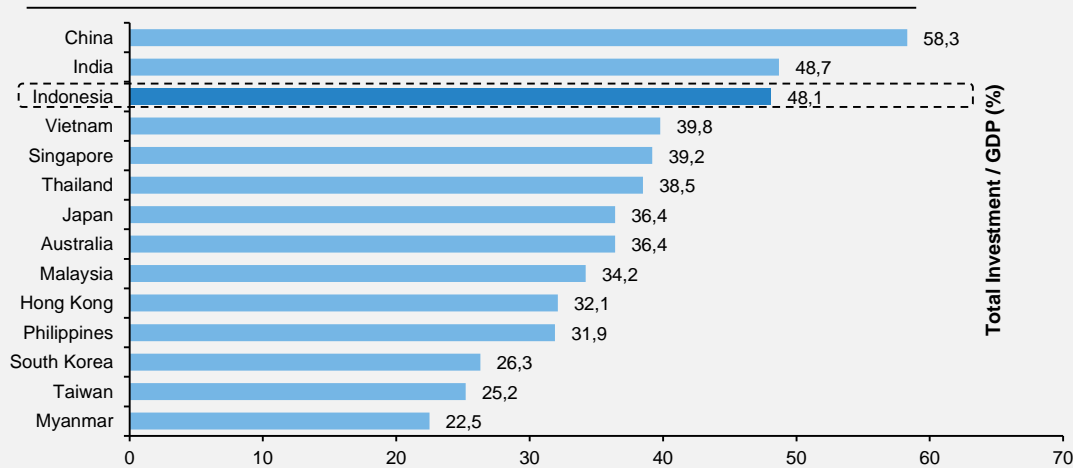


3. Source: United Nations Conference on Trade and Development (UNCTAD) – World Investment Report 2017
4. Source: JBIC – Outlook for Japanese Foreign Direct Investment (28th Annual Survey)

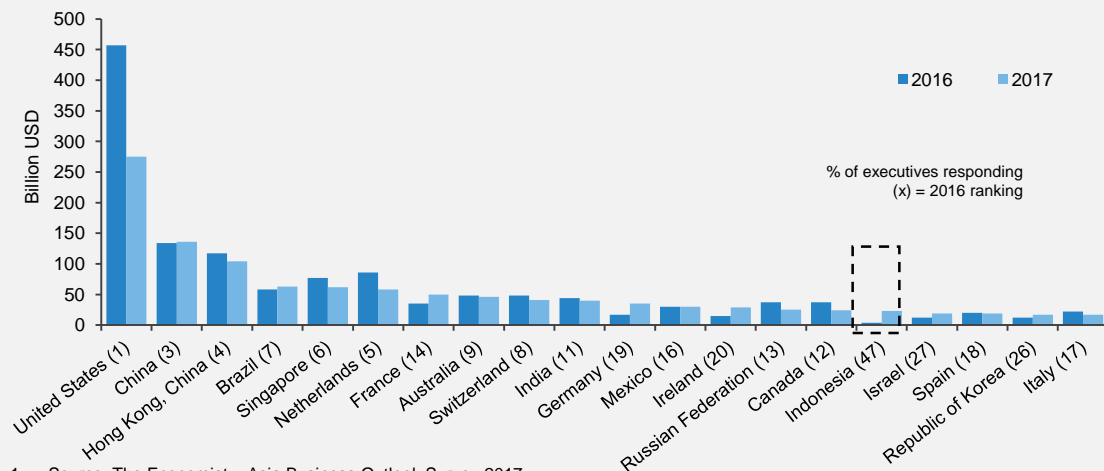
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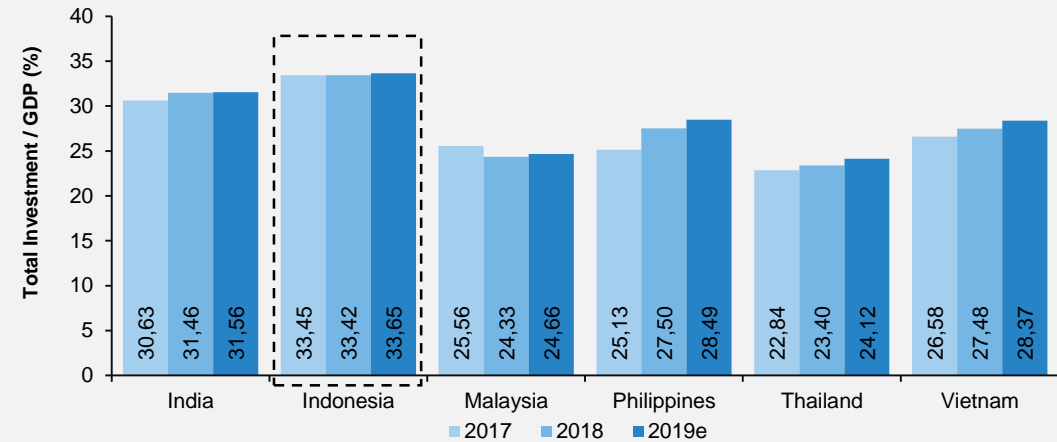


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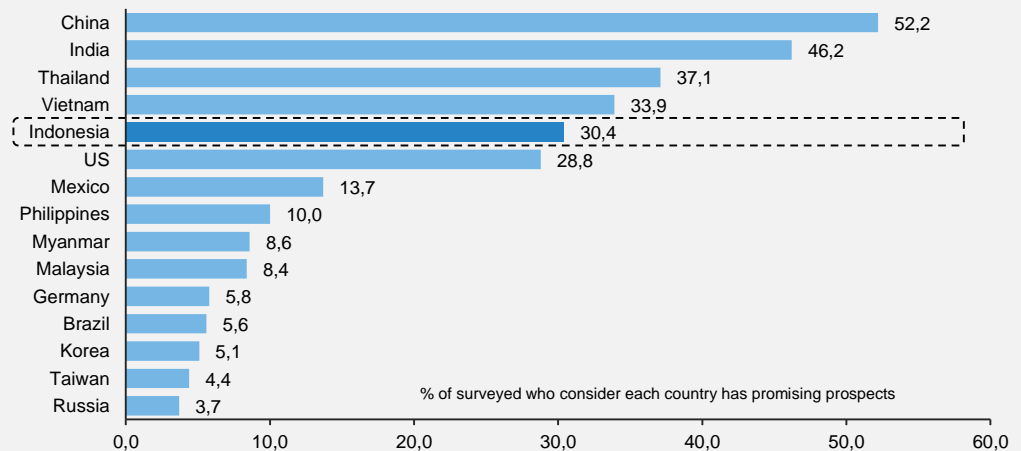


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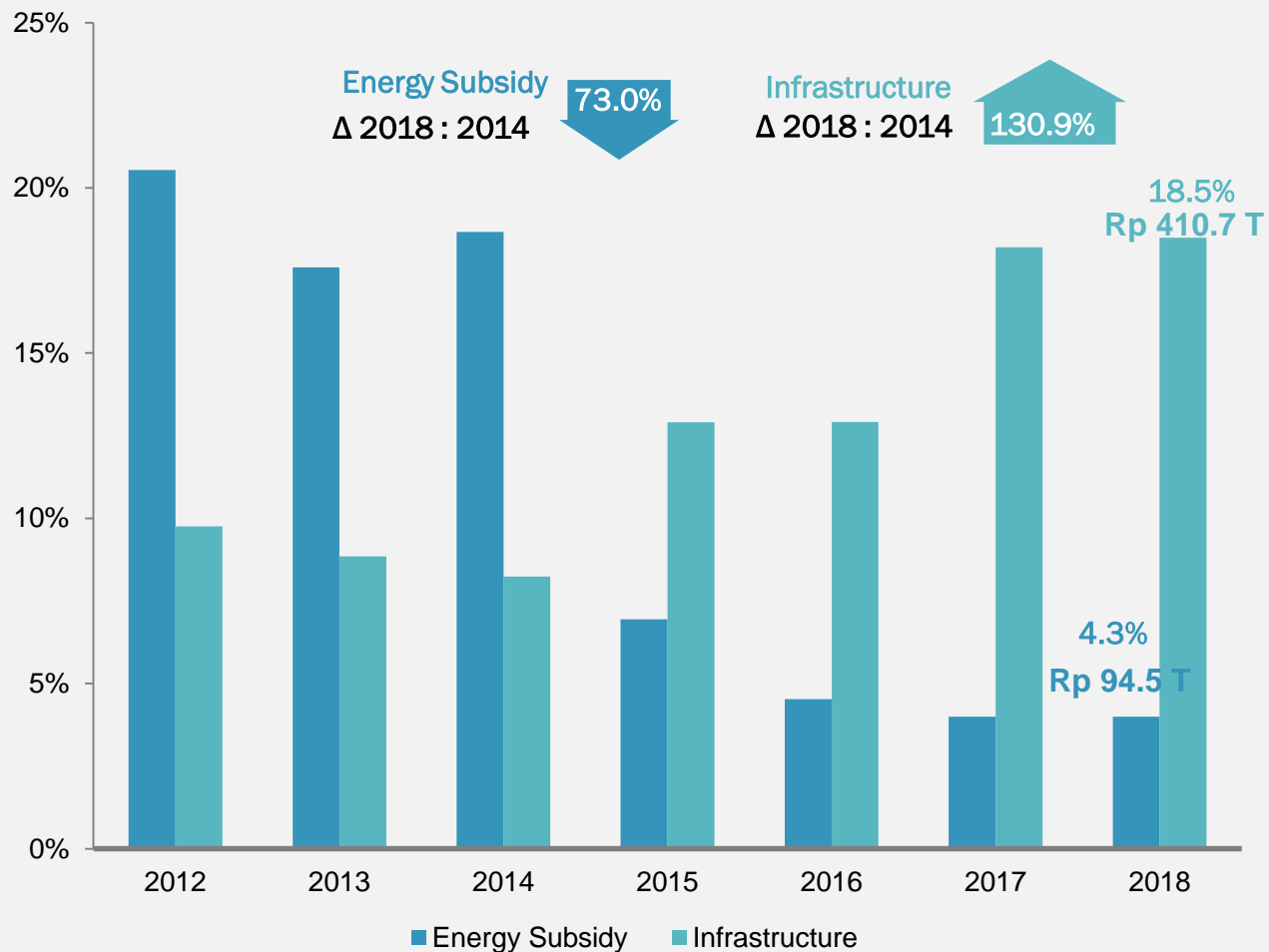
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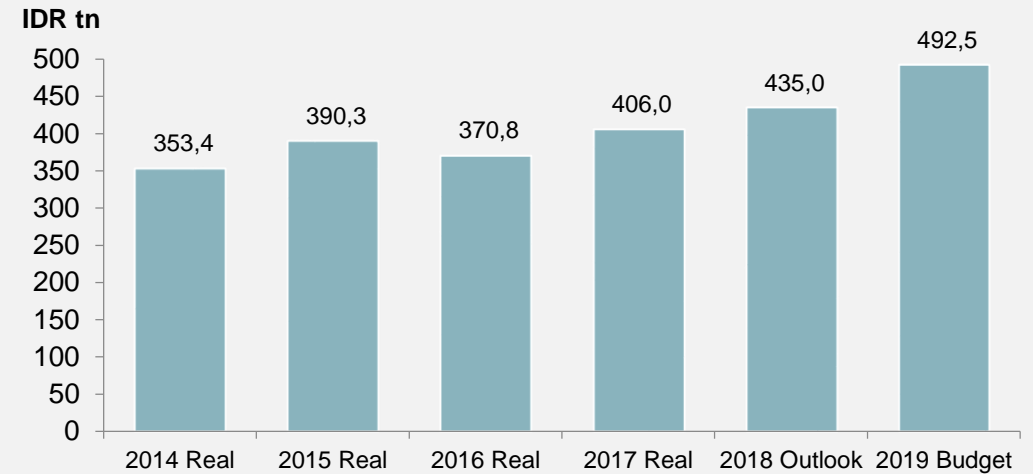
Spending by category

| % of total Government spending



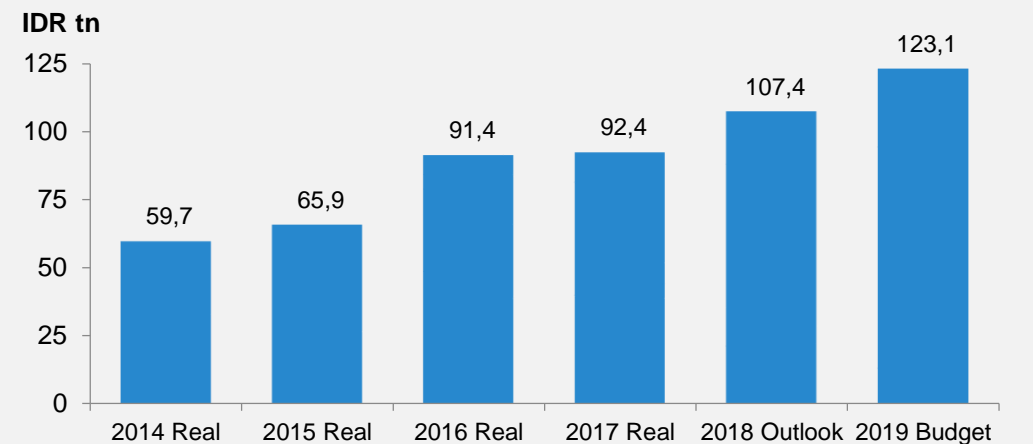
Budget for education program

| IDR tn



Budget for health program

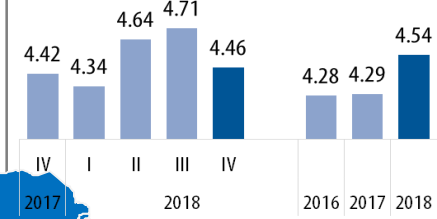
| IDR tn



REGIONAL

Simultaneous growth all over the region

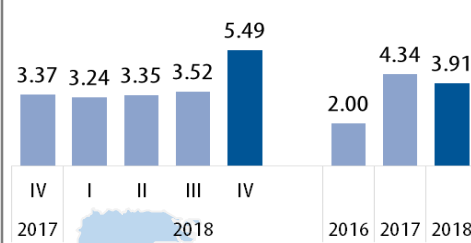
SUMATRA (22%)



Aceh 5.43
North Sumatra 5.30
Riau 1.28
West Sumatra 5.50
Jambi 4.77

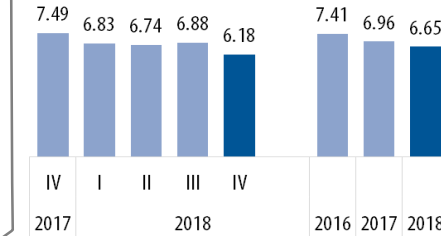
Riau Islands 5.48
Bengkulu 4.76
Babel Islands 3.70
South Sumatra 6.07
Lampung 5.38

KALIMANTAN (8%)



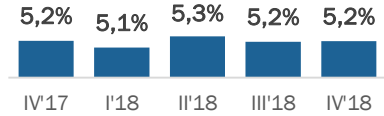
West Kalimantan 5.07
Central Kalimantan 6.12
South Kalimantan 5.78
East Kalimantan 5.14
North Kalimantan 7.69

SULAWESI (6%)

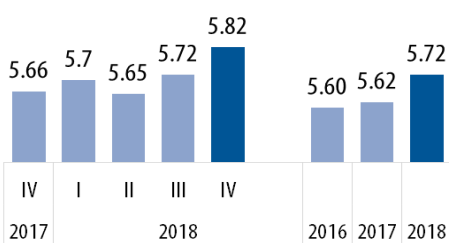


North Sulawesi 6.10
Gorontalo 7.25
Central Sulawesi 5.37
West Sulawesi 5.32
South Sulawesi 6.47
Southeast Sulawesi 6.23

NASIONAL

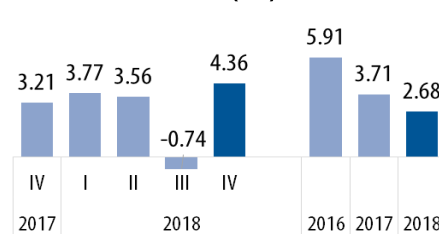


JAVA (58.5%)



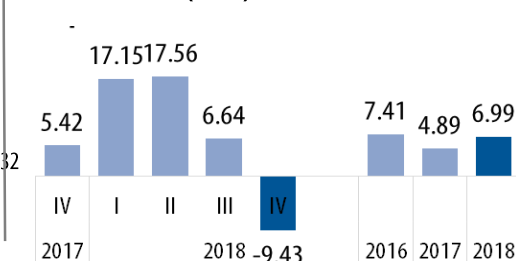
Banten 5.98
Jakarta 6.41
West Java 5.50
Central Java 5.28
East Java 5.65
Yogyakarta 7.39

BALI-NUSA TENGGARA (3%)



Bali 7.59
West Nusa Tenggara 1.43
East Nusa Tenggara 5.32

MALUKU-PAPUA (2.5%)



Maluku 6.41
North Maluku 8.25
Papua -17.79
West Papua 0.18

RGDP ≥ 7.0%
6.0% ≤ RGDP < 7.0%
5.0% ≤ RGDP < 6.0%
4.0% ≤ RGDP < 5.0%
0% ≤ RGDP < 4.0%
RGDP < 0%

2nd

WHY NORTH SUMATRA?



Strategic position along the **Malacca Strait**, a global trade route

Located in the **vast and prosperous area of Sumatra island**, with total area of **73.000 km²**

A **major gateway for trade**, both into and out of Sumatra island

Geographic advantages of North Sumatra



7 biggest province by economy comparison

| % share to National, % growth year-on-year

Province	% Share (2018)	2015	2016	2017	2018
DKI Jakarta	17.3%	5,9%	5,9%	6,2%	6,2%
East Java	14.6%	5,4%	5,6%	5,5%	5,6%
West Java	13.1%	5,1%	5,7%	5,3%	5,6%
Central Java	8.5%	5,5%	5,3%	5,3%	5,3%
Riau	5.1%	0,2%	2,2%	2,7%	2,3%
North Sumatra	5,0%	5,1%	5,2%	5,1%	5,2%
East Kalimantan	4.3%	-1,2%	-0,4%	3,1%	5,1%
National	100%	4,8%	5,0%	5,1%	5,2%

Huge & growing population

Our **14 million population** means huge untapped market for investors, and it grows around **1.8%/year**.

A Millenial Province

Half of our population is under **25 years old** and we are open to the great new idea

High level of income

Our income per capita is around **44 million Rupiah** and constitutes a huge market for any products

Room for new business

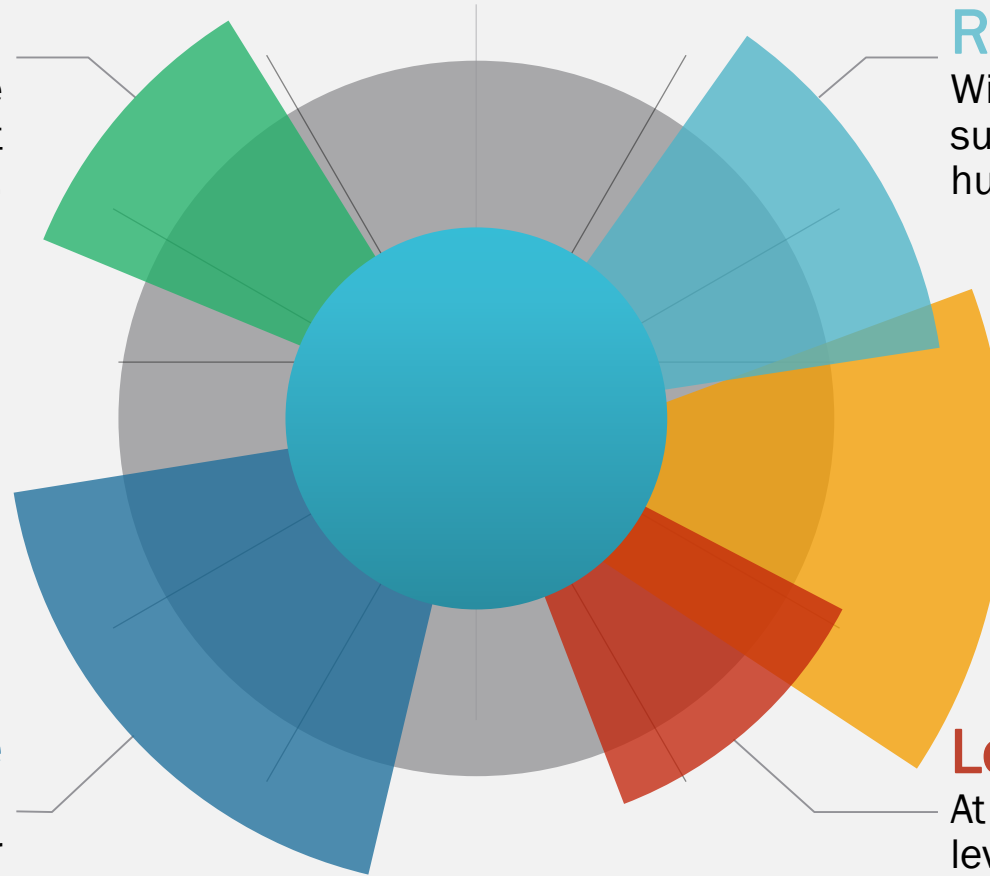
With **70% employment rate**, we will support new business with adequate human resources

Skillful labor

Our Human Development Index score is among the best in the nation

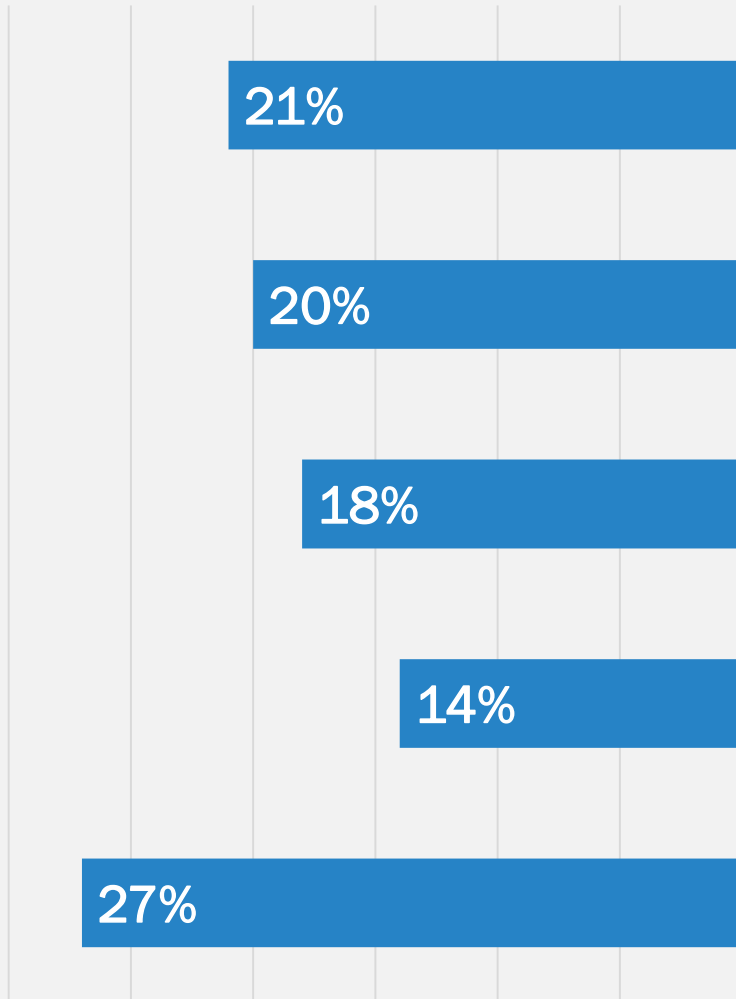
Low Minimum Wage level

At **2.1 million Rupiah / month**, our wage level is **40% cheaper** than the wage level in Jakarta



Economic share by sector 2018

| % share to total GRDP



Agriculture, forestry
& fishing

Manufacturing

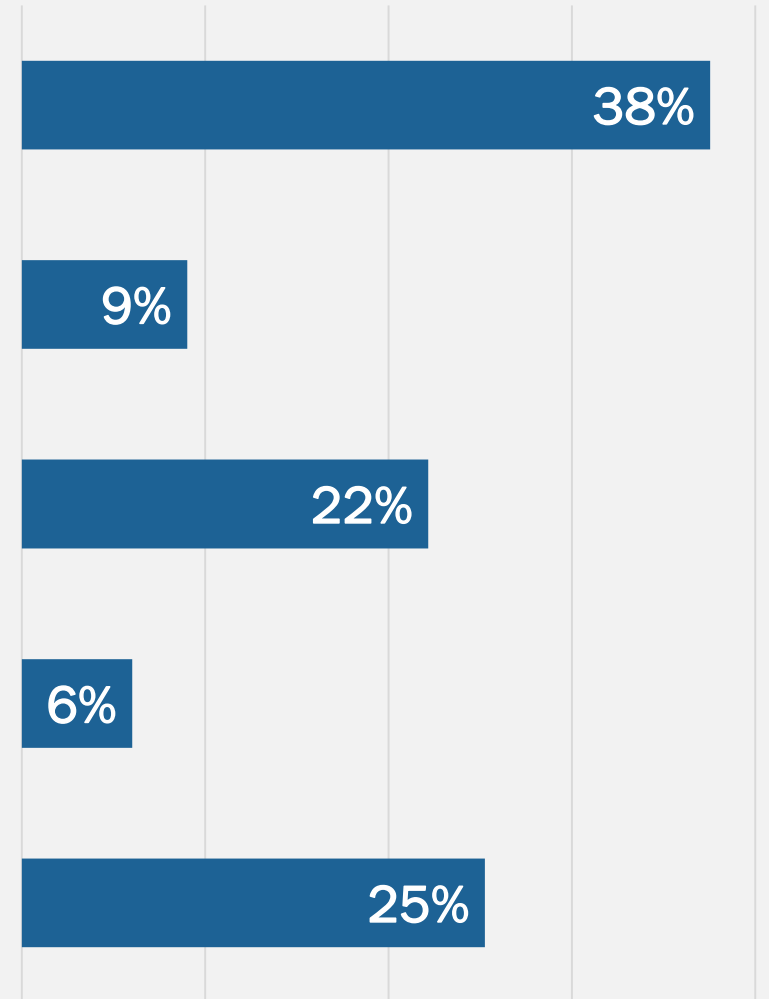
Trade

Construction

Other sectors

Employment by sector 2017

| % share to total work force



38%

9%

22%

6%

25%

Biggest export products | % share to total export in 2018

Palm Oil (34%)

North Sumatra is 2nd biggest palm oil producer in the country. Products ranging from crude oil to finished products like soap and cooking oil.

Natural Rubber (8%)

While price's declining then suppress the production, rubber is still one of the greatest. Most of the export is in the form of rubber sheet,

Arabica Coffee (4%)

Our Arabica coffee (ie. Sidikalang) is among the most highly priced and sought coffee product in the global market.



Biggest market for export | % share to total export in 2018

China (15%)

The single biggest export market for North Sumatra's products, including palm oil products, chemical and rubber

United States (12%)

United States is the biggest importer for food and animals products. Other products include palm oil and rubber glove.

India (9%)

India is one of the biggest importer of palm oil products from North Sumatera, mostly in the form of CPO.

on CONNECTIVITY



Intra Province

North Sumatra is among the most connected province in Sumatera. The 'spider web' on the left shows how connected we are, even to the most rural area.



Trans Sumatra Highway

A grand scale project to bring fluid connectivity among provinces in Sumatra island. Everything will be more connected, not less.



Focus on Improvement

Due to the scale of the road, maintaining the quality of the road has proven as a challenge for the government. But it's going to change as we swift focus to improve quality.

Industrial Gas Price in North Sumatra

| USD / MMBTU

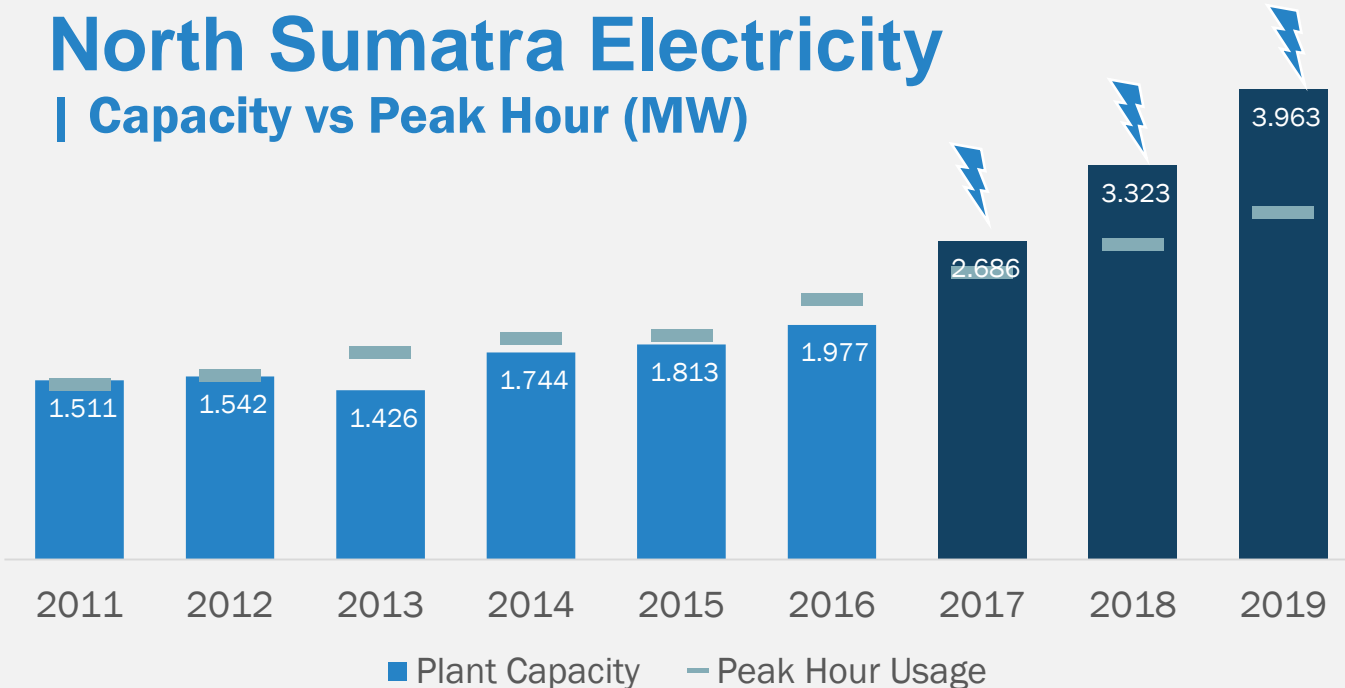
2016
USD **12.22**
/MMBTU



2017
USD **9.95**
/MMBTU

North Sumatra Electricity

| Capacity vs Peak Hour (MW)



Bringing more energy

It's true that energy was a bottleneck for North Sumatra productivity. But it was all in the past. The government has put significant efforts to bring energy cost down, and recently it has shown great progress. Industrial gas price for one has been cut to a competitive level, and electricity has been brought back to light.

3rd

POTENTIAL PROJECTS IN NORTH SUMATERA



Lake Toba as Priority Tourism Area

World's Largest Volcanic Lake
Stunning Landscape in **Nature**

Formed by 3 Major Volcanic Eruptions (last was 74,000 years ago)

All-year-round Comfort Climate $\pm 18-24^{\circ}\text{C}$

Water Surface Elevation at ± 900 m above sea level



Unmatched Scenery

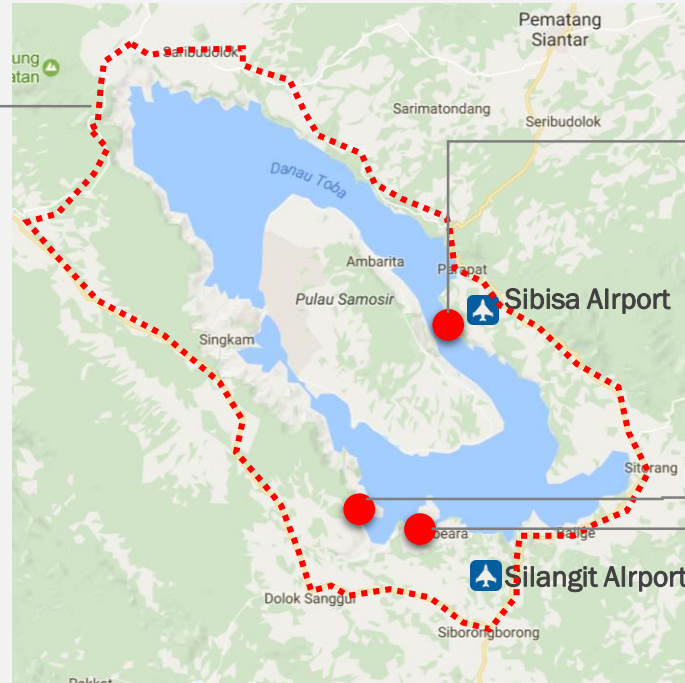
It's a place where
nature and culture
met, preserved and
nurtured.

Simply beautiful.



Coordinative Area

Include 8 Regencies
Area: \pm 300,000 Ha



Sibisa Integrated Resort

Loc.: Toba Samosir Regency
Area : + 602 Ha

Integrated Resort "Flower Garden"

Loc.: Humbang Hasundutan &
North Tapanuli Regencies
Area : \pm 1,247 Ha

Greater Lake Toba : Coordinative Area

- | | |
|-------------------|---------------------------------|
| 1. Floating Jetty | 6. International Hotel & Resort |
| 2. Lake Cruise | 7. International Hospital |
| 3. Sea Plane | 8. Cultural Performance |
| 4. Aerosport | 9. Tourist Bus Service |
| 5. Cable Car | 10. International Event |

Within Designated Development Area : Authoritative Zone

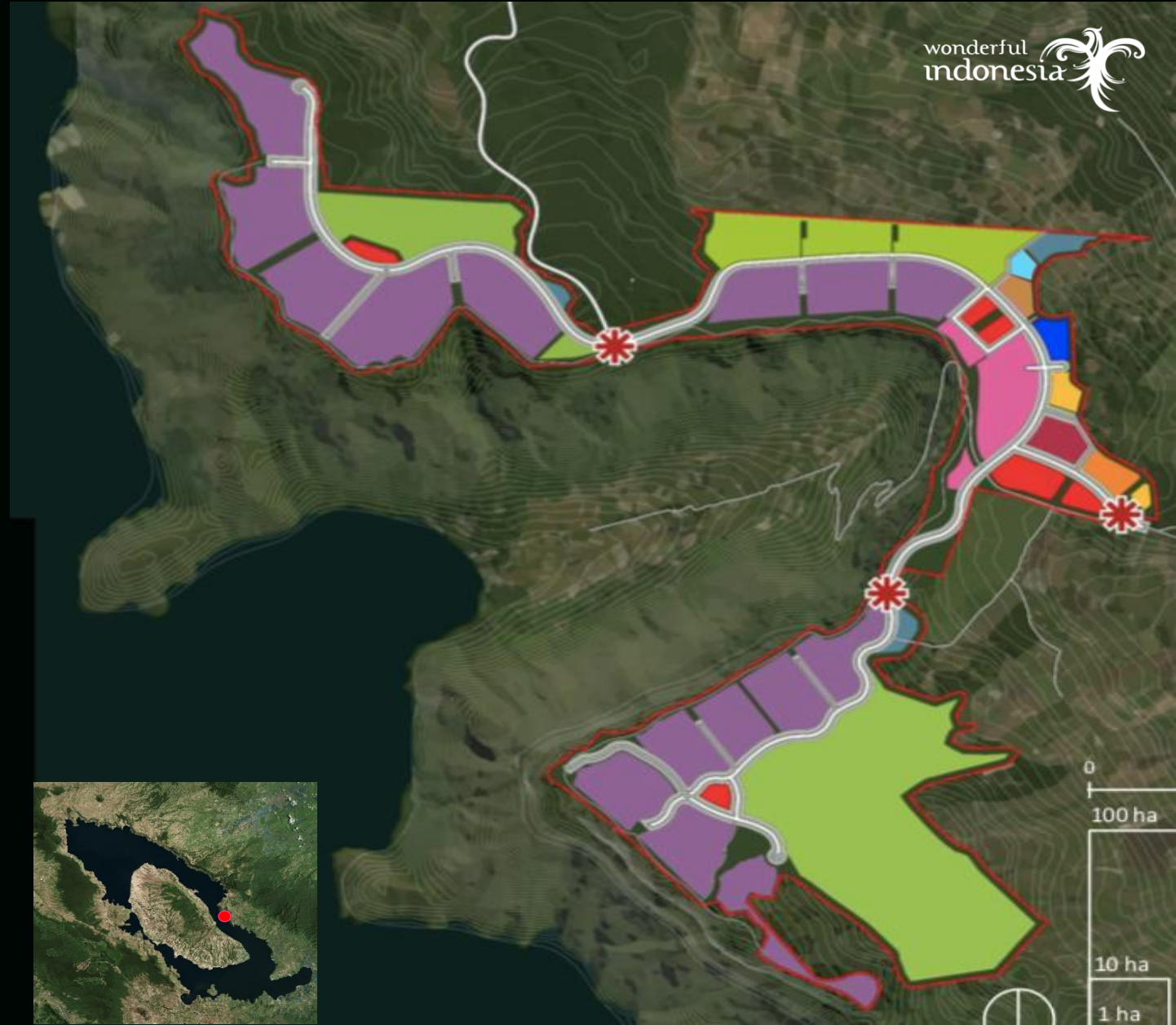
- | | |
|---------------------------------|---------------------------------|
| 1. International Hotel & Resort | 6. Waste Management |
| 2. Premium Golf Course | 7. Outdoor Elevator / Cable Car |
| 3. Sustainable Energy Plant | 8. Flower Garden |
| 4. Water Treatment Plant | 9. Farm / Agri-tourism |
| 5. Waste Water Treatment Plant | 10. Eco Theme Park |

Lake Toba Investment Plan: SIBISA INTEGRATED RESORT

map detail

Legenda

-  Hospitality
-  MICE
-  Commercial
-  UMKM Centre
-  Geo Cultural Park
-  Culture Centre
-  Supporting Facilities
-  Healthcare
-  Botanical Garden
-  Agro Farm
-  Golf Area
-  Back of House
-  Green Space
-  District Gateway



ACCESSIBILITY

It's easier than ever to reach Toba



Air Connectivity

Kualanamu (KNO)

International Direct Flights :

Kuala Lumpur, Singapore, Bangkok

Domestic Direct Flights :

Jakarta and many cities in Indonesia

Silangit Airport (DTB)

Domestic Direct Flights :

Jakarta and Kualanamu

International Direct Flights :

Singapore, Kuala Lumpur (Malindo Air)

Sibisa Airport (SIW)

Open for special flights



Kuala Tanjung Port & Industry Zone

Kuala Tanjung Port is developed with 3 functions at its core

The seaport will function as **Sumatera gateway**, which means flow of goods will be centered in Kuala Tanjung.
Benefit : reducing logistic cost



Main
Gateway

As a **trans-shipment hub**, Kuala Tanjung will be the new distribution center for container and cargo
Benefit : reducing logistic cost and distribution



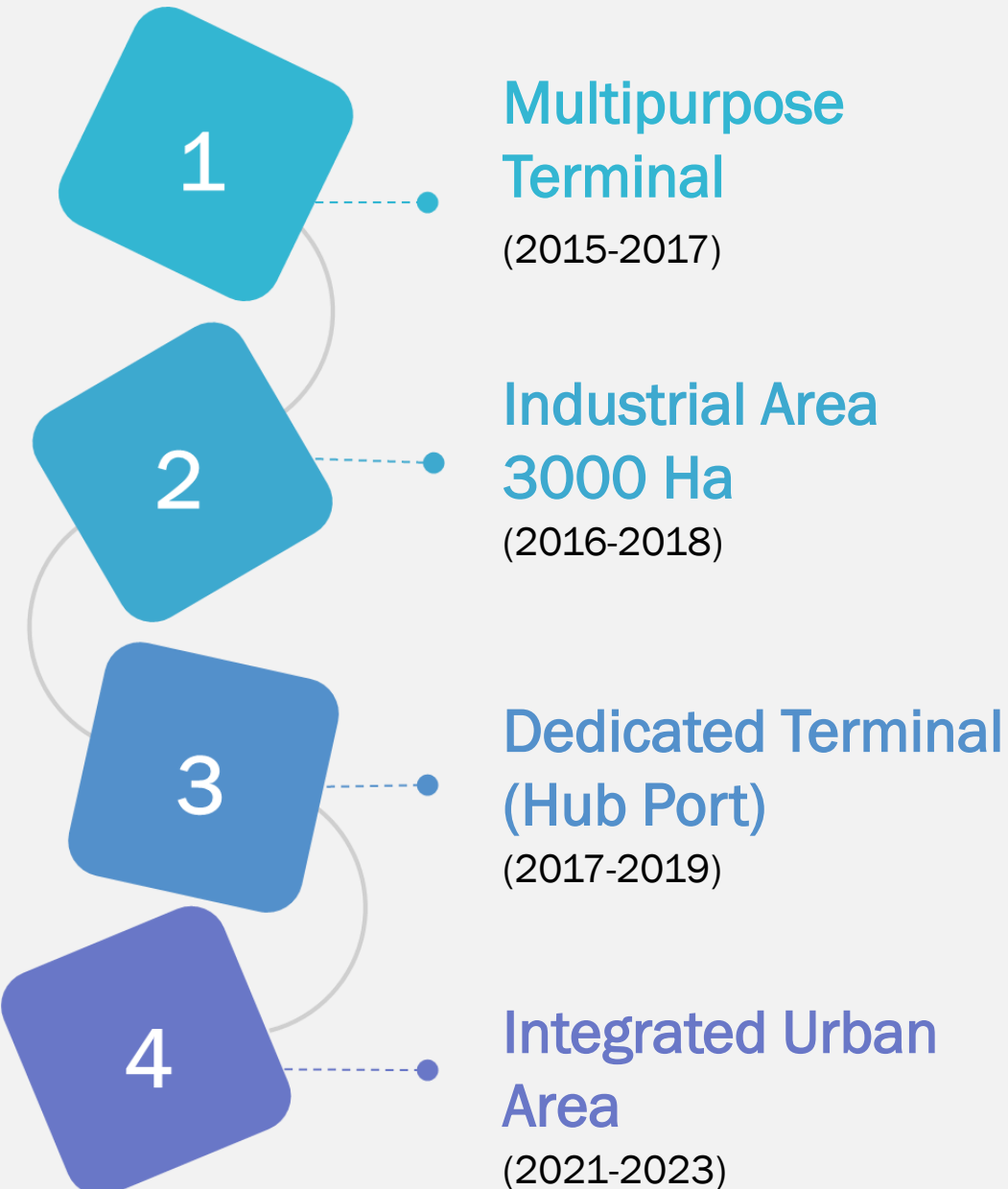
Trans
Shipment

Industry Zone



Integrated industrial cluster, benefitting companies with better distribution chain, more efficient operation cost, while bringing companies closer to raw material

Development Timeline

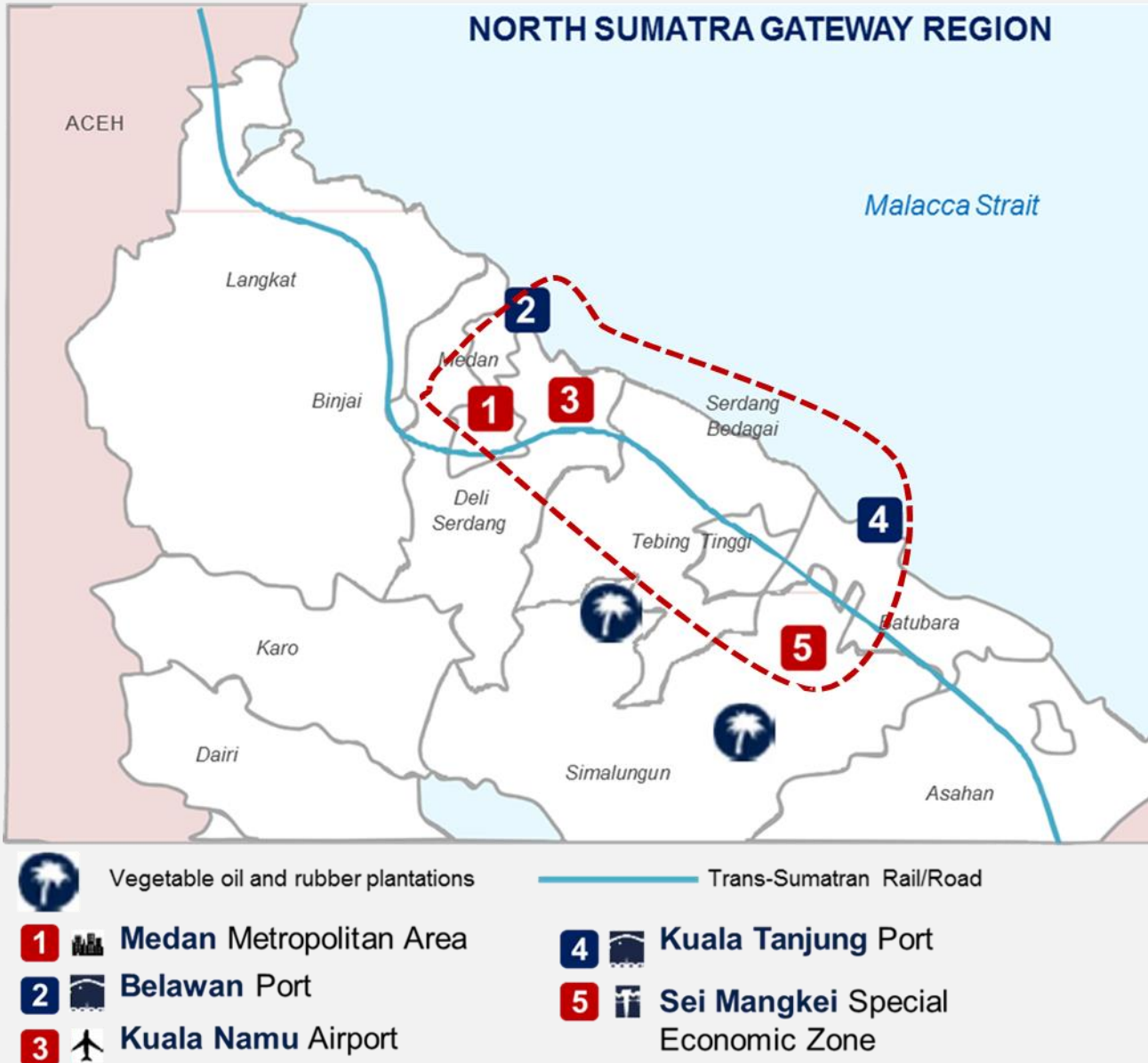


Multipurpose Terminal Project Spec

- **CAPEX:** 3.7 Trillion Rupiah
- **JETTY**
Dimension 60 x 500 Mtr
Length of Trestle 2,85 KM
Length of Berth 1.000 Mtr (2x 500 Mtr)
Bearing Capacity 3 Ton/M2
Water Depth -17 M. LWS
- **BERTHS CAPACITY**
Liquid Bulk Carrier: max. DWT 50.000
Container Vessel: max. DWT 60.000
- **YARD AREA**
Total Area ± 18 Ha
Tank yard ± 4 ha
Container yard ± 14 ha
Bearing Capacity 6 - 8 T/M2
- **MODALITIES:**
Excellent Rail,
Road connection & Energy

Industrial Gateway Port Project Spec

- **JETTY**
Dimensi : 60 x 300 Mtr
Trestle : 825 Mtr
Causeway : 1500 Mtr
Jetties : 600 Mtr (2x 300 Mtr)
Capacity : 3 Ton/M2
Draft : -15 M. LWS
- **JETTY CAPACITY**
Coal Carrier : max. DWT 60.000
Clinker Vessel: max. DWT 60.000
- **AREA CAPACITY (100 Ha by 2017)**
Power plant :20 Ha
Coal Storage : 20 Ha
Cement factory: 7 Ha + 15 Ha
Public area: 5 Ha
Supporting Power : 6 - 8 T/M2
- **INFRASTRUCTURE:**
- Railway, Trans Sumatera Highway



Economic Growth Driver

Kuala Tanjung, together with Sei Mangkei SEZ, Kuala Namu Airport, Belawan Port, and the new Trans Sumatera Highway are built to be the new growth drivers in the region, Highly connected. These National Strategic Projects will bring a new level of efficient logistic chain and fully integrated production base.

Sei Mangkei Special Economic Zone

To be a modern industrial city with high competitiveness and eco-friendly mindset, through optimal development of local natural resources.

Legality	PP No. 29 Tahun 2012 Tentang KEK Sei Mangkei
Location	Simalungun Regency, North Sumatera
Area	1,933.80 ha
Area Manager	PT Perkebunan Nusantara III (PTPN III)
Administrator	Badan Pelayanan Perijinan Terpadu dan Penanaman Modal Kab. Simalungun
Investment amount	<ul style="list-style-type: none">• Infrastructure : Rp. 5,14 trillion• Est. total investment by 2025 : Rp. 129 trillion
Labor force	83,304 people by 2031
Infrastructure and facilities	Railroad, electricity, water treatment, palm oil R&D center, industrial gas available
Connectivity into and out of SEZ	Highway, electricity, gas pipe, dedicated train connectivity direct to Kuala Tanjung sea port, Kualanamu airport



Development Timeline

1

Base Industrial Zone
of 104 Ha

(2010-2015)

2

Industrial Zone + Infrastructure
add 640 Ha

(2015-2020)

3

Integrated Industrial Zone

add 1.993 Ha

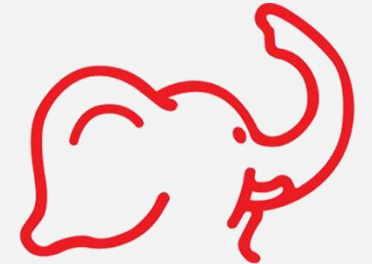
(2020-2035)

Companies Investing in Sei Mangkei SEZ



Unilever

PT UNILEVER OLEOCHEMICAL INDONESIA



RealStrong[®]

AgriCulture Innovation

PT. All Cosmos Indonesia

**PT. Alternative Protein
Indonesia
(a multinational consortium)**



PT PERKEBUNAN NUSANTARA III (PERSERO)

Subsidy and incentives for SEZ

Income Tax

- Tax holiday for investment >Rp 500bn
- Tax allowance of 30% from NI
- Faster depreciation allowed

- Dedicated wage council
- One Labor Union allowed
- Better regulation for expat workers

Labor

VAT

- No VAT for import
- No VAT for transactions with tenant in Sei Mangkei

- Visa on arrival for 5 visits
- Multiple visa for 1 year
- Living permit to owners of property

Immigration

FISCAL

Foreigner Property Right

- Foreigners can own property
- Owner of property can get living permit

- Rights to build permit
- Easier process for land permit

Land Regulation

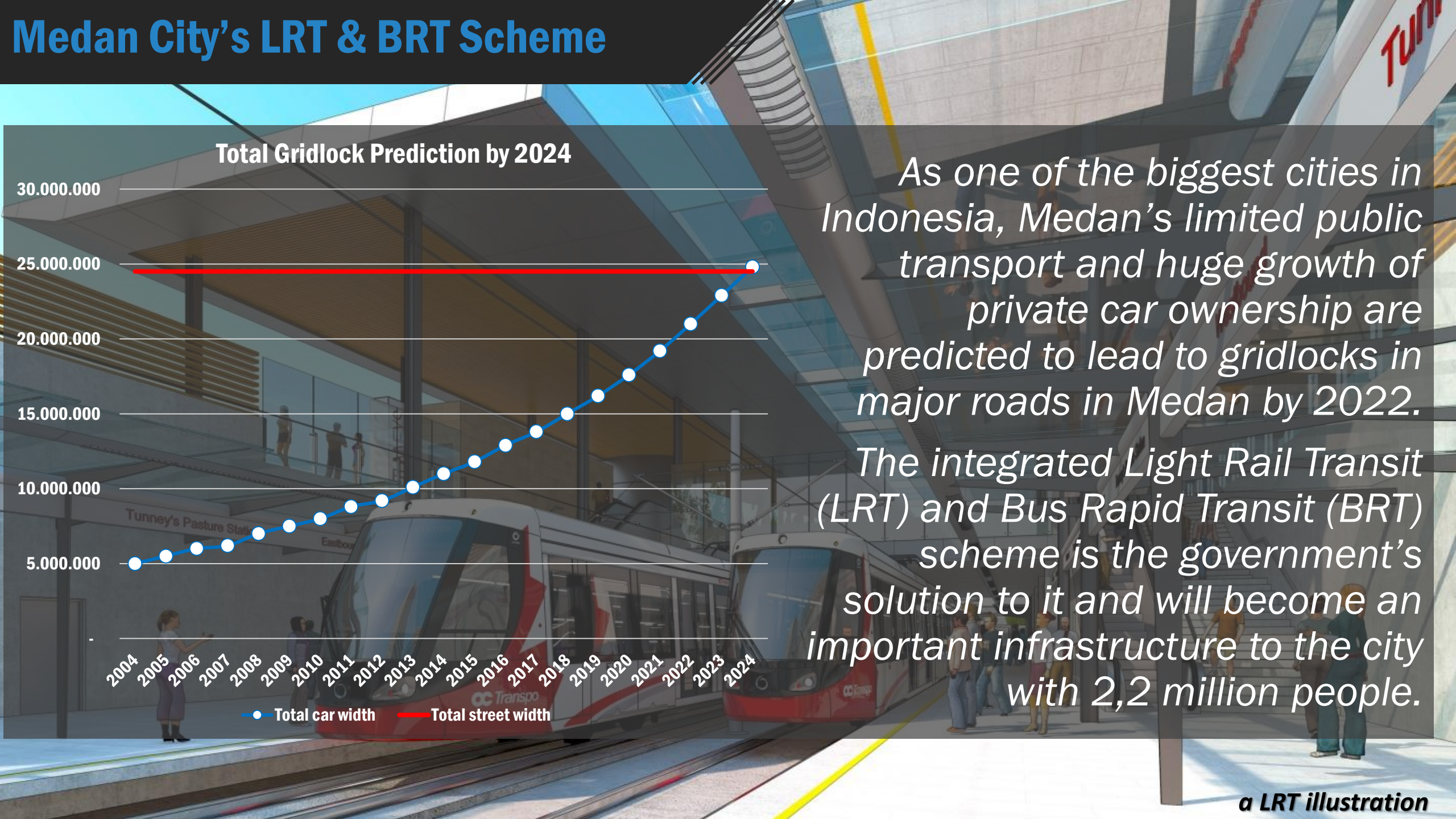
Tourism Sector

- Deduction between 50-100% for construction and entertainment tax

- 3 hours licensing
- All licensing can be done through SEZ administrator

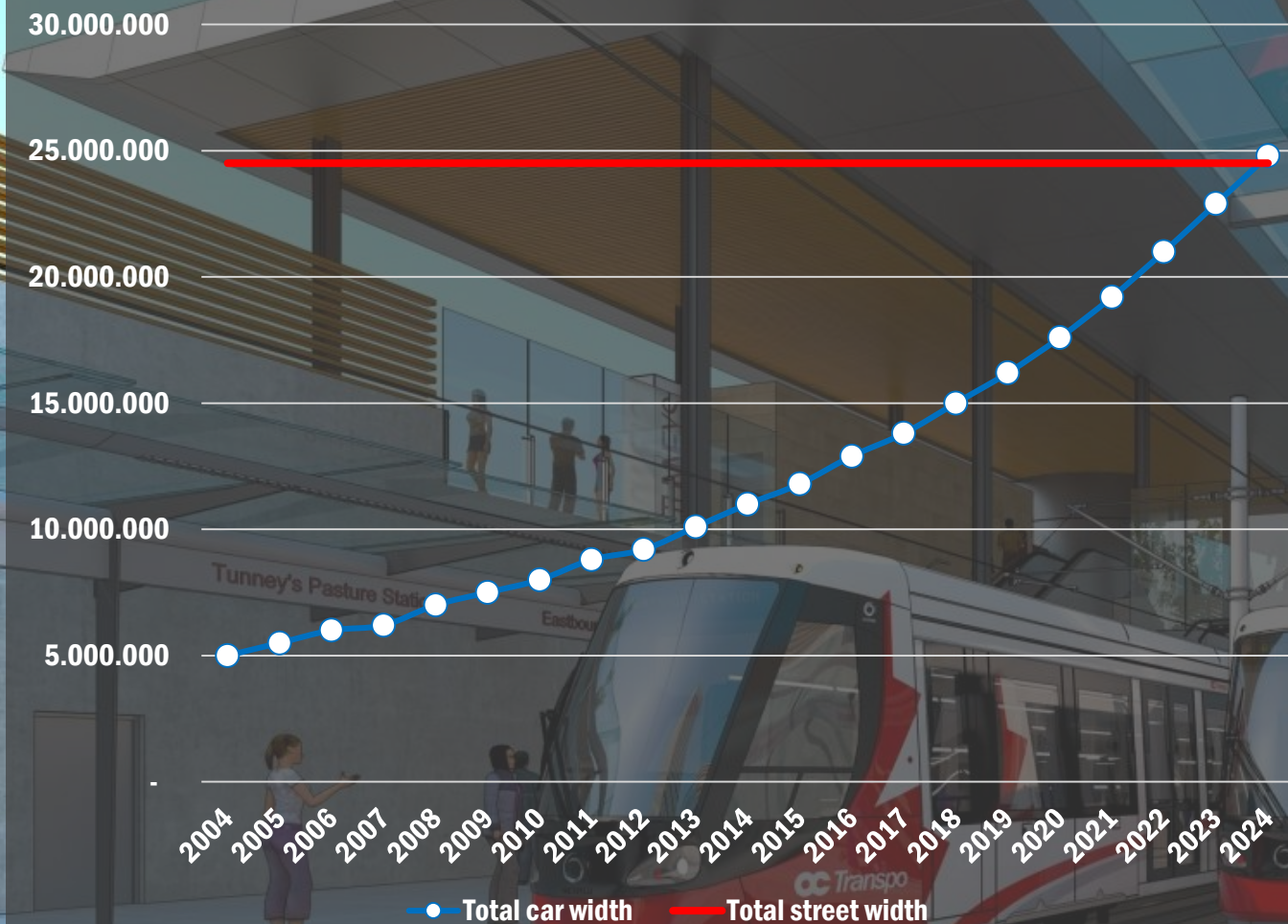
Licensing

NON FISCAL



Medan City's LRT & BRT Scheme

Total Gridlock Prediction by 2024



As one of the biggest cities in Indonesia, Medan's limited public transport and huge growth of private car ownership are predicted to lead to gridlocks in major roads in Medan by 2022.

The integrated Light Rail Transit (LRT) and Bus Rapid Transit (BRT) scheme is the government's solution to it and will become an important infrastructure to the city with 2,2 million people.



The inadequacy of current mode

Currently, the public car (pictured) is the most widely used public transport in Medan city. It's not only inadequate, but also messy since they don't have a station.

The LRT & BRT scheme will not only help untangled predicted gridlock, but also become a reliable transportation mode for the city.

Scheme : Public – Private Partnership

Apx. Distance : 20 km (LRT) & 14 km (BRT)

Inv. Opportunity : IDR 20 tn (LRT) & IDR 1 tn (BRT)

Concession Period : 35 years

Payback Period : 16,47 years

Project IRR (35 years) : 14,7%

**Latest feasibility study result*

The Initial Blueprint for Medan LRT&BRT

- Halte BRT
- Koridor BRT
- Stasiun LRT
- Koridor LRT
- Direct Service

ITDP, 2017



Medan City Zoo Expansion

Medan Zoo is Gaining Visitors

| Number of visitor



As Medan city, with its 2,2 million people and its role as the capital of North Sumatra, develops economically, its people need various entertainments. One of them is Medan Zoo, which has become attraction for visitors. Expecting similar growth in the future, the Government offers investors to partner up and develop the zoo



Modern Zoo

Revamping the zoo by increasing the variety of the animal.

01

02

Theme Park

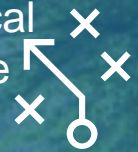
Well who doesn't love a theme park?



03

Botanical Garden

Adding a touch of botanical garden to further increase the attractiveness



Our concept for the ± 30.000 m²
Investment Opportunity IDR 250 bn

Medan Public Hospital Expansion

Public Private Partnership opportunity to expand the Dr. Pirngadi Public Hospital in Medan city. The project includes building the VIP wing in an area of $\pm 10.000 \text{ m}^2$.



1



Pantai Muara Opu
South Tapanuli Regency

2



Orang Utan Batang Toru
South Tapanuli Regency

3



Mursala Island
Central Tapanuli Regency

4



Poncan Island
Sibolga City

6



Tangkahan
Langkat Regency

5



Silahi Sabungan
Dairi Regency

Potential
Tourism Site

The Home of Turtles

Muara Opu Beach

With 14 km shore length, Muara Opu beach is home for thousands of turtles to breed once a year. And at that majestic moment, the experience is breath taking.



The Oldest Orang Utan

Batang Toru Forest

Batang Toru forest is home to one of the oldest orang utan, the Pongo Tapanuliensis, which currently only 800 still exist



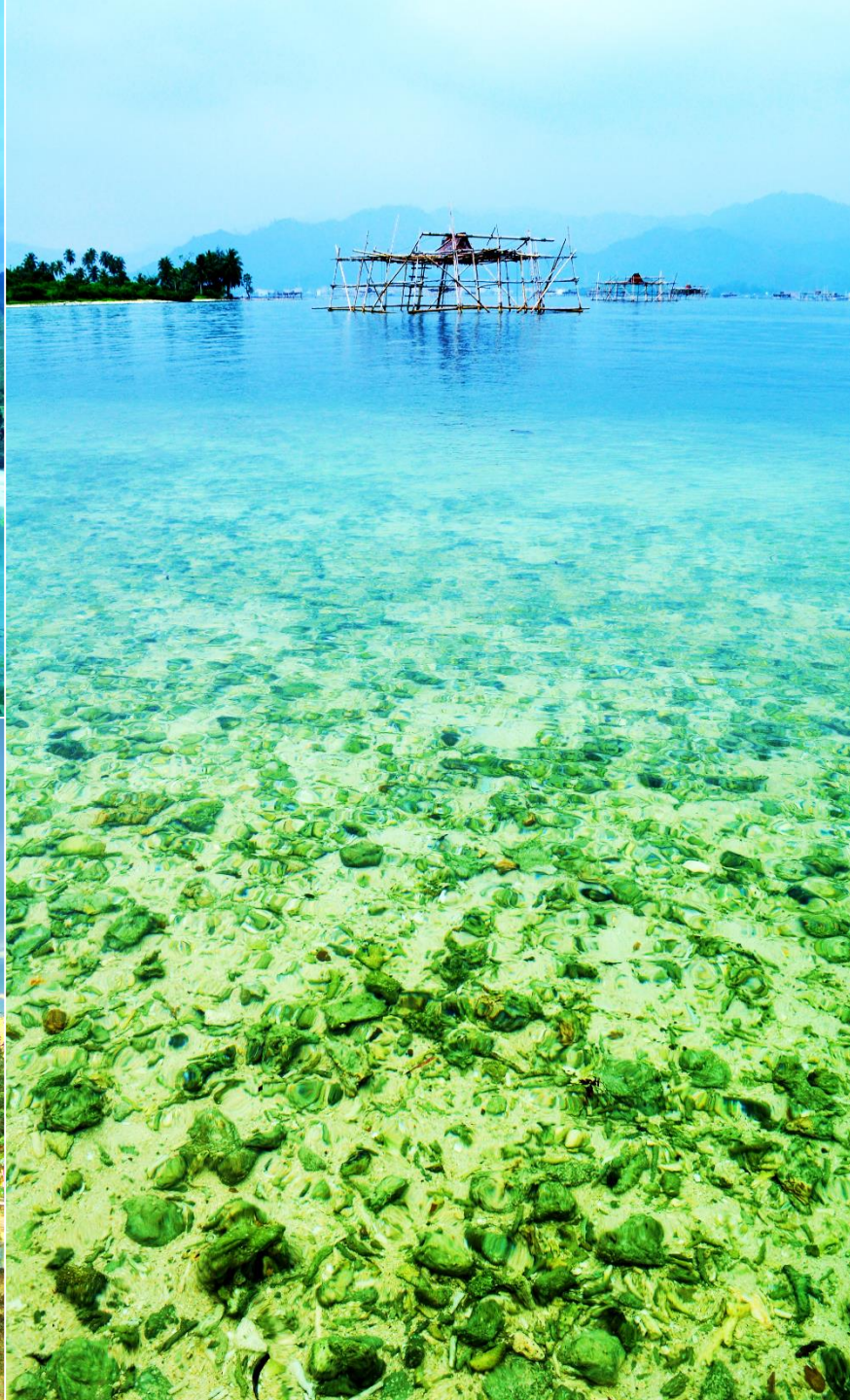


The King Kong Island

Mursala Island

Due to its awesome scenery and authentic wilderness, Mursala Island is famous as the place for the shooting of King Kong movie (2005)





“The Island”

Poncan Island

Imagine an island with a beautiful landscape, and a blue ocean. Where the water so clear you can see everything underneath. That's exactly what Poncan Island offers you.

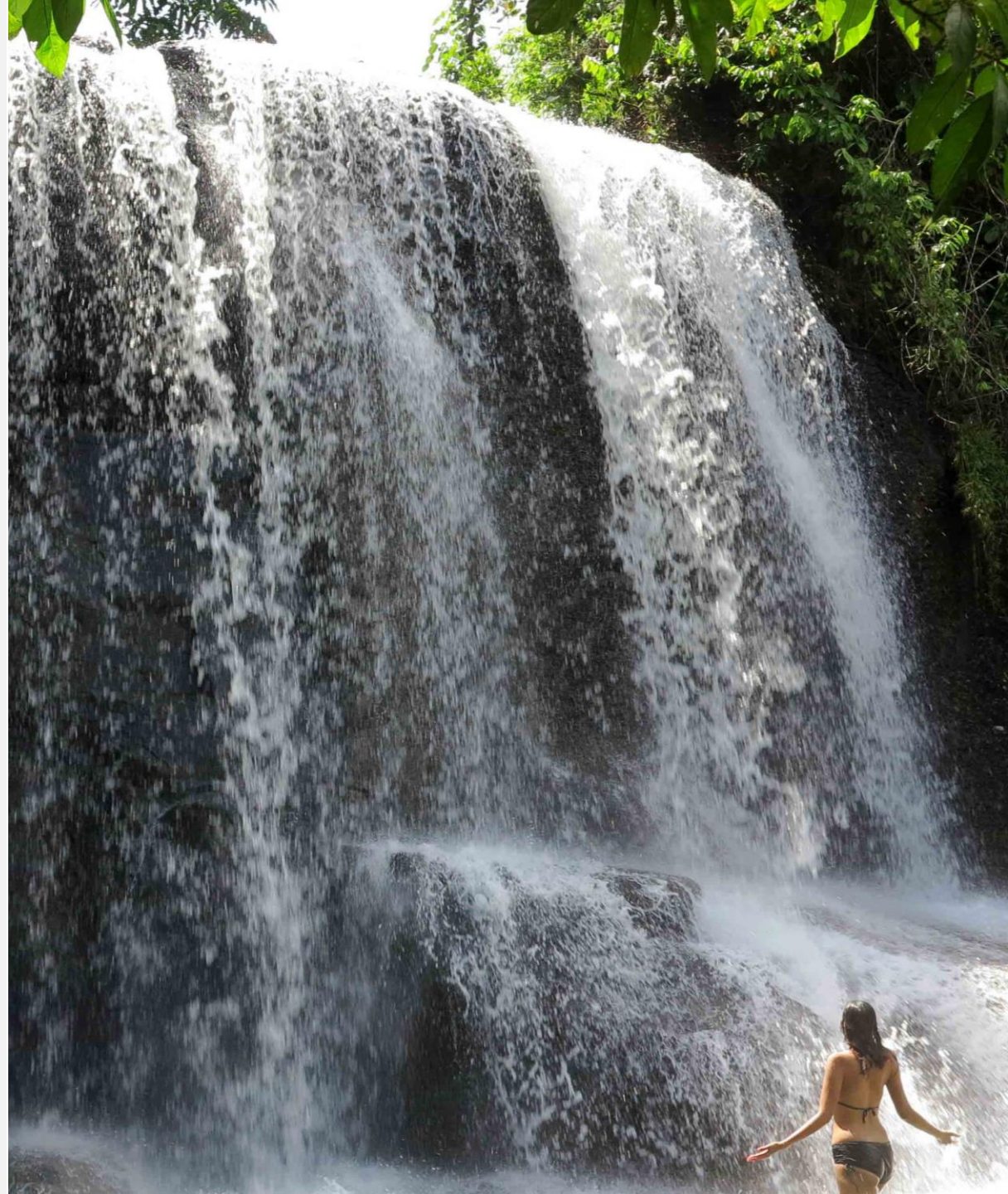


Blending In

Silahi Sabungan

Natural beauty, cultural experience and religious pilgrimage, Silahi Sabungan is a place like no other to find inner peace





The Hidden Paradise

Tangkahan

Some calls it the hidden paradise, Tangkahan is a nature wonder where you can play and have fun with the friendly elephant



Lau Simeme Dam

Deli Serdang

The water could stream within the power up to 13 million m² dam water discharge, which could be used as hydroelectric power plant. This project is essentials, as it's the human being basic needs.



4th

LICENSING IN INDONESIA



Policy Goals

Improve efficient, streamlined, & integrated business license service standards



Provide business licensing process assurance in terms of the costs and lead times



Overcome the barriers to doing business in Indonesia



Accelerate the business licensing process

Increase coordination & synergy between central & regional government

Implement integrated licensing process (single submission)

Main Policy

1st Phase



Forming a Task Force to identify & overcome the end-to-end licensing barriers



Implementing a licensing checklist for Special Economic Zones (KEK), Free Trade Zones (FTZ), Industrial Zones & Tourist Zones



Utilizing data sharing

2nd Phase



Business license regulatory reforms



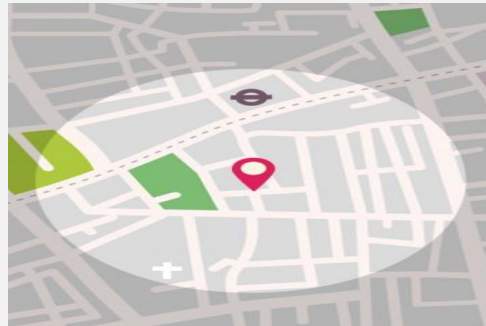
Implementation of the Single Submission system

Note: 1st and 2nd Phase are implemented in parallel

Priority Investment Service

Direct Construction (KLIK)

Investors can directly start their project construction before obtaining construction permits. This service is supported by both **Central and Regional Governments** which become the first step to synergize between central and local licensing



Obtain investment licence at OSS at national or regional level.

- **Survey** a land within selected industrial estates.
- **Acquire** the land for your industry.

- **Start the construction** of your project. No other permits are required.
- **Apply** for building construction permit & environmental permit, in parallel with construction process.

No Requirements

- No minimum investments or workers is required.
- Available for **32 selected industrial estates**.
- Construction permits can be obtained in parallel with construction process.

Until December 2017, 115 projects have utilized the “KLIK services”

5th

KEY CONTACTS IN NORTH SUMATRA



OUR TEAM

We are fully committed to help your investment



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