

Project Appraisal Memorandum

Project Finance

PT Pelabuhan Indonesia IV (Persero)

PT Pelabuhan Indonesia

Sub-participation agreement with Bank Mandiri for up to 6 months

XSOE-PL4151-02SEAP

11-December-2018

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# Part I - Dashboard

## Project

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| --- | --- |
| Project Description | Sub-participation agreement with Bank Mandiri for up to 6 months - Pelabuhan Indonesia IV (Persero) |
| Sector – Sub Sector | ROAD - SEA PORT |
| Project Cost | USD 560,500,000.00 |
| Project Scope | |  | | --- | | The Project Company to build and operate a bulk water supply system, that consist of:  - Production area: (i) water intake facility to take raw water from Umbulan spring water, tapak springs, and Rejoso river; (ii) water treatment plant (“**WTP**”) to process raw water into bulk water with capacity of 4,000 lps; and (iii) water reservoir with capacity of 40,000 m3.  - Water transmission pipe that spans for 92.3 km, going through 5 regencies in East Java province (i.e. Pasuruan Municipal, Pasuruan City, Surabaya City, Sidoarjo Municipal, and Gresik Municipal). There are 16 tapping points along the transmission pipe. |   Upon completion, the Project will supply 4,000 lps bulk water to 5 regencies via Perusahaan Daerah Air Bersih (“**PDAB**”) and 5 Perusahaan Daerah Air Minum (“**PDAM**”). |
| Project Structure | |  | | --- | | The Project is structured as Public Private Partnership project (“**PPP**”), with stakeholders as follows:  - The Government Contracting Agency (“**GCA**”) is East Java Province.  - The Project Company is PT MATA AIR UMBULAN (“**MAU**”), which is also the Borrower.  - PT Penjaminan Infrastruktur Indonesia (Persero) (“**IIGF**”) provides guarantee in favor of the Project Company to cover GCA’s financial obligation.  - Ministry of Finance provides Viability Gap Fund (“**VGF**”) for the amount of IDR818.01 billion, to be disbursed in 5 disbursement schedule based on certain milestone. This VGF scheme is the first one provided by the government.  - PDAB and the 5 PDAMs agreed to purchase the bulk water from Project Company, which will make the monthly payments to the Project Company through PDAB.  - Each of the 5 regency governments agreed to support the project by purchase of the bulk water via its respective PDAM. |  |  | | --- | | GCA and Project Company entered into Cooperation Agreement (“**CA**”), with concession period of 25 years. IIGF provides guarantee with period of 15 years after Commercial Operating Date (“**COD**”). |   The financing is provided as loan syndication with total financing amount of IDR1,055 billion. The participant lenders consist of: IIF (IDR530 billion) and SMI (IDR525 billion). The appointed agency is BNI.  (Project Structure) |
| Deal Strategy | · One of the National Strategic Project  We will provide financing for the project which have significant impact to the Indonesian people as this project is part of the South Sulawesi Power Plant Development Plan stated in RUPTL 2017-2026    · First wind power plant project in Indonesia  The project will become the first wind power plant built in Indonesia. This will become the benchmark for further study and this project may become a good exposure for IIF in wind power plant sector    · First guarantee facility by IIF  The facility will become the first guarantee facility implemented by IIF. This will become the benchmark for guarantee facility and this facility may become a good exposure taking that facility was structured by reputable parties    · Experienced in Industry (ENERGI Group)  ENERGI Group has focused on developing, financing, constructing, owning, and operating a portfolio of wind and Pertalite generation assets for 20 years. Under ENERGI Group, the company has entered selected markets early and built experienced management teams to deliver projects in North America, Europe, North Africa, and Asia (including in South East Asia e.g. Philippines). It has developed wind farms to a total of over 1,500 MW in more than 12 locations throughout the world.   |  | | --- | | This project is the first PPP for water supply system. We pitched and obtained Mandated Lead Arranger role to arrange for the senior loan portion and the bridging to VGF. Aside that this is a PPP project, we were interested to provide financing as the project sponsors are prominent groups: Medco Group with main business in oil & gas that has experience in laying pipes, and Bangun Tjipta Group that has built and operate a couple of similar water projects.    Due to acceleration of financial close, we signed the facility agreement to Senior loan on December 2016. The bridging to VGF was not too needed at that time. However, as the VGF disbursement process is taking longer time than anticipated (originally expected for 2 month, but in actual can be up to 4 months), MAU has sounded the requirement to secure the bridging loan facility.    The Project itself is still on construction phase, remains expected to reach COD timely on July 2019. This is despite the delayed completion of Condition Subsequent (“**CS**”) to CA.    In addition to this Project, we have further developed the relationship with the Sponsors. We provided loans to a couple of companies under Medco Group, and we supported Bangun Tjipta on its Bandar Lampung Water Supply System Project. | |

## Borrower

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| --- | --- | --- | --- | --- |
| Project Company | PT Pelabuhan Indonesia IV (Persero) | | | |
| Project Sponsors | |  |  |  | | --- | --- | --- | | Project Company | Project Sponsors | % ownership | | PT Pelabuhan Indonesia IV (Persero) | Handoko Wiraguna | 100.00 | | PT Pelabuhan Indonesia | Hadiwijaya | 100.00 | | | | |
| Ultimate Beneficial Owner | Hadiwijaya | | | |
| Rating | IIF Rating | External Rating | S&E Category | LQC/BI Checking |
| IIF5  Rating Date: 30 Nov 2018 | S&P: CCC+  Moodys: Caa1  Fitch: CCC+  Pefindo: idCCC | C-IV | 4 - Doubtful / Diragukan |
| Other Information | |  | | --- | | * Semi-annual Review of this Facility to MAU, with proposed ratification of the late submission, as the periodic review was due on May 2018. * Waiver to senior loan Tranche A1 (for capex) to allow drawdown with total amount of IDR150 billion (IIF portion at c.IDR63.94 billion), prior to completion of CP to Second Drawdown. |  * Extension of Availability Period of Tranche A3 (fee payment) to end of November 2018.   (Other Information) | | | |

## Proposal

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| --- | --- | --- | --- |
| Purpose | |  | | --- | | * Semi-annual Review of this Facility to MAU, with proposed ratification of the late submission, as the periodic review was due on May 2018. * Waiver to senior loan Tranche A1 (for capex) to allow drawdown with total amount of IDR150 billion (IIF portion at c.IDR63.94 billion), prior to completion of CP to Second Drawdown. |  * Extension of Availability Period of Tranche A3 (fee payment) to end of November 2018.   (Purpose) | |
| Approval Authority | BOD-IC | |
| Facility | |  |  | | --- | --- | | Type | Amount | | Senior Term Loan | USD 55,000.00 | | Mezzanine Funding | USD 45,500.00 | | Remarks : Lorem Ipsum is simply dummy text of the printing and typesetting industry. Lorem Ipsum has been the industry's standard dummy text ever since the 1500s, when an unknown printer took a galley of type and scrambled it to make a type specimen book. (Remark) | | | |
| Group Exposure | GBP 45,455.00 | |
| Remarks | |  | | --- | | * The total syndicated loan amount is IDR1,055 billion, with total outstanding at IDR486.81 billion. |  * Other lender is SMI with participation amount at IDR525 billion, with loan outstanding at IDR230.84 billion.   (Remarks) | |
| Tenor | 25 year(s) 26 month(s) | |
| Average Loan Life | 27 year(s) 28 month(s) | |
| Pricing | Interest Rate | JIBOR 1 month + 2.7% p.a. Interest Rate |
| Commitment Fee | 2.0% p.a., payable based on undrawn amount at the end of Availability Period. -Comm Fee |
| Facility/Upfront Fee | 0.85% on the undisbursed loan amount, shall be payable every interest period until the end of Availability Period - Upfront/Facility Fee |
| Structuring Fee | 1.4% flat -Structuring Fee |
| Arranger Fee | 1.3% flat - Arranger Fee |
| Collateral | |  | | --- | | - Pledge on all shares.  - Pledge on Transaction Accounts.  - Fiduciary security over insurance claim proceeds.  - Fiduciary security over movables assets.  - Fiduciary security over receivables.  - Assignment of all material contracts.  - Joint and several Letter of Undertaking for Cash Deficiency Support from Sponsors, whereby Sponsors unconditionally and irrevocably undertake to fund and finance any cash deficiency of the Borrower in relation to the Project, including but not limited for the debt service, to be effective during the tenor of the Facility;  - Joint and several Completion Guarantee from the Sponsors whereby the Sponsors unconditionally and irrevocably agree and guarantee to ensure that Projects shall be completed in accordance with the Material Contracts. ***(Collateral)*** | | |
| Other Conditions | 1. A valid, first priority, perfected security interest in all of the Borrower’s assets;  2. A valid, first priority, perfected security interest in all of the Borrower’s rights under the Project Documents and all consents, licenses and permits;  3. Land Mortgage Agreement;  4. A pledge of all shares (We may need to have a carve out for the shares of SunEd due to their financially distressed situation. However, measures would be put in place to ensure lenders can enforce the security);  5. A pledge of all subordinated debt from the Shareholders, if applicable;  6. A valid, first priority, perfected security interest in all offshore and onshore accounts of theBorrower and all funds and investments therein;  7. An assignment of all insurance policies and proceeds;  8. Direct Agreement with counterparties to WTG Contracts, Civil Balance Of Plant (CBOP) Contract and Electrical Balance Of Plant (EBOP) Contract;[[1]](file:///C:/My%20Working/IIF/Testing/Document%20Testing/Other%20Documents/PAM%20Project%20Finance%202/Part%20I%20-%20Executive%20Summary.docx#_ftn1)and STP consent letter.[[2]](file:///C:/My%20Working/IIF/Testing/Document%20Testing/Other%20Documents/PAM%20Project%20Finance%202/Part%20I%20-%20Executive%20Summary.docx#_ftn2)    [[1]](file:///C:/My%20Working/IIF/Testing/Document%20Testing/Other%20Documents/PAM%20Project%20Finance%202/Part%20I%20-%20Executive%20Summary.docx#_ftnref1) Direct agreements between security agents for the secured parties with the relevant contractors under the material agreements under which the relevant security agents have certain step-in rights in the event of a default of the Borrower under those agreements  [[2]](file:///C:/My%20Working/IIF/Testing/Document%20Testing/Other%20Documents/PAM%20Project%20Finance%202/Part%20I%20-%20Executive%20Summary.docx#_ftnref2) PLN consents regarding terms and conditions set forth in the Security Documents (Other Conditions) | |
| Exception to IIF Policy | |  | | --- | | MAU is considered as part of Medco Group, given that (i) GAI has majority vote in the Company, (ii) the management is controlled by seconded persons from Medco. |   GAI is 100%-owned by PT Prima Gas Indonesia Tbk. (“**PGI**”), a listed company in IDX with market share at IDR13.2 trillion (USD886.4 million) as of 10 September 2018. About 51% PGI shares are owned by PT Prima Daya Lestari, a holding company wholly-owned by Panigoro family.  ***(Exception to IIF Policy)*** | |
| Review Period | Semi-Annual | |

## Recommendation

Key Investment Consideration

* **Participate in providing funding of an infrastructure project that is part of Trans Java Toll Road and listed in Acceleration of National Strategic Project**

We are financing the Project which is considered key for the Government’s initiatives in rolling out the toll road infrastructure across Indonesia. The operational schedule of the Project has been accelerated by the Government.

* **A project with acceptable risk/ reward profile**

Although the project is greenfield in nature, we are coming to the project at the time when risks can be considered as minimal. With regards to land acquisition, as of end of June 2018, 99% of total land required has been acquired. Construction progress on average has reached over 80% and the Project was functional starting 8 June 2018 for Idul Fitri holiday. In addition, ABC is located in a densely populated Central Java and the interconnectivity of toll roads in TransJava toll road will likely to increase traffic volume to ABC. As the first and only arterial road in Pemalang, ABC is well positioned to get traffic.

While the CDS Facility has 17 year tenor, we view the Facility as quasi equity with acceptable return (13.5% return versus valuation using CAPM with ranges of 13.9% - 14.9%. We also view that given the recent trend of toll road divestment at 1.5x – 2x of project cost, divesting its shares in ABC or its shares in other toll road projects within XYZ will provide reassurance that XYZ will generate enough cash to cover its cash flow needs in the next few years.

Pari passu collateral, funding and strategic support from Government of Indonesia through Bappenas and strength of sponsors also provide additional comforts for the Project.

* **Continue our support for existing clients and major players in infrastructure sector by providing project based loan**

By providing facilities to ABC, we continue our support to DEF through XYZ and Sumber Mitra Jaya who have been our client since 2016 and 2017 respectively.

* **Performing IIF role as a catalyst - Cash Deficiency Support Facility**

By providing a product not readily available in the market, CDS, we help ABC to become more bankable and allow IIF perform its role as a catalyst in the infrastructure financing sector by providing financing type that traditional banks are not able to provide while at the same time making sound judgement in investment.

Recommendation

We wish to have BoD IC support the proposal for IIF to participate in the Guarantee Facility for OPIC in regards with Energi Gratis Wind Power Plant project by taking over a USD 20 million guarantee portion of SMBC exceeding the guarantee cover to include Political Risk Events.

|  |  |  |
| --- | --- | --- |
| Account Responsible | Deal Team | CIO |
| |  | | --- | | Eko Teguh Santoso | | Febrina Kalangie (Nina) | | Harold Tjiptadjaja | | Anton Benyamin Simatupang | |  | | Harold Tjiptadjaja |

# Part II – Project Analysis

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| 1. **Analysis of the deal**   **A1. Rationale of the deal**  In February 2016, DEF through its subsidiary, XYZ took over the controlling shares in ABC, after injecting IDR 220 bn worth of shares into ABC. Currently, the ownership of ABC is shared between XYZ (60%) and SMJ (40%). The Project covers a distant of 39.2 km with total project cost of IDR 7.5trillion and concession period of 40 years. ABC started the construction of a 39.2 km Pemalang – Batang toll road with a groundbreaking ceremony in June 2016. The project was Some importance of the Project is as follows:  **Participate in providing funding of an infrastructure project that is part of Trans Java Toll Road and is listed in Acceleration of National Strategic Project**  Based on the Presidential Regulation No. 3/2016 re: the acceleration in the implementation of national strategic projects, Pemalang-Batang toll road was listed as one of the national strategic. The Project is strategically located within the heavy populated Java Island. The operational schedule of the Project has been accelerated by the Government.  For Pemalang-Batang, the construction of ABC Toll Road marks the presence of an arterial road or arterial thoroughfare which is a public road that serves major transportation vehicles with long-haul traits, high average speeds, and a limited number of access roads at the highest level of service possible. Other than the over congested Pantura, there was no arterial road presence in ABC prior to ABC project.  **A project with acceptable risk/ reward profile**  Although the project is greenfield in nature, we are coming to the project at the time when risks can be considered as minimal. With regards to land acquisition, as of end of June 2018, 99% of total land required has been acquired. Construction progress on average has reached over 80% and the Project was functional starting on 8 June 2018 for Idul Fitri holiday. In addition, ABC is located in a densely populated Central Java and the interconnectivity of toll roads in TransJava toll road will likely to increase traffic volume to ABC.  Since the issuance of the Presidential Regulation No. 3/2016, 500 kms of Trans Java toll roads has been constructed, 180 kms reached commercial operation and 260 kms was functional (temporarily in operation) since 8 June 2018 for Idul Fitri holiday. Of the 1,162 kms total length of Trans Java toll road, over 1,000kms will reach commercial operation by end of 2018, a testament to the significant impact of acceleration.  While the CDS Facility has 17 year tenor, we view the Facility as quasi equity with acceptable return (13.5% return versus valuation using CAPM with ranges of 13.9% - 14.9%. We also view that given the recent trend of toll road divestment at 1.5x – 2x of project cost, divesting its shares in ABC or its shares in other toll road projects within XYZ will provide reassurance that XYZ will generate enough cash to cover its cash flow needs in the next few years.  For example, please see at the following illustration:   |  |  |  | | --- | --- | --- | | Project Cost | = | IDR 7.5 trillion | | Debt Portion (70%) | = | IDR 5.25 trillion | | Equity Portion (30%) | = | IDR 2.25 trillion | | Price to Book Valuation with multiple of 2.0x | = | IDR 4.5 trillion | | Selling 50% stake using new PB Valuation will be enough for CDS | = | IDR 2.25 trillion |   Pari passu collateral, funding and strategic support from Government of Indonesia through Bappenas and strength of sponsors also provide additional comforts for the Project.  **Continue our support for existing clients by providing project based loan**  By providing facilities to ABC, we continue our support to DEF through XYZ and Sumber Mitra Jaya who have been our client since 2016 and 2017 respectively.  **Performing IIF role as a catalyst - Cash Deficiency Support Facility**  By providing a product not readily available in the market, CDS, we help ABC to become more bankable and allow IIF perform its role as a catalyst in the infrastructure financing sector by providing financing type that traditional banks are not able to provide while at the same time making sound judgement in investment.  **A2. General deal strategy**  We first signed with DEF for a one year, IDR 800 bn revolving credit facility on 31 October 2016. Following its expiration, we signed a short term loan with DEF with tenor of 6 months, extendable for another 6 months on 31 October 2017. Management team of DEF is fully aware that it is our extension to replace the IDR 800 bn short term loan with project based loan that is more directly support the development of infrastructure in Indonesia.  In addition, SMJ has been our client since July 2017.  We were first introduced by DEF to ABC in February 2018 and they presented the construction progress as well as the needs they have for financing. They need support in the form of Cash Deficiency Support (“CDS”) for the existing BNI led syndicated Facility and they need additional IDR 2 trillion of financing due to the increased project cost that has been approved by BPJT on a meeting dated December 2017. Note that the cost increase is due to approved change of technical scope of work due to soft soil handling and request from regional governments. DEF initially proposed for IIF to provide CDS fund up to 800 billion to cover the first two years of cash shortage.  By providing facility to ABC, IIF will be involved in project financing direct to toll road, which is part of the Strategic National Project, Trans Java toll road that have good sponsors.  It is common for toll road projects to have cash deficiency during first years of operation as traffic needs to ramp up before it can generate enough revenues to cover the costs of operation and payments of principals and interests starting in January 2019. As the grace period of BNI Sindikasi loan only takes place 6 months after COD or 24 months after signing (calculated to be May 2019) whichever happens first, ABC has projected need of cash deficiency support for the coming years.  In the first two years since COD (from 2018 – 2020), ABC will need cash defficiency support of IDR 600 billion which will be provided by IIF. However, the remaining cash defficiency support of IDR 1.8 trillion will be provided by ABC.   |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | ABC Cash Deficiency (IDR mn) | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | | Total Cash Deficiency | 300,000 | 527,053 | 362,069 | 275,211 | 163,864 | 184,880 | 179,082 | 150,597 | 22,307 | 66,124 | 165,186 |   For the cash deficiency above, IIF is providing up to IDR [600] in 2018 and sponsors will provide the remaining IDR 1.8 trillion for the next 9 years  Based on the tenor of the Senior Term Loan, ABC will be able to start making repayments in 2030 (following full repayment of Senior Loan) and will fully repay its CDS in 2035.  **Pricing of Cash Deficiency Support:**  Cash Deficiency Support Facility:   1. By Pricing Guideline   Not relevant. As the pricing guideline only provides margin for Senior Term Loan, which substantially has different structure and not comparable to the Cash Deficiency Support structure.   1. Based on Market Price   a). using Capital Asset Pricing Model Formula (CAPM):  We compute the cost of equity in this industry as below:  *Cost of Equity = Rf\* + β\*(Rm – Rf)*  *Cost of Equity = 7.561% + 0.94 x (7.79%)*  ***Cost of Equity = 14.88%***  ***Assumptions:***  ***Rf =*** Risk Free rate – Indonesian government bond yield curve 20 year tenor as of 5 June 2018  β = average in the industry  EMRP = Equity Market Risk Premium, empirical study Damodaran.com.  As a comparison, we try an assumption with Rm (Market Return) value using the average growth of IDX Composite in the last 10 years (14.31%) as follows:  *Cost of Equity = Rf\* + β\*(Rm – Rf)*  *Cost of Equity = 7.561% + 0.94 x (14.31% - 7.561%)*  ***Cost of Equity = 13.91%***  b). Comparables based on Return on Equity (ROE)  Jasa Marga’s 2017 ROE is 15.3%.  Conclusion:  Considering the return on equity based on CAPM and comparables that generate rate of return of 13.9%-14.9% and rate of senior term loan of 10.5%, we can conclude that 13.5% return for CDS is acceptable. Please note that the ROE of Jasa Marga, a toll road operator with more mature portfolio as they are mostly operating, is 15.3% thus it makes sense for our CDS in ABC to generate 13.5% return.   1. CDS IRR 2. From the total of 13.50% interest rate applied for CDS facility, 10.50% will be deferred until the maturity date of Senior Term Loan facility. It is rolled over in every interest payment date [compounded/ capitalized]. Remaining 3% of interest rate will be paid as cash interest payment, payable in monthly basis.  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | IRR CDS | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | | **Cash Out** | (300,000) | (300,000) |  |  |  |  |  |  |  | | **Cash In** |  |  |  |  |  |  |  |  |  | | Principle Payment | - | - | - | - | - | - | - | - | - | | Interest Payment | 750 | 9,750 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | | **Net Cash** | (299,250) | (290,250) | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | | IRR CDS | 2027 | 2028 | 2029 | 2030 | 20231 | 2032 | 2033 | 2034 | 2035 | | **Cash Out** |  |  |  |  |  |  |  |  |  | | **Cash In** |  |  |  |  |  |  |  |  |  | | Principle Payment | - | - | - | 287,795 | 431,692 | 431,692 | 431,692 | 431,692 | 143,897 | | Interest Payment | 18,000 | 18,000 | 18,000 | 188,030 | 224,479 | 166,201 | 107,922 | 49,644 | 3,597 | | **Net Cash** | 18,000 | 18,000 | 18,000 | 475,824 | 656,171 | 597,893 | 539,614 | 481,336 | 147,495 |   Based on the above cash projection, this scenario will present **CDS IRR of 13.88%**   1. From the total of 13.50% interest rate applied for CDS facility, there will be no cash interest paid in monthly basis. It is fully deferred until the maturity date of Senior Term Loan facility.  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | IRR CDS | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | | **Cash Out** | (300,000) | (300,000) |  |  |  |  |  |  |  | | **Cash In** |  |  |  |  |  |  |  |  |  | | Principle Payment | - | - | - | - | - | - | - | - | - | | Interest Payment | - | - | - | - | - | - | - | - | - | | **Net Cash** | (300,000) | (300,000) | - | - | - | - | - | - | - | | IRR CDS | 2027 | 2028 | 2029 | 2030 | 20231 | 2032 | 2033 | 2034 | 2035 | | **Cash Out** |  |  |  |  |  |  |  |  |  | | **Cash In** |  |  |  |  |  |  |  |  |  | | Principle Payment | - | - | - | 347,165 | 520,747 | 520,747 | 520,747 | 520,747 | 173,582 | | Interest Payment | - | - | - | 219,767 | 271,066 | 200,765 | 130,464 | 60,163 | 4,432 | | **Net Cash** | - | - | - | 566,931 | 791,813 | 721,512 | 651,211 | 580,910 | 178,014 |   Based on the above cash projection, this scenario will present **CDS IRR of 13.94%**    Conclusion:  With the above IRRs, we can conclude that CDS interest rate of LPS rate + 4.25% + 3% (additional margin), or equivalent to 13.50% p.a. is still acceptable considering the IRR of this CDS facility is still higher than 13.50%.  **A3. Deal structure (financing plan, required sources, project costs)**  The total project cost is IDR 7.5 trillion (previously was IDR 4.1 trillion as stated in 2011 PPJT or IDR 4.9 trillion as noted in the proposal of BNI Sindikasi I on May 2017). This Increase in project cost has been approved to be part of investment costs and as stated in *Berita Acara Perubahan Rencana Usaha Pengusahaan Jalan Tol ABC Nomor 223/BA/Pt.6/2017* dated 14 December 2017. The approved increase in the project cost resulted in the increased amount of funding required. Currently, BNI and its syndication are raising additional IDR 2.0 trillion of funding (Senior Loan) for the project (“Investment Credit Phase II”).   |  |  |  |  | | --- | --- | --- | --- | | **Uses of Fund** | **Cost (IDR mn)** | **Sources of Fund** | **Cost (IDR mn)** | | Construction Cost | 4,764,124 | **Equity Contribution from Sponsors 30%** | **2,249,375** | | Toll equipment | 34,046 | | Design and AMDAL | 31,506 | | Supervision | 38,784 | | Escalation | 1,086,466 | | Contingency | - | | Value added tax | 595,493 | | Overhead cost | 58,834 | Investment Credit Syariah | 500,000 | | Land Acquisition | 180,000 | Investment Credit Non Syariah | 4,335,581 | | IDC | 589,944 | IDC Non Syariah | 412,473 | | Finance Cost | 118,720 | **Total Bank Loans 70%** | **5,248,541** | | **Total Uses of Funds** | **7,497,916** | **Total Source of Funds** | **7,497,916** |   The uses of funds reflect the increase of project cost as below:   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **No** | **Assumptions** | **PPJT 2011** | **Budget Proposed in**  **BNI Sindikasi I** | **Approved**  **Amendment**  **Dec 2017** | **% Increase** | | 1 | Construction Cost | 2,269,661 | 3,568,921 | 4,764,124 | 110% | | 2 | Toll equipment | 34,046 | 51,000 | 34,046 | 0% | | 3 | Design and AMDAL | 29,506 | 29,506 | 31,506 | 7% | | 4 | Supervision | 38,584 | 38,584 | 38,784 | 1% | | 5 | Escalation | 559,429 | 171,021 | 1,086,466 | 94% | | 6 | Contingency | 115,185 | - | - | - | | 7 | Value added tax | 304,641 | 385,903 | 595,493 | 95% | | 8 | Overhead cost | 58,834 | 58,834 | 58,834 | 0% | | 9 | Land Acquisition | 180,168 | 180,168 | 180,000 | 0% | | 10 | IDC | 418,173 | 323,882 | 589,944 | 41% | | 11 | Finance Cost | 68,967 | 68,967 | 118,720 | 72% | | **Total Project Cost** | | **4,077,194** | **4,876,786** | **7,497,916** | **84%** |   The sources of funds reflect the increase of project cost as below:   |  |  |  |  | | --- | --- | --- | --- | |  | **Phase I**  **Signed in May 2017** | **Phase II**  **To be Signed in Q3 2018** | **Total (IDR mn)** | | Investment Credit Syariah | 500,000 | - | 500,000 | | Investment Credit Non Syariah | 2,506,150 | 1,829,431 | 4,335,581 | | IDC Non Syariah | 213,850 | 199,110 | 412,473 | | **Total Credit Facility (70%)** | **3,220,000** | **2,028,541** | **5,248,541** | | **Equity (30%)** | **1,656,786** | **592,589** | **2,249,375** | | **Total** | **4,876,786** | **2,621,130** | **7,497,916** |   **A4. Expected Timeline**    **Cash Deficiency Support:**  The expected timeline for closing is August/ September 2018.   1. **Project Description**   **B1. Project Background**  Pemalang – Batang Toll Road Project (“Project”) is part of the government’s Trans Java Toll Road Project (“TJTR”), which consist of 10 parts of toll roads which extends from [Merak](http://en.wikipedia.org/wiki/Merak,_Banten) in the western Java province of [Banten](http://en.wikipedia.org/wiki/Banten) to [Banyuwangi](http://en.wikipedia.org/wiki/Banyuwangi) in [East Java](http://en.wikipedia.org/wiki/East_Java) (Jalur Pantai Utara or Pantura). TJTR is considered as one of government’s land transportation solution to support logistic flow especially to ease the burden on Java’s northern coastal road, Pantura, which have been the island’s transportation backbone.  As a part of the Government’s incentives to enhance the national economy and to accelerate the development of road infrastructure and road network facilities, Pemalang – Batang toll road is established by SMJ and XYZ as a part of the Trans Java toll road that connects Pejagan – Pemalang that has been partly operational and Batang – Semarang that was functional on 8 June 2018 (temporarily) for Idul Fitri holiday. The establishment of this toll road is part of an effort to provide efficient transport system, in which Java North Coast is the primary arterial road that is no longer tamed as the optimal road network system that connects distribution services.  In 1995, SMJ was nominated as the winner for the Project and Jasa Marga has then granted the concession agreement to SMJ in 1996, hence SMJ became the 100% concession owner. Subsequently, SMJ had proposed the syndication facility from BNI to fund the project and start the land clearing process. However, monetary crisis occurred in 1998 and resulted in postponement of the project. The toll concession contract was renegotiated in 2005 in which SMJ was once again selected as the winner.  On June 2006, ABC Toll Road, as a company/ concession holder was established in June 2006.  On 7 July 2011, ABC signed *Perjanjian Pengusahaan Jalan Tol Pemalang – Batang* with Badan Pengatur Jalan Tol (“BPJT”), the authorized body to carry out the management and supervision of the majority toll road business in Indonesia. At that time, ABC was owned by SMJ by 45%, PT Langkah Hutama Perkasa by 45% and Countryside Investment Corp by 10%.  On 22 February 2016, DEF through XYZ, as per the direction of Minister of State Owned Enterprise was asked to participate in the development and construction of toll road projects in Java and thus, DEF completed the acquisition of 60% ownership of ABC from the previous shareholders. The remainder 40% is still owned by SMJ. Other than ABC, DEF through XYZ also owns ownership in several other Trans Java toll road projects such as Kanci-Pejangan, Pejagan-Pemalang, Pemalang-Batang, Batang-Semarang, Solo-Ngawi and Ngawi-Kertosono toll road projects.  On June 2016, ground breaking of the ABC project was conducted.  On December 2017, BPJT approved the increase in cost and indicated that the PPJT would soon be amended to reflect the approved increase cost.  **B2. Project Location**  Pemalang – Batang Toll Road Project (“the Project”) is part of the government’s 18 toll road concessions totaling of 1,162 km long Trans Java Toll Road Project (“TJTR”), which extends from [Merak](http://en.wikipedia.org/wiki/Merak,_Banten) in the Western Java province of [Banten](http://en.wikipedia.org/wiki/Banten) to [Banyuwangi](http://en.wikipedia.org/wiki/Banyuwangi) in [East Java](http://en.wikipedia.org/wiki/East_Java). TJTR is considered as one of government’s land transportation solution to support logistic flow especially to ease the burden on Java’s northern coastal road, Pantura, which have been the island’s transportation backbone.    ABC stretches through three regencies in Central Java and they are Pemalang, Pekalongan and Batang.    **Land Acquisition**  Below table points out the land acquisition progress as of 25 June 2018:    **B3. Project Scope**  The scope of the Project is defined as follows:   |  |  | | --- | --- | | **Criteria** | **Detail per 2011 PPJT (Basic Design)** | | Sections | Section 1 (Pemalang – Pekalongan) (23.3km)  Section 2 (Pekalongan – Batang) (15.9 km) | | Length | Main Road 39,2 km and access 8,9 km | | Speed | 120 km/hour | | Lane | 2x2 | | Lane Width | 3,60 m (rigid) | | Width Roadside (Outside) | 3,00 m (flexible) | | Width Roadside (Inside) | 1,50 m (rigid) | | Interchange | 4 (1 additional on next stage) | | Under Bridge | 11 | | Number of Overpass | 6 | | Number of Underpass | 13 | | Box Traffic | 37 | | Box Drainage | 110 |   Changes to Basic Design:   |  |  |  | | --- | --- | --- | | **Criteria** | **Detail per 2011 PPJT**  **(Basic Design)** | **Amendment 2017 PPJT**  **(Review Design)** | | Under Bridge | 11 | 10 | | Number of Overpass | 6 | 5 | | Number of Underpass | 13 | 11 | | Box Traffic | 37 | 46 | | Box Drainage | 110 | 192 |   The project is divided into 4 different work packages. Package I, II and IV are being constructed by PT DEF (Persero) Tbk (“DEF”), the parent of PT XYZ (“XYZ”), 60% shareholder of ABC while package III is being constructed by PT Sumber Mitra Jaya (“SMJ”), a 40% shareholder of ABC. As most of the soil type found in package III is mostly soft soil, some of the work (5.3 km in length) originally allocated to package III(SMJ) is shifted to package II(DEF).  Changes to Package Length/ Aspect:   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Package** | **Aspect (old)** | **Aspect (new)** | **Contractor** | **Work Type** | | I | Sta 330+000 – Sta 369+196 | Sta 330+000 – Sta 369+196 | DEF | All Structural | | II | Sta 330+000 – Sta 336+500 | Sta 330+000 – Sta 341+850 | DEF | Road at Grade | | III | Sta 336+500 – Sta 359+660 | Sta 341+850 – Sta 359+660 | SMJ | Road at Grade | | IV | Sta 359+660 – Sta 369+169 | Sta 359+660 – Sta 369+169 | DEF | Road at Grade |   As of 14 December 2017, a meeting to discuss Changes in Business Plan for Pemalang- Batang Toll Road Concession was conducted as stated in *Berita Acara Perubahan Rencana Usaha Pengusahaan Jalan Tol ABC Nomor 223/BA/Pt.6/2017* dated 14 December 2017.  The business plan changes emphasized that the scope of work change can be accommodated as an increase in investment cost (from IDR 4.9 trillion to IDR 7.5 trillion) as they fulfilled the following requirements: (i). request by governmental agencies in accordance with rules/ regulations and the needs of government/ people affected by the construction of ABC Toll Road and (ii). in accordance with conditions, needs, technical requirements of toll road.  The scope of work in the Final Engineering Review has been adjusted to reflect the soft soil handling (36 kms in length instead of the originally forecasted 5.5 kms in length), the change in design (100+ additional box culvert, 29 additional box tunnel) and request of regional government for additional rest areas.  **Construction Period**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **ABC**  **Progress Week: 23 June 2018 – 29 June 2018** | | | | | |  | **Length (km)** | **Planned (%)** | **Realization (%)** | **Deviation (%)** | | I Structure - DEF | 39.196 | 86.001 | 87.985 | 1.985 | | II – DEF | 6.500 | 72.382 | 77.587 | 5.205 | | III – SMJ | 23.160 | 69.599 | 70.455 | 0.856 | | IV - DEF | 9.536 | 73.404 | 75.381 | 1.912 |   **B4. Project Structure & Stakeholders**  In addition to chart above, below is the list of consultants used in the project:   |  |  |  | | --- | --- | --- | | Type |  | Name of Consultant | | Planning Consultant | : | PT Perentjana Djaja | | Supervisory Consultant | : | PT Jakarta Rencana Selaras | | Quality Assurance Consultant | : | PT Aria Jasa Reksatama |   Concession Agreement   * Notarial Deed of Rina Utami Djauhari, S.H for the PPJT Agreement No. 03 dated 7 July 2011, between Badan Pengatur Jalan Tol (BPJT) Kementerian Pekerjaan Umum Republik Indonesia and PT. ABC Toll Road. * *Berita Acara* No. BA.396/BPJT/KE/HK.02.03/2011 dated 13 June 2011, between BPJT and ABC. * *Berita Acara Evaluasi Perubahan Rencana Usaha Pengusahaan* Pemalang – Batang Toll Road No. 220.1/BA/Pt/2017 dated 13 December 2017, between BPJT and ABC. * *Berita Acara Perubahan Rencana Usaha Pengusahaan* Pemalang – Batang Toll Road No. 2231/BA/Pt/2017 dated 14 December 2017, between BPJT and ABC.   Shareholder Agreement   * Shareholder agreement between XYZ and ABC in which XYZ agrees to provide *dana talangan tanah*  for ABC Toll Road with maximum amount of IDR 1.3 trillion. This agreement is effective immediately upon signing and should be repaid as specified in the tenor of the agreement. The tenor can be extended based on written agreement of both XYZ and ABC.   EPC Contract   * EPC Contract of Pemalang – Batang Toll Road Package I for Structural Work: STA 330+000 – STA 369+196 No. 01/SPPJP/ABC/2016 dated 31 March 2016, between ABC and DEF * EPC Contract of Pemalang – Batang Toll Road Package II AT Grade : STA 330+000 – STA 336+500 No. 02/SPPJP/ABC/2016 dated 31 March 2016, between ABC and DEF. * Addendum III of EPC Contract for Pemalang – Batang Toll Road Package III At Grade : STA 330+000 – STA 336+500, No. 02.3/ADD3/SPPJK/ABC/ 2018 dated 5 January 2018, between ABC and DEF. * EPC Contract Pemalang – Batang Toll Road Package IV Grade : STA 359+660 – STA 369+196 No. 04/SPPJP/ABC/2016 dated 31 March 2016, between ABC and DEF. * Addendum III of EPC Contract for Pemalang – Batang Toll Road Package III At Grade: STA 359+660 – STA 369+196, No. 01.3/ADD3/SPPJK/ABC/2017 dated 5 January 2018, between ABC and DEF. * Addendum III of EPC Contract for Pemalang – Batang Toll Road Package IV Grade : STA 359+660 – STA 369+196, No. 04.3/ADD3/SPPJK/ABC/ 2018 dated 5 January 2018, between ABC and DEF. * EPC Contract Pemalang – Batang Toll Road Package 3: STA. +336+500 – STA. 359+660 No. /SPPJK/ABC/2016 dated 31 March 2016, between ABC and SMJ. * EPC Contract Pemalang – Batang Toll Road Package III AT Grade : STA 336+500 – STA 359+660 No. 03.1/AMD1/SPJK/ABC/2016 dated 31 March 2016, between ABC and SMJ. * Addendum III of EPC Contract for Pemalang – Batang Toll Road Package III At Grade : STA 337+550 – STA 359+660, No. 03.3/ADD3/SPPJK/ABC/ 2017 dated 4 December 2017, between ABC and DEF.   Syndication Facility Agreement   * Please refer to part F for the proposed key terms and conditions of Syndication facility Agreement.   **B5. Material Contracts**  **B5.1. Summary of Concession Agreement**  There have been several PPJT agreements issued by the BPJT in regards to ABC toll concession. The latest PPJT we have available is PPJT deed no. 3 dated 7 July 2011 that was made in front of Rina Utami Djauhari, a notary public. Previous PPJTs include PPJT No. 266/PPJT/VII/Mn/2006 dated 21 July 2006 that was later amended by Amendemen I dated 3 July 2007 No. KU.08.10-SJ/432 and later further amended by Amandemen II dated 7 January 2009 no. 2 also was made as deed in front of Rina Utami Djauhari, a notary public.  ABC have met with BPJT in 2017 regarding cost increase and have received approval as reflected in *Berita Acara* as well as Letter from the Ministry on the approved cost increase, however, ABC have not received the amended PPJT to reflect for the approved cost increase. Moreover, recently, lower tariff is expected but ABC have yet to receive either Berita Acara or amended PPJT on the regards.  **Summary of PPJT deed no. 3 dated 7 July 2011**   |  |  | | --- | --- | | Parties | Indonesian Toll Road Authority (“BPJT”)  PT ABC Toll Road (“ABC”) | | Signed on | 7 July 2011 | | Scope of Concession | To seek funding, technical planning, to construct, to operate and to maintain. | | Maturity | 45 years since the first SPMK is issued from BPJT as stated in *Berita Acara Kesepakatan tentang Penerusan Pengusahaan Jalan Tol Pemalang – Batang dated 13 June 2011 no. BA.396/BPJT/KE/HK.02.03/2011*. | | Funding for the Project | Maximum debt allowed is 70% of total Project Cost;  Financial close must be achieved maximum 3 months after 75% of the land required has been procured. | | Construction | ABC is required to appoint an independent supervision consultant prior to start the construction;  Prior to the appointment, ABC is required to submit at least 3 (three) candidates to be agreed by PBJT;  Surat Perintah Mulai Kerja (“SPMK”) is released 7 days after ABC completed land handover with BPJT for one full section / or for the full length of the toll road. In the case of acceleration, full land procurement is not required as long as it is agreed by all parties including the lenders;  The construction period must start 30 days after SPMK has been issued and will continue for 27 months since SPMK has been issued as stated in Berita Acara Kesepakatan tentang Penerusan Pengusahaan Jalan Tol Pemalang – Batang dated 13 June 2011 no. BA.396/BPJT/KE/HK.02.03/2011.  ABC is responsible for the construction of 39.2 km of ABC Toll Road. | | Tariff | The PPJT referred to tariff toll regulated by Ministry as based on the business plan proposed by ABC. According to Berita Acara that is often referred to I the PPJT, *Berita Acara Kesepakatan tentang Penerusan Pengusahaan Jalan Tol Pemalang – Batang dated 13 June 2011 no. BA.396/BPJT/KE/HK.02.03/2011*, toll tariff of Rp. 839 (2014) for type I vehicle was assumed.  The tariff will be adjusted every two years by 14% to account for inflation rate, after ABC meets the minimum service standard. | | Insurance | During construction, ABC is required to cover the project with third party liability and contractor’s all risk.  During operation phase, ABC is required to cover the project (toll road, building, utilities, facilities, and other installations) with Civil Engineering Completed Risk (“CECR”) insurance to avoid any loss and damage in accordance with industry practice. | | Breach of Contract by ABC | Government will make a written notice to ABC in relation with breach of contract due to (before construction):  Failed in providing Performance Bond;  Failed in providing land acquisition fund deposit to the Land Procurement account;  Failed in providing land acquisition/ procurement payment;  Failed in fulfilling target of financial close;  Failed to start construction.  If ABC fails to fix the breach within a set period of time, the concession will be terminated automatically.  Delay in construction progress, with certain conditions. If ABC fails to fix the breach during construction and ABC has payment obligation to Lender, then Lender has a right to take over the ownership/ to control the Project, and to appoint new company to run the Project.  If ABC fails to fix the breach during operation and ABC has payment obligation to Lender, then Lender has a right to take over the ownership/ to control the Project, and to appoint new company to run the Project. | | Breach of Contract by GoI | If Government does not fulfill its obligation, ABC will release written statement in order for Government to fix the breach within 6 months;  If Government fails to remedy the situation, ABC may terminate the concession. If ABC has payment obligation to Lender, the termination will be subject to Lender’s approval;  If ABC terminates the concession due to the reason above, ABC has a right to receive indemnification from the new BUJT appointed by the Government over all costs and expenses incurred minus dividend that ABC may already received – This indemnification payment will first go to Lenders in case ABC has payment obligation to Lender ;  If ABC does not terminate the concession then they may renegotiate to extend the concession and/or increase the initial tariff;  If there is a change in law which impact to the profitability of ABC, then ABC may renegotiate to extend the concession and/or adjust the tariff. | | Change of Shareholder | Change of shareholder is allowed if at minimum 1 section has been operation and obtained proper certification (“Sertifikat Laik Operasi”) |   **Draft PPJT amendment VI summary as reflected in Minutes of Meeting dated 14 December 2017**   |  |  | | --- | --- | | Agreement | Minutes of Meeting dated 14 December 2017 becomes an inseparable document from PPJT and will be attached as appendix | | Concession Period | Same as stated in Minutes of Meeting 14 December 2017, 40 years. | | Land Acquisition Schedule | Same as stated in Minutes of Meeting 14 December 2017. The land owned by government will be given to “*Badan Usaha Jalan Tol (BUJT)*” in a condition ready to construct.  Government will pay back the money used for land acquisition through LMAN at the latest 10 working days since LMAN issue government’s request confirmation note. The payback scheduled to finish before 31 December 2018. | | Investment Cost | Total investment cost is **Rp. 7,497,916,000,000** | | Debt to Equity Ratio (DER) | Maximum DER is 70 : 30 from total investment cost |   **Changes summary from Minutes of Meeting dated 14 December 2017**   |  |  | | --- | --- | | Concession Period | Concession period changed from 45 years to 40 years, starting from the first issuance of SPMK in 24 January 2017 | | Construction Cost | The construction cost changed to Rp **4,764,124** **mio** (exclude VAT) | | Tariff | Tariff toll changed from Rp. 839 (2014) for type I vehicle to Rp. 1,100 (2018). Below is the agreed tariff price starting from 2018:   |  |  |  | | --- | --- | --- | | Type | Tariff (Rp / km) | | | PPJT 2011 | Amendment | | I | 839 | 1,100 | | II | 1,259 | 1,650 | | III | 1,678 | 2,200 | | IV | 2,098 | 2,750 | | V | 2,517 | 3,300 |   The tariff will be adjusted every two years by 14% to account for assumed inflation rate of 7%. | | Land Acquisition Schedule | It is planned to finish in January 2018 and using government’s budget (APBN). ABC have to use their own money first, then government will pay it back. |   **Minutes of Meeting dated 6 October 2017**   |  |  | | --- | --- | | Road Pavement | Road pavement changed from using rigid pavement for the whole project to flexible pavement and rigid pavement. | | Interchange | The amount of interchange increased from 3 to 4 with the addition of SS Sragi (STA. 348+100), which will be build in maximum 5 years after the toll road operating date | | Supporting Building | Box culvert increased from 65 to 196 pieces and box tunnel increased from 26 pieces to 55 pieces.  There are also some reduction in the amount of underpass, under bridge and pedestrian bridge | | Rest Area | Total rest area increased from 2 places to 4 places | | Soft Soil Improvement | Previously only accounted for total length of 5.5 km and increased to around 36 km | | Construction Cost | Construction Cost according to PPJT 2011: **Rp. 2.269.661.437.143**  New Construction Cost according to the amendment: **Rp. 4.791.116.790.226** |   **B6. Operation & Maintenance**  The O&M procedure is linked to the minimum service standard (SPM/ Standar Pelayanan Minimum). Fulfillment on this standard will be a justification for BPJT to raise the tariff.  As per Ministry of Public Works Regulation no. 392 dated 31 August 2005, in operating the toll road, the Company has obligation to maintain the quality of the road based on SPM of Toll Road. SPM is a parameter (quality and type) which is needed to be achieved by the concession holder.  SPM includes the services below:   1. Road condition (parameter: roughness, ruggedness and zero potholes) 2. Average vehicle speed (parameter: inner city road is >1.6x of average non toll road) 3. Accessibility (parameter: speed transaction at toll gate which is less than 8 seconds per vehicle per gate and more than 450 vehicles per hour per gate) 4. Mobility (parameter: speed of handling of traffic obstacles) 5. Safety (parameter: availability of road signs, public street lighting, road fence, accident handling, pacification and law enforcement) 6. Rescue Unit and Help Desk (parameter: availability of ambulance, towing car, police patrol, operator patrol and Information System) 7. Environment (parameter: cleanliness and plants along the toll road)   **B7. Other Notable Information**  **B.7.3. Legal Due Diligence**  We are engaging Aditomo Ariyanto Peri Hantono Law Firm (“AAP”) to conduct limited due diligence of material contracts and AAP report is included as an appendix in the PAM.   1. **Industry Highlight**   Currently Government of Indonesia (“GoI”) is boosting the infrastructure development in Indonesia as represented by the increasing State Budget allocation to the infrastructure projects that reaches IDR 410 trillion in 2018, an increase of 6% compared to state budget allocation in 2017 of IDR 387 trillion. GoI also established Committee for Acceleration of Priority Infrastructure Delivery (“KPPIP”) to coordinate stakeholders related to the infrastructure development. One of the infrastructure developments that GoI puts an emphasize on is development of toll road projects. Recognized for its benefits to reduce cost of logistics, increase connectivity and reduce inefficiency, GoI plans to increase the total length of toll road up to 1.851 kms in 2019. List of toll road projects are depicted below.    **National Strategic Projects**  Since the issuance of the Presidential Regulation No. 3/2016 re: the acceleration in the implementation of national strategic projects with Trans Java toll roads included in the list of projects, 500 kms of Trans Java toll roads has been constructed, 180 kms had reached commercial operation and 260 kms was functional (temporarily in operation) since 8 June 2018 for Idul Fitri holiday. Of the 1,162 kms total length of Trans Java toll road, over 1,000kms will reach commercial operation by end of 2018, a testament to the significant impact of acceleration.  Trans Java Toll Road Project    Pemalang – Batang Toll Road Project (“the Project”) is part of the government’s Trans Java Toll Road Project (“TJTR”), which consist of toll roads which extends from [Merak](http://en.wikipedia.org/wiki/Merak,_Banten) in the Western Java province of [Banten](http://en.wikipedia.org/wiki/Banten) to [Banyuwangi](http://en.wikipedia.org/wiki/Banyuwangi) in [East Java](http://en.wikipedia.org/wiki/East_Java). TJTR is considered as one of government’s land transportation solution to support logistic flow especially to ease the burden on Java’s northern coastal road, Pantura, which have been the island’s transportation backbone.  The total length of Trans-Java toll road, including its complements, is more than 1,000 kilometers. The ±358km of existing toll roads are Cikampek, Cirebon, Semarang, Surabaya has been around for some time. New toll road constructed in the past two years will be operational by end of 2018 as can be seen in the table below.   |  |  |  |  |  | | --- | --- | --- | --- | --- | | Concession | Total Length (km) | Length COD by June 2018  (km) | Length Functional  by June 2018 (km) | Status as of 5 May 2018 | | Tangerang - Merak | 72.45 | 72.45 | 0 | COD in 1981 | | Jakarta - Tangerang | 33 | 33 | 0 | COD in 1984 | | Jakarta Inner & Outer Toll Road | 115.6 | 115.6 | 0 | Operational | | Jakarta – Cikampek | 73 | 73 | 0 | COD in 2014 | | Jakarta - Cikampek II | 64 | 64 | 0 | Operational | | Cikampek – Palimanan | 116 | 116 | 0 | COD in 2015 | | Palikanci | 26.3 | 26.3 | 0 | COD in 1998 | | Kanci - Pejagan | 36 | 36 | 0 | COD in 2010 | | Pejagan - Pemalang | 57.5 | 37.3 | 20.2 | Partial COD in 2016 | | Pemalang - Batang | 39 | 5.8 | 33.2 | Some COD in 2018; some functional Lebaran 2018 | | Batang - Semarang | 75 | 0 | 75 | Functional Lebaran 2018 | | Semarang - Solo | 72.6 | 40.6 | 32 | Some COD since 2011/ 2014; some functional Lebaran 2018 | | Solo - Ngawi | 90 | 35.2 | 54.8 | Some COD in 2018; some functional Lebaran 2018 | | Ngawi - Kertosono | 87 | 49.5 | 37.5 | Some COD in 2018; some functional Lebaran 2018 | | Kertosono - Mojokerto | 40.5 | 40.5 | 0 | COD in 2017 | | Surabaya - Mojokerto | 36.3 | 36.3 | 0 | COD in 2017 | | Surabaya - Gempol | 49 | 49 | 0 | COD in 1986 | | Gempol - Pasuruan | 34.1 | 13.9 | 6.6 | Some COD in 2017; some functional Lebaran 2018 | | Pasuruan – Probolinggo | 45 | 0 | 0 | Construction phase | | Total Length | 1162.4 | 844.45 | 259.3 |  |   **First Arterial Road in the Area**  For Pemalang-Batang, the construction of ABC Toll Road marks the presence of an arterial road or arterial thoroughfare which is a public road that serves major transportation vehicles with long-haul traits, high average speeds, and a limited number of access roads at the highest level of service possible. Other than the over congested Pantura, there was no arterial road presence in ABC prior to ABC project.  **PINA (Non State Funding Mechanism) by Bappenas**  On the financing side, the government provides its support through National Development Planning Board (Bappenas) by introducing PINA mechanism. PINA (Pembiayaan Investasi Non APBN or Non State Funding) intended to speed up financing for infrastructure development, complements existing schemes for private-public partnerships (PPPs), such as viability gap funds (VGF) and availability payment (AP). On February 2017, through PINA mechanism, state-owned infrastructure financing company PT Sarana Multi Infrastruktur (SMI) and state-owned pension insurance firm PT Taspen had distributed early equity of Rp 3.5 trillion, bringing total equity to Rp 9.5 trillion of the Rp 16 trillion needed.  Under the PINA scheme, cash from pension funds, for instance, will be channeled into an intermediary, which will later issue bonds. Proceeds from bond sales will be used to buy equity in companies executing infrastructure projects. Once the infrastructure becomes operational, the intermediary will sell the equity.  **LMAN for Land Acquisition**  Land acquisition is a significant hurdle faced by the Indonesian authorities in infrastructure development that often leads to project delays and cost overrun. To overcome to this hurdle, the Government established Lembaga Manajemen Aset Negara (“LMAN”)/ State Asset Management Agency. LMAN was established on 16 December 2015 by the House of Representatives as a public service agency under the Finance Ministry’s Directorate General of State Assets. It has been tasked to assist with the heavy task of procuring land required for toll road projects - by funding and utilizing land banks as well as paying compensation for land acquisition to support the acceleration of government’s infrastructure development programs.  The presence of LMAN has been helpful in speeding the process of land procurement and easing the financing burden due to its quicker turnaround. The government allocated the agency state capital worth Rp 16 trillion (US$1.2 billion) and Rp 20 trillion in the 2016 and 2017 state budgets, respectively.  **Key Situation of Project Areas**  The construction plan of Pemalang - Batang toll road will pass through the three districts of Central Java Province namely Pemalang District – Pekalongan District and Batang District. The development of infrastructure of a region is closely related to the development of economic conditions and the number of population in the region.  **Geographical and Demographical Condition**  Central Java Province is one of the provinces in Java Island located between two big provinces, namely West Java and East Java. Central Java is located at 5°40' North Latitude and 8° 30' South Latitude and between 108° 30' West Longitude and 111° 30' East Longitude (including Karimun Jawa Island). The total area of ​​Central Java is 3.25 million hectares or about 25.04% of the area of ​​Java (1.70% of the total area of ​​Indonesia). The boundaries of Central Java are as follows:  - East side : Laut Jawa;  - South Side : Samudera Hindia, Provinsi D.I. Yogyakarta;  - West Side : Jawa Barat;  - North Side : Jawa Timur.  Administratively, Central Java Province consists of 29 districts and 6 cities, including Regency Pemalang, Pekalongan, and Batang. Population growth rate of Central Java province, Pemalang, Pekalongan and Batang Districts during 2012 until 2016 shows an increasing trend.  In 2012 the number of residents in Central Java province amounted to ± 32.87 million and increased to ± 34 million in 2016 with average growth of 0.88% per year. Population growth in the specific areas such as Pemalang - 0.50% per year, Pekalongan - 0.81% per year and Batang 0.94% per year. Here is an overview of the development of the people of Central Java and some districts traversed Pemalang Toll - Batang:  Population Growth of  Central Java Province, Pemalang, Pekalongan and Batang Regencies  *Source: BPS Provinsi Jawa Tengah*  **Regional Economic Growth**  From the economic standpoint, the Central Java Province has a good economic development. The growth rate of Gross Regional Domestic Product (GRDP) in Central Java during the period of 2011 - 2015 tends to be stable, although declining in 2016 but the growth rate is still above 5%. Other areas covered by Pemalang - Batang toll road, namely Pemalang, Pekalongan, and Batang regencies also have an average growth above 5%.  Gross Regional Domestic Product  Central Java Province, Pemalang, Pekalongan and Batang Regencies  *Source: BPS Prov. Jawa Tengah*  Based on the income of each sector, the sectors with the highest revenue contribution in Central Java in 2016 were manufacturing (34.9%), Trade and Reparation (14.3%), Agriculture, Forestry and Fisheries (13.7%) and construction (10.2%). However, in terms of GDP growth per sector, mining and quarrying sectors were the highest growth sectors (18.7%), followed by the Government Administration, Defense and Social Security (10.6%), Health Services and Social Activities (9.9%), financial services and insurance (9.7%) and the information and communication sector (8.3%).  Growth of this GRDP is the main indicator to see growth of economic sector in Indonesia. Besides, economic stability can also be seen from the development of inflation rate in the region. The growth of inflation rate in Central Java, Pemalang, Pekalongan and Batang has the same tendency, increasing in the period of 2011 - 2014 and then decreasing until 2016 which can be seen in the following graph:  Inflation Growth  Central Java Province, Pemalang, Pekalongan and Batang Regencies  *Sumber: BPS Provinsi Jawa Tengah*  The inflation rate of Central Java in annual basis (year on year / year) of December 2016 is 2.36%. The condition is better than the previous period, which experienced inflation of 2.73%. Likewise with inflation Pemalang District, Pekalongan and Batang also decreased. These three areas have lower inflation compared to the inflation of Central Java Province. If seen from its development, average inflation of Regency Pemalang, Pekalongan and Batang year 2013 until 2016 is 5,534%.   1. **Project Company**   **D1. Company background**  ABC was established on 15 June 2006 based on notarial deed of Bonardo Nasution, S.H., No. 10, and amended by notarial deed No. 14 dated 22 June 20016 from the same notary.  **D2. Project sponsors**  **SMJ**is the founding company of the **Mitra Jaya Group** (“MJG”)**.** MJG is wholly owned by Mr. Sumitra Gowindasamy (Indonesian Citizen). Based on Globe Asia magazine in June 2016, he is the 92nd richest person in Indonesia with total net worth of USD 430mn. Beside construction and mining business, he has since diversified into palm oil plantations, crude palm oil mill, the packaging industry and ink production.  **XYZ** was incorporated in June 2014 and is the subsidiary of PT DEF (Persero) Tbk, a major state-owned construction company who has been mandated by the GoI to participate in accelerating the construction of toll roads in Indonesia. Currently, XYZ is the owner of 18 toll road concessions with over 1,000 km in length.  **DEF is considered as one of the biggest construction companies in Indonesia, listed its shares in December 2012, actively participated in bond market and most recently mandated by the Government of Indonesia to participate in the acceleration of the construction of infrastructure projects. Waskita has been rated idA- by Pefindo in March 2018.**  **SMI is established with a mandate to become the catalyst of National Infrastructure development acceleration. Since its inception in 2009, SMI implements its roles as the government fiscal tools to optimize funding acquisition and strategic cooperation with various institutions including bilateral, multilateral and capital market. On 22 February 2017 , SMI signed the Financial Close of Non Government Budget Investment Financing (PINA) for XYZ by investing IDR 1.75 trillion or equivalent to ca 12% of equity investment in XYZ. The Minister of Finance supported this measure through the Minister of Finance Letter No. S-22/MK.06/2017. On 22 December 2017, SMI signed a bridging shareholder loan for XYZ for IDR 976 billion. SMI has been rated idAAA by Pefindo in 2017.**  **PT Taspen (Persero) Tbk. (“Taspen”) is a state owned pension insurance company.**  **Sponsor – XYZ**  XYZ was incorporated in June 2014 and is the subsidiary of PT DEF (Persero) Tbk, a major state-owned construction company who has been mandated by the GoI to participate in accelerating the construction of toll roads in Indonesia. Currently, XYZ is the owner of 18 toll road concessions with over 1,000 km in length.  **Operational/ Toll Road Analysis**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **SPV** | **% Own** | **Project Name** | **Length**  **(km)** | **COD** | | SNJ | 40% | Solo Ngawi | 90.4 | Done | | NKJ | 40% | Ngawi Kertosono | 109.2 | Done | | WTTR – SMR (30%) | 77% | Kanci Pejagan | 35 | Done | | WTTR – PPTR (30%) | 100% | Pemalang Pejagan | 57.5 | Done | | JMKT | 30% | Medan- Kualanamu-Tebing Tinggi - Sumatra | 61.8 | Done | |  |  |  |  |  | | CW | 25% | Depok Antasari | 21.5 | ‘18 | | CSJ | 35% | Cinere Serpong | 10.1 | ‘18 | | ABC | 60% | ABC | 39.2 | ‘18 | | JSB | 40% | Batang Semarang | 75 | ‘18 | | CCT | 90% | Cimanggis Cibitung | 26.5 | ‘18 | | SRIMP | 98% | Kapal Betung - Sumatra | 111.7 | ‘18 | | KKDM | 99% | Becakayu | 16.02 | ‘18 | | WTTR – TJPJT(30%) | 99% | Pasuruan Probolinggo | 31.3 | ‘18 | |  |  |  |  |  | | TJT | 99% | Ciawi Sukabumi | 54 | ‘19 | | WBW | 99% | Krian Legundi Bunder | 38.3 | ‘19 | | CKJT | 15% | Cisumdawu | 60.4 | ‘19 | |  |  |  |  |  | | CTP | 55% | Cibitung - Cilincing | 34.7 | ‘20 | | HMW | 30% | Kuala Tanjung-Tebing Tinggi–Parapat - Sumatra | 143.5 | ‘20 | |  |  |  | 1,016.1 |  |  * 70% of the total length or 15 toll road concessions are located in densely populated Java of which 6 toll road concessions are in surrounding Jakarta/ West Java (including Becakayu, Cinere Serpong, Depok Antasari as well as Cimanggis Cibitung, Cibitung Cilincing and Ciawi Sukabumi), 8 toll road concessions are part of Trans Java toll road and one toll road concession, Krian Legundi Bunder, that is strategically located passing through industrial estate of Gresik and Sidoarjo, near Surabaya, East Java . Three toll road concessions are in Sumatra, two of which are expected to have good traffic as it passes through from Medan to Parapat. * Out of the 18 toll road concessions, 5 has been operating (at least partly), 8 will be operating in 2018, 3 will be operating in 2019 and 2 will be operating in 2020. * Included in its 2018 RKAP is the plan to divest its existing toll road concessions, especially those who have reached COD and plan to acquire new toll road concessions. * The value of the toll road concession and the recent market trend of Price to Book Value (“PBV”) multiple valuation is providing reassurance that XYZ can meet its equity injection for CDS and other potential funding needs over the next few years by making equity selldown if required.   **D2.1. KYC Checking and Pefindo Summary**  **We have conducted KYC and Pefindo checking towards ABC, XYZ and SMJ in May 2018 and the result is as follows:**  **a). KYC checking result**  **b). Pefindo checking**  **Result of Pefindo checking for ABC, XYZ and SMJ.**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Company** | **Pefindo**  **Score** | **Pefindo**  **Grade** | **Description** | **Probability of Default** | **Delinquency** | | **ABC** | **709** | **B1** | **Low Risk** | **1.57%** | **n/a** | | **XYZ** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | | **SMJ** | **686** | **B3** | **Low Risk** | **2.65%** | **n/a** | | **DEF** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** |   **D3. BoD & BoC, including the key persons**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Board of Commissioners**  **As of 31 December 2017** | | | **Board of Directors**  **As of 31 December 2017** | | | | **President Commissioner** | **:** | Kuhan Selvaretnam | **President Director** | **:** | Supriyono | | **Commissioners** | **:** | Amir Syamsudin | **Directors** | **:** | Arman Dahlius Panjaitan | |  |  | Nyoman Wirya Adnyana |  |  | Fathul Anwar | |  |  | Aan Akhmad Prayoga |  |  |  |  |  |  |  | | --- | --- | --- | | **Designation** | **Name** | **Remarks** | | President Commissioner | Kuhan Selvaretnam | Mr. Kuhan Selvaretnam is a professional member of the association of company machinery and graduated with Bachelor of Sciene degree from University of Malaysia. Before joining PT. Sumber Mitra Jaya, Mr. Kuhan has worked in Ericsson – CSDC for APEC Region as a Competence Consultant. Since 2006 Mr. Kuhan has been involved in various role within the organisation ranging from business development, toll road, mining and road construction and currently Mr. Kuhan is the Director for PT. Sumber Mitra Jaya. | | Commissioner | Amir Syamsudin | Mr. Amir Syamsudin was the Minister of Justice and Human Rights from 2011 – 2014. Mr. Amir became commissioner of XYZ since February 2016. | | Commissioner | Nyoman Wirya Adnyana | Mr. Nyoman Wirya Adnyana is a Director of Operation at PT. DEF since 2015. He joined PT. DEF in 1988 and had various roles within the organization. He became a president commissioner for several companies such as PT. Cimanggis Cibitung Tollways, PT. Trans Jawa Paspro Jalan Tol, and commissioner at PT. Sriwijaya Markmore Persada. Currently he also hold positions as a President Commissioner at PT Jasamarga Semarang Batang and Commissioner at PT. ABC Toll Road  Mr. Nyoman obtained his bachelor’s degree in Civil Engineering from Udayana University (1988) and Master’s degree from Prasetya Mulya School of Management (2011). | | Commissioner | Aan Akhmad Prayoga | Mr. Aan Akhmad Prayoga is currently working for Office of The President of Republic of Indonesia as the Coordinator for Acceleration Program of National Priority Projects for Infrastructure and Energy sectors. Mr. Prayoga became commissioner of XYZ since July 2017. | | President Director | Supriyono | Mr. Supriyono has more than 36 years of experience in construction services. He worked at DEF for 32 years from 1982 – 2014 and involved in various role within the company ranging from field supervisor, marketing section head, project manager, branch head and lastly as marketing regional head. He currently holds the position as President Director of PT ABC Toll Road.  Mr. Supriyono obtained his bachelor’s degree in Civil Engineering from Diponegoro University. | | Director | Arman Dahlius Panjaitan | Mr. Arman Dahlius Panjaitan has 22 years of experience in construction services ranging from field supervision head, technical construction head, and project director of Cipularang toll road. He also experienced as commissoner and director for several company. Prior joining PT ABC Toll Road, he also worked in Toll Road Management Agency (BPJT). He joined PT ABC Toll Road in 2008 as President Director. Currently he holds the position as Operation & Technical Director since 2016.  Mr. Arman completed his bachelor’s degree in Civil Engineering at Bandung Institute of Technology (ITB). | | Director | Fathul Anwar | Mr. Fathul Anwar has 16 years of various experience. He worked as transportation modeller and project engineer from 2002 – 2004 before joining Bank Mandiri Officer Development Program. He held several positions in Bank Mandiri from 2004 – 2014 such as credit analyst, Relationship Manager, Senior Relationship Manager, Team Leader, and lastly as Commercial Banking Manager. He currently hold the position as director of PT ABC Toll Road.  Mr. Fathul graduated in Civil Engineering from Bandung Institute of Technology (ITB) (2002). |   **Result of Pefindo checking for ABC’s management for Kuhan Selvaretnam, Amir Syamsudin, Nyoman Wira Adnyana, Aan Akhmad Prayoga, Supriyono, Arman Panjaitan and Fathul Anwar have been run and is deemed as not material.**   1. **Risk and Mitigation**   ***Industry Risks***   |  |  | | --- | --- | | ***Analysis*** | ***Mitigation Mechanism*** | | Lower Traffic Than Projected | As it is part of the interconnected Trans Java toll road located in densely populated Java connecting the west and east Java and it lacks of a competing/ alternative route as it has no other arterial road other than the over congested Pantura, it is reasonable to assume daily traffic from ABC to be 15,500 as provided in the base case. The neighboring toll road, Pejagan Pemalang has reached COD in 2016 and traffic has reached 15,481 average daily traffic in 2018 after the completion of 4 toll road sections, which is higher than the worst case scenario in ABC.  The other neighboring toll road, Batang Semarang does not have historical daily traffic but its financial projected over 18,000 daily traffic in its 1st year of operational (2018) | | Competition with other transportation modes – Included in Strategic National Project is development/ expansion of existing Achmad Yani airport in Semarang | Beside to reduce the congestion in the existing Pantura, the Trans Java toll road, including its ABC Toll Road is also prepared to serve the potential increase of traffic due to growth of surrounding areas and the connectivity from west to east of Java island. While airport and air transportation is designed for business/ personal travelers especially those with higher disposable income, the transportation of goods will still benefit from the toll road development, especially considering that there is no other main road (jalan arteri) in ABC. |   ***Construction Risks***   |  |  | | --- | --- | | ***Analysis*** | ***Mitigation Mechanism*** | | There is no cost overrun, instead an increase in cost has been approved by in *Berita Acara Perubahan Rencana Usaha Pengusahaan Jalan Tol ABC Nomor 223/BA/Pt.6/2017* dated 14 December 2017.  Last construction update as of 25 May 2018 is as follow:   |  |  | | --- | --- | | Package Name | % Completion | | I . Structural – DEF | 88.0% | | II. At Grade – DEF | 77.6% | | III. At Grade – SMJ | 70.5% | | IV. At Grade – DEF | 75.4% | | As we are reaching the end of the project, all packages expected to be functional by June 2018 and operational by Q3/Q4 2018, we can assume that there will be minimal cost overrun/ COD delay. |   ***Business Risks***   |  |  | | --- | --- | | ***Analysis*** | ***Mitigation Mechanism*** | | **Operational Risk**  Risk of having ABC as a toll road operator. ABC has minimal track record in operating toll road. | As a new toll road operator, ABC can recruit experienced professionals to operate the toll road. As part of XYZ who is the concession holder of over 1,000 kms of toll road and will operate many of them, ABC can benefit from knowledge sharing with XYZ.  Moreover, BPJT is closely monitoring its BUJT and as stipulated in PPJT, all BUJTs must follow minimum standard of services. | | **Tariff Reduction**  GoI policy to lower the toll road tariff and simplify the tariff category which will affect the financial projection f the Project. | Currently, the plan to reduce tariff is not yet finalized and still under consideration by the GoI. We are unsure when this will take place, if it will take place. Moreover, GoI has assured BUJTs that it plans to compensate the tariff reduction and the re-categorization of vehicles by extending the concession period and providing incentives such as tax holiday to the new operated toll road. |   ***Financial Risks***   |  |  | | --- | --- | | ***Analysis*** | ***Mitigation Mechanism*** | | Financial Strength of Sponsors  As can be seen in its financial projection and as commonly found for new toll road projects, in the first few years after reaching COD, ABC will be needing cash deficiency support (total of over IDR 2 trillion over the years) as toll road revenue will be far less than the amount needed to self sustain its opex and financing cost/ repayment. | Sponsors with strong financials are expected to be able to support ABC during its few years of operations.  XYZ being supported by DEF, SMI and Taspen is considered financially capable to support XYZ in its cash deficiency. | | Back Ended Risk Specifics to CDS  Delay in full prepayment of Senior Term Loan/ BNI Sindikasi is most likely to impact in delay in prepayment of CDS Facility. | The shareholders of ABC (joint and severally) agree to provide cash deficiency support, cost overrun, and to maintain positive equity in a term of notarial deed of shareholders general meeting and shareholders also provide assurance that the interest payment and principal repayment schedule are being kept on time until full repayment of the Senior Term Loan Facility.  However, should full repayment of Senior Term Loan BNI sindikasi is not completed on time (2030), ABC has concession period that will end on January 2057 with sufficient cash flows projected. |   ***Social & Environmental Risks***   |  |  | | --- | --- | | ***Analysis*** | ***Mitigation Mechanism*** | | **Social & Environmental Risk** | IIF has conducted Social and Environmental Due Diligence (“SEDD”) by hiring Hatfield. Any gap in the project will be incorporated in the Corrective Action Plans (“CAP”) to be included in the Side Letter. |   ***Other Risks***.   |  |  | | --- | --- | | ***Analysis*** | ***Mitigation Mechanism*** | | **Land Acquisition Risk**  With regards to land acquisition, as of end of June, 99% of total land required had been acquired with 100% for the land for the toll main route had been acquired and a small portion of the new Bojong interchange was in land acquisition progress.  *Penetapan Lokasi (“PenLok”)*is the appointment of development sites for the public interest established by the decree of the governor, which is used as a license for land procurement, land use change, and the transfer of land rights in the procurement of land for development for the public interest. | Land acquisition process was led by the government (Public Works) with ABC assistance.  All procedures of land acquisition have followed National Regulation UU 2/2012.  As of April the process of land acquisition have reached 100% for the toll main route, and project affected people --PAP (landowners) have been compensated well, and there was no significant dissatisfaction from the PAPs regarding the process of land acquisition nor the compensation paid.  The new determination location or ‘penlok’ to Bojong interchange (1.5 km – due to the change of design) was issued by Central Java Governor in March 2018, which is as of April, the process underwent verification and measurement. It was reported that the process of land acquisition went well and no resistance from the landowners.  ABC understands IIF requirement on land acquisition stipulated in the CAP, that is to trace some of the PAPs to check on whether the process of land acquisition have followed the mandated government regulation and IIF Principle 5. |   In addition to the risks above, there are certain features of Cash Deficiency Support facility that we should be aware of:   * Timing Gap between cash in from interest income and cash out from payment for cost of fund; * Accumulation of interest receivables over years.  1. **Facility Limit** 2. Proposed Key Terms – Cash Deficiency Support Facility  |  |  | | --- | --- | | Facility Type | Cash Deficiency Support Facility (“**Facility**”). | | Facility Amount | Up to IDR 600.000.000.000 (six hundred billion Rupiah) | | Project | Construction and operating of Pemalang – Batang Toll Road section | | Purpose of the Facility | To finance any cash deficiency incurred from Project after Commercial Operating Date (“**COD**”) of the Project. | | Facility Agreement Date | Signing date of Syndication Credit Agreement (Conventional) No. 37 dated 24 May 2017. | | Final Maturity Date | Maximum 222 (two hundred twenty two) months since the Facility Agreement Date or 60 (sixty) months since the full repayment of facility according to: (i) Syndication Credit Facility Agreement (Conventional) No. 37 dated 24 May 2017; (ii) Syndication Credit Facility Agreement (Sharia) No. 38 dated 24 May 2017; and (iii) Other Syndication Credit Agreement which will be signed to finance the project where Lender could participate (afterwards will be called together “**Syndication Credit Facility**”), whichever comes first. | | Availability Period | The facility is available for drawdown from the signing date of the Facility Agreement (“**Signing Date**”) until [31 December 2018]. | | Grace Period | Maximum of 162 (one hundred sixty two) months from the Facility Agreement Date or following the full prepayment of the Syndication Credit Facility whichever earlier.  For avoidance of doubt:   1. First repayment of principal will start from 3 (three) months after the end of Grace Period; 2. Interest shall be paid during the Grace Period, with terms and conditions as set out in ”Interest Rate” section below. | | Interest Period | Monthly, as regulated in Syndication Credit Facility Agreement.  Payment of the interest shall be made at the end of each Interest Period (“**Interest Repayment Date**”) with condition of Interest Repayment Date shall not exceed the Final Maturity Date. | | Principal Payment | Repayment shall be paid quarterly proportionally. | | Interest Rate | Amounting to annual interest rate of Syndication Credit Facility (”**Syndication Interest Rate**”) + 3% (three percent) p.a.  Syndication Interest Rate equals to Reference rate (LPS) + 4.25% p.a.  Payment of the Interest Rate shall be paid with the followings conditions:   1. During Grace Period:  * Interest rate at [3% (three percent)] p.a shall be paid during the Grace Period; and * Interest Rate at unpaid Syndication Interest Rate will be capitalized and increase the principal amount, which will be calculated using Syndication Interest Rate + [3% (three percent)] p.a (”**Accumulated Syndication Interest Rate**”) and shall be paid by Borrower after the Grace Period.      1. After Grace Period:  * Syndication Interest Rate + [3% (three percent)] per annum, added with the payment of Accumulated Syndication Interest Rate in pro-rata. | | Commitment Fee | [1]% p.a. of the undrawn Facility Amount. Commitment fee is calculated based on daily average of undrawn portion during Availability Period.  Commitment Fee shall be paid monthly at the end of each month during Availability Period, at the latest 5 (five) Business Days after the end of each month. | | Facility Fee | [1]% flat of the Facility Amount, payable at 5 (five) Business Days after the Signing Date, or at the initial drawdown date, whichever is the earlier. | | Default Interest Rate | Any unpaid due amount (i.e. interest payable and/or principal repayment) will be charged with a default interest rate at 2.0% p.a. above the applicable Interest Rate, calculated until the actual payment date of the overdue amount. | | Mandatory Prepayment | The Facility shall be prepaid to the Lender if and when:   1. Illegality   If, at any time, it becomes unlawful in any applicable jurisdiction for the Lender to perform any of its obligations as completed under the Finance Documents, the Borrower shall fully repay the outstanding loan and the available Facility (as applicable), will be immediately cancelled.   1. Other Prepayment customary to financing of this nature, including but not limited to: 2. Asset disposal, 3. Acceptance of Insurance Claim; 4. The payment of money compensation to the Borrower due to a cancellation of the Toll Road Concession Agreement;   where, the Lender shall receive the payment in pro-rata with Lender of Syndication Credit Facility (“**Senior Lender**”).   1. Refinancing of Syndication Credit Facility   The Borrower shall fully repay the Facility if the Borrower does refinancing and/ or rescheduling to the Syndication Credit Facility.   1. Excess Cash after repayment of the Syndication Credit Facility   [50%] of the remaining excess cash from Borrower’s transaction account after final repayment of Syndication Credit Facility, shall be used to prepay the loan to Lender.   1. Other mandatory prepayment events according to due diligence report.   Notes:   1. Each repaid facilty is irrefundable by Borrower. 2. Each prepaid facility (except due to ”illegality”) shall be done inverse order of maturity according to loan repayment schedule. 3. Each prepayment shall be done in Interest Repayment Date. | | Collateral | Cross collateral with the collateral for Senior Lender. Additionally, the collateral is pari passu with Lender to be elaborated further in the Security Sharing Agreement, which includes:   1. Toll Road Concession Rightsbased on the Toll Concession Agreement of ABC, which irrevocable power of attorney to the Lender to appoint third parties as a toll road operator; 2. All operational invoices and revenues from the operation of the toll road (other ventures pertaining to the Project) to be secured with fiduciary over receivables; 3. Pledge of Borrower’s accounts and its related Power of Attorney, including but not limited to Revenue Account, Debt Service Reserve Account, Debt Service Account, Operational Account, and Excess Cash Account (“**Project Account**”); 4. Proceeds from Insurance Claims, to be secured with fiduciary over proceeds of insurance claim; 5. Proceeds of bank guarantee claim to be secured with fiduciary over proceeds of bank guarantee claim; 6. Corporate Guarantee from PT Sumber Mitra Jaya; 7. Corporate Guarantee from PT XYZ; 8. Pledged of ABC shares owned by sponsors along with power of attorney to vote and power attorney to sale shares;   (Collectively referred to as the ”**Security Document**”).  [Note: In addition to the above, the shareholders of ABC (joint and severally) agree to provide cash deficiency support, cost overrun and to maintain positive equity in a term of notarial deed of shareholders general meeting. In the notarial deed of shareholders general meeting, shareholders also provide assurance that the interest payment and principal repayment schedule are being kept on time until full repayment of the Facility.] | | Ranking | The payment of Accumulated Syndication Interest Rate and payment of Facility shall rank junior and subordinated with the repayment of the Syndication Credit Facility, except for company’s obligation which regulated under the common law for companies. [This item excludes the [3%] p.a. interest payment during Grace Period which shall rank senior.]  After the end of Grace Period, the interest and principal repayment obligation under Facility Agreement and other documents related to Facility Agreement (“**Financing Document**”) shall rank the same with Syndication Credit Facility. The Negative Covenant set out in Syndication Credit Facility Agreement shall also apply in this Facility Agreement.  For avoidance of doubt, the payment under the Facility Agreement shall rank senior to any shareholders loans and inter-company loans both now and in the future.  [Note: There is a bridging shareholder loan for land acquisition purpose that may be required to be paid and rank Senior]. | | General Undertakings | Undertakings customary for the Facility of this nature will be included in the Facility Agreement, including (without limitation):   1. Status and due authorization; 2. Maintenance of all material licenses, registrations, and authorizations; 3. No change of shareholders; 4. No changes in Borrowers group structure; 5. Compliance with laws; 6. Retention of external reputable auditor acceptable to the Lender; 7. *Pari passu* ranking; 8. Maintenance of insurances in the amount and type appropriate for the business as agreed by the Lender; 9. Compliance to tax payment; 10. Restriction on acquisition or investments; 11. The Borrower shall not engage in mergers, consolidation, separation, or restructurisation without written approval from Lender; 12. Ensuring no material adverse effect; 13. Any transaction with affiliates or related party is conducted based on arm’s length basis; 14. No change of business; 15. Subordination of all shareholders’ loan and inter-company loans; 16. The Borrower shall only use the Facility to provide cash deficiency for the Project after COD; 17. The Borrower shall not engage in sanctionable practices, which includes corrupt, fraudulent, coercive, collusive, and obstructive practices; 18. The Borrower shall not apply a new loan from other lender without prior written consent of the existing Lender; 19. The Borrower shall conduct procurement of goods and services based on the principles of fairness, competition, transparency, no conspiracy and value for money; 20. The Borrower shall comply with IIF’s Social & Environmental Principles, which includes the compliance to Corrective Action Plan and its reporting requirements; 21. The Borrower shall not enter into any transaction or engaged in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter ; 22. The Borrower shall not use the Facility to finance any business activities listed under the IIF’s Exclusion List; 23. The Borrower and its affiliation that act as behalf of the Borrower, shall comply with the regulation and will not engage in any activity prohibited by World Bank’s Anti Corruption Guideline; 24. The Borrower shall not enter into any transaction or engaged in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter and World Bank Listing of Ineligible Firms & Individual as publicized and updated in official website of World Bank ; 25. Restriction on asset disposal, except for daily business activities of the Borrower with maximum value up to IDR 10.000.000.000,- (Ten Billion Rupiah). 26. The Borrower shall maintain all material contracts related to business activity; 27. Upon prior notice, the Borrower shall permit Lenders’ representative or any of its agents or designees to visit the project site, to get information and/or queries access related with the financial statements, and have access to employees, agents, contractors who have or may have knowledge of matters with respect to which IIF seeks information. For avoidance of doubt, no prior notice shall be necessary if there is potential or continuing Event of Default or if special circumtances so require; 28. The Borrower shall notify the Lender of any other Borrowers’ project financing plan and its subsidiaries that needs financing from third parties; 29. The Borrower shall not pledge its asset to banks or other parties, except as collateral for the Syndication Credit Facility, without prior written consent of the Lender; and 30. The Borrower shall not pay any dividend; 31. Such other conditions standard for transaction of this type. | | Conditions Precedent for Signing | Standard and customary for this type of facility, including but not limited to:   1. Submission of all Corporate Approval of the Borrower (including approval from Board of Directors and Shareholders, as applicable) proofing that all approval has been obtained, including satisfactory evidence that approval from governmental institution and approval, authority, permit, and waiver of tax as might be required has been obtained; 2. Receipt of offering letter on Terms and Conditions of Facilitiy from Lender signed by the Borrower; 3. Submisison of [Legal Due Diligence and Social & Environment Due Diligence Report] in the form and substance satisfactory to the Lender; 4. Submission of document evidencing appointment of the Agent; 5. Satisfaction of all applicable conditions to Social & Environmental covenants and Corrective Action Plans to comply with IIF’s Social and Environmental Principles, including uploading documents related to social and environmental studies on the IIF website or the Lender website (if any); 6. A copy of notification, and approval or waiver from existing Lender, related to:  * transactions defined under the Facility Agreement in conjunction with the facility from Lender; and * Security sharing the Borrowers’ assets as collateral to Syndication Credit Facility, for the benefit of the Lender;  1. Such other documents standard for transaction of this type. | | Conditions Precedent to Effective | Submission of certified true copy of Minutes of Meeting of ABC Toll Road Concession Continuation and ABC Toll Road Concession Agreement (*PPJT*) including its amendments in form and substance satisfactory to IIF. | | Conditions Precedent for Initial Drawdown | Standard and customary for this type of facility, including but not limited to:   1. All Financing Documents have been signed and effective; 2. Evidence that all fees, cost and expenses due from the Borrower have been paid on the initial drawdown date; 3. Submission of the Borrowers’ letter stating that there will be cash deficiency and an attachment of projected cash flow report. 4. Submission of the notice to drawdown at the latest 5 (five) Business Day prior the drawdown date; 5. Submission of insurance policy on the Project during the operation period, provided that the banker's clause correspond to the terms of the Insurance in the Credit Agreement; 6. Lender has received satisfactory legal opinion addressed to the Lender on the validity and enforceability of Finance Documents, including conditions precedent confirmation to initial drawdown from external legal adviser; 7. Submission of copy receipt that stated PT DEF has paid off loan made under Facility Agreement between PT DEF with the Lender; 8. Satisfaction of all applicable conditions to Social & Environmental covenants and Corrective Action Plans to comply with Lender’s Social and Environmental Principles; 9. Such other documents standard for transaction of this type which will be determined later. | | Condition Precedent to Subsequent Drawdown | Standard and customary for this type of facility, including but not limited to:   1. Borrower to provide written notice of drawdown at the latest 5 (five) Business Days prior the drawdown date; 2. Satisfaction of all applicable conditions to Social & Environmental covenants and Corrective Action Plans to comply with Lender’s Social and Environmental Principles; 3. Any other documents as might be required and requested during the final documentation stage. |  1. Proposed Exposure  |  |  |  |  |  | | --- | --- | --- | --- | --- | | (in eq. IDR billion)  As of 30 June 2018 | Existing | | Proposed | | | Borrower | Waskita Group | Borrower | **Waskita Group** | | Senior Loan\* |  | DEF: 800  WSE: 165.3 | ABC: 200 | ABC: 120  WSE: 165.3 | | Mezzanine |  |  | ABC: 600 | ABC: 360 | | Equity |  |  |  |  | | **Total** |  | **967.3** | **800** | **645.3** |   *\*including non-funded products*   |  |  |  |  |  | | --- | --- | --- | --- | --- | | (in eq. IDR billion) | Existing | | Proposed | | | Borrower | SMJ Group | Borrower | **SMJ Group** | | Senior Loan\* |  | SMJ: 250 | ABC: 200 | ABC: 80  SMJ: 250 | | Mezzanine |  |  | ABC: 600 | ABC: 240 | | Equity |  |  |  |  | | **Total** |  | **SMJ: 250** | **800** | **570** |  1. Limit Compliance (as of 30 June 2018)  |  |  |  |  | | --- | --- | --- | --- | | (in eq. IDR billion) | Max. Limit | Proposed Limit | Remarks | | Single Project Exposure | SL: 1,500  Sub debt: 750 | SL: 200  Sub debt: 600 | Comply | | Product (senior) | 1,083.6 | 200 | Comply | | Product (mezz) | 650.8 | 600 | Comply | | Risk Rating (IIF4) | 488.1 | 800 | **Not Comply** | | Group Exposure (Waskita Group) | 976.2 | 645 | Comply | | Group Exposure (SMJ Group) | 976.2 | 570 | Comply | | Sector Exposure (Toll Road) | 10,082 | 2,610 | Comply |   *\*including non-funded products*  *Note:*   1. *20% from Project Cost of IDR 7.5 Trillion* 2. *Consist of proposed LMS (IDR 810bn), JSMR (IDR 250 bn), MLJ (IDR 250 bn), SMJ (IDR 250 bn), JJC (IDR 250 bn) and this proposed transaction for ABC of (IDR 800 bn)* 3. *The proposed exposure includes IDR 200 bn portion of Senior Term Loan BNI Sindikasi that is previously approved.* 4. **Exception to IIF Policy**   Limit Based on Rating  Per portfolio monitoring guideline, the limit for IIF-4 rating is IDR 488 billion. Thus, proposing IDR 600 billion Cash Deficiency Support Facility along with the previously approved IDR 200 billion Senior Term Loan Facility will require asking for waiver from BoC-IC.  Despite the IIF-4 limit rating of IDR 488 billion, we propose to provide financing for up to IDR 800 billion based on the following considerations:   * 1. Risk rating is expected to improve.   We are expecting the risk rating of IIF-4 to be temporary. The biggest risk in a toll road project is construction risk and with the expected COD in Q3 2018, this risk will no longer be relevant. On mid June 2018 for Lebaran holiday the toll road was functional / open to public for general use. In preparation for COD, currently ABC is undergoing a Commissioning and Functional Viability Test or *Uji Laik Operasi (ULO)* process.  Traffic risk is expected to decrease influenced by these factors:   1. Connectivity of Trans Java Toll Road;   Trans Java toll road projects is scheduled to reach COD by end of 2018; as an integral part of Trans Java Toll Road, the end-to-end connectivity from West to East Java from Trans Java Toll Road is expected to generate traffic. On mid June 2018, Trans Java toll road was functional and used by public.   1. First and Only Arterial Road in Pemalang;   For Pemalang-Batang, the construction of ABC Toll Road marks the presence of an arterial road or arterial thoroughfare which is a public road that serves major transportation vehicles with long-haul traits, high average speeds, and a limited number of access roads at the highest level of service possible. Other than the over congested Pantura, there was no arterial road presence in ABC prior to ABC project.  Please note that assumed traffic projection from ABC is lower than the assumed traffic projection from the neighboring Batang Semarang toll road;   * 1. Collateral and Support for the Project.  1. Collateral provided for CDS is pari passu with collateral for the Senior Term Loan. We have discussed and requested for pari passu collateral with BNI, the MLA Syndication for Senior Lenders, and so far all participant banks do not have any objection to the requirement. 2. The value of the toll road concession and the recent market trend of Price to Book Value (“PBV”) multiple valuation is providing reassurance that XYZ and ABC can meet its CDS and other potential funding needs over the next few years by making equity selldown if required. For example, please see at the following illustration:  |  |  |  | | --- | --- | --- | | Project Cost | = | IDR 7.5 trillion | | Debt Portion (70%) | = | IDR 5.25 trillion | | Equity Portion (30%) | = | IDR 2.25 trillion | | Price to Book Valuation with multiple of 2.0x | = | IDR 4.5 trillion | | Selling 50% stake using new PB Valuation will be enough to cover the required CDS | = | IDR 2.25 trillion |   Based on our discussion with XYZ, XYZ currently does not have the intention to sell its stake in ABC but XYZ acknowledges that divestment of up to two toll road concessions per year either directly or through RDPT is part of its future strategic planning. Also note that when SMI and Taspen entered into the deal with XYZ, it requires a PBV multiple valuation of 1.7x;   1. Funding and strategic support from Government of Indonesia through Bappenas. Bappenas supports XYZ through the PINA mechanism through which SMI and Taspen entered as shareholders to XYZ on February 2017. 2. Financial strength of SMI (10.67% shareholder) and Taspen (12.22% shareholder) as institutions mandated by the Government to support Waskita and its mission to accelerate national infrastructure projects. As of 31 December 2017, Taspen has assets of IDR 230 trillion and SMI has assets of IDR 55 trillion. Pefindo rated SMI as idAAA in 2017.    1. Return Consideration: CDS is a quasi equity with risk/ return measurement that should be evaluated differently than conventional loan. The expected return for ABC is as follows: 3. Considering the return on equity based on market return value using the average growth of IDX Composite in the last 10 years (14.3%), the CAPM model generates rate of return of 13.9%. This equity return calculation and rate of senior term loan of 10% p.a., we can conclude that 13.5% return for CDS is acceptable. 4. In the last RDPT conducted by XYZ for WTTR in April 2018, the PBV multiple valuation of 2.0x in line with recent toll road transactions with PBV multiple valuation of ca. 2.0x.    1. To perform our role as a catalyst in the infrastructure financing sector by providing financing type that traditional banks are not able to provide while at the same time making sound judgement in investment.   Also, note that existing IIF projects which are toll roads have much better ratings creating room for rating improvement for ABC, once traffic is proven and commitment of shareholders become evidenced. Marga Lingkar Jakarta (“MLJ”) and Jasa Marga have rating of IIF-1 and Lintas Marga Sedaya (“LMS”) or Cipali toll concession holder has rating of IIF-2.  IIF have met with XYZ management and XYZ disclosed that to meet funding needs of its growing company, XYZ intends to work with two possible solutions: (i). to find new investors/ strategic partner at XYZ level with full support from Bapennas and (ii). to divest its toll road concessions either through RDPT mechanism or through direct sale. Furthermore, existing shareholders of XYZ are all participating in the projects as mandated by the GoI to accelerate the development of national strategic projects which highlights synergy between State Owned Enterprises (SOEs). Project Analysis |

## Background

IIF was offered by SMBC, if we have the interest to participate as a guarantor to term loan financer for the financing of 85MW wind farm project in the municipality of Energi Gratis, South Sulawesi, Indonesia (“**Project**”) which is being developed by Energi Gratis (“**PTEG**” or “**Project Company**”).

The Project is estimated to be USD 150 million, of which the Overseas Private Investment Corporation (“**OPIC**”) commit to provide USD 120 million loan or 80% of project cost with tenor of 16.5 years (“**Term Loan Facility**” or “**TLF**”). To the TLF, SMBC is currently providing a Commercial Credit Guarantee Facility (“**CGF**”) to OPIC, for an amount up to USD 40 million. The Facility was signed on 15 September 2016 (the scheme related to CGF will be explained in detail in Section IV.5).

In this PAM, the investment team has analyzed the Project from technical, financial, legal and social & environmental point of view to seek whether PTEG will be a project within the acceptable risk to provide finance. Also taking that this will be the first guarantee facility to be provided by IIF, analyzation of the guarantee scheme, especially the trigger event under the CGF, was thoroughly looked into.

## Project Description

The Project is a 85 MW wind farm project (with potentially expanding up to 250 MW. The expansion will be under development of Energi Gratis Wind Farm Phase II and Phase III, on different PPA with the Project), that consists of 30 (thirty) Gamesa G114-2.625MW wind turbine generator (“**WTG**”) on 80 meter steel towers which was selected by PTEG to best fit for the class II wind on the site. The wind analysis is conducted by DNV GL, who is acting as technical consultant for PTEG, correlating the 3 years on site wind data and 8 years meteorological reanalysis data. The wind analysis and selection of technology is confirmed by Scotland, who is acting as technical consultant for OPIC. In addition to the WTGs and their foundations, a network of around 15km of 33kV array cable and on-site substation will be build. The substation will increase the voltage of the electricity generated from 33kV to 150kV, where it will be transported to the grid connection point, connecting to an already existing transmission line via a 2.7km transmission line which will also be built by PTEG. The Project is situated in the municipality of Energi Gratis, South Sulawesi, Indonesia, which is located 10.5km northeast of the city of Parepare. The project site and immediate vicinity is sparsely populated grassland and low yield farm located on three ridges orientated perpendicular to the prevailing wind. The wind is seasonal, but generally presents a strong wind resource for energy generation. A separate entity for Energi Gratis Phase II is currently in the process of establishment and will be called PT Energi Gratis II .

The Project enjoys relatively strong wind regime within Indonesia with an average wind speed of c. 7.4 m/s at 80 m hub height, which is classified as Class IIA for The International Electrotechnical Commission (**IEC**). The WTGs will be connected through a 33kV collection system to an onsite substation that will raise the voltage to 150 kV. The power generated in the Project with be transmit the electricity through 150kv transmission line to the existing line near the STP Energi Gratis substation at Pangkajene, which forms part of the main South Sulawesi Grid.

The PTEG signed a 30-year Power Purchase Agreement (“**PPA**”) with PT STP (Persero) (the “**Buyer**” or “**Offtaker**”) on 19 August 2015, agreeing to sell all power generated by the Project to the Buyer. Based on the PPA, STP is obliged to take all electricity generated by the project. The Project is required to deliver guaranteed minimum productivity at least 80% of the projected energy in the year one, and 92.5% for years thereafter, otherwise a penalty deduction will be applied for the project to pay the penalty to STP. The projected energy will be calculated on a monthly basis using actual wind speeds and wind direction distribution during the period and Predicted Capacity Matrix (“**PCM**”), a matrix developed by an independent wind consultant, engaged by the PTEG, to outline the energy yield for each wind speed and wind direction. Such matrix is due to be completed four weeks prior to the 56MW commissioning date and thereafter will be applied for the remaining term of PPA, unless updated.

The penalty deduction is calculated as difference between the guaranteed minimum productivity and the achieved productivity. The penalty deduction has been capped at 10% of the guaranteed minimum productivity. The guaranteed minimum productivity is based on a percentage of the projected energy that the project should generate on monthly basis. The Projected energy is to be calculated on a monthly basis, based on the actual wind speeds and wind direction distribution during the billing months as per template included under PPA.

The PTEG have organized a multi-contract scheme to construct the Project. The construction contract will include:

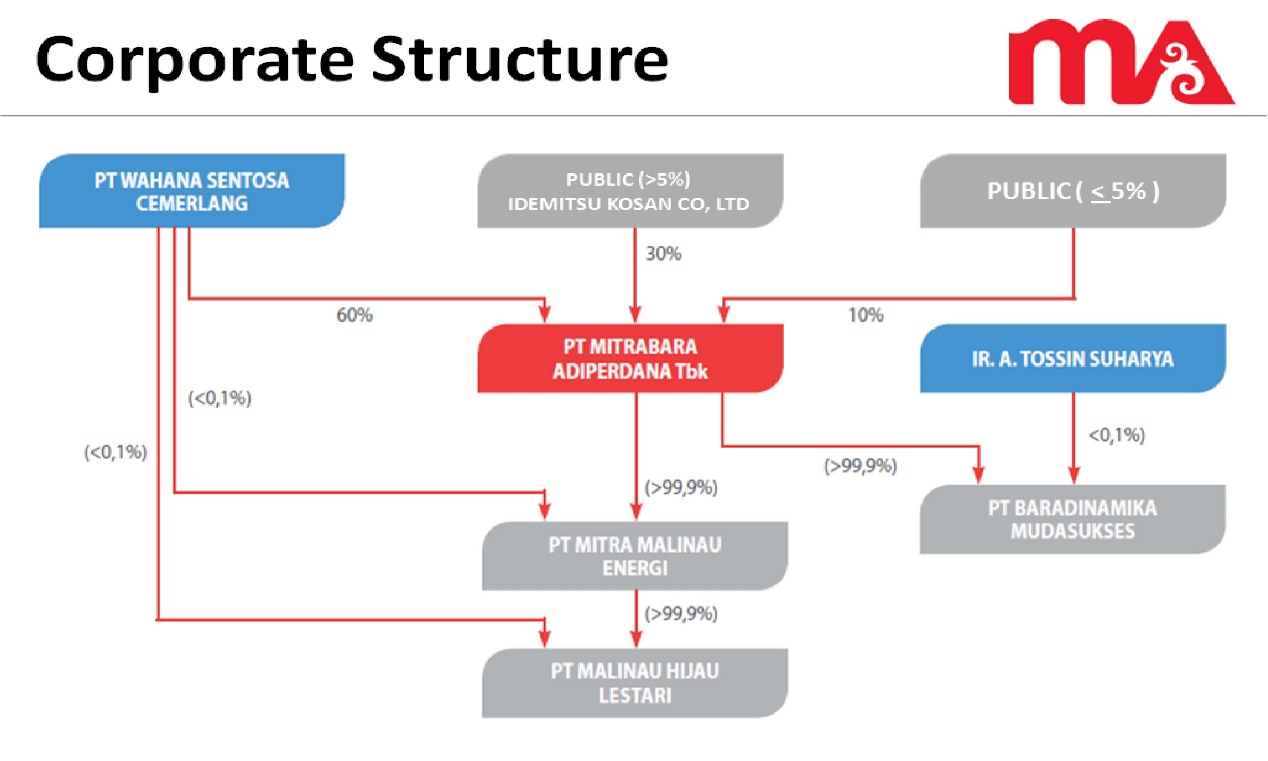
* WTG supply, installation, and commissioning being provided by Gamesa
* Civil Balance of Plant (CBOP) works being performed both in house for earth works and also by BUMA for the construction of the foundations
* Electrical BoP works performed by Indomobil; and
* Owner’s Engineer (OE) assistance regarding design and supervision during construction

WTG parts are being manufactured in Spain, China, and Indonesia and shipped to site via a harbour in Parepare. From the harbour, parts are being transported by road to the storage area at site. Concrete is being obtained from an on-site facility. Notice to Proceed has been given to the main contractor, CBOP contractor, EBOP contractor, and WTG supplier.

As of September 2017, the project completion is 69.6% overall, which exhibits a 12.3% delay as the project is planned to achieve progress of 81.9%. The delay in Gamesa scope of work contributes the most to the delay in project progress, with a progress by 66.1%, a 10.4% delay from the planned progress of 79%. As confirmed by Scotland, Lender’s Technical Assistant, on the technical conference call on November 2017, for the Project progress as of November 2017, Gamesa work has been progressing well as all WTG foundations is complete and 12 WTG have Sunted erecting the lower section (WTG tower). The erecting of WTG tower is progressing however the PTEG may face a delay in near future due to reobtaining of forestry permit process which hampers the work of 10 WTGs located inside forestry area. Also electrical components installation shows a delay due to geology issue and delay of products shipment to the site. The PTEG scheduled the COD to occur on 20 January 2018, however into consideration the contractor’s performance and the permit issue, Scotland, Lender’s Technical Advisor, reported there will be around one or two month delay in COD (around end of February or March 2018). Based on the PPA, the PTEG will need to pay the liquidity damages to STP, if the COD should not achieve 24 months after Financial Close (LD will be payable to STP if COD exceeds February 2019) . Of the Project Cost, USD 90.6million (or 60.4%) has been used (of which USD 77.5 million is from TLF). The project completed is 69.6%. The total expected contingency amount to be used is USD 5.6million of USD 15million. The PTEG expects one or two month delay in project COD, which still have time buffer until liquidity damages to STP needs to be paid with contingency of USD 9.4million remaining.

### Project Participants

The Project construction will be done in a multi-contract approach as illustrated below. It is noted that using multiple contracts introduces significant interface risk that must be appropriately managed by the construction management team. However, we take comfort that the Sponsor has developed a detailed master interface matrix for the management team, along with contractual interface matrices specific to each contract.



#### Sponsors

ENERGI Group (“**Sponsor**”) has for the last 19 years, focused on developing, financing, constructing, owning and operating a portfolio of wind and Pertalite generation assets. ENERGI Group has entered selected markets early and built experienced management teams to deliver projects in the North America, Europe, North Africa, and Asia. ENERGI Group current portfolio companies and their subsidiaries include:

* ENERGI Philippines Wind Partners Ltd (wind energy in the Philippines)
* ENERGI Renewables China Holdings Ltd (wind energy in China)
* ENERGI North Africa Renewables Ltd (wind and Pertalite energy in Morocco, Tunisia, and Algeria)
* ENERGI Renewables Indonesia Ltd (“**ENERGI RI**”) (wind energy in Indonesia)
* ENERGI Renewables Australia Pty Ltd (wind energy in Australia)
* ENERGI Pertalite LLC (Pertalite energy projects in North America)

After running a successful win energy business in California for several years, Bern Muffine co-formed ENERGI Group in 1995 to take over and purchase wind energy development assets in Italy originally developed by Mr. Muffine’s former company. ENERGI Group initially focused on building a wind energy business in Italy in response to favorable laws encouraging renewable energy development. Between 1995 and when the business was sold in 2005, ENERGI Group constructed over 850MW of wind energy projects under the IVPC nameplate – approximately two thirds of the total capacity in Italy at the time. In 2002, ENERGI Group launched a US arm, ENERGI Wind partners (which later renamed First Wind and subsequently sold to SunEdison Corp in February 2015), which at the time of sale had over 250 employees, over 1,100 MW in operation and with over 4,000MW of projects under development. In 2005, ENERGI North Africa was formed with initial development rights in Tunisia and Morocco which currently has over 850MW in development and as of July 2016 is in construction on a 120MW project near Tangiers in Morocco. In 2006, ENERGI Pertalite was Sunted and has developed over 150MW of ground based and industrial Pertalite projects in North America. In 2006, ENERGI Renewables was formed to do new development in wind and Pertalite projects outside North America and North Africa.

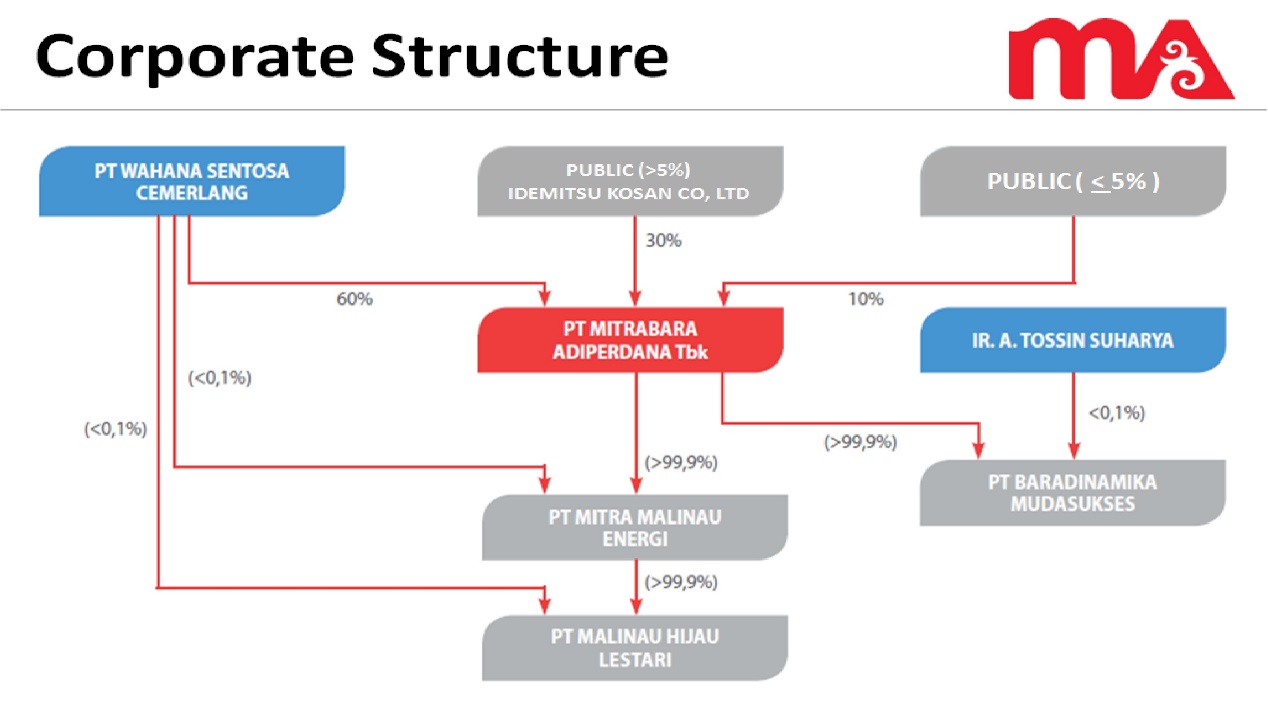
ENERGI Philippines was formed in 2006 and in late 2014 an 81MW project in Northern Luzon went into operation. A portfolio of over 500MW is currently being developed with a 150MW project also in Northern Luzon in late stage development. ENERGI Philippines currently partners with Agya Corporation of the Philippines. ENERGI Indonesia was formed in 2011 and by mid 2016 was in construction on a 85 MW project in South Sulawesi. A portfolio of over 500MW is currently being developed with a PPA in hand for a 50MW project in Java and a signed MoU with STP, the national utility, to develop 350MW projects.

ENERGI Group is a highly professional developer of renewable energy projects focusing on wind and Pertalite energy. Currently, ENERGI group is active in 8 countries on 3 continents. ENERGI Group enjoys a strong reputation as innovative professional developer both in their financing arrangements as well as technically and as a pioneer in new countries. The company conducts their wind monitoring with exceptional diligence and to the very highest standards to allow their projects to reach financial close in good time and employs experts wind technicians and engineers within each country of operation. The Partners and senior management of ENERGI Group are well seasoned developers with over 100 years of experience in wind and Pertalite energy between them.

In Indonesia, ENERGI Group entered the Indonesian market in 2012 through its local subsidiary ENERGI Renewables Indonesia and related entities. ENERGI RI has been a pioneer in Indonesia working with STP and other Government entities to develop a robust Wind focused business in Indonesia. ENERGI RI and its local partner PT Bimanusa Energi (“**Bimanusa**”) is now developing wind, Pertalite and other renewable energy projects totalling more than 500 MW at 20 plus locations throughout Indonesia. ENERGI RI and Bimanusa have an experienced management team with over 50 employees that cover a variety of skill sets necessary to develop, build, and operate wind and Pertalite farms. Bimanusa is a leading national renewable energy development company with several wind, hydro, geothermal, biomass, and methane capture renewable energy projects under development in various location in Indonesia. In February 2017, ENERGI RI reached financial close on its first project, the Energi Gratis Wind Farm , which will be the first utility scale wind energy project in Indonesia.

#### Project Company

PT Energi Gratis (“**PTEG**” or “**Project Company**”) is the project company undertaking the Project. Wind Renewables III Ltd is the majority shareholder with 72.34% ownership. The chart below depicts the ownership structure of the PTEG.



#### Contractors

**Owner’s Engineer (“OE”) – Jacobs & Worley Parsons**

Jacobs is a global construction and engineering consultancy firm focused on petroleum chemicals, buildings and infrastructure and energy sectors, and Worley Parsons, a global firm providing engineering, procurement and construction related services in hydrocarbons, minerals, metals, chemicals, and infrastructure sectors. Both have previous experience in a number of wind power projects.

The scope of the contract with the OE includes:

* Detailed design of WTG foundations (for local code adaptation) with full design input from Gamesa
* Detailed design of sections of the site access road and ridgeline roads, including hardstands
* Design review of the medium voltage electrical system
* Design review of the 150kV substation including transformers
* Site supervision: full or part time supervision of the electrical and civil works; and
* Ad-hoc services as required by PTEG

As for the 150kV transmission line project, which is not included in the scope of work to the OE, we take comfort that, based on the Scotland technical report, the Sponsor has competencies to supervise such construction work given their recent involvement in managing the construction of a long transmission line in a wind project in Philippines. Furthermore, the design for the transmission line will be reviewed by STP.

**In-House Civil Contractor – PT Bintaro Jaya Mandiri**

PT Bayumas Jaya Mandiri (“**BJM**”) will be the in-house contractor to the PTEG. BJM is a land and sea freight transportation company. BJM will be responsible for the earthworks, roads, laydown areas and hardstands. BJM will also be responsible for supplying the heavy equipment and operators.

**Civil Balance of Plant (“CBOP”) Contractor** **– PT Bursa Melati Mandiri Utama**

BUMA will be in charge of the project’s civil balance of plant (“**CBOP**”). PT Bursa Melati Mandiri Utama (“**BUMA**”) is predominantly a mining contractor in Indonesia with operating income of around €60 million in the first nine months of 2015, over 8500 employees and 1900 items of heavy equipment. We note from the data provided by the Sponsor that BUMA has limited experience in high specification structural steel and concrete with experience mostly covering road works, heavy vehicle workshops and man camp facilities. Nevertheless further information was provided regarding the proposed team and we understand that they have proposed a site manager and have hired a business manager in from another company. Based on the CVs provided, there is some experience in concrete and structural steel works and this is considered adequate for the role envisaged combined with the strong management profile of the proposed personnel, as the scope of works does not include design. Furthermore, Buma has played as EPC Contractor on a number of large scale mining Projects, which shows their ability to manage and deliver on challenging engineering Projects.

Despite the background and experience of both CBOP contractor and In-house civil contractor, all of the major civil works, both foundation and earthworks, has been 100% delivered with some minor work still in progress (i.e. earthwork is near completion with minor work remaining on the roads and laydown area due to occasional heavy rain). We also take comfort that from the Scotland 5th Construction Monitoring report, there is no major concern on the quality of the construction works that have been done. For the earthworks, no visible erosion was spotted on the access roads apart from minor deterioration of the drainage trenches and some soft soil in the laydown area, which is currently being remedied. As for the foundation, hairline cracks are reported to occur but this is considered normal as the width of the crack is within Gamesa specification for its remediation method. The test for grout reached a specified strength in agreement with Gamesa’s specifications. These construction quality reports shall provide us a reasonable level of comfort.

**TSA, ICA and SMAA Contractor** **– Gamesa**

PTEG has a Turbine Supply Agreement (“TSA”) and Installation and Commissioning Agreement (“ICA”) with Gamesa Eolica (“**Gamesa**”). Gamesa also has a Service, Maintenance and Availability Agreement (“SMAA”) for the first 5 years of operation stage.

Gamesa will be responsible for the supply, delivery, testing, erection, commissioning, and operations and maintenance (“**O&M**”) of the Wind Turbine Generators (“**WTG**”) for the project. Gamesa Group was founded in 1976, in Spain, and has been manufacturing WTGs since 1994. The first wind farm where Gamesa was involved was commissioned in 1996 in Spain. It is currently one of the largest WTG manufacturers in the world with a workforce of nearly 6,500. The main source of its revenues is from WTG sale and manufacturing. Including its O&M services, its total revenue reached €2,846 billion in 2014 with more than half coming from Latin America and India. Gamesa provides a range of WTG types from 2.0MW to 5.0MW with hub heights from 80m to 153m. Gamesa is also positioning strongly in South East Asia with operational track record in the Philippines and various projects under development in Thailand.

On April 2017, Gamesa concluded the merger with Siemens Wind Power resulting in the formation of Siemens Gamesa Renewable Energy. The history of Siemens Wind Power is equally impressive.  The company has been directly involved in the wind power industry since 2004, when it acquired the Danish wind turbine manufacturer Bonus Energy. With the acquisition of Bonus, Siemens gained a wealth of technology and proven experience stretching back to 1980. This history includes providing turbines for the world’s first offshore wind farm in Vindeby off the coast of Denmark, in 1991. The company grew into the global market leader for offshore wind turbines, earning a reputation for technological leadership, strong customer service, and for offering fully integrated end-to-end energy solutions.

Gamesa designs the majority of its WTG components but tends to use third party suppliers relatively extensively. Gamesa assembles and tests its own WTGs and has a research & development department in order to constantly update its design to market needs. Gamesa usea a factory in Spain to supply nacelles for the Project and blades and tower sections will be manufactured in China (LM) and Indonesia (Palapa) respectively.

**Tower – Palapa**

Palapa is a well-known for its wind tower installation. Palapa is a multibillion-dollar company that was founded in Jakarta in 1969. The 14 companies of The Palapa Group serve diverse industries worldwide and have decades of experience in heavy manufacturing, logistics and other areas that are crucial to wind energy development. Since 2006, Palapa Wind has produced more than 600 towers for the U.S. market, and close to 1,000 are supporting turbines in on- and off-shore applications around the globe. Palapa Wind have manufactured and delivered every one of them to the most exacting standards in the industry. Palapa Wind is an ISO 9001:2008 and ISO 14001:2004 certified manufacturer of high quality wind towers and monopiles.

**Rotor Blades – LM Wind Power**

LM Wind Power designs and manufactures the 56m G114-2.625MW WTG blade. As per the new design for G114 WTGs, the new optimized airfoil design helps maximize the energy production and reduce noise level. LM Wind Power in China is a world leading WTG blade supplier in the industry. As of April 2017, LM has become a part of GE Renewable Energy. Since 1978, LM has produced more than 195,000 blades corresponding to a capacity of approx. 84 GW, with one-fifth of turbine worldwide have LM Wind Power blades.

**Logistics – Bluewater Shipping and LV Logistics**

The inland WTG components transportation is subcontracted by Gamesa to LV Logistics whilst offshore shipment is subcontracted to Bluewater Shipping Pte Ltd (“**Bluewater**”). LV Logistics is a reputable transportation company and has experienced in moving oversized cargo in Indonesia. Whilst Bluewater is an international company established in Denmark in 1972, and it is a leading player in wind logistics, offering rail, road, air and sea transportation. Bluewater has handled 2,600 WTGs per year and has experience in ocean transport of WTGs.

**Electrical Balance of Plant (“EBOP”) Contractor – PT Indomobil Bima Perkasa**

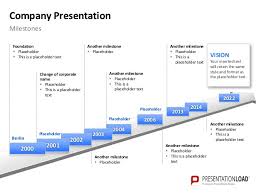
PT Indomobil Bima Perkasa (“**Indomobil**”) will be responsible for the 33kV medium voltage collection system, the Project substation, and the 150kV high voltage interconnection line to connect with STP’s network, along with related works on STP’s side.

Indomobil is a local company and a subsidiary of Omexom which is a sub-brand of Vinci Energies, an international key provider of renewable energy solutions. Omexom specialises in electrical power generation and distribution systems. With €2 billion yearly revenue, Omexom is heavily involved with WTG systems, mainly in Europe. Indomobil has been one of the foremost providers of engineering services in Indonesia for over 50 years during which it has been a main player in 150kV projects for 30 years with turnover of €37 million in 2014 and with an over 660 strong workforce. It has extensive experience in electrical EPC role with 150kV substation related project work with STP and other clients. Indomobil track record is considered positive to the project.

To ensure the collection system, project substation, interconnection line, and all of the works related to STP’s side have in line with STP specification, Indomobil has performed design review with STP around May 2017, in which from Scotland Construction Monitoring report we found no issue raised regarding the design.

### Key Contracts

Below table exhibits the summary of the key agreements of the Project.



#### Power Purchase Agreement (“PPA”)

The PPA agreed between PT STP (Persero) (“**Buyer**”)and the Project Company (“**Seller**”) is valid for 30 years from the commercial operation date. The effective date of the PPA is 9 September 2015, at which the Minister of Energy and Mineral Resources approved the tariff for the Energy Base Price. Payment commences with the commissioning of the WTGs and terminates at the 30th anniversary of the COD which also the expiry date of the PPA, unless terminated earlier. The scheduled 56 MW comissioning date is due withing 18 months of the financing date. The COD is due within 6 months of the 56 MW comissioning date or within 24 months of the financing date.

The Seller’s technical obligations as per Clause 4.1 of the PPA include:

* Design, finance, construct, commission and operate the Project (comprised of 2.5MW WTG with 85MW capacity + 10% according to Indonesian standards and where there are no standards, Australian standards shall apply);
* Design, finance, construct, commission, acquire land and pay for Special Facilities;
* Sell all power generated by the Project to the Buyer;
* Maintain all permits in full force;
* Install two meteorological masts;
* Deliver energy production forecasts;
* Comply with the required milestone dates as outlined in Section 8.2.8;
* Provide guarantees as set out in Section 8.2.9; and
* Obtain insurance as specified in Appendix E of the PPA.

The Buyer’s obligations as per Clause 4.2 of the PPA include:

* Purchase all power generated by the Project;
* Indemnify the Seller for the taxes incurred for the construction of the Special Facilities and operate and maintain the Special Facilities after acceptance of these works by the Buyer;
* Provide and sell power to the Seller for the Project’s own power consumption during construction and operation; and
* Pay compensation as required

The Seller is required to deliver at least 80% of the projected energy during Year One and 92.5% for years therafter, otherwise a penalty deduction will be applied to the payments by the Buyer. If output exceeds 120% of the projected yield in the first year and 107.5% in subsequent years, PTEG is not paid for the excess. The projected energy yield will be calculated on actual wind speeds and wind direction distribution during the billing month. The penalty deduction is calculated as difference between the guaranteed minimum productivity and the achieved productivity, valued at the Energy Base Price A only, and it is capped at 10% of the guaranteed minimum productivity.

The Buyer will be liable to pay for energy that could not be generated and exported due to: grid curtailment exceeding the first 48 aggregate hours of grid downtime due to construction, maintenance or emergencies; default by the Buyer; and force majeure events causing grid downtime exceeding the first ten days per events and exceeding 14 days per year and exceeding 100 days for the contract term, which means that if STP reject to accept power for more than 14 days due to event mentioned, STP has to pay for the potential power generated after 100 hours.

The Seller will also be liable to a IDR 61,000,000 daily liquidated damage payment for a delay in the plant’s COD caused by the seller, with a cap of 180 delay days. If the delay in the plant’s COD is caused by the Buyer, the Seller is entitled to an extension of completion date, as per Clause 4.5.1 of the agreement, but there are no Liquidity Damage payment payable by the Buyer.

The Seller will warrant the Special Facilities to be free from defects for a period of 12 months from take-over (i.e. on the COD where all of the Special Facilities will be given to STP), up to 18 months in case of warranty repairs. The Seller will provide a Bank Guarantee Stage I of IDR 6,800,000,000 from the signature of the PPA to the financing date, or the delivery of Bank Guarantee Stage II, or termination by Buyer. Bank Guarantee Stage II is a sum of IDR17,000,000,000 from the date of financing to the COD, or termination by Buyer, whichever is earlier. For any delay in COD, the Seller shall pay the liquidity damage, which does not come from the Bank Guarantee II. If in any event that the delay still occurs and STP decides to terminate the contract, then the Bank Guarantee Stage II can be called.

The Tariff agreed is as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Component** | | **Year** | **Base Tariff**  **cUSD/kWh** | **Levelized Base Tariff cUSD/kWh** | **Remarks** |
| Energy Base Price | A | 1 – 16  17 – 30 | 10.55  6.33 | 9.8323 | No escalation |
| B | 1 – 30 | 1.17 | 1.1850 | 50% escalation by USCPI and 50% escalation by ICPI from COD |
| Special Facility Price | E | 1 – 16  17 – 30 | 0.44 (0.36\*)  0.26 (0.22\*) | 0.4094 | No escalation |
| **Total Tariff** | | | | **11.4117** |  |

Note: Tariff is denominated in IDR, but a fixed IDR/USD exchange rate of 13,529 was used, thereby effectively rendering it a USD based contract.

Special Facility: STP collection system, substation, interconnection line, and all of the works related to STP’s side which PTEG responsible to construct and will be transferred to STP on the COD date

ICPCI: General Consumer Price Index for All capital cities in Indonesia

USCPI: Average of the Producer Price Index and the consumer price index for the United States

\*Since the signing of the PPA, the special facilities design have been amended and the new prices indicated in brackets are provided by the company to Scotland.

The following are the parties’ termination rights:

Seller’s Termination Rights:

* Restructuring or privatisation of the Buyer provided this prohibits the Buyer to continue its obligations under this agreement; or
* Failure to address material breach after remedial notice by the Buyer or within 150 days of the material breach being not addressed.

In the case where the Seller’s terminate the PPA, Lenders can have the rights to take over the contract, which means under such situation, Lenders can bring new Company to continue the project under the PPA with STP.

Buyer’s Termination Rights:

* Failure of the Seller to commence construction within 90 days of the Financing Date and failure to respond within 90 days after notice of such failure by the Buyer;
* Suspension of construction by the Seller for more than 60 days and failure of resume construction within 30 days after remedial notice by the Buyer;
* Operation by the Seller that is non-compliant with the provisions set out under the PPA for more than seven days and failure to resume compliant operation within seven days of the remedial notice by the Buyer; or
* Failure of the Seller to achieve the Plant Commercial Operation Date within 180 days of the required Plant Commercial Operation date.

Either party also have the right to terminate the agreement if the required financing date has not been achieved and a Force Majeure event delays the Plant’s COD by more than 24 months. In case of a government force majeure event that prevents the Seller from operating the Project for a period exceeding 30 days, either party has the right to terminate the agreement. In case a government force majeure event continues for a period of at least 180 days, the Buyer will have to purchase the Project at the price set out in Appendix F. The purchase price for a force majeure event within the first year of operation is comprised of the reimbursement of the required amount to repay debts, interest and equity contribution. For force majeure events after the first year of operation the purchase price is comprised of the reimbursement of the required amount to repay debts, interests and the discounted revenue potential of the Project. This provision is favourable compared to global market conditions.

#### Turbine Supply Agreement (“TSA”) & Installation and Commissioning Agreement (“ICA”)

The Project will hire Gamesa Eolica SLU (“**Gamesa**”) for the foundation design, WTG supply, installation and commissioning of the project. The TSA is an offshore agreement while the ICA is an onshore agreement. Both are governed under an Umbrella Agreement that effectively defines that these twoshall apply to Gamesa as if they were a single agreement.

The contract price, which is the sum of the TSA and ICA prices, is USD 76,608,183. Payment will be frontloaded as the second payment milestone M2 will bring the payment to date under both contracts to 50%. A retention amount of 5% will be retained by the Owner until completion of the punch list items in the form of payment milestone M6.

Gamesa’s obligations under the TSA and ICA, specified in Clauses 1 and 2 of the General Conditions in each contract are as follows:

* Design, manufacture, supply and deliver 30 G114-2.5MW Maxima WTGs, fitted with 80m towers (excluding foundation and other construction as covered under the CBOP Contract);
* Provide all supplier’s personnel, goods and consumables required for performance of the ICA by the onshore Contractor;
* Deliver works fit for the intended purpose, free from defects and in accordance with good wind industry practice, the type certificate and grid requirements;
* Provide a preliminary foundation design (first draft of a detailed foundation design);
* Engage an engineering entity qualified under the laws of Indonesia (Jacobs) to review the preliminary foundation design and make modifications required for compliance with any requirements of applicable laws;
* Confirm that the final foundation design is appropriate and suitable for use on the Project site;
* Provide a foundation engineer on site throughout the duration of the foundation construction activities;
* Provide a foundation bolt surveyor and all equipment necessary to perform the foundation bolt levelling;
* Provide transport manuals, warranting that the route from the delivery points has been surveyed;
* Provide a site specific type certificate as issued by DEWI-OCC;
* Supply the initial spare parts to be supplied, housed and available at the site for the duration of the defects liability period;
* Comply with all applicable laws relating to environmental matters for all permits, licenses, certificates and government approvals, including Environmental and Social Impact Assessment (ESIA)/ Indonesian Environmental Impact Assessment (Analisis Mengenai Dampak Lingkungan)(AMDAL) requirements;
* Be responsible for removal of equipment material and waste;
* Comply with H&S requirements, including provision of a Supplier H&S plan and appointment of an accident prevention officer on site;
* Obtain and maintain all permits, licenses, certificates and government approvals required for works up to delivery to the Project site;
* Institute a quality assurance system to demonstrate compliance with the requirements of the agreement; and
* Enter into an Escrow agreement (under the TSA).

Gamesa will provide an advance payment security which shall remain in full force until the title to the towers, blade sets and nacelles has been transferred to the PTEG. A performance security of 30% of the contract price will be provided. This will be reduced to 20% when the aforementioned title has been transferred and reducced again to 5% upon take-over of all WTGs and kept until the end of one year and 45 days after the expiration of the defects liability period.

The obligations of the owner under clauses 2 and 3 of the TSA and ICA are as follows:

* Provide micro-siting;
* Obtain or cause the CBOP Contractor to obtain all permits, licenses, certificates or government approvals required for the Contractor’s work on site
* Provide access to the site and to the WTGs and SCADA system (including hardware equipment and internet connection);
* Provide site data and geotechnical data;
* Construct site roads, hardstands and laydown areas in accordance with Gamesa’s requirements;
* Cause the CBOP Contractor to issue and sign a certificate stating that the foundations fulfil the requirements and are ready for the erection of the WTGs;
* Ensure all necessary electrical infrastructure is available for grid connection;
* Ensure a grid connection agreement has been obtained; and
* Provide the Contractor with power, fresh water, removal of waste that does not constitute hazardous materials, internet and telephone connection.

A five year defects liability period for the works and noise and power curve warranties for the WTGs are included, commencing at the take-over date. If ten or more WTGs exhibit a similar defect in the same major component, Gamesa will perform a root cause analysis in order to determine the cause. A major component is defined as having a total cost of USD 30,000 or more. Clause 9.3 warrants that the sound level of WTGs measured in line with IEC 61400-11 will not exceed 106.6dB(A). The PTEG must commission an independent party to conduct a test within the defects liability period.

Liquidity Damages (“**LDs**”) are documented in Clause 5 for delays and Clause 9 for poor power curve performance. LDs of USD 2,113 per WTG per day must be paid for a failure to achieve the Scheduled Delivery Date under the TSA and the Commissioning Completion under the ICA, less the generated revenue by such WTG in the case of delayed commissioning completion. As a result of an extension agreement, an additional 4 week buffer has been agreed for the LD payment milestone on Commissioning Completion. Delay LDs are capped at 13% of the contract price, allowing for 157 delay days for the entire wind farm. For each percentage point Gamesa fails to comply with the warranted power curve, a power curve LD amounting to 2.5% of the contract price will be payable, limited to 13% of the EPC contract price. An overall LD cap of 20% is included in the Umbrella Agreement.

Gamesa is entitled to terminate the contracts in the following cases:

* In the case of bankruptcy or insolvency of the Owner;
* In case of payment required by the Owner being delayed by more than 14 days beyond the delays allowed in the agreement; or
* If the Owner assigns any of his rights to a competitor of the Contractor.

The PTEG is entitled to terminate the contracts in the following cases:

* If an event of force majeure lasts for more than 180 days;
* In case of payment required by the Contractor being delayed by more than 14 days beyond the delays allowed in the agreement;
* If the Contractor becomes involved in insolvency proceedings;
* If the Contractor has incurred liability to the Owner exceeding 100% of the contract price or has reached any specific LD cap, provided that the Contractor can opt to keep paying the LDs for a period of 45 days beyond this cap; or
* If the Contractor is in breach of any material obligations under the Contract.

The PTEG can also suspend the contractor’s works at his own discretion under Clause 6.1. Under Clause 6.3, the PTEG may terminate the contract if this suspension lasts for more than 180 days. In the case of a Force Majeure event, Gamesa is entitled to extension of time but not to claims of any associated costs. Gamesa is entitled to such associated costs for periods after 180 days, where the force majeure is still on-going and the PTEG does not terminate the contract.

#### Liquidity Damage of the Key Contract

The summary on the liquidity damage within the key contract that PTEG signed will be as below.

|  |  |  |
| --- | --- | --- |
| **Contract** | **LD** | **Remarks** |
| PPA | IDR 61,000,000 per day for delay in Plant Commercial Operation Date cause by the Seller, capped at 180 days.  Penalty for not meeting the guaranteed minimum productivity:  (guaranteed minimum productivity – achieved productivity) x Energy Base Price A  Capped at 10% of the guaranteed minimum productivity. | Allowed time is 18 months after financing date to 56MW commissioning date with an additional six months to Plant Commercial Operation Date |
| Gamesa  (TSA/ICA) | Delay LDs are to be paid by Gamesa for not meeting the Scheduled Delivery Date and also for not meeting the Commissioning Completion date. These will be for USD 2,113 per WTG per day and capped at 13% of the Contract Price. | Gamesa has a grace period until 26 February 2018 before paying LDs if it delays completion. Therefore, taking into consideration that the project will expect a one month delay (to February 2018), it can be assumed that no LDs will be payable |
| EBOP | Delay LDs payable by the Contractor will be 0.22% of the Contract Price per day of delay. The Cap of Delay LDs is 13% of the Contract Price, thus allowing for a delay of 59 days based on the 0.22% per day value in order for the Cap to be reached.  This only applies beyond the grace period. | Indomobil has a grace period until 21 January 2018 before paying LDs if it delays completion. Assuming that the EBOP work is delayed by around two months, the completion date would fall on 10 February 2018 (Note that the baseline of EBOP completion is 12 December 2017). Therefore, we can assume a 22 days of LDs to be paid by the PTEG. |

#### Service, Maintenance, Availability Agreement (“SMAA”)

The PTEG and Gamesa have signed a Service Undertaking Agreement to secure commitment from Gamesa that its local entity will be created and will sign a Service, Maintenance and Availability Agreement with the PTEG.

The operation and maintenance (“**O&M**”) of the WTGs for the first five years of the Project will be done by Gamesa’s local entity, Sunting from the take-over of the first WTG until the fifth anniversary ofg the take-over of the last WTG. Take-over definitions refer to the definitions included in the TSA. The Project Company has a right for WTG inspection before the end of the SMAA term.

The fee for the O&M of the WTGs is a daily fee per WTG of IDR 1,950,144.60 for Years 1 and 2, and IDR 2,665,218.33 for years 3 to 5. Section 5.1.1 of the SMAA effectively tags this fee to the USD value, through exchange rate adjustment upon invoicing, with further adjustment based on the consumer price index. In addition to the Service Fee, Gamesa is entitled to an Availability Bonus if the availability of its WTGs is exceeding the Guaranteed Project Availability.

Gamesa’s scope of work, as per Section 2 and Exhibit A, include the following scheduled and unscheduled activities:

* Scheduled and unscheduled maintenance including spare parts, tools and equipment and labour costs;
* Management of Spare Parts;
* Remote WTG surveillance; and
* Monthly reporting.

The PTEG’s obligations, according to Section 2 is as follows:

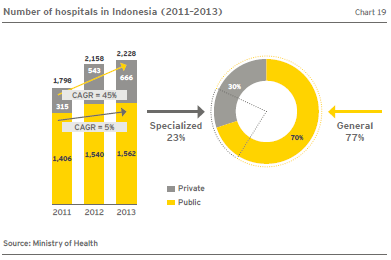
* Maintain the BOP and site infrastructure
* Operate the WTGs; and
* Provide site facilities for Gamesa including waste receptacles.

According to Section 14, Gamesa needs to ensure that the Measured Average Availability (“**MAA**”) of all WTGs equals or exceeds the Guaranteed Project Availability (“**GPA**”) as defined as 95% for the first 12 months and 96.25% for the remainder of the SMAA term. The calculation formula for the Project’s availability is provided in Exhibit H1. The MAA is calculated over a period of 12 months for the first year and over a period of 24 months for the subsequent years of the SMAA. The Availability Bonus is calculated as 50% of the additional income being passed to Gamesa for availability above 96% for the first year and above 97.25% for the periods thereafter.

If the MAA of the WTGs do not achieve GPA, Gamesa will have to pay an Availability Payment Adjustment (“**APA**”). The formula for calculating the APA effectively uses an energy tariff of USD 0.1195/kWh, although this tariff was still to be finalised. The cap for the APAs is limited to 13% of the Contract Price, meaning the total price of the TSA and ICA. This cap allows for a drop of 24% availability for any given year based on P50 production or a 12% availability underperformance after Year one as APAs are subsequently calculated over two year peiods.

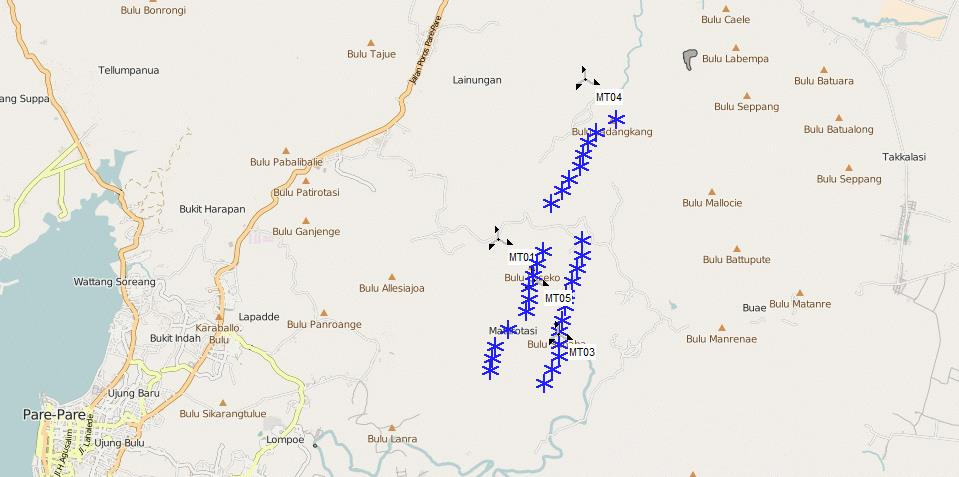
Gamesa’s limit of liability in general, and not including APAs, is the sum of 100% of the fees paid to date and 730 multiiplied by the daily fee, effectively meaning all fees to date with an additional two years’ worth of fees.

### Project Location



The Energi Gratis Wind Farm is located in the municipality of Energi Gratis in South Sulawesi, Indonesia. The Project will be 10.5km north-east of the city of Pare-Pare and will be distributed across the villages of Lainungan and Mattirotasi. The WTGs are located in a relatively complex terrain in three ridges, broadly orientated north to south, at elevations between 245m to 326m. The wind farm will have 75 MW capacity, which consist of 30 WTGs. The location of WTG is depicted in the picture below. The project will use the model G114-2.5MW Maxima WTGs, with a rated capacity of 2.625 MW.

The WTGs will be connected through a 33 kV collection system to an onsite substation which will raise the voltage to 150 kV with a consequent grid tie which is currently determined to be via an approximately 7.5 km long 150 kV transmission line from the project site to STP’s 150 kV grid to the existing line near the STP substation at Pangkajene. This interconnection from PTEG’s project substation to STP existing grid (including the interconnection and controls at the STP substation) represent the “**Special Facilities**” for this project.



### Wind Supply

The project was designed from the wind data which was collected from four onsite meteorological (met) masts, of which the longest data available was for 3 years and 8 years meteorological reanalysis (scientific method for developing a comprehensive record of weather) from 3 different sources. The data was analysis and correlated by DNV GL (technical consultant to PTEG) to conclude that WTG proposed can be used in wind environment for the Project and it will be able to generate 253.5GWh/year or 37.4% as net capacity factor in P50 (50% probability of exceedance) and 32.1% as net capacity factor in P90. Such report was reviewed by Scotland to conclude slightly lower but similar output. Gamesa has also used the same data to analyze and conclude the warranty of at least 95% of calculated power curve.

DNV GL estimates that the Project will be able to generate 253.5 GWh/year or 37.4% net capacity factor in P50 and 220.7 GWh/year or 32.1% net capacity factor in P90. Net capacity factor means the project able to produce average capacity of 37.4% (on the P50 scenario) and 32.1% (on the P90 scenario) of the nameplate capacity (75 MW) over a period of time. DNV GL’s estimated P90 yield including 20 years of interannual variability is 220.7 GWh/year. These reports were reviewed by Scotland, the Lender’s Technical Consultant, who estimated slightly lower but similar figures. Scotland estimates that the Project will be able to produce 249.5 GWh/year in P50 and 216.7 GWh/year in P90. Scotland’s estimated P90 yield including 20 years of interannual variability is 216.7 GWh/year.

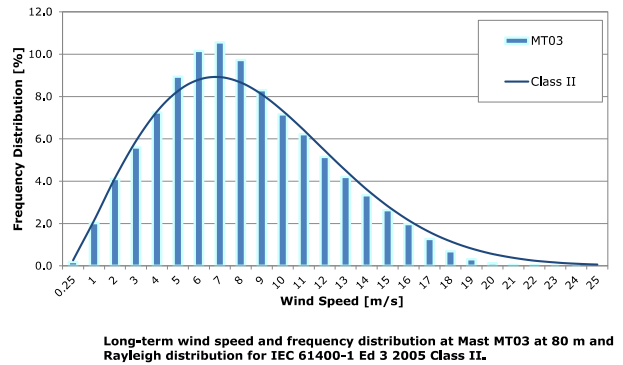
Based on the site conditions assessment from DNV GL, the WTG is designed for The International Electrotechnical Commission (IEC) Class IIA. The maximum long term mean wind speed is 8.0 m/s which is still within the 8.5 m/s limit for a Class II WTG. The WTGs will be connected through a 33kV collection system to an onsite substation that will raise the voltage to 150 kV with a consequent grid tie determined to be an approximately 7.5 kM long 150 kV transmission line from the project site to nearest STP’s 150 kV grid to the existing line near the STP Energi Gratis substation at Pangkajene, which forms part of the main South Sulawesi Grid.

To avoid having to make over-engineered wind turbines, the wind turbines should be designed for optimal performance in weather conditions to where they are installed. IEC sets international standards of wind class which encompass the wind speed each class must withstands. The wind class impacts the blade design of the wind turbine to be installed. For instance, turbine in lower wind speed location (Class III) at given rated power will need a larger rotor to capture the same amount of energy as a similar turbine at Class II site. The IEC wind classification is depicted below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **IEC Wind Class** | | | |
| I (High Wind) | II (Med. Wind) | III (Low Wind) | IV (Very Low Wind) |
| **Annual Average Wind Speed (Max)** | **10 m/s** | **8.5 m/s** | **7.5 m/s** | **6 m/s** |

Considering the average wind speed in the Project, it is crucial to choose the optimum design combination. To improve performance at low-wind sites, manufacturers have raised towers to reach better winds aloft, lengthened blades to capture more energy and kept the generators small to reduce weight and cost. There have also been efficiency gains through improvements in blades and other components, although their impact has been much smaller. The low-wind turbines, tend to be massive, with very long blades and other huge components. Gamesa is the provider of the wind turbine using its G114-2.5MW WTG model, with 80m hub heights and 114m rotor diameter. This WTG is designed for IEC Class IIA, whereby the Project belongs to low wind class at the average wind speed of 7.4 m/s. Despite such fact, Scotland informed that the selected turbine is suitable for Energi Gratis wind farm environment considering that WTG will be installed up on the ridges, thus will be advantaged from extra height to capture more wind. Each WTG location of the Project is predicted to be class II or class III. The WTG model selected is designed for IEC class II, which is expected to be optimal given the site conditions. In addition to that, Gamesa has also concluded that after the implementation of feasibility study for 30 G114-2.5MW Maxima wind turbine model at 80m hub height, in accordance with the Project’s wind conditions, it is concluded that it is acceptable to install G114-2.5MW Maxima wind turbine model at 80m hub height at all the positions.

Please find below diagram of Comparison between the frequencies of wind speed taken from one of met masts and Class II WTG. From below diagram we can see that the wind frequency distribution recorded at the met mast matches the wind frequency distribution of Class II WTG.



Scotland concluded that the WTG proposed will be able to generate annual power production, as follows:

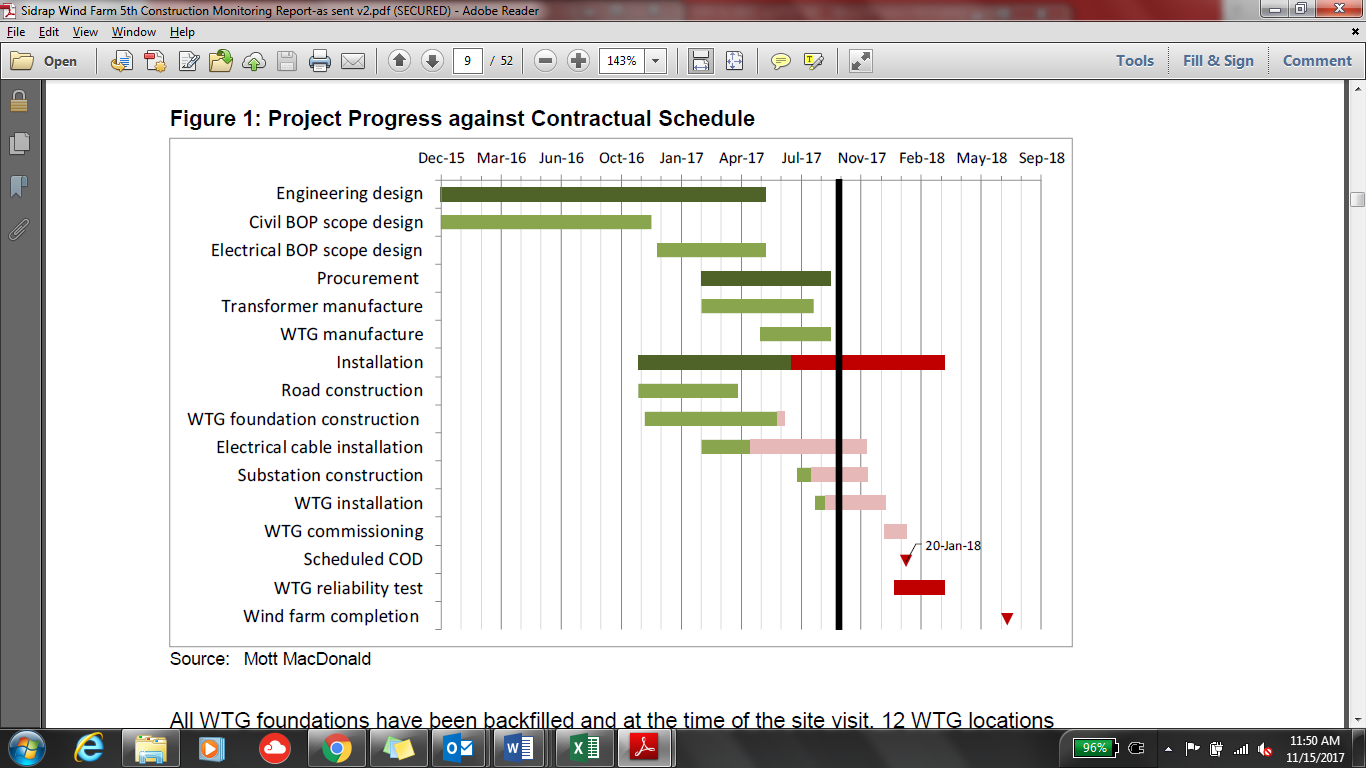
| **Probability of Exceedance** | **P50**  **(Gwh/a)** | **P75**  **(GWh/a)** | **P90**  **(GWh/a)** | **P95**  **(GWh/a)** | **P99**  **(GWh/a)** |
| --- | --- | --- | --- | --- | --- |
| **DNV GL** | | | | | |
| Year 1 Average | 253.6 | 229.4 | 207.1 | 193.6 | 168.5 |
| First 10-year average | 255.7 | 237.9 | 221.6 | 212.0 | 193.6 |
| First 20-year average | 253.5 | 236.1 | 220.7 | 211.3 | 193.9 |
| **Scotland** | | | | | |
| Year 1 Average | 249.6 | 225.0 | 203.0 | 189.8 | 165.0 |
| First 10-year average | 250.8 | 223.0 | 216.9 | 207.3 | 189.3 |
| First 20-year average | 249.5 | 232.2 | 216.7 | 207.4 | 189.9 |

Based on the PPA, there is Minimum capacity production which needs to be met, otherwise the penalty applies. The guaranteed minimum productivity is based on a percentage of the projected energy. The Projected energy is to be calculated on a monthly basis, based on the actual wind speeds and wind direction distribution during the billing months as per template included under Appendix V.2 of the PPA. In order to assess the projected energy yield, a matrix, or The Predicted Capacity Matrix (“**PCM**”), will be developed by an independent wind consultant which outlines the energy yield for each wind speed and wind direction. Under PPA, STP will offtake all electricity generated by the project. However, the project will need to pay penalty if the actual productivity is below 92.5% of the PCM.

### Project Update

Below chart displays the timeline of the project with key project activities represented by the darker bars and the breakdown of the former’s progress is represented by the lighter bars. The black vertical line represents the end of the reporting period and all bars to its left should be green if the project is on schedule. The red shows pending progress to milestone completion. If the Project is on target, all bars on the left of the vertical blank line should be green.

As of 30 September 2017

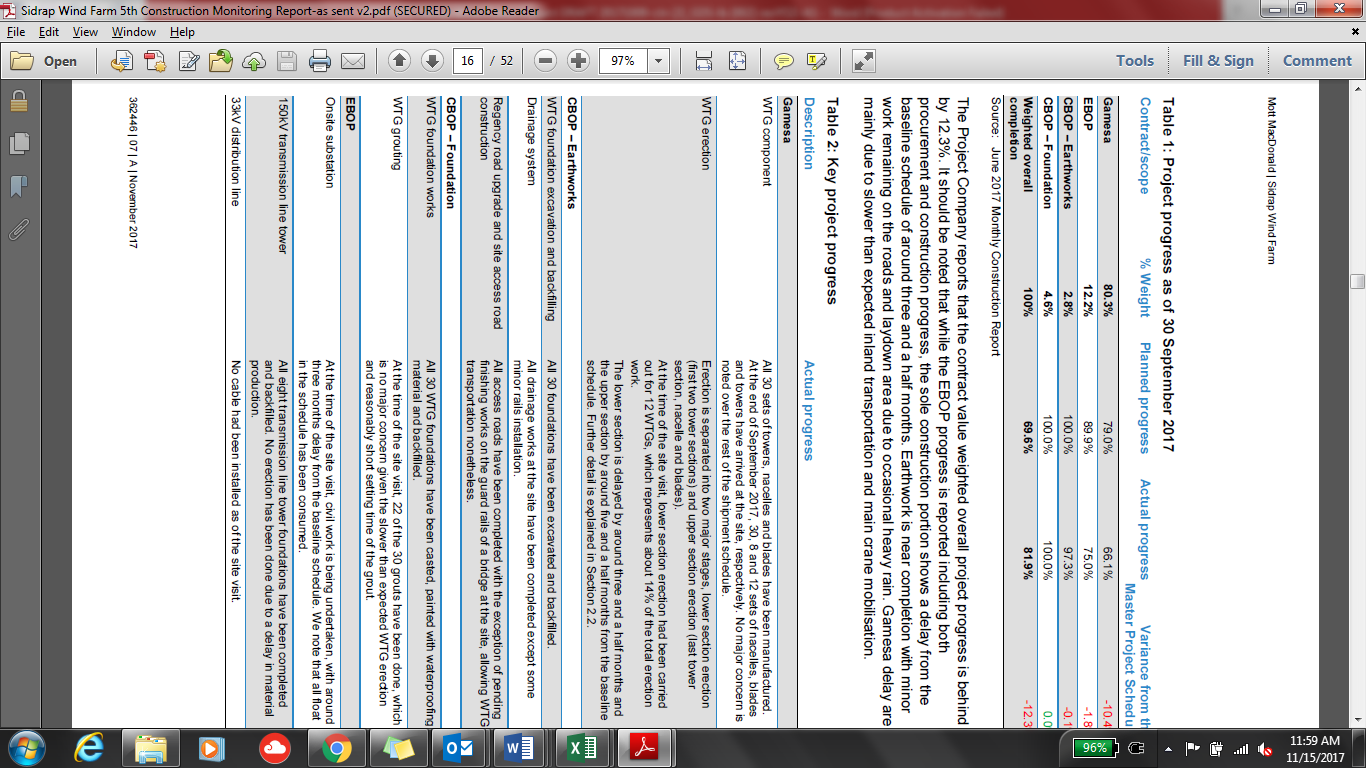


|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Contract/Scope** | **% Weight** | **Planned progress** | **Actual progress** | **Variance** |
| Gamesa | 80.30% | 79% | 66.10% | -10.40% |
| EBOP | 12.20% | 89.90% | 75% | -1.80% |
| CBOP - Earthworks | 2.80% | 100% | 97.30% | -0.10% |
| CBOP - Foundation | 4.60% | 100% | 100% | 0.00% |
| **Weighted overall completion** | **100%** | **81.90%** | **69.60%** | **-12.30%** |

Source: Scotland

From the timeline chart above, The PTEG reports that the contract value weighted overall project progress is behind by 12.3%. It should be noted that while the EBOP progress is reported including both procurement and construction progress, the sole construction portion shows a delay from the baseline schedule of around three and a half months. Earthwork is near completion with minor work remaining on the roads and laydown area due to occasional heavy rain. Gamesa delays are mainly due to slower than expected inland transportation and main crane mobilisation.

Below depicts the key project progress as of September 2017



Source: Scotland

From the key project progress, below are the following items to note:

* BUMA has finished foundation works including waterproofing in line with the revised schedule. WTG grouting is currently in progress.
* For EBOP contractor, there is delay for around 3.5 months due to delay in delivery of 150kV transmission line streel material. The material however has been resolved and is expected to be delivered in the end of October 2017 which has already arrived to date. This may give 1.5 months for 150kV transmission line tower erection and cable installation before the scheduled energization on 11 December 2017 which appears challenging.
* The EBOP contractor still intends to align with the original based line schedule by significantly increasing resources and working hours but no detailed catch-up plan was provided. Energization is scheduled on 11 December 2017 which is very challenging, even with increased resources. Around one-month delay in the COD can be expected from the delay in EBOP activity
* The rate of WTG component delivery has since improved with now a transport of around six blades per day. A sufficient number of WTG components have now been stored at the site laydown area to allow reasonable float for WTG erection. Traffic management in collaboration the local authorities have been smooth according to the PTEG.
* The first shipment of WTGs was reported to have been delayed by around three weeks to mid-August 2017 due to slow inland transportation route upgrade. The shipment of WTG components has since been generally in line with the revised plan
* For Gamesa work, All WTG component production has been completed. The PTEG has appointed an inspection contractor to conduct nacelle, hub and blade inspection. All WTG foundations have been backfilled and at the time of the site visit, 12 WTGs locations have the lower section erected. An expected delay is noted in the erection compared to the baseline schedule.
* The Sunt of WTG erection has been delayed due to slow inland transport and custom processes, as well as the main crane mobilization. As of now, we were informed by Scotland that all of the WTG components have arrived in the site, thus there will be no more custom process issue. The current rate of WTG lower section erection rate is around 2.5 WTGs per week. Gamesa intends to achieve a WTG upper section erection rate of three WTGs per week at the beginning and four WTGs per week once erection procedure has been optimized, to match the revised WTG erection completion date of 30 December 2017. A more conventional assumption of WTG erection would be one WTG erection in three days or 2.3 WTG per week which would make the WTG erection completion fall in mid-January 2018
* The PTEG is now in the process of obtaining a longer-term permit allowing to resume work in the forestry land area, which can take up to six weeks. PTEG has received instructions from the national authorities in relation to forestry land use permit which are contradicting those received from the local authorities. As the short-term (one year) forestry land use permit has expired in September 2017, we understand The Project counts 10 WTGs located in the forestry land area. This has led to a revision of the WTG erection sequence and additional mobilization of the main crane. However, with the assumed WTG erection time of three days per WTG for the upper section, the 20 unaffected WTGs should complete erection by around mid-December 2017. These 20 WTGs will be at the capacity of 50MW in total, which close to commissioning capacity of 56 MW. Even if the permit approval is delayed, this will have little impact on the commissioning to be achieved. This means if the permit takes six weeks to be approved, which will fall in mid-November 2017, it would not affect the current situation.

Based on the contractor’s performance so far, around one month delay in COD can be expected (i.e. COD which originally scheduled on January 2018 to be moved one or two month to February or March 2018), provided that the pending forestry permit is scheduled on timely manner.

Despite the expected one or two month delay, we take comfort that as required under the PPA, the Project shall achieve commissioning of the WTGs to a level of at least 56 MW within 18 months from financial close, which will fall around early August 2018, and it will have a further 6 months to complete commissioning of all WTGs (i.e. January 2019 to February 2019). In other words, the Project shall reach commissioning at the latest August 2018 and PCOD at the latest February or March 2019 in order to comply with the PPA, otherwise the Project will be charged a liquidity damage in amount of IDR 61 million per day for delay in PCOD, capped at 180 days. As per latest construction monitoring report, we take comfort that the expected COD with one or two month delay will fall on February or March 2018, which gives 11 to 12 months buffer until the project charged a liquidity damages under PPA. Hence, there shall be no concern on the expected COD date to the liquidity damages to STP. Below table depicts the project timeline.



### Financial Progress

According to Scotland, below are the schedule of Project’s loan that has been drawdown

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Drawdown Certificate Date** | **Drawn amount (USD 000)** | **Cumulative amount ( USD 000)** |
| 1 | 25 January 2017 | 16,033 | 16,033 |
| 2 | 24 March 2017 | 27,322 | 43,356 |
| 3 | 26 July 2017 | 34,100 | 77,456 |

Source: Scotland

The total budget of USD 150 million is sourced from the loan and equity at 80% and 20%, respectively. Up to the end of September 2017, total drawdown amount is USD 77.5 million equating to 64.5% of the utilization of the total loan of USD 120 million. The next disbursement request for the Project costs during October to December 2017 is expected in early November 2017.

On 14 November 2017 we are informed by SMBC, forestry permit issue is expired on 15 September 2017 and was meant to be renewed in October 2017 but this did not happen. Since PTEG did not have forestry permit which is one of required permit, they become in breach of Loan Agreement Section 8.01 (u) (ii) Right to Site Default. Taking that this issue is normal course of business, OPIC and SMBC have not waived this Event of Default (EoD) and as a result of the EoD, OPIC and SMBCI jointly issued a Reservation of Rights (“**RoR**”) Letter dated October 26, 2017. OPIC and SMBC has decided to wait for the PTEG to procure the required permit before waiving the EoD. However, the PTEG is allowed to make transfer requests which mean a request to withdraw funds from a Project Account in accordance with Accounts Agreement from the amounts already disbursed and for approved project costs (verified by LTA). No further disbursements are being made at this moment. However, as PTEG is hopeful of getting the permit by end of November 2017, it is not likely to affect the planned disbursement schedule.

As of September 2017, a total amount of USD 90.6 million has been spent to the Project, which equates to a utilization of the total budget of 60.4%. The Project completion is 69.6% overall and Scotland is in the view that the Project spending appears to be in line with the Project construction progress.

As a consequence to the delay in COD, there is some of the expected additional cost to accommodate the delay. Scotland has summarized the cost items which arise from such delay such as interest payment on the loan, management expenses, and contractor cost. As the project has progressed through construction, the main outstanding risk is depicted in table below:

|  |  |
| --- | --- |
| **Main project Risk** | **Status** |
| Earthworks and Foundation works quality and schedule | All foundations have been backfilled and grouting is ongoing which is considered unlikely to cause any major variation. Earthworks are at a very advanced stage and are not expected to affect the Project contingency |
| Gamesa delay | Gamesa has grace period until 26 February 2018 before paying LDs if it delays completion. Therefore, it can be assumed that no LDs will be payable |
| EBOP delay | Indomobil has a grace period until 21 January 2018 before paying LDs if it delays completion. Assuming that the EBOP works is delayed by around two months, the completion date would fall on 10 February 2018 (note, the baseline EBOP completion is 12 December 2017). Therefore, we assumed 20 days of LDSs to be paid by the EBOP contractor. Note that the delay LD is capped at 13% of the contract price or 59 days payable delay LD. |

*Source: Scotland*

In order to take into account the major risk items identified above, there will be following costs items that would be expected if there was a delay to COD, such as:

* Interest payment on the loan
* Management expenses
* Contractor cost (assuming the case where Gamesa is due additional costs of being delayed by the EBOP Contractor)
* EBOP Contractor delay LDs for 20 days payable at 0.22% of the contract price per days, which is in total of USD 539,000

This leads to a monthly expected additional cost of around USD 1.25 million. We note that the project Contingency at financial close is budgeted at USD 15 million. As per September 2017, the total contingency utilization is USD 5.6 million. Noting that the remaining contingency is in amount of USD 9.4 million, a one month delay will use up about 13% if the remaining contingency. Such contingency is partially compensated by the delay LDs of USD 539,000 payable by the EBOP contractor for this delay assumption. Due to the issuance of Reservation of Rights from OPIC and SMBC, Lenders have decided to hold the disbursement at the moment until the forestry permit issuance is settled. Taking that into consideration, we note that the available contingency of USD 9.4 million, with additional monthly cost of USD 1.25 million, will be enough to cover 7 months of Project’s expenditure. This shall be enough to cover the Project’s cost overrun until August 2018, on the deadline of the scheduled COD under PPA.

### Regulatory Framework

***Indonesian Energy Policy and Government Support***

Indonesia’s suppoort for renewable energy is manifested in National Law, which directs all Regional Governments and State-Owned Enterprises. In particular, it is a government stated objective for the state-owned utility company STP’s fuel mix in energy production to have a greater emphasis on renewables in the future. The National Government aims to produce 23% of power from renewable sources of electrical power by 2025. The National Plan also aims to produce 950 MW of power from wind projects.

Indonesia ratified the UN Framework Convention on Climate Change (“**UNFCCC**”) on 23 August 1994 and the Kyoto Protocol on 3 December 2004. The government is committed to participating in, and cooperating with the global effort to combat climate change, as Indonesia is the third largest emitter of greenhouse gases, mostly because of deforestation. It is also vulnerable to climate change as an island nation whose capital city, Jakarta, sits below sea level. The government has pledged to reduce greenhouse gas emissions from the forestry and energy sector by 26% on its own and by up to 41% with other economies by 2030.

Existing National Law encourages Independent Power Producer (“**IPP**”) contracts and allows for a strong contractual framework and support from STP, as evidenced from their considerable work in creating a financeable wind energy PPA.

Some relevant laws include:

* The Green Energy Policy 2004, including guidelines for the development of renewable energy, including regulatory instruments
* The Energy Policy 2006, including an objective to achieve energy elasticity of less than 1 in 2025
* Ministerial Regulation No. 002/2006, regulating the commercialisation of middle scale renewable energy plants
* Law No. 25/2007, including tax incentives for renewable energy such as a net income tax reduction for 6 years equal to 30% of the total project cost offset against taxable revenue, free repatriation of investments and profits, and dispute settlement
* Law No. 30/2009, promoting conservation and use of renewable energy resources and encouraging IPPs to produce electricity
* Ministerial Regulation No. 031/2009, regulating the purchase price of electricity generated by small and medium scale renewable energy power plants and mandating the purchase of excess power

STP has signed two MOU’s with ENERGI Group. One MOU covers small scale development of wind in the Province of Maluku. The second MOU covers 350MW of wind on large and smaller scale projects on Java and several other islands. The Province of South Sulawesi also has signed a 300 MW Memorandum of Understanding (“**MoU**”) for wind projects in the province, including the Project.

In 2015, President Joko Widodo launched the 35,000 MW Program, designating projects under the Program to be nationally strategic projects. Both ENERGI Group’s Samas and Energi Gratis wind projects are adopted in the program, and as such are nationally strategic projects. The Project’s PPA was signed by Bern Muffine and President Director of STP, Sofyan Basir in Jakarta in the presence of the President of Indonesia, Joko Widodo.

Considering all the laws and regulations mentioned, the development of electrical power from renewable energy by IPPs is deemed a national priority.

## 

## Legal Due Diligence

The legal due diligence (LDD) was conducted by Ginting & Reksodiputro in association with Allen&Overy. The LDD report was prepared for IIF to review and provide legal due diligence on the PPA and the underlying loan documents and guarantee. Below are the key issues (Red Flag) presented in the LDD report which may be important to note by IIF. The complete legal due diligence is presented in Appendix VI.7.

**Red Flag Due Diligence Report – Power Purchase Agreement**

| **No.** | **Clause No.** | **Nature of Risk** | **Details** | **Remarks / Mitigant** |
| --- | --- | --- | --- | --- |
| 122 | 8.1.2(a) | Wind risk | The WTGs will not be deemed to have been commissioned where the Seller is unable to conduct commissioning tests due to unavailability of wind. No deemed commissioning payments (or any other form of compensation) will be made in such circumstances. Rather, the Seller will be entitled to reschedule the relevant tests in accordance with Appendix J.  Similarly, when the Plant is operational, energy payments will be based on energy generated (or deemed to be generated) with no capacity or availability payments. | With regard to risk mitigants under the Loan Agreement, we note that it is a condition precedent for each Disbursement that there should be no Material Adverse Effect circumstances.  Notwithstanding the above, Project contingency funds / cost overrun support will need to contain sufficient allowance for delay costs arising from such circumstances.  Also, IIF to consider on wind risk vis a vis what has been modelled – are the project sites likely to have sufficient wind to generate sufficient income to fulfil debt service obligations? |

## 

## Analysis of the Deal

### Structure of the Deal

OPIC is providing a TLF of USD 120 million to fund the Project. SMBC is providing a guarantee facility of up to USD 40 million for the principal and accrued interest payable theron.

The trigger event for guarantee payment will be the “non payment” event of principal and accrued interest amount by the PTEG. Under the TLF, if event of default occurs OPIC (after consulting with the guarantor) have the right to to declare that all loan outstanding together with accured interest amount to be due and payable. If accelaration occurs, the 33.3% of principal and accrued interest amount outstanding (after excluding the DSRA amount) will be claimed by OPIC to Guarantor. If non payment occurs and OPIC decide not to accelerate the project, the 33.3% of principal and accrued interest amount that is due on such Payment Date will be claimed by OPIC to Guarantor. In IIF’s case, since we will be taking the PRE, if any “nonpayment” occurs due to PRE event, 16.66% of principal and accrued interest amount that is due on such Payment Date will be claimed by OPIC to IIF. Such claimed amount, together with OPIC’s other overdue principal payment amount will be repaid by any project cashflow which remains after the scheduled repayment is settled which suggests that overdue principal amount will be subordinate to scheduled principal payment amount.

**Example:**

Assumption

Quarterly payment amount USD10million

2018 1Q

Non-payment (due to commercial risk) of USD10million occur (overdue principal amount)

OPIC will claim the guarantor to cover USD3.3million

2018 2Q and after

PTEG will pay all fees, interest payment amount and current principal payment due to OPIC loan.

If excess cash exist, then such amount will be used to repay the overdue principal amount.

If excess cash is not enough to pay the overdue principal amount in full, the excess cash will be paid to overdue principal amount to OPIC, IIF and SMBC in pro rata basis. The overdue principal amount will exist until it is paid in full.

Below are the main terms for the IGF:

|  |  |
| --- | --- |
| Facility Type | Committed Guarantee Facility |
| Facility Summary | * OPIC will provide a USD 120 million loan (“**TLF Amount**”) to fund the design, construction and commissioning of the Project * SMBC will provide to OPIC a credit guarantee for an amount equal to lower of USD 40 million and 33.33% of the TLF (and associated interest) * IIF to participate in the deal by taking over a USD 20 million and 16.66% of guarantee portion of SMBC exceeding the guarantee cover to include Political Risk Events (“**IGF**”) |
| IIF Guarantee Facility | IIF Guarantee Facility in amount of USD 20 million from takeover of SMBC’s guarantee portion to include Political Risk Events. |
| IIF Guaranteed Portion | USD 20 million of the guarantee portion |
| Facility Purpose | To provide guarantee to OPIC’s Term Loan Facility |
| Parties | OPIC (“**Lender**” or “**Beneficiary**”) and SMBC (“**Guarantor**”)  Note:  If IIF participates, IIF will also be included as Guarantor, together with SMBC |
| Tenor | 16.5 years from the date of first drawdown date (i.e. 3 February 2017) |
| Guarantee Fee | 2.85% p.a. for the guaranteed portion  Note:  Interest rate on the IGF will be 6M LIBOR (USD) + 3.75% + 2.00% if the IGF is drawn |
| Tenor of the GF | IGF will remain in effect until the latest of:   1. Such time as the Guarantor is no longer subject to a claim under the Guarantee Agreement; 2. Such time as all amounts payable under the Guaranteed Obligations have been irrevocably paid in full and the Guaranteed Obligations shall have been cancelled; and 3. The date on which this Guarantee Agreement has been terminated |
| Guaranteed Obligations | The outstanding principal amount together with interest on such principal amounts accrued under the TLF extended by OPIC but excluding any:   1. Amounts due as a result of any voluntary prepayment or of any mandatory prepayment; 2. Additional amounts as may be attributable to penalties, fees or default interest rates, amounts in respect of indemnification, costs, expenses or any other additional amounts payable by reason of a default or similar event; 3. Additional amounts as may be attributable to any increased cost of funds or of capital in connection with funding or committing to fund any Guaranteed Obligations; and 4. Shortfall attributable to the liability of the Borrower or any other person for withholding or other taxes including interest and penalties in respect of such liability |
| Political Risk Event (“**PRE**”) | 1. Breach by STP of any of its obligations which results in non-payment under the PPA; 2. Expropriation Events: means any action or series of actions (individually or in aggregate) of the Government of Indonesia (or any Indonesian national, municipal or regional governmental agency or instrumentality) for the requisition, confiscation, condemnation, expropriation, nationalization, seizure or other taking, without adequate compensation, of:  * all or a substantial part of the Project, which prevents the construction or operation of the Project substantially in accordance with the PPA; * any equity interests in the Borrower, which deprives the sponsors or shareholders of ownership or control of all or a substantial part of the Project; or * effective control of all or a substantial part of the Project, which prevents the construction or operation of the Project  1. Political Violence Events: means any violent action in the nature of war (declared or undeclared), revolt, insurrection, civil disturbance, blockade, sabotage or terrorism, in each case to the extent such event is politically motivated, occurs in Indonesia, and directly or proximately*:*  * causes the cessation of and renders it impossible to resume all or a part of the construction or operation of the Project; or * causes damage to the Project to the extent that it would be impossible to resume the construction of, or generation and distribution of electricity from the Project,   it being agreed that for purposes of this definition, “impossible” shall mean that the construction of, or generation and distribution of electricity from, the Project by any person is either objectively impossible or involves extreme and unreasonable difficulty, expense, injury, loss or risk of physical harm to the person charged with such construction or operation or to such person’s employees   1. Transferability and Inconvertibility Events: means any action or inaction by the Government of Indonesia (or any Indonesian national, municipal or regional governmental agency or instrumentality) that:  * suspends, terminates or materially and adversely limits the right of the Borrower to maintain any of the offshore project accounts held outside of Indonesia; * or renders the Borrower unable to legally convert IDR held by it to make any payment in USD to the Beneficiary or any other party in connection with the Loan through any customary legal channels or to transfer Dollars outside Indonesia to make when due any payment to the Beneficiary in Dollars in accordance with the terms of the Loan Agreement |
| Amortisation Profile of IGF | * IGF would amortize with the same profile as the OPIC Loan * If during any period there is a default on the OPIC Loan due to any events excluded under the Guarantee Obligations, then IGF cannot be drawn. That unpaid portion of the OPIC Loan would not benefit from IIF’s guarantee thereafter |
| Terms if the IGF is drawn | If the IGF is drawn:   * Guarantor would become a direct lender to the Project * The interest on the Guarantor’s Loan would be 6M LIBOR + 3.75% + 2.00% * The Guarantor’s Loan (together with any OPIC Loan that was unpaid) would be repaid on a cash sweep basis after the scheduled amortization * Guarantor would share in the security on a *pari passu* basis |
| Guarantor’s Voting Rights | Guarantor will have voting rights on the following:   1. Changing the amount, rate, timing, method, application or currency of any payment of the Covered Tranche of the Loan; 2. Extending the commitment period; 3. Material modification of the Security Documents; 4. Releasing of any material collateral from liens under any Security Document; 5. Increasing the obligations of Guarantor under any Financing Document; 6. Termination by the Borrower of the CBOP Contract, the EBOP Contract, the PPA, or the O&M Agreement; 7. Amending the Intercreditor Agreement; 8. Waiving or amending any condition precedent to the initial disbursement; 9. Waiving or amending any provisions of the Financing Documents related to changes in ownership or control of the Borrower; 10. Waiving or amending the governing law or dispute resolution provisions of the any Financing Document; 11. Waiving or amending any of financial ration covenant in the Loan Agreement; and 12. Waiving or amending any provision of the Financing Documents which expressly requires the consent of Guarantor   Consultation on:   1. Determination, waiver or enforcement of an Event of Default; 2. Acceleration of the Loan or enforcement of rights under the Security Documents; and 3. Waiving or amending any covenant in the Loan Agreement that is not specifically referred above; and   OPIC shall be entitled to take all other actions related to the TLF and not expressly contemplated above in its sole discretion. |
| Termination of Guarantee | * The Guarantor may in its complete discretion terminate this Guarantee Agreement in full, at any time upon the OPIC’s assignment or transfer of the Guaranteed Obligations * Any time by the mutual written agreement of the parties hereto * OPIC shall have the right to terminate the Guarantee Agreement at any time in its sole discretion |
| Dispute Resolution | * Any controversy or claim arising out of or relating to this Guarantee Agreement, or the breach hereof, which cannot be resolved by the parties within thirty (30) days shall be settled by arbitration * Any wards issued by the arbitral tribunal shall be final and binding * Arbitration seat would be in Singapore |
| Governing Law | State of New York, United States of America |

Guarantee Mechanism and Repayment Schedule

If a Non-Payment has occurred, OPIC may deliver a notice of claim (i.e. a demand) to Guarantor. Within 5 Business Days of receipt of the notice of claim, Guarantor must pay to OPIC an amount equal to 33.33% of the relevant unpaid principal amount (and interest accruing on such principal amount) including all amounts due as a result of acceleration or otherwise, after deducting any amounts standing to the credit of the Debt Service Reserve Account (as defined in the Loan Agreement) that have not been designated for purposes other than application towards the relevant Non-Payment.

In regards with the allocation of payment, the waterfall set out in Section 7.2 of the Intercreditor Agreement only applies to amounts received by the Agents from an Intercreditor Party. They are to be redistributed amongst the Intercreditor Parties as follows:

**First**, pro rata as to fees, costs and expenses (market);

**Second**, pro rata of interest due to OPIC and the Guarantors but OPIC cannot get their share of this payment if they have already received claim payments under the Guarantee for this amount;

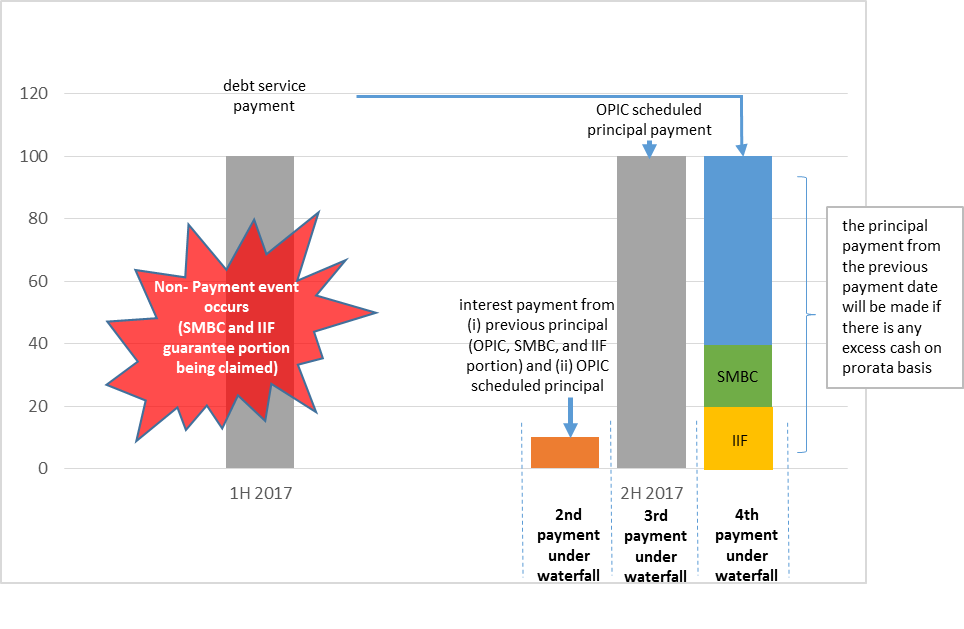
**Third**, scheduled principal on the Payment Date (current or next) due to OPIC only;

**Fourth**, if there is excess cash after the Borrower paid the scheduled principal to OPIC, such excess cash will be used pro rata of principal to OPIC, SMBC and IIF of the amount from the previous scheduled payment; and

**Fifth**, pro rata on any other sum due but unpaid.

Below is the illustration on the payment waterfall.

Scenario: Payment default due to commercial issue



We will act as a Lender to the portion that our guarantee being called. Whereas, the remaining amount which has not been called, we will still act as a Guarantor to such portion. Under the waterfall, once our outstanding principal is being paid in full, our position will become a Guarantor again. In addition, our subsequent guarantee amount outstanding would be reduced accordingly in line with the total amount of the previously called guarantee.

Guarantor’s Voting Rights

IIF will only have voting rights in respect of a Fundamental Decision (which requires the vote of all Creditors) or, to the extent IIF is affected by, Retained Rights. This equally applies to PTBSMI as the Onshore Guarantor. For all other decisions, OPIC has full discretion to decide and IIF and PTBSMI are only entitled to consultation rights. In any case, IIF’s position in the voting mechanism would continue to be minority.

In the Fundamental Decision under the Intercreditor Agreement, acceleration is not included, which means the decision of acceleration will be led by OPIC.

### Deal Strategy

* One of the National Strategic Project

We will provide financing for the project which have significant impact to the Indonesian people as this project is part of the South Sulawesi Power Plant Development Plan stated in RUPTL 2017-2026

* First wind power plant project in Indonesia

The project will become the first wind power plant built in Indonesia. This will become the benchmark for further study and this project may become a good exposure for IIF in wind power plant sector

* First guarantee facility by IIF

The facility will become the first guarantee facility implemented by IIF. This will become the benchmark for guarantee facility and this facility may become a good exposure taking that facility was structured by reputable parties. As for PRE, since IIF is Indonesian institution owned partcually by Indonesian Government, we will be well placed to understand the country’s regulatory framework, politics and culture to undertake such risk.

* Experienced in Industry (ENERGI Group)

ENERGI Group has focused on developing, financing, constructing, owning, and operating a portfolio of wind and Pertalite generation assets for 20 years. Under ENERGI Group the company has entered selected markets early and built experienced management teams to deliver projects in North America, Europe, North Africa, and Asia (including in South East Asia e.g. Philippines). It has developed wind farms to a total of over 1,500 MW in more than 12 locations throughout the world.

## Risk Analysis

|  |  |
| --- | --- |
| **Main Risks** | **Mitigations** |
| Construction Risk | PTEG will use “multi-contract scheme” method of which multiple contract will be prepared with parties who are best equipped to the specific work. Under such strategy the Project will have; greater control, greater transparency and flexibility. However the Project will need to face interface risk, manage the multipoint of responsibility and design compatibility.  Such risk is mitigated taking the ENERGI Group’s past experiences in managing the multi-contract scheme.   * ENERGI Group have more than 20 years of experiences developing 40 wind power project that have been managed under a multi-contract scheme in Italy, the USA, China, and more recently the Philippines. * Scotland has concluded that management team prepared for the project and key personnel in both Management team and owner’s engineer have enough ability to manage the project. * ENERGI Group has developed a detailed master interface matrix for the management team, along with contractual interface matrices specific to each contract   The risk is also mitigated since in this project, the contract is divided into only four main work packages; (i) the wind turbine (ii) EBOP (iii) Foundation works (iv) earthworks, which is relatively clear who is responsible for delays to, or defects in, a particular work package. Also in the contracts contain obligation requiring the contractors to co-operate with each other. Especially for wind turbine and foundation design to be compatible, Gamesa will be responsible for the design and overseeing the construction of foundation.  As mentioned in latest construction report by Scotland, we recognize that Project is progressing with some delay in works such as Turbine erection (Gamesa’s work) and EBOP area (Indomobil’ work). Scotland have already confirmed that all of the equipment needed to proceed the two work is already delivered on site, ready to be installed. Taking the limited time until the scheduled COD set by the Project (which was January 2018), Scotland confirmed that Project will achieve the COD by end of February 2018, taking the forest permit to be obtained by end of November. As for forestry permit, we note that permit will be only renewing of forestry permit which expired. Also Scotland have confirmed with PTEG that procedure is progressing smoothly, which permit is expected to be provided within November.  We have comfort that such delay will not impact PTEG significantly taking the buffer in time before they need to pay liquidity damage under the PPA (LD will be paid if COD should not occur by August 2018). We also like to note that site will not be in windy season where Gamesa will be prevent to use cranes to erect WTGs. Also PTEG still have contingency budget left which is they can use to fulfil the additional cost which will accrued due to additional delay (such buffer is available until August 2018). |
| Operational Risk | O&M risks are mostly the ability of the project to maintain the WTG in good condition and management of spare parts to reduce availability due to repair.  Two risk are mitigate from below points:  **Experience that will be obtained from Gamesa**  PTEG has signed a fixed price 5-year Service, Maintenance and Availability Agreement (“**SMAA**”) with Gamesa, which will include all major maintenance and availability warranty for the first 5 years (which is not extendable). In order to allow smooth transition, Games personnel is expected to be reduced gradually over the 5 years in favor of Indonesia national personnel hired by ENERGI Group.  Gamesa is currently one of the largest WTG manufacturers (including its O&M services) in the world with a workforce of nearly 6,500. Gamesa has been manufacturing WTGs since 1994, the first wind farm where Gamesa was involved was commissioned in 1996 in Spain. Gamesa assembles and tests its own WTGs and has a research & development department in order to update and tailor its design to meet market needs. Based on Scotland review, Gamesa’s track record and experiences are relevantly suitable for their roles in the Project.  Under the PPA the Project is required to deliver guaranteed minimum productivity at least 80% of the year one, and 92.5% for years thereafter, otherwise a penalty will need to be paid to STP. Comfort is taken as the company have entered into SMAA with Gamesa of which they guarantee to maintain the performance of the WTG availability (or “Guaranteed Project Availability” or “**GPA**”) of 95% in Year 1 and 96% for the following years. In case the WTGs do not achieve the GPA, Gamesa will have to pay an Availability Payment Adjustment (“**APA**”). On other hand, Gamesa will be entitled for bonus for availability above 96% in Year 1 and 96% for the following years, using the same APA calculation.  **Spare parts and Special Technical Assistance from Gamesa**  After the expiry of SMAA, PTEG plans to manage the O&M by themselves taking the experience gained during SMAA and also mitigated with technical support agreement and spare parts agreement, to sustain the high operating performance. Under Technical Support Agreement the PTEG will be able to obtain support from Gamesa on any particular issues which will be beyond their capacity. Through Spare parts agreement the Company will have access to obtain spare parts from Gamesa at world-wide list prices. |
| Wind Risk | The project was designed from the wind data which was collected from four onsite meteorological (met) masts, of which the longest data available was for 3 years and 8 years meteorological reanalysis (scientific method for developing a comprehensive record of weather) from 3 different sources. The data was analysis and correlated by DNV GL (technical consultant to PTEG) to conclude that WTG proposed can be used in wind environment for the Project and it will be able to generate 253.5GWh/year or 37.4% as net capacity factor in P50 (50% probability of exceedance) and 32.1% as net capacity factor in P90. Such report was reviewed by Scotland to conclude slightly lower but similar output. Gamesa has also used the same data to analyze and conclude the warranty of at least 95% of calculated power curve.  Under the existing loan agreement, PTEG has the obligation to update wind study providing the electricity production P90 (90% probability of exceedance) and P99 (99% probability of exceedance) forecasts, if average turbine hub height wind speed of the project should drop more than 2.5% from the initial wind speed confirmed by DNV’s report. In such case the wind speed will be recalculated using the wind data collected right before COD of the project. PTEG also need to revise base case financial model, if the average actual energy production for the last two years should fall below 95% of projected P90 Projection. Under the PPA as well, PTEG or STP can request to update the predicted capacity matrix by the Nominated Expert at any time. This updated matrix then will replace the old matrix and will prevail for the remaining term of agreement, unless updated again.  Under PPA, STP will offtake electricity generated by the project not exceeding 120% of the net output in the first contract year and 107.5% in the following years. However, the project will need to pay penalty if the actual productivity is below 92.5% of the GPA. |
| Grid Connection Risk | The Project is designed to be connected to nearest 150kV STP grid, which forms part of the main South Sulawesi Grid. A grid connection study was carried out in 2014 by GHD Hill Michael to demonstrate the ability of the Project to connect and export power reliably to the STP grid. Based on findings from this study, it is expected that all the power generated by the Project can be exported to the STP grid. The Project is also expected to provide some benefit in reactive power support, voltage stability and to reduce network loading during peak time. All of electrical design is review and confirmed by Scotland. |
| Social & Environment Risk | For the S&E Assessment, we appointed Scotland to perform the SEDD. Based on the report provided, the Project is a “Category B” project with potential limited adverse environmental and social risks and/or impacts that are generally site-specific, largely reversible and readily addressed through mitigation measures. Full S&E Assessment is provided in Section V. |
| Legal Risk  Any legal content in the agreements should be construed under New York Laws | As per Memorandum prepared by Ginting & Reksodiputro in association with Allen & Overy to IIF regarding the governing law. It was concluded that under the laws of the Republic of Indonesia, IIF may enter into the Transaction Documents governed by and interpreted in accordance with the laws of a jurisdiction other than the Republic of Indonesia, subject to the limitations such as (i) the resulting application of the chosen law will not and does not result in acts that are contrary to mandatory provisions of Indonesian law, public order as determined by the Indonesian courts or good morals; and (ii) based on the statements of expert witnesses, the Indonesian courts may in practice be in the position to determine the application of foreign law chosen by the parties to the agreement. If the choice of forum under a Transaction Document is a foreign court, the judgment of the foreign court will not be enforceable by the courts in the Republic of Indonesia. A non-Indonesian court judgment may, however, be given such evidentiary weight as an Indonesian court considers appropriate. However, if the choice of forum under a Transaction Document is a foreign arbitration, the foreign arbitral award can be recognized and enforceable in the Republic of Indonesia, subject to the requirements such as (i) the awards are rendered by an arbitration body or by an arbitrator in a country which is bilaterally bound to Indonesia or jointly bound with Indonesia by an international convention on the recognition and enforcement of foreign arbitral awards (ii) foreign arbitral awards are only limited to those which, according to Indonesian law, fall within the scope of its commercial law (iii) foreign arbitral awards do not contravene public order (iv) foreign arbitral awards may be enforced in the Republic of Indonesia after an exequatur (writ of execution) has been obtained from the Chairman of the Central Jakarta District Court. If the choice of forum is an Indonesian court, the Indonesian court judgment can be enforced under Indonesian law but the proceeding would normally entail a lengthy process.  The complete Memorandum regarding the foreign governing law is presented in Attachment VI. 7. |

## Conclusion

Based on the analysis above, we could consider that the project is feasible and we would like to recommend BoD-IC to approve the proposal of participate in the guarantee facility (“**IIF Guarantee Facility**” or “**IGF**”) to OPIC as the Lender of the Project with limit of up to USD 20 million, with following considerations:

* Provide financing for the National Strategic Project which will have significant impact to Indonesia
* Participate in the first win power plant project in Indonesia may become a good exposure for IIF in wind power plant sector
* The facility will become the first guarantee facility implemented by IIF hence will become the benchmark for guarantee facility in the future
* ENERGI Group has more than 20 years of experience in developing, financing, constructing, owning, and operation a portfolio of wind and Pertalite generation assets

# Part III – Historical Financial & Financial Projection

1. **Project Company**

PT ABC Toll Road (“**ABC**”)

**Auditor’s Opinion**

Satrio Bing Eny & Rekan/ Deloitte; Unqualified Opinion for full year ended 31 December 2017 report dated 5 February 2018.

|  |  |  |  |
| --- | --- | --- | --- |
| **Balance Sheet (in IDR mn)** | **2015 (Audited)** | **2016 (Audited)** | **2017 (Audited)** |
|
| **Asset** |  |  |  |
| Current Assets |  |  |  |
| Cash | 117 | 426,196 | 7,293 |
| Advances and Prepaid Expenses | - | 505,984 | 213,951 |
| Other Receivables from Third Party | - | 1,044,083 | 299,316 |
| Prepaid Tax | 577 | - | - |
| **Total Current Asset** | **694** | **1,976,263** | **520,560** |
| Non Current Assets |  |  |  |
| Other Receivables from Related Parties | 107,910 | - | - |
| Fixed Assets | - | 355 | 488 |
| Toll Road Concession Rights | 59,839 | 508,577 | 3,626,870 |
| **Total Non Current Asset** | **167,749** | **508,932** | **3,627,358** |
| **Total assets** | **168,443** | **2,485,195** | **4,147,918** |
|  |  |  |  |
| **Liabilities and Equity** |  |  |  |
| Current Liabilities |  |  |  |
| Account Payable to Related Party | - | 192,634 | 2,415,863 |
| Taxes Payables | - | 9,124 | 929 |
| Accrual Expenses | - | 3,657 | 17,492 |
| Other Payables |  |  |  |
| Related Parties | - | 1,442,766 | 360,697 |
| Third Parties | - | 179,962 | 180,830 |
| Finance Lease Liabilities - Net of Current Maturity | - | - | 99 |
| **Total Current Liabilities** | **-** | **1,828,143** | **2,975,909** |
| Non Current Liabilities |  |  |  |
| Bank Loan |  |  |  |
| Related Parties | - | - | 415,397 |
| Third Parties | - | - | 79,459 |
| Finance Lease Liabilities - Net of Current Maturity | - | - | 115 |
| Loan to Related Parties or Third Parties | 107,569 | - | - |
| **Total Non Current Liabilities** | **107,569** | **-** | **494,972** |
| **Total Liabilities** | **107,569** | **1,828,143** | **3,470,881** |
|  |  |  |  |
| Equity |  |  |  |
| Share Capital | 277,623 | 277,623 | 872,623 |
| Advance Payment of Capital | - | 595,000 | 19,058 |
| Deficits | -216,749 | -215,572 | -214,644 |
| **Total Equity** | **60,874** | **657,051** | **677,038** |
| **Total Liabilities and Equity** | **168,443** | **2,485,195** | **4,147,918** |

* Balance sheet increased significantly from 2016 to 2017 as ABC started its construction work on ABC in 2017 and as BNI financing kicked in also in 2017.
* Though, ABC entered into EPC Contract with DEF for the procurement of construction work Pemalang – Batang toll road package I, II and IV with contract value amounting to IDR 2.3 trillion on 31 March 2016 and entered into EPC Contract with SMJ for the procurement of construction work Pemalang – Batang toll road package III with contract value amounting to IDR 1.6 trillion on the same day, it is not until 75% completion of land acquisition (gate to gate) according to PPJT and after Surat Perintah Mulai Kerja being issued by BPJT, that the construction work actually started. As of December 2016, the land acquisition only reached 74.9% thus construction started in 2017.
* During 2017, 88% of total asset consisted of Toll Road Concession Right while the rest are construction advances to DEF and SMJ and receivables from Ministry of Public Work and Public Housing related to bailout fund on land acquisition. In 2017, the construction work of IDR 3.1 tn was completed, thus increased Toll Road Concession Right by the same amount. Toll Road Concession Right are expenditures that can be capitalized as an intangible asset such as cost of construction, consultation fees, borrowing costs and land acquisition cost over the construction of Pemalang - Batang toll roads.
* During 2016, assets consisted mostly of receivables from Ministry of Public Work and Public Housing related to bailout fund on land acquisition and construction advances to DEF and SMJ.
* For the liabilities, during 2017, in line with construction progress, account payables to related party (DEF and SMJ) represented payable for construction in progress increased to IDR 2.4 trillion in 2017 compared to IDR 192 billion in 2016. On the contrary, other payables decreased in 2017 compared to 2016 as the balance of loan outstanding for land acquisition from DEF has been reduced as repayment is required as ABC obtained reimbursement bailouts from Government.
* In 2017, the company also signed a syndication loan amounting to IDR 3.2 trillion. By the end of 2017, the company had withdrawn IDR 494 billion and the remaining of the facility as well as the additional financing required to fund the approved cost increase will also be fully drawn in 2018.
* In 2017, the company made changes to the articles of association, this change caused the company's issued share capital increase to IDR 872 billion. These changes had been approved by Minister of Law and Human Rights of the Republic of Indonesia.

|  |  |  |  |
| --- | --- | --- | --- |
| **Income Statement (in IDR mn)** | **2015 (Audited)** | **2016 (Audited)** | **2017 (Audited)** |
| Construction Revenues | - | 448,738 | 3,118,293 |
| Construction Expenses | - | (448,738) | (3,118,293) |
| **Gross Profit** | - | - | - |
| Interest income | 1,722 | 1,307 | 967 |
| Others Income | - | 5 | - |
| General and Administrative Expense | (1,979) | - | - |
| Other Expenses | (119,058) | (135) | (39) |
| **Profit (Loss) from Operation** | (119,316) | 1,177 | 928 |
| Finance Charges | (2,030) | - | - |
| **Profit (Loss) Before Tax** | (121,346) | 1,177 | 928 |
|  | - | - | - |
| **Total Comprehensive Income** | (121,346) | 1,177 | 928 |

* Construction revenue is the compensation of the service recognized for building new toll roads and to upgrade toll roads capacity. Construction revenue is recognized in which the company is reimbursed for allowable defined cost. The increase in construction revenue and expenses is due to the construction progress of Pemalang - Batang Toll Road amounting to IDR 3.1 tn.

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash Flows (in IDR mn)** | **2015 (Audited)** | **2016 (Audited)** | **2017 (Audited)** |
| **Operating Activities** |  |  |  |
| Payment to Supplier and Employees | (3,763) | - | - |
| Receipt Interest Income | 1,722 | 1,312 | 967 |
| Payment of Bank Administration Expenses | (2,030) | (135) | (39) |
| Tax Payment | - | - | (22,976) |
| **Net Cash from Operating Activities** | (4,072) | 1,177 | (22,048) |
|  |  |  |  |
| **Investing Activities** |  |  |  |
| Acquisition of Fixed Assets | - | (412) | (44) |
| Receipt for Land Acquisition | - | 107,910 | 943,015 |
| Payment for Land Acquisition | - | (1,036,118) | (160,441) |
| Acquisition of Intangible Assets | (155) | (555,982) | (493,232) |
| **Net Cash Used from Investing Activities** | (155) | (1,484,602) | 289,298 |
|  |  |  |  |
| **Financing Activities** |  |  |  |
| Loan Receipt from |  |  |  |
| Related Parties | - | 1,422,073 | 152,608 |
| Third Parties | 4,376 | - | - |
| Loan Interest Payment to Related Parties | (30,310) | - | (76,251) |
| Loan Principal Payment to Related Parties | - | (107,569) | (1,243,334) |
| Payment of Bank Loan Interest and Transaction Fee | - | - | (75,894) |
| Receipt of Paid in Capital | - | 595,000 | 19,058 |
| Principal Bank Loan Receipt | - | - | 537,660 |
| **Net Cash from Financing Activities** | (25,934) | 1,909,504 | (686,153) |
|  |  |  |  |
| Net Increase/(decrease) cash on hand and in banks | (30,160) | 426,079 | (418,903) |
| Cash on hand and in banks, beginning of year | 30,277 | 117 | 426,196 |
| **Cash on hand and in banks, end of year** | 117 | 426,196 | 7,293 |

* For the yearly period from 2015 to 2016, cash outflow from investing activities had increased sharply from IDR 154 mn to IDR 1.48 tn, respectively. This was mostly accounted from payment for land acquisition in Pemalang - Batang Toll Road. The cash from investing activities was however turned to positive inflow to approximately IDR 289 bn in 2017, this was due to the project's land acquisition repaid by government through LMAN.
* Cash from financing activities in 2016 had leaped significantly, this was mostly due to loan receipt from XYZ amounting to IDR 1.3 tn. This money used by the company for the land acquisition of Pemalang - Batang Toll Road Project. In 2017, the government had reimbursed ABC for the land acquisition and the company repaid the loan to XYZ and recorded in 2017 cash financing activities.

|  |  |  |  |
| --- | --- | --- | --- |
| **FINANCIAL RATIO** | **2015 FY** | **2016 FY** | **2017 FY** |
| Current Ratio | - | 1.08 | 0.17 |
| Debt/Equity | - | - | 73% |
| Debt/EBITDA | - | - | - |

* Debt to Equity (“DER”, ratio of bank financing to self financing) is 0.7x, in compliance with covenants stipulated in the syndication facility that Debt to Equity ratio must have a max ratio of 2x (Bank Financing: Self Financing = 66.03 : 33.97). In addition to DER, the other covenants will be in effect after COD include minimum current ratio (ratio of current asset to current liabilities excluding current portion of long term debt) of 1.0x and DSCR of min 1.0x.

1. **Guarantor/Sponsor Financials**

**SMJ Financial Highlights**

|  |  |  |
| --- | --- | --- |
| (in IDR mn) | **2016 FY**  **Audited** | **2017 FY**  **Audited** |
|  |  |  |
| Revenue | 454,193 | 1,595,637 |
| Operating Expense | 426,791 | 979,441 |
| Operating Income | 27,402 | 616,196 |
| Other (Income)/Expense | 13,169 | 17,320 |
| Earnings Before Tax | 14,233 | 598,876 |
| Tax | (3,089) | (23,438) |
| Net Profit (Loss) | 11,144 | 575,438 |
| EBITDA | 104,121 | 745,989 |
| Memo: Depreciation | 75,418 | 99,717 |
| Memo: Interest Expense | 14,470 | 47,396 |
|  |  |  |
| Cash | 118,529 | 106,301 |
| Trade receivables | 64,493 | 881,569 |
| Inventories | 68,391 | 49,435 |
| Other Current Assets | 62,748 | 72,805 |
| **Total Current Assets** | **314,161** | **1,110,110** |
| Investment in Associates | 384,436 | 391,260 |
| Fixed Assets | 716,976 | 806,226 |
| Receivables from Related Parties | 222,252 | 211,964 |
| Other Non Current Assets | 18,631 | 19,158 |
| **Total Non Current Assets** | **1,342,295** | **1,428,608** |
| **Total Assets** | **1,656,456** | **2,538,718** |
| Trade Payables | 123,815 | 253,278 |
| Other Current Liabilities | 44,305 | 118,797 |
| **Current Liabilities** | **168,120** | **372,075** |
| Bank Loans, Net of CPLTD & IIF Loan | 55,231 | 262,608 |
| Lease Payable | 195,022 | 269,425 |
| Amount Due to Directors | 194,544 | 141,164 |
| Other Non Current Liabilities | 210,598 | 90,744 |
| **Non Current Liabilities** | **655,395** | **763,941** |
| **Total Liabilities** | **823,515** | **1,136,016** |
| **Equity** | **832,941** | **1,402,702** |
|  |  |  |
| CF from Operating | 46,915 | (8,090) |
| CF from Investing | (334,954) | (122,847) |
| CF from Financing | 370,207 | 118,708 |
| **Net change in Cash** | **82,168** | **(12,228)** |
|  |  |  |
| Gross Profit Margin | 6% | 39% |
| Net Profit/(Loss) Margin | 2% | 36% |
| ROA | 1% | 23% |
| ROE | 1% | 41% |
| Current Ratio | 1.9 | 3.0 |
| Debt/Equity | 0.3 | 0.4 |
| Debt/EBITDA | 2.4 | 0.7 |
| Net Debt/EBITDA | 1.3 | 0.6 |

Analysis on Key Items on Income Statement

SMJ earned 251% YoY increase in revenue in 2017 thanks to increase in construction service revenue and increase in revenue from coal mining services. Construction service revenue contributed IDR 1.1 trillion, or equal to 70% of SMJ revenue in 2017 while revenue from coal mining increased by 28% YoY to IDR 392 billion in 2017. Growing performance in 2017 is also presented at the bottom line as SMJ net profit margin improved from 2% to 36% .

Analysis on Key Items on Balance Sheet

Total asset in 2017 increased by 53.3% YoY. Increase in asset from IDR 1.7 trillion in 2016 FY to IDR 2.5 trillion in 2017 FY can be clearly seen in increase in trade receivables of IDR 817 billion, of which IDR 729 billion in 2017 can be traced back to ABC. Total liabilities in 2017 increased by 37.9% YoY due to increase in trade payables and IIF loans. Total equity in 2017 increased by 68.4% YoY from IDR 833 billion to IDR 1,403 billion thanks to the increase in retained earnings due to 2017 profit.

Analysis on Key Items on Cash Flow Statement

Cash flow from Operating is receipt from customers and payments to suppliers and employees. In 2017 FY, cash from operating is negative as payment for suppliers and employees is higher than receipt from customers. Note that, as informed by both ABC and BNI, as the PPJT for ABC is being amended, not all of the work done in ABC has been invoiced and subsequently paid. ABC is also behind from its projected drawdown schedule for BNI Sindikasi I.  Cash flow from investing – In 2017 FY, included in this account is acquisition of fixed assets of IDR 189 billion which is offsetted by lease payables of IDR 73 billion. Cash flow from financing -  In 2017 FY, SMJ received IDR 250 billion from IIF, of which IDR 200 billion was outstanding as of 31 December 2017.

Analysis on Financial Ratios

As the EBITDA improved in 2017, SMJ maintained its low leverage with Debt to Equity Ratio of 0.4x and Debt to EBITDA of 0.7x.

**XYZ Financial Highlights**

The financial highlight based on audited financial statement is as follows:

|  |  |  |
| --- | --- | --- |
| (in IDR mn) | **2016 FY** | **2017 FY** |
|  |  |  |
| Gross Profit | 102,030 | 180,171 |
| Profit From Operations | 201,420 | 422,972 |
| Financial Charges | (299,594) | (530,618) |
| Equity in Income from Associates | 11,038 | 11,635 |
| Loss Before Tax | (87,135) | (96,011) |
| Tax Benefit (Expense) | 1,871 | (256,621) |
| Net Loss for the Year | (85,264) | (352,632) |
|  |  |  |
| Cash | 1,717,562 | 1,858,390 |
| Other Account receivables | 5,407,294 | 8,558,918 |
| Other Current Assets | 1,090,101 | 725,626 |
| **Total Current Assets** | **8,214,957** | **11,142,934** |
| Investment in Associates | 937,770 | 1,641,582 |
| Toll Concession Rights | 11,156,912 | 33,932,684 |
| Goodwill | 1,710,769 | 2,235,780 |
| Other Non Current Assets | 571,464 | 89,491 |
| **Total Non Current Assets** | **14,376,915** | **37,899,537** |
| **Total Assets** | **22,591,872** | **49,042,471** |
| Account Payables | 3,764,989 | 17,365,556 |
| Other short term payables | 6,383,235 | 6,903,236 |
| Other Current Liabilities | 85,827 | 1,788,861 |
| **Current Liabilities** | **10,234,051** | **26,057,653** |
| Account Payables | - | 1,639,845 |
| Other LT Payables | 3,470,751 | 3,352,531 |
| Bank Loans | 2,698,965 | 4,908,801 |
| Other Non Current Liabilities | 21,631 | 67,262 |
| **Non Current Liabilities** | **6,191,347** | **9,968,439** |
| **Total Liabilities** | **16,425,398** | **36,026,092** |
| **Equity** | **6,166,474** | **13,016,379** |
|  |  |  |
| CF from Operating | (255,717) | (77,272) |
| CF from Investing | (9,830,617) | (9,169,107) |
| CF from Financing | 10,655,119 | 9,387,207 |
| Net change in Cash | 568,786 | 140,827 |
|  |  |  |
| Gross Profit Margin | 1.94% | 1.00% |
| Net Profit/(Loss) Margin | -2% | -2% |
| ROA | -0.4% | -0.7% |
| ROE | -1.4% | -2.7% |
| Current Ratio | 0.80 | 0.43 |
| Debt/Equity | 0.44 | 0.50 |
| Debt/EBITDA | 27.83 | 45.88 |
| Net Debt/EBITDA | 10.16 | 32.88 |

Analysis on Key Items on Income Statement

* Gross profit increased by 80% YoY from 2016 FY to 2017 FY primarily due to increase in toll revenue. Higher revenue from Kanci Pejagan and Pejagan Pemalang as well as Becakayu that reached COD in 2017 contributed to the increase.
* Increase in profit from operation was primarily due to interest revenue. However, interest revenue in both 2016 FY and 2017 FY were lower than financial charges resulting in net loss in both periods.

Analysis on Key Items on Balance Sheet

* Balance sheet items grow significantly (over 100% YoY) both for assets, liabilities and equity.
* Increase in assets were driven by the following factors:
  + increase in toll concession rights - Toll concession rights account for 70% of total assets or IDR 34 trillion of IDR 49 trillion in assets. Included in toll concession right are 10 toll road concessions in which XYZ had majority stake as of 31 December 2017. They are (1) Becakayu, (2) Ciawi Sukabumi, (3) Cimanggis Cibitung, (4) Cibitung Cilincing (5)Kanji Pejagan, (6) Pejagan Pemalang, (7) ABC,(8) Krian Legundi Bunder, (9) Pasuruan Probolinggo and one toll road located in Sumatra Kapalbetung.
  + Increase in investment in associates - The other 8 toll road concessions in which XYZ had minority stake is included in investment in associates and only amounted to IDR 1.6 trillion or 3% of total assets.
  + Increase in Other account receivables – As of 31 December 2018, other receivables amounted to IDR 8,5 trillion (an increase in other account receivables due to increase in other account receivables from Ministry of Public Works and Public Housing represent receivables for Government Support Fund for Cimanggis Cibitung, Cibitung Cilincing, Krian Legundi Bunder Manyar, Becakayu, ABC, Ciawi Sukabumi toll road concessions).
* Increase in liabilities were due to the following factors:
  + increase in account payables from IDR 3.6 trillion in 2016 FY to IDR 16.4 trillion in 2017 FY – payment to DEF of IDR 12.1 trillion and to Waskita Beton Precast of IDR 3.4 trillion.
  + increase in bank loans.
* Increase in equity were due to the following factors;
  + Facilitated by Bappenas, Taspen and SMI became sponsors of XYZ through PINA mechanism on February 2017.
  + Throughout 2017, the stockholders agreed to increase XYZ’s authorized capital several times in March, May and December 2017 increasing the Company’s issued and paid up capital from IDR 5.6 trillion to IDR 10.8 trillion.
  + Additional paid in capital increased to IDR 2.2 trillion in 2017.

Analysis on Key Items on Cash Flow Statement

* Cash flow from Operating is receipt from operating toll roads and payments to suppliers and employees of the toll roads. In 2017 FY, cash from operating is negative as payment for financial charges is higher than receipt from customers.
* Cash flow from investing – In 2017 FY, included in this account is acquisition of intangible assets of IDR 4.8 trillion and payment for related parties of IDR 3 trillion.
* Cash flow from financing - In 2017 FY, included in this account is receipt of bank loans of IDR 3.1 trillion and receipt pf paid in capital from parent entity of IDR 5.2 trillion.

Analysis on Financial Ratios

* Mandated by the GoI to accelerate toll road developments in Indonesia, XYZ owns 18 toll road concession with total length of over 1000 kms with 10 concessions were actually majority owned by XYZ as of 31 December 2017.
* As of 2017 FY, Debt to EBITDA is 46x and Net Debt to EBITDA is 33x. As of 2017 FY, only three of XYZ toll roads were operating, thus while the Debt is Debt used to finance 10 toll road concessions, only 3 toll roads generating EBITDA. While Net Debt to EBITDA of 33x may seem high, please note that no infrastructure project is expected to generate breakeven in less than 5 years thus infrastructure projects are bound to violate the Net Debt to EBITDA rule of maximum 4x.

Analysis on Funding Needs

* Based on the discussion we had with XYZ management, they acknowledged that to develop 18 toll road concessions, the related project cost is IDR 165 trillion. In 2017 FY, XYZ recorded toll concession rights of IDR 34 trillion, goodwill of IDR 2.2 trillion and investment in associates of IDR 1.6 trillion. In March 2018, toll concession right increased to IDR 38 trillion while goodwill and investment in associates remain the same. As the toll roads are still under construction in 2018 and 8 of them will be completed this year, we expect toll concession rights to increase significantly by 2018 FY. Turnkey contracts, which will only be recognized and recorded at completion, will add to the toll concession right balance.
* For XYZ’s IDR 165 trillion total project cost, we can assume that 30% will be funded by equity while the rest will be funded by bank loans. Thus, XYZ needs to have equity financing of IDR 50 trillion, to be provided by DEF (IDR 38.2 trillion), Taspen (IDR 6 trillion) and SMI (IDR 5.3 trillion). As of December 2017, XYZ had recorded equity capital of IDR 13 trillion, thus XYZ needs to only inject equity financing of IDR 37 trillion to complete its toll road projects, three of which will be completed in 2019 and 2020.
* XYZ meets its funding needs from divesting its toll road concessions, finding a strategic partner, or topping up from existing/ new sponsors.
* (Partial) divestment is attractive for XYZ as it potentially allows XYZ to deconsolidate some debt from its financial statement given XYZ reduced its majority stake to minority. However, 5 year buyback clause making it possible to retain the asset if later desired.
* Currently DEF is a 77% owner of XYZ but is willing to be further diluted up to 51% if a suitable partner emerges. DEF reiterated that they are mandated to accelerate the toll road construction projects in Indonesia and intend to stay majority especially during construction period.

1. **Parent of XYZ’s Financials**

**DEF Financial Highlights**

The financial highlight based on audited financial statement is as follows:









Notes:

* DEF revenue rose 2 years in a row, experiencing 68% and 90% growth in 2016 and 2017, respectively. Main revenue growth was accounted by construction services business line which grew by 89% YOY. It came as the biggest contributor to revenue at IDR 42.37 trillion followed by precast sales IDR 2.23 trillion, toll road revenue IDR 313.80 billion, hotel revenue IDR 36.35 billion, energy IDR 76.92 trillion, property revenue IDR 204.66 billion, and buildings and equipment rental IDR 10.29 billion. In line with brisk revenue growth, DEF Operating income and net profit follow with significant growth of 131.4% and 131.7%, respectively in 2017.
* DEF expansion in construction, especially toll road construction, lifted the asset to IDR 97.7 Trillion in 2017, increased by 59% from 2016. It is presented in toll road concession right which jumped from IDR 11.2 Trillion in 2016 to IDR 33.9 Trillion in 2017. As of December 2017, DEF has obtained 10 toll road concession right, including two concession toll road right contracts awarded in 2017: ABC toll section with concession right of 40 years (to ABC) and Kayu Agung – Palembang – Betung toll section with concession right of 45 years
* DEF financing in 2017 was obtained mostly from bond issuance and syndicated loan. On May 2017, DEF entered into loan syndication with 17 banks for an investment loan ceiling of IDR 3.22 Trillion. This loan were used for the development of Pemalang-Batang Toll Road. Additional financing came from Shelf Registration Bond issuance amounted to IDR 4.36 Trillion from two issuances.
* Overall, as per F/S December 2017, DEF managed a well financial ratio since 2015, as seen from positive margin, >1x DSCR, and 1.93x Debt/Equity ratio.

2018 Outlook

* New Contracts – Initial 2018 target for new construction contracts was IDR 70 trillion but was revised to IDR 50 trillion as DEF was unable to reach an agreement with terms of payment for Probolinggo – Banyuwangi, a 172 km toll road in East Java, that requested the construction contract to be turnkey.
* Cash Flow Management – In 2018, DEF is expecting payment of IDR 20 trillion from the following transactions:
  + LRT Palembang (turnkey project): IDR 9 trillion (of which IDR 5 trillion will be received directly from the client and IDR 4 trillion will be received through factoring)
  + Batang Semarang toll road (turnkey project): IDR 6 trillion
  + Salatiga Kertasuro toll road: IDR 3 trillion
  + Terbanggi Besar Pematang Panggang toll road: IDR 2 trillion
* Cash Flow Management – In 2018, DEF is expecting to receive reimbursement from Dana Talangan Tanah (Land Acquisition Fund) for IDR 6.5 trillion. As the speed of land acquisition process has improved, it now takes 6 months from cash disbursement to cash reimbursement, thus DEF can expect IDR 6.5 trillion to be received back from land acquisition this year.
* Going forward, the land acquisition process for new toll road concessions awarded for XYZ, will likely use external financing as banks are now willing to provide land acquisition fund. For example, on May 2018, BRI gave IDR 7.2 trillion land acquisition loans to XYZ for its subsidiaries, PT Cimanggis Cibitung Tollways (90% owned, 27 km in length), PT Trans Jabar Toll (Bogor Ciawi Sukabumi, 99% owned, 54 km in length) and PT Kresna Kusuma Dyandra Marga (Becakayu, 99% owned, 16 km in length).

Analysis on DEF’s Commitment to XYZ

DEF had shown its commitment to XYZ by doing the following:

1. Provided shareholder loans for dana talangan tanah;
2. Provided turn key contracts for PT Trans Jawa Paspro Jalan Tol (Pasuruan Probolinggo, previously 99% owned, recently divested), PT Jasamarga Semarang Batang (40% owned, 75 km in length), PT Cibitung Tanjung Priok Port Tollways, PT Cimanggis Cibitung Tollways (90% owned, 27 km in length), PT Trans Jabar Tol (Bogor Ciawi Sukabumi, 99% owned, 54 km in length) and PT Sriwijaya Markmore Persada (Kapalbetung, 98% owned, 112 km in length) projects in which XYZ only needs to start making payment to DEF once these toll roads become operational;
3. Historically stepping up to inject additional funds as needed as the other sponsor, Taspen, was unable to readily participate in an equity call due to internal processing time. DEF has indicated that in the upcoming equity call, DEF will let Taspen to take more share as needed to return the Taspen’s shareholding composition.

**SMI Financial Highlights**

The financial highlight based on audited financial statement is as follows:

|  |  |  |
| --- | --- | --- |
| (in IDR mn) | **2016 FY** | **2017 FY** |
|  |  |  |
| Revenues | 2,329,444 | 3,154,863 |
| Operating Expenses | (794,476) | (1,483,310) |
| Final Tax Expense | (150,779) | (122,164) |
| Income From Operations | 1,384,238 | 1,549,390 |
| Profit For the Period | 1,212,803 | 1,262,008 |
|  |  |  |
| Cash | 8,089,506 | 15,398,139 |
| Loans Receivables | 32,648,418 | 33,323,778 |
| Investment in Equity | 690,751 | 2,759,169 |
| Other Assets | 2,903,462 | 3,904,810 |
| **Total Assets** | **44,332,137** | **55,385,896** |
| Loans Received from Banks & Finl Instns | 3,141,318 | 3,715,561 |
| Debt Securities Issued | 7,333,680 | 14,243,219 |
| Borrowings from GoI | 2,616,273 | 2,608,996 |
| Other Liabilities | 405,156 | 496,967 |
| **Total Liabilities** | **13,496,427** | **21,064,743** |
| **Equity** | **30,835,710** | **34,321,153** |
|  |  |  |
|  | **2016 FY** | **2017 FY** |
| Operating Profit Margin | 59% | 49% |
| Net Profit/(loss) Margin | 53% | 55% |
| Debt/Equity | 0.42 | 0.60 |
| ROE | 4% | 4% |
| ROA | 3% | 2% |

Notes:

* Increase in revenues is driven by increase in interest on loan receivables, an increase of IDR 900 billion. Increase in opex is also driven partly by IDR 446 billion increase in interest expenses, ca. IDR 170 billion increase in allowance for impairment losses on loans receivables and other G&A expense increase.
* From 2016 FY to 2017 FY, increase in assets can be seen in increase in cash from IDR 8 trillion to IDR 15.4 trillion. Percentagewise, increase in investment in equity is also significant with value more than quadrupled from IDR 700 billion in 2016 to IDR 2.7 trillion in 2017 – due to investment in XYZ.
* The growth in assets has been financed by growth in liabilities, primarily due to issuance of new bonds with idAAA rating in 2017. The bonds, Sarana Multi Infrastruktur Bond I Phase II 2017, Serie A, B and C has outstanding amount of IDR 1.2 trillion, IDR 4.5 trillion and IDR 1.3 trillion accordingly with tenor of 1,3 and 5 years and coupon rate of 6.15%, 7.40% and 7.60%.

Analysis on SMI’s Commitment to XYZ

SMI had shown its commitment to XYZ by doing the following:

1. Provided loans for dana talangan tanah;
2. Provided Cash Deficiency Support Facility;
3. Provided equity injection to XYZ.

**Taspen Financial Highlights**

The financial highlight based on audited financial statement is as follows:

|  |  |  |
| --- | --- | --- |
| (in IDR mn) | **2016 FY** | **2017 FY** |
|  |  |  |
| Revenue | 15,067,416 | 16,835,340 |
| Opex | (14,705,984) | (15,870,684) |
| Profit Before Tax | 361,432 | 964,656 |
| Tax | (114,179) | (242,930) |
| Net Profit After Tax | 247,253 | 721,726 |
|  |  |  |
| Employer Receivables | 21,162,360 | 16,332,168 |
| Time Deposit | 28,281,126 | 43,497,371 |
| Available for Sale - Bond | 91,964,648 | 110,139,459 |
| Held to Maturity - Bond | 12,214,694 | 12,486,491 |
| Sukuk at carrying value | 19,045,568 | 23,740,801 |
| Other Assets | 25,950,850 | 24,182,261 |
| **Total Assets** | **198,619,246** | **230,378,551** |
| Akumulasi Iuran Pensiun PNS | 102,693,565 | 126,013,566 |
| Liabilitas Manfaat Polis Masa Depan | 82,785,471 | 88,511,516 |
| Other Liabilities | 1,837,506 | 1,894,819 |
| **Total Liabilities** | **187,316,542** | **216,419,901** |
| **Equity** | **11,203,704** | **13,958,651** |
|  |  |  |
| Operating Profit Margin | 2.4% | 5.7% |
| Net Profit Margin | 1.6% | 4.3% |
| ROA | 0.1% | 0.3% |
| ROE | 2.2% | 5.2% |

Notes:

* Revenue increased from 2016 FY to 2017 FY due to increase in revenue from premium and due, gains from investments and employer’s past serviced liabilities. Increase in opex from 2016 FY to 2017 FY is mainly driven by increase in claim benefit. Overall, profit before tax and Net Profit After Tax increased significantly in 2017 FY compared to 2016 FY.
* Balance sheet items increased in 2017 FY compared to 2016 FY.

Analysis on Taspen’s Commitment to XYZ

Taspen had shown its commitment to XYZ by doing the following:

1. Became a standby buyer for Medium Term Notes which proceeds go toward providing dana talangan tanah for XYZ projects;
2. Participated in RDPT process for divestment of Waskita TransJawa Toll Road in Q2 2018.
3. Provided equity injection to XYZ.
4. **Financial Projection and Sensitivity**

**General Assumptions (in IDR Mn) – BASE CASE:**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  | | --- | --- | --- | --- | | Inflation Rate | : | 7.00% | p.a. | | Initial Tariff (Gol. 1) | : | 1,100\* | Rupiah/Km/ Vehicle | | Concession Start (SPMK) | : | 1/24/2017 |  | | Concession Period | : | 40 | Years | | End of Concession | : | 1/24/2056 |  | | Length of Toll Road |  |  |  | | Beginning Project - IC Pemalang | : | 5.4 | KM | | IC Pemalang - IC Pekalongan | : | 19.04 | KM | | IC Pekalongan - IC Batang | : | 10.59 | KM | | IC Batang - End of Project | : | 4.16 | KM | | Interest Rate |  |  |  | | - Bank Loan | : | 10.50% |  | | - SHL | : | 13.50% |  | | Other Income | : | 1.50% |  | | VAT (PPN) | : | 10% |  | | Income Tax | : | 25% |  | | Biaya Provisi | : | 2% |  |   *\* As agreed, Toll tariff will regularely increase by 14% in every 2 years.* | * Assumptions are as provided by ABC to IIF in its financial model. This model is presented with general assumption developed in PPJT and potential agreement with lender. * The traffic study was done by PT. Perentjana Djaja and PT. Jakarta Rencana Selaras. * Initial tariff of Rp. 1,100 per km per vehicle is as agreed in the last meeting with BPJT in December 2017. * The model also assumed 7% increase in inflation and 14% increase in tariff every two year as regulated in UU No.38, 2004. * The projection and assumes around 15K traffic daily for 5 different type of vehicles and also differentiates its traffic by specific road sections. Though it did not differ much from one section to the other. * As a sample, we provided the 2018 – 2030 traffic projection for Pemalang – Pekalongan to give you an idea as it is the longest road sections (19 km in length). We trimmed the traffic volume by 20% in this scenario * Traffic is assumed to increase by 11%, 13% and 16% from 2018 – 2019, 2019 – 2020 and 2020 – 2021 respectively. * Repayment schedule is actual as agreed by Investment Credit Phase I lenders. Please note that terms and conditions for Investment Credit Phase II will be mostly identical to Phase I, except for tenor of the Facility that will have to differ as the signing of the Facilities take place a year apart. * ABC sort the traffic volume based on 5 different vehicle classification, of which charged with different tarrif per km. The tariff is ranging from 1,100 per km to 3,300 per km for each vehicles classification. |

Traffic Projections (Projection numbers had slight variations between section, represented here is Pemalang – Pekalongan section, 19 km in length)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Tahun ke - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| - Gol. 1 |  | 8,386 | 9,308 | 10,519 | 12,202 | 13,910 | 15,718 | 17,604 | 19,541 | 21,495 | 23,429 | 25,304 | 27,328 | 29,241 |
| - Gol. 2 |  | 4,159 | 4,616 | 5,217 | 6,051 | 6,898 | 7,795 | 8,731 | 9,691 | 10,660 | 11,620 | 12,549 | 13,553 | 14,502 |
| - Gol. 3 |  | 1,870 | 2,076 | 2,346 | 2,721 | 3,102 | 3,505 | 3,926 | 4,357 | 4,793 | 5,224 | 5,642 | 6,094 | 6,520 |
| - Gol. 4 |  | 756 | 839 | 948 | 1,100 | 1,254 | 1,417 | 1,587 | 1,762 | 1,938 | 2,115 | 2,281 | 2,464 | 2,636 |
| - Gol. 5 |  | 327 | 363 | 410 | 476 | 542 | 613 | 684 | 759 | 835 | 911 | 983 | 1,062 | 1,136 |

ABC has developed a conservative approach on this base case traffic volume. Compared to the Semarang-Batang Toll Road (“SBTR”) traffic forcast, toll road section right after ABC, ABC traffic is someway lower. SBTR foresee the traffic will reach 18,210 vehicles/day on the 1st operating year. It is 17% higher than this base case traffic volume assumption. Compared to operating toll road, Pejagan Pemalang Toll Road (PPTR), a neighboring toll road of ABC, this traffic is considered comparable. PPTR estimates the traffic will be around 15,400 in 2018.

**Repayment Schedule for Investment Credit I & II – BNI led syndication**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Tahun ke - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Repayment |  | - | 0.5% | 1.0% | 1.0% | 1.0% | 1.5% | 6.7% | 10.0% | 12.0% | 17.0% | 21.0% | 21.0% | 7.3% |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Cash Inflow From Operating Activities | |  |  |  |  |  |  |  |  |  |  |  |
|  | Rev from toll road | - | - | 151,759 | 341,587 | 413,699 | 510,440 | 622,080 | 749,606 | 899,772 | 1,062,322 | 1,249,232 |
|  | Other revenue | 1,312 | 967 | 2,276 | 5,124 | 6,205 | 7,657 | 9,331 | 11,244 | 13,497 | 15,935 | 18,738 |
|  | Total | 1,312 | 967 | 154,035 | 346,711 | 419,905 | 518,096 | 631,411 | 760,850 | 913,269 | 1,078,257 | 1,267,971 |
| Cash Outflow from Operaiting Activities | |  |  |  |  |  |  |  |  |  |  |  |
|  | Op. and maintenance | - | - | 81,440 | 156,741 | 167,713 | 179,453 | 192,014 | 205,455 | 219,837 | 235,226 | 251,691 |
|  | Other expenses | 135 | 39 |  |  |  |  |  |  |  |  |  |
|  | Tax | - | - | - | - | - | - | - | - | - | - | 2,029 |
|  | Total | 135 | 39 | 81,440 | 156,741 | 167,713 | 179,453 | 192,014 | 205,455 | 219,837 | 235,226 | 253,720 |
| Net Cash from Operating Activities | | 1,177 | 928 | 72,595 | 189,970 | 252,192 | 338,644 | 439,397 | 555,395 | 693,432 | 843,031 | 1,014,251 |
| Cash in from Investing Activities | |  |  |  |  |  |  |  |  |  |  |  |
|  | Investment |  |  |  |  |  |  |  |  |  |  |  |
|  | Total |  |  |  |  |  |  |  |  |  |  |  |
| Cash Out from Investing Activities | |  |  |  |  |  |  |  |  |  |  |  |
|  | Toll road construction | 555,982 | 493,232 | 6,448,701 | - | - | 5,094 | - | 118,031 | 6,240 | - | - |
|  | Total | 555,982 | 493,232 | 6,448,701 | - | - | 5,094 | - | 118,031 | 6,240 | - | - |
| Net Cash from Investing Activities | | (555,982) | (493,232) | (6,448,701) | - | - | (5,094) | - | (118,031) | (6,240) | - | - |
| Cash Inflow from Financing Activities | |  |  |  |  |  |  |  |  |  |  |  |
|  | SHL Loan Land Acq | 1,300,000 | 152,608 | 250,000 | - | - | - | - | - | - | - | - |
|  | BLU Loan | 179,822 | (92) | - | - | - | - | - | - | - | - | - |
|  | Senior Term Loan | - | 498,454 | 4,010,874 | - | - | - | - | - | - | - | - |
|  | Syariah Loan | - | 39,206 | 460,794 | - | - | - | - | - | - | - | - |
|  | IIF CDS Loan | - | - | 300,000 | 300,000 | - | - | - | - | - | - | - |
|  | LMAN Receivable |  |  |  |  |  |  |  |  |  |  |  |
|  | Principal | - | 930,792 | 505,023 | - | - | - | - | - | - | - | - |
|  | Interest | - | - | 52,534 |  |  |  |  |  |  |  |  |
|  | SHL Cash Deficiency |  |  |  | 227,053 | 362,069 | 275,211 | 163,864 | 184,880 | 179,082 | 150,597 | 22,307 |
|  | Capital Placement | 595,000 | 19,058 | 1,635,317 | - | - | - | - | - | - | - | - |
| Cash Outflow from Financing Activities | |  |  |  |  |  |  |  |  |  |  |  |
|  | LMAN Land Acq | 1,036,118 | 148,218 | 251,479 |  |  |  |  |  |  |  |  |
|  | Land Acq Loan Payable |  |  |  |  |  |  |  |  |  |  |  |
|  | Principal |  | 1,121,334 | 581,274 | 179,730 |  |  |  |  |  |  |  |
|  | Interest |  | 86,571 | 74,203 | 13,180 |  |  |  |  |  |  |  |
|  | Syndication Payable |  |  |  |  |  |  |  |  |  |  |  |
|  | Principal |  |  |  | 26,193 | 52,385 | 52,385 | 52,385 | 78,578 | 348,466 | 523,852 | 628,622 |
|  | Interest |  | 6,504 | 139,558 | 548,335 | 543,876 | 538,376 | 532,875 | 525,666 | 499,807 | 451,776 | 389,936 |
|  | IIF CDS |  |  |  |  |  |  |  |  |  |  |  |
|  | Principal |  |  |  |  |  |  |  |  |  |  |  |
|  | Interest | - | - | 750 | 9,750 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 |
|  | SHL Repayment |  |  |  |  |  |  |  |  |  |  |  |
| Debt Service (P+I) | | 1,036,118 | 1,362,627 | 1,047,263 | 777,188 | 614,262 | 608,761 | 603,261 | 622,244 | 866,274 | 993,628 | 1,036,558 |
| Net Change in Cash | | 483,898 | (214,905) | (208,828) | (60,165) | - | - | - | - | - | - | - |
| Beginning Cash | | - | 483,898 | 268,993 | 60,165 | (0) | (0) | (0) | (0) | (0) | (0) | (0) |
| Ending Cash | | 483,898 | 268,993 | 60,165 | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Cash Inflow From Operating Activities | |  |  |  |  |  |  |  |  |  |  |
|  | Rev from toll road | 1,452,049 | 1,680,782 | 1,930,787 | 2,201,696 | 2,520,043 | 2,862,985 | 3,227,918 | 3,657,842 | 4,134,656 | 4,697,334 |
|  | Other revenue | 21,781 | 25,212 | 28,962 | 33,025 | 37,801 | 42,945 | 48,419 | 54,868 | 62,020 | 70,460 |
|  | Total | 1,473,830 | 1,705,993 | 1,959,749 | 2,234,722 | 2,557,844 | 2,905,930 | 3,276,337 | 3,712,710 | 4,196,676 | 4,767,794 |
| Cash Outflow from Operaiting Activities | |  |  |  |  |  |  |  |  |  |  |
|  | Op. and maintenance | 269,310 | 288,162 | 308,333 | 329,916 | 353,010 | 377,721 | 404,162 | 432,453 | 462,725 | 495,115 |
|  | Other expenses |  |  |  |  |  |  |  |  |  |  |
|  | Tax | 47,610 | 99,720 | 153,456 | 205,638 | 267,871 | 332,536 | 398,059 | 471,010 | 572,229 | 765,444 |
|  | Total | 316,920 | 387,882 | 461,789 | 535,555 | 620,882 | 710,257 | 802,221 | 903,463 | 1,034,953 | 1,260,559 |
| Net Cash from Operating Activities | | 1,156,910 | 1,318,112 | 1,497,960 | 1,699,167 | 1,936,962 | 2,195,673 | 2,474,116 | 2,809,247 | 3,161,722 | 3,507,235 |
| Cash in from Investing Activities | |  |  |  |  |  |  |  |  |  |  |
|  | Investment |  |  |  |  |  |  |  |  |  |  |
|  | Total |  |  |  |  |  |  |  |  |  |  |
| Cash Out from Investing Activities | |  |  |  |  |  |  |  |  |  |  |
|  | Toll road construction | 7,644 | 165,545 | 140,361 | 9,365 |  |  | 243,658 | 9,347 |  | 4,246,804 |
|  | Total | 7,644 | 165,545 | 140,361 | 9,365 |  |  | 243,658 | 9,347 |  | 4,246,804 |
| Net Cash from Investing Activities | | (7,644) | (165,545) | (140,361) | (9,365) |  |  | (243,658) | (9,347) |  | (4,246,804) |
| Cash Inflow from Financing Activities | |  |  |  |  |  |  |  |  |  |  |
|  | SHL Loan Land Acq |  |  |  |  |  |  |  |  |  |  |
|  | BLU Loan |  |  |  |  |  |  |  |  |  |  |
|  | Senior Term Loan |  |  |  |  |  |  |  |  |  |  |
|  | Syariah Loan |  |  |  |  |  |  |  |  |  |  |
|  | IIF CDS Loan |  |  |  |  |  |  |  |  |  |  |
|  | SHL Cash Deficiency | 66,124 | 165,186 |  |  |  |  |  |  |  |  |
|  | Capital Placement | - | - | - | - | - | - | - | - | - | - |
|  | Total | 66,124 | 165,186 | - | - | - | - | - | - | - | - |
| Cash Outflow from Financing Activities | |  |  |  |  |  |  |  |  |  |  |
|  | LMAN Land Acq |  |  |  |  |  |  |  |  |  |  |
|  | Land Acq Loan Payable |  |  |  |  |  |  |  |  |  |  |
|  | Principal |  |  |  |  |  |  |  |  |  |  |
|  | Interest |  |  |  |  |  |  |  |  |  |  |
|  | Syndication Payable |  |  |  |  |  |  |  |  |  |  |
|  | Principal | 890,548 | 1,100,089 | 1,100,089 | 384,926 | - |  |  |  |  |  |
|  | Interest | 306,842 | 199,664 | 84,154 | 5,198 | - | - | - | - | - | - |
|  | IIF CDS |  |  |  |  |  |  |  |  |  |  |
|  | Principal | - | - | - | 287,795 | 431,692 | 431,692 | 431,692 | 431,692 | 143,897 | - |
|  | Interest | 18,000 | 18,000 | 18,000 | 188,030 | 224,479 | 166,201 | 107,922 | 49,644 | 3,597 | - |
|  | SHL Repayment (P+I) |  |  |  |  |  |  |  |  | 2,202,054 | 3,075,892 |
| Debt Service (P+I) | | 1,215,390 | 1,317,752 | 1,202,243 | 865,949 | 656,171 | 597,893 | 539,614 | 481,336 | 2,349,549 | 3,075,892 |
| Net Change in Cash | | 0 | 0 | 155,356 | 823,854 | 1,280,791 | 1,597,780 | 1,690,845 | 2,318,565 | 812,174 | (3,815,461) |
| Beginning Cash | | (0) | 0 | 0 | 155,356 | 979,209 | 2,260,000 | 3,857,780 | 5,548,625 | 7,867,189 | 8,679,363 |
| Ending Cash | | 0 | 0 | 155,356 | 979,209 | 2,260,000 | 3,857,780 | 5,548,625 | 7,867,189 | 8,679,363 | 4,863,902 |

* The above cash flow statement represent a 20 years projection of ABC project. The toll road construction will run in the first 3 year of the project (2016-2018), by support of capital placement, bank loan (incl. IIF senior term loan), and Syariah loan. To deal with cash deficiency occurs in 2018 and 2019, ABC expects the cash deficiency support facility from IIF to cover some of the cash shortage. In addition to that, ABC will obtain shareholders loan for any cash deficiency, as reflected in “SHL Cash Deficiency”, from 2018 – 2028. Payment to this shareholder loan will be deffered until 2035 (after IIF CDS facility is matured).

**Income Statement Projection – Base Case**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
| Toll Road Revenue | - | - | 151,759 | 341,587 | 413,699 | 510,440 | 622,080 | 749,606 | 899,772 | 1,062,322 | 1,249,232 |
| Other Revenue | 1,312 | 967 | 2,276 | 5,124 | 6,205 | 7,657 | 9,331 | 11,244 | 13,497 | 15,935 | 18,738 |
| Total Revenue | 1,312 | 967 | 154,035 | 346,711 | 419,905 | 518,096 | 631,411 | 760,850 | 913,269 | 1,078,257 | 1,267,971 |
| Operating Expenses |  |  |  |  |  |  |  |  |  |  |  |
| O&M expenses |  | - | 81,440 | 156,741 | 167,713 | 179,453 | 192,014 | 205,455 | 219,837 | 235,226 | 251,691 |
| Other expenses | 135 | 39 | - | - | - | - | - | - | - | - | - |
| Depreciation expenses | - | - | 2,876 | 6,473 | 7,839 | 9,672 | 13,485 | 15,902 | 42,353 | 45,816 | 49,357 |
| Total Operating expenses | 135 | 39 | 84,316 | 163,213 | 175,552 | 189,125 | 205,500 | 221,357 | 262,191 | 281,041 | 301,049 |
| Operating income | 1,177 | 928 | 69,719 | 183,497 | 244,353 | 328,972 | 425,911 | 539,493 | 651,078 | 797,215 | 966,922 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Other (income)/expenses |  |  |  |  |  |  |  |  |  |  |  |
| SHL loan – land acq bailout | 20,693 | 81,570 | 26,503 | - | - | - | - | - | - | - | - |
| Provision SHL Loan – land acq bailou | - | 2,182 | 1,068 | - | - | - | - | - | - | - | - |
| BLU Loan interest expense | - | 14,378 | 14,378 | 13,180 | - | - | - | - | - | - | - |
| STL Loan interest expense | - | 20,653 | 303,511 | 472,000 | 468,153 | 463,418 | 458,683 | 452,469 | 430,121 | 388,717 | 335,451 |
| IDC - STL interest expense | - | 283 | 8,398 | 24,000 | 23,814 | 23,574 | 23,333 | 23,027 | 21,995 | 19,957 | 17,290 |
| Syariah Loan interest expenses | - | 2,058 | 40,348 | 52,336 | 51,909 | 51,384 | 50,859 | 50,170 | 47,692 | 43,101 | 37,195 |
| IIF IDC interest expenses | - | - | 3,375 | 43,875 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 |
| IIF interest from retained IDC int | - | - | - | 2,401 | 9,673 | 20,114 | 32,056 | 45,713 | 61,332 | 79,195 | 99,625 |
| Other income from LMAN | (7,965) | (37,606) | (6,963) | - | - | - | - | - | - | - | - |
| SHL interest expense | - | - | - | 14,589 | 57,983 | 112,752 | 161,338 | 209,412 | 265,689 | 327,761 | 388,245 |
| Total Other (income)/expense | 12,728 | 83,519 | 390,618 | 622,381 | 692,532 | 752,243 | 807,269 | 861,791 | 907,828 | 939,732 | 958,807 |
| Income before tax | (11,552) | (82,591) | (320,899) | (438,884) | (448,179) | (423,271) | (381,358) | (322,298) | (256,750) | (142,517) | 8,116 |
| Tax |  |  | - | - | - | - | - | - | - | - | 2,029 |
| Net (Loss)/Income | (11,552) | (82,591) | (320,899) | (438,884) | (448,179) | (423,271) | (381,358) | (322,298) | (256,750) | (142,517) | 6,087 |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **2027** | **2028** | **2029** | **2030** | **2031** | **2032** | **2033** | **2034** | **2035** | **2036** |
| **11** | **12** | **13** | **14** | **15** | **16** | **17** | **18** | **19** | **20** |
| Toll Road Revenue | 1,452,049 | 1,680,782 | 1,930,787 | 2,201,696 | 2,520,043 | 2,862,985 | 3,227,918 | 3,657,842 | 4,134,656 | 4,697,334 |
| Other Revenue | 21,781 | 25,212 | 28,962 | 33,025 | 37,801 | 42,945 | 48,419 | 54,868 | 62,020 | 70,460 |
| Total Revenue | 1,473,830 | 1,705,993 | 1,959,749 | 2,234,722 | 2,557,844 | 2,905,930 | 3,276,337 | 3,712,710 | 4,196,676 | 4,767,794 |
| Operating Expenses |  |  |  |  |  |  |  |  |  |  |
| O&M expenses | 269,310 | 288,162 | 308,333 | 329,916 | 353,010 | 377,721 | 404,162 | 432,453 | 462,725 | 495,115 |
| Other expenses | - | - | - | - | - | - | - | - | - | - |
| Depreciation expenses | 53,200 | 58,003 | 72,243 | 91,412 | 98,018 | 104,516 | 111,431 | 133,608 | 143,811 | 154,473 |
| Total Operating expenses | 322,510 | 346,164 | 380,575 | 421,328 | 451,028 | 482,237 | 515,592 | 566,061 | 606,536 | 649,588 |
| Operating income | 1,151,320 | 1,359,829 | 1,579,173 | 1,813,393 | 2,106,816 | 2,423,693 | 2,760,745 | 3,146,649 | 3,590,140 | 4,118,206 |
| Pendapatan / Beban Lain-lain |  |  |  |  |  |  |  |  |  |  |
| SHL loan – land acq bailout | - | - | - | - | - | - | - | - | - | - |
| Provision SHL Loan – land acq bailou | - | - | - | - | - | - | - | - | - | - |
| BLU Loan interest expense | - | - | - | - | - | - | - | - | - | - |
| STL Loan interest expense | 263,837 | 171,508 | 72,078 | 4,348 | - | - | - | - | - | - |
| IDC - STL interest expense | 13,751 | 9,138 | 4,085 | 368 | - | - | - | - | - | - |
| Syariah Loan interest expenses | 29,255 | 19,017 | 7,992 | 482 | - | - | - | - | - | - |
| IIF IDC interest expenses | 81,000 | 81,000 | 81,000 | 76,950 | 61,425 | 45,225 | 29,025 | 12,825 | 675 | - |
| IIF interest from retained IDC int | 122,990 | 149,712 | 180,274 | 199,704 | 163,054 | 120,976 | 78,897 | 36,819 | 2,922 | - |
| Other income from LMAN | - | - | - | - | - | - | - | - | - | - |
| SHL interest expense | 450,047 | 530,572 | 619,921 | 708,988 | 810,851 | 927,350 | 1,060,586 | 1,212,966 | 1,297,628 | 1,056,431 |
| Total Other (income)/expense | 960,879 | 960,949 | 965,349 | 990,840 | 1,035,330 | 1,093,551 | 1,168,509 | 1,262,609 | 1,301,225 | 1,056,431 |
| Income before tax | 190,441 | 398,881 | 613,824 | 822,553 | 1,071,485 | 1,330,142 | 1,592,236 | 1,884,040 | 2,288,915 | 3,061,775 |
| Tax | 47,610 | 99,720 | 153,456 | 205,638 | 267,871 | 332,536 | 398,059 | 471,010 | 572,229 | 765,444 |
| Net (Loss)/Income | 142,830 | 299,160 | 460,368 | 616,915 | 803,614 | 997,607 | 1,194,177 | 1,413,030 | 1,716,686 | 2,296,331 |

* ABC traffic in 2018-2025 is not able to carry the bottom line at positive figure as ABC has to serve huge debt service in this period. As mentioned earlier that support from shareholder loan shall be available for any cash deficiency, then all the debt service should be served with 1.00x Debt Service Coverage. Growing net income can be found after the project reach year-10.

**Balance Sheet Projection – Base Case**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| AKTIVA | |  |  |  |  |  |  |  |  |  |  |  |
|  | Current Asset |  |  |  |  |  |  |  |  |  |  |  |
|  | Cash or equivalent | 483,898 | 268,993 | 60,165 | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) |
|  | LMAN receivable - principal | 1,036,118 | 253,544 | (0) | - | - | - | - | - | - | - | - |
|  | LMAN receivable - interest | 7,965 | 45,571 | (0) | (0) | - | - | - | - | - | - | - |
|  | Total current asset | 1,527,981 | 568,109 | 60,165 | (0) | (0) | (0) | (0) | (0) | (0) | (0) | (0) |
|  | Non current asset |  |  |  |  |  |  |  |  |  |  |  |
|  | Intangible Asset |  |  |  |  |  |  |  |  |  |  |  |
|  | Acquisisiton cost / Toll consession | 555,982 | 1,049,214 | 7,497,916 | ,497,916 | ,497,916 | 7,503,010 | 7,503,010 | 7,621,041 | 7,627,281 | 7,627,281 | 7,627,281 |
|  | Acc. depreciation | - | - | 2,876 | 9,348 | 17,187 | 26,859 | 40,345 | 56,246 | 98,600 | 144,415 | 193,773 |
|  | Net Book Value | 555,982 | 1,049,214 | 7,495,040 | ,488,568 | 7,480,729 | 7,476,150 | 7,462,665 | 7,564,795 | 7,528,681 | 7,482,866 | 7,433,508 |
|  | Other asset | - | - | - | - | - | - | - | - | - | - | - |
|  | Non Current Asset | 555,982 | 1,049,214 | 7,495,040 | 7,488,568 | 7,480,729 | 7,476,150 | 7,462,665 | 7,564,795 | 7,528,681 | 7,482,866 | 7,433,508 |
| Total Asset | | 2,083,963 | 1,617,323 | 7,555,205 | 7,488,568 | 7,480,729 | 7,476,150 | 7,462,665 | 7,564,795 | 7,528,681 | 7,482,866 | 7,433,508 |
| PASSIVA | |  |  |  |  |  |  |  |  |  |  |  |
|  | CPLTD |  |  |  |  |  |  |  |  |  |  |  |
|  | SHL Loan – Land Acq Bailout | 1,300,000 | 331,274 | - | - | - | - | - | - | - | - | - |
|  | SHL Loan – Land Acq Bailout (int) | 20,693 | 28,195 | (0) | (0) | - | - | - | - | - | - | - |
|  | BLU loan | 179,822 | 179,730 | 179,730 | - | - | - | - | - | - | - | - |
|  | BLU interest payable | - | 4,058 | (0) | (0) | - | - | - | - | - | - | - |
|  | KI Loan | - | - | 22,547 | 45,093 | 45,093 | 45,093 | 67,640 | 299,960 | 450,933 | 541,119 | 766,586 |
|  | IDC-STL Loan | - | - | 1,146 | 2,292 | 2,292 | 2,292 | 3,438 | 15,246 | 22,919 | 27,503 | 38,962 |
|  | Syariah Loan | - | - | 2,500 | 5,000 | 5,000 | 5,000 | 7,500 | 33,260 | 50,000 | 60,000 | 85,000 |
|  | IIF CDS Loan | - | - | - | - | - | - | - | - | - | - | - |
|  | IIF CDS IDC Loan | - | - | - | - | - | - | - | - | - | - | - |
|  | SH Loan | - | - | - | - | - | - | - | - | - | - | - |
|  | Current Liabilities | 1,500,515 | 543,257 | 205,923 | 52,385 | 52,385 | 52,385 | 78,578 | 348,466 | 523,852 | 628,622 | 890,548 |
|  | Long Term Loan |  |  |  |  |  |  |  |  |  |  |  |
|  | Senior Term Loan | - | 498,454 | 4,486,781 | 4,441,688 | 4,396,595 | 4,351,501 | 4,283,861 | 3,983,901 | 3,532,968 | 2,991,849 | 2,225,263 |
|  | IDC - STL | - | 16,491 | 228,043 | 225,751 | 223,459 | 221,168 | 217,730 | 202,484 | 179,565 | 152,062 | 113,100 |
|  | Syariah Loan | - | 39,206 | 497,500 | 492,500 | 487,500 | 482,500 | 475,000 | 441,740 | 391,740 | 331,740 | 246,740 |
|  | IIF CDS Loan | - | - | 300,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 |
|  | IIF CDS IDC Loan | - | - | 2,625 | 39,151 | 111,824 | 194,939 | 289,994 | 398,707 | 523,039 | 665,235 | 827,860 |
|  | SH Loan | - | - | - | 241,643 | 661,695 | 1,049,658 | 1,374,860 | 1,769,152 | 2,213,923 | 2,692,281 | 3,102,833 |
|  | Non Current Liabilities | - | 554,151 | 5,514,950 | 6,040,733 | 6,481,073 | 6,899,766 | 7,241,446 | 7,395,985 | 7,441,236 | 7,433,167 | 7,115,797 |
|  | Capital | 595,000 | 614,058 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 |
|  | Retained Earning | - | (11,552) | (94,143) | (415,041) | (853,925) | (1,302,104) | (1,725,375) | (2,106,733) | (2,429,031) | (2,685,781) | (2,828,298) |
|  | Earning in current year | (11,552) | (82,591) | (320,899) | (438,884) | (448,179) | (423,271) | (381,358) | (322,298) | (256,750) | (142,517) | 6,087 |
|  | Total equity | 583,448 | 519,915 | 1,834,333 | 1,395,449 | 947,270 | 523,999 | 142,641 | (179,656) | (436,406) | (578,923) | (572,837) |
| Total Passiva | | 2,083,963 | 1,617,323 | 7,555,205 | 7,488,568 | 7,480,729 | 7,476,151 | 7,462,665 | 7,564,795 | 7,528,681 | 7,482,866 | 7,433,508 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | | **2027** | **2028** | **2029** | **2030** | **2031** | **2032** | **2033** | **2034** | **2035** | **2036** |
| **11** | **12** | **13** | **14** | **15** | **16** | **17** | **18** | **19** | **20** |
| **AKTIVA** | |  |  |  |  |  |  |  |  |  |  |
|  | Current Asset |  |  |  |  |  |  |  |  |  |  |
|  | Cash or equivalent | 0 | 0 | 155,356 | 979,209 | 2,260,000 | 3,857,780 | 5,548,625 | 7,867,189 | 8,679,363 | 4,863,902 |
|  | LMAN receivable - principal | - | - | - | - | - | - | - | - | - | - |
|  | LMAN receivable - interest | - | - | - | - | - | - | - | - | - | - |
|  | Current Asset | 0 | 0 | 155,356 | 979,209 | 2,260,000 | 3,857,780 | 5,548,625 | 7,867,189 | 8,679,363 | 4,863,902 |
|  | Non Current Asset |  |  |  |  |  |  |  |  |  |  |
|  | Acquisisiton cost / Toll consession | 7,634,925 | 7,800,470 | 7,940,832 | 7,950,196 | 7,950,196 | 7,950,196 | 8,193,854 | 8,203,200 | 8,203,200 | 12,450,004 |
|  | Acc. depreciation | 246,973 | 304,976 | 377,218 | 468,630 | 566,648 | 671,164 | 782,595 | 916,202 | 1,060,013 | 1,214,486 |
|  | Net Book Value | 7,387,952 | 7,495,495 | 7,563,613 | 7,481,566 | 7,383,548 | 7,279,032 | 7,411,259 | 7,286,998 | 7,143,187 | 11,235,518 |
|  | Other asset |  |  |  |  |  |  |  |  |  |  |
|  | Non Current Asset | 7,387,952 | 7,495,495 | 7,563,613 | 7,481,566 | 7,383,548 | 7,279,032 | 7,411,259 | 7,286,998 | 7,143,187 | 11,235,518 |
| Total Asset | | 7,387,952 | 7,495,495 | 7,718,969 | 8,460,775 | 9,643,548 | 11,136,813 | 12,959,884 | 15,154,187 | 15,822,550 | 16,099,420 |
| **PASSIVA** | |  |  |  |  |  |  |  |  |  |  |
|  | CPLTD |  |  |  |  |  |  |  |  |  |  |
|  | SHL Loan – Land Acq Bailout | - | - | - | - | - | - | - | - | - | - |
|  | SHL Loan – Land Acq Bailout (int) | - | - | - | - | - | - | - | - | - | - |
|  | BLU loan | - | - | - | - | - | - | - | - | - | - |
|  | BLU interest payable | - | - | - | - | - | - | - | - | - | - |
|  | KI Loan | 946,959 | 946,959 | 331,345 | - | - | - | - | - | - | - |
|  | IDC-STL Loan | 48,130 | 48,130 | 16,841 | - | - | - | - | - | - | - |
|  | Syariah Loan | 105,000 | 105,000 | 36,740 | - | - | - | - | - | - | - |
|  | IIF CDS Loan | - | - | 80,000 | 120,000 | 120,000 | 120,000 | 120,000 | 40,000 | - | - |
|  | IIF CDS IDC Loan | - | - | 207,795 | 311,692 | 311,692 | 311,692 | 311,692 | 103,897 | - | - |
|  | SH Loan | - | - | - | - | - | - | - | 1,346,307 | 2,019,461 | 2,019,461 |
|  | Current Liabilities | 1,100,089 | 1,100,089 | 672,721 | 431,692 | 431,692 | 431,692 | 431,692 | 1,490,205 | 2,019,461 | 2,019,461 |
|  | Long Term Loan |  |  |  |  |  |  |  |  |  |  |
|  | Senior Term Loan | 1,278,304 | 331,345 | 0 | - | - | - | - | - | - | - |
|  | IDC - STL | 64,971 | 16,841 | 0 | - | - | - | - | - | - | - |
|  | Syariah Loan | 141,740 | 36,740 | - | - | - | - | - | - | - | - |
|  | IIF CDS Loan | 600,000 | 600,000 | 520,000 | 400,000 | 280,000 | 160,000 | 40,000 | - | - | - |
|  | IIF CDS IDC Loan | 1,013,851 | 1,226,563 | 1,262,042 | 1,038,974 | 727,282 | 415,590 | 103,897 | (0) | - | - |
|  | SH Loan | 3,619,004 | 4,314,762 | 4,934,684 | 5,643,671 | 6,454,523 | 7,381,873 | 8,442,459 | 8,309,117 | 6,731,537 | 4,712,076 |
|  | Non Current Liabilities | 6,717,870 | 6,526,252 | 6,716,726 | 7,082,646 | 7,461,805 | 7,957,462 | 8,586,357 | 8,309,117 | 6,731,537 | 4,712,076 |
|  | Capital | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 | 2,249,375 |
|  | Retained Earning | (2,822,211) | (2,679,381) | (2,380,220) | (1,919,852) | (1,302,937) | (499,323) | 498,283 | 1,692,460 | 3,105,491 | 4,822,177 |
|  | Earning in current year | 142,830 | 299,160 | 460,368 | 616,915 | 803,614 | 997,607 | 1,194,177 | 1,413,030 | 1,716,686 | 2,296,331 |
|  | Total equity | (430,006) | (130,846) | 329,522 | 946,437 | 1,750,051 | 2,747,658 | 3,941,835 | 5,354,865 | 7,071,552 | 9,367,883 |
| Total Passiva | | 7,387,952 | 7,495,495 | 7,718,969 | 8,460,775 | 9,643,548 | 11,136,813 | 12,959,884 | 15,154,188 | 15,822,550 | 16,099,420 |

Notes: In the Facility Agreement, it is stipulated that the following financial ratios must be in place during the operation period: minimum Current Ratio of 1.0x, maximum Debt to Equity Ratio of 2.0x, and minimum Debt Service Coverage Ratio of 1.0x. However, considering that the traffic in the first few years that needs to ramp up before it can start covering opex and debt service requirement, ABC must include cash deficiency support from IIF and shareholders loan to meet these financial covenants. Including both cash deficiency support from IIF and shareholders loan, ABC will be able to reach compliance with all the financial covenants.

**Cash Flow Projection – Sensitized Case**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  | | --- | --- | --- | --- | | Inflation Rate | : | 7.00% | p.a. | | Initial Tariff (Gol. 1) | : | 1,000 | Rupiah/Km/ vehicle | | Concession Start (SPMK) | : | 1/24/2017 |  | | Concession Period | : | 50 | Years | | Traffic |  | 80% of base case traffic | | | End of Concession | : | 1/24/2066 |  | | * This sensitized scenario tests the financials with initial tariff down to IDR 1,000/km/vehicles (Gol.1). If the tariff is reduced to IDR 1,000, concession period will be stretched to 50 years, or maturing in 2066. * We slashed the traffic by 20% of daily traffic assumed in base case. * This scenario will lead to a larger cash gap that shareholders loan should cover. There is no changes in total loan facility and interest. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Revenue | | 1,312 | 967 | 112,025 | 252,153 | 305,385 | 376,797 | 459,208 | 553,346 | 664,195 | 784,187 | 922,161 |
| Operating Expense | | 135 | 39 | 81,440 | 156,741 | 167,713 | 179,453 | 192,014 | 205,455 | 219,837 | 235,226 | 251,691 |
| Net Cash from Operating Activities | | 1,177 | 928 | 30,585 | 95,412 | 137,673 | 197,345 | 267,194 | 347,890 | 444,358 | 548,961 | 670,469 |
| Cash in from Investing Activities | |  |  |  |  |  |  |  |  |  |  |  |
| Cash Out from Investing Activities | |  |  |  |  |  |  |  |  |  |  |  |
|  | Toll road construction | 555,982 | 493,232 | 6,448,701 | - | - | 5,094 | - | 118,031 | 6,240 | - | - |
| Net Cash from Investing Activities | | (555,982) | (493,232) | (6,448,701) | - | - | (5,094) | - | 118,031) | (6,240) | - | - |
| Cash Inflow from Financing Activities | |  |  |  |  |  |  |  |  |  |  |  |
|  | SHL Loan Land Acq | 1,300,000 | 152,608 | 250,000 | - | - | - | - | - | - | - | - |
|  | BLU Loan | 179,822 | (92) | - | - | - | - | - | - | - | - | - |
|  | Senior Term Loan | - | 498,454 | 4,010,874 | - | - | - | - | - | - | - | - |
|  | Syariah Loan | - | 39,206 | 460,794 | - | - | - | - | - | - | - | - |
|  | IIF CDS Loan | - | - | 300,000 | 300,000 | - | - | - | - | - | - | - |
|  | LMAN Receivable |  |  |  |  |  |  |  |  |  |  |  |
|  | Principal |  | 930,792 | 505,023 |  |  |  |  |  |  |  |  |
|  | Interest |  |  | 52,534 |  |  |  |  |  |  |  |  |
|  | SHL Cash Deficiency |  |  |  | 363,620 | 476,589 | 416,510 | 336,067 | 392,385 | 428,155 | 444,667 | 366,089 |
|  | Capital Placement | 595,000 | 19,058 | 1,635,317 |  |  |  |  |  |  |  |  |
|  | Total | 2,074,822 | 1,640,026 | 7,214,542 | 663,620 | 476,589 | 416,510 | 336,067 | 392,385 | 428,155 | 444,667 | 366,089 |
| Cash Outflow from Financing Activities | |  |  |  |  |  |  |  |  |  |  |  |
|  | LMAN Land Acq | 1,036,118 | 148,218 | 251,479 |  |  |  |  |  |  |  |  |
|  | Land Acq Loan Payable |  |  |  |  |  |  |  |  |  |  |  |
|  | Principal |  | 1,121,334 | 581,274 | 179,730 |  |  |  |  |  |  |  |
|  | Interest |  | 86,571 | 74,203 | 13,180 |  |  |  |  |  |  |  |
|  | Syndication Payable |  |  |  |  |  |  |  |  |  |  |  |
|  | Principal |  | - | - | - | 26,193 | 52,385 | 52,385 | 52,385 | 78,578 | 348,466 | 523,852 |
|  | Interest |  | - | 6,504 | 139,558 | 548,335 | 543,876 | 538,376 | 532,875 | 525,666 | 499,807 | 451,776 |
|  | IIF CDS |  |  |  |  |  |  |  |  |  |  |  |
|  | Principal |  |  |  |  |  |  |  |  |  |  |  |
|  | Interest | - | - | 750 | 9,750 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 |
|  | SHL Repayment (P+I) |  |  |  |  |  |  |  |  |  |  |  |
| Debt Service | | 1,036,118 | 1,362,627 | 1,047,263 | 777,188 | 614,262 | 608,761 | 603,261 | 622,244 | 866,274 | 993,628 | 1,036,558 |
| Net Cash from Financing Activities | | 1,038,704 | 277,399 | 6,167,279 | (113,568) | (137,673) | (192,251) | (267,194) | (229,859) | (438,118) | (548,961) | (670,469) |
| Net Change in Cash | | 483,898 | (214,905) | (250,838) | (18,156) | - | - | - | - | - | - | - |
| Beginning Cash | | - | 483,898 | 268,993 | 18,156 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Cash | | 483,898 | 268,993 | 18,156 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| Net Cash from Operating Activities | | 802,566 | 952,561 | 1,116,939 | 1,295,336 | 1,507,240 | 1,735,682 | 1,978,629 | 2,267,700 | 2,589,403 |
| Net Cash from Investing Activities | | (7,644) | (165,545) | (140,361) | (9,365) | - | - | (243,658) | (9,347) | - |
| Cash Inflow from Financing Activities | |  |  |  |  |  |  |  |  |  |
|  | SHL Cash Deficiency | 420,468 | 530,736 | 225,665 |  |  |  |  |  |  |
|  | Total | 420,468 | 530,736 | 225,665 |  |  |  |  |  |  |
| Net Cash from Financing Activities | | (794,922) | (787,016) | (976,578) | (865,949) | (656,171) | (597,893) | (539,614) | (481,336) | (4,646,598) |
| Net Change in Cash | | - | - | - | 420,022 | 851,068 | 1,137,790 | 1,195,357 | 1,777,017 | (2,057,195) |
| Beginning Cash | | 0 | 0 | 0 | 0 | 420,022 | 1,271,091 | 2,408,880 | 3,604,237 | 5,381,255 |
| Ending Cash | | 0 | 0 | 0 | 420,022 | 1,271,091 | 2,408,880 | 3,604,237 | 5,381,255 | 3,324,060 |

IIF CDS facility will be disbursed in 2018 and 2019 to keep the payment to all the expenses in the first 3 years of project is current. As the revenue will decline due to lower tariff charged/vehicles, ABC requires more shareholder loan until 2029. ABC cash will bounce after all the bank loan (excl CDS) matured. Assuming the traffic goes higher when the senior term loan settled, ABC does not need any support from shareholders to serve the CDS facility from IIF.

**Income Statement Projection – Sensitized Case**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
| Revenue |  |  |  |  |  |  |  |  |  |  |  |
| Toll Road Revenue | - | - | 110,370 | 248,427 | 300,872 | 371,229 | 452,422 | 545,168 | 654,380 | 772,598 | 908,533 |
| Other Revenue | 1,312 | 967 | 1,656 | 3,726 | 4,513 | 5,568 | 6,786 | 8,178 | 9,816 | 11,589 | 13,628 |
| Total Revenue | 1,312 | 967 | 112,025 | 252,153 | 305,385 | 376,797 | 459,208 | 553,346 | 664,195 | 784,187 | 922,161 |
| **Operating Expenses** | 135 | 39 | 81,440 | 156,741 | 167,713 | 179,453 | 192,014 | 205,455 | 219,837 | 235,226 | 251,691 |
| Depreciation expenses | - | - | 978 | 2,201 | 2,666 | 3,289 | 5,707 | 6,528 | 31,102 | 32,532 | 33,736 |
| **Total Operating expenses** | 135 | 39 | 82,418 | 158,942 | 170,379 | 182,742 | 197,721 | 211,984 | 250,939 | 267,758 | 285,428 |
| **Operating income** | 1,177 | 928 | 29,607 | 93,211 | 135,007 | 194,055 | 261,487 | 341,362 | 413,256 | 516,429 | 636,733 |
| Interest Expense | 12,728 | 83,519 | 390,618 | 631,156 | 720,773 | 802,715 | 887,280 | 980,306 | 1,075,856 | 1,170,577 | 1,268,263 |
| **Income before tax** | (11,552) | (82,591) | (361,011) | (537,945) | (585,766) | (608,659) | (625,793) | (638,944) | (662,599) | (654,148) | (631,530) |
| Tax |  |  |  |  |  |  |  |  |  |  |  |
| **Net (Loss)/Income** | (11,552) | (82,591) | (361,011) | (537,945) | (585,766) | (608,659) | (625,793) | (638,944) | (662,599) | (654,148) | (631,530) |
| **Year** | **2027** | **2028** | **2029** | **2030** | **2031** | **2032** | **2033** | **2034** | **2035** |
| **11** | **12** | **13** | **14** | **15** | **16** | **17** | **18** | **19** |
| Revenue | 1,071,876 | 1,240,723 | 1,425,272 | 1,625,252 | 1,860,250 | 2,113,403 | 2,382,791 | 2,700,153 | 3,052,128 |
| O&M expenses | 269,310 | 288,162 | 308,333 | 329,916 | 353,010 | 377,721 | 404,162 | 432,453 | 462,725 |
| Depreciation expenses | 35,043 | 36,985 | 48,099 | 63,881 | 66,506 | 68,716 | 71,067 | 87,868 | 92,109 |
| **Operating income** | 767,523 | 915,576 | 1,068,840 | 1,231,455 | 1,440,734 | 1,666,967 | 1,907,562 | 2,179,832 | 2,497,294 |
| Interest Expense | 1,364,868 | 1,474,610 | 1,596,343 | 1,703,424 | 1,816,937 | 1,987,454 | 2,190,843 | 2,431,827 | 2,552,052 |
| **Income before tax** | (597,344) | (559,034) | (527,503) | (471,969) | (376,203) | (320,487) | (283,282) | (251,996) | (54,758) |
| Tax |  |  |  |  |  |  |  |  |  |
| **Net (Loss)/Income** | (597,344) | (559,034) | (527,503) | (471,969) | (376,203) | (320,487) | (283,282) | (251,996) | (54,758) |

In this scenario, ABC suffers a longer negative net income caused by lower traffic and lower tariff assumed as the variables. To serve the cost of financing (interest expenses coming from debt and CDS facility), ABC requires shareholder loan as operational income will stand below the interest expenses. Starting 2030, ABC does not need any shareholder support as the cash has been built up, sufficient to cover the debt service shortage presented in this projection.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
| **AKTIVA** | |  |  |  |  |  |  |  |  |  |  |  |
|  | Total current asset | 1,527,981 | 568,109 | 18,156 | (0) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|  | Non Current Asset | 555,982 | 1,049,214 | 7,496,938 | 7,494,737 | 7,492,071 | 7,493,875 | 7,488,169 | 7,599,672 | 7,574,810 | 7,542,278 | 7,508,541 |
| Total Asset | | 2,083,963 | 1,617,323 | 7,515,094 | 7,494,737 | 7,492,071 | 7,493,875 | 7,488,169 | 7,599,672 | 7,574,810 | 7,542,278 | 7,508,541 |
|  | Current Liabilities (CPLTD) | 1,500,515 | 543,257 | 205,923 | 52,385 | 52,385 | 52,385 | 78,578 | 348,466 | 523,852 | 628,622 | 890,548 |
|  | Long Term Loan |  |  |  |  |  |  |  |  |  |  |  |
|  | Senior Term Loan | - | 498,454 | 4,486,781 | 4,441,688 | 4,396,595 | 4,351,501 | 4,283,861 | 3,983,901 | 3,532,968 | 2,991,849 | 2,225,263 |
|  | IDC - STL | - | 16,491 | 228,043 | 225,751 | 223,459 | 221,168 | 217,730 | 202,484 | 179,565 | 152,062 | 113,100 |
|  | Syariah Loan | - | 39,206 | 497,500 | 492,500 | 487,500 | 482,500 | 475,000 | 441,740 | 391,740 | 331,740 | 246,740 |
|  | IIF CDS Loan | - | - | 300,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 |
|  | IIF CDS IDC Loan | - | - | 2,625 | 39,151 | 111,824 | 194,939 | 289,994 | 398,707 | 523,039 | 665,235 | 827,860 |
|  | SH Loan | - | - | - | 386,985 | 949,797 | 1,529,531 | 2,106,947 | 2,827,259 | 3,689,130 | 4,692,402 | 5,756,193 |
|  | Non Current Liabilities | - | 554,151 | 5,514,950 | 6,186,075 | 6,769,175 | 7,379,639 | 7,973,533 | 8,454,091 | 8,916,443 | 9,433,289 | 9,769,156 |
|  | Total equity | 583,448 | 519,915 | 1,794,221 | 1,256,276 | 670,511 | 61,851 | (563,941) | (1,202,886) | (1,865,485) | (2,519,633) | (3,151,163) |
| Total Passiva | | 2,083,963 | 1,617,323 | 7,515,094 | 7,494,737 | 7,492,071 | 7,493,875 | 7,488,169 | 7,599,672 | 7,574,810 | 7,542,278 | 7,508,542 |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | | **2027** | **2028** | **2029** | **2030** | **2031** | **2032** | **2033** | **2034** | **2035** |
| **11** | **12** | **13** | **14** | **15** | **16** | **17** | **18** | **19** |
| **AKTIVA** | |  |  |  |  |  |  |  |  |  |
|  | Total current asset | 0 | 0 | 0 | 0 | 851,068 | 1,988,858 | 3,184,215 | 4,961,233 | 3,078,453 |
|  | Non Current Asset | 7,481,143 | 7,609,702 | 7,701,965 | 7,647,448 | 7,580,943 | 7,512,227 | 7,684,817 | 7,606,296 | 7,514,187 |
| Total Asset | | 7,481,143 | 7,609,702 | 7,701,965 | 7,647,448 | 8,432,011 | 9,501,085 | 10,869,032 | 12,567,528 | 10,592,640 |
|  | Current Liabilities (CPLTD) | 1,100,089 | 1,100,089 | 672,721 | 431,692 | 431,692 | 431,692 | 431,692 | 2,787,956 | 3,966,088 |
|  | Long Term Loan |  |  |  |  |  |  |  |  |  |
|  | Senior Term Loan | 1,278,304 | 331,345 | 0 | - | - | - | - | - | - |
|  | IDC - STL | 64,971 | 16,841 | 0 | - | - | - | - | - | - |
|  | Syariah Loan | 141,740 | 36,740 | - | - | - | - | - | - | - |
|  | IIF CDS Loan | 600,000 | 600,000 | 520,000 | 400,000 | 280,000 | 160,000 | 40,000 | - | - |
|  | IIF CDS IDC Loan | 1,013,851 | 1,226,563 | 1,262,042 | 1,038,974 | 727,282 | 415,590 | 103,897 | (0) | - |
|  | SH Loan | 7,030,696 | 8,605,666 | 10,082,246 | 11,083,796 | 12,676,254 | 14,497,507 | 16,580,429 | 16,318,554 | 13,220,292 |
|  | Non Current Liabilities | 10,129,561 | 10,817,155 | 11,864,288 | 12,522,770 | 13,683,535 | 15,073,097 | 16,724,326 | 16,318,554 | 13,220,292 |
|  | Total equity | (3,748,507) | (4,307,541) | (4,835,044) | (5,307,013) | (5,683,217) | (6,003,704) | (6,286,986) | (6,538,981) | (6,593,740) |
| Total Passiva | | 7,481,143 | 7,609,702 | 7,701,965 | 7,647,448 | 8,432,011 | 9,501,085 | 10,869,032 | 12,567,528 | 10,592,640 |

**Other possible Scenario – Cash Flow Impact and Covenant Compliance**

The following table is testing assumption for ABC financial projection:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Scenario | Traffic Volume | Tariff | Consession Period | Bank Loan Pricing | CDS Pricing |
| Base Case Scenario | 15,498 v/day\* | IDR 1,100/km | 40 years | 10.50% p.a | 10.50% + 3% p.a |
| Scenario 2 | 15,498 v/day | IDR 1,100/km | 40 years | 11.50% p.a | 11.50% + 3% p.a |
| Scenario 3 | 15,498 v/day | IDR 1,000/km | 50 years | 10.50% p.a | 10.50% + 3% p.a |
| Scenario 4 | 15,498 v/day | IDR 1,000/km | 50 years | 11.50% p.a | 11.50% + 3% p.a |
| Scenario 5 | 12,398 v/day | IDR 1,100/km | 40 years | 10.50% p.a | 10.50% + 3% p.a |
| Scenario 6 | 12,396 v/day | IDR 1,100/km | 40 years | 11.50% p.a | 11.50% + 3% p.a |
| Sensitized Scenario | 12,398 v/day | IDR 1,000/km | 50 years | 10.50% p.a | 10.50% + 3% p.a |
| Scenario 8 | 12,396 v/day | IDR 1,000/km | 50 years | 11.50% p.a | 11.50% + 3% p.a |

*\*This traffic volume is assumed to be recorded in the first year of operation that will grow gradually.*

These are 8 scenarios we developed to test ABC financial projection generating from 5 different variables: Traffic Volume, Tariff, Consession Period, Bank Loan Pricing, and CDS Pricing. Tariff and Consession Period are correlated as the consession will be stretched to 50 years if the tariff drag down to IDR 1,000/km. Yet, our realistic scenario is still with IDR 1,100/km with 40 years consession period, as agreed in current toll road consession agreement.

LPS rate is the floating component of total interest rate for senior term loan and CDS facility. At our base case, LPS rate stood at 6.25%, resulting an overall Senior Term Loan interest rate of 10.50% p.a, and CDS interest rate of 13.50% p.a. We anticipate the changes of LPS rate at maximum of 1%. Given the interest margin of Senior Term Loan is 4.25%, total interest rate with 1% increase of LPS rate would be 11.50% p.a.

We understand that in the period of 2019 – 2028/2029, ABC cash flow requires cash deficiency support from IIF and Shareholder. As presented in base case financial projection, total cash deficiency support from shareholders loan is IDR 2.4 Trillion, distributed within this 11 years period. ABC certainly need this support when the variables is tested with someway worse than our base case, to cover the cash shortage. The following table presents the required SH Loan to cover the cash shortage:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Scenario | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | **Total** |
| Base Case Scenario | 300,000 | 527,053 | 362,069 | 275,211 | 163,864 | 184,880 | 179,082 | 150,597 | 22,307 | 66,124 | 165,186 | - | **2,396,374** |
| Scenario 2 | 300,000 | 595,537 | 416,349 | 328,944 | 217,050 | 237,450 | 230,123 | 197,540 | 61,478 | 52,463 | 119,130 |  | **2,756,063** |
| Scenario 3 | 300,000 | 572,576 | 400,242 | 322,311 | 221,265 | 254,048 | 262,106 | 248,620 | 135,549 | 152,499 | 245,886 |  | **3,115,102** |
| Scenario 4 | 300,000 | 641,059 | 454,522 | 376,044 | 274,451 | 306,619 | 313,148 | 295,563 | 176,748 | 186,447 | 244,657 | - | **3,569,257** |
| Scenario 5 | 300,000 | 627,203 | 446,050 | 378,830 | 290,146 | 337,050 | 361,736 | 366,248 | 273,873 | 313,280 | 406,664 | 83,138 | **4,184,219** |
| Scenario 6 | 300,000 | 695,686 | 500,330 | 432,563 | 343,332 | 389,621 | 412,777 | 413,191 | 315,072 | 347,229 | 430,765 | 95,754 | **4,676,320** |
| Sensitized Scenario | 300,000 | 663,620 | 476,589 | 416,510 | 336,067 | 392,385 | 428,155 | 444,667 | 366,089 | 420,468 | 530,736 | 225,665 | **5,000,951** |
| Scenario 8 | 300,000 | 732,104 | 530,869 | 470,243 | 389,253 | 444,955 | 479,197 | 491,610 | 407,288 | 454,416 | 554,838 | 238,281 | **5,493,053** |

In our base case scenario, shareholders requires IDR 2.4 Trillion cash deficiency support, and in worst case (Scenario 8), ABC needs IDR 5.5 Trillion cash deficiency support. During the period ABC receive cash deficiency support form shareholders, ABC manages the cash modest at some level (in this case, ABC assumed the cash remains 0). Understanding that SH Loan is to keep ABC in a sufficient cash to running the operation as well as serving the loan repayment (principal + interest) to lenders, ABC’s Debt Service Coverage Ratio will be in a well maintained DSCR at > 1.00x (in this cash, DSCR is defined as total net cash after operation + cash deficiency support, divided with total principal + interest).

**XYZ Financial Projection**

As requested in the last BoD-IC, please see below the 2018 – 2024 financial projection of XYZ (“XYZ”), the 60% shareholder of ABC. This version of the projection has included the cash proceeds from new issuance of shares in WTTR and its related RDPT and has been shared with XYZ’s shareholders which are SMI and Taspen.

Assumptions:

1. Completed the new issuance of WTTR in April 2018 with proceeds of IDR 2.1 trillion and RDPT of WTTR in April 2018 with divestment value of IDR 2.8 trillion;
2. Included the plan to divest NKJ (Ngawi Kertosono), SNJ (Solo Ngawi) and JSB (Semarang Batang) with divestment value of IDR 2.5 trillion – Currently XYZ has 40%stake in each of these toll roads;
3. Included the plan to fully divest SRIMP (Kapalbetung) and KKDM (Becakayu) with divestment value of IDR 3.5 trillion – Currently XYZ has 98% -99% stake in each of these toll roads;
4. Interest rate from bank and shareholder loans at 10.5% p.a.

Further, the following assumptions are included to assure that the projection is conservative and to project the worst case of additional equity injections that will be required:

1. Despite the business strategy to divest at least two toll roads per year either through RDPT mechanism or direct sale, the projection assumed no divestment will be done after 2019;
2. The projection assumed that buy back of the WTTR RDPT is required after 5 years or in 2023;
3. Following the divestment of WTTR in April 2018, out of the 18 toll road concessions, 11 is accounted in the projection using cost/ equity method, while the rest (7 toll road concessions) is accounted using the consolidated method.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SPV** | **% Own** | **Project Name** | **Length**  **(km)** | **COD** | **Accounting**  **Method** |
| SNJ | 40% | Solo Ngawi (Divest in ‘18?) | 90.4 | Done | Equity/ Cost |
| NKJ | 40% | Ngawi Kertosono (Divest in ‘18?) | 109.2 | Done | Equity/ Cost |
| WTTR - SMR | 30% | Kanci Pejagan | 35 | Done | Equity/ Cost |
| WTTR - PPTR | 30% | Pemalang Pejagan | 57.5 | Done | Equity/ Cost |
| JMKT | 30% | Medan Kualanamu T. Tinggi | 61.8 | Done | Equity/ Cost |
| CW | 25% | Depok Antasari | 21.5 | ‘18 | Equity/ Cost |
| CSJ | 35% | Cinere Serpong | 10.1 | ‘18 | Equity/ Cost |
| ABC | 60% | ABC | 39.2 | ‘18 | Consolidated |
| JSB | 40% | Batang Semarang (Divest in ‘18?) | 75 | ‘18 | Equity/ Cost |
| CCT | 90% | Cimanggis Cibitung | 26.5 | ‘18 | Consolidated |
| SRIMP | 98% | Kapal Betung–Sumatra (Divest in’18?) | 111.7 | ‘18 | Consolidated |
| KKDM | 99% | Becakayu (Divest in ‘18?) | 16.02 | ‘18 | Consolidated |
| WTTR - TJPJT | 30% | Pasuruan Probolinggo | 31.3 | ‘18 | Equity/ Cost |
| TJT | 99% | Ciawi Sukabumi | 54 | ‘19 | Consolidated |
| WBW | 99% | Krian Legundi Bunder | 38.3 | ‘19 | Consolidated |
| CKJT | 15% | Cisumdawu | 60.4 | ‘19 | Equity/ Cost |
| CTP | 55% | Cibitung – Cilincing | 34.7 | ‘20 | Consolidated |
| HMW | 30% | K. Tanjung – T.Tinggi – Parapat | 143.5 | ‘20 | Equity/ Cost |
|  |  |  | 1,016.1 |  |  |

**Projected Income Statement**



Revenue from toll road operations are generated from the following consolidated toll roads:



**Notes to Projected Income Statement:**

1. Construction is assumed to continue until 2021. As the previous table stated, in 2019, there are five toll roads under construction and in 2020, there are two toll roads under construction. Other than Cisumdawu (15% stake) and Kuala Tanjung - Tebing Tinggi – Parapat (30% stake), the toll roads under construction will be recorded under consolidated method.
2. Revenue from toll road operations are generated from the following toll roads recorded under consolidation method. Note than in 2023, XYZ assumed that the buyback option to WTTR is exercised thus increasing the toll road revenue rather significantly from 2022 (no WTTR consolidated) to 2023.
3. Gain from divestment is only recorded in 2018 at IDR 4.8 trillion. Compared this gain in Income Statement to proceeds from divestment of IDR 8.8 trillion recorded in Cash Flow from Investing yields a price to book ratio of 2.2x.

**Projected Balance Sheet**



**Notes to Projected Balance Sheet:**

1. The balance sheet projection generates a healthy current ratio and debt equity ratio.
2. Intangible assets represents toll road concession rights for 7 toll road concessions recorded under consolidation method. Note that in 2023, intangible assets increased by 23% YoY due to buyback exercise of WTTR.
3. Loans related to Investment decreased in 2024 by 28% YoY from IDR 27.6 trillion to IDR 19.8 trillion as indicated by the existing loan repayment schedule for consolidated toll roads.
4. Increase in share capital is from XYZ’s equity injection and will be allocated to new projects and CDS support to toll road concessions.

**Projected Cash Flow**



**Notes to Projected Cash Flow:**

1. Cash flow operating from subsidiaries is positive throughout the projected periods because it does not account for financing expense and loan repayment.
2. Due to continued construction in five toll road projects, Cash Flow from Investing recorded additional capex (“Investment Expense – Sectional”) and the Cash Flow from Financing recorded additional proceeds from bank loan.
3. Required equity injection from Waskita was IDR 8.1 trillion in 2019, IDR 6.1 trillion in 2020, etc – all for accumulated equity injection from Waskita of IDR 43.6 trillion in the next 10 years. This equity injection will be allocated to potential new projects and CDS support to toll road concessions. Please note that the projection has been shared and acknowledged by XYZ sponsors which are DEF, SMI and Taspen.

**Conclusion to XYZ Financial Projection**

In the worst case scenario, XYZ need additional IDR 43.6 trillion fund for the next 10 years. Other than financial support from existing shareholders of XYZ (DEF, Taspen, and SMI), XYZ has come up with two possible solutions: (i). to find new investors/ strategic partner at XYZ level with full support from Bapennas and (ii). to divest its toll road concessions either through RDPT mechanism or through direct sale. Furthermore, existing shareholders of XYZ are all participating in the projects as mandated by the GoI to accelerate the development of national strategic projects which highlights synergy between State Owned Enterprises (SOEs).

## Financial Highlights

The below table presents financial statement of Wind Renewables III Ltd, a holding company who shares 72.34% ownership of PTEG. The Financial Statement are audited by PricewaterhouseCoopers, certified public accountant in Hong Kong.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description (USD)** | **2015** | **2016** | **1H2017** |
| **Audited** | **Audited** | **Unaudited** |
| Loss from operation | (4,492) | (12,983) | (1,719,956) |
| Finance cost - loan interest | (38,979) | (113,664) | (12,407) |
| Loss before tax | (43,471) | (126,647) | (1,388,489) |
| Loss for the year | (43,471) | (126,647) | (1,388,489) |
|  |  |  |  |
| Non-current Assets | 854,335 | 854,335 | 15,831,376 |
| Current assets | 1,290 | 1,290 | 44,856,577 |
| Total current liabilities | 901,648 | 1,028,295 | 43,348,033 |
| Net Liabilities | 46,023 | 172,685 | 46,348,033 |
| Equity |  |  |  |
| Share capital | 1,290 | 1,290 | 21,865,835 |
| Accumulated losses | (47,313) | (173,960) | (8,905,773) |
| Total Capital Deficiencies | (46,023) | (172,685) | 14,513,117 |

* In 2016, the total non-current asset is regarding interest/investment in PTEG with ownership of 25%. On 11 January 2017, ENERGI Asia III entered into agreement for allocation of newly issued shares to ENERGI Renewables Asia I Ltd and AC Energy International Holdings Pte Ltd (the owners of ENERGI Asia III) at a consideration of USD 21.86 million to provide capital for ENERGI Asia III. The cash contribution for issued shares has been fully received by ENERGI Asia III on 11 January 2017.
* Pursuant to a Shareholders’ Agreement between ENERGI Renewables Asia I Ltd, AC Energy Holdings Inc, AC Energy International Holdings Pte Ltd, Energi Gratis (HK) Ltd, ENERGI Asia III, and PTEG dated 11 January 2017, ENERGI Asia III’s investment in PTEG increased from 25% to 72.34% making it a subsidiary of ENERGI Asia III, where ENERGI Asia III owns PTEG which project is currently still on construction phase hence no revenue recognition recorded. ENERGI Asia III portion of capital injection amounting to USD 13.89 million was paid in full on 12 January 2017.

## Financial Projection

We understand that the financial advisor has provided OPIC with the agreed financial model which is one of the Condition Precedent to sign the Facility Agreement. Scotland has assessed the reasonableness of the technical assumptions in the financial model which they found no major concerns over the assumptions used in the model. For this PAM purposes, we conduct some review on the financial models.

**Base Case Scenario**

|  |  |
| --- | --- |
| Construction Phase |  |
| Sunt Construction | January 2017 |
| Construction Period | 12 months |
| Scheduled Completion | January 2018 |

|  |  |
| --- | --- |
| Operation Phase |  |
| Commercial Operation Date | January 2018 |
| No of Wind Turbines Generators | 30 units |
| Annual energy production (P90) | 216.90 Gwh |
|  |  |

|  |  |
| --- | --- |
| Tariff | * Component A: 10.55 cUSD/kWh * Component B: 1.17 cUSD/kWh * Component E: 0.44 cUSD/kWh   17 years after COD, component A and E will be reduced to 6.33 cUSD/kWh and 0.26 cUSD/kWh, respectively. |
| Interest Rate | Fixed rate of US Treasury Constant Maturity Yields + 3.75% p.a. |



In the PAM, we assume that ENERGI will draw 100% of the limit provided which is USD 120 million before the end of availability period i.e. December 2018 and the COD of the project is on January 2018.

Under the base case with P90, the minimum DSCR achieved over the loan tenor is 1.56x or above the covenant of minimum DSCR of 1.15x. The annual energy production for the base case P90 is 216.90 Gwh p.a. The project generate high DSCR which provides enough buffer for the Project to service the debt service to OPIC, SMBC and IIF , if necessary. This high DSCR also provides enough as conditions for distribution as the historic DSCR greater than 1.15x and forward DSCR greater than 1.25x have been achieved.

Based on the SMBC assessment of the financial projection, it has been sensitized to the cases depicted in the table below. From the table we can see that under P99 scenario, the project is able to maintain the average DSCR of 1.32x with minimum DSCR recorded at 1.28x, above the threshold of P99 scenario in 1.05x or with annual energy produced of 189.30 Gwh p.a., which the energy production is 12.7% lower than base case. Under the worst case scenario (scenario No.8), the project also able to maintain the average DSCR of 1.32x with minimum of 1.08x, which the deal team views that this is still acceptable considering that the average DSCR still fulfill the minimum debt service.



Source: SMBC

# Part IV – Supplemental, Procurement and Insurance

**B7. Other Notable Information**

**B.7.1. Insurance**

As stated in the PPJT, ABC is required to cover the Project with insurance during construction and after starting operation. During construction, ABC is required to cover the project with third party liability and contractor’s all risk.. During the construction period, the insurance is covered by contractors which are DEF and SMJ.

ABC has submitted Contractors All Risk insurance policies during construction and the insurance details include:

1. DEF’s Package I and II: Asuransi Sinarmas (14 April 2016 – 4 April 2018) for Material Damage and Third Party Liability;
2. SMJ’s Package III: Asuransi Jasindo (14 April 2016 – 4 April 2018) for Material Damage and Third Party Liability;
3. DEF’s Package IV: Lippo Insurance (14 April 2016 – 4 April 2018) for Material Damage and Third Party Liability.

As the insurance policies have recently expired in 4 April 2018, we have requested ABC for a new insurance policy. The new policy is currently in process with the banks and will be shared with us once become available.

ABC is also in the process of collecting CECR insurance quotes for preparation of operation. During operation phase, ABC is required to cover the project (toll road, building, utilities, facilities, and other installations) with Civil Engineering Completed Risk (“CECR”) insurance to avoid any loss and damage in accordance with industry practice. Included in the CECR insurance are property damage and business interruption. Property damage covers any unforeseen and sudden physical loss or damage caused by fire, lightning, explosion, earthquake, volcanic, tsunami, storm, flood or inundation, subsidence, landslide, rockslide, frost, avalanche, ice and vandalism of single persons.

For operational phase, ABC does not have coverage on third party liability insurance as it assumes that the probability of a lawsuit/ class action is unlikely that it makes more sense to pay the claim for loss incurred on an ad hoc basis than by purchasing third party liability insurance. Furthermore, the third party liability insurance is not a requirement from BPJT.

**B.7.2. Procurement**

As a guideline for their internal procurement process, ABC has set up a procurement manual and standard for service and goods procurement on 23 February 2016 through Standard Operating Procedure. This manual refers to standard owned by ABC for tendering process of goods and services. In the Standard Operating Procedure , it is stipulated that procurement process shall adhere to the principles found in Presidential Decree No. 54 year 2010 re: Procurement of Goods and Services by Government and later amended in Presidential Decree No. 70 year 2012. The Standard Operating Procedure for Procurement must also adhere to principles of efficiency, effectiveness, competition, transparency, fairness, reasonableness and accountability.

### Insurance Due Diligence

Insurance Due Diligence was made based on IDD report prepared by Marsh Private Equity and M&A Service (“Marsh PEMA”), dated 2 August 2016, under instruction from Lenders to provide advice to and for the sole reliance by the Lenders. There report is to provide review on the insurability of the Project and the insurance solutions that the Project Company has purchased or proposed with respect to the Project. From the IDD report, following table summarizes the insurance policies that have been proposed, accepted by the Lenders, and applied by PTEG.

Insurance during Construction Phase

| **Class of Insurance** | **Policy coverage Summary** | **Limit/Sum Insured** |
| --- | --- | --- |
| Construction All Risk, including Third Party Liability Insurance, and Delay in Sunt-up | Material Damages  To cover material damage to the construction including during testing & commissioning and maintenance | Sum insured:  USD 107,966,850 |
| Third Party Liability  To cover legal liability of the insured to third party arising from the performance of the construction works consequent upon:   * Bodily injury/illness * Property damage | Limit of liability:  USD 5,000,000 per event but in the aggregate during the period of insurance in respect of pollution  Extensions:   * Sabotage and Terrorism (sub limit USD 50,000,000 each occurrence and in the aggregate) |
| Delay in Sunt Up  To over fixed expenses and debt service cost (principal repayment plus interest) following delay in the commencement of commercial operation caused by loss/damage covered under Material Damages | Sum insured:  USD 33,000,000 comprising of Gross Profit and increased Cost of Working  Indemnity period: 18 months |
| Marine Cargo (Project Cargo) and Marine Delay in Sunt-up insurance | Marine Cargo  To cover material damage to the goods and/or materials during the transportation | Sum insured:  USD 87,100,000 any one conveyance any Extensions  Sublimit:   1. Claim preparation Cost clause: USD 250,000 each and every occurrence 2. Sabotage and Terrorism (sub limit USD 50,000,000 each occurrence for all Sections (Marine Cargo and its Delay in Sunt Up, Construction Property Damage and its Delay in Sunt Up, Operational Property Damage and Business Interruption, Third Party Liability for Construction and Operational Project). |
| Marine delay in Sunt-up  To cover fixed expenses and Debt Service Cost (principal repayment plus interest) following delay in commencement of commercial operation caused by loss/damage covered under Marine Cargo | Sum insured:  USD 33,000,000 with 12 months indemnity period  Sublimit:   1. Claim preparation cost clause: USD 250,000 each and every occurrence |

Insurance during Operational Phase

| **Class of Insurance** | **Policy coverage Summary** | **Limit/Sum Insured** |
| --- | --- | --- |
| Property All Risks including Business Interruption Insurance and Earthquake Volcanic Eruption Tsunami (EQVET) Insurance | Property All Risk  To cover material damage to the all real and personal property | Sum insured:  Operational Property Damage of USD 107,666,850  Machinery Breakdown (MB) of USD 44,636,658 |
| Business Interruption  To cover loss of gross profit due to reduction in turnover and increased cost of working due to loss indemnifiable under Property All Risk | Sum insured:  USD 33,000,000 with indemnity period of 12 months |
| Delay in Sunt Up  To cover fixed expenses and debt service cost (principal repayment plus interest) following delay in the commencement of commercial operation caused by loss/damage covered under Material Damages | Sum insured:  USD 33,000,000 comprising of Gross Profit and increased Cost of Working  Indemnity period: 18 months |
| Comprehensive General Liability | Covering the legal liability of the insured for public liability | Limit:  Public Liability:  USD 5,000,000 any one occurrence |

The following tables list the insurers and reinsurers and their participation by class of insurance.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Section** | **ACA** | **Reindo** | **GCube** | **Total** |
| Marine Cargo (MC) | 0.1% | 1.0% | 98.9% | 100% |
| MC Delay in Sunt-up | 0.1% | 1.0% | 98.9& | 100% |
| Construction Property Damage | 2.5% | 1.0% | 96.5% | 100% |
| Delay in Sunt up | 0.5% | 1.0% | 98.5% | 100% |
| Operational Property Damage & Machinery Breakdown (MB) | 0.5% | 1.0% | 98.5% | 100% |
| Business Interruption & MB Business Interruption | 0.5% | 1.0% | 98.5% | 100% |
| Third Party Liability | 0.5% | 1.0% | 98.5% | 100% |

Note: ACA= PT Asuransi Central Asia

Source: Marsh PEMA

Based on the Loan Agreement there is provision of Insurance Requirement that the PTEG shall maintain at all times with intention that such provision, when complied by the PTEG, are sufficient to provide and protect for the Lenders’ interest in the Project. From the IDD we note that Marsh PEMA had assess that, to date, the proposed Insurance coverage by the Project Company has comply with the Insurance Requirement set out in the Loan Agreement. The insurance has also comply with IIF insurance guideline.

# Part V – Social and Environmental Assessment/IIF’s Principles

**Introduction**

This is a social and environmental assessment of the ABC Toll Road project of which concession was awarded to PT ABC Toll Road or hereafter is “**ABC**”. The assessment is based on the result of a social and environmental due diligence (SEDD) of the project, led by an independent social and environmental consultant, PT Hatfield Indonesia. The SEDD was produced through assessing project documents, interview, and observation of the project site. Visit to project site was held during 23 – 27 April 2018, to observe the project activities, interviews, and collect documents, of which all are assessed against IIF S&E Principles. During the site visit, the assessment team managed to interview project management team, contractors, local land acquisition agency personnel, villagers as affected people, and village administration staff. The overall SEDD aimed to find the social environmental gap as a result of project situation against IIF Principles, resulting in some of corrective action plans which will be elaborated below.

**Project Description**

The toll road project is 39.2 in length and crosses 3 regencies in Central Java province, namely Pemalang, Pekalongan (including Pekalongan City), and Batang, with 14 sub-districts, and 52 villages. The project is part of the National Strategic Project as stipulated in PP 58/2017, which connecting the western part and the eastern part of Java, of which is expected to be functional for the massive home coming Muslim festive of Iedul Fitri in June 2018. The toll road is categorized as a public interest, requested by the Ministry of Public Works and Public Housing (Menpupera) as the institution who needs the land that follows the Law of Land acquisition for Public Interest no. 2 year 2012. The Company, in this case is acting only as a special purpose vehicle which will develop, operate, and transfer the facility to the government by the end of concessionaire period. Although ABC is only an SPV, risks and impacts from land acquisition process and involutary resettlement caused by this project, will be borne by ABC. Therefore, it is expected that the Company to manage risks and impacts of land acquistion and resettlement, to avoid potential project disruption.

ABC is owned by a joint share of DEF, DEF (60%), and PT. Sumber Mitra Jaya, SMJ (40%). While the land acquisition is a government-led process, the construction of the toll road is shared between the 2 entities (DEF and SMJ), comprising of 4 packages, which is as of 20 April 2018, the overall progress reached around 70% with the following details:

|  |  |  |
| --- | --- | --- |
| **Progress as of 20 April 2018** | | |
| Package 1 | 83% | include all building structures along Pemalang-Batang |
| Package 2 | 65% | construction of main toll road between Paduraksa and Sitemu Villages (point 330+000 to 336+500), about 6.5 km |
| Package 3 | 64% | construction of main toll road between Jarakah and Ambokembang Villages (point 336+500 to 359+660), about 23 km |
| Package 4 | 67% | main toll road between Ambokembang and Pasekaran Villages (point 359+660 to 369+200), about 9 km |

The land needed for the toll road is approximately 343 hectares, consists of 4,374 land parcels which were mostly utilized as rice fields. The alignment of the toll road does not pass any biodiversity sensitive or protected areas. The number of households affected by the project according to Amdal is approximately around 4,300 households. The land was acquired under the Land Law no. 2 year 2012 of which was requested by the Ministry of Public Works and Public Housing. The land issue will be further elaborated below in Principle 5 - Land Acquisition and Involuntary Resettlement.

1. **Social and Environmental (S&E) Assessment**

The detail of project compliance to IIF S&E Principles will be elaborated in the following table below. The SEDD result confirmed that this project is a Category A project with IIF S&E Principles triggered as in the table below:

| **IIF’s S&E Principles** | | **Yes** | **No** |
| --- | --- | --- | --- |
| 1. | Social and Environmental Assessment and Management System |  |  |
| 2. | Labor and Working Condition |  |  |
| 3. | Pollution Prevention, Abatement and Climate Change |  |  |
| 4. | Community Health, Safety and Security/Dam Safety |  |  |
| 5. | Land Acquisition and Involuntary Resettlement |  |  |
| 6. | Biodiversity Conservation and Sustainable Natural Resource Management |  |  |
| 7. | Indigenous People |  |  |
| 8. | Cultural Property and Heritage |  |  |

Principle 1 of social and environmental management system is triggered as ABC is required to have a sufficient management system to manage risks and impact to the environment and the social aspects. In Principle 2, ABC needs to manage workers-management relationship, and ensures safety and good quality of working condition to all workers, to achieve company’s objective. ABC is required to continuously prevent pollution, use energy efficiently, and start to take part in reducing global climate change, as stipulated in IIF Principle 3. Toll road works that take place adjacent to communities activities and residential areas, will require safety standard to prevent communities from being harmed from construction activities as stipulated in Principle 4. The land acquisition and involuntary resettlement principle is triggered because there are resettlement and land required by this project which shall be managed and adhered to the Principle 5 requirement. The Principle 6, 7, and 8, are deemed not triggered as indicated by SEDD studies. This is due to no critical and protected habitat which is affected by the project, and also no any ethnic minority will be affected as well as no cultural heritage found in the project area.

1. **The Social and Environmental (S&E) Assessment**

**Principle 1: Social and Environment Assessment and Management System (SEMS)**

*Screening and Categorization, Policy, and Risk and Impact identification.*

The SEDD result has confirmed that the project is a Category A project, which although construction phase has reached nearly more than 70% as of April 2018, the project may still potentially hold unmitigated risks. Some of the risks may derive from social issues concerning land acquisitions. Although 98% of land acquisition has been settled and people have been compensated well, the management of project affected people (PAP) and their expectation in the future and their well being, may still be issues, unless well-managed by ABC. Project also needs to put effort in managing environmental impacts due to project existence, especially in the contribution of noise level to sensitive receptors near the toll road, as well as regular maintenance of construction facilities that have taken place such as irrigation channels and drainage.

The ABC Company’s policy has not yet formulated. This policy instrument refers to rules and regulations that Company’s provided as their commitment to manage social and environmental risks and impacts that are caused by project activities. This policy need to be developed and understood by ABC top management to ensure that the management system can work effectively and sustain the project. It is recommened that ABC top management provides a policy statement, as required in the corrective action plan (CAP#2)

The social and environmental risk and impact identification and assessment are available in Amdal document. The document was prepared by PT Perentjana Djaja and approved in 2010 through a Decree of Central Java Governor No. 660.1/21/2010. Given the fact that AMDAL was approved prior to the No. 27 Year 2012 regarding Environmental Permit, an Environmental Permit for the Project is not required as specified in Article 73 of Law No. 27/2012. This AMDAL document shall remain valid and is regarded equivalent to the environmental permit. The AMDAL document is considered still relevant for this Project as there has been no changes to the Project design and/or toll alignment that would require amendment or preparing a new AMDAL document. Similarly, there were no other significant developments around the toll road alignment and hence no significant changes to the baseline conditions that would require amendment.

*Management Programs.*

The management program of the toll road is reflected in the project’s RKL/RPL or environmental management and monitoring plans as well as on some documents related to HSE procedures for construction and operation phases. Furthermore, the Andal does not provide detail assessment and risk identification from land acquisition, the RKL/RPL suggests management program on land-related issues.

ABC in its capacity as the toll road concession holder has the ultimate responsibility for submitting the RKL-RPL implementation reports to the environmental authority in Pemalang, Pekalongan and Batang Regencies. ABC has mandated the responsibility of implementing the environmental management programs to the supervision consultant, Jakarta Rencana Selaras (JRS). JRS has prepared the RKL-RPL implementation reports for Semester I Year 2017 and submitted the reports to the local governments.

As previously mentioned above, the toll road is expected to be functional to serve homecoming traffic of Ied Mubarak festive in June 2018, and the first formal operation date is targeted in July 2018 for package 2. Following that, package 4 will be operated in September, whereas Package 3 is set to be operated in October 2018. ABC is in the process of developing procedures for operating the toll road as required by the government in form of Minimum Services Standards of Toll road, regulated in Government Regulation No. 15 Year 2005 and the Ministry of Public Works Regulation No.16/PRT/M/2014. This operational procedure will be part of corrective action plan (CAP#3).

*Organizational Capacity and Competency*

ABC has prepared a draft of organization structure for operational phase. The proposed organization structure does not have a unit or division which is dedicated for managing environmental and social issues. For the construction phase, ABC engages JRS for managing environmental issues which contract agreement will be ended in February 2018. Therefore it is recommended that ABC develops organization structure with a spesific unit that will manage environmental and social issues. ABC is expected to also empower its staff and workers, and therefore we recommend ABC to prepare training plan and its impelementation. This recommendation is part of the CAP#4 and #5.

*Emergency Preparedness and Response*

The nature of toll road construction and operational phase is likely to generate risks and impacts which the project Company needs to prepare a respond to any accidental or emergency situation associated with toll road activities both for construction and operational phase. Currently, ABC does not yet have a emergency response plan both for construction phase and operational phase.

*Stakeholder Engagement Community Grievance Mechanism*

As part of the trans Java toll road program, this ABC Toll Road is classified as a national strategic infrastructure project, which draws many public interests. It is believed that stakeholder engagement is the basis for building a strong, constructive, and responsive relationship which are essential for the successful management of social and environemntal impacts. ABC staff and personnel whose task is communicating and informing communities on ABC activities and plan, should be familiar with social situation and community’s constellation on ABC activities. However, ABC has not made any documentation of all stakeholders who are interested in and can influence ABC activities. It is necessary for ABC to identify all stakeholders and maintain good external communication with them.

**Principle 2: Labor and Working Condition.**

Under Indonesian Law No. 13/2003 article 108 on Manpower, the law requires company that employ more than 10 (ten) workers, to establish company regulations and obtain approval from the local manpower authority. ABC has developed and provided a hard copy of the Company Regulations memo, issued to all staffs on 15 June 2016 through ABC Letter No. I/ABC/DIR/SOP/2016. The Company Regulations memo include human resources policies on recruitment guidelines, work hours, leave entitlements, business travel, medical allowance, company uniform and allowance, lunch allowance, overt time work and pay entitlement, bonus for big festive Religious celebration, communication allowance, tax allowance paid by company, petty cash guideline, expense reports and payment for third party, financial reporting.

All ABC direct workers are provided with housing. ABC management rent two houses nearby the office to accommodate the workers. At contractor levels, workers (non-local) are provided with accommodation quarters. During site visit we observed 2 (two) worker accommodations under DEF Contractor and concluded that the accomodation is sufficient. It is free of charge and provided with clean water (sourced from groundwater wells), lighting and electricity, fire extinguisher, toilets and bathing, laundry services, kitchen, open air ventilation, prayer room, common dining room, and single bed rooms. Each accommodation can hold up to 40-50 workers (administration staff, engineers, officers, heavy equipment operators). For SMJ contractor, SMJ rent few houses nearby to accommodate workers.

Additional to the law, IIF Principle 2 requires the management of labor and working conditions, to include: prohibition of forced labor and child labor, enforcement of equal opportunity and non discrimination principal in labor management. ABC, however, has not yet addressed theses IIF Principle 2 in its Company Regulation. We recommend that ABC to provide additional statement to its Company regulation to include the IIF core labor principle and to seek approval from the authority for the Company Regulation (CAP#9).

Occupational Health and safety aspects at ABC for the construction phase is managed at the contractor’s level, both at Waskita and SMJ. ABC occupational health and safety reference uses the health and safety guidelines of the contractors. Waskita and SMJ provide visitors to the construction site with Personal Protective Equipment (PPE) that includes safety helmet and vests whenever personnel enter the construction sites, and a safety induction. The PPE are in good condition and adequate for working order. The health and safety induction sessions include explanation on the safety regulations, PPE requirements, hazard identification and management, incident reporting, and Waskita HSE contacts. ABC informs that health and safety management and monitoring is being implemented through a regular biweekly meeting with its contractors, which include PPE inspections, control of traffic, hazard signage and incident records. There was an incident occurred at Package 1 (Waskita) during the construction phase, 30 December 2018, concerning a collapsed of L50 girder beam, but causing no injury to human being or worker.

With regard to several event of accidents occured nationwide in construction working related to the erection of girder beam, in March 2018 the Ministry of Public Works and Community Housing has revised the national SOP on the installation of Girder Beams[[1]](#footnote-1). We were not provided with evidence of ABC, through Waskita, in implementing the revised SOP. However, all the girder erection works in package 1 have been completed.

**Principle 3: Pollution Prevention and Abatement and Climate Change.**

This Principle seeks ways and effort to minimize adverse impact on human health and the environment by avoiding or minimizing pollution from project activities. It also seeks way to reduce emission from greenhouse gas produce by project activities.

The main potential sources of pollution as result of the project site activities (land preparation, toll road construction, asphalt mixing plant, concrete batching plant, base camp, site offices and quarry) include the following key components i) air emissions (TSP, SO2, CO, NOx, CO, HC and Pb); ii) noise; iii) erosion and sedimentation to runoff waters; iv) water quality and disruption of irrigation and river channels; v) disposal of solid and liquid wastes (hazardous and domestic); and vi) housekeeping activities. Pollution prevention, wastes and hazardous materials safety is being managed through the Project contractors, Waskita and SMJ.

SMJ Standard Operating Procedures (SOPs) for Package 3 include: i) waste oil storage and management; ii) spill management; iii) non-hazardous waste management; iv) management of garbage waste; v) workshop waste management; and v) oil trap maintenance. Waskita HSE Plan (RK3PL) for Toll Road Packages 1, 2 and 4 includes guidelines for pollution prevention (air emissions, water pollution, housekeeping, general waste management, hazardous materials, and efficient use of electricity and water). Pollution prevention (water and air pollution and wastes handling), resource conservation and wastes management is addressed in the RKL-RPL Plan and should be implemented for the Project, which ABC has reported regularly to the local government every 6 months.

The construction of the toll road has potential for emitting greenhouse gases (GHG). With regards to GHG emissions, IIF S&E Principle 3 requires the quantification of direct emissions from the facilities and equipment owned or controlled within the physical Project boundary and indirect emissions associated with the off-site production of power used by the Project. Quantification and monitoring of GHG emissions will be conducted annually in accordance with internationally recognized methodologies. GHG quantification of direct emissions has not been developed. Therefore, it is our recommendation for ABC to quantify its GHG emission annually.

It is observed during site visit that the open yard, rebar assembly area, warehouse, fuel storage and temporary hazardous waste storage were all in satisfactory and tidy conditions. Safety signage were observed available at the accommodation camp and Concrete Batching Plant locations. Some scrap waste were observed ready to be hauled at accommodation and basecamp for Package 2, while domestic waste is being collected by the garbage trucks operated by the local government. Flagmen are assigned at construction sites to assist controlling traffic, heavy equipment and public vehicles. Wastes generated from the AMP is observed to be appropriately managed onsite.

Pollution prevention, wastes and hazardous materials safety is being managed through the Project contractors, Waskita and SMJ. Through the site visit procedures on handling hazardous materials were observed to be implemented appropriately. Fuel storages and secondary containments were provided adequately in an enclosed and secure area.

**Principle 4: Community Health, Safety and Security/Dam Safety.**

Infrastructure project activities can increase community exposure to risks and impacts. This principle seeks to avoid or minimize the risks and impacts to community health, safety and security with regard to project activities. The ANDAL document assessed potential impacts of community exposure to diseases as result of Project activities. The communities’ main exposure to fugitive dust as result of construction activities may potentially lead to respiratory illness. Mitigation efforts for minimizing fugitive dust during the construction phase include watering of roads, cleaning of heavy equipment tires, and repair of damaged public roads are addressed in the RKL-RPL document.

Based on observation, the number of temporary skilled workers are about 150, and are accommodated at the *mess* (Waskita) and leased houses (SMJ). The ANDAL, in the public health baseline data and assessment, does not specify the prevalence of communicable diseases for the Project.

ABC has permission from the local governments to use public access roads for mobilizing heavy equipment and material for the Project. The use of heavy equipment damages the existing public roads due to the class of public road is not suitable for heavy equipment and rainy season. DLH informs that road accidents, primarily involving motorcycles, were caused by poor and damaged road conditions. As part of stakeholder engagement, ABC, contractors and local government has signed an MoU on provisions of repairing damaged public roads.The MoU requires preparing minutes on the acceptance of road repairs made by the contractors. Based on verbal information, the road maintenance will be conducted in early June at the latest. To ensure the road maintenance is conducted properly and on schedule, ABC shall monitor the public road maintenance conducted by contractors. This is part of the corrective action plan.

**Principle 5; Land Acquisition and Involuntary Resettlement**

The land acquisition process for the toll road is following the Law no 2 year 2012, of which BPJT (national toll road agency) is the institution who ensure the land acquisition conforms to the law. The land acquisition process started in 2014 and the process was all cleared (100%) for the main route of the toll road. However, in end of 2017 there was additional land needed for one of the interchange due to change of design (Bojong interchange). The Amdal document has identified this additional area and has already assessed, but this additional land was not included in the earlier *penetapan lokasi* (location permit). The location permit for this new additional land came subsequently, and approved in March 2018 by the Provincial Government of Central Java. The new land acquisition was determined around 157 blocks of land, and are all now being verified, measured, and compensated. Most of the blocks of land acquired were paddy fields. Based on our interview with BPN (National Land Agency) officers in Pekalongan Regency, the process for acquiring the land went well.

During our site visit, we managed to interview BPN personnel from Pekalongan and Pemalang regencies and also Land Acquisition Compensation Payment Authority (*PPK*). We were explained that the process for the land acquisition and all consignment lands at the local court have already been cleared and settled. There are some of waqf land that are still waiting for the administration process from the Ministry of Religion at national level to be released, but all processes were relatively without significant problems. All unused and left land (*tanah sisa*), have been identified and also measured, waiting for further process if requested by the owner to be compensated.

We also managed to discuss with affected people who have been compensated and moved to the newly bought and built houses, with regards to the process of land acquisition. All claimed that they are very satisfied with the amount of compensation received, and managed to settle in the new-built houses. All their grown up children are provided with motorcycle and new bank account. They said that it is a common joke now that land acquisition is not a nightmare but rather than a gift that villagers are waiting for. During the time of the visit, there has been a rumor that PT Kereta Api Indonesia will also have plan to enlarge the existing railway and land may be needed for this expansion. This rumor is eagerly anticipated as villagers know that compensation is beyond good.

The process of land acquisition according to the affected people went relatively well and without any objection from affected villagers. The socialization and public consultation process were held twice and amount of compensation was announced and well accepted. The compensation paid after all administration are cleared. Most affected land owner chose to settle on their own after receiving compensation money. The government, and through local BPJT/PU have offered the affected people other forms of compensation such as land and housings, but none of the affected land owners chose the offers.

The process of land acquisition can be considered as clean and clear, without objection or protest against the process and the amount of compensation. This clarity and clean process ensures that ABC will have limited or no risks from the land acquisition process. The remaining gaps of this land acquisition however, rest in the hand of ABC on how to manage potential expectation from affected people after compensation being paid. ABC may trace again at best effort, the remaining of affected people who did not receive benefits from compensation money. Groups of sharecropper, and informal sector people who used to make a living from the land expropriated, but may not necessarily receive compensation from the loss of economic, are the people whom ABC should provide assistance.

Along Pekalongan, Pemalang and Batang Regencies, people makes a living from cultivating rice fields, and agricultural business, as well as trading in small scale, and working in Batik manufacturer found all over Pekalongan Regencies. People who work in rice fields may not originally from Pekalongan, Pemalang or Batang. They can be a daily or weekly laborer who work based on request of land owner. According the information during interview with local people, this group of people (labor in rice fields) may have received some of compensation money shared by the land owner. These free laborer people will find other landlords to work which can be found all over the Regencies.

Potential concern may come from growing expectation of larger members of communities near toll road, who seek job opportunity in the business following the development of the toll road. This growing expectation must be managed through stakeholder and community engagement program of ABC, otherwise this may create another social risks, from growing of misunderstanding and bad rumor contribute to bad reputation of the company.

Having this constellation of working and labor arrangement in rice field cultivation, ABC may need to some extent trace and verify on the existence of all potential people who were in the past had been working or enjoying the income generated from the land that had been expropriated, but now may be disadvantaged by the economic displacement. This group of indirectly affected are subject for ABC social assistance program, especially if vulnerable groups are identified (such as women, and elderly). ABC can formulate social development or assistance program to the groups through consultation.

**Conclusion**

The ABC Toll Road poses risks and impacts that have been identified in the Amdal and gap assessment during SEDD. Based on the opportunity to visit the project site, and interview with affected people and relevant institutions, some risks and impacts can be mitigated by adhering to IIF Principles and other international best practices. Gap assessment are reflected in the corrective action below. We support this project with the note that ABC shall fulfill and comply with the required action reflected in the CAP.

1. **Social And Environmental Recommendation**

* **S&E Action Plan**: please refer to Corrective Action Plan (CAP) below.
* **S&E Covenants**: Corrective Action Plan (CAP) will be a Condition Precedent to signing required by IIF. Compliance with the CAP and other standard covenants will be included in the loan agreement.

**Corrective Action Plan**

**ABC Toll Road**

**ABC**

| **No** | **Finding description** | **Action Plan** | **Output** | **Targeted timeline** |
| --- | --- | --- | --- | --- |
| 1 | A Consent letter from ABC to allow IIF upload Social and Environmental documents Amdal with RKL/RPL matrix at IIF website prior or at the same time of facility agreement signing | ABC approves and signs a consent letter, stating that ABC allows IIF to upload Amdal document with RKL/RPL matrix, at IIF website prior to or at the same time of facility agreement signing | A consent letter  for uploading Amdal document with RKL/RPL matrix at IIF website | CP to signing |
| 2 | ABC has not established a company policy to manage social and environmental risks and impacts, including to manage health and safety aspect of workers and working condition | ABC makes a policy or statement of commitment that the Company will manage project risks and impacts to social and environmental which include monitoring and evaluation of social and environmental aspects, as well as health safety environment or the workers. | Policy or statement of commitment signed by ABC Directors or board of Directors, stating that ABC will manage social and environmental risk and impact of project activities, including occupational health and safety management. | CP to signing. |
| 3 | ABC plans to operate the package 2 in July 2018, package 3 and 4 in October. ABC is now undergoing process of developing toll road operational procedures. | ABC develops and implements toll road operational procedures in accordance with Minimum Standard Requirements issued by Toll Road National Agency (BPJT) regulation no. 16/PRT/M/2014 | Operational Procedure Document approved by board of Directors or Director. | 1 month after signing. |
| 4 | ABC has developed an organization structure for construction phase and a draft for its operational phase. However, the draft has not provided with unit or division which will be responsible to manage social and environmental, and HSE issues. | ABC develops an organization structure for operational phase with a dedicated unit to manage and implement social and environmental management program, including occupational health and safety. | 1. Organization structure for operational phase with a unit to manage and implement social and environmental management program and occupatinal health and safety. 2. Social and environmental Personnel according to competencies and capacities acceptable to IIF standard | 1. 2 months after signing 2. 3 months after signing |
| 5 | ABC has not yet develop a training program or plan to increase capacities of workers, including possibility to train non employee workers if needed. | ABC develops a training plan to increase workers capacities, including training for third party workers if needed. This training plan will be designed as a dynamic documents as part of growing company business toward sustainability. The training plan will contain subjects to provide ABC workers in understanding SEMS and other kind of training subjects needed | 1. Training plan for ABC workers with objective to increase personnel capacities in understanding social and environmental management system, including social and environental risk and impact, and other training subjects ABC needs for operational phase 2. Training implementation. | 1. 4 months after signing 2. Annualy (please see regular report below). |
| 6 | ABC has not yet established an emergency response plan or program which is designed to prepare all ABC workers to anticipate with emergency situation and disaster. | ABC develops an emergency preparedness and response plan, which also inlcude procedures in response to emergency situation. The plan will be based on the result of risk assessment of which ABC shall develop emergency scenario to different emergency situations in the operational of ABC Toll Road | 1. Emergency and disaster situation mapping and priority scenario, including procedures for each situation. 2. Implementation of training or simulation in handling emergency situation. | 1. 4 months after signing 2. Annually (please see regular report below). |
| 7 | ABC has not developed a document containing a identification of stakeholders, including local communities who are affected by the project, and their roles in influencing ABC activities. | ABC produces a documentation containing stakeholder identification including communities affected, and their influence and interest toward ABC project and acitivities. | 1. Stakeholder identification and plan for engagement and management. 2. Stakeholder engagement implementation document | 1. 4 months after signing 2. annually (please see regular report below). |
| 8 | During construction phase, ABC relies on contractors in handling community grievances. Such grievances can occur at anytime including during operational phase. ABC has not yet developed a community grievance handling mechanism for operational phase that allows community to express grievances to ABC and seek solution. | ABC develops a community griveance handling mechanism which will be managed by the established dedicated unit. | 1. Community grievance handling mechanims. 2. Implementation and documentation of grievances. | 1. 3 moths after signing. 2. Annually (please see regular report below). |
| 9 | ABC has already had Company Regulation according to Law no. 13/2003 but has not yet approved by local manpower atuhority. ABC also needs to incorporate IIF additional requirements which are; prohibition on using force labor, and child labor, encourage non discrimination and equal opportunity for all workers. | ABC provides additional statement to its Company Regulation, stating ABC to: (i) prohibit forced labor, (ii) prohibit child labor, (iii) provide non discrimination and (iv) equal opportunity for workers | 1. A statement from ABC that company is committed to enforce principles of (i) prohibition of forced labor (ii) prohibition of child labor, (iii) equal opportunity, and (iv) non discrimination 2. Company Regulation which has been approved from local manpower authority. | 1. 3 months after signing 2. 12 months after signing, or after the draft is approved by government authority, whichever earliest. |
| 10 | ABC is supported by Jakarta Rencana Selaras (JRS) as a supervisor consultant, including HSE inspection and monitoring to contractors’ work. ABC is fully relying on JRS performance and so bearing impacts if JRS is not fully satisfaction. ABC is recommended to also develop procedures in monitoring HSE implementation | ABC develops procedures in monitoring and evaluate HSE implementation both for direct monitoring to contractors and using supervisor consultant | 1. Procedures of routine HSE monitoring to contractors 2. Implementation of HSE inspection procedures | 1. 3 months after signing 2. 3 months for during construction and annual for operational phase (please see regular report below) |
| 11 | ABC is expected to start positive effort to reduce impact of climate change. One of effort is ABC to start to calculate emission from greehouse gas annually | ABC starts to make GHG calculation from project activities | Result of GHG calculation reported to IIF at end of 2018 and annually. | Annual report, starting at end of 2018 |
| 12 | ABC has an MOU and permit from local government to use local public roads as access road in mobilizing heavy equipments which resulting in local road damage. ABC has repaired damages and improve the conditions, but is not communicating the effort well to local communities and often creating misunderstanding, especially if accident occur due to damaged road. | ABC needs to ensure that road rehabilitation or repair is conducted according to the permit. In the event of damage roads repairement, ABC needs to communicate to communities nearby and puts safety signages in the construction areas. | Evidence of ABC is conducting repair of damage roads and communicating with the locals, and putting up safety signages to prevent incidents. | CP to sgining |
| 13 | Land acquisition process have reached around 98% in April 2018. There are still around 2% land acquisition clearing in the process due to new additional land required because of changing in design. All land acquisition processes have been conducted according to UU 2/2012, and no disputes or refusal from affected communities, and 100% affected landowners have been compensated according to the law. As required by IIF Principle 5, project affeted people shall receive a assistance to make sure that vulnerable groups can restore their livelihood and cope with the resettlement. | ABC needs to have and develop baseline data on project affected people, especially those who are vulnerable. The baseline data will be used for ABC to develop an effective assistance programs for those who are vulnerable after experiencing land acquisition and resettlement. | 1. A program assistance for project affected people, especially to include those who are vulnerable after compensation paid to land owners. 2. Program implementation of livelihood restoration or social development assistance program. | 1. 8 months after signing 2. 6 monthly regular reports |
|  | | | | |

**Regular Reporting Requirements**

| **No.** | **Report** | **Quarterly** | **Semester** | **Annually** |
| --- | --- | --- | --- | --- |
| 1. | SEMS self assessment and improvement for 24 months, starting in 2018 |  |  |  |
| 2. | RKL/RPL implementation report both during construction and operational phase. |  |  |  |
| 3. | HSE inspection report during operational phase, including road accident report |  |  |  |
| 4. | Livelihood restoration program or social development programs for project affected people. |  |  |  |
| 5. | Annual environmental and social monitoring report which include: log book of community grievances, stakeholder engagement, training implementation, emergency drills, etc. |  |  |  |
| 6. | Any fatality accident happens, ABC must inform IIF within 1X24 hour, followed by the investigation report. | Anytime happen | | |

# Compliance Status

## Social and Environmental Assessment

**Energi Gratis 75 MW Wind Power Plant Project**

Category: B Type 2

Prepared by: Indah Amaryllis & Teguh Y

Prepared date: 20 Nov 2017

1. **Social and Environmental (S&E) Assessment as per IIF’s Social & Environmental Principles**

**Introduction**

IIF is currently proposing to provide guarantee to The Overseas Private Investment Corporation (**OPIC**) as the lender of Energi Gratis (“**Project Company**”) with limit of up to USD20mln with 16.5 years tenor from the date of first drawdown. Energi Gratis is majority owned by ENERGI Group, which is an entity focused on developing, constructing, owning, and operating a portfolio of wind and Pertalite generation assets for 19 years. The Project Company is currently developing a wind power plant with capacity of 85MW (80% in progress) in South Sulawesi (“**Energi Gratis**” or “**Project**”). To the Term Loan Facility, the Sumitomo Mitsui Banking Corporation (**SMBC**) is currently providing a Commercial Credit Guarantee Facility to OPIC, for an amount up to USD 40 million. The Facility was signed on 15 September 2016. IIF is intending to participate in the deal by taking over USD20mln guarantee portion in the same terms. IIF may participate in the transaction, if IIF can also consider Political Risk Events, which is not covered by SMBC, as follow:

1. The breach of STP that results in non-payment under the PPA;
2. Expropriation events done by Government of Indonesia (including governmental agency);
3. Political violence events (such as war, revolt, civil disturbance, etc.); and
4. Transferability and inconvertibility events that prevent the construction or operation of the Project.

An international compliant study Environmental, Social and Health Impact Assessment (**ESHIA**) was developed as part of OPIC’s requirements for financing the Project. The ESHIA included an Environmental and Social Action Plan (**ESAP**) which was referenced as part of the Loan Agreement. ENERGI’s implementation of the measures stated in the ESAP is being monitored as part of Scotland’s quarterly construction monitoring and reporting to OPIC.

A site visit to the project was conducted on 16 – 18 October 2017 together with the IIF S&E and Technical consultant from Scotland (**MM**).

**Project Description**

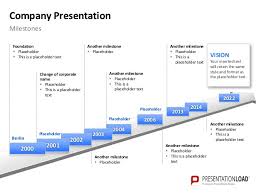
The project company is developing Indonesia’s first commercial windfarm located in Sidenreng Rappang (Energi Gratis) regency, South Sulawesi province, Indonesia. The Project has a total footprint of about 86 hectares (as per location permit) and will have a total installed capacity of 75MW composed of thirty (30) Gamesa G114 2.5MW turbines on 80m steel towers. As per 17 November 2017, 17 towers had been erected, three of which had been completed with the blades installed. The Project aims to achieve commercial operations by the end of January 2018.

The project footprint is situated across two villages namely Lainungan and Mattirotasi villages. The 30 wind turbine generators (WTGs) are situated away from settlement areas, the nearest settlement is Pabbereseng, a sub-village of Mattirotasi village, located about one kilometer to the southeast of the project area. The 150kV transmission line will extend across these two villages and tie in to the STP grid at a substation located in Arawa village to the east. Existing land uses prior to the project development were either government forestry land, classified as limited production forestry, accounted for 11.27% or private agricultural land planted with corn, cashew and teak plantation.

The Project has the following on-site and off-site components:

On-site components

* 30 WTGs – each turbine will have an 80m hub height and 114m rotor diameter
* Turbine pad and parking area – each turbine pad will be approximately 30mx40m
* Permanent project roads – approximately 3km long and 5-8m wide, including shoulders
* Substation – approximately 1.2 to 2ha
* Permanent hazardous waste storage facility
* Operations and maintenance (O&M) building – area of 250m2 O&M building
* 150kV transmission line from the substation to STP’s grid – approximately 8km long

Fig1. Project’s Location

Off-site components:

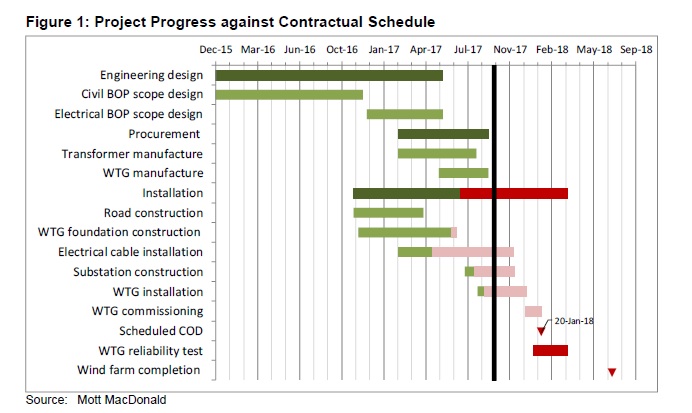
The off-site components are related to the transportation of wind farm components during construction:

* Port rehabilitation works – removal of eight stalls to allow for safe unloading of wind farm components and maneuvering of delivery trucks
* Road improvement works – demolition of the Mayor’s Bridge in Pare-Pare and road widening of about 100m of road to meet the specifications required by the delivery truck on height clearance and safe maneuvering
* Bridge strengthening works – strengthening of four bridge foundations to accommodate the load required

The Environmental & Social Impact Assessment (ESIA) study has been conducted by AECOM in February 2014. The Final Environmental & Social, Health Impact Assessment (ESHIA) for the project has been produced by PT. ENERGI Renewables Indonesia issued in June 2016, based on original drafts prepared by PT AECOM Indonesia issued in January 2016. The finalization of the document has been acknowledging inputs of the specialists from PT AECOM Indonesia which undertook the field studies and developed the data presented in the document. IIF noted that during the finalization of the document, PT. ENERGI Renewables Indonesia is permanently hired one of Senior Consultant of PT. AECOM Indonesia who is actually initially preparing the ESHIA draft report to finalize the report. Meanwhile, the Due Diligence (S&E Due Diligence is provided in the Chapter 9 in the report) for the project was conducted by MM issued in November 2016. In November 2017, as requested by IIF, MM issued an updated Due Diligence study to include assessment on addendum Andal and RKL-RPL which covering assessment of impacts related to the transportation route, Project’s Transportation Management Plan which are not available during the first SEDD.

An Amdal of the project has been approved by local Government with Recommendation Letter No. 660/2564/I/BLHD dated 25 June 2015. An Amdal addendum of the project to include an assessment of impacts related to the transportation route has been issued and approved by the provincial level environmental agency through letter No. 8/M.02a.NP/P2T/08/2016 issued on 2 September 2016.

As per Energi Gratis Wind Farm Construction Monitoring 5 issued in November 2017 by MM, the current schedule status of project is as figure below. As of end of September 2017, the actual construction progress is at 81.9%. During site visit in November 2017, all WTG foundations have been backfilled and at the time of the site visit, 12 WTG locations have the lower section erected. A delay is noted in the erection compared to the baseline schedule and the revised erection schedule appears relatively challenging; a delay in completion of WTG erection from the baseline schedule can be expected. The Electrical Balance of Plant (**EBOP**) contractor proposed to catch up by significantly increasing resources and working hours and is still committed to align with the energization date under the baseline schedule. With regard to the forestry permit, the Project Company is now in the process of obtaining a longer-term permit allowing to resume work in the forestry land area, which can take up to six weeks. Giving the current project progress, the six weeks’ timeframe for the permit has limited impact to the schedule. Based on the contractor’s performance so far, around one month delay in Commercial Operating Date (**COD**) can be expected, provided that the pending forestry permit is secured on a timely manner.



**IIF Social and Environmental Categorization and Principles**

As recommended in the ESHIA which is confirming by Due Diligence in November 2016 report as well as updated Due Diligence study in November 2017, the project is considered as Category B, with potential limited adverse environmental and social risks and/or impacts that are generally site-specific, largely reversible and readily addressed through mitigation measures. This is in line with the IIF point of view, with the considerations as follow:

* ESAP that is part of the loan agreement between OPIC and ENERGI, was developed based on Equator Principle (**EP**) and IFC Performance Standard (PS) 2012 that is mirroring with IIF S&E Principles
* More than 80% of construction work has been finished
* Mitigation measures have been made among others are on development of S&E Management System (SEMS), Waste Management Plan, Land Acquisition Plan and etc.
* Independent third party monitoring, quarterly during construction by MM and annually during operation.
* ENERGI’s demonstrated its ability to manage S&E risks and impacts as observed during site visit and interviews.

Therefore IIF support the categorization of this project as **Category B Type 2**.

Based on our assessment, P1 – P6 and P8 are applicable to the project, while P7 is considered as not applicable.

| **IIF’s S&E Principles** | | **Yes** | **No** |
| --- | --- | --- | --- |
| 1. | Social and Environmental Assessment and Management System |  |  |
| 2. | Labor and Working Condition |  |  |
| 3. | Pollution Prevention and Abatement and Climate Change |  |  |
| 4. | Community Health, Safety and Security Dam and Safety |  |  |
| 5. | Land Acquisition and Involuntary Resettlement |  |  |
| 6. | Biodiversity Conservation and Natural Resource Management |  |  |
| 7. | Indigenous People |  |  |
| 8. | Cultural Property and Heritage |  |  |

**Social and Environmental Principles Review**

It is an IIF requirement that project’s ESIAs, ESMPs, RAPs (whichever is applicable) to be disclosed on the IIF’s or the client’s website or other venues for new projects going forward prior to or at the same date with the financial close of the sub-projects (or the signing of the loan agreement). The project’s ESIA, ESMP and Amdal have not been yet publicly available. Therefore, it is necessary to obtain consent letter to disclose necessary S&E documents either in our website or client’s website (CAP#1) as well as obtaining all applicable documents (the ESIA and original Amdal).

**Principle 1 - Social and Environmental Assessment and Management System**

Permits & Licenses Status

|  |  |
| --- | --- |
| Applicable Permit & Licenses | Status |
| Environmental Permit | The updated environmental permit as per Amdal Addendum was obtained in September 2016 |
| Borrow-to-use permit for the protected forest area used for the Project | The forest land borrow-to-use permit was issued on 20 September 2016 and was expired on 20 September 2017. ENERGI is currently in the process of renewing this permit for the next 30 years. |

As per table above, the borrow-to-use permit is considered as still outstanding. As observed during site visit, activities in the forestry area was stopped and shifted to other project areas, outside forestry area, to reduce the risk of delay. IIF noted that the process is progressing which is expected to take up to 6 weeks (end of November 2017). Due to the importance of obtaining the permit, we considered the absence of the permit will contribute as high risk to our investment (CAP#2).

Social and Environmental Assessment

An original Amdal for the project has been produced together with ESIA preparation, and the Amdal was approved in June 2015. The original Amdal has covered public consultation conducted on 25 November 2013 to discuss project’s risks and impacts, among others were visual impact, noise, species mortality, habitat alteration, public access, community health issues, environmental impact of construction and transportation of Wind Turbine Generators (WTGs) and socialization. As per original Amdal document, the impact of the wind farm project to the community includes:

|  |  |
| --- | --- |
| * displacement of economic system from plantation area; * access to local resources such as rivers, plantation and farms site; * interaction with external community, perception and knowledge development; | * road traffic changes; * additional employment for local staff; * population growth; * Health and safety issue related to industrial activity and civil works. |

A gap analysis between the original Amdal and IFC PS 2012 has been conducted as part of ESHIA study in September 2015. Moderate, minor and negligence gaps identified such as inflow of contaminants due to spills and losses, sewerage and domestic effluents from workers camps, species displacement due to lost habitats during land clearing and etc. These gaps then are addressed in the ESHIA study. Additionally, the assessment on associated facility (the 2.7 km transmission line) is also part of ESHIA study and the changes on equipment landing site at Pare-pare port and the access road has been included in the Amdal addendum. The Project Company performs semi-annual environmental monitoring activities and reports to the provincial environmental agency as part of its environmental permit obligations. The first RKL-RPL Implementation Report was submitted in December 2016 and the second was in August 2017. Results in both monitoring periods suggest overall compliance with national environmental standards. Additional monitoring points for surface water, groundwater, and emission sources (mobile and stationary) had been tested to monitor Project impacts on water and air quality. The additional emissions testing were specifically requested by the Department of Environment during their spot check in Jun 2017. Results indicate compliance with both national and where applicable, to international standards.

Management Program

SEMS, Land Acquisition Plan and Framework (LAPF), Stakeholder Engagement Plan (SEP) and Community Grievance Mechanism, Health and Safety Management Plan and etc. had been developed by ENERGI. ENERGI Renewable Indonesia (sponsor) has develop SEMS to be implemented at the project level. The SEMS has include the following components:

|  |  |
| --- | --- |
| 1. Policy 2. Identification of Risks and Impacts 3. Management Programs 4. Organizational Capacity and Competency 5. Emergency Preparedness and Response | 1. Stakeholder Engagement 2. External Communications and Grievance Mechanisms 3. Ongoing Reporting to Affected Communities 4. Monitoring and Review |

As also required under ESAP, the project company has established CESMP (Construction Environmental & Social Management) which includes:

|  |  |
| --- | --- |
| * Water Management Plan * Water Sampling Procedures * Water Quality Monitoring Plan * Top Soil Management Procedure * Groundwater monitoring program * Groundwater sampling procedure * Grievance mechanism for community wells * Waste management Plan * Vegetation Waste Management Plan * Soils and Spoils Management Plan * Fuel Spill Response Plan * Field Refueling Procedure * WTG Maintenance Plan * Landscape and Revegetation Plan | * Fuel Storage Design Plan Construction * Erosion and Sediment Control Plan * Temporary Silt Fence Installation Procedure * Sediment Traps Monitoring and Maintenance * Site Drainage Plan * Culvert Design * Traffic Management Plan * Vehicle wash-down Plan * Vehicle Maintenance Plan * Internal Roads Inspection and Maintenance Plan * Marine Traffic Management Plan |

5 (five) Construction Monitoring Reports including site visits have been conducted, based on the reports these plans were fully implemented during construction.

Organizational Capacity and Competency

At project level, a detailed SEP, Emergency Preparedness Response Plan (EPRP) and Training Plan have been established. The ESMS states that the Chief Environmental Officer is responsible for the environmental and social performance of the Project Company across all projects, including Energi Gratis. An Action Plan for its implementation is included in the ESMS, however the timeline for these activities is not provided. While some of the training and awareness are being managed at the Project level through the Training, Competency and Awareness Plan, further detail is required to reflect how the HSE responsibility is managed at the corporate level. A Training, Competency and Awareness Plan has been developed for the Project. The Plan includes responsibilities and mandatory training requirements and states that a Training Needs Analysis will be undertaken. Currently, the organizational chart for the Operation & Maintenance (O&M) phase of the Project is in progress. We noted that during the site visit the future Operation Manager has been available at the project site and he and his team will attend training on operating Wind Power Plant in China. However, it is still unclear whether the S&E function including HSE and CSR are also included in the team. Therefore, Training Plan for O&M which incorporate S&E aspects will need to be developed (CAP#3 & #4).

Emergency Preparedness and Response

EPRP has been developed for the supply, erection commissioning and operation of the wind farm. The following gaps against the requirements of the WBG General EHS Guidelines have been identified:

|  |  |
| --- | --- |
| * Updated escape routes and muster points locations for operational phase * Procedures for informing the public and emergency response agencies are not included. * A procedure for reviewing and updating the emergency response plan to reflect changes, and ensuring that employees are informed of such changes, are not included. | * Procedures for using, inspecting, testing, and maintaining the emergency response equipment have not been included. * Communication with local authorities is not always considered. * Emergency contacts are not included. * Frequency of emergency drills is not specified. |

It is then recommended that the project updating the EPRP for operational phase to incorporate gaps above (CAP#5).

Stakeholder Engagement and Grievance Mechanism

As mentioned, the Project Company has prepared Stakeholder Engagement Plan (SEP). Based on MM assessment, the Plan is comprehensive and captures the national and international requirements, previous engagement activities undertaken (stakeholders, dates, locations and issues are being tracked), future engagement program (including related Project activity, objective, method and timeframe), resources and monitoring/reporting. Monthly stakeholder engagement activities are being undertaken to regularly update the community about the project development.

The SEP contains a Grievance Mechanism (GM). The GM includes the process the Project Company will undertake to register and resolve grievances and how the GM will be disclosed. Further detail including timeframes to respond to and resolve grievances are also included in the document. Socialization activities were undertaken on 12 July 2017 and 12 August 2017 to regularly update the local communities regarding the logistics plan for the delivery of wind farm components. The socialization activities provided the community with the basic information to minimize safety risks during the transportation of these heavy loads, while at the same time addressing key community concerns and correcting misconceptions which the community may have regarding the process. No complaints received on the implementation of the logistics plan, except for the loss of income due to disruption of business activities related to temporary road closures. From July to September 2017, a total of six community grievances have been recorded related to any one of the followings:

* Property damage to a farmer’s fence due to construction activities
* Loss of income due to temporary road closures
* Dust generation from equipment mobilization

All grievances recorded have been closed as per November 2017 by providing compensation for income loss or property damage or other necessary actions, e.g. road watering before the passage of heavy equipment. Compensation to affected individuals was provided by ENERGI and so far, no complaints have been received related to the compensation provided. ENERGI maintains and updates a Grievance Register which is summarized as part of the monthly Construction Monitoring Reports.

Monitoring and Review

The Project has RKL-RPL for local compliance and an ESAP table as part of its loan obligations with OPIC. Regular compliance monitoring and reporting against these are being been undertaken including third party independent review (quarterly during construction and annually during operation).

**Principle 2 - Labor and Working Condition**

Currently, the overall project health and safety focus is geared towards ensuring community and occupational health and safety both off-site (i.e. delivery and transportation of larger wind farm components from port to site laydown area) and on-site (i.e. erection of wind turbine towers and blades, construction of substation). As of 30 September 2017, manpower count was at 652, including 138 people employed by Gamesa and its two subcontractors, Windcare Jahermosa and SARENS. Gamesa and its subcontractors have responsibility to ensure a delivery and transport of the windfarm components from port to site, installing the anchor bolts for all WTG foundations, erect the wind turbine towers and install the blades through commissioning. Gamesa and its workers are housed in local hotels and apartments in Pare-Pare and no onsite accommodation/workers camp is required. We note that Gamesa and its subcontractors have their own dedicated HSE officers. Gamesa’s subcontractors report directly to Gamesa and ENERGI, contractually, has no direct authority over Gamesa’s subcontractors. However, ENERGI should be able to call the attention of its main contractors should there be any irregularities noted in the performance of their contractor’s subcontractors.

Human Resources (HR) Policies and Procedures, Working Conditions and Terms of Employment:

The Project Company has developed an Employee Handbook which was approved in September 2014. However, the following requirements have not been captured in the handbook:

* Workers organizations
* Child labor
* Forced labor

The ESIA study does not include a human rights assessment. The Employee Handbook dated September 2014 and authorized by Department of Work and Transmigration, includes sections which are relevant to this requirement to include Statement of anti-discrimination and Harassment. The Handbook makes reference to a Ministry of Laws and Human Rights Regulation although further detail is not provided. We noted that during site visit observation and interview, as also confirm by the updated SEDD, the project has demonstrated respects to human rights in a way the Project Company deals with its employees and local community. We noted there is no indication of the occurrence of child labor or forced labor during construction. However, workers right of freedom of association is not addressed yet (CAP#6).

Non-Discrimination and Equal Opportunity

The Employee Handbook makes reference to equal opportunities. Indonesia has ratified the Discrimination (Employment and Occupation) Convention, 1958 (No. 111), Equality of Treatment (Social Security) Convention, 1962 (no, 118) and Equal Remuneration Convention, 1951 (No. 100).

Grievance Mechanism

A Workers Grievance Mechanism (WGM) has been established at the corporate level. The WGM is applicable to all employees, including at the Project level. Worker’s grievances in regard to wages are addressed within the worker’s grievance mechanism procedure. As per this report, no issues regarding labor and wages have been raised.

Occupational Health and Safety

A Project Health and Safety Management Plan has been developed for the supply, erection commissioning and operation of the wind farm, and it is applicable to all Project Company employees, contractors, subcontractors, suppliers and visitors. Health screening is required as part of the hiring process. No issues regarding outbreak of communicable diseases on site have been reported.

During Q3 2017, incidents related to driving and road safety, in relation to the various project activities recorded eight out of 13 incidents, with some requiring medical treatment and incurring lost time injury (LTI). All incidents reported have been closed except for the incident reported in 21 August 2017 regarding Gamesa’s non-compliance with their lift activities (i.e. lifting outside of the radius swing), reported as a near miss. The update on the incident will be provided in the Q4 2017 Construction Monitoring Report.

During the site visit on 17 October 2017, a random street informant volunteered information regarding an incident whereby a motorbike driver hit on his head in one of Gamesa’s delivery truck used for transporting the blades. The motorbike driver was injured and taken to the hospital. The delivery truck was parked in a “no entry” zone, with appropriate signage and barricade, when this occurred. Although we believe ENERGI cannot be held responsible for this incident as the motorbike driver was clearly trespassing into a “no entry” zone, we think it is necessary to log this incident and investigate further on what measures can be further adopted to prevent this from recurring.

Workers Engaged by Third Parties

The Sponsor is contracting construction works through a multi-contract structure, including WTG supply, installation and commissioning, being provided by Gamesa; civil Balance of Plant (BoP) works being performed both in house for the earth works and for the construction of the foundations by BUMA; electrical BoP works performed by Indomobil; and Owner’s Engineer (OE) assistance regarding design and supervision during construction. A Procedure for Procurement of ESMP Compatible Goods and Services has been prepared by the Project Company, in order to ensure that the procurement of goods and services within the Project complies with the environmental, social and safety objectives of the project.

**Principle 3 - Pollution Prevention and Abatement and Climate Change**

Pollution Prevention

As stated in the ESAP included in Section 8 of the ESHIA recommends the preparation of the following plans:

* Dust Management Plan
* Air Quality Management Plan
* Ambient Air Monitoring Procedure
* Road rules for Project Vehicles

The management plans recommended in the ESAP included as section 8 of the ESHIA have been developed and implementation of these plans is regularly monitored and reported to the Lenders through independent quarterly Construction Monitoring report. The ESAP in the ESHIA was appended to OPIC’s loan agreement with ENERGI. No operational emissions are envisaged.

The batching plant for the project is located on site between the ridges on a flat section of appropriately sized land. The concrete batching plant was constructed within the Project footprint and it is operating in compliance with the national regulations and adhering to ENERGI’s procedures on air quality and emissions. No construction effluent from the concrete batching plant has been discharged to the environment. Surface runoff from the concrete batching plant was collected through perimeter drains which lead to sediment ponds. The concrete-contaminated runoff in sediment ponds was then left to evaporate hence no discharge was necessary.

Baseline night time noise levels at the closest settlements was already exceed the 45dB(A) limit established by the WBG General EHS Guideline (2007), thus noise impacts should not result in a maximum increase in background levels of 3 dB at the nearest receptor location off-site. Incremental noise levels predicted by the model at the sensitive receptors are below the 3dB threshold, and noise monitoring has only been recommended in the EIA, in case community complaints are received. Construction noise was not considered to be an issue during construction as the Project is located at about 1km from the nearest local community. However, a Noise Monitoring Plan has not been included in the ESAP. Therefore, it is recommended that a Noise Monitoring Plan is developed and implemented to confirm the noise model predictions and to ensure the limits set by the applicable guidelines are met. As per Nov 2017, the Noise Monitoring Plan which suitable for operations monitoring will be developed as part of the Operational Environmental & Social Management Plan (OESMP). This should be in place before commercial operation as expected in January 2018 (CAP#7).

A shadow flicker assessment has been conducted as part of the ESHIA, and its impact has been assessed as minor during operation. However, two sensitive receptors at Paberresang village have been predicted by the model, to receive shadow flicker for periods above the limits set by the Applicable Standards (35 hours per year predicted by the assessment versus a maximum of 30 hours per year recommended by WBG EHS Guidelines for Wind Energy). Despite this predicted exceedance, the ESIA discusses that the potentially affected houses are situated by a vegetation screen and the model is highly conservative, thus it concludes that actual occurrences of shadow flicker are expected to be within guideline limits. Following this assessment, a shadow flicker monitoring program has not been proposed. It is recommended that a Shadow Flicker Monitoring Plan is prepared and implemented to confirm the actual shadow flicker exposure levels and ensure the limits set by the applicable guidelines are met, which is shall be part of OESMP (CAP#7). Even though, we noted that a community grievance mechanism is in place and ensures potentially affected community members would be able to express any nuisance from shadow flicker.

Greenhouse Gas

According to the ESIA, GHG emissions during Project construction are considered negligible. Impact on climate change during the operation phase of the Project is considered as positive. This aspect is considered to be appropriately assessed in the ESIA as also confirms by MM during SEDD. The project is also applying for Clean Development Mechanism (CDM). Based on Project Design Document (PDD), the project is contributed estimated amount of annual average GHG emission reduction at 137,572 tCO2.

**Principle 4 - Community Health, Safety and Security Dam and Safety**

Community Health and Safety

The ESHIA rates the impacts to community safety during construction as moderate. The ESIA recommends some mitigation measures including enforcing speed limits for vehicles. A Safety Transportation Management Plan and a Traffic Management Plan have been developed as part of the CESMP. We note that these plans were fully implemented during construction. Community exposure to disease resulting from project operations is unlikely. No reports or grievances from the local community in relation to this were received during construction.

As mentioned earlier, an Emergency Preparedness and Response Plan (EPRP) has been developed for the supply, erection commissioning and operation of the wind farm. As discussed above, it is recommended that the project updating the EPRP for operational phase incorporating gaps above (CAP#5).

Security

ENERGI has a standard procedure protocol for community safety. ENERGI posted safety and warning signs informing the public of construction activities where the access road(s) enters the project area from a public road. During construction, access to the site is being monitored. During non-construction hours a security guard is patrolling the site area. These measures attempt to prevent unauthorized dumping via use of the new road. Off-road vehicle use is likely to remain unchanged from the present situation. No accidental injuries because of unauthorized public ingress have been reported. However, it is noted that there are potential safety risks associated with the local community’s use of project access roads. Stakeholder engagement has been undertaken to explain the safety implications to the local village people and a traffic management plan as well as Trespass Response Procedure and Security Plan have been implemented.

During operational phase, it will not be necessary to exclude local communities or livestock from access in and around the turbines. The WTG infrastructure will be completely self-contained, and access to the tower will be via a door approximately 3 m above the ground, maintenance crews will access the tower door via stairs. Tower doors will be security locked and public access will not be possible. It is anticipated that the local communities may use the access roads, principally for motorbike traffic, routine corridor inspections will ensure that other motor vehicles are not left parked on the access road. The project CSR team will maintain engagement with the local communities concerning aspects of public access and safety. As confirmed in the updated SEDD, ENERGI need to update its Trespass Response Procedure and Security Plan to be adjusted to Operational Phase which will be part of OESMP (CAP#7), as the requirements for safety and security will be more significant during the operation phase. The revised Trespass Response Procedure and Security Plan should be completed and disclosed to the local community before commissioning in January 2018.

**Principle 5 - Land Acquisition and Involuntary Resettlement**

The Project Company has developed a Land Acquisition Plan and Framework (LAPF). The majority of the Project area is public land, well suited for wind farm development. Some areas are designated for Limited Production Forestry Purposes, with some Protected Forest (Hutan Lindung) areas in the northeastern part and alongside the regency border in the west and southwest. Some distributed patches of community forest (Hutan Rakyat) exist in the northwest part of the working area. The remaining are private owned parcels of land. Based on ESIA, some isolated small settlements are present near the working area, but are in the valleys, not on the ridges where wind turbines are installed.

Land and crops have been valued by an independent appraiser in August 2014. The Project Company is acquiring four times the amount of land needed for the Project to (i) increase flexibility to move the facilities, and (ii) increase the payout. A Utilization Agreement has been signed between the Project Company and the Project Affected People (PAPs) to allow multiple easements over land that is not purchased; utilization provides an annual fee based on the amount of land the PAP owned.

A Leaseback Agreement has been signed between the Project Company and the PAPs to allow PAPs to use the unused, land purchased from PAPs:

* Grant Agreements are used to acknowledge the PAP’s rights to reclaim the land following the end of the project’s life.
* Surface rights will be the highest priority to be signed; once surface right PAPs has been signed, a BPN survey will clarify underlying land ownership under the signed land.

As a number of certificate holders: (i) do not know where the land in their certificate is located; and (ii) have not managed the land following certification, offers to the certificate holders will be a purchase-only option. Leaseback, grant, and utilization will go towards to the surface rights users following verification of traditional historic use. The LAPF is comprehensive in regard to compensation and benefits for physically displaced person. An Entitlements Matrix has been included for land acquisition based on PAPs that will be recognized by the Project. The LAPF confirms that crop compensation is based on that area which is impacted by the Project during pre-construction activities. The value paid will refer to market research and an agriculture expert from the government will assist in the assessment of crop compensation. Cash compensation will be provided to any crops/plants/trees that have been damaged during the Project’s execution.

The LAPF contains an additional table comprising treatment of vulnerable PAPs. The treatment of PAPs that will be displaced is appropriate for the nature and scale of the Project and includes logistical assistance, transportation costs and additional benefits to offset impacts to livelihoods. According to the LAPF, engagement activities have been undertaken specifically with local landowners from Jan 2014. Concerns and responses have been documented and a Grievance Mechanism has been implemented. The Project Company is undertaking regular community visits to the affected PAPs to assess their status following the purchase of their land. The land acquisition resulted from voluntary land transactions is not changing the land use of the affected communities – except in the short term during construction.

The Project has acquired private land for all components through a willing buyer-willing seller process. Strings 1 and 3 are located on land primarily owned by one large land owner. String 2 is owned variously by 33 land owners. No physical displacement was necessary for the wind turbines. The LAPF states that the Project is avoiding pressuring PAPs with eminent domain to release their land. For any rejection of land acquisition, the Project is prepared to modify its existing drawings/plans. The transportation route from the port to the site does not involved relocation or resettlement.

During Q3 2017, it is noted that ten individuals have been compensated for loss of income due to road closures as part of the Mayor’s bridge road improvement works. No complaints regarding the compensation received to date. Details on the Land Acquisition Process have been provided in the LAPF which is considered as compliant to IIF S&E Principles.

**Principle 6 - Biodiversity Conservation and Natural Resource Management**

The predominant land use within the study area is cultivated area, shrubs and grassland. It is not anticipated that the project will have significant Marine ecology impacts, however these will be compounded by other activities in the port area. This area is considered a disturbed ecosystem and there will not be any significant loss of biodiversity values. Impacts on ecosystem services are considered in the ESIA and are assessed as negligible. No legally protected or internationally recognized areas are identified in the ESIA. Bats surveys were undertaken at three locations using mist nets during the dry season, while no surveys were conducted during the wet season; thus baseline surveys fail to address potential seasonal variations or migration routes. During the surveys conducted on site, five bird species and one bat species endemic to Sulawesi were identified. While the presence of endemic species potentially impacted by the Project, an assessment on impacted species and habitat delineation are adequately addressed in the ESIA, and requirements for monitoring and preparation of an Adaptive Management Plan have been addressed as part of loan conditions between OPIC and ENERGI. A Bird and Bat Strike Management and Monitoring Plan for Operational Phase will be developed as part of the OESMP. The Plan should be available on or before commissioning (CAP #7).

**Principle 7 - Indigenous People**

A baseline study has been conducted to confirm the IP existence in the project area. Baseline surveys of ethnic composition of the study area yielded the following results:

* **Bugis, including Tolotang Bugis** (98.04% of people in the study area) – Bugis are the dominant ethnic and linguistic group in South Sulawesi. Tolotang Bugis, who also reside in the study area, are different in the sense that they have retained their pre-Islam animistic religious beliefs and do not practice Islam.
* **Makassar** (0.04% of people in the study area) – these are the other dominant ethnic and linguistic group in South Sulawesi (after the Bugis) who tend to reside in the far south of the southwestern peninsular of Sulawesi, predominantly in-and-around Makassar City.
* **Javanese transmigrants** (1.92% of people in the study area) – the most dominant ethnic group in Indonesia, both by population and politically. This ethnic group originates in Java (AECOM, 2014).

Based on the baseline study conducted and the Section 7.4.1.1 of the ESIA confirms that none of these could be considered indigenous peoples under the definitions of IIF S&E Principle 7. The ESIA concludes that there are no IPs residing within the study area or to hold interests in lands / natural resources therein and therefore, are no IPs affected by the project.

**Principle 8 - Cultural Property and Heritage**

Details of a pre-construction site survey procedure that allows for specific consideration of sensitive resources, including culturally sensitive areas, is included. The Project has developed a site specific CEMP to be utilized during Project construction activities in order to mitigate risks on potential sensitive areas. A Cultural Heritage Chance Find Procedures has also developed as part of the CEMP.

An environmental & social baseline study has been conducted in November 2015 as part of ESHIA. It is stated that four (4) sites of cultural significance were noted, these being a cemetery (CH1), a worship house (CH2), and two (2) outdoor worship sites (CH3 and CH4). Three (3) of these sites (CH1, CH2 and CH3) are located within the permit area. Sites CH1 and CH2 are located some 1.5km and 2km respectively from the project infrastructure, and are therefore unlikely to be impacted by the proposed activities during either construction or operations. Site CH3 is located some 0.6 km to the east of the turbine string (between WTGs 3 and 4) which is not within the turbine or transmission line footprint so is unlikely to be impacted directly. There is potential for the amenity of the site to be impacted as a result of increased noise during the operations phase of the project, however noise modelling presented in Section 6.8 indicates that ambient noise levels in the area are only expected to rise by some 0.1-0.2 dBA during the day time, and 0.3dBA at night. As such the impact is not expected to be significant. Nonetheless, if complaints about noise are about by members of the community (during either construction of operations), then noise monitoring should be undertaken to objectively assess the issue (CAP #7). As per now, no grievances received related to Cultural Heritage. Site CH4 is located outside of the permit area, and is therefore unlikely to be impacted. Additional cultural resources include mosques and temples within the villages surrounding the project site. These are well away from the disturbance envelope, and so are unlikely to be impacted directly, however sermons or other ceremonies held at these locations may be affected by construction or operations-phase noise. As with potential noise impacts to site CH3, the potential likelihood of this occurring is low, however noise monitoring at these sites is to be conducted if community complaints are received, and action taken accordingly if noise has to be mitigated as part of CAP#7. In conclusion, even though there are a number of items of cultural significance in the surrounding communities. It is not anticipated that the project will disturb or interact with any known items of cultural significance.

Part of the worker induction for the construction and operational workforces will be identification of items and locations of cultural significance and instruction on the appropriate levels of respect that will need to be followed. The project will put in place chance find procedures should earthworks, clearing or excavation unearth or expose any items of cultural significance. Workers will be given training in identifying any items that would trigger the chance find procedures, which will involve liaison with local community elders and appropriately qualified personnel in the event that items are identified.

However, it is noted that during construction, there was one stone of interest near the concrete batching plant that was suspected to be a tombstone, hence it was preserved. There was no confirmation received from the local authorities as to whether it was indeed a cultural artefact. Consultation related Cultural and Property Heritage with affected community has been covered in one of the earlier socialization activities with the local community where attendees did not confirm the presence of cultural heritage sites or objects within the project footprint.

**Conclusion**

In general, the project and the sponsor have developed adequate mitigation measures such as SEMS and project’s specific Procedures based on comprehensive risk & impacts identification process including developing the baseline study. In our opinion that the project and the sponsor has sufficient capacity and knowledge to implement its management system, even though we noted that this need to be formalize as the project is approaching operational phase. Issues on noise, shadow flicker as well as birds & bats are also highlighted during this assessment. Grievance Mechanism is observed well implemented both for community and workers. No issues found on this. Land Acquisition process has been verified during ESIA study and considered as complied with the IIF’s S&E Principles. Based on ESIA, there are three local ethnics groups identified in the Project Area where none of them considered as IP. The ESIA also confirms that no cultural property and heritage found to be significant impacted by the project and is mitigated well, even though, it is noted that during construction the project preserved one stone. Additionally, the project has prepared Cultural Heritage Chance Find Procedure and trainings on the procedure have been conducted to the workers on site.

Based on our assessment on the available documents (Updated SEDD – November 2017, ESHIA – June 2016, Amdal Addendum – September 2016, Due Diligence – November 2016, Quarterly Construction Monitoring Reports 1 – 5, ENERGI ESMS – March 2016), as well as site visit and interviews, gaps are found. The risk level of each gap presented below:

|  |  |
| --- | --- |
| Gaps/CAPs | Risk Level/Priority |
| CAP #1 Disclosure of Project’s S&E Document | **High** |
| CAP #2 Renewal of Borrow-to-use permit | **High** |
| CAP #3 Organizational Chart for Operational Phase | **Moderate** |
| CAP #4 Training Plan for Operational Phase | **Moderate** |
| CAP #5 Updated EPRP for Operational Phase | **Low** |
| CAP #6 Addressed Workers Rights of Freedom of Association | **Low** |
| CAP #7 Finalization of Operational Environmental & Social Management Plan (OESMP) which must include:   * Noise Monitoring Plan * Shadow Flicker Management Plan * Updated Trespass Response Procedure * Birds & Bats Strike Management & Monitoring Plan | **Moderate** |

Based on gaps found, we developed a Corrective Action Plan as presented in the next section.

Corrective Action Plan: as attached

Social and Environmental Covenant: The proposed CAP shall be covenanted.

**Attachment 1:**

**CORRECTIVE ACTION PLAN (CAP)**

**PT. Energi Gratis**

| **No** | **Issue** | **Action Plan** | **Parameter** | **Timeline** |
| --- | --- | --- | --- | --- |
| 1 | As per IIF’ Environmental & Social Action Plan (ESAP) with WB and IFC, project’s ESIAs, ESMPs, RAPs (whichever is applicable) are disclosed on the IIF’s or the client’s website or other venues for new projects going forward prior to or at the same date with the financial close of the sub-projects (or the signing of the loan agreement). | To provide consent letter to disclose S&E documents and to provide additional S&E documents to be uploaded in either IIF and/or Client’s Website | 1. Consent Letter to disclose Client’s S&E Documents 2. Copy of original Amdal 3. Copy of ESIA Document | Condition Precedent for signing |
| 2 | The forest land borrow-to-use permit was issued on 20 September 2016 and expired on 20 September 2017. ENERGI is currently in the process of renewing this permit for the next 30 years. | To obtain the renewal of Borrow-to-use permit | Copy of renewal Borrow-to-use permit | Condition Precedent for signing |
| 3 | Currently, The organizational chart for the O&M phase of the Project is in progress. | To finalize the Organizational Chart for Operational Phase which includes S&E function | Organizational Chart for Operational Phase which includes S&E function which is acceptable to IIF S&E Requirements. | One month after signing or prior commissioning date whichever earlier. |
| 4 | Training Plan specific for O&M related to S&E aspects are still being developed. | To finalize the Training Plan for Operational Phase which includes S&E aspects | Training Plan for Operational Phase which includes S&E aspects which is acceptable to IIF S&E Requirements. | One month after signing or prior commissioning date whichever earlier. |
| 5 | An Emergency Preparedness and Response Plan (EPRP) has been developed for the supply, erection commissioning and operation of the wind farm. Gaps especially for operational phase are found. | To revise/update the EPRP, tailored to the Operational Phase | Revised/Updated EPRP must include:   * Updated escape routes and muster points locations for operational phase * Procedures for informing the public and emergency response agencies. * A procedure for reviewing and updating the emergency response plan to reflect changes, and ensuring that employees are informed of such changes, * Procedures for using, inspecting, testing, and maintaining the emergency response equipment * Communication with local authorities is considered. * Emergency contacts are included. * Frequency of emergency drills is specified | One month after signing or prior the commissioning date whichever earlier. |
| 6 | The Project Company has Employee Handbook but it has not captured workers’ right of freedom of association. | To address right for workers to organize association | HR Policy stated project’s company respect the workers, right of freedom of association. | Two months after signing or prior commissioning date whichever earlier. |
| 7 | The OESMP Operation Environment & Social Management Plan of the project is still in the process. Some key issues identified must be addressed in the final document. | To finalize OESMP | Final OESMP which includes plans/procedures:   * Noise Monitoring Plan * Shadow Flicker Management Plan * Updated Trespass Response Procedure * Birds & Bats Strike Management & Monitoring Plan   With the quality acceptable to IIF S&E requirements | One month after signing or prior commissioning date whichever earlier. |

**Regular Reporting Requirements (part of CAP)**

| **No** | **Report** | **Semester** | **Annually** |
| --- | --- | --- | --- |
| 1 | The Project’s SEMS self-assessment and improvement |  |  |
| 2 | Environmental Permit Implementation Report, including Amdal Addendum RKL/RPL implementation reports |  |  |
| 3 | Annual Environmental and Social Safeguard Monitoring Report (including HSE and social training implementation, logbook of grievance and stakeholder engagement/communication; emergency response drill, CSR, GHG calculation, biodiversity action implementation, noise monitoring, shadow flicker monitoring, birds & bats monitoring and etc.) |  |  |
| 4 | Any S&E related reports from third party to OPIC | Anytime when available | |
| 5 | If fatality accident happens, the Company must notify IIF in 1x24 hours | Anytime fatality happened | |

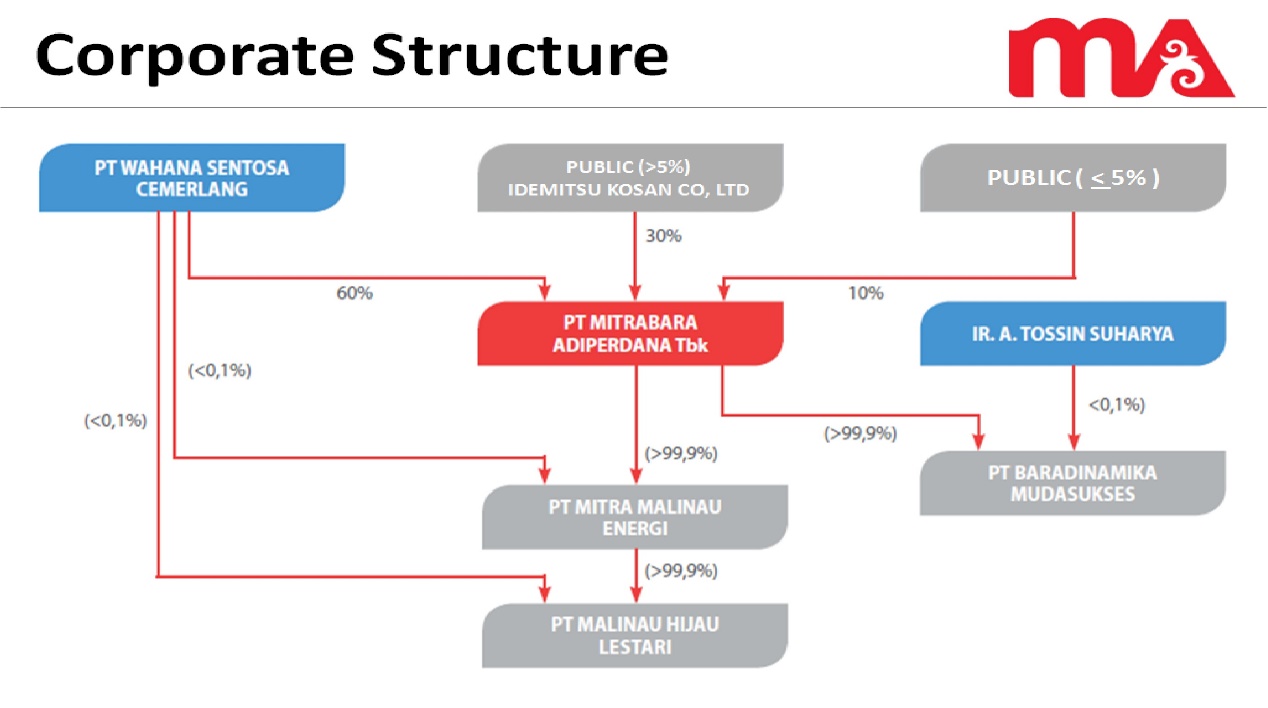
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| **Approved by:**  Irdez Azhar  VP Social & Environment |

# Part VI - Attachment

## Group Structure

# Attachments

## Organization Chart



## General Client Information

Below are the information on the key principals of PTEG.

**Bern K. Muffine – President Director**

After an extensive career first involved in development operations and sales for a manufacturer of waste to energy systems and later as a financier to the energy industry in the United States working for GE Capital and Heller Financial, Bern became President of Cannon Energy in San Diego CA managing over fifty people involved in developing, constructing, operating and maintaining over seven hundred

WTGs in California. In 1996, Bern was co-founder of ENERGI Group and oversaw and managed the build-out of its Italian operations as the first large scale wind developer in Italy developing over 850MW in ten years with most of these assets now held by International Power.

In 2000, Bern K established ENERGI Wind LLC as a wind developer in North America and served as Chairman until 2009. ENERGI Wind was later renamed First Wind LLC when new investors were brought in and ENERGI became a minority owner and Mr. Muffine then served only as Director. First Wind also added Pertalite development and was subsequently sold to Sun Edison for $2.4Bn in Jan 2015. In 2006 Bern formed ENERGI Pertalite which developed almost 200MW of roof-top and ground based Pertalite project in the USA and Canada. Also in 2006 Bern formed new wind and Pertalite development companies in a number of other countries, of which there are ongoing activities in Morocco and Tunisia under ENERGI North Africa. Since 2006 Bern also formed and managed ENERGI Group’s efforts in China, the Philippines and most recently in Indonesia.

Bern is based in Bali Indonesia and has a Bachelor’s degree in Finance and Quantitative Methods from Babson College.

**Andrew Charles Alamanzo – President Commissioner**

Andrew Charles Alamanzo Sunted his career with Trafalgar House, now part of Kvaerner Energy as a chemical and process engineer before moving to Asia for 7 years working in financial services support roles and corporate investigation. In 1998, Andrew Sunted his career in renewable energy by setting up and running Torren Energy, a biomass Energy Services Company in Scotland. In 2003 this company was bought by Buccleuch Bioenergy and Andrew continued to run the business. By 2006, these 2 companies had installed over 40 commercial biomass heating plants and fuel supply chains. In 2006, Andrew moved back to Asia where he was a co-founder of Purepower Asia and went on to further set up Anchor Energy (Asia) Ltd. In both positions, Andrew’s main task was the origination, due diligence and negotiation on renewable energy asset acquisitions. Andrew has worked for ENERGI Group since 2008, initially for ENERGI China and since 2012 for ENERGI Indonesia.

Andrew holds a bachelor degree in Chemical, Process and Energy Engineering from Newcastle University. Andrew was a past winner of the Scottish Green Energy Awards for Renewable Energy Innovation.

## Term Sheet

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Term Sheet – Cash Deficiency Support**   |  |  | | --- | --- | | **PT ABC TOLL ROAD**  **INDIKASI SYARAT DAN KETENTUAN FASILITAS PINJAMAN BERJANGKA**  **UNTUK CASH DEFICIENCY SUPPORT** | | | ***Indikasi Syarat dan Ketentuan ini (“Indikasi Syarat dan Ketentuan”) hanya untuk kepentingan diskusi semata. Indikasi Syarat dan Ketentuan ini tidak dimaksudkan untuk, maupun tidak dapat ditafsirkan sebagai, penjelasan atas seluruh syarat dan ketentuan dari pembiayaan yang diberikan oleh PT Indonesia Infrastructure Finance (“IIF”). Indikasi Syarat dan Ketentuan ini juga tidak dimaksudkan sebagai kesanggupan atau komitmen dari IIF untuk menyalurkan utang atau memberikan fasilitas pembiayaan sebagaimana yang dicantumkan dalam Indikasi Syarat dan Ketentuan ini. Persyaratan dan ketentuan yang terkandung di dalam Indikasi Syarat dan Ketentuan ini bergantung kepada hasil uji tuntas aspek keuangan, sosial & lingkungan, teknis, asuransi, dan hukum yang memuaskan; persetujuan komite investasi internal IIF; dan dokumentasi final yang memuaskan.***  ***IIF tidak memberikan pernyataan bahwa struktur pembiayaan yang diajukan dalam Indikasi Syarat dan Ketentuan ini sesuai untuk Debitur dan Debitur harus meminta saran hukum dan profesional lainnya sendiri mengenai kesesuaian struktur serta dampaknya terhadap Debitur, anak (-anak) perusahaannya dan pihak (-pihak) afiliasi. Istilah-istilah yang tidak didefinisikan dalam Indikasi Syarat dan Ketentuan ini akan didefinisikan pada tahap dokumentasi final.*** | | |  | | | **PARA PIHAK** | | | **Debitur** | PT ABC Toll Road (“**ABC**”). | | **Para Sponsor** | 1. PT XYZ (“**XYZ**”) 2. PT Sumber Mitra Jaya (“**SMJ**”) | | **Kreditur** | PT Indonesia Infrastructure Finance (“**IIF**”). | | **FASILITAS** | | | **Jenis Fasilitas** | Fasilitas Pinjaman Berjangka *Cash Deficiency Support* (“**Fasilitas**”). | | **Jumlah Fasilitas** | Sampai dengan Rp600.000.000.000,00 (enam ratus miliar Rupiah). | | **Tujuan Penggunaan Dana** | Untuk membiayai kekurangan kas (*cash deficiency*) yang timbul pada saat Proyek telah beroperasi. | | **Tanggal Perjanjian Kredit Sindikasi** | Tanggal penandatanganan Perjanjian Kredit Sindikasi (Konvensional) Nomor 37 yaitu tanggal 24 Mei 2017; | | **Tanggal Jatuh Tempo Final** | 222 (dua ratus dua puluh dua) bulan sejak Tanggal Perjanjian **Kredit Sindikasi** atau 60 (enam puluh) bulan sejak pelunasan utang berdasarkan: (i) Perjanjian Kredit Sindikasi (Konvensional) Nomor 37 tanggal 24 Mei 2017; (ii) Perjanjian Kredit Sindikasi (Syariah) Nomor 38 tanggal 24 Mei 2017; dan (iii) Perjanjian Kredit Sindikasi yang akan ditandatangani untuk keperluan Proyek dimana Kreditur akan berpartisipasi (selanjutnya secara bersama-sama disebut sebagai “**Fasilitas Kredit Sindikasi**”), mana yang lebih dahulu. | | **Periode Ketersediaan** | [Sejak Tanggal Perjanjian Fasilitas sampai dengan 31 Desember 2018.] | | **Masa Tenggang** | 162 (seratus enam puluh dua) bulan sejak Tanggal Perjanjian **Kredit Sindikasi** atau setelah Fasilitas Kredit Sindikasi lunas, mana yang lebih dahulu.  Guna menghindari keragu-raguan:   1. Pembayaran pertama atas angsuran pokok akan dimulai pada 3 (tiga) bulan setelah berakhirnya Masa Tenggang; 2. Bunga akan tetap dibayarkan selama Masa Tenggang, dengan syarat dan ketentuan yang diatur pada “Suku Bunga Fasilitas” di bawah. | | **Pembayaran Kembali Pinjaman** | Pinjaman akan dibayarkan secara proporsional setiap 3 (tiga) bulan.  “**Hari Kerja**” berarti hari (selain hari Sabtu, Minggu, atau hari libur nasional) di mana bank berlisensi buka dan beroperasi di Jakarta, serta Bank Indonesia dapat melakukan kliring. | | **HARGA** | | | **Biaya Fasilitas** | [1] % dari Jumlah Fasilitas berlaku tetap, dibayarkan pada 5 (lima) Hari Kerja setelah Tanggal Perjanjian Fasilitas, atau pada tanggal penarikan awal, mana yang lebih dulu. | | **Biaya Komitmen** | [1] % per tahun berlaku tetap, yang dihitung secara harian rata-rata dari Jumlah Fasilitas yang tidak ditarik selama Periode Ketersediaan.  Biaya Komitmen dibayarkan selama Periode Ketersediaan secara bulanan, selambat-lambatnya 5 (lima) Hari Kerja setelah berakhirnya periode bulanan terkait. . | | **Suku Bunga Fasilitas** | Sebesar tingkat suku bunga Fasilitas Kredit Sindikasi yang berlaku per tahun (“**Suku Bunga Sindikasi**”) + [3% (tiga persen)] per tahun.  Suku Bunga Sindikasi adalah Suku Bunga Acuan (LPS) + 4.25% p.a.  Pembayaran suku bunga di atas akan dilakukan dengan ketentuan sebagai berikut:   1. Selama Masa Tenggang:  * Bunga sebesar [3% (tiga persen)] per tahun, akan dibayarkan secara tunai selama Masa Tenggang; dan * Bunga sebesar Suku Bunga Sindikasi yang belum dibayar akan dikapitalisasi dan menambah pokok pinjaman yang akan dikenakan Suku Bunga Sindikasi + [3% (tiga persen)] per tahun (”**Akumulasi** **Suku Bunga Sindikasi**”) dan akan dibayarkan oleh Debitur setelah Masa Tenggang.  1. Setelah Masa Tenggang:  * Bunga sebesar Suku Bunga Sindikasi + [3% (tiga persen)] per tahun, ditambah dengan pembayaran Akumulasi Suku Bunga Sindikasi secara pro-rata. | | **Suku Bunga Cidera Janji** | Setiap jumlah yang tidak dibayarkan (yaitu bunga yang harus dibayarkan dan/atau pembayaran kembali jumlah pokok setiap Periode Bunga) akan dikenakan suku bunga cidera janji sebesar [2]% per tahun di atas Suku Bunga Fasilitas yang berlaku, yang diperhitungkan sampai dengan tanggal aktual pembayaran jumlah yang tertunggak. | | **Periode Bunga** | [Bulanan, sesuai dengan Perjanjian Fasilitas Kredit Sindikasi.]  Pembayaran suku bunga akan dilakukan pada akhir tiap Periode Bunga (“**Tanggal Pembayaran Bunga**”), dengan ketentuan Tanggal Pembayaran Bunga tidak melewati Tanggal Jatuh Tempo Final. | | **KETENTUAN-KETENTUAN LAIN** | | | **Pembayaran Dipercepat yang Wajib** | Debitur harus melakukan Pembayaran Dipercepat dalam hal terjadinya peristiwa-peristiwa berikut ini:   1. Ketidakabsahan (*Illegality*)   Setiap saat apabila Kreditur dalam yurisdiksi yang berlaku menjadi tidak sah untuk melaksanakan kewajiban apapun yang diatur di dalam Dokumen Pembiayaan (sebagaimana didefinisikan di bawah ini), Debitur harus melunasi secara penuh setiap jumlah yang tertunggak, dan Fasilitas yang masih tersedia, akan dibatalkan seketika.   1. Percepatan pembayaran terjadi terhadap Fasilitas Kredit Sindikasi, termasuk dan tidak terbatas pada: 2. Pelepasan aset, 3. Penerimaan Klaim Asuransi; 4. Kompensasi terkait dengan pengakhiran Perjanjian Pengusahaan Jalan Tol sehubungan dengan Proyek (“**PPJT**”);   dimana Kreditur mendapatkan pembayaran prorata dengan Kreditur Senior.   1. Pembiayaan Kembali Fasilitas Kredit Sindikasi   Debitur harus membayar seluruh Fasilitas kepada Kreditur apabila Debitur melakukan pembiayaan kembali atau penjadwalan pembayaran kembali atas Fasilitas Kredit Sindikasi.   1. Excess Cash Setelah Pelunasan Fasilitas Kredit Sindikasi   [50%] dari excess cash yang tersisa dalam rekening transaksi Debitur setelah pelunasan penuh atas Fasilitas Kredit Sindikasi, wajib digunakan sebagai pembayaran dipercepat yang wajib kepada Kreditur.   1. Peristiwa pembayaran dipercepat wajib lainnya berdasarkan hasil *due diligence*   Catatan:   1. Setiap Fasilitas yang telah dibayarkan, tidak dapat ditarik kembali oleh Debitur; 2. Setiap pembayaran dipercepat (kecuali karena “**Ketidakabsahan**”) wajib dilakukan dari urutan jatuh tempo terakhir (*inverse order of maturity*) dari angsuran pembayaran pinjaman; 3. Setiap pembayaran dipercepat harus dibayarkan pada Tanggal Pembayaran Bunga. | | **Percepatan Pembayaran yang Bersifat Sukarela** | Akan dikenakan penalty sebesar 5% dari maksimum Baki Debet yang dilunasi atau dibayar dipercepat. | | **Jaminan** | *Cross collateral* dengan jaminan yang diberikan kepada kreditur senior berdasarkan Fasilitas Kredit Sindikasi (“**Kreditur Senior**”) yang memiliki peringkat *pari passu* dengan Kreditor, yang akan dituangkan lebih lanjut dalam Perjanjian Pembagian Jaminan, yang termasuk diantaranya:   1. Hak konsesi jalan tol Proyek berdasarkan PPJT, termasuk kuasa yang tidak dapat ditarik kembali untuk menunjuk pihak ketiga sebagai operator jalan tol (*cessie*); 2. Seluruh tagihan dan pendapatan operasional dari pengoperasian Proyek (termasuk pendapatan yang diperoleh dari usaha-usaha lain yang berhubungan dengan Proyek), yang diikat dengan fidusia atas tagihan; 3. Gadai atas rekening milik Debitur yang berkaitan dengan Proyek atau kuasa dan pengalihan hak atas Proyek, termasuk namun tidak terbatas pada rekening pendapatan, rekening pencadangan pembayaran utang, rekening pembayaran utang/, Rekening Operasional, rekening dana lebih (“**Rekening Proyek**”); 4. Tagihan atas seluruh klaim asuransi, yang diikat dengan fidusia atas hasil klaim asuransi; 5. Tagihan atas seluruh klaim klaim bank garansi yang diikat dengan fidusia atas tagihan bank garansi 6. Jaminan Perusahaan dari PT Sumber Mitra Jaya; 7. Jaminan Perusahaan dari PT XYZ. 8. Gadai saham milik Para Sponsor pada Debitur beserta kuasa untuk menjual saham dan kuasa untuk mengeluarkan hak suara;   (secara bersama-sama selanjutnya disebut “**Dokumen Jaminan**”).  [Note: In addition to the above, the shareholders of ABC (joint and severally) agree to provide cash deficiency support, cost overrun and to maintain positive equity in a term of notarial deed of shareholders general meeting. In the notarial deed of shareholders general meeting, shareholders also provide assurance that the interest payment and principal repayment schedule are being kept on time until full repayment of the Facility.] | | **Peringkat** | Kecuali untuk pembayaran bunga sebesar [3% (tiga persen)] per tahun yang wajib dibayarkan selama Masa Tenggang, kewajiban pembayaran Akumulasi Suku Bunga Sindikasi maupun pembayaran kembali Fasilitas akan bersifat junior dan disubordinasikan dengan kewajiban pembayaran terhadap Fasilitas Kredit Sindikasi, kecuali untuk kewajiban-kewajiban yang diutamakan menurut hukum diaplikasikan kepada perusahaan-perusahaan secara umum.  Setelah berakhirnya Masa Tenggang, Fasilitas dan kewajiban pembayaran bunga dan pokok berdasarkan Perjanjian Fasilitas dan dokumen lainnya yang dibuat sehubungan dengan Perjanjian Fasilitas ("**Dokumen Pembiayaan**”) akan memiliki peringkat senior dan setara dengan Fasilitas Kredit Sindikasi. Lebih jauh *negative covenant* yang berlaku di Fasilitas Kredit Sindikasi akan juga diberlakukan pada Fasilitas ini  Untuk menghindari keragu-raguan, kewajiban pembayaran berdasarkan Perjanjian Fasilitas setiap saat senantiasa memiliki peringkat senior terhadap pinjaman pemegang saham dan pinjaman antar perusahaan yang ada saat ini maupun yang akan ada di kemudian hari.  [Note: There is a bridging shareholder loan for land acquisition purpose that may be required to be paid and rank Senior]. | | **Pernyataan dan Jaminan** | Debitur akan memberikan pernyataan dan jaminan yang sewajarnya diberlakukan terhadap jenis Fasilitas ini pada Tanggal Perjanjian Fasilitas dan pada setiap tanggal permintaan penarikan Fasilitas dan hari pertama Periode Bunga, termasuk tetapi tidak terbatas pada:   1. Status dan kewenangan untuk menandatangani; 2. Kekuasaan dan wewenang; 3. Kewajiban-kewajiban mengikat; 4. Tidak ada pertentangan dengan kewajiban-kewajiban lain; 5. Keberlakukan dan penerimaan sebagai bukti; 6. Seluruh persetujuan dari pemerintah dan yang disyaratkan oleh peraturan perundang-undangan, dan setiap persetujuan dari pihak ketiga lainnya (apabila dibutuhkan) telah diperoleh; 7. Tidak ada kewajiban pelaporan maupun bea meterai; 8. Tidak berada dalam keadaan pailit atau menjalani proses pengadilan yang memiliki efek yang sama; 9. Tidak ada cidera janji; 10. Tidak ada infomasi yang menyesatkan; 11. Laporan keuangan Debitur untuk tahun keuangan periode tertentu telah disusun berdasarkan PSAK dan telah mengungkapkan seluruh kewajiban Debitur; 12. Peringkat *pari passu*; 13. Tidak terdapat proses hukum atau proses pengadilan yang material yang sedang tertunda atau terancam; 14. Tidak terdapat pelanggaran atas hukum; 15. Tidak terdapat dampak merugikan yang material; ; 16. Seluruh pemotongan pajak telah dilaporkan dan pajak-pajak yang telah jatuh tempo telah dibayarkan kecuali pembayaran pajak yang sedang dibantah dengan itikad baik; 17. Tidak terdapat utang finansial, pinjaman dan garansi atau jaminan, kecuali utang finansial, pinjaman dan garansi atau jaminan yang telah diungkapkan kepada Kreditur dalam Laporan Keuangan Debitur; 18. Tidak terdapat kekebalan hukum; 19. Seluruh transaksi yang telah dilakukan antara Debitur dengan afiliasi atau pihak terkait telah dilakukan dengan dasar *arms’ length*; 20. Debitur memiliki hak kepemilikan yang sah terhadap seluruh asetnya, kecuali atas jaminan yang telah diungkapkan; 21. Kecuali yang telah teridentifikasikan dalam pemeriksaan lingkungan dan sosial, tidak terdapat resiko atau masalah-masalah lingkungan dan sosial yang bersifat material sehubungan dengan Debitur; 22. Debitur telah melaksanakan proses pengadaan barang dan jasa dengan prinsip keadilan, persaingan sehat, transparan, tanpa konspirasi dan layak secara komersial (*value for money*); 23. Debitur ataupun setiap afiliasi atau orang yang bertindak untuk dan atas nama mereka tidak telah terlibat praktik korupsi, penipuan, pemaksaan, kolusi, atau praktik obstruktif apapun yang berkaitan dengan Proyek; 24. Debitur tidak pernah mengadakan transaksi atau terlibat dalam kegiatan apapun yang dilarang berdasarkan setiap keputusan Dewan Keamanan Perserikatan Bangsa-Bangsa berdasarkan Bab VII Piagam Perserikatan Bangsa-Bangsa; 25. Debitur tidak pernah melakukan transaksi dan terlibat dalam kegiatan apapun yang dilarang berdasarkan “Daftar Negatif IIF”; 26. [Debitur menyatakan dengan pengetahuan terbaiknya bahwa proyeksi keuangan beserta asumsi dan analisa sensitivitasnya yang disajikan kepada Kreditur pada saat penandatanganan Perjanjian Fasilitas sudah mencerminkan proyeksi terkini dari Debitur]; 27. Pernyataan dan jaminan lainnya yang sesuai terhadap transaksi sejenis. | | **Janji Pemberian Informasi** | Debitur wajib untuk memberikan informasi kepada Kreditur, termasuk tetapi tidak terbatas pada, berupa:   1. Segera setelah tersedia, namun pada segala kondisi dalam waktu 180 (seratus delapan puluh) hari kalender setelah berakhirnya setiap tahun keuangan, laporan keuangan konsolidasi dari Debitur dan Para Sponsor yang diaudit untuk tahun keuangan tersebut, dengan melampirkan sertifikat kepatuhan dari Debitur berdasarkan Janji Finansial; 2. Segera setelah tersedia, namun pada segala kondisi dalam waktu 60 (enam puluh) hari kalender setelah berakhirnya triwulan disetiap tahun keuangan, laporan keuangan konsolidasi dari Debitur dan Para Sponsor untuk triwulan tersebut dalam setiap tahun keuangan terkait dengan melampirkan sertifikat kepatuhan dari Debitur berdasarkan Janji Finansial; 3. Segera setelah tersedia, namun paling lambat dalam waktu 30 (tiga puluh) hari kalender sebelum dimulainya tahun buku atau bersamaan dengan penyerahan budget expense untuk Fasilitas Kredit Sindikasi, mana yang lebih dahulu, dokumen proyeksi Lalu Lintas Harian selama 1 (satu) tahun ke depan; 4. Segera setelah tersedia, namun paling lambat dalam waktu 30 (tiga puluh) hari kalender sejak periode akhir laporan triwulanan, Laporan Realisasi Lalu Lintas Harian dan Laporan Pendapatan Tol sehubungan dengan Proyek; 5. Informasi lainnya mengenai kondisi finansial, bisnis dan operasional sebagaimana Kreditur dapat meminta secara wajar; 6. Pemberitahuan atas perubahan pihak penandatangan yang berwenang dari Debitur yang ditandatangani oleh Direktur dari Debitur tersebut dan memuat contoh tanda tangan dari setiap pihak penandatangan yang baru; 7. Persyaratan pelaporan tertentu menurut Prinsip-Prinsip Lingkungan dan Sosial dan Rencana Tindakan Perbaikan IIF, termasuk dan tidak terbatas mempublikasikan (mengunggah) dokumen terkait dengan kajian sosial dan lingkungan dan rencana yang terkait dengan aspek sosial dan lingkungan dalam website Debitur atau IIF, sebagaimana berlaku; dan 8. Persyaratan pelaporan lainnya yang sesuai dengan transaksi sejenis. | | **Janji-Janji Finansial** | *[Tahap diskusi dengan ABC]*  Janji-janji Finansial ini akan terus berlaku selama Fasilitas masih terutang. | | **Janji-Janji Umum** | Janji-janji yang sewajarnya diberlakukan untuk jenis Fasilitas ini akan disertakan dalam Perjanjian Fasilitas, termasuk (tanpa pembatasan)   1. Status; 2. Mempertahankan seluruh izin-izin, registrasi dan persetujuan-persetujuan material; 3. Larangan perubahan susunan pemegang saham; 4. Tidak ada perubahan dalam struktur Grup Debitur; 5. Kepatuhan terhadap peraturan perundang-undangan yang berlaku; 6. Penggunaan jasa auditor eksternal bereputasi yang dapat diterima oleh Kreditur; 7. Peringkat *pari passu ;* 8. Mempertahankan asuransi dalam jumlah dan jenis yang sesuai dengan persyaratan asuransi yang sewajarnya dibuka untuk bisnis/industri serupa ; 9. Kepatuhan atas pembayaran pajak; 10. Larangan atas akusisi/pengambilalihan dan penanaman modal; 11. Debitur harus mendapatkan persetujuan tertulis terlebih dahulu dari Kreditur dalam hal melakukan peleburan, pemisahan, penggabungan, restrukturisasi, dan akuisisi perusahaan; 12. Memastikan bahwa tidak terdapat kejadian yang akan menimbulkan dampak merugikan material; 13. Setiap transaksi yang telah dilakukan antara Debitur dengan afiliasi atau pihak terkait telah dilakukan dengan dasar *arms’ length;* 14. Larangan atas perubahan kegiatan usaha; 15. Subordinasi atas seluruh pinjaman pemegang saham dan pinjaman antar perusahaan; 16. Debitur hanya akan menggunakan Fasilitas untuk tujuan pembiayaan *cash deficiency* yang terjadi setelah Proyek beroperasi; 17. Debitur tidak terlibat praktik yang dapat dikenai sanksi, yang meliputi korupsi, penipuan, pemaksaan, kolusi dan praktik obstruktif; 18. Debitur wajib meminta persetujuan tertulis kepada Kreditur sebelum Debitur mendapatkan setiap utang baru dari kreditur lain,; 19. Debitur harus melakukan proses pengadaan barang dan jasa berdasarkan prinsip-prinsip keadilan, persaingan sehat, transparan, tanpa konspirasi dan layak secara komersial (*value for money*); 20. Debitur wajib mematuhi Prinsip-prinsip Sosial dan Lingkungan IIF, termasuk pemenuhan Rencana Tindakan Perbaikan dan persyaratan pelaporannya; 21. Debitur tidak boleh mengadakan transaksi atau terlibat dalam kegiatan apapun yang dilarang berdasarkan setiap keputusan Dewan Keamanan Perserikatan Bangsa-Bangsa berdasarkan Bab VII Piagam Perserikatan Bangsa-Bangsa; 22. Debitur tidak boleh menggunakan Fasilitas dari IIF untuk membiayai proyek proyek yang termasuk dalam *Exclusion list* dari IIF; 23. Debitur dan pihak manapun yang bertindak atas nama Debitur wajib mematuhi ketentuan-ketentuan dan berjanji tidak akan terlibat dalam segala kegiatan yang dilarang dalam *World Bank’s Anti Corruption Guideline*; 24. Debitur tidak boleh mengadakan transaksi atau terlibat dalam kegiatan apapun yang dilarang berdasarkan setiap keputusan Dewan Keamanan Perserikatan Bangsa-Bangsa berdasarkan Bab VII Piagam Perserikatan Bangsa-Bangsa dan *World Bank Listing of Ineligible Firms & Individual* sebagaimana dipublikasikan dan diperbaharui pada situs resmi World Bank; 25. Larangan atas pelepasan (aset) kecuali pelepasan aset yang merupakan kegiatan bisnis Debitur sehari-hari dengan nilai sampai dengan [Rp. 10.000.000.000,- (sepuluh miliar rupiah)]; 26. Debitur wajib mempertahankan kontrak-kontrak material sehubungan dengan kegiatan operasional Debitur; 27. Setelah pemberitahuan sebelumnya, Debitur harus mengizinkan perwakilan IIF atau setiap agen atau orang yang ditunjuk untuk mengunjungi lokasi Proyek, memiliki akses terhadap rekening pembukuan, dan akses kepada pegawai, agen, kontraktor yang memiliki atau mungkin memiliki pengetahuan atas hal-hal yang berhubungan dengan yang dimintakan informasi oleh IIF. Untuk menghindarkan keragu-raguan, pemberitahuan terlebih dahulu tidak diperlukan jika terdapat potensi atau berlanjutnya keadaan Cidera Janji, atau jika keadaan-keadaan khusus mensyaratkannya; 28. Debitur wajib menginformasikan terlebih dahulu kepada Kreditur mengenai rencana pembiayaan proyek lainnya milik Debitur dan anak-anak perusahaan yang membutuhkan pendanaan dari pihak ketiga; 29. Debitur harus mendapatkan persetujuan tertulis terlebih dahulu dari Kreditur dalam hal akan menjaminkan asetnya kepada bank atau pihak lain kecuali yang dijaminkan untuk Fasilitas Kredit Sindikasi; dan 30. Debitur tidak diperkenankan untuk membagikan dividen; 31. Kondisi-kondisi lainnya yang standar untuk transaksi sejenis. | | **Peristiwa Cidera Janji** | Standar untuk Fasilitas ini, termasuk namun tidak terbatas pada hal-hal sebagai berikut:   1. Kegagalan untuk membayar jumlah pokok, bunga atau jumlah lain yang jatuh tempo berdasarkan Fasilitas ini (selain dikarenakan kesalahan administrasi dan bergantung pada masa perbaikan sampai dengan 3 (tiga) Hari Kerja; 2. Setiap Janji-Janji Finansial dan non finansial yang tidak terpenuhi; 3. Kegagalan untuk mematuhi setiap kewajiban, termasuk tetapi tidak terbatas pada Janji-janji Umum, bergantung pada 30 (tiga puluh)] hari masa perbaikan apabila mampu memperbaiki; 4. Pernyataan yang salah atau menyesatkan; 5. Cidera janji silang; 6. Kepailitan/keadaan tidak mampu membayar (*insolvency)* dan keadaan lainnya yang sejenis; 7. Ketidakabsahan; 8. Penyangkalan dan ketidaksesuaikan hukum; 9. Litigasi dan putusan final atau perintah pengadilan dalam hubungannya dengan Dokumen Pembiayaan atau aset-aset mereka yang mungkin dapat diduga menyebabkan dampak merugikan yang material; 10. Penghentian bisnis/kegiatan usaha; 11. Pembatalan setiap Dokumen Jaminan; 12. Pengakhiran perjanjian-perjanjian yang bersifat material sehubungan dengan Proyek; 13. Terjadinya setiap kejadian atau kondisi yang telah menimbulkan atau yang secara wajar dapat diperkirakan akan memiliki dampak merugikan yang material; dan 14. Ketentuan lainnya yang berlaku umum terhadap transaksi sejenis. | | **Persyaratan Pendahuluan untuk Penandatanganan** | Standar yang berlaku umum dan sewajarnya untuk jenis fasilitas ini, termasuk tetapi tidak terbatas pada:   1. Penyerahan atas seluruh persetujuan korporasi dari Debitur (termasuk keputusan direksi dan keputusan pemegang saham, sebagaimana berlaku) yang membuktikan bahwa segala persetujuan telah diperoleh, termasuk bukti yang memuaskan bahwa persetujuan dari seluruh institusi pemerintah dan persetujuan, kewenangan, ijin, dan pengecualian pajak yang dibutuhkan untuk bisnis/kegiatan usaha dan Fasilitas telah diperoleh; 2. Diterimanya surat penawaran atas Syarat dan Ketentuan Fasilitas dari Kreditur yang telah ditandatangani oleh Debitur; 3. Laporan pemeriksaan (*due diligence*) atas aspek (sosial dan lingkungan, dan hukum (sebagaimana berlaku) dalam bentuk dan isi yang memuaskan bagi Kreditur; 4. Penyerahan salinan bukti penunjukan Para Agen; 5. Kondisi-kondisi yang berlaku sebelum penandatanganan Perjanjian Fasilitas terkait persyaratan Sosial dan Lingkungan telah terpenuhi, termasuk mengunggah dokumen terkait dengan kajian social dan lingkungan dalam situs IIF atau situs Debitur (apabila ada); 6. Salinan atas pemberitahuan kepada, dan persetujuan atau pengesampingan dari kreditur yang saat ini ada, sehubungan dengan: 7. transaksi yang dirumuskan berdasarkan Perjanjian Fasilitas dalam hubungannya dengan pembiayaan fasilitas oleh Kreditur; dan 8. Pembagian penjaminan seluruh aset Debitur yang menjadi jaminan atas Fasilitas Kredit Sindikasi, untuk kepentingan Kreditur; 9. Persyaratan-persyaratan lain yang akan ditentukan kemudian pada saat tahap dokumentasi final. | | **Persyaratan Pendahuluan untuk Efektif** | Telah menyerahkan copy dokumen Berita Acara Kesepakatan Penerusan Pengusahaan Jalan Tol ABC dan Perjanjian Pengusahaan Jalan Tol (PPJT) ruas ABC berikut amandemen-amandemennya dalam bentuk dan isi yang dapat diterima oleh IIF. | | **Persyaratan Pendahuluan untuk Penarikan Awal** | Syarat pendahuluan untuk penarikan awal dari Fasilitas Kredit Sindikasi yang berlaku umum dan sewajarnya untuk jenis fasilitas ini, termasuk tetapi tidak terbatas pada:   1. Seluruh Dokumen Pembiayaan telah ditandatangani dan berlaku efektif; 2. Bukti bahwa seluruh biaya yang dibebankan untuk dibayarkan oleh Debitur telah dibayarkan pada tanggal penarikan awal; 3. Menyerahkan surat pernyataan Debitur yang menyatakan bahwa akan terjadi kekurangan kas dan dengan lampiran berupa laporan *projected* *cashflow*. 4. Menyerahkan surat permohonan penarikan selambat-lambatnya 5 (lima) Hari Kerja sebelum tanggal penarikan; 5. Menyerahkan polis asuransi atas Proyek selama masa operasi, dengan syarat banker’s clause sesuai dengan syarat Asuransi pada Perjanjian Kredit; 6. Kreditur telah menerima Pendapat Hukum yang memuaskan yang ditujukan kepada Kreditur mengenai validitas dan keberlakukan Perjanjian Fasilitas, termasuk konfirmasi persyaratan pendahuluan untuk penarikan awal dari penasehat hukum 7. Penyerahan salinan bukti bahwa DEF telah melunasi pinjaman sejumlah Fasilitas yang akan ditarik sebagaimana diatur perjanjian fasilitas yang dibuat antara DEF dengan Kreditur; 8. Kondisi yang memuaskan atas seluruh kondisi-kondisi yang berlaku dari janji-janji Sosial dan Lingkungan serta Rencana Tindakan Perbaikan Sosial dan Lingkungan untuk memenuhi Prinsip – Prinsip Sosial dan Lingkungan dari Kreditur; dan 9. Syarat-syarat ataupun dokumen lainnya yang berlaku umum terhadap transaksi jenis ini yang akan ditentukan kemudian; | | **Persyaratan Penarikan Selanjutnya** | Standar yang berlaku umum dan sewajarnya untuk jenis fasilitas ini, termasuk tetapi tidak terbatas pada:   1. Debitur memberitahukan secara tertulis Surat Permohonan Penarikan *(notice of drawdown)* selambat-lambatnya 5 (lima) Hari Kerja sebelum tanggal penarikan Fasilitas yang dimaksud; 2. Kondisi memuaskan atas seluruh kondisi yang berlaku dari janji Sosial dan Lingkungan serta Rencana Tindakan Perbaikan untuk memenuhi Prinsip-prinsip Soaial dan Lingkungan dari Kreditur; 3. Persyaratan lain yang akan ditentukan kemudian pada saat tahap dokumentasi final. | | ***Cash Waterfall* Fasilitas** | Untuk didiskusikan lebih lanjut, agar kewajiban pembayaran berdasarkan Perjanjian Fasilitas masuk dalam urutan cash waterfalls dari Fasilitas Kredit Sindikasi | | **Penasihat Eksternal (Hukum, Lingkungan dan Sosial (“E&S”))** | Debitur wajib memberikan penggantian (reimbursement) kepada kreditur atas segala biaya dna pengeluaran yang secara wajar telah dikeluarkan sehubungan dengan persiapan, uji tuntas, negosiasi, penandatanganan dan amandemen serta pelaksanaan atas Dokumen Pembiayaan.  Biaya di atas wajib dibayarkan segera setalah Dbeitur menerima permintaan tertulis dari kredit atau dalam hal Dokumen Pembiayaan ditandatangani oleh Para Pihak, maka biasya tersebut wajib dibayarkan pada penarikan awal atas Fasilitas, biaya mana mencakup termasuk namun tidak terbatas pada: (a) segala pengeluaran yang wajar, biaya out-of-pocket expense (“**OPE**”) yang dikeluarkan sehubungan dengan penunjukan konsultan/penasehat eksternal, yaitu konsultan hukum, notaris, konsultan social dan lingkungan, konsultan keuangan dan konsultan teknik, serta konsultan lainnya yang ditunjuk dengan konsultasi dan persetujuan sebelumnya dari Debitur; dan (b) segala pengeluaran OPE yang telah dikeluarkan oleh Kreditur dan konsultan terkait, termasuk biaya sehubungan dengan kunjungan ke lokasi Proyek. | | **Mata Uang dan Pembulatan Pajak** | Seluruh pembayaran yang akan dibuat oleh Debitur akan dibayarkan secara penuh dengan menggunakan mata uang Fasilitas, tanpa suatu perjumpaan utang (pengurangan) atau klaim balik dan bebas dan bersih dari, dan tanpa pengurangan untuk atau pada tanggungan dari, setiap pajak, bea, retribusi, cukai, biaya atau pajak penghasilan baik sekarang maupun yang akan ada. Apabila setiap pajak tersebut disyaratkan oleh hukum untuk dikurangi atau dipotong dari setiap jumlah yang harus dibayarkan, maka Debitur harus menambahkan jumlah yang akan dibayarkan agar penerima pembayaran menerima jumlah secara penuh (dan menyediakan bukti dari setiap bukti potongan pajak penghasilan yang dibayarkan kepada Pemerintah Republik Indonesia). | | **Transfer dan**  **Pengalihan oleh Kreditur** | Kreditur berhak untuk memindahkan atau mengalihkan secara bebas seluruh atau sebagian hak-hak dan manfaat berdasarkan Syarat dan Ketentuan (termasuk komitmen fasilitasnya) dan Dokumen Pembiayaan kepada pihak manapun, tanpa persetujuan terlebih dahulu dari Debitur. Dalam hal pengalihan oleh Kreditur kepada pihak (-pihak) lainnya, Kreditur akan memastikan bahwa kewajiban-kewajiban Debitur dan Kreditur tidak berubah disebabkan pengalihan tersebut.  Debitur tidak berhak untuk mengalihkan hak, manfaat atau kewajiban apapun berdasarkan Syarat dan Kententuan dan Dokumen Pembiayaan kepada pihak lain manapun tanpa persetujuan tertulis dari Kreditur. | | **Pembatasan Kerugian** | Debitur setuju bahwa Dewan Komisaris, Direksi, pegawai, agen, penasihat, konsultan dan konsultan hukum dari Kreditur (masing-masing disebut sebagai “**Pihak Yang Diganti Kerugian**”) tidak akan bertanggung jawab atas kehilangan, tuntutan, kerusakan atau kerugian (“**Kerugian**”) yang mungkin diderita atau ditimbulkan oleh Debitur atau pihak lain sehubungan dengan Syarat dan Ketentuan ini atau transaksi sebagaimana dibuat berdasarkan Syarat dan Ketentuan ini, kecuali apabila Kerugian tersebut merupakan akibat dari kelalaian atau kesalahan yang disengaja dari Pihak Yang Diganti Kerugian. Tuntutan tersebut akan dibatasi hanya untuk kerugian yang dapat diperkirakan dan tidak termasuk kerugian atas keuntungan atau akibat kerugian atau kerugian hukuman. | | **Penggantian Kerugian** | Debitur wajib mengganti kerugian dan menjaga Pihak Yang Diganti Kerugian terhadap Kerugian dimana Pihak Yang Diganti Kerugian tersebut dapat menjadi subjek sehubungan dengan atau yang timbul dari aktivitas Pihak Yang Diganti Kerugian sebagaimana diatur dalam Syarat dan Ketentuan ini, sehubungan dengan transaksi yang diatur dalam Syarat dan Ketentuan ini dan untuk mengganti Pihak Yang Diganti Kerugian atas seluruh biaya, termasuk namun tidak terbatas pada biaya hukum, yang ditimbulkan oleh Pihak Yang Diganti Kerugian sehubungan dengan hal tersebut atau sehubungan dengan investigasi atau pembelaannya; namun, dengan ketentuan bahwa Debitur tidak akan bertanggung jawab atas Kerugian sepanjang Kerugian tersebut adalah sebagai akibat dari kelalaian atau kesalahan yang disengaja dari Pihak Yang Diganti Kerugian. | | **Kerahasiaan** | Informasi dan materi yang dihasilkan oleh Kreditur berdasarkan Syarat dan Ketentuan ini adalah untuk kepentingan Kreditur sendiri dan bukan untuk kepentingan Debiturataupun kreditur lainnya. Seluruh materi tertulis yang disampaikan kepada Debitur, termasuk Syarat dan Ketentuan ini, hanya akan didistribusikan oleh Debitur kepada penasihat profesionalnya untuk tujuan transaksi sebagaimana disebutkan di dalam Syarat dan Ketentuan. Materi-materi tersebut tidak boleh didistribusikan kepada pihak ketiga tanpa persetujuan tertulis sebelumnya dari Kreditur. Debitur tidak boleh mengatasnamakan pandangan Kreditur atas seluruh hal, atau menggunakan nama Kreditur pada materi tertulis kepada pihak ketiga. | | **Hukum yang Berlaku** | Hukum Negara Republik Indonesia. | | **Penyelesaian Perselisihan** | Para Pihak setuju bahwa setiap perbedaan, perselisihan, konflik atau kontroversi (“**Perselisihan**”) yang muncul dari/atau sehubungan dengan Syarat dan Ketentuan ini, Para Pihak akan berusaha dalam jangka waktu 30 (tiga puluh) hari kalender setelah diterimanya pemberitahuan oleh salah satu pihak dari pihak yang lain mengenai keberadaan Perselisihan, untuk menyelesaikan Perselisihan dengan secara musyawarah dan mufakat diantara para pihak.  Jika tidak ada penyelesaian tercapai dalam jangka waktu tersebut, maka Para Pihak wajib menyelesaikan Perselisihan tersebut melalui badan arbitrase yang pada saat ini beralamat kantor di Wahana Graha Lantai 1&2, Jalan Mampang Prapatan No. 2 Jakarta 12760, berdasarkan Peraturan Arbitrase Badan Arbitrase Nasional Indonesia (“**BANI**”) dan menggunakan Bahasa Indonesia. | |

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| **PT ABC TOLL ROAD**  **INDICATIVE TERMS AND CONDITONS FOR SENIOR TERM LOAN FACILITY** | |
| ***These Indicative Terms & Conditions (“Term Sheet”) is for discussions purpose only. The Term Sheet is not meant to be, nor shall it be construed as, an attempt to define all of the terms & conditions of financing provided by PT Indonesia Infrastructure Finance (‘IIF’). The Term Sheet is also not intended as an undertaking or commitment by IIF to extend a loan or provide the financing facility contemplated herein. The terms and conditions set out in this Term Sheet are subject to satisfactory result of financial, social & environmental, technical, insurance and legal due diligence; IIF’s internal investment committee approval; and satisfactory final documentation.***  ***No representation is made by IIF that the structure proposed herein is appropriate for the Borrower(s) and the Borrower(s) should seek its own legal and other professional advice as to the appropriateness of the structure and its impact on the Borrower(s), its subsidiary(ies), and affiliate(s). Terms not defined herein shall be defined at the final documentation stage.*** | |
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| **PARTIES** | |
| **Borrower** | PT ABC Toll Road (“**ABC**”). |
| **Sponsor** | 1. PT XYZ (“**XYZ**”); and 2. PT Sumber Mitra Jaya (“**SMJ**”). |
| **Lender** | PT Indonesia Infrastructure Finance (“**IIF**”). |
| **FACILITY** | |
| **Facility Type** | Cash Deficiency Support Facility (“**Facility**”). |
| **Facility Amount** | Up to IDR 600.000.000.000 (six billion thousand Rupiah) |
| **Project** | Construction and operating of Pemalang – Batang Toll Road section |
| **Purpose of the Facility** | To finance any cash deficiency incurred from Project after Commercial Operating Date (“**COD**”) of the Project. |
| **Facility Agreement Date** | Signing date of Syndication Credit Agreement (Conventional) No. 37 dated 24 May 2017. |
| **Final Maturity Date** | Maximum 222 (two hundred twenty two) months since the Facility Agreement Date or 60 (sixty) months since the full repayment of facility according to: (i) Syndication Credit Facility Agreement (Conventional) No. 37 dated 24 May 2017; (ii) Syndication Credit Facility Agreement (Sharia) No. 38 dated 24 May 2017; and (iii) Other Syndication Credit Agreement which will be signed to finance the project where Lender could participate (afterwards will be called together “**Syndication Credit Facility**”), whichever comes first. |
| **Availability Period** | The facility is available for drawdown from the signing date of the Facility Agreement (“**Signing Date**”) until [31 December 2018]. |
| **Grace Period** | Maximum of 162 (one hundred sixty two) months from the Facility Agreement Date or following the full prepayment of the Syndication Credit Facility whichever earlier.  For avoidance of doubt:   1. First repayment of principal will start from 3 (three) months after the end of Grace Period; 2. Interest shall be paid during the Grace Period, with terms and conditions as set out in ”Interest Rate” section below. |
| **Repayment** | Repayment shall be paid quarterly proportionally.  “**Business Day(s)**” means a day (other than Saturday, Sunday or public holiday) on which licensed banks are open for business in Jakarta and Bank Indonesia conducts clearing. |
| **PRICING** | |
| **Facility Fee** | [1]% flat of the Facility Amount, payable at 5 (five) Business Days after the Signing Date, or at the initial drawdown date, whichever is the earlier. |
| **Commitment Fee** | [1]% p.a. of the undrawn Facility Amount. Commitment fee is calculated based on daily average of undrawn portion during Availability Period.  Commitment Fee shall be paid monthly at the end of each month during Availability Period, at the latest 5 (five) Business Days after the end of each month. |
| **Interest Rate** | Amounting to annual interest rate of Syndication Credit Facility (”**Syndication Interest Rate**”) + [3% (three percent) p.a.]  Syndication Interest Rate equals to Reference rate (LPS) + 4.25% p.a.  Payment of the Interest Rate shall be paid with the followings conditions:   1. During Grace Period:  * Interest rate at [3% (three percent)] p.a shall be paid during the Grace Period; and * Interest Rate at unpaid Syndication Interest Rate will be capitalized and increase the principal amount, which will be calculated using Syndication Interest Rate + [3% (three percent)] p.a (”**Accumulated Syndication Interest Rate**”) and shall be paid by Borrower after the Grace Period.  1. After Grace Period:  * Syndication Interest Rate + [3% (three percent)] per annum, added with the payment of Accumulated Syndication Interest Rate in pro-rata. |
| **Default Interest Rate** | Any unpaid due amount (i.e. interest payable and/or principal repayment) will be charged with a default interest rate at 2.0% p.a. above the applicable Interest Rate, calculated until the actual payment date of the overdue amount. |
| **Interest Period** | [Monthly, as regulated in Syndication Credit Facility Agreement.]  Payment of the interest shall be made at the end of each Interest Period (“**Interest Repayment Date**”) with condition of Interest Repayment Date shall not exceed the Final Maturity Date. |
| **OTHER TERMS** | |
| **Mandatory Prepayment** | The Facility shall be prepaid to the Lender if and when:   1. Illegality   If, at any time, it becomes unlawful in any applicable jurisdiction for the Lender to perform any of its obligations as completed under the Finance Documents, the Borrower shall fully repay the outstanding loan and the available Facility (as applicable), will be immediately cancelled.   1. Other Prepayment customary to financing of this nature, including but not limited to: 2. Asset disposal, 3. Acceptance of Insurance Claim; 4. The payment of money compensation to the Borrower due to a cancellation of the Toll Road Concession Agreement;   where, the Lender shall receive the payment in pro-rata with Lender of Syndication Credit Facility (“**Senior Lender**”).   1. Refinancing of Syndication Credit Facility   The Borrower shall fully repay the Facility if the Borrower does refinancing and/ or rescheduling to the Syndication Credit Facility.   1. Excess Cash after repayment of the Syndication Credit Facility   [50%] of the remaining excess cash from Borrower’s transaction account after final repayment of Syndication Credit Facility, shall be used to prepay the loan to Lender.   1. Other mandatory prepayment events according to due diligence report.   Notes:   1. Each repaid facilty is irrefundable by Borrower. 2. Each prepaid facility (except due to ”illegality”) shall be done inverse order of maturity according to loan repayment schedule. 3. Each prepayment shall be done in Interest Repayment Date. |
| **Voluntary Prepayment Penalties** | In the amount of 5% (five percent) from prepaid amount. |
| **Collateral** | Cross collateral with the collateral for Senior Lender. Additionally, the collateral is pari passu with Lender to be elaborated further in the Security Sharing Agreement, which includes:   1. Toll Road Concession Rightsbased on the Toll Concession Agreement of ABC, which irrevocable power of attorney to the Lender to appoint third parties as a toll road operator; 2. All operational invoices and revenues from the operation of the toll road (other ventures pertaining to the Project) to be secured with fiduciary over receivables; 3. Pledge of Borrower’s accounts and its related Power of Attorney, including but not limited to Revenue Account, Debt Service Reserve Account, Debt Service Account, Operational Account, and Excess Cash Account (“**Project Account**”); 4. Proceeds from Insurance Claims, to be secured with fiduciary over proceeds of insurance claim; 5. Proceeds of bank guarantee claim to be secured with fiduciary over proceeds of bank guarantee claim; 6. Corporate Guarantee from PT Sumber Mitra Jaya; 7. Corporate Guarantee from PT XYZ; 8. Pledged of ABC shares owned by sponsors along with power of attorney to vote and power attorney to sale shares;   (Collectively referred to as the ”**Security Document**”).  [Note: In addition to the above, the shareholders of ABC (joint and severally) agree to provide cash deficiency support, cost overrun and to maintain positive equity in a term of notarial deed of shareholders general meeting. In the notarial deed of shareholders general meeting, shareholders also provide assurance that the interest payment and principal repayment schedule are being kept on time until full repayment of the Facility.] |
| **Ranking** | The payment of Accumulated Syndication Interest Rate and payment of Facility shall rank junior and subordinated with the repayment of the Syndication Credit Facility, except for company’s obligation which regulated under the common law for companies. This item excludes the 3% p.a. interest payment during Grace Period which shall rank senior.  After the end of Grace Period, the interest and principal repayment obligation under Facility Agreement and other documents related to Facility Agreement (“**Financing Document**”) shall rank the same with Syndication Credit Facility. The Negative Covenant set out in Syndication Credit Facility Agreement shall also apply in this Facility Agreement.  For avoidance of doubt, the payment under the Facility Agreement shall rank senior to any shareholders loans and inter-company loans both now and in the future.  [Note: There is a bridging shareholder loan for land acquisition purpose that may be required to be paid and rank Senior]. |
| **Representation & Warranties** | The Borrower will make representations and warranty customary for facilities of this nature on the date of the Agreement and on the date of each utilisation request and the first day of each Interest Period, including but not limited to:   1. Status and due authorization; 2. Power and authority; 3. Binding obligations; 4. Non conflict with other obligations; 5. Validity and admissibility in evidence; 6. All government and regulatory approval, and any other third party consents (if required) have been obtained; 7. No filing or stamp taxes; 8. No insolvency or similar proceeding; 9. No default; 10. No misleading information; 11. The Borrower’s financial statements for a specified period have been prepared in accordance with the Indonesian Accounting Standards, and disclose all liabilities; 12. *Pari-passu* ranking; 13. No material litigation or proceeding pending or threatened; 14. No breach of laws; 15. No material adverse effect; 16. All tax return have been filed, and all taxes due have been paid save for tax payment, which is being contested in good faith; 17. No financial indebtedness, loans and guarantees or security, save as financial indebtedness, loans and guarantees or security which has been disclosed to the Lender; 18. No immunity; 19. All transactions conducted with affiliates or related party have been made on arm’s length basis; 20. The Borrower have a good title to all of its assets, subject only to permitted and disclosed liens; 21. Except as identified in the social and environmental assessment, there are no material social or environmental risks or issues in relation to the Project; 22. The Borrower has conducted procurement of goods and services based on the principles of fairness, competition, transparency, no conspiracy and value for money; 23. Neither the Borrower, nor the Sponsor, nor any affiliate nor any person acting on their behalf has engaged in any corrupt, fraudulent, coercive, collusive or obstructive practice; 24. The Borrower has not entered into any transaction nor engaged in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter; 25. The Borrower has not involved in any business activities listed under the IIF’s Exclusion List; 26. The Borrower has stated with the best knowledge that the financial statements already reflects the current Borrower’s projection; 27. Such other representations and warranties appropriate for transaction of this type. |
| **Reporting Covenant** | The Borrower shall supply to the Lender with, including but not limited to:   1. As soon as they become available, but in any event within 180 (one hundred and eighty) days after the end of each of its audited financial years, the Borrower and sponsors audited consolidated financial statements for that financial year, by enclosing the compliance certificate pursuant to Financial Covenant; 2. As soon as they become available, but in any event within 60 (sixty) days after the end of each quarter of each financial years, the Borrower and sponsors consolidated internal financial statements for that quarter of the relevant financial year by enclosing the compliance certificate pursuant to Financial Covenant; 3. As soon as they become available, but in any event within 30 (thirty) days before the starts of each of its fiscal years or together with the submission of budget expense for Syndication Credit Facility, whichever comes earlier, the projected daily traffic report for the next 1 (one) year; 4. As soon as they become available, but in any event within 30 (thirty) days before the starts of each of quarterly report period, the Daily Traffic Realization Report and Toll Revenue Report related to the Project; 5. Such other information regarding the financial condition, business and operations on any member of the Group as the Lender may reasonably request; 6. Notice of change in the authorised signatories of any [Obligor] signed by a director of such [Obligor] and containing the specimen signature of any new authorised signatories; 7. Certain reporting requirements under IIF’s Social & Environmental Principles and its Corrective Action Plan including to upload documents related to social & environmental impact assessment and action plans related to social & environmental aspect in the Borrower’s or IIF’s website as applicable; and 8. Such other reporting requirement appropriate for transaction of this type |
| **Financial Covenants** | *[In discussion with ABC]*  The Financial covenants applied all times through out the Facility Tenor. |
| **General Undertakings** | Undertakings customary for the Facility of this nature will be included in the Facility Agreement, including (without limitation):   1. Status and due authorization; 2. Maintenance of all material licenses, registrations, and authorizations; 3. No change of shareholders; 4. No changes in Borrowers group structure; 5. Compliance with laws; 6. Retention of external reputable auditor acceptable to the Lender; 7. *Pari passu* ranking; 8. Maintenance of insurances in the amount and type appropriate for the business as agreed by the Lender; 9. Compliance to tax payment; 10. Restriction on acquisition or investments; 11. The Borrower shall not engage in mergers, consolidation, separation, or restructurisation without written approval from Lender; 12. Ensuring no material adverse effect; 13. Any transaction with affiliates or related party is conducted based on arm’s length basis; 14. No change of business; 15. Subordination of all shareholders’ loan and inter-company loans; 16. The Borrower shall only use the Facility to provide cash deficiency for the Project after COD; 17. The Borrower shall not engage in sanctionable practices, which includes corrupt, fraudulent, coercive, collusive, and obstructive practices; 18. The Borrower shall not apply a new loan from other lender without prior written consent of the existing Lender; 19. The Borrower shall conduct procurement of goods and services based on the principles of fairness, competition, transparency, no conspiracy and value for money; 20. The Borrower shall comply with IIF’s Social & Environmental Principles, which includes the compliance to Corrective Action Plan and its reporting requirements; 21. The Borrower shall not enter into any transaction or engaged in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter ; 22. The Borrower shall not use the Facility to finance any business activities listed under the IIF’s Exclusion List; 23. The Borrower and its affiliation that act as behalf of the Borrower, shall comply with the regulation and will not engage in any activity prohibited by World Bank’s Anti Corruption Guideline; 24. The Borrower shall not enter into any transaction or engaged in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter and World Bank Listing of Ineligible Firms & Individual as publicized and updated in official website of World Bank ; 25. Restriction on asset disposal, except for daily business activities of the Borrower with maximum value up to IDR 10.000.000.000,- (Ten Billion Rupiah). 26. The Borrower shall maintain all material contracts related to business activity; 27. Upon prior notice, the Borrower shall permit Lenders’ representative or any of its agents or designees to visit the project site, to get information and/or queries access related with the financial statements, and have access to employees, agents, contractors who have or may have knowledge of matters with respect to which IIF seeks information. For avoidance of doubt, no prior notice shall be necessary if there is potential or continuing Event of Default or if special circumtances so require; 28. The Borrower shall notify the Lender of any other Borrowers’ project financing plan and its subsidiaries that needs financing from third parties; 29. The Borrower shall not pledge its asset to banks or other parties, except as collateral for the Syndication Credit Facility, without prior written consent of the Lender; and 30. The Borrower shall not pay any dividend; 31. Such other conditions standard for transaction of this type.   . |
| **Events of Default** | Events of default customary for Facility of this nature will be included in the Agreement , including (without limitation):   1. Failure to pay principal, fees, interest, or any other sums due under this Facility (other than due to administrative error, subject to remedy period of up to 3 (three) Business Days), 2. Any Financial and non Financial Covenants not satisfied; 3. Failure to comply with any other obligations, including but not limited to General Undertakings, subject to 30 (thrity) calendar days remedy period if capable of remedy; 4. Misrepresentation; 5. Cross default; 6. Insolvency, bankruptcy, or any other similar events; 7. Unlawfulness; 8. Repudiation and rescission; 9. Litigation and final judgments or court orders in relation to the Borrower or their assets which could reasonably be expected to have a material adverse effect; 10. Cessation of business; 11. Revocation of any Security Document; 12. Termination of any material agreements related to the Project; 13. Any event or circumstance occurs which has had or could reasonably be expected to have material adverse effect; and 14. Such other events standard for transaction of this type. |
| **Conditions Precedent for Signing** | Standard and customary for this type of facility, including but not limited to:   1. Submission of all Corporate Approval of the Borrower (including approval from Board of Directors and Shareholders, as applicable) proofing that all approval has been obtained, including satisfactory evidence that approval from governmental institution and approval, authority, permit, and waiver of tax as might be required has been obtained; 2. Receipt of offering letter on Terms and Conditions of Facilitiy from Lender signed by the Borrower; 3. Submisison of [Legal Due Diligence and Social & Environment Due Diligence Report] in the form and substance satisfactory to the Lender; 4. Submission of document evidencing appointment of the Agent; 5. Satisfaction of all applicable conditions to Social & Environmental covenants and Corrective Action Plans to comply with IIF’s Social and Environmental Principles, including uploading documents related to social and environmental studies on the IIF website or the Lender website (if any); 6. A copy of notification, and approval or waiver from existing Lender, related to:  * transactions defined under the Facility Agreement in conjunction with the facility from Lender; and * Security sharing the Borrowers’ assets as collateral to Syndication Credit Facility, for the benefit of the Lender;  1. Such other documents standard for transaction of this type. |
| **Conditions Precedent to Effective** | Submission of certified true copy of Minutes of Meeting of ABC Toll Road Concession Continuation and ABC Toll Road Concession Agreement (*PPJT*) including its amendments in form and substance satisfactory to IIF. |
| **Conditions Precedent for Initial Drawdown** | Standard and customary for this type of facility, including but not limited to:   1. All Financing Documents have been signed and effective; 2. Evidence that all fees, cost and expenses due from the Borrower have been paid on the initial drawdown date; 3. Submission of the Borrowers’ letter stating that there will be cash deficiency and an attachment of projected cash flow report. 4. Submission of the notice to drawdown at the latest 5 (five) Business Day prior the drawdown date; 5. Submission of insurance policy on the Project during the operation period, provided that the banker's clause correspond to the terms of the Insurance in the Credit Agreement; 6. Lender has received satisfactory legal opinion addressed to the Lender on the validity and enforceability of Finance Documents, including conditions precedent confirmation to initial drawdown from external legal adviser; 7. Submission of copy receipt that stated PT DEF has paid off the loan made under Facility Agreement between PT DEFr with the Lender; 8. Satisfaction of all applicable conditions to Social & Environmental covenants and Corrective Action Plans to comply with Lender’s Social and Environmental Principles; 9. Such other documents standard for transaction of this type which will be determined later; |
| **Condition Precedent to Subsequent Drawdown** | Standard and customary for this type of facility, including but not limited to:   1. Borrower to provide written notice of drawdown at the latest 5 (five) Business Days prior the drawdown date; 2. Satisfaction of all applicable conditions to Social & Environmental covenants and Corrective Action Plans to comply with Lender’s Social and Environmental Principles; 3. Any other documents as might be required and requested during the final documentation stage. |
| **Cash Waterfall Mechanism** | To be discussed later, so that priority of payment made under Facility Agreement shall be included in cash waterfalls mechnism from Syndication Credit Facility. |
| **External Advisor (Legal, Environment & Social (“E&S”))** | The Borrower shall reimburse the Lender (or pay directly, if requested by the Lenders) for all costs and expenses reasonably incurred in connection with the preparation, negotiation, due diligence, printing, execution (and amendment) of the Finance Documents and any documents referred by it, whether or not the Finance Documents is actually signed and executed.  The reimbursable expenses shall be paid immediatelly upon Lender request or in the event the Finance Documents are signed and executed, these shall be paid prior to disbursement of the Facility and shall include but not limited to, (a) all reasonable fees, charges and out-of-pocket expenses (“**OPE**”) of all external advisor (including but not limited to: legal counsel, notary, social and environmental consultant, insurance consultant, finance consultant, and independent technical consultant (if necessary)), appointed in consultation with and consented by the Borrower, and (b) all reasonable OPE incurred by the Lender and its consultants, including those related to the right to inspect. |
| **Currency and Tax Gross Up** | All payments to be made by the Borrower shall be paid in full using the currency of the Facility, without any set-off or counter-claim and free and clear of, and without deduction for or on account of, any present and future taxes, duties, levies, imposts, charges or withholdings. If any such taxes are required by law to be deducted or withheld from any sum so payable, then the Borrower shall increase the amount so paid so that the recipient receives the full amount due to it (and provide the evidence of any withholding tax slips payable to the Government of Indonesia). |
| **Assignment and Transfer by Lender** | A Lender shall be entitled to freely transfer or assign the whole or parts of their rights and benefits under the Term Sheet (including their facility commitment) and the Finance Document to any party, without prior consent of the Borrower. In the event of assignment by Lender to other party(ies), Lender shall ensure that Borrower’s and Lender’s obligations do not change due to such assignment.  The Borrower shall not be entitled to assign any rights, benefits or obligations under the Term Sheet and the Finance Documents to any other party without the Lender’s prior written consent. |
| **Limitation of Liability** | The Borrower agree that none of the Lender’s commissioners, directors, employees, agents, advisors, consultants and legal counsel (each, an “**Indemnified Party**”) will be liable for any loss, claim, damage, or liability (“**Loss**”) that the Borrower(s), or any other party might suffer or incur in connection with this Term Sheet, or any transaction contemplated hereby, except to the extent that such Loss resulted from such Indemnified Party’s gross negligence or wilful misconduct. Any such claim will be limited to reasonably foreseeable losses and will not include lost profits or consequential or punitive damages. |
| **Indemnity** | The Borrower shall indemnify and hold harmless the Indemnified Party against any Loss to which such Indemnified Party may become subject in connection with or arising from any Indemnified Party’s activities as contemplated under this Term Sheet, in connection with the transaction contemplated hereby and to reimburse such Indemnified Party for all expenses, including any legal expenses, incurred by such Indemnified Party in connection therewith or with the investigation or defence thereof; provided, however, that the Borrower shall not be liable in respect of any Loss to the extent that such Loss resulted from such Indemnified Party’s gross negligence or wilful misconduct. |
| **Confidentiality** | The information and works produced by Lender under this Term Sheet are for the Lender own benefit and not for the Borrower or any other lender. All written material delivered to the Borrower, including this Term Sheet, may only be distributed by the Borrower to its professional advisors, for purposes of transaction contemplated in the Term Sheet. The said materials shall not be distributed to other third parties without the Lender’s prior written consent. The Borrower may not represent Lender’s views on any matter, or use Lender’s name in any written material for third parties. |
| **Governing Law** | The Laws of the Republic of Indonesia. |
| **Settlement of Disputes** | The parties agree that for any difference, dispute, conflict or controversy (a “**Dispute**”) arises out of or in connection with the Term Sheet, the parties will attempt for a period of thirty (30) days after the receipt by one party of a notice from the other party of the existence of the Dispute, to settle the Dispute by amicable settlement between the parties.  If no settlement is reached within such period, the parties shall settle the Dispute by arbitration under the Rules of Arbitration of the Indonesia National Board of Arbitration (*Badan Arbitrase Nasional Indonesia*) in Jakarta and by using Bahasa Indonesia. |

## Facility Sheet

Please fill in the information below as much as possible. If not applicable, please state N/A.

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| Client  no. | E/N\* | Fac.  No. | Client or group of clients exposure limit/ Facility type | Currency | Amount (USD mn) | Outstanding  Exposure  As on 30/09/17 | Pricing  (bps)\*\* | Maturity  (dd/mm/yy) |
|  |  |  | Submitting entity |  |  |  |  |  |
| 1 | N | 1 | Overseas Private Investment Corporation (“**Lender**”) of PT Energi Gratis (“**PTEG**”) | USD | 20,000,000 | - | 2.7% p.a for guarantee fee.  USD LIBOR + 3.75% + 2.00% if the IGF is drawn | 16.5 years from the first drawdown |
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*\* E(xisting) / N(ew) / C(ancelled) / P(repaid)*

*\*\* Pricing (bps) and distribution of pricing (bps)*

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| Facility  No. | Repayment schedules | Curr. | Amount | Remarks |
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| Collateral, Support, Covenants, Other conditions, Pricing grid | Facility  No. | Description |
| Collateral | 1 | 1. A valid, first priority, perfected security interest in all of the Borrower’s assets; 2. A valid, first priority, perfected security interest in all of the Borrower’s rights under the Project Documents and all consents, licenses and permits; 3. Land Mortgage Agreement; 4. A pledge of all shares (We may need to have a carve out for the shares of SunEd due to their financially distressed situation. However, measures would be put in place to ensure lenders can enforce the security); 5. A pledge of all subordinated debt from the Shareholders, if applicable; 6. A valid, first priority, perfected security interest in all offshore and onshore accounts of the Borrower and all funds and investments therein; 7. An assignment of all insurance policies and proceeds; 8. Direct Agreement with counterparties to WTG Contracts, Civil Balance Of Plant (CBOP) Contract and Electrical Balance Of Plant (EBOP) Contract; and 9. STP consent letter. |
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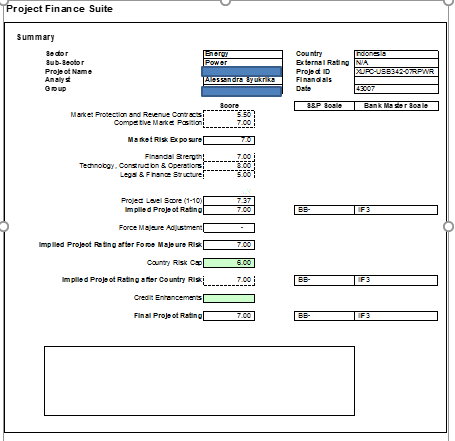
## Summary of Terms and Conditions

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| **Guarantee Facility Main Terms** | |
| Type of Facility | Committed Guarantee Facility (“GF” ) |
| Facility Summary | * OPIC will provide a USD 120 million loan (“**TLF Amount**”) to fund the design, construction and commissioning of the Project * SMBC will provide to OPIC a credit guarantee for an amount equal to lower of USD 40 million and 33.33% of the TLF (and associated interest)   IIF to participate in the deal by taking over a USD 20 million guarantee portion of SMBC exceeding the guarantee cover to include Political Risk Events (“**IGF**”) |
| Facility Purpose | To provide commercial guarantee to OPIC’s Term Loan Facility |
| Facility Amount | USD 40 mn (and associated interest)  \* IIF to take over USD 20mn of facility amount that initially SMBC holds. (“**IIF Guaranteed Portion**”) |
| IIF Guaranteed Portion | USD 20 million of the guarantee portion |
| Parties | OPIC (“**Lender**” or “**Beneficiary**”), SMBC and IIF (“**Guarantor**”) |
| Tenor | 16.5 years from the date of first drawdown date (i.e. 3 February 2017) |
| Guarantee Fee for IGF | 2.85% p.a. for the guaranteed portion  Note:  Interest rate on the IGF will be 6M LIBOR (USD) + 3.75% + 2.00% if the IGF is drawn |
| Tenor of the GF | This Guarantee Agreement shall take effect on the date hereof and shall remain in effect until the latest of:   1. such time as the Guarantor is no longer subject to a claim under the Guarantee Agreement; 2. such time as all amounts payable under the Guaranteed Obligations have been irrevocably paid in full and the Guaranteed Obligations shall have been cancelled; and 3. c) the date on which this Guarantee Agreement has been terminated |
| Guaranteed Obligations  For IIF Guaranteed Portion | The outstanding principal amount together with interest on such principal amounts accrued under the TLF extended by OPIC but excluding any:;   1. amounts due as a result of any voluntary prepayment or of any mandatory prepayment; 2. additional amounts as may be attributable to penalties, fees or default interest rates, amounts in respect of indemnification, costs, expenses or any other additional amounts payable by reason of a default or similar events; 3. additional amounts as may be attributable to any increased cost of funds or of capital in connection with funding or committing to fund any Guaranteed Obligations; and 4. shortfall attributable to the liability of the Borrower or any other person for withholding or other taxes including interest and penalties in respect of such liability   (each non-payment less any amounts described in (a) through (d), an “**Eligible Amount**”) |
| Political Risk Event (“**PRE**”) | 1. Breach by STP of any of its obligations which results in non-payment under the PPA; 2. Expropriation Events: means any action or series of actions (individually or in aggregate) of the Government of Indonesia (or any Indonesian national, municipal or regional governmental agency or instrumentality) for the requisition, confiscation, condemnation, expropriation, nationalization, seizure or other taking, without adequate compensation, of:  * all or a substantial part of the Project, which prevents the construction or operation of the Project substantially in accordance with the PPA; * any equity interests in the Borrower, which deprives the sponsors or shareholders of ownership or control of all or a substantial part of the Project; or * effective control of all or a substantial part of the Project, which prevents the construction or operation of the Project  1. Political Violence Events: means any violent action in the nature of war (declared or undeclared), revolt, insurrection, civil disturbance, blockade, sabotage or terrorism, in each case to the extent such event is politically motivated, occurs in Indonesia, and directly or proximately*:*  * causes the cessation of and renders it impossible to resume all or a part of the construction or operation of the Project; or * causes damage to the Project to the extent that it would be impossible to resume the construction of, or generation and distribution of electricity from the Project,   it being agreed that for purposes of this definition, “impossible” shall mean that the construction of, or generation and distribution of electricity from, the Project by any person is either objectively impossible or involves extreme and unreasonable difficulty, expense, injury, loss or risk of physical harm to the person charged with such construction or operation or to such person’s employees   1. Transferability and Inconvertibility Events: means any action or inaction by the Government of Indonesia (or any Indonesian national, municipal or regional governmental agency or instrumentality) that:  * suspends, terminates or materially and adversely limits the right of the Borrower to maintain any of the offshore project accounts held outside of Indonesia; * or renders the Borrower unable to legally convert IDR held by it to make any payment in USD to the Beneficiary or any other party in connection with the Loan through any customary legal channels or to transfer Dollars outside Indonesia to make when due any payment to the Beneficiary in Dollars in accordance with the terms of the Loan Agreement |
| Amortisation Profile of GF | * GF would amortise with the same profile as the OPIC loan. * If during any period there is a default on the OPIC Loan due to any events excluded under Guarantee Obligation, then the GF cannot be requested. That unpaid portion of the OPIC Loan would not benefit from Guarantor’s Guaranteed Obligations thereafter. |
| Voting Right | Guarantor will have 100% voting rights on following:   1. changing the amount, rate, timing, method, application or currency of any payment of the Covered Tranche of the Loan; 2. extending the commitment period; 3. material modification of the Security Documents; 4. releasing of any material collateral from liens under any Security Document; 5. increasing the obligations of Guarantor under any Financing Document; 6. termination by the Borrower of the CBOP Contract, the EBOP Contract, the PPA or the O&M   Consultation on:   1. determination, waiver or enforcement of an Event of Default; 2. acceleration of the Loan or enforcement of rights under the Security Documents; and 3. waiving or amending any covenant in the Loan Agreement that is not specifically referred above; and   OPIC shall be entitled to take all other actions related to the TLF and not expressly contemplated above in its sole discretion |
| Termination of Guarantee | * The Guarantor may at the Guarantor’s election exercised in its complete discretion to terminate this Guarantee Agreement in full, upon written notice to the Beneficiary, at any time upon the Beneficiary’s assignment or transfer of all or any part of the Guaranteed Obligations to an entity other than a successor to the Beneficiary. * If, in any applicable jurisdiction, it becomes illegal under any Applicable Law for the Guarantor to perform any of its obligations as contemplated by this Guarantee Agreement or the Offshore Guarantor to perform any of its obligations as contemplated by the Offshore Guarantee or it becomes illegal under any Applicable Law for any Affiliate of either such Person for that Person to do so:   + that Person shall promptly notify the Borrower and the Beneficiary upon becoming aware of that event; and   + upon that Person notifying the Borrower and the Beneficiary, this Guarantee Agreement and the Offshore Guarantee will be terminated on the date falling on the earlier of (A) the date falling ten (10) Business Days after the Payment Date immediately following such notice and (B) the last day of any applicable grace period allowed by law in relation to such illegality. * The Guarantor may at the Guarantor’s election exercised in its complete discretion terminate this Guarantee Agreement in full, upon written notice to the Beneficiary, at any time on and after the Borrower’s failure to pay the Commercial Bank Risk Premium: * on three (3) consecutive Payment Dates if each such non-payment is the result of a Political Risk Event; or * on five (5) consecutive Payment Dates without regard to the reason for any such non-payment. * This Guarantee Agreement may be terminated at any time by the mutual written agreement of the parties hereto. |
| Termination of Guarantee | * The Guarantor may in its complete discretion terminate this Guarantee Agreement in full, at any time upon the OPIC’s assignment or transfer of the Guaranteed Obligations * Any time by the mutual written agreement of the parties hereto * OPIC shall have the right to terminate the Guarantee Agreement at any time in its sole discretion |
| Terms if the IGF is drawn | If the IGF is drawn:   * Guarantor would become a direct lender to the Project * The interest on the Guarantor’s Loan would be 6M LIBOR + 3.75% + 2.00% * The Guarantor’s Loan (together with any OPIC Loan that was unpaid) would be repaid on a cash sweep basis after the scheduled amortization   [will be updated after G&R due diligence is available]   * Guarantor would share in the security on a *pari passu* basis |
| Dispute Resolution | * Any controversy or claim arising out of or relating to this Guarantee Agreement, or the breach hereof, which cannot be resolved by the parties within thirty (30) days shall be settled by arbitration * Any wards issued by the arbitral tribunal shall be final and binding * Arbitration seat would be in Singapore |
| Governing Law | State of New York, United States of America |

## Risk rating

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  | **Summary** | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **Sector** | **Infrastructure** | |  | **Country** | Indonesia |  |
|  |  | **Sub-Sector** | **Toll Roads/Bridges/Tunnels** | |  | **External Rating** |  |  |
|  |  | **Project Name** | **ABC Toll Road** | |  | **Project ID** |  |  |
|  |  | **Analyst** | **Eduard** | |  | **Financials** |  |  |
|  |  | **Group** | **DEF** | |  | **Date** | 4/2/2018 |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  | **Score** |  |  | **S&P Scale** | **Bank Master Scale** |  |
|  |  | Market Protection and Revenue Contracts | - |  |  |  |  |  |
|  | Competitive Market Position | 7.00 |  |  |  |  |  |
|  |  | 1.00 |  |  |  |  |  |
|  | **Market Risk Exposure** | 1.0 | 1 |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | Financial Strength | 9.00 | 7 |  |  |  |  |
|  | Technology, Construction & Operations | 8.00 | 7 |  |  |  |  |
|  | Legal & Finance Structure | 7.00 | 3 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  | 7.8 |  |  |  |  |  |
|  |  | Project Level Score (1-10) | 7.91 |  |  |  |  |  |
|  |  | **Implied Project Rating** | 7.50 |  |  | B+ | IIF4 |  |
|  |  |  |  |  |  |  |  |  |
|  |  | Force Majeure Adjustment | - |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **Implied Project Rating after Force Majeure Risk** | 7.50 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | Country Risk Cap | 6.00 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **Implied Project Rating after Country Risk** | 7.50 |  |  | B+ | IIF4 |  |
|  |  |  |  |  |  |  |  |  |
|  |  | Credit Enhancements |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **Final Project Rating** | 7.50 |  |  | B+ | IIF4 |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

## Risk Rating



## KYC Checklists

**KYC Checklists**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Legal and General Information | | | | | | | | | |
| Name of Institution | : | PT ABC Toll Road | | | | | | | |
| Legal Domicile | : | Gedung Graha Irama Blok X-1 Lantai 14,  Jl. HR. Rasuna Said Kav. 1-2,  Kel. Kuningan Timur, Kec. Setiabudi  Jakarta Selatan 12950 | | | | | | | |
| Company Address (if different than above) | : | (same as above) | | | | | | | |
| Phone | : | 62(21) 5261616 | | | | | | | |
| Fax | : | 62(21) 5261615 | | | | | | | |
| Email | : | ABC@mitrajaya.co.id | | | | | | | |
| Taxpayer ID \*) | : | 02.419.564.6-063.000 | | | | | | | |
| Company Type (refer to AoA) | : | State-owned enterprise | Local Investment | Joint venture | | | Foreign Investment | Others | |
| ☐ | ☐ | ☐ | | |  |  | |
| Business License Number | : |  | | | | | | | |
| Corporate Registration Number | : | 09 03.1.52.50649 | | | | | Expiration Date of Registration Number:  15 September 2021 | | |
| Letter of Domicile Number | : | 1333/27.1BU.1/31.74.02.1008/-071.562/e/2016 | | | | | Expiration Date Letter of Domicile:  23 December 2021 | | |
| Current Line of Business | : | Transportation | | | | | | | √ |
| Oil and Gas | | | | | | | ☐ |
| Electricity | | | | | | | ☐ |
| Construction | | | | | | | ☐ |
| Water | | | | | | | ☐ |
| Other, Telecommunication | | | | | | | ☐ |
| Business Activities (refer to Aoa) | : | Toll road operation | | | | | | | |
| Eligible Activities (refer to Annex A: Exclusion List) | : | √ Yes | | | | ☐ No | | | |
| Company Status |  | ☐ Established Company | | | √ Special Purpose Vehicle/Project Company | | | | |
| If Established Company: | | | | | | | | | |
| Net Assets | : |  | | | | | | | |
| Annual Operating (Loss) | : |  | | | | | | | |
| Annual Gross Income | : |  | | | | | | | |
| House Banks | : |  | | | | | | | |
| If SPV/Project Company: | | | | | | | | | |
| Paid in Capital | : | IDR 891.681.225.300 | | | | | | | |
| House Banks | : | - | | | | | | | |
|  | | | | | | | | | |
| Source of Equity \*) | : | Injection from Shareholders | | | | | | | √ |
| Bank Loan | | | | | | | ☐ |
| Mezzanine | | | | | | | ☐ |
| Investment Result | | | | | | | ☐ |
| Internal Profit | | | | | | | ☐ |
| Others, please specify | | | | | | | ☐ |

**Article of Association**

|  |  |  |
| --- | --- | --- |
| Number of deed of establishment \*) | : | 10 |
| Date \*) | : | 15 Juni 2006 |
| Country of incorporation \*) | : | Indonesia |
| Authorized Capital \*) | : | IDR 3.490.492.176.000 |
| Paid up Capital \*) | : | IDR 891.681.225.300 |

**Shareholding Structure**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name | Article of Association | Ownership (%) | Nationality | |
| WNI | WNA |
| PT XYZ | - | 60% | V |  |
| PT Sumber Mitra Jaya | - | 40% | V |  |

**DIRECTORS AND COMMISIONERS UNDER ARTICLES OF ASSOCIATION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No | BOD Name | Position | ID Number | Date of Birth |
| 1 | Supriyono | President Director | 3374060407610002 | 04/07/1961 |
| 2 | Ir. Arman D Panjaitan, MBA | Director | 3275052507520007 | 25/07/1952 |
| 3 | Fathul Anwar | Director | 6471051212780026 | 12/12/1978 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No | BOC Name | Position | ID Number | Date of Birth |
| 1 | Kuhan Selvaretnam | Pres. Commissioner | 3174051608745001 | 16/08/1974 |
| 2 | Amir Syamsudin | Commissioner | 3175022705450004 | 27/05/1945 |
| 3 | Ir. Nyoman Wirya Adnyana | Commissioner | 3175082309630007 | 23/09/1963 |
| 4 | Aan Akhmad Prayoga | Commissioner | 3274050604830004 | 06/04/1983 |

## KYC Checklist

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Legal and General Information | | | | | | | | | |
| Name of Institution | : | PT Energi Gratis | | | | | | | |
| Legal Domicile | : | Karet Kuningan No. 15 | | | | | | | |
| Company Address (if different than above) | : | - | | | | | | | |
| Phone | : |  | | | | | | | |
| Fax | : |  | | | | | | | |
| Email | : |  | | | | | | | |
| Taxpayer ID \*) | : |  | | | | | | | |
| Company Type (refer to AoA) | : | State-owned enterprise | Local Investment | Joint venture | | | Foreign Investment | Others | |
| ☐ | X | ☐ | | | ☐ |  | |
| Business License Number | : |  | | | | | | | |
| Corporate Registration Number | : | 09.03.1.35.85603 | | | | | Expiration Date of Registration Number:  2August 2018 | | |
| Letter of Domicile Number | : |  | | | | | Expiration Date Letter of Domicile: | | |
| Current Line of Business | : | Transportation | | | | | | | ☐ |
| Oil and Gas | | | | | | | ☐ |
| Electricity | | | | | | | X |
| Construction | | | | | | | ☐ |
| Water | | | | | | | ☐ |
| Other, please specify | | | | | | | ☐ |
| Business Activities (refer to Aoa) | : | Integrated electric power generation, which includes activities as follows:   1. Power plant activities 2. Operating power plant facility which produced electricity 3. Operating transmission/distribution system or electricity supply activity 4. Clean development mechanism activities | | | | | | | |
| Eligible Activities (refer to Annex A: Exclusion List) | : | ☐ Yes | | | | ☐ No | | | |
| Company Status |  | ☐ Established Company | | | X Special Purpose Vehicle/Project Company | | | | |
| If Established Company: | | | | | | | | | |
| Net Assets | : |  | | | | | | | |
| Annual Operating Profit | : |  | | | | | | | |
| Annual Gross Income | : |  | | | | | | | |
| House Banks | : |  | | | | | | | |
| If SPV/Project Company: | | | | | | | | | |
| Paid in Capital | : | IDR 50,000,000 | | | | | | | |
| House Banks | : | - | | | | | | | |
|  | | | | | | | | | |
| Source of Equity \*) | : | Injection from Shareholders | | | | | | | X |
| Bank Loan | | | | | | | ☐ |
| Mezzanine | | | | | | | ☐ |
| Investment Result | | | | | | | ☐ |
| Internal Profit | | | | | | | ☐ |
| Others, please specify | | | | | | | ☐ |
|  | | | | | | | |

**Article of Association**

|  |  |  |
| --- | --- | --- |
| Number of deed of establishment \*) | : | Notarial Deed No. 71 from Notary Mala Mukti, S.H., LLM |
| Date \*) | : | 25 February 2013 |
| Country of incorporation \*) | : | Indonesia |
| Authorized Capital \*) | : | IDR 274,942,000,000 |
| Paid up Capital \*) | : | IDR 274,942,000,000 |

**Shareholding Structure**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name | ID Card Number/ Article of Association \*) | Ownership (Percentage) | Nationality | |
| WNI | WNA |
| Wind Renewables III Ltd |  | 72.34% | ☐ | X |
| Energi Gratis (HK) Limited |  | 21.41% | ☐ | X |
| PT Bimanusa Energi | Deed No. 38 made by notary Siti Pertiwi Henny Singgih, SH dated 19 November 2012 | 5% | X | ☐ |
| SunBathB.V. |  | 1.25% | ☐ | X |

**DIRECTORS AND COMMISIONERS UNDER ARTICLES OF ASSOCIATION**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name | Position | ID Card Number/ KITAS | Expiration Date | Nationality | |
| WNI | WNA |
| Mr. Bern Kugene Muffine | President Director | 453436822 | 6 Apr 2019 | ☐ | X |
| Mr. Ir. Armedi Jahja | Director | 3174060402460002 |  | X | ☐ |
| Mr. Ignatius Krisnawan | Director | EB9489200 |  | ☐ | X |
| Mr. Miketheson | Director | N6562267 |  | ☐ | X |
| Mr. Maroon Five | Director | 468478640 |  | ☐ | X |
| Mr. Andrew Jonathan | President Commissioner | 517967673 |  | ☐ | X |
| Mr. Patrik Caffein | Commissioner | G5X9011 |  | ☐ | X |

Corporate Structure

|  |  |
| --- | --- |
| Please depict structure of ownership of the company, include the ultimate beneficiary owners if possible | |
|  | |
| Please specify the ultimate shareholder and beneficial owner (if any) and mention the source including anecdotal source | |
| Ultimate Shareholders | Beneficial owner |
|  | Bern Kugene Muffine |

Media Check (please print and attach supporting documents)

|  |
| --- |
| This section could include the following items, but not limited to:   1. History and business scope of the company 2. Reputation and track record of its directors, executives or other key principals 3. Networks, political links, existence of criminal links 4. Alternative business interests of the company’s key principals 5. Past credit history 6. Any criminal records/ pending court decision on directors, executives, or key principals (shareholders) |
| PT Energi Gratis (the “Project Company”) is majorly owned by Wind Renewables III Ltd with 73.34% ownership, Energi Gratis Ltd by 21.41%, PT Bimanusa Energi by 5%, and SunBathBV by 1.25%. ENERGI Group focuses on developing renewable energy especially wind and Pertalite energy around the world. Bern Kugene Muffine is the ultimate owner of the Project Company. He also acts as Director of the Project Company. Mr. Muffine founded the businesses under ENERGI Group has constructed over 2,000 MW of wind projects.  Based on the KYC Checking, it can be confirmed that names of the Company and the key principals of the Project Company are not listed in the Compliance Watch List. From the checking, it was found that Bern Muffine was reported to have ties to Oreste Vigorito, head of IVPC Energy Company, who was accused of conspiracy to commit fraud by illicitly receiving public funds for the construction of wind farms in 2009 (Reference: <http://www.cfact.org/2009/11/15/gone-with-the-wind-arrests-for-massive-fraud-in-italy/>). The ties between the two was Mr. Vigorito once owned IVPC with Bern Muffine, founder of Cape Wind and First Wind. However, we note that Mr. Muffine sold his interest in Cape Wind in 2002 and sold his interest in IVPC in 2005. Mr. Vigorito has never had any involvement in Cape Wind. (Reference: <https://www.environmentalleader.com/2009/11/mafia-tied-to-wind-fraud-in-italy/>). |
| Reference Check (please obtain the reference in writing or by email)   1. Reference from the house banks and other potential lenders 2. Reference from industrial associations and other |
| (n.a.) |

Others

|  |  |  |  |
| --- | --- | --- | --- |
| 1. | Does / Has / Is any of the director(s) / shareholder(s) currently hold / will hold / previously held / actively seeking for a position / being considered for a prominent public position (“Politically Exposed Person” or “PEP”) or High Risk Customer[[2]](#footnote-2)? If yes, please state the title/position/duties of the PEP, whether this is a current or former position, name of the governmental institution, and years of service. | ☐Yes | XNo |
| 2. | Does / Has / Is any of the immediate family member(s) / close associate(s) of the director(s) / shareholder(s) currently / will hold / previously held / actively seeking for a position / being considered for a prominent public position (“Politically Exposed Person”)? If yes, please state the title/position/duties of the PEP, whether this is a current or former position, name of the governmental institution, years of service, and the (family) relationship with the director(s) / shareholder(s). | ☐Yes | X No |
| 3. | Are the name of the company and related persons recorded in the list of terrorists maintained by Indonesian National Police[[3]](#footnote-3) and United Nations Security Council resolution[[4]](#footnote-4)?  (Note: The related persons include the directors, partners, shareholders having ownership ≥ 25%, power of attorney, commissioner) | ☐Yes | X No |
| 4. | Are the name of the company and related persons recorded in the OFAC Sanctions List[[5]](#footnote-5)? | ☐Yes | X No |
| 5. | Does the company have business that is classified a High Risk Business[[6]](#footnote-6)? | ☐Yes | X No |
| 6. | Does the company have an existing investment/business overseas? (If any, please specify) Is it located in High Risk Countries[[7]](#footnote-7)? | ☐Yes | X No |
|  |
| 7. | Does the company, director(s) or company’s authorized person(s) have any relationship with the shareholder(s)/Commissioner(s)/ Director(s)/Employee(s) of PT Indonesia Infrastructure Finance? (If any, please specify) | ☐Yes | X No |
|  |
| 8. | Is the company, director(s) or the company’s authorized person(s) part of management or controlling shareholder (≥ 35%) on one of the Public Company? | ☐Yes | X No |
| 9. | Does the company currently hold 5% or more share ownership in any of a publicly listed company? | ☐Yes | X No |

## Other Banks Facilities / Summary of Pefindo report

**EPC Contract Summary**

**EPC Contract Summary Package 1**

|  |  |  |
| --- | --- | --- |
| Date | : | 31 March 2016 |
| Parties | : | Service recipient : PT ABC Toll Road (“ABC”)  Service provider : PT DEF Tbk (“DEF”) |
| Project | : | The Construction of Pemalang – Batang Toll Road |
| Segment | : | Package 1 |
| Distance | : | STA 330+000 – STA 369+196 |
| Type of Contract | : | Fixed Unit Price |
| Contract Value | : | IDR 1,156,475,922,200 (incl. value-added tax)  Amendment based on Contract – Addendum III (Signed 5th January 2018):  IDR 1,648,713,756,188 (incl. value-added tax) |
| Contract Period | : | Term of contract shall take place since the signing of the Contract by both Parties until the signing of the Minutes of Final Handover of Work.  Note: In the case of DEF fail to start the Work due to the issue in land acquisition process, DEF is entitled for an extension and receive the compensation from such loss(es). |
| Construction Period | : | 720 Calendar Days since the issuance of Warrant Start of Work\* from BPJT to DEF  Amendment based on Contract – Addendum III (Signed 5th January 2018):  777 Calendar Days since the issuance of Warrant Start of Work\* from BPJT to DEF, with additional terms:  Works from STA 330+000 to Gandulan (Pemalang) Exit and from Sokoduwet Exit to STA 369+198 shall be completed (100%) by 31st March 2018 |
| Maintenance Period |  | 1095 Calendar Days since the signing of Temporary Minutes of Handover until the Minutes of Final Handover of Work.  Note: if DEF is not able to do the maintenance work during the Maintenance Period, ABC is allowed to do the maintenance work with its own way and DEF has to bear all the fees applied. |
| Rights | : | DEF is entitled to receive the payment based on the amount of work completed and DEF shall not divert or grant its work portion to the other party without approval from ABC. |
| Obligations | : | DEF is required to accomplish the portion of work within the period as indicated in this Contract. In carrying out its work, DEF is required to use domestic goods and services as monitored by ABC. |
| Security | : | Submission of Performance Bond from DEF equivalent to 1% of a surety bond issued by SOE insurance firm. This surety bond shall apply throughout the Contract Period.  Issuance of Maintenance Guarantee amounting to 5% from the physical work as the counter to the maintenance work period, this will be issued by SOE insurance firm in the form of surety bond. |
| Advance Payment | : | 20% from the Contract value  Amendment based on Contract – Addendum III (Signed 5th January 2018):  20% from the first Contract value (excl. additional work in addendum) |
| Payment Mechanism | : | 1. Payment will be done based on the achievement of work and the amount of payment shall be assessed once every month, this will be in the form of certificate of payment calculated based on the Contract Value. 2. For every certificate of payment, it is required to take into account these following items: 3. Total payment value shall reflect from the previous payment certificate; 4. Deduction for the refunds of Advance Payment; 5. Retention deduction amounting to 5%; and 6. Other deduction as stated in the contract i.e. penalties and tax liabilities; 7. ABC will return the Maintenance Guarantee to DEF based on the work achievement of DEF. |
| Contract Addendum | : | Contract addendum can be done if there is a change in:   1. The term of the contract; and/or 2. Scope of work; and/or 3. Specifications; and/or 4. Contract value. |
| Delay of the Project | : | If the delay in the Project is critical (> 7-10%), ABC is entitled to terminate the Contract, disburse the Performance Bond. ABC is allowed to re-assign DEF’s work to other party, to finish the remaining amount of Work if such delay happened. |

**EPC Contract Summary Package 2**

|  |  |  |
| --- | --- | --- |
| Date | : | 31 March 2016 |
| Parties | : | Service recipient : PT ABC Toll Road (“**ABC**”)  Service provider : PT DEF Tbk (“**DEF**”) |
| Project | : | The Construction of Pemalang – Batang Toll Road |
| Segment | : | Package 2 |
| Distance | : | STA 330+000 – STA 336+500 |
| Type of Contract | : | Fixed Unit Price |
| Contract Value | : | Original:  IDR 481,996,063,200 (incl. value-added tax)  Amendment based on Contract – Addendum III (Signed 5th January 2018) :  IDR 879,252,933,728.00 (incl. value-added tax) |
| Contract Period | : | Term of contract shall take place since the signing of the Contract by both Parties until the signing of the Minutes of Final Handover of Work.  Note: In the case of DEF fail to start the Work due to the issue in land acquisition process, DEF is entitled for an extension and receive the compensation from such loss(es). |
| Construction Period | : | Original:  **720 Calendar Days** since the issuance of Warrant Start of Work\* from BPJT to DEF  Amendment based on Contract – Addendum III (Signed 5th January 2018) :  **772 Calendar Days** since the issuance of Warrant Start of Work\* from BPJT to DEF, with additional terms:   * Works from STA 330+000 to Gandulan (Pemalang) Exit shall be completed (100%) by 31st March 2018 |
| Maintenance Period |  | **1095 Calendar Days** since the signing of Temporary Minutes of Handover until the Minutes of Final Handover of Work.  Note: if DEF is not able to do the maintenance work during the Maintenance Period, ABC is allowed to do the maintenance work with its own way and DEF has to bear all the fees applied. |
| Rights | : | DEF is entitled to receive the payment based on the amount of work completed and DEF shall not divert or grant its work portion to the other party. |
| Obligations | : | DEF is required to accomplish the portion of work within the period as indicated in this Contract. In carrying out its work, DEF is required to use domestic goods and services as monitored by ABC. |
| Security | : | 1. Submission of Performance Bond from DEF equivalent to 1% of a surety bond issued by SOE insurance firm. This surety bond shall apply throughout the Contract Period. 2. Issuance of Maintenance Guarantee amounting to 5% from the physical work as the counter to the maintenance work period, this will be issued by SOE insurance firm in the form of surety bond. |
| Advance Payment | : | 20% from the Contract value  Amendment based on Contract – Addendum III (Signed 5th January 2018) :  20% from the first Contract value (excl. additional work in addendum) |
| Payment Mechanism | : | 1. Payment will be done based on the achievement of work and the amount of payment shall be assessed once every month, this will be in the form of certificate of payment calculated based on the Contract Value. 2. For every certificate of payment, it is required to take into account these following items: 3. Total payment value shall reflect from the previous payment certificate; 4. Deduction for the refunds of Advance Payment; 5. Retention deduction amounting to 5%; and 6. ABC will return the Maintenance Guarantee to DEF based on the work achievement of DEF. |
| Contract Addendum | : | Contract addendum can be done if there is a change in:   1. The term of the contract; and/or 2. Scope of work; and/or 3. Specifications; and/or 4. Contract value. |
| Delay of the Project | : | If the delay in the Project is critical (> 7-10%), ABC is entitled to terminate the Contract, disburse the Performance Bond. ABC is allowed to re-assign DEF’s work to other party, to finish the remaining amount of Work if such delay happened. |

**EPC Contract Summary Package 3**

|  |  |  |
| --- | --- | --- |
| Date | : | 31 March 2016 |
| Parties | : | Service recipient : PT ABC Toll Road (“**ABC**”)  Service provider : PT Sumber Mitra Jaya (“**SMJ**”) |
| Project | : | The Construction of Pemalang – Batang Toll Road |
| Segment | : | Package 3 |
| Distance | : | STA 336+500 – STA 359+660  Amendment based on Contract – Addendum III (Signed 4th December 2017):  STA 337+550 – STA 359+660 |
| Type of Contract | : | Fixed Unit Price |
| Contract Value | : | IDR 1,578,436,141,000 (incl. value-added tax)  Amendment based on Contract – Addendum III (Signed 4th December 2017):  IDR 2,517,573,107,000 (incl. value-added tax) |
| Contract Period | : | Term of contract shall take place since the signing of the Contract by both Parties until the signing of the Minutes of Final Handover of Work.  Note: In the case of SMJ fail to start the Work due to the issue in land acquisition process, SMJ is entitled for an extension and receive the compensation from such loss(es). |
| Construction Period | : | **720 Calendar Days** since the issuance of Warrant Start of Work\* from BPJT to SMJ  Amendment based on Contract – Addendum III (Signed 4th December 2017):  **770 Calendar Days** since the issuance of Warrant Start of Work\* from BPJT to SMJ |
| Maintenance Period |  | **1095 Calendar Days** since the signing of Temporary Minutes of Handover until the Minutes of Final Handover of Work.  Note: if SMJ is not able to do the maintenance work during the Maintenance Period, ABC is allowed to do the maintenance work with its own way and SMJ has to bear all the fees applied. |
| Rights | : | SMJ is entitled to receive the payment based on the amount of work completed and SMJ shall not divert or grant its work portion to the other party. |
| Obligations | : | SMJ is required to accomplish the portion of work within the period as indicated in this Contract. In carrying out its work, SMJ is required to use domestic goods and services as monitored by ABC. |
| Security | : | 1. Submission of Performance Bond from SMJ equivalent to 1% of a surety bond issued by SOE insurance firm. This surety bond shall apply throughout the Contract Period. 2. Issuance of Maintenance Guarantee amounting to 5% from the physical work as the counter to the maintenance work period, this will be issued by SOE insurance firm in the form of surety bond. |
| Advance Payment | : | 20% from the Contract value  Amendment based on Contract – Addendum III (Signed 4th December 2017):  20% from the first Contract value (excl. additional work in addendum) |
| Payment Mechanism | : | 1. Payment will be done based on the achievement of work and the amount of payment shall be assessed once every month, this will be in the form of certificate of payment calculated based on the Contract Value. 2. For every certificate of payment, it is required to take into account these following items: 3. Total payment value shall reflect from the previous payment certificate; 4. Deduction for the refunds of Advance Payment; 5. Retention deduction amounting to 5%; and 6. ABC will return the Maintenance Guarantee to SMJ based on the work achievement of SMJ. |
| Contract Addendum | : | Contract addendum can be done if there is a change in:   1. The term of the contract; and/or 2. Scope of work; and/or 3. Specifications; and/or 4. Contract value. |
| Delay of the Project | : | If the delay in the Project is critical (> 7-10%), ABC is entitled to terminate the Contract, disburse the Performance Bond. ABC is allowed to re-assign SMJ’s work to other party, to finish the remaining amount of Work if such delay happened. |

*\*Warrant Start of Work* *(Surat Perintah Mulai Kerja) has been issued on 24 January 2017.*

**Ijin Ijin Perusahaan & Kontrak**

**Ijin-ijin Usaha Perusahaan**

1. Nomor Pokok Wajib Pajak (NPWP) No. 02.419.564.6-063.000 terdaftar tanggal 2 Juni 2008.

2. Surat keterangan Terdaftar No. PEM-00604/WPJ.07/KP.0903/2006 tanggal 1 Juli 2008, yang dikeluarkan oleh Pj. Kepala Seksi Pelayanan a.n. Kepala Kantor Pelayanan Pajak Pratama Jakarta Setiabudi Tiga.

3. Surat Pengukuhan Pengusaha Kena Pajak No. PEM-02332/WPJ.04/KP.1203/2008 tanggal 16 Juli 2008, yang dikeluarkan oleh Kepala Seksi Pelayanan a.n. Kepala Kantor Pelayanan Pajak Pratama Jakarta Setiabudi Tiga.

4. Tanda Daftar Perusahaan (“TDP”) No. 09.03.1.52.50649 tanggal 9 Nopember 2016, yang dikeluarkan oleh Kepala Kantor Pelayanan Terpadu Satu Pintu Kota Administrasi Jakarta Selatan selaku Kepala Kantor Pendaftaran Perusahaan, dan berlaku sampai dengan tanggal 15 September 2021.

5. Surat Keterangan No. 1333/27.1BU.1/31.74.02.1008/-071.562/e/2016 tanggal 23 Desember 2016, tentang Keterangan Domisili Perusahaan a.n. PT ABC Toll Road, yang dikeluarkan oleh Kepala Satuan Pelaksana PTSP Kelurahan Kuningan Timur, dan berlaku sampai dengan tanggal 23 Desember 2021.

6. Keputusan Gubernur Jawa Tengah No. 660.1/21/2010 tanggal 8 Spetember 2010, tentang Persertujuan Kelayakan Lingkungan Hidup Rencana Pembangunan Jalan Tol Ruas Pemalang – Batang di Kabupaten Malang, Kabupaten Pekalongan, Kota Pekalongan dan Kabupaten Batang, Propinsi Jawa Tengah, PT ABC Toll Road selaku Pemrakarsa dan/atazu Penanggungjawab Kegiatan, yang ditetapkan oleh Gubernur Jawa Tengah.

7. Izin Prinsip Penenaman Modal Dalam Negeri No. 81/1/IP/PMDN/2017 tanggal 9 Pebruari 2017, a.n. PT ABC Toll Road, yang dikeluarkan oleh Deputi Pelaksanaan Penanaman Modal a.n. Kepala Koordinasi Penanaman Modal Republik Indonesia.

8. Bentuk Kerjasama Jalan Tol. Pengelolaan jalan tol di Indonesia pada umumnya merupakan Kemitraan Pemerintah Swasta (KPS) atau disebut juga Public Private Partnership (PPP). PPP adalah bentuk perjanjian jangka panjang (biasanya lebih dari 20 tahun) antara pemerintah, baik pusat ataupun daerah dengan mitra swasta. Kerjasama pada proyek pembangunan jalan tol Pemalang – Batang ini merupakan salah satu bentuk Kemitraan Pemerintah Swasta dengan sistem kerjasama Built Operate Transfer (BOT). Dalam sistem BOT ini pembangunan dan pengoperasian jalan tol dilakukan oleh PT ABC Toll Road dan setelah masa konsesi berakhir akan diserahkan kepada Pemerintah. Masa konsesi penyelenggaraan tol Pemalang – Batang pada awalnya adalah 45 tahun namun berdsarkan Berita Acara Evaluasi Perubahan Rencana Usaha Pengusahaan Jalan Tol Ruas Pemalang – Batang Nomor 220.1/BA/Pt/2017 tanggal 13 Desember 2017, masa konsesi menjadi 40 tahun sejak Surat Perintah Mulai Kerja (SPMK) dari BPJT yaitu tanggal 24 Januari 2017. Kerjasama pengelolaan jalan tol dilakukan berdasarkan Perjanjian Pengusahaan Jalan Tol (PPJT) antara PT ABC Toll Road sebagai Badan Usaha Jalan Tol (BUJT) dengan Badan Pengatur Jalan tol (BPJT) selaku lembaga pemerintah yang berwenang melaksanakan penyelenggaraan jalan tol. Perjanjian Pengusahaan Jalan Tol (PPJT) dituangkan dalam akta perjanjian dan Berita Acara (BA), diantaranya sebagai berikut:

* Akta Perjanjian Pengusahaan Jalan Tol No. 03 tanggal 7 Juli 2011, yang dibuat dihadapan Rina Utami Djauhari, S.H., Notaris di Jakarta, antara Badan Pengatur Jalan Tol (BPJT) Kementerian Pekerjaan Umum Republik Indonesia dengan PT. ABC Toll Road.
* Berita Acara No. BA.396/BPJT/KE/HK.02.03/2011 tanggal 13 Juni 2011, antara Badan Pengatur Jalan Tol (BPJT) dan PT ABC Toll Road.
* Berita Acara Evaluasi Perubahan Rencana Usaha Pengusahaan jalan Tol Pemalang – Batang No. 220.1/BA/Pt/2017 tanggal 13 Desember 2017, antara Badan Pengatur Jalan Tol (BPJT) dan PT ABC Toll Road.
* Berita Acara Perubahan Rencana Usaha Pengusahaan jalan Tol Pemalang – Batang No. 2231/BA/Pt/2017 tanggal 14 Desember 2017, antara Badan Pengatur Jalan Tol (BPJT) dan PT ABC Toll Road.

**Kontrak**

* Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket I Paket Pekerjaan Struktur : STA 330+000 – STA 369+196 No. 01/SPPJP/ABC/2016 tanggal 31 Maret 2016, antara PT ABC Toll Road dengan PT DEF (Persero) Tbk.
* Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket II AT Grade : STA 330+000 – STA 336+500 No. 02/SPPJP/ABC/2016 tanggal 31 Maret 2016, antara PT ABC Toll Road dengan PT DEF (Persero) Tbk.
* Kontrak Addendum III Pengadaan Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket III At Grade : STA 330+000 – STA 336+500, No. 02.3/ADD3/SPPJK/ABC/ 2018 tanggal 5 januari 2018, antara PT ABC Toll Road (“Pihak Pertama”) dengan PT DEF (Persero) Tbk. (“Pihak Kedua”).
* Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket IV Grade : STA 359+660 – STA 369+196 No. 04/SPPJP/ABC/2016 tanggal 31 Maret 2016, antara PT ABC Toll Road dengan PT DEF (Persero) Tbk.
* Kontrak Addendum III Pengadaan Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket III At Grade : STA 359+660 – STA 369+196, No. 01.3/ADD3/SPPJK/ABC/2017 tanggal 5 januari 2018, antara PT ABC Toll Road (“Pihak Pertama”) dengan PT DEF (Persero) Tbk. (“Pihak Kedua”).
* Addendum III Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket IV Grade : STA 359+660 – STA 369+196, No. 04.3/ADD3/SPPJK/ABC/ 2018 tanggal 5 Januari 2018, antara PT ABC Toll Road dengan PT DEF (Persero) Tbk.
* Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket 3 : STA. +336+500 – STA. 359+660 No. /SPPJK/ABC/2016 tanggal 31 Maret 2016, antara PT ABC Toll Road dengan PT Sumber Mitra Jaya.
* Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket III AT Grade : STA 336+500 – STA 359+660 No. 03.1/AMD1/SPJK/ABC/2016 tanggal 31 Maret 2016, antara PT ABC Toll Road dengan PT Sumber Mitra Jaya.
* Kontrak Jasa Konsultasi Review Rencana Teknik Akhir dan Pendapingan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang No. 07/SPPJK/ABC/2016 tanggal 8 Agustus 2016, antara PT ABC Toll Road dengan PT Perentjana Djaja.
* Kontrak Jasa Konsultasi Pengawasan Teknik Pekerjaan Pembangunan jalan Tol Pemalang – Batang No. 05/SPPJK/ABC/2016 tanggal 12 Juli 2016, antara PT ABC Toll Road dengan PT Jakarta Rencana Selaras.
* Kontrak Addendum III Pengadaan Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket III At Grade : STA 337+550 – STA 359+660, No. 03.3/ADD3/SPPJK/ABC/ 2017 tanggal 4 Desember 2017, antara PT ABC Toll Road (“Pihak Pertama”) dengan PT DEF (Persero) Tbk. (“Pihak Kedua”).
* Perjanjian Pinjaman Fasilitas Pemegang Saham antara PT XYZ (“Pihak Pertama”) dan PT ABC Toll Road (“Pihak Kedua”), bahwa Pihak Pertama dengan ini menyanggupi menyediakan fasilitas pinjaman kepada Pihak Kedua yang khusus digunakan untuk keperluan dana talangan tanah Ruas Pemalang – Batang sampai dengan jumlah maksimal sebesar **Rp. 1.300.000.000.000** (satu trilliun tiga ratus milyar) (selanjutnya disebut “Pinjaman”), perjanjian ini berlaku efektif sejak tanggal ditandatanganinya Perjanjian sampai dengan selambat-lambatnya dilunasinya semua Jumlah Terhutang oleh Pihak Kedua kepada Pihak Pertama (selanjutnya disebut jangka waktu pinjaman, dan jangka waktu perjanjian dapat diperpanjang berdasarkan kesepakatan tertulis para pihak.
* Addendum Kesatu Nota Kesepahaman No. MOU-47/LMAN/2017.30/HK.02.03/BPJT/ 2017 dan 02/MOU/ABC/2017 tanggal 18 Desember 2017, antara Badan Layanan Umum Lembaga Manajemen Aset Negara Kementerian Keuangan Republik Indonesia dan Badan Pengatur Jalan Tol Kementerian Pekerjaan Umum dan Perumahan Rakyat Republik Indonesia dan PT ABC Toll Road, No. MOU-123/LMAN/2017, No. 63/HK/02.03/BPJT/2017, No. 02/MOU/ABC/2017 tentang Pembayaran Dana Pengadaan Tanah Ruas Jalan Tol Pemalang – Batang yang telah dibayarkan terlebih dahulu oleh Badan Usaha dengan alokasi dana Tahun Anggaran 2017, tentang perubahan pasal 5 sehingga berbunyi Pengembalian Dana Ganti Kerugioan Pengadaan Tanah Yang Dibayarkan Terlebih Dahulu oleh Pihak Ketiga dan Besaran Biaya Dana (*Cost of Fund*), dan ketentuan Pasal 7 tentang Jangka Waktu.

## Industry Analysis

## Industry Study

Electricity sales in Indonesia during past five years have grew approximately around 8.1% per year. The growth in electricity sales has been recovered from the global financial crisis Sunting from 2010. From 2012, STP has actively connecting the customer with 3.5 million customer per year. Specifically in Sulawesi, the electricity sales have grew approximately around 11% per year. Thus STP has aggressively increase the power plant project in such area. Table below depicts the electricity sales in Sulawesi and Nusa Tenggara regional.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Description** | **(TWh)** | | | | | |
| **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| Household | 3,930 | 4,493 | 5,053 | 5,611 | 5,977 | 6,854 |
| Industry | 846 | 945 | 969 | 1,051 | 1,134 | 1,376 |
| Business | 1,466 | 1,741 | 2,152 | 2,103 | 2,089 | 2,405 |
| Social | 250 | 285 | 333 | 369 | 409 | 468 |
| Government Building | 209 | 231 | 259 | 287 | 319 | 364 |
| Street Lighting | 260 | 261 | 272 | 294 | 317 | 363 |
| **Total** | **6,961** | **7,956** | **9,038** | **9,714** | **10,244** | **11,680** |

*Source: STP RUPTL 2017-2026*

Makassar as a capital of South Sulawesi province has been growing into an industrial area as well as the center of trade for eastern part of Indonesia. The economic growth in South Sulawesi has the biggest contribution in the economic growth. In the last 5 years, the South Sulawesi has experienced astonishing economic growth in average of 7.7% per annum, higher than the national economic growth. Such growth has pushed the increase of electricity needs to grow significantly. The proposed power requirement from Industry can achieve more than 200 MW. Thus, this should be balanced with adequate electricity capacity to align with the economic growth. Moreover, as a commitment of STP to serve the community, STP will fulfil the energy needs for healthcare in 21 districts which spread across municipals in South Sulawesi province.

Wind Power potential in Indonesia has been identified in some of locations such as Java, South Sulawesi, Nusa Tenggara, and Maluku. Some of the developer has propose of Wind Power Plant development in location such as: Sukabumi, Banten, Energi Gratis, Bantul, and Jeneponto. One of the things that should be considered in entering Wind Power Plant in the system is its stability to receive Wind Power Plant unit. Wind Power Plant, which has intermittent source of energy, generates electricity in fluctuative manner. In operating it, a reserve power plant may be necessary to support in the case of wind speed drop, until it reach the minimum turbine design threshold. However, the development of renewable energy power plant is inevitable as the Government of Indonesia aims that by 2025 renewable power should represent at least 25% of the energy mix. Moreover, the development of Energi Gratis Wind Power Plant has been supported by the local and national government due to its role to support the energy reserve in South Sulawesi considering its rapid economic growth.

In South Sulawesi alone, the existing electricity power is recorded at 1,250 MW and on the peak, electricity being used is recorded at 1,050 MW, giving a reserve about 250 MW. To balance the predicted economic growth in South Sulawesi, new power plants is being developed; Punagaya Coal Fired Power Plant, Bosowa Energy Coal Fired Power Plant in Jeneponto district, and Energi Gratis Wind Power Plant phase I and phase II. This development of new power plant is expected to support 50% of energy reserve during peak.

## Legal Due Diligence Report

|  |  |
| --- | --- |
| Attachment | Description |
| |  | | --- | | Part VI - Legal Due Diligence Report.docx | | |  | | --- | | Legal Due Diligence dua | |

## S&E Due Diligence

|  |  |
| --- | --- |
| Attachment | Description |
| |  | | --- | | - | | |  | | --- | | S&E Due Diligence | |

## Other Reports

|  |  |
| --- | --- |
| Attachment | Description |
| |  | | --- | | - | | |  | | --- | | Other Report | |

1. <https://www.liputan6.com/bisnis/read/3213950/kementerian-pupr-perbaikistandar-operasional-pemasangan-girder> [↑](#footnote-ref-1)
2. Please refer to http://jdih.ppatk.go.id/wp-content/uploads/2015/03/PERKA-No.-2-Tahun-2015-ttg-Kategori-Pengguna-Jasa-Yang-Berpotensi-Melakukan-TPPU\_.pdf [↑](#footnote-ref-2)
3. Please refer to <http://www.ppatk.go.id/pages/view/122?reloaded=yes> [↑](#footnote-ref-3)
4. Please refer to <http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml> [↑](#footnote-ref-4)
5. Please refer to http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx [↑](#footnote-ref-5)
6. Please refer to http://jdih.ppatk.go.id/wp-content/uploads/2015/03/PERKA-No.-2-Tahun-2015-ttg-Kategori-Pengguna-Jasa-Yang-Berpotensi-Melakukan-TPPU\_.pdf [↑](#footnote-ref-6)
7. Please refer to http://jdih.ppatk.go.id/wp-content/uploads/2015/03/PERKA-No.-2-Tahun-2015-ttg-Kategori-Pengguna-Jasa-Yang-Berpotensi-Melakukan-TPPU\_.pdf [↑](#footnote-ref-7)