
LOAN NUMBER 3339-INO

LOAN AGREEMENT
(Ordinary Operations)

(Electricity Grid Strengthening Sumatra Program – Results Based Lending)

between

PT PERUSAHAAN LISTRIK NEGARA (PERSERO)

and

ASIAN DEVELOPMENT BANK

DATED December 4, 2015

INO 49080

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated Dec 4, 2015 between PT PERUSAHAAN LISTRIK NEGARA (PERSERO) ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement of even date herewith between the Borrower and ADB ("Loan Agreement"), ADB has agreed to make a loan to the Borrower to be funded by ADB entirely from a participation in the Loan by ASEAN Infrastructure Fund Limited ("AIF") in an amount of twenty-five million Dollars (\$25,000,000) ("AIF Loan") for the purposes of the Program described in Schedule 1 to this Loan Agreement ("Program");

(B) the Borrower has also applied to ADB for a loan from ADB's ordinary capital resources for the purposes of the Program;

(C) the Loan is to be guaranteed by the Republic of Indonesia ("Guarantor") under the terms of the Guarantee Agreement of even date herewith between the Guarantor and ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(49) is deleted and the following is substituted therefor:

49. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

- (c) Section 2.01(51) is deleted.
- (d) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit. (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

- (e) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

- (f) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by

multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(g) Section 7.07(c) is deleted.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "ADB's Results-Based Lending Policy" means ADB's policy set out in the R-Paper on Piloting Results-Based Lending for Programs approved by ADB on 6 March 2013;

(b) "Anticorruption Guidelines" means ADB's Guidelines to Prevent or Mitigate Fraud, Corruption and Other Prohibited Activities in Results-Based Lending for Programs attached as Appendix 7 to ADB's Results Based Lending Policy;

(c) "ckm" means circuit kilometer;

(d) "Completion Date" means the date set out in paragraph 3 of Schedule 1 to this Loan Agreement or such other date as the Borrower and ADB may agree;

(e) "Deposit Account" means the bank account into which all withdrawals from the Loan Account shall be deposited;

(f) "Disbursement Linked Indicator" or "DLI" means each disbursement linked indicator set forth in Attachment 1 of Schedule 3 to this Loan Agreement which the Borrower is required to satisfy in order to withdraw the amount of the Loan proceeds allocated to such disbursement linked indicator in the Withdrawal Table;

(g) “DLI Matrix” means the DLI matrix set forth in Attachment 1 of Schedule 3 to this Loan Agreement, and agreed between the Borrower and ADB, as updated from time to time, which sets out each DLI;

(h) “DLI Verification Protocol” means the protocol for verifying the Borrower’s achievement of each DLI, as set out in the PID;

(i) “Eligible Expenditures” means the total expenditures incurred by the Borrower under the Program during its FY minus the expenditures for (i) procurement of goods and services from countries which are not members of ADB, and (ii) any prohibited investment activities provided in Appendix 5 of the SPS, incurred by the Borrower under the Program during the same FY;

(j) “Environmental Safeguards” means the objectives, scope, triggers and policy principles set forth in the section entitled Environmental Safeguards in Chapter V of the SPS;

(k) “FY” or “Fiscal Year” means the fiscal year of the Borrower which runs from 1 January to 31 December in each year;

(l) “GWh” means Giga Watt-hours;

(m) “Indigenous People Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(n) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(o) “kV” means kilovolt;

(p) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2015, as amended from time to time);

(q) “MV” means medium voltage;

(r) “PAP” means the Program action plan dated 23 October 2015 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(s) “PID” means the Program implementation document dated 23 October 2015 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(t) “SPS” means ADB’s Safeguard Policy Statement (2009); and

(u) “Withdrawal Table” means the table set forth in Attachment 2 of Schedule 3 to this Loan Agreement.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of five hundred seventy-five million Dollars (\$575,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 15 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR; and
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 March and 15 September in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. The Borrower shall ensure that no Loan proceeds are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Section 3.04. The Borrower shall ensure that the amount of Eligible Expenditures is at least equal to or exceeds the proceeds of the Loan withdrawn by the Borrower under the Program in the same Fiscal Year.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Program to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. The Borrower shall make available, promptly as needed the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Program.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Program, the goods and works, and any relevant records and documents

Section 4.04. (a) The Borrower shall (i) prepare its annual financial statements in accordance with national accrual-based financial reporting standards acceptable to ADB; (ii) have such financial statements audited annually by independent auditors whose qualifications, experience, and terms of reference are acceptable to ADB in accordance with International Standards on Auditing or the national equivalent acceptable to ADB; (iii) as part of such audit, have the auditors prepare a report (which includes the auditor's opinion on the financial statements, and the level of compliance on each financial covenant of this Loan Agreement); and (iv) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and audit report, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) In addition to the audited financial statements and audit report referred to in subsection (a), the Borrower shall furnish to ADB, no later than 6 months after the end of each related fiscal year: (i) a statement of Program expenditures incurred which covers the amount of the Program expenditures for the previous year(s), the current year and the cumulative amount, (ii) the auditor's opinion on the statement of Program expenditures incurred, and (iii) a management letter (which sets out the deficiencies in the internal control of the Program that were identified in the course of the audit, if any), all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(c) ADB shall disclose the statement of Program expenditures incurred and the auditor's opinion on the statement of Program expenditures incurred, within 30 days of the date of their receipt by posting them on ADB's website.

(d) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Borrower and its financial affairs where they relate to the Program with the auditors appointed by the Borrower pursuant to subsections (a)(ii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.05. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the DLIs and carrying out of the actions set out in the PAP.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the DLIs and carrying out of the actions set out in the PAP.

Section 4.06. (a) ADB and the Borrower shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) The Borrower shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Program, the performance of its obligations under this Loan Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Program or the Loan.

Section 4.07. (a) The Borrower shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations and to acquire, maintain and renew all rights, properties, powers, and privileges which are necessary in the carrying out of the Program or in the conduct of its business.

(b) The Borrower shall at all times conduct its business in accordance with sound technical, financial, business and development practices, and under the supervision of competent and experienced management and personnel.

(c) The Borrower shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 4.08. Except as ADB may otherwise agree, the Borrower shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice the ability of the Borrower to perform satisfactorily any of its obligations under this Loan Agreement.

Section 4.09. (a) Except as ADB may otherwise agree, any cancellation by the Borrower of any unwithdrawn amount of the Loan shall be made pro-rata with the cancellation of the AIF Loan: at 4.2% in respect of the AIF Loan and 95.8% in respect of the Loan.

(b) Except as ADB may otherwise agree, any prepayment by the Borrower of the Loan shall be made pro-rata with the prepayment of the AIF Loan: at 4.2% in respect of the AIF Loan and 95.8% in respect of the Loan.

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations: the AIF Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the AIF Loan Agreement shall have been duly executed and delivered and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Loan Agreement, shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the AIF Loan Agreement has been duly authorized or approved by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The President Director of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

PT (Persero) Perusahaan Listrik Negara
Jl. Trunojoyo Blok M 1/135
Kebayoran Baru
Jakarta 12160, Indonesia

Facsimile Number:

(62-21) 722-1330.

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444

(632) 636-2336.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

PT PERUSAHAAN LISTRIK NEGARA
(PERSERO)

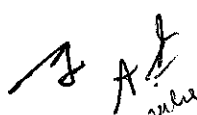
By


SOFYAN BASIR
Direktur Utama

ASIAN DEVELOPMENT BANK

By


STEVEN TABOR
Country Director
Indonesia Resident Mission



SCHEDULE 1

Description of the Program

1. The expected impact of the Program will be enhanced the quality of life in Indonesian society by the sustainable use of electricity as a key driver of increased economic activity. The expected outcome of the Program will be the adequacy and reliability of power supply in Sumatra.

2. The Program shall comprise the following outputs:

Output 1: Existing transmission system strengthened and expanded

Under this Output, the Program shall strengthen and expand the existing transmission system by (a) reconductoring of existing 150 kV transmission lines; (b) extension of 150 kV and 275 kV substations; (c) installation of 150 kV and 275 kV reactors and capacitors; and (d) expansion of outgoing 20 kV switchgears at existing 150 kV substations.

Output 2: Existing distribution system strengthened and expanded

Under this Output, the Program shall expand and reinforce the medium voltage (20 kV) and low voltage distribution networks, the installation of distribution transformers, the installation of service connections and feeders, and the installation of customer meter boxes and circuit breakers.

Output 3: Performance management and implementation improved

Under this Output, the Program shall accelerate the Borrower's staff training and certification programs, as well as on strengthening contract implementation processes.

3. The Program shall be completed by 31 December 2019.

SCHEDULE 2

Amortization Schedule

(Electricity Grid Strengthening Sumatra Program – Results Based Lending)

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 March 2021	3.333333
15 September 2021	3.333333
15 March 2022	3.333333
15 September 2022	3.333333
15 March 2023	3.333333
15 September 2023	3.333333
15 March 2024	3.333333
15 September 2024	3.333333
15 March 2025	3.333333
15 September 2025	3.333333
15 March 2026	3.333333
15 September 2026	3.333333
15 March 2027	3.333333
15 September 2027	3.333333
15 March 2028	3.333333
15 September 2028	3.333333
15 March 2029	3.333333
15 September 2029	3.333333
15 March 2030	3.333333
15 September 2030	3.333333
15 March 2031	3.333333
15 September 2031	3.333333
15 March 2032	3.333333
15 September 2032	3.333333
15 March 2033	3.333333
15 September 2033	3.333333

Payment DueInstallment Share
(Expressed as a %)

15 March 2034
15 September 2034
15 March 2035
15 September 2035
Total

3.333333
3.333333
3.333333
3.333343
100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

Deposit Account

2. Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate the Deposit Account at a commercial bank acceptable to ADB into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be managed and liquidated in accordance with terms and conditions satisfactory to ADB.

3. The Borrower shall maintain separate accounts and records in respect of the Deposit Account in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB

Basis for Withdrawal from the Loan Account

4. The Withdrawal Table sets out the Loan amount available for withdrawal upon the Borrower's achievement of the corresponding DLI targets as set out in the DLI Matrix. Except as otherwise specified in this Schedule 3 or otherwise agreed by ADB, the Withdrawal Table shall form the basis for withdrawal from the Loan Account

5. Except as otherwise agreed by ADB, the Borrower shall not make more than one application for withdrawal from the Loan Account on a semi-annual basis.

6. Except as provided in paragraph 11 of this Schedule 3, prior to submitting any application for withdrawal from the Loan Account for a DLI, the Borrower shall submit for ADB's approval, satisfactory evidence as required under the DLI Verification Protocol that such DLI has been fully achieved, or (for DLIs for which partial disbursement is allowed as specified in the DLI Matrix) partly achieved. After ADB's confirmation that the DLI has been achieved in full, or (for DLIs for which partial disbursement is allowed as specified in the DLI Matrix) in part, the Borrower may submit an application for withdrawal of the corresponding Loan proceeds for such DLI.

7. No withdrawal shall be made or permitted from the Loan Account for any DLI unless ADB is satisfied that the Borrower continues to comply with all DLIs that were previously met and for which Loan proceeds have been disbursed.

8. Throughout the implementation period of the Program, the Borrower shall submit any information on the Program that ADB may require from time to time to assess and calculate the value of Eligible Expenditures.

Application for Withdrawal from the Loan Account

9. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Prior to the submission of the first withdrawal application, the Borrower shall submit to ADB sufficient evidence of the authority of the person(s) who shall sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person.

Financing for Prior Results

10. Withdrawals from the Loan Account may be made, as set out in the Withdrawal Table, for DLI targets achieved prior to the Effective Date but not earlier than 12 months before the date of this Loan Agreement, provided that the aggregate of such withdrawals shall not, at any time, exceed 20% of the Loan amount

Advanced Financing

11. (a) Prior to the achievement of any DLIs, withdrawals from the Loan Account may be made for the purposes of meeting the Program's financing requirements and supporting the achievement of DLIs. Withdrawals for such advanced financing may be made from time to time during Program implementation; provided that (i) the outstanding advanced financing amount shall not, at any time, exceed 25% of the Loan amount; and (ii) the aggregate outstanding advanced financing amount and the Loan amount withdrawn for financing prior results as set out in Attachment 2 of Schedule 3 to this Loan Agreement shall not, at any time, exceed 30% of the Loan amount.

(b) ADB shall deduct the withdrawn advanced financing amounts from the Loan amounts allocated for subsequent DLIs once such DLIs have been achieved.

Reallocation

12. (a) The years indicated for disbursement in the table in Attachment 2 to this Schedule 3 are indicative only and shall not restrict disbursement on account of any DLI targets achieved ahead of the expected year. In the event the Borrower achieves a DLI target earlier than targeted, the Borrower shall be entitled to seek advancement of the disbursements due for such DLI, and ADB shall make disbursement for such DLI.

(b) Notwithstanding the allocation of Loan proceeds set forth in the Withdrawal Table, if the amount of Loan proceeds allocated to any DLI appears to be insufficient or excessive for any reason whatsoever, the Borrower and ADB may by agreement reallocate such shortfall or excess amount to any other DLI.

Disbursement Procedures

13. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook, subject to the following:

(a) the supporting documents specified in paragraph 6 of this Schedule 3 shall be submitted by the Borrower in lieu of the supporting documents required under the Loan Disbursement Handbook; and

(b) disbursements from the Loan shall be made pro-rata to disbursements from the AIF Loan: at 4.2% in respect of the AIF Loan and 95.8% in respect of the Loan.

Reconciliation

14. If any DLIs have not been achieved by the Program Completion Date, the Borrower shall, within 6 months after the Program Completion Date, refund to ADB any outstanding advance financing amount or part thereof which corresponds to the Loan amount allocated under the Withdrawal Table for the DLIs or part of the DLIs which have not been achieved.

15. If the amount of Eligible Expenditures is less than the proceeds of the Loan withdrawn by the Borrower under the Program by the Program Completion Date, the Borrower shall, within 6 months after the Program Completion Date, refund ADB an amount equal to such shortfall.

DLI Matrix

DLI	Prior Results (2015)	2016	2017	2018	2019
Outcome: Adequacy and reliability of power supply achieved for Sumatra					
DLI 1: Number of PLN customers in Sumatra increase by at least 3% each year		At least 11.86 million customers connected by end of 2016	At least 12.21 million customers connected by end of 2017	At least 12.58 million customers connected by end of 2018	At least 12.96 million customers connected by end of 2019
DLI 2: Residential energy sales grow by at least 3% each year from the preceding year		At least 16,848 GWh or more of energy sales to residential customers in 2016	At least 17,421 GWh or more of energy sales to residential customers in 2017	At least 18,048 GWh or more of energy sales to residential customers in 2018	At least 18,734 GWh or more of energy sales to residential customers in 2019
DLI 3: Number of MV feeder permanent interruptions per 100 km maintained at 2014 baseline level or improved		MV feeder permanent interruptions reduced to less than 21.12 interruptions/100 km by end of 2016	MV feeder permanent interruptions reduced to less than 21.08 interruptions/100 km by end of 2017	MV feeder permanent interruptions reduced to less than 21.04 interruptions/100 km by end of 2018	MV feeder permanent interruptions reduced to less than 21.02 interruptions/100 km by end of 2019
Outputs: (i) Existing transmission system strengthened and expanded; (ii) existing distribution system strengthened and expanded; and (iii) performance management and implementation improved					
DLI 4: Cumulative length of 150 kV transmission lines reconductored	At least 25% of the contracts for strengthening and expansion of the transmission system of the Sumatra grid are made	Cumulative length of 1,242 ckm or more of 150 kV transmission lines reconductored by end of 2016	Cumulative length of 1,367 ckm or more of 150 kV transmission lines reconductored by end of 2017	Cumulative length of 1,543 ckm or more of 150 kV transmission lines reconductored by end of 2018	Cumulative length of 1,743 ckm or more of 150 kV transmission lines reconductored by end of 2019

	effective in 2015				
DLI 5: Additional number of distribution transformer units installed annually	Procurement monitoring system for the Program implemented, whereby: (i) the Borrower's procurement performance indicators agreed with ADB in line with the Borrower's guidelines; (ii) procurement baseline data for the first half of 2015 collected and made available to ADB; and (iii) procurement performance measurement targets for 2016-2019 agreed with ADB.	At least an additional 2,582 or more of distribution transformer units installed in 2016	At least an additional 2,642 or more of distribution transformer units installed in 2017	At least an additional 3,501 or more of distribution transformer units installed in 2018	At least an additional 3,625 or more of distribution transformer units installed in 2019
DLI 6: Additional length of MV distribution lines installed annually		At least an additional 1,860 ckm or more of MV distribution lines installed in 2016	At least an additional 2,010 ckm or more of MV distribution lines installed in 2017	At least an additional 2,044 ckm or more of MV distribution lines installed in 2018	At least an additional 2,121 ckm or more of MV distribution lines installed in 2019

SCHEDULE 4

Execution of Program

Implementation Arrangements

1. The Borrower shall ensure that the Program is implemented in accordance with the detailed arrangements set forth in the PID. Any subsequent change to the PID shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PID and this Loan Agreement, the provisions of this Loan Agreement shall prevail.
2. The Borrower shall ensure that grievances if any from stakeholders, relating to the Program implementation or use of funds are addressed effectively and efficiently.

DLI Actions and Dialogue

3. The Borrower shall ensure that all DLIs under the Program, as set forth in the DLI Matrix, continue to be in effect for the duration of the Program.
4. The Borrower shall share with ADB information concerning policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.

Technical Aspects

5. The Borrower shall ensure that the actions specified in the PAP in the area of Program technical aspects are implemented in a timely and efficient manner.

Financial Management

6. The Borrower shall ensure that the financial management actions specified in the PAP are implemented in a timely and efficient manner.

Procurement

7. The Borrower shall ensure that the Program includes no activities which involve (a) procurement of works, turnkey, supply or installation contracts estimated to cost \$50,000,000 equivalent or more per contract; (b) procurement of goods contracts estimated to cost \$30,000,000 equivalent or more per contract; (c) information technology or non-consulting services contracts estimated to cost \$20,000,000 equivalent or more per contract; and (d) consultants' services contracts estimated to cost \$15,000,000 equivalent or more per contract.

Safeguards

8. The Borrower shall ensure that the safeguards actions specified in the PAP are implemented in a timely and efficient manner.

9. The Borrower shall ensure that construction or rehabilitation works under the Program do not involve significant adverse environmental impacts which may be classified as category A under the SPS or its related rules/manuals.

10. The Borrower shall ensure that the preparation, design, construction and implementation of all activities under the Program comply with (a) all applicable laws, regulations and guidelines of the Guarantor relating to land acquisition and resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the PAP.

11. The Borrower shall ensure that the preparation, design, construction, implementation, operation of all activities under the Program comply with (a) all applicable laws, regulations and guidelines of the Guarantor relating to Indigenous People; (b) the Indigenous People Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the PAP.

12. The Borrower shall ensure that the preparation, design, construction, implementation, operation and decommissioning of all activities under the Program comply with (a) all applicable laws, regulations and guidelines of the Guarantor relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the PAP.

Monitoring and Evaluation

13. The Borrower shall ensure that the monitoring and evaluation actions specified in the PAP are implemented in a timely and efficient manner.

Financial Covenants

14. The Borrower shall perform all actions necessary to ensure that, beginning 1 January 2016, it shall achieve a self-financing ratio of at least 15 percent. Except as ADB shall otherwise agree, the Borrower shall produce, for each of its fiscal years after fiscal year ending 31 December 2015, cash from internal sources equivalent to not less than 15 percent of the annual average of the Borrower's capital expenditures incurred, or expected to be incurred, for that year and the succeeding fiscal years. For the purposes of this paragraph:

- (a) the term "cash from internal sources" means the difference between:
 - (i) the sum of cash flows from all sources related to operations, plus cash generated from consumer deposits and consumer advances of any kind, sale of assets, cash yield of interest on investments, and net non-operating income; and
 - (ii) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends paid and other cash distributions of surplus, increase in

working capital other than cash and other cash outflows other than capital expenditures;

- (b) the term "net non-operating income" means the difference between:
 - (i) revenues from all sources other than those related to operations, after making adequate provisions for uncollectible debts; and
 - (ii) expenses, including taxes and payments in lieu of taxes incurred in the generation of revenues in (i) above;
- (c) the term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each fiscal year;
- (d) the term "current assets excluding cash" means all other assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expense within the next fiscal year;
- (e) the term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements taxes and payments in lieu of taxes, and dividends;
- (f) the term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments if any) of, and interest and other charges on, debt, excluding interest charged to construction and financed from loans;
- (g) the term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations;
- (h) the terms "operations" or "operating" refer to all operations of the Borrower; and
- (i) whenever for the purposes of this paragraph it shall be necessary to value, in terms, of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to ADB.

15. Except as ADB shall otherwise agree, the Borrower shall perform all actions necessary to ensure that it shall not incur any debt, unless its net revenues for the twelve months prior to the date of such incurrence shall be at least 1.35 times for the period beginning 1

January 2016 to 31 December 2017 and shall be at least 1.5 times for the period beginning 1 January 2018, of its estimated maximum debt service requirements for any succeeding fiscal year on all its debt, including the debt to be incurred. For the purposes of this paragraph:

- (a) the term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred;
- (b) debt shall be deemed to be incurred: (i) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into;
- (c) the term "net revenues" means the difference between:
 - (i) the sum of revenues from all sources related to operations, after making adequate provisions for uncollectible debts, adjusted to take account of Borrower's rates. In effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate and net non-operating income; and
 - (ii) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt;
- (d) the term "net non-operating income" means the difference between:
 - (i) revenues from all sources other than those related to operations; and
 - (ii) expenses including taxes and payments in lieu of taxes incurred in the generation of revenues in (i) above;
- (e) the term "debt service requirements" means the 'aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on debt. Interest charges which are incurred in financing capital expenditures during development should be excluded, if such charges are capitalized. However, if the Borrower's policy is to meet the cost from operating income; such interest charges should be included in "debt service requirements". Lease payments under finance leases should also be included;
- (f) the terms "operations" or "operating" refer to all the operations of the Borrower; and
- (g) whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency,

such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to ADB.

16. Except as ADB shall otherwise agree, the Borrower shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 75 to 25. For the purpose of this paragraph, the term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.

17. Prior to 30 June of each fiscal year and on the basis of a forecast satisfactory to ADB, the Borrower shall review whether it would meet the requirements set forth in paragraphs 14 to 16 above in respect of such year and the next following fiscal year, and shall furnish to ADB the result of such review upon its completion.

Governance and Anticorruption

18. The Borrower shall (a) ensure that the Program complies with the provisions of the Anticorruption Guidelines and shall take all appropriate and timely measures to prevent, detect and respond to allegations of fraud, corruption, or any other prohibited activities in accordance with the Anticorruption Guidelines; and (b) promptly inform ADB of any allegations of fraud, corruption, or any other prohibited activities relating to the Program.

19. The Borrower shall cooperate fully with any investigation by ADB relating to allegations of fraud, corruption, or any other prohibited activities and extend all necessary assistance, including providing access to all relevant books and records, for satisfactory completion of such investigation.