

NEWS RELEASE



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PT Bhimasena Power Indonesia (BPI) Achieves Financial Close for Its 2x1,000 MW Power Project

Jakarta, June 8th, 2016 – PT Bhimasena Power Indonesia (BPI) on June 6th, 2016 reached financial close for its 2x1,000 MW power project in Batang Regency, Central Java. BPI is owned by a consortium of Electric Power Development Co., Ltd. (J-Power) – PT Adaro Power (AP) – Itochu Corporation (Itochu).

President Director of PT Adaro Energy Tbk (AE), Mr Garibaldi Thohir, remarked “We are pleased to achieve this significant milestone. Despite the delay, we are thankful for the support from PLN, all sponsors, lenders, government institutions and other stakeholders. We expect that the process will move forward as planned, and we are excited as we are now closer to our vision to be a leading Indonesian mining and energy group and establishing one of our engines of growth.”

Total investment for this project cost is around US\$4.2 billion, and BPI will receive project funding of approximately US\$3.4 billion from the Japan Bank for International Cooperation (JBIC) and a syndication of nine commercial banks: SMBC, BTMU, Mizuho, DBS, OCBC, Sumitomo Trust, Mitsubishi Trust, Shinsei and Norinchukin.

This project will sell electricity to PT Perusahaan Listrik Negara (Persero) (PLN) under a power purchase agreement (PPA) for 25 years from the completion of construction, the PPA between BPI and PLN was signed on October 6th, 2011.

Previously, as one of the most notable project financing transactions in Indonesia and particularly within Adaro group, AE together with its wholly owned subsidiary, AP – one of the sponsors in the consortium forming BPI – have signed an equity support agreement with the above senior lenders on June 3rd 2016 which AP undertook to support its equity participation in BPI through, among other things, loan or equity subscription in accordance with AP’s shareholding percentage in BPI with a commitment of around US\$298 million. Under such agreement, AE guarantees such performance and financial supports that will be given by AP. As part of AE’s main business activity as an energy company, AE also provides guarantees in accordance with its indirect shareholding percentage in BPI for BPI’s subordinated term loan

agreement and subordinated term loan hedging agreement that was signed on June 3rd, 2016 by AE and Mizuho, as the agent of certain aforementioned commercial banks, with total contingent liabilities of around US\$278 million.

The Government of Indonesia through the Ministry of Finance, the Indonesia Infrastructure Guarantee Fund (IIGF) and BPI have signed an agreement to guarantee the payment from PLN to BPI as stipulated in the PPA. IIGF is an institution established by the Government of Indonesia to provide guarantee for government institutions participating in public private partnership (PPP). This project is Indonesia's first PPP project to receive IIGF's guarantee.

President Director of BPI, Mr Mohammad Effendi, said "After the financial close, construction of the power plant should immediately begin. Construction is estimated to take approximately four year and COD is expected in 2020." This power plant will be one of the largest IPP in Asia and is the first coal-fired power plant project to use the environmentally friendly ultra-supercritical (USC) technology in Indonesia. The USC uses steam temperatures and pressures above the supercritical point of water which allows lower fuel consumption per kilowatt hour (KwH) and reduce specific CO² emissions.

This project has been delayed for several years due to difficulties related to land acquisition. Early this year, through the implementation of Law No.2/2012 regarding Land Procurement for Development in the Public Interest, BPI and PLN had been able to secure all the required land and this has made BPI the first Independent Power Producer (IPP) to have successfully implemented Law No.2/2012.

Despite the delay, all partners remain committed to the project and all the stakeholders involved including the government of Indonesia, PLN and the creditors remain committed to the project from the beginning. The Engineering, Procurement and Construction (EPC) contractors selected for this project are Mitsubishi Hitachi Power Systems, Ltd for the offshore portion and Sumitomo Corporation for the onshore portion. Operation & Maintenance of the power plant will be conducted by BPI.

From the beginning of construction and throughout its operation, BPI will contribute significantly to the social and economic development of Indonesia, particularly the Batang Regency and Central Java region, through job creation and numerous social development programs to create shared value between BPI and the community. One example, in order to overcome the impact of land acquisition, BPI has given social compensation to affected farmers and prepared replacement land to solve the changes in livelihood method. BPI has also carried out several community development programs and will continue to improve its programs for the development of a self-sustaining society.

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Profile of PT Bhimasena Power Indonesia

PT Bhimasena Power Indonesia (BPI) is a consortium of Electric Power Development Co., Ltd. (J-Power) (34%), PT Adaro Power (34%) and Itochu Corporation (Itochu) (32%). PT Adaro Power is a wholly-owned subsidiary of PT Adaro Energy Tbk.

The 2x1,000MW power plant is located in Batang Regency, Central Java. It is the first infrastructure project under the public private partnership (PPP) structure and will apply the Build, Own, Operate, Transfer (BOOT) scheme. This project is part of the Master Plan for Acceleration and Expansion of Indonesia Economic Development and will lead economic development in Java. The 2x1,000MW power plant is also part of the 35,000MW program inaugurated by President Joko Widodo, a national strategic plan to meet Indonesia's growing electricity demand. This project will use the more efficient and environmentally-friendly Ultra-Super Critical technology.