



18 January 2021

Mr. Zulkifli Zaini
President Director
PT Perusahaan Listrik Negara (Persero)
Jl. Trunojoyo Blok M 1/135, Kebayoran Baru
Jakarta 12160

Dear Mr. Zaini:

Amendments to Legal Agreements: Financial Covenants

1. The Asian Development Bank ("ADB") Board of Directors approved INO: Sustainable Energy Access in Eastern Indonesia-Electricity Grid Development Program (Phase 2) [Loan No. 4009-INO] ("Program") on 24 November 2020. The Loan Agreement for this Program contains adjusted financial covenants that are applicable to PT Perusahaan Listrik Negara (Persero)("PLN").
2. ADB approved on 4 January 2021, a request from PLN to amend the existing legal agreements with ADB for those projects listed in Attachment 1, to reflect the latest set of financial covenants approved for Loan No. 4009-INO. To give effect to the changes, it is necessary to amend each of the project implementing agreements, project agreements and loan agreements between PLN and ADB (as such agreements may be amended or supplemented from time to time, the "Legal Agreements") listed in Attachments 2 and 3 with the amendments set forth therein.
3. Save and except to the extent set out in paragraph 2 of this letter agreement and Attachments 2 and 3, the Legal Agreements remain unchanged.
4. The Republic of Indonesia, as the borrower or guarantor, as applicable, with respect to each of the loans listed in Attachment 1, confirms that its obligations under the respective loan agreements and guarantee agreements will continue with respect to the Legal Agreements, as amended hereby.
5. Pursuant to ADB's Access to Information Policy (2018) ("AIP"), the amendments to the Legal Agreements will be posted on ADB's website within 2 weeks from the date that the amendments become effective, after removing any information that falls within the AIP exceptions as specified by PLN.
6. Please indicate PLN's concurrence to the amendments set out in the attachment hereto and to the terms of this letter agreement by countersigning each of the two originals of this letter agreement in the space indicated below. Please retain one signed original of this letter agreement

for your records and return the other to ADB. The proposed amendments shall take effect on the date of receipt by ADB of a signed original of this letter agreement by both PLN and the Republic of Indonesia.

Sincerely,



Winfried F. Wicklein
Country Director
Indonesia Resident Mission

Accepted and agreed:

**For and on behalf of
PT Perusahaan Listrik Negara (Persero)**

Name: Zulkifli Zaini

Designation: President Director

Date: 29 Januari 2021



**For purposes of paragraph 4 of the letter agreement only,
for and on behalf of Republic of Indonesia**

Name: Luky Alfirman

Designation: Director General of Budget Financing and Management

Date: 8 February 2021

cc: Mr. Luky Alfirman, Director General of Budget Financing and Risk Management, Ministry of Finance
Mr. Scenaider C.H. Siahaan, Director for Loans and Grants, Ministry of Finance
Mr. Heri Setiawan, Director for State Financing and Risk Management, Ministry of Finance
Mr. Darmawan Prasodjo, Vice President Director, PT PLN (Persero)
Ms. Synthia Roesly, Director of Finance, PT PLN (Persero)
Mr. Muhammad Ikbal Nur, Director of Corporate Planning, PT PLN (Persero)
Mr. Hot Martua Bakara, Executive Vice President, Corporate Planning Division, PT PLN (Persero)
Mr. Teguh Widhi Harsono, Executive Vice President, Finance Division, PT PLN (Persero)
Mr. Toru Kubo, Director, SEEN, ADB
Ms. Takako Morita, Senior Counsel, OGC, ADB

Existing Projects

Loan number	Project title	Signing date	Maturity date
Loan 1982	Renewable Energy Development Project	10 November 2003	1 October 2027
Loan 1983	Power Transmission Improvement Sector Project	10 November 2003	1 October 2027
Loan 2619	Java Bali Electricity Distribution Performance Improvement Project	22 June 2010	1 February 2035
Loan 3015	Strengthening West Kalimantan Power Grid Project	17 October 2013	15 May 2033
Loan 3083	Java-Bali 500kV Power Transmission Crossing Project	30 December 2013	15 September 2033
Loan 8276	Java-Bali 500kV Power Transmission Crossing Project	30 December 2013	15 September 2033
Loan 3339	Electricity Grid Strengthening Sumatera Program – Result-based lending	4 December 2015	15 September 2035
Loan 8297	Electricity Grid Strengthening Sumatera Program – Result-based lending	4 December 2015	15 September 2035
Loan 3560	Sustainable Energy Access in Eastern Indonesia – Electricity Grid Development Program	10 October 2017	15 May 2037

**Legal Agreements with Financial Covenants
(Project Agreements and Loan Agreements)**

1. Each of the Project Agreements referred to in Part A of the following table, and each of the Loan Agreements referred to in Part B of the following table, in each case, entered into between PLN and ADB contains financial covenants that need to be amended.

Loan No.	Project Name	Sections Amended and Restated
PART A		
2619	Java Bali Electricity Distribution Performance Improvement Project	Schedule, Sections 4 and 5
3015	Strengthening West Kalimantan Power Grid Project	Schedule, Sections 10 and 11
3083 and 8276	Java-Bali 500kV Power Transmission Crossing Project	Schedule, Sections 3 and 4
PART B		
3339	Electricity Grid Strengthening Sumatera Program – Result-based lending (L8297 cross references L3339 (Schedule 4) for all obligations including the financial covenants)	Schedule 4, Sections 14 and 15
3560	Sustainable Energy Access in Eastern Indonesia – Electricity Grid Development Program	Schedule 4, Sections 14 and 15

2. Each of the Legal Agreements indicated in Part B of the table above, shall include the following additional definition in Section 1.02:

[x] "PLN" shall mean PT Perusahaan Listrik Negara (Persero).

3. Each section in the respective Legal Agreements indicated in the table above, shall be deleted and restated with the corresponding section as follows:

Financial Covenants

[4][10][3][14]. Except as ADB shall otherwise agree, PLN shall perform all actions necessary to ensure that, for Fiscal Year ending 31 December 2020 and for each succeeding Fiscal Year, PLN shall achieve a self-financing ratio of at least 15%. For the purposes of this paragraph:

- (a) the term "self-financing ratio" means the sum of cash from internal sources for the 3 consecutive previous Fiscal Years divided by the sum of capital expenditures for the same 3 consecutive previous Fiscal Years;

- (b) *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;*
- (c) *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;*
- (d) *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;*
- (e) *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 12 months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expense within the next Fiscal Year;*
- (f) *the term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within 12 months, including accounts payable, customer advances, debt service requirements taxes and payments in lieu of taxes, and dividends;*
- (g) *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;*
- (h) *the term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations;*

- (i) *the terms "operations" or "operating" refer to all operations of PLN; and*
- (j) *whenever for the purposes of this paragraph it shall be necessary to value, in terms, of the currency of PLN, 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.*

[5][11][4][15]. Except as ADB shall otherwise agree, PLN shall perform all actions necessary to ensure that it shall not incur any debt, unless its net revenues for the 12 months prior to the date of such incurrence shall be at least 1.2 times for each of its Fiscal Years beginning Fiscal Year ending 31 December 2020, 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 PLN 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 PLN'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 PLN'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 PLN; and*
- (g) *whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of PLN, 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.*

4. The Project Agreement for Loan 2619: Java Bali Electricity Distribution Performance Improvement Project, Schedule, Section 6 shall be deleted and restated as follows:

6. Except as ADB shall otherwise agree, PLN 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 PLN maturing by its terms more than one year after the date on which it is originally incurred.

**Legal Agreements with Financial Covenants
(Project Implementation Agreements)**

1. Each of the Project Implementation Agreements referred to in the following table, in each case, entered into between Republic of Indonesia, PLN and ADB contains financial covenants that need to be amended.

Loan No.	Project Name	Sections Amended and Restated
Loan 1982	Renewable Energy Development Project	Section 2.17(a)(ii), (iii), (iv), (v), and (b)
Loan 1983	Power Transmission Improvement Sector Project	Section 2.17(a)(ii), (iii), (iv), (v), and (b)

2. Each section in the respective Legal Agreements indicated in the table above, shall be deleted and restated with the corresponding section as follows:

Financial Covenants

2.17(a)(ii). *Except as ADB shall otherwise agree, PLN shall perform all actions necessary to ensure that, for Fiscal Year ending 31 December 2020 and for each succeeding Fiscal Year, PLN shall achieve a self-financing ratio of at least 15%. For the purposes of this paragraph:*

(a) *the term "self-financing ratio" means the sum of cash from internal sources for the 3 consecutive previous Fiscal Years divided by the sum of capital expenditures for the same 3 consecutive previous Fiscal Years;*

(b) *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;*

(c) *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;*
- (d) *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;*
- (e) *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 12 months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expense within the next Fiscal Year;*
- (f) *the term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within 12 months, including accounts payable, customer advances, debt service requirements taxes and payments in lieu of taxes, and dividends;*
- (g) *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;*
- (h) *the term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations;*
- (i) *the terms "operations" or "operating" refer to all operations of PLN; and*
- (j) *whenever for the purposes of this paragraph it shall be necessary to value, in terms, of the currency of PLN, 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.*

2.17(a)(iii). Except as ADB shall otherwise agree, PLN shall perform all actions necessary to ensure that it shall not incur any debt, unless its net revenues for the 12 months prior to the date of such incurrence shall be at least 1.2 times for each of its Fiscal Years beginning Fiscal Year ending 31 December 2020, 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 PLN 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 PLN'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 PLN'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 PLN; and
- (g) whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of PLN, 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.

2.17(a)(iv). Except as ADB shall otherwise agree, PLN 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 PLN maturing by its terms more than one year after the date on which it is originally incurred.

2.17(a)(v). Prior to 30 June of each Fiscal Year and on the basis of a forecast satisfactory to ADB, PLN shall review whether it would meet the requirements set forth in

paragraphs 2.17(a)(ii) to 2.17(a)(iv) 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.

2.17(b). *Deleted in its entirety.*